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PHL seen to remain resilient in 2024 with 5%-6% GDP growth — McKinsey

March 18, 2024 | Roderick Abad | BusinessMirror

AMID external factors that could create an impact on the country's economy, the Philippines is expected to sustain its growth in 2024, provided that the potential of critical sectors are unlocked and anticipated macroeconomic situations are adapted.

This is highlighted in the latest report published by McKinsey & Co., titled "The Philippines economy in 2024: Stronger for longer?," which also details the necessary steps in realizing and sustaining the bullish outlook in the long run.

After ranking third in 2022, the Philippines was the fastest-growing economy in Southeast Asia in 2023 with a 5.6-percent annualized gross domestic product (GDP) growth—slightly below the government's 6.0 percent to 7.0 percent target.

The continued improved performance could be attributed to resumption in commercial activities, heightened public infrastructure spending, and increase in digital financial services.

Growth was apparent industry-wide, with top-performers being transportation and storage expanding at 13 percent; construction, 9 percent; and financial services, 9 percent.

"We assess there to be there are three potential scenarios for the country's growth, within 5-6 percent of GDP," Jon Canto, managing partner at McKinsey Philippines, said of the current national economic forecast for 2024.

First is the projected 4 percent GDP growth given that there are challenging conditions like decreasing trade and rising inflation that could keep policy rates high and lessen private consumption, thus leading to a slower long-term growth.

The second is a 5.2-percent hike had inflation moderates and global situations turn out to be hugely favorable because of a stable investment environment and regional trade demand.

And third is around 6.1 percent increase if inflation decelerates and public policies accommodate aspects like easing key policy rates and offering incentive programs to bolster productivity.

The McKinsey & Company's article navigated on the 2024 insights for seven key sectors and themes, factors that could impact each of them in the coming year, and the keys for continued expansion.

Financial services
FOR this year, this industry is seen to grow at around 5 percent, a bit lower than the roughly 7 percent surge in 2023.

Financial inclusion, digital adoption, unsecured lending growth, and high interest rates are major trends to look out for in this sector. Pivotal to opening growth opportunities here are supportive frameworks and environment to meet rising demand from the financially underserved.

Energy and power
THE prospect for the energy sector is upbeat, as it is projected to grow by 7 percent this year on the back of the nation's focus on gas, renewable energy (RE), and transmission infrastructure.

Upgrading power grids for them to become more flexible and capable to keep up with the intermittent electricity supply can be crucial as the sector pivots toward RE.Making natural gas as a transition fuel could give impetus to exploration and production investments.

Lastly, the increasing momentum of green energy auctions could make the development of renewables at scale possible. *[Cont. page 2]*

PHL seen to remain resilient in 2024 with 5%-6% GDP growth — McKinsey

[Cont. from page 1]

Healthcare

IT may slow down to 2.8 percent in 2024, but recovery of pharmaceuticals manufacturing is expected with 5.2 percent growth by yearend.

While demand for healthcare will be strong, its quality may be affected. This could be due to the lack of health workers seen to increase in the next five years, higher than expected benefit usage, and rising healthcare costs.

Pharmaceutical firms are feeling different effects of people becoming more health conscious. Businesses operating in this field may benefit from universal healthcare policies, but they need to explore a complex landscape of pent-up demand and health ecosystem reforms.

Consumer and retail

A steady growth forecast is in store for retail and wholesale trade, as well as consumer goods this year at 4 percent and 5 percent, respectively.

Inflationary pressure, however, keeps on topping the concerns of Filipinos, such that majority of them have changed their shopping behaviors and preferences. They have become more adept of buying in online platforms.

Businesses ought to look into investments that intensify resilience across the supply chain, while researching and developing new products that cater to emerging consumer preferences.

Manufacturing

THIS sector is a major contributor to the country's economy, accounting for approximately 6 percent of GDP in 2023, and is expected to sustain such growth level by the end of 2024.

Some changes that could be observed for the manufacturing industry this year might affect it henceforth. Knowledge and technology transfer, not to mention the development of STEM capabilities, could draw investments into the sector and strengthen the country's relevance as a manufacturing hub.

To secure growth, the support of both the public and private sectors could boost investments in research and development and upskill the labor market. Also, strategies to attract investment may be essential to the further development of supply chain infrastructure and manufacturing bases.

IT-BPO

THE sun continues to shine on the Information technology-business process outsourcing (IT-BPO) industry as it is on track to achieve its long-term goals, with predicted $38 billion revenues in 2024. Emerging innovations in service delivery and work models are seen driving its further expansion.

Establishing a right talent hub helps bridge employee gaps and better match local employees to employers' needs. Exploring the development of facilities and digital infrastructure is what businesses should do so as to allow industry expansion outside the metropolis, especially in future "digital cities" across the nation.

Since businesses are now utilizing automation and generative AI, this sector must embrace new technologies to unlock productivity. and offer high-value services.

Sustainability

BECAUSE of its geographic location, the Philippines is regarded as the fourth most vulnerable country to climate change worldwide.
It is estimated that an economic loss of $3.2 billion on the average could happen yearly because of natural disasters in the next 50 years, translating to up to 7 percent to 8 percent of the country's nominal GDP.

To address these concerns and stimulate "green" growth, the Philippines must act on these five potential opportunities: RE, solar photovoltaic (PV) manufacturing, battery production, electric mobility, and nature-based solutions.

"By focusing on initiatives that could unlock growth in these seven critical sectors and themes, while adapting to the macro-economic scenario that plays out, the Philippines could realize its potential in 2024 and take steps towards achieving longer-term sustainable and inclusive growth," Canto stressed.

Source: https://businessmirror.com.ph/2024/03/18/phl-seen-to-remain-resilient-in-2024-with-5-6-gdp-growth-mckinsey/

Gov't back to fiscal surplus on robust tax collection

March 18, 2024 | Ian Nicolas P. Cigaral - @inquirerdotnet | Philippine Daily Inquirer

Under the TRAIN law, the estate tax is now at a uniform rate of 6 percent of the net estate while the documentary stamps tax stays at 1.5 percent of the net estate.

MANILA, Philippine — The national budget position swung to a surplus in January after eight straight months of deficit as a strong growth in state spending was matched by an even more robust revenue collection.

Data released Friday by the Bureau of the Treasury showed that the state had posted a budget surplus of P88 billion in the first month of 2024, a turnaround from the P401-billion deficit recorded in December last year.

Compared with a year ago, the January outturn was almost double the P45.7-billion government surplus recorded before.

A budget surplus happens when revenue collections outpaced government spending, while a deficit means the reverse occurred.

Revenue take outpaced spending

Sought for comment, Nicholas Antonio Mapa, senior economist at ING Bank in Manila, was impressed with the expenditures and revenue collection performance of the government in January. He said in a Viber message that it's "good to see strong spending alongside better revenue collection."

"If the government will be counted on to support sagging growth momentum, it will only be feasible if accompanied by commensurate gains in revenue collection," Mapa added.

Total government revenues in January amounted to P421.8 billion, up by 21.15 percent year-on-year.

Figures showed that collections by the Bureau of Internal Revenue had jumped 31.35 percent to P308.4 billion, while the Bureau of Customs had managed to raise P73.4 billion, up 3.98 percent.

On the expenditures side, the government spent a total of P333.9 billion in January, up at an annualized rate of 10.39 percent. Of that amount, productive disbursements on state programs and projects grew 1.64 percent year-on-year to P259.6 billion, while interest payments for outstanding debt reached P74.2 billion, representing a sharp increase of 58.02 percent.

Gov't borrowing plan

The Marcos administration is planning to borrow a total of P2.46 trillion from creditors at home and abroad this year to help bridge its budget deficit, which is projected to hit P1.4 trillion.

Finance Secretary Ralph Recto said the government would remain "prudent" in its debt management by continuing to adopt a 75:25 borrowing mix in favor of domestic sources. This means that the borrowing program this year will be composed of local debts worth P1.85 trillion and foreign financing amounting to P606.85 billion.

Such a strategy, Recto explained, would "mitigate foreign exchange risks, take advantage of the abundant liquidity in the country's financial system, and support the development of the local debt and capital markets."

To diversify funding sources, Recto said the government is looking at various global bond markets, with a "potential curtain-raiser offering" within the first semester.

Source: https://business.inquirer.net/450461/govt-back-to-fiscal-surplus-on-robust-tax-collection

Cha-cha timeline on track— House

March 18, 2024 | Wendell Vigilia | Malaya Business Insight

Malaya Business Insight

THE House of Representatives is set to approve on third and final reading on Wednesday the proposed Resolution of Both Houses No. 7 (RBH No. 7) which seeks to revise what congressmen describe as the "restrictive" economic provisions of the 1987 Constitution.

Senior Deputy Speaker Gonzales Jr. of Pampanga, a principal author of RBH No. 7, said lawmakers will stick to its deadline of passing the economic Charter change resolution before Congress adjourns sessions this week for its Lenten break. *[Cont. page 4]*

Cha-cha timeline on track— House

[Cont. from page 3]

“Under the original timeline set by our good Speaker Ferdinand Martin G. Romualdez, we hope to have final approval before our scheduled adjournment on Wednesday, barring any last-minute delay,” Gonzales said.

A counterpart measure at the Senate, RBH No. 6, is still being deliberated by the subcommittee of the Committee on Constitutional Amendments and Revision of Codes which is chaired by Sen. Juan Edgardo Angara, who has said that the discussions could take until October.

Gonzales said the joint resolution, which contains the economic amendment proposals, “will be approved as is without amendment,” as recommended by the Committee of the Whole House chaired by Speaker Romualdez.”

Gonzales is one of the principal authors of RBH No. 7, which is an almost exact reproduction of RBH No. 6, introduced in the Senate by Senate President Juan Miguel Zubiri and Senators Loren Legarda and Angara.

RBH Nos. 6 and 7 are both entitled, “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.”

The proposed House and Senate changes are on the grant of legislative franchises to and ownership (60-40) of public utilities in Article XII, administration and control of basic educational facilities in Article XIV, and ownership of advertising firms (70-30) in Article XVI.

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.
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.

The Constitution, while requiring a three-fourths vote of all members of Congress, is silent on how the voting should be done.

Gonzales said those who still doubt that the House is planning to include political amendments in its push for economic Charter reforms “should now shed their baseless suspicions and their fear of the unknown.”

“Speaker Romualdez and the rest of us in the House have honored our word and followed the guidance of our President Ferdinand ‘Bongbong’ Marcos Jr: that we would work only on proposing economic amendments,” he said.

The House leader said not one House member even tried to propose anything political in nature in the push for economic Charter reforms.

“We have proven the doubters wrong. No term extension proposal for any elective official. I hope they will now believe President BBM’s statement that his advocacy was confined only to changing the economic provisions,” he said.

Source: https://malaya.com.ph/news_news/cha-cha-timeline-on-track-house/

DoE considering new norms for energy-efficiency compliance

March 17, 2024 | Sheldeen Joy Talavera | BusinessWorld

ROBERT LINDER-UNSPLASH

THE Department of Energy (DoE) said it is considering new energy-efficiency standards for privately owned buildings.

“Maybe in a couple of years, we’ll be coming out with a building energy efficiency index, a benchmark (based on) the particular activity of the private company,” Patrick T. Aquino, director of the DoE’s Energy Utilization Management Bureau, told reporters last week.

Mr. Aquino said that the DoE is also considering a fleet fuel efficiency standard, equivalent to the corporate average fuel economy standard for vehicle manufacturers.

He said the team studying the new standards is currently in the data-collection stage. *[Cont. page 5]*

DoE considering new norms for energy-efficiency compliance

[Cont. from page 4]

"That's something that we will ultimately have in place, but we will not put that in place until we've collected sufficient data," Mr. Aquino said.

In a memorandum circular issued in 2020, the DoE requires designated establishments to submit an annual energy utilization report and annual energy efficiency and conservation report.

"What we're monitoring in terms of compliance in their reports is their own set targets. So, the government is not yet mandating them to, with a specific target in mind, but they have to set their own targets at this point," Mr. Aquino said.

In January, President Ferdinand R. Marcos, Jr. issued Administrative Order No. 15 to accelerate the implementation of the Government Energy Management Program (GEMP).

GEMP is aimed to reduce the government's electricity and fuel consumption by at least 10% through energy efficiency and conservation initiatives.

"The DoE, through monitoring teams, will be doing spot checks to determine compliance," Mr. Aquino said in relation to GEMP.

Source: https://www.bworldonline.com/economy/2024/03/17/582353/doe-considering-new-norms-for-energy-efficiency-compliance/

CREAT MORE bill gets 3rd reading vote in House

March 19, 2024 | Samuel P. Medenilla | BusinessMirror

THE House of Representatives (HOR) on Monday approved on third and final reading the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act.

The development comes days before Congress goes on its Holy Week Break on March 23, 2024.

Albay Second district Rep. Jose "Joey" S. Salceda lauded the progress in the passage of the new legislative measure, which aims to "correct" the Value Added Tax (VAT) regime under CREATE's Implementing Rules and Regulations (IRR), which resulted in the loss of 125,560 manufacturing jobs.

"Manufacturing is sensitive to increases in cost, being a low-margin operation, so any undue increase in taxes in that sector also means job losses. We need to course-correct on VAT," Salceda said in a statement issued on Monday.

Other necessary amendments in CREATE include streamlining the procedures of the Fiscal Incentive Review Board (FRIB) so it will not hinder the inflow of Foreign Direct Investments (FDI).

Salceda said the bill also aims to reduce the Corporate Income Tax (CIT) for enhanced deductions (ED) from 25 percent to 20 percent to encourage companies. He said this will encourage companies to shift from the special corporate income tax (SCIT) regime to ED instead.

The lawmaker said the country can also attract more investments through an "enhanced deduction for power cost [that] will be more targeted towards those who need competitive power rates to create jobs."

He said the proposed bill aims to improve the CREATE Law, which already created some 366,650 additional jobs in the economy.

"CREATE is on track to meet its 10-year job creation target of 1.4 million jobs due to lower corporate income taxes and a harmonized tax incentives regime," Salceda said.

The ongoing amendments, he pointed out, are timely as more firms shift their manufacturing operations away from China.

"CREATE MORE is our response to these developments. And it pragmatically affirms what works with the CREATE law, while correcting other policies early," Salceda said.

Source: https://businessmirror.com.ph/2024/03/19/create-more-bill-gets-3rd-reading-vote-in-house/

Senate passes measure creating Bulacan ecozone

March 19, 2024 | Raymond Africa | Malaya Business Insight

Voting 22-0-0, the Senate on Monday afternoon passed on third and final reading a measure creating the Bulacan Special Economic Zone and Freeport Authority in Bulakan town.

Under the measure, Bulacan ecozone will cover the airport and airport city project of the San Miguel Aerocity and will be managed and operated as a separate customs territory to ensure free flow of goods and capital within, into, and out of its territory.

The measure also offers tax incentives and duty-free importation of raw materials and capital equipment to registered enterprises under the terms under Republic Act 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act.

The Bulacan ecozone is required to spell out its development goals for the airport and allied businesses.

Foreigners who will invest at least $200,000 in either cash or its equivalent will be entitled to an investor’s visa, while a registered entity or enterprise within the ecozone will be allowed to remit earnings from foreign investments in the currency in which the investment was made.

Once signed into law, the departments of trade and industry, finance, and the National Economic Development Authority will be tasked to draft the implementing rules and regulations.

Source: https://malaya.com.ph/news_business/senate-passes-measure-creating-bulacan-ecozone/

Gov’t to get first P30B for Naia deal

March 19, 2024 | Tyrone Jasper C. Piad - @inquirerdotnet | Philippine Daily Inquirer

This photo, taken on March 7, 2014, shows the Ninoy Aquino International Airport (NAIA) Terminal 1. (File photo by GRIG C. MONTEGRANDE / Philippine Daily Inquirer)

SMC SAP & Co. Consortium is set to make the P30-billion upfront payment to the government during the signing of the P170.6-billion Ninoy Aquino International Airport (Naia) rehabilitation contract at Malacañang Palace on Monday, March 18.

The amount is part of the concession agreement that not only seeks to improve the operations of the country’s main international gateway but also to generate revenues for the government.

The Department of Transportation (DOTr) estimated this public-private partnership project with the San Miguel Corp. (SMC)-led group would generate P900 billion for the government, or about P36 billion annually, should the concession period run for 25 years.

The consortium is given 15 years to realize the big-ticket infrastructure project but the term can be extended by 10 years depending on the results of a performance evaluation during the eighth year.

The contract signing comes about a month after the DOTr proclaimed the San Miguel-led group’s bid the winner. It put forward the highest proposal for revenue share with the government, besting the bids of GMR Airports Consortium and Manila International Airport Consortium.

Following the inking of the partnership, the DOTr previously said the private concessionaire would conduct financial closing for three to six months before kicking off the project.

The consortium is tasked with rehabilitating passenger terminals and airside facilities such as runway, aircraft parking area and airfield lighting. It would also build facilities enabling intermodal transfers at the terminals.

The DOTr earlier said they were expecting the group to already deliver some improvements in the airport as early as next year.

These include making waiting time at check-in and immigration counters shorter and more predictable, more available parking slots and additional seats at the pre-departure areas.

Rehabilitating Naia will increase its capacity up to around 60 million passengers per year, which is seen as a must given that it is already handling volume beyond its capacity.

Source: https://business.inquirer.net/450726/govt-to-get-first-p30b-for-naia-deal

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.

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