DoF blames pork for inflation blowout, backs more imports

THE Department of Finance (DoF) said meat prices pushed inflation beyond the government target range in 2021, and pressed for more pork imports and a drawdown of the pork inventory held in cold storage.

"The 16.8% meat price inflation last year accounted for 1.1 percentage points (of) the 4.4% overall inflation," Finance Undersecretary Gil S. Beltran said in an economic bulletin on Thursday.

"Had meat price inflation been half as high, the upper level of the 2-4% inflation target range would not have been breached."

Inflation in 2021 averaged 4.5%, against the 2.6% reading in 2020 and exceeding the central bank's target band.

Mr. Beltran said meat price inflation in 2021 was the highest of any major food item since 2012.

The lingering effects of African Swine Fever (ASF) have drastically cut the hog population, pressuring pork prices higher, he said.

"The Department of Agriculture confirmed the outbreak of ASF in the country in the middle of 2019 but it was in 2021 that the country felt more fully the debilitating effects of the hog infection."

Mr. Beltran said the Philippines will need to continue importing pork to meet demand and compensate for the supply shortfall.

Other interventions may include the regular release of pork held in cold storage and their continuous replenishment from local or imported supply, he said.

Finance Secretary Carlos G. Dominguez III supports the proposal by the National Economic and Development Authority to extend the validity of an executive order increasing import volumes until the end of 2022.

Executive Order No. 133 in May last year temporarily raised the pork import quota, known as the minimum access volume, to 254,210 metric tons from 54,210 to address increasing pork prices.

The hog and meat industry had opposed the proposed extension, asking the government to instead support local producers to improve supply. — **Jenina P. Ibañez**

Ban on foreign state-owned firms seen as 'discriminatory'

BUSINESS LEADERS and a former Palace official said on Thursday that a ban on foreign state-owned companies is "discriminatory" and runs counter to the liberalizing intent of the proposed Public Service Act (PSA).

The President's former Spokesman Herminio L. Roque, Jr., a Senate candidate, said at the Pandesal Forum in Quezon City:

"We are supposedly liberalizing the provision of public service, and yet here is an instance where we are expressly discriminating against foreign-owned enterprises."

The forum was tackling Senate Bill (SB) 2094 or the proposed Public Service Act, which is currently being harmonized with its counterpart House measure in bicameral conference committee.

Under Section 16 of the measure, "an entity controlled by or acting on behalf of the foreign government or foreign state-owned enterprises shall be prohibited from owning capital in any public service classified as critical infrastructure."

"I submit that this discriminatory provision against state-owned enterprises particularly from China is patently unconstitutional," Mr. Roque said. "Although it is not mentioned that it is Chinese businesses or Chinese-owned businesses that are targeted, only Chinese enterprises have state-owned enterprises active in the public service industry, and therefore we can reasonably infer that it is directed against Chinese-owned enterprises."

The purpose of the law is to allow more entrants into the sector, he added, which makes this provision contrary to the government's objective of heightening competition to the benefit of consumers.

Philippines-Chinese Mutual Cooperation Society, Inc. Chairman and Asian Center for Comparative Governance President Peter T. Laviña said that as the country has one of the most restrictive investment policies in the region, and called for any liberalization not to be exclusionary.

In 2021, Philippine laws were judged to be the third most restrictive to foreign direct investment (FDI) in the world, according to the FDI Regulatory Restrictiveness Index. The index evaluates equity restrictions, restrictions on key foreign personnel, operational restrictions and discriminatory screening for approval mechanisms.

"We should not restrict, discriminate or exclude," Mr. Laviña said during the forum, as this may stoke anti-Chinese sentiment in the Philippines. "Very clearly, it targets China companies, especially China state-owned companies."

He called on legislators to clarify and correct any such restrictions in all three measures intended to attract foreign investment, the proposed PSA, the proposed Foreign Investments Act, and the proposed Retail Trade Liberalization Act.

"Let's open up to everyone so that the Philippines will benefit in the same manner our neighbors have benefited from all the foreign investment that has come into their countries," Mr. Laviña said.

Anvil Business Club Chairman George Siy said that "the considerations they put in, in principle, sound like there is sound reasoning behind them, but then the timing and the way that they have circumscribed the conditions" make it seem like they are targeting Chinese investments.

Amendments to the pending foreign investment laws should be consistent and non-discriminatory, he said, "and we should recognize that they can be changed over time, they are not fixed. We need to adjust it to new technologies, cultures, and definitions of security," Mr. Siy said, noting that the laws and regulations should evolve with the times.

Flexibility in the law is vital, as is the execution, he added. Proper implementation can be done by building a culture that brings together talent pools of technocrats, allowing them to enter government by providing the right incentives.

This will allow new capital and technology inflows from abroad which will build new markets and capacities, accelerate recovery, and prepare the country for the fourth stage of industrial revolution, Mr. Siy said.

Federation of Filipino Chinese Chambers of Commerce and Industry, Inc. President Henry Lim Bon Liong, meanwhile, said his organization supports the government's economic reform agenda to make the country more globally competitive and promote ease of doing business.

Mr. Lim Bon Liong also said he was for the amendments made in SB 2094 which establishes a rate setting mechanism that will result in fair and reasonable prices for commodities and services, improve technology, and modernize service. He also agreed with the updated penalties under the proposed measure.

"The passage of this legislation will stimulate the provision of better services by lifting the restrictions on ownership and operation of public services in the country," Mr. Lim Bon Liong said. "This will eventually cascade to other parts of the economy since these are necessary for businesses to try to improve access and lower rates, which translates to a more conducive environment (for) doing business in the country."

The entry of foreign investors, he said, will translate to more jobs, which are needed for the country to recover from the pandemic.

"The influx of foreign direct investment or the FDI has been on the upswing, and we believe that this legislation will be crucial to sustaining and further improving this favorable trend," he added.

The Senate approved its version of the Public Services Act in December, while the House of Representatives passed the counterpart bill in March 2020.

Congress is hoping to pass the bill, certified as urgent by President Rodrigo R. Duterte, before the end of the Duterte administration. — **Alyssa Nicole O. Tan**

Power plant coal stocks meet DoE standards for 30 days' worth of supply

THE Department of Energy (DoE) said on Thursday that coal-fired power plants all have 30 days' worth of coal reserves, with some having as much as 50, as the market tightened for thermal coal following Indonesia's one-month coal export ban.

"All of them have met the 30-day requirement. In fact, some of them even have excess which can cover up to 45-50 days," the director of the DoE's Electric Power Industry Management Bureau, Mario C. Marasigan said at a virtual briefing on Thursday.

In a meeting with the companies on Tuesday, the Energy department required full reports on their coal requirements, the status of imports, and the schedule of deliveries in order to provide the authorities a better picture of the power situation.

"We have yet to receive full reports from the companies. Actually, we have assessed that we have coal inventories but the problem is what will happen (to) their expected schedule of deliveries," he said.

Mr. Marasigan said one scenario that needs to be addressed is whether the ports can handle the delivery surge once Indonesia's ban is lifted.

He said some companies' imports were in the advanced stages of the Indonesian export process, having been loaded onto vessels awaiting final clearance, when the ban was imposed.

Indonesia, the world's biggest thermal coal exporter, suspended exports on Jan. 1 after its state power utility reported dangerously low inventory levels at its domestic power stations, Reuters reported.

The DoE estimates that the Philippines imported 69.51% of its coal requirement of 42.476 million metric tons (MMT) in 2020.

Energy Secretary Alfonso G. Cusi has said that the Philippines imported 2.3 MMTs of coal monthly from Indonesia last year.

Mr. Cusi announced on Monday that he had written on Jan. 6 to his Indonesian counterpart, Minister of Energy and Mineral Resources Afirin Tasrif, appealing for the ban to be lifted, specifically for the Philippines.

Power companies operating coal-fired plants earlier told *BusinessWorld* that they are looking at tapping other sources of the fuel should the Indonesia ban be extended. — **Marielle C. Lucenio**

NCR retail price growth accelerates in November

PRICE GROWTH of retail goods in the National Capital Region (NCR) accelerated to its highest level in more than two-and-a-half years in November, with consumer demand not dampened by the higher cost of goods.

Preliminary data from the Philippine Statistics Authority (PSA) indicate that the general retail price index (GRPI) rose 2.3% from a year earlier, against the 2.1% posted in October, and the year-earlier rate of 1.3%.

The November result matched the rise seen in May 2021 and was the highest increment since the 2.7% expansion in April 2019.

In the 11 months to November, Metro Manila's retail price growth averaged 2%, against the year-earlier 1.2%.

The PSA attributed November's uptick to a double-digit increase in mineral fuels, lubricants and related materials, whose prices rose 25% year on year from 22.1% in October.

Other commodities where prices accelerated included chemicals, including animal and vegetable oils and fats (1.3% in November from 0.8% in October); food (2.1% from 1.9%); machinery and transport equipment (0.4% from 0.3%); miscellaneous manufactured articles (0.3% from 0.2%); and manufactured goods classified chiefly by materials (1.2% from 1.1%).

Beverages and tobacco price growth slowed to 4.4% in November from 6% in October, while that of crude materials, inedible except fuels eased to 0.9% from 1%.

ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said the rise in retail prices in November was due to higher production costs caused by supply chain bottlenecks as well as strong consumer demand.

"Looking at recent PMI (Purchasing Managers' Index) figures, we've noted that increase material costs may have forced producers to pass on price increases to customers and finding its way to higher retail prices," he said in an e-mail interview.

The country's manufacturing PMI in November jumped to an eight-month high of 51.7 from 51 posted in October, as new orders increased that month.

A PMI reading of above 50 indicates that manufacturers are gearing up to increase production by placing more orders, making the statistic a leading indicator for future economic conditions; a reading below 50 signals a contraction.

Mr. Mapa also noted that the anticipation of the holiday buying rush also contributed to the increase in prices, which further improved as cases of coronavirus disease 2019 (COVID-19) continued to drop in November.

According to the Department of Health, 1,455 new COVID-19 cases were recorded at the start of November, which gradually decreased to 322 cases by Nov. 30.

However, a fresh surge brought by the highly mutated Omicron variant, which was first detected in South Africa, is currently surging through the Philippines.

"The ongoing wave of infections has just as quickly knocked down both business and consumer sentiment, which could sap inflationary pressures on retail prices in the near term," Mr. Mapa said.

The monthly GRPI is also used as a deflator of the National Accounts, particularly on the retail trade sector, and serves as the basis of business forecasting in that sector. — **Bernadette Therese M. Gadon**

Locally manufactured COVID-19 drug awaiting FDA approval

LLOYD LABORATORIES, Inc. said it is awaiting approval from the Food and Drug Administration (FDA) to begin manufacturing Molnupiravir, an oral drug to treat coronavirus disease 2019 (COVID-19).

"Once cleared, within no time at all we can make the capsules available to people in the Philippines. We are ready for the manufacturing of the product immediately. If the FDA gives the clearance tomorrow, from five to seven days we can make it available to the market," Vice-President for Research and Development Chandra Shekhara Reddy Nagareddy said in a briefing on Thursday.

On Monday, the Board of Investments approved the application lodged by Lloyd Laboratories to register the drug manufacturing operation for incentives.

The pharmaceutical company said it submitted all compliance documents and is waiting for emergency use authorization (EUA) from the FDA to begin manufacturing the drug.

"We will be able to serve all hospitals who require it, no limitations," said Business Development Director Christopher M. Bamba. "We currently have a lot of inquiries from government hospitals. It will be fast for us to move forward once we get the EUA."

Lloyd Laboratories obtained a Compassionate Special Permit to manufacture the drug for Recuenco General Hospital in Taguig, which it provided with 600 capsules.

The company said it has the capacity to manufacture 1 million capsules — either 200 mg or 400 mg —per batch, with each batch to take three or four days.

"We are not yet allowed to distribute to drugstores, only hospitals and local government units, as these are limited and controlled products," Mr. Bamba added.

Lloyd Laboratories said that as affordability is a top concern, the drug will be 30 to 50% cheaper than imported drugs on the market.

"We are not paying any royalties to anyone. That is skipped from the equation. It will also be locally manufactured, so imports were limited to active pharmaceutical ingredients (API) or the raw materials," said Mr. Bamba. "We are able to (adopt) a low-price strategy, being a local manufacturer and generic company."

Lloyd Laboratories received technology transfer to produce the drug from India's Optimus Pharma Pvt. Ltd.

Meanwhile, the company also said it is currently working on manufacturing a COVID-19 vaccine with Chinese pharmaceutical group Livzon Mavpharm, Inc.

The vaccine carries a provisional name of VO-1 and will be a recombinant vaccine that introduces a fusion protein to patients. Antonio D. Ligsay, medical consultant and head of the clinical trials, said facilities in the Philippines have the capacity to produce pre-filled syringes.

The first two phases of the vaccine project have been completed in China. The third phase of clinical studies is currently being administered in the Philippines, Indonesia, and Russia. The study involves 21,500 test subjects, of which the Philippines provided 12,000. — **Luisa Maria Jacinta C. Jocson**