



Philippine Economic Managers Call on Investors to Capture Investment Opportunities amidst Positive Growth Prospects

- Philippines poised for higher growth as second quarter growth exceeds projections -

(Manila, October 14, 2009) - Philippine Economic Managers and the Bangko Sentral ng Pilipinas (BSP) Governor called on investors to capture the positive growth prospects offered by the Philippines by investing in the country as the global economy heads toward a recovery.

Pointing to the country's overall economic resilience and the improved environment for investment in his presentation during the Government's annual Mid-Year Economic Briefing, Finance Secretary Gary B. Teves said. "While the Philippines has certainly been affected by the global economic downturn, we have avoided the fate that has swamped many other countries. This is due in large part to the fact that the reforms that we have worked hard to institute over the past 8 years have resulted in an extremely resilient economy."

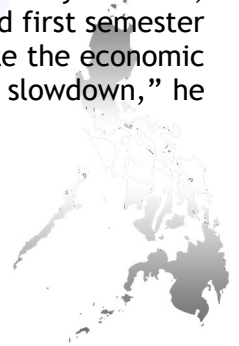
Secretary Teves also reassured investors that the recent typhoons that have hit the country will not impede the country's economic recovery. "We are ready for the rebound and we will not let the recent storms get in the way of the economic recovery. We have the people, the infrastructure, the social safety nets and will endeavor to improve the investment climate to meet the coming demand. Now is the time and the Philippines is the place to seize new economic opportunities as the global environment improves."

Other speakers at the economic briefing included Trade and Industry Secretary Peter B. Favila, NEDA Acting Director-General Augusto B. Santos, Budget Secretary Rolando G. Andaya, Jr., Energy Secretary Angelo T. Reyes, and Agriculture Secretary Arthur C. Yap, together with BSP Governor Amando M. Tetangco Jr. They presented the country's stable economic fundamentals, prospects for growth, investment opportunities and an outlook for the Government's economic policy.

Emphasizing the important role that economic reforms will play in ensuring the continued resilience of the country, Secretary Teves said, "As we start to see signs of a global economic recovery, we are refocusing our efforts on fiscal consolidation and picking up where we left off on our economic reform agenda, which includes a balanced budget, reduced national government debt and a healthy consolidated public sector position." Secretary Teves said that the Government aims to bring its budget deficit down to P233.4 billion, or 2.8 percent of GDP, in 2010 from the projected P250 billion, or 3.2 percent of GDP, this year. He said this is the first step to achieving the government's new target for a balanced budget by 2013.

He also said that the Government is stepping up revenue generation and tax collection efforts to balance its fiscal objectives with the need to continue relief and rehabilitation efforts in places affected by the storms. "We are maintaining our programmed deficit ceiling for the year while allocating more funds to help those communities affected by the storms get back on their feet as quickly as possible. We will be able to do this by intensifying revenue collection through a combination of more effective administrative and legislative revenue enhancement measures to increase tax compliance and enforcement, strengthen our governance measures and improve customer service of our revenue agencies," he said.

On the spending side, Secretary Andaya said that out of P94.3 billion allocated under the Economic Resiliency Plan, P87.2 billion, or 92.4 percent, has been released to the implementing agencies in the first six months of the year to pump-prime the economy. He said that on a year-to-year basis, both government consumption and public construction grew in the second quarter and first semester of the year. "This is a reflection that the economic resiliency plan worked to generate the economic activity and jobs that were needed to sustain positive growth levels amidst a global slowdown," he said.



Secretary Andaya emphasized that moving forward, although the Government will focus on reining in the deficit, it will also allocate funds to local rehabilitation efforts and prioritize its spending so that critical investments in economic and social services are sustained. “On the expenditure front, our focus is on completing the projects and programs that this Administration set out to achieve and on redirecting spending to high priority programs that will further position the Philippines to capture growth opportunities now and long after the global economy recovers. We are also working hard to move funds quickly toward rehabilitation efforts to bring normalcy and regular economic activity back to communities affected by the recent storms.” He said that in 2010, the social sector will continue to receive the largest portion of the budget, 31.1 percent, next while economic services will receive the second highest allotment of 23.1 percent.

On the subject of economic resilience, Acting Director-General Santos said that the country’s better-than-expected GDP growth of 1.5 percent in the second quarter of the year made the Philippines only one of four countries in the near Asian region that recorded positive growth during the period. “We have remained resilient throughout the global economic crisis and we are emerging even stronger than before, ahead of many of our neighbors,” he said. “The fact that all sectors grew in the first semester of the year, except manufacturing, which is one of the sectors hit hardest globally, is another indication that an economic recovery is underway. We are well-positioned to ride on that wave to achieve higher levels of growth.” The Government expects economic growth to reach 2.6 to 3.6 percent next year.

Meanwhile, Agriculture Secretary Arthur Yap said that the farm sector is ripe for greater investments as the higher farm spending under the Arroyo watch led to the continued expansion in the first semester of the palay, fisheries and poultry subsectors, plus the recovery of the once ailing livestock industry. Palay production went up 3.5% and the fishery and poultry subsectors expanded, respectively, by 4.9% and 4.31, said Secretary Yap, while the livestock subsector managed to rebound from last year’s negative growth to a 2.42% expansion in the year’s first six months.

“The twin challenges of liberalized trade and climate change will also present unique opportunities as agri sub-sectors will re-align their plans and projects to adjust to the demands and opportunities the global market will offer. We just need to support the private sector when it makes its moves to adapt to market realities,” he said.

Secretary Yap also said that the agricultural sector has been affected by the storms but that rice supplies remain adequate and healthy. He emphasized that there is an urgent need to fast-track relief funds to farmers to help them recover as quickly as possible. “We are focused on helping those affected farmers get their production cycles back on track. These efforts are now supported by a US\$3.9 million worth of agricultural assistance from our donor countries as well as collaborative efforts with the Food and Agriculture Organization (FAO) of the UN on a follow-up flash appeal for additional farm aid, this time for the massive rehabilitation of affected irrigation facilities in time for the dry or summer crop. These and other measures will help to ensure that we maintain a healthy level of rice supply for the country despite the damage caused by the recent storms,” he said.

Secretary Favila observed that early signs of recovery are already evident as identified growth sectors continue to attract investments. He added that, “We are fully committed to make our priority industries abound with opportunities. Our investment and export strategies will ensure that we are poised to achieve higher growth and bring the best value for capital. These strategies include the aggressive expansion of market access, strengthening the capacity of industries, pushing for amendments to investment-related legislations, and measures to cut red tape and lower transaction costs for investors to create a more conducive business environment and improve the country’s overall competitiveness”.

In the meantime, Secretary Reyes discussed the energy sectors’ accomplishments amidst the global financial crisis which he said was grounded on the government’s two-prong policy of energy independence and sector reforms. Among the accomplishments are: 1) new ventures in oil and coal exploration with estimated investments of US\$66.5 million; 2) promulgation of the Renewable

Energy Act's Implementing Rules and Regulations and commissioning of RE power plants; and, 3) the success in the privatization of power assets and contracts. Secretary Reyes said that the energy sector policies set early on was its source of resiliency including the fact that the behavior of international oil prices and foreign exchange rates was more manageable. Key highlights of his presentation as well are the investment opportunities in the sector particularly on exploration of various energy sources, development of critical infrastructures such as power plants and gas pipelines among others and the privatization of government's assets in the National Power Corporation.

Governor Tetangco said that the BSP is committed to ensuring that inflation remains low and the financial system sound and stable. The BSP will also continue to support external policies that will help insulate the economy against global risks. This will be achieved by pursuing a healthy external payments dynamics and maintaining a manageable level of external debt. He stressed that reforms in the international financial architecture are needed to ensure the stability of the global financial system. "We must not become complacent even as the global economy starts to improve. We in the Philippines are doing our part to strengthen our financial system by further improving the regulatory and supervisory framework as well as enhancing risk management systems. We are also further enhancing corporate governance structures, and we call on the business and financial community to do the same."

"Moving forward, the BSP will continue to support higher levels of economic growth by exercising a flexible and appropriate monetary policy to the extent that the inflation outlook would allow." he said.

In closing, Executive Director of the Investor Relations Office, Claro Fernandez called on investors to take an active role in the Philippine economic recovery by taking advantage of investment opportunities in the country. He said, "Investment is the key to our next wave of growth. We have been working to ensure that the economic engines of the Philippine economy are running and we have never been more ready to make things happen for foreign investors and businesses. The door is open and we welcome investors to explore the opportunities that our country has to offer."

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