

BoP
from SI/1

Next year's BoP outlook is driven by expectations of sustained global demand and trade activity, the BSP said.

"While there are reasons for optimism on the BoP outlook for next year, the assessment remains subject to downside risks from potential market instability and from escalations in geopolitical and geoeconomic risks including the brewing conflict in the Middle East and US-China trade tensions."

CURRENT ACCOUNT DEFICIT

Meanwhile, the central bank now projects the current account deficit to reach \$6.8 billion, equivalent to 1.5% of GDP.

This is wider than its earlier forecast of \$4.7 billion (-1% of GDP). The current account covers transactions involving goods, services and income.

For 2025, the BSP expects the current account deficit to hit \$5.5 billion (-1.1% of GDP), also bigger than \$2 billion (-0.4% of GDP) previously.

In the first half, the current account deficit stood at \$7.1 billion, accounting for 3.2% of GDP.

"The wider current account deficit in 2024 was due to the reduction in the growth forecasts for goods and services exports," the BSP said.

It lowered its 2024 forecast for goods exports to 4% from 5% but retained its 6% projection for next year.

The central bank said merchandise exports are expected to show "subdued performance."

"The local semiconductor industry, with its heavy reliance on legacy products and downstream assembly, does not appear to be benefiting from the AI-induced upturn in global electronics demand," the BSP said.

"Compensating in part for the expected weakness in semiconductors are exports of other electronic products (e.g., electronic data processing, consumer electronics, telecommunications, medical/industrial instrumentation, and automotive electronics) which are seen to be driven by the tech replacement cycle and overall recovery in global demand."

The central bank kept its growth forecasts for goods imports at 2% this year and 5% for 2025.

Meanwhile, the BSP anticipates service exports to expand by 13% this year, a tad lower than the earlier projection of 14%. It kept its forecast for service exports at 10% for 2025.

The central bank also maintained its projections for services imports at 13% this year and 6% next year.

"Growth in service exports is also likely to be modest following the weaker-than-expected per-

formance of the BPO sector due to lower receipts from other business services, particularly contact centers," it said.

"Nonetheless, the current account outlook continues to be supported by robust growth prospects for travel receipts, along with the steady inflows of overseas Filipino [worker] (OFW) remittances."

The growth forecast for BPO receipts was trimmed to 6% this year from 7%. It maintained the 7% BPO revenue growth projection for next year.

Meanwhile, the central bank also kept its forecasts for cash remittances at 3% this year and the next.

For the first seven months, remittances from OFWs rose by 2.9% to \$19.332 billion from \$18.785 billion a year ago.

As for the financial account, it is expected that outflows may reach \$10.5 billion this year, which is higher than the previous estimate of \$7.7-billion outflows.

The financial account records transactions between residents and nonresidents involving financial assets and liabilities.

Financial account outflows stood at \$10.5 billion in the first semester, latest data from the BSP showed.

"The higher net inflow in the financial account was due largely to the notable rise in portfolio investments driven, in turn, by stronger global and domestic growth prospects, which will also benefit from the indications of a shift in the monetary policy stance toward easing by the US Fed," the BSP said.

"These factors should continue to shore up higher levels of both foreign direct investments (FDI) and foreign portfolio investments (FPI) for the remainder of the year," it added.

The BSP also hiked its forecast for FDI net inflows to \$10 billion this year from \$9.5 billion.

The latest central bank data showed FDI net inflows increased by 7.9% year on year to \$4.4 billion in the first half of the year.

The central bank also raised its FPI net inflow projection to \$4.2 billion for this year, up from \$3.1 billion. Short-term foreign investments yielded a net inflow of \$1.46 billion in the first seven months, skyrocketing by 830.7% from a year ago.

Gross international reserves (GIR) are expected to reach \$106 billion this year, higher than the previous forecast of \$104 billion.

Dollar reserves has risen by an annual 7.39% to \$106.92 billion as of end-August.

"Given prospects of continued foreign exchange inflows into the economy, there is scope to expect further buildup in the GIR for 2024-2025," the BSP added.

rules unless they are "completely certain of their applicability and operability."

"Cashless, barrier-less tolling should be the norm in the future, as this makes travel more efficient, and brings out toll roads at par to global standards," Terry L. Ridon, a public investment analyst and convenor of think tank InfraWatch PH, said in a Viber message.

BusinessWorld sought comments from toll road operators Metro Pacific Tollways Corp. (MPTC) and San Miguel Corp. but had not received a response as of the deadline.

MPTC President and Chief Executive Officer Rogelio L. Singon has said the imposition of fines would ensure the full implementation of a cashless collection system.

The implementation of a cashless toll collection is a prerequisite for the eventual shift to electronic toll collection interoperability by October, MPTC said.

The TRB is targeting to introduce a unified RFID wallet system or interoperability between Easytrip and Autosweep by October.

Easytrip is used on MPTC's North Luzon Expressway, Subic-Clark-Tarlac Expressway, Manila-Cavite Expressway and Cavite-Laguna Expressway.—Ashley Erika O. Jose

Rules currently favor imports in 2-wheel EV market, Honda says

HONDA Philippines, Inc. said imports are currently a better option than local production in the two-wheel electric vehicle (EV) market, based on the rules now in place.

"The Philippine regulations call for zero duty, which is good for imports. So it is better to import because if we invest in production, that will cost more than importing. So that's why we are now choosing to import," Sayaka Arai, president of Honda Philippines, told reporters last week.

The company produces EV motorcycles in China, Indonesia, India, and Thailand.

"However, if the government's laws and regulations change to benefit investment in local production, we want to consider producing this kind of electric motorcycle for the domestic market," she added.

Ms. Arai said Indonesia provides incentives to manufacturers if they meet product localization targets.

"If the localization ratio is higher than that range, the company can get the incentive (when selling) electric vehicles," she added.

A high level of localization will push manufacturers towards local production.

On June 20, President Ferdinand R. Marcos, Jr. signed Executive Order (EO) 62, which expanded the reduced Most Favored Nation tariff rates to other battery EVs, hybrid EVs (HEVs), plug-in hybrid EVs (PHEVs), and certain parts and components.

EO 62 also covered e-motorcycles, e-bicycles, nickel metal hydride accumulator batteries, tricycles and quadricycles, HEVs, and PHEV jeepneys or buses.

Ms. Arai said Indonesia provides incentives to manufacturers if they meet product localization targets.

"If the localization ratio is higher than that range, the company can get the incentive (when selling) electric vehicles," she added.

A high level of localization will push manufacturers towards local production.

"That means more supply needs to be available in the country, which also means more employment in the country," she said.

"That is accelerating the industrial wave in Indonesia for EVs," she added.

She noted that EVs in the Philippines are still in the early stages of development following the adoption of the zero-import duty policy.

"The Philippines is only at the starting level for electric motorcycles. It's just importing and expanding the market," she said.

"But for the future, we would like to ask the government to consider the incentives for domestic manufacturing," she added.

She said that the motorcycle market is around six million units

in Indonesia; the Philippine one is two million.

Last week, Honda unveiled its first battery-powered motorcycle, the EM1 e: which has a suggested retail price of P155,400.

"Because the EV market is just at the starting level, we are targeting not so big numbers like 1,000 or 2,000 units," she said.

In the previous financial year, Honda produced 750,000 motorcycles in its factory. Honda's financial year runs from April to March.

"Two years before that, that was just 200,000. So our production is really increasing," she said.

She added that the main driver for the increasing production is the Honda's Click125 model, which is popular in the Philippines, and is being exported to New Zealand. — **Justine Irish D. Tabile**

BCDA, S. Korean agency in Clark development tie-up

THE Bases Conversion and Development Authority (BCDA) has entered a partnership agreement with South Korea's National Agency for Administrative City Construction (NAACC) to develop New Clark City in Capas, Tarlac.

Under the partnership, BCDA and NAACC will collaborate in urban planning, smart city development, green energy, and smart administrative systems for the 9,450-hectare project.

"We at BCDA are very fortunate to have NAACC as our partner to facilitate knowledge exchange and link us with experts who can help us transform New Clark City as the Philippines' alternative National Government hub," BCDA

President and Chief Executive Officer Joshua M. Binggang said in a statement sent over the weekend.

"Through this memorandum of understanding, we wish to replicate the successes and apply the lessons learned by Korea in relocating administrative agencies and national research and development (R&D) institutes to

its administrative capital, Sejong City," he added.

South Korea, through NAACC, set up satellite government administrative centers outside the capital to help ease congestion and overpopulation in metropolitan areas, which the BCDA hopes to emulate in New Clark City. — **Justine Irish D. Tabile**

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September 24, 2024 | 11:00 A.M.

September 25, 2024 | 11:00 A.M.

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