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SPECIAL POINTS OF INTEREST

Fitch expects Philippines growth to pick up

February 05 2025 | Keisha Ta-Asan | The Philippine Star

MANILA, Philippines — Fitch Ratings projects the Philippine economy to gain momentum over the next two years, supported by monetary easing, robust infrastructure spending and investment-friendly reforms.

In a report, Fitch Ratings analyst Krisjanis Krustins said the debt watcher expects the gross domestic product (GDP) growth of the Philippines to hit 5.9 percent in 2025 and 6.2 percent in 2026.

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"Fitch still expects continued strong medium-term GDP growth and gradual fiscal consolidation in the Philippines, as reflected in its 'BBB'/Stable rating, affirmed in June 2024," Krustins said.

However, its 2025 forecast falls below the government's growth target of six to eight percent, while the 2026 projection meets the lower end of the same target range.

"These growth rates are above 'BBB' peers, but below pre-pandemic norms, mainly due to continued weakness in private capital formation," Krustins said.

The country's GDP grew by 5.2 percent in the fourth quarter, matching the previous quarter's pace but falling short of market forecasts.

This brought full-year GDP growth to 5.6 percent in 2024, below the government's growth target of six to 6.5 percent.

Krustins also expects the Philippine government to post a fiscal deficit of 5.7 percent of GDP in 2024, down from 6.2 percent in 2023, with debt at 61.4 percent of GDP.

"We expect debt-to-GDP to decline from 2025 on strong growth and further narrowing of deficits. We expect general government metrics to remain stronger," he said.

However, the pace of fiscal consolidation is expected to be constrained by political dynamics, particularly with midterm elections scheduled for May 2025. Fitch noted that the country's political landscape has become more volatile ahead of the elections, with escalating tensions between President Marcos and Vice President Sara Duterte.

Public rifts between their families, particularly involving former president Rodrigo Duterte, could affect investor sentiment and policy continuity, Krustins warned.

Beyond domestic uncertainties, the Philippines also faces risks from shifting US economic and foreign policies.

"Further strengthening of the US dollar from trade protectionism could put further pressure on the Philippine peso and inflation, although weaker global growth and diversion of Chinese exports could offset this to some extent," Krustins said.

"The Philippines would be vulnerable to a change in US immigration policy, given the importance of remittances for domestic consumption, although these are fairly diversified," he added.

Despite these risks, the agency emphasized that the country's economic fundamentals remain sound. Fitch said an upgrade in its sovereign credit rating would require stronger governance, faster debt reduction and sustained economic growth beyond current projections.

https://www.philstar.com/business/2025/02/05/2419192/fitch-expects-philippines-growth-pick-up

JAN INFLATION RATE OUT TODAY: A summary of estimates by analysts and BSP

February 05, 2025 | Jimmy Calapati | Malaya Business Insight

January Inflation Forecast

Source	January 2025 (Forecast)	December 2024 (Actual)	January 2024 (Actual)
Bangko Sentral ng Pilipinas (range: 2.5 - 3.3 %)	2.9	2.9	2.8
Michael Ricafort, RCBC	2.6		
Emilio Neri, BPI	3.0		
Jonathan Ravelas, BDO	2.5		
Aris Dacanay, HSBC	2.7		
Ruben Asuncion, Unionbank	2.8		
Sarah Tan, Moody's Analytics	2.7		

The Philippine Statistics Authority is scheduled to release its report on January consumer prices today, February 5.

Most analysts interviewed by Malaya Business Insight (MBI) over the past few days estimated inflation in January 2025 likely slowed from 2.9 percent in December and 2.8 percent in January 2024.

MBI collated all their forecast figures for January in a table below to give readers an overview of how analysts' expectations compare with the target or estimated range given by the Bangko Sentral ng Pilipinas' (BSP) for the month.

Comparative numbers for the actual inflation rates recorded for the month-earlier December 2024 and year-earlier January 2024 are also provided.

The full-year 2024 inflation average stood at 3.2 percent, the slowest since 2021, and at the mid-range of the government's target range for 2024, which was between 2 and 4 percent.

Source: https://malaya.com.ph/business/business-news/jan-inflation-rate-out-today-a-summary-of-estimates-by-analysts-and-bsp/

Business groups warn of economic fallout from proposed P200 wage hike

February 05, 2025 | Dexter Barro II | Manila Bulletin

MANILA BULLETIN

Several business groups expressed opposition to the proposed ₱200 daily minimum wage increase, warning of its potential threats to the Philippine economy and business owners, particularly small and micro enterprises.

In a position paper addressed to Rizal 4th district Rep. Fidel Nograles, the groups said the proposed hike is "neither feasible nor beneficial" in the current economic landscape.

Nograles chairs the House Committee on Labor and Employment, which recently approved a legislative bill seeking to impose an across-the-board daily wage hike of P200 for workers in the private sector.

"Instead of imposing a one-size-fits-all approach, we urge lawmakers to consider more targeted measures that address the root causes of poverty and inequality," the groups said.

The Employers Confederation of the Philippines (ECOP), the Philippine Chamber of Commerce and Industry (PCCI), and the Philippine Exporters Confederation Inc. (PHILEXPORT), alongside eight key business organizations, urged the House panel to reconsider the measure due to its potential adverse effects.

In particular, the groups warned the burden the wage hike will impose on the micro, small, and medium enterprises (MSMEs) sector, noting that many of which are operating with slim margins and lack the financial flexibility.

According to the Department of Trade and Industry (DTI), MSMEs comprise 99 percent of the businesses in the country.

"Mandating a blanket wage increase of P200 a day will disproportionately burden these businesses," the position paper read.

In the same manner, the groups raised concern about the potential of widespread business closures. *[Cont. page 3]*

Business groups warn of economic fallout from proposed P200 wage hike
[Cont. from page 2]

With the additional cost of the wage hike, many small businesses are believed to likely undergo layoffs or even permanent closures.

"Businesses that can no longer compete or cover the higher costs will be forced to downsize, reducing employment opportunities across the board," it added, noting that this will further destabilize the labor market.

While MSMEs are expected to bear the brunt, the business groups said large enterprises will also face challenges in absorbing increases in labor costs.

They warned that industries such as manufacturing, retail, and services could encounter delayed investments, reduced hiring, and even job cuts.

Based on their position paper, the needs of informal sector workers are still left unaddressed by the proposed wage increase.

Government figures note that around 70 percent of the country's workforce is engaged in the informal economy. This often means that these workers lack formal contracts, benefits, and protections.

"They are not covered by the law in its current form, further deepening the divide between the formal and informal sectors," it read.

Ripple effects

The business groups also warned of the wage hike's inflationary pressures in the economy, pointing out that businesses will be forced to pass increase costs to consumers.

This essentially threatens the purchasing power of the very workers the bill aims to protect, they said.

"In the long run, this could undermine the purchasing power of consumers and negatively affect overall economic stability," the position paper read.

Wage distortion is another issue brought up by the business groups, which occurs when there is a discrepancy between the wages of workers with similar skill sets and responsibilities.

This is projected to cause disruption in pay structures, further leading to unfair wage disparities

"This could create an imbalance, leading to dissatisfaction among employees, complications in wage negotiations, and long-term problems for employers who will be forced to re-align their compensation structures across the board," it read.

With this in mind, the business groups are advocating for a consultative approach to pushing wage increases.

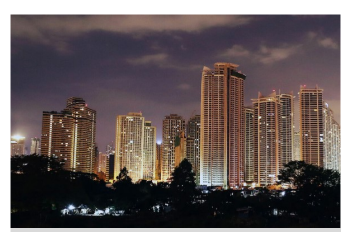
They emphasized that a calibrated strategy on this matter would balance the need of workers with the realities faced by employers.

Ideally, an increase in worker's daily wage shall protect jobs, encourage business growth, and strengthen the Philippine economy.

Source: https://mb.com.ph/2025/2/5/200-wage-hike-feared-for-harmful-effects-on-business-economy

Corporate registrations rise 6% to 52,304 — SEC
February 05, 2025 | Revin Mikhael D. Ochave | BusinessWorld

NEW COMPANY registrations reached 52,304 in 2024, a 6% increase from 49,506 in 2023, supported by digital platforms that streamlined applications, the Securities and Exchange Commission (SEC) said.


PHILIPPINE STAR/MIGUEL DE GUZMAN

Stock corporations accounted for 75% or 39,146 of newly registered companies, followed by non-stock corporations at 21% or 10,782, the SEC said in an e-mailed statement on Tuesday.

The remaining 5% or 2,376 were partnerships. New registrations of one-person corporations grew by 27% to 8,640 in 2024 from 6,794 the previous year.

The SEC recorded 527,710 active registered companies as of the end of 2024. *[Cont. page 4]*

Corporate registrations rise 6% to 52,304 — SEC
[Cont. from page 3]

"Digital transformation has always been one of the top priorities of the SEC to improve the efficiency of our services. Surpassing the 50,000 mark in company registrations serves as a testament that we are on the right track in encouraging entities to legitimize their operations through registration with the commission," SEC Chairperson Emilio B. Aquino said.

In terms of location, the SEC said about 40% or 20,231 were based in Metro Manila, followed by Calabarzon (Cavite, Laguna, Batangas, Rizal, and Quezon) at 16% or 8,226, and Central Luzon at 12% or 6,141.

The services sector led new registrations at 86% or 44,872, with the wholesale and retail trade, and repair of motor vehicles and motorcycles segment recording 12,479 new registrants.

"In 2025, we will capitalize on the success of our digital transformation journey and explore other strategies that will bring our services closer to the public to contribute to the further improvement of ease of doing business in the Philippines," Mr. Aquino said.

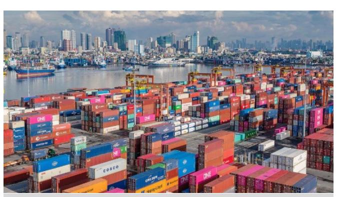
The SEC said its digitalization initiatives, launched in 2021, reduced the registration process to three days from 34 days.

In July last year, the corporate regulator launched the third wave of digital initiatives aimed at making company registration more efficient, including the creation of a platform that eliminated the need for wet signatures and the submission of hard copies of registration requirements.

The digital initiatives also included the creation of a unit for the registration of entities covered by the Foreign Investment Act and foreign multinational firms; the establishment of an online portal to process amendment applications of corporations; and data sharing with other regulatory and enforcement agencies for improved tax administration.

Source: https://www.bworldonline.com/corporate/2025/02/05/651127/corporate-registrations-rise-6-to-52304-sec/

Philippines urged to take advantage of opportunities amid US-China trade war
February 05, 2025 | Justine Irish D. Tabile and Aubrey Rose A. Inosante | BusinessWorld


ICTSI

THE PHILIPPINES could be an alternative investment destination for export-oriented firms amid a trade war between the United States and China.

The US on Tuesday began implementing an additional 10% tariff on goods from China, although US President Donald J. Trump postponed steep tariffs on Mexico and Canada for 30 days.

China quickly retaliated, saying it would impose 15% levies on US coal and liquefied natural gas, and 10% on crude oil, farm equipment and some vehicles, Reuters reported. The new tariffs on US exports will start on Feb. 10, the ministry said. (*Read related story:* "*China hits back with tariffs on US goods as new levies take effect*")

Former Trade Secretary Ramon M. Lopez said the tariff increases on the three countries would make their goods more expensive for US importers, which could present an opportunity for the Philippines.

"The tariff increases on these countries will make their goods more expensive entering the US and may reduce imports from these countries, which means US businesses will seek alternative suppliers," he said in a Viber message.

"This could present more export opportunities for the Philippines, especially if such products are competitively supplied by the country," he added.

George N. Manzano, who teaches political economy at the University of Asia and the Pacific, said the Philippines could attract investors that are looking for other countries to use as export platforms "in order to circumvent the tariffs on China."

"One would expect a lot of investments that are export-oriented originally destined for China looking for alternative locations. The Philippines, with its labor force supply, can tap this opportunity," he told *BusinessWorld* on Monday.

However, the aggressive US tariffs could "disrupt the existing supply chains of various goods and destabilize world trade," Mr. Manzano said. *[Cont. page 5]*

Philippines urged to take advantage of opportunities amid US-China trade war

[Cont. from page 4]

Meanwhile, GlobalSource Partners Country Analyst Diwa C. Guinigundo said the Philippines could benefit from a possible shift in demand.

“Depending on the similarities of our exports with other affected countries, we could, of course, benefit from a possible shift in demand in favor of Philippine-made products, but this is of course an empirical question,” he told *BusinessWorld* in a Viber message.

However, Mr. Guinigundo warned that due to interconnected external trade and value chains, higher tariffs could eventually come to the Philippines’ doorstep.

“We could indirectly suffer from shrinking markets should overall exports to these economies are flatly imposed higher tariffs,” he said.

Ateneo School of Government Dean and Economics Professor Philip Arnold P. Tuaño said the US tariffs would be strongly felt in motor vehicle production, motor vehicle parts, oil and petroleum products, computers and mobile phones, which the Philippines could take advantage of.

“We are one of the major exporters of motor vehicle parts, and we can take advantage of suppliers who wish to move from China to take advantage of lower tariffs,” Mr. Tuaño told *BusinessWorld* in an e-mail.

“With potential tariffs on Chinese computers and phones, US firms may seek alternative suppliers for electronic components, which we are producing in the country,” he added.

Mr. Tuaño also said the Philippines could invite Japanese motor vehicle manufacturers and South Korean suppliers in the country to increase their investments in the Philippines.

Citing data from UN Comtrade, Mr. Tuaño said that cars, crude petroleum, phones, computers, and motor vehicle parts are the top five US import products from Canada, Mexico, and China in 2023.

However, he said the country should improve infrastructure and logistics efficiency to increase its participation in global supply, as well as invest in upskilling to meet the labor demands of emerging industries in the medium term.

Meanwhile, Leonardo A. Lanzona, an economics professor at the Ateneo de Manila University, said the tariffs could present an opportunity to reset the country’s trade policy.

“I suggest that we take this opportunity to reset our trade policy and consider the goods we can truly produce given our comparative advantage, or differentiate to create niches of our own,” he said.

“What is more important is the creation of a comprehensive strategy that focuses on and integrates the opportunities and challenges of digital transformation, climate change and participation in global value chains,” he added.

Mr. Lopez said higher tariffs imposed on goods from Canada, Mexico and China could lead to an inflationary environment, which would indirectly affect the Philippines.

“Higher tariff protection by the US may set a higher bar for domestic prices of affected products and, depending on the magnitude and scale, can be inflationary on the whole,” the former Trade chief said.

“An inflationary environment can increase pressure for higher interest rates in the US and affect the foreign exchange in many countries that can push up interest rates in these countries. All these can lead to greater uncertainties in the global economy,” he added.

The Philippines’ full-year trade balance — the difference between the values of exports and imports — grew by 3.1% year on year to a $54.21-billion deficit in 2024 from the $52.59-billion gap a year earlier, according to preliminary data from the Philippine Statistics Authority.

The United States remained the top destination for Philippine-made goods in 2024, with exports valued at $12.12 billion or 16.6% of the total.

Last month, Trade Undersecretary Ceferino S. Rodolfo said the government would push hard in securing a bilateral free trade agreement (FTA) with the US with the assumption that it would be more possible under the administration of Mr. Trump.

Mr. Trump had welcomed the Philippines’ interest in a bilateral FTA, he said.

Source: https://www.bworldonline.com/top-stories/2025/02/05/651172/philippines-urged-to-take-advantage-of-opportunities-amid-us-china-trade-war/

CCPI throws weight behind mining fiscal regime bill

February 05, 2025 | Dexter Barro II | Manila Bulletin

Citing its importance for economic development, the Chamber of Commerce of the Philippine Islands (CCPI) has expressed full support for a Senate measure aimed at modernizing the country's mining fiscal regime.

Senate Bill (SB) No. 2826, or the "Enhanced Fiscal Regime for Large-Scale Metallic Mining Act," proposes a five-tier windfall profit tax system that ranges from one to ten percent and a margin-based royalty between one to five percent.

The bill, which is one of the priority measures of the Legislative-Executive Development Advisory Council (LEDAC), was approved on third and final reading on Monday, Feb. 3.

In a statement, the CCPI said SB No. 2826 aligns with the organization's Economic Compass Pillars 5 (ECOMP-P5) advocacy.

The ECOMP-P5 is the CCPI's core advocacy work program that strives to "rebuild the Philippines' glorious past and navigate the future". Specifically, the proposed legislation falls under the vision of strengthening local industries by utilizing natural resources.

"The Chamber believes that with the right policies and strategic investments, the mining sector can be a driver of economic prosperity," the group said.

The CCPI, the oldest business institution in the Philippines, noted that the bill will help foster a stronger mining industry that will generate employment and boost productivity.

"This supports the growth of other minerals-based industries, such as automotives and semiconductors. It allows us to move up the global value chain, increasing export revenue," it added.

Also included in SB No. 2826 is the proposed ban on exporting locally extracted raw minerals, which shall take effect five years after being signed into law.

The CCPI stated that local industries lose potential value when raw materials are exported. And when there is market pressure, firms are inevitably forced to import costly finished goods.

It added that this predicament compels workers to "remain stuck in low-skill jobs, tilling rocks".

"We firmly believe that the extraction and utilization of finite resources should primarily benefit local communities and businesses. As such, it must be carried out in a responsible, sustainable manner, with a long-term strategic vision," the CCPI said.

However, the organization said the exportation of raw minerals should still be allowed, subject to guidelines, in consideration of the needs of local manufacturing.

The Chamber said preference for exports should be extended to "strategic partners and allied countries" with respect to existing international commitments.

Following Monday's passage of SB No. 2826, the CCPI is pushing Congress for immediate passage and consolidation with its counterpart in the House of Representatives, House Bill (HB) No. 8937.

Once enacted, the group said a whole-of-society approach and a stronger public-private collaboration is a must to ensure that provisions of the legislation are successful.

The CCPI likewise supports conducting a study on the socio-economic impact of the proposed measure.

"We call on the government to seriously address key challenges in the mining sector. Priorities should include improving infrastructure, reducing energy costs, and developing a skilled workforce," it added.

Source: https://mb.com.ph/2025/2/5/ccpi-backs-mining-fiscal-regime-bill

DTI chief says PH expanding int'l partnerships

February 05, 2025 | Kris Crismundo | Philippine News Agency

INT'L PARTNERSHIPS. Trade Secretary Cristina Roque delivers her speech at the Parliamentary Intelligence-Security Forum in the House of Representatives on Feb. 4, 2025. Also in the photo is Parliamentary Intelligence-Security Forum chairperson and former US Congressman Robert Pittenger. *(Photo courtesy of DTI)*

MANILA – The Philippines is expanding its international collaborations as part of the policies of President Ferdinand R. Marcos Jr. to strengthen trade partnerships, attract long-term investments, and improve the country's export revenues.

In a statement Wednesday, the Department of Trade and Industry said Secretary Cristina Roque made this statement during her speech at the Parliamentary Intelligence-Security Forum on Tuesday, emphasizing the Philippines' strategic role in the Indo-Pacific region.

"The Indo-Pacific is the engine of the global economy, contributing 60 percent of global GDP (gross domestic product) and over 80 percent of global merchandise trade. The Philippines, with its strategic location and dynamic economy, is poised to shape the region's economic landscape," Roque said.

"We are not merely participants in this transformation —we are leading the charge," she added.

She said the Philippines has been actively engaging in multilateral and bilateral free trade agreements (FTAs), such as the Regional Comprehensive Economic Partnership, the United States-led Indo-Pacific Economic Framework for Prosperity (IPEF), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

The country is negotiating for bilateral FTAs with the United Arab Emirates, European Union and Chile.

"Our engagement in mechanisms like the IPEF reflects our commitment to pursue bilateral trade and overall economic interests with the United States and other partner countries. It supports strategic collaboration in priority sectors, including energy and energy transition, climate mitigation and resiliency, good governance, supply chains, and critical minerals," the DTI chief said.

Moreover, Roque is hopeful for positive developments on the US-Philippines Partnership Act filed in the US Congress that will pursue collaborations between Washington D.C. and Manila in sectors of critical minerals, mining, fossil fuels, and infrastructure.

"With the renewed interest under the Trump administration, we are optimistic about negotiating a next-generation trade agreement that not only expands market access, but also ensures the highest standards of labor rights, environmental protection, and social inclusivity," she said.

Source: https://www.pna.gov.ph/articles/1243396

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