Monitoring the Philippine Economy
First Quarter Report for 2022

Project of Angelo King Institute

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Growth prospects for the economy improved as first quarter 2022 year-on-year growth increased to 8.2 percent from -3.8 percent the previous year.

The Philippine economy expanded for the fourth consecutive quarter, showing clear signs of pandemic recovery. Growth reached 8.2 percent in the first quarter of 2022, continuing the series of positive growth rates registered since the second quarter of 2021. Both demand-side and supply-side components performed well, particularly private consumption in the demand-side and the services sector in the supply-side. Economic growth this quarter surpassed analysts' anticipated median growth forecast of 6.7 percent. As a result, the Philippines had the East Asia Region's fastest-growing economy this quarter. This occurred despite numerous risk factors that should have slowed down growth, such as the surge in COVID-19 cases from the Omicron variant, the reimposition of Alert Level 3 in many vital areas, inflationary pressure on key commodities, and a weakening peso. However, external factors loom large that may impede the growth momentum of the country. With geopolitical tensions such as the Russia-Ukraine war causing global supply shortages and the United States intending to increase its policy rate further this year, prudent actions must be taken to ensure the country can cushion the impacts of these factors. With all these in mind, the judicious management of monetary policy by the Bangko Sentral ng Pilipinas (BSP), further rollout of vaccine booster doses, and the unobstructed operations of public and private establishments, the above-average growth the country attained in previous quarters can be maintained.

- **Major components of aggregate demand**

    - **Private consumption grew at an even faster rate with its fourth consecutive quarterly increase.** Household Final Consumption Expenditure (HFCE) in the first quarter of 2022 increased by 10.0 percent year-on-year (y-o-y), making it the fourth consecutive quarterly increase that began in the second quarter of 2021. This was larger than the 7.5 percent and 7.1 percent HFCE growth in the fourth and third quarters of 2021, respectively, showing steadily increasing private consumption as the quarters progressed. This was also a sharp improvement relative to the -4.8 percent growth posted in the first quarter of 2021. According to the Philippine Statistics Authority (PSA, 2022b)[2], all HFCE components exhibited positive growth rates y-o-y, with the largest increases in components that have been experiencing downturns since the initial spread of COVID-19 in 2020. These components are: Restaurants and hotels (19.8 percent from -18.2 percent, y-o-y); Recreation and

[1] Report is based on latest available data as of August 19, 2022. For comments and questions, please email mitzie.conchada@dlsu.edu.ph

[2] https://psa.gov.ph/sites/default/files/Q2%202022%20NAP%20Publication-signed.pdf

culture (16.3 percent from -34.5 percent, y-o-y); and Transport (16.0 percent from -28.1 percent, y-o-y). A reversal in the negative growth rates exhibited in the first quarter of 2021 was also posted for these HFCE components: Alcoholic beverages, tobacco (6.5 percent from -12.1 percent, y-o-y); Clothing and footwear (7.9 percent from -14.6 percent, y-o-y); Housing, water, electricity, gas and other fuels (5.9 percent from -0.1 percent, y-o-y); Furnishings, household equipment and routine household maintenance (8.4 percent from -6.6 percent, y-o-y); and Miscellaneous goods and services (8.6 percent from -0.2 percent, y-o-y). Meanwhile, growing HFCE components that grew at an even faster rate included: Food and non-alcoholic beverages (10.0 percent from 2.4 percent, y-o-y); Communication (7.0 percent from 6.8 percent, y-o-y); and Education (11.5 percent from 1.7 percent, y-o-y). Lastly, slower positive growth was noted for Health (1.1 percent from 6.8 percent, y-o-y).

- **Gross capital formation maintained its double-digit growth.** Gross Capital Formation (GCF) increased by 20.4 percent in the first quarter of 2022, a 6.2 percentage point increase relative to the fourth quarter of 2021 and a sharp improvement compared to the -13.9 percent contraction in the previous year. Gross Fixed Capital Formation (GFCF) mainly drove this growth, with an increase of 11.8 percent in the first quarter of 2022 compared to the -18.2 percent growth in the first quarter of 2021. All GFCF components had positive growth rates, and this includes: Construction (14.7 percent from -25.2 percent, y-o-y); Durable equipment (9.9 percent from -11.0 percent, y-o-y); Breeding stocks and orchard development (3.5 percent from -3.2 percent, y-o-y); and Intellectual property products (10.8 percent from 1.1 percent). Valuables contracted -40.3 percent in the first quarter of 2022, further down than the decline of -18.1 percent in the first quarter of 2021 but is not much of a concern given that this component comprises almost zero percent of GCF.

- **Growth in government spending slowed down for the second consecutive quarter.** Government final consumption expenditure grew 3.6 percent in the first quarter of 2022, more sluggish than the 16.1 percent growth posted in the first quarter of 2021, and slower compared to the 7.8 percent growth exhibited in the previous quarter. This was due to the 4.9 percent decrease in public construction partially driven by the election spending ban implemented in March (Chua et al., 2022)[3]. The Bureau of the Treasury (2022) stated that the national government's budget deficit narrowed to PHP 317 billion pesos for the first quarter of 2022, a 1.4 percent decline y-o-y, likely from lower government spending in this quarter[4]. Meanwhile, the expenditures that the government incurred were related to funding COVID-19 vaccines by the Department of Health (DoH), scholarships and educational programs by the Department of Education and the Commission for Higher Education, and the national tax allotments for local government units (LGUs).

- **Trade deficit widened and both imports and exports increased.** The trade deficit widened from PHP 435 million in the first quarter of 2021 to PHP 761 million in the first quarter of 2022 because imports grew much faster than exports. Specifically, imports of goods and services grew 15.4 percent while exports of goods and services grew 10.4 percent in the first quarter of 2022, both reversals from the -7.5 percent and -8.4 percent growth rates posted for imports and exports in the first quarter of 2021, respectively. Growth of imports and exports have been slowly increasing on a

[3] https://neda.gov.ph/joint-statement-of-the-duterte-administrations-economic-managers-on-the-philippine-economic-performance-for-the-first-quarter-of-2022/
[4] https://www.treasury.gov.ph/wp-content/uploads/2022/04/COR-Press-Release-March-2022_final_ed.pdf

quarter-on-quarter (q-o-q) basis as well, as there was a 1.1 percentage point increase in imports and 2.7 percentage point increase in exports, compared to the fourth quarter of 2021. The imports of goods grew 12.3 percent from -0.4 percent y-o-y, while the imports of services grew 32.5 percent from -33.6 percent y-o-y. As for exports, the exports of goods grew 5.8 percent from 2.8 percent y-o-y while the exports of services grew 16.6 percent from -20.0 percent y-o-y. Positive growth rates were found for Electronic Products (9.9 percent from 11.6 percent, y-o-y); Agricultural products (23.7 percent from -27.6 percent y-o-y); Articles of apparel and clothing accessories (9.0 percent from 10.6 percent, y-o-y); Cathodes and sections of cathodes, of refined copper (16.5 percent from -19.3 percent, y-o-y); and Other exports of goods (8.0 percent from 0.2 percent, y-o-y). Within Electronic products which comprise the largest share of exported goods, the largest growth increases were seen in Telecommunication (207.2 percent from -4.9 percent, y-o-y) and Components/devices (semiconductors) (10.2 percent from 13.0 percent, y-o-y). As for the exports of services, the growth of Travel (825.6 percent from -98.5 percent, y-o-y) and Transport (119.8 percent from -45.0 percent, y-o-y) skyrocketed. As for the imports of goods, positive growth rates were seen in the components that comprise of the highest shares, which are: Electronic products (5.6 percent from 16.7 percent, y-o-y); Mineral fuels, lubricants and related materials (30.0 percent from -23.4 percent, y-o-y); Transport equipment (29.8 percent from -7.2 percent, y-o-y); and Other imports of goods (10.7 percent from 0.1 percent, y-o-y). As a whole, the growth in both imports and exports indicates that international trade is picking up and that operations are normalizing.

- **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).[5]

  - **Services sector growth retained uptrend as businesses continued to open and start operations.** The services sector grew by 8.3 percent y-o-y, a large improvement compared to last year's contraction of -4.0 percent. This also continues the uptrend in growth that the services sector has been experiencing, as it is much larger than the 8.0 percent growth posted in the fourth quarter of 2021 and the 7.7 percent growth registered in the third quarter of 2021. This sector's net contribution to GDP is 4.80 percentage points, diminishing its "quantity" growth contribution of 4.98 percentage points by 0.19 percentage points due to its "real price" contribution.

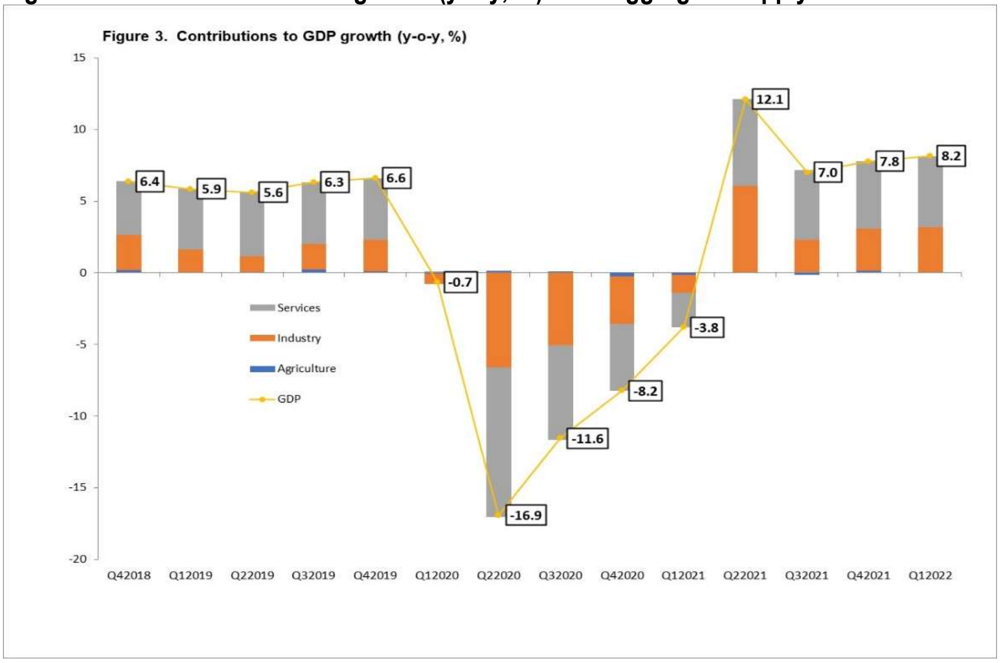
[5] See the footnote to Table 3 for the source of the GDP growth contributions.

Despite this slight decline, the services sector still contributes the most to GDP growth relative to other sectors. The largest subsectors that had the largest net contributions to GDP growth were: Financial and insurance activities (1.21 percentage points); Professional and business services (0.84 percentage points); Transportation and storage (0.73 percentage points); Wholesale and retail trade; repair of motor vehicles and motorcycles (0.70 percentage points); Real estate and ownership of dwellings (0.57 percentage points); and Accommodation and food service activities (0.56 percentage points). It is notable that these subsectors, except Financial and insurance activities, specifically had growth rates that turned positive in this quarter relative to the negative growth rates exhibited in the first quarter of 2021. These subsectors and their growth rates are: Wholesale and retail trade; repair of motor vehicles and motorcycles (7.0 percent from -3.4 percent, y-o-y); Transportation and storage (26.3 percent from -19.9 percent, y-o-y); Accommodation and food service activities (20.3 percent from -22.5 percent, y-o-y); Real estate and ownership of dwellings (5.9 percent from -11.7 percent, y-o-y); and Professional and business services (8.3 percent from -3.6 percent, y-o-y). Overall, the data clearly showed that firm operations, especially those that involved human interaction, continued to increase, exhibiting similar growth as in pre-pandemic periods.

- **Industry sector growth bounced back to double-digits.** The industry sector grew by 10.5 percent in the first quarter of 2022, the first time it had done so since the remarkable 21.3 percent growth posted in the second quarter of 2021. It is a stark improvement compared to the -4.2 percent contraction experienced in the first quarter of 2021 and consistently larger compared to the 9.6 percent and 8.7 percent increases in the fourth and third quarters of 2021, respectively. The net contribution of the industry sector to GDP growth is 2.57 percentage points, with its "quantity" growth contribution being 3.15 percentage points and its "real price" growth contribution being -0.59 percentage points. The main drivers for this contribution to GDP growth was from Construction (1.14 percentage points); Electricity, steam, water and waste management (0.75 percentage points); and Mining and quarrying (0.71 percentage points). The largest increases in growth were found in Construction (14.7 percent from -22.6 percent, y-o-y) and Mining and quarrying (20.3 percent from 2.0 percent). While Manufacturing had the largest "quantity" growth contribution (2.03 percentage points), it was quickly offset by its "real price" growth contribution (-2.05 percentage points), leading to a negative net contribution to GDP growth. Based on PSA data, the Manufacturing subsector still grew by 9.8 percent in the first quarter of 2022, an enhancement from the 0.8 percent growth found in the same quarter last year. Regardless, the industry sector still contributed a sizable amount to the Philippine economy this quarter, and with various construction projects still pending completion, this positive growth should be maintained.

- **Agriculture, forestry, and fishing sector growth slowed down, continuing the erratic growth trend exhibited in the previous quarters.** The agriculture, forestry, and fishing (AFF) sector grew by 0.2 percent in the first quarter of 2022, a positive change from the -1.3 percent contraction in the same quarter last year, but slower than the previous quarter's growth of 1.4 percent. The net contribution of this sector to GDP growth was 0.79 percentage points, largely driven by its "real price" contribution (0.77 percentage points) rather than its "quantity" contribution (0.02 percentage points). This effectively makes the AFF sector contribute the least to GDP growth relative to the other two sectors. Despite this, the AFF sector growth can be attributed to the increases in the gross value added (GVA) of Poultry and egg production (12.3 percent from -7.5 percent, y-o-y); Abaca (13.5 percent from -14.6 percent, y-o-y); Support activities to agriculture, forestry and fishing (3.8 percent from 7.9 percent, y-o-y); and Other animal production (5.5 percent from 3.6 percent, y-o-y). AFF sector growth was restricted by external factors such as the African Swine Fever outbreak and the increased prices of various commodities such as sugar, corn, and meat (Chua et al., 2022)[6].

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



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

[6] https://neda.gov.ph/joint-statement-of-the-duterte-administrations-economic-managers-on-the-philippine-economic-performance-for-the-first-quarter-of-2022/

Challenges facing the economy

- **The Omicron surge in January threatened mobility, but the economy quickly rebounded in March.** The year started off with Metro Manila in Alert Level 3 due to the sudden increase in COVID-19 cases right after the holiday season (Cervantes, 2021)[7]. These cases were attributed to the Omicron variant, which was thought to be less deadly but more contagious than the Delta variant. The data showed that among ASEAN nations, the Philippines suffered the most as cases exponentially rose (Calonzo, 2022)[8]. According to DOH Secretary Francisco Duque III, the country's two-week growth rate for COVID-19 cases was 1,805 percent with an average of about 25 per 100,000 individuals being attacked every day, proving how transmissible the variant was. However, total bed use and intensive care unit usage was pegged at 48.3 percent and 49.3 percent, respectively, indicating that hospitals were less overburdened as compared to when the Delta variant spread (Cabico, 2022)[9]. Regardless, consumer mobility and firm operations were restricted as persons could not engage in activities with a high-risk for transmission under Alert Level 3. In February, many areas had restrictions reduced under Alert Level 2. By March, restrictions eased even further as the National Capital Region and a host of other areas were now placed under Alert Level 1 (Geducos, 2022)[10], meaning that the movement of persons was allowed once more and private and public establishments can handle the full capacity of persons subject to certain health protocols. The spread of this variant at the start of the year and subsequent events showed that protecting the healthcare of people no longer has to come at the expense of rebuilding the economy. Given the positive performance of the economy for the first quarter of 2021, growth prospects appear brighter moving forward amidst global issues.

- **The country's unemployment rate reduced to a level not seen since the start of the COVID-19 pandemic in 2020 (National Economic and Development Authority [NEDA], 2022a)[11].** Based on the March 2022 Labor Force Survey (LFS)[12], the unemployment rate dropped to 5.8 percent in March, an improvement both from the 7.1 percent rate posted in March 2021 and the 6.4 percent rate registered in February 2022 (PSA, 2022a). This means that the number of unemployed persons declined to 2.87 million in March 2022, a large difference when compared to the 3.44 million unemployed persons in March 2021. The average unemployment rate for the first quarter of 2022 was 6.2 percent, a 0.6 percentage point improvement from the average unemployment rate of 6.8 percent in the previous quarter. Breaking down unemployment data by sex showed that more females were unemployed than men (6.4 percent vs. 5.3 percent) based on the total labor force of 20.4 million and 29.5 million for females and males, respectively. Meanwhile, among the youth aged 15-24 years old, unemployment declined to 11.3 percent in March 2022, which was an improvement both on a y-o-y (15.4 percent) and month-on-month (m-o-m) (14.3 percent) basis. The three subsectors that had the largest increases in employed persons both on a y-o-y and m-o-m basis were in Agriculture and forestry (8.5 percent y-o-y, 9.4 percent m-o-m), Administrative and support service activities (25.0 percent y-o-y, 16.8 percent m-o-m), and Public administration and defense; compulsory social security (14.7 percent y-o-y, 7.6 percent m-o-m). Given the growth of both the demand-side and supply-side components of the economy, it appears that increased consumer and business mobility has stimulated more

[7] https://www.pna.gov.ph/articles/1164240
[8] https://www.bloomberg.com/news/articles/2022-01-19/philippines-suffers-region-s-worst-omicron-driven-surge-chart#xj4y7vzkg
[9] https://www.philstar.com/headlines/2022/01/18/2154695/doh-covid-19-spread-slowing-down-philippines-remains-critical-risk
[10] https://mb.com.ph/2022/02/27/ncr-38-other-areas-placed-under-alert-level-1-from-march-1-15/
[11] https://neda.gov.ph/ph-tallies-new-record-low-unemployment-rate-since-pandemic-neda
[12] https://psa.gov.ph/content/employment-rate-march-2022-estimated-942-percent

employment, particularly in the services sector which constitutes about 57.4 percent of the country's total employment.

- **Quarterly headline inflation decelerates in Q1 2022 (PSA, 2022c)[13], but risks remain high from global crises such as the Russia-Ukraine war.** Headline inflation in the first quarter of 2020 averaged 3.4 percent, much lower than the average headline inflation rates of 4.0 percent in the first quarter of 2021 and 3.6 percent in the fourth quarter of 2021. Inflation in January and February were both 3.0 percent with the rate picking up in March (4.0 percent). Notably, these figures are still within the inflation target range of 2-4 percent for 2022. The increase in the prices of Housing, water, electricity, gas, and other fuels (5.2 percent), Transport (8.7 percent), and Alcoholic beverages and tobacco (5.0 percent) together drove inflation in this quarter. Food inflation averaged 1.8 percent in the first quarter of 2022, noting that the food inflation rate more than doubled from February 2022 to March 2022 (2.8 percent from 1.1 percent, m-o-m). According to the National Economic and Development Authority (NEDA, 2022b)[14], this was mainly due to increasing prices of corn, with an inflation rate of 31.3 percent in March. Meanwhile, non-food inflation jumped to 5.0 percent in March largely due to increased oil prices. Global crises such as the Russia-Ukraine conflict drove up vital commodity prices as it constricted the global supply of these commodities. The encroachment of Ukrainian territory by Russian forces in the first quarter of 2022 has caused crude oil prices to skyrocket (Baclig, 2022)[15] due to sanctions imposed by Western powers, disruptions in oil extraction operations, and responses by Organization of Petroleum Exporting Countries + (OPEC+) countries to quickly increase the supply of these goods (Meredith, 2022)[16]. Thus, consumers in the Philippines had to spend significantly more for key goods such as gas and oil which are used in a host of different activities such as transportation, electricity generation, as well as housing and utilities.

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

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

[13] https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2018100-march-2022
[14] https://neda.gov.ph/wp-content/uploads/2022/04/Report-on-Inflation-March-2022.pdf
[15] https://newsinfo.inquirer.net/1562204/putins-war-on-ukraine-and-impact-on-ph-prices
[16] https://www.cnbc.com/2022/05/05/opec-meeting-oil-prices-climb-as-group-asssess-eu-russian-ban.html

Other recent developments

- **The United States Federal Reserve (US Fed) implemented interest rate hikes for the first time since 2018, with more hikes to come as 2022 progresses (Imbert, 2022)[17].** The US Fed raised interest rates by 0.25 percent on March 16, which it has not done since pre-pandemic times. This came when inflation in the United States skyrocketed to levels not seen since the 1980s, with the inflation rate in the first quarter of 2022 being 8.0 percent. With the Russia-Ukraine war and other global issues creating labor and supply shortages coinciding with the recovering demand for goods and services within the economy, the US Fed intends to increase interest rates six more times in 2022, with further increases occurring in 2023. Analysts from Moody's Analytics claim that this will be detrimental for emerging Asian economies like the Philippines as the rise in the interest rate can further weaken the Philippine peso and drive capital inflows away from the country and into the US (De Vera, 2022)[18]. While still at the BSP, Governor Benjamin Diokno pledged to keep the country's policy rate constant at 2.0 percent at least for the first half of 2022.

- **President Rodrigo Duterte signed Executive Order (EO) No. 166, a ten-point agenda to sustain the country's recovery from the pandemic (Chua et al., 2022)[19].** To ensure that the country grows even further and replicates the above-average growth it has registered in the previous quarters, EO No. 166 was signed by the president to streamline the approach to recovery. It aims to "1) strengthen healthcare capacity, 2) accelerate and expand the vaccination program, 3) further reopen the economy and expand public transport capacity, 4) resume face-to-face learning, 5) reduce restrictions on domestic travel and standardize LGU requirements, 6) relax requirements for international travel, 7) accelerate digital transformation through legislative measures, 8) provide for enhanced and flexible emergency measures through legislation, 9) shift the focus of decision-making and government reporting to more useful and empowering metrics; and 10) enhance medium-term preparation for pandemic resilience" ("Joint media release", 2022)[20]. This ensures that policies and other legislation are aligned to achieving each point in the agenda.

- **Consumer sentiment improved (BSP, 2022b)[21], but business confidence was more pessimistic (BSP, 2022a)[22].** The overall confidence index (CI) for consumers became even less negative at -15.1 percent in the first quarter of 2022 from -24.0 percent the previous quarter and -34.7 percent from the first quarter of 2021. This means that more pessimistic consumers were surveyed, although more surveyed consumers started becoming more optimistic relative to the last quarter. This occurred because they perceive that there were more jobs and permanent career options available, there were government programs that were effective in controlling the pandemic, and they had increased income to purchase a wide array of goods. According to the BSP, however, consumer confidence is expected to decline in the next quarter due to expectations of higher commodity prices. Meanwhile, the overall confidence index (CI) for businesses slightly declined to 32.9 percent after registering a CI of 39.7 percent in the previous quarter, an all-time high since the pandemic started. Despite this, this is still a significant

[17] https://www.cnbc.com/2022/03/16/real-time-updates-of-the-big-fed-decision-and-jerome-powell-press-conference.html
[18] https://business.inquirer.net/339115/us-fed-hike-fallout-in-ph-capital-outflows-weaker-peso-says-analysts
[19] https://neda.gov.ph/joint-statement-of-the-duterte-administrations-economic-managers-on-the-philippine-economic-performance-for-the-first-quarter-of-2022/
[20] https://neda.gov.ph/joint-media-release-of-neda-dof-dti-on-the-signing-of-executive-order-no-166/
[21] https://www.bsp.gov.ph/Lists/Consumer%20Expectation%20Report/Attachments/21/CES_1qtr2022.pdf
[22] https://www.bsp.gov.ph/Lists/Business%20Expectations%20Report/Attachments/20/BES_1qtr2022.pdf

improvement compared to the CI of 17.4 percent in the first quarter of 2021. The reasons for the decline in confidence q-o-q were the rise in COVID-19 cases attributed to the Omicron variant, increases in key goods such as oil and gas, lower demand for the goods and services that they sell, and a weakening peso. Businesses are more optimistic for the second quarter, however, as they expect COVID-19 cases to decline, economic conditions to improve, quarantine measures to be eased, and economic activity to increase from more consumer mobility and from upcoming events such as the national elections on May.

- **Remittances grew year-on-year but slowed down on a quarter-on-quarter basis.** Cash remittances from Overseas Filipino Workers (OFWs) averaged USD 2590 million in the first quarter of 2022, a growth of 2.3 percent over remittances in the first quarter of 2021, but a decline of 6.4 percent below those in the fourth quarter of 2021. During March specifically, 42 percent of cash remittances came from the United States, with other major amounts coming from Japan, Singapore, Taiwan, and Saudi Arabia (Domingo, 2022)[23]. Despite a slower q-o-q growth, the increase in remittances indicates that global economic recovery is not slowing down, showing that more overseas workers have the ability to retain employment and increase the remittance inflows to the country.

- **PSEi recovered and closed the first quarter at a higher level.** The Philippine Stock Exchange index (PSEi) closed at 7,203.47 index points in March 2022, representing an 11.8 percent y-o-y increase from when it closed at 6,443.09 index points in March 2021 and a 1.1 percent increase from when the PSEi closed at 7,122.63 index points in December 2021. Investors were more confident despite the various risk factors discussed in this report because of the proper control of the Omicron surge, the quick easing of quarantine restrictions by February and March, and the optimistic economic outlook retained by organizations such as the World Bank given the country's higher-than-expected GDP growth last year (BSP, 2022c)[24]. However, certain factors, like expectations of an even tighter monetary belt by the US Federal Reserve, still threaten the growth of the index.

- **Peso-dollar exchange rate weakened further and continued trend of depreciation exhibited in previous quarters (BSP, 2022d)[25].** The peso averaged PHP 51.53/USD in the first quarter of 2022, indicating depreciation relative to both the fourth quarter of 2021 (2.1 percent) and the first quarter of 2021 (6.3 percent), when it was averaging PHP 50.45/USD and PHP 48.28/USD, respectively. The BSP stated in the February 2022 Monetary Policy Report that this trend of a weakening peso follows from the destruction of Typhoon Odette in December, the Omicron surge in January, the gradual rise in oil prices due to geopolitical tensions such as the Houthi rebel attacks on Saudi Arabian petroleum sites, and the monetary policy decisions of global superpowers such as the US Federal Reserve's plans to increase policy rates and China's sudden policy rate reduction (BSP, 2022c)[26].

[23] https://business.inquirer.net/348035/growth-in-remittances-slowed-in-q1-to-8-6b
[24] https://www.bsp.gov.ph/Price%20Stability/MonetaryPolicyReport/FullReport_2022_1.pdf
[25] https://www.bsp.gov.ph/SitePages/Statistics/ExchangeRate.aspx
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Table 1. Philippine Economic Indicators

Monthly Leading Indicators	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Industrial Production (y-o-y, %)	157.8	267.2	448.2	534.4	533.7	124.3	27.0	28.6	19.2	12.0	70.3
Consumer Price Index (y-o-y, %)	4.1	3.7	3.7	4.4	4.2	4.0	3.7	3.2	3.0	3.2	4.0
Retail Sales (y-o-y, %)	64.7	16.9	3.5	8.8	8.8	10.7	28.2	20.7	10.9	16.6	15.4
Broad Money (y-o-y, %)	…	…	…	…	14.5	14.6	15.2	13.4	…	…	…
Exports (y-o-y, %)	30.83	18.88	13.81	18.91	6.41	1.99	6.64	7.25	9.00	15.76	5.93
Imports (y-o-y, %)	55.79	42.42	27.54	28.27	22.76	22.78	36.84	37.23	25.33	26.28	23.41
Trade Balance, US$ million	-3,180	-3,331	-3,505	-3,310	-3,811	-3,823	-4,711	-5,117	-4,513	-3,983	-4,589
Total Reserves (less gold), US$ billion	97	97	98	99	98	99	99	99	99	98	98
Policy Rate	2	2	2	2	2	2	2	2	2	2	2
Fiscal Balance (million pesos)	-566,204	…	…	…	…	…	…	…	…	…	-458,697
Quarterly/Annual Economic Indicators	**2018**	**2019**	**1Q2020**	**2Q2020**	**3Q2020**	**4Q2020**	**1Q2021**	**2Q2021**	**3Q2021**	**4Q2021**	**1Q2022**
Real GDP (y-o-y, %)	6.3	6.0	-0.7	-16.9	-11.6	-8.2	-3.8	12.1	7.0	7.8	8.2
- Private Consumption	5.8	5.9	0.2	-15.3	-9.2	-7.3	-4.8	7.3	7.1	7.5	10.0
- Government Consumption	13.4	9.6	7.0	21.8	5.8	5.0	16.1	-4.2	13.8	7.8	3.6
- Gross Capital Fixed Formation	11.3	2.5	-12.3	-51.8	-38.8	-31.7	-13.9	83.7	20.8	14.2	20.4
Current Account (% of GDP)	-2.6	-0.8	0.3	6.2	4.8	3.9	-0.7	-1.2	-1.0	-3.5	-5.0
Financial Account (US$ million)	-9,332	-8,034	2,973	-442	646	-6,502	4,089	-2,940	-1,133	-4,973	34
- Net Direct Investments, US$ million	-5,833	-5,320	-883	-917	-1,111	-282	-1,691	-1,400	-2,177	-2,138	-329
- Net Portfolio Investments, US$ million	1,448	-2,474	793	234	2,887	-2,539	7,884	-807	954	161	105
Overall BOP position (US$, million)	-2,306	7,843	-68	4,177	2,769	9,144	-2,844	905	1,274	2,009	-78
Unemployment rate	5.1	5.1	5.3	17.6	10	8.7	7.1	7.7	8.9	6.5	5.8
Others	**May-21**	**Jun-21**	**Jul-21**	**Aug-21**	**Sep-21**	**Oct-21**	**Nov-21**	**Dec-21**	**Jan-22**	**Feb-22**	**Mar-22**
Overseas Filipinos' Remittances (US$, million)	2,382	2,638	2,853	2,609	2,737	2,812	2,502	2,987	2,668	2,509	2,594

… = not available

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

Table 2. Level of Philippine GDP, 2021Q1 – 2022Q1

	Nominal GDP (million current pesos)		Real GDP (million constant pesos*)	
	2021Q1	**2022Q1**	**2021Q1**	**2022Q1**
Agriculture	**486,726**	**499,730**	**434,037**	**434,772**
Industry	**1,241,803**	**1,487,489**	**1,282,788**	**1,417,273**
Mining and quarrying	42,359	71,294	36,626	44,060
Manufacturing	809,444	944,533	885,261	971,672
Electricity, steam, water and waste management	154,629	180,970	137,399	145,146
Construction	235,371	290,692	223,502	256,394
Services	**2,643,548**	**2,941,443**	**2,548,497**	**2,761,110**
Wholesale and retail trade; repair of motor vehicles and motorcycles	704,475	778,635	698,808	747,619
Transportation and storage	143,481	177,516	135,079	170,578
Accommodation and food service activities	80,829	99,737	69,435	83,525
Information and communication	144,879	156,841	146,848	157,725
Financial and insurance activities	493,985	551,193	464,504	500,496
Real estate and ownership of dwellings	274,828	297,481	254,009	268,931
Professional and business services	265,640	290,239	235,962	255,612
Public administration and defense; compulsory social activities	194,526	205,662	205,833	207,445
Education	184,597	207,476	184,500	200,123
Human health and social work activities	89,134	93,444	90,437	91,668
Other services	67,176	83,220	63,079	77,388
Sum = GDP	**4,372,078**	**4,928,662**	**4,265,322**	**4,613,155**

Source: Philippine Statistics Authority
*Base year 2018

Table 3. Industry Contributions to Philippine GDP Growth, 2021Q1 – 2022Q1

	TRAD GDP Growth PGE* (percent)	GEAD PGE* (percent) (1)	GEAD PCE* (percent) (2)	GEAD GDP Growth PGE* + PCE* (percent) (1)+(2)
GDP Growth	**8.15**	**8.15**	**0.00**	**8.15**
Industry Growth Contribution				
Agriculture	**0.02**	**0.02**	**0.77**	**0.79**
Industry	**3.15**	**3.15**	**-0.59**	**2.57**
Mining and quarrying	0.17	0.17	0.53	0.71
Manufacturing	2.03	2.03	-2.05	-0.03
Electricity, steam, water and waste management	0.18	0.18	0.57	0.75
Construction	0.77	0.77	0.37	1.14
Services	**4.98**	**4.98**	**-0.19**	**4.80**
Wholesale and retail trade; repair of motor vehicles and motorcycles	1.14	1.14	-0.44	0.70
Transportation and storage	0.83	0.83	-0.10	0.73
Accommodation and food service activities	0.33	0.33	0.23	0.56
Information and communication	0.26	0.26	-0.26	0.00
Financial and insurance activities	0.84	0.84	0.36	1.21
Real estate and ownership of dwellings	0.35	0.35	0.22	0.57
Professional and business services	0.46	0.46	0.38	0.84
Public administration and defense; compulsory social activities	0.04	0.04	-0.35	-0.31
Education	0.37	0.37	-0.14	0.23
Human health and social work activities	0.03	0.03	-0.10	-0.07
Other services	0.34	0.34	0.01	0.35

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.