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# Talking Points

## Philippines Presidential Election - Doesn't change strong fundamentals

**May 2016**

### **Aquino Hands Over Government in Good Shape**

Previously owning the title as the 'Sick Man of Asia', the Philippines is now immersed in a 'golden age' as it has been one of Asia's fastest growing economies the past five years. Much of this can be attributed to the outgoing President Benigno Aquino III's leadership, whose commitment to good governance and tax reforms have re-instilled confidence in the economy, leading to an influx of foreign investment. Business Process Outsourcing activities have flourished and manufacturing activities have also been on the rise.

With renewed faith in the country, we are seeing Filipinos overseas returning to find jobs that were previously unavailable back home. President-elect Rodrigo Duterte will inherit a financially sound government with one of the region's lowest fiscal deficits and public debt to GDP ratios. Duterte should continue the progress made in building up infrastructure through the ongoing implementation of streamlined public private partnership projects.

### **More about the President-Elect**

Rodrigo Duterte, 71, comes with a wealth of administrative experience as a mayor for provincial city Davao and is known for his hardline approach in cracking down on crime and corruption. While some may disagree with his controversial approach to law and order, the high economic growth enjoyed in Davao (using Southern Mindanao's GDP as a proxy) suggests Duterte has not stifled economic growth in the process. Businesses have instead benefitted from a safe, efficient and law abiding city, as a pro-business Duterte pushed for quicker business approvals.

Duterte has set peace and order, education, economic policy, infrastructure and agriculture development as key priorities. We also believe Aquino's legacy of better governance, less bureaucracy, crime and corruption can be continued and improved upon under Duterte. Having met and spoken to Duterte in Davao, he deserves more credit than he gets. Duterte knows his priorities and how to achieve it, although his method of resolving them may come across as harsh.

Duterte's track record will be put to test as he ascends to a larger national stage. Enforcing an agenda of change in a bureaucracy filled with vested interests would present unique challenges. Setbacks along the way are expected but his decisiveness and administrative experience will aid him in achieving his goals.

### **Strong Fundamentals Unlikely to Change**

Notwithstanding some volatility arising from political changes and the occasional controversial remarks from the new leader, the Philippine economy is standing on strong fundamentals. The Philippines have a unique orientation towards services and is less exposed to the global slowdown in commodities and manufacturing. Rising consumption from attractive demographics and a healthy balance of payments, underpinned by strong remittances inflows from overseas Filipino workers, continue to make the Philippines an attractive investment destination.

Philippine private businesses continue to play a vital role in building the country and the new leader's pro-business and pro-growth policies are unlikely to disrupt this. Furthermore, the companies we invested in have been around for decades and have experienced many regime changes, but business has continued as usual.

We remain positive on the Philippines and maintain a portfolio of high quality, well managed Philippine companies that we believe can ride through the country's exciting consumption story.

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