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SPECIAL POINTS OF INTEREST

Philippines to lead ASEAN in growth this year

January 21, 2024 | Louella Desiderio | The Philippine Star

MANILA, Philippines — The Philippines is projected to be the fastest-growing economy in Southeast Asia this year, according to the Association of Southeast Asian Nations Plus 3 (ASEAN+3) Macroeconomic Research Office (AMRO).

The January Quarterly Update of the AMRO's ASEAN+3 Regional Economic Outlook released last week showed the Philippines is expected to grow by 6.3 percent this year from an estimated growth of 5.6 percent last year.
Philstar.com / Irra Lising

The January Quarterly Update of the AMRO's ASEAN+3 Regional Economic Outlook released last week showed the Philippines is expected to grow by 6.3 percent this year from an estimated growth of 5.6 percent last year.

These forecasts are the same as those provided by the AMRO in its Annual Consultation Report on the Philippines released in November.

AMRO's growth forecast for the Philippines for this year is the highest in Southeast Asia, placing the country ahead of Cambodia, which is expected to grow 6.2 percent, Vietnam at six percent, Indonesia at 5.2 percent, Malaysia at five percent, Lao People's Democratic Republic at 4.7 percent, Thailand at 3.3 percent, Myanmar at 3.2 percent, Singapore at 2.6 percent, and Brunei Darussalam at 2.4 percent.

While the Philippines is expected to post the highest growth in Southeast Asia this year, the growth is below the government's revised 2024 growth goal of 6.5 to 7.5 percent.

AMRO's growth estimate for the Philippines for 2023 is also lower than the six to seven percent growth target set by the government last year.

"The Philippine economy has actually held up very well despite the high inflation and high interest rates, and it's much less dependent on exports than other countries in the region. Nevertheless, it is still affected by the weak export last year," AMRO chief economist Hoe Ee Khor said in a briefing.

He said the country's economic growth in the fourth quarter, however, could have been weaker as interest rates are relatively high.

The Bangko Sentral ng Pilipinas (BSP) kept its benchmark interest rate steady at 6.50 percent during its last policy meeting last year.

The economy grew at a faster pace of 5.9 percent in the third quarter last year compared with the 4.3 percent expansion in the second quarter. This brought growth in the January to September period to 5.5 percent.

Khor said there is a need to keep interest rates relatively tight until inflation is within the government's target.

While inflation decelerated to 3.9 percent in December, the country's average inflation rate for 2023 was at six percent, higher than the 5.8 percent in 2022, and above the BSP's two to four percent target.

AMRO expects the country's inflation rate to ease to 3.6 percent this year.

"If the Fed starts to cut rates by the middle of this year, there may be scope for the Philippines also to do likewise," Khor said.

"But as long as the economy is doing strongly, we don't see the urgency for BSP to cut rates," he said further.

As for the regional outlook, AMRO expects ASEAN to grow at a faster pace of 4.9 percent this year from an estimated 4.3 percent growth in 2023. *[Cont. page 2]*

Philippines to lead ASEAN in growth this year

[Cont. from page 1]

AMRO also believes ASEAN+3, which covers the ASEAN, China, Hong Kong, Japan and South Korea, is poised for higher growth this year at 4.5 percent from the 4.4 percent growth estimate for 2023.

Khor said ASEAN+3's growth is expected to strengthen this year due to resilient domestic demand and an increase in exports.

"Spiking global commodity prices remain the key risk to growth, but there are several other wildcards. We still cannot rule out a US recession," he said.

He said the lead-up to the US election in late 2024 could also exacerbate policy uncertainty and volatility in financial markets.

In addition, he said there are perennial risks to growth such as climate change, cyber attacks and pandemics.

"It's still there and we need to be mindful of those risks," he said.

Source: https://www.philstar.com/business/2024/01/21/2327285/philippines-lead-asean-growth-year

South Korea to make financial markets more attractive, regulator says

January 22, 2024 | Reuters | BusinessWorld

REUTERS

SEOUL — South Korea will take steps to make its financial markets more investor friendly and attractive to foreigners, the financial regulator said on Monday.

The comments by vice chairman of the Financial Services Commission (FSC), Kim So-young, came at a meeting with foreign financial firms in Seoul to discuss ways of helping them expand business, in the wake of November's ban on short-selling.

"The government will make various efforts to globalize the financial industry, especially to build a more favorable environment for foreign financial firms," Kim said.

"In a broad framework, we will continue efforts to improve the attractiveness of the Korean market to foreign investors."

Officials of 10 foreign firms, such as HSBC, JP Morgan, and Societe Generale attended the meeting, the FSC said.

Among the regulatory reforms South Korea adopted last year to boost foreign access to its financial markets was the scrapping of a 30-year-old rule that foreigners must register with authorities in order to trade listed stocks.

In November, however, it imposed a sudden temporary ban on stock short-selling through the first half of 2024, after authorities uncovered some illegal trades by foreign firms.

The step drew criticism that it would hinder foreign access and undermine market efficiency.

Source: https://www.bworldonline.com/world/2024/01/22/570348/south-korea-to-make-financial-markets-more-attractive-regulator-says/

Policies limiting PH digitalization

January 23, 2024 | Niña Myka Pauline Arceo | The Manila Times

DIGITALIZATION in the Philippines is hampered by outdated policies, and comprehensive reforms are needed to address infrastructure and other issues, the World Bank said.

"Compared to other Asean countries, the Philippines' internet connectivity lags in affordability, speed, and access, creating an uneven landscape for digital participation," the Washington-based multilateral organization said in a January policy note.

Limited internet access is curbing the digital potentials of people and businesses, it added.

"The country's poor broadband infrastructure is rooted in outdated policy frameworks that stifle investment in rural areas and foster a market with weak competition, both of which hinder broadband expansion," the World Bank continued. *[Cont. page 3]*

Policies limiting PH digitalization

[Cont. from page 2]

"Binding constraints underlying the Philippines poor broadband infrastructure are interrelated, requiring a comprehensive package of reforms to yield desired entry, investments, and sector performance outcomes."

Among others, the World Bank noted that fixed broadband takeup among Philippine households was just 33 percent as of 2022, well below Malaysia's 50 percent, Thailand's 58 percent and Vietnam's 76 percent.

The Philippines, it added, accounts for over 50 percent of the Asean population with no fixed broadband connections.

This has led to a lack of skills, with just 2 percent of Filipinos said to be able to use basic formulas in Excel.

Only 6 percent, meanwhile, can copy and paste into a document, and just 7 percent know how to add an attachment to emails.

In terms of investments, the Philippines spent just 0.44 percent of gross domestic product on telecommunications infrastructure in 2022, down from 0.64 percent in 2018. This is much lower than at least 1 percent invested by over 100 countries in the last 15 years, the World Bank said.

"Laws on connectivity have remained unchanged despite vast technological advancements, evolving business models, and widening access gap," it noted.

In the "most concentrated, most profitable, and least invested market in the region," the broadband market remains in the hands of a duopoly that is not incentivized nor obliged to expand rural coverage, it added.

The country's regulatory weaknesses, the World Bank said, include barriers to market entry and investments, including a tedious licensing process and the requirement to secure a legislative franchise; an unlevel playing field; ineffective infrastructure sharing policies; and outdated frequency management.

It said that the proposed Open Access in Data Transmission bill, which aims to set a regulatory framework that would expand the internet infrastructure by encouraging investments, would be a "promising, viable start," among other measures.

The bill, passed by the House of Representatives in December 2022 and still pending in the Senate, can be complemented by government investments in a national broadband network and improving access to the masses.

Reforms such as mobile spectrum restacking, which will facilitate higher data speeds; spectrum auctions; and pricing changes could follow.

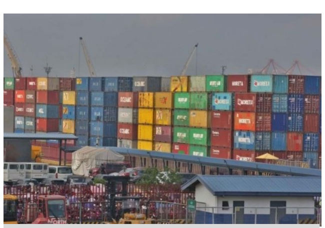
"The cost of inaction — loss of growth opportunity, people remaining unequipped for future jobs, and widening of the digital divide — is too high for the Philippines," the World Bank said.

"For inclusive growth through digitalization that benefits all Filipinos, updating Philippine policy to promote competition, encourage investment, and upgrade broadband infrastructure is urgent and necessary," it added

Source: https://www.manilatimes.net/2024/01/23/business/top-business/policies-limiting-ph-digitalization/1929280

Trade gap expected to widen further

January 23, 2024 | Lawrence Agcaoili | The Philippine Star



Hundreds of containers are seen stacked at a port along Road 10 in Tondo, Manila on June 16, 2023.
STAR / Ernie Penaredondo

MANILA, Philippines — The Philippines' trade deficit is expected to widen further this year amid weaker exports and stronger imports, according to Dutch financial giant ING.

ING senior economist Nicholas Mapa said a bigger-than-expected drop in exports and surprise rise in capital imports have resulted in a deeper trade deficit for November last year.

Latest data from the Philippine Statistics Authority (PSA) showed the country's trade deficit widened to $4.69 billion in November from $4.39 billion in October.

"This development suggests that the current account is likewise in shortfall and points to sustained pressure on the Philippine peso in the coming months," Mapa said. *[Cont. page 4]*

Trade gap expected to widen further

[Cont. from page 3]

According to Mapa, the sustained widening of the trade gap suggests that net exports for the fourth quarter could slip back into negative territory and weigh on overall gross domestic product after contributing 1.6 percentage points to GDP growth in the third quarter.

"This trend should persist going into 2024, with exports expected to struggle amid still weak global demand for basic electronics components while imports could continue to grow," he added.

Mapa said exports fell more than expected at 13.7 percent in November, with the important electronics sub-sector dropping by 24.7 percent on soft global demand for basic semiconductor components.

Likewise, he said exports of other major products were also down with other manufactured goods at 1.8 percent and other mineral products at 6.2 percent.

On the other hand, he said imports of capital goods, which have been in negative territory for seven months, posted a marginal gain of 0.1 percent, driven by a batch of aircraft orders and heavy transport equipment.

Likewise, imports of consumer goods remained robust, up by 15.4 percent due to strong imports of passenger cars and basic food items like fish and rice.

"The import trends reflect recent developments, with the national government importing important food items such as rice and fish to help combat inflation. Meanwhile, the delivery of aircraft moves in line with ongoing refleeting operations by airlines to approach pre-COVID flight capacity," Mapa said.

From January to November 2023, the country's trade shortfall narrowed by 8.8 percent to $48.98 billion compared to the previous year's $53.72 billion.

Exports contracted by 8.4 percent to $67.03 billion from $73.18 billion, while imports declined at a faster rate of 8.6 percent to $116.01 billion from $126.9 billion.

Likewise, personal remittances grew by 2.9 percent to $33.58 billion from January to November last year, of which cash remittances coursed through banks inched up by 2.8 percent to $30.21 billion.

Source: https://www.philstar.com/business/2024/01/22/2327490/trade-gap-expected-widen-further

Direct sugar procurement budget of P5B equivalent to 10-15% of harvest, SRA says

January 22, 2024 | Adrian H. Halili | BusinessWorld

THE Sugar Regulatory Administration (SRA) said that the government's direct procurement plan with a budget of P5 billion will have the capacity to acquire 10-15% of the sugar harvest directly from farmers.

REUTERS

The funding level for the program implies a capacity to purchase 1.75–1.8 million 50-kilogram bags of sugar, SRA Administrator Pablo Luis S. Azcona said on Monday.

"The P5 billion, for the sugar industry, that's a very limited budget. It could take out roughly 10-15% of the remaining production," Mr. Azcona told reporters.

Mr. Azcona said that the current harvest is now at 60% as of Jan. 15. This translates to about 1 million metric tons (MT).

At the start of the harvest, the regulator estimated production of 1.85 million MT during the crop year.

Last week, the government said it allocated P5 billion for the direct purchase of sugar from farmers to close the gap between farmgate and retail prices. The plan was adopted after consulting with the Department of Agriculture, the Philippine International Trading Corp. (PITC), and industry representatives.

He added that PITC will oversee the sugar purchasing, which will either be sold directly to retail markets or used as a buffer stock to ensure adequate supply.

"We are discussing whether PITC will purchase at a higher price. The farmers were hoping for P2,700 to P2,800 (per 50-kilo bag) or better," Mr. Azcona said. *[Cont. page 5]*

Direct sugar procurement budget of P5B equivalent to 10-15% of harvest, SRA says

[Cont. from page 4]

Current trading prices for raw sugar range from a low of P2,200–P2,300 per 50-kilo bag to a high of P2,500. This is below the P3,000 per 50-kilo bag the regulator projected at the start of the milling season.

He added that purchased sugar could be refined and sold at a retail price of P85 per kilo.

He said the SRA is seeking industry recommendations on how to execute the sugar procurement in a manner that will reduce retail prices.

“We were tasked to do it as quick as we can. The plan is everybody hand-in a written recommendation, and we all sit down within this week to work out all the other suggestions and issues involved,” he said. “We are trying to get this out before the month ends.”

Mr. Azcona added that the SRA will also be meeting with the national price council to address the prevailing high sugar prices.

“We have a very ample supply, and there is no reason for the retail price to remain high,” he added.

Late last year, industry groups called for government intervention to stop the declining trading prices of sugar.

The United Sugar Producers Federation of the Philippines said that raw sugar has declined to P2,300–P2,500 per 50-kilo bag, which is below the cost of production.

Meanwhile, Mr. Azcona said that there has been a decline in the demand for sugar since September.

“There is about a 20% drop in the demand for sugar. We are thinking that manufacturers are finding alternatives to sugar… We are trying to find out. We need to take a look at our numbers again,” he added.

Source: https://www.bworldonline.com/economy/2024/01/22/570580/direct-sugar-procurement-budget-of-p5b-equivalent-to-10-15-of-harvest-sra-says/

BSP’s Monetary Board Oks $3.32-B foreign borrowings in Q4 2023

January 22, 2024 | Kris Crismundo and Anna Leah Gonzales | Philippine News Agency

MANILA – The Bangko Sentral ng Pilipinas (BSP) said Monday the Monetary Board has approved USD3.32 billion worth of medium- to long-term (MLT) foreign borrowings in the fourth quarter of 2023.

The public sector’s foreign borrowings from October to December 2023 jumped by 65.8 percent from the USD2 billion level in the same period in 2022.

This lifted the total MLT foreign borrowings last year to USD14.49 billion, which consisted of 24 MLT borrowings —two bond issuances worth USD4 billion; 12 project loans worth USD5.67 billion; and 10 program loans worth USD4.82 billion.

The external borrowings that were made last year aims to fund the national government’s programs in infrastructure, agriculture, education, economic recovery and development, environment protection and climate resilience, and coronavirus disease 2019 (Covid-19) response.

A big chunk of the foreign borrowings in 2023 will finance the public sector’s infrastructure projects, including transportation projects, amounting to USD4.07 billion.

The government borrowed USD4 billion from foreign sources for its general financing requirements, USD3.07 billion for economic recovery and development, environmental protection and climate resilience projects and programs, and USD2.27 billion for Covid-19 pandemic response projects and programs.

Projects for agriculture and education sectors also respectively got USD880 million and USD210 million from foreign borrowings.

“Under Section 20, Article VII of the 1987 Constitution of the Republic of the Philippines, prior approval of the Bangko Sentral ng Pilipinas, through its MB, is required for all foreign loans to be contracted or guaranteed by the Republic of the Philippines,” the central bank said. *[Cont. page 6]*

BSP's Monetary Board Oks $3.32-B foreign borrowings in Q4 2023

[Cont. from page 5]

"The BSP promotes the judicious use of the resources and ensures that external debt requirements are at manageable levels, to support external debt sustainability," it added.

Recto joins MB

Meanwhile, Finance Secretary Ralph Recto was sworn in on Monday as the government sector representative to the Monetary Board (MB), the BSP's highest policy-making body.

OFFICIAL. Finance Secretary Ralph Recto (right) takes his oath as the Cabinet representative to the Monetary Board of the Bangko Sentral ng Pilipinas at the BSP office on Monday (Jan. 22, 2024). The oath-taking ceremony was administered by BSP Governor and MB Chair Eli Remolona Jr. *(Photo courtesy of BSP)*

The oath-taking ceremony was administered by BSP Governor and MB Chair Eli Remolona Jr. at the BSP head office in Manila.

The other MB members Bruce Tolentino, Anita Linda Aquino, Romeo Bernardo, Rosalia De Leon and Recto's predecessor, Benjamin Diokno.

Before his appointment to the DOF on Jan. 15, Recto was a senator for three terms (2001 to 2007 and 2010 to 2022) and held key positions that included Senate President Pro Tempore and Minority Leader.

From 1992 to 2001, he was the representative of the 4th District of Batangas. In 2008, he served as Socioeconomic Planning Secretary of the National Economic and Development Authority.

Recto authored and sponsored numerous tax measures and economic reforms such as the Healthcare Act; Rice Tariffication Act; Ease of Doing Business and Efficient Government Service Delivery Act of 2018; General Tax Amnesty; Rationalization of Excise Tax on Automobiles; and Social Reform and Poverty Alleviation Act.

He also co-authored the Bayanihan to Recover as One Act and the Bayanihan to Heal as One Act to help the country recover faster from the coronavirus disease 2019 pandemic.

Source: https://www.pna.gov.ph/articles/1217425

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