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SPECIAL POINTS OF INTEREST

Philippines to lead ASEAN in economic growth

November 03, 2023 | Lawrence Agcaoili | The Philippine Star

For 2023, 2024

Malaysian banking giant Maybank said the gross domestic product (GDP) growth of the Philippines may slow to 5.2 percent this year before rebounding to 6.5 percent next year.
Philstar.com / Irra Lising

MANILA, Philippines — The Philippines will emerge as the fastest growing economy in the Association of Southeast Asian Nations (ASEAN) despite an expected slowdown over the next two years, a regional bank said.

Malaysian banking giant Maybank said the gross domestic product (GDP) growth of the Philippines may slow to 5.2 percent this year before rebounding to 6.5 percent next year. Philippine economic growth accelerated to 7.6 percent in 2022 after emerging from the pandemic-induced recession with a 5.7-percent expansion in 2021.

The country booked a 9.5-percent contraction in 2020 as the economy stalled due to strict COVID quarantine and lockdown protocols.

Despite the slowdown, Maybank said the Philippines would be the fastest- growing economy in the region, with economic growth expected to average four percent this year and 4.7 percent in 2024.

The Philippines' growth for this year is faster than Indonesia's five percent, Vietnam's 4.8 percent, Malaysia's four percent, Thailand's 2.9 percent and Singapore's 0.8 percent.

The Philippine economy grew by 5.3 percent in the first half, below the government's six to seven percent target, after slowing to 4.3 percent in the second quarter from 6.4 percent in the first quarter.

For 2024, the GDP expansion of the Philippines is faster than Vietnam's six percent, Indonesia' 5.2 percent, Malaysia's 4.4 percent, Thailand's 3.6 percent and Singapore's 2.2 percent.

Economic managers through the Development Budget Coordination Committee (DBCC) penned a GDP growth of 6.5 to eight percent for 2024.

Maybank said growth drivers for the brighter 2024 for ASEAN include strong GDP growth in the US, driven by deficit spending and generous subsidies for semiconductor and electronic vehicle manufacturers as well as the shift and normalization in global consumer spending toward goods as revenge spending in domestic services fades.

The Malaysian banking giant also noted that the replacement tech cycle, falling US inventories and bottoming out of commodity and chip prices would help drive ASEAN export growth going into 2024.

"Nascent signs of recovery have emerged in trade and manufacturing data in the ASEAN-6," Maybank said.

Aside from stronger trade recovery, Maybank said another positive lift for the region could come from higher foreign direct investments due to manufacturing supply chain shifts.

Maybank said risks remain high that the green shoots might wither even before reaching 2024, as global growth has been uneven with strong momentum in the US, weak activity in the European Union and subdued demand in China.

"Nonetheless, ASEAN economies as a whole are in a good position to weather such disruptions, due to reduced external debt and resilient labor markets," it said.

According to Maybank, inflation has also receded to more comfortable levels across ASEAN, except in the Philippines.

Source: https://www.philstar.com/business/2023/11/03/2308476/philippines-lead-asean-economic-growth

PHL trade in goods seen to remain weak until yearend

November 03, 2023 | Luisa Maria Jacinta C. Jocson | BusinessWorld

ICTSI.COM

THE GROWTH in Philippine exports and imports will likely remain muted for the rest of the year amid a global economic slowdown and weak external demand, according to the World Bank.

"Overall, the global outlook for goods trade is expected to remain weak for the rest of 2023 as the demand for manufactured goods continues to remain weak in favor of trade in services. This includes the Philippines' key commodities, such as its electronics exports," World Bank Philippines Senior Economist Ralph van Doorn told *BusinessWorld* in an e-mail.

Mr. Van Doorn said that the worldwide economic slowdown "is expected to contribute to a slowdown in global goods trade by about four percentage points in 2023."

"Of concern for the Philippines is that slowing growth in the region's largest trading partners, including China where growth for 2023 is projected to be 5.1%, will lead to weaker external demand for the country's export commodities," he added.

Data from the local statistics authority showed that the trade deficit narrowed to $36.31 billion in the first eight months of the year from the $41.86-billion deficit a year ago.

As of end-August, exports declined by 6.6% to $47.81 billion while imports fell by 9.6% to $84.12 billion.

For this year, the government is projecting 1% growth for exports and 2% growth for imports.

Pantheon Macroeconomics Chief Emerging Asia Economist Miguel Chanco said the Philippines may find it difficult to meet its export and import growth assumptions.

"If you're talking about in nominal (i.e. not real terms), then the government's export and import forecasts will almost be impossible to meet," he said in an e-mail.

"In real terms, though, 1% full-year export growth seems doable, though I'm questioning whether 2% growth for imports is as achievable, simply because we're seeing a notable slowdown in domestic demand this year, on all fronts, from private consumption to fixed investment," he added.

Mr. Chanco noted other major exporting countries are showing signs of a rebound.

"The only silver lining is that we're starting to see signs from other major exporters regionally, such as Singapore and Malaysia, that electronics exports are starting to bottom out and should start to show signs of a recovery, however modest, before the end of this year," he said.

"The risks will remain weighted to the downside, considering China's resistance to enact more aggressive stimulus measures to shore up demand," he added.

Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI) President Danilo C. Lachica said it is still projecting flat growth for electronics exports this year.

"Our growth projection for 2023 is flat. We have not come out with our 2024 projection, but I hope it will be better than 2023," he said in a Viber message.

SEIPI earlier revised its forecast to flat from 5% due to the weak performance in the first half.

As of end-August, exports of electronic products declined by 4.8% to $26.8 billion year on year. It made up more than half (56%) of total exports during the period.

Source: https://www.bworldonline.com/top-stories/2023/11/03/555126/phl-trade-in-goods-seen-to-remain-weak-until-yearend/

South Korea chamber lauds plan to grant EV perks, but cites PHL's infra deficiency

November 02, 2023 | Andrea E. San Juan | BusinessMirror

Manila's planned incentives for electric vehicles (EV) will help attract Korean EV manufacturers, according to the president of the Korean Chamber of Commerce of the Philippines. *[Cont. page 3]*

South Korea chamber lauds plan to grant EV perks, but cites PHL's infra deficiency

[Cont. from page 2]

Joseph Um, President of the Korean Chamber of Commerce of the Philippines stressed the Philippine government's planned incentives for EV will help in attracting EV manufacturers in Korea.

"Yeah, I think so because Korea is quite advanced also in electric cars," Um told reporters on the sidelines of the 12th Arangkada Philippines Forum last week.

However, Um said the challenge lies in the lack of charging stations and infrastructure in the Philippines.

According to earlier local news reports, the government is "looking to incentivize the manufacture of 4 million EV units in the next 10 years."

Of which, majority will be two wheelers and e-trikes along with e-PUVs (public utility vehicles) and e-bus.

DTI Undersecretary for Competitiveness and Innovation Group Rafaelita Aldaba said the agency would provide two types of support, which she said would not only be directed on the supply side, but on the demand side as well.

With this, the local report noted "under the consumer subsidy program, the government is looking to provide consumers with direct financial rebates or discounts when they purchase an EV."

In particular, Aldaba said the government is looking at providing a P10,000 subsidy for buyers of two-wheeler EVs, P20,000 for three-wheeled EVs and P500,000 for e-PUVs, the report added.

The American Chamber of Commerce of the Philippines (AmCham) also said last week that it backs the government's plans of giving more incentives to both manufacturers and consumers of EVs, noting that the country should take advantage of the law on EVs.

Last September 2023, Trade Undersecretary for Industry Development and Trade Policy Group (IDTPG) Ceferino S. Rodolfo said the free trade agreement (FTA) signed between the Philippines and South Korea is expected to generate investments, particularly in "future-oriented" industries in the country like EVs.

The Trade official explained it was "future-oriented" at the time the negotiations for the FTA began in 2019.

"At that time, future-oriented pa ang electric vehicles; pero ngayon, nandiyan na talaga si EVs," Rodolfo said at a news briefing last Friday.

Rodolfo explained that Chapter 7 of the FTA states that "the parties, on the basis of mutual benefits, shall explore and undertake cooperative activities focusing on the following areas: industrial development including health and life sciences-related manufacturing and cooperation on processing of technology metals."

Drawing from this chapter in the trade agreement, he earlier said the Philippines is negotiating, through a memorandum of understanding (MOU), an agreement on processing of critical minerals.

Rodolfo said the two countries that are "really very good when it comes to EV batteries" are China and South Korea.

The Electric Vehicle Association of the Philippines (EVAP) said two weeks ago that the industry could sell over 6.6 million units of electric vehicles (EV) by 2030.

In the first quarter of 2023, sales of EVs in the Philippines reached 2,536 units. Data from EVAP showed that in January, electric vehicles sold reached 452 units; 760 in February and 1,324 units in March.

From 2010 to 2022, EVAP noted that manufacturers sold a total of 14,357 units.

Source: https://businessmirror.com.ph/2023/11/02/south-korea-chamber-lauds-plan-to-grant-ev-perks-but-cites-phls-infra-deficiency/

Seoul airport operator bidding for NAIA rehab

October 27, 2023 | Elijah Felice Rosales | The Philippine Star

This undated photo was taken at the Ninoy Aquino International Airport.

Philstar.com / Anjilica Anda

MANILA, Philippines — The operator of one of the world's best airports has bought bidding documents for the operations and maintenance of the Ninoy Aquino International Airport (NAIA), tightening the competition for the right to manage the gateway.

Transportation Secretary Jaime Bautista told reporters that Incheon International Airport Corp. is eyeing to join the bidding for the P170.6-billion contract to operate and maintain the NAIA.

With this, Bautista confirmed that there are now seven parties interested for the 15-year concession to rehabilitate what is considered as one of the worst airports in the world.

"There are already seven groups that purchased the bidding documents. The last one that bought the bidding documents is from South Korea, the Incheon Airport Group," Bautista said.

The addition of the Incheon Group also tightens the roster of possible bidders for the NAIA deal. The company runs the Incheon International Airport, voted as the fourth best airport in the world for 2023 by Skytrax.

The Incheon International Airport serves as one of the busiest gateways in the globe, and in 2019, it facilitated the travel of a record 71.17 million passengers.

Prior to this, the DOTr has issued bidding documents to six companies, namely, GMR Airports International BV; San Miguel Holdings Corp.; Manila International Airport Consortium (MIAC); Spark 888 Management; Asian Airport Consortium; and Cengiz Insaat Sanayi ve Ticaret A.S.

As scheduled, the Department of Transportation (DOTr) is conducting one-on-one meetings with the executives of some of the interested bidders.

Bautista said the agency has completed initial talks with GMR Airports, San Miguel, MIAC and Asian Airport Consortium. Likewise, he confirmed that discussions are ongoing for a number of issues, such as who pays the real estate taxes of NAIA once it is turned over.

Once all of the interested bidders are convened, the government plans to release the final draft of the concession agreement on Dec. 4 and accept bids until Dec. 27. Afterward, it aims to award the contract to the most qualified bidder in 2024.

In July the National Economic and Development Authority Board gave the DOTr its green light to pursue the P170.6 billion privatization of NAIA through a solicited process.

The concessionaire will be granted a period of 15 years, extendable by 10 years, to deliver all of the upgrades listed under the concession.

Source: https://www.philstar.com/business/2023/10/27/2306805/seoul-airport-operator-bidding-naia-rehab

Rate hike pause seen to likely in November

November 03, 2023 | Ian Nicolas P. Cigaral - @inquirerdotnet| Philippine Daily Inquirer

INQUIRER.NET

MANILA -There's a good chance that the Bangko Sentral ng Pilipinas (BSP) is done with its tightening moves this year following the off-cycle hike last week, as upcoming data would likely show the limits of the central bank's power to tame stubbornly high inflation, analysts said.

In an emailed commentary, Miguel Chanco, economist at Pantheon Macroeconomics, said the BSP made a "rash move" when it hiked its policy rate by 25 basis points to 6.5 percent in an off-cycle meeting last week, adding that another increase would be unlikely at the Monetary Board's (MB) Nov. 16 meeting.

"To be clear, we still think that the meetings next month (November) and in December will see no rate action, as the next few key releases should quell the BSP's hawkish inclination," Chanco said, referring to the release of official data for October inflation and third-quarter gross domestic product. *[Cont. page 5]*

Rate hike pause seen to likely in November

[Cont. from page 4]

"Taking into consideration the data so far, it looks like the economy managed to avoid a technical recession, but the slowdown in growth likely persisted," he added. "We continue to believe that a return to target-range inflation by year-end is possible."

Emerging data

Governor Eli Remolona Jr. last week said a 25-basis point hike would be "more likely" should the BSP decide to lift its key rate anew at its November meeting. But he added that any decision, including a possible tightening pause, would depend on emerging data.

Justifying the out-of-schedule tightening last Thursday, Remolona said the MB "recognized the need for this urgent monetary action" to send a strong message to the market that the BSP is doing everything to tame inflation as supply-side problems persist.

This, as the BSP might miss its 2- to 4-percent annual inflation target this year and next, the central bank boss admitted. Inflation might go down in the coming months and may even return to target "briefly," he explained, but "not as much as we used to expect."

Supply-side factors

Nicholas Mapa, senior economist at ING Bank in Manila, agreed with Chanco that the BSP could possibly slam the brakes on rate hikes this month

"The BSP has at its disposal monetary tools and thus has no ability to fend off price pressures from supply-side factors. In a sense, the BSP lacks the precision strike capability on inflation and must do so indirectly by slowing capital formation which would have a knock-on effect on growth," Mapa said.

"So even if BSP is carrying out rate hikes to fend off second round effects and to corral inflation expectations, it will always be on the back of slowing down growth first," he added.

Source: https://business.inquirer.net/429791/rate-hike-pause-seen-likely-in-november

DOF vows intensified tax admin measures in Q4

November 02, 2023 | Chino S. Leyco | Manila Bulletin

MANILA BULLETIN

AT A GLANCE

- The Department of Finance (DOF) announced that the Bureau of Internal Revenue (BIR) and the Bureau of Customs will intensify their administrative measures to collect more taxes and duties.
- Finance Secretary Benjamin E. Diokno stated that the public can expect intensified administrative measures from the government's two main tax agencies for the remaining months of the year.
- Programs to be implemented include a tax compliance verification drive, Run After Tax Evaders (RATE), Oplan Kandado, Philippine offshore gaming operator (POGO) task force, strike team, and digital transformation programs of the BIR.
- The BIR has stepped up its efforts to detect and penalize individuals using fraudulent invoices and receipts through the Run After Fake Transactions (RAFT) campaign.
- For Customs, the agency will continue the full implementation of the fuel marking program, intensify post-audit clearance of importers, enhance trade facilitation, and strengthen border control. [*Cont. page 6]*

DOF vows intensified tax admin measures in Q4
[Cont. from page 5]

The Department of Finance (DOF) has announced that the Bureau of Internal Revenue (BIR) and the Bureau of Customs will further intensify their administrative measures to collect more taxes and duties.

In a statement, Finance Secretary Benjamin E. Diokno said the government's two main tax agencies will implement intensified administrative measures for the remaining months of the year.

These measures include a tax compliance verification drive, the Run After Tax Evaders (RATE) program, Oplan Kandado, the Philippine offshore gaming operator (POGO) task force, the strike team, and the digital transformation programs of the BIR.

In addition, Diokno stated that the BIR has increased its efforts to detect and penalize individuals such as buyers, sellers, and certified public accountants (CPAs) who use fraudulent invoices and receipts through the Run After Fake Transactions (RAFT) campaign.

Regarding the Customs bureau, the finance chief said the agency will continue the full implementation of the fuel marking program, intensify post-audit clearance of importers, enhance trade facilitation, and strengthen border control.

Total government revenues for the first nine months reached P2.84 trillion, a 6.8 percent increase compared to P2.66 trillion in the same period last year.

The revenues collected in the first three quarters accounted for 76.1 percent of the Development Budget Coordination Committee's (DBCC) full-year program of P3.73 trillion.

Taxes constituted the majority of revenues from January to September, amounting to P2.54 trillion, showing a 6.4 percent year-on-year improvement.

Specifically, the BIR increased its collections to P1.86 trillion, surpassing its collection for the same period last year by 7.3 percent.

However, the BIR's collection for the first three quarters was slightly below the target by 3.9 percent.

Diokno attributed the below-target BIR collection to the reduction of personal income tax in the second tranche, immediate expensing of input value added tax (VAT) on capital goods, and the shift in VAT filing from monthly to quarterly basis starting this year.

On the other hand, Customs recorded a 3.4 percent growth in collection for the nine-month period, amounting to P660.4 billion. This amount exceeded the programmed target by 2.5 percent.

Similarly, tax collections from other offices experienced a year-on-year increase of 27.1 percent, amounting to P22.9 billion.

Non-tax revenues also saw significant improvement, reaching P296.5 billion from January to September. This represents a 10.5 percent increase compared to the same period last year.

Source: https://mb.com.ph/2023/11/2/dof-vows-intensified-tax-admin-measures-in-q4

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