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NEDA sees faster growth in 2nd half

September 12, 2024 | Beatriz Marie D. Cruz | BusinessWorld

People shop for school uniforms at a market in Marikina, July 17, 2024. — PHILIPPINE STAR/WALTER BOLLOZOS

PHILIPPINE gross domestic product (GDP) growth in the second semester could be faster than the 6% average in the first half amid easing inflation and lower policy rates, the National Economic and Development Authority (NEDA) said.

"Now, with inflation lower, with policy rates lower, with the labor market continuing to be robust, I think we would see an even better second half than in the first half," NEDA Secretary Arsenio M. Balisacan told *BusinessWorld* on the sidelines of a Senate hearing on Wednesday.

In the second quarter, GDP expanded by 6.3%, bringing the first-half growth to 6%.

"We are expecting 6-7% (GDP growth) for the full year, and I think that the likelihood that we'll achieve that is now very high," Mr. Balisacan said.

However, even as inflation eased to a seven-month low of 3.3% in August, Mr. Balisacan noted that the economy remains sensitive to inflationary pressures.

Year to date, inflation averaged 3.6%, settling within the 2-4% target range of the Bangko Sentral ng Pilipinas (BSP).

The inflation downtrend has allowed the BSP to begin its easing cycle with its first rate cut in nearly four years last August. The Monetary Board lowered the policy rate by 25 basis points (bps) to 6.25% from the over 17-year high of 6.25% previously.

Mr. Balisacan noted the impact of lower policy rates "is not almost instantaneous."

Despite this, the Philippine and US central banks' expected easing path should help boost investment activity and support growth, he said.

"Especially now that the expectations everywhere with the Fed expected to decrease (interest rates)… then, there is now greater stimulus for us to continue lowering the policy rates," he said.

"With the business community hearing that, they are likely to rethink their investment plans."

BSP Governor Eli M. Remolona, Jr. earlier signaled another 25-bp cut in the fourth quarter. The last two Monetary Board meetings for the year are scheduled on Oct. 17 and Dec. 19.

Meanwhile, GDP growth is expected to settle within the government's target range this year, but may fall short of the growth goals in the next two years, according to the latest forecasts from the BSP's Policy Analysis Model for the Philippines.

"The overall balance of demand and supply conditions, as captured by the output gap or the difference between actual and potential output, indicates limited demand-based inflation pressures over the policy horizon," the central bank said in its August 2024 Monetary Policy Report.

The BSP said growth prospects are "relatively stable for the rest of the year, driven by robust construction spending and the timely implementation and expanded coverage of various government programs."

The central bank said economy could miss the 6.5-7.5% and 6.5-8% targets for 2025 and 2026, respectively. *[Cont. page 2]*

NEDA sees faster growth in 2nd half

[Cont. from page 1]

The BSP said that higher consumption, driven by remittances and wage hikes, could offset the impact of cumulative rate hikes.

"This will bring domestic output closer to its potential over the policy horizon," it said.

The BSP also said that improvements in labor market conditions and continued investment growth could help drive growth.

"Productivity growth is also expected to improve further due to robust economic activity and stable infrastructure spending," the BSP added. "Moreover, key reforms could shore up investments and business activity, and help accelerate the country's potential output." — *with* **Aaron Michael C. Sy**

Source: https://www.bworldonline.com/top-stories/2024/09/12/620897/neda-sees-faster-growth-in-2nd-half/

Shinhan Bank agrees to help PHL attract investment from S. Korea

September 10, 2024 | Justine Irish D. Tabile | BusinessWorld

REUTERS

THE Board of Investments (BoI) has entered into a partnership with South Korea's Shinhan Bank, Co., Ltd. to attract more Korean investment to the Philippines.

"We are very excited about the collaboration between the BoI and Shinhan Bank to attract investments from South Korea as we await the ratification of the free trade agreement (FTA) between our countries," Trade Undersecretary and BoI Managing Head Ceferino S. Rodolfo said in a statement on Tuesday.

"Partnerships like this are crucial in maximizing the benefits of the FTA. What's most important is working together to fully realize those advantages," he added.

According to the BoI, the Philippines is interested in attracting South Korean investment in renewable energy, critical minerals processing, and electric vehicle and battery manufacturing.

South Korean companies are also being invited to look into high-technology agriculture, semiconductors and electronics, and advanced manufacturing.

Seongeun Jang, head of Shinhan's Global Business Promotion Division, said South Korean firms are seeking opportunities in Southeast Asia, with the Philippines identified among the region's most attractive destinations.

"Shinhan Bank has a strong commitment to providing tailored financial solutions and local market insights to Korean companies through close collaboration with the BoI, ensuring their successful expansion into the Philippine market," Mr. Jang said.

"Our goal is to enhance economic exchanges between the two countries and contribute to creating new growth engines," he added.

The memorandum of understanding (MoU) provides that both parties collaborate in investment promotion initiatives such as investment missions, business matching activities, information exchanges, and investor meetings.

In a separate statement, the BoI said that it also signed an MoU with BDO Unibank, Inc. to jointly organize investment seminars, promotion missions, and business matching activities.

Under the MoU, a platform containing guidelines for doing business in the Philippines, industry information, investment projects of interest, and investment promotion programs will be set up.

"Our goal is not just growth, but we aim to transform the Philippine economy. What matters most is the path we take to achieve this, and that means empowering the private sector with market-based tools," Mr. Rodolfo said.

"This is why our partnership with the country's largest universal bank is so crucial to us," he added.

The partnership marks the first MoU signed by the BoI with a Philippine bank for investment promotion.

"It is our hope that this collaborative initiative with the Department of Trade and Industry and BoI to promote more investment will further fuel and drive the growth of the Philippine economy," BDO Executive Vice-President and Group Head for Institutional Banking Group Charles M. Rodriguez said.

"We look forward to the successful execution of our initiatives," he added.

Source: https://www.bworldonline.com/economy/2024/09/10/620600/shinhan-bank-agrees-to-help-phl-attract-investment-from-s-korea/

Growth on target this year, says BSP

September 12, 2024 | Keisha Ta-Asan | The Philippine Star

But unlikely for 2025, 2026

MANILA, Philippines — The Philippine economy may grow within the six to seven percent target for this year, but it could fall below the targets set for 2025 and 2026 due to the negative impact of previous rate hikes on demand, according to the Bangko Sentral ng Pilipinas (BSP).

Buildings in Ortigas business district dwarf houses as seen from Bonifacio Global City in Taguig.

Michael Varcas, File

In its August Monetary Policy Report, the BSP said gross domestic product (GDP) growth could fall below the 6.5 to 7.5 percent and 6.5 to eight percent targets for 2025 and 2026, respectively.

"Growth prospects are relatively stable for the rest of the year, driven by robust construction spending and the timely implementation and expanded coverage of various government programs," the BSP said.

The economy is also on track to grow "near potential," as the overall balance of demand and supply conditions indicated limited demand-based inflationary pressures over the coming years.

However, based on estimates from the BSP's Policy Analysis Model for the Philippines (PAMPh), the output gap will remain slightly negative in 2024 and 2025, closing only in 2026.

"Higher consumption, driven by higher real wages and stable overseas Filipino remittances, could offset the negative impact of previous policy interest rate adjustments on demand. This will bring domestic output closer to its potential over the policy horizon," the BSP said.

Improving labor market conditions and continued investment growth could also help support potential output of the economy, it said.

Growth in productivity is also seen to improve further due to robust economic activity and stable infrastructure spending. Key reforms can also boost investments and business activity, which can help accelerate the country's potential output.

Based on the latest data from the Philippine Statistics Authority, the economy expanded by 6.3 percent in the second quarter, faster than the 5.8 percent growth in the previous quarter and 4.3 percent a year ago.

Meanwhile, the BSP expects global growth to remain stable in 2024 and 2025 based on forecasts from the International Monetary Fund (IMF).

"The risks to the global growth outlook remain broadly balanced, with emerging near-term risks stemming from persistent inflation and geopolitical concerns," the BSP said.

"Upside risks continue to emanate from short-term fiscal impulses from election spending in major economies in 2024 and faster-than-expected monetary policy easing," it said.

The IMF projects the global economy to grow by 3.2 percent in 2024 and 3.3 percent in 2025.

Source: https://www.philstar.com/business/2024/09/12/2384541/growth-target-year-says-bsp

June FDI net inflows at four-year low

September 11, 2024 | Aaron Michael C. Sy | BusinessWorld

JOHN GUCCIONE-PEXELS

PHILIPPINE foreign direct investment (FDI) net inflows sank to an over four-year low in June amid lower placements across all instruments, the Bangko Sentral ng Pilipinas (BSP) reported on Tuesday.

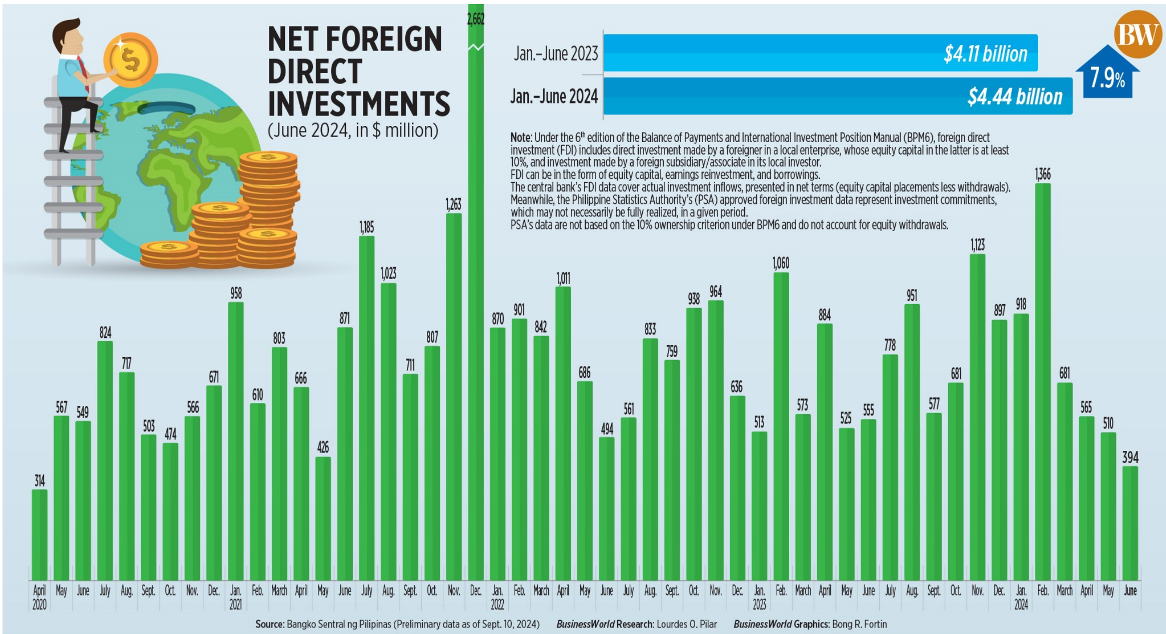
The inflows fell by 29% to $394 million from $555 million a year ago, preliminary data from the BSP showed.

Month on month, net inflows dropped by 27.55% from $510 million in May.

June's net inflow was the lowest level since the $314 million recorded in April 2020. *[Cont. page 4]*

June FDI net inflows at four-year low

[Cont. from page 3]



"The decline resulted from lower net inflows across all major FDI components," the BSP said.

Nonresidents' net investments in debt instruments declined by 30% year on year to $213 million in June from $304 million, central bank data showed. These consist mainly of intercompany borrowing or lending between foreign direct investors and their subsidiaries or affiliates in the Philippines.

Net investments in equity capital other than the reinvestment of earnings likewise went down by 33.2% to $74 million from $111 million a year ago.

Equity capital placements slid by 34.09% year on year to $87 million, while withdrawals dropped by 38.1% to $13 million.

Reinvestment of earnings also decreased by 23.4% to $107 million from $140 million a year ago, while investments in equity and investment fund shares dropped by 27.89% to $181 million.

By source, equity capital placements were mainly from Japan (47%), followed by the United States (15%), Sweden (14%) and Singapore (14%).

These were invested mainly in the manufacturing (48%), real estate (18%), wholesale and retail trade (16%) and financial and insurance (11%) sectors.

NET INFLOWS RISE IN FIRST HALF

Meanwhile, in the first semester, FDI net inflows increased by 7.9% to $4.4 billion from $4.1 billion a year earlier, BSP data showed.

Investments in equity and investment fund shares rose by 32.7% year on year to $1.71 billion in the January-to-June period.

Net foreign investments in equity capital surged by 62% to $1.197 billion in the six-month period. Placements went up by 57.9% to $1.158 billion and withdrawals rose by 41.5% to $261 million.

These placements mostly came from the United Kingdom (52%), followed by Japan (30%) and the United States (7%), and were mostly invested in the manufacturing (77%) and real estate (10%) industries.

Meanwhile, net investments in debt instruments went down by 3.4% to $2.725 billion in the first semester from $2.821 billion a year ago.

Reinvestment of earnings also dropped by 6.7% to $514 million. *[Cont. page 5]*

June FDI net inflows at four-year low

[Cont. from page 4]

FDI net inflows slumped in June due to elevated interest rates, as the market at that time was still uncertain about the start of the monetary easing cycles of both the BSP and US Federal Reserve, Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said in a Viber message.

The Monetary Board on Aug. 15 reduced its policy rate by 25 basis points (bps) to 6.25%, its first easing move in nearly four years. Prior to the cut, the BSP kept its policy rate at an over 17-year high of 6.5% for six straight meetings following cumulative hikes worth 450 bps between May 2022 and October 2023 to rein in inflation.

BSP Governor Eli M. Remolona, Jr. has said they could cut rates by another 25 bps within the year. The Monetary Board's last two policy-setting meetings this year are on Oct. 17 and Dec. 19.

Meanwhile, the Fed is widely expected to begin its easing cycle at its Sept. 17-18 policy meeting, with markets pricing in a 25-bp cut at the review and 100 bps in reductions for this year. The US central bank has kept the federal fund target rate at 5.25%-5.5% range following increases worth 525 bps from March 2022 to July 2023.

Still, FDI inflows grew year on year in the six months ending June as the Philippines posted robust economic growth last quarter compared with other countries in the region, Mr. Ricafort said.

Philippine gross domestic product (GDP) expanded by 6.3% in the second quarter, bringing first-half growth to 6% and meeting the low end of the government's 6-7% target for the year.

At 6.3%, the Philippines' GDP growth was the second-fastest in the April-to-June period, only behind Vietnam (6.9%). It was ahead of Malaysia (5.8%), Indonesia (5%) and China (4.7%).

"For the coming months, further cuts in BSP and Fed rates amid the easing inflation trend would further reduce borrowing costs that would help spur greater global investments, business, and other economic activities worldwide, which would thereby help boost FDIs," Mr. Ricafort said.

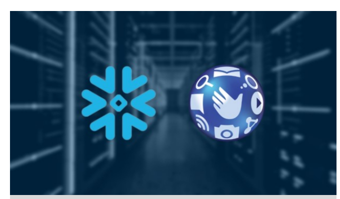
"We expect [FDIs] to get better as we have seen so far this July-August, particularly, as BSP did a rate cut within the period mentioned," Union Bank of the Philippines, Inc. Chief Economist Ruben Carlo O. Asuncion said in a Viber message.

The central bank expects to end 2024 with $9.5 billion in FDI net inflows. In 2023, net inflows fell by 6.6% year on year to $8.9 billion.

Source: https://www.bworldonline.com/top-stories/2024/09/11/620585/june-fdi-net-inflows-at-four-year-low/

Decline of tech-savvy Korean tourists may slowdown Globe's network usage

September 11, 2024 | Tyrone Jasper C. Piad @TyronePiad - @inquirerdotnet | Philippine Daily Inquirer



INQUIRER FILE PHOTO

While Globe Telecom Inc. has been on the expansion mode, its additional network infrastructure might not be fully utilized by consumers given the expected decline in tech-savvy Korean tourists, according to a study by Fitch Solutions unit BMI.

The research arm, in its latest report, noted that Korean travelers might think twice before booking their trips to the Philippines amid the "cooling economic outlook" that could discourage discretionary spending.

The Korea Development Institute downgraded its economic growth forecast for South Korea to 2.5 percent—from 2.6 percent—this year due to a slow recovery in private consumption.

As such, BMI said that "South Korean consumers may reduce spending on non-essentials, including travel and hospitality, in favor of essential expenses such as housing, utilities and food."

"This shift in spending could lead to decreased travel and an increased preference for local resorts within South Korea, impacting the number of tourists visiting the Philippines," it added.

With fewer travelers, BMI said Globe might see a slowdown in its network usage. When tourists visit the Philippines, they usually buy prepaid travel SIM (subscriber identity module) cards and tap the local telco infrastructure for connectivity. *[Cont. page 6]*

Decline of tech-savvy Korean tourists may slowdown Globe's network usage

[Cont. from page 5]

"There is an expectation that tourists will demand higher-speed connectivity during their visits, with a significant proportion attributed to tech-native South Korean travelers," the report noted.

In the first half, the Ayala-led company built 352 new cell sites and upgraded 1,942 existing mobile sites.

Globe also deployed additional 256 new 5G sites in the same period. Its 5G coverage spans 98.45 percent in National Capital Region and 94.19 percent in key cities in Visayas and Mindanao.

Along with this, the telco giant is expanding its data center capacity as well to support the increasing digitalization.

Its joint venture company with Singapore-based ST Telemedia Global Data Centers, STT GDC Philippines, held a groundbreaking ceremony for its 124-megawatt (MW) data center in Fairview Quezon City. It is set to spend about $1 billion to construct the facility sprawling over 83,000 square-meters (sqm) of gross floor area across four buildings.

Construction for the first phase of the project, comprising 28 MW, has started. It is set to go live by early 2025.

STT GDC Philippines also broke ground for its $78-million data center in Cavite last year, with the target opening by mid-2025. The 6-MW hub is a two-story building with a gross floor area of over 4,500 sqm.

Source: https://business.inquirer.net/479544/decline-of-tech-savvy-korean-tourists-may-slowdown-globes-network-usage

Japan nominates ex-currency diplomat Kanda to head ADB

September 10, 2024 | Reuters | BusinessWorld

PHILSTAR

TOKYO – Japan will nominate Masato Kanda, the country's former top currency diplomat, as its candidate to become next head of the Asian Development Bank (ADB), Finance Minister Shunichi Suzuki said on Tuesday.

Since the ADB was founded in 1966, its top post has always been filled by someone from Japan which, along with the United States, is the bank's biggest shareholder. That makes Kanda a strong candidate to take up the post.

"(Kanda) is most appropriate to lead the ADB as he is well-versed in Asia-Pacific affairs and has built deep networks with executives from various countries and international institutions," Mr. Suzuki said at a regular press conference.

Mr. Kanda, if elected, will succeed Masatsugu Asakawa, who announced on Monday his intention to step down from his position effective Feb. 23, 2025.

The development lender said in a statement that election of the next ADB president would follow "an open, transparent, and merit-based process".

Mr. Kanda, who stepped down in July after three years as vice finance minister for international affairs, led massive bouts of yen-buying intervention in the currency markets in 2022 and 2024. He currently serves as a special adviser to the cabinet.

Mr. Asakawa, also a former top Japanese currency diplomat, became ADB president in January 2020 and oversaw measures to help the region's economies deal with the COVID-19 pandemic.

Several emerging economies, emboldened by their rapid growth, have questioned the tradition of advanced economies taking the top posts at global financial institutions.

Officials from the United States head the World Bank and Europeans head the International Monetary Fund. – **Reuters**

Source: https://www.bworldonline.com/world/2024/09/10/620412/japan-nominates-ex-currency-diplomat-kanda-to-head-adb/

Southeast Asia seen boosting coal trade as China nears peak

September 11, 2024 | By Reuters | Philippine Daily Inquirer

NUSA DUA, Indonesia — Southeast Asian countries such as Vietnam and Philippines are expected to boost coal trade and consumption this decade, industry officials say, even as demand from top consumer China approaches its peak.

The Indonesian Coal Miners Association (ICMA) expects imports by China and India to peak in 2025, ending growth in global seaborne trade volumes of the polluting fuel, its Chairman Priyadi said in a presentation to the Coaltrans Asia conference.

However, the ICMA expects annual coal imports by southeast Asian countries, including Vietnam and Philippines, to grow nearly 3 percent on average per year to 170.9 million metric tons in 2030, from 140.9 million tons in 2023.

Power generation in Vietnam, the fastest-growing economy in Southeast Asia, is seen as the most promising growth market for coal, traders and industry officials said at the conference.

Dinh Quang Trung, deputy general manager of coal trading at state-run Vinacomin, said he expected Vietnam to ship 66 million tons by the end of this year. That compares with 47.8 million tons in 2023, according to analytics firm Kpler.

"We reach peak imports by year 2035 of 86 million tons of coal per year. About 70-75 percent of our total consumption will be for electricity," he said.

Coal imports by the Philippines have grown 7.6 percent during the eight months ended August 31, while Malaysian shipments grew 4 percent, Kpler data showed.

While southeast Asian countries are expected to replace China and India as key growth markets for exporters, industry officials still expect consumption in the larger economies to remain high. Imports are expected to grow in the near-term and remain largely steady for the rest of this decade.

Thermal coal imports by China are expected to rise 6.3 percent year over year to 391 million tons in 2024, said Feng Dongbin, vice general manager at Fenwei Digital Information Technology, which operates Chinese coal analytics platform Sxcoal.

Riya Vyas, senior analyst at Indian coal trading firm I-Energy Natural Resources, said she expects coal imports to grow through this decade. Data from Indian consultancy Bigmint shows Indian imports are 11 percent year on year higher as of end-August.

While southeast Asian countries are not adding new coal-fired capacity to connect to the grid, they are ramping up utilization of existing power plants to address higher electricity demand, industry officials say.

In Malaysia, data centers are emerging as key drivers of growth in coal-fired power use, two officials from state-run TNB Fuel Services said. Malaysia has increasingly relied on coal for power generation at the expense of natural gas, data from energy think tank Ember shows.

Alongside the Philippines, Indonesia counts as the most significant contributor to the growing use of the fuel in the region.

"The average age group of Indonesian installed capacity is relatively young and therefore it suggests the long-term demand would remain robust," said Patricia Lumbangaol, senior market research manager at Adaro International.

Nickel smelters in Indonesia, which are supplying battery manufacturers and helping address demand for electric vehicles, are pushing up coal-fired power generation, ICMA's Priyadi told Reuters.

Malaysia, Philippines and Indonesia have among the lowest renewable energy penetrations in Asia outside the Middle East and significantly lag large green energy producers such as China and India.

The lack of progress on a plan by rich nations to provide cheaper financing to hasten early retirement of coal-fired power plants has stalled efforts by the world's seventh-largest producer of coal-fired power to cut emissions.

"Governments' focus on energy security and affordability has supported the continued use of coal, particularly as it helps to keep electricity tariffs relatively low," said Arthur Simatupang, chairman of the Independent Power Producers Association of Indonesia.

Source: https://www.manilatimes.net/2024/09/11/business/top-business/southeast-asia-seen-boosting-coal-trade-as-china-nears-peak/1970555

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