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SPECIAL POINTS OF INTEREST

- **Peso weakness could prompt rate hike anew** —page 1
- **PH– UAE trade talks to start next week** — page 2
- **South Korea exports rise anew** — page 2-3
- **BSP sees April inflation at 3.5-4.3%** — page 3-4
- **Marcos instructs wage boards to factor inflation in its review of minimum pay rates** — page 4-5
- **Maharlika considers investing in BCDA Clark, Poro Point projects** — page 5
- **'Reforms, not Cha-cha, made latest investments possible'** — page 5-6

Peso weakness could prompt rate hike anew — IMF

May 01, 2024 | Keisha Ta-Asan | The Philippine Star

MANILA, Philippines — Inflationary pressures stemming from currency depreciation may become a reason for Asian central banks, including the Bangko Sentral ng Pilipinas (BSP), to tighten monetary policy once again, the International Monetary Fund (IMF) said.

In a virtual briefing, IMF Asia and Pacific Department director Krishna Srinivasan said central banks in the region should not be overly dependent on what the US Federal Reserve does and instead focus on domestic inflation.

“If the exchange rate movements are leading to higher pass-through, then there might be a reason to tighten interest rates,” Srinivasan told reporters following the release of the IMF’s Regional Economic Outlook report.

“But otherwise, just see what’s happening to domestic inflation and tailor your policies accordingly,” he said.

The suggestion from the Washington-based multilateral lender comes as the peso continued to stay above the 57 to \$1 level since April 16. The local unit closed at 57.76 to \$1 yesterday, down by nine centavos from its previous close.



In a virtual briefing, IMF Asia and Pacific Department director Krishna Srinivasan said central banks in the region should not be overly dependent on what the US Federal Reserve does and instead focus on domestic inflation.
Philstar.com / Irra Lising

According to Srinivasan, the interest rate differentials between Asian central banks and the US Fed would likely continue to put pressure on currencies and create a dilemma for monetary authorities.

“Exchange rate volatility can be disruptive to the importers. In the short run, importers might not benefit from the exchange rate depreciation especially if they are locked into transacting in dollars and have to pay a higher price for imports from abroad,” he said.

However, the IMF official said central banks should focus on the fundamentals when faced with such volatility rather than focusing on expectations about US interest rates and the dollar.

“Asian countries are better placed to cope with exchange rate movements today owing to fewer financial frictions and better macro fundamentals and institutional frameworks, and should continue to allow exchange rates to act as a buffer against shocks,” he said.

The BSP opted to keep interest rates unchanged at a near 17-year high for the fourth straight meeting in April, maintaining the key rate at 6.50 percent. This was after the Monetary Board hiked borrowing costs aggressively by 450 basis points from May 2022 to October 2023.

“The Philippines is one country which has done very well. Growth is being resilient (and) inflation is coming down,” Srinivasan said.

Based on its April 2024 World Economic Outlook, the IMF slightly revised its gross domestic product (GDP) growth forecast for the Philippines to 6.2 percent this year.

This year’s growth is higher than the 4.5 percent growth forecast for the entire Association of Southeast Asian Nations (ASEAN), a downgrade from the previous projection of 4.7 percent.

The Philippines is expected to be the fastest growing economy in the region, exceeding Indonesia’s five percent, Malaysia’s 4.4 percent, Thailand’s 2.7 percent and Singapore’s 2.1 percent.

For 2025, the IMF sees the Philippines still emerging as the fastest growing economy at 6.2 percent, up from 6.1 percent previously.

Inflation in the Philippines is expected to average 3.6 percent this year before easing further to three percent in 2025. Both projections are lower than the six percent inflation in 2023.

<https://www.philstar.com/business/2024/05/01/2351608/peso-weakness-could-prompt-rate-hike-anew-imf>

PH-UAE trade talks to start next week

May 02, 2024 | Janine Alexis Miguel | The Manila Times

The Manila Times®

THE Philippines and the United Arab Emirates (UAE) will start negotiations for a free trade agreement (FTA) next week, and Manila is hoping to seal a deal before the year ends, a senior official said.

Allan Gepty, undersecretary for international trade at the Department of Trade and Industry, told reporters on Tuesday that the first round of talks for the Comprehensive Economic Partnership Agreement (CEPA) would be held in Dubai from May 6 to 8.

"That's, of course, a very important free trade agreement for the Philippines given that we have a lot of professionals and also businesses actually in the UAE," he said.

"It is also important for UAE investors here in the Philippines because as always, a stable business environment would really encourage some more investments," Gepty added.

He reiterated earlier statements that the deal could boost high-value exports from the Philippines, particularly parts for aircraft.

"We're very strong in exporting aerospace parts," Gepty noted, adding that the country also wanted to "secure preferential arrangements for all our products of interest ... from agricultural products to industrial products."

Intellectual property, competition, digital trade and e-commerce will be tackled during the talks, and the Philippines also wants to discuss government procurement and the movement of natural persons in relation to services.

The aim is to conclude as many chapters as possible with a view to finalizing the deal in 2024 to mark 50 years of diplomatic relations between the Philippines and the UAE.

Both countries established diplomatic ties on Aug. 19, 1974.

"If we can conclude that [the FTA] within the year, then that would be a good milestone in our diplomatic relations," Gepty said.

Dubai and Manila will alternately host the negotiations, so the next round will be held in the Philippines.

Terms of reference for the CEPA were signed on December 2 last year by Trade Secretary Alfredo Pascual and UAE's Minister of State for Foreign Trade Thani bin Ahmed Al Zeyoudi at the sidelines of UN climate change talks.

Pascual was quoted as having said that he had issued a "marching order to get it done quickly."

State-owned Philippine News Agency said that Al Zeyoudi, during a visit to Manila a month earlier, wanted to conclude negotiations "in six months."

Source: <https://www.manilatimes.net/2024/05/02/business/top-business/ph-uae-trade-talks-to-start-next-week/1944319>

South Korea exports rise anew

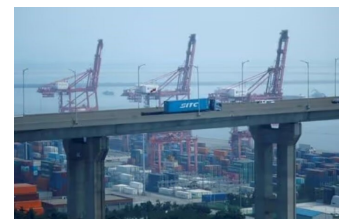
May 02, 2024 | By Reuters | Malaya Business Insight

SEOUL- South Korea's exports rose for a seventh straight month in April, trade data showed on Wednesday, as strong demand for chips continued to lead growth while automobile sales and US shipments climbed to record highs.

Overseas sales by Asia's fourth-largest economy rose 13.8 percent from the same month a year earlier to \$56.26 billion, a bit higher than a rise of 13.7 percent tipped in a Reuters survey of economists.

It came after a 3.1 percent rise in the prior month, which was the slowest in the current run of gains that started in October.

Finance minister Choi Sang-mok said the data confirmed that an economic recovery was continuing, after the trade-reliant economy grew in the first quarter at the fastest pace in more than two years, beating estimates. *[Cont. page 3]*



A truck carrying a shipping container traveling past cranes at Pyeongtaek port. (Reuters Photo)

South Korea exports rise anew

[Cont. from page 2]

Exports of chips grew for a sixth consecutive month, rising 56.1 percent, along with gains across IT products, while sales of automobiles climbed 10.3 percent to post the highest-ever monthly export value of \$6.79 billion.

By destination, exports to the United States extended gains for a ninth straight month, rising 24.3 percent to a record high of \$11.4 billion, and China-bound shipments jumped 9.9 percent, sharply up from a 0.4 percent rise in the prior month.

Imports rose 5.4 percent in April to \$54.73 billion, after a 12.3 percent drop in March and compared with a gain of 6.2 percent expected by economists. It was the first increase since February 2023.

As a result, the country posted a trade surplus of \$1.53 billion in April, narrower than a \$4.29 billion surplus in March.

South Korea's factory output fell in March by the most in 15 months, government data showed on Tuesday, missing market expectations.

The industrial production index fell 3.2 percent from a month earlier on a seasonally adjusted basis, after a gain of 2.9 percent in February and compared with a rise of 0.6 percent tipped in a Reuters survey of economists.

Source: https://malaya.com.ph/news_business/south-korea-exports-rise-anew/

BSP sees April inflation at 3.5-4.3%

May 01, 2024 | Luisa Maria Jacinta C. Jocson | BusinessWorld

HEADLINE INFLATION may have accelerated further in April and possibly breached the 2-4% target, the Bangko Sentral ng Pilipinas (BSP) said.

The central bank's month-ahead forecast showed that inflation likely settled within the 3.5%-to-4.3% range in April. This is slower than the 6.6% print in April 2023.

The upper end of the forecast would exceed the 2-4% target band for the first time in four months.

On the other hand, the lower end would be slower than the 3.7% inflation recorded in March.

The Philippine Statistics Authority (PSA) is scheduled to release April inflation data on May 7.

"Continued price increases for rice and meat along with higher gasoline prices and the peso depreciation are the primary sources of upward price pressures for the month," the BSP said in a statement on Tuesday.

Latest data from the Agriculture department showed that local well-milled rice averaged P45-P55 a kilo as of April 29 from P39-P46 a year ago. A kilo of regular milled rice averaged P46-P52 as of April 29 from P34-P42 a year ago.

For the month of April, pump price adjustments stood at a net increase of P2.25 a liter for gasoline, and P0.50 a liter for diesel. Kerosene prices had a net decrease of P0.80 a liter.

Earlier this month, the peso sank to the P57 level for the first time in nearly 17 months or since November 2022.

BSP Governor Eli M. Remolona, Jr. earlier said that the BSP "stands ready to manage any unnecessary movement and excessive volatility." He also noted the peso's recent performance has been due to the US dollar's strength amid the Middle East conflict.

"Meanwhile, lower prices of fish, fruits, vegetables as well as lower electricity rates and the rollback in LPG (liquefied petroleum gas) prices could offset the upside price pressures," the BSP added.

Manila Electric Co. (Meralco) lowered its overall rate by P0.9879 per kilowatt-hour (kWh) to P10.9518 per kWh in April from P11.9397 in March due to a drop in generation and transmission charges.

Prices of LPG were also lower for the month. Petron Corp. implemented a P1 per kilogram rollback in LPG prices for April.

Security Bank Corp. Chief Economist Robert Dan J. Roces said in an e-mail note that food inflation will continue to be a "significant driver" of overall inflation until July. [Cont. page 4]



A customer buys rice at a stall in Paco Market, Manila, April 6, 2024. — PHILIPPINE STAR/RYAN BALDEMOR

BSP sees April inflation at 3.5-4.3%

[Cont. from page 3]

“Once the base effect from food inflation starts fading in August, and inflation begins to moderate, the central bank may have more flexibility to adjust its monetary policy stance, depending on the broader economic conditions,” he said.

Food inflation rose to 5.7% in March, its fastest print in four months or since the 5.8% seen in November 2023.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort also noted palay (unmilled rice) prices have increased due to the El Niño dry spell.

Agricultural damage due to the El Niño has reached P4.39 billion as of April 23. Rice losses hit P2.71 billion, accounting for 62% of the total agricultural damage.

In March, rice inflation surged to 24.4%. This was its fastest print since the 24.6% in February 2009.

POLICY PAUSE

Meanwhile, the central bank said that it will “continue to monitor developments affecting the outlook for inflation and growth in line with its data-dependent approach to monetary policy decision-making.”

Mr. Roces said that the central bank will likely extend its policy pause at its next meeting.

“Given the elevated inflation readings, we anticipate the BSP to take a proactive approach during their upcoming policy meeting on May 16 where we expect steady rates,” he said.

The Monetary Board stood pat for a fourth straight meeting in April, keeping its benchmark rate at a near 17-year high of 6.5%.

From May 2022 to October, the Monetary Board has hiked borrowing costs by 450 basis points.

The BSP is likely to retain its hawkish tone “to signal their commitment to price stability,” Mr. Roces said.

“With inflation projected to overshoot the target in the subsequent months, the BSP will maintain a tight monetary policy stance to anchor inflation expectations and prevent second-round effects,” he said.

Mr. Roces said the BSP may have more room to loosen policy in the second half as inflationary pressures begin to ease.

Mr. Ricafort also noted some US Federal Reserve officials recently signaled cautiousness before cutting rates, “especially in ensuring that inflation is well anchored towards the Fed’s target of 2%.”

The Fed’s two-day policy meeting ends on Wednesday (May 1).

Source: <https://www.bworldonline.com/top-stories/2024/05/01/592096/bsp-sees-april-inflation-at-3-5-4-3/>

Marcos instructs wage boards to factor inflation in its review of minimum pay rates

May 01, 2024 | Charles Dantes | Manila Standard



President Ferdinand Marcos Jr.

President Marcos tasked the Regional Tripartite Wage and Productivity Boards on Wednesday to initiate a timely review of the minimum take home pay of workers, factoring in the continuing impact of inflation, among others.

The Chief Executive gave the marching order in his Labor Day speech, adding that actions must be taken “within 60 days prior to the anniversary of their latest wage order.” The daily minimum wage in the country currently ranges from P573.00 to P610.00

“I call on the National Wages and Productivity Commission to review its rules to ensure that the Boards are able to maintain a regular and predictable schedule of wage review, issuance, and effectivity to reduce uncertainty and enhance fairness for all stakeholders,” President Marcos said.

He likewise urged members of the 19th Congress to enact legislations that would help the government achieve its jobs generation agenda, including the Enterprise-based Education and Training Program Law, the Revised Apprenticeship Program Act, and CREATE MORE. *[Cont. page 5]*

Marcos instructs wage boards to factor inflation in its review of minimum pay rates

[Cont. from page 4]

President Marcos honored Filipino workers in a ceremony held in Malacañang, with House Speaker Martin Romualdez and Labor Secretary Bienvenido Laguesma in attendance, for the 122nd Labor Day Commemoration and 50th anniversary of the promulgation of the Labor Code of the Philippines (LCP).

“You are the heart and soul of our workforce, the ones who are advancing our success, and the reason why we keep dreaming towards a brighter future,” Marcos said in Tagalog, addressing millions of domestic and overseas Filipino workers.

“You are the face of our ‘Bagong Pilipinas’ (New Philippines)—excellent, hardworking, full of dedication—so, it is only appropriate that you are given honor, respect, and admiration,” the President added.

President Marcos declared May 1 as a regular public holiday pursuant to Proclamation No. 368 dated October 11, 2023.

Source: <https://www.manilastandard.net/news/top-stories/314441817/marcos-instructs-wage-boards-to-factor-inflation-in-its-review-of-minimum-pay-rates.html>

Maharlika considers investing in BCDA Clark, Poro Point projects

Apr 29, 2024 | Luisa Maria Jacinta C. Joeson | BusinessWorld

THE Maharlika Investment Corp. (MIC) said it is considering investing in five projects of the Bases Conversion and Development Authority (BCDA).

On Monday, the MIC and BCDA signed a partnership to “explore investment opportunities within BCDA properties.”

The five projects are the Clark International Airport expansion; the New Clark City affordable housing project; the Clark Integrated Public Transport System; the Poro Point Seaport Modernization Program; and Clark Central Business District.



BCDA.GOV.PH

“Of course, we most definitely welcome MIC participation because... it’s a show of confidence in our projects that we can show to our investors abroad that the National Government is behind us in developing these programs,” BCDA President and Chief Executive Officer Joshua M. Binggang told reporters.

These projects will require a total investment of about \$4 billion. The MIC has yet to announce how much it plans to invest in these projects.

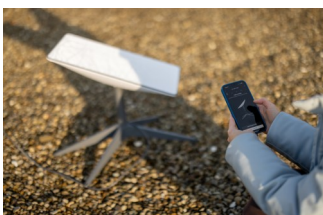
“Normally, when we do PPPs like this, the majority (60%) of the project cost will be by private sector. The 40% can be discussed among government partners. One of which is Maharlika, of course,” Mr. Binggang said.

Some of these projects can also start as soon as this year, he added.

Source: <https://www.bworldonline.com/economy/2024/04/29/591793/maharlika-considers-investing-in-bcda-clark-poro-point-projects/>

‘Reforms, not Cha-cha, made latest investments possible’

Apr 29, 2024 | Cai U. Ordinario | BusinessMirror



Starlink satellite dish setup

THE Philippines’ recent victories in securing more foreign investments were not due to Charter Change but the correction and refinement of rules that paved the way for “opening the doors” to investment inflows for certain sectors.

This was according to a rejoinder (*See: <https://econ.upd.edu.ph/dp/index.php/dp/article/view/1553/1038>*) written by professors from the University of the Philippines School of Economics (UPSE), who asserted that the points raised by the Foundation for Economic Freedom (FEF) against their earlier paper actually bolster anti-Charter Change arguments.

In a rejoinder, the UPSE economists said this was particularly observed in the position taken by FEF regarding renewable energy and the “entry of Starlink into the Philippine market.” [Cont. page 6]

‘Reforms, not Cha-cha, made latest investments possible’

[Cont. from page 5]

“It is our view that the key to gaining investor confidence is rather mundane: palpable improvements in sector coordination, fair regulation, and lower perceived corruption, as well as amendments to long-standing administrative rules and ordinary statutes that impede market entry and distort the playing field,” the UPSE economists said.

“The goal after all is not a governance utopia, and historical experience has already demonstrated how the required improvements in corruption perception are well within reach,” they added.

The UPSE economists said allowing the entry of foreign firms in renewables was done by “correcting and refining” a 2009 promulgation of the Department of Energy (DOE) while Starlink’s investment highlights the success of initiative to amend the decades-old Public Service Act (PSA).

In the case of renewables, the correction and refinement was done in Section 19 of the Implementing Rules and Regulations to the Renewable Energy Law (RA 9513), the UPSE economists said.

The Diliman economists said the DOE “conflated” kinetic energy and forces of potential energy, leading to a 40- percent limit in foreign equity for renewable energy. Kinetic energy, they explained, includes water, wind, solar and marine current, among others, while potential energy is a natural resource.

“The current DOE leadership proactively corrected this misinterpretation and promulgated amendments to the IRR in November 2022, removing the foreign ownership limitations imposed by a previous DOE [order],” the rejoinder stated.

In the case of Starlink, it was also approved by the National Telecommunications Commission as a value-added service (VAS) in May 2022 even before the IRR of the PSA.

In terms of telecom investments, in general, UPSE economists said “historical facts” would also show that Dito Telecommunications entered the bidding for the telecom market in 2018 before the Public Services Act was passed in 2022.

This means, the economists said, the 60-40 rule, contained in the 1987 Constitution, still applied in the business venture of Dennis Uy and China Telecom.

“Hence this particular anecdote ‘proves’ nothing about the restrictiveness of existing constitutional provisions nor anything about congressional flexibility, since Dito’s entry required no congressional action or amendment to the constitution,” UPSE’s economists pointed out.

Earlier, the FEF economists said it is high time for the Philippines to “try solving the problem” after the country has already spent “100 years of solitude” from Foreign Direct Investments (FDIs).

FEF disputed the arguments in the paper released by economists from the University of the Philippines School of Economics (UPSE) that said an economic cha-cha was not necessary to attract FDIs. (See: <https://businessmirror.com.ph/2024/04/12/cha-cha-not-a-necessary-1st-step-to-lure-investments/>)

Members of the FEF insisted that removing restrictions on foreign investments is a necessary first step in attracting FDIs in the Philippines. The UPSE economists said improving institutions and processes must be prioritized, but FEF said without “opening the door” to foreign business, they will not benefit from these institutional reforms.

The members said the recent government decision liberalizing the renewable energy (RE) sector is expected to yield results as several billion dollars worth of investments have already been committed.

Once the country opened up the RE sector, FEF said Bloomberg identified the country as the 4th best destination for these investments. This transformed the country into the “new darling of the RE global industry.”

Potential investments in manufacturing of machinery needed for RE projects such as wind turbines and solar panels, FEF also said, can make the country a manufacturing hub for these machines in the region.

Image credits: [Rosshelen | Dreamstime.com](#)

Source: <https://businessmirror.com.ph/2024/04/29/reforms-not-cha-cha-made-latest-investments-possible/#:~:text=THE%20Philippines%20recent%20victories%20in,investment%20inflows%20for%20certain%20sectors.>

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