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KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER

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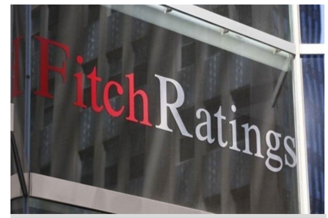
SPECIAL POINTS OF INTEREST

UPCOMING EVENT

Economy may grow above 6 percent — Fitch

November 13, 2023 | Lawrence Agcaoili | The Philippine Star

MANILA, Philippines — Fitch Ratings sees the Philippine economy growing above six percent over the medium term, enough to affirm the country's investment grade BBB credit rating and stable outlook.



The debt watcher said the rosy outlook was supported by large investments in infrastructure and reforms to foster trade and investment, including through public-private partnership.

STAR / File

The debt watcher said the rosy outlook was supported by large investments in infrastructure and reforms to foster trade and investment, including through public-private partnership.

"We forecast real GDP growth of above six percent over the medium term, considerably stronger than the BBB median of three percent," Fitch said.

The Philippine economy rebounded with a strong 5.9 percent in the third quarter, fueled by government spending, after easing for three consecutive quarters at 4.3 percent in the second quarter.

"Growth in the first nine months averaged 5.5 percent year-on-year. The strong performance in the third quarter largely offset a decline in activity in the second quarter, which was driven by weak government spending execution," Fitch said.

The expansion during the nine-month period is well below the six to seven percent target penned by economic managers through the Development Budget Coordination Committee (DBCC).

A rating of BBB sits above the minimum investment grade and suggests that expectations of default risk are low. It also indicates the ability of the country to meet its financial commitments.

The credit rating agency revised the Philippines' credit rating outlook to stable from negative on May 22, meaning Fitch is not likely to change its rating over a one- to two-year period.

Fitch's latest decision recognizes the Philippines' strong medium-term growth prospects, gradually declining debt, macroeconomic stability and sound economic policies.

According to the debt watcher, the general government deficit of the Philippines may narrow to 3.8 percent of GDP by 2025, after edging up to 5.4 percent of GDP in 2022 on stronger spending by local government units.

This is consistent with a narrowing of the budgetary central government deficit to 4.9 percent of GDP by 2025 from 7.3 percent of GDP in 2022 as authorities' focus on fostering economic growth and development.

Fitch said the national government is projecting a budget deficit of 4.1 percent of GDP by 2025, driven by spending efficiency gains, reductions in capital spending and modest new tax measures.

"We see limited potential for the government to outperform its revenue forecasts in the absence of bolder tax reforms, and the government would likely use any excess revenue to accelerate spending, as in recent years. Overall budget balance outturns have tended to be close to targets in recent history," it said.

The credit rating agency also sees the general government debt-to-GDP ratio declining to 54 percent after peaking in 2023-2024, in line with projections for the BBB median. *[Cont. page 2]*

Economy may grow above 6 percent — Fitch Fitch

[Cont. from page 1]

Amid macroeconomic stability, Fitch cited sticky inflation that averaged 6.5 percent from January to October, well above the two to four percent target set by the Bangko Sentral ng Pilipinas (BSP).

"We expect consumer price inflation to moderate to 3.5 percent by 2025, near the upper end of the central bank's inflation target range, from 5.8 percent in 2022," Fitch said.

The BSP has raised key policy rates, including another 25-basis-point off-cycle hike on Oct. 26, to prevent supply-side price pressures from inducing additional second-round effects and further dislodging inflation expectations.

"We continue to view the central bank's inflation-targeting framework and flexible exchange rate regime as credible. Last year's interventions to mitigate peso volatility have been reversed. Monetary financing to the government during the pandemic was more limited and reversed more quickly than in some peers," Fitch said.

BSP Governor Eli Remolona Jr. welcomed Fitch's recognition of the work being done by the central bank to bring inflation back to within the target range.

"The BSP will remain data-dependent in managing inflation expectations in an effort to avoid the second-round effects of supply shocks," Remolona said.

Source: https://www.philstar.com/business/2023/11/13/2311129/economy-may-grow-above-6-percent-fitch-fitch

PHL picks negotiators for trade pillar of IPEF accord

November 13, 2023 | Cai U. Ordinario | BusinessMirror

BusinessMirror
A broader look at today's business

THE Philippines has chosen its negotiators to champion the country's interests under the trade pillar of the Indo-Pacific Economic Framework for Prosperity (IPEF).

One of the four major pillars of the IPEF, Trade Pillar or Pillar 1, aims to strengthen economic engagement between the United States and the Indo-Pacific region.

The Framework provides a platform for countries in the region to collaborate in advancing resilient, sustainable, and inclusive economic growth, and aims to contribute to cooperation, stability, and prosperity in the region.

"For the Trade Pillar, IPEF partners will seek to develop high-standard, inclusive, free, fair, and open trade commitments that build upon the rules-based multilateral trading system and create new and creative approaches to trade and technology policies," Philippine Exporters Confederation Inc. (Philexport) said in a statement.

Philexport said the Department of Trade and Industry (DTI) recently conducted a virtual information drive to introduce the lead negotiators of the Philippines on trade matters.

The DTI's Bureau of International Relations (BITR) was identified as the lead negotiating body for trade and talk about the key features and intended benefits of each chapter.

The Department of Labor and Employment will be the top negotiator on labor matters, including recognition of the principle of decent work, effective enforcement of labor laws, and encouragement of corporate accountability and compliance with domestic labor laws.

Heading the Philippine panel for environment talks is the Department of Environment and Natural Resources. The agency will engage with IPEF peers on a more resource-efficient and circular economy.

Negotiations will also include marine litter and plastic pollution, conservation of forest and biodiversity, enforcement of environment laws, and other issues.

The BITR will also negotiate on the rules and commitments to promote trust in the digital economy, improve access to information, and facilitate the use of digital technology. *[Cont. page 3]*

PHL picks negotiators for trade pillar of IPEF accord
[Cont. from page 2]

The discussions will also figure in inclusivity negotiations, which will cover overlooked segments of society such as women, indigenous peoples, minorities, and MSMEs.

The Department of Agriculture will be the country's lead negotiator in dealing with IPEF provisions on sustainable agriculture, trade in biotechnology, sanitary phytosanitary (SPS), certification, and export restrictions on food security, among others.

The Anti-Red Tape Authority will spearhead talks on regulatory transparency tools, regulatory cooperation, and related matters while the National Economic and Development Authority will tackle services domestic regulation, which entails facilitating trade in services; adopting measures to streamline; and simplifying authorization procedures for services suppliers.

Meanwhile, the Philippine Competition Commission will lead the Filipino team in competition talks. This chapter seeks to promote competitive markets through provisions covering competition laws, national competition authorities, and cooperation among competition authorities, among others.

The Resource Generation and Management Service will be at the forefront in conversations on promoting technical assistance and economic cooperation.

Finally, the Bureau of Customs will represent the Philippines in trade facilitation dialogues. Focus will be on, among others, transparency in government processes, and digitalization.

The talks will also include the use of electronic advance data for postal shipments, use of a single window for the electronic submission of forms, and the release of goods within six hours from completion of customs clearance.

Launched in May 2022, the IPEF is not a trade agreement but an economic agreement, as it currently does not cover market access, including tariff reductions, for negotiations.

However, the initiative does cover negotiations on a wide range of areas beyond conventional trade agreements and is intended to be a precursor for later negotiations.

IPEF is described as a new approach to regional collaboration with the aim to create a package that balances rules and cooperation and tackle 21st-century issues such as the digitalization of economics, strengthening of supply chain resilience, decarbonization, and clean energy.

Source: https://businessmirror.com.ph/2023/11/13/phl-picks-negotiators-for-trade-pillar-of-ipef-accord/

Economist sees continued growth in manufacturing
November 10, 2023 | Anna Leah Gonzales | Philippine News Agency

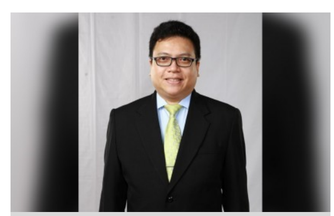
MANILA – The country's manufacturing sector could post a double-digit growth if inflation further eases, an economist said on Friday.

"Manufacturing growth has been lingering at single-digit levels in recent months [as] higher inflation and higher interest rates since 2022 dragged manufacturing activities," Rizal Commercial Banking Corporation (RCBC) chief economist told the Philippine News Agency in a Viber message.

Latest data from the Philippine Statistics Authority (PSA) shows that manufacturing output both in volume and value continued to grow in September this year.

The value of production index grew by 8.9 percent, while the volume of production index also expanded by 9.1 percent.

Ricafort said a double-digit growth in manufacturing is possible, given the further reopening and recovery of many businesses, such as tourism and other hard-hit industries during the pandemic.
[Cont. page 4]



HIGHER MANUFACTURING GROWTH. RCBC chief economist Michael Ricafort says on Friday (Nov. 10, 2023) the Philippine manufacturing sector could grow at a faster pace once inflation further eases. Manufacturing output both in value and volume grew by 8.9 percent and 9.1 percent in September. *(PNA file photo)*

Economist sees continued growth in manufacturing

[Cont. from page 3]

"Manufacturing growth could also post double-digit growth rates again once inflation eases further and eventually the Fed and other global and local central banks start to cut rates especially later in 2024, provided that geopolitical risks do not widen further, especially the Israel-Hamas war," he said.

To temper the rising inflation, the Bangko Sentral ng Pilipinas has so far raised interest rates by a total of 450 basis points since last year.

Inflation, which accelerated to 6.1 percent in September, decelerated to 4.9 percent last month.

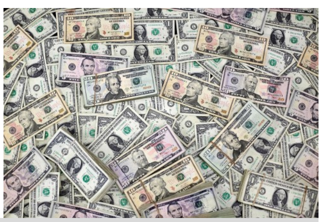
Ricafort said lower interest rates would help boost investment and manufacturing activities, as well as generate more jobs and other economic activities.

"Further growth in manufacturing [is] also structurally a function of more net foreign direct investment inflows into the country, amid various investment commitments from overseas trips of the administration since the latter part of 2022," he said.

Source: https://www.pna.gov.ph/articles/1213425

FDI net inflows slip in August

November 10, 2023 | Keisha B. Ta-asan | BusinessWorld



REUTERS

The country's net inflows of foreign direct investments (FDI) slid in August as elevated inflation and high-interest rates continued to dampen investor sentiment.

Data released by the Bangko Sentral ng Pilipinas (BSP) on Friday showed FDI net inflows inched down by 1% to $789 million from $797 million a year earlier. However, it rose 4.8% from the $753 million in July.

Despite the year-on-year decline, August saw the biggest monthly FDI inflow in four months or since the $877 million in April.

"The continued FDI net inflows reflect the country's strong macroeconomic fundamentals. Nonetheless, the recorded slowdown may be due largely to investor concerns following the sustained uncertainty surrounding the global economy," the BSP said.

The BSP mainly attributed the overall decline of FDIs to the contraction in non-residents' net investments in debt instruments.

Non-residents' investment in debt instruments, consisting mainly of inter-company borrowings between foreign direct investors and their units in the country, fell 7.8% year on year to $537 million in August from $582 previously.

However, this was offset by the growth of foreigners' investments in equity capital (other than reinvestment of earnings), which rose 13.3% to $36 million from $31 million in August 2022.

Equity capital placements surged 171.6% to $216 million, while withdrawals skyrocketed by 275% to $181 million in August.

The equity placements were mainly from Japan, the United States, and Singapore. Investments were placed mostly in manufacturing, wholesale and retail trade, and information and communication industries.

Reinvestment of earnings also climbed 21.4% to $217 million year on year in August. Equity and investment fund shares expanded 20.2% to $253 million.

For the first eight months, total FDI net inflows dropped 12.9% to $5.45 billion from $6.26 billion a year earlier.

Foreign investments in debt instruments went down 14.2% year on year to $3.82 billion. Investments in equity and investment fund shares also declined 9.7% to $1.63 billion.

Net foreign investments in equity capital shrank 13.1% to $844 million. This, as equity capital placements rose 8.4% to $1.22 billion, but withdrawals surged 142% to $376 million.

Most of these placements were from Japan, the United States, Singapore, and Germany during the January to August period.
Reinvestment of earnings slipped 5.8% to $790 million in the first eight months. *[Cont. page 5[*

FDI net inflows slip in August

[Cont. from page 4]

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said FDIs might have been dragged by elevated inflation and high-interest rates globally, which made investments more expensive.

Headline inflation accelerated to 5.3% in August from 4.7% in July, the first time in seven months. It marked the 17th consecutive month that inflation surpassed the BSP's 2-4% target range.

Meanwhile, the BSP kept the benchmark interest rate steady at a 16-year high of 6.25% during its August policy meeting.

The BSP raised borrowing costs by 425 basis points (bps) from May 2022 to March 2023 to tame inflation.

Easing inflation in the coming months could prompt the central bank to start cutting borrowing costs in 2024, Mr. Ricafort said. This could help reduce financing costs, leading to a likely increase in FDIs later on.

Measures to further reopen the economy may also continue to boost investments, especially as the Philippines is still seen to be among the fastest-growing economies in the region, he said.

"Other reform measures to ease foreign ownership limits as already signed into law, such as the amendments to the Public Services Act, Foreign Investments Act, Retail Trade Liberalization Act, 100% foreign ownership of renewable power projects, among others, would all further encourage and attract more FDIs into the country," he added.

The central bank projects FDI net inflows to reach $8 billion this year and $10.5 billion in 2024.

Source: https://www.bworldonline.com/top-stories/2023/11/10/556880/fdi-net-inflows-slip-in-august/

Philippines well-positioned to grow over long term — Oxford

November 13, 2023 | Louella Desiderio | The Philippine Star

"China leads the way in terms of a positive long-term outlook, followed by the Philippines and the Czech Republic," the think tank said in a report.
STAR / File

MANILA, Philippines — The Philippines is among the countries well-positioned to grow over the long term, a research study by Oxford Economics showed.

"China leads the way in terms of a positive long-term outlook, followed by the Philippines and the Czech Republic," the think tank said in a report.

It said this is based on the update of its work first published in February 2020, which looked at the ability of selected emerging market economies to escape the middle-income trap and achieve high-income status.

For the countries' long-term growth indicator, Oxford Economics analyzed 33 metrics divided into three groups that determine long-term growth such as labor-related, capital-related and technical change-related indicators.

"Each of the top five ranked countries – China, the Philippines, the Czech Republic, Malaysia and Thailand – have a relatively strong score for technical indicators. These include measures of productivity growth, economic structure and governance," Oxford Economics said.

It said the good long-term indicator score must be viewed as an indication that the country "has a relatively high convergence potential versus other EM (emerging market) economies in our sample."

Meanwhile, countries with the weakest scores such as Argentina and South Africa had poor showing in terms of economic structure and capital-related indicators, which include indicators of investment, returns on investment, and research and development.

Oxford Economics said the poor long-term indicator scores should not be interpreted as forecasts for low future economic growth.

"These scores mean that they may face higher obstacles to income convergence than other EM economies in our sample," it said.

The Philippine government has set a six to seven percent economic growth target for this year.

In the January to September period, the economy grew by 5.5 percent.

For 2024 to 2028, the Philippine government is targeting an annual economic growth rate of 6.5 to eight percent.

The Philippines, which is currently a lower-middle income country, is aiming to reach upper middle-income status by 2025.

Based on the updated scores, Oxford Economics also said Asia now has the most favorable long-term growth score among emerging market regions.

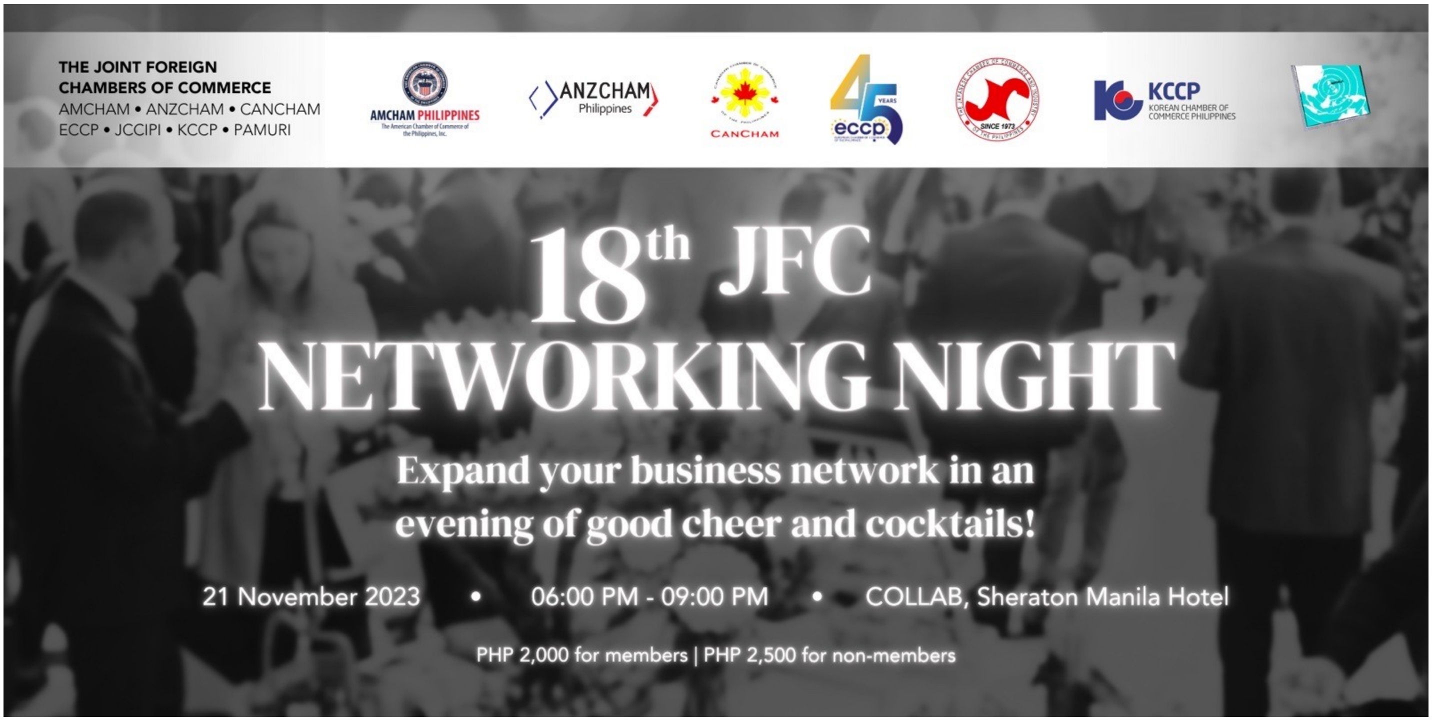
When the exercise was last conducted prior to the pandemic, Europe was the leading region.

Latin America, meanwhile, faces relatively weak prospects for long-term growth, with all countries in the region part of the sample in the "potential laggards" camp.

Source: https://www.philstar.com/business/2023/11/13/2311127/philippines-well-positioned-grow-over-long-term-oxford

UPCOMING EVENT

November 21, 2023 | 18th JFC NETWORKING NIGHT | Collab, Sheraton Manila Hotel

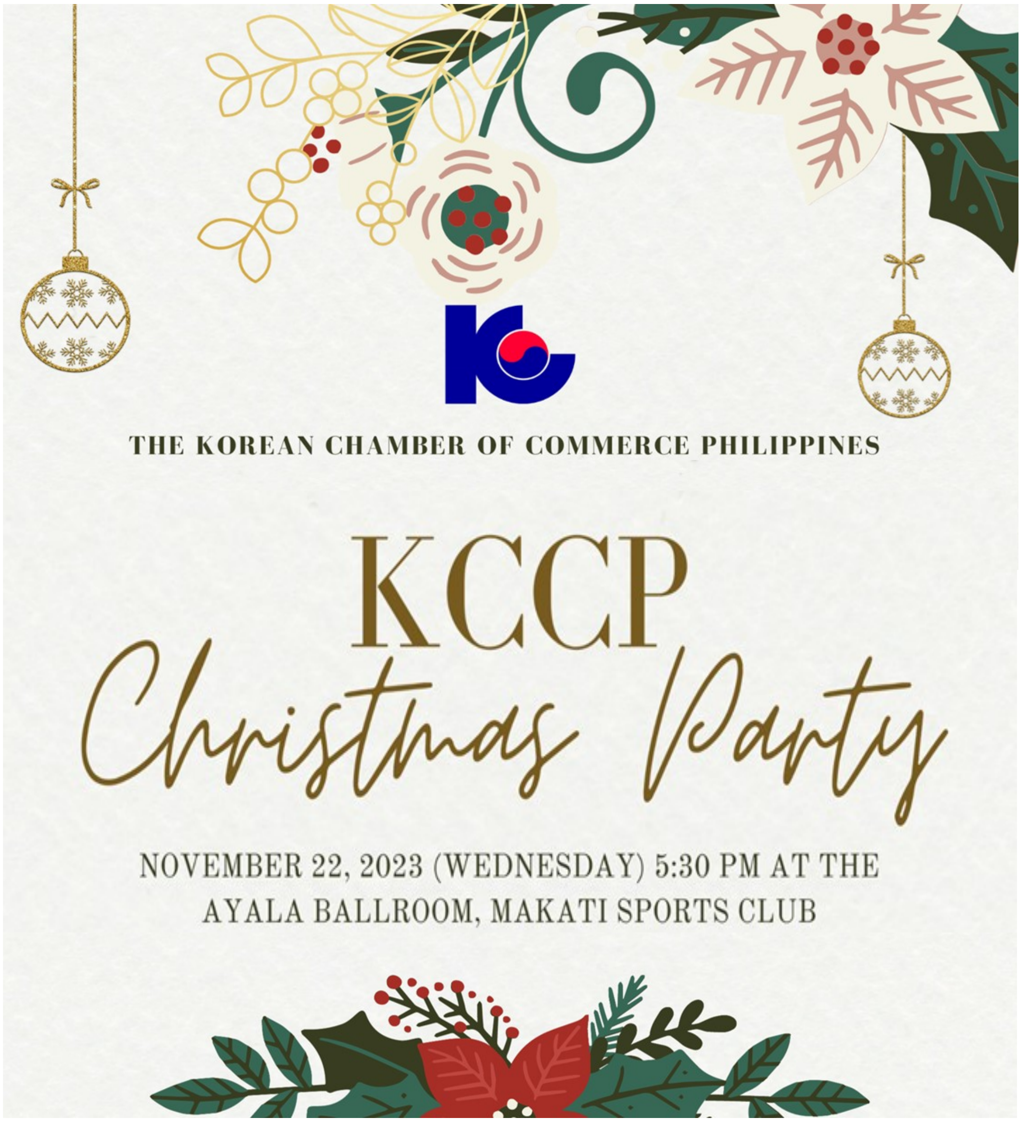


The Joint Foreign Chambers (JFC)'s will be holding its 18th Annual Joint Foreign Chambers Networking Night on Tuesday, 21 November 2023 from 6:00 pm to 9:00 pm at the Collab, Sheraton Hotel, Pasay City.

Back on face to face, this event is one of the highlight networking events in Manila and is created to provide an opportunity for our respective members and honoured guests to meet and network in an informal setting. Relationships formed at an event like this help stimulate discussion and possible business opportunities.

Tariff costs Php 2,000.00 for KCCP Members and Php 2,500.00 for non-member. Sponsorship Opportunity is also available. If you have any questions and confirmation, please do not hesitate to contact Ms. Chi or Ms. Sang at 09178015920 or 09158887296 | +632-8885-7342 and +632-8404-3099 or through email at info@kccp.ph

November 22, 2023 | 2023 KCCP CHRISTMAS PARTY | Ayala Ballroom, Makati Sports Club



Season's Greetings from the Korean Chamber of Commerce Philippines (KCCP), Inc.

The **KCCP** will be holding its **Christmas Party** on **November 22, 2023 (Wednesday) 5:30pm** at the **Ayala Ballroom, Makati Sports Club** located at Gallardo St., Salcedo Village, Makati City.

KCCP invites its members – Korean and Non-Korean companies, Korean and local partner organizations to join the event. We also invited a speaker from the Department of Trade and Industry (DTI) and our special guests, His Excellency Korean Ambassador Lee Sang-hwa and Anti Red-Tape Authority (ARTA)

Should you be interested to join the event, and for further queries, please feel free to contact KCCP Secretariat at 8885-7342 | 8404-3099 or email info@kccp.ph.

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