

A data-rich monitoring system and a social protection plan kept the Philippines resilient

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National Economic and Development Authority
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UNICEF, Siem Reap, February 2, 2010

Outline

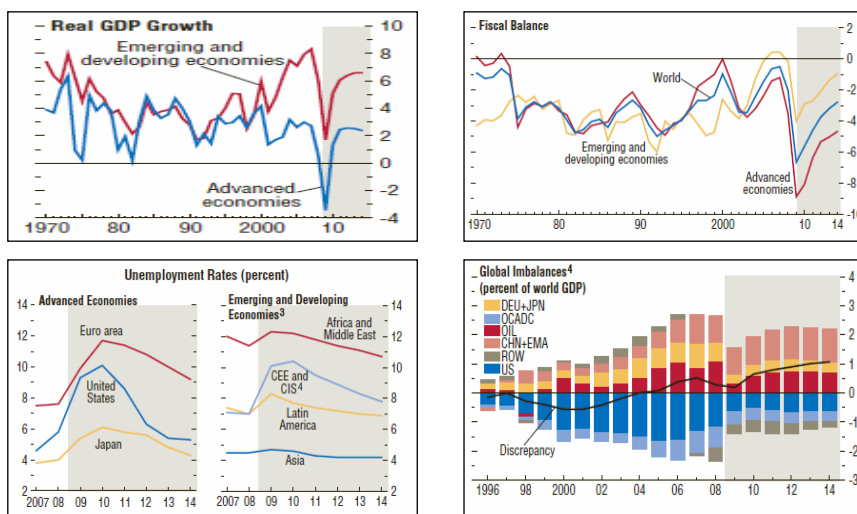
1. Data on the dynamic, volatile environment: Global Monitor every 2 weeks updates the President and the Cabinet on the Great Recession
2. Data for decisions: Local Monitor
3. How the Philippines escaped recession: the Economic Resiliency Plan

Global monitor: IMF growth forecasts 2008-2010

	2008 actual	2009	2010
World	3.2	-1.4	1.8
Advanced economies	0.9	-3.8	0.0
US	1.1	-2.8	0.0
Euro area	0.9	-4.2	-0.4
Japan	-0.6	-6.2	-0.2
China	9.0	6.5	7.5
ASEAN-4	4.9	-0.2	2.5

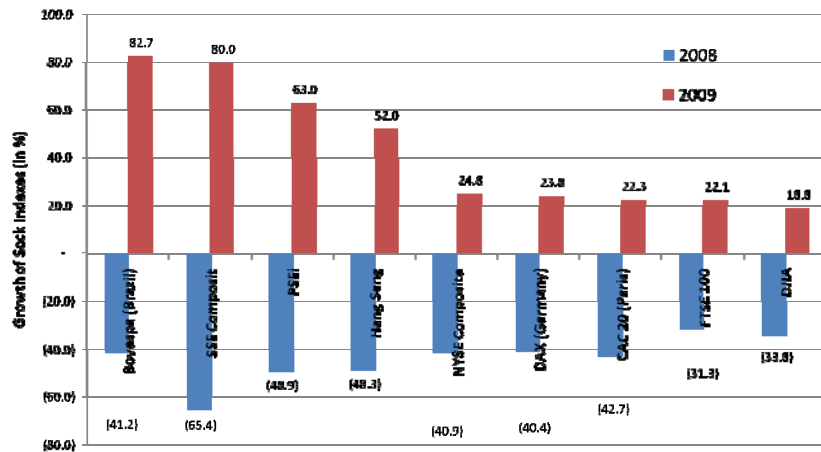
Source: World Economic Outlook, April 14, 2008

Global monitor: growth, fiscal position, unemployment



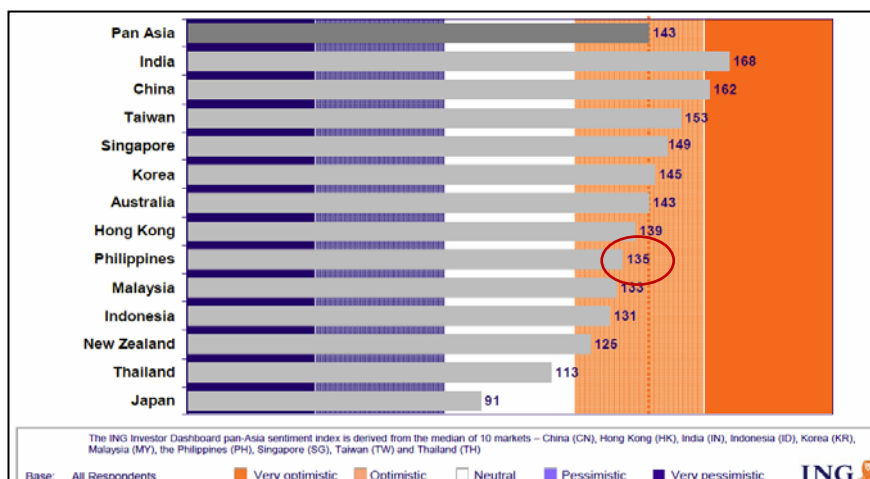
Source: <http://www.imf.org/external/pubs/ft/weo/2009/02/index.htm>

Global monitor: stock markets rebound



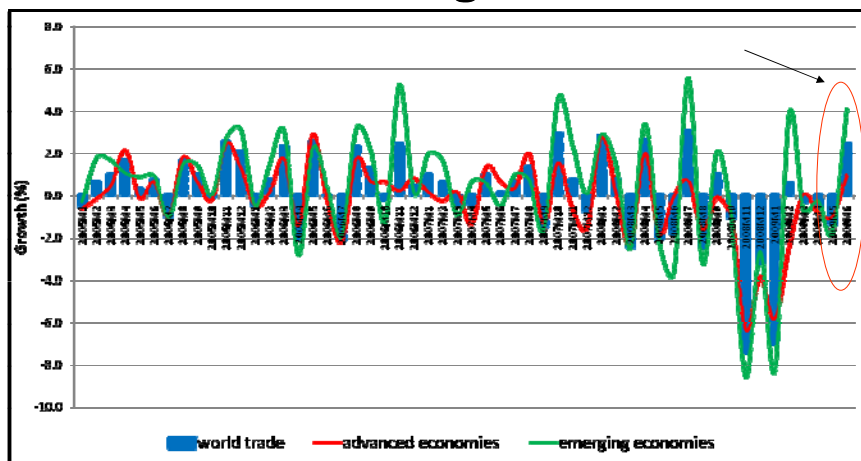
Source: Philippine Stock Exchange, Yahoo Finance

Global monitor: investor sentiment rises in 2009 Q3



Source: http://www.ing.asia/pressroom/InDash/2009/InDash_2009Q3.pdf

Global monitor: world trade begins to revive



Source: Netherlands Bureau for Economic Policy Analysis

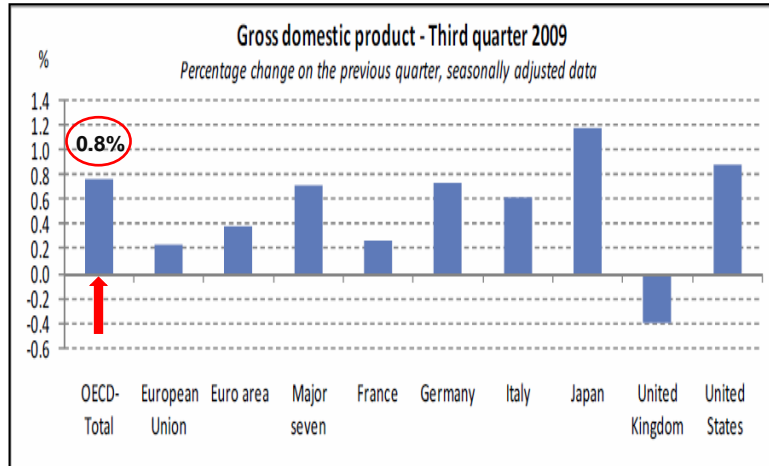
7

Global monitor: OECD economies stop contracting in 2009 Q2

Quarterly GDP Volume Growth
Percentage change on the previous quarter

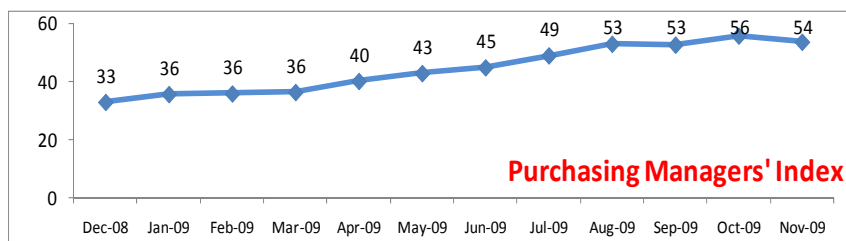
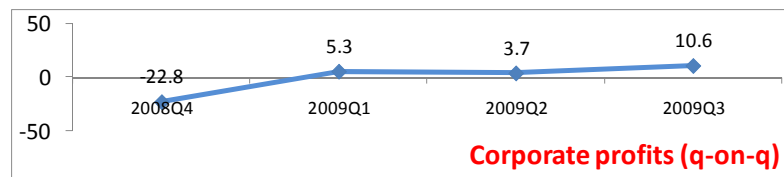
	2007			2008				2009	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
OECD-Total	0.6	0.7	0.6	0.5	-0.1	-0.5	-1.9	-2.1	-0.0
European Union	0.5	0.6	0.5	0.7	-0.2	-0.4	-1.8	-2.4	-0.3
Euro area	0.4	0.6	0.4	0.7	-0.3	-0.4	-1.8	-2.5	-0.1
Major seven	0.5	0.6	0.4	0.3	-0.1	-0.6	-1.9	-2.1	-0.1
Canada*	1.0	0.5	0.3	-0.2	0.1	0.1	-0.9	-1.4	..
France	0.4	0.7	0.3	0.5	-0.5	-0.2	-1.4	-1.3	0.3
Germany	0.3	0.8	0.1	1.6	-0.6	-0.3	-2.4	-3.5	0.3
Italy	0.1	0.2	-0.4	0.5	-0.6	-0.8	-2.1	-2.7	-0.5
Japan	-0.2	-0.1	0.8	1.0	-1.1	-1.0	-3.5	-3.1	0.9
United Kingdom	0.6	0.5	0.5	0.8	-0.1	-0.7	-1.8	-2.4	-0.8
United States	0.8	0.9	0.5	-0.2	0.4	-0.7	-1.4	-1.6	-0.3

Global monitor: OECD economies rebound in 2009 Q3



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

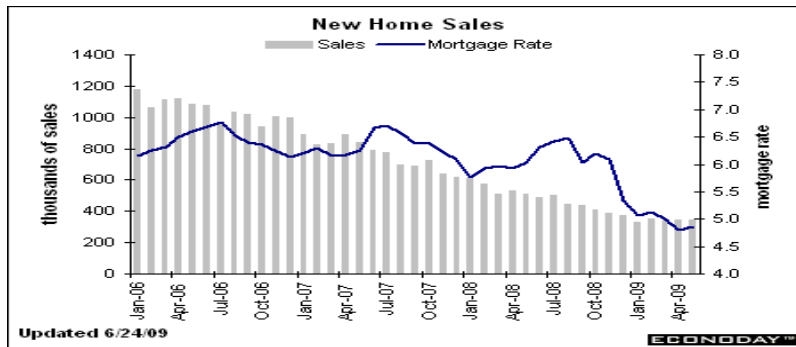
Global monitor: US industries continue to improve



Sources: Institute for Supply Management's Report on Business; US Bureau of Economic Analysis

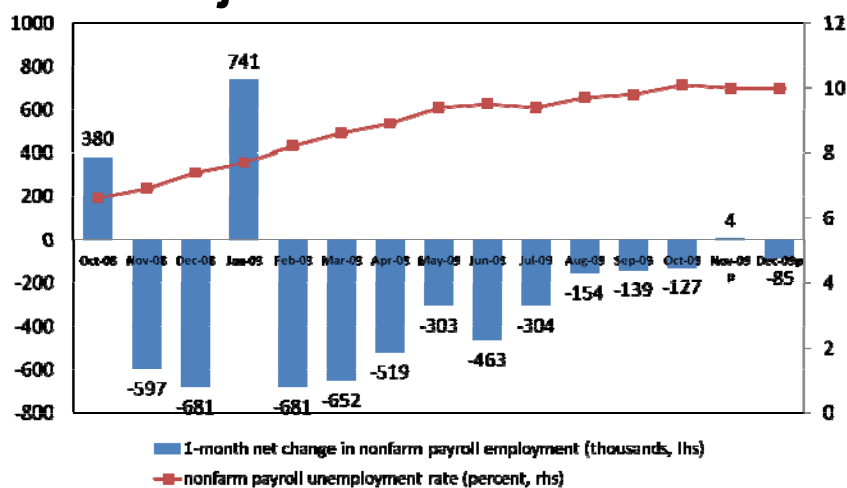
Global monitor: still no clear sign of recovery in US housing market

- New Home Sales fell 0.6% in May 2009
- Prices up 4.2% month-on-month



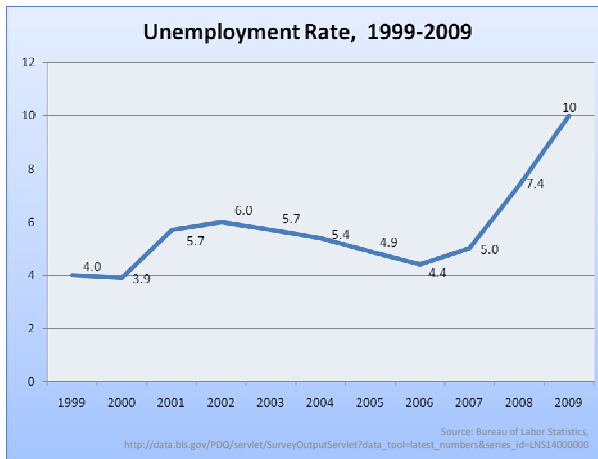
Source: Bloomberg

Global monitor: US lost 85,000 jobs in December



Source: US Bureau of Labor Statistics,

Global monitor: Fed sees high unemployment in the long run

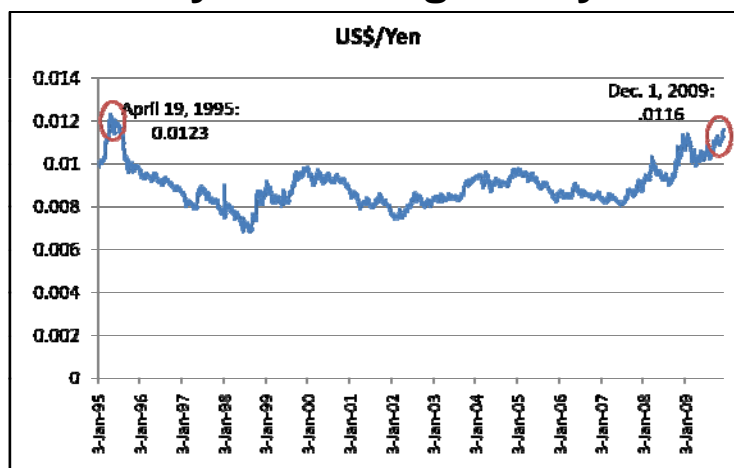


From the Minutes of the Federal Open Market Committee, Dec 15-16, 2009.
<http://www.federalreserve.gov/monetarypolicy/fomcminutes20091216.htm>

- Moderate pace of US recovery implies slow decline in unemployment.
- Apparent weakness of the labor market makes prospects for consumer spending gloomy.

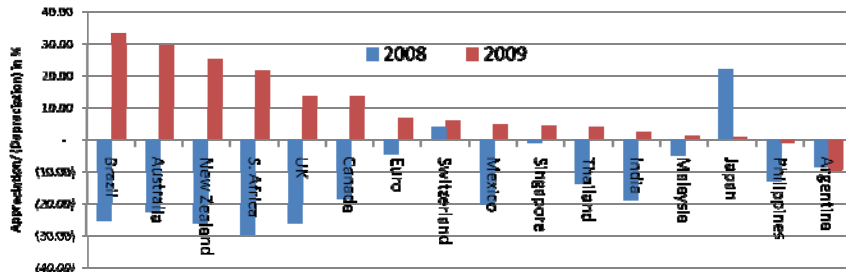
13

Global monitor: US dollar falls to 14-year low against yen



Sources: Federal Reserve, Bangko Sentral ng Pilipinas

Global monitor: US dollar continues to shrink

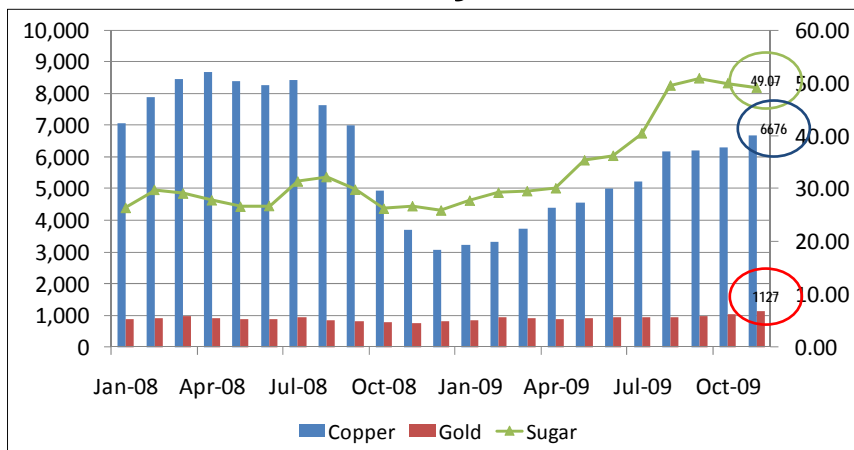


Source: Bangko Sentral ng Pilipinas

Due to large and rising US budget deficit
 Due to confidence in global recovery
 Helps US exports; harms Philippine exports
 Dollar collapse unlikely, at least for short term

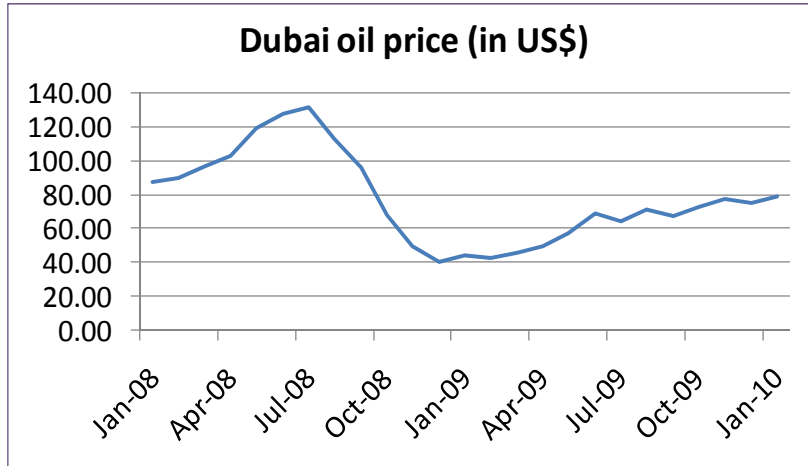


Global monitor: gains in world commodity markets



Source: WorldBank Commodity Pinksheet

Global monitor: threat of rising oil prices

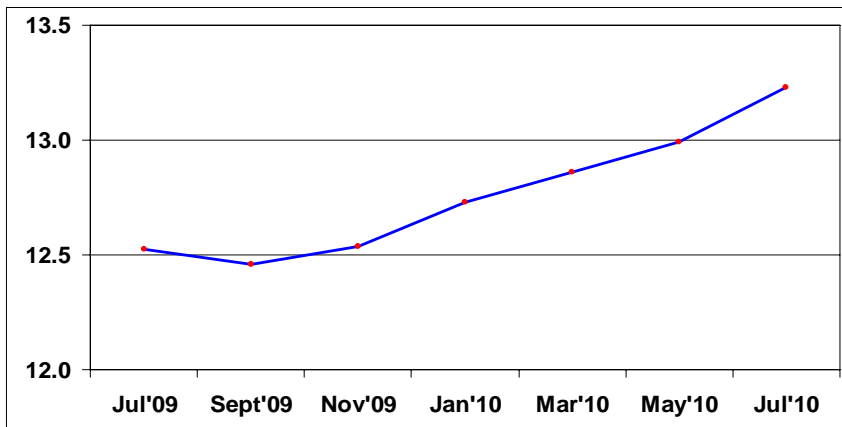


Source: Department of Energy

17

Global monitor: rising rice prices

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

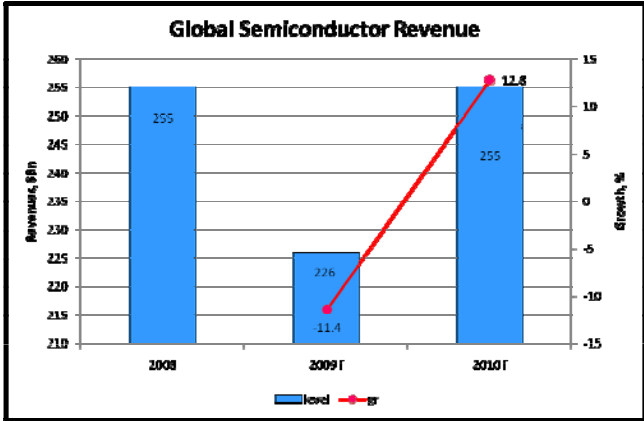


Note: U.S. No. 2 or better long grain rough rice with a total milling yield of not less than 65% including head rice of not less than 48%.

Source: Chicago Board of Trade

18

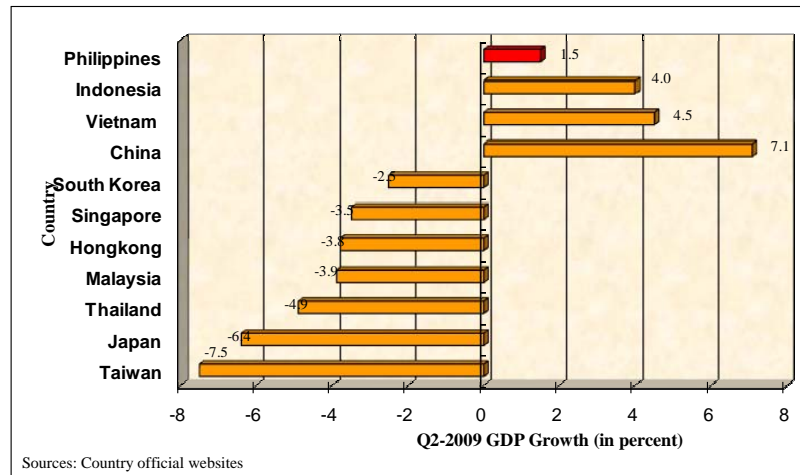
Global monitor: semiconductor revenues to grow 13% in 2010



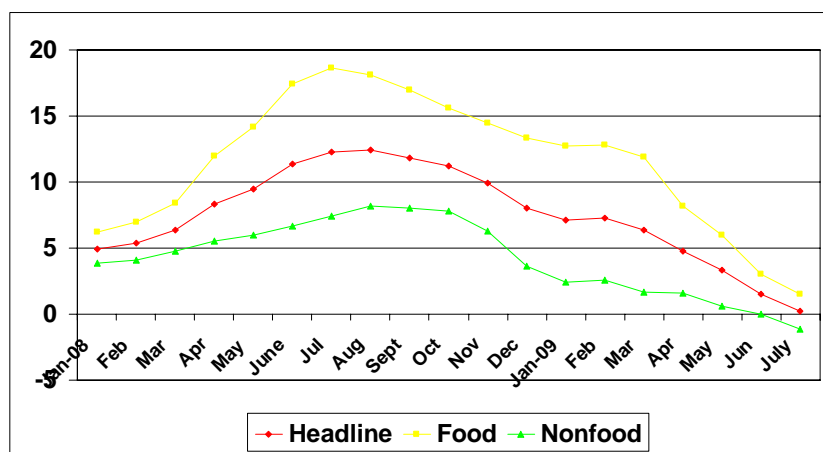
Source: <http://www.gartner.com/it/page.jsp?id=1228116>

Local monitor: developments in the Philippines amid the crisis

Philippine growth is respectable in East Asia



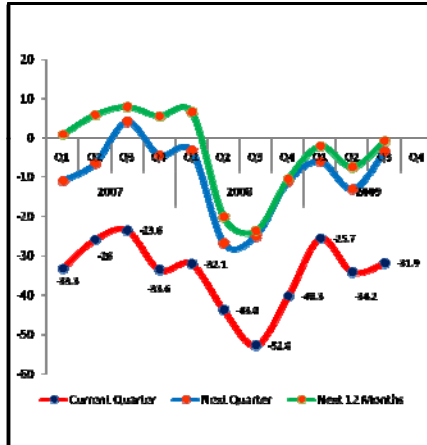
Local monitor: inflation slides down further to 0.1%



Source: National Statistics Office

Local monitor: overall confidence improves in 2009 Q3

Consumer Expectations



Business Confidence

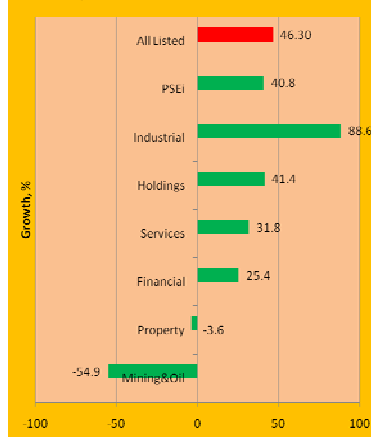


Sources: http://www.bsp.gov.ph/downloads/Publications/2009/bES_3qtr2009.pdf;
http://www.bsp.gov.ph/downloads/Publications/2009/CES_3qtr2009.pdf

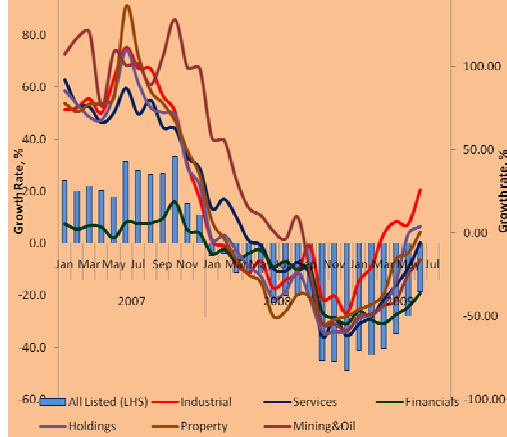
23

Local monitor: corporate profits up by 46%, capitalization improving

Corporate Profits, 1st Semester 2009

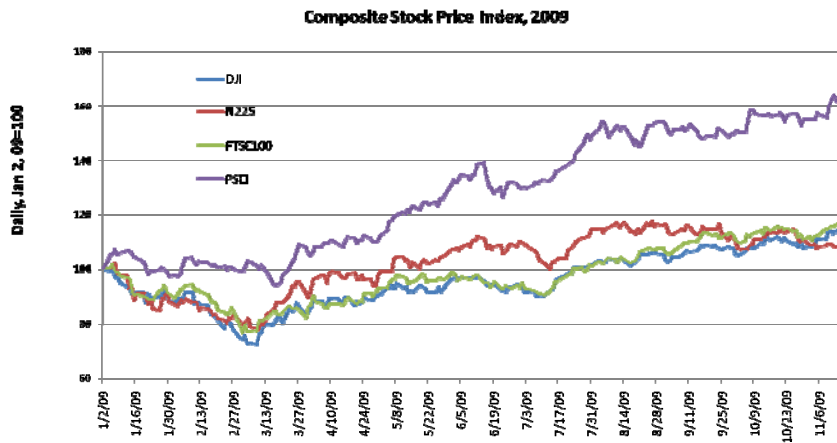


Market Capitalization of Listed Firms



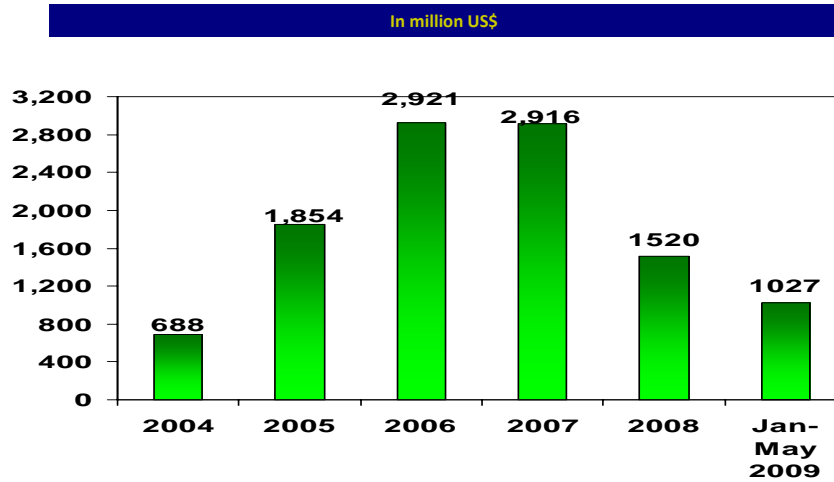
Sources: Philippine Stock Exchange, Bangko Sentral ng Pilipinas

Local monitor: stock market index breaks 3,000 threshold



Source: PSE

Local monitor: FDI almost doubles in first semester



Source: Bangko Sentral ng Pilipinas

Local monitor: hiring gap remains in outsourcing

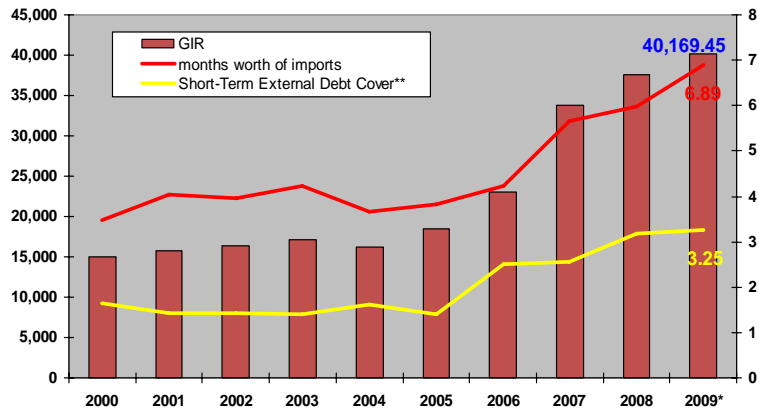
	Manpower need	Filled jobs
Call centers	350,000	220,000
Software	75,000	21,000
Transcriptio	32,000	10,000
Animation	25,000	10,000
Gaming	1,000	300-500

Local monitor: exports start to grow again

Growth of Merchandise Exports (%)

	Year-on-Year	Month-on-Month
Oct-08	-14.8	-10.5
Nov-08	-11.4	-11.5
Dec-08	-40.3	-23.9
Jan-09	-40.6	-6.1
Feb-09	-39.0	-0.2
Mar-09	-30.9	15.9

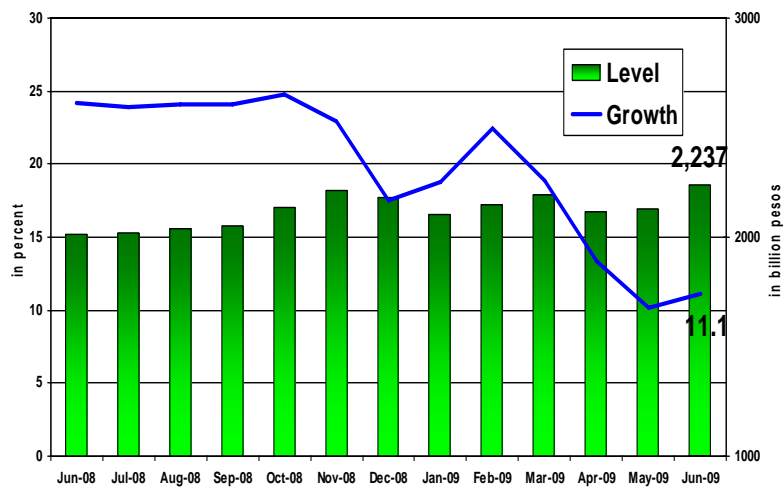
Local monitor: gross international reserves hit US\$ 40.2 billion



Source: BSP; *As of end-July 2009 **based on residual maturity

29

Local monitor: bank lending robust amid global crisis



Source: Bangko Sentral ng Pilipinas

30

Local monitor: monthly lay-offs sharply down

Workers Displaced by the Crisis	
October 2008	4,224
November 2008	9,448
December 2008	11,433
January 2009	12,392
February 2009	9,126
March 2009	15,895
April 2009	2,554
May 2009	1,776
June 2009	1,590

As of 30 June 2009; Lay-offs meant the displaced workers: permanently laid-off and temporarily

Source: BLES-Establishment employment reports submitted by employers to DOLE regional offices

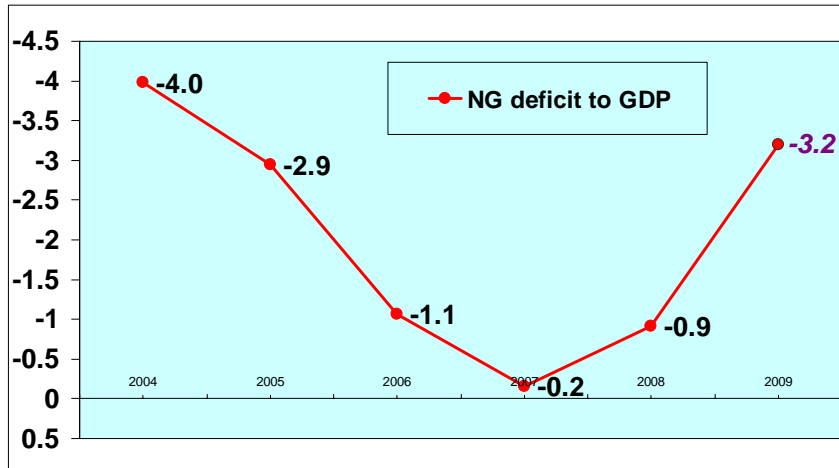
Local monitor: except for manufacturing, all sectors grew in 1st half

	1 st Q	2 nd Q		1 st Q	2 nd Q
Agriculture, Fishery, Forestry	2.1	0.3	Services	2.0	3.1
Industry	-2.5	-0.3	TCS	5.6	1.7
Mining and Quarrying	19.5	21.4	Trade	0.4	3.0
Manufacturing	-7.6	-7.2	Finance	1.2	1.8
Construction	14.0	16.9	ODRE	0.7	3.4
Elect., Gas & water	0.6	2.9	Private Services	2.5	2.8
			Gov't. Services	1.1	7.7

Source: NSCB

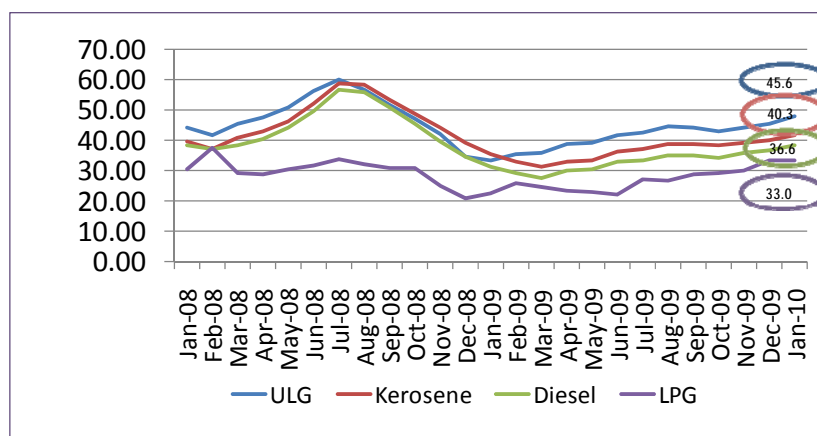
Local monitor: threat of swelling public deficit

(in percent)



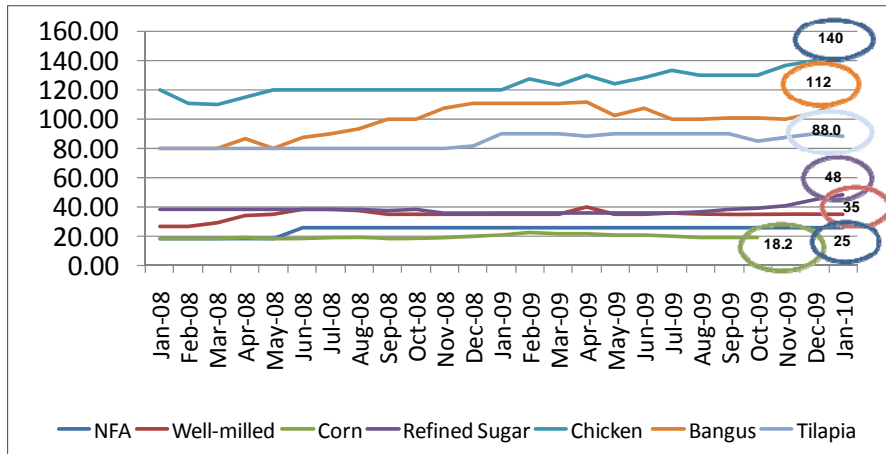
Sources: DBCC

Local monitor: climbing pump prices



Source: Department of Energy

Local monitor: select commodity prices



Source: Bureau of Agricultural Statistics

35

Local monitor: impact of recent typhoons on GDP

Affected Sectors	ONDOY ¹ (Ketsana)	PEPENG ² (Parma)
Infrastructure	P 3,684,439,529	P 1,091,914,581
Agriculture	P 6,766,046,143	P 3,991,236,391
Total Amount	P 10,450,485,672	P 5,083,150,972
Impact on GDP growth*	-0.22	-0.11

Source of basic data: National Disaster Coordinating Council (for PEPENG the infrastructure figure includes private property)

* NEDA estimates using Input-Output Model

1/ as of October 11, 2009 2/ as of October 11, 2009

Post-typhoons, hunger spikes to record 24%

Hunger in recent SWS surveys

Sept. 18-21, 2009	17.5%
Oct. 24-27, 2009	18.9
Dec. 5-10, 2009	24.0

Hunger correlated with food inflation in the past.

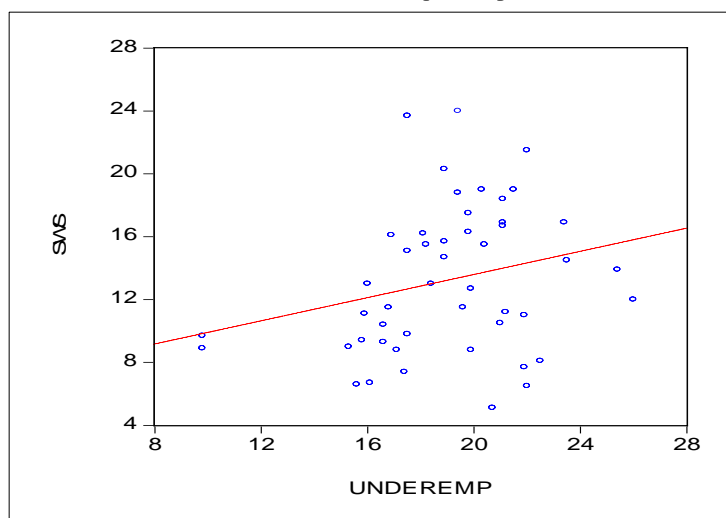
Food inflation rates, 2009

Aug.	1.7%
Sept.	2.1
Oct.	3.8
Nov.	4.9
Dec.	5.3

Source : Social Weather Survey,

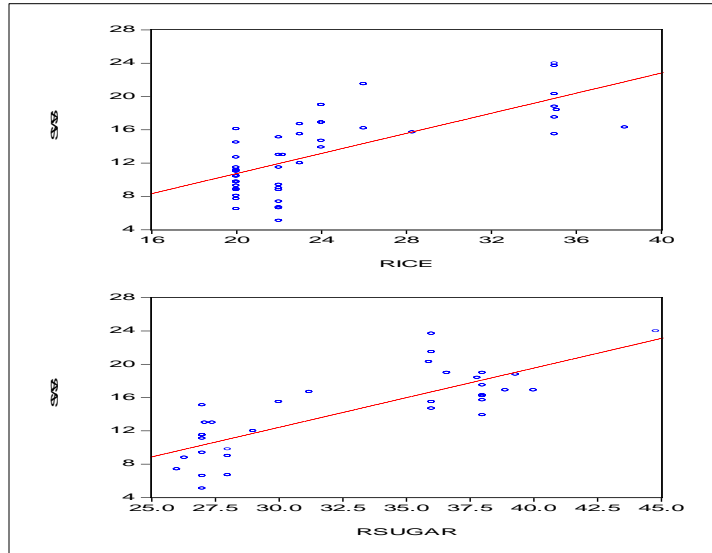
37

Weak relationship between hunger and underemployment



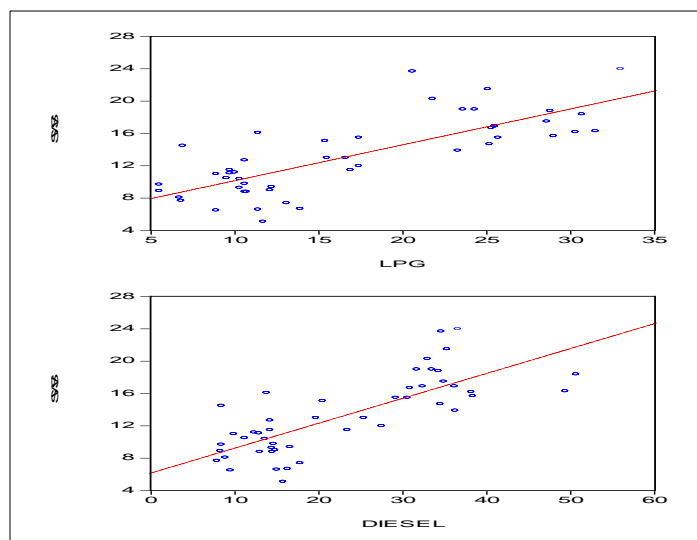
38

Strong hunger correlation with price of rice and sugar



39

Strong hunger correlation with price of LPG and diesel



40

Why spike in hunger? Big price increase in goods valued by poor

Price increases
(Dec `08-Dec `09)

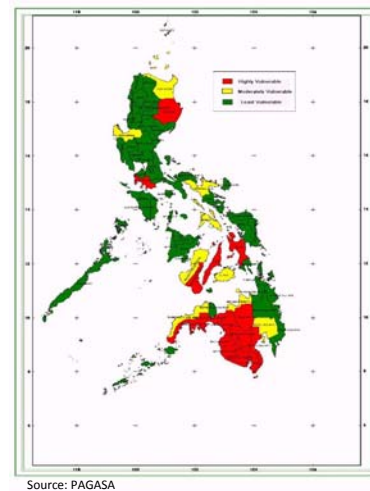
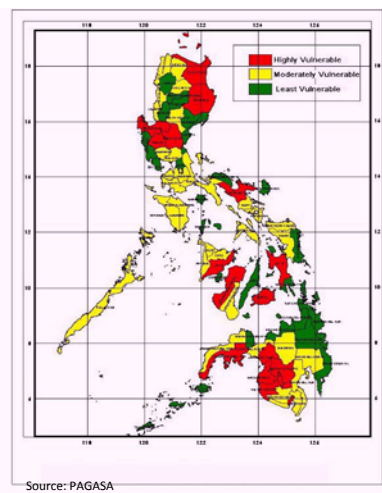
Ref. sugar	24%
Galunggong	16
LPG	60
Diesel	6
Gasoline	32

Low general inflation rate in 2009 (3.2%) hid these price increases.

Typhoons and rising oil put pressure on the poor.

Current threats: will rice prices rise? Will water become more costly?

Local monitor: EL NIÑO drought vulnerability maps for rice and corn



Defending against the global recession: the Economic Resiliency Plan



Vulnerable sectors

Overseas Filipino workers (OFWs) vulnerable to displacement

- OFWs 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)

Export sector workers :

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

The bottom poor

Objectives of the Economic Resiliency Plan (ERP)

1. To ensure sustainable growth and attain the higher end of the growth target in 2009;
2. To save and create as many jobs as possible;
3. To protect the most vulnerable sectors: the poorest of the poor, returning overseas Filipino workers, and workers in export industries;
4. To ensure low and stable prices to support consumer spending; and
5. To further enhance competitiveness in preparation for the global economic rebound.

Two waves of infrastructure

2009

P 203 billion national budget for infrastructure and capital outlays.

Prioritize 4,000 – 5,000 small projects in the budget. Stress speed in job creation.

2010

P 100 billion off-budget funding. Big-ticket items for PPP

P 160 billion budget increment

- Postpone balancing the budget; bloat the deficit
- Frontload spending to the critical period: 1st half of 2009
- Realign budget from projects that may be difficult to implement (i.e., right of way issues, no detailed engineering plans) to fast projects
- Force agencies to disburse quickly: use it or lose it policy
- Frequently monitor spending

Protecting the export workers

- Tripartite action bodies
- Quick Response Teams (QRTs) to monitor which firms were most in danger of shutting down
- Alternative package for lay-offs: forced leaves, flexi-time, half-time, shift work
- Frequent monitoring of displacements
- Job matching and facilitation for those laid off
- Training for self-employment
- Technical and vocational training to upgrade skills

Protecting the migrant 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

Comprehensive Livelihood and Emergency Employment Program

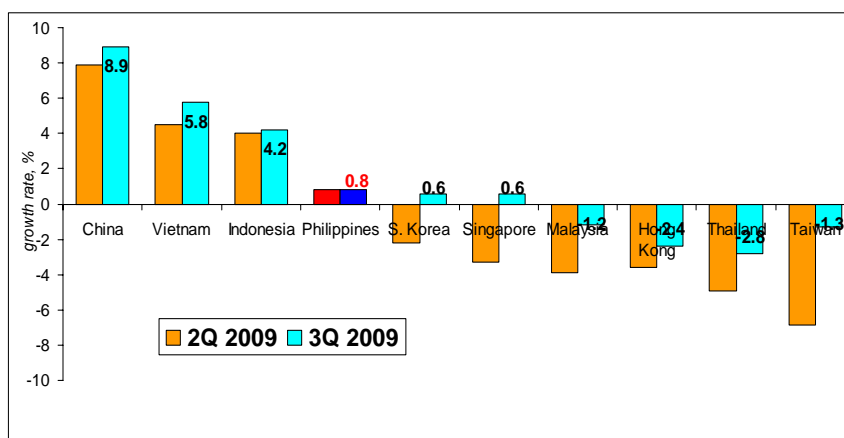
- Upland forest work, farm to market roads, irrigation, fertilizer production, roadside maintenance, classroom construction, other public works projects
- Employed 467,013 individuals as of November 13, 2009

Social protection components

- Conditional Cash Transfers for the Poorest of the Poor
- National Health Insurance Program (NHIP) Sponsored Programs
- Enhanced Benefits under the Philhealth
- Training for Work Scholarship Programs
- Department of Health program (DOH) for upgrading primary and secondary hospitals
- Other programs

Still posting growth in Asian neighborhood

3rd Quarter Real GDP growth (in percent)



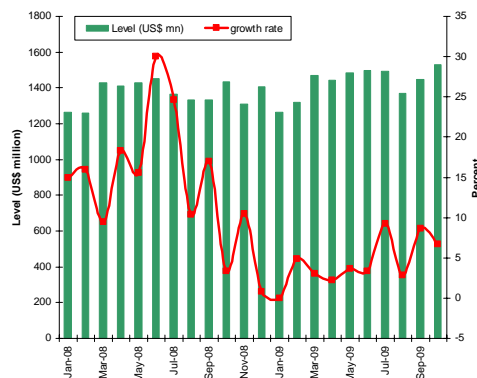
Sources: ADB ARIC; Country websites

Unemployment falls during heat of the crisis

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

Migrant worker remittances up 5.1% in 2009



2009 Forecasts		
	Previous	Current
C. Bank	0.0% (Feb '09)	4.0% (Aug '09)
World Bank	-4.0% (Apr '09)	4.0% (Nov '09)
IMF	-4.0% (Jun '09)	4.0% (Oct '09)

Achievements in social protection

Program	2009 Target Beneficiaries	Status of Implementation
4Ps /1	1,000,000 poor households	700,000 poor households (Nov '09) (70% of target)
SEA- K /1	14,105 families	20,942 families (Jan-Aug. 30, '09) (148% of target)
Food for School /2	1,851,216 children (DepEd) 467,707 children (DSWD)	1,913,049 children (Nov. '09) (103% of target) 481,028 children (June '09) (102.8% of target)
Microfinance Lending /3	No target set for 2009	556,844 MF clients (Jan-July '09)
	400,000 new jobs	312,648 new jobs (Jan-Jul '09) (78% of target)

Source: /1 DSWD
/2 DepEd
/3 Consolidated by DTI-BSMED from the submission of PCFC,SBC,DBP,LBP,NLDG, Quedancor

Economic Resiliency Plan worked

- The Philippine economy never contracted during the global recession.
- Unemployment was feared to rise due to the crisis. It actually **fell** due to the programs: from 8.0% in April 2008 to 7.5% in April 2009
- Remittances from migrant workers did not fall; they continued to grow.
- Social protection programs cast a wider net over the bottom poor.

Indeed, relatively mild impact

- Unemployment fairly stable
- Community-Based Monitoring System (CBMS, March to July 2009): 3,274 households in the Philippines: Metro Manila, urban outside Metro Manila, rural
- Only 2.8% had a family member who lost his/her job between November 2008 and the survey date
- 13.4% had a family member who was an overseas workers. Of this set, only 6.1% had a member who was retrenched abroad.
- Dr. Josef Yap: “These data support the assertion that the impact of the 2008 global financial crisis was relatively mild.”

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