



AKI

Angelo King Institute
for Economic and Business Studies

Monitoring the Philippine Economy Third Quarter Report for 2022

Project of Angelo King Institute

Mitzie Irene P. Conchada¹
Full Professor
School of Economics

Edgar Desher P. Empeño
BS AEI-BSA
School of Economics

The Philippine economy grew 7.6 percent in third quarter 2022, exceeding growth forecasts as it continues its path to economic recovery.

The Philippine economy grew year-on-year but slowed compared to the previous quarter. The country experienced an expansion during third quarter 2022, continuing the trend of positive year-on-year growth exhibited since the economy started to recover in second quarter 2021. Economic growth accelerated this quarter at 7.6 percent on a year-on-year basis, but declined by 4.6 percent when compared to the economy's impressive GDP level last quarter. Economic recovery persisted with the employment of more Filipinos, the expansion of local tourism, and the easing of border restrictions. Despite accelerating inflation, household consumption growth remained steadfast, driving demand-side growth along with gross fixed capital formation. The services sector, which remained as the sector with the highest employment shares, contributed the most to growth as a sign of firm operations continuing and consumer demand increasing. Government interventions to put the Philippines on a high-growth path included targeted assistance, investment law reforms, and agricultural investments. With quarter-on-quarter growth slowing and inflation increasing, the central bank and national government must determine the effective mix of monetary and fiscal policies to control the country's current problems, supporting its economic recovery in all sectors.

- **Major components of aggregate demand**
 - **Household consumption sustained growth for six consecutive quarters despite accelerating inflation.** Household Final Consumption Expenditure (HFCE) rose 8.0 percent year-on-year (y-o-y) and 3.1 percent quarter-on-quarter (q-o-q). This was slower than last quarter's y-o-y expansion of 8.6 percent but better than the q-o-q growth of -2.1 percent in second quarter 2022. All HFCE components except two (Alcoholic beverages, tobacco, -10.0 percent from -7.0 percent, y-o-y; Clothing and footwear, -5.5 percent from 27.9 percent, y-o-y) grew this quarter based on Philippine Statistics Authority (PSA, 2022d)² data. The HFCE components that had double-digit growth included: Recreation and culture (46.0 percent from 21.6 percent, y-o-y); Restaurants and hotels (38.2 percent from 12.5 percent, y-o-y); and Transport (20.5 percent from 17.3 percent, y-o-y). Moreover, positive growth was recorded for: Food and non-alcoholic beverages (3.9 percent from 2.9 percent, y-o-y); Housing, water, electricity, gas and other fuels (1.3 percent from 3.2 percent, y-

¹ Report is based on latest available data as of November 27, 2022. For comments and questions, please email mitzie.conchada@dlsu.edu.ph

² https://psa.gov.ph/sites/default/files/Q3%202022%20NAP%20Publication_signed.pdf

o-y); Furnishings, household equipment and routine household maintenance (9.5 percent from 7.9 percent, y-o-y); Health (6.9 percent from 16.3 percent, y-o-y); Communication (7.3 percent from 7.5 percent, y-o-y); Education (5.4 percent from 14.4 percent, y-o-y); and Miscellaneous goods and services (8.3 percent from 6.5 percent, y-o-y). Even with inflation rates increasing, household expenditures were still driven upward especially in sectors that staggered when the COVID-19 pandemic struck in 2020.

- **Gross domestic capital formation persistently grew with double-digit growth.** Gross Capital Formation (GCF) grew by 21.7 percent, larger than both the 20.8 percent growth of GCF in third quarter 2021 and the 21.1 percent rate from the previous quarter. Compared to the y-o-y rates in second quarter 2022, growth of the components in Gross Fixed Capital Formation (GFCF) were much lower. These include: Construction (11.8 percent from 16.3 percent, y-o-y); Durable equipment (11.6 percent from 11.9 percent, y-o-y); Breeding stocks and orchard development (-2.4 percent from -0.7 percent, y-o-y); and Intellectual property products (5.3 percent from 5.8 percent, y-o-y). GCF as well as HFCE drove GDP growth this quarter, with construction activities driving investments.
- **Government spending slowed to near-zero growth, narrowing the country's budget deficit.** Government Final Consumption Expenditure (GFCE) growth slowed to 0.8 percent in third quarter 2022, the first occurrence where growth stagnated relative to previous quarters. Growth this quarter was much slower compared to the previous quarter's growth (11.1 percent) and growth in this period last year (13.8 percent). The Bureau of Treasury (BOT) stated that the year-to-date budget deficit narrowed in third quarter 2022, declining 9.11 percent y-o-y in July (BOT, 2022b)³, 13.06 percent y-o-y in August (BOT, 2022a)⁴, and 11.09 percent y-o-y in September (BOT, 2022c)⁵. This brings the year-to-date budget deficit at third-quarter end to 1.013 trillion pesos, 20.47 percent lower than the government's target of 1.300 trillion pesos. Slower government spending, along with increased tax revenues from the Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC), caused the deficit to narrow. According to NEDA Secretary Arsenio M. Balisacan, why government spending might have declined despite 2022 being an "election year" was due to most government expenditures being allocated in the first two quarters of the year (Balisacan, 2022).
- **Exports and imports continued to grow, widening the trade deficit.** The trade deficit widened to USD 4.8 billion in September, growing 26.5 percent y-o-y (Monzon & Domingo, 2022)⁶. Meanwhile, the trade deficit in goods grew to USD 19.4 billion in third quarter 2022, a 47.1 percent increase y-o-y (Bangko Sentral ng Pilipinas [BSP], 2022a). The exports of goods and services grew 13.1 percent and the imports of goods and services grew 17.3 percent in third quarter 2022. The exports of goods grew 21.8 percent, with electronic products, which comprise 63.2 percent of exported goods, driving this growth with its 9.8 percent increase. Components/devices (semiconductors) (20.0 percent), Communication/radar (19.8 percent), Control instrumentation (15.9 percent), and Medical/industrial instrumentation (1.9 percent)

³ https://www.treasury.gov.ph/wp-content/uploads/2022/08/COR-Press-Release-July-2022_final_ed.pdf

⁴ https://www.treasury.gov.ph/wp-content/uploads/2022/09/COR-Press-Release-August-2022_final_ed.pdf

⁵ https://www.treasury.gov.ph/wp-content/uploads/2022/10/COR-Press-Release-September-2022_final_ed.pdf

⁶ <https://business.inquirer.net/371392/philippine-trade-deficit-narrowed-to-4-82b-in-september>

drove the growth in Electronic products. Most subcomponents under electronic products exhibited negative growth, which includes: Electronic data processing (-18.8 percent); Office equipment (-36.5 percent); Consumer electronics (-6.1 percent); Telecommunication (-11.6 percent); and Automotive electronics (-36.1 percent). Meanwhile, the export of services grew 40.8 percent. The components that grew the most were: Travel (313.2 percent); Business services (18.2 percent); and Transport (40.4 percent). Meanwhile, the country's imported goods, which grew 37.7 percent, were driven by the imports of Components/devices (semiconductors) (20.0 percent); Mineral fuels, lubricants and related materials (29.0 percent); and Transport equipment (56.2 percent). Lastly, the country's imported services, which grew 59.5 percent, were driven by Travel (77.6 percent); Business services (65.7 percent); and Transport (48.8 percent). Mainly due to the widening trade deficit in goods, the current account deficit widened to USD 5.8 billion in third quarter 2022 from USD 974 million in the same quarter last year (BSP, 2022a). This was partially offset by the net receipts in primary and secondary income, although it was not enough to compensate the current account deficit. Net receipts in primary income grew to USD 1.4 billion in third quarter 2022 from USD 586 million in third quarter 2021 due to increases in interest income, investment returns, and reserve assets. Net receipts in secondary income, which includes remittances from overseas Filipino workers, grew to USD 7.9 billion this quarter, with remittances contributing USD 7.3 billion. While remittances remain as a robust source of receipts, it was not enough to offset the ballooning value in imported goods relative to exported goods.

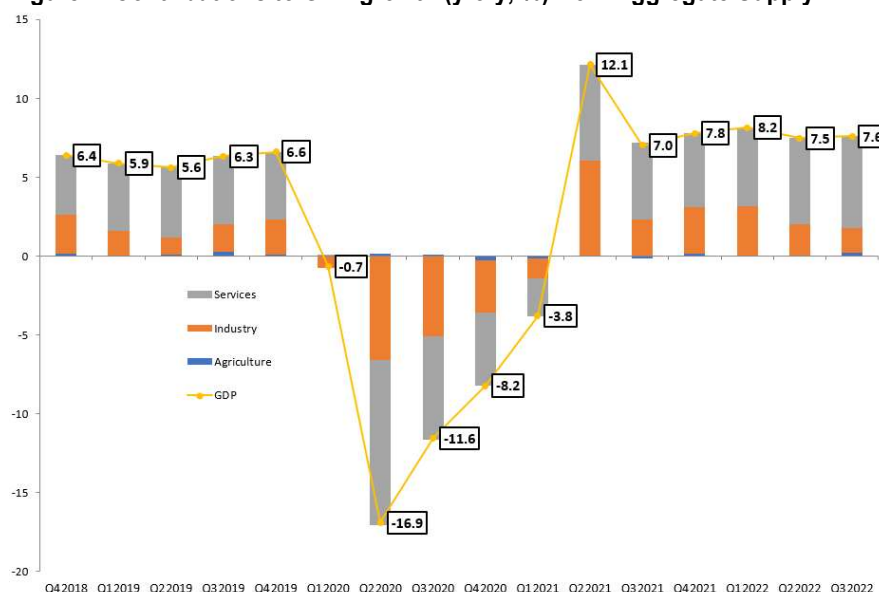
- **Major components of aggregate supply**

- **Services sector sustained its growth.** The services sector grew 9.1 percent in third quarter 2022 with a net contribution to GDP of 6.57 percentage points. Its growth was similar to the previous quarter's y-o-y growth (9.1 percent) and faster than the y-o-y growth in the same period last year (7.7 percent). This made the services sector retain its status as the largest contributor to GDP growth, especially with its share to GDP being 65.3 percent. Growth was fastest for: Accommodation and food service activities (40.6 percent); Transportation and storage (24.3 percent); and Other services (38.3 percent). Meanwhile, the subsectors that had the largest net contribution to GDP were: Wholesale and retail trade, repair of motor vehicles and motorcycles (1.48 percentage points); Transportation and storage (1.44 percentage points); Financial and insurance activities (0.95 percentage points); and Accommodation and food service activities (0.65 percentage points). Similar to the trend noted in previous quarters, these subsectors used to be restricted during the COVID-19 pandemic but are continuously recovering due to restrictions being eased.
- **Industry sector retained positive yet slower growth.** The industry sector grew 5.8 percent, which is slower than the 6.4 percent growth posted in second quarter 2022 and the 8.7 percent growth registered in third quarter 2021. The net contribution of the industry sector was 0.06 percentage points due to its "quantity" contribution of 1.58 percentage points being diminished by its "real price" contribution of -1.51 percentage points. Construction grew the fastest (12.2 percent), followed by Mining and quarrying (9.1 percent), Electricity, steam, water and waste management (3.9 percent), then Manufacturing (3.6 percent). Construction also had the largest net contribution to GDP (1.14 percentage points), followed by Mining and quarrying (0.98

percentage points). Manufacturing notably decreased with its net contribution being -1.44 percentage points because its negative “real price” contribution (-2.04 percentage points) swamped its “quantity” contribution (0.61 percentage points). Hence, growth in the industry sector was driven by construction activities, similar to how construction drove GCF growth in the demand side.

- Agriculture, forestry, and fishing (AFF) sector accelerated.** The agriculture, forestry, and fishing (AFF) sector grew 2.2 percent y-o-y, a growth rate not seen in the sector since third quarter 2019 largely because of its persistent near-zero growth registered in the previous quarters. This is also an improvement when compared to second quarter 2022 (0.2 percent) and third quarter 2021 (-1.7 percent). Its net contribution to GDP this quarter is 0.97 percentage points, mainly driven by its “real price” contribution of 0.77 percentage points. This makes the AFF sector’s net contribution larger than the industry sector this quarter due to their differences in “real price” contribution. Accounting for merely 9.3 percent of GDP in third quarter 2022, the AFF sector is more vulnerable to the country’s weather disturbances and increase in prices for goods such as fertilizer relative to the other sectors.

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



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

Other recent developments

- Average unemployment persistently declined.** By the end of the third quarter, the average unemployment rate declined to 5.2 percent, significantly better than the first quarter’s 6.2 percent unemployment rate and the second quarter’s 5.9 percent unemployment rate. Based on the September 2022 round of the Labor Force Survey (LFS), approximately 2.5 million Filipinos in the labor force were unemployed (PSA, 2022c)⁷, a decrease from the 2.99 million unemployed Filipinos in June 2022 (PSA, 2022a)⁸ and 2.87 million unemployed Filipinos in

⁷ <https://psa.gov.ph/content/employment-rate-september-2022-estimated-950-percent>

⁸ <https://psa.gov.ph/content/employment-rate-june-2022-estimated-940>

March 2022 (PSA, 2022b)⁹. 58.9 percent of the employed population was in the services sector, with 22.5 percent and 18.6 percent of employed persons being found in the AFF and industry sectors, respectively. Compared to September 2021, the subsectors with the largest increases in employment include: Manufacturing (1.09 million); Wholesale and retail trade, repair of motor vehicles and motorcycles (852 thousand); and Agriculture and forestry (599 thousand). Meanwhile, the subsectors with the largest y-o-y decreases in employment compared to September 2021 include: Construction (-394 thousand); Fishing and aquaculture (-138 thousand); and Arts, entertainment, and recreation (-80 thousand).

- **Average headline inflation accelerates towards third quarter end.** Headline inflation accelerated from 3.3 percent in the first quarter, to 5.5 percent in the second quarter, and eventually to 6.5 percent in the third quarter (PSA, 2022e)¹⁰. Inflation in September 2022 reached 6.9 percent, with this inflation rate being the highest on record since October 2018. Inflation was driven by the rise of prices in Food and non-alcoholic beverages (7.4 percent from 6.3 percent, q-o-q) and Housing, water, electricity, gas, and other fuels. Year-to-date, inflation is at 5.1 percent, well above the BSP's inflation target of 2 percent to 4 percent. Meanwhile, average core inflation, which excludes goods like food and fuel with volatile prices, reached 4.3 percent in third quarter 2022, a large increase relative to the first quarter (2.0 percent) and the second quarter (2.8 percent).
- **Consumer and business outlook further weakened as a result of increasing prices.** According to the Bangko Sentral ng Pilipinas (BSP, 2022c), the overall consumer outlook index for third quarter 2022 became even more negative at -12.9 percent, higher than the -19.3 percent index in third quarter 2021, but a reversal from the already recovering index in the previous quarter (-5.2 percent)¹¹. Low-income respondents who comprise 26.7 percent of total respondents were most affected as their outlook index reached -24.8 percent, lower than respondents from the middle-income group (-9.6 percent) and the high-income group (-4.1 percent). A more pessimistic outlook can be attributed to increasing prices, lowering income, and fewer employment opportunities to family members. Consumer outlook also lowered across all three component indicators, which include their outlook regarding economic conditions (-14.1 percent), family income (-6.6 percent), and most of all, their family financial situation (-18.1 percent). Meanwhile, the overall business outlook index for third quarter 2022 declined to 26.1 percent, slightly lower than the previous quarter (35.4 percent), but a large improvement relative to third quarter 2021 (-5.6 percent) (BSP, 2022b)¹². Based on the Business Expectations Survey, the decrease was attributed to greater inflation, rising gasoline costs, declining demand and sales, a weaker peso, and ongoing COVID-19 worries. Domestic-oriented businesses who comprised 69.9% of respondents were less optimistic in third quarter 2022 compared to the previous quarter (26.7 percent from 35.8 percent), along with importers (29.0 percent from 47.6 percent) and exporters (20.5 percent from 30.8 percent). Compared to second quarter 2022, outlooks became less optimistic across all surveyed sectors, including industry (18.0 percent from 29.9 percent), construction (16.2 percent from 22.6 percent), wholesale and retail trade (28.1 percent from 36.1 percent), and services (30.5 percent from 39.5 percent).

⁹ <https://psa.gov.ph/content/employment-rate-march-2022-estimated-942-percent>

¹⁰ <https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2018100-september-2022>

¹¹ https://www.bsp.gov.ph/Lists/Consumer%20Expectation%20Report/Attachments/21/CES_3qtr2022.pdf

¹² https://www.bsp.gov.ph/Lists/Business%20Expectations%20Report/Attachments/20/BES_3qtr2022.pdf

Commentary section:¹³

Acceleration of Philippine GDP Growth in Q3 2022: True but Misleading

By Jesus C. Dumagan, Affiliate Professor & Scientist-in-Residence, School of Economics

The most recent GDP data released by the Philippine Statistics Authority (PSA) showed that the Philippine economy grew at an impressive fast rate of 7.6 percent in Q3 2022 that even exceeded the 7.5 percent Q2 2022 growth rate. An article published in GMA News Online summarized the report by PSA as saying that: “The Philippine economy accelerated in the third quarter of the year—the first quarter of the Marcos administration—despite a high inflation environment.” Moreover, the article quoted Secretary Arsenio M. Balisacan of the National Economic Development Authority (NEDA) as saying that: “...the Philippines is on the road to fully recovering from the economic scarring brought on by the COVID-19 pandemic.”

According to the quarterly statement of NEDA, the Philippines has performed well and beat analysts' growth forecasts, making the 2022 growth target of 6.5 percent to 7.5 percent more achievable (Balisacan, 2022). With the government's main goal set as “reinvigorating job creation and reducing poverty”, the economy's performance has shown that it can get back on track, especially as it was the second fastest growing ASEAN nation this quarter, in front of Indonesia but behind Vietnam (Cordero, 2022)¹⁴. This was attributed to a range of factors, which include the easing of mobility restrictions, the resumption of in-person education, and various laws and programs enacted. To support further growth, the government plans to improve the agriculture sector by investing in the value chain to improve sectoral productivity. Furthermore, they intend to make the country a critical destination for local and foreign investors through a variety of incentives in laws like the Public Service Act, Foreign Investments Act, Retail Trade Liberalization Act, and the Corporate Recovery and Tax Incentives for Enterprises, and reforms to the Build-Operate-Transfer law.

However, a closer examination of relevant Philippine GDP data in the following table shows that the growth acceleration is true but a misleading indicator of economic recovery.

¹³ This section is appearing for the first time in *Monitoring the Philippine Economy, Third Quarter Report for 2022*. It is planned to be a regular part of future quarterly reports where faculty members and students of the School of Economics and researchers of the Angelo King Institute may write comments on relevant economic issues.

¹⁴ <https://www.gmanetwork.com/news/money/economy/850940/philippine-economy-grows-faster-by-7-6-in-q3-2022/story/>

Figure 2. GDP Level and Growth (y-o-y and q-o-q), Q12021 – Q32022

Year	Quarter	*GDP Level (million 2018 pesos)	Percent GDP Growth	
			*Year-on-Year Same Quarter	Quarter-to-Quarter
2021	Q1	4,265,322.4	—	—
	Q2	4,645,533.0	—	8.9
	Q3	4,425,697.2	—	-4.7
	Q4	5,201,501.2	—	17.5
2022	Q1	4,613,154.8	8.2	-11.3
	Q2	4,992,670.7	7.5	8.2
	Q3	4,761,926.3	7.6	-4.6

Source: *Philippine Statistics Authority.

It is important to note that GDP fell 4.7 percent from 4.6 trillion in Q2 to 4.4 trillion in Q3 in 2021. GDP also fell 4.6 percent from 5.0 trillion in Q2 to 4.8 trillion in Q3 in 2022, which happened during the first quarter of the Marcos Administration. It can be noted that the decline in the GDP level in Q3 was caused by a slowdown across all sectors (agriculture, industry and services), with the industry sector absorbing the supply shocks caused mainly by the peso depreciation. The industry sector in fact suffered a negative 16 percent growth (quarter-on-quarter). This recent peso depreciation is caused by several interrelated forces: acceleration of domestic inflation, the war in Ukraine, and the US Federal Reserve's aggressive monetary policy of raising interest rate to address inflation.

Clearly, GDP was *smaller* in Q3 than in Q2 both in 2021 and 2022. So, how is it possible for GDP growth from Q2 2021 to Q2 2022, which was 7.5 percent, to accelerate to 7.6 percent from Q3 2021 to Q3 2022?

To answer the above question, imagine a "Q2 GDP line" and a "Q3 GDP line" that are both moving forward from 2021 to 2022. The actual GDP data in the table implies that both lines slope upwards (positive growth). However, the Q3 GDP line lies entirely below (smaller GDP) but is steeper (faster growth rate) than the Q2 GDP line.

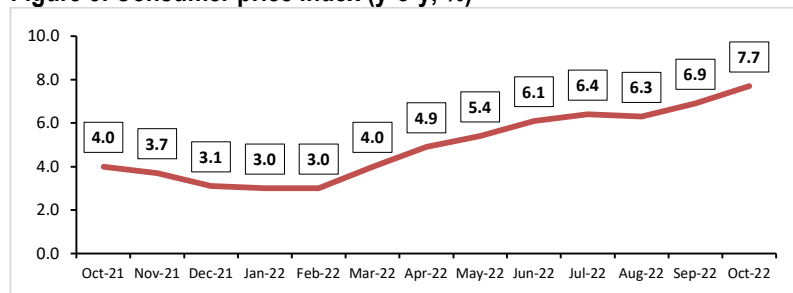
A faster GDP growth rate is always welcome but what's happening to the size of GDP at the same time should be kept in mind in assessing the health of the economy. In light of the above picture, the smaller GDP makes the faster growth rate from Q3 2021 to Q3 2022 a misleading indicator of the Philippine economy's recovery.

Can Interest Rate Hikes Solve Accelerating Inflation?

By Edgar Desher P. Empeño, BS AEI-BSA, School of Economics

Prices have been clearly rising for vital commodities such as food, gas, and oil, diminishing the purchasing power of consumers globally. Locally, the Philippines' average inflation rate for third quarter 2022 increased to 6.5 percent, a persistent increase from inflation in the first quarter (3.3 percent) and the second quarter (5.5 percent). What caused these rising prices were mainly outside forces such as the Russia-Ukraine crisis, the monetary tightening of the United States Federal Reserve (US Fed), and global supply chain disruptions. A weaker peso mixed with high import prices further increased inflation.

Figure 3. Consumer price index (y-o-y, %)



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

To curb these inflationary pressures, successive policy rate increases have been implemented by the Bangko Sentral ng Pilipinas (BSP). Since April 2022, the BSP has increased the policy rate by 3.00 basis points, making the current policy rate 5.00 percent. According to BSP Governor Felipe Medalla, more hikes are expected to come to match the aggressive monetary stance of the US Fed and prepare for the further rise of prices and the peso's weakening.

However, the BSP's solution may not solve the problem at hand and may even slow down economic recovery.

Given that this cost-push inflation is mainly imported, or caused by supply-side problems, these policy rate increases would simply stifle consumption and investments, the two largest drivers of growth for the country. It lowers consumption by lowering overall demand because larger policy rates increase the cost of borrowing, stopping consumers from borrowing money to make large purchases (e.g., housing and automobiles) and instead pushing them to save. Furthermore, foreign investment may decline due to a tighter monetary environment, reducing firm's investment incentives. With the decline in these components, firms might find themselves unprofitable, laying workers off to cut costs, potentially worsening unemployment.

At best, what raising interest rates can do is to offset the peso's depreciation and prevent the outflows of investments. Given that inflation is affected by the growth of wages, the cost of inputs, and the mark-up imposed by corporations, what the government can do to curb inflation is to control the above mark-up. The government can either tax this markup to disincentivize further price hikes or have the Philippine Competition Commission review the pricing structure of these firms to ensure there is no unreasonable price-setting occurring.

Due to this problem-solution mismatch, the country's situation may worsen when the effects of the BSP's policy rate hikes manifest in the economy.

References

- Balisacan, A. (2022). Statement of NEDA secretary Arsenio M. Balisacan on the Philippine economic performance for the third quarter of 2022. <https://neda.gov.ph/statement-of-neda-secretary-arsenio-m-balisacan-on-the-philippine-economic-performance-for-the-third-quarter-of-2022/>
- Bangko Sentral ng Pilipinas. (2022a). Balance of payments report: Third quarter 2022. https://www.bsp.gov.ph/Media_And_Research/Balance%20of%20Payments%20Report/2022/BOP_3qtr2022.pdf
- Bangko Sentral ng Pilipinas. (2022b). Business expectations survey: Third quarter 2022. https://www.bsp.gov.ph/Lists/Business%20Expectations%20Report/Attachments/20/BES_3qtr2022.pdf
- Bangko Sentral ng Pilipinas. (2022c). Consumer expectations survey: Third quarter 2022. https://www.bsp.gov.ph/Lists/Consumer%20Expectation%20Report/Attachments/21/CES_3qtr2022.pdf
- Bureau of the Treasury. (2022a). August 2022 fiscal deficit contracts 40.43% yoy to P72.0 billion: Year-to-date budget gap at P833.0 billion [Press release]. https://www.treasury.gov.ph/wp-content/uploads/2022/09/COR-Press-Release-August-2022_final_ed.pdf
- Bureau of the Treasury. (2022b). NG's July 2022 budget deficit narrows to P86.8 billion: P761.0-billion year-to-date budget gap down by 9.11% from last year [Press release]. https://www.treasury.gov.ph/wp-content/uploads/2022/08/COR-Press-Release-July-2022_final_ed.pdf
- Bureau of the Treasury. (2022c). NG posts P179.8-billion budget deficit in September 2022: Three quarter budget gap down 11.09% yoy [Press release]. https://www.treasury.gov.ph/wp-content/uploads/2022/10/COR-Press-Release-September-2022_final_ed.pdf
- Cordero, T. (2022). Philippine economy grows faster by 7.6% in Q3 2022. GMA News. <https://www.gmanetwork.com/news/money/economy/850940/philippine-economy-grows-faster-by-7-6-in-q3-2022/story/>
- Monzon, A., & Domingo, R. (2022). Philippine trade deficit narrowed to \$4.82B in September. Philippine Daily Inquirer. <https://business.inquirer.net/371392/philippine-trade-deficit-narrowed-to-4-82b-in-september>
- Philippine Statistics Authority. (2022a). Employment rate in June 2022 is estimated at 94.0 percent. <https://psa.gov.ph/content/employment-rate-june-2022-estimated-940>
- Philippine Statistics Authority. (2022b). Employment rate in March 2022 is estimated at 94.2 percent. <https://psa.gov.ph/content/employment-rate-march-2022-estimated-942-percent>
- Philippine Statistics Authority. (2022c). Employment rate in September 2022 is estimated at 95.0 percent. <https://psa.gov.ph/content/employment-rate-september-2022-estimated-950-percent>
- Philippine Statistics Authority. (2022d). Q1 2020 to Q3 2022 national accounts of the Philippines. https://psa.gov.ph/sites/default/files/Q3%202022%20NAP%20Publication_signed.pdf
- Philippine Statistics Authority. (2022e). Summary inflation report consumer price index (2018=100): September 2022. <https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumerprice-index-2018100-march-2022>



Table 1. Philippine Economic Indicators

Philippines Economic Data											
Monthly Leading Indicators	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
Industrial Production (y-o-y, %)	28.6	19.2	10.9	69.8	345.9	-0.8	-0.4	0.2	2.4	3.5	...
Consumer Price Index (y-o-y, %)	3.2	3.0	3.2	4.0	4.9	5.4	6.1	6.4	6.3	6.9	7.7
Retail Sales (y-o-y, %)	21.8	14.8	20.2	21.3	19.0	10.6	13.3	14.1	...	...	...
Exports (y-o-y, %)	7.3	9.0	15.8	5.9	6.2	6.4	1.0	-4.1	-2.0	...	...
Imports (y-o-y, %)	37.2	25.3	26.3	23.4	29.0	30.2	26.3	22.2	26.0	...	...
Trade Balance, US\$ million	-5,117	-4,513	-3,983	-4,589	-5,309	-5,556	-5,869	-5,989	-6,003	...	...
Total Reserves (less gold), US\$ billion	99	99	98	98	96	95	92	91	89	85	...
Policy Rate	2	2	2	2.000	2.000	2.250	2.500	3.250	3.750	4.250	...
Fiscal Balance (million pesos; Jan - Aug 2022)	...	...	...	...	...	...	...	...	-833,019	...	...
Quarterly/Annual Economic Indicators	1Q2020	2Q2020	3Q2020	4Q2020	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022	3Q2022
Real GDP (y-o-y, %)	-0.7	-16.9	-11.6	-8.2	-3.8	12.1	7.0	7.8	8.2	7.5	7.6
- Private Consumption	0.2	-15.3	-9.2	-7.3	-4.8	7.3	7.1	7.5	10.0	8.6	8.0
- Government Consumption	7.0	21.8	5.8	5.0	16.1	-4.2	13.8	7.8	3.6	11.1	0.8
- Gross Capital Fixed Formation	-12.3	-51.8	-38.8	-31.7	-13.9	83.7	20.8	14.2	20.4	21.1	21.7
Current Account (% of GDP)	0.3	6.2	4.8	3.9	-0.7	-1.3	-1	-3.5	-4.3	-7.7	...
Financial Account (US\$ million)	2,973	-442	646	-6,502	4,089	-2,938	-1,133	-4,973	-4,336	-2,870	...
- Net Direct Investments, US\$ million	-883	-917	-1,111	-282	-1,691	-1,604	-2,177	-2,138	-1,363	-1,375	...
- Net Portfolio Investments, US\$ million	793	234	2,887	-2,539	7,884	-749	954	161	435	29	...
Overall BOP position (US\$, million)	-68	4,177	2,769	9,144	-2,844	905	1,274	2,009	495	-3,596	...
Unemployment rate	5.3	17.6	10	8.7	7.1	7.7	8.9	6.5	5.8	6	5.3
Others	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Overseas Filipinos' Remittances (US\$, million)	2,812	2,502	2,987	2,668	2,509	2,594	2,395	2,425	2,755	2,917	2,721

... = not available

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



Table 2. Level of Philippine GDP, 2021Q3 – 2022Q3

	Nominal GDP (million current pesos)		Real GDP (million constant pesos*)	
	2021Q3	2022Q3	2021Q3	2022Q3
Agriculture	433,483	485,275	398,149	407,066
Industry	1,171,955	1,335,537	1,210,962	1,280,710
Mining and quarrying	47,508	77,403	26,894	29,331
Manufacturing	677,728	737,766	734,103	760,883
Electricity, steam, water and waste management	142,539	159,587	172,370	179,147
Construction	304,181	360,781	277,595	311,349
Services	2,998,887	3,419,114	2,816,586	3,074,151
Wholesale and retail trade; repair of motor vehicles and motorcycles	966,385	1,099,113	933,154	1,018,017
Transportation and storage	158,778	220,668	136,730	169,972
Accommodation and food service activities	62,274	91,427	54,435	76,524
Information and communication	141,028	152,878	135,115	145,622
Financial and insurance activities	467,026	535,734	444,750	478,812
Real estate and ownership of dwellings	297,886	321,785	276,806	285,484
Professional and business services	324,557	358,306	297,585	325,385
Public administration and defense; compulsory social activities	237,923	249,656	224,611	226,227
Education	188,417	204,343	174,090	183,179
Human health and social work activities	97,363	105,237	85,600	90,673
Other services	57,250	79,966	53,709	74,256
Sum = GDP	4,604,325	5,239,926	4,425,697	4,761,926

Source: Philippine Statistics Authority

*Base year 2018



Table 3. Industry Contributions to Philippine GDP Growth, 2021Q3 – 2022Q3

	TRAD GDP Growth PGE* (percent)	GEAD PGE* (percent) (1)	GEAD PCE* (percent) (2)	GEAD GDP Growth PGE* + PCE* (percent) (1) + (2)
GDP Growth	7.60	7.60	0.00	7.60
Industry Growth Contribution				
Agriculture	0.20	0.20	0.77	0.97
Industry	1.58	1.58	-1.51	0.06
Mining and quarrying	0.06	0.06	0.93	0.98
Manufacturing	0.61	0.61	-2.04	-1.44
Electricity, steam, water and waste management	0.15	0.15	-0.77	-0.62
Construction	0.76	0.76	0.37	1.14
Services	5.82	5.82	0.75	6.57
Wholesale and retail trade; repair of motor vehicles and motorcycles	1.92	1.92	-0.43	1.48
Transportation and storage	0.75	0.75	0.69	1.44
Accommodation and food service activities	0.50	0.50	0.15	0.65
Information and communication	0.24	0.24	-0.15	0.09
Financial and insurance activities	0.77	0.77	0.18	0.95
Real estate and ownership of dwellings	0.20	0.20	0.16	0.35
Professional and business services	0.63	0.63	0.01	0.63
Public administration and defense; compulsory social activities	0.04	0.04	0.01	0.05
Education	0.21	0.21	0.06	0.26
Human health and social work activities	0.11	0.11	0.11	0.23
Other services	0.46	0.46	-0.04	0.43

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) method of decomposing growth of GDP in constant prices into sector contributions. This alternative method is a "generalized" 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, GEAD 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 overall GDP deflator as the common denominator of the above ratio makes the economy's real GDP the numeraire and, thus, this ratio is the real price or exchange value of the GDP of a sector in units of the economy'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. 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. However, 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.