필리핀 한국 상공회의소 뉴스
KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER

April 2025 Issue | Vol. 22

Moody's Analytics trims PHL growth forecast on US tariffs

April 11, 2025 | L.M.J.C. Jocson | BusinessWorld

MOODY'S ANALYTICS trimmed its gross domestic product (GDP) forecast for the Philippines amid "weaker growth prospects" due to the impact of the US reciprocal tariffs.

Shoppers crowd Baclaran Market in Parañaque City. — PHILIPPINE STAR/RYAN BALDEMOR

"The US dealt the Philippines a harder blow than we expected, declaring a 17% tariff, so we have trimmed our GDP growth forecast to 5.8% from 5.9% in our March baseline," it said in a report.

"Again, we'll have to wait and see whether the diluted 10% tariff will last long term or revert to 17%."

Moody's Analytics' forecast is below the government's 6-8% target this year.

A chart from Moody's Analytics showed the Philippines' 17% tariff could have a direct hit of -0.4% on GDP.

"Although US President Donald J. Trump has just declared a 90-day freeze on most of the harsh tariffs announced a week ago and applied a 10% blanket tariff in their place, the April baseline represents the economic toll they'll have should they eventually go ahead in full."

"Even if a 10% tariff on most trading partners becomes a permanent US policy, many Asia-Pacific economies will suffer direct and indirect bruising as intraregional trade diminishes," it added.

The tariffs are expected to weaken the country's goods exports to the US, as it is the largest buyer of Philippine-made goods.

The Philippines' top destination for exports is the United States, accounting for about 17% of the total in 2024.

"Further, slowing growth in China will hit service exports, especially in tourism-related sectors. Prior to the COVID-19 (coronavirus disease 2019) pandemic, Chinese tourists were the country's largest group of visitors," it added.

Moody's Analytics flagged the uncertainties from countries' tariff negotiations with the Trump administration.

"The big unknown is how negotiations might alter the extent and duration of tariffs in all directions and whether the US will extend its 90-day pause on tariffs for 75 countries."

Mr. Trump's tariffs have shown the steepest increases since the 1930s, it added.

"Uncertainty is palpable, with tumbling and volatile equity markets headlining financial market turbulence."

"The negative and pervasive impact of a sustained rise in uncertainty cannot be understated. Household and business sentiment is crumbling, and if the calamity continues, monetary policy easing that was supposed to characterize 2025 will lose some of its potency."

Consumers are also expected to spend less amid the economic uncertainty. Businesses are also seen to hold back on investments, it added.

The slew of tariffs also "increase the odds of a global recession," Moody's Analytics said.

"Under those tariffs, inflation across Asia would stay subdued amid weaker trade and growth dynamics. Inflation in the US, however, would rise as tariffs increased prices of producer and consumer goods." *[Cont. page 2]*

Southeast Asian countries may need to ramp up their US purchases

[Cont. from page]

Meanwhile, Moody's Analytics said Philippine inflation will likely remain within the 2-4% target band for the rest of the year.

It also expects the central bank to deliver another 25-basis-point (bp) rate cut in the second half, following its April policy decision.

'TOO EARLY'

Meanwhile, Fitch Solutions unit BMI said the Philippine GDP may grow by 5.2% this year if the US implements a 17% tariff on the Philippines.

"Our preliminary estimates suggest that this will reduce output by around 1.1 percentage points (from its current projection of 6.3%), putting the government's growth target of 6-7% at risk," BMI said, noting that it is still premature to commit to any revisions to the forecast.

"With negotiations on the cards, it is too early to identify the extent of Trump's tariffs on the Philippine economy."

However, BMI said it expects the Philippines to "succeed" in negotiations with the Trump administration and secure a lower tariff rate.

"Regardless of what the final tariff rate will be, we expect lawmakers will resort to increasing public spending to cushion the economic fallout caused by Washington's protectionist policies," it said.

"The Philippines remains a vital security partner for the US, particularly as Washington aims to counter Beijing's growing influence in the South China Sea. This strategic relationship should afford the Philippines some leverage in negotiations."

BMI retained its forecast that the Philippines' fiscal deficit will widen to 5.9% of GDP this year from 5.7% last year. This is higher than the 5.3% deficit ceiling set by the Development Budget Coordination Committee.

"If anything, the likelihood of the government having to incur a larger fiscal deficit has risen significantly against the backdrop of heightened geopolitical uncertainty," it said.

BMI said the government may have to increase its spending to counter the economic impact of the US tariffs.

"Assuming a fiscal multiplier of 0.50 derived from academic research, the government will have to increase its expenditure by around 1.4 percentage points from 21.9% of GDP to reach the government's lower bound target of 6% on our projections," it said.
Luisa Maria Jacinta C. Jocson *with inputs from* **A.R.A. Inosante**

Source: https://www.bworldonline.com/top-stories/2025/04/11/665343/moodys-analytics-trims-phl-growth-forecast-on-us-tariffs/

FDI net inflows reach more than $700-M in January

April 11, 2025 | Anna Leah Gonzales | Philippine News Agency

MANILA – Net inflows of foreign direct investments (FDIs) reached USD731 million in January, Bangko Sentral ng Pilipinas (BSP) data showed.

Data released late Thursday showed that the FDI net inflows during the month was lower by 20 percent from the USD914 million net inflows recorded in January 2024.

FDIs include investments by a non-resident direct investor in a resident enterprise, whose equity capital in the latter is at least 10 percent, and investment made by a non-resident subsidiary or associate in its resident direct investor.

It can be in the form of equity capital, reinvestment of earnings, and borrowings.

The BSP said the decline in net inflows in January was due to a decrease in non-residents' net investments in debt instruments to USD519 million from USD833 million.

This was, however, partly tempered by the shift in non-residents' net investments in equity capital, which turned to net inflows of USD88 million from net outflows of USD11 million.

The BSP said non-residents' reinvestment of earnings likewise increased by 36 percent to USD125 million from the USD92 million in January 2024.

The top sources of FDIs in January were Japan, the United States, Singapore, and Malaysia.

"These investments were channeled mostly to the manufacturing, financial and insurance, and real estate industries," the BSP said.
Source: https://www.pna.gov.ph/articles/1247906

No 'retaliatory measures' against US: ASEAN economic ministers

April 10, 2025 | Agence France-Presse | ABS-CBN

Economic ministers of the ASEAN regional bloc committed on Thursday "to not impose any retaliatory measures" against the United States over sweeping tariffs and said they were ready to engage in talks.

"ASEAN, being the fifth largest economy in the world, is deeply concerned over the recent introduction of unilateral tariffs by the U.S., including the tariffs announced on 2 April 2025 and subsequently the most recent suspension on 9 April 2025," the Association of Southeast Asian ministers said in a statement issued after a video conference meeting.

Despite their concern, the ministers said they were ready "to engage in a frank and constructive dialogue with the U.S. to address trade-related concerns".

"Open communication and collaboration will be crucial to ensuring a balanced and sustainable relationship. In that spirit, ASEAN commits to not impose any retaliatory measures in response to the U.S. tariffs," they said.

The special meeting was chaired by Malaysia's Minister of Investment, Trade and Industry Tengku Zafrul Aziz. Malaysia holds the rotating chair of the 10-member regional bloc.

Its members, which count on the United States as their main export market, were among those hit with the toughest levies by US President Donald Trump.

Manufacturing powerhouse Vietnam was hit with a 46 percent tariff on exports to the United States while neighbouring Cambodia -- a major producer of low-cost clothing for big Western brands -- was slapped with a 49 percent duty.

The other ASEAN members hit with hefty tariffs are Laos (48 percent), Myanmar (44 percent), Thailand (36 percent) and Indonesia (32 percent).

Malaysia, Southeast Asia's third-largest economy, was hit with a lower tariff of 24 percent.

Brunei also faces a 24 percent tariff, while the Philippines was hit with 17 percent and Singapore 10 percent.

Source: https://www.abs-cbn.com/news/world/2025/4/10/no-retaliatory-measures-against-us-asean-economic-ministers-1622

Philexport: Situation more uncertain with Trump's tariff pause

April 11, 2025 | Malaya Business Insight

The Philippine Exporters Confederation Inc. (Philexport) said US President Donald Trump's decision to pause reciprocal tariffs with its trading partners for 90 days has only made the situation more "unpredictable."

In an interview, Philexport president Sergio Ortiz-Luis Jr. said the uncertainty fueled by the imposition of the reciprocal tariffs only worsened the already prevailing uncertainty in global trade.

"The situation has all the more become unpredictable. It adds to the uncertainties," Ortiz-Luis said.

He said some exporters are going about their business "like usual" but with caution that prices can change at any time.

In general, most exporters are waiting and watching, although the group is maintaining its export goal of $110 billion for the year, he said.

The Department of Trade and Industry has reported full-year total exports of goods and services amounted to $103.6 billion in 2024, a 4.8 percent increase from the previous year.

Ortiz-Luis said, "We have to watch out for what our competitors can actually offer to US buyers. At the moment, the situation is very fluid."

The Philexport chief said it is "too early" for the Philippines to discuss providing concessions under a preferential trade scheme with the US because "we don't know what the actual tariffs would be" after 90 days. *[Cont. page 4]*

Philexport: Situation more uncertain with Trump's tariff pause

[Cont. from page 3]

Time to negotiate–economist

However, Michael Ricafort, chief economist at RCBC, took a different view from that of the exporters' group.

In a text message, Ricafort said Trump's 90-day pause could give the Philippines time to negotiate for a tariff reduction.

Ricafort said even a baseline tariff of 10 percent for the next three months would adversely affect Philippine exports.

"The US will be very busy negotiating with many countries to reduce reciprocal tariffs amid the 90-day relief. (It's) time for the Philippines and other countries to negotiate for reduced tariffs with the US," he said.

Ricafort said Philippine exports are not that huge compared with those of other countries in Asean and Asia, so that the adverse impact on the Philippines by the US tariffs is more limited as additional tax could be passed on to buyers, or absorbed, depending on the competition.

"(There will) still be some adverse impact on Philippine exports, though mitigated (with the pause)," he said.

Ricafort said the impact will be more bearable than the higher US import tariffs/reciprocal tariffs on other countries, especially China's 125 percent.

Impact on growth

Commenting on the 0.1 percent GDP impact on economic growth, Ricafort agreed that this level will have a "limited drag on Philippine GDP, as the Philippine economy is less reliant on exports as a source of economic growth."

Philippine merchandise exports are three to five times lower than those of major Asean countries every year, he said.

However, he warned of slower world economic growth due to Trump's higher US import tariffs and other protectionist measures, which could also indirectly weigh on the Philippine economy.

Global effects

From a global perspective, Ricafort said a much lower 10 percent baseline US import tariff rate for exports from many countries would somewhat mitigate US inflationary pressures than the previous higher reciprocal tariffs announced on April 2.

"However, the large 125 percent US import tariff on China, which is the world's second-biggest economy, would still lead to higher US import prices paid for goods from China by US consumers, businesses, and other institutions.

Ricafort said the retaliatory tariffs between the US and China would lead to higher costs/prices for US imports from China (+125 percent) and also for China imports from the US (+84 percent), thereby directly and indirectly leading to higher input costs for products from the US and China. He said this could be exported to other countries and supply chains globally.

Source: https://malaya.com.ph/business/business-news/philexport-situation-more-uncertain-with-trumps-tariff-pause/

BSP lowers key rate by 25 bps, more cuts seen

April 11, 2025 | Reine Juvierre S. Alberto | BusinessMirror

A MORE challenging global environment has prompted the Bangko Sentral ng Pilipinas (BSP) to reduce the key policy rate by 25 basis points to 5.50 percent on Thursday, with further rate cuts seen this year to support economic growth.

File photo shows the Bangko Sentral ng Pilipinas (BSP) headquarters in Manila.

In the second meeting of the Monetary Board for the year, BSP Governor and MB Chairman Eli M. Remolona Jr. announced that the Target Reverse Repurchase (RRP) rate was lowered by 25 bps to 5.50 percent.

The Monetary Board has also adjusted the interest rates on the overnight deposit and lending facilities to 5 percent and 6 percent, respectively. *[Cont. page 5]*

BSP lowers key rate by 25 bps, more cuts seen

[Cont. from page 4]

"The Monetary Board noted the more challenging external environment, which would dampen global GDP growth and pose a downside risk to domestic economic activity," Remolona said.

The announcement of the 17-percent reciprocal tariffs imposed on Philippine exports was taken into account, which "clears up a lot of the uncertainty," Remolona said in the press briefing.

"So there's still some uncertainty, but there's less of it than before," he added, noting the 90-day suspension of these tariffs announced by United States President Donald Trump on Thursday.

As to the impact of the tariffs on the Philippine economy, Remolona said the BSP is looking at slower growth, like the rest of the world, but they are also looking at lower inflation, unlike the rest of the world.

Low inflation to cushion blow

Assistant Governor Zeno Abenoja said the expected slowdown in global growth could impact domestic economic activity, but falling international commodity prices could cushion the blow.

"There are some downside risks, but we think that there are some reasons to continue to see some firmness in economic activity moving forward," Abenoja said.

Abenoja said the economy could grow near the lower end of the government's 6 to 8 percent growth target range, depending on how the external environment progresses from now on.

Meanwhile, Remolona said risks to the inflation outlook have eased and continue to be broadly balanced from 2025 to 2027 due to downside risks brought by lower tariffs on rice imports and the expected impact of weaker global demand.

Upside pressures come from possible increases in transport charges, meat prices and utility rates.

As such, the BSP's risk-adjusted inflation forecast for 2025 was reduced to 2.3 percent from 3.5 percent. The central bank's forecast for 2026 and 2027 declined to 3.3 percent and 3.2 percent, respectively. "Inflation expectations also remain within target," it said.

"The more manageable inflation outlook and the risks to growth allow for a shift toward a more accommodative monetary policy stance," Remolona said.

"The lower inflation rates that we're looking at give us more degrees of freedom," the governor added.

'Further cuts this year'

With a more challenging external environment hindering economic growth, Remolona said the BSP is "contemplating" further monetary easing this year.

"We can't tell you exactly how many more cuts, but definitely further cuts this year," Remolona said, noting that rate cuts will not happen at every monetary policy meeting.

The governor said the rate cuts will be done in "baby steps," 25 bps at a time. "I can't tell how many more times…We have more meetings than the number of cuts we are thinking about."

Remolona said the easing cycle will be completed by 2025, but if the economy takes a "hard landing," then the BSP may have to cut more.

'Still restrictive'

The BSP's current policy rate is still "slightly restrictive," according to Remolona.

"We're still somewhat below capacity, which means we have some room to cut without causing inflation ourselves," Remolona said.

Abenoja said the previous policy increases have continued to have some impact on domestic demand, but the BSP is dialing it down 100 bps now, which has contributed to maintaining the growth momentum. *[Cont. page 6]*

BSP lowers key rate by 25 bps, more cuts seen

[Cont. from page 5]

"There's still room to go further, to dial down [and] make the monetary policy less restrictive moving forward, and that should help economic growth move…the momentum to be maintained, and then we will close that gap," Abenoja added.

'75 bps more'

The BSP is expected to cut 75 bps more this year to bring down the policy rate to 4.75 percent, as inflation remains under control and growing economic risks.

Pantheon Macroeconomics Chief Emerging Asia Economist Miguel Chanco said it remains consistent with its forecast of the BSP delivering three more rate cuts in the months ahead.

"We doubt that headline inflation will re-accelerate substantially from the March print, and we're still more than comfortable with our below-consensus forecast for average inflation to slow further this year to 2.5 percent," Chanco said.

However, risks to their outlook are now to the downside, in view of the post-"Liberation Day" collapse in global oil prices.

Pantheon Macroeconomics has also downgraded the Philippines's growth forecast to 5.3 percent from 5.4 percent due to the tariff imposed by the United States on the Philippines.

Capital Economics is also dovish with projections of the central bank loosening the policy rate further by 75-bps in the coming months.

"The 10-percent universal tariff, the uncertainty created by sudden shifts in US trade policy and the likely impact of slower growth in the US and China will still act as a drag on demand for the country's exports," Capital Economics Assistant Economist Joe Maher said.

Citing Remolona's remarks of continued easing in inflationary measures, Maher said a combination of easing food price inflation and lower transport price inflation will keep inflation contained in the coming months.

"Looking ahead, the BSP will continue to take a measured approach in deciding on further monetary easing. The BSP will remain data-dependent in its pursuit of price stability conducive to sustainable economic growth and employment," Remolona said.

The Monetary Board, in its previous policy meeting in February, kept the policy rate steady at 5.75 percent due to global uncertainty over trade policies.

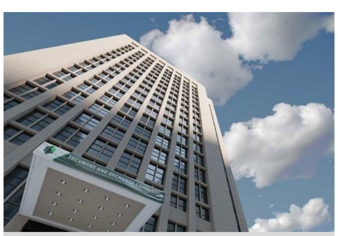
After raising interest rates by 50 bps in February 2023 to 6 percent, the Monetary Board began loosening the monetary policy by a total of 75 bps delivered in 25 bps increments. It began the easing cycle in August 2024.

Image credits: EDWARDS | DREAMSTIME.COM

https://businessmirror.com.ph/2025/04/11/bsp-lowers-key-rate-by-25-bps-more-cuts-seen/

Setting up businesses now easier, faster — SEC

April 10, 2025 | Richmond Mercurio | The Philippine Star



The SEC said that applicants for company registration would no longer have to submit hard copies of physically signed or notarized registration documents, following its issuance of Memorandum Circular 3, Series of 2024, requiring the use of SEC Zuper Easy Registration Online (ZERO) for company registrations.

MANILA, Philippines — The Securities and Exchange Commission (SEC) is moving to a fully online and paperless company registration process, making setting up a business in the country easier and faster.

The SEC said that applicants for company registration would no longer have to submit hard copies of physically signed or notarized registration documents, following its issuance of Memorandum Circular 3, Series of 2024, requiring the use of SEC Zuper Easy Registration Online (ZERO) for company registrations.

An application under the Electronic Simplified Processing of Application for Registration of Company (eSPARC), SEC ZERO eliminates the need for physical signatures and notarization as well as the submission of hard copies of registration documents.

The system is integrated with the Electronic SEC User Registration Environment (eSECURE), which credentials users before they can access online services of the SEC, and the Electronic Submission Authentication Portal (eSAP), which makes use of one-time passwords (OTPs) to electronically authenticate SEC-required documents. *[Cont. page 7]*

Setting up businesses now easier, faster — SEC

[Cont. from page 6]

Since its launch in July 2024 as part of the commission's third wave of digital initiatives, SEC ZERO has facilitated the registration of a total of 1,874 companies.

SEC chairperson Emilio Aquino said SEC ZERO exemplifies the commission's commitment to digitalization and sustainability.

"By allowing companies to authenticate their registration documents online, company registration can now be done any time and anywhere,"Aquino said.

"The credentialing process through eSECURE, plus authentication through eSAP, further enable us to filter out scheming individuals wanting to use the corporate vehicle to defraud the public. With this, those registering corporations are identified and can be held accountable, if need be," he said.

The SEC said that all domestic stock corporations, excluding lending and financing companies, would be processed through SEC ZERO starting April 7, 2025.

Corporations covered include those that are fully owned by Filipinos or those with foreign equity.

The SEC said that lending companies, financing companies and foreign corporations, meanwhile, would use the regular processing under eSPARC for three months after the effectivity of the memorandum circular.

Thereafter, the mandatory use of SEC ZERO shall apply to all types of corporations, it said.

Source: https://www.philstar.com/business/2025/04/10/2434759/setting-businesses-now-easier-faster-sec

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