필리핀한인상공회의소뉴스
KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER
July 2024 Issue | Vol. 55

SPECIAL POINTS OF INTEREST

NG budget deficit narrows in June

July 25, 2024| Beatriz Marie D. Cruz | BusinessWorld

THE NATIONAL Government's (NG) budget deficit narrowed by 7.24% year on year in June, as revenue collection grew at a faster clip than spending, the Bureau of the Treasury (BTr) said on Wednesday.

Taxpayers line up at the Bureau of Internal Revenue (BIR) branch in Intramuros Manila to file their income tax returns, April 15. — PHILIPPINE STAR/ EDD GUMBAN

Treasury data showed the budget gap shrank to P209.1 billion in June from P225.4 billion a year ago.

Month on month, the budget deficit widened by 19.54% from P174.9 billion in May.

In June alone, revenue collections jumped by 10.93% to P296.5 billion from P267.3 billion in the same month last year.

Tax revenues rose by 3.37% to P249.3 billion in June, mainly driven by the 4.71% increase in collections by the Bureau of Internal Revenue (BIR) to P172.5 billion, net of a P4.3-billion tax refund.

Collections by the Bureau of Customs (BoC) inched up by 0.67% to P74.6 billion, while those by other offices fell by 5.54% to P2.2 billion.

Nontax revenues surged by 80.6% to P47.2 billion in June, driven by the 158.57% jump in revenues by other offices to P39.8 billion. Revenues by the Treasury declined by 31% to P7.4 billion in June, "due to lower dividend remittance and income from BTr-managed funds."

On the other hand, state spending increased by 2.62% year on year to P505.6 billion in June.

"The increase was mostly attributed to the implementation of capital outlay projects of the Department of Public Works and Highways, and the Department of National Defense under its Revised AFP Modernization Program, the preparatory activities of the Commission on Elections for the 2025 National and Local Elections, and the higher National Tax Allotment shares of local government units (LGUs)," the Treasury said.

However, this was tempered by lower subsidy releases and lending to government-owned and -controlled corporations (GOCCs).

Primary expenditure (net of interest payment) rose by 2.3% to P450 billion in June. Interest payments went up by 5.22% to P55.6 billion.

GAP WIDENS

For the first six months, the budget gap widened by 11.2% to P613.9 billion from P551.7 billion a year ago.

The six-month deficit was 7.24% below the P661.8-billion program for the period as revenues were better than expected.

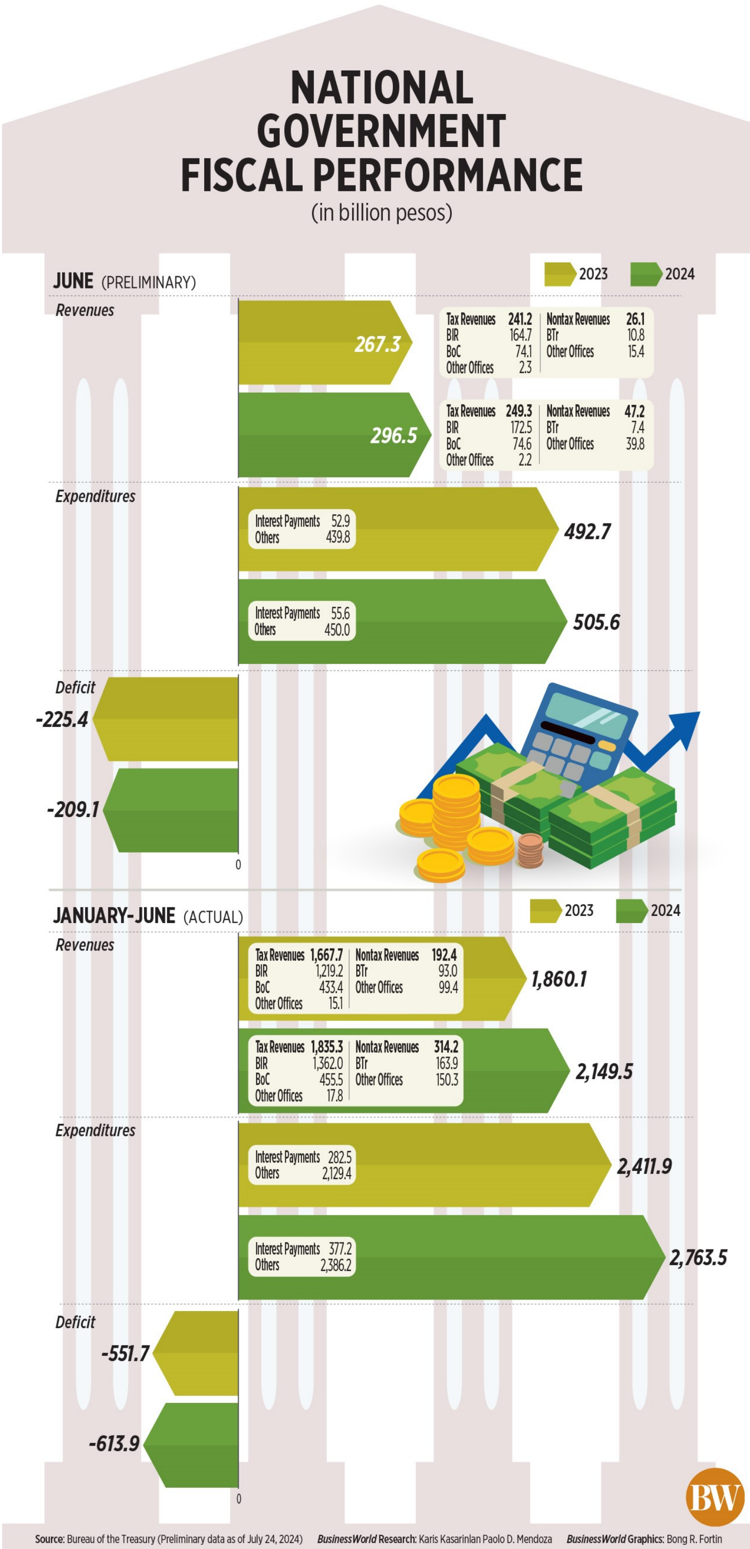
For the January-to-June period, revenue collections jumped by 15.56% to P2.15 trillion from P1.86 trillion last year. It exceeded the P2.08-trillion target for the first half by 3.49%.

Tax revenues, which accounted for 85% of the total revenues, rose by 10.05% to P1.84 trillion as of end-June. This was 1.43% lower than the government's first semester goal of P1.86 trillion.

BIR collections went up by 11.72% to P1.36 trillion but missed the P1.4-trillion target by 2.92%. *[Cont. page 2]*

NG budget deficit narrows in June

[Cont. from page 1]



Revenues by Customs increased by 5.1% to P455 billion and also exceeded the P442.6-billion goal by 2.91%.

Nontax revenues in the first six months surged by 63.3% to P314.2 billion from P192.4 billion last year. This was 46.10% higher than the P215.1-billion target.

Treasury income jumped by 76% to P163.9 billion "on account of higher dividend remittance, interest on advances from GOCCs, and NG share from PAGCOR (Philippine Amusement and Gaming Corp.) income."

The Treasury exceeded the revised midyear program by 26.91% and is only P23.1 billion short of the P187-billion full-year target.

Meanwhile, expenditures for the January-to-June period increased by 14.6% to P2.76 trillion from the P2.41 trillion a year ago. It was 0.9% higher than the P2.74-trillion target for the six-month period.

Primary expenditure increased 12.06% to P2.39 trillion in the first half from P2.13 trillion a year prior.

In the first six months, interest payments jumped by 33.55% to P377.2 billion from P282.5 billion last year.

"While June showed improvement in deficit reduction, the first-half deficit widened year over year. However, the government's ability to exceed revenue targets and keep the deficit below the midyear goal indicates some level of fiscal discipline," Security Bank Corp. Chief Economist Robert Dan J. Roces said in a Viber message.

Mr. Roces said the challenge for the government is to keep a balance between revenue growth and spending to ensure the budget deficit is under control.

Jonathan L. Ravelas, senior adviser at professional service firm Reyes Tacandong & Co., said the government would still need additional funding for the priority programs that President Ferdinand R. Marcos, Jr. identified in his third State of the Nation Address (SONA).

"(Programs for) agriculture, infrastructure and disaster preparedness needs funding, so where will it come from? The DoF said no new taxes. Likely from higher borrowings," he said in a Viber message.

The NG's borrowing program is set at P2.57 trillion this year, of which 75% will come from domestic sources and the rest from foreign sources.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said the collection of withholding taxes from online sellers, which started on July 15, is expected to boost tax revenues for the rest of the year.

"(The withholding tax collection) will help increase the country's recurring tax revenues, narrow the budget deficit, and improve the overall fiscal performance," he said.

For this year, the government set the deficit ceiling at 5.6% of gross domestic product, equivalent to P1.48 trillion. At the end of 2023, the budget deficit stood at P1.51 trillion, exceeding the P1.499-trillion ceiling.

Source: https://www.bworldonline.com/top-stories/2024/07/25/610131/ng-budget-deficit-narrows-in-june/

BSP-issued digital currencies likely by 2029

July 25, 2024| Keisha Ta-Asan | The Philippine Star

Bangko Sentral ng Pilipinas Governor Eli M. Remolona, Jr.

COURTESY OF BANGKO SENTRAL NG PILIPINAS

MANILA, Philippines — The Bangko Sentral ng Pilipinas is on track to issue its wholesale central bank digital currency (CBDC) by 2029, or within the six-year term of BSP Governor Eli Remolona Jr.

In a press briefing, BSP Deputy Governor Mamerto Tangonan said that Project Agila, the wholesale CBDC project of the central bank, is nearing the end of its proof-of-concept phase.

"The governor is very early in his term and we're already about to conclude proof of concept. This is an innovative payment instrument. In fact there's no central bank in the world that has already launched wholesale CBDC, with the exception of the Swiss National Bank," he said.

Project Agila is a two-phase run that started in December 2022. It aims to better understand CBDC technology and assess the capability of wholesale CBDC to foster advancements in the large-value payment system.

The BSP completed the first phase of the pilot by picking Hyperledger Fabric as the distributed ledger technology in July last year.

Bridget Rose Mesina-Romero, director of the BSP's Payments Policy and Development Department, said they will issue a report containing all their findings and assessment related to the sandbox test experiments on Project Agila by the end of the project, which is toward the end of the year.

"Currently we are conducting two test runs of our sandbox experiments from May to June. In a matter of seven weeks, we were able to complete the first step of the test run and we have tested the distributed ledger technology as well as the tokenization of wholesale CBDC," she said.

The BSP will also assess the programmability feature of CBDC technology, which is expected to enhance and automate the processes of payment systems.

"We will be able to make it more efficient and streamline the number of institutions that are intermediating right now and the back-office arrangements of our payment systems," she said.

However, Tangonan said banks and the BSP should understand how to utilize CBDCs, how to effectively manage them and how to ensure their safe operation.

"If the proof-of-concept (phase) brings the literacy and the knowledge of both the BSP and banks to a level that they are ready to launch it, then only at such time will we make a decision whether to go or not go," he said.

"This an entirely new thing and we have to make sure that we can offer it, maintain it and operate it safely, and that the banks can do likewise and that they have a business use case for it."

CBDCs are a form of digital money denominated in the national unit of account and are direct liabilities of the central bank. Wholesale CBDCs may be issued to commercial banks and other financial institutions to settle interbank payments, securities transactions, and cross-border payments, among others.

Source: https://www.philstar.com/business/2024/07/25/2372672/bsp-issued-digital-currencies-likely-2029

SEC starts to regulate sale of condotels, rental pool assets

July 25, 2024| Tyrone Jasper C. Piad - @inquirerdotnet | Philippine Daily Inquirer

INQUIRER.NET

The Securities and Exchange Commission (SEC) has introduced regulations on the sale of condominium, hotel, resort, dormitory and other real estate assets with rental pool arrangements, citing the need to protect investors' interest amid the rising trend of property developers pitching investment returns.

This month, the corporate watchdog released Memorandum Circular 12 series of 2024 detailing the guidelines for rental pool deals. *[Cont. page 4]*

SEC starts to regulate sale of condotels, rental pool assets

[Cont. from page 3]

It outlines the rules for the issuance of investment contracts, certificates of participation, profit-sharing agreements and other forms of securities issued by real estate developers in relation to rental pool arrangements.

In rental pool arrangements, buyers acquire units from real estate projects that will be collectively managed by the developer or a third-party operator.

These pooled units will then be rented out and the property buyers will have a share in the rental income.

New layer of requirement

This kind of investment contract is deemed as a security based on the definition set by the Securities Regulation Code. As such, these certificates should be registered with the SEC before the developers could offer them to the public, the regulator said.

This means that on top of the current requirements to get a license set by the Housing and Land Use Regulatory Board, as well as the permitting process at the local government unit, developers intending to sell rental pool assets must now seek clearance from the SEC. The developer of rental pool will be treated in the same way as other companies offering securities to more than 19 investors.

Prior to filing a registration statement, the SEC mandates that the real estate developer or manager secure approvals from the SEC Company Registration and Monitoring Department, Corporate Governance and Finance Department, Enforcement and Investor Protection Department, Office of the General Counsel and Office of the General Accountant (OGA).

The registrant's financial statements will be subject to review by the OGA to ensure these are compliant with the Philippine Financial Report Standards and SEC regulations. The applicant will then be required to submit further documentary requirements, which will be subject to evaluation for 45 days.

The registrant may be able to start selling its securities within 10 business days from the date of the effectivity of the registration statement.

Source: https://business.inquirer.net/471283/sec-starts-to-regulate-sale-of-condotels-rental-pool-assets

South Korean GDP unexpectedly shrinks, boosting rate cut chances

July 25, 2024| Jovee Marie N. de la Cruz | BusinessMirror

SEOUL – South Korea's economy unexpectedly shrank in the second quarter, clocking the sharpest contraction since 2022 as slumping consumer spending undermined an export boom, reinforcing expectations that an interest rate cut could be imminent.

REUTERS

Gross domestic product (GDP) for the April-June period fell 0.2% from a quarter earlier in seasonally adjusted terms, data from the Bank of Korea showed, missing a 0.1% gain seen by analysts in a Reuters poll. It was the sharpest fall since the fourth quarter of 2022.

The weak data, along with easing consumer price pressures seen in June, increases calls for the BOK to cut interest rates as soon as next month, some analysts say.

The central bank left its key interest rate unchanged at a 15-year high of 3.50% this month and flagged the prospect of a policy pivot as price pressures abated.

Capital Economics said the data suggests domestic demand will only worsen.

"The weakness of the latest GDP figures give us more confidence in our view that interest rate cuts are around the corner," Capital Economics said in a note. "While we expect the central bank to loosen policy starting from October, the risk of a rate cut in August has risen now."

Other analysts, however, say the BOK will not deliver a rate cut until next quarter, choosing instead to wait for the US Federal Reserve to move first. Markets are currently fully pricing in a Fed rate cut in September.

The Korean won was down 0.45% against the dollar at 0153 GMT while the benchmark KOSPI stock index .KS11 was down 1.9% amid a broad selloff in Asia. *[Cont. page 5]*

South Korean GDP unexpectedly shrinks, boosting rate cut chances
[Cont. from page 4]

The performance follows a 1.3% expansion seen in the first quarter, the fastest pace since the fourth quarter of 2021, and keeps Asia's fourth-largest economy on course to hit the bank's projection of a 2.5% growth this year, said Shin Seung-chul, head of the bank's statistics bureau at a news conference.

On an annual basis, Asia's fourth-largest economy grew 2.3%, compared with a gain of 3.3% in the first quarter of 2024.

Both private consumption and construction investment declined 0.2% and 1.1% from a quarter earlier, respectively, while exports increased 0.9%.

Despite the weakness, other analysts said there were still risks around rate cuts policymakers needed to consider.

Citigroup economist Kim Jin-wook, who expected the economy to contract 0.3% on-quarter, said he still sees the BOK cutting interest rates in October but that rising home prices pose hawkish risk to that view.

"On monetary policy, we believe hawkish risk factors from rising housing prices in Seoul area to outweigh dovish risk factors," he said. "It will take some time for the housing market to stabilize again so an October cut is likely."

Source: https://www.bworldonline.com/world/2024/07/25/610240/south-korean-gdp-unexpectedly-shrinks-boosting-rate-cut-chances/

Economic managers predict 6% growth in second quarter
July 23, 2024| Darwin G. Amojelar | Manila Standard


REUTERS

The government's economic managers on Tuesday projected a 6-percent gross domestic product growth in the second quarter of 2024, driven by strong consumer spending.

"I hope it's 6 percent. It's most likely," Finance Secretary Ralph Recto told reporters at the sidelines of the post-State of the Nation Address forum.

"Still, number one will be consumption because that's the biggest part. I mean, household consumption is number one, and that's supported by what we see on bank lending and credit cards, in spite of high interest rates and government consumption," Recto said.

Recto, who is also a member of the Bangko Sentral ng Pilipinas' (BSP) Monetary Board, said the government is on track to reducing interest rates this year, which is "the most important thing that will support our growth," he added.

The MB earlier maintained the overnight borrowing rate at 6.50 percent and the overnight deposit and lending facilities at 6.0 percent and 7.0 percent, respectively.

National Economic and Development Authority (NEDA) Secretary Arsenio Balisacan also forecast a 6-percent expansion in the second quarter, following the 5.7-percent growth in the first quarter.

"It's probably close to at least the lower end of the target," he said. The government targets a 6 percent to 7 percent GDP growth for 2024.

Meanwhile, Recto said utilizing the unused and idle funds held by government-owned and controlled corporations (GOCCs) such as PhilHealth and Philippine Deposit Insurance Corp. would help the economy grow by "more or less 0.8 percent."

"This means that we can easily achieve our 6 percent to 6.5 percent growth rate this year," he said.

Recto said the unused money from GOCCs would create more than 600,000 jobs if used for government social and infrastructure projects. He said that the unused funds from PhilHealth and PDIC amounted to roughly P200 billion.

Recto, encouraged by lower 2023 poverty incidence, vowed to ramp up initiatives to sustain rapid economic growth and further develop human capital.

He said lower and better-than-expected poverty incidence of 15.5 percent in 2023 was very encouraging. *[Cont. page 6]*

Economic managers predict 6% growth in second quarter

[Cont. from page 5]

"These figures, which are even lower than our 2023 targets, demonstrate that our strategies are working and that we are on track to achieve a single-digit poverty incidence of 9 percent by the end of the President's term in 2028. In fact, if we continue to ramp up investments and create more jobs, we might reach this goal even sooner," he said.

The Philippine Statistics Authority (PSA)'s Family Income and Expenditure Survey (FIES) showed that the poverty incidence among Filipino individuals dropped to 15.5 percent in 2023 from 18.1 percent in 2021, and the pre-pandemic rate of 16.7 percent in 2018.

This means that 2.45 million Filipinos were lifted out of poverty from 2021 to 2023.

The figure was also lower than the government's development target for poverty incidence in 2023, which was set between 16.0 percent and 16.4 percent.

Meanwhile, poverty incidence among families dropped to 10.9 percent in 2023 from 13.2 percent in 2021, liberating around 500,000 families from poverty. This was also lower than the pre-pandemic rate of 12.1 percent in 2018.

The country's average per capita income rose 17.9 percent between 2021 and 2023, surpassing the 3.8-percent increase seen from 2018 to 2021.

Source: https://manilastandard.net/business/314475475/economic-managers-predict-6-growth-in-second-quarter.html

'Strong economy FMJr's biggest achievement'

July 23, 2024| Jovee Marie N. de la Cruz | BusinessMirror

TRANSFORMING the Philippine economy into the strongest in Southeast Asia is the "crowning achievement" of President Marcos's administration in his second year as Chief Executive, Speaker Ferdinand Martin Romualdez said on Tuesday.

President Ferdinand "Bongbong" Marcos, Jr. during his third State of the Nation address

"Despite numerous challenges at home and abroad, President Marcos has revitalized the Philippine economy, lifted many Filipinos out of poverty, and boosted commerce, which has enhanced livelihoods and created jobs for Filipinos," said Romualdez.

"Our economic growth is nothing short of astounding, and the administration's infrastructure development and social amelioration programs have ensured that ordinary Filipinos benefit from the nation's progress. This is the benefit of the Bagong Pilipinas campaign: that the common people experience the development we have achieved in recent years," he added.

He noted that the country has surpassed Vietnam as the fastest-growing economy in Southeast Asia, as recognized by international financial institutions such as the Asian Development Bank (ADB), the International Monetary Fund (IMF), and the World Bank.

"The economic achievements of our country under the leadership of President Marcos are spectacular, and this is noted by many financial institutions worldwide. Our economic growth not only surpassed that of our regional peers, but also made the country a major player in the global economy," Romualdez said.

During the first quarter of 2024, the economy grew by 5.7 percent, the same as in Vietnam, outpacing major economies such as China, Indonesia and Malaysia.

That growth is attributed to the industry's expansion from 4.1 percent to 5.1 percent and the recovery in exports from 1.1 percent to 7.5 percent.

Romualdez said that inflation has started to ease, the country's fiscal management has shown significant improvement, and the decrease in the deficit-to-GDP (gross domestic product) ratio, as well as the increase in government collections, are proof of the sound economic policies of the Marcos administration.

For his part, Camarines Sur Rep. Luis Raymund Villafuerte said that President Marcos was being modest in noting the healthy signs of recovery of the country's economy, "because the truth is that the IMF sees the Philippines as the second fastest-growing one in Asia, with a GDP expansion of 6 percent this year and 6.2 percent in 2025. *[Cont. page 7]*

'Strong economy FMJr's biggest achievement'
[Cont. from page 6]

In its latest World Economic Outlook report, the IMF said only India is faster than the Philippines, with a GDP growth forecast of 7.5 percent.
Villafuerte said the country's growth forecast for 2024 is faster than China's and Indonesia's 5 percent, Malaysia's 4.4 percent, Kazakhstan's 3.5 percent, Iran's 3.3 percent, Thailand's 2.9 percent, Egypt's 2.7 percent, South Korea's 2.5 percent, Pakistan's 2 percent, Saudi Arabia's 1.7 percent, and Japan's 0.7 percent.

Citing ADB, Villafuerte said he sees the Philippines and Vietnam as the fastest-growing economies in Southeast Asia in 2024 and 2025, ahead of Indonesia, Malaysia, Singapore, and Thailand.

In Davao meanwhile, a consumers' organization challenged Marcos to "walk the talk" this time after seeing some hope in the President's State of the Nation Address on Monday.

Ryan Amper, convener of the Davao Consumer Movement (DCM) based in Davao del Norte, that his organization saw some hope in the Sona after Marcos "mentioned things like he was asking Congress to look at the Epira [Electric Power Industry Reform Act of 2001], and some of his economic plan quite fit some of what we were expecting from his speech."

"But like the promises he made in the past, we hope that this time these things would have some concrete action," he told BusinessMirror.

"Filipinos are ready in crisis situation that needs urgent attention, not talk."

Before Marcos delivered the Sona, the DCM said it expected concrete solutions to the pressing issues affecting the daily lives of Filipinos. "Foremost are the soaring prices of rice and other basic commodities which have severely strained household budgets and impacted the quality of life for many families."

"We seek reassurance that measures will be implemented to stabilize and reduce these prices, ensuring that essential goods remain affordable," the DCM added.

Amper said the DCM would watch out for Malacanang if it would outline specific strategies "such as increasing local agricultural production and improving the supply chain that would lower prices, alleviate the immediate financial pressure on households, and ultimately contribute to long-term economic stability."

"Additionally, there is an urgent need to address the power crisis in Davao del Norte brought about by the inefficient service of the Northern Davao Electric Cooperative [Nordeco]. Frequent power outages and unreliable electricity supply have not only inconvenienced residents but also hampered local businesses and economic activities. DCM wants immediate and effective interventions to improve the power situation in the province; after all, consistent power supply plays a critical role in supporting economic growth and quality of life," he added.

With Manuel Cayon

Source: https://businessmirror.com.ph/2024/07/23/strong-economy-fmjrs-biggest-achievement/

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

This KCCP E-Newsletter is supported by: