



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

Secretary Ralph Recto
National Economic and Development Authority

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Outline

- Economic growth forecasts
- Threats to the economy
- Updates on global developments
- Updates on the implementation of the Economic Resiliency Plan

2009-2010 Economic Growth Forecasts

IMF downscales growth projections

	2009	2010
World		
Jan 2009	0.5	3.0
April 2009	-1.4	1.8
Philippines		
Jan 2009	3.5	4.4
April 2009	0.0	1.0
June 2009	-1.0	2.2

Why the IMF downgrade for the Philippines?

- IMF expects anemic 0.8 percent growth in consumption in Q1 to continue in other quarters
- IMF sees a 4% contraction in OFW remittances
- IMF sees total exports (goods and services) to contract by 18.9%
- IMF's downside risk: postponed global recovery due to protracted repair of balance sheets.

DBCC 2009-2010 growth forecasts

(growth, in percent)

	2008 actual	2009	2010
GNP	6.2	2.1-3.1	4.7-5.6
GDP	3.8	0.8-1.8	2.6-3.6

Source: DBCC

Where DBCC differs with the IMF

- ✓ We see flat growth in OFW inflows, not contraction. Growth at 2.6% average so far.
- ✓ Consumption will recover, due to dropping inflation (1.5% as of June), easing fear among OFW families
- ✓ Contraction of total exports is moderated by growth in BPO sector
- ✓ ERP was delayed in Q1, but will be felt in Q2 and Q3

Philippines: unemployment fell in April

April 2009 Labor Force Survey

Indicator	April 2008	April 2009
Employment Growth (%)	(0.5)	4.3
Employment level ('000)	33,535	34,993
Employment generated ('000)	(169)	1,458
Unemployment Rate (%)	8.0	7.5
Underemployment (%)	19.8	18.9

Source: National Statistics Office

Employment growth broad based

Employment Generated by Sector

Indicator	April 2008	April 2009
Agriculture	52	408
Industry	(247)	86
o/w: Construction	(20)	108
Mining and Quarrying	(26)	15
Services	26	964
o/w: wholesale and retail trade	(118)	348
private households	(68)	146
other community, social, and private services	(93)	64

Source: National Statistics Office

Standard and Poor's affirms stable rating for the Philippines

- Affirmed BB- long term and B' short-term ratings
- Cited resilient remittance inflows, growing surpluses in service exports, prudent exchange rate management, safe level of external reserves
- Of the 21 countries mentioned in the report, only 9 countries seen to post positive growth in 2009, including the Philippines
- Forecasts 1.3 percent GDP growth

Threats to the economy:

- Against consumption**
- Against OFW employment**
- Against exports**
- Against fiscal health**

Threat: economic fallout from the A(H1N1) pandemic

As of June 27:

Global (in 108 countries): 56,149 cases, 238 deaths

Philippines: 1,709 cases, 1,485 recover, 1 death

ECONOMIC TRANSMISSION CHANNELS

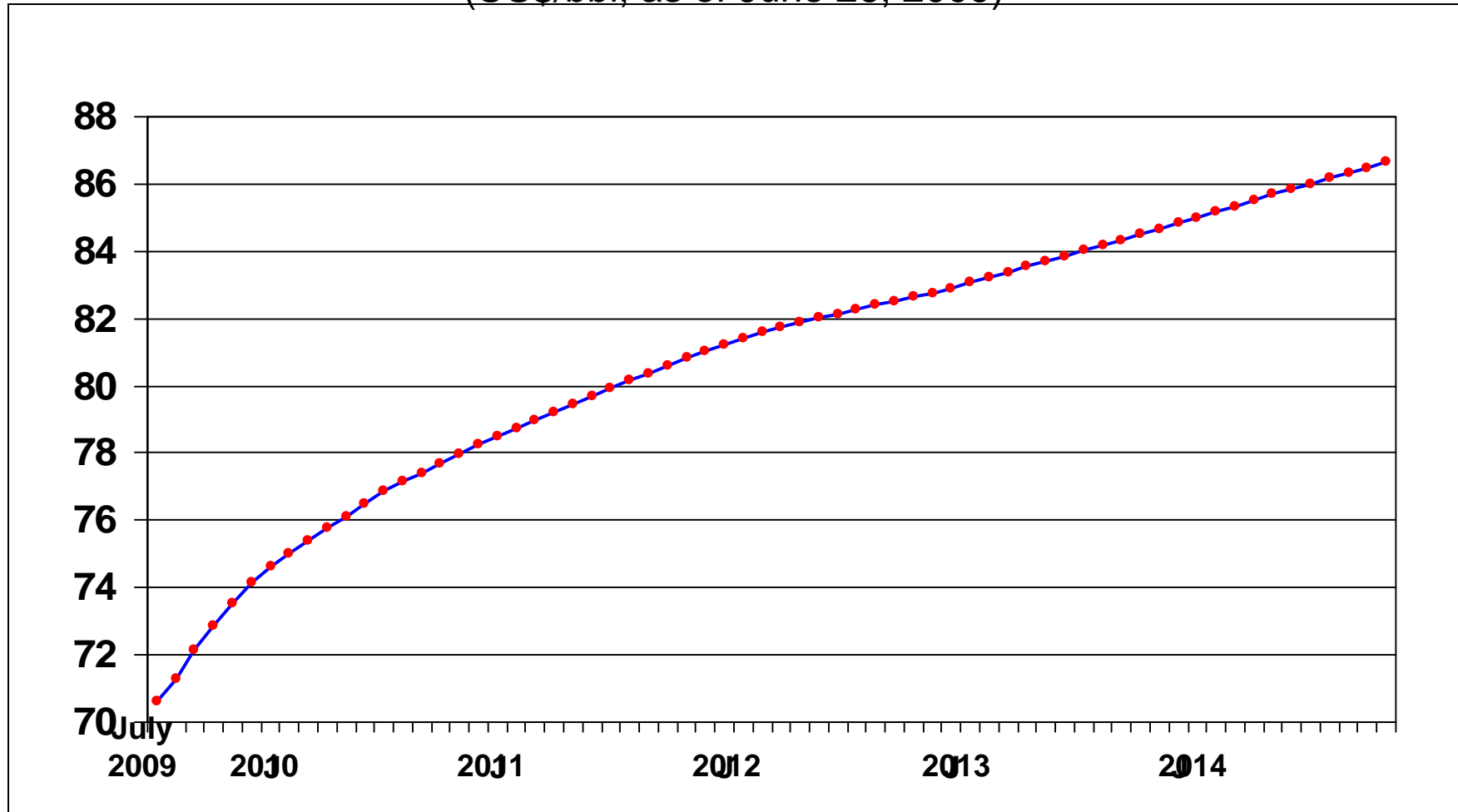
I . Retail trade (malls etc.)

II. Transport, particularly through MRT, LRT, planes

III. Tourism and related services (hotels, restaurants, recreation, airlines)

Threat: Rising Commodity Prices

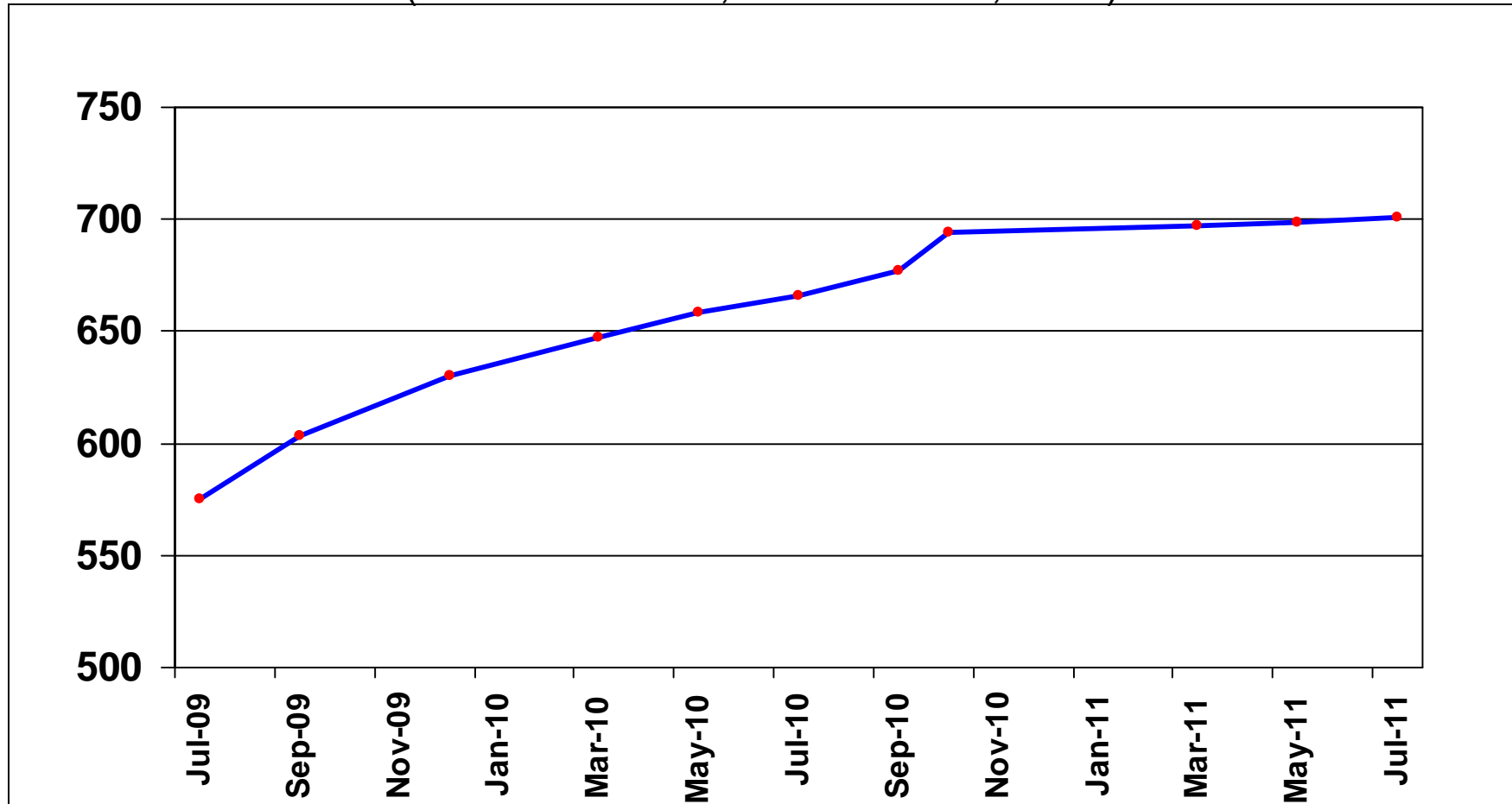
Light sweet crude oil futures prices
(US\$/bbl, as of June 26, 2009)



Threat: Rising Commodity Prices

Soft red winter wheat futures prices

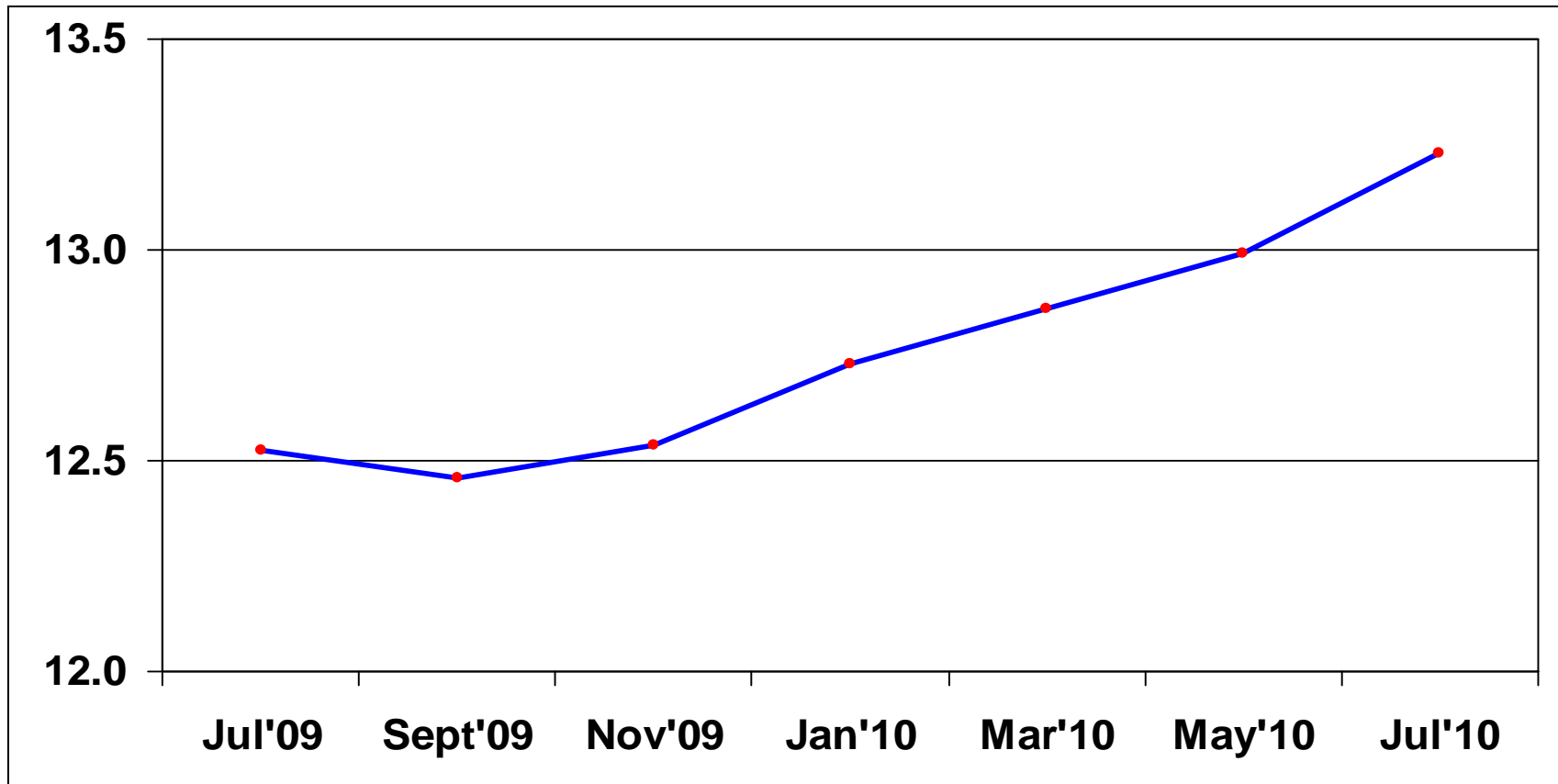
(US cents/bushel, as of June 26, 2009)



Source: Chicago Board of Trade

Threat: Rising Commodity Prices

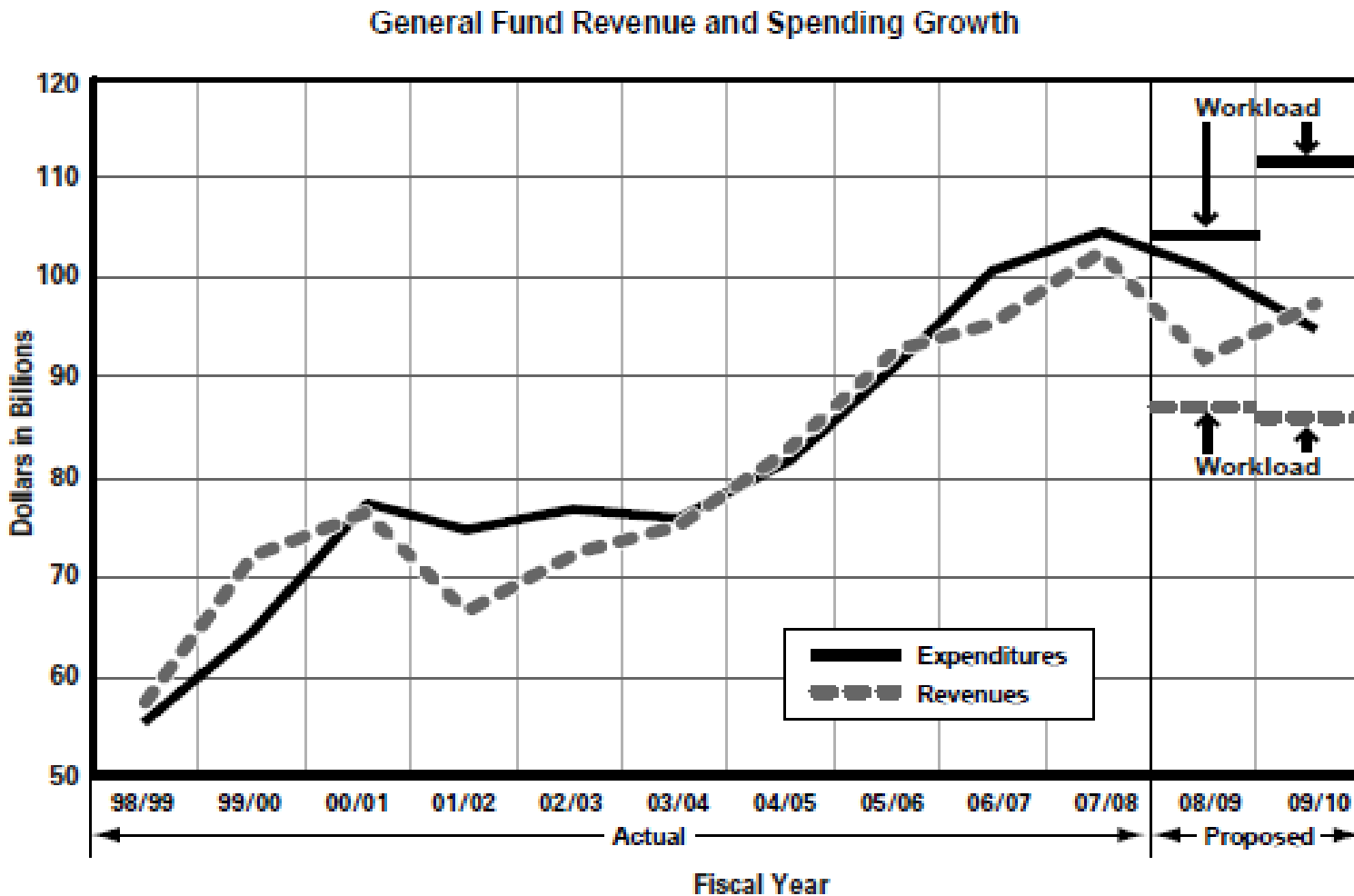
Rough rice futures prices
(US cents/hundredweight, as of June 26, 2009)



Note: U.S. No. 2 or better long grain rough rice with a total milling yield of not less than 65% including head rice of not less than 48%.

Source: Chicago Board of Trade

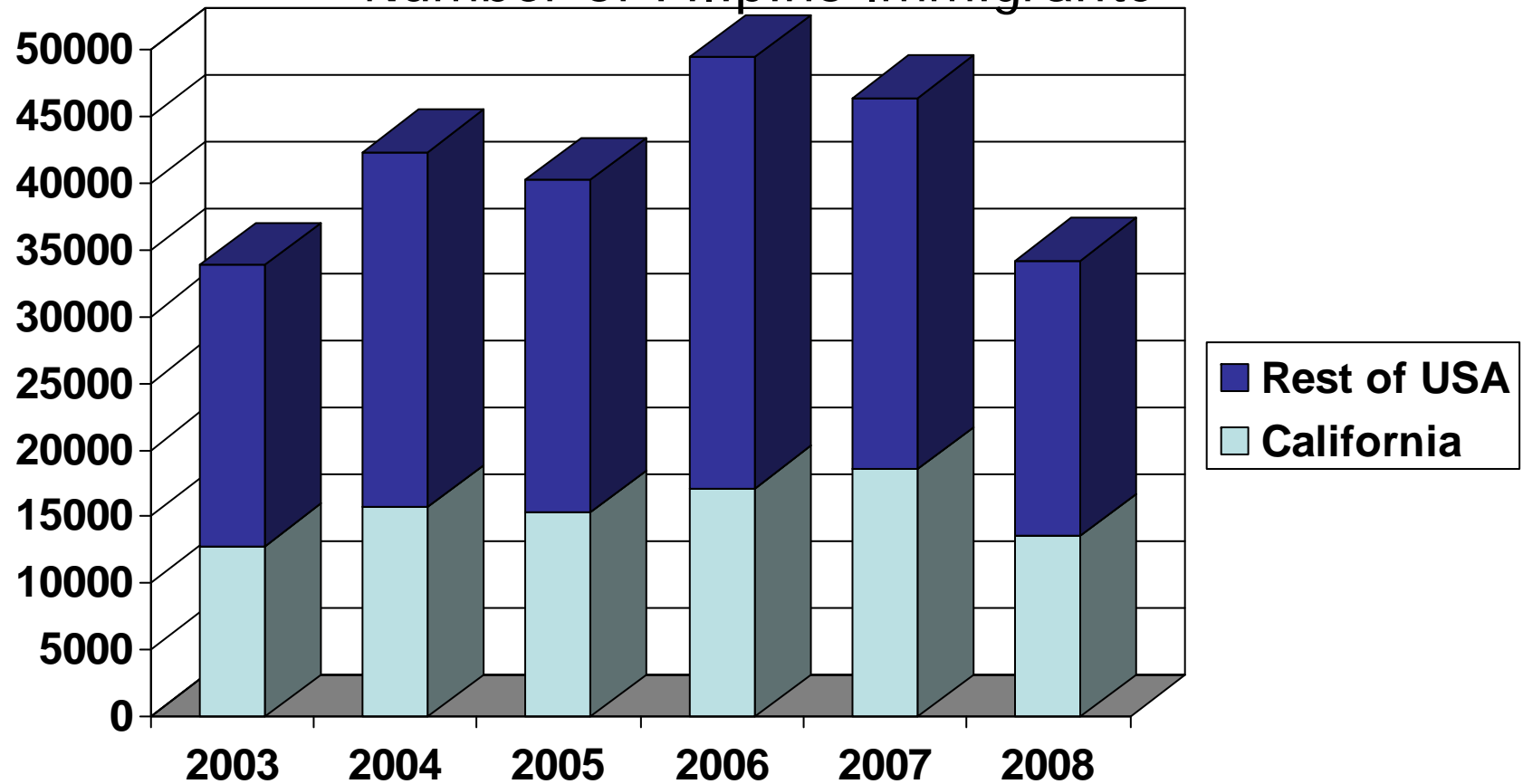
Threat: California declares fiscal crisis



Source: California Governor's Budget Summary 2009-2010

Threat to Filipino immigrants in California, and to remittances

Number of Filipino Immigrants



Threat to exports: worse unemployment abroad

USA

26-year high of 9.6 percent (9.4 percent in May);
Jobless rate expected above 10% by year-end;
15 states already depleted jobless insurance funds;.

Europe

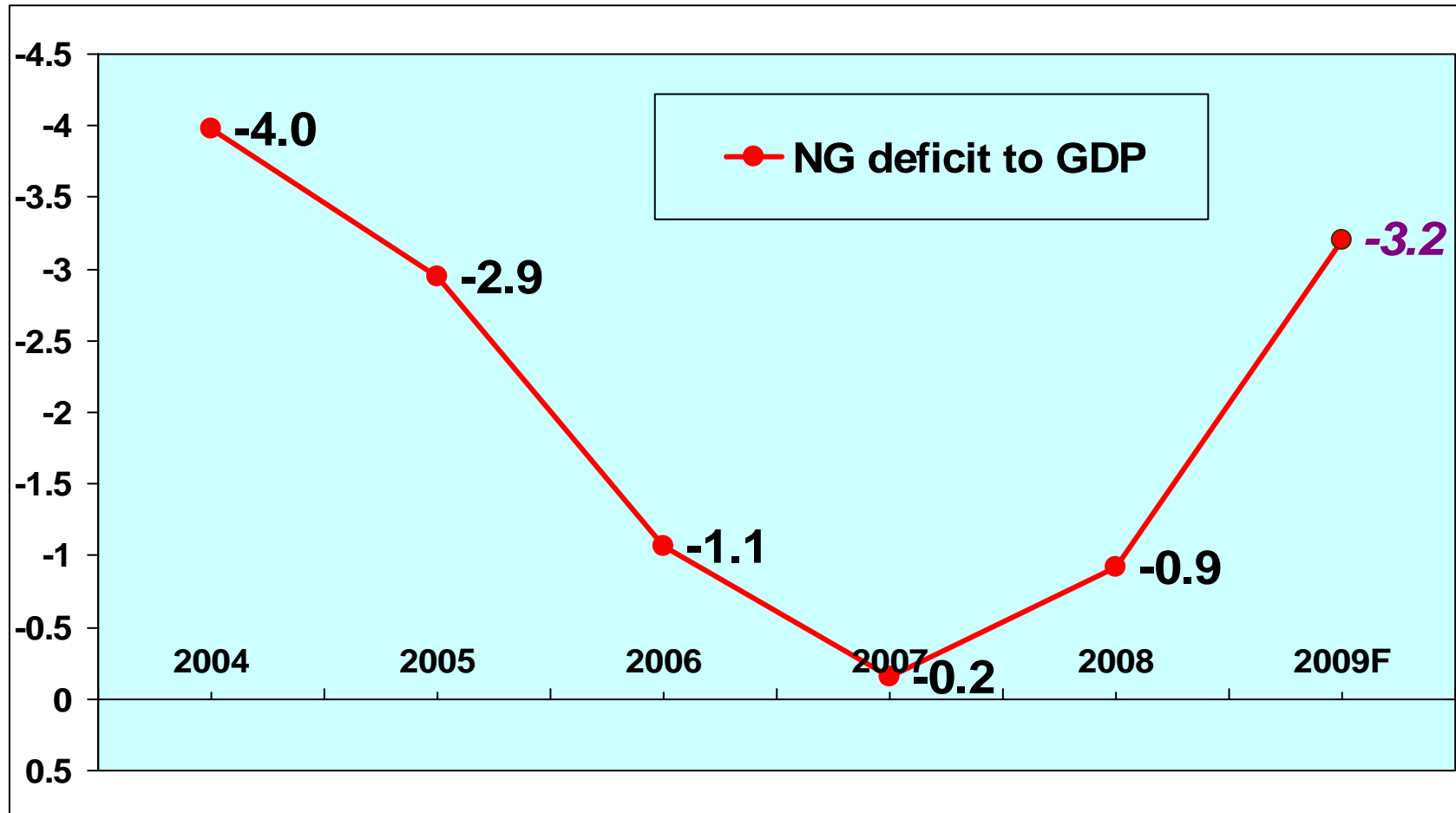
April 2009 Euro area unemployment 9.2% vs. 7.3%
in April 2008;

Highest rate since September 1999;

Unemployed now 14.579 million, a 396,000 increase;

Threat: swelling public deficit

(in percent)



Sources: DBCC

Updates on global developments

President Obama unveils financial regulation plan

- Require all financial firms that pose risk to the system be subject to strong consolidated supervision and regulation
- Increase market discipline and transparency
- Consumer Financial Protection Agency
- Provide government with tools to manage crises so it is not forced to choose between bailouts and financial collapse
- Raise international regulatory standards and improve international coordination

Europe: stress-testing banks; early warning system

- IMF: banks must speed up cleansing of their bad investments to restore confidence and resume the flow of credit.
- IMF director Dominique Strauss-Kahn: banking sector is "probably the biggest downside risk for a 2010 recovery... You'll never recover until the cleansing (of banks) has been completed."
- European officials: but exposing banks' weaknesses may raise their risk of failure.
- IMF setting up early warning system; will be ready by fall meetings in Istanbul, despite governments' objections.

Strengthen the BSP Charter

- Better legal protection of its personnel
- Enhance BSP's power to obtain data from the non-banking sector
- Authority to be more flexible in the conduct of bank examinations based on risk assessment
- Prompt resolution actions for distressed banks
- More flexibility to impose criminal and administrative penalties for violations of banking laws.

Crisis spurs rise of the BRIC countries

Brazil, Russia, India, China

By 2027, China will challenge US as number 1 economy

By 2027, BRIC countries will dwarf the G7 economies

"This is around 10 years earlier than when we first looked at the issue."

-- Goldman Sachs Chief Economist Jim O`Neill

In 2009, as the world economy contracts by 1.1 percent, BRIC economies grow by 4.8 percent.

Goldman's growth forecasts for 2011-2050: India at 6.3%, China at 5.2%, Brazil at 4.3%, Russia at 2.8%

With the BRICS, China speaks with a louder voice

- "They are dominating the world growth picture even more than when the world was booming."
- BRICs trying to form a political club. Summit of Brazil, Russia, India and China held in Yekaterinburg, Russia on June 16
- Possible force for reform in global institutions. Can support China's proposals.
- China investing up to \$ 50 billion in the new IMF notes; Brazil and Russia have followed suit with \$ 10 billion each.

US House passes bill to tax fossil fuels

- Widespread restrictions on CO2 emissions by electric utilities, refiners, chemical firms.
- Aims to cut greenhouse gas emissions by more than 80 percent by 2050.
- Will raise power rates. Will make renewables cost competitive with fossil fuels.
- Opportunity for renewables industry in the Philippines. Example: solar cells manufacturing in Laguna.

Updates on the implementation of the Economic Resiliency Plan

Frontloading Infrastructure Budget

Agency	Commitment (in billion)	Utilization rate		
		Obligation (% of Commitment)	Disbursed (% of obligation)	Period
DPWH	62.785 <i>(1st sem)</i>	93%	36%	<i>June 19</i>
DOTC	12.975 <i>(1st sem)</i>	77%	12%	<i>June 30</i>
DA	16.150 <i>(1st quarter)</i>	76%	67%	<i>June 30</i>
DepEd	2.8 <i>(1st quarter)</i>	103%	30%	<i>May 31</i>

DPWH *Status of commitment, June 19, 2009*

1 st Sem Commitment:	PhP 62.785 B
Obligation:	PhP 58.306 B
Disbursement:	PhP 20.826 B

- Bid out 1,572 projects
- 403 projects completed, 1090 on-going

DOTC *Status of commitment, June 30, 2009*

1st Sem Commitment: PhP 12.975 B

Obligated: PhP 9.947 B

Disbursed: Php 1.140 B

DA *Status of commitment, June 30, 2009*

1st Qtr Commitment: PhP 16.150 B

Obligated: PhP 12.234 B

Disbursed: PhP 8,162 B

- 380.3 km of Farm-to-Market Road projects constructed vs. 1,440 kms target
- 91,278 hectares Irrigation projects rehabilitated/restored vs. 208,263 hectares target

DepEd *Status of commitment, May 31, 2009*

1st Qtr Commitment: PhP 2.800 B

Obligated: PhP 2.896 B

Disbursed: PhP 0.878 B

- construction of 943 new classrooms and repair/rehab of 1,761 existing completed;
- Construction of 3,912 new toilet facilities and repair/rehab of 175 completed.

Comprehensive Livelihood and Emergency Employment Program

INDICATORS	PLAN	ACCOMPLISHMENT	
	(as of 6 July 2009)	(as of 6 July 2009)	% to Plan
Jobs Generated	203,278	117,800	58%
Individuals Employed	435,606	237,611	55%
Total Budget Allocation (in billion pesos)	13.58	Amount Obligated: 7.07 Utilization Rate: 52.07 percent	

Source: National Anti-Poverty Commission

Major Social Protection Programs

Program	2009 Target Beneficiaries	Status of Implementation
4Ps /1	700,000 poor households	375,829 poor households (Jan '08-May '09) (53.89% of target)
SEA- K /1	14,105 families	3,523 families (Jan-Apr '09) (24.94% of target)
Food for School /2	448,043 children	ongoing
Microfinance Lending /3	No target set for 2009	275,620 new clients (Jan-March '09)
Source: /1 DSWD /2 DepEd /3 PCFC, SBC, DBP, LBP, NLDC, Quedancor	400,000 new jobs	127,788 new jobs (Jan-March '09) (31.94% of target)