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Factory activity growth slows in Dec.

January 03, 2024 | Keisha B. Ta-asan | BusinessWorld

FACTORY ACTIVITY in the Philippines expanded at a slower pace in December, reflecting modest growth in new orders and output across the sector, S&P Global said on Tuesday.

Workers are seen at a manufacturing facility in Santa Rosa, Laguna. — PHILIPPINE STAR KRIZ JOHN ROSALES

The S&P Global Philippines Manufacturing Purchasing Managers' Index (PMI) stood at 51.5 in December, lower than the nine-month high of 52.7 in November.

S&P Global said the headline index showed only a modest improvement in operating conditions. At 51.5, the December figure was the weakest in three months or since the 50.6 reading in September.

A PMI reading above 50 denotes better operating conditions than in the preceding month, while a reading below 50 shows a deterioration.

"The year concluded with yet another expansion across the Filipino manufacturing sector. Output and new orders continued to rise, albeit at softer rates," Maryam Baluch, an economist at S&P Global Market Intelligence, said in a report released on Tuesday.

The headline PMI measures manufacturing conditions through the weighted average of five indices: new orders (30%), output (25%), employment (20%), suppliers' delivery times (15%) and stocks of purchases (10%).

S&P Global said the easing manufacturing growth in December was mainly due to a "notable softening" in new orders, which grew at the slowest pace in four months.

"Moreover, total sales growth was focused domestically as the demand picture across international export markets deteriorated, with manufacturers reporting a fresh and solid fall in new export sales in December," it said.

Manufacturing output also grew at the weakest pace in three months, S&P Global said. Despite this, output growth remained robust amid a steady rise in new orders.

"Firms also noted growing supply-side challenges with average lead times lengthening again in December. Congestion and longer delivery times for imports were blamed for delays. Moreover, vendor performance deteriorated at the greatest extent in five months," it said.

S&P Global noted that manufacturing firms slashed jobs in December, as employment dropped for the second straight month.

"The main concern in the sector remains the further curtailment of workforce numbers. Evidence of spare capacity and a cooldown in new order growth prompted redundancies," Ms. Baluch said.

S&P Global said Philippine manufacturers also reported increased inflationary pressures as prices of fuel, materials, and shipping rose. This prompted firms to hike selling prices.

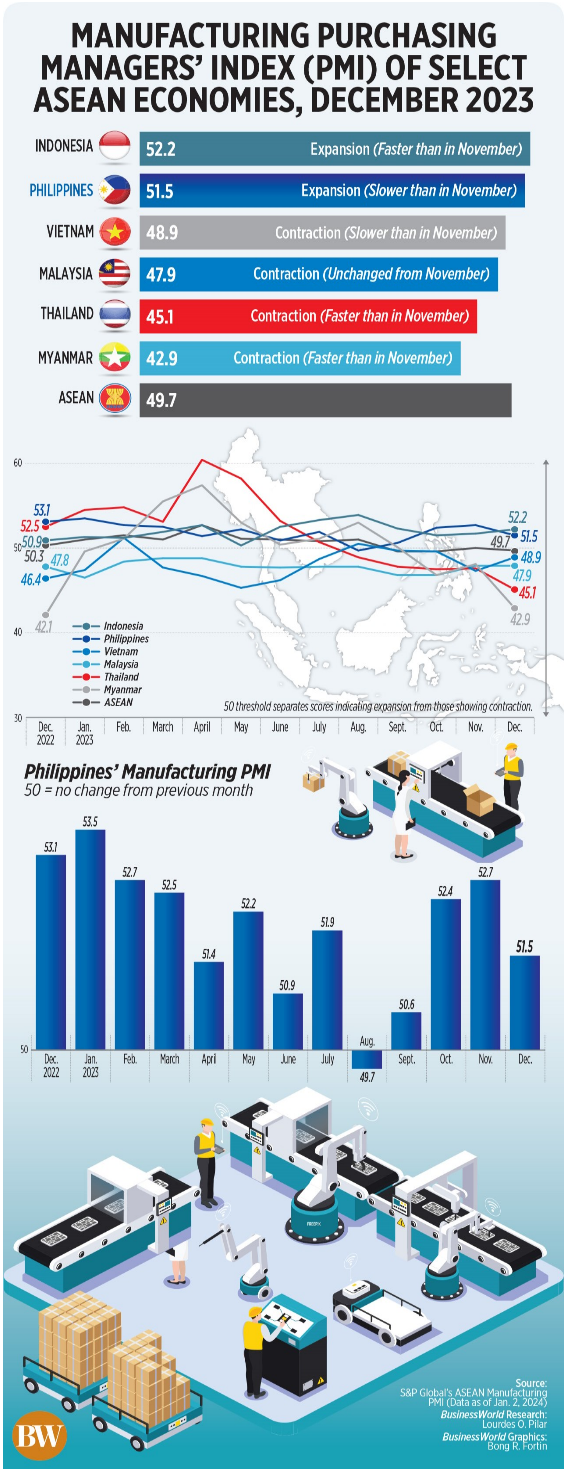
Headline inflation may have eased to 4% in December, based on a median estimate in a *BusinessWorld* poll last week. If realized, December inflation would be a tad slower than 4.1% in November and significantly lower than 8.1% in December 2022.

The local statistics agency will release the December inflation data on Jan. 5.

"Sluggish demand from overseas markets and tight borrowing conditions across the country will act as headwinds as we move into 2024. That said, inflationary pressures are expected to pose less of a threat than seen at the start of 2023, despite gaining pace during December," Ms. Baluch added. *[Cont. page 2]*

Factory activity growth slows in Dec.

[Cont. from page 1]



Still, Filipino manufacturers remained optimistic for the new year as business confidence rose to a four-month high, according to S&P Global.

"Hopes of improving demand conditions and plans for increased marketing campaigns boosted optimism," it said.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said factory activity expanded in December, due to the seasonal increase in importation, manufacturing, and other production activities since the third quarter of 2023.

However, elevated inflation and borrowing costs may have weighed on investments, including those in the manufacturing sector, Mr. Ricafort said.

"Furthermore, softer manufacturing and services PMI data for many developed countries around the world… partly reduced the demand for exports and somewhat dragged on some local manufacturing activities," he said.

SECOND FASTEST IN ASIA

The Philippines recorded the second-highest PMI reading among six Southeast Asian countries in December, just behind Indonesia (52.2).

Manufacturing activity in Vietnam (48.9), Malaysia (47.9), Thailand (45.1) and Myanmar (42.9) contracted in December.

On average, the Association of Southeast Asian Nations (ASEAN) headline PMI dropped to 49.7 in December, easing from 50 in November.

S&P Global said the ASEAN headline PMI contracted for the third time in four months.

"Central to the deterioration in operating conditions was a quicker fall in new orders. Inflows of new work fell for the fourth month running in December, which in turn weighed on production growth," it said.

Security Bank Corp. Chief Economist Robert Dan J. Roces said the slower growth in December may be attributed to difficulties in supply chain management, possible shifts in consumer demand, fluctuations in prices of raw materials, and changes in overall economic conditions.

"(The Philippines) still outperformed ASEAN's 49.7 though. We calculated that the Philippines' average monthly PMI was at 52.2 in the fourth quarter, the highest in three quarters," he said.

He also noted that a recovery in the manufacturing sector may contribute to the Philippines' faster gross domestic product (GDP) growth, adding that GDP expansion could average 5.8% in the fourth quarter of 2023.

China Banking Corp. Chief Economist Domini S. Velasquez said global economic headwinds continued to weigh on the manufacturing sector.

"Data from China and the rest of Asia pointed to softer activities towards the end of the year. Bellwether manufacturing countries, especially with regard to semiconductors, such as Taiwan and South Korea posted contractions in December," she said.

For this year, the Philippine manufacturing sector is expected to grow modestly amid easing inflation.

"The easing of inflationary pressures is expected to support domestic demand, while a recovery in the semiconductor industry is likely to boost external demand in 2024. These factors should contribute to a gradual improvement in the manufacturing sector's performance," Ms. Velasquez added.

Source: https://www.bworldonline.com/top-stories/2024/01/03/566474/factory-activity-growth-slows-in-dec/

Tourist arrivals hit 5.45M, revenues reach P482B

January 03, 2024 | Irma Isip | Malaya Business Insight

Tourist arrivals hit 5.45 million in 2023, generating for the economy P482.54 billion in revenues, the Department of Tourism (DOT) reported yesterday.

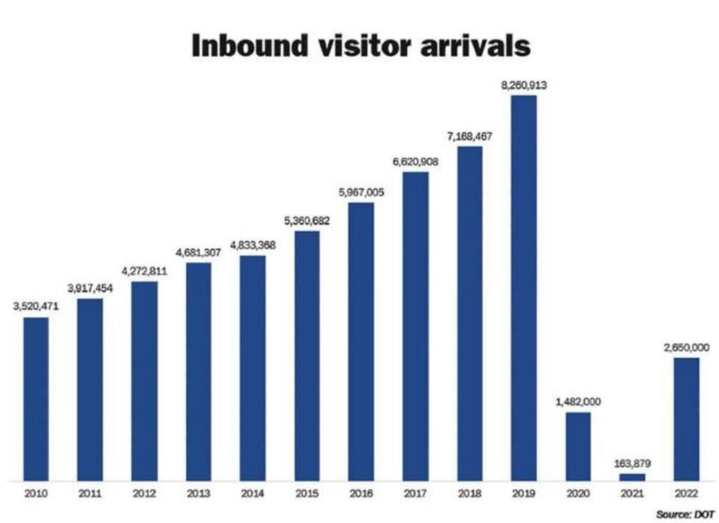
In a statement, DOT said visitor receipts in 2023 surpassed those in the pre-pandemic year of 2019 of P482.15 billion.

The DOT said the number of tourists was 650,000 higher than its target of 4.8 million projected for the year, and more than double than the 2.65 million arrivals in 2022.

This number represents a 66-percent recovery rate for its all-time high international visitor arrivals achieved in 2019 of 8.26 million.

Last year' s revenues represented a 124.87- percent increase from P214.58 billion in 2022.

Of the 5.45 million international visitors, 91.8 percent or 5 million were foreigners and the remaining 8.2 percent or 447,082 are overseas Filipinos.



South Korea retains its top spot as the country's main source of international visitors, getting 26.41 percent or 1.44 million. It was followed by the United States with 903,299 tourists (16.57 percent) ; Japan, 305,580 (5.61 percent); Australia , 266,551 (4.89 percent) and China, 263,836 (4.84 percent).

Other source markets after China were Canada, Taiwan, the United Kingdom, Singapore, and Malaysia.

The DOT is targeting a baseline target of 7.7 million international visitor arrivals this year, still lower than the peak number in 2019 but higher than the visitors of 7.12 million in 2018.

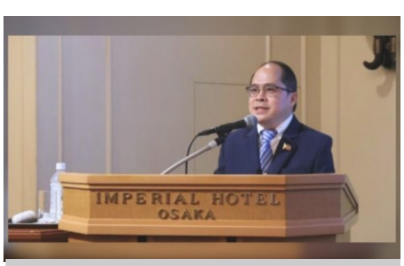
"Looking ahead to 2024, our commitment to the transformation of Philippine tourism is unwavering. Guided by our National Tourism Development Plan (NTDP) 2023-2028, we are poised for a thriving tourism landscape, evident in surpassing our targets in international and domestic arrivals and receipts, fostering economic prosperity and further job creation for our people," said DOT Secretary Christina Frasco.

The NTDP, the administration's blueprint and development framework for the tourism industry, contains the DOT's seven strategic goals: improvement of tourism infrastructure and accessibility; cohesive and comprehensive digitalization and connectivity; enhancement of overall tourist experience; equalization of tourism product development and promotion; diversification of the tourism portfolio through multidimensional tourism; maximization of domestic and international tourism; and strengthening tourism governance through close collaborations with national and local government units and stakeholders.

Source: https://malaya.com.ph/news_business/tourist-arrivals-hit-5-45m-revenues-reach-p482b/

PEZA vows more fervor in acquiring investments

January 03, 2024 | Kris Crismundo | Philippine News Agency



Philippine Economic Zone Authority Director General Tereso Panga. *(File photo)*

MANILA – The Philippine Economic Zone Authority (PEZA) on Tuesday pledged to be more aggressive in getting more investments, especially from foreign sources, to achieve its PHP202 billion to PHP250 billion target approvals for 2024.

"The strategic focus for 2024 revolves around an aggressive approach to acquiring investments, cultivating a sound business environment that supports investor growth, championing ease of doing business, and fostering vertical supply and global value chains that align with ASEAN (Association of Southeast Asian Nations) and global partners," PEZA Director General Tereso Panga said in a statement.

Panga added that by attracting more investments into the country, PEZA is committed to achieving President Ferdinand R. Marcos Jr.'s vision of spreading ecozones across the country to accelerate economic development. *[Cont. page 4]*

PEZA vows more fervor in acquiring investments
[Cont. from page 3]

"More ecozones mean more businesses and more employment and improved quality of life for Filipinos across the Philippines. Our reinvigorated mission and mantra will be eco-zoning the Philippines towards inclusive and sustainable development," he added.

The PEZA chief said the investment promotion agency (IPA) will explore new sources of foreign investments such as Australia, Canada, China, South Korea, Middle East, and European Union to complement its steady sources of ecozone foreign direct investments from Japan, the United States, Netherlands, United Kingdom, and Singapore.

He added that the IPA aims to attract more investments from promising sectors like advanced manufacturing, electric vehicle production, frontier technologies, regenerative agriculture and blue resources, green ores processing, renewable and alternative energy, and eco-industrial park and smart township development.

"I am confident that as we set a higher level of ecozone management and provide new avenues of growth for current and prospective investors with various types of ecozones, even a mega ecozone, we will see more businesses landing on our shores," Panga said.

He noted that through ecozone development, the Philippines is poised to continue its economic success this year by achieving higher gross domestic product, "competing favorably with neighboring countries despite geopolitical and economic headwinds."
In 2023, PEZA approved PHP175.71 billion worth of investment pledges.

Source: https://www.pna.gov.ph/articles/1216200

DOF: PH economy to withstand El Niño impact
January 02, 2024 | Chino S. Leyco |Manila Bulletin

AT A GLANCE

- The Department of Finance (DOF) assures that the economy is prepared to withstand the potential negative impacts of this year's El Niño phenomenon, with the 2024 GDP target accounting for the risks associated with the prolonged dry spell.
- Growth in 2024 is expected to be driven by private consumption, with an expectation of inflation returning within the target range of 2.0 percent to 4.0 percent.
- Efforts to mitigate the expected impact of the prolonged dry spell on food production have been initiated by the Department of Agriculture and other agencies.
- National Economic and Development Authority Secretary Arsenio Balisacan downplays the potential negative effects of El Niño on the economy, while acknowledging the likelihood of an increase in commodity prices, citing the smaller relative share of agriculture in the current economy compared to the severe El Niño of 1997-1998.
- Additionally, the DOF emphasizes the economy's resilience to various challenges, including the global economic slowdown, natural disasters, and geopolitical and trade tensions, demonstrating a proactive approach in preparing for a range of economic challenges.

The Department of Finance (DOF) said the Philippine economy is prepared to withstand any potential negative impacts of this year's El Niño phenomenon.

In a statement, the DOF said that the national government's 2024 gross domestic product (GDP) target of 6.5 percent to 7.5 percent has already taken into account the risks associated with the prolonged dry spell.

The DOF explained that growth in 2024 will be fueled by private consumption, with expectations that inflation will return within the target range of 2.0 percent to 4.0 percent.

Last week, the Department of Agriculture and other agencies began taking steps to lessen the impact of the expected long dry spell on food production.

National Economic and Development Authority Secretary Arsenio Balisacan also downplayed the potential negative effects of El Niño on the economy but admitted the likelihood of an increase in commodity prices.

Balisacan cited the significant difference from the severe El Niño of 1997-1998, noting that the current relative share of agriculture in the economy is much smaller, at around 10 percent. *[Cont. page 5]*

DOF: PH economy to withstand El Niño impact

[Cont. from page 4]

In addition to El Niño, the DOF added that the economy is capable of withstanding the global economic slowdown, other natural disasters, as well as geopolitical and trade tensions.

The DOF cited several favorable factors that would drive growth this year.

These include declining oil prices, strong public spending, increased investments attracted by the country's solid macroeconomic fundamentals and investment-grade credit ratings, the implementation of structural reforms, and rising demand for Philippine exports as supply chain bottlenecks ease.

"A broad-based expansion in all major sectors of the economy led by services, and industry is expected to drive growth on the supply side," the DOF said.

"The passage of proposed legislative reforms will also help ensure the funding for the P5.77 trillion national government budget for 2024 and will allow the attainment of the deficit target of 5.1 percent of GDP in 2024," it added.

Meanwhile, Finance Secretary Benjamin E. Diokno said he economic team will continue to work with Congress in pushing for key reforms crucial to accelerating economic development.

Source: https://mb.com.ph/2024/1/2/dof-ph-economy-to-withstand-el-nino-impact

Philippines to post higher growth this year at 5.9 % — JCER

January 04, 2024 | Louella Desiderio | The Philippine Star

Conducted from Nov. 17 to Dec. 7 last year, JCER's Consensus Survey on Asian Economies, which collected answers from economists and analysts from countries such as the Philippines, Indonesia, Malaysia, Singapore, Thailand and India, showed the economic growth forecast for the Philippines for this year is at 5.9 percent, unchanged from the projection provided in the previous survey.
Philstar.com / Irra Lising

MANILA, Philippines —The Philippines is expected to post faster economic growth this year than in 2023, with easing inflation likely to support consumption, according to a survey by the Japan Center for Economic Research (JCER).

Conducted from Nov. 17 to Dec. 7 last year, JCER's Consensus Survey on Asian Economies, which collected answers from economists and analysts from countries such as the Philippines, Indonesia, Malaysia, Singapore, Thailand and India, showed the economic growth forecast for the Philippines for this year is at 5.9 percent, unchanged from the projection provided in the previous survey.

This forecast is higher than the revised 5.5 percent gross domestic product (GDP) growth forecast for 2023, but below the government's 6.5 to 7.5 percent growth target for this year.

Prior to the adjustment made to the 2023 GDP forecast, JCER's previous survey showed the Philippines was expected to just post 5.1 percent growth last year.

Despite the upward revision, the 2023 economic growth forecast is still below the six to seven percent growth goal set by the government for last year.

The Philippine economy posted a faster growth rate of 5.9 percent in the third quarter compared to the 4.3 percent expansion in the second quarter.

For the January to September period, average growth was at 5.5 percent.

For 2025, JCER's survey showed the GDP forecast was revised to six percent from the previous projection of 6.1 percent.

The GDP growth forecast for 2025 is lower than the 6.5 to eight percent growth the government is aiming for.

"Inflation in each country is expected to be lower in 2024 than in 2023, and stable prices are likely to further stimulate consumption," JCER said.

The survey showed inflation in the Philippines is expected to have averaged six percent in 2023.

Inflation is expected to ease to 3.6 percent this year and to 3.1 percent in 2025.

Inflation in the country decelerated to a 20-month low of 4.1 percent in November last year from 4.9 percent in October as food prices registered slower increases.

This brought average inflation in the January to November period to 6.2 percent, still above the Bangko Sentral ng Pilipinas' two to four percent target range.

While inflation is expected to slow down this year, JCER's survey showed accelerating inflation remains the top risk for the country's growth.

This was followed by repercussions of US monetary policy in second place, while terrorism or other geopolitical risks ranked third.

Source: https://www.philstar.com/business/2024/01/04/2323220/philippines-post-higher-growth-year-59-jcer

Fitch: Economic tailwinds to support Asia-Pacific sectors

January 04, 2024 |Niña Myka Pauline Arceo | The Manila Times

GENERALLY strong Asia-Pacific economic growth should support the performance of business sectors in the region this year, but headwinds could pose a challenge, Fitch Ratings said on Wednesday.

"Robust regional economic growth — particularly in Asia's large emerging markets — should offset headwinds from slowing growth in China, weak global demand and high interest rates, helping to support performance across sectors in APAC in 2024," Fitch Ratings Senior Director Duncan Innes-Ker said.

The Philippines, India, Indonesia, and Vietnam are expected to post above five percent growth this year, the debt watcher said.

China's performance, meanwhile, "will still be strong by most other countries' standards."

The outlook for banks in emerging markets was set at "improving" — particularly for those in India and Indonesia — compared to the "neutral" for 2023, while that for technology for the entire region was set at "neutral" — up from 2023's "deteriorating" on expectations of a recovery from last year's downturn.

The transportation sector, particularly airports, should still benefit from remaining pent-up demand following the lifting of Covid-19 travel restrictions, but Fitch said growth was likely to fade in the second half of 2024, resulting in an outlook of "neutral" compared to last year's "improving."

"Deteriorating" outlooks were concentrated in China, Australia, and New Zealand due to factors such as Beijing policy responses and worsening asset quality in the latter two markets.

Geopolitical risks will continue to pose risks, and while tensions between China and the United States may have eased, companies across the region are expected to further diversify their supply chains.

"These trends could be a significant factor for outlooks in several sectors, particularly industrial and technology, and may also influence investment and growth prospects for some sovereigns such as Singapore, Korea, Thailand and Vietnam," Fitch said.

Many economies in the region remain vulnerable to shocks, the debt watcher also said, with debt ratios of "about half" of rated APAC sovereigns likely to rise due to high borrowing costs and "mostly modest fiscal deficit reduction plans."

Aggregate earnings before interest, tax, depreciation, and amortization (Ebitda) margins for APAC corporates, meanwhile, are expected to recover to around 14 percent following three years of declines.

"The natural resources and oil and gas sectors will be the exceptions, recording narrowing margins, as several commodity prices fall from recent high levels," Fitch said.

Source: https://www.manilatimes.net/2024/01/04/business/top-business/fitch-economic-tailwinds-to-support-asia-pacific-sectors/1926681

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