필리핀한인상공회의소뉴스
KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER

January 2024 Issue | Vol. 01

SPECIAL POINTS OF INTEREST

Inflation likely cooled to 4% in Dec.

January 02, 2024 | Keisha B. Ta-asan | BusinessWorld

HEADLINE INFLATION may have further eased in December and settled to within the 2-4% target for the first time in almost two years amid lower prices of fruits and vegetables, electricity and fuel, analysts said.

Fireworks explode over Rockwell Center in celebration of the New Year in Makati, Metro Manila, Jan. 1, 2024. — REUTERS

Inflation likely eased to 4% last month, according to a median estimate of a *BusinessWorld* poll last week. This is within the 3.6% to 4.4% forecast given by the Bangko Sentral ng Pilipinas (BSP) last week.

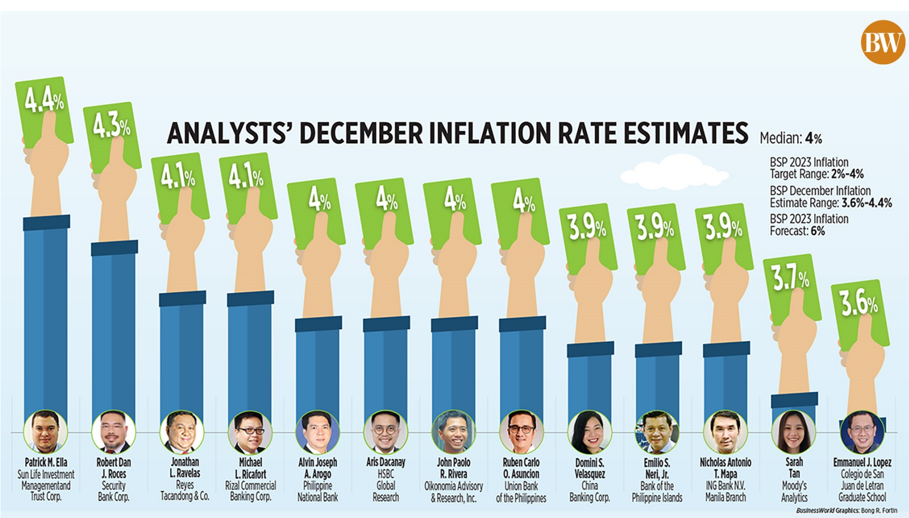
December could mark the first time inflation returned to the BSP's 2-4% target after 20 straight months of going above target. It would also be the slowest since 3% in February 2022.

At 4%, the December inflation would be a tad slower than 4.1% in November and significantly lower than 8.1% in December 2022.

This would also bring the full-year inflation to 6%, matching the BSP's average baseline forecast for 2023.

The Philippine Statistics Authority is scheduled to release consumer price index data for December on Jan. 5.

In a statement on Friday, the BSP said lower prices of vegetables, fruits, fish, electricity and fuel might have contributed to the downward price pressure.



On the other hand, higher prices of rice and meat would likely be the primary sources of upward pressures, the central bank said.

"Going forward, the BSP will continue to monitor developments affecting the outlook for inflation and growth in line with its data-dependent approach to monetary policy decision making," it added.

Philippine National Bank economist Alvin Joseph A. Arogo said in an e-mail that inflation might have slowed to 4% in December due to base effects and lower electricity rates.

Manila Electric Co. cut the rate for a typical household by P0.6606 to P6.5332 per kilowatt-hour last month.

China Banking Corp. Chief Economist Domini S. Velasquez noted that most of the upward price pressures last month came from food items.

"However, their impact was partially offset by declines in the prices of vegetables, eggs, sugar and electricity. Additionally, despite recent oil price hikes, domestic pump prices, on average, were lower month on month," she said in an e-mail.

In December alone, pump price adjustments stood at a net increase of P0.3 a liter for gasoline. Diesel and kerosene prices had a net decrease of P0.35 and P0.51 respectively. *[Cont. page 2]*

Inflation likely cooled to 4% in Dec.

[Cont. from page 1]

"Waning pent-up demand will see prices of basic consumer products cool compared with a year ago. Further, with global oil prices moderating, that should help lower average gasoline prices on a year-earlier basis," Sarah Tan, an economist from Moody's Analytics, said in an e-mail.

HSBC economist for ASEAN (Association of Southeast Asian Nations) Aris Dacanay said inflation is still "more-or-less sticky."

"This is because the drop in fuel prices was likely offset by the rise in global rice prices as these re-spiked due to El Niño risks. Moving forward, elevated rice prices will likely put a floor under how much inflation can ease in the Philippines throughout 2024," he said.

Data from the Agriculture department showed that regular-milled rice prices stood at P52 a kilo as of Dec. 29, at the high end of the P33-P52 band on Nov. 30. Retail prices of well-milled rice also went up to as much as P56 a kilo.

The typical surge in domestic demand due to holiday spending might have also kept inflation high, Mr. Dacanay said.

"With inflation sticky, the December print will likely reinforce the BSP's hawkish view that high interest rates will likely persist throughout (2024)," he said.

At its December meeting, the Monetary Board left its target reverse repurchase (RRP) rate unchanged at a 16-year high of 6.5%. This was the second straight meeting that the BSP stood pat since its 25-basis-point (bp) off-cycle hike on Oct. 26.

The central bank raised borrowing costs by a total of 450 bps from May 2022 to October 2023.

BSP Governor Eli M. Remolona, Jr. earlier said inflation was not yet out of the woods, and borrowing costs may need to stay higher for longer in 2024.

The central bank expects full-year inflation to have hit 6% in 2023, before easing to 3.7% in 2024 and 3.2% for next year.

RISKS TO OUTLOOK

"Looking ahead to 2024, there is a good chance that full-year inflation will already settle within target, barring any new supply shocks," Ms. Velasquez said.

However, the key risks to the inflation outlook this year include the impact of El Niño on food and utilities, higher global oil prices, potential increases in transport fares, and minimum wage adjustments in some regions, she said.

"Should the easing inflation trend continue in December, this will support the case for BSP's tightening cycle to end. We see inflation likely bumping around the 4% mark in early 2024 before returning firmly to BSP's target range by mid-2024," Ms. Tan said.

Mr. Dacanay said the extension of lower tariffs on key commodities would help keep inflation expectations at bay, which will give the BSP room to begin its easing cycle by the middle of 2024.

President Ferdinand R. Marcos, Jr. last month signed Executive Order No. 50, which extends the reduced Most Favored Nation (MFN) tariff rates on rice, corn and pork until Dec. 31.

The rates for rice imports will be kept at 35% for shipments both within or over the minimum access volume quota. Tariff rates for swine, fresh, chilled or frozen meat are retained at 15% for in-quota and 25% for out-quota imports. Imports for corn maintained the MFN duty at 5% and 15% for in-quota and out-quota shipments, respectively.

Mr. Arogo said inflation would only settle "sustainably" within the BSP's 2-4% target by the fourth quarter of 2024.

"As such, the BSP should only cut rates in the fourth quarter and we believe that a total of 50 bps would be appropriate," he said.

A 50-bp worth of cuts this year would bring the key rate down to 6%.

"Our baseline inflation forecasts assume some rebound in oil prices and agricultural disruptions due to El Niño. If supply-demand conditions continue to improve, however, price growth may enter the target range continually at an earlier date," Mr. Arogo said.

However, investors are pricing in a total of 75-bp cuts from the US Federal Reserve in 2024, he said.

"Therefore, the risk to our estimates worth noting is the possibility that the reduction in the target RRP rate could happen earlier than the fourth quarter and the magnitude might be more than 50 bps," he added.

The US central bank kept borrowing costs unchanged at 5.25-5.5% in December. This was after it hiked policy rates by 525 bps from March 2022 to July 2023.

"We expect a pretty good outlook until early this year including a strong peso vis-à-vis the US dollar," Colegio de San Juan de Letran Graduate School Associate Professor Emmanuel J. Lopez said.

The peso closed at P55.37 versus the dollar on Friday, up by 11 centavos from Thursday's P55.48 finish. Year to date, the peso appreciated by 38.5 centavos or 0.69% from its P55.755 a dollar close on Dec. 29, 2022.

Source: https://www.bworldonline.com/top-stories/2024/01/02/566225/inflation-likely-cooled-to-4-in-dec/

PH secures 2 new free trade deals in 2023

December 31, 2023 | Kris Crismundo | Philippine News Agency

MANILA – The Philippines added two new free trade agreements (FTAs) this year, the Regional Comprehensive Economic Partnership (RCEP) and its trade pact with South Korea, to ease barriers to trade and investments and boost commercial ties among partners.

File photo

RCEP entered into force in the Philippines on June 2 following the Senate's concurrence on Feb. 21, two years after the participating countries -- 10 ASEAN member states and FTA partners China, Japan, South Korea, Australia, and New Zealand -- concluded the negotiations in November 2020.

National Economic and Development Authority (NEDA) Secretary Arsenio Balisacan said the RCEP as another engine for the country's economic growth.

President Ferdinand R. Marcos Jr. (left, standing) and South Korean President Yoon Suk Yeol witness the signing of the free trade agreement between Trade Secretary Alfredo Pascual and and South Korean Trade Minister Ahn Duk Geun on Sept. 7, 2023. *(Screenshot from Radio Television Malacañang)*

"Being part of RCEP will further enhance our market access, placing us at par with other RCEP-participating countries and the world's largest economies such as China, Japan, and Korea, among others," Balisacan said in a previous statement.

RCEP participating countries account for one-third of the world's population and economy, making it the largest FTA in the world.

Balisacan also refuted claims that RCEP will only allow the influx of agricultural products into the country, as only 15 agricultural commodity groups out of 33 tariff lines have tariff reduction.

According to NEDA, only 1.9 percent of the 1,718 agricultural lines and only 0.8 percent of the total agricultural imports have tariff reduction under RCEP.

Department of Trade and Industry (DTI) Secretary Alfredo Pascual, on the other hand, encouraged Filipino exporters, especially micro, small, and medium enterprises (MSMEs), to take advantage of the regional trade pact.

"RCEP is a modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement that will further promote the economic efficiency of member states, strengthening linkages in sectors such as manufacturing, technology, agriculture, natural resources, as well as reinforcing MSME participation in the global value chain networks," Pascual said.

The country also welcomed another bilateral FTA as it signed the deal with South Korea on Sept.7.

The Philippines-South Korea FTA is the country's third bilateral trade pact after the Philippines-Japan Economic Partnership Agreement in 2006 and the European Free Trade Association in 2016.

Manila and Seoul initiated the bilateral FTA in June 2019.

While Seoul requested lower tariffs for automotive vehicles and auto parts entering the Philippine market, Manila negotiated to eliminate tariff for bananas and other tropical fruits entering South Korea.

Within five years from the implementation of the PH-South Korea FTA, Philippine bananas entering the Korean borders will have zero tariff.

It will help the sagging banana industry as it loses market share in South Korea to Vietnam, Ecuador, Columbia, and Peru which have free market access to the East Asian country.

Philippine banana is currently entering the South Korean market at 30 percent.

Earlier, the Department of Foreign Affairs said the Philippines-South Korea FTA will be classified as a treaty, which will be ratified by the President and concurred by the Senate.

South Korean Ambassador to the Philippines Lee Sang-hwa also assured the country that the Korean government will soon ratify its FTA with the country.

New pacts

On July 31, European Commission (EC) president Ursula von der Leyen visited Manila, the first EC head to officially visit the Philippines.

She announced that the European Union (EU) and the Philippines will resume formal discussions for a bilateral FTA, with negotiations being eyed in 2024.

Both parties already had formal talks in Brussels, Belgium in 2016 and in Cebu province in 2017. *[Cont. page 4]*

PH secures 2 new free trade deals in 2023

[Cont. from page 3]

European Commission president Ursula von der Leyen delivers her speech at a high-level business event at the Fairmont Hotel in Makati City on July 31, 2023. *(PNA photo by Kris Crismundo)*

"Under the leadership of President Ferdinand R. Marcos Jr., the DTI, along with our inter-agency negotiating team, will closely work with counterparts from the European Commission to ensure the success of the scoping exercise this year. We look forward to the results of this exercise in support of our mutual objective to officially resume the PH-EU FTA negotiations at the most opportune time," Pascual said in another statement.

European businesses in the Philippines have been calling for the resumption of the FTA negotiations as this will provide stable trading and investment conditions.

Another FTA that DTI is negotiating is the Comprehensive Economic Partnership Agreement (CEPA) with the United Arab Emirates (UAE).

Trade Secretary Alfredo Pascual (left) and United Arab Emirates Minister of State for Foreign Trade Dr. Thani bin Ahmed Al Zeyoudi hold the signed Terms of Reference of the Comprehensive Economic Partnership Agreement between Manila and Abu Dhabi following its signing in Dubai on Dec. 2, 2023. *(Photo courtesy of DTI)*

On Dec. 2, Manila and Abu Dhabi signed the terms of reference (TOR) or the scope of negotiations for CEPA.

"Maybe one important consideration is the fact [that] our exports to UAE, many are high-value products like parts of helicopters or aircrafts. Noting that UAE basically owned one of the largest airlines in the world, we hope we can also improve our niche in the aerospace industry," DTI Undersecretary Allan Gepty, the country's lead negotiator for FTAs, said.

In 2022, exports of other parts of airplanes or helicopters to the UAE recorded the highest jump with growth of 122.97 percent.

UAE Minister of State for Foreign Trade Dr. Thani bin Ahmed Al Zeyoudi, when he visited Manila in November, told the Philippine News Agency that the UAE aims to hasten negotiations for CEPA to start the free trade deal with the country the soonest possible time.

Al Zeyoudi added that UAE usually negotiates FTAs in a span of six months.

He said UAE targets bilateral trade with the Philippines to grow five-fold through CEPA.

Source: https://www.pna.gov.ph/articles/1216143

Govt urged to focus on agriculture in 2024

January 02, 2024 | Jenica Faye Garcia |The Manila Times

FOREIGN chambers of commerce on Saturday urged the government to focus on the investments crucial to uplift the agricultural sector in 2024, anchored on increased financing and knowledge-sharing.

European Chamber of Commerce of the Philippines Executive Director Florian Gottein recommended that the government must focus on building farm-to-market roadmap projects nationwide to address food security.

Gottein also emphasized increasing finance on critical agricultural infrastructures to increase farmers' production.

"In the realm of agriculture, we reiterate our recommendation for the government to build on the success of the farm-to-market roadmaps project and increase investments in crucial infrastructure, such as irrigation systems, production, post-harvest facilities, processing and marketing facilities, and automated weather stations," he said.

Meanwhile, Gottein supported the efforts of the government toward enhancing the ease of doing business and creating a favorable business environment for investors.

He said building more infrastructure projects is crucial to promote connectivity, productivity and efficiency.

"We support the Philippines' efforts to enhance the ease of doing business and create favorable conditions for investors. ... Emphasizing the importance of human capital, we are eager to collaborate with stakeholders to promote quality education, health, and wellness among Filipinos," said Gottein. *[Cont. page 5]*

Govt urged to focus on agriculture in 2024

[Cont. from page 4]

Italian Chamber of Commerce in the Philippines Executive Director Lorens Ziller stressed that helping farmers increase their productivity can be done with professional management cooperatives.

"The Philippines can grow all the crops it needs and even export the surplus," said Ziller.

He then hopes for an increase in partnerships with Italian companies by 2024, given the country's favorable entry into different trade agreements.

American Chamber of Commerce of the Philippines Agribusiness Committee Chairman Christopher Ilagan expects an increase of logistics roadmaps in 2024, which is very crucial as the government ordered a temporary extension until Dec. 31, 2024, of reduced tariff on rice, corn, and meat products.

Ilagan also said that this will help to further ease food prices.

"Bracing ourselves for this eventuality is appropriate, and the recent extension of reduced tariffs on rice and corn and a step in the right direction," he said.

Source: https://www.manilatimes.net/2024/01/02/business/top-business/govt-urged-to-focus-on-agriculture-in-2024/1926378

Amendments to IP Code seen to boost PHL services exports

January 01, 2024 | Andrea E. San Juan |BusinessMirror

Proposed amendments to the Intellectual Property (IP) Code, once greenlighted, will help boost the Philippines's services exports and investments as it will provide more "protection" for Filipino creators, according to the Intellectual Property Office of the Philippines (IPOPHL).

"We will be modernizing the IP Code and we will be providing more protection for our inventors and creators," IPOPHL Director General Rowel S. Barba told reporters on the sidelines of a recent briefing, adding that the amendments would help increase the country's services exports.

Barba said the agency wants to modernize the law because it was signed in June 1997 or 26 years ago and took effect in January 1998.

The IPOPHL chief underscored that the law needs to be amended because there was no Internet at the time it was signed, so the penalties, among others, must be increased.

"So the major [amendments] would be the increase in penalties because it is too low, especially the life-threatening offenses like fake medicines," he said, partly in Filipino.

On the proposed penalties, Barba said offhand they doubled the old one, "so we made it…maybe P1 million penalty, and then the imprisonment is double just to be fair, right, especially if it involves life-threatening IP violations like in fake medicines, fake lotion, fake makeup, fake cosmetics."

According to Barba, the proposed amendments have been approved by the Lower House's Committee on Trade and Investments. "There were several bills filed and now they are being consolidated into one."

The bill was approved during a hearing at the House of Representatives three months ago. Upon approval by the said committee, Barba said it shall go up to the plenary.

"In the Senate, unfortunately, there are no takers yet among the staff of some senators we talked to, especially Senator Mark [Villar], who is chairman of trade and investments." They were told the bill cannot be rushed because the amendments are "so thick," something he attributed to the fact that the House made a thorough "overhaul."

Despite this, the IPOPHL chief said the agency is still optimistic that the Senate can fast-track the amendments in 2024.

Barba said the proposed amendments can help increase the country's services exports and attract more investments in terms of intensified enforcement.

"In terms of enforcement so aside from increasing the penalties, the fines, imprisonment, ininstitutionalize na namin doon sa proposed IP code amendments 'yung [National Committee on Intellectual Property Rights] NCIPR," he said.

Source: https://businessmirror.com.ph/2024/01/01/amendments-to-ip-code-seen-to-boost-phl-services-exports/

Under Marcos, 'costly' Maharlika wins over crucial tax reforms

January 02, 2024 | Ian Nicolas P. Cigaral - @inquirerdotnet |Philippine Daily Inquirer

MANILA, Philippines —While other countries that accumulated a huge debt pile during the pandemic rushed to enact new reforms this year to raise revenues and quickly close their budget holes, the Philippines under the Marcos administration had a different priority in mind: creating a sovereign wealth fund (SWF).

It was a hard sell at first. When lawmakers allied with President Marcos floated the idea of establishing what is now known as the Maharlika Investment Fund (MIF), Filipino households were grappling with brutally high inflation while a tight fiscal space crimped government spending on much-needed programs and projects.

The President nevertheless made MIF happen this year, touting the nation's first ever SWF as "a bold step toward our country's meaningful economic transformation" since the pandemic.

But whether such a move was an efficient use of political capital is another question.

As it is, credit rating agencies and multilateral lenders are urging governments around the world to enact bold tax reforms that would help fix their balance sheets saddled with pandemic debts—a no ordinary move that typically requires a lot of political will. In Southeast Asia, countries like Vietnam and Malaysia have recently tightened their taxation on foreign companies to raise revenues.

But it was a different story for the Philippines this year. While the government identified four tax measures that it wants to be passed, Marcos threw all his political weight behind MIF despite the absence of surplus resources that are typically required when creating SWFs.

For Dr. Anthony Lawrence Borja, political science professor at De La Salle University in Manila, the impact of Marcos' decision to prioritize MIF over tax reforms would depend on the gains that the country would get from the "costly" SWF.

"From the perspective of ordinary citizens, the creation of such a fund might appear as unnecessary or even a questionable waste given that there are more pertinent concerns that require government attention and funding," Borja said."The MIF's impact on [Mr. Marcos'] political capital depends on whether it can produce enough tangible results that can fuel future propaganda that highlights success and dispels accusations of failure," he added.

Priority tax measures

So far, the finance department wants the President to certify as urgent the following bills: Package 4 of the Comprehensive Tax Reform Program (CTRP), the Value Added Tax on Digital Service Providers, Excise Tax on Single-Use Plastic Bags, and Excise Tax on Sweetened Beverages and Junk Food.

Based on the latest state projections, it is only in 2027 that the budget deficit, as a share of the economy, is forecast to return to prepandemic level at 3.2 percent, from this year's projected ratio of 6.1 percent.

The anticipated implementation of priority tax measures over the medium term would push up revenues to P6.622 trillion in 2028, economic managers said.

With a lot of the administration's political capital spent on MIF, Dr. Leonardo Lanzona, economist at Ateneo De Manila University, said the President might have to do more work to convince the public to support his proposed tax reforms.

"Regarding economic matters, the key issue here is one of trust. First question is whether these are the kinds of public goods or state programs that people need and want," Lanzona said.

"Second is whether the people are willing to pay for these public goods in the form of taxes. These questions could have been answered had the political system during the presidential elections forced candidates to present the public goods they want to produce and the costs of producing them," he added.

Source: https://business.inquirer.net/439232/under-marcos-costly-maharlika-wins-over-crucial-tax-reforms

Economic data to influence investors

January 02, 2024 | Ed Paolo Salting |The Manila Times

INVESTORS are expected to remain cautious ahead of the release of US economic data and the local December inflation or consumer price index (CPI) data.

"For the Philippine CPI, an inflation print lower than the preceding month's 4.1 percent, especially one which is near the lower end of the BSP's 3.6 percent to 4.4 percent range forecast may spur positive sentiment in the market," said Philstocks Financial Inc. senior research analyst Japhet Tantiangco, referring to the Bangko Sentral ng Pilipinas.

"However, one which is faster than the preceding month may weigh on the local bourse. Investors are also expected to watch out for the upcoming S&P Global Philippines' Manufacturing PMI (purchasing managers' index) and labor force survey which could give clues on the health of the local economy," he added.

Tantiangco said that chart wise, the Philippine Stock Exchange index (PSEi) has fallen below its 10-day exponential moving average (EMA), and may retest that level.

"If the market is unable to get back above its 10-day EMA however, it is expected to test its next support level at 6,400. The market's resistance is seen at 6,700," he added.

The PSEi finished the year at 6,450.04, down by 69.07 points or 1.06 percent as investors took profits before the New Year.

The broader All-Shares decreased by 16 points (0.47 percent) to end the year at 3,424.59. Week-on-week, the PSEi went down by 0.78 percent to 6,450.04 on Dec. 29, 2023 from 6,501.00 on Dec. 22, 2023.

China Bank Capital Corp Managing Director Juan Paolo Colet said that for this week, the market could see some consolidation as it attempts to build a base moving forward.

"Barring data that throws off current rate cut expectations and economic growth assumptions, we think investors should start hunting for good bargains in our stock market," Colet said.

For its part, online trading platform 2TradeAsia.com said that for next week, the market will literally welcome 2024 on an unpredictable note.

"To wrap up, the PSEi bids farewell to 2023 at just under the 6,500 level, where the year had its share of different financial volatilities," the platform said.

"2024 is looking to be more forgiving, given current data, so one must stay true to the course. Deploy cash and accumulate (stocks), Immediate support is at 6,400, while resistance is at the 6,600 level," it added.

Source: https://www.manilatimes.net/2024/01/02/business/top-business/economic-data-to-influence-investors/1926380

Contact Us

Korean Chamber of Commerce Philippines, Inc. (KCCP)
Unit 1104 Antel Corporate Center, 121 Valero St., Salcedo Village, Makati City
(02) 8885 7342 | (02) 8404 3099
info@kccp.ph | www.kccp.ph

This KCCP E-Newsletter is supported by:

Lotte Corporation is the largest shareholder of Pepsi Cola Products Philippines Inc.