

Transcription
DG RGR Press Briefing
February 23, 2009 1PM

Reporter: Growth forecast?

Sec. Recto: I don't expect growth forecast to be dramatically decreasing. There will be a slight reduction sa GDP. The reason for that is that we expect inflation to fall even further down to 3 -5 or 4-6. We expect a dramatic reduction in inflation. Knowing that, people would have more purchasing power so we don't expect a dramatic reduction in GDP growth.

Oil prices are \$40/bbl. Projections for oil prices this year will also be cut which will affect your balance of payments also.

Globally naman, the crisis will be longer than expected as I mentioned before. It appears that they have not hit the head of the nail yet as far as what to do with the financial crisis is concerned.

Obama stimulus package and Dowjones fell...ther is something not in sync here.

Reporter: Sir, when you say slight reduction, iki-keep yung 3.7 tapos babawasan yung 4.7 or bababa din yung 3.7?

Sec. Recto: There will be a slight reduction in GDP forecast. Chances are the higher end would be adjusted.

Reporter: So mas bababa pa ho sa 4.7?

Sec. Recto: Chances are yes. We may maintain the low end target and the higher end may be reduced. So the range may be reduced.

It's possible that there will high single digit or low double digit reduction in exports projection for 2009. So what's the higher single digit? -8%. Ang lower double digit? ...11, 10 percent reduction in exports.

As far as OFW remittances is concerned, everyone is saying naman that there's gonna be a slowdown but not a contraction in terms of value of OFW remittances. So you can still have a positive growth of 3%, 4% or 5%. But yearly, it's not gonna be 15percent.

Reporter: Kelan magiging official ang reduction?

Sec. Recto: Wednesday

The main concern is there is no significant reduction in GDP growth. We're not ready to give up yet those targets at the moment.

It's is still possible that we will grow by 4%. There are no indicators yet that tells me.

Sec. Recto: To me, the biggest challenge is hitting the revenue to GDP targets. My main concern is the deficit, because if the deficit increases too much, then it can crowd out the private sector. So interest rates might go up if we're borrowing too much, interest rates may go up, the peso might feel pressure a bit and your debt payments may also increase if interest rates are adjusted upward. To me, the biggest problem is the deficit.

Reporter: So what is the comfortable level?

Sec. Recto: 2 percent is comfortable. Okay naman yung 2 percent to GDP.

Reporter: How many billion pesos is that?

Sec. Recto: Assuming that a PhP160 billion, that's 2 percent roughly. Around PhP160 to 170 billion... 1 percent is PhP80-85 billion. So from a PhP112 billion to a PhP160 billion that's PhP48 billion, and we're gonna borrow the additional PhP48 billion in the market, on your gross borrowings. That's the effect of that. So if Ayala were to borrow, if San Miguel were to borrow, if PLDT were to borrow, if Aboitiz were to borrow and others would need to borrow, will that crowd out the private sector, will that cause interest rates to go up? Then, the private sector should be the engine of growth.

Reporter: How are the revenue agencies addressing this?

Sec. Recto: The Department of Finance, the BIR, the BOC should review all their assumptions and to find ways to improve revenue collection—maybe to fasttrack other privatization proceeds.

Reporter: How about overseas borrowing?

Sec. Recto: Well, you have a credit crunch overseas. So, as much as possible, number one, you borrow domestically. But you have to be mindful of the crowding out effect. It depends on what the Central Bank would do, it depends on what monetary growth would be. It depends on the private and the public sector. It depends.

There are many factors to look into. If global markets would allow you to borrow at reasonable rates, why not? Now for the full year challenge naman, it's not bad to have a debt or a deficit, for as long as the economy is growing faster than the deficit. It is the cost of our debt also. That's important to look into. Just like San Miguel or PLDT, if they were to borrow in the market 7 to 8 percent payable in 10 years, they expect a growth higher than 7 to 8 percent annually to pay for that debt and to be able to pay their stockholders and additional profit.

Similarly, as long as the economy grows faster than debt, that's okay. And that means if you grow faster than your debt, you have to spend wisely.

Reporter: Sir, ano ang first quarter [projections]?

Sec. Recto: I think that the economy will grow faster in the third and fourth quarter of the year.

Just like the United States, for example, they expect the first and second quarter to be bad. Halimbawa, without the stimulus package nila, they probably would have -5 [percent growth]. With the stimulus package, they might have -3.5 [percent]. So the stimulus package does not really stimulate, it is just a cushion. Let us try to understand that. A stimulus will not really stimulate their economy, but will provide a cushion.

Instead of them dropping or contracting by 5 [percent], they will just contract by 3.5 [percent]. In the second quarter, they may just contract by 0.5 [percent], then in the third quarter, they will grow by 1 percent, in the fourth quarter, 1.5 [percent], so ang trend, paakyat.

Ang Philippines din, I see it that way also. I see inflation coming down, so the height of inflation, I think, is during the first quarter of this year. Like in January, it was 7 percent, a dramatic slowdown from 9 percent already. I see that continuing to go down. Why? Just like diesel prices that went down today or yesterday by a peso. So I think inflation in the Philippines will go downward. I think growth of GDP will go upward. So the worst would be the first six months of the year, globally and in the Philippines.

Reporter: Sir, it is possible to see a contraction in the first two quarters?

Sec. Recto: I don't. There could be a slowdown, but not a contraction. I don't see negative growth—there could be a slowdown but there will still be positive growth.

And that's why the ERP is a blessing. We're spending in the first half. For the first quarter, the continuing spending of last year's budget is carried over the first quarter this year. And then the stimulus, or the ERP will help out in the whole first semester of the year. So the economy will grow sana without the ERP by 2.5 [percent], but it can grow higher end—3.5 or 4 percent—and more, if we could do the 60 to 80 percent spending during the first half of the year. Hopefully, I think agriculture will benefit because fertilizer costs are 15 percent down. Industry will probably be slower because exports is down.

Reporter: Sir, kung bababa ang manufacturing, ano ang mag-susupport sa growth ng economy?

Sec. Recto: It's probably agriculture. Services may be hit a bit as well. There might be a reduction in industry. But if all those...you know, if everything goes on...I get to talk to businessmen. Kung totoo lahat yung nababasa ko sa pahayagan, and I have discussed this with them...the investments they are planning to undertake—with PLDT's investments they are planning to undertake...Manny Pangilinan or Globe, Ayala, Aboitiz

who are even interested in buying Calaca, which is incidentally in Batangas, then we will have more business activity and that is what we need to do anyway...improve our own domestic industry, improve our industry domestically—that is all positive.

So why are they bullish? If they are bullish, then we should be bullish as well. Kirin is investing in San Miguel, which is a net inflow—more than PhP50 billion, then we have Dell for telecommunications—there is a significant amount too. They plan to have a bond float of PhP40 billion. I heard Danding [Cojuangco] say that on food, they are planning to increase investments by PhP10 billion. They are not laying off anyone, they even plan to hire more workers. So I think food will continue to be good, I think agriculture will be okay.

Reporter: Sir, how about mining?

Sec. Recto: Good. There might be an uptick in mining as far as gold is concerned. Right now, gold is US\$60 an ounce. So people are taking away their money from the greenback, from the dollar, and investing it into gold, because they are seeing that the deficits and the debt of America is increasing too much. That's another thing. So they are taking investments away from the dollar because they feel that gold is much safer investment.

So as far as the Philippines is concerned, we do produce gold, and probably investments in this sector [mining] will improve. And like I said, I went to have an executive check-up this weekend, so where did I have it? Makati Med. So I saw the new building Pangilinan invested in Makati Med. It is a good building, I saw the new equipment they have there, so these are services also. I had a CT Scan using the latest technology, Siemens. Ang bilis ng proseso. He is investing in hospitals. I think you see the others also. Cardinal [Santos]...there are hospitals in the provinces.

Reporter: Sir, yung data sa simulations, how big would the...considering that most of the industries have faced contractions?

Sec. Recto: That's precisely the point. You see a little slowdown in GDP, but not that significant because I don't expect personal consumption to drop as much, unlike in the US. Kasi in the US, financial institutions are negative, corporate sector is negative, state governments is negative, their national government coffers is negative, the American household is negative. In almost all communities in the States, in their neighborhoods, someone lost a house, someone lost a job. That is not the case in the Philippines.

Reporter: Sir, what would be not a significant change? Less than 1 percent?

Sec. Recto: What do you mean by that?

Reporter: Sir, let's say that you announced on Wednesday—let's say lang—a 0.5 percent. What is the big deal about it na kailangan nating pag-usapan?

Sec. Recto: May epekto yan. May epekto sa revenues yan, may epekto sa job creation yan, may epekto sa private sector yan. Half a percent yan, I mean, 3.9 and 4 is a big difference. Maliit lang yung numero siguro, but psychologically, iba yung implications. May psychological impact din yan. But you know, 0.1 is not significant, but 4.1 to 4 is acceptable. But 4 to 3.9, that is another psychological barrier.

Paano kung 0.1 yan? That is another psychological barrier. You cannot pinpoint, 4 or 4.1 percent. We gotta talk about a range. Just like 3.7 to 4.6 [percent]—it's gonna be a range. But that doesn't mean that revision will stop next week or this week. As we move forward, there is so much volatility globally. I mean, everyone expected that...the downside of banking, that there's the stock market, and the capital markets...even right now.

So everyone have to adjust accordingly, and deal with the situation. So we might have a revision nitong first quarter. I wouldn't write off the possibility that in the second quarter, we'll have a revision again—it could be downward, it could be upward. Even the private sector continuously make revisions.

Reporter: Sir, wala kang mai-cocomment dun sa controversial road projects?

Sec. Recto: I think governance issues are obviously important and that should be discussed, and I think it should be addressed and we at NEDA—we are doing our share. We're giving them publicly, these documents, yung mga cost overruns, so on and so forth. It is in our website.

Regarding the infrastructure projects and the ERP, we're discussing of putting that in the web, so the people can monitor it...these infrastructure projects. And many of that is in the budget. Apat nga yung libro ng budget—you have the NEP, you have the BESF, you have the personnel, and then you have the detailed list of projects. I don't know if you can see that, it's thick. From all the agencies, you have 5,000 projects listed there. You have 1,500 municipalities, and if you have two projects, you have 3,000. That is more than that, and many of that are small-ticket items. We plan to have that posted in the Internet so people can follow.

Reporter: Sir, about the issues being raised dun sa PhP100 billion infrastructure fund, the private companies involved, the mechanics in choosing the projects, so parang sinasabi nila...

Sec. Recto: You know the private sector, the civil society...yung general...

Reporter: Sir, how will that work, kasi dati they can choose from that PhP1.5 trillion CIIP, and they could use it as a menu...tapos yun ang gagawin ng private sector

Sec. Recto: Yes, correct. Because you know, the first issue is transparency. You have the private sector who went to government to say that the PCCI...telling government that,

okay there seems to be liquidity in the banking system, M3 is growing by 15 percent, money supply circulation is going well. There are possible investible opportunities.

Can we allocate PhP50 billion, and then you can allocate PhP100 billion of some sorts for badly needed infrastructure projects. So we looked at our GFIs and yes, they could allocate more resources for more productive spending. On their end, there's so much liquidity anyway, and banks, they may want to invest. So here, you're talking about possible private-public sector partnership.

So what projects are possible? The CIIP is the investment plan of government. Halimbawa, we would be borrowing this money from ODA halimbawa to build these infrastructure projects. We could possibly work with joint ventures with the private sector or BOT schemes. Because of that, there are certain government guarantees—when you borrow money, there's a guarantee. With joint ventures, there is some sort of guarantees as well. Okay, so we're showing the private sector that this is our listing. There's nothing secret about this, it is in the MTPDP, it is in the CIIP. Some are financially viable, some are not, but economically viable.

What is the difference between the two? Ang MRT, the MRT in EDSA, that's not financially viable. Lugi yan. It's been subsidized by government—a real fare would probably costs PhP60, but it's only at PhP12 so government is subsidizing PhP48. Lugi yang project nay an. But can you imagine if we did not have that? What would EDSA look like today? It's gonna be the biggest parking lot in the world. So clearly, it is economically viable. With better transport, you can expect more jobs to be created, more people having income, more income taxes, more consumption, more taxes. So halimbawa, should we extend LRT to Cavite? Should we do MRT-7 going to Fairview? LRT2 to Antipolo? Laiban Dam—wala naman tayong source of water apart from Angat. There is a need to put up a new bulk water supply. San Miguel now is looking at this. We could probably tap that fund. So let's say new power plants in Visayas and Mindanao—that needs to be put in place, because there's rolling brownouts there. So its our priority projects, and if the private sector—if it's financially viable—they could come up with equity. BOT yan, so may risks din sila diyan. Naglalabas din sila ng pera. Let's say PhP15...depending on the project, kung financially-viable or economically-viable yan. They could come up with equity, a certain percentage.

The balance there, the leverage is on loan with a certain government guarantee. The mechanics are in place. The person in charge of talking to the private sector about this is Peter Favila [DTI Secretary]. So if you want more details about the PhP100 billion infra fund and the mechanics—I'm already giving you a flavor of it, it should be Peter Favila.

Now kami naman, our job is to evaluate those projects. Halimbawa, yung linking the North Express Highway and the South Express Highway through the PNR, as suggested by Pangilinan. That's a very good project—yun parang unsolicited yun, wala sa CIIP yun. So that's an example. So now you know there's a lot of infrastructure to be done. Not to mention basura na lang. I mean, look at it, the population will double its size in Metro Manila in 10 years dahil sa urban migration. That means you have to double your

roads, double your schools, double your hospitals, double your basura, double your water, double your police—you have to make those investments now. The last two weeks, you saw what EDSA looked like, the traffic, kasi may ginagawang ibang project siguro. How about the new bridge in Pasig River...ang daming dapat gawin. Yung linking North and South Expressway, imagine nyo yung laking iluluwag ng EDSA, for example. Any other questions?

Reporter: Sir, yung roadshow on Wednesday, what will you present there?

Sec. Recto: What will I present? Basically how the global crisis has affected the Philippines, who are the vulnerable sectors, what are our risks, what are our opportunities, what is our response to the crisis. Government response, which should be four things—one is monetary, the other one is fiscal (which is the ERP), the third is regulatory and the fourth is governance. Governance issues. So basically, that's it.

Reporter: Sir, the DBCC projections, sa Wednesday lalabas?

Sec. Recto: Yes, sa Wednesday. We have to get together with the members of the DBCC. I know it has been discussed but I wasn't there. I'm not familiar with what happened.

Reporter: Who is going to establish the PhP100 billion?

Sec. Recto: It is in consultation...and you know, you can take your time there. Of course, you know...I guess fasttrack it as well. But we're taking time to discuss it with the private sector, because you don't want to make a mistake on this issue. So proper consultation, consensus building that should be done. I think the mechanics are in place.

The next thing is choose the actual project, and there are some projects that are ahead of the others. Some would have, let's say LRT South, would have detailed engineering designs in place. So if they decide to fund that project, its easier already. That's the first job, may detailed engineering na. Yung right of way, naayos na rin. That's an example para mas mapadali na. That's it? Okay na?

Reporter: Thank you Sir.

Sec. Recto: Thanks.

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