

PH GDP GROWTH SLOWS IN Q1 BUT BEATS EXPECTATIONS

Philippine GDP growth slowed to 6.4% in the 1st quarter of 2023. The PSA noted that this is the lowest recorded rate for the Philippines since the start of the recovery from the pandemic in the second quarter of 2021. However, this exceeds the forecasts of local economists whose estimates are within the median of 6% and slightly exceeds recent forecasts of the Asian Development Bank and the International Monetary Fund who both projected around 6%. This is still within the government's GDP target of 6-7%.

On the production side, Services grew 8.4%, Industry 3.9%, and Agriculture 2.2%. On the demand side, Household Spending grew 6.3%, Government Spending, 6.2%; and Investment (gross capital formation) 12.2%. Trade lagged with exports of goods and services inching up 0.4% and imports of goods and services rising 4.2%. NEDA Sec. Balisacan noted that the manufacturing sector is highly volatile due to global problems in the supply chain hence, the laggard growth.

Strong sub-sector growth was recorded in Other Services (which includes arts, entertainment, and other service activities) at 36.5%, Accommodation and Food Service activities (26.9%), Transportation and Storage (14.3%), and Construction (10.8%). Meanwhile, laggards during the first quarter were Mining and Quarrying (-2.2%), Public Administration and Defense (1.5%), and Manufacturing (2.0%).

Growth slowed from 7.1% in the 4th quarter of 2022. Before today's release, the OECD projected the Philippines will grow 5.7% this year, the second fastest in Southeast Asia after Vietnam. Sec. Balisacan today said the government still projects 6% to 7% growth this year and 6.5% to 8% for 2024 to 2028. The economy grew 7.6% in 2022, the fastest pace since 1976.

"High inflation remains a challenge," requiring a "balancing act," Sec. Balisacan said, noting that the BSP has raised its key policy rates to anchor inflation expectations.

Two recent developments may aid economic growth in the near future. These include the issuance of the Implementing Rules and Regulations (IRR) of the amendments to the Public Service Act, which liberalizes key sectors such as telecommunications and transportation. The Philippines also recently ratified the Regional Comprehensive Economic Partnership (RCEP) Agreement in February 2023, which is currently the world's largest free trade agreement.



ARSENIO BALISACAN
Secretary
National Economic and Development Authority

"Ensuring that we go back to our high growth path and, more importantly, achieve significant social and economic transformation, will involve fully implementing the strategies laid out in the Philippine Development Plan 2023-2028, which call for developing and protecting the capabilities of Filipinos and transforming our production sectors to generate more quality jobs and competitive products, while ensuring a conducive investment environment in terms of governance and government policies."

ROBERT DAN ROCES
Chief Economist
Security Bank

"Production and consumption are expected to moderate given the prevailing inflation environment, but overall, the country's economic activity remains stable. Nevertheless, there are still risks to the economic outlook, such as the possibility of renewed COVID-19 outbreaks, crude-induced inflation, global food supply chain disruptions, and geopolitical tensions. Policymakers will be alert to implement proactive measures to address these risks and ensure continued economic growth and stability."

MICHAEL RICAFORT
Chief Economist
RCBC

"More reform measures seen to attract/encourage the entry of more foreign investment is expected to boost investor/market confidence and lead to the creation of more jobs and other business/economic opportunities that would also help the economy recover further from the pandemic."

NICHOLAS MAPA
Senior Economist
ING Bank

"Robust household consumption likely supported economic growth although we'd like to note a less pronounced contribution from capital formation (due to high borrowing costs) and government spending. Pent up demand remains evident, keeping overall consumption upbeat."