

The Daily Dispatch

Weekly Special Feature

May 19, 2023

The threat and promise of artificial intelligence

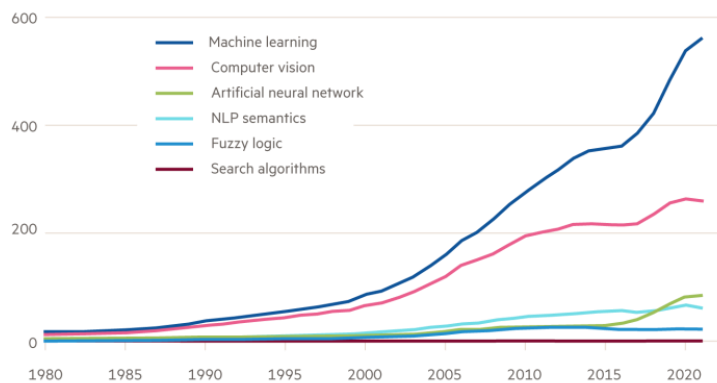
By: Martin Wolf (*Published on May 9, 2023*)

In 1900, the UK had 3.3mn horses. These animals provided pulling power, transport and cavalry. Today, only recreation is left. Horses are an outmoded technology. Their numbers in the UK have fallen by around 75 per cent. Could humans, too, become an outmoded technology, displaced by machines that are not just stronger and more dexterous but more intelligent, even more creative? The threat, we are told, is remote. Yet this is a matter of belief. Maybe machines could do much of what we need to have done better than we could, with the exception of being human and caring as humans do.

Yet even if no such revolution threatens, recent advances in artificial intelligence are highly significant. According to Bill Gates, they are the most important development since personal computers. So, what might be the implications? Can we control them?

The research interest in artificial intelligence has soared

Count of AI research publications ('000)



Source: US-EU Trade and Technology Council
© FT

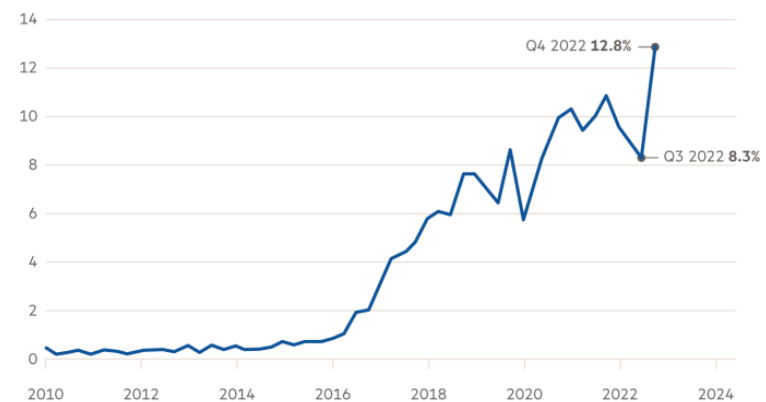
The natural starting point is with jobs and productivity. A paper by David Autor of MIT and co-authors provides a useful analytical framework and sobering conclusions on what has happened in the past. It distinguishes labour-augmenting from labour-automating innovation. It concludes that “the majority of current employment is in new job specialities introduced after 1940”. But the locus of this new work has shifted from middle-paid production and

clerical occupations prior to 1980 to highly paid professional and, secondarily, low-paid services thereafter. Thus, innovation has increasingly been hollowing out middle-income jobs.

Furthermore, innovations generate new kinds of work only when they complement jobs, not when they replace them. Finally, the demand-eroding effects of automation have intensified in the past four decades, while the demand-increasing effects of augmentation have not. None of this is very cheering, especially since overall productivity growth has been quite modest since 1980.

The business interest in AI has also exploded

Share of companies mentioning AI on Russell 3000 earnings calls (%)



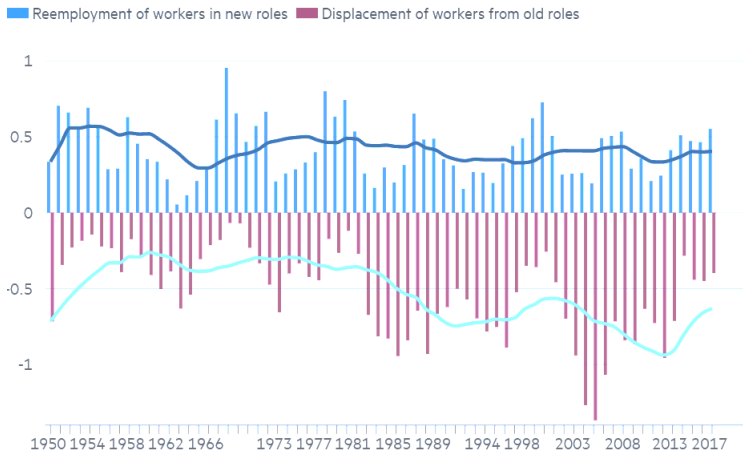
Source: Goldman Sachs
© FT

So what about the future? On this, an analysis by Goldman Sachs is both optimistic and sobering. It argues that the “combination of significant labour cost savings, new job creation, and a productivity boost for non-displaced workers raises the possibility of a labour productivity boom”. This would be similar to what ultimately followed the emergence of the electric motor and personal computer. The study estimates that generative AI, in particular, might raise annual growth of labour productivity in the US by 1.5 percentage points. The surge would be bigger in high-income countries than developing ones, though timing is uncertain.

The Daily Dispatch

Displacement of workers has risen relative to reemployment in new roles

Contributions to US wage bill growth (% points, lines show 10-year moving averages)



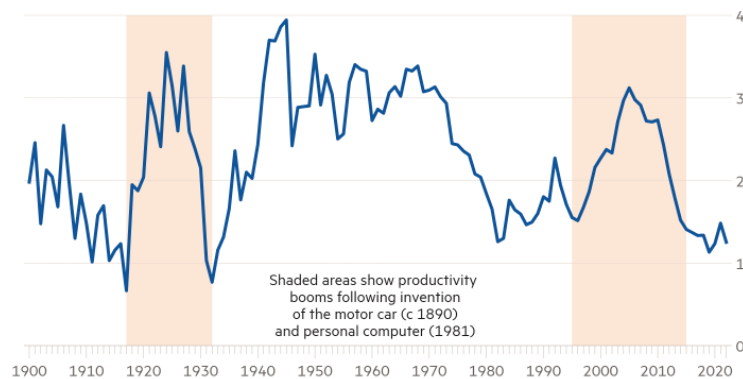
FINANCIAL TIMES

Source: Acemoglu & Restrepo (2019); Goldman Sachs

Globally, it suggests, 18 per cent of work could be automated by AI, again with larger effects in high-income countries. In the case of the US, the estimated share of work exposed to AI ranges from between 15 and 35 per cent. The most vulnerable jobs will be office and administrative, legal and architecture and engineering. The least exposed will be in construction, installation and maintenance. Socially, the impact will fall most heavily on relatively well educated white-collar workers. The danger then is of downward mobility of the middle and upper-middle classes. The social and political impact of such shifts appear all too evident, even if the overall effect is indeed to raise productivity. Unlike horses, people will not disappear. They have votes, too.

Boosts to productivity come well after important innovations

Growth in US labour productivity (average over past 10 years, %)

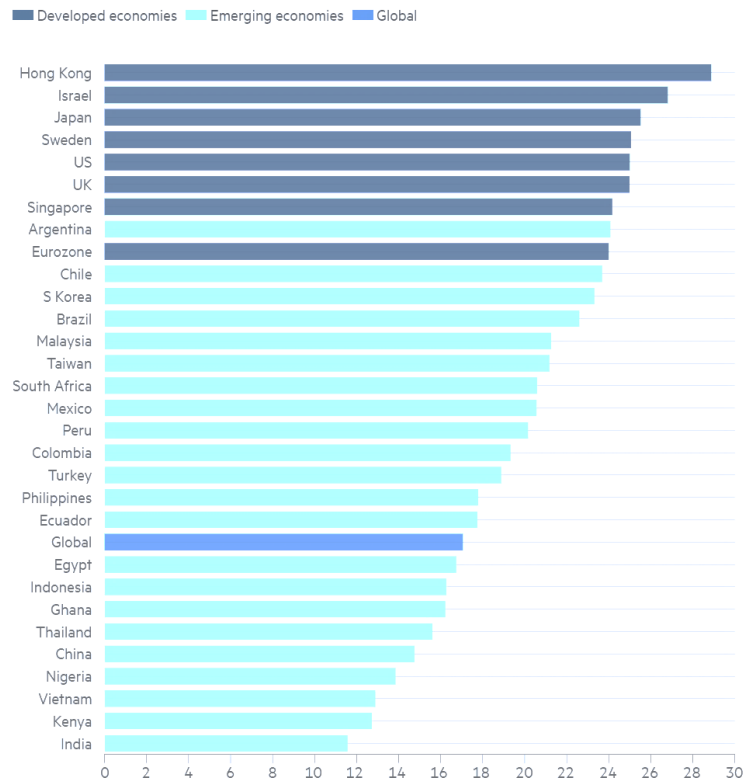


Sources: BLS, Goldman Sachs © FT

Yet these economic effects are very far from the whole story. AI is a much bigger change than that. It raises deep questions of who and what we are. It might be the most transformative technology of all for our sense of ourselves.

The proportion of jobs vulnerable to AI is higher in high-income countries

Share of employment exposed to automation by AI (%)



FINANCIAL TIMES

Source: Goldman Sachs

Consider some of these wider effects. Yes, we might have unbribable and rational judges and better science. But we might also have a world of perfectly faked information, pictures and identities. We might have more powerful monopolies and plutocrats. We might have almost complete surveillance by governments and companies. We might have far more effective manipulation of the democratic political process. Yuval Harari argues that “democracy is a conversation, and conversations rely on language. When AI hacks language, it could destroy our ability to have meaningful conversations, thereby destroying democracy.” Daron Acemoglu of MIT argues that we need to understand such harms before we let AI loose. Geoffrey Hinton, a “godfather” of AI, even decided to resign from Google.

The Daily Dispatch

The problem with regulating AI, however, is that unlike, say, drugs, which have a known target (the human body) and known goals (a cure of some kind) AI is a general purpose technology. It is polyvalent. It can change economies, national competitiveness, relative power, social relations, politics, education and science. It can change how we think and create, perhaps even how we understand our place within the world.

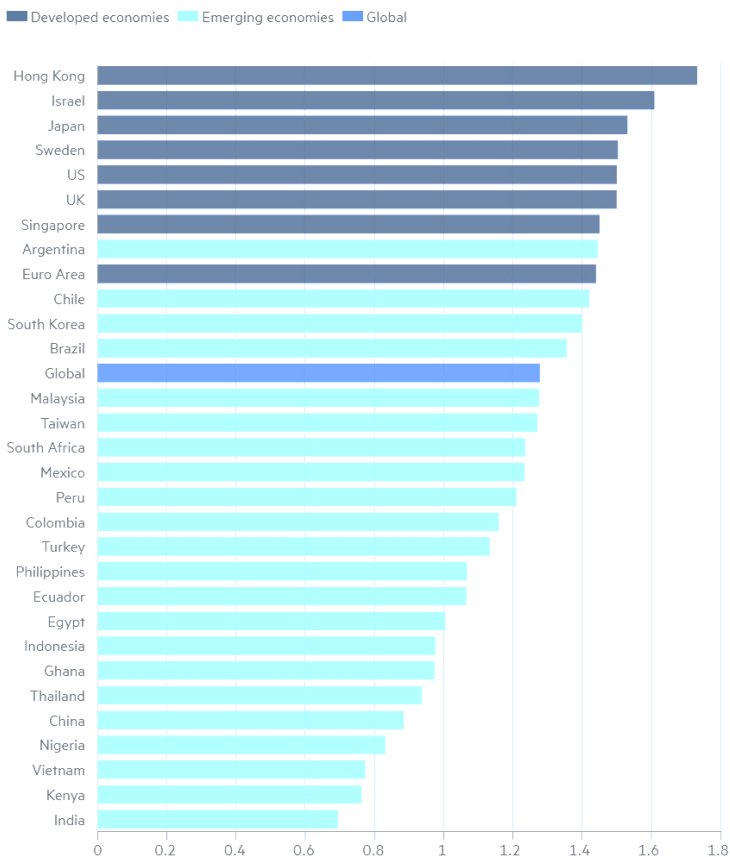
We cannot hope to work out all these effects. They are too complex. It would be like trying to understand the effect of the printing press in the 15th century. We cannot hope to agree on what is to be favoured and what is to be prevented. And even if some countries did, we would never stop the rest. In 1433, the Chinese empire halted attempts to project naval power. That did not stop others from doing so, ultimately defeating China.

Humanity is Doctor Faustus. It, too, seeks knowledge and power and is prepared to make almost any bargain to achieve it, regardless of consequences. Even worse, it is a species of competing Doctor Faustuses, who seek knowledge and power, as he did. We have been experiencing the impact of the social media revolution on our society and politics. Some warn of its consequences for our children. But we cannot halt the bargains we have made. We will not halt this revolution either. We are Faustus. We are Mephistopheles. The AI revolution will roll on.

Source: Financial Times (2023). *The threat and promise of artificial intelligence.* Available at: <https://www.ft.com/content/41fd34b2-89ee-4b21-ac0a-9b15560ef37c>

AI should have a positive effect on productivity especially in high-income countries

Effect of AI adoption on annual productivity growth over a 10-year period (%)



The Daily Dispatch

May 19, 2023
TODAY'S TOP NEWS

BSP takes 'prudent pause' in interest rate increase

The Monetary Board, the policy-making body of the BSP, maintained on Thursday the benchmark interest rate at 6.25%, calling it a “prudent pause” that took into account the recent downward trajectory of inflation. Inflation hit 8.7% in January before easing to 8.6% in February, 7.6% in March and 6.6% in April.

FNI eyes 51% growth in nickel exports

Global Ferronickel Holdings Inc. said Thursday it plans to export 6.5 million wet metric tons of nickel this year from its mines in Surigao del Norte and Palawan provinces to sustain the company’s growth. This would be 51 percent higher than 4.3 million WMT of nickel it exported in 2022.

Holcim, S. Korean firm partner for infra projects

Leading building solutions provider Holcim Philippines, Inc. and top South Korean cement and concrete producer Sungshin Cement Co. Ltd are partnering to support infra projects in the country. The two companies signed an MOU to work together on infra projects where Sungshin is bidding to participate as a concrete supplier.

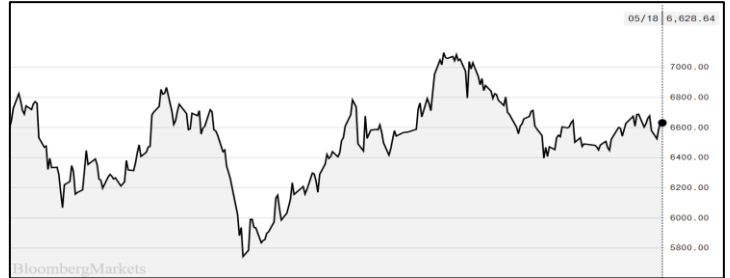
ACEN to tap CHIB, MUFG for P8bn credit facilities

ACEN Corp., the power generation arm of Ayala Corp., plans to avail of credit facilities totaling about P8 billion to finance its renewable energy projects. ACEN said in a disclosure to the stock exchange Thursday its board approved the execution and availment of credit facilities with China Banking Corp. (CHIB) for P5 billion.

Group asks LTRFB to probe Joyride tips

Coalition for Filipino Commuters convenor Ira Panganiban said in a letter to LTRFB chairman Teofilo Guadiz “several complaints have been received by the coalition that Joyride, a Transport Network Company, has the tip requirement shown before a commuter can book a ride.”

Philippine Stock Market Update



Previous Close:

6,628.64

1 Yr Return:

2.78%

Open:

6,635.45

YTD Return:

1.73%

52-Week Range:

5,699.30 - 7,137.62

Source:

Bloomberg

Foreign Exchange

As of May 18, 2023

US Dollar	Philippine Peso
1	55.87

BVAL Reference Rates

As of May 18, 2023

Tenor	Rate
1Y	5.957
3Y	5.723
5Y	5.642
7Y	5.655
10Y	5.733
20Y	5.821

Daily Quote

“Nothing can be done except little by little.”

— Charles Baudelaire

The Daily Dispatch

MORE LOCAL NEWS

Ayala group, Singapore firm plan large data center

The Ayala group and the local unit of a Singapore-based service provider plan to build a 124-megawatt data center that they claim to be the largest in Metro Manila.

Motorcycle sales up 16.7% in Q1 as demand rises

PH motorcycle sales increased by 16.7% in the first 3 mos. of the year amid surging demand as it expects a 10% sales growth for 2023. MDPPA said that the motorcycle sales of its group members (Honda, Kawasaki, Suzuki, and Yamaha) reached 447,429 units, short by 3,674 units from 2019 sales of 451,103 units.

Ortigas Land launches 52-storey residential tower

Ortigas Land Corp. on Thursday launched its 52-storey mid-market residential tower at the Ortigas Center called Olin at Jade Drive, which it aims to complete in the next six years.

Higher enrollments lift STI profits

STI Education Systems Holdings, Inc. reported that its attributable net income during the 3 months ending March rose 47.4% to P352.39M from P239.09M a year ago. It reported a 24.1% jump in revenues during the quarter to P982.2M from P791.55M, driven by a 14% increase or 11,683 in the total number of students for the SY 2022-2023.

InstaPay, PESONet transactions rise at end-April

The value and volume of electronic fund transfers done through PESONet and InstaPay rose as of end-April from a year ago. The combined value of transactions done via the BSP's automated clearing houses InstaPay and PESONet climbed by 30.1% to P3.80 trillion as of end-April from P2.92 trillion in the same period in 2022.

Gov't may retake control of NGCP

The Philippine government may retake control of the National Grid Corp. of the Philippines (NGCP), which is partially owned by a Chinese state-owned company, if needed, the Palace said on Wednesday. NGCP holds the sole and exclusive concession and franchise for the operation of the country's power transmission network.

MWC: P8.2-B treatment plant finished by June

East Zone concessionaire Manila Water on Thursday said the construction of its P8.2-billion Calawis Water Supply System project in Antipolo City, Rizal is set to be completed in June. The raw water for the new facility comes from the Tayabasan River, located in Brgy. Calawis. The area is part of the Upper Marikina Watershed.

AREIT profit up 27% in Q1

AREIT Inc., the pioneering real estate investment trust of the Ayala Group, grew its first quarter net income to P1.01 billion, up by 27 percent year-on-year. Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 24 percent to P1.04 billion while revenues grew 25 percent to P1.48 billion.

Gov't to spend P1.2T for infrastructure in Mindanao

The government targets to pour in at least P1.2 trillion worth of infrastructure projects in Mindanao over the course of the Marcos administration's term. 35% or 1,310 out of the 3,770 priority programs and projects of the government will be located in Mindanao over the next six years.

Layoffs hit nutrition giant's Canlubang plant

Around 140 workers at the Wyeth Nutrition Canlubang factory in Laguna were being let go to cut company costs, the union said Thursday as talks with management were ongoing.

The Daily Dispatch

TODAY'S TOP ASIAN NEWS

Alibaba misses estimates, approves cloud unit spinoff

China's Alibaba Group Holding posted a 2 per cent rise in quarterly revenue that missed expectations on Thursday (May 18) and said it would list its cloud computing business in the next year.

Drone startup Performance Rotors acquired by Xtend

Home-grown drone technology startup Performance Rotors has been acquired by Israeli drone software company Xtend, the latter announced on Thursday (May 18). Financial terms of the acquisition were not disclosed.

Whampoa to set up Bahrain digibank for crypto clients

Whampoa Group, a Singaporean private family office, plans to set up a digital bank in Bahrain whose services will include round-the-clock payments and settlement for digital asset companies. It aims to establish the bank by year-end and provide banking services as well as the trading, custody and asset management of digital tokens.

Grab's delivery sales drop, narrows losses

Grab Holdings said on Thursday that an early Ramadan weighed on sales at its delivery business, taking the shine off an otherwise positive quarter and sending the company's shares down by 12% when they commenced trading. Total platform sales at Grab's delivery business – its biggest – fell 9% in the March quarter.

China new home prices rise slower in April

China's new home prices rose for the 4th straight month in April but at a slower pace, official data showed, as government efforts to stabilise the sector lifted sentiment after the country's abrupt exit from Covid-19 curbs late last year. New home prices in April edged up 0.4% month-on-month versus a 0.5% gain in March.

TODAY'S TOP GLOBAL NEWS

Disney to yank shows from streaming for savings

Walt Disney Co will soon begin removing programmes from its namesake streaming service, the latest step in its efforts to reduce losses in that business.

Twitter says Microsoft broke rules for developers

Twitter on Thursday accused Microsoft of breaking the social network's rules for developers who access the platform's data, according to a copy of a letter seen by AFP.

Amazon cloud unit to invest ₹1.06T in India by 2030

Amazon Web Services (AWS), the cloud computing division of Amazon.com, said on Thursday (May 18) it plans to invest 1.06 trillion rupees (\$\$17.3 billion) in India by 2030, doubling down on its past investments to cater to an ever-growing demand.

Meta announces A.I. chips

Meta has built custom computer chips to help with its artificial intelligence and video-processing tasks and is talking about them in public for the first time. The social networking giant disclosed its internal silicon chip projects for the first time to reporters earlier this week.

McCarthy: House could vote on debt ceiling next wk.

House Speaker Kevin McCarthy said Thursday he is optimistic that congressional negotiators could reach a deal to raise or suspend the debt ceiling in time to hold a House vote on it next week. Investors have been watching Washington closely this week for any signs of progress in the months-long debt limit standoff.