# Sun Life unit sees further PHL recovery

THE PHILIPPINES is set to recover over the course of the year even in the face of rising inflation and global supply chain disruptions, with the economy boosted by election spending and the restoration of much business activity as movement restrictions ease, Sun Life Investment Management and Trust Corp. said.

"Fundamentally, the Philippines continues to be strong despite inflation and interest rate headwinds. We've been seeing mobility continue to be sustained in spite of certain COVID-19 scares," the company's President and Chief Investment Officer Michael Enriquez said in an update of the Sun Life Investment macroeconomic outlook.

The company projects gross domestic product growth of between 6.3% and 10% this year.

"I think the people are starting to become immune, not only from the virus, but (from the fear of) COVID-19, because they really want to get on with their lives and livelihood."

Increases in the COVID-19 case count have been small, he added, which suggests the reopening of the economy will proceed.

Growth is still expected because demand for key goods in the consumption-driven economy is inelastic, Mr. Enriquez said, meaning that buyers are less likely to be deterred by price increases.

"There has been some confidence already on expansion (and) borrowing by consumers, so definitely, spending is there," he added, "despite these global headwinds, domestically our economy is okay."

Mr. Enriquez said that there is also room for investment to grow, particularly on the Philippine Stock Exchange index (PSEi).

"The PSEi is cheap right now... so in terms of risk-reward, there's a higher upside potential at these levels for the PSEi... compared to downside risk."

Mr. Enriquez added that "markets generally move higher during Presidential election years."

The company sees the peso trading at P51-53 or P52-54 by the end of the year and expects the Bangko Sentral ng Pilipinas to tighten policy by up to 75 basis points by the end of 2022. — **Diego Gabriel C. Robles**

# Debt-to-GDP ratio projected to peak at 66.8% in 2023

THE debt-to-gross domestic product (GDP) ratio is expected to peak at a "manageable" 66.8% in 2023, but is unlikely to return to pre-pandemic levels in the near term, the Philippine Institute for Development Studies (PIDS) said in a report on Thursday.

At the end of the first quarter, the debt-to-GDP ratio was 63.5%, exceeding the 60% threshold that multilateral lenders consider suitable for developing economies.

The ratio was 39.6% in 2019, but grew significantly as the government was forced to borrow in order to finance its pandemic spending.

The projection for 2025 is 66.4%.

"The debt increase resulted from a widening fiscal deficit triggered by a steep collapse in government revenue and a rise in public spending to support the country's public health system and provide relief response to the pandemic," PIDS said in its report.

It called the debt surge less of a worry in the absence of interest rate shocks, excessive foreign debt, and a steady decline in tax effort.

"There is also a 'consensus view' in the government and private sectors that the fiscal deficit will trend downwards, and interest-growth differentials will remain negative as GDP growth normalizes to pre-pandemic levels by 2022," it said.

Fiscal adjustments for 10-, 20-, 30-year time horizons would entail either raising more revenue or reducing spending, PIDS said.

"For instance, in the 10-year time horizon computation or by 2031, additional annual increases in the primary balance need to range from 1.4 to 3.4% of GDP, assuming that the government has reduced the primary deficit to its pre-pandemic level of 0.81% of GDP."

To ensure debt sustainability, PIDS said that fiscal policy reforms should be maintained, while policy governing medium- to long-term fiscal consolidation should be carefully considered.

Additionally, the government should continue investing in infrastructure and human capital throughout the recovery from the pandemic. — **Diego Gabriel C. Robles**

# Gross national savings post 2nd year of decline

GROSS national savings fell for a second year in 2021 to P3.88 trillion at current prices, down 12.4% from a year earlier and well below the pre-pandemic 2019 level of P6.15 trillion, the Philippine Statistics Authority said on Thursday.

The difference between gross national disposable income and the combination of household and government final consumption yields gross national savings. The drawing down of savings reflects the widespread tapping of reserve funds during the pandemic.

Gross national savings were equivalent to 19.3% of gross national income (GNI) in 2021, against 23% and 28.7% in 2020 and 2019, respectively.

Real gross domestic product (GDP) and GNI grew 5.7% and 1.7% respectively in 2021.

At current prices, GDP and GNI increased by 8.1% and 4.1% respectively last year. Household spending rose 8.4% to P14.61 trillion, while government spending grew 10.3% to P3.02 trillion.

Gross national disposable income was P21.51 trillion, up 4.2% in 2021 but below the 2019 level of P22.88 trillion. The indicator was derived by subtracting GNI from the net difference between "current transfers" to and from the rest of the world.

Net disposable income per capita was estimated at P195,193 in 2021, against P189,809 in 2020 and P213,216 in 2019.

Nonfinancial corporations had gross savings of P3.54 trillion, followed by financial institutions at P1.46 trillion. Households, including nonprofit institutions serving households recorded negative savings of P622.23 billion, as did the general government at minus P490.62 billion.

"(T)he pandemic continued to weigh on the country's gross national savings," University of Asia and the Pacific Senior Economist Cid L. Terosa said by e-mail. "Also, gross national savings fell because events spawned by the pandemic crippled the capacity of households, individuals, firms, and even the government to earn more in order to meet growing consumption expenditures."

He added that both households and governments used up their savings on "greater consumption" and to "overcome the negative effects" of the pandemic.

Mr. Terosa said the Philippines is a long way from recovery with further pressure on savings expected as a result of the Russia-Ukraine war.

In a separate e-mail exchange, Security Bank Corp. Chief Economist Robert Dan J. Roces said that the depreciating peso would also add pressure on savers.

The peso depreciated to P55.06 against the dollar on June 29, the weakest close for the currency in nearly 17 years.

"The possibility of recession around the world has added to the gloomy outlook of gross national savings this year since recession will lead to the slowdown of economic and business activities and consequently, personal, business, and government income," he added. — **Bernadette Therese M. Gado**

# Tariff body backs safeguard action vs polyethylene product

THE Tariff Commission has recommended the imposition of safeguard measures against imports of high-density polyethylene (HDPE) pellets and granules for three years.

In a report dated June 27 and posted on its website, the commission found a "causal link between the imminent threat of serious injury to the local HDPE industry in the near future and increased imports of HDPE."

The commission recommended an ad valorem safeguard duty of 2% for HDPE imports.

HDPE resins are used in consumer and industrial packaging.

"The commission hereby recommends the application of the appropriate definitive general safeguard measure on imports of HDPE to prevent the imminent occurrence of serious injury to the Philippine HDPE industry. The commission further recommends that the definitive safeguard measure be applied for a period of three years," it said.

"This (2%) rate of duty will allow the domestic industry to adjust its selling price to a level that will allow full recovery of its cost of production," it added.

The commission said the investigation, carried out between 2015 and June 2021, found that HDPE import volume in 2021 rose to 61,410 metric tons (MT), up 52% from 2018 levels, and exceeding the average import level between 2015 and 2018 by 56%.

"The surge in imports of HDPE, which commenced in 2021, directly caused the deterioration in the overall position of the domestic HDPE industry in the final period of the six-and-a half-year investigation," the commission said.

It said it deems import levels in 2019 and 2020 to be "not normal" even when considering the planned shutdown of JG Summit Olefins Corp. for maintenance as well as the impact of the pandemic.

"In particular, increased volumes of HDPE imports by traders prevented the local HDPE industry from improving its performance and reaping the growth potential of an expanding Philippine market for HDPE," the commission said.

The report has been submitted to the Trade Secretary for a final decision on safeguard duties.

Under the implementing rules and regulations of Republic Act 8800 or the Safeguard Measures Act, the Trade Secretary has 15 calendar days from receipt of the report to decide on a Tariff Commission recommendation.

JG Summit Olefins, asked to comment on the commission's findings, said in a statement that it welcomes the recommendation for safeguard measures.

"We thank the Tariff Commission for their positive recommendation on the safeguard petition for HDPE. We greatly appreciate that government has recognized the urgency and the need to protect local manufacturing industries especially during this difficult economic period," Patrick Henry Go, president & CEO of JG Summit Olefins, was quoted as saying.

"This decision of the Commission is an encouraging step also for other local industries and for all who are looking to invest in the Philippines, where both government and private sector work together towards economic self-sufficiency," Mr. Go added. — **Revin Mikhael D. Ochave**

# PHL capital No. 12 globally in Airbnb listings

THE Philippine capital had the 12th most listed home-share dwellings in the world, Airbnb said, citing a study conducted by Inkifi, a photo printing company.

Citing Inkifi's Global Airbnb Capitals 2022 survey, the Philippine capital had 15,521 listings. It was not clear whether the survey was referring to "Metro Manila" because the entry for the Philippines was listed simply as "Manila."

Manila was ranked 13th the last time the survey was conducted in 2019, when it had 18,578 active rentals pre-pandemic.

The 2022 survey did not say how many destinations were studied. The 2019 survey examined 206 cities.

"The study differs slightly from our 2019 version as some cities were removed due to insufficient data being available, or due to ongoing conflicts. These cities were replaced by well-known and popular travel destinations," Inkifi said.

According to the 2022 survey, London had the most Airbnb active rentals at 34,135 listings, followed by Paris with 24,940, New York City 22,586, Istanbul 21,625, and Shanghai 20,732.

"Since 2019, the number of active Airbnb rentals has fallen across the board, with the total number of listings for the top 10 destinations falling from 303,535 to 209,682, which is equal to a 30.92% drop. This clearly shows that the holiday rental market is still very much feeling the effects of the pandemic, and may take some time yet to fully recover," Inkifi said.

John Paolo R. Rivera, associate director at the Asian Institute of Management — Dr. Andrew L. Tan Center for Tourism, said the survey results show that the Philippine capital has the capacity to "handle an influx of tourists."

However, Mr. Rivera noted that the fall in active rentals between surveys reflects subdued travel demand.

"The absolute value declined but relative capacity increased with respect to other areas. This can be due to (the) slow catching up of demand as occupancy is still limited. Not everyone has returned to Manila yet. Working from home is still prevalent," Mr. Rivera said.

"More rentals are expected as workers return to Manila and as tourism recovers," he added.

Pattaya, Thailand had the highest density of Airbnb listings at 79.25 active rentals per 1,000 residents in 2022, followed by Jeju, South Korea at 30.89, and Orlando, Florida at 29.21.

Inkifi found that Ankara had the cheapest average daily rate at the equivalent of 17.13 pounds sterling per night, followed by Bangalore at £19.26. and Kathmandu at £24.90.

Las Vegas was the most expensive Airbnb destination with a nightly rate equivalent to £186.33, followed by Miami at £184.74, and San Francisco at £183.14. — **Revin Mikhael D. Ochave**