

China,
from S1/1

Private investments, meanwhile, were also sealed in coconut and food processing, development of durian production, and alternative green technology for animal feeds and other agriculture products.

Two cooperative agreements were also sealed to ensure a sustainable supply of agriculture inputs, especially fertilizers.

THE Department of Tourism (DoT) and the Ministry of Culture and Tourism of China also agreed on a five-year implementation program on tourism cooperation

"Our governments will work together on increasing tourist arrivals, resuming and adding direct flights to key and emerging destinations, joint promotional activities, and inviting tourism investments in infrastructure, among others," Tourism Secretary Maria Esperanza Christina G. Frasco said in a separate statement.

Manila is hoping to welcome more tourists from China, which is expected to further ease restrictions on inbound and outbound travel this year.

On Wednesday, the Health department said eight unvaccinated Filipinos from China tested positive for COVID-19 upon arrival at the main airport near the capital Manila.

Several countries like the United States, Japan, South Korea and Italy have imposed coronavirus tests or additional requirements for passengers arriving from China, which has been accused of failing to be fully transparent with its pandemic data.

Meanwhile, an electronic cooperation deal between the Department of Trade and Industry and China's Ministry of Commerce was also signed during the meeting, the Palace said.

Also sealed were the agreements on economic and technical cooperation and a memorandum of understanding (MOU) between the National Economic and Development Authority and China's International Development Cooperation Agency on the Development Cooperation Plan 2023-2025.

"The list also includes a mutual recognition agreement between the General Administration of Customs of China and the Bureau of Customs of the Philippines on an authorized economic operator program," the Palace said.

An MOU was also inked between the Department of Information and Communications Technology and Ministry of Industry and Information Technology of China on digital and information and communications technology cooperation.

SKEPTICISM

"Some of the agreements signed between the two countries are carry-overs from the previous Duterte administration," Herman Joseph S. Kraft, who teaches political science at the University of the Philippines, said in a Viber message.

"President Marcos' optimism about the Chinese leader being interested in the issues addressed in the agreements is reminiscent of pledges that result from state visits," he added. "The question is always about what the follow-up actions will be."

Mr. Kraft said Filipinos should view the agreements with "skepticism" since a number of deals between the Philippines and China under the previous administration didn't materialize.

"The administration should stop treating the signing of these bilateral agreements, whether with China or other nations, as a laudable achievement," said Michael Henry Li. Yusing, a policy analyst.

"This is part of the work of a president," he said in a Messenger chat. "This should not be seen as an extraordinary milestone."

PRIVATE INVESTMENTS

Chinese investors have committed \$22.8 billion in investment pledges after meeting with Mr. Marcos in Beijing, the Palace said.

These investment commitments include \$1.72 billion for agribusiness, \$13.76 billion for renewable energy (RE), and \$7.32 billion for the electric vehicle industry and mineral processing.

Mr. Marcos welcomed the intention of some Chinese companies to invest in coconut and durian production, and in the livestock sector, which he said could generate employment and ensure food security.

The Philippine leader also welcomed more Chinese investments in renewable energy such as solar and wind, as well as in related sectors including battery energy storage systems and off-grid power supply systems.

Chinese investors may find potential in the manufacturing of renewable energy project parts and equipment, Mr. Marcos added.

"The country also welcomes investors in photovoltaic, onshore and offshore wind turbine generation, waste-to-energy, and other renewable energy projects," the PCO said.

The Philippines last year lifted the foreign ownership restrictions on RE generation projects.

Inflation,
from S1/1

Vegetable inflation surged 32.4% in December (from 25.8% in November), which Mr. Mapa said was the highest since the 44% in February 1999.

Mr. Mapa noted the prices of onions, as a single commodity item, contributed 0.3 percentage point in December's overall headline inflation.

The price of red onions rose to as much as P720 per kilo in December, while white onions cost as much as P800 per kilo. This prompted the Agriculture department to implement a suggested retail price for onions.

In a statement, the National Economic and Development Authority (NEDA) said the higher prices of vegetables was due to crop damage from weather disturbances in the past months, disrupting the farmers' planting calendar.

Also, December inflation was driven higher by the restaurants and accommodation services index, which climbed to 7% in December (from 6.5% in November), reflecting continued "revenge spending" by Filipinos during the holiday season.

Another driver was the housing, water, electricity, gas and other fuels index, which rose to 7% in December from 6.9% in November.

"The government will continue to prioritize addressing the impact of inflation as it remains to be a challenge not only in the country, but throughout the globe," NEDA Secretary Arsenio M. Balisacan said.

Out of 13 commodity groups, nine reported faster inflation in December, including alcoholic beverages (10.7% from 10.6% in November), clothing and footwear (3.9% from 3.6%), furnishings and household equipment (4.8% from 4.5%) and health (3.1% from 2.8%).

Meanwhile, a slower rate of increase was seen in transport (11.7% from 12.3% in November), while the annual inflation rate for education services (3.6%) and financial services (0%) were unchanged.

Inflation for the bottom 30% income households, which still use the 2012-based prices, rose to 7.9% in November. This was faster than the 7.7% print in October and 3.3% last year.

Year to date, the average inflation for this income group stood at 5.3%.

PSA's Mr. Mapa also announced the rebasing of its CPI for the bottom 30% income households to a 2018 base from 2012, starting next month for the reporting of January inflation.

Inflation in the National Capital Region (NCR) rose to 7.6% in December, faster than the 7.5% print in November and 2.1% a year ago.

Outside of NCR, consumer prices rose 8.2% from 8% in November and 3.4% in the same month of 2021.

INFLATION SLOWDOWN

PSA's Mr. Mapa said the December inflation print "could be a peak," but there is a risk that prices may still surge in January.

Bank of the Philippine Islands Lead Economist Emilio S. Neri, Jr. said that with the transport index slowing down, inflation may have reached its peak in 2022.

"Upcoming prints will likely reflect more the recent stabilization of oil prices. However, we still expect a gradual decline in inflation considering the supply and production issues in the agriculture sector," he said.

Mr. Neri noted volatility in food prices will continue to be a recurring problem if the structural problems in the agriculture sector are not addressed.

In a note on Thursday, ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said December may have been the peak for this inflation episode.

"Storm damage to crops may have helped fan price pressures for basic food items but elevated transport and utility costs for nearly a year may have also contributed to price pressures spreading across the CPI basket," Mr. Mapa said.

"Meanwhile, resurgent demand reflected in the stronger-than-expected GDP growth, fanned inflation even further with notable increases in inflation for the services sector. All of these suggest that despite inflation peaking late last year, we could see inflation face only a slow grind lower in 2023," he added.

For Security Bank Corp. Chief Economist Robert Dan

J. Roces, faster core inflation shows that price increases are not just limited to food and energy sectors.

"Rising core inflation indicates that price increases were more widespread and are not just limited to certain sectors or goods, as businesses may have taken advantage of strong demand during the peak holiday season," Mr. Roces said.

He added that inflation may average 4.5% this year, still above the central bank's 2-4% target.

HAWKISH OUTLOOK

The BSP said that the risks to the inflation outlook are "tilted to the upside" for this year, citing volatility in food prices due to weather disturbances, transport fare hike petitions, and potential wage adjustments.

Risks to the inflation outlook remains "broadly balanced" in 2024.

"Meanwhile, the impact of a weaker-than-expected global economic recovery continues to be the primary downside risk to the outlook," the BSP added.

The BSP forecasts inflation at 4.5% this year, still above the 2-4% target band, before easing to 2.8% in 2024. Mr. Medalla last month said the goal is to bring down inflation closer to 3% by the third quarter of 2023.

Meanwhile, the still-elevated inflation in December bolstered economists' expectations that the BSP still has room to raise rates this year.

"There will be a post-holiday consumption slowdown, and favorable base effects from the high inflation levels since March 2022 are expected to set in and the rate will fall within the 2%-4% inflation target by the middle of the year," Mr. Roces said.

"This gives the central bank some wiggle room to diminish the size of hikes so as not to slow down domestic growth too much while still driving home the inflation fight," he said.

After cutting rates by 200 basis points (bps) in 2020 to support the pandemic-hit economy, the BSP raised policy rates by 350 bps to 5.5% in 2022 in order to curb inflation.

FULL STORY

Check out the infographics for the Annual Headline Inflation Rates by scanning the QR code or through bit.ly/Inflation010623

DID YOU MAKE IT TO THE TOP?

The most credible rankings of the country's biggest corporations is **NOW OUT!**



Find out which companies performed the best in 2021, how much they achieved and how they fared among the competition.

PLUS get sectoral snapshots and exclusive stories on how to navigate economic recovery amid crisis and conflict.

**GET YOUR COPY NOW!
FOR ONLY PHP 750.00**

Contact BusinessWorld's Circulation Department: 8527-7777 Local 2649 & 2650 or email circ@bworldonline.com or subscribe at www.bworld-x.com.