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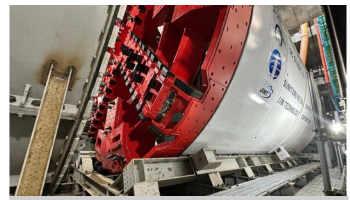
SPECIAL POINTS OF INTEREST

Strong PH 2025 economic growth hinges on 4 key sectors — PIDS

February 17, 2025 | Angela Celis | Malaya Business Insight

The Philippines' economic performance this year could get significant support from four key sectors of interest namely, renewable energy, infrastructure, digital transformation and healthcare, the Philippine Institute for Development Studies (PIDS) said.



Infrastructure is one of the key sectors that could support the country's economic performance in 2025, according to the Philippine Institute for Development Studies. One of the major infrastructure projects is the Metro Manila Subway shown here during a technical tour conducted by the Department of Transportation on Dec. 12, 2024. DOTR

These sectors are highlighted as key trends in the Philippine market for this year, taking into account rising investor focus on environmental, social and governance principles.

John Paolo Rivera, PIDS senior research fellow, discussed details and explanations for the key interests mentioned in a February 13 webinar presentation. The PIDS made the materials available on its website over the weekend.

"In terms of digital transformation, the adoption of AI (artificial intelligence) would continue as AI applications are expanding across sectors, including BPO (business process outsourcing), retail, healthcare, enhancing productivity and innovation," Rivera said.

"The rise of FinTech (financial technology) and with Filipinos embracing digital payments, FinTech companies are now scaling operations, particularly in the underserved rural areas," he added.

Thus, Rivera said, there are investment opportunities in digital banking, blockchain applications and different online lending platforms.

On infrastructure development, Rivera said the government's "Build, Better, More" program is expected to continue, prioritizing infrastructure investment, including new roads, bridges, airports and railways, with increased public-private partnership projects.

"Key projects we're looking forward to (include) the expansion of the Metro Manila Subway, the Mindanao Rail Project, which would spur economic development in Mindanao, and different major airport upgrades in the country as the Philippines positions itself as a tourism powerhouse in Asia to attract more foreign tourists in the country," Rivera said.

"With this, there are opportunities in construction, engineering, real estate sectors standing to benefit from these ongoing projects," he added.

In terms of energy transition and sustainability, Rivera said the shift to renewable energy sources is gaining momentum, driven by the Renewable Energy Act and the country's global sustainability commitments.

"With the rallying call towards sustainability across industries, many enterprises and developers are now focusing on green building certifications, energy-efficient designs, sustainability accreditations, as part of the Philippines' contribution to the sustainable development goals," Rivera said.

Rivera said that in terms of consumer spending, the growing middle class and young population would drive up demand for consumer goods, real estate, and financial products.

"With the rise of FinTech companies, e-commerce and online retail would continue to thrive as more Filipinos embrace online shopping platforms," Rivera said.

The return of international tourists is expected, Rivera said, and with relaxed travel restrictions, increased airline connectivity, and alternative entry points, inbound tourism is expected to return. *[Cont. page 2]*

Strong PH 2025 economic growth hinges on 4 key sectors — PIDS

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"However, statistics have shown at least 80 percent of tourism receipts are driven by domestic tourism. So, there is the continued promotion of local destinations for locals, for Filipinos, to sustain their travel that will drive growth in the tourism and hospitality sector," Rivera said.

"So with this, there are opportunities in hotel investments, ecotourism, digital platforms specializing in travel services," he added.

In terms of agribusiness modernization, Rivera said tech integration in agriculture is key.

"Agri-tech innovations such as smart farming and drone technology are being implemented to improve productivity," he said.

There are opportunities in cold storage, supply chain logistics, and high-value crops, he added.

On healthcare, Rivera said increased funding and a growing demand for medical services will boost hospital and pharmaceutical investments.

Rivera also highlighted that the Philippines is positioning itself as a hub for affordable medical services, particularly in cosmetic and wellness treatments.

Source: https://malaya.com.ph/business/business-news/strong-ph-2025-economic-growth-hinges-on-4-key-sectors-pids/

Philippines must strengthen global ties — NEDA

February 16 2025 | Louella Desiderio | The Philippine Star

The Philippines should invest in its human capital to leverage new technologies, according to the National Economic and Development Authority.

STAR / File

To navigate economic megatrends

MANILA, Philippines — The Philippines must strengthen its economic resilience and global partnerships to adapt to global megatrends, according to the National Economic and Development Authority (NEDA).

This was emphasized by NEDA Secretary Arsenio Balisacan during a lecture at the Lee Kuan Yew School of Public Policy, National University of Singapore.

He said megatrends including rising inequality, growing protectionism, increasing use of industrial policy to promote disruptive technologies, as well as a costly energy transition amid worsening climate change, are expected to affect development trajectories of Asia's emerging economies, including the Philippines.

"Asia's low- and middle-income countries face a range of megatrends that shape and constrain – or, viewed positively, enable and facilitate – their development strategies. Yet these same megatrends can also open up new avenues for growth if acted upon strategically, employing both reactive measures to meet immediate challenges and forward-looking policies to anticipate emerging opportunities," he said.

For the Philippines, he said the country can build on its strong economic momentum by further bolstering its resilience to shocks.

To do this, he cited the importance of diversifying the economy and going beyond consumption and services by creating an enabling investment climate, expanding in regional and global markets and enacting reforms to enhance market efficiency in critical sectors.

He also cited the need for the government to enable the adoption of technologies to foster innovation to sustain productivity growth.

To leverage new technologies, the Philippines needs to invest in its human capital.

"Fortunately, the Philippines is well-positioned to leverage its dense migrant networks to support capacity building and technology infusion, especially in this age of digital connectedness," he said.

To address emigration and encourage the return of skilled talent, he said policies would be needed such as sufficient funding for research and stronger academe-industry linkages. *[Cont. page 3]*

Philippines must strengthen global ties — NEDA

[Cont. from page 2]

Amid the unfolding trade war and climate crisis, he highlighted the importance of strengthening partnerships with like-minded nations and Southeast Asia's middle powers on trade, investment and development cooperation.

A favorable environment for global trade and investment is important as the country aims to broaden industries that contribute to the economy, create high-quality jobs, as well as accelerate poverty reduction.

"Partnership at the regional and international levels, especially among smaller, open economies caught in the rivalry between economic giants… is more crucial now than ever," Balisacan said.

Source: https://www.philstar.com/business/2025/02/16/2421785/philippines-must-strengthen-global-ties-neda

Trump tariffs loom large in South Korea's 'steel city'

February 16 2025 | Agence France-Presse

POHANG, South Korea — Smoke billows from chimneys as factories churn in South Korea's steelmaking heartland, now under threat from Washington's new tariffs on the port city's largest export.

US President-elect Donald Trump speaks at a MAGA victory rally at Capital One Arena in Washington, DC on January 19, 2025, one day ahead of his inauguration ceremony. *Jim Watson, AFP*

The city of Pohang on South Korea's east coast for decades pumped out the steel that fueled the country's breakneck economic rise.

South Korea was the fourth largest exporter of the metal to the United States last year, accounting for 13 percent of its total steel imports.

But the industry has faced intense strain in recent years from foreign competition.

And businesses, officials and workers in the city now fear a planned 25 percent tariff on all steel imports to the United States beginning next month could have devastating impacts — and major knock-on effects on South Korea's economy.

"The steel industry is a vital national industry that serves as a fundamental material for key sectors such as construction, automotive and shipbuilding," Pohang's mayor Lee Kang-deok told AFP.

"If the steel industry collapses, the entire South Korean economy will be destabilized," Lee warned.

"If we fail to respond effectively to President Trump's tariff measures, our country's economy could face an even greater shock, leading to an irreversible situation."

'Steel city'

Lying around 270 kilometers southeast of Seoul, Pohang has carved out a rare place as a key industrial hub in a country beset by deepening regional inequality — and where most resources are tightly concentrated in the capital.

It is home to the nation's top steelmaker, POSCO, a major force in South Korea's industrialisation and development as an export powerhouse, alongside giants like Hyundai Steel and Dongkuk Steel.

"Pohang has long been a symbolic steel city that has supported South Korea for decades, serving as a backbone for the country's development," said Bang Sung-jun, a former Hyundai Steel worker and an official at the Korean Metal Workers' Union's Pohang branch.

"The steel industry has provided quality jobs and sustained the local economy," he told AFP, while acknowledging the pollution produced and the often dangerous conditions for workers in the industry.

How those workers respond to the current crisis, he added, "will determine whether the city of Pohang can sustain its steel industry, putting its very survival at stake".

'Significant' impact

South Korea's steel industry has faced intense pressure in recent years as it grapples with oversupply — particularly from China — and a decrease in global demand.

The US tariffs are likely to intensify those challenges, and analysts warn that should cheap Chinese steel barred from the US market begin to flood regions like Southeast Asia and Europe, South Korean steel producers will face deepening price competition.

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Trump tariffs loom large in South Korea's 'steel city'

[Cont. from page 3]

"Trump's protectionism certainly will affect South Korea's long-suffering steel industry, already squeezed by low-price exports from China and unfavourable Japanese yen exchange rate," Vladimir Tikhonov, professor of Korea studies at the University of Oslo, told AFP.

"The impact will be significant," he said.

Some suggest the tariffs could offer opportunities for South Korean firms to find new export markets.

But for workers in Pohang, where several mills have already shut down, job security and the threat of further layoffs overshadow any potential benefits.

AFP reporters visited a factory owned by Hyundai Steel which closed late last year. It did not appear to be operating and was guarded by a handful of staff at the time of the visit.

Journalists saw signs hung by unionized workers criticizing the management and demanding an apology, and through an open door, what looked like debris piled up inside.

"For us workers, it has always been a crisis without any opportunities," said Bang, the unionist.

Worker Lee Woo-man, who has worked as a subcontractor for POSCO for two decades, told AFP that 20 of his colleagues have lost their jobs in the past year.

He expected employment in the city to "decrease even more" over the next four years and believes Trump's tariffs will speed up the decline of the city, which he said has lost the vibrancy it had when he was young.

Lee said he grew up watching the smoke rise from the chimneys of massive mills, thinking to himself: "POSCO is feeding Pohang".

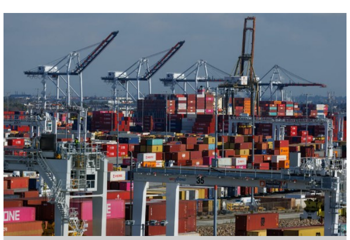
But now that view makes him worry.

"I don't know when this will all fall apart."

Source: https://www.abs-cbn.com/news/business/2025/2/16/patrol-ng-pilipino-paano-iwasang-ma-fall-sa-mga-online-love-scam-1907

Trade war may hamper policy path

February 17, 2025 | Luisa Maria Jacinta C. Jocson | BusinessWorld



A drone view shows shipping containers from China at the Port of Los Angeles in Wilmington, California, Feb. 4, 2025. — REUTERS

THE Bangko Sentral ng Pilipinas (BSP) is likely to continue its easing cycle, but second-round effects from a looming global trade war could hamper its policy path, analysts said.

"The BSP remains in an easing mode from a fundamentally tight monetary stance; it is yet to unwind its significant tightening of previous years," GlobalSource Partners Country Analyst and former BSP Deputy Governor Diwa C. Guinigundo said.

"However, the BSP could find itself in the middle of its easing mode faced with upside risks," he added.

The central bank unexpectedly held interest rates steady last Thursday, leaving the target reverse repurchase rate (RRP) unchanged at 5.75%.

This after the Monetary Board delivered three straight rate cuts since it began easing in August. It cut rates by a total of 75 basis points (bps) by end-2024.

BSP Governor Eli M. Remolona, Jr. said the decision to hold rates was due to global uncertainties arising from the US' tariff policies. He has said he is more concerned about the indirect effects of these tariff moves, as direct effects on the Philippines will likely be modest. *[Cont. page 5]*

Trade war may hamper policy path

[Cont. from page 4]

Markets have been rattled by fears of a global trade war amid US President Donald J. Trump's plan to slap reciprocal tariffs on every country that taxes US imports.

Mr. Guinigundo said these tariff adjustments could directly impact price levels and domestic inflation in the short term.

"Trade uncertainties also tend to increase the risk premium and therefore they could also pose inflationary pressures. Direct effects of tariff and trade uncertainties as well as the impact of fuel prices could be limited as yet, but the indirect effects on wages, transport fare, and domestic pricing could be substantial," he said.

Mr. Guinigundo said these second-round effects could "build up into inflation" in the coming months.

In a report, Capital Economics said the indirect impact from reciprocal tariffs "would potentially prove bigger" than a universal tariff.

"A reciprocal tariff would potentially undermine the case for friendshoring in those emerging markets that have high tariff barriers given that there would be other, less vulnerable options for multinationals to consider when it comes to supply chain configuration — notably Vietnam and other parts of Southeast Asia as well as developed markets," it said.

ANZ Research said emerging Asian economies would be under a "direct line of fire" if reciprocal tariffs were implemented.

"The current trade tensions could become significantly more disruptive if the US administration imposes reciprocal tariffs on Asian economies," ANZ said.

"Unlike in 2018, when these economies experienced only secondary effects from the US-China trade war, they would now be directly impacted."

The United States is the Philippines' top destination for exports, while China is usually the Philippines' biggest source of imports.

Citi Economist for the Philippines Nalin Chutchotitham said these trade policies could also put pressure on the peso.

"Looking ahead, the delayed Fed funds rate cut and the US trade policy uncertainties pose risks of peso depreciation, which could impact inflation via imports of food and energy, as well as from converted income remittances from overseas workers," she said.

MEASURED EASING

Despite the pause last week, analysts said that the BSP will likely continue easing rates but at a cautious and measured pace.

"We think the decision signals BSP is looking to slow the pace of the easing cycle (after three consecutive cuts), based on the governor's definition of 'measured' and absent a strong rationale for the on-hold decision," Nomura Global Markets Research analysts Euben Paracuelles and Nabila Amani said.

Bank of the Philippine Islands Lead Economist Emilio S. Neri, Jr. said he sees limited room for monetary easing this year.

"A narrowing interest rate differential could lead to capital outflows, while the country's current account deficit heightens the vulnerability to external shocks… Keeping interest rates steady might be needed to mitigate these risks. We still expect the policy rate to end the year at 5.25%," he said.

For the rest of the year, Mr. Guinigundo said he expects two more rate cuts.

"Depending on future data on inflation and inflation expectations, two more rate cuts could be in the works," he said.

"Easing monetary policy could have marginal effects on growth. But tightening it promises better results in taming inflation without significant collateral harm on growth."

At the same time, Nomura expects the Monetary Board to lower borrowing costs by 75 bps through three rate cuts.

"We still forecast an additional 75 bps of policy rate cuts in this cycle, taking the RRP rate to 5%, which we still believe is BSP's estimate of the neutral level, given its forward guidance suggesting its stance remains restrictive and that it will look to reduce this restrictiveness." *[Cont. page 6]*

Trade war may hamper policy path

[Cont. from page 5]

Both Nomura and Citi expect the Monetary Board to cut rates in April, August and December by 25 bps each.

"While we think the BSP could afford to cut a total of 75 bps this year, considering a high real policy rate and positive interest rate differential with the Fed, Governor Remolona's more cautious forward guidance of a total of 50-bp cut this year means a third cut still hinges on several factors besides domestic demand and inflation," Ms. Chutchotitham said.

For his part, Mr. Neri said the BSP could resume cutting rates in June.

"Additional policy easing is still possible later this year, as the outlook for domestic inflation continues to be positive. There's a chance that the BSP could cut in June if the gross domestic product (GDP) growth in May continues to disappoint," he said.

However, he said uncertainties from the Federal Reserve's guidance and changing global conditions could make cutting rates in the second half of the year more challenging.

Mr. Remolona has said the BSP is still in an easing cycle, adding there is a possibility of up to 50 bps worth of rate cuts this year.

RRR CUT IN APRIL

Meanwhile, Nomura expects the BSP to further reduce the reserve requirement ratio (RRR) in April.

"We think April is a plausible window, as demand for liquidity could pick up ahead of the midterm elections in May," it said.

"We have also argued that this sequencing (i.e., RRR cuts first before further rate RRP cuts) makes sense. From BSP's perspective, these cuts are consistent with its longer-term goal of reducing the RRR to single-digit levels but also helping to further improve the transmission of its policy rate cuts later in the year."

Mr. Remolona has said an RRR cut is still on the table this year, possibly before the Monetary Board's next policy review on April 3.

He has signaled a 200-bp reduction, which would bring the RRR for big banks to 5% from the current 7%.

"Potentially, such a move would help support economic activity while having limited impact on the exchange rate versus the policy rate," Ms. Chutchotitham added.

Source: https://www.bworldonline.com/top-stories/2025/02/17/653517/trade-war-may-hamper-policy-path/

PEZA sees PH exporters benefiting from US tariffs on China products

February 16, 2025 | Othel V. Campos | Manila Standard

The Philippine Economic Zone Authority (PEZA) sees an opportunity for local manufacturers to benefit from higher US tariffs on Chinese products under President Donald Trump's administration.

"With China facing export restrictions due to high tariffs, this presents opportunities for those in manufacturing as well as those involved in the supply chain," PEZA director-general Tereso Panga said in an industry forum on Feb. 14, 2025.

Panga said that in 2023, China exported around $436 billion worth of goods to the US. If the Philippines captures just 10 percent of that market—or about $43.6 billion—it could double the country's ecozone exports to the US, he said.

Panga said this shift would not only impact the electronics sector, but could also extend to industries such as plastics, agriculture and chemicals.

He stressed the need for the Philippines to upgrade its capabilities and adapt to this evolving trade environment.

Panga said the second round of Trump policies is different from the first, particularly with the implementation of the CHIPS Act and the Industrial Technology and Semiconductor Initiative (ITSI) Fund. *[Cont. page 7]*

PEZA sees PH exporters benefiting from US tariffs on China products

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Some American companies operating in the Philippines already secured ITSI funding, which Panga said would help strengthen the country's electronics manufacturing supply chain.

"This will attract more investors and allow us to upgrade our EMS [electronics manufacturing services] supply chain, along with energy development and other key sectors," he said.

He said it is unlikely the US will impose sectoral or universal tariffs on American companies with crucial backend operations in the Philippines, as this would be counterproductive.

To capitalize on these changes, Panga outlined key strategies for the Philippines, including tapping into new foreign direct investment sources, leveraging regional trade agreements like the Regional Comprehensive Economic Partnership (RCEP) and maximizing intra-ASEAN trade growth.

He also emphasized the potential of import substitution, where foreign companies operating in the Philippines can collaborate with local firms instead of solely sourcing from China.

"Instead of completely decoupling from China, we can learn from them and form partnerships," Panga said.

Source: https://manilastandard.net/business/314558500/peza-sees-ph-exporters-benefiting-from-us-tariffs-on-china-products.html

Philippines remains heavily dependent on coal power plants, says IEA

February 18, 2025 | Brix Lelis | The Philippine Star

The IEA said in its latest electricity report that coal accounted for around 62 percent of the country's power generation mix in 2024.
STAR / File

MANILA, Philippines — Despite the government's ban on new coal-fired power plants, the Philippines remains heavily dependent on coal to meet its growing energy demand, according to the International Energy Agency.

The IEA said in its latest electricity report that coal accounted for around 62 percent of the country's power generation mix in 2024.

While there is a strong push to roll out renewables, the IEA noted that coal's share in the energy mix is projected to only "marginally decrease" to 60 percent by 2027.

"Overall, the growth of coal generation moderates to four percent in 2025-2027, down from seven percent in 2018-2024," it said.

Coal plants are typically used as a source of baseload power due to their capacity to operate continuously and provide an uninterrupted supply of electricity.

In 2020, the Department of Energy (DOE) implemented a coal moratorium, which barred the processing of applications for Greenfield coal facilities.

But the agency has clarified that the policy is not a "total ban" as it does not cover existing and operational coal power plants or those that are already committed.

With this, the IEA expects the effects of the coal policy to become only evident in the medium to long term.

Further, the IEA said the country's electricity demand grew by five percent last year, with average annual growth of over five percent expected between 2025 and 2027.

"The increase in demand is broadly in line with GDP (gross domestic product) growth expectations, with economic activity anticipated to be a key driver of electricity consumption over the forecasting period," it said.

Against this backdrop, gas-fired power generation is forecast to retain its current share of 14 percent in the energy mix from 2025 to 2027.

Renewable energy, on the other hand, is likely to increase its share to 24 percent by 2027 from last year's 22 percent.

"Renewables are expected to meet more than one-third of additional electricity demand growth over the next three years," the IEA said.

Source: https://www.philstar.com/business/2025/02/18/2422190/philippines-remains-heavily-dependent-coal-power-plants-says-iea

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