Weak confidence seen delaying PHL recovery

THE ECONOMY could struggle to recover in the near term with weak confidence continuing to dampen consumption, investments and public spending, ANZ Research said.

"We are not certain at this stage whether growth in the Philippines will inflect for the better anytime soon," Sanjay Mathur, ANZ Research chief economist for Southeast Asia and India, said in a report on Tuesday.

Mr. Mathur noted that the flood control corruption scandal has hit consumer and business confidence beyond just slowing government spending, particularly for infrastructure projects.

"The governance issues surrounding public infrastructure projects have not only led to a significant deceleration in government capital spending, but have also taken a toll on business and household confidence," he said.

Last year, extensive flooding led to the discovery of defective or even non-existent flood control projects. Evidence has implicated Public Works officials, legislators, and private contractors in kickback schemes.

As a result, gross domestic product (GDP) growth slumped in the second half of 2025.

GDP growth settled at 3.9% in the third quarter before slowing further to 3% in the fourth quarter, which brought full-year growth to a post-pandemic low of 4.4%.

Economic managers have since acknowledged that governance concerns continue to weigh on investors and household sentiment.

"The share of corporates intending to raise investment has tapered off, whereas households are downbeat on their economic prospects over the next 12 months," Mr. Mathur noted. "In fact, consumer confidence is lower now than during the pandemic."

According to the Bangko Sentral ng Pilipinas' (BSP) Business Expectations Survey, businesses were more optimistic in the fourth quarter, with their overall confidence index (CI) rising to 29.7% from 23.2% in the third quarter but falling from 44.5% a year earlier.

However, businesses turned sour for the first quarter with a 23.7% CI.

Meanwhile, consumer confidence worsened in the fourth quarter, with their CI at -22.2% from -9.8% in the third quarter and -11.1% a year prior.

This was the worst consumer outlook since the pandemic, when the consumer CI came in at -24% in the fourth quarter of 2021.

Whether the government can resume the pace of infrastructure spending also remains uncertain, Mr. Mathur added.

"We do not know how quickly infrastructure spending can be revived," he said.

"The last restructuring of public finances in 2001 resulted in a prolonged period of low and static public spending. It is not clear whether this will be the case or a faster resolution of governance issues will occur," he added.

Infrastructure spending declined for a fifth straight month in November, falling 45.2% year on year to P48 billion.

Mr. Mathur said the BSP could ease further to boost the economy, although "weak confidence may restrict its impact."

"A more expansionary fiscal stance is critical in the present environment," Mr. Mathur added.

The central bank has been on an easing cycle since August 2024, having delivered a total of 200 basis points (bps) worth of rate cuts.

Mr. Mathur expects the Monetary Board to reduce benchmark borrowing costs one last time by 25 bps, which would bring the key policy rate to 4.25% from the current 4.5%.

BSP Governor Eli M. Remolona, Jr. has said that the monetary authorities could ease once more this month to help spur domestic demand, though the Monetary Board has also noted that the end of the easing cycle is nearing.

The Monetary Board will hold its first policy meeting of the year on Feb. 19. — **Katherine K. Chan**

Resolution of tariff issues needed before US FTA talks — Ambassador Romualdez

By Justine Irish D. Tabile
Senior Reporter

THE US has signaled openness to pursue a free trade agreement (FTA) with the Philippines, but negotiations can only move forward once a deal on reciprocal tariffs is finalized, the Philippine ambassador to Washington said.

Ambassador Jose Manuel G. Romualdez said that the US expressed openness to negotiate an FTA during reciprocal tariff talks.

"We mentioned it, and we just said that perhaps this is not the time. But they said that they are open (to an FTA)," he said at the US-Philippines Society briefing on Tuesday.

" I do not think we are prepared to go into discussions on (an FTA) until we have more or less solidified our agreement on the tariffs. But the Trump Administration is open to having an FTA with the Philippines," he added.

He said that during the first term of US President Donald J. Trump, his administration had pushed for the FTA.

"We were already on the verge of having some serious conversations on the FTA with the US," he added.

He also said that the Philippines has been implementing reforms that were previously identified as hurdles to an FTA to happen, including reforming land ownership rules.

"We've had successful legislation (that will address US concerns) for an FTA," he said, referring to the amendments to the Investors' Lease Act, which allowed foreign investors to lease private land for up to 99 years, up from the previous 50-year limit.

"Right now... we are not really pushing it ... because there are other more important things at this time," he added.

He said on the issue of reciprocal tariffs, "We've had a number of conversations with the US Trade Representative, and we have been very happy with the exemptions that we have requested because almost all have been granted," he said.

"That, I think, has already stabilized our basic request for our trade to be more or less balanced," he added.

He said the US semiconductor industry has been taking that lead to make sure that chip tariff rates will not be "too upsetting," as there are many US chip companies operate in the Philippines.

The US business process outsourcing industry has also sought to ensure that the industry will be exempt from tariffs.

"We are still continuing to talk about other issues here and there, but at the end of the day, we are quite happy," he added.

The US started imposing a 19% reciprocal tariff on most of Philippine goods entering the US market in August.

In November, the US issued an executive order that exempted several agricultural products from the tariff.

This rendered about 46% of Philippine exports to the US in 2024 exempt from the 19% tariff.

Since then, the Philippines has been working on more exemptions, including for some industrial goods.

Mr. Romualdez said there have been continuous talks with regard to the potential Philippine acquisition of aircraft from Lockheed Martin Corp., after the purchase was put on hold in September.

"Lockheed has been talking to us, and we're finding ways... to finance the purchase," he said.

"I know our Air Force really wants this, and it's best right now in terms of what the capabilities of our Air Force are," he added.

However, he said that the purchase is not feasible given the government's current budget.

"We're not closing the door, but it'll take quite some really imaginative and creative ways to be able to purchase," he said.

"We need at least a minimum of about 24 F-16 (fighter aircraft). This is a $4.8 billion-$5 billion purchase. We just have to wait and see how we move forward on that particular item," he added.

The Philippines is budgeting for at least $2.5 billion in defense items between 2026 and 2030 after the US Senate approved a bill that authorized new security assistance.

Mr. Romualdez said most US defense financing will be related to enhancing the capabilities of its ground and maritime forces as well as cyber security.

"It will take some time before we can actually make a firm decision on whether we'll be able to get the F-16s within the timeframe of a special agreement," he added.

NRA proposal not considered immediate fix — BIR

THE Bureau of Internal Revenue (BIR) said renewed proposals to merge the government's main revenue-generating agencies into a National Revenue Authority (NRA) should be considered as a last resort, saying that the immediate priority involves restoring credibility and public trust in the current institutions.

New calls to establish an NRA could remain part of the long-term conversation, though, Commissioner Charlito Martin R. Mendoza said.

"It should be approached as a governance reform of last resort, not a first response," he told *BusinessWorld* via Viber on Feb. 9.

Former Finance Undersecretary Cielo D. Magno and Asian Consulting Group Chairman Raymond Abrea had called for a sweeping overhaul of the BIR and Bureau of Customs (BoC), including a proposal to establish an NRA, to be run professionally as a Government-Owned and -Controlled Corporation (GOCC).

Mr. Mendoza said this push "reflects long-standing concerns over fragmentation and coordination in revenue administration," although the problem lies in "governance quality, not merely institutional form.

House Bill 695, filed in 2017 by former President Gloria Macapagal-Arroyo, then a legislator, sought to replace the BIR and streamline tax collection.

"The more immediate and pragmatic reform path is to strengthen governance where it matters most — deepening coordination and data sharing between revenue agencies, tightening audit integrity and accountability mechanisms, and institutionalizing digital, risk-based processes," he said.

These reforms directly address the governance deficits that reform advocates seek to correct, without the destabilizing effects of an abrupt merger, he said.

"Without these foundations (in governance reform), structural consolidation risks replicating existing problems at a larger scale," Mr. Mendoza said.

For 2026, the government hopes to collect P4.82 trillion in revenue, with P3.431 trillion expected from the BIR and P1.003 trillion from the BoC. — **Aubrey Rose A. Inosante**

Critical minerals agreement expected to unlock investments in processing facilities, DTI says

THE Department of Trade and Industry (DTI) said the US-Philippines critical minerals agreement has the potential to unlock investments in mineral processing plants and related industries.

"The agreement provides a framework for investment attraction by leveraging the Board of Investments (BoI) to support mineral processing, refining, and downstream manufacturing," the DTI said on Tuesday.

"The memorandum of understanding (MoU) is also expected to attract diverse investments not only in mining but also in related industries such as power generation, logistics, and chemical handling," it added.

The department was referring to the agreement signed by the US and the Philippines last week to develop the Philippine critical mineral industry.

"The MoU is a major enabler for the Philippines to shift from simply exporting raw mineral ores to becoming a significant player in value-added processing," Trade Secretary Ma. Cristina A. Roque said.

"We are aiming (to become) more than just a supplier; we are positioning ourselves as a vital link in the global supply chains for semiconductors, defense, and clean energy," she added.

According to the DTI, the deal will allow the Philippines to access US grants, feasibility studies, and joint geological mapping to modernize the mining industry.

"It will also reduce over-reliance on a single buyer by connecting Philippine minerals to a broader network of over 50 allied nations and create high-skilled jobs through technology transfer and advanced research initiatives," it added.

The deal is also expected to reinforce commitments to environmental sustainability in mining.

"Through this agreement, we expect to attract substantial and diverse investments that will develop the workforce and strengthen our standing in the industries of the future," said Ms. Roque.

Philippine Ambassador to the US Jose Manuel G. Romualdez said that he expects more details of the MoU soon.

"There is going to be a bilateral strategic dialogue with the US and the Philippines in the coming week. I think it is during that time that we will have more information regarding the critical minerals agreement that we have with the US," he said at the US-Philippines Society briefing on Tuesday.

"We have been talking about being part of the critical minerals supply chain not only for the US but for other countries as well," he added.

He said that the agreement will allow the Philippines to develop a mineral processing industry, as almost 90% of its nickel exports go to China because of the "processing that we do not have right now."

"That is one area where I think we can have very good cooperation with the US in the processing of our nickel and many others that they are looking at, like copper," he said. — **Justine Irish D. Tabile**

Debt-to-GDP ratio to stay 'manageable' as it exceeds 65% over next two years

THE Philippine debt load is less alarming than in past crises and is expected to remain manageable with the debt-to-gross domestic product (GDP) expected to 65% over the next few years, a government think tank said.

The debt ratio is projected to hit 66% in 2026 before easing to 65.7% in 2027, the Philippine Institute for Development Studies (PIDS) said in a Feb. 9 report.

The projection indicates that "the country's debt position today is less worrisome than during previous debt crises, and that the debt-to-GDP ratio will remain manageable despite peaking above 65% over the next couple of years," it said.

The Bureau of the Treasury reported that government debt amounted to P17.71 trillion at the end of 2025.

This brought the outstanding debt as a share of GDP to 63.2%, the highest level since the 65.7% posted in 2005.

PIDS said a swift return to pre-pandemic debt levels is unlikely due to the need for continued government spending to curb long-term economic scarring and give the economy room to recover.

"This underscores the need for a sound medium- to long-term fiscal consolidation plan to anchor sentiment," the think tank said.

PIDS added that returning to the pre-pandemic level of 40% would require the government's annual primary balance to increase from 1.4% of GDP in 2020 to 3.4% of GDP in 2031.

The Development Budget Coordination Committee aims to bring the debt ceiling to 61.8% this year and 61.3% in 2027, according to its updated medium-term fiscal framework.

The rule of thumb for healthy levels of debt for developing countries is 60%, which the government has informally abandoned in favor of a new 70% benchmark of the International Monetary Fund (IMF).

Finance Secretary Frederick D. Go has clarified that the government tracks the IMF's general government (GG) debt-to-GDP ratio rather than the narrower National Government measure.

The Philippine GG debt-to-GDP currently stands at 54% to 55%.

Mr. Go's office has yet to release the latest GG debt-to-GDP data.

The conclusions were contained in a paper, "Fiscal Effects of the COVID-19 Pandemic: Assessing Public Debt Sustainability in the Philippines," written by Margarita Debuque-Gonzales, Charlotte Justine Diokno-Sicat, John Paul P. Corpus, Robert Hector G. Palomar, Mark Gerald C. Ruiz, and Ramona Maria L. Miral. — **Aubrey Rose A. Inosante**

NFA to auction nearly 37,000 MT in old rice stock

THE National Food Authority (NFA) said it will auction nearly 37,000 metric tons (MT) of ageing rice to free up warehouse space and improve inventory turnover ahead of the upcoming harvest.

According to the bid invitation, the NFA said the auction will cover about 737,339 50-kilogram bags of rice, or a total of 36,867 MT, valued at approximately P909.8 million.

A pre-auction conference is scheduled on Feb. 13, while the opening of auction tenders will be held on Feb. 20.

The stocks offered for sale are priced between P22.52 per kilogram and P25.16, depending on how long the grain has been stored.

The rice stocks have been in storage between three and 18 months, with 88.1% aged between three and nine months.

"Our milled rice inventory is at 2.74 million bags, and about 700,000 bags of that will be auctioned," NFA Administrator Larry R. Lacson told reporters. "The remaining two million bags are intended for disposal during calamities, the P20 rice program, and other emergency requirements."

The NFA reported that as of Jan. 31, its milled rice inventory was the equivalent of 8.52 million bags, or around 426,000 MT, including palay (unmilled rice) holdings yet to be milled. — **Vonn Andrei E. Villamiel**

Rice import eligibility could be tied to volume of domestic purchases

THE Department of Agriculture (DA) said it is considering a proposal to link eligibility to import rice to the volume of rice purchased from domestic farmers.

Agriculture Secretary Francisco P. Tiu Laurel, Jr. said the proposal would require traders to buy palay (unmilled rice) or rice to receive import allocations.

"You have to buy palay or rice to get an import allocation. That's the general idea. It's like they invest in local industries, so that they won't kill the industry with imported products," he told reporters on the sidelines of an Economic Journalists Association of the Philippines event late Monday.

Mr. Laurel said the scheme is meant to "self-police" stakeholders in the rice industry and ensure transparent and objective import allocation.

A similar mechanism is already in place for molasses imports, where traders are granted import allocations based on the volume of locally produced molasses they purchase, using a 3:1 local-to-imported ratio. — **Vonn Andrei E. Villamiel**

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