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SPECIAL POINTS OF INTEREST

WB sees PHL as fastest-growing economy in Southeast Asia this year

January 11, 2024 | Luisa Maria Jacinta C. Jocson | BusinessWorld

Motorists drive along the Jose Abad Santos Avenue in San Fernando, Pampanga, Nov. 7, 2022. — PHILIPPINE STAR/ MIGUEL DE GUZMAN

THE WORLD BANK (WB) expects the Philippines to be among the fastest-growing economies in Southeast Asia this year.

In its latest Global Economic Prospects, the multilateral lender projected Philippine gross domestic product (GDP) to expand by 5.8% in 2024, same as its forecast in December.

The Philippine growth projection is the fastest among Southeast Asian economies, tied with Cambodia (5.8%), and ahead of Vietnam (5.5%), Indonesia (4.9%), Malaysia (4.3%), Lao People's Democratic Republic (4.1%), Timor-Leste (3.5%), Thailand (3.2%) and Myanmar (2%).

However, this is below the Development Budget Coordination Committee's (DBCC) 6.5-7.5% growth target for 2024.

The World Bank's growth forecast for the Philippines is also higher than its 4.5% projection for East Asia and the Pacific.

The multilateral lender sees slower growth in the region due to the "anticipated deceleration in economic activity in China."

Other risks to the growth outlook include geopolitical tensions in the Middle East that could lead to higher oil prices, dampened global trade, tightening financial conditions and climate-related disasters, it said.

"Extreme weather events, the frequency of which has increased in recent decades as a result of climate change, also pose a downside risk to the regional outlook," it added.

In the Philippines, the government is preparing for the potential impact of the El Niño weather event this year.

The latest bulletin from the state weather bureau showed that El Niño will likely persist from March to May, when dry season crops are often harvested.

National Economic and Development Authority (NEDA) Secretary Arsenio M. Balisacan earlier said El Niño would likely affect the agriculture sector and drive food prices higher, which could threaten the inflation downtrend.

On the other hand, the multilateral lender said resilient domestic demand could spur growth drivers in the East Asia and Pacific region.

"Modest inflation, and in many cases robust labor markets supported by buoyant service activity, are anticipated to sustain household spending," it said.

"In some economies, increased government spending, including on social protection and public sector wages, will also support demand," it added.

However, investment inflows may be dampened due to lagged effects from policy tightening and elevated public debt, the World Bank said.

For 2025, the World Bank maintained its GDP projection for the Philippines at 5.8%, the same as its previous forecast. This would be below the government's 6.5-8% growth goal. *[Cont. page 2]*

WB sees PHL as fastest-growing economy in Southeast Asia this year

[Cont. from page 1]

At 5.8%, the Philippines is expected to be the third-fastest growing economy in Southeast Asia next year, behind Cambodia (6.1%) and Vietnam (6%).

The bank also kept its growth forecast for 2023 at 5.6%, which would fall short of the government's 6-7% GDP target.

The Philippine Statistics Authority (PSA) is set to release fourth-quarter and full-year 2023 GDP data on Jan. 31.

INFLATION

Meanwhile, the World Bank said headline inflation in the East Asia and Pacific region might ease slightly amid "moderating global commodity prices, improved food supplies and well-anchored inflation expectations."

In its December update, the multilateral lender projected Philippine inflation to settle at 3.6% this year and 3% in 2025.

In 2023, inflation averaged 6%, the highest in 14 years. This also marked the second straight year average inflation breached the 2-4% target.

The Bangko Sentral ng Pilipinas (BSP) expects inflation to average 3.7% this year and 3.2% in 2025.

"Despite inflation receding below target in many economies, interest rates are expected to remain broadly unchanged in 2024 on account of tight monetary policy in major advanced economies, lingering concerns about weakening exchange rates and capital outflows, and the potential for a resurgence in inflation," the World Bank said.

The Philippine central bank raised borrowing costs by 450 basis points from May 2022 to October last year, bringing the key rate to a 16-year high of 6.5%.

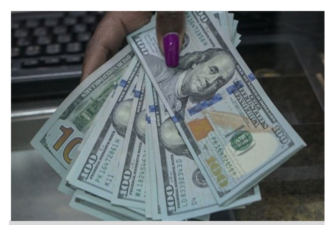
BSP Governor Eli M. Remolona, Jr. has said the central bank would only consider policy easing if inflation settles comfortably within the target.

Source: https://www.bworldonline.com/top-stories/2024/01/11/568142/wb-sees-phl-as-fastest-growing-economy-in-southeast-asia-this-year/

FDI inflow down 17.5% in 10 months

January 11, 2024 | Lawrence Agcaoili | The Philippine Star

MANILA, Philippines — The net inflow of foreign direct investments (FDI) fell by 17.5 percent from January to October 2023, reflecting the adverse impact of persistent inflationary pressures and slowing global growth prospects on investor sentiment.



A teller displays US dollars at a money exchange market in Nairobi on November 20, 2023.

Latest data from the Bangko Sentral ng Pilipinas (BSP) showed the net FDI inflow reached $6.53 billion during the first 10 months of 2023, $1.39 billion lower than the $7.92 billion recorded in the same period in 2022.

"While FDIs continued to record net inflows, the recent decline in levels reflect the adverse impact of persistent inflationary pressures and slowing global growth prospects on investor decisions," the BSP said.

It said investments in debt instruments consisting mainly of intercompany borrowing between foreign direct investors and their subsidiaries or affiliates in the Philippines decreased by 18.3 percent to $4.57 billion during the 10-month period in 2023 from $5.59 billion a year ago.

Total reinvestment of earnings also slipped by 6.4 percent to $945 million from $1.01 billion.

According to the BSP, equity other than reinvestment of earnings plunged by 22.9 percent to $1.02 billion from $1.32 billion.

Equity infusions mainly from Japan, the United States, Singapore and Germany slipped by 2.8 percent to $1.49 billion in the 10-month period last year from $1.54 billion a year earlier.

These inflows were channeled into manufacturing (50 percent), real estate (14 percent) as well as financial and insurance (12 percent). *[Cont. page 3]*

FDI inflow down 17.5% in 10 months

[Cont. from page 2]

On the other hand, equity withdrawals soared by 120.3 percent to $475 million from January to October 2023 from $216 million in the same period in 2022.

China Bank chief economist Domini Velasquez said the lower net FDI inflow was likely due to challenging economic conditions.

She said Hamas' attack on Israel last October and subsequent concerns of regional escalation of the conflict added to global uncertainties.

"Looking ahead, the continued slowdown of the global economy this year may keep FDI inflow to emerging markets, such as the Philippines, subdued. Hence, government support, such as improving the ease of doing business, implementing investment-friendly policies, and further developing key infrastructure, are crucial to boost the country's prospects as an investment destination," Velasquez said.

She said the recently signed ease of paying taxes law and slowing inflation are positive developments in boosting investor sentiment.

For October alone, net FDI inflow dropped by 29.6 percent to $655 million from $930 million in the same month in 2022.

Michael Ricafort, chief economist at Rizal Commercial Banking Corp., said the slowdown in net FDIs last year may be attributed to still relatively higher global and local interest rates that raised borrowing/funding costs and weighed on demand for new investments, including FDIs.

Ricafort added that the still relatively higher inflation also partly slowed down new investments.

He said the risk of US economic slowdown after the aggressive rate hikes by the US Federal Reserve to tame inflation also damped the entry of FDIs into the Philippines.

In 2022, the Philippines managed to exceed its FDI inflow target of $8.5 billion despite the 23.2 percent plunge in net inflow to $9.4 billion from an all-time high of $11.98 billion in 2021.

The BSP lowered its projections for the net inflow of FDIs to $8 billion from $9 billion for 2023 and to $10 billion from $10.5 billion for 2024.

Source: https://www.philstar.com/business/2024/01/11/2324859/fdi-inflow-down-175-10-months

PHL eyes 10% export growth in 2024, but PEDP warrants 40%

January 11, 2024 | Andrea E. San Juan | BusinessMirror

THE Philippines is aiming to grow its exports by at least 10 percent in 2024, according to the Department of Trade and Industry (DTI).

"Based on market projections, without any…business as usual, [growth is] about 10 percent. So definitely, we'll try to achieve more than 10 percent for export growth," DTI-Export Marketing Bureau (EMB) Director Bianca Pearl R. Sykimte told reporters recently.

However, to be able to adhere to the targets set in the Philippine Export Development Plan (PEDP) 2023-2028, Sykimte said the country's exports need to grow by about 40 percent from 2023.

"But to be able to catch up with our PEDP target of around $140 billion, 40 percent growth [is needed]," the head of DTI's export marketing arm explained.

This 10-percent export growth target set by the Trade department is higher than the 5 percent to 6 percent export growth projection of the Philippine Exporters Confederation Inc. (Philexport), the umbrella organization of Philippine exporters.

While she recognized the difficulty in attaining the country's export growth goal for this year, Sykimte said the country is banking on attracting investments "to build our domestic capacities." *[Cont. page 4]*

PHL eyes 10% export growth in 2024, but PEDP warrants 40%

[Cont. from page 3]

For his part, Trade and Industry Secretary Alfredo E. Pascual said in the same briefing that part of DTI's strategy of increasing exports is "really to bring export-oriented foreign manufacturers to locate in the Philippines."

"And for them to bring along their suppliers as well, so we will develop an ecosystem here for manufacturing, especially in the areas of technology like the areas of semiconductor and electronic products where we already have existing advantages," the Trade chief said.

However, Sykimte noted that DTI is expecting a 4-percent decline for export of goods in 2023. She noted, however, that the agency is "much more optimistic" for export of services, as it posted an increase of about 20 percent in the first nine months of the year or from January to September, "mainly driven by travel services." She added, partly in Filipino, that "its increase was three-fold for the first nine months and of course," she cited the "our sustained growth in the IT-BPM sector."

Data from the Bangko Sentral ng Pilipinas (BSP) showed that services exports in the country amounted to $34.73 billion in the January to September 2023 period, up 20.7 percent from the $28.78 billion recorded in the nine-month period in 2022.

For export of goods in the nine-month period in 2023, data from the Philippine Statistics Authority (PSA) showed that merchandise export earnings amounted to $54.54 billion.

PSA data showed, meanwhile, that the country's export receipts from January to November 2023 amounted to $67.03 billion, down 8.4 percent from the $73.18 billion recorded in the 11-month period in 2022.

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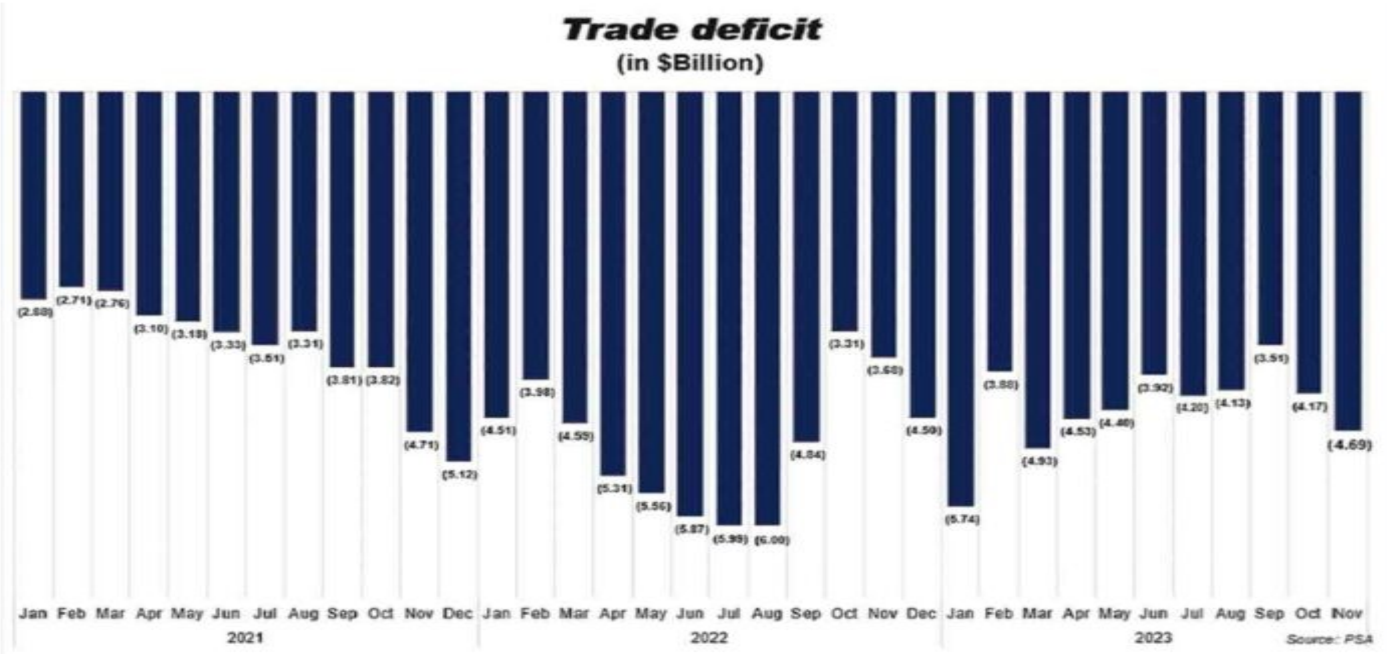
Source: https://businessmirror.com.ph/2024/01/11/phl-eyes-10-export-growth-in-2024-but-pedp-warrants-40/

Trade deficit widens in Nov

January 11, 2024 | Angela Celis | Malaya Business Insight



The country's trade deficit widened in November amid a sharp contraction in exports, data released by the Philippine Statistics Authority (PSA) showed.

The trade deficit amounted to $4.69 billion in November, 26.3 percent higher than the year ago level of $3.72 billion. In October 2023, the trade deficit stood at $4.39 billion.

The country's total export sales in November 2023 amounted to $6.13 billion, plunging 13.7 percent from the $7.1 billion total exports in the same month of the previous year.

The total imported goods in November 2023 amounted to $10.82 billion, inching up 0.02 percent from the $10.82 billion import value in the same month of the previous year.

The country's total external trade in goods in November thus amounted to $16.95 billion, 5.4 percent down from the $17.92 billion recorded in the same period of the previous year.

Michael Ricafort, Rizal Commercial Banking Corp. chief economist, said in a statement the slowdown in external trade also largely reflects the risk of economic slowdown in the US after aggressive Fed rate hikes since March 2022.

"Higher prices and interest rates since 2022 also partly led to reduced spending worldwide and mostly softer economic data in China, which is the world's second largest economy, and in other developed countries that are the major trading partners of the Philippines," Ricafort said.

For the coming months, Ricafort said the recent decline in global crude oil prices would help reduce the country's oil and other import bills and would help narrow the trade deficit.

"Easing US and local headline inflation moving towards central bank targets would support Fed rate pause for now and could even support possible Fed rate cuts in 2024 that could be matched locally and would reduce financing costs that would support some recovery in global investments and global trade, including Philippine exports and imports," he said.

Source: https://malaya.com.ph/news_business/trade-deficit-widens-in-nov/

Manufacturing hub status seen as critical to Philippine investment competitiveness

January 09, 2024 | Justine Irish D. Tabile | BusinessWorld

Workers are seen at an electronics manufacturing assembly plant in Biñan, Laguna, April 20, 2016 — REUTERS/ERIK DE CASTRO

THE Department of Trade and Industry (DTI) said structural changes to the economy are needed to attract more foreign investment, with the Philippines needing to become a manufacturing hub for certain industries to do so.

"What this means is that we will be completely aligned with the eight-point socioeconomic agenda," Trade Undersecretary Maria Blanca Kim Bernardo-Lokin said in a televised interview on Tuesday.

"When you say structural changes, we need really big changes to happen and for this it would mean placing ourselves more aggressively to become the next manufacturing hub of certain industries," she added.

She said the prerequisites for achieving this are upskilling the workforce and investing more on digitalization.

"For the part of our investment promotion agencies (IPAs), they are also preparing by strengthening investment strategies and the ease of doing business," she said.

"IPAs follow Executive Order (EO) 18 and what we are trying to do now is strengthening it; so far, a lot of investments are being endorsed," she added.

According to Ernie Delos Reyes, director for IAS and One-Stop Action Center for Strategic Investments, the Board of Investments has around P930 billion worth of green-lane projects for possible registration.

These include certified green-lane projects worth P370 billion, P360 billion worth of projects which are still under evaluation, and incoming applications worth P200 billion.

The green lanes for strategic investments were established through EO 18, which aims to expedite, simplify, and automate the permit and license application processes for strategic investments.

In separate statements, the DTI and Philippine Economic Zone Authority (PEZA) welcomed the appointment of Secretary Frederick D. Go, saying that his newly created office will boost investment promotion.

"Executive Order 49 is a welcome boost that consolidates all the efforts of IPAs for a whole of government approach in acquiring investments, converting commitments to actual operations, and promoting the country as the prime investment hub in the region," PEZA Director General Tereso O. Panga told *BusinessWorld* via Viber message.

"As such, we recognize the Office of the Special Assistant to the President for Investment and Economic Affairs' (OSAPIEA) primary mandate to ensure effective integration, coordination and implementation of the various investment and economic policies and programs of the government," he added.

In December, President Ferdinand R. Marcos, Jr. signed EO 49, which created OSAPIEA. The President also appointed former Robinsons Land Corp. president Frederick D. Go as the head of the OSAPIEA, granting him Cabinet-level rank and the chairmanship of the Economic Development Group.

"In all his functions, Sec. Go can expect full support from PEZA as we share the same vision of bringing in more foreign direct investment. We look forward to a strong partnership between OSAPIEA and PEZA as we continue to advance the ecozone agenda," Mr. Panga said.

Trade Secretary Alfredo E. Pascual said an official with coordinating powers brings the Philippines in line with the practice in other countries.

"I think, in a way, it is helpful that somebody is coordinating because even other countries have coordinating ministers," Mr. Pascual said.

"It is a welcome move especially that it will help expedite for example the processing of the entry of foreign investors, because one of our big problems is the ease of doing business," Mr. Pascual said.

He said Mr. Go will have enough power to compel local government units and national agencies to expedite the entry of foreign investment.

Source: https://www.bworldonline.com/economy/2024/01/09/567903/manufacturing-hub-status-seen-as-critical-to-philippine-investment-competitiveness/

BIR waives annual registration fee for business taxpayers

January 09, 2024 | Ian Laqui | Philstar.com

This photo shows a picture of people lining up at the Bureau of Internal Revenue in Manila to file their income tax returns.
The STAR / File photo

MANILA, Philippines — The Bureau of Internal Revenue (BIR) announced on Tuesday that it has scrapped its annual registration fee (ARF) paid by business taxpayers.

According to an advisory signed by BIR Commissioner Romeo Lumagui on January 8, business taxpayers are no longer required to pay the P500 ARF starting January 22.

The BIR said the change complies with the Republic Act No. 11976 or the "Ease of Paying Taxes Act," signed by President Ferdinand Marcos Jr. on January 5.

The Ease of Paying Taxes Act has simplified the tax payment process, enabling taxpayers to file their tax returns electronically or manually, streamlining procedures for greater convenience.

Businesses with a current BIR certificate of registration (COR) that covers the registration fee will maintain the validity of their COR, according to the tax bureau.

"These taxpayers may choose to update/replace their COR at their convenience," the BIR said.

The tax bureau said that businesses are encouraged to visit the revenue district office where they are registered on or before Dec. 31, 2024, and surrender their old COR for the needed updates to facilitate the procedure.

Source: https://www.philstar.com/business/2024/01/09/2324581/bir-waives-annual-registration-fee-business-taxpayers

Meralco announces higher rates in 2024

January 09, 2024 | Kris Crismundo | Philippine News Agency

RATE HIKE. Meralco announces on Wednesday (Jan. 10, 2024) that it will increase its electricity rate this month. Meralco said higher power costs from the Wholesale Electricity Spot Market and Independent Power Producers triggered the upward adjustment in the first month of the year. *(File photo)*

MANILA – Customers in the franchise areas of the Manila Electric Company (Meralco) can expect higher electricity bills in the first month of 2024, as the distribution utility (DU) announced a slight increase in power rate for January.

On Wednesday, Meralco said there will be an upward adjustment of PHP0.0846 per kilowatt hour (kWh) this month, which will bring the overall rate to PHP11.3430 per kWh from PHP11.2584 in December 2023.

"For residential customers consuming 200 kWh, the adjustment is equivalent to a minimal increase of around PHP17 in their total electricity bill," it said.

The DU attributed the increase to higher power costs from the Wholesale Electricity Spot Market (WESM), which went up by PHP0.5611 per kWh due to higher average capacity on outage in the Luzon grid, and from Independent Power Producers (IPP), which increased by PHP0.1384 per kWh because of higher fuel costs of First Gas amid the use of imported liquefied natural gas.

IPP and WESM supplied 36.5 and 20.5 percent of Meralco's power requirement.

On the other hand, the higher WESM and IPP rates were offset by cost from Power Supply Agreements (PSAs), which decreased by PHP0.1522 per kWh due to lower rates charges from Meralco's PSAs with Therma Luzon Inc. and South Premiere Power Corp.

PSAs were Meralco's largest energy supplier in December 2023 at 43 percent.

Meanwhile, net transmission and other charges also declined by PHP0.0290 per kWh, while distribution charges have remained steady at PHP0.0360 per kWh since August 2022.

Source: https://www.pna.gov.ph/articles/1216688

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