



The Global Crisis and the Economic Resiliency Plan

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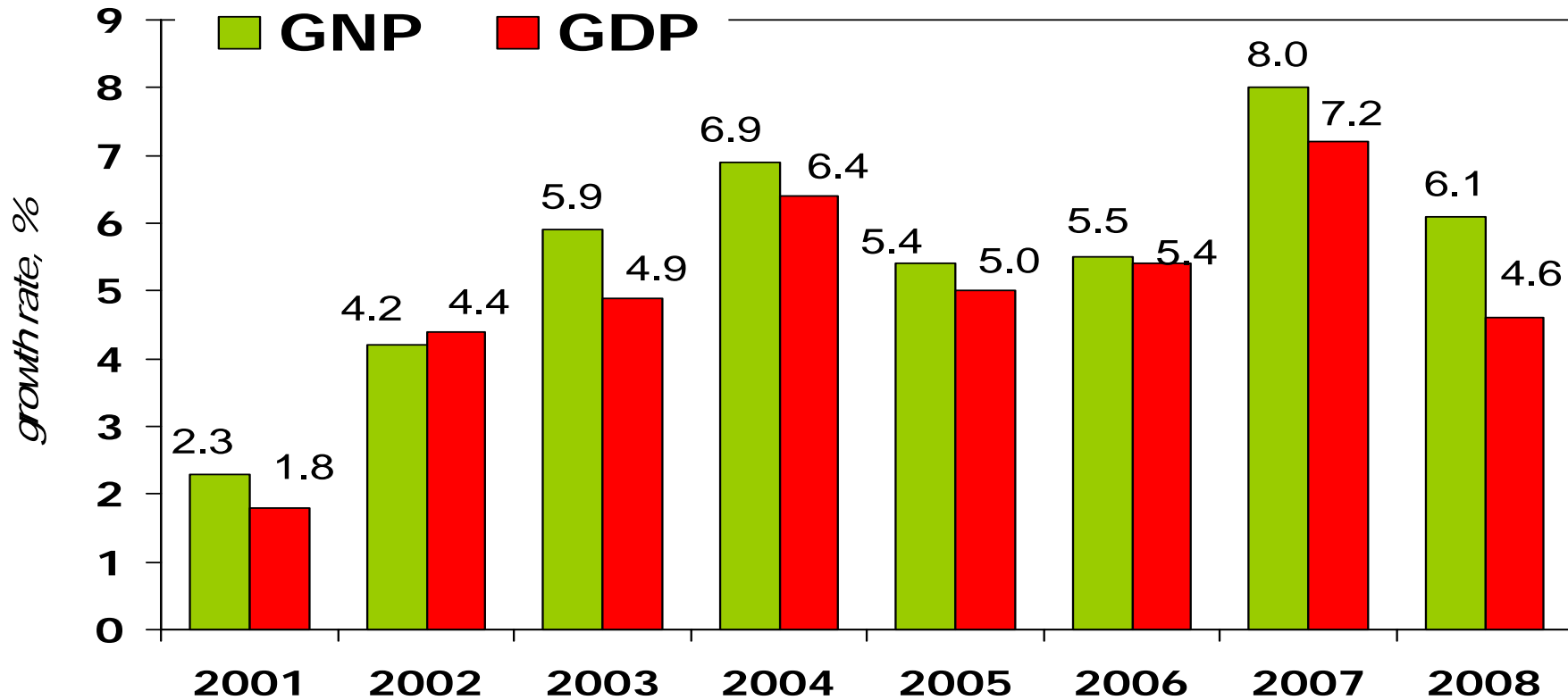
National Economic and Development Authority



Outline: key questions

- How is the crisis affecting the Philippines?
- What factors limit the damage here?
- What is our response to the crisis?

Philippine Economic Growth



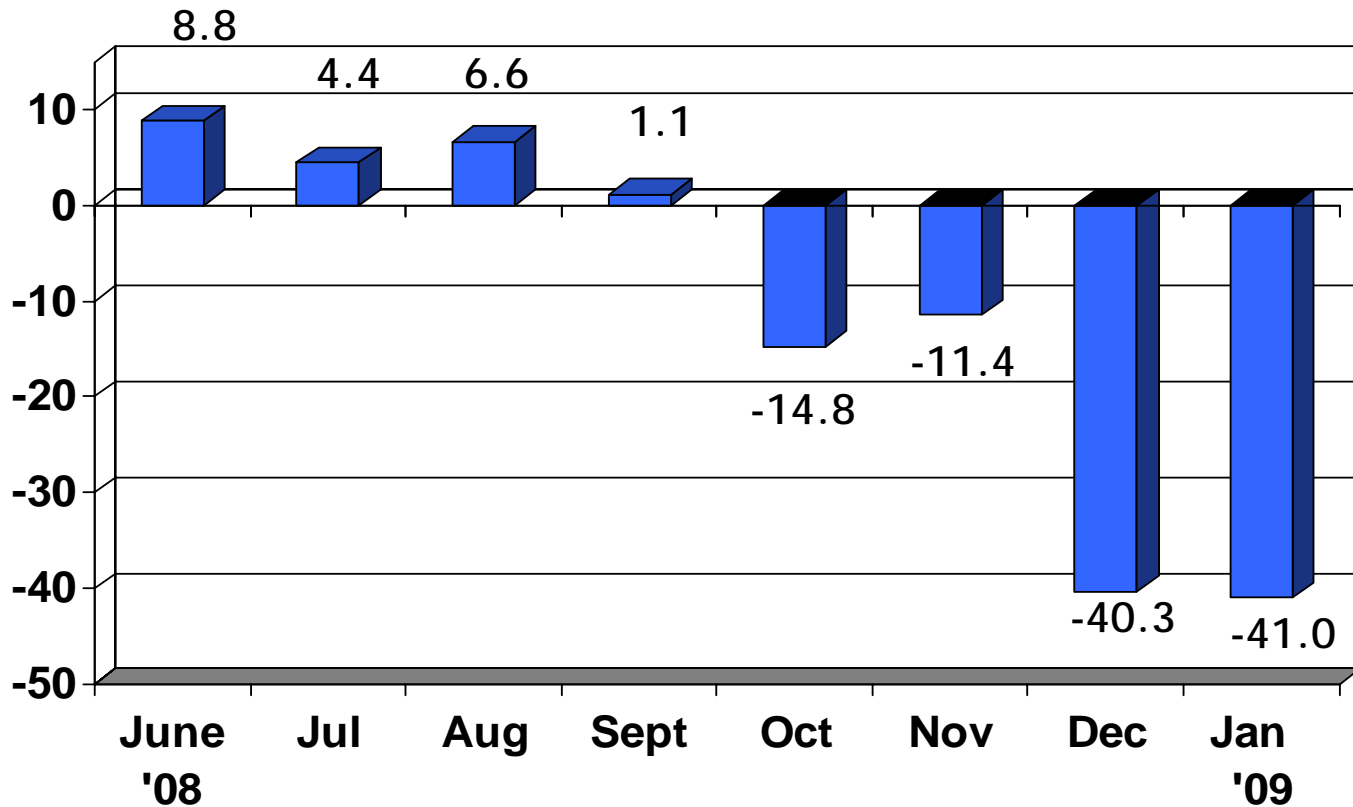
Source: NSCB



2009 Macro-assumptions

	2009 Feb 20	2009 April 16
Inflation	3.0 – 5.0	2.5 – 4.5
91-day T-bills	5.0 – 7.0	5.0 – 7.0
180 day LIBOR	1.0 – 3.0	1.0 – 3.0
Forex	P 45 - 48	P 46 - 49
Dubai oil	\$ 45 - 60	\$ 45 - 60
Merch exports	-8% to -6%	-15% to -13%
Merch imports	-10% to -8%	-14% to -12%

Export Growth





The most vulnerable sectors

OFWs vulnerable to displacement:

- OFWs who work in the US under temporary working visas (129,000);
- Seafarers in the cruise ships (130,000);
- Factory workers in South Korea, Taiwan and Macau (268,000);
- Household service workers in Singapore, Macau and Hong Kong (48,000)

Commodity exports vulnerable jobs:

- Garments (121,000);
- Electronics (111,000);
- Wiring and harness (2,000);
- Coconut oil (2,000)



Shock absorbers

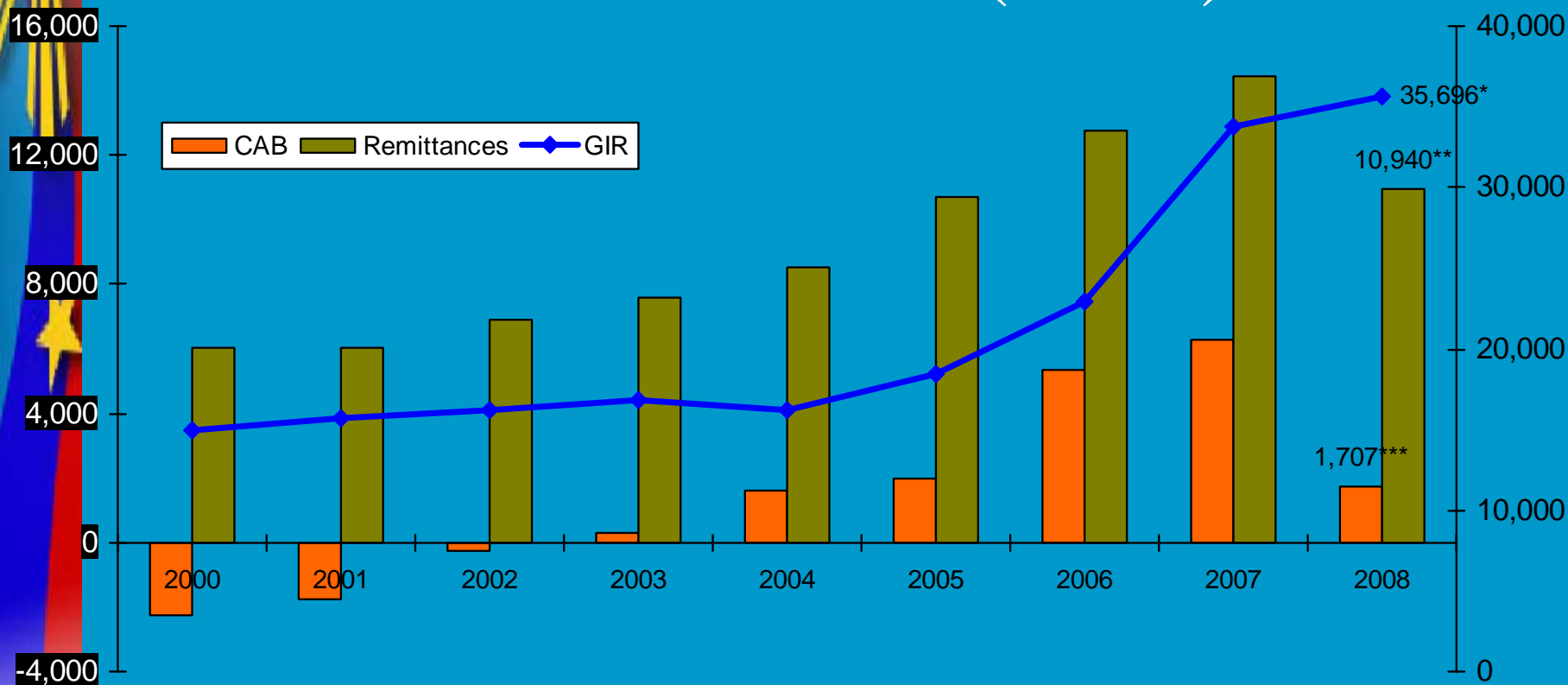
- Oil prices trending down: from \$ 140/ barrel to \$ 50
- Inflation is easing: from 9% in 2008 to 3.5% in 2009
- Share of US to total Philippine exports falling: from 34.2% in 1998 to 20.1% in 2001 to 16.0% in Jan-Aug 2008
- Ample supply of Gross International Reserves, at \$ 39 B
- Corporate income tax rate to fall from 35% in 2008 to 30% in 2009
- Minimum wage earners exempt from income tax



Strong banking sector

- Banks with exposure to Lehman Brothers and Merrill Lynch: Banco de Oro Unibank, DBP, Metrobank, RCBC, Standard Chartered, Bank of Commerce, UCPB, Security Bank
- Banks' exposure to Lehman Brothers: \$ 386 million, or only 0.3% of total banking assets
- Capital adequacy ratio (banks' capital in relation to their risks) is 15.49% (2008).
- Non-performing loans (NPL) ratio, once 18% in 2001, down to less than 4%.
- Bank lending continues to expand

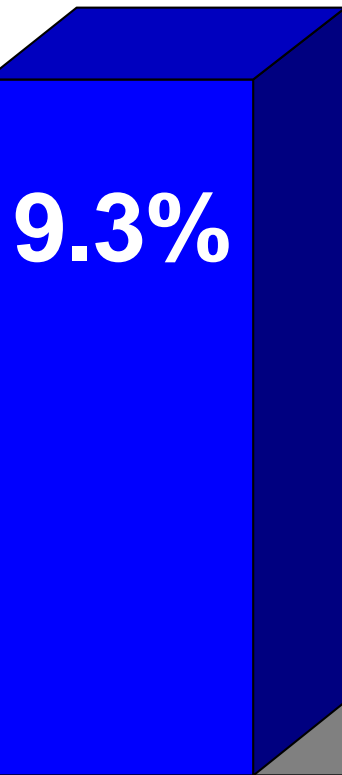
GIR, Current account balance, Remittances (\$Mn)



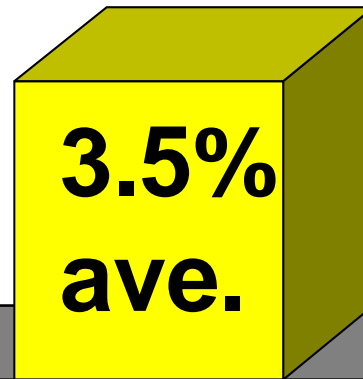
Source: BSP; *As of Oct 2008, **Jan-Aug2008, ***Jan-Jun2008

Big Drop in Inflation

10
8
6
4
2
0

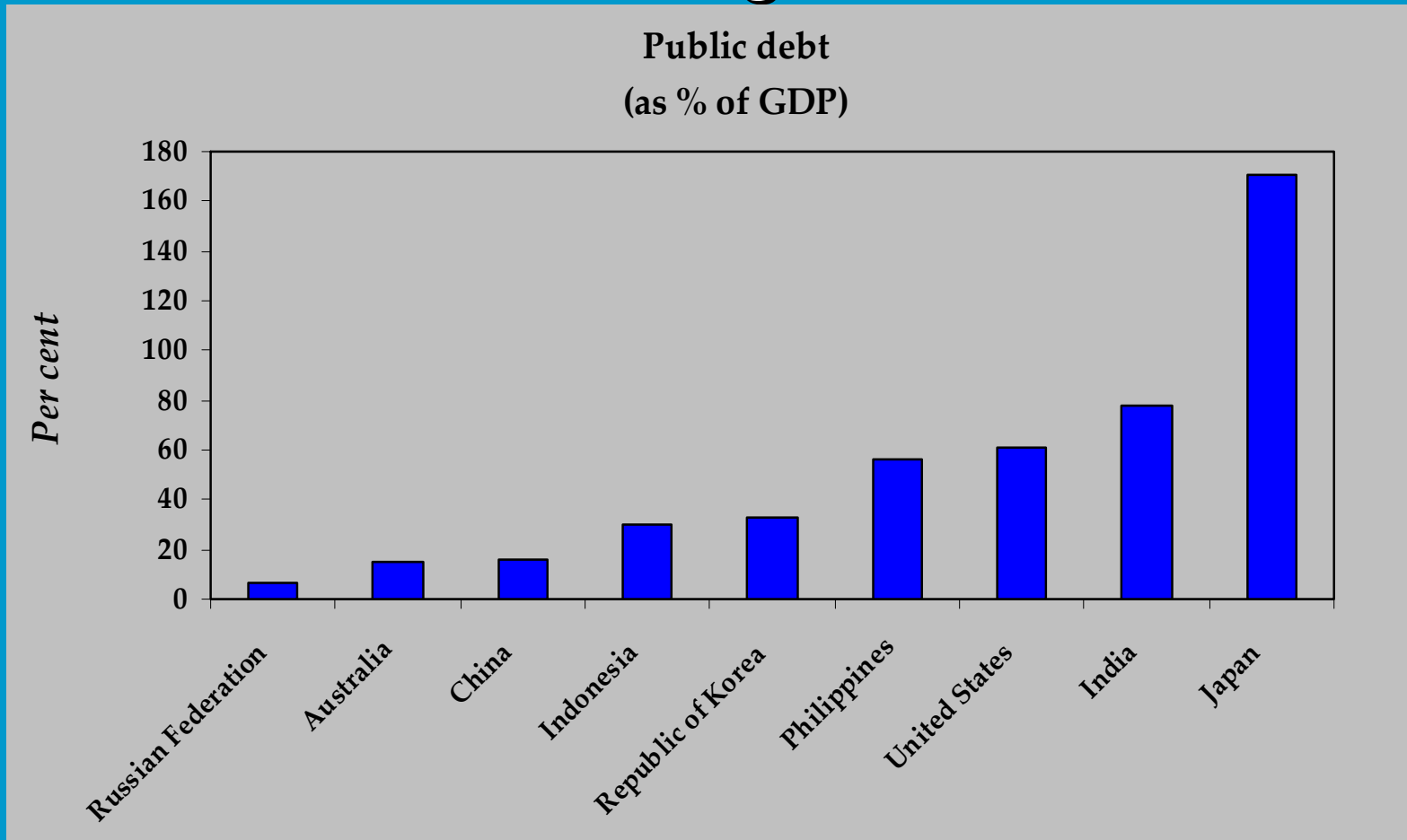


2008

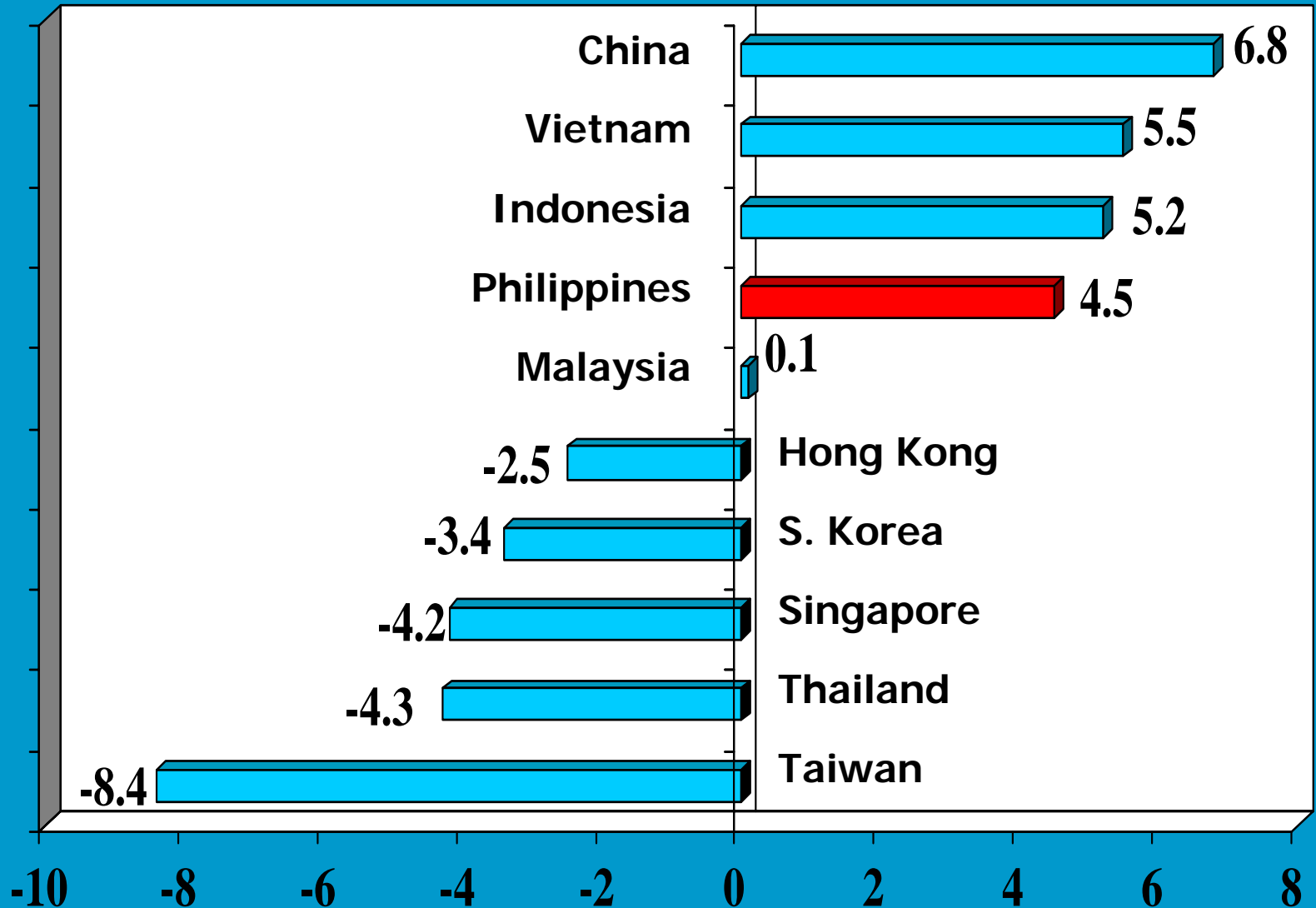


2009

Public debt is large but manageable



2008 Q4 GDP of Selected Asian Countries






Quote from Agost Bernard, Associate Director at Standard and Poor's

“Yes, the Philippines is 'lucky' because they have made the necessary adjustments and reforms when times were still good. So they are facing the global market problems and economic slowdown from a considerably improved position, compared to what they were in 3-4 years ago...

“The Philippines is an 'island of calm' currently, while there is turmoil in the higher rated and previously stable countries...”



“The Philippines is inherently strong, a potential beneficiary of these financial woes,” Bank of New York Mellon’s chairman for Asia Pacific, Christopher Sturdy, said in an interview (Philippine Daily Inquirer)

“The Philippines is in a relatively strong position to weather the global downturn with the economy driven by private consumption and services, which are less vulnerable to external shocks,” JP Morgan said in a report titled “ASEAN Year Ahead 2009: Philippines Well-Positioned to Withstand the Downturn.”



Economic Resiliency Plan: Objectives

1. To ensure sustainable growth, attaining the higher end of the growth targets.
2. To save and create as many jobs as possible.
3. To protect the most vulnerable sectors: the poorest of the poor, returning OFWs, and workers in export industries.
4. To ensure low and stable prices to support consumer spending.
5. To enhance competitiveness in preparation for the global rebound.



Breakdown of the P 330 B Package

PhP 160 B	addition to the budget
PhP 40 B	corporate and individual tax breaks
PhP 100 B	GOCCs, GFIs, private sector
PhP 30 B	temporary additional benefits to GSIS/SSS/PhilHealth members



Two waves of infrastructure

- 2009 P 160 billion budget increment funds this
4,000 – 5,000 small projects in the BESF
Stress speed in job creation
- 2010 P 100 billion off-budget funding
Big-ticket items for PPP



P 160 billion increment

Award contracts quickly. Take advantage of window of opportunity (i.e., good weather)

Realign budget from projects that may be difficult to implement (i.e., right of way issues, no detailed engineering plans) to fast projects

Downscale/defer implementation of new projects without ICC/NEDA Board approval and/or difficult to implement immediately



P 160 billion increment

Scale up quick-disbursing high impact projects (i.e., labor intensive, high local value added) such as *Construction, Repair, or Rehabilitation of Irrigation Systems, other local infra like roads, asphalt overlay, etc.,*

Spend 60-80% of the productive portion of the Implementing Agencies' budget in the S1 of 2009

Work with LGUs on infrastructure projects

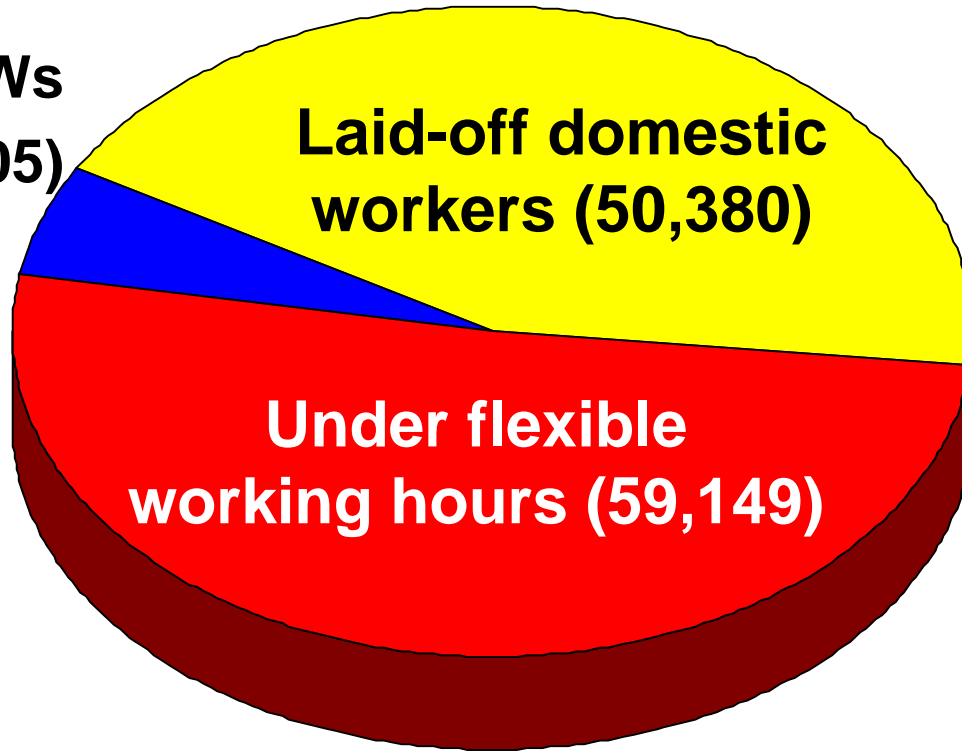
Periodic review of agency performance by the Economic Managers

Labor Displacement as of Mar 10, 2009

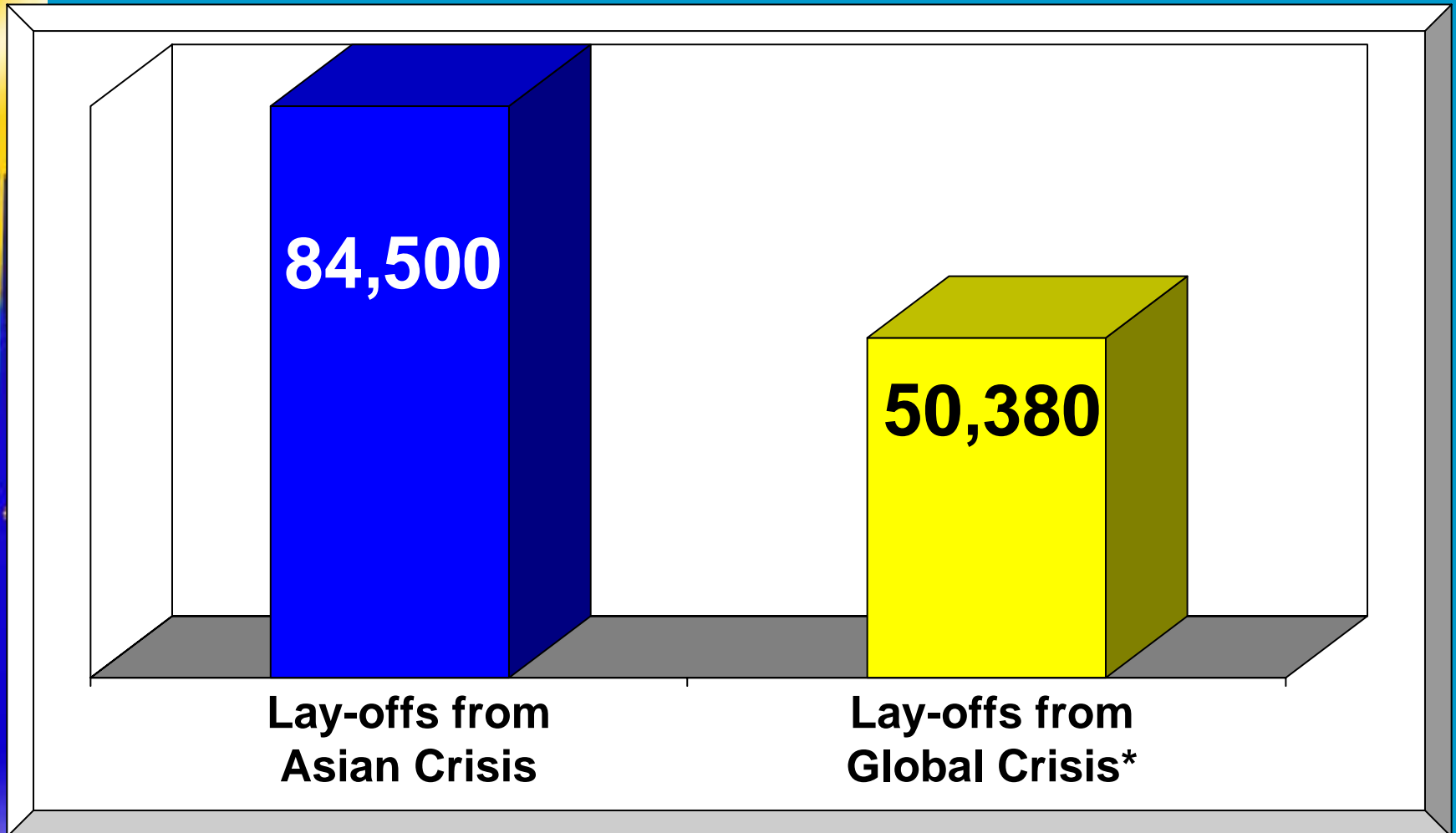
**Laid-off OFWs
(6,405)**

**Laid-off domestic
workers (50,380)**

**Under flexible
working hours (59,149)**



Asian Crisis Lay-offs vs. Global Crisis

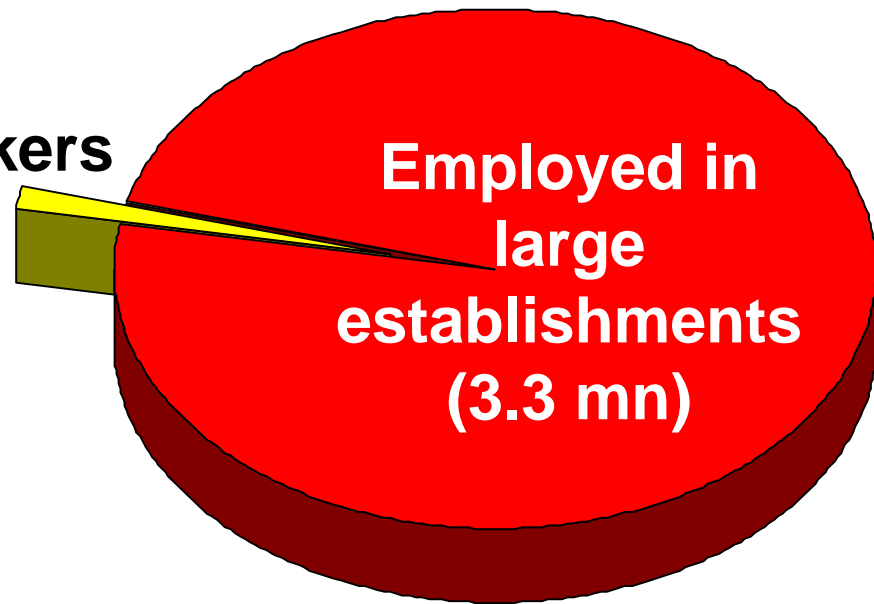


As of March 10, 2009

Source: Philippine Overseas Employment Administration

Displaced Workers

**Displaced workers
(50,380)**



As of March 10, 2009

Source: Philippine Overseas Employment Administration



Comprehensive Livelihood and Emergency Employment Programs (CLEEP)

Objectives:

- To hire for emergency employment
- To fund and supervise livelihood projects

Activities are aligned to:

- Super Region priorities
- Needs of the 12 poorest provinces
- Needs of the 12 most food-poor, provinces, and the food-poor in NCR



Job generation targets

35,000	Bantay Gubat, for upland displaced workers
36,500	Farm to market road projects of the DA
81,134	Irrigation projects of the DA
10,400	Organic fertilizer production project of DA
3,645	Goat dispersal project of the DA
27,222	OYSTER roadside program
23,550	TUPAD and ISLA programs of DOLE
1,022	Laguna Water Lily development of DTI
506,082	DPWH
100,000	Repair of classrooms and school buildings
824,555	TOTAL JOBS

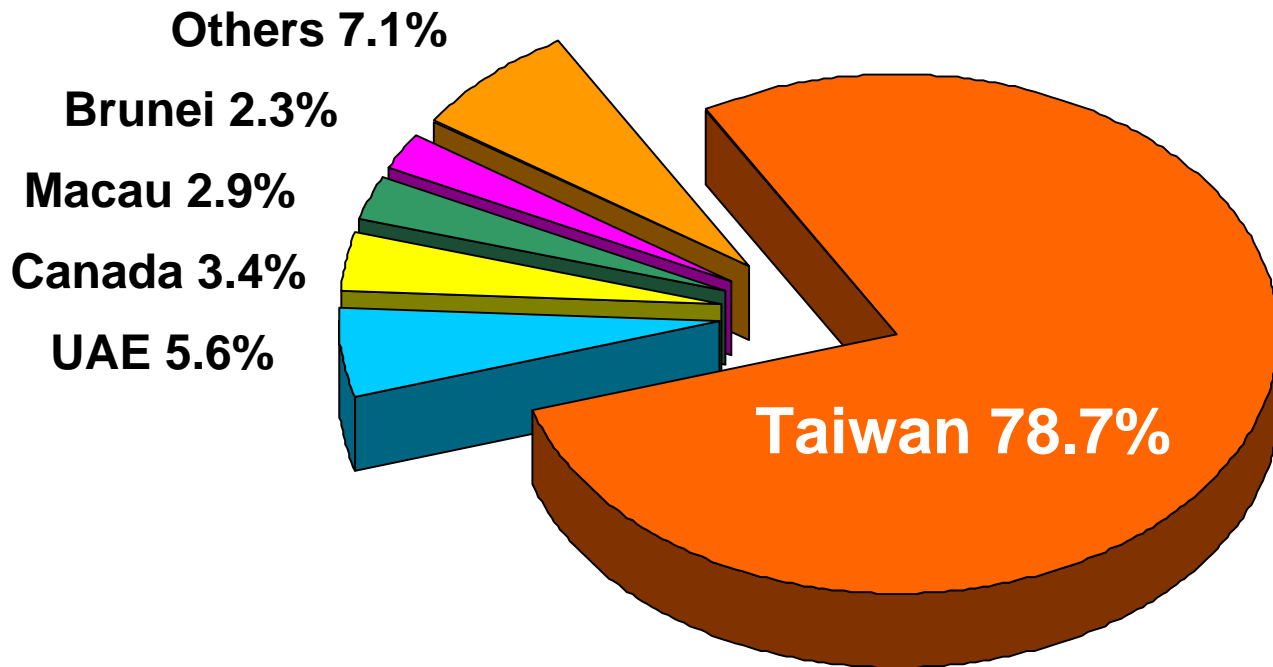


Protecting the most vulnerable

Overseas Filipino Workers

- 24 x 7 monitoring of overseas labor-market displacements
- Contract monitoring of job orders
- Identification and development of new market niches
- Redeployment to emerging foreign labor markets
- Repatriation assistance
- Expansion of livelihood /business formation programs
- Business counseling, strengthening reintegration services
- Massive skills upgrading and retooling services

OFW Layoffs



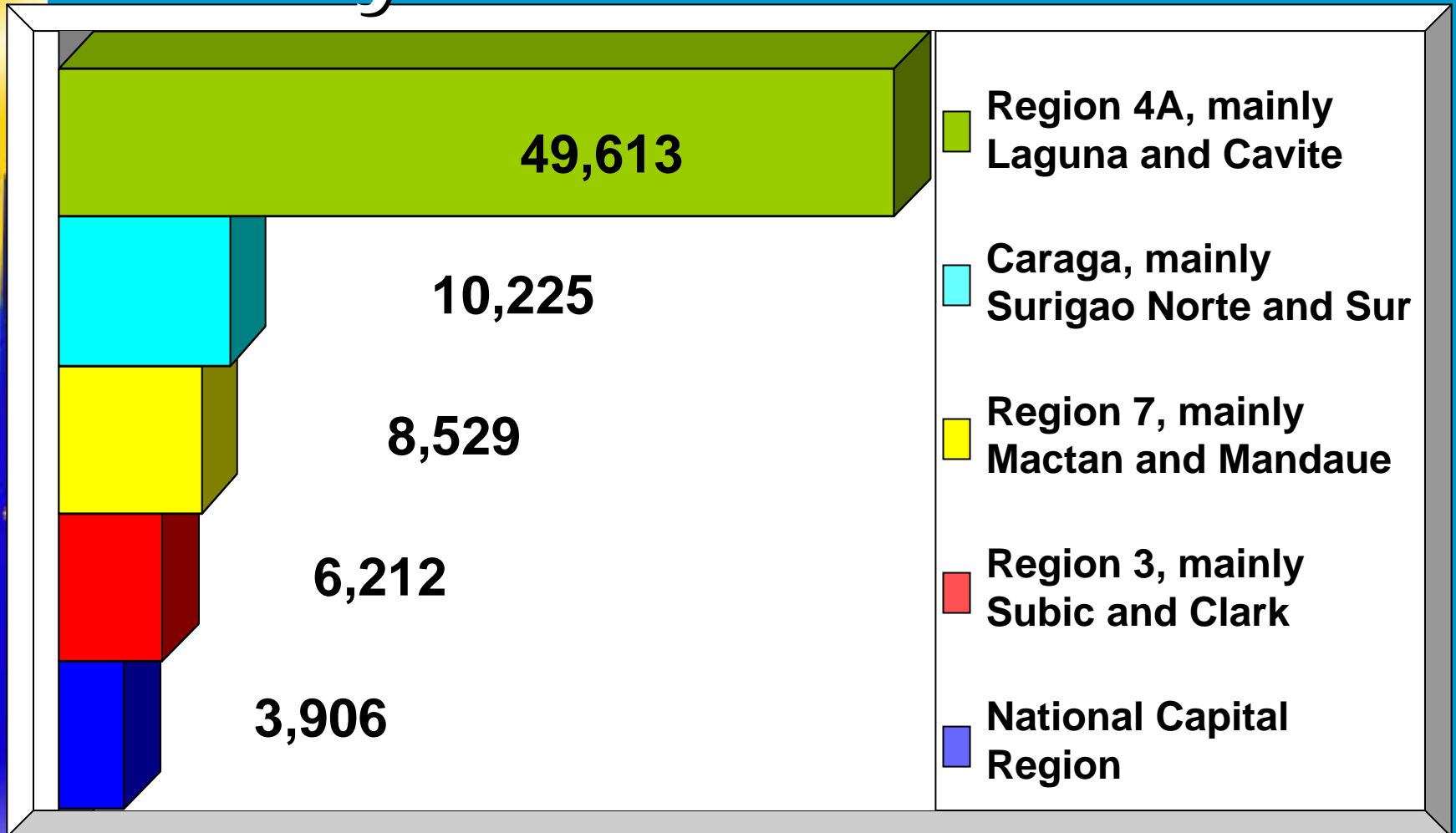


Protecting the most vulnerable

Workers in the export sector

- Quick Response Teams (QRTs) in DOLE regional offices; maintain early warning system to track struggling firms
- Job placement facilitation
- Livelihood formation/enhancement
- Assistance in claiming unpaid salaries
- Advocacy for companies to adopt alternatives to lay-offs
- Promotion of non-wage benefits
- Emergency employment

Top Areas Affected by the Global Crisis



**as of February 16, 2009*



Protecting the most vulnerable

Expand social protection programs

- A. Double budget for conditional cash transfers
- B. Accelerated Hunger-Mitigation Program
- C. Add P 1 B NG contribution to PhilHealth indigent program
- D. Add P 5.66 billion for Training for Work scholarships
- E. Hike DOH allocation for primary and secondary hospitals
- F. Deploy nurses to underserved areas (NARS program)
- G. More student loans
- H. Matching grants to LGUs

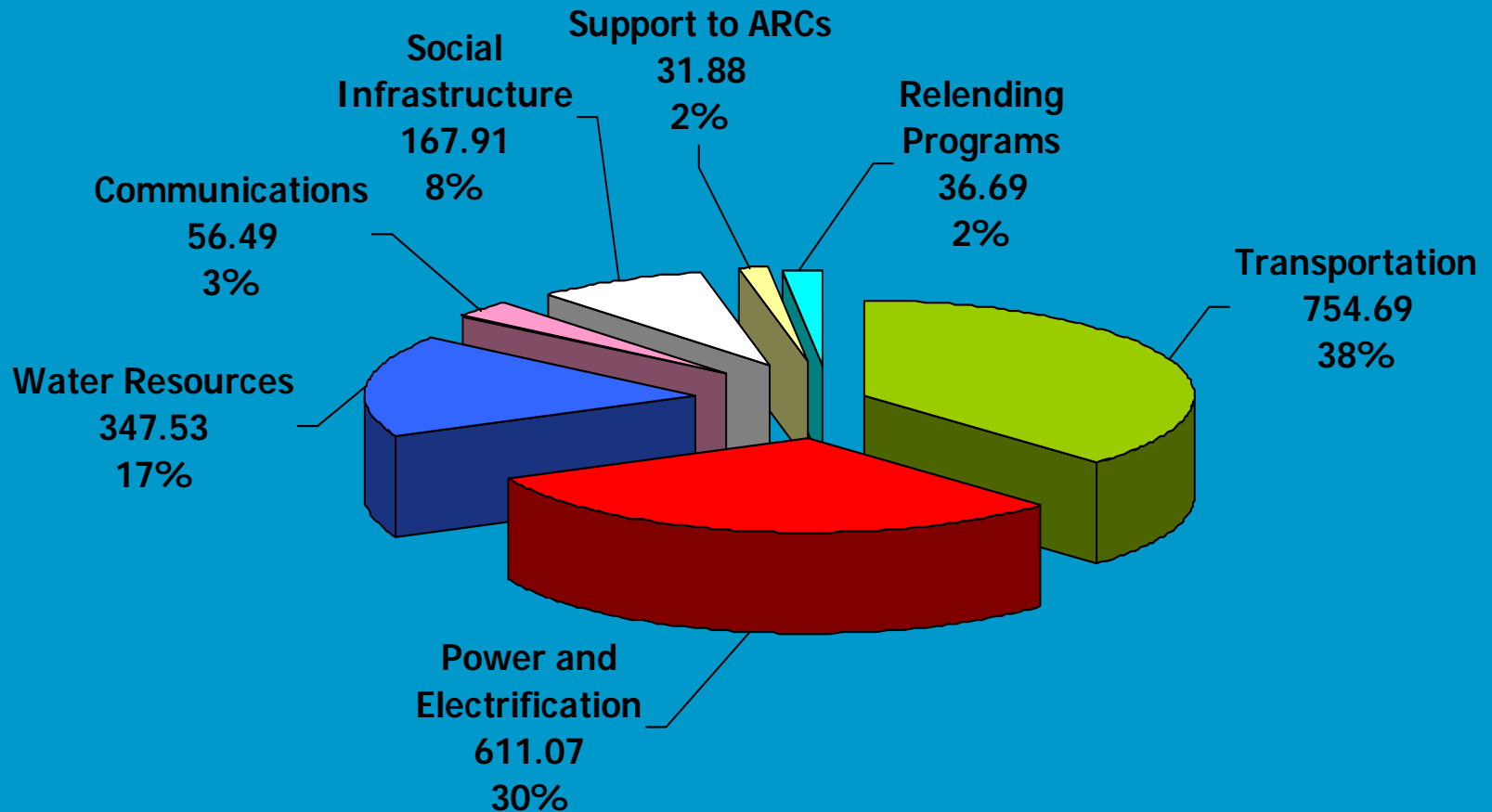


P 100 billion for large infra projects

- Large infrastructure projects, some mentioned in the 2007 SONA
- Longer time frame: after 2009
- Drawn from the master list of the Comprehensive and Integrated Infrastructure Program (CIIP)
- More time for public scrutiny; important to stress transparency

Comprehensive and Integrated Infrastructure Program (CIIP)

2008-2010 and beyond
Total investments = **PhP 2,006.26 billion**





P 30 billion for additional benefits

To increase purchasing power

Provide additional benefits for PhilHealth, GSIS and SSS members for at least 18 months

Funds taken from the difference between contributions and claims and benefits.

PhilHealth Board of Directors approved on Feb 12 the revised Inpatient Benefit Package

Results in a 35% increase in annual benefit payments



Leave no one behind.

Walang iwanan.

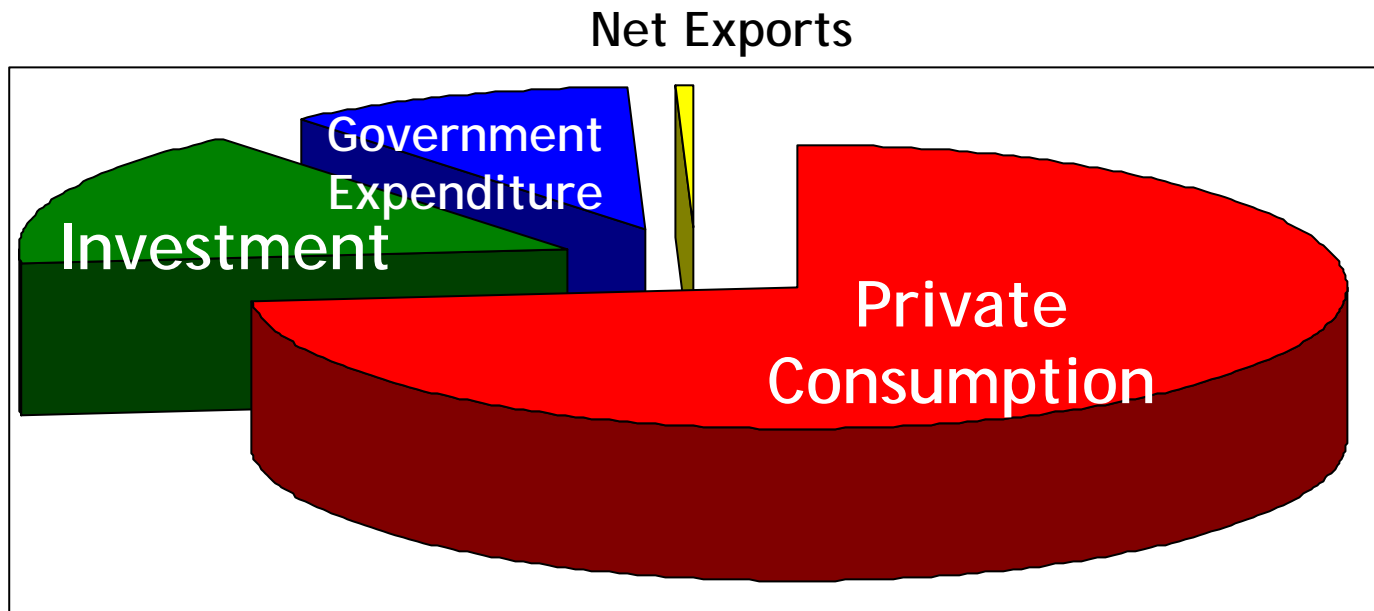


Example: components of 2007 GDP

$$\text{GDP} = C + I + G + (X - M)$$

	Level (nominal, mn Pesos)	% to GDP
C	4,611,884	69.4
I	1,013,941	15.3
G	646,676	9.7
X	2,833,634	42.6
M	2,802,659	42.2
X - M	30,975	0.5
GDP	6,648,245	100.0

The primacy of consumption



Domestic demand, source of resilience

