Foundation for Economic Freedom

FEF CONGRATULATES PRESIDENT DUTERTE AND HIS ECONOMIC TEAM ON S&P RATINGS UPGRADE

We, the Foundation for Economic Freedom, congratulate President Rodrigo Roa Duterte and his economic team for enabling the Philippines to get a ratings upgrade from Standard and Poor's Global Ratings to BBB+ from BBB.

The ratings upgrade is attributable to the administration's economic reforms, sound fiscal policies, and prudence in external debt management. Credit must be given to President Duterte and his economic team led by Finance Secretary Carlos Dominguez III.

The ratings upgrade will result in increased investor confidence in the economy, lower borrowing costs for the government and the private sector, and more investment inflows.

In light of lower borrowing costs to government and the private sector, the government may wish to consider shifting away from projects funded by Official Development Assistance (ODA) and its tied procurement, to ones funded via Public-Private Partnership (PPP). Overall, PPP Projects will turn out to be cheaper than ODA projects because of the incentive of the private proponent to finish the projects on budget and on time, especially with the lower borrowing costs enabled by the higher S&P ratings.

The administration should also sustain the ratings upgrade by acting quickly to solve the water shortage, power shortfalls, and infrastructure bottlenecks.

Moreover, we would like the Duterte administration to take the ratings upgrade as a challenge to push for more reforms that will drastically reduce poverty and strengthen the economy's structural foundations. In particular, the administration should focus on agricultural growth, which had been lagging behind population growth. Its weak performance had been acting as a drag to manufacturing and the other sectors of the economy, making the country vulnerable to food price shocks.

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The administration should also shore up the country's weak export performance in order to contain the ballooning trade and current account deficits. The country cannot continue to rely on OFW remittances to finance its negative external trade position. In the meantime, the administration should also promote tourism and a stable mining policy regime in order to generate more dollars to finance the growing capital import requirements of its bold infrastructure program.

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