

# Gov't advises airlines to rework May 17 schedules for shutdown

THE Civil Aviation Authority of the Philippines (CAAP) said the airspace shutdown for equipment maintenance scheduled for the morning of Wednesday, May 3, will not affect flights, but added that airlines have been advised to rework their schedules around a longer shutdown scheduled for May 17.

"The airlines are ready... they received the information from us," CAAP Spokesperson Eric B. Apolonio said by phone, referring to the disruptions on both dates.

"There will be no flights affected on May 3. For May 17, immediately we informed them two weeks ahead so that the airline stakeholders and the airport authorities will

be able to adjust their schedules, especially flights, because we really need to set up between 12 midnight to 6 a.m.," he added.

In an advisory, the CAAP said that it will be conducting corrective maintenance activities at the Philippine Air Traffic Management Center on May 3 from 2 a.m. to 4 a.m. and on May 17 from 12 midnight to 6 a.m.

Maintenance is scheduled for the air traffic system's automatic voltage regulators, while the uninterruptible power supply (UPS) systems are due for replacement, and the air traffic management system A/B power supply needs upgrading.

When asked whether the May 17 shutdown could be cut short if the maintenance activity takes less time than expected, he said: "Yes definitely because *uanguna 'yung hanggang 6 a.m. may allowance just to be sure (the 6 a.m. end-time incorporates an allowance period). Pero actually makakaya namang mas maagap kaya lang mas mainam na 'yung fixed sa 6 a.m. para in case may issues pa kaming kailangan i-correct, hindi na kami magadjust (An earlier finish is possible, but the 6 a.m. projected finish was declared in the event some unexpected issues arise that need to be corrected).*"

If maintenance concludes before 6 a.m., "we will immediately lift the notice to airmen so that flights can continue earlier," he added.

Mr. Apolonio said that the New Year's glitch which shut down Philippine airspace pointed the need to maintain the UPS.

"We need to replace parts. We have purchased them through emergency (procurement) to correct the problem and to create redundancy," he said.

The CAAP said it will be installing two additional UPS units that are expected to make a repeat of the Jan. 1 disruptions less likely. — **Justine D. Tabile**

## SRA considering supermarket sales of smuggled sugar

THE Sugar Regulatory Administration (SRA) said on Tuesday that low-priced sugar sold at government-supported Kadiwa stores, including shipments seized from smugglers, could be distributed to supermarkets to broaden access to the commodity.

"As we continue to apprehend more smuggled sugar, this will grow. We need to grow the selling side and the distribution network of Kadiwa," SRA Acting Administrator and Chief Executive Officer Pablo Luis S. Azcona told reporters via Zoom.

The Palace has approved the donation of smuggled sugar seized by the Bureau of Customs to the Department of Agriculture (DA) for sale at Kadiwa stores.

According to Mr. Azcona, major supermarket chains have

offered space for Kadiwa goods, broadening their distribution.

Mr. Azcona has said that seized sugar may be sold at P70 per kilogram.

"Our first priority is really the wet markets, then supermarkets and the big chains (will come) after that. We will first satisfy the needs of markets and LGUs (local government units)," he said.

Mr. Azcona said that about 181,500 metric tons (MT) of refined sugar have landed in the Philippines. These shipments form part of 440,000 MT authorized for import by Sugar Order No. 6.

At least 116,350 MT have been reclassified and earmarked for release onto the markets.

"We're trying our best to follow the directives to lower the

retail price, so we're converting the imported sugar to domestic as fast as we can, as fast as the importer's logistics and our inspectors will allow," he said.

In a statement, National Federation of Sugar Workers Chairperson John Milton Lozande called for continued Senate investigations into what he called "government-sponsored smuggling."

He cited the "bloated prices" of refined sugar in supermarkets, which he estimated at P136 per kilo despite "recent floods of imports."

Mr. Azcona said that the farm-gate price of raw sugar has been stable at P60 for the last two or three months while supply has improved compared to last year.

## PHL GDP growth estimated at 4.8% in Q1 on slowdown in consumption

GROSS domestic product (GDP) growth is estimated to have slowed to 4.8% in the first quarter as private consumption eased, Pantheon Macroeconomics said on Tuesday.

"Our current GDP forecast for the first quarter sees a sharp slowdown in growth, to 4.8% from 7.2% in the fourth quarter, with a moderation in consumption growth accounting for 70% of this drop," Pantheon Macroeconomics Chief Emerging Asia Economist Miguel Chanco and Senior Asia Economist Moorthy Krshnan said in a report.

The 4.8% estimate is well behind the pace of the government's growth target of 6-7% for this year, and represents a significant drop from the 7.6% expansion in 2022.

Pantheon also noted that the percentage of households with savings in the Philippines made "little visible progress" in the first quarter.

According to the central bank's consumer expectations survey, the percentage of households with savings rose to 32.9% in the first quarter from 30.5% in the fourth quarter.

"But this appears mainly to have been a seasonal rise, prone to an immediate reversal. Indeed, the share was unchanged at 31.3% in Q1 on our adjustment, still well below the pre-pandemic peak of 39% in mid-2019," Pantheon Macroeconomics said.

"Persistently strong private consumption growth at the 8%-plus average rates seen last year is unsustainable with household balance sheets still this fragile. And we're already starting to see a clear evaporation in momentum," it added.

Domestic consumption growth rose 7% in the fourth quarter, bringing full-year household consumption growth to 8.3%.

Consumers were less pessimistic in the first quarter, the central bank has said, as reflected in the 10.4% decline in the consumer confidence index in the first three months, as against the 14.6% drop in the previous quarter.

The erosion of consumer confidence was, however, in its 11<sup>th</sup> consecutive quarter, following the 54.5% drop in the third quarter of 2020.

The Philippine Statistics Authority is scheduled to release first-quarter GDP data on May 11. — **Keisha B. Ta-asan**

## SSS implements service fees for in-person, online transactions

THE Social Security System (SSS) said it started collecting service fees on Monday for both over-the-counter (OTC) and online transactions.

According to a circular dated April 26, the SSS said it now charges a maximum of P10 for every OTC transaction and P8 for online transactions.

The charges exclude fees for payments made via credit, debit, and prepaid cards, which charge market-based rates.

SSS said that the fees apply to self-employed and voluntary members, employed members, overseas Filipino workers, farmers and fishermen, non-working spouses, and transactions involving the workers investment and savings program.

The circular was approved by SSS President and Chief Executive Officer Rolando L. Macasaet under Resolution No. 140-s. 2023 dated March 29. — **Aaron Michael C. Sy**

## AmCham bats for US FTA with narrower scope

THE American Chamber of Commerce of the Philippines, Inc. (AmCham) said any prospective free trade agreement (FTA) between the Philippines and the US needs to be narrower in scope and tailored to both countries' needs.

It said a less ambitious FTA compared to typical trade deals will keep the momentum for free trade going as President Ferdinand R. Marcos, Jr. visits the US, and after the US Trade Representative recently downplayed the prospects for an FTA.

"AmCham Philippines continues to lobby for an FTA between the two countries in spite of the recent comments by US Trade Representative Katherine Tai here in the Philippines," AmCham Executive Director Ebb Hinchliffe told *BusinessWorld* via Viber.

"An FTA that is specific to a win-win for both countries. Shorter and more specific than that of the usual wide-range FTA agenda," he added.

Mr. Hinchliffe said AmCham hopes FTA talks will move forward during the US visit of Mr. Marcos, which runs until May 4.

Last month, Ms. Tai said in Manila that a bilateral FTA between the Philippines and the US is not currently in the pipeline for the Biden administration.

"In terms of a more traditional FTA, we are not currently negotiating any such agreements with our trading partners because we do not see that traditional program being appropriate for the types of challenges and opportunities that we are facing right now," Ms. Tai said.

"When I talk about a traditional FTA, it is not whether it is bilateral or

with more countries. It's really what is inside the FTA. They always are working to create incentives for economic participants to maximize efficiency. So this is part of the incentive structure that has created the kind of vulnerabilities that we see in supply chains today. That is an important reason why we are not doing the traditional FTA," she added.

The Department of Trade and Industry (DTI) has said that a prospective FTA will help assure market access for the two countries' exporters.

Mr. Hinchliffe said AmCham also supports an agreement on minerals with the US to improve the environment for incoming investment.

The Philippines has been touted as one of the most mineral-rich countries in the world.

"We also hope that they discuss a minerals agreement similar to the one that China and Japan have with the Philippines," he said, adding that also on the wish list is increased involvement by specific manufacturing industries like pharmaceuticals or agricultural products.

"Another would be renewable energy and energy storage," Mr. Hinchliffe said.

"It is excellent that the two leaders are meeting again. The fact they have met twice in less than a year shows the importance of our relationship with each other," he added.

In January, the US Ambassador to the Philippines MaryKay Carlson said that bilateral trade between the two countries could have exceeded \$33 billion in 2022, with over \$21 billion consisting of Philippine exports to the US. — **Revin Mikhael D. Ochave**

## IMI electric motorcycle deal expected to add momentum to PHL EV manufacturing

THE deal signed by Ayala-controlled Integrated Micro-Electronics, Inc. (IMI) and Zero Motorcycles has the potential to boost the Philippines' status as an electric vehicle (EV) manufacturing hub, the Department of Trade and Industry (DTI) said.

Zero Motorcycles, a California company, and IMI signed their agreement in the US on May 1, which covers the production of electric motorcycles and battery and motor assemblies. The signing was carried out during an official visit by President Ferdinand R. Marcos, Jr. to the US.

"With this investment, we will be better positioned as an export manufacturing hub for electric batteries and vehicles in the region. This partnership... is a testament to the expertise and capabilities of our manufacturing sector," Trade Secretary Alfredo E. Pascual said in a statement on Tuesday.

"We thank Zero Motorcycles for their trust. This is considered a historic agreement because it is a pioneering activity involving high-end electric batteries, motors and motorcycle assembly," he added.

Under the agreement, Zero Motorcycles will subcontract its production operations and electric motorcycle and battery and motor assembly to IMI. The project is expected to generate \$65 million in annual revenue and \$250 million worth of investment over the next five years. The partnership is also expected to result in the creation of at least 200 new jobs.

IMI and Zero Motorcycles are expected to begin mass production by June 2023 at an assembly facility in Laguna for export to Europe, Asia, and other markets.

"IMI is expected to provide the needed manufacturing facility in the Philippines. Currently, IMI's headquarters is located in Biñan, Laguna, where they operate as an original equipment manufacturer (OEM) facility in (industries like) automotive, industrial, medical, telecommunications infrastructure, storage devices, and consumer electronics," the DTI said.

The DTI said it aims to reduce the cost gap between internal combustion engine vehicles and EVs to grow the market following the passage of Republic Act No. 11697 or the EV Industry Development Act.

"The law provides for the creation of the Electric Vehicle Incentive

Strategy (EVIS) that will provide more incentives for EV-related investment to help establish an enabling environment for the sector," the DTI said.

In a disclosure to the stock exchange, IMI said it narrowed its attributable net loss to \$749,000 in the first quarter, compared to a loss of \$1.97 million a year earlier.

The company posted a 4% increase in revenue to \$346.83 million in the first quarter on the back of rising prices.

"We will be launching the production of multiple EV-related projects over the next two years and we continue to look for opportunities to secure market share in the EV space through our robust sales pipeline. We believe that our partnership with Zero Motorcycles, a market leader in electric motorcycles based in California, will solidify our position as a partner of choice in this emerging technology," IMI President Jerome S. Tan said.

The EV Association of the Philippines (EVAP) said in a statement on Tuesday that it supports zero tariffs on electric motorcycles, but not e-jeeps and e-trikes, which have local manufacturers and assemblers.

EVAP President Edmund A. Araga clarified that the group supports the removal of tariffs for e-motorcycles as it would make EVs more affordable, as well as help lower greenhouse gas emissions.

The group added that zero tariffs on e-motorcycles would create a more sustainable transportation system.

The EVAP clarified its position following a statement from Mr. Pascual on April 24 that the EVAP and the Motorcycle Development Program Participants Association had sought the omission of e-jeeps, e-tricycles, and e-motorcycles from the zero-tariff rules.

Under Executive Order (EO) No. 12 signed by Mr. Marcos in January, tariffs for certain EVs were reduced to zero for five years.

The EO covers cars, buses, vans, trucks, kick scooters, self-balancing cycles, bicycles, and pocket motorcycles with power not exceeding 250 watts and with a maximum speed of 25 kilometers per hour. Product lines excluded from the EO such as electric motorcycles are still subject to the 30% tariff rate. — **Revin Mikhael D. Ochave**

## April inflation poised for third straight decline — DBS

CONSUMER price inflation in April is estimated to have slowed for a third straight month due to base effects, easing food and energy prices, and aggressive monetary tightening by the central bank, DBS Bank Ltd. said.

In a May 2 report, DBS Bank Chief Economist Taimur Baig and Senior Economist Ma Tieying said inflation will likely slow to 6.8% year on year in April, lower than the 7.6% in March.

"Factors behind the year-on-year deceleration include continued feed-through of favorable base effects, alongside easing of global commodity prices and spill-over to food and energy inflation, and the impact from the aggressive monetary tightening over the past year," it said.

The bank's inflation estimate for April is lower than the 7% median estimate of 14 analysts in a *BusinessWorld* poll last week.

It is also within the 6.3-7.1% forecast range issued by the Bangko Sentral ng Pilipinas (BSP) for the month.

The inflation rate in April 2022 was 4.9%.

If the April 2023 reading comes in as projected, it would mark the 13<sup>th</sup> consecutive month of inflation exceeding the BSP's 2-4% target range.

To tame inflation, the BSP raised borrowing costs by 425 basis points (bps) since May 2022, bringing the key policy rate to 6.25%, its highest level in nearly 16 years.

BSP Governor Felipe M. Medalla has said that the Monetary Board will consider keeping policy rates at 6.25% at its meeting this month if inflation further slows in April.

"Our view for a higher terminal rate, therefore, faces downside risk," the bank said.

DBS expects Philippine benchmark interest rates to peak at 6.75% this year, suggesting that they have a further 50 bps to rise.

It also expects the BSP to cut the key policy rate to 5.75% in third quarter next year and further to 5.25% in the fourth quarter of 2024.

"We will also be closely watching the month-on-month print, given (Mr.) Medalla's April 10 comments

that a 'zero or negative (month-on-month) inflation' may also support the case for a rate pause," the bank said.

DBS Bank projects inflation to average 5.8% this year, before easing to 3.2% in 2024.

The 2023 projection is lower than the BSP's full-year inflation forecast of 6%, while the estimate for 2024 is higher than the central bank's 2.9%.

Mr. Medalla has said inflation will return to the 2-4% target range by the fourth quarter.

The April inflation report will be released on May 5. The Monetary Board is scheduled to meet for the third time this year on May 18. — **Keisha B. Ta-asan**