

## PH economy struggles amid crisis in major economies

Written by Administrator  
Friday, 06 January 2012 15:36

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**A bank employee displays 100 peso notes in Manila. The Philippine economy is facing major risks from abroad that could limit its growth prospects next year, the Central Bank governor said.**

MANILA — The Philippine economy struggled under the weight of weak public spending and the crises — financial and natural — in the world’s major economies, but has remained resilient in the first full year of the Aquino Administration, according to Iris C. Gonzales of the *Philippine Star*

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According to latest economic data, the Philippine economy, as measured by the Gross Domestic Product (GDP), grew by only 3.2 percent in the third quarter of the year, noticeably far behind the 7.3 percent third-quarter growth recorded in the same period last year.

The third-quarter figure brought the January to September economic growth at 3.6 percent, still below the target for the full year of 4.5 percent to 5.5 percent.

Even the aspirational target of seven percent to eight percent earlier set by the government has been abandoned for months now and private analysts believe that growth would barely hit even just the low end of the official forecast range of 4.5 percent to 5.5 percent.

Still, Socioeconomic Planning Secretary Cayetano Paderanga Jr. said GDP may still grow by five percent and even by 5.5 percent this year, which is the upper end of the forecast range.

“We still have a good chance of meeting the upper end of the projection,” he said in a year-end briefing last week.

Estimates from the National Economic and Development Authority (NEDA) showed that the economy in the fourth quarter of the year has to expand by 7.8 percent for full-year growth to hit 5.5 percent.

Paderanga said that the government has confidence in its “spending catch up plan.”

Under-spending has been largely blamed for the lackluster growth this year as the Aquino government tightened disbursements in favor of prudent spending and as part of its fight against corruption.

President Benigno Aquino III presented a Tuwid-na-Daan governance framework.

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He promised to rid the bureaucracy of red tape and corruption.

As a result, state-owned agencies have had to be more careful in dealing and releasing funds.

“We’re hoping our catch-up program has finally become on track,” Paderanga said.

In October, the government announced a P72-billion Disbursement Acceleration Package, or what it calls a stimulus program.

However, Paderanga said under-spending isn’t all to be blamed.

He said there are also global uncertainties such as the financial woes in the United States and the debt crisis in the eurozone that also affected the economic environment.

These risks may continue throughout next year, he said.

### **Financial woes**

“The downside risks are the evolving global environment,” he said, referring to the financial woes in the United States and the eurozone.

He also that the impact of the tsunami in Japan lingered longer than expected and made worst by the recent floods in Thailand.

These disasters affected the country’s export growth.

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“As you know, the country’s growth in 2011 was affected by the global economic slowdown amid uncertainties in Europe, continuing weakness of the U.S. economy and disasters in Japan, which led to weak exports. On the local front, growth was weakened by the contraction in the construction sector, which was pulled down by lower government spending, given the process improvements and project reviews for public construction projects,” Paderanga said.

Latest data showed that on the supply-side, the services sector remained the largest contributor to growth in the first three quarters of the year with a 4.7 growth.

Similarly, agriculture production also improved despite the typhoons in the third quarter of the year.

However, the industry sector decelerated to 1.4 percent, dragged by a decline in construction and utilities.

Total exports declined 3.7 percent due to supply chain disruptions.

For 2012, Paderanga said the economy is expected to hit the five percent to six percent target for next year.

He hopes that there would be improvement in the external environment and that the spending would improve significantly.

“We would like to see some pleasant events,” he said.

In terms of policy directions, Paderanga said the government would be stimulating domestic consumption while safeguarding price stability.