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SPECIAL POINTS OF INTEREST

High rates to weigh on economy till '25

January 17, 2024 | Keisha B. Ta-asan and Luisa Maria Jacinta C. Jocson | BusinessWorld

Economic managers are targeting 6.5-7.5% gross domestic product growth for the Philippines this year. — PHILIPPINE STAR/ MIGUEL DE GUZMAN

THE PHILIPPINES' gross domestic product (GDP) will likely fall short of the government growth targets through 2025 as the impact of multi-year high interest rates may continue to weigh on the economy, the Bangko Sentral ng Pilipinas (BSP) said.

In the highlights of the Monetary Board meeting in December, the central bank said it has raised its growth forecasts through 2025, reflecting the faster-than-expected GDP outturn in the third quarter of 2023.

"However, GDP growth could settle below the Development Budget Coordination Committee's (DBCC) target from 2023 to 2025 as subdued global economic conditions and the lagged impact of the policy rate adjustments weigh on economic activity," the BSP said.

At its December meeting, the DBCC maintained its growth target at 6-7% for 2023 amid robust domestic demand. The GDP growth goal range for 2024 was narrowed to 6.5-7.5% from 6.5-8% previously, while the 6.5-8% goal from 2025 to 2028 was retained.

The Philippine economy expanded by 5.9% in the third quarter of 2023, faster than the 4.3% growth in the previous quarter due to increased private and public spending. This brought the year-to-date GDP growth to 5.5%.

Despite the below-target forecasts, the BSP said the Philippines' growth prospects remained firm amid easing price pressures and stable labor market conditions.

"Labor market conditions have remained generally stable compared to the previous month, with the higher share of wage and salaried workers and the decline in underemployment signaling an improvement in employment quality," it said.

The country's unemployment rate dropped to 4.2% in October, which translated to 2.09 million jobless Filipinos during the month, 150,000 lower than 2.24 million in the same month last year.

For the first 10 months of 2023, the unemployment rate stood at 4.6%, which is below the 5.3-6.4% target for 2023 under the Philippine Development Plan.

"In addition, the sustained growth in vehicle sales in October likewise suggested that private consumption remained relatively firm despite tighter financial conditions," the central bank added.

New vehicle sales jumped by an annual 18.6% to 38,128 units in October from 32,146 units in the same month a year ago.

The BSP said improving labor market quality and robust domestic demand will mitigate the impact of higher interest rates and the El Niño weather conditions on economic activity.

At its last policy meeting for 2023, the Monetary Board maintained its target reverse repurchase rate at a 16-year high of 6.5%. This was the second straight meeting that the BSP maintained key rates since its 25-basis-point (bp) off-cycle hike on Oct. 26, 2023.

The central bank raised borrowing costs by a total of 450 bps from May 2022 to October 2023 to tame inflation and quell inflationary expectations.

The Philippine Institute for Development Studies (PIDS) said it sees GDP growth at 5.5-6% this year. *[Cont. page 2]*

High rates to weigh on economy till '25

[Cont. from page 1]

"Financial conditions have also not worsened (yet) as one might expect amid monetary tightening, with macro conditions set to further improve with declining inflation and some credit easing (this) year," PIDS said in its latest Macroeconomic Outlook report.

However, the think tank's forecast is faster than its 5.2% GDP growth projection for 2023.

"In line with previous expectations, monetary tightening and fiscal constraints due to a rising debt burden, and a generally 'gloomy and uncertain' outlook for the world economy, with many countries battling high inflation and experiencing a slowdown, has constrained consumer and government spending (last) year," it added.

The think tank said other growth drivers this year would be the resilience of the service sector and a resurgence in construction amid improved business sentiment.

"Consumption may still support growth despite weak global economic prospects, given the steady flow of remittances from abroad; increased wages, which may partially offset lost purchasing power; and an improved jobs picture, with an increase in wage and salary employees," it added.

Fourth-quarter and full-year 2023 GDP data are set to be released on Jan. 31.

HIGH INFLATION

The Monetary Board said there is still a need to keep the current monetary policy settings tight until inflation expectations are firmly anchored.

"In this regard, the Monetary Board continues to closely monitor the impact of previous monetary policy adjustments on inflation, inflation expectations, and overall economic activity," the BSP said.

"Should inflation risks further escalate, the Monetary Board stands ready to adjust monetary policy settings as necessary to steer inflation toward a path consistent with the BSP's price stability mandate," it said.

Last month, the BSP lowered its risk-adjusted inflation forecast for 2023 to 6% (from 6.1% in November) and 4.2% (from 4.4%) for 2024. It kept its inflation forecast at 3.4% for 2025.

The BSP maintained its average inflation baseline forecasts at 6% for 2023, 3.7% for 2024, and 3.2% for 2025.

Risks to the inflation outlook are still on the upside over the near term, the BSP said, as transport fares may further increase given the pending fare hike petitions for jeepneys, taxis, and the train railway system.

Electricity rates could increase this year as well following the Supreme Court decision in July 2022 to nullify the order issued by the Energy Regulatory Commission, that regulated the prices in the Wholesale Electricity Spot Market in November and December 2013, the BSP said.

Other upside risks to inflation include higher global oil prices amid the conflict in the Middle East, larger-than-expected minimum wage hikes, and the possible spike in food prices due to supply constraints.

Meanwhile, mean inflation forecasts of private sector analysts for 2024 and 2025 are within the 2-4% target range, according to a BSP survey.

In its survey of 25 external analysts between Dec. 5 and Dec. 10, the BSP said there were lower mean inflation forecasts for 2023 (at 6% in December from 6.1% in November) and for 2024 (at 3.9% from 4%).

However, the mean inflation forecast for 2025 stood at 3.5%, a tad higher than 3.4% previously.

The Monetary Board will meet again on Feb. 15, its first policy review for this year.

Meanwhile, PIDS expects inflation to settle within the central bank's 2-4% target band this year.

However, it warned of several risks that could push food prices higher, such as India's export ban and the El Niño phenomenon.

The state weather bureau's latest bulletin showed that the majority of global climate models suggest that El Niño will likely persist until May.

"Moreover, as previously mentioned, renewed geopolitical conflicts may lead to large volatilities in commodities prices, which could disturb the downward trend in global inflation," PIDS added. *[Cont. page 3]*

High rates to weigh on economy till '25

[Cont. from page 2]

To ensure inflation does not spike, the think tank said that the government must "make use of every weapon in its arsenal" to tame prices.

"Particularly those that work through the supply side, such as easing import restrictions on agriculture products that may face shortages and instituting a better system for anticipating and addressing these shortages," it said.

It also called on the central bank to employ "high-frequency monitoring and a calibrated response to price developments that carefully considers the nature of shocks, estimated pass-throughs, and policy lags to ensure that monetary decisions are always well-timed."

PIDS also emphasized the need to have a "sound and credible" fiscal consolidation plan.

"Although our debt sustainability analysis generates still relatively benign results, and while the Philippine economy has been among the fastest growing in the region, it may be hard to generate the speed of growth needed to quickly climb out of debt, given narrower fiscal space and current weak macroeconomic prospects globally," it said.

The government is aiming to bring down the debt-to-GDP ratio to below 60% by 2025 and the deficit-to-GDP ratio to 3% by 2028.

MAHARLIKA FUND
PIDS also noted that the Maharlika Investment Fund (MIF) must be managed efficiently amid tight fiscal space.

"With the country's fiscal position still just recovering from the pandemic crisis, economic managers need to make sure that the establishment of the MIF will not draw from an already scarce state fund," it said.

Investments made by the fund should also match the needs of national development, PIDS said.

"As what the government ideally strives for when crafting the public budget, the likelihood of turning a profit may be higher if investment decisions are kept free of political complexities and patronage. Fund success consequently hinges on finding ways to settle this conflict," it added.

The country's first sovereign wealth fund should also be able to attract new capital from multilaterals, other sovereign funds, large institutional investors, and private funds.

"In the end, success of the MIF will depend on whether it has, in fact, enhanced capital (and use of capital), boosted infrastructure development, fostered FDI, and promoted economic growth," it said.

"All while also turning in a profit, or otherwise proving itself viable. It will be — and should be — highly monitored by the public, as these funds are now beyond the usual (budgetary) controls, with strategic decisions affecting the entire country now largely up to the board," it added.

Source: https://www.bworldonline.com/top-stories/2024/01/17/569244/high-rates-to-weigh-on-economy-til-25/

DOE: Non-moving RE projects open opportunities for foreign investors

January 17, 2024 | Kris Crismundo | Philippine News Agency

RENEWABLES. The Burgos wind farm in Burgos, Ilocos Norte is the biggest wind power facility in the Philippines. The Department of Energy wants to see more renewable energy projects being constructed in the country. *(PNA file photo by Joey O. Razon)*

MANILA – Department of Energy (DOE) Undersecretary Rowena Cristina Guevara said Wednesday the renewable energy (RE) projects that already secured service contracts (SCs) but do not progress have opened investment opportunities for foreign companies, especially from Europe.

"There is a large opportunity to invest in renewable energy. Of the over 1,000 service contracts that we have awarded, some have been awarded to the big companies, but majority have been awarded to small companies. They're able to get the service contract, but we are not seeing the projects being constructed," Guevara said during the joint economic briefing of European foreign chambers in Makati City.

She urged foreign companies to look into opportunities that this situation has presented.

The DOE can terminate the SCs of those projects that have not complied with their workplan. *[Cont. page 4]*

DOE: Non-moving RE projects open opportunities for foreign investors

[Cont. from page 3]

“We are cleaning the list. All those that are not compliant, we plan to terminate the contracts, and only those serious with the projects will be left. They have the workplan. If they cannot fulfill that, they can be terminated,” she added in Filipino.

As of November 2023, some 1,186 RE service contracts were awarded by the DOE.

For the same period, of the total equivalent potential capacity of 132.9 gigawatts, only 5.7 GW have been installed.

Majority of the awarded SCs are in hydropower with 433 approved projects, followed by solar at 329, wind at 239, biomass at 76, geothermal at 37, and ocean at nine approved projects.

In terms of potential capacity, the biggest will come from wind at 84,109.7 megawatts; followed by solar, with 28,732.8 MW; hydropower, with 18,912.6 MW; geothermal, with 983.2 MW; biomass, with 212.9 MW; and ocean, with 34 MW.

Source: https://www.pna.gov.ph/articles/1217081

Exports expected to gradually recover this year

January 18, 2024 | Louella Desiderio | The Philippine Star

MANILA, Philippines — The Philippines is expected to see an improvement in exports this year, but the recovery would be gradual, according to think tank Oxford Economics.

This photo shows crates carried by a forklift in the port of Manila.
Philstar.com / File

“We think the annual growth (in exports) will likely improve this year,” Oxford economist Makoto Tsuchiya said in an email.

He said the improving chip cycle is expected to provide support to the country’s exports this year.

“However, the pace of recovery will be moderate as we expect soft global growth,” he said.

Data from the Philippine Statistics Authority showed that electronic products remained the country’s top export in November last year, amounting to $3.44 billion or 56 percent of the total.

The value of the country’s electronic exports in November, however, was down by 24.7 percent from $4.56 billion in the same month in 2022.

In the January to November period, Philippine exports of electronic products declined by 10.4 percent to $37.98 billion from $42.37 billion in the same period in 2022.

Total export of goods fell by 13.7 percent to $6.13 billion in November last year from $7.10 billion in the same month in 2022.

For the 11-month period, the value of Philippine exports of goods decreased by 8.4 percent to $67.03 billion from $73.18 billion in the same period in 2022.

Tsuchiya said the subdued export performance reflects weak external demand as global monetary tightening hit demand in the country’s main trading partners.

While merchandise exports declined by 13.7 percent in November, he said this was an improvement from the 17.5 percent drop in October.

“We estimate sequential growth in November was positive, meaning the large annual decline is largely due to base effects,” he said. As negative base effects fade, he said, exports would likely post growth.

Source: https://www.philstar.com/business/2024/01/18/2326530/exports-expected-gradually-recover-year

Philippines is best country to invest in– Romualdez

January 16, 2024 | Jovee Marie N. de la Cruz | BusinessMirror


Speaker Ferdinand Martin Romualdez

Speaker Ferdinand Martin G. Romualdez highlighted the strong economic foundations of the Philippines, situated in the world's fastest-growing Asean region, and reaffirmed the Philippine government's commitment that the country is open for business during 2024 World Economic Forum (WEF).

Romualdez, in a statement, said the Philippine delegation to the 2024 WEF is committed to upholding the resounding message conveyed by President Ferdinand R. Marcos Jr., last year—that the Philippines is open for business and stands as the optimal destination in the region for foreign investments.

Romualdez emphasized the need to reiterate this crucial message, ensuring that it resonates across international platforms.

"We want to reiterate the message so it is not lost. We will repeat the message that the Philippines is open for business, we are strong, and we are united," Romualdez said during the discussions at the welcome lunch for the Philippine delegation held at Hotel Belvedere in Davos late Monday.

WEF head of business engagement for the Asia-Pacific Clara Chung, WTO Permanent Representative Ambassador Manuel A.J. Teehankee, Philippine Ambassador to the Swiss Confederation and Principality of Liechtenstein Bernard Faustino Dy, and other affiliates welcomed the Philippine delegation.

Romualdez noted, among others, the sound economic fundamentals of the Philippines, which is located in the fastest-growing region in the world today.

"[We have] great fundamentals; the macro figures are fantastic. We are in the fastest-growing region; we are the bright spot amid the global recession that we are suffering from. And within that bright spot, we look at the Philippines as the best country to invest in," said Romualdez.

According to WEF's 2024 Chief Economist Outlook, the majority of chief economists expect the global economy to weaken over the next year, with the most buoyant economic activity still expected in South and East Asia.

Romualdez noted that the Philippines enjoys a very stable government, with a strong and very popular leader in President Ferdinand Marcos Jr., who has over four years remaining in his term and is pursuing a vision of fostering an inclusive, resilient, and sustainable growth trajectory for a thriving society.

Econ Cha-cha

Romualdez also highlighted efforts to make the Philippines more investor-friendly, particularly the move to relax the restrictive provisions of the 1987 Constitution.

"It would be a welcome development for our trade partners. So this is no longer a concept or a desire, just like the Maharlika [Investment Fund] was. It proves that 'we walk the talk.' When we talk about opening up our economy, then we actualize it through acts that are clearly tangible. Again, thanks to the leadership of the Marcos administration," Romualdez said.

Romualdez commended the Senate's proactive steps in proposing amendments to certain economic provisions, signaling a commitment to adapt to the demands of an increasingly globalized age.

In a separate statement, House Majority Leader Mannix Dalipe expressed satisfaction with the recent decision of the Senate to align with the House of Representatives in the constitutional amendment movement.

The Majority Leader underscored the Senate's dedication, emphasizing the unified stance of Senate leaders in supporting these amendments.

He lauded the Senate for acknowledging the urgency and significance of this matter, reflecting their commitment to national governance.

Dalipe also commended the confidence of the Senate President in securing the necessary support for this initiative, indicating a robust and growing consensus among legislators on the importance of these changes.

Expressing appreciation for the Senate's commitment to passing the amendments in the first quarter of 2024, Dalipe emphasized their understanding of the immediate need for these essential reforms.

Dalipe assured that the entire House leadership remains dedicated to working collaboratively with the Senate to bring about these significant legislative changes.

Source: https://businessmirror.com.ph/2024/01/16/philippines-is-best-country-to-invest-in-romualdez/

Salceda: Senate move 'a big step forward' after decades of rejecting Cha-cha

January 18, 2024 | Ellson Quismorio | Manila Bulletin

AT A GLANCE

- Albay 2nd district Rep. Joey Salceda views the Senate's filing of Resolution of Both Houses (RBH) No.6 as a "big step forward" in light of the chamber's decades-long history of rejecting proposals to amend the 1987 Constitution.

Albay 2nd district Rep. Joey Salceda (Facebook)

Albay 2nd district Rep. Joey Salceda views the Senate's filing of Resolution of Both Houses (RBH) No.6 as a "big step forward" in light of the chamber's decades-long history of rejecting proposals to amend the 1987 Constitution.

"I welcomed it (RBH No.6). It legitimizes the efforts of the House [in pursuing revisions to the Constitution's economic provisions]," Salceda said in a chance interview with House reporters Wednesday, Jan. 17.

"For us, I think it's a big step forward [that Senate filed]," he said.

The House Committee on Ways and Means chairman was referring to the Senate's filing of Resolution of Both Houses (RBH) No.6, which calls for the creation of a Constituent Assembly (Con-Ass) for the purpose of Charter change (Cha-cha).

No less than Senate President Juan Miguel "Migz" Zubiri led the filing of the measure last Monday, Jan. 15.

Salceda said the Senate has practically been turning down Charter change (Cha-cha) proposals from the House of Representatives for 37 years.

The House and the Senate comprise the bicameral Philippine Congress.

"There have been 358...since the 8th Congress, yes bills," said Salceda, holding a print out of a PowerPoint presentation he was supposed to discuss with the journalists.

"Over time, laging namamatay sa Senate. Laging may House action pero walang Senate action," claimed the Bicolano.

(The bills always die at the Senate. There is always House action, but no Senate action.)

Source: https://mb.com.ph/2024/1/18/salceda-senate-move-a-big-step-forward-after-decades-of-rejecting-cha-cha

DOH seeks deferment of PhilHealth rate hike

January 18, 2024 | Gerald Naval and Jocelyn Montemayor | Malaya Business Insight

Marcos studying Herbosa's request

Malaya Business Insight

HEALTH Secretary Teodoro Herbosa yesterday said he asked President Marcos Jr. to consider deferring an increase in the premium rate of the Philippine Health Insurance Corporation (PhilHealth) amid high prices of basic commodities and services.

Herbosa, chair of the PhilHealth board, said the suspension would not affect the mandate of the agency or benefits and services it is providing to its members.

Communications Secretary Cheloy Garafil said the President "is studying the request."

Herbosa's statement comes days after PhilHealth announced it has started to implement the scheduled 5 percent premium rate for 2024 as provided under the Universal Health Care (UHC) Law.

Under the UHC Law, there is a gradual increase in premium rate from 2.75 percent in 2019, 3 percent in 2020, 3.5 percent in 2021, 4 percent in 2022, 4.5 percent in 2023, and 5 percent in 2024. *[Cont. page 7]*

DOH seeks deferment of PhilHealth rate hike

[Cont. from page 6]

However, the President last year ordered the suspension of the premium rate increase for 2023, citing as reason “socioeconomic challenges” caused by the COVID-19 pandemic. With the suspension, the 4 percent premium rate was maintained.

Herbosa, in a media forum, expressed belief the increase “can remain suspended.”

He said it is ill-timed considering the high prices of basic commodities and services.

“Prices are soaring right now. So, is it the right time (to increase)?” he said.

Herbosa also said PhilHealth has a good financial standing and would not need the fee increase to provide benefits to its members.

“PhilHealth has enough money to actually continue to give benefits. It will not be hurt by delaying the increase in premium,” he said. PhilHealth president and chief executive officer Emmanuel Ledesma, was asked in a press conference on Friday what the effects of another suspension will be. He said, “I don’t think that anything will be affected, all the plans will push through as expected.”

Yesterday, Ledesma said the state-run health insurer is merely implementing provisions of the UHC law when it increased the rate.

“PhilHealth is bound by law to proceed with implementation. Otherwise, it will be remiss in its duty to the Filipino people that the law intends to serve and benefit,” he said in a phone interview.

He added, “We fully respect the view of our secretary of Health on the implementation of contribution adjustment this year. PhilHealth will respect and fully comply with the final decision and directive of the President on the matter.”

Herbosa said government will push through with the increase in premium rate this year, it should be at 4.5 percent instead of 5 percent.

“If you lift the suspension, you have to continue from the time it was suspended. You suspended at 4 percent… So it should be at 4.5 percent,” he said.

Herbosa also said he will raise the matter with the PhilHealth board.

The health secretary is ex-officio chairman of the PhilHealth Board of Directors.

Source: https://malaya.com.ph/news_news/doh-seeks-deferment-of-philhealth-rate-hike/

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