

THE PHILIPPINES could remain Southeast Asia's fastest-growing economy this year and the next as the country benefits from low oil prices, accelerated government spending and better exports prospects with major trading partners, the Asian Development Bank (ADB) said in a report released yesterday.

In its flagship report, titled Asian Development Outlook 2015: Financing Asia's Future Growth, the Manila-based regional lender said it still sees the Philippine economy growing at 6.4%, unchanged from a December 2014 forecast, before slowing to 6.3% in 2016 due to investor caution amid a change in government. Growth outlooks for the country were kept even as the multilateral lender cut projections for Southeast Asia this year.

"The pick-up in growth in 2015 will stem largely from the rebound in government spending, lower oil prices which will benefit consumption and investments and also a pick-up in growth in industrial economies, particularly the US, which bode well for exports and foreign direct investment," ADB Philippines Country Office Director Richard S. Bolt said in a press briefing in Mandaluyong City.

"Growth is projected to slightly ease in 2016, partly reflecting investor caution amid uncertainties on the elections and higher oil prices." The Philippine economy grew 6.1% last year, buoyed by a 6.9% rebound in the fourth quarter but below the government's official 6.5-7.5% goal for 2014. The state aims for 7-8% gross domestic product (GDP) growth this year and the next.

While ADB's forecasts fall short of the official goal, the country will remain the fastest-growing economy in Southeast Asia. "Factors that powered private consumption in 2014 -- growth in employment, modest inflation, and higher inflows of remittances -- are projected to continue through the forecast period," the report explained, adding that "lower fuel prices are benefiting consumers..."

Export growth this year is expected to outpace import expansion as major industrial countries, particularly the United States, recover from a slump. Other growth drivers include construction, motor vehicle sales, growth in manufacturing output and credit, and election-related spending.

Risks, however, remain.

"Risks to the outlook come from unexpectedly weak recovery in the industrial countries, as Japan, the US, and the euro area together take half of all Philippine exports," ADB said, adding that the impending power shortage in the dry months poses risk as well.

ADB trimmed its inflation outlook for the country to 2.8% this year from 4.1% in December 2014, "owing to lower fuel prices and modest increases in food prices". Inflation is then expected to accelerate to 3.3% next year. Both projections compare to the central bank's forecasts of 2.3% for 2015 and 2.5% for 2016, and a target of 2-4% for both years.

“There are risks to this forecast from El Niño weather conditions that are expected to last through the first half, as well as from possible power shortages and pending petitions for higher electricity tariffs,” the report stated.

Inflation is expected to pick up next year due to higher prices of oil and of other commodities.

“As inflation stays within the central bank’s 2-4% target range, monetary authorities may maintain current policy settings for some time before resuming a gradual tightening,” the ADB said.

While prospects bode well for the Philippine economy, ADB said “higher rates of investment are needed to build on recent gains and raise employment to reduce poverty”.

“While Philippines has posted solid growth in recent years and unemployment is declining, underemployment remains high and a quarter of the population is poor,” Mr. Bolt said.

“Deepening investment climate reforms is important.”

ADB noted that liberalization of aviation policies and lifting of restrictions on foreign banks “were important milestones”.

“Further reforms to enhance competition, improve regulatory efficiency, and reduce administrative costs of doing business are crucial for achieving higher levels of investment.”

Regionally, Southeast Asia is expected to grow at 4.9%, down from a 5.1% projection in December, and 5.3% in 2016. Vietnam is seen as the second-fastest growing economy in the region at 6.1% in 2015 and 6.2% next year.

Mikhail Franz E. Flores(2014, March 24). Philippines expected to continue leading SE Asia's expansion Retrieved from <http://www.bworldonline.com/content.php?section=TopStory&title=philippines-expected-to-continue-leading-se-asia&rsquos-expansion&id=104986>