



# 필리핀한상공회의소뉴스 KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER



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## Asia-Pacific nations seen hiking rates till mid-2023

January 10, 2023 | Cai U. Ordinario | BusinessMirror

With inflation expected to remain a concern in Asia and the Pacific, Moody's Analytics expects monetary **BusinessMirror** authorities in the region to continue raising interest rates until the middle of 2023.

In its Asia Pacific Economic Preview, Moody's Analytics said many countries in the region, including the Philippines, Indonesia, and Thailand, saw higher prices which indicates that prices could remain elevated in the first few months of the year.

Core inflation, excluding food and energy prices, in Asia and the Pacific also remains elevated. In the Philippines, core inflation accelerated to 6.9 percent; Indonesia, 3.4 percent; and Thailand, 3.2 percent.

"We see central banks in the region hiking rates into the middle of the year. In addition to elevated inflation, ongoing rate hikes by the US Federal Reserve will put pressure on central banks to raise interest rates to prevent interest rate differentials from widening," Moody's Analytics said.

Commodity prices may remain elevated because of supply chain disruptions caused by the Russian invasion of Ukraine. However, Moody's Analytics noted that the supply shocks have already eased in recent months.

Contributing to higher prices are extreme weather conditions that would make commodities like food more expensive.

"Supply chain disruptions last year have caused consumer prices to skyrocket, and inflation will remain a concern in the early parts of this year," Moody's Analytics said.

"Food prices, however, have the potential to remain high because of extreme weather conditions and elevated costs of labour and input material," it added.

Earlier, local economists have proposed a number of measures, including going after smugglers and hoarders as well as raising real wages, to rein in inflation and stimulate the economy this year.

In an email to BusinessMirror, former Dean of the University of the Philippines School of Labor and Industrial Relations Rene Ofreneo said the recent spike in inflation can be contained if the government will run after smugglers and hoarders.

Ofreneo said disruptions caused by the Russia-Ukraine war are expected to continue, as well as the US-China trade tensions, albeit at a lesser degree. These are among the factors that will make trade an important area for the government to focus on this year.

Inflation is not the only concern, however. Former Socioeconomic Planning Secretary Dante B. Canlas said real wages have been declining and workers are due for an increase to cope with high prices.

Canlas said the government can start with adjustments in the wages of teachers, doctors and allied medical workers in public schools and hospitals. These workers can help the government address education and health gaps.

Source: <https://businessmirror.com.ph/2023/01/10/asia-pacific-nations-seen-hiking-rates-till-mid-2023/>

## Business chambers see tourism, agriculture driving 2023 recovery

January 09, 2023 | Revin Mikhael D. Ochave | BusinessWorld



Tourists continue to flock to Boracay, considered one of the top tourist attractions in the country. — PHILIPPINE STAR/KRIZ JOHN ROSALES

BUSINESS GROUPS said they expect tourism and agriculture to drive the economic recovery in 2023, with remittances providing a cushion against any possible external shocks.

George T. Barcelon, Philippine Chamber of Commerce and Industry president, said his organization is “cautiously optimistic” of the country’s economic performance this year.

“Our economy will sustain a healthy pace in the first half of the new year. There may still be interest hike(s) mirroring the US and EU actions to mitigate inflation (but) remittances and the rebounding domestic economy will allow the Philippines to weather it,” Mr. Barcelon told reporters in a Viber message.

The Bangko Sentral ng Pilipinas increased interest rates by 350 basis points in 2022, bringing its benchmark rate to 5.5% in response to high inflation and the weakening peso.

Mr. Barcelon said that the government should address high food prices, which have added to the pressure to raise wages, raising the prospect of more inflation going forward.

“This is a vicious cycle that could stunt business and negatively impact the competitiveness of the export sector. As such, the outlook on both job creation and sustainability for the year may encounter headwinds,” Mr. Barcelon said.

Mr. Barcelon said tourism and agriculture could be the economy’s sources of strength, as will infrastructure.

“The government’s plans to continue infrastructure spending and massive housing projects for the homeless will certainly give impetus to our economy. From worldwide trends, travel and leisure business are coming back on strong. The recent trip of President Ferdinand R. Marcos, Jr. has (secured) China’s support for our tourism and agricultural sectors,” Mr. Barcelon said.

Lily Lim, vice chair for media and public information affairs for the Federation of Filipino Chinese Chambers of Commerce & Industry, Inc., said in a separate televised briefing on Monday that the group is projecting 6.5% to 7.5% gross domestic product (GDP) growth for 2023.

According to Ms. Lim, the forecast will come on the back of agriculture.

“We will hit 6.5% to 7.5% (GDP growth) for sure within the year with exports of our agricultural products to China. We have fruits such as durian, avocado, bananas, mangosteen, and others,” Ms. Lim said.

“Following the trip of Mr. Marcos to China, we expect improvement in the agricultural sector. We should also expect improvements in development cooperation, infrastructure, maritime security, and tourism,” she added.

GDP grew 7.6% in the third quarter. Fourth-quarter GDP is set to be released on Jan. 26.

The government projects GDP to have increased between 6.5% and 7.5% last year. For 2023, the government has set a target range of 6% to 7%.

Ms. Lim called for a further easing of coronavirus disease 2019 (COVID-19) related restrictions in order to boost economic growth.

“There are so many countries and also for us, the case count has dropped. (We should ease) restrictions... and also prepare ourselves to grow agriculture, tourism... (and) infrastructure — everything needed to support (the economy),” Ms. Lim said.

Mr. Marcos has said the Philippines will monitor the COVID-19 situation in China, which reopened its borders to international travelers on Jan. 8.

*Source: <https://www.bworldonline.com/economy/2023/01/09/497382/business-chambers-see-tourism-agriculture-driving-2023-recovery/>*

## World food prices hit record high in 2022

January 09, 2023 | Agence France-Presse | The Philippine Star

PARIS, France — World food prices fell for a ninth month in a row in December but hit their highest level on record for the full year in 2022, UN data showed Friday.

Food prices soared to a monthly record high in March after Russia invaded agricultural powerhouse Ukraine, a major supplier of wheat and cooking oil to the world. *[Cont. page 3]*

## World food prices hit record high in 2022

[Cont. from page 2]

But prices have dropped since then, with more relief brought by a deal brokered by Turkey and the United Nations in July that lifted a Russian naval blockade on Ukrainian grain exports.

The Food and Agriculture Organization said Friday its price index, which tracks the monthly change in international prices of a basket of food commodities, fell to 132.4 points in December, a 1.9 percent drop from November.

It was also one percent lower than in December 2021.

But the index was 14.3 percent higher overall in 2022 compared to the previous year as it reached an all-time high of 143.7 points.

"Calmer food commodity prices are welcome after two very volatile years," FAO chief economist Maximo Torero said in a statement.

"It is important to remain vigilant and keep a strong focus on mitigating global food insecurity given that world food prices remain at elevated levels," he said.

Torero said many staples are near record highs, with prices of rice rising and "still many risks associated with future supplies".

World prices of maize were 24.8 percent higher on average in 2022 than in 2021, according to the FAO. Wheat was 15.6 percent more expensive.

But maize prices fell in December, mostly due to "strong competition" from Brazil, the FAO said.

Wheat was also down for the month "as ongoing harvests in the southern hemisphere boosted supplies and competition among exporters remained strong".

The FAO's vegetable oil price index reached a new record high in 2022 but fell 6.7 percent month-on-month in December to its lowest level since February 2021.

Dairy and meat prices hit their highest levels since 1990, the agency said. While meat prices fell 1.2 percent in December, those of dairy rose 1.1 percent for the month.

Source: <https://www.philstar.com/business/2023/01/09/2236376/world-food-prices-hit-record-high-2022>



Fruit vendors arrange their products for sale at the Litex Commonwealth Market in Quezon City on December 22, 2022.

STAR / Jesse Bustos

## Current account deficit to hit 4.7 % of GDP

January 10, 2023 | Eireene Jairee Gomez | The Manila Times



A view of the Manila skyline with buildings lined Roxas Boulevard, Friday afternoon. PHOTO BY J. GERARD SEGUIA

THE Philippines' current account deficit could narrow to 4.7 percent of gross domestic product (GDP) this year instead of the 4.5 percent previously forecast, Fitch Solutions said on Monday.

Lower commodity prices and "resilient" remittance inflows were cited as reasons for the revised outlook.

In a commentary, the Fitch unit noted that the deficit had narrowed to \$1 billion in September from \$2.6 billion a month earlier, placing the year-to-date shortfall at 4.5 percent of GDP or the largest in two decades.

The full-year result was likely 5.2 percent of GDP, higher than the previously estimated 5.0 percent.

"Looking ahead, while we still expect the current account deficit to narrow due to lower commodity prices and resilient remittance inflows, weakening global demand and sustained high import of capital goods will keep the current account shortfall considerably larger compared to its historical five-year average of -0.5 percent (2017-2021)," Fitch Solutions said.

"We now forecast the Philippine current account deficit to only narrow to 4.7 percent (from 4.5 previously) in 2023, in line with the government's projections," it said.

The Fitch unit noted that goods export growth was likely to ease to 5 percent this year from last year's estimated 6 percent "as the economic recovery in Mainland China is unlikely to offset a broader slowdown in global demand." [Cont. page 4]

## Current account deficit to hit 4.7 % of GDP

[Cont. from page 3]

"Factoring in the lagged effects of tightening global monetary conditions across the world, our global team expects that global GDP growth will slow to 1.9 percent in 2023, versus 3.1 percent in 2022," it added.

Fitch Solutions expects the United States, the Philippines' largest trade partner, to enter a mild recession this year, "which could bode poorly for the Philippine exports."

Moreover, it estimated that China, which is the second-largest destination of Philippine exports, would grow by 5 percent this year and that the recovery would remain "bumpy" due to Covid-19 uncertainties.

Imports, meanwhile, are expected to remain high with the infrastructure projects to boost demand for capital goods, Fitch Solutions said.

It highlighted two key risks: "First, a greater-than-anticipated global economic downturn could weigh heavily on Philippine exports. Second, the Russia-Ukraine war has yet to come to a resolution, which may cause further upside volatility to commodity prices, subsequently leading to a larger import bill."

*Source: <https://www.manilatimes.net/2023/01/10/business/top-business/current-account-deficit-to-hit-47-of-gdp/1873599>*

## DoE expects 12 yellow alerts in Luzon grid

January 10, 2023 | Ashley Erika O. Jose | BusinessWorld

LUZON'S POWER GRID is likely to experience deficient reserves for seven months this year which may result in 12 yellow alerts, the Department of Energy (DoE) said on Monday, as it ruled out red alerts that lead to rotating brownouts.

DoE Undersecretary Rowena Cristina L. Guevara said at a virtual press briefing on Monday that some power plants in Luzon may experience forced outages that would reduce available capacity by 500-600 megawatts (MW) this year.

The yellow alerts are anticipated to take place during the summer months — April to June, as well as during the September-to-November period.

Data provided by the DoE showed that one yellow alert is expected to be raised in March, two in April, four in May, two in June, one in September, one in October and one in November.

Ms. Guevara said the Visayas is likely to experience five yellow alerts, mostly in the evening, by the second half of the year. The Visayas is unlikely to see red alerts or rotating brownouts, she added.

The Mindanao grid will have sufficient power reserves for this year, Ms. Guevara said.

Yellow alerts are issued when reserves fall below a designated safety margin. Red alerts are raised when the supply-demand balance deteriorates further, signaling the possibility of rotational brownouts.

Energy Secretary Raphael P.M. Lotilla urged the public to practice energy efficiency in order to mitigate the impact of the projected yellow alerts.

"Demand side management is a necessary element in our entire power supply. If we continue to practice energy efficiency then we don't have to develop new power plants. If the energy consumption will be more efficient, we don't need diesel power plants, which use expensive imported fuels," he said.

Mr. Lotilla said demand-side management should not be considered as a "band-aid" solution, but should be considered as the norm.

"If we are to operate a diesel power plant at 420 MW, the yellow alerts will go down from 12 to one. But diesel power plants are very expensive and may result to an increase in cost of per kilowatt-hour rate thus, we suggest demand-side management," Ms. Guevara said.

The DoE said several new power plants are set to go online this year. Solar accounts for the biggest share with 480.5 MW, followed by coal (250 MW), wind (110 MW), geothermal (46 MW), hydro (31.36 MW), oil (11 MW), and biomass (7.4 MW).

"If it wasn't for the pandemic then our RE (renewable energy) plants will be online by now but due to the pandemic their construction have been delayed and our projection for this year's power outlook will be different," Ms. Guevara said.



## DoE expects 12 yellow alerts in Luzon grid

[Cont. from page 4]

Even if the DoE factored in the scheduled maintenance shutdown of Malampaya gas field, Ms. Guevara said a red alert is unlikely to be declared unless a power plant with a capacity of about 100-200 MW would experience a forced outage.

The Malampaya gas field is expected to go under a maintenance shutdown from Feb. 4 to 18. The DoE said that the maintenance shutdown is necessary and is a regular activity to ensure the continuous supply.

Malampaya supplies up to 27% of the Luzon power grid's total electricity requirements. During its shutdown, the five power plants with a combined capacity of 3,453 MW will need to run on alternative fuel.

The Malampaya concession will expire by 2024, but Undersecretary Alessandro O. Sales said the consortium already filed for extension in November 2022.

"As part of the procedure of DoE, we required them to submit some documentary, and to establish new terms and conditions that may be applicable to the extended contract. At the moment we are still finalizing the talks," he added.

The Malampaya gas-to-power project is operated by the Malampaya consortium, composed of the Prime Energy Resources Development B.V. (with a 45% interest), UC38 LLC (45%), and PNOC Exploration Corp. (10%).

Source: <https://www.bworldonline.com/top-stories/2023/01/10/497387/doe-expects-12-yellow-alerts-in-luzon-grid/>

## PH, Korea sign \$3-B loan package

January 10, 2023 | The Manila Times

Secretary for Foreign Affairs Enrique Manalo and Korean Ambassador to the Philippines Kim In Chul signed on December 21 the framework arrangement between the government of the Philippines and the government of the Republic of Korea concerning loans from the economic development cooperation fund for the years 2022 through 2026. This enables the Philippine government to obtain Official Development Assistance (ODA) loans from the Korean Government up to a maximum commitment of \$3 billion until 2026.

In his remarks, Secretary Manalo acknowledged the swift and steady support of the Republic of Korea in Philippine development efforts. The purpose and generous amount of loan assistance highlight the alignment of the thrust of the Korean government with Philippine socio-economic priorities. The Secretary further acknowledged the firm foundation of trust and friendship between the peoples of the Philippines and Korea.

The Korea is the Philippines' 6th largest ODA source in 2021, having funded projects, such as the Phase 2 of the Jalaur River Multipurpose Dam Project worth P11.2 billion which is irrigating more than 31,000 hectares of land, mitigating flooding in the downstream communities, and connecting bulk-water supply in Iloilo; the P9.2-billion construction of a port with cargo handling capacity on a reclaimed land to address port congestion in the Cebu International Port, and; the construction of a two-lane bridge across the Panguil Bay, connecting Misamis Occidental and Lanao del Norte worth P7.4 billion.

The signing of the Framework Arrangement paves the way for the implementation of more development cooperation projects. The amount is three times that of the previous 2017-2022 term arrangement. Major loan projects in the pipeline include, among others, the Panay-Guimaras-Negros Island Bridges Project that would construct a four-lane, 32.47-kilometer, two-sea-crossing bridges, connecting the islands of Panay, Guimaras, and Negros; a project that would construct a four-lane, 13.32-kilometer road traversing the coastal areas of Mandaue, Consolacion, and Liloan; the Ilocos Norte and Abra Irrigation Project that would construct a 126.41-meter high storage dam, a power plant to generate 42.8 MW of electricity, and other components for watershed management; and other flood control projects under the Philippine-Korea Project Preparation Facility. Korea's participation in Philippine infrastructure development, including the construction of highways, railways, ports and airports, is an important aspect of bilateral relations between the two countries.

Korea and the Philippines have both committed to elevate bilateral relations, to include increased high-level engagements, closer maritime cooperation, increased collaboration in addressing common security challenges, expanded cooperation in trade and investments and in science and technology, and even closer people-to-people exchanges through tourism, education exchanges, and labor cooperation.

Source: <https://www.manilatimes.net/2023/01/09/expats-diplomats/ph-korea-sign-3-b-loan-package/1873302>



Secretary for Foreign Affairs Enrique Manalo and Korean Ambassador to the Philippines Kim In Chul signed the Framework Arrangement between the Government of the Republic of the Philippines and the Government of the Republic of Korea Concerning Loans from the Economic Development Cooperation Fund for the Years 2022 through 2026. Joining them are Finance Secretary Benjamin Diokno and KEXIM Country Director Moon Jae Jeong PHOTO FROM DFA-OPCD



## Govt will prioritize big-ticket transport projects— Marcos

January 10, 2023 | Samuel P. Medenilla | BusinessMirror

President Ferdinand R. Marcos Jr. on Monday said more big-ticket transportation projects are already in the works as part of government efforts to “revive” the country’s rail industry and boost the economy.

**BusinessMirror**

During the start of the tunneling work for the Metro Manila Subway Project (MMSP) in Valenzuela City, Marcos said his administration will prioritize the construction of similar projects.

“We will continue to invest in and improve our transportation systems as well as pursue more projects in the years to come, so that Filipinos can gain greater access to places of work, commerce, recreation, and other vital areas,” he said.

“Having an effective and efficient transportation system will have multiplier effects on employment, the economy, [and] our society; it will bring comfort, convenience, [and] an easier life for all,” he added.

### Challenges

Dubbed as the “crown jewel of the mass transit system” by the Department of Transportation (DOTr), the 33-kilometer MMSP is the first underground railway system, which will connect eight cities from Valenzuela City to the Ninoy Aquino International Airport (NAIA) in Pasay City.

Preparations for the P448.4-billion project started as early as during the previous administration. It is being financed by the Japanese government and the Japan International Cooperation Agency (JICA).

JICA Philippine Office Chief Representative Sakamoto Takema said the project will push through despite the numerous challenges it faced including acquisition and right-of-way matters, timely budget allocation and contract, influence of the pandemic, and the serious traffic congestion in the construction sites.

The project is expected to be completed by the end of 2028 and serve over 519,000 passengers daily although the DOTr had said meeting the said deadline will be “challenging.”

Sakamoto also assured that JICA will continue extending assistance to the government for the realization of “Japan-quality” public transportation systems.

### Pending projects

Transportation Secretary Jaime J. Bautista said the government is targeting to undertake six more railway projects and craft a transportation road map.

Of the six projects, he said three are set to undergo feasibility and technical studies this year.

“The Department of Transportation has already secured over 6 million dollars to fund the feasibility studies for the development of the Panay Railway, Bataan Railway, and the North long-haul Inter-Regional railway, which will connect Ilocos and Cagayan with the National Capital Region,” Bautista said.

He said the government is still in the process of securing the funding for the feasibility studies for three more railway projects, namely, the San Mateo Railway, Northern Mindanao Railway, as well as the Philippine Transport System Master plan.

“With these [projects], the Marcos administration will be able to revive the country’s rail industry,” Bautista said.

*Source: <https://businessmirror.com.ph/2023/01/10/govt-will-prioritize-big-ticket-transport-projects-marcos/>*

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