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SPECIAL POINTS OF INTEREST

UPCOMING EVENT

*****Final Call***
[Oct. 25, 2023] 2023 The Arangkada Philippines Forum : Towards Sustainable Transformations
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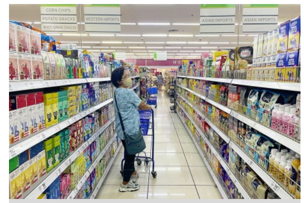
Economists hike inflation projection for this year

October 20, 2023 | Keisha B. Ta-asan | BusinessWorld

PRIVATE SECTOR economists raised their inflation outlook for this year through 2025 due to recent supply-side shocks, although they still expect inflation to return to the 2-4% target range in 2024 and 2025, the Bangko Sentral ng Pilipinas (BSP) said.



Shoppers browse through the aisles of a supermarket in Mandaluyong City, Aug. 10, 2023. — PHILIPPINE STAR/ MIGUEL DE GUZMAN

Based on the results of the BSP's survey of external forecasters in September, the average inflation forecast of analysts for 2023 went up to 5.9% from just 5.5% in the August survey.

Economists' mean inflation forecast for 2024 and 2025 also climbed to 3.7% (from 3.5% previously) and 3.5% (from 3.4%), respectively.

The analysts' forecasts are slightly above the central bank's projections. The BSP sees average inflation at 5.8% this year, before easing to 3.5% in 2024 and 3.4% in 2025.

"Analysts expect inflation to accelerate anew due to recent supply-side shocks domestically and overseas," the BSP said in the highlights of the Sept. 21 Monetary Board meeting.

"They also anticipate further upside risks to the inflation outlook, due mainly to supply disruptions, particularly from the adverse impact of weather disturbances and trade restrictions," it added.

At its Sept. 21 meeting, the Monetary Board kept the key interest rate unchanged at a near 16-year high of 6.25%. This was after hiking borrowing costs by 425 basis points from May 2022 to March 2023.

"The Monetary Board deemed it appropriate to maintain prevailing monetary policy settings while emphasizing the BSP's focus on resuming monetary policy tightening action to respond to emerging upside risks to the inflation outlook and potential second-round effects that could dislodge inflation expectations," the BSP said.

The central bank's policy-making body also called for more non-monetary interventions such as the temporary reduction of import tariffs and timely arrival of imported commodities.

"The BSP also continues to prioritize the restoration of inflation towards a target-consistent path over the medium term, in line with its primary mandate to ensure price stability," it said.

However, the risks to the inflation outlook are on the upside, which could cause inflation to breach the 2-4% target next year, the central bank said.

"The potential impact of higher transport charges is among the major risks to the inflation outlook given the fare increase petitions filed by transport groups in August 2023 due to elevated oil prices," the BSP said.

The Land Transportation Franchising and Regulatory Board had approved the P1 provisional jeepney fare increases nationwide, raising the minimum fare to P13 starting Oct. 8. For modern jeepneys, the new minimum fare would be P15.

"Other key upside risks to the inflation outlook are the impact of El Niño weather conditions on food prices and utility rates, higher-than-expected minimum wage adjustments, and higher domestic prices of key food items facing ongoing supply constraints," the BSP said.

BSP Governor Eli M. Remolona, Jr. earlier said that the Monetary Board may resume its monetary tightening at its next policy-setting meeting on Nov. 16 if risks to the inflation outlook persist.

Mr. Remolona also hinted at an off-cycle rate hike, but he said the BSP still needs to review the latest data before coming up with a decision.

Source: https://www.bworldonline.com/top-stories/2023/10/20/552703/economists-hike-inflation-projection-for-this-year/

Govt aims to boost digital finance

October 20, 2023 | Angela Celis | Malaya Business Insight

DIOKNO

The government is determined to fuel the country's growth momentum by building a policy environment that is conducive to sustainable digital finance, Finance Secretary Benjamin Diokno said.

"We are establishing a fertile policy space that allows for a sustainable digital finance ecosystem to take root and thrive," Diokno said in a recorded message during the Singapore FinTech Festival Industry Collaboration Media Kick-Off in Taguig yesterday.

The Department of Finance (DOF) said in a statement the government is aiming to broaden public access to information by using open data formats, lowering barriers to internet connectivity and boosting broadband access in the country.

With this, Diokno shared five Infrastructure Flagship Projects that will boost digital connectivity: Digital Transformation Centers, National Government Data Center, National Broadband Program, Road Transport Information Technology Infrastructure Project Phase II and the Philippine Identification System.

"Four of these are already ongoing while one is under project preparation. Together, the indicative total project cost amounts to about $1.7 billion," he said.

Furthermore, the DOF said the government has been continuously rolling out programs to enhance digital bureaucracy in order to deliver better services, such as targeted social protection and more efficient employment-opportunity linking systems.

"Digitizing government transactions will help us increase the share of digital transactions in total payment volume to at least 50 percent, as envisioned in the Digital Payments Transformation Roadmap," Diokno said.

The finance secretary cited the Bureau of Internal Revenue's Digital Transformation Program, which expanded its range of electronic payment channels that allow taxpayers to file and pay taxes online. As a result, 69 percent or more than half of total returns were filed electronically in 2022.

The Securities and Exchange Commission, Bureau of the Treasury and the Land Bank of the Philippines have likewise launched their own electronic filing and online payment systems to give greater access to financial services.

To eliminate delays and problems associated with traditional ways of governance, the government is pushing for the passage of the E-Governance bill, which mandates the adoption of information and communications technology across government agencies.

Diokno urged the private sector to leverage digital infrastructure and data to collaborate, develop innovative business models and navigate disruption.

He highlighted the crucial role of fintech in reaching the unbanked segments of the population and the need to reinforce this with stronger consumer protection.

"For digital transformation to succeed, we must close the digital gap and ensure that the gains from digitalization are broadly shared," Diokno said.

Source: https://malaya.com.ph/news_business/govt-aims-to-boost-digital-finance/

BoP deficit widens; foreign reserves dip

October 20, 2023 | Niña Myka Pauline Arceo | The Manila Times

THE Philippines' balance of payments (BoP) shortfall ballooned to $414 million in September as the government paid off part of its foreign debt, the Bangko Sentral ng Pilipinas (BSP) reported on Thursday.

The Manila Times®

The deficit was significantly higher than August's $57 million but was still substantially narrower than the $2.3 billion posted a year earlier.

"The BoP deficit in September 2023 reflected net outflows arising mainly from the national government's (NG) payments of its foreign currency debt obligations," the central bank said in a statement. *[Cont. page 3]*

BoP deficit widens; foreign reserves dip

[Cont. from page 2]

The country's BoP position remained positive year to date at a $1.7-billion surplus, a reversal from the year-earlier deficit of $7.8 billion and improving from end-August's $2.15 billion

"Based on preliminary data, this development reflected mainly the improvement in the balance of trade and the higher net inflows from personal remittances, trade in services and foreign borrowings by the NG," the BSP said.

Gross international reserves (GIR), meanwhile, fell to $98.1 billion as of end-September from $99.6 billion a month earlier.

Despite the decline, the central bank said the level still represented "a more than adequate external liquidity buffer equivalent to 7.3 months' worth of imports of goods and payments of services and primary income."

"[I]t ensures availability of foreign exchange to meet the balance of payments financing needs, such as for payment of imports and debt service, in extreme conditions when there are no export earnings or foreign loans," the BSP noted.

The GIR level was also equivalent to about 5.7 times the country's short-term external debt based on original maturity and 3.6 times based on residual maturity.

Short-term debt based on residual maturity refers to outstanding external debt with an original maturity of one year or less, plus principal payments on medium- and long-term loans of the public and private sectors falling due within the next 12 months.

Commenting on the results, Security Bank chief economist Robert Dan Roces said the shift to a surplus "indicates positive structural changes in the economy, such as improved trade dynamics and stronger remittance inflows."

"This could signal investor and consumer confidence, which could be leveraged for economic policies or investment decisions," he added.

"Overall, despite short-term pressures like the September BoP deficit, the longer-term indicators point to an economy that is fundamentally resilient."

NG Manila Bank senior economist Nicholas Antonio Mapa, meanwhile, said that the $98.1 billion was still a significant amount notwithstanding worries about a decline.

"GIR represents the first, but not the last line of defense for the currency and as it stands is capable of settling the country's overall short-term debt almost 4 times over," he added.

With the bulk of GIR held in securities, Mapa said "we can expect GIR levels to 'rise' next year should the Fed begin its much-awaited pivot."

Source: https://www.manilatimes.net/2023/10/20/business/top-business/bop-deficit-widens-foreign-reserves-dip/1915582

PHL unlikely to hit 2024 growth goal

October 20, 2023 | Keisha B. Ta-asan | BusinessWorld

PHILIPPINE ECONOMIC managers are targeting 6.5-8% gross domestic product growth in 2024. — PHILIPPINE STAR/WALTER BOLLOZOS

THE PHILIPPINES is unlikely to hit its 6.5-8% gross domestic product (GDP) growth target in 2024, due to high borrowing costs and increasingly gloomy trade outlook.

“We are expecting Philippine economic growth to accelerate from 5.3% in 2023 to 6.2% in 2024. That is still less optimistic than the government’s projections of 6.5-8%,” BMI Asia Country Risk Analyst Shi Cheng Low said in an e-mail.

He noted the dimmer trade outlook and elevated interest rates to tame rising inflation are two major headwinds to the economy’s expansion next year.

“We think that the trade cycle downturn has further to run. Growth in both the US and Mainland China, the Philippines’ two largest partners, is set to slow next year, which will limit any recovery in exports,” Mr. Low said. *[Cont. page 4]*

PHL unlikely to hit 2024 growth goal

[Cont. from page 3]

Mr. Low said in a webinar on Tuesday that the US economy may enter a shallow recession in the second and third quarter of 2024, while China's economic growth may slow to 4.7% in 2024 from 5.2% this year.

The Development Budget Coordination Committee projects goods exports and imports to grow by 1% and 2%, respectively, this year. Exports growth is expected to stabilize at 6% in 2024 to 2028, while imports are expected to grow by 8% annually during the same period.

Mr. Low said the Bangko Sentral ng Pilipinas (BSP) will also likely maintain its hawkish stance during the first half of 2024, as inflation remains elevated.

"Increasing price pressures will prompt the central bank to resume its tightening cycle. We now think that a hike of 25 basis points (bps) is possible in the November meeting," he said.

BSP Governor Eli M. Remolona, Jr. earlier said the Monetary Board is considering another 25-bp rate hike on Nov. 16, and even hinted at an off-cycle rate hike if price pressures persist.

"Still, we think the tightening cycle will have not much further to run beyond that," Mr. Low said.

The BSP has kept the key interest rate at a near 16-year high of 6.25% for the last four meetings. To curb inflation, it has hiked borrowing costs by 425 bps from May 2022 to March 2023.

BMI expects Philippine inflation to average around 3.6% next year, well within the 2-4% target band of the BSP, but a tad higher than the central bank's 3.5% forecast for 2024.

"But we note that risks are skewed to the upside due to the El Niño phenomenon and the Hamas-Israel conflict being potential sources of upside price volatility," Mr. Low said.

Meanwhile, Security Bank Corp. Chief Economist Robert Dan J. Roces said while another rate hike can be effective in stabilizing prices and support the local currency against the dollar, it may slow down economic growth and burden borrowers with higher debt costs.

"Balancing inflation control and economic growth is a complex task that calls for a multi-faceted approach. In addition to rate hikes, government authorities could consider supply-side policies, fiscal stimulus, and foreign exchange interventions among other measures," he said in a Viber message.

Mr. Roces said a cautious approach that avoids further monetary tightening could be "more prudent" in dealing with inflation, given the risks to economic growth.

"The BSP will be very wary of over tightening especially as investment weakness has been very apparent in the latest growth data," BMI's Mr. Low said.

The Philippine economy grew by an annual 4.3% in the second quarter, the slowest in over two years. It was weaker than the 6.4% growth in the first quarter.

For the first semester, GDP growth averaged 5.3%.

Gross capital formation dipped by 0.04% in the second quarter, a reversal of the 12.6% growth in the first quarter and 17.2% in the second quarter of 2022.

Third-quarter GDP data will be released on Nov. 9.

"As for rate cuts, we expect it to materialize in the second half of 2024, similar to our projections for the Fed. This means that interest rates will be kept at multi-year highs for a prolonged time," Mr. Low said.

At its meeting last month, the US Federal Reserve kept its own policy rates unchanged at 5.25-5.5%.

Source: https://www.bworldonline.com/top-stories/2023/10/20/552702/phl-unlikely-to-hit-2024-growth-goal/

IMF: Too early to assess ME war impact on growth

October 20, 2023 | Lawrence Agcaoili | The Philippine Star

This file photo taken on January 26, 2022, shows the seal for the International Monetary Fund (IMF) in Washington, DC.

OLIVIER DOULIERY / AFP

MANILA, Philippines — The International Monetary Fund (IMF) believes it is still too early to evaluate the impact of the ongoing war between Israel and Hamas on the global economy.

Krishna Srinivasan, director for Asia and Pacific Department at the IMF, said during the release of the Regional Outlook for Asia and Pacific that the multilateral lender is saddened by the loss of lives since the war in the Middle East erupted.

However, he said, “I think it’s a bit too early to assess the economic impact of the recent conflict… Going beyond this, I think it would be very hard for us to say what would impact right now.” He added that the impact of the war would vary depending on whether the country is an oil importer or an oil exporter.

“What we could say is there could be an impact on energy prices, oil prices, and again the impact would be country-specific. What we have done at the global level (is) to say that if there is a 10 percent increase in oil prices, what does it do to global output? What does it do to inflation?” he said.

According to Srinivasan, a 10 percent increase in oil prices would cut global output by 0.15 percent and push inflation higher by 0.15 percent the following year.

“So that’s a global number. But again, that’s where we have to see the impact across Asia will vary,” he added.

During the recently concluded IMF-World Bank meeting in Morocco, IMF Managing Director Kristalina Georgieva said the Israel-Hamas war has darkened the outlook for an already sluggish global economy.

“This is a new cloud on not the sunniest horizon for the world economy – new cloud, darkening this horizon,” Georgieva said in a press conference.

Georgieva noted that the IMF’s October 2023 World Economic Outlook, which was released last week, but drafted before the conflict broke out, already showed weak global growth.

The multilateral lender has kept its global gross domestic product (GDP) growth forecast at three percent for this year, but lowered it to 2.9 percent for 2024, as it warned that the world economy is “limping along, not sprinting.”

Economic managers in the Philippines are closely gauging the impact of the ongoing war on economic growth, oil prices and the movement of the peso.

Bangko Sentral ng Pilipinas Governor Eli Remolona Jr. earlier said the conflict has not affected global oil prices, as well as the movement of the local currency versus the US dollar.

“So far, so good… I think so far, it hasn’t really affected oil prices… but it may have spillover effects on global growth,” Remolona said.
On the other hand, Socioeconomic Planning Secretary Arsenio Balisacan said the Israel-Hamas war is unlikely to have a significant impact on the Philippine economy.

“So far, there is hardly any impact, because there have been no major disruptions in the supply chain,” Balisacan earlier told reporters.

Source: https://www.philstar.com/business/2023/10/20/2305033/imf-too-early-assess-me-war-impact-growth

Gov’t to review Maharlika’s IRR ’line by line’ —DBM chief

October 19, 2023 | Chino S. Leyco | Manila Bulletin

MANILA BULLETIN

AT A GLANCE

- Budget Secretary Amenah F. Pangandaman announces the intention to review

- "all provisions line by line" in the implementing rules and regulations (IRR) of the Maharlika Investment Fund (MIF) law.

[Cont. page 6]

Gov't to review Maharlika's IRR 'line by line' —DBM chief

[Cont. from page 5]

- Eaerlier, Executive Secretary Lucas Bersamin issued a memorandum suspending the IRR of the MIF law, following the directive of the President and in coordination with the Treasurer of the Philippines, Land Bank of the Philippines (LBP), and Development Bank of the Philippines (DBP).

- Before departing for Saudi Arabia, President Marcos clarifies that the implementation of the MIF will proceed as planned this year.

- Marcos said the suspension of the IRR is aimed at making improvements, particularly in the organizational structure of the Fund.

- Pangandaman assures that the economic team will work closely with Malacañang to thoroughly review all provisions of the IRR line by line.

- Pangandaman also mentions that this presents an opportunity to engage in more multi-stakeholder groundwork in preparation for the launch of the MIF.

One of President's economic managers said the Marcos administration will carefully review every provision in the implementing rules and regulations (IRR) of the Maharlika Investment Fund (MIF) Act.

Budget Secretary Amenah F. Pangandaman said on Thursday, Oct. 19, that the economic managers align with President Marcos' wisdom in temporarily halting the implementation of the MIF's rules.

"We subscribe to the wisdom of PBBM [President Marcos] in suspending the IRR as this is not just an economic strategy for us but a historic first sovereign investment fund," Pangandaman told reporters.

Executive Secretary Lucas Bersamin, in a memorandum dated Oct. 12, addressed to the heads of the Bureau of the Treasury, Land Bank of the Philippines (LBP), and Development Bank of the Philippines (DBP), announced the suspension of the IRR for the law establishing the MIF.

Bersamin said his memorandum was "upon the directive of the president, the Treasurer of the Philippines, in coordination with LBP and DBP."

However, before departing for Saudi Arabia on Thursday morning, President Marcos clarified that the implementation of the MIF would continue as planned this year.

The suspension of the IRR was only intended to explore ways to improve its organizational structure and make it as close to perfection as possible, Marcos assured.

He added "I was a bit alarmed by the news reports early this morning that I read in the newspapers that we have put the Maharlika Fund on hold. Quite the contrary."

The suspension was issued, Marcos said, in consultation with the country's economic managers and the people who will actually be involved in the Fund.

In response to President Marcos' statement, Pangandaman affirmed that the economic team would collaborate closely with Malacañang to conduct a thorough review of each provision, ensuring everything is in order.

"The economic team will work closely with the President to prudently review all provisions line by line and make sure that all things are in order," Pangandaman said.
"We will also take this opportunity to engage in more multi-stakeholder groundwork in preparation for the launch of the MIF," she added.

Source: https://mb.com.ph/2023/10/19/gov-t-to-review-maharlika-s-irr-line-by-line-dbm-chief

The Joint Foreign Chambers of the Philippines will be holding the **12th Arangkada Philippines Forum** on **October 25, 2023** at the **Marriott Grand Ballroom** in Pasay City.

The 12th Arangkada Philippines Forum brings together experts and industry leaders in exploring various perspectives to facilitate and further integrate the principles of sustainability in accelerating inclusive growth and development. As in previous years, high-level government officials and members of the business community will be invited to deliver keynote speeches and participate in the panels.

KCCP is extending discounted rates (limited slots only) for Php 3,000.00 (*Original Price is Php 5,500.00*), Deadline of Confirmation October 20 before close of business.

For more information, visit www.arangkadaphilippines.com/forum2023 or contact **Ms. Chi or Ms. Sang** at +632-8885-7342/ 0917-805920 or through email at info@kccp.ph for confirmation.