

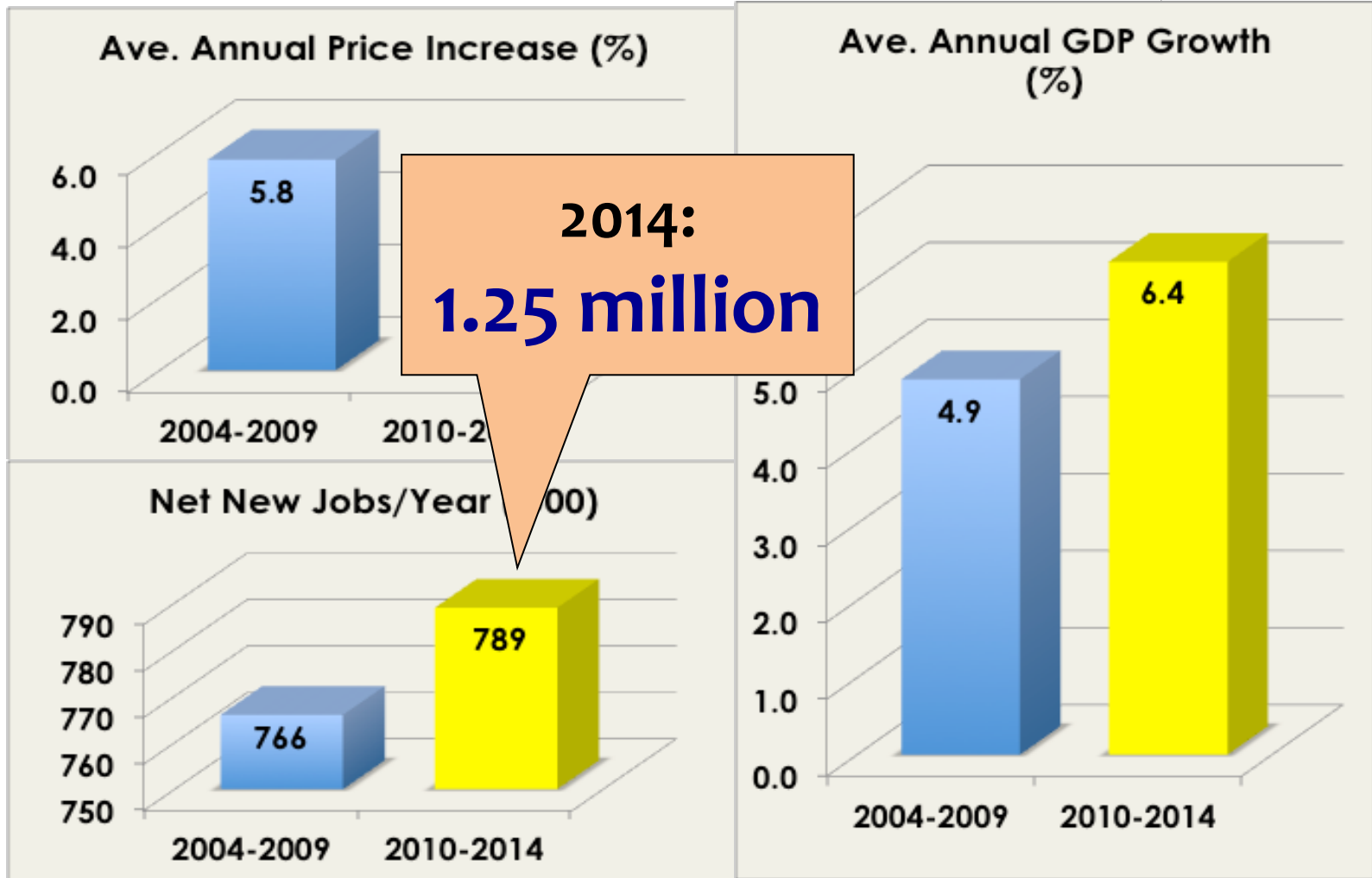
# The State of the Philippine Economy

Discussion by  
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Ayala-UPSE Economic Forum  
InterContinental Manila, Makati City  
29 January 2015

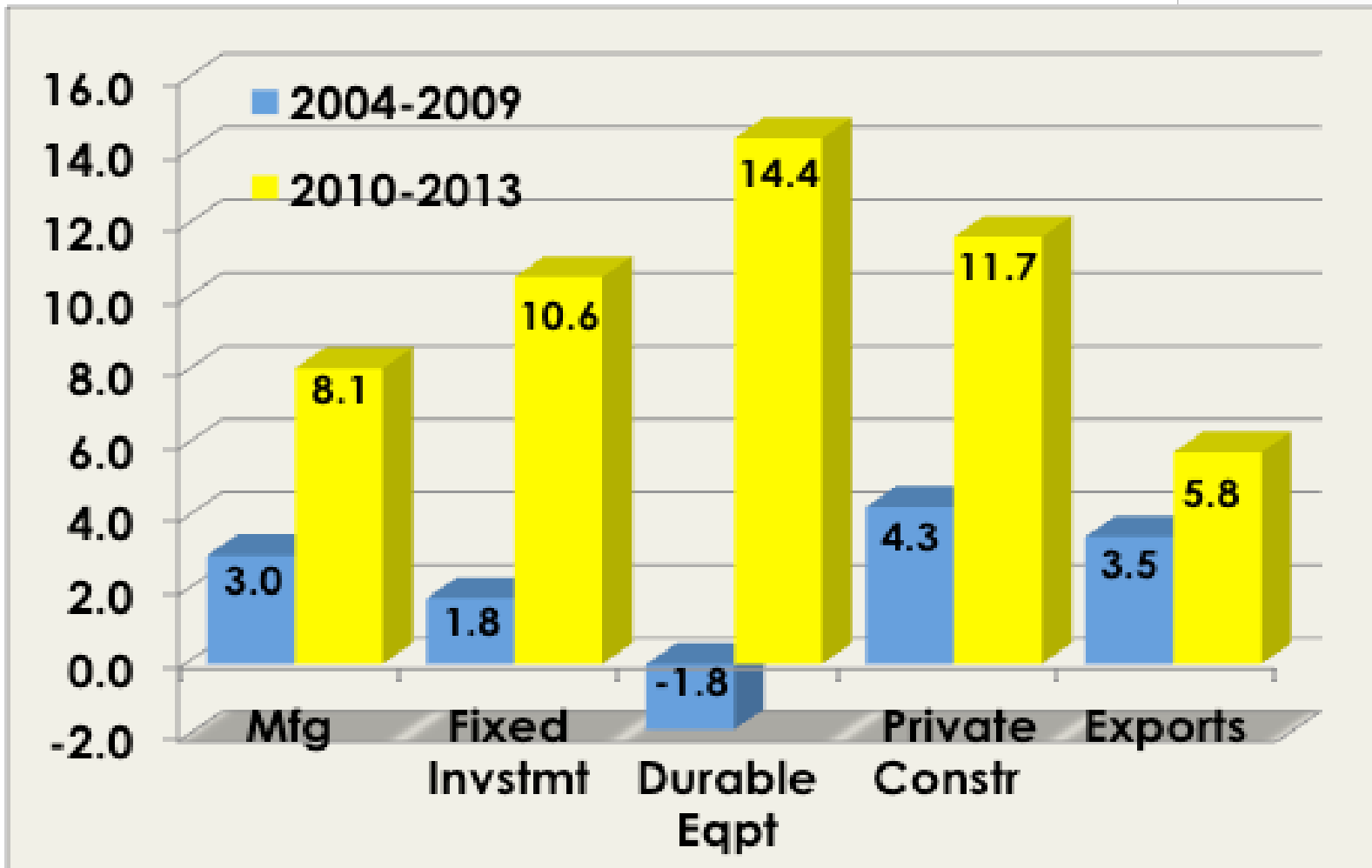
# Signs of a Breakout: PiTiK Test

## Then (2004-2009) & Now (2010-14)



Source: PSA

# Breaking Out Where It Matters



Source: PSA

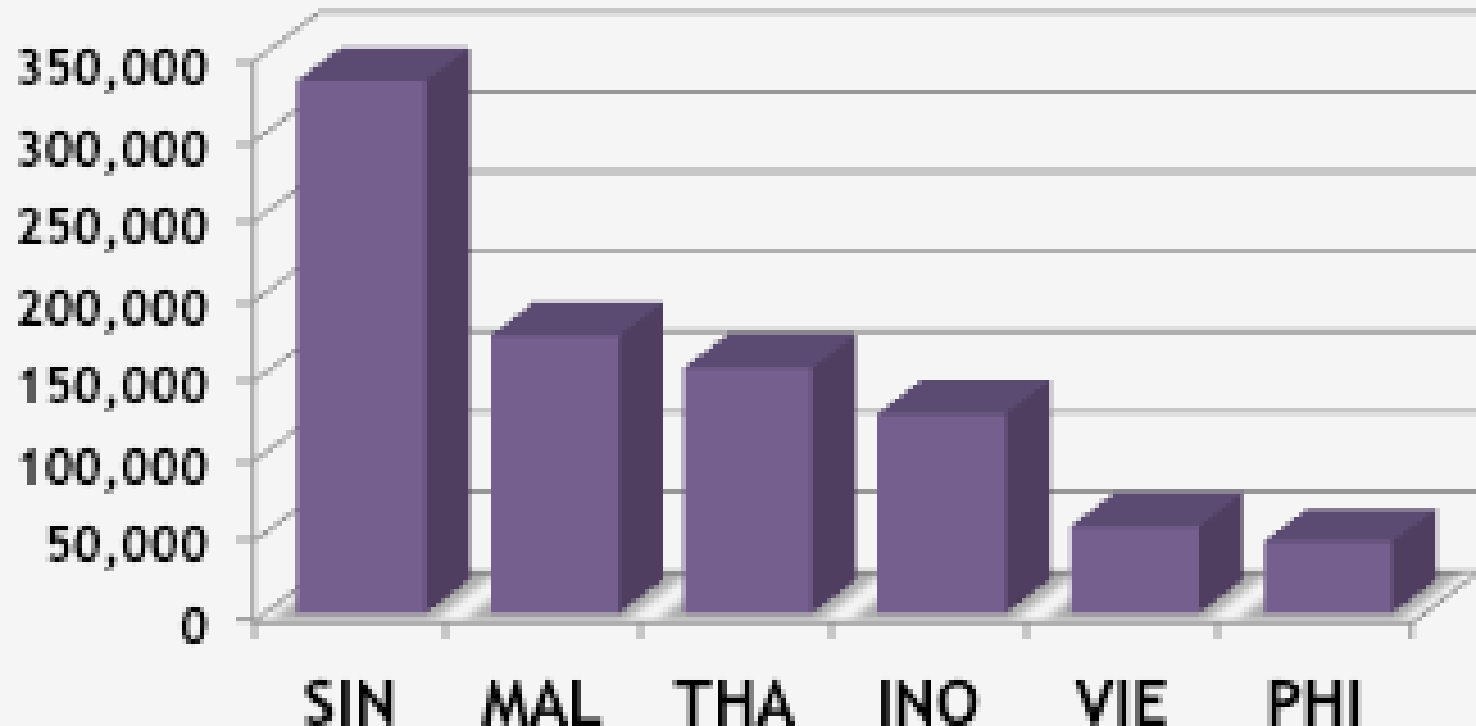
# The Long-Standing Challenge: Non-inclusive Growth



- **Narrow:** Growth is driven by a few high-growth sectors (BPOs, telecoms, real estate) & geographic areas (NCR, III & IV)
- **Shallow:** Bulk of exports from low domestic value added sectors with little linkage to rest of economy
- **Hollow:** “Jobless growth”; jobs growth lags (far) behind economic growth

# The Continuing Challenge: Lagging behind in exports

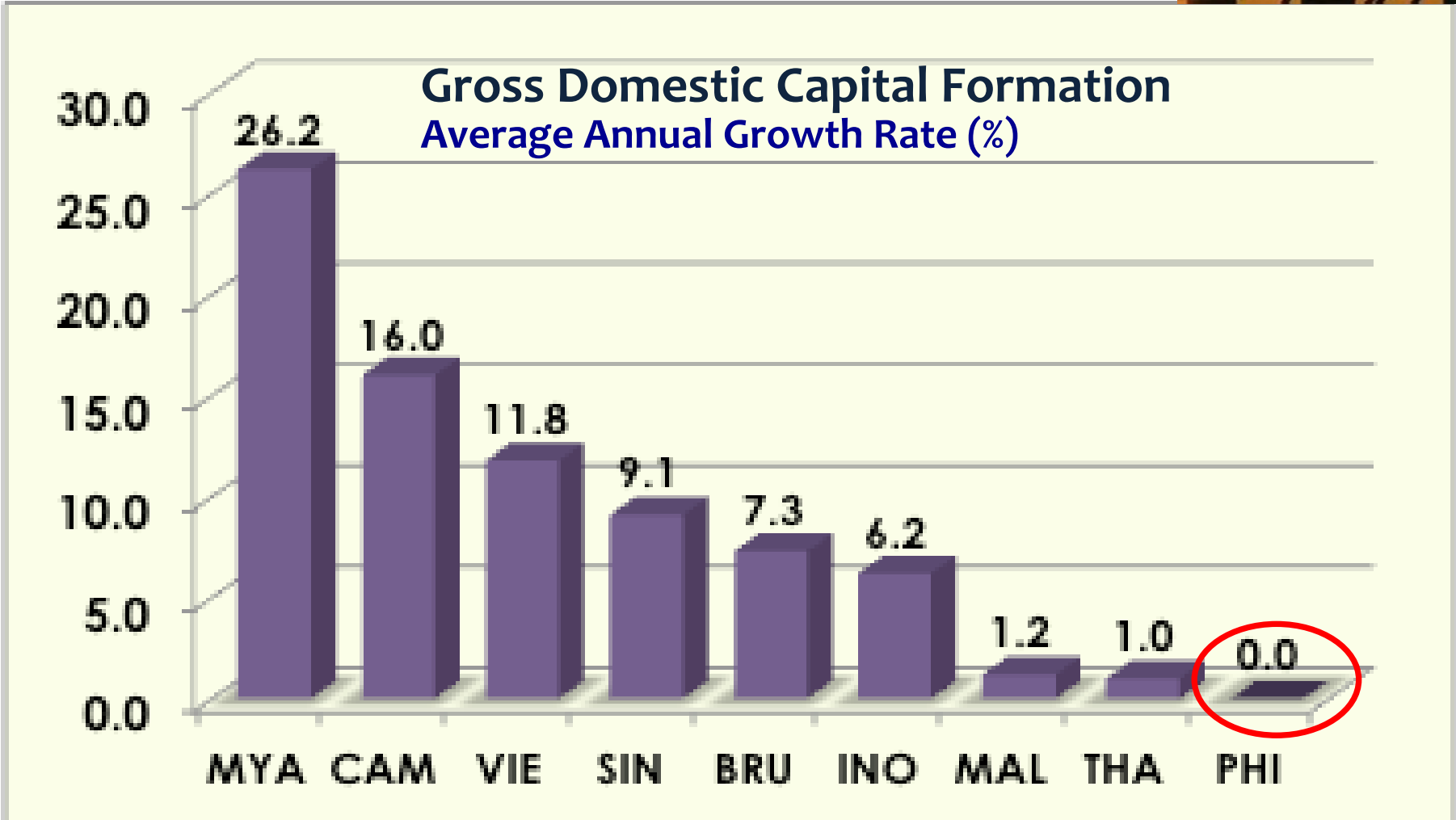
Annual Exports, 2004-2011 (US\$M)



Source: ADB

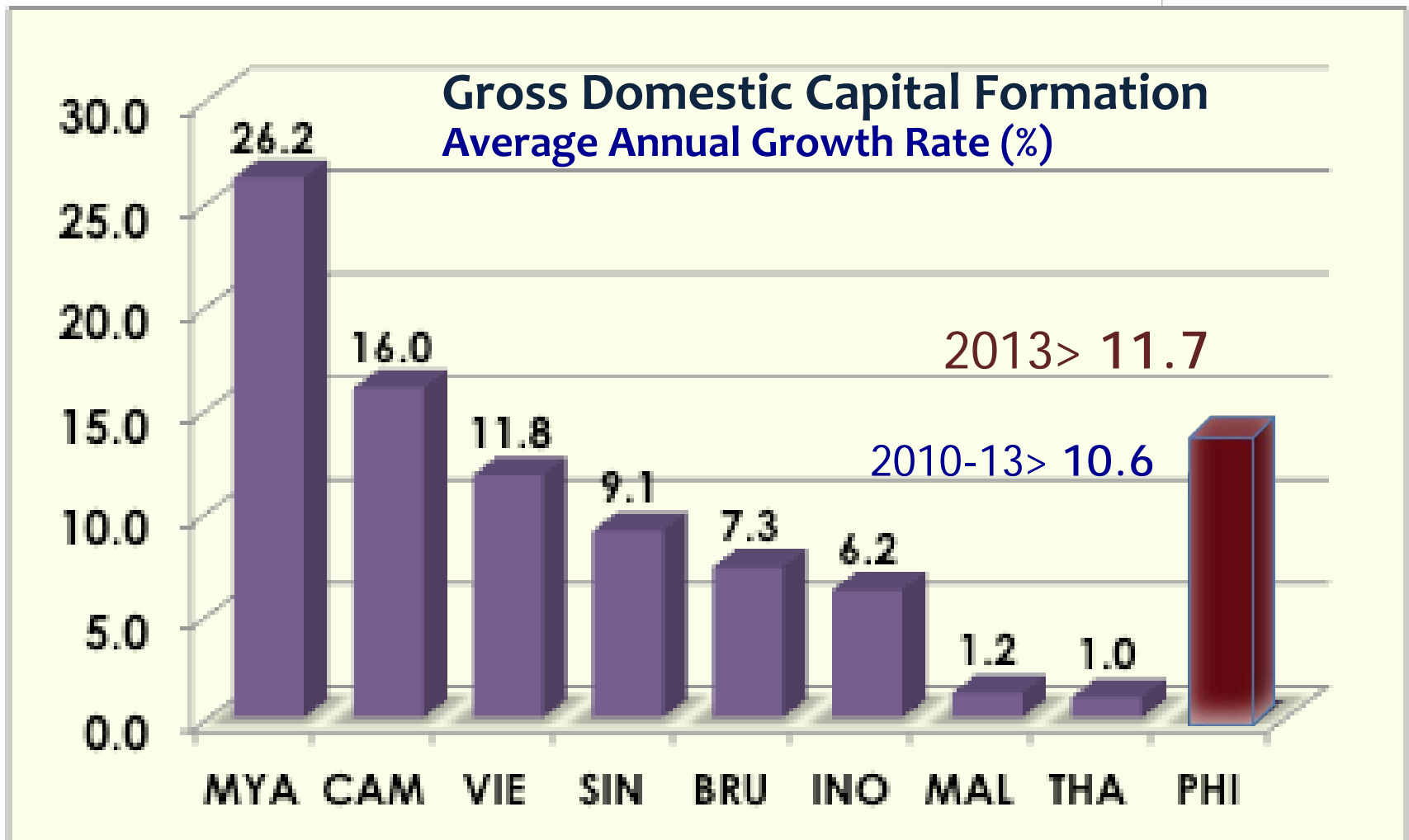
# We lagged behind in Annual Overall Investment, but...

Before: 2004-2009



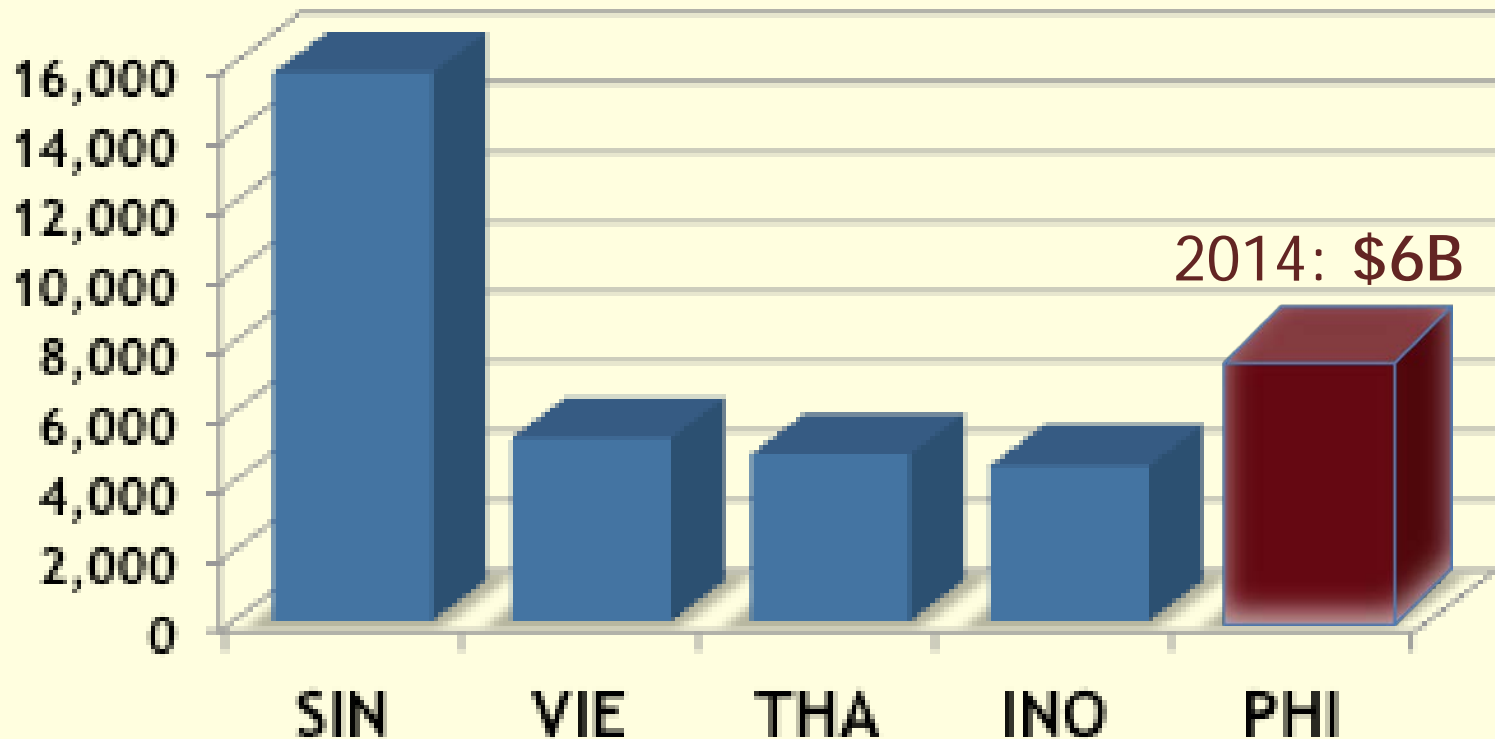
# ... Now we're back in the League

## Now: 2010-2013



# Narrowing the gap in FDI?

Ave. Annual FDI, 2004-2011 (US\$M)



Source: ADB



# Broadening the Base (Pursuing Inclusive Growth)



- **SME Development:** Needs government-wide coordinated support toward financing, technology access, clustering and market access
- **Competition Policy:** Fair Competition Act; competition policy framework
- **Drivers of Inclusive Growth:** Focus policy and public investment support

# Which Industries Best Drive Broad-Based/Inclusive Growth?



Industries/Sectors where growth

- generates much employment
- benefits other industries in the economy through **backward and forward linkages**

**Most inclusive sectors:**

- **Agriculture/Agribusiness**
- **Tourism**
- **Manufacturing**

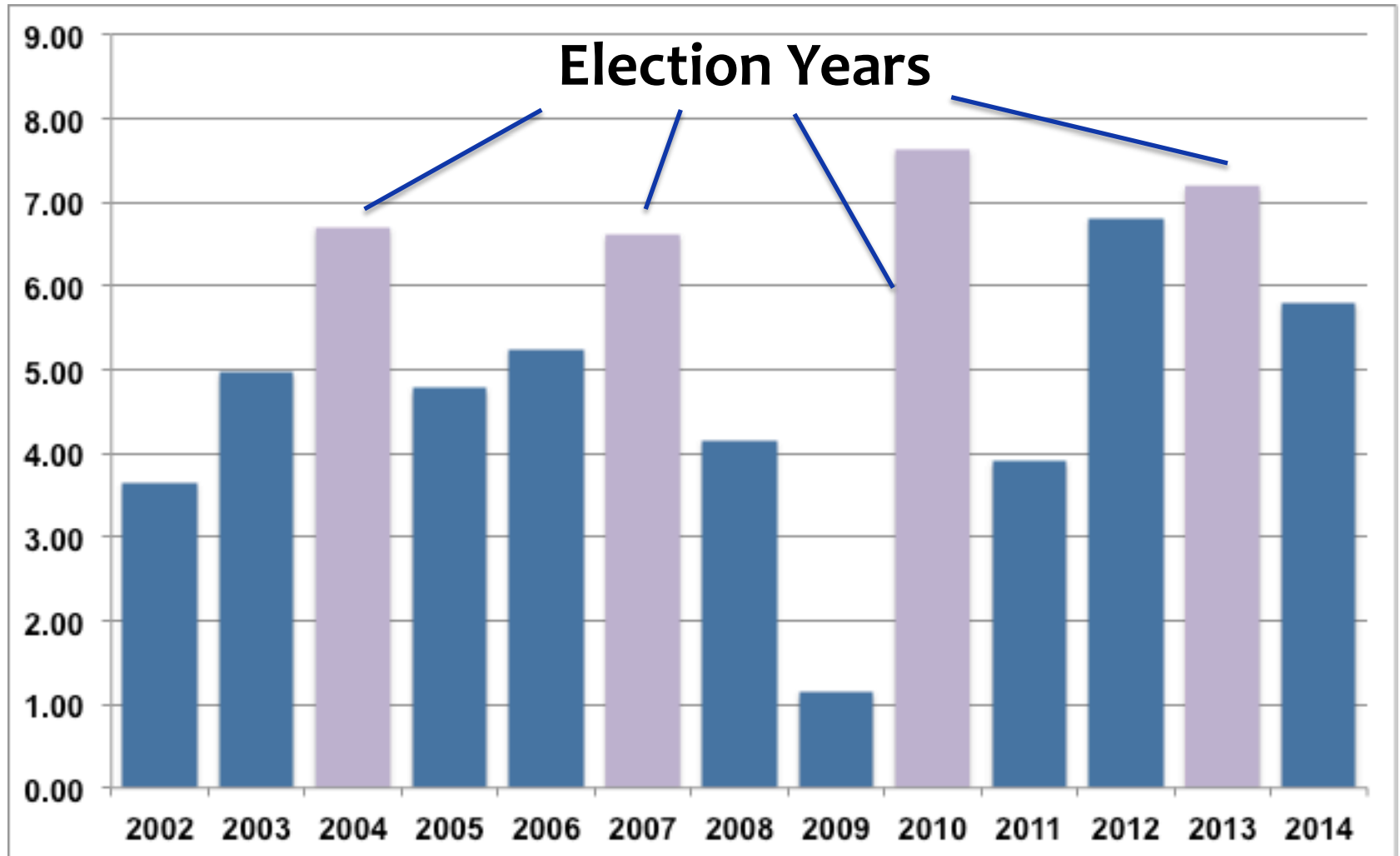
# Economic Drivers in 2015



- Major infra projects coming onstream
- Massive reconstruction in disaster areas
- New manufacturing projects, incl FDIs and returning operations from China
- Agriculture growth to normalize (?)
- Investments in anticipation of AEC
- Sustained remittance growth
- New investments in Bangsamoro areas
- Lower fuel prices
- Start of election related spending



# GDP Growth Rate, 2002-2013





# Elections & the Economy



- Hiked spending (campaign posters, streamers/tarps; radio, TV/print ads; transport & hotel services for candidates & entourage; T-shirts, caps etc; show business personalities' talent fees; salaries & wages of campaign workers; food/meals consumed and given away during the campaign, etc.)
- Much more money in circulation (from bank accounts here and abroad, hidden or unhidden; government coffers; hoarded cash; even counterfeit money)



# Elections & GDP Growth

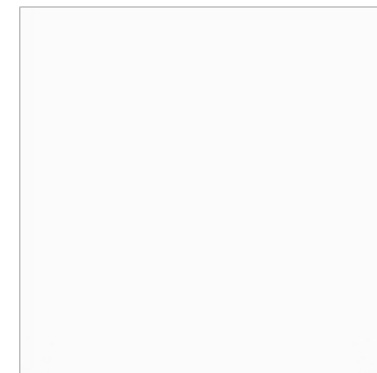
- Election years of 2004, 2007, 2010 & 2013 saw GDP grow by 6.2%, 7.2%, 7.3% and 7.2% respectively (average=7.0%), vs 4.5% average in non-election years since 2002
- Ballester et al. (NEDA) calculated total additional spending of P13.5B, or 0.34% of GDP (2007 elections); 1.5M new jobs
- My updated & expanded estimate (for 2013) = P28.5B in direct spending; assuming multiplier of 5 = P142.5B or 1.3 % of GDP

# Economic Dampeners in 2015

- Continued choke on commerce due to port & road traffic congestion
- Slowdown (?) in government spending (PDAF, DAP woes)
- Increased volatility in global economy
- ‘Wait and see’ investor attitude till next elections

# PiTiK in the Year Ahead

## 2015 Expectations



### ■ Prices

- Inflation within 2-3%

### ■ Jobs

- Employment at 93.5-94.5% (5.5-6.5% Unemployment)

### ■ Output/Incomes

- GDP Growth at 6.5-7.5%



**Thank You**