# PHL poised for 'takeoff' driven by reforms, services — HSBC

THE Philippine economy is expected to "take off" due to the strengths of its labor force, the pursuit of key reforms, and continued growth in its services exports, HSBC Global Research said in a report.

"The Philippines is reaping the rewards of two decades of hard-earned reform. From liberalization, fiscal, and institutional reform, we think the Philippines has one of the strongest reform narratives in ASEAN, giving the economy the stability it needs for take-off," HSBC economist for ASEAN Aris D. Dacanay said.

Mr. Dacanay said the Philippines has "laid a solid fiscal and economic foundation that could finance the long-term investments needed to lift its economic potential."

It cited reforms such as the Rice Tariffication Law, the Public Service Act, and the recent 12% value-added tax (VAT) on digital services.

"These reforms have given the economy the space and resources to respond accordingly and mitigate the impact of these shocks," he added.

"While most ASEAN states are experiencing declining tax revenue collections relative to their GDP, the Philippines has improved the efficiency of its revenue base."

The Treasury reported that revenue in the nine-month period rose 16.04% to P3.29 trillion, exceeding the P3.15-trillion target for the period by 4.53%.

"This increase in revenues has allowed the Philippines to invest in its long-term potential — which it did. While some ASEAN states are shifting their public expenditure from investments to consumer subsidies and welfare, the Philippines is boosting its economic potential through infrastructure and physical capital."

HSBC also noted the country's favorable demographics.

"Reforms have built the launchpad for takeoff, but demographics is the economy's fuel. The Philippines has achieved over and above the tailwinds, with the labor market performing better than what the demographic trend would suggest."

It expects the Philippines' share of the working age population to peak in 2035, the latest among other ASEAN countries, which would make its demographic tailwind "long-lasting."

"Across ASEAN, the Philippines has the most favorable demographics. From 2025 to 2035, the Philippines' working-age population is projected to grow by as much as 15%, which will be the fastest pace in the region."

"This demographic dividend should, in turn, boost GDP per capita and increase the absolute savings available for further investment," it added.

HSBC expects the average incremental saving in the economy to rise by $17.7 billion annually until 2029.

Meanwhile, HSBC also noted the opportunity of services exports.

"Apart from strength in numbers, the Philippines has found a niche in exporting 'light-asset' services," it said.

"In the age of digitalization, this serves as a window of opportunity for the Philippines. The advancement of the digital space has made services more tradable, unlocking the potential for services to expand to larger markets and grow. If international transport has led to a surge in manufacturing, data is the service sector's cargo ship to the world."

"Services exports have surpassed overseas remittances as the main driver of the Philippine economy's current account, despite the continued growth in overseas remittances," it said.

"From physically exporting labor to exporting services... digitalization has helped move the Philippines up the global value chain. And with the currents of the world pointing towards services, the Philippines, among ASEAN, is in the best position to catch the wave, in our view." — **Luisa Maria Jacinta C. Jocson**

# Philippines batting for chapter on MSMEs in free trade deal with European Union

THE PHILIPPINES is proposing a chapter on micro, small and medium enterprises (MSMEs) in its free trade agreement (FTA) with the European Union (EU), the Philippine Exporters Confederation, Inc. (Philexport) said.

In a statement on Thursday, Philexport said the MSME provision became apparent as the Department of Trade and Industry (DTI) sought industry input on the Philippines-EU FTA, the ASEAN Digital Economy Framework Agreement (DEFA), and the World Trade Organization (WTO) E-Commerce Joint Statement Initiative.

"In all the trade negotiations, the Philippine negotiating team always tries to include MSMEs in the discussions," Philexport said, citing Trade Undersecretary Allan B. Gepty.

"The Philippines has always been a strong advocate of including an MSME chapter in the agreement. In all fora, whenever there is an opportunity, we make sure that there is always an element, provision, or, better, a chapter involving MSMEs," it added.

The chapter on the MSME aims to ensure that both parties are aware of the role of MSMEs in global trade and the need for technical assistance and capacity-building.

According to Philexport, the Philippines hopes to conclude the FTA talks by 2026 to avoid any disruptions in its trade privileges once the Philippines loses its eligibility for the EU Generalized Scheme of Preference Plus.

"The next rounds of negotiation will be held in February, June, and October ... 2025 is crucial as they hope to finish as many provisions as they can next year for the targeted conclusion of deliberations by 2026," it added.

The proposed elements of the FTA include trade in goods, rules of origin, customs and trade facilitation, trade remedies, technical barriers to trade, sanitary measures, services and investment, digital trade, government procurement, intellectual property, and competition, subsidies, and state-owned enterprises;

MSMEs, energy and raw materials, trade and sustainable development, sustainable food systems, transparency and good regulatory practices, dispute settlement, initial, general, final, and institutional provisions, and exceptions.

The EU is expected to negotiate for maximum access for almost all of its products, particularly meat, other agricultural products, electronics, and automotive products, while the Philippines will also be pushing for the maximum access for its agricultural exports.

Meanwhile, Mr. Gepty consulted industry on the ASEAN DEFA, which is aimed at accelerating digital economy transformation.

According to the DTI, ASEAN DEFA "is a comprehensive agreement on e-commerce and digital economy, encompassing not only traditional areas of cross-border e-commerce and customs duties but also data flows and cybersecurity, payments, paperless trading, digital ID, competition, talent mobility, and other emerging topics like AI and block chains."

Negotiations for the agreement started in September 2023 and are targeted to conclude next year.

The DTI also sought comments on the WTO E-Commerce Joint Statement Initiative, which aims to establish global digital trade rules to reap the benefits and opportunities provided by e-commerce. — **Justine Irish D. Tabile**

# Gov't agencies singled out for 'excellent' EoDB compliance

THE Anti-Red Tape Authority (ARTA) said it conferred "excellent" ratings on 64 agencies for their compliance with the Ease of Doing Business (EoDB) Law, while noting the large number of compliance laggards subject to review of their processes.

Late Wednesday, ARTA announced the results of the Report Card Survey (RCS) 2.0, which evaluates agencies' compliance with the law and singles out obstacles preventing access to government services.

The survey, which was conducted between November 2023 and May 2024, indicated that 7% of the 860 government offices surveyed posted scores of between 95% and 100%, demonstrating their "exceptional compliance and service delivery standards."

It was the first time for ARTA to issue an "excellent" rating since the first edition of the report card in 2020.

However, the survey also found that 311 agencies (36%) scored below 75%, indicating the need to conduct a review of their compliance with the requirements set under the law.

Some 83 agencies (10%) were given a rating of 75% to 79.99%, 105 agencies (12%) scored between 80% and 84.99%, 81 (9%) were given ratings between 85% and 89.99%, and 96 (11%) scored 90-94.99%.

Despite the large-scale rollout, only 740 offices, or 86% of the 860 agencies, were successfully surveyed, resulting in 120 agencies not being fully assessed due to incomplete data.

"While many agencies have demonstrated excellence, there remains significant potential for growth, especially among those that need thorough reviews or improvements in compliance and service delivery," ARTA Secretary Ernesto V. Perez said.

"The insights gained from the RCS serve as a crucial guide for both recognizing outstanding service and addressing the gaps that persist in public sector performance. Together, these initiatives can drive the continuous improvement of government services towards a Bagong Pilipinas," he added.

For National Government agencies, the Department of the Interior and Local Government Region IV-A (Calabarzon) was given the highest rating of 100.64% out of 296 surveyed offices. It was followed by Department of Labor and Employment (DoLE) Region I (Ilocos), which scored 100.33%.

Completing the top 5 best performing National Government agencies were the Department of Social Welfare and Development Field Office 12 (99.74%), DoLE Regional Office 11 (99.33%), and the Department of Health Davao Center for Health Development (98.79%).

Meanwhile, the City Government of Imus, Cavite (94.95%); Municipal Government of Santo Domingo, Ilocos Sur (93.2%); City Government of Legazpi, Albay (91.1%); Municipal Government of Salay, Misamis Oriental (90.7%); and Provincial Government of South Cotabato (90.3%) were the top scorers out of the 200 local government units surveyed.

Of the 194 government-owned or -controlled corporations surveyed, Land Bank of the Philippines Cauayan and Talibon Branches received the highest ratings of 100.02% and 99.11%, respectively.

Completing the top 3 were the Philippine Economic Zone Authority-Cluster 2 Joint PEZA Customs Clearance Office – Davao which had a rating of 99.04%.

Among state universities and colleges, the highest scorers were Nueva Ecija University of Science and Technology – Main Campus (97.9%), Tarlac State University – Main Campus (93.76%), and Cavite State University – Main Campus (93.52%).

The Vicente Sotto Memorial Medical Center (97.42%) and Bayawan Water District (99.26%) were recognized as the top scorers out of 25 government hospitals and 50 local water districts, respectively. — **Justine Irish D. Tabile**



# PPA sees cargo volume growth sustained this year

THE Philippine Ports Authority (PPA) said it expects sustained cargo volume growth this year of about 7%.

"Based on our projection by the end of the year, we are expecting our growth to remain at 7% for cargo throughput," PPA General-Manager Jay Daniel R. Santiago said in a Viber message on Thursday.

According to preliminary data from the PPA, cargo throughput climbed to 218.28 million metric tons (MT), up 7.3% from a year earlier, driven by growth in foreign cargo.

Foreign cargo accounted for 140.21 million MT or a 64.2% share of all cargo volume; while domestic cargo accounted for 35.8% or 78.07 million MT.

In the third quarter, cargo volume rose 8.5% to 79.67 million MT.

In the nine months to September, the PPA logged imports of 80.38 million MT, with Luzon ports taking on 43.15 million MT. Exports amounted to 59.83 million MT led by Northern Mindanao ports, which shipped 28.90 million MT.

In the first nine months, the PPA said it serviced 5.72 million twenty-foot equivalent units (TEUs) of container cargo, up 3.5% from a year earlier.

The PPA said domestic containers amounted to 1.97 million TEUs, with foreign containers at 3.74 million TEUs in the nine months.

Passenger volume rose 10.3% to 60.47 million. — **Ashley Erika O. Jose**

# Electricity distributors in calamity areas ordered to freeze power disconnections

THE Energy Regulatory Commission (ERC) said on Thursday that it ordered all distribution utilities (DUs) in calamity areas to suspend electricity disconnections for unpaid bills between October and December.

The advisory follows a Presidential directive to study relief measures for power users in parts of the country hit by Severe Tropical Storm (STS) Kristine.

The ERC also directed DUs to provide flexible payment options "to help ease the financial burden on consumers as they work toward recovery from the effects of STS Kristine."

The order applies to captive consumers with monthly consumption not exceeding 200 kilowatt-hours (kWh) during the October-December billing periods.

Affected captive customers must be allowed to pay their monthly electricity bills on a staggered basis for at least six months from the issuance of the statement of account of each bill.

"DUs may offer alternative payment terms that are mutually agreeable to both the DU and consumers whose consumption exceeds 200 kWh," the ERC said.

"Consumers are encouraged to contact their respective DUs to inquire about the available alternative payment options or to request special terms to settle outstanding bills," it added.

Meanwhile, the regulator ordered generators, the Power Sector Assets and Liabilities Management Corp., the National Power Corp., the National Transmission Corp., and the National Grid Corp. of the Philippines to extend the same payment scheme to the affected DUs as they encounter payment delays from affected consumers.

This also applies to independent power producers, independent power producer administrators, and the market operator.

DUs need to segregate payments from affected consumers to determine the amounts to be paid on a similar staggered basis to the respective stakeholders.

"Availment of prompt payment discounts will still be in accordance with the parties' approved supply contract," the ERC said.

Manila Electric Co., the sole power distributor serving Metro Manila and nearby provinces, said it suspended disconnections in areas placed under a state of calamity and will offer flexible payment arrangements to affected customers.

"Meralco... is ready to comply with the ERC's directive to provide relief to consumers heavily affected by Kristine," Joe R. Zaldarriaga, Meralco's vice-president and head of corporate communications, said via Viber.

In a separate statement, the National Electrification Administration (NEA) said at least 24 electric cooperatives (ECs) sustained significant damage due to Kristine, initially estimating the damage to power infrastructure at P70.25 million.— **Sheldeen Joy Talavera**