THE FINANCIAL PLAY AFTER THE HALFTIME REPLAY

George T. Barcelon, President, PCCI

The Manila Times Mid-Year Economic Forum, 27 June 2023

Thank you for the invitation to speak today. I am honored to be coming in after a series of presentations from our policymakers and economists. I am neither of the two; I come from the business sector and hence I will be sharing my perspective of the topic from the private sector, specifically from the organization I represent, the Philippine Chamber of Commerce and Industry.

My comments will touch on how current and future track of government in running the economy is impacting on the business community. I will be sharing what PCCI is doing to help foster a vibrant, inclusive economy that works for all and our wish-list especially as President Bongbong Marcos is about to deliver the State of the Nation Address in two weeks. After my remarks, I'll look forward to Ben's questions and those from the audience, if any.

State of the Philippine Economy

Much like the global economy, the state of our economy is mixed. To be sure, we are in a much better place that we thought we would be a year and a half ago. From -9.5% growth in 2020, our economy accelerated to 7.6% in 2022 and 6.4% in the first quarter of the year. Our credit rating is stable. Consumer spending is on the rebound and, as of 2022 was the

biggest contributor to growth driven by restaurant and hotel spending.

But recovery from the pandemic is incomplete and the road to what Secretary Diokno has said is a high-growth economy by 2025 is strewn with bumps and humps. The inflation rate of 7.5% between January to May this year is worrying. High inflation, and high interest rates, could dampen consumption. The fiscal space government had before the pandemic has narrowed and is tightening even further as government and banking authorities fight inflation, fiscal deficit and public debt coming from the pandemic.

The path of strong growth requires a strong public-private partnership. The private sector is the engine of growth, but it needs the support of government to have enough fuel to propel the economy to a higher level of growth.

Supporting development through business expansion and new investments

At the PCCI, we have taken the task of engaging government to provide a business environment that will not only make our companies survive and thrive but also make our country the destination of choice of foreign investors and tourists.

Streamlining business permitting and licensing systems and procedures

Among our advocacies, we put highest priority to streamlining business permitting and licensing systems and procedures at the national and local levels and digitizing frontline business services of these agencies. Streamlining and automation impact on all other priority areas - agriculture, industry and services, infrastructure, electricity, even shipping and logistics.

Up until 2021, the last time that the World Bank released its Doing Business Survey, our country consistently lagged behind our ASEAN neighbors in ease of doing business indices. We placed 95th out of 190 countries in 2021. In comparison, Malaysia was in 12th place, Thailand - 21st, Vietnam - 70th, Indonesia - 73rd.[1] This pretty much also reflects our standing in attracting foreign direct investments (FDIs). Our FDI at US$10.5 Bn in 2021 was way behind Indonesia's at US$ 20.1 Bn, Vietnam's at US$15.7 Bn, Malaysia's at US$ 11.6 Bn and Thailand's at US$ 11.4 Bn.[2]

Last week, we had our general membership meeting with DILG Secretary Benhur Abalos, DOH Secretary Teodoro Herbosa and ARTA Director-General Ernesto Perez. We welcome that the DILG and ARTA are working hand-in-hand in efforts to streamline and digitalize government's frontline business services among the LGUs. However, we also hope that there is a firm timeline

[1] World Bank Doing Business Report 2022
[2] UNCTAD FDI Report, 2021

and that there is compliance from the agencies involved in the process. The expansion of small businesses and the entry of new investments should be a strong incentive as they not only create additional jobs but new source of revenues as well.

Sustaining growth through infrastructure build-up

Infrastructure build-up plays a crucial role both in boosting long-term growth through physical capital, and short-term multiplier effects through jobs and spending.

We are glad that President BBM has chosen to continue with the priority projects of the past administration on roads, port, bridges. These infrastructure projects once completed, will make it easier to travel from one island to the next and will particularly benefit our agriculture, tourism and even the minerals sectors – the 3 sectors which can provide the most opportunity for growth and employment in the rural areas.

Completely making connectivity seamless is information and communication technology. I am proud to share that PCCI is working with the DICT as the department makes it maiden offering of ICT projects for public-private partnership sometime in July this year.

Maximizing the potentials of our country's economic assets

Streamlining permitting and licensing and infrastructure build-up are the two most important elements to marshal our economic assets.

Resource-based sectors for sustainable, inclusive growth

Consider. We are the 5th most mineralized country in the whole world with untapped reserves estimated at US$ yet 1 Tn - more than three times our GDP - yet mining's share has consistently been less than 1% of the GDP[3]. There is so much potential in the industry – world metal prices are high and e-vehicles is gaining traction.

In a roughly similar situation is the salt-making industry. We have one of the world's longest shorelines with 36,000 kilometers, but still we import 93% of our salt requirements. Filling this up requires only less than half or 17,000 hectares of shoreline. Yet at present, because of the ASIN Law, only 2,000 hectares are now devoted to salt-making. Last year, the world export of salt exceeded $2.59 billion yet our export of salt in 2020 was at measly US$67,894. Think about how a reinvigorated salt-making industry could change the lives of 60% of our population living in coastal areas.

Now, that coastal area has another gold mine in tourism. Blessed with more than 7,000 islands, we have within our shores

[3] Data from the DENR-Mines and Geosciences Bureau

some of the world's best beaches and summer destinations. Yet, as with FDIs, we lag behind Thailand, Malaysia, Vietnam, Indonesia, and even Singapore in attracting tourists to our shores. Tourism is a major economic pillar and dollar earner. But sadly, incidents like the brownouts at the NAIA continue to shade our potentials.

And of course, agriculture. Any long-term strategic plan for resilient, inclusive and sustainable economy has the agriculture sector as a major component. Last Friday, we had a talk with Sen. Cynthia Villar on the New Agrarian Reform Emancipation Act or what we now better as the Farmers' Debt Condonation Act. The bill, which is now awaiting the signature of the president, is expected to provide much-needed financial relief to the agricultural reform beneficiaries. While it does not specifically address the more important issue of farm consolidation, Sen. Villar explained that the expiration of the Comprehensive Agrarian Reform Law should already allow the expansion of land ownership beyond the 5-hectare cap.

While remittances and the services industries are helping us withstand the current economic glut, we should be able to develop our resource-based sectors to propel the economic transformation. Parallel to this, we have to prepare our most abundant resource, our young and capable workforce, to take advantage of the revolution that is now happening in key industries.

Revolutionizing human resources through innovation and education

In recent years, driven mainly by the Fourth Industrial Revolution, innovation became the staple of many a forum on leapfrogging economic reverse. If we want to look for a model, we need only look at China and India, whose economies were propelled further by technological innovation and tech talents. India for one is now recognized as having unmatched potential to become the world's next Silicon Valley.

We must be able to take advantage of our demographic sweet spot to propel our country's growth and transformation toward Industry 4.0 and the digital. Ninety –three percent of our population is capable of being trained for essential skills and competencies. Furthermore, we consistently rank high in the number of knowledge-based jobs and workers with highly-qualified managers and IT staff and engineers. We should be able to incentivize them to stay.

We aim to help our government leverage on this talent. We are in partnership with the DOST and met with Secretary Renato Solidum recently to brainstorm on projects that will help our MSME adopt technologies and automate to improve their productivity and programs to upskill and reskill their employees.

Winning the Future

We have a number of things going for us that becoming a high-growth economy is not far-fetched. But our vision and programs, from the national to the local levels, have to be in synch. Under the leadership of President Marcos, we have another opportunity to align our economic programs with our social and developmental goals, to build on the potentials of our natural resources and economic assets. We must move as one with urgency, focus, integrity, creativity and courage so that we will not miss the train. We must come together as one nation and do what is necessary to win the future.