

**Column for Business Mirror**  
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**October 15, 2012**

**The Entrepreneur**

### **Election Season and Economic Growth**

THE opening of the election season, with the filing of certificates of candidacies this month, understandably prompted speculations of a strong boost to economic growth beginning in the latter part of 2012 and extending to 2013.

I say understandably because we have been used to what has become a tradition in Philippine politics: money flows in huge amounts, fueling consumer spending, which in turn, adds to growth in terms of gross domestic product (GDP).

There will be a surge, but the coming 2013 midterm elections won't be as bloody or have the same effects as in a presidential election. At stake are 12 Senate seats, the whole House of Representatives (including party-list seats), governors, mayors and the provincial and municipal or city legislative boards. This means that, except for the Senate, the campaigns will be limited to the local constituencies. And this also means that the national government will not be as involved as in a presidential election.

Revenues of media companies are a good way to measure the amounts of money spent during elections. For instance, according to reports, GMA Network generated more than P500 million during the midterm elections in 2007. And during the company's briefing in April, GMA said it generated P2.05 billion worth of revenue from political advertisements in 2010, which was the latest presidential election, while ABS-CBN Corp. said it generated P3.1 billion in revenues from political advocacies and political advertisements in 2010. Both networks cite the absence of political advertisements as a factor behind the decline in revenues last year. At the same time, election spending is expected to help their rebound in the second half of 2012 and in 2013.

However, I don't see a significant impact on the economy in general. I mentioned earlier that spending, in huge amounts, has become a tradition in Philippine politics. I see that tradition waning, or at least becoming subdued in the coming elections, because of developments and changes not directly related to political exercises.

So, in my view, these developments and changes will serve as restraining factors on election spending, particularly of public funds. The government's efforts to put its fiscal house in order and to strengthen its financial resources necessarily included a close watch on the disbursements of taxpayers' money and the establishment of safeguards against leakages.

Media and the public have also helped deter irregularities in the use of public funds, and such vigilance will make public officials think twice before digging into the public coffers to finance candidacies. At the same time, the government is serious about increasing spending on infrastructure and basic services to drive economic growth amid the global threats, to alleviate poverty and generate employment.

These efforts—putting the fiscal house in order, driving the economy and delivering good governance—have helped improve the Philippines's credit rating in the financial markets and its image among investors. Indeed, these are achievements that are too valuable to sacrifice in exchange for three- or six-year election victories.

I may not see election spending as a big factor in economic growth, but I am confident that our strong fundamentals will continue to provide the fuel to sustain GDP growth this year and the next, including the following:

Remittances from overseas Filipinos, which are forecast to exceed \$21 billion in 2012 compared to about \$20 billion last year; low interest and low inflation rates; growth in tourist arrivals to about 4.6 million this year compared with less than 4 million last year; and foreign direct investments, which reached the \$1-billion mark in the first seven months of 2012, nearly twice the \$568-million level recorded in the same period in 2011.

These are recurring gains that mean we can rely on them for growth every year, as long as we continue to improve the business environment and stimulate foreign and domestic trade.

Largely because of these factors, the Asian Development Bank, in its updated Asian Development Outlook 2012, raised its growth forecast for the Philippines to 5.5 percent this year from its earlier forecast of 4.8 percent despite a lower forecast for Asia to 6.1 percent from 6.9 percent.

On the other hand, election spending is a one-time gain. In business parlance, it's a non-recurring gain and not reliable, unless we're willing to see the growth of our economy only once every three years!

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