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Thank you for the invitation. An honor to share podium with Sec Balisacan, as well as Dr. Habito and WB Senior Economist Karl Chua.

I apologize for any repetitions. I have always been a follower of Prof. Arsi, and a religious reader of Ciel's column and Karl's researches-- so I guess such agreement unavoidable. (I can't help wonder if we would not have had a more lively and fun afternoon if Prof Ben Diokno or Prof Mareng Winnie were here instead of me.)

We learned of the last year's GDP outcome this morning. I was most happy that the fourth quarter jumped to boost the growth rate for the year to 6.1 percent. As some of you may know, Ciel and I have a very well publicised bet. Our forecast early last year on record was actually exactly 6.1 percent. (We were also pretty much on the mark in 2013, when we forecasted 7 pc, early in the year.)

I am often asked, how sophisticated is our econometric forecasting model given our excellent batting average? I answer-- we actually have a crude one—a single equation, but with amazing predictive power. The equation goes—

NEDA estimate times 0.9 percent.

Seriously, my bet with Ciel this time around was one I would have much wanted to lose (i.e. had we grown at 7 percent). Indeed, I do agree with him, as I do now with Sec Arsi Balisacan Dr Karl Chua that the Philippine economy has the fundamental underpinnings to go beyond its historical 4 percent over the past two decades, to a much higher level. We at Global Source believe 6 percent is now our baseline growth rate. It can be higher or lower depending on whether investments will take place, both government for infrastructure and the private sector, especially for manufacturing, agriculture/agribusiness.

Allow me to show some slides on how poorly we do in the investment department. Incidentally, it is also investment in these sectors that can employ the non-college educated entrants to the labor force that will spell the difference for future growth to be more inclusive, and for unemployment/underemployment rate, and poverty rates to decline from the unacceptable 25 percent presently.

Refer pls to the following slides:

1. Investments to GDP—lower than our neighbors', by far. A bit of uptick, but still...

2. Savings vs Investment—this slide makes me cry. We have the domestic resources to put in investments, but instead going out of the country. The mirror image of the positive current account over a decade that Sec Arsi showed is high surplus savings for an economy that is starved of public and private investments. The obstacles to such have been well studied.

(S-I = X-M)

3. FDI- likewise, going elsewhere ASEAN by far—slight uptick but...

These should be seen not as constraints, but as opportunities.

What are the areas where reform can focus on for max oomph for the buck?

1. Infrastructure—creates immediate growth impact, and relieves constraints for long-term growth. These constraints binding now—power, airport, cargo, road network and mass transport. Can we grow at 7 percent without courting power outages and giant gridlocks in roads, airports, piers?

2. Agriculture policies. I don't think Sec Arsi will disagree too much if I said that the depressingly low productivity of this sector, and lack of investments are on account of government failure over decades. We will need to see action on two areas

a) clarity in land ownership post CARP, and

b) reform in rice support policy/NFA.

Reforms here will help achieve a number of things—bring down cost of food which impact directly poverty and wage competitiveness, release huge amounts of wasted fiscal resources, attract investments from the private sector into agriculture and agribusiness.

3) Focus on reviving manufacturing sector by adopting policies that favour job creation. There are a number of initiatives that have been started, and hope can be brought to fruition. Rationalization of fiscal incentives so that these are directed to areas with highest linkage/benefits and are performance based, industry road maps that better coordinate efforts of government units and the private sector, cutting red tape for setting up business.

Additionally, labor laws and regulations can be made more investment friendly—the World Bank shows we have high minimum wages vs. peers. It is in this segment where we need to create employment that benefits most the poor and unskilled.

The earlier slides showed how much room there is to grow, maybe 7-8%, if we are able to build on the current growth drivers of remittances and BPO, and a young population, structural current account surpluses, with another leg—Investments.

There are moreover, upsides outside our shores in the horizon. Oil prices have halved to what they were, and from all indications will stay low driven as it is more by supply forces, rather than demand (vs. what happened in 2009). The raw numbers are that for every $ 10 drop in oil price, we save around a billion. This goes directly to the current account, adding another $ 5 to $ 6 billion. Oxford economics estimated as much as 1.8 percentage points GDP gain for the Philippines. This will translate into higher consumption growth numbers as the lower prices cascade to lower CPI. This also means interest rates can stay low longer, with all the beneficial effects that has on the economy. The global economy likewise benefits from this—including important Phl export markets.

Another upside is opportunities created by ASEAN Economic Community, which makes the region a single market. The Philippines is seen as competitive in the services. Even in manufacturing, I am aware of local groups well positioned to manufacture for a multi-ASEAN country market; needs a supportive government environment.

AEC may also be the impetus that that will drive reforms for further opening, competition and efficiency in the domestic market. We have seen that with the BSP recently successfully pushing for liberalization of investments in the banking sector.

There are also downside risks. The drop in oil prices may contribute to the acceleration of Saudization policy (increasing the required Saudi nationals as per cent of work force). A quarter of our OFW's are in Saudi Arabia.

Sec Arsi mentioned also natural disasters, as historically imposing downside surprises. Allow me to mention the man made kind.

The boom bust of the recent past mentioned by Sec Arsi in part mirrors political turbulence and compromised leadership. This can happen again in 2016 if the elected leader is not credible, or if elections are not credible. We sadly saw examples of each case in 1998 and 2004. Let us make sure neither happens again.