

Column for Business Mirror
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The Entrepreneur

Getting There

FLOODS caused by excessive rains in August continued to keep many of our countrymen from going back to their regular activities.

The recent earthquakes in Mindanao and the Visayas also disrupted the lives of many. Fortunately, there was no significant damage to property or massive loss of lives.

Outside of these natural calamities, there has been a flurry of good news, specifically on the economic front. The most recent was the World Economic Forum's Competitiveness Report for 2012-2013, which ranked the Philippines at No. 65 among 144 countries. It's an impressive 10-notch jump from No. 75 in the WEF competitiveness ranking for 2011-2012.

Last week local media carried a report from CNBC Asia that the Philippines is emerging as "Asia's new darling of investors." The report quoted Barclays regional economist Prakriti Sofat as having described the Philippines as "Asia's rising star" and predicted that the Philippines would earn a credit-ratings upgrade in the second half of 2012.

Indeed, economists were impressed by the Philippines's performance in the second quarter, with the gross domestic product (GDP) growing by 5.9 percent, significantly higher than the 3.6 percent posted in the same period last year. The GDP growth rate exceeded the average market forecast of 5.3 percent. And gross national income, which includes income from abroad, grew by 5.6 percent, more than twice the 2.4 percent recorded in the second quarter of 2011.

The Philippine economic growth also surpassed the average GDP growth rate of 4.7 percent in the Association of Southeast Asian Nations (Asean), and was second highest in Asean after Indonesia, which grew by 6.6 percent. Malaysia grew by 5.4 percent, Thailand 4.2 percent, Vietnam 4.4 percent and Singapore 2.0 percent. And, of course, economic giant China grew fastest at 7.8 percent.

The National Economic and Development Authority (Neda) said the brighter economic outlook supported by increased business confidence, strong employment creation, and accelerated government spending all contributed to the continued resurgence in economic activities in the second quarter of 2012 compared to a year ago. The Neda attributed the strong growth in large part to the accelerated public investment, as well as recovery in capital formation.

Government spending on public construction in the second quarter grew by 45.7 percent year-on-year, while capital formation grew 2.3 percent as compared to the decline of 10.5 percent in the same period last year.

The capital formation figures, the Neda said, strongly suggested that investments, which had been negative in previous quarters, have bottomed out, and that growth in capital formation is resuming.

The growth for the second quarter, Neda Director General Arsenio Balisacan noted, was supported by accelerated government spending infrastructure, conditional cash-transfer spending (which supported consumption), low inflation (which kept household consumption stable), better exports performance, continued credit expansion, buoyant

tourism sector, sustained overseas Filipino remittances, increased business and consumer confidence (an overall positive domestic outlook).

The government is doing what it should to boost economic growth, and I would like to commend Budget Secretary Butch Abad for the speedy and efficient release of funds for infrastructure and public services. The Department of Budget and Management (DBM), for instance, released P2.39 billion to support the Public-Private Partnership (PPP) Program. To date, the Department of Public Works and Highways has successfully bid out 91 percent of the 2,452 infra projects slated for the whole of 2012. And the DBM also confirmed that an additional P5 billion is being prepared for road projects leading to tourism zones that will be implemented in the second semester.

We are happy about the 5.6-percent growth. It is above expectations. With the revised 6.3-percent growth in the first quarter, the average for the first semester is 6.1 percent, which is already above the official target of 5-percent to 6-percent growth for the whole of 2012.

I feel confident that we're getting there. We're moving up the high-paced growth track and reaching the 7-percent to 8-percent GDP growth as envisioned in the 2011-2015 Philippine Development Plan.

My optimism, however, is a guarded one because current realities caution us that the way to "getting there" is not a silk road.

Next week: The risks ahead.

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