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SPECIAL POINTS OF INTEREST

Inflation halts 4-month decline

March 04, 2024 | Keisha Ta-Asan | The Philippine Star

Likely picked up to 3% in February

Workers unload sacks of rice at a warehouse in Tondo, Manila on February 24, 2024.

Ernie Penaredondo / The Philippine STAR

MANILA, Philippines — Headline inflation may have picked up for the first time in four months in February, mainly driven by higher rice prices and electricity rates, according to a poll of top economists.

Aris Dacanay, economist for ASEAN at HSBC, said inflation likely went up to three percent in February from an over three-year low of 2.8 percent in January.

Sarah Tan of Moody's Analytics also believes inflation accelerated to three percent last month, driven by higher prices of rice, meat and fuel.

For Ruben Carlo Asuncion, chief economist at Union Bank of the Philippines, inflation may have climbed to 3.1 percent in February and average 4.1 percent this year, before easing to 3.8 percent in 2025.

If realized, this will be the first time that inflation quickened since it began easing in September 2023. However, this will also be the third month the consumer price index (CPI) landed within the two to four percent target set by the Bangko Sentral ng Pilipinas (BSP).

Dacanay said unfavorable base effects would be the biggest drivers of acceleration in February.

"Without any sudden change in policy or external conditions, these unfavorable base effects will likely remain in place until July of this year and can potentially push inflation to breach the central bank's two to four percent target band some time in the second quarter," he said.

Elevated prices of rice and electricity rates also fanned inflationary pressures during the month, Dacanay said.

"Global rice prices slightly eased by the end of February, but its impact on domestic prices will likely take some time before taking effect," he said.

Dacanay warned that the proposed P100 across-the-board legislated daily wage hike would pose an upside risk to inflation and may delay the central bank's easing cycle if passed into law.

Tan of Moody's Analytics said that if February's inflation print settles within the central bank's target range of two to four percent, "this will give the BSP confidence to keep its policy rate steady when they next meet on April 4."

But there will likely be volatility in the coming months due to the impact of El Niño, which could keep food prices elevated.

"That should mean inflation bumps around the upper end of the BSP's target range, and could even exceed slightly, before returning firmly to target in mid-2024. We expect full-year inflation to average 3.5 percent," she said.

Asuncion, meanwhile, said as fading base effects meet the impact of the drought in the second quarter, "headline inflation is expected to peak in the range of five percent year-on-year in June-July before tapering off to a low of 3.5 percent in September."

Food inflation may also breach the six percent level starting April amid the drought's impact on food supply, before it slows down in August as El Niño effects wear off, he said. Food inflation may average 4.7 percent this year, slower than the 7.9 percent in 2023.

For Chinabank Research, inflation is expected to rise to 3.3 percent in February, falling around the midpoint of the central bank's 2.8 to 3.6 percent forecast amid upside pressures from food and electricity rates. *[Cont. page 2]*

Inflation halts 4-month decline
[Cont. from page 1]

"These upward pressures likely offset price reversals in vegetables, fruits and sugar. Meanwhile, core inflation eased further to 3.4 percent for the month," it said.

"Looking ahead, we anticipate inflation will breach the BSP's two to four percent target again from April to July due to base effects. However, average headline inflation will likely settle within target this year. Our full-year inflation projection is 3.8 percent for 2024," it added.

Meanwhile, Alvin Arogo, economist at Philippine National Bank, forecasts inflation to hold steady at 2.8 percent in February.

He said the BSP would likely observe the risks of a temporary inflation re-acceleration rather than the February data.

"Our baseline estimates assume that amid the wearing-off of base effects, there will be a transitory spike in prices because of the threats from El Niño, possible Middle East conflict escalation, and lagged impact of minimum wage hikes," he said.

Still, these price pressures will not be as severe compared to the supply shocks over the past two years. Thus, inflation will settle sustainably within the target starting in the fourth quarter, hitting an average of four percent in 2024.

On the other hand, UK-based Pantheon Macroeconomics economist Miguel Chanco said inflation may have eased to 2.7 percent last month due to a softer inflation print for housing and utilities.

"I reckon the February print will lead to a further softening of the BSP's rhetoric and position at its next meeting in April. Our base case at the moment is that the Monetary Board will start normalizing (cutting) rates in May, by 25 basis points, with 2024 likely to see a total of 100-basis-point in reductions," he said.

Source: https://www.philstar.com/business/2024/03/04/2337820/inflation-halts-4-month-decline

Manufacturing activity expands in February
March 01, 2024 | Beatriz Marie D. Cruz | BusinessWorld


Workers make toys at a factory in Angeles City, Pampanga province, Philippines, March 10, 2023. — REUTERS

FACTORY ACTIVITY in the Philippines expanded for the sixth straight month in February amid a strong increase in new orders that boosted hiring, but shortages in raw materials continued to affect production, S&P Global said on Friday.

The S&P Global Philippines Manufacturing Purchasing Managers' Index (PMI) rose to 51.0 in February from 50.9 in January. A PMI reading above the 50 mark denotes improvement in operating conditions compared to the preceding month, while a reading below 50 signals deterioration.

"The start of the year was somewhat subdued for Filipino manufacturers, amid muted demand. However, in February, growth in new orders gained momentum, which in turn supported a fresh rise in employment and sustained growth in purchasing activity," Maryam Baluch, economist at S&P Global Market Intelligence, said in a statement.

The Philippines' February PMI reading was the second fastest among six Association of Southeast Asian Nations (ASEAN) member countries, behind Indonesia (52.7) and ahead of Vietnam (50.4).

Meanwhile, Malaysia (49.5), Myanmar (46.7), and Thailand (45.3) posted contractions in manufacturing output last month. On average, the ASEAN headline PMI picked up to 50.4 in February from 50.3 in January.

The headline PMI measures manufacturing conditions through the weighted average of five indices: new orders (30%), output (25%), employment (20%), suppliers' delivery times (15%) and stocks of purchases (10%).

The health of the Philippine manufacturing sector was "modest overall" last month, S&P Global said in its report.

"New orders rose further as underlying demand conditions improved in February, with the rate of growth quickening from January.

Additionally, the upturn in new factory orders was also supported by a renewed rise in export sales. While the rate of expansion in new export orders was fractional overall, it marked the first month since last November whereby foreign demand for Filipino manufactured goods improved," it said.

Strong demand boosted hiring, S&P Global said, noting that February was the first time since October that workforce numbers climbed.

"Moreover, while the rate of job creation was modest overall, it was the sharpest in 16 months," it said.

"However, while growth in new orders gained momentum, the upturn in production slowed to near-stagnation. The rate of expansion was the weakest noted in one-and-a-half years. An insufficient supply of raw materials was cited as a major hindrance for some firms," S&P Global added, noting that this put a strain on firms' pre- and post-production inventories. *[Cont. page 3]*

Manufacturing activity expands in February

[Cont. from page 2]

Supply chain issues attributed to raw material shortages and poor weather resulted in longer average lead times for inputs last month, it said. This caused input costs to pick up and led firms to pass on these hikes through higher output charges.

"[The] sector was held back by the severity of material shortages. Growth in production was only fractional, with firms chipping away at their holdings of inputs and finished items to meet order requirements. These concerns also clouded sentiment, with confidence for the year ahead weakening," Ms. Baluch said.

S&P Global said the outlook for production weakened, with the level of positive sentiment seen in February matching the October level and being the joint-lowest in 20 months.

Spending related to the Lunar New Year holiday could have contributed to the pickup in factory activity in February, Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said in an e-mail.

"The manufacturing PMI data is still better versus the contraction mode in other countries around the world, especially in the country's major trading partners," he added.

Easing inflation would help support manufacturing activity this year as it could lead to lower financing costs for firms, Mr. Ricafort said.

ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said in a Viber message that the sustained improvement in economic activity boosted demand, which supported firms' production.

"Unfortunately tight supply conditions hampered the growth, although we welcome the resumption of hiring activity. The drawdown of inventories could manifest in GDP (gross domestic product) figures for the first quarter, which could be offset by increased production," Mr. Mapa said.

However, he warned that the impact of raw material shortages on companies' inventories could affect price prospects this year.

"It is important to establish if this uptick trend [in the PMI] will continue amid the higher-for-longer interest rate environment. We also are expecting the impact of El Niño, which is already starting to be felt domestically in various provinces," Union Bank of the Philippines, Inc. Chief Economist Ruben Carlo O. Asuncion said in a Viber message.

The Bangko Sentral ng Pilipinas (BSP) has kept its policy rate unchanged at a 16-year high of 6.5% for three straight meetings. It hiked rates by 450 basis points between May 2022 and October 2023 to help bring down elevated inflation.

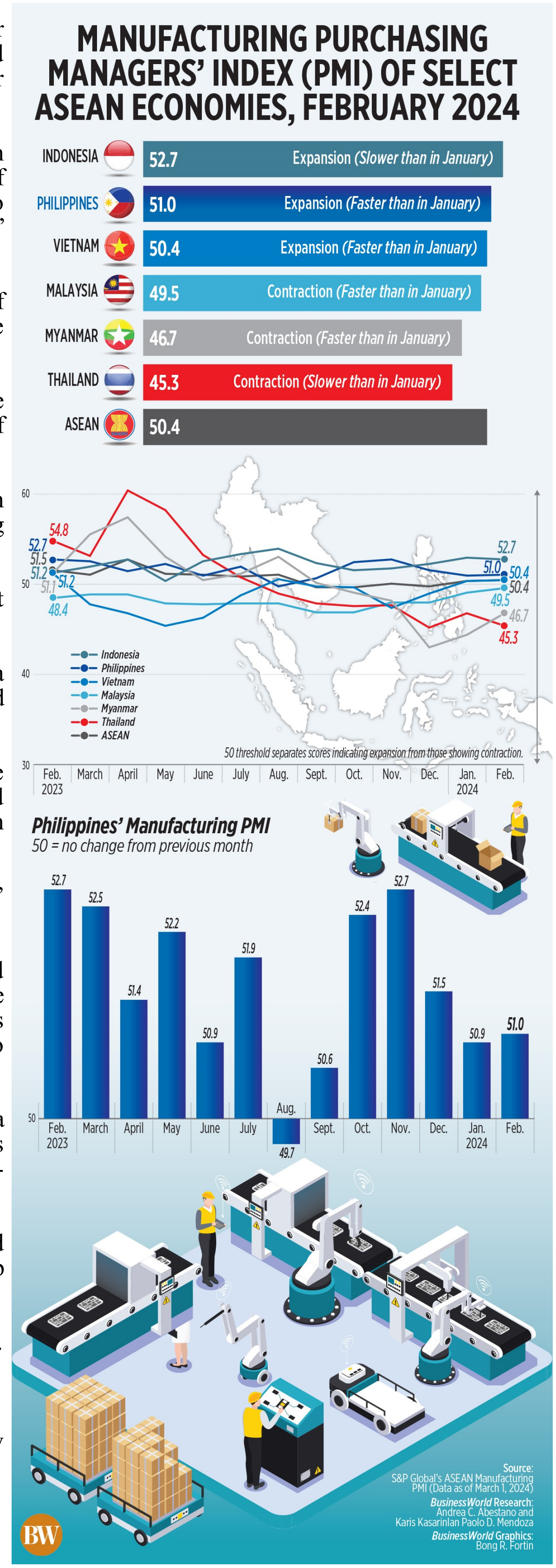
BSP Governor Eli M. Remolona, Jr. has also said the Monetary Board could consider cutting borrowing costs in the second half, but may need to keep rates tight this semester amid lingering risks to the inflation outlook.

The central bank expects inflation to average 3.6% this year and 3.2% in 2025.

In January, headline inflation eased to an over three-year low of 2.8%.

The BSP and analysts have said the consumer price index may pick up anew in the coming months due to easing base effects and El Niño risks.

Source: https://www.bworldonline.com/top-stories/2024/03/01/578907/manufacturing-activity-expands-in-february/



BIR Tax Filing Deadline: Banks to operate two Saturdays before April 15

AABs to extend banking hours until 5:00 PM starting April

March 02, 2024, 2024 | Chino S. Leyco | Manila Bulletin

MANILA BULLETIN

The Bureau of Internal Revenue (BIR) announced that all its authorized agent banks (AABs) will operate on two Saturdays before the April 15 deadline for filing income tax returns.

According to a bank bulletin issued by the tax bureau, the 19 banking institutions that make up the AABs will be open for tax payments on April 6, 2024, and April 13, 2024.

This directive aligns with the memorandum of agreement the BIR has with the AABs and the Bureau of the Treasury, requiring the banks to be operational on two Saturdays before the annual income tax deadline of April 15.

Furthermore, the BIR has instructed AABs to extend their banking hours until 5:00 PM from April 1 to April 15, 2024.

"All income tax payments that will be accepted on April 6 and 13, 2024, shall be reported in the Batch Control Sheet (BCS) as collection for the following working day, April 8, 2024 and April 15, 2024, respectively," the BIR said.

"However, the machine validation of the Annual Income Tax Return (AITR) in the deposit slip for the tax collections and the submission of the BCS, together with the supporting income tax returns and attachments, shall be in accordance with the existing procedures," it added.

The details can be found in Bank Bulletin 2024-1, dated Feb. 20, 2024, signed by BIR Commissioner Romeo D. Lumagui Jr.

Source: https://mb.com.ph/2024/3/2/bir-tax-filing-deadline-banks-to-operate-two-saturdays-before-april-15-1

BOI: Pipeline of new investments now at P2T

March 04, 2024 | Alden M. Monzon | Philippine Daily Inquirer

Photo from BOI/FACEBOOK

The government's lead investment promotion agency said it had around P2 trillion worth of investments in its current pipeline, a volume that is more than enough to meet its target for this year.

Ma. Corazon Halili-Dichosa, executive director of the Department of Trade and Industry's (DTI) Board of Investments (BOI,) said last week that these investments were spread out over 331 projects that had come in following the enactment of needed reforms.

"In pursuit of economic growth, the government has enacted a suite of major economic reforms to further enhance the investment climate and economic structure," Dichosa said during the 2024 International Tax and Investment Forum organized by the Asian Consulting Group in Pasay.

She mentioned, in particular, the Retail Trade Liberalization Act, as well as the amendments to the Foreign Investments Act.

Record high

In 2023, the BOI approved P1.26 trillion worth of investments, the highest in the government agency's 56-year history.

These investments were mostly in the renewable sector, as well as in information and communications technology, mining, manufacturing and infrastructure.

Meanwhile, the top source by country includes Germany, the Netherlands and Singapore.

The BOI's investment portfolio last year marked a 73-percent increase from the P729 billion worth of investments recorded in 2022.

In 2022, the investment promotion agency arrested two years of decline, based on their investment portfolio of P655 billion in 2021, P1.02 trillion in 2020, and P1.14 trillion in 2019.

Roadmap

For this year, the BOI is targeting at least P1.1 trillion worth of investments, with the government agency still expecting that most of these will be in the renewable energy sector.

The government's roadmap is to have the renewable energy sector take up a 35 percent in the country's power generation by 2030, and to eventually increase it up to 50 percent by 2040.

Today, most of the Philippines' power plants are coal-fired and diesel-fed, which means that the local cost of electricity is tied to the volatile global market prices of coal and oil.

Source: https://business.inquirer.net/448292/boi-pipeline-of-new-investments-now-at-p2t

PH-EU free trade talks could start 'very soon'

March 05, 2024 | By Agence France-Presse | The Manila Times

THE Philippines hopes to launch formal negotiations for a free trade agreement with the European Union "very soon," Foreign Affairs Secretary Enrique Manalo told Agence France-Presse on Monday.

The Southeast Asian nation, which depends heavily on trade with China, wants to expand its economic relations with other countries to achieve greater "resiliency," he said.

"We're hoping... to very soon begin free trade negotiations with the EU," Manalo said.

The Philippines has been in preliminary talks about a free trade deal with the 27-nation bloc for months.

A previous effort almost a decade ago stalled amid EU concerns about then-president Rodrigo Duterte's deadly drug war.

"What we're really aiming for is the notion of greater economic resilience," Manalo said, underscoring the importance of being able to adapt to "sudden changes," whether man-made or natural.
The Philippines is focused on creating "greater economic security and economic resiliency, which in turn contributes to your own national security," he added.

The EU and the Philippines will seek to establish greater cooperation in the area of critical minerals, Manalo said, using existing supply chains but with more processing activity in the Philippines.

Source: https://www.manilatimes.net/2024/03/05/business/top-business/ph-eu-free-trade-talks-could-start-very-soon/1935374

Philippines bags $1.53B worth of investments in Australia

March 04, 2024 | Kristine Daguno-Bersamina - Philstar.com

President Ferdinand Marcos Jr. during the Philippine Business Forum at the ASEAN-Australia Special Summit in Melbourne on March 4, 2024.

Presidential Communications Office

MANILA, Philippines — President Ferdinand Marcos Jr. has secured deals worth $1.53 billion or P86 billion in investments during the Philippine Business Forum at the ASEAN-Australia Special Summit in Melbourne, according to the Presidential Communications Office.

Speaking at the summit, Trade Secretary Alfredo Pascual said that the 12 deals are set to boost investments between the Philippines and Australia, aiding Philippine economic growth.

“These agreements signify our unwavering commitment to excellence and fruitful partnerships spanning diverse sectors such as renewable energy, waste-to-energy technology, organic recycling technology, countryside housing initiatives, the establishment of data center, manufacturing of health technology solutions, and digital health services,” Pascual said.

The 12 deals include 10 memoranda of understanding (MOUs) between Filipino and Australian business leaders and two letters of intent (LOIs) from Australian leaders looking to invest in the Philippines.

Key MOUs involve projects like a Tier-3 Data Center, battery manufacturing, and decarbonization solutions deployment.

The PCO announced an MOU focusing on plastic waste recycling in the Philippines, utilizing advanced technology from an Australian university to export sustainable materials.

Another MOU covers the manufacturing and distribution of affordable Automated External Defibrillator (AED) solutions.

The National Development Company (NDC) is partnering with an Australian company to transfer waste-to-energy technology, aiming to convert biowaste into green fuel. It also aims to establish the Southeast Asia Biosecurity Institute (SABI) in the Philippines, the PCO said.

Two LOIs were sent for a Biomass Fueled Power Plant and the development of digital health services focusing on AI and Machine Learning for better healthcare.

Meanwhile, the PCO reported that President Marcos extended an invitation to Australian business leaders on Monday, urging them to invest in the Philippines and highlighting opportunities for collaboration in climate change and energy transition.
At the Philippine Business Forum in Melbourne, the president said that the Philippines is an ideal destination for partnerships in manufacturing and services.

Source: https://www.philstar.com/business/2024/03/04/2338038/philippines-bags-153b-worth-investments-australia

UPCOMING EVENT

SPECIAL THANKS

The **Joint Foreign Chambers (JFC)** will hold the **JFC Clark International Mixer** on **Tuesday, 23 April 2024 from 6:00 pm to 9:00pm at the Clark Marriott Hotel.**

This event is one of the highlight networking events outside Metro Manila and the first time to bring it in Clark. It is created to provide an opportunity for our respective members and honored guests to meet and network in an informal setting. Relationships formed at an event like this help stimulate discussion and possible business opportunities.

The JFC Networking night attracts over 200 guests, composed of the members of the different foreign chambers, prominent figures in the business and diplomatic world, and top government officials.

The event is open for sponsorships, for more information, please feel free to **contact KCCP Secretariat at 8885-7342 | 8404-3099 or email info@kccp.ph.**

For confirmation of attendance and /or reservation please contact KCCP on the aforementioned contact details.

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