NEDA sees new taxes as necessary to achieve PHL transformation goals

THE National Economic and Development Authority (NEDA) cited the need for new tax measures to achieve fiscal consolidation, which will keep the Philippines on track with its plans for extensive economic and social transformation.

The recommendation was made late Wednesday with the release of the Philippine Development Report 2023, which outlines strategies going forward for meeting the government's development goals.

"The fiscal targets for 2023 are likely to be met. However, sustaining this achievement until 2028 would be challenging without the prompt enactment of new tax measures," it said.

The government is hoping to reduce its debt-to-gross domestic product (GDP) ratio to below 60% by 2025 and bring down the deficit-to-GDP ratio to 3% by 2028.

"The (current) proposed tax measures, which include excise taxes on sweetened beverages, VAT on digital service providers, and a new fiscal regime for mining, are expected to generate over P900 billion in additional revenue from 2024 to 2028," it said.

"The Executive and Legislative branches need to closely collaborate to ensure that the resulting measures do not lead to revenue shortfalls," it added.

The NEDA position on taxes apparently runs counter to the Department of Finance's (DoF) announcement that no new consumption-based taxes are planned this year, with the tax collection arms of the government instead focusing on increasing their collection efficiency.

NEDA added that "economic and social transformation" will depend on a strong fiscal foundation, finding more growth drivers, and accelerating innovation, sustainability, and digitalization.

The report also called for fast-tracking other reforms and improving efficiency in state spending through expedited procurement and digitalizing processes, among others.

"The government's rightsizing program will also be pursued through restructuring to address new priorities, as well as through merging or abolishing government agencies to create a more efficient bureaucracy," it said.

"These reforms, when implemented fully, are expected to ease the fiscal burden as indicated by, say, declining government deficits and overall public debt as a proportion of national income or GDP," it added.

The report noted that while most fiscal targets are on track, macroeconomic targets are "slightly below or falling below the target."

The economy grew by 5.6% in 2023, falling short of the government's 6-7% full-year target.

"There have been significant improvements in the labor statistics, but much work needs to be done in generating quality employment," it added.

NEDA also cited the need to "expand the economic pie."

"The factors that constrained demand growth in 2023 may continue to persist in 2024. However, there are potential solutions that can be implemented to address these issues," it said.

The report noted that household spending was dampened by elevated inflation.

"For 2024 and beyond, a multi-pronged solution is being proposed, recognizing that the issue has arisen due to a combination of external and domestic factors," the NEDA said.

"The solution will involve a blend of strategic trade policy, targeted production subsidies, demand management, and confidence-building communication, along with productivity-enhancing strategies," it added.

NEDA also called for ensuring food security through adopting a "value-chain mindset."

"The first node is to ensure an adequate food supply. The solution must be to improve the productivity of the agriculture, fishery, and forestry (AFF) sector. This requires more responsive R&D, as well as more timely and accurate information and forecasting models, and extension services."

It also recommended improving access to quality education to address learning losses; building sustainable settlements and well-planned communities; and accelerating digital transformation.

The government must also focus on improving the business climate to attract trade and investment, promote competition, and ramp up infrastructure. — **Luisa Maria Jacinta C. Jocson**

DTI banking on investment from companies fleeing China

By Justine Irish D. Tabile
Reporter

THE Department of Trade and Industry (DTI) said it is counting on capturing a share of investment from companies exiting China, including those from Taiwan, Japan and South Korea.

Trade Secretary Alfredo E. Pascual said at the Italian Chamber of Commerce in the Philippines Business Luncheon on Thursday that slower growth in China is making investors take a long look at Philippines.

"Previously, some countries in Southeast Asia benefited from China's strong growth. This has driven investment in these countries, particularly Vietnam, due to its proximity to China," Mr. Pascual said.

"But, in the current context, where there is slower China growth and a geopolitical situation that has encouraged re-shoring, friend-shoring, or de-risking, companies from Taiwan, Japan, and South Korea are (on the move)," he said.

He said that the Philippines' market access to Southeast Asia and US markets will be the driver, citing favorable geography as a distinct advantage.

"Given its strategic location in Asia, the Philippines could be a platform for companies to access the 690 million-strong Southeast Asian consumer market," he said.

"Our proximity to these growing economies can allow it to enter (more) supply chains and be part of inter-country economic systems," he added.

The economy grew 5.6% last year, though it missed the 6-7% target for the year. Mr. Pascual said that growth still outpaced that of China (5.2%), Vietnam (5%), and Malaysia (3.8%).

"While the Philippine economy performed well despite geopolitical challenges in 2023, we are rallying for an even better outcome this year," he said.

Mr. Pascual said growth in 2024 will also be driven by private consumption with inflation easing, oil prices falling, and demand rising for Philippine exports as bottlenecks ease.

"Meanwhile, a broad-based expansion in all major sectors of the economy led by services and industry is expected to drive growth on the supply side," he said.

Use RE as a means to attract more mining investment, US official says

WIND and solar power must be harnessed not just for the sake of the environment, but also to attract foreign investment in mining, particularly in critical minerals, a US State Department official said.

"The Philippines can take a vulnerability, that we all have, and pursue our desire to diversify our critical minerals supply chain, to attract investment to bring more jobs to the Philippines, and not make countries choose between economic growth and environmental degradation," State Department Undersecretary for Economic Growth, Energy, and Environment Jose W. Fernandez said at a virtual news briefing.

"We had long discussions on critical minerals with the Philippines, (which) after Indonesia has the largest reserves of nickel in the world," he said.

He said the US is interested in partnering to set up projects that would boost the Philippines' processing of cobalt and copper.

High energy costs are keeping miners and semiconductor companies from investing in the Philippines, Mr. Fernandez said.

"This is an opportunity to take a vulnerability and make it... an opportunity... turn it into an advantage (considering) that the Philippines has ample wind, and obviously has ample sun," the US official said.

"It's something that I know is already on the minds of the government to try and promote and incentivize offshore wind in the Philippines," he said.

The Philippines has potential offshore wind resources of 178 gigawatts, with large parts of the coast windy enough to power turbines, the Board of Investments (BoI) has said.

On Dec. 21, the BoI issued a certificate of endorsement to Ivisan Windkraft Corp. for its 450-megawatt Frontera Bay Wind Power Project off Cavite, which is poised to become the Philippines' first offshore wind project.

The project is expected to help the government achieve its target of producing 15.3 gigawatts of clean energy by 2030 under the Philippine Development Plan.

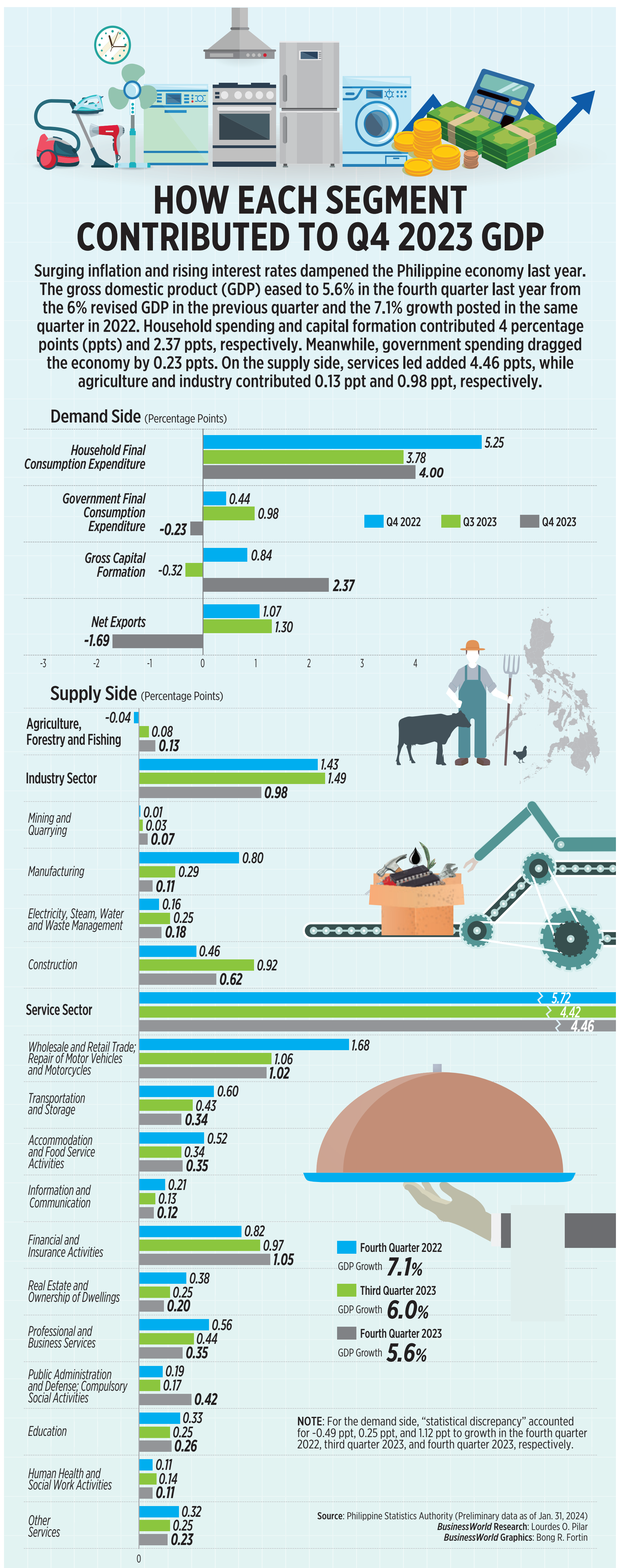
The government is aiming to raise renewable energy's (RE) contribution to the energy mix to 35% by 2030 and to 50% by 2040. RE currently accounts for 22% of the energy mix.

As of October, the DoE has awarded at least 1,300 RE contracts with total potential capacity of 130,880.8 megawatts.

Mr. Fernandez on Tuesday met with Energy Secretary Raphael M. Lotilla and discussed possible US-Philippine cooperation in renewable energy and civil nuclear energy.

He also met with Finance Secretary Ralph G. Recto to discuss US-Philippine tie-ups in critical minerals, semiconductors and energy security.

In November, the State Department said it will collaborate with the Philippines in exploring the expansion of the semiconductor industry in the context of the CHIPS Act of 2022, a US law that seeks to build US capability in developing and manufacturing semiconductors. — **John Victor D. Ordoñez**



PEZA approves P2.21B worth of investments in Jan.

THE Philippine Economic Zone Authority (PEZA) said it approved 12 projects worth P2.21-billion investments in January.

"We are proud to have closed more than P2 billion worth of investments in the first month for 2024 and confident of securing more investment already in PEZA's pipeline and awaiting approval in the coming months," PEZA Director General Tereso O. Panga said in a statement.

PEZA said that the investments were approved during the investment promotion agency's first board meeting at the Baguio City Economic Zone (BCEZ) between Jan. 25 and 27.

Of the 12 new and expansion projects, PEZA said seven are export enterprises, four are information technology (IT) enterprises, and one is a facilities business.

The approved investments are expected to generate $69.62 million worth of exports and generate 1,337 direct jobs.

PEZA said the projects are expected to be built in the Cavite Economic Zone, Cavite Technopark–Special Economic Zone (SEZ), Laguna Technopark, Lima Technology Center–SEZ, Carmelray Industrial Park II–SEZ, Laguna Technopark Annex–SEZ, and First Philippine Industrial Park.

They will also locate in Giga Tower Bridgetowne IT Park in Quezon City, Southwoods Mall in Laguna City, Panorama Tower in Bonifacio Global City, and Jazz IT Center in Makati City.

PEZA has a target of P202 billion in investment approvals this year, which would represent a 15% increase on the P175.71 billion worth of investments approved in 2023.

Mr. Panga said the stretch target is P250 billion, close to its peak results of P250 billion to P300 billion. — **Justine Irish D. Tabile**

PHL-Vietnam rice deal seen as hedge vs weak domestic production

By Adrian H. Halili
Reporter

THE government's five-year rice deal with Vietnam is expected to serve as insurance in the event production continues to fail to keep up with demand growth, analysts said.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said that the import deal may be a hedge in case domestic rice production remains inadequate to meet the country's needs.

"Demand for rice is relatively inelastic as a basic necessity for many Filipinos, though any easing of local rice prices or at least tempered rice price increases will still support demand," Mr. Ricafort said in a Viber message.

In 2023, palay or unmilled rice production rose 1.5% to 20.06 million metric tons (MT). This translates to about 13.2 million MT of milled rice. The Department of Agriculture (DA) also has a 20 million MT palay target for 2024.

"The rice import deal will help address the gap between rice production and consumption," he added.

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