

**PGMA's Speech during the Mid-Year Philippine Economic Briefing**  
Rizal Ballroom, Makati Shangri-la Hotel, Makati City  
*17 September 2008*

Thank you, Secretary Teves for your introduction.

Governor Tetangco, Cabinet members, members of the media, members of the financial community, ladies and gentlemen, good morning.

There is no doubt that the global economy has hit the Philippines hard. The upheaval in the global economy this past year has clearly had a significant and painful impact on every Filipino through higher prices of food, fuel and rice. This has led to unfortunate levels of inflation and even greater pressures on our poor.

Crude oil prices smashed through the hundred-dollar barrier. World rice prices crossed the previously unimaginable price of a thousand dollars per metric ton.

Some blame speculators moving billions of dollars from subprime mortgages, whose collapse forced the icons of the U.S. financial might into making huge write-downs, and the fund managers transferred their money to commodities like fuel and food. Others point to rising demand from the Brazil, Russia, India and China economies; to the diversion of wheat, corn and the like to ethanol production; to crop failures due to climate change-induced weather shifts; and to protective cut backs on grains exports by some producing countries.

With the price of crude oil on the global market reaching a high of some 44 percent over the past year and the price of rice in the global market some 43 percent over the past year, our economic team has been challenged, to say the least. As you will hear from them and as you have somehow seen in the introductory video, our economy has not been spared by the global economic downturn. Our economic growth has been impacted.

Our growth in gross domestic product slowed down to 4.6 percent in the second quarter, a far cry from the sizzling 8.3 percent growth posted last year. But growth eased in our neighbors as well. Singapore grew by only 2.1 percent compared to 9.0 percent the year before. Hong Kong posted 4.2 percent compared to 6.2 in the same quarter last year. South Korea's growth is similar to ours at 4.8 percent.

Our team is doing their best on all fronts to manage inflationary pressures, provide a safety net to those members of our society who are hit hardest by these global developments, and deliver the growth that will continue to generate jobs and the tax revenues that we need to fuel our investment in the future.

While the recent economic picture has been challenging, there is also no doubt that thankfully we have had the foresight to plan for this day through tough choices to reform our tax system. This has given us the funds to invest in targeted relief to our most-poor through programs aimed at relieving the high price of energy and food. Examples of key projects and programs that are in place to alleviate the pain include removing tariffs on petroleum products; Pantawid Pamilya providing targeted direct payments for the most-poor linked to school attendance and good health practices; Food-for-School giving school children in the most food-poor communities a kilo of rice a day to augment the family food supply; Pantawid Kuryente to help pay the electric bill of indigents; Pantawid Pag-aral for interest-free college loans and scholarships; fuel discounts for public utility vehicles; Pantawid Pasahe to convert the engines of jeepneys and trucks to the less costly LPG, CNG or biofuels; microfinancing for the wives and immediate family members of drivers and conductors of public utility vehicles; Tulong para kay Lolo at Lola for the elderly who are not covered by SSS or GSIS; upgrading of hospitals that cater to the rural poor; a supplemental calamity budget; and income tax exemption for those earning 200,000 pesos a year or below.

The recent challenges we face are broadly external but they nevertheless require strong, decisive and targeted action internally. The heights to which oil and other commodity prices have risen were unexpected and the depth of the financial market turbulence in the U.S. is still unknown. Against this backdrop, the best buffer we have to external vulnerability is our own domestic internal strength.

Building a stronger, healthier economy driven by domestic consumption and investment, and relying less on external markets is what our reform agenda is about.

The statistics on slower growth reflect what we hope is a lagging indicator.

We hope the worst is behind us and we have weathered the worst of the global storm.

We may have already seen the worst of the oil price spikes. You have felt it at the pump --fuel prices are starting to come down.

The results of the July 2008 round of the Labor Force Survey show that employment generation for this period reached 1.3 million. The August inflation rate of 12.5 percent to a high was only 0.2 percentage points above the previous months, in contrast to the acceleration last April and June.

While no one can predict the future during these uncertain global economic times, it seems that our measures at home are seeing us through the toughest times as we prepare for a day with lower global fuel and food prices.

But even as some external challenges are letting up, we will continue to focus on reining in inflation, bringing down prices of the most essential commodities;

increasing targeted investments to our poor and getting our economic engine moving in a higher gear.

We will work hard also to strengthen the banking system, improve our fiscal health, encourage investment in our most promising growth sectors, and expand our potential sectors.

We have a targeted strategy for food self-sufficiency; for less energy dependence; for greater self-reliance in our attitude as a people and our posture as a nation.

While it's good news that we are being more self-reliant and taking control of our own destiny, we must become even more globally competitive. To that end, we met with the National Council on Competitiveness early this week to make sure we remain on track to improve our business and investment climate and to continue to improve our global competitiveness.

The cut in corporate income tax rates next year will give companies more headroom to reduce their prices to the public and be more competitive.

We will continue on the path of economic reform. Our reforms have helped us in this time of global economic upheaval. Without them, we would not be as confident as we are that our economy will withstand these external shocks. We will continue to be vigilant against further challenges to our economy. We must maintain the fiscally prudent policies that have given us the strength to weather this global storm.

The global economy may have knocked us down, but we have gotten up off the mat and dusted ourselves off. Filipinos are fighters, naturally optimistic, and we don't quit. Our story as a people has a practical, down-to-earth theme: BEAT THE ODDS.

We are doing everything in our power to focus on the fundamentals, keep the economy steady, and provide relief for those most in need. But we will only be successful if every segment of society pulls together and commits to building an ever-stronger Philippines.

Thank you.