# Sia's listed businesses post robust profit growth

FIRMS led by Edgar J. Sia II on Tuesday reported solid income growth for 2022 to cap another profitable year for the businessman who plans to further expand his homegrown hotel business overseas.

In separate stock market disclosures, DoubleDragon Corp. and DDMP REIT, Inc. reported a surge in net income past P12 billion, while MerryMart Consumer Corp. posted a bottom line nine times higher than the level in the previous year.

DoubleDragon posted a 14.5% increase in consolidated net income for 2022 to P12.92 billion from the P11.28 billion reported a year prior. The company reported consolidated revenues of P14.13 billion, an 11.3% decline from the P15.93 billion recorded previously.

"DoubleDragon has for several years put together its four pillars of growth," DoubleDragon Chairman Edgar J. Sia II said, referring to office leasing, provincial retail leasing, industrial leasing, and hospitality.

"[T]he first three pillars will continue to grow in the Philippines," he said.

The company seeks to build about 500,000 Hotel 101 rooms in its portfolio by 2040 through its subsidiary Hotel101 Global Pte Ltd.

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"Our homegrown hospitality business Hotel101 is truly a gem [for the group] as its pioneering concept and business model is exportable to the rest of the world," Mr. Sia added.

In a separate filing, MerryMart reported a net income of P321.78 million, significantly higher than the P34 million seen the prior year. Its revenues grew by 71% to P6.72 billion from the P3.93 billion recorded previously.

"We are pleased to announce that MerryMart has exceeded its original revenue target of P5 billion for 2022 by ending last year with actual revenue of P6.72 billion," its chairman, Mr. Sia, said in a separate statement.

Merrymart aims to reach P12 billion in revenue "as soon as possible," he said, as he expects "higher velocity" revenue growth going towards its P120-billion revenue target by 2030.

The company plans to open 1,200 branches nationwide and aims to generate about P120 billion in system-wide sales by 2030.

Meanwhile, DoubleDragon's real estate investment trust (REIT), DDMP REIT, Inc. recorded a net income of P12.1 billion, a 68.8% increase from the P7.17 billion recorded in the previous year. Revenues decreased by 38.7% to P4.72 billion from the P7.70 billion seen a year prior. While rental income stood at P2.18 billion.

The company's costs increased by 4.32% to P531.32 million from P509.32 million.

On Tuesday, DoubleDragon shares fell 1.2% or 8 centavos to P6.60 apiece while MerryMart shares declined 0.86% or a centavo to P1.17 each. DDMP shares closed unchanged at P1.34 apiece. — **Adrian H. Halili**

### Yellow alert,

*from S1/1*

NGCP has said that any unplanned shutdowns outside GOMP may have an impact on the supply-demand situation.

Ms. Guevara also ruled out the possibility of power outages but only "if all the generators follow the GOMP, we do not expect red alerts in Luzon, Visayas and Mindanao."

Mr. Manansala said that the government must also ensure ancillary services (AS) or power reserves are sufficient to ensure that a red alert will not happen.

To recall, the NGCP has warned of possible power interruptions this summer after the ERC denied its request to extend its monthly AS agreements.

The regulator is expected to act on NGCP's request for a monthly AS agreement extension before end-April.

"We need the cooperation of consumers in ensuring the continuous supply of electricity in Luzon, which includes implementing energy-saving measures in the workplace, shifting energy-intensive activities to non-peak hours, and upgrading to more efficient technologies in homes, commercial and industrial establishments to help balance the power supply in the grid and reduce the risk of power outages," Mr. Manansala said.

Mr. Manansala said the country's energy security will also rely on the recommissioning of San Miguel Global Power Holdings Corp.'s Ilijan natural gas plant.

The 1,200-megawatt Ilijan plant is due to start using imported gas. San Miguel Global Power expects its liquefied natural gas (LNG) shipment, which will be used for Ilijan, to arrive this month. — **Ashley Erika O. Jose**

REUTERS

US TRADE REPRESENTATIVE KATHERINE TAI

### Trade deal,

*from S1/1*

"I really want to emphasize the focus of the IPEF. This is the Biden administration's most advanced trade initiative in the Indo-Pacific. It represents the thinking and the most current type of engagement that we are bringing to our trading partners," Ms. Tai said.

Launched in May last year, the US-led IPEF pushes for resilience, sustainability, inclusiveness, economic growth, fairness, and competitiveness among the 14 participating nations such as the US, Australia, Brunei, Fiji, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam.

"Obviously, the IPEF is one of our highest priorities right now and it is really important to us that the Philippines is at the table and participating," Ms. Tai said.

Meanwhile, Ms. Tai said the renewal of the Philippines' participation in the US Generalized System of Preferences (GSP) trading scheme is now up to the US Congress, adding there is no expected timeline for its approval.

The Philippines has also been pushing for the reauthorization of its GSP eligibility after it expired in 2020.

"The GSP program is for most of our developing country partners, and the Philippines being one of them. When you say the US government support, I just want to make clear that it is the US Congress that reauthorizes the GSP. I have expressed my support for the Congress to reauthorize, but that action must be taken by the US Congress," Ms. Tai said. — **Revin Mikhael D. Ochave**

### Debt servicing,

*from S1/1*

"Gross financing needs have correspondingly increased. The sum of budget deficits and funds required to roll over debt maturing in 2023 have risen. Interest rate increases would further add to existing debt burdens, while depreciation against creditor currencies such as the US dollar would increase the cost burden for economies with large external obligations," the ASEAN+3 Macroeconomic Research Office (AMRO) said in its latest Regional Economic Outlook 2023 report.

AMRO said the ASEAN+3 (Association of Southeast Asian Nations plus China, Japan and Korea) economies should assess fiscal sustainability risks to address vulnerabilities.

"Large fiscal deficits and high government debt may raise concerns about fiscal sustainability. Sizeable financing needs may cause financing stress, especially when market conditions are not favorable. Suboptimal debt structure (e.g., a high share of external debt and short-term debt) would increase vulnerability to rollover, exchange rate, and interest rate risks," it said.

Using a short-term fiscal sustainability indicator, AMRO found that fiscal stress rose in more than half of ASEAN+3 economies since the onset of the pandemic.

"This does not necessarily mean that a fiscal stress event is imminent, only that close monitoring and careful macro-fiscal management are required to reduce the risk of one in 2023," it added.

#### 'MANAGEABLE LEVEL'

Meanwhile, analysts said that the government should continue to work towards keeping a manageable level of debt.

Terry L. Ridon, a public investment analyst and convenor of think tank InfraWatch PH, said the government must keep its debt-to-GDP ratio under 60% to "assure sustained government operations, services and projects."

The government aims to trim the debt-to-GDP ratio to less than 60% by 2025, and to 51.5% by 2028.

"The government should continue reviewing indicative development projects and determine which should be prioritized or deferred to a future time. While long-term considerations are important, short-term and medium-term political risks can imperil debt management if economies are allowed to incur debt beyond internationally accepted limits," Mr. Ridon said in an e-mail.

ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said it is important to improve the debt-to-GDP ratio in order to prevent a possible credit rating downgrade.

"We've noted the relatively high debt-to-GDP ratio for some time now and although we've managed to escape potential ratings action, we also believe that for as long as we stay above the threshold, we remain susceptible to potential downgrades in the future," he said in a Viber message.

Fitch Ratings last October maintained the Philippines' long-term foreign currency issuer default rating at "BBB," but with a "negative" outlook. A negative outlook means Fitch may downgrade the Philippines' credit rating in the next 12 to 18 months.

The credit rater at that time flagged the country's high debt levels, which were broadly in line with the ratings, but were higher than "BBB" peers due to weak revenues.

According to Fitch, risks that could lead to a credit rating downgrade include reduced confidence in returning to strong medium-term growth and the failure to cut the debt-to-GDP ratio.

As government spending is likely to be soft this year, the private sector may need to drive economic growth. The government is targeting 6-7% GDP growth this year.

"It looks like the strategy is to rely on solid private sector efforts to power growth and at the same time lower the debt-to-GDP ratio by way of a larger denominator," Mr. Mapa said.

Excessive debt levels can result in economic problems such as high interest payments, and reduced access to credit markets, Mr. Lanzona said.

"However, the times call for an aggressive government that can meet the challenges of the future and provide the poor with a better opportunity to prosper. Addressing these issues may call for a larger public debt which can only be sustainable with better financial management and stronger institutions," he said.

On the other hand, the Economic and Social Commission for Asia and the Pacific (ESCAP) in a recent report showed that high debt levels are not necessarily harmful to economic growth, and can even be used as a tool for development.

"On the other hand, development deficits and climate risks, if left unaddressed, will have serious implications for growth and the sustainability of public finance," ESCAP said in its Economic and Social Survey of Asia and the Pacific 2023 report.

ESCAP said there was no consensus on the "optimal level of public debt."

It cited one study that showed there was a "significant and positive impact of public debt" on GDP growth in six ASEAN countries from 1995-2015, specifically in Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

ESCAP also noted that "sizable revenue potentials can be realized through the broadening of the tax base and overall improvements in tax administration."