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SPECIAL POINTS OF INTEREST

- **Below-target inflation supports case for another rate cut, analysts say** — page 1-2
- **Philippines seeks codesharing agreement with South Korea** — page 2-3
- **GIR flat in May on declines in forex, foreign investment** — page 3-4
- **Peso needs to be 'more competitive'** — page 4-5
- **Geothermal investments gaining steam** — ADB — page 5-6
- **Wage hike bill not LEDAC's priority** — Escudero — page 6

Below-target inflation supports case for another rate cut, analysts say

June 09, 2025 | Luisa Maria Jacinta C. Jocson | BusinessWorld

THE BANGKO SENTRAL ng Pilipinas (BSP) will be able to further reduce interest rates amid below-target inflation and weak economic growth, analysts said.

"With inflation holding near multi-year lows and the peso showing relative strength, a rate cut from the BSP in June has become more certain," Bank of the Philippine Islands Lead Economist Emilio S. Neri, Jr. said.

This after inflation cooled to an over five-year low of

1.3% in May, bringing the five-month average to 1.9%. This is below the BSP's 2-4% target band.

Inflation is also seen to remain well contained for the remainder of the year, analysts said.

Nomura Global Markets Research analysts Euben Paracuelles and Nabila Amani said headline inflation could average 1.8% this 2025.



PEOPLE buy face masks at a stall in Carriedo, Manila. — PHILIPPINE STAR/RYAN BALDEMOR

"Our forecast pencils in CPI (consumer price index) inflation becoming more benign at 1.3% in the third quarter, down from 2% year-to-date, before edging back up to 2% by yearend," they said in a report.

The central bank expects inflation to average 2.3% this year.

"This benign inflation outlook is underpinned by various factors, such as a negative output gap, low crude oil prices and the government maintaining supply-side measures (to keep rice prices low, in particular)," Nomura added.

Weaker-than-expected first-quarter gross domestic product (GDP) growth would also justify further easing, Mr. Neri said.

Consumption growth has not yet returned to pre-pandemic levels, which has kept overall GDP below 6%.

"However, with inflation stabilizing at lower levels, there is room for further recovery in the coming months," he added.

The Philippine economy grew by a weaker-than-anticipated 5.4% in the January-to-March period, sharply slowing from the 5.9% expansion a year ago.

"Coupled with the weaker-than-expected GDP print in the first quarter, we think the latest inflation report supports the case for another 25-bp (basis point) cut at the BSP's June 19 meeting," Chinabank Research said.

The Monetary Board's next policy meeting is scheduled for June 19.

In April, the BSP resumed its rate-cutting cycle with a 25-bp rate cut, bringing the benchmark rate to 5.5%.

Nomura expects the BSP to deliver another 75 bps worth of cuts for the remainder of the year.

"We continue to believe BSP has scope to steadily shift towards a more accommodative stance, as inflation expectations remain well-anchored and domestic demand is still subdued," it said. [Cont. page 2]

Below-target inflation supports case for another rate cut, analysts say*[Cont. from page 1]*

"We reiterate our call for BSP to deliver an additional 75 bps of rate cuts this year, taking the policy rate to a below neutral 4.75%."

BSP Governor Eli M. Remolona, Jr. has signaled the possibility of two more rate cuts this year, in increments of 25 bps. He also said another 25-bp cut this month is still "on the table."

The central bank has reduced borrowing costs by a total of 100 bps so far since it began easing rates in August last year.

RISKS AHEAD

Despite macroeconomic indicators pointing to a cut, Mr. Neri said the BSP must still remain cautious.

"However, while the environment favors a cut, caution is still warranted. A shift in US monetary policy remains a key risk, particularly if inflation there rises further due to tariffs."

"An overly aggressive easing cycle could leave the Philippine economy exposed to a sharp reversal in the Federal Reserve's stance, potentially forcing the BSP into abrupt and sizable rate hikes in response," he added.

US Federal Reserve policymakers have already signaled they are in no rush to cut interest rates, and a government report on Friday showing the labor market is far from crumbling amid big trade policy changes only cements that stance, Reuters reported.

Financial markets have been betting the Fed will wait until September to cut rates and will deliver a second reduction in borrowing costs by December.

Meanwhile, Chinabank Research said the central bank will also consider the recent wage hike proposal and its impact on prices.

"The BSP will likely remain cognizant of persisting upside risks to the inflation outlook, including upticks in food prices and the proposed legislated wage hike."

The House of Representatives last week approved on third and final reading a bill seeking to raise the minimum daily wage by P200 across the board. If passed into law, this would mark the first legislated national wage hike since the late 1980s.

"Looking ahead, we expect inflation to remain low in the next months, though a hefty increase in the minimum wage could add to inflationary pressures," Chinabank added.

Business groups have warned that the proposed wage hike could lead to closure of small businesses, joblessness and higher cost of goods and services.

Source: <https://www.bworldonline.com/top-stories/2025/06/09/677828/below-target-inflation-supports-case-for-another-rate-cut-analysts-say/>

Philippines seeks codesharing agreement with South Korea

June 09, 2025 | Tyrone Jasper C. Piad | Philippine Daily Inquirer



MANILA, Philippines – The Civil Aeronautics Board (CAB) wants additional seamless travel options for passengers from the Philippines going to the United States through a third-country codesharing agreement with South Korea.

CAB Executive Director Carmelo Arcilla, in an interview last week, said this potential deal would allow travelers from the Philippines to fly to the United States via South Korea with only one plane ticket.

"You only buy one ticket, you only deal with one entity," he explained. "So, in terms of marketing and convenience for the passengers, it gives advantages."

"[That] agreement with Korea will enhance the commercial viability of US carriers operating in the Philippines," Arcilla said. *[Cont. page 3]*

Philippines seeks codesharing agreement with South Korea

[Cont. from page 2]

This arrangement is seen to complement the direct flights of United Airlines, which operates the Manila-San Francisco route.

Meanwhile, flag carrier Philippine Airlines services nonstop flights to Seattle, Los Angeles, San Francisco, New York, Honolulu and Guam.

The country's long-haul flight network has been expanding with the entry of foreign airlines.

Apart from the Manila-San Francisco route, United Airlines is also operating San Francisco-Narita-Cebu flights.

Qantas Airways has begun servicing flights linking Manila and Brisbane. Air France is also now linking passengers between Manila and Paris.

In April, Air Canada launched its inaugural Manila-Vancouver flights.

By Oct. 1, Filipino travelers will be able to fly directly to India with the launch of nonstop flights between Manila and Delhi by Air India.

The Manila-Delhi routes will also provide Filipinos routes to Europe via India. Air India flies to London, Birmingham, Vienna and Copenhagen.

Arcilla said several foreign airlines have been eyeing to set up operations in Manila but not everyone can be accommodated at the Ninoy Aquino International Airport because of limited slots.

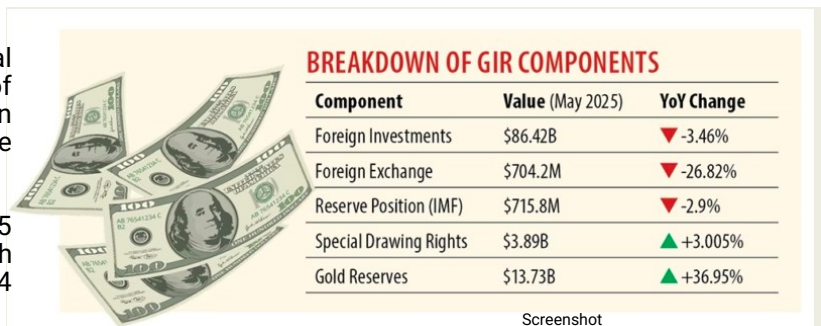
Source: <https://business.inquirer.net/529628/ph-seeks-codesharing-agreement-with-south-korea>

GIR flat in May on declines in forex, foreign investment

June 07, 2025 | Cai U. Ordinario | BusinessMirror

THE growth of the country's Gross International Reserves (GIR) is flat in May 2025 on the back of declines in foreign investment and foreign exchange, according to data released by the Bangko Sentral ng Pilipinas (BSP).

Based on the data, the country's GIR rose to \$105.5 billion as of end-May 2025, a 0.42-percent growth from the \$105.02 billion in the end of May 2024 period.



Compared to April 2025, the country's GIR growth was also flat at 0.14 percent from the \$105.31 billion posted in April 2025.

"[The GIR] corrected slightly higher after declining for 2 straight months [and] after lower for most months since October 2024 or when the Trump factor started as one of the major external risk factors/challenges for the global economy and financial markets," Rizal Commercial Banking Corporation (RCBC) Chief Economist Michael L. Ricafort said.

John Paolo Rivera, senior research fellow at the Philippine Institute for Development Studies (PIDS), said the country's GIR is expected "to fluctuate modestly" on the back of global conditions.

Rivera said other factors include the peso's performance and the timing of the country's external debt payments, as well as foreign exchange operations.

House Committee on Ways and Means Chairman Joey Sarte Salceda earlier said the incoming Congress must pursue urgent fiscal reforms amid a tightening budget landscape in 2026, driven by the P464 billion in maturing Covid-era debts. [Cont. page 4]

GIR flat in May on declines in forex, foreign investment

[Cont. from page 3]

Salceda said in a recent presentation that this looming debt maturity poses a “major fiscal constraint” for the 2026 national budget (See: <https://businessmirror.com.ph/2025/06/05/maturing-covid-debts-make-reforms-crucial/>).

“While the PHP’s recent strength could temper reserve accumulation via forex interventions, it may also reflect improved market sentiment,” Rivera said.

“The US credit rating downgrade may lead to some rebalancing in global portfolios, but given the depth and liquidity of the US Treasury market and the BSP’s conservative reserve management, we do not expect significant exposure risks,” he added.

The BSP’s reserve assets consist of foreign investments; gold; foreign exchange; reserve position in the International Monetary Fund (IMF); and special drawing rights (SDRs).

Based on the data, the reserve position in the IMF contracted 2.9 percent to \$715.8 million as of the end of May 2025 from the \$737.2 million as of the end of May 2024.

Foreign investments, which reached \$86.42 billion as of end-May 2025, contracted 3.46 percent from the \$89.52 billion in the same period last year.

The data showed that foreign exchange was at \$704.2 million as of the end of May 2025. However, this represented a contraction of 26.82 percent from the \$962.3 million posted at the end of May 2024.

Nonetheless, these contractions were offset by the 36.95-percent increase in the BSP’s gold reserves and 3.005-percent growth in SDRs.

The data showed the country’s gold reserves increased to \$13.73 billion as of the end of May 2025 from the \$10.02 billion posted at the end of May 2024.

For the SDRs, the data showed it increased to \$3.89 billion at the end of May 2025 from the \$3.77 billion at the end of May 2024.

“The month-on-month increase in the GIR level reflected mainly the upward valuation adjustments in the BSP gold holdings due to the increase in the price of gold in the international market,” BSP said.

“[Further the] net income from the BSP’s investments abroad and national government’s net foreign currency deposits with the BSP,” it added.

This latest GIR level provides a robust external liquidity buffer, equivalent to 7.3 months’ worth of imports of goods and payments of services and primary income.

The BSP also said the GIR covers about 3.7 times the country’s short-term external debt based on residual maturity.

Source: <https://businessmirror.com.ph/2025/06/07/gir-flat-in-may-on-declines-in-forex-foreign-investment/>

Peso needs to be ‘more competitive’ —ANZ

June 09, 2025 | Luisa Maria Jacinta C. Jocson | BusinessWorld



THE PHILIPPINES should move to make the peso more competitive now that inflation has receded, giving monetary authorities room to maneuver, ANZ Research said.

“We believe the Philippines should consider a more competitive exchange rate. While this carries risks, the country’s improved external position and structurally lower inflation offer a buffer,” it said in a report.

“A weaker peso could boost exports, attract investment, and support a shift toward productivity-led growth,” it said.

The peso has been trading at the P55 level against the dollar since the end of April.

ANZ noted previous periods of peso overvaluation in the 1980s and 1990s, which impacted manufacturing. [Cont. page 5]

Peso needs to be 'more competitive' —ANZ

[Cont. from page 4]

"The tradable goods sector has been disproportionately affected — exports relying heavily on imported inputs (for example, the assembly-oriented semiconductors) have fared better than those relying on domestic inputs," it said.

This caused domestic industries to sharply decline as the real appreciation of the currency made imports cheaper, it added.

"Electronics, which depend on imported inputs, have suffered too but performed better than the traditional manufacturing sectors that typically have deeper local linkages."

It also cited the Philippines' widening real effective exchange rate gap relative to its neighbors since 2004, which "signals a sustained loss of relative competitiveness, reinforcing the need for a more balanced exchange rate."

"Adding to the challenge is an overvalued peso, especially amid weak productivity growth."

Traditional currency fair-value models indicate that the peso has been overvalued since 2019, hurting export competitiveness — especially for industries relying on domestic inputs, it said.

ANZ said it would benefit the economy to correct the overvaluation or even just "pursue a mildly undervalued exchange rate, whenever possible."

"A growth model that is reliant on consumption and imports funded by labor exports and remittances inhibits the transition towards higher productivity over time."

"The two key drawbacks of pursuing a weaker real exchange rate are increased servicing cost of external debt and imported inflation," it added.

If the Bangko Sentral ng Pilipinas (BSP) opts to undervalue the peso, it will need to accumulate sufficient foreign exchange reserves.

"Nonetheless, a further accumulation may not be necessarily excessive. Higher foreign exchange reserves will make it easier for the BSP to stabilize the exchange rate in case of adverse external events."

Gross international reserves have been mainly stable, settling above the \$100-billion mark.

"It is not uncommon for monetary policy in the emerging markets to be constrained by hawkish developments in the advanced economies," ANZ said.

"During periods of policy tightening in advanced economies, it has been often difficult for the BSP to sufficiently respond to the domestic business cycle. A higher level of foreign exchange reserves would enhance its ability to focus on the domestic growth-inflation mix more adeptly."

Source: <https://www.bworldonline.com/economy/2025/06/09/678135/peso-needs-to-be-more-competitive-anz/>

Geothermal investments gaining steam — ADB

June 10, 2025 | Brix Lelis | The Philippine Star

MANILA, Philippines — The Asian Development Bank (ADB) expects the government's geothermal de-risking facility to unlock fresh investments that could boost the Philippines' standing on the global stage.

"I think we can see increased interest already in investors who are looking into (geothermal) exploration, and that's very positive," said Pavit Ramachandran, deputy director-general for Southeast Asia at ADB.

He noted that one of the "real challenges" in geothermal development lies in the exploration stage due to high costs and risks involved.

Drilling wells does not guarantee viable results, leading to significant investments without assured returns for developers and investors. [Cont. page 6]



Geothermal investments gaining steam – ADB

[Cont. from page 5]

“So, you’re seeing stranded assets because of that. How do you incentivize investments to come in, and hence the focus on the de-risking facility,” Ramachandran said.

With the geothermal risk reduction strategy, the Department of Energy (DOE) aims to share the cost of geothermal drilling with qualified developers during the pre-development stage.

The facility was developed in partnership with the ADB and Land Bank of the Philippines.

Source: <https://www.philstar.com/business/2025/06/10/2449329/geothermal-investments-gaining-steam-adb>

Wage hike bill not LEDAC’s priority – Escudero

June 10, 2025 | Giselle Ombay | GMA Integrated News



Senate President Francis “Chiz” Escudero said Monday the measures seeking an increase in the daily minimum wage of workers is not a priority of the Legislative-Executive Development Advisory Council (LEDAC).

The version of the legislated P200 wage hike approved by the House of Representatives offers a higher increase than the P100 approved by the Senate.

“Ang pinasa ng Kamara ay, ayan na naman sila, P200 across the board huling linggo ng aming sesyon ni hindi kasama’y binanggit sa LEDAC. Ba’t ba ang hilig hilig nilang sa mga ganyan,” Escudero said.

(The House passed the P200 across the board in the last week of our session and it was not even discussed in the LEDAC. Why do they even like to do such things?)

“Ipapasa pa lang nila ‘yan ba’t hindi brining up sa LEDAC para napag usapan na? Hindi ba? Siguro naman hindi ito maliit na bagay para hindi mabanggit o mapagusapan. Ano ‘to napag isipan lamang pagkatapos ng LEDAC?

(If they would approve that, why didn’t they bring it up during the LEDAC so we could have discussed it? I believe it’s not a small matter for them not to mention or talk about it. Did they only think about that after the LEDAC?)

Escudero said there will be a bicameral conference once the Senate receives the copy of the House bill that was passed on third and final reading on Wednesday, June 4.

However, he pointed out that it is still unclear whether or not the Senate would adopt the House bill or they would compromise on the amount so as to not impact the economy.

“If you remember the Senate Bill providing for a P100 across the board wage increase, marami kaming in-exempt para maprotektahan ‘yung maliliit talaga, ‘yung micro and small industries na hindi kakayanin maski na P100,” the senate president said.

(If you remember the Senate Bill providing for a P100 across the board wage increase, we have exempted a lot in order to protect the small businesses, the micro and small industries that cannot afford even the P100 wage increase.)

Labor groups Partido Manggagawa and the Nagkaisa Labor Coalition on Monday morning trooped to the Senate, calling for the immediate convening of the bicameral committee to come up with a final version of the measure of the wage hike.

“We demand that Congress proceed forthwith with organizing the bicam for a final version of the legislated wage increase,” Partido Manggagawa secretary general Judy Miranda said.

“The P200 wage hike is not excessive but responds appropriately to the wage recovery demand and workers’ just share in the fruits of production. Rigorous research belies the black propaganda and blackmail of employers against wage hikes,” she added.

The House and the Senate have until June 13 or the last session day of the 19th Congress to reconcile their differing versions of the wage hike measure and ratify the reconciled version for the bill to be ready for the President’s signature. Otherwise, the bill has to be refiled next Congress.

Malacañang said that President Ferdinand Marcos Jr. will look into the economic implications of the proposed increase in the minimum wage hike.—RF, GMA Integrated News

Source: <https://www.gmanetwork.com/news/topstories/nation/948849/wage-hike-bill-not-ledac-s-priority-escudero/story/>

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