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Why Philippine Growth Is Sustainable Over the Long Term



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The Philippine Economy: Reaching the Tipping Point

- Growth Rates of 7-10% possible in the next 10 years
- Result of over 25 years of slow and painful reforms
- Will be the 16th largest economy in 2050
(The Wider World in 2050 Report, HSBC)

Top Economies by 2050 (From HSBC's The Wider World in 2050)

Rank in 2050	Country	Change in rank from previous HSBC study		Rank in 2050	Country	Change in rank from previous HSBC study
1	China	+2		16	Philippines	+27
2	U.S.	-1		17	Indonesia	+4
3	India	+5		18	Australia	-2
4	Japan	-2		19	Argentina	
5	Germany	-1		20	Egypt	+15
6	UK	-1		21	Malaysia	+17
7	Brazil	+2		22	Saudi Arabia	+1
8	Mexico	+5		23	Thailand	+6
9	France	-3		24	Netherlands	-9
10	Canada	Same		25	Poland	-1
11	Italy	-4		26	Peru	+20
12	Turkey	+6		27	Iran	+7
13	South Korea	-2		28	Colombia	+12
14	Spain	-2		29	Switzerland	-9
15	Russia	+2		30	Pakistan	+14

The Global Competitiveness Index 2014-2015 rankings

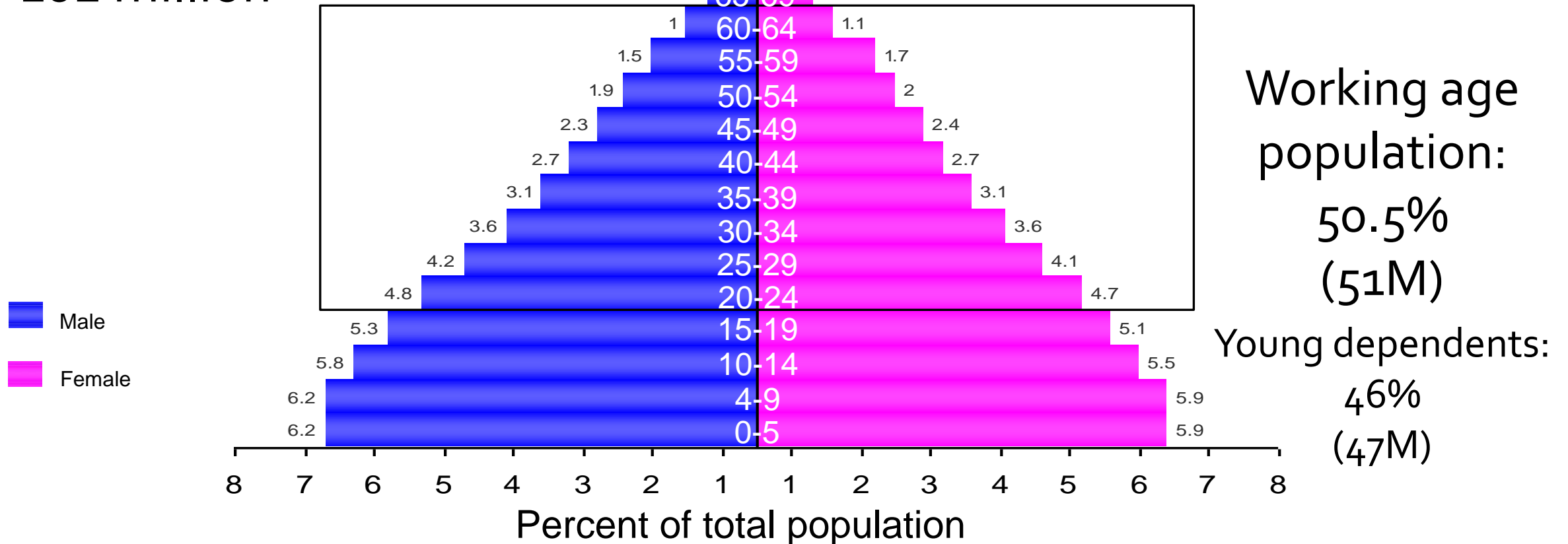
Country/Economy	GCI 2014-2015		GCI 2013-2014
	Rank (out of 144)	Score	Rank (out of 148)
Switzerland	1	5.70	1
Singapore	2	5.65	2
United States	3	5.54	5
Germany	5	5.49	4
Japan	6	5.47	9
Hong Kong SAR	7	5.46	7
Taiwan, China	14	5.25	12
Malaysia	20	5.16	24
Korea, Rep.	26	4.96	25
China	28	4.89	29
Thailand	31	4.66	37
Indonesia	34	4.57	38
Philippines	52	4.40	59
South Africa	56	4.35	53
Brazil	57	4.34	56
Vietnam	68	4.23	70
India	71	4.21	60
Lao PDR	93	3.91	81
Cambodia	95	3.89	88
Myanmar	134	3.24	139

Source: <http://www.weforum.org/reports/global-competitiveness-report-2014-2015>

Main Source of Competitive Advantage: Young and Growing Population

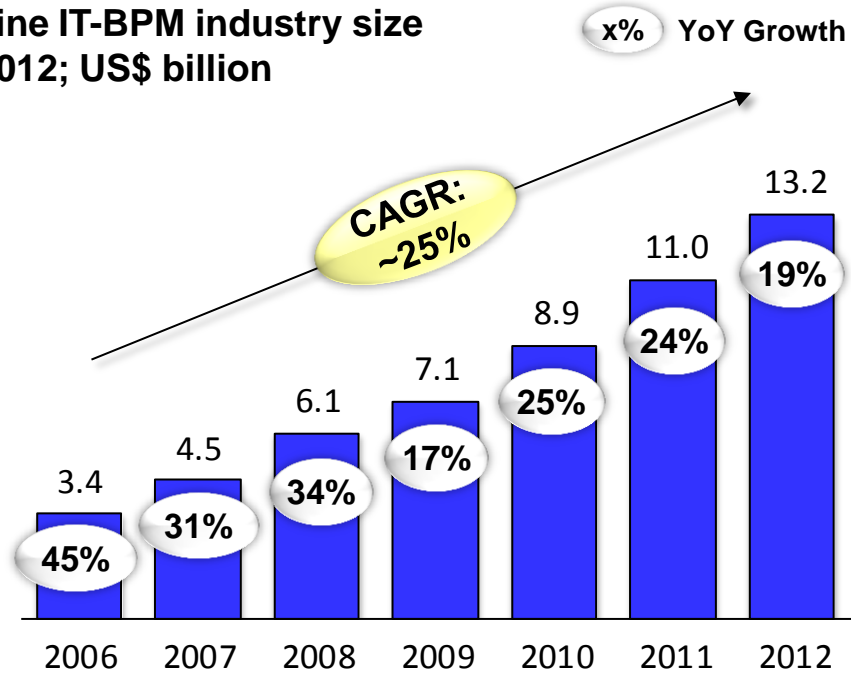
Philippines

102 million



Philippines 2012 Performance*

Philippine IT-BPM industry size
2006–2012; US\$ billion



# FTEs (~'000)	236	284	383	424	527	640	777
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Global share ¹	5%	6%	6%	7%	8%	9.5%	9.9%
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	FTEs	Revenue (US\$M)	Rev % inc. fr '11
Voice BPO	497,000	8,697	18%
Non-voice BPO/KPO	154,380	2,470	20%
ITO	57,078	1,160	17%
Health Info Mgt & Care	45,000	460	66%
Engineering Services	10,836	206	20%
Animation	9,000	132	3%
Game Development	3,500	50	251%
TOTAL FTEs	776,794	13,174	19%

2016 Projections

US\$ 25 Billion IT-BPM
Revenue

1.3 Million Direct
Employment

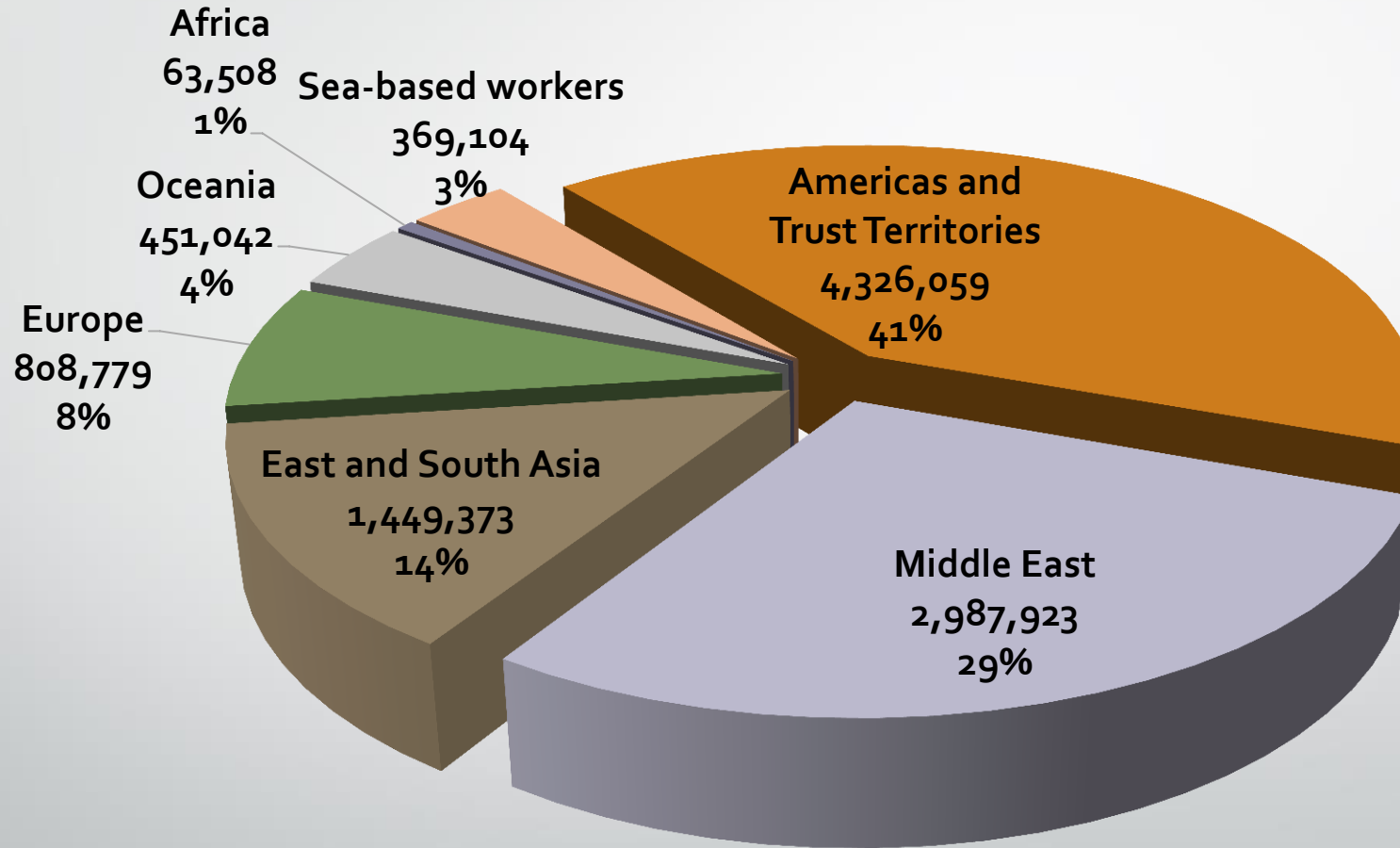
1Philippines IT-BPM market as percentage of global offshore services market, in revenue terms

*Cited from the Presentation of Mr. Bong Borja, EGS President and Country Head

Sources: BPAP, ACPI, CCAP, GDAP, HIMOAP, PSIA

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Overseas Filipino Workers, 2011



Total = 10,455,788

Sources: Commission on Filipinos Overseas

Positive Trends

- Stable democracy
- Improving governance
- Strong macroeconomic fundamentals
- Labor peace
- Educated, young, and English-speaking labor force
- Strategic geographic location: launching pad for AEC
- Renaissance of manufacturing
- High rate of savings due to OFW remittances
- Low rate of dependence on petroleum
- One of the emerging markets

Emerging Markets: Nest of EAGLES

(Emerging and Growth Leading Economies)

BRICA + South Africa	Population (in Millions)	GDP Value (in current prices, US\$B)	Foreign Exchange Reserves (US\$B)	Real GDP Growth		Inflation	
				2013	2014 ^F	2013	2014 ^F
Brazil	198.3	2,242.9	358.8	2.5	0.3	6.2	6.3
Russia	143.0	2,118.0	509.7	1.3	0.2	6.8	7.4
India	1,243.3	1,870.7	298.1	4.7	5.5	6.0	5.7
China	1,360.8	9,181.4 ^a	3,880.4	7.7	7.5	2.6	2.4
ASEAN	625.1	2,398.5	755.1 ^b	5.0	4.6	4.2	4.1
South Africa	53.0 ^a	350.8 ^a	49.7	1.9	1.4	5.8	6.3

a-estimates; b-2011; F-forecasts

Sources: IMF World Economic Outlook, Oct. 2014; World Bank Key Development Data & Statistics; ADB Asian Development Outlook Oct 2014; Selected Basic ASEAN Indicators as of Aug. 14, 2014, asean.org.

The Next 11: Emerging Engines of Growth

Country	Population 2013	GDP 2013
	(in millions)	(current US\$ B)
Bangladesh	156.3	141.28
Egypt	84.2	271.43
Indonesia	248.0	870.27
Iran	77.1	366.26
Mexico	118.4	1,258.54
Nigeria	169.3	286.47
Pakistan	182.6	238.74
Philippines	97.5	272.02
South Korea	50.2	1,221.80
Turkey	76.5	827.21
Vietnam	89.7	170.57

Source: IMF, World Economic Outlook, Database April 2014

Exports as Percentage of GDP

SOUTHEAST ASIA	2006	2007	2008	2009	2010	2011	2012	2013
Brunei Darussalam	71.7	67.9	78.3	72.8	81.4	79.7	81.4	76.2
Cambodia	68.6	65.3	65.5	59.9	54.1	54.1	54.6	-
Indonesia	31.0	29.4	29.8	24.2	24.6	26.3	24.3	23.7
Lao PDR	-	-	-	-	-	-	-	-
Malaysia	112.2	106.2	99.5	91.4	93.3	91.6	87.5	82.9
Myanmar	0.2	0.1	0.1	0.1	0.1	15.4	14.6	-
Philippines	46.6	43.3	36.9	32.2	34.8	32.0	30.8	27.9
Singapore	233.3	217.2	232.9	196.0	199.3	207.2	200.7	190.5
Thailand	69.0	69.2	71.8	64.5	66.6	71.4	-	-
Vietnam	67.8	71.1	71.5	63.0	72.0	79.4	80.0	83.9

Source: Key Indicators 2014 (ADB)

Macroeconomic Forecasts

	2011	2012	2013	2014 ^f	2015 ^f
Inflation Rate (ave % change)	4.5	3.2	3.0	4.3	3.3
Peso-Dollar Rate (end)	43.93	41.50	44.41	44.80	45-47
Gross Int'l Reserves (\$B)	75.4	84.5	83.2	80.0	86.0
GDP Growth Rate	3.9	6.8	7.2	6.3	7.3
Industry Sector	4.1	6.8	9.5	8.0	10.0
Services Sector	5.3	7.6	7.1	6.0	7.2

GDP growth to accelerate due to added reconstruction work and robust private sector

f – Forecasts

Sources: NSCB; BSP; Dr. Victor A. Abola, *Philippine Economy: Going to Slow Down or Rebound?*
2014 Year-end Business Economics Briefing, Nov. 12, 2014, University of Asia and the Pacific, Pasig City

Financial Market Forecasts

	2011	2012	2013	2014 ^f	2015 ^f
Inflation Rate (%)	4.7	3.4	3.0	4.3	3.3
Peso-Dollar Rate (P/US\$)*	43.9	41.5*	44.4*	44.8*	44-47*
91 day T- bill rate (% p.a.)*	2.0*	1.5*	0.3*	1.3*	2.0*
10-year T-bond rate * (% p.a.)	5.1*	4.7*	3.3*	3.9*	4.4*
PSEi (Level / % change)	4,372 +4.1	5,500 +26.2	6,325 +16.0	7,100 +12.2	8,200 +15.5
*Year-end forecast					

Investment environment to remain friendly with low interest rates

f – Forecasts

Sources: NSCB; BSP; Dr. Victor A. Abola, Philippine Economy: Going to Slow Down or Rebound?
2014 Year-end Business Economics Briefing, Nov. 12, 2014, University of Asia and the Pacific, Pasig City

Weaknesses and Challenges

- Corruption
- Red tape and Bureaucracy
- High rate of poverty
- Vulnerable to natural calamities such as floods and earthquakes
- Inefficient infrastructures
- Low rates of investments to GDP
- Low Foreign Direct Investments
- Tribal conflicts in Mindanao

Sunrise Industries

- Agribusiness
- Mining
- Triple Ts: Transport, Telecom, and Tourism
- Infrastructures
- Automobiles
- Consumer durables
- IT-enabled and IT services
- Logistics and retailing
- Health care and medical tourism
- Education
- Construction and real estate
- Four Fs: Food, Fashion, Furniture, Fun

Seven Key Industries

- Agribusiness
- Business Process Outsourcing
- Creative Industries
- Infrastructures (Airports, Power, Roads and Rail, Seaports, Telecoms, Water)
- Manufacturing and Logistics
- Mining
- Tourism, Medical Travel and Retirement

Source: Arangkada Philippines 2010: A Business Perspective, Joint Foreign Chambers



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