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BSP sees July inflation at 4%-4.8%

August 01, 2024 | Luisa Maria Jacinta C. Jocson | BusinessWorld

HEADLINE INFLATION may have accelerated in July, possibly ending seven straight months of within-target inflation, the Bangko Sentral ng Pilipinas (BSP) said on Wednesday.

The central bank's month-ahead forecast showed that inflation likely settled within the 4%-to-4.8% range in July.

This would be faster than the 3.7% print in June. Inflation stood at 4.7% in July 2023.

Inflation has been within the 2-4% target from December 2023 to June 2024.

The central bank previously said that inflation could temporarily overshoot the target band in July before returning to target by August.

The Philippine Statistics Authority is scheduled to release July inflation data on Aug. 6.

“Higher electricity rates along with the increased prices for agricultural commodities like vegetables, meat, and fruits along with higher domestic oil prices are the primary sources of upward price pressures for the month,” the BSP said.

In July, households served by Manila Electric Co. saw an upward adjustment of P2.1496 per kilowatt-hour (kWh) in the electricity rate for the month. This brought the overall rate for a typical household to P11.6012 from the previous month's P9.4516 per kWh.

Pump price adjustments stood at a net increase of P1.30 a liter for gasoline for the month of July. Meanwhile, diesel and kerosene had a net decrease of P0.90 and P1.70, respectively, per liter.

“These factors are expected to be offset in part by lower rice and fruit prices along with the peso appreciation,” the BSP said.

The average price of a kilogram of well-milled rice ranged from P45-P55 as of end July from P48-P55 at end-June. Regular milled rice was priced at P45-P50 from P45-P52.

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

The peso appreciated to P58.365 per dollar on July 31, strengthening by 24.5 centavos from its P58.61 finish on June 28.

WITHIN TARGET?

Meanwhile, analysts expect inflation to accelerate month on month but still see it settling within the 2-4% target range.

“Headline inflation may fall within target again in July, reaching 3.8%, with price pressures fading at a more favorable pace to start the second half of the year,” Metropolitan Bank & Trust Co. (Metrobank) Chief Economist Nicholas Antonio T. Mapa said in the bank's latest Wealth Insights report.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort expects inflation to quicken to 4%, but still within the central bank's target band.

Mr. Ricafort noted the inflationary impact from Typhoon Carina and the southwest monsoon. [Cont. page 2]



Different varieties of rice are displayed at a public market in Sampaloc, Manila, July 14, 2024. — PHILIPPINE STAR/EDD GUMBAN

BSP sees July inflation at 4%-4.8%*[Cont. from page 1]*

“Realistically, there may be some temporary pickup in prices in hard-hit areas until logistics normalize, also in view on some damage on agriculture... that could lead to some transitory pickup in food prices,” he said.

The latest data from the Agriculture department showed that agricultural damage due to the typhoon and southwest monsoon hit P1.21 billion as of July 31.

Rice was the most affected crop, accounting for more than half (52.47%) of the damage or P635.17 million.

For the coming months, inflation is seen to ease further, with Mr. Mapa expecting the headline print possibly slowing to as low as around 2% by September.

“This significant decrease is primarily due to the government’s tariff reduction lowering rice prices, which heavily impacts the consumer price index (CPI) basket,” he said.

In June, President Ferdinand R. Marcos, Jr. signed an executive order which slashed tariffs on rice imports to 15% until 2028 to tame rice prices.

“The combination of lower rice prices and favorable base effects could push inflation towards the lower end of the central bank’s target range. This trend suggests a potential shift towards a more stable price environment, which may influence future economic policies,” Mr. Mapa added.

The central bank is also expected to start cutting rates soon amid easing inflation, analysts said.

“The BSP is anticipated to begin a cycle of interest rate cuts. This monetary policy shift could stimulate economic growth by encouraging new investments across various sectors,” Mr. Mapa said.

Mr. Ricafort said that the Monetary Board will likely cut by 25 basis points (bps) at its Aug. 15 meeting, especially if inflation remains within target.

The Monetary Board has raised borrowing costs by a cumulative 450 bps from May 2022 to October 2023, bringing the key rate to an over 17-year high of 6.5%.

BSP Governor Eli M. Remolona, Jr. has said they are on track to cut by August, for a total of up to 50 bps for the entire 2024.

Source: <https://www.bworldonline.com/top-stories/2024/08/01/611492/bsp-sees-july-inflation-at-4-4-8/>

Pascual resigns as trade secretary

July 31, 2024 | Zacarian Sarao - Reporter / @zacariansINQ | Philippine Daily Inquirer



Trade Secretary Alfredo Pascual | PHOTO: Official website of the Presidential Communications Office

MANILA, Philippines — Trade Secretary Alfredo Pascual resigned from his post, the Palace said on Wednesday.

According to the Presidential Communications Office (PCO), Pascual resigned from his post to return to the private sector.

His resignation will be effective on Aug. 2.

The PCO also said President Ferdinand Marcos Jr. accepted Pascual’s resignation after a meeting in Malacañang.

“His focus on MSMEs (micro, small, and medium enterprises) was absolutely correct, and we are beginning to see the fruits of that policy. We are sorry to lose him, but we respect his decision that this is the time for him to return to the private sector,” said Marcos, as quoted by PCO.

No successor has been named yet, but the PCO said the search for Pascual’s replacement “will commence immediately to ensure a seamless transition and continuity in the [Department of Trade and Industry’s] initiatives.”

[Cont. page 3]

Pascual resigns as trade secretary

[Cont. from page 2]

Pascual confirmed that he resigned as DTI chief.

“After much reflection, I have decided it is time for me to return to the private sector. There, my roles will allow me to continue contributing my expertise and experience while being able to spend quality time with my family,” his statement read.

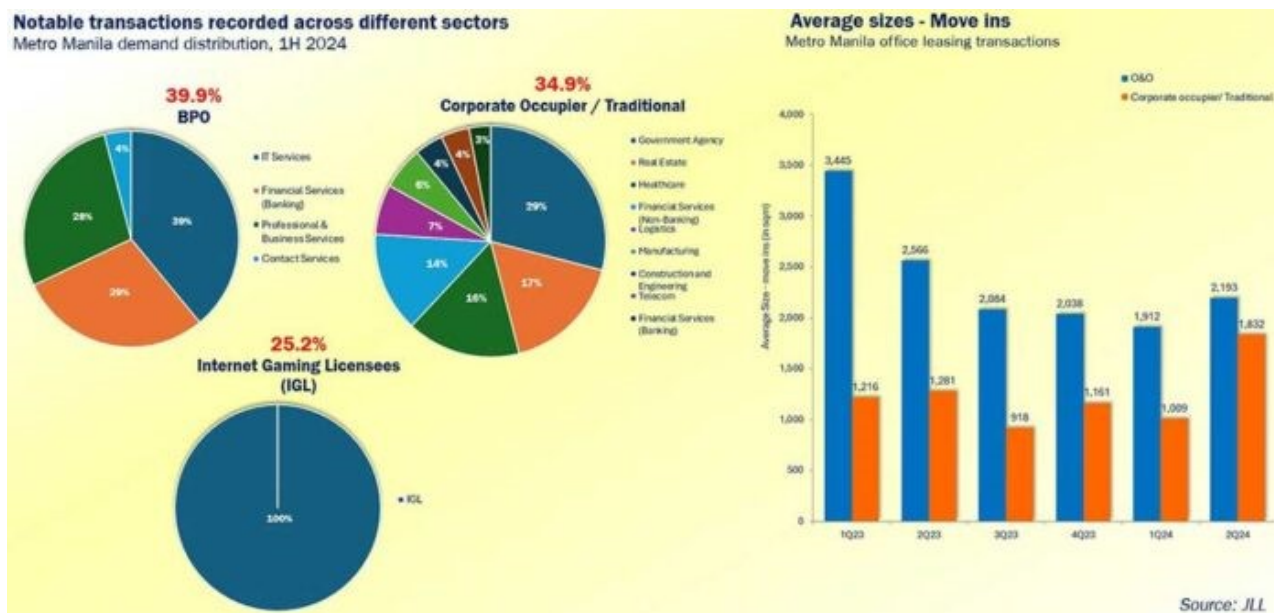
He also thanked Marcos for the opportunity and said his time serving in the Cabinet was an “extraordinary privilege and honor.”

According to Pascual, his role as DTi chief has been one the “most challenging yet fulfilling experiences” of his career.

Source: <https://newsinfo.inquirer.net/1967985/pascual-resigns-as-trade-secretary>

BPOs, corporates to pick up POGO spaces

August 01, 2024 | Ruelle Castro | Malaya Business Insight



Business process outsourcing (BPOs) and traditional corporates will pick up the office spaces to be vacated by Philippine offshore gaming operations (POGO), according to property consultancy JLL Philippines.

“(Developers) need to replace those tenants that they have now. They can move back to what they’re looking at (before). I expect them to focus more on BPOs because those are the more reliable sources,” said Janlo delos Reyes, JLL head of research.

“For the longest time, (BPOs) have been the ones driving the market, and likely they’re the ones (which) will carry the market in the next couple of years,” he added.

Delos Reyes, however, downplayed the overall impact of the exodus of POGOs in the office market, noting the size to be vacated will not be that “significant.”

He said landlords in Paranaque City and Pasay City will be the most affected by the exits given that most POGOs are located in these localities.

“The volume of POGOs are not as significant as before. It was during the pandemic... (when) some of them have exited the market,” Delos Reyes said.

Delos Reyes said office space rents in Paranaque and Pasay are likely to go below the P1,000 per square meter (sq.m.) as a result of higher vacancy rates, change in tenants and the soft demand. [Cont. page 4]

BPOs, corporates to pick up POGO spaces

[Cont. from page 3]

Rents in Paranaque and Pasay are currently “north of P1,000” according to delos Reyes.

“You’re also seeing a competitive landscape for the office market,” he said.

“If you are a BPO tenant, or a corporate, you have a lot of options in the market that you might go to. Makati, if that’s your preferred destination or Bonifacio Global City. If you want to be decentralized, you might look at Quezon City or the Bay Area, he added.

JLL said leasing of office space has been sustained in the first half of the year, recording 383,318 sq.m., up 16.91 percent from last year’s 327,848 sq.m.

A big portion of new transactions were recorded in the cities of Makati and Taguig, with Taguig posting a 18.5 percent increase to 75,101 sq.m., and Makati up 32.6 percent at 68,270 sq.m.

BPO operations contributed 39.9 percent of total leases for the first half, followed by corporate and traditional occupiers at 34.9 percent.

JLL said moveouts continued to ease just 142,371 sq.m. of space released by locators in the first half compared to 191,469 sq.m. last year.

Vacancy meanwhile dropped to 19.5 percent in the second quarter, compared to 20.2 percent in the first quarter. Rents meanwhile remain muted, JLL said.

[Source: https://malaya.com.ph/news/business/bpos-corporates-to-pick-up-pogo-spaces/](https://malaya.com.ph/news/business/bpos-corporates-to-pick-up-pogo-spaces/)

PHL not ready to continue stock mart trading during typhoons — analysts

August 01, 2024 | Revin Mikhael D. Ochave | BusinessWorld



Residents wade through floods in Quezon City, July 24, 2024. — THE PHILIPPINE STAR/MIGUEL DE GUZMAN

THE Philippines is not ready to implement continuous stock market trading during typhoons as technical adjustments are required, analysts said.

AP Securities, Inc. Research Head Alfred Benjamin R. Garcia told *BusinessWorld* in a Viber message that many things should be improved before stock market trading could continue amid inclement weather.

“Number one would be the connection speeds, and then there’s the tendency for power outages to happen during typhoons. So even if you trade from home, these two factors would present a challenge,” Mr. Garcia said.

The Philippine Stock Exchange (PSE) suspended market trading on Wednesday last week due to heavy rains brought by Typhoon Carina (international name: Gaemi) and the southwest monsoon.

In Asia, stock markets in Shanghai and Shenzhen continue trading during inclement weather.

Hong Kong also suspends trading at the stock exchange when strong typhoon signals are hoisted in the city. Starting Sept. 23, the Hong Kong stock exchange will now continue trading amid typhoons in a bid to boost competitiveness.

“I guess it’s a bit unnecessary. Hong Kong and Shanghai implement that because they are international financial gateways. At the current level of foreign participation in our market, I don’t think the risk-reward trade-off is worth it,” Mr. Garcia said after being asked on the move of other markets.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said that other processes should be automated to ensure uninterrupted trading during bad weather.

“Settlement and other transaction-related processes need to become more automated using electronic channels to minimize disruptions during inclement weather and to continue facilitating trading transactions,” Mr. Ricafort said.

“Doing so will also enable people from areas around the country and from other parts of the world that are not affected by inclement weather to continue trading,” he added. [Cont. page 5]

PHL not ready to continue stock mart trading during typhoons — analysts

[Cont. from page 4]

Philstocks Financial, Inc. Research and Engagement Officer Mikhail Philippe Q. Plopenio said in a Viber message that it would be difficult for the PSE to continue trading during strong storms.

“The PSE may have difficulties in continuing trading amid typhoons as it has several dependencies on different bodies and the government. The PSE may adopt a business continuity plan to focus on security and technology advancements which may enable remote operations,” he said.

“However, compared to Hong Kong, which is one of the top financial hubs in Asia, the PSE is one of the emerging markets in the region. Therefore, other areas could be focused on by the bourse such as enticing more companies to list and attract more foreign funds,” he added.

Mr. Garcia also noted that implementing stock market trading during bad weather would expose traders and personnel to “unnecessary risks.”

“Having traders and backroom personnel report to the office during extreme weather exposes them to unnecessary risk. This is especially evident (last week) where we saw major thoroughfares flooded, and our train network is insufficient to service all areas,” he said.

BusinessWorld sought the PSE’s comment on the matter but has yet to respond.

Source: <https://www.bworldonline.com/corporate/2024/08/01/611509/phl-not-ready-to-continue-stock-mart-trading-during-typhoons-analysts/>

However US polls go, FTA with PHL not seen in near future —AmCham

July 31, 2024 | Andrea E. San Juan | BusinessMirror

ALTHOUGH it anticipates stronger trade ties between the United States and the Philippines regardless of the result of the US elections, the American Chamber of Commerce of the Philippines, Inc. has signaled that a free trade deal between the two nations won’t likely happen in the near future.

“Certainly not going to happen anytime in the near future,” AmCham Philippines Executive Director Ebb Hinchliffe told the BusinessMirror on the sidelines of AmCham’s General Membership Meeting on Wednesday.

However, Hinchliffe said a free trade deal between the two nations is more likely to be signed under a Trump administration than a Biden administration.

“Trump likes bilaterals where the Biden administration did not want any...therefore that’s the only reason I can say that he would, if it happened it’d be more bilateral,” added Hinchliffe.

Hinchliffe said he advocated for a free trade deal when he was in Washington last month.

However, he said “Under the Biden administration, there’s no talks. He said there’ll be no concessions. He’s been pretty strict about that.”

Nevertheless, the AmCham official stressed that he would never give up on pushing for a free trade deal between the Philippines and the US.

“I don’t care who’s president, we’ll continue to push,” Hinchliffe said.

For his part, Trade and Industry Secretary Alfredo E. Pascual said in his speech, delivered by Trade Undersecretary Ceferino S. Rodolfo at the same event, that, “We are actively pursuing a free trade agreement with the US to secure long-term market access preferences and expand trade and investment opportunities.”

Rodolfo told the BusinessMirror that Philippine Trade officials would continue to push for a free trade deal with the US regardless of who wins the US elections in November.

“Of course. It’s very important,” he said, despite the possibility of the US imposing higher tariffs under a new administration.

[Cont. page 6]



Republican presidential candidate former President Donald Trump steps on stage at a campaign event in Manchester, New Hampshire, January 20, 2024.

However US polls go, FTA with PHL not seen in near future —AmCham

[Cont. from page 5]

Just last week, a United Kingdom-based think tank noted that former US President Donald Trump had earlier floated the possibility of imposing tariffs of 60 percent or more on Chinese goods, and also suggested a blanket 10-percent tariff on all US imports.

Responding to this, Rodolfo said, “Targeted *naman* ‘yan kung sino ‘yung matataas na trade deficit, *eh di ba sa* China nasa \$300-billion trade deficit ‘yan. ‘Yung Vietnam I think \$150 billion. *Tayo* we’re nowhere near that [That’s targeted, anyway, at those which have a big trade deficit with the US: China I think has \$300 billion; Vietnam, I think, \$150 billion. We’re nowhere near that].”

Based on the latest Philippine Statistics Authority (PSA) data, the United States of America is the country’s top export destination, with Philippine exports earnings reaching \$4.92 billion in the January to May 2024 period.

Meanwhile, Philippine imports from the US in the five-month period this year amounted to \$3.41 billion.

For his part, Former Tariff Commissioner George N. Manzano told the BusinessMirror that “an FTA with the US will guarantee to the Philippines that it can continue to export to the US duty-free given certain conditions such as satisfying the rules of origin.”

“If the US administration, under Trump, will indeed impose higher tariffs across the board, then the Philippines can not only continue to export at preferential rates, its exports become more competitive relative to the other exporters to the US which do not have an FTA,” Manzano said, emphasizing that the Philippines is a net exporter to the US in goods.

Image credits: [AP/Matt Rourke](#)

Source: <https://businessmirror.com.ph/2024/07/31/however-us-polls-go-fta-with-phl-not-seen-in-near-future-amcham/>

Congress approves VAT on digital services

August 01, 2024 | RG Cruz | ABS-CBN News



MANILA — Both the Senate and the House of Representatives have approved the consolidated bill approving the imposition of value added tax on digital services.

The House website said that the House ratified the bicameral conference committee report reconciling House Bill 4122 with Senate Bill 2528 on July 30, while the Senate ratified the same the day prior.

In asking his colleagues to approve the committee report, Senate Ways and Means Committee Chair Sherwin Gatchalian explained this primarily aims to clarify the VAT liability of nonresident digital service providers on the sale, exchange, or barter of digital services consumed in the Philippines; thereby reinforcing the BIR’s power to impose and collect VAT on digital services and transactions.

“One of the provisions of this reconciled version is the issuance of digital sales or commercial invoices with simplified requirements. To further strengthen compliance, the bill empowers the Commissioner of the BIR to block or suspend the services of providers who violate VAT provisions. It’s ay upang matiyak natin na walang lusot ang anumang uri ng paglabag sa batas, mapa-digital service providers man o traditional.”

Gatchalian said, “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.”

Under the bill, digital services delivered by non-resident digital service providers shall be considered performed or rendered in the Philippines if the digital services are consumed in the Philippines.

The digital service provider shall be liable for assessing, collecting, and remitting the value added tax. This shall cover online search engine, online market place or e-market place, cloud service, online media and advertising, online platform or digital goods.

Online marketplaces or e-market places shall be liable to remit the value added tax on the transactions of non resident sellers that go through its platforms under certain conditions. It earmarks 5 percent of incremental revenues for the development of creative industries for 5 years after the bill becomes law.

The bill will be sent to President Ferdinand Marcos, Jr. for signature.

Source: <https://news.abs-cbn.com/business/2024/8/1/us-fed-s-powell-flags-cuts-as-soon-as-september-915>

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