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SPECIAL POINTS OF INTEREST

UPCOMING EVENT

Analysts expect inflation to pick up pace in October

November 04, 2024 | Keisha Ta-Asan | The Philippine Star

MANILA, Philippines — Economists are anticipating a faster increase in prices of essential goods and services for October amid fading base effects, unfavorable weather conditions and fuel price hikes.

However, this would still be lower than the 4.9 percent inflation print in October 2023.

Patrick Ella, an economist at Sun Life Investment Management and Trust Corp. said inflation may have picked up to 2.3 percent in October from 1.9 percent in September.

However, this would still be lower than the 4.9 percent inflation print in October 2023.

He also said there is no possibility of inflation exceeding the two to four percent target of the Bangko Sentral ng Pilipinas in October. It would also hit the BSP's two to 2.8 percent month-ahead forecast.

The Philippine Statistics Authority is scheduled to release the October inflation data this Nov. 5.

"As for monetary policy, I think it's on auto-pilot and I see very little factors to interrupt a 25-basis-point cut on Dec. 19," Ella added.

The BSP's Monetary Board delivered a 25-basis-point cut last Oct. 16 as the within-target inflation outlook and well-anchored inflation expectations continue to support the central bank's shift toward a less restrictive monetary policy.

The central bank has lowered borrowing costs by a total of 50 basis points so far or since it began its easing cycle in August. Prior to the cuts, the BSP kept its policy rate steady for six straight meetings since November 2023. From May 2022 to October 2023, it hiked rates by 450 basis points to tame inflation.

For his part, UnionBank chief economist Ruben Carlo Asuncion said inflation went up to 2.5 percent in October due to slightly higher electricity charges compared to a year ago.

"Higher fuel prices for October also contributed, along with an uptick of prices in various food items. Note that the impact of Severe Tropical Storm Kristine may still have to be felt this November round," he said.

In October, pump price adjustments resulted in a net increase of P2.80 per liter for gasoline and P4.60 per liter for diesel as well as P3.25 per liter for kerosene.

Bank of the Philippine Islands lead economist Jun Neri also sees October inflation at 2.5 percent, equivalent to a 0.4 percent month-on-month increase.

"The previous month's headline print was likely the lowest for this year due to fading base effects. Unfavorable weather conditions in October may have affected the price of some food items, especially vegetables and fruits," he said.

Based on the latest bulletin from the Department of Agriculture, agricultural damage caused by Severe Tropical Storm Kristine amounted to P5.75 billion, displacing 131,661 farmers and fisherfolk and destroying over 100,000 hectares of farmlands.

The peso depreciation may have also fueled the increase in food costs, Neri said. Even though rice prices fell in October amid improving supply, the decline has not been significant enough as there are legal challenges in implementing the rice tariff cuts.
[Cont. page 2]

Analysts expect inflation to pick up pace in October

[Cont. from page 1]

"Despite this anticipated uptick, we expect inflation to remain manageable in the next 12 months, barring new supply shocks," he said.

Neri flagged upside risks to the inflation outlook such as the possibility of La Niña and African swine fever. Inflation also remains sensitive to climate conditions, but stable commodity prices amid China's economic slowdown may offset these risks.

The BPI economist said that a rate cut from the BSP could happen in December as inflation is expected to remain manageable. However, external developments may also affect the central bank's decision.

"The recent depreciation of the peso reflects the market's concerns over the pace of the Federal Reserve's rate cuts and the possibility that the Fed could pause," he said.

He said that the peso could weaken further in the coming months driven by a stronger-than-expected US jobs report or a Republican victory in the upcoming US elections.

"The BSP may consider a pause in its rate cuts if the Fed doesn't cut as anticipated," Neri said. "The recent volatility in the markets highlights the need for prudence when it comes to rate cuts."

"While inflation forecasts allow room for a cut, aggressive action may not be prudent in the current climate. Global and domestic supply shocks can alter the outlook for inflation quickly, making a cautious approach to rate cuts more suitable to maintain stability," he added.

Michael Ricafort, chief economist at Rizal Commercial Banking Corp., said inflation likely rose to 2.4 percent in October. This could bring full-year inflation to an average of 3.2 percent this year.

Ricafort said flood damage in hard-hit areas caused by Kristine could cause some temporary spike in inflation. However, this could be mitigated by the price freeze for 60 days in areas declared under state of calamity.

"Inflation could still remain at the two percent levels for the rest of 2024, though some seasonal pickup in prices is expected toward the Christmas holiday season amid increased demand/spending, but only to eventually go down upon crossing the new year," he said.

Source: https://www.philstar.com/business/2024/11/04/2397365/analysts-expect-inflation-pick-pace-october

Neda must approve all natl infra master plans

November 04, 2024 | Samuel P. Medenilla | BusinessMirror

BusinessMirror
A broader look at today's business

ALL national infrastructure master plans must now be approved by the National Economic and Development Authority (Neda) for implementation, President Marcos has ordered.

The new policy was contained in Executive Order 72, which was signed by the Chief Executive on October 28 but only posted in the Official Gazette website during the weekend.

Under EO 72, infrastructure plans of national scope must be submitted and approved by the Committee on Infrastructure (Infraom) of Neda.

Infrastructure master plans "with significant impact" on cities, municipalities, and/or regions must also be endorsed to the concerned Regional Development Council before being submitted to the Infracom.

"The Infracom-approved masterplan shall be endorsed to the Neda Board for confirmation," Marcos said in his three-page order.

Each infrastructure master plan will be evaluated on several criteria including incorporating applicable physical, spatial, and other cross-cutting elements and principles such as convergence, interconnectivity, digital technologies and solutions and environmental quality.

It must also complement land use and urban planning initiatives, went through consultations from relevant stakeholders, and Public Investment Program as well as Three-year Rolling Infrastructure Program of the government. *[Cont. page 3]*

Neda must approve all natl infra master plans
[Cont. from page 2]

Concerned government agencies are tasked to review and update the infrastructure sector master plan so it will be consistent with the Philippine Development Plan and to submit an annual report on the status of implementation of the said master plan to the Infracom.

The Infracom will conduct inventory of all existing infrastructure master plans and identify the list of those which will be prioritized for budgeting.

Marcos said EO 72 aims to harmonize the formulation, approval and implementation of the said master plans due to their crucial role in job creation and economic development.

"It is imperative to harmonize and strategically integrate the process for the formulation of master plan for the infrastructure sector to guide the planning, programming, budgeting and implementation of infrastructure projects, and ensure a holistic approach to socioeconomic development," he said.

Infracom will come out with the implementing guidelines for EO 72 within 60 days from the effectivity of the EO.

Source: https://businessmirror.com.ph/2024/11/04/neda-must-approve-all-natl-infra-master-plans/

Economy loses momentum amid inflationary pressures
November 04, 2024 | Derco Rosal | Manila Bulletin

MANILA BULLETIN

While the majority of expectations nod to an uptick in October inflation, economists surveyed by Manila Bulletin hold mixed forecasts for the Philippines' third-quarter 2024 economic performance, noting both growth opportunities and possible risks ahead.

Following the four-year low September inflation rate at 1.9 percent, private-sector economists monitoring the Philippines anticipate inflation to have surged in October, ranging between 2.3 percent and 2.5 percent, due to increased food prices and higher fuel and electricity costs.

Despite this higher expected rate, the majority (eight) of the nine forecasts for last month's headline inflation fall within the lower half of the government's two- to four-percent target range.

The Philippine Statistics Authority (PSA) will release October's consumer price index (CPI) report on Tuesday, Nov. 5.

September print lowest in 2024
Chinabank Research expects October print to have settled at 2.3 percent due to rising prices for vegetables, fruits, fish, and eggs, despite declines in rice and meat prices, alongside higher domestic fuel and water rates in October.

"However, these upward price pressures were partly tempered by reductions in electricity rates in many parts of the country," Chinabank Research economists said.

Both Germany-based Deutsche Bank and Sarah Tan, economist at Moody's Analytics, noted that this reacceleration is influenced by a lower base effect.

Ruben Carlo O. Asuncion, chief economist at Union Bank of the Philippines, predicts a 2.5 percent uptick, citing factors as did Chinabank's, stressing that "the impact of Typhoon Kristine may still have to be felt this November round."

September's inflation rate of 1.9 percent could be the lowest this year, Michael Ricafort, Chief Economist at Rizal Commercial Banking Corp (RCBC) said, citing a weaker peso, typhoon damage, and temporary price spikes.

Still, he expects the inflation to stay around two percent for the remainder of 2024, "though some seasonal pick up in prices/inflation expected towards the Christmas holiday season amid increased demand/spending."

However, as the holiday rush subsides after New Year, Ricafort anticipates the eventual decline in inflation.

"Thus, inflation is expected to remain within the BSP's target range of [two to four percent] that would help justify further Bangko Sentral ng Pilipinas (BSP) rate cuts that could match future Fed [U.S. Federal Reserve] rate cuts, going forward," Ricafort added.
[Cont. page 4]

Economy loses momentum amid inflationary pressures

[Cont. from page 3]

Growth below the trend

While inflation is expected to bounce, economists forecast that the country's gross domestic product (GDP) growth will slow to around five percent, largely due to weakening domestic demand and global economic conditions.

Deutsche Bank provided the lowest growth forecast of 5.4 percent, which is significantly lower than the second quarter's 6.3 percent rate.

"Private consumption expenditure is likely to see a pickup in growth as household purchasing power recovers alongside falling inflation, although it would remain below trend" as it will be hindered by weakened government spending and rising unemployment, the multinational investment bank explained.

On the contrary, Ser Percival K. Peña-Reyes, Director at the Ateneo Center for Economic Research and Development, provided the highest growth forecast and the most optimistic outlook, at 6.5 percent.

To Peña-Reyes, this upward economic growth is fueled by sectors such as construction, transportation and storage, as well as accommodation and food services.

Generally, low forecasts fall between 5.4 to 6.2 percent, with Chinabank Research citing weak household consumption and a growing trade deficit, despite gains in construction and services, while agriculture struggled from adverse weather.

Other forecasts within this range came from Asuncion, Chinabank Research, and Jonathan Ravelas, senior adviser at Reyes Tacandong & Co. and managing director of e-Management for Business and Marketing Services.

Tan, with a 5.7 percent forecast, said that while the economy is driven by government spending and private investment, private consumption remains weak due to recent rate cuts and declining exports amid reduced tourist arrivals.

Further, a Trump win in the U.S. presidential election could lead to a 10 percent universal tariff, posing a significant trade risk for the Asia-Pacific region, Tan noted.

"However, retaliation in the Philippines will be limited as it relies heavily on the U.S. for trade and security through defense partnerships," she explained.

Looking ahead, Chinabank Research anticipates steady inflation, reduced interest rates, and the "robust labor market to support a recovery in consumption."

"We also expect a boost from election-related spending leading up to next year's midterm elections," it added.

Meanwhile, Gareth Leather, Capital Economics senior Asia economist said that policy rate cuts and "falling inflation will likely support domestic demand over the coming quarters."

"However, if global demand weakens as we expect, then export growth will slow. In addition, slower growth in remittances and tighter fiscal policy will likely dampen economic growth over the coming quarters," Leather also said

Thus, he expects the GDP growth of 5.1 percent this year and 5.5 percent in 2025, both of which remain lower than the consensus forecasts.

Among the largest economies

Although the country's growth has been in constant fluctuation, some economists believe in its potential.

"The Philippines has been and would still be among the fastest growing economies in Asia," Ricafort said, citing its demographic advantage with a large, young workforce—over 50 million of its 113 million people are of working age, with an average age under 25.

Meanwhile, UK-based banking giant HSBC said the Philippines' economy is benefiting from two decades of reform, demographic growth, digital job creation, and strong service exports, positioning it for sustained economic expansion.

"All this means the Philippine economy is expected to grow in size and influence," Aris Dacanay, ASEAN economist at HSBC said. Dacanay said the country is likely to rise from the 33rd to the 28th largest economy by 2029, offering strong investment potential.

With one of the lowest debt levels in ASEAN, the country has already drawn significant investor interest, ranking as the region's second-highest foreign direct investments (FDI) recipient relative to GDP in 2018-2019, Dacanay further said.

"This may be the case again in the next five years, with the Philippines recording the highest FDI approvals in its history," Dacanay stressed.

Source: https://mb.com.ph/2024/11/4/inflation-casts-shadow-on-grow

Accountability, criteria for terminating stagnant RE contracts pushed

November 04, 2024 | Jed Macapagal | Malaya Business Insight

Renewable energy (RE) stakeholders said the Department of Energy's (DOE) decision to terminate contracts of non-compliant RE projects will free up limited grid access to legitimate players.

But Theresa Cruz-Capellan, Sun Asia Energy chief executive officer, said some entities must be held accountable if the cause of delay or failure of the project is beyond the proponent's control.

Sun Asia in engaged in the development of floating solar projects.

At least 105 RE projects, most of which were awarded in 2017 and 2019, face possible termination due to non-compliance with project timelines.

"I agree (with the move of) the DOE to review and clean out non-performing contracts. This will free up grid access and allow serious developers to implement projects. But, there has to be some parameters on the performance review particularly the delays or lack of action on the part of government agencies that prevent contracts from progressing. Accountability has to be clearly established," Capellan said.

Meanwhile, Jose Layug Jr., president of Developers of Renewable Energy for AdvanceMent Inc., said private sector appreciates DOE's decision but said government must have a definite criteria for termination.

Layug, who leads an umbrella organization of all RE associations in the Philippines, said the DOE should terminate only those contracts that are underperforming in pre-development and permit acquisition, as well as those that show no activity at all.

He said other issues to consider are insufficient transmission capacity on targeted commercial operations date as well as acts of force majeure. In these cases, their RE contract terms can be adjusted instead of terminated.

Layug said the government must "treat service contracts as primarily a platform to study the feasibility/availability of the particular RE resource and therefore assist the private investors in their efforts to build the RE plant."

For Emmanuel Rubio, Meralco PowerGen Corp. president and chief executive officer, the DOE's move is a welcome development but said the next step should be to determine the replacement of the "void" created by the terminations.

"…if (proponents) don't deliver on these projects, these are capacities that are needed by the grid. Now that they have been terminated, the next move for DOE is to revisit how they're going to fill this up, this void," Rubio said.

Rubio said the DOE may also revisit pricing for its RE incentives to further attract needed investments.

Most of the RE contracts facing termination have cited failure to secure possessory rights or system impact studies (SIS) as the reason for project delay.

SIS determine the effects of a proposed power project to customer connections in a grid and ascertain if adjustments in the system are needed such as additional transmission lines, transformers or substations.

Of the 105 RE project contracts lined up for termination, 88 are either delayed in their pre-development timeline or not progressing at all. Of the 88, 53 are solar, 17 are hydropower, 10 are wind, five are geothermal and three are biomass.

Source: https://malaya.com.ph/business-news/enterprise/accountability-criteria-for-terminating-stagnant-re-contracts-pushed/

Manufacturing growth slows in Oct.

November 05, 2024 | Aubrey Rose A. Inosante | BusinessWorld

Women work at the assembly line of an electronics factory in Malvar, Batangas, Aug. 10, 2018. — REUTERS

PHILIPPINE manufacturing expanded for a 14th month in a row in October, but the pace of growth slowed month on month amid a softer rise in new orders and output, S&P Global said on Monday.

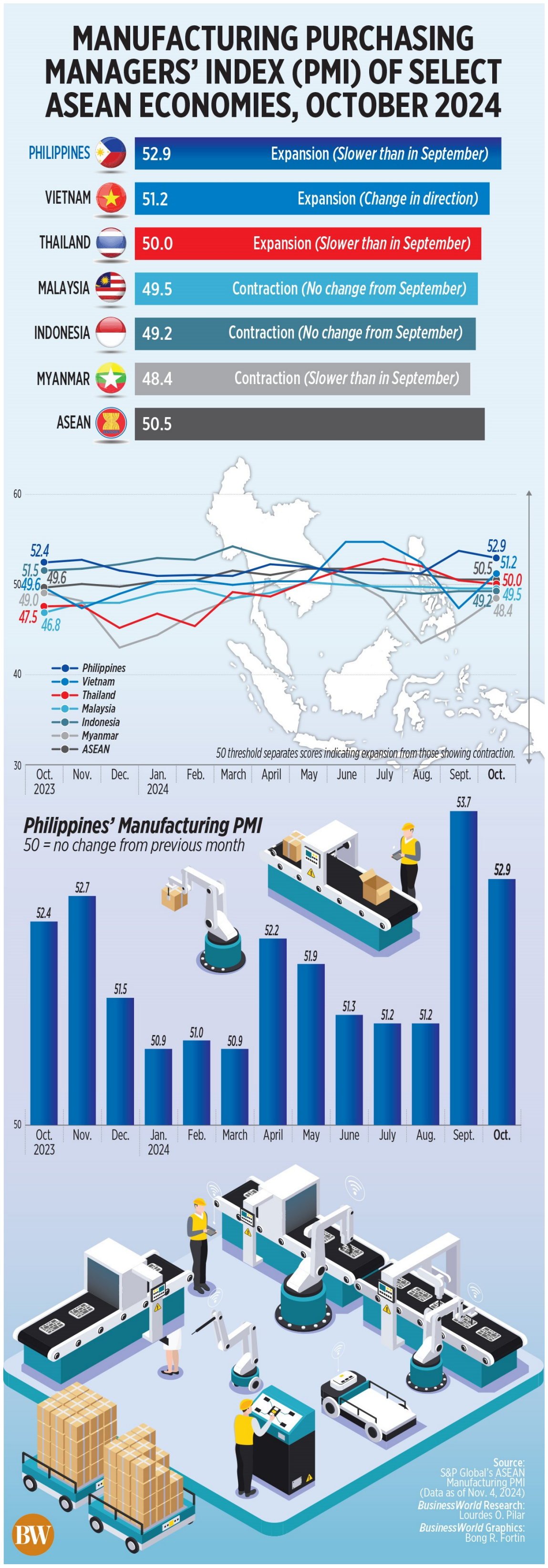
At the same time, manufacturing firms ramped up hiring, with job creation hitting an 88-month high.

The S&P Global Philippine Manufacturing Purchasing Managers' Index (PMI) stood at 52.9 in October, slowing from the 27-month high of 53.7 in September. This was the second-fastest reading since January 2023.

An above 50 PMI reading signals an improvement in operating conditions, while a reading below 50 indicates a deterioration. *[Cont. page 6]*

Manufacturing growth slows in Oct.

[Cont. from page 5]



"October PMI data indicated a slight easing in — but still solid — growth across the Filipino manufacturing sector. The expansion in new orders was again robust, allowing goods producers to raise their output again," Maryam Baluch, economist at S&P Global Market Intelligence said in a report.

The Philippines' PMI — a composite single-figure indicator of manufacturing performance — has posted an above 50 reading every month since September 2023.

The Philippines logged the highest PMI reading among the five Association of Southeast Asian Nations (ASEAN) countries in October, followed by Vietnam (51.2) and Thailand (50).

Meanwhile, Malaysia (49.5), Indonesia (49.2), and Myanmar (48.4) recorded contractions in October.

Philippine PMI was also above the region's average reading of 50.5, which was unchanged from September, S&P Global said.

The headline PMI measures manufacturing conditions based on the weighted average of five indices. It includes new orders (30%), output (25%), employment (20%), suppliers' delivery times (15%) and stocks of purchases (10%).

S&P Global said Philippines PMI data reflected a "sustained and solid" improvement in manufacturing operating conditions in October.

Despite a slowdown, new orders grew for the 15th consecutive month, while output expanded for a seventh straight month.

"The recent increases outpaced their series averages, driven by a growing customer base that strengthened underlying demand trends," it said.

Stronger demand allowed manufacturing firms to significantly raise staffing levels in October.

"Filipino goods producers ramped up hiring, with the recent wave of job creation marking the most significant increase since mid-2017," it said.

With more workers, manufacturing firms managed to address the slight buildup of backlogs and keep up with current production requirements.

At the same time, the improvement in demand allowed companies to boost purchasing activity, but at a weaker pace than the previous month.

"Firms stated that higher prices of raw materials often dissuaded firms from purchasing inputs," S&P Global said.

This prompted firms to use their existing inventory for orders, with pre-production inventories falling for the first time since February. Stocks of finished goods were depleted for a third month in a row, and at the sharpest rate since January 2022.

Supply chains continued to be stretched in October, with shortages of raw materials due to port congestion.

"Firms revealed supply-side challenges, with material shortages resulting in longer delivery times, and cooling buying activity. It was also one of the key factors for rising input prices, which was further exacerbated by the depreciation of the peso against the dollar," Ms. Baluch said. *[Cont. page 7]*

Manufacturing growth slows in Oct.

[Cont. from page 6]

S&P Global noted the rate of input price inflation rose to an eight-month high in October.

The peso closed at P58.10 per dollar on Oct. 31, weakening from the P56.03 close on Sept. 30.

Manufacturing firms are positive that current demand trends will continue in the next 12 months.

"Nonetheless, firms remain optimistic with more than half of respondents anticipating expansion in the year ahead," Ms. Baluch said.

'BRIGHT SPOT'

"The Philippines is the only real lone bright spot in terms of recent momentum, though its September pop to 53.7 cooled to 52.9 last month and the impact of this still-sturdy gain won't really be felt regionally due to the country's relatively small manufacturing sector," Pantheon Macroeconomics said in an e-mailed statement.

For the ASEAN region, Pantheon said the result was "softer than we expected" as the manufacturing sector recovered from typhoons.

"The generally improved PMI rates in the last two months can be attributed to pent-up demand which had been released by lower inflation rates as the easing of interest rates," Leonardo A. Lanzona, an economics professor at the Ateneo de Manila University told *BusinessWorld* via Facebook Messenger.

He noted that companies typically boost production in the months ahead of the holidays in anticipation of stronger demand.

"As the country's manufacturing base increases and the Christmas season completes by the end of the year, expect the growth rate of PMI to be much lower," Mr. Lanzona said.

However, he noted supply-side issues, including the lack of skills and the poor adaptation of new technologies, continue to weigh on the manufacturing sector.

"Manufacturing may continue to grow given increased local demand during the holidays and foreign demand as trade liberalization takes further effect," John Paolo R. Rivera, president, and chief economist at Oikonomia Advisory & Research, Inc. told *BusinessWorld* via Viber Message.

Meanwhile, Ma. Teresita Jocson-Agoncillo, executive director at the Confederation of Wearable Exporters of the Philippines, said wearables manufacturing remains slow as of end-September.

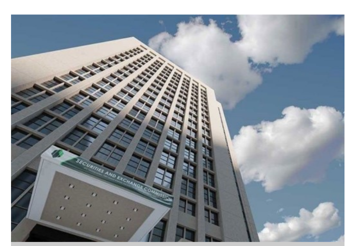
"We are at an average — 3% to 5% growth vis-a-vis at the same period last year. The recent wage hike increase across major regions — Regions 3, 4A and B, Region 7, and NCR — had an impact on Spring-Summer 2025 orders. These orders were directed to more competitive ASEAN countries," she told *BusinessWorld* in a Viber message.

Source: https://www.bworldonline.com/top-stories/2024/11/05/632743/manufacturing-growth-slows-in-oct/

Deadline nears for firms' enhanced compliance plan

November 05, 2024 | Richmond Mercurio | The Philippine Star

MANILA, Philippines — The Securities and Exchange Commission (SEC) is urging non-compliant, suspended and revoked corporations to clear their records as the deadline of its Enhanced Compliance Incentive Plan (ECIP) draws near.



This undated file photo shows a building of the Securities and Exchange Commission.

Businessworld / SEC.GOV.PH

The SEC said that corporations have only less than a month left to clear their penalties and avoid higher fines for the late and non-filing of reportorial requirements.

Through the ECIP, eligible corporations are given a chance to regain their good standing and pay penalties at significantly lower rates until Nov. 30.

"With less than a month left before we officially close ECIP, we encourage non-compliant, suspended and revoked corporations to complete their applications to ensure the continuous operations of their businesses," SEC chairperson Emilio Aquino said. *[Cont. page 8]*

Deadline nears for firms' enhanced compliance plan

[Cont. from page 7]

Aquino said that the submission of reportorial requirements is mandated by law and failure to comply could result in the suspension or revocation of corporate registrations.

Under the Revised Corporation Code of the Philippines, all SEC-registered corporations are required to submit their annual financial statements (AFS) and general information sheets (GIS).

Non-compliance can lead to the imposition of applicable fines and penalties.

In extreme cases, it also leads to the suspension or revocation of corporate registration, which strips a company of the powers and privileges granted to a registered corporation, including separate juridical personality, limited liability and perpetual existence, among others.

The SEC said that corporations that have incurred fines and penalties for the late or non-filing of their AFS or GIS, as well as noncompliance with MC No. 28, Series of 2020, which requires corporations to designate official and alternative contact details, may apply for ECIP.

Under the program, non-compliant corporations, including those under the delinquent status, will pay only P20,000 to settle their fines and penalties for the covered violations, while suspended or revoked corporations will only have to pay 50 percent of their total assessed penalties and a petition fee of P3,060 to lift their order of suspension or revocation.

However, the commission said that payment of the ECIP fees does not guarantee that corporations would automatically regain their good standing as eligible corporations will need to submit their latest due AFS and GIS as part of their application.

As for suspended or revoked firms, they will also have to submit their petition to lift the order of suspension or revocation, along with other supporting documents.

The SEC said that corporations which fail to avail of the ECIP would be subjected to the updated scale of fines and penalties that the commission implemented in April.

The new rates are around 900 to 1,900 percent higher compared to the previous rates that had been in place for more than two decades.

Source: https://www.philstar.com/business/2024/11/05/2397627/deadline-nears-firms-enhanced-compliance-plan

UPCOMING EVENTS

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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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