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Growth, fiscal goals need to be 'more realistic' says DoF chief

February 12, 2024 | Luisa Maria Jacinta C. Jocson | BusinessWorld

BW FILE PHOTO

THE DEVELOPMENT Budget Coordination Committee (DBCC) may need to adjust its growth and fiscal targets to be "more realistic," Department of Finance (DoF) Secretary Ralph G. Recto said last week.

"We're discussing that right now because I think we have to come up with more realistic targets," Mr. Recto told reporters on the sidelines of an event on Thursday.

"Don't you think we need some adjustment there? I think we need to. Something more realistic but still high for 2024 and beyond," he added.

The government is targeting gross domestic product (GDP) growth of 6.5-7.5% this year and 6.5-8% from 2025 to 2028 under the DBCC's latest macroeconomic assumptions and medium-term fiscal and growth goals.

The economy grew by 5.6% in 2023, slower than the 7.6% expansion in 2022. It also fell short of the government's 6-7% goal for the year.

"We are reviewing all of that. It's a six-year term for the President and we've finished one year and a half. We know what's happening globally, so we have an idea of something more realistic," the DoF chief said in mixed English and Filipino.

National Economic and Development Authority Secretary Arsenio M. Balisacan earlier said it could be too early to adjust their economic growth targets.

"It's only the first (quarter) of the year and now you want to say reduce the 6.5% — that's too defeatist," he said.

Meanwhile, the Finance chief said the entire medium-term fiscal framework is also under review.

"The fiscal plan was made when (Ferdinand R. Marcos, Jr.) became president in 2022. There was no war in the Middle East, the Ukraine war had just begun. Thereafter, prices of food and oil rose," Mr. Recto said. "That plan was done way back a year and a half ago. It's always under review and more so today."

The DBCC expects the National Government's budget deficit to hit P1.39 trillion this year, equivalent to 5.1% of GDP. Broken down, revenues are expected to reach P4.24 trillion while disbursements are seen to hit P5.63 trillion.

Under the fiscal framework, revenues are programmed to account for 15-16% of GDP, while expenditures are equivalent to around 20% of GDP.

Mr. Balisacan also said earlier that the contraction in state spending in the fourth quarter was "intentional" due to the government's fiscal consolidation plan. In the fourth quarter, government spending contracted by 1.8%, a reversal of the 6.7% growth in the previous quarter and 3.3% a year ago.

Mr. Recto noted that the government is not planning on cutting back on its expenditures.

"I'm not considering slower spending. At the very least we will keep the spending level at whatever it is right now under the DBCC program. Hopefully, we can even improve it. For as long as the deficit is going down and your debt-to-GDP ratio is going down, that's what is important," he added.

The DBCC last reviewed its targets in December. Its next meeting is scheduled in March.

TAX REVENUES

Meanwhile, the Bureau of Internal Revenue (BIR) said streamlining tax processes to attract more investments could mean foregone revenues for the government, which it will need to make up for by intensifying collection efforts in other areas. *[Cont. page 2]*

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"That's the challenge, as we try to improve the process and implement the ease of paying taxes, of course we may lose revenues because of all the improvements," BIR Commissioner Romeo D. Lumagui, Jr. told reporters on the sidelines of an event on Thursday.

"As we want to grow the economy, we've been giving incentives. We've been lenient on those in the hopes we will be able to attract investors. There are lost revenues in the meantime, so there is a lot we need to do to set off those revenue losses."

For example, Mr. Lumagui said the agency will be focusing on improving excise tax collection this year, especially on tobacco and vape products.

"For this year, that will be our concentration, excise tax. We've analyzed what happened in 2023," he said.

Mr. Lumagui earlier said there was an estimated 20% shortfall in excise taxes in the first four months of 2023 due to illicit tobacco.

"So many are shifting to vape. Hopefully, vape product registration will increase. Last year, we saw an increase in registrations because of what we've done, so hopefully it will increase this year," he added, noting that the excise tax collection shortfall has been trimmed to about 13-14% at the end of 2023.

Data from the BIR showed it generated P137.18 billion in revenues from operations targeting the illicit trade of cigarettes, vape and other excisable articles in 2023.

The BIR collected around P2.53 trillion last year, missing its P2.64-trillion target for 2023 but surpassing its P2.34-trillion collection in the previous year.

This year, the agency is tasked to generate P3.05 trillion in revenues.

Mr. Recto also ordered the agency to accelerate its digitalization and modernization programs to make tax compliance easier.

"Additionally, we will strengthen enforcement efforts against tax cheats and ensure fairness in the tax system to build taxpayers' trust," he added.

Source: https://www.bworldonline.com/top-stories/2024/02/12/574981/growth-fiscal-goals-need-to-be-more-realistic-says-dof-chief/

ARTA, AIM to create 'dashboard' to monitor PHL competitiveness
February 11, 2024 | Justine Irish D. Tabile | BusinessWorld

THE Asian Institute of Management (AIM) and Anti-Red Tape Authority (ARTA) will jointly compile various competitiveness metrics to be monitored via a so-called "dashboard."

"We are collaborating with ARTA in putting together a competitiveness dashboard website where indicators and indices relevant to national competitiveness will be available for anyone to track how the Philippines fares relative to other countries," Jamil Paolo S. Francisco, executive director of AIM's Rizalino S. Navarro Policy Center for Competitiveness, told *BusinessWorld*.

"This will serve as a quick and reliable reference for investors from here and abroad to assess the country's standing and recent performance vis-a-vis other countries in areas such as business efficiency, ease of doing business, digital and talent readiness, among others," Mr. Francisco added.

The project will consolidate independently released indices in a single website.

"This may also provide positive pressure on our national and local government and private sector leaders to adopt strategies aimed at tackling hurdles to Philippine competitiveness," Mr. Franciso said.

Asked to comment, Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said the collaboration will point policymakers towards the appropriate intervention measures.

"This would (constitute) anecdotal evidence on sources of competitiveness and the intervention measures needed to address these shortcomings more effectively and in a more measured manner," Mr. Ricafort said in a Viber message. *[Cont. page 3]*

ARTA, AIM to create 'dashboard' to monitor PHL competitiveness

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"This will also guide the private sector and foreign investors accordingly and also make them aware of the adjustments needed… and to (help them) lobby policymakers for changes," he added.

Last week, ARTA Director General Ernesto V. Perez cited the need to collaborate after AIM cited slow processing times by government agencies and inaccurate data as the key challenges in monitoring competitiveness.

"Last year they shared that the reason why it is hard for them to submit updated figures is because it is difficult for them to get responses from the agencies, not being to get the data on time or receiving inaccurate data," Mr. Perez said.

"With ARTA on board, as we are mandated to require agencies to respond within the appropriate period, the chances will be better to improve our competitiveness ranking by way of gathering more accurate and updated data from government agencies," he added.

He said that ARTA and AIM signed a memorandum of understanding in December and are currently in the preliminary planning stages for the project.

"We only had two to three meetings with them, I think I will be able to share more about our collaboration later this year," he added.

Source: https://www.bworldonline.com/economy/2024/02/11/574967/arta-aim-to-create-dashboard-to-monitor-phl-competitiveness/

Key rates likely to stay unchanged—analysts

February 12, 2024 | Niña Myka Pauline Arceo | The Manila Times

The Manila Times

KEY interest rates will stay on hold this Thursday given a lack of urgency to adjust policy, analysts polled by *The Manila Times* said.

Economic growth, while below target last year, remains strong even as inflation has yet to stabilize, they noted.

Gross domestic product (GDP) expanded by 5.6 percent in 2023, missing the government's 6.0- to 7.0-percent goal but still one of the fastest in the region.

Inflation, meanwhile, has stayed within the 2.0- to 4.0-percent target for the last two months — it fell to 2.8 percent in January — but could again spike due to the impact of El Niño on food prices.

This upside risk has prompted the Bangko Sentral ng Pilipinas (BSP) to remain hawkish and a rate hike, if needed, is expected not to harm the economy given its relative strength.

The central bank's benchmark rate currently stands at 6.5 percent, the highest since 2007, following 450 basis points (bps) of rate hikes beginning May 2022 as inflation started surging.

Pantheon Macroeconomics economist Miguel Chanco said the BSP's policymaking Monetary Board would pause for a third straight meeting on February 15 and again on April 4 before finally easing.

"We still expect the board to start normalizing policy soon, simply because policy will continue to tighten in real, inflated-adjusted terms just by remaining on hold, with the first cut likely to be in May, from our vantage point," Chanco said.

Oxford Economics economist Makoto Tsuchiya said he expected the BSP to "remain cautious before cutting rates by 25 bps in the second quarter, when it sees [that] inflation can be sustained within the 2-4 target band."

"For the whole year, we think the bank will cut its rate by 125 bps in total, bringing the rate to 5.25 percent at year-end," he added.

Mitzie Irene Conchada, associate professor at the School of Economics of De La Salle University, said the BSP would wait until inflation finally settles firmly within target.

She noted that rice prices, in particular, were continuing to rise and overall price growth could again require monetary intervention.

China Banking Corp. chief economist Domini Velasquez also said "there is still a chance for inflation to overshoot the 4.0-percent target with looming risks on the horizon." *[Cont. page 4]*

Key rates likely to stay unchanged—analysts

[Cont. from page 3]

"Hence, [the] BSP will likely continue to maintain its hawkish stance despite within-target inflation in the last two months," she added.

Velasquez said BSP rate cuts would also not come ahead of a US Federal Reserve easing, now widely expected not to start until May at the earliest.

ING Manila Bank senior economist Nicholas Antonio Mapa echoed this and added that the first BSP cut would be 25 bps.

"I think the BSP will be keen on reversing their emergency rate hike in October when they took rates to 6.5 percent," he said.

"If the risk-adjusted inflation forecast moves even closer to the baseline inflation forecast ... then we could see the BSP reducing borrowing costs to help bolster sagging private investment activity."

HSBC Global Research economist Aris Dacanay also expects rate cuts to only follow after the Fed takes action.

"But with growth in the Philippines strong, the BSP has room to cut much later than the Fed in the scenario of upside risks to inflation materializing all at the same time," he said.

"Here, rice CPI (consumer price index) will be key to monitor as we have yet to see global rice prices peak. But for now, all is well for the upcoming meeting ...," he added.

Union Bank of the Philippines chief economist Ruben Carlo Asuncion said any decision to cut interest rates would hinge on how core inflation — which excludes volatile food and energy prices — turns out in the months ahead.

Security Bank Corp. chief economist Robert Dan Roces, for his part, said that "despite Philippine inflation dipping below target and core inflation reaching its desired level, a rate cut by the central bank in February is unlikely."

"Concerns about outpacing the Federal Reserve and increasing peso vulnerability to selling pressure, given its recent depreciation, may hold back the central bank," he added.

Emmanuel Lopez of the Colegio de San Juan de Letran Graduate School also said that rates would stay on hold "considering that the agricultural sector has just started to be affected by the El Niño phenomenon."

"However, if the current decrease in inflation rate is sustained, we can see a decrease in the policy rate towards the second quarter of 2024 by at least 25 basis points."

Source: https://www.manilatimes.net/2024/02/12/business/top-business/key-rates-likely-to-stay-unchanged-analysts/1932174

Consumer group calls for EPIRA amendments

February 12, 2024 | Jed Macapagal | Malaya Business Insight

Malaya Business Insight

A consumer group is calling for the immediate review of the Electric Power Industry Reform Act (EPIRA) to lower power rates and further attract investments.

The United Filipino Consumers and Commuters (UFCC) said in a statement Congress can start by amending a provision that allows monopolies in electric utilities.

Rodolfo Javellana Jr., UFCC president, said high power rates is a major issue in a bid to attract more foreign or local investors.

"If that is the law, then we should revise or modify (EPIRA), instead of them (Congress) prioritizing amending the Constitution… We want the economy to improve, we want more foreign direct investments, then electricity must be made affordable so that there will be a lot of investments going in the country," Javellana said.

Javellana said it is also important to look deeper into the practices of power distribution utilities and allegations of monopoly as the effects of adjusting power rates to reasonable levels would be felt immediately.

Earlier, the Department of Energy (DOE) also called on lawmakers to consider amending EPIRA to update policies that will strengthen the protection of consumers.

DOE is pushing for the clarification of the powers of Energy Regulatory Commission and the Philippine Competition Commission. EPIRA was first enacted in 2001 which led to the privatization of most components of the power industry in the Philippines.

Since its effectivity, several calls for it to be repealed or be amended were made citing its failure to effectively pull down power rates in the country.

So far, no amendments and adjustments in the law have been successfully implemented since its original enactment.

Source: https://malaya.com.ph/news_business/consumer-group-calls-for-epira-amendments/

BOC creates body to solve trade woes

February 11, 2024 | Louise Maureen Simeon | The Philippine Star

MANILA, Philippines — The Bureau of Customs (BOC) has established an advisory council that aims to address trade bottlenecks and enhance trade facilitation among importers and business groups amid a changing global environment.

BOC Commissioner Bienvenido Rubio has issued a memorandum order creating the Customs Industry Consultative and Advisory Council (CICAC) to facilitate regular consultations between the government and its stakeholders. STAR / File

BOC Commissioner Bienvenido Rubio has issued a memorandum order creating the Customs Industry Consultative and Advisory Council (CICAC) to facilitate regular consultations between the government and its stakeholders.

The consultative body between BOC and the business-industrial sector targets to address existing and potential issues.

Right now, prices of commodities in the world market remain high due to still elevated interest rates, exacerbated by geopolitical tensions in several countries.

There are also supply woes amid export bans.

The Red Sea crisis is also proving to be a concern as this makes shipping costs 15 percent more expensive and adds 10 days for the exchange of goods between Europe and Asia.

The United Nations Conference on Trade and Development earlier warned of increasing disruptions in global trade due to geopolitical tensions and the impact of climate change on vital trade routes.

Rubio said CICAC would conduct regular consultative meetings and dialogues to discuss trade environment trends and updates, apprise industry partners about Customs policies and programs, as well as address issues and concerns relating to implementation.

“It will assist in the development of Customs policies and delivery of services by identifying obstacles and bottlenecks in trade facilitation,” Rubio said.

“It will also identify Customs procedures that are no longer aligned with modern business standards, as well as adopt cutting edge technology to enable BOC to adapt to a dynamic trade environment,” he added.

The council targets to establish a mechanism for consultation prior to and after the implementation of new policies to improve regulatory compliance among stakeholders.

It also aims to prevent illicit activities of traders and Customs employees and help secure trade supply chains.

The CICAC is chaired by Rubio with members from BOC and industry partners including the Philippine Chamber of Commerce and Industry, Chamber of Customs Brokers Inc., Federation of Filipino-Chinese Chamber of Commerce and Industry, as well as the top 20 importing companies of the Philippines.

Also included are the Association of International Shipping Lines, Airline Operators Council, Philippine Retailers Association, Philippine Exporters Association, Distilled Spirits Association of the Philippines, Common Bonded Warehouse Operators Inc., and the Confederation of Truckers Association of the Philippines.

The agency would also seek insights from the Philippine Chamber of Arrastre and Stevedoring Operators Inc., Port Users Confederation, Foreign Buyers Association of the Philippines, Federation of Philippine Industries, Philippine Association of Meat Processors, and the Philippine Chamber of Agriculture and Food Inc.

Source: https://www.philstar.com/business/2024/02/11/2332398/boc-creates-body-solve-trade-woes

Business group backs economic Cha-cha

February 13, 2024 | Bernadette E. Tamayo | The Manila Times

THE Joint Foreign Chamber of Commerce in the Philippines (JFC) supports the move to amend the "restrictive" economic provisions in the Constitution, although some of its members are wary about the heated debate on Charter change.

Sen. Juan Edgardo "Sonny" Angara, chairman of the Senate Subcommittee on Constitutional Amendments and Revision of Codes, heard the group's sentiments on Monday during the hearing on Resolution of Both Houses 6 (RBH 6) to amend some of the charter's economic provisions. *[Cont. page 6]*

Business group backs economic Cha-cha

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The JFC is a coalition of the American, Australian-New Zealand, Canadian, European, Japanese and Korean chambers of commerce in the Philippines and the Philippine Association of Multinational Companies Headquarters Inc.

The group represents over 3,000 companies engaged in trade and investment.

Julian Payne, Canadian Chamber of Commerce president, represented the JFC in the RBH 6 hearing together with Florian Gottein, European Chamber of Commerce of the Philippines executive director.

"The Joint Foreign Chamber of Commerce supports the easing on foreign direct investments (FDIs) wherever this is possible," Payne said.

"We are of the opinion that the removal of economic restrictions would facilitate increased FDI in sectors where such investment is currently restricted," he said.

Gottein said that amending the Constitution is purely a Philippine matter.

"If the Filipino people decide to amend the Constitution, we would actually be in favor of removing the economic restrictions from the Constitution," he said.

Sen. Mary Grace Poe asked the JFC representatives whether their members are concerned over the issues surrounding Cha-cha.

Gottein replied: "We got some calls from some of our members following the news and the political debate about how this might unfold or in which direction it could actually move further. So there is some uncertainty out there. Yes."

Angara said the JFC's input represents "different interests. Their goal is really to make profit our country. "[Let's] Take it with a grain of salt."

National scientist Raul Fabella said he favors the lifting of the constitutional restrictions on foreign ownership.

Fabella noted that the Philippines' investment rate is "traditionally the lowest among the major Asean (Association of Southeast Asian Nations) countries.

"The country that invests less will over time eat the dust of countries that invest more. We have, in other words, an anti-investment culture," said Fabella.

"The constitutional restriction on foreign ownership adds to this anti-investment [policy], which signaled to the world our national fundamental discomfort with investors here — foreign or local," he added.

Retired justice Antonio Carpio, who also attended the hearing, believes that constitutional amendments might not be required to open the country's public services sector to foreign investments.

"I don't think we need to change a single word of the Constitution to open up our services industry," Carpio said.

Dr. Bernardo Villegas, chairman of the 1986 Constitutional Commission Committee on National Economy and Patrimony, echoed Fabella's view.

"I'm the first one to say that sooner or later we have to amend this very imperfect constitution of 1987. Because 1986 was not the appropriate time to write with serenity, peace and quiet the basic law of the land," Villegas said.

Trade and Industry Undersecretary Rafaelita Aldaba said the call for constitutional economic reforms "is not a call for relinquishing our national interests, but rather a strategy to align with the inevitable global economic currents."

Reservations

Senators Joseph Victor "JV" Ejercito, Ana Theresia "Risa" Hontiveros and Poe voiced reservations over the need to pursue constitutional reforms to increase FDIs. *[Cont. page 7]*

Business group backs economic Cha-cha

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They said the Philippines is already open for business as it made strides in recent years to liberalize the economy through legislation. "The legislation aims to define and differentiate public utilities from public services while addressing the constitutional limitation on foreign equity," Angara said, referring to the law amending the 86-year-old Public Service Act.

"The Public Service Act was really scrutinized by the Senate to make sure that it would be for the benefit of our Filipino people to improve our utilities and other infrastructure," Ejercito said.

He said the Senate had passed the Public Private Partnership Code Law, which is intended to improve public services, infrastructure, energy and utilities.

"So, is Charter change really needed at this point now that these two legislations were already passed?" Ejercito said.

He said that while the Philippines has fallen behind its Asean neighbors in energy and infrastructure, the country has privatized the National Power Corp. and its power generation transmission distribution to spur competition.

"So, we really have to be very careful about all these things. We cannot be rushed. We cannot put deadlines nor can we be pressured because it is not easy to amend the Constitution," Ejercito said.

Hontiveros cautioned against the potential risks posed by future congresses giving away control of these utilities to state-owned foreign firms, which could threaten national security.

Poe, chairman of the Senate Committee on Public Services, said Cha-cha proponents should tread carefully in tinkering with the Constitution.

"Would amending the public utilities provisions in our Constitution open the economy or open a can of worms?" Poe said.

She said RBH 6 proposes opening, through legislation, all public utilities to foreign ownership, investments, and management without the constitutional protection grounded on national security and domestic interests.

The utilities include the distribution and transmission of electricity; petroleum and petroleum products pipeline transmission systems; water pipeline distribution systems, including sewerage pipeline systems; seaports; and public utility vehicles.

"Because of the nature of these natural monopolies, we needed to ensure the security and supply of these essential utilities. Are we ready to compete with them (foreign firms)? Poe said.

She said the country has made great strides in the past years, "liberalizing the economy without compromising national security or leaving behind Filipino businesses."

Poe said that Republic Act 11659, or amended "Public Service Act (PSA)," which she authored, encouraged new players in the airports, railways, expressways and telecommunications sectors "without changing the Constitution."

"Guided by the long line of cases decided by the Supreme Court as to what 'public utilities' really are, we carved out public utilities which will remain covered by the 60 percent Filipino ownership requirement from public services that were opened up by the PSA to full foreign investments," Poe said.

She said Cha-cha proponents must think hard about whether the panacea to our economic woes lies in amending the Constitution, or in more efficient management of agencies, curbed, if not zero, corruption, and less bureaucracy.

https://www.manilatimes.net/2024/02/13/news/national/business-group-backs-economic-cha-cha/1932291

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