

# PHL trade slump bottoms out, but weak growth expected to continue

THE PHILIPPINES is past the worst point of its trade slump, though growth may remain weak going forward, Pantheon Macroeconomics said.

“A sustained acceleration in year-over-year trade growth is unlikely in the current climate, but we’re confident that the worst is over,” it said in latest Emerging Asia Economic Monitor report.

The report, written by Chief Emerging Asia Economist Miguel Chanco and Senior Asia Economist Moorthy Krshnan, said that while

the Philippines’ trade performance is beating expectations, a “big surge” in growth is not expected.

“Two-way trade growth in the Philippines looks to have turned a real corner in the second quarter... trends at the margin have been on the mend for months, and this continued in May,” it added.

The Philippine Statistics Authority reported that the trade deficit narrowed to a three-month low of \$4.4 billion in May.

In the first five months, the trade deficit was \$23.99 bil-

lion, little changed from the \$23.96-billion deficit posted a year earlier.

The Philippines is a net importer, incurring a trade deficit for the last eight years since the last surplus of \$64.95 million in May 2015.

“The year-over-year improvement should hold, as short-term trends have been recovering for months,” it added.

Meanwhile, Pantheon Macroeconomics also noted that export growth may moderate.

“One reason why stability, rather than a surge, in export growth looks more likely, for now, is that we’ve yet to see a U-turn in year-over-year export growth in Korea, a much larger player in global semiconductors,” it said.

“Semiconductors effectively have been driving the rise in total Philippine exports single-handedly from the latter’s nadir in February. And the bad news is that their upswing since March probably is unsustainable, as the

sector appears now to be in a glut of supply globally,” it added.

During the five-month period, exports declined 11.5% to \$28.21 billion, missing the government’s 1% growth target this year.

More than half (54%) of total exports were electronic products. Electronics exports fell 12.8% to \$15.37 billion, of which semiconductor exports declined 9.7% to \$12.07 billion.

“In terms of import growth, the outperformance in consumer goods is fragile, owing to the struc-

tural headwinds facing households. Meanwhile, capital goods imports likely will remain under pressure from high interest rates and subdued capex plans,” Pantheon Macroeconomics added.

In the first five months, imports fell 6.6% to \$52.2 billion. The government had set a growth target of 2% for the year.

Imports of capital goods fell 5.8% to \$15.05 billion, while imports of consumer goods rose 15.6% to \$9.59 billion. — **Luisa Maria Jacinta C. Jocsos**

# CoA cites NFA failure to build up adequate rice reserves

THE Commission on Audit (CoA) said the National Food Authority (NFA) failed to build up sufficient rice reserves despite receiving a P7-billion subsidy from the government.

In its 2022 audit report released on July 6, the state auditor said that in 2022, “the NFA did not meet the optimum level of national rice buffer stocking requirement of 300,000 metric tons (MT) at any given time... despite the full receipt of the P7-billion government subsidy.”

CoA said the NFA did not comply with the implementing rules and regulations of Republic Act No. 11203, or the Rice Tariffication Act.

The law changed the role of the NFA, which used to hold a monopoly on rice imports, restricting it to purchasing domestically-harvested rice. Its purchases are then held in reserve for calamities and local shortages.

“The optimum level of rice buffer stocks to be maintained by the NFA, as approved by the NFA Council in its Resolution No. 999-2021-B dated Feb. 16, 2021, was fixed at 300,000 MT or equivalent to nine days of nationwide consumption,” CoA said.

Citing the NFA’s annual report for 2022, the agency’s rice inventory ranged from 111,042 MT to 182,612 MT, for an average of 140,354 MT, equivalent to 4.18 days’ demand, CoA said.

CoA also noted that only P5.75 billion of the subsidy was disbursed to procure 302,651 MT of palay (unmilled rice) or 63.05% of the NFA’s procurement target of 480,000 MT for 2022.

It attributed the failure to meet palay procurement targets to typhoons, which dampened rice production areas. CoA added that private traders offering farmers attractive terms that outweighed the NFA’s buying price of P19 per kilogram, including free delivery, advance payment, and free use of post-harvest facilities.

The NFA’s palay procurement was equivalent to 1.54% of the harvest, which amounted to 19.77 million MT in 2022.

“The relatively low absorption rate of the NFA on local palay procurement is an indication that farmers are not aware of the NFA’s palay procurement activities and program,” according to the audit report.

“More farmers could have sold their harvests to the NFA through the mobile procurement teams in their localities at a higher price than the prevailing farmgate price without incurring additional delivery expenses,” CoA added.

In response, the management “committed to continuously exert efforts” to meet the 300,000 MT minimum rice reserve level.

The NFA was asked to comment but had not replied at the deadline. — **Beatriz Marie D. Cruz**



# Cloud seeding planned for Magat Dam, Bohol province

THE Department of Agriculture’s Bureau of Soils and Water Management (BSWM) said it is preparing to conduct cloud seeding around Magat Dam in northern Luzon to counteract the effects of El Niño.

In a virtual briefing on Wednesday, Ernesto B. Brampio, chief of the BSWM’s Water Resources Management Division, said that the Magat River Integrated Irrigation System (MRIIS) requested the cloud seeding even before the onset of El Niño.

“Magat still has water but it’s declining. So, they are thinking that if they do not move early, (the water level) could become critical,” he said.

The Magat Dam is on the Magat River, a tributary of the Cagayan River, along the border of Ifugao and Isabela provinces. Its hydroelectric plant rated at 360 megawatts (MW).

As of Wednesday morning, the water level at Magat Dam was 162.89 meters, down from 163.60 meters a day earlier. It needs at least 160 meters to operate.

Bohol province has also requested cloud seeding to raise water levels at the province’s dams.

The MRIIS and Bohol province are providing P9 million and P2.5 million, respectively, to support cloud seeding.

Mr. Brampio said cloud seeding costs about P50,000 per hour, and has an 80% success rate.

Mr. Brampio said that the agency is working with local government units and regional offices to seek out more funding. It was allocated P18.5 million for cloud seeding for next year.

Mr. Brampio said his bureau has yet to receive a request to seed clouds in the Angat Dam area, which has below minimum operating level of water.

Angat’s water level was 178.21 meters on Wednesday, lower than the 178.80 meters a day earlier.

“Maybe we will send a team to evaluate the area to see if there are scenarios (that allow us) to forego cloud seeding,” he said.

National Water Resources Board Executive Director Sevilla D. David, Jr. said that after discussions with the government weather service, known as PAGASA (Philippine Atmospheric, Geophysical and Astronomical Services Administration), further action will be taken after assessing the strength of the rainy season.

“With the *habagat* (southwest monsoon) and the thunderstorms we are experiencing, it’s better observe and wait on this rainy season,” he said by text. — **Sheldeen Joy Talavera**

# PCG vessel order could lead to shipyard investment

THE Board of Investments (BoI) said a coast guard ship purchase is expected to result in a P1.5-billion shipyard investment from the French company building the boats.

The Philippines is currently negotiating with the French government on a financing deal for the vessels, for use by the Philippine Coast Guard (PCG).

Trade Undersecretary and BoI Managing Head Ceferino S. Rodolfo said in a recent media briefing that the financing agreement being negotiated by the Department of Finance (DoF). The procurement exercise is tied to a shipyard investment from OCEA SA to build other vessels here.

“OCEA is eyeing a government procurement (deal) with the PCG. In return, when they secure the contract, in addition to delivering the vessels, they are going to invest also in a shipyard because they need to have an earning business to serve as support,” Mr. Rodolfo said.

The government is seeking French financing assistance to procure the vessels, he added.

In December OCEA renewed its commitment to develop a Philippine shipyard after meeting with President Ferdinand R. Marcos, Jr. in Belgium. The shipyard is expected to produce boats of up to 120 meters for use in fisheries, transport, and maritime security.

OCEA is currently negotiating contracts to build vessels for the PCG and the Philippine Merchant Marine Academy.

BoI Director Evariste M. Cagatan told reporters in a separate Viber message that the planned government-to-government financing agreement can be applied to other projects.

“The financing agreement being developed by the DoF is not specifically for OCEA but for similarly situated projects that will have funding from foreign governments provided to private firms,” Ms. Cagatan said. — **Revin Mikhael D. Ochave**

# France agrees to direct Manila-Paris air service

THE French government has agreed to make arrangements for direct flights between Paris and Manila, Malacañang said.

French Ambassador to the Philippines Michèle Boccoz informed President Ferdinand R. Marcos, Jr. “of the plans to open a direct flight” in their meeting on Tuesday, the Palace said.

Mr. Boccoz said France also plans to expand its scholarship and exchange programs for the Philippines’ “gifted and dynamic students.”

“France is one of the Philippines’ biggest sources of official development assistance (ODA), particularly in the fields of telecommunications, energy, transportation, environment, health, and disaster management,” the Palace said. — **Kyle Aristophere T. Atienza**

## OPINION

# Cybersecurity and blockchain

Digital trends continue to push our lives to the next level, notably accelerated by the pandemic. New technologies, such as mobile devices and applications, have become lifestyle essentials.

Similarly, businesses — whether established ones or startups — have also adopted emerging technologies to cope with the fast-rising demand of digital consumers.

One such technology is blockchain. It uses a distributed decentralized network to maintain the security and credibility of each piece of information stored in the system. However, despite the attention it is getting from the business community, there is still some confusion about what it is and the cybersecurity issues it is currently facing.

### THE BLOCKCHAIN BUSINESS TERRAIN

In an article by PwC US (n.d.), blockchain is defined as a decentralized ledger or record-keeping system that facilitates transactions across a peer-to-peer network consisting of two or more devices that share a common file. Participants can confirm transactions without the need for a central clearing authority.

Blockchains offer various ways to improve day-to-day operations. They can enhance transparency, accuracy in tracking and cost efficiency. They can even serve as a permanent ledger that provides robust security. One of its

known uses is in cryptocurrency, a medium of exchange stored in an electronic blockchain using cryptographic techniques to verify the transfer of funds.

Businesses across various industries use blockchain. For example, in financial services, remittances are processed faster and in a more transparent manner because there is a shared process that acts as a single source of truth. In healthcare, patients’ encrypted data are shared across providers without security risks.

Blockchain can be implemented as a public or private network. In cryptocurrencies, businesses operate using public blockchain networks where participants are allowed to contribute and maintain the network. On the other hand, for businesses such as financial institutions, healthcare, and other private institutions, private blockchain networks are where identities are verified. Membership and access to it are only granted to known participants.

### CYBERSECURITY IN BLOCKCHAIN

As we explore the world of blockchain, it’s important to understand the fundamental role that cybersecurity plays in its implementation.

By 2025, it is estimated that cybersecurity-related events will cost around \$10.5 trillion annually, reflecting a 15% increase in cybercrime (Morgan 2020).

In 2022, businesses operating in the crypto market lost approximately \$3.7 billion due to various cyberattacks, such as hacks and scams (Malwa 2023).

To protect themselves from cyberattacks, companies must understand the potential threats and vulnerabilities in blockchain-based systems. While there are several known security issues, threat actors typically employ three common attacks:

**1. Phishing:** Threat actors send a legitimate-looking website login page to capture data, such as usernames, passwords, and other user-related information. Gaining access to this data can lead to possible damage to the blockchain network.

**2. Endpoint vulnerabilities:** Blockchain endpoints include mobile devices, laptops, and desktops. They are the most vulnerable areas. Users often store their private keys on these devices, making them attractive targets. By covertly monitoring these endpoints, threat actors can steal private keys and gain unauthorized access.

**3. 51% attack:** Threat actors control more than half of the hash rate, enabling them to alter order forms or transactions even before they are confirmed or even after they have occurred. This means that they can forge every transaction within a blockchain.

By understanding the security risks associated with emerging technologies, organizations can proactively safeguard themselves while maintaining business continuity when adopting trends.

### MITIGATING CYBERSECURITY RISK

Adopting new technology does not come without risks. However, there are several security practices that companies can adopt to mitigate these risks.

• **Implement strong authentication and access controls.** Devices connected to the blockchain network need to be secured with standard security best practices to make sure that appropriate access is only given to eligible users.

• **Regularly update and patch blockchain software.** Every kind of software is prone to get hacked as attackers find a way to exploit them for malicious purposes. To avoid this, update, or patch software regularly with the latest security features to prevent intruders from accessing important information and avoid exposing your system to vulnerabilities.

• **Employ encryption techniques for secure data transmission.** Sending data from Point A to Point B is one thing. Securing this transfer of data is another. Confidential data should always be transferred securely by using secured routing protocols with updated certificates to prevent data leaks.

• **Conduct regular security audits and penetration testing.** Security audits and testing should be conducted at least once a year to review and assess your organization’s security posture.

### SECURE YOUR BLOCKCHAIN PROACTIVELY

Adapting to new technology can be

a challenge, especially in organizations that only need something that “works.” Blockchain can be one of these solutions, but it can only be beneficial in the long run when implemented with stringent security policies. Proactive monitoring and cybersecurity training are a must to ensure an effective response to new threats and incidents.

As technology continues to evolve, it is essential to conduct proper due diligence and risk assessments before implementing and adopting new solutions on a wide scale basis. This reduces exposure to potential risks and threats. The security of blockchain-based systems is fundamental, and if businesses want to stay ahead of the game, they have to stay vigilant and proactive in their security practices.

*The views or opinions expressed in this article are solely those of the authors and do not necessarily represent those of PricewaterhouseCoopers Consulting Services Philippines Co. Ltd. The content is for general information purposes only, and should not be used as a substitute for specific advice.*

ALAN JELSON TIMTIMAN and JAN JOSHUA BATU are senior associates from the Cyber and Forensics practice of PricewaterhouseCoopers Consulting Services Philippines Co. Ltd., a Philippine member firm of the PwC network.  
(02) 8845-27 28  
alan.jelson.timtiman@pwc.com  
jan.joshua.batu@pwc.com