

**Column for Business Mirror**  
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## **The Entrepreneur**

### **How To Keep The Momentum, Sustain High Growth**

THE recovery of the economy to a 6.4-percent growth in terms of gross domestic product (GDP) in the first quarter of 2012 after the lackluster 3.7-percent growth for the whole of 2011 is a welcome development.

I have repeatedly pointed out in this column that the key to the growth of the economy amid the uncertainties in the global economy is increased public spending, which would stimulate the domestic economy.

For the first time in many years, the Philippines outperformed its Asean partners and other Asian neighbors except China, which grew by 8.1 percent. In the first quarter of 2012, Indonesia grew by 6.3 percent, Malaysia 4.7 percent, Vietnam 4 percent, Singapore 1.6 percent, Thailand 0.3 percent, Hong Kong 0.4 percent, Korea 2.8 percent, and Japan 2.8 percent.

Underspending was blamed as a major factor that slowed down the economy last year, so I was glad to learn that during the first three months of 2012 public spending increased by 27.9 percent. This is not enough because the fiscal deficit remains below the ceiling set under the General Appropriations Act, although it's a good start.

I note that growth in the first quarter was not across-the-board, so to speak. The services sector grew the fastest at 8.5 percent at constant 2000 prices, followed by the industry sector at 4.9 percent. On the other hand, the agriculture, hunting, forestry and fishery were left behind, with a three-month growth of only 1 percent.

Apparently, this sector, which accounts for the majority of our poor, is still reeling from the impact of disasters that hit our country last year.

So the challenge now is not only to sustain the first-quarter growth or even to push it higher. Growth must also be inclusive so that its benefits would reach the poor majority of the population.

I agree with the recommendations of the World Bank and the Asian Development Bank that more people will be lifted from poverty by boosting the industry sector, including manufacturing.

Unlike the services sector (like call centers), the industry sector provides jobs even to individuals with low educational attainment, according to the ADB.

The results of the latest labor-force survey of the National Statistics Office show that high-school graduates comprise one-third of the unemployed Filipinos of working age as of January 2012, compared with 13.5 percent who were college undergraduates and 17.8 percent college graduates. The NSO estimated unemployment in the Philippines at 7.2 percent as of January 2012, which translates to about 2.9 million.

A separate survey conducted by the Social Weather Stations (SWS) placed the unemployment rate at 34.4 percent in the first quarter of 2012, which translates to 13.8 million.

I'm not going to argue which estimate is realistic. The point is that millions of our countrymen are still without jobs, and hundreds of thousands join their ranks every year. And, in addition, our poverty incidence is still the highest among emerging Asian economies at 26.5 percent as of 2009, up from 26.4 percent in 2006 and 24.4 percent in 2003, even as the economy actually grew during the period.

The sad reality behind the improving economic picture is that growth has not been inclusive, and we need to pursue industrialization to make it so.

Let us have an industrialization strategy, a manufacturing strategy—one for the export sector and one for the domestic market.

The strategy must include the mobilization of the Department of Trade and Industry, which should appropriately be the lead agency, as well as our embassies and consulates abroad (to encourage investments and promote Philippine exports).

Industrialization must be a national objective, and must involve the private sector. We need to listen to manufacturers and investors and address their problems. The strategy must be feasible and acceptable to the private sector to ensure that it will be followed.

It doesn't matter if it takes a long time to achieve complete industrialization because jobs will be generated while it is being implemented as investments come in, factories are built and start operating, and shipments of locally made products begin.

Let us formulate an industrialization strategy now and start its implementation as soon as possible. We lost the momentum in 2011 after the high 7.6-percent record growth in 2010.

Let's not make the same mistake, again!

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