



PHILIPPINES - MALAYSIA BUSINESS COUNCIL



PH-MYBC NEWSLETTER

SECOND QUARTER 2013

Federation of Malaysian Manufacturers visits PH

The Federation of Malaysian Manufacturers (FMM) led a trade and investment mission in the Philippines from 20-23 May 2013. The FMM business delegation met with various government officials and agencies, and business organizations for a series of market consultations and networking sessions.



Image from PCCI

Companies represented in the mission have business interests in financial services, medical equipment and supplies, industrial equipment, shipping and storage services, commercial and special purpose vehicles, outdoor and sporting equipment, among others. The mission was led by Adrian Yeo Eng Hui, Managing Partner of AdrianYeo, Chartered Accountants.

Economic briefings were conducted by both the Department of Trade and Industry (DTI) Board of Investments and the Philippine Economic Zone Authority. During a courtesy call to DTI Undersecretary for Trade and Investment Promotions, Ponciano C. Manalo, Jr., the delegation shared the general eagerness of Malaysians to do business in the Philippines. The FMM delegation also met with members of key business organizations in the Philippines, such as the Filipino-Chinese Chamber of Commerce and Industry, Inc. (FFCCCII) and the Philippine Chamber of Commerce, Inc. (PCCI) through formal and business matching sessions both organizations conducted. ■

Philippine Q1 2013 GDP shoots to 7.8%, exceeds expectations

The Philippines' National Statistical Coordination Board reported a 7.8% gross domestic product (GDP) growth for the first three months of the year, surpassing expectations of various international financial institutions and other similar agencies. Not only did the country exceed performance forecasts, it posted the fastest growth rate in Asia for the same period. First quarter 2012 GDP was at 6.5%.

The agriculture and industry sectors reflected more than double growth gains from the previous year. Agriculture was able to rally within a one-year period, growing 3.3% from 1.1% in 2012, with significant recovery in the fisheries subsector. Industry's growth rate of 10.9%, from 5.3%, was mainly due to developments in the construction and manufacturing subsectors, having grown 32.5% and 9.7% in a year, respectively. The services sector has sustained its pace at a 7.0% growth rate, with consistent gains in all its subsectors.

The Philippine government is steadfastly keeping within target of its 6-7% GDP growth by year-end 2013. It remains confident that the country's strengthened public spending and robust domestic consumption will sustain and anchor its strong economic fundamentals throughout the year. ■

A quarterly publication of the Philippines-Malaysia Business Council, the **PH-MYBC Newsletter** provides the latest socio-economic updates, as well as news on developments in trade and investments between the two countries.

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CONTRIBUTIONS TO GDP GROWTH (IN %)

	2013 Q1
AHFF	0.4
Industry	3.5
Services	3.9
GDP	7.8

Source: NSCB

Philippine Q1 2013 GDP..

GROWTH RATES OF MAJOR INDUSTRIES (IN %)	2012		2013
	Q1	Q4	Q1
Agriculture, Hunting, Fisheries and Forestry (AHFF)	1.1	4.9	3.3
Industry	5.3	8.9	10.9
Services	8.4	6.5	7.0

Source: NSCB

PHL enacts law allowing foreign ownership in rural banks

The Philippine government revised its target and expectations on mining investments, from \$718 million to \$1 billion, following the lifting of Memorandum Order No. 2011-01, a moratorium on the acceptance of all types of mining applications.

With the lifting of the moratorium, local and foreign mining companies are expected to start applying for exploration permits. Since 2011, the Mines and Geosciences Bureau (MGB) has reviewed a total of 2,100 mining applications, with 500 passing MGB standards, and 400 under appeal.

The moratorium, issued two years ago, imposed a suspen-

sion on mining applications such as, but not limited to, exploration permits, mineral product sharing agreements, financial or technical assistance agreements, and industrial sand and gravel licenses. Around 1,200 mining areas where mining permit applications were previously cancelled for two years have now been opened to accommodate new mining applications.

The Philippine government also expects an increase in revenues due to the issuance of Administrative Order No. 2013-10 in February. The Order increases application fees for permits and agreements from P60 to P300 per hectare. ■

PHL receives 2 investment grade ratings, expects higher FDI within the year

The Philippines was awarded its first-ever investment grade rating last March after international credit-rating agency Fitch Ratings raised the country's BB+ rating to BBB-. The country's credit rating was furthermore assigned a stable outlook, now considered a "net creditor" due to a "persistent current account surplus, underpinned by remittance inflows."

In May, Standard & Poor's (S&P) credit rating agency likewise awarded the Philippines the same minimum investment grade (BBB-), with the Philippines beating Indonesia to said rating. S&P likewise echoes Fitch's "stable" outlook for the country, given the Philippines' consistently strong economic showing and stable macroeconomic fundamentals.

With the two firms' respective seals of approval and confidence, the Philippine government is optimistic a higher flow of foreign direct investment (FDI) will start steadily pouring into the country. According to the United Nations

Conference on Trade and Development, the Philippines has lagged behind seven of its ASEAN counterparts in attracting FDI in 2012, receiving only \$1.5 billion. The figure trails Cambodia (\$1.8 billion), Myanmar (\$1.9 billion), Thailand (\$8.1 billion), Vietnam (\$8.4 billion), Indonesia (\$19.2 billion), and Singapore (\$54.4 billion). Amando Tetangco Jr., Bangko Sentral Governor, is positive the investment-grade ratings will translate into actual short- to medium-term investments in the Philippines, and that the country can expect to catch up with its ASEAN neighbors with a more competitive FDI rate level.

The government hopes to attract and channel incoming investments towards the expansion and improvement of infrastructure, revival of the manufacturing sector, sustaining the business process outsourcing industry, promotion of more public-private partnership initiatives, and supporting the booming tourism sector. ■

Join the Philippines-Malaysia Business Council!

The PH-MYBC was established in 1996 to promote trade and investments between the Philippines and Malaysia. The council is composed of top business executives who seek to explore business opportunities between the two countries and to promote the exchange of views on policies of mutual concern. The Makati Business Club serves as the secretariat of the PH-MYBC.

For membership inquiries, contact Ms. Maria Victoria Sibal, PH-MYBC Coordinator at (+63 2) 751-1143 or send an email to v.sibal@mbc.com.ph or mbc.businesscouncils@gmail.com