

Economists were put in this planet to
make astrologists look good

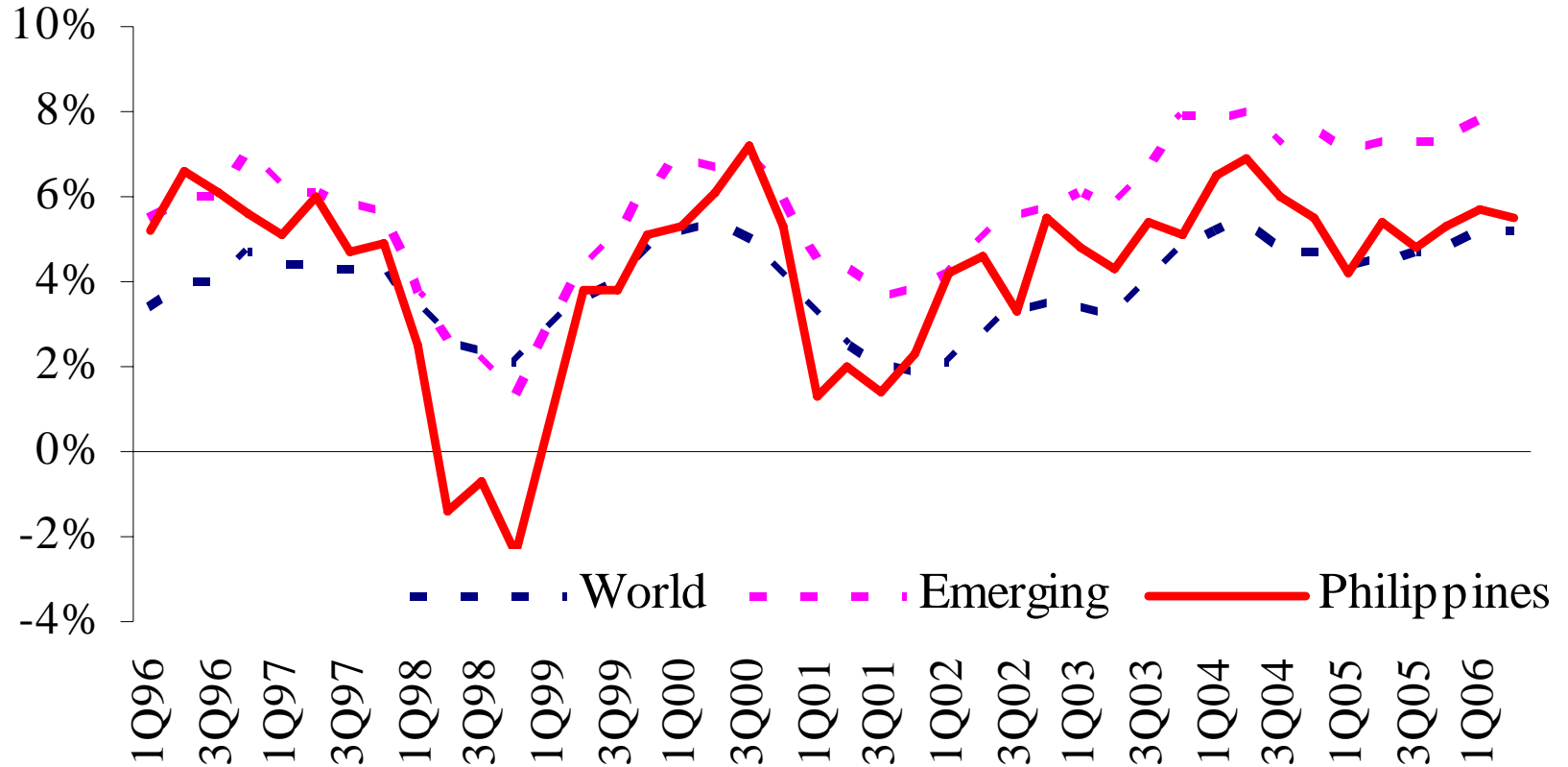
Romeo L. Bernardo

A presentation to the Philippine Economic Society on the
occasion of its 44th Annual Meeting

22 November 2006

RP economy benefiting from global and regional growth

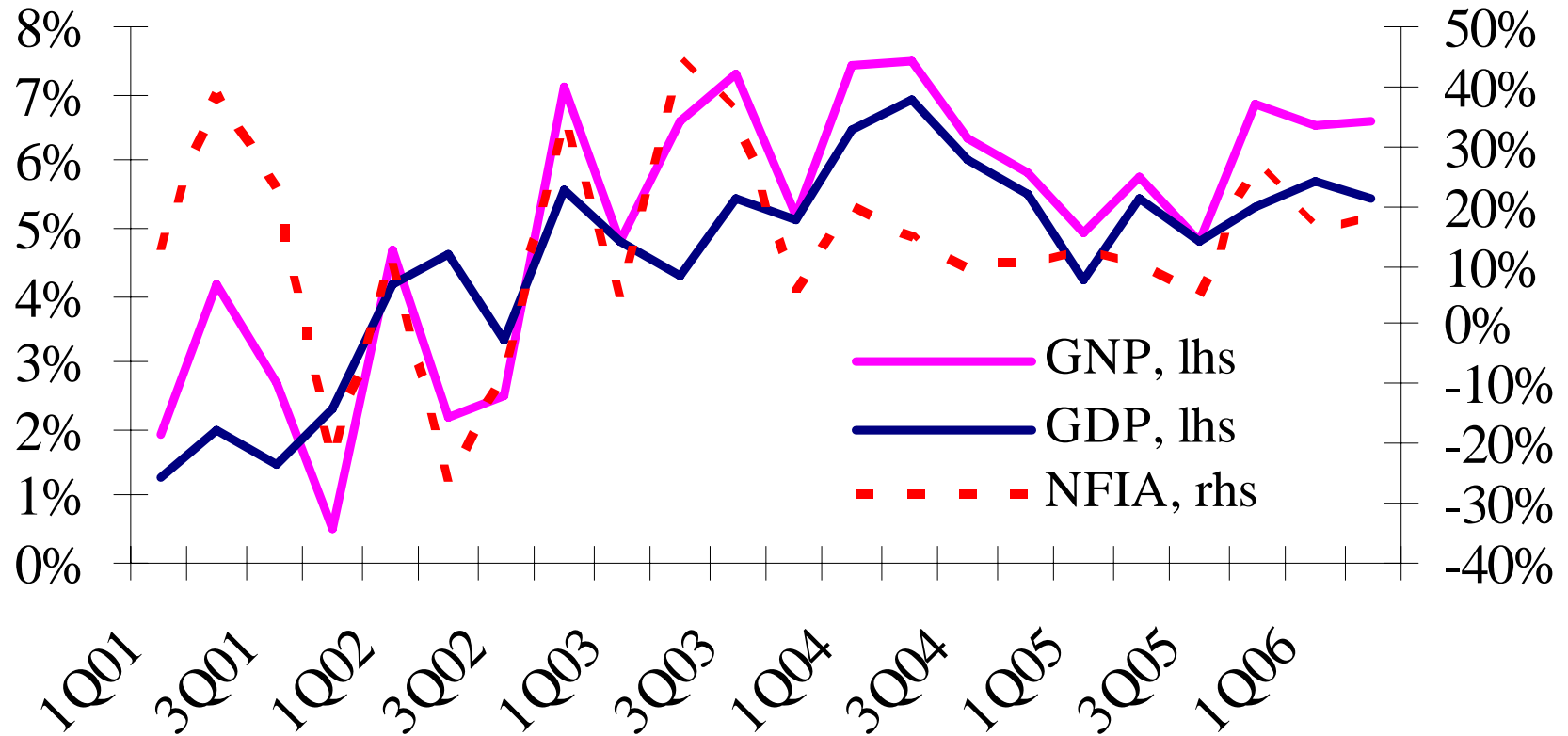
Real GDP growth rates



Source of basic data: IDEA for Philippine data; IMF WEO Presentation (Sep. 21-22, 2006) for World and Emerging Market data

Overseas income remained an important growth driver

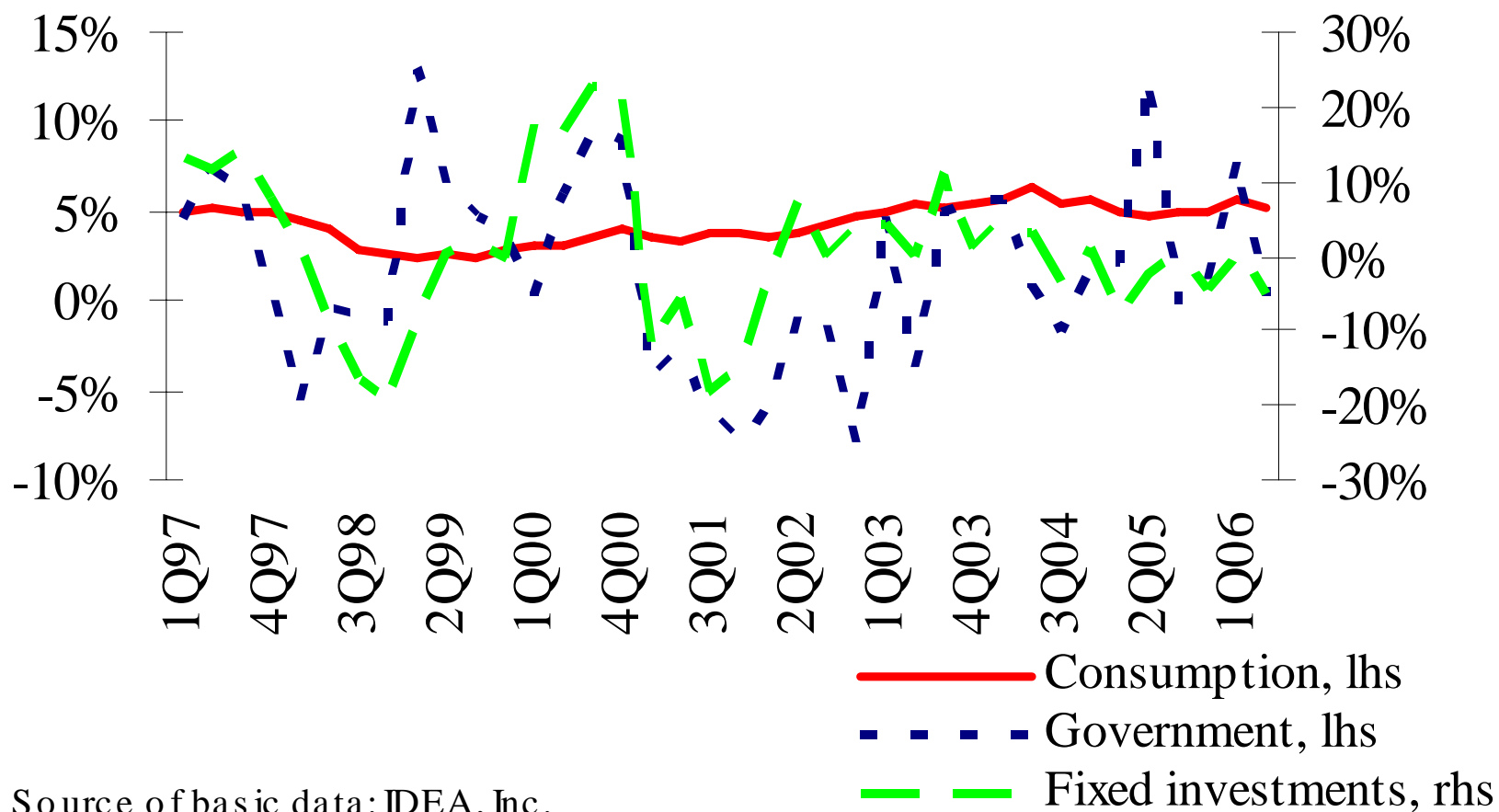
Real growth rates



Source of basic data: NSCB

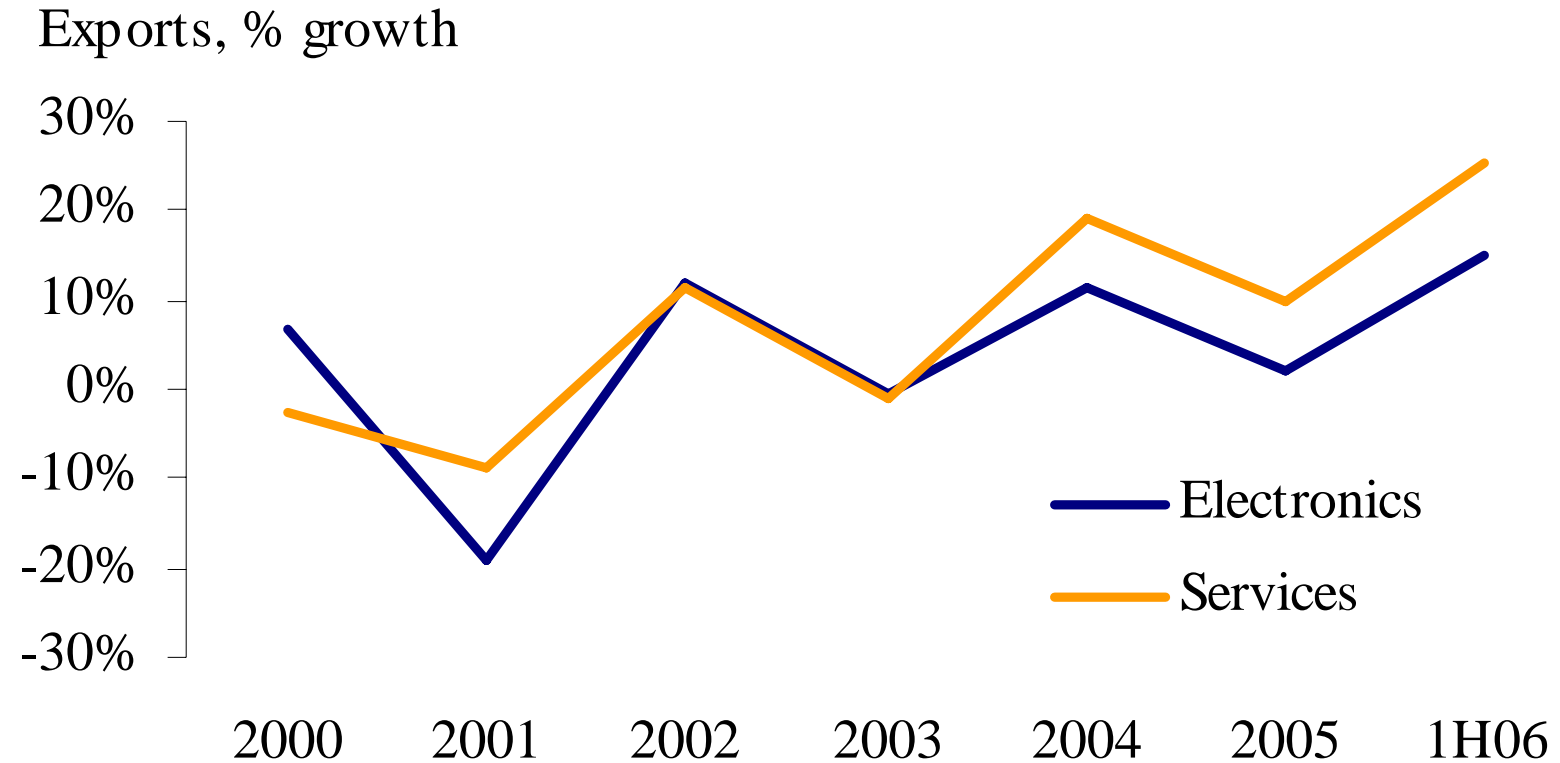
Stable consumption spending underpinned growth

Real growth rates



Source of basic data: IDEA, Inc.

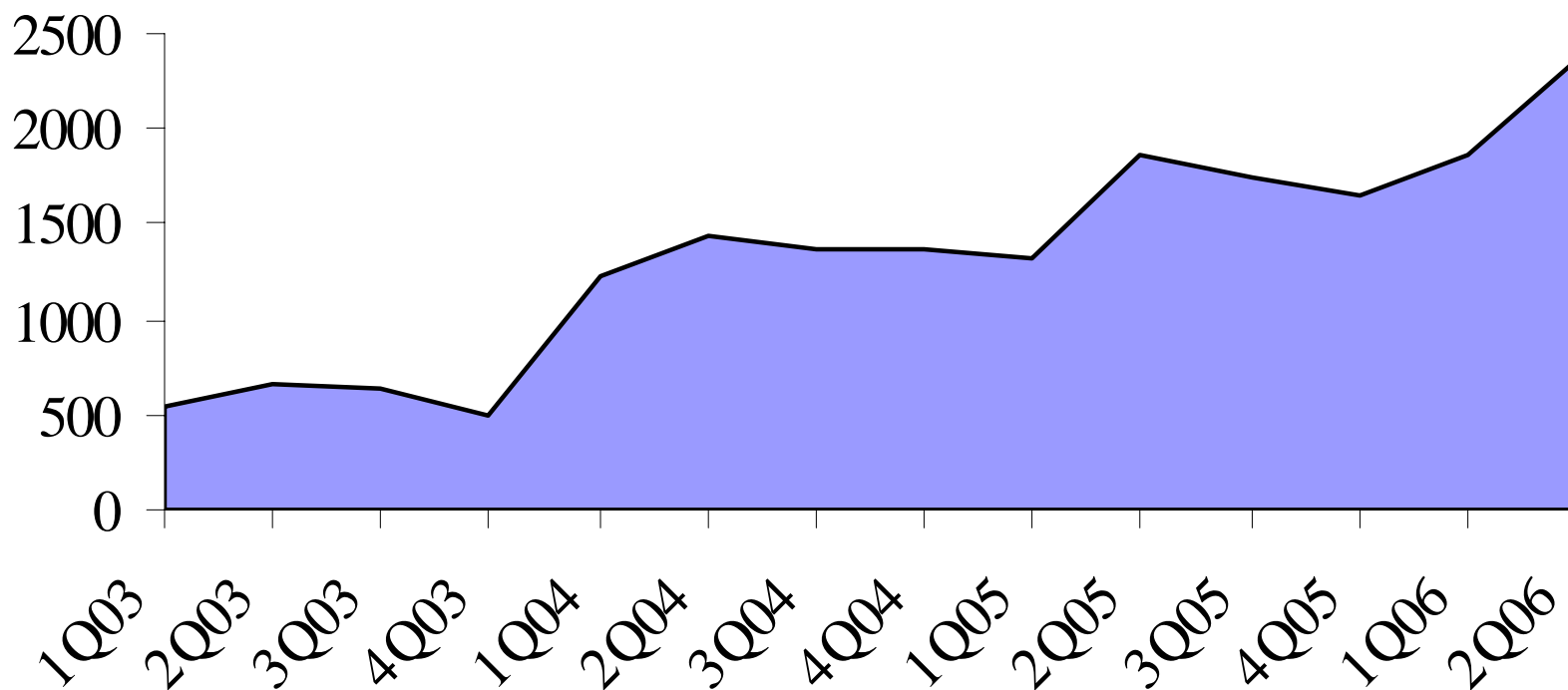
Semiconductor sales plus service exports helped boost growth



Source of basic data: www.bsp.gov.ph

BPO services sector has been expanding rapidly

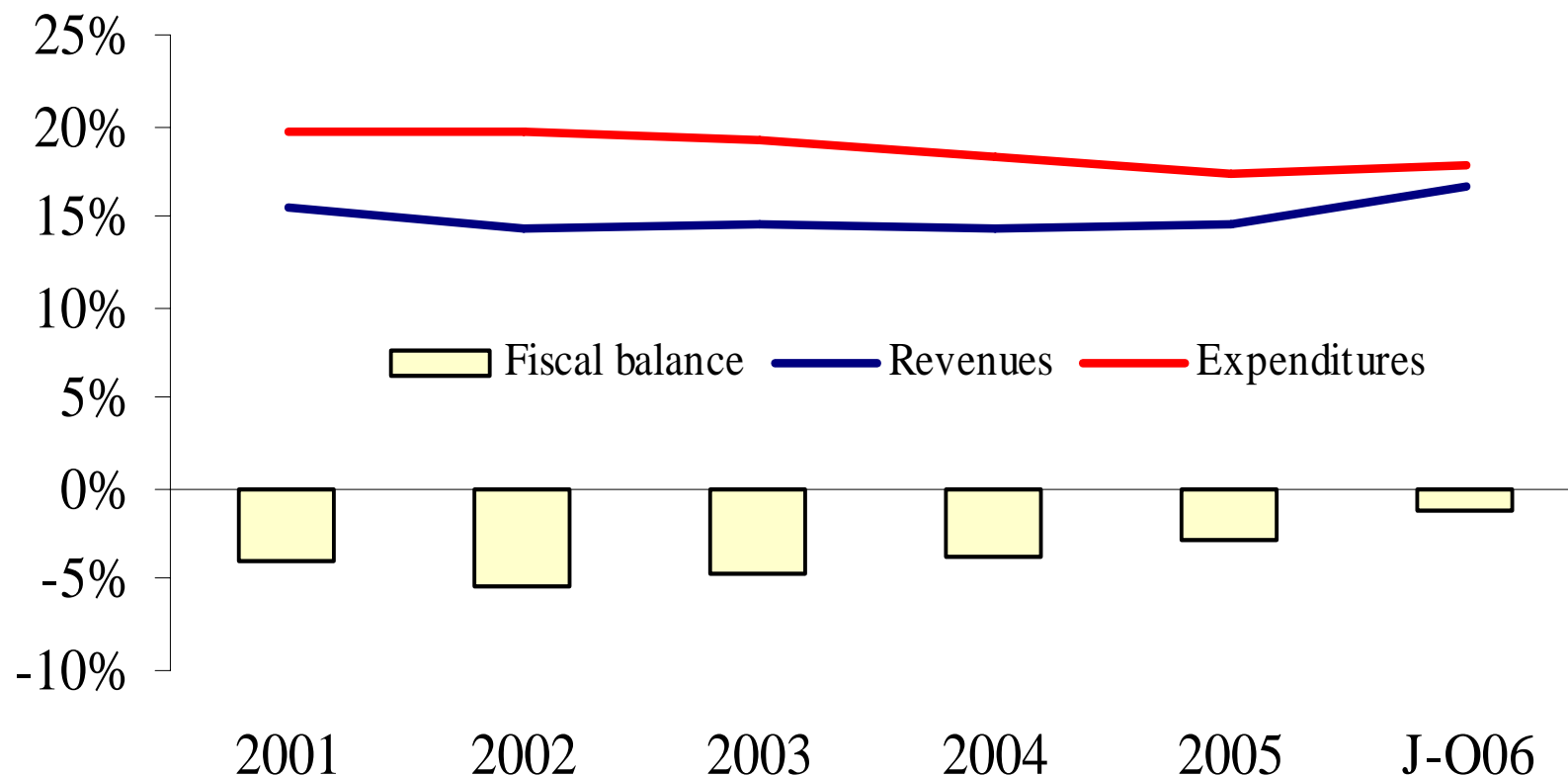
BPO value added, Pmil (1985=100)



Source of basic data: NSCB

A marked increase in the revenue effort helped to narrow the budget gap

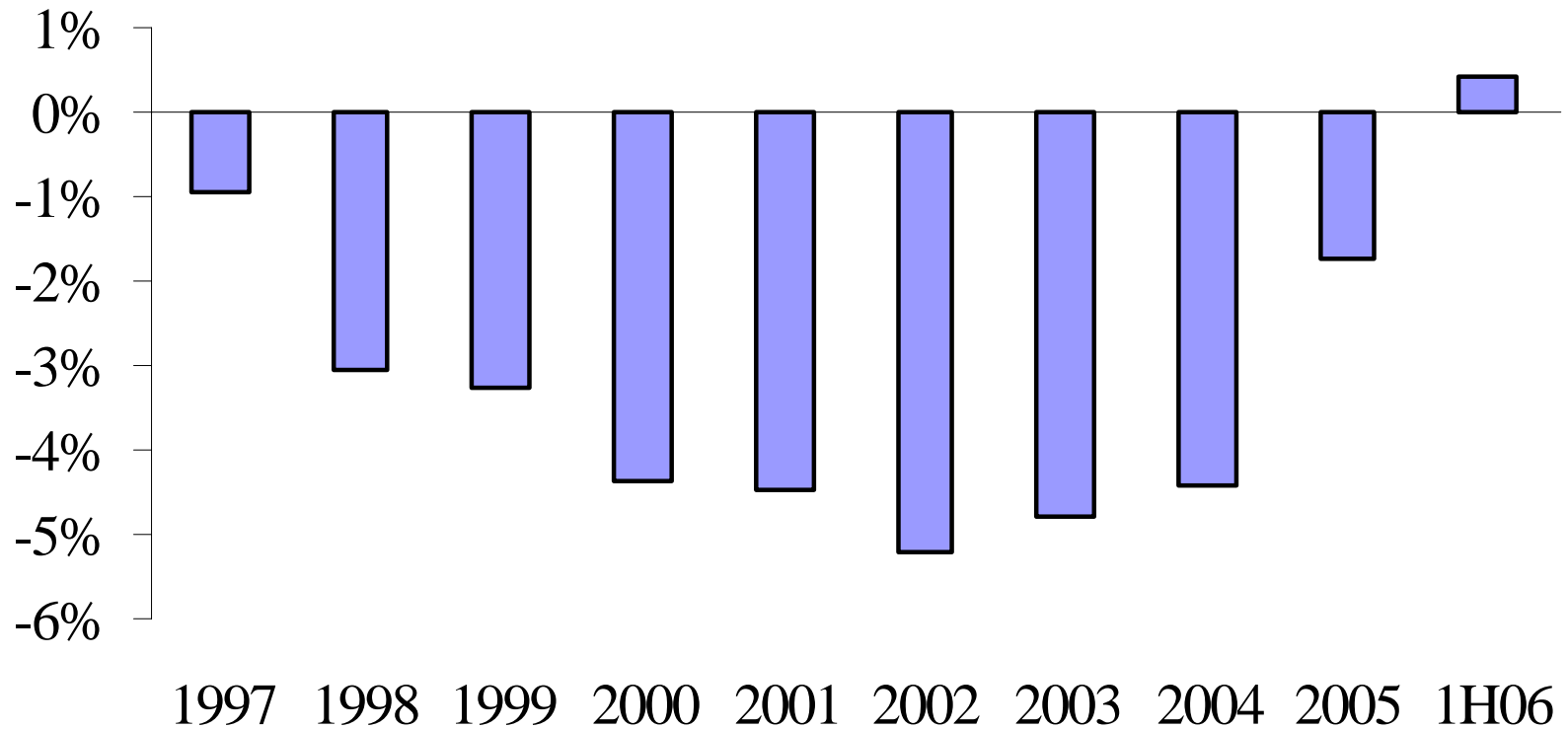
National government fiscal indicators, % of GDP



Source of basic data: www.bsp.gov.ph, www.treasury.gov.ph

The combined public sector position has improved dramatically...

Consolidated public sector position, % of GNP



Source of data: www.bsp.gov.ph

... helping to trim outstanding public debt

Consolidated nonfinancial public sector debt, % of GDP



Source of basic data: www.dof.gov.ph, NSCB for GDP

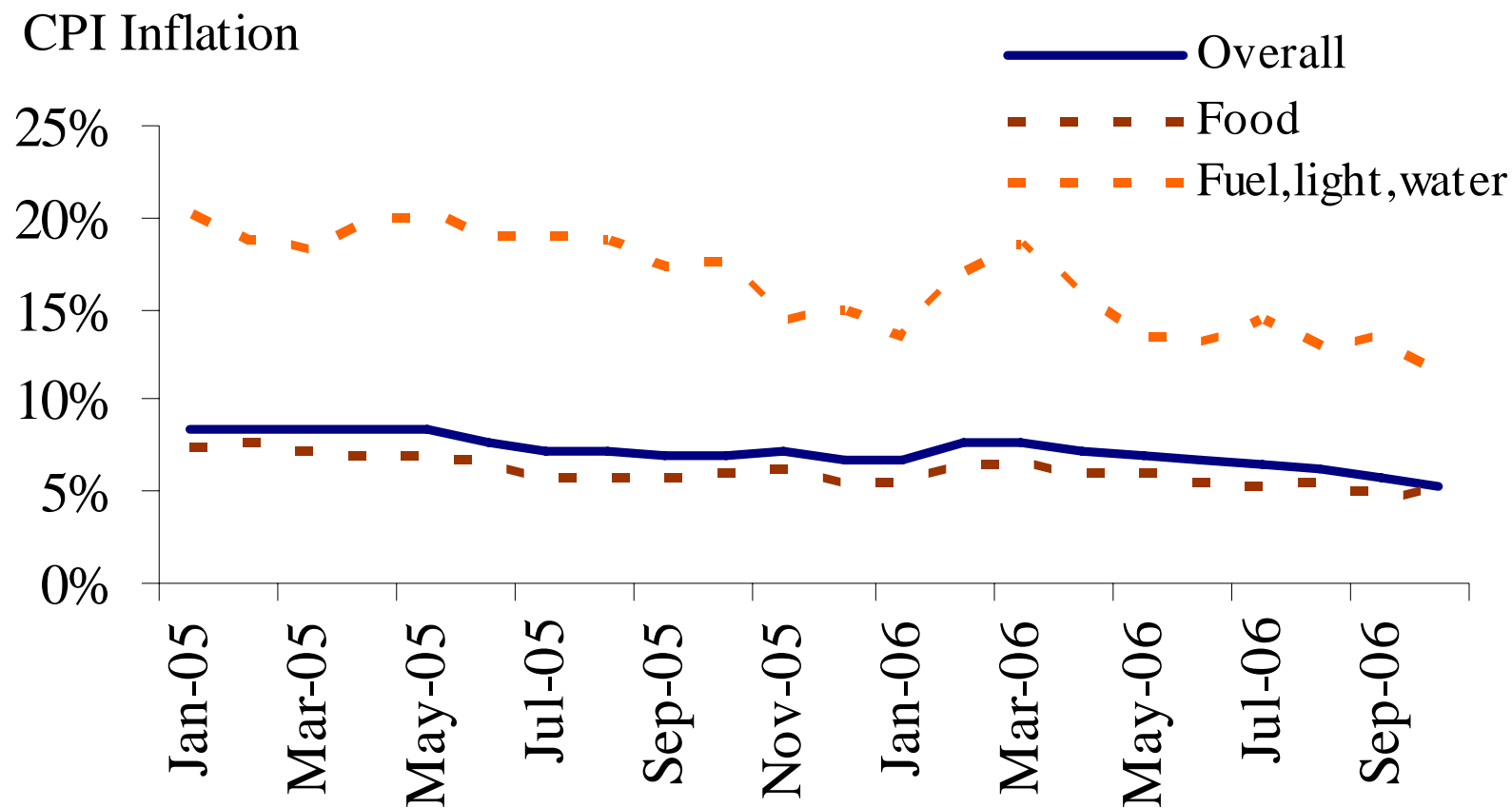
Reflecting global liquidity, spreads on ROP bonds have been relatively low in 2006

Sovereign spreads, 10-year yields vs. US benchmark, bps



Source: ADB Asia Economic Monitor, July 2006 (sourced from Bloomberg)

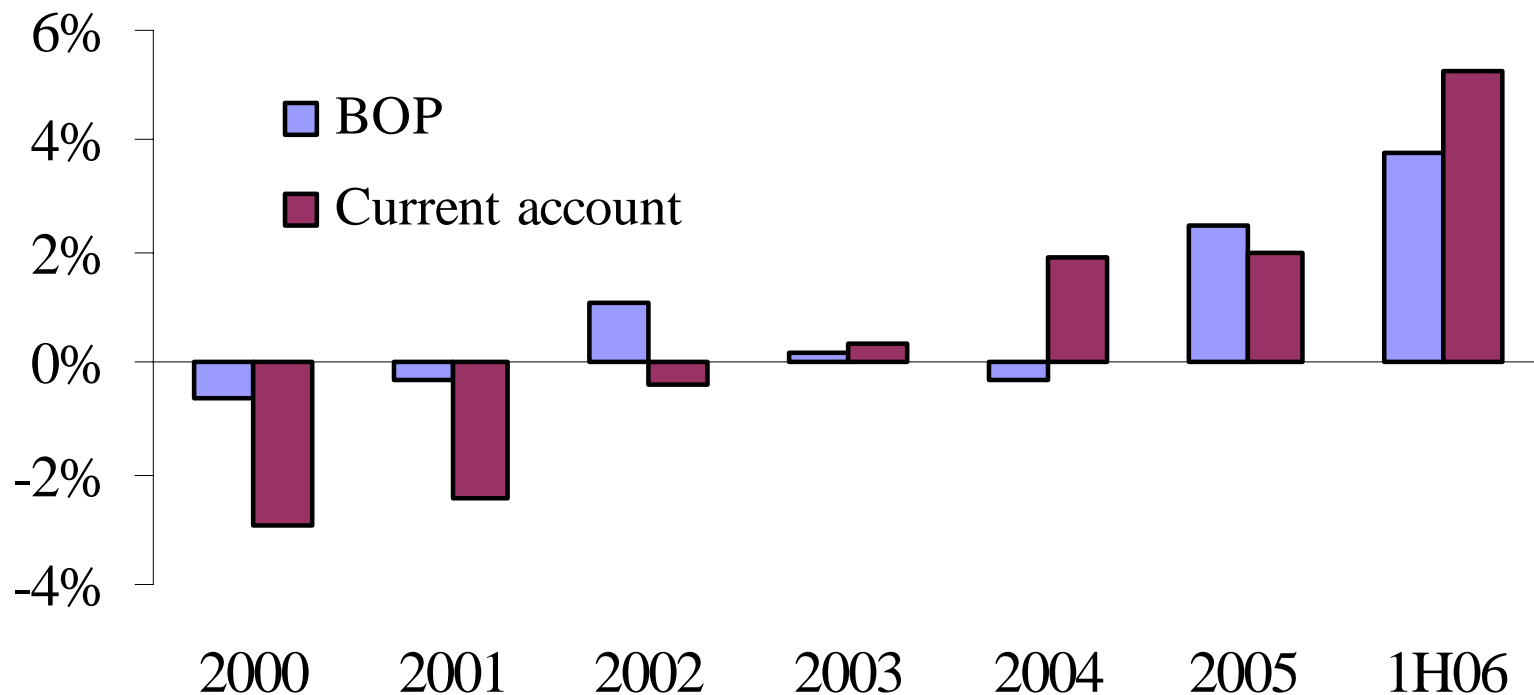
Supply pressures easing resulting in downtrend in inflation



Source of data: www.bsp.gov.ph

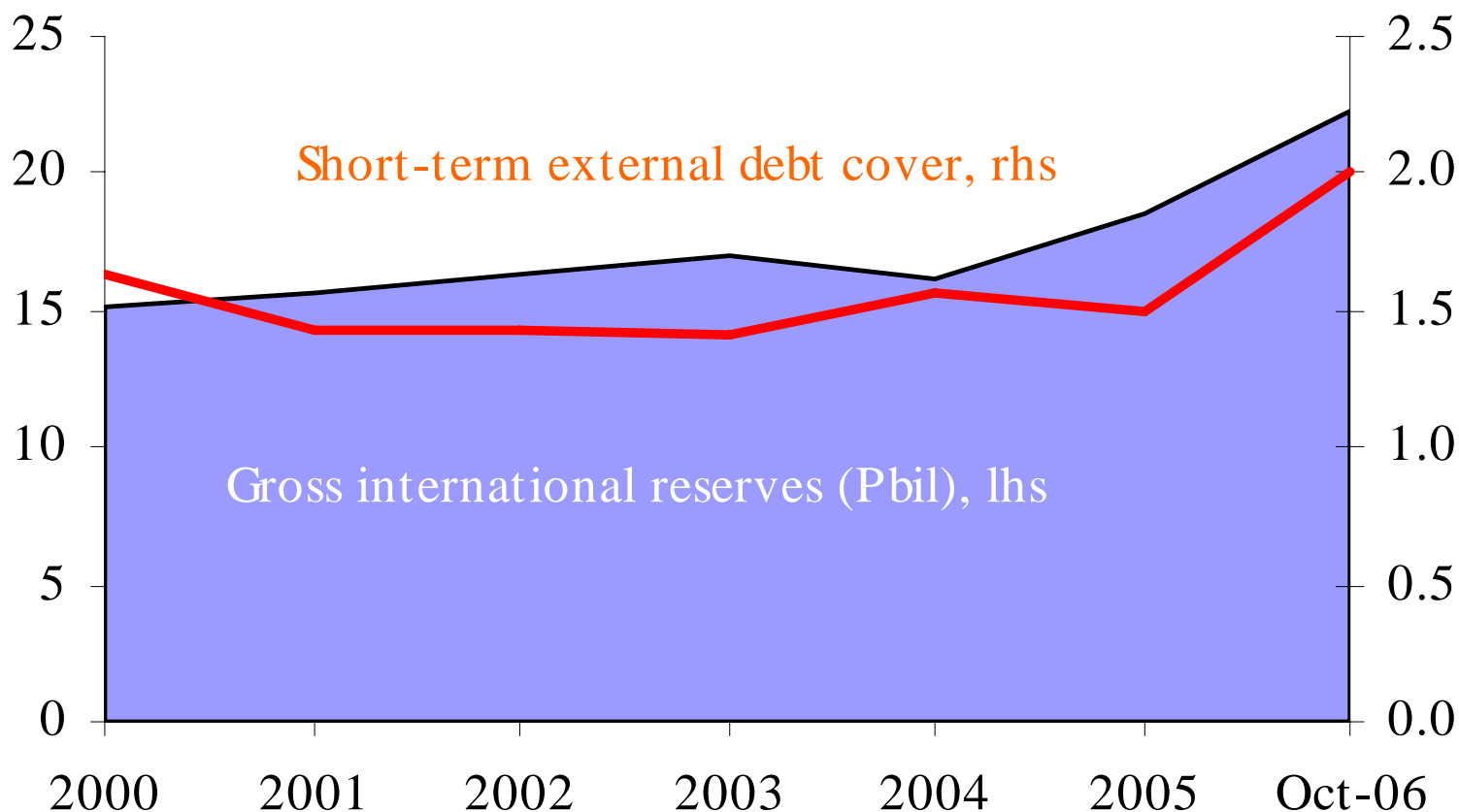
Large BOP surpluses reflect increased foreign exchange inflows...

External balances, % of GDP



Source of basic data: www.bsp.gov.ph, NSCB

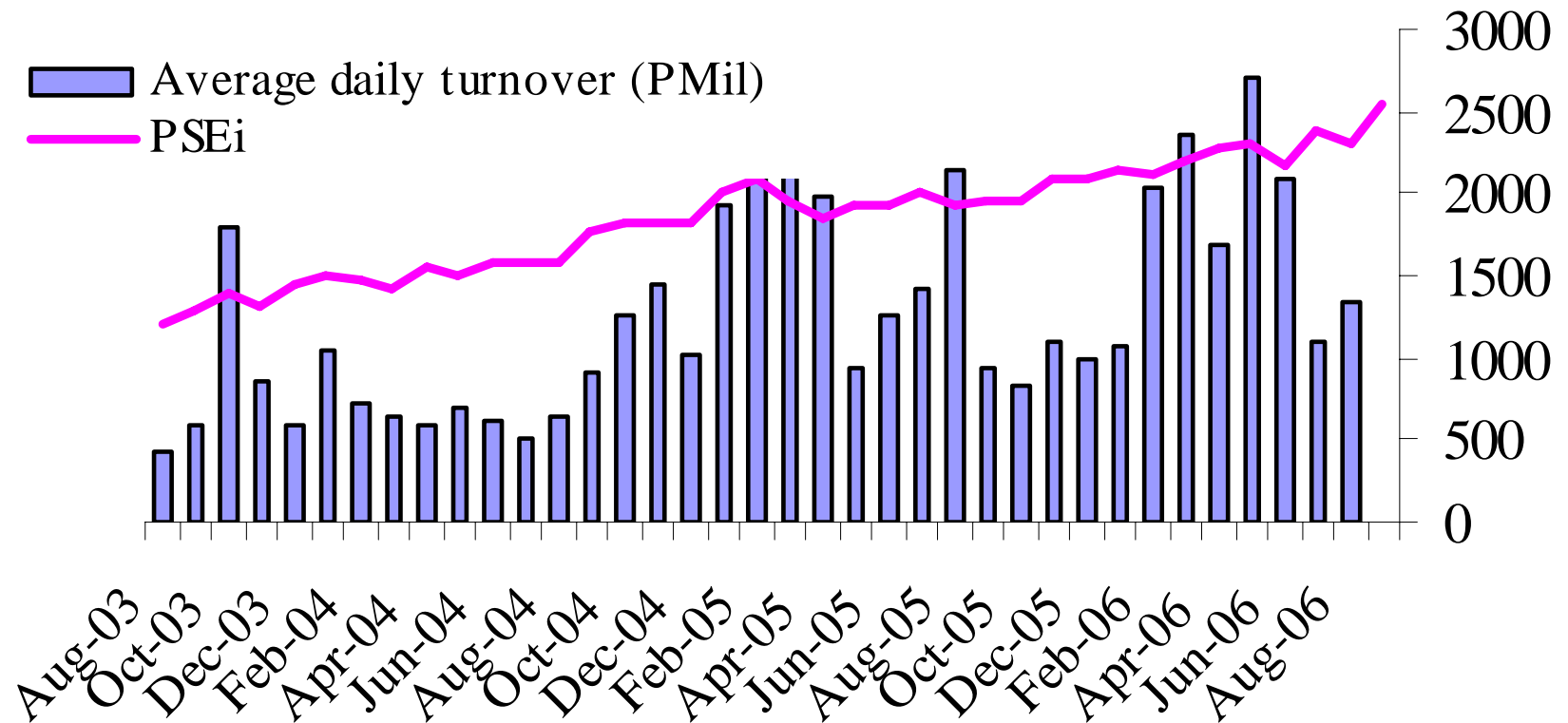
...that have translated into rising international reserves



Source: www.bsp.gov.ph; Short-term debt cover based on maturities over next 12 months

Equities rallied on the back of portfolio investment inflows

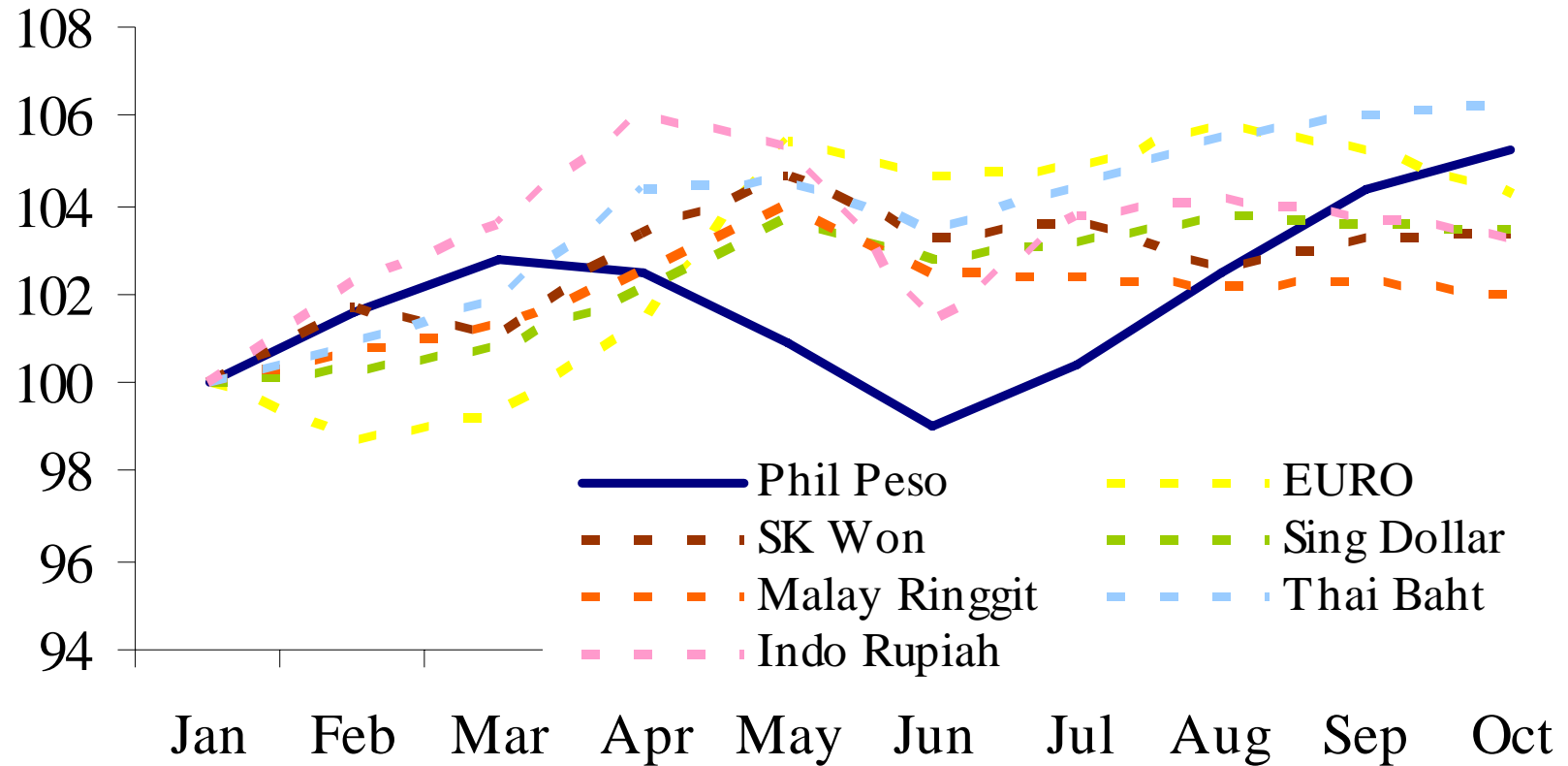
Stock market performance



Source of basic data: PSE Factbook, various years

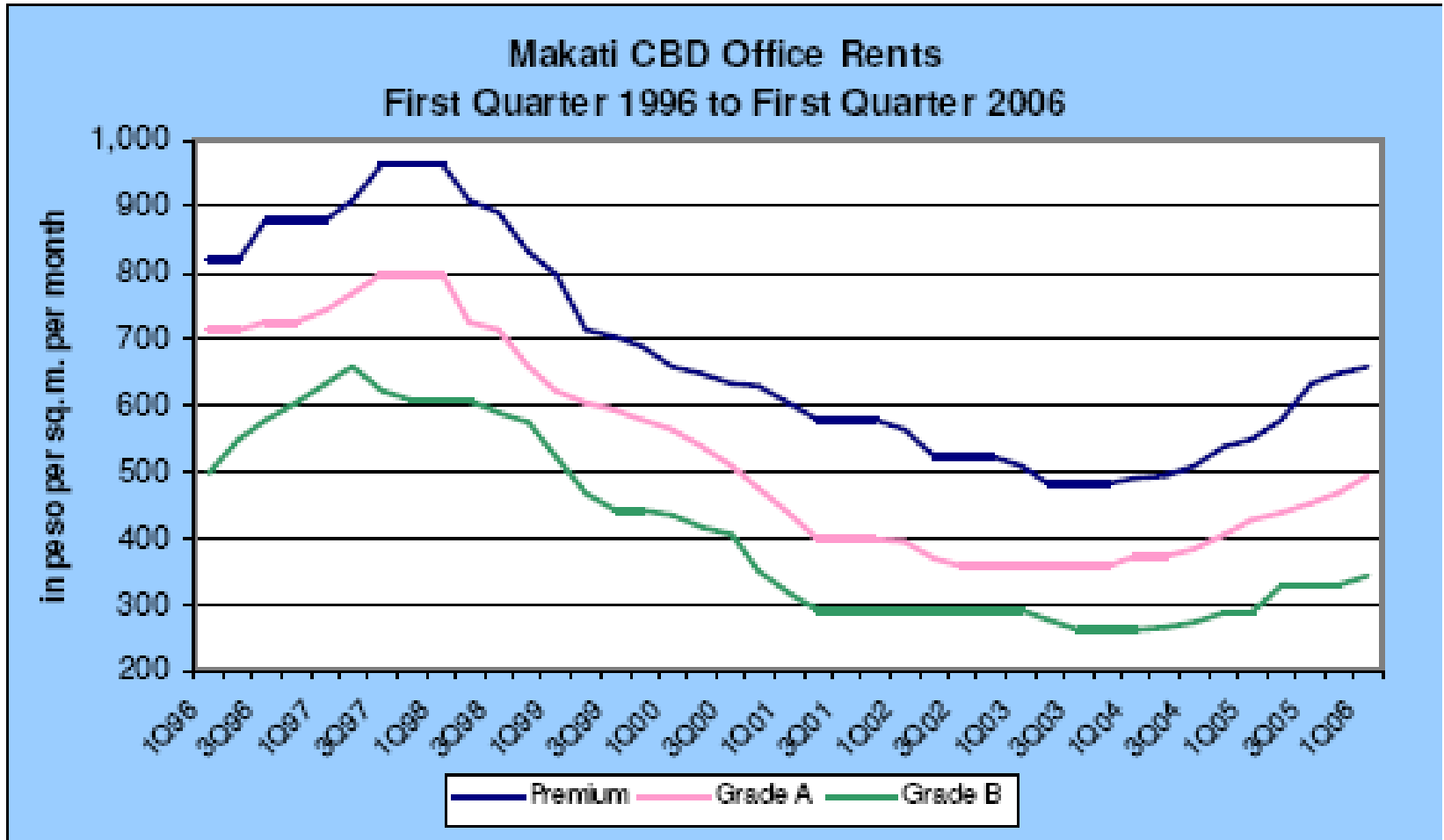
Rapid peso appreciation follows regional currency trends

Dollar rates of selected currencies (Jan06=100)



Source of basic data: www.bsp.gov.ph

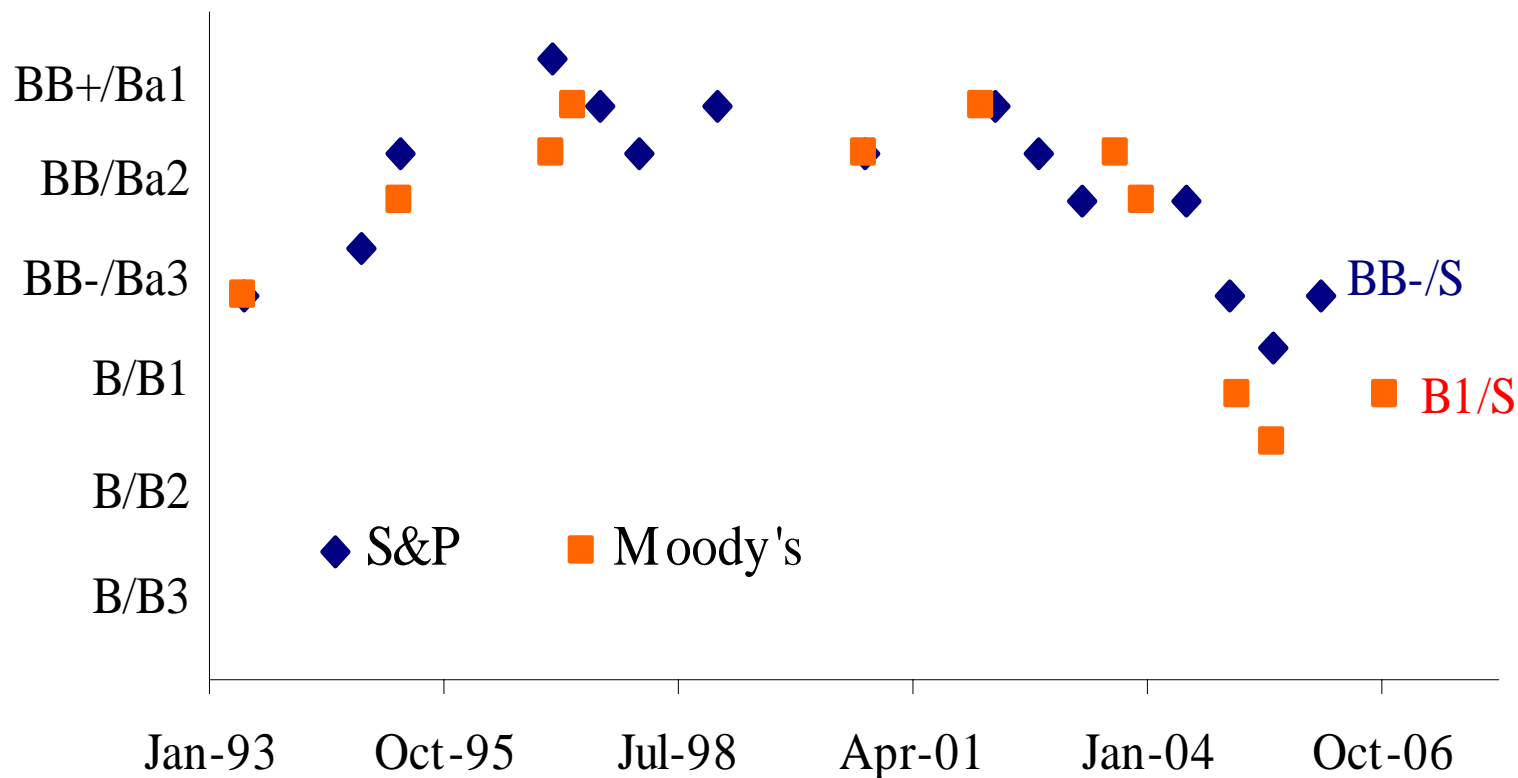
Property prices have started to turn up



Source: IDEA, Industry Trends, August 2006

The country is starting to recoup ground lost in the 90s

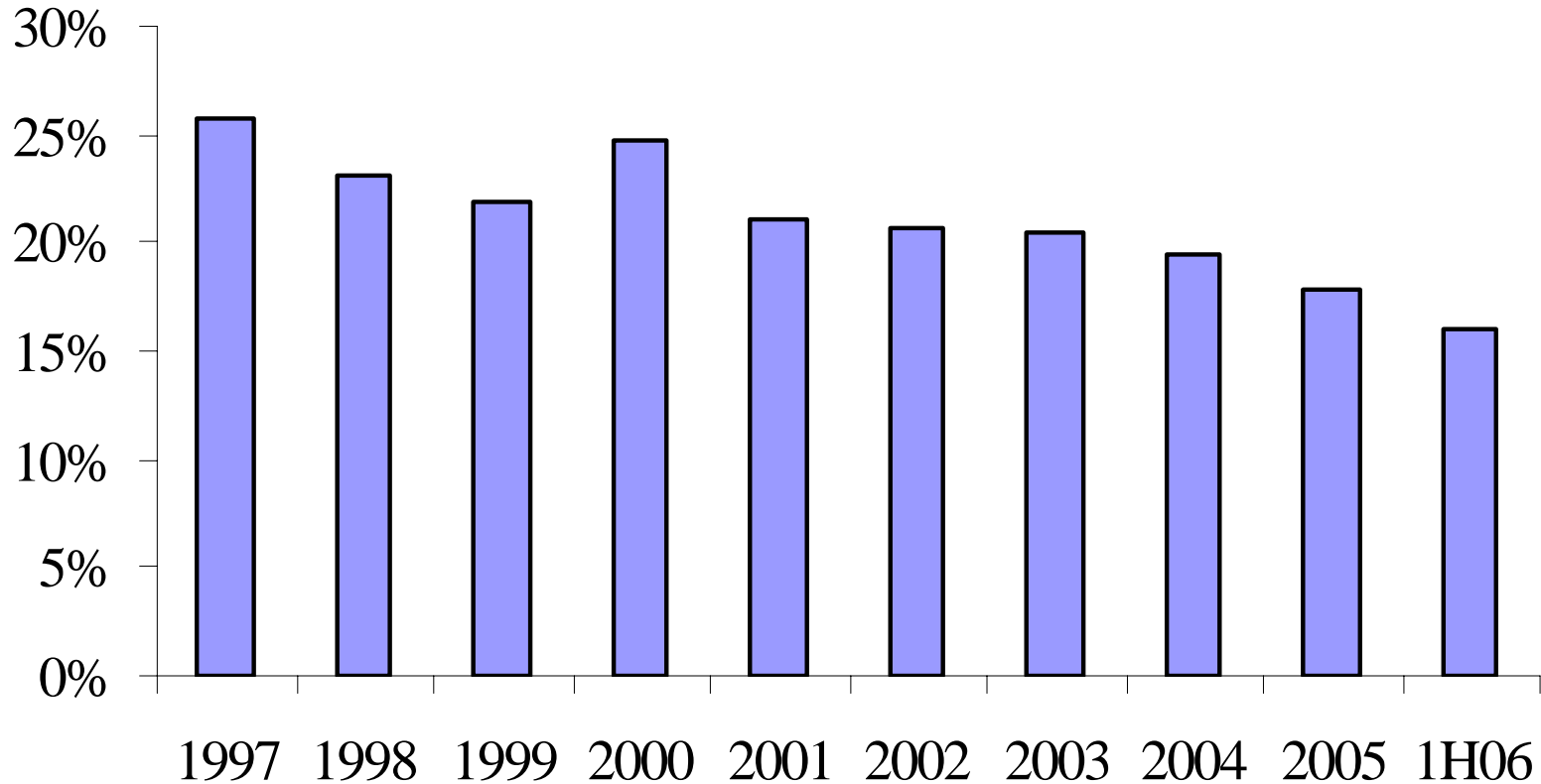
Philippine sovereign credit rating history (long-term foreign currency)



Source of data: www.standardandpoors.com, www.moody's.com

Total investments continued to decline

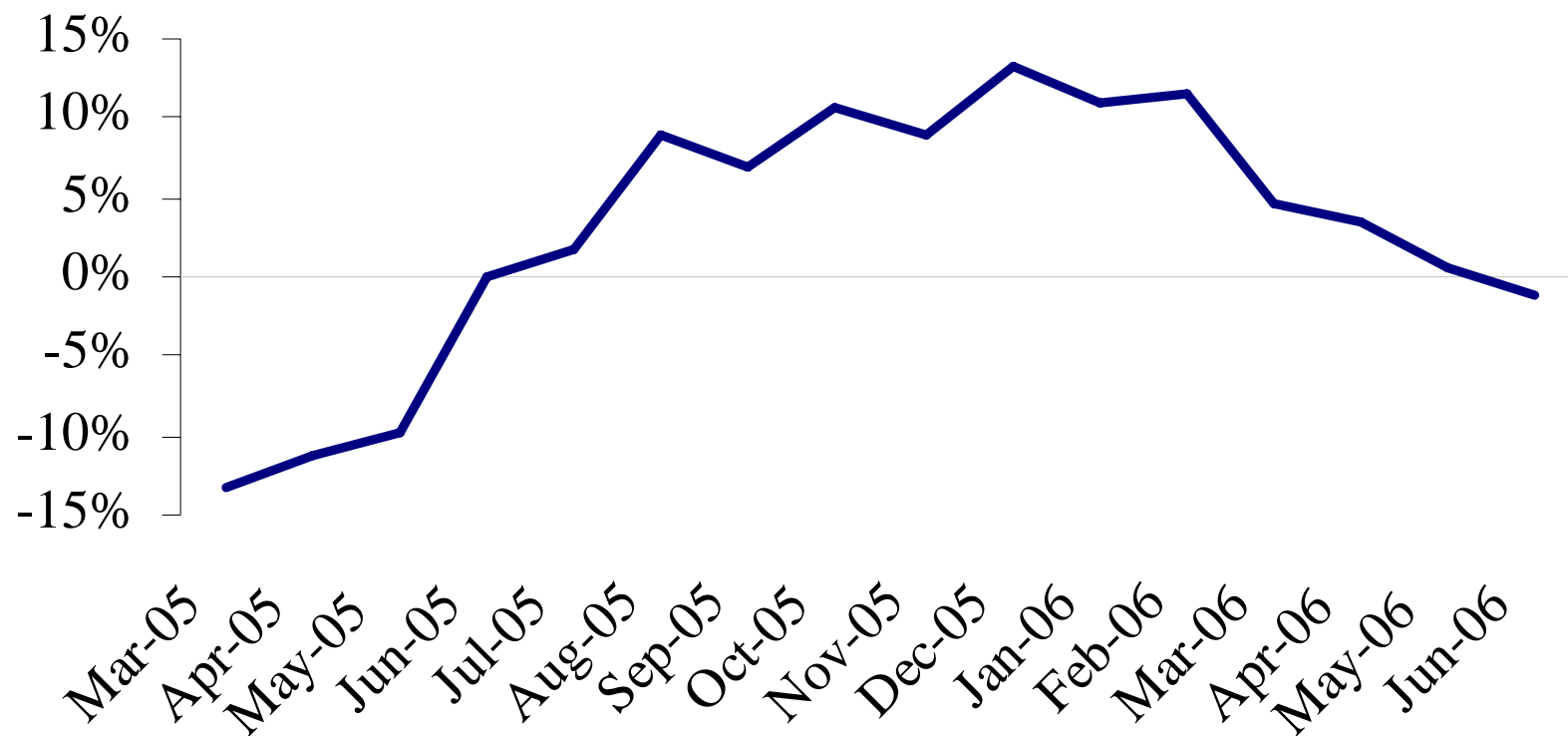
Fixed investments, % of GDP



Source of basic data: NSCB

Advance indicator of investment activity not encouraging

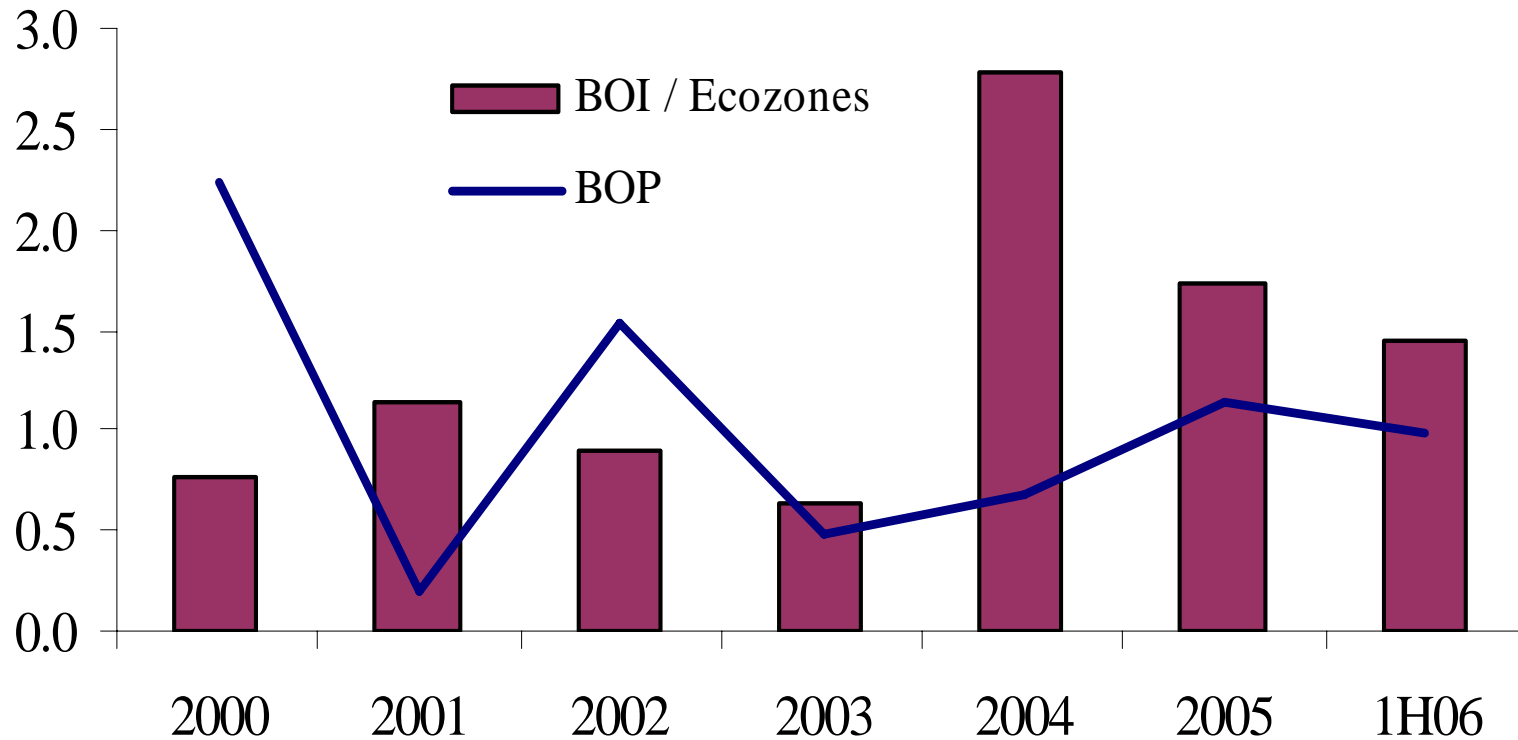
Capital goods imports, 3MMA, yoy growth



Source of basic data: BSP SPEI, www.bsp.gov.ph

Rise in investment commitments have yet to translate into actual inflows

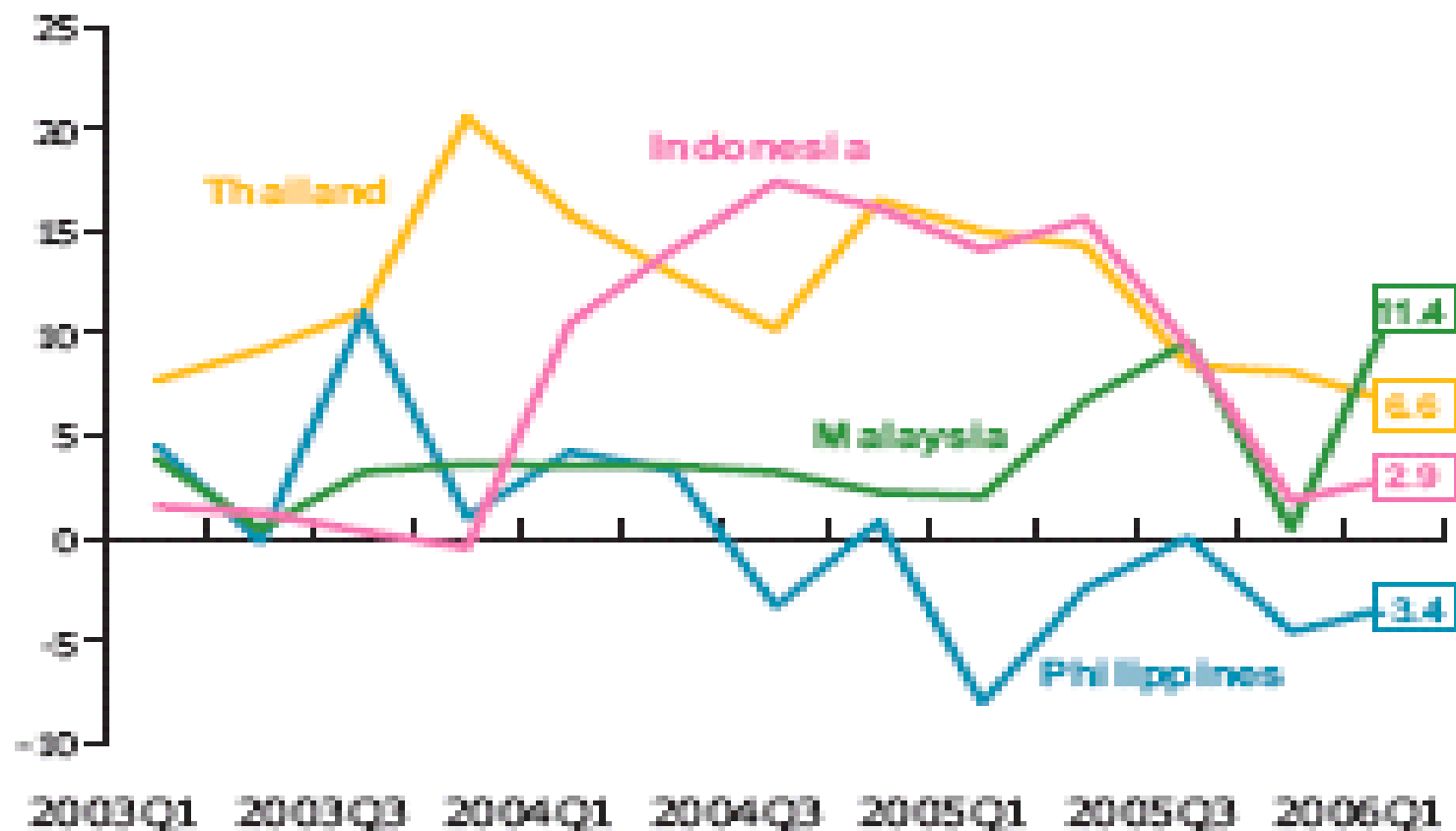
Foreign direct investments, US\$Bil



Source of data: www.bsp.gov.ph, www.boi.gov.ph

The Philippines has been under-investing relative to peers

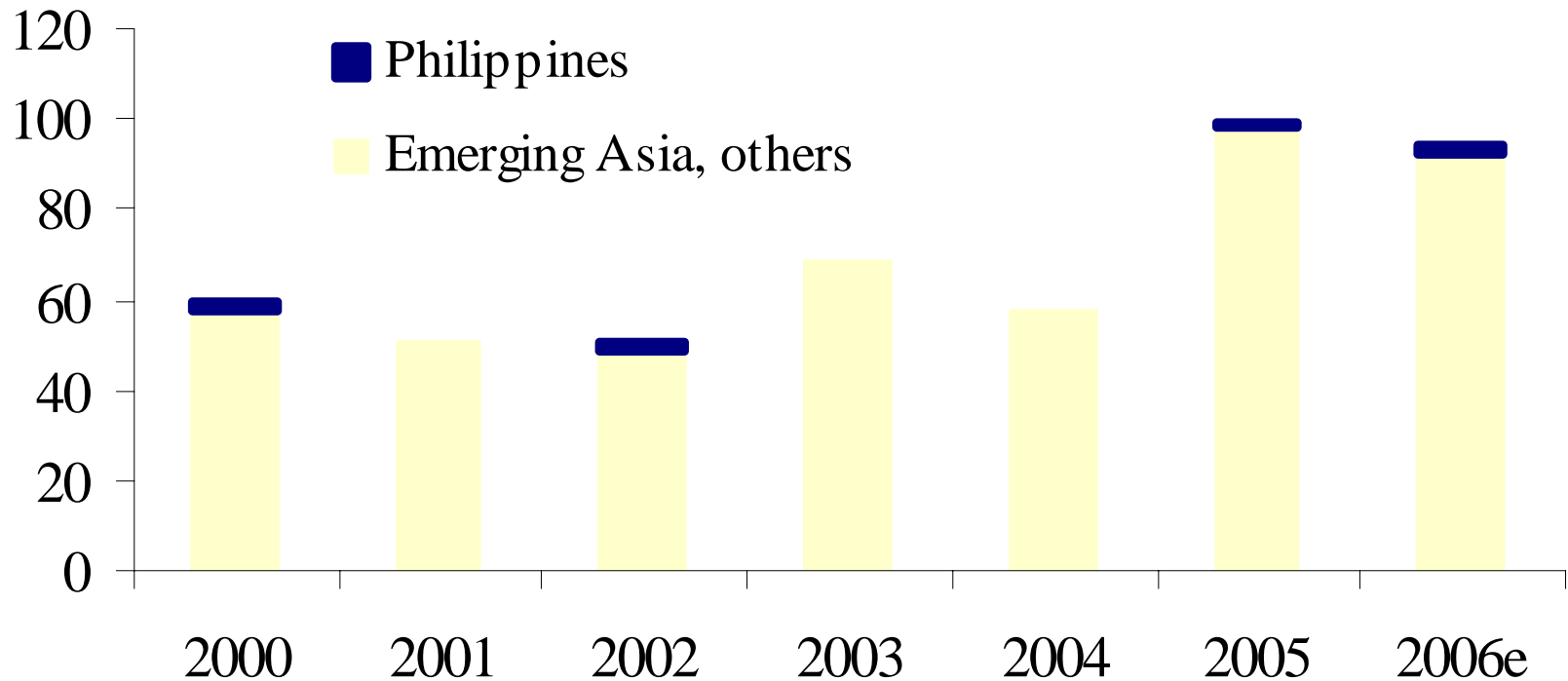
Fixed income investment growth, (y-o-y, %)



Source: ADB Asia Economic Monitor, July 2006

RP attracts a tiny share of investment flows to emerging Asia

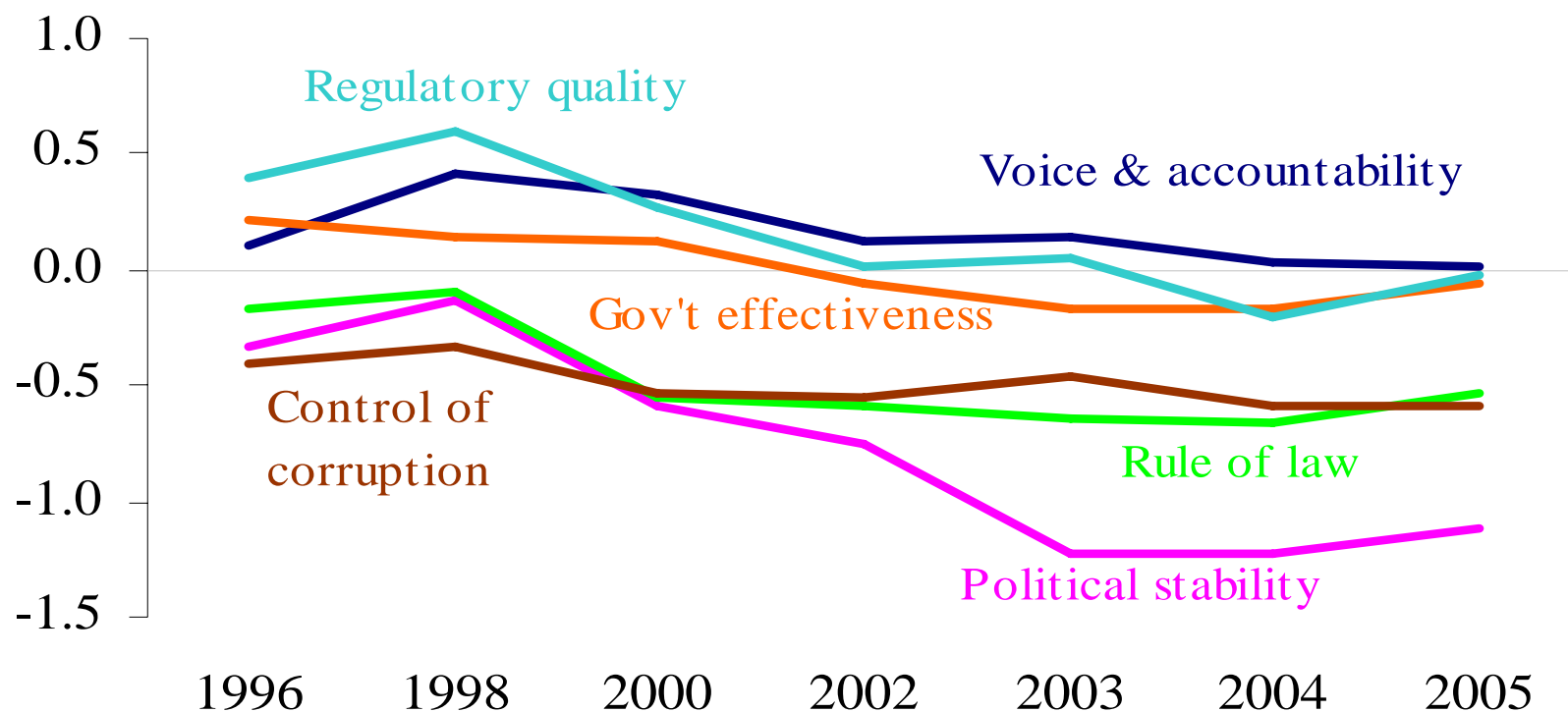
Foreign direct investments, net, US\$Bil



Source: IMF WEO (Sept-06) for Emerging Asia; BSP for the Philippines
(2006 data up to August only)

Poor governance quality deterring investments

Dimensions of Governance



Source of data: www.worldbank.org/wbi/governance/govdata. Indicators are measured in units ranging from -2.5 to 2.5 with higher values corresponding to better governance outcomes.

Analysts expect higher growth in 2007, but at low-end of government target

GDP growth forecasts

	2005	2006
Government (target) ^{1/}	5.5 - 6.1	5.7 - 6.5
IMF ^{2/}	5.5	5.8
World Bank ^{3/}	5.5	5.7
ADB ^{4/}	5.0	5.3
EIU ^{5/}	5.6	5.4