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SPECIAL POINTS OF INTEREST

UPCOMING EVENT

Philippines Q1 GDP grows slightly faster but lags expectations

May 08, 2025 | Reuters | BusinessWorld

PHILIPPINE STAR/ MICHAEL VARCAS

MANILA – The Philippine economy expanded slightly faster in the first quarter even as growth lagged expectations, with household consumption and public spending underpinning momentum as the country faces rising external headwinds from US tariffs.

Gross domestic product rose by an annual 5.4% in the January–March quarter, official data showed on Thursday, slightly ahead of the 5.3% pace in the fourth quarter of 2024. However, the figure fell short of the 5.7% growth projected in a Reuters poll.

"This performance underscores the relative resilience of our economy in the face of global volatility," Economic Development Undersecretary Rosemarie Edillon said at a press briefing.

On a seasonally adjusted basis, the economy expanded 1.2% quarter-on-quarter, missing economists' median forecast of 1.6%, according to the Reuters poll.

Growth in the first quarter was largely driven by a surge in public spending, which jumped 18.7%, the fastest pace since the second quarter 2020, as the government front-loaded infrastructure spending before a 45-day ban imposed ahead of the May 12 midterm election takes effect.

Household consumption also picked up, growing 5.3% from 4.7% in the previous quarter, buoyed by easing inflation, which Edillon said may give the Bangko Sentral ng Pilipinas more leeway to loosen monetary policy.

"There's really room for more easing," she said.

Annual inflation in April slowed to its lowest level in over five years to 1.4%, boosting expectations of a policy rate cut at the central bank's next meeting on June 19.

Source: https://www.bworldonline.com/top-stories/2025/05/08/671290/philippines-q1-gdp-grows-slightly-faster-but-lags-expectations/

PH may grow into $2T economy by 2050 —DEPDev's Balisacan

May 08, 2025 | Reuters | Malaya Business Insight

Reform, govt intervention seen key to reaching goal

THE Philippines has the potential to become a $2 trillion economy by 2050 in a transformation engineered by strategic government intervention and reform, the secretary for the Department of Economy, Planning and Development (DEPDev) said.

DEPDev in a statement on Wednesday said Secretary Arsenio Balisacan at an economic forum in Milan, Italy, underscored how the country sustained its strong economic momentum through the years, and shared the government's growth plan for the economy in the coming years.

"At our current growth trajectory, and barring significant external shocks, we anticipate reaching a $2 trillion economy by 2050," Balisacan said during the Philippine Economic Dialogue in Milan, Italy on May 6, as disclosed by DEPDev in its May 7 statement. *[Cont. page 2]*

PH may grow into $2T economy by 2050 —DEPDev's Balisacan

[Cont. from page 1]

The Philippine Economic Dialogue, conducted on the sidelines of the 58th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB), was attended by about 90 participants from the European business and financial communities, as well as delegates from the ADB Annual Meeting.

PH market features

Balisacan shared the economy's desirable market features, citing its $392 billion economic output, its progress as a rising middle-income country and its sizable population of 114 billion with a median age of 27.

The government is pushing for private-sector-driven growth by actively shaping an open, future-ready economy where investments generate lasting impact and shared prosperity, Balisacan told the dialogue participants.

In this regard, the DEPDev secretary cited improvements in the governance framework for public-private partnership (PPP) projects, which enhanced transparency and investor confidence.

Key policy progress

Key policy advancements include the Philippines-Korea Free Trade Agreement, the Ease of Paying Taxes Act, the CREATE MORE Act and the establishment of green lanes for strategic investments, along with measures to facilitate infrastructure development and reduce the cost of doing business.

He invited investors to explore opportunities within the Luzon Economic Corridor, a key government initiative aimed at boosting trade and investment across the region.

"The Luzon Economic Corridor connects Subic, Clark, Manila and Batangas through coordinated investments in logistics, energy, and infrastructure," Balisacan said.

"This corridor supports key sectors, such as agribusiness, semiconductors, manufacturing, and finance—serving as a launchpad into Asian and global markets," he said.

The country's chief economist also highlighted the government's commitment to infrastructure development, with 207 flagship projects worth about $178 billion currently in various stages of implementation.

Private sector role

He underscored the private sector's vital role in addressing the country's infrastructure needs and reaffirmed the administration's strong commitment to developing a workforce that meets evolving labor market demands.

"Strong macroeconomic fundamentals, reform momentum, a skilled and young workforce and a strategic location position the Philippines as your ideal partner of choice in Asia and globally. The right time is now. The right place is the Philippines," he said.

During the panel discussion, DEPDev said Budget and Management Secretary Amenah Pangandaman emphasized the government's sustained investments in human capital, highlighting the strong, sustained focus on education, health and social protection that complement the upgrade of the country's vital infrastructure through the Build-Better-More program.

She also discussed game-changing procurement reforms under the New Government Procurement Act, which enables enhanced opportunities and alternatives for private-sector participation in providing public goods and services.

Finance Undersecretary Domini Velasquez detailed government efforts to strengthen the economy's fiscal foundations, citing debt-to-gross domestic product (GDP) and deficit-to-GDP ratios at manageable levels and public-private partnerships that provide critical financing for transformative infrastructure projects.

Meanwhile, Bangko Sentral ng Pilipinas (BSP) Assistant Governor Zeno Abenoja highlighted how the Philippine government was able to manage inflation, providing ample room for an accommodative monetary policy that will support sustained consumption and investment activities in the coming years.

Source: https://malaya.com.ph/business/business-news/ph-may-grow-into-2t-economy-by-2050-depdevs-balisacan/

Low inflation and unemployment, high growth and trade

May 08, 2025 | Energy, Infra and Economics - Bienvenido Oplas Jr. | The Philippine Star

Last-minute shoppers flock to Divisoria in Manila.

The Philippine STAR / Ryan Baldemor

While the coming elections on Monday, May 12, is largely about personalities, economic issues also play a big part in campaign debates. I will discuss four issues as recent data released by the Philippine Statistics Authority (PSA) have been generally positive.

Inflation, unemployment, trade and GDP growth

Our inflation for April 2025 was only 1.4 percent, the lowest level since November 2019, good news. The average inflation for January-April period are: 4.0 percent in 2021, 3.7 percent in 2022, 7.9 percent in 2023, 3.4 percent in 2024 and 2.1 percent in 2025.

I like the statement issued by Finance Secretary Ralph Recto. He said in Filipino and my translation, “Despite the continued decline in inflation, we are not complacent. Government action continues to keep it low and ensure that each Filipino household will benefit from it. We will do everything so that affordable prices for basic necessities will continue.”

He added that “This lower-than-expected inflation for the month also provides more room for the BSP to further cut policy rates to help us further boost the spending power of Filipinos, drive in more investments, and grow the economy, especially amid rising global uncertainties.”

Economic Planning Secretary Arsenio Balisacan and Budget Secretary Amenah Pangandaman, who were both in Italy, also expressed elation from this significant decline in inflation, particularly in food inflation of only 0.7 percent.

Good weather contributed to this, it was still raining until March and April and hence, crop output was high. Also low electricity and oil prices, peso appreciation that made imported goods like oil and raw materials become cheaper.

Our unemployment rate for March 2025 was 3.9 percent, also good. The average unemployment rates for January-March period are: 8.2 percent in 2021, 6.2 percent in 2022, 4.8 percent in 2023 and 4.0 percent in both 2024 and 2025. Declining trend in unemployment and hence, good news.

Our exports for January-March were $18.2 billion in 2024 and $19.3 billion in 2025 or 5.7 percent increase. Same period, imports were $29.5 billion in 2024 and $32 billion in 2025 or 8.4 percent increase.

What is interesting is that in total trade (exports plus imports) also for January-March period, the share of China increased from $9.3 billion or 19.5 percent of total in 2024 to $11 billion or 21.5 percent of total in 2025. In contrast, the share of Japan plus US combined was 20.7 percent in 2024 to 20.8 percent in 2025.

Our GDP performance for the first quarter 2025 will be released later today. Recent Q1 growth rates were: -3.8 percent in 2021, 8.1 percent in 2022, 6.4 percent in 2023 and 5.8 percent in 2024. The average growth forecast by 15 economists in the quarterly BusinessWorld poll is 5.8 percent growth in 2025. Fair enough.

As I wrote in this column earlier, among the 53 largest economies in the world with GDP size at purchasing power parity (PPP) of at least $500 billion, the Philippines has the third fastest growth in both 2023 and 2024, behind India and Vietnam.

Among East Asians that have released their Q1 2025 GDP growth, here are the numbers: Vietnam 6.9 percent, China 5.4 percent, Taiwan 5.4 percent, Indonesia 4.9 percent, Malaysia 4.4 percent, Singapore 3.8 percent, Hong Kong 3.1 percent, S. Korea -0.1 percent.

In contrast with Europeans with Q1 2025 GDP data: Austria -0.7 percent, Germany -0.2 percent, Hungary 0, Italy 0.6 percent, France 0.8 percent, Sweden and Belgium 1.1 percent, Finland 1.2 percent, Portugal 1.6 percent. And these are contraction or low growth on already low base or low growth in Q1 2024.

Economic and political Implications of the above numbers

One, low inflation means consumer confidence will improve, household spending will increase and this will pull up overall GDP spending and growth. BSP should further cut its interest rate from the current 5.5 percent (peak of 6.5 percent until July 2024) to five percent or lower.

Two, low unemployment rate means many people have jobs, have spending power which again will help improve consumer confidence and raise household spending. *[Cont. page 4]*

Low inflation and unemployment, high growth and trade

[Cont. from page 3]

Three, high expected GDP growth in Q1 2025 of 5.8 percent or higher means both households and corporations are doing good overall. Not as good as Vietnam but better than many Asian neighbors, and definitely better than all European economies.

From these three indicators alone, I think the administration candidates can expect good performance in the elections on Monday.

On foreign policy which has become an election issue also, there is widening gap between administration policy of growing anti-China sentiment vs household and corporate preference for China products. The combined share of China plus Hong Kong in Q1 2025 is 26.5 percent of our total merchandise trade or more than one-fourth already. So the share of all other countries including the US, Japan, S. Korea, Europe, etc. is less than three-fourth of our total trade.

Meanwhile the economic team held a Philippine Economic Dialogue (PED) in Milan, Italy last May 6. The main speakers were Secretary Pangandaman, Secretary Balisacan, DOF Undersecretary and chief economist Domini Velasquez, BSP Assistant Governor Zeno Ronald Abenoja, and DA Undersecretary Asis Perez. It is one of the sideline meetings held by the economic team during the ADB Annual Meeting.

My unsolicited advice to the economic team is that they should do more PED in more European countries this year and the next. Especially in Germany, UK, France, Netherlands, Austria and Belgium. These economies have been crawling if not contracting for the past three years.

https://www.philstar.com/business/2025/05/08/2441321/low-inflation-and-unemployment-high-growth-and-trade

Factory output posts modest recovery in March

May 08, 2025 | Anna Leah Gonzales | Philippine News Agency

(PNA file photo)

MANILA – The country's factory output showed a slight improvement in March, according to the Philippine Statistics Authority (PSA), signaling a modest recovery in the manufacturing sector.

Preliminary results of the latest Monthly Integrated Survey of Selected Industries showed that the value of production index (VaPI) rose by 0.4 percent in March, reversing the -0.6 percent seen in February. This is also an improvement from the -6.2 percent contraction recorded in the same month last year.

"The uptrend in the annual growth rate of VaPI for manufacturing in March 2025 was mainly attributed to the faster annual increase in the manufacture of food products at 19.2 percent during the month from an annual increment of 13.9 percent in the previous month," the PSA said.

The annual increase in the manufacture of transport equipment, computer, electronic and optical products also contributed to the VaPI expansion in March.

Meanwhile, the volume of production index (VoPI) recorded a slower contraction of 0.2 percent in March this year from -1.5 percent in February.

In March 2024, VoPI posted a sharper drop of -5.1 percent.

The PSA said the increase in the manufacture of food products, computer, electronic and optical products helped slow the contraction in the VoPI in March.

Meanwhile, the average capacity utilization rate for the manufacturing section was reported at 76.2 percent, up from the 75.9 percent average capacity utilization rate in the previous month.

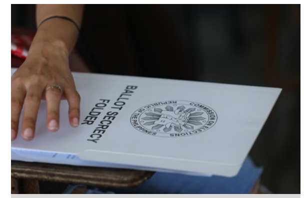
"All industry divisions reported capacity utilization rates of more than 50.0 percent during the month," the PSA said.

The top three industry divisions in terms of reported capacity utilization rate were the manufacture of machinery and equipment except electrical at 85 percent, the manufacture of food products at 80.5 percent, and other manufacturing and repair and installation of machinery and equipment at 80.3 percent.

Source: https://www.pna.gov.ph/articles/1249545

Mid-term vote holds key to Philippines riding out tariff-linked risks

May 08, 2025 | By Ditas Lopez and Neil Jerome Morales, Bloomberg | BusinessWorld



The midterm elections are set for May 12. — PHILIPPINE STAR/WALTER BOLLOZOS

The Philippines' May 12 midterm election is putting investors on alert for any changes to government policies, as the global trade war exposes weaknesses in one of Asia's fastest-growing economies.

The vote to pick 12 senators, more than 300 congressmen and nearly 18,000 local officials comes as policymakers seek to boost investment and consumption against the backdrop of a more challenging external environment. It will also be a crucial test for both President Ferdinand Marcos Jr. and his estranged Vice President Sara Duterte, who are backing competing candidates.

"Investors are watching whether the elections will result in continuity that will ensure economic reforms," said Jonathan Ravelas, managing director at eManagement for Business and Marketing Services, a Manila-based consultancy. "The Philippines cannot afford to have political instability, especially during this time of global uncertainty."

The economy expanded 5.4% in the first quarter from a year earlier, slower than the 5.7% expansion forecast by analysts but marginally faster than the pace seen in the last quarter of 2024, according to data released Thursday. The government aims for growth of at least 6% this year after a slower-than-projected 5.7% expansion in 2024, though the economy is still outpacing most of Asia.

A Philippine trade delegation wrapped up initial talks with US officials last week with more likely as Manila seeks to lower the Trump administration's proposed 17% tariff. The planned levy is well below those threatened against most of Southeast Asia, including a 46% rate on Vietnam, and policymakers see the chance to win a competitive advantage — if they can continue domestic reforms.

"While the tariffs create opportunities to shift supply chains, EU investors remain cautious of long-term operational inefficiencies," European Chamber of Commerce of the Philippines President Paulo Duarte said. "To seize this strategic window, the government must focus on lowering operational costs and improving ease of doing business."

The country's young, English-speaking workforce is a big asset for the economy, but challenges abound, said Ebb Hinchliffe, executive director at the American Chamber of Commerce of the Philippines. They include red tape, infrastructure and connectivity, energy costs and regulatory unpredictability, he said, echoing worries that have haunted Philippine businesses for decades.

While the Philippines has enacted legislation to attract investors — including a measure that cuts corporate taxes and the removal of foreign ownership limits in sectors including renewable energy — businesses want more reforms. But a shaky political situation after the midterms could keep the government's focus off much-needed changes.

Finance Secretary Ralph Recto last month withdrew a proposal that sought to increase capital gains, donor and estate taxes to 10% from 6%, citing ample tax collection in the past three months. The bill would generate roughly P300 billion ($5.4 billion) in additional revenue over the next five years.

Winning lawmakers will have their work cut out for them when the new Congress convenes in July. Pending bills include a measure to ban raw mineral exports to spur the downstream mining industry, a plan heavily opposed by a local nickel industry association.

And awaiting Marcos' signature is a bill reducing the stock transaction tax to 0.1% from 0.6% to make the country more attractive compared with Southeast Asian neighbors. But it will also subject foreign firms to a 25% tax on dollar-denominated bonds out of the Philippines.

The average return on local assets in a midterm election year has been negative 0.3%, based on polls running back to 1995, compared with 12% gains during presidential election years since then, according to Ritchie Ryan Teo, chief investment officer at Sun Life Investment Management and Trust Corp.

"Enflamed disagreements between parties have occurred in past elections that have not derailed the capability for Congress to pass laws and budgets," Teo said. "We are cautiously optimistic, but this is definitely a space to watch."

The outcome of the election is particularly critical for Duterte, as the 12 senators being elected will be among jurors for the vice president's impeachment trial that starts in July.

"Businesses don't seem to mind it as long as it does not spill over into their turf or their bottom line," said Dereck Aw, a senior analyst at Control Risks. "If anything, some are even relieved that politicians are too busy feuding with each other to meddle in business, which the Philippine government has been known to do." *[Cont. page 6]*

Mid-term vote holds key to Philippines riding out tariff-linked risks

[Cont. from page 5]

Consumption, powered by remittances from Filipinos working abroad, who sent home a record $38.3 billion last year, accounts for about 70% of the country’s economic output. Manufacturing is less than 20%.

Amando Tetangco, a former central bank governor who now chairs top conglomerate SM Investments Corp., said a consumption-driven economy bodes well for the Philippines at a time of heightened global risks.

“This structure gives us a certain amount of protection. We are less vulnerable,” Tetangco said. “We may be less open than other countries (in terms of trade) but in this current environment it provides us some insulation from potential adverse effects of developments.”

The Philippines’ benchmark stock index has dropped 1% in the year through May 7, trailing the MSCI Asia Pacific index’s 5% gain. Local bonds have handed dollar-based investors a gain of 6.3%, while the peso is up around 4%.

“If you look at the last 20 years or so, we’ve had a lot of those political noises but the policy directions have remained largely the same,” Economic Planning Secretary Arsenio Balisacan said in an interview. “What matters is that the political noise will not cause a reversal of what is otherwise good policy,” he said.

For Teresita Sy-Coson, whose family leads SM that has interests in banking, property and retail, the way forward is to shrug off politics. “We just continue with the business, we are not listening to the noise,” she said.

Source: https://www.bworldonline.com/bloomberg/2025/05/08/671302/mid-term-vote-holds-key-to-philippines-riding-out-tariff-linked-risks/

EU trade chief says accelerating free trade talks with Asia

May 05, 2025 | By Agence France-Presse | The Manila Times

SINGAPORE — The European Union is accelerating free trade talks with Asia following hefty tariffs by US President Donald Trump, the bloc's trade chief said Wednesday.

Trump has slapped a series of higher tariffs on Europe since March and in his biggest move, he imposed a 20-percent tariff on a majority of EU goods last month -- before announcing a 90-day pause that is due to expire in July.

Negotiations with Washington are a priority but such talks will not come "at any cost", EU Trade Commissioner Maros Sefcovic told reporters in Singapore.

"I would like to underscore that in today's geopolitical context, we are making sure that the EU is not putting all its eggs in one basket," he said.

"Bilaterally, we are accelerating the negotiations with Indonesia, the Philippines, Thailand and Malaysia," he said.

All four countries are key members of the 10-member Association of Southeast Asian Nations (ASEAN), a region of more than 650 million people.

"And we are also stepping up engagement with India. We just had another round of negotiations just last week," said Sefcovic.

He was speaking in Singapore after signing a digital trade agreement between the EU and the city-state on Wednesday.

"Our goal here is also very clear: to keep signing agreements and remain a reliable, trusted and predictable partner in a rapidly shifting global landscape," he said.

The commissioner said the EU is also looking at "potential enhanced cooperation" with members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Signs of 'de-escalation'

The EU has a surplus of 154 billion euros ($175 billion) against the United States in goods trade, but is in deficit for 104 billion euros in services, Sefcovic said, citing data from the European Statistics Office. *[Cont. page 7]*

EU trade chief says accelerating free trade talks with Asia

[Cont. from page 6]

This leaves the EU with a surplus of 50 billion euros, which can be rebalanced by buying more liquefied natural gas, soya beans and high-end computer chips from the United States, Sefcovic said.

Trump has said the deficit is several hundred billion dollars a year.

There is currently a "baseline" levy of 10 percent on goods from the 27-country EU and other nations around the world.

Negotiators are now seeking to avoid a full trade war if the higher tariffs come into force in July.

The EU will also be looking for signs of "de-escalation" when US and Chinese officials meet in Switzerland for tariff talks this weekend, the commissioner said.

Trump has imposed tariffs totalling 145 percent on goods from China.

Beijing has retaliated with 125 percent levies on imports from the United States.

Source: https://www.manilatimes.net/2025/05/08/business/foreign-business/eu-trade-chief-says-accelerating-free-trade-talks-with-asia/2108586

UPCOMING EVENT

The Joint Foreign Chambers (JFC) is once again holding its **JFC Clark International Mixer** on **14 May 2025 from 6:00 pm to 9:00pm at the Clark Marriott Hotel.**

As the second JFC networking event in Clark, this international mixer is a unique opportunity to connect with professionals from diverse backgrounds and industries in an informal setting. Relationships formed at an event like this help stimulate discussion and possible business opportunities.

The JFC networking events attract over 200 guests, including members of the different foreign chambers, prominent figures in the business and diplomatic world, and top government officials.

The event is also open for sponsorships. For further information, please feel free to contact KCCP Secretariat at 8885-7342 or email at info@kccp.ph

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