

PEZA seeking to raise share of electronics locators in ecozones

THE Philippine Economic Zone Authority (PEZA) said that it is hoping to increase electronics manufacturing services and semiconductor manufacturing services (EMS-SMS) investments in economic zones (ecozones).

In a statement on Thursday, PEZA Director General Tereso O. Panga said the investment promotion agency (IPA) plans to increase the share of EMS-SMS, information technology and business process management (IT-BPM), and American registered business enterprises (RBEs) within its ecozones.

“Undoubtedly, the Philippine economy and electronics industry are on the rise with sustained growth momentum. Even the global electronics industry is projecting 7.5% growth this year, indicating a rosier outlook from its sluggish performance for the past two years,” Mr. Panga said.

“PEZA endeavors to increase further the 32% share of EMS-SMS, the 12% share of IT-BPM, and the 317 American RBEs in total ecozone investments — banking especially on the stronger US-Philippine cooperation and economic ties under the Trump administration,” he added.

He cited the need to seize the opportunities presented by the new US government’s trade policy.

“I highly doubt that a reversal in US policy as regards the Philippines in terms of trade will occur under a Trump administration,” he said, citing the country’s performance, renewed ties between the US and the Philippines, and a looming US-China trade war.

He said improving ease of doing business and the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act

will make the Philippines a viable for US businesses.

“PEZA will continue to engage, promote, and entice US companies to invest in the country. And for US companies that have made PEZA their home in the Philippines, encourage their expansion in this part of the world,” he said.

“I believe that our long-standing alliance have mutual benefits for both countries, especially in business and trade in the long term,” he added.

In a mission to Las Vegas and San Francisco, PEZA met with IPC (International Association for Electronics Manufacturing), Applied Materials, ASML, Suba Technology, and their suppliers.

PEZA also briefed ON Semiconductor, Winstron NeWeb Corp., Quintel Technology, Enphase Energy, Inc., Logoline, Valmiz, and LJID Consulting on opportunities in the Philippines.

Mr. Panga highlighted the need to address the potential impact of the planned US tariff hikes on the EMS-SMS industry.

These include how the policy will affect Philippine EMS-SMS exports, how the Philippines will benefit from the increased import tariffs on EMS-SMS products from China, Mexico, and Vietnam, and whether US policy will erode the Philippines’ ability to attract more US investment.

“Alternatively, the government can counter the planned import tariff hikes by forging a bilateral free trade agreement with the US and reviving the Generalized System of Preferences Program to allow for greater market access for our commodity exports to the US,” he added.

PEZA hosts 482 EMS-SMS companies that provide critical back-end support to their principal clients in the US. — **Justine Irish D. Tabile**

Price hikes approved for 63 commodities

THE Department of Trade and Industry said it has approved price increase for 63 commodities, equivalent to 28% of the commodities covered by the suggested retail price bulletin.

Trade Secretary Ma. Cristina A. Roque said prices for the remaining 72% of stock keeping units will remain steady.

“We had a meeting with the manufacturers and 72% will not have any price increase. If ever there’s a price increase it’s only for the remaining 28%,” she told reporters on Thursday. — **Justine Irish D. Tabile**

LGU share of National Gov’t revenue about 35% in 2026 after set-asides

FINANCE Secretary Ralph G. Recto said that the National Tax Allotment (NTA) for local government units (LGUs) will be the equivalent of 35% of National Government revenue in 2026 when allocations to special-purpose funds are taken into account.

“Today they’re getting roughly 32% as we calculated yesterday, and it will go up to about 35% by 2026. More or less,” Mr. Recto told reporters on Thursday.

The government is required by the Local Government Code to provide 40% of its tax revenue to LGUs, though it is allowed to deduct certain items, such as Special Purpose Funds, from the NTA calculation.

Among the exclusions from the 40% calculation are “special allotments like that for the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM),” he said.

The Code originally called for the LGU share to be 40% of all “internal revenue,” which the Supreme Court struck down in its Mandanas ruling, effectively amending the law to read 40% of all taxes.

According to the 2025 budget, LGUs will get a P1.03-trillion NTA, which is based on the National Government’s revenue from three years prior.

Mr. Recto also added that LGUs are due to receive additional revenue once the impact of the Tax Reform for Acceleration and Inclusion (TRAIN) law becomes more apparent.

“By 2026 there will be additional revenue for the local government units, particularly from TRAIN,” Mr. Recto said, referring to the tax reform measure that streamlined the collection process to improve compliance and boost revenue.

The DoF met the Mayors for Good Government (M4GG) representatives, Quezon City Mayor Ma. Josefina G. Belmonte and Baguio City Mayor Benjamin B. Magalong, on Wednesday.

Mr. Magalong, founder of M4GG claimed that LGUs were “shortchanged,” receiving only 31% of NG revenue in 2024 and 32% in 2023.

“I think what is important is no one is shortchanging the local government. And as promised, we are very transparent. We show them all the calculations,” Mr. Recto said.

Meanwhile, Ms. Belmonte, president of the League of Cities and a co-convenor of the M4GG said both parties are still open to talks on the matter.

“*Siyempre hindi pa nagtatapos dyan...* (Things don’t end there). We would like to see if there are other legal remedies other interpretations of the Constitution as well as the SC ruling,” she said.

Ms. Belmonte added that municipalities that rely on the NTA are disproportionately affected, unlike highly urbanized cities that have other sources of revenue. — **Aubrey Rose A. Inosante**

Last subway contracts targeted for award this year

THE Department of Transportation (DoTr) is hoping to award the remaining contract packages of the Metro Manila Subway Station project by the middle of this year.

“For the remaining contract packages (CPs) — that is, CP 105, 108, 109 — We hope to award those by the middle of this year,” Transportation Undersecretary for Railways Jeremy S. Regino told reporters on Thursday.

On Thursday, the Transportation department, together with Sumitomo Mitsui Construction Co., Ltd. officially launched the tunneling works for CP 103 of the Metro Manila Subway project with the installation of the tunnel boring machine at Camp Aguinaldo station.

The remaining contract packages of the Metro Manila Subway Station project are valued at between P10 billion and P15 billion.

CP 105 covers the construction of the station in Kalayaan Avenue and Bonifacio Global City; while CP 108 covers the Lawton and Senate-DepEd stations; and CP 109 the Ninoy Aquino International Airport (NAIA) Terminal 3 station.

“The DoTr commits to go full blast with our projects this year despite budget constraints. We are confident of the timely completion of transport infrastructures in the coming year,” Mr. Regino said.



THE Tunnel Boring Machine at the Camp Aguinaldo station of the Metro Manila Subway Project in Quezon City on Jan. 16.

The Metro Manila Subway Station project is now 50% complete, Mr. Regino said, adding that the DoTr is still confident of achieving partial operations in 2029, with full operations expected between 2030 and 2031.

The subway project will link Valenzuela City to Parañaque City, with a spur line connecting to Ninoy Aquino International Airport.

The subway is 33 kilometers long with 17 stations. The goal is to cut travel time between Quezon City and NAIA to 35 minutes from over an hour currently. It is expected to accommodate up to 370,000 passengers daily. — **Ashley Erika O. Jose**

Rice-for-All program to offer P38 rice

THE Department of Agriculture said it lowered the price of 25% broken rice sold by the Rice-for-All program to P38 per kilogram from P40 per kilo.

“This price reduction will take effect on Friday (Jan. 17), just ahead of the implementation of the maximum suggested retail price (MSRP) of P58 per kilo for 5% broken imported rice,” Agriculture Secretary Francisco P. Tiú Laurel, Jr. said in a statement on Thursday.

Rice-for-All is a component of the Kadiwa ng Pangulo program. Rice sold in KADIWA centers and stores also include a 5% broken grain variety priced at P45 per kilo, and 100% broken rice at P36 per kilo.

KADIWA centers also sell rice to low-income individuals for P29 per kilo.

“These offerings are being expanded across public markets and KADIWA centers to better serve the consumer,” the DA added.

The DA is looking to expand its KADIWA network to 1,500 locations by 2028, with a 300-outlet target by the second quarter.

To tame rice prices and control profiteering, the DA is set to impose an MSRP on imported rice with 5% broken-grain content at P58 per kilo, starting in Metro Manila markets.

The measure will be reviewed monthly to reflect fluctuations in global market prices and tariff rates, with plans to extend the program to other key cities nationwide.

The agency added that should importers exceed the MSRP, the DA will switch to a stricter suggested retail price scheme with fines and other penalties for violators. — **Adrian H. Halili**

Finance department bats for single tax rate on vapor products

THE DEPARTMENT of Finance (DoF) pushed for a single tax rate on Thursday on all types of nicotine and vapor products to ease the collection burden on the Bureau of Internal Revenue (BIR).

“It is very hard for the Bureau of Internal Revenue to distinguish which is a freebase and a salt nicotine so there is actually an incentive for manufacturers to identify their products as freebase because it is taxed at a lower rate,” Finance Assistant Secretary Karlo S. Adriano Fermin told the Senate blue ribbon committee.

The government imposes a tax of P57 per milliliter (ml) on salt nicotine products, P63 per ml on freebase nicotine products, and P65 per 10 ml tax on classic nicotine products, according to the excise tax rates prescribed by the Bureau of Customs for 2024.

“Hence, we want to have a unitary rate for ease of tax administration because the BIR does not have that capacity to determine if this is salt nicotine or freebase,” Mr. Adriano said.

The BIR collected P130.91 billion in tobacco excise taxes in the first 11 months of 2024, well behind the pace needed to hit the year’s target of P185.34 billion.

In a separate statement, Finance Secretary Ralph G. Recto said his department is open to discussions on raising excise tax rates on tobacco products but warned that continuous tax increases could also make it more attractive and profitable to smuggle these products.

“We’re willing to listen because excise taxes on tobacco fell by roughly P50 billion. We want to increase our revenue there.”

“There is a relationship between high rates and illicit trade, smuggling,” Mr. Recto said. “That’s why we are looking for a sweet spot.”

The House ways and means committee is pushing for a moratorium on yearly excise rate increases on tobacco products.

According to an unnumbered substitute bill prepared by the committee obtained by *BusinessWorld* on Jan. 14, the pause in yearly hikes would start on Jan. 1 next year until Dec. 31, 2026, provided that a 5% increase will then be imposed starting Jan. 1 and every three years thereafter.

“The focus should be on enforcement because that’s what the experience has been,” Adolfo Jose A. Montesa, a program officer of the fiscal

policy team at the Action for Economic Reforms, told *BusinessWorld* on the sidelines of the hearing.

“If you want to reduce illicit trade, you have to make it harder for people to access these products and you have to be able to go after the entire value chain.”

He cited the need for a track and trace system on tobacco products, requiring the DoF to bolster coordination with law enforcement bodies, and to impose stiffer penalties against smugglers.

President Ferdinand R. Marcos, Jr. has signed a law classifying agricultural smuggling, hoarding, profiteering, and financing of these crimes as acts of economic sabotage, if the goods exceed a valuation threshold of P10 million. — **John Victor D. Ordoñez**

BDO sees growth topping 6% in 2025; BPI estimates 6.3%

THE economy’s 2025 expansion is expected to top 6% in 2025, Banco de Oro Unibank Inc. (BDO) said, with the Bank of the Philippine Islands (BPI) giving a 6.3% estimate for gross domestic product.

At the 9th Joint Economic Briefing organized by European chambers, BDO Investor Relations Group Senior Vice-President Dante Tinga, Jr. said he expects tempered inflation and lower interest rates boosting investment and consumption, noting that the private sector has had four years of subdued capital expenditure (capex) activity.

“Investments and consumption are picking up. And we believe that corporates that have held back on capex the past four years will resume capex spending, and that should push up Philippine GDP (gross domestic product) to over 6% in 2025,” Mr. Tinga said.

In a note, BPI Lead Economist Emilio S. Neri, Jr. said: “Consumer spending is expected to show stronger growth this year with inflation now at manageable levels. This improvement will likely be most apparent in discretionary spending after a period of slower growth caused by high inflation, as consumers focused more on essentials.”

For the first nine months of 2024, growth averaged 5.8%. Preliminary fourth-quarter and full-year GDP data will be released on Jan. 30.

The government was counting on 6-6.5% GDP growth in 2024, and 6-8% growth this year.

BDO’s Mr. Tinga said household consumption has been picking up from 4.6% in the first quarter of 2024 to 5.1% in the third quarter.

“The pickup is driven by improvement in essential spending. Essential spending, or spending by less affluent consumers, has actually been relatively weak since the pandemic,” he said.

He said that because the “inflation show is already behind us,” less affluent consumers are gaining some purchasing power, which increased their spending on basic necessities.

“We’re also seeing an improvement in private consumption and durable

equipment, mainly importation of machinery in the third quarter,” he said.

“That’s a positive sign, because the private sector, even though their balance sheets have been healthy, when we talk to them, they held back on investments given volatility in exchange rates and interest rates,” he added.

He said that as interest rates and exchange rates stabilized, private construction and investments in machinery will continue to pick up.

“We are confident that the pick-up in consumption and investments that we saw in the second half of last year can be sustained, mainly because the drivers of private sector demand remain very much intact,” he said.

These drivers are foreign worker deployment, employment levels, and aggregate corporate and household balance sheets.

“For 2024 we are projecting that overseas foreign worker deployment will be over 2.6 million, and then that will translate to stable remittances that

help support consumption spending,” he said.

Mr. Neri sees inflation remaining within the Bangko Sentral ng Pilipinas’ (BSP) 2-4% target in the coming months, but noted risks such as the possibility of La Niña and disruptions to global supply chains due to trade barriers.

“Inflation remains sensitive to adverse weather conditions, particularly for vegetable prices, which warrant close attention. On the other hand, stable commodity prices amid China’s economic slowdown, improving rice supply, and President Trump’s push to expand US oil production may offset these risks. Additionally, China’s surplus manufacturing capacity could lead to cheaper imports into the Philippines, further easing inflationary pressures. Average inflation may reach 3.5% in 2025,” he said.

Philippine headline inflation picked up to 2.9% in December from 2.5% in November, marking the third consecutive month of faster inflation. — **Justine Irish D. Tabile, Aaron Michael C. Sy**