



# Global Recession Impact News (GRIN) -and Positioning for the Rebound

Secretary Ralph Recto  
National Economic and Development Authority

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# George Soros Says Worst of the Global Crisis is Over

"The economic free fall has been stopped, the collapse of the financial system has been averted."

"Asia will be the first to come out of this crisis but America is close behind. Nevertheless, China will replace the US as the motor of the world economy."

"China will begin to contribute more and more to global economic growth. Therefore, political power will shift from America to China."



# OECD, World Bank See More “Green Shoots”

- OECD: "Composite leading indicators continue to indicate a strong slowdown in the OECD area but the pace of the deterioration is easing."
- OECD says recessions in Italy, France, and the United Kingdom are nearly over.
- The pace of contraction in world economic output is easing, and recovery could begin at the end of 2009, says World Bank President Robert Zoellick (May 19, 2009)



# US Moves Closer to Recovery

April leading indicators index point to the economy moving slightly closer to recovery

Recession to end in August 2009 but it will take years for the economy to fully recover- *WSJ economists survey*

- US jobless claims fell more than expected
- But consumer spending still uncertain –retail sales drop 0.4% in April after a rebound in Q1
- Fed survey: Fewer banks are tightening consumer loan standards, compared to previous quarter
- More responsible borrowing: in Q1, credit card firms sent out just ¼ of the solicitations they issued a year ago.



# Pres. Obama Cracks Down on Derivatives Trade

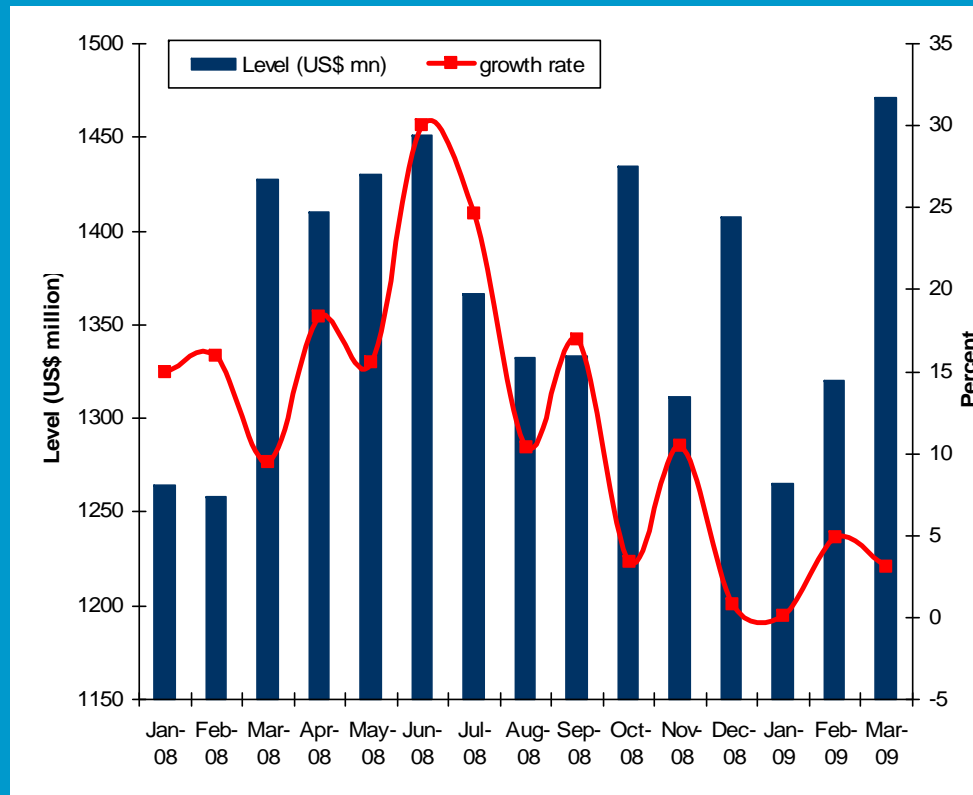
- US govt. to regulate over the counter derivatives, despite strong opposition by dealers who want to keep the market opaque
- "The spreads were just too good," says Marc Groz, of risk management advisory firm Topos LLC. "If you could keep all the information to yourself, there were healthy profits."
- All standardized over the counter trades must pass through a central clearinghouse. This will push trading to transparent exchanges.



# Japan Upgrades Outlook

- “Economic conditions have been deteriorating, but exports and production are beginning to level out”  
– *Central Bank, Japan*
- “The upgrade of the economic assessment simply came as an endorsement to the recent set of data which had already signaled signs of a bottoming out.”  
– *Totan Research Institute Ltd., Tokyo.*
- “It looks like we’re coming out of the freefall stage... The pace of deterioration in economic conditions is likely to moderate gradually.”  
– *Central Bank, Japan*

# Remittances still growing, up 2.7% so far to record levels



2009 Growth Forecasts	
DBCC	0.0%
World Bank	-4.0%
IMF	-7.5%

Sources: DBCC, BSP, World Bank, inquirer.net

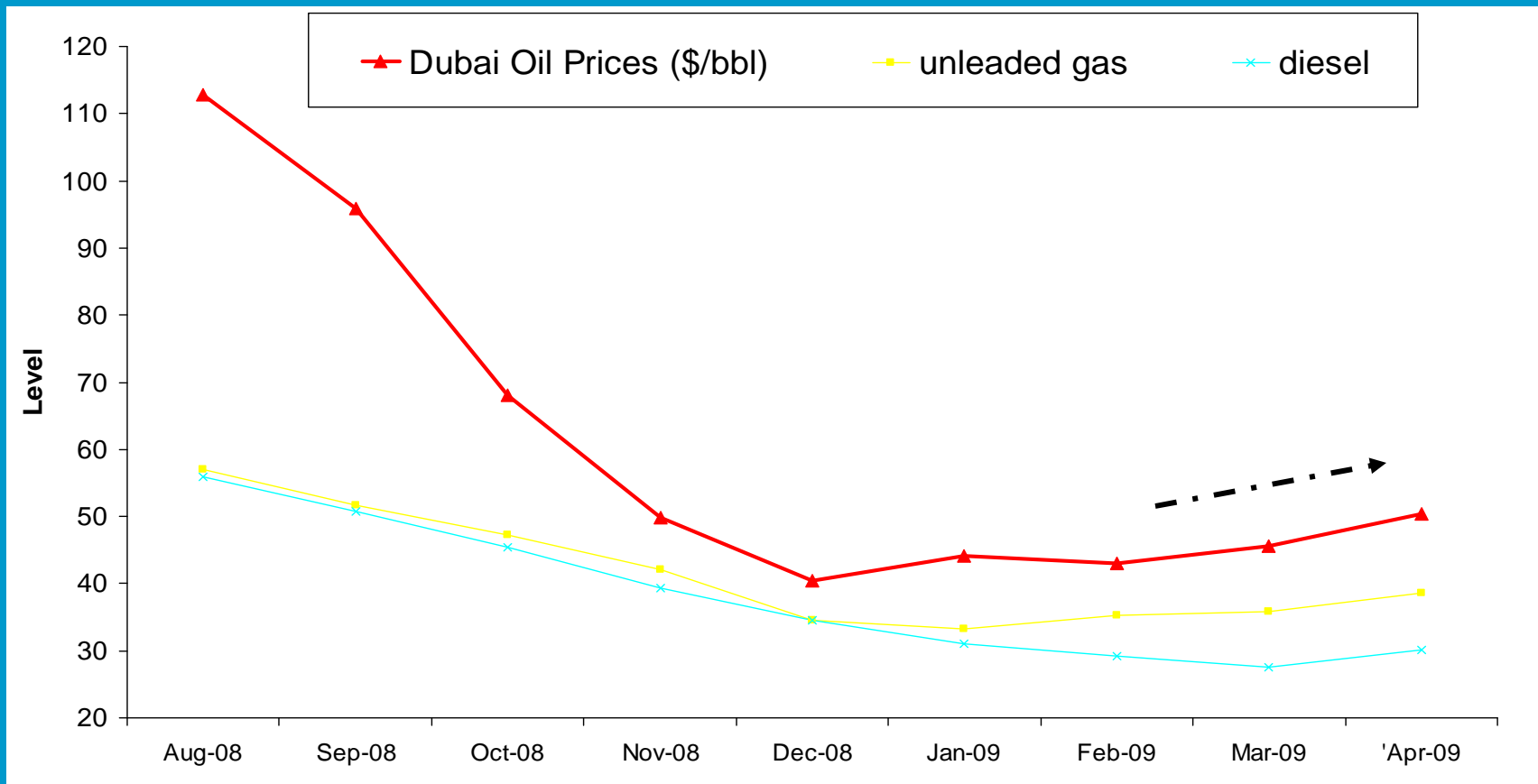


# New Expat Opportunities

- Libya needs more than 16,000 workers
- Through JICWELS, 134 Japanese institutions and facilities hired 92 Filipino nurses and 188 caregivers
- Jobs in Algeria
- But IMF counters that Gulf countries will post lower growth or contract due to OPEC's plans to cut production

# Higher oil prices to follow recovery

Oil Prices, Aug 08- Apr 09



## Some Social Protection Programs

Program	2009 Target Beneficiaries	Status
4Ps	700, 000 households	337, 416 HHs served
SEA- K	14,105 households	36,564; on-going
Tindahan Natin Project	1,161,250 families	1,813,750 served; on-going
Food for School Program	448,043 children	470,019 served; ongoing
Microfinance Lending Program	Target new end clients - 250,000	New end clients - 7,837 (as of Feb





# Global Semiconductor Industry Sees Recovery

- Capacity utilization at 49 percent in Q1. Seen to rise to 60 percent in Q2 and 75 percent in Q3, according to research firm iSupply Corp. First such increase in a year.
- Samsung: “Several indices show signs of bottoming out.” DRAM chips seen to rise by 10-15%, NAND chips by 25-30% in 2009.
- SEIPI says the worst is over for semiconductor industry after Q1.



# Crisis: window for radical upgrade

“You never want a serious crisis to go to waste.”  
--Rahm Emanuel, White House Chief of Staff.

After Asian crisis, South Korea embarked on technology reforms: government leased computers for 4 years to 50,000 poor families; gave free broadband for 5 years; gave free computers to schools. Korea now the world leader in broadband penetration.



## Pres. Obama's stimulus adviser: Use ICT for accelerating growth

- ICT accounted for all the productivity acceleration in the U.S. over 1996-2002 (Atkinson, 2009).
- ICT capital has 3 to 7 times the impact on productivity than non-ICT capital (Nathan Associates, 2007).
- China: ICT usage accounted for 38% of the increase in Total Factor Productivity growth and 21% of GDP growth (Heshmati and Yang, 2006).
- Malaysia: Use of ICT yielded the biggest impact on manufacturing productivity, greater than human capital (Ahmed, 2006).



# How We Compare With Asian Neighbors In ICT

2007 ICT-OI values and sub-indices: networks, skills, uptake and intensity,  
and ICT-OI average annual growth rate 2001-2005

<i>Economy</i>	<i>NETWORKS</i>	<i>SKILLS</i>	<i>UPTAKE</i>	<i>INTENSITY</i>	<i>ICT-OI</i>	<i>Average annual growth rate 2001- 2005</i>
	<i>index</i>	<i>index</i>	<i>index</i>	<i>index</i>	<i>value</i>	
Singapore	437.6	136.3	395.9	611.56	346.68	49.79
Brunei	195.7	110.5	173.8	157.95	156.09	36.09
Malaysia	133.3	104.7	244.3	149.28	150.19	39.57
Thailand	102.3	114.1	105.3	78.87	99.2	31.97
Viet Nam	71	96.6	62.7	80.37	76.66	76.19
Philippines	64.9	114.2	67.8	76.73	78.81	26.87
Indonesia	57.5	102.6	48.8	72.84	67.68	44.87
Lao P.D.R.	27.8	78.3	15.4	71.28	39.29	66.71
Cambodia	14	76.7	8.9	71.24	28.75	41.96
Myanmar	7.8	86.7	2.8	70.76	19.11	111.54

Source: International Telecommunication Union



# Government Pushes Investment In ICT

“IT Services Market in the Philippines: A  
Fledgling Ready to Take Flight”

-Report of Ovum

“While currently Philippines is a small IT  
services market in revenue terms...it offers  
good opportunities for vendors focused on  
the public sector.”

- Ovum Managing Analyst Deepika Chaubey.



# Government Pushes Investment In ICT

- Automating the elections
- Project Gilas, which connects high schools to the Internet
- Automated Export Declaration System (AEDS)
- Central credit worthiness database
- ThinkQuest online learning platform of DepEd
- Computerization of tax administration of the BIR
- Human resource database upgrade of the CSC
- Creating electronic payment and collection system of the DBM
- E-Library projects of the National Library



# But Government Offices Lack Web Presence

## 2009 State of Web Presence of National Government Agencies

<b>No website at all</b>	<b>37</b>
<b>Stage 1: static website content</b>	<b>48</b>
Stage 2: dynamic website content	128
Stage 3: can download and submit forms	98
Stage 4: can make secure e-payments:	13
<b>Total</b>	<b>324</b>

\*50 out of 110 state universities and colleges don't have a website.



# Important to Have Timely Website Content

- World Bank: India's investment promotion is "very weak." Cites the website and inquiry handling of their investment promotion agency
- World Bank: More than 70 percent of countries miss out on foreign investment. Cites failure to provide accurate and timely information to potential investors.
- Must respond within 48 hours. Only 10 of the 181 countries followed up with potential investors.



# Philippine Edge In Outsourcing

- Strong ability in speaking English
- Familiarity with Western business culture
- Competitive labor rates, little wage inflation
- Substantial pool of college graduates
- Relatively strong telecommunications infrastructure
- Lower attrition rates (9%) compared to India (15-25%)
- Not monopolized by the capital: BPO enclaves in Cebu, Davao, Clark, Cagayan de Oro, Dumaguete.



## Threats to the Philippines in ICT

- Only 11th in NeoIT's IT Offshoring Attractiveness Index; lack of a large pool of IT manpower
- Edge in English eroding, as pool of graduates in Hungary, the Czech Republic, Russia, and Chile now have comparable English skills, according to AT Kearney
- “Nearshoring” or outsourcing to areas closer to the US, not as cheap as the Philippines, but perceived as safer and more stable. Canada, Central and South America



# Recommendations

1. Unlike SEIPI, small exporters are less aware of global rebound trends. Inform them.
2. If global inflation resurges after the recovery, scale up social protection programs.
3. Look for more non-Gulf expat job opportunities as a precaution for a possible slowdown in area.
4. Ensure full web presence for government agencies. Websites must at least provide timely content, fast email responses



# Recommendations

6. Set more aggressive targets in IT manpower: computer science and computer engineering graduates.
7. Broadband remains a driver for explosive growth. This serves to flag WIMAX (wireless broadband) for future consideration.
8. Consider turning the Philippines into the global leader in certain technological niches. Draft plan to achieve this.



**The worst seems over.**

***Let us now aim for the best.***

# Government ICT Indicators

## DIGITAL INFRASTRUCTURE

Major Targets/Indicators	Accomplishment				
	2004	2005	2006	2007	2008
A CeC for every Municipality by 2010 <sup>1</sup>	N/A	N/A	N/A	538	N/A
All cities, municipalities and selected barangays have internet access by December 2010 <sup>2</sup>	N/A	N/A	N/A	956	N/A
80% of all high schools and central elementary schools have internet access by December 2010 <sup>2</sup>	N/A	1,054 Public High Schools	1,930 Public High Schools	N/A	1,383 Public High Schools
Increased telephone density (no. of lines per 100 people)					
1. Fixed Land Line	4.16	4	4.18	4.45	N/A
2. Mobile Cellular	39.85	41.3	49.29	64.76	N/A
Improved communications services (no. of operators/providers)					
1. Fixed Land Line	73	73	73	73	N/A
2. Mobile Cellular Telephone	7	7	10	10	N/A
3. Internet	144	177	197	216	N/A
4. Cable Television Networks	1,453	1,476	1,501	1,588	789*
5. Radio Stations	194,642	171,792	130,491	128,905	13,2147**