

**BSP Economic and Financial Learning Program**  
**EkonoMEya: Ekonomiya + Ako**  
**Session for Educators**  
**25 April 2024, Thursday, 1:15 – 2:05 PM**  
**Apo View Hotel, Davao City**

# **The Philippine Economy: Sustaining Robust Growth amid Evolving Challenges and Risks**

**Faith Christian Q. Cacnio**  
**BSP Research Academy**

*Disclaimer: The views contained in this presentation are those of the speaker and does not necessarily reflect the views of the Bangko Sentral ng Pilipinas (BSP).*



# Outline

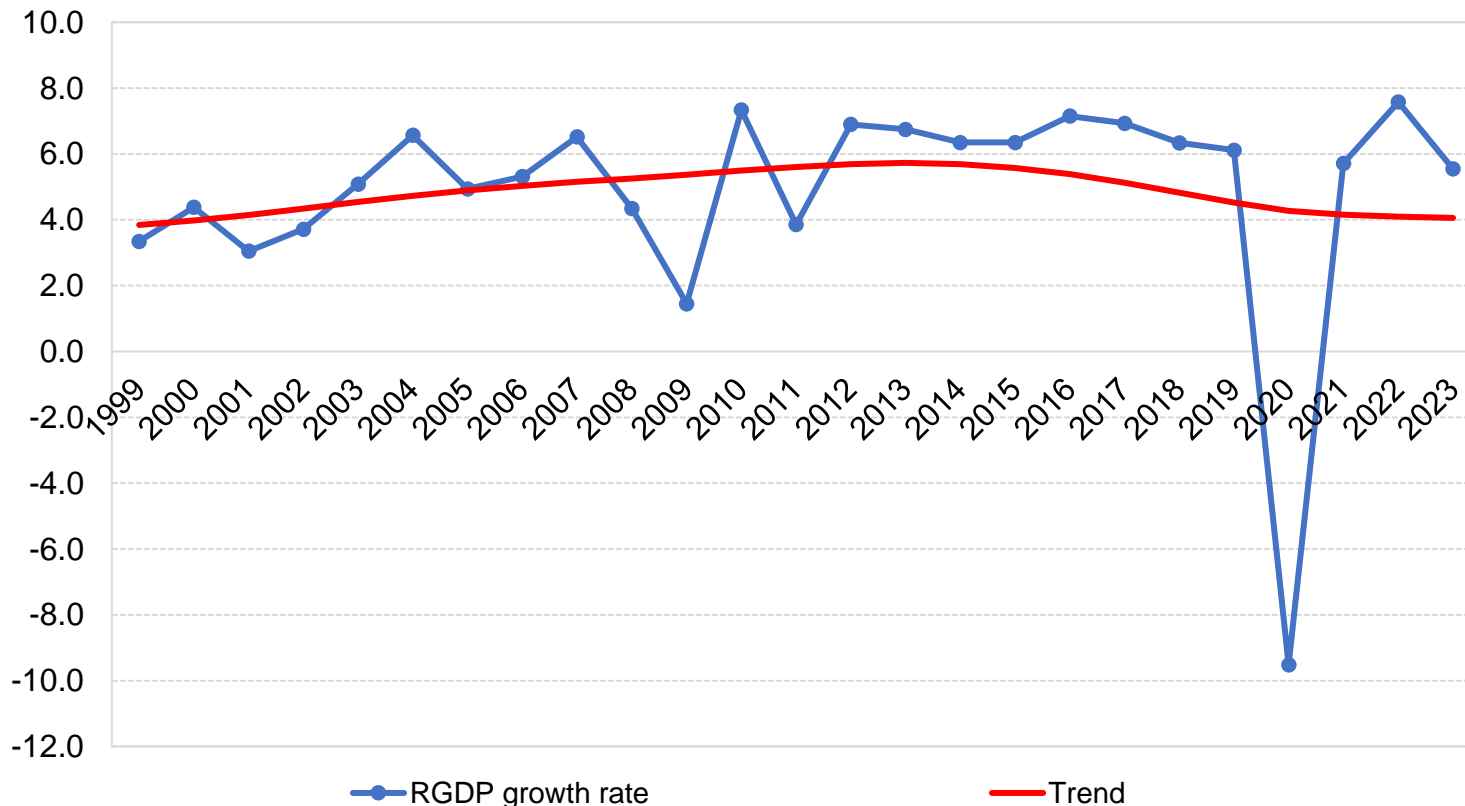
- 1 Recent developments in the Philippine economy
- 2 Outlook and prospects
- 3 Downside risks and challenges
- 4 Policy directions
- 5 Key takeaways



# 1. Recent developments in the Philippine economy

- Philippine economy posted sustained positive growth since 1999, except in 2020 (i.e., COVID-19 pandemic).
- Economic decline in 2020 was the worst in post-WW II period.
- Post-pandemic economy showed robust and resilient growth.

**Real GDP Growth, 1999 – 2023**  
At 2018 constant prices, in percent



Source of data: Philippine Statistics Authority (PSA)

|             | Real GDP Growth |            |
|-------------|-----------------|------------|
|             | Average         | Volatility |
| 1982 - 1989 | 1.6             | 5.8        |
| 1990 - 1999 | 2.8             | 2.5        |
| 2000 - 2009 | 4.5             | 1.6        |
| 2010 - 2019 | 6.4             | 1.1        |
| 2020 - 2023 | 2.4             | 8.3        |

Source of data: PSA

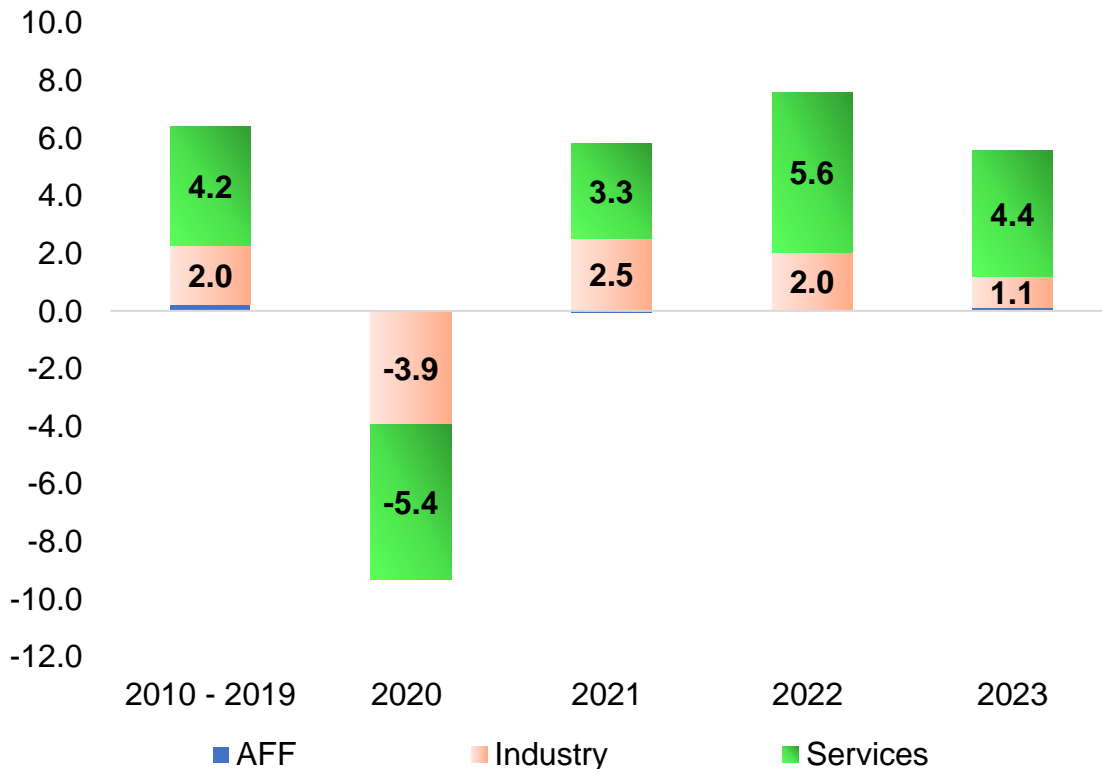


# 1. Recent developments in the Philippine economy

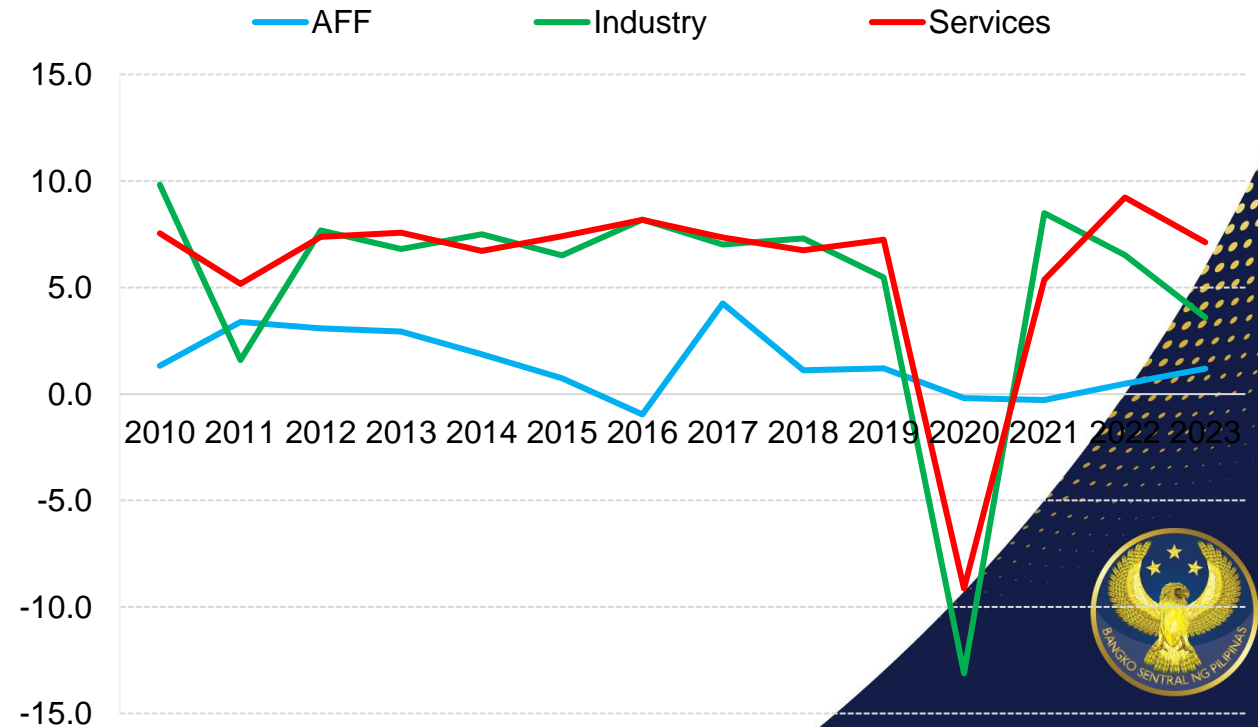
## On the supply side

- All production sectors recorded growth since the gradual re-opening of the economy.
- Services sector continues to account for largest share in the country's output.
- Growth in agriculture, forestry and fishing (AFF) sector remains modest.

Contributions to Growth in percentage points



GDP by industry: 2010 - 2023  
At 2018 constant prices  
Growth rates in percent



Source: PSA

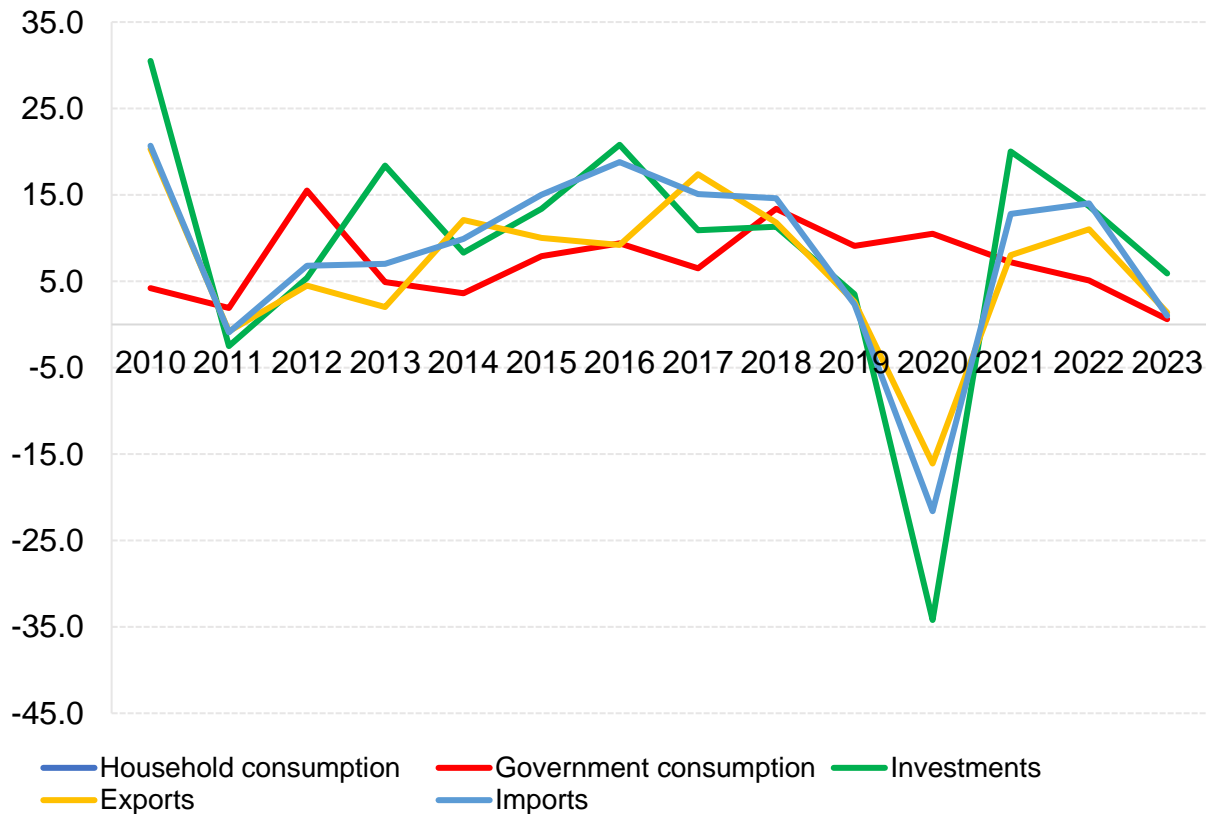


# 1. Recent developments in the Philippine economy

*On the demand side*

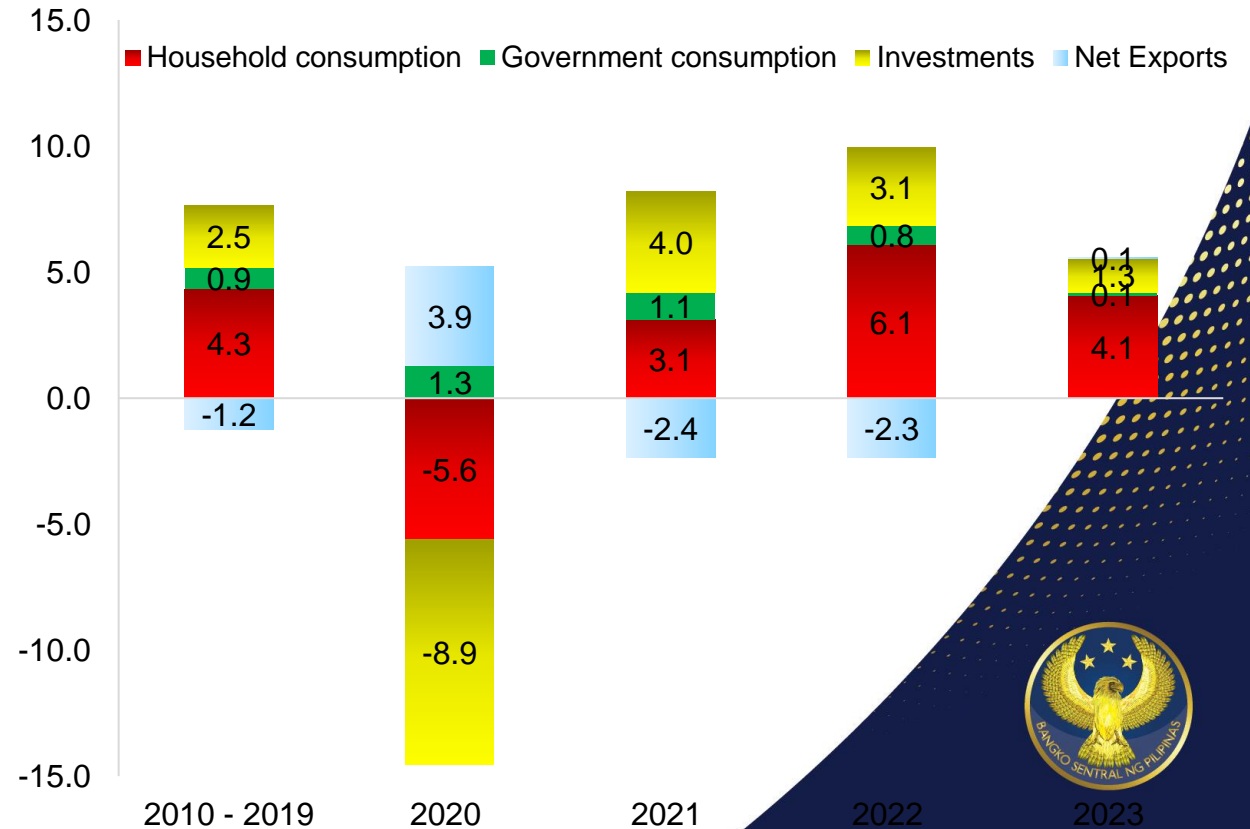
- Household final consumption and investments are major contributors to economic growth.

**GDP by expenditure: 2010 - 2023**  
At 2018 constant prices  
Growth rates in percent



Source: PSA

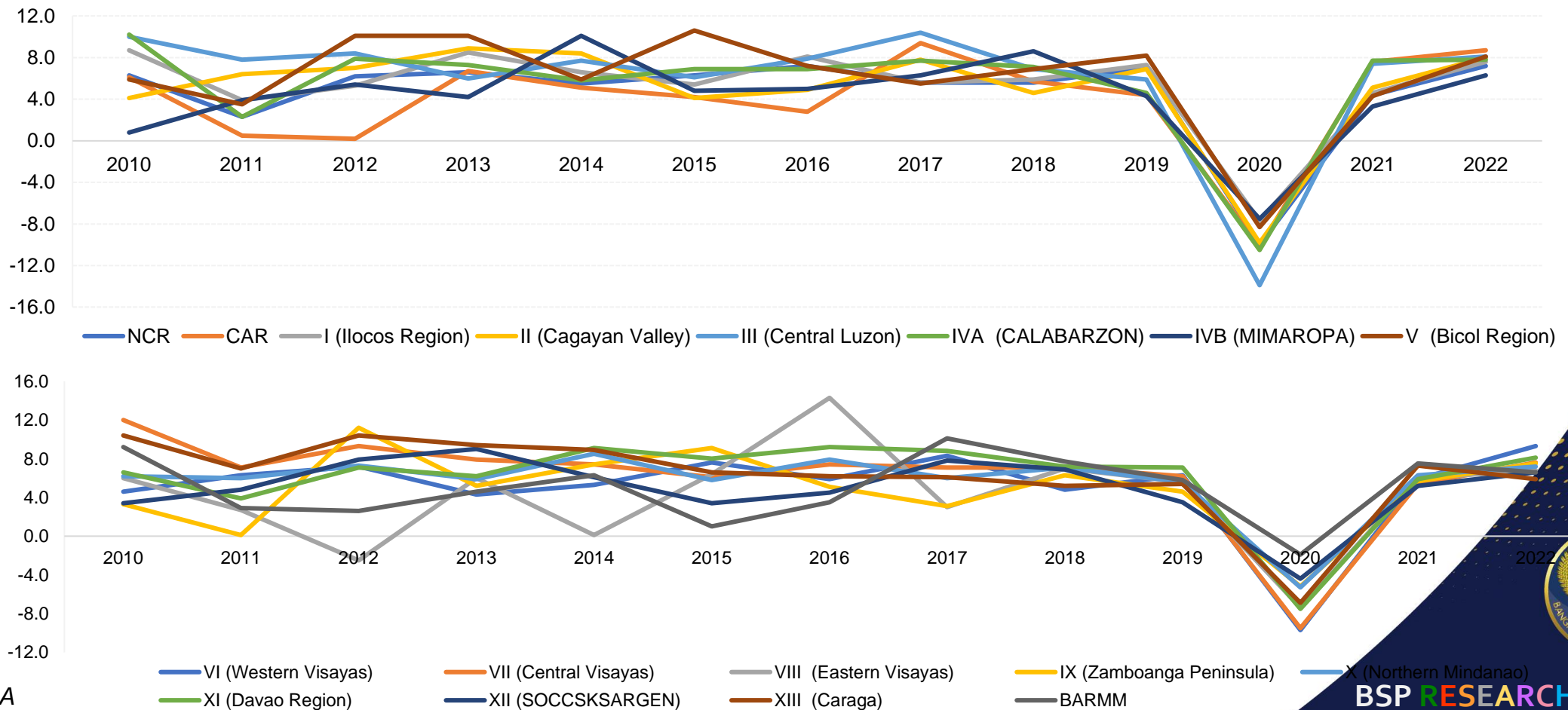
**Contributions to Growth in percentage points**



# 1. Recent developments in the Philippine economy

- Regional economies posted positive growths in 2022.
- Western Visayas (Region VI) registered the fastest growth at 9.3 percent in 2022, followed by Cordillera Administrative Region (CAR) at 8.7 percent. Davao Region (Region XI), Bicol Region (Region V) and Central Luzon (Region III) all recorded 8.1 percent growth.

**Gross Regional Domestic Product (GRDP): 2010 - 2022**  
**At 2018 constant prices**  
**Growth rates in percent**



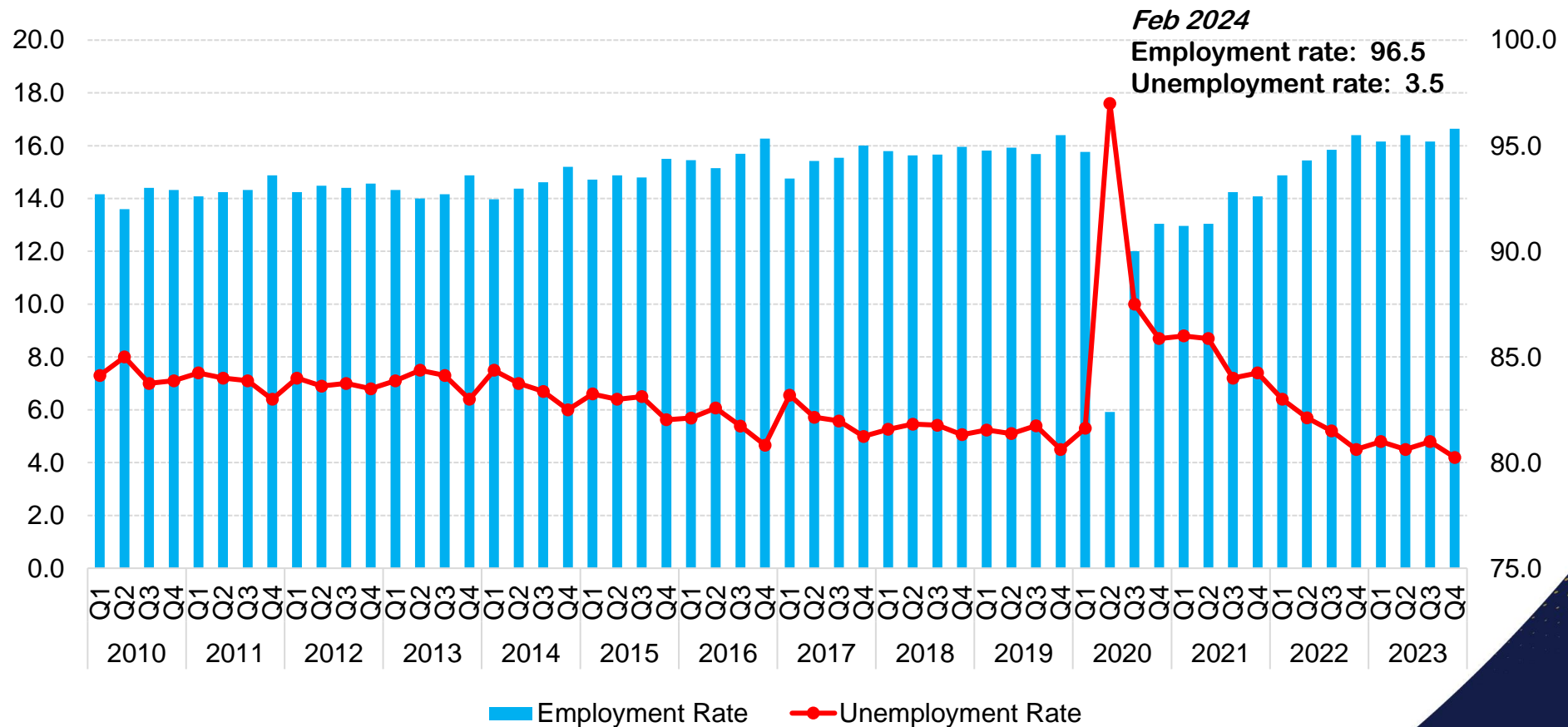
Source: PSA



# 1. Recent developments in the Philippine economy

- Philippine labor market has shown significant improvements since the height of the COVID-19 pandemic in 2020.

**Employment rate and Unemployment rate: Q1 2020 – Q4 2023**  
(in percent)



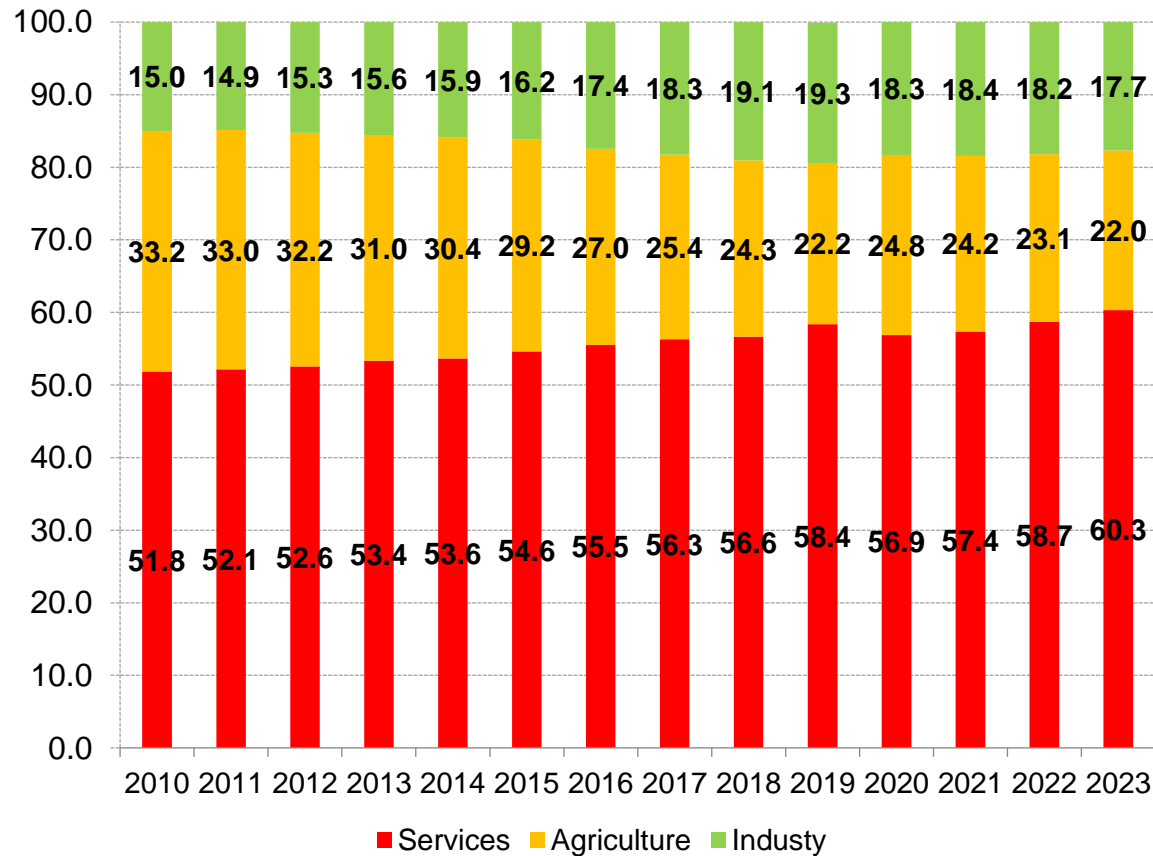
Source: PSA



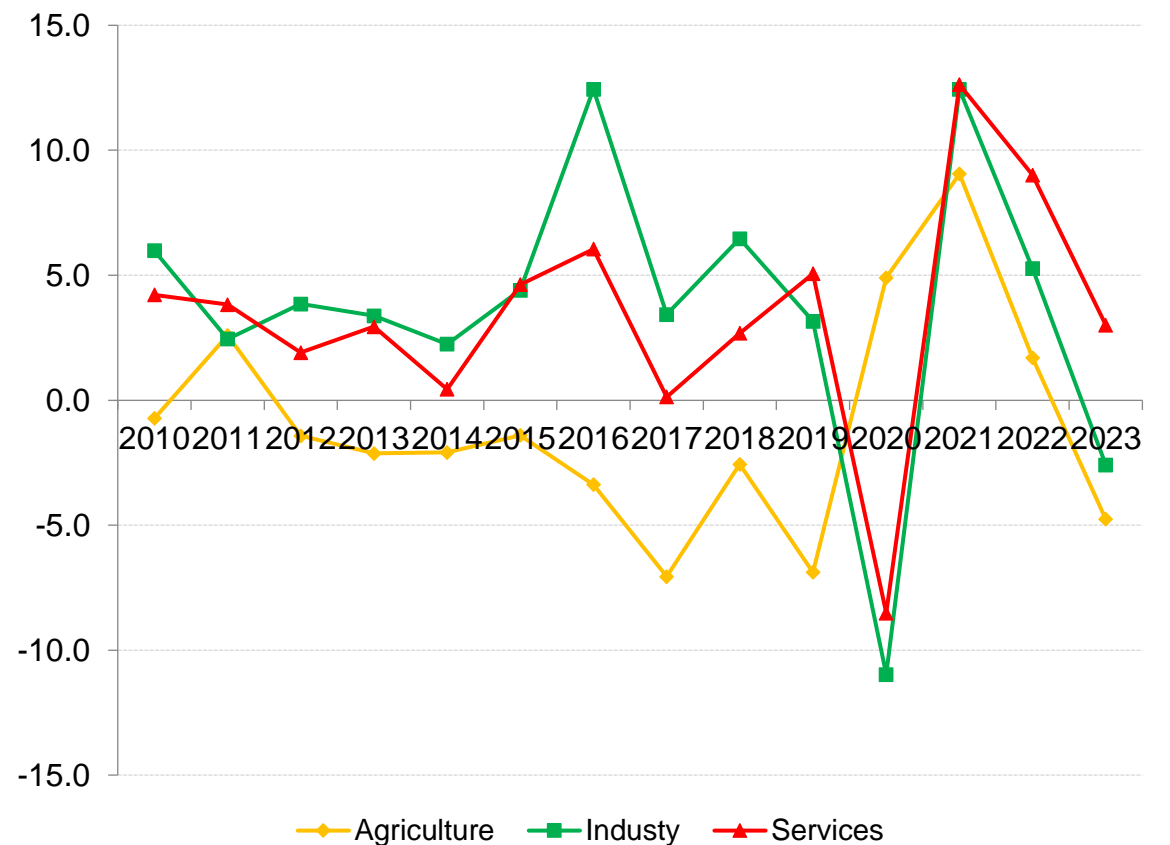
# 1. Recent developments in the Philippine economy

- Services sector accounts for the largest share in sectoral employment.

**Sectoral employment share  
(% to total employment)**



**Sectoral employment growth rate  
(in percent)**



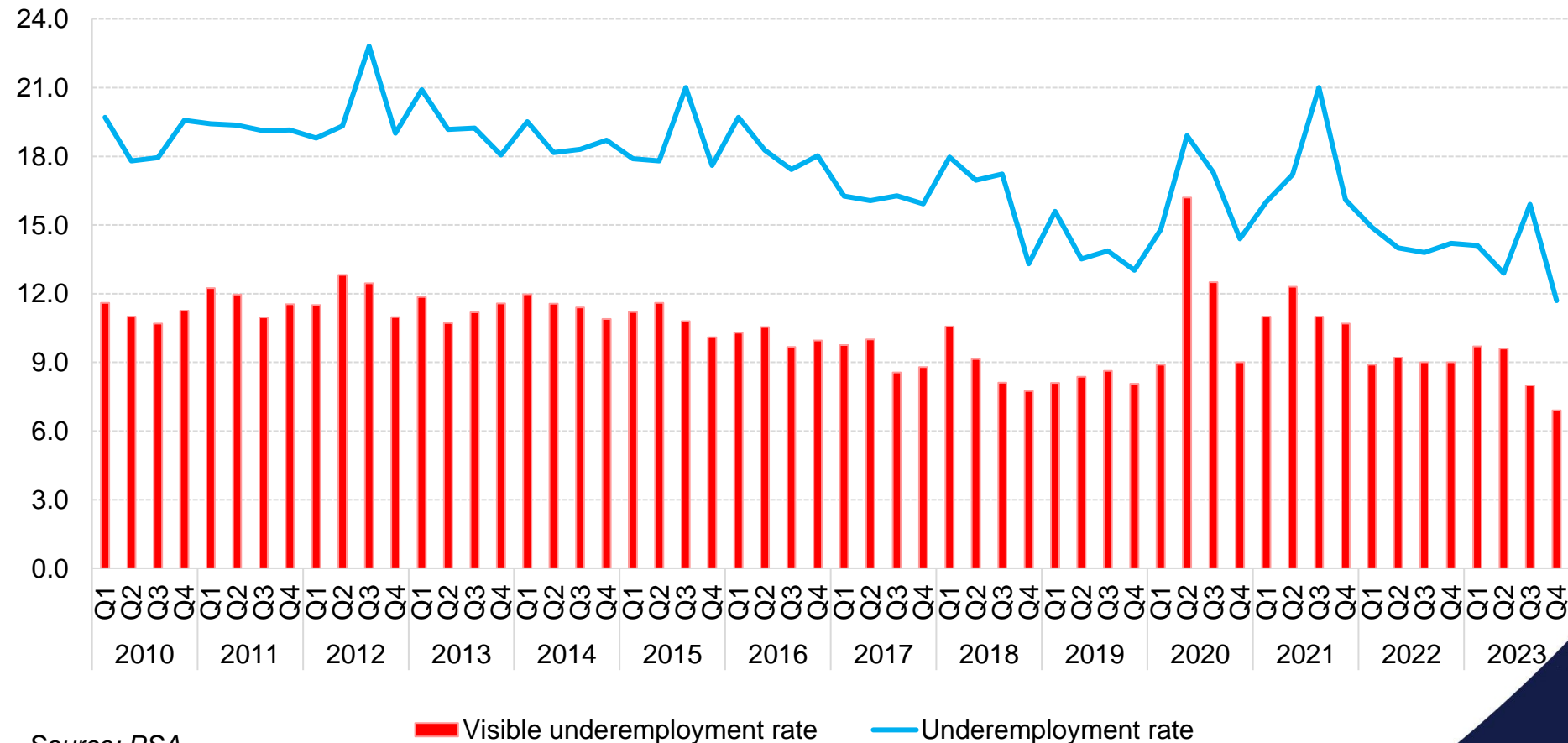
Source: PSA



# 1. Recent developments in the Philippine economy

- Underemployment rate has declined in recent quarters.

**Underemployment rate and Visible Underemployment rate: Q1 2020 – Q4 2023**  
in percent



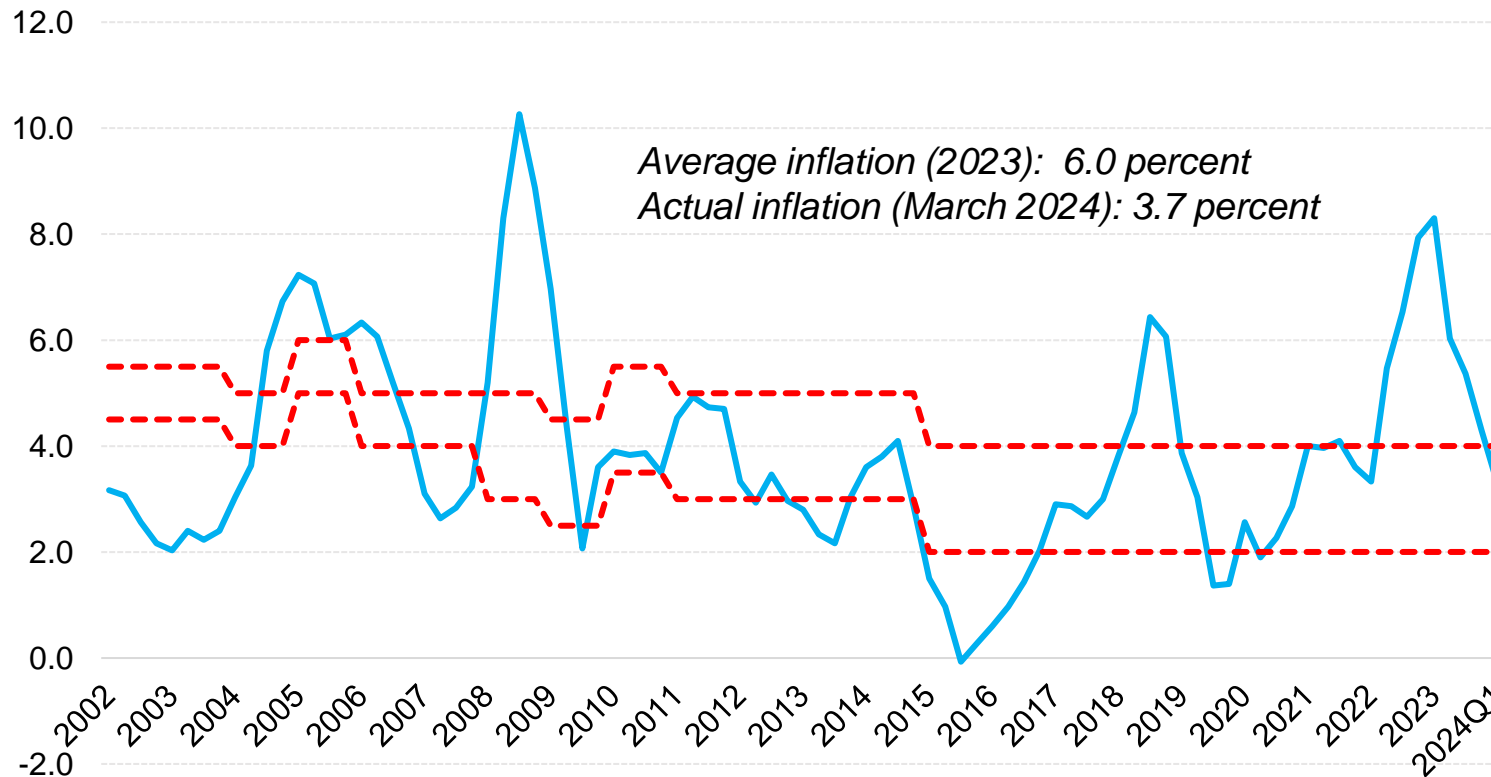
Source: PSA



# 1. Recent developments in the Philippine economy

- Global and domestic inflation significantly increased with the re-opening of economies following COVID-19 pandemic.
- In the Philippines, inflation rose in 2022 and peaked at 8.3 percent in Q1 2023.
- Domestic inflation declined as supply side constraints started to ease and with aggressive monetary policy actions.

**Inflation (2018 = 100): Q1 2002 and Q1 2024**



|                | Average | Volatility |
|----------------|---------|------------|
| 2002 – 2009    | 4.7     | 2.3        |
| 2010 – 2019    | 3.0     | 1.5        |
| 2020 – Q1 2024 | 4.5     | 1.9        |

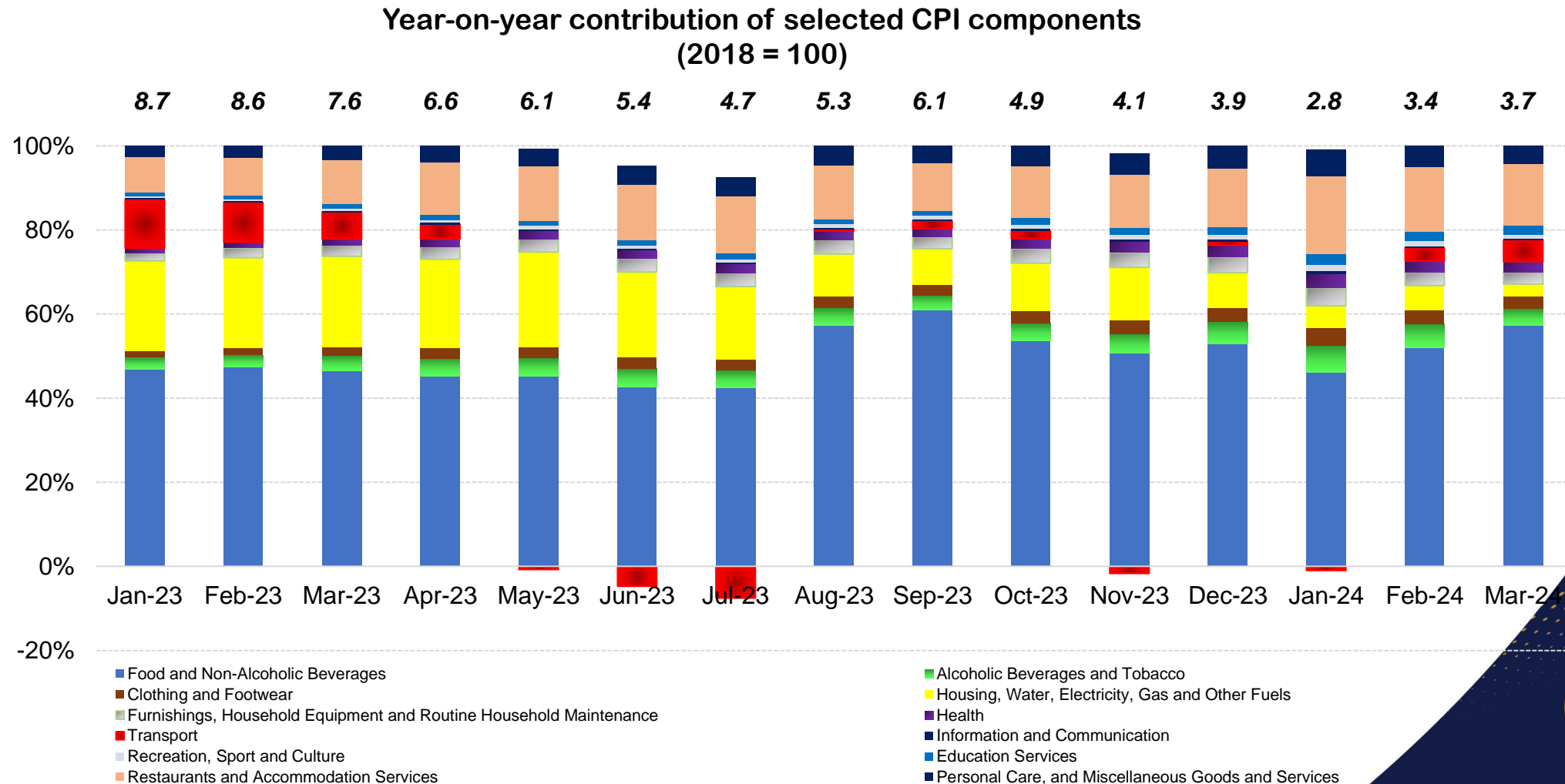
Source of data: PSA

Source: PSA



# 1. Recent developments in the Philippine economy

- Among the CPI items, key contributors to inflation are food and non-alcoholic beverages, transport, housing, water, electricity and gas and restaurants and accommodation services.

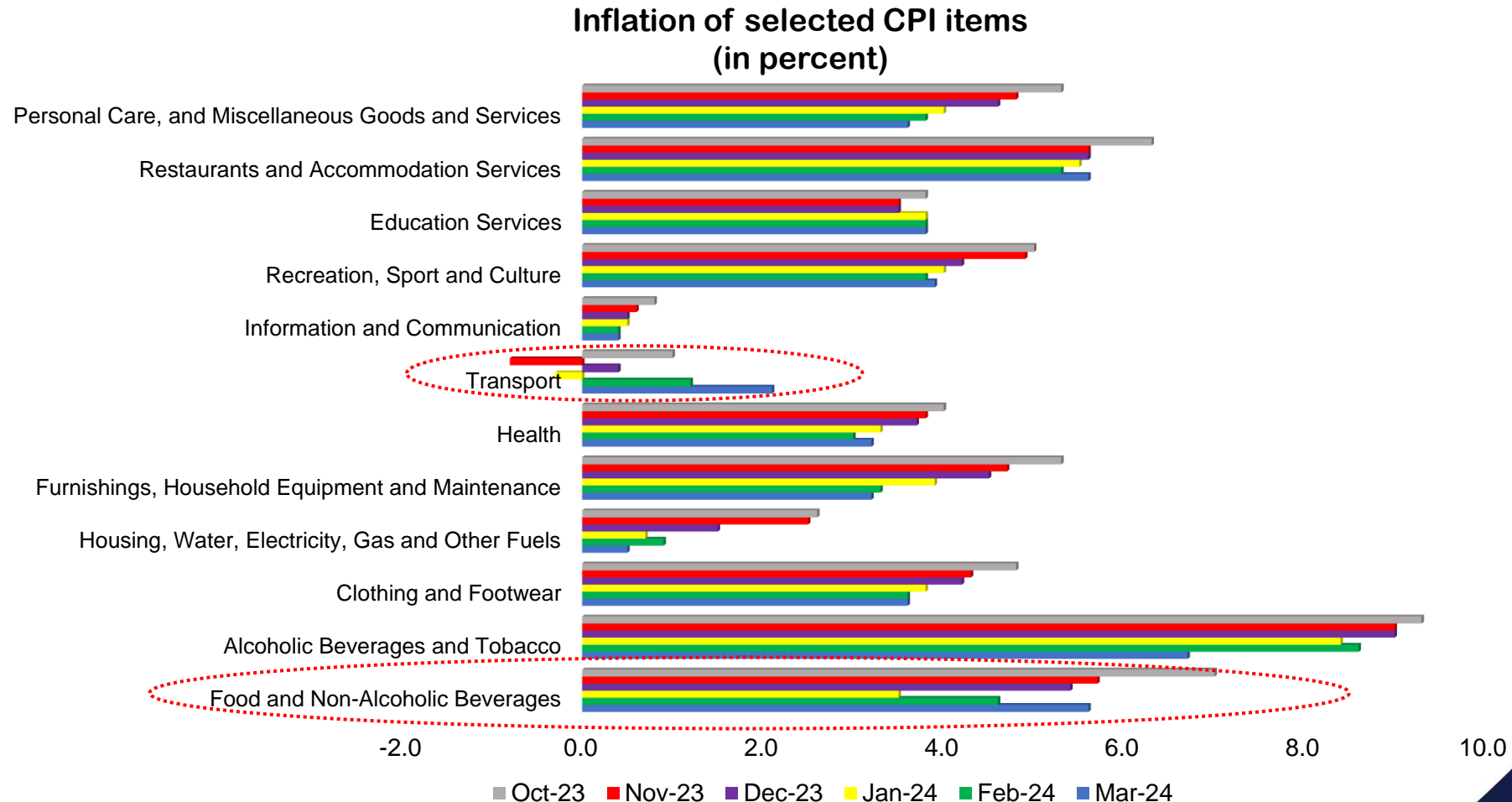


Source: PSA



# 1. Recent developments in the Philippine economy

- In 2023, inflation started to ease mainly due to slower price increases in many of the CPI commodities.
- However, recent months have seen an uptick in some of the CPI items, particularly food and non-alcoholic beverages and transport.



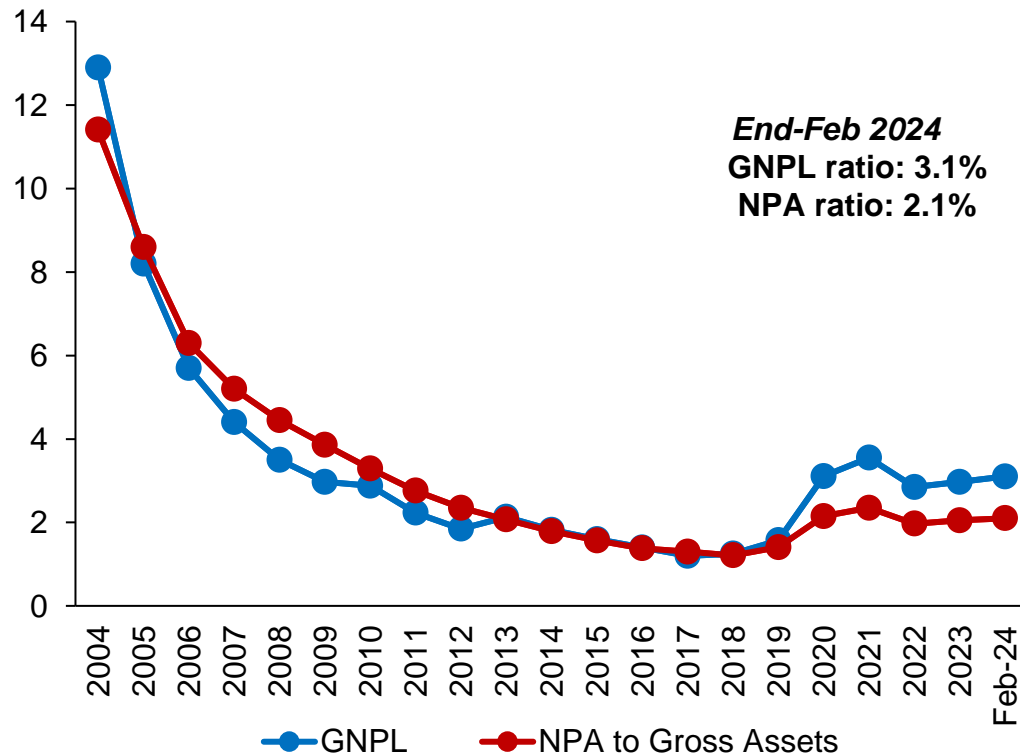
Source: PSA



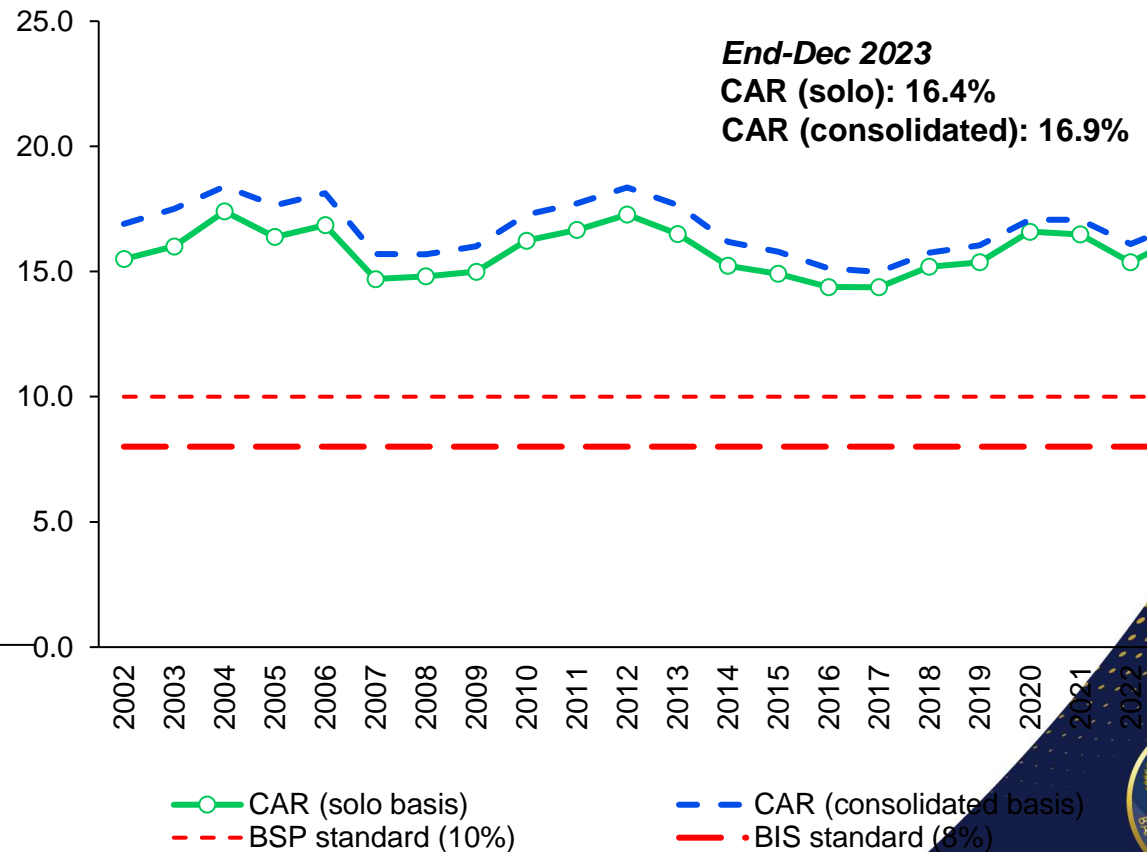
# 1. Recent developments in the Philippine economy

- The Philippine banking system continues to be an anchor of stability for the economy.
- Key indicators point to a sound and resilient banking system.

Gross Non-Performing Loans (GNPL) and Non-Performing Assets Ratios of UKBs (in percent)



Capital Adequacy Ratio of UKBs (in percent)



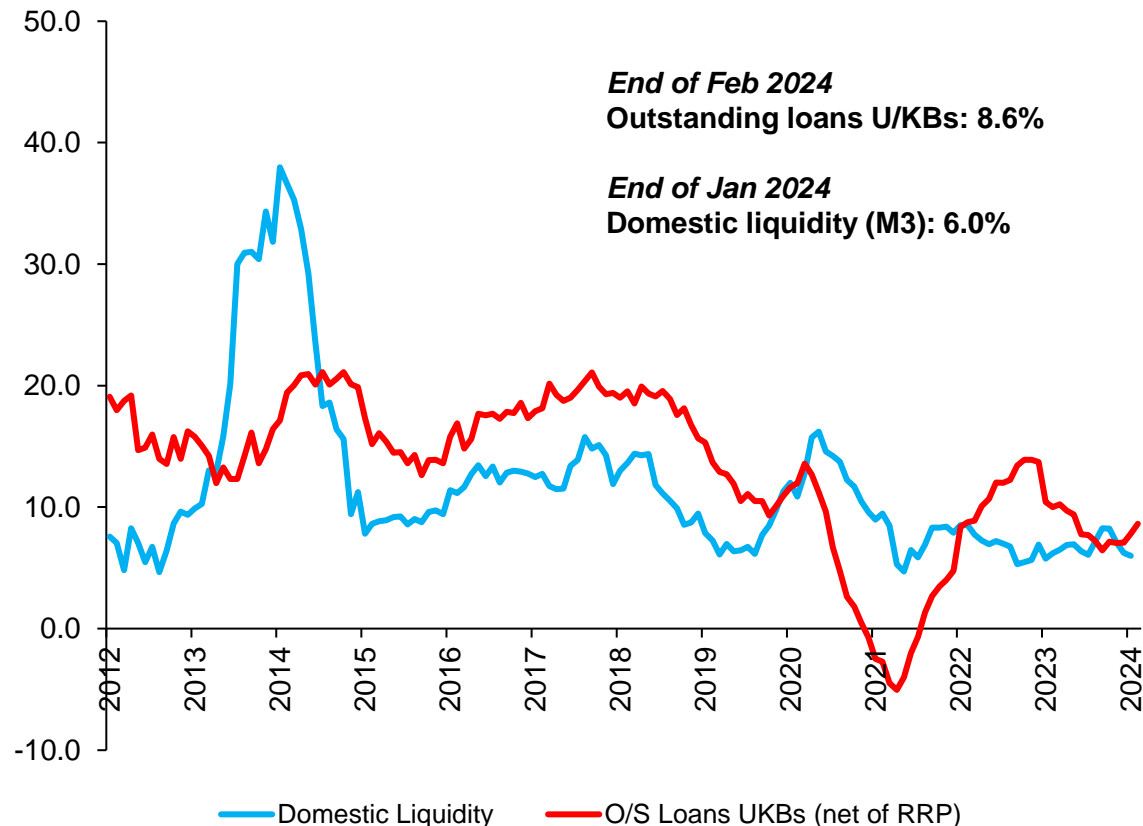
Source: BSP



# 1. Recent developments in the Philippine economy

- Liquidity and bank lending conditions remain supportive of resilient economic growth.

**M3 and Outstanding Loans of Universal and Commercial Banks**  
year-on-year growth in percent



Source: BSP

**Loans Outstanding for Production and Consumer Loans of Universal and Commercial Banks: February 2024**

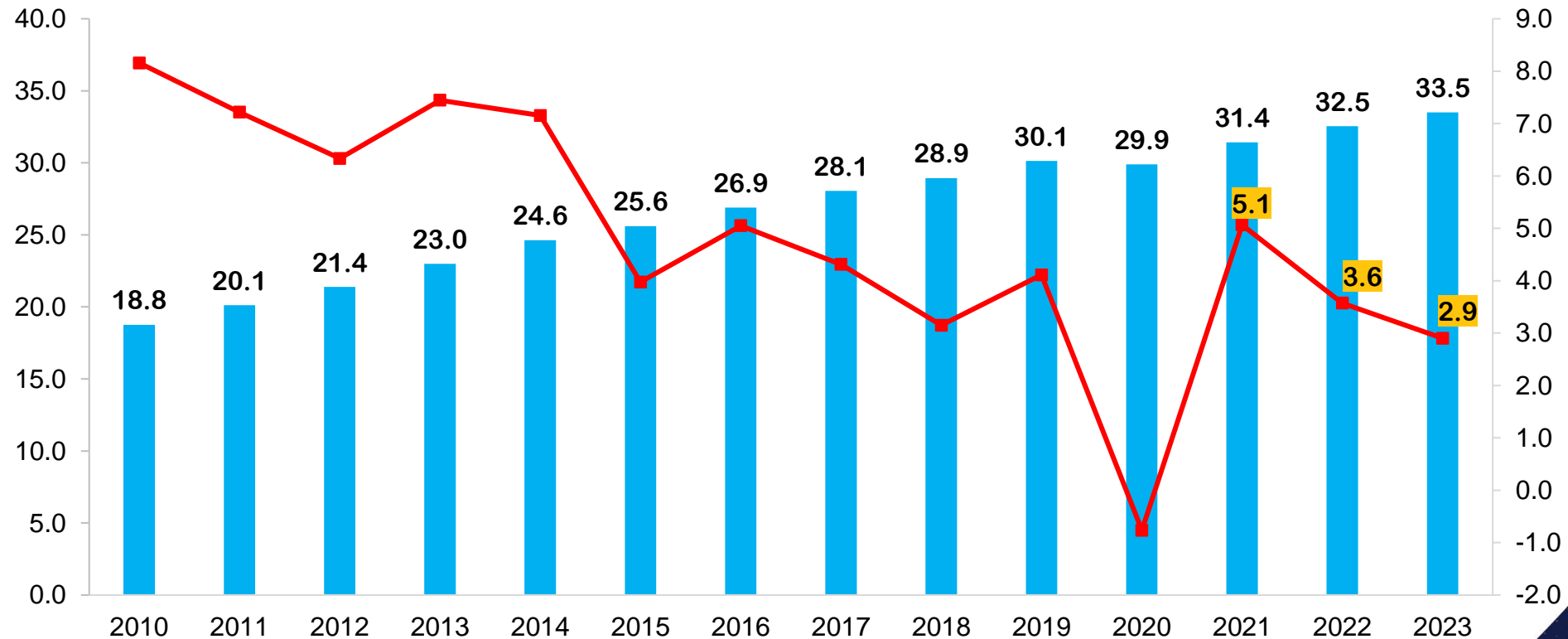
| Sectors   | Share to Total Loans (Net of RRP) |
|---|-----------------------------------|
| Financial and Insurance Activities  | 8.2                               |
| Electricity, Gas, Steam and Air-conditioning Supply, Water Supply, Sewerage and Waste Management                                    | 12.1                              |
| Real Estate Activities  | 19.8                              |
| Agriculture, Forestry and Fishing   | 1.8                               |
| Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles; Transportation and Storage; and Information and Communication | 19.4                              |
| Manufacturing   | 10.3                              |
| Other sectors   | 11.5                              |
| Households  | 10.9                              |



# 1. Recent developments in the Philippine economy

- The Philippines external position stays robust.
- Remittances continue to be a pillar of economic growth for the country.

Overseas Filipinos' cash remittances in levels (USD bn)  
and growth rates (in percent)



Source: BSP

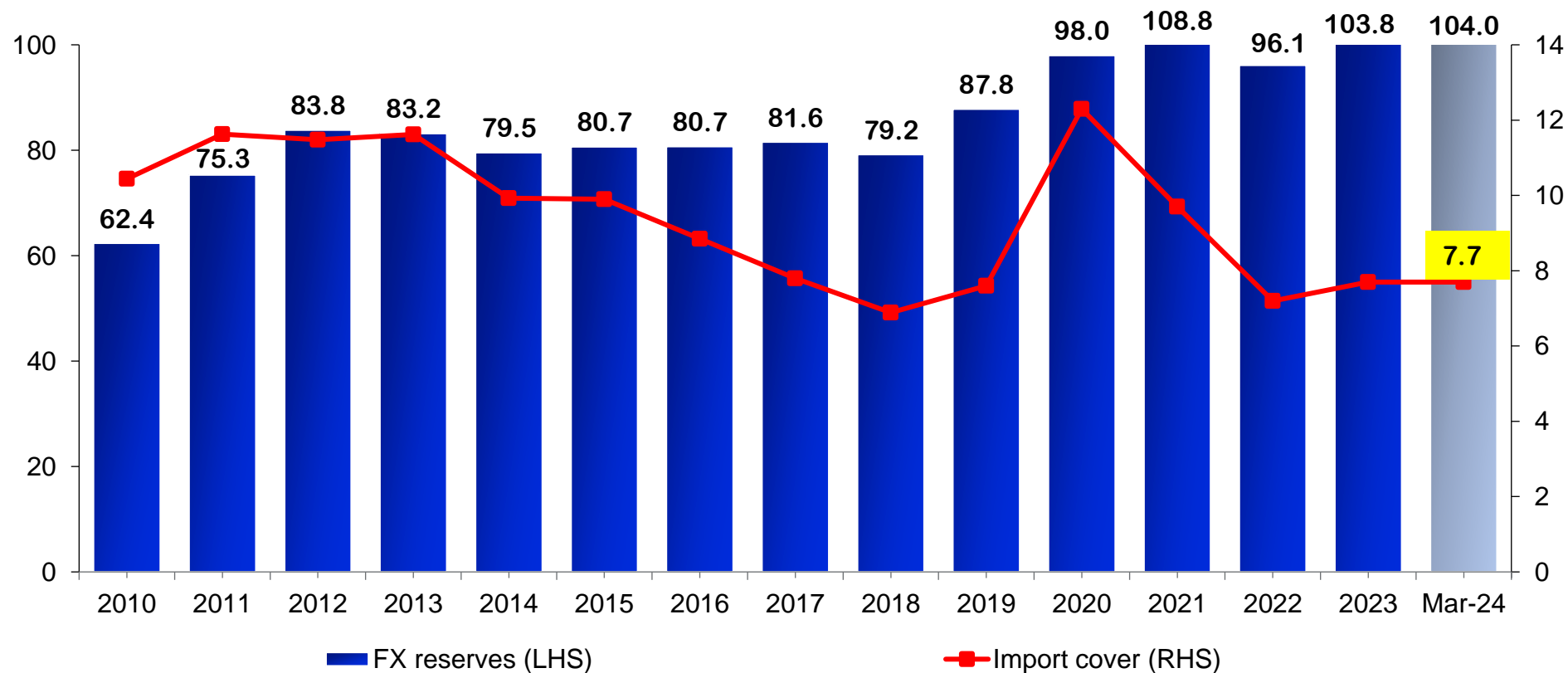
Remittances (LHS) Y-o-Y Growth Rate (RHS)



# 1. Recent developments in the Philippine economy

- International reserves provides ample external liquidity buffer.

FX reserves (USD bn) and months of import cover



Source: BSP

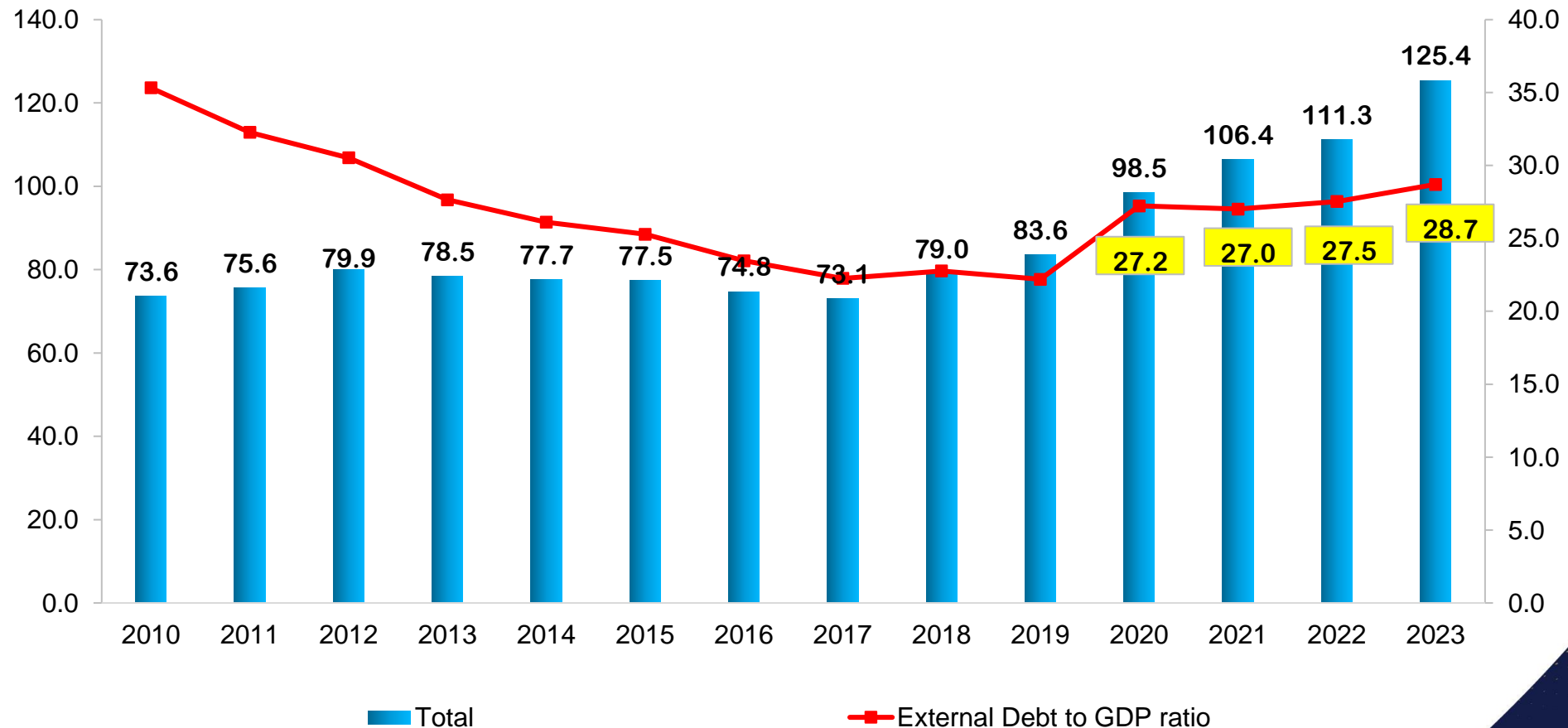




# 1. Recent developments in the Philippine economy

- External debt levels stay within manageable levels.

External debt (US\$ bn) and external debt/GDP ratio (%)



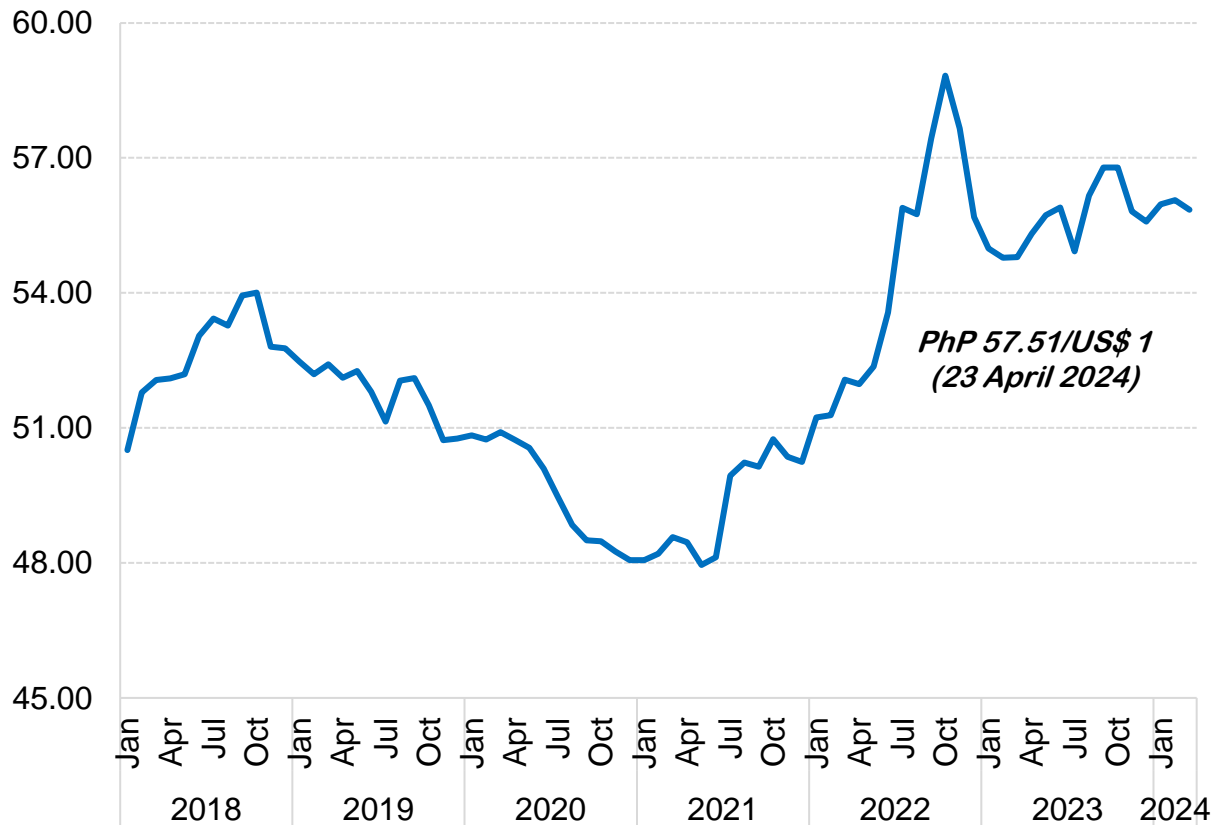
Source: BSP



# 1. Recent developments in the Philippine economy

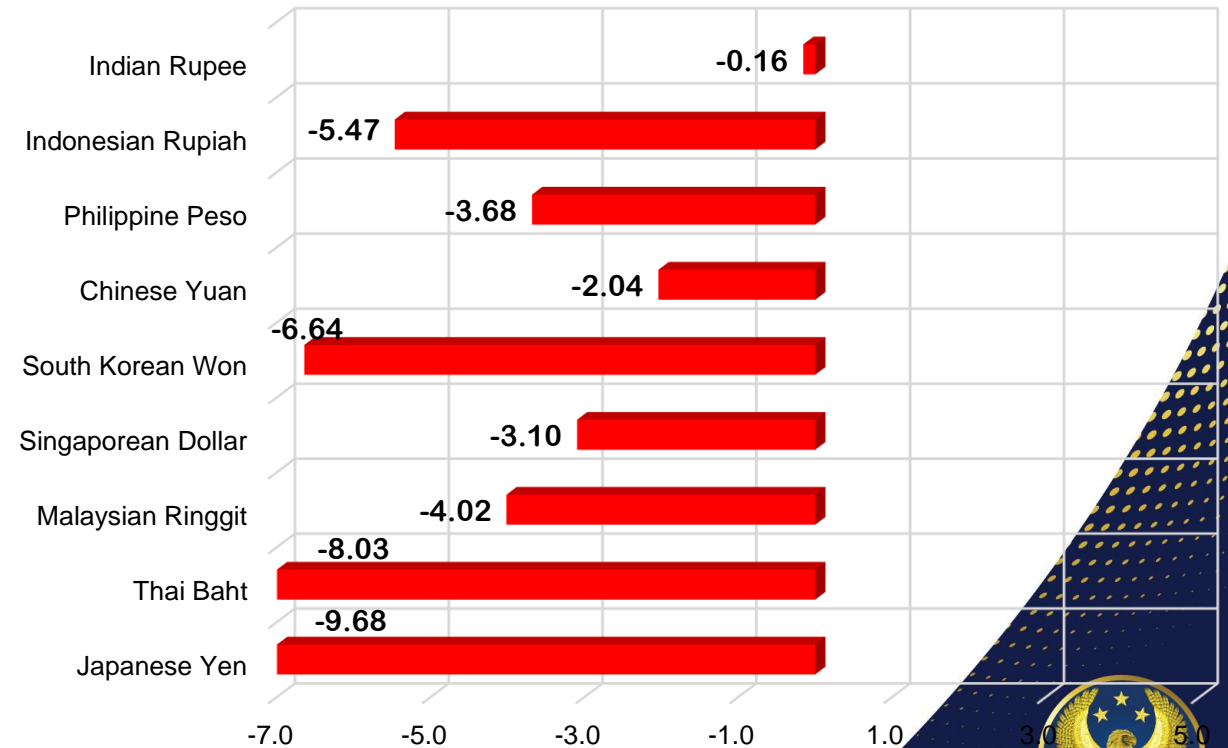
- The current movement of the peso reflects developments in both the external and domestic environment.

Peso per US dollar exchange rate



Source: BSP

Year-to-date Appreciation (+)/Depreciation (-) of Asian Currencies against the US dollar  
(in percent, as of 23 April 2024)



Note: Based on last done deal transaction (closing price) as of 4:00pm, Manila Time  
Source: Bloomberg



## 2. Outlook and prospects

- Macroeconomic assumptions for the Philippine economy reflects an optimistic outlook over the medium-term.

### Medium-Term Macroeconomic Assumptions for 2024 to 2028<sup>1/</sup>

| Indicators                                | Actual  |           |           |                | Projections |      |      |             |
|---|---------|-----------|-----------|----------------|-------------|------|------|-------------|
|   | 2023    | 2024      | 2025      | 2026 - 2028    | 2023        | 2024 | 2025 | 2026 - 2028 |
| Real GDP growth (%) <sup>2/</sup>         | 5.6     | 6.0 – 7.0 | 6.5 – 7.5 | 6.5 – 8.0      |             |      |      |             |
| Headline inflation (%) <sup>3/</sup>      | 6.0     | 2.0 – 4.0 | 2.0 – 4.0 | 2.0 – 4.0      |             |      |      |             |
| Growth of goods exports (%) <sup>4/</sup> | -4.1    | 3.0       | 6.0       | 6.0            |             |      |      |             |
| Growth of goods imports (%) <sup>4/</sup> | -5.0    | 4.0       | 7.0       | 8.0            |             |      |      |             |
| Foreign exchange rate (PhP/USD)           | 55 – 56 | 55 – 57   | 55 – 58   | 55 – 58        |             |      |      |             |
| Fiscal Balance (% of GDP) <sup>5/</sup>   | -6.2%   | -5.6%     | -5.2%     | -4.7% to -3.7% |             |      |      |             |

Sources: NEDA, BSP, DOF

1/ Projections are based on the Review of the Medium-Term Macroeconomic Assumptions and Fiscal Program for FY 2023 to 2028 (4 April 2024).

2/ GDP at constant 2018 Prices

3/ Inflation rate using 2018-based CPI

4/ Based on the IMF's Balance of Payments and International Investment Position Manual, 6th edition (BPM6)

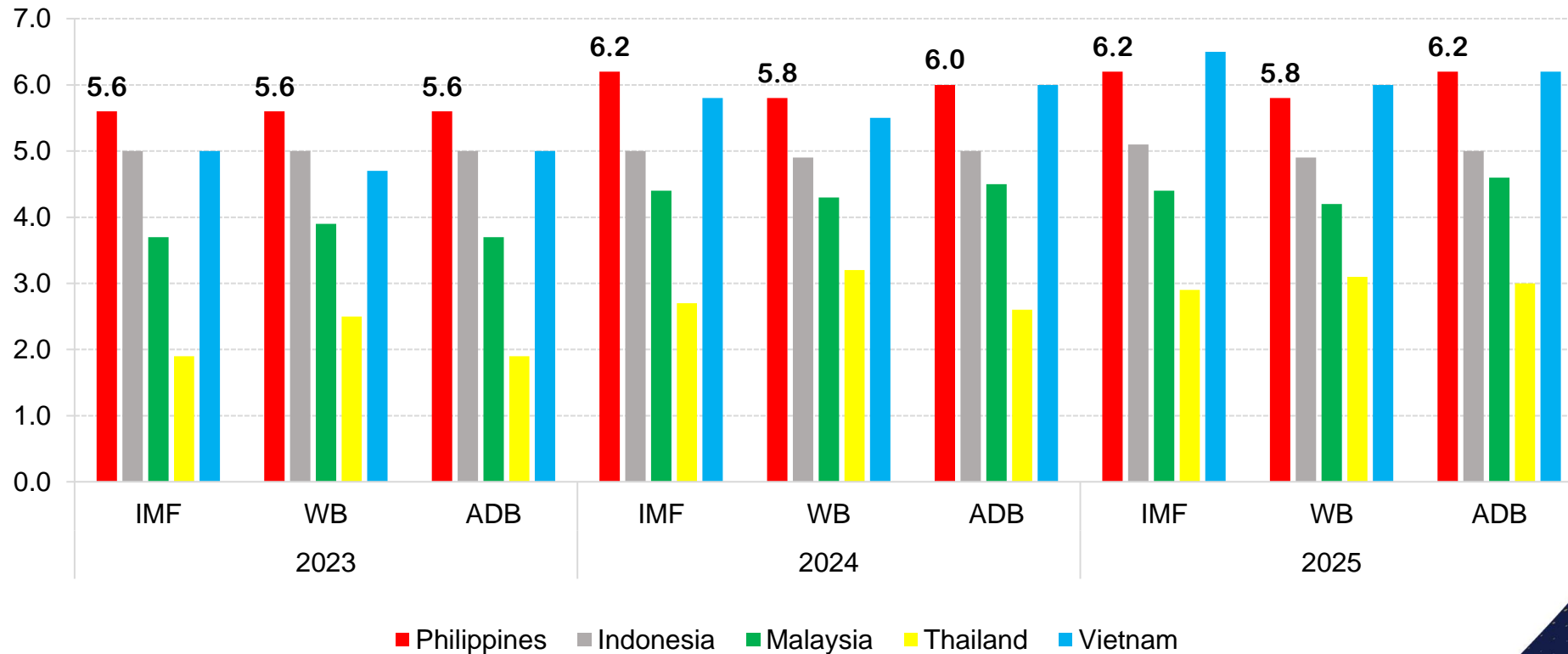
5/ For fiscal balance (% of GDP), the projections are -4.7% (2026), -4.1%(2027), -3.7%(2028).



# 2. Outlook and prospects

- The Philippine economy is projected to be one of the fastest growing economies in the region.

**ASEAN-5 : Growth Projections  
2023-2025**



Sources:  
World Bank (WB) Global Economic Prospects, January 2024  
International Monetary Fund (IMF) World Economic Outlook, April 2024  
Asian Development Bank (ADB) Asian Development Outlook, April 2024



# 3. Downside risks and challenges

## DOMESTIC



Food security



Climate change

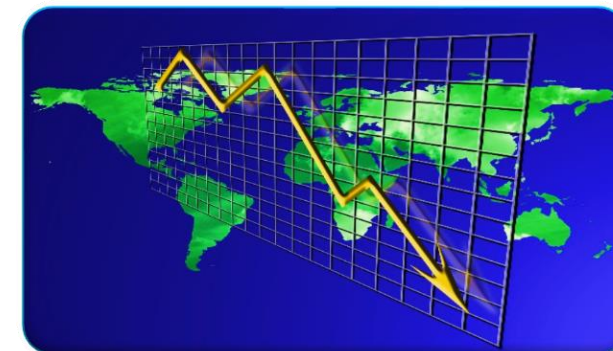


Rising geopolitical tensions



High uncertainty

## GLOBAL



Weak global economic growth



Financial market stress



# 4. Policy directions

- The Philippines' economic policy is guided by clear and sound frameworks.

8 – Point  
Socioeconomic  
Agenda

Philippine  
Development  
Plan  
2023 – 2028

Ambisyon Natin  
2040



# 4. Policy directions

- The 8-Point Socioeconomic Agenda focuses on both *near-term concerns ...*



## 1. Protect purchasing power of families

- Ensure food security
- Reduce transport and logistics costs
- Reduce energy cost to families



## 2. Reduce vulnerability and mitigate scarring from the COVID-19 pandemic

- Ensure capacity of healthcare in case of surges
- Address learning losses
- Strengthen social protection



## 3. Ensure sound macroeconomic fundamentals and government processes

- Enhance bureaucratic efficiency and sound fiscal management
- Ensure a resilient and innovative financial sector



# 4. Policy directions

.... and **medium-term issues** to economic transformation.



## 4. Create more jobs

- Promote investments
- Improve infrastructure
- Ensure energy security



## 5. Create quality jobs

- Increase employability
- Advance R&D and innovation
- Enhance the digital economy



## 6. Create green jobs

- Establish livable and sustainable communities
- Pursue a green and blue economy



## 7. Ensure a level playing field



## 8. Uphold public order and safety, peace and security





# 4. Policy directions



## Philippine Development Plan (PDP) 2023-2028

The PDP 2023-2028 is a plan for deep economic and social transformation to reinvigorate job creation and accelerate poverty reduction by steering the economy back on a high-growth path. This growth must be inclusive, building an environment that provides equal opportunities to all Filipinos, and equipping them with skills to participate fully in an innovative and globally competitive economy.



## 4. Policy directions



### The Life of All Filipinos in 2040:

#### *Matatag, Maginhawa at Panatag na Buhay*

By 2040, Filipinos enjoy a strongly rooted, comfortable, and secure life.

*In 2040, we will all enjoy a stable and comfortable lifestyle, secure in the knowledge that we have enough for our daily needs and unexpected expenses, that we can plan and prepare for our own and our children's future. Our family lives together in a place of our own, and we have the freedom to go where we desire, protected and enabled by a clean, efficient, and fair government.*



# 4. Policy directions

## Monetary policy and inflation

- With rising inflation in 2022, the BSP hiked its key policy rate (i.e., interest rate on the BSP's overnight reverse repurchase facility) by a cumulative 350 bps (3.50 percent) between March 2022 and December 2022.
- Key policy rate was further increased by 100 bps (1.0 percent) in 2023.
- The BSP is committed to undertake calibrated and timely response to mitigate inflationary pressures.

| Months                        | BSP Monetary Policy Decisions                     |
|-------------------------------|---|
| 17 February and 24 March 2022 | Maintained key policy rate at 2.0 percent.        |
| 19 May to 15 December 2022    | Raised key policy rate by 350 bps to 5.5 percent. |
| 16 February 2023              | Raised key policy rate by 50 bps to 6.0 percent.  |
| 23 March 2023                 | Raised key policy rate by 25 bps to 6.25 percent. |
| 18 May 2023                   | Kept policy rate steady at 6.25 percent.          |
| 22 June 2023                  | Kept policy rate steady at 6.25 percent.          |
| 17 August 2023                | Kept policy rate steady at 6.25 percent.          |
| 21 September 2023             | Kept policy rate steady at 6.25 percent.          |
| 26 October 2023               | Raised key policy rate by 25 bps to 6.5 percent.  |
| 16 November 2023              | Kept policy rate steady at 6.5 percent.           |
| 14 December 2023              | Kept policy rate steady at 6.5 percent.           |
| 15 February 2024              | Kept policy rate steady at 6.5 percent.           |
| 8 April 2024                  | Kept policy rate steady at 6.5 percent.           |

Source: <https://www.bsp.gov.ph/SitePages/PriceStability/MonetaryPolicyDecision.aspx>



## 5. Key takeaways

- Philippine economy showed robust and resilient growth following the COVID-19 pandemic.
- The Philippines is expected to be one of the fastest growing economy in Southeast Asia in 2024.
- However, there are key economic risks and challenges that could affect the forecast.
- The Philippines' economic policy is guided by clear and sound frameworks and plans.
- For its part, the BSP is committed to undertake calibrated and timely response to keep inflation within manageable levels.



**BSP Economic and Financial Learning Program**  
**EkonoMEya: Ekonomiya + Ako**  
**Session for Educators**  
**25 April 2024, Thursday, 1:15 – 2:05 PM**  
**Apo View Hotel, Davao City**

**Thank you!**  
**Daghang salamat!**

