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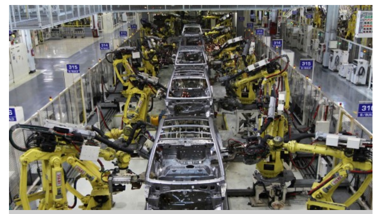
SPECIAL POINTS OF INTEREST

UPCOMING EVENT

Korean chamber names curbs on land ownership as key investor concern

October 28, 2024 | Justine Irish D. Tabile | BusinessWorld



REUTERS

THE lifting of foreign ownership restrictions on land will help attract more South Korean investors to the Philippines, the Korean Chamber of Commerce Philippines (KCCP) said.

On the sidelines of the 13th Arangkada Philippines Forum, KCCP President Joseph Um told *BusinessWorld* that South Korean companies are constantly comparing the opportunities within the region, especially in the context of conditions in Vietnam, Thailand, and other Asian countries.

"I think foreign ownership of land is something the Philippines still has to open up," he added.

He said that the Philippines might have already reaped the benefits from even slightly more liberal rules on land.

"Even just partially with some restrictions, which I think the government can study in collaboration with the Congress, I think that will benefit a lot," he said.

"From what I know, less than 10% (of potential Korean manufacturing investment) is coming in. The others go to Vietnam and other countries," he added.

He also cited the archipelagic nature of the Philippines, which is less advantageous logistically.

Article 12 of the Constitution limits foreign ownership of land and businesses to 40%, with the remaining 60% set aside exclusively to Filipino citizens or corporations. Company ownership curbs have since been loosened in industries like renewable energy, where 100% investment has been allowed.

The House of Representatives approved a proposal to lift foreign ownership limits in the Constitution. It only covers the liberalization of ownership in public utilities, education and advertising.

Republic Act No. 7652, or the Investors' Lease Act, allows foreign investors to lease private land as long as the aggregate period of the lease contract does not exceed 50 years, renewable once for a period of no longer than 25 years.

Three bills currently pending at the House of Representatives Trade and Industry Committee seek to extend this term to 99 years, while a similar bill was filed by Senate President Francis G. Escudero on July 2.

The amendments to the Investors' Lease Act is among the priority bills the Legislative-Executive Development Advisory Council identified for passage within the 19th Congress.

SOUTH KOREA FTA

Asked for updates to the South Korea-Philippines free trade agreement (FTA), Mr. Um said that the ratification is going slow on the Korean side.

"It is just a matter of time, and I think it is a little slow on the side of Korea, but I heard during South Korean President Suk Yeol Yoon's visit early this month that they are pushing for within the year.

However, he noted that the ratification of FTA is beyond the president's control but is in the hands of the National Assembly. *[Cont. page 2]*

Korean chamber names curbs on land ownership as key investor concern

[Cont. from page 1]

"(Ratification) is not an issue; it is just they simply have many matters to settle. What I want to emphasize is that it is not that they do not want to approve this FTA but that the National Assembly itself has many agendas to settle, and sometimes the ruling party and opposition have many issues to fight on," he said.

"But this will definitely have (trade benefits) because although it does not cover 100% (of the products we trade), major items are covered, so both countries will benefit, especially the consumer side because that is where they will enjoy reduced tariffs," he added.

Source: https://www.bworldonline.com/economy/2024/10/28/631185/korean-chamber-names-curbs-on-land-ownership-as-key-investor-concern/

Exit from FATF grey list seen boosting PHL growth

October 28, 2024 | The Manila Times

FATF President Elisa de Anda Madrazo at the FATF Plenary on October 23, 2024, OECD Headquarters, Paris.

The declaration of the Paris-based Financial Action Task Force (FATF) that the country is inching closer to its exit from the grey list as it has met its deficiencies bodes well for the Philippines's economy.

Last Friday, FATF President Elisa de Anda Madrazo said a site visit will be conducted to affirm the country's progress and to decide on its exit from the grey list. The visit will take place between now and February 2025. ***(See: https://businessmirror.com.ph/2024/10/26/amlc-phl-moves-closer-to-exiting-fatf-grey-list/).***

Jonathan Ravelas, senior adviser at professional services firm Reyes Tacandong & Co. told the BusinessMirror that a favorable assessment from FATF would improve the country's economic and investment prospects.

"It's promising news that the country has addressed all its deficiencies. The upcoming site visit by the FATF team is a crucial step in confirming these improvements. If the assessment is positive, there's a strong possibility that we will finally exit the grey list," Ravelas said.

The country's international reputation will improve if it exits from the grey list, he said. This will, in turn, lead to increased foreign investment interest.

He said foreign investors prefer to do businesses in "stable and compliant environments" which includes a country's exclusion from the FATF grey list.

Apart from businesses, Filipinos would enjoy lower costs for their financial transactions. This will become possible because financial institutions may see lower compliance costs as they face less scrutiny from international counterparts.

"Overall, these factors can contribute to stronger economic growth, as increased investment and lower transaction costs can stimulate various sectors of the economy," Ravelas said.

Earlier, University of Santo Tomas Research Center for Social Sciences and Education (RCSSED) Director Jeremaiah M. Opiniano told the *BusinessMirror* that there are host countries that have been on guard when it comes to their transactions with countries in the FATF watchlist.

Some include banks in the United Kingdom which have asked for more documentation for money being sent to the Philippines. He added that in Korea, there are reports indicating that Filipinos there applying for simple debit cards were asked to produce additional documentation to make cross-border payments.

The FATF flagged the country for supposed inadequacies in the effectiveness of the targeted financial sanctions framework (TFS) for both terrorism financing and proliferation financing.

Landing on the FATF grey list does not automatically result in sanctions kicking in but could cause prolonged procedures in some financial transactions which could affect not only Filipinos traveling abroad but also Overseas Filipino workers and migrants.

The interagency task force adopted an action plan to exit the FATF grey list. On 4 July 2023, Malacanang issued Executive Order No. 33 requiring all government offices and departments that are part of the National Anti-Money Laundering/Countering of Financing of Terrorism Coordinating Committee (NACC) to adopt the National Anti-Money Laundering, Counter-Terrorism Financing, and Counter-Proliferation Financing Strategy (NACS) 2023-2027.

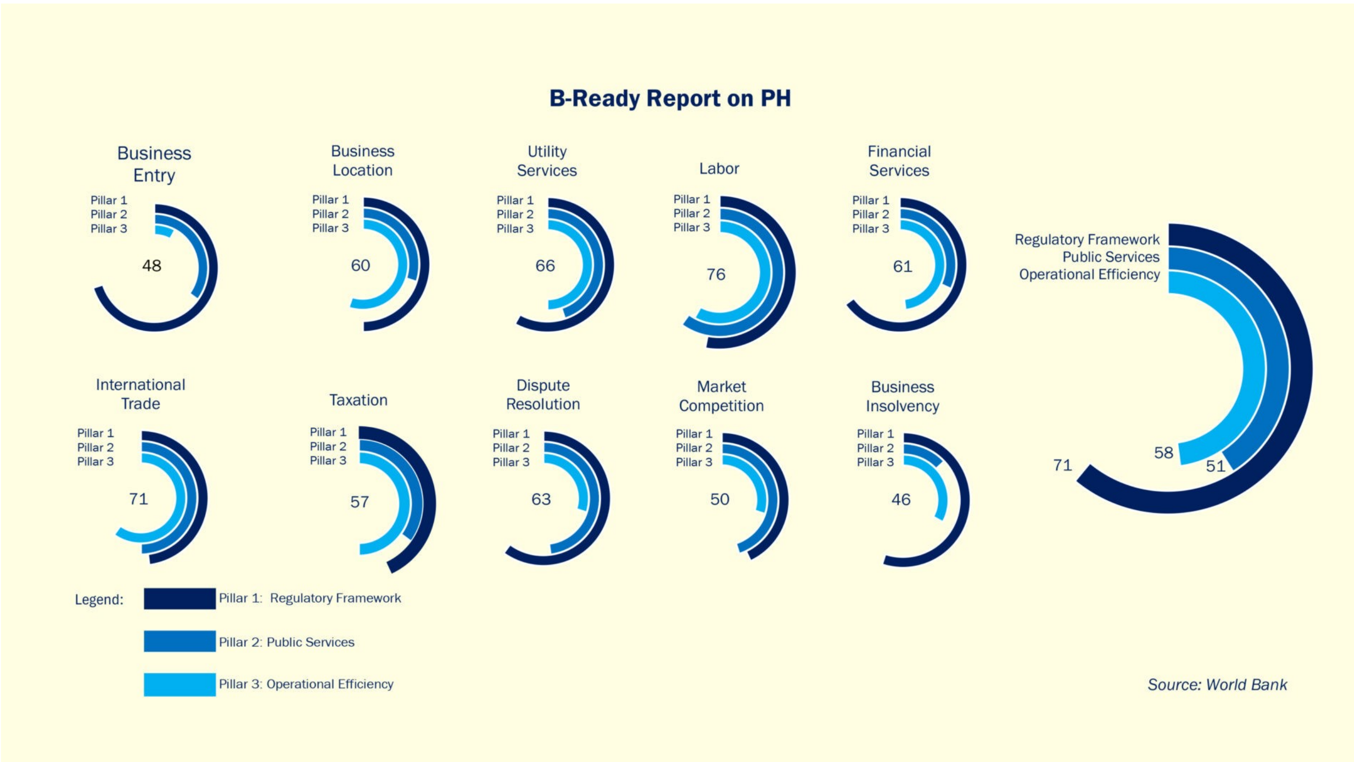
To emphasize the urgency of the strategy, the Palace also released Memorandum Circular No. 37 last October 16, 2023, to accelerate the NACS implementation, followed by a directive from President Marcos on last January 2 for the NACC member agencies to complete the remaining FATF action items by year-end 2024.

Image credits: FATF

Source: https://businessmirror.com.ph/2024/10/28/exit-from-fatf-grey-list-seen-boosting-phl-growth/

PH has good laws, lags in implementation

October 29, 2024 | Irma Isip | Malaya Business Insight



The World Bank said the Philippines can realize a 5-percent "productivity kick" by narrowing the gaps in doing business in the country which has lagged in public service and in operational efficiency.

With this, the Philippines targets to move up to the top 20-percentile of countries regarded as business-ready by 2026, up from top 40 percentile at present, according to Secretary Ernesto Perez, director-general of the Anti-Red Tape Authority (ARTA).

Perez was commenting on the results of the inaugural Business Ready (B-Ready) Report of the World Bank which piloted this year on 50 economies, including the Philippines.

Gonzalo Varela, lead economist for Brunei, Malaysia and the Philippines Prosperity (Economic Policy) of the World Bank, said the Philippines has a good regulatory framework, meaning it has the necessary laws and regulations. The Philippines ranked 16th in this pillar in the B-Ready eport.

"But is (the regulatory framework) implemented properly? This is the lagging area for the Philippines. This is where the Philippine punches below its weight. This is a crucial area of improvement for the country," Varela said at the 2024 Ease of Doing Business Convention in Pasay City yesterday.

Specifically, the Philippines has performed below par on business entry and closing a business as well as business location.

"If you can narrow the gaps in these areas… you can get a 5 percent productivity kick by narrowing the gaps between public service, quality and regulatory framework in these dimensions," Varela said.

Perez said while the Philippines is strong in terms of laws and regulations, implementation of these laws needs more improvement.

Perez believes the survey did not reflect reforms implemented in 2023 and 2024 but said ARTA will nevertheless pursue measures to improve the Philippines' rank.

"Survey results have a direct bearing on foreign direct investments. Investors look at the ranking when they decide to invest in a country. If it is difficult to register (a business), they will pull out," Perez said.

One measure that will immediately address this is by having more agencies and local government units digitize their processes. The target is to secure a business permit within 10 minutes, Perez said.

Source: https://malaya.com.ph/business-news/enterprise/ph-has-good-laws-lags-in-implementation/

Capital Economics: Asian currencies likely to underperform under Trump

October 28, 2024 | Manila Bulletin

Think tank Capital Economics has flagged potential risks to Asian currencies, including the Philippine peso, should Donald Trump secure victory in the upcoming US presidential election.

In a report, Capital Economics said that Trump's protectionist policies could exert depreciation pressures on regional currencies.

"We suspect Asian currencies would underperform under a Trump presidency, even if they don't seem to have been affected worse than others by the apparent rise in his chances of winning lately," Capital Economics said.

Capital Economics said it is unexpected that most Asian currencies, including the peso, have remained stable during the recent rise of the U.S. dollar.

Capital Economics said in its Oct. 25 report that the growing chances of a Trump election win may contribute to the rise in the U.S. Treasury yields and a stronger dollar.

As a result, regions with low and stable interest rates may face challenges as their currencies weaken against a stronger dollar, increasing their risk in the global market.

"His policies could be a particularly stiff headwind for Asia's currencies," Capital Economics said.

The peso concluded last week with a decline, dropping back to the P58 range on Friday, Oct. 25, after being off the trading floor for two consecutive days due to typhoon.

The peso decreased by 44 centavos, closing at P58.32:$1, compared to its previous finish of P57.88 on Tuesday, Oct. 22.

According to the think tank, if China's currency weakens, neighboring countries could find it harder to compete in exports and face potential U.S. tariffs.

"Other Asian currencies would probably fall too" even though the region would face the same tariffs as other countries.

This is seen as a possibility, although most Asian currencies have fallen less than anticipated since mid-September.

Over the past few years, emerging Asian central banks have taken steps to prevent currency depreciation and are likely to resist allowing a major decline now.

However, even with the potential Trump win, investors might not expect significant tariffs to be enforced, as indicated by the small rise in short-term U.S. inflation protection.

Although as caution, regional central banks may intervene as tariffs are easier to implement, the think tank explained.

Capital Economics said in its Oct. 24 report that a Trump presidency could further benefit ASEAN as companies relocate to Southeast Asia, capitalizing on strong infrastructure and supply chain connections amid ongoing U.S.-China tensions.

However, Trump's return could complicate the situation due to potential tariffs.

Despite this, Southeast Asia may still be an attractive investment destination, particularly as non-U.S. producers remain competitive, Capital Economics also said.

Source: https://mb.com.ph/2024/10/28/trump-win-threatens-asian-currencies

DOTr sets privatization of 7 to 15 more airports

October 28, 2024 | Samuel P. Medenilla | BusinessMirror

WITH the signing of the new template for Public-Private Partnership (PPP) agreement for the Laguindingan International Airport (LIA) last Monday, President Marcos said similar initiatives to enhance other local airports will be fast-tracked.

Marcos made the statement as the Department of Transportation (DOTr) said it is eyeing the privatization of seven to 15 more airports. See related story on B2, Companies, "Aboitiz, DOTr formalize airport deal" *[Cont. page 5]*

DOTr sets privatization of 7 to 15 more airports

[Cont. from page 4]

In his speech during the PPP signing ceremony in Malacañang on Monday, Marcos said the government faced several roadblocks before it could finalize the P12.75-billion 30-year concession agreement with the Aboitiz InfraCapital Inc. (AIC) for the Laguindingan International Airport PPP.

Bohol-Panglao International Airport

"It wasn't easy-going. We had to change so many things. We had to change procedures. We had to streamline many of the things, even the definitions of what solicited and unsolicited offer was and how we handled it. And…. But we now have a template. And so, next perhaps Bohol will not take so much time or be so difficult," Marcos said.

Transportation Secretary Jaime J. Bautista said the LIA is the second "successful airport privatization project" of the Marcos administration after the government turned over the management of the Ninoy Aquino International Airport (Naia) to the San Miguel Corp. (SMC) last month.

Next in line

Bautista disclosed the administration now eyeing to sign a similar PPP for the Bohol-Panglao International Airport.

"Right now, we are working on the unsolicited proposals for Bohol-Panglao International Airport. The Swiss challenge period will end [on] November 11 for the Bohol-Panglao International Airport," Bautista said in a press briefing in Malacañang on Monday.

Under the Swiss Challenge, the government receives an unsolicited bid for a public project. Before accepting the said bid, it will give an opportunity to a third party to match or better the said bid.

Other airports, which are included on the list of DOTr for concession agreements are the Iloilo International Airport (IIA), Davao International Airport (DIA), and the Kalibo International Airport (KIA).

He said they are now just waiting for the approval of the National Economic and Development Authority (Neda) before they can push through with the PPP for IIA.

As for the DIA, he said they are still working on the terms of reference of its concession agreement with the International Finance Corporation.

Economic impact

MARCOS welcomed the signing of more concessions agreements due to its economic impact.

He cited the PPP for LIA is expected to expand the annual passenger capacity from 1.6 million to 3.9 million in the first phase, and to 6.3 million in its second phase.

"Expectedly, the improvement of the airport will significantly boost tourism, create jobs, increase business presence, and ultimately aid in our goal—in achieving our goal of economic growth." Marcos said.

He pointed out the improvements in the LIA are crucial for the development in Northern Mindanao, where it is considered the area's second busiest airport.

Transportation Undersecretary Roberto C.O. Lim said the government will get P47 million from the AIC during the first year of the LIA PPP. The amount will increase in subsequent years.

"And then we have a revenue share of 3 percent of gross revenues. We expect to receive 3.766 billion [pesos] over the concession period. That is the expected revenue for this project, he added.

Bautista also assured that there will be no immediate increase in the terminal fees of the LIA once AIC takes over its operations.

"The adjustment on fees will not be implemented immediately. There should be improvements first in the service that will be done by the operator. In fact, we're looking at, probably at least a year after like in the Manila International Airport, the passenger service charge or terminal fee will increase after one year," Bautista said.

Image credits: Michael O. Ligalig | Dreamstime.com, Michael O. Ligalig | Dreamstime.com

Source: https://businessmirror.com.ph/2024/10/28/dotr-sets-privatization-of-7-to-15-more-airports/

IMF: Inflation risks still tilted to upside

October 29, 2024 | Luisa Maria Jacinta C. Jocson | BusinessWorld

A vendor at Paco Market is seen arranging meat products. — PHILIPPINE STAR/EDD GUMBAN

THE INTERNATIONAL Monetary Fund (IMF) said that upside risks to the outlook for Philippine headline inflation still persist.

"Risks to the inflation outlook have receded somewhat but remain tilted to the upside," a representative of the IMF told *BusinessWorld* in an e-mail.

"Food prices remain vulnerable to adverse supply shocks, and rising geopolitical tensions and recurrent commodity price volatility also pose upside risks," it added.

Bangko Sentral ng Pilipinas (BSP) Governor Eli M. Remolona, Jr. earlier said that the balance of risks to the inflation outlook for next year until 2026 has shifted to the upside

This is primarily due to expectations of higher electricity rates and minimum wages, he said.

Regional wage boards earlier this month approved a hike in the daily minimum wages of workers in Cagayan Valley, Central Luzon and Soccsksargen.

In July, the Regional Tripartite Wages and Productivity Board also approved a P35 minimum daily wage hike for workers in the National Capital Region.

Meanwhile, the IMF sees inflation settling at 3.3% this year and 3% in 2025.

The BSP expects inflation to average 3.1% this year and accelerate to 3.2% next year and 3.4% in 2026.

The IMF said that "decisive monetary tightening and non-monetary measures" have helped tame food inflation in the Philippines.

"Lower commodity prices have helped bring inflation down to within the BSP's target band," it said.

Headline inflation eased to 1.9% in September from 3.3% in August. The September print was also the slowest in over four years or since the 1.6% print in May 2020.

Food inflation slowed to 1.4% from 4.2% a month ago. This as rice inflation sharply slowed to 5.7% in September from 14.7% in August and 17.9% last year.

"The BSP reduced its policy rate by 25 basis points (bps) in both its August and October meetings this year, consistent with inflation and inflation expectations returning towards the target," the IMF said.

Since it began its easing cycle in August, the Monetary Board has reduced policy rates by 50 bps, bringing the key rate to 6%.

Mr. Remolona earlier said the central bank could deliver another 25-bp rate cut at the last policy-setting review on Dec. 19.

CURRENT ACCOUNT

Meanwhile, the IMF sees the country's current account deficit further easing in the near term.

"The narrowing of the current account deficit in 2024 and 2025 will be supported by lower commodity prices, a gradual pickup in exports, supported by tourism returning towards pre-pandemic levels and demand for the business process outsourcing sector holding up," the IMF said.

The IMF expects the Philippines' current account deficit to settle at 2.2% of gross domestic product (GDP) this year and ease further to 1.8% in 2025 and 1.1% by 2029.

"Inward remittances are also expected to rise slightly," it added.

In the January-August period, cash remittances expanded by 2.9% to $22.22 billion from $21.58 billion a year earlier. The BSP expects cash remittances to grow by 3% this year.

"Over the medium term, the current account is expected to be supported by a continued gradual rise in exports," the IMF said.

"From a saving-investment perspective, the current account improvement is expected to be driven by a rise in private and public savings, with the latter underpinned by the government's plans to implement a gradual medium-term fiscal consolidation," it added.

In the first half of the year, the country's current account deficit stood at $7.1 billion, accounting for 3.2% of GDP.

The BSP expects the current account deficit to reach $6.8 billion this year or 1.5% of GDP.

Source: https://www.bworldonline.com/top-stories/2024/10/29/631167/imf-inflation-risks-still-tilted-to-upside/

UPCOMING EVENTS

The KCCP Christmas Party and the 19th JFC Networking Night are open for sponsorships. For interested parties (attendees and/or sponsoring companies), 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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