필리핀한인상공회의소뉴스
KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER
July 2024 Issue | Vol. 50

SPECIAL POINTS OF INTEREST

'Still too early to declare victory against inflation'

July 08, 2024| Keisha Ta-Asan | The Philippine Star

Customers visit the Paco Market in Manila to check on the goods that are put up for sale on April 6, 2024.

STAR / Ryan Baldemor

MANILA, Philippines — Even as headline inflation surprised to the downside in June and stayed within the central bank's two to four percent target, it is still premature to proclaim a definitive victory over inflation, the top official of the Bangko Sentral ng Pilipinas (BSP) said.

"This is a cause for reassurance because (inflation) seems to be going in the direction we expected. So it's reassuring," BSP Governor Eli Remolona Jr. said. "But we need a few more numbers. So it's not yet time to declare victory."

His statement comes after inflation slowed to a four-month low of 3.7 percent in June from 3.9 percent in May, which was "slightly better than expected."

Remolona said the BSP's Monetary Board will wait for the July inflation data, along with other data, before considering its next move at its August meeting.

If inflation picks up in July and breaches the two to four percent target for the year due to base effects, he said the Monetary Board would still consider policy easing in August.

"We already know what the base effects will be," he said. "We do expect (inflation) to breach in July. So if it doesn't breach, then it's better than expected."

July inflation data will be out on Aug. 6. This will be a major factor in the analysis of the Monetary Board as it decides whether to keep or cut policy rates on Aug. 15, its fifth policy review for the year.

On the other hand, the BSP chief said he still sees a total of 50 basis points worth of rate cuts this year as 75 basis points may be "aggressive" for an economy experiencing strong growth.

The second-quarter data on the economy's gross domestic product (GDP) will be released on Aug. 8.

The BSP has been on pause for six straight meetings, keeping the key interest rate at 6.5 percent – the highest in 17 years. This was after the Monetary Board hiked borrowing costs by 450 basis points from May 2022 to October 2023.

In a commentary, BPI lead economist Jun Neri said the BSP would likely start cutting interest rates in August with the inflation outlook now improving.

But monetary policy easing in August may lead to peso depreciation against the dollar as the interest rate differential between the US and the Philippine will narrow further.

"However, it seems this is a trade-off that the BSP is willing to tolerate for now. The pass-through from the exchange rate to inflation appears to be manageable based on the analysis of the central bank, and will only become a concern if the inflation target is at risk again," Neri said.

Still, the currency depreciation will likely prevent the central bank from cutting interest rates aggressively, especially given the country's current account deficit and global economic uncertainty.

"We only expect two rate cuts this year from 6.5 percent to six percent," he said.

Meanwhile, lower inflation also gives the BSP room to cut the reserve requirement ratio.

"Over the years, the BSP has refined its market-based monetary tools, which financial institutions actively use in managing their liquidity," Neri said.

Source: https://www.philstar.com/business/2024/07/08/2368472/still-too-early-declare-victory-against-inflation

PHL told to boost manufacturing jobs to achieve high-income growth

July 09, 2024| Kyle Aristophere T. Atienza | BusinessWorld


The Philippine economy is likely to grow by 6-7% this year. — PHILIPPINE STAR/BALDEMOR

ECONOMISTS flagged the declining employment share of the Philippine manufacturing sector, which they said is key to achieving a high-income status and meeting other development goals including bringing down poverty incidence to single digits at a faster rate.

A De La Salle University (DLSU) School of Economics report on Monday showed that most targets under the Philippines' development plan for 2023 to 2028 will be met later than expected, and noted that the country would struggle to achieve high growth in the long-run in the absence of an industrial policy that has helped its Southeast Asian neighbors' manufacturing industries climb the value chain. Most Filipino workers are employed in sectors of "very low productivity," the report said, adding the manufacturing sector's employment share is only 8% and is expected to further decrease to 7% by 2030.

"Historically, countries that have achieved high-income status obtained employment shares in manufacturing from about 20-25%, sometimes even higher," Mariel Monica Sauler, an economics professor at DLSU, said at the report's launch in Makati City. "Our current manufacturing employment share is just 8%."

For the Philippines to become an economic powerhouse, it needs to restructure its economy by taking workers out of the agriculture sector through mechanization and by significantly increasing the employment share of its manufacturing base, said Jesus Felipe, director of the Angelo King Institute for Economic and Business Studies at DLSU.

"We desperately need firms with high organizational capabilities and highly productive, that manufacture and export complex products, and that compete in the world economy," he said during the event.

Mr. Felipe said the declining number of Filipinos leaving the country for job opportunities abroad — a phenomenon linked to an increase in wage rates locally — provides an opportunity for the country to expand its manufacturing base.

According to the report, the number of overseas Filipino workers (OFWs) will further decline to 1.91 million in 2025 from 1.97 million in 2023.

"We think that our wage rates are going to increase. Therefore, the incentive to leave the country declines," Mr. Felipe said.

Even as the agriculture sector's employment share has been on a decline, Ms. Sauler said the share of construction and transport and storage sectors, which have "low productivity" and "low wages," have increased.

This means there are not enough manufacturing jobs locally, she added.

"Our ASEAN (Association of Southeast Asian Nations) neighbors seem to have always understood the importance of the manufacturing sector better than us."

The economists said the government should shift its focus away from the agriculture sector, which "needs a solution but is not the solution" to the Philippines' growth woes.

Achieving an upper middle-income status next year would not be possible if the Philippines' economic expansion would be slower than expected, they said.

BELOW TARGETS

The DLSU report said the Philippine economy will likely hit 5.5-5.6% growth this year, lower than the government's 6-7% target.

Under the Philippine Development Plan (PDP) 2023-2028, gross domestic product (GDP) annual growth target is set at 6.5-8% until 2028. However, the DLSU report said GDP growth is likely to be "below target until 2028."

The Philippines is projected to hit its goal of having a gross national income (GNI) per capita of $6,044-$6,571 by 2029, instead of 2028.

According to the World Bank's latest income classification data, the Philippines remained a lower-middle income country with a GNI per capita of $4,230 in 2023. To become an upper middle-income country, the Philippines now needs to have GNI per capita of $4,516 to $14,005. *[Cont. page 3]*

PHL told to boost manufacturing jobs to achieve high-income growth

[Cont. from page 2]

Ms. Sauler said that while the Philippines could reach an upper middle-income status as early as this year, its real GDP will grow below the PDP 2023-2028 target rates.

"If we want to expedite development, the structure of the economy will need to change in the direction of industrialization," she said. "Repeating the industrialization experience of our East Asian neighbors seems impossible but there is no other option."

Mr. Felipe said the country needs an "industrial policy" centered on the creation of competitive firms that make high-quality products and jobs that require high skills.

While the number of middle-class Filipinos was increasing, Mr. Felipe said a huge chunk of them or 80% of Filipino workers were earning P15,000 per month at most.

"Only 15% of Filipino workers earned above P15,000. This is the reality of the country. This is the distribution of the structural economy from the point of view of output and from the point of view of employment," he said.

The manufacturing sector accounted for 18% of the Philippine economy last year, while its employment share was only at 7.3%, he noted.

Mr. Felipe said Asian countries that have pursued the path of industrialization have overtaken the Philippines in terms of GNI per capita.

The GNI per capita of the Philippines is still $4,000, which means the country is "among the poorest countries in the world," he said.

"All our neighbors have systematically, automatically caught up with us and overtaken us," he said, citing Vietnam, whose GNI per capita was about eight times lower than that of the Philippines in the 1990s.

"Indonesia overtook the Philippines in about 2008 or 2009," he added. "The same thing happened with China, and the same thing happened with Thailand. Malaysia has always been richer than the Philippines."

'UNNECESSARY'

At the same time, the DLSU report estimated the Philippines will only achieve its PDP target of a 3% deficit-to-GDP ratio by 2031, and the debt-to-GDP ratio of 48-53% by 2032.

Pedro Pascual, head of the Economic and Trade Office of Spain in Manila, said the Marcos administration's fiscal consolidation plan is both "unnecessary" and ill-suited" in the current situation, which is marked by low GDP growth.

The government needs to run a larger budget deficit to build infrastructure needed to revamp its economy, he said.

Mr. Pascual noted that household spending remains subdued, as seen in the declining number of Filipinos traveling abroad for leisure.

Real wages had not fully recovered in 2023 to the pre-pandemic level due partly to inflation, he said. "They will in 2024 to 2025."

But inflation should not be a major economic concern for the country since it's mainly driven by rice prices, Mr. Pascual said, adding that it's up to the government how it will lessen the country's dependence on or find alternatives for the commodity.

Rice inflation eased for the straight month in June to 22.5% from 23% a month earlier.

"Overambitious disinflation can create a problem," he added.

The DLSU report also projected that poverty incidence will likely go down to 8.8-9% only by 2035, instead of 2028.

The unemployment rate will settle within the 4-5% target range by 2028, the report showed.

Source: https://www.bworldonline.com/top-stories/2024/07/09/606810/phl-told-to-boost-manufacturing-jobs-to-achieve-high-income-growth/

PPA reports more cargo, but lower container volumes

July 08, 2024| Lorenz S. Marasigan | BusinessMirror

CARGO and container volumes posted mixed results in the first quarter of the year, latest data from the Philippine Ports Authority (PPA) indicate.

Preliminary data from the agency showed that total cargo throughput increased by 2.5 percent to 59.31 million metric tons (MMT) in the first quarter of 2024 from 57.86 MMT in the same period last year.

Domestic cargo stood at 25.55 MMT, a 4.8 percent increase from 24.37 MMT last year, while foreign cargo throughput was flattish at 33.76 million.

"The increase in domestic cargo throughput is driven by robust local economic activities and inter-island trade. The modest increase in foreign cargo is likely influenced by varying global trade dynamics and market conditions," PPA General Manager Jay Santiago told the BusinessMirror.

Contrary to the growth in cargo throughput, container traffic experienced a downturn. The total container traffic for the first quarter of 2024 stood at 1.79 million twenty-foot equivalent units (TEUs), a 2.17 percent decline from the 1.83 million TEUs recorded in the first quarter of 2023.

Both domestic and foreign container traffic saw reductions, with domestic TEUs decreasing to 628,829 from 637,985, and foreign TEUs falling to 1.16 million from 1.19 million.

"Port operations and efficiency improvements have facilitated the handling of more cargo, though the effects on container traffic differ. Decreases in both domestic and foreign container traffic may be due to supply chain challenges, such as congestion, delays, or shifts in shipping routes," Santiago explained.

These mixed results were also recorded despite maritime transport being "costlier" in the Philippines versus Southeast Asia, according to a study conducted by Bluefocus Infrastructure Advisors.

The study titled "Analysis of Logistics Costs for Imported and Domestic Containers in the Philippines," noted that maritime transport costs and customs duties are significantly increasing logistics expenses for imported and domestic containers in the Philippines.

The study highlighted that fees associated with customs clearance processes account for 35 percent to 60 percent of the total logistics cost. Maritime transportation, which includes shipping line freight rates and surcharges, contributes an additional 20 percent to 40 percent.

Inland logistics, encompassing trucking and warehousing charges, represent 10 percent to 25 percent of the total logistics costs. Port and terminal charges at the destination, primarily due to terminal handling rates, contribute only 5 percent to 10 percent.

With this the study found that the average logistics cost for an imported container in the Philippines is $5,300 or about P311,372, accounting for just over 10 percent of the stock value.

Being an archipelago, the Philippines relies heavily on maritime transport for the movement of goods and services.

Source: https://businessmirror.com.ph/2024/07/08/ppa-reports-more-cargo-but-lower-container-volumes/

June PH dollar reserves dip as BSP defends peso

But $104.7-B GIR more than enough to meet country's needs

July 08, 2024| Ian Nicolas P. Cigaral - @inquirerdotnet | Philippine Daily Inquirer

The Philippines' dollar reserves inched down in June, partly due to foreign exchange interventions of the Bangko Sentral ng Pilipinas (BSP) to soothe the peso's volatility.

Data released by the BSP showed that the country's gross international reserves (GIR) stood at $104.70 billion in June, slightly lower than the $105.02 billion recorded in May.

Similarly, the net international reserves—or the difference between the GIR and liabilities like short-term foreign debt and loans from the International Monetary Fund (IMF)—decreased by $290 million month-on-month to $104.69 billion in June. *[Cont. page 5]*

June PH dollar reserves dip as BSP defends peso

But $104.7-B GIR more than enough to meet country's needs

[Cont. from page 4]

As the term connotes, the GIR serve as the country's buffer against external shocks. The BSP's reserve assets consist of foreign investments, gold, foreign exchange, reserve position in the IMF and special drawing rights.

By convention, GIR is viewed to be adequate if it can finance at least three months' worth of the country's imports of goods and payments of services and primary income.

Sharp fall of the peso

The reserves are also considered adequate if they provide at least 100-percent cover for the payment of the country's foreign liabilities—both from the public and private sectors—falling due within the immediate 12-month period.

The central bank attributed the June decline to repayment of old external debts of the government and cheaper global prices of gold that affected the BSP's own holdings. Data showed the GIR components that posted the largest month-on-month drop were foreign exchange holdings (-17.8 percent) and gold holdings (-1.1 percent).

But Governor Eli Remolona Jr. said "some" of the decrease in the reserves was also due to the central bank's efforts to prop up the peso.

"As I said before, we don't want the peso to depreciate very sharply. We don't have a target level for the peso. We just don't want it to depreciate sharply," Remolona told reporters.

During the last monetary policy meeting in late June, market watchers had expected the local currency to depreciate closer to the record-low 59 after Remolona struck a very dovish tone and gave clearer hints of a rate cut in August that would likely happen ahead of the US Federal Reserve.

But what seemed to be a forceful intervention by the BSP prevented a sharp fall of the peso, which has now managed to reverse some of its losses in the previous months. The central bank can avert a sharp currency depreciation by selling some dollars in its reserves.

As it is, the end-June GIR level was still among two-year highs, giving the BSP enough ammunition to defend the peso from speculative attacks.

The buffer funds were also enough to pay for 7.7 months' of the country's import needs, about 6.1 times the country's short-term external debt based on original maturity and 3.8 times based on residual maturity.

The BSP forecasts the GIR to end the year at a comfortable $104 billion.

Source: https://business.inquirer.net/467579/june-ph-dollar-reserves-dip-as-bsp-defends-peso

Hike in NAIA fees may start this year

July 09, 2024| Elijah Felice Rosales | The Philippine Star

MANILA, Philippines — Service fees at the Ninoy Aquino International Airport (NAIA) will be adjusted starting this year, and the first to take the hit would be airlines operating in the gateway.

Jaime Bautista

STAR / File

Transportation Secretary Jaime Bautista said NAIA charges may begin going up by the end of 2024, right after the operations and maintenance of the airport is turned over to the private sector.

Bautista confirmed that landing and takeoff fees may be hiked this year, while passenger service charges (PSC) will be increased by 2025.

The changes in NAIA fees will be formalized in an administrative order (AO) formulated by the Manila International Airport Authority (MIAA), regulator of the airport. The AO is under review by a committee made up of seven members led by the Department of Transportation.

The STAR obtained a draft of the AO, which indicated that landing and takeoff fees will jump to at least $794 for aircraft with a maximum takeoff weight of 50,000 kilograms for foreign flights. Rates will reach $1,268.18 by the 20th year under private control if the AO is followed. *[Cont. page 6]*

Hike in NAIA fees may start this year

[Cont. from page 5]

Meanwhile, landing and takeoff fees for domestic flights will balloon to a minimum of P15,417 on the first year under private operations, with the AO proposing to raise the rates to P24,624.03 on the 20th year.

Likewise, the special handling fee will be set at P220,000 at the start of private management, and will be adjusted every five years to hit P351,384 on the 20th year.

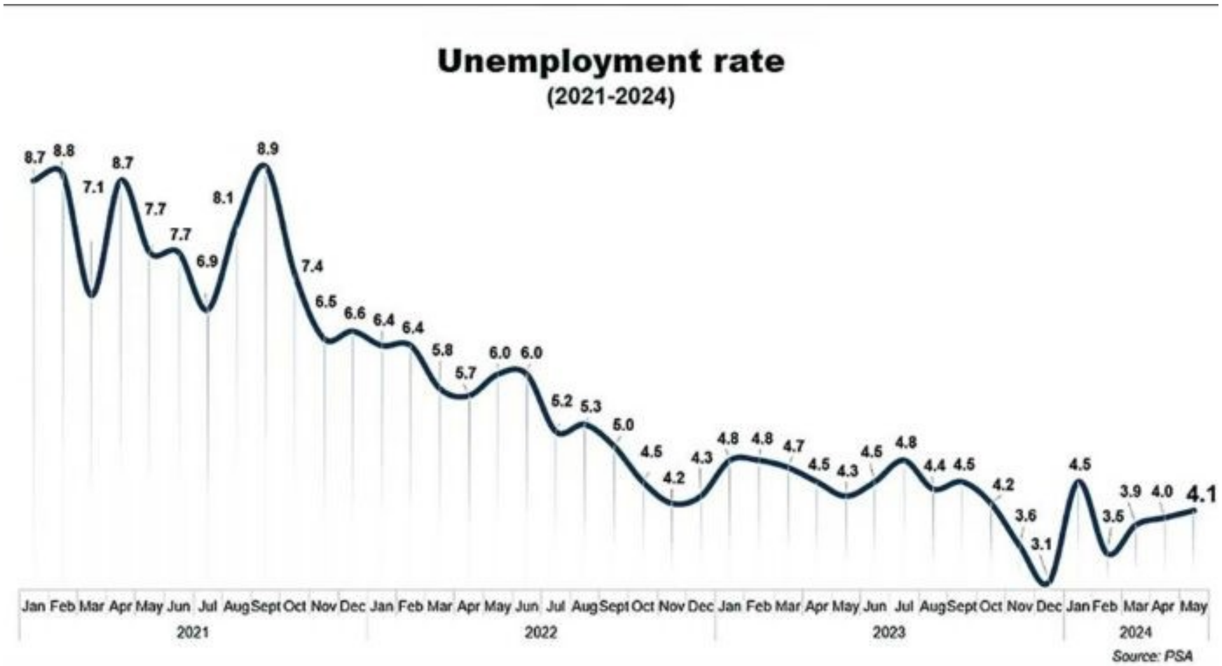
The PSC will also be increased to P950 for international passengers, from P550 at present, while it will be hiked to P390 for domestic travelers, from P200 currently.

Bautista said it is important to make these rate hikes in NAIA to cover the investments that will be made by New NAIA Infrastructure Corp. led by San Miguel Corp. The consortium won the P170.6 billion concession to manage NAIA, and will take over the airport starting September.

Source: https://www.philstar.com/business/2024/07/09/2368678/hike-naia-fees-may-start-year

Number of unemployed rises to 2.11M

July 09, 2024| Angela Celis | Malaya Business Insight



The country's unemployment rate inched up in May while underemployment showed improved figures for the month, according to the Philippine Statistics Authority (PSA).

The latest labor force survey showed that the unemployment rate edged up to 4.1 percent in May from 4 percent in April. It, however, improved from the 4.3 percent recorded a year ago.

In nominal terms, the unemployed persons in May 2024 were estimated at 2.11 million. This was lower than the number of unemployed persons in May 2023 at 2.17 million, but higher than the 2.04 million recorded in April 2024.

The underemployment rate, meanwhile, fell to its lowest level since 2005, as it improved to 9.9 percent in May 2024 from 11.7 percent in May 2023 and 14.6 percent in April 2024.

In terms of magnitude, 4.82 million of the 48.87 million employed individuals expressed the desire to have additional hours of work in their present job or to have additional job, or to have a new job with longer hours of work in May 2024. *[Cont. page 7]*

Number of unemployed rises to 2.11M

[Cont. from page 6]

The PSA also reported that the country's employment rate in May 2024 was estimated at 95.9 percent, higher than the employment rate in May 2023 at 95.7 percent. In April 2024, the employment rate was posted at 96 percent.

The number of employed individuals in May 2024 was registered at 48.87 million, higher than the estimated 48.26 million employed persons in May 2023 and 48.36 million in April 2024.

The labor force participation rate (LFPR) in May 2024 was registered at 64.8 percent, lower than the estimated LFPR in May 2023 at 65.3 percent.

In April 2024, the LFPR was estimated at 64.1 percent.

The reported LFPR in May 2024 translates to a total of 50.97 million Filipinos aged 15 years old and over who were in the labor force, or those who were either employed or unemployed.

In a statement, the National Economic and Development Authority (NEDA) said the Philippine government remains committed to invigorating investments and implementing key reforms to sustain the positive momentum of the labor market and create more quality jobs for Filipinos.

NEDA highlighted that the increase in the country's total employment for May 2024 was primarily driven by the expansion in the industry and services sectors.

The construction and manufacturing subsectors also grew significantly, adding 745,000 and 347,000 jobs, respectively.

This growth can be attributed to the implementation of several flagship programs and projects of the government, NEDA said.

"The government's massive infrastructure drive and the implementation of the Pambansang Pabahay Para sa Pilipino program have led to a rise in demand for construction workers and materials, resulting in a significant increase in job opportunities in these sectors," NEDA Secretary Arsenio Balisacan said.

On the other hand, the agriculture sector lost 1.6 million jobs due to the impact of El Niño and Typhoon Aghon, while geopolitical tensions in the West Philippine Sea negatively affected fishing activities in the area.

Balisacan underscored the importance of disaster preparedness and support for workers affected by disasters and weather disturbances, particularly in agriculture.

This includes improving meteorological monitoring and forecasting capabilities and providing livelihood support programs during disasters.

"We must persist in our efforts to boost investments and implement key technological and innovative reforms to enhance productivity and create more high-quality employment opportunities," Balisacan said.

The country's chief economic planner also highlighted the role of digital technologies in enhancing public sector employment facilitation services and training programs and improving skills forecasting in policy planning and programming.

Source: https://malaya.com.ph/news_business/number-of-unemployed-rises-to-2-11m/

PHL, South Korea expand air services ties

July 09, 2024| Lorenz S. Marasigan | BusinessMirror

THE Philippines and South Korea have agreed to expand their international air services relationship, adding more weekly seats and democratizing air travel between the two countries.

The Department of Transportation (DOTr) said on Monday that Manila and Seoul signed a new air services agreement on July 4, increasing the capacity entitlements, while liberalizing air traffic between secondary airports in both countries. *[Cont. page 8]*

PH, Korea agree to add 10,000 seats a week

[Cont. from page 7]

Under the new air services agreement, the weekly seat capacity for the Manila to Incheon route has been increased to 30,000, with no limits on flights from Manila to other points in Korea.

Additionally, flights from points outside Manila to all points in Korea will remain unrestricted. This aims to boost tourism and business travel between the two countries, reflecting the growing demand and positive post-pandemic recovery, according to the DOTr.

The new agreement marks the first update to their air services agreement since 2017. Previously, the designated airlines of both countries were restricted to operating a maximum of 20,000 weekly seats each from Manila to various points in Korea and vice versa.

Korea has consistently been the top tourism market for the Philippines, a trend that continues post-pandemic. As of May 2024, Korean tourist arrivals had already reached 682,362, according to data from the Department of Tourism.

"The increase in capacity will be felt by the market once airlines take advantage of the opportunity to carry more passenger traffic between the capital cities of the two countries," the DOTr said.

The Philippine delegation also proposed an amendment that would allow the Philippines to designate its airlines based on their principal place of business and incorporation within the country, in line with the amended Public Services Act.

Although no agreement was reached on this proposal, both delegations committed to continue discussions in future consultations. South Korea also proposed allowing third-country code-sharing arrangements, which will be further discussed.

Image credits: Dreamstime.com

Source: https://businessmirror.com.ph/2024/07/09/phl-south-korea-expand-air-services-ties/

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