

The Philippines, A country with ambition

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“Mabuhay! (Welcome!)”. Other countries would be hard-pressed to rival the cheerful hospitality extended to those who arrive in the Philippines. It starts as soon as you step out of the plane. The staff lined up on the airport bridge, ready to help people needing assistance when disembarking the plane, greet passengers with a big smile and cheers of “Welcome to the Philippines!”. Before you exit the terminal, you would have been welcomed probably about a dozen times by airport staff, immigration officers and just about anybody you bump into. If you are lucky enough to arrive during the Christmas season - preparations for which already start as early as September - the welcome is taken to the next level with a full-blown choir in the airport terminal serenading your arrival with the tune of ‘Jingle bells’, ‘Joy to the World’, or ‘I’m dreaming of a White Christmas’. The latter is probably to be taken literally, as snowfall is something the Philippines has yet to experience. Even in December - considered a cooler season - the average temperature remains a tropical 30 degrees Celsius.

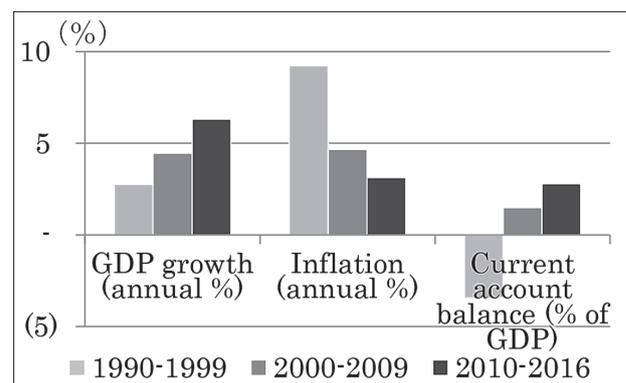
During the twelve years that I have lived in the country - I moved to Manila in 2004 and stayed there until 2016 when I moved to Tokyo - I have often wondered what the secret is behind this jolly and welcoming Filipino spirit. Other people would have lost hope in the face of the many adversities the country endured. The Philippines was colonized three times, left devastated by the Second World War, and subjugated by a dictator who ruled for over 20 years. Annually it is battered by devastating typhoons, yet time and time again, the Filipino gets up, shakes off the dust and gets back to work with a smile. It is said that the strong familial ties in the country create a feeling of togetherness whereby people are emboldened to face the challenges that

come their way because they have the support and encouragement of their families. Some also point to the importance of religion and the strong belief that with God’s grace the future will be better.

Ambition for the future

In recent years, the Filipino people have one more reason to be smiling and hopeful. Over the course of three decades, the country has transformed itself from once being labeled as “the sick man of Asia” to one of the strongest growing economies in the region. Macroeconomic fundamentals have considerably improved, with higher growth, lower inflation and a stronger external position (Figure). Increased macroeconomic stability and improved governance resulted in a credit upgrade to an investment-grade rating in 2013.

Figure: A stronger economy



Source: World Bank

On a recent business trip to the Philippines, I had the opportunity to talk to various stakeholders from the government, private sector and international organizations. I was struck by their shared sense of optimism about the economy. There was a broad consensus that economic growth would continue to

be strong over the next few years, and that the government's growth target of 7-8% is well within reach. Some remarked that the country could grow even faster if a number of bottlenecks to growth could be addressed.

As the country progresses economically, the Filipino people see an opportunity for change. This was clearly reflected in the outcome of the 2016 presidential elections, which the outspoken political outsider Rodrigo Duterte won by a landslide. For the first time in the history of the country, the leadership composed of the President, Senate President, and Speaker of the House of Representatives hails from the southern Mindanao region, ending the longstanding political dominance of the Luzon region. One year into his presidency, and despite a controversial war on drugs and the declaration of martial law in Mindanao, the President's approval rating remains high, as the population continues to believe that this administration can truly bring change to the country.

The desire for change has also translated in ambitious goals that the country has set for itself. Realizing that the country would be left behind in the fastest growing region in the world unless it would become more ambitious, the Philippine government with the support of the Asian Development Bank developed a long-term vision for the future, entitled "Ambisyon Natin 2040 (Our Ambition 2040)". The vision statement reads as follows:

In 2040, we will all enjoy a stable and comfortable lifestyle, secure in the knowledge that we have enough for our daily needs and unexpected expenses, that we can plan and prepare for our own and our children's future. Our family lives together in a place of our own, and we have the freedom to go where we desire, protected and enabled by a clean, efficient, and fair government.

More than an economic goal, the vision statement captures the way of life the Filipino people aspire for. With the growing economy, the vision is becoming a reality for a larger number of people. The challenge will be to put the right policies in place to ensure that high economic

growth is sustained all the way through 2040 so that the vision becomes a reality for *all* Filipinos.

'Our family lives together in a place of our own'

One aspect of the vision that is visibly becoming within reach of more people is the dream to live in a place of their own. Throughout the capital Metro Manila, many new high-rise buildings are being constructed for residences as well as businesses. It is said that many condominium units are bought by the earlier generations of overseas Filipino workers who after spending their working life overseas, return to their homeland to retire. The construction sector grew so rapidly resulting in a shortage of skilled construction workers. The central bank is closely monitoring credit growth in the real estate sector to make sure the sector does not overheat.



Construction boom

The vision statement also expresses the hope that families will live together. While this may seem an obvious and achievable goal, it is a strong and often remote dream for the millions of overseas Filipino workers who decided to leave their home country in search of better economic opportunities. As a result of this exodus, Filipinos literally can be found everywhere in the world nowadays. A visit to a catholic church in the remotest places of the world would most likely lead to a chance encounter

with a Filipino. Overseas workers, or OFWs as they are commonly referred to, have been an economic pillar of the Philippines. According to World Bank data, remittances from the more than 10 million Filipinos working abroad amounted to 10% of GDP in 2016. Unfortunately, an often overlooked aspect is the social cost of the family separation where children grow up without their father or mother around. Hence, the pronounced desire to live together as a family.

While the country will continue to rely on workers abroad, the hope is that the growth in the domestic Philippine economy will be able to provide more job opportunities within the country. Economic data are encouraging. Over the last ten years, the unemployment rate in the Philippines decreased from 7.4% to 5.9%, while salaries increased by 6.6% per year between 2011 and 2016, which is well above the inflation rate.

‘We have the freedom to go where we desire’

Judging from the number of Filipinos I encounter on my trips between the Philippines and Japan, more and more also seem to have the freedom and means to go where they desire. Tourism statistics indicate that close to 350,000 Filipinos visited Japan in 2016, or almost 30% more than in 2015. In comparison, slightly more than 500,000 Japanese nationals visited the Philippines in 2016.

Increasing prosperity is also visible on the road. A growing middle class has resulted in increasing car sales, providing the people with improved mobility. While in 2004 only about 88,000 new cars were sold, that number has grown more than fourfold to 400,000 in 2016. While most of these cars are imported, the government is hoping that the growing car market will also boost the local economy and job creation, as it is promoting car manufacturing in the Philippines. Manufacturers that have committed to producing cars in the Philippines include Mitsubishi and Toyota.

The growing number of cars on the roads has unfortunately also contributed to a growing

congestion problem in urban areas. Traffic in the capital Manila has become notorious and is a frequent conversation topic among local residents. The major roads regularly turn into giant parking lots, especially when torrential monsoon rains flood the streets. Distance between two points in Manila is not measured in kilometers or miles, but in the estimated time it will take to reach the destination, which is usually hours rather than minutes. To try to ease the traffic congestion, the government resorted to a drastic measure called ‘number coding’, which means that people cannot use their car one working day every week. Unfortunately, this has not helped much, and the government recently declared a traffic crisis in the city.

The growing traffic problem in the country is the result of chronic underinvestment in transport infrastructure including roads as well as public transportation.

Build! Build! Build!

The government has recognized this deficiency in infrastructure and has prepared a massive infrastructure investment program under the slogan “Build! Build! Build!”. Over the next six years, the government plans to increase public investment in infrastructure to more than 7% of GDP. In absolute numbers, the plan is to triple infrastructure investment compared to the past six years. Bridges, roads, airports and railways will be constructed or upgraded. One of the ambitious projects that is part of this plan is to build the first ever subway line in Metro Manila. The project, called “Mega Manila Subway” would connect the airport to Quezon City, the largest city in Metro Manila. This long overdue project would be completed by 2024 with the help of Japanese expertise and would substantially upgrade public transportation in the city, which has consisted so far of three overhead metro lines and hundreds of buses. For secondary roads, tricycles and jeepneys have been popular modes of transportation.



The Filipino jeepney

Jeepneys are a unique feature of the public transportation system in the Philippines. Jeeps that were abandoned by the American army after the Second World War were, through Filipino ingenuity and creativity, converted into vehicles for public transportation. Jeepneys are a source of great pride for their owners, who often decorate them with colorful paintings and elaborate accessories.

Seventy years later, they continue to ferry passengers in the city for a fare as low as 8 pesos, the equivalent of 17 yen. Nostalgists will be saddened to learn that the era of the jeepney will soon come to an end as the government plans to phase out jeepneys over the coming years as part of the plan to make public transportation more comfortable and convenient. They will be replaced with modern vehicles that comply with current emission and safety standards and will provide more comfort to passengers.

‘We will all enjoy a stable and comfortable lifestyle’

The scale-up in infrastructure investment is not only expected to improve the traffic situation, but also the general competitiveness of the country. It will address one of the key bottlenecks that has constrained economic growth and reduced the attractiveness of the Philippines as a destination for foreign investment. In discussions I had with foreign investors, they praised the abundant availability of an educated and qualified labor force as one of the benefits of investing in the Philippines, but they consistently pointed to a lack of infrastructure as one of the key constraints.

The government recognizes that while the

infrastructure development plan is a necessary component of the strategy to sustain growth, it is not sufficient. The current administration has developed a ten-point socioeconomic agenda, which is sometimes referred to as “Dutertenomics”. In addition to infrastructure development, the agenda includes among others maintaining a stable macroeconomic environment, investing in human capital development, and increasing competitiveness and the ease of doing business.

One key challenge for the government will be to ensure that the benefits of growth reach all regions and people of the country. Thus far, economic activity has been disproportionately concentrated in Metro Manila and the surrounding provinces, accounting for more than 50% of the country’s GDP. The resulting discrepancy in per capita income between the capital and other regions is stunning. Averaging almost P79,000 per capita in 2016 for the whole country, per capita income in the capital was as high as P233,000, while it barely reached P13,000 in the Autonomous Region of Muslim Mindanao. While the modest contribution to the national economy of the ARMM region implies that the impact of the ongoing conflict in the city of Marawi remains limited, it also shows the formidable challenge the country faces in spreading the benefits of growth.

With a clear agenda for the way forward, this period of economic growth presents a unique opportunity to put the country on a track towards achieving its vision for the future. If the country is successful, it will ensure that its people will continue to be cheerful and smiling for many years to come.

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