필리핀 한국 상공회의소 뉴스
KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER
August 2025 Issue | Vol. 53

SPECIAL POINTS OF INTEREST

UPCOMING EVENT

'Economy grew at faster pace in Q2'

August 04 , 2025 | Louella Desiderio, Keisha Ta-Asan | The Philippine Star

MANILA, Philippines — The Philippine economy likely picked up speed in the second quarter, posting faster growth than the previous quarter, driven by consumer spending and exports, according to economists' estimates.

Jonathan Ravelas, senior adviser at professional services firm Reyes, Tacandong & Co. said in a Viber message that he expects the Philippine economy to have grown by 5.6 percent in the second quarter.

Philstar.com / Irra Lising

Jonathan Ravelas, senior adviser at professional services firm Reyes, Tacandong & Co. said in a Viber message that he expects the Philippine economy to have grown by 5.6 percent in the second quarter.

This forecast is faster than the previous quarter's 5.4 percent growth, but slower than the 6.5 percent expansion in the second quarter of 2024.

Ravelas said gross domestic product (GDP) growth in the second quarter was likely driven by "recovery of consumer spending aided by election spending."

Filipino voters went to the polls on May 12 to elect local officials, senators and members of the House of Representatives.

Emmanuel Lopez, professorial lecturer at the University of Santo Tomas Graduate School, said in an email that he is also forecasting a 5.6-percent growth for the second quarter.

For Lopez, the modest improvement is due to a slowdown in investment amid weak investor confidence in relation to political concerns.

He said the impending US tariff on Philippine exports is also a concern.

US President Donald Trump signed an executive order last week that lists the reciprocal tariffs for countries, including those set as part of trade agreements. The order also pushes back the date of implementation of the new tariff rates to Aug. 7 from Aug. 1.

For Philippine exports to the US, the new tariff rate is at 19 percent, slightly lower than the 20 percent announced in July, but higher than the 17 percent planned back in April.

With the starting date for the new tariffs moved to Aug. 7, Philippine goods entering the US are currently subject to a baseline 10 percent tariff imposed by Trump while negotiations with trade partners are ongoing.

Oikonomia Advisory & Research Inc. economist Reinielle Matt Erece said in an email that their second quarter GDP growth forecast is at 5.7 percent, citing better export numbers and stronger employment.

"Stronger employment may be a sign of a strong domestic economy, which shielded the country from global headwinds. Stronger employment also results in even faster consumer spending, which remains to be the biggest component of the country's GDP," he said.

Despite Trump's tariffs, he said the country had stronger export orders during the period, which may be due to the frontloading before the levies take full effect.

For Rizal Commercial Banking Corp. chief economist Michael Ricafort, the economy likely posted a six percent growth in the second quarter. *[Cont. page 2]*

'Economy grew at faster pace in Q2'

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While the impact of the US tariffs may have slightly reduced second quarter growth, he said a six percent growth is still possible "due to midterm election-related spending, which could also support consumer spending."

Meanwhile, Pantheon Macroeconomics chief emerging Asia economist Miguel Chanco said he expects GDP growth to have slipped marginally to 5.3 percent in the second quarter from the previous quarter.

"Most of this slowdown should come from softer domestic demand, but a lot of this weakness will also be offset by exports, which have remained sturdy," he said.

Earlier, Department of Economy, Planning and Development Secretary Arsenio Balisacan said he expects second quarter GDP growth to be "a little faster" than the first quarter, noting that the lag effects of interest rate cuts and inflation should have already been felt.

He also said domestic demand is saving the Philippine economy.

Amid external risks including those stemming from the US reciprocal tariffs, the Philippine government trimmed its growth target for the year to 5.5 to 6.5 percent from six to eight percent, previously.

For Bank of the Philippine Islands lead economist Jun Neri, the economy grew by 5.8 percent in the second quarter, citing strong household consumption aided by election-related spending, lower inflation and resilient consumer lending.

"Stronger food exports may have been bolstered by improved weather just as foreign sales of electronics were booked ahead of the implementation of higher US tariffs," he said.

However, he flagged downside risks, including slower government and infrastructure spending due to the election ban as well as weak electricity sales pointing to subdued industrial and commercial activity.

Meanwhile, HSBC ASEAN economist Dacanay projected a 5.6 percent second-quarter growth, led by consumption and goods exports. "Seasonality was likely at play, with election spending from the May mid-term elections lifting both household and government consumption," he said.

Source: https://www.philstar.com/business/2025/08/04/2462869/economy-grew-faster-pace-q2

'Muted performance' in July for factories

August 02 , 2025 | Cai U. Ordinario | BusinessMirror

THE Philippine manufacturing sector began the second half of the year with "muted overall performance" but with high hopes for the rest of the semester, according to the S&P Global Market Intelligence.

The country's Purchasing Manager's Index (PMI) score improved to 50.9 in July from 50.7 in June, signalling modest performance and muted growth rates in production during the period.

S&P Global said that despite the modest improvement, factory performance has returned to a "growth momentum" and posted its strongest improvement since April 2025.

"PMI data from the opening month of the third quarter still painted a picture of a muted overall performance. Output and new orders continued to rise, but paces of expansion remained historically subdued. Purchasing and employment also rose at slower rates, reflecting underlying caution among manufacturers," Maryam Baluch, Economist at S&P Global Market Intelligence, said.

S&P Global said the manufacturing sector's production level increased for the second consecutive months on the back of the growth in incoming orders.

This increase in orders, S&P Global said, was driven by frontloading orders from the United States ahead of the increase in tariffs. Post-production inventories, S&P Global noted, grew at its strongest pace in eight months.

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'Muted performance' in July for factories

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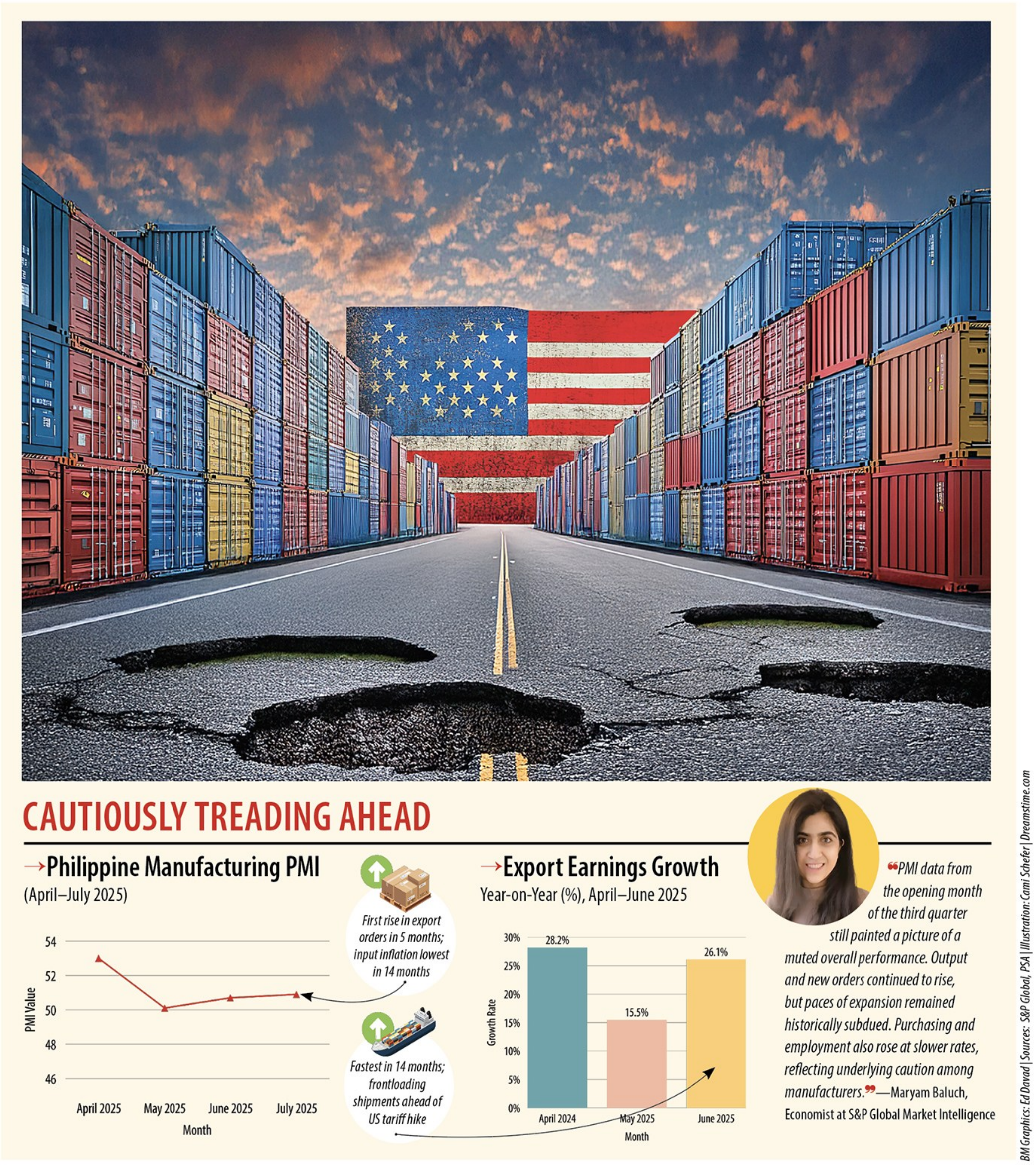

Given this, demand for Filipino production continued to improve in July. New export orders increased during the period, the first time in five months.

However, S&P Global said, the pace of increase in these new order remained muted compared to "the long-run series average."

Nonetheless, inflation pressures across the manufacturing sector gave manufacturers some reprieve in their costs of production. S&P Global said the input price inflation was the slowest in 14 months.

"Inflationary pressures were notably muted, providing a silver lining to the otherwise cautious landscape," Baluch said. "At the same time, optimism regarding future production levels surged to a four-month high, as firms strategically prepared for anticipated demand. While challenges remain, growing positive sentiment hints at a more hopeful outlook for the sector."

Earlier, the country's export earnings posted a 14-month high in June as local manufacturers scrambled to frontload their shipments ahead of the August 1 deadline when higher tariffs will apply to Philippine products entering the United States market.

On Wednesday, the Philippine Statistics Authority (PSA) reported that the country's export earnings grew 26.1 percent in June. This was the fastest since the 28.2-percent growth posted in April 2024.

To local economists, this indicates that the level of growth of Philippine exports will not be sustained, especially starting in August 2025 (See: https://businessmirror.com.ph/2025/07/30/june-export-earnings-rise-26-in-race-vs-august-1-tariffs/).

Image credits: BM Graphics: Ed Davad | Sources: S&P Global, PSA | Illustration: Cami Schefer | Dreamstime.com

Source: https://businessmirror.com.ph/2025/08/02/muted-performance-in-july-for-factories/

Retailers eye 10-15% growth despite foreign, e-commerce pressures

August 04 , 2025 | Irma Isip | Malaya Business Insight

The Philippine Retailers Association (PRA) remains hopeful of posting 10 to 15 percent revenue growth this year despite challenges from rising foreign competition, growing e-commerce platforms and looming global trade risk.

"A 10 to 15 percent target has been a reasonable growth range," PRA chairman Roberto Claudio said in a media briefing over the weekend.

"We see a retail industry that will continue to grow, especially through 2026 and 2027, toward the end of the current president's term," he added.

Claudio did not provide specific revenue forecast figures but noted that individual retailers are aiming for growth based on recovering consumer activity.

He acknowledged growing concern over the potential impact of US tariffs on the broader Philippine economy.

"We need to see how it will affect retail. Yes, people are going out and malls are full, but average purchase values may be lower," Claudio said.

PRA President Alice Liu echoed the sentiment, saying the first half of the year was buoyed by election-related spending, but added that recent weather disturbances and flooding could limit mall foot traffic and consumer spending in the second half.

"Retailers remain cautiously optimistic. After all, Christmas is never cancelled in the Philippines," Liu said.

She warned, however, of indirect threats from US trade tensions, particularly in the form of diverted exports from tariff-affected economies like China.

"For example, platforms like Shein — whose biggest Southeast Asian market is the Philippines — could flood our market further," Liu said.

Liu also raised a broader appeal for nationalist consumer behavior, warning that excessive reliance on imported goods could eventually lead to local business closures and job losses.

"How we consume determines the future of the total ecosystem," she said.

While not opposing the entry of foreign brands, Liu emphasized the need for local retailers to level up. "We're not saying no to global players. The Filipino shopper is very global. But we must be ready to compete and coexist."

At the policy level, Claudio renewed the PRA's call for the abolition of the de minimis rule, which exempts e-commerce purchases under P10,000 from value-added tax and customs duties.

This exemption, he said, creates an unfair playing field against local retailers.

"There's an uneven level of competition," he said, noting that the Department of Finance and the Department of Trade and Industry are studying potential policy responses — either amending the Internet Transactions Act or removing the de minimis threshold entirely.

"Abolishing the de minimis rule is the more permanent and palatable solution," Claudio said. "It will significantly shape the future of the retail industry."

Source: https://malaya.com.ph/business/business-news/retailers-eye-10-15-growth-despite-foreign-e-commerce-pressures/

PHL loses tariff edge as US also sets 19% rate on 4 ASEAN members

August 04, 2025 | Aubrey Rose A. Inosante | BusinessWorld

A US FLAG and a "tariffs" label are seen in this illustration taken on April 10, 2025. — REUTERS/ DADO RUVIC/ILLUSTRATION

THE PHILIPPINES may have lost its edge in the US market as the US imposed a similar 19% tariff on imports from Indonesia, Cambodia, Malaysia and Thailand, analysts said.

Analysts warned this may undermine the Philippines' competitiveness as it erodes the margin of preference and limits opportunities for trade diversion.

In an executive order signed on July 31, US President Donald J. Trump imposed a 19% duty on many goods from five members of the Association of Southeast Asian Nations (ASEAN) — the Philippines, Cambodia, Malaysia, Thailand and Indonesia. This will take effect on Aug. 7.

"What we've been saying before is that a 20% or even 19% tariff is acceptable — as long as our competitors have higher rates than us," Philippine Exporters Confederation, Inc. (Philexport) President Sergio Ortiz-Luis, Jr. said in a phone interview over the weekend.

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PHL loses tariff edge as US also sets 19% rate on 4 ASEAN members

[Cont. from page 4]

"The problem now in Asia is that countries like Japan and South Korea have even lower tariffs, and now we've been matched by Indonesia, Thailand, and the rest of the ASEAN+5, who are also our direct competitors. That's where the problem lies for us."

The Philippines had received the smallest tariff discount among ASEAN members even though Philippine President Ferdinand R. Marcos, Jr. met with Mr. Trump at the White House. The new rate is slightly lower than the 20% the US had threatened to impose, but higher than the 17% tariff announced in April.

Unliked the Philippines, other ASEAN countries received significant tariff discounts from the US, namely, Indonesia (from 32%) Malaysia (from 25%), Thailand (from 36%), Cambodia (from 36%), and Vietnam (from 46%).

At the same time, Mr. Trump set 15% duty on goods from South Korea (from 25%) and Japan (from 25%).

As the new US tariffs are set to take effect on Aug. 7, Trade Secretary Ma. Cristina A. Roque said the talks with the US are still ongoing to come up with a "mutually beneficial deal."

"While some ASEAN member states got also 19% reciprocal tariff rate, I am not aware what deals or concessions were given for that because every country has its own sensitivities and priorities," Ms. Roque told *BusinessWorld* in a Viber message on Saturday.

LOWER EXPORTS

Mr. Ortiz-Luis warned the higher US tariffs will dampen demand for Philippine goods, which will lead to lower exports for the US market. He said this also leaves no room for Philippine exporters to increase prices as regional competitors now have similar or lower tariff rates.

In June, the United States was the top destination for Philippine-made goods amounting to $1.22 billion, 35.2% higher from the same month a year ago.

"[Exporters] will be scared. We look to the government now to come up with mitigating measures to support our exporters. But I don't know if the government is prepared to do that," he said.

Mr. Ortiz-Luis also said the exporters group is still in the dark on the comprehensive details of the recent US-Philippines trade deal

Jose Enrique A. Africa, executive director at IBON Foundation, said "the Philippines loses much of the margin of preference and price-based advantage that the government was counting on to offset our underdeveloped manufacturing workforce, infrastructure, and ecosystem."

He also said the changes in tariff rates in the region further reduce the chances of the Philippines benefiting from trade diversion or US manufacturers looking for supply-chain players.

"The right direction is definitely not to recklessly pursue more free trade agreements, since decades of such openness have already led to our premature deindustrialization and current inability to compete or take advantage of market access, even when it exists on paper," Mr. Africa said.

Former Tariff Commissioner George N. Manzano said the Philippines is "not disadvantaged" even though it has the same US tariff rates as Cambodia, Malaysia, Thailand, and Indonesia.

"My only observation is that in relative terms, we paid a steep price in concessions in terms of tariff revenue foregone by agreeing to duty-free imports of US imports in some products compared to our ASEAN neighbors, because we had a reduction of only 1 percentage point from 20%," Mr. Manzano told *BusinessWorld* in a Viber message.

Finance Secretary Ralph G. Recto earlier said the government is anticipating between P3 billion and P6 billion in foregone revenues following its decision to grant zero tariffs on selected US products such as automobiles, wheat, soy, and pharmaceuticals.

Meanwhile, Ms. Roque said the Philippines remains competitive as it recently introduced economic reforms such as the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy Act, and free trade agreements with other countries.

Source: https://www.bworldonline.com/top-stories/2025/08/04/689196/phl-loses-tariff-edge-as-us-also-sets-19-rate-on-4-asean-members/

SC: Peza firms not totally exempted from paying VAT

August 05, 2025 | Joel R. San Juan | BusinessMirror

Supreme Court of the Philippines

THE Supreme Court has clarified that businesses registered with the Philippine Economic Zone Authority (Peza) are not completely exempt from paying Value-Added Tax (VAT).

In a 14-page ruling penned by Associate Justice Japar Dimaampao, the Court's Third Division also held that the VAT exemption of Peza-registered companies would depend on whether the cross-border doctrine and destination principle apply.

The cross-border principle provides that no VAT is charged on goods or services intended for use outside the country of the taxing authority. However, if the goods are used outside the ecozone but still within the Philippines, the cross-border principle does not apply.

Instead, the destination principle applies, which states that goods are taxed in the country where they are consumed.

"Indeed, the situs of VAT is determined by where goods are consumed or where services are rendered," the Court pointed out.

Furthermore, the SC pointed out that if Peza-registered companies could enjoy VAT zero-rating on any of its purchases, regardless of whether the goods are consumed or services are rendered outside of the ecozone, "it would be subject to abuse."

The SC made the pronouncements in its decision which resolves the legal issues surrounding the claim for a VAT refund of Coral Bay Nickel Corporation, a Peza-registered domestic company that manufactures and exports nickel and cobalt mixed sulfide.

On November 28, 2013, Coral Bay filed an administrative claim for refund with the Bureau of Internal Revenue for its unutilized input VAT for calendar year 2012 in the amount of P22.5 million.
Due to the BIR's failure to act on its refund claim, the company decided bring the case to the Court of Tax Appeals (CTA).

The CTA's Third Division granted the refund of input VAT in the reduced amount of P11.8 million which only covers purchases proven to be consumed outside the ecozone.

However, the CTA en banc reversed the ruling and declared Coral Bay as fully exempt from VAT; thus, its purchases were considered zero-rated, making it ineligible for a VAT refund.

Coral Bay then appealed the CTA en banc's ruling before the SC, which ruled in its favor.

The SC noted that under Republic Act 7916, or the Special Economic Zone Act of 1995, as amended, Peza companies are exempt from national and local taxes, except for real property tax on land owned by developers.

Instead, all business enterprises within the ecozone pay a 5-percent tax on gross income.

However, the SC said this exemption does not include VAT.

"Applied to the present case, the CTA En Banc erred in treating Coral Bay as an absolutely VAT-exempt entity and declaring that its purchase of services outside of the ecozone should likewise be subject to zero-rating," the SC explained.

"Having been consumed outside of the ecozone, the cross-border doctrine finds no application. The same could not have been deemed 'exported' to Coral Bay. Having been rendered within the Philippines' customs territory, it is naturally subject to national internal revenue laws such as VAT," it added.

As to the actual refund amount, the Court reinstates the ruling and computation of the CTA Third that awarded Coral Bay the reduced refund amount of P 11.873,651 representing its unutilized input V A T attributable to its zero-rated sales for taxable year 2012.

Image credits: **Mike Gonzalez via Wikimedia Commons CC BY-SA-3.0**

Source: https://businessmirror.com.ph/2025/08/05/sc-peza-firms-not-totally-exempted-from-paying-vat/

Exporters call for help from tariff impact

August 05, 2025 | Michael Din Dela Cruz | The Manila Times

THE government must act immediately to help the exports sector cope with new US tariff rates that would take effect on Aug. 7, the head of the Foreign Buyers Association of the Philippines (Fobap) told The Manila Times on Monday.

Speaking by phone, Fobap president Robert Young said, "What we must have is immediate remedial (measures). Maybe for now ... some tax holidays, that's something tangible immediately."

Reducing the percentage of shipment expenses and port fees will ease up the load of exporters, added Young, whose group is affiliated with the Philippine Exporters Confederation (Philexport).

Looking for other markets other than the US could be good, but Young said such action will take some time.
"These 'looking for markets,' 'doing some legislations,' and 'ease up your doing business,' we have gone through that and you cannot feel [them] immediately ... it will have no effect," he pointed out.

Stiff competition

The biggest challenge, Young said, is that the Philippines will face stiff competition with its Asean neighbors, since they got better deals from the Trump administration's new tariff rates on foreign goods entering the US.

Both Cambodia's and Thailand's export duties have been reduced from 36 to 19 percent; Indonesia from 32 to 19 percent; and Vietnam from 46 to 20 percent.

The Philippines' rate went from 17 to 19 percent.

"I wouldn't even consider it competition, there's no way we can compete because they have subsidies from the government, they have cheaper labor, lower power rates, higher efficiency," Young explained, adding that local exporters should also push for possible subsidies from the Marcos administration.

Philexport president Sergio Ortiz Luis Jr. likewise noted the problem caused by the tariff deal.

"It's fine if we get 20 or 19 percent rate, but the problem is we had a 17 percent rate before and then we got an increase of 19 percent when the rest of our competitors' went down," Luis told The Times by phone on Monday.

This could result in lower demand for Philippine exports in the US and little room for exporters to increase prices, he surmised, noting that "all our competitors are more competitive than us now, so I guess our exporters have no choice but to find other markets if they can."

Friday last week, Trade Secretary Maria Cristina Aldeguer-Roque said the department is ready to assist exporters in finding different markets both locally and globally.

Though Luis acknowledged Roque's offer, he pointed out that budget is important for exporters at present.

'Pathetic' budget

"The budget of DTI is pathetic compared to our competitor countries. The assistance is basically there, but the research, product development, marketing, have hardly any funding. Even at the exhibitions, we don't get comparable support from the government," Luis said, adding that the support the government is supposed to give exporters is mere lip service.

The garments and textile sector is one group that the government should promote, Young said.

"It's an industry presence. The buyers are very much conscious about 'where you are now, what you are doing, are you still interested to continue?' If they see [that] you are still alive and kicking, they will remember and include you in their buying program," he explained.

"The private sector cannot afford to mount its own exhibit. This has to come from government like in other countries. Thailand and Vietnam are very aggressive with their exhibits," Young said.

Source: https://www.manilatimes.net/2025/08/05/business/top-business/exporters-call-for-help-from-tariff-impact/2161896

8 in 10 Pinoys want polluting firms taxed for environmental damage

August 05, 2025 | Dominique Nicole Flores | Philstar.com

Fisherfolk hold a protest in the waters of Batangas City on April 22, Earth Day to denounce the expansion of fossil gas plants and liquefied natural gas (LNG) terminal in the area.

Mara Manuel for Center for Energy, Ecology and Development

MANILA, Philippines — Who should pay the price for environmental destruction? The answer is a no-brainer for most Filipinos: corporations whose actions have contributed to disasters.

A recent study commissioned by Greenpeace International and Oxfam International found that 84% of Filipino respondents support taxing corporations for environmental damage contributing to wildfires, floods, droughts and health issues.

Filipinos also overwhelmingly reject passing costs to individual consumers, whose environmental impact is significantly smaller than that of enabling firms and policies.

Instead, three in five believe oil and gas companies should shoulder the tax burden, while nearly one-fourth favor taxing businesses in general.

Impact on Philippines

The Philippines has become a showcase for climate extremes, with floods submerging towns for days and temperatures hitting record highs.

Beyond local factors like inadequate waste management and flood control, experts have identified a more uncontrollable force: climate change exacerbated by continued fossil fuel use and expansion.

The effects of worsening global warming are visible, with cities facing stronger storms more frequently and even more rainfall regardless of weather patterns. Extreme heat has also resulted in more class suspensions in recent years as temperatures breach 50°C.

The Philippines endured a brutal July as storms and an enhanced southwest monsoon unleashed torrential rains across Luzon and Visayas.

Four consecutive tropical cyclones — “Bising,” “Crising,” “Dante” and “Emong” — battered the islands alongside the habagat, leaving 254 local governments with no choice but to declare a state of calamity.

Due to the last three storms, classes were suspended for a week in several areas where floodwaters were waist-deep and even worse in other areas.

Climate justice sought

Filipinos are all too familiar with the effects of climate change, and environmental watchdogs say the survey demonstrates the growing urgency to demand climate justice for vulnerable nations like the Philippines.

“The poll results affirm what we’ve known for a long time: Filipinos have a strong sense of justice and majority support taxing the climate polluters to compensate for the damages they cause,” Oxfam Pilipinas Climate Justice portfolio manager Cheng Pagulayan said in a statement.

These taxes should rightfully go to the vulnerable communities most impacted by the climate crisis and to supporting community-based renewable energy investments,” he added.

How should the taxes be imposed? About 79% of Filipinos said the government should not just raise taxes on oil and gas companies, but also require revenues be directed toward communities most affected by the climate crisis.

Meanwhile, 81% called on the government to close loopholes that have allowed wealthy individuals and international firms to evade financial and ecological accountability.

At least three in five Filipinos also believe the government is not doing enough to curb the political influence of wealthy and polluting industries. *[Cont. page 9]*

8 in 10 Pinoys want polluting firms taxed for environmental damage

[Cont. from page 8]

Only in his fourth State of the Nation Address (SONA) did President Bongbong Marcos slam the billions poured into flood control projects that failed to prevent recent flooding, seeking an immediate audit and review of their implementation.

Right to seek damages. The study's findings come as the Philippines reels from recent storms and as the International Court of Justice (ICJ) affirms that vulnerable nations have the right to seek damages from major polluting companies and states.

A nationwide survey commissioned by Greenpeace and Oxfam and conducted by Dynata from May 9 to 28 sampled 1,200 Filipino adults, with a margin of error of ± 2.83%.

Source: https://www.philstar.com/headlines/climate-and-environment/2025/08/05/2463059/8-10-pinoys-want-polluting-firms-taxed-environmental-damage

UPCOMING EVENT

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