



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

Acting Director-General Augusto B. Santos
National Economic and Development Authority

May 11, 2010

GLOBAL DEVELOPMENTS

European Union, IMF, Greece, agree on aid package

- EU-IMF bailout of 110 billion euros (\$ 140 billion)
- 80 billion euros from EU, 30 billion euros from the IMF
- Emergency summit of 16 Euro-zone leaders in Brussels, May 7, to flesh out details
- Rescue loans aim to contain the crisis
- Parliament of Greece votes 172-121 to approve austerity measures



Deadly violence erupts in Greece over harsh austerity measures

- Austerity package includes cuts on salaries of civil servants, pensions; hikes in taxes
- Greece on “the edge of the abyss” – President Papoulias
- General strike shuts down much of the country
- Demonstrators try to storm parliament; thugs throw Molotov cocktails at bank, 3 killed
- Communists unfurl banner at the Acropolis: “Peoples of Europe, rise up!”



May 6, 2010: Dow Jones in worst drop since 1987; partially recovers

- Drop of 998.5 points worse than after September 11, 2001 and after collapse of Lehman Brothers
- 20 minutes after 2:25 p.m. – share prices of Top 30 firms fell 9%
- Trader error suspected at first; unproven so far
- Follows 3 days of stock decline due to fears over Greece

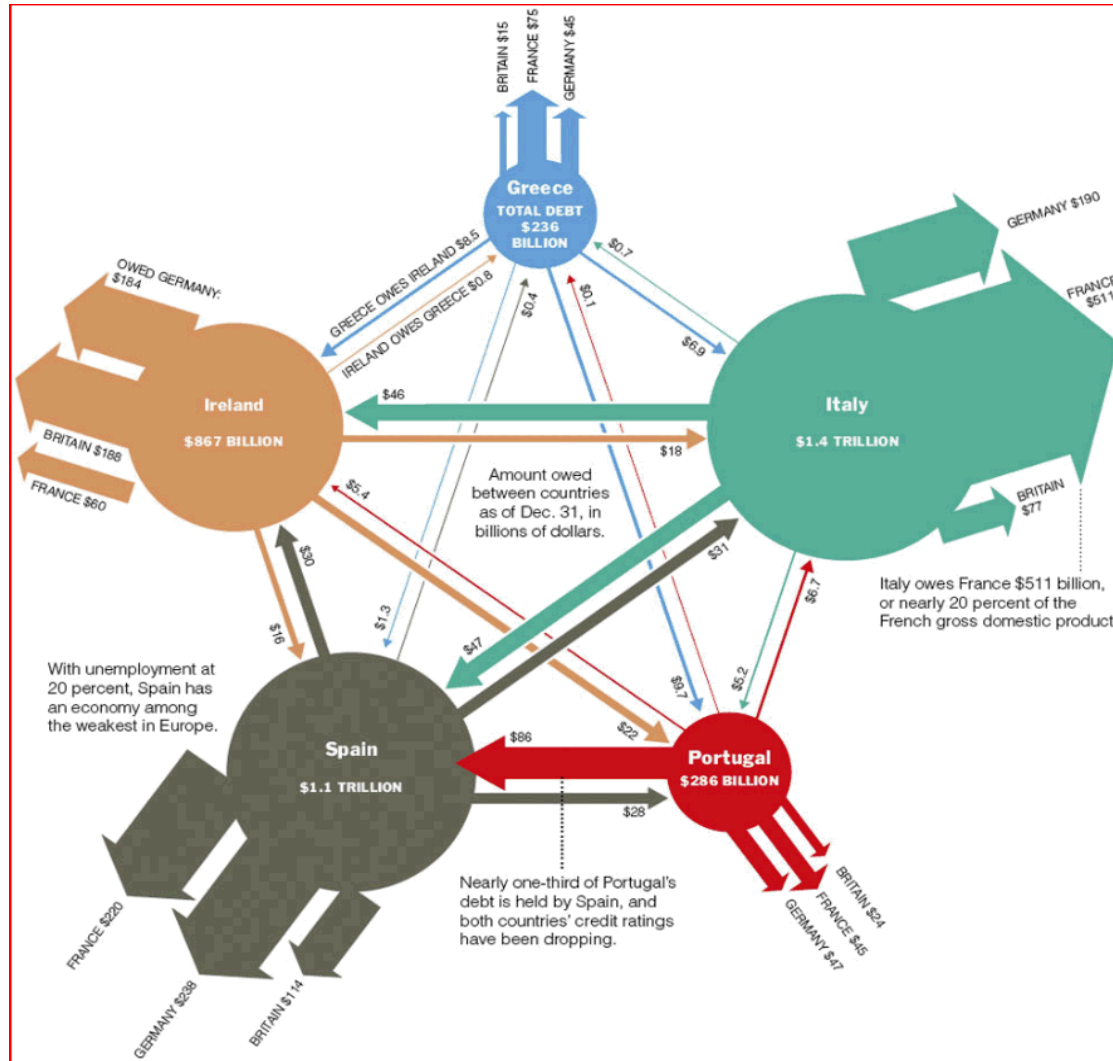


Market shock across the globe; Spain under speculative attack

- London's FTSE - 2.62%
Paris' CAC 40 - 4.60
Frankfurt's DAX -3.27
Tokyo's Nikkei -3.10
- Spain suffers 3 straight days of losses after downgrade by Standard and Poor's
- Spanish govt. threatens legal action against speculators
- "This is the deepest and most profound crisis we have had in Spain in five decades, since the Spanish Civil War"
– former Sec. of State Luis de Guindos



Europe's web of debt



Better US job generation – but unemployment rises

- Economy improves, as 290,000 jobs were created in April
- Pres. Obama: labor data were “very encouraging” signs that the economy was emerging from the doldrums of recession
- But unemployment rate went up to 9.9% from 9.7% in March, as more entered the labor market
- Length of the recession may be pushing more people back to work. "Unemployment benefits are running out for some workers, pushing families harder into the jobs market" – Prof. Peter Morici, University of Maryland



UK hung parliament leads to drop in pound sterling

- David Cameron's Conservative Party leads, but no party wields majority control
- Minority government dilutes political will to solve UK's fiscal problems
- Hence, the pound fell from \$1.4869 to \$1.4478 against the dollar – a fresh one-year low



Use of mobile broadband to surge by 2015

- Ericsson: the number of people using mobile broadband to access the Internet will leap from 400 million today to 3.5 billion by 2015 – an 8-fold increase
- Global mobile broadband use in five years would surge to the same level as the use of today's conventional mobile services of voice and text messaging
- 2020: there will be 6 billion mobile phone subscribers

LOCAL DEVELOPMENTS

Impact of the elections

- Initial simulations: elections may add 0.3 percentage points to GDP growth.
- On the other hand, investors may hold back till the winners are known. Investment data will be clearer after Q1 GDP figures are released on May 27.
- Will likely revise upwards the 2010 GDP growth estimate of 2.6 to 3.6 percent after May 27.
- Nil effect on inflation – campaigning today has shifted more to mass media, which does not show up in the CPI basket.

Ayala Land posts record net income

- “The company registered its highest ever core net income of any quarter, at P1.2 billion,” Ayala Land said in a statement
- First quarter profit up 32% from P 907 billion last year
- Profits from premier housing rose by 41%, profits from middle income and affordable housing up by 30%



Banks net income up 70% in 2009, despite crisis

- Bangko Sentral report: P 69.5 billion net income of banking sector in 2009, or a 70 percent increase from P 41.4 billion in 2008
- Reverses 34 percent decline in 2008
- Total assets of the banking sector rose by 9 percent to P6.19 trillion in 2009 from P5.68 trillion in 2008.
- Key reforms after the Asian Crisis made the Philippine banking system less vulnerable to financial crises

Power should be attractive to investors: Aboitiz profits up almost 20-fold

- Aboitiz Power Corporation posted a net income of P7.4 billion in the first quarter of 2010. This is nearly 20 times the figure for 2009.
- Despite the difficulty of running hydropower plants amidst the El Nino.
- Due to the earnings contributed by generation assets acquired in 2009: Tiwi-Makban geothermal power plants, two 100-MW bunker-fired power barges, 700-MW Pagbilao coal-fired power plant .



Philippines must do more to get off piracy watch list

- Philippines is still in annual US watch list of nations notorious for copyright violations
- Because 2009 review of US Trade Representative's Office was "inconclusive"
- Focus for 2010 review: pending establishment of courts for IP cases, passing laws to punish illegal camcording, and implementation of a global IP treaty.



BIR beats April target despite typhoon damage and revenue-eroding measures

- Target for April: P 86.2 B
- Actual collections: P 87.1 B
- Remarkable because collection base suffered due to typhoon damage and the passage of revenue-eroding measures
- Companies had reported P 30 billion in losses due to typhoons
- Added pressure from fall in corporate tax from 35 to 30 percent, and from expanded exemptions on income taxes

RP second to Singapore in ASEAN to implement National Single Window

- Coming soon – system to ease the processing of import documents
- National Single Window system: linking 10 agencies that handle 80 percent of import permit transactions
- Importers will submit documents only once, and they will be processed all at the same time
- Result: more efficiency and transparency

The case for multiplying SWIPS and irrigation ponds

- Former Agriculture Minister Jesus Tanchanco: the three things farmers need the most are 1) water, 2) water, and 3) water. All other inputs like fertilizers are secondary.
- Catch basins can provide farmers with additional crops, fighting dry season unemployment
- Can raise fish as well
- Constructing ponds can create jobs for rural folk



END OF PRESENTATION