



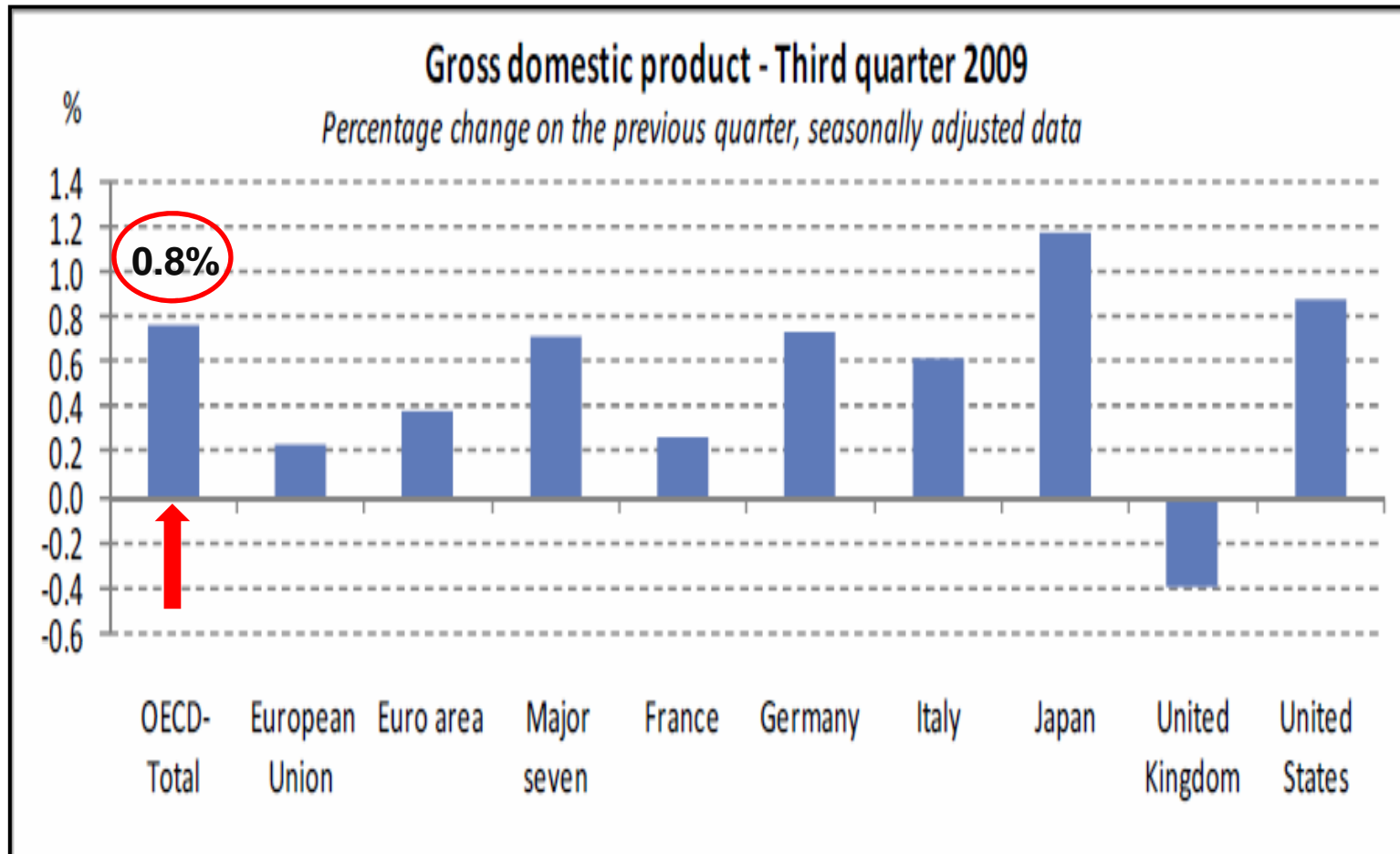
Global Recession Impact News (GRIN) and Positioning for the Rebound

**Acting Secretary Augusto B. Santos
National Economic and Development Authority**

December 08, 2009

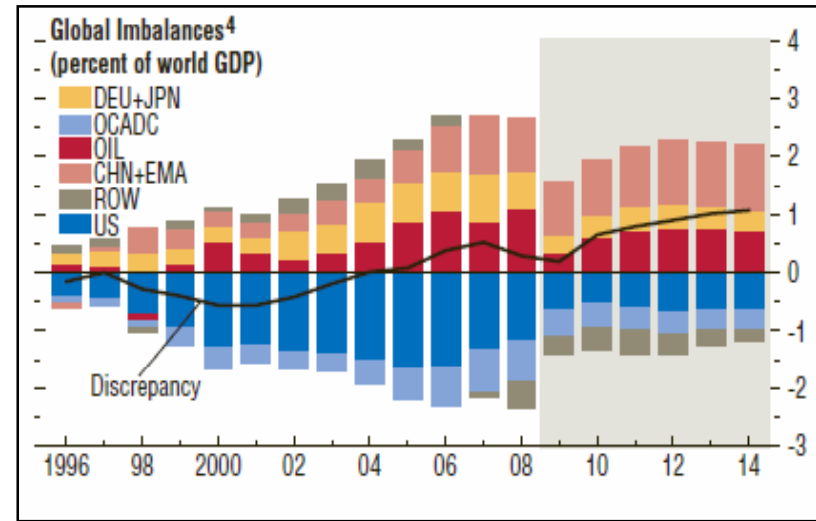
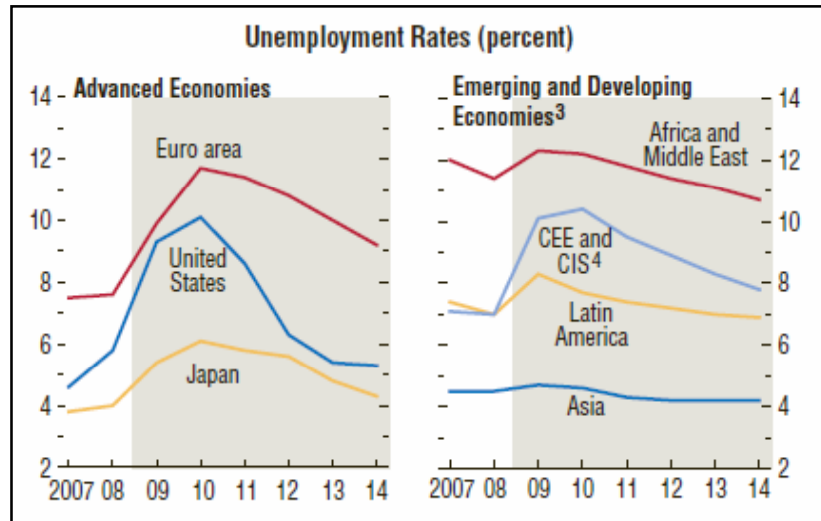
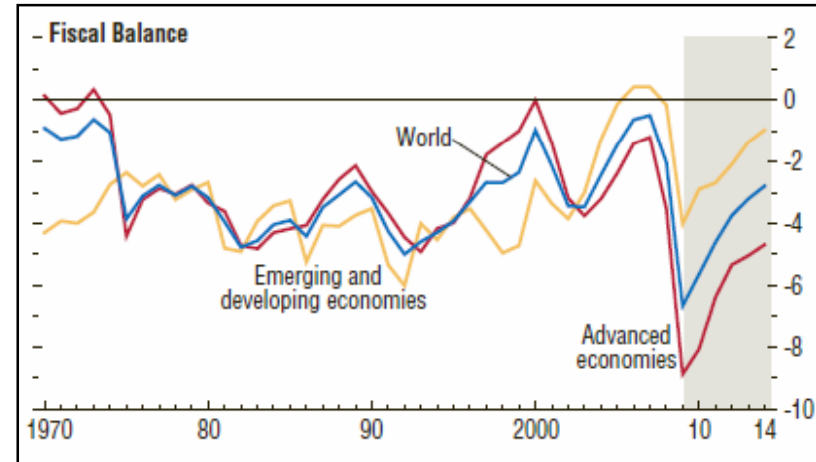
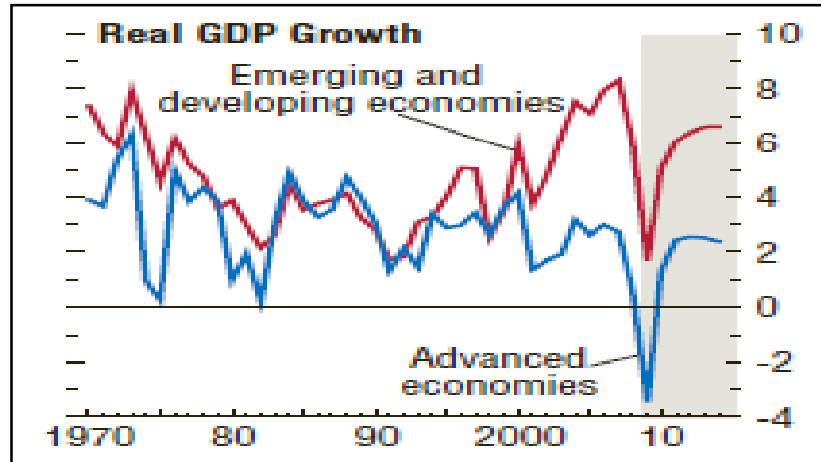
GLOBAL DEVELOPMENTS

OECD economies rebound



Source: <http://www.oecd.org/dataoecd/54/3/44114751.pdf>

Recession leaves permanent scars



Source: <http://www.imf.org/external/pubs/ft/weo/2009/02/index.htm>

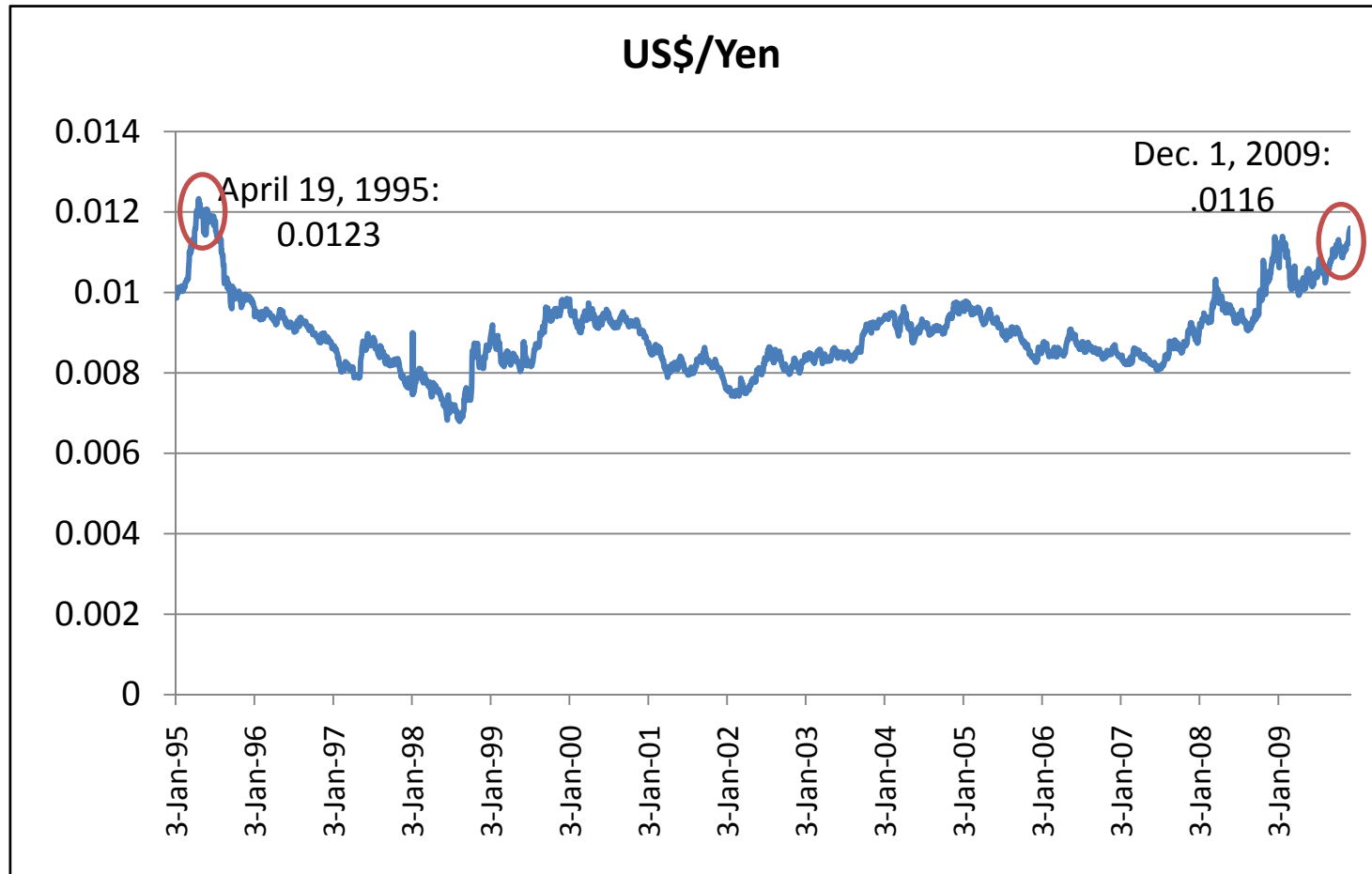
Better to err on side of caution for exit plans

“It is too early for a general exit. We recommend erring on the side of caution, as exiting too early is costlier than exiting too late.”

-- Dominique Strauss-Kahn, IMF Chief



US dollar falls to lowest level against yen in 14 years



Sources: Federal Reserve, Bangko Sentral ng Pilipinas

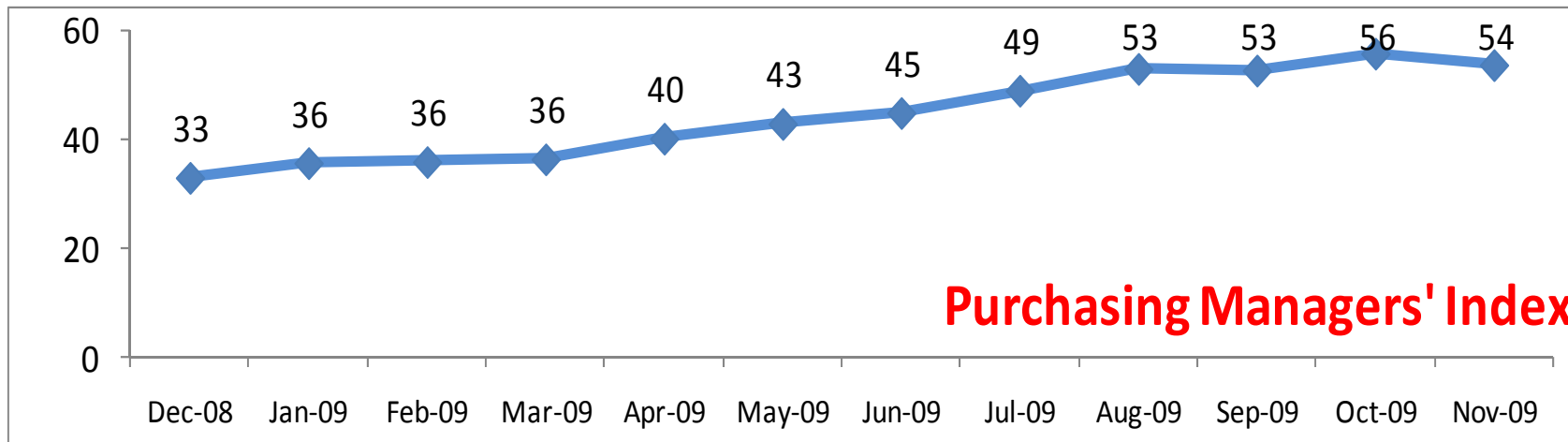
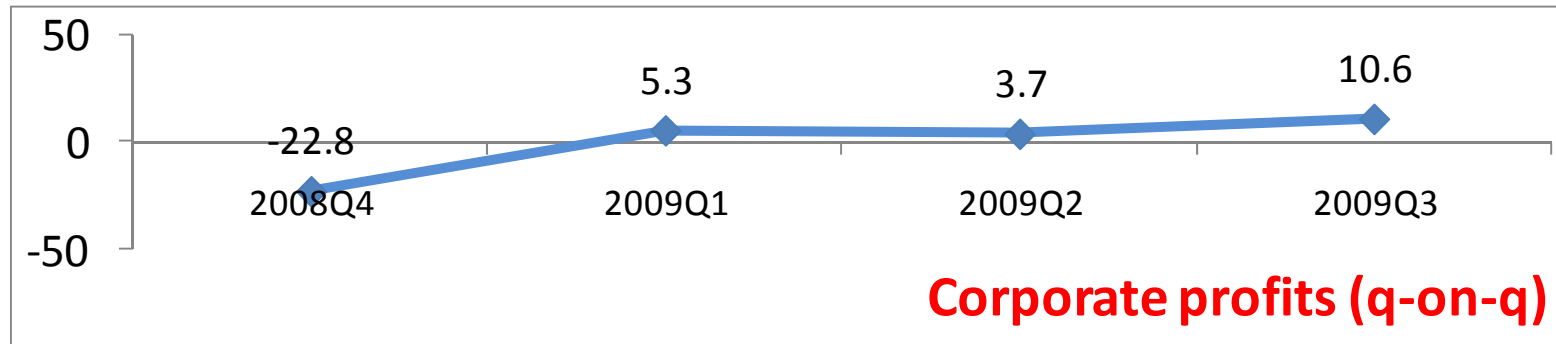
US to strengthen ties in the region

“Cultivating spheres of cooperation – not competing spheres of influence – will lead to progress in the Asia Pacific. ”

- ✓ *To integrate with the Asia-Pacific region via APEC*
- ✓ *To deepen relations with ASEAN*
- ✓ *To engage in East Asia Summit*

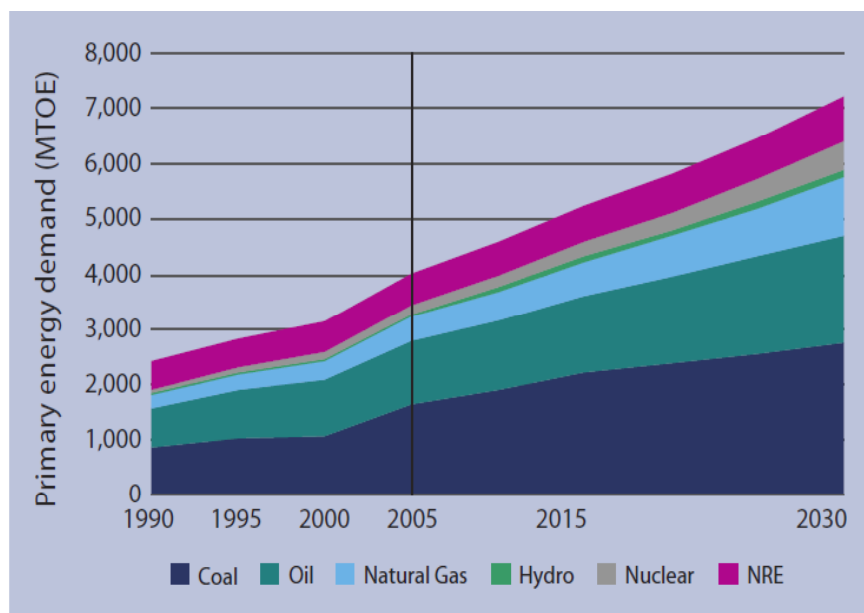
– *US President Barack Obama*
Tokyo, 14 November 2009

Performance of US industries continues to improve

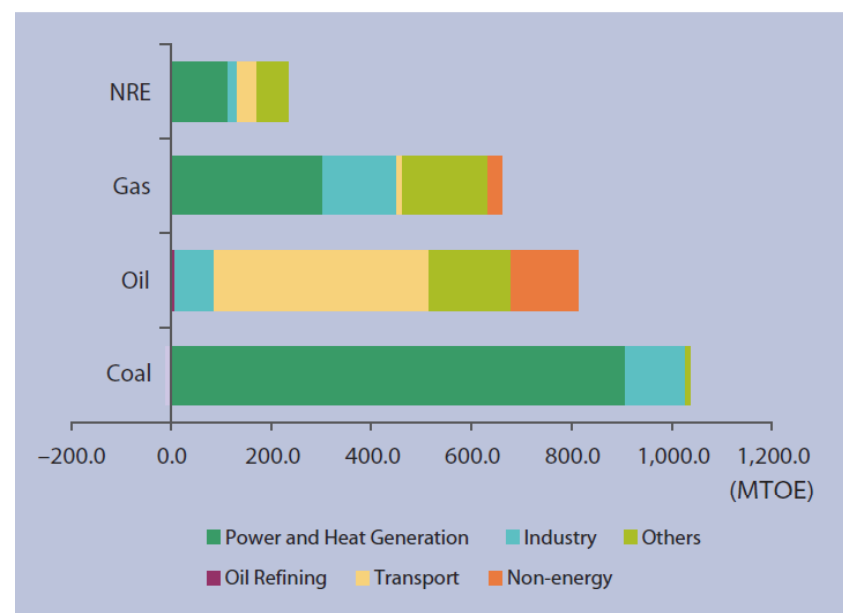


ADB sees rapid rise in Asia-Pacific's energy needs

Primary Energy Demand in Asia-Pacific, 1990-2030



Incremental Demand Growth By Sector, 1990-2030



- Energy demand in Asia-Pacific is projected to increase at an annual rate of 2.4%.
- Coal will maintain the biggest share of primary energy, at 38.3% in 2030, followed by oil at 27.0%, natural gas at 14.5%, others (mainly new and renewable energy sources, including biomass) at 11.2%, nuclear at 7.1%, and hydro at 2.0%.
- Net imports of fossil fuels in Asia-Pacific are expected to increase from 584.9 MTOE in 2005 to 1,385.1 MTOE in 2030—more than doubling from the 2005 level to 2030.

UN: Greenhouse emissions reach 'record' level

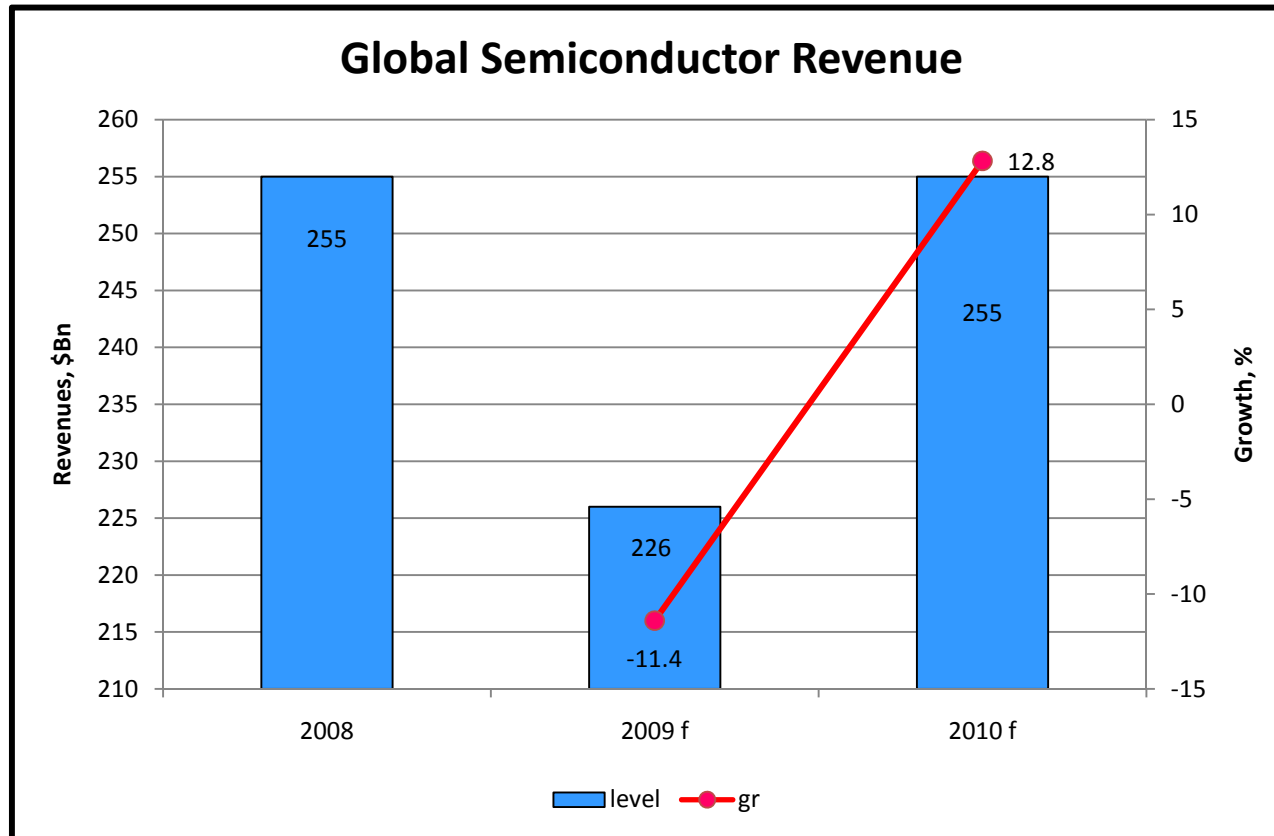
Unprecedented levels for carbon dioxide, methane, nitrous oxide

-- UN World Meteorological Organization

Antartica ice loss faster than previously thought.

West Antartica has enough frozen water to raise ocean levels by 5 meters.

Global semiconductor revenue to rise by 13% in 2010



Source: <http://www.gartner.com/it/page.jsp?id=1228116>

Ease of paying taxes

key to revenue collection

- **Paying Taxes 2010** – A World Bank report which measures the ease of paying taxes by assessing the administrative burden for companies to comply with tax regulations.
- **Singapore**, ranked 5th as one of the easiest places in which to pay taxes. (1st – **Maldives**, 2nd – **Qatar**, 3rd – **Hong Kong**, 4th – **UAE**)
- Out of the 183 countries surveyed, the **Philippines** ranked 135th, **Malaysia** at 24th, **Cambodia** 58th, **Thailand** at 88th, **Indonesia** 127th and **Vietnam** 147th

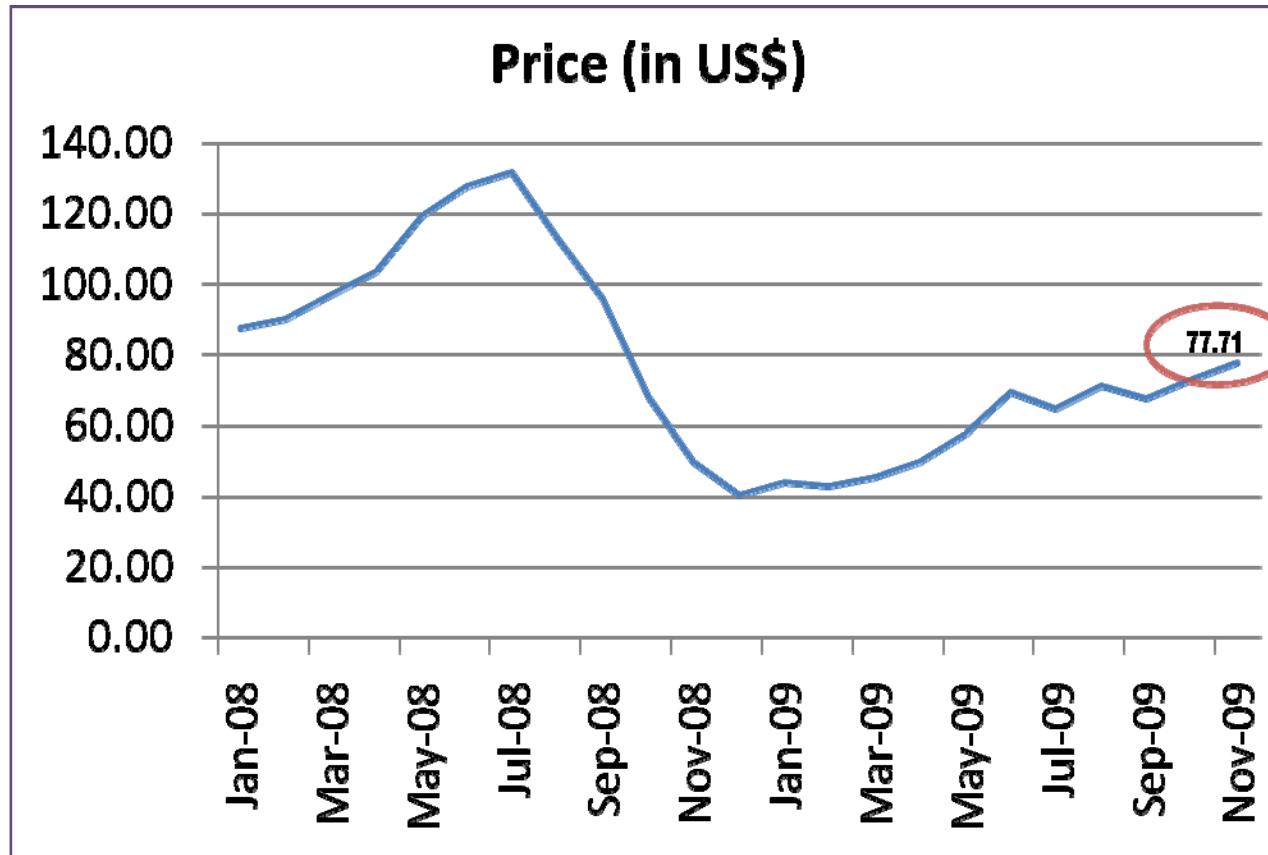
China catching up with India in race to speak English

Improvement in English skills of Indians is too slow

Causes: huge shortage of teachers, low quality of teaching and research, lack of English-medium education

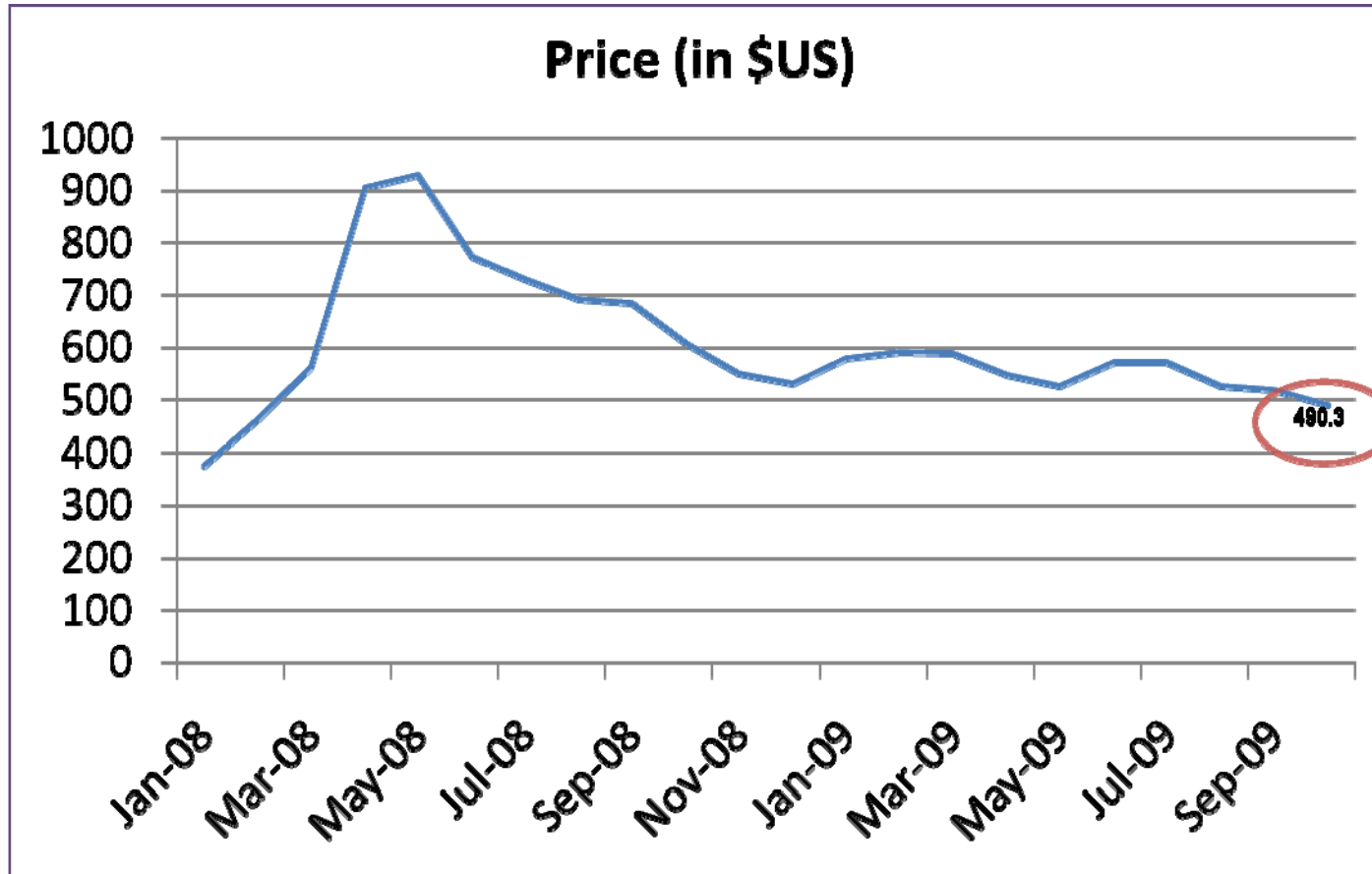
Source: the study “English Next India” published by the British Council

Dubai oil prices



Source: DOE

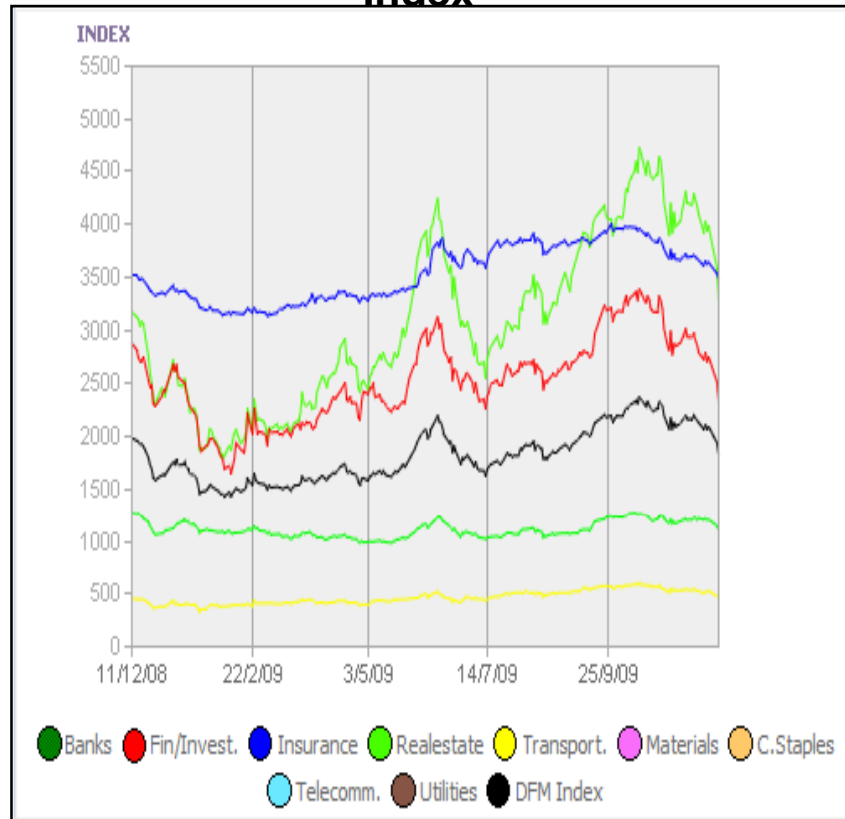
Global rice prices



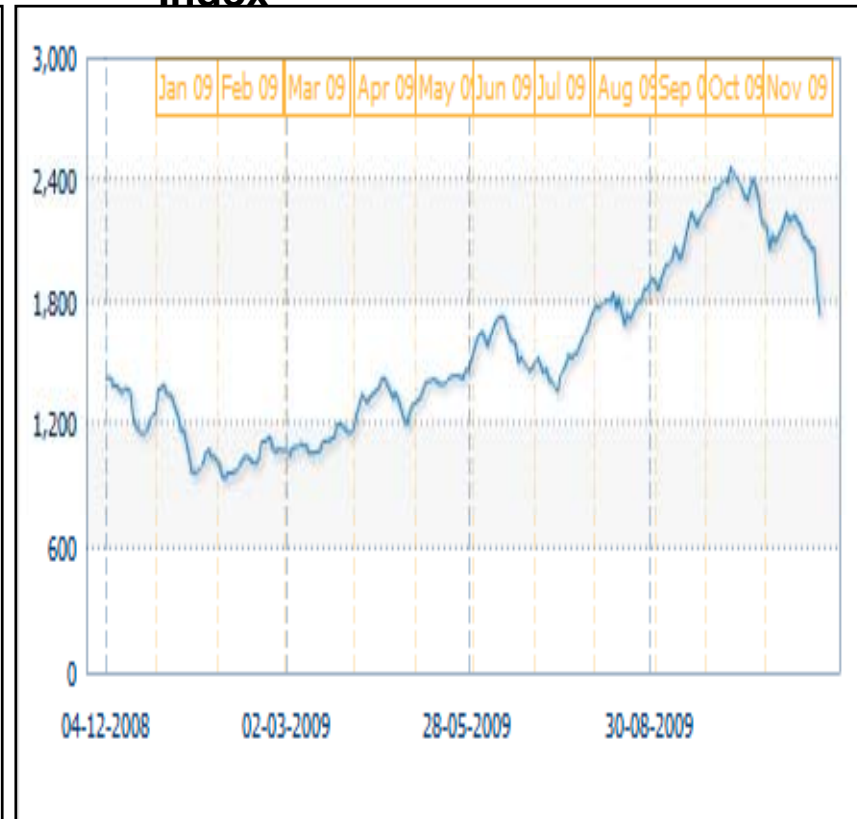
Source: World Bank pinksheets

“Dubai World” crisis recedes

Dubai Financial Market (DFM) Index



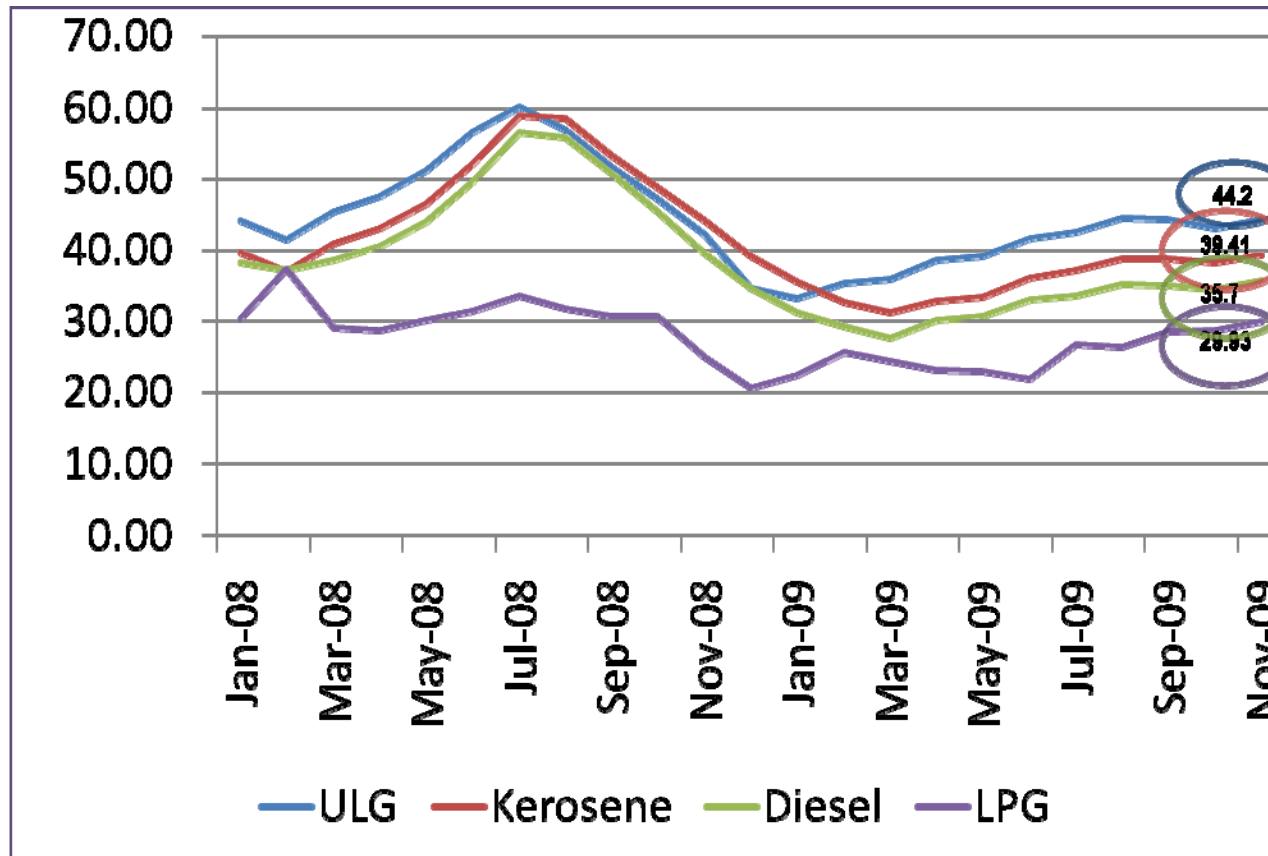
FSTE/NASDAQ Dubai Index



Sources: *Dubai Financial Market, NASDAQ Dubai*

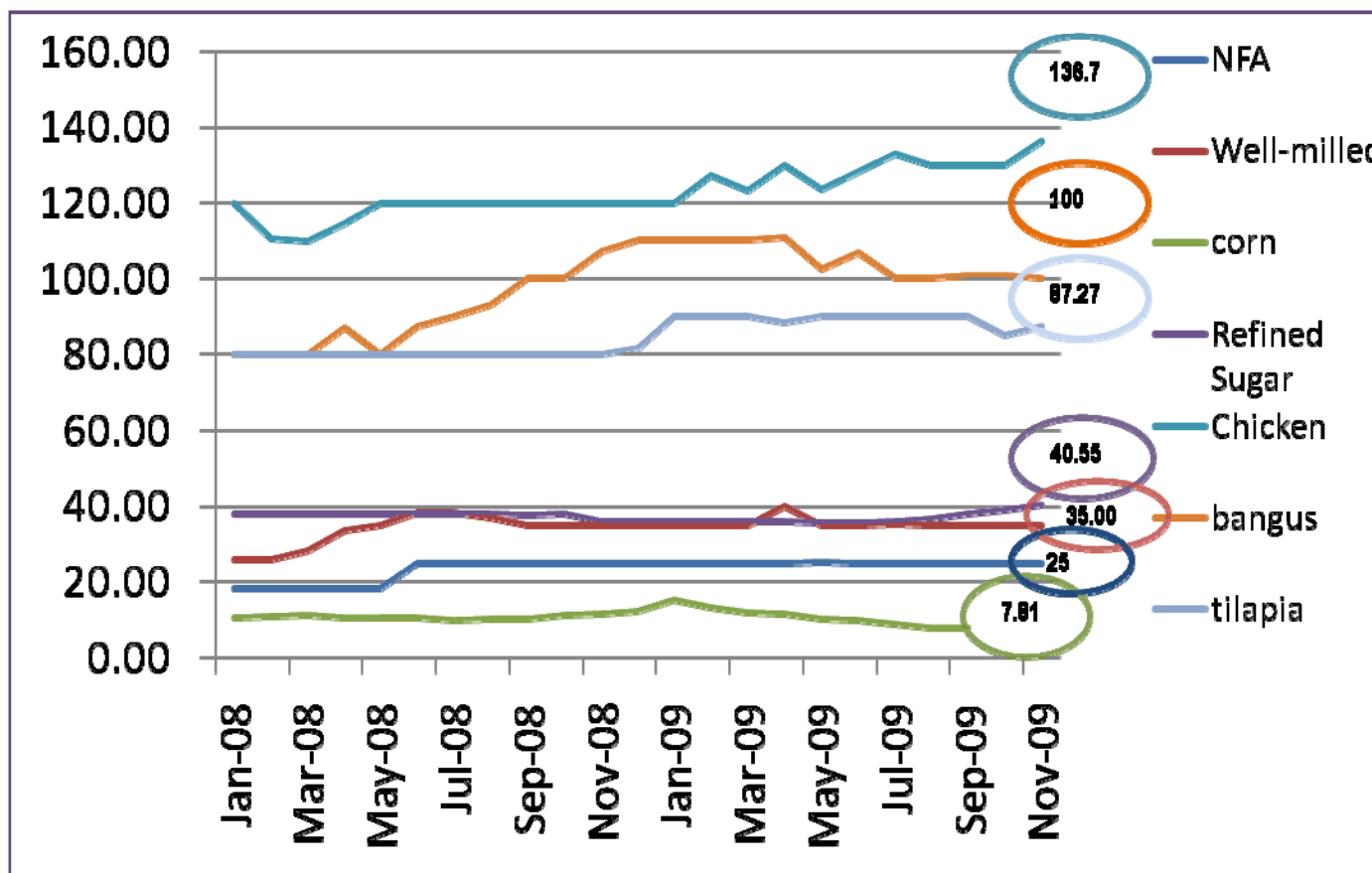
LOCAL DEVELOPMENTS

Domestic pump prices



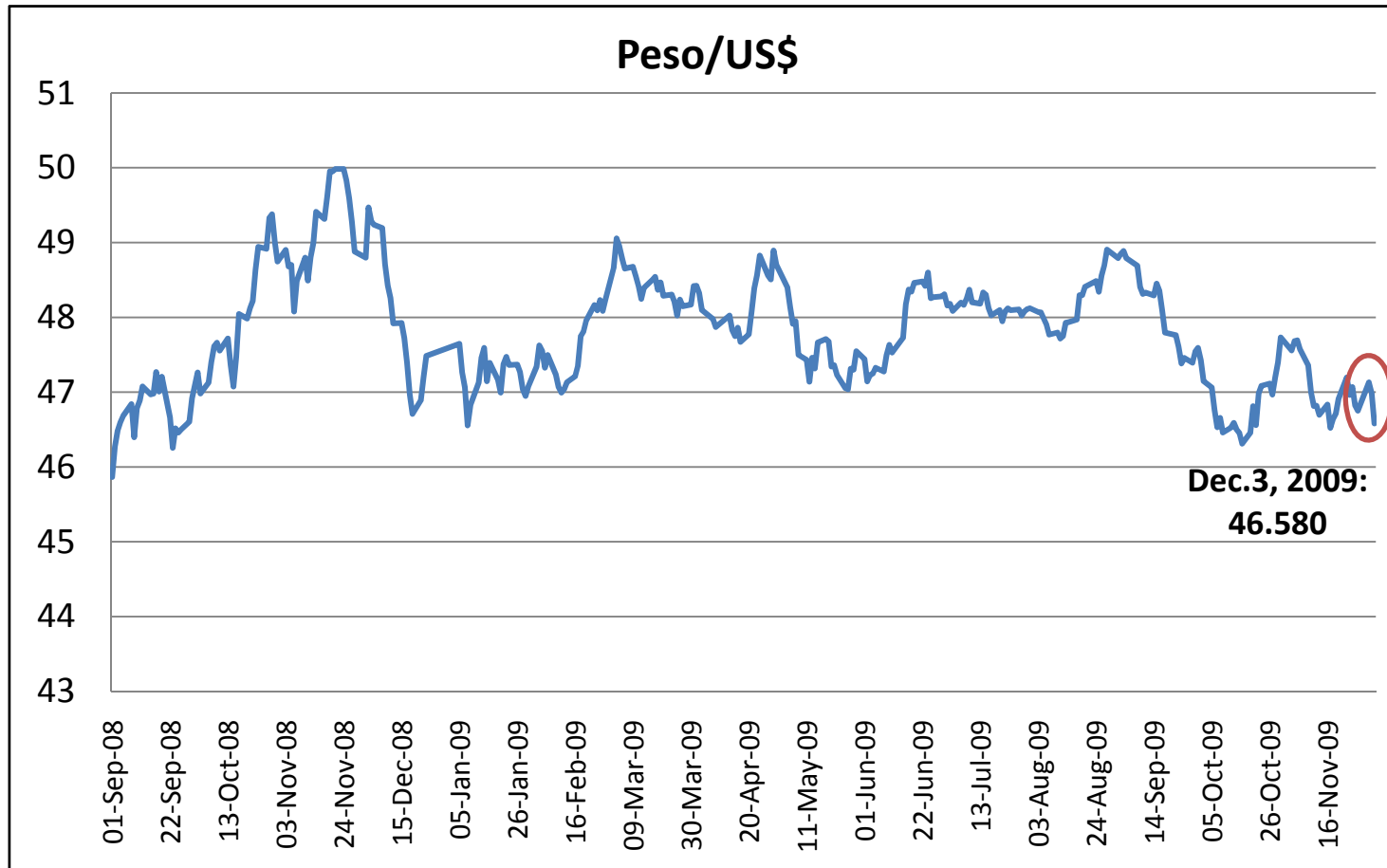
Source: DOE

Selected domestic commodity prices



Source: BAS

Peso-Dollar exchange rate



Source: *Bangko Sentral ng Pilipinas*

The economy posted sluggish growth in 3rd quarter

	2009 Q1- Q3 Economic Performance		
	Q1	Q2	Q3
GNP	3.1	3.2	3.5
GDP	0.6	0.8	0.8
NFIA	25.8	23.9	26.0

Supply-side growth rates

	2009			2008	2009
	Q1	Q2	Q3	Q1-Q3	Q1-Q3
Agriculture Fish, Forestry	2.1	0.2	1.6	3.4	1.3
INDUSTRY	(2.5)	(1.7)	(4.4)	4.8	(2.9)
Mining	19.5	22.1	26.9	(2.3)	22.4
Manufacturing	(7.6)	(7.4)	(7.6)	4.7	(7.5)
Construction	14.0	14.0	1.3	5.9	9.7
Utilities	0.6	(4.9)	(2.2)	8.4	(2.3)

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Supply-side growth rates

	2009			2008	2009
	Q1	Q2	Q3	Q1-Q3	Q1-Q3
SERVICES	2.0	2.7	4.0	4.1	2.9
Transport, comm. & storage	5.6	1.0	(0.8)	4.2	2.0
Trade	0.4	2.7	4.5	1.7	2.7
Finance	1.2	5.8	11.7	5.0	6.0
Ownership of dwelling & real estate	0.7	(2.5)	(0.4)	7.1	(0.7)
Private services	2.5	2.1	4.0	5.8	2.9
Government services	1.1	8.7	6.3	5.3	5.4

Demand-side growth rates

	2009			2008	2009
	Q1	Q2	Q3	Q1-Q3	Q1-Q3
Private Consumption	1.3	5.4	4.0	4.5	3.6
Government Consumption	4.5	9.7	7.9	3.4	7.5
Investments	(15.1)	(10.3)	(11.3)	6.8	(12.2)
Fixed Capital	(7.2)	(3.9)	(1.6)	3.8	(4.3)
Change in Inventories	(139.0)	(160.4)	(302.6)	186.8	(182.9)
Exports	(14.7)	(18.1)	(13.6)	0.9	(15.5)
Export of Goods	(24.6)	(22.4)	(14.6)	0.5	(19.9)
Imports	(20.6)	(2.2)	0.2	1.5	(7.0)
Import of Goods	(22.6)	(2.1)	1.4	0.3	(7.1)

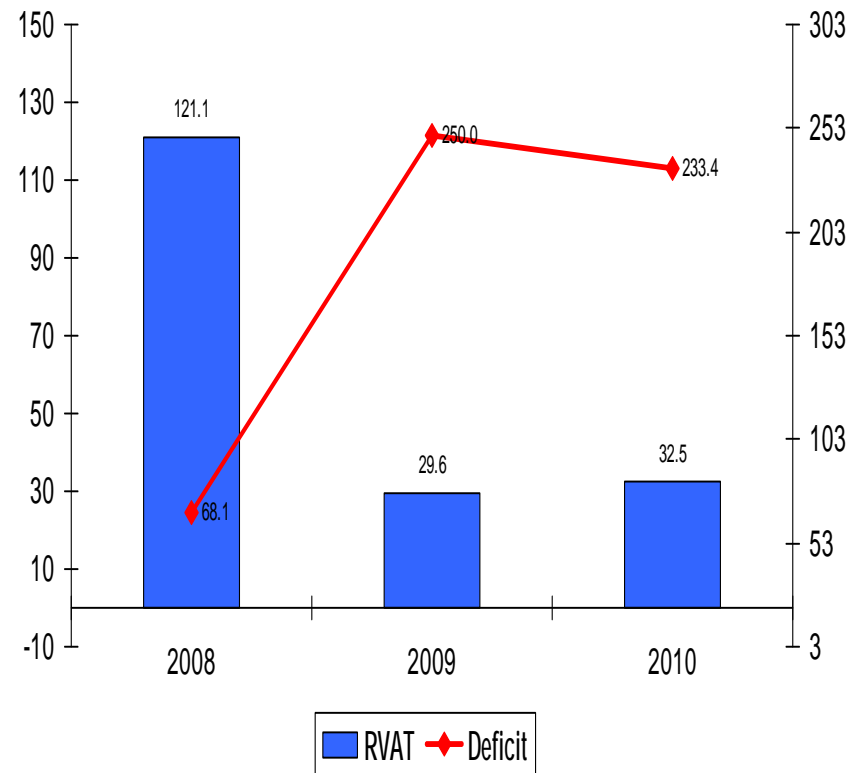
Source: National Income Accounts, NSCB

IMF: revenue-eroding measures cramp fiscal space, threaten fiscal viability

Laws with negative impact on revenues:

(in billion pesos)

1. Personal exemption for individual taxpayers and additional deductions for dependents (RA9504)	(26.0)
2. Creation of National Transmission Grid	(9.0)
3. RA 9505 (PERA)	(7.0)
4. Tourism Incentives	(3.0)
5. Abolition of DST on secondary trading of stocks	(1.4)
TOTAL	(46.4)



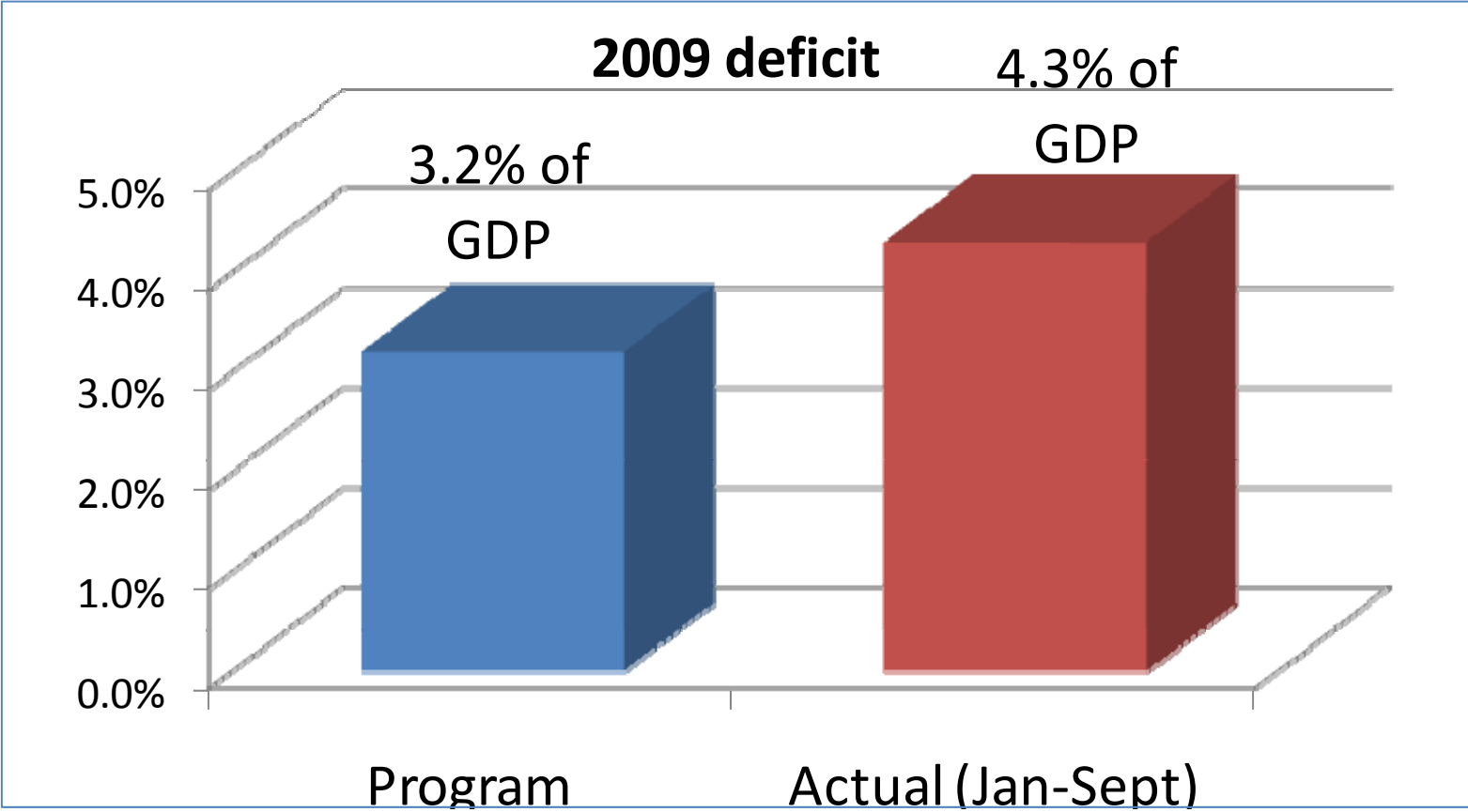
Source: Department of Finance

Revenue-eroding measures cramp fiscal space, threaten fiscal viability

Pending Legislative Proposals:	(in billion pesos)
1. Creation of Special Economic & Freeport Zone in Bataan, Ilocos Sur, Cebu, Davao, and Samal	(15.0)
2. Reduced NG share from royalties from indigenous energy sources to effect a reduction in electricity rates	(14.9)
3. Re-imposition of franchise tax on power distribution	(7.1)
4. Income and DST exemptions of Real Estate Investment Trust	(5.3)
5. Exemption of hybrid vehicles from excise tax and VAT	(2.7)
6. Abolition of premium tax on life insurance policies	(1.8)
7. Abolition of DST on OFW remittances	(1.0)
8. Incentives under PAG-IBIG Charter	(0.9)
9. Abolition of DST on life insurance policies	(0.8)
TOTAL	(49.5)

Source: Department of Finance

2010 budget deficit may reach imprudent levels



Pursue a solid medium-term fiscal consolidation plan

- Target: budget balance by 2013
- Enhance revenue collections
 - Passage of key legislative measures
 - Continue to implement tax administrative revenue measures to increase compliance and enforcement, strengthen governance, improve ease of payment
- Implement expenditure reforms, MTEF, procurement reforms, etc.
- Prudent debt management - DRMD

Must monitor fiscal risks from GOCCs, PPPs

	2008 Actual	2009 Program	2010 Program
Total Surplus/(deficit)	28.7	(233.9)	(210.2)
<i>% of GDP</i>	0.4%	-3.0%	-2.5%
NG	(68.1)	(250.0)	(233.4)
CB Restructuring	(9.6)	(14.1)	(15.0)
14 Monitored non-financial government corporations	(27.7)	(63.6)	(61.9)
SSIs	66.7	41.1	51.4
BSP	9.4	1.0	1.0
GFI	7.5	7.0	8.0
LGUs	34.4	31.3	28.7
Adjustments	16.0	13.4	11.2

RECOMMENDATIONS

Recommendations

1. Expedite the passage of proposed revenue-enhancing measures – SNITS, Rationalization of Fiscal Incentives, and Restructuring the Excise Taxes of ‘Sin’ Products.
2. Moratorium on revenue-eroding measures.
3. Simplify payment process to improve taxpayer compliance.
4. Bills pushing for fiscal responsibility must be enacted.
5. Design a medium-term fiscal consolidation plan that enforces reforms for greater revenues and disciplined spending.
6. The Medium-Term Expenditure Framework must use these added revenues for investment and pro-poor spending.

Recommendations

7. Strengthen oversight over fiscal risks arising from GOCCs and public-private partnerships.
8. Get it done finally: rationalize the NFA.
9. Channel the savings from NFA rationalization to the conditional cash transfers.
10. Check for potential contingent liability problems in GOCCs active in housing finance.
11. Strengthen the risk-assessment capability of agencies to limit contingent liabilities from BOT and joint venture projects with the private sector.



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National Economic and Development Authority**

December 08, 2009