



Philequity Corner (June 6, 2022)

By Wilson Sy

Winning Streak

We previously wrote about the role of destiny in the championship run of UP in the UAAP. (*Destiny vs. Dynasty*, May 23, 2022). UP has sustained its winning streak as President-elect Ferdinand Marcos, Jr. tapped prominent UP graduates and professors to lead his economic team.

We introduce the incoming administration's economic managers. All five are from UP and all of them have distinguished careers in public service.

- 1. Benjamin Diokno – Finance Secretary.** The current Bangko Sentral ng Pilipinas (BSP) Governor previously served as Budget Secretary from 2016 to 2019, and from 1998 to 2001. Diokno earned his Bachelor's and Master's Degrees in Public Administration and Masters in Economics from UP. Diokno is a Professor Emeritus of the UP School of Economics.
- 2. Felipe Medalla – BSP Governor.** The incoming central bank governor has been a member of the Monetary Board since 2011. Medalla was the Socioeconomic Planning Secretary in 1998 to 2001. He was previously the Dean of the UP school of Economics. He completed his Masters in Economics in UP.
- 3. Arsenio Balisacan – Socioeconomic Planning Secretary.** Balisacan was Socioeconomic Planning Secretary in 2012-2016 and has been Chairman of the Philippine Competition Commission since 2016. Like Medalla, Balisacan also had a stint as the Dean of the UP School of Economics. He graduated with an MS in Agricultural Economics from UP Los Banos.
- 4. Alfredo Pascual – Trade Secretary.** The former President of the UP System (2011-2017) obtained his BS Chemistry and MBA degrees from UP. He previously worked as Director for Private Sector and Infrastructure Finance in the Asian Development Bank (ADB).
- 5. Amenah Pangandaman – Budget Secretary.** Pangandaman is currently an Assistant Governor of the BSP and was an Undersecretary for the Department of Budget and Management. She obtained her Masters in Development Economics from UP.

Business community welcomes economic team

The appointment of competent technocrats into the incoming economic team was widely praised and positively received by the business community. Below are some of the statements made by prominent businessmen and economists who lauded the President-elect's choices for economic managers.

Phil Stock Exchange (PSE) and Phil Dealing System (PDS) President Ramon Monzon: "The PSE and PDS recognize that these individuals are competent, experienced professionals who are all imbued with a public service mindset and most qualified to steer the economy back on track on its growth trajectory."

Phil Chamber of Commerce and Industry President George Barcelon: "They are all seasoned and competent economic leaders. We believe they would do good in managing our fiscal affairs."

Makati Business Club Executive Director Coco Alcuaz: "The appointment of these experienced, well-known leaders should boost the confidence of local and foreign businesses, from MSMEs to big players."

Bankers Association of the Phils President Antonio Moncupa, Jr.: “Drs Diokno and Medalla are notable economists who have the scholastic distinction and extensive experience that transcend different administrations, making them the best candidates for these roles.”

Solita Monsod, Economist: “It would be very difficult to find a better set of economic managers than Arsenio Balisacan, Benjamin Diokno, and Felipe Medalla (all from the UP School of Economics, one must point out). All are really superqualified, all professionals, nary a political ambition between them, nor a desire to enrich themselves or their kin.”

A challenging landscape

The choice of experienced technocrats as incoming economic managers is crucial as the country grapples with difficult challenges. Total outstanding debt was at P12.8t in April while debt-to-GDP ratio rose to 63.5% as of end-1Q22 compared to the 40% average in 2017-2019. This is compounded by rising interest rates which would increase the debt servicing load. The peso has weakened due to the strength of the US dollar and wider current account and budget deficits. The incoming government would have to address the food shortage caused by supply chain disruptions and the Russia-Ukraine war. Energy prices remain high and this can exacerbate domestic inflation which has already risen to 4.9% in April. Aside from this, tackling the looming power supply shortage would be integral in sustaining the country's economic growth.

Balancing growth and fiscal responsibility

Although the next administration has not yet formally outlined its economic agenda, some of the incoming economic managers have made statements regarding their priorities. The incoming Socioeconomic Planning Secretary said, “The lesson of recent history is that if you have a robust manufacturing sector in the early stages of your development, poverty reduction is so fast and likely sustainable.” Balisacan added that since the country is in a fiscal bind, infrastructure spending can be sustained by bringing back public-private partnerships (PPP).

Meanwhile, the incoming Finance Secretary stated that “the focus should really be on tax administration and we need a lot of money to number one, continue our growth momentum, and two, to service our higher level of public debt.” Diokno elaborated that “as long we as continue to grow at around 6% to 7% on a sustainable basis, we can easily outgrow our debt.” Diokno said that the economic team would aim to bring down budget deficit to 3% in six years from 6.4% in 1Q22.

Businessmen and economists commended the choices of the President-elect for his economic team. Given the magnitude and scale of global headwinds and local challenges, we hope and pray that the country's esteemed economic managers will succeed in their vital roles because their success is everyone's success.

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