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SPECIAL POINTS OF INTEREST

PHL seen as potential logistics growth market

August 11, 2024| Justine Irish D. Tabile | BusinessWorld

THE PHILIPPINES is deemed a potential growth market for logistics companies looking to expand in response to growth in international trade, US supply chain services company C.H. Robinson said.

BW FILE PHOTO

C.H. Robinson Vice-President for Southeast Asia Stephen Ly told *BusinessWorld* that the Philippines remains a vibrant growth market for companies in the industry.

"The increased demand for freight and logistics services continues to escalate due to higher levels of international trade and exports, with the Philippine logistics industry expected to reach a market size of P1.16 trillion by 2027," Mr. Ly said via e-mail.

"This presents a valuable opportunity for logistics companies, such as C.H. Robinson, looking to expand its operations," he added.

C.H. Robinson recently opened a Philippine office focused on serving the Southeast Asian trade.

"C.H. Robinson has also selected the Philippines for its strategic location in Southeast Asia, which allows it to serve a wider customer base and enhance its global supply chain connectivity," Mr. Ly said.

"With seamless connections with key trading partners like the US, Singapore, South Korea, and China, the Philippines is an ideal hub for regional and international trade," he added.

Aside from increased trade, Mr. Ly noted that traditional trade routes are now being diverted to focus on Southeast Asia, putting the Philippines in prime position to capture growth.

"With recent geopolitical tensions across the world as well as spillover effects from the COVID-19 pandemic, companies are increasingly diversifying their production bases to Southeast Asian countries," he said.

"This diversification strengthens the region's role in global supply chains but also enhances its attractiveness as a manufacturing hub. As a result, these countries, including the Philippines, are experiencing a surge in foreign direct investment," he added.

However, Mr. Ly said that the logistics industry still faces challenges such as infrastructure limitations, regulatory hurdles, and fluctuating shipping costs.

"These challenges can impact the efficiency and cost-effectiveness of logistics operations, thereby affecting the overall economy," he said.

He described Philippine ports as inadequate, the road network congested, and inter-island connectivity limited, leading to delays and increased costs.

"These limitations not only hinder the efficient movement of goods within the country but also impact its competitiveness in the global market," he added.

On the topic of regulatory hurdles and bureaucratic processes, he said complex customs procedures, the absence of harmonized local regulations, and tedious documentation requirements can delay cargo clearance and increase operating costs. *[Cont. page 2]*

PHL seen as potential logistics growth market

[Cont. from page 1]

"These inefficiencies can deter potential investors and limit the growth of the logistics sector, ultimately affecting the country's economic development and its ability to fully participate in regional and global supply chains," he said.

He also noted volatile shipping costs, the result of global disruptions, as among the hurdles for logistics companies.

"With the suspension of shipping routes through the Red Sea, for instance, shipping fees are 15% more expensive for the Philippines, inflating the overall cost of goods and services in the country," he said.

Source: https://www.bworldonline.com/economy/2024/08/11/613400/phl-seen-as-potential-logistics-growth-market/

Peza approves P9.24B worth of investments in first week of Aug

August 10, 2024| Alden M. Monzon @AldenMonzonINQ - @inquirerdotnet | Philippine Daily Inquirer

BW FILE PHOTO

The Philippine Economic Zone Authority (Peza) on Friday said it has greenlit P9.24 billion worth of investments for the month of August so far, projects that are expected to generate $264.783 million in exports and create 4,265 new jobs.

The Peza said these investments were approved last August 7 during its board meeting, with more projects under assessment and will be discussed in another meeting scheduled on August 27.

These approved investments include a roster of 24 new and expansion projects, according to the investment promotions agency.

Fourteen of the projects are in export manufacturing, four in IT-BPM, two in facilities development, one engaged into the domestic market, and the remaining three into ecozone development.

This roster of new investments pushes Peza's year-to-date approvals to a total of 144 projects worth P54.72 billion, as well as the employment generation prospect to 29,524 jobs.

Peza director general Tereso Panga highlighted the significance of this continuous rise in jobs, which his office said exhibits a 60.4 percent increase comparing the numbers during the seven-month period from a year ago.

"The continuous rise in the number of new and expansion projects signify the international arena's confidence in the Philippines' business environment and economic potential," Panga said in a statement,

"Moreover, our proactive efforts in establishing the country's place as the go-to investment hub in the region plays a vital role in the ceaseless cycle of employment generation for our fellow Filipinos, paving the way for a better and brighter future not only for their families, but also for the nation's success," he added.

The Peza is targeting to approve at least P200 billion worth of investments this year.

Last year, investments approved by the Peza reached P175.70 billion in value, marking a 24.9 percent increase from the P140.7 billion it recorded in 2022.

Its approved investments reached P69.30 billion in 2021, P95.03 billion in 2020, P117.54 billion in 2019, and P140.2 billion in 2018.

Investments registered under Peza's economic zones enjoy a number of fiscal and non-fiscal incentives depending on the location and the nature of business.

Fiscal incentives for exporters include an income tax holiday of 4 to 7 years, as well as a special corporate income tax rate of 5 percent or enhanced deductions for 10 years.

Meanwhile, domestic market-focused enterprises are given an income tax-holiday of 4 to 7 years or enhanced deductions for 5 years.

Source: https://business.inquirer.net/474235/peza-approves-p9-24b-worth-of-investments-in-first-week-of-aug

Policy to lower power rates eyed

August 12, 2024| Jed Macapagal | Malaya Business Insight

The Energy Regulatory Commission (ERC) said the one plant, one rate policy for power supply agreements (PSAs) may become a fixture in power supply contracts if proven effective in lowering power rates and clearing backlogs.

Under the one plant, one rate policy, a power plant which has pending PSAs will be given a uniform power rate to simplify competitive selection process (CSP) proceedings with multiple distribution utilities (DUs) and electric cooperatives (ECs).

ERC said it started the one plant, one rate policy to clear its backlog on decisions, with pending PSAs to be issued in the course of the year to undergo the said approach. A three-month observation period will also be conducted to benchmark the program.

The regulatory body said that such move is parallel to what has been suggested by AKO BICOL Party List representative Elizaldy Co, during a budget hearing last week.

Co asked ERC if it can implement a benchmarking of prices per power plant technology to streamline the process of competitive selection process and assure low rates for consumers.

"The one plant, one rate policy is the approach adopted by the Commission to resolve the pending PSAs in our backlog, many of which have already expired. We evaluate the cost components of a generation plant to set its base rate. We then use that base rate to compare it with the rate in the PSAs it has with various DUs that are still pending with us and we adjust based on inflation and similar indices to account for the different supposed dates," said ERC chair Monalisa Dimalanta, in a message to reporters over the weekend.

"This makes the rates for the same plant across various PSAs uniform except for inflation adjustment and granting the CSP requirements are all complied with, will then be adopted by the Commission for approval of the PSAs," Dimalanta said.

ERC emphasized that Co's proposed benchmarking of prices is similar to the one plant, one rate policy "to a certain extent."

"(Co) proposes that the resulting bids per technology or type of plant for the previous year, based on global prices, can be used ad benchmark rates per type of plant that will participate in CSPs for the current year. We will study this as our moving-forward measure, considering previous studies on benchmarking commissioned by the ERC in prior years but were not adopted," Dimalanta added.

Under current CSP rules, a DU may only sign a PSA with a generation company after receiving at least two qualified bids from generation companies and will only be allowed to have direct negotiations with other power suppliers only after at least two failed bidding procedures.

Source: https://malaya.com.ph/news_business/policy-to-lower-power-rates-eyed/

Manila, Seoul seek 'strategic' ties, FTA

August 13, 2024| Malou Talosig-Bartolome | BusinessMirror

THE Philippines and South Korea are rushing the negotiations to elevate the bilateral ties into strategic partnership as both countries face increasing geopolitical uncertainties in the Indo-Pacific region.

Foreign Affairs Secretary Enrique Manalo and South Korean Foreign Minister Cho Tae-yul also agreed to work for the early ratification of the bilateral free trade agreement (FTA).

Manalo and Cho made these commitments during Manalo's official visit to Seoul last week

During his three-day official visit, Manalo paid a courtesy call on South Korean Prime Minister Han Duck-soo.

Manalo also visited the Joint Security Area, the only area in the Demilitarized Zone (DMZ) where North and South Korean forces stand face-to-face.

"Secretary Manalo and [South Korean foreign minister] Cho acknowledged the need to fast-track the work on the Joint Declaration on the Strategic Partnership between the Republic of the Philippines and the Republic of Korea, which would guide the future direction of the two countries' growing relationship. It was an important highlight of Secretary Manalo's visit," the DFA said in a statement. *[Cont. page 4]*

Manila, Seoul seek 'strategic' ties, FTA
[Cont. from page 3]

The Korean Peninsula is one of the major flashpoints in the Indo-Pacific region. Tension between Seoul and Pyongyang has risen as North Korea fired medium-range intercontinental ballistic missiles (ICBM) since 2022..

The Philippines, on the other hand, faces maritime threats from China's growing aggression and island-building in the South China Sea.

Manalo said he and Cho agreed to finish working on the text of the Joint Declaration within this year, hopefully in time for the visit of Prime Minister Han to Manila.

Elevating the bilateral relationship into a "strategic partnership" coincides with the commemoration of the 75 years of diplomatic relations between Manila and Seoul this year.

Manalo condemns NoKor
In his visit to the DMZ's Joint Security Area, Manalo reiterated support for Seoul's quest for peace in the Korean peninsula and condemned Pyongyang's firing of ICBMs.

"Let me be clear: The Philippines stands with the Republic of Korea in calling for peace and stability on the Korean Peninsula. We have consistently maintained a strong position of peace in the Korean Peninsula.

"We condemn the DPRK's intercontinental ballistic missile tests and launches, satellite launches using newly-acquired missile technology, unlawful military cooperation, and other provocative actions which are flagrant violations of UNSC sanctions and only serve to increase tensions and undermine economic progress, peace, and stability in the Korean Peninsula and the greater Indo-Pacific region," Manalo said in his statement at the DMZ.

The Philippines urged Seoul and Pyongyang to resume peaceful dialogue and work towards "lasting peace and stability in a denuclearized Korean Peninsula."

"The Philippines will continue to support efforts to secure the complete, verifiable, and irreversible denuclearization of the Korean peninsula. We have consistently and repeatedly called on the DPRK to comply with its international obligations under relevant UN Security Council resolutions and to commit to constructive and peaceful dialogue with the Republic of Korea," Manalo said.

He reiterated the offer to play a "constructive role" in promoting peaceful dialogue through the Asean Regional Forum.

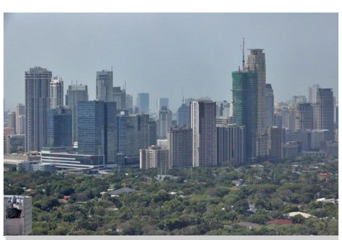
The rivalry between North and South Korea started in the 1950-53 Korean War.

The Philippines sent 7,420 soldiers during the Korean War, and 92 of them were killed in action.

Manalo said the valor and bravery of these Filipino soldiers remains the "bedrock of our long-standing relations now marking 75 years."

Source: https://businessmirror.com.ph/2024/08/13/manila-seoul-seek-strategic-ties-fta/

Philippines growth seen at 6% this year
August 13, 2024| Keisha Ta-Asan | The Philippine Star



Photos show buildings in the Taguig City business district dwarfing houses on February 6, 2024.

STAR / Ernie Penaredondo

MANILA, Philippines — Global banking giant Citi and research firm BMI Country Risk & Industry Research see the Philippine economy expanding by six percent this year, following the release of the gross domestic product (GDP) growth data for the second quarter.

In a report, Citi economist for the Philippines Nalin Chutchotitham said the bank raised its GDP growth forecast to six percent from 5.9 percent previously due to the stronger-than-expected GDP outturn in the second quarter.

"While household consumption is likely to only gradually recover, there are supporting factors such as strong employment, as well as the expected lower inflation and interest rates in the coming months," she said.

The economy posted a faster growth rate of 6.3 percent in the second quarter. This was faster than the 4.3 percent expansion in the second quarter last year and the revised 5.8 percent growth in the first quarter of 2024.
[Cont. page 5]

Philippines growth seen at 6% this year

[Cont. from page 4]

According to Chutchotitham, growth was moderately strong in the first half after averaging six percent. This marked an improvement from 2023, but it fell below the 2010-2019 average of 6.4 percent.

She noted that household consumption remained subdued in the second quarter despite the strong headline print. At 4.6 percent, household consumption was the weakest since the first quarter of 2021 and contributed 3.2 percentage points to overall GDP.

Citi also kept its six percent growth forecast for 2025.

However, Chutchotitham said rising external headwinds from the economic slowdown of several advanced economies such as the US could drag down expansion, as these economies are the Philippines' key trading partners and sources of remittances.

On the other hand, BMI has trimmed its full-year GDP growth forecast to six percent from 6.2 percent previously after overestimating the health of the Philippine economy.

"To reach our previous 6.2 percent growth projection for 2024, the economy must expand by around 6.4 percent in the second half, which we think is unlikely," the research firm said.

"The 6.3 percent growth outturn in the second quarter paints a misleading picture of the economy's health, as this number was flattered by a favorable base of comparison. Output grew by just 4.3 percent in the second quarter of 2023," it said.

BMI noted that on a quarterly basis, GDP grew by 0.5 percent, its softest pace since the second quarter of 2023. The slowdown stemmed from a lagging external sector as exports contributed just 1.2 percentage points to overall growth from 2.4 percentage points a quarter ago.

"Against the backdrop of a slowing global economy in the second half, external demand will prove even less supportive over the coming quarters," BMI said.

Rate cuts from the Bangko Sentral ng Pilipinas (BSP) could provide further support to domestic activity.

Citi expects the BSP to cut 25 basis points on Thursday and 25 basis points each in October and December. It also sees 75 basis points of total rate cuts in 2025.

Chutchotitham said there is a small chance that the BSP may err on the cautious side and stand pat in August, given July's inflation print at 4.4 percent amid volatile food and energy prices.

"However, note that the BSP deemed in June that inflation is on its way down and that the output gap is expected to remain negative throughout the policy horizon. Hence, demand-pull inflationary pressures are expected to remain limited," she said.

At its meeting last June, the BSP's Monetary Board kept the benchmark interest rate at a 17-year high of 6.50 percent. This was after it hiked aggressively by 450 basis points from May 2022 to October 2023.

"While household consumption is likely to only gradually recover, there are supporting factors such as strong employment, as well as the expected lower inflation and interest rates in the coming months."

Source: https://www.philstar.com/business/2024/08/13/2377394/philippines-growth-seen-6-year

FDI inflows reach US$499M in May

August 13, 2024| Anna Leah Gonzales | Philippine News Agency

MANILA – Net inflows of foreign direct investments reached USD499 million in May this year, the Bangko Sentral ng Pilipinas (BSP) said on Tuesday.

Bangko Sentral ng Pilipinas *(File photo)*

Data released by the Bangko Sentral ng Pilipinas (BSP) showed that the FDI net inflows during the month declined by 1.0 percent from the USD504 million inflows recorded in May 2023.

FDIs include investment by a non-resident direct investor in a resident enterprise, whose equity capital in the latter is at least 10 percent, and investment made by a non-resident subsidiary or associate in its resident direct investor. *[Cont. page 6]*

FDI inflows reach US$499M in May

[Cont. from page 5]

The BSP said an FDI can be in the form of equity capital, reinvestment of earnings, and borrowings.

According to the BSP, the decline in net inflows in May emanated mainly from the 31.7 percent drop in nonresidents' net investments in equity capital (other than reinvestment of earnings) to USD161 million from USD235 million in May 2023.

Reinvestment of earnings also decreased marginally by 3.7 percent to USD97 million from USD101 million.

Meanwhile, nonresidents' net investments in debt instruments increased by 43.4 percent to USD242 million from USD169 million in May 2023.

The BSP said top sources of FDIs during the month include Japan, United States, and Hong Kong.

These were channeled primarily to manufacturing, real estate, and arts entertainment, and recreation industries.

For the first five months of the year, FDI net inflows grew by 15.8 percent to USD4.0 billion from the USD3.5 billion net inflows reported in January-May 2023.

Top country sources include the United Kingdom, Japan, and the United States, and were channeled to manufacturing and real estate.

In a comment, Rizal Commercial Banking Corporation chief economist Michael Ricafort said the 1 percent decline in FDI net inflows in May was largely brought about by the geopolitical risks given the unprecedented direct attacks between Iran and Israel from April 1 to 20, 2024.

Ricafort said the FDI data also weighed in recent months by the still relatively higher US and local interest rates that increased borrowing costs for global and local investors and slowed down FDIs.

"Nevertheless, the Philippine economic growth is among the fastest in ASEAN and long-term U.S. and local interest rates already eased from the immediate highs since November 2023, thereby encouraging more FDIs to come into the country amid favorable demographics and lower long-term interest rates that help spur investments globally, including FDIs into the country," said Ricafort.

"For the coming months, possible cuts in the U.S. and local policy rates later in 2024 and in 2025, especially if inflation remains well anchored within the inflation target of the central bank, could also lead to further pick up in FDIs eventually," he added.

Source: https://www.pna.gov.ph/articles/1231035

Analysts: PHL growth mainly a base effect

August 13, 2024| Cai U. Ordinario | Business Mirror

Commercial and residential buildings rise in this skyline of Metro Manila as residential houses are seen in foreground. (NONIE REYES)

THE economy's performance in the second quarter benefited mainly from base effects, leading foreign analysts to estimate that full-year growth will only reach the low end of the government's targets.

BMI, a FitchSolutions company, lowered its growth outlook to 6 percent from its initial estimate of 6.2 percent while Citi Philippines upgraded its forecast to 6 percent from its earlier forecast of 5.9 percent.

The Development Budget Coordination Committee's (DBCC) targets a GDP growth of 6 to 7 percent this year before increasing to 6.5 to 7.5 percent next year and 6.5 to 8 percent between 2026 and 2028.

"The latest growth outturn clearly showed that we have overestimated the health of the Philippine economy," BMI stated.

"The 6.3 percent growth outturn in Q2 [second quarter] paints a misleading picture of the economy's health, as this number was flattered by a favorable base of comparison," it added. *[Cont. page 7]*

Analysts: PHL growth mainly a base effect

[Cont. from page 6]

BMI noted that the Philippine economy only posted a growth of 0.5 percent quarter on quarter, which was the softest pace recorded since the second quarter of 2023.

It noted that this was largely due to the "poor performance in the external sector." Exports contributed 1.2 percentage points (pp) to headline growth.

This halved the 2.4-percentage point contribution of exports in the previous quarter. Along with the uptick in imports, net exports decreased 0.8 percentage points.

"Flattered by a low base effect, growth in government spending increased sharply this quarter, while private consumption growth was unchanged amid high domestic borrowing costs," Moody's Analytics said.

Meanwhile, Citi Philippines economist Nalin Chutchotitham said the growth in the second quarter was faster than they expected and this was the reason for their upgrade for full-year growth.

Chutchotitham said that while household consumption is expected to "only gradually recover," this will be supported by strong employment, slower inflation, and lower interest rates.

"We maintain our expectation of 2025 growth at 6 percent, noting increasing external headwinds from the slowdown in several advanced economies—especially the US—which are the Philippines's key trading partners and sources of overseas workers' remittances," Chutchotitham said.

BSP will cut rates

Both BMI and Citi expect that due to the latest economic performance, the Bangko Sentral ng Pilipinas (BSP) will cut interest rates on Thursday to boost the economy.

Citi expects the BSP to cut interest rates by 25 basis points this week and cut another 25 basis points in October and December. A total of 75 basis point cumulative cuts are projected in 2025.

Chutchotitham said, however, that BSP may still opt to "err on the cautious side" and maintain key policy rates on Thursday due to the 4.4 percent inflation.

Nonetheless, she said, inflation is expected to trend downward "throughout the policy horizon" given that demand-pull inflationary pressures remain limited and regional wage hikes are "unlikely to case new concerns."

"Last but not least, we continue to show in earlier notes that the real policy rate has been above historical trend, and hence the BSP could definitely afford to ease slowly to steer the economy back towards potential," Chutchotitham said.

Earlier, the steady pace of household consumption and faster government spending in the second quarter allowed the economy to exceed the low-end of the administration's growth target despite elevated inflation and high interest rates. ***(See: https://businessmirror.com.ph/2024/08/09/6-3-q2-growth-buoys-hope-for-full-year-goal/)***

The Philippine Statistics Authority (PSA) said the country's GDP growth reached 6.3 percent in the April to June period this year. This is the fastest growth rate since the 6.4 percent posted in the first quarter of 2023.

PSA data showed household final consumption expenditure posted a 4.6-percent growth in the second quarter, the same rate it posted in the first quarter. Earlier, the PSA said, excluding the pandemic, the 4.6-percent growth rate was the slowest in 14 years.

Source: https://businessmirror.com.ph/2024/08/13/analysts-phl-growth-mainly-a-base-effect/

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