PHILIPPINES: NEWLY-ELECTED PRESIDENT MARCOS JR. IS EXPECTED TO PURSUE DUTERTE'S ECONOMIC AND SECURITY POLICY

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EVENT

Ferdinand Marcos Jr., known by his nickname "Bongbong", son of the late dictator, is poised to become the new president of the Philippines after a landslide victory in presidential elections on 9 May. Sara Duterte, the outgoing President Rodrigo Duterte's daughter, was elected vice president in separate elections. Marcos Jr. won with more than double the votes of his main rival, the outgoing vice president Leni Robredo, who accepted the results. Although he did not make clear policy commitments during his electoral campaign, Marcos Jr. is expected to ensure continuity with Duterte's term, notably in his economic and internal security policies. Marcos Jr. will officially take office in July.

IMPACT

The comeback of a Marcos into power, 36 years after a long and severe dictatorship ended with the family forced to flee into exile, can be seen as a rehabilitation and, thus, a major political event for the country. His election and Sara Duterte's, both with a landslide majority, will give him clear support for the next six years of his mandate. Indeed, until the elections, Marcos Jr. spent time burnishing his family's rule and image and playing down their gloomy track record of human rights and corruption. Marcos' large success can thus be explained by his broad political network, intense rehabilitation efforts via social media in order to influence an important share of the population who did not live under the Marcos family's dictatorship and, last but not least, Sara Duterte's high popularity.
While continuity in economic policy and a business-friendly stance are expected, the domestic security policy – symbolised by Duterte's controversial war on drugs – and the risk of further rise in authoritarianism and threat to freedom of expression could lead to frequent protests from democratic forces and civil society. Therefore, it can be expected that Marcos' presidency will further fuel social polarisation, even though he enjoys a strong mandate. On the external front, his foreign policy is expected to be pragmatic, between preserving good trade ties with China – thus, avoiding tensions as much as possible in the South China Sea – and maintaining defence ties with their US ally.

Continuity in economic policy is in the cards as well. As seen over the past two decades, macroeconomic stability managed by technocrats is likely to persist. Investments in infrastructures under the "Build, Build, Build" programme, will remain a central point of the future government's economic agenda, including a push to increase FDI. Another top focus of the new president, in the coming months, will be to address the rising costs of living on the back of high energy and food prices. In April, inflation was around 5%, thereby affecting consumer demand and increasing social instability risks. At the same time, Marcos Jr. will have to deal with slowing economic recovery, as domestic and external conditions are deteriorating. In addition to an expected weakening of key consumption, due to inflation pressures, and while Covid-19 vaccination is lagging (61% of the population is currently fully vaccinated), exports are expected to be hit by China's economic crisis, supply chain disruptions and recession risks in the EU. Possible interest rate hikes are also likely to slow down expected 6.5% rate this year. On the other side, the push in investment projects could partly offset the downside risks harming the economic activity. Providing fiscal support could be more complicated as public finances deteriorated significantly during the pandemic. Public debt soared from 37% of GDP in 2019 to 57% in 2021, while fiscal deficit is expected to remain well above 5% of GDP this year.

In the short term, Credendo does not foresee any changes in its risk ratings.

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