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SPECIAL POINTS OF INTEREST

FDI inflows soar to 26-month high

May 13, 2024 | Keisha Ta-Asan | The Philippine Star

Data released by the central bank showed net FDI inflows increased by 29.3 percent to $1.36 billion in February from $1.06 billion in the same month last year.

Photo from BusinessWorld

MANILA, Philippines — The net inflow of foreign direct investments (FDI) picked up for a second straight month in February, surging to its highest level in more than two years, the Bangko Sentral ng Pilipinas (BSP) said.

Data released by the central bank showed net FDI inflows increased by 29.3 percent to $1.36 billion in February from $1.06 billion in the same month last year.

This was the highest in 26 months or since the $2.66 billion recorded in December 2021.

“This development was due to the 927.3 percent expansion in non-residents’ net investments in equity capital (other than reinvestment of earnings) to $764 million from $74 million in February 2023,” the BSP said.

Based on BSP data, equity placements stood at $857 million in February, more than seven times higher than the $74 million a year ago. Withdrawals more than doubled to $93 million from $38 million.

Equity infusions mostly came from the Netherlands (89 percent) and Japan (six percent). Around 91 percent of inflows were channeled into the financial and insurance industry, while five percent of investments were directed to manufacturing.

This was enough to offset the 41.5 percent decline in investments in debt instruments to $533 million from $912 million in February 2023.

These investments were mainly inter-company borrowing between foreign direct investors and their subsidiaries or affiliates in the Philippines.

Likewise, reinvestment of earnings went down by 3.8 percent to $66 million in February from $69 million a year ago.

Michael Ricafort, chief economist at Rizal Commercial Banking Corp., said the surge in FDI inflows was due to improved economic and financial markets performance in February.

Robust economic growth also drove more FDI into the country, he said.

For the first two months of the year, net FDI inflows jumped by 48.2 percent to $2.27 billion from $1.53 billion in the same period last year.

Investments in debt instruments increased by 11.6 percent to $1.35 billion from January to February, while reinvestments of earnings edged higher by 7.4 percent to $165 million.

Equity other than reinvestment of earnings was four times higher at $753 million. This, as the 265 percent jump in placements erased the 115 percent rise in equity withdrawals.

“For the coming months, possible cuts in policy rates later in 2024, if inflation remains well anchored within the inflation target of the central bank, could lead to further improvements in FDIs eventually,” Ricafort said.

The highly-anticipated policy easing by the US Federal Reserve and the BSP is expected to help prop up the global economy this year, following the series of aggressive rate hikes to fight inflation.

Since it started its interest rate liftoff in May 2022, the BSP’s Monetary Board had hiked key policy rates by 450 basis points to tame inflation and stabilize the peso. This brought the benchmark rate to a 17-year high of 6.50 percent, from an all-time low of two percent.

Source: https://www.philstar.com/business/2024/05/13/2354576/fdi-inflows-soar-26-month-high

S. Korea seen to outpace Taiwan in chip production in 2032 —US report

May 10, 2024 |By: Jie Ye-eun-@inquirerdoynet The Korea Herald/Asia News Network | Philippine Daily Inquirer

INQUIRER.NET

SEOUL – South Korea is projected to account for nearly 20 percent of global semiconductor production in 2032, reaching an all-time high in output, a US report showed on Thursday.

Asia's fourth-largest economy is predicted to take up 19 percent of global chip production eight years later, according to a report by the Semiconductor Industry Association, in partnership with the Boston Consulting Group.

The report evaluated that Korea invested in the development of the semiconductor industry from the early stage, helping the two domestic chip makers — Samsung Electronics and SK hynix — grow into global semiconductor powerhouses.

They each occupy more than half of the global NAND flash memory and DRAM markets, the report said.

It would represent an increase of two percentage points from the 17 percent tallied in 2022 and mark a record high to place second in the world after China, which is forecast to account for 21 percent in 2032.

Korea is also expected to overtake Taiwan, which currently holds second place. Meanwhile, Taiwan and the US are expected to take up 17 percent and 14 percent, respectively, in the same year, the report showed.

As of 2022, Korea shared third place with Japan in global chip production, after China and Taiwan, which currently account for 24 percent and 18 percent, respectively.

12% annual capacity growth

The report forecast that Korea is expected to reach 19 percent with a significant increase in its production capacity through the construction of semiconductor factories.

The report divided chip production regions into seven regions: Korea, the US, Europe, Japan, Taiwan, Mainland China and others.

It is interpreted that Korea's product share is increasing as production capacity has increased significantly compared to other regions through the construction of semiconductor factories.

The report estimated Korea's semiconductor production capacity growth rate between 2022 and 2032 to reach 12 percent, while the world average is expected to be 108 percent.

The predicted figure is the second highest after the US (203 percent), ahead of Europe (124 percent), Taiwan (97 percent), Japan (86 percent), Mainland China (86 percent) and other regions (62 percent).

Compared to 2012, Korea's semiconductor capacity growth rate in 2022 (90 percent) was second only to China's record which stood at 365 percent.

The production capacity growth rate in other regions was highest in that order, including Taiwan (67 percent), Europe (63 percent), and Japan (36 percent) during the same cited period. The United States was the lowest at 11 percent, while the rate excluding these regions came to 72 percent.

However, Korea's share of chip production below 10 nanometers including cutting-edge processes, is expected to fall significantly from 31 percent in 2022 to 9 percent in 2032. Taiwan's rating was also expected to decline from 69 percent to 47 percent over the cited period.

U.S.'s CHIPS Act

On the contrary, the US will grow its share of advanced logic manufacturing to 28 percent of global capacity by 2032, up from 0 percent in 2022. America is projected to capture 28 percent of total global capital expenditures from 2024 to 2032, ranking second to Taiwan (31 percent).

This is due to a significant increase in investment, such as building factories for cutting-edge processes, as the US government encouraged investment in facilities there through the CHIPS Act. *[Cont. page 3]*

S. Korea seen to outpace Taiwan in chip production in 2032 —US report
[Cont. from page 2]

The US CHIPS Act provides $52.7 billion, including $39 billion in subsidies for semiconductor production and $11 billion in research and development to boost domestic semiconductor output.

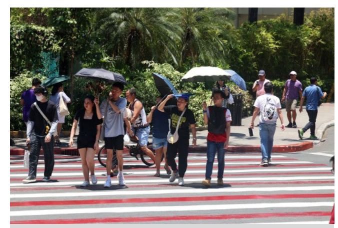
The report projects around $2.3 trillion in capital spending in 2024-2032, compared to $720 billion in the decade before the enactment of the CHIPS Act in 2013-2022. But in the absence of the CHIPS Act, the US would have captured only 9 percent of global capital spending by 2032, the report said

The European Union unveiled the European CHIPS Act, China initiated the third phase of its Integrated Circuit Industry Investment Fund, and various other incentive programs have emerged around the world, including Korea, Taiwan, Japan, and India.

Source: https://business.inquirer.net/458144/s-korea-seen-to-outpace-taiwan-in-chip-production-in-2032-us-report

PHL needs to grow over 6% in next three quarters to hit target
May 14, 2024 | Beatriz Marie D. Cruz | BusinessWorld

THE PHILIPPINE ECONOMY should expand by more than 6% in the next three quarters to meet the government's growth target this year, analysts said.


Pedestrians cross the street in Cubao, Quezon City, April 25, 2024. — PHILIPPINE STAR/ MIGUEL DE GUZMAN

"The Philippines needs to grow almost 6.1% for the remaining three quarters to reach 6% growth for the entire year, which appears to be a tall order, particularly given the slowdown in household spending in quarter one and the subdued global economic backdrop this year," Makoto Tsuchiya, an economist at Oxford Economics Japan, said in an e-mail.

Philippine gross domestic product (GDP) grew by 5.7% in the first quarter, slightly faster than the 5.5% in the fourth quarter of 2023 but below the government's 6-7% target.

University of Asia and the Pacific Senior Economist Cid L. Terosa said GDP growth should average 6-6.5% for the rest of the year to hit the lower end of the government's target band.

"We had always been expecting growth to stay subdued largely due to the 'triple threat' faced by the economy. Elevated inflation, high borrowing costs and fiscal consolidation are the troika of challenges we face," ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said in an e-mail.

Household spending, which accounts for nearly three-fourths of economic output, rose by 4.6% in the January-to-March, the slowest since the coronavirus pandemic and weaker than 5.3% in the fourth quarter and 6.4% a year ago.

Mr. Tsuchiya said private consumption lagged due to "economic-wide" pressures on spending in the first three months of the year.

"We believe the softening in household consumption was due to a combination of elevated inflation, tepid confidence and the impact of monetary tightening," Mr. Tsuchiya said.

Inflation quickened to 3.8% in April amid rising food and transport costs. April was the third straight month that inflation accelerated.

National Economic and Development Authority (NEDA) Secretary Arsenio M. Balisacan has said household spending was tempered by higher food costs and the El Niño dry weather. Agricultural damage caused by El Niño has reached P5.9 billion, according to the Department of Agriculture.

Private consumption in the first quarter also reflected consumers' weaker purchasing power and real income amid persistent inflation, Mr. Terosa said.

High interest rates have also restrained economic activity, according to analysts.

The Bangko Sentral ng Pilipinas (BSP) has kept policy rates at a 17-year high of 6.5% since October 2023 to curb inflation.

"Households are also faced now with a much higher level of debt, with consumers forced to borrowing on their credit cards and through salary-based loans just to make ends meet," Mr. Mapa said. *[Cont. page 4]*

PHL needs to grow over 6% in next three quarters to hit target

[Cont. from page 3]

He also noted that consumer savings have yet to recover to pre-pandemic levels, citing the BSP's latest Consumer Expectations Survey.

The central bank earlier said it would consider first-quarter GDP growth at its policy review on Thursday.

Household spending, while improving on a quarterly basis, has yet to return to pre-pandemic levels, Pantheon Macroeconomics said. It also noted that remittance growth could only provide limited support for consumer spending.

"Remittance growth — in peso terms — is unlikely to provide much support this year, if any; consumer confidence is deteriorating rapidly; and finances remain very fragile due to the multiple hits to savings since 2020," it said.

Despite this, Pantheon Macroeconomics noted that the latest GDP figure is not alarming enough for the central bank to cut policy rates. It expects the BSP to start easing in August, with 75 basis points worth of cuts this year.

Mr. Mapa said higher borrowing costs also weighed on investments, as seen in the 1.3% growth in the first quarter from 11.6% in the previous quarter.

"Construction was boosted nicely by double-digit growth of public construction, but private construction remains relatively lackluster with only single-digit growth," he said. "Some may attribute this to changes post-pandemic. However, I believe it will be hard to ignore the role of elevated borrowing costs in the investment picture."

Growth in state spending also slowed to 1.7% in the first quarter.

"National Government spending was always expected to stay soft with fiscal authorities in consolidation mode and as they move to lower debt levels relative to GDP," Mr. Mapa said.

However, GDP growth could pick up in the second quarter due to base effects, Mr. Tsuchiya said.

Pantheon Macroeconomics said first-quarter growth was "firmer than expected," thus raising its full-year GDP forecast to 5.2% from 4.8%. However, this is still lower than the 5.5% growth posted last year.

"In the coming months, particularly up to the end of the second quarter, inflationary pressures, the high interest rate environment, geopolitical tensions and global economic apprehensions will continue to cast a shade on Philippine economic performance," Mr. Terosa added.

Mr. Mapa estimates full-year GDP growth to settle at 5.4%, below the government's target. "Business sentiment is less favorable. However, we could see a rebound should we tackle the triple threat effectively."

Source: https://www.bworldonline.com/top-stories/2024/05/14/594767/phl-needs-to-grow-over-6-in-next-three-quarters-to-hit-target/

200K MT of sugar imports eyed

May 14, 2024 | Jed Macapagal | Malaya Business Insight

A vendor stacks sugar packs in a public market in Quezon City. Importation will prevent a drop in supply level that will cause price spikes. (File photo)

The government is considering the importation of sugar between July and August when buffer stock is predicted to fall below the ideal level of three months worth of supply.

Pablo Azcona, SRA administrator, told reporters in a virtual press conference yesterday the plan was raised by the Private Sector Advisory Council and agri sector leaders during a meeting last week.

If needed, the government is eyeing to bring in 185,000 to 200,000 metric tons (MT) of refined sugar.

Azcona said importation will prevent a drop in supply level that will cause price spikes. This will avoid a repeat of what happened in 2022 when refined sugar prices reached as high as P130 per kg.

Being off-milling season, July until early September isthe most ideal period to allow imports.

Azcona said the three month- buffer stock takes into account the fact that it takes about a month to ship sugar from Thailand and other suppliers. This timeframe includes processes and inspections from the Bureau of Customs.

Azcona said as of May 5, sugar production has reached 1.918 million MT for the current crop year, an increase of 6.6 percent from the previous crop year's 1.799 million MT.

SRA added the country has a current available stock of 568,734 MT worth of sugar. Monthly demand is at around 200,000 MT.

Manuel Lamata, United Federation of Sugar Producers president, said imports should only serve the needs of the country during the off-milling season but agreed discussions on the plan as early as now would "clear out importation procedures to avoid issues. "

Source: https://malaya.com.ph/news_business/200k-mt-of-sugar-imports-eyed/

Advocacy group hits plans to revise RTL

May 14, 2024 | Janine Alexis Miguel | The Manila Times

THE Foundation for Economic Freedom (FEF) on Monday expressed concern over proposed changes to the Rice Tariffication Law (RTL), particularly the restoration of the National Food Authority's (NFA) power to import and sell rice, as a means of lowering prices of the staple.

The public advocacy group, which counts former Cabinet officials and leading economists as members, rejected claims that Republic Act (RA) 11203 had failed to prevent rising rice prices that have fueled domestic inflation.

The law, the FEF said, is still the "most significant" rice policy reform since the 1970s at it allowed the country to comply with World Trade Organization commitments, reduce the NFA's over P170 billion in debts, generate some P80 billion in tariffs, and also tamed rice inflation up to 2022.

Last year's surge, it claimed, was due to the impact of Russia's invasion of Ukraine, India's ban on exports of non-basmati rice, and higher fuel prices caused by mounting tensions in the Middle East — all factors "beyond the control" of the Rice Tariffication Law.

RA 11203 also removed the NFA's regulatory and import licensing powers, ending its function of stabilizing rice prices. Several legislators and the Department of Agriculture have seized on this and want the law amended.

The FEF said that if a government agency should be given the power to import rice, the Department of Trade and Industry, particularly state-owned Philippine International Trading Corp., would be the better choice as it is mandated to protect consumers.

"This is a better option because the public perception of the Department of Agriculture (which oversees the NFA) is that it should promote the interest of the cultivators rather than the consumers," it added.

The FEF also reiterated a proposal to temporarily lower rice tariffs to 10 percent from 35 percent and added that the NFA should ramp up purchases of rice from local farmers to fulfill its revised mandate of maintaining adequate buffer stocks.

Lawmakers, the public advocacy group continued, should also look at studies that have measured the impact of RA 11203, particularly the Rice Competitiveness Enhancement Fund, when proposing changes to the law.

Source: https://www.manilatimes.net/2024/05/14/business/top-business/advocacy-group-hits-plans-to-revise-rtl/1946124

Philippine central bank to keep rates on hold on May 16, first cut pushed to Q4: Reuters poll

May 14, 2024 | Channel News Asia

A Philippines Peso note is seen in this picture illustration June 2, 2017. REUTERS/Thomas White/ Illustration/Files

BENGALURU : The Philippine central bank will keep its key policy rate unchanged on Thursday, according to a Reuters poll of economists who now expected the first rate cut to come in the final quarter of this year.

Annual inflation rose for the third straight month in April, to 3.8 per cent from 3.7 per cent in March. While it stayed within the central bank's 2-4 per cent target range, Bangko Sentral ng Pilipinas (BSP) and economists expect risks to remain tilted toward the upside.

That suggests BSP may be reluctant to reduce its interest rate ahead of major central banks, notably the Fed, which is expected to make its first cut in September.

All 23 economists in the May 7-13 Reuters poll forecast the BSP to keep its overnight borrowing rate unchanged at 6.50 per cent on May 16. The survey also rates were expected to stay there at least end-September.

"We expect the pause in rates to be extended at the meeting. Headline CPI inflation prints have been moving higher and are edging closer to 4 per cent – the upper end of the BSP inflation target range," noted Derrick Kam, Asia economist at Morgan Stanley.

"However, the central bank had already taken the recent inflation dynamics into consideration at their last meeting and hence the recent run of data should not be a surprise that would prompt the central bank to hike." *[Cont. page 6]*

Philippine central bank to keep rates on hold on May 16, first cut pushed to Q4: Reuters poll

[Cont. from page 5]

Median forecasts showed interest rates on hold until the end of the third quarter, followed by 50 basis points of cuts in the fourth quarter to end the year at 6.00 per cent.

Among those with end-year forecasts, eight of 18 economists saw the policy rate at 6.00 per cent, three expected rates at 6.25 per cent, three said 5.50 per cent and one said 5.75 per cent. Three predicted no change from 6.50 per cent.

Still, a significant minority, eight of 19 economists, expected the central bank to make the first cut next quarter.

Despite the highest rates since June 2007, the Philippine peso is down about 4 per cent against the U.S. dollar for the year.

"The odds of a rate hike is low even though there is a certain discomfort that the Philippine peso reached close to the 58 PHP/USD psychological threshold in late April... the recent weakening of the peso will also prompt the BSP to keep rates at the current level," wrote Sarah Tan economist at Moody's.

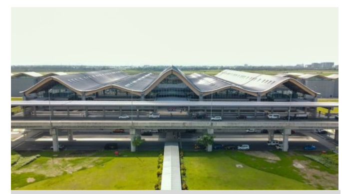
Source: Reuters

Source: https://www.channelnewsasia.com/business/philippine-central-bank-keep-rates-hold-may-16-first-cut-pushed-q4-reuters-poll-4333596

Clark airport emphasizes viability with planned second runway

May 14, 2024 | Tyrone Jasper C. Piad | Philippine Daily Inquirer

The Clark International Airport is set to have a second runway, costing P7 billion to P10 billion, as it seeks to welcome more flights while avoiding potential disruptions amid the resurgence of travel.



Clark International Airport — CONTRIBUTED PHOTO

In an interview with reporters, Bases Conversion and Development Authority (BCDA) president and CEO Joshua Bingcang said they were in the process of looking for a partner from the private sector to construct the new runway at the alternative gateway located 90 kilometers from Ninoy Aquino International Airport (Naia).

He said they would also be spending P2 billion more for the expansion of taxiways and aprons for new locators, including logistics companies.

Luzon International Premiere Airport Development Corp. (Lipad), the private operator of Clark Airport, told the Inquirer separately that no definite timeline has been set for the runway construction as they seek to maximize its 8-million annual passenger capacity in the meantime.

Last year, Clark Airport serviced nearly 2 million passengers, showing a 50-percent recovery compared to the prepandemic volume. The terminal projects to fly 2.4 million to 3.3 million passengers this year amid an improving appetite for travel.

Recently, the airport welcomed several airlines including Aero-K, Sunlight Air, Air Busan, Hong Kong Express, Starlux and EVA Air.

It currently services 10 international and seven domestic routes.

Despite competition from the upcoming Bulacan airport, Lipad president and CEO Noel Manankil said they would remain viable as the preferred gateway of those living in Central Luzon, parts of North Luzon, and even Metro Manila. The Bulacan Airport will be built by San Miguel Corp., which also won the bid to rehabilitate the Manila airport.

"We are confident our own airport will survive," he said.

Lipad is also attracting more logistic players due to the growing demand for cargo handling and delivery.

Earlier this year, global company UPS disclosed it would be building a new hub in Clark to beef up its supply chain and logistics services with the e-commerce boom driving the need for more last-mile delivery services. It is set to start construction by February 2025, in time for operations the following year.

Aircraft maintenance, repair, and overhaul provider Lufthansa Technik Philippines is also planning to spend P15 billion to establish operations in Clark by 2026.

Source: https://business.inquirer.net/458599/clark-airport-emphasizes-viability-with-planned-2nd-runway

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