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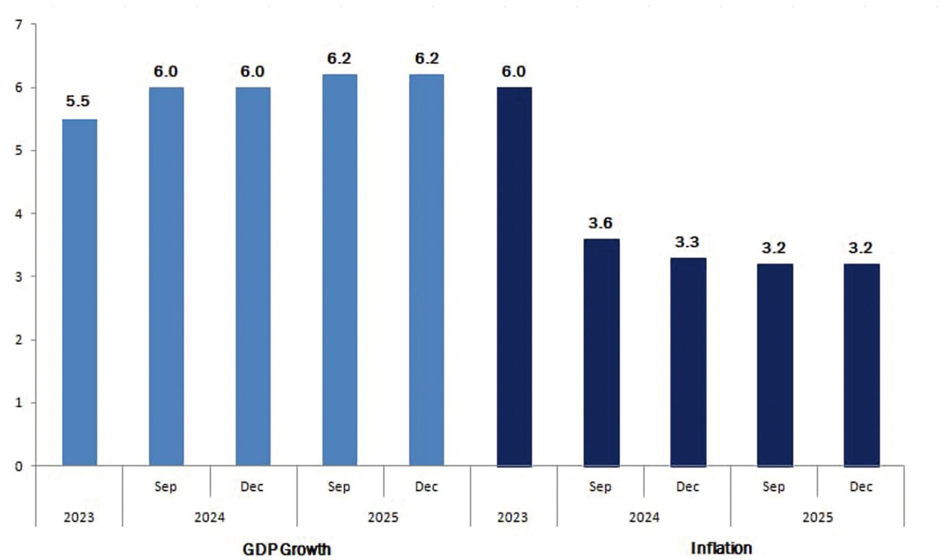
ADB keeps growth forecast for PH

December 12, 2024 | Angela Celis | Malaya Business Insight



The Asian Development Bank (ADB) has maintained its growth projections for the Philippines for this year and next, as household consumption and investment continue to drive the economy.

In its Asian Development Outlook report released on Wednesday, ADB said its growth forecast for the Philippines is unchanged in 2024 and in 2025, at six percent and 6.2 percent, respectively.

Both estimates fall within the lower range of the government's growth assumptions, at six to 6.5 percent this year and six to eight percent in 2025.

"Moderating inflation and monetary policy easing should continue to support growth," the ADB said.

The report said on the supply side, buoyant services sector, construction and manufacturing are contributing to overall growth.

"Services will continue to be the dominant growth driver, with retail trade, tourism, and information technology–business process outsourcing as major contributors," the ADB said.

The Manila-based agency said public infrastructure projects will continue to lift growth, along with brisk private construction.

ADB's projection for the Philippines is among the highest in Southeast Asia, only falling next to the outlook for Vietnam of 6.4 percent for 2024 and 6.6 percent for 2025.

The report, however, said geopolitical tensions, trade fragmentation and severe weather events pose risks to the sub-region's growth, particularly in agriculture and infrastructure.

Last Tuesday, the World Bank's growth outlook for the Philippines this year has been revised downward due to weaker-than-expected growth in the third quarter of 2024.

According to the Washington-based agency's Philippine Economic Update, the projection has been revised to 5.9 percent from six percent.

Growth is expected to hit 6.1 percent in 2025 and six percent in 2026.

Meanwhile, the ADB revised its inflation expectation for this year to 3.3 percent from the previous outlook of 3.6 percent.

For next year, inflation is seen to settle at 3.2 percent.

Source: https://malaya.com.ph/business/enterprise/adb-keeps-growth-forecast-for-ph-3/

Philippines trails ASEAN neighbors in capital market

December 12, 2024 | Elijah Felice Rosales | The Philippine Star

MANILA, Philippines — The Philippines may be one of the fastest growing economies in Asia, but the country is lagging behind regional peers in terms of overall viability of its capital market, according to a report.

In a study conducted by the Organization for Economic Cooperation and Development (OECD), the Philippines was flagged for multiple issues that hinder its capital market from progressing.

For one, the OECD said the country charges one of the highest listing fees in Southeast Asia, and this is hindering investors, especially small and medium enterprises (SMEs), from going public.

“Regarding smaller firms, the SME Board only has 10 companies and the private equity market is nascent. Listing fees are relatively high and the fee structure is more complex than in the peer countries,” the report said.

When compared, an initial public offering (IPO) filed in the Philippines would cost 0.10 percent of the market capitalization of the company. It would require less in Singapore (0.06 percent) and Thailand (0.05 percent), and the least in Indonesia and Malaysia, both 0.01 percent.

When the underwriting fees, legal fees and post-listing costs are included, an IPO would demand as much as six percent of the amount issued by a company, which the OECD considers high.

The OECD also said there is a need for Philippine regulators to deepen the investor base to raise the value of the capital market, scoring the lack of institutional investors as a result of economic and trading restrictions.

“Institutional investors remain small, with assets in pension funds, insurance corporations and in investment funds representing only 18.6 percent of the gross domestic product,” the OECD report said.

The OECD said it is high time for the Philippines to scrap the investment floors for its state-run insurers. Further, the OECD proposed relaxing the restrictions on pension funds when investing in corporate bonds and equities.

The OECD called for the legislation of the Passive Income and Financial Intermediary Taxation Act, which was initially proposed in the previous administration. The measure seeks to impose a unified rate of 15 percent on capital gains and eliminate business tax for all investment vehicles.

The OECD believes the Philippines has the capacity to expand its capital market given that its economy is expected to grow between 6.5 and eight percent until 2028.

However, the OECD said the country has to work on closing the investment gap by undertaking immediate reforms, from the government level, to the regulatory side.

Source: https://www.philstar.com/business/2024/12/12/2406674/philippines-trails-asean-neighbors-capital-market-viability

ADB: Trump policies likely to impact China, PHL in 2027

December 12, 2024 | Cai U. Ordinario | BusinessMirror

THE policies of the incoming Trump administration, particularly those on trade, will likely impact China and developing countries in Asia like the Philippines beginning in 2027, according to the Asian Development Bank (ADB).

President-elect Donald Trump speaks during a meeting with the House GOP conference on Nov. 13, 2024, in Washington.

Based on the December Asian Development Outlook (ADO), ADB said Trump’s policies could impact China’s economy the most, causing it to slow by 1.2 percentage points over 2025–2028 or 0.3 percentage points per year.

This will likely lead to a 0.6 percentage point decline in the growth of developing countries in Asia like the Philippines. Growth in the Euro area and Japan are also expected to decline but at a slower pace of 0.4 and 0.5 percentage points, respectively.

“Due to the lagged nature of the underlying policy changes, the growth impacts are not immediate, with most economies impacted mainly from 2027 onwards,” ADB said. *[Cont. page 3]*

ADB: Trump policies likely to impact China, PHL in 2027

[Cont. from page 2]

The growth of the US economy will also see a decline of 0.7 percentage points, the second largest decline after China, due to Trump policies. But the impact in the US will come earlier compared to the rest of the world.

"Growth dynamics in the US diverge from this trend, as the largest impact materializes in 2026 following the implementation of policy measures," ADB said.

"Moreover, the threat of higher inflation leads to a deceleration of monetary easing and higher interest rates in the US compared to the baseline from 2026 onwards," it added.

Growth forecast kept

Meanwhile, ADB has maintained its growth forecast for the Philippine economy at 6 percent in 2024 and 6.2 percent next year. For inflation, ADB said this will average 3.3 percent this year, lower than the initial estimate of 3.6 percent, and 3.2 percent next year.

In terms of growth, ADB said the slowdown in inflation as well as the easing of monetary policy rates are expected to boost economic growth. Supply side factors that will buoy economic growth are services sector, construction, and manufacturing.

ADB noted that the country's manufacturing Purchasing Manager's Index (PMI) score remained above the 50 threshold at 53.8 in November. This was the highest in over two years and, ADB said, could be credited with the increase in employment.

"Services will continue to be the dominant growth driver, with retail trade, tourism, and information technology–business process outsourcing as major contributors," ADB, however, said.

In terms of inflation, ADB said the reduction in rice tariffs in June 2024 helped contain inflation. The Manila-based multilateral development bank noted food inflation was 3.5 percent in November to average 4.6 percent in the 11-month period. Further, core inflation was deemed moderate since it averaged only 3 percent in the January to November period.

"Inflation is expected to remain within the central bank's 2 percent to 4 percent target, providing scope for further monetary policy easing. Policy rates were cut by a total of 50 basis points in August and October 2024," ADB said.

In a report at the House of Representatives this week, the National Economic and Development Authority (Neda) said rice inflation fell to 9.6 percent in October 2024 from 22.5 percent in June 2024. The latest data from the Philippine Statistics Authority (PSA) showed rice inflation was only at 5.1 percent in November 2024.

However, Neda said rice inflation remained the top driver of headline inflation and contributed 0.9 percentage points to overall inflation in September 2024.

The Neda reported that while the lower rice tariffs reduced the landed cost of imports of the staple, this also caused a double-digit decline in farm-gate prices. ***(See: www.businessmirror.com.ph/2024/12/10/neda-lower-rice-tariffs-led-to-decline-in-farm-gate-price/)***

The country's policy and planning agency said in its report that it is possible that a lack of competition in the rice market may have prevented a greater reduction in retail prices compared to farm-gate prices.

Image credits: Allison Robbert/Pool via AP

Source: https://businessmirror.com.ph/2024/12/12/adb-trump-policies-likely-to-impact-china-phl-in-2027/

BIR backs VAT refund for tourists, eyes tourism growth

December 12, 2024 | By Manila Bulletin

The Bureau of Internal Revenue (BIR) fully supports the newly enacted Value-Added Tax (VAT) Refund for Non-Resident Tourists law (Republic Act No. 12079) to boost tourism and the economy.

MANILA BULLETIN

In a Facebook post, BIR Commissioner Romeo D. Lumagui Jr. said that the bureau "supports the VAT Refund Mechanism for Non-Resident Tourists law and the National Government's initiative of attracting more international tourists and travelers into the country." *[Cont. page 4]*

BIR backs VAT refund for tourists, eyes tourism growth

[Cont. from page 3]

He added that "excellent taxpayer service includes the granting of tax refunds to taxpayers allowed by law to receive the same."

The government's new tax refund program allows tourists to get back the 12 percent VAT they paid on goods and services purchased in the Philippines.

But to be eligible for the refund, tourists must have a foreign passport, be non-residents of the Philippines, and have no business in the country.

Purchases must be made in person at accredited stores, taken out of the country within 60 days of purchase, and have a minimum value of P3,000 per transaction.

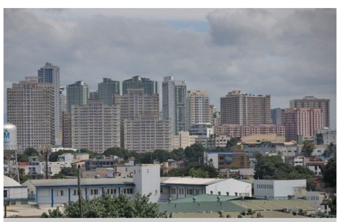
Tourists can claim their refunds electronically or in cash through authorized VAT Refund Operators.

Lumagui noted that "the BIR will do its part in promoting the Philippines as a world-class tourist destination."

Source: https://mb.com.ph/2024/12/12/bir-backs-vat-refund-for-tourists-eyes-tourism-growth

'Philippines among Asian countries less vulnerable to Trump 2.0'

December 13, 2024 | Louella Desiderio | The Philippine Star



The bustling city landscape of Metro Manila is photographed on January 30, 2024.

STAR / Ernie Penaredondo

MANILA, Philippines — The Philippines is one of emerging Asian economies less likely to be significantly affected by US president-elect Donald Trump's proposed tariffs on imports, according to the UK-based think tank Pantheon Macroeconomics.

In its Emerging Asia Outlook for the first half of 2025 report, Pantheon Macroeconomics chief emerging Asia economist Miguel Chanco said significant parts of the region are considered highly exposed to the threat of tariffs on all US imports, with economies such as Taiwan, Thailand and Vietnam being particularly vulnerable.

"That said, emerging Asia isn't homogeneous, with its domestic demand-driven demographic giants -India, Indonesia and the Philippines-offering potential refuge in the event of a new trade war," he said.

Earlier, Trade Undersecretary Ceferino Rodolfo said the Department of Trade and Industry is hopeful that a second Trump presidency will be net positive for the Philippines, citing US-Philippines trade ties and Trump's actions during his first term, including welcoming a bilateral free trade agreement.

With or without new tariffs imposed by the US, Pantheon Macroeconomics expects headline export growth across the region will likely cool in the first half of next year with leading indicators showing little confidence for further increase in exports beyond full catch-up.

Chanco said there are also some upside risks for emerging Asia's exporters in the first half next year, driven by the uncertainties over the likely timeline of Trump's tariffs.

Citing latest reports, he said the US tariffs are expected to start targeting China, Canada and Mexico. Any potential impact on emerging Asia trade flows is unlikely to be seen until the second half of 2025.

"In the meantime, the mere spectre of his proposed sweeping tariffs could spur US firms to front-load imports from emerging Asia; so keep an eye on orders in the full catch-up," he said.

In terms of the economic outlook, he said gross domestic product (GDP) growth across the region is likely to moderate in 2025 from this year.

Pantheon Macroeconomics expects GDP growth in the Philippines to slow to 5.2 percent next year and 4.8 percent in 2026 from the 5.4 percent estimate for 2024. *[Cont. page 4]*

'Philippines among Asian countries less vulnerable to Trump 2.0'
[Cont. from page 4]

The growth forecasts are below the government's revised growth target of six to 6.5 percent for this year and annual growth goal of six to eight percent for 2025 and 2026.

Philippine economic growth slowed to 5.2 percent in the third quarter from the previous quarter's 6.4 percent growth and six percent expansion in the third quarter last year.

In the January to September period, the economy grew by an average of 5.8 percent.

"Surveys show that a slowing rebuild of household savings in the Philippines from the COVID and cost-of-living crisis damage cushioned the slump in consumption growth this year, albeit at the likely expense of delaying a real recovery in GDP growth," Chanco said.

The think tank expects inflation in the country to slow to 3.2 percent this year and ease further to 2.4 percent in 2025, before it rises to 2.5 percent in 2026.

Inflation quickened to 2.5 percent in November from the previous month's 2.3 percent in October. This brought average inflation in the January to November period to 3.2 percent, within the government's two to four percent target band.

Pantheon Macroeconomics also expects the Bangko Sentral ng Pilipinas (BSP) to cut the key interest rate by 25 basis points next week to 5.75 percent from the current six percent level.

Chanco also projects the BSP to further lower the benchmark rate by 100 basis points to 4.75 percent by end-2025.

The BSP has delivered a total of 50-basis-point rate cuts in August and October this year, bringing the benchmark rate to six percent from 6.5 percent previously.

Source: https://www.philstar.com/business/2024/12/13/2406945/philippines-among-asian-countries-less-vulnerable-trump-20

ADB approves $30-million loan to support PPP projects
December 13, 2024 | Derco Rosal | Manila Bulletin

The Asian Development Bank (ADB) has approved a $30 million loan to support the government's public-private partnership (PPP) projects, aiming to bolster infrastructure development, advance climate action, and enhance economic competitiveness.

MANILA BULLETIN

In a statement on Friday, Dec. 13, the Manila-based multilateral institution said the loan will replenish the Project Development and Monitoring Facility (PDMF) managed by the government's PPP Center (PPPC).

"The Philippines is considered one of the leaders in the Asia and the Pacific region in the use of PPPs as a modality for addressing infrastructure gaps and pursuing sustainable growth and development," said ADB Philippines Country Director Pavit Ramachandran.

"Through this new loan, ADB is helping ensure the continuous preparation of bankable and feasible climate-resilient PPP projects in the country as well as the availability of global expertise for successful PPP implementation," he added.

The loan will support as many as 35 national and local PPP projects from 2025 to 2029, focusing on railways, roads, and transport network improvements, as well as essential community facilities.

All projects will undergo climate risk screening and management to ensure alignment with the Philippines' nationally determined contribution.

A comprehensive capacity-building program in developing PPP projects will be created for the PPPC, implementing agencies, and LGUs.

The loan will also support the establishment of a project evaluation framework in emerging PPP sectors and a contingent liabilities evaluation framework to ensure fiscal sustainability.

ADB has been supporting the creation of an enabling environment for infrastructure development through private sector participation, leveraging various policy loans and technical assistance.

The new loan will facilitate the effective execution and delivery of PPP projects, along with the Public Financial Management Reform Program Subprogram 1 recently approved by ADB.

Source: https://mb.com.ph/2024/12/13/adb-approves-30-m-loan-to-support-ppp-projects

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29th and 36th Floors, Rufino Pacific Tower, 6784 Ayala Avenue corner
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+632 8811 0388 info.philippines@lockton.com

For Korean accounts, you may contact Hye-Won "Eunice" Park 박혜원 팀장
eunice.park@lockton.com +63 917 854 7930