

**Column for Business Mirror**  
**MANNY VILLAR**  
**September 24, 2012**

## **The Entrepreneur**

### **We can do it**

THE title, a paraphrase from Fil-Am Hollywood actor Rob Schneider one-liner “You can do it” in one of his friend Adam Sandler’s movies, actually refers to my three-part series on the Philippine economy’s performance in the second quarter and related issues.

I started the series with the title of “Getting there,” by which I meant achieving the growth target of 7 percent to 8 percent in terms of gross domestic product (GDP) under the 2011-2016 Philippine Development Plan.

The 5.9 percent in the second quarter, which brought GDP growth in the first semester to 6.1 percent, was the second highest (after Indonesia) among the members of the Association of Southeast Asian Nations (Asean).

The beyond-expectations performance so impressed investors and economists that they now say the Philippines is “Asia’s rising star” or the “new darling of investors.”

As I pointed out in the second installment, however, we cannot ignore the risks from the external front, primarily the euro crisis and the continuing struggle of the United States economy to recover since the 2007-2008 financial crisis.

Fortunately, we have inner strengths that we can draw upon to sustain not just growth but robust growth and shield us from the adverse impact of external threats.

Our inner strengths, better known among economists as macroeconomic fundamentals, have actually been driving the growth of the domestic economy.

In its Philippine Quarterly Update released in July, the World Bank cited the Philippines’s fundamentals: low inflation, flexible foreign exchange rate, a current account surplus, manageable government finances, high-international reserves equivalent to almost a year’s worth of imports and steady remittances.

Even the conservative International Monetary Fund (IMF) has become optimistic toward the Philippines. It raised its growth forecast to 4.8 percent from 4.2 percent, but noted that “growth could surprise on the upside.”

The Bangko Sentral has been successful in keeping inflation close to the lower bound of its target of 3 percent to 5.4 percent mainly by lowering its policy rates, which in turn, stimulates business activities.

The government has ramped up spending, particularly on infrastructure. According to the National Economic and Development Authority, government spending on public construction jumped by 45.7 percent in the first semester compared a 50-percent drop in the same period last year.

Overseas Filipino workers (OFW) and expatriates continue to support the economy despite the economic difficulties in their host countries. Remittances grew 5.15 percent to \$11.936 billion in the first seven months of 2012 (on track with the Bangko Sentral’s full-year growth of 5 percent) from \$11.351 billion in the same period last year.

OFW remittances were a big factor in driving growth, particularly the services sector, which grew by 7.6 percent in the first semester and, together with the 4.6-percent

growth of the industry sector, offset the negligible 0.7 percent improvement of the agriculture, hunting, forestry and fishery sector.

“All in all, despite slowing momentum, domestic demand seems strong enough in the first half to bring full-year growth to above 5 percent this year,” according to New York-based think tank Global Source, which forecast full-year growth at close to 5.5 percent.

In my view, we have to look inward to cope with the uncertainties in the global economy.

The latest survey of the Social Weather Stations, which showed that 71 percent of respondent businessmen believe corruption has been reduced, translates to increased investor confidence.

That should help us attract more investments, including foreign capital. Data from the Bangko Sentral show that net foreign direct investments increased by 10.6 percent to \$917 million in the first semester of 2012 compared with \$829 million posted in the same period in 2011.

However, unemployment has remained high (6.9 percent), which should serve as a reminder that job generation should be pursued intensively by boosting manufacturing industries, to provide jobs to those who cannot be absorbed by the business-process outsourcing industry.

Promoting entrepreneurship will also offer more livelihood opportunities for Filipinos.

All of these efforts should be in focus with our goal of sustaining higher GDP growth, which is the primary reason behind the growing attractiveness of the Philippines among investors and economists.

*For comments/feedback e-mail to [mbv\\_secretariat@yahoo.com](mailto:mbv_secretariat@yahoo.com). Readers may view previous columns at [www.senatorvillar.com](http://www.senatorvillar.com).*

**LINK:**

<http://www.businessmirror.com.ph/index.php/news/opinion/2381-we-can-do-it>