



MAARTEN VISSER

Korean Airline-Asiana deal may hurt competition, EU says, opening probe

BRUSSELS — European Union (EU) antitrust regulators warned on Friday a bid by South Korea's biggest carrier, Korean Air Lines for second-place Asiana Airlines could hurt competition, as they opened a full-scale investigation of the deal.

Korean Air would become the top shareholder of indebted Asiana under the proposed acquisition, announced in late 2020, marking one of the first major deals in the aviation industry since the COVID-19 pandemic.

The European Commission said the deal could affect passenger and air cargo transport services between Europe and South Korea as the two airlines are strong and close competitors, confirming a Reuters story last week.

"The transaction could reduce competition in the provision of

passenger transport services on four routes between South Korea and the EEA (European Economic Area)," the European Union competition enforcer said in a statement.

Sources have told Reuters the four routes are to Barcelona, Frankfurt, Paris and Rome.

"Korean Air is confident that our merger will benefit our customers in the market, and will continue to communicate with the European Commission and submit our remedies to address their concerns," the airline said in a statement on Saturday.

The EU watchdog will decide by July 5 whether to clear or block the deal. The deadline can be extended depending on whether the companies offer remedies to address the EU concerns. — **Reuters**

Microsoft limits Bing chats to five questions per session

MICROSOFT said on Friday it will limit chat sessions on its new Bing search engine powered by generative artificial intelligence (AI) to five questions per session and 50 questions per day.

"As we mentioned recently, very long chat sessions can confuse the underlying chat model in the new Bing. To address these issues, we have implemented some changes to help focus the chat sessions," Microsoft said in the blog post.

Microsoft's decision comes days after some media outlets reported that answers from the new Bing search engine were potentially dangerous and that the technology might not be ready for prime time.

Early search results and conversations with Microsoft's Bing and Google's chatbot, called Bard, have shown they can be unpredictable.

Last week, when a Reuters reporter asked the new version of Bing outfitted with AI for the price of car air filters, Bing included advertisements for filters sold by auto parts website Parts Geek, not merely specific answers to the question.

The new Bing, which has a wait list of millions of people for access, is a potentially lucrative opportunity for Microsoft. During an investor and press presentation last week that every percentage point of market share it gains in the search advertising market could bring in another \$2 billion of ad revenue. — **Reuters**

US oil exports to be in demand this year as trade flows reshuffle

HOUSTON — US crude oil exports that have been boosted by a trade flow reshuffle in the aftermath of Russia's invasion of Ukraine will remain elevated this year as Europe and Asia search for supplies, company officials and analysts said.

Western sanctions on Russia's crude and oil products have opened the door to rising demand for US crude grades as many European countries have become thirsty for alternative supplies. This year, Russia's oil is expected to continue flowing to India and China, while heightened volumes of US crude will go to European and Asian customers.

"A key change in flow is US crude going to Europe," Colin

Parfitt, Vice President of Midstream for Chevron Corp., told Reuters on the sidelines of the Argus Americas Crude Summit. "For this year, I'm pretty confident Europe is short of Russian oil, and we'll see more US crude there."

Exports of US crude to Europe reached nearly 1.69 million barrels per day (bpd) in December, the highest in at least two years, according to data and analytics firm Kpler. It has since eased to about 1.42 million bpd in February.

As US refineries on the Gulf Coast run at high levels, barrels from the prolific Permian Basin will be exported, said Brian Freed, chief executive of oil

pipeline and storage operator EPIC Midstream.

"Whether they go to Canada, or somewhere else in the United States, or to Europe or Asia, they're going to end up on the water to clear the basin," Mr. Freed told Reuters.

Customers in Asia and India are buying discounted Russian Urals crude after Western nations imposed an unprecedented \$60 a barrel price cap on Russian oil in December. About 25% of Indian crude imports are now coming from Russia, said Amit Bilolikar, Deputy General Manager for Bharat Petroleum's crude trading desk.

Mr. Bilolikar sees US exports to India increasing, after the

United States recently exported an all-time high record volume to Asia. China also is expected to buy more US crude as the country eases coronavirus restrictions, said Matt Smith, Lead Oil Analyst for the Americas at Kpler.

On its side, Canada will continue to export oil through the US Gulf Coast, especially as global buyers demand the North American country's heavy oil grades, said Colin Gruending, an Executive Vice President at Enbridge, Inc.

In Colombia, Ecopetrol also is seeing high appetite for its heavy crudes in Asia, with increased volumes going to India, said Pedro Manrique, the firm's Commercial and Marketing Vice President. — **Reuters**

Binance's US partner confirms firm run by CEO Zhao

LONDON — The US partner of global cryptocurrency exchange Binance has confirmed that a trading firm managed by Binance Chief Executive Officer (CEO) Changpeng Zhao operated as a market maker on its platform.

Reuters reported on Thursday, citing banking records and company messages, that Binance had secret access to a bank account belonging to its purportedly independent US partner and transferred large sums of money from the account to the trading firm, Merit Peak Ltd.

"While there was a market making firm named Merit Peak that operated on the Binance.US platform, it stopped all activity on the platform in 2021," Binance.US said in a tweet on Thursday after the Reuters story was published. It did not elaborate on when in 2021 the activity ceased, or comment on Zhao's role at the trading firm.

The global Binance exchange is not licensed to operate in the United States but the transfers to Merit Peak revealed by Reuters suggest that Binance controlled the finances of Binance. US, despite saying publicly that the

American entity is "fully independent" and operates as its "US partner."

Binance transferred over \$400 million from the account at California-based Silvergate Bank to Merit Peak between January and March of 2021, Reuters reported on Thursday.

Before that story's publication, Binance.US had told Reuters that "Merit Peak is neither trading nor providing any kind of services on the Binance.US platform," without giving further details.

Binance.US's executives were concerned by the outflows from the Silvergate account to Merit Peak because the transfers were taking place without their knowledge, according to the company messages reviewed by Reuters.

A spokesperson for the global Binance exchange, which did not respond to Reuters' questions for the story on Thursday, told crypto news outlet CoinDesk that the transfers were "a Binance.US issue."

Mr. Zhao, the Binance CEO, said on Friday that the global exchange has pulled back on potential investments in the United States, a move that

comes amid growing scrutiny by US regulators of crypto companies so far this year.

In particular, the activities of crypto platforms' market makers - firms that typically buy and sell assets at exchanges to deepen trading volumes - have drawn regulatory and political focus since the collapse of major exchange FTX in November.

Regulators are concerned that some market makers have received undisclosed special treatment from crypto exchanges that may disadvantage customers.

The US Securities and Exchange Commission accused FTX founder Sam Bankman-Fried in December of granting "special privileges" to his trading firm Alameda Research, allowing him to siphon off billions of dollars in FTX customer money. Mr. Bankman-Fried has pleaded not guilty.

"Something fishy is going on here that clearly doesn't pass the smell test," US Senator Roger Marshall told Reuters. "Congress needs answers, and Binance. US and Silvergate are obligated to give them to us."

TREMENDOUS BURDEN

Mr. Zhao has not directly addressed the report, but on Friday he tweeted, "Remember 4," tagging a previous post in which he listed his "Do's and Don'ts" for 2023. The fourth item on the list was "Ignore FUD, fake news, attacks," using an acronym for "fear, uncertainty and doubt" often used in crypto in relation to news perceived as negative.

The day before Reuters' article, Binance's chief strategy officer, Patrick Hillmann, told the *Wall Street Journal* and Bloomberg that Binance expected to pay penalties to resolve US investigations into the company. Mr. Hillmann said Binance had been built by software engineers unfamiliar with laws and rules on bribery and corruption, money laundering and economic sanctions, but earlier "gaps" in its regulatory compliance had since been closed. — **Reuters**

FULL STORY

Read the full story by scanning the QR code or by typing the link < bit.ly/Binance022023 >

Economists, from S1/1

Last week, the Monetary Board raised borrowing costs by another 50 basis points (bps) to tame inflation, bringing the key rate to 6%, the highest in nearly 16 years or since May 2007 when it stood at 7.5%.

The central bank on Thursday raised its average inflation forecast for 2023 to 6.1%, from 4.5% previously. This is beyond the BSP's 2-4% target range, and faster than the 5.8% full-year inflation in 2022.

The BSP also hiked its 2024 inflation projection to 3.1% from 2.8%.

"The upside risks to inflation include high prices of goods and services, including oil and food, due to supply-related concerns attributed mainly to weather disturbances and geopolitical tensions such as the ongoing Russia-Ukraine war," the BSP said.

Some analysts also cited the recovery of private consumption and government spending, peso depreciation, rising inflation expectations as other upside risks to the outlook.

Data from the Philippine Statistics Authority (PSA) showed private consumption expanded by 7% in the fourth quarter last year, slightly slower than 8% in the third quarter and 7.5% a year earlier. For 2022, household consumption rose by 8.3% from the year prior.

Government spending also rose by 3.3%, better than 0.8% in the third quarter but slower than 7.8% a year earlier. State spending growth eased to 5% in 2022 from 7.1% a year earlier.

The BSP noted that higher transport fares are a likely source of second-round effects from rising oil prices, citing the recent moves to hike fares for the Light Rail Transit (LRT) Line 1 and 2. There are also proposals to raise fares for the Metro Rail Transit (MRT) Line 3.

"Meanwhile, only a handful of analysts mentioned possible downside risks to inflation such as base effects; heightened uncertainty on the recovery of the global economy; slow reopening of China; and existing non-

monetary measures by the National Government that are expected to help boost food supply and temper domestic prices," the BSP said.

SLIM PROBABILITY

Based on the probability distribution of the forecasts provided by 18 out of 24 analysts, the BSP said there is a 97% chance that inflation will exceed the 2-4% target range. There is only a slim or 1.9% probability (from 10.3% previously) that average inflation will settle within the target band.

For 2024, the probability that inflation will fall within the target band declined to 57.9% (from 65.3%).

For 2025, there is a 63.7% chance (from 73.4%) that inflation will settle well within the target band, the BSP said.

Meanwhile, most analysts anticipate the Monetary Board to continue tightening policy rates by 25 bps to 250 bps this year.

Analysts only expect the BSP to start trimming rates by about 25 bps to 250 bps in 2024, before further cutting rates by up to 100 bps in 2025.

There were 24 respondents in the BSP's survey of private sector economists this month. The survey was conducted from Feb. 7 to Feb. 14.

The BSP measures inflation expectations by analyzing the inflation forecasts of households, business managers, and private sector economists, as well as the reasons they cite to support their individual forecasts.

According to the BSP's consumer expectations survey in the fourth quarter of 2022, more households expect inflation to accelerate in the first quarter 2023 (17.6%), and the next 12 months (9.5%).

The central bank also keeps track of business expectations through its quarterly survey. The results showed that nearly 90% of business managers from the industry, construction, services, and retail trade sectors expect inflation to exceed the 2-4% target this quarter, and the next 12 months. — **Keisha B. Ta-asan**

DoF, from S1/1

The TWG will consist of representatives from the DoF, Department of Agriculture, Department of Budget and Management, National Economic and Development Authority, and Department of Trade and Industry.

While additional imports of food items such as sugar and onions will stabilize prices, Mr. Diokno said there should be ef-

orts to ensure these imported goods "reach the intended markets as soon as possible."

"Local authorities should facilitate, not impede, the movement of essential food items to the intended markets. Restricting free movement of essential food items is one sure way of prolonging inflationary pressures," he said.

The Finance chief said the Bureau of Customs must release food imports "with the same sense of urgency that we have given the importation of COVID-19 (coronavirus disease 2019) vaccines." — **Luisa Maria Jacinta C. Jocsón**

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