

Will the automotive industry rev up again?

I press on the gas pedal and press even more. The car responds and moves faster, surrendering to my rhythm. It feels good. In an instant, I slip into a thin membrane in this chaotic universe. It's cathartic, it's liberating, it's wild.

Driving on EDSA nowadays is a motorist's dream — no monstrous traffic jam, no people, not a lot of cars. The usually dreaded highway is everything we wish it were. From the usual five kilometers per hour or 20 max during our pre-coronavirus disease 2019 or COVID-19 life, one can now drive faster until all that's left is a body moving through time and space. On some nights, it seems the highway is all mine. And then, of course, the checkpoints appear and I am jolted out of my imaginings.

Soon enough, I realize that after the lockdown, Metro Manila's roads will be filled again as motorists and commuters alike embrace the new normal and return to work.

But will it really be back to normal? The whole COVID-19 situation also puts a spotlight on a major industry in the country that will be significantly affected by the pandemic — the automotive industry.

So, while I bask in the stark improvement of traffic in Metro Manila these days, I am also aware of the harsh reality that the country's automotive industry could bog down and it might take time before it can recover.

People will not be buying cars after this pandemic, at least not yet. Those unfortunate enough to lose their jobs will have to sell their existing cars to use the cash. Banks will reassess their risk appetite and, perhaps, the era of easily approved car loans is over for now. Car dealers will be tightening their belts, too.

This is what will be happening globally, and not just in the Philippines. Now who cares about the car industry? This might seem like a first world problem, but actually it's not.

The industry after all employs tens of thousands of jobs. According to government data, the industry has directly employed 8,000 workers in automotive manufacturing, whereas approximately 68,000 jobs have been generated in auto parts manufacturing. An estimated 340,000 are employed in auto-supporting industries. The figures, based on 2013 businesses, are outdated and I am sure could go significantly higher.

Rep. Stella Quimbo of the second district of Marikina says the motor vehicle industry employs 61,000 workers. Of the total number, 40,000 are salaried and about 19,000 are daily wage earners, she says.

"During the lockdown, the industry was not allowed to operate but continued to shoulder salaries amounting to about P27 million per day," she says, citing the Labor Force Survey.

Thus, she says, the industry is expected to face liquidity issues. Last February, car sales reached 29,790 units, up 13.2 percent from 26,327 units in the same month last year, according to industry data.

This is not going to continue, at least not in the coming months. In fact, industry players estimate a 20 percent drop in sales for 2020. It could be more.

What can the industry do then? I asked my sources and they're seeing some major changes.

Perhaps some players will share showrooms to cut costs, some dealers may focus on services just to keep the cash flowing in.

Car companies could also focus on the second hand business, at least for now. This might be a win-win solution wherein consumers who really need cars, but can't afford to buy brand new ones, can buy the cars they need, and for the sellers, it will ensure the continuity of their businesses. For motorists like me, it may also keep traffic in Metro Manila more bearable.

Government response

The government is not expected to use taxpayers money to bail out the automotive industry, given the long list of other badly hit sectors such as the MSMEs.

We can't afford the cash for clunkers bailout implemented by the US in 2009 as a post-recession stimulus program wherein it extended a \$3 billion cash rebate to buyers of new cars.

But Rep. Quimbo says automotive firms can qualify as "critically impacted" and eligible for assistance such as wage subsidies and interest free loans under the consolidated fiscal stimulus bill she and Albay Rep. Joey Salceda have filed.

"These would have labor conditionalities...e.g. assisted firms are required to retain a certain percentage of their workers.... Assistance will be needed to ensure their supply chain is not disrupted," she says.

There's no telling yet how the industry will respond, but I'm sure of one thing, it will not be easy for the automotive sector.

Turn to B6

Gov't.. From B1

According to the DBCC, BSP also recommended to cut the 2020 growth assumptions for goods exports and imports to negative four percent and negative 5.5 percent, respectively, in anticipation of the global economy's sharp contraction as a result of the pandemic.

The growth in exports is expected to recover to five percent in 2021 to 2022, while growth in imports is projected to bounce back to eight percent.

Meanwhile, the DBCC also maintained the foreign exchange assumption for 2020 to 2022 at P50 to P54 against the US dollar.

Budget.. From B1

With a below-nine-percent budget deficit, the Philippines debt level is expected to expand to around 50 percent of GDP, which is still lower than the most recent peak of 71.6 percent in 2004, the committee said.

The DBCC, composed of the Department of Budget and Management (DBM), Department of Finance (DOF), Bangko Sentral ng Pilipinas (BSP) and the

National Economic and Development Authority (NEDA) held a meeting on Tuesday to adjust the country's macroeconomic indicators and fiscal program amid the COVID-19 crisis.

The inter-agency body also adopted a revised 2020 cash budget program at P4.18 trillion or 19.6 percent of GDP, which is nearly the same level as the P4.1 trillion budget this year.

EYES WIDE OPEN



IRIS GONZALES

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FATF...

From B1

Manulife

Dual Pricing Investment Funds of Variable Life Insurance Contracts

Fund	Unit Bid Price	
	Current Week, May 12, 2020	Previous Week, May 5, 2020
Peso Bond Fund	2.933	2.923
Peso Stable Fund	2.785	2.771
Peso Equity Fund	1.810	1.786
Peso Balanced Fund	0.955	0.947
Peso Target Income Fund	0.825	0.822
U.S. Dollar Bond Fund	2.419	2.414

Fund	Unit Offer Price	
	Current Week, May 12, 2020	Previous Week, May 5, 2020
Peso Bond Fund	2.978	2.968
Peso Stable Fund	2.827	2.813
Peso Equity Fund	1.838	1.813
Peso Balanced Fund	0.970	0.961
Peso Target Income Fund	0.838	0.835
U.S. Dollar Bond Fund	2.456	2.451

These investment funds are specific to variable life insurance contracts and are not considered mutual funds. Life insurance products are regulated by the Insurance Commission.

Manulife

Single Pricing Investment Funds of Variable Life Insurance Contracts

Fund	Unit Price	
	Current Week, May 12, 2020	Previous Week, May 5, 2020
Peso Secure Fund	1.732	1.726
Peso Diversified Value Fund	1.848	1.841
Peso Growth Fund	2.437	2.406
Peso Dynamic Allocation Fund	0.938	0.930
Peso Target Distribution Fund	0.813	0.810
Peso Cash Fund	1.017	1.017
Peso Wealth Optimizer 2026 Fund	0.862	0.854
Peso Wealth Optimizer 2031 Fund	0.781	0.782
Peso Wealth Optimizer 2036 Fund	0.764	0.756
Powerhouse Fund	0.744	0.731
Empower Fund	0.735	0.727
USD Secure Fund	1.702	1.698
USD Asia Pacific Bond Fund	1.085	1.080
USD Global Target Income Fund	0.779	0.769
USD ASEAN Growth Fund	1.063	1.034
USD Asia Pacific Property Income Fund	0.863	0.844
PHP Asia Pacific Property Income Fund	0.816	0.802

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Manulife China Bank

Dual Pricing Investment Funds of Variable Life Insurance Contracts

Fund	Unit Bid Price	
	Current Week, May 12, 2020	Previous Week, May 5, 2020
Peso Bond Fund	2.039	2.032
Peso Stable Fund	1.855	1.845
Peso Equity Fund	1.637	1.615
Peso Balanced Fund	0.945	0.938
Peso Target Income Fund	0.818	0.815
U.S. Dollar Bond Fund	1.757	1.754

Fund	Unit Offer Price	
	Current Week, May 12, 2020	Previous Week, May 5, 2020
Peso Bond Fund	2.070	2.063
Peso Stable Fund	1.883	1.873
Peso Equity Fund	1.662	1.640
Peso Balanced Fund	0.959	0.952
Peso Target Income Fund	0.830	0.827
U.S. Dollar Bond Fund	1.784	1.781

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Manulife China Bank

Single Pricing Investment Funds of Variable Life Insurance Contracts

Fund	Unit Price	
	Current Week, May 12, 2020	Previous Week, May 5, 2020
Peso Secure Fund	1.732	1.726
Peso Diversified Value Fund	1.820	1.811
Peso Growth Fund	2.377	2.345
Peso Dynamic Allocation Fund	0.934	0.928
Peso Target Distribution Fund	0.807	0.804
Peso Cash Fund	1.001	1.001
Peso Wealth Optimizer 2026 Fund	0.813	0.805
Peso Wealth Optimizer 2031 Fund	0.743	0.735
Peso Wealth Optimizer 2036 Fund	0.713	0.704
Powerhouse Fund	0.745	0.731
USD Secure Fund	1.685	1.682
USD Asia Pacific Bond Fund	1.083	1.073
USD Global Target Income Fund	0.786	0.775
USD ASEAN Growth Fund	1.047	1.028
Chenabank Dollar Fixed Income VUL Fund	1.107	1.105
USD Asia First Fund	1.059	1.017
USD Asia Pacific Property Income Fund	0.860	0.846
PHP Asia Pacific Property Income Fund	0.826	0.812

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The country was subsequently removed from the blacklist in February 2005. It narrowly avoided being placed on blacklist in 2012 as it criminalized terrorist financing and pursued quicker freezing of suspect accounts. The new law also tightened scrutiny of transactions in casinos, jewelry traders, among others.

To avoid being included in the grey list anew, legislators were supposed to pass and implement the proposed amendments to the AMLA and RA 9372 or the Human Security Act (HSA) of 2007 before June.

"We are hopeful that the pending bills amending the AMLA and the HSA will be passed into law within a timeframe that would also allow its implementation within the observation period," Racela said. — Lawrence Agoaoli