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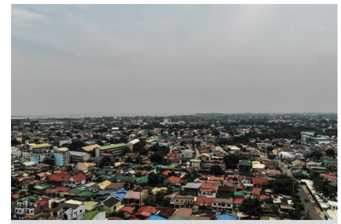
SPECIAL POINTS OF INTEREST

'BSP has room for 2 more rate cuts'

August 21, 2024| Luisa Maria Jacinta C. Jocson | BusinessWorld

THE BANGKO SENTRAL ng Pilipinas (BSP) may have room for two more rate cuts this year, Metropolitan Bank & Trust Co. (Metrobank) said.


The Philippine economy grew by 6.3% in the second quarter, faster than 5.8% in the previous quarter and 4.3% a year ago. — PHILIPPINE STAR/RUSSEL PALMA

"For now, we are holding on to our '2+1' rate cut call (two cuts with a possibility of a third cut) for 2024, with up to 75 basis points (bps) worth of easing slated for early 2025," Metrobank Chief Economist Nicholas Antonio T. Mapa said in a report.

"The main argument for rates to slip to 5% by mid-2025 lies in the outlook for growth and inflation," he added.

The Monetary Board last week reduced the target reverse repurchase (RRP) rate by 25 bps to 6.25% from the over 17-year high of 6.5%. This was the first time that the central bank cut rates in nearly four years.

BSP Governor Eli M. Remolona, Jr. had also signaled the possibility of a 25-bp cut in the fourth quarter. The Monetary Board's remaining meetings this year are on Oct. 17 and Dec. 19.

Metrobank expects the central bank to implement a "modest" easing cycle.

"Given the BSP's forecasts pointing to inflation remaining within target all the way through to 2026, we believe that BSP has the price stability objective in hand for the moment," Mr. Mapa said.

The BSP expects inflation to average 3.4% this year, 3.1% in 2025, and 3.2% in 2026. This would put full-year inflation settling within the central bank's 2-4% target until 2026.

For his part, GlobalSource Partners country analyst and former BSP Deputy Governor Diwa C. Guinigundo said that the BSP's inflation outlook supports further easing.

"This gives the BSP room to maneuver into a less restrictive monetary stance, lower cost of borrowing and stimulate credit and business activities," he said in a Viber message.

"If between now and the next two meetings of the BSP for the rest of the year nothing changes in the balance of risks, there could be space for another rate cut and more in 2025."

Mr. Mapa noted that the Monetary Board's decision to cut rates also took economic growth into account.

"The move suggests that rates are not at 'normal' levels and that the restrictive stance would impose a toll on economic growth if kept at elevated levels for much longer," he said.

Mr. Remolona had earlier said that the previous 6.5% key rate was "tight."

"Tight policy rates may have been imperative when inflation was well-above the target, but with inflation on the downtrend, it appeared that tight policy was no longer the right prescription for a growing economy," Mr. Mapa said.

The Philippine economy expanded by 6.3% in the second quarter, faster than 5.8% in the previous quarter and 4.3% a year ago. On a seasonally adjusted quarter-on-quarter basis, gross domestic product (GDP) expanded by 0.5%, slowing from 1.1% in the first quarter. *[Cont. page 2]*

'BSP has room for 2 more rate cuts'

[Cont. from page 1]

"Barring any supply-side shocks, the BSP appears to have more than enough room to engineer a 'soft takeoff' for the Philippine investment sector, which for the most part has been operating at a very measured pace," Mr. Mapa said.

"The latest GDP growth numbers plus the BSP's own forecasts pointing to growth staying below 6% this year and the next suggest that the BSP does have scope to ease off the brake pedal and shift to the accelerator at a 'measured pace.'"

Meanwhile, Mr. Mapa said the BSP may continue its easing cycle once the Fed begins cutting rates.

"If inflation remains well-behaved, the Fed proceeds with three rate cuts and growth remains constrained, we could see BSP cutting rates by another 50 bps before the end of the year."

However, Mr. Guinigundo said that the BSP must still be wary of the Fed's moves.

"I would rather have the BSP shift to a less restrictive monetary policy after the US Fed's expected easing," he said.

"This would help mitigate the risk of capital outflow should the interest rate differential moves in favor of dollar-denominated assets. Additional price pressures might be triggered by a weak peso."

The focus this week will be on Federal Reserve Chair Jerome H. Powell's speech in Jackson Hole as investors look for cues on whether the Fed will start with a 25-bp or 50-bp cut in September.

"I do maintain that patience continues to be relevant in future monetary policy discussion because the real sector remains robust and the labor market generally firm," Mr. Guinigundo said.

"The tight monetary policy has succeeded in stabilizing inflation without dislodging the anchors of economic growth," he added.

Source: https://www.bworldonline.com/top-stories/2024/08/21/615203/bsp-has-room-for-2-more-rate-cuts/

Ecop joins business clamor to cut number of holidays

August 19, 2024| Andrea E. San Juan | BusinessMirror

THE Employers Confederation of the Philippines (Ecop) has joined the clamor of some business groups to shun adding non-working holidays in the country, as this is a "disincentive" to foreign investors.

In a statement over the weekend, Philippine Exporters Confederation Inc. (Philexport) quoted Philexport and Ecop President Sergio R. Ortiz-Luis Jr. as saying the Philippines already observes an "inordinately high" number of holidays and there is no need to add to the list.

Ortiz-Luis said these holidays are adding up, on top of the vacation and sick leaves provided to the workforce by companies.

"*Masarap pakinggan 'yung holiday-holiday, wala kang trabaho, pero napakarami na nating holidays. Huwag na nating dagdagan* [It's notice to hear about holidays, one can rest, etc., but there are already too many of them. Let's not add to them] Ortiz-Luis said.

The Ecop chief said this would make the country uncompetitive and unattractive to investors.

"It's a disincentive to investors, especially foreigners, if they put in money here and then realize the frequent holidays, which are augmented by special holidays," Ortiz-Luis underscored, speaking partly in Filipino.

Apart from the foreign investors, Ortiz-Luis said with the country becoming "too expensive," the number of holidays would have an "adverse," impact particularly on workers under the no-work-no-pay arrangement and on the services sector such as the transportation industry.

With this, the head of the employers group in the country suggested looking into combining some of the holidays to trim the list, "commemorating special occasions without turning them into non-working days, and localizing the celebrations to certain areas or regions where the event holds a special meaning." *[Cont. page 3]*

Ecop joins business clamor to cut number of holidays

[Cont. from page 2]

Just last week, the Philippine Chamber of Commerce and Industry (PCCI) called on Congress to "rationalize" the number of holidays in the country, adding that it reduces the country's productivity and "weakens" its position as an investment destination.

"We have too many holidays compared to the others in the region. We have to reduce its negative impacts on the productivity of our workforce and state of our economy," PCCI President Enunina V. Mangio said in a statement last August 14.

At present there are approximately 22 plus about 5 special holidays declared by the Palace every year, in addition to those that are calamity-related and hundreds of provincial and municipal holidays, PCCI noted.

Mangio said having too many holidays is unhealthy for business and the economy. It increases the labor costs that actually burden particularly the small businesses.

"Let us focus and work on our productivity and competitiveness and make sure we attract more investors into the country," she said.

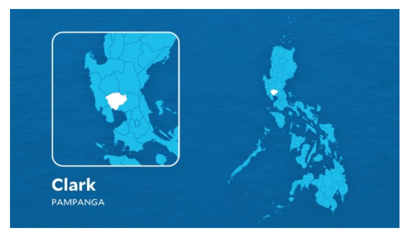
The PCCI also noted it is open to participate in any consultations should there be a proposal or study that will be presented on extra holidays.

Source: https://businessmirror.com.ph/2024/08/19/ecop-joins-business-clamor-to-cut-number-of-holidays/

Clark airport operator seeks developer of mega station

August 20, 2024| Tyrone Jasper C. Piad @TyronePiad - @inquirerdotnet | Philippine Daily Inquirer

Clark International Airport Corp. (CIAC) is looking for a partner in developing a 2-hectare (ha) commercial hub near the Pampanga gateway amid the growing traffic in the Central Luzon business district.



The government-owned and -controlled corporation has issued an invitation to bid for a long-term lease and development of the "Drive, Dine and Fly: Mega Service Station" project.

The property is situated about 2.2 kilometers from the Clark International Airport, making it a "prime and strategic location" for the "development of a gasoline and service center to serve the high volume of vehicle traffic in the area," CIAC said.

CIAC is offering an initial lease period of 30 years, which can be extended by up to another 20 years, depending on negotiations. Interested parties can buy bidding documents until Sept. 4 for P50,000.

Apart from this, CIAC is working on its P8.5-billion Clark National Food Hub, which is proposed to improve the food supply chain across the country and to provide a marketplace for farmers and fisherfolk.

The first phase of the project—which will consist of administrative offices, cold storage facilities and trading markets for wholesalers—is slated for completion by 2027.

The second phase, meanwhile, will take five years of construction thereafter or until 2032. This segment will provide space for food manufacturing and packaging.

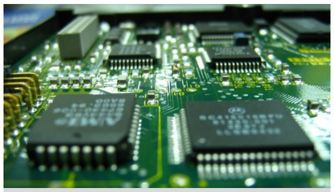
The hub is a 62-ha facility set to rise in the Clark civil aviation complex.

In addition, CIAC is studying the possibility of building a second runway to accommodate more flights. It is projected to cost P7 billion to P10 billion.

Source: https://business.inquirer.net/475710/clark-airport-operator-seeks-developer-for-mega-station

PHL urged to prepare for growth in global semiconductor demand

August 19, 2024| John Victor D. Ordonez | BusinessWorld


STOCK PHOTO

THE GOVERNMENT needs to ensure that Philippine semiconductor manufacturers can handle the expected growth in global chip demand, according to a Senate think tank.

"Philippine export performance will likely benefit from this anticipated expansion (of world semiconductor trade), underscoring a need to ensure that domestic manufacturers are prepared to increase capacity and meet additional demand," the Senate Economic Planning Office said in a policy brief.

According to the World Semiconductor Trade Statistics report, demand growth for chips is projected at 12.5% next year

It also cited 2025 estimates from the World Trade Organization, which forecast world merchandise trade growth to accelerate to 3.3% as consumption picks up.

"Nevertheless, opportunities remain which the government could leverage for better trade outcomes," the think tank said.

The Philippine Statistics Authority said that in June, semiconductor exports fell 29.5% to $2.32 billion.

Washington is looking to invest in the Philippine chip industry and possibly doubling the number of existing packaging, testing, and assembly facilities, US Commerce Secretary Gina M. Raimondo said in her visit to Manila in March.

The Philippines has 13 semiconductor assembly, testing, and packaging facilities.

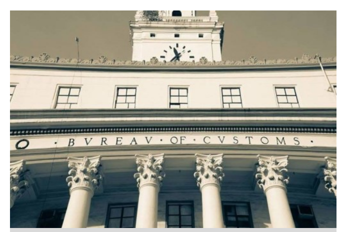
The Philippines is one of seven countries that the US is partnering with to diversify its semiconductor supply chain under the CHIPS and Science Act.

Under the law, the US will provide $52.7 billion in federal subsidies to support chip manufacturing and persuade chipmakers with operations in China to relocate to the US or to friendly countries.

Source: https://www.bworldonline.com/economy/2024/08/19/614969/phl-urged-to-prepare-for-growth-in-global-semiconductor-demand/

DOF, BOC move to advance trade facilitation in ASEAN

August 16, 2024 | The Philippine Star



BOC Assistant Commissioner Vincent Philip Maronilla, acting spokesman of the bureau, said the personnel might be put under the Office of the President.
STAR / File

MANILA, Philippines — The Department of Finance (DOF) and the Bureau of Customs (BOC) recently convened with the ASEAN-USAID Partnership Program to discuss the development on the next-generation ASEAN Single Window (ASW) which represents a pivotal advancement in enhancing the Philippines' role in regional trade facilitation.

The session delved into the policy, legal, and technical aspects crucial to advancing the next-generation ASW. The Philippines' challenges in crafting policies and technologies for electronic document exchange with trading partners and the ASEAN Single Window were addressed in detail.

"This partnership underscores the BOC's dedication to advancing trade facilitation and strengthening the Philippines' role in ASEAN and global trade," said BOC commissioner Bienvenido Rubio, as he highlighted that the collaboration aims to drive significant improvements in trade processes.

Acting BOC deputy commissioner Michael Fermin emphasized the Philippines' proactive measures, particularly the National Feasibility Study on Cross-border Electronic Exchange, supported by the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP). The findings of the ESCAP National Feasibility Study were highlighted during the session with USAID-ASEAN.

Recommendations for enhancing the ASEAN Single Window system included improving technical compatibility with global trade systems, developing mobile-friendly versions, and implementing robust data quality control were also shared. Further suggestions focused on enhancing data security, expanding electronic document exchanges, and improving accessibility for MSMEs were also discussed.

The ASEAN-USAID Partnership Program will provide the intermediate report on the study at the 68th TWG Meeting, which is slated to take place in Cebu City from Sept. 10 to 13.

Source: https://www.philstar.com/business/2024/08/16/2378125/dof-boc-move-advance-trade-facilitation-asean

PPA issues bid notices to develop Zamboanga del Norte, Leyte ports

August 19, 2024 | Ashley Erika O. Jose | BusinessWorld

THE Philippine Ports Authority (PPA) said it plans to offer P584.9 million worth of contracts to develop ports in Zamboanga del Norte and Southern Leyte.

In a notice to bid, PPA is now inviting potential contractors to expand Sindangan port in Zamboanga del Norte and rehabilitate Limasawa port in Southern Leyte for P537.73 million and P47.17 million, respectively.

The PPA said any bids made in excess of the approved amount of the contract will be rejected at the bid opening and only those interested parties with experience of working on a similar project will be considered eligible.

For the Sindangan port expansion project in Zamboanga del Norte, the PPA will hold a pre-bid conference on Aug. 23.

All interested parties must submit their bids on or before Sept. 5, the PPA said.

The PPA said that the project must be completed within 720 days.

Meanwhile, interested parties may also bid on the Limasawa port rehabilitation project by Sept. 5. The Port of Limasawa project contract must be completed within 360 calendar days, PPA said.

In the next four years, the PPA is setting aside about P16 billion to fund its infrastructure projects, including 14 flagship projects.

Source: https://www.bworldonline.com/economy/2024/08/19/614971/ppa-issues-bid-notices-to-develop-zamboanga-del-norte-leyte-ports/

BOP surplus hits $1.5 billion in January-July, down 46.7%

August 20, 2024 | Cai U. Ordinario | BusinessMirror

THE narrowing trade-in-goods deficit and net inflows in remittances were among the reasons for the Balance of Payments (BOP) surplus in July, according to the Bangko Sentral ng Pilipinas (BSP).

BSP data showed the BOP surplus reached $1.504 billion between January and July 2024 while the surplus in July reached $62 million.

The data showed the surplus in January to July this year contracted 46.74 percent from the $2.2 billion posted in the same period last year. However, the surplus in July was a reversal from the $53-million deficit in July 2023.

"The BOP surplus in July 2024 reflected inflows mainly from the net income from the Bangko Sentral ng Pilipinas'[BSP] investments abroad and the National Government's [NG] net foreign currency deposits with the BSP," BSP said.

"[The] cumulative BOP surplus reflected mainly the narrowing trade in goods deficit alongside the continued net inflows from personal remittances, net foreign direct investment, trade in services, net foreign borrowings by the NG, and net foreign portfolio investments," it added.

Meanwhile, Rizal Commercial Banking Corporation Michael L. Ricafort said the BOP data could improve, and thereby lead to better gross international reserves (GIR) data.

Ricafort said this will be driven by proceeds of the national government's foreign currency-denominated borrowings/debt, growth in Overseas Filipino Workers (OFW) remittances, growth in foreign direct investments, and the narrowing trade in goods deficit.

"Any improvement in BOP data and in GIR data for the coming months could still help provide greater cushion/support/buffer for the peso exchange rate vs. the US dollar especially versus any speculative attacks," Ricafort said.

"[This will also] help strengthen the country's external position that, in turn, also supports the relatively favorable credit ratings of 1-3 notches above the minimum investment grade that have been so far sustained despite the Covid-19 pandemic started in 2020," he added.

The BOP position reflects an increase in the final GIR level to $106.7 billion as of end-July 2024 from $105.2 billion as of end-June 2024. *[Cont. page 6]*

BOP surplus hits $1.5 billion in January-July, down 46.7%

[Cont. from page 5]

The latest GIR level represents a more than adequate external liquidity buffer equivalent to 7.9 months' worth of imports of goods and payments of services and primary income.

BSP said these payments ensure the availability of foreign exchange to meet balance of payments financing needs, such as for payment of imports and debt service, in extreme conditions when there are no export earnings or foreign loans.

Moreover, it is also about 6.1 times the country's short-term external debt based on original maturity and 3.8 times based on residual maturity.

The short-term debt based on residual maturity refers to outstanding external debt with original maturity of one year or less, plus principal payments on medium- and long-term loans of the public and private sectors falling due within the next 12 months.

Image credits: Michael Edwards | Dreamstime.com

Source: https://businessmirror.com.ph/2024/08/20/bop-surplus-hits-1-5-billion-in-january-july-down-46-7/

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