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SPECIAL POINTS OF INTEREST

PHL ranks second-most attractive emerging market for RE investment

December 10, 2024 | Sheldeen Joy Talavera | BusinessWorld

A wind turbine is seen in an onshore wind farm. — REUTERS

THE PHILIPPINES ranked as the second-most attractive emerging market for renewable energy (RE) investment, according to the 2024 Climatescope report by BloombergNEF.

The Philippines climbed two spots to second spot out of 110 emerging markets in the 13th annual edition of the Climatescope report.

It received an overall score of 2.65 out of 5, based on three parameters: fundamentals, opportunities, and experience.

"The Philippines has been on a growth path since 2021, and for the first time has entered second place in the ranking, knocking mainland China down a slot," according to the report by BloombergNEF, which is a strategic research provider covering global commodity markets.

This was the country's highest ranking after placing fourth in 2023, 10th in 2022, and 20th place in 2021.

"The government has established a target of 35% renewable energy in power generation by 2030, and the Philippines stands out as the only emerging market in the Asia-Pacific region (APAC) to have all of the renewable energy policies surveyed by Climatescope — auctions, net-metering schemes, tax incentives and a clean energy target — in force," BloombergNEF said.

India emerged as the most attractive emerging economy for the second year in a row with a score of 2.73 due to its "bold renewable energy target" and its ongoing efforts to achieve the goal.

The Philippines was ahead of China (2.61), Kenya (2.59) Romania (2.57), Brazil (2.54), Chile (2.51), Nigeria (2.51), Namibia (2.51), and Guatemala (2.50).

Investor interest in the Philippines' renewable energy sector received a boost after the government allowed full foreign ownership in the sector starting November 2022.

Foreign nationals and foreign-owned entities are now allowed to explore, develop and use RE resources such as solar, wind, biomass, ocean or tidal energy in the Philippines. Foreign ownership of RE projects was previously limited to 40%.

According to the Climatescope report, the Philippines had a score of 3.83 on fundamentals, the highest among emerging markets. This measures the foundational mechanisms for renewable energy development in a market, including its clean energy policies, operating rules and incentives, and batteries to the deployment of investment.

In terms of opportunities, the Philippines ranked 8th with a score of 2.11. This parameter focuses on identifiable traits that mark a market's attractiveness to investors.

Over the past five years, the Philippines has attracted $5.2 billion in RE investments, but only 7% of the total came from foreign investment, according to the report.

With the power demand increasing and the Philippine market still heavily reliant on fossil fuels, there is still a need to grow its renewable energy capacity, BloombergNEF said. *[Cont. page 2]*

PHL ranks second-most attractive emerging market for RE investment

[Cont. from page 1]

According to BloombergNEF, peak demand rose 63% from 2014 to 2023, reaching 19.2 gigawatt-peak in 2023.

The Department of Energy (DoE) said that the ranking reflects "the growing confidence of the global community in our country's commitment to clean energy transition and sustainable growth."

"This recognition inspires the DoE to further intensify its efforts in achieving our renewable energy goals, ensuring that our nation remains a global beacon of progress in the energy transition," the department said in a statement on Monday.

While most of the RE investments are from domestic investors, the DoE said it is looking forward to realizing the potential of increased foreign participation as it allowed full foreign ownership in renewable energy projects.

"The journey, however, is far from over. With the peak demand growth assumptions of around 5.3% annually from 2024 to 2028, the need to further accelerate renewable energy development is still crucial to address the energy needs of the country's expanding economy," the agency said.

Asked to comment, Michael L. Ricafort, chief economist at Rizal Commercial Banking Corp., said that there are opportunities for RE investors in the Philippines.

"RE, especially solar and wind, also suitable for an archipelago such as the Philippines, especially off grid areas," he said in a Viber message. "This is manifested by the fact that REs are the biggest foreign investments in recent years."

As of November, the Board of Investments has approved a total of P1.5 trillion in investment pledges, of which P1.35 trillion are primarily in the renewable energy sector.

As of end October, a total of 17,248.53 megawatts (MW) of committed power projects and an additional 1,870 MW are expected to be operational from 2024 to 2030, including those with commercial operation dates that are yet to be determined by the power generators.

Source: https://www.bworldonline.com/top-stories/2024/12/10/640295/phl-ranks-second-most-attractive-emerging-market-for-re-investment/

Law on VAT refunds for foreigners signed

December 10, 2024 | Jean Mangaluz - Philstar.com | The Philippine Star

President Ferdinand Marcos Jr. on Devember 9, 2024 signs three measures in a ceremonial signing in Malacañan Palace, namely the "Basic Education Mental Health and Well-Being Promotion Act", a law amending the "Agricultural Tariffication Act", and the a law creating a VAT refund program for non-resident tourists.

RTV Malacañang / Facebook

MANILA, Philippines — President Ferdinand Marcos Jr. on Monday signed a measure enacting a value-added tax (VAT) refund system for non-resident tourists.

The measure aims to encourage tourists from outside the country to spend more on local goods to drive up spending.

"We are introducing the VAT refund program for non-resident tourists. Designed not only to stimulate more spending, but to promote the Philippines as a premier global shopping destination," Marcos said at a ceremonial signing at Malacañan Palace.

Foreign tourists' purchases should reach a minimum of P3,000 should they want to avail of the VAT refund, according to the new law.

Tourists would be able to claim a VAT refund on goods they personally bought from accredited stories. The goods must also be taken out of the Philippines within 60 days of their stay.

The Philippines has a VAT of 12%, which is the highest rate in Southeast Asia.

"The economic impact of this measure is projected to be substantial, estimating an almost 30% increase in tourist spending. This surge will benefit both large-scale industries and micro, small, and medium enterprises—an important pillar of our local economy," Marcos said.

'A monumental shift'

In a statement, Department of Tourism Secretary Christina Frasco said that inbound tourism for shopping reached P137.4 billion in 2023. *[Cont. page 3]*

Law on VAT refunds for foreigners signed

[Cont. from page 2]

"The passage of the VAT Refund Law for tourists marks a monumental shift in the way we enhance the Philippine tourism experience. This not only elevates the country's competitiveness as a premier destination in Asia but also adds significant value to the overall visitor journey," Tourism Secretary Christina Frasco said in a statement.

The departments of finance, trade, tourism and economic planning as well as the Bureau of Internal Revenue are mandated to draft and release the new law's implementing rules and guidelines within 900 days of the law's effectiveness.

Possible losses

In the Senate, Minority Leader Aquilino Pimentel III contested the bill, arguing that not all of its projected gains are set in stone.

"It is projected that this mechanism could lead to an average increase of 148,000 tourist arrivals from 2024 to 2028. It is even argued that an increase in tourist arrivals will result in increased spending by the tourists. However, Mr. President, these are merely projections and will come at a cost," Pimentel said while interpellating the measure in September.

Pimentel said the government could lose up to P4 billion in VAT from foreigners in the next five years. The money could have built 1,600 new classrooms.

Frasco, meanwhile, responded to Pimentel and argued that that tourism contributed P3.36 trillion to the economy in 2023. She said this more than made up for any foregone revenues.

"It's not just a comparison of what is foregone to what is obtained but also, it should be taken in the light of tourism employment, in it that more tourist spending will mean more people employed in the tourism industry with businesses thriving because it becomes a very attractive tourist shopping destination," Frasco said in an ambush interview at the ceremonial signing.

Frasco added that the tourism sector employs about 6.21 million Filipinos in the country as of 2023, which further increased to 16 million as of the first quarter of 2024.

"The pros far outweigh the cons," she said.

Source: https://www.philstar.com/business/2024/12/09/2406148/law-vat-refunds-foreigners-signed

Tourist arrivals hit 5.3M

December 10, 2024 | Irma Isip | Malaya Business Insight

The Philippines welcomed 5.3 million tourists in January to November, an increase of 9.53 percent from 4.88 million in the same period in 2023, data from the Department of Tourism (DOT) showed.

With only a month remaining, the DOT may face challenges in reaching the 7.7-million target for the year from the actual arrivals of 5.45 million in 2023.

Foreign tourists accounted for 91 percent of arrivals at 4.92 million in the 11-month period, an increase of 9.56 percent from 4.49 million in the same period in 2023.

Returning overseas Filipinos accounted for 9 percent with visitors of 5.3 million, up 9.53 percent from 4.88 million last year.

Tourists from South Korea led all foreign arrivals with 1.43 million followed by those from the US at 839,635. Other major markets are Japan, 352,630; China, 297,604 and Australia, 231,471. Tourism contributed less than P 3.36 trillion to the economy.

Source: https://malaya.com.ph/business/enterprise/tourist-arrivals-hit-5-3m/#google_vignette

Philippine trade gap reaches $5.7 billion on Oct. amid weak exports

December 10, 2024 | By Manila Bulletin

MANILA BULLETIN

The country's trade deficit widened by 36.8 percent to $5.8 billion in October this year compared to the previous year, driven by a surge in imports and a decline in exports.

Data from the Philippine Statistics Authority (PSA) showed that the country's total external trade in goods reached $18.13 billion in October 2024, a 4.9 percent increase from the previous year. *[Cont. page 4]*

Philippine trade gap reaches $5.7 billion on Oct. amid weak exports

[Cont. from page 3]

However, this growth was primarily fueled by imports, which accounted for 66 percent of total trade.

The PSA noted that total export sales in October amounted to $6.16 billion, a 5.5 percent decrease compared to October 2023, marking the third consecutive month of declining exports.

The electronic products sector posted the most significant decline, with a decrease of $868.86 million.

Despite the recent downturn, year-to-date total exports from January to October 2024 increased by 0.4 percent compared to the same period in 2023 to $61.83 billion.

Electronic products remained the country's top export, accounting for 46.5 percent of total exports in October.

In contrast to the export trend, the total value of imported goods in October reached $11.96 billion, higher by 11.2 percent from October last year.

The PSA said that electronic products, transport equipment, cereals, and cereal preparations were the main contributors to this import growth.

Year-to-date imports from January to October also showed an increase of 1.7 percent compared to the same period a year ago, reaching $107.05 billion.

Electronic products accounted for the largest share of imports in October, at 22.3%.

The United States remained the Philippines' top export market in October, accounting for 16.2 percent of total exports. Other major export destinations included Japan, China, Hong Kong, and Thailand.

The majority of exports (84 percent) went to countries within the Asia-Pacific Economic Cooperation (APEC) bloc.

On the other hand, China was the Philippines' largest source of imports during the month, accounting for 25.6 percent of the total.

Other major import sources included Indonesia, South Korea, Japan, and the United States. Similar to exports, the majority of imports (85.1 percent) came from APEC member countries.

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Source: https://mb.com.ph/2024/12/10/ph-trade-gap-reaches-5-8-billion-amid-weak-exports

DOF bullish on 2025 economic outlook following enactment of laws

December 09, 2024 | Darwin G. Amojelar | Manila Standard

The Department of Finance (DOF) expressed optimism on the 2025 economic outlook, fueled by the enactment of several laws aimed at stimulating tourism, local spending and food security.

The Development Budget Coordination Committee (DBCC) earlier updated its economic growth assumptions from 2025 to 2028 to a range of 6 percent to 8 percent. Gross domestic product growth in 2024 is seen at 6.0 percent to 6.5 percent.

President Ferdinand Marcos Jr. on Monday signed into law Republic Act (RA) No. 12079 or the Value-Added Tax (VAT) Refund Mechanism for Non-Resident Tourists Act and RA No. 12078 or the Amendments to the Agricultural Tariffication Act.

A priority reform led by the Department of Finance (DOF), RA 12079 introduces Section 112-A in the National Internal Revenue Code (NIRC) of the Philippines, which states that tourists shall be eligible for VAT refunds on locally purchased goods.

The Philippines positions itself alongside countries around the world with a standard VAT system in place, which is designed to incentivize foreign tourists to spend more in the country.

“It is high time that the Philippines catches up with countries around the world that have long implemented a standard VAT refund system. This strategic initiative aims to encourage foreign tourists to spend more in our country, stimulating our domestic economy,” Finance Secretary Ralph Recto said.

“With increased tourism spending, we will have higher revenues to collect and we can create more jobs, raise incomes, and accelerate economic growth,” he said.

RA 12079 states that goods should be purchased by foreign tourists in duly accredited stores in person and should be taken out of the country by the tourist within 60 days from the date of purchase.

The value of goods purchased per transaction should be equivalent to at least P3,000, but Recto said the agency may adjust this threshold upon recommendation of the commissioner of the Bureau of Internal Revenue (BIR) taking into consideration the consumer price index.

Such refunds may be made electronically or in cash and shall be drawn out from the Special Account in the General Fund as provided under Section 106 of the Code.

The DOF is mandated by law to engage the services of reputable and internationally recognized VAT refund operators to provide end-to-end solutions to the government to establish and operate a VAT refund system. *[Cont. page 6]*

DOF bullish on 2025 economic outlook following enactment of laws

[Cont. from page 5]

The Finance Secretary, after careful consultation with the Department of Trade and Industry (DTI), the Department of Transportation (DOTr), the Department of Tourism (DOT), the National Economic and Development Authority (NEDA), the BIR, and the Bureau of Customs (BOC), will promulgate the implementing rules and regulations (IRR) 90 calendar days from the effectivity of the law.

The calculated foregone revenues of the law can be easily offset by the economic impact of bolstered tourism spending induced by the refund.

Data from the DOF shows that savings from the refund fully channeled into additional tourism spending may boost economic output by P2.8 billion to P4 billion annually.

Meanwhile, RA 12078 enhances the capabilities of the government to protect Filipino consumers by extending market interventions to stabilize rice prices during periods of volatility and to prevent manipulative pricing and hoarding.

"The refinements to the Rice Tariffication Law are essential for the effective management of the Filipino household's fundamental staple," said Recto. The law strengthens the regulatory function of the Department of Agriculture (DA), through the Bureau of Plant Industry (BPI).

Under this, the DA-BPI is authorized to require the registration and maintain a national database of all grain warehouses, storage facilities, silos, and controlled-temperature cold storages; conduct regular site inspections; and collect and analyze data on rice trade activities, in cooperation with the Philippine Statistics Authority (PSA), the Bureau of Customs (BOC), the National Food Authority (NFA) and other government agencies.

Meanwhile, the new law authorizes the DA secretary, upon the recommendation of the National Price Coordinating Council (NPCC), to declare a food security emergency on rice due to supply shortage or extraordinary increase in prices.

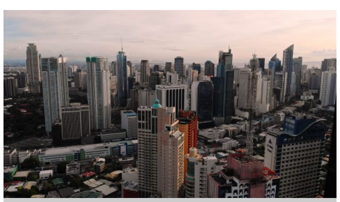
The Rice Competitiveness Enhancement Fund (RCEF) has been given an annual appropriation of P30 billion until 2031 to further improve rice farmers' competitiveness and income.

It will also support other equally important programs, activities, and projects, including composting facilities for biodegradable wastes; pest and disease management; solar-powered water irrigation or impounding irrigation project; soil health improvement; and farming support programs of the DA and the National Irrigation Administration (NIA) on contract farming.

Source: https://manilastandard.net/business/314534109/dof-bullish-on-2025-economic-outlook-following-enactment-of-laws.html#google_vignette

ADB trims developing Asia's growth forecast, flags US policy risks

December 11, 2024 | Reuters | BusinessWorld


DMITRY BERDNYK-UNSPLASH

MANILA – Developing Asia is likely to grow more slowly than previously thought this year and next, and the outlook could worsen if President-elect Donald Trump makes swift changes to U.S. trade policy, the Asian Development Bank said on Wednesday.

Developing Asia, which includes 46 Asia-Pacific countries stretching from Georgia to Samoa – and excludes Japan, Australia and New Zealand – is projected to grow 4.9% this year and 4.8% next year, slightly lower than the ADB's forecasts of 5.0% and 4.9% in September.

The downgraded growth estimates reflect lackluster economic performance in some economies during the third quarter and a weaker outlook for consumption, the bank said.

Growth forecasts for China remain unchanged at 4.8% for 2024 and 4.5% for 2025, but the ADB lowered its projections for India to 6.5% for 2024 from 7.0% previously, and to 7.0% for next year from 7.2%.

"Changes to U.S. trade, fiscal, and immigration policies could dent growth and boost inflation in developing Asia," the ADB said in its Asian Development Outlook report, though it noted most effects were likely to manifest beyond the 2024-2025 forecast horizon.

Trump, who takes office on Jan. 20, has threatened to impose tariffs in excess of 60% on U.S. imports of Chinese goods, crack-down on illegal migrants, and extend tax cuts.

"Downside risks persist and include faster and larger U.S. policy shifts than currently envisioned, a worsening of geopolitical tensions, and an even weaker PRC (People's Republic of China) property market," the ADB said.

The ADB lowered its inflation forecasts for 2024 and 2025 to 2.7% and 2.6%, respectively, from 2.8% and 2.9% previously, due to softening global commodity prices.

Source: https://www.bworldonline.com/top-stories/2024/12/11/640803/adb-trims-developing-asias-growth-forecast-flags-us-policy-risks/

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