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**Philippine economy needs steady hand to keep recovery from going stagnant****CHAITANYA KALBAG**

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The Philippines has experienced its best growth in seven years, but it still faces a daunting array of problems. Analysts say President Corazon Aquino must now demonstrate that she can manage the economy. BY

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Reuter

**MANILA**

The Philippines has emerged from a tumultuous year with democracy apparently firmly in place after Monday's local elections, but there is no euphoria among analysts over the country's economic prospects.

The economy has turned in its best growth in seven years, but analysts say recovery may turn into stagnation unless Manila takes firm steps to tackle a daunting array of problems.

With the polls out of the way, no more elections due until 1992 and a two-year process of political consolidation complete, they say effective management of the unsteady economy now tops President Corazon Aquino's agenda.

"After this, the expectation is that the full concentration will be focused on economic recovery," said Aurelio Periquet, president of the Philippine Chamber of Commerce and Industry. "We have no more excuses."

The Philippines' gross national product grew by an estimated 5.1 per cent last year after a small 1.5 per cent growth in 1986, a contraction of 10.6 per cent over 1985 and 1984, and a steady decline since 1980, when it grew by 5 per cent.

Mr. Periquet was cautious. "A comparison with other developing countries in the region shows that our performance last year, respectable as it is, still ranks near the bottom."

Jose Fernandez, governor of the central bank, told a meeting of business people last week that much remains to be done. "As we look ahead, there is little doubt in my mind but that the overriding need for the economy is credible management," he said.

He noted that the Philippines' \$28.48-billion (U.S.) foreign debt is equal to 87 per cent of its gross national product, the sum total of goods and services produced in a country.

Economic Planning Secretary Solita Monsod said earlier this month that servicing the debt would gobble up \$3.03-billion in 1988, up from \$2.9-billion last year, even though \$14-billion of debt was rescheduled in 1987.

Manuel Montes, economics professor at the University of the Philippines, noted that growth in 1987 had been consumer-led, but he said investments need to flow in at a faster pace this year.

"Otherwise, the economy might overheat," he said.

Mr. Periquet agreed. "Rising consumer demand unmatched by a corresponding increase in industry's productive capacity will eventually lead to inflation rather than real growth."

Finance Secretary Vicente Jayme said this month that the level of investments is a crucial element in the country's targeted 1988 growth.

"It is important in 1988 that confidence in the economy must be there to allow a significant increase in investments on the part of the private sector," Mr. Jayme said.





Referring to a military coup attempt five months ago that nearly toppled Mrs. Aquino and is widely believed to have scared off many potential investors, he added: "All told, I think unless something of the magnitude of the Aug. 28 event takes place, that 1988 will be a good year."

Board of Investment figures show that local investors poured in \$202- million in the period from January to October, 1987, while foreign investors, who adopted a wary posture, contributed only \$125-million.

The analysts also noted that the country's 1987 performance masked other major instances in which targets were not met.

Agriculture was hit by two big typhoons and a severe drought and expanded by only 0.7 per cent in 1987 against targeted growth of 4 per cent and 1986 growth of 3.7 per cent.

Meanwhile, the country's exports shrank by 3.8 per cent against a targeted 5.4 per cent growth and 1986 growth of 21.8 per cent. Imports soared by 20.7 per cent against a targeted 12.3 per cent and 1986 growth of 25.44 per cent.

Omar Cruz, senior economist at the independent Centre for Research and Communication, said exports must grow by an average 15 per cent annually in the period up to 1992 if Manila wants to meet its annual GNP growth target of 6.5 per cent.

"If we're willing to stop being skeptics and defeatist, we might just about hack it," he added.

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