MB receives LGU applications to borrow P48.9B in H2 2023

LOCAL GOVERNMENT units (LGUs) sought Monetary Board opinions (MBOs) to borrow P48.9 billion in the second half of 2023, the Bangko Sentral ng Pilipinas (BSP) said.

In a statement, the central bank said it received a total of 159 requests for MBOs during the period.

“The total number of LGU requests and total amount were higher by 15.2% and 13.5%, respectively, compared with the 138 requests received amounting to P43.1 billion in the first semester of 2023,” it said.

Some P22.6 billion worth of opinion requests were generated by 20 cities, followed by 123 municipalities seeking opinions on P15.9 billion, 11 provinces proposing to borrow P10.3 billion, and five barangays requesting clearance to take on P109.3 million worth of debt.

The requesting LGUs were mainly from Central Luzon, Calabarzon, Bicol, the Western Visayas, the Central Visayas and Soccsksargen.— **Luisa Maria Jacinta C. Jocson**

FULL STORY
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Franchise industry says tax, regulation hindering growth

THE Philippine Franchise Association (PFA) said that tax incentives and regulation become more complex the more its companies grow, putting them at a disadvantage to foreign competitors.

“Comparatively, foreign brands are more aggressive because they have backing. First and foremost, they have tax incentives; they have tax holidays when they are scaling up,” according to Sherill R. Quintana, chair of the council of past presidents of PFA, on the sidelines of Franchise Asia Philippines 2024.

“In the Philippines, it’s the other way around. When we’re scaling up, the more you’re taxed, the more you’re regulated ... The support is at the startup level, where, in fact, when you graduate from that level, you need more support to be able to sustain your operations,” she added.

She said that the government should help make it easier for franchisors who are looking to go overseas to comply with the various international regulations.

“Why can’t we have our Food and Drug Administration (FDA) here to help our local brands who want to go to Australia, the US, or New Zealand, which have stricter guidelines, prepare them by making sure that they are compliant with their requirements?” she added.

She said because of the stricter rules in some foreign markets, some companies have to hire consultants to help with compliance.

Meanwhile, she said that the government should also support Philippine brands in registering their trademarks in multiple countries.

“In terms of the Madrid Protocol, for example, it’s very expensive for our member brands who want to be part of those programs,” she said.

“I think the government can help, maybe in terms of funding, to make it more accessible for the brands to apply for the Madrid Protocol,” she added.

According to the PFA, there are only 20 Filipino brands that have successfully gone international, while another 20–25 brands have expressed interest in going international.

Meanwhile, there are around 1,800 to 2,000 franchise brands and 200,000 franchise outlets operating in the Philippines. — **Justine Irish D. Tabile**

ADB: Region’s chipmakers can still bid to capture AI-driven memory demand

SOUTHEAST ASIAN chipmakers need to raise capacity to meet rising global demand for advanced memory chips for artificial intelligence (AI) applications, the Asian Development Bank (ADB) said.

In the Asian Development Outlook, the bank noted that the Philippines, Malaysia, Vietnam and Thailand account for a tiny share of memory chips and microprocessors relative to the leading exporters, Taiwan and South Korea.

“These economies may still benefit from the AI-driven demand for specific microchips, given their specialization in downstream services such as assembly, testing, and packaging, critical to the global semiconductor value chain,” according to the report.

The Philippines is looking to benefit from US CHIPS (Creating Helpful Incentives to Produce Semiconductors) and Science Act of 2022, which seeks to allocate $52.7 billion in federal subsidies to support chip manufacturing in friendly countries.

The Philippines needs to leverage its partnership with the US to establish its own front-end semiconductor facilities to meet global demand, according to the Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI).

“Back when US Secretary (of Commerce Gina) Raimondo was here, she said that the US will triple the semiconductor volume in the Philippines. She was referring to the back-end as assembly, test, and packaging. But what we really want to have is the front-end semiconductor wafer fab for strategic reasons,” SEIPI President Danilo C. Lachica said via telephone.

He said geopolitical tensions and the recent earthquake in Taiwan could pose supply disruptions on semiconductor wafers, which the Philippines imports.

The Philippines’ back-end semiconductor industry, which focuses on assembly, testing, and packaging, is also expected to benefit from subsidies to be provided by the CHIPS Act.

According to the ADB, China’s semiconductor export growth slowed in 2023 after global demand for photovoltaic cells dropped. An embargo on chip-making equipment exports to China could also hinder the latter’s production of microprocessors and memory chips.

“Southeast Asia’s economies provide younger, more abundant, and lower wage workers that can attract investments from large semiconductor manufacturers in East Asia as they diversify their production base,” the ADB said.

The Philippines must also come up with a “customized package” to encourage investment in Philippine semiconductors.

“We have high operating costs in power, logistics, water, cooling water, and even labor... so the package has to be customized according to the needs and interests of the potential investors in a wafer fab,” Mr. Lachica said.

The Philippines must also consider investing in renewables to lower power costs and restore the 5% gross income earned (GIE) tax incentive. “We had some capital flight, we had some investments that were changed because of that,” he said, referring to the tax incentive.

George N. Manzano, an associate professor of economics at the University of Asia and the Pacific, said improving logistics would help develop the Philippines as a semiconductor hub.

“Human resources... will be important, depending on the kind of semiconductor stage is going to be set up,” he said in a Viber message.

Mr. Lachica also called on the Commission on Higher Education to improve the engineering and applied science curriculum, Mr. Lachica said.

The Philippines only accounts for 3% of the region’s total semiconductor exports, according to the ASEAN+3 Macroeconomic Research Office (AMRO).

AMRO senior economist Andrew Tsang said the Philippine government, higher education institutions, and industry must collaborate to match semiconductor workers’ skills with industry demand.

“To enhance its competitiveness, besides attracting FDI (foreign direct investment) to bring in new technology and expertise, the Philippine workforce needs to be upskilled with appropriate training to enable technological adoption,” Mr. Tsang said in an e-mail.

Meanwhile, AMRO expects global semiconductor sales to rebound this year, coming from a four-year low of a 9.4% contraction.

“The forthcoming recovery is partly driven by the ‘replacement cycle’ — the time it takes to replace old equipment, particularly items bought during the COVID-19 pandemic,” according to AMRO’s latest ASEAN+3 Regional Economic Outlook. — **Beatriz Marie D. Cruz**