

Philippines count blessings

Slower growth and higher inflation amidst the global financial crisis highlights the advantages of the Philippines.

by The Pinnacle Group

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Ironically, the global credit crunch tends to highlight the unique advantage of the Philippines as a destination for foreign investments and tourism, and a preferred source of imports and skilled labor. There is no need for Philippines to look for greener pastures.

The World Bank said in a quarterly report on 14 November 2008 that the Philippines is in a better position to weather the uncertainties brought about by the recent global slowdown and escalating fuel and food prices given the fiscal and other reforms it has undertaken in the last several years. The report cited a strong performance in private investments and construction, better-than-expected crop harvests, higher production in manufacturing and continued remittances from the eight million Filipinos working overseas.

The World Bank still projects gross domestic product to slow to 4.0-4.5 percent this year and to 3.0 to 4.0 percent next year after enjoying 7.2 percent growth last year, the highest in 30 years. Despite the twin challenges of slower growth and higher inflation, the situation is expected to remain manageable. The World Bank stressed the need for the Philippine government to improve tax collections, saying such revenues were crucial for increased infrastructure spending and the social safety nets Manila was planning to sustain growth and protect vulnerable sectors. Recent reforms carried out in Manila have also won praise from the International Monetary Fund and the World Bank. The Philippine government has announced this week that it had paid \$2.75 billion in foreign debt ahead of schedule and intends to balance its budget by next year.

While many people abroad are losing their homes because of subprime mortgage fiasco. On the other hand, decent mass housing units are cropping up across the Philippine urban centers. The Philippine government has decided to stop borrowing money from abroad for new infrastructure and development projects but to finance them locally as the government's fiscal position has improved over the years. The rationale for the new policy was President Gloria Macapagal Arroyo's social payback scheme.

Businessman Reghis M. Romero II, national president of the Chamber of Real Estate and Builders Associations (CREBA), cited, among others, the blessings that account for the country's economic and financial stability amid a comparatively low-cost of living which can be the envy of other countries, including Association of Southeast Asian Nation (ASEAN) neighbors:

1. The Philippine's banking system remains stable. The bans with investments in US derivatives or secondary commercial papers have very minimal exposure to such highly speculative financial concoctions. The country will be affected by the global situation, but only to up to a certain extent.
2. The youth-dominated 84-million population and the Overseas Filipino Workers' consistently-rising remittances continue to power the consumer-driven economy in good or bad times.
3. The weakening of the peso against the dollar comes at a time of declining oil prices, thus curbing any rise in fuel imports while boosting the price-competitiveness of our exports.

4. Modest improvements in government tax collection efficiency, with some help from the 12 percent EVAT, keep the country's fiscal position relatively healthy.

Said Romeo: "Thanks to our industry and our own safety nets for installment sales; to our banking system for adhering to sound policies that limit exposure to high-risk ventures, thus minimizing their non-performing loans and assets; to the government for its commitment to continue stimulating and pump-priming the economy while keeping inflation in check. All these amount to continued rise in real estate, housing and construction projects".

Talking of opportunities for the country, Romeo said "the global crisis presents itself as an opportunity for the country and its industry to put its best foot forward and be noticed. There is no need to look elsewhere for greener pastures; a Moses to lead and bring us all to the Promised Land. The fact is, we are standing on it. And it's where we Filipinos proudly belong. We just have to do what we have to do, and rise to the occasion. Ironically, the global credit crunch tends to highlight the unique advantage of the Philippines as a destination for foreign investments and tourism, and a preferred source of imports and skilled labor. It is just a matter of marketing the country all the more and even more vigorously. We have to find alternatives to whatever markets or foreign investors that we may lose. And we will get them in droves."

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Source: Quotes from "The China Post" & "Manila Bulletin"