

Column for Business Mirror
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The Entrepreneur

Back To Business

NOW that the impeachment trial of Chief Justice Renato Corona is over, we can all go back to minding the nation's pressing business, serving the people through legislation and public programs and growing the economy.

The trial that took more than four months reduced, if not totally diverted, our attention from the fight against poverty and for creating employment and livelihood. True, lessons were learned as a result of the impeachment case, foremost of which was the adoption of a higher standard of transparency and accountability for all government officials.

However, I do not intend to dwell on the impeachment case or its consequences and implications. In my view, we can put it all behind us and shift our attention to the road ahead.

The performance of the economy in the first quarter is a good start to make up for lost time. Our gross domestic product (GDP) grew by 6.4 percent, significantly higher than the 4.9 percent in the first quarter of 2011 and beating the market consensus of 4.8 percent.

Given the first-quarter performance, the National Economic and Development Authority is confident the economy will reach or even surpass the full-year growth target of 5 percent to 6 percent for 2012.

The services sector was the best performer in the first quarter, when it grew by 8.5 percent, followed by industry at 4.9 percent. Agriculture, hunting, fishery and forestry managed to grow by 1 percent despite the typhoons and floods that battered our country last year.

It is also significant to note that the Philippines, at least in the first quarter, was no longer the laggard among members of the Association of Southeast Asian Nations (Asean). We grew faster than Indonesia (6.3 percent), Vietnam (4 percent), Singapore (1.6 percent) and Thailand (0.3 percent). And we even outperformed Hong Kong, which grew by just 0.4 percent, or the Korea and Japan, which both grew by 2.8 percent. Only China grew faster, at 8.1 percent.

So, let us capitalize on our first-quarter performance. We can do this because we have numerous strengths. For instance, the conflicts in the Middle East, the sluggish recovery of the US economy and the crisis in Europe did not stop our overseas Filipinos from sending money home. Remittances increased by 5.4 percent to reach \$4.84 billion in the first three months of 2012.

The first quarter also saw continued credit expansion, increased business and consumer confidence, expansion in the tourism sector, the continuing robustness in the property sector, positive export growth and a low-interest environment.

I also want to emphasize the role of government spending, which was a big factor behind the pleasantly surprising GDP growth in the first quarter. After contracting for five consecutive quarters: 23.4 percent in the third quarter and 13.7 percent in the fourth quarter of 2010, 37.9 percent in the first quarter, 58.6 percent in the second quarter and 19 percent in the third quarter of 2011, public spending turned positive with a 36.4-percent increase in the fourth quarter of 2011 and 62.2 percent in the first quarter of 2012.

We have learned the lesson from underspending: our economy grew by just 3.7 percent in 2011, less than half the 7.6 percent in 2010. The increased public spending in the past two quarters was timely, because private spending for construction was shrinking during the same period: 5.9 percent in the fourth quarter of 2011 and 9.9 percent in the first quarter of 2012.

The right thing to do now is to continue increasing government spending, which should not be a problem in terms of resources because revenues continue to grow.

The government incurred a budget deficit of P33.91 billion in the first quarter, way below the programmed ceiling of P82.81 billion for the period. With a deficit ceiling of P280 billion for the whole year, we have room to increased spending in the remaining quarters to sustain a higher growth rate.

I'm glad Socioeconomic Planning Secretary Arsenio Balisacan thinks the same way. The government would not let up in its efforts to accelerate growth, he said, and that "there is still considerable room for faster acceleration in government spending."

(To be continued)

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