필리핀한인상공회의소뉴스
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SPECIAL POINTS OF INTEREST

Philippines to grow below target in next 2 years — BSP

May 29, 2024 | Keisha Ta-Asan | The Philippine Star

A tug boat sails along the Pasig river before high-rise buildings of the Makati business district in Manila on May 29, 2022.
AFP / Maria Tan

MANILA, Philippines — The Philippine economy could grow below the government's target for the next two years as high global oil prices and elevated interest rates dampen domestic demand, the Bangko Sentral ng Pilipinas (BSP) said.

In its latest Monetary Policy Report, the BSP said the economy is projected to operate slightly below potential, which would lead to gross domestic product (GDP) growth falling below the government's targets of six to seven percent for this year and 6.5 to 7.5 percent for 2025.

"The projected impact of the BSP's policy rate adjustments is likely to peak in the second half of 2024," the central bank said. "Higher global crude oil prices and positive real interest rates could also temper domestic demand."

On the other hand, the growth may pick up in 2025 due to stronger exports amid a better global growth outlook, the BSP said.

Based on the latest data from the Philippine Statistics Authority, the economy expanded by 5.7 percent in the first quarter, slightly faster than the 5.5 percent in the previous quarter but failing to meet the government's six to seven percent target range.

To tame inflation, the BSP's Monetary Board tightened borrowing costs by 450 basis points from May 2022 to October 2023. This has brought the key interest rate to 6.50 percent, the highest in 17 years.

BSP Governor Eli Remolona Jr. earlier said the central bank could cut rates by 25 to 50 basis points in the second half of the year, or as early as August, to support economic growth

"Meanwhile, the latest estimates of the output gap point to the economy operating slightly below potential, thus suggesting possible deflationary pressures going forward," the BSP said.

Based on estimates from the BSP's Policy Analysis Model for the Philippines (PAMPh), the output gap may turn slightly negative in 2024 before narrowing in the latter part of 2025.

"Domestic economic activity could ease as the effects of previous policy interest rate adjustments and declining real incomes, along with the possibility of tepid global growth, temper aggregate demand," the BSP said.

However, continued improvements in the country's labor market conditions, further investment growth as well as stable infrastructure spending may drive productivity and potential output in the next two years.

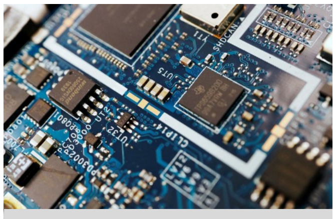
The PAMPh is a monetary policy model for a small open economy such as the Philippines. It is a semi-structural gap model that assesses the dynamic path of key macroeconomic variables in a theoretically consistent manner.

The BSP is currently undergoing a multi-year technical assistance mission with the International Monetary Fund's Institute for Capacity Development to further improve the structural features and forecasting performance of the PAMPh to serve as the BSP's workhorse model for medium-term forecasting and policy analysis.

Source: https://www.philstar.com/business/2024/05/29/2358670/philippines-grow-below-target-next-2-years-bsp

Semiconductors, renewables to drive PHL growth — Go

May 29, 2024 | Beatriz Marie D. Cruz | BusinessWorld



Semiconductor chips are seen on a circuit board of a computer in this illustration picture taken on Feb. 25, 2022. — REUTERS

THE PHILIPPINE government is banking on the semiconductor and renewable energy (RE) sectors to drive economic growth, according to the Palace's chief investment adviser.

"[Some of our priority sectors are] semiconductors, electronics, simply because that is our largest export now in the country. So that's the sector that we really want to grow," Secretary Frederick D. Go, who heads the Office of the Special Assistant to the President for Investment and Economic Affairs, told reporters on the sidelines of the Philippine Economic Briefing late on Monday.

Mr. Go cited the potential growth of the electronics sector if the country increases capacity in the assembly, testing and packaging of semiconductors and other electronics.

He said the RE sector is also seen to be a major contributor to overall growth. This comes after the country allowed full foreign ownership of RE projects in 2023.

"Renewable energy now comprises of about a majority, maybe 70% of all the applicants in the green lane for strategic investments," Mr. Go said.

As of April 1, 51 RE projects worth P1.57 trillion have been approved to go through the "green lane" in all government agencies to fast-track its approval and registration.

"It really tells you that the interest of global foreign direct investors is in that field," Mr. Go said.

At present, renewables account for 22% of the country's energy mix. The Philippines is aiming to increase the share of RE to 35% by 2030 and 50% by 2040.

"The main binding constraints to expanded foreign investments in the country remain to be red tape and corruption," Terry L. Ridon, a public investment analyst and convenor of think tank InfraWatch PH, said in a Viber message.

Leonardo A. Lanzona, who teaches economics at the Ateneo de Manila University, said the semiconductor industry is profitable but still stuck in low value-added production.

"It is necessary to move to a higher value chain that utilizes more domestic resources especially labor. For this, a comprehensive and strategic industrial policy is necessary, especially one that incorporates all the experiences accumulated from the existing semiconductor industry," he said in a Facebook Messenger chat.

In the first quarter, electronics remained the country's top export with $10.47 billion, up 13.43% from $9.23 billion in the same period a year ago.
Semiconductor exports rose by 15.3% to $8.14 billion in the January-to-March period from $7.06 billion last year.

The Philippines is seeking to benefit from the United States' CHIPS (Creating Helpful Incentives to Produce Semiconductors) and Science Act, which seeks to allocate $52.7 billion in federal subsidies to support chip manufacturing in several countries.

Meanwhile, Jose M. Layug, Jr., president of the Developers of Renewable Energy for Advancement, Inc., said that simplifying permits for energy projects, including renewables, will shorten the construction period to less than a year.

"The greatest hurdle in developing any power plant in the Philippines, including renewables, is the number of permits/signatures that need to be secured by the developer and the long period required to get approvals," Mr. Layug said in a Viber message.

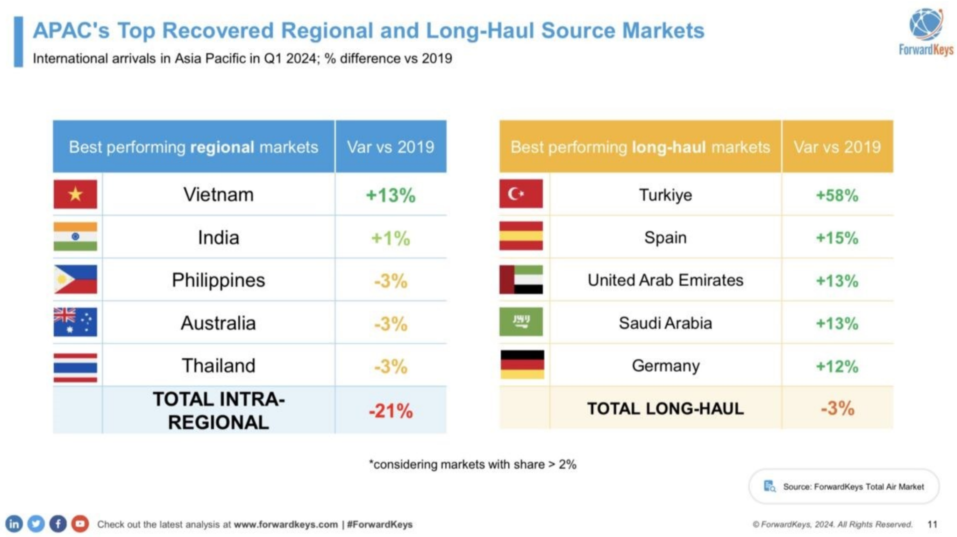
Government agencies must streamline their requirements and consolidate them under the Department of Energy's energy virtual one-stop shop, he added.

"If we fast-track all these permits, we can easily build renewable energy plants which have shorter construction periods (solar can be built in nine months; wind can be built in 18 months; biomass/hydro can be built in 24 months) compared to the conventional power plants," Mr. Layug said.

Source: https://www.bworldonline.com/top-stories/2024/05/29/597994/semiconductors-renewables-to-drive-phl-growth-go/

PHL on ’best performing reg’l markets’ list for arrivals — travel expert ForwardKeys

May 28, 2024 | Ma. Stella F. Arnaldo | BusinessMirror


APAC's Top Recovered Regional and Long-Haul Source Markets
International arrivals in Asia Pacific in Q1 2024; % difference vs 2019

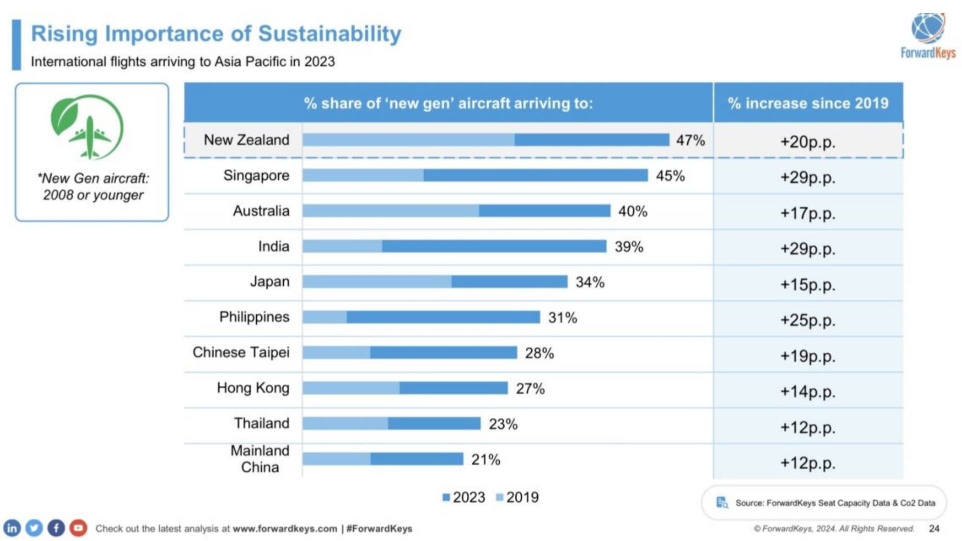
Best performing regional markets	Var vs 2019	Best performing long-haul markets	Var vs 2019
Vietnam	+13%	Turkiye	+58%
India	+1%	Spain	+15%
Philippines	-3%	United Arab Emirates	+13%
Australia	-3%	Saudi Arabia	+13%
Thailand	-3%	Germany	+12%
TOTAL INTRA-REGIONAL	-21%	TOTAL LONG-HAUL	-3%

THE Philippines is among the best performing regional markets in terms of international arrivals as more airline seats into the country become increasingly available.

In his presentation in Macau at the recent conference of the Pacific Asia Travel Association on Air Travel Trends and Outlook for Asia Pacific, ForwardKeys Director for Intelligence and Marketing Olivier Ponti said the best regional markets in Asia Pacific in the first quarter of 2024, were Vietnam, with international arrivals exceeding the same period in 2019 by 13 percent; followed by India (+1 percent); and the Philippines, Australia, and Thailand each at 3-percent less than 2019.

This developed as other markets made up for the slow rebound in Chinese arrivals in the Philippines. Department of Tourism (DOT) data from January to May 25 this year showed arrivals from China reaching 164,065, or 88.6 percent higher than the 86,980 arrivals in January to May 31, 2023. However, this was 77.6 percent less than the 733,769 who arrived in the same period in prepandemic 2019.

Total international arrivals reached 2.47 million from January 1-May 25 this year, just 29-percent behind the 3.5 million who arrived in 2019. Topping the list of source markets was South Korea, from which there were 659,180 visitors, 16-percent less than the same period in 2019. It was followed by the United States at 385,499 (-18.4 percent than 2019); China; Japan at 154,026 (-45.4 percent); Australia at 108,700 (-12.2 percent); Canada at 98,425 (-14.1 percent); Taiwan at 91,055 (-29.4 percent); the United Kingdom at 70,976 (-24 percent); Singapore at 61,259 (-5.7 percent); and Germany at 40,448 (-19.3 percent).



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PHL on ’best performing reg’l markets’ list for arrivals — travel expert ForwardKeys
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The DOT has been pinning its hopes of a Philippine tourism recovery on Chinese travelers arriving in the same numbers as 2019, when they reached 1.74 million. Earlier, Dragon Trail International’s Chinese Traveler Sentiment Report of April 2024 showed the Philippines not among the top travel destinations of Chinese tourists, who prefer countries with relaxed visa policies. ***(See, “Balancing Act,” in the BusinessMirror, May 18, 2024.)***

Meanwhile, ForwardKeys data showed Asia Pacific still the laggard in terms of international airline seat capacity, with just 87 percent of first-quarter 2019 levels. In Southeast Asia, in particular, the Philippines is in mid-recovery with airline seats into the country at 78 percent of 2019 capacity, just slightly ahead of Indonesia at 72 percent. Singapore topped the region, having recovered 89 percent of 2019 seats; followed by Vietnam at 88 percent, along with Thailand and Malaysia at 80 percent each.

As airline seat capacity into the region remains limited, “airfares to Asia persist above prepandemic levels despite a downward trend,” as per actual flights booked from January to April 2024, said Ponti.

More flying new-gen aircraft
He also noted the rising importance of sustainability by many international carriers, with 31 percent of “new-gen aircraft” flying to the Philippines in 2023, up 25.5 percentage points from 2019. New-generation aircraft are those produced in 2008 and onwards, and require less fuel to fly, or use sustainable aviation fuel. Of all international flights last year, 45 percent were new-gen aircraft which flew to Singapore, 29.9 percentage points more than in 2019, followed by India at 39 percent, up by 29.9 percentage points.

Booked tickets as of April 27 indicated that total inbound arrivals for the second quarter this year will be 13 percent behind 2019 levels, and 3-percent less than 2019 for the summer season (July-August). For Asia Pacific specifically, arrivals will be 24-percent less than 2019 for the second quarter this year, and 12-percent lower than 2019 for summer.

Image credits: Courtesy ForwardKeys

Source: https://businessmirror.com.ph/2024/05/28/phl-on-best-performing-regl-markets-list-for-arrivals-travel-expert-forwardkeys/

DOF expects two-year process for tax system digitalization
May 28, 2024 | Chino S. Leyco | Manila Bulletin

Finance Secretary Ralph G. Recto admitted the daunting challenge of digitizing the government's tax system, prompting the need to explore non-tax revenue sources for additional funding.

Recto told *Manila Bulletin* on Tuesday, May 28, that the Marcos administration's digitalization initiatives to improve tax administration could take about two years to reach their full effectiveness.

At the Philippine Economic Briefing last Monday, Recto cited the importance of improving tax administration in the e-commerce sector through digitalization, but “admittedly, [it] will take some time.”

“In the meantime, we have strategically tapped into non-tax revenue streams to generate additional funds without imposing new or increased taxes on our people,” Recto said.

The United Nations E-Government Survey revealed that the Philippines falls behind its regional peers in key areas of digital development such as digital transformation and trade, digital government, and digital security.

In terms of digital government, the country was ranked 89th out of 193 countries, trailing behind Singapore (12), Malaysia (53), Thailand (55), Indonesia (77), and Vietnam (86).

Despite the substantial increase in digital transactions in the Philippines, the bill seeking to levy a 12 percent value-added tax (VAT) on digital services provided by both resident and nonresident digital service providers has not yet been enacted into law.

To mitigate the impact of tax leaks, the Department of Finance has decided to increase the dividend payments of state-owned firms from a minimum of 50 percent to 75 percent.

As of the end of April, government non-tax revenues have totaled P188.8 billion, a 49 percent increase compared to the same period last year. *[Cont. page 5]*

DOF expects two-year process for tax system digitalization
[Cont. from page 4]

This growth is primarily driven by higher dividend remittances from government-owned and controlled corporations amounting to P88.6 billion as of May.

Furthermore, the government is looking to leverage non-recurring revenues through the privatization of state-owned assets.

Recto wants to generate P100 billion from the sale of government assets currently in the pipeline.

One of the proposals put forth by the finance chief involves selling the 600-hectare land currently occupied by the Ninoy Aquino International Airport (NAIA) in Pasay City.

Source: https://mb.com.ph/2024/5/28/dof-expects-two-year-process-for-tax-system-digitalization

Economist sees recovery in manufacturing in April
May 29, 2024 | Anna Leah Gonzales | Philippine News Agency


Rizal Commercial Banking Corporation chief economist Michael Ricafort. *(PNA file photo)*

MANILA – The country's manufacturing output likely recovered in April from a contraction in March, an economist said.

Rizal Commercial Banking Corporation chief economist Michael Ricafort told the Philippine News Agency in a Viber message on Wednesday that the decline in value and output of the manufacturing sector in March was due to the lower number of working days during the Holy Week.

A report released by the Philippine Statistics Authority showed that the value of production index contracted by 1.7 percent in March, a reversal from the 9.1-percent expansion in March last year and 5.7-percent growth seen in February 2024.

The volume of production index also declined by 0.8 percent from a 7.2-percent expansion in February.

"More working days in April 2024 would lead to month-on-month recovery in manufacturing," Ricafort said.

He said the seasonal pick up in economic activities during the summer season and more tourism activities around the country due to better weather conditions for travel will also lead to the recovery of manufacturing.

Ricafort said manufacturing is expected to grow in the coming months.

"[This is] signaled relatively higher manufacturing capacity utilization at above 75 percent in recent months," he said.

Based on responding establishments, the average capacity utilization rate for the manufacturing sector was at 75.3 percent in March this year, slightly higher than the 75.1 percent in the previous month.

Source: https://www.pna.gov.ph/articles/1225765

Infrastructure project delays seen dampening PHL economic growth
May 29, 2024 | Beatriz Marie D. Cruz | BusinessWorld


PHILIPPINE STAR/EDD GUMBAN

DELAYS in completing flagship infrastructure projects have outsized potential to pose a drag on economic growth, GlobalSource Partners said.

"With the new projects, and many others still to be completed, the list of flagship projects continues to lengthen; the likelihood of everything being completed becomes uncertain," GlobalSource country analysts Diwa Guinigundo and Wilhelmina Manalac said in a brief.

"Unless the issue of infrastructure is decisively and quickly addressed, it may instead drag the momentum of growth down." *[Cont. page 6]*

Infrastructure project delays seen dampening PHL economic growth
[Cont. from page 5]

In its 16th meeting, the National Economic and Development Authority (NEDA) Board chaired by President Ferdinand R. Marcos, Jr. approved projects worth P66.37 billion, including infrastructure, rail and agriculture works.

While GlobalSource noted the role of these projects in increasing productivity and foreign investment inflow, it noted the government's delayed implementation of last year's approved projects.

"In 2023, of the 13 projects aimed at establishing physical connectivity, water resources, digital connectivity and health, NEDA reported as of end-November 2023 that only one was completed in 2023 in the Visayas," according to the analysts.

The remaining 12 projects are expected to be completed this year, with "multiplier effects" in key issues like movement of goods and services, disaster reduction, and better water resources, public health and digital connectivity, they added.

As of today, 185 flagship infrastructure projects worth P9.14 trillion are in the pipeline, according to NEDA's online portal.

Meanwhile, GlobalSource also called on the government to ramp up efforts to address "glaring" issues in the education sector.

"With the declining quality of education in the Philippines based on an international assessment by PISA (the Program for International Student Assessment), the country is suffering from the so-called 'poverty of education,'" they said.

"Arresting it involves greater focus on the substance of education and how students are taught."

PISA found that Filipino students are effectively five to six years behind in learning competencies, the Department of Education said last year.

Source: https://www.bworldonline.com/economy/2024/05/29/598352/infrastructure-project-delays-seen-dampening-phl-economic-growth/

PH still lags in supply chain diversification
May 30, 2024 | Niña Myka Pauline Arceo | The Manila Times

THE Philippines has fallen behind in capitalizing on supply chain diversification despite being the fast-growing economy in the region with promising demographics and robust reform prospects, Nomura Global Market Research said.

"Both Indonesia and the Philippines have been laggards in terms of benefiting from supply chain diversification," Nomura said in a report.

"This likely reflects in part their starting positions; both countries have weak forward and backward linkages to regional supply chains, as discussed above, and smaller manufacturing bases with the share of manufacturing output to total GDP (gross domestic product) declining," it added.

Nomura observed that while electronics is a key sector for supply chain relocations in other countries under the Association of Southeast Asian Nations (Asean), the Philippines has not gained much from it, despite electronics exports making up nearly 60 percent of the country's total exports.

It said that the sector mainly focuses on basic operations like assembling, testing and packaging semiconductors, which heavily rely on imported materials.

Consequently, the electronics trade surplus has stayed fairly stagnant over the past few years.
"In our view, this is symptomatic of a broader set of issues in the manufacturing sector, which is still small as mentioned before and even declining in its share of total output," Nomura said.

It also pointed out the impact of higher power rates and poor infrastructure on the country's manufacturing sector.

"In particular, power rates remain the highest in the region, and connectivity is relatively poor after decades of underspending in infrastructure, keeping transport and logistics costs high," it added.

Despite this, Nomura noted that the Philippines remains a major player in the nickel market. *[Cont. page 7]*

PH still lags in supply chain diversification

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In 2022, the country produced approximately 360,000 metric tons of contained nickel, accounting for 11 percent of global production. This places the country a distant second to Indonesia.

Nomura said that electric vehicle (EV) batteries heavily depend on nickel, especially for lithium-ion batteries, fueling the expansion of EV manufacturing that results in higher demand for nickel.

Nickel Asia, a major producer of lateritic nickel ore in the Philippines and one of the world's largest, stands to benefit from this demand.

"Recent newsflow suggests the US and the Philippines are in discussions over ways to prevent China from dominating nickel processing in Indonesia," Nomura said.

"This development, if it materializes, would likely benefit the Philippines, as there are currently only two nickel processing plants in the Philippines, both operated by Nickel Asia. But government now aims to add three more in an effort to develop a downstream industry for its abundant nickel resources, after nations such as China and the United States expressed interest in the mining sector," it added.

https://www.manilatimes.net/2024/05/30/business/top-business/ph-still-lags-in-supply-chain-diversification/

KCCP NEW MEMBERS

KCCP is proud to welcome the New Members for this year of January 2024-May 2024

Mr. Robin Liu (January 8, 2024) - Associate
Sales Manager
ASAP Automan Service and Parts, Inc.

Mr. Ji Hyuk Jang (January 13, 2024) - Regular
President
Loadmaster Lift and Park Services, Inc.

Mr. Sang Jae Lee (January 30, 2024) - Regular
General Manager
JLT Pharma, Inc.

Ms. Ryna C. Brito-Garcia (February 19, 2024) - Associate
Chief Executive Officer
Sunlight Express Airways

Mr. Dong Wook Lee(March 4, 2024) - Premium
President
Hyundai Motor Philippines Inc.

Mr. Sanha Hong (March 25,2024) - Regular
President
Ecotechphil Corporation

Ms. Ivy Rose F. Herrera (April 3,2024) – Associate
Vice President
Bank of the Philippine Islands (BPI)

Mr. Kyungroc Lee (May 3, 2024) - Premium
Country Head
Shinhan Bank – Manila Branch

Mr. Shumpei Komatsu (May 16,2024) – Associate
Business Unit Head
Infinivan, Inc.

Atty. Aida Araceli G. Roxas-Rivera (May 23,2024)– Associate
Senior Partner
Cruz Marcelo & Tenefrancia

Mr. Tae Hyung Kim (May 29,2024) – Regular
Chief Executive Officer
Exanet Telecommunications, Inc.

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