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SPECIAL POINTS OF INTEREST

PH GDP growth likely sped up to 6% in Q2

August 05, 2024| Mariedel Irish U. Catilogo - @inquirerdotnet | Philippine Daily Inquirer

The country's economic growth likely accelerated in the second quarter due to robust government spending and easing inflation.

This photo taken on January 29, 2019 shows a general view of the skyline of Manila. (Photo by Ted ALJIBE / AFP)

An Inquirer poll of 11 economists conducted last week yielded a median gross domestic product (GDP) growth estimate of 6 percent for the second quarter. If realized, this would be faster than the preliminary 5.7-percent growth recorded in the first three months and the 4.3 percent expansion logged in the same period a year ago.

This would bring the first half average GDP expansion to 5.9 percent, just short of the government's 6 to 7 percent target for the year.

The Philippine Statistics Authority is set to release second quarter GDP data on Aug. 8.

Robert Dan Roces, chief economist at Security Bank, estimated that economic growth rose to 5.9 percent, driven by strong domestic demand.

This growth is reflected in the robust manufacturing sector, high employment, increased government spending and controlled inflation.

HSBC economist Aris Dacanay gave a 6.3-percent GDP growth forecast, mainly driven by improved government spending.

"In contrast to last year's underspending, the utilization rate of the 2024 budget has significantly improved, leading to total government expenditure to rise 14.6 percent year-on-year in the first half of the year," Dacanay said.

Strong labor market

Besides more efficient spending, service exports have grown rapidly, now outpacing overseas remittances, Dacanay added.

Dacanay further stressed that the country's strong labor market has kept household spending resilient despite high inflation and interest rates.

For the first quarter, household spending—which accounts for more than 70 percent of economic output—rose by 4.6 percent, making it the slowest growth since the COVID-19 pandemic hit the country in 2020.

Meanwhile, Metropolitan Bank & Trust Co. chief economist Nicholas Antonio Mapa said that increased investment momentum was expected to boost GDP growth, and gave a second quarter GDP growth forecast of 6 percent.

"In the short term, investment growth should boost the economy through increased capital formation. It will also enhance overall productivity. These factors combined should help maintain the Philippines' growth narrative and set the stage for even higher levels of economic expansion in the future," Mapa said.

On the other hand, Pantheon Macroeconomics economist Miguel Chanco projected a 5.6-percent growth, slower than the first quarter's rate. "On investment, the clouds have been darkening for some time, due to the still-high level of interest rates, falling construction permits and waning business confidence. In terms of government spending, activity from one quarter to the next can vary quite wildly, and this has been the case on a quarterly basis since early last year," he said.

Moreover, Chanco believed that the main reason for reduced spending is that the government is still working to balance the budget after the heavy spending during the pandemic.

Finance Secretary Ralph Recto remained optimistic that growth will be "higher than the first [quarter]" attributing higher consumption, lower inflation, and public spending as the main drivers of growth.

Source: https://business.inquirer.net/473014/ph-gdp-growth-likely-sped-up-to-6-in-q2

DTI to regulate warehouses

August 05, 2024| Ruelle Castro | Malaya Business Insight

The Department of Trade and Industry (DTI) is considering banning the sale of electrical appliances in electronic marketplaces after it seized a record value of uncertified products last month.

DTI Undersecretary Amanda Nograles said the agency is looking at the possibility of regulating warehouses where electrical appliances are stored.

Nograles said the DTI has received reports that some products go straight to warehouses and are not subjected to certification for Import Commodity Clearance or ICC.

Local products are required to undergo screening by the Bureau of Product Standards and once cleared are issued Philippine Standard stickers.

"We are looking for a way to regulate warehouses by inspecting and checking (their products) for compliance," Nograles said.

Meanwhile, Nograles said the DTI will soon release a streamlined list of products under the suggested retail price bulletin.

Those which will be removed include bottled water, candles, condiments and processed milk.

But Nograles said manufacturers of products to be taken out of the list will still have to go inform DTI whenever they adjust prices.

"We will continue to monitor those delisted but they will no longer be part of the SRP bulletin," she said.

The DTI's said Task Force Kalasag has seized a record P44 million worth of uncertified appliances in enforcement operations in Plaridel, Bulacan on July 30.

Seized were a total of 24,771 units of non-compliant appliances found in violation of Republic Act No. 4109 or the Product Standards Law, as well as Department Administrative Order (No. 02: 2007 for lacking the PCC and ICC stickers.

Seized products include electric fans, television sets, electric rice cookers, electric multi-cookers, electric kettles, air conditioners, self-ballasted LED lamps, and extension cord sets.

Before this, the biggest single-day haul of uncertified appliances, also from the same area, was valued at P 9.3 million.
To date, the seizures total nearly P118 million.

Source: https://malaya.com.ph/news_business/dti-to-regulate-warehouses/

SEIPI warns of investor flight over BoC tracking

August 04, 2024| Justine Irish D. Tabile | BusinessWorld

THE electronics industry said that the Bureau of Customs' (BoC) Electronic Tracking of Containerized Cargo (E-TRACC) System is an unnecessary burden on chipmakers and may lead to their divestment from the Philippines.

Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI) President Danilo C. Lachica told reporters last week that the tracking system is an additional cost being borne by companies.

"It's really redundant, and when we met with the BoC last week, they were saying that it would mean revenue losses if they stopped implementing it," Mr. Lachica said.

"But I told them they would lose more revenue if the companies leave the country," he added. *Cont. page 3]*

SEIPI warns of investor flight over BoC tracking

[Cont. from page 2]

Launched through a memorandum circular in 2020, the E-TRACC System enables real-time monitoring of inland movements of containerized goods using a global positioning system (GPS)-enabled tracking device.

The system is designed to ensure that goods reach their intended destinations, and features an alarm should cargoes be diverted or tampered with.

"Our logistics providers have GPS systems, so they are already tracking them, and secondly, and I have told them this, in the 50 years of the electronics industry, there has been no incidence of smuggling," he added.

He said that the E-TRACC system easily adds P1 million to P2 million a month in logistics costs.

"Logistics costs are already high, and then you'll have to add P1-2 million a month; of course they will leave, and that is where the real revenue loss is," he said.

"Because their headquarters ask them why they are spending this much in the Philippines, whereas in their operations in other countries they don't have that kind of cost. So, what will happen is they will scale down their operations here," he added.

He was reluctant to recommend an exemption for the industry because it might be seen as favoritism, but instead proposed a regulatory impact assessment via the Anti-Red Tape Authority.

Source: https://www.bworldonline.com/economy/2024/08/04/612104/seipi-warns-of-investor-flight-over-boc-tracking/

Marcos appoints Cristina Aldeguer-Roque as acting DTI chief

August 02, 2024| Jean Mangaluz - Philstar.com | The Philippine Star

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

Under Memorandum Circular 20-34, DTI said local companies holding a PS license which recently expired or is set to expire within the year will be automatically renewed.

STAR / File

MANILA, Philippines — The Palace on Friday announced that Undersecretary Cristina Aldeguer-Roque will serve as the Department of Trade and Industry's (DTI) Acting Secretary following the resignation of Alfredo Pascual.

Malacañang announced Pascual's resignation on Wednesday, saying that he has chosen to transition back into the private sector. Pascual is the third person to leave President Ferdinand Marcos Jr.'s Cabinet this year.

"President Ferdinand R. Marcos Jr. has appointed Undersecretary Ma. Cristina Aldeguer - Roque as the Acting Secretary of the Department of Trade and Industry, following the resignation of Secretary Alfredo Pascual, effective August 2, 2024," the Presidential Communications Office (PCO) said in a Facebook post.

According to the Palace, Roque led the micro, small and medium enterprises (MSMEs) group within the DTI that focused on developing smaller-scale businesses.
The PCO said she oversaw the following bureaus in the DTI:

- Bureau of Small and Medium Enterprise Development
- Bureau of Marketing Development and Promotions
- OTOP Program Management Office
- Comprehensive Agrarian Reform Program Management Office.

"The president has expressed his gratitude to Secretary Pascual for his service and contributions to the department, as he looks forward to a seamless transition under Acting Secretary Roque's leadership," the PCO said.

Source: https://www.philstar.com/business/2024/08/02/2374920/marcos-appoints-cristina-aldeguer-roque-acting-dti-chief

Korea kimchi exports in H1 surpass 2023 record

August 04, 2024| Philippine News Agency

SEOUL – South Korea's exports of kimchi hit a fresh record high in the first half of this year, driven by the growing global popularity of Korean cuisine, particularly in North America and Europe, data showed Sunday.

MOST WANTED. Volunteers pose with kimchi, a traditional Korean side dish normally made of fermented cabbage, salt and hot peppers, during an event held in eastern Seoul in this file photo. South Korea's outbound shipments of kimchi reached 23,900 tons during the first six months of 2024, up 4.8 percent from a year earlier. *(Yonhap)*

Outbound shipments of kimchi, a traditional Korean side dish typically made from fermented cabbage, reached 23,900 tons during the first six months of the year, up 4.8 percent from a year earlier, according to the data compiled by the Korea Customs Service and the Korea Agro-Fisheries & Food Trade Corp.

The half yearly figure has been on a steady rise over the past 10 years, up from 11,500 tons in 2015 and 11,900 tons in 2016 to 20,300 tons in 2020 and 22,200 tons in 2022.

In terms of value, kimchi exports came to USD83.8 million for the first half, marking the second highest following USD86.7 billion in 2021.

The increase in kimchi exports is attributed to rising demand from North America and Europe.

Exports of kimchi to the United States jumped 20 percent on-year to 6,600 tons in the six-month period through June, while those to Canada soared 34 percent on-year to 900 tons.

Overseas sales of Korean kimchi in the Netherlands also vaulted 34 percent on-year to 1,300 tons in the first half.

By value, kimchi exports to the U.S. reached a record USD24.1 million, up 18.9 percent from a year earlier, followed by the Netherlands with USD5.6 million, Britain with USD4.2 million and Canada with USD3.8 million.

Japan, the biggest buyer of South Korean kimchi, bought 9,600 tons of Korean kimchi, or USD28.3 million, over the past six months, down 11.9 percent from a year ago.

Meanwhile, South Korea's imports of kimchi came to USD83.4 million in the first half, down from USD78.8 million a year ago. ***(Yonhap)***

Source: https://www.pna.gov.ph/articles/1230449

Inflation surges to 4.4% in July, exceeding government target

August 06, 2024| Jean Mangaluz - Philstar.com | The Philippine Star

A vendor arranges tomatoes for sale at a public market in Manila on July 4, 2024.
STAR / Ryan Baldemor

MANILA, Philippines **(Updated 10:03 a.m.)** — Philippine inflation surged to 4.4% in July 2024, accelerating from last month's relatively mild 3.7%, the Philippine Statistics Authority said Tuesday.

The Banko Sentral ng Pilipinas previously forecasted that inflation would exceed the government's target inflation of 2% to 4%, saying that it could have gone as high as 4.8%.

PSA Undersecretary Claire Dennis Mapa said the main source of July 2024's inflation was the increase in prices of food and non-alcoholic beverages, which had an inflation of 6.4%. This contributed a total of 55.5% to the overall inflation.

Cereals, meats, as well vegetables and tubers were the main sources of inflation under food.

Housing, water, electricity, gas and other fuel price inflation was at 2.3%, contributing 11.3% to the uptick in overall inflation. Rentals, LPG and water supplies were the main contributors in this category.

The third highest contributors to national inflation were restaurants and accommodation services, which had an inflation of 4.9% and had a share of 10.8% for overall inflation.

[Cont. page 5]

Inflation surges to 4.4% in July, exceeding government target

[Cont. from page 4]

In terms of commodities, the PSA listed the top five contributors to inflation:

1. Rice
2. Restaurants
3. Rentals
4. LPG
5. Tomatoes, fresh or chilled

In a statement, National Economic and Development Authority Sec. Arsenio Balisacan said the increase was expected.

"The government is relentlessly working to address our nation's most pressing concern of ensuring food security for every Filipino amid the faster rise in prices in July and the expected typhoons and rains due to the onset of La Niña this August," Balisacan said.

By category. The PSA also found that the commodity groups with the highest inflation rates are: food and nonalcoholic beverages (6.4%), housing, water, electricity, gad and other fuels (2.3%), transport (3.6%), education services (5.8%).

Meanwhile, lower inflation was recorded for the following commodity groups: alcoholic beverages and tobacco (3.4%), clothing and footwear (3.1%), health (2.8%), recreation, sports and culture (3.4%), and restaurants and accommodation services (4.9%).

Regions. For the National Capital Region, inflation stood at 3.7% last July, an increase from June's 2.3%. Areas outside of the Metro have a higher inflation rate of 4.6% for July, compared to June's 4.1%.

Source: https://www.philstar.com/business/2024/08/06/2375837/inflation-surges-44-july-exceeding-government-target

Government sets higher budget for interest payments For 2025

August 05, 2024| Chino S. Leyco | Manila Bulletin

The Department of Finance (DOF) announced that the national government's interest payments are expected to surge by double digits next year due to refinancing of loans obtained during the pandemic.

Finance Secretary Ralph G. Recto said on Monday, Aug. 5, that the government expects an 11 percent increase in interest payments under the proposed 2025 national budget, from P763.44 billion this year to P848 billion.

Recto attributed this surge in financing costs primarily to the acceleration in outstanding debt, which surged from P7.7 trillion pre-Covid-19 in 2019 to P13.4 trillion post-pandemic.

Moreover, Recto said that borrowing expenses have risen after Covid-19, as central banks globally have hiked interest rates to counteract inflation stemming from various geopolitical tensions abroad.

Despite the increase in interest rates, the finance chief said that government borrowing costs were still reasonable and significantly below the country's gross domestic product (GDP) expansion.

"In fact, our effective interest rate for next year is only 5.3 percent, which is very cheap considering that the average term of our debt is 7.5 years," Recto said.

"Moreover, if we remove inflation, our real interest rate is only 2.3 percent, far lower than our expected real GDP growth of 6.5 percent—which means we are on track to outgrow our debt," he added.

As of June 2024, the national debt had climbed to P15.48 trillion, a seven percent increase from P14.52 trillion in the same period the previous year. *[Cont. page 6]*

Government sets higher budget for interest payments For 2025

[Cont. from page 5]

Additionally, it was a marginal rise of 0.8 percent compared to the P15.35 trillion recorded in the prior month.

As central banks begin lowering policy rates, Recto said they are hopeful that starting in the third quarter of 2024, the growth of interest payments would moderate.

“The continuous decline in our debt-to-GDP ratio since the pandemic is one of the reasons why our credit ratings remain high,” Recto said.

He said they are working towards the "Road to A Roadmap" goal, saying “we will try to achieve that status.”

Under the plan, the Philippines should secure an investor-grade sovereign credit rating of "A" from one of the major rating agencies, including Moody’s, Fitch Ratings, S&P Global Ratings, Japan Credit Rating Agency, and Rating and Investment Information.

“And having a high credit rating is a major win for all because this means that we not only have the capacity to pay our debts but can have more access to cheaper financing,” Recto said.

He added, “Not just for us in the government, but also for private businesses that require access to credit to increase their capital, grow operations, and create more jobs."

Source: https://mb.com.ph/2024/8/5/government-sets-higher-budget-for-interest-payments

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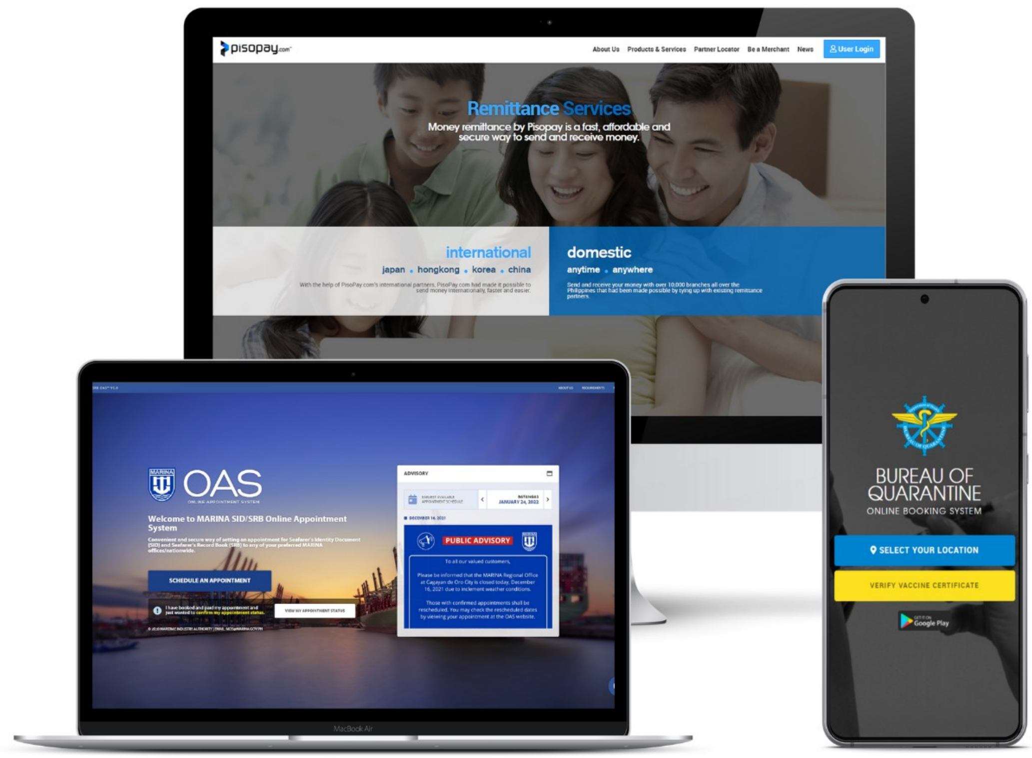

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