필리핀한인상공회의소뉴스
KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER

January 2023 Issue | Vol. 01

SPECIAL POINTS OF INTEREST

Inflation likely peaked in Dec. — poll

January 03, 2023 | Keisha B. Ta-asan | BusinessWorld

People shop for food items inside a grocery store in Quezon City, Dec. 30. — PHILIPPINE STAR/ MIGUEL DE GUZMAN

HEADLINE INFLATION likely peaked in December as strong holiday demand and agricultural damage caused by typhoons may have driven food prices higher, according to analysts.

A *BusinessWorld* poll of 11 analysts yielded a median estimate of 8.3% for December inflation. This is also within the 7.8% to 8.6% forecast given by the Bangko Sentral ng Pilipinas (BSP) last week.

If realized, December would be the ninth straight month that inflation surpassed the BSP's 2-4% target range.

This would also bring the full-year inflation to 5.8%, matching the BSP's average forecast for 2022.

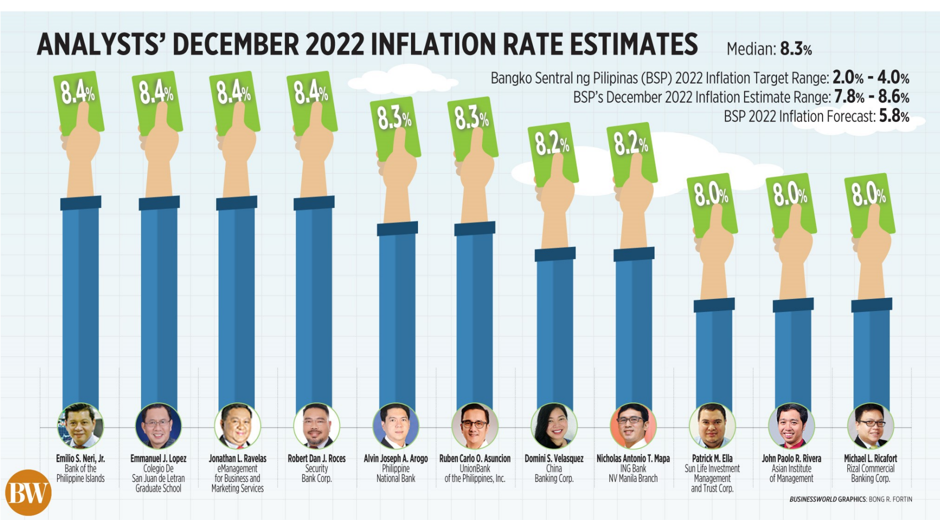
December inflation would also be the quickest pace since the 9.1% print in November 2008 at the height of the Global Financial Crisis.

The Philippine Statistics Authority (PSA) will release the consumer price index (CPI) data for December on Thursday, Jan. 5.

Higher prices of agricultural products may have contributed to faster inflation in December, said Colegio de San Juan de Letran Graduate School Associate Professor Emmanuel J. Lopez.

"This was aggravated by the traditional holiday buying spree which increased consumer spending that brings about an increase in prices of basic consumer products normally consumed in the holiday season," he said.

Prices of most food products considered as Christmas staples by Filipinos have gone up as much as 10% as early as November, according to the Trade department.



The impact of Typhoon Paeng on food supply may have also caused quicker food price inflation last month, Philippine National Bank economist Alvin Joseph A. Arogo said.

"We believe that the impact of Typhoon Paeng's damage will linger, as the four regions placed under a 'state of calamity' until April 2023 contribute 27% to the country's agriculture, forestry, and fishing output," Mr. Arogo said.

Severe Tropical Storm Paeng (international name: Nalgae) hit the country in late October, causing about P6.4 billion in agricultural damage. *[Cont. page 2]*

Inflation likely peaked in Dec. — poll

[Cont. from page 1]

Crop damage as well as higher demand may have pushed prices of vegetables such as onions, in December. The price of red onions rose to as much as P700 per kilo in December, prompting the Department of Agriculture to implement a suggested retail price of P250 per kilo of red onions.

Meanwhile, China Banking Corp. Chief Economist Domini S. Velasquez, said commodity items exposed to second-round effects may have driven inflation in December.

"This is evident in the expected increase in core prices, which will likely remain above 6% all through the first half of 2023," Ms. Velasquez said.

Core inflation, which discounts volatile prices of food and fuel, climbed 6.5% in November from 5.9% in October. This is also higher than the 3% print in December 2021. In the eleven months to November, core inflation averaged 3.7%.

She said a decline in pump prices in December was likely offset by the increase in electricity rates and price of liquefied petroleum gas (LPG).

Data from the Department of Energy showed that gasoline, diesel, and kerosene prices decreased by about P2, P2.6, and P3.9 per liter, respectively during the month.

However, Manila Electric Co. (Meralco) raised the overall rate for a typical household by P0.3297 to P10.2769 per kilowatt-hour last month.

The price of LPG products also went up by P2.25 per kilogram and AutoLPG by P1.26 per liter in December, marking the second straight month of price hikes.

"We also do not expect an immediate easing of the second-round effects from the global commodities spike and peso depreciation experienced in 2022," Mr. Arogo said.

The peso continued to appreciate from its record-low close of P59 against the US dollar. In December alone, the peso strengthened by 0.8% or P0.465 when it closed at P55.755 on Dec. 29 from P56.22 on Dec. 1.

"For 2023, we expect inflation to average at 4.6%, the third year in a row that inflation will breach the BSP's target (if we use 2012 as baseline for 2021)," Ms. Velasquez said.

She added that upside risks to their forecasts include a likely increase in wages and an earlier-than-expected reopening in China that may push oil prices higher.

The central bank sees inflation to average 4.5% in 2023 before easing to 2.8% in 2024.

"Inflation is expected to begin tempering in (first quarter of 2023) on post-holiday consumption slowdown," Security Bank Corp. Chief Economist Robert Dan J. Roces said.

He added that the central bank will continue its tightening cycle to combat inflation by hiking 50 basis points (bps) in the first quarter before a long pause this year.

The BSP adjusted policy rates by 350 bps in 2022 to bring down inflation. This is after cutting rates by a total of 200 bps in 2020 to support the pandemic-hit economy.

"Due to the high base effect and our assumption that there would be no new supply shocks in 2023, we estimate that inflation will decelerate starting January 2023. However, the monthly print could only be within the BSP's 2-4% target range in (fourth quarter 2023)," Mr. Arogo said.

Mr. Lopez said the inflation rate will gradually taper off in the first quarter as consumer spending and supply chain normalizes.

"This will prevail in the year 2023 when inflation rate will reach its target level at around 2-4% as predicted by the BSP," he added.

BSP Governor Felipe M. Medalla earlier signaled further tightening as the central bank aims to bring down inflation to 3% in the third quarter next year, and back to the 2-4% range by 2024.
The Monetary Board will have its first policy review this year on Feb. 16.

Source: https://www.bworldonline.com/top-stories/2023/01/03/496157/inflation-likely-peaked-in-dec-poll/

Recession to hit 1/3 of world economy this year, says IMF chief

January 02, 2023 | Philippine News Agency

ANKARA – One-third of the world's economies are expected to go into recession this year, according to the IMF's managing director.

"Even countries that are not in recession, it would feel like recession for hundreds of millions of people," Kristalina Georgieva told CBS news on Sunday.

The year ahead will be tougher than 2022 for most of the world economy as the US, EU, and China are slowing down, said Georgieva.

While the US is the most resilient of those three and may avoid recession, Georgieva said this may be a "mixed blessing."

"If the labor market is very strong, the Fed may have to keep interest rates tighter for longer to bring inflation down," she cautioned.

Noting that the EU was "very severely" hit hard by the ongoing war in Ukraine, Georgieva said that half of the bloc would be in recession next year.

She added that the outlook for emerging markets in developing economies was even direr due to interest rate hikes and a strong US dollar.

The IMF chief noted that the world's second-largest economy, China, was likely to expand at or below the global growth rate for the first time in 40 years as COVID-19 cases climb after the relaxation of restrictions.

"That has never happened before. And looking into next year for three, four, five, six months, the relaxation of COVID restrictions will mean bush-fire COVID cases throughout China," she explained. ***(Anadolu)***

Source: https://www.pna.gov.ph/articles/1191857

PHL can join fastest-growing economies' club

January 02, 2023 | Jovee De La Cruz | BusinessMirror

AN economist-lawmaker has expressed confidence that the Philippines will compete with Vietnam and India for the fastest-growing major economy in Asia-Pacific.

House Ways and Means Chairman Joey Sarte Salceda said he is optimistic about the country's growth prospects under President Ferdinand R. Marcos Jr.

The lawmaker sees inflation easing next year, and the jobs numbers, which now exceed pre-pandemic levels, will improve further.

"The sense of gloom from some projections does not come from Philippine fundamentals but from expectations of global economic slowdown. I'm much more confident about the Philippine outlook," Salceda said.

In particular, Salceda says he is seeing signs that the country's private sector "is starting to accumulate economic muscle."

"The most recent official manufacturing numbers showed that the fastest growth rate was in manufacture of machinery and equipment except electrical. The sector posted the highest annual growth rate of 76.4 percent in October 2022. That tells you that more businesses are preparing to make more things," he added.

Salceda noted the country's electronics and semiconductor manufacturing sector is now operating at an improving capacity.

"Latest manufacturing figures showed that the industry division with highest average capacity utilization for October 2022 was manufacture of computer, electronic and optical products. That's our top export sector. So, I am optimistic about growth in that sector," he said.

"If we can keep the momentum, I think we are in the race for fastest-growing major Asian economy in 2023," he added.

Competition with India, Vietnam

Salceda, however, said the country "must set its sights on being more attractive to investors than Vietnam or India are in the key growth areas of services, especially BPO, and technological manufacturing." *[Cont. page 4]*

PHL can join fastest-growing economies' club

[Cont. from page 3]

Salceda is particularly concerned about "the surge in relocation of semiconductor manufacturing companies from China and towards more US-friendly countries."

Under the Biden administration's CHIPS Act, US companies are subjected to a 10-year ban prohibiting them from producing chips more advanced than 28-nanometers in China and Russia if they are awarded subsidies under the law.

"Companies will look at other countries where they can make chips and still benefit from US incentives. For those involved in assembly, they will look at India, Vietnam, and the Philippines as candidate locations," he added.

"Our edge will be that we make the metals—such as nickel, copper, and gold—abound in the country. So, if we can integrate mining, refining, and fabrication in the country, we will have a very important advantage over India and Vietnam in this area," he said.

Salceda thus urged the country's investment promotion authorities to be more "aggressive" in selling the country's merits as a manufacturing destination.

"India has a very strong 'Make in India' campaign and policy. Vietnam has made significant strides in attracting FDI due to their early successes in fighting Covid-19. We have to make our own mark," he said.

Services sector competition

Salceda added that the country is "playing defense" in the BPO sector competition.

"On the services sector front, our strategy is expansionary defense. What I mean by that is, we keep our advantages, such as a very flexible tax incentives regime for the BPO sector, strong command of English and one of the highest college enrollment rates in Asia," said the solon.

"Thanks to the Universal Access to Quality Tertiary Education Law, we significantly edge Vietnam and India in college enrollment. We are at 35.52 percent, India is at 27.1 percent, and Vietnam is 28.64 percent. But again, we are playing defense. We need to keep improving, and we need to expand college enrollment further. That depends on strong primary and secondary education," he said.

Salceda, meanwhile, urged Education Secretary and Vice President Sara Duterte and the Commission on Higher Education to craft a comprehensive strategy to minimize drop out rates and really bridge learners to college.

Salceda also hopes that "college and technical-vocational education will see more integration. Not everyone will be white collar. And that's alright. An economy needs trades just as much."

Source: https://businessmirror.com.ph/2023/01/02/phl-can-join-fastest-growing-economies-club/

NEDA releases six-year plan on PH transformation

January 01, 2023 | by Manila Standard

manilastandard.net

The National Economic and Development Authority said Sunday it released to the public copies of the six-year economic blueprint that aims to transform the Philippine economy and society.

"The Philippine Development Plan 2023-2028 is out," NEDA Secretary Arsenio Baliscan said in a social media post Sunday.

He said the PDP 2023-2028 is a plan for deep economic and social transformation to reinvigorate job creation and accelerate poverty reduction by steering the economy back on a high-growth path.

This growth must be inclusive, building an environment that provides equal opportunities to all Filipinos, and equipping them with skills to participate fully in an innovative and globally competitive economy, according to the plan.

The 480-page plan, which adopts the targets based on the AmBisyon Nation 2040, aims to transform the Philippines into a prosperous, predominantly middle-class society where no one is poor and the people enjoy long and healthy lives in a high-trust society.

It seeks to maintain high levels of economic growth in the medium term, rising from 6.0 to 7.0 percent in 2023 to 6.5 percent to 8 percent from 2024 to 2028. This sustained high levels of growth is a necessary condition for meeting the Ambisyon Natin 2040.

The plan also aims to transform the production sectors toward generating more and better-quality jobs and enabling the competitiveness of enterprises in domestic and international markets crisis and strengthen the country's resilience to disasters. *[Cont. page 5]*

NEDA releases six-year plan on PH transformation
[Cont. from page 4]

The priority is to enhance the adaptive capacity of communities and ecosystems that are most vulnerable to natural hazards and climate change. This will be supported by an improved knowledge and data ecosystem, and good governance, it says.

Among the specific targets under the plan is to sustain the Philippines' progress among the innovation achievers of the region by rising in rank in the Global Innovation Index from a baseline of being 59th out of 132 countries in 2022. The country also aims to be ranked among the top 33 percent in the Global Competitiveness Index by 2028.

It aims to create more and better-quality jobs that would bring down unemployment rate to within a range of 4 percent to 5 percent and increase the percentage of wage and salary workers in private establishments to total employed to a range of 53 percent to 55 percent.

The plans also seeks to reduce poverty incidence to 9 percent by 2028, a result from sustained economic growth that generates more and better-quality jobs and supported by an efficient social protection system.

It also adopts strategies to keep food and overall prices low and stable. Food and overall inflation is expected to ease to a range of 2 percent to 4.0 percent.

Source: https://manilastandard.net/business/economy-trade/314292521/neda-releases-six-year-plan-on-ph-transformation.html

Marcos Jr. orders Philhealth to suspend rate hike in 2023
January 02, 2023 | Beatrice Pinlac | INQUIRER.net

MANILA, Philippines – President Ferdinand Marcos Jr. has directed the Philippine Health Insurance Corporation (PhilHealth) to postpone the increase of premium rates and income ceilings scheduled to take effect this year, noting that the pandemic has caused many socioeconomic hardships for Filipinos.

FILE PHOTO: Members line up at the counters of the Philippine Health Insurance Corporation or PhilHealth. INQUIRER FILES

A memorandum from the Office of the President, signed by Executive Secretary Lucas Bersamin and shared with reporters on Monday, ordered the deferral of a scheduled hike in the PhilHealth premium rate from 4 percent to 4.5 percent. It likewise halted the increasing of the income ceiling of members paying the highest contribution from P80,000 to P90,000 in 2023.

"In light of the prevailing socioeconomic challenges brought about by the COVID-19 pandemic, and to provide financial relief to our countrymen amidst these difficult times, please be informed that the President has directed the PhilHealth to suspend the above mentioned increase in premium rate and income ceiling for Calendar Year 2023, subject to applicable laws, rules and regulations," it read.

PhilHealth argued that the impending 4.5-percent increase in premiums would enable the state-run insurance corporation to sustain the benefits currently enjoyed by its members.

The Universal Healthcare (UHC) law mandates increases in member premiums by 0.5 percent every year, starting 2021 until it reaches its 5-percent limit in 2025.

In 2021, Marcos' predecessor, Rodrigo Duterte, postponed the increase in PhilHealth member contributions due to the COVID-19 pandemic.

Source: https://newsinfo.inquirer.net/1711642/marcos-orders-philhealth-to-suspend-rate-hike-in-2023

Philippine international arrivals hit 2.65M in 2022
January 02, 2023 | Revin Mikhael D. Ochave | BusinessWorld

THE Department of Tourism (DoT) said the Philippines logged 2.65 million international arrivals in 2022, beating the 1.7 million target and raising hopes for the arrivals goal to be met in 2023.

In a statement on Monday, the DoT said that of the 2.65 million international arrivals in 2022, 2.02 million were foreigners while 628,445 were returning Filipinos.

Of the foreigner arrivals, the US accounted for 505,089, South Korea 428,014, Australia 137,974, Canada 121,413, the UK 101,034, Japan 99,557, Singapore 53,448, India 51,542, Malaysia 46,805, and China 39,627.

The data cover arrivals between February and December. The Philippines reopened its borders with easier quarantine requirements on Feb. 10. *[Cont. page 6]*

Philippine international arrivals hit 2.65M in 2022

[Cont. from page 5]

PHILSTAR

"The holidays have delivered further gains for the Philippine tourism industry as it breached its 1.7 million target by year-end with 2.65 million international visitor arrivals as of Dec. 31," the DoT said.

The DoT added that tourism-related jobs in 2022 numbered 5.23 million. The department tallied 11,989 DoT-accredited tourism enterprises as of Dec. 29.

It added that some 25,770 tourism stakeholders were also trained last year. Revenue generated from tourism in 2022 hit P208.96 billion, up 2,465.75% from a year earlier.

"We have overcome a global pandemic, survived various calamities, and thrived through a host of many other challenges. Yet, the Philippine tourism industry has managed to exceed expectations and our tourism partners and frontliners continue to offer the best of Filipino grace and hospitality to the world," Tourism Secretary Maria Esperanza Christina G. Frasco said.

For 2023, Ms. Frasco has said that the DoT target is 4.8 million international visitors, which she said the department is confident of hitting.

"We welcome 2023 with gratitude and excitement for Philippine tourism to bounce back stronger than ever," Ms. Frasco said.

"We look forward to the continued convergence and collaboration of our tourism stakeholders — travelers, tourism players, national agencies, local government units, and host communities —in propelling our industry to the heights of becoming a tourism powerhouse in Asia," she added.

Source: https://www.bworldonline.com/economy/2023/01/02/496126/philippine-international-arrivals-hit-2-65m-in-2022/

Local factories finish 2022 on high note despite headwinds

January 03, 2023 | Ramon Royandoyan | Philstar.com

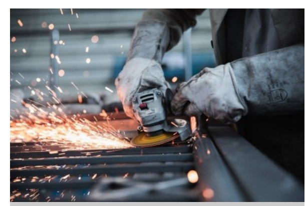
MANILA, Philippines — Philippine factories finished the year strong, hurdling through headwinds while resurgent domestic demand is expected to keep the sector afloat in 2023.

A survey of around 400 manufacturers in the country found that the Philippines' Purchasing Managers' Index (PMI), a gauge of manufacturing output, inched up to 53.1 in December from 52.7 in November, S&P Global said in a report on Tuesday.

The December outturn was a six-month high in 2022.

The latest reading settled above the 50-benchmark separating growth from contraction. S&P explained the leap in the December PMI "signaled sustained growth."

"The release of pent-up demand because of the COVID pandemic continued to help the recovery of the manufacturing sector this year. Furthermore, the latest upturns in output and new orders were stronger than the survey averages," Maryam Baluch, economist at S&P Global, said in a commentary.



A survey of around 400 manufacturers in the country found that the Philippines' Purchasing Managers' Index (PMI), a gauge of manufacturing output, inched up to 53.1 in December from 52.7 in November, S&P Global said in a report on Tuesday.
Pixabay

Baluch noted that the sector still faces challenges. These hurdles come in the guise of supply-chain disruptions, such as material shortages and delays. At the same time, inflationary headwinds could unravel the sector's prospects this year.

The latest PMI report showed factory orders rose for the fourth straight month, although foreign demand showed a persistent downtrend. Domestic demand remained to be king as it led growth for most of the new orders.

The Bangko Sentral ng Pilipinas said inflation is supposed to slow down in the coming months. The prices of key consumer goods and services rose to a 14-year high of 8% year-on-year in November amid expensive fuel prices, supply-chain disruptions and a weak peso.

Domini Velasquez, chief economist at China Banking Corp., was surprised since local factories kept its head above water in December.

"On a positive note, inflation momentum is likely already slowing which would be beneficial for the manufacturing sector, especially if input prices decelerate. A return to normal, in terms of economic activities and employment continue to provide the necessary boost to keep domestic demand high," she said in a Viber message.

That said, the latest PMI survey showed that workforce numbers rebounded in December since improved demand left factories in a buzz. Employment figures slid down in November.

The improvement in employment remained wanting, since the rate of job creation was found to be fractional at best.

Firms also kept input purchases at arms' length and pre-production inventories rose at a softer pace as inflationary pressures remained. Even then, Velasquez saw glimmers of hope after China, a major trading partner, abandoned its zero-Covid policy.

"Likely in 2023, we will continue to see and expansion (> 50), especially as China continues to open up. A faster and stronger recovery from China bodes well for manufactured export products," she added.

Source: https://www.philstar.com/business/2023/01/03/2235033/local-factories-finish-2022-high-note-despite-headwinds

This KCCP E-Newsletter is supported by: