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SPECIAL POINTS OF INTEREST

Foreign and domestic investments: The economic future

December 06, 2023 | CROSSROADS TOWARD PHILIPPINE ECONOMIC AND SOCIAL PROGRESS - Gerardo P. Sicat | The Philippine Star

The improvements in public infrastructure facilities described earlier are likely to invite good developments.

The expansion of private investments can be one such outcome. Among these would be greater in private investments.

Recent BOI investment approvals. A recent report to the President from the Department of Trade and Industry's Board of Investments (BOI) provides an upbeat assessment on future investment flows.

The frame of reference starts from July 2022 – the start of the current government – to the latest month this year.

The volume of foreign investment approvals by the BOI has reached P1.07 trillion pesos from January to October this year, marking an 86 percent growth in volume of approvals compared to the P576 billion during the same 10-month period of the previous year. The projects involve both foreign investments and domestic investments approved by the BOI and other investment promoting agencies.

Essentially, the project approvals cited are in the form of future investment commitments. They would involve new inflows of foreign and domestic investments when project constructions start. The volume of projects involving foreign direct investments exceed those from domestic investments. This is a good sign of upheaval in the volume of forthcoming FDIs.

Is this shift to be the case for the next few years in the country? This is the substantial question for the Philippines. One reason for its relative decline in terms of its ASEAN neighbors is that, as a country, it has lagged behind in the attraction of FDIs. But the current shift in FDIs reflected in this report could imply a favorable change in the country's investment climate.

Sources of new FDIs. According to the BOI, the FDI commitments are at a peak level. The total of P757 billion represent more than a five-fold increase from the previous year's P113 billion.

According to the BOI, the biggest source of new investment projects is Europe. Germany accounts for P393 billion; The Netherlands P333 billion; Singapore, P17 billion; United States, P2.6 billion; France and United Kingdom, P1 billion each.

If the projects are realized as proposed, this will mark a major change in the profile of FDI investments in the country. The entry of Germany and the Netherlands as major sources of new investments reflects a change of pattern of FDIs. In the past, German investments had been negligible even as the Netherlands has had large investments in the country. Also, investments from Japan, the United States, and Singapore and Hong Kong had been important.

Domestic private investment approvals suffered some contraction this year, but the expansion of foreign investments more than compensate for the decline. During more propitious times, foreign and domestic investments would move in the same direction.

Leaf-frogging to renewable energy. Of the 1.03 trillion new projects reported by the BOI, P900 billion are investments in renewable energy and the power sector of the economy.

There is a big story to be told here. First, it tells about the directions of the country's energy development program. Second, it affirms the need for new economic policies to expand the economic frontier forward in a big way.

In this second case, I speak about liberalizing the foreign investment laws to enable the country to move in a big way. The case in point is the reform that opens the production of energy – that is, electricity production – to full ownership by foreign capital. *[Cont. page 2]*

Foreign and domestic investments: The economic future

[Cont. from page 1]

The energy development program continues to embrace strongly the use of indigenous renewable energy sources in the mix of electricity generation strategies. We are not just tapping geothermal energy, but also solar and wind energy in a large way. In the last decade, the cost of renewable energy technology has become more competitive. It is also a clean energy source that dovetails with the measures to mitigate environmental damage.

It now, therefore, makes economic sense to leaf-frog toward the most promising technologies for electricity generation.

In his second SONA, President Marcos said it is time to re-examine nuclear energy to attract more investors and ensure enough power supply. He said that cheap and reliable energy is a requirement for economic growth as it is related to the ease of doing business.

He stressed: "We must build new power plants. We must take advantage of all the best technology that is now available, especially in the areas of renewable energy.

In compliance with this directive, the Department of Energy (DOE) crafted an energy development plan that includes the adoption of the newest promising technologies in energy production within the mix of processes adopted in expanding the country's energy. This meant focus on renewable energy programs and the adoption of cost-efficient clean energy sources.

From July 2022 to June 2023, the DOE awarded contracts with a potential capacity of 31,131.7 megawatts. Of these, 72 contracts were solar projects, 30 wind, 20 hydro, two are biomass, one in ocean and one in geothermal. Initially, many of the renewable projects are small in scale.

Moreover, DOE approved a project under full 100 percent foreign ownership. Three offshore wind contracts with a combined capacity of two gigawatts were awarded to Copenhagen Infrastructure New Markets Fund, a foreign company. The projects are to be in the offshore areas of (1) Camarines Norte; (2) northern Samar; and of (3) Dagupan bay in Pangasinan and La Union provinces

To pave the way for the transfer of technology on nuclear energy, especially the small modular nuclear reactors – some as small as a city bus – the Philippines and the United States signed an agreement on nuclear energy on the side of the recent Asia-Pacific Economic Conference (APEC) in San Francisco, on Nov. 16.

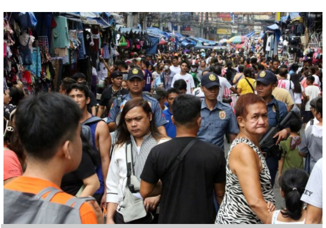
Further to this agreement, the Manila Electric Company signed with the US based Safe Nuclear Corp. to undertake a pre-feasibility study on a nuclear system using micro nuclear reactors.

Very recently, a research report by Bloomberg's BNEF Climatescope cited the Philippines as having entered behind India, China, and Chile as the fourth country among the top five countries where clean energy investments are being undertaken.

Source: https://www.philstar.com/business/2023/12/06/2316688/foreign-and-domestic-investments-economic-future

World Bank keeps PHL growth forecast for this year, 2024

December 06, 2023 | Luisa Maria Jacinta C. Jocson | BusinessWorld



People flock to Divisoria to shop ahead of the Christmas holidays. — PHILIPPINE STAR/EDD GUMBAN

THE WORLD BANK maintained its Philippine gross domestic product (GDP) growth outlook for this year and 2024.

In its latest Philippine Economic Update, the multilateral lender said it expects GDP to expand by 5.6% this year and by 5.8% next year, unchanged from its projections last October.

The World Bank's forecasts are below the government's 6-7% and 6.5-8% growth targets for this year and 2024, respectively.

"We haven't changed our projections (from) October. The reason is we haven't seen many shocks or policy surprises, which is by itself, good news," World Bank Philippines Senior Economist Ralph van Doorn said at a media briefing on Tuesday.

The Philippine economy grew by 5.9% in the third quarter, bringing the nine-month average GDP growth at 5.5%. *[Cont. page 3]*

World Bank keeps PHL growth forecast for this year, 2024

[Cont. from page 2]

The World Bank said an improvement in domestic demand is expected to fuel a "modest increase" in GDP growth to an average of 5.8% in 2024 to 2025.

"Services are expected to drive growth due to the ongoing recovery of the tourism sector and the consistent performance of the IT-BPO industry, which is likely to spur job creation, increase household incomes, and benefit consumption and tourism-adjacent industries," it added.

On the demand side, the World Bank said that household spending will remain the main growth driver amid a strong labor market, steady remittances, and easing inflation.

Meanwhile, investments are expected to slow this year before picking up next year until 2025 thanks to recent investment reforms and the Philippine government's "commitment to public investment despite ongoing fiscal consolidation."

World Bank Country Director for the Philippines Ndiame Diop said that the Philippines continues to outperform many of its peers in the region in terms of growth.

"Despite the challenging global environment that resulted in a slowdown for many countries in the region, the Philippines stands out as among the top performers. This achievement can be attributed to the country's resilience, resilient domestic demand, which helps mitigate the impact of external headwinds," he said.

"We anticipate that the Philippine economy will continue to exhibit strong performance in the next few years. This growth will be propelled by a healthy labor market and declining inflation, which will stimulate robust household consumption," Mr. Diop added.

However, Mr. Van Doorn said that risks are tilted to the downside and could dampen growth, citing external factors such as geopolitical tensions, trade restrictions on agricultural products, and persistent inflation.

On the domestic front, El Niño and other climate risks could also threaten food supply, he added.

To sustain growth in the long term, the World Bank said the Philippines should focus on structural reforms to boost productivity and improve its competitiveness.

"In the medium term, it's important to implement investment reforms, implement fiscal consolidation, invest in human capital, strengthen water security and sanitation which are key to safeguard growth, reduce poverty, and increase the country's growth potential," Mr. Van Doorn said.

Meanwhile, the World Bank kept inflation forecasts unchanged at 5.9% for this year and 3.6% next year.

"While headline inflation is expected to remain elevated in 2023, it is projected to decline to within the target range in 2024," the bank said.

"Following a year and a half of tight monetary policy, the return of headline inflation to within the target range in the first quarter of 2024 is expected to keep the policy rate steady in the short term," it added.

Headline inflation eased further to 4.1% in November, slower than 4.9% in October and 8% in the same month in 2022.

November marked the 20th straight month that inflation was above the central bank's 2-4% target range.

"Concerns over a possible resurgence of high inflation and tight monetary policies in advanced economies will continue to weigh on the Bangko Sentral ng Pilipinas' (BSP) decision to reduce interest rates," the World Bank added.

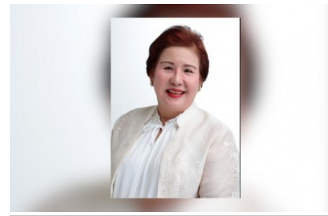
The BSP kept its key policy rate at 6.5% at its latest meeting, the highest in 16 years. Since May 2022, the central bank has raised borrowing costs by a total of 450 basis points.

The BSP's next policy meeting is on Dec. 14.

Source: https://www.bworldonline.com/top-stories/2023/12/06/561764/world-bank-keeps-phl-growth-forecast-for-this-year-2024/

PCCI names new president

December 06, 2023 | Kris Crismundo | Philippine News Agency



Newly-elected Philippine Chamber of Commerce and Industry (PCCI) President Enunina "Nina" Mangio *(Courtesy of PCCI)*

MANILA – The country's largest business organization Philippine Chamber of Commerce and Industry (PCCI) has named SamgyeopMasarap chain of restaurants owner Enunina "Nina" Mangio as its new president.

Mangio, along with the 20-member board of directors of PCCI, was elected last Dec. 1 and will assume office at the start of 2024.

She is succeeding the current PCCI president George Barcelon.

Mangio is the third female who will be leading the country's biggest business group for a period of two years.

She currently sits as the Vice President for Regional Affairs of the trade group, which now has a 30,000-strong membership.

"I am honored by the trust and confidence that my colleagues in PCCI have entrusted in me. I will do my best to serve the chamber movement and represent the organization in the local and global arena," said Mangio, who is also an Honorary Consul of the Republic of Liberia in West Africa.

With Mangio taking the PCCI's helm, she vowed to continue the works that her predecessor started and committed.

She also underscored the need to proactively work with the national government in attracting local and foreign investors to the country.

The new PCCI president also aims to push for programs that will contribute to increasing the number of entrepreneurs across the country and generating jobs.

Mangio is a licensed chemical engineer by profession, a graduate of the Mapua Institute of Technology, holding a double degree in mechanical and chemical engineering. She earned her master's degree in business management from the Ateneo Graduate School of Business.

Aside from the PCCI, Mangio also serves as the board governor of the Employers Confederation of the Philippines, a member of the board of trustee for the Philippine Exporters Confederation, Inc. and honorary chair and senior adviser for Philippines-Korea Business Council.

Source: https://www.pna.gov.ph/articles/1214921

Internet Transactions Act, infra PPP signed into law

December 06, 2023 | Samuel Medenilla | BusinessMirror

PRESIDENT Ferdinand R. Marcos Jr. has signed two landmark laws to strengthen public-private partnership (PPP) for infrastructure and boost the protection of digital consumers.

The chief executive signed Republic Act 11966 also known as the "Act Providing for the Public-Private Partnership (PPP) of the Philippines" as well as RA 11967 or the Internet Transactions Act of 2023 on Wednesday, while in isolation after testing for Covid-19 for the third time.

The cancelled signing ceremony for both pieces of legislation was supposed to be held in Malacañang on December 5, 2023.

RA 11966 aims to promote PPPs for infrastructures by establishing "a stable and predictable environment for collaboration between the public and private sectors."

By integrating the government's three-decade experience in implementing Build-Operate-Transfer (BOT) Law, the new Code is expected to mitigate risks for PPP projects.

National Economic and Development Authority (NEDA) Secretary Arsenio M. Balisacan lauded the signing of the PPP Code, saying it will help the government meet its infrastructure requirements. *[Cont. page 5]*

Internet Transactions Act, infra PPP signed into law

[Cont. from page 4]

"With its implementation, the government can harness PPPs to finance priority programs such as the Marcos Administration's Infrastructure Flagship Projects [IFPs] and even social infrastructure in the education and health sectors," Balisacan said in a statement.

He noted the new Code not only clarifies the ambiguities in the existing BOT Law, but also reduces transaction costs and improves the ease of doing business for PPPs.

RA 11966 also promotes autonomy in implementing local PPP projects while ensuring alignment of local government unit (LGU) projects to national development plans, according to the NEDA chief.

To promote digital transactions, the government also passed into law RA 11967 creating the Electronic Commerce Bureau (ECB) under the Department of Trade and Industry (DTI).

The ECB is tasked with protecting digital consumers and merchants by ensuring fair business practices and establishing "effective mechanisms for dispute resolution."

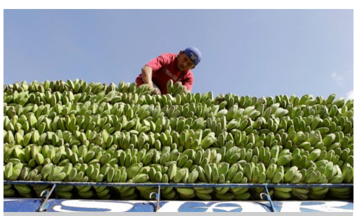
As part of its mandate, it will implement the provisions of the RA 11967 as well as the Electronic Commerce Act of 2000, and the Philippine E-Commerce Roadmap.

Marcos said the two laws will help accelerate the country's infrastructure development and efforts to have a thriving digital economy.

Source: https://businessmirror.com.ph/2023/12/06/internet-transactions-act-infra-ppp-signed-into-law/

FTA utilization tracker to be co-developed with South Korea

December 06, 2023 | Justine Irish D. Tabile | BusinessWorld



REUTERS

THE Department of Trade and Industry (DTI) said it will co-develop with a South Korean partner a digital platform to promote and increase free trade agreement (FTA) utilization.

In a statement, the DTI said it signed the record of discussions for the development and implementation of the Origin Management System for the Promotion of FTAs in the Philippines project with the Korea Institute for Advancement of Technology.

"This is a vital tool for the Philippines to optimize the Philippines-South Korea FTA and all other Philippine FTAs and preferential trade arrangements," Undersecretary for Industry Development, Trade and Investment Promotion Group Ceferino S. Rodolfo said.

"The best time to prepare for an FTA is before it is even implemented or while it is being negotiated," he added.

The project will run until December 2025. Its features include the development of an origin management system which will allow exporters to determine whether their products qualify under the respective rules of origin requirements of FTAs.

It will also develop an artificial intelligence-enabled harmonized system (HS) classification tool that will enable exporters to determine the HS codes for their products.

The South Korean government's designated trade automation business service provider, Korea Trade Network, will serve as the implementing consortium for the project, while the DTI's Export Marketing Bureau will serve as the implementing lead for the Philippine side.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said the use of digital platforms by FTA member countries will further boost international trade, transactions and overall business.

"This will translate to higher sales, earnings, employment and other business activities that can further boost gross domestic product growth," Mr. Ricafort said.

"Additionally, online transactions significantly increase the market reach of many businesses and that could be optimized further with FTAs," he added.

In September, the Philippines and South Korea signed an FTA which is expected to further open up both economies and help mitigate supply chain disruptions.

Source: https://www.bworldonline.com/economy/2023/12/06/562016/fta-utilization-tracker-to-be-co-developed-with-south-korea/

NEDA board to approve reduced tariffs on agricultural products

December 07, 2023 | Louella Desiderio | The Philippine Star

MANILA, Philippines — A proposed executive order (EO) to extend the reduced tariffs on essential commodities like rice, corn, pork and coal until 2024 will be presented for approval by the National Economic and Development Authority (NEDA) Board chaired by President Marcos next week.

Farmers dry their rice crops in the middle of the sun at Brgy. Paligue in Candaba, Pampanga on April 1, 2023.

STAR / Ernie Penaredondo

"It will go to the NEDA Board next week. The CTRM (Committee on Tariff and Related Matters) endorsed it," NEDA Secretary Arsenio Balisacan told reporters yesterday.

The CTRM, which is chaired by Trade Secretary Alfredo Pascual and co-chaired by the NEDA secretary, advises the President on tariff and related matters.

Balisacan said the proposal is to extend the implementation of the reduced tariffs for one year or until December 2024.

Under EO 10 signed by Marcos in December last year, the implementation of lower tariffs on swine meat, rice, corn and coal was extended until the end of this year in order to augment supply and make these commodities affordable amid high inflation.

While inflation has slowed down, Balisacan said there is a need to sustain the gains.

Inflation eased to a 20-month low of 4.1 percent in November from 4.9 percent in the previous month, mainly due to the slower food price upticks.

This is the second straight month that the inflation rate slowed down.

In the January to November period, inflation averaged 6.2 percent, still above the Bangko Sentral ng Pilipinas' two to four percent target range.

Balisacan said it is critical to bring inflation to the two to four percent target.

"As we have seen, inflation is a major drag in slow growth. It has an impact on consumption," he said.

He pointed out that it is the poor that get hurt the most by inflation, especially food inflation.

Balisacan said the goal is to issue the EO extending the reduced tariffs before the current one expires.

As rice registered a higher inflation rate of 15.8 percent in November from 13.2 percent in October, he said the Inter-Agency Committee on Inflation and Market Outlook is monitoring the situation and looking at recommendations that can be made to the Cabinet and the President.

Source: https://www.philstar.com/business/2023/12/07/2316953/neda-board-approve-reduced-tariffs-agricultural-products-

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