필리핀 한국 상공회의소 뉴스

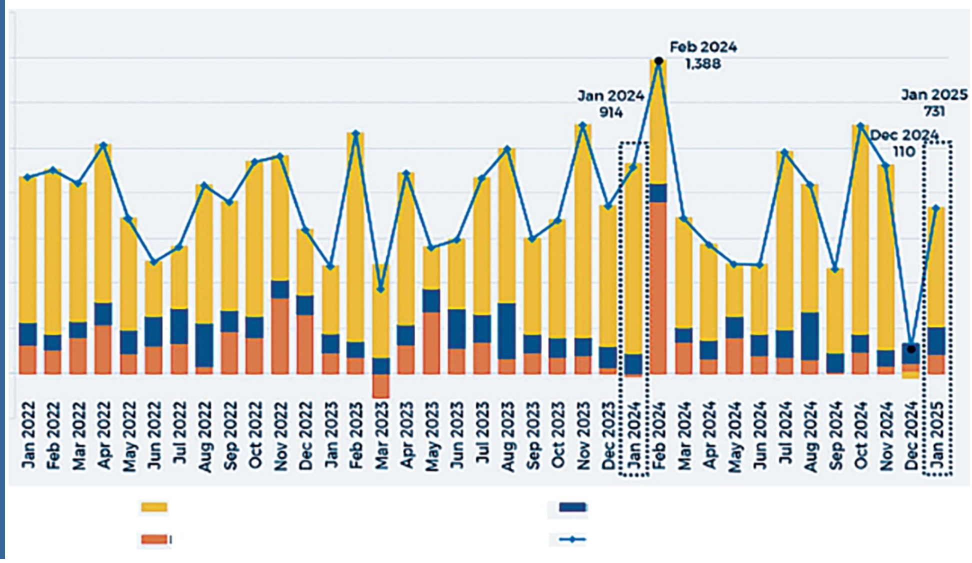
KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER

April 2025 Issue | Vol. 23

SPECIAL POINTS OF INTEREST

US tariffs uncertainty could hamper FDI inflows into PH—Analysts

April 14, 2025 | Jimmy Calapati | Malaya Business Inisght



Global economic uncertainty resulting from the US' protectionist policy could hamper inflows of foreign direct investment into the Philippines, local analysts said on Sunday.

US President Donald Trump's tariff policy meant to protect American industries encourages more investments and jobs in their local economy rather than outside the US, analysts interviewed by Malaya Business Insight over the weekend said.

"It is crucial to proactively navigate the complexities of the evolving global trade landscape and its accompanying uncertainties to ensure the country does not fall behind its neighbors once again," Astro del Castillo, managing director of First Grade Finance, Inc. said.

The Bangko Sentral ng Pilipinas (BSP) released a report late Thursday stating that FDI net inflows in January this year amounted to $731 million, down 20 percent from the $914 million net inflows in January 2024.

The BSP report showed the downturn in FDI net inflows stemmed from the 37.7 percent fall in non-residents' net investments in debt instruments to $519 million from $833 million in January last year.

The BSP said equity capital placements in January 2025 originated primarily from the United States, Japan, Singapore and Malaysia. It added that these investments were channeled mostly to the manufacturing, financial insurance and real estate industries.

Substantial drop

Del Castillo said the drop is substantial and presents a significant challenge for the government.

"The government must take decisive action. Neighboring countries are successfully attracting more investments, highlighting the need for the Philippines to strengthen its strategies," del Castillo said in a Viber message on Sunday.

He said this strategy includes focusing on domestic and regional advantages, diversifying investment sources, and implementing key reforms to enhance its appeal as an investment destination. *[Cont. page 2]*

US tariffs uncertainty could hamper FDI inflows into PH—Analysts

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Prevailing sentiment

Matt Erece, an economist at Oikonomia Advisory & Research Inc., said that with the ongoing trade uncertainty, investors are unwilling to invest in capital and would instead hold safer assets, such as gold or treasuries to maintain liquidity in this risky economic environment.

“We expect this sentiment to continue in the following months, especially as trade conflicts escalate between the US and China, which are also one of the Philippines’ largest trading partners, Erece said.

One way to offset this negative market sentiment is to boost the domestic economy, which may prove resilient amid international trade tensions, he said.

“Establishing trade agreements with other countries, especially the US, can help the country maintain a relatively stable outlook on the trade sector,” he added.

Still decent

Michael Ricafort, RCBC chief economist, maintains a positive view despite the decline, emphasizing that net inflows of nearly $1 billion are “still considered decent.”

Such level, he said, still stood “among pre-pandemic highs, which could create more jobs and other business opportunities, and also, still contribute to further economic growth and development,” Ricafort said.

Ricafort said the decline in FDI may be partly attributed to delay in releasing the CREATE MORE implementing rules and regulations (IRR), which were released on Feb 17, 2025.

“For the coming months, the release of the CREATE MORE IRR could make foreign investors more decisive in locating in the country amid enhanced incentives for foreign investors,” Ricafort said.

CREATE MORE is a government measure that envisions to transform the Philippines into an attractive business destination by making its tax incentives regime more globally competitive, investment-friendly, predictable and accountable.

Ricafort said the series of typhoons that caused business disruptions in some areas of the country during the last quarter of 2024 and the local political noise toward the end of 2024 contributed to the decline.

More rate cuts

“Some foreign investors could have also waited for the (US) Fed and the BSP rates to go down further before becoming more aggressive to finance more FDIs,” Ricafort said.

The policy-setting Monetary Board resumed its easing cycle on Thursday and decided to lower the Bangko Sentral ng Pilipinas (BSP) Target Reverse Repurchase Rate by 25 basis points (bps) to 5.50 percent.

The board reached the decision after factoring in the 90-day suspension of most of the higher import tariffs issued by US President Donald Trump on America’s trading partners, the BSP said.

Ricafort said a benign inflation outlook and softer GDP data at 5.3 percent year-on-year in the fourth quarter 2024 would further support local policy rate cuts in the coming months.

“Further rate cuts by the Fed and the BSP in the coming months would make borrowing costs cheaper from the point of view of foreign investors, thereby helping increase demand for loans to finance more FDIs into the country,” Ricafort said.

Aris Dacanay, HSBC economist for Asean, said that if foreign investors demand Philippine assets to insulate themselves from global financial market volatility, the peso might exhibit resilience, which, in turn, could give the BSP room to cut policy rates faster or more than the Fed.

Dacanay said they continue to expect the BSP to cut its policy rate by 25 bps in August and by another 25bps in December, bringing it down to 5.00 percent by year-end.

“The BSP is likely to employ a very cautious approach when easing, given the large degree of uncertainty in global trade policy,” Dacanay said.

Source: https://malaya.com.ph/business/business-news/us-tariffs-uncertainty-could-hamperfdi-inflows-into-ph-analysts/

Philippines less vulnerable to global trade shocks—Balisacan

April 14, 2025 | Reuters | BusinessWorld

PHILIPPINE STAR/WALTER BOLLOZOS

MANILA – The Philippines' relatively low exposure to trade compared to its Asian neighbours offers a buffer against global economic shocks, National Economic and Development Planning Secretary Arsenio Balisacan said on Monday.

"The economy is not as vulnerable to shocks in the global marketplace as our neighbours… because the Philippine economy's exposure to trade is fairly small," Mr. Balisacan told a press conference.

However, he cautioned against complacency, stressing the importance of strengthening export performance by diversifying markets and addressing investment constraints so the country could take advantage of trade diversion opportunities resulting from the sweeping U.S. tariffs.

"We need to double, even triple, our efforts to improve the investment environment so investors see the Philippines as a viable destination," Mr. Balisacan said.

The Philippines has not been spared from the global trade wars triggered by US President Donald Trump's tariffs, with Washington threatening levies on Filipino exports.

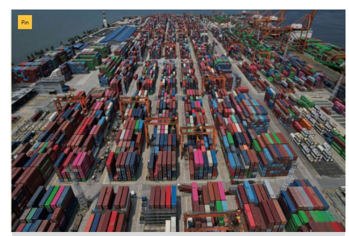
The Philippines, which already has free-trade agreements with countries such as South Korea and Japan, is actively pursuing a similar pact with the United States to safeguard and expand market access.

Source: https://www.bworldonline.com/top-stories/2025/04/14/665763/philippines-less-vulnerable-to-global-trade-shocks-balisacan/

39 WTO members, including PHL, for rules-based trading

April 14, 2025 | Andrea E. San Juan | BusinessMirror

THIRTY-NINE members of the World Trade Organization (WTO), including the Philippines, have affirmed their commitment to a "rules-based, transparent and inclusive" global trading system amid rising protectionism and unfair practices.



Stacks of containers at the Manila International Container Terminal at the Philippine capital on Tuesday, April 8, 2025. (AP Photo/Aaron Favila)

These member-economies also issued the statement as they commemorated the 30th anniversary of WTO, the only international organization dealing with the rules of trade between nations.

"We recommit ourselves to abide by the WTO's binding rules, which have provided certainty and predictability for businesses, built trust and confidence among consumers, and underpinned the growth of international trade and development," 39 out of 166 members of the WTO noted in their joint statement.

To adjust to the changing global trade and economic environment and enable trade to serve as an "engine of growth and prosperity for all Members, the WTO must intensify its work towards the necessary reform of all its functions," the statement noted.

As such, these members committed to explore "innovative" approaches that will enable the WTO to deliver meaningful outcomes and restore a fully and well-functioning Dispute Settlement System.

Moving forward these WTO member-economies said there is a need to "recommit to pursue reforms so that the WTO will continue to respond to the needs of its diverse Membership, reinforce its relevance by responding to the cooperation, including by enhancing trade capacities."

The WTO members that signed the statement: Albania; Australia; Kingdom of Bahrain; Brunei Darussalam; Cabo Verde; Cameroon; Canada; Costa Rica; Fiji; The Gambia; Guatemala; Hong Kong; China; Iceland; The State of Kuwait; Kyrgyz Republic; Lao People's Democratic Republic; Liberia; Liechtenstein; Malaysia; Republic of Moldova; Mongolia; Montenegro; New Zealand; Nigeria; Norway; Oman; Peru; Philippines; Sierra Leone; Singapore; Switzerland; Separate Customs Territory of Taiwan; Penghu; Kinmen and Matsu; Turkiye; Ukraine; United Arab Emirates; United Kingdom; Uruguay; Vanuatu and Yemen.

In a social media post by Department of Trade and Industry's (DTI) Bureau of International Trade Relations (BITR) over the weekend, the international trade arm of DTI said: "Supported by 39 WTO Members including the Philippines, the statement acknowledged the WTO's achievements and called for a renewed commitment to reforms to ensure that the organization remains responsive to the needs of its diverse membership." *[Cont. page 4]*

39 WTO members, including PHL, for rules-based trading

[Cont. from page 3]

These members explained the importance of a rules-based multilateral trading system in the face of global supply chain disruptions and rising protectionism, among others.

“We therefore reaffirm the central and indispensable role of the WTO at the core of the rules-based multilateral trading system, which provides a predictable, transparent, non-discriminatory and open global trading system,” the statement of support noted.

“In the face of mounting challenges, including disruptions in global supply chains, rising protectionism and climate change, our collective commitment to the WTO principles and the maintenance of trade openness is more crucial than ever,” they also underscored.

They highlighted the importance of “effective settlement” of trade disputes amid the recent developments in the global trade arena.

“Strong rules facilitate the effective settlement of trade disputes and serve as a bulwark against protectionism and unfair practice. We also recognize the importance of plurilateral initiatives at the WTO,which have been vital in driving concrete progress in key areas of trade,” the 39 members emphasized.

“We call on Members to act and take decisions in an outcome-oriented way and to undertake bold, collective action that reflects the changing dynamics of the global economy and responds to the challenges ahead,” the statement of the 39 nations noted.

“This would ensure that the WTO remains the bedrock of a free, fair, inclusive, sustainable, and rules-based multilateral trading system for generations to come,” they added.

Source: https://businessmirror.com.ph/2025/04/14/39-wto-members-including-phl-for-rules-based-trading/

Philippine electronics exports get relief from Trump tariff exemption — MUFG

April 14, 2025 | Ben Arnold de Vera | Manila Bulletin

The tariff exemption on electronic products ordered by United States (US) President Donald Trump would provide the Philippines' top export commodity some relief, according to Japanese financial giant MUFG Bank Ltd.

This will reinforce the Philippines' position among the emerging markets relatively less exposed to the impact of Trump's tariff spree, which is also seen benefitting Filipino consumers by way of downward domestic inflation.

In an April 14 report, MUFG Global Markets Research senior currency analyst Michael Wan said the Trump administration's announcement over the weekend—that smartphones, semiconductors, and other key electronics items are exempted from reciprocal tariffs as well as the additional 125-percent tariffs on China—would greatly benefit, although temporarily, Asian manufacturers.

This exemption would cover US imports estimated at $380 billion, significantly higher than the previously semiconductor-focused $45-billion worth that Trump announced during his so-called "Liberation Day" last April 2.

"The likes of Taiwan, for instance, will see an additional 53 percent of its export basket exempted, followed by 28 percent for Thailand and Vietnam, 26 percent for the Philippines, and 25 percent for Malaysia," Wan said.

"The product mix also varies by market as well, with computer- and data-related exports forming the bulk of exemptions in Taiwan, and to a smaller extent the Philippines," he added.

Electronics and semiconductors comprise more than half of total Philippine merchandise exports, although shipments to the US remain relatively smaller compared to its neighbors.

Earlier data from Singapore-based DBS Group Research had shown that the Philippines' top goods export to the US in 2024 was computer accessories, although valued at merely $3.1 billion. Philippine shipments of semiconductors to the US last year reached only $2.1 billion, compared, for instance, to Malaysia's $16.2 billion.

On the flip side, Wan cautioned that Trump's latest move "could also have meaningful distribution impact across Asian countries, of course, depending on how the semiconductor and electronics sector tariffs are imposed subsequently." *[Cont. page 5]*

Philippine electronics exports get relief from Trump tariff exemption — MUFG
[Cont. from page 4]

"Assuming there is a 25-percent flat tariff on these electronics products, the likes of Taiwan, Malaysia, and the Philippines could see higher tariff rates relative to China compared to the tariff exemption pause announced over the weekend," he noted.

Separately, MUFG Emerging Markets Research head Ehsan Khoman and research analyst Soojin Kim noted in an April 10 report that among emerging market economies, "Egypt, Israel, the Philippines, and Turkey are the most trade insulated."

Amid the Trump-initiated global trade war, the Philippines' close ties with the US—a former colonizer—would also help, MUFG said.

"The selection of Taiwan and the Philippines as recipients of unblocked US foreign aid suggests emerging Asia's strategic importance to US interests," it pointed out.

As the world braces for the inflationary impact of Trump's tariffs and China's subsequent tariff retaliation—especially in the US—Philippine inflation was estimated by MUFG to fall by 0.9 percent this year.

"At a high level, the first order impact of tariffs is akin to a negative supply shock for the US—driving inflation higher and a negative real income squeeze for consumers," MUFG explained.

"For trade partners, it is akin to a negative external demand shock—driving weaker exports and putting downward pressure on domestic inflation in the tradables sector... With the US standing out facing a stagflationary shock, the rest of the world (that includes emerging markets), is likely to inhibit a disinflationary shock," it added.

In all, MUFG estimates the impact of the US' paused 17-percent reciprocal tariff, alongside Chinese retaliation, on the Philippines' real gross domestic product (GDP) in 2025 at a low of negative 0.7 percent—among the lowest among emerging markets—joining the likes of Turkey, the United Arab Emirates (UAE), Egypt, Saudi Arabia, South Africa, Israel, India, and Colombia.

Source: https://mb.com.ph/2025/4/14/philippine-electronics-exports-get-relief-from-trump-tariff-exemption-mufg

PHL pitches S. Korea for electronics, EV locators
April 14, 2025 | Justine Irish D. Tabile | BusinessWorld

REUTERS

THE GOVERNMENT said it will welcome South Korean companies engaged in electronics manufacturing services and semiconductor manufacturing services, electric vehicles (EV), high-tech agriculture, and clean energy industries seeking to invest in the Philippines.

In a social media post, the Philippine Economic Zone Authority (PEZA) said that it joined the Philippine delegation in the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) roadshow in South Korea on April 6-8.

“The highlight of the mission was the Philippine Business Forum, co-hosted by the Philippine Embassy in Korea and *The Korea Times*, held on April 7,” PEZA said.

“The forum aimed at positioning the Philippines as a leading hub for investment among prospective Korean investors, showcasing the new incentives introduced under the CREATE More Act,” it added.

During the mission, the delegation, led by Secretary Frederick D. Go, who heads the Office of the Special Assistant to the President for Investment and Economic Affairs, met with about 80 Korean firms in business-to-business meetings conducted on the sidelines of the forum.

CREATE MORE “enhances the ease of doing business, reduces costs, and creates predictability — factors that boost confidence among you, our partners,” Mr. Go was quoted as saying.

“Now is the time to create more — more investments, stronger partnerships, and greater opportunities for shared success,” he added. *[Cont. page 6]*

PHL pitches S. Korea for electronics, EV locators

[Cont. from page 5]

During the meetings, PEZA met with current locators like KC & A Corp. and HiTec RCD Philippines, to address operational concerns and explore how the enhanced incentives under the CREATE More Act could support their current activities and potentially facilitate future expansion.

"We were (also) able to meet with Nechon Co…. as well as the Gyeonggi Pyeongtaek Port Corp., which is primarily responsible for the development, operation, and promotion of Pyeongtaek Port in South Korea," PEZA said.

PEZA Director General Tereso O. Panga said South Korea plays an important role in Philippine economic zones.

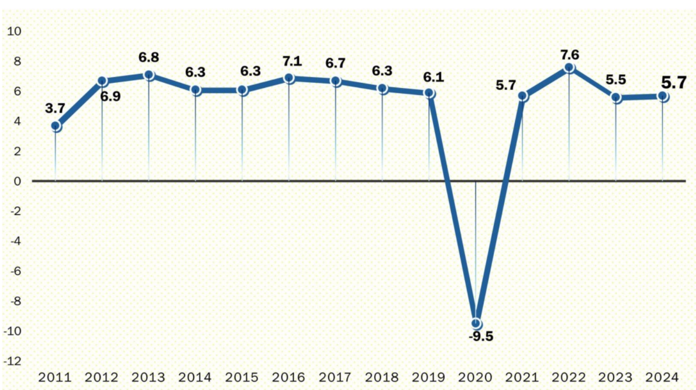
"Currently, South Korea is the fifth-largest foreign investor in PEZA, with a country investment portfolio of over P100 billion, around $1.6 billion in exports, and has created over 39,000 direct jobs, making it one of our valued prospective growth centers," Mr. Panga said.

"I am confident that the mission will open up more investment opportunities from South Korea and reap the benefits of CREATE MORE and the business-friendly environment that PEZA offers," he added.

Source: https://www.bworldonline.com/economy/2025/04/14/665903/phl-pitches-s-korea-for-electronics-ev-locators/

6% GDP growth more feasible now than near 8% amid global uncertainty — NEDA

April 15, 2025 | Angela Celis | Malaya Business Insight



GROWTH in the Philippine economy may now lean toward the low instead of the high end of the government's projected growth range for 2025 given the current global uncertainty, the National Economic and Development Authority (NEDA) said.

In a press briefing in Pasig City on Monday, NEDA Secretary Arsenio Balisacan said a more realistic assumption is for the economy to grow closer to 6 percent, the low end of the 6 to 8 percent full-year growth forecast by the government.

NEDA said it has not totally shelved the possibility of achieving a 6 percent to 7 percent growth for gross domestic product (GDP) this year.

"Next month when we have more information about the first quarter, not just GDP but all other numbers, we have a sound basis for decision (if there needs to be a revision in the growth assumptions)," Balisacan said.

"I think that given the uncertainty, and it's not something that's likely going to disappear soon … the eight percent may already be not a realistic assumption," he added.

Balisacan explained that the government used a 6 percent to 8 percent growth assumption this year to have enough leeway in responding to global uncertainty.

"The only reason we had a wide range at that point when we were looking at, and we were deciding on, the targets, growth assumptions, was the realization that the global economy is more uncertain than it used to be. So we wanted to have some flexibility in the way we could respond," Balisacan said.

"But as things will solidify in the coming months, we hope that we'll be able to … frame a more realistic trajectory," he added.

For the entire 2025, 6 percent to 7 percent GDP growth is still "within the realm of possibility," NEDA said.

"The second quarter is what I see as quite challenging, until we see all these tit-for-tat-scenario in the global marketplace settles," Balisacan said.

"But I think for the economy, for the entire year, as I said, there is still so much uncertainty, but we can work on that as a matter of strategy and investment programming," he added. *[Cont. page 7]*

6% GDP growth more feasible now than near 8% amid global uncertainty — NEDA

[Cont. from page 6]

Q1 GDP results

The government is set to announce the first quarter 2025 GDP results on May 8. The first quarter 2024 GDP grew 5.9 percent.

"If we are going to get somewhat close to that for the first quarter, that to me is a respectable achievement.

But I would like to see, hopefully, 6 percent," Balisacan said.

Asked about the growth drivers in the first quarter, he said: "Most likely domestic consumption, because we won't expect that exports will be a driver in the first quarter or even for the year, because of these disruptions in the trade."

"But then again, this does not mean that we should not pay attention to exports," Balisacan said.

"I think moving forward, we should be even more paying attention to exports, together with investment, so that we can have these two other pillars of growth, and not just on consumption. So that when the storm settles down, our economy is in a better position to take advantage of those opportunities that will arise," he added.

US tariff simulations

Meanwhile, simulations made by the government showed the 17 percent tariff rate imposed by the US on the Philippines would have an overall impact of a 1.5 percent increase in the country's total exports. The simulations also took into consideration a much higher tariff rate of 145 percent for China's exports to the US.

"When we did our simulation, the net benefits for us in terms of the increases in overall exports, not just for the US but overall, as well as for increases in GDP, are now more favorable for us compared with the reciprocal tariffs. But again, because our exports to the US are of relatively small quantity compared with what you see for our neighbors, the benefits in terms of exports to the US are not that high," Balisacan said.

The Trump administration has paused its planned 17 percent tariff on Philippine exports for three months, after imposing a 10 percent tariff rate on all exports on America's trading partners worldwide.

"So I think moving forward, since it's only a 90-day pause and we don't know what's going to happen after that," Balisacan said, adding that there will also be changes in the products covered by Trump's reciprocal tariffs.

'Quite pervasive' uncertainty

Balisacan sees the uncertainty being "quite pervasive" when it comes to which products would get higher levies … "and that's what's going to impact on global trade and the overall economy, including the Philippines."

Balisacan said this would impact investment and investment decisions by companies.

What the Philippines would like to see is the overall Investment and trade climate settling down, "and becomes more predictable," he added.

NEDA to DepDEv

On Friday, April 11, NEDA announced the agency would be reorganized as the Department of Economy, Planning,and Development (DepDev).

In a statement, NEDA said President Ferdinand Marcos Jr. signed the Economy, Planning and Development Act or Republic Act No. 12145 on April 10, legislating the DepDev's new charter.

The new law seeks to strengthen the agency's mandate, institutional independence and capacity as the country's primary policy, planning, coordinating and monitoring arm of the Executive branch on the national economy.

"The establishment of the DepDev contributes to sound economic governance by bridging past and future development strategies, ultimately ensuring our upward development trajectory and that economic progress is sustained, remains resilient, and is beneficial to all Filipinos," Balisacan said.

The reorganization enables the department to function as a full blown Cabinet-level agency.

Another key reform under the law is the institutionalization of the Planning Call, which seeks to strengthen the linkages between planning, budgeting, and monitoring and evaluation by establishing clear standards, guidelines and accountability mechanisms.

This initiative streamlines the integration of development priorities into the budgeting process, reducing inefficiencies and delays, promoting transparency and accountability in government decision-making and ensuring that public resources are channeled to programs and projects most responsive or proven impactful to the country's development needs, NEDA said.

Source: https://malaya.com.ph/business/business-news/6-gdp-growth-more-feasible-now-than-near-8-amid-global-uncertainty-neda/

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