



Monitoring the Philippine Economy

First Quarter Report for 2021

Project of Angelo King Institute

Mitzie Irene P. Conchada¹
Full Professor
School of Economics

Darren Angelo Briones
BS AEF-APC
School of Economics

Economic disruptions due to COVID-19 continued as first quarter 2021 year-on-year growth worsened to -4.2 percent from -0.7 percent the previous year.

The Philippine economy posted its 5th consecutive quarterly contraction. First quarter growth hit negative 4.2 percent, as the spread of COVID-19 and the consequent lockdowns continued to ravage the economy. Weaker year-on-year performance was recorded broadly for both the demand- and supply-sides, except for government spending that increased to mitigate the contraction. While year-on-year results remained dismal, tapering contractions on a quarterly basis were observed, perhaps a sign of a mending economy. The moderately improving but still contracting trend also points to a plausible growth trajectory should the economy be less hampered by lockdown restrictions. Nonetheless, fiscal reforms; a speedy vaccine rollout; and better control of COVID-19 transmission could permit economic recovery and boost consumer and business sentiment.

- **Major components of aggregate demand**
 - **Private consumption marked its fourth consecutive quarterly decline albeit at a slower rate.** Household Final Consumption Expenditure (HFCE) in the first quarter exhibited a decline of 4.8 percent year-on-year (y-o-y), making it the fourth consecutive quarterly decline that began in the second quarter of 2020. Although the above decline has slowed from -15.3 percent Q2 2020 (y-o-y), the continuing decline has reversed the decades-long positive trend. According to the Philippine Statistics Authority (PSA)², HFCE components that suffered the largest contractions were Recreation and culture (-32.5 percent from -5.7 percent, y-o-y); Transport (-26.7 percent from -7.4 percent, y-o-y); Clothing and footwear (-19.5 percent from 0.1 percent, y-o-y); Restaurants and hotels (-16.1 percent from -14.3 percent, y-o-y); Alcoholic beverages, tobacco (-11.9 percent from -17.8 percent, y-o-y); Furnishings, household equipment and routine household maintenance (-10.8 percent from -9.4 percent, y-o-y); and Miscellaneous goods and services (-0.6 percent from 7.9 percent, y-o-y). On the other hand, components that yielded positive but slower growth rates were Health (4.8 percent from 8.4 percent, y-o-y); Food and non-alcoholic beverages (2.2 percent from 4.7 percent, y-o-y); Housing, water, electricity, gas and other fuels (0.3 percent from 2.4 percent, y-o-y); and Education (0.3 percent from 0.8 percent, y-o-y). Only Communications expenditures grew at a faster rate

¹ Report is based on latest available data as of July 3, 2020. For comments and questions, please email mitzie.conchada@dlsu.edu.ph

² https://psa.gov.ph/sites/default/files/Q1%202021_NAP_Pub.pdf

(6.2 percent from 5.1 percent, y-o-y) among all HFCE components. Prolonged quarantine restrictions, retained travel bans, increased caution due to new COVID-19 variants, high unemployment, and an end-quarter COVID-19 case surge continued to impact overall household consumption; however, the growth of specific HFCE components reflected shifting expenditure patterns and adapting needs in the ongoing pandemic.

- **Gross domestic capital formation continued its tapering but still double-digit decline.** While the 18.3 percent decline in Gross Capital Formation (GCF) was less severe compared to the 51.5, 39.5, and 32.2 percent declines in the preceding quarters, it was still worse than the 12.1 percent contraction the previous year. The decline in capital investments was minimally offset by growth in Intellectual Property Products (1.2 percent from 2.4 percent, y-o-y), as investments in all other components again posted negative growth rates and ultimately pulled overall GCF down. GCF components that declined were Inventories (-39.7 percent from -743.2 percent), Construction (-27.2 percent from -2.0 percent), Durable Equipment (-13.8 percent from -2.3 percent), and Breeding Stock and Orchard Development (-3.2 percent from -1.7 percent). The slower rate of decline compared to the preceding quarters can be attributed to the relatively lower base due to the early impact of COVID-imposed lockdowns in the latter period of the first quarter of 2020.
- **Government spending ballooned as a mitigating response to the pandemic.** The government's fiscal expansion recorded a 16.1 percent increase in government expenditures relative to the 7.0 percent increase the year prior. The first quarter growth in government spending was also significantly greater than the 5-6 percent increases in the two preceding quarters. According to the Bureau of Treasury³, increased government spending resulted in a PHP 321.5 billion budget deficit for the first quarter, with spending buoyed by infrastructure and social welfare programs, as well as by disbursements for the *Bayanihan II* or *Bayanihan to Recover As One* law. Meanwhile, the Department of Budget and Management⁴ expects the deficit to rise to 9.4 percent of GDP in 2021 to support the pandemic response before pursuing a fiscal consolidation strategy to bring the deficit down to 5.4 percent of GDP in 2024. An increased budget deficit in the short term driven by higher government spending can stimulate and spur the economy amidst recessionary pressures due to the pandemic, but it cannot be sustained for a long period and the government must remain cautious of dangerously high and unmanageable debt levels. Fiscal consolidation will be made more possible by robust economic growth to lower debt-to-GDP ratios and to shore up government revenues.
- **Trade deficit narrowed amid declines in both exports and imports.** The trade deficit slightly decreased from PHP 453 billion in the first quarter of 2020 to PHP 440 billion, amounting to a 2.9 percent decrease. The rate of decline of both exports and imports of goods and services slowed on a quarterly basis since the second quarter of 2020, but faster declines were observed relative to the previous year. The Philippine Statistics Authority⁵ reported a 9 percent decline in exports of goods and

³ https://www.treasury.gov.ph/wp-content/uploads/2021/04/COR-Press-Release-March-2021_final_ed.pdf

⁴ <https://www.dbm.gov.ph/index.php/secretary-s-corner/press-releases/list-of-press-releases/1875-review-of-the-medium-term-macroeconomic-assumptions-and-fiscal-program-for-fy-2021-to-2024>

⁵ https://psa.gov.ph/sites/default/files/Q1%202021_NAP_Pub.pdf

services, a noticeably faster contraction compared to the -4.4 percent change the previous year. The reduction in total exports was driven by a 21 percent y-o-y reduction in exports of services, which worsened from the 6.2 percent contraction the year prior. Reduction in the exports of services was precipitated by declines in Travel (-97.8 percent), Business Services (-4.3 percent), Transport (-40.6 percent), Miscellaneous Services (-11.7 percent), and Manufacturing services on physical inputs owned by others (-10.4 percent). On the other hand, exports of goods expanded with a 2.4 percent increase compared to the -2.6 percent contraction the previous year. Export commodities with the strongest growth rates include Medical/Industrial Instrumentation (83.8 percent), Consumer Electronics (52.2 percent), Processed Food and Beverages (31.5 percent), Chemicals (31.2 percent), Shrimps and Prawns (27.4 percent), Electronic Data Processing (16.1 percent), and Components/Devices - Semiconductors (12.9 percent). As exports of electronic products strengthened by 11 percent, exports of agricultural products reduced by 29.8 percent, its largest decline yet in the pandemic. Meanwhile, imports of goods and services declined by 8.3 percent y-o-y relative to the 7.4 percent decline the year prior. While imports of goods remained generally unchanged (-1.6 percent), total imports were weighed down by a large decline in imports of services (-33.2 percent). Major service import components that declined were Travel (-68.6 percent), Business Services (-19.5 percent), and Transport (-18.8 percent). The larger absolute reduction in imports led to a narrowed trade deficit despite the slightly faster rate of decline in exports. The overall decline in demand for transport, travel, and business services due to COVID-19 consequently dampened exports and imports.

- **Major components of aggregate supply**

In this report, we present results from an alternative to the “traditional” (TRAD) method of decomposing growth of GDP in constant prices into sector contributions. This alternative method is a “generalized” (GEN) growth decomposition that applies to GDP in constant prices (e.g., in the Philippines) and to GDP in chained prices (e.g., in Canada and the US). While TRAD recognizes only “quantity” growth as the source of a sector’s contribution to GDP growth, GEN posits that a sector’s contribution comes from “quantity” growth and from “real price” growth where this price is, by definition, the ratio of a sector’s deflator to the overall GDP deflator. The GDP deflator as the common denominator of the above ratio makes real GDP the numeraire and, thus, this ratio is the relative price or exchange value of the GDP of a sector in “GDP units,” i.e., the “real price” of a sector’s GDP. Therefore, a sector’s positive “quantity” growth contribution will be diminished if accompanied by a negative “real price” growth of the same sector that may even result in a negative net contribution by the sector to GDP growth. On the other hand, a sector’s positive “quantity” growth contribution will be enhanced if accompanied by a positive “real price” growth (see Table 3).⁶

- **Service sector quarterly contraction continued to taper as absolute output receded to Q1 2018 level.** The service sector output contracted for the fourth consecutive quarter after posting a y-o-y decline of 4.4 percent. Despite a slower contraction relative to the previous quarter’s 7.9 percent, the contraction reverses the marginal 0.1 percent growth in the previous year. Thus, total sectoral output fell to within the range of first quarter 2018 output. Nonetheless, services continued to have the greatest share among the sectors, accounting for 59.8 percent of total output and hence contributing -2.64 percentage points to the overall first quarter

⁶ See the footnote to Table 3 for the source of the GDP growth contributions.

GDP growth rate (see Table 3). Sharp declines vis-a-vis the previous year were observed in the following sub-sectors: Wholesale and Retail Trade; repair of motor vehicles and motorcycles (-3.9 percent from 1.4 percent), Transportation and Storage (-18.8 percent from -11.4 percent), Accommodation and Food Service Activities (-20.6 percent from -15.9 percent), Real Estate and Ownership of Dwellings (-13.2 from -2.9 percent), Professional and Business Services (-6.5 percent from -2.5 percent), Education (-1.0 percent from 1.3 percent) and Other Services (-38.0 percent from -9.8 percent). Meanwhile, growth in the following sub-sectors were not sufficient to reverse the overall service contraction: Information and Communication (6.3 percent vs 4.7 percent), Financial and Insurance Activities (5.2 percent vs 8.8 percent), Public Administration and Defense; compulsory social activities (7.5 percent vs 5.5 percent), and Human Health and Social Work Activities (11.7 percent vs 3.0 percent). The top three contributors to the service sector were Wholesale and Retail Trade; repair of motor vehicles and motorcycles, Financial and Insurance Activities, and Real Estate and Ownership of Dwellings.

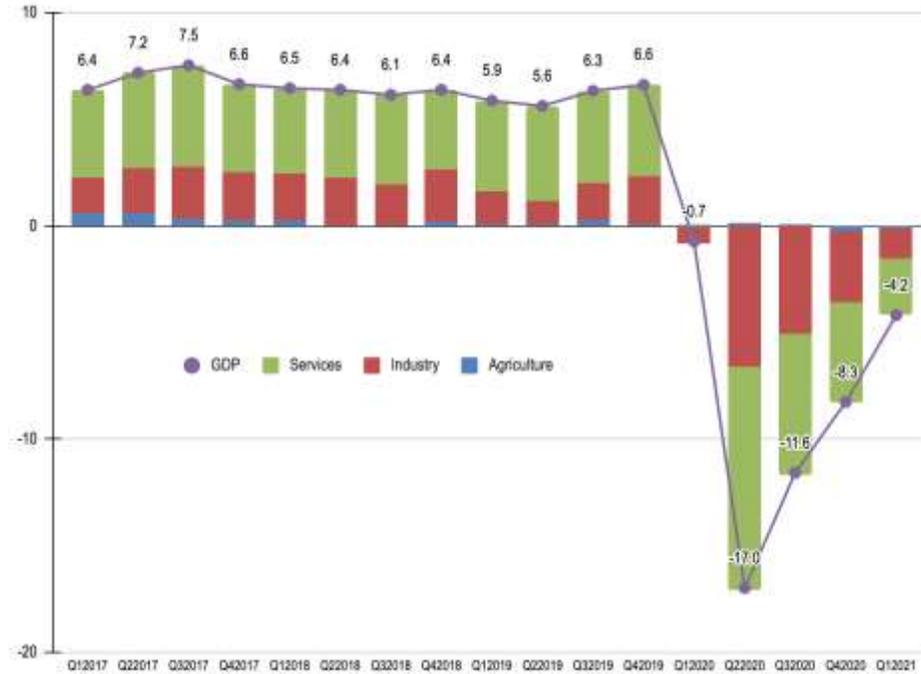
- **Industry sector output contraction eased to single digits but on its fifth consecutive quarterly drop.** The industry sector contracted by 4.7 percent, a milder contraction from the previous quarter's -10.6 percent but nonetheless faster than the previous year's 2.5 percent decline. The sector contributed -1.43 percentage points to GDP change (see Table 3) and had a 30.0 percent share of total output. The industry output drop was due to declines in the Construction (-24.2 percent from -0.3 percent) and Mining and Quarrying (-1.0 percent from -21.3 percent) sub-sectors. These sub-sector declines were too overwhelming to be covered by growth in Electricity, Steam, Water, and Waste (1.9 percent from 4.9 percent) as well as in Manufacturing (0.5 percent from -3.3 percent). The relatively improving demand invigorated manufacturing, as the Purchasing Managers' Index (PMI) rose to its 25-month high of 52.5 in January⁷ before falling below the 50-point expansion threshold to 49.8 in February⁸. Manufacturing contributed 69.2 percent of the total industry output, while the sectoral decline was primarily due to the sustained drop in construction activity.
- **Agriculture sector recorded successive quarterly declines as livestock, poultry, and egg production downtrend continued.** The agriculture sector contracted by 1.2 percent following a previous quarterly decline of 2.5 percent as livestock as well as poultry and egg production sustained four consecutive quarterly contractions. The sector contributed -0.12 percentage points (see Table 3) to GDP change and had a 10.2 percent share of total output. Meanwhile, the deterioration relative to the previous year's -0.2 percent was primarily a result of declines in the Gross Value Added (GVA) of Livestock (-23.2 percent from 1.5 percent), Poultry and Egg Production (-7.4 percent from 3.5 percent), Sugarcane including muscovado sugar-making in the farm (-4.5 percent from 8.9 percent), and Other Agricultural Crops (-4.1 percent from -0.6 percent). Supply constraints from the African Swine Fever (ASF) outbreak continue to impact meat supply, as hog production decreased 26 percent and as recorded meat prices increased by 17.1 and 20.7 percent in

⁷<https://www.bworldonline.com/philippine-factory-activity-surges-to-2-year-high-in-january/>

⁸https://www.bsp.gov.ph/Lists/Inflation%20Report/Attachments/22/IR1qtr_2021.pdf

January and February, respectively^{9,10}. Agricultural sub-sectors that recorded heavy expansions were Palay (8.6 percent from -1.9 percent), Corn (6.4 percent from -4.4 percent), and Support Activities to Agriculture, Forestry, and Fishing (7.9 percent from 5.9 percent). Until this quarter, successive quarterly declines in agriculture were last observed in 2016.

Figure 1. Contributions to GDP growth (y-o-y, %) from Aggregate Supply



Source: Author's calculations based on data in Table 3 below.

⁹<https://www.pna.gov.ph/articles/1139253>

¹⁰<https://www.bworldonline.com/inflation-hits-26-month-high-in-february/>

Challenges facing the economy

- **COVID-19 continues to stifle small steps to economic recovery.** Although most parts of the country started 2021 with less stringent quarantine protocols, the National Capital Region started the year with the stricter general community quarantine (GCQ) that limited mobility and economic activity¹¹. Granular or localized lockdowns have been the preferred course of action to minimize the impact of wider-reaching lockdown measures on the economy. However, Metro Manila mayors and national economic managers clamored for the shift to the more lenient Modified GCQ (MGCQ) in hopes of revitalizing industries and securing livelihoods^{12,13}. But just as gradual economic reopening was being considered, new daily COVID-19 cases spiked to 10,089 on March 29th, over 2.5 times the peak number of 3,831 new daily cases in the first wave¹⁴. The end-quarter peak in cases obliterated any hope of an immediate shift to more lenient quarantine status and consequently depressed overall output. National Economic Development Authority (NEDA) Acting Secretary Karl Chua stated that PHP 700 million was lost each day from the imposition of the stricter GCQ in Metro Manila and its adjacent regions¹⁵. The restoration of lost livelihood, reopening of business establishments, and the recovery of affected industries (travel, transportation, real estate, business services) are hinged on the easing of restrictions that depend on the control of COVID-19 transmission. The surge is a reminder of the fragility of the country's economic prospects with the omnipresent threat of COVID-19.
- **2021 recovery forecast revisited as economy loses steam**¹⁶. As the first quarter ended with a spike in COVID-19 cases that necessitated stricter quarantine measures, the Development Budget Coordination Committee (DBCC) raised concerns about the end-year output falling below forecasts. The most stringent enhanced community quarantine (ECQ) status was declared in Metro Manila and its adjacent provinces as the greater Manila area accounted for the majority of the new cases. With the strictest quarantine measures implemented, NEDA estimated daily losses at PHP 2.1 billion while an estimated 250,000 jobs were lost. Although previous forecasts expected a 6.5 to 7.5 percent growth in 2021, the upsurge in cases and the consequent reduction of economic activity prompted the government to readjust its 2021 growth forecast to 6 to 7 percent. Meanwhile, Moody's Analytics expects the Philippine economy to grow by 5.8 percent this year¹⁷. These growth projections indicate that the economy is unlikely to return to its 2019 pre-pandemic levels by the end of the year.
- **Unemployment on a downward trend but risks abound.** The Philippines' unemployment rate as of the end of the first quarter stood at 7.1 percent, a stark improvement from the 8.7 percent recorded in the previous quarter but still far off the 5.1 percent in the year prior. Moreover, the end-quarter unemployment rate is a drastic improvement from the 8.7 percent and 8.8 percent in January and February 2021, respectively. The decline in unemployment translates to 2.2 million jobs created or restored from February to March¹⁸. However, the

¹¹ <https://www.cnnphilippines.com/business/2021/1/28/2020-Q4-full-year-GDP.html>

¹² <https://cnnphilippines.com/news/2021/2/18/Metro-Manila-MGCQ-March-COVID-19.html>

¹³ <https://www.philstar.com/headlines/2021/02/17/2078348/neda-wants-mgcq-entire-country-march>

¹⁴ <https://doh.gov.ph/2019-nCoV>

¹⁵ <https://newsinfo.inquirer.net/1390882/expect-restrictions-to-ease-in-march-says-neda-chief>

¹⁶ <https://www.manilatimes.net/2021/04/13/business/business-top/2021-gdp-forecast-faces-downgrade/863305>

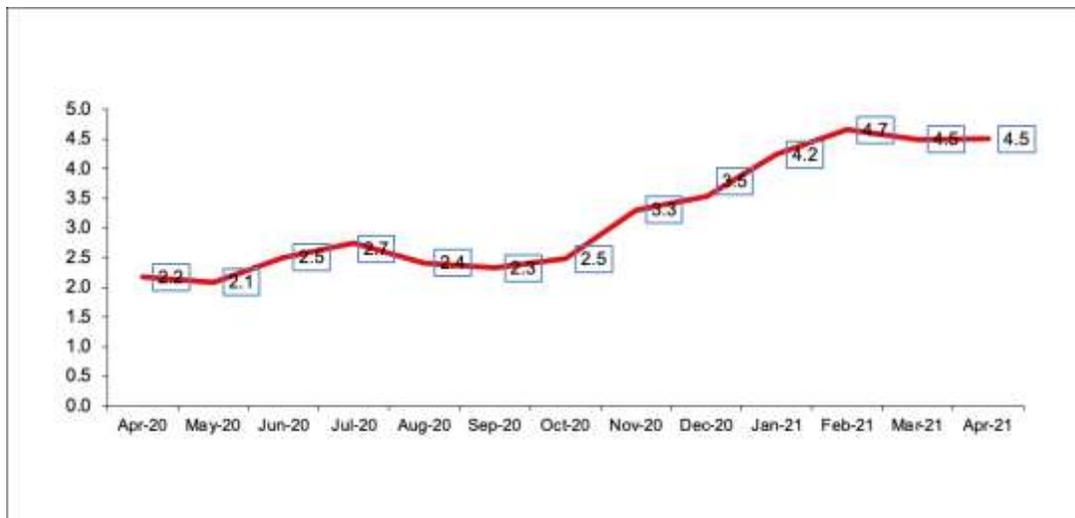
¹⁷ <https://www.bworldonline.com/phl-economy-faces-slower-growth-after-2022/>

¹⁸ <https://www.neda.gov.ph/the-march-2021-labor-force-survey-results-joint-statement-of-the-duterte-administrations-economic-managers/>

imposition of ECQ in NCR Plus is expected to impair the labor market. Although effects on unemployment are expected to be less severe as the economy has steadily coped with varying quarantine measures, employment gains secured in March remain at risk. Comparing January 2021 employment data versus the year prior, employment losses mainly came from contractions in accommodation and food service activities, transportation and storage, manufacturing, and utilities subsectors¹⁹.

- Quarterly headline inflation accelerates beyond target to its highest since Q4 2018²⁰.** Headline inflation in the first quarter of 2021 averaged 4.5 percent, higher than the 2.5 percent inflation in March 2020, and exceeded the government’s target range of 2 to 4 percent. Inflation peaked to its 26-month high of 4.7 percent in February, marking five straight months of accelerating inflation before it decelerated to 4.5 percent in March. Food inflation quickened to 6.6 percent y-o-y, as meat inflation more than doubled and as upticks were observed in fish, fruit, and vegetables. Meanwhile, non-food inflation also accelerated to 2.8 percent relative to the year- and quarter-ago rates of 2.1 and 2.3 percent, respectively. Non-food inflation was driven by soaring transport costs as social distancing measures reduced vehicle riders thereby hiking fares. Nonetheless, the Bangko Sentral ng Pilipinas (BSP) attributed the elevated prices to the transitory impact of supply-side pressures thus meriting no monetary or policy rate changes for the meantime, as BSP expects inflation to settle within the target range by year-end²¹. Upside risks to inflation that the BSP will have to monitor include torrential weather, disrupted meat supply due to the African Swine Fever (ASF), recovering global crude oil prices, increasing demand-side pressures, and an aggressive vaccination rollout²².

Figure 2. Consumer price index (y-o-y, %)



Source: Graph prepared by author based on Philippine Statistics Authority data.

¹⁹ https://www.bsp.gov.ph/Lists/Inflation%20Report/Attachments/22/IR1qtr_2021.pdf

²⁰ <https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-march-2021>

²¹ <https://www.bworldonline.com/inflation-hits-26-month-high-in-february/>

²² <https://cnnphilippines.com/business/2021/2/9/Global-oil-prices-have-fully-recovered-from-the-pandemic.html?fbclid=IwAR2>

Other recent developments

- **CREATE law is expected to enhance investment appeal and boost economic recovery.** Last March 26th, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law by President Duterte²³. Key provisions of the law include (1) a 5-10 percentage point reduction in the corporate income tax (CIT) rate from the previous 30 percent CIT and (2) stronger governance in the grant and review of incentives to ensure accountability and transparency²⁴. The CREATE law improves the country's tax rate competitiveness in contrast to our ASEAN neighbors and rationalizes incentives to attract more job-generating Foreign Direct Investments (FDI). Over the next ten years, the law is expected to provide about PHP 1 trillion in tax relief to the business community and an estimated 12 trillion in domestic and foreign investments²⁵. The rationalizing of incentives will also enable the funneling of investments towards priority industries and locations. Other bills pending that could help aid recovery are Financial Institutions' Strategic Transfer (FIST) Act on addressing liquidity concerns of firms and the Government Financial Institutions' Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) bill meant to address solvency problems of MSMEs²⁶.
- **Vaccination campaign kicks off with inoculation of medical frontliners.** Last March 1st, the Philippines began its vaccination campaign against COVID-19 with an initial supply of 600,000 Sinovac doses. Following the vaccination priority framework, over 2,000 out of 1.7 million healthcare workers received their first dose of the vaccine within two days of the vaccination drive²⁷. The Philippines seeks to inoculate 50 to 70 million people within 2021 to significantly reduce the number of cases, hospitalizations, and deaths due to COVID-19^{28 29}. A vaccine portfolio composed of over 140 million doses is expected to fuel the country's vaccination drive^{30 31}. Reaching vaccination targets to achieve herd immunity within 2021 remains to be seen but is of paramount interest in order to immediately reopen the economy and restore lost jobs.
- **PSEi³².** The Philippine Stock Exchange index (PSEi) closed March 2021 at 6,443.09 index points, representing a 9.8 percent decline from 7,139.71 in end-2020. The PSEi peaked at 7,304.79 in January before receding to its end-quarter figure. Factors that boosted investor sentiment during the quarter include the launch of the country's vaccination campaign, a low policy rate environment, and the passage of the CREATE act. External factors such as the global availability of vaccines and the approval of the United States' USD 1.9 trillion stimulus package were also cited by the BSP as factors

²³ <https://www.pna.gov.ph/articles/1135049>

²⁴ <https://www.neda.gov.ph/neda-welcomes-the-passage-of-the-create-act/>

²⁵ https://www.bsp.gov.ph/Media_And_Research/Investor_Relations_Office_Newsletter/IRONewsletter_1Q2021.pdf

²⁶ <https://www.pna.gov.ph/articles/1139861>

²⁷ <https://cnnphilippines.com/news/2021/3/3/PH-COVID-vaccination-numbers.html>

²⁸ <https://asia.nikkei.com/Spotlight/Coronavirus/COVID-vaccines/Philippines-starts-COVID-vaccinations-courtesy-of-China>

²⁹ <https://www.manilatimes.net/2021/05/06/news/national/from-70m-to-50m-jab-target-lowered/870356>

³⁰ <https://cnnphilippines.com/news/2021/1/6/PH-148-million-COVID-19-vaccines-doses.html>

³¹ <https://cnnphilippines.com/news/2021/7/23/PH-secures-164-million-COVID-19-vaccines-steady-supply-for-six-months.html>

³² https://www.bsp.gov.ph/Lists/Inflation%20Report/Attachments/22/IR1qtr_2021.pdf

that positively influenced the PSEi. However, downside risks include daily increasing COVID-19 case counts, business-disrupting lockdowns, and elevated inflation and external debt³³.

- **Peso-dollar exchange rate marginally depreciates³⁴.** The peso slightly weakened by 0.03 percent to average ₱48.28/USD, on a quarter-on-quarter basis, from the previous average of ₱48.27/USD. Relative to the peso-dollar exchange rate average of ₱50.83/USD in the year prior, the peso appreciated by 5.28 percent. Over the quarter, factors that strengthened the peso include high Gross International Reserves (GIR) and Fitch Ratings' affirmation of the Philippines' investment rating. However, the peso was weakened by a combination of factors: sustained increase in COVID-19 cases, increasing global oil prices, optimistic import expectations, negative market sentiments due to lockdown measures, and the fiscal balance deficit. Nonetheless, the BSP says that the country's macroeconomic fundamentals continued to support the peso. Remittance and FDI inflows may also shore up the currency³⁵.
- **Consumer outlook is less pessimistic but on a downward trend for the succeeding quarter and year³⁶.** Overall confidence index (CI) became less negative at -34.7 percent from -47.9 percent the previous quarter. According to the nationwide survey, the improving but still negative sentiment was due to (a) the availability of more jobs and permanent employment, (b) additional and high income, and (c) the availability of vaccines and financial assistance. Meanwhile, the pessimistic consumer outlook for Q2 2021 and the succeeding 12 months is due to the anticipation of (a) higher unemployment, (b) stagnant income, (c) elevated inflation, and (d) looming COVID-19 lockdowns.
- **Business sentiment strengthened for the quarter³⁷.** Overall confidence index (CI) increased to 17.4 percent from 10.6 percent the previous quarter. The more optimistic sentiment was due to (a) the easing of restrictions and gradual reopening of businesses, (b) better coping of consumers in the new normal, (c) increasing sales volumes, (d) ongoing COVID-19 vaccine rollout, and (e) continuing implementation of business model changes. The outlook is expected to follow an upward trend in the forthcoming months.

³³ <https://www.bworldonline.com/psei-to-drop-further-as-coronavirus-cases-surge/>

³⁴ https://www.bsp.gov.ph/Lists/Inflation%20Report/Attachments/22/IR1qtr_2021.pdf

³⁵ <https://business.inquirer.net/328042/bsp-allays-fears-over-weakening-peso>

³⁶ https://www.bsp.gov.ph/Lists/Consumer%20Expectation%20Report/Attachments/20/CES_1qtr2021.pdf

³⁷ https://www.bsp.gov.ph/Lists/Business%20Expectations%20Report/Attachments/19/BES_1qtr2021.pdf



Table 1. Philippine Economic Indicators

Monthly Leading Indicators	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21
Industrial Production (y-o-y, %)	-72.68	-80.44	-72.58	-82.02	-55.7	-22.63	-20.08	-12.02	-12.02
Consumer Price Index (y-o-y, %)	2.09	2.5	2.75	2.41	2.32	2.48	3.3	3.53	4.24	4.66	4.5	4.5
Retail Sales (y-o-y, %)	-32.76	-16.77	-10.02	-9.36	-6.51	-12.05	-9.87	-4.62				
Exports (y-o-y, %)	-26.87	-12.5	-9.14	-12.8	2.85	-1.17	4.04	-0.22	-4.62	-0.93	47.14 ...	
Imports (y-o-y, %)	-40.55	-23.1	-23.78	-21.28	-15.31	-18.77	-18.32	-9.11	-9.63	14.24	31.63 ...	
Trade Balance, US\$ million	-1,321	-1,375	-1,860	-1,831	-1,783	-1,786	-1,726	-2,181	-2,877	-2,711	-2,413 ...	
Total Reserves (less gold), US\$ billion	85	85	86	87	89	92	94	99	98	96	95	98
Policy Rate	2.75	2.25	2.25	2.25	2.25	2.25	2	2	2	2	2 ...	
Fiscal Balance (million pesos)	-202,136	1,766 no info		-40,074	-138,525 no info		-128,278
Quarterly/Annual Economic Indicators	2016	2017	2018	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020	2Q2020	3Q2020	4Q2020	1Q2021
Real GDP (y-o-y, %)	7.15	6.93	6.34	5.87	5.63	6.33	6.61	-0.73	-16.98	-11.59	-8.26	-4.19
- Private Consumption	7.15	5.96	5.77	6.23	5.57	5.99	5.72	0.17	-15.3	-9.18	-7.26	-4.84
- Government Consumption	9.36	6.51	13.39	5.94	6.33	8.27	16.47	7	21.84	5.84	5.07	16.07
- Gross Capital Fixed Formation	20.79	10.9	11.28	8.45	-0.6	-0.67	7.42	-12.08	-51.48	-39.52	-32.19	-18.29
Current Account (% of GDP)	-0.4	-0.7	-2.6	-2.1	0.2	-0.4	-0.3	0.1	2.6	4.8	3.9 ...	
Financial Account (US\$ million)	175	-2,798	-9,332	-4,584	572	391	-1,630	3,796	3,938	646	-6,502 ...	
- Net Direct Investments, US\$ million	-5,883	-6,952	-5,833	-1,053	-692	-825	-2,172	-1,116	-2,168	-1,111	-282 ...	
- Net Portfolio Investments, US\$ million	1,480	2,454	1,448	1,257	481	474	1,459	555	1,481	2,887	-2,539 ...	
Overall BOP position (US\$, million)	-1,038	-863	-2,306	3,797	991	778	2,277	-68	4,109	2,769	9,144 ...	
Unemployment rate	5.1	5.7	5.1	5.2	5.1	5.1	5.1	5.3	17.6	10	8.7	7.1
Others	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Overseas Filipinos' Remittances (US\$, millio	2,046	2,106	2,465	2,783	2,483	2,601	2,747	2,379	2,890	2,603	2,476	2,514

... = not available

Source: Bangko Sentral ng Pilipinas, Philippine Statistics Authority, Asian Development Bank



Table 2. Level of Philippine GDP, 2020Q1 – 2021Q1

	Nominal GDP (million current pesos)		Real GDP (million constant pesos*)	
	2020Q1	2021Q1	2020Q1	2021Q1
Agriculture	442,598	485,349	439,734	434,377
Industry	1,316,563	1,230,184	1,337,330	1,274,111
Mining and quarrying	33,532	40,559	35,894	35,552
Manufacturing	822,908	806,336	878,171	882,192
Electricity, steam, water and waste management	154,737	155,820	135,882	138,453
Construction	305,386	227,470	287,383	217,914
Services	2,686,673	2,630,202	2,653,376	2,536,208
Wholesale and retail trade; repair of motor vehicles and motorcycles	725,215	700,585	723,510	695,462
Transportation and storage	164,684	144,175	168,036	136,438
Accommodation and food service activities	98,774	82,852	89,597	71,175
Information and communication	136,123	144,572	137,745	146,480
Financial and insurance activities	456,128	498,019	445,248	468,318
Real estate and ownership of dwellings	300,485	269,913	287,532	249,674
Professional and business services	272,387	257,337	243,586	227,677
Public administration and defense; compulsory social activities	173,653	194,561	191,527	205,871
Education	176,033	181,278	182,958	181,123
Human health and social work activities	75,797	88,948	80,680	90,156
Other services	107,395	67,962	102,956	63,834
Sum = GDP	4,445,834	4,345,736	4,430,440	4,244,695

Source: Philippine Statistics Authority

*Base year 2018



Table 3. Industry Contributions to Philippine GDP Growth, 2020Q1 – 2021Q1

	TRAD	GEAD		GEAD
	GDP Growth PGE* (percent)	PGE* (percent)	PCE* (percent)	GDP Growth PGE* + PCE* (1)+(2)
GDP Growth	-4.19	-4.19	0	-4.19
Industry Growth Contribution				
Agriculture	-0.12	-0.12	0.9	0.77
Industry	-1.43	-1.43	-1.64	-3.06
Mining and quarrying	-0.01	-0.01	0.09	0.08
Manufacturing	0.09	0.09	-2.14	-2.04
Electricity, steam, water and waste management	0.06	0.06	0.31	0.37
Construction	-1.57	-1.57	0.1	-1.47
Services	-2.64	-2.64	0.74	-1.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	-0.63	-0.63	-0.25	-0.89
Transportation and storage	-0.71	-0.71	0.1	-0.61
Accommodation and food service activities	-0.42	-0.42	0.22	-0.2
Information and communication	0.2	0.2	-0.12	0.08
Financial and insurance activities	0.52	0.52	0.41	0.93
Real estate and ownership of dwellings	-0.85	-0.85	0.32	-0.54
Professional and business services	-0.36	-0.36	0.53	0.18
Public administration and defense; compulsory social activities	0.32	0.32	-0.36	-0.03
Education	-0.04	-0.04	-0.09	-0.13
Human health and social work activities	0.21	0.21	-0.07	0.14
Other services	-0.88	-0.88	0.06	-0.83

Source: DLSU-AKI Philippine Economic Monitor calculations by applying the data in Table 2 to a "generalized exactly additive decomposition" (GEAD) of GDP growth into pure growth effect (PGE*) and price change effect (PCE*) as an alternative to the "traditional" (TRAD) GDP growth decomposition that recognizes PGE* but not PCE*. PGE* is the result of real GDP or "quantity" growth holding relative price (real price) constant and PCE* is the result of "real price" growth holding quantity constant. PCE* measures the change in value of an industry's output when outputs of all industries are converted to the same unit of measure, in terms of the economy's "GDP basket." The GEAD formulas for PGE* and PCE* and the TRAD formula (which equals PGE*) are given, respectively, by equations (39), (40), and (46) in Dumagan, Jesus C. (2018), "Modifying the 'Generalized Exactly Additive Decomposition' of Growth of GDP and Aggregate Labor Productivity in Practice for Consistency with Theory," Working Paper Series No. 2018-07-053, Angelo King Institute for Economic and Business Studies, De La Salle University, Manila. The paper by Dumagan, Jesus C. (2013), "A Generalized Exactly Additive Decomposition of Aggregate Labor Productivity Growth," Review of Income and Wealth, 59 (Issue 1): 157-168 decomposed growth of aggregate labor productivity (ALP), which is the ratio of GDP to total labor employment. Thus, by removing the labor variable, the decomposition of ALP growth becomes a decomposition of GDP growth into the modified PGE* and PCE* formulas which were implemented in this Table 3.