필리핀한인상공회의소뉴스

KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER

March 2024 Issue | Vol. 21

Trade gap shrinks to $4.2B in Jan.

March 13, 2024 | Abigail Marie P. Yraola | BusinessWorld

Container vans are seen inside the Manila South Harbor, Feb. 15, 2016. — REUTERS

THE PHILIPPINES' trade deficit in goods narrowed sharply in January, as exports returned to positive territory while imports growth contracted, the Philippine Statistics Authority (PSA) reported on Tuesday.

Preliminary data from the PSA showed the country's trade-in-goods balance — the difference between exports and imports — reached a deficit of $4.22 billion in January, 24% smaller than the $5.56-billion deficit in January last year.

Month on month, the trade gap ballooned from the revised $4.18 billion in December.

January saw the widest trade deficit since the $4.77-billion gap in November 2023.

Total outbound sales of the country's goods rose by 9.1% year on year to $5.94 billion in January, a turnaround from the 10.6% decline in the same month last year and the 0.5% dip in the previous month.

January ended four straight months of exports decline and marked the fastest growth in 14 months or since the 14.1% in November 2022.

Meanwhile, merchandise imports fell by 7.6% year on year to $10.16 billion in January, a reversal of the 4.2% growth a year earlier and a sharper drop than the -3.5% in December.

The imports decline was the biggest in four months or since the 14.1% decline in September 2023.

The Development Budget Coordination Committee (DBCC) projects a 5% and 7% growth in exports and imports, respectively, this year.

"Goods exports were boosted by higher semiconductor exports, which grew both sequentially and annually given the turn in the chip cycle and support from the AI (artificial intelligence) demand," Makoto Tsuchiya, economist from Oxford Economics Japan, said in an e-mail.

Outbound shipments of manufactured goods in January, which accounted for 81.4% of total exports, grew by 10.5% year on year to $4.83 billion.

Electronic products, which accounted for 58.2% of the manufactured goods or more than half of total exports, rose by 16.3% to $3.45 billion.

Semiconductors, which made up 45.5% of the total, jumped nearly 20% to $2.7 billion in January.

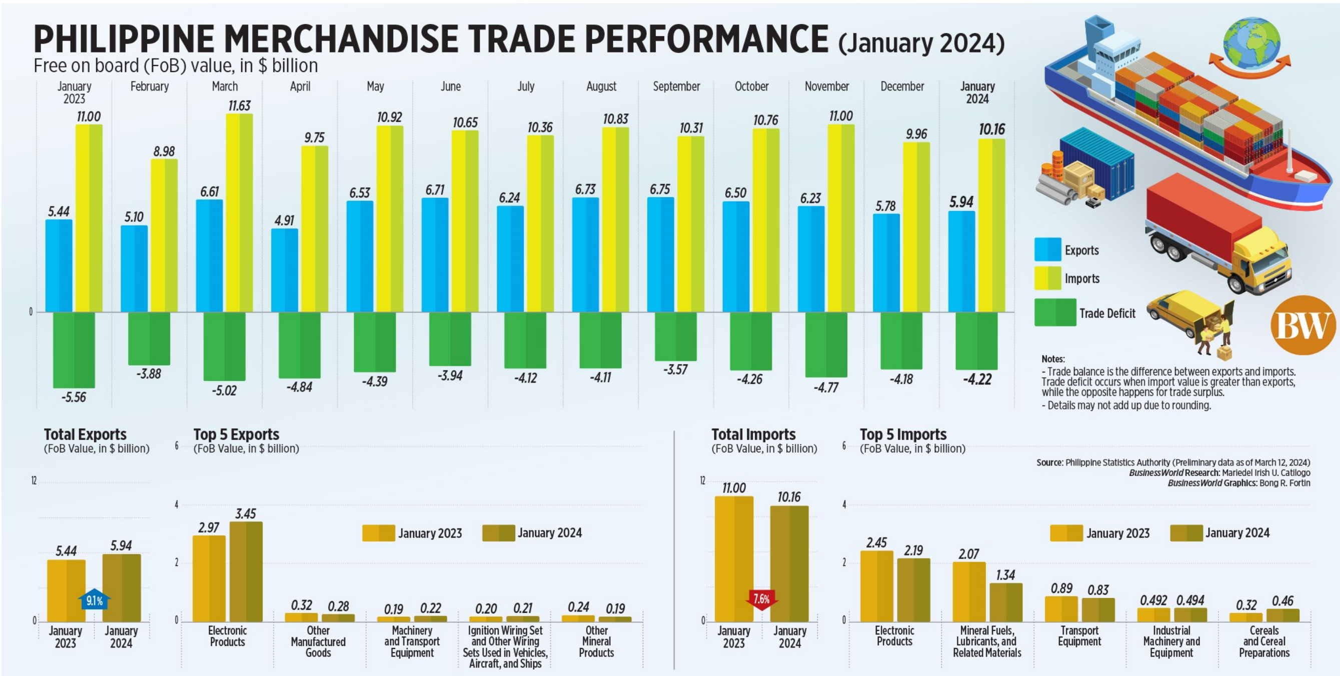
"Electronics, the country's largest export segment, showed a stronger recovery. This outturn was in line with positive trends in the global semiconductor industry, where technology bellwethers Taiwan and South Korea have also experienced improved export performance due to strong chip demand," China Banking Corp. (China Bank) said in a research note.

However, ANZ Research economists Debalika Sarkar and Sanjay Mathur said the rebound in exports was mainly driven by favorable base effects.

"The base effect lift to exports was particularly evident in the electronics segment, which accounts for close to half of overall exports," they said in a research note. *[Cont. page 2]*

Trade gap shrinks to $4.2B in Jan.

[Cont. from page 1]



They added that even if the growth is impressive, export levels remained almost unchanged wherein the lack of improvement in level data makes them less confident about the real strength of the export recovery.

This also showed that the relationship between the Philippines' semiconductor exports and the global technology cycle is weakening.

The United States was the main destination of Philippine-made goods in January as exports amounted to $902.33 million or 15.2% of the total exports that month.

Other top export trading partners include Japan, which accounted for a 14.6% share or $869.25 million, and Hong Kong with 12.8% or $761.08 million.

IMPORTS CONTINUE TO DROP

Robert Dan J. Roces, chief economist at Security Bank Corp., said in an e-mail that the imports decline in January can be attributed to "lower global commodity prices or a slowdown in domestic spending."

The Philippines' importation of raw materials and intermediate goods slipped by 5% to $3.73 billion in January. This segment accounted for 36.8% of the January import bill.

Imports of capital and consumer goods were valued at $2.95 billion (down 6.5%) and $2.09 billion (up 15.8%), respectively.

"The persistent decline in imports of capital goods and of raw materials and intermediate goods remains an area of concern for the economy, as it reflects businesses' hesitance to invest in items that would contribute to economic productivity," China Bank said.

Mineral fuels, lubricants and related materials plunged 35.4% to $1.34 billion in January from $2.07 billion a year earlier.

China remained the country's biggest source of imports with a 26.1% share worth $2.65 billion. Japan trailed with a 7.8% share ($789.36 million) and Indonesia with a 7.7% share ($779.13 million).

Looking ahead, Mr. Tsuchiya expects exports growth to remain weak due to the expectations of a slowing global economy, which will put pressure on overall external demand.

"On the other hand, elevated interest rates and lower investment demand will weigh on capital goods," he said.

Mr. Roces said it's still too early to predict if the exports growth and imports decline seen in January will continue "given the possibility of market volatility due to various central banks globally preparing to unwind rates."

China Bank said it expects a further recovery in exports, particularly semiconductors, in the second semester.

"Going forward, firm private consumption, government's infrastructure spending and existing food supply issues in the domestic economy will provide a floor to imports. In combination with a tentative recovery in exports, we do not expect a material reduction in the trade deficit this year," ANZ Research said.

Source: https://www.bworldonline.com/top-stories/2024/03/13/581334/trade-gap-shrinks-to-4-2b-in-jan/

Global slowdown justifies lower growth targets

March 13, 2024 | Cai U. Ordinario | BusinessMirror


Balisacan

THE slower-than-expected global recovery makes a "good case" for the government to revise its growth targets for this year, according to the National Economic and Development Authority (Neda).

Socioeconomic Planning Secretary Arsenio M. Balisacan told reporters even if growth targets are lowered to 6 to 7 percent this year, this would still be a "good range" that will work toward the country's economic development goals.

Balisacan also noted that high interest rates continued to persist. In the Philippines, lagged effects of the 450-basis-point rate hikes of the Monetary Board are expected to persist.

"There is a good case for revisiting the assumptions. We don't have yet [the] first quarter results and that what would be a factor that we would have to consider," Balisacan said.

"But even if we set it from the range of 6.5 to 7.5…to, say 6 to 7, that's still to us, a good range," he added.

Balisacan said other factors that would impact the economy adversely include the El Niño phenomenon which would increase inflation.

Nonetheless, Balisacan remained confident that inflation would continue to slow and that the temporary uptick in inflation in February 2024 was temporary.

Given this, the country's Chief Economist said if the global economy improves, the government could have a better chance of attaining a 6.5 to 7.5 percent growth.

"Achieving a growth of 6 percent would be, as I said, would be very impressive. And I think that 6 to 7 percent, if we can get that for this year," Balisacan said.

"As the global economy improves next year, hopefully that we go back to the 6.5 to 7.5 or even 6.5 to 8. But I think for this year, I'm okay with the 6 to 7, it's very much achievable," he added.

Earlier, the Bangko Sentral ng Pilipinas (BSP) said that as the economy is shelled by more supply shocks than before, monetary policy has become quite a challenge.

In a recent forum hosted by the Financial Executives Institute of the Philippines (Finex), BSP Governor Eli M. Remolona Jr. said supply shocks such as higher oil and food prices increase inflation.

This would eventually create second-round effects such as wage hikes whose effects on inflation do not dissipate quickly. Combatting second-round effects is being done by the BSP through the appropriate monetary policy.

These supply shocks, Remolona said, include increased electricity rates; higher transport charges, oil prices, food prices; and strong El Niño weather conditions.

Source: https://businessmirror.com.ph/2024/03/13/global-slowdown-justifies-lower-growth-targets/

DA, Korean partner unveil $30-M farm tech factory

March 13, 2024 | Meg J. Adonis - @inquirerdotnet | Philippine Daily Inquirer

INQUIRER.NET

MANILA — The Philippines may soon become an exporter of farm equipment while boosting local food production, with the Department of Agriculture (DA) launching its $30-million agri-machinery assembly center project with a Korean machinery cooperative.

The DA on Tuesday said it had formally joined forces with the Korea Agricultural Machinery Industry Cooperative (Kamico) for the project, which is also seen helping to lower the cost of producing food. *[Cont. page 4]*

DA, Korean partner unveil $30-M farm tech factory

[Cont. from page 3]

"This is the result of the memorandum of understanding signed last year between the DA and Kamico that aims to set up the Korea agricultural machinery manufacturing cluster in the country," Agriculture Secretary Francisco Tiu Laurel Jr. said in a statement.

Last year, the DA and Kamico agreed to jointly establish an assembly production line, collaborate on research and development of agricultural machinery technology, and upskill workers.

Among DA's priorities

This forms part of Tiu Laurel's priority programs aimed at modernizing the country's agriculture sector to make commodities more affordable for consumers.

The project will be done in three phases to give way to attracting companies that will provide rice farming machinery and facilitate technical cooperation with Philippine companies.

Kamico has so far visited sites in the provinces of Nueva Ecija and Quezon, to assess the terms and conditions set by the respective local governments.

The Korean firm will conduct the technology transfer, cooperative production to local companies, and undertake domestic supply and export promotion in the final phase.

The DA said that by establishing agricultural machinery production bases and industrialization infrastructure in the Philippines, the project will boost employment and promote specialization and advanced technology transfer among Filipino technicians.

Source: https://business.inquirer.net/449917/da-korean-partner-unveil-30-m-farm-tech-factory

Philippines could rise to 14th place in global economic rankings by 2050

March 13, 2024 | Chino S. Leyco | Manila Bulletin

Finance Secretary Ralph G. Recto has expressed confidence that the Philippines is on track to become a global powerhouse by 2050, positioning itself to become a part of the prestigious G20 group of leading world economies.

Recto told reporters on Wednesday, March 13, that the country's economy, as measured by its gross domestic product (GDP), is projected to land as the 14th largest in the world by 2050.

"By 2040 or 2050, the Philippines will be the 14th biggest economy in the world. We will be in the top 14. So by 2050, we will be included in the G20," Recto said.

Currently, the Philippine economy holds the 40th spot among 190 countries worldwide.

Recto, however, said that this ambitious goal hinges on the Philippines maintaining its current growth trajectory, which stands at approximately six percent annually.

"I think the economy will more or less double its size…Because we have a young population, we have a young demographic profile," the finance chief said.

The G20, established in 1999, consists of 20 of the largest economies globally, convening regularly to synchronize global policies on trade, health, climate, and other important issues.

The group consists of Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom (UK), and the United States, with Spain holding a permanent guest status.

Recto said that the projection of the Philippines emerging as one of the largest economies in the world by 2050 does not originate from the Department of Finance.

"If you take a look at the IMF [International Monetary Fund], World Bank, other multilateral organizations, and JICA [Japan International Cooperation Agency] they will tell you that by 2050, our potential is to rank among the top 14 economies in the world," he said.

Source: https://mb.com.ph/2024/3/13/philippines-could-rise-to-14th-place-in-global-economic-rankings-by-2050

Economic Cha-cha gets House OK on 2nd reading

March 14, 2024 | Wendell Vigilia | Malaya Business Insight

THE House of Representatives yesterday approved on second reading Resolution of Both Houses No. 7 (RBH No. 7), which seeks to revise the restrictive economic provisions of the 1987 Constitution.

Lawmakers approved RBH No. 7 through voice voting shortly past 6:30 p.m. after three days of interpellations, which started last Monday.

The measure's counterpart version at the Senate, which is proposed Resolution of Both Houses No. 6, is still being discussed in the subcommittee of Committee on Constitutional Amendments.

RBH No. 6 and No. 7 are both titled, "A Resolution of Both Houses of Congress proposing amendments to certain economic provisions of the 1987 Constitution of the Republic of the Philippines, particularly on Articles XII, XIV and XVI," pertaining to public services, basic education, and advertising.

Proponents of the bill seek to lift the 40 percent limit on foreign ownership in the three sectors to attract more foreign direct investments to the country and create more jobs for Filipinos by adding the phrase "unless otherwise provided by law" to the three constitutional provisions – Section 11 of Article XII (National Patrimony and Economy), Section 4 of Article XIV (Education, Science and Technology, Arts, Culture, and Sports) and Section 11 of Article XVI (General Provisions).

The only difference between the House and the Senate's version is the provision found in RBH No. 6 which expressly states that the voting on the amendments should be undertaken separately by the two chambers because the Constitution, while requiring a three-fourths vote of all members of Congress, is silent on how the voting should be done.

TERM EXTENSION

Earlier yesterday, administration lawmakers assailed former President Rodrigo Duterte for continuing to accuse President Marcos Jr. and the House of Representatives of seeking constitutional amendments to extend the term of office of public officials, saying records would clearly show that such claim is a lie.

"It's very clear, it's in black and white, that we're only dealing specifically with the economic provisions," Lanao del Sur Rep. Mohamad Khalid Dimaporo told a press conference.

Duterte, who is in danger of being being ordered arrested by the International Criminal Court (ICC) for crimes against humanity, has been claiming that the administration's Cha-cha campaign aims to prolong the terms of elected officials even if both the House's RBH No.7 and the Senate's RBH No. 6 only exclusively seek to amend the "restrictive" economic provisions of the 1987 Constitution.

The former president repeated his allegation during a rally in Manila on Tuesday in support of embattled religious leader Apollo Quiboloy who was ordered arrested by the House for snubbing its hearings on the bill seeking to revoke the legislative franchise of his Sonshine Media Network International (SMNI).

Dimaporo said Vice President Sara Duterte, as a member of the Marcos Jr. Cabinet, should at least try to reign her father in and stop him from attacking the President and his administration.

"From what I heard and saw, VP Sara was among the crowd talking to the people (at the Quiboloy rally). We don't really know what her purpose is there," Dimaporo said. "I would want to believe that her purpose is to at least neutralize the former president na huwag naman masyadong masipag 'yung banat kay (to convince him to tone down his attacks on) President Bongbong Marcos because she is still his Cabinet secretary for education."

Dimaporo said peace should reign in the holy month of Ramadan and he hopes that the Vice President can convince her father to cease his attacks, especially since the President and the Vice President ran on a platform of national unity.

"I hope that being her father, our former president, President Duterte will somewhat be, in a way, parang (like) tapered down or like (a) dialogue can open, because this hasn't helped anybody. This is the holy month of Ramadan," he said. "And with regards to the prayer rally, is it an opposition, is it something to be worried about? Kami naman we're from Mindanao so basta lang walang armas, walang crossfire, walang violence (We're from Mindanao, so as long as there's no arms, no crossfire, no violence), and you know there's no harm." *[Cont. page 6]*

Economic Cha-cha gets House OK on 2nd reading

[Cont. from page 5]

Dimaporo said the almost identical resolutions of the two houses of Congress clearly provide that particular economic constitutional provisions related to public utilities, education and advertising will be amended.

“Maybe he (Duterte) hasn’t been clarified on what’s happening here in Congress,” said Dimaporo, chair of the House committee on Muslim affairs.

The House, which has started plenary deliberations on RBH No. 7 last Monday, was scheduled to put the measure to a vote last night for passage on second reading to give it enough time for the period of amendments next week before voting on it for approval on third and final reading.

La Union Rep. Francisco Paolo Ortega, an assistant majority leader, backed Dimaporo, saying it is obvious in the House deliberations that only the restrictive economic provisions of the 37-year-old Constitution will be amended.

“It’s purely economic Cha-cha,” Ortega said. “Even if you watch the debates in the Senate, the House, wala naman pong pinag-uusapan tungkol sa politika (there are no political discussions),” Ortega said.

“We have never discussed a single thing about anything on political, extension of term,” he stressed.

Aklan Rep. Teodorico Haresco Jr. expressed concern over the political repercussions of Duterte’s tirades, warning that it could have serious economic consequences for the country.

“The political ripple that he (Duterte) created may burn the house down,” Haresco told the same press conference. “There will be some suspended animation from all these targeted [FDIs] into our country with that move of our honored former President Digong.”

Haresco cited the recent foreign trip of the President, who brought US$1.7 billion in potential investments. Because of a perceived political instability, he said these investments may be put at risk, leading to a potential suspension of foreign direct investments (FDIs) into the Philippines.

Source: https://malaya.com.ph/news_news/economic-cha-cha-gets-house-ok-on-2nd-reading/

Ecop, exporters warn of fallout from wage hike

March 14, 2024 | Andrea E. San Juan and Jovee Marie N. de la Cruz | BusinessMirror

EMPLOYERS and exporters on Wednesday expressed reservations regarding the proposed national wage hike, saying it could widen existing inequalities across various sectors of the Philippine economy, while making it harder for business to recover prepandemic growth levels.

In his position presented during the hearing of the House Committee on Labor and Employment, Employers Confederation of the Philippines (ECOP) Director-General Jose Roland Moya underscored the potential risks the proposed wage hike poses to the vast majority of workers in the informal economy, which constitutes approximately 80 percent of the Philippine workforce.

For its part, the Philippine Exporters Confederation Inc. (Philexport) warned the government against imposing an increase in the minimum wage. While Philippine exports rebounded in January and are poised to grow this year on the back of electronics, mining and service exports, the wage hike could dampen the growth of the country’s earnings from outbound shipments, the group said.

Despite the country’s earnings from outbound shipments posting a 9.1 percent growth in the first month of the year, Philexport President Sergio R. Ortiz-Luis Jr. told this paper that hiking the minimum wage can affect exports as it would hit the manufacturing sector and the supply chain.

To sustain the trend of the country’s exports, the Philexport chief warned against such hike saying, “Huwag lang sila magkakamali tataasan ’yung minimum wage, magkakaloko-loko na naman ’yun. ’Yung inflation natin. Kasi ’yung mga manufacturing tatamaan eh. Tsaka ’yung supply chain.” *[Cont. page 7]*

Ecop, exporters warn of fallout from wage hike

[Cont. from page 6]

In contrast, the country's service exports could be a bright spot amid economic headwinds.

"Service exports, notably IT-BPM, are typically more resilient during economic slumps, less impacted by supply chain issues and manufacturing slowdowns," Ibpap told the BusinessMirror in a Viber message.
Pending in the lower chamber, House Bill 514 and HB 7871 proposed a P150 daily increase, while HB 7568 pushed for a P750 across-the-board increase.

The Senate recently approved on third and final reading a bill for a P100 hike.

Moya underscored the potential risks the proposed wage hike poses to majority of workers in the informal economy, including street vendors, home-based workers, domestic workers, construction laborers, informal transport workers, and agricultural workers.

"These are just a few examples, and the informal sector in the Philippines is diverse and encompasses a wide range of occupations and activities. Common challenges across these sectors include job insecurity, low wages, long working hours, limited social protection, inadequate safety standards, and lack of access to benefits," he said.

Moya emphasized that while the formal sector might benefit from the proposed increase, it could widen existing inequalities.

"If enacted, the wage hike could further widen existing inequalities, leaving informal sector workers at a severe disadvantage. While formal sector employees may see an improvement in their standard of living, many of our Filipino workers are likely to experience job losses and reduced working hours. This disparity would widen the income gap between the two sectors, further marginalizing informal workers and deepening socio-economic inequalities," he said.

Strain on MSMEs

MOYA noted the significant role played by micro, small, and medium enterprises (MSMEs) in the Philippine economy, where they account for 99.5 percent of all registered businesses.

He worries that a substantial wage hike could strain the financial resources of MSMEs, particularly those with tight profit margins.

Increased labor costs might lead to downsizing, operational challenges, and reduced competitiveness for these enterprises. Attracting and retaining skilled workers may become a challenge for MSMEs, limiting their ability to innovate, expand, or improve productivity, he added. Moya warned that these challenges could impact the sustainability and contribution of MSMEs to the overall economy.

Deter investment

HE highlighted the potential deterrent on foreign investments. Increased labor costs for businesses, including foreign investors, could diminish profit margins and competitiveness, particularly in industries with tight profit margins or intense competition, he said.

Moya also cautioned that higher wages might reduce profitability for businesses, making investments in the country less appealing to foreign investors and potentially decreasing foreign direct investment (FDI) inflows.

There are as well unintended consequences of higher wages. Increased labor costs might lead businesses to cut costs elsewhere, resulting in job cuts or reduced hiring. Small or low-margin businesses, in particular, may struggle to absorb these increased costs, leading to closures if they cannot remain profitable.

Moya, meanwhile, commended the Regional Tripartite Wages and Productivity Boards for their balanced representations from workers' and employers' sectors.

Lastly, Moya addressed the potential dangers of wage distortion, emphasizing its ability to disrupt the established wage structure and create inequities within the labor market.

Meanwhile, the exporters' group also weighed in on the issue. Despite the country's export earnings posting a 9.1-percent growth in the first month of the year, Philexport President Sergio R. Ortiz-Luis Jr. told this paper that hiking the minimum wage can affect exports as it would hit the manufacturing sector and the supply chain. *[Cont. page 8]*

Ecop, exporters warn of fallout from wage hike

[Cont. from page 7]

“They should not make the mistake of raising minimum wage again, as that could spell trouble. There’s inflation, because manufacturing will surely be hit. And then there’s the supply chain,” he said, speaking mostly in Filipino.

This was only among the factors that could potentially reverse the growth of exports this year. Other threats to growth that the Philexport chief cited were geopolitical factors which often lead to higher shipping costs and inflation.

In contrast, the country’s service exports could be a bright spot amid economic headwinds. “Service exports, notably [IT and Business Process Management] IT-BPM, are typically more resilient during economic slumps, less impacted by supply chain issues and manufacturing slowdowns,” the IT and Business Process Association of the Philippines (IBPAP) told the BusinessMirror in a Viber message.

“With companies continuing to rely on IT-BPM services for operational support, process efficiency, and digital transformation, demand for these services remains strong, even in tougher times,” the industry group noted.

Despite potential impacts from global recessions, Ibpap said, as a sector which accounts for 79 percent of the Philippines’s service exports in 2022, the industry is expected to show “remarkable resilience” compared to goods exports. The country’s merchandise export earnings grew 9.1 percent in January, a rebound from the contraction of 0.5 percent in December 2023 and 10.6 percent in January 2023.

Ortiz-Luis said electronics and mining-related exports could have pushed up exports in the said period.

“We know the huge share in exports of electronics. So that might account for it. Plus I understand some mining companies had made shipments,” the Philexport chief said.

Data from the Philippine Statistics Authority (PSA) showed that electronics exports amounted to $3.45 billion, up 16.3 percent in January 2024 from the $2.97 billion in January 2023. This translates to 58.2 percent share of the country’s goods exports pie.

Source: https://businessmirror.com.ph/2024/03/14/ecop-exporters-warn-of-fallout-from-wage-hike/

Contact Us

Korean Chamber of Commerce Philippines, Inc. (KCCP)
Unit 1104 Antel Corporate Center, 121 Valero St., Salcedo Village, Makati City
(02) 8885 7342 | (02) 8404 3099
info@kccp.ph | www.kccp.ph

UPCOMING EVENTS

Both events are open for sponsorships, for more information please feel free to **contact KCCP Secretariat at 8885-7342 | 8404-3099 or email info@kccp.ph.**

For confirmation of attendance and /or reservation please contact KCCP on the aforementioned contact details.

This KCCP E-Newsletter is supported by: