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SPECIAL POINTS OF INTEREST

April inflation seen breaching 4 percent target

May 06, 2024 | Keisha Ta-Asan | The Philippine Star

MANILA, Philippines — Inflation likely picked up and breached the four percent upper target for the first time in five months in April, which will prompt the Bangko Sentral ng Pilipinas (BSP) to keep its hawkish stance, a poll of economists showed.

Vendors are seen selling various fresh produce at the Baguio City Market on April 25, 2024.

STAR / Andy Zapata Jr.

UnionBank chief economist Ruben Carlo Asuncion said April inflation may have quickened to 4.5 percent, from 3.7 percent in March, but still slower than the 6.6 percent print in the same month last year.

"We are expecting a 4.5 percent (inflation print) for April due mainly to the impact of El Niño and volatility from global oil prices," he said. "We think that the Monetary Board will not move and will maintain the current interest rate levels."

If realized, April inflation would be within the 3.5 to 4.3 percent monthly forecast of the BSP. It would also mark the third straight month that inflation accelerated on a monthly basis.

Inflation averaged 3.3 percent in the first quarter after picking up gradually from a three-year low of 2.8 percent last January.

The Philippine Statistics Authority (PSA) is scheduled to release the April consumer price index (CPI) data tomorrow.

Alvin Arogo, economist at Philippine National Bank (PNB), said inflation may hit 4.2 percent in April due to unfavorable base effects and sustained price increases in key food commodities such as rice and meat.

"A faster print, especially above the BSP's target, will strengthen the case for a sustained policy rate pause in May. For the full year 2024, our inflation forecast is four percent," he said.

Pantheon Macroeconomics emerging Asia economist Miguel Chanco said he expects inflation to rise further to 4.1 percent in April, as food inflation is seen to reach over 6.5 percent.

"But this should be the peak, as food-price base effects will turn favorable from May onwards; our average forecast for inflation this year currently stands at 3.4 percent," he said, adding that the BSP would keep its hawkish rhetoric, but there would be no action on interest rates.

ING Bank Manila senior economist Nicholas Antonio Mapa said rice and transport inflation would likely be the main driver for April CPI, which is seen at 4.1 percent.

"We expect rice inflation to drive headline inflation above target for the next two months. However we could see an inflation dip by August to bring full year inflation to 3.8 percent on average for the year," he said.

Meanwhile, Makoto Tsuchiya, economist at Oxford Economics, said inflation could still stay below four percent at 3.9 percent in April.

"We estimate food price level broadly remained unchanged during the month. Although rice prices remained elevated, other major food prices, including meat, fish, and fruits, likely declined. For the whole year, we expect CPI (growth) to average 3.6 percent," he said. *[Cont. page 2]*

April inflation seen breaching 4 percent target

[Cont. from page 1]

He also said the BSP would likely stand pat at its meeting on May 16 amid lingering inflationary risks and the recent peso depreciation against the dollar.

“We also pushed back our first rate cut forecast to fourth quarter from the second quarter previously, given the changes to our US Fed rate call, expecting the first cut to come in September,” Tsuchiya said.

Moody’s Analytics economist Sarah Tan also sees April inflation at 3.9 percent as the dry spell from El Niño continues to take a toll on crop yields.

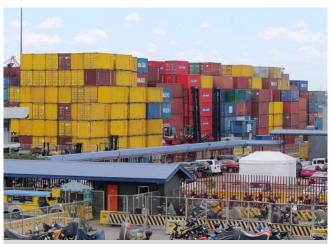
“Even if inflation sizzles slightly above the four percent mark, it is likely that the BSP will still decide to hold the policy rate steady as they meet on May 16,” Tan said.

“The odds are low for the tightening cycle to resume,” she said.

Source: https://www.philstar.com/business/2024/05/06/2352818/april-inflation-seen-breaching-4-percent-target

Economic growth likely faster in Q1

May 06, 2024 | Lourdes O. Pilar | BusinessWorld



PHILIPPINE STAR/EDD GUMBAN

PHILIPPINE economic growth likely picked up in the first quarter from the prior three-month period amid strong private consumption and government spending, but elevated inflation and interest rates could have hampered expansion, analysts said.

A *BusinessWorld* poll of 20 economists and analysts conducted last week yielded a median gross domestic product (GDP) growth estimate of 5.9% for the first three months of 2024.

If realized, this would be faster than the preliminary 5.5% growth recorded in the previous quarter but slower than the 6.4% expansion logged in the first quarter of 2023.

However, the median estimate is a tad lower than the government’s 6-7% GDP growth target for the year.

The Philippine Statistics Authority (PSA) will release first-quarter GDP data on May 9, Thursday.

Public and private spending likely drove economic expansion in the first three months of the year, although high inflation, which has caused the central bank to remain hawkish, continues to be a drag on growth, analysts said.

HSBC economist for ASEAN (Association of Southeast Asian Nations) Aris D. Dacanay said that despite the tough global environment, the Philippines likely continued to outperform its peers in the region last quarter.

“Leading indicators show that consumption, the bulwark of Philippine GDP, remained robust. The economy continues to be in a labor boom, while the household saving rate is still lower than pre-pandemic levels to help make up for the higher cost of living,” Mr. Dacanay said in an e-mail.

“Government spending rose year on year. Learning from last year’s low utilization rate, agencies made it a priority to spend their budget more efficiently in 2024,” he added.

Exports also remained resilient, he said.

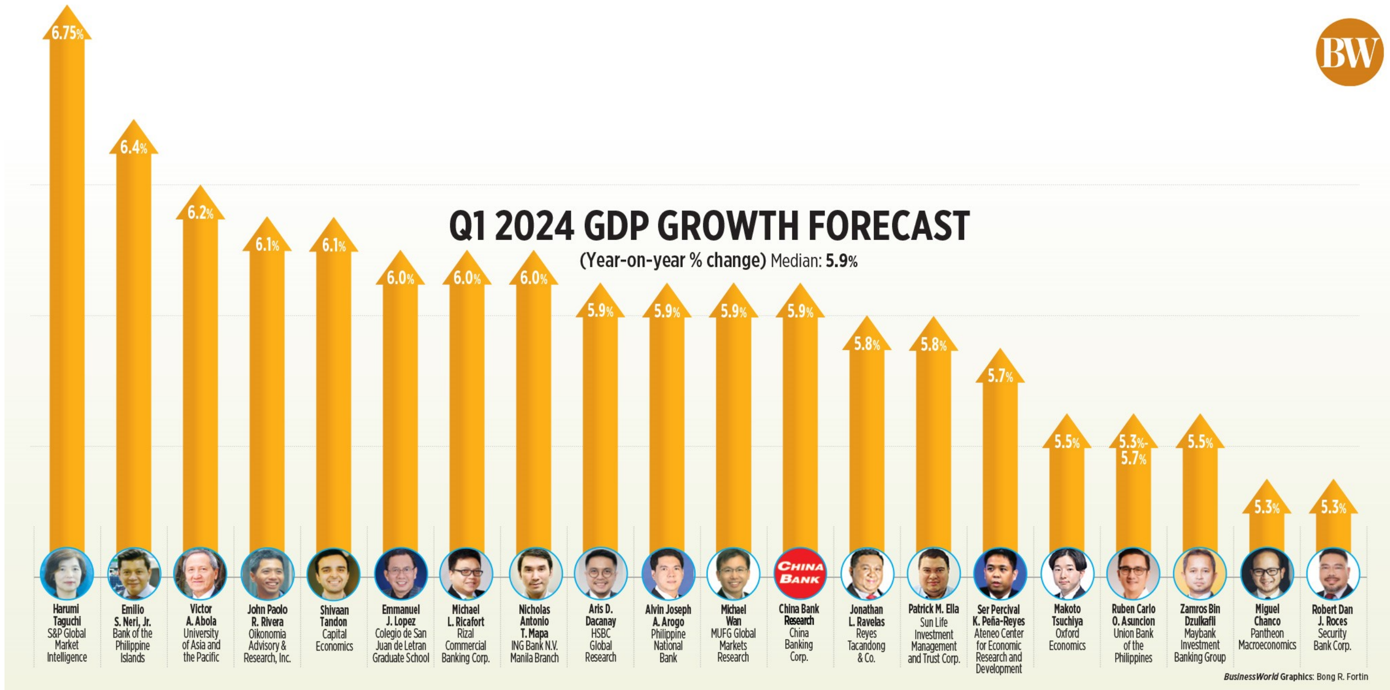
Data from the Bureau of the Treasury showed that government spending picked up by 10.72% to P1.206 trillion in the first quarter from P1.09 trillion in the same period in 2023.

Meanwhile, merchandise exports dropped by 15.6% to $10.33 billion in the first two months of 2024, while imports declined 3.9% to $19.94 billion.

This caused the trade deficit to widen to $9.61 billion in the period from the $8.5-billion gap a year prior. *[Cont. page 3]*

Economic growth likely faster in Q1

[Cont. from page 2]



Infrastructure spending may have provided a boost to economic growth in the period, Colegio de San Juan de Letran Graduate School Associate Professor Emmanuel J. Lopez added in an e-mail.

For the first two months of the year, infrastructure spending went up by 6.7% to P120.5 billion from P113 billion in the same period a year ago, data from the Budget department showed.

The government is targeting to sustain infrastructure spending of up to 5-6% of GDP annually. The Marcos administration has approved the implementation of its flagship infrastructure program comprised of 185 projects worth P9.14 trillion.

Meanwhile, Makoto Tsuchiya, assistant economist at Oxford Economics, said the contributions of exports and private spending to growth in the first quarter may have been minimal due to a challenging global environment.

"On the annual term, exports likely recovered from a contraction in the fourth quarter, largely supported by favorable base effects. Bumpy but stronger semiconductor exports also likely boosted the headline figure. Meanwhile, private consumption likely remained soft as consumers' outlook turned bleak. Private investment also likely remained sluggish, hampered by soft external demand," Mr. Tsuchiya said in an e-mail.

ELEVATED INFLATION, INTEREST RATES

"Household consumption edged higher as inflation further eased during the period. GDP growth was also supported by a recovery in exports, led by the semiconductor industry. On the supply side, all sectors recorded positive growth rates, with services primarily powering the economy," China Bank Research said in an e-mail.

"However, the high interest rate environment continued to challenge private construction activities, while agricultural production was adversely affected by El Niño," it added.

Philippine headline inflation averaged 3.3% in the first quarter, slower than the 8.3% average in the same period last year. This was likewise below the Bangko Sentral ng Pilipinas' (BSP) 3.8% forecast and within its 2-4% target for the year.

The central bank last month left its policy rate unchanged at a near 17-year high of 6.5% for a fourth straight meeting and signaled a possible delay in rate cuts due to inflation risks.

BSP Governor Eli M. Remolona, Jr. earlier said upside risks to inflation have worsened, making them more hawkish than before. He added that rate cuts may begin in the fourth quarter of this year or in the first quarter of 2025, depending on how price risks pan out. *[Cont. page 4]*

Economic growth likely faster in Q1

[Cont. from page 3]

Michael Wan, MUFG senior currency analyst for Global Markets Research, likewise said in an e-mail that private consumption likely showed gradual improvement last quarter amid slower inflation, a resilient labor market, and a pickup in tourism spending.

"Nonetheless, growth remains capped by still high interest rates coupled with upside risks to inflation including on food prices. We are now forecasting the first BSP rate cut from first quarter of 2025, pushing it out from third quarter of 2024 previously, to help curb excessive volatility in the Philippine peso," Mr. Wan said.

Ruben Carlo O. Asuncion, chief economist at Union Bank of the Philippines, Inc. said in an e-mail that the Philippine economy likely grew "below potential" amid "the drought's effects on farm output and inflation, sustained net pessimism among households and businesses in the latest BSP surveys, while missing the strong fiscal spending stimulus, amid the familiar setting of high interest rates and credit tightness."

For 2024, economic expansion is expected to remain strong but remain below the government's target amid persistent headwinds, said Harumi Taguchi, principal economist at S&P Global Market Intelligence.

"Downside risks will remain from still-sluggish overseas demand amid soft demand from advanced economies and concerns of China's economic prospects. Lagged effects from previous monetary policy tightening and tightened financial conditions will also continue to weigh on economic prospects," Ms. Taguchi said in an e-mail.

"Looking ahead, we anticipate that the Philippine economy has a higher growth potential this year, supported by easing inflationary pressures, a recovery in fiscal spending and exports, and possible monetary easing in the latter part of the year," China Bank Research added.

Meanwhile, Oxford Economics' Mr. Tsuchiya expects Philippine GDP growth to average 5.2% this year, well below the government's target.

"With heightened geopolitical conflicts in the European and Middle East causing pressure on some commodity prices and climate change effects such as El Niño disrupting agricultural yields, increased heat is pushing energy demand higher, causing higher prices, thus keeping inflation elevated… This will mean higher interest rates for a bit longer than anticipated. This could keep growth from reaching the government's [full-year] target. However, increased infrastructure spending could mitigate the effects," Jonathan L. Ravelas, senior adviser at professional service firm Reyes Tacandong & Co., added in a Viber message.

Source: https://www.bworldonline.com/top-stories/2024/05/06/592855/economic-growth-likely-faster-in-q1/

PH, Korea to launch FTA portal

May 06, 2024 | Malaya Business Insight

Malaya Business Insight

The Philippines and Korea aim to launch a free trade agreement (FTA) information portal in the fourth quarter of the year, which is part of a project they are developing to optimize their FTA and other FTAs of the country.

Francis Lopez, president and chief executive officer of InterCommerce Network Services, Inc., said another component of the Philippines-Korea FTA project is the origin management system for exporters.

Lopez said the FTA information portal is "user-friendly" where exporters can login, input their product and then determine the best country to target and which FTA to utilize.

"There may be two or more FTAs that would be applicable and the exporters would be able to check which one would be more advantageous for the exporter to use in terms of FTA," he said during the recent general membership meeting of the Philippine Exporters Confederation Inc.

Lopez said the origin management system for exporters, on the other hand, is targeted to be implemented or launched by the third or fourth quarter of 2025.

"This will be together with the automated processes for the product evaluation report (PER) of the BOC (Bureau of Customs) and also the enhancements of the electronic certificate of origin issuance. Currently, as you know, the PER is manually processed by the BOC, it takes about 20 days for the processing of the PER," he said.

Lopez said that under this project, the certificates of origin are targeted to be issued in five minutes similar to what Korea is doing.

Source: https://malaya.com.ph/news_business/ph-korea-to-launch-fta-portal/

'Tap e-system solutions for faster infra flagship rollouts'

May 06, 2024 | Samuel P. Medenilla | BusinessWorld

[FILE] January 18, 2024: Electronic Business One-Stop Shop (eBOSS) help desk at the Robinsons Place mall in Antipolo City.

PRESIDENT Ferdinand R. Marcos Jr. has directed concerned government offices to tap electronic system solutions to fast-track the rollout of infrastructure flagship projects (IFP).

The chief executive gave the instruction in his Executive Order (EO) No. 59 signed by Executive Secretary Lucas P. Bersamin on April 30, but only released to the media last Sunday.

Under the four-page issuance, he directed national government agencies (NGAs) and local government units (LGUs) to adopt an online an/or electronic submission and acceptance of applications for, and issuance of licenses, clearances, permits, certifications or authorizations relative to the implementation of IFPs pursuant to Republic Act No. 9485 or the Zero-Contact Policy.

The government offices were also instructed to accept electronic copies of documentary requirements for IFPs.

Marcos also mandated NGA and encouraged LGUs to put up payment gateway for acceptance of digital payments relative to applications for licenses, clearances, permits, certifications or authorization of IFPs such as the Bangko Sentral ng Pilipinas (BSP)-regulated private and/or public Payment System Providers (PSP), or electronic Payment and Collection System Providers.

NGA and LGUs were also tasked to put up a One-Stop Shop for IFP processing in their respective offices.

They were also reminded to implement the provisions of Republic Act 9485 or the Anti-Red Tape Act of 2007, particularly on its provisions on removal of redundant and burdensome procedures in their respective Citizen's Charters and the maximum of three-signature from concerned officers rule.

Covered applications not acted upon within the prescribed period shall be deemed approved, provided that all documentary requirements have been submitted.

At the moment, 185 IFPs worth P9.14 trillion have been approved by the National Economic and Development Authority (Neda).

Neda reported in February that 74 IFPs were already being implemented, 30 had been approved for implementation, 10 were awaiting government approval, and 83 were undergoing either project or pre-project preparation.

"There is a need to further streamline the process for issuance of required licenses, clearances, permits, certifications or authorizations to expedite the implementation of IFPs, consistent with RA 9485, as amended," Marcos said.

Image credits: Ed Davad

Source: https://businessmirror.com.ph/2024/05/06/tap-e-system-solutions-for-faster-infra-flagship-rollouts/

ASEAN +3 putting up fund to tap during emergencies, crises

May 06, 2024 | Louise Maureen Simeon | The Philippine Star

TBILISI — The Association of Southeast Asian Nations and the neighboring economies of China, Japan and Korea (ASEAN+3) have agreed to establish a new financing facility that members can tap in times of emergency shocks and other crises.

Finance ministers and central bank governors of the ASEAN+3 held its 27th meeting on the sidelines of the 57th Asian Development Bank meeting here where they endorsed the creation of the Rapid Financing Facility (RFF).

This will include the incorporation of eligible freely usable currencies (FUCs) as its currencies of choice as a new facility under the Chiang Mai Initiative Multilateralization (CMIM).

"This will enable members to access emergency financing during periods of urgent balance of payments needs, possibly arising from sudden exogenous shocks including pandemics and natural disasters," the ASEAN+3 joint statement said.

As such, the facility will be extended without conditions in case of crises with ASEAN+3 states expected to work on relevant regulations to implement the facility next year. *[Cont. page 6]*

ASEAN +3 putting up fund to tap during emergencies, crises
[Cont. from page 5]

The CMIM is a multilateral arrangement among ASEAN+3 with a $240 billion contribution size that can be tapped via currency swap deals during crises in the region.

According to the ASEAN+3, the Executive Level Decision Making Body will confirm that the urgent balance of payments difficulties have stemmed from sudden exogenous shocks and are not attributable to weak economic fundamentals or domestic policy management before it approves any financing.

Meanwhile, finance ministers are in agreement that the region will grow at a faster pace of 4.5 percent this year from the 2023 expansion of 4.3 percent driven by resilient domestic demand, recovering investment and firm consumer spending.

Export recovery, driven by global semiconductor upcycle, robust consumer spending on goods in major economies, continued tourism recovery and sustained demand for modern services are also expected to boost growth.

The ASEAN+3 region is seen contributing around 45 percent of global growth this year until 2030.

Further, inflation in the region is projected to moderate but governments warned that downside risks remain.

These include geopolitical tensions, spike in global commodity prices and transportation costs, slowdown in the growth of major trading partners and heightened foreign exchange market volatility.

Nonetheless, ASEAN+3 said the positive outlook should provide an opportunity for the region to rebuild policy space lost during the pandemic.

"The priority for fiscal policy across the region is to restore fiscal buffers and strengthen fiscal sustainability while providing targeted support for the economy," ASEAN+3 said.

"We view that monetary policy should remain relatively tight as necessary in many member economies to ensure inflation expectations are firmly anchored in view of the continued upside risks to inflation," they said.

Source: https://www.philstar.com/business/2024/05/06/2352809/asean3-putting-fund-tap-during-emergencies-crises

PH hopes to accelerate free trade talks with EU
May 07, 2024 | Malaya Business Insight

Malaya Business Insight

The Philippines hopes to conclude its free trade agreement (FTA) talks with the European Union (EU) ahead of its earlier deadline to wrap up talks by 2027.

Trade Secretary Alfredo Pascual at the European-Philippines Business Dialogue in Makati City yesterday expressed optimism this would achieved based on the FTA negotiations with the Philippines-European Free Trade Association FTA which took only a year.

Pascual said the chief negotiators on both sides will meet in June to lay the groundwork for the FTA to commence negotiations.

Pascual said this aligns with the Philippines' goal of achieving the upper middle-income status and moving beyond the EU Generalized Scheme of Preferences (GSP) framework.

The FTA is seen to boost trade by 6 billion euros. Last year, two-way trade.

A policy study conducted by the International Trade Center under the ARISE+ program highlighted that the Philippines saved a total of 950 million euros in tariffs through the GSP scheme between 2015 and 2021. Moreover, Philippines exports to the EU have doubled from 5.3 billion euros to 10.4 billion euros since the inception of the GSP.

An EU-commissioned sustainability impact assessment forecasts an increase in the nation's overall welfare by up to 1.29 billion euros with a potential GDP growth ranging between 1.47 billion to 1.98 billion euros.

Source: https://malaya.com.ph/news_business/ph-hopes-to-accelerate-free-trade-talks-with-eu/

ADB: Carbon tax has potential in Philippines

May 07, 2024 | Louise Maureen Simeon | The Philippine Star

TBILISI – The possibility of a carbon tax has potential in the Philippines, but such a measure must be market-driven and appropriate for the needs of a country still heavily reliant on fossil fuels.

In an interview with The STAR here, Asian Development Bank (ADB) country director for the Philippines Pavit Ramachandran said the planned imposition of a carbon tax has to be done in a way that is inclusive and just.

Businessworld / File

In an interview with The STAR here, Asian Development Bank (ADB) country director for the Philippines Pavit Ramachandran said the planned imposition of a carbon tax has to be done in a way that is inclusive and just.

The Department of Finance (DOF) is studying carbon pricing instruments and the need to identify an optimal mix not only to generate additional revenues, but also address environmental concerns.

“I think there is potential, but it needs to be looked at much more closely and studied further,” Ramachandran said.

“Carbon taxation or if it’s carbon pricing, whatever is the right solution, it has to be market-driven. It has to be just, inclusive and appropriate for the Philippine context,” he said.

Global efforts to slap taxes on carbon remain small. Many countries, including the Philippines, have yet to ride on the carbon tax.

As economies feel the impacts of climate change, calls for measures that will put a price on emissions from the burning of fossil fuels are heightened now more than ever.

Apart from addressing climate change, a carbon tax is also seen to encourage the adoption of clean energy and generate revenues that could fund green initiatives.

However, oppositions argue that imposing a carbon tax may not always be the best and most preferred choice considering every country’s circumstances just like in the Philippines, where power rates are among the costliest in the region.

For now, only developed countries like Finland, Sweden, Norway, Canada, UK and Singapore have made strides in imposing carbon tax.

Ramachandran said ADB is supporting such a plan through its domestic resource mobilization (DRM) program for the Philippines.

“We have an ongoing program of support where we have been discussing various policy reforms, including potentially carbon taxation,” Ramachandran said.

“In terms of what are the key sectors that are driving the climate transition here, obviously, energy would be a key sector so I think that’s the context in which we are looking at,” he said.

The DRM aims to help the Philippines modernize tax administration through digital transformation and strengthen international tax cooperation.

It also targets to address poverty and inequalities, accelerate progress in gender equality, tackle climate change, build climate and disaster resilience and enhance environmental sustainability.

“I think the Philippines will have to do what’s appropriate in the Philippine context. It has to come out of the analytical work as well,” Ramachandran said.

Source: https://www.philstar.com/business/2024/05/07/2353093/adb-carbon-tax-has-potential-philippines

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