



Global Recession Impact Monitor (GRIM) - and Positioning for the Rebound

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US Fed Chief Bernanke tells Congress: recession over by end-2009

- Economy to bottom out, then turn up later in 2009
- US GDP contracts by 6.1% in Q1, but largely due to depletion of inventories.
- “As inventories are worked down, then firms will be able to increase their production to meet what looks to be some stabilization in final demand.”
- Firms may still be cautious about hiring

US shows some signs of recovery

- Consumer spending up 2.2% in Q1 2009, from a decline of 4.3% in Q4 2008.
- Survey of National Association for Business Economics: companies foresee rising demand, capital spending, profit margins
- Fed: credit market has become stronger, less volatile
- Factory Index reached highest level in 7 months
- Consumer confidence rose higher than expected

Better than expected results for stress tests on big US banks

Bank	Required Addn'l Capital (US\$ bn)
Bank of America	34
Wells Fargo & Co.	13-15
GMAC LLC	11.5
Citigroup Inc.	5.5
Regions Financial Corp	2.5
SunTrust Banks, Inc.	2.2
Morgan Stanley	1.5
Fifth Third Bancorp	1.1
PNC Financial Services Group	0.6

No New Capital Needed

J.P. Morgan Chase & Co.

Goldman Sachs Group Inc.

MetLife Inc.

American Express Co.

Bank of New York Mellon Corp.

Capital One Financial Corp.

US Bancorp

KeyCorp

BB&T Corporation

State Street Corp.



Europe no longer in free fall

Business and consumer confidence bounced back
for the first time in two years

–European Commission

Economic Sentiment Index

	March	April
European Union 27	60.4	63.9
Eurozone 16	64.7	67.2



But Europe to recover only by late 2010

- European Commission: EU and Eurozone to contract by 4.0% in 2009, and by 0.5% in EU and 0.4% in Eurozone in 2010
- 2009 GDP contractions: 5.4% in Germany, 9.0% in Ireland, 13.1% in Latvia
- "We are no longer in a free fall, but even if some positive signals are appearing we do not have the critical mass of data to say that we are out of the woods." -- EU Economic and Monetary Affairs Commissioner Joaquin Almunia



Japan: the worst is over

- “The worst is over. We’ll probably see the beginning of recovery at the end of this year.”
– Takao Komine, of the government committee tracking economic cycles
- Industrial production rose for the 1st time in 6 months, slump in exports eased in March
- GDP may grow by 1.2% in Q2 2009, according to median estimate of Bloomberg survey
- But households won’t feel recovery for a while because of unemployment, depressed wages



Stock markets still on the uptrend

Market	Lowest	Latest	% Change
DJIA	6,547.05 (9 March)	8574.65 (8 May)	30.97
Nikkei 225	7,054.98 (10 March)	9432.83 (8 May)	33.70
FTSE 100	3,512.10 (3 March)	4462.10 (8 May)	27.05
PSEi	1,769.67 (16 March)	2265.55 (8 May)	28.02



Philippines: remaining resilient

Overseas employment

- 15,000 to 20,000 jobs offered in Guam, 60,000 in Saudi Arabia, 20,000 in Qatar
- Saudi Arabia building 5 mega cities; Filipino workers favored
- Deployment to the Middle East will push remittances higher in the second semester
- Only 6,695 OFW layoffs so far, compared to 3,000 OFWs deployed per day

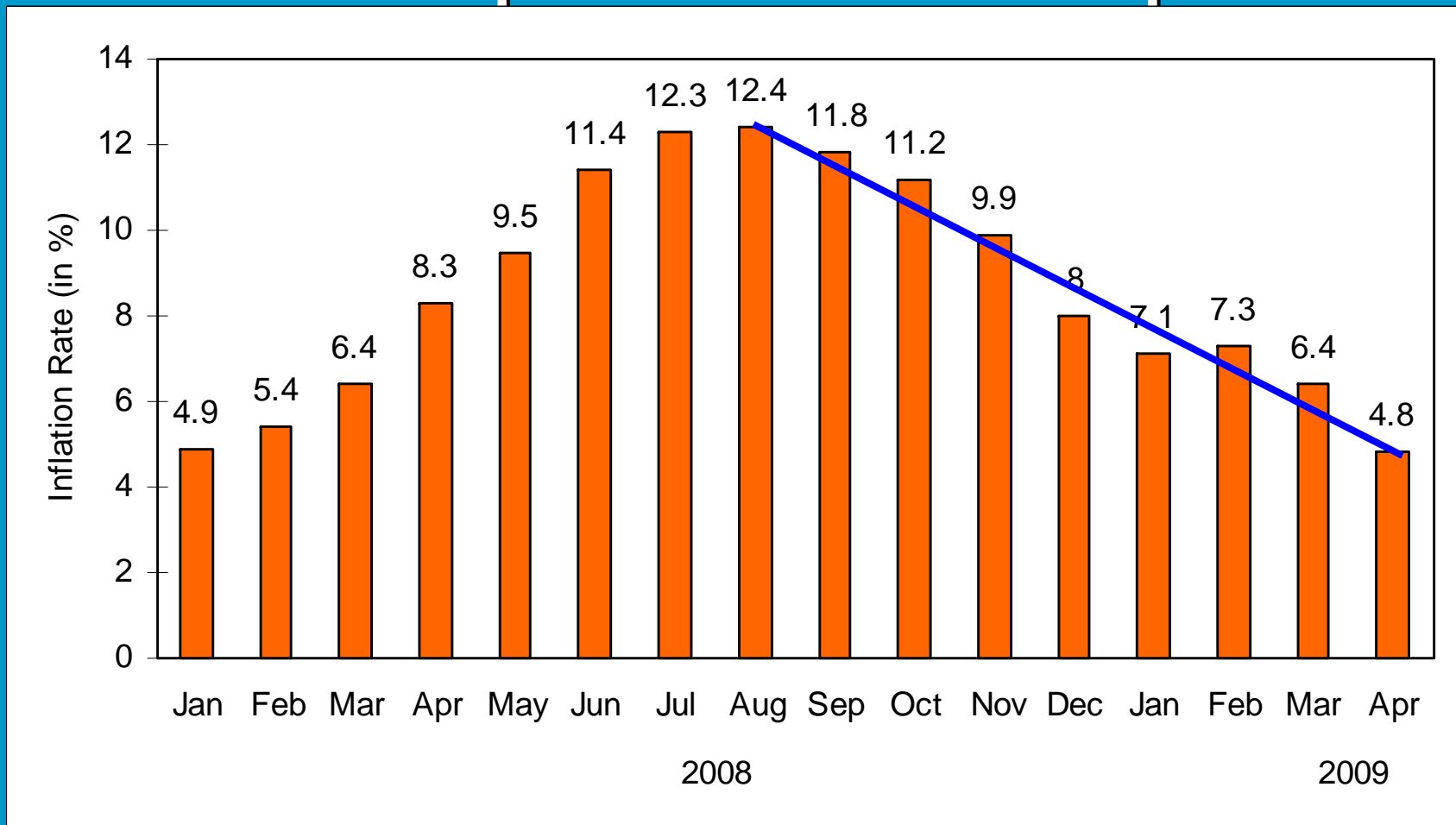


Why are Filipino workers preferred?

UAE Labor Minister Saqr Ghobash: many employers prefer Filipinos over other migrants as they are “more disciplined” and “more skilled” in their work.

"We have had an extremely good experience with Filipinos... According to reports, Filipinos have one of the lowest crime rates. So they are most welcome and most respected."

Inflation rapidly falling, will boost personal consumption



Source: National Statistics Office



Exports start to grow again

Growth of Merchandise Exports (%)

	Year-on-Year	Month-on-Month
Oct-08	-14.8	-10.5
Nov-08	-11.4	-11.5
Dec-08	-40.3	-23.9
Jan-09	-40.6	-6.1
Feb-09	-39.0	-0.2
Mar-09	-30.9	15.9



Philippines: remaining resilient

Construction industry remains afloat

“It’s not so bad despite the financial crisis...Before, it was 60 percent private-led and 40 percent government. Now, it’s around 60-70 government.” -- Philippine Contractors Association president Anthony Fernandez

Mass Housing

- Filinvest Land Inc (FLI) caters to the mass market, not the high end. Ramping up capital spending by 30%.
- “So far, we’re not even seeing a dip (in sales)...The mass market is still quite strong.” – FLI President Joseph Yap



Philippines: remaining resilient

Workers Displaced by the Crisis

October '08	4,454
November '08	11,116
December '08	11,961
January '09	10,333
February '09	10,228
March '09	14,512
April 1-15 '09	1,026
Total	63,630

- Smoking gun of impending recovery: layoffs sharply drop in April
- Cebu firms rehiring workers



“The Philippines: Looking Good for Now”

By Philip Bowring, New York Times, May 4, 2009

“So the last will be first...”

“It may be premature, but the Philippine economy looks as though it may outperform most of its East and Southeast Asian neighbors, at least for a couple of years.”

On growth: “the most sustained improvement since the mid-1970s.”



“The Philippines: Looking Good for Now”

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- Cites OFW remittances which have held up so far
- Cites call centers and outsourcing
- Cites fiscal reform:

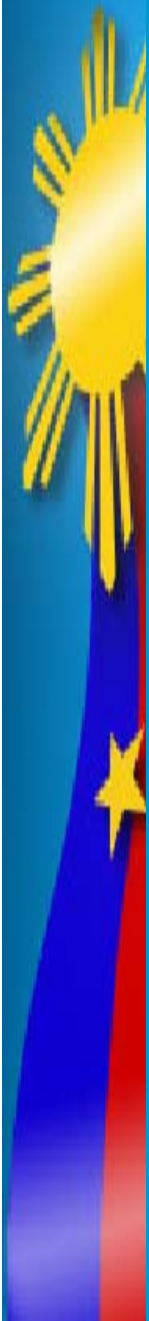
“The success that the Arroyo administration has had in stabilizing the fiscal situation over several years has allowed interest rates to come down, reducing the cost of debt service and making room for money to be spent on badly needed infrastructure, health, and education.”



Recommendations

Get the word out:

1. The crisis is not over, but the worst is over for the Philippine economy.
2. The global economy seems to be turning the corner, but the recovery will take time
3. OFW inflows will most certainly grow, not contract
4. Subsiding inflation augurs well for consumer spending in Q2 to Q4



The worst seems over.

Let us now aim for the best.