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SPECIAL POINTS OF INTEREST

UPCOMING EVENTS

Delays in VAT rebates dampen net inflows of FDI to the Philippines

October 15, 2024 | Justine Irish D. Tabile | BusinessWorld

THE PHILIPPINES posted the fourth-highest net inflows of foreign direct investments (FDIs) in Southeast Asia, although this may have been dampened by delays in value-added tax (VAT) rebates, according to the Association of Southeast Asian Nations (ASEAN) Investment Report 2024.

A Philippine flag is seen along Aguinaldo Highway in Imus City. — PHILIPPINE STAR/EDD GUMBAN

The Philippines saw FDI net inflows decline by 7% to $8.9 billion in 2023 from $9.5 billion in 2022.

Despite the drop, FDI net inflows into the Philippines were the fourth highest in terms of value among ASEAN member countries in 2023. It was behind Singapore, which posted net inflows of $160 billion, Indonesia with $21.6 billion and Vietnam with $18.5 billion

However, the Philippines surpassed Malaysia ($8.8 billion), Thailand ($4.5 billion), Cambodia ($4 billion), Myanmar ($2.2 billion) and Lao PDR ($1.8 billion). Brunei Darussalam posted a net outflow of $57 million in 2023.

Net FDI inflows in the ASEAN region reached a record $230 billion last year, up 0.3% from $229 billion in 2022.

According to the report, the Philippines saw a drop in investments in most of the industries, except for manufacturing and renewable energy (RE).

"Large wind power projects involving companies from Europe sustained investment in RE," the report said.

Investments in RE projects increased after the Philippine government allowed full foreign ownership in the sector, which was previously capped at 40%.

However, issues related to the delays in the Philippine government's repayment of VAT refunds affected investor sentiment.

"Divestment or scaling down of operations by some multinational enterprises in the face of challenges related to a VAT rebate also contributed to the declining situation," the report said.

The Philippines, under Section 12 of the Tax Code, allows VAT-registered entities whose sales are zero-rated to apply for the issuance of a tax credit certificate or refund of creditable input tax.

However, there was confusion over VAT exemptions and VAT zero-rating of local purchases of registered business entities due to inconsistencies between the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act and its implementing rules and regulations.

The Philippine government hopes to address this issue with the proposed CREATE MORE (Maximize Opportunities for Reinvigorating the Economy), which was ratified by the Congress last month.

Under CREATE MORE, the government plans to establish an enhanced VAT refund system that grants refunds of creditable input taxes within 90 days from the filing of the applications.

The measure also mandates the Department of Finance to establish a VAT refund center in the BIR and the Bureau of Customs to handle the electronic processing and granting of refunds of creditable input taxes.

The Bangko Sentral ng Pilipinas expects FDI net inflows to hit $10 billion at end-2024. *[Cont. page 2]*

Delays in VAT rebates dampen net inflows of FDI to the Philippines
[Cont. from page 1]

INVESTMENT TRENDS
Within ASEAN, the number of megadeals or international project finance deals exceeding $500 million fell to 38 last year from 60 in 2022, the report said. The Philippines and Indonesia received three-quarters of these mega-deals last year.

“Half (19) were in activities related to RE, such as electricity generation, battery production, and critical minerals mining and processing,” it said.

From 2020 to 2023, RE-related industries attracted an average of $27 billion in investments annually. These include critical minerals extraction and processing, renewables manufacturing, and renewable power generation.

“The five largest deals during this period were in solar and wind power generation. Most of the top 20 projects were in Vietnam, Indonesia, and the Philippines, in that order,” the report said.

The largest international project finance during the period was BlueFloat Energy’s Philippine Offshore Wind Portfolio, which has an estimated cost of $38 billion.

OUTLOOK
Meanwhile, net FDI inflows in the ASEAN region are projected to exceed an annual average of $300 billion from 2024 to 2030, the report said.

“The FDI outlook for the region is promising, with robust growth in announced greenfield investment in 2023, ongoing regional integration, and growing favorable investment sentiment,” said the report.

The stabilization of interest rates could also lead to a recovery in global international project finance, which may boost investments in the region.

Multinational enterprises in the region have continued to report higher profits and are optimistic about growth, the report said.

“Many reported plans to further invest in the region over the next few years because of the improving investment environment and expanding investment opportunities,” it added.

However, greater competition, concern over global economic growth and fracturing, financial tightening, inflationary pressures, and geopolitical tensions are among headwinds that could hamper FDI inflows into the region, the report said.

At the same time, internal challenges, including limitations on absorptive capacity, lack of skills development, will continue to pose concerns.

“Although these are longer-term structural challenges, actions to address them need to begin now to facilitate deeper integration and a post-ASEAN Economic Community 2025 era more conducive to investment,” it said.

The ASEAN Investment report was prepared by the ASEAN Secretariat and the United Nations Trade and Development.

Source: https://www.bworldonline.com/top-stories/2024/10/15/627731/delays-in-vat-rebates-dampen-net-inflows-of-fdi-to-the-philippines/

Meralco, Samsung forge nuclear energy deal
October 15, 2024 | Brix Lelis | The Philippine Star


Bataan Nuclear Power Plant.
STAR / File

MANILA, Philippines — Manila Electric Co. (Meralco), chaired by tycoon Manuel V. Pangilinan, has partnered with South Korea’s leading conglomerate Samsung Group to advance nuclear energy development in the Philippines.

Meralco and Samsung C&T Corp. Engineering & Construction (Samsung C&T) signed a memorandum of understanding (MOU) during the recent state visit of South Korean President Yoon Suk Yeol in Manila.

Both companies agreed to discuss the technical design and capabilities of nuclear technology as well as the prevailing regulatory framework, energy landscape and necessary grid infrastructure.
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Meralco, Samsung forge nuclear energy deal

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The parties will likewise explore other opportunities for nuclear power development, including the potential deployment of a pilot demonstration project.

Pangilinan said the strategic deal has further strengthened Meralco's commitment to fueling the government's efforts to integrate nuclear energy in the country's power generation mix.

"As we collectively work on the safe and secure adoption of this next generation technology, we remain focused on our ultimate goal of ensuring energy security and achieving sustainable and inclusive growth in the Philippines," Pangilinan said.

Under the Philippine Energy Plan, the country wants to have an initial 1,200 megawatts of nuclear capacity by 2032 and expand this to 2,400 MW by 2035 and 4,800 by 2050.

With the execution of this MOU, Samsung C&T also intends to actively engage in the construction of large nuclear power plants and small modular reactor projects.

"This aligns well with Meralco's continuous efforts to work with global knowledge and technology partners to help us in our transition toward more diversified and sustainable energy sources," Meralco executive vice president and COO Ronnie Aperocho said.

Earlier, Meralco announced that it signed an MOU with another South Korean company, Doosan Enerbility Co. Ltd., for the development of low-carbon power projects, including nuclear energy.

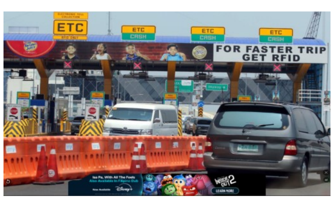
Under the agreement, Meralco and Doosan will explore the potential deployment of nuclear power facilities in the country, including the rehabilitation of the Bataan Nuclear Power Plant.

The deal also includes the potential construction and supply of gas turbines for combined cycle power projects of Meralco's subsidiaries, with Doosan serving as the engineering, procurement and construction contractor for these projects.

Source: https://www.philstar.com/business/2024/10/15/2392492/meralco-samsung-forge-nuclear-energy-deal

RFID fines legalized theft, says FFW

October 13, 2024 | Justine Xyrah Garcia | BusinessMirror



IMPOSING fines on motorists who have no radio frequency identification (RFID) or have insufficient load is a form of legalized theft, the Federation of Free Workers (FFW) said on Saturday.

In a press release, FFW Vice President Jun Ramirez said the planned fines will unfairly burden ordinary motorists who are already struggling with the rising cost of living.

"Penalizing individuals who don't have functioning RFID tags or adequate load will disproportionately affect lower-income motorists. Toll roads are essential for work and daily commutes, and this penalty adds unnecessary financial strain," Ramirez said.

The controversial fines are part of a broader initiative by the Department of Transportation (DOTr) to enforce contactless toll collection across all expressways.

Initially slated for implementation in August 2024, the penalties were delayed twice, first to October 2024 and then to January 2025.

Under the Joint Memorandum Circular No. 2024-001, motorists without functioning RFID tags could be fined up to P5,000 for repeated offenses, while those with insufficient load in their accounts could face penalties of up to P2,500.

The RFID system, introduced to ease traffic congestion and modernize toll collection, has been plagued by issues such as faulty tag readers and unreliable reloading methods.

This has prompted criticism from advocacy groups like FFW, who argue that the Toll Regulatory Board (TRB) is more concerned with revenue generation than improving the overall experience of motorists. *[Cont. page 4]*

RFID fines legalized theft, says FFW

[Cont. from page 3]

"Instead of focusing on improving infrastructure and customer service, the TRB is creating new avenues for collecting fines and fees, punishing ordinary motorists for system deficiencies," Ramirez said.

He added that penalizing drivers even when cash is on hand undermines the value of legal tender, calling it "absurd and unacceptable."

Despite repeated attempts to raise these concerns, the TRB, DOTr, and even the Office of the President have so far ignored the group's grievances.

In response, the FFW said it will challenge the legality of such fines in the Supreme Court if the January 2025 imposition pushes through.

Image credits: Nonoy Lacza

Source: https://businessmirror.com.ph/2024/10/13/rfid-fines-legalized-theft-says-ffw/

Agriculture seen performing better in 2025

October 15, 2024 | Jed Macapagal | Malaya Business Insight

Growth of value of production
Agriculture & fisheries, in %, quarterly

Subsector	2022-2023				2023-2024	
	Q1	Q2	Q3	Q4	Q1	Q2
Crops	1.7	1.2	-0.2	0.3	-0.3	-8.6
Livestock	4.1	0.7	2.5	2.7	-3.5	-0.3
Poultry	3.2	1.5	2.9	7.8	5.9	8.7
Fisheries	0.5	-13.8	-6.1	-5.3	-0.2	2.2
AGRICULTURE AND FISHERIES	2.1	-1.2	-0.2	0.9	0.2	-3.3

Source: PSA

Agriculture will perform better in 2025 after being hounded with high fuel and input costs, drought, floods due to La Nina and disruptions in the value chain this year.

Agriculture output in the second quarter declined 3.3 percent.

The Department of Agriculture (DA) in a statement yesterday said "lessons learned from recent challenges should push the agency to do a better job next year."

DA Secretary Francisco Tiu Laurel Jr. said these challenges tested the DA's mettle in fulfilling its mandate of ensuring food production is sustained.

Tiu Laurel said after a record rice harvest and creation of over half-a-million new jobs in 2023, the positive trend continued in the first half of the year with the sector adding 8.5 million tons of palay and 3.7 million tons of corn to its harvest.

Tiu Laurel cited the significance of actions taken against illegal activities in the agricultural sector in addressing food security.

"Even before Congress passed the Anti-Agricultural Economic Sabotage Act, the Department, through the Inspectorate and Enforcement Office, took action against smugglers, resulting in the seizure of hundreds of millions of pesos worth of illegally imported goods," Tiu Laurel said.

The DA said crackdown on smuggling, profiteering, cartels, and hoarding would only intensify with the passage of the new legislation.

Tiu Laurel said the DA will continue implementing measures that combat diseases affecting the poultry and livestock industries.

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Agriculture seen performing better in 2025

[Cont. from page 4]

Moving forward, the agency stressed the need to continuously adapt to the challenges posed by climate change and of evolving technology.

In 2023, agriculture production value went up by 0.4 percent.

Meanwhile, the DA said the Philippine Crop Insurance Corp. (PCIC) has initially estimated an indemnity of P93.8 million to compensate farmers in three regions for damage caused by Super Typhoon (ST) Julian.

Jovy Bernabe, PCIC president, in his report to the DA said a total of 10,781 insured farmers of rice, corn, and high-value crops from the regions of Cordillera Administrative Region (CAR), Ilocos and Cagayan Valley will be indemnified.

"We need to immediately indemnify our farmers to restore their financial health so they can quickly recover from this calamity. Fast-tracking the release of their insurance claims will foster confidence in the PCIC among our farmers and encourage more investors in agriculture," said Tiu Laurel.

Of the farmers insured with the PCIC, 6,585 are from Ilocos, 2,355 from CAR and 1,841 from Cagayan Valley.

Based on latest data from the DA's Disaster Risk Reduction and Management Operations Center, as of October 7, cost of damage to the agriculture sector due to ST Julian was at P607.38 million

The DA attached agency said the cost of damage is equivalent to 25,407 metric tons (MT) of goods tended by 33,110 farmers and fisherfolk in 17,344 hectares of affected areas.

Source: https://malaya.com.ph/agriculture-seen-performing-better-in-2025/

Below-target growth likely this year

October 15, 2024 | Luisa Maria Jacinta C. Jocson | BusinessWorld

THE PHILIPPINES' gross domestic product (GDP) growth will likely settle below the 6-7% target range this year, analysts said.

People flock to Divisoria, Oct. 12, 2024. — PHILIPPINE STAR/RYAN BALDEMOR

"The economy is in need of further support. Looking forward, fiscal tightening and weak export demand should keep growth subdued," Capital Economics said in a report.

Capital Economics expects GDP growth to average 5.1% this year, well below the government's 6-7% target.

For its part, Nomura Global Markets Research said it forecasts GDP growth to average 5.6% this year.

"We maintain our forecast for GDP growth to improve only marginally to 5.6% year on year in 2024 from 5.5% last year, before picking up to 6.1% in 2025," it said in a report by Nomura research analysts Euben Paracuelles and Nabila Amani.

The Philippine economy grew by 6% in the first half. In order to meet the lower end of the target, GDP expansion should average 6% for the remainder of the year.

Third-quarter economic data will be released on Nov. 7.

Nomura noted that second-quarter growth was "disappointing and showed weakening growth momentum, led by another sequential contraction in private consumption."

In the second quarter, GDP expanded by 6.3%, faster than 5.8% a quarter earlier and 4.3% a year ago. However, household final consumption rose by 4.6%, slowing from 5.5% in the previous year.

"Public investment spending remains the main engine, as the government makes progress on infrastructure projects. The midterm elections in May 2025 will also likely provide an additional impetus into next year," Nomura said.

Meanwhile, inflation is seen to remain well within the Bangko Sentral ng Pilipinas' (BSP) 2-4% target band this year. *[Cont. page6]*

'Growth targets this year still manageable'

[Cont. from page 4]

"Inflationary pressures are weak… our forecast is that a combination of weak economic growth and falling food price inflation will keep inflation low," Capital Economics said.

Nomura expects headline inflation to average 3.1% this year, below the central bank's 3.4% full-year forecast.

"Our forecast assumes headline inflation remains low at around 1.9% in the fourth quarter, partly reflecting the impact of the rice import tariff cuts," it added.

Headline inflation sharply eased to an over four-year low of 1.9% in September from 3.3% in August. In the first nine months, inflation averaged 3.4%.

"After BSP's 25-bp (basis point) cut to 6.25% in mid-August, the further decline in inflation reinforces our view that BSP will continue to cut rates," it added.

The Monetary Board is expected to cut policy rates by 25 bps this week (Oct. 16).

"We expect another 25-bp cut in its scheduled meeting (on) Wednesday," Capital Economics said.

"We reiterate our forecast for BSP to cut by 25 bps at each of the last two meetings of the year (i.e., in October and December)," Nomura said.

This is in line with a *BusinessWorld* poll conducted last week, which showed that 16 out of 19 analysts expect the BSP to reduce the target reverse repurchase (RRP) rate by 25 bps.

If realized, this would bring the target RRP rate to 6% from the current 6.25%.

"Looking beyond Wednesday's meeting, we expect further cuts over the remainder of this year and in 2025. Our forecast that rates will finish next year at 4.75% makes us more dovish than the consensus," Capital Economics said.

MORE CUTS IN 2025

Meanwhile, Nomura expects the Monetary Board to cut by 25 bps at each of its first three meetings next year before pausing.

"This would bring the RRP rate to 5% by May 2025 (i.e., a total of 150 bps in cuts in this cycle). The ongoing Fed cutting cycle also supports easing by BSP, but we still think BSP is unlikely to be more aggressive with 50-bp clips," it said.

"The substantial RRR (reserve requirement ratio) cut is already providing additional easing and Governor Remolona said he prefers 25-bp cuts to the policy rate," it added.

The BSP will reduce the RRR for universal and commercial banks and nonbank financial institutions with quasi-banking functions by 250 bps to 7% from 9.5%, effective on Oct. 25.

BSP Governor Eli M. Remolona, Jr. earlier said they are looking to bring the reserve requirement to as low as 0% by the end of his term.

Meanwhile, Nomura said the government will also struggle to meet its fiscal targets.

"We continue to forecast a fiscal deficit of 5.9% of GDP in 2024, above the revised medium-term fiscal framework (MTFF) target of 5.6%."

"We think these MTFF targets will be challenging to meet due to spending priorities, such as the flagship infrastructure projects," it added.

In the first eight months of the year, the budget deficit narrowed by 4.86% to P697 billion.

This year's budget deficit ceiling is set at 5.6% of GDP. The government aims to reduce the deficit-to-GDP ratio to 3.7% by 2028.

"Expenditure disbursements tend to speed up towards yearend and revenue growth likely slows, in line with more modest GDP growth," Nomura said.

"The passage of the bill implementing a VAT (value-added tax) on imported digital services is encouraging but will have a small revenue impact of 0.1% of GDP next year. We think political risks could rise in the run-up to the midterms and prove a distraction to enacting larger fiscal reform measures."

Source: https://www.bworldonline.com/top-stories/2024/10/15/627732/below-target-growth-likely-this-year/

Transparency to enhance PH's attractiveness as investment hub

October 15, 2024 | Irma Isip | Malaya Business Insight

The Philippines has demonstrated its readiness to become an investment hub in the region as it joined other countries in signing an agreement to update the Asean Comprehensive Investment Agreement (ACIA).

"This agreement makes it easier for investors to identify sectors open for investments in the Philippines, signaling a readiness to be a leader in the global economic and strategic manufacturing hub," said Cristina Roque, secretary of the Department of Trade and Industry (DTI), commenting on the Fifth Protocol to amend ACIA which the country signed in Laos last October 9.

Roque said Asean, as a whole, has made significant progress in several areas of economic integration.

DTI undersecretary Allan Gepty, said the protocol presents a more stable and predictable business environment necessary to attract more investments in the Philippines.

Gepty said the submission of the Schedule of Reservations pursuant to the Fifth Protocol would provide greater certainty and transparency in determining which sectors are open for investments because those sectors with market access restrictions or limitations will be accordingly listed.

"This is aligned with the country's policy to pursue an advanced, purposive and forward looking agreement," Gepty said.

He added: The ACIA sends also a strong signal to the investment community of the country's readiness to serve as an investment hub in the region especially for smart and sustainable manufacturing."

The Asean secretariat said the Protocol enhances certainty and transparency to investors on the investment regime in Asean.

The amendment aims to ensure the ACIA remains relevant, modern, forward-looking and more adaptive to business landscape.

More specifically, the Protocol provides for the operationalization of the transition of the current single-annex ACIA reservation list to a two-annex negative list, including the reservations against the obligation on Prohibition of Performance Requirements mandated under the 4th Protocol to Amend the ACIA; the expansion of the scope of the ACIA; and the application of the ratchet mechanism to some member-states.

Investments in Asean increased by less than 1 percent in 2023 to $230 billion, another record year, the Asean Investment Report said.

The report said intraregional investment fell 35 percent to $22 billion, with most member-states receiving a declining intra-Asean investment.

Source: https://malaya.com.ph/transparency-to-enhance-phs-attractiveness-as-investment-hub/

[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.

Chairman of Philippine Franchise Association, **Ms. Sherill Quintana** and **BOI (Board of Investments) Executive Director**, **Atty. Bobby Fondevilla** are expected to join as the **Guest Speakers** during the event.

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.

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.

Registration fee is Php 2,000.00 *(includes food, drinks, raffle and participant kits).*
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**.

PROCEEDS WILL BENEFIT THE TULOY FOUNDATION

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.

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