Extended Covid-19 lockdown likely to dampen Philippine growth

Wednesday 7 April 2021, by CORTEZ Gillian M., LAFORGA Beatrice M. (Date first published: 5 April 2021).

The extension of the strict lockdown in Metro Manila and nearby provinces will likely drag on Philippine economic growth and drive investors away, several economists said on Sunday.

Extending the enhanced community quarantine (ECQ) in the country's main economic hub, as well as Bulacan, Cavite, Laguna and Rizal, could shave at least one percentage point off gross domestic product (GDP) this year and further slow economic recovery, Michael L. Ricafort, chief economist at Rizal Commercial Banking Corp. said in a note on Sunday.

This could also lead to further downward revisions in growth forecasts as prolonged restrictions will continue to weigh on household spending and investments, Security Bank Corp. Chief Economist Robert Dan J. Roces said on Sunday.

Metro Manila, Bulacan, Cavite, Laguna and Rizal will remain under ECQ until April 11, the Palace said on Saturday. Restrictions have been tightened after coronavirus disease 2019 (COVID-19) cases continued to spike. On Sunday, the Health department reported 11,028 new COVID-19 infections, bringing the number of current active cases to 135,526.

"The ECQs should work and offset the near-term economic effects once testing, tracing and treatment is scaled up as should be the intent of the current lockdowns. Absent of these factors, then a protracted and probable further lockdowns will only be detrimental in the longer run to the economy," Mr. Roces added.

Prolonging the lockdown was "inevitable" to curb the spread of the virus after the government failed to flatten the infection curve, according to Ateneo School of Government Dean Ronald U. Mendoza.

Mr. Mendoza said the move could cause businesses and investors to be more risk averse if the government relies on lockdowns to curb the spike in infections.

"We are once again using the blunt instrument of a lockdown instead of building a sophisticated and evidence-based test-trace-treat system, that, once in place, will allow us to open the economy and restore consumer confidence again," he added.

National Economic and Development Authority (NEDA) Undersecretary Rosemarie G. Edillon earlier said the agency has reviewed the impact of the extended lockdown on the economy but did not provide details.

The government expects the economy to grow by 6.5-7.5% this year, after the record 9.5% slump in 2020.

The Development Budget Coordination Committee (DBCC) will have to meet again to review its current macroeconomic forecasts, Budget Secretary Wendel E. Avisado said late last week. However, there is still no final date set for the DBCC meeting.

"In a situation where we are experiencing systems failure — overwhelmed critical care facilities, disorganized contact tracing and the like — we cannot avoid using the lockdown instrument," said Filomeno S. Sta. Ana III, co-founder and coordinator of the group Action for Economic Reforms (AER) on Sunday.

While on lockdown, the government, however, has to ramp up effective testing and tracing, maintain efficient referral and data systems, and raise enough funds to support relief and medical interventions, Mr. Sta. Ana added.

The Finance department in an economic bulletin over the weekend said the government will remain conservative in its fiscal response, since its "prudent debt policy" implemented over the years helped the Philippines strengthen buffers against the impact of the coronavirus pandemic.

"This is one of the reasons for the strong confidence of investors in the Philippine economy. Nevertheless, we must continue to prudently manage our fiscal situation and continue to observe fiscal responsibility," the Department of Finance said.

Mr. Ricafort said the passage of the law that slashed corporate income tax and streamline incentives will partially offset the adverse impact of a prolonged lockdown, since the stimulus is equivalent to up to 1% of gross domestic product per year.

'Billions' in losses

Employers Confederation of the Philippines (ECoP) President Sergio R. Ortiz-Luis, Jr. said the extended ECQ will cost the economy "billions" in losses, unlike the first week which fell during Holy Week.

"*Itong* another extension of one week…*Bilyon-bilyon ang* cost *sa* economy *ito at sa gobyerno* especially (Another extension of one week…this will cost billions to the economy and especially to the government)," he said in a radio interview on DZBB, Sunday.

Mr. Ortiz-Luis said the government's "lack of foresight" and inconsistent policies have contributed to the losses.

He said more businesses will likely close down, as the coronavirus outbreak worsens.

Federation of Free Workers Vice-President Julius H. Cainglet said the one-week ECQ extension will affect workers who will be deprived of daily wages and are not assured of any assistance from the government.

"Under strict ECQ, those reporting for work would also have to pay more for transportation. Not to mention the threat and danger of contracting the virus as the COVID-19 infection rate continues to increase by the day," he told *BusinessWorld*.

Partido Manggagawa Chairperson Renato B. Magtubo also told *BusinessWorld* on Sunday that ECQ without any appropriate aid for affected workers will "do more harm than good."

"ECQ or any other form of lockdowns alone would not be sustainable to address the rising cases of COVID-19 as experienced in the NCR and nearby provinces without addressing the need for vaccination, massive testing, isolation and treatment for those found positive as well as providing aid to workers and companies affected by the lockdown," he said.

Associated Labor Unions — Trade Union Congress of the Philippines (ALU-TUCP) Spokesperson Alan A. Tanjusay said the government needs to give out additional cash assistance, since the P1,000 provided by the local government units is not enough to survive another week of ECQ.

"We appeal to the government to instead fix the cash assistance at P4,000 per household regardless of how many people in a household, instead of P1,000 per person and maximum of P4,000 per household," he told *BusinessWorld* on Sunday.

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