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Rules for new auto industry revival program due in March

THE Department of Trade and Industry (DTI) said that it expects to complete by mid-March a joint administrative order (JAO) that will implement a new auto industry revival program.

According to the department, the rules for the new program, known as Revitalizing the Automotive Industry for Competitiveness Enhancement (RACE), will be outlined in a JAO to be issued by the DTI and the departments of Finance and Budget and Management.

"The program mechanics are contained in a program concept that was submitted to Congress for approval and consideration in the 2025 General Appropriations Act, which we got," the DTI said.

"Hence, the drafting of the JAO to implement the program. We're expecting to complete the JAO by mid-March and open the application period for participants by April or May this year," it added.

The Office of the Special Assistant to the President for Investment and Economic Affairs had signaled earlier this week that the government would soon introduce RACE, a follow-on program to the Comprehensive Automotive Resurgence Strategy program, which focused on encouraging domestic manufacturing of mass-market economy sedans.

RACE is meant to "sustain the viability of the automotive sector, particularly the manufacture of ICE (internal combustion engine) vehicles during the transition to electric vehicles, through targeted investments and support," according to a RACE briefing document.

The RACE program will involve the production of three specific models of four-wheeled ICE vehicles, with participants committing to manufacture 100,000 units.

Participating carmakers will be eligible for fiscal support of up to P3 billion each on capital expenditure for tooling and equipment.

Each participant is also entitled to fixed investment support of up to 40% of capital expenditure, subject to meeting requirements, which include new investment in manufacturing the enrolled model and the 100,000-unit commitment.

Other requirements for availing of fixed investment support include the launch of the model within two years.

The investment support will be credited in three equal tranches, with the first tranche given after the production of the first 1,000 units, the second after the first 10,000 units, and the third after the second 10,000 units.

"Both Toyota and Mitsubishi signified their intention to enroll under RACE. They are just waiting for the JAO and opening of the application period," Ma. Corazon Halili-Dichosa, executive director at the Board of Investments, said. — **Justine Irish D. Tabile**

Export slowdown looms as US signals 25% chip tariffs

By Justine Irish D. Tabile
Reporter

EXPORTS are expected to take a hit after US President Donald J. Trump announced a plan to impose 25% tariffs on semiconductors this year, analysts said.

"Higher US import tariffs, especially the reciprocal tariffs, could slow down Philippine exports," Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said via Viber.

"This could slow down international trade between the US and the Philippines, especially Philippine exports to the US," he added.

Mr. Trump on Tuesday announced plans to impose 25% tariffs on automobile imports by April and similar duties on semiconductor and pharmaceutical imports this year, Reuters reported.

"He did not provide a date for announcing those duties and said he wanted to provide some time for drug and chip makers to set up US factories so that they can avoid tariffs," the report said.

The Philippine Statistics Authority (PSA), citing preliminary data, reported that electronic products were the country's top commodity export last year, accounting for $39.08 billion, or 53.38%, of total exports.

"This would adversely affect the biggest Philippine exports to the US (including) ignition wiring sets; other manufactured goods; coconut oil; machinery; and transport equipment, among others," Mr. Ricafort said.

Foreign Buyers Association of the Philippines President Robert M. Young said the tariffs on semiconductors will be the most detrimental to the economy.

"The reason being is that we are really planning to expand this industry. I understand that they're trying to reach $9-10 billion worth of exports to the US in another two or three years," he said.

However, he said that imposing tariffs on semiconductor exports from the Philippines will run counter to US commitments set out in the US CHIPS and Science Act.

The Philippines is one of seven countries that the US is partnering with to diversify its semiconductor supply chain under the CHIPS law.

The US committed to provide $52.7 billion in subsidies to support chip manufacturing and persuade chipmakers with operations in China to relocate to the US or other friendly countries.

"I don't know if the (CHIPS Act) will go on (because it will conflict with) the plan of President Trump to increase our tariffs," he said.

He said that the export industry is still in wait-and-see mode and hoping that tariffs will not be as punitive because the Philippines is a smaller exporter to the US.

"China is, I think, shipping $50 billion (to the US), which is about 8 to 10 times more than the Philippines," he added.

He said Philippine exports of auto parts and pharmaceuticals are small, but noted that the country will still have to prepare.

"For whatever it will be, we have to prepare. We have to look for other markets. There's Japan and Taiwan, semiconductor producing countries, and they will be needing us also for their supply chains," he said.

"This is the time for the government to intervene to explore other markets," he added.

Meanwhile, the Philippine Pharmaceutical Manufacturers Association Higinio P. Porte, Jr. said the industry will not be affected by the proposed tariffs.

"This will not affect our pharmaceutical manufacturers as we are not exporting to the US," Mr. Porte said via Viber.

"Most of our export destinations are in Asia, the Middle East and Australia," he added.

According to PSA, the US was the Philippines' top export destination last year, accounting for $12.12 billion or 16.6% of total exports.

'Special' gaming BPOs to retain PAGCOR backing

THE Philippine Amusement and Gaming Corp. (PAGCOR) said it continues to support the expansion of gaming-focused Special-Class Business Process Outsourcing (SCBPO) in the face of a government crackdown on a now-banned category of gaming licensees.

In a statement on Wednesday, PAGCOR Chairman and Chief Executive Officer Alejandro H. Tengco assured foreign chambers of commerce that the regulator will continue to advocate for SCBPOs and their expanding operations in the Philippines.

"The only difference from regular BPOs is that SCBPOs support the operations of legitimate gaming companies overseas, many of which are listed firms, by providing human resource, marketing, graphic design, accounting, and other back-office work," he said.

The SCBPOs are overseen by PAGCOR as they support gaming companies overseas.

In addition, he said that PAGCOR will ensure that SCBPOs are not directly engaged in gaming operations, such as taking or soliciting bets.

According to the SCBPO regulations, PAGCOR said these firms handle "purely product marketing and customer relations and are not servicing any of PAGCOR offshore gaming licensees."

Senator Mark A. Villar, who chairs the Committee on Games and Amusements, said in September that SCBPOs are exempt from the ban on Philippine Offshore Gaming Operators.

President Ferdinand R. Marcos, Jr. announced the ban during his State of the Nation Address in July, later codified in Executive Order No. 74 issued in November.

Mr. Tengco noted the sector's contribution to generating jobs and foreign investor interest in recognizing Philippine capabilities in outsourced services.

To date, the SCBPO sector employs nearly 5,000 workers in the Philippines, with plans to further expand operations and staffing.

SCBPOs are required to maintain at least 95% Filipino workforce "ensuring quality job opportunities for local workers who also receive above industry salaries."

"This industry has so much potential, and we are fully committed to its growth and capability to generate more employment," Mr. Tengco said. — **Aubrey Rose A. Inosante**

Goldman hoists gold target to $3,100 on central bank appetite

GOLDMAN Sachs Group, Inc. raised its year-end gold target to $3,100 an ounce on central-bank buying and inflows into bullion-backed exchange-traded funds, highlighting Wall Street's enthusiasm for the metal.

Central bank demand may average 50 tons a month, more than previously expected, analysts Lina Thomas and Daan Struyven said in a note. Should uncertainty over economic policy persist, including on tariffs, bullion could hit $3,300 an ounce on higher speculative positioning, they said. The latter figure implies an annual gain of 26%, according to Bloomberg calculations.

The precious metal has roared higher this year, setting successive records in a seven-week winning run that's built on last year's surge. The commodity's sustained advance has been driven by increased purchases by central banks, a streak of rate cuts from the Fed and, more recently, mounting investor concern over US President Donald Trump's disruptive tariff announcements.

"'We reiterate our 'Go for Gold' trading recommendation," Thomas and Struyven wrote. "We see significant hedging value in long gold positions because of a potential increase in trade tensions."

In addition, inflation fears and fiscal risks "may push central banks — especially those holding large US Treasury reserves — to buy more gold," they said.

The more bullish outlook — which came after Goldman pushed back a year-end $3,000 forecast last month — followed official-sector purchases estimated at 108 tons in December, according to the analysts. Elsewhere, there'll be a "gradual boost" to ETF holdings on two expected Fed cuts, they said.

The revised forecast sits alongside a host of other bullish predictions from leading banks. Among them, Citigroup, Inc. said earlier in February that it expects prices to hit $3,000 an ounce within three months, with geopolitical tensions and trade wars stoked by Trump boosting demand for haven assets. — ***Bloomberg***

Inflation,
from S1/1

RISKS TO EASING

Inflationary pressures from these risks could prompt the Bangko Sentral ng Pilipinas (BSP) to be more cautious about further easing, Ms. Tan said.

"If we have inflation accelerating again beyond the BSP's target, that could delay the timing and magnitude of a potential policy easing in the Philippines," she said.

"If that is the case, then the combination of borrowing costs and inflation staying higher for longer will be a recipe for further weakening in private consumption which is not great for the economy, given how it's the main driver of growth."

The BSP surprised markets after it left the benchmark unchanged at 5.75% at its Feb. 13 meeting. This after the central bank cut rates at three straight meetings since it began its easing cycle in August.

Ms. Tan was the only economist in a *BusinessWorld* poll of 20 analysts that correctly predicted the hold.

"It is a balancing act that the BSP has played. They have to balance both inflationary risks as well as the strength of the peso."

"But that said, we don't expect the pause to be felt very long. In fact, the next rate cut could come as early as in April, which is the next time the Monetary Board will meet," she added.

Despite the pause, BSP Governor Eli M. Remolona, Jr. has said that a rate cut is still on the table at the Monetary Board's next rate-setting meeting on April 3.

He also said the central bank is still on an easing path, signaling the possibility of up to 50 basis points (bps) worth of cuts this year.

"With inflation now largely back on target, and GDP (gross domestic product) growth still slightly below the government's expectations, these will prompt the next rate cut sooner rather than later," Ms. Tan added.

The Philippines' GDP expanded by a slower-than-anticipated 5.2% in the fourth quarter. This brought full-year 2024 growth to 5.6%, short of the government's 6-6.5% target.

Meanwhile, Ms. Tan said the upcoming midterm elections in May could provide a boost to spending.

"In general, elections, whether it's national or midterm, they have to give a boost to the economy, especially through the consumption channel."

"So, we will see spending on campaign-related goods and services increase. But at the same time, you know, all that increase in demand could also signal bad news for inflation," she added. — **Luisa Maria Jacinta C. Jocson**