



REPUBLIC OF THE PHILIPPINES
NATIONAL ECONOMIC AND
DEVELOPMENT AUTHORITY

ASEAN INTEGRATION AND THE PHILIPPINE ECONOMY

Changes and Challenges in the Coming Decade

SEC. ARSENIO M. BALISACAN

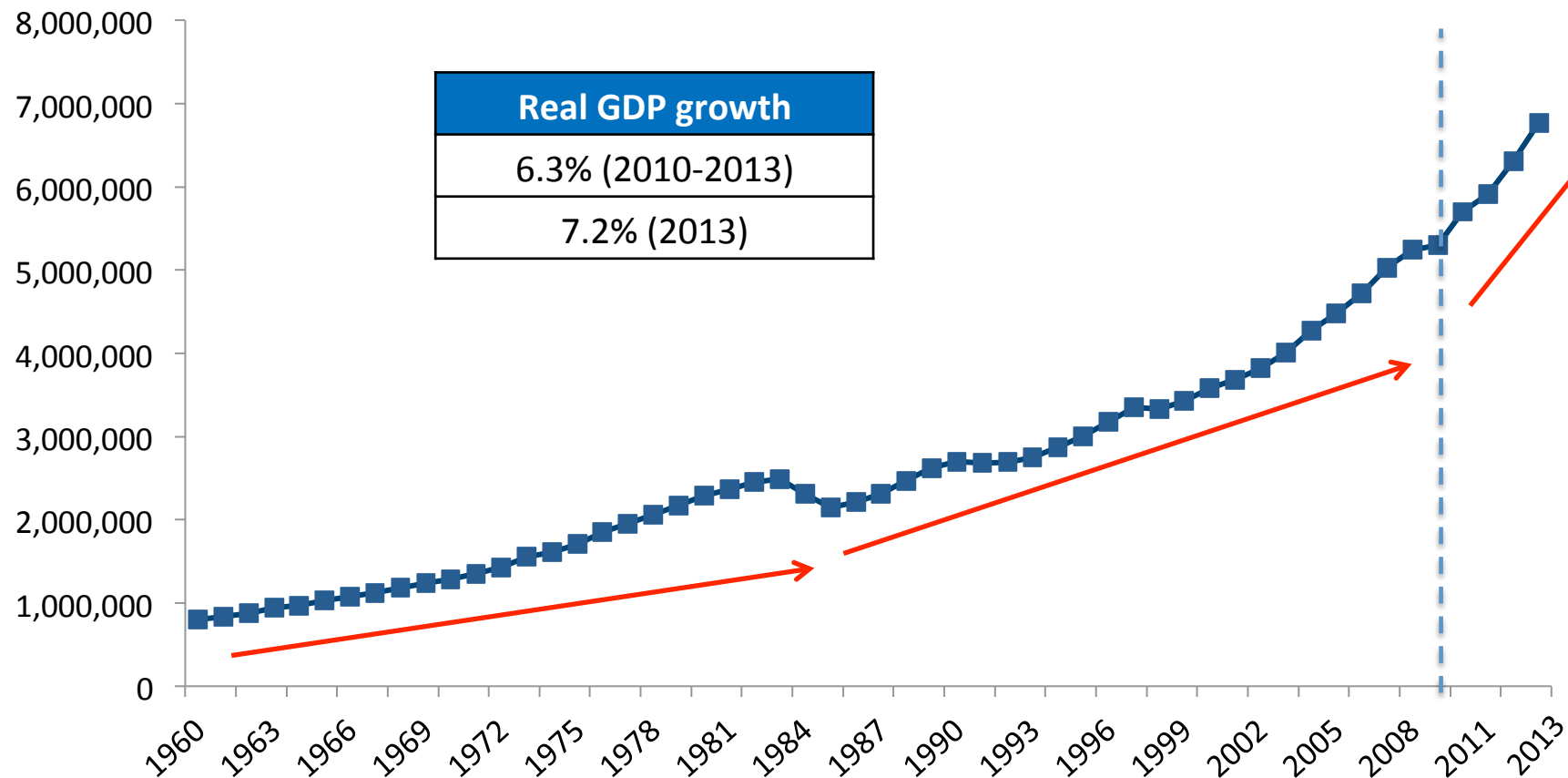
Angara Centre for Law and Economics
InterContinental Hotel Manila

5 December 2014



The Philippine economy is on a higher growth trajectory since the beginning of the current decade.

Real GDP at 2000 prices (million Php), 1960-2013

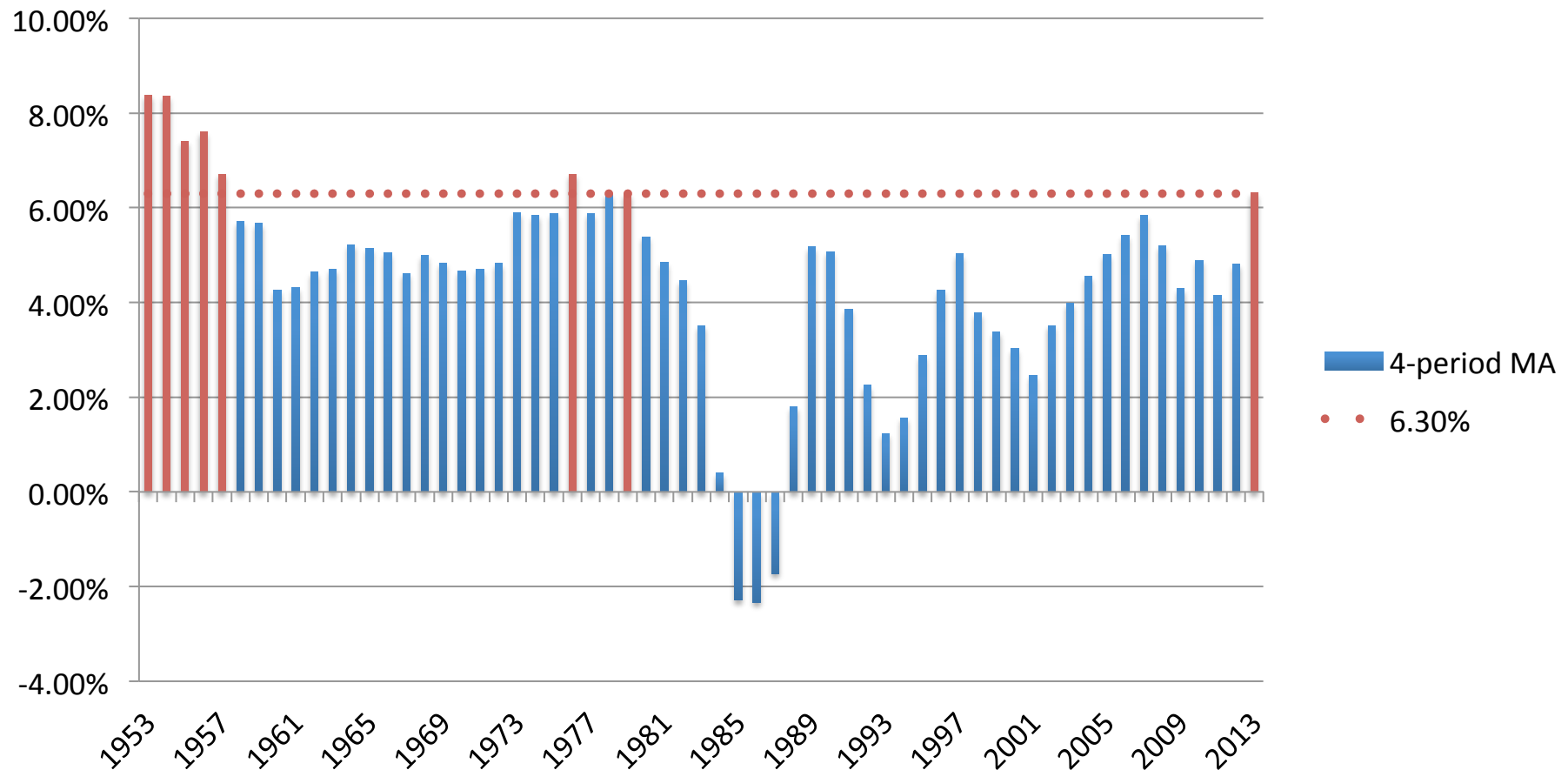


Source: PSA



Average growth in 2010-2013 is the highest since 1979.

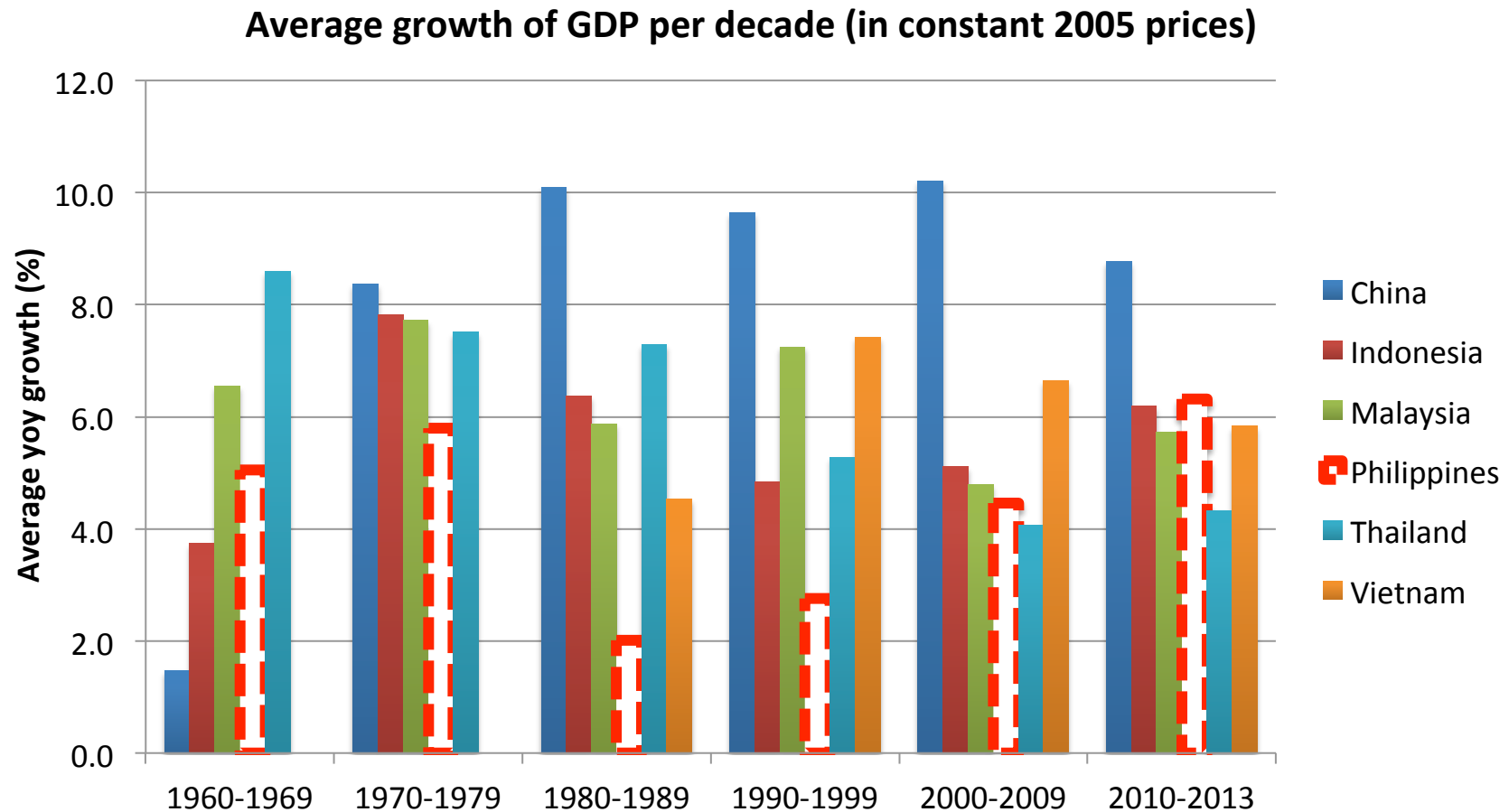
Average real GDP growth (4-year intervals)



Source: Own calculations



Philippine growth from 2010-2013 is the second-highest in Asia next to China.



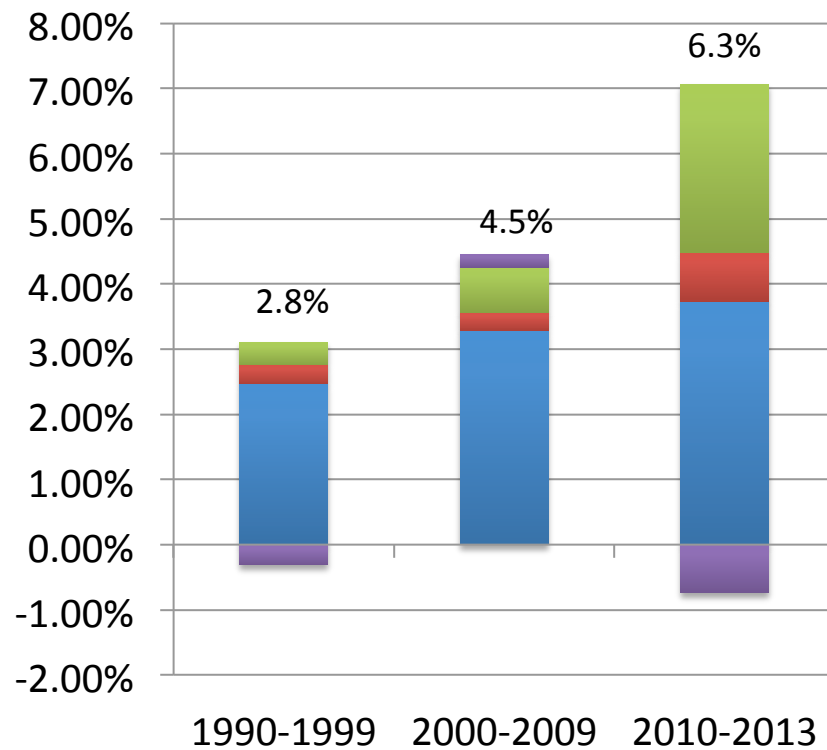
Source: WB



Investment and industry are increasingly becoming major drivers of GDP growth.

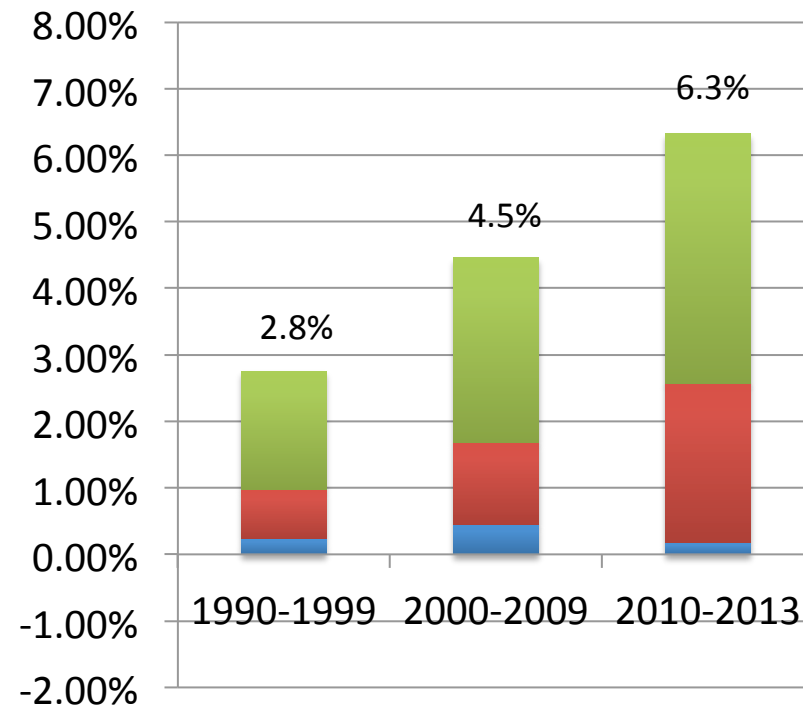
Contribution to growth in ppt
(average growth in %)

Demand side



■ Consumption ■ Government
■ Investment ■ Net exports

Supply side

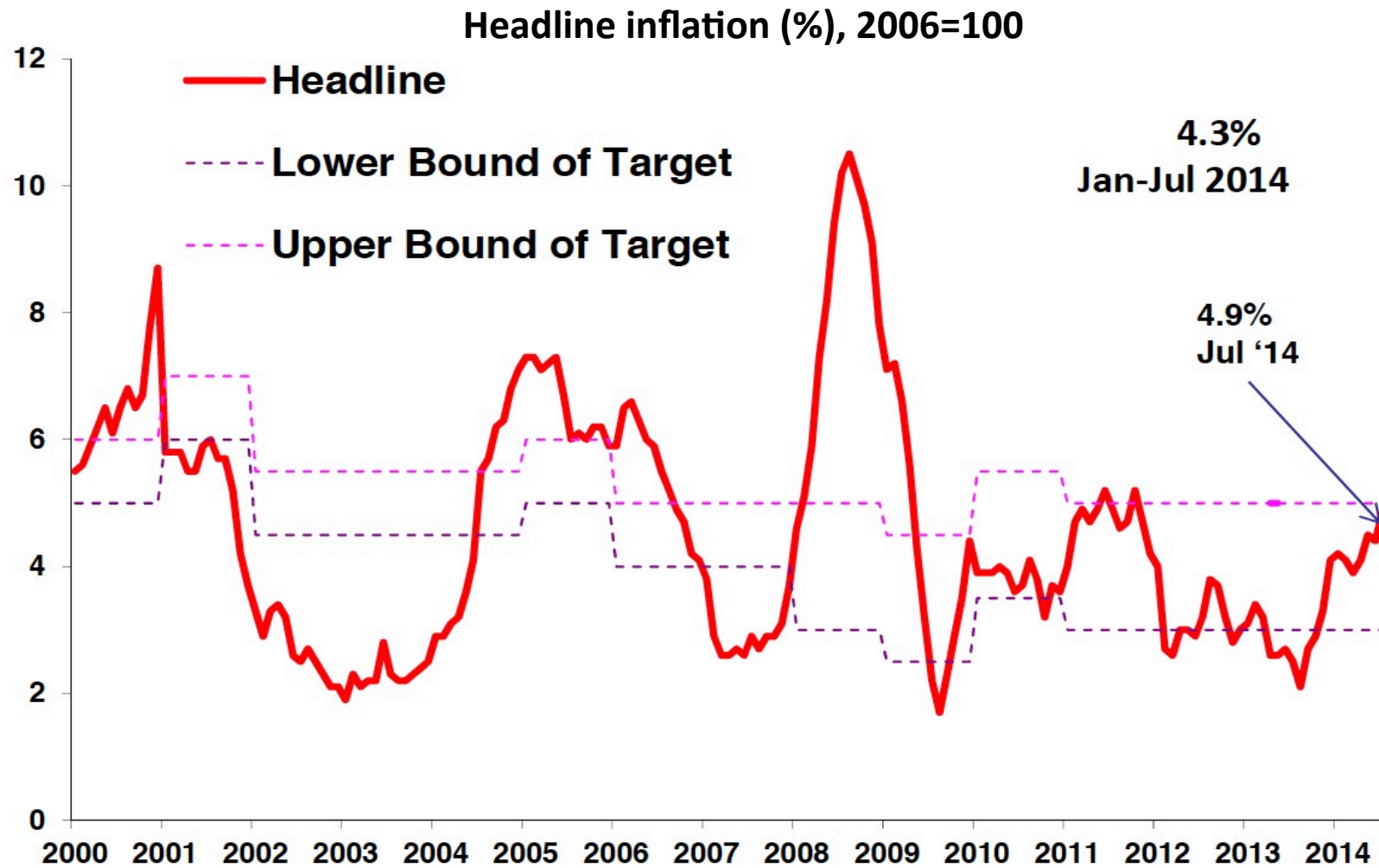


■ Agriculture ■ Industry ■ Services

Source: NEDA



Inflation remains manageable.



Source: BSP



Our external position has become more robust.

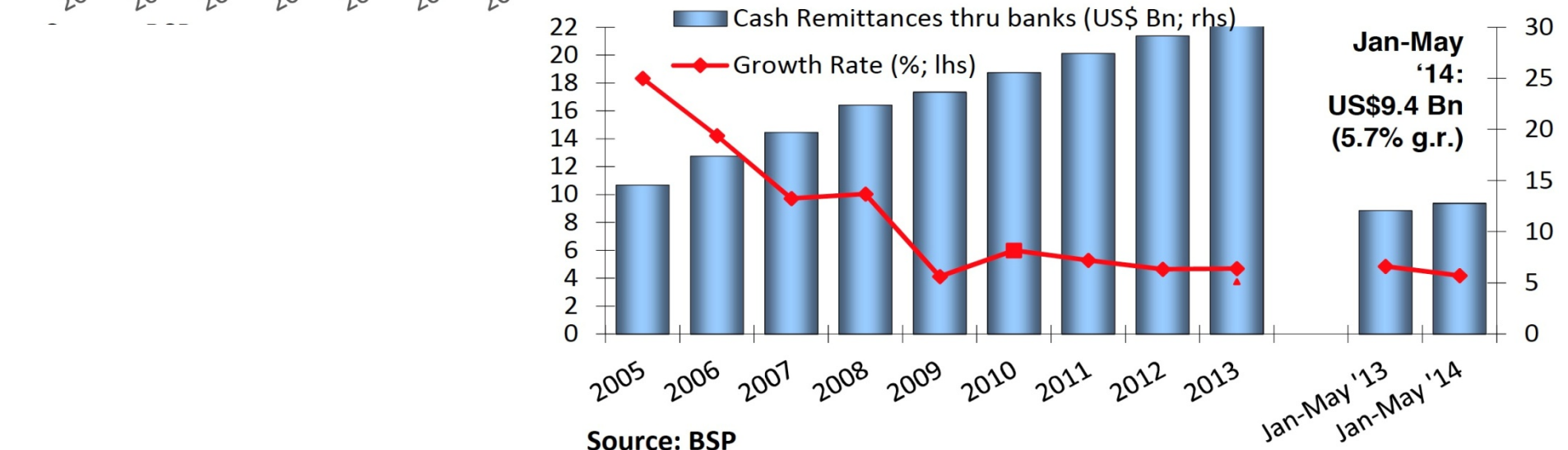
Balance of Payments (BPM6)

2005-Q1 2014 (in US\$ Bn)



Overseas Filipinos' Remittances

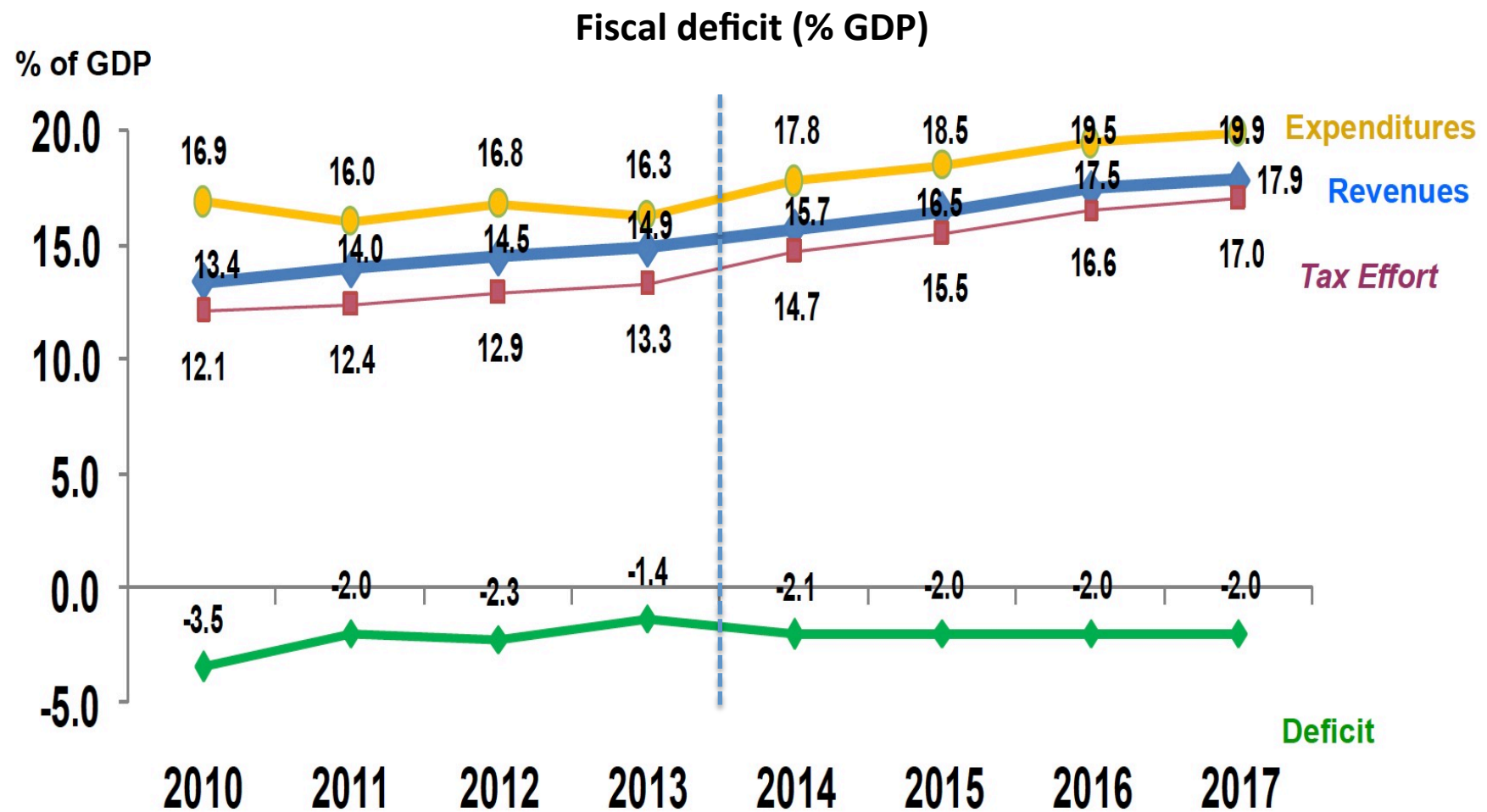
Levels and Growth Rates; 2005 – May 2014



Source: BSP



The Philippines enjoys a wider fiscal space and modest fiscal deficit.

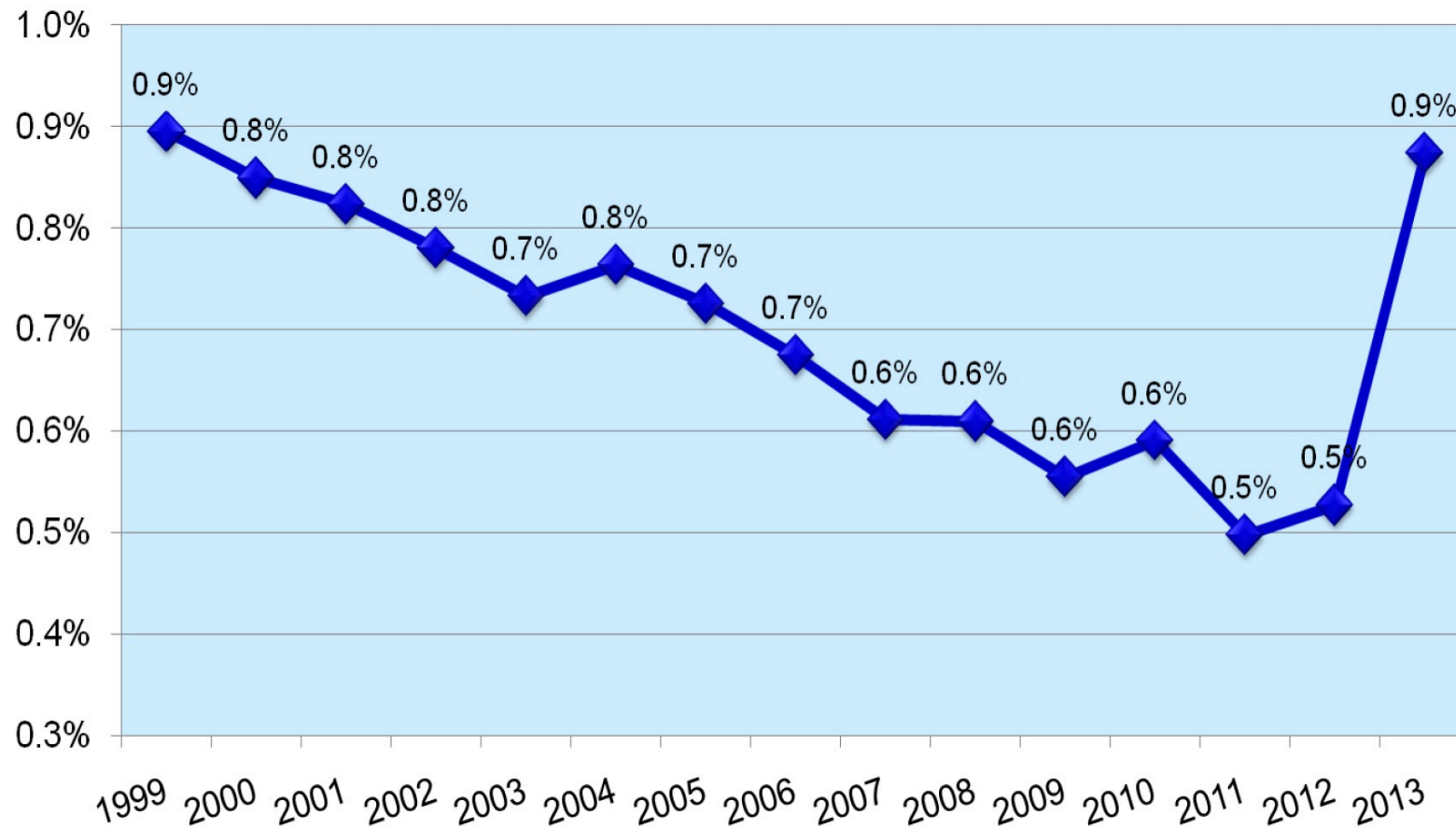


Source: DOF



The Sin Tax Law has boosted tax revenues.

Tobacco and alcohol excise tax collections (% GDP)

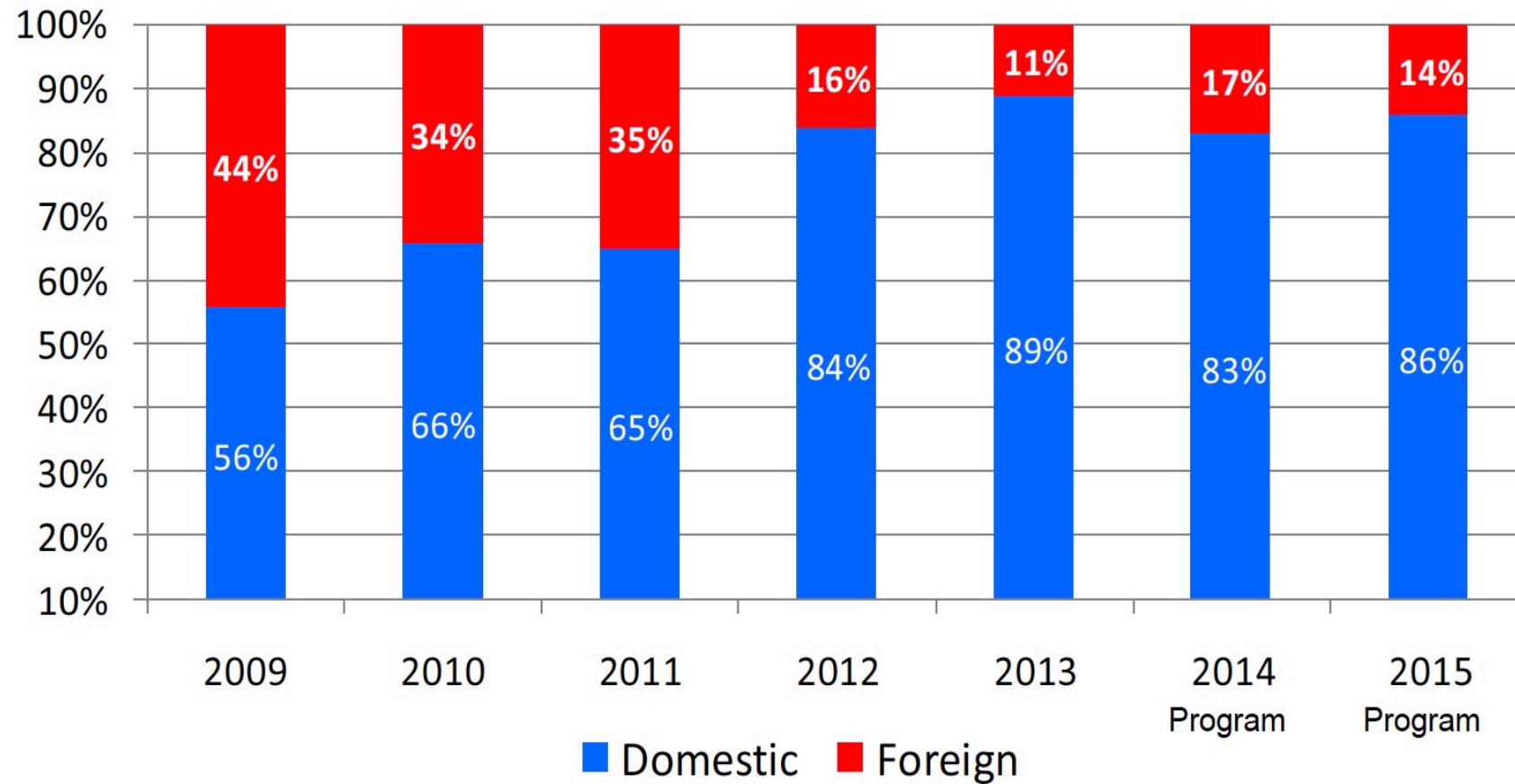


Source: DOF



Reliance on domestic financing sources has increased.

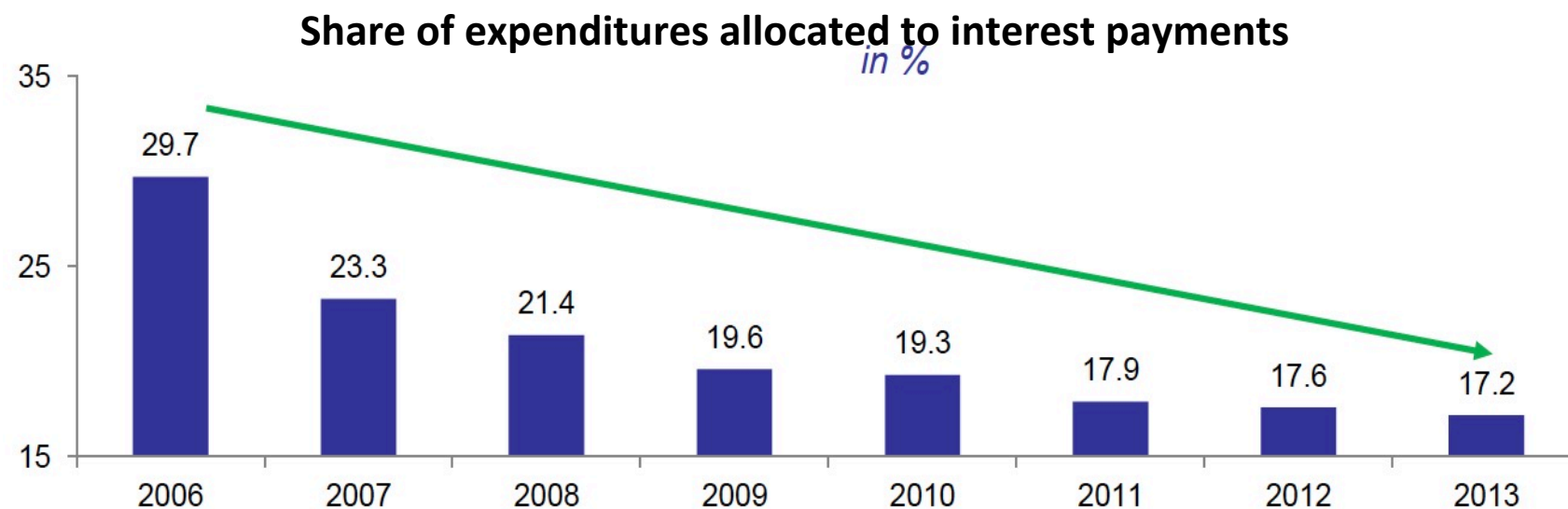
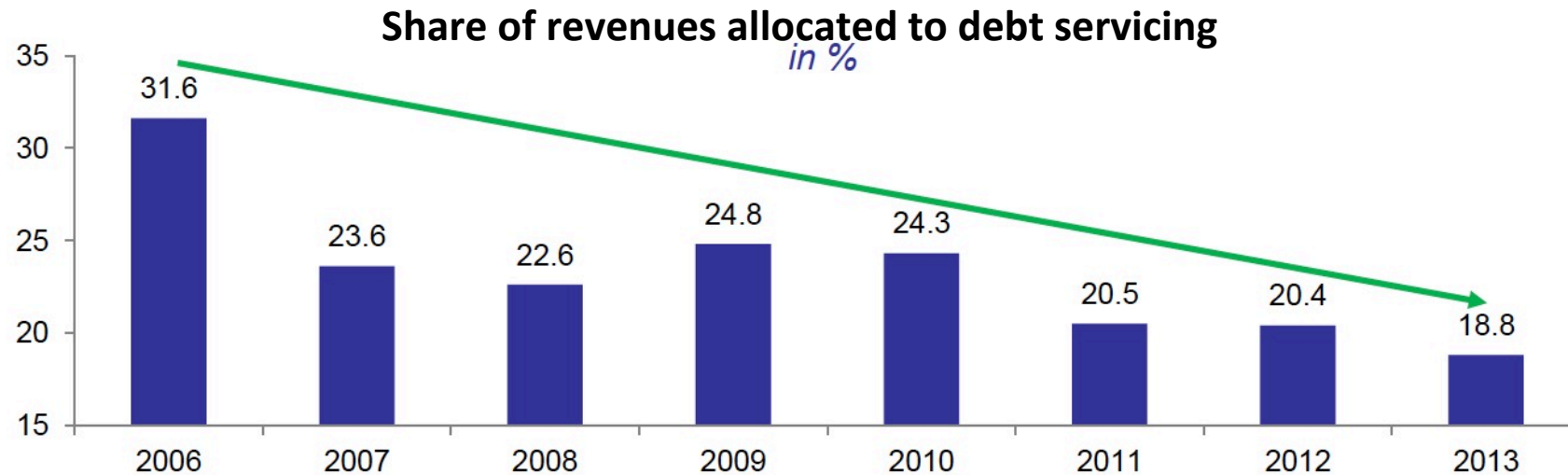
National government borrowing program



Source: DOF



Wider fiscal space has led to lower allocations to debt servicing.



Source: DOF



The country enjoys an unprecedented level of confidence among international business community.

Long-term sovereign credit ratings

MOODY'S	STANDARD & POOR'S	FitchRatings <small>KNOW YOUR RISK</small>
Baa3 Outlook: Positive	BBB Outlook: Stable	BBB- Outlook: Stable
<i>As of October 3, 2013</i>	<i>As of May 8, 2014</i>	<i>As of March 27, 2013</i>

Ease of Doing Business rankings, 2009-2014

	2015 (189 economies)	2014 (189 economies)	2013 (185 economies)	2012 (183 economies)	2011 (183 economies)	2010 (183 economies)	2009 (181 economies)
Philippines (old methodology)		108	133	136	134	144	141
Philippines (new methodology)	95	86					

Source: Doing Business Report, World Bank and International Finance Corporation

Global Competitiveness ranking, 2009-2015

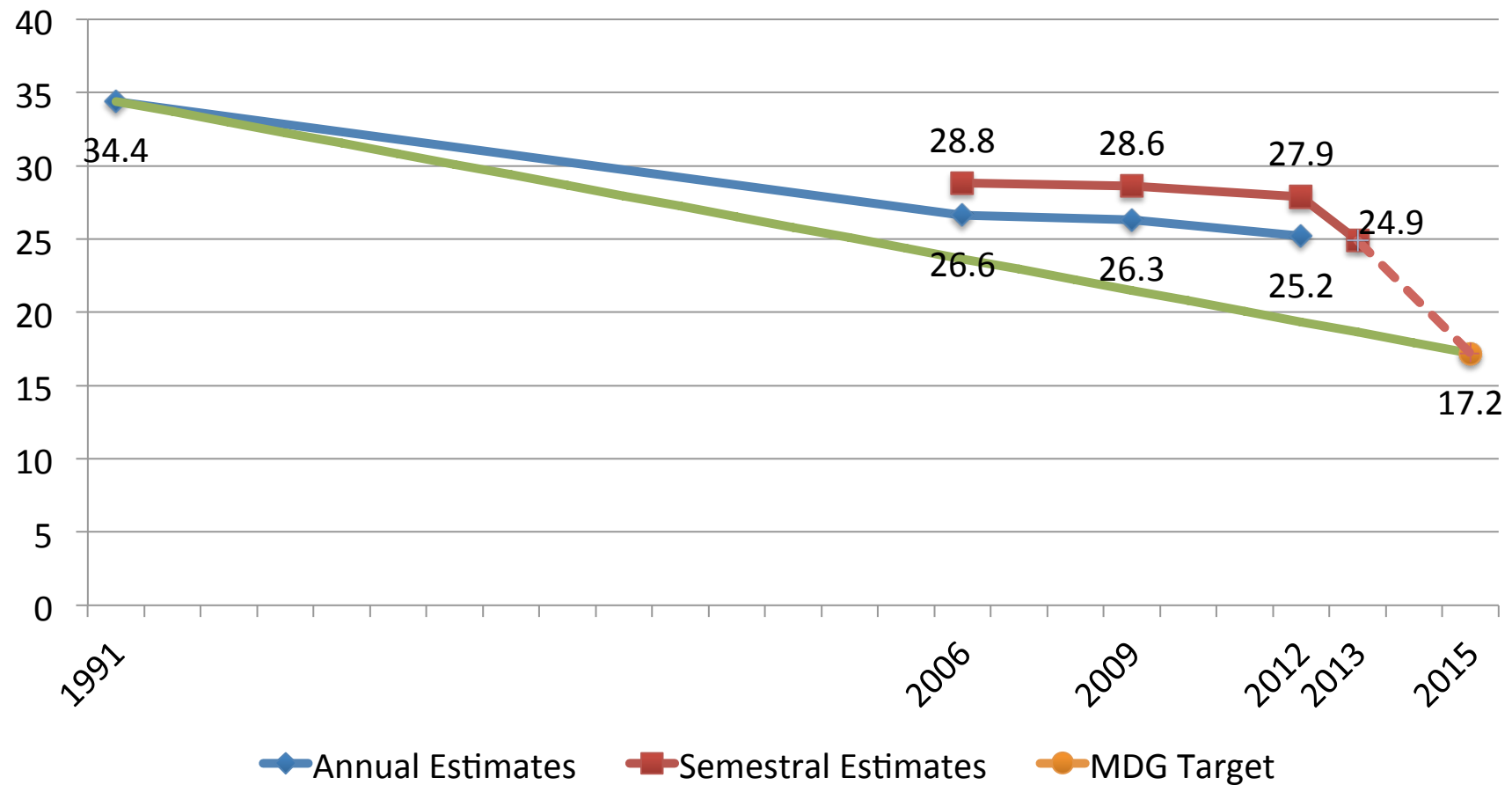
	2014-2015	2013-14	2012-13	2011-12	2010-11	2009-10
Philippines	52	59	65	75	85	87

Source: The Global Competitiveness Report, World Economic Forum



The rate of poverty reduction has been slow...

Poverty incidence among pop. (%), 1991-2013

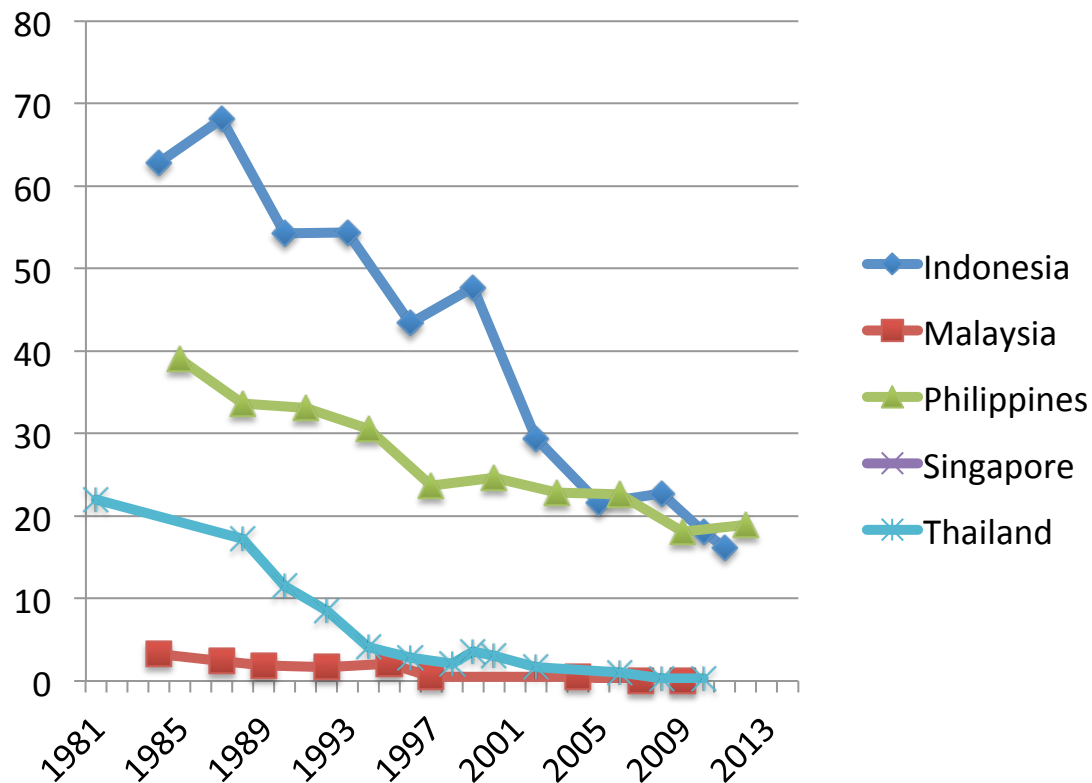


Source: PSA



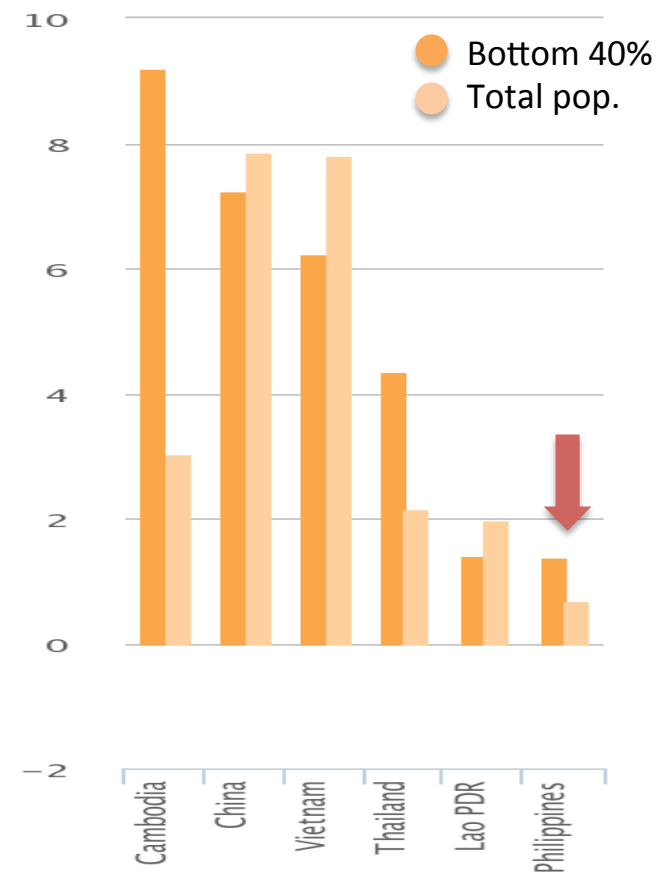
...and relative to our ASEAN neighbors.

Poverty headcount ratio at \$1.25/day, PPP (% pop.)



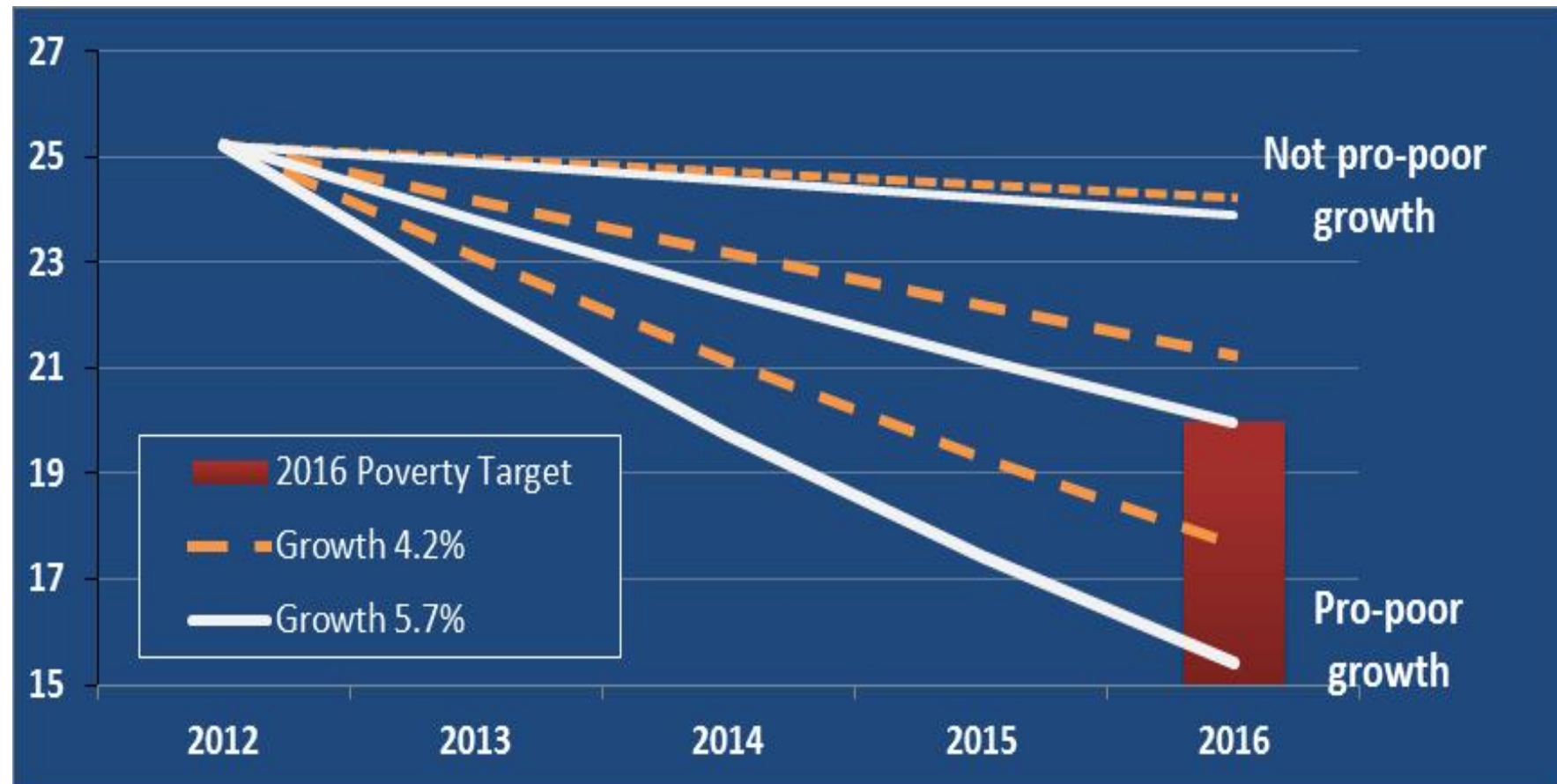
Source: WB

Growth of per-capita income, 2002-2012





World Bank [2014] estimates suggest possibility of meeting 2016 poverty prospects.

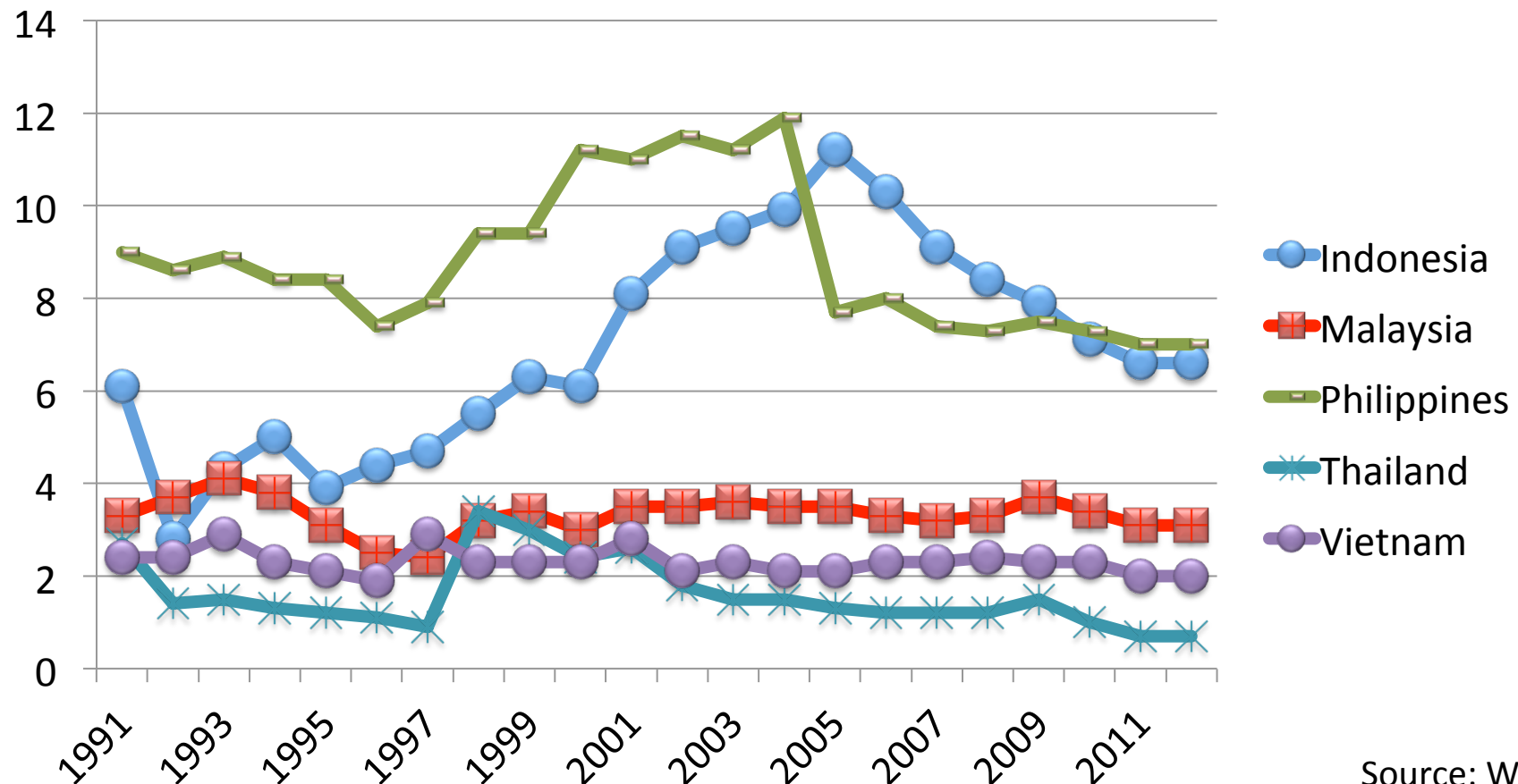


Source: WB



Unemployment in the Philippines (around 7%) is stubbornly higher than the ASEAN average (3-4%).

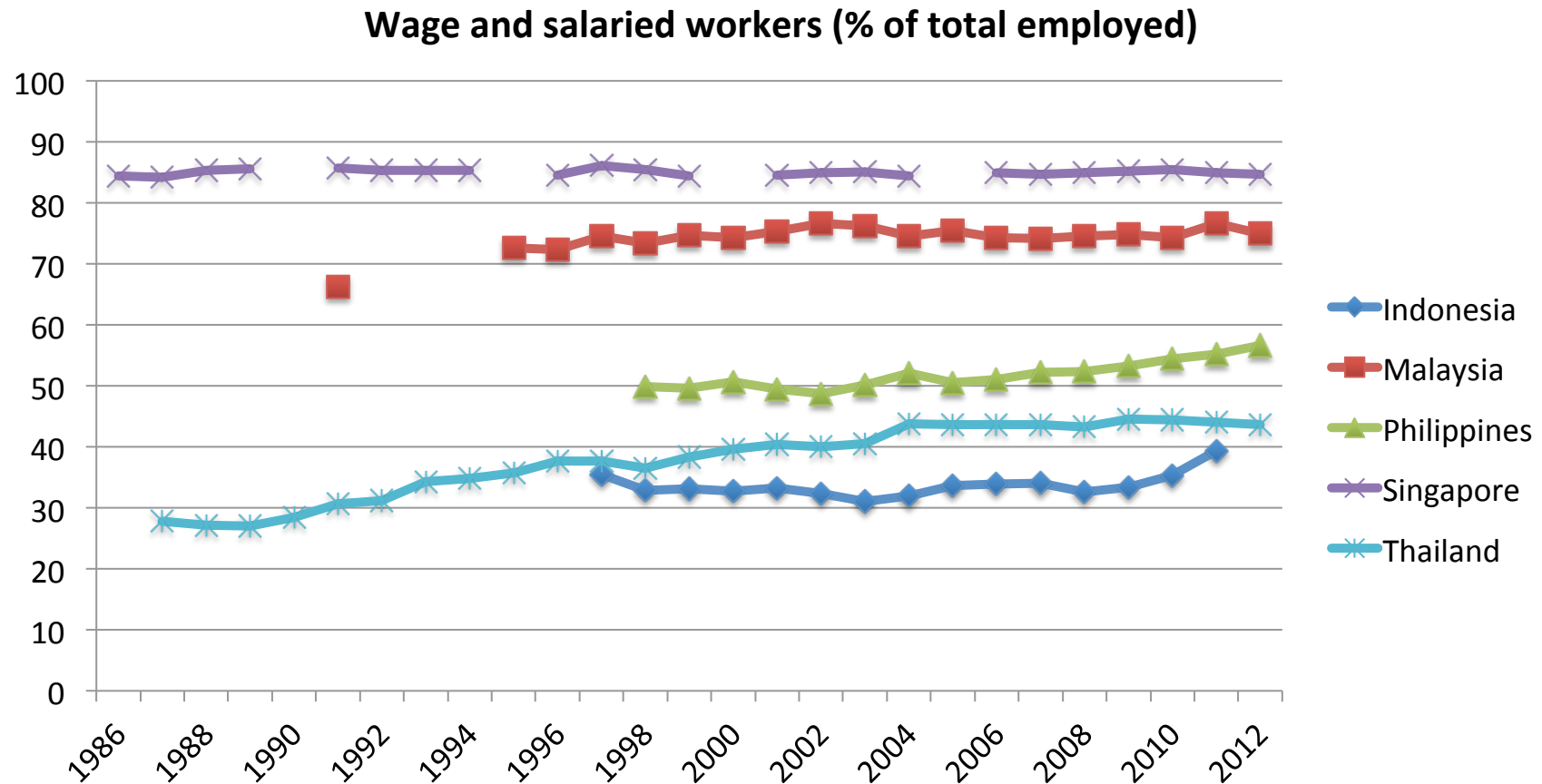
Unemployment rate (% labor force)



Source: WB



The share of wage and salaried workers is rising albeit slowly.

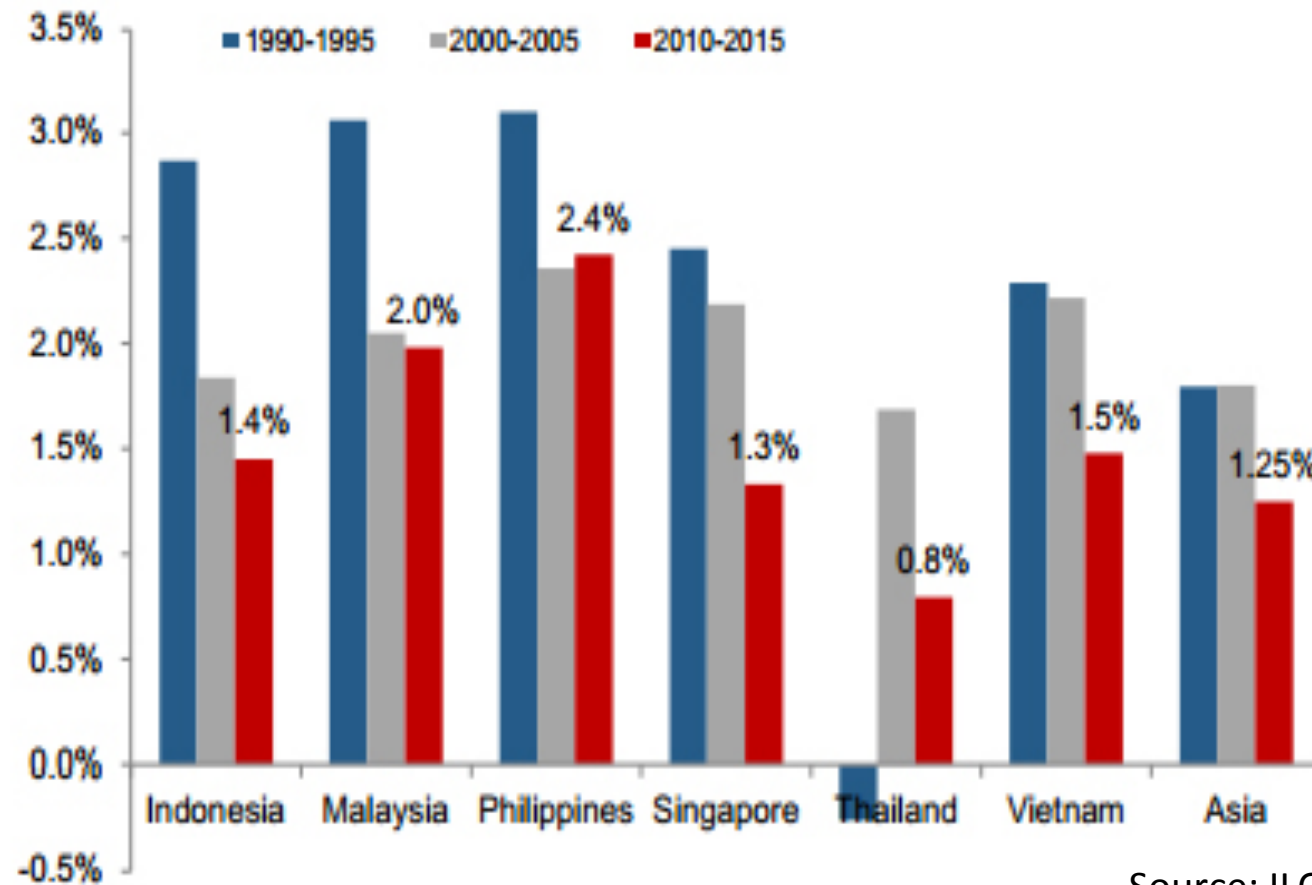


Source: WB



The arrival of a demographic sweet spot is said to be imminent, as manifested by the fast growth of the labor force.

Labor force growth in the ASEAN

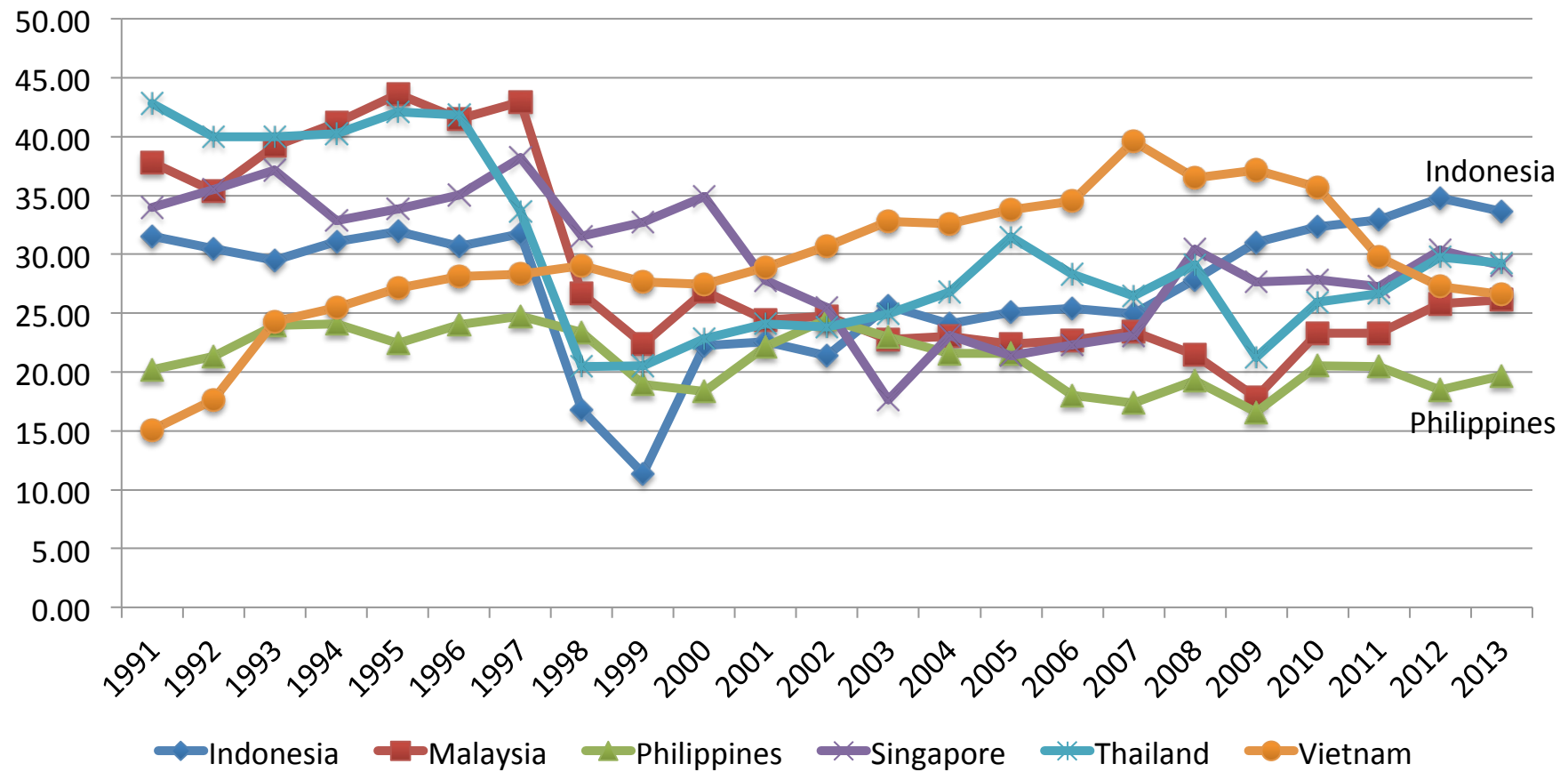


Source: ILO, Credit Suisse



Modest improvements in capital formation, but still not enough to match ASEAN neighbors...

Gross capital formation (% GDP)

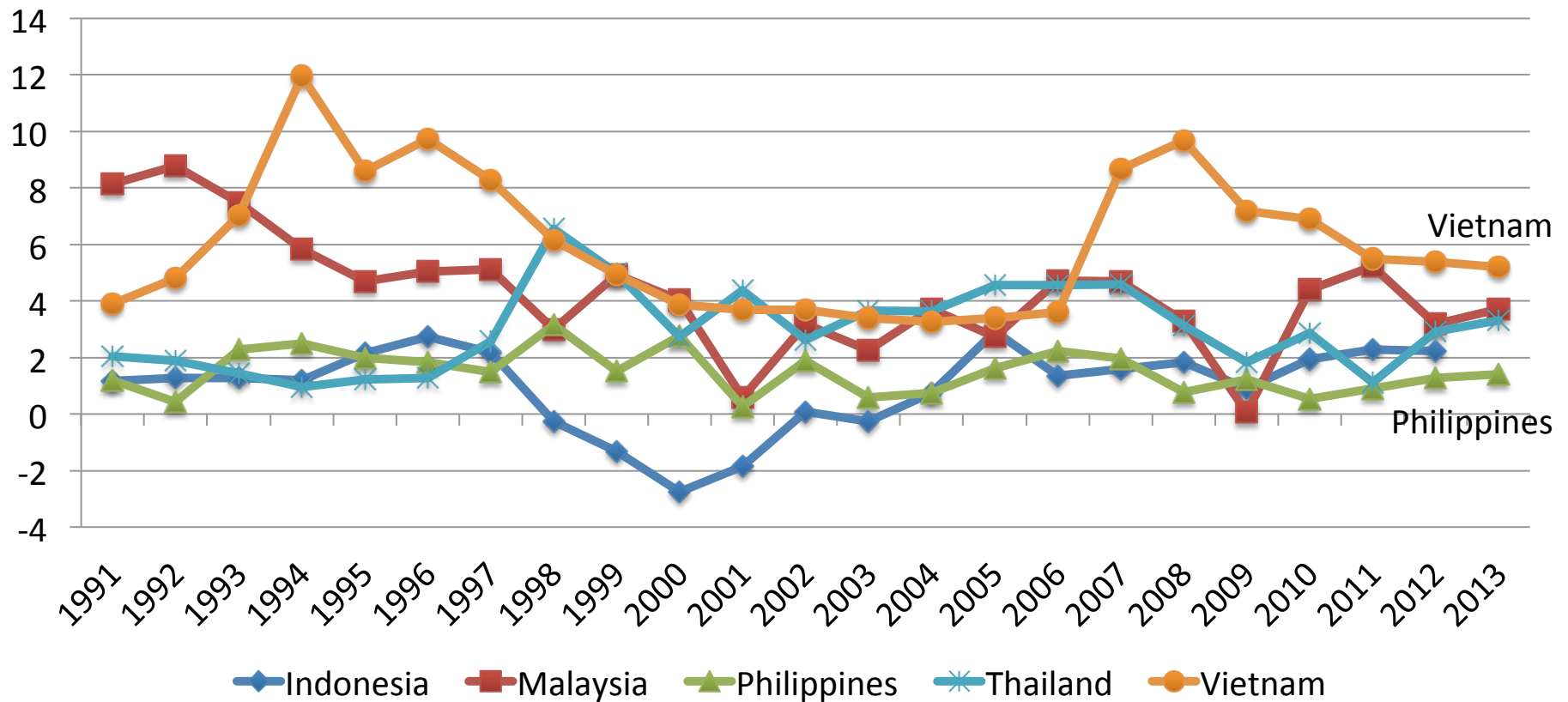


Source: WB



...and the same goes with FDI net inflows.

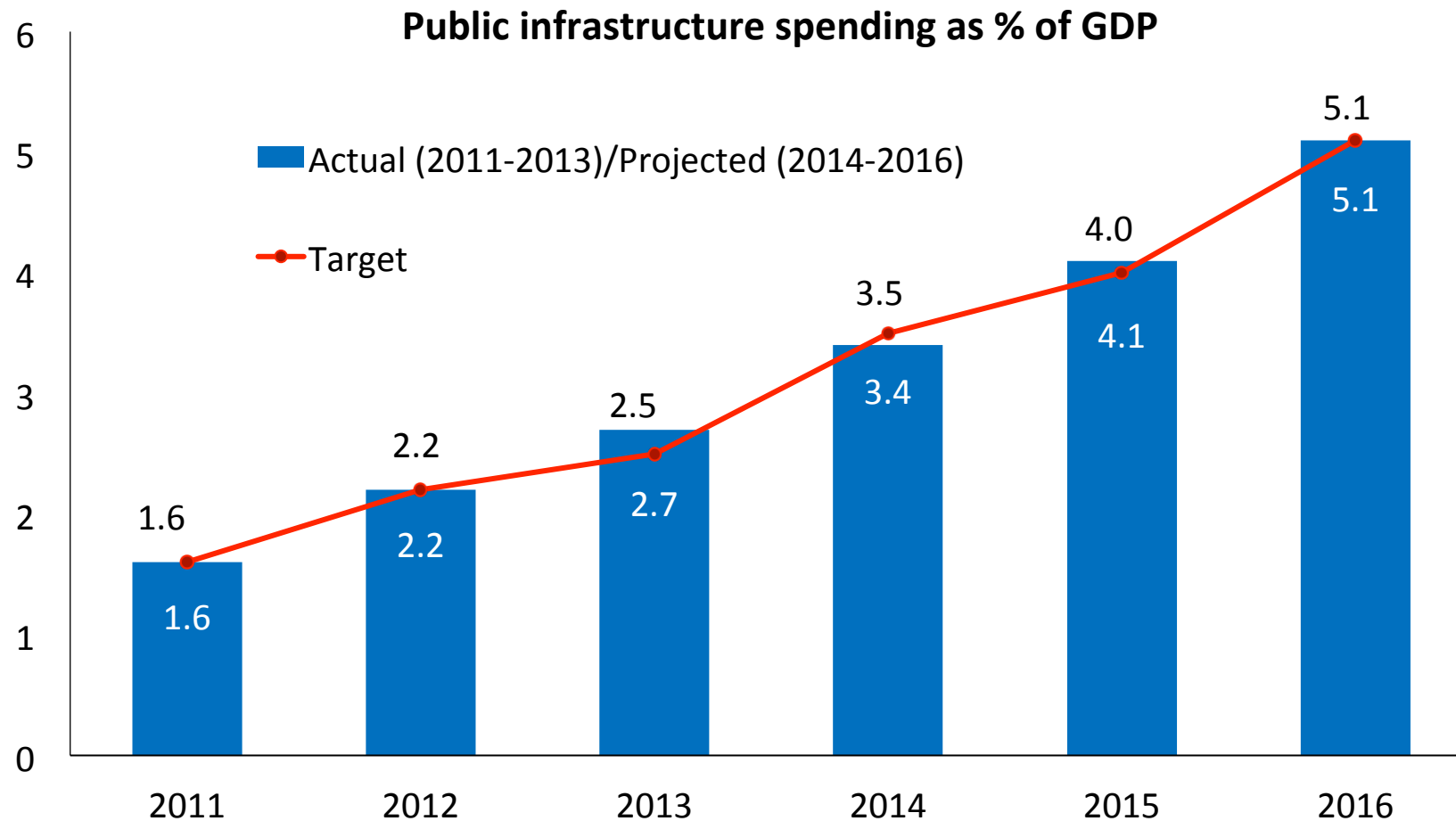
FDI net inflows (% GDP)



Source: WB



We aim to increase public infrastructure spending from 2.2 percent of GDP in 2012 to at least 5.0 percent by 2016.



Source: DBM; note: 2011 to 2013 – Based on actual GDP and spending; 2014 – Based on General Appropriations Act; 2015 – Based on National Expenditure Program; 2016 – Projected



Improvements in overall quality of infrastructure, but still lagging behind ASEAN counterparts.

Overall quality of infrastructure (2010-2014 ranking)

	2010 (139 economies)	2011 (142 economies)	2012 (144 economies)	2013 (148 economies)	2014 (144 economies)
Philippines	113	113	98	98	91
Malaysia	27	23	29	25	25
Thailand	46	47	49	61	48
Indonesia	90	82	92	82	56

Source: WEF Global Competitiveness Report 2010-2014



A number of priority legislative measures also need to be pursued.

Competition Law

- To diffuse market power and concentration in a spectrum of key industries, particularly manufacturing and logistics
- To ensure that SMEs are competitive in preparation for the fulfillment of AEC

Tax Reform

- To be at par with our regional peers in an era of fast-paced growth

Bangsamoro Basic Law

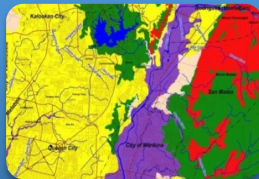
- To ensure that just and lasting peace in Mindanao can be realized alongside inclusive and sustainable growth.



Sustaining growth requires greater institutional preparedness to natural disasters.



Investment in technology and equipment



Investment in geohazard maps



Income diversification



Social protection



Efforts to promote human capital formation and employment creation need to be strengthened.

Employment

- Massive creation of remunerative, high-quality jobs as the most direct and sustainable way to reduce poverty

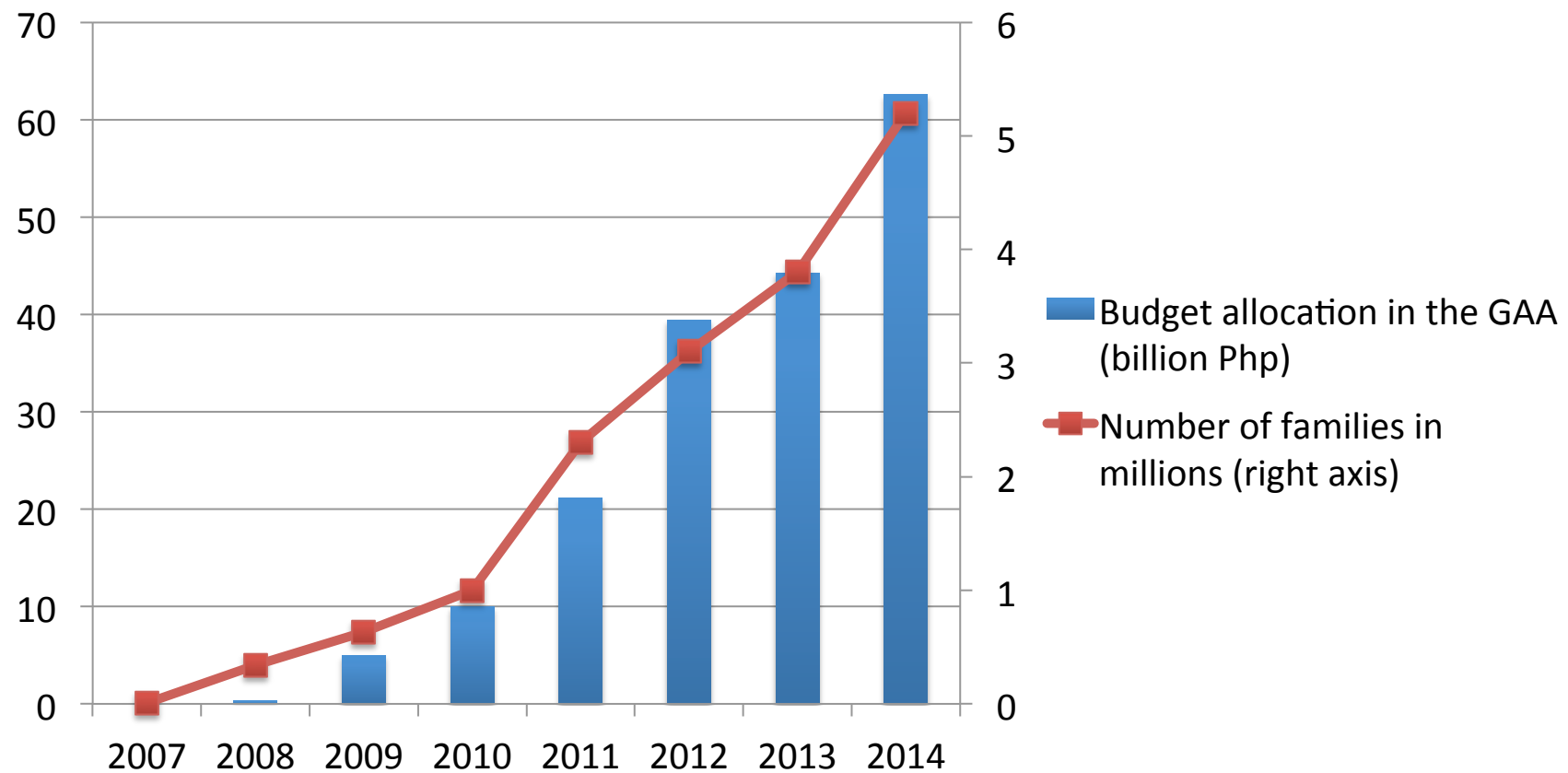
Human Capital Formation

- Continuous expansion of health care coverage, basic education, and socialized housing



The country's CCT program (4Ps) has been scaled up rapidly.

4Ps budget and beneficiary families



Source: Reyes [2013]



Addressing developmental constraints is crucial in order to maximize our gains from AEC.





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