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It was not too long ago that international business did not pay much attention to the opportunities in the Philippines because of the perception of corruption. However, in the aftermath of the financial crisis in 2008 and the rising significance of the ASEAN region, the Philippines has since had its increasing share of attention. With the entry of the Aquino administration in 2010, whose anti-corruption and good governance agenda captured the attention of the global investment community, the Philippines, once again, is in the radar of international investors.

The Philippines has experienced strong growth in the last few years and was growing at 5-6% annually, and 6.9% this first quarter of 2016, partly due to election spending. The Philippine stock market has gone up over 70% in the last 6 years, to over 7700 points today.

Unemployment has gone down to less than 6% recently. Inflation is stable. Domestic interest rates have been low. Many fiscal and monetary policies, albeit unpopular, have been able to improve the financial market and maintain monetary stability. We also had several upgrades in sovereign credit ratings.

In the Aquino administration, however, while there is economic growth and increased prosperity due to the rise of the middle class, there is a growing discontent of the population due notably to everyday inconveniences in transport, traffic, and lack of utilities. These are partly due to a lack of infrastructures. Though the Aquino government had planned to fix these issues, many of these projects were often postponed due to the government's repeated review over multiple technical and legal details.

As the government's attention and activities were mostly focused on fiscal policies and global investment upgrade, they often neglected to communicate with the people on the street, or listen to the business community which contributed to these robust economic activities.

Social media was active in making their problems known to the Aquino government, but when people felt they were not listened to, they sought change.

The incoming president-elect Rodrigo Duterte was voted due to his popularity in social media during the election period. Duterte understood the needs of the general population, and focused his campaign based on their needs.

They accepted Duterte's brashness, foul language, and numerous negative press during the campaign period even when he promised to deliver much-needed peace and order, as well as efficiency in government. He received 39% of the votes in our last presidential elections. He may not have had the majority as there were 4 other candidates in the election, but he has the mandate of the people. The 2016 elections has been a result of disillusioned citizens who have been looking for real change.

You might be thinking, now that the Philippines is at steady growth—could it be sustained with the change of government and a change of policies?

Prior to the elections, he was not very known to many business people because he hails from Davao City, in Mindanao, the southern part of the Philippines, which did not receive much media coverage. Ever since, the President and the seat of power has been in Luzon, particularly in Metro Manila. You would often hear of Mindanao as

the place where we have a peace and order problem due to encounters with Muslim minority rebels.

Yet Mindanao is actually a place with beautiful but mostly untapped tourist destinations and natural resources. It also has many investments opportunities, particularly in infrastructure, due to lack of attention to the economy in the southern Philippines for many years.

President-elect Duterte is known to be a tough-talking mayor with a track record in fighting crime. He was perceived to have scant details in his economic program. However, from our experience in Davao City where we operate several businesses, we do not experience problems with local government, as long as our businesses comply with the laws and regulation and pay our taxes.

During his administration in Davao City, he had significantly improved Davao's business climate. The crime rate went down, which made it easier for businesses to prosper. As an example, Davao's GDP has remained strong. He has shortened the time for securing all types of business permits in Davao and is focused on getting rid of corruption in the city's office. These are things we hope will be implemented nationwide.

As he prepares to assume the presidency, Duterte has announced that he plans to continue the macroeconomic policy of the Aquino administration. His administration will also continue the anti-corruption, good governance efforts, and improve on what they have left undone. Added to these, he is pushing for better safety and security, an effective anti-drugs program, and efficient law enforcement: all making the business environment more productive and people's daily lives easier.

His economic team in the cabinet will be led by incoming Finance Secretary Sec. Carlos Dominguez who has had government experience during the previous Cory Aquino administration and understands politics. Many members joining the economic team have had previous experience in government administration as well, thus making the learning curve of this administration shorter.

Here is the latest incoming administration's 10-point socio-economic priority agenda:

1. Maintain current macroeconomic policies— fiscal, monetary, and trade policies
2. Progressive tax reform and better tax collection, indexing taxes to inflation
3. Increase competitiveness and the ease of doing business, attract foreign direct investments—except in land ownership.
4. Accelerate annual infrastructure spending to account for 5% of GDP, with Public-Private Partnerships playing a key role
5. Promote rural and value-chain development, including increasing agricultural and rural enterprise productivity and tourism
6. Ensure security of land tenure to encourage investments, address bottlenecks in land management
7. Invest in human capital development including health and education systems
8. Promote science, technology, and the creative arts to enhance innovation
9. Improve social protection programs, including the government's Conditional Cash Transfer program

10. Step up implementation of the Reproductive Health Law

We can also expect more government and investment focus in Mindanao in the coming years—which has not been the focus of previous administrations. Being the first president-elect from the south, Duterte’s victory will attract more investments into Mindanao and perhaps accelerate infrastructure construction that has long been overdue, and also unlock the huge potential in natural resources.

While it is early to see how these programs will be implemented, as many events and programs are still unfolding, it is safe to assume that the Philippines will still continue to grow due to strong fundamentals.

The Philippines has been able to sustain its growth momentum due to strong consumption, driven by overseas workers’ remittances and the increased employment of business process outsourcing, and having lesser impact from China’s slowdown relative to its neighbors. In addition, there are robust domestic business investments.

From the view of our bank, domestic investments are quite active in urban as well as rural areas because the market remains liquid. The banks have continued to provide the needed funding to the growing provinces outside Metro Manila where there are increased opportunities—as earlier mentioned, especially in Mindanao. With the new government’s support in infrastructure and a further improved investment climate, coupled with a peace and security program, the growth will be probably be stronger also in neglected segments of the economy.

In our group, SM Investments Corporation, (SMIC), we look to the future with optimism. We believe this is a great time to expand our mall, retail and banking businesses. The Philippines has largely been driven by domestic consumption, which comprises 70% of the GDP. With the current manageable inflation and with increased government spending, household spending will further grow.

There has been a notable rise in the middle class segment, especially in rural areas due to remittances and increased employment, which have in turn increased disposable income. There is also an emergence of small and medium enterprises, which provides goods and services to our stores, and increases occupancy in spaces inside our malls. The demand for credit facilities from BDO for businesses and personal credit has been strong.

Our business is in customer service, be it retail, property—which includes malls, residences, and hotels—and banking. We have been constantly innovating according to customers' demands, making our products available for their aspiration of affordable luxury.

Beyond business, through our SM and BDO foundations, we work with the local government and private agencies in areas we are located to provide social and environmental sustainable programs to help uplift communities.

This is made possible because we have strong capable teams within each of our business units who provide synergistic activities with each other. These businesses are responsible for the employment of around 500,000 employees directly and indirectly through our suppliers and tenants. With increased customer demands, we expand and hire more people.

We believe there are many new opportunities in the Philippines. We look at the election of each new government as a periodic review of our government program, much like in the corporate world. We do not look at it as an interruption in the Philippines, as each president build on the work of the previous one.

While President-Elect Duterte has yet to assume his presidency and we will know in 6 months time if his economic programs will gain momentum, what we know now is that there is a continuation of current macroeconomic policies, plus more emphasis on programs that were not finished by the outgoing government. As Goldman Sachs have indicated in their research, he will have growth oriented and business friendly policies. Barring the challenges that may be brought about by climate change and global geopolitical risks, our economy will continue its growth due to strong fundamentals. Our business plan will continue.

As I said earlier, our group looks to the future with optimism, and we look forward to the opportunities ahead.

You can always visit us for more information and we can discuss opportunities and strategic alliances with you.

Have a good afternoon.

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