OCTOBER 27, 2025

PHILEQUITY CORNER

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Change in the storyboard

Even in an economy sailing smoothly along at a clip of GDP annual growth rate of 5.5% in the second quarter of 2025 and an inflation rate of 1.7% in September, recent news developments merited a second look at market sentiment. The news narrative is suddenly filled with uncertainty and unexpected twists and turns.

Is this change in the storyboard going to leave its mark on economic perceptions as more recent news items have shifted to more common natural disasters like typhoons and earthquakes?

Scenario-building is an approach to plan and explore various actions and reactions and come up with strategies to suit different storyboards. A set scenario for the year can be derailed by unexpected events like a two-year pandemic, a super typhoon that affects agriculture or investigations into public works projects.

The “scenario” (sometimes called a storyboard) is a cinematic method used to shoot a movie with different scenes, characters, script, costumes, props and endings. The twists in the plot allow the director to lay out the story and determine the cost of production.

Scenarios can also be applied to business planning, economic projections and political events.

Planners talk of “best case” and “worst case” scenarios as convenient labels for the conclusion of a string of events whether beneficial or harmful to a particular segment of a country. Clearly, one side’s best case may be the opposing side’s worst one. Scenarios differ according to the desired status of the principals involved.

Scenario building presumes an appreciation of how different stakeholders are going to react and affect different stakeholders. Is foreign investment going to be involved?

An informal survey of behavior and perception on market sentiment may be conducted. This can even be done with business organizations and the different sectors they represent.

Surveys, however, can turn into self-fulfilling prophecies or negative mind-conditioning. They measure reactions and attitudes at a certain point in time. The mood can change with further news, whether good or bad.

Scenarios function as a way of testing how a subject will take the stress of bad news posted and accelerated online by social media and influencers who may have their own hidden agenda. There may be calls for extreme actions like storming a gated community that favor certain groups that promote instability and bad optics.

Before it became an economic approach, “stress test” referred to a medical procedure. This assessment is an integral part of an annual medical check-up that the conscientious adult is required to undergo, especially as his body ages and starts showing signs of stress.

The treadmill test, which is often a part of the annual executive check-up, requires the patient to be ready for a workout. Before he steps on the treadmill, the patient’s bare chest is attached with suction cups wired to a monitoring machine to track heart rate, breathing and blood pressure in real time. The treadmill may be raised to simulate an inclined surface for hiking and increase the stress. The pulse rate and breathing are checked afterwards at the resting stage to check how long the heart takes to get back to an acceptable state.

The economic stress test follows its medical counterpart, and in real time too. It is designed to see how strong this economy is and what maximum speed and incline it can take in the financial treadmill. Will the economic heart rate get back to normal?

Because they deal with human behavior as well as unforeseen shocks and stresses from global news, storyboards cannot fully anticipate all the twists and turns in the plot. As in any story, the principal characters aren’t always the only ones who determine the ending.

Scenarios need to keep up with the uncertainties of this developing storyboard which is not always limited to just economics.

A recent report showed that the 3.1% annual increase in inward remittances from OFWs resulted in a year-to-date total amount (as of August) of $24.7 billion. Such welcome development may be posted in the business section without much fanfare. But it is likely to positively impact the level of consumption in the GDP as well as contribute to the strength of the peso against the US dollar.

Positive numbers can tell a good economic story. Should they just be washed away by a flood of political news?

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