Indonesia, PHL recoveries to outperform ASEAN — Bloomberg Economics

THE disruptions imposed by the war in Ukraine and the lockdowns in China are expected to slow the economic recovery in Southeast Asia but not knock it off track, with Indonesia and the Philippines tagged as outperformers, a Singapore-based analyst with Bloomberg Economics said.

"We don't expect recovery to be derailed because we have simultaneous pandemic reopenings helping to cushion the blow. Prior to China (lockdowns), ASEAN growth averaged 5.1%, only slightly less than the 5.3% projection in November," Tamara Henderson of Bloomberg Economics said at a virtual webinar on Tuesday.

Ms. Henderson, who covers ASEAN for Bloomberg Economics, said Indonesia and the Philippines have more potential to post a strong recovery because they are "more domestic demand-driven."

She said an element of their outperformance is the lag in the two countries' economic reopening relative to the rest of the region.

Singapore and Thailand were identified as laggards because they "are seen as more vulnerable or are likely to register slower growth due to China's prolonged lockdowns," Ms. Henderson said.

She said Singapore has less reopening left to do and was more exposed to trade disruptions, while Thailand was reliant on Chinese tourism.

Ms. Henderson said that most countries were now adjusting to the pandemic.

"The good news is that the global weekly death toll is down, the lowest since March 2020 despite the emergence of new variants," she said.

Bloomberg Economics said the economic reopening and unleashing of pent-up demand will underpin growth in the region.

However, not every economy in Asia is reopening, Ms. Henderson said, noting that China had yet to abandon its zero-COVID strategy.

"Its transition to living with COVID could take another year or even longer," she said.

"As China reopens, we will see headwinds turn to tailwinds, but probably not a story for this year," she added.

In Europe, the ongoing war between Russia and Ukraine will continue to hamper the global economic recovery, Ms. Henderson said.

"This is not the first time Russia has moved in on its neighbors; however, the impact is different because of the degree of sanctions on Russia, not without cost for the global economy," she said.

The sanctions have been reflected in commodity price shocks, most notably in oil and grain.

"This is going to be more problematic for countries with a larger share of low-income households. It benefits commodity exporters; we have both of these in Oceania," she added.

Ms. Henderson said that policy moves by the Federal Reserve remain closely watched by the market.

"In the US, all eyes are on inflation. The Fed is working to get its credibility back, and it may have to force a recession to get inflation under control," she said.

Bloomberg Economics expects the Fed to press on with rate hikes until its funds rate goes to 3.5% by the end of 2022.

In Southeast Asia, she said that unless the central banks are moving more or less in step with the Fed, capital flows may become an issue.

"I don't see all ASEAN central banks moving dramatically as the Fed this year," she said. "However, the Philippines started its rate hike last week with inflation well above target."

Bloomberg Economics said it is expecting the Bangko Sentral ng Pilipinas to hike by 200 basis points between 2022 and 2024. — **Luisa Maria Jacinta C. Jocson**

GOCC losses exceed P703B as state insurers adopt PFRS

THE ADOPTION of Philippine Financial Reporting Standards (PFRS) has resulted in a net loss of P703.59 billion in 2021 for government-owned and -controlled corporations (GOCCs), up from P346.54 billion a year earlier, after the new accounting norms forced the recognition of major liabilities among government insurers, the Department of Finance (DoF) said.

In a statement on Tuesday, the DoF said the findings were contained in a Corporate Affairs Group (CAG) report on the 108 GOCCs' performance from an examination of unaudited financial statements.

"The results of operations of the government corporate sector dropped to a P703.59 billion net loss in 2021 from a P346.54 billion net loss in 2020 primarily because of the recognition of the Insurance Contract Liabilities (ICL) by GOCCs classified as government insurance institutions when the Philippine Financial Reporting Standards (PFRS) was adopted in reporting their financial statements," the DoF said.

"Before the PFRS adjustments, the results of operations of these corporations totaled a net income before tax of P324.63 billion in 2021 or a 19% increase from the P273.66-billion level in 2020. The results of operations in 2021, sans the PFRS adjustments in the social security institutions' reports, shows that the GOCCs are starting to bounce back to their 2019 net income before tax level of P342.89 billion."

In terms of assets, the DoF said the 31 most significant GOCCs are also signaling a recovery in the broader economy.

CAG found that the 31 major GOCCs had total assets of P10 trillion, against liabilities of P16.22 trillion, up 7% and 9% respectively.

The assets of the 31 GOCCs totaled P9.37 trillion. Taken as a group, the assets of all 108 GOCCs amounted to P10.3 trillion in 2020, the DoF said.

The 31 GOCCs are "considered fiscally significant either as major contributors to the revenue of the National Government (NG) or as recipients of direct and indirect support from the NG," Finance Assistant Secretary Soledad Emilia F. Cruz was quoted as saying.

The big GOCCs "are the major drivers of the financial and fiscal health of the government corporate sector. These assets (are equivalent to) about half of the country's gross domestic product (GDP)," CAG said.

Remittances from 15 of these 31 GOCCs totaled P30.8 billion, or over half of the P57.55 billion in total dividends generated in 2021.

The 31 GOCCs are the Philippine Deposit Insurance Corp., National Power Corporation, National Transmission Corp., Philippine National Oil Company, Philippine Economic Zone Authority, Bases Conversion and Development Authority, and Philippine Ports Authority;

The Power Sector Assets and Liabilities Management Corp., Philippine Amusement and Gaming Corp., Philippine Charity Sweepstakes Office, Manila International Airport Authority, Civil Aviation Authority of the Philippines, Land Bank of the Philippines, Development Bank of the Philippines, Social Security System (SSS), Government Service Insurance System (GSIS), and Philippine Health Insurance Corp. (PhilHealth);

The National Food Authority, National Development Co., Metropolitan Waterworks and Sewerage System, Local Water Utilities Administration, National Housing Authority, National Irrigation Administration, Philippine National Railways, Light Rail Transit Authority, National Electrification Administration, Philippine Guarantee Corp., Home Development Mutual Fund, Philippine Crop Insurance Corp., Social Housing Finance Corp., and National Home Mortgage Finance Corp.

Ms. Cruz said that various reforms, including the Rice Tariffication Law, the Social Security Act, and the Murang Kuryente Act, which took effect in 2021, helped increase the revenue of many GOCCs, which as a whole helped improve their operations.

"The movements in macroeconomic indicators, such as the currency exchange rate and interest rates, are significant variables and propellers of their operations."

"The overall performance of the sector for 2021 reflects the firm resolve of the government to promote transparency in the financial health of the government corporations through adherence to international reporting standards and best practices and related laws, rules, and regulations," the DoF said.

In December 2021, Finance Secretary Carlos G. Dominguez III directed PhilHealth, SSS, and GSIS to estimate their social benefit liabilities to reflect the PFRS 4 standard dating back to 2020 results.

"PFRS 4 is the current and interim accounting standard imposed on insurance entities in the Philippines," the DoF said.

The combined ICL of GSIS, SSS, and PhilHealth was estimated at P10.81 trillion in 2021, up 10% from the previous year. — **Tobias Jared Tomas**

Pre-pandemic economy seen restored by 2022 second half

THE ECONOMY will return to pre-pandemic levels by the second half, assuming no return to the stricter quarantine settings, a Palace adviser said.

Presidential Adviser for Entrepreneurship Jose Ma. A. Concepcion III said the 8.3% increase in gross domestic product in the first quarter can be taken as heralding a broader recovery.

"We are moving forward. Consumer spending is up despite inflation. This return to robust economic growth can be sustained if the incoming administration focuses its efforts on the country's micro, small, and medium enterprises (MSMEs)," Mr. Concepcion said in a statement on Tuesday.

Metro Manila is currently under Alert Level 1, the most permissive setting in the coronavirus disease 2019 (COVID-19) quarantine system, until May 31.

Mr. Concepcion said the growth trajectory is not expected to be hampered by a surge in COVID-19 infections.

"I'm not so worried at this point because we still have lots of vaccines; we just need to implement and boost more. Filipinos' high compliance with wearing face masks, probably contributed to maintaining low-risk levels," Mr. Concepcion said.

Mr. Concepcion said the wearing of masks will remain even with a decline in coronavirus case counts.

"I believe masking will have to stay for some time until the virus simmers down and disappears. It will be important for our exit strategy. With the elections concluded, local governments can return their focus on vaccinations, especially now that the challenge is convincing Filipinos to take their booster shots," Mr. Concepcion said.

"That's why we're intensifying our Booster to the Max campaign, and reminding people that the freedoms we enjoy today are because of vaccinations," he added.

Mr. Concepcion also pressed the Health Technology Assessment Council to adopt guidelines by the US Centers for Disease Control which recommends second boosters for those 50 years and older.

"We have so many vaccines in stock and they will just go to waste if we don't remove the barriers. Most of those in the 50 years and older category are our economic frontliners, and although infections may be muted for now, we have to protect them from infections and from the threat of long COVID," Mr. Concepcion said.

"Long COVID presents prolonged symptoms like headaches, shortness of breath and joint pains among patients who contracted the virus. Experts say that long COVID is a threat to productivity and may decrease quality of life for those who suffer from it," he added. — **Revin Mikhael D. Ochave**

MORE Electric franchise area expansion bill hurdles Senate on second reading

THE SENATE on Monday approved on second reading a bill expanding the franchise area of MORE Electric and Power Corp. in Iloilo.

House Bill 10306, which seeks to amend Republic Act 11212, will allow MORE to establish, operate and maintain an electric power distribution system in the cities of Iloilo and Passi, as well as the municipalities of Alimodian, Leganes, Leon, New Lucena, Pavia, San Miguel, Santa Barbara, Zarraga, Anilao, Banate, Barotac Nuevo, Dingle, Duenas, Dumangas, and San Enrique.

Senate President Pro-Tempore Ralph G. Recto oversaw the interpellation and amendment of the bill in place of Senator Mary Grace Natividad S. Poe-Llamanzares, the primary sponsor, who had to leave the session for personal reasons.

A new section was added authorizing the Energy Regulatory Commission (ERC) to determine whether market abuse or anti-competitive behavior by parties to any power sales agreement operative in the franchise areas. Parties to any power sales agreement are allowed to renegotiate their tariffs if such a finding is arrived at. — **Alyssa Nicole O. Tan**

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link
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US IPEF plan consistent with PHL priorities, DTI says

THE US initiative to re-engage economically in the region, known as the Indo-Pacific Economic Framework (IPEF), is consistent with the Philippines' desire to promote inclusive growth and quality job creation, the Department of Trade and Industry (DTI) said.

IPEF, widely viewed as a counter to the gains made by China in the region, was announced in Tokyo on Monday by US President Joe Biden.

Trade Secretary Ramon M. Lopez attended the virtual IPEF launch and delivered a message on behalf of President Rodrigo R. Duterte, who called IPEF aligned with Philippine economic and development priorities.

IPEF participants, apart from the US, are Australia, Brunei, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam.

"The broad themes of the IPEF are generally aligned with the Philippines' economic and development priorities; advancing resilience, sustainability, inclusiveness, and competitiveness are consistent with the Philippines' interests and development objectives," Mr. Lopez said.

"We affirm the importance of promoting emerging areas in trade, technology, and digital economy. The IPEF's pillars on supply chain resiliency, clean energy, decarbonization, and infrastructure are consistent with the joint vision statements for a 21st century US-Philippines partnership," he added.

Mr. Lopez said the Philippines is looking forward to the greater participation of other countries, particularly those belonging to the Association of Southeast Asian Nations (ASEAN).

ASEAN countries that have not signed up to IPEF are Myanmar, Cambodia, and Laos.

"We welcome the US' assurance of support for ASEAN member states in pursuing IPEF initiatives. Today›s launch is only the beginning of this conversation. Let us then continue to collaborate and work together towards our shared goals for the region," Mr. Lopez said.

University of Asia and the Pacific Senior Economist Cid L. Terosa said in an e-mail interview that Philippine participation in IPEF is critical.

"The pillars of the IPEF framework are crucial to the future economic growth and economic development of the country. In particular, supply chain resilience and trade are keys to greater productivity while clean energy and decarbonization as well as tax and anti-corruption are essential for long-run sustainable inclusive economic growth," Mr. Terosa said.

Mr. Terosa does not expect a rift to develop between the Philippines and major trading partner China as a result.

"The Philippines is still a (prospective) member of the Regional Comprehensive Economic Partnership (RCEP) which includes China. It is more important to clearly define the extent and limits of our participation in the IPEF and other trade frameworks to avoid squabbles with other countries," Mr. Terosa said.

RCEP involves Australia, China, Japan, South Korea, New Zealand and the 10 members of the ASEAN.

India was supposed to join RCEP but opted out, citing the negative effect of the trade deal on its farmers and workers.

Mr. Terosa added that the IPEF framework implies that the Philippines will benefit from stronger supply chain networks, a more targeted focus on the environmental implications of economic and business activities, and greater attention to current trade-related issues involving the digital economy, emerging technology, labor rules, transparency, and regulatory practices.

"IPEF's focus on custom-made economic integration is appealing since it recognizes the unique conditions and structural characteristics of participating economies. I believe that the Philippines would benefit more from this," Mr. Terosa said.

However, Mr. Terosa said that the Philippines should evaluate its preparedness to participate in the agreements to be drafted under IPEF.

"The country needs to build sufficient technical, technological, and institutional capabilities in order to maximize benefits from participation in the IPEF," Mr. Terosa said.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said that the participation in IPEF will expand economic cooperation between the Philippines and the US.

"IPEF would create more value-added since this would be moving in the direction of a possible FTA and other economic cooperation with the US, which is the world's largest economy, one of the country's biggest trading partners and sources of foreign investment," he added. — **Revin Mikhael D. Ochave**