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SPECIAL POINTS OF INTEREST

WB cuts PHL growth outlook to 5.4 %

January 12, 2023 | Luisa Maria Jacinta C. Jocson | BusinessWorld

Shoppers are seen in Divisoria in Manila. — PHILIPPINE STAR/WALTER BOLLOZOS/

PHILIPPINE economic growth would probably slow to 5.4% this year, from an estimated 7.2% in 2022, amid a looming global recession, the World Bank (WB) said.

In its latest Global Economic Prospects report, it trimmed its gross domestic product (GDP) growth forecast for the Philippines from its 5.6% projection in June.

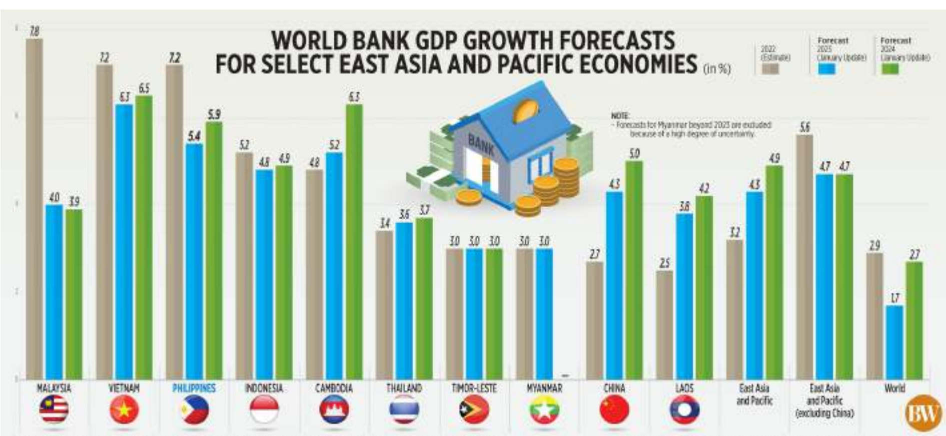
The World Bank's latest GDP forecast is below the government's 6-7% growth target for the year.

"After the strong rebound in 2022, growth in Malaysia, the Philippines and Vietnam is expected to moderate as the growth of exports to major markets slows," it said.

In December, the World Bank upgraded its forecast for the Philippines to 7.2% for 2022 from 6.5%, amid a surge in private consumption and robust export growth.

The Philippine economy expanded by 7.6% in the third quarter, bringing the nine-month average to 7.7%. The strong third-quarter data prompted economic managers to say that full-year GDP growth would settle above the 6.5-7.5% target.

"The recovery from the pandemic-induced recession has been uneven across the region. Output surpassed pre-pandemic levels last year in Cambodia, the Philippines and Thailand," the World Bank said.



However, a "sharp, long-lasting" slowdown in the global economy this year is expected to affect nearly all regions, particularly developing countries, World Bank President David Malpass said in a statement.

"Global growth is expected to decelerate sharply to 1.7% in 2023 — the third weakest pace of growth in nearly three decades, overshadowed only by the global recessions caused by the pandemic and the global financial crisis," the multilateral lender said in the report, noting this is 1.3 percentage points below previous forecasts.

The World Bank said the latest estimate reflects "synchronous policy tightening aimed at containing very high inflation, worsening financial conditions and continued disruptions from Russia's invasion of Ukraine."

It said urgent global efforts are needed to mitigate the risks of a global recession and debt distress in emerging market and developing economies.

By the end of 2024, GDP levels in these markets will be about 6% below pre-pandemic levels, according to the report.

Mr. Malpass said emerging markets and developing economies would likely face a multi-year period of slow growth due to weak investment "as global capital is absorbed by advanced economies to meet extremely high government debt levels and rising interest rates — and also heavy debt burdens."

The World Bank raised the Philippines' GDP forecast to 5.9% for 2024 from 5.6%. *[Cont. page 2]*

WB cuts PHL growth outlook to 5.4 %
[Cont. from page 1]

REGIONAL OUTLOOK
Based on the World Bank report, the Philippines' 5.4% GDP growth is expected to be the second-fastest in Southeast Asia this year, behind Vietnam's 6.3%.

The East Asia and Pacific region is expected to grow by 4.3% this year, amid China's anticipated economic recovery. This is lower than the previous projection of over 5% for 2023 and 2024.

"The downward revisions are broad-based and reflect COVID-19-related disruptions and protracted weakness in the real estate sector in China and weaker-than-expected goods export growth across the region," it said. "In the face of ongoing monetary tightening, moderating activity, easing supply chain disruptions and lower prices for many commodities, inflation is expected to ease somewhat after peaking in 2022."

Excluding China, the region's growth is expected to moderate to 4.7% in 2023 and 2024 "as pent-up demand dissipates and declining goods export growth outweighs belated recovery in tourism and travel," the World Bank said.

Governments can curb the impact of a potential global recession by boosting investments to create jobs and increase output, improve the business environment and promote greater debt transparency and sustainability, it added.

It also cited the importance of integrating climate and development to increase energy access and speed up the transition to lower-carbon energy, and emphasized the need for stronger increased cross-border trade.

FMIC FORECAST
Meanwhile, First Metro Investment Corp. (FMIC) said the Philippine economy is expected to expand by 6% this year.

"This year, we continue to anticipate external headwinds, slower global growth, interest rates and inflation will remain elevated and volatility will persist which will temper growth. In the face of all this, the economy will remain resilient and is expected to expand by 6%," FMIC President Jose Patricio A. Dumlao said at a virtual briefing on Wednesday.

Victor A. Abola, an economist at University of Asia and the Pacific (UA&P), said the economy will face challenges from the impact of the Russia-Ukraine war, the global economic recession, rising interest rates and elevated inflation.

"A combination of the slowdown and rising interest rates have created uncertainties that lingers on," he said.

Mr. Abola said easing crude oil prices and lower wheat and industrial commodity prices will help temper rising inflation.

"In the Philippine economy, we see more light in domestic demand-driven growth, fiscal space, infrastructure and house spending, and consumer spending," he said.

"An important point that characterizes our economy is we are largely driven by domestic demand, meaning we are less exposed to fluctuations in the global market."

Mr. Abola said increased investments in infrastructure and bullish consumer spending will help boost growth this year.

Source: https://www.bworldonline.com/top-stories/2023/01/12/497864/wb-cuts-phl-growth-outlook-to-5-4/

Trade deficit in November falls to 2-year low-PSA
January 11, 2023 | Cai U. Ordinario| BusinessMirror

The country's trade deficit in November 2022 declined to its lowest level in two years, according to data released by the Philippine Statistics Authority (PSA).

The latest PSA data released on Tuesday indicated that the trade deficit declined 21.9 percent in November 2022, the lowest since the 41.3 percent recorded in November 2020.

Exports grew 13.2 percent in November 2022, the second consecutive month of double-digit growth while imports contracted 1.9 percent, also the lowest since November 2020.

"The balance of trade in goods [BoT-G] is the difference between the value of export and import. The BoT-G in November 2022 amounted to $3.68 billion, indicating a trade deficit with an annual decrease of 21.9 percent," PSA said.

"The trade deficit in the previous month recorded an annual decline of 13.4 percent, while in November 2021, it posted an annual increase of 119.7 percent," it added. *[Cont. page 3]*

Trade deficit in November falls to 2-year low-PSA

[Cont. from page 2]

In January to November 2022, the PSA data showed the country's trade deficit reached $53.69 billion. This was 44.7 percent higher than the deficit of $37.11 billion in January to November 2021.

The value of the country's total exports reached $7.1 billion in November 2022, 13.2 percent higher than the $6.27 billion posted in November 2021.

Export earnings in January to November reached $73.169 billion, 7 percent higher than the previous year's $68.37 billion.

Of the top 10 major commodity groups, 5 recorded annual increases in terms of value, including other mineral products, which jumped by 51 percent.

These products included nickel oxide sinters and other intermediate products of nickel metallurgy and nickel ores.

The data also showed ignition wiring set and other wiring sets used in vehicles, aircrafts and ships grew by 23.1 percent; electronic products, 22.9 percent; cathodes and sections of cathode, of refined copper, 8.7 percent; and other manufactured goods, 4.8 percent.

Meanwhile, the country's imports amounted to $10.78 billion in November 2022, a 1.9 percent contraction from the $10.98 billion recorded in November 2021.

In January to November 2022, imports reached $126.86 billion, 20.3 percent higher than the previous year's $105.49 billion.

For November, the decline in imports was mainly due to the decreases in the values of four of the top 10 major commodity groups, with electronic products having the fastest annual decline of 10.1 percent.

This was followed by transport equipment, which contracted by 8.8 percent annually; cereals and cereal preparations by 5.9 percent; and industrial machinery and equipment by 3.5 percent.

In the 11-month period of 2022, imports that posted the fastest growth were corn which surged 203.6 percent; Office and EDP Machines, 153.7 percent; Mineral Fuels, Lubricants and Related Materials, 82.1 percent; Metalliferous Ores and Metal Scrap, 53.7 percent; Fertilizers (Manufactured) 51 percent; and chemical compounds, 47.3 percent.

Markets

In November, the country's top export destination was Hong Kong where $1.16 billion or 16.3 percent to the total exports were shipped.

Other countries in the top 5 major export trading partners were the United States with 1.14 billion or 16 percent of the total and Japan which accounted for $938.30 million or 13.2 percent.

The list also included the People's Republic of China with $876.27 million or 12.3 percent of the total and Singapore, $369.25 million or 5.2 percent of total shipments.

For imports, the People's Republic of China was the country's biggest supplier of imported goods valued at $2.6 billion or 24.1 percent of the total in November 2022.

Other top import sources are Indonesia, which accounted for $1.14 billion of imports or 10.6 percent of the total; Japan, $927.5 million or 8.6 percent; US, $735.4 million or 6.8 percent; and the Republic of Korea, $691.74 million or 6.4 percent.

Source: https://businessmirror.com.ph/2023/01/11/trade-deficit-in-november-falls-to-2-year-low-psa/

SSS likely to push through ahead with contribution hike

January 12, 2023 | Louise Maureen Simeon | The Philippine Star

Former Social Security System president and CEO Michael Regino (right) turned over the leadership of the SSS to newly appointed acting president and CEO Rolando Macasaet in a ceremony held Jan. 10, at the SSS Main Office in Quezon City.

MANILA, Philippines — The new head of the Social Security System (SSS) has officially taken over and is likely to push through with the scheduled contribution rate hike.

SSS president and CEO Rolando Macasaet formally assumed office as the 20th head of the agency, replacing Michael Regino.

The turnover ceremony Tuesday morning was done internally. Macasaet has yet to face the media to lay out his plans for the SSS.

The SSS is being urged by various groups to defer the contribution increase that effectively took effect at the onset of the new year.

Such a position has been repeatedly rejected by former head Regino as postponing the measure will reduce the actuarial life of the fund.

As to Macasaet's expected stand, Regino said the new SSS chief, whom he described as his personal friend, would likely push through with the contribution increase. *[Cont. page 4]*

SSS likely to push through ahead with contribution hike
[Cont. from page 3]

“Most likely to continue as SSS has to implement the law,” Regino said in a Viber message.

An SSS source, however, said no exact decision has been made amid the still ongoing transition.

But in his turnover speech, Macasaet said he would continue with the reforms and innovations started by Regino to provide better social services to workers and pensioners.

“I will continue with the path of growth started (by Regino) and explore new ways for the benefit of members, pensioners, and other stakeholders,” Macasaet said.

“We will work doubly hard to provide our current members and pensioners what is just and due to them without jeopardizing the financial protection of members and future pensioners,” he said.

In accordance with the schedule provided under the Social Security Act of 2018, the contribution rate will increase to 14 percent from the current 13 percent.

Under the law, SSS should gradually increase the contribution rate by one percentage point every two years until it reaches 15 percent by 2025.

Under the new contribution rate, employers will shoulder the one percent increase, which means that their contribution will now be at 9.5 percent. The remaining 4.5 percent will be deducted to the employee.

Regino has said that gradually increasing the contribution rate was among the reforms being implemented by SSS to lengthen the fund life and to ensure that the system can provide the benefits for members and pensioners.

Postponing the contribution increase may cut the fund life of SSS, as the 2054 projection is based on the hike being given out at the right time. This means that an additional 22 years have been added to the SSS fund life with the help of contribution rate increases since 2019.

Macasaet said that President Marcos has high expectations from the SSS to provide guaranteed safety nets for Filipinos.

Macasaet previously held the position of president and general manager of the Government Service Insurance System during the last four years of the Duterte administration.

Source: https://www.philstar.com/business/2023/01/12/2236924/sss-likely-push-through-ahead-contribution-hike

FDI net inflows soar to 6-month high in October
January 12, 2023 | Keisha B. Ta-asan | BusinessWorld


PHILIPPINE STAR/ MICHAEL VARCAS

FOREIGN DIRECT INVESTMENT (FDI) inflows rose to a six-month high in October, the Bangko Sentral ng Pilipinas (BSP) said on Wednesday.

Data from the BSP showed FDI net inflows jumped by 6.3% to $923 million in October, from $868 million a year earlier. This was also 47.4% higher than the $626-million net inflows in September.

The October figure was the highest monthly net FDI inflow in six months, or since $1.024 billion in April.

“Despite the global economic headwinds, FDI net inflows rose on account of the increase in nonresidents’ net investments in debt instruments and equity capital of their local affiliates,” the BSP said in a statement.

Nonresidents’ net investments in debt instruments of local affiliates went up by 5% to $667 million from $635 million a year earlier. Investments in equity and investment fund shares increased by 10% to $255 million, from $232 million a year ago.

“Direct investment flows tend to move this way especially as a particular investment flow can move the entire total,” ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said in an e-mail. “One good development would be that the latest figure shows fresh placements.”

Equity other than reinvested earnings jumped by 21% year on year to $170 million in October from $141 million a year ago. Gross placements climbed by 22% to $188 million, but withdrawals rose by 32.9% to $18 million. *[Cont. page 5]*

FDI net inflows soar to 6-month high in October

[Cont. from page 4]

Equity capital infusions mostly came from Japan, the United States and Singapore, the BSP said. These were mostly invested in industries such as electricity, gas, steam and air-conditioning supply (31%), manufacturing (29%), information and communications (16%), and real estate (11%).

"The sustained increase in FDI may be attributed to the economic reopening and a favorable business environment in the leadup to the holiday season," Security Bank Corp. Chief Economist Robert Dan J. Roces said in a Viber message.

"The improving unemployment rate and a strong (third-quarter gross domestic product) may have attracted foreign investors despite inflation, plus a weaker peso may have played a role," he added.

Despite elevated inflation, the economy expanded by 7.6% in the third quarter, bringing the year-to-date average to 7.7%. Economic managers expect the full-year growth to exceed its 6.5-7.5% target for 2022.

The country's unemployment rate eased to a record low of 4.5% in October, data from the Philippine Statistics Authority (PSA) showed.

The peso continued to depreciate against the US dollar in October, closing at a record low of P59 on Oct. 17. It closed at P57.97 on Oct. 28, appreciating by P0.655 or 1.13% from its Sept. 30 close of P58.625.

"For data in the remaining months of 2022, FDI is expected to remain in net inflow with economic activity perceived to be even stronger than in the third quarter," Mr. Roces added.

YEAR-TO-DATE INFLOWS

For the January-to-October period, FDI net inflows declined by 8.3% to $7.635 billion, BSP data showed.

"On a cumulative basis, however, FDI net inflows dipped by 8.3% to $7.6 billion from the $8.3-billion net inflows recorded in January-October 2021, as all components of FDI posted declines," the central bank said.

BSP data showed foreign investments in debt instruments slumped by 10.2% to $5.361 billion in the first 10 months from $5.969 billion a year ago.

Investments in equity and investment fund shares dipped by 3.7% to $2.274 billion.

Net foreign investments in equity capital dipped by 0.3% to $1.265 billion. Equity capital placements slipped by 8.9% to $1.475 billion, while withdrawals plunged by 40.1% to $210 million.

Most of these placements during the 10-month period were from Japan, Singapore and the United States.

Reinvested earnings for the January-to-October period fell by 7.6% year on year to $1.009 billion.

"Meanwhile, we hope that we can string together additional months of positive growth to offset the year-to-date contraction in FDI," Mr. Mapa said. "Slower FDI this year likely due to concerns about slowing global growth and rising borrowing costs."

The BSP expects FDI net inflows to have reached $8.5 billion at the end of 2022, and $11 billion by end-2023.

Source: https://www.bworldonline.com/top-stories/2023/01/12/497863/fdi-net-inflows-soar-to-6-month-high-in-october/

Rebound hopes lift most Asian markets

January 12, 2023 | By Agence France-Presse | The Manila Times


People visit a mall in Beijing on Tuesday, Jan. 10, 2023. AFP PHOTO

HONG KONG: Most Asian equities closed higher on Wednesday as investors were buoyed by China's reopening and optimism that key data due this week would signal a further slowdown in United States inflation.

Traders tracked a Wall Street advance as they brushed off fresh warnings that Federal Reserve (Fed) rates would continue to rise and a World Bank decision to slash its global growth forecast.

After stumbling on Tuesday, regional markets resumed their upward push that has marked the start of the year, thanks to China's emergence from nearly three years of zero-Covid isolation.

The reopening, easing of Beijing's tech crackdown and moves to help the property sector have raised hopes for the world's second-largest economy, a crucial driver of world growth.

SPI Asset Management's Stephen Innes said: "Despite a solid start to the year, there should be a lot more upside to China's stocks, with earnings upgrades to drive further outperformance."

"Although we are not pitching a tent in that camp just yet, many investors are starting to believe China's reopening could be faster than expected on pent-up demand, a robust economic rebound and fewer supply constraints," he added.

Hong Kong rose again, having already added about 8 percent so far this year. Tokyo, Sydney, Seoul, Mumbai and Singapore also climbed, though there were losses in Shanghai, Wellington, Taipei and Manila.

London, Paris and Frankfurt opened higher.

Focus this week is on Thursday's US consumer price index, which is expected to show that price gains eased further in December.

But while that could possibly allow the Fed to take a lighter approach to its monetary-tightening campaign, policymakers continue to push back against any pivot away from rate hikes.

Markets were battered last year by fears that almost a year of hikes would tip the economy into a recession.

Fed Chairman Jerome Powell said "restoring price stability when inflation is high can require measures that are not popular in the short term as we raise interest rates to slow the economy."

Meanwhile, Fed Governor Michelle Bowman said that while inflation was coming down, "we have a lot more work to do" and that once rates had peaked, they would have to stay there for some time.

She added that "unemployment has remained low as we have tightened monetary policy and made progress in lowering inflation."

"I take this as a hopeful sign that we can succeed in lowering inflation without a significant economic downturn," the Fed official said.

And JP Morgan Chase Chief Executive Officer Jamie Dimon said borrowing costs could actually go higher than the 5 percent priced in by markets, suggesting they could hit 6 percent.

"This week's US CPI (consumer price index) report is now the next focus for markets in the tug-of-war currently playing out between the market, which thinks the Fed will have to cut rates this year, and Fed officials who insist nothing even close to that will happen," Michael Hewson at CMC Markets said.

There was little reaction to the World Bank slashing its 2023 global growth forecast by about half and a warning that the economy was "perilously close" to recession owing to high inflation, rising interest rates and Russia's invasion of Ukraine.

Economists have warned of a slump in the world economy as countries battle soaring costs and central banks simultaneously hike interest rates to cool demand amid ongoing disruptions from the war in Ukraine.

The World Bank's latest forecast points to a "sharp, long-lasting slowdown," with growth pegged at 1.7 percent this year, roughly half the pace it predicted in June, according to its Global Economic Prospects report.

Source: https://www.manilatimes.net/2023/01/12/business/foreign-business/rebound-hopes-lift-most-asian-markets/1873882

Can corporate officers be held guilty of a violation of the Tariff and Customs Code for misdeclared, misclassified, and undervalued imported goods of the company?

January 11, 2023 | SyCip Salazar Hernandez Gatmaitan (Tax Department)

Yes, if there is a showing that they actively participated in or had the power to prevent the company's wrongful act but were grossly negligent. In *Fernandez, et al. v. People of the Philippines* (G.R. No. 249606, July 6, 2022), the Supreme Court held that that the President, Vice-President, Treasurer, and Corporate Secretary of Kingson Trading International Corporation (*Kingson*), which violated Section 3602 in relation to Section 2503 of the Tariff and Customs Code of the Philippines (*TCCP*), cannot hide behind the cloak of the separate corporate personality of the corporation to escape criminal liability. Citing jurisprudence, the Supreme Court said that to be held criminally liable for the acts of a corporation, there must be a showing that its officers, directors, and shareholders actively participated in or had the power to prevent the wrongful act. The Court ruled that, as responsible corporate officers of Kingston, the petitioners are criminally liable by assenting to the commission by Kingson or by being grossly negligent in directing Kingson's affairs.

In *Fernandez*, Kingson imported steel products from China and paid around Php5 million in total duties and taxes. The Bureau of Customs found that Kingson underdeclared the value of the imported goods by almost 50%. The Commissioner of Customs seized and forfeited the imported goods.

Kingson filed a Petition for Review with the Court of Tax Appeals (*CTA*) assailing the forfeiture while the Government filed a criminal complaint against the corporate officers of Kingson for violation of Section 3602 in relation to Section 2503 of the TCCP.

The CTA First Division, CTA *En Banc* and the Supreme Court all found that the entry of the imported goods was made by means of false or fraudulent shipping documents and that there was intent to evade the payment of taxes and duties in violation of Section 3602 in relation to Section 2503 of the TCCP. A review of the certified true copies of the export documents from China in relation to the Import Entry and Internal Revenue Declaration (*IEIRD*) and other supporting documents filed by Kingson showed glaring discrepancies as to the consignee's name, description of the imported shipment, and value of shipment, specifically:

1) The consignee in the export documents is not Kingson, but Solid Sea Products H.K;
2) The description of the shipment in Kingson's documents state "2,406 bundles of steel products (SCM 440 round bar)," whereas the counterpart export documents indicate: "1,436 bundles of 10MM x 6M and 970 bundles of 12MMx6M or a total of 2,406 bundles;"
3) The value of shipment as declared by Kingson is US$692,254.00, while the counterpart export documents indicate a value of US$1,281,271.86; and
4) Kingson declared the shipment under Tariff Classification heading number No. 7228.60 at 1% rate of duty, while the actual classification of the same shipment based on the chemical analysis of the same steel product showed that it falls under heading number 7214.2000 at 7% rate of duty.

Under Section 2503 of the TCCP, undervaluation, misdeclaration in weight, measurement or quantity of more than thirty percent (30%) shall constitute *prima facie* evidence of fraud and the imported goods shall *ipso facto* be forfeited in favor of the Government. The Supreme Court ruled that both Kingson and petitioners failed to provide any plausible explanation for the glaring discrepancies (between the import documents that Kingson filed and the counterpart export documents from the Chinese government), the burden of evidence having shifted to them. Hence, it can be concluded that Kingson and the petitioners willfully and intentionally misdeclared, misclassified, and reduced the value of the shipment by more than 30% to lower the amount of taxes and duties that Kingson should have paid.

The Supreme Court also stressed that Section 1301 of the TCCP imposes a definite burden on persons authorized by law to make the import entry and held that the statements under oath contained therein constitutes *prima facie* evidence of the importer's knowledge and consent of violations of the provisions of the TCCP when the importation was found to be unlawful. In this case, the Corporate Secretary's active part in the fraud was shown by her signature in the IEIRD containing the fraudulent information as Kingson's attorney-in-fact under the declaration that she "certify[ies] that the information contained in all pages of this Declaration and the documents submitted are to the best of our knowledge and belief are true and correct."

As regards the President, Vice-President and Treasurer of Kingson, the Supreme Court ruled that there was circumstantial evidence to prove that these corporate officers, who are also the incorporators, board members, and stockholders of Kingson, undoubtedly knew of the importation of steel from China. First, their denial of the alleged fraud, insisting that Kingson's declarations were merely based on the documents provided by the foreign shipper, is pregnant with an admission, i.e., that they were personally aware of the details of the shipment and the contents of the submitted importation documents. Second, the Corporate Secretary testified that when the defect in the documents was discovered, the corporate officers of Kingson had a meeting to rectify the same and an addendum was executed to correct the error. And finally, the corporate officers failed to rebut the fact that they assented or even permitted the falsification to happen, not only of the documents appended to the IEIRD, but also of the falsified chemical analysis in a bid to secure a lower tariff classification rate.

The officer authorized to sign certified import documents, such as the IEIRD or the Single Administrative Document, should ensure the accuracy and truthfulness of the information provided in the said documents. The statements contained therein should be supported by proper and correct documentation.

Other corporate officers who exercise direct control and supervision in the management and conduct of the company affairs, although not signatories in the documents, must also do their part to ensure that importation is made in accordance with law.

The foregoing article and other tax-related articles written by the Tax Department of SyCip Salazar Hernandez & Gatmaitan may be accessed at https://syciplawresources.com/wp-content/uploads/2022/12/November-2022-TIPS.pdf

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