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PHL, Malaysia top emerging Asian economies in Q2 2014

Both the Philippines and Malaysia recorded an identical 6.4-% gross domestic product (GDP) growth for the second quarter of this year to emerge as the top-performing emerging economies in the region for the period.

Notably for the Philippines, the second quarter growth in the period was its fastest in the last five quarters.

**Socioeconomic Planning Secretary Arsenio M. Balisacan** said the Philippine economy regained its growth momentum for the April to June 2014 period from a growth of 5.7% in the first quarter.

The higher growth rate of 6.4%, Balisacan said, showed that the Philippine economy "is back on the higher trajectory of growth registered in 2012 and 2013 and bodes well for economic growth in 2014."

The Philippine economy grew by 7.2% in 2013, the fastest in the region and second only to that of China.

Domestic demand continued to be buoyed by remittances from Filipinos working and living abroad, which grew 5.8% to USD 11.4B in the first half of the year from a year ago.

Balisacan said that growth in the second quarter was led by the industrial sector which grew 7.8% from a year earlier, up from 5.3% in the first quarter. Manufacturing was the highest contributor to the industrial sector, climbing 10.8%.

Among the Association of Southeast Asian Nations (ASEAN) members, the Philippines remains a popular investment destination due to its relatively strong economic fundamentals, a stable political environment, and improved credit ratings, he said.

In May, Standard & Poor's raised the country's long-term credit to two notches above investment grade. (TPS 08/29)

### GDP Growth of Select Asian Economies Q2 2014 (In %)

<table>
<thead>
<tr>
<th>Economy</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>7.5</td>
</tr>
<tr>
<td>Philippines</td>
<td>6.4</td>
</tr>
<tr>
<td>Malaysia</td>
<td>6.4</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>5.5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5.1</td>
</tr>
<tr>
<td>Singapore</td>
<td>2.4</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Source: Reuters

Inside DTI

1. **PEZA is Top 3 gov’t performer**

The Philippine Economic Zone Authority (PEZA) emerged as the Top 3 best government performing agency in the bureaucracy, the MBC Executive Outlook Survey for the second quarter of this year showed.

Notably, PEZA improved its ranking from its previous No. 6 post it garnered in July 2012.

The MBC Executive Outlook Survey conducted in the second half of this year is the second the Makati-based business association has conducted since it launched the first survey in July 2012, or two years after the Aquino Administration came into power.

Survey results were polled from 736 MBC members from 1-25 July 2014. Respondents rated the performance of government agencies under the Aquino Administration during the period July 2013 to June 2014.
2. PEZA readies European roadshow in November

The Philippine Economic Zone Authority (PEZA) will stage another European roadshow in November to lure prospective investors anew to tap potential trade and investment opportunities in the Philippines.

PEZA Director General Lilia de Lima said the roadshow will cover several countries in northern and central Europe, including Germany, where they intend to entice more investors to consider locating primarily their businesses in the Philippines' information technology (IT) and manufacturing industries.

The Department of Trade and Industry (DTI) has been aggressively positioning the Philippines as an ideal investment destination and as a potential hub for foreign firms wanting to capitalize on the opportunities presented by the Association of Southeast Asian Nations (ASEAN) economic integration.

The Philippines enjoys a sweet spot supported by robust growths over the past quarters and investment-grade ratings from global agencies, as well as the country's huge population and the availability of a young, skilled, and English-speaking workforce.

For this year, the DTI expects the country's net foreign direct investments (FDIs) to grow by as much as 20% from the USD 3.9B last year.

This improved investor confidence in the country is evident, particularly in the local manufacturing sector, which grew by 10% last year. The resurgence in manufacturing and continued fast growth of the services sector, specifically the information technology-business process management (IT-BPM) sector, are seen to push the growth in net FDIs this year.

Coverage PEZA's European Investment Mission in November 2014

- Belgium
- Germany
- Denmark
- Sweden
- France
- United Kingdom

Source: Philippine Economic Zone Authority (PEZA)
The Philippine economy seems headed for long-term growth with the possibility of hitting over 7.2% gross domestic product (GDP) expansion this year, the Department of Finance (DOF) said.

DOF Undersecretary Gil S. Beltran said the Philippines is seen to pick up more speed in the medium-term given its strong macroeconomic fundamentals.

“The medium-term growth prospects of the economy are sound. The Philippine economy has the capacity to grow faster than the 7.2% attained last year with or without the boost from election spending,” Beltran said.

According to the country’s chief economist Beltran, the country’s gross national savings exceeded its gross domestic investment (GDI) by 3%-6% of GDP.

Using the national income accounts approach, the average excess saving for the last decade is 3.8% of GDP. Last year, it was 5.2% of GDP.

“This implies that the Philippines has excess resources to spend to push the economic growth higher. If these savings surpluses were invested in productive activities, the economy would grow by the amount of new investments plus the real rate of return on investment,” Beltran said.

Beltran said increased public spending on infrastructure would help the Philippines achieve sustainable growth. The government aims to boost the share of infrastructure spending to GDP to 5% by 2016. (TPS 08/21)

Philippine firms are expected to hire more in the fourth quarter amid expansion plans of local businesses, the Q3 2014 Business Expectations Survey (BES) conducted by the Bangko Sentral ng Pilipinas (BSP) showed.

“The more upbeat outlook for the next quarter is reflected in the employment outlook index which increased to 27.4% from 25.4% last quarter, indicating expectations of an overall increase in the number of new employees to be hired in the last quarter of the year,” the BSP said.

The latest BES showed that the employment outlook for those in the industry and wholesale and retail trade improved for the next quarter. The Industry sector includes firms involved in agriculture; forestry and fishing; manufacturing; electricity, gas, and water; and mining and quarrying.

“Another indicator providing support to expectations of sustained growth in the fourth quarter is the percentage of businesses with expansion plans in the industry sector which increased to 34.2% from 30% in the previous quarter,” the BSP said.

Those involved in the electricity, gas, and water activities had the “most robust” expansion plans, followed by firms from the agriculture, fishery and forestry, and manufacturing sub-sectors, BSP reported.

The latest BES was conducted from 1 July to 15 August and covered 1,527 firms. (TPS 09/01)
1. DTI, Rizal LGU launch livelihood facilities

The Department of Trade and Industry (DTI) and the municipal government of Cardona, Rizal launched on 9 September 2014 the bamboo hub processing facilities at the Cardona, Rizal Economic Center in Barangay Patunhay.

The launching of the facilities coincided with the launching of KAWAYAN (Kawayan, Waterlily, Kabuhayan), a livelihood project under the Cardona Bamboo and Water Lily Development Project.

The Cardona Multi-Purpose Cooperative (CMPC) and the Samahang Kababaihang Barangay Patunhay (SKBP) are the cooperators of the Shared Service Facilities (SSF) for bamboo and water lily, respectively.

The facilities granted to bamboo co-operator CMPC consisted of pole cutters; rip, circular, arm and band saws; planer, sander, molder, drill, grinder, furnace, and air compressor, all costing P2.7 million, while SKBP received a water lily dryer valued at P240,000.

DTI-Calabarzon Regional Director Marilou Toledo said the SSF project is a component of the DTI’s industry cluster development approach extended to micro, small and medium enterprises (MSME) to raise production output, lower costs, and improve the level of product quality that would make their operations more efficient, thus becoming competitive.

“This is DTI’s most significant help for the growth of micro enterprises, especially those in the countryside,” Toledo said.

She added that the SSFs are intended not just for the purpose of the cooperators themselves, but for other players in the industry in the province as well.

Cardona Mayor Bernardo San Juan Jr., who organized a multi-sector collaboration for non-traditional livelihood projects, acknowledged that the acquisition of the bamboo and water lily processing facilities is a big break in his administration’s livelihood program.

“Nakita na natin na may pera sa water lily, at meron na tayong ibang pagkakakitaan. Ito ay dahil sa makabagong kaisipan,” San Juan said.

2. DTI urges ASEAN to simplify trade process for SMEs

The Philippines will push anew for the simplification of rules and processes to allow local small and medium enterprises (SMEs) to benefit from free trade agreements (FTAs) and the liberalization of cross-border flows throughout the region.

Department of Trade and Industry (DTI) Secretary Gregory L. Domingo said this was on the agenda of the Association of Southeast Asian Nations (ASEAN) Economic Ministers Meeting in Myanmar on 24-28 August 2014.

“As always, our push is for SME trade facilitation, so it will be easier for our SMEs to trade with other companies in other ASEAN countries. We need to simplify the rules for the SMEs. This should, however, be a regional effort, meaning it should be implemented across the region,” Domingo said.
**Business Update**

1. **PEZA expands energy audit coverage**

The Philippine Economic Zone Authority (PEZA) is expanding the program coverage involving energy audit and energy consumption reduction to include information technology - business process management (IT-BPM) firms.

“We will do this in almost all economic zones (ecozones). After manufacturing firms, we will do it with BPMs,” PEZA Director General Lilia De Lima said.

The program, which started in 2012, is being implemented together with the European Chamber of Commerce of the Philippines (ECCP).

**Consumer News**

1. **IPOPHL boosts drive vs counterfeit goods**

The Intellectual Property Office of the Philippines (IPOPHL) is planning to improve the enforcement of intellectual property (IP) rights and increase public awareness on IP issues to keep the Philippines out of the US Trade Representative’s (USTR) Special 301 Report Watch List.

A country’s placement on the Watch List indicates that problems exist in its economy with respect to IP protection, enforcement, and market access.

The removal of the Philippines from the List attested to the commitment of local authorities to battle IP problems, including that against counterfeit goods.

The value of counterfeit goods confiscated from January to July of this year amounted to P7.79B, registering a 44.27-% increase compared to last year’s P5.40B in the same period.

**Areas that Have No Significant Improvement in the Past Years**

- Health financing
- Access to services
- Health status

*Source: Philippine Institute of Development Studies (PIDS)*

**2. Education, health crucial to sustaining PHL growth**

The Philippine Institute of Development Studies (PIDS) stressed that investing in human capital, education, and health can sustain the country’s high growth rate.

“Education is a fundamental long-term solution to the Philippines’ development challenge,” PIDS Consultant Dr. Jose R. Albert said.

The gap between the richest and the poorest Filipinos has not narrowed even a bit, despite the growth of the Philippine economy in the past years, Albert said.

In a PIDS study entitled “Labor Policy Analysis for Job Expansion and Development,” Drs. Aniceto Orbeta, Vicente Paqueo, and Leonardo Lanzona stressed that it is important to address job shortage through the massive expansion of poverty-reducing jobs and sustained human capital development through education and training.

*MAB 17/08*

**Confiscations from January-July 2014**

<table>
<thead>
<tr>
<th>Confiscating body</th>
<th>Value of counterfeit goods confiscated</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Bureau of Investigation (NBI)</td>
<td>P4.14B</td>
</tr>
<tr>
<td>Bureau of Customs (BOC)</td>
<td>P2.16B</td>
</tr>
<tr>
<td>Philippine National Police (PNP)</td>
<td>P83.79M</td>
</tr>
<tr>
<td>Optical Media Board (OMB)</td>
<td>P627.95M</td>
</tr>
<tr>
<td>Food and Drug Administration (FDA)</td>
<td>P18.83M</td>
</tr>
</tbody>
</table>

*Source: Intellectual Property Office of the Philippines IPOPHL*
2. DTI, BOC warn public vs. substandard tiles and plywood

The Department of Trade and Industry (DTI) and the Bureau of Customs (BOC) cautioned the public against the proliferation of substandard tiles and plywood in the market.

Both government agencies revealed that more than half of the ceramic tiles and plywood shipped into the country in July 2014 may have been released without the required clearances from the Bureau of Philippine Standards (BPS) of the DTI.

To prevent the repeat of such occurrences, the DTI and the BOC implemented the following measures that will help them closely monitor the compliance of importers as well as Customs examiners and appraisers of all import permit and clearance requirements:

- Regular sharing of data on regulated imports with import-regulating agencies such as BPS, to verify whether they issued permits on Customs-cleared shipments
- Investigations, and when appropriate, sanctions against Customs employees who cleared imports of regulated products without import permits
- Legal action against importers who imported products without required import permits; product recall and appropriate legal action by DTI against subject importers; and conduct of information and educational campaign on Philippine Standard (PS) and Import Commodity Clearance (ICC) Mark Schemes for all stakeholders.

<table>
<thead>
<tr>
<th>Total imports (July 2014)</th>
<th>Imported without BPS Clearance</th>
<th>Cleared for release, may have been released without BPS Clearance</th>
<th>Cleared for release/ released but still subject for verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tiles</td>
<td>66,493 tons</td>
<td>26,226 tons</td>
<td>14,704 tons</td>
</tr>
<tr>
<td>Plywood</td>
<td>31,077 tons</td>
<td>7,566 tons</td>
<td>13,843 tons</td>
</tr>
</tbody>
</table>

Source: Department of Trade and Industry (DTI)

3. Public warned against fraudulent business activities

The Securities and Exchange Commission (SEC) issued an advisory to the public regarding sales of shares of WMAC Holdings Corporation, a diversified holding company, through social networking web sites, particularly on Facebook.

Individuals and business entities are said to be trading shares of the company which is found to have no registration as a juridical entities nor for the conduct of sales of securities.

Registered partnerships, companies, or corporations are required to get several licenses from the SEC before being permitted to sell securities.

To further aid the public against scams, the SEC recommended consulting with its departments to validate registration and licenses of a business.

The SEC also cautioned against text messages misrepresenting the Commission.

These false messages, which claim that the SEC is investigating a company, are targeted at members of the company said to be under investigation.

The message sender offers to arrange a meeting with officials of the Commission to settle the investigation. *(MAB 20/08)*

SEC Departments to Consult

- Company Registration and Monitoring Department (CRMD)
- Corporate Governance and Finance Department (CGFD)
- Markets and Securities Regulation Department (MSRD)

Source: Securities and Exchange Commission (SEC)
Filipino consumers are not exhausting the advantages of passed laws on drugs due to unfamiliarity, the study titled “The Impact of Medicines Act on Households in Metro Manila” conducted by the Philippine Institute for Development Studies (PIDS) and the Department of Health (DOH) showed.

The laws are the Generic Drugs Act, passed 25 years ago, and the Cheaper Medicines Act, enacted five years ago.

Under the Generics Act, generic drugs and medicines are promoted through sufficient supply and distribution of the drugs and acceptance, while for the Cheaper Medicines Act, a maximum retail price is levied on certain drugs.

The study found out that awareness for the laws was low, with most of the sample believing that the Cheaper Medicines Act only covered generic drugs.

Despite the laws, promotional activities, and increasing availability, generic drugs are still considered of inferior quality due to how prescriptions are written.

Public medical practitioners are mandated to write the generic name of the drug in their prescriptions, while private doctors may write brand names with the corresponding generic name.

Part of the recommendations of the study includes a communication drive by the DOH and information campaign on drug prices by the Food and Drug Administration (FDA).

The FDA is looking at recruiting certified individuals to be able to meet international compliance in their conduct of inspection for good manufacturing practices. (MAB 20/08)

To aid micro, small, and medium enterprises (MSMEs) beleaguered by Super Typhoon Yolanda, the Small Business Corporation (SB Corp.) initiated the P 700-M Enterprise Rehabilitation Financing Program (ERFP).

The ERFP allows MSMEs to borrow from P 200,000 up to P 5M, to be paid in five years, with a yearly interest rate of 5% to 6% and a grace period of one year for the principal and interest payments.

Settlement of the loan is made easier with a tapered repayment scheme, starting this small and slowly increasing as the term ends, parallel with the market’s recovery.

The documentary requirements for the loan are minimal, making applications easy for MSMEs.

Meanwhile, the loan is released by tranches and is highly monitored to ensure optimal use of funds.

Applications received as of 31 July 2014 for the loan was 397, amounting to P 638.3M, while approved applications by the middle of August was 245 and worth P301.3M.

These applications came from areas heavily affected by Typhoon Yolanda—Region-4B or the area of Mindoro, Marinduque, Romblon, and Palawan (MIMAROPA), and Regions 6 to 8 or the Visayas region.

In Samar, some of the beneficiaries include the Immaculate Concepcion School of Guiuan, which received P 3M, and the Ponferrada Polymedic Hospital which availed of a P 5M loan.
The Immaculate Concepcion School, owned by 80-year-old Caridad Abrera-Sison, sustained heavy damage and served as an evacuation center during the typhoon.

Meanwhile, through the ERFP, Basay's banig industry, one of which is Delza’s Arts and Crafts of Delza Morales, has already rebounded.

The SB Corp. is enjoining other government financial institutions (GFIs), MSME lenders, and the banking sector to assist around 50,000 MSMEs affected by Yolanda.

Moody’s Analytics expects the Association of Southeast Asian Nations (ASEAN) economies to grow by 4.3% this year and above 5% in 2015.

ASEAN’s growth in 2015 will be a result of the United States (U.S.) economy’s continuous upward trend and the China’s economy’s constant gains from a government stimulus. These should drive exports earnings up in ASEAN member countries over the next 18 months.

Furthermore, ASEAN companies involved in the smartphones and personal computers’ production will also profit from the strong global demand.

Moody’s added that the Philippines and Malaysia were the region’s strongest performers in 2014’s first half, a trend forecast to be continued over the next year.

“The ASEAN nations are well-positioned to deal with capital outflows as global investors reposition their portfolios away from riskier markets in response to tighter U.S. monetary policy,” Moody’s Analytics said.

“Underlying metrics across most economies remain solid:

6.4-% Gross domestic product (GDP) growth posted by the Philippines for Q2 2014, positioning the country, together with Malaysia, as the top-performing emerging economies in Asia for the period.

No.3 The Philippine Economic Zone Authority (PEZA) emerged as the Top 3 best government performing agency in the bureaucracy in the Q3 2004 MBC Executive Outlook Survey.

P7.79B The value of counterfeit goods confiscated from January to July of this year, registering a 44.27-% increase compared to last year’s P5.40B in the same period.

P700M Fund allotted by Small Business Corporation (SB Corp.) for the Enterprise Rehabilitation Financing Program (ERFP) to aid micro, small, and medium enterprises (MSMEs) affected by Super Typhoon Yolanda.

129,687 Number of motor vehicle units produced in the Philippine in January-July 2014 period, or a growth of 26% from 102,917 recorded in the same period in 2013.

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“Underlying metrics across most economies remain solid:
The Philippines posted the fastest growth of motor vehicles and motorcycles’ sales in the Association of Southeast Asian Nations (ASEAN) region in the first seven months of 2014 amid rising demand.

The ASEAN Automotive Federation’s (AAF) data showed the country’s motor vehicle sales rose by 26% to 129,687 units as of end-July from 102,917 units in the comparable period in 2013.

The Philippines’ motorcycle and scooter sales went up by 6.6% from 417,931 units to 445,415 units in January to July period.

Moreover, the Philippines posted the second highest growth rate in terms of motor vehicle production. The country produced 53,237 motor vehicles as of end-July, up 23.1% from only 43,233 units in the same period a year ago.

Also, the Philippines ranked second in terms of growth in motorcycle and scooter assembly in the region as it saw a 2.1-% hike in output with 420,464 units.

In line with this growth, the government aims to make the country a manufacturing hub in the region. The automotive industry road map is still being finalized.

The Philippines’ tourism sector is more optimistic on its prospects as the Association of Southeast Asian Nations (ASEAN) integration moves into full swing by 2015.

“We are really catching up in terms of standardization in the tourism industry. We have to be at par with the competencies of our ASEAN neighbors,” Philippine Tour Operators’ Association (PHILTOA) President Cesar Cruz said.

The ASEAN integration’s vision to create a single market and production base through the free flow of goods, services, and funds by 2015 is present during the Philippine Travel Mart sale held recently at the SMX Convention Center in Pasay City.

Some ASEAN countries’ famous destinations were presented during the event along with the Philippines’ best and emerging tourist spots.

PHILTOA also presented the travelers packages they named “twinnings.” The said packages can let travelers choose one of their favorite Philippine destinations and pair this with another ASEAN country’s tourist spot.

“They can choose Boracay and Bali or Cebu and Singapore,” Cruz said in support of the idea of the “borderless” travel.

The tourism sector starts to consider the advantages of including ASEAN neighbors in the marketing scheme.

“The world doesn’t just travel in just one specific place. The people go to a region, especially if they have come from a far place. What is good for Philippine tourism is good for ASEAN tourism,” Department of Tourism (DOT) Secretary Ramon Jimenez, Jr. said.