



The Global Economic Crisis and the Philippine Economy

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Impact on the economy

	2007	2008		2009	
	Actual	Old*	New**	Old*	New**
Dubai oil, \$/bbl	68.5	115-125	95-105	115-125	75-90
Inflation (%)	2.8	9-11	9-11	6.0-8.0	6.0-8.0
Forex (P/\$)	46.2	42-45	42-45	42-45	45-48
GIR, \$Mn	33,751	35,696***		na	na
CAB, \$Mn	6,301	1,707***		na	na
Remittances**** (%, g.r.)	13.2	na	10-11	na	10
Goods Exports (% gr)	6.4	5	2-4	7	1-3
Goods Imports (% gr)	8.4	10	10-12	10	4-6

*** For GIR, latest actual as of October 2008; For CAB latest actual for January to June 2008.

Source: DBCC; *August 08 Emerging Estimates; **DBCC approval on 11Nov08

Impact on the economy

	2007	2008		2009	
	Actual	Old*	New**	Old*	New**
Real GNP	8.0	5.9-6.7	4.7-5.4	6.9-7.8	4.3-5.2
Real GDP	7.2	5.5-6.4	4.1-4.8	6.1-7.1	3.7-4.7
Nominal GNP, (PhP, Bn)	7249	8400- 8470	8322- 8375	9563- 9737	9302- 9453
Nominal GDP, (Php, Bn)	6648	7682- 7742	7593- 7635	8692- 8833	8405- 8524

Source: DBCC; *August Emerging Estimates; **DBCC emerging estimates approved on 11Nov08



Vulnerable sectors

OFWs vulnerable to displacement:

- OFWs who work in the US under temporary working visas (129,000);
- Seafarers in the cruise ships (130,000);
- Factory workers in South Korea, Taiwan and Macau (268,000);
- Household service workers in Singapore, Macau and Hong Kong (48,000)

Commodity exports vulnerable jobs:

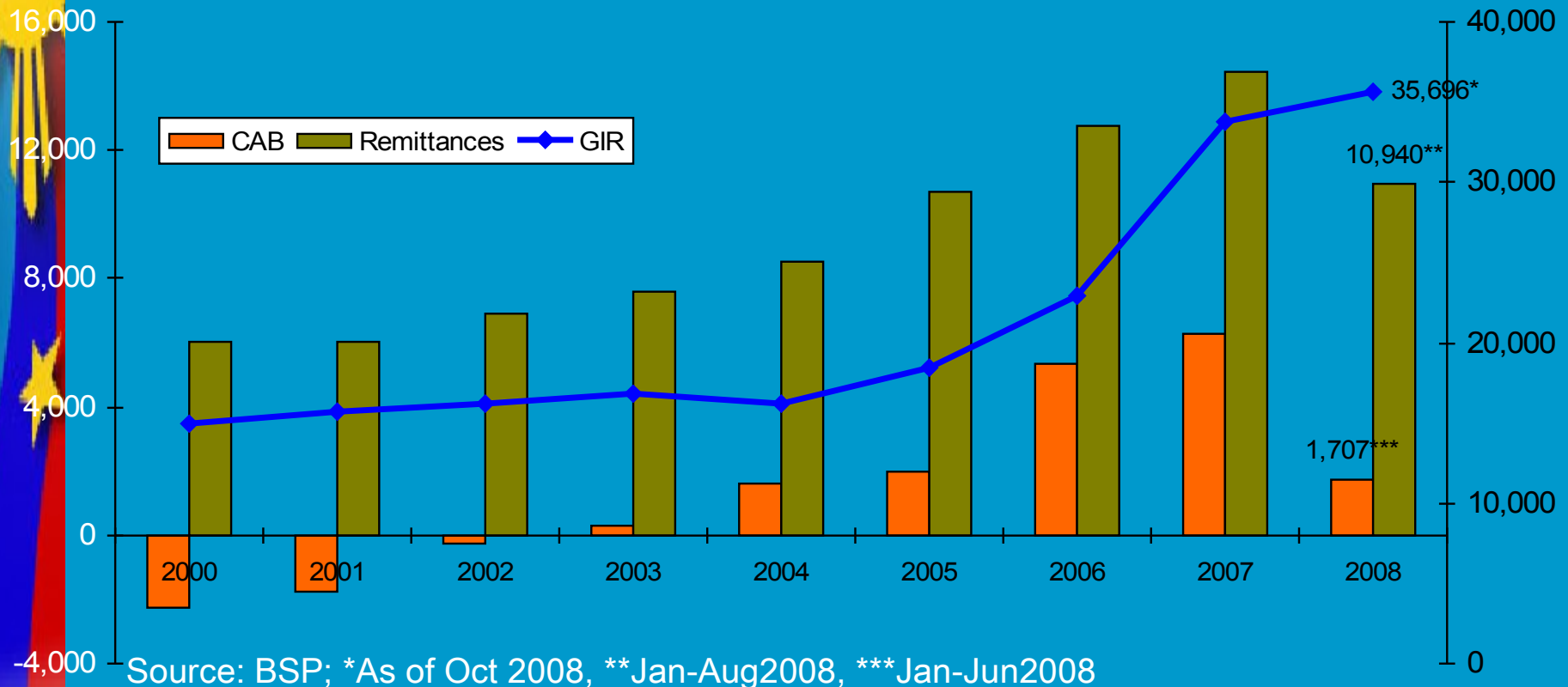
- Garments (121,000);
- Electronics (111,000);
- Wiring and harness (2,000);
- Coconut oil (2,000)



Shock absorbers

- Oil prices trending down: from \$ 140/ barrel to \$ 36
- Inflation is easing: from 9% in 2008 to 6% in 2009
- Share of US to total Philippine exports falling: from 34.2% in 1998 to 20.1% in 2001 to 16.0% in Jan-Aug 2008
- Ample supply of Gross International Reserves, at \$ 37 B
- OFW inflows up 15%, or over 10% growth target
- Corporate income tax rate to fall from 35% in 2008 to 30% in 2009
- Minimum wage earners exempt from income tax

GIR, Current account balance, Remittances (\$Mn)





Strong banking sector


- Banks with exposure to Lehman Brothers and Merrill Lynch: Banco de Oro Unibank, DBP, Metrobank, RCBC, Standard Chartered, Bank of Commerce, UCPB, Security Bank
- Banks' exposure to Lehman Brothers: \$ 386 million, or only 0.3% of total banking assets
- Capital adequacy ratio (banks' capital in relation to their risks) is 15.49% as of end-March 2008.
- Non-performing loans (NPL) ratio, once 18% in 2001, down to just 3.88% in August 2008.
- Bank lending continued to expand in October, up 24.8%



Quote from Agost Bernard,
Associate Director at Standard and Poor's

“Yes, the Philippines is 'lucky' because they have made the necessary adjustments and reforms when times were still good. So they are facing the global market problems and economic slowdown from a considerably improved position, compared to what they were in 3-4 years ago...

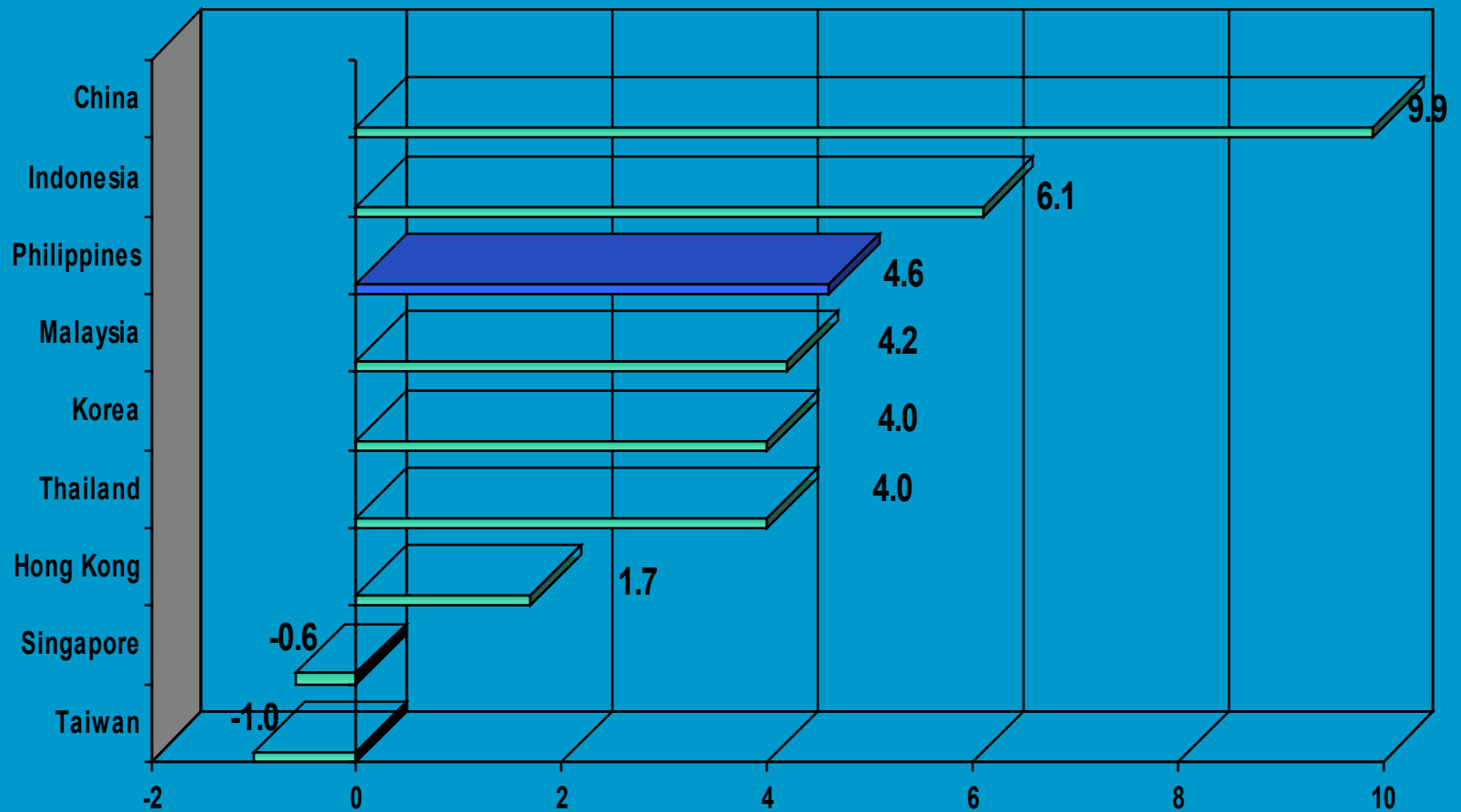
“The Philippines is an 'island of calm' currently, while there is turmoil in the higher rated and previously stable countries...”



“The Philippines is inherently strong, a potential beneficiary of these financial woes,” Bank of New York Mellon’s chairman for Asia Pacific, Christopher Sturdy, said in an interview with the Philippine Daily Inquirer on Thursday.

“The Philippines is in a relatively strong position to weather the global downturn with the economy driven by private consumption and services, which are less vulnerable to external shocks,” JP Morgan said in a report titled “ASEAN Year Ahead 2009: Philippines Well-Positioned to Withstand the Downturn.”

Performance of Asian Countries, Q3



Source: Country Statistical Websites



Economic Resiliency Plan: Objectives

1. To ensure sustainable growth, attaining the higher end of the growth targets.
2. To save and create as many jobs as possible.
3. To protect the most vulnerable sectors: the poorest of the poor, returning OFWs, and workers in export industries.
4. To ensure low and stable prices to support consumer spending.
5. To enhance competitiveness in preparation for the global rebound.



1. Fueling growth

AGRICULTURE: Support AFMA programs for pro-poor growth;

FISCAL: Improve revenue collection through better tax administration, passage of key legislation, rationalization of fiscal incentives, indexation of excise tax on sin products;

OUTSOURCING: Intensify marketing Philippine BPOs as the cost-cutting solution for US firms

HOUSING: accelerated direct and indirect provision;



1. Fueling growth

EXPORTS: Encourage exporting firms to diversify, innovate, and technologically upgrade their products;

SMEs: accelerated lending in Sulong Program;

INVESTMENT: Expand trade, investment, and tourism with China and attract investments from Middle East;

CAPEX. Encourage private sector to double their CAPEX in utilities e.g. water, sewerage, power

INFRASTRUCTURE: big push for public construction



2. Saving and creating jobs: Big push for infrastructure

Not business as usual (agencies to hit the ground running NOW) . Award contracts Q1 2009. Take advantage of window of opportunity (i.e., declining inflation and good weather)

Realign budget from projects that may be difficult to implement (i.e., right of way issues, no detailed engineering plans) to fast projects

Downscale/defer implementation of new projects without ICC/NEDA Board approval and/or difficult to implement immediately



Infrastructure Push

Full and quick spending

Scale up quick-disbursing high impact projects (i.e., labor intensive, high local value added) such as *Construction, Repair, or Rehabilitation of Irrigation Systems (DA)*, *other local infra like roads, asphalt overlay, etc.*, *Accessibility facilities for the Disabled (DPWH)*,

Work with LGUs on infrastructure projects

Closely monitor project implementation



Infrastructure Push

**Spend 60-80% of the productive portion of the
Implementing Agencies' budget in the S1 of 2009**

Commitment to obligate by the 1st half, at least 60% of total
spending program for 2009

DPWH – P 60 B (S1)

DA – P 16 B (Q1)

DOTC – P 13 B (S1)

DepEd – P 2.8 B (Q1)

DBM to release SARO by Feb. 2009 at the latest

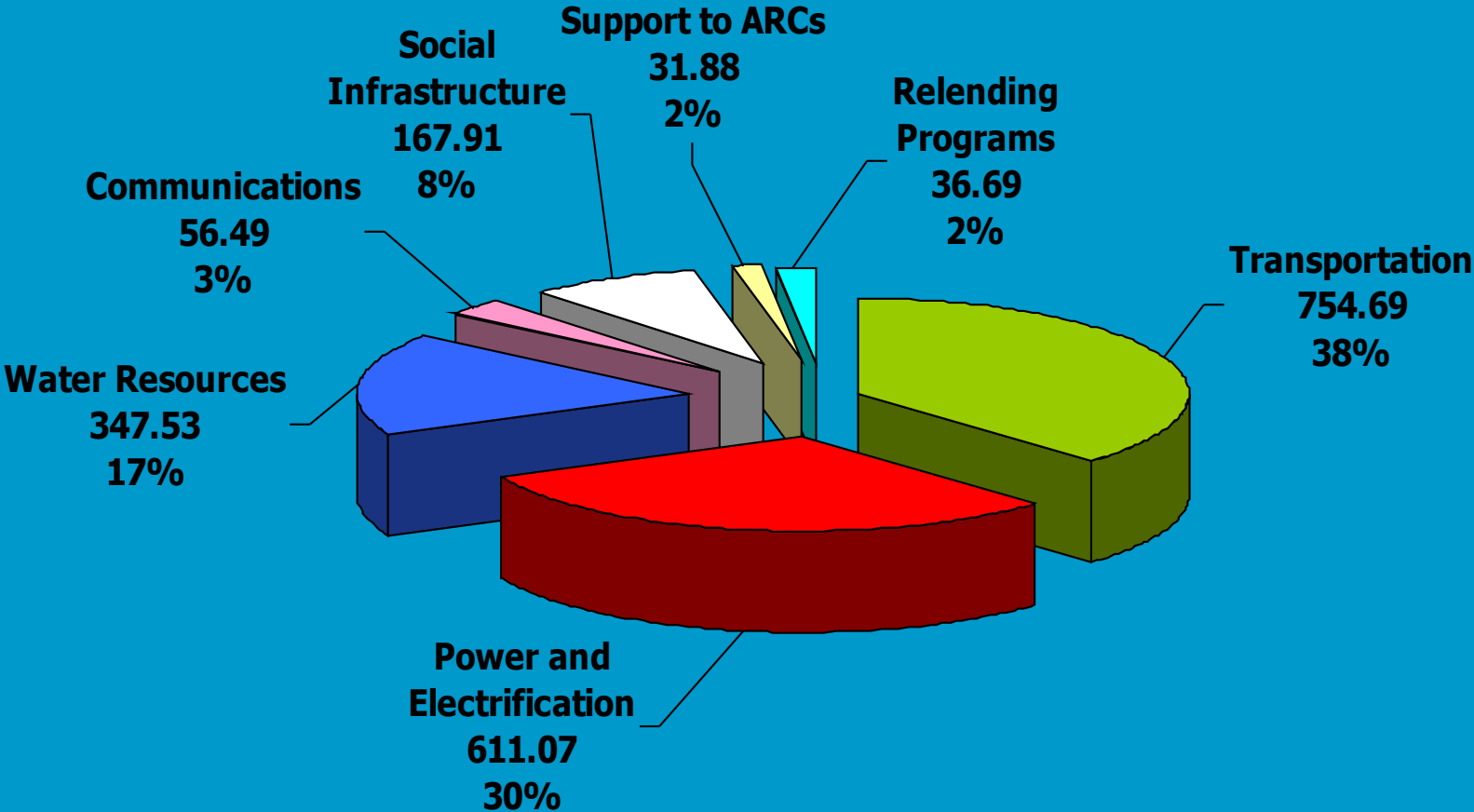


Infrastructure Push

- Agencies to identify and implement measures/ decisions to be made to deliver 60-80% expenditure
- Choose from the Comprehensive and Integrated Infrastructure Program (CIIP)
- Timely and complete reporting of performance by the agencies
- Closer monitoring and periodic review of agency performance by the Economic Managers

Comprehensive and Integrated Infrastructure Program (CIIP)

2008-2010 and beyond
Total investments = PhP 2,006.26 billion





2. Saving and creating jobs: Comprehensive Livelihood and Emergency Employment Programs (CLEEP)

Objectives:

3. To hire for emergency employment
4. To fund and supervise livelihood projects

Activities are aligned to:

7. Super Region priorities
8. Needs of the 12 poorest provinces
9. Needs of the 12 most food-poor, provinces, and the food-poor in NCR



CLEEP Projects

All provinces:

2. OYSTER, KALAHY Cash for Work, TUPAD for roadside maintenance, flood control manpower
3. FAME (financial assistance & microfinance for expatriates)

Poorest Provinces

6. OYSTER, TUPAD, KALAHY cash for work to repair health facilities
7. SEA-K for Botika ng Barangay livelihood



Agribusiness Mindanao and North Luzon

- All provinces: construction and maintenance of farm to market roads, organic fertilizer production, goat dispersal, microfinance for CARP beneficiaries
- Northern Luzon Agribusiness Quadrangle: swine raising
- Irrigation repair
- Coastal provinces: Bantay Dagat, ISLA
- Bantay Gubat



Central Philippines (Tourism)

- All provinces: GREET, Clean and green projects
- All coastal provinces: Bantay Dagat

NCR and most food-poor provinces

- SEA-K for Tindahan Natin



Luzon Urban Beltway

- All provinces, cities, NCR towns: Fabrication of concrete blocks for construction, OTOP, aggregate recycling, microfinance for transport sector
- Ports: stevedoring, arrastre (Subic, Manila, Batangas)
- Hygiene package: Tarlac



3. Protecting the most vulnerable

Labor sector action agenda

A. Intervention programs and services for OFWs

- Deployment to emerging and niche foreign labor markets;
- Repatriation assistance
- Reintegration and livelihood enhancement for returning OFWs

B. Commodity and export services workers

- Job placement facilitation
- Livelihood formation
- Emergency employment

ACTION AGENDA FOR OFWs

INTERVENTIONS ON SITE

- ◆ *24 x 7 heightened monitoring of overseas labor-market displacements*
- ◆ *Contract monitoring of job orders to determine if there is any decrease in overseas labor demand*
- ◆ *Registration of workers*
- ◆ *Redeployment to emerging foreign labor markets*
- ◆ *Identification and development of new market niches amidst the prevailing crisis*
- ◆ *Repatriation assistance*

IN-COUNTRY SERVICES FOR RETURNING OFWS

- ◆ *Constant Monitoring of Jobs Orders of Foreign Principals*
- ◆ *Expansion of livelihood enhancement /business formation program*
- ◆ *Business counseling and strengthening of reintegration services*
- ◆ *Registration of workers who will be displaced*
- ◆ *Massive skills upgrading and retooling services*
- ◆ *Continue Facilitation of OFW Mobilization*
- ◆ *Strengthen Partnership with the Private Sector*

◆ *RO Quick Response Team that maintains Early Warning Monitoring System*

Job placement facilitation

*Livelihood formation/
enhancement*

Assistance in claiming / unpaid salaries,

*Temporary/short-term
emergency employment*

Advocacy to enable affected companies to adopt contingency measures to prevent/minimize job losses

WIN AP

- ◆ *Assists workers in augmenting their income by engaging them in livelihood undertakings*

NON-WAGE BENEFITS

- ◆ *Promotion of the provision of non-wage benefits to workers to cushion the impact of high and rising prices*

Support activities to program implementation:

- ✓ Regular convening of regional, city and municipal TIPC
- ✓ Engaging the ECOP, PMAP and other entities in defining interventions and averting possible triggers that might hasten displacement
- ✓ Conduct of triologue or roundtable discussion on finding opportunities in the financial crisis that shall generate information on employment gains and losses in the crisis-affected industries



3. Protecting the most vulnerable

Expand social protection programs

E. Double budget for conditional cash transfers

F. Accelerated Hunger-Mitigation Program

G. Add P 1 B NG contribution to PhilHealth indigent program

H. Add P 5.66 billion for Training for Work scholarships

I. Hike DOH allocation for primary and secondary hospitals

J. More student loans



4. Other fiscal interventions

- Postponed closing the deficit to 2011
- Law: lowered corporate income tax to 30%: P 20 B
- Law: hiked personal income tax exemptions: P 20 B
- Provide additional benefits for PhilHealth, GSIS and SSS members for at least 18 months to be taken from the difference between contributions and claims and benefits to increase purchasing power.
- Create P 100 B fund to lower borrowing/financing cost for private sector CAPEX spending.



4. Other fiscal interventions

- Maximize Personal Services (PS) Budget
 - hire teachers, policemen, soldiers
 - hire doctors/nurses for hospitals and underserved areas
- Maximize MOOE Budget
 - step-up repair and rehabilitation of government buildings
 - fast-track purchases of supplies, equipment (patrol cars, ambulances)



Cost of the Package

PhP 160 B

incremental budget

PhP 40 B

corporate and
individual tax breaks

PhP 100 B

GOCCs, GFIs, private
sector

PhP 30 B

temporary additional
benefits to GSIS/SSS/
PhilHealth members