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Too late for economic Cha-cha, analysts say

Amending the Constitution alone seen not enough to entice investors

December 1, 2023 | Ian Nicolas P. Cigaral - @inquirerdotnet | Philippine Daily Inquirer

MANILA -It's already too late for renewed attempts to amend the Constitution for the sake of attracting more foreign investments, analysts said, adding that Charter Change (Cha-cha) alone will not be enough without fresh reforms that are business friendly.

The Plenary Hall of the House of Representatives (File photo from the Philippine Daily Inquirer)

President Marcos himself said he would study the latest attempt at the House of Representatives led by his cousin, Speaker Martin Romualdez, to revise the Constitution for the purpose of making the Philippines "an investment friendly place."

But for Calixto Chikiamco, president of the Foundation for Economic Freedom (FEF), a group of former finance secretaries and central bankers, the Philippines might have already missed the economic Cha-cha boat, adding that it would take more than constitutional tweaks to convince foreign investors to come here.

Bad timing

"As for the timing, removing these restrictive provisions should have been done a long time ago," Chikiamco said.

"Removing the Filipino First and Filipino Only provisions in the Constitution is necessary but not sufficient in increasing foreign investments," he added. "Other reform measures … must accompany amending the Constitution."

There were moves during the previous Duterte administration to relax the protectionist provisions of the Constitution. However, those attempts failed despite former President Rodrigo Duterte's huge popularity amid fears that the sitting administration was trying to perpetuate itself in power.

But before leaving Malacañang, Duterte enacted two key reforms meant to open up the economy to more foreign investments.

Key reforms

The first one was the Retail Trade Liberalization Act that sought to simplify and ease restrictions for foreign retailers that wish to set up shop in the Philippines. The other was amendments to the Commonwealth-era Public Service Act, which opened industries once deemed off-limits to foreign capital—such as telecommunications, airlines and railways—to full foreign ownership.

For Dr. Leonardo Lanzona, economist at Ateneo De Manila University, the Marcos administration can just tinker with the two Duterte-era reforms instead of tweaking the constitution to entice investors.

"The point is that the constitution allows for varied legislative reforms that can allow greater foreign investments while keeping its commitment of protecting the country's interest," he said. Dr. Cid Terosa, senior economist at the University of Asia and the Pacific, agreed with Lanzona that there are existing laws which can achieve the same objective of Cha-Cha, although he emphasized that the Philippines must act quickly to capture the pandemic-led movement of global supply chains.

"Any delayed reaction will have potentially large consequences given weak global economic conditions," he said.

Romualdez on Dec. 12 said his chamber would tackle economic Cha-Cha next year.

But Senate President Juan Miguel Zubiri said constitutional amendments are not needed "at this particular point in time" as most senators are against it, among them Senator Imee Marcos, the president's sister.

That said, it remains to be seen whether Mr. Marcos and Romualdez have enough political capital to make Cha-Cha happen.

For Dr. Anthony Lawrence Borja, political science professor at De La Salle University, any moves to revise the charter might set off a showdown between the Senate and the "traditional duo" of Palace and House.

Source: https://business.inquirer.net/437812/too-late-for-economic-cha-cha-analysts-say

After fiscal policy reform, 'obsolete' systems up next

December 20, 2023 | Samuel P. Medenilla | BusinessMirror

President Ferdinand Romualdez Marcos Jr. (AP/Andrew Harnik)

WITH the necessary economic structural changes already in place this year, President Ferdinand R. Marcos Jr. will be pushing for the "modernization" of obsolete government systems in the coming months.

In an interview with reporters in Tokyo, Japan on Monday, the chief executive disclosed his administration focused on updating existing fiscal, monetary and spending policies as the country "moves away" from the economic impact of Covid-19.

Since the onset of the pandemic, the government was forced to increase its loans to assist those affected by the nationwide lock downs despite lower revenue.

Data from the Department of Finance (DOF) showed national government debt soared from P7.73trillion to P9.8 trillion in 2020, P11.73 trillion in 2021, and P13.4 trillion in 2022.

As of October, the national debt was at P14.8 trillion.

To address the matter, the government implemented debt-management strategy, efficient spending measures, and is now pushing for the passage of revenue generating bills.

"We studied the government, we studied the economy, and started to come to a few answers, some of it is structural that we have had to do," Marcos said.

"Those structural changes should start to—well, they already have but they will even have a greater effect in 2024 than they did in 2023," he added.

The reforms, he said, will provide the government the window in 2024 to update its existing structures to help speed up the country's economic growth.

The President said he has called for the review of existing laws in a bid to make the country an attractive destination for investors.

He is also pushing for the digitalization of more government operations to make it more efficient and accessible to the public.

"We're moving in the right direction. But if you ask me, I'm always—I always say it's [changes] too slow, it's too slow, it's too slow. So, we will just keep pushing and pushing and pushing so all of these will be completed and we can feel the effects of those changes that we made," Marcos said.

Image credits: AP/Andrew Harnik

Source: https://businessmirror.com.ph/2023/12/20/after-fiscal-policy-reform-obsolete-systems-up-next/

Government seeks way to boost electronics sector

December 19, 2023 | Richmond Mercurio | The Philippine Star

MANILA, Philippines — The government is looking into how it can support the electronics sector as it works to implement a catch-up plan to reverse the decline in exports amid the global economic slowdown.

During the recent general membership meeting of Philippine Exporters Confederation Inc. (Philexport), presidential adviser on Investment and Economic Affairs Frederick Go said his office is working on how to support the electronics sector.

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AFP. file

"The industry has only grown bigger and given the Philippine status as a top global exporter of electronics with the particular strength in the semiconductors, it is an opportune time to fully harness the potential of this sector and to create an entire ecosystem that produces high value products for the global market," Go said.

Latest data from the Philippine Statistics Authority (PSA) showed that electronics exports posted an 8.6-percent decline to $34.5 billion from January to October compared to last year's $37.8 billion.

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Government seeks way to boost electronics sector

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In an interview with ANC in September, Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI) president Dan Lachica said they are projecting a nine to 10 percent decline in electronics exports for this year, citing global political and economic factors.

Lachica said the Philippines should focus more on its local semiconductor sector to be able to compete in attracting investments, especially as its neighbor Vietnam builds a strategy to develop its semiconductor industry.

Go said the catch up plan, which aims to realize the country's untapped export potential of $49 billion includes attracting foreign investments and investing in infrastructure.

He said it also covers other sectors such as mining and mineral processing, noting that the Philippines is in a viable position to capitalize on the expanding nickel processing market as nickel is a key component in electric vehicles.

"We are the sixth largest in the world in terms of nickel reserves but actually importantly, we are the second largest exporter of nickel to the world and I believe that the Philippines has a huge potential of capturing the value chain by not exporting raw nickel ore but by processing the ore downstream and exporting processed nickel, or what is otherwise known as pure nickel or nickel concentrate," Go said.

He added the country is studying the success story of Indonesia which is now a global powerhouse for nickel processing, and "all we need to do now is to learn from it and improve on it."

In recognition of the importance of foreign direct investments in growing the economy, Go said his office is currently focused on encouraging investments in energy particularly renewable energy, agriculture, mining, manufacturing, digitalization, tourism and infrastructure.

On investing in infrastructure, he said the administration's Build Better More program is currently in progress and vigorously implemented.

The infrastructure plan is envisioned to drive economic growth within and across markets, he said.

Source: https://www.philstar.com/business/2023/12/19/2319811/government-seeks-way-boost-electronics-sector

Marcos to release EO on El Niño soon

December 20, 2023 | John Victor D. Ordoñez | BusinessWorld

PRESIDENT Ferdinand R. Marcos, Jr. is expected to issue an executive order (EO) on state efforts to brace for the impact of the El Niño which is expected to bring dry spells throughout the country next year, Defense Secretary Gilberto Eduardo C. Teodoro, Jr. said on Tuesday.

"The President will issue an order so that we can prepare for it (El Niño) early and find quick interventions and monitor the possible effects of Niño," Mr. Teodoro, who heads the national task force on El Niño, told a Palace briefing following a Cabinet meeting.

At the same briefing, Science and Technology Secretary Renato U. Solidum, Jr. said a strong El Niño is expected to continue from the end of this month to January next year, adding that its effects would be felt until May.

He said the peak of the drought associated with El Niño would be in April, with about 63 provinces experiencing its effects. Mr. Solidum said this new forecast projects the peak earlier than May, as previously expected.

The Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) defines a drought as three consecutive months of below-normal rainfall or two straight months of significantly below-normal rainfall. A dry spell means two straight months of below-normal rainfall.

Environment Secretary Maria Antonia Yulo-Loyzaga said Angat Dam in Bulacan, which is the source of potable water in the National Capital Region, still has enough supply for now but cited the need to produce useable water for residents that will be affected by dry spells and drought.

She said the province of Cavite is looking to start developing a bulk water project in January, also citing the Department of Environment and Natural Resources planned 135 water projects nationwide. *[Cont. page 4]*

Marcos to release EO on El Niño soon

[Cont. from page 3]

"The President's instruction is to have our infrastructure investments be multi-purpose," Ms. Loyzaga said at the same briefing in mixed English and Filipino.

"So that one investment in a kind of infrastructure can generate several values… whether for irrigation or eventually for water supply and distribution as well," she said.

Mr. Marcos earlier said the Department of Agriculture was looking into the potential effect of El Niño on the prices of agricultural products for state agencies to come up with countermeasures.

The country's task force on El Niño has developed an online interagency database that consolidate data on El Niño.

Source: https://www.bworldonline.com/the-nation/2023/12/20/564649/marcos-to-release-eo-on-el-nino-soon/

Govt, business bullish despite headwinds

December 21, 2023 | Irma Isip |Malaya Business Insight

Government and business leaders are bullish about the economy in 2024 despite headwinds.

In a radio interview, Trade Secretary Alfredo Pascual said the economy will continue to grow faster compared to those in neighboring countries.

Pascual said the country will welcome more foreign direct investments (FDIs) resulting from the presidential visits and trade and investment missions conducted the past year.

"These will not only bring capital but also technology and will expand industry and export while creating jobs. We in government are working together to achieve this," Pascual said.

In a separate interview, Francis Chua, chairman emeritus of the Philippine Chamber of Commerce and Industry, painted a rosy picture of the economy for 2024 as he commended government's initiatives to make the country more business-friendly to attract more investments.

Chua also said government should continue addressing inflation by ensuring stable supply of basic goods and services.

He said President Marcos Jr.'s foreign visits should result to more foreign direct investments (FDIs).

Chua supports proposals to amend the economic provisions of the Constitution but said government should consider lifting restrictions on land ownership by foreigners.

"Long-term lease is not enough," said Chua, noting that if foreign investors can own the land, they feel their investments are more secure

Sergio Ortiz-Luis, president of the Employers Confederation of the Philippines and the Philippine Exporters Confederation Inc., said in a televised interview employment is slowly but surely improving.

However, the quality of employment needs improvement as there are Filipinos who still work part-time.

Ortiz-Luis said those working underground should also be integrated in the formal sector.

The business groups are leading a campaign to create one million jobs by 2024.

Ortiz-Luis also expressed hope inflation would continue to slow and hit government's target of 2 to 4 percent by 2024.

"It's hard to tell because there are challenges like the geopolitical issues that indirectly affect commodities prices and the supply chain," he said.

Ortiz-Luis said while the government is trying to gather investments and create jobs, the Philippines has a smaller share in investments compared to Thailand, Vietnam and Singapore " because of issues" like honoring contracts.

He also cited the West Philippine Sea issue as another challenge to attracting Chinese investments.

Source: https://malaya.com.ph/news_business/govt-business-bullish-despite-headwinds/

PH seen missing GDP goals to 2025

December 21, 2023 | Niña Myka Pauline Arceo |The Manila Times

The Manila Times

PHILIPPINE economic growth will stay strong but fall below the government's target this year up to 2025, the research unit of the ANZ Group said in a report on Wednesday.

After expanding by an above-target 7.6 percent in 2022, ANZ Research expects Philippine gross domestic product (GDP) growth to drop to 5.2 percent this year, below the 6.0- to 7.0-percent target.

The 5.6-percent and 5.9-percent forecasts for 2024 and 2025 are also below the 6.5- to 7.5-percent goal for next year and 6.5 to 8.0 percent for 2025 to 2028.

"Domestic demand is expected to moderate over the course of 2024 — pent-up demand has normalized amid rising borrowing costs," ANZ Research said in the report.

"High frequency data, such as waning credit growth and manufacturing sales, weaker consumer confidence and limited capacity expansion plans validate our view," it added.

A boost from the labor market is also unlikely, ANZ Research said, as unemployment is already below pre-pandemic levels. Household savings are also weak and income growth moderate, which does not bode well for consumption.

Government spending on infrastructure is also expected to stabilize and results are contingent to the achievement of spending targets.

While the positive worldwide semiconductor trend is somewhat encouraging and with Philippine electronic exports — about 57 percent of total outbound shipments — having normalized, the pace of recovery in exports is expected to be slower compared to peers.

"[P]roductivity gains in the Philippines' electronics sector have been weak in recent years," ANZ Research said.

Services exports, meanwhile, are expected to "stay on course, supported by higher revenues from the tourism and business process outsourcing sectors."

Inflation was forecast to remain above the 2.0- to 4.0-percent target at 6.0 percent this year but drop to 3.5 percent next year and further to 3.0 percent in 2025.

October's off-cycle 25-basis-point (bps) rate hike marked the end of the Bangko Sentral ng Pilipinas' tightening cycle, ANZ Research said, but monetary authorities are expected to remain hawkish until inflation shows signs of sustained improvement.

"We do not foresee any rate cuts before Q1 (first quarter) 2025," it added.

ANZ Research pegged 100 bps of rate cuts for that year, forecasting a policy rate of 5.5 percent.

Net foreign direct investments were forecast to drop to $3.8 billion this year from $5.4 billion in 2022 but pick up to $4.4 billion and $5.6 billion, respectively, in 2024 and 2025.

The government is expected to end 2023 with a P1.5-trillion deficit, equivalent to 6.1 percent of GDP and down from last year's P1.614 trillion (7.1 percent of GDP). The shortfalls were forecast to narrow further to P1.37 trillion next year and P1.2 trillion in 2025 or 5.1 percent and 4.1 percent of GDP, respectively.

The peso, meanwhile, will likely end 2023 at P55.60 to the dollar, slightly better than last year's P55.73:$1. The currency could strengthen to P54.50 and P53.50 against the greenback in 2024 and 2025, ANZ Research said.

Source: https://www.manilatimes.net/2023/12/21/business/top-business/ph-seen-missing-gdp-goals-to-2025/1925122

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