

Philequity Corner (May 18, 2015)
By Valentino Sy

Thanks to all Filipinos all over the world!

Congratulations to Filipino group El Gamma Penumbra who won the first Asia's Got Talent show held in Singapore. The shadow play group was voted best among the nine Asian grand finalists, four of which came from the Philippines. The talent show featured singers, dancers, acrobats, magicians and other performers of all ages across 20 countries in Asia.

In an emotional speech during the awarding, the group dedicated their victory to all Filipinos in all parts of the world. *"To all our supporters, in all parts of the world, in Asia, especially to all Filipinos, maraming salamat po!"*

The OFW

Like what El Gamma Penumbra said, Filipinos now are all over the world. Filipinos have long been recognized world-wide for their talents and skills, not only in the field of entertainment, but in other fields as well.

According to the Commission on Filipinos Overseas, there is an estimated 10.5 million Filipinos working overseas as doctors, physical therapists, nurses, accountants, IT professionals, engineers, architects, entertainers, technicians, teachers, military servicemen, seafarers, students, domestic helpers and caregivers. They represent more than 10 percent of the Filipino population.

Throughout the years, these overseas Filipino workers (OFWs) have served as our ambassadors of goodwill, promoting the image of the Filipino as a competent, hard-working and dependable worker. OFWs have contributed immensely to the socio-economic development of their respective communities abroad and our country as well.

The BPO worker

In addition to the OFW sector, the fast-growing BPO sector has likewise put the Filipino talent on the global map. Advances in telecommunications and internet connectivity have allowed the Filipino to export his skills and talents without leaving for abroad.

In a past article, we mentioned that Filipino workers possess unique traits that allow them to thrive and excel in different locations and in different situations. *"Aside from having a good grasp of the English language, Filipino workers are respectful, compassionate, amiable, courteous, flexible and adaptable. Moreover, Filipinos are kind, tolerant, patient and enduring... These are the reasons that propelled the Philippines to become the #1 call center destination in the world."* (see **Present Day Heroes**, August 23, 2013)

Two tables driving the Philippine bull market

In our previous investor presentations, we have shown two tables driving our economic boom and the bull market in stocks.

We have often said that the Philippines would not have experienced a secular bull market and resilient economic growth if not for the OFW and BPO sectors. Revenues from these two sectors combined amounted to \$42.7 billion last year.

From just \$1 billion in 1989, the cash remittances of OFWs to the country have steadily grown to \$24.3 billion by 2014, representing a 25-year CAGR of 13.6 percent. As of end-2014, OFW remittances amounted to 8.1 percent of Philippine GDP.

OFW Remittances (\$ billions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Remittances	8.6	10.7	12.8	14.4	16.4	17.3	18.8	20.1	21.4	23.0	24.3
% of GDP		10.4%	10.5%	9.6%	9.4%	10.3%	9.4%	8.9%	8.6%	8.5%	8.1%

Source: BSP, Wealth Securities Research

Meanwhile, the growth of the BPO sector has been astounding with revenues below \$1 billion in 2004 to \$18.4 billion as of end-2014 or a 10-year CAGR of 27 percent. It is now equivalent to 5.4% of GDP as of end-2014.

BPO Revenues (\$ billions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
BPO Revenues	0.888	1.388	2.288	3.49	5.288	7.717	9.47	11.16	12.503	15.5	18.4
% of GDP	1.3%	2.10%	2.70%	3.30%	3.50%	4.30%	4.50%	4.90%	5.30%	5.70%	5.40%

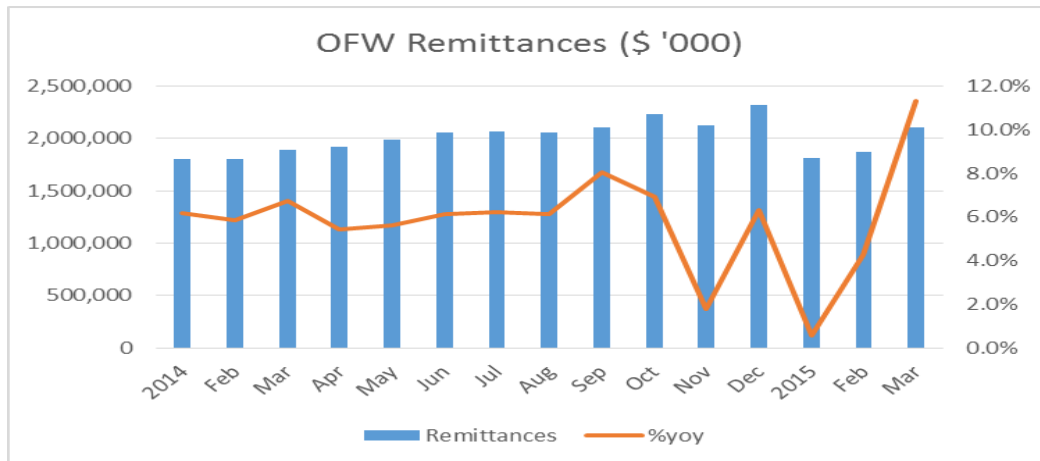
Source: BSP, Wealth Securities Research

Both the OFW and BPO sectors are key drivers of the country's resilient consumption spending. Rising revenues from these sectors have resulted in rising living standards across the country as household consumption increase – from basic needs, such as food, shelter and clothing, to leisure, some luxuries and higher quality of education.

These two key sectors have also proven to be major macroeconomic stabilizers especially during times of external global shocks. Recent experience show that remittances and BPO revenues continued to grow despite the US subprime crisis and the European sovereign debt crisis.

OFW remittances recover strongly in March

During the last couple of months, there have been concerns that the growth in OFW remittances may have stalled after the January 2015 data showed that it only grew by 0.5 percent. The latest data from the BSP, however, indicate that cash remittances rose 11.3 percent to \$2.1 billion last March 2015. This marked the fastest growth in five years, recovering from the slower growth in previous months. This also brings cumulative cash remittances for the 1st quarter of 2015 to \$5.8 billion, up 5.1 percent year-on-year.



Source: BSP, Wealth Securities Research

Current account surplus, high GIR

Thanks to the massive OFW and BPO revenue inflows, our country enjoys a comfortable current account surplus which amounted to \$1.38 billion in December 2014. Gross international reserves, meanwhile, stood at \$80.8 billion as of April 2015. This resulted in a steady peso (trading between 43.20 and 45.30 against the US dollar) at a time when the US dollar index surged by more than 25 percent from May 2014 to March 2015.

Has the dollar topped out?

While the peso has remained steady, the volatility in other currencies have increased recently which could be a prelude to a US dollar topping out. Note that since the US dollar index peak of 100.39 set in March, it has shed 7.2 percent. It now appears that the US dollar has either topped out or is now consolidating, rather than getting too strong.

This should be good for the peso because we don't want the peso to get too strong against other currencies such as the yen or the euro. This, however, will be the topic for a future article.

The global Pinoy

El Gamma Penumbra and the other Filipino performers in Asia's Got Talent have shown that the Filipino talent and artistry are world class, just like Manny Pacquiao who brought the Philippines to the forefront of world boxing. Similarly, our OFWs and BPO workers have shown that they can compete in the world stage. The ever-growing remittances and expanding BPO revenues are a testament that Filipinos are now being recognized and appreciated globally.

But moreover, our bull market in stocks, the stable peso, investment grade credit rating and sustained economic expansion are signs that the Filipino and the Philippine economy have truly stamped their mark on the global arena.

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