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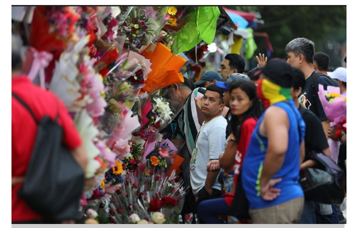
## SPECIAL POINTS OF INTEREST



## Below-target growth to support further rate cuts

February 19, 2025 | Luisa Maria Jacinta C. Jocson | BusinessWorld


Individuals buy flowers at a market in Marikina City. — PHILIPPINE STAR/WALTER BOLLOZOS

EXPECTATIONS of below-target growth and manageable inflation should support further rate cuts by the Bangko Sentral ng Pilipinas (BSP) this year, DBS Bank said in a report.

At the same time, a Nomura Global Markets Research analyst said the BSP could have delivered a rate cut instead of a pause at last week's meeting amid "persistent" uncertainty.

"The growth-inflation dynamic backs further rate cuts, with the real rate buffer considerably wide at 2.5%-2.75%, providing room for monetary policy to be growth supportive," DBS Senior Economist Radhika Rao said.

DBS expects gross domestic product (GDP) to grow below 6% this year after a weaker-than-expected 5.6% growth in 2024. The government is targeting 6-8% growth this year.

Inflation has been "buoyant" in the past few months, DBS said. Headline inflation remained steady at 2.9% in January, within the central bank's 2-4% target.

"Food supply disruptions due to a lagged impact of typhoons, utility costs and a weaker peso were behind this spurt, though are likely to be viewed as temporary and will not deter the central bank from a dovish path," it added.

DBS expects the central bank to deliver up to 50 basis points (bps) worth of rate cuts this year.

"After a 75-bp rate reduction in 2024, the BSP is likely to bide time to monitor risk of further tariffs and the consequent inflation/ US dollar path, before resuming further easing," Ms. Rao said.

The BSP left the benchmark rate unchanged at 5.75% on Feb. 13, with BSP Governor Eli M. Remolona, Jr. citing global uncertainties due to US trade policies.

Nomura Global Markets Research analyst Euben Paracuelles said central banks, including the BSP, might struggle to consider the implications of US President Donald J. Trump's tariff policies.

"I think this is going to be a sort of a persistent type of uncertainty. We will never really get a good handle of it. And I think sometimes it's better to be just reactive than proactive just because of the extent of the uncertainty," he said in an interview on *Money Talks with Cathy Yang* on One News on Tuesday.

Mr. Remolona last week said the BSP is recalibrating their models to better account for these uncertainties and other "unusual" phenomena.

"The uncertainty in itself is the one that's going to create some downside pressure and growth, whether it's weighing on business sentiment and other indirect channels," Mr. Paracuelles said.

"And more importantly, we've already seen this in the first Trump administration. So, it's not that difficult to think about the risks and how they play out when we get some of these tariffs announced by President Trump."

Mr. Trump is planning to impose reciprocal tariffs on every country that charges duties on US imports, a move that has raised fears of a wider global trade war. *[Cont. page 2]*

## Below-target growth to support further rate cuts

*[Cont. from page 1]*

"So, to me, it's a downside risk to growth. And therefore, it's not a reason for us (to hold rates). It's actually a reason to keep cutting," Mr. Paracuelles said.

He said the Philippine economy "still needs a little bit of support from all policy fronts."

"So, after they paused, I think there's a little bit of a change in the sequencing. There might be a little bit of a preference to inject liquidity via the RRR (reserve requirement ratio) cuts, which they've already done in October," he said.

"I think they're doing more. What that does really is it improves the policy transmission of later policy rate cuts, which I still expect for the rest of the year, given a very benign inflation outlook. So, the BSP can actually focus a little bit more on supporting the economy with all of these tools."

The central bank is looking to bring down the RRR to 5% from 7% this year.

"The RRR could be front-loaded a little bit. I think April is a good window because, obviously, we have the elections coming in early May, and that means the critical conditions could tighten," Mr. Paracuelles added.

The BSP reduced the RRR for universal and commercial banks and nonbank financial institutions with quasi-banking functions by 250 bps to 7% from 9.5%, which took effect in October.

*Source: https://www.bworldonline.com/top-stories/2025/02/19/654161/below-target-growth-to-support-further-rate-cuts/*

## BSP approves new scheme for selection of external auditors

February 19, 2025 | Lee C. Chipongian | Manila Bulletin

The Bangko Sentral ng Pilipinas (BSP) has approved the revised framework on the selection of external auditors to ensure the safety and soundness of all BSP supervised financial institutions (BSFIs).

BSP Circular No. 1210, signed on Feb. 17, 2025, was approved through Monetary Board Resolution No. 147 last Feb. 5. In its policy statement, the BSP said the amended rules on the selection of external auditors update and make it consistent with the other changes in BSFIs' corporate governance framework as per the General Banking Law of 2000 as amended, and other relevant laws and regulations.

The BSP said it "considers the external auditing profession as partner in promoting the safety and soundness of BSFIs."

It noted that external auditors – which are audit firms, partners, or an individual/sole practitioner in public practice -- through the conduct of audits and opinions rendered on Audited Financial Statements (AFS) "contribute to enhancing corporate governance and empowering the public and investors to make informed financial decisions."

Based on the circular, when it comes to the appointment and selection of external auditors, BSFIs will only engage the services of an external auditor included in the BSP's "List of Selected External Auditors for BSFIs".

"In this respect, a BSFI will only appoint an external auditor belonging to the same category or from categories higher than the category of the BSFI concerned as provided in this section," said the BSP.

The Monetary Board may require the BSFI to appoint an external auditor from higher categories as part of the BSP's supervisory action on the BSFI; or at the expense of the BSFI, require the external auditor to undertake a specific review of a particular aspect of the BSFI's operations/transactions.

External auditors will be classified into three categories, two of which are: Group A which are the universal and commercial banks, foreign banks and branches or subsidiaries of foreign banks including offshore banking units, digital banks and trust departments and trust corporations; and Group B which are thrift banks, non-bank financial institutions with quasi-banking license, virtual asset providers and credit card issuers/acquirers.

The last category Group C includes rural and cooperative banks, non-stock savings and loans associations, pawnshops, and remittance and transfer companies/money changers/foreign exchange dealers.

In determining the categories, the BSP said this will be based on their track record and the results of the BSP's assessment of their continuing eligibility to be included in the List of Selected External Auditors for BSFIs. *[Cont. page 3]*

## BSP approves new scheme for selection of external auditors
*[Cont. from page 2]*

Meanwhile, external auditors applying for inclusion in the BSP list will have to qualify and submit documentary requirements. Inclusion in the list is valid for five years but it could be less than that, depending on the BSP.

The BSP said it will "periodically evaluate the external auditor's performance by assessing the quality of the BSFI's audited financial statements and its compliance with the requirements". This assessment will determine if an external auditor is qualified to remain in the list.

The circular also revised the audit engagement and reportorial requirements, supervisory enforcement action, and the guidelines on the suspension/delisting of external editors in the BSP list.

As for transitory provisions, external auditors in good standing whose validity for inclusion has expired after the audit of 2025 financial statements will be allowed to engage in the audit of the 2024 financial statements, said the BSP.

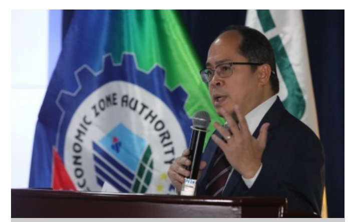
Meanwhile, all applications for inclusion in the list to cover the audit of 2024 financial statements and thereafter will be submitted to the Financial Supervision Sector.

"External auditors who were suspended or delisted (prior) to the effectivity of this circular may apply for reinclusion after the lapse of the effectivity of suspension or five years" from the effectivity of this circular in the case of delisting, said the BSP.

*Source: https://mb.com.ph/2025/2/19/bsp-approves-new-scheme-for-selection-of-external-auditors*

## PEZA expects to lure more investors with CREATE MORE IRR signing
February 19, 2025 | Kris Crismundo | Philippine News Agency

MANILA – Philippine Economic Zone Authority (PEZA) Director General Tereso Panga is expecting more investors to put up their businesses in economic zones across the country following the signing of the implementing rules and regulations (IRR) of the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act.



PEZA Director General Tereso Panga *(File photo)*

Panga said the IRR provides clarity for the smooth implementation of the law.

"It is a product of conjoined efforts that will surely attract more interest in the Philippines and paves the way for future investment growth," Panga said in a statement Wednesday.

On Feb. 17, Finance Secretary Ralph Recto and Trade Secretary Ma. Cristina Roque led the signing of the CREATE MORE's IRR.

The IRR supports PEZA's mandate of driving investment growth into the country, promote sustainable development in the countryside, and create more jobs.

"The CREATE MORE Act refines the investment landscape of the Philippines to be at parity with other countries," he said.

"With these new policies in place, coupled with the positive attributes already presented by our country and the various advantages like a communications-ready skilled workforce, a conducive business environment and a whole-of-government approach, it is without doubt that new investors will come in and old investors will choose to stay for the long haul," he added.

Even before the signing of the CREATE MORE IRR, PEZA signed a registration agreement (RA) with Japanese manufacturer P.Imes Corp. and a memorandum of understanding (MOU) with Karl Group Holdings Corp. (KGHC) as its partner in attracting developers of and locators in pharmaceutical ecozones, a new type of ecozone of the investment promotion agency (IPA).

With the signing of RA with P.Imes Corp., the Japanese company will expand its manufacturing of high-technology products for various industries, such as electronics, automotive, medical, and semiconductor in the Cavite Economic Zone.

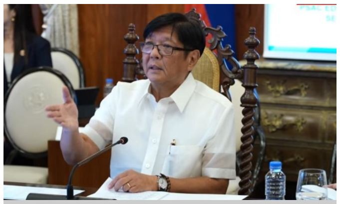
The MOU with KGHC will help PEZA to lure investors, manufacturers, and research institutions in PEZA pharma ecozones, which will become strategic investment hubs for medical innovation, pharmaceutical production, and healthcare-related industries.

"This partnership aligns with PEZA's initiative to integrate ecozone domestic production into the value chain, reducing import dependence—particularly in the medical and pharmaceutical sectors. As a leading provider of innovative healthcare solutions, KGHC plays a crucial role in producing cutting-edge medical equipment and simulation technologies," the IPA added.

*Source: https://www.pna.gov.ph/articles/1244440*

## Marcos reduces, condones real property taxes of IPPs under BOT contracts

February 19, 2025 | Anna Felicia Bajo | GMA Integrated News



Under the executive order signed by President Ferdinand Marcos Jr., the interests and/or penalties on deficiency real property taxes of IPPs under build-operate-transfer contracts with GOCCs are also condoned. Screenshot from RTVM video

President Ferdinand "Bongbong" Marcos Jr. has signed an executive order reducing and condoning real property taxes (RPTs), including interests and/or penalties assessed on power generation facilities of independent power producers under build-operate-transfer contracts with government-owned or controlled corporations (GOCCs).

Executive Order No. 83 states that all liabilities for RPTs for calendar year (CY) 2024, including any special levies accruing to the Special Education Fund, on property, machinery and equipment actually and directly used by IPPs for the production of electricity under BOT scheme and similar contracts, whether dominated as Power Purchase Agreements, Energy Conversion Agreements or other contractual agreements, with GOCCs, assessed by LGUs and other entities authorized to impose RPTs for CY 2024, are reduced to an amount equivalent to the tax due if computed based on an assessment level of 15% of the fair market value of said property, machinery and equipment depreciated at the rate of two percent per annum, less any amount already paid by the IPPs.

According to the EO, all interests and/or penalties on such deficiency RPT liabilities are also condoned and the concerned IPPs are relieved from payment thereof.

The collection of the subjected RPTs for CY 2024, which were assessed by concerned local government units at the maximum assessment level of 80%, will trigger massive direct liabilities on the part of NAPOCOR/PSALM, which may threaten their financial stability.

The Department of the Interior and Local Government, together with the Department of Finance, is hereby tasked to monitor the compliance of localities. —**KG, GMA Integrated News**

*Source: https://www.gmanetwork.com/news/money/economy/936676/marcos-reduces-condones-real-property-taxes-of-ipps-under-bot-contracts/story/*

## PH, EU fast-track talks; completion eyed before 2027

February 19, 2025 | Alden M. Monzon - @inquirerdotnet | Philippine Daily Inquirer

INQUIRER.net stock images

The Philippines is speeding up negotiations for the long-awaited free trade agreement with the European Union (EU), with both sides planning to have it finally completed in less than three years.

Following the conclusion of the latest round of negotiations last week, Trade Undersecretary Allan Gepty told the Inquirer that they are working to have the bilateral pact finished before 2027.

“We see this FTA as a stable platform to strengthen the economic relations of the Philippines with the EU. This is especially true since the EU is one of the major trade and investment partners of the Philippines and there is still a lot of unrealized potential in the two economies,” Gepty said in a Viber message.

“Thus, we are working hard to fast-track the negotiations and hopefully conclude the same before 2027,” he added.

In the last round of negotiations last Feb 10 to 14, Gepty said they discussed new and important elements under the proposed FTA.

These include digital trade, energy and raw materials, good regulatory practices, government procurement, state-owned enterprises, sustainable food systems, micro, small and medium enterprises, and trade and sustainable development.

“For our stakeholders, the EU is also an important market and we want to maintain our competitive advantage, especially for key [Philippine] products such as tuna, coconut, cacao, pineapples, semiconductors, and electronics,” Gepty said.
“We also want to create opportunities for our investors, service providers, and professionals in a business environment that promotes good governance and sustainable development,” he said further.

The next round of negotiations has been scheduled in June in Brussels, added the trade official.

Philippine and EU officials announced the resumption of the formal negotiations for the planned FTA in March last year in Belgium.

European Commission Executive Vice President Valdis Dombrovskis said back then that trade in goods between the Philippines and the European Union was worth over €18.4 billion (P1.2 trillion if €1 = P60.6) in 2022, a number that can be boosted by an additional €6 billion (P363.8 billion if €1 = P60.6) annually through an FTA.

*Source: https://business.inquirer.net/507059/ph-eu-fast-track-fta-talks-completion-eyed-before-2027*

## Export slowdown looms as US signals 25% chip tariffs

February 19, 2025 | Justine Irish D. Tabile | BusinessWorld

Workers are seen at an electronics manufacturing assembly plant in Biñan, Laguna, April 20, 2016 — REUTERS

EXPORTS are expected to take a hit after US President Donald J. Trump announced a plan to impose 25% tariffs on semiconductors this year, analysts said.

"Higher US import tariffs, especially the reciprocal tariffs, could slow down Philippine exports," Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said via Viber.

"This could slow down international trade between the US and the Philippines, especially Philippine exports to the US," he added.

Mr. Trump on Tuesday announced plans to impose 25% tariffs on automobile imports by April and similar duties on semiconductor and pharmaceutical imports this year, Reuters reported.

"He did not provide a date for announcing those duties and said he wanted to provide some time for drug and chip makers to set up US factories so that they can avoid tariffs," the report said.

The Philippine Statistics Authority (PSA), citing preliminary data, reported that electronic products were the country's top commodity export last year, accounting for $39.08 billion, or 53.38%, of total exports.

"This would adversely affect the biggest Philippine exports to the US (including) ignition wiring sets; other manufactured goods; coconut oil; machinery; and transport equipment, among others," Mr. Ricafort said.

Foreign Buyers Association of the Philippines President Robert M. Young said the tariffs on semiconductors will be the most detrimental to the economy.

"The reason being is that we are really planning to expand this industry. I understand that they're trying to reach $9-10 billion worth of exports to the US in another two or three years," he said.

However, he said that imposing tariffs on semiconductor exports from the Philippines will run counter to US commitments set out in the US CHIPS and Science Act.

The Philippines is one of seven countries that the US is partnering with to diversify its semiconductor supply chain under the CHIPS law.

The US committed to provide $52.7 billion in subsidies to support chip manufacturing and persuade chipmakers with operations in China to relocate to the US or other friendly countries.

"I don't know if the (CHIPS Act) will go on (because it will conflict with) the plan of President Trump to increase our tariffs," he said.

He said that the export industry is still in wait-and-see mode and hoping that tariffs will not be as punitive because the Philippines is a smaller exporter to the US.

"China is, I think, shipping $50 billion (to the US), which is about 8 to 10 times more than the Philippines," he added.

He said Philippine exports of auto parts and pharmaceuticals are small, but noted that the country will still have to prepare.

"For whatever it will be, we have to prepare. We have to look for other markets. There's Japan and Taiwan, semiconductor producing countries, and they will be needing us also for their supply chains," he said.

"This is the time for the government to intervene to explore other markets," he added.

Meanwhile, the Philippine Pharmaceutical Manufacturers Association Higinio P. Porte, Jr. said the industry will not be affected by the proposed tariffs.

"This will not affect our pharmaceutical manufacturers as we are not exporting to the US," Mr. Porte said via Viber.

"Most of our export destinations are in Asia, the Middle East and Australia," he added.

According to PSA, the US was the Philippines' top export destination last year, accounting for $12.12 billion or 16.6% of total exports.

*Source: https://www.bworldonline.com/economy/2025/02/19/654408/export-slowdown-looms-as-us-signals-25-chip-tariffs/*

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