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SPECIAL POINTS OF INTEREST

Trade deficit narrowed in Sept as imports, exports pulled back

November 08, 2023 | Ian Nicolas P. Cigaral | Philippine Daily Inquirer

MANILA -The Philippines' trade deficit shrank in September after exports reversed the preceding month's growth while imports stayed in the negative territory for the eighth consecutive month.

The Philippines recorded a trade deficit of $3.51 billion in September, 27.3 percent smaller compared with a year ago, the Philippine Statistics Authority reported on Tuesday. The figure was also narrower compared to the $4.13-billion gap posted in August.

A trade deficit happens when a country pays more for its imports than it is earning from exporting goods.

Data showed exports contracted 6.3 percent year-on-year in September, a turnaround from the 4.2-percent expansion seen in August. Sales of electronic products, the Philippines' top export product, posted the sharpest annual decline among the commodities to $4.09 billion, from $4.51 billion previously.

So far this year, total export earnings amounted to $54.54 billion, down 6.6 percent compared with a year ago.

Imports, however, fell by a bigger 14.7 percent year-on-year to $10.24 billion in September. This was worse than the 13 percent contraction registered in August, sustaining a losing streak that started in February this year.

The latest figure brought the country's nine-month import bill to $94.36 billion, dropping by 10.2 percent from the comparable period last year.

Overall, the Philippines' total external trade amounted to $16.97 billion in September, down 11.6 percent on an annual basis. Domini Velasquez, chief economist at China Banking Corp., said a weak trade activity could create some problems for the local economy.

"2023 will likely close with a narrower trade deficit compared to last year; and this should provide some support to the Philippine peso," Velasquez said.

"However, the lackluster performance of both exports and imports will take a toll on the country's economic outlook," she added. "Weak imports of capital goods point to a fragile weaker industry performance in the long run."

Source: https://business.inquirer.net/430430/trade-deficit-narrowed-in-sept-as-imports-exports-pulled-back

Marcos directs House panel to remove FIRB's power to grant incentives — lawmaker

November 08, 2023 | Beatriz Marie D. Cruz | BusinessWorld

PRESIDENT Ferdinand R. Marcos, Jr. wants the power to grant and approve tax incentives to be returned to investment promotion agencies, a lawmaker said. — PHILIPPINE STAR/ KRIZ JOHN ROSALES

PRESIDENT Ferdinand R. Marcos, Jr. wants the power to grant and approve tax incentives to be returned to investment promotion agencies (IPAs), according to the House Ways and Means Committee chairman.

Albay Rep. Jose Ma. Clemente S. Salceda said on Tuesday the Ways and Means Committee "wholeheartedly supports the President's direction to 'wind down' the power of the Fiscal Incentives Review Board (FIRB) to grant and approve fiscal incentives."

"The President wants to make the approval process more responsive. And we agree fully. So, the committee has reverted the power to grant and approve incentives to the investment promotion agencies," he said in a statement.

Presidential Communications Office chief Cheloy Velicaria-Garafil did not immediately reply to a Viber message seeking comment. *[Cont. page 2]*

Marcos directs House panel to remove FIRB's power to grant incentives — lawmaker

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The House Ways and Means Committee will include this provision in the CREATE MORE bill, which seeks to fix conflicting provisions of the Republic Act (RA) No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

Signed into law in March 2021, the CREATE Act had expanded the powers of the FIRB, which included the authority to approve applications for tax incentives. IPAs, on the other hand, can greenlight tax incentives for registered projects or activities with investments of P1 billion and below.

Mr. Salceda, however, said the FIRB will maintain its role in policy formulation, standard-setting, and oversight, as well as grant off-menu incentives.

Finance Assistant Secretary Juvy C. Danofrata, who also heads the FIRB Secretariat, said the board's duty is to ensure "fiscal responsibility" when granting exemptions or tax incentives.

"Before CREATE, there's really no conscious effort on the part of anybody except I think the DoF (Department of Finance) to look into what is the cost and what is the benefit [of tax incentives and exemptions] to the economy," Ms. Danofrata said during the committee meeting.

"As government, we want to make sure that when we grant the tax incentives, we look at the deficit for instance, we look at how these incentives is going to help the country or the economy so that all of the revenue losses will still be compensated by some other returns to the society and economy," she added.

Adolfo Jose Montesa, researcher at the Action for Economic Reforms (AER), said the CREATE MORE bill, if approved, would have the effect of "decapitating, essentially beheading the FIRB."

"In particular, the bill intends to empower the president to motu propio grant incentives packages, paving the way for investment promotion agencies to circumvent the FIRB. This defeats CREATE's purpose and principle of strengthening governance or decision making of fiscal incentives through a rigorous, fair and transparent system," Mr. Montesa told the panel.

However, Mr. Salceda said in a statement that the panel is considering removing the proposed motu proprio power of the President "to grant tax incentives, to maintain the spirit of a performance-based and standards-based tax incentives system."

Eleanor L. Roque, tax principal of P&A Grant Thornton, said removing the FIRB's powers to grant and approve fiscal incentives will only benefit big projects.

"Currently, only projects with investment capital of P1 billion or more are evaluated and approved by the FIRB… So the change in the rules will impact big projects only," Ms. Roque said in a Viber message. "Any change that will cut the processing time to make the application process streamlined and efficient is a welcome development to investors."

According to Mr. Salceda, the House panel will approve amendments to the CREATE Act next week and will send the measure to the Senate by end-November.

"We were prepared to do it today, but the Office of the President requested for a bit more time to finalize its comments," he added.

The CREATE MORE bill's provisions include reducing corporate income tax to 20% for those under the enhanced deduction regime; a 200% deduction for power cost, which may be accumulated during the availment of income tax holiday; a 200% deduction for trade fair and trade mission expenses, and the application of the net operating loss carryover five years after the end of the income tax holiday period.

The bill also proposes a uniform 1.5% registered business enterprise local tax to be collected by IPAs "in lieu of all local impositions in order to reduce the point of contact with local government units."

Mr. Salceda said the information technology and business process outsourcing (IT-BPO) sector will also be allowed to "fully undertake" work-from-home schemes.

"This will allow one of the country's most durable sectors to remain globally competitive. The world has moved towards hybrid, and it does not make sense to limit ourselves in this area," he said.

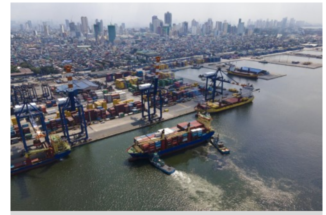
Finance Secretary Benjamin E. Diokno earlier said that amendments to the CREATE law will improve the country's investment climate.

"The proposed amendments to the CREATE Act will enhance the incentive system, clarify the rules and policies on the grant and administration of incentives to qualified enterprises, and address issues affecting the country's investment climate," Mr. Diokno said in an Oct. 25 statement.

Source::https://www.bworldonline.com/top-stories/2023/11/08/556152/marcos-directs-house-panel-to-remove-firbs-power-to-grant-incentives-lawmaker/

NEDA: Government 'on track' with PDP 2023-2028 implementation

November 08, 2023 | Samuel P. Medenilla | BusinessMirror



In file photo: Tugboats assist a container ship docked at the Manila North Harbour Port, Inc. (MNHPI) in Manila, Philippines. (AP/Aaron Favila)

The National Economic and Development Authority (NEDA) said the government is "on track" in laying down the groundwork for the full implementation of its 2023-2028 Philippine Development Plan (PDP).

During a press briefing in Malacañamg last Tuesday, NEDA Undersecretary Rosemarie G. Edillon said they are now preparing the Philippine Development Report, which will consolidate the accomplishments of government agencies in the enforcement of the PDP.

She noted based on their initial assessment, the government is already "doing okay" in terms of some macroeconomic indicators such as fiscal targets, deficit, debt-to-gross domestic product (GDP) ratios, infrastructure to GDP ratios.

"We are actually on track," Edillon said.

In his State of the Nation Address (SONA) last July, President Ferdinand R. Marcos, Jr. lauded the country's infrastructure spending already reached 5 to 6 percent of GDP.

The chief executive, however, expressed concern last August that the country's debt-to-GDP remains at about 63 percent, which is still slightly higher than the 60 to 62 percent targeted for 2023 under the latest PDP.

Edillon also pointed out some of the short-term interventions they implemented to enforce the PDP, which were deemed as band-aid solutions by the public.

However, she explained the measures were necessary since it serves as the "ground work for robust solutions."

Source: https://businessmirror.com.ph/2023/11/08/neda-government-on-track-with-pdp-2023-2028-implementation/

BCDA seeks partner for ICT at New Clark City

November 08, 2023 | Malaya Business Insight

Malaya Business Insight

The Bases Conversion and Development Authority (BCDA) is seeking a joint venture partner for the P2.53-billion commercialization of information and communications technology (ICT) facilities in New Clark City.

The agency in a statement said the expertise of a JV partner is sought for the expansion, repair, and maintenance, of the passive ICT infrastructure the BCDA.

Conceptualized under an open access fiber model, the project will form the foundation for robust fiber infrastructure and competitive retail services in New Clark City. This will allow telecommunication companies and data transmission providers to connect and service residences, offices, institutions, and data centers in the new metropolis.

BCDA said the open access fiber model will also serve as an anchor for smart city development and e-government solutions, which are highly dependent on resilient fiber-grade connectivity and data centers.

Under the terms and conditions of the project, the means of BCDA's disposition will be through the establishment of a JV company that shall be tasked to commercialize, and as necessary, expand the passive ICT infrastructure, such as conduits, fiber optic cables, chambers, colocation facilities, and others. The JV shall also establish a "meet-me room" or neutral hosting site through which active service providers can patch into the network.

The JV shall be in charge of maintaining and repairing said infrastructure and hosting site, and leasing out dark fiber on a wholesale basis to internet service providers, mobile network operators, data centers, and independent tower companies, among others.

Interested parties may participate in the bidding process by submitting a letter of intent starting November 6.

A pre-qualification conference is scheduled on November 14. Deadline of submission of eligibility requirements is on December 18

Source: https://malaya.com.ph/news_business/bcda-seeks-partner-for-ict-at-new-clark-city/

World Bank calls PHL prospects in RE 'exciting'

November 07, 2023 | Luisa Maria Jacinta C. Jocson | BusinessWorld


PHILSTAR FILE PHOTO

RENEWABLE ENERGY (RE), particularly when applied to electric vehicles (EVs), will be a bright spot for growth in the Philippines, the World Bank said.

"I think one area that is really exciting is a broad area of RE. In particular, the EV subsector. The Philippines happens to be endowed with critical minerals," Ndiamé Diop, World Bank Country Director for the Philippines, said at a conference on Tuesday.

"With a very good policy framework, going beyond extraction but processing the minerals here and (forging) smart partnerships with investors to produce here, I see this sector as having a great potential not only in boosting growth but also creating green jobs," he added.

The Department of Energy has said that the Philippines is on track to increase its share of RE in the power generation mix. The target for RE share is 35% by 2030 and 50% by 2040.

RE accounted for 22.1% of the Philippines' energy mix at the end of 2022. Of this, coal-fired power plants accounted for 59.6%. Natural gas accounted for 16% and oil-based energy sources 2.3%.

Policies expected to promote growth include the amended Public Service Act (PSA), Mr. Diop said.

"What is really exciting is some of the liberalization reforms that have been initiated and discussed… I will highlight one of them: the PSA. I think this is a banner reform," he said.

"If fully implemented, it will open up key sectors to competition and investment. And the gains will be transmitted across the whole economy," he added.

Mr. Diop said liberalizing the transportation, telecommunications, and energy industries "improves competition and promotes new investment."

"Some analysis done recently showed that if it is fully implemented the productivity gain across the economy (will be) significant," he added.

In March, the government released the implementing rules and regulations (IRR) for Republic Act No. 11647, which amends the 85-year-old PSA.

The law effectively allows full foreign ownership in telecommunications, domestic shipping, railways and subways, airlines, expressways and tollways, and airports. These industries were previously subject to the 40% foreign ownership cap for public utilities.

"The PSA amendment's full implementation… requires two things. One is a general IRR, which has already been enacted. Now for the reform to be fully implemented you need to get into all these sectors that are liberalized and get IRRs at the regulatory, sectoral (level)," Mr. Diop added.

Source: https://www.bworldonline.com/economy/2023/11/07/556166/world-bank-calls-phl-prospects-in-re-exciting/

PH monthly electronics exports grow 4.6% in September

November 08, 2023 | Kris Crismundo | Philippine News Agency

SEIPI president Dan Lachica *(Photo taken from SEIPI Facebook page)*

MANILA – The country's export revenues of electronic goods in September grew 4.6 percent month-on-month, data from the Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI) showed.

SEIPI president Dan Lachica said the industry's exports in September 2023 amounted USD4.4 billion from USD4.21 billion revenues in August this year.

Electronic goods expanded its shares in the total Philippine merchandise export in September to 65.44 percent from 62.78 percent in the previous month.

However, year-on-year and year-to-date exports of the industry both declined.

Compared to the USD4.85 billion revenues in September 2022, electronics exports decreased by 9.13 percent.

From January to September 2023, the industry exported a total of USD33.75 billion worth of goods, 4.37 percent lower than the exports in the same period last year amounting to USD35.30 billion.

In a chance interview on Tuesday, Lachica told reporters that the global economic headwinds as well as the geopolitical tensions across the world affected the international trade for electronic goods, which does not exempt the Philippine industry.

"The good news is we're looking at a very positive Q4 (fourth quarter). So if you recall, we have a 5 percent projection, we said it will going to be flat. It's still doable. Flat is not necessarily bad given the conditions in the global economy, geopolitical war, trade war, recession," he added.

Electronics exports in 2022 reached USD49 billion, still the biggest commodity exports of the country.

Source: https://www.pna.gov.ph/articles/1213267

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