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SPECIAL POINTS OF INTEREST

Ecozones touted as means to mitigate global recession impact

January 04, 2023 | Revin Mikhael D. Ochave BusinessWorld


POLLOC FREEPORT AND ECOZONE — BARMM FACEBOOK PAGE

THE impact on the Philippines of the impending global economic slowdown can be mitigated by developing more economic zones (ecozones), the Philippine Economic Zone Authority (PEZA) said.

PEZA Officer-in-Charge (OIC) Tereso O. Panga said more ecozones are in store with the release recently of the Philippine Development Plan (PDP) 2023-2028 by the National Economic and Development Authority.

"Ecozones can be shields to soften the landing (amid) all these global disruptions… ecozones can (also) be drivers to accelerate economic recovery and growth," Mr. Panga said in a statement on Wednesday.

"With the inclusion of the ecozone development program, we are positive that more ecozones will be approved and created especially in the countryside," he added.

The PDP formally directs PEZA to execute the ecozone transformation roadmap. It also provides for the amendment of Republic Act No. 7916 or the PEZA Law, to facilitate the digitalization of the registration process for ecozone locators and the promotion of co-located industry and services entities in knowledge, innovation, science, and technology parks.

"The creation of ecozones will be within the existing investment promotion agencies to maximize investments and promote industrial dispersion especially outside metropolitan areas," according to the PDP.

"Further, the ecozones will be integrated into the local economy by relaxing the requirements, facilitating the free flow of parts, components, and other inputs, and increasing open trade between zone locators and firms outside the zones," according to the plan.

PEZA said it approved 29 ecozone development projects worth P96.21 billion in 2022, of which 11 were registered in the first six months of the Marcos administration.

By far the largest approved investment is a mixed-use special ecozone for manufacturing and tourism in Pangasinan worth P81.648 billion.

"Of the total approved ecozone projects, 13 were information technology (IT) parks and centers, 12 were manufacturing ecozones, two tourism, one agro-industrial and one mixed-use for manufacturing and tourism," PEZA said.

"To date, there are a total of 421 PEZA ecozones nationwide hosting 4,346 locator companies and creating 1.8 million direct jobs," it added.

PEZA is hoping to grow ecozone investment by 10% in 2023.

A total of P140.7 billion worth of investment was generated in 2022, up 103.03%.

"With our enhanced investment laws and strengthened ecozone development programs, we remain bullish that we will be able to jumpstart the economy and keep up with the strong competition worldwide," Mr. Panga said.

PEZA added in a separate statement that Mr. Panga is ready to step down as OIC once President Ferdinand R. Marcos, Jr. appoints a new PEZA Director-General.

PEZA leadership was thrown into turmoil last year when former Director-General Charito B. Plaza contested Mr. Panga's designation as OIC. *[Cont. page 2]*

Ecozones touted as means to mitigate global recession impact

[Cont. from page 1]

Four PEZA employees filed a complaint with the Office of the Ombudsman against Mr. Panga for his alleged "usurpation of authority and violation of Republic Act No. 6713 or the Code of Conduct and Ethical Standards for Public Officials and Employees."

In a statement responding to the complaint, PEZA said: "Being the most senior career executive and next in rank officer of the agency, the bases of the designation/assumption of the OIC are Office of the President's Memorandum Circular (MC) Nos. 1, 3 and 9… This is further bolstered by MC No. 12 recently issued by Executive Secretary Lucas P. Bersamin for the OIC's continuance in office until the President appoints a permanent one."

"The PEZA Management Committee, its employees and ecozone stakeholders fully support the OIC to lead PEZA. The OIC, as he has said time and again, is ready to step down as OIC when President Marcos Jr. appoints a Director-General of PEZA," it added.

Amando Virgil D. Ligutan, legal counsel for the complainants, said in a statement that the PEZA employees decided to file their case with the Ombudsman to consolidate both criminal and administrative charges.

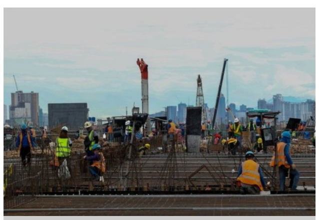
Mr. Ligutan alleged that Mr. Panga terminated contractual employees while other employees were demoted and transferred to "far-away" ecozones after being identified as "supporters of Ms. Plaza."

"The oppressed PEZA employees initially lodged their complaint with the Civil Service Commission, but they opted to withdraw it and filed instead its case with the Ombudsman," Mr. Ligutan said.

Source: https://www.bworldonline.com/economy/2023/01/04/496584/ecozones-touted-as-means-to-mitigate-global-recession-impact/

Infrastructure spending steady at P61 billion in October

January 05, 2023 | Louise Maureen Simeon | The Philippine Star



Construction work continues at a site in Caloocan City on December 6, 2022.
STAR / Jesse Bustos

MANILA, Philippines — The government steadied its infrastructure spending in October as outlays inched up by less than a percent to P61 billion, the Department of Budget and Management (DBM) said.

Based on the DBM's latest national government disbursement performance report, state infrastructure expenditure and other capital outlays went up by a mere 0.5 percent to P61.2 billion in October from P60.9 billion in the same period in 2021.

The DBM said increases were recorded in the Department of Public Works and Highways and Department of Transportation for their road and transport infrastructure projects.

However, these were partly offset by the lower capital outlay disbursements for the Armed Forces of the Philippines Modernization Program of the Department of National Defense.

There were also minimal direct payments made by donor partners for foreign-assisted projects.

For the 10-month period last year, however, infrastructure spending rose by 12.3 percent to P788.9 billion from P702.4 billion in January to October 2021.

On the other hand, overall government spending for October reached P387 billion, up by 22.2 percent on a yearly basis. This brought the 10-month expenses to P4.06 trillion, nearly 10 percent higher from year ago figures.

Broken down, combined allotment and capital transfers to local government units rose by 33 percent to P86.5 billion on higher tax allotments due to the Mandanas Ruling.

The government also recorded higher maintenance and other operating expenses to P72.5 billion due to payouts for the Pantawid Pamilyang Pilipino Program, healthcare workers allowances, and student financial assistance programs.

An increase in government spending was likewise noted in subsidy support to government corporations, which went up to P40 billion due to releases to the Philippine Health Insurance Corp., as well as for irrigation services, housing programs, electrification, and rice buffer stocking.

Interest payments also increased by 5.2 percent to P33.2 billion due to coupon payments for 2022 issuances and global bonds.

Meanwhile, personnel services expenditures slightly went down by 1.1 percent to P86.8 billion sans the deficiency releases to the Philippine Coast Guard for its requirements for filling up positions and promotion.

Tax expenditures also slipped by nearly 50 percent to P1.3 billion due to lower recorded documentary stamp taxes on government securities.

As of end-October, the remaining balance of this year's adjusted P5.269 trillion obligation program amounts to P184.3 billion or 3.5 percent. This is composed mainly of some P67.8 billion special purpose funds and P63.5 billion agency specific budget items.

The DBM said spending performance is expected to have continued for the remaining part of 2022 as line agencies catch up on the implementation of their programs and settle outstanding due and demandable obligations before the year ended.

Source: https://www.philstar.com/business/2023/01/05/2235338/infrastructure-spending-steady-p61-billion-october

PH inflation up 8.1 % in December

January 05, 2023 | Cai U. Ordinario | BusinessMirror

Assorted vegetables being sold in Farmers market. (Photo by Bernard Testa/BM)

Expensive food items caused inflation to post its highest rate in December since the Global Financial Crisis, according to the Philippine Statistics Authority (PSA).

The PSA said the country's headline inflation increased to 8.1 percent in December 2022 from 8 percent in November 2022. In 2022, the average inflation rate was at 5.8 percent.

National Statistician Claire Dennis S. Mapa said the December 2022 inflation rate was the highest since the 9.1 percent inflation recorded in November 2008 while the full year 2022 inflation rate was the highest since the 8.2 percent level recorded in 2008.

"The higher inflation in December 2022 than in November 2022 was primarily brought about by the faster year-on-year growth rate in the index of food and non-alcoholic beverages of 10.2 percent from 10 percent in November 2022," PSA said.

Food inflation at the national level rose further to 10.6 percent in December 2022, from 10.3 percent in November 2022. In December 2021, food inflation was far lower at 1.6 percent.

This was followed by restaurants and accommodation services whose inflation rate accelerated to 7 percent from 6.5 percent in November 2022.

Coming third was housing, water, electricity, gas and other fuels with an inflation rate of 7 percent in December 2022 from 6.9 percent inflation in the previous month.

"There is an urgent need to modernize the country's agriculture and agribusiness to increase productivity and ensure that there is adequate, affordable, and nutritious food on the table of every Filipino," Socioeconomic Planning Secretary Arsenio M. Balisacan said in a statement.

Balisacan also noted that these efforts complement the decision of President Ferdinand R. Marcos, Jr. to extend the validity of the reduced import rate duties on various products such as pork, rice, corn, and coal until December 2023.

"Executive Order No. 10, s 2022 will continue to provide diversified sources of food and agricultural inputs in the short term. The operational intervention, however, is to ensure food security by boosting food production, improving farm-to-market connectivity, and investing in disaster resilience, climate adaptation measures, and coordination mechanisms," added Balisacan.

Enhancing the value chain through digital technology and development of climate-smart farm products will also play an essential role in securing food supply and prices.

Balisacan also highlighted the need to streamline disaster response and rehabilitation mechanisms to cope with the frequent weather disturbances experienced by the country.

Under this strategy, the government will mainstream the use of technology to predict supply chain disruptions; adopt site-specific, timely, and simplified climate outlook and weather forecasts; improve biosecurity measures; and accelerate the development of vaccines to control livestock and poultry diseases.

Image credits: Bernard Testa

Source: https://businessmirror.com.ph/2023/01/05/ph-inflation-up-8-1-in-december/

Marcos orders extension of tariff cuts until yearend

January 05, 2023 | Kyle Aristophere T. Atienza *and* Ashley Erika O. Jose | BusinessWorld

SOME agricultural stakeholders expressed dismay over President Ferdinand R. Marcos, Jr.'s executive order extending lower tariffs on pork, rice, corn and coal, saying the previous order failed to lower prices.

Signed by Mr. Marcos on Dec. 29 and released on Wednesday, EO No. 10 kept the lower tariff rates for pork at 15% (in-quota) and 25% (out-quota), corn at 5% (in-quota) and 15% (out-quota), and rice at 35% (in-quota and out-quota) until Dec. 31.

Coal will remain at zero duty beyond Dec. 31, but will be reviewed semestrally.

There's a need to extend the lower tariff rates to "maintain affordable prices for the purpose of ensuring food security, help augment the supply of basic agricultural commodities in the country, reduce the cost of electricity, and diversify the country's market sources," Mr. Marcos said in the order. *[Cont. page 4]*

Marcos orders extension of tariff cuts until yearend

[Cont. from page 3]

A STORE ATTENDANT carries a sack of rice at a storage facility in Marikina City. — PHILIPPINE STAR/ WALTER BOLLOZOS

Raul Q. Montemayor, chairman of the Federation of Free Farmers, said only traders and importers would benefit from the latest order since the previous EO had failed to lower rice prices.

"The retail prices of both regular and well-milled rice in the National Capital Region actually increased since the tariff reduction originally took effect in June 2021," he said in a Viber message.

Despite lower tariffs, Mr. Montemayor noted the Philippines had failed to diversify its sources of rice, as it continued to rely on Southeast Asian countries, particularly Vietnam.

"The previous EO failed to bring down food prices. It has only affected our farmers and reduced the income of our government," Jayson H. Cainglet, executive director of the Samahang Industriya ng Agrikultura, said in a Viber message.

"Government data would show that cold storages for pork imports are overflowing beyond their capacity. Week in and week out, we have 110 million plus kilos, the biggest recorded stocks of pork imports," he added.

PRICES TO STABILIZE

The Department of Agriculture (DA) on Wednesday defended the EO, saying it is necessary to stabilize prices and ensure there is enough farm supply.

"The extension (of lower tariffs) is necessary because the volume of production, especially for pork, has not really increased that much to fill up the gaps of the demand. We are still very much deficient and if that is the case, prices will continue to go up," Agriculture Undersecretary Mercidita A. Sombilla told reporters on Wednesday.

For the government to temper the high prices of agricultural commodities, Ms. Sombilla said the only option is to import.

"Not to exceed what we really need, but to import enough so that we are able to fill up whatever deficits we have and hopefully to reduce prices," she said.

Former Agriculture Undersecretary Fermin D. Adriano said the reduced tariffs are good since the Philippines can import rice from other countries like India and Pakistan, which were previously slapped with a 50% tariff.

The Meat Importers and Traders Association urged the government to make the lower corn tariff permanent and to keep the lower pork tariff for five years.

Some economists think the extension of tariff cuts will help cool inflation, which surged to a 14-year high in November.

"The tariff cuts would help continue in providing relief from higher prices. Efforts to increase the local supply of food and other important commodities in the economy correspondingly help ease price pressures and overall inflation," Michael L. Ricafort, chief economist at Rizal Commercial Banking Corp, said in a Facebook Messenger chat.

Renato S. Reside, Jr., who teaches at the University of the Philippines School of Economics, said the lower tariffs would help ease inflation while ensuring there is sufficient supply of key agricultural products.

NO PLAN?

Meanwhile, Leonardo A. Lanzona of the Ateneo Center for Economic Research and Development said the latest EO shows the government "does not have an effective inflation plan."

"Apart from the interest rate policies, the government has resorted to allowing cheaper products from abroad to quell the price increases," he said in a Messenger chat. "These will surely benefit the consumers, but the damage these will cause on the farmers and the environment can be permanent."

Mr. Lanzona said tariff revenues should be used to provide greater support to pork and rice producers, as well as encourage the use of "more environmentally friendly sources of energy."

Emy Ruth S. Gianan, who teaches economics at the Polytechnic University of the Philippines, said the EO shows that the government would continue to rely on conventional ways of addressing food security, including the bias for imports.

"The EO indicates the administration's preference for importation rather than self-sufficiency," she said in a Messenger chat.

"There is a reason why this policy is regularly reviewed by the National Economic Development Authority (NEDA), because it is not a long-term solution to our continued challenge of rising food prices."

Ms. Gianan said the government needs to extend food subsidies to consumers and boost support for producers to allow them to compete with imports.

'BACKWARD STEP'

Under the EO, the zero duty on coal will continue beyond 2023.

"This will result in lower energy and electricity cost but certainly a backward step to our green energy push," Mr. Lanzona said.

Ms. Gianan said this is only a short-term solution and is "contradictory to the government's long-term goal for sustainability."

"This shows lack of foresight especially given the president's green energy agenda," she added.

Mr. Marcos, 65, has been pushing the development of renewable energy sources to address rising electricity rates and power security issues in the Philippines, which heavily relies on coal.

Coal had the highest contribution to the country's power generation mix at 58% in 2021, according to the Energy department.

Source: https://www.bworldonline.com/top-stories/2023/01/05/496567/marcos-orders-extension-of-tariff-cuts-until-yearend/

Pag-IBIG defers premium hike but SSS to push through with plan

January 05, 2023 | By Manila Standard

manilastandard.net

President Ferdinand Marcos Jr. has renamed the Office of the Press Secretary as the Presidential Communications Office and placed it under the Office of the President.

Mr. Marcos, through Executive Order No. 11, streamlined the administrative structure of the Office of the President as part of efforts "toward efficiency and responsiveness in the delivery of its critical mandates to the Filipino people."

The Office of the President will now consist oPag-IBIG Fund (Home Development Mutual Fund) has deferred its scheduled monthly premium hike this year to 2024.

"We affirm that Pag-IBIG Fund has no proposed contribution hike this 2023," Pag-IBIG said in a statement.

The announcement came days after President Ferdinand Marcos Jr. ordered PhilHealth to suspend the increase of its premium rate and income ceiling for 2023 "in light of prevailing socio-economic challenges" due to the COVID-19 pandemic.

In 2019, Pag-IBIG obtained the concurrence of our stakeholders to implement a planned monthly contribution increase from P100 to P150 in 2021.

"This was continually deferred in recognition of the continuing effects of the pandemic to both the business community and our members," Pag-IBIG said. "Currently, our rates remain unchanged since 1986."

The current minimum monthly contribution of Pag-IBIG members is at P200 – equally shared by employers and employees.

"As part of our efforts to improve the benefits of our members and with our country's continued economic recovery, we shall be conducting consultations with employer and labor groups regarding plans to increase our contribution rates to take effect no earlier than 2024," Pag-IBIG said.

The Social Security System, on the other hand, will push through with its scheduled contribution rate hike from 13% to 14% this year.

The SSS said this would result in a 22-year extension of the fund's life.

For his part, PhilHealth spokesman Rey Baleña said the suspension of the premium rate hike and the raising of the income ceiling to P90,000 would not affect its operations.

"It is only the new benefits packages that will have a possible adjustment in deployment but the current benefits packages will not have any changes," he said.

Among the new benefit packages to be implemented this year are the severe severe acute malnutrition package as well as the outpatient mental health package, according to the PhilHealth official.f five offices: the Executive Office, Office of the Chief Presidential Legal Counsel, Private Office, Office of the Special Assistant to the President, and the Presidential Communications Office.

The Executive Office shall consist of the offices of the following: Executive Secretary, Senior Deputy Executive Secretary, Deputy Executive Secretary for General Administration, Deputy Secretary for Legal Affairs, Deputy Executive Secretary for Finance and Administration and Internal Audit Office.

The Office of the Special Assistant to the President shall have control and supervision over Presidential Assistants and the Presidential Legislative Liaison Office.

The Private Office will provide direct services to the President and attend to personal functions and matters of the First Family.

The PCO shall be responsible for crafting, formulating, developing, enhancing and coordinating the messaging system of the executive branch of the government.

The Presidential Management Staff will be under the supervision of the Office of the Executive Secretary and will perform the functions of the Cabinet Secretariat in assisting the President for establishing agenda topics during Cabinet deliberations and meetings.

Meanwhile, President Marcos appointed new officials that would join the Presidential Anti-Organized Crime Commission (PAOCC) and the Office of the Executive Secretary (EOS), the Palace said Wednesday.

Former Philippine National Police Academy (PNPA) chief Gilbert Cruz has been designated as PAOCC Undersecretary, while lawyer Rogelio Peig has been named as the OES Undersecretary for Strategic Action and Response Office.

Cruz previously served as a member of the Dangerous Drugs Board under the Duterte administration.

Meanwhile, Peig served as city administrator of the Valenzuela City government from April 2008 to May 2010 and chief political affairs officer at the House of Representatives from July 2004 to April 2009.

Source: https://manilastandard.net/news/314293470/pag-ibig-defers-premium-hike-but-sss-to-push-through-with-plan.html

FIRB clears extension until Jan 31. of RBE paper transfer registration

January 03, 2023 | Andrea E. San Juan | BusinessMirror

THE Fiscal Incentives Review Board (FIRB) said it has allowed the extension until January 31, 2023 of the paper transfer registration of existing registered business enterprises (RBEs) in the IT and Business Process Management (IT-BPM) sector to the Board of Investments (BOI).

FIRB Resolution No. 033-22, released last December 23, 2022, states that "there is an urgent need to extend the December 31,2022 deadline to give full effect to the intent behind the provisions of FIRB Resolution No. 026-22 to allow affected RBEs in the IT-BPM sector to adopt, on a long-term basis, flexible work arrangements without adverse effects on their tax incentives."

FIRB is the interagency government body given the authority to grant tax incentives to RBEs.

Further, the FIRB said the affected RBEs that have already registered with the BOI may already adopt up to 100 percent work from home (WFH) arrangement without loss of incentives upon completion of their registration with the said investment promotion agency. The government body also noted that these RBEs shall not be required to post bond pursuant to the Department of Trade and Industry (DTI) Memorandum Circular (MC) 22-19.

"Provided that RBEs in the IT-BPM sector that will opt to register with the BOI pursuant to this Resolution from January 1 to 31, 2023, will not be required to post a bond for all equipment and other assets that will be brought outside the economic or freeport zone until they secure the Tax Exemption Indorsement for all their equipment and other assets from the DOF Revenue Office or 31 March 2023, whichever is earlier," the FIRB Resolution read.

The FIRB noted in the resolution that only about 40 percent of the affected RBEs made it to submitting their transfer requirements on time while some 640 RBEs have not yet submitted theirs.

Trade Undersecretary and BOI Managing Head Ceferino S. Rodolfo said at a virtual media briefing last December 16 that the BOI will work closely with the IT and Business Process Association of the Philippines. He also noted that "the number might have already been final and that others may not be interested to transfer."

The BOI managing head earlier said the investment promotion agency is coordinating with Philippine Economic Zone Authority (PEZA) and the FIRB to carry out the process of the paper-transfer registration.

Pursuant to PEZA MC 2022-070, PEZA initially set an earlier deadline of December 16,2022 to ensure that PEZA will have sufficient time to review applications before they endorse it to the BOI. ***(Full story here: https://businessmirror.com.ph/2022/12/15/peza-vows-to-meet-deadline-for-submission-of-rbe-applications/)***

Source: https://businessmirror.com.ph/2023/01/03/firb-clears-extension-until-jan-31-of-rbe-paper-transfer-registration/

UK think tank sees Philippine inflation easing

January 05, 2023 | Louella Desiderio | The Philippine Star

MANILA, Philippines — UK-based think tank Pantheon Macroeconomics expects inflation to have eased in December after hitting a 14-year high in November.

"My forecast for December's inflation print is a below-consensus 7.5 percent," Pantheon Macroeconomics chief economist for emerging Asia Miguel Chanco said in an email.

His forecast is below the Bangko Sentral ng Pilipinas' 7.8 to 8.6 percent outlook for December as well as most economists' projections.

Chanco said his forecast is "in view of the clear decline in fuel prices toward the end of last year."

He said the outlook is also supported by the think tank's expectation of an unwinding of weather-related issues that affected food prices in October and November.

The country's headline inflation rate rose to eight percent in November from 7.7 percent in October.

The Philippine Statistics Authority (PSA) attributed the higher inflation rate in November to the faster increases in food prices.

Other drivers of the higher inflation rate in November are restaurants and accommodation services, as well as furnishings, household equipment and routine household maintenance.

In the January to November period, inflation averaged 5.6 percent.

Earlier, Deputy National Statistician Divina Gracia del Prado said the December inflation rate should not be above 8.5 percent for the country to meet the revised inflation assumption of the Development Budget Coordination Committee (DBCC) of 5.8 percent for 2022.

Last month, the DBCC revised the inflation assumption for 2022 from the previous 4.5 to 5.5 percent due to elevated food and transport costs.

The PSA is set to release inflation data for December today.

Source: https://www.philstar.com/business/2023/01/05/2235333/uk-think-tank-sees-philippine-inflation-easing

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