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Analysts see improving foreign investment outlook for PHL

September 04, 2024 | Luisa Maria Jacinta C. Jocson | BusinessWorld

LOWER INTEREST RATES will help drive the entry of more foreign direct and portfolio investments into the Philippines, analysts said.

Office and residential buildings are seen in this file photo dated Aug. 17, 2024. — PHILIPPINE STAR/ MIGUEL DE GUZMAN

"The outlook for foreign direct investment (FDI) and foreign portfolio investment (FPI) in the Philippines appears promising, with current trends suggesting the country could meet or potentially exceed the Bangko Sentral ng Pilipinas' (BSP) targets," Security Bank Corp. Chief Economist Robert Dan J. Roces said in a Viber message.

The BSP expects to record FDI net inflows of $9.5 billion this year. For foreign portfolio investments, it forecasts $3.1 billion in net inflows by yearend.

"The BSP's forecast for the year sounds reasonable, as it wouldn't be too far a stretch, with that sort of level of annual FDI coming into the Philippines almost consistently over this period, barring the coronavirus-hit year in 2020," Pantheon Macroeconomics Chief Emerging Asia Economist Miguel Chanco said in an e-mail.

In the January-to-May period, FDI net inflows jumped by 15.8% year on year to $4.024 billion, data from the BSP showed.

Meanwhile, short-term foreign investments yielded a net inflow of $1.46 billion in the January-July period, surging from the $157.3 -million net inflows in the same period a year ago.

FDIs are considered long-term investments, while portfolio investments or "hot money" are seen as more fickle due to the ease by which these funds enter and leave the economy.

Ruben Carlo O. Asuncion, chief economist at Union Bank of the Philippines, Inc., said the BSP's investment targets are doable amid easing interest rates.

"Offering attractive rates will be the key. All around will be declining key rates, thus, offering sensible investments now will lock in gains for prospective investors. I would like to believe that there is time," he added.

Mr. Roces said the further reduction in policy rates this year and next year "should stimulate investment activity, particularly for FDI, by making borrowing more attractive."

At its August meeting, the Monetary Board cut rates for the first time in nearly four years or since November 2020. It reduced borrowing costs by 25 basis points (bps), bringing the benchmark rate to 6.25% from the previous over 17-year high of 6.5%.

The central bank could also deliver another 25-bp rate hike in the fourth quarter, BSP Governor Eli M. Remolona, Jr. said earlier.

The US Federal Reserve is expected to start its easing cycle later this month, which also bodes well for investor sentiment, analysts said.

"The biggest catalyst for FDI and FPI into the country is the expected series of Fed rate cuts that could be matched locally, thereby leading to improvements in global investments, trade, and other economic activities," Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said in a Viber message. *[Cont. page 2]*

Analysts see improving foreign investment outlook for PHL

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Apart from reduced borrowing costs, analysts said that the country's strong macroeconomic indicators will help attract more investments.

"Key drivers for achieving these targets include sustained economic fundamentals, political stability, an improved regulatory environment, ongoing infrastructure developments, and the country's competitive advantages in sectors like BPO (business process outsourcing) and manufacturing," Mr. Roces said.

Mr. Asuncion said investors are likely to be attracted to the Philippines because of its upbeat economic growth.

"If foreign investors see real opportunity in investing in the Philippines, I do not think it will be a huge problem getting these investors on board," he added.

The Philippine economy grew by 6.3% in the second quarter, marking the fastest growth in five quarters or since the 6.4% in the first quarter of 2023.

On the other hand, Leonardo A. Lanzona, Jr., an economics professor at the Ateneo de Manila University, said that lower borrowing costs may favor short-term investments over long-term ones.

"The low interest rates of BSP can stimulate economic activity. However, this can only boost short-term investments as borrowing becomes cheaper," he said in an e-mail.

"It can depress long-term investments if the returns on longer-term projects are deemed insufficient relative to the risks."

Mr. Chanco also cited risks to this investment outlook, noting the country's "policy stasis."

"The Philippines' nearest neighbors and biggest competitors remain quite aggressive in their pursuit of more open trade borders and a better infrastructure environment for businesses, something that the Philippines is still struggling with," he added.

The government's policies may also benefit short-term investments, Mr. Lanzona said.

"Also, the government implements policies or incentives that encourage immediate spending or investment, such as tax breaks or stimulus checks. These policies can boost short-term investments but may not have the same impact on long-term projects that require sustained funding and are subject to continuous risks," he said.

Mr. Ricafort also noted that the investment targets remain achievable, barring any further geopolitical risks.

"However, global economic conditions and exchange rate stability will also play crucial roles. While the current trajectory remains positive, risks such as geopolitical uncertainties and domestic policy changes will have an impact on these projections," Mr. Roces said.

Mr. Ricafort also noted that the country's improving credit rating outlook will also support foreign investment growth by boosting the confidence of international investors and creditors.

Japan-based Rating and Investment Information, Inc. last month upgraded the Philippines' investment grade rating to "A-."

The country also secured an "A-" rating from the Japan Credit Rating Agency but has yet to secure an "A" rating from the "big three" credit raters.

The Philippines currently holds a "Baa2" rating from Moody's Ratings, "BBB" from Fitch Ratings, and "BBB+" from S&P Global Ratings.

The government is targeting to achieve an "A" rating by the end of the Marcos administration.

Source: https://www.bworldonline.com/top-stories/2024/09/04/617915/analysts-see-improving-foreign-investment-outlook-for-phl/

PHL eyeing e-travel system as key to paperless airport

September 03, 2024 | Lorenz S. Marasigan | BusinessMirror

THE Philippine government is leveraging the eTravel system to transform the country with fully "paperless airports" that aim to provide better travel experience to airport users.

In an interview with the *BusinessMirror* on Monday, Department of Information and Communications Technology (DICT) David Almirol said the eTravel system, introduced in 2022 with only one component, now features eight other travel processes, streamlining the tasks needed at airports.

"In the past, travelers had to fill out multiple forms—arrival and departure cards, customs and currency declarations, and even health and tourism forms. These were spread across eight separate systems," Almirol explained. "Now, with eTravel, we've unified these into a single, seamless system that automates much of the process as soon as a passenger's passport is scanned."

According to Almirol, the introduction of the eTravel system has reduced processing times at airports by up to 30 seconds per passenger, an improvement in efficiency that is expected to grow as the system is further refined.

"While we don't have a definitive study yet, our initial assessments show that the system is effective in reducing wait times and easing the burden on both travelers and airport staff," he noted.

The eTravel system, which initially covered immigration processes when it launched, was expanded this year to integrate seven additional systems, covering everything from customs to health declarations.

This consolidation is inspired by best practices from countries like Japan, which has successfully implemented paperless border controls.

"We are following the best practices from other countries. Japan declared that their airports are now paperless. Our goal is to be included in the list of countries that have paperless airports as well," he said.

Given the sensitive nature of the data collected through the eTravel system, Almirol said data privacy and security protocols are in place.

"The DICT designed eTravel with cybersecurity in mind. We have layers of security, including multi-factor authentication, to protect user data," he assured.

However, Almirol advised travelers to use the eTravel mobile app to avoid malware and keyloggers. He said, "oftentimes it is the device we use that can expose" travelers to these threats.

Down the line, the government plans to integrate more travel-related services into the eTravel app.

Almirol said the DICT is currently in discussions with the Commission on Filipinos Overseas (CFO) to integrate the eVisa process into the eTravel system.

This integration aims to streamline the experience for foreign nationals entering the Philippines, particularly those arriving for long-term stays or marriage to Filipino citizens.

With the eVisa embedded within the eTravel platform, travelers will no longer need to submit additional documentation at immigration; instead, all necessary information will be processed electronically upon passport scanning.

"We aim to generate more efficiencies within the government—to make processes more streamlined. Travelers should experience a better travel experience so we will enhance the eTravel system more," Almirol said.

Source: https://businessmirror.com.ph/2024/09/03/phl-eyeing-e-travel-system-as-key-to-paperless-airport/

Higher private consumption key to better PH growth—S & P

September 043, 2024 | Niña Myka Pauline Arceo | The Manila Times

The Manila Times®

PRIVATE consumption will have to improve if the Philippines is to hit its growth targets, S&P Global Ratings said.

The debt watcher maintained its Philippine growth forecast at 5.8 percent for 2024 and 6.1 percent for 2025, below the government's 6.0- to 7.0-percent and 6.5- to 7.5-percent targets.

"There's some upside risk to our forecast because first half growth was 6.0 percent year over year," S&P economist Vishrut Rana said in a briefing on Tuesday. *[Cont. page 4]*

Higher private consumption key to better PH growth—SP

[Cont. from page 3]

"So the key swing factor for the rest of the year is whether private consumption comes back online or whether it remains slightly weak and that will ultimately determine whether the economy can hit the 6.0 percent growth mark," he added.

Rana said the improvement would largely be based on "gradually recovering domestic demand and also a normalization of monetary policy going forward."

Gross domestic product growth expanded by a higher-than-expected 6.3 percent in the second quarter, bringing cumulative growth to 6.0 percent.

Government spending on goods, services and capital projects helped lift growth despite weaker household consumption and the challenges of high inflation and interest rates.

Last month, the Bangko Sentral ng Pilipinas (BSP) cut its policy rate by 25 basis points to 6.25 percent from a 17-year high of 6.5 percent to further support the economy.

Rana said further cuts were likely to be ordered this year due to minimal inflationary pressures, but "not so sharply that the currency is affected."

BSP Governor Eli Remolona Jr. has signaled that the central bank had room for one more rate cut this year.

The central bank's policymaking Monetary Board has only two meetings remaining for 2024, scheduled on October 17 and December 19.

Despite July inflation having exceeded the upper limit of the BSP's 2.0- to 4.0-percent target range for the first time since November at 4.4 percent, Rana said that S&P did "not expect significant inflationary pressures in the Philippines this year."

The central bank has revised its risk-adjusted forecast for 2024 to 3.3 percent from 3.1 percent, while that for 2025 was also cut to 2.9 percent from 3.1 percent.

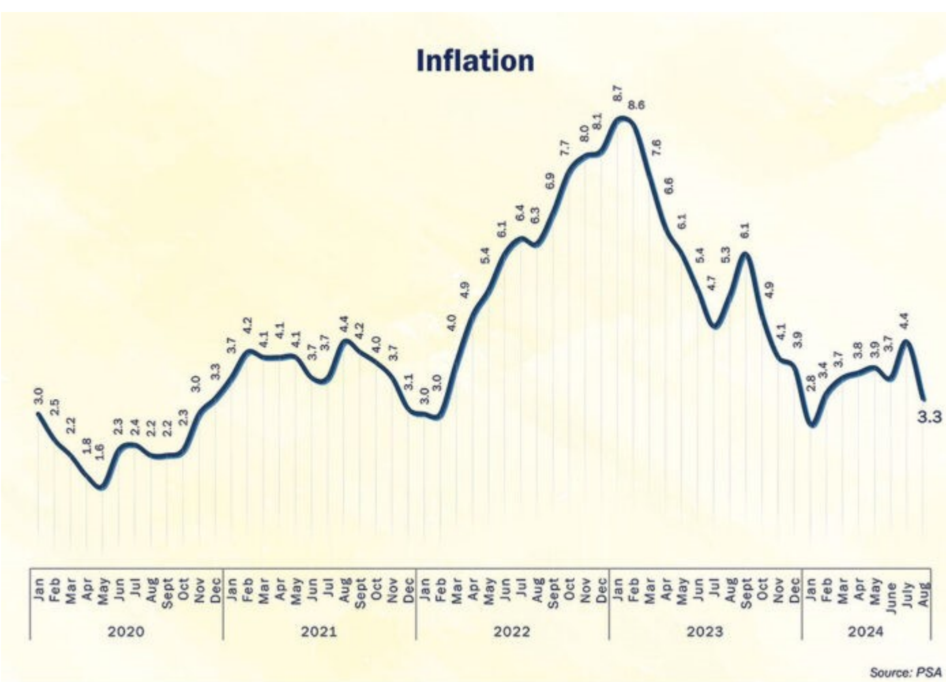
The baseline forecast for this year was also raised to 3.4 percent from 3.3 percent, but that for 2025 was trimmed to 3.1 percent from 3.2 percent.

The risk-adjusted and baseline forecasts for 2026, meanwhile, have been set at 3.3 percent and 3.2 percent, respectively.

Source: https://www.manilatimes.net/2024/09/04/business/top-business/higher-private-consumption-key-to-better-ph-growth-sp/1968857

Inflation retreats to 3.3% in Aug

September 06, 2024 | Jimmy Calapati | Malaya Business Insight



Slower price increases of food and non-alcoholic beverages pulled down inflation by more than a percentage point to 3.3 percent in August from 4.4 the previous month, data from the Philippine Statistics Authority showed.

August's retreat brings the national average inflation year-to-date to 3.6 percent, within the government's full-year target range of between 2 and 4 percent.

Claire Dennis Mapa, national statistician and civil registrar general, said the downtrend in the overall inflation was primarily brought about by the slower annual increment of food and non-alcoholic beverages at 3.9 percent in August from 6.4 percent in the previous month.

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Inflation retreats to 3.3% in Aug

[Cont. from page 4]

Also contributing to the downtrend was transport with an annual drop of 0.2 percent during the month from a 3.6 percent annual increase in July.

Lower annual increments were also noted in the indices of the following commodity groups during the month: alcoholic beverages and tobacco; clothing and footwear; furnishings, household equipment and routine household maintenance; health; recreation, sport and culture; education services; restaurants and accommodation services; and personal care, and miscellaneous goods and services.

The index of housing, water, electricity, gas and other fuels, meanwhile, exhibited a higher annual increase of 3.8 percent in August from 2.3 percent in July.

“The deceleration of food inflation in August was primarily brought about by the slower inflation rate of rice at 14.7 percent from 20.9 percent in the previous month. This was followed by vegetables, tubers, plantains, cooking bananas and pulses with a year-on-year decline of 4.3 percent from a 6.1 percent annual increase in July,” Mapa said.

He added faster annual declines were noted in the indices of fish and other seafood and sugar, confectionery and desserts.

“Food inflation shared 42.7 percent or 1.4 percentage points to the overall inflation in August 2024,” Mapa said.

Following the trend at the national level, the inflation rate in the National Capital Region (NCR) also decelerated to 2.3 percent from 3.7 percent in July, mainly influenced by the slower annual increase in heavily-weighted food and non-alcoholic beverages. Also contributing to the downtrend was the annual decline observed in the transport index.

The inflation rate in areas outside NCR likewise decelerated to 3.6 percent in August from 4.6 percent in July due to the slower annual increase in the food and non-alcoholic beverages index.

Mapa noted 15 regions in areas outside NCR exhibited lower inflation rates. Ilocos Region remained the region with the lowest inflation rate for the eighth consecutive month at 1.8 percent, while the Davao Region registered the highest inflation rate of 4.9 percent.

More rate cuts

Eli Remolona Jr., Bangko Sentral ng Pilipinas (BSP) governor, said inflation reverting to the target “is consistent with the BSP’s latest assessment” after the temporary uptick observed in July due to negative base effects and the easing of supply pressures for key food items, particularly rice.

“The balance of risks to the inflation outlook continues to lean toward the downside for 2024 and 2025 with a slight tilt to the upside for 2026. The downside risks are linked mainly to lower import tariffs on rice, while upside risks could come from higher electricity rates and external factors,” Remolona said.

“The Monetary Board will continue to take a measured approach in ensuring price stability conducive to balanced and sustainable growth of the economy and employment,” he added.

The Monetary Board last month decided to reduce the target reverse repurchase (RRP) rate of the BSP and hinted at further reductions in the next meetings.

RRP rate now stands at 6.25 percent. The interest rates on the overnight deposit and lending facilities were accordingly adjusted to 5.75 percent and 6.75 percent, respectively.

Aris Dacanay, HSBC economist for Asean, maintains the view that the BSP will only resume its easing cycle in December and that there will be a rate pause in October.

“Our baseline scenario is for the BSP to cut only by 25bp in the fourth quarter to 6 percent, which was what the Governor signaled during the last rate-setting meeting. Some market participants are pricing in a total of 50bps of rate cuts or one cut each for the remaining two Monetary Board meetings left for the year. Indeed, inflation coming in much slower than expected is a downside risk to our view of a gradual easing cycle,” Dacanay said.

“So far, nothing terrible is happening to growth and we continue to believe that the 3Q 2024 GDP (gross domestic product) data will be the main determinant of how fast the BSP will ease monetary policy. Since the GDP data will only come out after the October Monetary Board meeting, we think the BSP will likely stick to what it telegraphed — just one 25bp rate cut for 2024,” Dacanay added. *[Cont. page 6]*

Inflation retreats to 3.3% in Aug

[Cont. from page 5]

Increase in spending

National Economic and Development Authority (NEDA) Secretary Arsenio Balisacan said the continued easing of inflation and stable prices will significantly benefit households and businesses, promoting increased consumer spending and stimulating economic activity.

"The sustained easing of inflation will support growth in household consumption, which elevated prices have long suppressed. Low-income households will benefit from the decline in food inflation, as food constitutes more than half of the consumption of the bottom 30 percent of households," Balisacan said.

But Balisacan said while inflation continues to trend downward, primarily due to reduced import tariffs on rice, potential pressures could emerge from higher electricity rates and above-normal weather disturbances.

"The government is prepared to address these pressures to ensure stable inflation. Preparations to counter the effects of the La Niña phenomenon are underway, including improvements in early warning systems, the utilization of communication systems to issue warnings about dam openings, measures to address the potential accelerated speed of livestock diseases, and greater involvement of local government units in information dissemination, are in progress. Notably, the government has allocated P15 billion for national risk reduction in 2024," Balisacan explained.

Finance Secretary Ralph Recto,emphasized that the slower inflation rate in August demonstrates the effectiveness of the government's targeted interventions to stabilize food prices, and assured the public that it will sustain the downward momentum by staying vigilant against risks.

Gov't response

President Marcos Jr. expressed hope the lower inflation will be sustained.

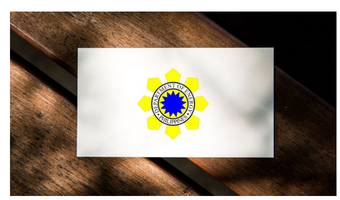
Marcos said the government is expanding the "Kadiwa ng Pangulo" program to the Visayas and Mindanao areas to widen the reach of affordable food products.

He said the government is also sustaining the controlled roll out of the African Swine Fever (ASF) vaccine to ensure the availability at affordable prices of pork.

https://malaya.com.ph/news_business/inflation-retreats-to-3-3-in-aug/

DOE identifies 31 ports for offshore wind development

September 06, 2024 | Lenie Lectura | BusinessMirror



THE Department of Energy (DOE) has identified 31 ports nationwide that could be redeveloped to cater to the booming offshore wind (OSW) industry.

Of the 31 ports being considered, 15 have been identified as "potential ports with support" by the DOE. Simply put, funding for the technical feasibility studies for these 15 ports is already assured.

Of the 15, seven ports (SBMA, PNOC-ESB, Culasi, Iloilo, Irene, Bauan International, and San Carlos) have secured technical assistance from the Asian Development Bank (ADB).

The ports of Currimao, Capinpin, Batangas, San Juan, and Lavezares could be supported by the Economic Development Group (EDG).

Meanwhile, the Bulalacao, Tabaco, and Pulupandan ports are likely to be supported by both the ADB and EDG.

The other ports being considered are Hanjin Shipyard, Wawa, Calatagan, Calaca,Caticlan,Banago, BREDCO,Aparri, Dingalan, Lucena, Legazpi, Allen, Cebu International, Dumaguete, and Dapitan.

"Building Port Infrastructure" is among the DOE's four-point strategy for Energy Transition. The other three are acceleration of renewable energy (RE) projects, development of a smart and green transmission grid plan, and voluntary early decommissioning of coal power plants. *[Cont. page 7]*

DOE identifies 31 ports for offshore wind development

[Cont. from page 6]

As of August 15, the DOE has awarded a total of 92 OSW energy service contracts with a potential capacity 66.1 gigawatt hours (GWh). Four of these OSW contracts were awarded to 100 foreign-owned companies. OSW is the only renewable energy with its own Executive Order which directs the establishment of the policy and administrative framework for OSW development.

The Philippines has immense OSW potential, with the World Bank estimating over 178 GWs of technical offshore wind potential in the country. With a rapidly rising energy demand and goals to increase RE shares to 50 percent in the country's energy mix by 2040, OSW can play an important role in increasing energy security and decarbonization efforts in the Philippines.

Building up the country's offshore wind market can also support the growth of many socioeconomic benefits including job creation, local economic growth, and low-cost sustainable energy, the World Bank said earlier.

The DOE is pushing for a clean energy scenario (CES) to meet 35 percent of RE share in the power generation mix by 2030 and 50 percent by 2050.

Based on the updated Philippine Energy Plan, which covers the period 2023 to 2050, there are two CSEs drafted.

CSE1 involves high RE with low OSW, plus nuclear, plus coal repurposing, which targets at least 50 percent RE share by 2040 and more than 50 percent by 2050. It also incorporates capacities from nuclear , 1,200MW by 2032, additional 1,200MW by 2035 and another 2,400MW by 2050. Furthermore, it also considers 19GW capacity from OSW and the repurposing of coal facilities.

CSE2 or the high RE with high OSW, plus nuclear, plus coal repurposing, aims to surpass a 50 percent RE share between 2040 and 2050, including nuclear capacities—1,200MW by 2030, additional 1,200MW by 2035, and another 2,400MW by 2050. In addition, this scenario outlines significant expansions for a 50GW increase in OSW capacity, as well as strategic initiatives for repurposing coal facilities.

Source: https://businessmirror.com.ph/2024/09/06/doe-identifies-31-ports-for-offshore-wind-development/

ADB launches new country partnership strategy for PH

September 06, 2024 | Niña Myka Pauline Arceo | The Manila Times

The Manila Times

THE Asian Development Bank (ADB) on Thursday launched a country partnership strategy (CPS) for the Philippines, with some $24 billion in sovereign lending planned, to ensure sustained and resilient growth amid climate challenges.

The six-year agenda for 2024 to 2029 is focused on human development, economic competitiveness, quality infrastructure, nature-based development, disaster resilience and will also promote digital transformation, gender equality and stronger governance.

ADB Country Director Pavit Ramachandran said the country was on track to becoming an upper-middle-income country, but added that more efforts were needed to ensure that the benefits of strong growth reach all Filipinos, especially the most vulnerable.

"Development challenges need to be addressed so that the growth momentum will not be derailed," he added.
"The country's high vulnerability to climate change, which affects the poorest of the poor, and persistent poverty and income inequality, need to be urgently addressed," he added, stressing that this strategy will help address those challenges.

He noted that the ADB provided $4.5 billion in both sovereign and non-sovereign assistance last year and expected to sustain a similar level of annual financial support under the new CPS.

The ADB said the Philippines qualified for regular market-based lending through its ordinary capital resources (OCR), with sovereign lending for the medium term expected to total $24 billion.

The amount could increase based on strong government demand and OCR availability. ADB will also consider limits and debt stress risks.

"This is an indicative amount which is subject to annual review with the government," Ramachandran said. *[Cont. page 8]*

ADB launches new country partnership strategy for PH

[Cont. from page 7]

"Our support includes project preparation and feasibility studies for the government's big-ticket investments under the Infrastructure Preparation and Innovation Facility as well as transaction advisory services for public-private partnership projects," he added.

Loan and grant cost-sharing will be set at up to 99 percent across the portfolio, the ADB said, with specific arrangements to be determined.

To keep the Philippines on its growth path, Ramachandran said the new strategy would boost support for low-income households, promote regional growth through key infrastructure projects and focus on emerging sectors like clean energy, blue economy and nature-based investments.

The ADB will work closely with local communities, government agencies and partners to tackle challenges like infrastructure gaps and climate change, he added.

"ADB will work to embed climate actions across its engagements and investment plans in the country," Ramachandran said.

"Under the new CPS, ADB will also catalyze private sector-led development by supporting policy and regulatory reforms, strengthening of markets and investment pipelines, and expanding funding availability."

Source: https://www.manilatimes.net/2024/09/06/business/top-business/adb-launches-new-country-partnership-strategy-for-ph/1969398

Next sugar crop reserved entirely for domestic market due to weak harvest

September 04, 2024 | Adrian H. Halili | BusinessWorld

THE SUGAR Regulatory Administration (SRA) said it is planning to allocate the entire incoming sugar crop for domestic use due to an expected drop in production.

In a draft sugar order, the regulator said all sugar in the incoming crop year will be classified “B” or reserved for domestic use.

“It’s based on the effect of El Niño on the crop that was just planted in October last year until May. We feel that there will be a decline, and then it will recover towards the end,” SRA Administrator Pablo Luis S. Azcona told reporters on Wednesday.

Based on the SRA’s initial estimates, raw sugar production could drop to 1.78 million metric tons (MMT) for the 2024-2025 crop year, against the 1.92 MMT actual output for the 2023-2024 crop year.

During the second quarter, cane production dropped 42.3% year on year to 1.63 MMT, according to the Philippine Statistics Authority, making sugar the most affected single crop during the period.

“So far, based on our estimates of the crop and the actual stock on hand and our imports that are arriving, our supply is probably enough until the end of milling… by May or June 2025,” Mr. Azcona added.

Earlier, the regulator approved imports of up to 240,000 MT of refined sugar. About 176,000 MT will fill any supply gaps that may emerge during the milling off season.

“The public is assured that our sugar supply is stable. We can import what we lack; all that is balanced and calibrated,” he said.

He added that imported sugar may start arriving next week.

Asked to comment, Manuel R. Lamata, president of the United Sugar Producers Federation of the Philippines, said the approved volume of sugar imports could be sufficient to cover any shortfalls in production.

“Because of the bad El Niño we had, production will not be good. Nothing to worry about in terms of supply; the SRA has anticipated such a situation by approving imports of 200,000 plus of refined sugar — more than enough to cover the shortfall,” Mr. Lamata said via Viber.

The national inventory of raw sugar was 227,779 MT, while refined sugar stocks totaled 487,268 MT, according to SRA estimates as of Aug. 4.

Source: https://www.bworldonline.com/economy/2024/09/04/618399/next-sugar-crop-reserved-entirely-for-domestic-market-due-to-weak-harvest/

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