CURRENT ECONOMIC CONDITIONS AND IMPACTS IN THE PHILIPPINES

Jean C. Tayag
Commission on Higher Education
Recent episodes of economic downturns prior to the present

- 1983-85 period – closing years of the Marcos regime
- 1990-91 period – aftermath of the big coup attempt during the Aquino administration
- 1997-98 – Asian Financial Crisis
  (and El Niño)
The Philippine economy

Grew by 1.5% in the 1st half of 2009 and is expected to grow between 0.8 and 1.8% for the full year, a slowdown from the 3.9% in 2008 and the 7.2% posted in 2007.
Global recession and the Philippine economy

Direct effects – from exposure to Lehman Brothers and Merrill Lynch - limited: only 0.3% of total banking assets
Global recession and the Philippine economy

- Indirect effects:
  - Decline in demand for exports: 30% in the 1st 8 months of the year
  - Exports account for 29% of the country's GDP
Global recession – indirect effects

On OFW employment and remittances

- 43% of OFWs are in the Gulf States where economies are expected to have stable growth and public investments remain strong despite the drop in oil prices. Others are geographically dispersed (in North America, Europe, East & Southeast Asia)

- No. of contract workers who left for employment abroad continued to increase in 2008 (28% over 2007 figure)
Global recession and OFW employment

— Reported displacements by January 2009: 4,000 Filipinos mainly in Taiwan (3,494) UAE (297) Brunei (69) & Macau (45):
  - Common reasons – bankruptcy of their companies and slowdown in operations
  - Jobs affected by retrenchments – are in construction, finance, trade related industries such as export manufacturing & shopping, travel and tourism
— Demand for health sector jobs and engineers remains high
Global recession and remittances

Remittances:

US $3.9B in Q1 2008
$4.1B in Q1 2009

Annual growth rate of remittances averaged 16% over the previous 6 years. For 2009, Central Bank predicts that remittances are likely to grow but at a slower rate of from 3% to 6%
Social and human development effects

- Unemployment
  -- Increased from 6.3% in Oct. 2007 to 7.5% in April 2009

- Underemployment
  -- Increased from 17.5% in Oct. 2008 to 18.9% in April 2009
Effects on poverty incidence and poverty gap

- Remains to be studied but the Asian Financial Crisis (and El Niño) aggravated household poverty incidence (39.1% in 1998) which at 1997 levels was already high at 33.3%

- Poverty gap increased from 12.7 in 1997 to 16.4 in 1998

- Income inequality (Gini) also increased from .47 in 1997 to .494 in 1998
Effects on education

- Remains to be studied but the study on the Asian Financial Crisis underscored the importance of *education and training* in enabling displaced populations to shift occupations in times of crisis, the need to improve access to quality education especially among low income families who are most vulnerable during crisis.
## Possible education indicators

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HE Enrolment</td>
<td>2,654,294</td>
<td>2,604,449</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Decline felt most in health, increase in engineering and technologies</td>
</tr>
<tr>
<td>Public-Private HEI share of enrolment</td>
<td>34.5-65.5</td>
<td>37.4:62.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3% decline in private sector share</td>
</tr>
<tr>
<td>Number of foreign students in the Philippines</td>
<td>2,798</td>
<td>No significant change in numbers but composition changed</td>
</tr>
<tr>
<td>Government budget</td>
<td>Basic education</td>
<td>↑</td>
</tr>
<tr>
<td></td>
<td>Tertiary education</td>
<td>↓</td>
</tr>
<tr>
<td>Private sector expenditure</td>
<td></td>
<td>?</td>
</tr>
</tbody>
</table>
Objectives:

- Ensure sustainable growth
- Save and create as many jobs as possible
- Protect the most vulnerable sectors:
  - the poorest of the poor
  - returning OFWs
  - workers in export industries
- Ensure low and stable prices to support consumer spending
- Improve competitiveness to prepare for the global rebound
Breakdown of PERP (P330 B)

P160 B: for small, community level infrastructure projects and social protection measures

40 B: tax cuts and the scheduled cut in corporate income taxes

100 B: for large infrastructure projects

30 B: additional benefits to members by social security institutions
Increased efforts in deployment of OFWs

- Hiring agreements with some host countries
- Training of OFWs for
  - health care (?)
  - education
  - power/energy
  - real estate sectors
Other forces for recovery

- Government spending – pump priming activities
- Foreign direct investments
  - in Agri industrial sector, BPO sector, creative industries (film, design, music) infrastructure & logistics, manufacturing, mining, tourism
- Election spending (?)
Ondoy and Pepeng complication

Total costs:

P11 B ($237 m) damage to crops/farmland
4.7 B ($103 m) damage to roads and bridges
P15.77 B

Increased to P 22.8B as of Oct 21

Part of ERP budget to be diverted for rehabilitation