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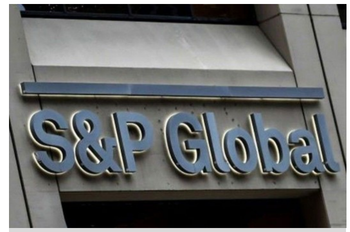
'Efficient infrastructure to drive growth in emerging markets'

July 28, 2024| Keisha Ta-Asan | The Philippine Star

MANILA, Philippines — A significant improvement in infrastructure and logistics will help support economic growth for emerging markets in Asia, including the Philippines, through higher infrastructure investments on top of efficiency gains, according to S&P Global Ratings.



In a report by S&P Asia-Pacific economist Vishrut Rana and chief economist Louis Kuijs, the debt watcher said economies can unlock higher growth rates through more efficient use of infrastructure.

STAR / File

In a report by S&P Asia-Pacific economist Vishrut Rana and chief economist Louis Kuijs, the debt watcher said economies can unlock higher growth rates through more efficient use of infrastructure.

"Improved infrastructure performance raises an economy's productive capacity. Firms need to be able to easily, quickly, and cost-efficiently source and ship inputs and products to maintain smooth operations and boost competitiveness," the authors said.

Rana and Kuijs said public fixed investment assets are low in the Philippines. However, they said the country's public-private partnership capital assets are higher than global averages or about 6.7 percent of gross domestic product (GDP), which could add to the available total public assets.

The logistics performance index (LPI) scores of the Philippines, or the World Bank's measure for infrastructure delivery, have also improved significantly since 2014.

However, as emerging market (EM) economies grow, they need to invest more to maintain enough infrastructure compared to the larger global economy.

"Emerging Asia has higher growth rates than the global median: just sustaining the capital stock relative to the economy requires meaningful investment," Rana and Kuijs said.

Moreover, emerging market economies in Asia would have to grow their capital stocks relative to the size of the economy to support higher income levels.

"This means there are three investment requirements for economies: replace and maintain depreciating capital, support the growth of the economy to ensure adequate levels of capital stock relative to the economy and grow capital stocks relative to the economy to unlock higher growth rates," they said.

Emerging market economies in the region could also use creative options to improve infrastructure delivery.

"Such efficiency gains are significant as the pandemic eroded the available public funding for infrastructure outlays in the region. This means growing public infrastructure assets may be harder," they said.

Meanwhile, improving soft infrastructure is crucial to improving overall infrastructure efficiency. Soft infrastructure refers to the social and institutional frameworks that enable economic activity, innovation and societal well-being.

Streamlining regulations, process improvements, more efficient maintenance and enabling greater private sector participation are some examples of soft infrastructure.

"Streamlining customs procedures or deregulating tariffs on utilities can smoothen logistics performance, improve returns, and increase the efficiency of existing investment," Rana and Kuijs said. *[Cont. page 2]*

'Efficient infrastructure to drive growth in emerging markets'

[Cont. from page 1]

"The soft approach can yield material benefits and minimize lower direct public sector capital outlays. They said that Vietnam, Indonesia, and the Philippines have tighter bottlenecks around soft infrastructure and may gain more from this area," they said.

The government ramped up its infrastructure spending to P118.9 billion in April, 36.2 percent higher than the P87.3 billion in the same period last year.

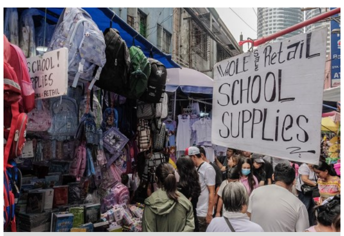
The substantial increase was due to the spending performance of the implementation of the Department of Public Works and Highways infrastructure projects.

These include the construction, repair and rehabilitation of roads, bridges and flood control structures, as well as the construction of administrative, hospital and multi-purpose buildings.

Source: https://www.philstar.com/business/2024/07/28/2373402/efficient-infrastructure-drive-growth-emerging-markets

High rates seen to weigh on growth

July 29, 2024| Luisa Maria Jacinta C. Jocson | BusinessWorld



Customers shop for school supplies and uniforms at Ilaya, Divisoria in Manila, July 6, 2024. — PHILIPPINE STAR/RYAN BALDEMOR

METROPOLITAN Bank & Trust Co. (Metrobank) Research trimmed its gross domestic product (GDP) forecast for the Philippines this year as elevated interest rates continue to crimp domestic demand.

"We continue to believe that the country's economic growth should remain robust, albeit at a moderated pace as investment momentum remains constrained by tight monetary policy, making it harder for businesses to invest and expand," it said in a report.

Metrobank Research sees the economy growing by 5.7% this year, lower than its previous 6% forecast.

If realized, this would fall short of the government's 6-7% growth target this year, but slightly faster than the 5.5% GDP expansion in 2023.

Metrobank noted that "additional efforts" would be needed to reach the government's goal.

In the first quarter, GDP expanded by 5.7%. Second-quarter GDP data will be released on Aug. 8.

Metrobank also noted that many Filipinos are not spending as much as before amid higher borrowing costs.

"Some households have also incurred more debt. Despite these challenges, the economy continues to move forward, just at a more measured pace than initially hoped," it said.

In June, the Bangko Sentral ng Pilipinas (BSP) kept its key rate steady at 6.5%, the highest in over 17 years.

The Monetary Board has raised borrowing costs by a cumulative 450 basis points (bps) from May 2022 to October 2023.

For 2025, economic growth is seen to average 6%. This would also miss the government's 6.5-7.5% target range.

Meanwhile, Metrobank Research said it expects inflation to settle within the BSP's 2-4% target this year and in 2025.

"The price of rice, which has been a major reason for rising costs in the Philippines, is expected to go down. This should help keep overall prices more stable. We agree with the BSP that inflation will stay within acceptable levels this year and next."

For this year, it sees inflation averaging 3.3%, and 3.1% in 2025, in line with the BSP's baseline forecasts.

Headline inflation eased to 3.7% in June, marking the seventh straight month that it settled within the BSP's 2-4% target band.

Rice inflation eased to 22.5% in June from 23% a month ago. This marked the third straight month of slower rice inflation.

"However, some challenges loom ahead. A strong La Niña weather event could affect crop production and prices," Metrobank Research said.

"Also, geopolitical events could affect supply chains and push prices up as well. While the future looks promising for stable prices, our outlook may change."

Meanwhile, Metrobank Research sees the central bank possibly delivering up to three rate cuts this year. *[Cont. page 3]*

High rates seen to weigh on growth

[Cont. from page 2]

"We believe the BSP might lower rates twice this year, with a possible third cut in December if prices remain stable and the financial markets stay calm," it said.

BSP Governor Eli M. Remolona, Jr. has previously signaled that they are on track to begin policy easing by August. He earlier said the central bank can cut by up to 50 bps this year.

If the BSP reduces rates in August, this would be the first rate cut since November 2020.

"However, these decisions are also dependent on what the United States Federal Reserve does with its own interest rates. The BSP will keep a close eye on how quickly the US lowers its rates, as this can affect the Philippine economy and the value of the peso," it said.

The peso is also seen to rebound by yearend, settling at around P57.20 against the dollar, according to the report.

The Development Budget Coordination Committee expects the peso to range from P56 to P58 per dollar this year.

The peso closed at P58.35 per dollar on Friday, strengthening by 8.5 centavos from its P58.435 finish on Tuesday.

In May, the local currency sank to the P58-per-dollar level for the first time since November 2022.

"The US dollar's strength is expected to wane when the Fed lowers interest rates. Meanwhile, the Philippine central bank is also likely to reduce its rates, which could increase imports as the economy grows," Metrobank Research said.

Markets are currently pricing in a near-certainty that the Fed will begin cutting interest rates at its September meeting and expect 66 bps in total cuts by the end of the year, according to CME's FedWatch Tool, Reuters reported.

"Looking ahead, a wider current account, where the Philippines buys more from other countries than it sells, could also establish a new baseline for the peso's value," Metrobank added.

Source: https://www.bworldonline.com/top-stories/2024/07/29/610683/high-rates-seen-to-weigh-on-growth/

Epira amendment to lower power-rates— senator

July 29, 2024| Butch Fernandez | BusinessMirror

A SENATOR said that any amendment to the Electric Power Industry Reform Act (Epira) should result in lower electricity prices for the benefit of consumers who continue to endure high electricity prices.

"We need to be able to provide not just a steady and sufficient supply but also affordable energy for our consumers," Sen. Sherwin Gatchalian said.

At the outset, Gatchalian reminded that any amendment to the Epira should be geared towards reducing the price of electricity, noting that power rates in the country remain at high levels.

He made the statement following President Marcos's call for a review of Epira in his recent State of the Nation Address (Sona). Gatchalian said he supports the President's call to amend Epira to address issues hounding the energy sector including high prices.

Epira, Gatchalian said, should be amended to give the Energy Regulatory Commission (ERC) more teeth in enforcing accountability among industry players who fail to deliver their mandate. "ERC plays a critical role in the industry and we want strong provisions in EPIRA that would empower ERC to regulate industry players effectively," he said.

Gatchalian stressed that the ERC should have enough power to enforce its mandate of protecting the interest of consumers and its charter should foster independence, transparency, and accountability. *"Dapat maging malinaw ang* accountability *ng mga* industry players *at magkaroon ng* penalty *na mararamdaman talaga ng mga* violators," he said.

Source: https://businessmirror.com.ph/2024/07/29/epira-amendment-to-lower-power-rates-senator/

PH gov't rises global anti-red ranking to 49th—Arta

July 29, 2024| Zacarian Sarao - Reporter / @zacariansINQ | Philippine Daily Inquirer

MANILA, Philippines — The government climbed three points to the 49th spot of a global anti-red tape ranking in 2024, the Anti-Red Tape Authority (Arta) said in a statement on Monday.

"The Philippines proudly climbs three spots in Government Efficiency, ranking 49th in the 2024 World Competitiveness Report by the International Institute for Management Development (IMD)!" Arta said.

According to Arta, the ranking, which was released last June, provides extensive coverage to 67 global economies and serves as a worldwide reference on the competitiveness of economies.

It provides benchmarking and exposes trends, using statistics and real-world survey data.

With this, Arta committed to further streamline and digitalize government services "to make the Philippines more competitive."

"We remain committed to streamlining and digitalizing government services for a more competitive and business-friendly Bagong Pilipinas," ARTA said.

It reiterated its mandate to improve the delivery of government services through a whole-of-nation approach that fosters innovation and good regulatory practices.

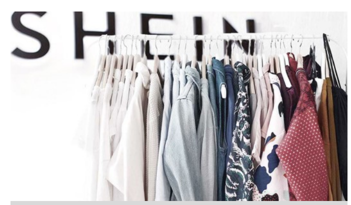
This, it said, aligns with the call of President Ferdinand Marcos Jr. for government agencies and local governments to promote "the ease of doing business" in the country to attract foreign investments.

Source: https://business.inquirer.net/472019/ph-govt-rises-in-global-anti-red-tape-ranking-to-49th-arta

Senate ratifies bicam report on 12% VAT on foreign digital service providers

July 30, 2024| KATA | BusinessWorld

THE SENATE on Monday adopted the bicameral conference committee report on a bill imposing a 12% value-added tax (VAT) on digital service providers without a physical presence in the Philippines such as e-commerce giants Amazon, Shein and Taobao.


SHEIN.COM

The reconciled version of the bill reinforces the Bureau of Internal Revenue's (BIR) power to "impose and collect VAT on digital services and transactions," Senator Sherwin T. Gatchalian said in a speech before the Senate adopted the report.

The joint explanation of the bicameral conference committee said both Houses of Congress agreed to use the Senate version as "the working draft."

The committee allowed the Department of Finance (DoF) to set withholding tax rates for companies falling under the P3-million VAT threshold under the Tax Reform for Acceleration and Inclusion (TRAIN) law to protect small online businesses.

Under the measure, nonresident digital service providers and electronic marketplaces must register with the BIR for the remittance of VAT on their services. This will include online marketplaces like Amazon, Shein, Rakuten, Taobao, AliExpress and Temu.

Digital services refer to those provided over the internet or other electronic networks using information technology. These include online search engines, online marketplaces, cloud services, online media and advertising, online platforms and digital goods.

Currently, digital services provided by companies abroad are not subject to VAT, and lawmakers have said this hurts domestic rivals.

"We are committed to paving the way for a level playing field. We believe in the importance of creating an environment where our digital service providers, whether they are nonresident or local, operate under fair and square tax policies," Mr. Gatchalian said.

Under the bill, 5% of the revenues from digital service VAT — or about P900 million — will be used to support the digital creative industry.

Source: https://www.bworldonline.com/top-stories/2024/07/30/610921/senate-ratifies-bicam-report-on-12-vat-on-foreign-digital-service-providers/

NAIA fee hike signed before turnover

July 30, 2024| Elijah Felice Rosales | The Philippine Star

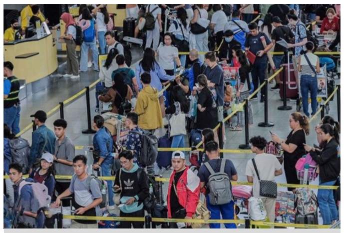


Photo show the situation at the Ninoy Aquino International Airport (NAIA) Terminal 3 in Pasay City on July 20, 2024.

STAR / Ryan Baldemor

MANILA, Philippines — The government plans to issue the new matrix of service fees at the Ninoy Aquino International Airport (NAIA) before the gateway is turned over to private control on Sept. 14.

Transportation Undersecretary Timothy John Batan told reporters that NAIA will be handed over to the New NAIA Infrastructure Corp. (NNIC), led by San Miguel Corp. (SMC), as scheduled.

Before this, Batan said the government would approve the revised menu of airport fees to inform stakeholders in advance of the price changes in NAIA.

Transportation Secretary Jaime Bautista earlier said NAIA charges would start increasing by the end of 2024 as part of the P170.6 billion concession that the government awarded to NNIC. In particular, airlines will take the first hit in a series of rate adjustments at the gateway.

Based on initial discussions, landing and take-off fees will be increased this year, while passenger service charges (PSC) will be hiked in 2025. As expected, this proposal is rejected by consumer groups, of which the latest to join the clamor is Bantay Konsyumer, Kalsada, Kuryente (BK3).

Under the proposed adjustment, the PSC will be raised to P950 for international passengers, from P550 currently, while it will be bloated to P390 for domestic travelers, from P200 at present.

Bautista said these price hikes would cover the investments to be made by NNIC, which, under the leadership of SMC, managed to win the contract to rehabilitate NAIA.

Once the airport is turned over, NNIC will get a minimum of 15 years to upgrade the airport and double its passenger capacity to more than 60 million per annum.

However, consumer groups like BL3 want NNIC to prove its worth first as a concessionaire. In a statement, BK3 secretary general Patrick Climaco questioned why consumers have to pay for the rehabilitation of NAIA when it should be the obligation of NNIC.

Generally, Climaco believes an increase in airport fees would discourage Filipinos and foreigners from traveling in the Philippines. However, he said travelers might be encouraged to pay more if they see that the airport has improved under private management.

“The people have yet to experience the improvement in NAIA, but they are already asked to pay unconscionable airport fees increase,” Climaco said.

“We also understand that there is an equivalent fee to the rehabilitation of NAIA, but this should be implemented at the right time,” he added.

The increase in fees is among the parameters set by the government for the NAIA project.

Source: https://www.philstar.com/business/2024/07/30/2373925/naia-fee-hike-signed-turnover

KCCP NEW MEMBERS

KCCP is proud to welcome the New Members as of July 2024

Mr. Renante A. Intia [Associate Member]
President
BICM Genesis Freight International Inc.

Mr. Jaehoon Oh [Regular Member]
Managing Director
Jinu Business Outsourcing Services, Inc.

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