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Economic Growth: From Whose Viewpoint?

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The Philippines may have been one of the hardest hit of all Southeast Asian countries by the worldwide economic downturn and the recent volatility in financial markets or foreign capital pullouts in the Philippine stock market. But preparation for Monday's SONA, an endless flow of Malacañang press releases about the phenomenal growth of the Philippine economy. In 2012 the GDP grew at 6.6%, higher than Indonesia (6.2%) and Malaysia (6%), and not far behind Asia's economic leader, China. Although the government economists overlooked that when President Gloria Arroyo stepped down in 2010, the GDP growth rate was 7.6%. And this year, the country has posted the fastest growth rate in Asia of 7.8% in the first quarter of this year. Its GDP growth has, in fact, overtaken China.

The Philippine Stock Exchange Index (PSEi) posted its 24th record high for 2013 after the Philippines received its first investment grading in history. The IMF despite its downward growth rate adjustments for the economies of the world, predicted that the Philippines can sustain its growth in the coming years. Axel van Trotsenburg, World Bank Vice President for East Asia and Pacific, came to the country last week to meet with President Benigno S. Aquino III to congratulate the country for its sound macroeconomic management and robust growth. To show his confidence and support for the Aquino program, Mr. van Trotsenburg even transferred, on the day of their meeting, US$300 Million under the development policy loan (DPL) to support critical reforms for accelerating growth which accordingly, will create more jobs and will reduce poverty in the Philippines.

Top financial rating agencies such as Fitch then Standard and Poor upgraded the Philippines' foreign long-term debt by one notch to BBB minus, and foreign short-term debt to A-3, with a stable outlook, citing the country's strong external profile, moderate inflation and declining reliance on foreign currency debt. Fitch's upgrading of the Philippines' credit rating to investment grade, is seen by government economists as a crucial step for the booming economy to take off. Indeed a day after the Philippines got its first investment grade rating from Fitch, the Southeast Asian central bank governors told CNBC the upgrade was a "seal of good housekeeping."

The announcements that the Philippine economy has risen under the Aquino regime, accordingly, is further authenticated and bolstered by Moody's Investor Service's highly influential report which claimed that "The Philippines is in a unique position to outperform its neighbors due to robust domestic demand which countered the effects of weak demand for exports." The investor grade is given because the "surging domestic economy" continues "to expand at a breakneck pace."

Malacañang communicators also announced the lifting of the travel ban would double European tourists coming to the Philippines from 300,000 to 600,000. Moreover the chance that European investors after seeing phenomenal Philippine economic growth may even be convinced to invest in the Philippines this year. Furthermore the Europeans are aware of the $1 billion dollars we loaned them through the IMF to help save the Euro Zone PIGS (Portugal, Ireland, Greece, and Spain) from financial bankruptcy.

In view of these developments President Aquino aims to "achieve growth as high as 8.5% before he steps down in 2016.

The mood in Malacañang was festive, as its communicators cited foreign economic experts' long pages of diagnosis and praise as the strongest testimonials of the Philippine economic miracle.

While Aquino's economists and business cronies as well as foreign financial experts extol about the phenomenal rise in the country's GDP growth rate, they were silent on the fact that along with the rise of the GDP is the sensational rise in the prices of all basic commodities, including tuition fee. They were also silent that the mid-term campaign expenditures contributed to the GDP growth. They agreed however that the rise in GDP growth rate is due mainly to consumption.

The majority of our countrymen, however, are skeptical that the Philippine economy is booming at a breakneck pace. They see no progress or improvement in their daily lives. If anything the number of unemployed and underemployed are still unemployed and underemployed and their numbers are increasing. For the workers, their wages have been stagnant for over a decade. 25 million Filipinos or 27.9 percent of the country has been classified as living in poverty (living on 62 US cents a day or less) – largely the same as in previous years. And wages of those employed have not caught up with inflation.

Even Norio Usui, Asian Development Bank senior economist, in a press briefing held at Asian Development Outlook 2013, noted that during the three years of Aquino's stewardship, the Philippines has strong growth but the benefits of strong economic growth have not spilled over to the people because they still cannot find a job." He suggested that the Aquino administration's primary concern should be how to "solve the problem of jobless growth if it hopes to reduce poverty." He also noted that the economy remains largely reliant on services and consumption fueled by remittances of Filipinos working overseas.

Data from the Bangko Sentral ng Pilipinas (BSP) on personal remittances revealed that it was domestic spending that fueled the country economic growth, and the money for consumption came from remittances of over 10 million Filipino workers overseas. It appears that the attributions that Aquino's program brought about breakneck economic growth by Fitch, Standard and Poor, Moody as well as the World Bank have been misplaced. In a little noticed press statement, the BSP declared that "Remittances" of Filipino skilled manpower worldwide is "the backbone of the economy." It said that the major sources of job opportunities are in Saudi Arabia, United Arab Emirates, Taiwan, Kuwait, Qatar, and Hong Kong.

It appears that contrary to the attributions of foreign financial experts, PNoy's contribution appears to be his making the eking out a living so difficult at home that most Filipinos are forced to go abroad for jobs. OFW remittances are the largest source of foreign exchange income for the country.

Conventional wisdom suggests that high GDP growth is good news, it means economic development. And economic development generally refers to sustained, concerted actions of policymakers and communities to promote the standard of living and economic health of the people. For most experts economic growth means the accumulation of human and physical capital or increased productivity arising from technological innovation; the result of developing new products and services, which have been described as "creating production at full employment" which leads to more equitable wealth sharing.

Sadly economic development as construed by the Aquino leadership is confined to the quantitative changes in the GDP growth rate. Positive figures mean economic good news. Thus Malacañang press releases tell us that high GDP and high credit scores equal economic growth.

But even World Bank vice president Mr. van Tortsenburg told PNoy that he has to turn "high growth into inclusive growth…by deepening and accelerating reforms that will create more and better jobs to reduce poverty." Thus despite all the so-called praises on growth and high credit rating, the unemployment rate rose to a three digit high of 7.5% in April. And according to Dr. Arsenio Balisacan, PNoy's fair-headed economist, the high consumption which boosted our GDP came from OFW's remittances. And to eradicate poverty PNoy has to create about 4 million jobs per year at home.

Clearly if PNoy wants higher incomes and eliminate massive poverty in the future than it has now needs productive investments. His government must create a national database on the country's natural, mineral, hydro-carbon, underwater biological and human resources that will give our economic planners a list of possible productive investments. No doubt spending on industrial equipment, the latest in tooling and machinery, is productive investment. So does spending on technological research, development and improvement of goods and processes. So does spending on the country's infrastructure such as transportation and communication networks, water supply and waste disposal. So does spending on building resettlement areas to relocate people who lost their houses in frequently flooded areas. Above all there should be spending on the creation and maintenance of an educated skilled adaptable labor force. ###