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SPECIAL POINTS OF INTEREST

Inflation likely eased to 3.7% in Aug.

September 02, 2024 | Luisa Maria Jacinta C. Jocson | BusinessWorld

Vendors continue to sell goods despite flooding at the Libertad Public Market in Pasay City, July 24, 2024. — PHILIPPINE STAR/ RYAN BALDEMOR

HEADLINE INFLATION likely eased in August and returned to within the central bank's 2-4% target band amid a drop in prices of rice and fuel, analysts said.

A *BusinessWorld* poll of 15 analysts yielded a median estimate of 3.7% for the consumer price index (CPI) in August. This is within the 3.2-4% forecast of the Bangko Sentral ng Pilipinas (BSP) for the month.

August inflation would also be slower than the nine-month high of 4.4% in July and the 5.3% print in the same month a year ago.

The Philippine Statistics Authority (PSA) is set to release August inflation data on Thursday (Sept. 5).

"Higher electricity rates and higher prices for agricultural commodities, owing to unfavorable weather conditions, are the primary sources of upward price pressures for the month," the BSP said.

"These factors are expected to be offset by lower domestic oil prices as well as lower rice, fish, and meat prices along with the peso appreciation," the BSP said.

Union Bank of the Philippines, Inc. Chief Economist Ruben Carlo O. Asuncion said August inflation likely slowed mainly due to the decline in rice prices.

"We expect the lower tariff rates for rice to be a key downward pressure on prices," Sarah Tan, an economist from Moody's Analytics, said in an e-mail.

Rice inflation eased to 20.9% in July from 22.5% in June, marking the fourth straight month of slower rice inflation. Rice typically accounts for almost half of overall inflation.

"August last year was the time when rice prices started to climb due to a global supply crunch. But due to lower tariff rates in 2024, rice prices have remained more or less stable, leading to headline CPI (consumer price index) dropping significantly on a year-on-year basis," HSBC economist for ASEAN (Association of Southeast Asian Nations) Aris D. Dacanay said.

In June, President Ferdinand R. Marcos, Jr. slashed the tariff on rice imports to 15% from 35% until 2028 in an effort to tame rice prices.

Slower inflation "may primarily have been driven by food basket inflation, attributed to weak rice imports and heavy rainfall disrupting local food production," Security Bank Corp. Chief Economist Robert Dan J. Roces said.

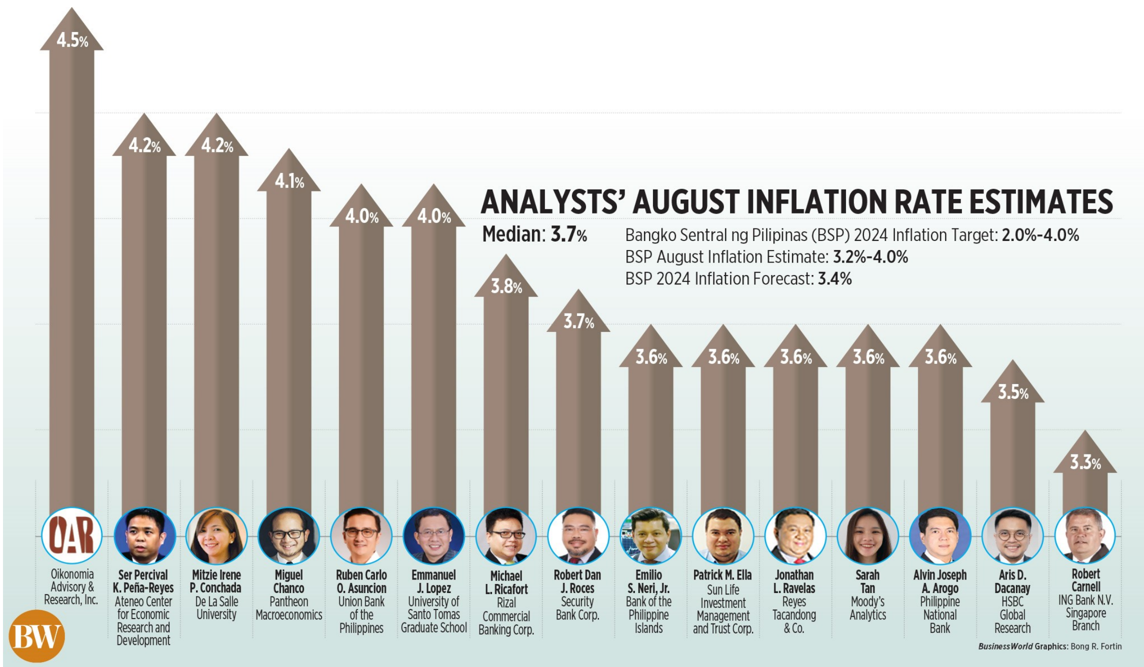
"These factors have likely led to sustained growth in domestic food prices, particularly affecting rice," he added.

Meanwhile, analysts also noted that slower transport inflation may have contributed to inflation settling within BSP's 2-4% target.

"The main drag from the 4.4% headline rate in July should come from a big fall in transportation inflation, going by the material drop in pump prices over the last few weeks," Pantheon Chief Emerging Asia Economist Miguel Chanco said.

"Adding to the disinflationary impulse is the significant reduction in fuel prices throughout the month," Mr. Dacanay said. *[Cont. page 2]*

Inflation likely eased to 3.7% in Aug.
[Cont. from page 1]



In August alone, pump price adjustments stood at a net decrease of P2.70 per liter for gasoline, P2.80 per liter for diesel, and P3.70 per liter for kerosene.

"We estimated a double-digit annual growth drop of 10% in retail petroleum prices, and diesel prices have the largest sales volume that could partially offset the estimated electricity rate hike of 6.7% year on year for August," Mr. Asuncion said.

On the other hand, analysts also noted potential upside risks to inflation in August, such as the impact of Typhoon Carina and the southwest monsoon that hit Luzon in late July.

"The impact from Typhoon Carina that struck in July is expected to show up in August's print in terms of higher prices for agricultural produce like vegetables," Ms. Tan said.

Latest data from the Agriculture department showed that agricultural damage from Typhoon Carina and the southwest monsoon stood at P4.73 billion. Rice was the most affected crop, accounting for 22.9% or P1.08 billion of the overall damage.

"We believe that favorable base effects, especially for rice, will outweigh the lingering adverse impact of Tropical Depression Butchoy and Typhoon Carina on overall food prices," Philippine National Bank economist Alvin Joseph A. Arogo said.

Also, Ms. Tan said utilities inflation likely accelerated in August as Manila Electric Co. (Meralco) raised electricity prices.

In August, Meralco hiked rates by P0.0327 per kilowatt-hour (kWh), bringing the overall rate of P11.6339 per kWh for a typical household from the previous month's P11.6012 per kWh.

ROOM FOR MORE RATE CUTS?
With inflation likely in a downtrend, analysts expect that the central bank will be able to continue its easing cycle.

"Should the inflation print in August and the next couple of months confirm that July's spike was just a blip, and that inflation is indeed in a downtrend as the BSP expects, this will give BSP confidence to deliver another rate cut in the fourth quarter," Ms. Tan said.

In August, the Monetary Board reduced the target reverse repurchase (RRP) rate by 25 basis points (bps) to 6.25% from the over 17-year high of 6.5%.

This was the first time the BSP cut rates in nearly four years or since November 2020. [*Cont. page 3]*

Inflation likely eased to 3.7% in Aug.
[Cont. from page 2]

The BSP could further reduce rates in order to match any US Federal Reserve rate cuts, Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said.

"We think this will support the BSP's rate-cutting cycle and we expect at least another 25-bp cut in the fourth quarter. If the Fed cuts aggressively at 50 bps, the BSP is likely to match this rate cut," Patrick M. Ella, economist at Sun Life Investment Management and Trust Corp., said.

Money markets are confidently pricing the Fed's first 25-bp cut of this cycle at its September meeting, with a 33% chance of a jumbo 50-bp reduction, Reuters reported.

"Sustained deceleration in August could translate to one more RRP cut and a possible 0.5% to 1% reduction in the RRR before the year ends," Bank of the Philippine Islands Lead Economist Emilio S. Neri, Jr. said.

BSP Governor Eli M. Remolona, Jr. earlier said that they can deliver another 25-bp rate cut in the fourth quarter.

For his part, Mr. Dacanay expects to see the policy rate at 6% by end-2024.

"We also expect core CPI to continue its gradual moderation, many thanks to the central bank's tight grip on monetary policy, providing the BSP room to cut policy rates by 25 bps to 6% by yearend," he added.

On the other hand, De La Salle University economist Mitzie Irene P. Conchada said there are some risks that could delay the BSP's continued policy easing.

"External factors such as calamities and external events could affect inflation and result in an upward trend towards the end of the year. Furthermore, I think that the BSP will keep its interest rates in its next policy meeting," she said.

The BSP's last two policy meetings of the year are scheduled on Oct. 17 and Dec. 19.

Source: https://www.bworldonline.com/top-stories/2024/09/02/617346/inflation-likely-eased-to-3-7-in-aug/

BOC, PCCI partner vs smuggling
September 02, 2024 | Angela Celis | Malaya Business Insight

Rubio (4th from left) and PCCI president Enunina Mangio (3rd from left) show the signed MOU as Ortiz-Luis (second from left) and other witnesses look on. (BOC Photo)

THE Bureau of Customs (BOC) and the Philippine Chamber of Commerce and Industry (PCCI) have entered into a memorandum of understanding (MOU) aimed at improving revenue collection, combating smuggling and safeguarding local industries.

This partnership will involve joint monitoring of commodities and ensuring fair trade practices.

In a statement, the BOC said the agreement was signed during the 6th Customs and Industry Consultative Advisory Council meeting hosted by the Philippine Exporters Confederation Inc. in Manila last August 30.

In his keynote address, PhilExport president and Sergio Ortiz-Luis Jr. acknowledged BOC's efforts in sustaining the vital role of public-private partnership.

"Thanks to BOC commissioner (Bienvenido) Rubio and his predecessors who tend to build up on each other's gain—since global trading is very dynamic, government and private sector (have remained) vigilant and pro-active in ensuring that the Philippines is not left behind on trade facilitation," Ortiz-Luis said.

During the same meeting, the bureau introduced Customs Memorandum Order 08-2024 which provides clear guidelines on the implementation of the ATA Carnet System in the Philippines.

Often referred to as the "passport for goods," the ATA Carnet is an international Customs document that permits the tax-free and duty-free temporary export and import of non-perishable goods for up to one year.

Members of the private sector also presented several proposals in alignment with BOC's goals to improving trade facilitation.
[Cont. page 4]

BOC, PCCI partner vs smuggling
[Cont. from page 3]

For his part, Rubio reaffirmed the bureau's commitment to enhancing collaboration with stakeholders.

"This meeting has once again put a spotlight on reinforcing partnership among us. Through our joint efforts, we aim to keep pace with the dynamic global trading environment and enhance trade facilitation. Our commitment is to ensure that the Philippines remains competitive and protects local industries and consumers," Rubio said.

In the same event, Rubio received the 2024 Outstanding Achievement Award from the International Container Terminal Services Inc. for his dedication and leadership.

Source: https://malaya.com.ph/news_business/boc-pcci-partner-vs-smuggling/

Weak Philippine growth to persist in 2024
Capital Economics
September 02, 2024 | Ben Arnold de Vera | Manila Bulletin

Think tank Capital Economics has warned that the stalling Philippine economic growth would persist this year, even as easing inflation and expectations of more interest rate cuts by the central bank will improve prospects next year.

While the country's gross domestic product (GDP) grew 6.3 percent year-on-year in the second quarter of 2024—the fastest in five quarters, Capital Economics pointed out in an Aug. 30 report that the increase in economic output slowed to 0.5 percent from April to June compared with January to March's 1.1-percent quarter-on-quarter rise.

Capital Economics senior Asia economist Gareth Leather and assistant economist Ankita Amajuri noted that the lower quarter-on-quarter growth during the April-to-June period came on the back of drops in exports and household consumption.

"We expect this weakness to persist in the near term," Capital Economics said.

Based on Capital Economics' estimates, quarter-on-quarter GDP growth would remain below one percent in the third and fourth quarters of 2024.

To recall, the Philippines' economic output grew by 2.8 percent quarter-on-quarter during the third quarter of 2023, before slowing to 1.9 percent in the fourth quarter of last year.

As such, annual GDP growth was estimated by Capital Economics at 5.5 percent this year, matching last year's performance yet below the government's six percent to seven percent goal.

For Capital Economics, a combination of weak economic growth and downward headline inflation would force the Bangko Sentral ng Pilipinas (BSP) to further slash the key interest rate to end 2024 at 5.75 percent.

"The BSP kicked off its easing cycle with a 25 basis points (bps) cut in August. With inflation set to fall and growth struggling, we expect another 50 bps of cuts this year," the think tank said.

The Monetary Board, the BSP's top policy-making body, will again tackle interest rates on Oct. 17 and Dec. 19.

On top of the total of 75 bps in interest rate cuts expected by Capital Economics this year, the think tank anticipates the BSP to cut by another 100 bps next year for the overnight lending rate to end 2025 at 4.75 percent.

Capital Economics said the year-on-year rate of increase in prices of basic commodities will "likely drop back sharply over the coming months on the back of beneficial base effects."

In a separate report also released on Aug. 30, Leather projected August inflation at 3.5 percent, lower than a month ago's 4.4 percent and a year ago's 5.3 percent.

The Philippine Statistics Authority (PSA) report on the August consumer price index (CPI) will be out on Thursday, Sept. 5.

Capital Economics sees inflation falling to an average of 3.5 percent this year from 6 percent last year—the highest annual rate since the 8.2 percent recorded in 2008 at the height of the global financial crisis.

Source: https://mb.com.ph/2024/9/2/weak-philippine-growth-to-persist-in-2024

Delinquent companies can settle SEC fines at lower rates until Nov.30

September 03, 2024 | Revin Mikhael D. Ochave | BusinessWorld

Ortigas business district — PHILIPPINE STAR/MIGUEL DE GUZMAN

THE SECURITIES and Exchange Commission (SEC) has launched an incentive program that allows noncompliant and delinquent corporations to settle fines and penalties at "significantly" lower rates.

Applications for the Enhanced Compliance Incentive Plan (ECIP) can be submitted to the regulator until Nov. 30, the SEC said in an e-mailed statement.

The SEC issued Memorandum Circular (MC) No. 13 on the ECIP, which allows corporations that did not submit annual reports on time "to restore their good standing" by settling fines and penalties.

The new plan comes after more than 81,700 companies availed of the SEC Amnesty Program and complied with reportorial requirements in 2023.

"After the SEC amnesty program, the commission has strictly imposed higher revised fines and penalties to encourage strict and habitual compliance with reportorial obligations and good corporate housekeeping," SEC Chairperson Emilio B. Aquino said.

"With the launch of ECIP, we are affording corporations under our supervision another opportunity to remedy their violations, at lower fees, and restore their good standing," he added.

The ECIP covers unassessed and uncollected fines and penalties for violations such as the late and non-filing of general information sheet (GIS) for the latest and prior years, as well as the late and non-filing of annual financial statement (AFS).

It also applies to corporations that have failed to designate and submit their official and alternative e-mail addresses and mobile phone numbers as required under MC No. 28.

Under the ECIP, noncompliant and delinquent corporations could settle their unassessed or unpaid fines and penalties for P20,000. This rate will apply only if the corporation or entity will submit the latest reportorial requirement due and comply with MC No. 28.

Noncompliant corporations refer to those that have not submitted their GIS and AFS intermittently or consecutively in previous years.

Corporations are deemed delinquent if they fail to file their AFS or GIS three times, consecutively or intermittently, within a five-year period.

The ECIP also covers suspended and revoked corporations, including those with pending petitions for the lifting of the suspension or revocation order issued against them. They only need to settle 50% of the assessed fines and pay a petition fee of P3,060.

Entities that are excluded from the ECIP include corporations whose securities are listed on the Philippine Stock Exchange (PSE); whose securities are registered but not listed on the PSE; considered as public companies; with intra-corporate dispute; with disputed GIS; with expired corporate term; and those covered under Section 17.2 of Republic Act No. 8799 or the Securities Regulation Code.

However, the SEC cautioned that payment of the ECIP fee does not mean that corporations are automatically "compliant" since they still need to submit supporting documents.

Noncompliant and delinquent corporations need to submit their latest AFS, as well as their official and alternate e-mail addresses.

For suspended or revoked corporations, they should submit a petition to lift the order of suspension/revocation of certificate of registration, the latest due AFS and GIS, secretary's certificate of no intra-corporate controversy, latest mayor's or business permit, certificate of Bureau of Internal Revenue registration, as well as comply with MC 28.

"Should an applicant-corporation fail to submit the complete set of requirements within the prescribed period, the ECIP fees, as well as the initial petition fee of P3,060 applicable to suspended and revoked corporations, shall be forfeited," the SEC said.

Interested corporations can apply for the ECIP through the SEC's Electronic Filing and Submission Tool (eFAST).

"This would be effective if more companies comply. It also helps on the direction of maintaining good standing and improving reputation to the investing public since compliance signals good business practices," Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said in a Viber message after being asked for comment.

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Delinquent companies can settle SEC fines at lower rates until Nov.30

[Cont. from page 5]

COL Financial Group, Inc. Chief Equity Strategist April Lynn Lee-Tan said in a Viber message that the ECIP could help boost compliance among corporations.

However, Ms. Tan said that the process would be difficult for small companies that are interested in availing of the ECIP, citing the number of supporting documents that should be submitted.

“One of the potential problems with this is that the companies will still take steps to avail of the incentive, in which some may encounter challenges,” she said.

“All companies have requirements to file documents with the SEC. It is a hassle to get these for some companies, especially the small ones. If I’m a small company, I still have to hire a lawyer and an auditor,” she added.

Source: https://www.bworldonline.com/top-stories/2024/09/03/617644/delinquent-companies-can-settle-sec-fines-at-lower-rates-until-nov-30/

Manufacturing sustains improvement in August

September 03, 2024 | Angela Celis | Malaya Business Insight

The Philippine manufacturing sector has sustained its improvement in August, as growth in new orders picked up, even as international sales declined.

The headline S&P global Philippines manufacturing purchasing managers’ index, an indicator of manufacturing performance, remained unchanged from July, posting 51.2 again in August.

According to the report released yesterday, the health of the Philippines manufacturing sector has now strengthened in successive months for a year, although with latest data showing only a modest improvement.

“Underlying data signalled improved demand trends, with Filipino goods producers recording the strongest uptick in new orders in three months. However, demand from foreign customers faltered in August, as new exports sales fell for the first time since the start of the year,” the report said.

Nonetheless, overall growth in new orders supported a stronger uptick in output during August.

“The Filipino manufacturing sector showed sustained and modest gains midway through the third quarter. Growth in output and new orders accelerated on the month, thereby highlighting improving demand trends,” Maryam Baluch, economist at S&P Global Market Intelligence, said.

“However, employment fell, and buying activity cooled, suggesting that manufacturers remain cautious about growth prospects,” Baluch added.

The report said expectations among firms in the Filipino manufacturing sector point to further expansions in output in the coming 12 months.

However, latest data showed a dip in the level of confidence, thereby suggesting more modest production gains are anticipated compared to those seen in July.

“Confidence levels waned in the latest survey period and hit a four-month low, further confirming that expectations surrounding the production outlook have softened,” Baluch said.

Source: https://malaya.com.ph/news_business/manufacturing-sustains-improvement-in-august/

15 more projects presented under Luzon Economic Corridor

September 02, 2024 | Kris Crismundo | Philippine News Agency

MANILA — Fifteen additional projects were presented to the Steering Committee of the Luzon Economic Corridor during its second meeting last week, Special Assistant to the President for Investment and Economic Affairs Secretary Frederick Go said Monday.

ADDITIONAL PROJECTS. Special Assistant to the President for Investment and Economic Affairs Secretary Frederick Go answers questions from reporters on the sidelines of the Franchise Asia Philippines 2024 International Franchise Conference at the SMX Convention in Pasay City on Monday (Sept. 2, 2024). Go said there were more projects presented to the Luzon Economic Corridor Steering Committee for investments. *(PNA photo by Kris M. Crismundo)*

On the sidelines of the Franchise Asia Philippines 2024 International Franchise Conference in Pasay City, Go said the 15 projects endorsed to the Steering Committee were in addition to the 28 projects submitted during their first meeting in May this year.

"We presented 28 before plus 15 now. So that's a total of 43, right? But the idea now is they've seen all of it and they're going to narrow it down. I really think at the end of the day, the ideal number should be around five or six," he told reporters.

Go said among the projects endorsed were submitted by the Subic Bay Metropolitan Authority, the Department of Energy, and the Department of Public Works and Highways.

He added the rail project connecting Subic, Zambales, and Batangas province is the only project that the Luzon Economic Corridor parties have publicly identified as a priority.

The economic czar also sees that energy projects are crucial in developing the Luzon Economic Corridor.

The initiative is an offshoot of the Trilateral Leaders' Summit of the Philippines, United States, and Japan, which aims to bring in investments in the western parts of Luzon.

The Steering Committee is set to hold its third meeting in November, Go said.

Source: https://www.pna.gov.ph/articles/1232426

BIR, AMLC close ranks vs. evaders, launderers

September 03, 2024 | Reine Juvierre S. Alberto | BusinessMirror

BusinessMirror File Photo

THE Bureau of Internal Revenue (BIR) will team up with the Anti-Money Laundering Council (AMLC) to intensify its crackdown on tax evaders and money launderers.

Internal Revenue Commissioner Romeo D. Lumagui Jr. convened with AMLC Executive Director Matthew M. David and other officers on August 29, 2024, to discuss interagency cooperation and coordination, the BIR said on Monday.

"This interagency cooperation between the BIR and the AMLC will pave the way for future investigations on tax evasion and money laundering," Lumagui said.

The BIR chief pointed out that tax evaders are now utilizing sophisticated ways to evade taxes and store their wealth illegally, such as through the use of "ghost receipts."

Ghost receipts are fake receipts issued by non-existent or shell companies that do not conduct legitimate business activities. Buyers of ghost receipts use them to lower their tax liabilities by increasing their expense reports to reduce their taxable profit.

This creates "a scheme that directly endangers the integrity of our financial system," the BIR said.

"The law is clear, all sources of income, whether from legal or illegal means, are taxable," Lumagui added.

House Committee on Ways and Means Chairman Joey Sarte Salceda said the collaboration would also benefit the AMLC, empowering it to get initial warrants for authorities to investigate tax evaders for other financial crimes.

"Anything that involves money laundering almost always involves tax evasion, because the former involves hiding ill-gotten income," Salceda said.

The lawmaker added that he advocated for "Al Capone tax laws," named after the notorious American gangster nabbed for tax evasion, in 2022. This would presume that if the source of income or wealth cannot be proven or traced to some taxed transaction, it becomes prima facie evidence or sufficient evidence for filing tax evasion cases. *[Cont. page 8]*

BIR, AMLC close ranks vs. evaders, launderers

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"Tax evasion is always easier to track as a lead for other crimes," Salceda noted.

The BIR vowed it would work hand-in-hand with the AMLC to run after criminals engaged in violations of tax and anti-money laundering laws.

About P370 billion in foregone revenues were recorded due to fake transactions using ghost receipts, and an estimated 30,000 corporations and sole proprietors have been identified as buyers of ghost receipts.

Source: https://businessmirror.com.ph/2024/09/03/bir-amlc-close-ranks-vs-evaders-launderers/

Maharlika to be active in 2025 in all priority investment areas

September 01, 2024 | Beatriz Marie D. Cruz | BusinessWorld

THE Maharlika Investment Corp. (MIC) said it expects to be committing "significant" funds next year to all its priority investment areas, led by energy security.

"I think next year will be, well, it'll be a full-blown operation. I expect that we should be able to deploy a significant amount of our allocated capital," MIC President and Chief Executive Officer Rafael D. Consing, Jr. said on the sidelines of a Senate hearing on Aug. 27.

"We basically identified the sectors where we're going to be deploying them. Energy security sits on top of that list. Digital connectivity will be another one. Resource development will be another one. Healthcare will be another one. So hence, we expect to be able to deploy (funds to) all these," he said.

During the Senate Finance Committee hearing, Mr. Consing said the MIC is expected to make its initial investments within 90 days.

Energy is expected to take up the bulk of the sovereign wealth fund's initial investments, he said.

In the absence of investment activity, the fund has earned about P1.5 billion in interest income, Mr. Consing said.

In an Aug. 14 Senate hearing, Finance Secretary Ralph G. Recto said no funds have been allocated to the MIC next year as it is "taking time to identify investments."

Earlier this year, the MIC signed agreements with the electric cooperatives of Palawan and Mindoro to potentially fund the power infrastructure of both islands.

"That's ongoing. But we have to go through a process," he said. "In terms of announcements… maybe Mindoro ahead of Palawan." The MIC has also yet to fill in the last seat on its board, Mr. Consing said.

John Paolo R. Rivera, senior research fellow at the Philippine Institute for Development Studies, said the corporation must take up the best practices of the private sector.

"As this involves fund management, profit generation, value creation, the MIC must be run like a private-sector entity where checks and balances are strict, responsibilities and accountabilities are defined, and penalties are imposed to those who do not meet targets," he said in a Viber message.

The MIC must also expand its investment portfolio in real estate, technology, and renewable energy, he added.

"These yield relatively higher returns but may require greater capital outlays. Investments should be made in assets and securities that have higher returns for a given level of risk. That's why expertise (in these fields) is a must," he said.

Leonardo A. Lanzona, an economics professor at the Ateneo De Manila, said the corporation must differentiate its investment mandate against those of other government agencies while aligning its activities with development goals.

"MIC must justify its existence by showing results that are not usually expected from the government… Yet, it must define a well-articulated investment mandate that aligns with national development goals and seeks diversified returns across various asset classes," he said in via Messenger chat.

It must also develop a robust risk management system to mitigate financial, operational, and market risks, he added.

The MIC in July obtained membership in the International Forum of Sovereign Wealth Funds. It also completed its investment and risk management framework.

The fund has an authorized capital stock of P500 billion. Government banks Land Bank of the Philippines and Development Bank of the Philippines contributed P50 billion and P25 billion, respectively, to its initial capital. The National Government also provided P50 billion.

Source: https://www.bworldonline.com/economy/2024/09/01/617367/maharlika-to-be-active-in-2025-in-all-priority-investment-areas/

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