Investments,
from S1/1

On the other hand, foreign investment approvals soared by 452% to P763.22 billion this year.

The BoI said it approved P968.14 billion worth of investments for the renewable energy and power sector, accounting for 83.45% of the total for the year.

This was more than double the P409.03 billion investments approved a year ago, as the Philippine government allowed full foreign ownership in the renewable energy (RE) sector starting November 2022.

Foreign nationals and foreign-owned entities are now allowed to explore, develop and use RE resources in the country such as solar, wind, biomass, ocean or tidal energy. Foreign ownership of RE projects was previously limited to 40%.

"Noteworthy projects approved for January to December were seven offshore wind power projects located in Cavite, Laguna, Dagupan, San Miguel Bay, Negros, and Northern Samar, amounting to a total of P759.84 billion," it added.

Mr. Pascual, in June, said that investments in renewable energy projects could make up about a third of the agency's investment approval targets for the year.

Meanwhile, the BoI approved P96.16 billion worth of projects in the information and communication sector this year.

The manufacturing sector had P22.03 billion worth of approved investments, while infrastructure (toll roads) had P20 billion, and P15.63 billion was for mass housing.

The BoI said these investment approvals are expected to generate 47,195 jobs from a total of 303 projects.

In terms of domestic investments, Western Visayas made up the largest share with P316.89 billion worth of investments, followed by Calabarzon (P211.89 billion), Bicol Region (P162.92 billion), Eastern Visayas (P128.62 billion) and Ilocos Region (P122.18 billion).

Meanwhile, foreign investments from Germany contributed the largest share with P393.28 billion, followed by the Netherlands with P333.61 billion, Singapore with P17.38 billion, and the United States with P3.38 billion. — **A.H. Halili**

External debt,
from S1/1

"The sharp increase in foreign debt payments may have to do with increased foreign borrowings by the government since last year amid the need to hedge against rising interest rates as well as to diversify its sources of borrowings/funding in the global markets, both from commercial and multilateral sources," Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said in a Viber message.

Central banks across the world have tightened monetary policy to tame inflation. The BSP was regarded as one of the most aggressive central banks in the region after it hiked the key interest rate by 450 basis points (bps) from May 2022 to October 2023.

Meanwhile, separate BSP data showed the country's outstanding external debt increased by 10.1% to $118.833 billion at end-September from $107.91 billion in the same period a year ago. It also inched up by 0.8% from $117.9 billion as of end-June.

External debt refers to all types of borrowings by Philippine residents from nonresidents, following the residency criterion for international statistics.

The external debt ratio, or the external debt as a percentage of GDP, was equivalent to 28.1% of GDP. This was slightly lower than 28.5% in the previous quarter.

"For the coming months, external debt servicing costs could remain elevated amid increased foreign borrowings in recent months amid the further diversification of the government's funding sources in global markets as well as to provide continued supply/liquidity of Philippine sovereign bonds in the world market as part of capital market development," Mr. Ricafort said.

However, possible rate cuts from both the US Federal Reserve and the Monetary Board due to easing inflation may help mitigate external debt servicing costs, he added.

BSP Governor Eli M. Remolona, Jr. earlier said the BSP is unlikely to cut interest rates in the coming months, as monetary policy in the Philippines is in a "higher for longer" scenario.

The Monetary Board kept its benchmark rate at a 16-year high of 6.5% for a second straight meeting during its December meeting. Interest rates on the overnight deposit and lending facilities were also left unchanged at 6% and 7%, respectively.

Policy easing will only be considered if inflation and inflation expectations are within a "comfortable" range, Mr. Remolona added.

Headline inflation eased to 4.1% in November and brought the 11-month inflation average to 6.2%. November marked the 20th straight month that inflation breached the BSP's 2-4% target band for this year.

The central bank expects inflation to average 6% this year.

Trade deals,
from S1/1

TRADE DEALS

Trade and Industry Undersecretary Allan B. Gepty said some investment must be made in navigating the preferential arrangements and their compliance rules to be in a position to access trade agreements.

"There are still many businesses who are not that aware of these preferential arrangements, including compliance procedures," Mr. Gepty said in a Viber message.

"The continuing program is for advocacy and education so that exporters can avail of the preferential arrangements and other businesses can be encouraged to export or even do business in other countries," he added.

Mr. Gepty said the Department of Trade and Industry (DTI) plans to sustain its campaign to inform and educate stakeholders on the benefits of FTAs such as the Regional Comprehensive Economic Partnership (RCEP) and other preferential agreements such as the European Union's (EU) Generalised Scheme of Preferences Plus (GSP+).

The Philippines has been a beneficiary of the GSP+, a special trade scheme for vulnerable low- and lower-middle-income countries, since 2014. GSP+ grants zero duties on 6,274 Philippine products.

The current arrangement was set to expire by the end of 2023. However, the Council of EU Member States and the European Parliament amended the GSP scheme to extend it to 2027.

Under the current scheme, eligible countries, such as the Philippines, will have to comply with 27 international conventions on human rights, labor rights, climate action, and good governance.

The Philippines was threatened with the loss of its GSP+ status during the Duterte administration due to European concern over extrajudicial killings and alleged human rights violations.

The Duterte administration's "war on drugs" was condemned by the European Parliament in a resolution passed in February 2022, which asked the country to act on human rights abuses.

On the other hand, RCEP, the world's biggest FTA involving a third of the global economy, counts among its members Association of Southeast Asian Nations, Australia, China, Japan, New Zealand, and South Korea.

The deal aims to increase trade among RCEP participants by allowing minimal to zero restrictions on shipment volumes, tariffs, and import taxes.

The Philippines was the last participating country to ratify the FTA on June 2, more than two and a half years since the participating countries concluded the deal in November 2020.

Mr. Gepty said that the late ratification is one of the reasons why it is still too early to assess RCEP utilization in the Philippines.

"Since its implementation in the Philippines only started in June, it would still be too early to gather and process data. We are coordinating with concerned agencies to gather relevant data for purposes of monitoring," he said.

Mr. Barcelon added: "RCEP was just ratified in the middle of the year, so it will take some time to really get the benefits from it."

He said that most RCEP countries are already Philippine trading partners.

"Some of the benefits that I would see are for our agricultural sector to be able to expand their market in Japan, among others," he added, citing the benefits of the lowered tariffs for Philippine produce under RCEP.

Tereso O. Panga, director-general of the Philippine Economic Zone Authority (PEZA), said there has been an increase in investment approvals from some RCEP countries.

"There has been a marked increase in our ecozone investment approvals this year from Australia and China, countries we consider in PEZA as non-traditional sources of economic zone (ecozone) FDI and exports," Mr. Panga said in a Viber message.

"Clearly, we can attribute this trade and investment market diversification to the country's recent accession to RCEP," he added.

PEZA reported that approved investments from Australia more than doubled to P772.82 million in the first 11 months while investments from China grew 65.8% to P1.28 billion during the period.

"With the entry of more Chinese and Australian investors, we can expect these locators to be exporting their products and services back to their principal headquarters or to other RCEP member countries to take advantage of the lower trade barriers and improved market access from trading partners," Mr. Panga said.

He said that the increase in investment after the implementation of trade agreements was also seen in the case of European countries.

"We see the same trend with the huge growth in ecozone FDI from EU member countries. In addition, we expect our ecozone exports to the EU to likewise achieve a significant increase given the latter's continued grant of GSP+ privileges to Philippine exporters," he said.

"With PEZA accounting for more than 60% of the exports of goods and commodities, we are pursuing more locators seeking to avail of the benefits under RCEP and the proposed EU-Philippines FTA to grow their operations in the country," he added.

In the first 11 months, PEZA approved P16.56 billion in investments from EU member countries, sharply higher compared with the P2.44 billion in approvals a year earlier.

Philip Dupuis, head of trade for the EU Delegation to the Philippines, said the Philippines retains the potential to more fully utilize GSP+.

"Utilization by the Philippines… has been relatively good. I think we are utilizing two-thirds of the eligible exports, more or less, if I remember well, but it could be better," Mr. Dupuis said in a chance interview.

He said that it is important to determine whether exporters have an ingrained preference for trading with nearby or familiar markets.

"I think there is a lot of work for us to do in terms of making the European market better known, but the companies also need to inform themselves because all the materials are there," he said.

"Obviously, if you are satisfied with your exports to Japan and the US, then you don't necessarily look at the EU market. But I think the potential is there; there is potential to grow for Philippine companies in Europe," he added.

Mr. Dupuis also said that the EU legislators are still looking to update the GSP+ scheme after the current deal's extension, as the EU Council and Parliament have yet to reach agreement on updating GSP rules.

The EU and the Philippines have also resumed talks for an FTA since the suspension of the negotiations in 2017. Negotiations were put on hold due to issues over intellectual property rights and data exclusivity, among others.

The two parties are expected to complete the initial phase of the negotiations by the end of December, which involves the identification of the chapters that would form part of the FTA.

The two first launched negotiations for an FTA in 2015.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said that there is also a need to push the participation of micro, small, and medium enterprises (MSMEs) to further increase utilization of GSP+.

"Some MSMEs that are part of the export supply chain and ecosystem have yet to maximize the potential of GSP+," Mr. Ricafort said in a Viber message.

He added that supporting "online businesses and transactions would also be able to maximize the economic benefits and potential of these FTAs, given their immense possibilities to expand export markets."

Mr. Ricafort said FTAs are helpful for effectively expanding the markets of Philippine exporters at much reduced cost, making them more competitively priced.

He said such trade deals also attract more investment, with investors from nearby countries using the Philippines as a stepping stone to access the benefits of preferential agreements such as GSP+.

Banks,
from S1/1

To boost the usage of digital payments among Filipinos, the BSP has been encouraging BSP-supervised financial institutions (BSFIs) to waive or lower rates on small e-payments since last year. But banks and nonbanks have not yet reached an agreement with the central bank.

Last week, the BSP released Memorandum No. M-2023-037, which states that the moratorium on transfer fee increases remains in effect. It was first imposed in 2021.

"The moratorium is in effect until the banks and EMIs waive their fees on small e-payments and subject to our review," Mr. Tangonan said.

Based on the memorandum, a transfer fee that is currently waived may only be restored up to the amount reported to the BSP before the waiver.

BSFIs who are also planning to introduce fees for new fund transfer services will need to apply for prior BSP approval. These fees must also be reported to the BSP 60 days before implementation.

BSP Governor Eli M. Remolona, Jr. earlier said the central bank is actively working on lowering and ultimately eliminating fees on small electronic payments.

"The reduction or removal of transfer fees for small e-payments supports our vision of digitalization and inclusivity. We are engaging the industry through dialogue to explore ways to reduce or completely eliminate fees for small-value transactions," he said.

Last week, lawmakers filed a bill that seeks to waive additional fees in small electronic wallet (e-wallet) transactions at the House of Representatives.

Under the proposed law, all electronic fund transfer service providers will be required to waive all fees associated with small-value transactions.

The fee waiver will be applied when sending money to another e-wallet user, cashing in or cashing out to an e-wallet account, and transferring funds to a bank account.

The BSP will have the authority to adjust the transaction amount subject to waived fees based on the daily cost of living, current exchange rate, and inflation rate.

Based on BSP data, the combined value of transactions done through the BSP's automated clearing houses InstaPay and PESONet rose by 30.6% to P10.39 trillion as of October from P7.95 trillion in the same period last year.

In terms of volume, transactions coursed through the clearing houses grew by 43.7% to 733 million as of end-October from 510 million in the comparable year-ago period.

The BSP is targeting to digitalize 50% of total retail transactions and onboard at least 70% of Filipino adults to the financial system by the end of this year. — **Keisha B. Ta-asan**