필리핀 한국 상공회의소 뉴스
KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER

January 2026 Issue | Vol. 02

SPECIAL POINTS OF INTEREST

VAT rate cut possible if exemptions curbed: DoF

January 05, 2026 | Aubrey Rose A. Inosante | BusinessWorld

DOF.GOV.PH

FINANCE Secretary Frederick D. Go said his department is seeking to avoid revenue-eroding measures, but added that the proposed cut in the value-added tax (VAT) rate is possible if accompanied by the removal of VAT exemptions.

"The Department of Finance (DoF) is naturally predisposed not to want revenue-eroding measures. But of course, everything is possible," he told reporters on the sidelines of a Palace briefing on Monday.

"*Pwede naman* (It's possible). But we have to remove all the VAT exemptions," Mr. Go said when asked whether he supported a reduction of the current VAT rate.

VAT is a 12% tax imposed on sales, leases, barter, and imports of goods and services. VAT collections account for around a fifth of the BIR's total revenue.

House of Representatives and Senate legislators have floated a VAT rate of 10%, which could complicate government fiscal consolidation efforts.

Senator Erwin T. Tulfo's Senate Bill No. 1552 aims to return the VAT rate to the original 10%, aligning with the bill filed by Batangas Rep. Leandro Antonio L. Leviste last year.

"One of the reasons why we have a low VAT efficiency is that there are so many exemptions to VAT," Mr. Go said.

"Also, if that means reducing revenue for the country, we should also correspondingly reduce expenditures," he said.

In a 2022 report, the International Monetary Fund expressed support for the removal of Philippine exemptions and zero ratings to increase revenue, including those for senior citizens, who are entitled to a 12% VAT exemption under the Expanded Senior Citizens Act.

Mr. Go added that among the many targets the government monitors, the most important to him is the fiscal deficit target.

The government aims to bring down the deficit to P1.65 trillion, or 5.3% of gross domestic product, in 2026, and eventually to P1.55 trillion, equivalent to 4.3%, by 2028.

The Bureau of the Treasury reported that revenue collections stood at P4.15 trillion in the first 11 months, running ahead of the P4.1 trillion year-earlier pace.

At the same briefing, Executive Secretary and former Finance Secretary Ralph G. Recto said the government will issue a budget call soon to kick off the drafting of the 2027 budget.

"We'll make a budget call soon, so the government can start drafting the 2027 budget. But for the meantime, let us first focus on executing the 2026 budget," Mr. Recto told reporters.

President Ferdinand R. Marcos Jr. signed the record P6.792-trillion national budget for 2026 on Monday.

Source: https://www.bworldonline.com/economy/2026/01/05/722391/vat-rate-cut-possible-if-exemptions-curbed-dof/

FPI lists 3 crucial strategies for PHL manufacturing in 2026

January 06, 2026 | Andrea E. San Juan | BusinessMirror


Employees work in a production facility in Malabon City, the Philippines. Photographer: Veejay Villafranca/Bloomberg

TO sustain the momentum of Philippine manufacturing this year, the government must strengthen defenses against climate disruptions, diversify beyond food and electronics, and expand into mid-complexity industries such as machinery and chemicals, according to the Federation of Philippine Industries (FPI).

"For policymakers, the message is clear: December's rebound is a welcome sign of resilience and a foundation to build upon. To sustain this momentum, the sector must strengthen its defenses against climate disruptions, diversify beyond its current reliance on food and electronics, and expand into mid-complexity industries such as machinery and chemicals," FPI Chairwoman Elizabeth H. Lee said in a statement on Monday.

Lee said this after the Philippine Manufacturing Purchasing Managers' Index (PMI) bounced back in December 2025, climbing to 50.2 after November's four-year low of 47.4.

The FPI chairwoman pointed out that holiday seasonality was not the main factor since PMI is seasonally adjusted, adding: "So the December rebound reflects genuine stabilization rather than Christmas restocking."

She noted that the rebound reflected in December shows that the majority of manufacturers saw "stabilization" after November's sharp contraction.

The umbrella organization of manufacturers and producers in the Philippines explained that the improvement in the manufacturing sector was driven by several factors.

For one, operations normalized after typhoon disruptions in November, which had "severely hampered" production and deliveries.

"New orders grew for the first time since August, ending a three-month contraction and signaling firmer domestic demand. Firms also cautiously resumed purchasing activity, anticipating future output growth despite lingering supply chain challenges. Importantly, the rebound was domestically led; as export orders remained subdued at the close of 2025," FPI said.

As the PMI shows the country is back in positive territory which Lee called a "clear sign of resilience," the FPI chairwoman underscored: "The challenge and opportunity now is to turn this recovery into lasting industrial strength by investing in innovation, diversification, and resilience."

Looking ahead, FPI underscored that export growth in 2026 could provide a "stronger external tailwind," particularly in electronics, which account for nearly half of Philippine exports.

FPI also noted that if this is realized, this export momentum will help sustain PMI readings above 50, signaling broader expansion in the manufacturing sector.

The business group warned that sustained growth in 2026 will depend on: Resilience against climate disruptions, and supply chain shocks; Diversification of manufacturing, moving beyond the current dual structure of food processing (nearly half of domestic share) and electronics (nearly half of exports), and Strengthening "mid complexity industries" such as machinery, chemicals, and wood products to reduce volatility and broaden employment opportunities.

FPI also took note that the Philippines's manufacturing sector contributes about 15.7 percent of the Gross Domestic Product (GDP), "well below" Asean's figure of between 22 and 27 percent range.

"This underperformance highlights the urgency of Tatak Pinoy reforms to diversify and deepen industrial capacity, ensuring manufacturing becomes a stronger engine of national growth," the business group pointed out.

As such, FPI stressed anew the importance of initiatives like Tatak Pinoy, the Philippines's new industrial strategy under Republic Act 11981, which provides the roadmap.

"By investing in innovation, skills, and industrial upgrading, Tatak Pinoy can elevate the country's manufacturing complexity and competitiveness—ensuring that growth is not only cyclical but enduring, inclusive, and proudly Filipino," FPI said. *[Cont. page 3]*

FPI lists 3 crucial strategies for PHL manufacturing in 2026
[Cont. from page 2]

Lee pointed out that the rebound in December is more than just a number. She highlighted: "It is a signal that Philippine manufacturing can recover quickly when demand stabilizes."

"We are optimistic for this year 2026, banking on the expansion and implementation of real reforms that affect businesses, together with the strengthening of initiatives like Tatak Pinoy that can build long term resilience for the country's manufacturing base," the FPI chairwoman also noted.

Image credits: VEEJAY VILLAFRANCA/BLOOMBERG

Source: https://businessmirror.com.ph/2026/01/06/fpi-lists-3-crucial-strategies-for-phl-manufacturing-in-2026/

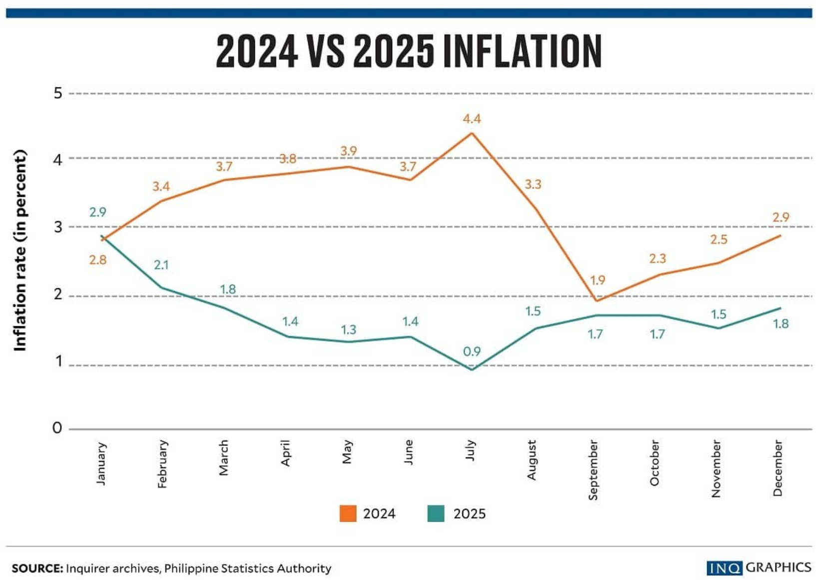
Philippine 2025 inflation slows to 1.7%, a 9-yr low
January 07, 2026 | Nyah Genelle C. De Leon | Philippine Daily Inquirer

MANILA, Philippines – Inflation in the Philippines climbed at the end of 2025 as late-season storms and holiday demand pushed food prices upward, the Philippine Statistics Authority (PSA) reported on Tuesday.

The December reading came in at 1.8 percent, up from 1.5 percent in November. Even so, inflation remained subdued, staying within the Bangko Sentral ng Pilipinas' (BSP) 1.2- to 2-percent forecast range for the month.

It was also above the 1.5-percent median estimate of 11 economists polled by the Inquirer.

The result capped 2025 with a full-year average inflation rate of 1.7 percent, the slowest since 2016, when it stood at 1.3 percent. This marks the 10th consecutive month that inflation undershot the central bank's 2- to 4-percent target.



Higher food costs

Reversing the previous month's decline in food costs, higher prices in December were driven by late-season typhoons and holiday demand, PSA Undersecretary and National Statistician Dennis Mapa said.

Food and nonalcoholic beverages, which make up nearly a third of the consumer basket, rose 1.4 percent in December. This accounted for 97.5 percent of the overall inflationary pressure for the month.

According to Mapa, while rice prices continued to decline, higher vegetable costs—driven by Typhoon "Uwan's" impact on farms—surged to 11.6 percent in December, up from 4 percent, offsetting the rice price drop.

Holiday demand also contributed to the pressure, with price increases seen in meat, flour, bread and bakery products.

Economists at Chinabank Research, who expect inflation to inch up in 2026, said inflation remains under control despite the December uptick.

"Still, barring new shocks, price pressures are projected to remain manageable moving forward," they said. "This outlook for benign inflation would likely allow the BSP to offer more support to the economy through additional policy rate cuts."

On Dec. 11, the BSP had already slashed the policy rate by a quarter point to 4.5 percent to cushion the economy from the third-quarter slowdown, partly due to the widening fallout from the flood control scandal. *[Cont. page 4]*

Philippine 2025 inflation slows to 1.7%, a 9-yr low

[Cont. from page 3]

Purchasing power

John Paolo Rivera, a senior research fellow at the Philippine Institute for Development Studies, said price pressures were broadly contained for the year, but typhoon-related spikes could temper fourth-quarter growth.

“This low inflation (full-year average) supports household purchasing power, but the disaster-related price increases likely coincided with lost incomes and disrupted activity, which could temper consumption and shave some momentum off Q4 growth,” he said.

“Overall, inflation is not the constraint, as the bigger issue for Q4 is weather shocks and execution, not just prices,” Rivera added.

Reflecting cautious optimism, Jonathan Ravelas, senior adviser at Reyes Tacandong & Co., said the full-year average gives consumers more spending power, but the December spike shows that short-term risks remain.

“The impact is mixed: higher food prices may pinch wallets in the short term, but overall low inflation supports consumption and keeps the economy resilient. Still, upside risks to inflation remain,” he said.

For its part, the Department of Economy, Planning and Development (DepDev) said the Philippine economy was on track to remain resilient against price pressures despite ongoing headwinds.

Momentum

“Building on this momentum, the government will continue to pursue prudent fiscal and monetary coordination and advance structural reforms to sustain the downward inflation trend,” DepDev Secretary Arsenio Balisacan said.

Meanwhile, the Department of Finance (DOF) said the record-low full-year average inflation reflected the government’s “strong, coordinated approach,” noting that it came in below the 4.2 percent global inflation rate projected by the International Monetary Fund for 2025.

“The DOF is committed to implement necessary measures to keep inflation manageable and ensure that Filipino families are protected from price shocks,” Finance Secretary Frederick Go said.

Source: https://business.inquirer.net/567690/philippine-2025-inflation-slows-to-1-7-a-9-yr-low

BIR, FIRB data-sharing deal grants reciprocal access to records, incentives information

January 06, 2026 | Aubrey Rose A. Inosante | BusinessWorld

THE Bureau of Internal Revenue (BIR) and the Fiscal Incentives Review Board (FIRB) said the data-sharing agreement they signed last year allows reciprocal access to taxpayer records and tax-incentive information.

BIR Commissioner Martin R. Mendoza released the full text on Tuesday of the data sharing agreement between the BIR and the FIRB.

The agreement was entered into on Oct. 27.

“This agreement allows the FIRB Secretariat to access taxpayer registration information from BIR systems and grants the BIR access to tax incentive information of Registered Business Enterprises through the Fiscal Incentives Registration and Monitoring System (FIRMS) platform,” he said.

Mr. Mendoza said the agreement ensures secure and efficient data sharing compliant with the Data Privacy Act of 2012 and National Privacy Commission Circular No. 16-02.

Under the agreement, the FIRB Secretariat will have access to taxpayer registration records with on-site and online access to BIR documents and databases, he said.

The BIR will share its taxpayer registration information with the FIRB Secretariat, limited to the registered name and taxpayer identification number. *[Cont. page 5]*

BIR, FIRB data-sharing deal grants reciprocal access to records, incentives information

[Cont. from page 4]

Meanwhile, the FIRB Secretariat will provide real-time access to FIRMS data like the master list of registered business enterprises and verify the Certificate of Entitlement to Tax Incentives submitted to the BIR. It will also grant access to the firm-level Annual Tax Incentives Report data.

The agreement runs for five years from the date of signing, "unless pre-terminated by either party for reasonable grounds, without prejudice to entering into a new data-sharing agreement before or upon the expiration thereof."

Source: https://www.bworldonline.com/economy/2026/01/06/722663/bir-firb-data-sharing-deal-grants-reciprocal-access-to-tax-records-incentives-information/

Nov Unemployment Eases to 4.4%

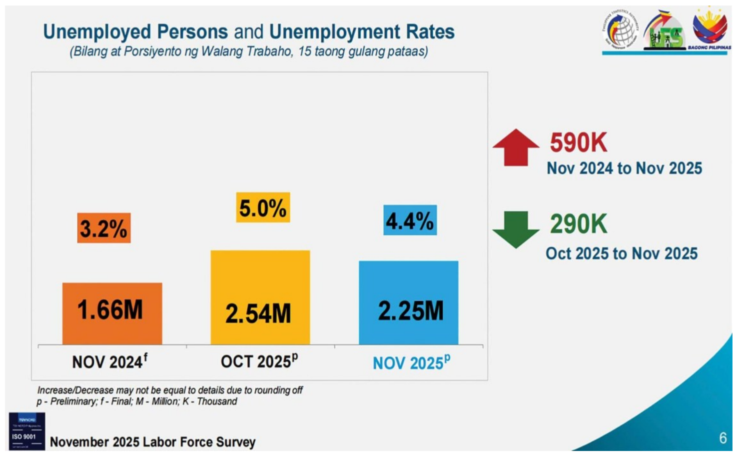
January 08, 2026 | Ruelle Castro | Malaya Business Insight

Labor market stabilizes, remains vulnerable

Unemployment in November 2025 dipped to 4.4 percent from 5.0 percent in October, but remained sharply higher than the year-earlier 3.2 percent, pointing to what analysts describe as a stabilizing but still vulnerable labor market.

They see the labor market still particularly vulnerable to weather shocks, slower economic growth and uneven private investment flows.

The Philippine Statistics Authority (PSA) on Wednesday released the latest Labor Force Survey showing 2.25 million Filipinos were unemployed in November, down from 2.54 million in October but well above the 1.66 million recorded a year earlier.



Typhoon-hit sectors

National Statistician Claire Dennis S. Mapa said unemployment remained elevated largely due to the impact of severe typhoons, which disrupted economic activity, particularly in tourism, accommodation services, retail trade and agriculture.

Weather disturbances also weighed on labor intensity, Mapa said, noting that average weekly hours worked declined to 40.4 hours, from 41.3 hours in October 2025 and 41.4 hours in November 2024.

Arsenio Balisacan, secretary of the Department of Economy, Planning and Development (DEPDev), pointed to subsectors where economic activity was severely affected:

"Job losses were high in subsectors where severe typhoons during the period disrupted economic activity, affecting 873,000 workers, including accommodation and food service activities, wholesale and retail trade, other service activities, and fishing and aquaculture," he said in a statement.

Balisacan said the government will support businesses in developing Business Continuity and Resiliency Plans to minimize disruptions and protect workers during severe weather events.

Better weather in December

Michael Ricafort, chief economist at Rizal Commercial Banking Corp., said employment conditions could still show improvement when the December 2025 report is released. He cited seasonal increases in sales that typically prompt businesses to hire more workers and expand economic activity. *[Cont. page 6]*

Nov Unemployment Eases to 4.4%

[Cont. from page 5]

"Better weather conditions toward the end of 2025 and into early 2026 during the summer season would help support better employment data," Ricafort said.

He added that job growth could also benefit from the government's catch-up spending program, particularly if anchored on anti-corruption measures and broader governance reforms that help boost investor confidence.

51.52M labor force

The labor force participation rate stood at 64.0 percent in November, higher than 63.6 percent in October, bringing the total labor force to 51.52 million Filipinos aged 15 and over. This was slightly lower than the 64.6 percent participation rate recorded in November 2024.

Employment improved month on month, with the employment rate rising to 95.6 percent from 95.0 percent in October, though it remained below the 96.8 percent recorded a year earlier. The number of employed persons increased to 49.26 million, from 48.62 million in the previous month.

Services, agriculture lead

By sector, services continued to account for the largest share of employment at 62.1 percent, followed by agriculture at 20.0 percent and industry at 17.9 percent.

Lower underemployment

Underemployment eased to 10.4 percent in November from 12.0 percent in October, equivalent to 5.11 million employed persons seeking additional hours of work or another job. This was also lower than the 10.8 percent recorded in November 2024.

Youth labor force participation declined to 88.3 percent, from 90.6 percent a year earlier, with 528,000 underemployed youth, translating to a 9.4 percent underemployment rate among Filipinos aged 15 to 24.

Partial recovery

John Paolo Rivera, a research fellow at the Philippine Institute for Development Studies, said the November data showed a partial recovery from October's shock as some seasonal and typhoon-affected activities resumed.

"But the fact that joblessness remains well above year-earlier levels signals that the labor market is still under strain from slower growth, climate disruptions and cautious hiring," Rivera said.

While declining underemployment is encouraging, he added that shorter working hours and weaker youth participation suggest job quality and stability remain significant concerns.

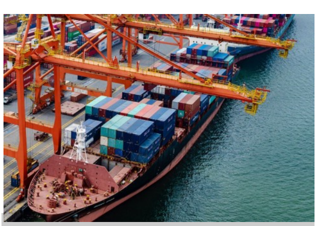
"This points to a labor market that is stabilizing but not yet strengthening," Rivera said.

"Sustained improvement will depend on faster economic momentum, disaster-resilient jobs, and stronger private investment rather than short-term rebounds alone," he added.

Source: https://malaya.com.ph/business/business-news/nov-unemployment-eases-to-4-4/

Ports regulator forecasts stronger cargo, passenger volumes in 2026

January 06, 2026 | Ashley Erika O. Jose | BusinessWorld



ICTSI.COM

THE Philippine Ports Authority (PPA) said it is projecting stronger growth in cargo and passenger traffic this year, driven by investments in port efficiency.

The forecast reflects "continued investments in port modernization, operational efficiency, and service excellence," PPA General Manager Jay Daniel R. Santiago told BusinessWorld.

For 2026, the PPA said it is expecting cargo volume to come in 4.03% stronger at 320.94 million metric tons, driven mainly by higher foreign cargo shipments.

The PPA said foreign cargo volume is expected to rise 4.28% to 202.73 million metric tons in 2025. Domestic cargo volume is seen rising 3.61% to 118.22 million metric tons. *[Cont. page 7]*

Ports regulator forecasts stronger cargo, passenger volumes in 2026
[Cont. from page 6]

"We remain focused on delivering measurable results that translate to safer, more reliable, and more accessible port services," Mr. Santiago said.

Container throughput is forecast to increase 3.94% to 8.88 million twenty-foot equivalent units.

For this year, passenger traffic is expected to grow 5.78% to 87.26 million, the PPA said, after logging 82.49 million passengers in the first 11 months of 2025.

PPA logged a record of 6.28 million passengers during the Christmas and New Year travel season, the highest volume since its establishment in 1974. The surge was logged between Dec. 15, 2025 and Jan. 5, 2026.

About 12 ports are set to be privatized in 2026, the PPA added.

In 2024, the PPA said it earmarked up to P16 billion for infrastructure projects until 2028. The funds will go towards enhancing port efficiency and capacity, including 14 big-ticket projects targeted for completion within the period.

Source: https://www.bworldonline.com/economy/2026/01/07/722942/ports-regulator-forecasts-stronger-cargo-passenger-volumes-in-2026/

Peso hits new all-time low; analysts warn of P61 slump by end-2026
January 07, 2026 | Derco Rosal | Manila Bulletin

The peso slumped to a fresh record low on Wednesday, Jan. 7, closing at ₱59.355 against the United States (US) dollar as escalating geopolitical tensions sparked a sell-off in emerging market assets.

The peso's finish on Wednesday surpassed its previous all-time low of ₱59.21 set just a day earlier. According to data from the Bankers Association of the Philippines, the currency touched an intraday low of ₱59.38 after opening at ₱59.24. While the peso briefly recovered to ₱59.20 during the session, it failed to maintain those gains as sentiment soured.

The decline follows a military strike by the US against Venezuela, an event that has rattled global markets and fueled expectations that the local currency could weaken to ₱61 per dollar by the end of next year.

Trading volume narrowed to $1.317 billion from $1.386 billion on Tuesday amid cautious environment as investors weighed the implications of the conflict in South America.

Market analysts described the move as a flight to safety. Jonathan Ravelas, a senior adviser at Reyes Tacandong & Co., characterized the sharp depreciation as a "knee-jerk, risk-off reaction" to the US military action.

Ravelas noted that the breach of psychological support levels suggests further volatility ahead, with the exchange rate likely to test the ₱59.50 level in the immediate term.

He projects the pair will cross the ₱60 threshold within the year and eventually reach ₱61 by the end of 2026, driven by geopolitical "noise" and potential shifts in global trade tariffs.

Michael Ricafort, chief economist at Rizal Commercial Banking Corp., echoed the sentiment that the US-Venezuela conflict is the primary catalyst for the current pressure.

Ricafort suggested that the peso's ability to avoid the ₱60 mark in the short term will depend heavily on whether the *Bangko Sentral ng Pilipinas chooses to intervene in the foreign exchange market to smooth out volatility.*

The peso's underperformance is part of a broader trend across Asia. Lloyd Chan, senior currency analyst at MUFG Global Markets Research, noted that the Philippine peso, the Indonesian rupiah, and the South Korean won have lagged behind regional peers since the start of 2026.

Chan said this contrasts with the Malaysian ringgit, Singapore dollar, and Thai baht, which have shown more resilience.

Institutional outlooks are turning increasingly bearish, with Metropolitan Bank & Trust Co. revising its forecast, stating that the exchange rate will likely settle at higher levels this year due to weakening investor sentiment.

Metrobank analysts noted that a persistent current account deficit and a rebounding greenback are expected to weigh on the peso, potentially offsetting any benefits from the interest rate differential between the US Federal Reserve and the Philippine central bank heading into 2027.

Source: https://mb.com.ph/2026/01/07/peso-hits-new-all-time-low-analysts-warn-of-61-slump-by-end-2026

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