



Euromoney Philippines Investment Forum 2015 Report

The APBC co-sponsored the 4th annual Euromoney Philippines Investment Forum 2015 held March 24 at The Peninsula Manila. APBC President Eduard Alcorido and APBC Ex-Officio Board Member Joey Leviste represented the APBC at the conference, joining 600+ delegates from all over the world.

The high attendance figure and selection by Euromoney as a conference destination demonstrate the continued confidence of international investors in the Philippines. Euromoney is the world's leading organiser of conferences for cross-border investment and capital markets.

President Benigno S. Aquino III opened the forum, with Cesar V. Purisima, Secretary of Finance, and Amando M. Tetangco Jr., Governor of the Bangko Sentral ng Pilipinas participating in the discussions. Secretary Purisima and Mr Tetangco were later named the Euromoney Finance Minister and Central Bank Governor of the world.



In what is probably President Aquino's final pitch to the international investment community – coming into the home stretch of this administration – the President made several comparisons between the performance of previous administrations and that of his own. He pointed out that his administration was able to privatise triple the number of projects compared to the three previous administrations combined. Spending on highways and infrastructure will hit 5% of the GDP as opposed to 1.5% and 2% achieved in the past. Economic activity has been growing steadily at 6.1%, which is said to be among the top two growth rates in the world. The country's credit rating has been lifted twice to investment grade. The current government is also endeavouring to bring down the time it takes to set up a company and do business in the Philippines from one to three months to two days.

The President asked the international community to support the remaining 16 projects in the pipeline. Speaker after speaker encouraged overseas investors to take advantage of the ASEAN Integration scheduled for completion by December 2015.

Challenging Scenario

However, the President looked tired and distracted by the pressures caused by the Mamasapano disaster wherein 44 PNP Special Action Force members and 16 civilians were killed by bungling of catastrophic proportions by the authorities. Also disturbing is the seeming failure of economic gains to benefit the broader population and the concentration of public assets in the hands of a few local companies. The high focus of bank lending to these conglomerates is concerning. Local banks could lend up to 65% of their loans to one conglomerate instead of the international standard of limiting lending to 20%. This could trigger systemic risks in the future, and the crowding out of international lenders.

The country continues to build coal-fired power plants to provide 30-40% of its energy needs, which is out of step with the rest of the world. This exposes the country to devastating curtailment of trade if the world continues to move towards a carbon-free environment. It is envisaged that in the near future, sanctions or penalties will be imposed on countries that have a high degree of carbon emissions. The Philippines is locking itself into old technology when transitions fuels like gas and LNG are now available

including self-generation. To introduce these new technologies will reduce power prices by two thirds.

Also of concern is the observation of Jollibee Foods CFO Ysmael V. Baysa that the single biggest threat to the Philippines aside from high power costs is the escalating cost of food, attributed partly to climate change. The Filipino household now spends a high 40-45% of its income on food.

Secretary Rogelio L Singson of the Department of Public Works and Highways conceded that the administration's single biggest failure is the absence of a respectable International Airport. He apologised that the previous night, passengers to and from the International Airport were faced with up to seven hours delay and had to drag their baggage across a highway because of construction equipment failure in St Andrews Street.

There is also major disappointment amongst the international community in the Philippines' failure to launch the Real Estate Investment Trust (REIT) market, which would enable global investments in large-scale property portfolios.

For Australian investors, the biggest disappointment is failure of the Philippines to implement its mining laws causing sovereign risk issues.

During the conference there was also some discussion on whether institutional building was sufficient to minimise risks associated with a new President. Several candidates were reviewed including Vice-President Jejomar Binay, Senator Grace Poe, Secretary Mar Roxas, former Senator Francis Pangilinan, Speaker of the House of Representatives Feliciano Belmonte and Davao City **Mayor Rodrigo** Duterte. One view was that the institutions were not sufficiently strong to eliminate this risk. There was another view that the Filipino people will eventually throw out a corrupt President as in the case of former Presidents Joseph Estrada and Gloria Arroyo.

Opportunities

For Australian investors, the opportunities in the Philippines lie in:

- Food and Food Security
- Energy and Infrastructure
- Business Outsourcing
- REITs when implemented

- Opportunities generated by the ASEAN Integration

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Eduard Alcordo, APBC President

For more information or discussion of your company's needs, please contact your President, Eduard Alcordo on EAlcordo@fpcu.com.au.