

**GDP growth,**  
from S1/1

Mr. Balisacan said persistent inflation and tighter monetary conditions impacted growth in the first quarter.

“One cannot discount that the slowdown that we have seen in the first quarter is partly the effect of high inflation... When the prices are high, there’s less (consumer) demand, then that obviously is reflected in the economy,” he said.

Inflation accelerated to a 14-year high of 8.7% in January before easing to 8.6% in February and 7.6% in March. Inflation averaged 8.3% in the first quarter, still well above the Bangko Sentral ng Pilipinas’ (BSP) 2-4% target range and 6% full-year forecast.

Since May 2022, the Bangko Sentral ng Pilipinas (BSP) has raised rates by 425 basis points to combat inflation. This brought the key policy rate to a near 16-year high of 6.25%.

“High inflation remains a challenge, the BSP’s move to raise its key policy rates to anchor inflation expectations and ensure price stability, may dampen future growth. But the improvement in the business climate can counter this unintended effect,” he added.

The NEDA secretary said expectations that inflation will return to the 2-4% target band by the end of the year could rebuild consumer and business confidence, which would boost spending and investments.

“This slowdown, if you want to call it, it’s just a temporary thing. I think this favorable investment climate that will come out as a result of the decreased inflation will more than outweigh any residual effects of the past increases in interest rates,” he said.

Meanwhile, government expenditure growth rose to 6.2%, faster than the 3.5% in the first quarter last year and 3.3% in the fourth quarter.

“This (reflects) a robust public construction performance primarily driven by the road infrastructure and railway projects of the Department of Public Works and Highways and the Department of Transportation,” Mr. Balisacan said.

Gross capital formation, the investment component of the economy, jumped 12.2% from 3.8% in the fourth quarter. However, this was slower than the 17.7% growth in the first quarter of 2022.

Among major industries, services rose by 8.38% in the first quarter, easing from 8.42% in the same quarter of 2022 and 9.8% in the previous quarter.

“Services had the biggest contribution to growth, at five percentage points, followed by industry at 1.2 points and agriculture at 0.2 point,” Mr. Mapa said.

Industry growth eased to 3.9% from 10% a year ago, while agriculture expanded by 2.2% from 0.2% a year ago.

“Agriculture’s performance this quarter – primarily due to favorable weather conditions – is a promising beginning to 2023, especially given the expected challenge of El Niño later in the year,” Mr. Balisacan said.

Net primary income from the rest of the world was 81.2%, lower than the 102.7% in the first quarter of 2022 but better than the 59.9% in the previous quarter.

Gross national income – the sum of the nation’s GDP and net income received from overseas – rose by 9.9%, slightly lower than the 10.5% a year ago, but higher than the 9.3% in the fourth quarter.

**ON TRACK**

In order to achieve the lower end of the government’s 6-7% target, Mr. Balisacan said that the next three quarters must grow by an average of 5.9%.

GDP growth should average 7.2% in the next three quarters to meet the upper end of the target, he added.

“Looking at what’s driving the growth, we do think that’s still very much doable,” the NEDA secretary said.

However, Mr. Balisacan flagged several risks to the growth

outlook, including the looming El Niño weather phenomenon.

The state weather bureau said El Niño may emerge in the next three months at an 80% probability and may persist until the first quarter of 2024. This would increase the likelihood of below-normal rainfall conditions, which could bring dry spells and drought in some areas.

“The El Niño can affect the economy in different ways, the most obvious one is on the production side, especially agriculture... During the strong El Niño years, rice production could decrease by double digits. Even a slight El Niño could cause agricultural production to decrease by 1-2%,” Mr. Balisacan said.

Since agriculture only accounts for 10% of GDP, he said El Niño “may not deeply impact the economy.”

El Niño can also impact the supply of electricity, particularly dams and power plants that are dependent on water, Mr. Balisacan said.

The country’s last episode of El Niño was in 2019. In the first quarter of 2019, GDP grew by 5.6%.

**OUTLOOK**

ING Bank NV. Manila Senior Economist Nicholas Antonio T. Mapa said first-quarter growth was faster than most had anticipated but 6.4% print could be the highest for the year.

“We expect GDP to remain in expansion mode for the rest of the year, although we are bracing for a likely slowdown as the triple threat of high inflation, elevated borrowing costs and rising debt levels weigh on momentum,” he said in a note.

ING’s Mr. Mapa said pent-up demand from the economic reopening “will be completely washed out by the second quarter.”

“Challenges are also mounting across sectors with the agricultural sector facing an El Niño episode, which could also take down with it a substantial part of the Philippine manufacturing sector given the sizable contribution of food manufacturers,” he added.

Capital Economics Senior Asia Economist Gareth Leather said the Philippine economy is expected to further weaken in the next quarters amid elevated interest rates and weak global demand.

Mr. Leather said exports are “likely to remain subdued” and consumer spending will “slow further over the coming quarters.”

“The lagged impact of monetary tightening will curtail private consumption growth in the coming quarters. Furthermore, the central bank’s index on consumer sentiment remains firmly in negative territory,” he added.

Both Mr. Mapa and Mr. Leather expect GDP growth of 5.5% this year.

Pantheon Chief Emerging Asia Economist Miguel Chanco said that the economy “clearly lost more momentum at the start of this year,” citing slowing exports and household consumption.

Despite global headwinds, Robert Dan J. Roces, chief economist at Security Bank Corp., said the Philippines is likely to “remain a standout performer in the region,” citing robust household spending and investments as drivers of growth.

Mr. Roces also said that slower first-quarter growth may give room for the BSP to pause its tightening cycle.

“The first-quarter GDP data, coupled with signs of cooling price pressures, may encourage the central bank to consider a more cautious stance on further tightening measures, potentially leading to a pause of interest rate hikes,” he said in a Viber message.

“With inflation on the downturn and growth showing signs of slowing, we believe this opens the door for BSP Governor Felipe M. Medalla to pause and keep policy rates at 6.25%,” Mr. Mapa added.

The Monetary Board is set to meet on May 18.

# Power rates up in May as generation charge rises

RESIDENTIAL CUSTOMERS in areas served by Manila Electric Co. (Meralco) will see higher power bills this month due to the increase in the generation charge.

Meralco in a statement said the overall rate for a typical household went up by P0.1761 per kilowatt-hour (kWh) to P11.49 per kWh in May from P11.32 per kWh in April.

Households that consume 200 kWh of electricity will see an increase of P35 in their May electricity bills. Meanwhile, those consuming 300 kWh, 400 kWh, and 500 kWh would see an increase of P53, P70, and P88, respectively.

Joe R. Zaldarriaga, Meralco spokesperson and vice-president for corporate communications, said at a virtual briefing that higher spot market prices and power supply agreement (PSA) costs drove up generation charges this month.

The generation charge increased by P0.34 to P7.67 this month. This includes the collection of the final instalment of deferred charges, equivalent to P0.20.

In March, the Energy Regulatory Commission said Meralco

had proposed to stagger the collection of an estimated P1.1 billion in generation charges in the April-to-May period to “cushion its impact” on consumers.

This month, wholesale Electricity Spot Market (WESM) charges went up by P1.74 per kWh to P8.92 per kWh as the secondary price cap was triggered 22% of the time in April.

Supply tightened in April as Luzon’s peak demand came in at 12,235 megawatts (MW), 732 MW higher than the peak demand in March.

WESM accounted for 18% of Meralco’s energy share for the month, significantly lower than 32% share in April.

Charges from PSAs, which account for 47% of Meralco’s supply, rose by P0.91 per kWh to P7.11 per kWh.

Meralco said the peso depreciation impacted 26% of PSA costs that were dollar denominated. The peso closed at P55.38 against the US dollar on April 28, losing P1.02 from its P54.36 close on March 31.

Mr. Zaldarriaga said that two of Meralco’s emergency PSA (EPSA) drove up the costs in May. Meralco

had secured two EPSAs with South Premier Power Corp. (SPPC) and Therma Luzon, Inc. with an implemented date of March 26 and April 12, respectively.

Charges from the independent power producers (IPPs), however, decreased by P1.40 per kWh to P7.63 per kWh. IPPs account for 35% of Meralco’s total requirement.

However, Mr. Zaldarriaga said this month’s rate hike was already tempered by a reduction in transmission charge by about P0.25 per kWh due to lower ancillary service charges.

Meanwhile, Mr. Zaldarriaga warned consumers to brace for more rate hikes in the coming months after the Energy department projected Luzon’s power demand to go as high as 13,125 MW in May.

“Both in terms of pricing and consumption, it tapers off by July. It is really for March to June when we expect an increase both in terms of consumption and price because all the factors usually come into play in those months,” Mr. Zaldarriaga said.

On Monday, the Luzon power grid was placed on red alert twice

and on yellow alert once after Luzon’s demand hit 12,418 MW, the highest so far for this year. The supply instability affected the export of power to the Visayas grid, which was placed under yellow alert as a result.

Lawrence S. Fernandez, vice-president and head of utility economics of Meralco, said that with the looming El Niño, energy consumption is also expected to increase further.

“The potential impact of an El Niño event is elevated temperatures, or less rainfall which will affect hydro plants, higher temperatures will affect consumption,” he said.

The Philippines’ state weather bureau said on May 2 that El Niño would likely develop in the next three months and might last until the first quarter of next year.

Meralco’s controlling stakeholder, Beacon Electric Asset Holdings, Inc., is partly owned by PLDT Inc. Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary Media-Quest Holdings, Inc., has interest in *BusinessWorld* through the Philippine Star Group, which it controls. — **Ashley Erika O. Jose**



## Power Maintenance Updates

by **MERALCO** ADVISORY

The following are scheduled power interruptions necessary for the regular maintenance and upgrade of our power distribution facilities, to ensure the delivery of safe and reliable electricity to your areas. Rest assured that Meralco is doing everything to quickly restore your electricity according to schedule.

SUNDAY, MAY 14, 2023	WEDNESDAY, MAY 17, 2023
<p><b>BATANGAS PROVINCE (STO. TOMAS CITY)</b> BETWEEN 3:00AM AND 6:00AM – PORTION OF CIRCUITS REAL 414REA; AND CALAMBA 415CMB</p> <p>Portion of Pan-Philippine Highway (Maharlika Highway) from Ponte Verde Ave. to near Pamilhang Lungod ng Sto. Tomas in Bgys. San Rafael, Santiago, San Antonio, Poblacion 1 and Poblacion 2.</p> <p>Portion of Ponte Verde Ave. from Pan-Philippine Highway (Maharlika Highway) to and including Ponte Verde Subd. Phases 3 &amp; 4 and Ponte Verde de Sto. Tomas Subd. Phases 1 &amp; 2 in Bgys. Santiago and San Rafael.</p> <p>Portion of San Antonio Barangay Road from Pan-Philippine Highway (Maharlika Highway) to and including Le Moubreza Homes, Townsville-Sto. Tomas Subd. and Edar Ridge Subd. in Bgys. San Antonio, San Bartolome, Santiago and Poblacion 2.</p> <p>Portion of Pan-Philippine Highway (Maharlika Highway) from Ponte Verde Ave. to Gen. Malvar Ave. including San Antonio Heights Subd. Phases I, II, III-A, III-B &amp; IV-A, San Rafael Estates Subd. Phases I, II &amp; III and Rancho Vista Subd. in Bgys. San Antonio and Santiago.</p> <p>Portion of Gen. Malvar Ave. from Pan-Philippine Highway (Maharlika Highway) to Pres. Jose P. Laurel Highway including Mango Grove Subd., Julieville Homes Subd., Las Palmas Subd. Phases 1, 2, 3A &amp; 4, Liza Subd. and Saint Thomas Homes Subd. in Bgys. Poblacion 1 – 4 and San Roque.</p> <p>Portion of San Roque St. from Pres. Jose P. Laurel Highway to and including Avant Garde Residences, Doña Fidelia Subd., Don Aniceto Village, Mahogany Village, Madison Garden Subd., San Roque Subd. Phases I &amp; III and Terraza De Sto. Tomas in Bgy. San Roque.</p> <p><b>REASON:</b> Relocation of poles affected by DPWH project along Pan-Philippine Highway (Maharlika Highway) in Bgy. Santiago, Sto. Tomas City, Batangas Province.</p>	<p><b>RIZAL PROVINCE (RODRIGUEZ)</b> BETWEEN 12:01AM AND 4:00AM – PORTION OF CIRCUIT SAN MATEO 415MSMA</p> <p>Eastwood Greenview Subd. Phases 1 – 5 and Eastwood Residences Phases 1 – 5 in Bgys. San Rafael and San Isidro.</p> <p><b>REASON:</b> Line reconducting work in Eastwood Greenview Subd. Phase 1, Bgy. San Rafael, Rodriguez, Rizal Province.</p>
WEDNESDAY TO THURSDAY, MAY 17 – 18, 2023	
<p><b>BULACAN (MALOLOS CITY)</b> BETWEEN 11:00PM AND 11:30PM (WED., 05/17/23) AND THEN BETWEEN 3:30AM AND 4:00AM (THU., 05/18/23) – PORTION OF CIRCUIT TABANG 323YH</p> <p>Portion of Lucero St. from Lucero Interior St. to Canlapan St. in Bgy. San Vicente.</p> <p>Portion of Jacinto St. from Lucero St. to near Canlapan St. in Bgy. San Vicente.</p> <p>Portion of Lucero Interior St. from Lucero St. to near Kamagong St. in Bgy. San Vicente.</p> <p>Portion of L. Valencia St. from Lucero St. to Zulueta St. in Bgy. San Vicente.</p> <p>Portion of Sampaguita St. from Zulueta St. to Instrucion St. in Bgy. San Vicente.</p> <p>Portion of Zulueta St. from Pagsibigan St. to near San Vicente Subd. St. in Bgy. San Vicente.</p> <p>Portion of San Vicente Subd. St. from near Zulueta St. to ang including Kamagong, Narra, San Roque, Ipil and Apitong Sts. in Bgy. San Vicente.</p> <p>Portion of Canlapan St. from Lucero St. to ang including T. Alonzo and Pagsibigan Sts. in Bgy. San Vicente.</p> <p>Portion of Estrella St. from Jacinto St. to T. Alonzo St. in Bgy. Sto. Niño.</p> <p>Portion of Kamestisuhan St. from Jacinto St. to near Zulueta St. in Bgy. Sto. Niño.</p>	
<p>BETWEEN 11:00PM (WED., 05/17/23) AND 4:00AM (THU., 05/18/23) – PORTION OF CIRCUIT TABANG 323YH</p> <p>Portion of Estrella St. from T. Alonzo St. in Bgy. Sto. Rosario to near Dimagiba St. in Bgy. San Juan.</p> <p>Portion of M. Tengco St. from Estrella St. to Canlapan St. in Bgy. Sto. Rosario.</p> <p>Portion of Canlapan St. from M. Tengco St. to near Instrucion St. in Bgy. Sto. Rosario.</p> <p>Portion of Canlapan St. from Sampaguita Road in Bgy. Sto. Rosario to near Dimagiba St. in Bgy. San Juan.</p> <p>Portion of F. T. Reyes St. from Zulueta St. in Bgy. Sto. Rosario to and including Mindanao St. in Bgy. Sto. Rosario.</p> <p>Portion of Sampaguita Road from near Instrucion St. to near Mindanao St. in Bgy. Sto. Rosario.</p> <p>Portion of Zulueta St. from Canlapan St. to Wakas St. in Bgy. Sto. Rosario.</p> <p><b>REASON:</b> Line reconducting work along Estrella St. in Bgy. San Juan, Malolos City, Bulacan.</p>	
THURSDAY, MAY 18, 2023	
<p><b>LAGUNA (SAN PABLO CITY) AND QUEZON PROVINCE (DOLORES)</b> BETWEEN 9:00AM AND 2:00PM – PORTION OF CIRCUIT SAN PABLO II 424WJ</p> <p>Portion of San Pablo – Dolores Road from Pan-Philippine Highway (Maharlika Highway) to Dolores Road including Bato Springs Resort, Biostar Nutri Products, Connex Technology and Industrial Services, DGS Poultry Farm, Emi Po Poultry and Greaca Poultry Farm; Montelago Nature Estates, Alcaraz Village and Sto. Niño Homes Subd. in Bgys. Sto. Niño, Sta. Elena and San Cristobal in San Pablo City, Laguna; and Bgys. Bulakin I and Bulakin II in Dolores, Quezon Province.</p> <p>Portion of Tiaong – Dolores Road and Dolores Barangay Road from near Dagatan National High School to Kinabuhayan Barangay Hall including 1035 Acre Farm, Cocogroove Subd. and Sta. Maria Village in Bgys. Bulakin II, Cabatang, Dagatan, Dolores Town Proper, Kinabuhayan, Manggahan, Pinagdanglayan, San Mateo and Sta. Lucia in Dolores, Quezon.</p> <p><b>REASON:</b> Installation and relocation of poles along San Pablo - Dolores Road in Bgy. Sta. Elena, San Pablo City, Laguna.</p>	
FRIDAY, MAY 19, 2023	
<p><b>QUEZON PROVINCE (MAUBAN)</b> BETWEEN 10:00AM AND 2:00PM – PORTION OF CIRCUIT NEW MAUBAN 41WY</p> <p>Portion of Mauban – Real Road from near San Miguel Archangel Chapel to and including Nigayang Resto Bar in Bgy. Cagsiy 1.</p> <p><b>REASON:</b> Replacement of poles and relocation of facilities along Mauban – Real Road in Bgy. Cagsiy 1, Mauban, Quezon Province.</p>	
SUNDAY, MAY 21, 2023	
<p><b>LAGUNA (LOS BAÑOS)</b> BETWEEN 9:00AM AND 4:00PM – THE WHOLE OF CIRCUITS NGCP – LOS BAÑOS 21LB &amp; 24LB</p> <p>University of the Philippines Los Baños (UPLB) - Institute of Plant Breeding (IPB) in Bgy. Putho-Tuntungin.</p> <p>Forest Products Research &amp; Development Institute (FPRDI), Ecosystems Research &amp; Development Bureau (ERDB) and International Rice Research Institute (IRRI) in Bgy. Batang Malake.</p> <p><b>REASON:</b> Replacement of rotted pole in Bgy. Bitin, Bay, Laguna.</p>	

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