**Column for Business Mirror**
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**April 23, 2012**

**The Entrepreneur**

## The Management Side of the Economy

IT is very likely that the Philippine economy will grow at a faster pace this year compared with the disappointing 3.7 percent it posted in 2011 in terms of gross domestic product (GDP).

Even the usually conservative multilateral institutions are projecting higher growth rates for the Philippines. The World Bank and the International Monetary Fund (IMF) both expect the Philippine economy to grow by 4.2 percent this year.

The World Bank, which also sees the possibility of a 5-percent growth in 2013, based its forecast on the assumption that the government will increase spending and revenue collection this year, among other factors.

The IMF, for its part, says a combination of fiscal stimulus, supportive monetary policies and continued robust remittances will boost the domestic economy, allowing the country to offset the impact of weak global demand for exports.

A bit more optimistic is the Asian Development Bank (ADB), which expects the Philippine economy to grow by 4.8 percent this year and 5 percent in 2013.

The forecasts for the Philippines by the three multilaterals are higher than the 3.6-percent estimate for Singapore and the 4.2-percent estimate for Malaysia, but lower than the 6.4-percent forecast for Indonesia, 5.1-percent for Thailand (despite the flooding).

In its forecast, the ADB also assumes higher government spending, plus efforts to improve the business environment and implement some of the proposed public-private partnership (PPP) projects.

There's no disagreement that the Philippines has strong fundamentals to support a higher growth rate this year. Remittances, which brought in more than $20 billion last year, amounted to $3.14 billion in the first two months of 2012, reflecting a 5.6-percent growth from $2.8 billion in the same period last year.

The business-process outsourcing (BPO) industry ended 2011 with $11 billion in revenues, up 24 percent from the previous year. The industry is targeting an annual growth of 20 percent to reach $25 billion in revenues by 2016.

Exports, which declined by 6.9 percent in 2011, are also showing growth. Data from the National Statistics Office show that exports grew by 14.6 percent in February 2012, faster than the 3.1-percent growth in January.

But there are still downsides. For instance, sales of motor vehicles dropped 9 percent in the first three months of 2012, according to a joint report of the Chamber of Automotive Manufacturers of the Philippines and the Truck Manufacturers Association.

The ADB notes that the Philippines is making slow progress in reducing poverty. It points out that the country cannot rely only on the BPO industry for jobs because employment in this sector accounts for only 1 percent of the labor force.

Instead, the regional development bank is urging the government to boost manufacturing activity, which will generate more employment from the less skilled but bigger part of the labor force.

I believe the government has learned some lessons from the performance of the economy last year. This is reflected in pronouncements by the administration about increasing its spending on infrastructure projects this year, and about carrying out more PPP projects compared to the one project that was bid out last year, which still has to be actually implemented.

The challenges from the external sector remain. The US is still struggling to recover from the recession, while Europe is still trying to end the financial crisis that has plunged Greece, Italy and Spain into recession. These challenges, as well as our strengths, have been factored into the different growth forecasts for the Philippines.

In my view, the assumptions also considered the same degree of competence or skill in the management of the economy. That means that if our economic team improves on its management of the economy, then growth could be pushed up by maybe one or two percentage points.

Yes, my point is that we cannot do anything about the weak US economy or the crisis-hit Europe or even the conflicts in the Middle East, but we can do something about how we manage our economy.

The economic managers should use all the management tools and skills available to exploit our strengths, such as, for example, harnessing remittances for productive investments.

In private business, the performance of a company reflects the quality of its management. It should not be different when it comes to the performance of the economy.

With good—better than good would be preferable—handling of the economy, we should be able to weather the continuing global economic storm and come up with a decent (better than 4 percent) growth this year.

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