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SPECIAL POINTS OF INTEREST

UPCOMING EVENT

Inflation uptick seen in March — BSP

March 21, 2024 | Aaron Michael C. Sy | BusinessMirror

HEADLINE INFLATION could have quickened further to 3.9% in March due to positive base effects, Bangko Sentral ng Pilipinas (BSP) Governor Eli M. Remolona, Jr. said on Wednesday.

A rice vendor is seen at Paco Market, Manila, March 13, 2024. — PHILIPPINE STAR/RYAN BALDEMOR

"It would be close to 4%," Mr. Remolona told reporters on the sidelines of an event. "I think 3.9%, but we'll see."

If realized, inflation would be faster than the 3.4% print in February but slower than the 7.6% in March 2023. This would also mark the second straight month that inflation accelerated on a monthly basis.

However, inflation would remain within the BSP's 2-4% target range for a fourth straight month.

The BSP expects inflation to average 3.6% this year.

Asked if the BSP would keep policy settings unchanged at its next meeting, Mr. Remolona said the Monetary Board will look at the data.

"We're trying to make our models better," he said in mixed English and Filipino. "So, I think we will act with more confidence as before."

At its February meeting, the BSP kept its benchmark rate steady at a near 17-year high of 6.5% for a third straight meeting. The central bank has raised borrowing costs by 450 basis points (bps) from May 2022 to October 2023 to tame inflation.

The Monetary Board's next policy review is scheduled for April 4.

Meanwhile, Mr. Remolona said the central bank is "closely" watching the US Federal Reserve's next move, but its own monetary policy decisions will not be dependent on the US central bank.

"We don't have to wait for them. We watch them very closely. We read the statements and what the different members of the FOMC (Federal Open Market Committee) say and that's data for us," he said.

The FOMC was expected to announce a rate decision at the end of its two-day meeting on Wednesday. The US central bank hiked the fed funds rate by 525 bps from March 2022 to July 2023 to the 5.25-5.5% range.

"We don't have to put a lot of weight to what they (Fed) do, unless the markets go crazy, unless they overreact, the peso somehow weakens sharply then we have to react more decisively. But we don't expect that," the BSP chief said.

The local unit closed at P56.13 per dollar on Wednesday, weakening by 21 centavos from its P55.92 finish on Tuesday, Bankers Association of the Philippines data showed.

This was the peso's weakest close since its P56.20 per dollar finish on Feb. 29. Year to date, the peso weakened by 83 centavos or 1.5% from its P55.37 per dollar finish on Dec. 29.

"And so, in our case, when we start to cut, we are also likely to cut in the next few policy meetings," Mr. Remolona said, adding that BSP would likely cut faster than the Fed. *[Cont. page 2]*

Inflation uptick seen in March — BSP
[Cont. from page 1]

The BSP chief also reiterated that he still wants to lower the banks' reserve requirement ratio (RRR).

"It's just a question of when. It's kind of awkward to lower it at a time when we're still hawkish. That tends to be an easing measure," he said.

"But we will eventually lower it because it's not just a monetary policy measure. It's an efficiency issue in terms of financial intermediation."

In June last year, the BSP slashed the ratio for big banks and nonbank financial institutions with quasi-banking functions by 250 bps to 9.5%. However, Mr. Remolona had earlier said that the 9.5% rate is still "not low enough."

The BSP has brought down the RRR for big banks to a single-digit level last year from a high of 20% in 2018.

Source: https://www.bworldonline.com/top-stories/2024/03/21/583220/inflation-uptick-seen-in-march-bsp/

Philippines has potential to grow into $2 trillion economy -WEF
March 21, 2024 | Louise Maureen Simeon | The Philippine Star

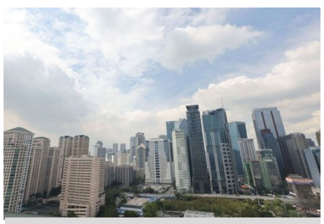


Photo show the skyscrapers of the Ortigas Center in the central business district as seen from Pasig City on January 9, 2024 afternoon.
Michael Varcas / The Philippine STAR

MANILA, Philippines — The Philippines can potentially expand to a $2-trillion economy over the next decade if investments in key sectors will be sustained, particularly in education and human development, according to a top official of the World Economic Forum (WEF).

In a briefing with the economic team on Tuesday, WEF president Borge Brende expressed optimism on the growth trajectory of the Philippines, noting its resilience in a challenging global environment.

Brende emphasized that WEF is seeing a lot of global business interest in the Philippines considering that it is now the fastest growing economy in the region.

"It's not always been like that. We also see that there's increased interest for FDI (foreign direct investments) even if it is relatively lower in some of the surrounding countries," Brende said.

He added that the WEF is "very bullish" on the Philippines "provided that reforms will be continued."

"I think that in the coming decade, the Philippines can be a $2-trillion economy if there are better investments in education and infrastructure and also (if the country is) able to draw on the great competence of its people," Brende said.

As of end-2023, the Philippine economy was just about $380 billion in nominal terms.

Brende noted his optimism is stemming from the country's stable and sound fiscal and monetary policy.

Brende said there is also a keen interest from the President and the Cabinet to get rid of unnecessary red tape and create the right investments for future growth.

"I think there are still areas of red tape and bureaucracy that can be addressed. And I know the government is on this. Of course, this is not something only for the Philippines. This is a challenge in many economies," Brende said.

"But everything that can create even a more conducive environment for entrepreneurs and innovators (should be done)," he said.

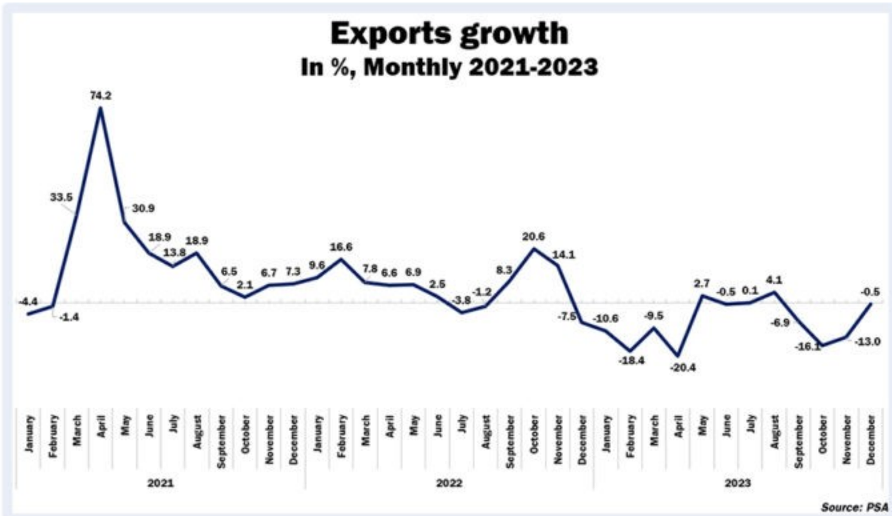
While there are geopolitical challenges hounding the region, Brende said it could be an opportunity for the Philippines to receive increased investment especially in the manufacturing area because there is diversification of the supply chains.

"Vietnam, Malaysia, Thailand and India have gained a lot from this and I think there is also a potential for the Philippines. There are areas of policies that have to be looked at to make sure that it catches more momentum," Brende said.

Source: https://www.philstar.com/business/2024/03/21/2342027/philippines-has-potential-grow-2-trillion-economy-wef

2024 export target impossible to meet

March 21, 2024 | Irma Isip | Malaya Business Insight



Exports should step up its growth rate to meet the goals of the Philippine Export Development Plan (PEDP).

At the 7th Philippine Farm Tourism Conference in Panglao, Bohol last week, Sergio Ortiz-Luis Jr., vice chair of the Export Development Council (EDC) and president of the Philippine Exporters Confederation Inc. said exports need to grow by 40 percent instead of the initial 10 percent target to meet the $143.4-billion export target set for 2024 in PEDP 2023-2028.

"That's impossible to achieve," said Ortiz-Luis, who expressed confidence though exports can recover from last year's slump and grow 11 percent.

Hitting this year's PEDP target will be very challenging considering merchandise exports declined 7.6 percent to $73.52 billion in 2023, with December 2023 export sales slightly decreasing to $5.78 billion.

EDC said the Philippines faces hurdles in reaching its 2024 growth target due to a significant slump in exports. Weak export demand, particularly from key markets like the United States and China poses a challenge.

The EDC said economists and experts have varying projections for the economic performance this year. While the Development Budget Coordination Committee (DBCC) remains optimistic with growth projections of 6.5 to 7.5 percent growth, others like the First Metro Investment Corp. and the University of Asia and the Pacific anticipate slower GDP growth of at least 6 percent this year.

A recent publicly featured study by the Philippine Institute for Development Studies (PIDS) titled "Macroeconomic Outlook of the Philippines in 2023–2024: Prospects and Perils" predicts economic growth in 2024 to be between 5.5 and 6 percent, with inflation dropping to the target range. This study presents conditions shaping the global and regional outlook, projections on growth and consumer prices, and prospects coming into 2024.

Source: https://malaya.com.ph/news_business/2024-export-target-impossible-to-meet/

Next round of EU-PH FTA eyed in Q3 2024

March 20, 2024 | Kris Crismundo | Philippine News Agency

Image from European Chamber of Commerce of the Philippines (ECCP)

MANILA – After the announcement of the Philippines and the European Union (EU) to resume negotiations for a bilateral free trade agreement, a senior government official said on Wednesday they are eyeing to resume the formal discussions by the third quarter of 2024.

"We are targeting third quarter of the year. Prior to that we still have to meet with the EU," Department of Trade and Industry (DTI) Undersecretary for International Trade Policy Group Allan Gepty told the Philippine News Agency.

Gepty, the country's lead negotiator for FTAs, said both parties have yet to decide whether the upcoming negotiation would be a continuation of the second round of formal talks held in 2017 or this will be a new round of discussions. *[Cont. page 4]*

Next round of EU-PH FTA eyed in Q3 2024

[Cont. from page 3]

On Monday, DTI Secretary Alfredo Pascual and European Commission Executive Vice President Valdis Dombrovskis jointly announced that both parties have agreed to resume negotiations for the Philippines-EU FTA.

Dombrovskis noted that "conditions are right to take our trade relations to the next level," and projected that the bilateral FTA would expand trading between the two countries by 6 billion euros.

The announcement of the recommencement of the formal FTA negotiations was also welcomed by European business groups.

"This renewed interest underscores the attractiveness of the Philippines as a prime business destination for European firms, emphasizing the mutual benefits of fostering deeper economic ties," the European Chamber of Commerce of the Philippines (ECCP) said in a statement.

Likewise, the German-Philippine Chamber of Commerce and Industry (GPCCI) lauded the resumption of the bilateral negotiations for a free trade deal.

"With Germany standing as the Philippines' leading trading partner and top investment figures in 2023, as reported by the Philippine Board of Investments, the EU-Philippines FTA presents a significant opportunity to further enhance the interests of German businesses, as demonstrated by their keen enthusiasm observed during the business forum," the GPCCI said in a separate statement.

It noted that based on its AHK World Business Outlook Survey for Fall 2023, 70 percent of the surveyed respondents recognized the FTA's vital contribution to the success of their business operations.

The Philippines-EU FTA becomes the country's fourth bilateral trade, adding to the existing FTA with Japan, South Korea, and the European Free Trade Association.

Source: https://www.pna.gov.ph/articles/1221208

DOF now backs legislation for Bulacan ecozone

March 20, 2024 | Chino S. Leyco | Manila Bulletin

MANILA BULLETIN

The Department of Finance (DOF) is now supporting the creation of the Bulacan Special Economic Zone and Freeport (BuZ) next to the new airport being built by San Miguel Corp. (SMC).

Finance Secretary Ralph G. Recto told *Manila Bulletin* that he sees no drawbacks in Senate Bill No. 2572, aiming to set up BuZ, adjacent to the New Manila International Airport in Bulakan, Bulacan.

"I am in favor," Recto said. "I don't see any downside except more opportunities for our people and economy."

The Senate has passed the SB-2572 on its third and final reading, which is expected to be adopted by the House of Representatives. Recto said that the BuZ, the largest ecozone in the country, will unlock the value of currently idle land, resulting in increased tax revenues.

"It will be creating value for thousands of hectares. There's nothing there and no taxes will be lost," the finance chief explained.

"It's a private domestic investor building a four run way airport and ecozone worth roughly P700 billion in Bulacan," he added.

In July 2022, President Marcos vetoed a similar bill due to concerns about significant fiscal risks to the government.

However, Senator Grace Poe, who chairs the Senate Committee on Economic Affairs and is the bill's sponsor, said that the concerns raised by the executive had been adequately addressed in the revised legislation.

To recall, former Finance Secretary Benjamin E. Diokno said that the vetoed Bulacan airport ecozone posed significant fiscal risks to the government.

Diokno had explained that if the legislation establishing the Bulacan Airport City Special Economic Zone and Freeport were to pass, the government would be required to offer "very generous fiscal incentives."

DOF earlier projected that the San Miguel-led ecozone could result in government leakages of at least P60 billion.

Source: https://mb.com.ph/2024/3/20/dof-now-backs-legislation-for-bulacan-ecozone-1

DOTr needs P12.5 billion to build 200 ports

March 21, 2024 | Elijah Felice Rosales | The Philippine Star

Transportation Undersecretary Elmer Sarmiento yesterday said the DOTr will put up an additional 200 ports until 2028 to improve inter-island travel and trim logistics costs.

STAR / File

MANILA, Philippines — The Department of Transportation (DOTr) said it needs at least P12.5 billion to build 200 more ports under the Marcos administration, underscoring the need to improve connectivity in remote islands.

Transportation Undersecretary Elmer Sarmiento yesterday said the DOTr will put up an additional 200 ports until 2028 to improve inter-island travel and trim logistics costs.

Sarmiento said these facilities will be situated in some of the farthest islands of the Philippines to promote tourism destinations and connect farms with markets.

He said each of these ports would require between P20 million to P80 million to build. The DOTr is hoping that the Department of Budget and Management will approve the capital needed in delivering these projects.

Sarmiento said the ports, although limited in capacity, would play a crucial role in stimulating local economies. For instance, the DOTr plans to construct a port in the Turtle Islands, a municipality west of Tawi-Tawi, and in Lawak Island, one of the islands in the Spratlys.

In particular, the ports will be used to accommodate people moving island to island and provide a docking facility for fishing boats.

Further, Sarmiento said the ports can also be maximized in times of emergency, as it is difficult to reach some areas frequented by typhoons because they lack transport infrastructure.

“What the DOTr will do are mostly small ports. We call them social, tourism and farm-to-market ports. These are located in remote areas, in isolated places. This is about connectivity. We would like to connect these remote islands to bigger islands for their economic growth,” Sarmiento said.

Based on records from the DOTr, the government has initiated a total of 402 projects for the port industry since 2015. To date, the DOTr has completed more than half of these, and wants to add more to the pipeline to raise the economic potential of regions.

“We have implemented a total of 402 port projects from 2015 to present, and around 250 of these ports have already been completed. We are also eyeing to finish an additional 200 more ports by 2028 to bridge the gap among Filipinos and hasten economic activities,” Sarmiento said.

Apart from what the DOTr is planning, the Philippine Ports Authority will spend P3.5 billion this year for the upgrade of ports across the archipelago.

The agency expects cargo and passenger volumes to go up by as much as 7.5 percent in 2024, as the world regains its pre-pandemic pace in terms of trade and travel.

Source: https://www.philstar.com/business/2024/03/21/2342012/dotr-needs-p125-billion-build-200-ports

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UPCOMING EVENTS

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