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SPECIAL POINTS OF INTEREST

FDI net inflows fall to 10-month low in April

July 11, 2024| Luisa Maria Jacinta C. Jocson | BusinessWorld

US dollar and euro banknotes are seen in this illustration taken on July 17, 2022. — REUTERS/DADO RUVIC/ILLUSTRATION

THE PHILIPPINES' foreign direct investment (FDI) net inflows slumped to a 10-month low in April, the Bangko Sentral ng Pilipinas (BSP) reported on Wednesday.

Preliminary data from the BSP showed that FDI net inflows fell by 36.9% to $556 million in April from $881 million in the same period a year ago.

This was the lowest level of monthly FDI inflows in 10 months or since $541 million in June 2023.

Month on month, net inflows dropped by 19% from $686 million in March.

Data from the central bank showed that nonresidents' net investments in debt instruments declined by 38.8% to $407 million in April from $665 million in the same month a year ago.

Net investments in debt instruments consist mainly of intercompany borrowing or lending between foreign direct investors and their subsidiaries or affiliates in the Philippines, according to the BSP.

Net investments in equity capital other than reinvestment of earnings plunged by 48.1% to $68 million in April from $132 million a year ago.

Broken down, equity capital placements slid by 47% to $84 million while withdrawals dropped by 41.7% to $16 million.

Reinvestment of earnings decreased by 4.2% to $81 million in April from $84 million a year ago.

Investments in equity and investment fund shares dropped by 30.9% to $149 million in April from $216 million in the same month in 2023.

By source, investments in equity capital placements were mainly from Japan (47%), followed by the United States (21%), Malaysia (11%) and Singapore (9%).

These were invested mostly in the manufacturing (36%), real estate (26%), wholesale and retail trade (13%) and financial and insurance (10%) sectors.

IMPROVED CONFIDENCE

In the January-April period, FDI net inflows jumped by 18.7% to $3.525 billion from $2.971 billion in the same period a year earlier.

"This improvement reflects investor confidence in the Philippine economy's resilience amid global uncertainties," the BSP said.

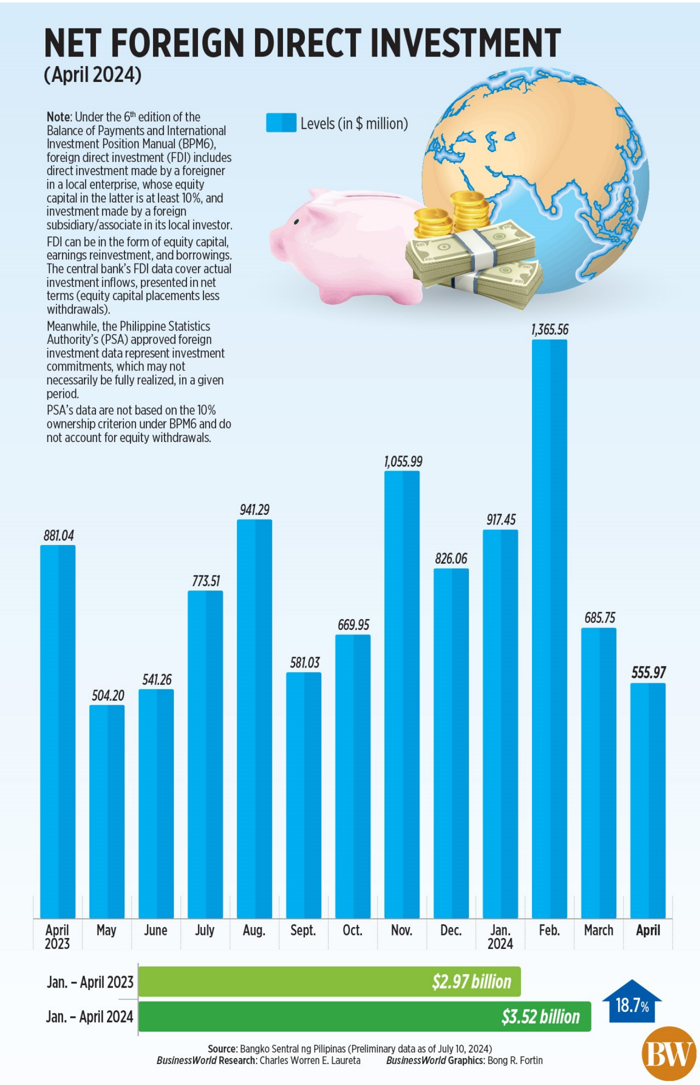
Central bank data showed foreign investments in debt instruments slipped by 1.4% to $2.237 billion in the four-month period from $2.268 billion a year ago.

Investments in equity and investment fund shares surged by 83.2% to $1.288 billion in the January-to-April period from $703 million last year.

Net foreign investments in equity capital more than doubled to $978 million in the four-month period, as placements surged by 126.8% to $1.213 billion while withdrawals went up by 65.2% to $235 million. *[Cont. page 2]*

FDI net inflows fall to 10-month low in April

[Cont. from page 1]



Reinvestment of earnings dipped by 0.1% to $310 million in the four-month period.

At end-April, the Netherlands accounted for the majority (63%) of overall net FDI inflows. This was followed by Japan (22%) and the United States (6%).

These were mostly invested in financial and insurance (67%), manufacturing (18%), and the real estate (7%) industries.

"Global economic uncertainty, characterized by inflation, mixed policy rate messaging, and geopolitical tensions, dampened investor confidence," Security Bank Corp. Chief Economist Robert Dan J. Roces said in a Viber message.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said that net FDI inflows dropped in April "at the height of risk aversion largely brought about by the geopolitical risks in view of the unprecedented direct attacks between Iran and Israel."

Mr. Roces said that FDIs have slowed to below pre-pandemic levels due to rising prices and high interest rates.

The Monetary Board has kept policy rates at an over 17-year high of 6.5% since October 2023. Headline inflation quickened to 3.8% in April from 3.7% in March. The central bank expects inflation to average 3.3% this year.

"Sector-specific performance, likely influenced by a slowdown in manufacturing or services, could also have contributed to the decline," Mr. Roces added.

For the coming months, Mr. Ricafort said that FDI inflows may improve as the BSP is widely expected to cut rates.

BSP Governor Eli M. Remolona, Jr. has said the central bank is on track to begin policy easing by August with a possible 25-basis-point (bp) cut. He earlier said the BSP can reduce rates by a total of 50 bps this year.

The central bank last cut policy rates in November 2020 when the benchmark rate was slashed by 25 bps to a record-low 2%. At that time, the economy was struggling with the coronavirus disease 2019 (COVID-19) pandemic and the aftermath of typhoons.

"Improving the business environment, promoting key sectors, and strengthening diplomatic relations will be crucial for attracting more FDI and stimulating economic growth, especially with better economic metrics emerging, and the BSP signaling an August rate cut," Mr. Roces added.

The BSP expects to end the year with $9.5 billion in FDI net inflows.

In 2023, FDI net inflows fell by 6.6% to $8.9 billion from $9.5 billion in 2022.

Source: https://www.bworldonline.com/top-stories/2024/07/11/607325/fdi-net-inflows-fall-to-10-month-low-in-april/

Trade deficit widens in May

July 11, 2024| Louella Desiderio | The Philippine Star

Hundreds of containers are seen stacked at a port along Road 10 in Tondo, Manila on June 16, 2023.

STAR / Ernie Penaredondo

MANILA, Philippines — The country's trade deficit widened in May as exports declined, while imports were nearly flat from a year ago, according to the Philippine Statistics Authority (PSA).

Preliminary data released by the PSA yesterday showed the balance of trade in goods or the difference between the value of exports and imports amounted to a $4.60-billion deficit in May, 4.5 percent higher than the $4.40 billion shortfall in the same month last year.

The May trade gap, however, was smaller than the $4.73 billion trade shortfall in April.

From January to May, however, the country's trade shortfall declined by 13 percent to $20.59 billion from $23.69 billion in the same period last year as exports during the five-month period rose by 7.8 percent to $30.84 billion from $28.61 billion in the same period in 2023.

Purchases of imported goods, on the other hand, declined by 1.7 percent to $51.43 billion in the first five months from $52.29 billion a year ago.

For May alone, the country's total merchandise export sales dipped by 3.1 percent to $6.33 billon from $6.53 billon in the same month last year. This is a reversal of the 27.9 percent year-on-year growth in merchandise export sales posted in April.

Electronic products posted the biggest decline in exports value, dropping by $190.23 million or 5.1 percent to $3.56 billion in May from $3.75 billion in the same month in 2023.

This was followed by other mineral products, which decreased by $43.66 million in May from the same month last year and ignition wiring set and other wiring sets used in vehicles, aircraft and ships with a $29.54 million decline.

The US was the biggest destination for Philippine exports of goods in May, accounting for $1.08 billion or 17 percent of the total.

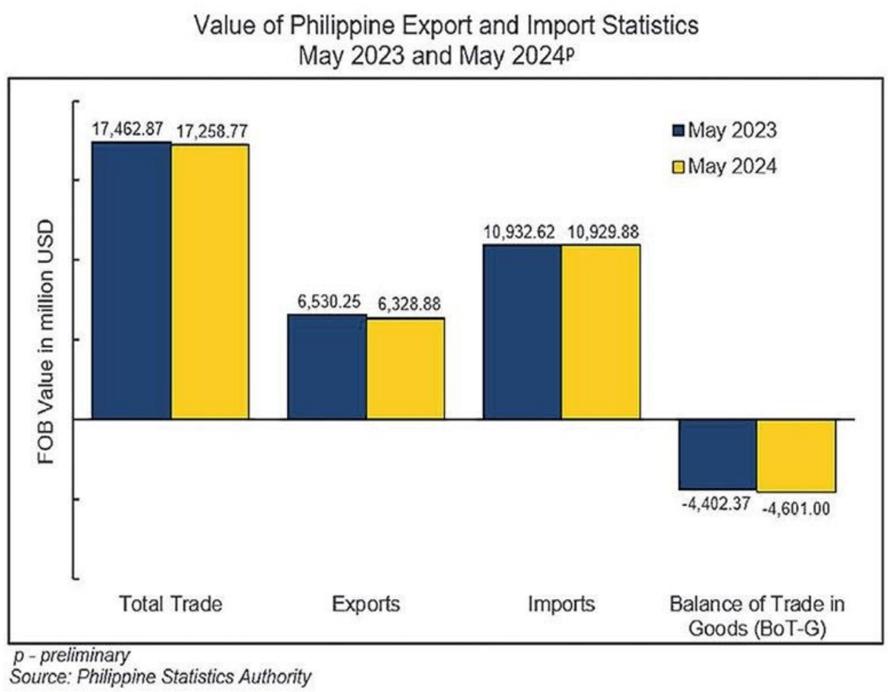
The country's imports amounted to $10.930 billion in May, down slightly from $10.933 billion in the same month a year ago.

Posting the biggest decline in imports value was the transport equipment commodity group, which went down by $348.54 million in May from a year ago.

Other food and live animals came in next with a $62.73 million decline in May from a year ago, followed by electronic products, which decreased $54.87 million year-on-year.

China remained the country's biggest supplier of imported goods in May, accounting for $2.73 billion or 25 percent of the total.

Total external trade in goods of the country dipped 1.2 percent to $17.26 billion in May from $17.46 billion in the same month of 2023.



Source: https://www.philstar.com/business/2024/07/11/2369219/trade-deficit-widens-may

25 companies eyeing 4 regional airports

July 11, 2024| Myla Iglesias | Malaya Business Insight

Twenty-five companies have submitted bids for the expansion and improvement of four regional airports with a combined project cost of P1.15 billion.

The Department of Transportation (DOTr) yesterday conducted the submission and opening of bids for four airport projects.

These are the P596.5-million Laoag International Airport development project that involves the rehabilitation and improvement of the existing runway; the P72.4-million Vigan airport project involving asphalt overlay of the runway; and the P193.9-million Borongan airport development project which covers the construction of turning pad, CHB perimeter fence and runway strip grade correction.

Lastly, the P281.2-million Central Mindanao airport development project involves the asphalt overlay of the runway, including runway strip grade correction.

Of the 25 firms, six have submitted bids for the Laoag airport, eight for the Borongan airport development project, three for Vigan and eight for the Central Mindanao airport project.

These projects are funded through the General Appropriation Act.

Airport improvement projects are among the priorities of the DOTr to help further improve air connectivity and mobility in the country, not only in the main cities but also in the provinces and remote areas.

In a related development, DOTr Secretary Jaime Bautista said the Swiss challenge for the privatization of Laguindingan airport is set in August.
"We are finalizing the privatization of the Laguindingan airport. The Swiss challenge will be, I think, August 12 or 13. We're expecting there will be a Swiss challenge," Bautista said.

Last February, DOTr and the Civil Aviation Authority of the Philippines launched the Swiss challenge for the airport, asking local and international firms to submit comparative proposals to challenge the private proponent, Aboitiz InfraCapital.

Under the Swiss challenge, companies are invited to submit a proposal to challenge Aboitiz InfraCapital's unsolicited proposal. The latter then has the right to match the offer of the challenger.

The implementing agencies reserve the right to reject any or all bids, declare a failure of the comparative challenge, modify the comparative challenge process documents or any aspect thereof anytime, and/or not award the project for any reason whatsoever and without the need of any explanation, the DOTr said.

The Laguindingan International Airport project involves the development of international flights, expansion of the airport's capacity according to market demand, and introduction of new concepts of sustainability and connectivity to improve the environmental and operational performance of the airport.

This will serve the Northern Mindanao Region that is composed of five provinces: Misamis Oriental, Misamis Occidental, Lanao del Norte, Bukidnon and Camiguin, along with two highly urbanized cities, Cagayan de Oro and Iligan.

Source: https://malaya.com.ph/news_business/25-companies-eyeing-4-regional-airports/

Investors amenable to P10-16/kWh reserve price for offshore wind

July 09, 2024| Myrna M. Velasco | Manila Bulletin

Investors on pipelined offshore wind developments in the country are amenable to a P10 to P16 per kilowatt hour (kWh) prospective reserve price for contracted capacity on their projects once the green energy auction (GEA) for the technology will be carried out by the Department of Energy.

According to the industry players, the figures initially presented to them as probable green energy auction reserve (GEAR) price for offshore wind could be in the range of P9.87 to P15.90 per kWh – depending on the technology to be deployed in the installations.
[Cont. page 5]

Investors amenable to P10-16/kWh reserve price for offshore wind

[Cont. from page 4]

For fixed bottom offshore wind projects, it was emphasized that the calculated tariff was roughly P10 per kWh; while floating offshore developments would warrant higher rate of up to P16 per kWh.

They hinted that the numbers were drawn from the outcome of a study undertaken by the Asian Development Bank (ADB), as part of a technical assistance that the multilateral lending firm had extended to the Energy Regulatory Commission.

The offshore wind investors are anticipating auction for initial capacity on the technology by next year, although the DOE indicated that it has yet to firm up schedule on that.

When asked on the anticipated GEAR, ERC Chairperson Monalisa C. Dimalanta asserted that the final report on the ADB study had just been submitted to the regulatory body.

"The final report will be deliberated upon by the Commission and then subjected to public consultation before we can finalize," the ERC chief stressed.

Most of the sponsor-firms are eagerly awaiting the GEAR that shall be enforced for offshore wind because that will be the main anchor of their investment-decisions, especially if the resulting tariff would be justifiable with their targeted project-lenders.

In the last GEA for other technologies, one of the concerns raised by investors had been the scale of reserve prices set per technology; with many of them apprehensive on advancing their projects if the GEAR price will end up to be too low versus expectations.

Learning a lesson from that GEA tight spot, the ERC previously noted that it has been continuously updating its pricing dashboard on RE technologies so it can be prudently guided on its next round of GEAR calculations that will underpin the RE capacity auction of the energy department.

For offshore wind, in particular, the country's development target will be a mammoth 19 gigawatts – and this will be a core component of the country's energy transition goal which will have it major turning point by mid-century.

Source: https://mb.com.ph/2024/7/9/investors-amenable-to-p10-16-k-wh-reserve-price-for-offshore-wind

PEZA signs registration contract for new Cebu IT Park

July 11, 2024| Alden M. Monzon @AldenMonzonINQ - @inquirerdotnet | Philippine Daily Inquirer

Philippine Economic Zone Authority

The Philippine Economic Zone Authority (PEZA) on Wednesday said it has signed the contract for a new information technology (IT) park in Cebu City, the latest in a string of new economic zones greenlit by the government.

In a statement, the PEZA said the registration contract designating the Midland Development Corporation as the developer and operator of the Taft East Gate IT Park was signed last July 3.

It follows the signing of proclamation No. 529 by President Ferdinand Marcos Jr. creating and designating a building and two parcels of land in Cardinal Rosales Ave., Brgy. Luz, Cebu City as an IT park to be called Taft East Gate.

"With new developer (and) operator entrants like Midland Development Corporation, we are more able to provide new competitive and alluring location options for prospective locator enterprises," PEZA Director General Tereso Panga said in a statement.

"This brings us closer to our goal of eco-zoning the Philippines towards inclusive and sustainable development, particularly in the countryside para sa Bagong Pilipinas," he added.

Late last month, the PEZA said it also signed the registration of the 15,000 square meter Tupi IT Park in South Cotabato, with the Matutum Holdings Development Corporation as its developer and operator.

The project cost for the land development of the Tupi IT Park totals to P80.5 million, while the economic zone's first IT locator investing an additional P15 million for their operations. *[Cont. page 6]*

PEZA signs registration contract for new Cebu IT Park

[Cont. from page 5]

Its construction began in June 2017 and is expected to be completed by January 2026, with at least 600 jobs seen being created from the first company that will open inside the IT Park.

Earlier in May, the PEZA also signed the registration contract for the Arcovia City Information Technology Park in Pasig City which is under the Tan-led Megaworld Corporation.

The 12.3-hectare ArcoVia City houses residential condominiums surrounded by a vibrant retail hub and state-of-the-art office towers.

To date, the PEZA has more than 420 operating economic zones across the country, majority of which are located in Luzon.

Companies which have their investments registered under PEZA's economic zones enjoy a number of fiscal and non-fiscal incentives depending on the location and the nature of business.

For exporters, fiscal incentives include an income tax holiday of 4 to 7 years and a special corporate income tax rate of 5 percent or enhanced deductions for 10 years.

Meanwhile, domestic market-focused enterprises are given an income tax-holiday of 4 to 7 years or enhanced deductions for 5 years.

Source: https://business.inquirer.net/468100/peza-signs-registration-contract-for-new-cebu-it-park

Foreign business chambers back appointment of new education chief

July 05, 2024| Alden M. Monzon @AldenMonzonINQ - @inquirerdotnet | Philippine Daily Inquirer

The Joint Foreign Chambers of the Philippines (JFC) on Thursday said it welcomes the appointment of senator Sonny Angara as the secretary of the Department of Education (DepEd), marking a fresh wave of support from the business sector for the selection of the veteran lawmaker.

The Joint Foreign Chambers of the Philippines said they look forward to collaborating with secretary Sonny Angara to further improve the education, workforce, and country's economy.| PHOTOS: Official Facebook page of DepEd and Senate PRIB

The JFC, a coalition of the American, Australian-New Zealand, Canadian, European, Japanese, Korean business chambers, as well as the Philippine Association of Multinational Companies Regional Headquarters Incorporated, highlighted Angara's past accomplishments they deemed would be helpful in the post.

"In his two terms as Senator, he has championed crucial legislation to improve the Philippine investment climate," the JFC said in a statement.

We believe Secretary Angara will channel that same dedication towards championing and implementing much-needed educational reforms," the business group added.

Further, the JFC said that they look forward to collaborating with the new secretary and the DepEd to further improve the education, workforce, and country's economy.

Earlier this week, the private sector-led Philippine Business for Education (PBEd) also welcomed President Ferdinand Marcos Jr.'s decision to appoint Angara, which was their top pick for the role.

The PBEd highlighted that Angara has authored landmark legislations in the area of education, including the Free College Law and the Free Kindergarten Law.

"He has also served as the chairman of the Senate committee on youth, where he pushed for greater opportunities for the youth to participate in policy-making and nation-building," the group said in an earlier statement.

The organization also highlighted his experience and involvement as a commissioner of the Second Congressional Commission on Education, saying this will help address the learning crisis in the Philippines effectively.
The Makati Business Club (MBC) had also congratulated Angara for the appointment and highlighted his other works on education policy and legislation.

The business group cited Angara's role in pushing for Senate Joint Resolution No. 10 which created the Second Congressional Commission on Education, and serving as one of the body's commissioners, and co-chairing its governance and finance standing committee.

Source: https://business.inquirer.net/467258/foreign-business-chambers-back-appointment-of-new-education-chief

Peso may weaken to 60:$1, says analyst

July 11, 2024| Keisha Ta-Asan | The Philippine Star

A customer swaps US dollars for pesos at a foreign exchange outlet in Manila.

STAR / File

If BSP cuts rates in August

MANILA, Philippines — The peso may weaken significantly against the dollar if the Bangko Sentral ng Pilipinas (BSP) decides to cut borrowing costs at its next meeting in August, according to an economist.

Shi Cheng Low, country risk analyst at BMI Country Risk & Industry Research, said an early rate cut is "out of the question" even amid easing price pressures in the Philippines.

"The downside of (rate cuts) is obviously currency stability. Right now, the peso is very near the 59 to $1 level mark and this is the level that (BSP) defended in 2022, and the BSP has been actively intervening during the time," he said.

"But let's just say they cut (interest rates) in August, I'm pretty sure (the peso is) going to breach the 59 to $1 level mark and possibly reach 60 to $1," he said, adding that currency stability will be the biggest constraint in policy easing moving forward.

BSP Governor Eli Remolona Jr. has been hinting of a possible 25-basis-point rate cut on Aug. 15 as the current restrictive rate environment could "overdo" in quelling demand and may lead to "unnecessary" loss of output.

This was after the Monetary Board hiked borrowing costs by 450 basis points from May 2022 to October 2023 to tame inflation and stabilize the peso, bringing the key interest rate to 6.5 percent.

The last time the central bank cut rates by 25 basis points was when it brought down the key rate to the record low of two percent in November 2020 amid the COVID-19 pandemic.

"With a rate cut in August, the BSP is practically signaling that they are giving up currency stability in exchange for economic growth," Low said.

He said that currently, economic growth in the Philippines is being slowed down by investment and private consumption. If the BSP does cut rates in August, monetary transmission will go through and investments may pick up in the fourth quarter, supporting the economy.

"If they cut in October, then it might be slightly too late for its impact to materialize this year at the very least," he said.

However, he noted that the Philippine peso has emerged as one of the poorest performing currencies in the region. Thus, it is crucial for the BSP to be mindful not to add more depreciation pressures in the already weak peso.

"This feeds into our expectations for the BSP to embark on its first cut only in October at the earliest, adjusting its policy in concert with the US Fed. We are expecting 50 basis points worth of cuts in 2024 and 150 basis points in 2025," Low said.

He also said that at 3.7 percent in June, inflation is still near the BSP's upper bound target of four percent.

The recently announced rice tariff cuts could lower headline inflation by up to 1.3 percentage points over the coming months, he said, but it will take some time before its full impact feeds through rice prices.

Source: https://www.philstar.com/business/2024/07/11/2369217/peso-may-weaken-601-says-analyst

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