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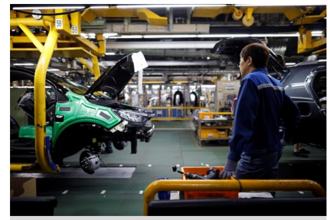
SPECIAL POINTS OF INTEREST

UPCOMING EVENT

Philippines expected to ratify South Korea FTA by midyear

March 31, 2024 | Justine Irish D. Tabile | BusinessWorld



REUTERS

THE PHILIPPINES could ratify the free trade agreement (FTA) with South Korea by the middle of the year, with no issues expected to arise from the deal, according to the Department of Trade and Industry (DTI).

Trade Undersecretary and Board of Investments Managing Head Ceferino S. Rodolfo said the timeline takes into account the runup to the South Korean elections.

"The timeline (for the ratification) that we are looking at is by the middle of this year … Because South Korea is also preparing as they have an upcoming election," Mr. Rodolfo told reporters last week.

South Korea will hold parliamentary elections on April 10 to select a new 300-member National Assembly, the country's unicameral legislature.

The Philippines and South Korea signed the free trade deal in September after four years of negotiations.

Under the Philippine Constitution, international agreements and treaties require the concurrence of two-thirds of the Senate for ratification or to be effective.

Senate President Juan Miguel F. Zubiri has said that the FTA was likely receive ratification in January this year. However, the Senate has not yet sponsored a resolution to ratify the agreement.

Asked if there are possible snags, Mr. Rodolfo said both sides produced a focused deal acceptable to both sides.

"We don't expect any issue because the FTA with South Korea is very targeted and focused. And we know what we want and we also know what they want," Mr. Rodolfo said.

"And we are also preparing ahead of it. For example, we are already tweaking the incentive regime for plantations so that the companies can take advantage of it," he added.

Under the FTA, the Philippines will be granted tariff elimination on 1,531 lines of agricultural goods, of which 1,417 lines will be removed upon entry into force (EIF) of the bilateral FTA. Among the Philippines' top goals are the export of more bananas, processed pineapple and other fruits to South Korea.

Meanwhile, the FTA also led to tariff elimination for 9,909 lines of industrial goods, of which 9,747 lines are set for tariff elimination upon EIF as South Korea seeks to expand its automakers' footprint in the Philippines.

"The Embassy of the Republic of Korea in the Republic of the Philippines is very active in terms of development and technical cooperation," Mr. Rodolfo said.

"This is not just on FTA, these cooperation activities that would allow us to take advantage of the FTA are already being undertaken ahead of the FTA," he added.

The DTI entered a partnership with Korea Institute for Advancement of Technology to develop an origin management system and an artificial intelligence-enabled harmonized system (HS) classification tool that will enable exporters to determine the HS codes for their products.

The partnership will run until December 2025 and is known as the Origin Management System for the Promotion of FTAs in the Philippines project.

Source: https://www.bworldonline.com/economy/2024/03/31/584812/philippines-expected-to-ratify-south-korea-fta-by-midyear/

SEC jacks up penalty for late filing of reports by 900%

April 01, 2024 | Meg J. Adonis - @inquirerdotnet | Philippine Daily Inquirer

FILE PHOTO

After 22 years, the Securities and Exchange Commission (SEC) has raised penalties for companies that will be late in filing requirements set by the corporate watchdog.

“The higher fines and penalties come after the implementation of the SEC Amnesty Program, which gave corporations a chance to settle the fines and penalties they have accumulated for noncompliance with reportorial requirements at a lower cost,” the regulator said in a statement on Sunday.

Under its updated scale of fines and penalties — which will take effect on April 1 — the SEC said one-person corporations (OPCs) and domestic stock corporations with retained earnings of more than P100,000 would incur a basic penalty of P5,000 for the late filing of their general information sheet or annual financial statements.

A P1,000 fine will likewise be added for each month that the documents are not submitted.

The new rate is equivalent to a 900-percent increase from the previous P500 rate.

At the same time, OPCs and domestic stock and nonstock corporations with retained earnings and fund balance/equity, respectively, of not more than P100,000 that do not file reports on time will incur a penalty of P10,000. They will also incur P1,000 in fines for every month of continuing violation. This is a 1,900-percent jump from the previous P250 penalty, the SEC said.

Foreign stock corporations with accumulated income/fund balance/members’ equity of less than P100,000 will be fined P10,000 and a P6,000 late penalty if their report is filed after 30 days, or a P12,000 penalty if filed after 60 days.

Meanwhile, foreign nonstock corporations with less than P100,000 accumulated income/fund balance/members’ equity will be slapped with a P5,000 fine, plus a P6,000 penalty, if reports are filed after 30 days. If they file after 60 days, they will be met with an additional P12,000 penalty.

Finally, foreign stock and nonstock corporations with an accumulated income/fund balance/members’ equity of less than P100,000 will incur a fine of P10,000, plus a P12,000 penalty.

Under the Revised Corporation Code, a filing is considered late if the report is submitted after the due date but still within a year after the prescribed deadline.

The SEC likewise doubled the penalty for violating Memorandum Circular No. 28, series of 2020, to P20,000.

MC 28 requires corporations, partnerships, associations and individuals to create an email address and designate a cell phone number for transactions with the SEC.

Source: https://business.inquirer.net/452557/sec-jacks-up-penalty-for-late-filing-of-reports-by-900

March inflation hovers at upper target — survey

April 01, 2024 | Meg J. Adonis - @inquirerdotnet | Philippine Daily Inquirer

Amid higher food prices

“Not only did retail rice prices remain at elevated levels, but rice prices increased further in March due to the ongoing risks of El Niño and the global supply crunch caused by trade curbs in India, the largest rice exporter in the world.”

Customers flocked to Barangay Dalahican Port to buy fish products in Lucena City on Good Friday March 29, 2024, as Catholics abstain from consuming meat during Lent.

Photo courtesy Nicole Joseph Polo) | via Michelle Zoleta

MANILA, Philippines — Most economists are convinced that inflation rose for the second consecutive month in March, with some projecting it to breach the two to four percent target range of the Bangko Sentral ng Pilipinas (BSP), amid higher food prices.

HSBC Global Research ASEAN economist Aris Dacanay said inflation likely rose to 3.8 percent in March, mainly due to rising food prices. This was after the consumer price index (CPI) picked up to 3.4 percent in February from a three-year low of 2.8 percent in January.

“Not only did retail rice prices remain at elevated levels, but rice prices increased further in March due to the ongoing risks of El Niño and the global supply crunch caused by trade curbs in India, the largest rice exporter in the world,” he said. *[Cont. page 3]*

March inflation hovers at upper target — survey
[Cont. from page 2]

ING Bank senior economist Nicholas Mapa said inflation last month likely settled at 3.8 percent, mainly driven by rice inflation as well as higher costs of utilities and transport.

“Rice inflation is projected to hit 24 percent year-on-year, and given its hefty weight in the CPI basket, will continue to push up inflation closer to the upper end of the BSP inflation target,” Mapa said.

Moody’s Analytics economist Sarah Tan said headline inflation may have risen to as high as 3.9 percent in March, as the El Niño weather event damaged crops in several parts of the country including rice harvests in Mansalay, Oriental Mindoro.

“As for utilities, electricity rates were hiked again in March by Manila Electric Co. due to an increase in transmission charge. Pump prices were also raised by many oil firms in the final week of the month in part due to speculations arising from the disruptions in Russia’s refineries,” she said.

Security Bank chief economist Robert Dan Roces said inflation settled at four percent with a range of 3.8 to 4.2 percent in March.

In the coming months, shifting weather episodes from El Niño to La Niña could disrupt agricultural production and lead to higher food prices, he said.

“The Baltimore bridge collapse, on top of the Red Sea issue, if not resolved quickly, could further disrupt global supply chains and impact import costs in the Philippines,” Roces said.

For his part, UnionBank chief economist Ruben Carlo Asuncion said inflation may have breached the two to four percent target last month, settling at 4.1 percent in March. This could bring full-year inflation to 4.2 percent in 2024 before easing to 3.8 percent in 2025.

“We anticipate headline inflation to surge past four percent year-on-year starting in March, with hefty contribution from rice CPI and latent drought effects on the prices of the other crops, with the worst-case scenario of nearly five percent,” he said.

Headline inflation may also peak at five percent in May before it could decelerate again starting June, Asuncion said.

Alvin Arogo, economist at the Philippine National Bank, sees March inflation at 4.1 percent, strengthening the case for the Monetary Board to keep borrowing costs at current levels during its April meeting.

“We believe that inflation will re-accelerate anew before sustainably settling within the BSP’s target in the fourth quarter, because of the threats from El Niño, Middle East conflict escalation and lagged impact of minimum wage hikes,” he said.

“As such, the BSP should only cut rates in the fourth quarter, and a total of 50 basis points would be appropriate, in our view,” Arogo added.

Dacanay likewise sees the central bank taking its time before loosening its monetary reins.

“Inflation risks are still too tilted to the upside, while strong growth grants the central bank the luxury to keep its policy rate high for longer,” he said.

Moody’s Analytics’ Tan said rate cuts are off the table amid inflation risks. But the odds of more rate hikes are low, as inflation has significantly eased from its 8.7 percent peak in January 2023.

She added that inflation may return to the two to four percent target range by the early third quarter, bringing the full-year average to 3.6 percent in 2024.

“With rates this high, we can continue to expect to see the negative impact of expensive borrowing costs on potential output and capital formation in the months to come,” Mapa said.

March inflation data will be released on April 5.

Source: https://www.philstar.com/business/2024/04/01/2344306/march-inflation-hovers-upper-target-survey

EDSA Busway O&M eyed for bidding by ’25

April 01, 2024 | Myla Iglesias | Malaya Business Insight

Edsa-Carousel buses line up near Monumento Circle in Caloocan City on Aug. 25, 2020, two months after it was launched to address mobility during the pandemic. The project has reduced the end-to-end travel time on EDSA from three hours to one and a half hours. (PNA Photo)

The Department of Transportation (DOTr) is targeting to bid out the operation and maintenance of the EDSA Busway project by next year.

Timothy John Batan, DOTr undersecretary for planning, recently told reporters the department is finalizing the feasibility study for the EDSA Busway after which it will be submitted to the National Economic and Development Authority (NEDA) for approval in the next few months.

“When we get approvals and then we’ll eventually bid it out. So, those are our next steps for EDSA Busway,” Batan said.

The DOTr is projecting a timeline similar with the Ninoy Aquino International Airport bidding, which was approved in July last year and the contract was signed this month — the fastest public-private partnership proposal approved in the country.

“Yes, that is our target,” Batan said when asked if the project will be up for bidding in a year or by next year.

The feasibility study will determine if single operator for the entire project (for both the buses and the busway) or two separate operators will be appointed.

The DOTr recently conducted a market sounding on the project to get feedback from potential bidders which include bus operators, bus manufacturers and contractors, among others.

“We also included in our market sounding the potential funding partners, the banks and other financial institutions. So, that is the usual makeup and composition,” Batan added.

The EDSA Busway has 21 stations for pickup and drop-off points from Monumento to the Parañaque Integrated Terminal Exchange.

DOTr launched the EDSA Busway Project in June 2020 to provide seamless travel for commuters. The project has reduced the end-to-end travel time on EDSA from three hours to one and a half hours.

Recently, through a partnership with SM Prime Holdings Inc., construction of the EDSA Busway concourse in Ortigas has started and is slated to be completed this July.

Other sites will be constructed by D.M. Wenceslao and Associates Inc. for the Aseana EDSA Busway Station, while Double Dragon Corp. will construct the Macapagal EDSA Busway Station, the DOTr said.

The EDSA Busway Bridge with Concourse aims to provide safe, accessible, convenient and person with disability-friendly walkways for commuters and pedestrians approaching the EDSA Busway stations and crossing EDSA from one side to another.

Source: https://malaya.com.ph/news_business/edsa-busway-om-eyed-for-bidding-by-25/

World Bank raises Philippines GDP growth projection for 2025

April 02, 2024 | B.M.D.Cruz | BusinessWorld

Motorists are stuck in traffic during morning rush along the southbound lane of EDSA in Cubao, Quezon City, April 1, 2024. — PHILIPPINE STAR/MIGUEL DE GUZMAN

THE WORLD BANK (WB) maintained its economic growth forecast for the Philippines this year but raised its 2025 growth projection, amid expectations of higher consumer spending and foreign investments.

In its latest East Asia and Pacific (EAP) Economic Update, the World Bank said it expects Philippine gross domestic product (GDP) to grow by 5.8% this year, the fastest in Southeast Asia along with Cambodia.

The Philippines and Cambodia are seen to expand faster than Vietnam (5.5%), Indonesia (4.9%), Malaysia (4.3%), Lao People’s Democratic Republic (4.0%), Timor-Leste (3.6%), Thailand (2.8%) and Myanmar (1.3%). *[Cont. page 5]*

World Bank raises Philippines GDP growth projection for 2025

[Cont. from page 4]

For 2025, the World Bank raised its GDP forecast for the Philippines to 5.9% from 5.8%.

However, the World Bank's growth forecasts for the Philippines are lower than the government's target of 6.5-7.5% for 2024 and 6.5-8% for 2025 to 2028.

"What has sustained growth in the Philippines, like much of the region, has been consumption and the recovery in services," WB East Asia and Pacific Chief Economist Aaditya Mattoo said at a virtual briefing on Monday.

He noted foreign investment flows into the Philippines might increase after the government implemented significant reforms such as Republic Act No. 11659 or the Public Service Act, which allows full foreign ownership in key sectors such as telecommunications and airlines.

"(The reforms) should begin to pay off in terms of greater foreign investment, which though in the short run… the flows have been less strong than we would have expected," Mr. Mattoo said.

Climate and geopolitical shocks, as well as elevated inflation and high interest rates are risks to the growth outlook.

"If there is a resurgence in inflation, for example in the United States, which might well see interest rates even higher for longer, that would certainly affect growth throughout the region as we have estimated," he said.

The World Bank projects GDP growth for East Asia and the Pacific at 4.5% this year and 4.3% for 2025. This is slower than the region's projected 5.1% expansion in 2023.

"Most economies in developing East Asia and Pacific, other than several Pacific island countries, are growing faster than the rest of the world, but slower than before the pandemic," the World Bank said.

The region's slower growth is partially due to China, whose economy is expected to slow to 4.5% this year and 4.3% next year.

"China is aiming to transition to a more balanced growth path but the quest to ignite alternative demand drivers is proving difficult," the World Bank said.

Excluding China, the region's GDP is projected to expand by 4.6% this year and 4.8% in 2025.

"The likely rebound in global goods trade and the gradual easing of global financial conditions are expected to offset the impact of China slowing down," it said.

POVERTY TO DECLINE

Meanwhile, the World Bank expects Philippine GDP growth to average at 5.9% from 2024 to 2026, driven by strong domestic demand.

"The medium-term outlook will be driven by robust private consumption activity, supported by declining inflation, a healthy labor market and steady remittance inflows," it said in its Macro Poverty Outlook for the Philippines.

It expects poverty in the Philippines to decline despite risks from extreme climate events.

"Poverty incidence using the World Bank's poverty line for lower middle-income countries of $3.65/day, PPP (purchasing power parity) is projected to decrease from 17.8% in 2021 to 12.2% in 2024 and further decrease to 9.3% in 2026," it said.

The World Bank said risks to this outlook include high inflation that would "dampen economic activity by keeping the policy rate higher for longer, erode purchasing power and threaten to deepen poverty and worsen economic vulnerability."

"The possibility of higher-than-expected global inflation, still tight global financing conditions, a further slowdown in the growth of China and escalating geopolitical tensions could cause a sharper-than-expected growth slowdown which would further dampen external demand," it added.

Source: https://www.bworldonline.com/top-stories/2024/04/02/585060/world-bank-raises-philippine-gdp-growth-projection-for-2025/

PH factory activity weakens in March

April 02, 2024 | Niña Myka Pauline Arceo | The Manila Times

The Manila Times

DOMESTIC manufacturing conditions moderated in March as raw material shortages led to lower output, S&P Global Market Intelligence said on Monday.

The Philippine Purchasing Managers' Index for the sector slipped to 50.9 last month, down from February's 51.0.

The result remained positive, as PMI readings above 50 point to growth.

"The latest reading marked a seventh consecutive monthly improvement in operating conditions across the Philippines manufacturing sector, albeit one which was modest overall," S&P Global said.

New orders continued to expand but at a slower rate and output also fell for the first time in 20 months. Hiring rose for a second straight month, however, and buying activity also accelerated.

Cost pressures also eased and manufacturers were said to have lowered selling prices for the first time in nearly four years.

The industry as a whole remained optimistic but confidence slipped to its weakest since April 2020, primarily due to growing competition.

"The health of the Filipino manufacturing sector revealed some underlying concerns as the first quarter came to a close," S&P Global Market Intelligence economist Maryam Baluch said.

"Contributing to the somewhat mixed picture was a fresh fall in production levels, with companies attributing this to material shortages," she added, amid sustained demand for goods.

"However, if firms are able to successfully secure materials and build their stocks, the downturn in output could be fleeting."

And while sentiment may have weakened, "hopes of demand conditions domestically and globally strengthening continued to buoy confidence levels," Baluch said.

Source: https://www.manilatimes.net/2024/04/02/business/top-business/ph-factory-activity-weakens-in-march/1939449

Philippine exports breach $100 billion mark in 2023

April 02, 2024 | Louella Desiderio | The Philippine Star

This photo shows crates carried by a forklift in the port of Manila.

Driven by IT-BPM, tourism sectors

MANILA, Philippines — Total Philippine exports breached the $100-billion level for the first time last year, but fell short of the government and private sector's target.

Bianca Sykimte, director of the Department of Trade and Industry (DTI) Export Marketing Bureau said the country's exports of goods and services inched up by 4.8 percent to hit a record $103.6 billion in 2023 from $98.8 billion in 2022.

However, the amount was below the $126.8-billion goal set under the Philippine Export Development Plan (PEDP).

The DTI said the growth in total exports was driven by services exports, which grew by 17.4 percent to $48.29 billion from $41.12 billion.

Driving the increase was the strong performance of the information technology and business process management (IT-BPM) sectors, as well as tourism revenues.

Meanwhile, merchandise exports declined by 4.1 percent to $55.32 billion in 2023 from $57.71 billion in 2022. *[Cont. page 7]*

Philippine exports breach $100 billion mark in 2023
[Cont. from page 6]

The 3.4-percent decline in electronic shipments pulled down the country's total merchandise exports.

Also contributing to the decline in merchandise exports were coconut products, other agro-based items, other mineral products and petroleum products.

Under the PEDP, the goal is for the country's total exports to reach $143.4 billion this year and $240.5 billion by 2028.

According to the DTI, it is actively pursuing initiatives to take advantage of the strong performance of the services sector and address challenges in merchandise exports by tapping new markets and strengthening existing ones, as outlined in the PEDP.

Amid challenges in the global market, the DTI said it continues to work with Philippine exporters and other relevant stakeholders.

It also remains committed to addressing the concerns of exporters by coming up with tailored programs and services.

"We recognize the ongoing challenges in both the domestic and global trading environments and hope to address the binding constraints to Philippine export competitiveness as we continue to implement the PEDP for 2023 to 2028. Each exporter counts, and with cooperation, we can open the door to a future in which Philippine exports have increased their mindshare in the global market, underpinned by global competitiveness and innovation," Trade Secretary Alfredo Pascual said.

Source: https://www.philstar.com/business/2024/04/02/2344546/philippine-exports-breach-100-billion-mark-2023

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