



Philippines 2010: A New Hope
Economic Briefing
Philippine German Chamber of Commerce

15 July 2010

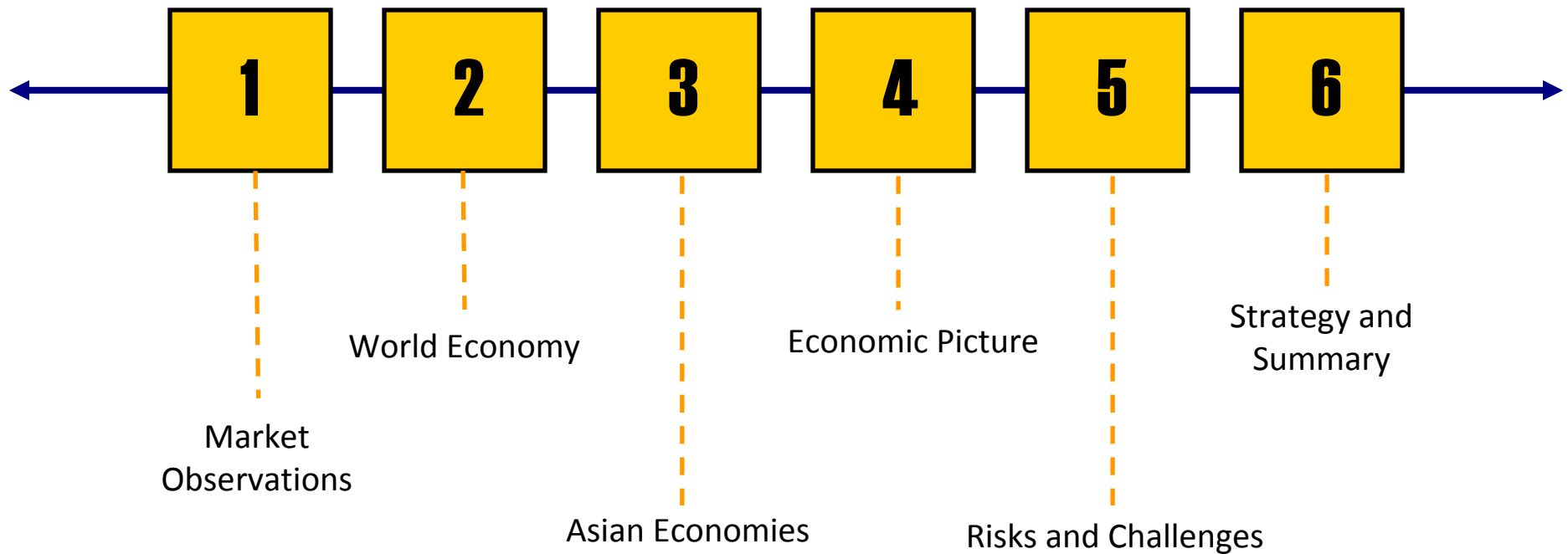
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Economic Indicators that matter

Market	Indicator
Economic Activity	Gross Domestic Product (GDP)
Goods Market	Inflation Rate
Funding Market	Interest Rate
External Market	Foreign Exchange Rate

Presentation Outline





1
**Market
Observations**

“Let imagination remind you how all the varied present
does but repeat the past and rehearse the future.”

Marcus Aurelius (120 – 180 A. D.)

2
**World
Economy**

World Economy



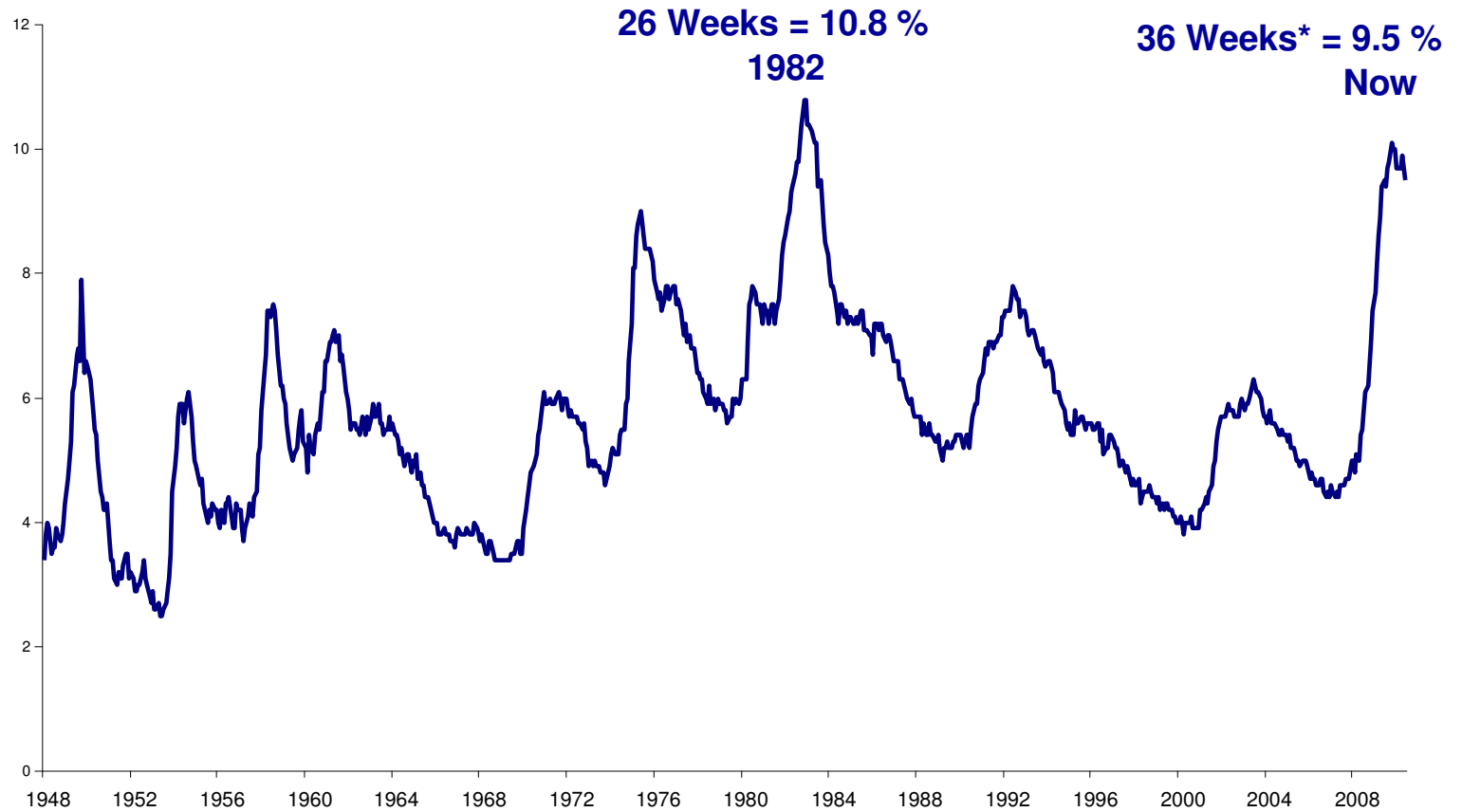
Global growth to remain **SLOW** and **UNCERTAIN**



Global unemployment remains high



US Unemployment



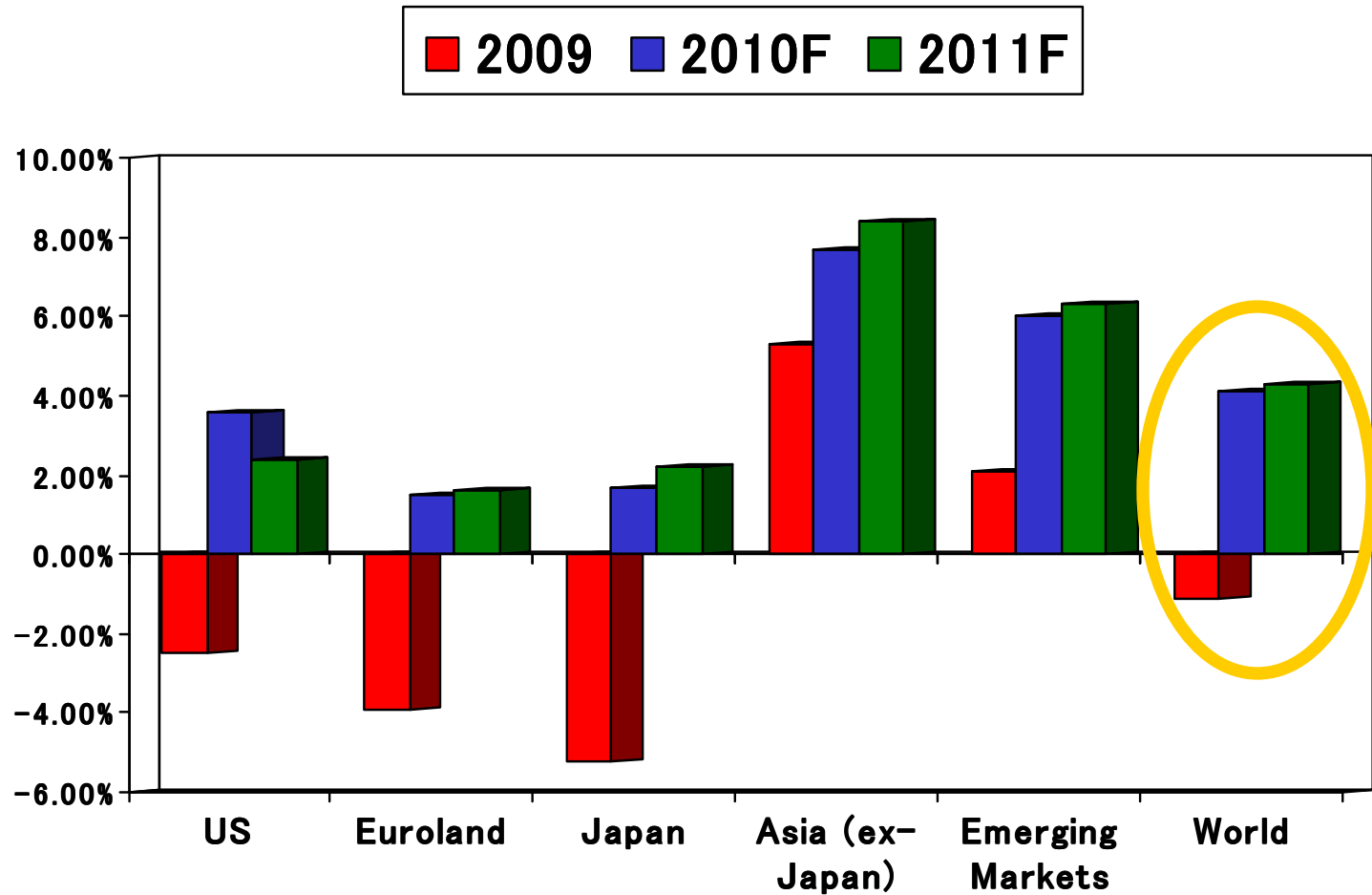
* Still rising

Source: Bloomberg LP, BDO

Still on the high side....



Global economy emerges from recession

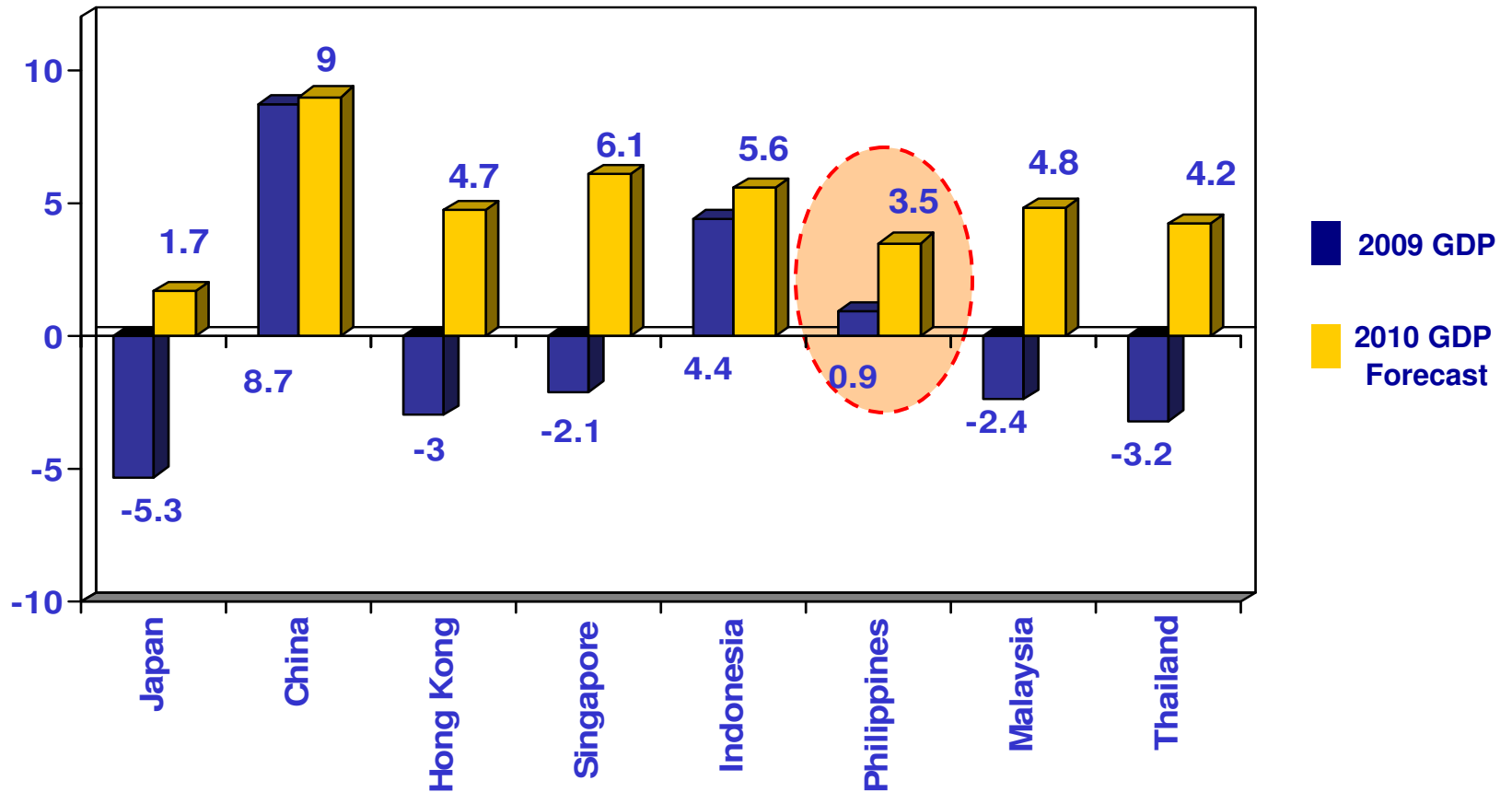


Source: Bloomberg LP, IMF, BDO



3
**Asian
Economies**

Asia, leading the recovery race



Source: Bloomberg LP, BDO

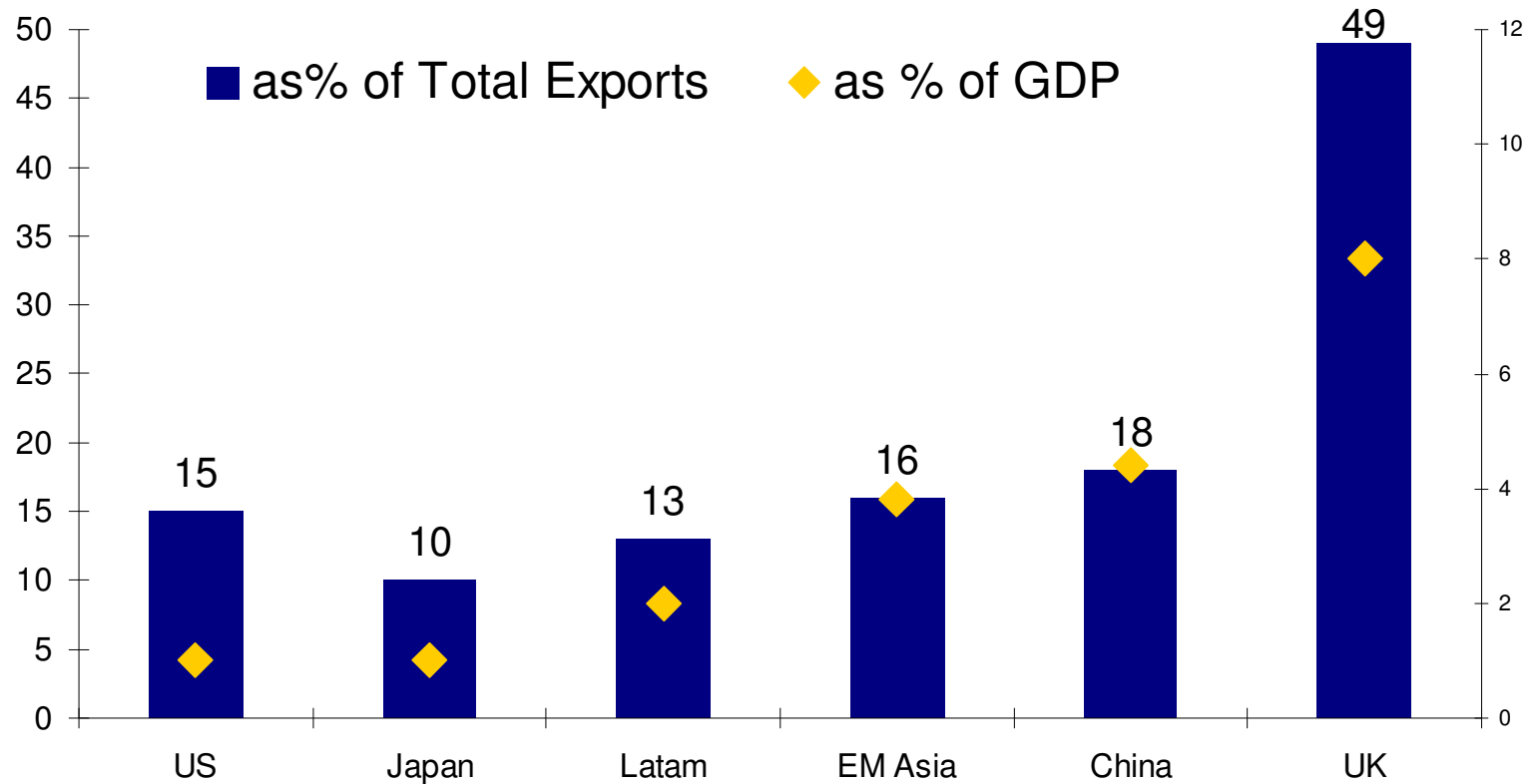
Philippines to post modest growth in the region



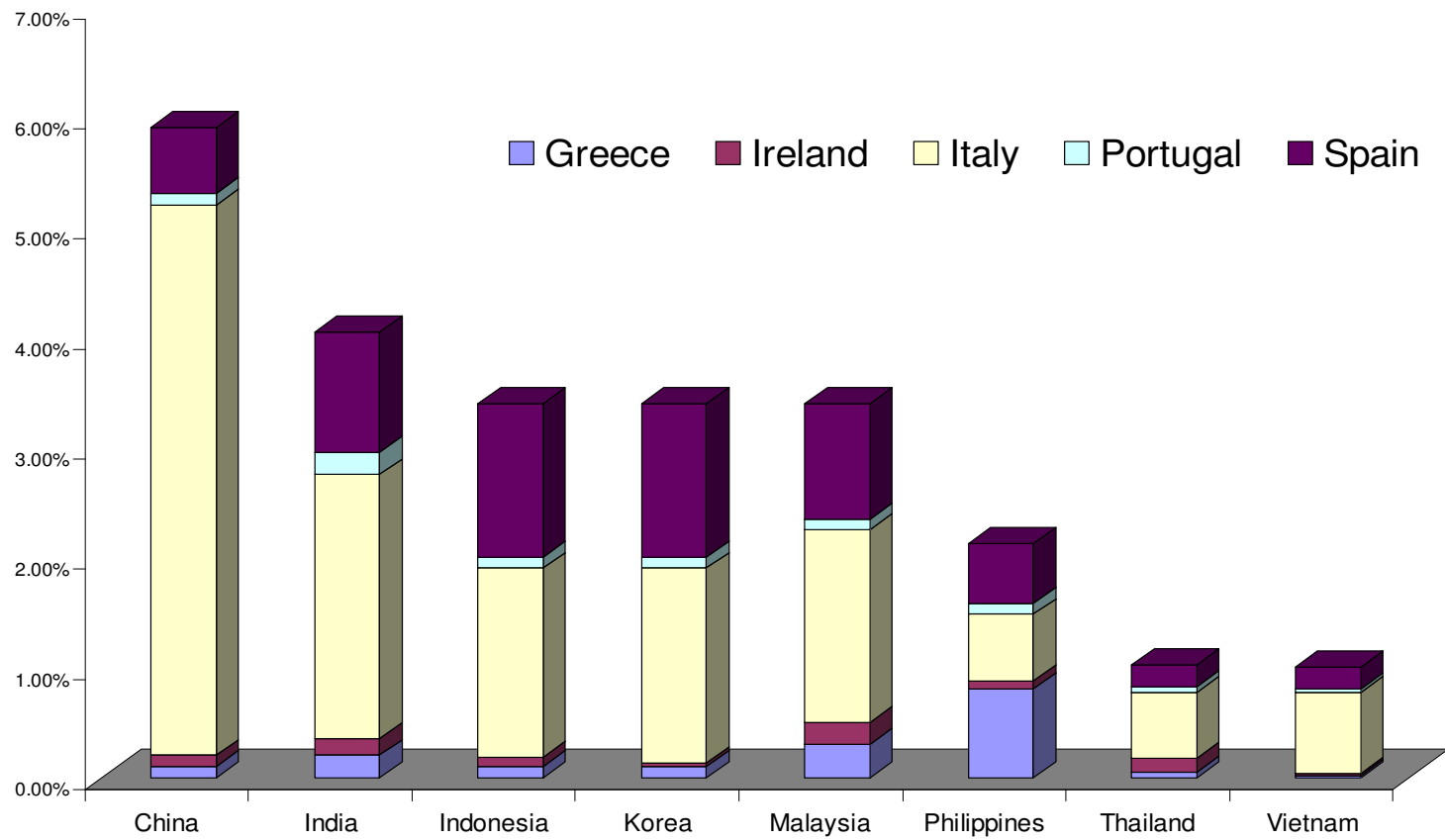
Asia to remain Resilient

- Asian countries have low private and public debt.
- Interest rates in the region remain stable
- Asia's Financial System will not be constrained unlike the US and Europe which is facing reforms.

Shares of exports to Europe by region



% of Total Exports to Vulnerable Countries





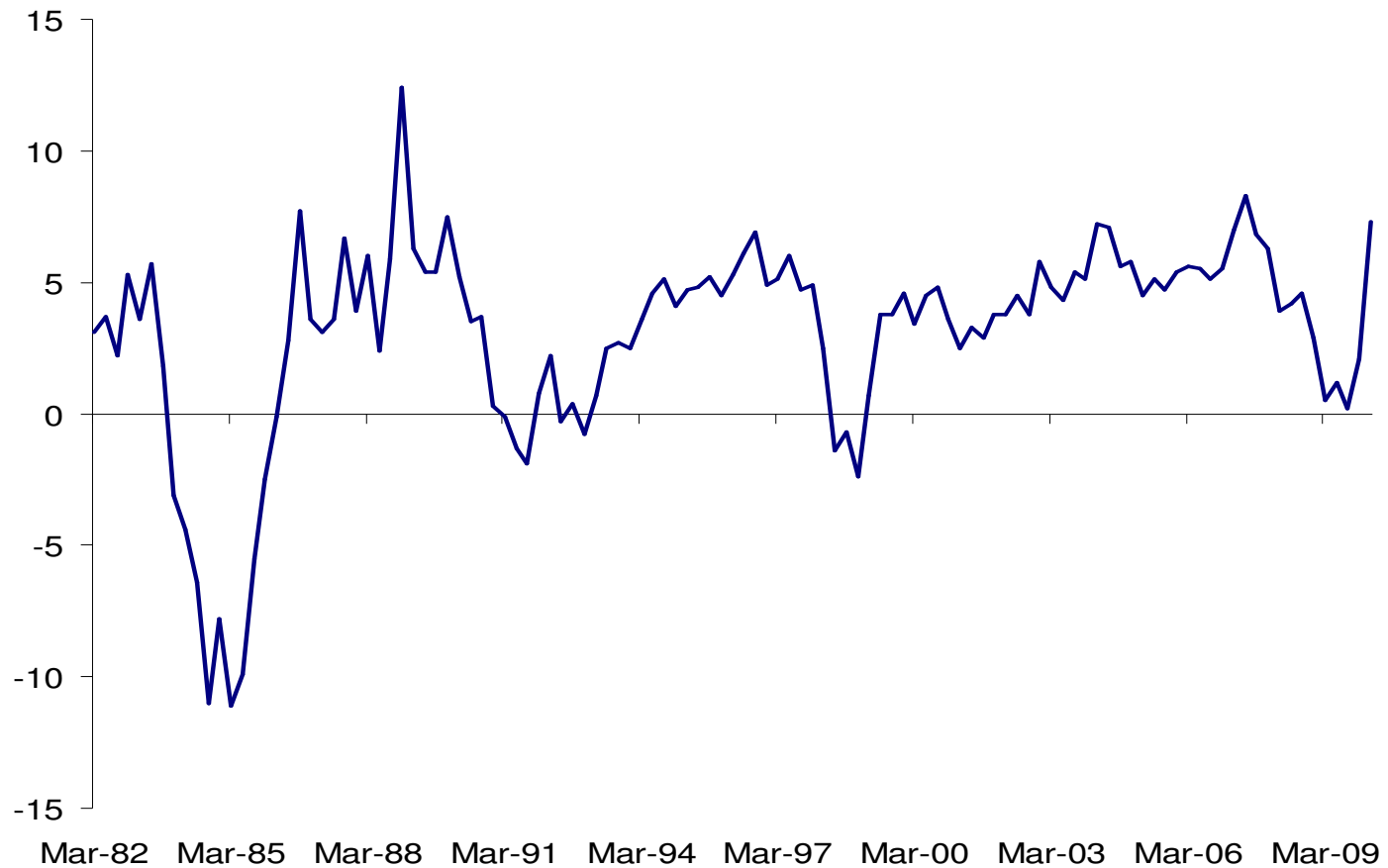
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**ECONOMIC
PICTURE**

Philippines 2010

- Positive
 - ▶ Strong OFW Remittances
 - ▶ Growth of BPO industry
 - ▶ New Administration (New Hope)

- Challenges
 - ▶ El Niño- lingering effects of previous calamities
 - ▶ Budget Deficit
 - ▶ External Events

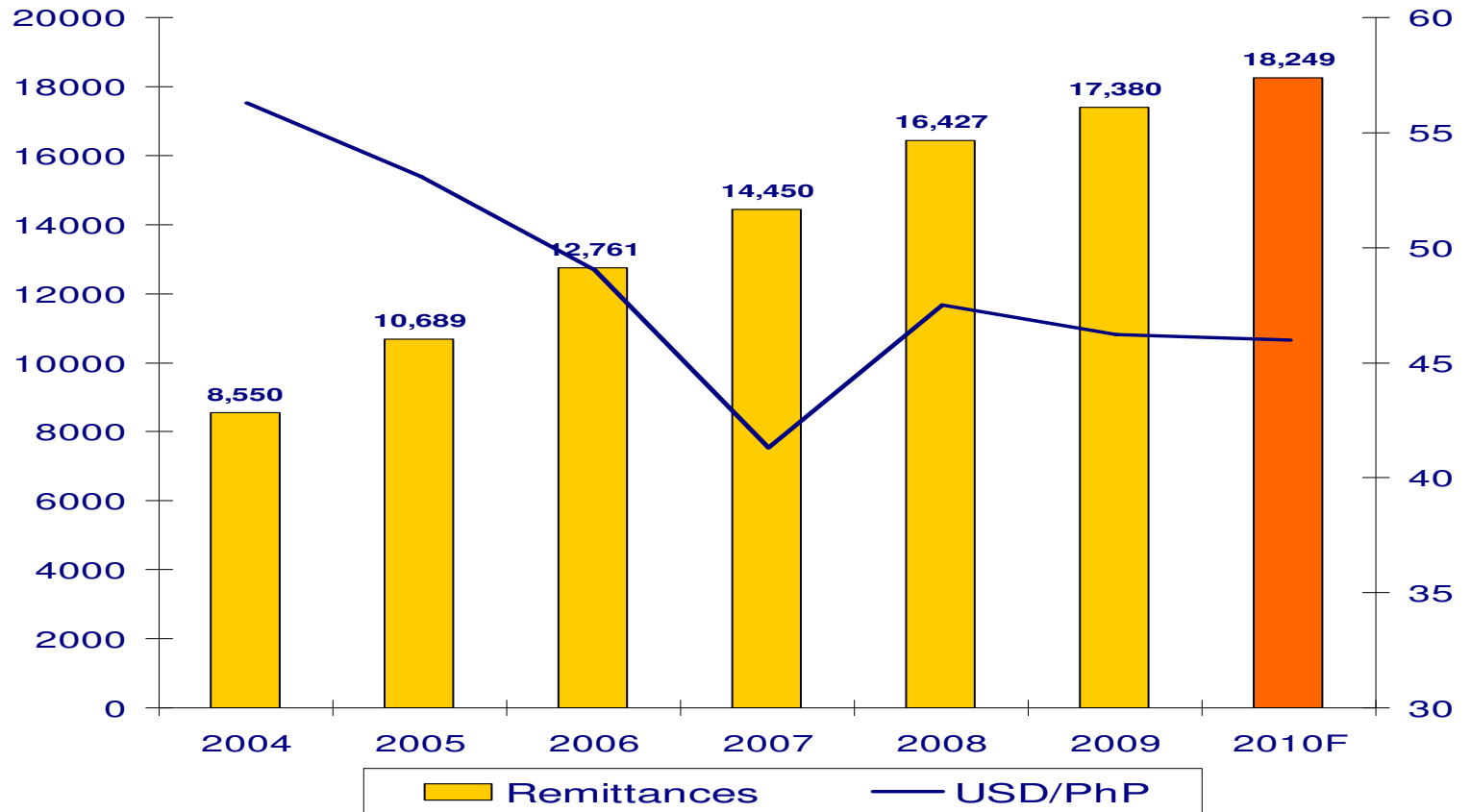
Philippine GDP



Our Economy remains resilient!



OFW Remittance Flow



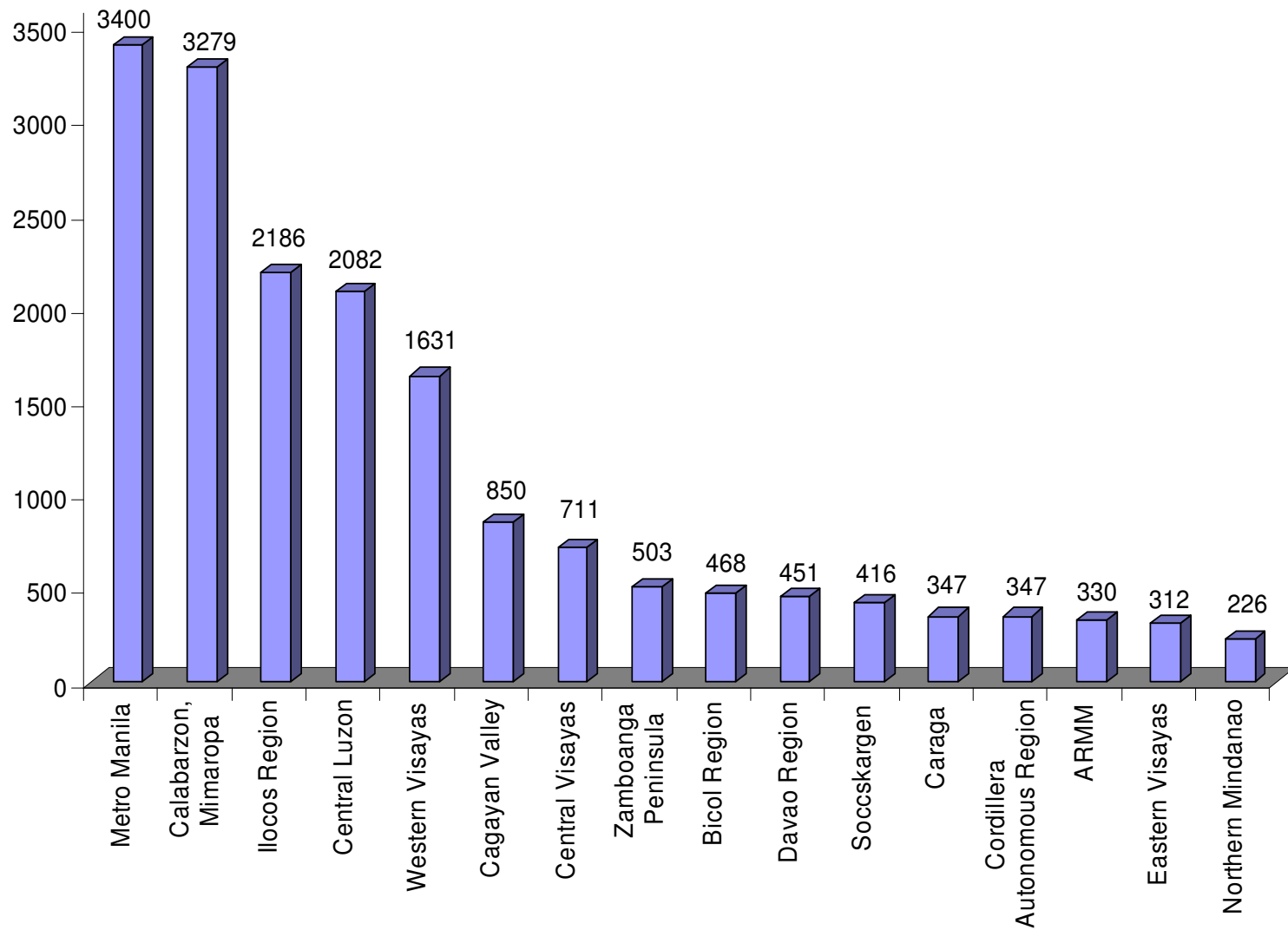
Source: Bloomberg LP, BSP, BDO

OFW demand remains resilient.

Growth may slow but definitely NO contraction



OFW Beneficiaries (in thousand US\$)



Business Processing, Outsourcing (BPO)

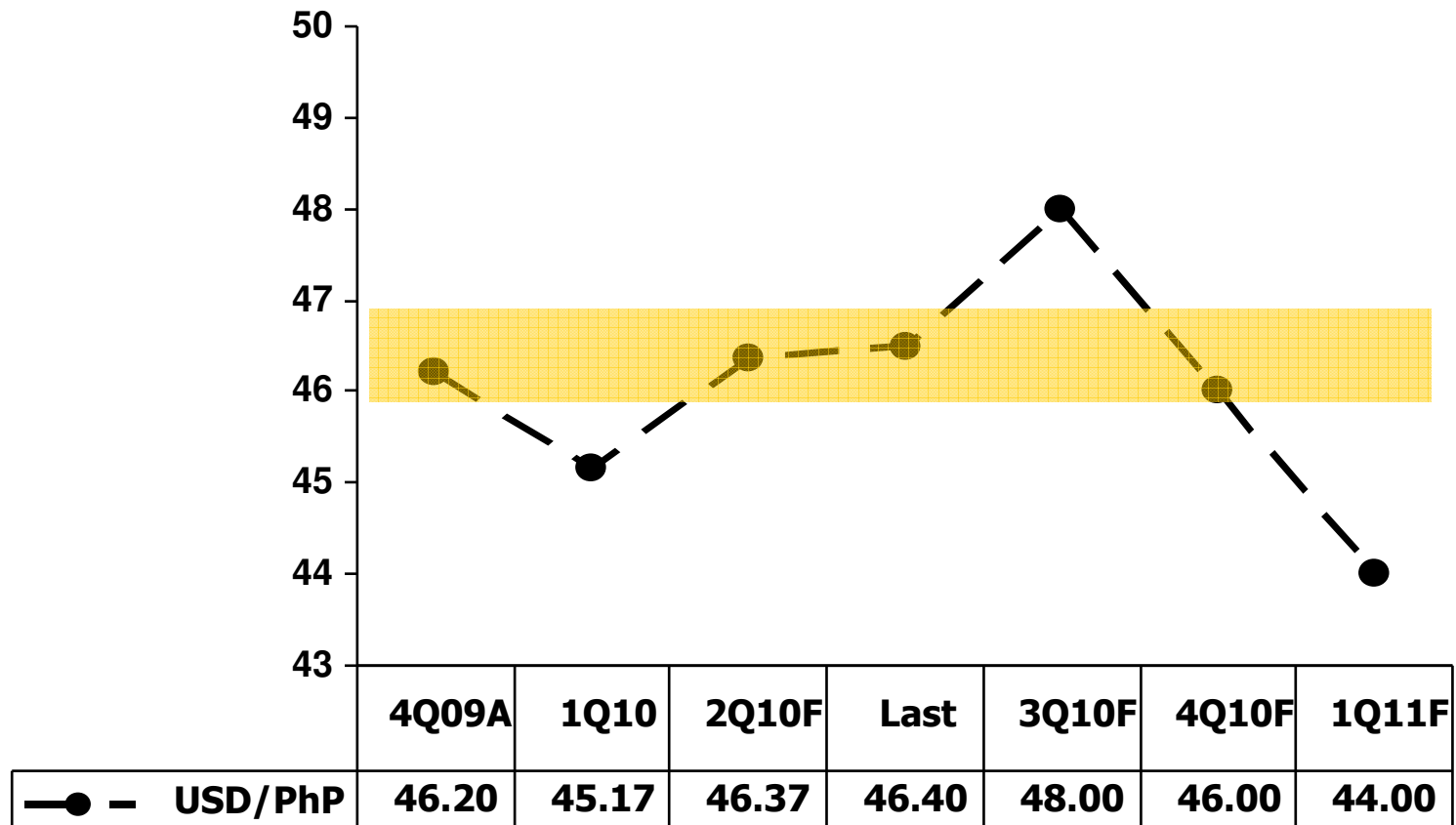
Year	BPO Revenues in USD Billion	% Growth
2005	2.4	64%
2006	3.3	35%
2007	4.9	50%
2008	6.1	24%
2009	7.3	19%
2010F	9.1	25%

Source: BPAP

Currently represent 15% of Global BPO market



Currency Outlook

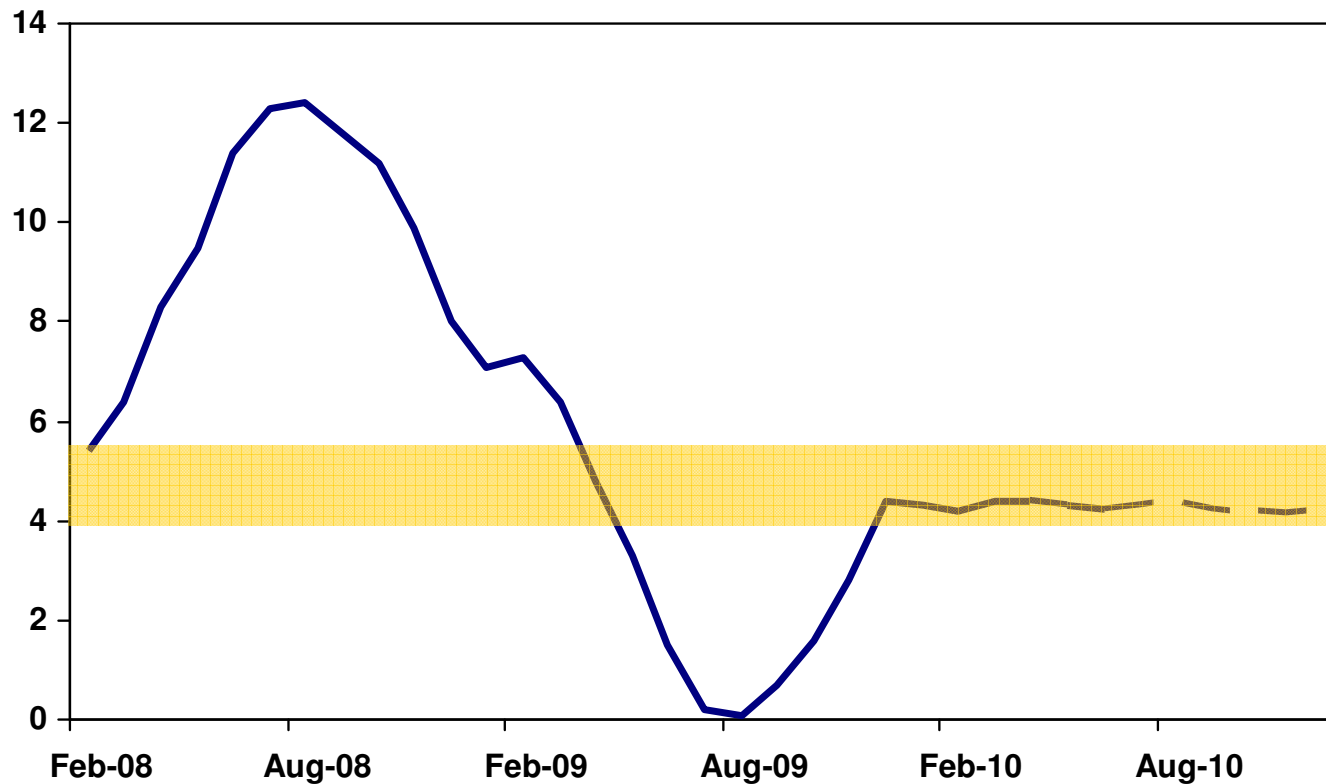


Source: Bloomberg LP and BDO

The peso to remain stable despite some volatilities ahead.



Inflation to remain stable this year

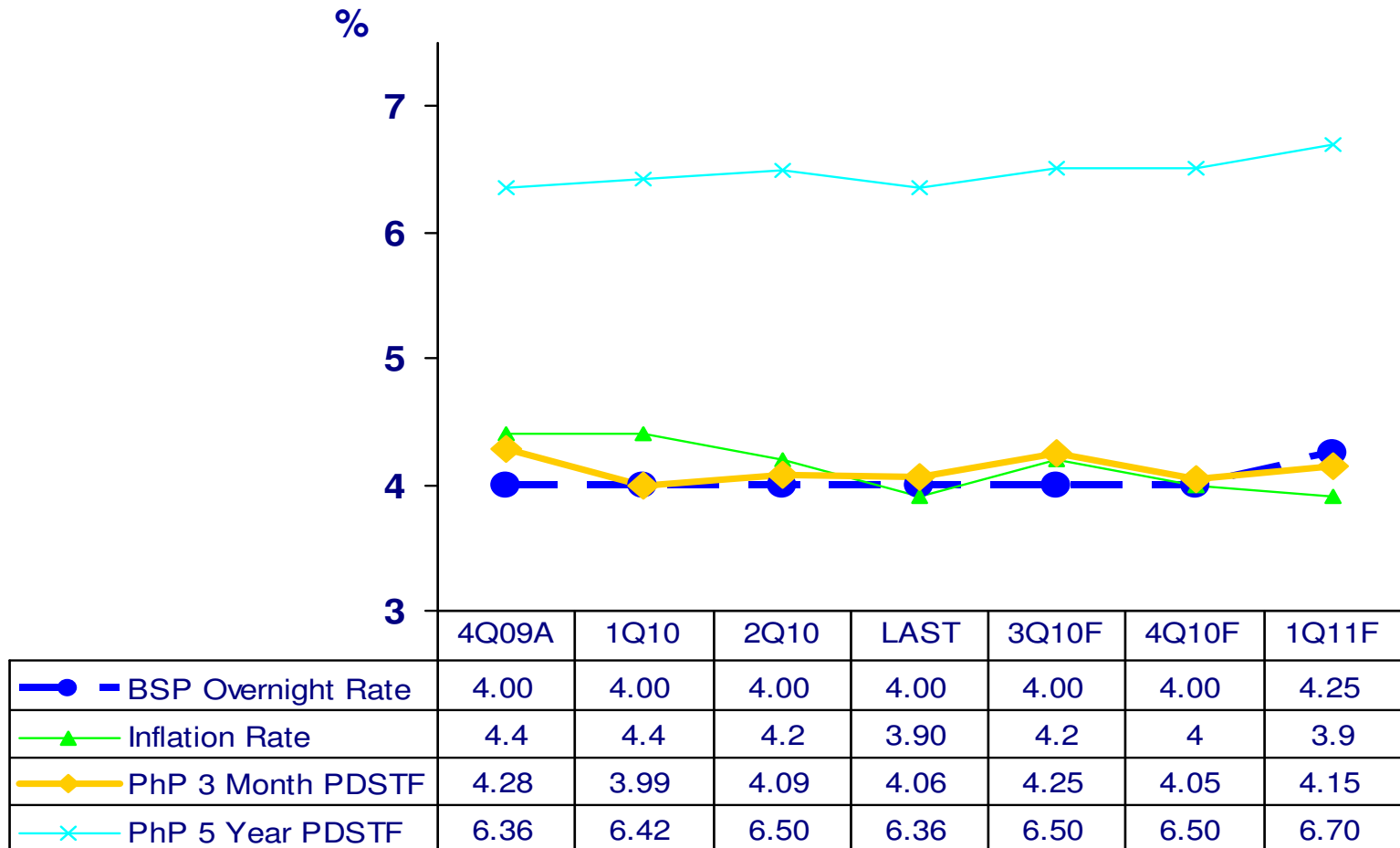


Source: Bloomberg LP, BSP, BDO

Looks like we survived the El Niño



Interest Rate Outlook

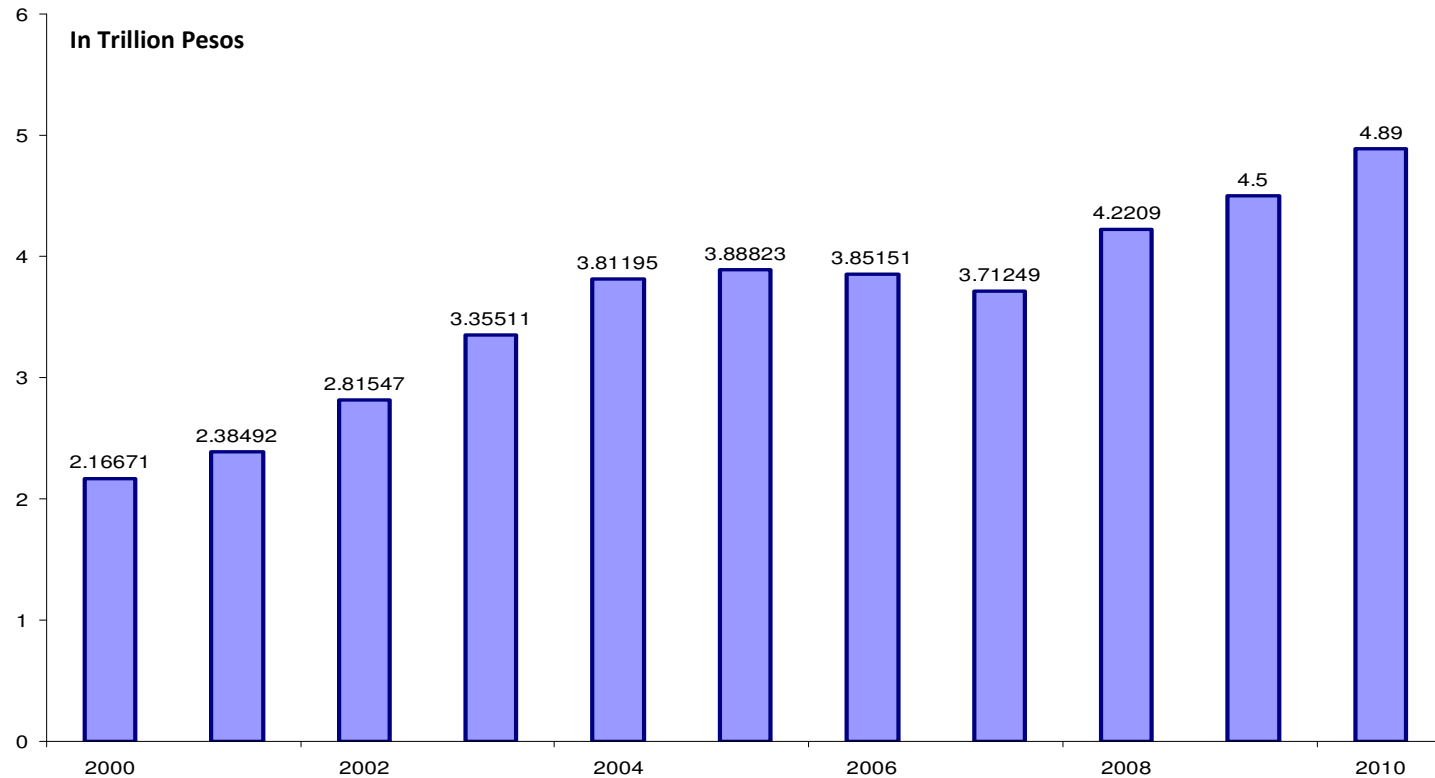


Source: Bloomberg LP and BDO

Interest rates to rise but will remain stable.



High and Rising Public Debt



Source: Bloomberg LP, BSP, NSCB

As World Economy recovers, interest rates would rise,

leading to higher debt service



Quick Summary

- **Stable Foreign Exchange rate**
- **Stable Inflation Rate**
- **Stable Interest Rates**

Strong Industries

- Retail trade
- Power and energy
- Food and beverage
- Healthcare, Pharmaceuticals
- Infrastructure related industries (Construction, Cement..)
- Outsourcing (BPOs)
- Real Estate (Vertical Rise)
- Tourism

Aquino Agenda

- Fight Corruption
- Improve transparency
- Lift tax collection
 - ▶ Enforce the law
 - ▶ Crackdown on Tax Evaders/smugglers
- Investigate corruption charges against PGMA

The First 100 days

- **Character Building**

- ▶ The President and his cabinet style of Decision making

- **Oratory skills**

- ▶ Communicate to the public his direction/goals

- **Right Policy and Priorities**

- ▶ Branding, Detailing BBC and its Opportunities

- **Economic Events**

- ▶ To highlight government moves and to entice new investors

Things to watch?

- ✓ **B**right boys/girls of the Cabinet
- ▶ **D**eficit – How will they fund it?
- ✓ **O**rders of Battle
 - Infrastructure
 - ✓ Social Services
 - Revenue Generation (Taxes)

Outlook Summary

	2008	2009	2010E	2011E
Real GDP growth, % yoy	3.80	0.90	3.50	4.00
CPI, inflation, % yoy	9.30	3.20	4.00	3.30
BSP policy rate	5.50	4.00	4.00	5.00
Interest Rate (3M)	6.1	4.2769	4.10	5.25
Fiscal Balance, % GDP	-0.90	- 3.90	-3.0	-2.88
Remittances, USD bn	16.40	17.350	18.349	19.25
USD/PhP	47.52	46.20	46.00	44.50

Source: Bloomberg LP and BDO



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**RISKS AND
CHALLENGES**

The Perfect Storm

- **European Debt Crisis**
- **US Financial Reform**
- **China Slowdown**
- **Deepwater Horizon Oil Spill**
- **Geopolitical Risk**

The Challenge

- **Sustaining Infrastructure Spending and Investments!**

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**STRATEGY AND
SUMMARY**

How?

✓ ***INVEST***

- ✓ Long-term growth depends on investments made today
- ✓ Purchasing power has improved and cost of capital is “cheap”

✓ ***CONSUME More***

- ✓ Domestic demand remains a key driver in the short term

✓ ***PRAY Harder***

Summary

- In the land of the “blind,” the one-eyed man is king
- Slow recovery of US and world economy
- Asia to remain resilient
- Philippines to post modest growth
- However, the “Greek crisis” has the potential to topple the world economy again
- Fiscal policy is the only alternative to get out of this recession but it will be very expensive

Coping with the times

- Take a long-term view on the markets
- Focus on asset quality
 - ▶ Going back to basics
 - ▶ Value for the money
- Stay liquid and maintain strong balance sheet

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