필리핀한인상공회의소뉴스

KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER

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SPECIAL POINTS OF INTEREST

PH GDP growth in ’24 to accelerate to 6.2%

February 05, 2024 | Ian Nicolas P. Cigaral - @inquirerdotnet | Philippine Daily Inquirer


INQUIRER FILE PHOTO

A combination of easing inflation and tight labor market would power up consumer spending this year, boding well for the Philippines’ consumption-reliant economy, BMI, a unit of the Fitch Group, said.

Using 2010 as the base year, BMI said in a commentary that consumer spending is projected to grow 6.3 percent year-on-year in 2024 to P12.8 trillion in real terms.

That forecast is in line with BMI’s expectation of gross domestic product (GDP) growth of 6.2 percent this year, faster than the 5.6-percent expansion in 2023 but below the government’s growth target of 6.5 to 7.5 percent for 2024.

“Spending will remain impacted by the environment of elevated inflationary pressures over 2023 as well as high debt levels and its servicing costs,” the research firm said.

Purchasing power

“However, easing inflation and a tight labor market will support spending, as real wage growth returns to positive territory, supporting purchasing power over the year,” it added.

Despite inflation easing back to within the government’s 2 to 4 percent target in December last year after hovering above that range for 20 months, the Bangko Sentral ng Pilipinas (BSP) said it deemed it necessary to “keep monetary policy settings sufficiently tight until a sustained downtrend in inflation becomes evident.”

According to BMI, the high interest rate environment is one of the major risks to consumption this year, especially for households that took advantage of low borrowing costs at the height of the pandemic.

“Many households took on significant levels of debt in the previous low interest rate environment,” BMI explained.

Debt servicing

“While there are few indications that this is bad debt, the risk to consumer spending is that the cost of servicing this debt at higher interest rates becomes a larger-than-anticipated draw on disposable incomes, to a point where consumers will have to cut back spending, especially in more nonessential segments,” it added.

Over-reliance on remittances, a major lifeline for many Filipino families, also poses a threat to BMI’s outlook.

“The possible weakening of the peso will reduce the amounts sent back by overseas workers in local currency. This could put pressure on households with fixed expenditures,” BMI said.

Source: https://business.inquirer.net/444130/ph-gdp-growth-in-%ca%bc24-to-accelerate-to-6-2

Factory activity further eases in Jan.

February 02, 2024 | Luisa Maria Jacinta C. Jocson | BusinessWorld

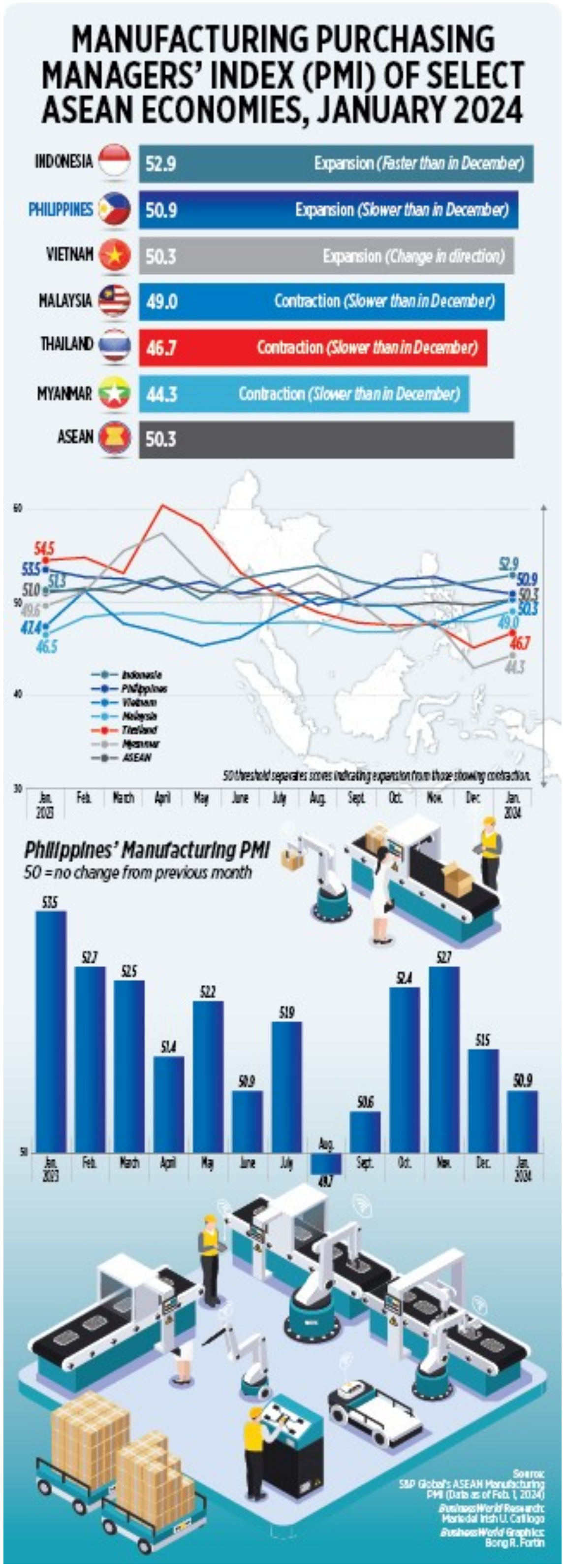
MANUFACTURING ACTIVITY in the Philippines eased for a second straight month in January as new orders and output rose at a slower pace, S&P Global said on Thursday.

The S&P Global Philippines Manufacturing Purchasing Managers’ Index (PMI) slipped to 50.9 in January from 51.5 in December. A PMI reading above 50 denotes better operating conditions than in the preceding month, while a reading below 50 shows a deterioration.

“The turn of the year revealed a slight weakness in demand conditions, as new orders and output growth eased,” Maryam Baluch, economist at S&P Global Market Intelligence, said in a statement. *[Cont. page 2]*

Factory activity further eases in Jan.

[Cont. from page 1]



In its report, S&P Global said while January marked the fifth consecutive month of expansion, this was still "weaker than the series average and only marginal overall."

The Philippines' PMI reading was the second fastest among six Association of Southeast Asian Nations (ASEAN) member countries in January, just behind Indonesia (52.9) and ahead of Vietnam (50.3).

Meanwhile, Malaysia (49), Thailand (46.7) and Myanmar (44.3) registered contractions in manufacturing output. On average, the ASEAN headline PMI rose to 50.3 in January from 49.7 in December.

S&P Global said the Philippines saw a "muted improvement" in factory activity in January amid weaker demand.

"A cooling demand environment, especially from overseas markets, led to factory orders rising only fractionally in January, and at the weakest pace in the current five-month sequence of growth," it said.

As demand softened, S&P Global noted that manufacturers increased production levels at a "historically subdued rate."

"Ater easing for the second successive month, the pace of growth was the weakest since August 2023," it added.

On the other hand, purchasing activity improved as manufacturers expanded their inventory in anticipation of stronger sales in the next few months.

Buying activity grew at its strongest pace in six months, S&P Global said.

"In addition, despite a continued deterioration in vendor performance arising from material shortages and port congestion, companies were able to build their stocks of purchases in January. Pre-production inventories rose for the fourth consecutive month, and at a pace that was broadly in line with the survey average," it said.

S&P Global also noted stocks of finished goods rose for the first time in three months. "With firms working through backlogs and new order growth cooling, companies were instead able to build their stocks," it added.

Data also showed cost pressures cooled during the month.

"In terms of prices, inflationary pressures were historically muted, and even softened at the turn of the year. In fact, output charges rose at one of the weakest rates since the series began in January 2016," it said.

S&P Global noted that manufacturing firms left their employment figures unchanged in January, ending two months of job cuts.

"Cost constraints and resignations meant job shedding was still recorded at some firms. However, helping to counterbalance, some companies were more willing to take on additional staff amid anticipated growth in new orders," it added.

Meanwhile, Filipino manufacturers remained upbeat in their outlook for the rest of the year, even as confidence level eased to the lowest in three months.

"Looking forward, global headwinds and sluggish demand from external markets, especially China, are likely to weigh on the Filipino manufacturing sector," S&P Global's Ms. Baluch said. *[Cont. page 3]*

Factory activity further eases in Jan.

[Cont. from page 2]

China Banking Corp. Chief Economist Domini S. Velasquez said that the manufacturing sector has faced challenges mainly due to "subdued demand from international markets."

"The recovery in the demand for semiconductors, which are increasingly used in electric vehicles and AI, has not yet gained firm momentum. However, we are optimistic of a stronger rebound in the second half of the year, aligned with the industry's outlook," Ms. Velasquez said in a Viber message.

She noted demand for manufactured goods in the country is likely to pick up as inflation further eases.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said that the slower pace of manufacturing expansion could be attributed to the high interest rate environment.

"Manufacturing and other economic activities tend to slow down upon crossing the new year, after some seasonal increase in the fourth quarter or in preparation for the Christmas holiday season, when there is a seasonal surge, if not, peak in demand for many businesses," he said in a Viber message.

For the coming months, Mr. Ricafort said that easing inflation would help support manufacturing activity.

"Additionally, the positive outlook reported by surveyed firms brings further optimism for the performance of the manufacturing sector in the coming months," Ms. Velasquez added.

Source: https://www.bworldonline.com/top-stories/2024/02/02/573061/factory-activity-further-eases-in-jan/

PH groomed as Asian aviation hub

February 05, 2024 | Myla Iglesias | Malaya Business Insight

The Department of Transportation (DOTr) has urged foreign and local businessmen to invest in the aviation sector in the Philippines which it is grooming to become one of the major regional hubs in Asia.

Malaya Business Insight

Roberto Lim, DOTr undersecretary for aviation and airports said on Friday the strengths and opportunities of the Philippine aviation industry are vital to opening the country to the international aviation landscape.

"We invite the world and the private sector to invest in the Philippine aviation sector because that's the way to most effectively create infrastructure that will create connectivity among the islands to spur trade and commerce," Lim said in a press briefing for the Singapore Airshow that will be held on February 20 to 25.

Lim said the Philippines is open to foreign investments, citing the amended Public Service Act.

"That (Public Service Act) should set the tone in our sector that we are ready to take on the foreign investors interested in investing in the Philippines," he said.

The world-class technical and customer service skills of Filipinos working in the industry as well as the country's vibrant international investment environment, strategic geographical location and strong gross domestic product growth will help in strengthening the aviation sector, he added.

The DOTr said it is committed to building new gateways and modernizing the existing ones, along with its attached agencies, the Civil Aviation Authority of the Philippines (CAAP), Manila International Airport Authority and Mactan-Cebu International Airport Authority.

To date, DOTr has rolled out the rehabilitation and modernization of various airports, such as the modernization of Ninoy Aquino International Airport, improvements at Clark International Airport and the land development for the construction of the New Manila International Airport in Bulacan.

Meanwhile, improvement projects at airports in Bohol-Panglao, Zamboanga, General Santos, Virac, Puerto Princesa, Ormoc, Calbayog, Dumaguete, Catarman, Butuan and Camiguin are likewise underway, the DOTr added. *[Cont. page 4]*

PH groomed as Asian aviation hub

[Cont. from page 3]

DOTr Secretary Jaime Bautista, together with CAAP director- general Captain Manuel Antonio Tamayo, yesterday broke ground on the expansion of Laguindingan Airport's passenger terminal building which will increase its passenger capacity by 72 percent this June.

With this, the pre-departure terminal's capacity will increase by 72 percent from the current 500 to 860 passengers.

This will support the increase in ridership at the second busiest airport in Mindanao that currently accommodates 790 passengers at any given time, exceeding the pre-departure terminal's capacity and leading to congestion.

The expansion will employ an innovative modular construction using pre-fabricated structural steel, which is cost-effective, allows for swift construction and is sustainable, the DOTr said.

Once completed in June 2024, this will provide efficient and comfortable travel for passengers at the Northern Mindanao airports that serve the cities of Cagayan de Oro, Iligan and Marawi, as well as the provinces of Misamis Oriental, Lanao del Norte and Bukidnon.

Source: https://malaya.com.ph/news_business/ph-groomed-as-asian-aviation-hub/

DA reminds shipping lines: 25% cargo space, discounted

February 04, 2024 | Gabriell Christel Galang| Manila Bulletin

The Department of Agriculture (DA) said that domestic shipping lines must allocate at least 25 percent of their cargo space to the transportation of agricultural produce at a discounted rate.

In a statement on Sunday, Feb. 4, Agriculture Secretary Francisco P. Tiu Laurel, Jr. said that this directive, which is in line with the law, is designed to minimize wastage, bolster farmers' earnings, and ensure food security.

Last week, Tiu Laurel met with Philippine Ports Authority (PPA) officials to ensure that shipping companies follow government rules and comply with President Marcos' directive to improve food production and modernize agriculture.

The meeting between the DA and PPA was prompted by complaints from highland vegetable farmers and traders concerning the transportation of agricultural products, both by land and sea.

"The PPA has pointed out a law that that requires shipping companies to reserve at least 25 percent of their cargo space to transport agricultural food products," the DA quoted Tiu Laurel as saying.

"Agricultural freight rates should also be at a discounted rate to keep food prices affordable," the official added.

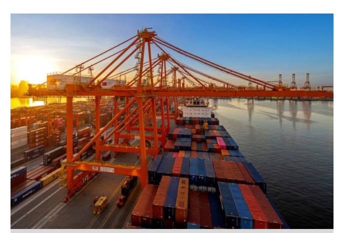
Earlier, PPA General Manager Jay Santiago said the DA and his will collaborate to create "the best port and agricultural infrastructure to develop efficient logistics and speed up the delivery and distribution of products through mechanization and modernization."

Source: https://mb.com.ph/2024/2/4/da-reminds-shipping-lines-25-cargo-space-discounted-rate-for-agri-products

Economy to fare better in 2nd half

February 06, 2024 | Keisha B. Ta-asan | BusinessWorld

THE PHILIPPINE ECONOMY is expected to fare better in the second half of the year, as easing interest rates could lift consumption and improving external climate may boost trade, according to Moody's Analytics.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"The economy will fare better this year, especially in the second half. Fading inflation will give the Bangko Sentral ng Pilipinas (BSP) confidence to lower borrowing costs," Moody's Analytics said in its weekly report released on Monday.

Headline inflation is expected to cool down in the coming months due to favorable base effects. *[Cont. page 5]*

Economy to fare better in 2nd half

[Cont. from page 4]

A *BusinessWorld* poll of 16 analysts last week yielded a median estimate of 3.1% for January inflation, which is within the 2.8-3.6% month-ahead forecast of the BSP.

If realized, this will be the second consecutive month that inflation will be within the BSP's 2-4% target band. It will also be slower than the 3.9% print in December and 8.7% a year ago.

However, Moody's noted that household spending will be under pressure in the first half.

"Volatile inflation prints in the first half of the year will persuade the BSP to stay on hold, leaving us to expect its first rate cut to be in June at the earliest," it said.

To tame inflation, the Monetary Board hiked borrowing costs by a total of 450 basis points (bps) from May 2022 to October 2023, bringing the key rate to a 16-year high of 6.5%.

BSP Governor Eli M. Remolona, Jr. earlier said the central bank is still hawkish, and is prepared to tighten as necessary amid risks to inflation. He hinted that the BSP may consider cutting borrowing costs in the second semester.

"As borrowing costs ease, private consumption and investment should benefit. An improving external climate will bolster trade, and an expected upturn in demand for semiconductors and electronics will brighten prospects in the second half," Moody's Analytics said.

The Philippine economy grew by 5.6% in 2023, slower than the 7.6% expansion in 2022 and fell short of the government's 6-7% target.

In the fourth quarter, gross domestic product (GDP) expanded by 5.6%, slower than the revised 6% GDP growth in the previous quarter and the 7.1% expansion a year ago.

"On the expenditure front, households and private investment did the heavy lifting in the final quarter. Easing inflation, a tight labor market, and a healthy inflow of remittances gave consumers confidence to spend," Moody's said.

Household final consumption jumped by 5.3% in the October-to-December period, faster than 5.1% in the previous quarter but slower than 7% a year earlier. This brought the full-year household spending to 5.6%, slower than 8.3% in 2022.

The top contributors to fourth-quarter consumption were restaurants and hotels (16.2%), transport (12.2%) and recreation (7.3%).

Meanwhile, ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said Philippine GDP in 2023 heavily relied on household consumption.

"Consumption remained surprisingly robust with Filipinos indulging in a possible 'one for the road' round of revenge spending, powering 4.2 percentage points of the overall 5.6% GDP. Although this strong pace of expenditure came at the cost of higher consumer debt and lower savings," he said in a note.

Moody's Analytics also said government spending and trade were the economy's weak spots in the fourth quarter.

Government spending contracted by 1.8% in the fourth quarter, a reversal of the 6.7% growth in the previous quarter and 3.3% a year ago. Year to date, state spending posted flat growth of 0.4%, significantly slower than the 4.9% in 2022.

"Meanwhile, a leap in investment, which was led by the construction and durable equipment industries, came as a surprise given high borrowing costs in the Philippines," Moody's said.

Gross capital formation — the investment component of the economy — jumped by 11.2% in the October-to-December period, faster than 3.3% a year ago. This brought the full-year gross capital formation to 5.4%, slower than 13.8% a year ago.

However, Mr. Mapa said private investment only contributed 0.7 percentage point to the overall GDP growth in 2023. This is the slowest pace of contribution since 2012, excluding the coronavirus pandemic.

"We can trace the slide in capital formation numbers to aggressive rate hikes in 2022, which undoubtedly resulted in slower bank lending growth to productive sectors and resulted in a slower pace of private construction activity and investment in durable equipment," he said. *[Cont. page 6]*

Economy to fare better in 2nd half

[Cont. from page 5

Given the underinvestment during the lockdowns, Mr. Mapa said the Philippines must see a substantial and sustained push for investments.

"Private investment ensures that the productive capacity of the economy is constantly pushed out further, ensuring improved efficiency and productivity for a more sustained pace of expansion, beyond simply relying on household spending to carry the load," he said.

For 2024, he said the government has set another elevated growth target to help propel the Philippines to upper middle-income status as soon as possible.

This year, the government is targeting to achieve a 6.5-7.5% GDP growth.

"If the Philippines is serious about chasing faster growth and the quick ascension to higher income levels, we must recognize the role that private investment can play in helping the economy achieve just that" Mr. Mapa said.

He added that while private consumption will continue to be the main driver of growth this year, private investment could also drive growth in the short and medium term, as this could push higher productive capacity.

Source: https://www.bworldonline.com/top-stories/2024/02/06/573729/economy-to-fare-better-in-2nd-half/

Global outlook raised; Middle East risk tagged

February 06, 2024 | By Agence France-Presse | The Manila Times

PARIS: The Organization for Economic Cooperation and Development (OECD) raised its 2024 world economic growth forecast Monday but warned that the Middle East conflict posed a risk, with disruptions in Red Sea shipping threatening to increase consumer prices.

The OECD now expects a 2.9 percent expansion, up from 2.7 percent in its previous forecast in November, as it sharply lifted the outlook for the United States, the world's top economy.

Global growth "proved unexpectedly resilient" in 2023, reaching 3.1 percent as inflation declined faster than anticipated, with strong growth in the United States and emerging markets offsetting slowdowns in European nations.

But indicators suggest "some moderation" of growth, with higher interest rates affecting the credit and housing markets while global trade remains subdued, the OECD said.

While inflation is falling in major economies, "it is too soon to be sure that underlying price pressures are fully contained," the OECD added in an update to its annual economic outlook.

The OECD highlighted the threats from the war between Israel and Hamas in Gaza and the attacks on ships in the Red Sea by Yemeni rebels who say they were targeting Israel-linked ships in solidarity with the Palestinians.

US and UK forces have responded with strikes against the Houthi rebels, who have since declared American and British interests to be legitimate targets as well.

"High geopolitical tensions are a significant near-term risk to activity and inflation, particularly if the conflict in the Middle East were to disrupt energy markets," the report said.

"A widening or escalation of the conflict could disrupt shipping more extensively than presently expected, intensify supply bottlenecks, and push up energy prices if traffic is interrupted in the key routes for the transport of oil and gas from the Middle East to Asia, Europe and the Americas."

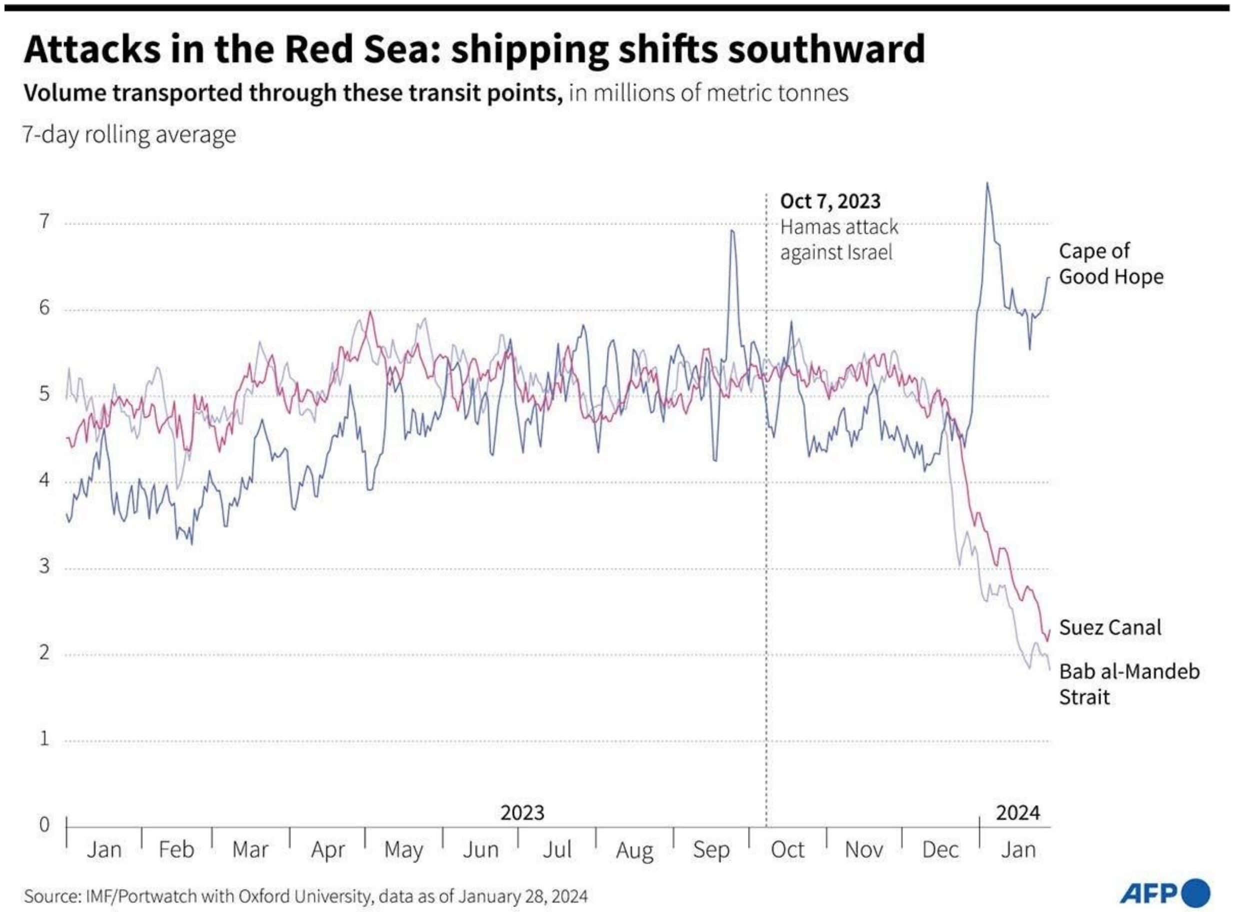
Around 15 percent of global maritime trade volume passed through the Red Sea in 2022, according to the OECD.

The attacks have sharply raised shipping costs and lengthened delivery times of goods as companies have rerouted their vessels around the southern tip of Africa, increasing their journey by as much as 50 percent, it said.

Production schedules have been disrupted in Europe, notably for automakers, the report said.

The recent 100-percent increase in shipping costs, if persistent, could add 0.4 percentage points to consumer price inflation after about a year, the OECD warned. *[Cont. page 7]*

Global outlook raised; Middle East risk tagged
[Cont. from page 6]



'Lingering effects' of rate hikes

The organization said monetary policy needed to "remain prudent" to ensure that inflationary pressure was "durably contained."

The US Federal Reserve, European Central Bank and Bank of England raised interest rates sharply in efforts to rein in consumer prices that rose after the Covid pandemic and jumped further after Russia's invasion of Ukraine.

"Growth could also be weaker than projected if the lingering effects from past policy rate increases are stronger than expected," the OECD said.

The three central banks have recently paused their rate-hike campaigns and have kept them at high levels.

But markets are hopeful that policymakers will soon begin to cut rates as inflation has slowed in major economies, though it remains above two-percent targets.

Inflation this year is expected to slow to 2.3 percent in the United States, 2.6 percent in the eurozone and 3.6 percent in Britain, the OECD projected.

The US economy is forecast to grow by 2.1 percent percent in 2024, up from from 1.5 percent in the previous outlook.

But the eurozone's outlook was downgraded to 0.6 percent growth from 0.9 percent previously.

The forecast for China, the world's second-biggest economy, remained unchanged at 4.7 percent.

Source: https://www.manilatimes.net/2024/02/06/business/top-business/global-outlook-raised-middle-east-risk-tagged/1931294

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