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SPECIAL POINTS OF INTEREST

UPCOMING EVENTS

IMF trims Philippine growth forecasts

October 03, 2024 | Luisa Maria Jacinta C. Jocson | BusinessWorld

THE International Monetary Fund (IMF) trimmed its economic growth forecasts for the Philippines as elevated inflation is likely to continue weighing on domestic demand.

People shop for school supplies at a market in Quezon City, July 28, 2024. — PHILIPPINE STAR/ MIGUEL DE GUZMAN

The multilateral institution cut the country's gross domestic product (GDP) outlook for this year to 5.8% from 6% previously. It also now sees GDP expanding by 6.1% in 2025, a tad lower than the previous forecast of 6.2%.

The IMF's growth estimates fall short of the government's 6-7% and 6.5-7.5% GDP forecasts for this year and 2025, respectively.

"The downward revision from our July forecast mainly reflects our view that private consumption is going to grow slightly with less momentum," IMF Mission Chief Elif Arbatli Saxegaard said at a press briefing on Wednesday.

"I would like to highlight that the downgrade is very small and reflects the fact that the first-half private consumption growth was lower than what we had anticipated, and this might be in part driven by the high food prices."

The Philippine economy grew by 6.3% in the second quarter, the fastest growth in five quarters. However, household spending continued to be "anemic" as it rose by just 4.6% in the second quarter from 5.5% a year ago.

"With the ongoing efforts, including non-monetary efforts to reduce food prices and especially rice prices, we do think that this will be supportive of consumption growth going forward," Ms. Saxegaard said.

She said that risks to the growth outlook are tilted to the downside, with risks stemming from an anticipated slowdown in major economies, commodity price volatility, supply shocks and geopolitical tensions.

"On the upside, an easing of global financial conditions or faster-than-anticipated private investment, for example, linked to the public-private partnerships or larger foreign direct investment (FDI) inflows could stimulate higher growth," she said.Ms. Saxegaard also noted its growth projections for the Philippines remain one of the highest in the region.

"It's 6.1% growth for 2025 is a very respectable growth rate… so it's a very small adjustment reflecting the outturn in the first half."

She also noted that the Philippine economy "holds significant potential" in its natural resources, blue economy and demographic dividend.

"In our view, what will be very critical for the medium term is the potential to unlock this medium-term growth potential through comprehensive and well-sequenced structural reforms."

Meanwhile, the IMF sees headline inflation averaging 3.3% in 2024 and 3% in 2025.

These are slightly lower than the Bangko Sentral ng Pilipinas' (BSP) full-year forecasts of 3.4% and 3.1% for this year and in 2025, respectively. *[Cont. page 2]*

IMF trims Philippine growth forecasts
[Cont. from page 1]

“That would be supported by lower food and core inflation remaining well within the target,” Ms. Saxegaard said.

Ms. Saxegaard said that risks to the inflation outlook remain tilted to the upside due to recurring commodity price shocks and any potential supply shocks.

“We believe that the decisive monetary tightening and other measures have helped mitigate inflationary pressures in the Philippines, recent tariff cuts on imported rice and other non-monetary measures helped reduce food prices and should further reduce headline inflation by the year end,” she said.

‘GRADUAL REDUCTION’

The IMF said that the Philippine central bank can begin gradually reducing interest rates.

“With inflation already coming down to within the target band, also with inflation expectations coming down, and the opening of a small negative output gap, we do think that a gradual continued reduction in the policy rate is appropriate. That’s our current advice,” she said.

At its Aug. 15 meeting, the BSP began cutting interest rates for the first time in nearly four years. It reduced the benchmark interest rate by 25 basis points to 6.25% from the over 17-year high of 6.5%.

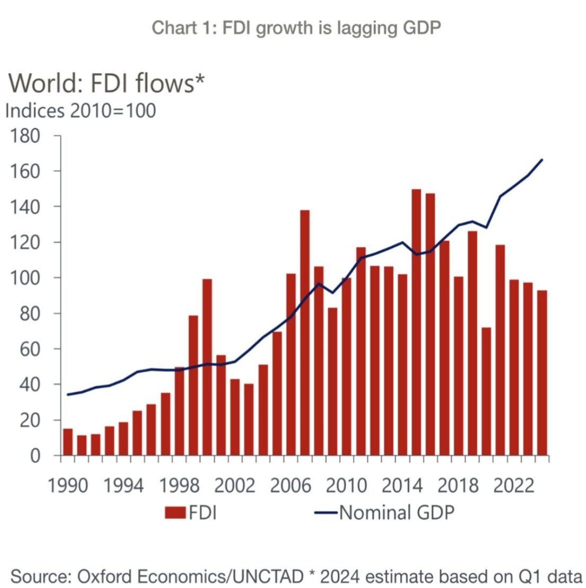
“The data-dependent approach and careful communication around policy settings will help manage expectations and uncertainty and more frequent supply-side shocks,” Ms. Saxegaard said.

IMF Representative to the Philippines Ragnar Gudmundsson said that the BSP should also take into account that there are still both upside and downside risks to inflation.

“This is why the data-dependent approach is very important. So, yes, there is loosening, but caution is still necessary in the coming months because of an uncertain environment,” he added.

Source: https://www.bworldonline.com/top-stories/2024/10/03/625460/imf-trims-philippine-growth-forecasts/

Tepid FDI flows will lead to ‘slowbalization’- Oxford Economics
October 03, 2024 | Ma. Stella F. Arnaldo | BusinessMirror



(Infograph courtesy Oxford Economics)

FOREIGN direct investments (FDI) are on a downtrend all over the world, despite the United States and Asia picking up some; this will eventually lead to a slowdown in global economic growth.

In a new paper, Oxford Economics Lead Economist Adam Slater said, “In recent years, the pace of global foreign direct investment has slowed markedly. World FDI flows rose rapidly from 1990-2016—by around 13 percent per year on average in nominal dollar terms. As a share of world GDP [gross domestic product], FDI flows surged from less than 1 percent in the early 1990s to a peak of around 2.5 percent in the decade preceding the global financial crisis, and stayed at around 2 percent of GDP up to 2017 based on Unctad [United Nations Trade and Development] data. But since then, FDI flows have declined in absolute terms and as a share of world GDP.”

The Bangko Sentral ng Pilipinas (BSP) recently reported that net FDI in the Philippines reached US4.4 billion in the first half of 2024, almost 8 percent higher than the same period last year. For June 2024 alone, net FDI fell 29 percent to $394 million from the $555 million in June 2023. ***(See, “FDI inflows decline to 4-yr low in June,” in the BusinessMirror, September 11, 2024.)*** *[Cont. page 3]*

Tepid FDI flows will lead to 'slowbalization'- Oxford Economics

[Cont. from page 2]

The outlook for FDI in greenfield projects, i.e., new operations of foreign investors, is brighter though, having grown more in 2022 and 2023, and show a significant shift away from China to other Asian economies and the US. "This suggests US industrial policies may be working. But detailed US data is more ambiguous, showing only modest increases in upfront greenfield FDI spending in manufacturing," Slater noted.

He cautioned, however, that greenfield investments are announced plans, instead of actual inflows into the economy, and are thus minimal compared to total FDI. He cited US data in 2023, where "expansions of existing firms and establishments of new ones represented only $13.1 billion of $206 billion in year-one new FDI expenditures. In addition, early indications for 2024 suggest a possible slowdown in global greenfield investment plans."

He stressed, "Overall, we view the recent slowdown in global FDI as another manifestation of the rapid globalization of recent decades giving way to 'slowbalization.' Weaker FDI is part of a story that involves weaker trade, higher barriers to both trade and investment linked to geopolitics, and changes in policymakers' attitudes to open trade as an engine of growth. Not all the factors behind the recent weakening of FDI are necessarily negatives for growth, but the general process of slobalization—[which includes a weaker FDI]—is. And the evidence suggests middle-income emerging economies might be the biggest losers."

Slater attributed the FDI downtrend to first, rising barriers to trade and investments, significantly impacting countries such as mainland China, because of a more cautious United States. "In the second quarter 2024, Chinese inward FDI was negative for the second quarter in the last four, and the four-quarter average inflow was zero—compared to over US$100 billion in the first quarter 2022…China appears to be becoming uninvestable for new FDI investors, even if survey evidence suggests most existing investors are staying put."

The second factor comprises the changes in global value chain trends with a "flattening out of the previous upward trend in the geographical complexity of production," owing to increasing protectionism.

"But some of it also reflects factors such as the rise of robotics, supply chain digitalization, and other market-based changes in industrial organization [e.g. a desire to be closer to markets]," he added.

Third, dampening cross-border mergers and acquisitions (M&A) due to high interest rates also result in FDI slowdown around the world. "It's likely that this rate rise has hit all forms of investment and that the drop in M&A volume is in part at least just a symptom of this rather than an independent factor hitting global investment and growth," said Slater.

Source: https://businessmirror.com.ph/2024/10/03/tepid-fdi-flows-will-lead-to-slowbalization-oxford-economics/

South Korean president to visit PH next week

October 03, 2024 | Joseph Pedrajas | Manila Bulletin

President Marcos (left) meets with South Korean President Yoon Suk Yeol at the sidelines of the ASEAN Summit in Cambodia in 2022. (Photo courtesy of President Yoon)

South Korean President Yoon Suk Yeol will be in the Philippines from Oct. 6 to 7 for a state visit that is expected to bolster an already robust relationship between Manila and Seoul.

The Korean Embassy in the Philippines made the announcement on Thursday, Oct. 3, saying that Yoon's upcoming visit is his first to the Philippines as the president of Korea and the first for a Korean president in 13 years.

"The visit marks a pivotal moment in the 75-year diplomatic relationship between Korea and the Philippines and symbolizes our strong bond and close connection of our leaders," the embassy said.

Yoon is expected to engage in talks that will strengthen cooperation between the two countries in various areas such as political ties, security, economy, development cooperation, culture, and people-to-people exchange.

"President Yoon's State Visit epitomizes not only a celebration of past achievements but a forging of even greater partnership and opportunities," the embassy said.

In a gathering mid-September, Seoul's envoy in Manila, Lee Sang-hwa, said that South Korea and the Philippines are now "closer than ever." *[Cont. page 4]*

South Korean president to visit PH next

[Cont. from page 3]

"From K-pop and K-drama to cosmetics and cuisine, we've built strong bonds not just through diplomacy but through shared passion and culture," Lee said.

South Korea is also strengthening its relations with the Philippines amid a region that is turning volatile.

Seoul is Manila's ally in fighting for its sovereignty over the West Philippine Sea and in upholding the international rules-based order in the Indo-Pacific.

The Korean government has issued its position on the West Philippine Sea at least 10 times since 2023 to reiterate the importance of upholding freedom of navigation and overflight, as well as rules-based order in accordance with international law.

The Philippines is also the only Association of Southeast Asian Nation (ASEAN) country that Korea holds bilateral maritime dialogue with on a regular basis.

Source: https://mb.com.ph/2024/10/3/south-korean-president-to-visit-ph-next-week

Freeport Area of Bataan gears up to lead Asia's blockchain industry

October 03, 2024 | Edg Adrian A. Eva | BusinessWorld

The Freeport Area of Bataan (FAB) is poised to become one of the key blockchain hubs in Asia, with significant developments already underway.

The FAB is a 1,700-hectare trade hub located in Mariveles, Bataan, serving as the Philippines' center of trade and a key transit point for domestic, regional, and global shipping.

Apart from being a trading hub, it is also a manufacturing center for various global industries, such as lenses, luxury brand accessories, sports equipment, and more, providing nearly 40,000 jobs within the region.

Under the mandate of RA 11453, the FAB is positioned to become the country's hub for emerging and future technologies like blockchain.

"We also look to the future as allowed by amended charter, apart from manufacturing. We now additionally cover Bataan as a home for the global blockchain industry," Mohammed Hussein Pangandaman, CEO of the Authority of the Freeport Area of Bataan (AFAB) said during the 2nd day of the 2024 Global Block Chain Congress held in Bataan.

Five years after the implementation of RA 11543, Mr. Pangandaman highlighted key developments, including the release of the Offshore Digital Assets License (ODAL) Policy last year.

The key points of the ODAL policy include the licensing of blockchain-related industries based on the nature of their activities, divided into three categories.

Class 1 includes digital asset exchanges, trading activities utilizing blockchain technology, and similar operations.

Class 2 covers digital asset token offerings, and crowdfunding activities such as Security Token Offerings, Initial Exchange Offerings, Utility Token Offerings, and related activities.

Class 3 encompasses allied activities that use technology to facilitate the transfer, storage, or generation of virtual assets, as well as payment solutions and digital wallet service providers, among others.

Meanwhile, the accreditation of local service providers is also included in the ODAL Policy such as customer support, R&D and technical support, cybersecurity services data center, and similar activities aimed at supporting blockchain-related operations.

"Starting this year, we have already accepted applications for the Offshore Digital Assets License (ODAL) and have already approved a Class 1 license and a local service provider," Mr. Pangandaman said. *[Cont. page 5]*

Freeport Area of Bataan gears up to lead Asia's blockchain industry

[Cont. from page 4]

Mr. Pangandaman also emphasized the development of office spaces in FAB, aiming to provide essential services such as virtual office addresses, phone numbers, hot desks, and temporary workspaces for emerging industries.

"Work is now ongoing so that we can begin to offer you, office spaces around the middle part of next year. We have allocated half of our fourth-floor building for virtual offices and co-work spaces," he added.

Improved internet connectivity was also boasted as the rollout of the underground fiber optic cable network was already completed. "And we are now working to activate it with a bandwidth that will be responsive to the requirements of your industry," Mr. Pangandaman said.

Mr. Pangandaman noted that with the help of citizens and dialogue among various stakeholders, the AFAB's mission of creating an environment where blockchain industries can thrive within a regulated network can be achieved.

Source: https://www.bworldonline.com/economy/2024/10/03/625568/freeport-area-of-bataan-gears-up-to-lead-asias-blockchain-industry/

PH '24, '25 growth to be 2nd– fastest in SE Asia –Amro

Vietnam to lead the pack, outperform Asean

October 04, 2024 | Ian Nicolas P. Cigaral - @inquirerdotnet | Philippine Daily Inquirer

The Philippines is poised to be the second fastest-growing economy in Southeast Asia this year and in 2025—just behind Vietnam—based on the latest outlook of the Asean+3 Macroeconomic Research Office (Amro), which left its growth projections for the local economy untouched.

INQUIRER.NET

In the quarterly update to its flagship Asean+3 Regional Economic Outlook released on Thursday, Amro retained its gross domestic product (GDP) growth forecast for the Philippines at 6.1 percent for 2024, and 6.3 percent for next year.

This would make the country the second best performing economy in Asean if Amro's predictions come to pass, trailing behind Vietnam which is projected to grow by 6.2 percent and 6.6 percent in 2024 and 2025, respectively.

Nevertheless, the Philippines would still outperform the entire Asean, Amro said as it pegged an average GDP growth rate of 4.7 percent and 4.9 percent for the region this year and next.

But growth would still fail to hit the 6 to 7 percent official target of the Marcos administration in 2024, and would fall short of the 6.5 to 7.5 percent goal for 2025. At a press conference, Amro chief economist Hoe Ee Khor said growth of the domestic economy would be supported by higher government spending and investments, as well as expansion in services exports.

"I think the Philippines is well supported. We know that 6.1 percent is below the government's [target], but it's still among the strongest in the region, as you can see," Khor said.

Latest data showed the economy grew 6.3 percent in the second quarter. But analysts had said the figure was magnified by favorable base effects that masked the 4.6 percent growth in consumption, a pace that was uncommonly low for the Philippines.

To help stimulate household spending, the Bangko Sentral ng Pilipinas (BSP) in August cut the policy rate by a quarter point to 6.25 percent, kicking off what Governor Eli Remolona Jr. had called a "gradual" easing cycle.

By reducing borrowing costs, the BSP wants to encourage bank lending and consumption. Amro's Khor said the start of the cutting cycle in the United States would allow central banks in the region, including the BSP, to make additional easing moves to boost GDP growth.

"An increasing number of central banks worldwide have begun easing monetary policy, and China has recently announced a broad set of stimulus measures to support its economy. These actions will have positive spillover effects on the rest of region," he said.

Source: https://business.inquirer.net/483343/ph-24-25-growth-to-be-2nd-fastest-in-se-asia-amro

PHL has room for new taxes — IMF

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

THE International Monetary Fund (IMF) logo is seen outside the headquarters building in Washington, U.S. — REUTERS

WITH the Philippines' fiscal consolidation slowing this year, the International Monetary Fund (IMF) said the country still has room to introduce new tax measures.

"On the fiscal policy side, we see fiscal consolidation proceeding in 2024, although it will be more moderate than envisioned in earlier projections," IMF Mission Chief Elif Arbatli Saxegaard said at a press briefing on Wednesday.

"In terms of spending, we actually see more spending on the public side. We see that being offset or financed by higher revenues," she added.

The IMF projects the fiscal deficit to settle at 5.6% of gross domestic product (GDP) this year and in 2025. However, it noted that its deficit definition is different from the National Government's (NG) as it uses a different standard in capturing the deficit.

"Based on our definition of the deficit, we expect the deficit to go from 6.1% in 2023 to 5.6% this year and to remain at 5.6% in 2025," she said.

The NG set its budget deficit ceiling at 5.6% of GDP this year, equivalent to P1.48 trillion. Next year, the deficit is projected to settle at 5.3% or P1.54 trillion.

The IMF noted that there is room for additional tax measures that will create more fiscal space.

"Over the medium term, the fiscal consolidation plans remain appropriate and should be supported by a sustainable plan to raise tax revenues and implement expenditure reforms," Ms. Saxegaard said.

The Philippine government can look into excise taxes as an option to generate revenues "sufficiently and quickly," she said.

Last year, then-Finance Secretary Benjamin E. Diokno pushed for an excise tax on "junk food" and higher taxes on sweetened beverages. These taxes were projected to generate up to P76 billion in the first year of implementation.

However, the Department of Finance (DoF) earlier this year said there are no plans to introduce new tax measures apart from the ones already pending in Congress.

"In terms of other areas over the medium term, there could be a lot of different options that could be considered. One area is improving the efficiency of the value-added tax (VAT) system," Ms. Saxegaard said.

Last year, the DoF said that the Philippines has one of the lowest VAT efficiencies in Southeast Asia despite having the region's highest VAT rate at 12%.

From 2016 to 2020, the country collected an average of P723 billion from VAT, which is only around 40% of the expected VAT collection.

Ms. Saxegaard also noted the possibility of pursuing a carbon tax.

"We understand that there's also different tradeoffs playing out here. The cost of power and electricity in the Philippines is quite high," she said.

The Finance department has been studying various carbon pricing options for the country, including a carbon tax and emissions trading system (ETS). This as it seeks to encourage businesses to shift to sustainable practices.

The Philippines currently does not have any explicit form of carbon pricing.

"As a growing economy, the Philippines has to weigh different considerations in thinking about a carbon tax. It is one option for their consideration that can support the transition to a green economy to promote renewable energy, to shift consumption patterns away from polluting energy to more green energy sources," Ms. Saxegaard said.

"In that respect, it could stay on the table. But it's a complicated issue, so it needs to be considered very carefully."

Meanwhile, IMF Representative to the Philippines Ragnar Gudmundsson said that the government should also pay close attention to granting tax incentives. *[Cont. page 7]*

PHL has room for new taxes — IMF

[Cont. from page 6]

"What we would also recommend is continuing to monitor closely tax incentives as they're being granted and ensuring that they contribute effectively to additional investments and momentum for growth."

"There also may be a sense of provisions to these incentives so that eventually, once those investments have come to the Philippines and contributed to growth and that they're sustainable over time, there will also be a contribution through, for instance, income tax over time."

'NEUTRAL'

For next year, the IMF said that the fiscal stance will be "neutral."

"That means that the impulse from the fiscal policy is neither contractionary nor too expansionary," Ms. Saxegaard said.

Financial conditions are also seen to improve as both the Bangko Sentral ng Pilipinas (BSP) and US Federal Reserve are expected to continue easing.

BSP Governor Eli M. Remolona, Jr. has said that the central bank can cut rates further in the fourth quarter, possibly by up to 50 bps. The Monetary Board's remaining meetings are on Oct. 16 and Dec. 19.

"All of these financial sector developments, including the reserve requirement cut as well, can support the more favorable financial conditions. That will support a pickup in investment, private investment, and also some pickup in private consumption next year, allowing the fiscal side to be sort of more neutral," Ms. Saxegaard said.

The BSP will slash the reserve requirement ratios (RRR) of big banks by 250 bps to 7% from 9.5% later this month.

SLOW FISCAL RECOVERY

In a separate report, Fitch Solutions' unit BMI said that the Philippines' recovery in its fiscal position will be more gradual.
It said that the proposed P6.352-trillion national budget marks an increase in public spending, which will derail consolidation efforts.

"This will reverse the country's fiscal consolidation efforts. Admittedly, the Philippines fiscal recovery has already fallen behind regional counterparts and the latest budget certainly does not help this cause," it said.

BMI said the government will "fall short" of its fiscal targets, projecting the budget gap to hit 5.9% of GDP this year.

The NG will also struggle to bring down debt levels, BMI said.

"While the authorities aim to reduce public debt as a proportion of GDP to 55.9% by 2028, we believe that this is unlikely to be met. To achieve this, the deficit must be maintained at 3.6% of GDP over the subsequent three years (2026-2028)," it said.

"But this would necessitate spending cuts of almost 1.0 percentage points, based on our estimates, making it challenging for the current administration to balance its economic agenda."

Latest Treasury data showed that the NG's outstanding debt dipped to P15.55 trillion as of end-August.

In the first half, the debt-to-GDP ratio stood at 60.9%. The government expects the debt ratio to end at 60.6% of GDP this year.

"Instead, we forecast the budget shortfall to average 4.6% over the same period. Consequently, public debt will recede more slowly, eventually reaching 58.8% of GDP in 2028."

On the other hand, BMI noted that the government could surpass its revenue targets.

"Revenue targets are relatively watered down in comparison. The government is forecasting revenue collection to dip from 16.1% of GDP in 2024 to 15.8% in 2025. In our view, this is a tad too conservative especially when the macroeconomic backdrop is set to improve next year."

In the eight-month period, revenue collections jumped 15.91% to P2.99 trillion from P2.58 trillion last year.

"Philippine policy makers tend to underestimate their revenue targets, as seen in the past two years. Currently, we have projected revenue collection to be around 16% of GDP, which is already higher than the government's expectation of 15.8%. If revenue exceeds even our projections, we could anticipate a smaller budget deficit."

Source: https://www.bworldonline.com/top-stories/2024/10/04/625759/phl-has-room-for-new-taxes-imf/

The Joint Foreign Chambers of the Philippines, will be holding the **13th *Arangkada* Philippines Forum** on **October 24, 2024** at the **Marriott Grand Ballroom** in Pasay City.

Now in its 13th year, the forum will convene various stakeholders to explore perspectives on upskilling and upscaling human capital to accelerate the country's growth.

With the theme "**Level Up: Upskill. Upscale. Uplift.**," the forum will explore opportunities and challenges for the labor market posed by shifting demographics and rapid technological advancements—focusing on key economic sectors like agriculture, mining, manufacturing, and other emerging industries. It also aims to advocate for much-needed reforms that can pave the way for a future-ready workforce and uplift the lives of Filipinos

KCCP has a table for the event with **10 available seats** and each ticket will be given at a discounted rate of **Php 5,500.**

For more information, visit www.arangkadaphilippines.com/forum2024 or if you have any questions regarding this event, please feel free to contact us at +632-8885-7342 or thru this email address, info@kccp.ph or thru Ms. Chi or Ms. Sang, 0917-801-5920/ 0915-888-7296.

[UPCOMING EVENT]

A Joint Event of Rotary Intl D3810-BNI– KCCP | Business Matching and Networking Event

October 18, 2024 | SMX Convention Center, Pasay City

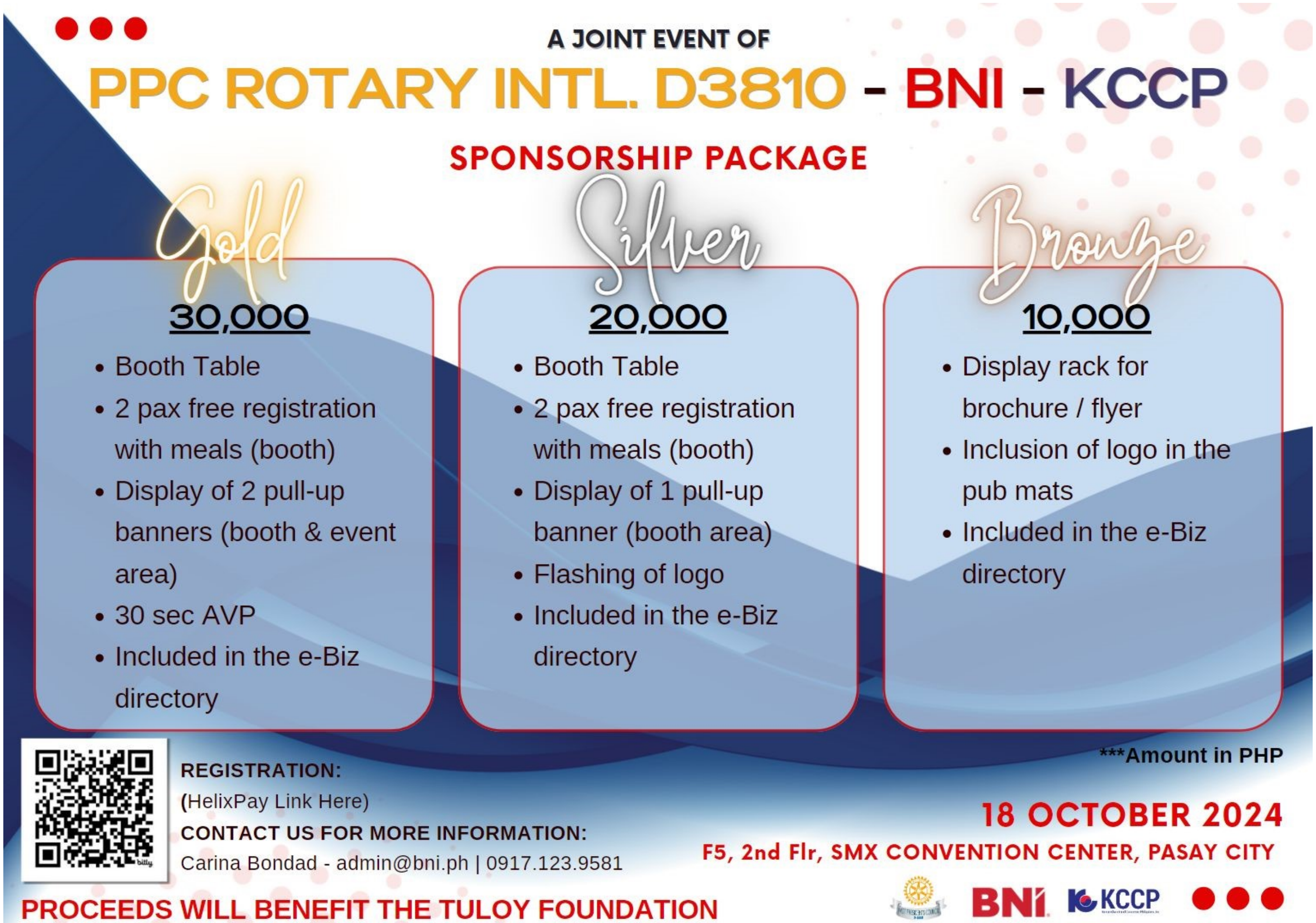
KCCP in partnership with **PPC Rotary International D3810** and **BNI Philippines**, one of the largest business referral organizations in the world, will hold a **Business Matching/Networking Event** on **October 18, 2024 5:30PM** at **2F SMX Convention Center, Pasay City**. The registration starts at 5:00PM.

The event is expected to be attended by more than 400 local and international businesspeople, making it a great opportunity to expand your local network and connect with potential business partners, investors and buyers. A booth will be set up for event sponsors to introduce and discuss their companies and products, and even after the event, all members of each business group can continue to benefit from promotional support through E-magazine.

There will also be a program to promote networking among all attendees and a prize draw, and we are confident that it will be a more meaningful time as all proceeds from the event will be donated to a local welfare Foundation.

It is in this regard, we encourage KCCP members and colleagues to participate.

For KCCP Members, the registration fee is Php 2,000.00 *(includes food, drinks and participant kits).* If you have any questions in regards to this event and for confirmation, kindly contact KCCP at +632-8885-7342, or mobile numbers 0917-8015920 (Ms. Chi) / 0915-8887296 (Ms. Sang) or through email at info@kccp.ph.



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