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SPECIAL POINTS OF INTEREST

Foreign chambers say economic Charter change to lift FDI

February 28, 2024 | Beatriz Marie D. Cruz | BusinessWorld


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FOREIGN CHAMBERS of commerce in the Philippines on Tuesday asked lawmakers to lift foreign ownership limits in the 1987 Constitution, saying this would boost foreign direct investments (FDIs) in the country that is considered one of the least attractive in Southeast Asia.

"Our group supports the easing of restrictions of foreign direct investment wherever this is possible. We are of the opinion that the removal of economic restrictions would facilitate increased FDI in sectors where such investment is restricted," the Joint Foreign Chambers of the Philippines (JFC) said in a Feb. 26 letter addressed to House Speaker Ferdinand Martin G. Romualdez.

The JFC sent the letter as congressmen are deliberating on the Resolution of Both Houses (RBH) No. 7, which seeks to lift economic restrictions in the ownership of public utilities, educational institutions and advertising. The resolution proposes to insert the phrase "unless otherwise provided by law" in the sections of the Constitution that restrict foreign ownership in these sectors.

"The advantage of using legislation or executive regulation is that it allows both the Legislature and/or the Executive to quickly adjust the regulatory environment for FDI in order to adapt to changes in technology, comply with requirements of international treaties, or take advantage of new opportunities to benefit in the global economy," the JFC said.

FDI net inflows to the Philippines declined by 13.3% to $7.58 billion in the first 11 months of 2023, from $8.74 billion in the comparable year-ago period.

The JFC is composed of the American Chamber of Commerce of the Philippines, Australian-New Zealand Commerce of the Philippines, Canadian Chamber of Commerce of the Philippines, European Chamber of Commerce of the Philippines, Japanese Chamber of Commerce & Industry of the Philippines, Korean Chamber of Commerce of the Philippines, and the Philippine Association of Multinational Companies Regional Headquarters, Inc.

Meanwhile, former Supreme Court Justice Adolfo S. Azcuna, who was a member of the 1971 Constitutional Convention and 1986 Constitutional Commission, said including the phrase "unless otherwise provided by law" in Charter would only allow the provision to be changed through legislation.

"After such amendments are adopted, then Congress can adopt a master foreign investment law that will cover the framework for allowing foreign investments in our country including, if necessary, safeguards such as reciprocity," Mr. Azcuna told lawmakers.

"Economic provisions must be responsive to changes in economic conditions, therefore I believe that we should change the provisions to make them flexible," he added.

Adoracion M. Navarro, senior research fellow at the Philippine Institute for Development Studies (PIDS), said amending the economic provisions of the Constitution does not mean the economy will be subject to 100% liberalization.

"Requiring legislation for liberalization of FDI entry in certain sectors will entail deep scrutiny of each sector and will mean that prioritization will have to be employed by Congress," Ms. Navarro told lawmakers. "There will have to be an investigation first of which sectors urgently need a liberalization law."

National Economic and Development Authority (NEDA) Undersecretary Rosemarie G. Edillon said increased foreign investments in the public utilities sector would help lower power costs, improve the telecommunications sector, and modernize the manufacturing sector. *[Cont. page 2]*

Foreign chambers say economic Charter change to lift FDI

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“We only have low value-added manufacturing here in the Philippines, we do not have any multinational company that does research here in the Philippines and it’s really because we do not have a pool of researchers [and] scientists,” she told the committee.

Meawhile, Camarines Sur Rep. Gabriel H. Bordado, Jr. said the provisions of the 1987 Constitution are enough to make the local education sector globally competitive.

“Filipino children can still be given access to the best schools while allowing Filipinos to retain control and administration of educational institutions,” Mr. Bordado told the committee.

Congressmen aim to vote on constitutional amendments before the Holy Week break.

Source: https://www.bworldonline.com/top-stories/2024/02/28/578198/foreign-chambers-say-economic-charter-change-to-lift-fdi/

NEDA trims priority infra project list

February 28, 2024 | Niña Myka Pauline Arceo | The Manila Times

Socioeconomic Planning Secretary Arsenio Balisacan. Photo from NEDA

THE National Economic and Development Authority (NEDA) board has revised the list of priority government infrastructure projects, adding 32 new ones and delisting 36 during a meeting on Tuesday.

The move reduced the number of infrastructure flagship projects (IFPs) to 185 projects from 198. The total value of the new list is P9.14 trillion, up from the previous P8.8 trillion.

Socioeconomic Planning Secretary Arsenio Balisacan, who is vice chairman of the NEDA board, said the government was prioritizing projects to ensure their efficient and accelerated implementation.

"Our list of IFPs under the Build Better More Program serves as a prioritization tool to identify high-impact infrastructure projects that require immediate government support," he said in a statement.

"By rationalizing the list, we ensure the implementation of as many important infrastructure projects of high significance as possible," he added.

The NEDA did not detail the revisions, only pointing to the IFP dashboard on its website. As of press time, however, it still listed 198 projects.

Balisacan said that some projects taken off the list would still proceed under regular government programs.

Socioeconomic Planning Undersecretary Joseph Capuno told the NEDA board on Tuesday that 74 out of the 198 projects were already being implemented as of the fourth quarter of last year.

Thirty, meanwhile, were approved for implementation, 10 were awaiting government approval and 83 were undergoing project or pre-project preparations.

One IFP project, the Samar Pacific Coastal Road, was said to have been completed last June 30 and inaugurated the following month. Of 74 ongoing projects, 19 are set to be completed this year.

"We will continue to monitor, review and update the list of IFPs as necessary to prioritize the most important infrastructure projects," Balisacan said.

"The NEDA board is committed to approving measures needed to expedite the implementation of the Build Better More Program," he added.

The NEDA said its board had also approved modifications to the Davao City Bypass Construction Project's scope, including a supplemental loan of P14.6 billion that raised the total project cost to P70.8 billion.

The implementation period will also be extended to Dec. 31, 2027. *[Cont. page 3]*

NEDA trims priority infra project list

[Cont. from page 2]

The project aims to reduce the travel time between Davao City and Panabo City to 49 minutes from the current one hour and 44 minutes.

"While this project was first approved by the NEDA board in 2015, its implementation was hampered by the pandemic," Balisacan noted.

"The changes in the project scope and cost will ensure that this key infrastructure project receives the necessary support for its successful completion."

The board also approved the Environment department's Integrated Water Resources Master Plan, which will serve as the overall national policy for effectively managing water resources in the country.

"We prioritize infrastructure development as a key driver of our economy to improve the lives of every Filipino," Balisacan said.

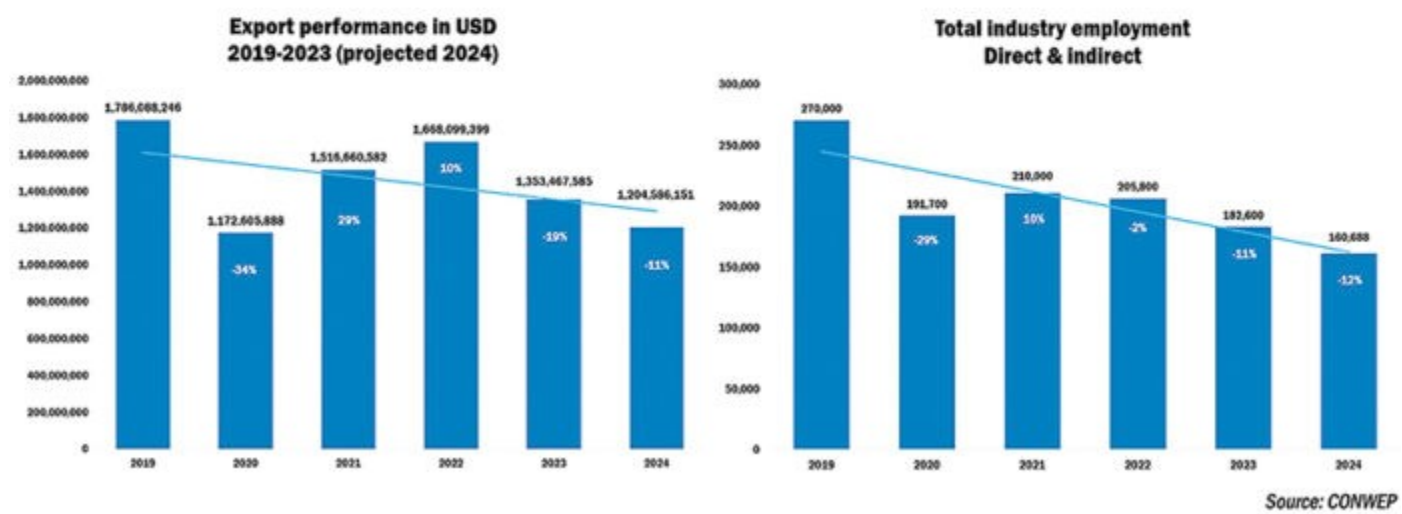
"While significant policy reforms have already been put in place to address long-standing constraints to sustainable and resilient infrastructure, we recognize the need for further efforts to boost infrastructure investment and execution," he added.

"Thus, we will closely monitor our infrastructure flagship projects to ensure they are completed and delivered on time."

Source: https://www.manilatimes.net/2024/02/28/business/top-business/neda-trims-priority-infra-project-list/1934452

Wage hike a final nail in our coffin: CONWEP

February 28, 2024 | Irma Isip | Malaya Business Insight



Exporters of apparel, leather goods and footwear are asking for a two-year inflation subsidy of P600 to P1,000 for its minimum wage workers instead of implementing the P100 legislated increase proposed in Congress.

Marties Agoncillo, executive director of the Confederation of Wearable Exporters of the Philippines (CONWEP), in a press conference said a mandated increase would whittle down the workforce of the industry to 32,000 to 48,000 or just 20 to 30 percent of its existing workers of 160,000.

Even without the wage increase, the industry projects a 12-percent cut in workforce or about 21,900 workers this year because of the past year's wage increases in regions 3,4, and 7.

This is based on a survey done by CONWEP on February 22 which also projects another 11 to 15 percent decline in export to $1.2 billion for apparel, leather goods and footwear. *[Cont. page 4]*

Wage hike a final nail in our coffin: CONWEP

[Cont. from page 3]

Agoncillo said exports could fall further by 10 percent in 2025 because of soft global demand.

Agoncillo said the Philippines has lost 23,200 workers because of the pullout of a big exporter of a sports apparel brand in 2022 and 2023.

She said a US sports brand has sounded off the possibility of pulling out its orders also this year.

Agoncillo fears an exodus of investments within six months from the passage of a dongressional wage increase of any amount, even if implemented in tranches.

"We are in a survival mode, this wage increase is the final nail in our coffin," she added.

In a letter to President Ferdinand Marcos Jr. dated February 26, Agoncillo said the two-year monthly P1,000 government inflation subsidy to minimum wage earners could be similar to assistance programs granted to workers during the pandemic " to allow the industry to recover as global demand for apparel exports remains soft until March 2026."

She said competitor countries Vietnam, China, and Cambodia have implemented support programs similar to those of their apparel export sectors in previous years.

Source:https://malaya.com.ph/news_business/wage-hike-a-final-nail-in-our-coffin-conwep/

WB: PHL inflation seen within 2-4% band each month of 2024

February 27, 2024 | Keisha B. Ta-asan | BusinessWorld

A woman buys food items at a supermarket in Quezon City, March 4, 2022. — PHILIPPINE STAR/ MICHAEL VARCAS

INFLATION in the Philippines may settle within the 2-4% target band for every month in 2024, the World Bank (WB) said, though it warned of the need to remain alert for risks to the inflation outlook.

At the 2024 International Tax Conference, World Bank Philippine Senior Economist Ralph van Doorn said containing inflation through both monetary and non-monetary measures remains the main challenge this year.

"We think it's likely that inflation will stay over the whole year between 2-4%," he told reporters on the sidelines of the event. "We know there are risks to it, but we'll have to see if they materialize. If we see that these risks are becoming more concrete, then we will have to also make adjustments to our projections."

The Philippine Statistics Authority reported that headline inflation decelerated to an over three-year low of 2.8% in January, marking the second straight month it fell within the Bangko Sentral ng Pilipinas (BSP) target range of 2-4%.

In its December update, the World Bank projected Philippine inflation to settle at 3.6% this year and 3% in 2025. The BSP expects inflation to average 3.6% this year and 3.2% in 2025.

Asked if easing inflation could prompt the BSP to cut borrowing costs, Mr. Van Doorn said it is difficult to forecast what the BSP will do.

"We have to really let the central bank do its job," he said. "The BSP has a very data-driven approach, so it will look carefully at inflation, at underlying core inflation and inflation expectations before making a decision on rate cuts."

The BSP has kept its benchmark interest rate unchanged at a 16-year high of 6.5% for three straight meetings. It had hiked rates by 450 basis points (bps) between May 2022 and October 2023 to tame inflation.

BSP Governor Eli M. Remolona, Jr. has said that the Monetary Board may consider a rate cut in the second half, but cited as a condition that inflation be firmly within the 2-4% target.

Mr. Van Doorn said the World Bank sees global and domestic risks for the Philippine economy this year.

WB: PHL inflation seen within 2-4% band each month of 2024

February 27, 2024 | Luisa Maria Jacinta C. Jocson | BusinessWorld

"We see tensions and wars in various parts of the world, and that means this all could have an effect on supply chains, on food supply, on fuel prices," he said.

"If that happens, it's most likely to have an effect on many countries that import food and fuel, and the Philippines is one of them," he said.

Another risk is that major central banks may keep their own monetary policy tighter for longer, as global inflation may be " stickier-than-expected," which could affect the Philippines as well.

The BSP is widely expected to maintain an interest rate differential with the Federal Reserve to shield the peso from depreciation pressures and volatility.

The Fed has kept borrowing costs unchanged at 5.25-5.5% since September, following the combined 525 bps worth of rate hikes implemented between March 2022 and July 2023.

"Our third risk would be more of a domestic nature. We see the risk of El Niño, the impact it could have on the agricultural sector, and that could have an effect on the food supply and food prices," Mr. Van Doorn said.

He also cited uncertainties like the proposed minimum wage hikes, which could stoke inflation and add pressure to inflation expectations.

"It's important to be very careful in considering these wage hikes to make sure that inflation expectations remain anchored at between 2-4%," he said.

Legislators have been considering whether to increase minimum wages in the private sector by P100.

Meanwhile, investments into the Philippines will be challenging this year due to a slower global growth outlook, he said.

"But we also see that that country has done a lot (to) attract investment, passing very important laws that promote investment competitiveness. It's important to implement these and make sure investors know about it," Mr. Van Doorn said.

The central bank reported that net inflows of foreign direct investment (FDI) grew 27.8% year on year to $1.048 billion in November.

This was the highest FDI net inflow level recorded for an individual month since the $2.662 billion posted in December 2021.

Month on month, net FDI inflows rose 60% from $655 million in October.

The BSP projects FDI net inflows of $8 billion by the end of 2023 and $10 billion at the end of 2024.

Separately, Finance Secretary Ralph G. Recto met with World Bank Group Managing Director and Chief Financial Officer Anshula Kant to discuss how to improve the bank's lending terms for the Philippines and identify potential areas for partnership.

"The World Bank committed to introducing innovative financial instruments tailored to the needs of the Philippines," the Department of Finance (DoF) said in a statement on Tuesday.

"These include instruments specifically designed to sharpen the country's crisis toolkit to ensure swift access to funding during times of emergency," it said.

The DoF and the World Bank reiterated their strong commitment to boost the government's socioeconomic agenda through their partnership, the DoF added.

Source: https://www.bworldonline.com/economy/2024/02/27/578234/wb-phl-inflation-seen-within-2-4-band-each-month-of-2024/

GDP seen growing 5.7% this year

February 29, 2024 | Ruelle Castro | Malaya Business Insight

Swiss bank UBS expects the Philippine economy to grow by 5.7 percent this year.

A resilient labor market should support consumption while lower commodity prices should help to ease the current account drag, UBS said.

UBS said apart from elevated rice inflation, core inflation remains well contained. Average inflation is seen settling at 3 percent by the end of the year as rice supply constraints ease.

UBS said it was "surprised" by the consumption resilience, supported by robust services employment growth that likely offset inflation headwinds.

The recent data validate expectations of a more secure recovery in the Philippines, with the Bangko Sentral ng Pilipinas (BSP) expected to start cutting rates in June, it added.

"If our expectations for a deeper (US) Fed(eral Reserve) rate cut cycle – or more than 200 basis points (bps) – pan out, we expect (the) BSP to cut by 100 bps this year. If the Fed's cuts are delayed to second half, and only by 75 bps, BSP would likely only cut after the Fed," UBS said.

Grace Lim, UBS Investment Bank Asean and Asia economist, said Philippine banks are likely to post a loan growth of "slightly above 10 percent," citing the increasing gross domestic product (GDP) growth as well as the solid nominal GDP growth.

"We don't see any evidence of asset quality risk. And as rates come down a little bit, that could actually spur demand for loan growth," Lim said.

UBS is positive about the sector's asset quality, Lim added.

"If there are big PPP (public-private partnership) projects coming through, that could also spur some demand for loans….maybe towards the second half of the year," she said.

Lim said when it comes to large-scale projects, investments tend to spread out.

"So, investment would actually be taking place over quite a number of quarters, in fact, in quite a number of years," she added.

Source: https://malaya.com.ph/news_business/gdp-seen-growing-5-7-this-year/

Quick rollout of PPPs to boost economic growth

February 29, 2024 | Louise Maureen Simeon | The Philippine Star

Skyline of Metro Manila
The STAR / Miguel de Guzman, file

MANILA, Philippines — The rollout of more infrastructure projects that involve the private sector is expected to prop up economic growth with the government likely to make up for its lagged spending last year, according to banking giant UBS.

UBS said the government's plans to engage the private sector in forming public-private partnership (PPP) projects is an upside to growth this year and in the long run.

UBS Asia economist Grace Lim said big-ticket PPPs, including the recently awarded rehabilitation of the Ninoy Aquino International Airport, are an important source of growth.

"A potential upside is if some of these plans to engage the private sector in PPPs come through more quickly. In that sense, we believe that it is possible that investment could also pick up," Lim said.

Under the flagship infrastructure program of the government, data showed that there are 74 projects with a combined cost of P4.13 trillion that are ongoing.

Specifically, there are 40 projects equivalent to P2.25 trillion that are being undertaken via PPP alone, while 11 other projects worth P279 billion will be funded through a combination of PPP and other modes.

"Most of these projects will be completed beyond 2028 so that is not something that will all come through in just one year. But there are some ongoing projects worth about P300 billion targeted for completion by the end of this year," Lim said.

"When it comes to this kind of large-scale investment, when it starts breaking ground and when it starts adding to GDP (gross domestic product) via the investment route, it tends to be rather spread out," she said.

Lim said the implementation of PPP projects could also spur some demand for loan growth, which is seen expanding slightly above 10 percent for 2024. *[Cont. page 7]*

Quick rollout of PPPs to boost economic growth

[Cont. from page 6]

This year, the government is allocating 5.1 percent of GDP or roughly P1.365 trillion to infrastructure spending.

The newly enacted PPP Code is also seen providing the Philippines with high-quality infrastructure needed to propel economic growth. It will establish a stable and predictable environment for collaboration of both public and private sectors and address the gaps in infrastructure financing.

It will also consolidate all legal frameworks and create a unified system for investors to refer to when engaging in PPP projects.

Lim is also banking on better government spending this year following a sluggish state expenditure in 2023.

“We think that government consumption growth will accelerate modestly in 2024. Our forecast is about a seven to eight percent increase year-on-year,” Lim said.

Apart from spending, UBS maintained that consumption is another upside risk to growth as inflation, particularly food inflation, falls more rapidly.

Lim said the robust labor market and strong employment growth had helped to more than offset the drag from inflation.

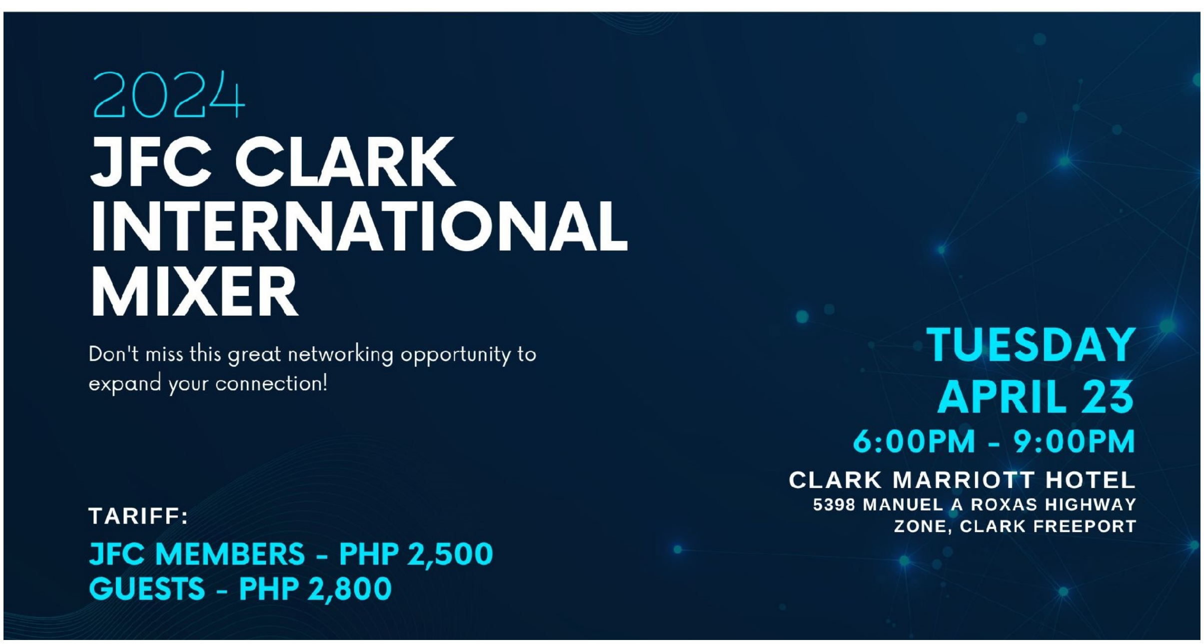
“Now that inflation is likely to fall, and we see that because so far right now, the only pockets of price pressures we are seeing is in terms of rice, everything else seems to be easing quite nicely,” Lim said.

“Broadly speaking, we don’t see inflation being a structurally higher issue. It’s likely to come down slowly,” she said.

For 2024, UBS is expecting inflation to settle within the target band at three percent, significantly lower than last year’s six percent.

The bank is looking at a total of 100-basis point rate cut by the Bangko Sentral ng Pilipinas, with the first easing likely in June as soon as the US Federal Reserve does so in May, in line with the market consensus.

Source: https://www.philstar.com/business/2024/02/29/2336847/quick-rollout-ppps-boost-economic-growth



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