



Economic Managers Say Nine Years of Economic Reform Central to Growth and Stability in the Philippines

- Philippines Represents Growth Story Amidst Global Economic Recovery -

(Manila, March 3, 2010) – Addressing members of the local business community at the Philippine government’s Year-End Economic Briefing, President Gloria Macapagal-Arroyo said that as the global economy heads toward a recovery, the Philippines is poised for higher levels of growth as a result of economic reforms that have created a robust foundation for growth. “We have been able to withstand the global devastation better than most for a simple reason: we were prepared. We made the tough choices on raising revenue, instilling budget discipline and most importantly, using our savings and new revenue to invest in the people.” she said.

Highlighting the benefits of the Government’s reforms on the country’s long-term economic prospects, she said, “Today we stand before you feeling more confident about the future. Our record of accomplishment is a solid one: uninterrupted growth; low inflation; higher job growth; and expansion of human and physical infrastructure. What is important is not what we have done, rather where the nation is going. Long after we have left office, I want this nation to succeed, to win. I also want the people to prosper, the poor to be lifted out of despair, a middle class to expand and lead this nation to the verge of the first world in twenty years. The future for the Philippine economy is, indeed, much brighter now than it was back in 2001.”


The Economic Team, which includes Finance Secretary Margarito B. Teves, Trade and Industry Secretary Peter B. Favila, National Economic and Development Authority (NEDA) Deputy Director-General Margarita R. Songco, Energy Secretary Angelo T. Reyes, Agriculture Undersecretary Bernie G. Fondevilla, Budget Undersecretary Mario L. Relampagos and Bangko Sentral ng Pilipinas (BSP) Deputy Governor Diwa C. Guinigundo provided the key highlights in economic reform over the last nine years in each of their sectors and further discussed the key pillars of strength that are ensuring continued economic growth and positioning the Philippines to capture opportunities that are arising from the global rebound.

Secretary Teves said the government and the private sector have to work together to ensure continued economic growth and fiscal sustainability.

“As the economy recovers, we hope to return to the path of fiscal consolidation as we aim to bring down our budget deficit to 3.6 percent of GDP this year from 3.9 percent last year. To ensure that we will be on track with our fiscal program, we will vigorously implement more effective tax administration measures, intensify collections of non-tax revenues, tighten implementation of the rules and regulations of recently enacted revenue eroding measures, and work closely with the academe, business sector, and our development partners in the preparation of a tax reform strategy,” Secretary Teves said.

Discussing the positive results of the Government’s proactive budget management strategy, Undersecretary Relampagos said that for almost a decade, total government spending nearly doubled from P714.5 billion in 2001 to P1.4 trillion in 2009, and grew at an annual average rate of 9.0 percent. Most importantly, he said, this budget was put to productive use for instance in infrastructure investment and social services rather than settling debt obligations. “Interest payments declined to 19.6 percent in 2009 from 31.1 percent in 2005, while infrastructure and other capital outlays increased by more than 185.0 percent from 2001 to 2009. This is reflective of the effectiveness of the Government’s thrust of placing infrastructure high in the development agenda and that it has delivered on its commitment of translating the benefits of economic reform into real benefits for the people,” he said.

In trade and industry, Secretary Favila said the export sector as well as foreign investment inflows experienced a remarkable period of growth prior to the global financial crisis and that he is confident the Philippines will return to those levels of growth in time because of the reforms that have paved the way for a recovery. He also said, however, that while a recovery is on the horizon, the Philippines must continue to position itself to capture opportunities and must not be complacent.

 “We have to compete with other countries in the global market for exports and investments. In order to do this we need to strengthen our domestic base. One of our key strategies is to continue pursuing an ICT-enabled growth initiative in collaboration with other government agencies and the private sector. We will focus our work on the five I’s: Infrastructure, Investments, Innovation, Intellectual Capital and Information Flows,” Secretary Favila said.

NEDA Deputy Director-General Songco added that in addition to investments, the Philippines created a number of other record economic performances over the course of the last nine years. In particular, the Philippine economy performed well above historical average in the period 2004 to 2007. While the Philippine economy was affected by the global financial crisis following that period, in 2009, it remained one of the few economies in the region that sustained a positive level of growth.

Deputy Director-General Songco said, “Growth was relatively weak in the first three quarters last year but in the fourth quarter, the Philippines was only one of four countries including China, Vietnam and Singapore that recorded positive levels of growth, all other Asian economies experienced a contraction or were still in recession. This is a very positive sign for us that we will be on track to achieve our higher target of 2.6 to 3.6 percent GDP growth in 2010.”

On the agriculture side, Undersecretary Fondevilla said the primary aim of government policies and programs in the agriculture sector is to make farm and fisheries producers profitable and competitive. Profitability and competitiveness, he said, drives investments on the supply side and enables welfare enhancement, inclusive of food security, of producers through livelihood security. He explained that Government has markedly increased stimulative core investments in the sector to attain these, in addition to preparing the sector for increased intensity of foreign competition fostered by further trade liberalization and the increasingly pronounced adverse impacts of climate change.

“Despite these challenges, however, the rebound of the world economy from the most recent financial crisis presents opportunities as well for Philippine agriculture in terms of international and domestic demand growth and thus investments,” Undersecretary Fondevilla said.

On energy sector reform, Secretary Reyes said that the Government has made much progress from raising energy self-sufficiency to the electrification of barangays and that the Philippine energy sector has entered a new era as a result of the Government’s reforms.

“Through an aggressive strategy to promote investments in and the development of indigenous and alternative energy sources, the Philippines now boasts of a higher self-sufficiency level in terms of the fuel sources used for power generation, which increased to 67.0 percent, a significant improvement from only 39.0 percent in 2001. We have also succeeded in expanding access to electricity with 99.5 percent of barangays already electrified in 2009, compared to only 83.0 percent in 2001. The Philippines is today in a much better place than nine years ago when we were heavily reliant on external and unsustainable sources of energy,” Secretary Reyes said. He also said the achievements made in the privatization of the power sector, which has reached 81.3 percent, will pave the

way for a more modernized, competitive power sector which will in turn support economic growth in the Philippines.

From the perspective of the BSP, Deputy Governor Guinigundo said that the Philippine economy was able to hold its ground against the backdrop of the worst global recession in post-war history due to “sound macroeconomic fundamentals—as evident in the favorable inflation environment and strong external payments dynamics—and a sound and healthy banking system.” With a stable macroeconomic environment in place, he said the Philippines is well-positioned for self-sustaining growth in the period ahead. Gross international reserves, the balance of payments and OFW remittances remained strong while inflation averaged 3.2 percent last year, significantly lower than the 9.3 percent posted in 2008, he said.

“Indeed, there is reason to expect and hope that the Philippine economy is on the road to recovery. Our sound macroeconomic fundamentals, together with the financial reforms we have painstakingly adopted in recent years have given us the confidence and optimism to believe that the Philippines can achieve more robust, durable and broad-based economic growth,” Deputy Governor Guinigundo said.

In closing, the Executive Director of the Investor Relations Office, Claro Fernandez, said, “As we emerge from the global economic crisis, we are prepared to capture opportunities arising from the new global economic landscape. Our banking sector is strong and providing an engine for growth; we have a myriad of high value industries from Business Process Outsourcing to Mining that are primed for investments, and we have a workforce that is talented and ready to support the needs of international businesses looking to capture growth opportunities here in Asia. We encourage investors to take advantage of the investments we have made to raise the competitiveness of the Philippines as a place for doing business, and encourage them to take part in our growth story by investing in our country.”

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