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Monitoring the Philippine Economy Second Quarter Report for 2020

Project of Angelo King Institute

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The Philippine economy bears the full brunt of the COVID-19 pandemic and sinks into a technical recession as growth plummets to a record low of -16.48 percent in Q2 2020 from -0.7 percent in the previous quarter.

The Philippine economy experiences its worst recorded contraction. Economic growth was posted at -16.48 percent in the second quarter. This second consecutive quarterly decline surpasses the previous worst contraction of 10.7 percent in Q3 1984 and marks the country's first technical recession since 1991. The sharp fall in second quarter growth was mainly driven by the implementation of community quarantine measures in response to the COVID-19 pandemic. The economic impact of the pandemic will likely continue into succeeding quarters as infections rise and potential vaccines remain in development. Accordingly, the government has shifted its focus on growth, public health, and social protection to prevent the situation from worsening.

- **Major components of aggregate demand**

- **Private consumption contracts for the first time since Q1 1986.** Household Final Consumption Expenditure (HFCE) growth registered a record low of -15.5 percent year-on-year (y-o-y), a significant deterioration in performance from 0.2 percent in the previous quarter and 5.6 percent in second quarter 2019. Majority of its components posted negative growth rates, specifically, alcoholic beverages and tobacco (-29.2 percent from -1.6 percent, y-o-y); clothing and footwear (-40.2 percent from 5.4 percent, y-o-y); Furnishings, household equipment and routine household maintenance (-22.4 percent from 4.0 percent, y-o-y); Health (-12.2 percent from 4.0 percent, y-o-y); Transport (-60.5 percent from 3.2 percent, y-o-y); Recreation and culture (-57.2 percent from 7.2 percent, y-o-y); Education (-12.7 percent from 14.6 percent, y-o-y); Restaurants and hotels (-66.4 percent from 7.3 percent, y-o-y); and Miscellaneous goods and services (-0.6 percent from 7.3 percent, y-o-y). The components that recorded positive growth rates were Food and non-alcoholic beverages (2.4 percent from 5.5 percent, y-o-y); Housing, water, electricity, gas and other fuels (6.6 percent from 5.4 percent, y-o-y); and Communication (7.4 percent from 5.6 percent, y-o-y). The community quarantine and the restrictions on businesses' operations have led consumers to change their consumption patterns, spending more on daily necessities such as food, housing, and utilities. Expenditure on communication likely increased due to a heightened demand for communication-related goods and services amid stay-at-home orders.

¹ Report is based on latest available data as of August 29, 2020. For comments and questions, please email mitzie.conchada@dlsu.edu.ph

- **Gross domestic capital formation had the worst deterioration among the expenditure components.** Second quarter gross capital formation growth worsened to a record low -53.5 percent from -17.4 percent in the previous quarter and -0.8 percent in second quarter 2019. Significantly reduced growth rates were recorded in investment in Construction (-32.9 percent from 1.3 percent, y-o-y), Durable Equipment (-62.1 percent from -15.1 percent, y-o-y), and Intellectual Property Products (-27.7 percent from 30.4 percent, y-o-y). Breeding Stock and Orchard Development showed growth, though less than last year (2.2 percent from 3.0 percent, y-o-y). Inventories plummeted, further decreasing by 10,261.76 percent from -93.5 percent last year (y-o-y). Investment in Valuables also decreased further from last year (-56.9 percent from -14.1 percent, y-o-y). The reduced investments in construction, durable equipment, and intellectual property products as well as the large decline in inventories reflect the effects of the COVID-19 pandemic and community quarantine on businesses' operations.
- **Government spending posted its highest-recorded rise amid recovery efforts.** Government Final Consumption Expenditure (GFCE) expanded by 22.1 percent, a sharp increase in growth from 7.0 percent in the previous quarter and 6.8 percent in Q2 2019. To mitigate the impact of the COVID-19 pandemic on the Philippine economy, the government ramped up its spending on public health and social protection to protect citizens and the economy through measures such as the Small Business Wage Subsidy Program² and the Emergency Subsidy Program³. National Economic Development Authority Acting Secretary Karl Chua noted that approximately 400 billion PHP was spent on social protection and public health under the government's COVID-19 response strategy in the second quarter⁴.
- **Trade deficit for Q2 was reduced by almost half.** Second quarter net exports at constant 2018 prices registered at -499.718 billion PHP in 2019 and -254.648 billion PHP in 2020, showing a 49.0 percent year-on-year reduction in the trade deficit. The narrowing of the deficit was much larger in the second quarter than recorded in the previous quarter (20.0 percent) and in Q2 2019 (8.1 percent). This was brought about by significant drops in both exports and imports at 37.0 percent and 40.0 percent, respectively. The drops in imports and exports are reflected in the 41 percent reduction in total external trade during the quarter, which can be attributed to lower domestic and foreign demand amid the COVID-19 pandemic and governments' implementation of quarantine measures.
- **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

² <https://sites.google.com/dof.gov.ph/small-business-wage-subsidy>

³ https://www.dswd.gov.ph/issuances/MCs/MC_2020-009.pdf

⁴ <https://www.neda.gov.ph/statement-of-neda-acting-secretary-karl-kendrick-t-chua-on-the-2020-q2-performance-of-the-philippine-economy/>

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

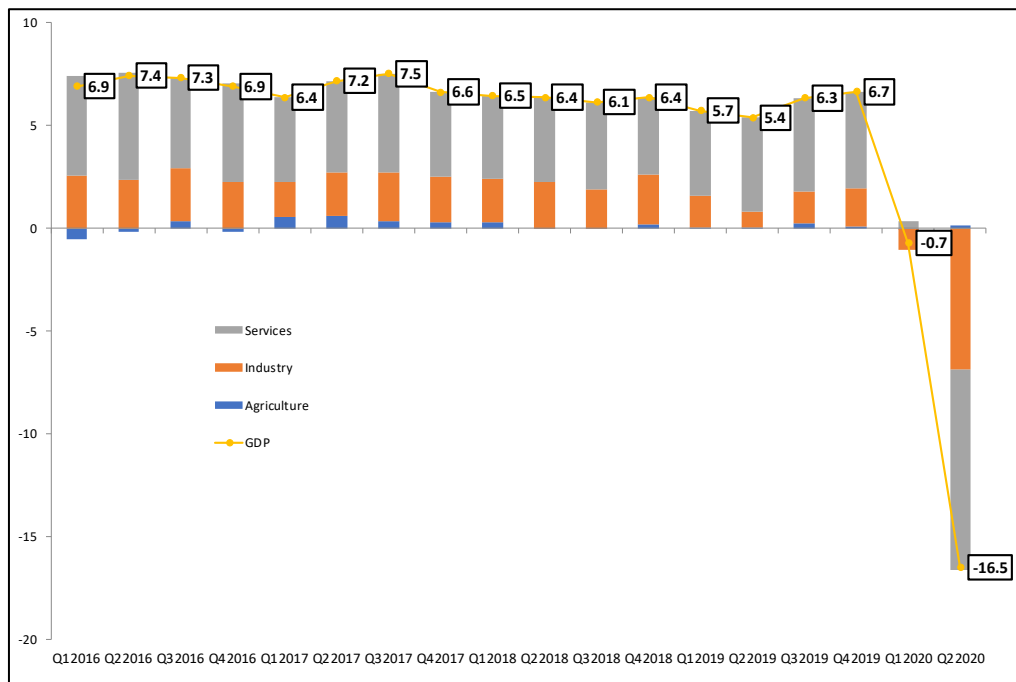
- **Services sector contracted for the first time since Q3 1991.** The services sector contracted by 15.8 percent, marking the sector's worst recorded decline. The sector's growth performance had significantly deteriorated since the sector posted a minor 0.6 percent growth in the first quarter and an 8 percent growth in second quarter 2019. Positive growth rates were only recorded in the Information and Communications (6.6 percent from 5.1 percent, y-o-y); Financial and Insurance Activities (6.8 percent from 9.1 percent, y-o-y); and Public Administration and Defense, Compulsory Social Activities (8.3 percent from 5.5 percent, y-o-y) subsectors. All other subsectors recorded declines greater than 10 percent, namely, Wholesale and Retail Trade; Motor Vehicles and Motorcycles (-13.1 percent from 1.9 percent, y-o-y), Transportation and Storage (-59.2 percent from -11.4 percent, y-o-y), Accommodation and Food Services (-68.0 percent from -16.4 percent, y-o-y), Real Estate and Ownership of Dwellings (-20.1 percent from -2.3 percent, y-o-y), Professional and Business Services (-18.4 percent from -16.4 percent, y-o-y), Education (-12.2 percent from 1.1 percent, y-o-y), and Human Health and Social Work Activities (-15.4 percent from 4.7 percent, y-o-y). The services sector maintained the largest share of GDP at 62.3 percent and contributed -9.75 percentage points to GDP growth.
- **Industry sector was the worst-performing sector for a second consecutive quarter.** The industry sector recorded its worst-ever growth performance at -22.9 percent, showing significantly reduced growth from -3.4 percent growth in the first quarter and 2.5 percent in second quarter 2019. Negative growth rates were recorded for all subsectors, namely, Mining and Quarrying (-24.5 percent from 14.2 percent, y-o-y); Manufacturing (-21.3 percent from 2.0 percent, y-o-y); Electricity, Steam, Water and Waste Management (-21.3 percent from 2.0 percent, y-o-y); and Construction (-33.5 percent from -0.1 percent, y-o-y). Overall, the industry sector maintained the second largest share of GDP at 27.7 percent and brought GDP down by 6.86 percentage points (see Table 3).
- **Agriculture sector outperformed the service sector and the industry sector in growth for the first time since Q2 2011.** The agriculture sector showed a 1.6 percent growth, showing improvement from -0.3 percent in the first quarter and 0.7 percent in second quarter 2020. Agriculture had the highest contribution to second quarter growth, with a 0.13 percentage-point contribution (see Table 3). This increase in growth was contributed to by improved agricultural performance as the PSA⁶ reported a 0.5 percent quarter-on-quarter growth in real agricultural output during the second quarter, significantly improving from -1.7 percent in the previous quarter and -1.4 percent in 2019. The production of crops and fisheries production grew by 5 percent and 0.9 percent, respectively, while the production of Livestock

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

⁶ <https://psa.gov.ph/system/files/Performance%20of%20Philippine%20Agriculture%2C%20Second%20Quarter%202020.pdf>

and Poultry dropped by -8.5 percent and -4.7 percent, respectively. The 0.13 percentage-point growth contribution of the agriculture sector to second quarter GDP growth only slightly tempered the negative growth contributions of the services and industry sectors due to the agriculture sector's relatively small 10 percent share in GDP.

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



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

Micro and small enterprises and employees the hardest hit in the Covid-19 pandemic

- COVID-19 continues to plague the country.** Since the onset of COVID-19 in the Philippines in end-January, the virus has quickly become one of the country's urgent concerns. On August 28, the Department of Health confirmed a total of 209,544 cases in the Philippines⁷, already surpassing the UP COVID-19 Pandemic Response Team's projected upper bound of 209,091 cases⁸. Other countries in the Southeast Asian region have been able to either keep the number of cases low or slow the rate of infection, with the exception of Indonesia⁹. Recently, the Philippines overtook Indonesia in total COVID-19 cases, becoming the virus's hotspot in the region. The country remains under a strict community quarantine as the government strives to control the spread of the virus

⁷ <https://www.doh.gov.ph/node/24267>

⁸ <https://endcov.ph/projections/>

⁹ <https://www.csis.org/blogs/latest-covid-19-southeast-asia/latest-covid-19-southeast-asia-july-29-2020>

through the enhancement of public health measures while waiting in anticipation of a vaccine that is viable for nationwide use.

- **Community quarantine measures hamper business activity.** The enhanced community quarantine measures implemented in response to the spread of COVID-19 include restrictions on business operations that weaken overall productivity in the economy. Under enhanced community quarantine, a strict stay-at-home policy is observed and only businesses involved in the manufacturing and provision of essential goods and services and some businesses involved in non-essential, non-leisure activities such as construction, telecommunications, and media are allowed to continue operations. Most of those businesses allowed to operate are limited to a skeleton workforce. This has led to the scaling down or temporary closure of several businesses across the country, as reflected in the results of the Asian Development Bank Enterprise Survey¹⁰. The survey results showed that after enhanced community quarantine was implemented in various regions, 65.9 percent of businesses surveyed temporarily closed, 29.1 percent continued with limited operations, and 1.1 percent closed permanently. Among the enterprises that continued with limited operations, 78.4 percent reported that they were less than 50 percent operational. Furthermore, the survey results showed that 76.8 percent of the businesses recorded a decline in sales from March to April averaging at 80.4 percent.
- **Job market deteriorates due to reduced business activity.** Severely increased joblessness has been observed over the previous months. The Philippine Statistics Authority¹¹ reported a record high unemployment rate of 17.7 percent, over triple the rate recorded in January (5.3 percent). Moreover, Social Weather Stations, a private social research institution in the Philippines, recorded a 45.5 percent unemployment rate in July¹². The drastic rise in unemployment is brought about by businesses suspending operations or limiting their operational capacity due to restrictions imposed under the community quarantine in response to the spread of COVID-19¹³. The employment situation will likely not see any improvement until quarantine measures are eased.

¹⁰ <https://www.adb.org/sites/default/files/publication/622161/covid-19-impact-philippine-business-enterprise-survey.pdf>

¹¹ <https://psa.gov.ph/content/employment-situation-april-2020>

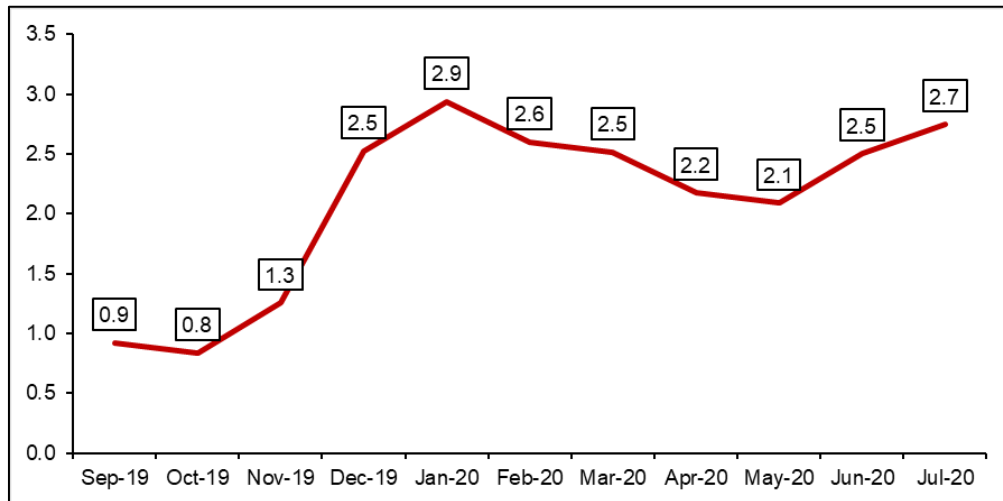
¹² <https://www.sws.org.ph/swsmain/artclisppage/?artcsyscode=ART-20200816184051>

¹³ http://www.bsp.gov.ph/downloads/Publications/2020/IR2qtr_2020.pdf

Other economic news

- Inflation rate picks up again in July.** The July inflation rate registered at 2.7 percent, remaining within the government's 2.0 to 4.0 percent inflation target. This marks a second consecutive increase in the monthly year-on-year inflation rate, following the 2.5 percent rate posted in June. Inflation had been slowing down since the start of the year until it began to accelerate in June due to the inflation rate of the transport index accelerating from -5.6 percent to 2.4 percent that further quickened to 6.3 percent.^{14 15} Other indices that reported mark-ups from the previous month's inflation rates were alcoholic beverages and tobacco (19.3 percent from 18.5 percent); housing, water, electricity, gas, and other fuels (0.8 percent from 0.3 percent); and restaurant and miscellaneous goods and services (2.5 percent from 2.3 percent). The food and non-alcoholic beverage index's inflation decelerated as the annual increment was recorded at 2.5 percent from 2.7 percent in the previous month. Inflation also slowed for the indices of clothing and footwear (2.2 percent from 2.4 percent); furnishing, household equipment, and routine maintenance of the house (4.0 percent from 4.1 percent); communication (0.3 percent from 0.4 percent); recreation and culture (1.1 percent from 1.2 percent); and education (0.5 percent from 1.6 percent).

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



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

- Peso-dollar exchange rate reaches an almost four-year low in July.** The average peso-dollar exchange rate in July was recorded at P49.47/\$1. This marks the lowest monthly average exchange rate since November 2016. Despite the economic impact of COVID-19, the Philippine peso appreciated for a fourth consecutive month at 1.2 percent from the P50.1/\$USD average exchange rate in June. The strengthening of the peso was mainly due to the narrowing of the trade deficit; increase in OFW remittances; maintenance of an overall BOP surplus; and record high gross domestic international reserves recorded in July. The weakening of the dollar amid interest rate cuts and news

¹⁴ <http://www.psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-june-2020#:~:text=Inflation%20in%20NCR%20climbed%20further,in%20June%202019%2C%203.0%20percent.>

¹⁵ <https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-july-2020>

of rising COVID-19 infections in the US were also contributing factors to the peso's appreciation¹⁶.

- **PSEi shows minor recovery from March crash.** The Philippine Stock Exchange index (PSEi) has shown some improvement since its monthly average dropped 21 percent to 5749.01 points in March¹⁷. The monthly average further lowered to 5,590.86 points in April but later climbed to 5604.80 points in May then 6287.87 points in June¹⁸. The July monthly average dipped to 6,131.02 points as daily closes showed a downward trend, registering 6209.71 points on the first day of the month and 5,928.45 points on July 30¹⁹. Negative expectations due to the extension of the Enhanced Community Quarantine in Luzon, the first quarter contraction in GDP, contractions in the Purchasing Managers' Index in April and May, the International Monetary Fund's negative outlook for the Philippine economy, and the BSP's June forecast of a drop in remittances from overseas Filipino workers in 2020 put downward pressure on the market index during the quarter²⁰. External factors such as trade tensions between China and the US; declining oil prices; an emerging conflict between China and India; the US Federal Reserve's negative outlook for the US economy; and fear over growing COVID-19 infections also contributed to the decline²¹. The plunge was moderated by the BSP implementing monetary stimulus through reductions in interest rates and reserve requirements; easing of domestic inflation in April and May; public-private partnerships in infrastructure projects and fiscal stimulus packages; news of potential COVID-19 vaccines; and easing of quarantine measures in the earlier months of the quarter²².
- **BSP cuts rates in response to the economic impact of COVID-19 pandemic.** The Monetary Board of the Bangko Sentral ng Pilipinas (BSP) reduced interest rates on the central bank's monetary operations facilities twice during the second quarter. On April 16, the BSP announced reductions of the overnight reverse repurchase (RRP) facility rate from 3.25 percent to 2.75; the overnight lending facility (OLF) rate from 3.75 percent to 3.25 percent; and the overnight deposit facility (ODF) rate from 2.75 percent to 2.25 percent to mitigate the economic impact of the pandemic by encouraging lending²³. On June 25, the BSP announced a further 50 basis point cut to each facility's interest rate to bolster economic activity after observing the economic slowdown that occurred under the community quarantine²⁴. Currently, the overnight RRP facility rate, OLF rate, and ODF rate sit at 2.25 percent, 2.75 percent, and 1.75 percent, respectively, as the central bank announced on August 20 that it would maintain interest rates in view of its assessment that the future inflation environment remains consistent with the government's 2.0 to 4.0 percent inflation target²⁵.
- **Aggressive stimulus packages may threaten fiscal position.** In response to the economic and health impacts of COVID-19, policy makers have been proposing various

¹⁶ <https://wealthmanagement.bnpparibas/content/wealthmanagement/voiceofwealth/en/forex/focus-forex-july-2020.html>

¹⁷ <http://www.bsp.gov.ph/statistics/sdds/stocks.htm>

¹⁸ <http://www.bsp.gov.ph/statistics/sdds/stocks.htm>

¹⁹ <http://www.bsp.gov.ph/statistics/sdds/stocks.htm>

²⁰ http://www.bsp.gov.ph/downloads/Publications/2020/IR2qtr_2020.pdf

²¹ http://www.bsp.gov.ph/downloads/Publications/2020/IR2qtr_2020.pdf

²² http://www.bsp.gov.ph/downloads/Publications/2020/IR2qtr_2020.pdf

²³ <http://www.bsp.gov.ph/publications/media.asp?id=5358>

²⁴ <http://www.bsp.gov.ph/publications/media.asp?id=5425>

²⁵ <http://www.bsp.gov.ph/publications/media.asp?id=5485>

measures to control the spread of the virus and stimulate the economy. The Bayanihan to Recover as One Act was proposed to improve the health response to COVID-19 and enhance social protection by ensuring the availability of medicine and healthcare and expanding subsidies to low income households, among other measures²⁶. It was enacted into law in March and, as of its final reading, entails a stimulus of P162 billion²⁷. Another proposed stimulus measure is a major tax reform labeled the Corporate Recovery and Tax Incentives for Enterprises Act, which reduces the corporate income tax rate by 5 percent immediately and by 1 percent each succeeding year until 2027²⁸. Larger stimulus packages have also been proposed such as the P1.3-trillion Accelerated Recovery and Investment of the Economy and P1.5-trillion COVID-19 Unemployment Reduction and Economic Stimulus, though DOF Secretary Carlos Dominguez III views these as fiscally unsustainable²⁹. In view of the large budget deficit recorded in May, the uncertainty of future government revenues, and the large accumulation of foreign debt over the previous months, substantial increases in spending may put the government's fiscal strength and creditworthiness at risk.

²⁶ <https://www.senate.gov.ph/Bayanihan-to-Heal-as-One-Act-RA-11469.pdf>

²⁷ <https://www.bworldonline.com/substantial-fiscal-stimulus-needed/>

²⁸ <https://taxreform.dof.gov.ph/tax-reform-packages/p2-corporate-recovery-and-tax-incentives-for-enterprises-act/>

²⁹ <https://www.pna.gov.ph/articles/1105310>



Table 1. Philippine Economic Indicators

Monthly Leading Indicators	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
Industrial Production (y-o-y, %)	-6.4	-5.0	-7.9	-7.3	4.0	7.2	-7.2	-38.8	-28.5	-19.3	...
Consumer Price Index (y-o-y, %)	0.9	0.8	1.3	2.5	2.9	2.6	2.5	2.2	2.1	2.5	2.7
Retail Sales (y-o-y, %)	-3.4	-1.8	-6.0	-2.6	7.9	5.3	-13.8	-49.3	-45.2
Exports (y-o-y, %)	0.4	0.5	-0.2	21.6	9.4	2.8	-24.7	-49.9	-26.9	-13.3	...
Imports (y-o-y, %)	-5.8	-7.6	-4.5	-2.1	-2.8	-11.6	-26.2	-65.3	-40.6	-24.5	...
Trade Balance, US\$ million	-3,409	-3,573	-3,652	-2,962	-3,504	-1,656	-2,368	-449	-1,321	-1,303	...
Total Reserves (less gold), US\$ billion	78	78	78	80	79	80	81	83	85	85	85
Policy Rate	4	4	4	4	4	3.75	3.25	2.75	2.75	2.25	2.25
Fiscal Balance (million pesos)	-178,557	-49,262	-60,883	-251,103	23,045	-37,595	-59,479	no info	-202,136	1,766	...
Quarterly/Annual Economic Indicators	2017	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020	2Q2020
Real GDP (y-o-y, %)	6.7	6.5	6.4	6.1	6.4	5.7	5.4	6.3	6.7	-0.7	-16.5
- Private Consumption	5.9	5.8	6.2	5.5	5.5	6.2	5.6	6.0	5.7	0.2	-15.5
- Government Consumption	6.2	13.9	12.3	14.4	13.2	6.4	6.8	8.8	17.0	7.0	22.1
- Gross Capital Fixed Formation	9.4	3.5	15.2	16.8	9.2	9.8	-0.8	-0.1	2.5	-17.4	-53.5
Current Account (% of GDP)	-0.7	-0.4	-4.0	-2.1	-2.9	-2.1	0.2	0.4	0.7	0.1	...
Financial Account (US\$ million)	-2,798	-816	-1,627	-1,793	-5,044	-4,584	572	121	-2,374	3,796	...
- Net Direct Investments, US\$ million	-6,952	-1,025	-2,672	-1,374	-837	-1,053	-692	-769	-1,824	-1,116	...
- Net Portfolio Investments, US\$ million	2,454	1,612	1,021	-224	1,492	1,257	481	2,074	36	555	...
Overall BOP position (US\$, million)	-863	-1,227	-2,030	-1,879	2,830	3,797	991	778	2,277	-68	...
Unemployment rate	5.7	5.3	5.4	5.1	5.1	5.2	5.1	5.1	5.1	5.3	17.7
Others	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Overseas Filipinos' Remittances (US\$, million)	2,589	2,379	2,671	2,372	2,902	2,648	2,358	2,397	2,046	2,106	2,465
... = not available											

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



Table 2. Level of Philippine GDP, 2019Q2 – 2020Q2

	Nominal GDP		Real GDP	
	(million current pesos)		(million constant pesos*)	
	2019Q2	2020Q2	2019Q2	2020Q2
Agriculture	395,969	423,733	409,818	416,402
Industry	1,427,878	1,123,652	1,493,273	1,151,788
Mining and quarrying	45,149	30,671	56,818	42,917
Manufacturing	806,663	628,700	909,831	716,454
Electricity, steam, water and waste management	187,149	183,949	152,196	143,311
Construction	388,918	280,331	374,429	249,107
Services	3,033,414	2,603,139	3,071,640	2,586,640
Wholesale and retail trade; repair of motor vehicles and motorcycles	871,509	752,379	867,098	753,151
Transportation and storage	211,818	93,825	211,309	86,211
Accommodation and food service activities	96,560	33,879	98,792	31,611
Information and communication	140,403	150,570	140,646	149,926
Financial and insurance activities	443,281	486,154	442,933	472,994
Real estate and ownership of dwellings	321,260	264,942	317,464	253,592
Professional and business services	295,442	249,086	326,027	266,090
Public administration and defense; compulsory social activities	229,323	253,342	238,168	257,972
Education	220,173	199,772	227,080	199,289
Human health and social work activities	84,838	74,116	86,272	72,959
Other services	118,808	45,075	115,851	42,846
Sum = GDP	4,857,262	4,150,524	4,974,731	4,154,830

Source: Philippine Statistics Authority

*Base year 2018



Table 3. Industry Contributions to Philippine GDP Growth, 2019Q2 – 2020Q2

	TRAD	GEAD		GEAD
	GDP Growth			GDP Growth
	PGE*	PGE*	PCE*	PGE* + PCE*
	(percent)	(percent)	(percent)	(percent)
		(1)	(2)	(1)+(2)
GDP Growth	-16.48	-16.48	0.00	-16.48
Industry Growth Contribution				
Agriculture	0.13	0.13	0.16	0.29
Industry	-6.86	-6.86	-0.54	-7.41
Mining and quarrying	-0.28	-0.28	-0.25	-0.52
Manufacturing	-3.89	-3.89	-1.75	-5.64
Electricity, steam, water and waste management	-0.18	-0.18	0.82	0.64
Construction	-2.52	-2.52	0.63	-1.89
Services	-9.75	-9.75	0.39	-9.36
Wholesale and retail trade; repair of motor vehicles and motorcycles	-2.29	-2.29	0.00	-2.29
Transportation and storage	-2.51	-2.51	0.16	-2.36
Accommodation and food service activities	-1.35	-1.35	0.05	-1.30
Information and communication	0.19	0.19	0.02	0.20
Financial and insurance activities	0.60	0.60	0.27	0.88
Real estate and ownership of dwellings	-1.28	-1.28	0.23	-1.05
Professional and business services	-1.20	-1.20	-0.34	-1.54
Public administration and defense; compulsory social activities	0.40	0.40	-0.09	0.31
Education	-0.56	-0.56	0.01	-0.54
Human health and social work activities	-0.27	-0.27	0.02	-0.24
Other services	-1.47	-1.47	0.05	-1.42

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.