



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

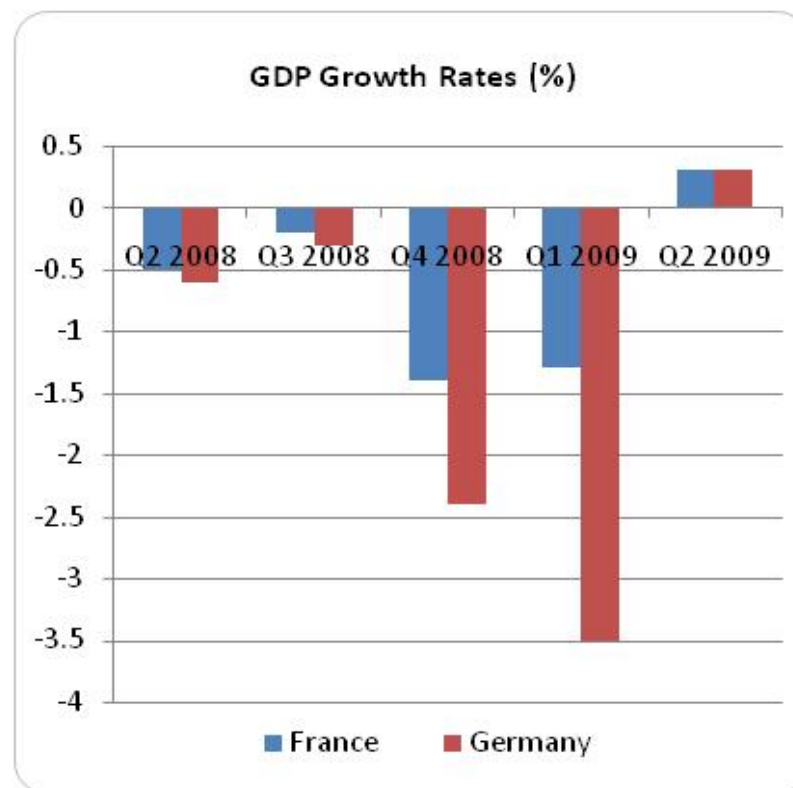
Acting Director-General Augusto Santos  
National Economic and Development Authority

August 25, 2009

# **GLOBAL DEVELOPMENTS**

# France and Germany exit recession

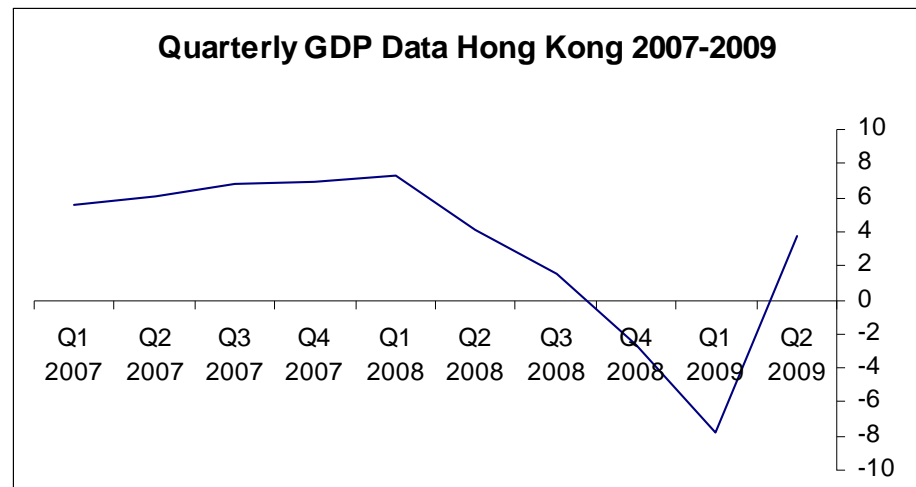
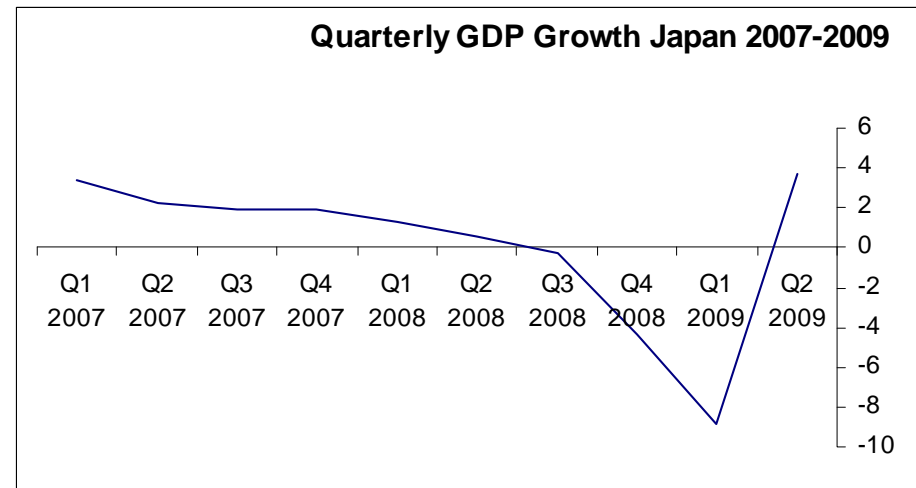
- French and German economies both grew by 0.3% in Q2 of 2009
- Stronger exports
- Higher consumer spending
- Government stimulus packages



Sources: BBC News; Eurostat

# Japan and Hong Kong exit recession

- Japan comes out of recession, records 0.9 percent growth for 2<sup>nd</sup> quarter 2009 (Q o Q), 3.7 percent (Y o Y)
- Hong Kong records 3.3 percent growth for 2<sup>nd</sup> quarter 2009 (Q o Q), and 3.8 (Y oY)



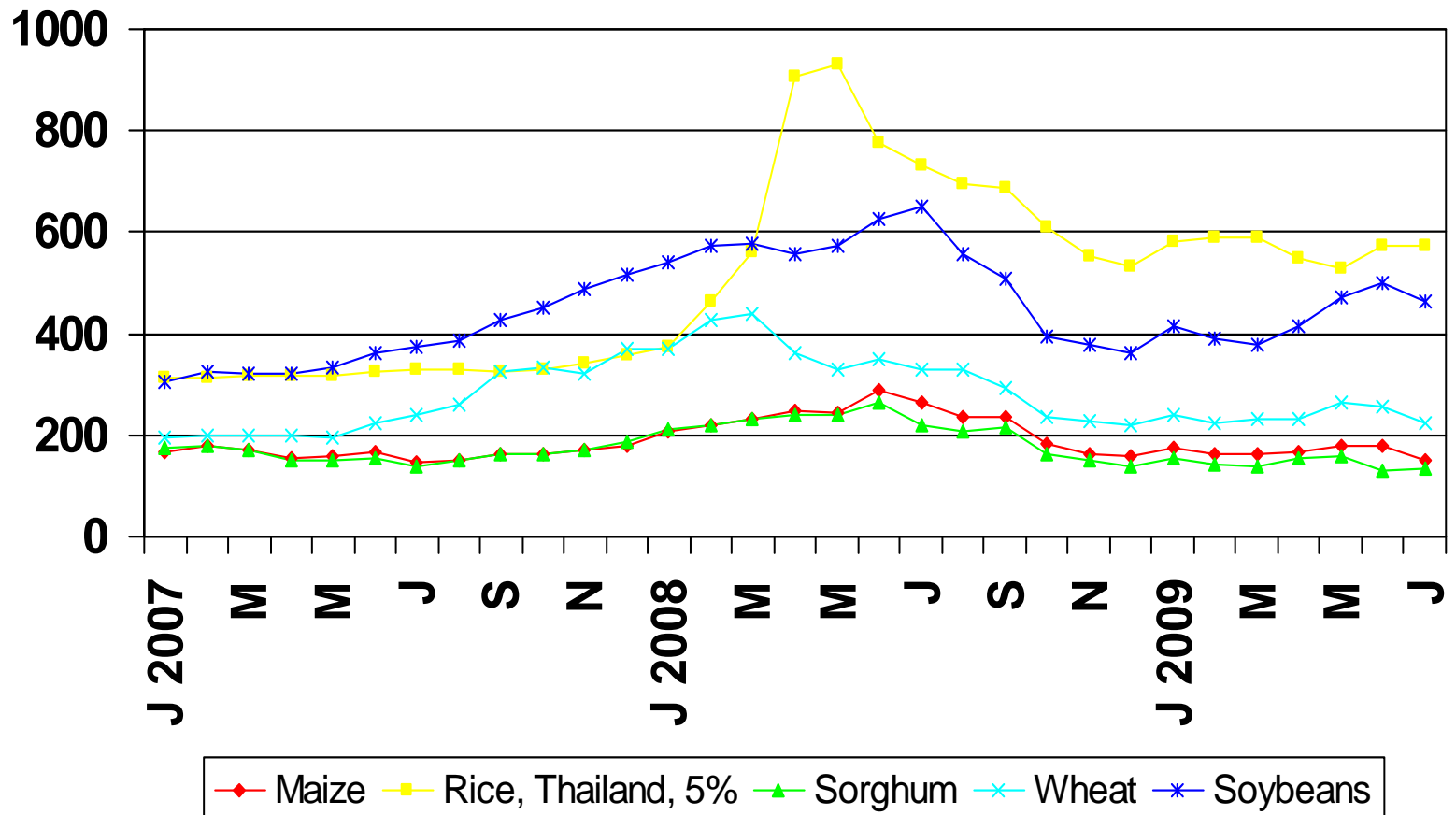
# Leading indicators improve further in OECD

- Signs that downturn in US, UK, Germany and Canada has bottomed.
- OECD composite leading indicator (CLI) rose to 95.7 (Jun) vs. 94.5 (May);
- France at 2.7 points above Jun 2008 level, Italy up 4.8 points higher

## Leading Indicators Up:

	previous	current
US	92.7	93.9
Eurozone	97.2	98.7
Japan	89.2	89.5

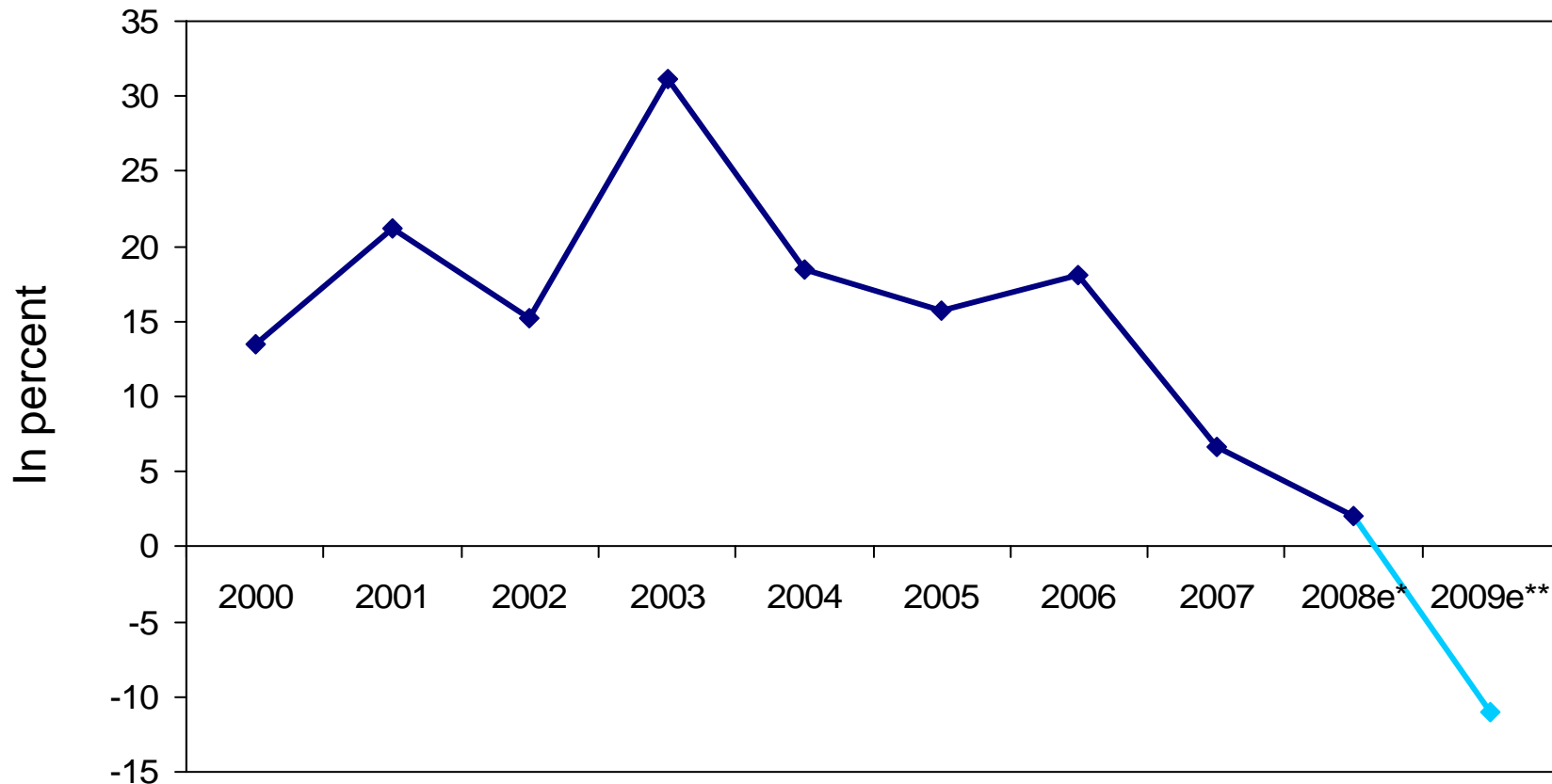
# World food prices stabilize



Source: World Bank Commodity Pink Sheet

# Sharp drop in remittances to Latin America

Growth in Migrant Remittance Inflows to Latin America and Caribbean (%)



Source: Worldbank

•WB's forecast; \*\* Inter-American Development Bank's forecast

# Investing to create savings accounts for the poorest

- Bill and Melinda Gates Foundation
- To help generate savings among the poor, as a safety net
- \$350 million committed to projects to help the poor save money thru local post offices, lottery outposts, or cellphone accounts
- Growing demand for deposit services
- Present bank services costly to the poor

# Carbon trading opportunities abound

- Industrialized nations (except the U.S.) offer 15-21% CO<sub>2</sub> cuts by 2020
- Overall emissions by the 39 industrialized nations would fall by 10.71-9.86 billion tons of carbon dioxide in 2020 from 12.53 billion tons in 1990
- Obama aims to return U.S. emissions to 1990 levels by 2020, or 14 percent cut from current levels

# **OUTLOOK AND OPPORTUNITIES IN THE DOMESTIC ECONOMY**

# Philippine opportunities in renewable energy

- Philippines ranks 7<sup>th</sup> in the world, with 30 individual CDM projects (China at #1 with 576 projects, India #2 with 433)
- 75 corporations are currently applying to be CDM certified, 58 of these have been approved
- Philippine companies could invest in power generation which could add to the country's power capacity
- Companies could also take advantage of the tax incentives for CDM projects

# Rules released for renewable energy

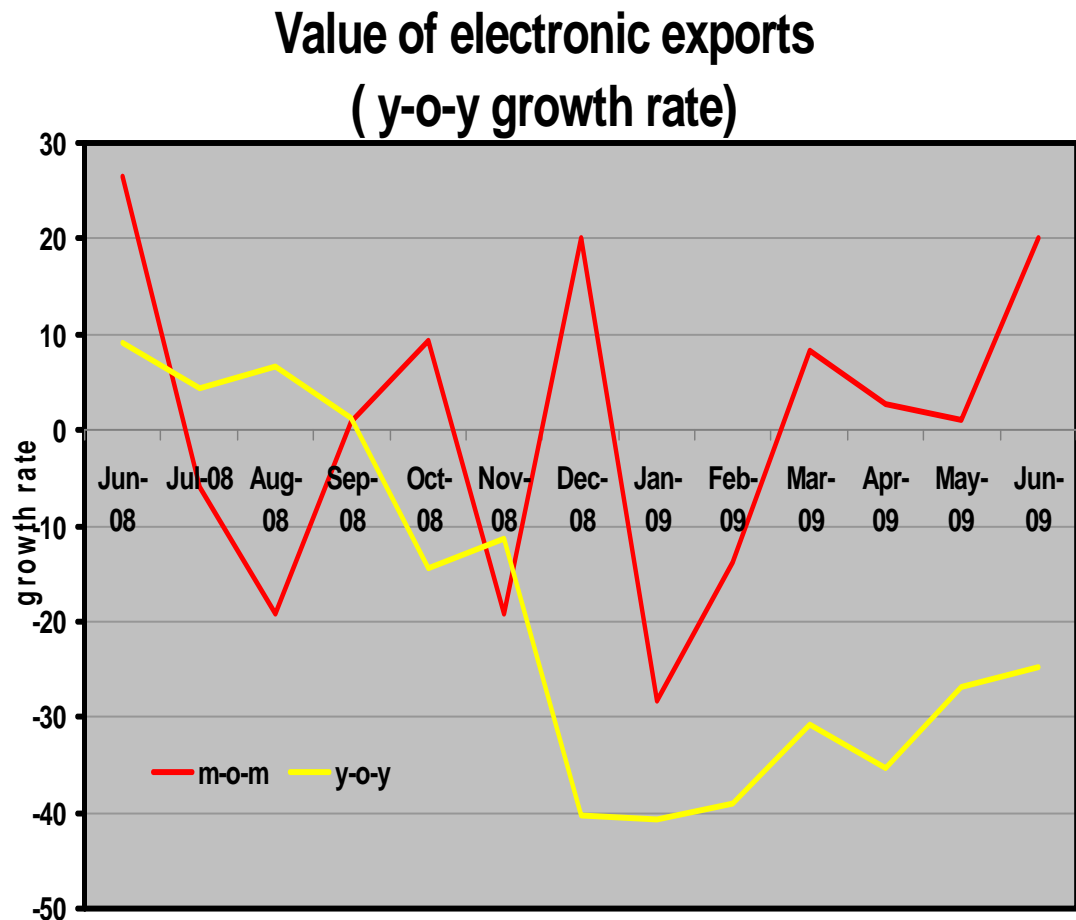
- DOE has released circular for guidelines to award operating contracts on RE projects
- Guidelines for awarding hydropower and biomass service contracts
- An open and competitive process of selection or direct negotiation
- DOE to notify public through website and newspapers of renewable energy areas open for bidding.

# Crisis bottoms out in Q2; rebound in Q3

- GDP growth in Q2 forecast at -0.1 to 0.9%
- Dragged by:
  - Manufacturing (exports and local demand)
  - Retail/wholesale trade (families still holding back on spending due to fear)
- Stronger Q3 and Q4 as exports rebound, investors use the money raised from corporate bond floats, recession fears ease
- Full discussion after actual GDP data are released on August 27

# Q3 exports “extremely better” than Q2

SEIPI's 2009 sales forecast upgraded from the 20-30% expected contraction to a lower projected drop of 15-20%.



# Retail trade to pick up from September onwards

## 1. OFW remittances

Jun 2009:	3.3% growth
Jan-Jun `09	2.9% growth

## 2. Tourism- Tourist Volume in Top 15 destinations for the First Half of 2009 grew by 16.5%:

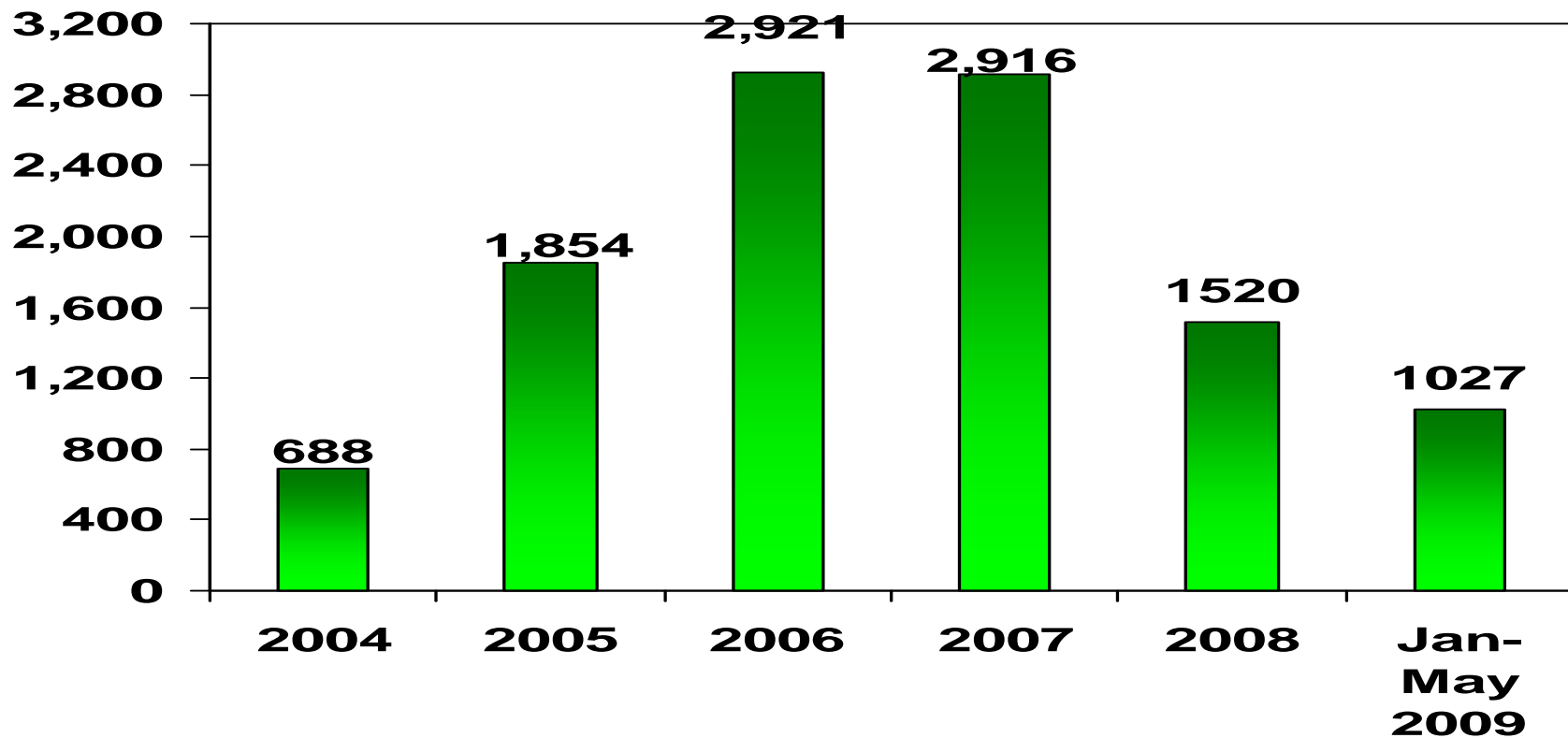
Foreign	6.4%
Domestic	19.3

## 3. Business process outsourcing (BPO)

Business Processing Association of the Philippines expects industry growth to reach 20%-30% for 2009.

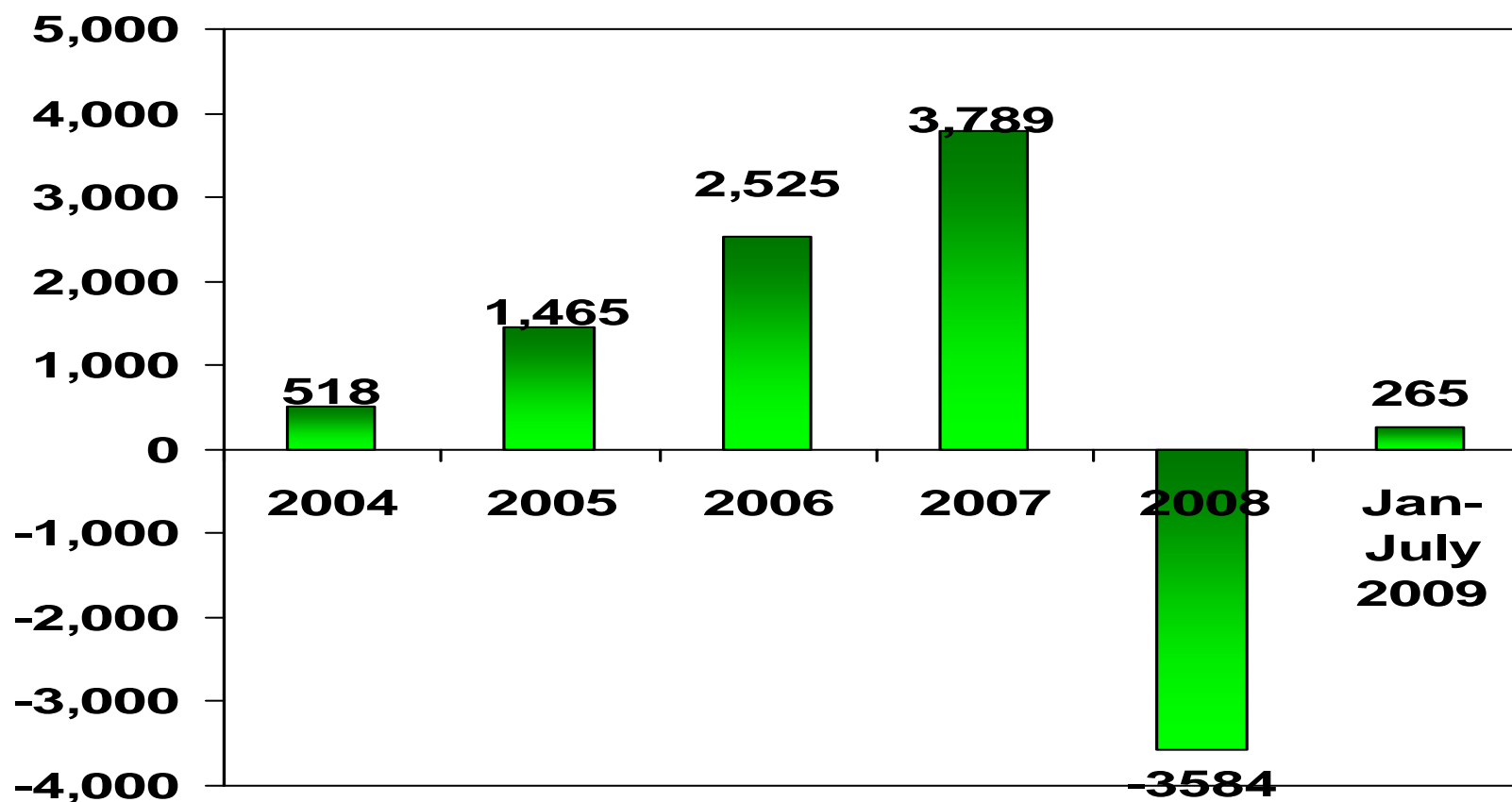
# Foreign direct investment (FDI) almost doubles in first 5 months

In million US\$

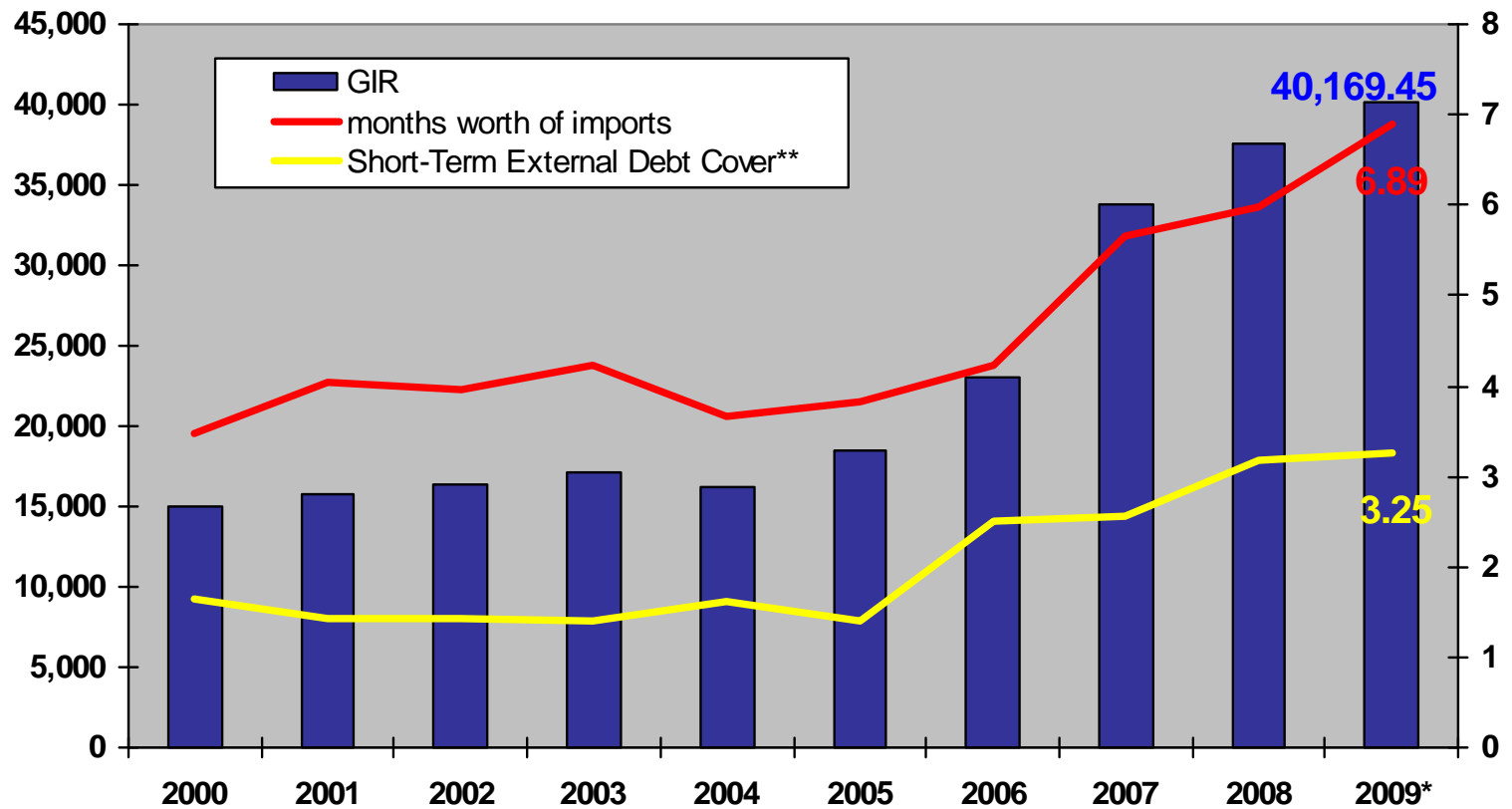


# Net foreign portfolio investment (FPI) posts positive inflow

In million US\$

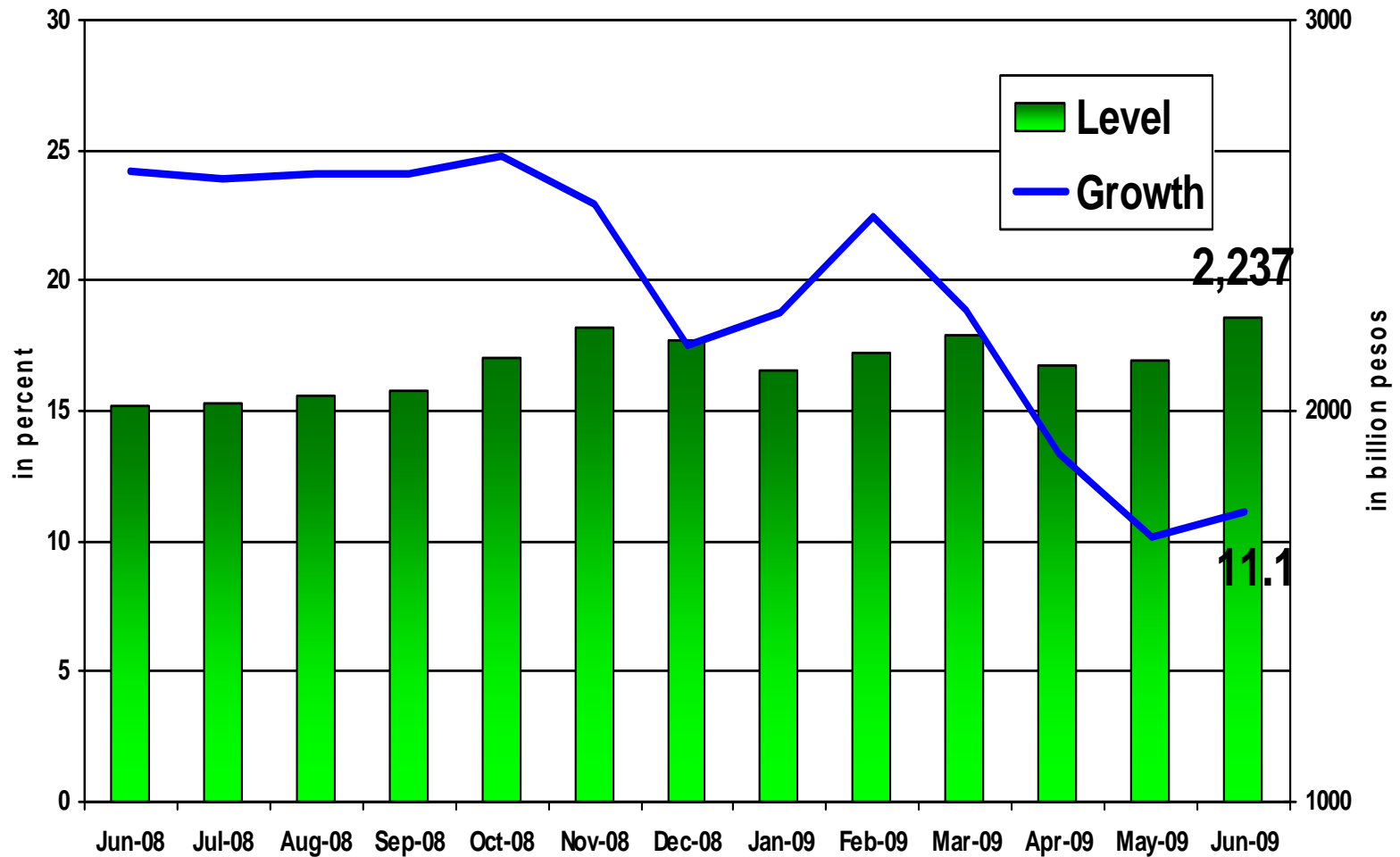


# Gross international reserves hit US\$ 40.2 billion as of end-July



Source: BSP; \*As of end-July 2009 \*\*based on residual maturity

# Bank lending robust amidst global crisis



Source: Bangko Sentral ng Pilipinas

# OFWS still burdened by “oppressive” remittance fees

- World Bank: OFWs spend up to \$22 to send \$500 and \$19 to wire \$200
- Cooperate with other top remittance countries to pressure multinational banks to cut transfer fees

Country	Fees for \$500 and \$200
US	\$12.79 and \$11.5
UK	(\$17.75 and \$14.40
Italy	(\$22.28 and \$19.05);
Germany	(\$13.06 and \$11.07
Spain	(\$12.42 and \$10.64
Saudi Arabia	average of \$6.93

# Power gap may drive away investment to Mindanao

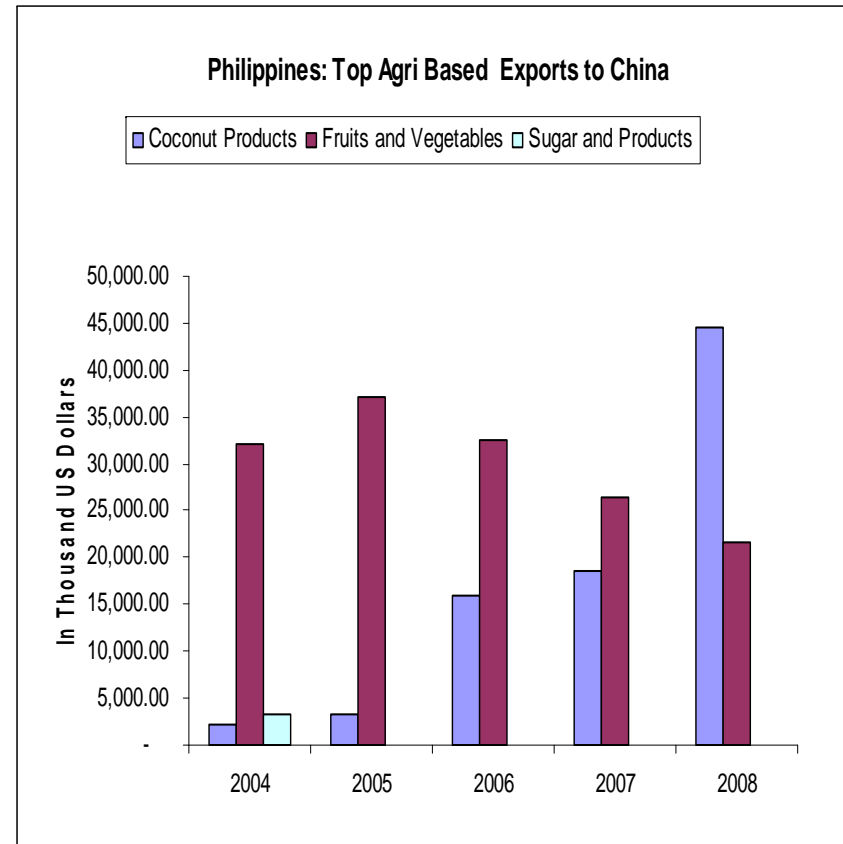
## Power Capacity Requirements for Mindanao

*(estimates as of March 18, 2009)*

<b>Year</b>	<b>Committed projects</b>	<b>MW Gap if projects were delayed</b>
2009	Sibulan Hydro 42 MW	50
2010	<ul style="list-style-type: none"> <li>• Mindanao Geothermal III 50MW</li> <li>• Cabulig Hydro 8MW</li> </ul>	-
2011	-	150
2012	-	50
2013-2017	-	50-100/yr

# Opportunity in immense food demand from China

- UA&P professor warns of future food and water crisis due to China
- Philippines can be an important source of food for China
- Need more pro-agricultural investments and high value crops



Source: NSO

# PCCI welcomes foreign investments in agribusiness

1. Palm oil and rubber for Malaysian investors;
2. Fruits and poultry for Middle Eastern investors;
3. Tropical fruits and vegetables for Koreans
4. Raw materials for biofuels for green multinationals
5. Poultry and Halal livestock for Saudi Arabia



# Reloading for Economic Acceleration Plan

1. To sharpen competitiveness for the rebound
2. To create and support new industries to multiply jobs
3. To lay the foundation for a 21<sup>st</sup> century economy

Infrastructure, housing, agribusiness, upgrading education, digital industries and outsourcing, rising in electronics value chain, tourism/medical tourism, power generation, renewable energy, green industries and green standards, stress on science, technology and innovation

**THANK YOU**