필리핀한인상공회의소뉴스
KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER

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SPECIAL POINTS OF INTEREST

UPCOMING EVENT

Revised 6-7% goal still 'optimistic' — analyst

April 11, 2024 | Beatriz Marie D.Cruz | BusinessWorld


PHILIPPINE STAR/MICHAEL VARCAS

THE GOVERNMENT of President Ferdinand R. Marcos, Jr. must temper inflation, cautiously boost spending, and ramp up revenue collection to meet its revised growth targets this year, according to analysts.

The Development Budget Coordination Committee (DBCC) last week lowered the gross domestic product (GDP) growth target range for this year to 6-7% from 6.5-7.5% previously, citing rising prices, geopolitical tensions and trade restrictions.

"We think the downgrade brought the target to a more plausible range, considering economic headwinds including high inflation and slowing global economy," Makoto Tsuchiya, economist at Oxford Economics Japan, said in an e-mail.

However, the DBCC's target range is still higher than Oxford Economics' baseline growth forecast of 5.2% this year, he added.

"The revised (DBCC) target is still quite optimistic in our view," Mr. Tsuchiya said.

Security Bank Corp. Chief Economist Robert Dan J. Roces said the attainability of the DBCC's revised target will depend on several factors, including inflation.

Inflation accelerated for the second straight month in March to 3.7% due to the continued increase in prices of rice, a major food staple in the Philippines.

Rice inflation quickened to 24.4% in March, the fastest print since the 24.6% uptick in February 2009.

Foundation for Economic Freedom President Calixto V. Chikiamco said the government must further lower rice tariffs to at least 10% from the current 35% rate.

"Rising food inflation would make Filipino consumers wary of increasing consumption, thereby impacting GDP growth," he said in a Viber message.

Bangko Sentral ng Pilipinas (BSP) Governor Eli M. Remolona, Jr. on Monday said that upside risks to inflation have "become worse," prompting policy makers to adopt a more hawkish stance.

The BSP raised its baseline inflation forecast to 3.8% this year from 3.6% previously. It also hiked its risk-adjusted inflation forecast to 4% for 2024 from 3.9% previously.

"The government could boost spending to shore up growth, but then this will further push up the government deficit this year," Mr. Tsuchiya said.

The DBCC raised its budget deficit ceiling to P1.48 trillion this year from the P1.39-trillion ceiling previously. The deficit as a share of GDP is expected to stand at -5.6% this year from -5.1%

The government is targeting to collect P4.27 trillion in revenues this year, 11.78% up from P3.82 trillion in actual collection last year. It is aiming to spend P5.75 trillion this year, up from P5.23 trillion last year. *[Cont. page 2]*

Revised 6-7% goal still 'optimistic' — analyst
[Cont. from page 1]

"The upwardly revised deficit ceiling provides fiscal space for growth-oriented spending. Achieving these targets requires strong performance from key sectors and prudent fiscal management to ensure debt sustainability," Mr. Roces said.

Zy-za Nadine M. Suzara, a public finance expert and executive director of the Institute for Leadership, Empowerment, and Democracy, said the government should rein in unnecessary spending to avoid breaching the deficit ceiling.

"The focus shouldn't only be on revenue collections but improving how public funds are allocated and utilized… Part of the reason why the deficit is higher is due to wasteful government spending. It is a result of misprioritization of the budget, weak planning and budgeting linkage, and poor targeting of government programs and projects," she said in a Viber message.

Ms. Suzara said these problems are compounded by "massive allocations for non-strategic and patronage-drive pork projects" and rising unprogrammed appropriations.

Albay Rep. Jose Ma. Clemente S. Salceda, who also heads the House Committee on Ways and Means, said the government would have to ensure fund releases are fast-tracked to ensure economic growth momentum continues.

"The most important room for growth in that aspect is unprogrammed appropriations. The faster the DBCC's members can get loan proceeds, certify the availability of excess funds, or get dividends from government agencies, the better for growth," he said in a Viber message.

Source: https://www.bworldonline.com/top-stories/2024/04/11/587245/revised-6-7-goal-still-optimistic-analyst/

China trade war prompts exporters' 'very fluid' target
April 10, 2024 | Andrea E. San Juan | BusinessMirror


PhilExport President Sergio R. Ortiz-Luis Jr.

A "very fluid" performance is expected from the country's exports this year on the back of the ongoing trade war between the United States and China, among others, according to the Philippine Exporters Confederation Inc. (Philexport).

"Very fluid 'yung target namin. We're just being realistic about it: masyado maraming ifs eh," Philexport President Sergio R. Ortiz-Luis Jr. told reporters on the sidelines of PCCI's General Membership Meeting last week.

Ortiz-Luis also noted that the $143.4-billion target set in the Philippine Export Development Plan (PEDP) 2023-2028 is impossible to be achieved this year; possibly in two-years' time.

The Philexport chief emphasized that coming from the $103.6 billion total exports recorded in 2023, it won't be "feasible" to grow by around 40 percent to achieve the PEDP target for this year.

According to Ortiz, exporters are currently assessing the trade on a yearly basis.

"Titingnan namin 'yung trend kung tataas. Pero palagay namin baka sakaling ma-[hit] 'yan [PEDP target] mga three years; maybe two. Pero imposibleng this year," he said.

Ortiz-Luis pointed to the persisting trade war between the US and China as possibly dampening outbound shipments from the Philippines.

"So yung sa Chinese projection [naming], medyo mababago both imports and exports."

Trade between the Philippines and China reached nearly $40 billion in 2023, with imports from China amounting to $29.38 billion and outbound shipments or exports reaching $10.86 billion last year, based on data from the Philippine Statistics Authority (PSA).

Meanwhile, total trade between the Philippines and the United States in 2023 was roughly at $20 billion, with goods sourced from the US amounting to $8.41 billion and exports to US reaching $11.54 billion in 2023.

China trade war prompts exporters' 'very fluid' target

[Cont. from page 2]

Albeit not being able to beat the growth target set in the PEDP for this year, Ortiz-Luis maintained the optimism that "we're the highest in our area."

However, he also pointed to some issues related to rules of origin (ROO) that should be looked into in order to ease the burden of exporters. For instance, Ortiz-Luis said garments and wearables exporters experience roadblocks due to stringent requirements of export destination countries.

"Marami, for instance 'yung garments and wearables. Hindi nila mapakinabangan dahil may mga mga issues na yung origin mo…eh tayo wala tayong textile industry so iniimport natin yung mga textile from China eh ayaw nila sa China… di rin makapasok yung ano [exporters] natin]," he noted.

"'Yung GSP nahuli. Minsan isang taon mahigit na hindi pa nare-renew. So nahihirapan 'yung exporters," he added.

Manila earlier sought assistance from the US Department of Commerce on trade issues like detained apparel exports.

Washington prohibits the importation of goods into its country that are manufactured with forced labor in China, especially from its Xinjiang region.

"The Uyghur Forced Labor Prevention Act, also known as the UFLPA, directs the Forced Labor Enforcement Task Force to develop a strategy for supporting enforcement of the prohibition on the importation of goods into the United States manufactured wholly or in part with forced labor in the People's Republic of China, especially from the Xinjiang Uyghur Autonomous Region, or Xinjiang," the US Customs and Border Protection website noted.

Meanwhile, Philexport Trustee for Textile, Yarn and Fabric Sector Robert Young prodded the government to build a wearable-textile factory to keep up with export orders particularly from the European Union (EU).

The request came as the Philippine garments exported to the 27-member bloc EU are slapped with a 12 percent or higher duty due to its "strict" rules of origin (ROO). The rules impose a ceiling for value-added inputs sourced from a non-Generalized Scheme of Preferences (GSP) beneficiary country.

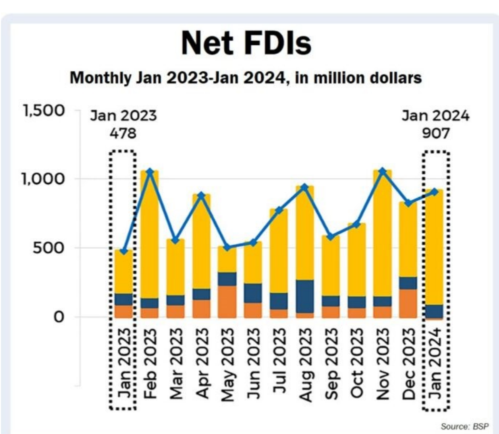
"They [EU] prefer that the fabric we will be using will be sourced from the Philippines. So this is one way of saying the Philippines has to produce its own fabric," explained Young, who's also president of the Foreign Buyers Association of the Philippines (FOBAP).

"Which as everybody knows is not possible because we do not have the textile industry in the Philippines right now to be used for these products for exports and therefore, we have to import," he added. (Full story here: https://businessmirror.com.ph/2024/03/28/state-built-factory-to-meet-textile-export-demand/)

Source: https://businessmirror.com.ph/2024/04/10/us-china-trade-war-prompts-exporters-very-fluid-target/

DTI to pursue more investments in key sectors as FDIs surge

April 11, 2024 | Irma Isip | Malaya Business Insight



Noting the positive trend in foreign direct investments (FDIs) the past three months compared to their previous years' levels, the Department of Trade and Industry (DTI) said it remains focused on further attracting significant investments in essential sectors and other high-growth industries.

Based on data from the Bangko Sentral ng Pilipinas released yesterday, net inflows in January surged 89.9 percent to $907 million from $478 million in the same month in 2023.

The DTI said the increase was driven in part by investments in the manufacturing, real estate, construction, and wholesale and retail trade sectors.

The increase in FDIs in January marks the third consecutive month of expansion, following growth of 28 percent in November and 30 percent in December, in a month-to-month comparison with the previous year. *[Cont. page 4]*

DTI to pursue more investments in key sectors as FDIs surge

[Cont. from page 3]

"The surge in FDIs reflects the unwavering confidence and steadfast trust the global business community places in the Philippines' economic potential. This only strengthens our commitment to further improve the country's business environment to attract even more foreign investments, which in turn will create more jobs and sustain our economic growth," said DTI Secretary Alfredo Pascual.

He said the DTI is leveraging the country's strengths across key sectors such as manufacturing, real estate, construction, and wholesale and retail trade.

The upward trajectory in FDIs is primarily driven by a 173.2 percent increase in non-residents' net investments in debt instruments, reaching $820 million from $300 million in January 2023. Reinvestment of earnings also saw a positive trend, rising by 16.4 percent to $99 million.

Although net equity capital placements, excluding reinvestment of earnings, saw a slight outflow of $11 million compared to net inflows of $93 million in January 2023, the report emphasizes the overall positive aspects.

Equity investments during this period came primarily from Japan and the United States, targeting strategic sectors for the Philippine economy.

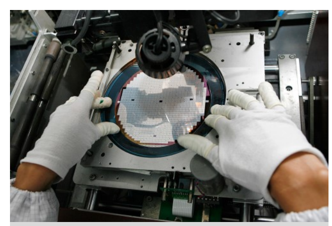
The announcement comes ahead of the Trilateral Economic Ministers Meeting, scheduled for April 11, in Washington, D.C. where Pascual will meet with US Commerce Secretary Gina Raimondo, Japan's Ministry of Economy, Trade and Industry Minister Ken Saito to explore new trade and investment avenues that promise to generate business, create jobs, and foster sustainability.

Source: https://malaya.com.ph/news_business/dti-to-pursue-more-investments-in-key-sectors-as-fdis-surge/

PEZA projects 5% export growth for its locators

April 10, 2024 | Justine Irish D. Tabile | BusinessWorld

THE Philippine Economic Zone Authority (PEZA), whose locators account for more than half of the country's exports, said that it is projecting export growth of 5% this year from companies it oversees, on the expected recovery of the electronics industry.



A worker operates the die attach machine at a semiconductor manufacturing plant in Manila, Dec. 10, 2008. — REUTERS

Tereso O. Panga, director general of PEZA, told *BusinessWorld* that electronics and semiconductors will still be driving export receipts this year.

"Our best exports this year are IT-BPM (information technology and business process management) services, electronics and semiconductors, metals, and automotive products. While semiconductors saw a decline last year, I expect this to rebound," Mr. Panga said in a Viber message.

"Investments in green power, manufacturing, and agro-industrial sectors will contribute to PEZA growth in particular and the economy in general, while expansion projects from current locators continue to contribute to overall growth," he added.

PEZA estimates that its locators' exports last year hit $63.71 billion, or 61.5% of total exports. It said that it is hoping for such exports to grow 5% this year to around $67 billion.
Exports of IT services were among the top contributors to PEZA exports, accounting for $17.83 billion. IT services performed in ecozones accounted for 50.2% of the total Philippine IT services exports last year, which were valued at $35.5 billion.

Revised data from the Philippine Statistics Authority indicate that the top commodity export last year remained electronic products ($41.91 billion), which accounted for more than half of total exports, even though shipments from the industry declined 9.2%.

Asked to identify potential risks to the projection, he cited "the global shortage in chips, contraction in the electronics sector due to global slowdown in product demand, and disruption in the global supply chain due to the worsening trade war between the US and China."

He also cited the war between Russia and Ukraine, economic tensions in the region due to the West Philippine Sea (WPS) territorial dispute, and the reshoring policy of the US government. *[Cont. page 5]*

PEZA projects 5% export growth for its locators

[Cont. from page 4]

"The WPS has been a long-standing issue even before the current administration. Currently, we have seen more interest from US companies based on recent geopolitical developments," Mr. Panga said.

"Chinese companies also continue to look into the Philippines as an optional extended manufacturing base for products meant for the western hemisphere," he added.

However, he said that the tensions rising in the WPS issue did not have any substantial effect on foreign direct investment (FDI) from China.

"In the US, Australia, South Korea, the EU, and Japan, we expect more FDI as part of the closer economic ties established by the President," he said.

"We are batting to adjust certain provisions in the laws to create a level playing field with other investment destination countries to further attract these investments and see them locate in the Philippines," he added.

For this year, he said South Korea and India will be among the top export markets following the signing of a free trade agreement (FTA) with South Korea and calls to develop pharmaceutical economic zones.

"The Philippine-Korean FTA will bode well for the Philippines. We expect a higher level of tech-based companies to invest in the country. As you know, South Korea, like Japan, has been evolving towards high technology exports," he said.

"This will enhance our workforce knowledge base and improve the skills of our workforce. It will also boost our agricultural product exports," he added.

PEZA has reported that investments from South Korea hit P51.39 billion as of last year, across for 212 locator companies that exported $1.65 billion in 2023.

"We have also seen an increased interest in India, specifically in the field of medicine production. This is a direct match to the pharma zones we are currently developing," Mr. Panga said.

"We see these pharma zones as a base not only for manufacturing but also for research and development, where new medicines may be created," he added.

Earlier this year, PEZA said that it plans to build pharmaceutical parks in Bulacan and Laguna.

Source: https://www.bworldonline.com/economy/2024/04/10/587308/peza-projects-5-export-growth-for-its-locators/

Citing timing, BSP treads slowly on RRR cut

April 11, 2024 | Cai U. Ordinario | BusinessMirror

Bangko Sentral ng Pilipinas

THE Bangko Sentral ng Pilipinas (BSP) is not keen on cutting the Reserve Requirement Ratio (RRR) even if it reduces key policy rates as early as the third quarter of the year.

In a recent briefing, BSP Governor Eli M. Remolona Jr. said the Monetary Board aims to cut the RRR but is still studying the right "timing" and how deep these cuts will be.

Currently, the RRR is at 9.5 percent, deemed still high by the region's standards. Earlier, Remolona said cutting the RRR may happen in 2024. ***(See: https://businessmirror.com.ph/2023/09/29/bsp-keen-on-slashing-reserve-ratio-in-2024/).***

"We want to eventually reduce the reserve requirement. We're trying to figure out the right timing. We're hoping that we will raise it at the [next meeting of the] Monetary Board Meeting at some point soon," Remolona said.

The last time the BSP cut the RRR was in June 2023, when it slashed it by as much as 250 basis points, bringing down the effective ratios across banks to a single digit, as it seeks to ensure "stable" domestic liquidity and credit conditions. *[Cont. page 6]*

Citing timing, BSP treads slowly on RRR cut

[Cont. from page 5]

This was the first RRR reduction made by the BSP since 2020, when it cut the ratio by 200 basis points to the present 12 percent.

On Monday, the Monetary Board decided to retain the BSP's Target Reverse Repurchase (RRP) Rate at 6.5 percent.

With this, interest rates on the overnight deposit and lending facilities also remain at 6 percent and 7 percent, respectively.

Remolona said they are more hawkish than before, given the 3.7 percent inflation print in March 2024. This prompted the MB to raise its risk-adjusted inflation forecast to 4 percent this year from the initial 3.9 percent in January 2024.

He said if the data improves, the Monetary Board could start cutting rates as early as the third quarter.

Initially, analysts expected the BSP to start cutting rates in the second quarter of the year.

The imminent risks to inflation are food and transport prices. For food, the single commodity that could turn the tide for inflation is rice, the country's staple.

Image credits: Patrick Roque via Wikimedia Commons CC BY-SA 4.0

Source: https://businessmirror.com.ph/2024/04/11/citing-timing-bsp-treads-slowly-on-rrr-cut/

PH exports, imports surged in February 2024

April 11, 2024 | By Manila Standard Business

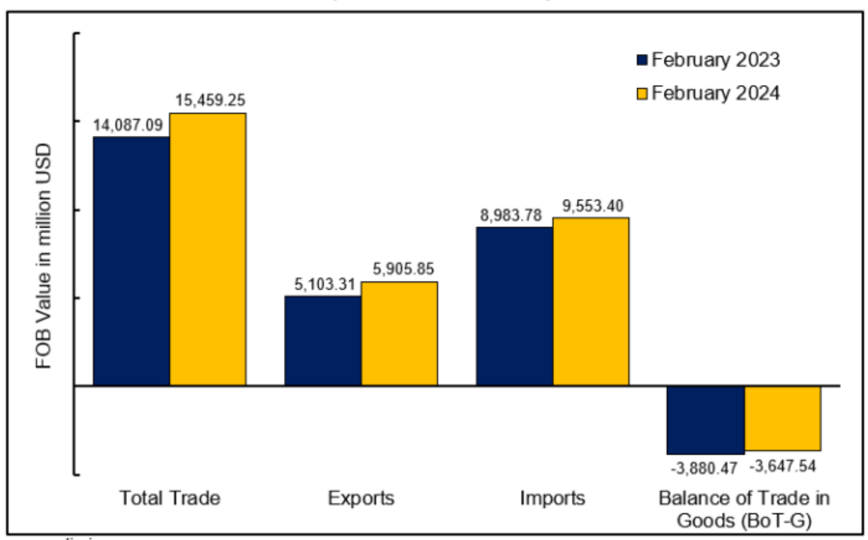
Philippine exports and imports surged in February 2024 on improving global trade prospects.

The Philippine Statistics Authority said February exports climbed 5.9 percent to $5.9 billion from $5.1 billion a year ago, while imports rebounded 6.3 percent to $9.6 billion from $9 billion.

These represented the fastest growth of exports and imports in 16 months. As a result, the trade deficit amounted to $3.65 billion in February 2024, lower than the $3.88-billion shortfall registered in the same month last year.

Data from the PSA showed that top exports in February were electronic products, amounting to $3.42 billion, up by 26.8 percent from $2.7 billion a year ago. Shipments of coconut oil surged 62 percent to $116.5 billion, while sales of fresh bananas climbed 21 percent to $102 billion.

Figure 1. Value of Philippine Export and Import Statistics February 2023r and February 2024p



p - preliminary
r - revised
Source: Philippine Statistics Authority

Source: https://manilastandard.net/business/314434650/ph-exports-imports-surged-in-february-2024.html

UPCOMING EVENTS

KCCP
Korean Chamber of Commerce Philippines, Inc.

29th KCCP Annual General Membership Meeting

on April 18, 2024 (Thursday) 05:30PM
Ayala Ballroom, Makati Sports Club

R.S.V.P.
Ms. Chi or Ms. Sang at info@kccp.ph | 8404-3099 | 8885-7342
FREE FOR KCCP Members

KCCP
Korean Chamber of Commerce Philippines, Inc.

29th KCCP Annual General Membership Meeting
April 18, 2024 | 6:00pm | Makati Sports Club
PROGRAM

05:30	**Registration / Networking**
06:00	**National Anthem** (Philippines & Korea)
	Welcome Remarks Mr. Hyunchong Joseph Um President Korean Chamber of Commerce Philippines, Inc.
	Congratulatory Message Mr. Seung Man Sang Deputy Chief of Mission and Consul General Embassy of the Republic of Korea
	Congratulatory Message Ms. Eunina Mangio President Philippine Chamber of Commerce & Industry
06:15	**Special Greetings from Partner Organizations** Mr. Robert Yupangco Chairman Philippines-Korea Economic Council Mr. Marlon Tagorda President, Philippine KOICA Fellows Association
06:25	**Briefing: Invest in PEZA | Opportunities and Incentives for Korean Investors/Locators** Mr. Tereso O. Panga Director General Philippine Economic Zone Authority
6:40	**Wine Toasting** Mr. Man Yeong Youn President, United Korean Community Association
06:45	**Dinner [w/ KCCP Activity Presentation]** Special Performance
07:40	**Briefing : Economic Relations| Korea-Philippines in 75th Year of Bilateral Relations** Mr. Sujung Lee Director General Korea Trade Center Manila (KOTRA)
07:55	**Video Message from KCCP New Scholars**
08:00	**Introduction of 17th KCCP President**
08:10	**Message from the KCCP President and Introduction of KCCP Board of Directors**
08:25	**Acknowledgement of Sponsors**
08:30	**Closing Remarks**

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2024

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JFC MEMBERS - PHP 2,500
GUESTS - PHP 2,800

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