



PHILIPPINES- Battling the forces of global recession

Half-Yearly Economic Update

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Forces of global recession

- Crisis rapidly transmits to RP
- Aggregate global demand falling
- Sharp decline in exports and industrial production
- Triggering factory closures

Forces of global recession: government response

- Scaled up social programs and conditional cash transfers
- Expansionary monetary and fiscal policies
- These measures to mitigate, not overcome, slowdown



Better prepared since the Asian crisis

- Strengthened external balances
- Increased forex reserves
- reduced debt
- improved bank supervision
- Large and stable remittances buffering economy from crisis

But transmission of crisis gaining strength

- Contraction in consumption, production and investments in advanced countries taking toll on RP export industries
- Impact may spread to the rest of economy
- Real GDP slows to 1.9 percent in 2009; slow recovery in 2010

Transmission of crisis gaining strength

GROWTH IS PROJECTED TO SLOW FURTHER			
	2007	2009f	Difference
			09 - 07
Developing East Asia	11.4	5.3	-6.1
Indonesia	6.3	3.4	-2.9
Malaysia	6.3	-1.0	-7.3
Philippines	7.2	1.9	-5.3
Thailand	4.9	-2.7	-7.6
China	13.0	6.5	-6.5
Vietnam	8.5	5.5	-3.0
Cambodia	10.2	-1.0	-11.2
Lao PDR	7.5	5.0	-2.5
Mongolia	9.9	2.7	-7.2
Papua New Guinea	6.2	4.7	-1.5

Source: World Bank; f- forecast

Key to RP's battle against global recession

- Continued policy measure to buffer the impact of global recession
 - BSP's prompt action to address financial system risks
 - Government steps to protect economic growth and vulnerable citizens
 - Postponing balanced budget goal
 - Economic Resiliency Plan

Key to RP's battle against global recession

- ERP constrained by the following:
 - A large share of the actual fiscal easing for 2009 stems from the revenue side (which has a lower fiscal multiplier) while the expenditure component (such as the boost in capital spending) would mostly occur in outer years.
 - The recently observed deterioration in the tax-to-GDP ratio is projected to accelerate



Key to RP's battle against global recession

- Continued policy measure to buffer the impact of global recession
 - Controlled fiscal easing critical to achieving positive impact on economy.

Key to RP's battle against global recession

- A need for sustained remittance inflows
 - Previous slowdowns have shown remittances to be counter-cyclical but global scope of crisis will diminish stabilizing effect
 - Sharp fall (25% YoY from USA) in December 2008 and January 2009

Key to RP's battle against global recession

- Resiliency of labor market will be tested
 - In the past, RP relied on high GDP growth and labor export to absorb work force
 - Both sources of labor now under pressure and expected to worsen