Republic of the Philippines
National Economic and Development Authority

The Philippine's Socio-economic Performance, Outlook, Challenges, and Vision

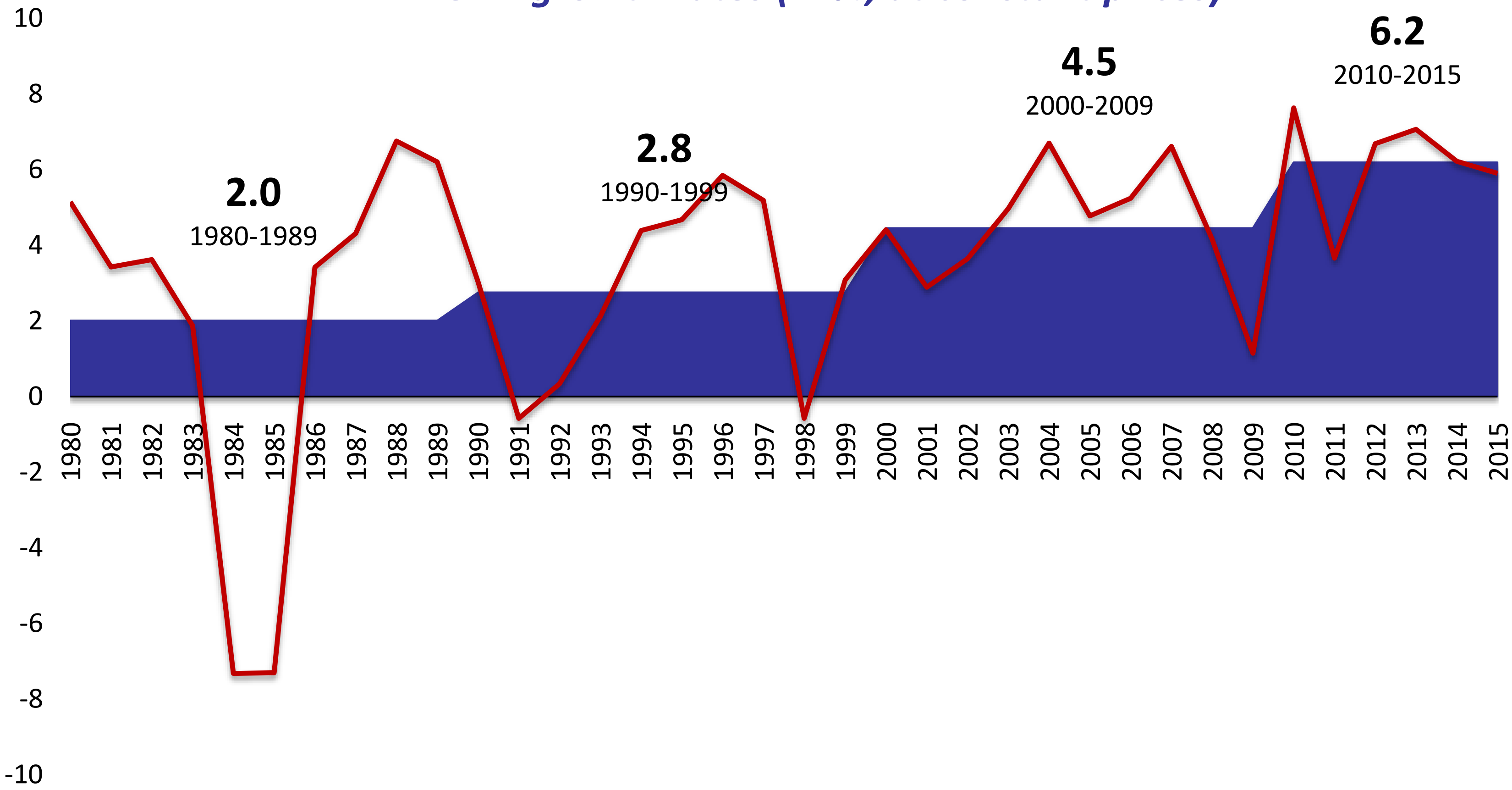
National Economic and Development Authority

ILO Trade on Employment Workshop
6-7 October 2016

Socio-economic Performance

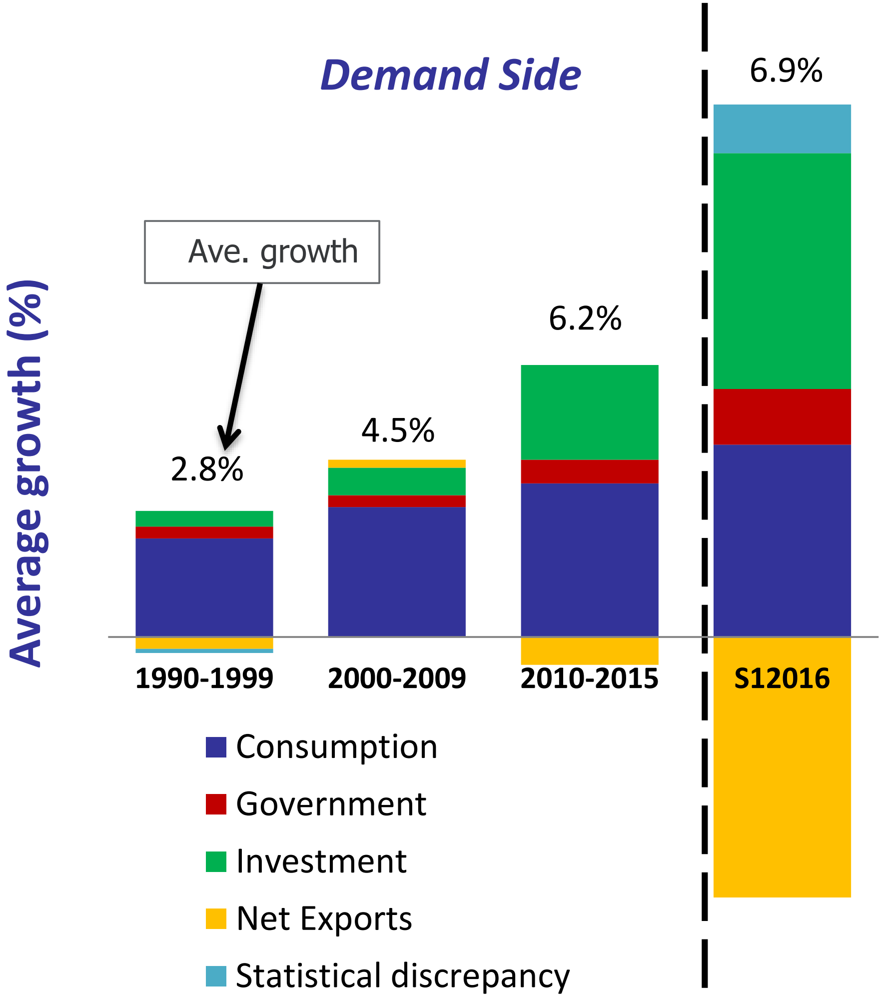
The Philippines' growth trajectory has been improving, with 17 years of uninterrupted expansion

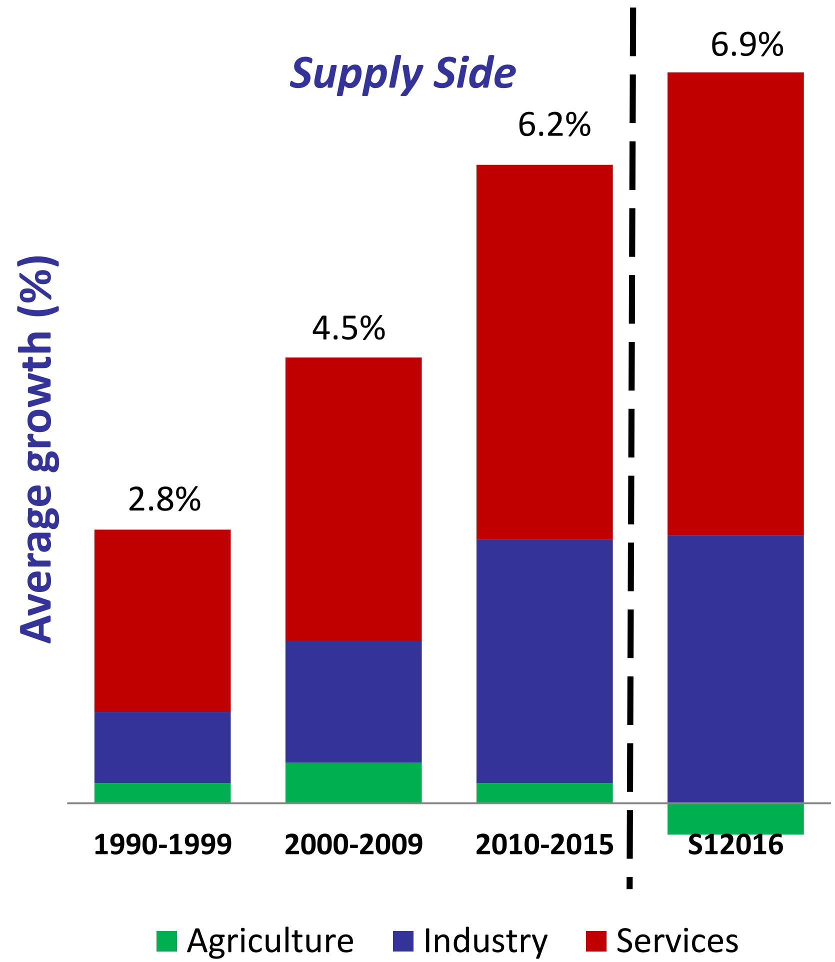
GDP growth rates (in %, at constant prices)



Source: Philippine Statistics Authority (PSA)

Investment & industry are increasingly becoming major drivers of GDP growth





Source: PSA

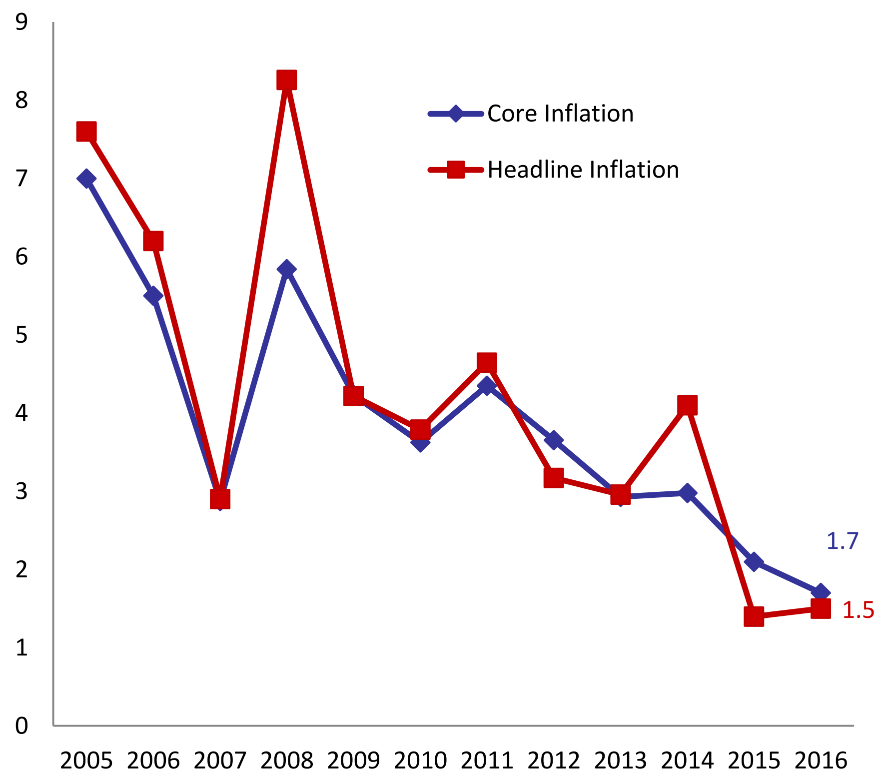
Growth accelerated in first half of 2016

PARTICULARS	First Quarter	Second Quarter		First Semester
	2016	2015	2016	2016
GROSS NATIONAL INCOME	7.4	5.4	6.8	7.1
Net Primary Income	9.9	2.5	6.2	8.0
GROSS DOMESTIC PRODUCT	**6.8**	**5.9**	**7.0**	**6.9**
By Industrial Origin				
Agri, Fishery and Forestry	(4.4)	(0.1)	(2.1)	(3.3)
Industry	9.0	6.1	6.9	7.9
o.w. Manufacturing	8.0	4.7	6.3	7.2
Services	7.6	6.7	8.4	8.0
By Expenditure				
Household Final Consumption Expenditure	7.0	6.4	7.3	7.2
Gov't Final Consumption Expenditure	11.8	2.4	13.5	12.7
Capital Formation	26.6	21.4	27.6	27.1
o.w. Fixed Capital Formation	28.2	12.7	27.2	27.7
Exports	7.3	5.1	6.6	7.0
Imports	19.0	12.6	20.9	19.9

Source: PSA

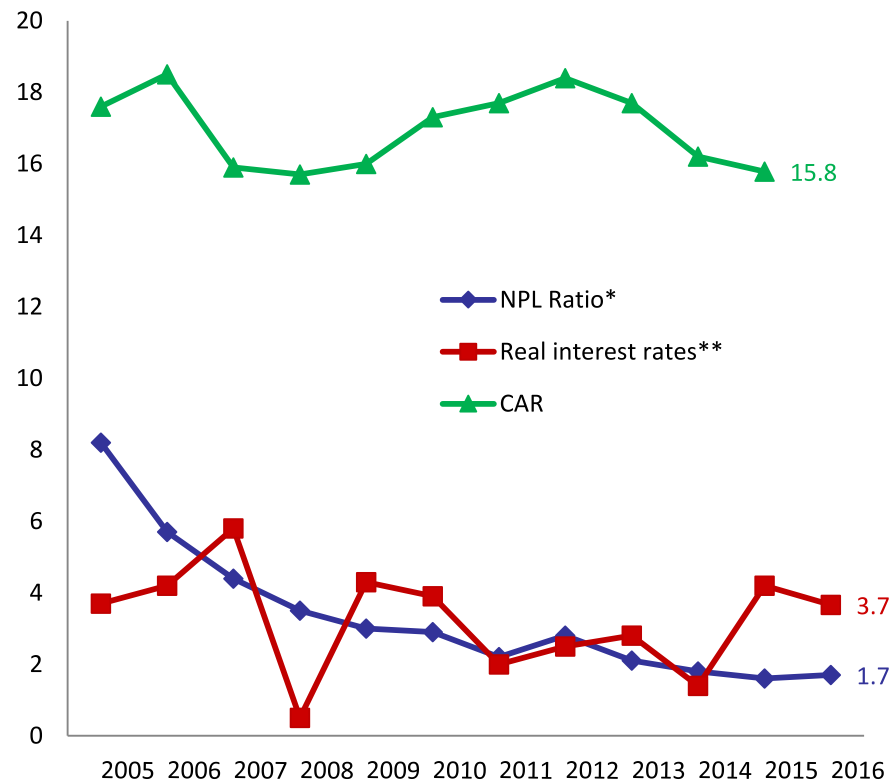
Inflation has been tame, while financial sector is stable…

Headline and Core Inflation, 2005- 2016*



* Average of Jan - Aug 2016

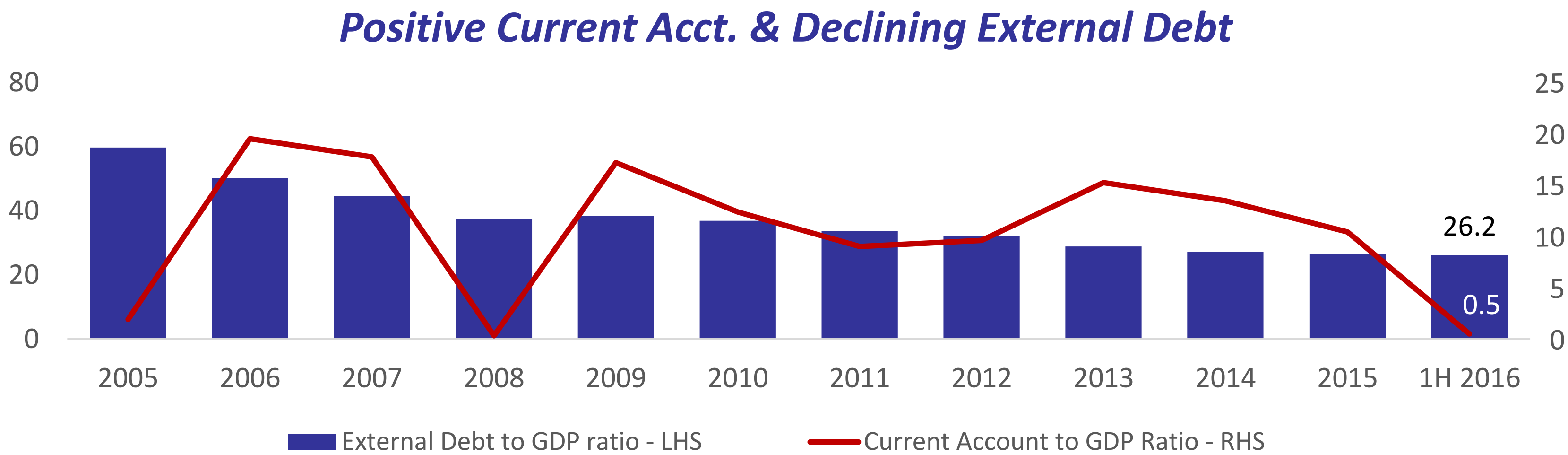
Real Interest Rate and Non-performing Loans, 2005- 2016

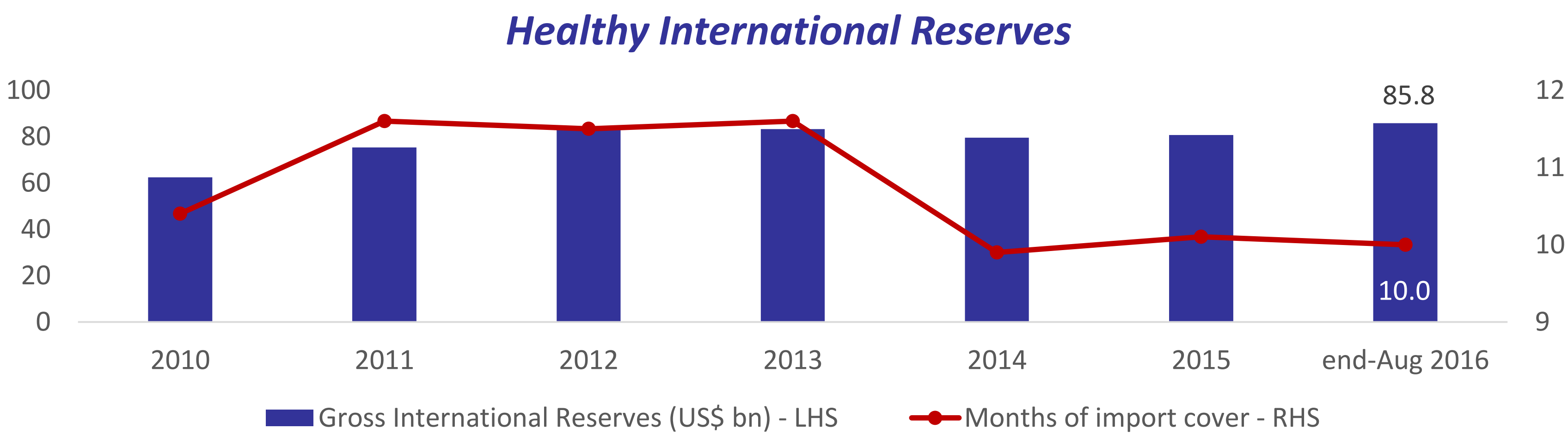


- as of Aug '16 ** as of Jul'16

Source: PSA and Bangko Sentral ng Pilipinas (BSP)

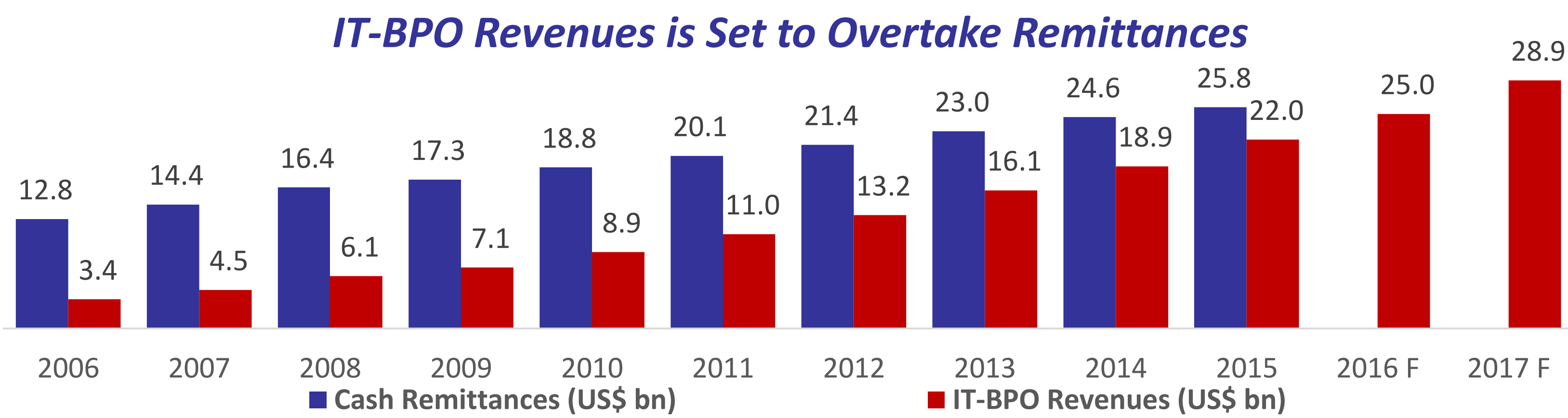
The country's external position remains robust

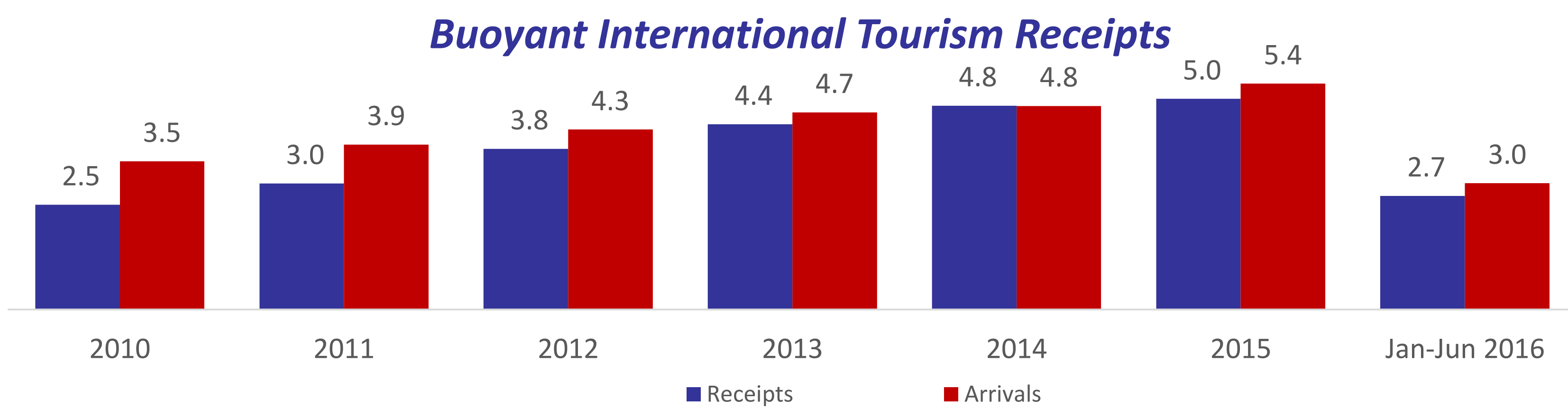




Source: BSP

Supported by major drivers…





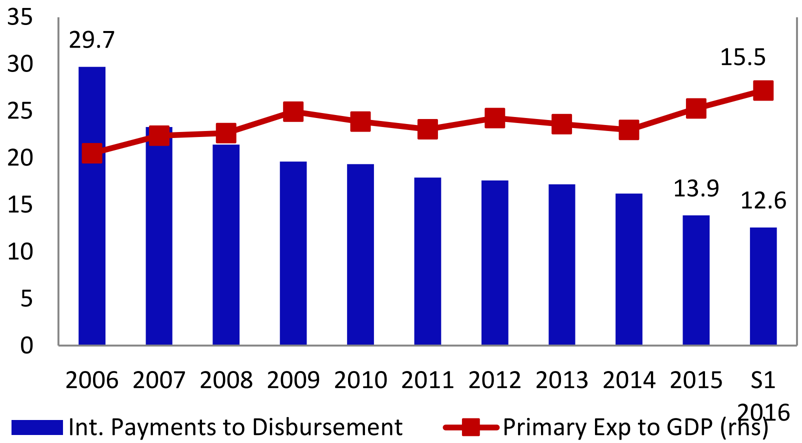
Source: Department of Tourism, IT and Business Process Association of the Philippines

Our stronger fiscal position has been recognized as evidenced by our investment-grade sovereign credit rating

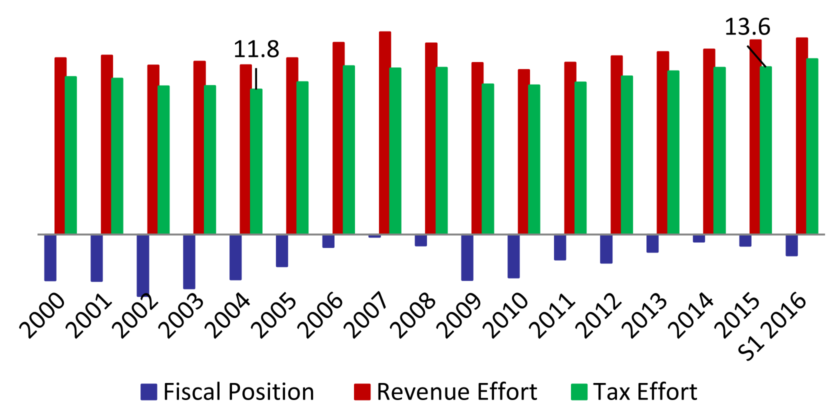
Fiscal side:

- *Modest fiscal deficit; Declining Public debt & interest payments; Increasing reliance on domestic financing*
- ***Result: resilient fiscal sector***

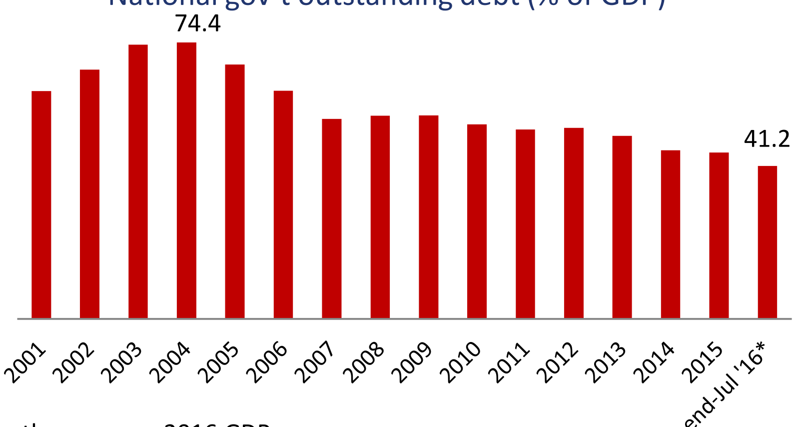
Share of expenditures allocated to interest payments



Fiscal Position

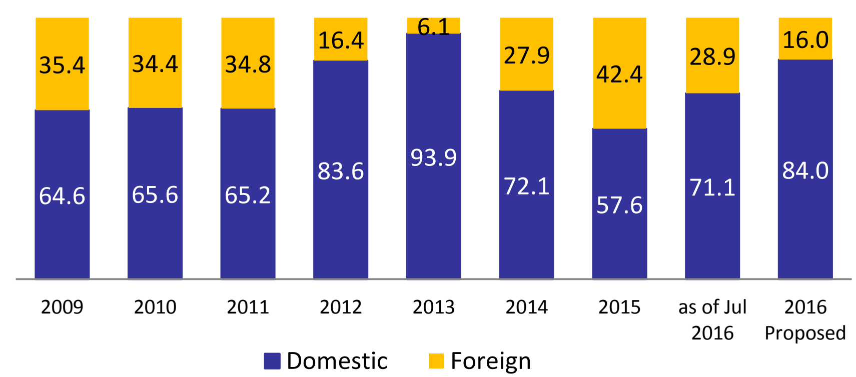


National gov't outstanding debt (% of GDP)



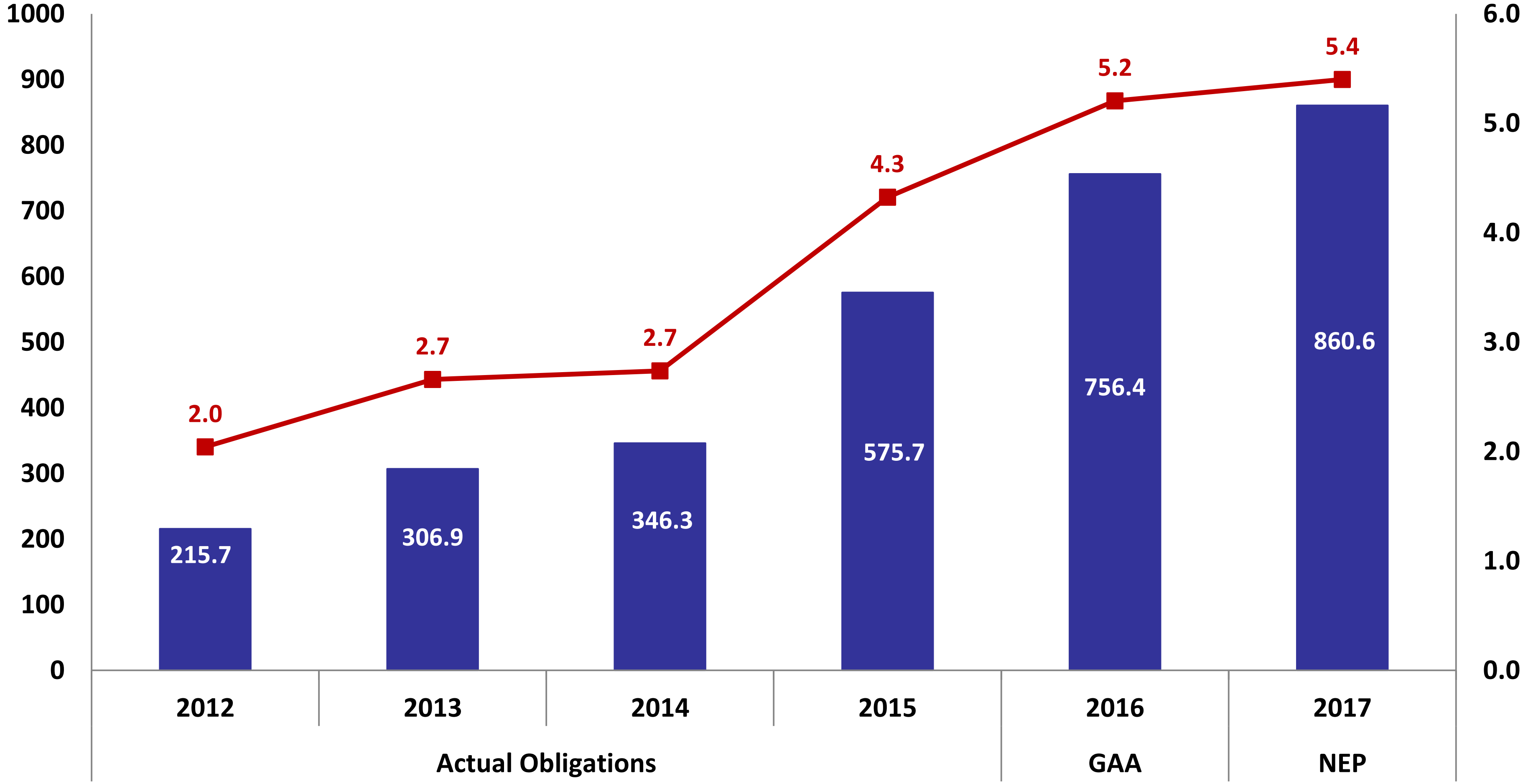
*Using the program 2016 GDP

National Government Borrowing Program (%)



Growth-enhanced fiscal space has allowed major investments in infrastructure with spending on infrastructure more than tripling...

Public infrastructure spending, Bn PhP and % of GDP



Source: Department of Budget and Management-BESF 2017

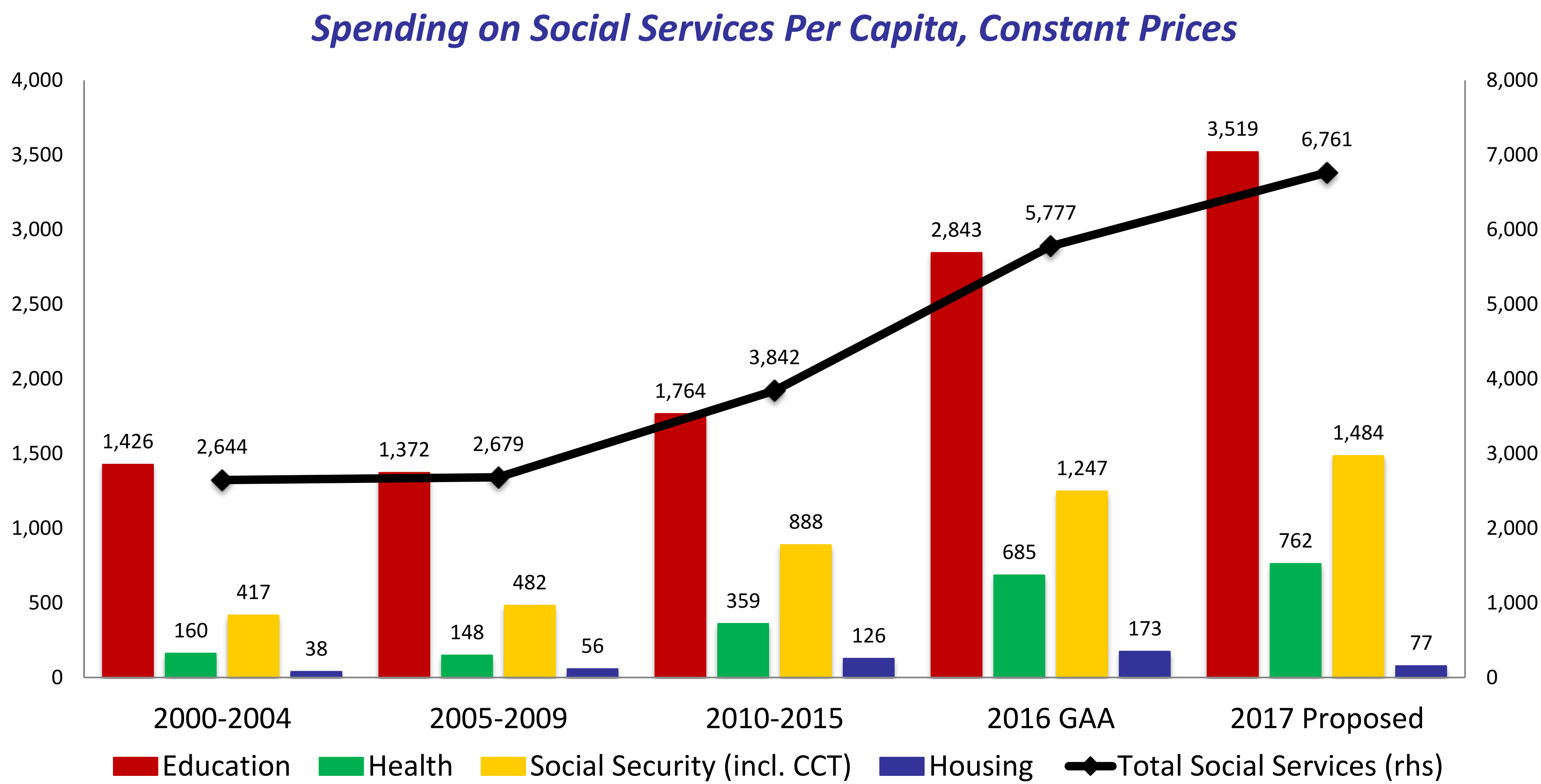
…complemented by private investments in public infrastructure

Status of PPP Projects (as of 20 September 2016)

Projects by Status	No. of Projects	Amount (PHP bn)
Projects Under Implementation	**13**	**292.32**
Contract Awarded	11	185.59
Other projects under Implementation	2	106.73
PPP Pipeline	**40**	**5,642.54**
For Contract Signing	2	24.79
Projects under Procurement	12	338.28
For Approval of Relevant Government Bodies	5	241.26
For Evaluation of Concerned Agencies	2	5,034.00
Projects with Ongoing Studies	3	4.21
Projects Under Conceptualization/Development	16	NA
Total	**53**	**5,934.86**

Source: PPP Center

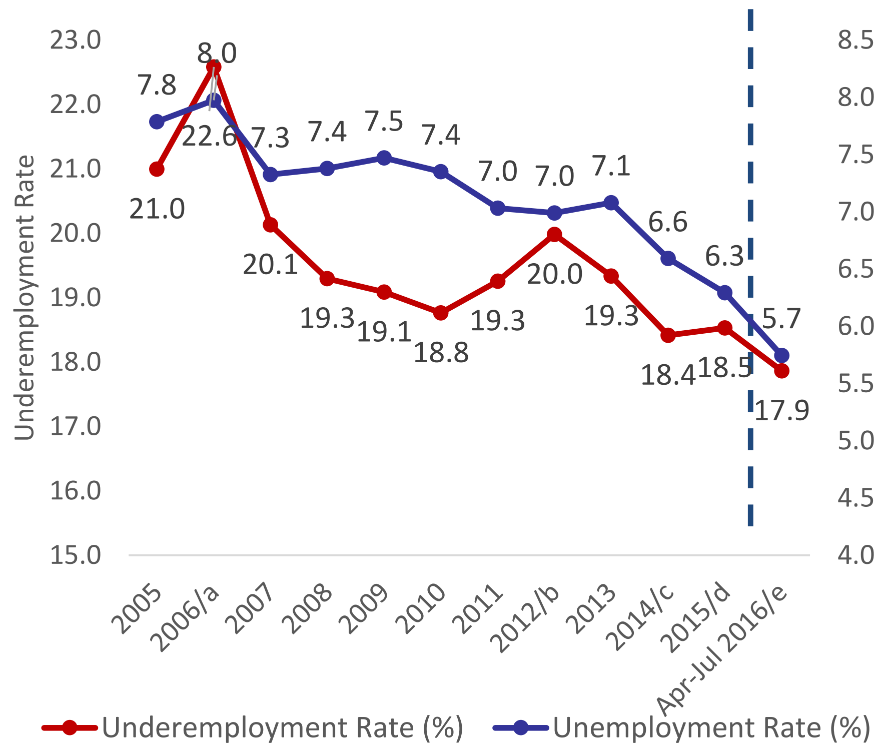
Increased fiscal resources have also allowed greater public investments in social services…



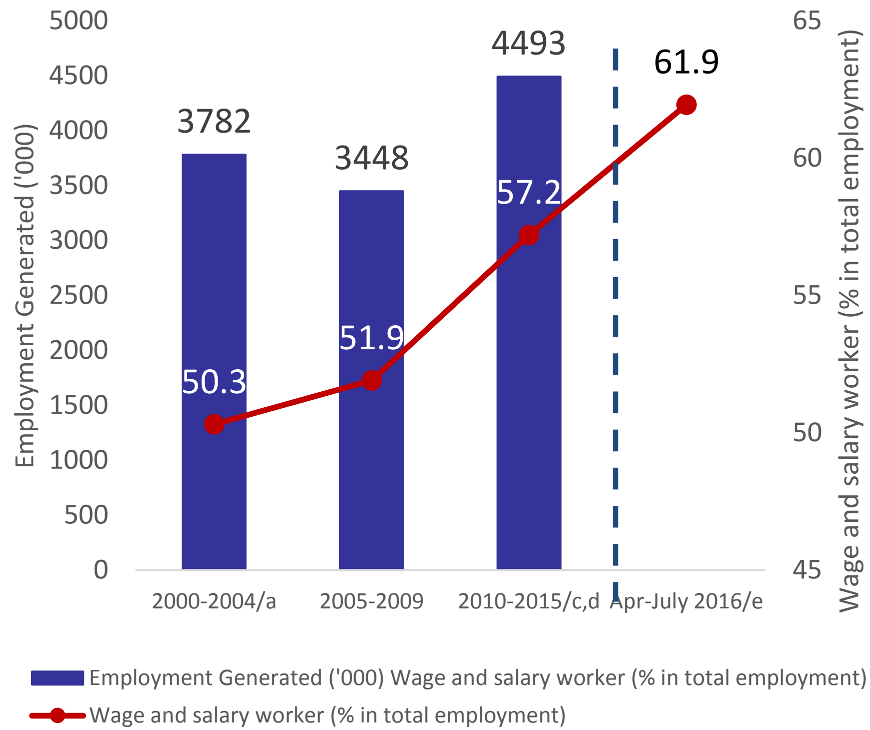
Source: DBM, PSA-NSCB

Our vibrant economy is producing more and better jobs...

Unemployment and Underemployment rates (%)



Employment Generated 2000- 2015 ('000)



Notes:

a/ Starting 2006, population projection benchmark is based on the 2000 Population Census, hence 2006 employment generation can not be computed due to break in the series

b/ Starting January 2012 Labor Force Survey (LFS), the codes for industry adopted the 2009 PSIC. Prior to this, codes for industry used the 1994 PSIC.

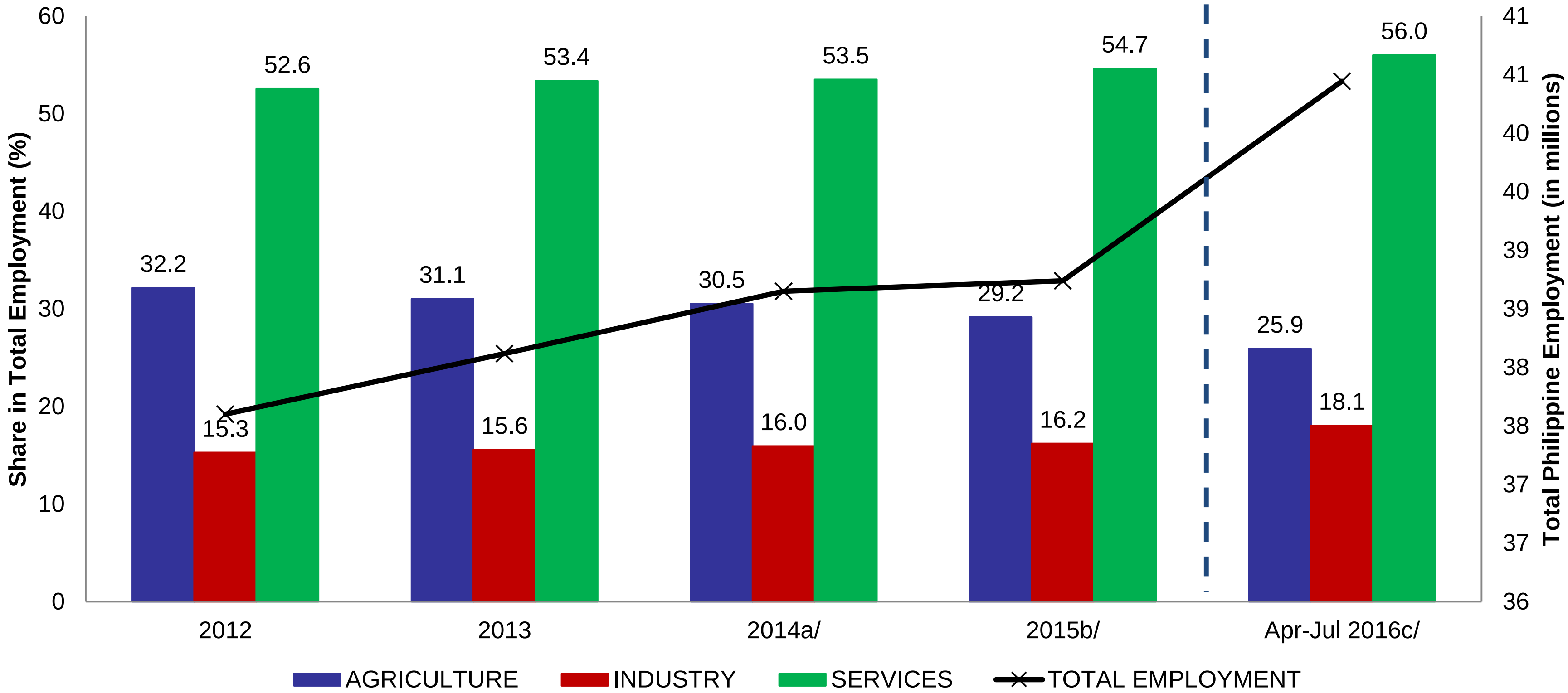
c/ Annualized data for 2014 refer to the average estimates for April, July and October survey rounds that exclude Leyte.

d/ Annualized data for 2015 refer to the average estimates of all 4 quarter rounds of LFS 2015 results, excluding Leyte. Employment generation refers to the average of estimates for April, July and October survey rounds.

e/Not comparable with previous rounds of LFS; break in the data series due to change sin the Master Sample Design. Starting April 2016, the LFS used the 2013 MS Design, the 2010 Census of Population and Housing(CPH)-based population projections and the 2012 Philippine Standard Occupation Classification (PSOC).

Source: PSA

Services and industry sectors remain to be the main contributor in employment generation...



Notes:
a/ Annualized data for 2014 refer to the average estimates for April, July and October survey rounds that exclude Leyte.
b/ Annualized data for 2015 refer to the average estimates of all 4 quarter rounds of LFS 2015 results, excluding Leyte. Employment generation refers to the average of estimates for April, July and October survey rounds.
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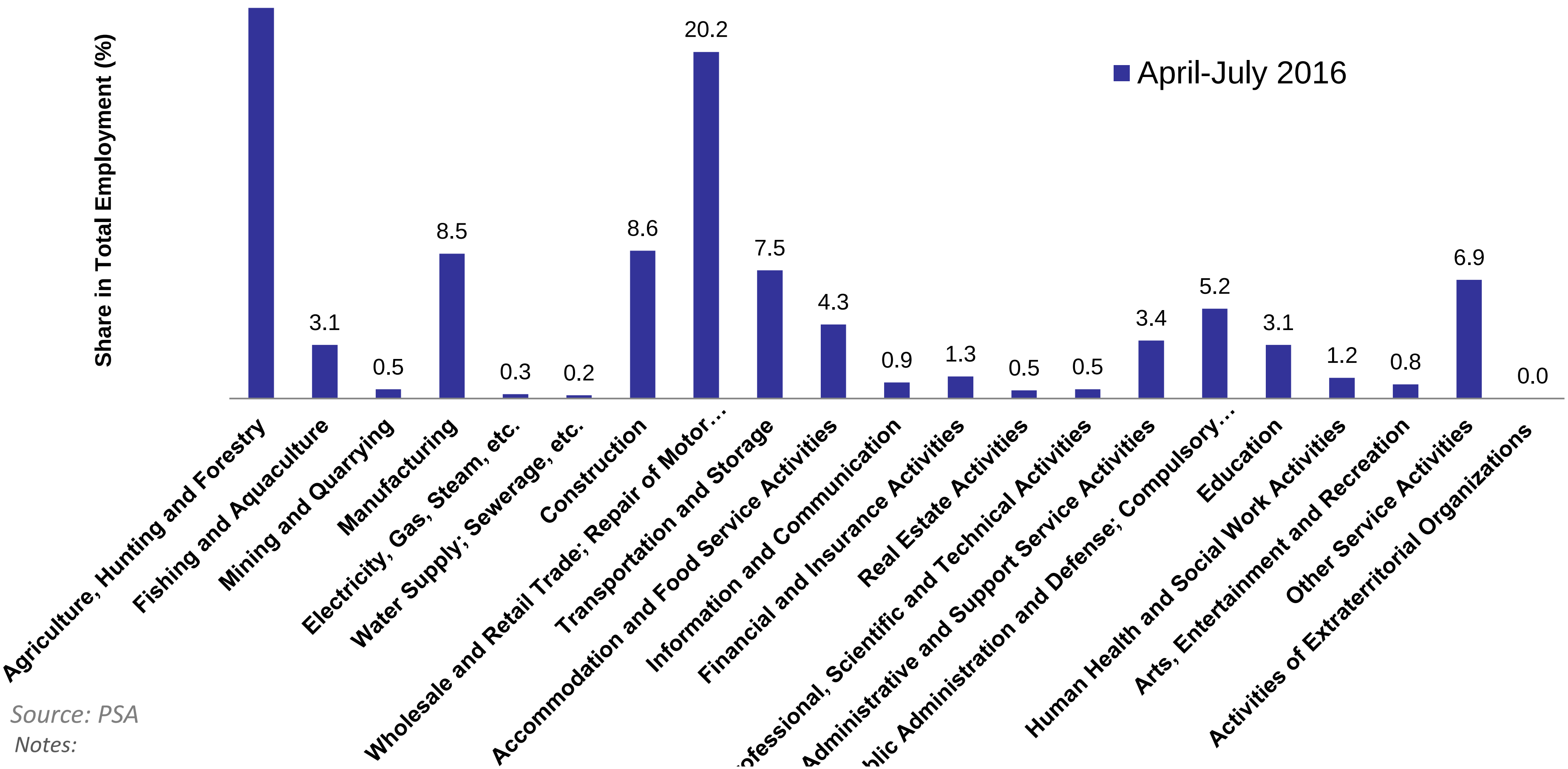
d/ Starting January 2012 Labor Force Survey (LFS), the codes for industry adopted the 2009 PSIC. Prior to this, codes for industry used the 1994 PSIC.

Source: PSA

Specifically, employment in the Philippines is dominated by agriculture, hunting & forestry; wholesale & retail trade; construction; & manufacturing.



Source: PSA

Notes:

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b/ Starting January 2012 Labor Force Survey (LFS), the codes for industry adopted the 2009 PSIC. Prior to this, codes for industry used the 1994 PSIC.

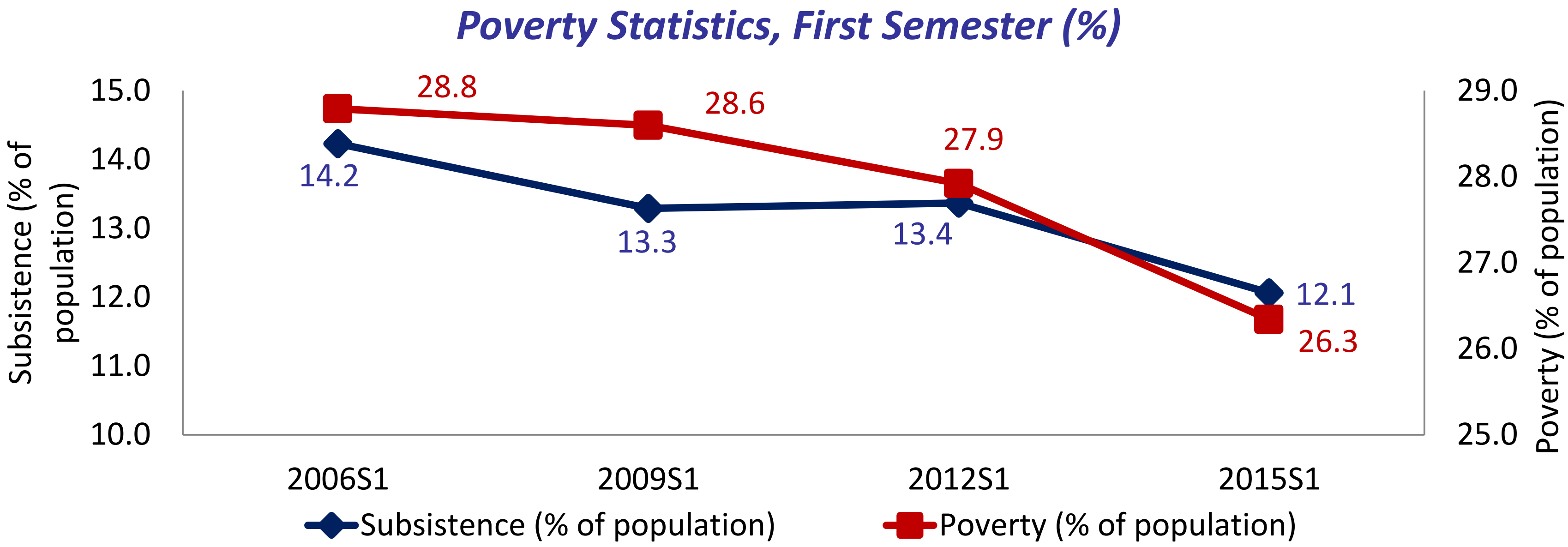
c/ Other Services Activities already includes Activities of Households as Employers; Undifferentiated Goods and Service-Producing Activities of Households for Own Use.

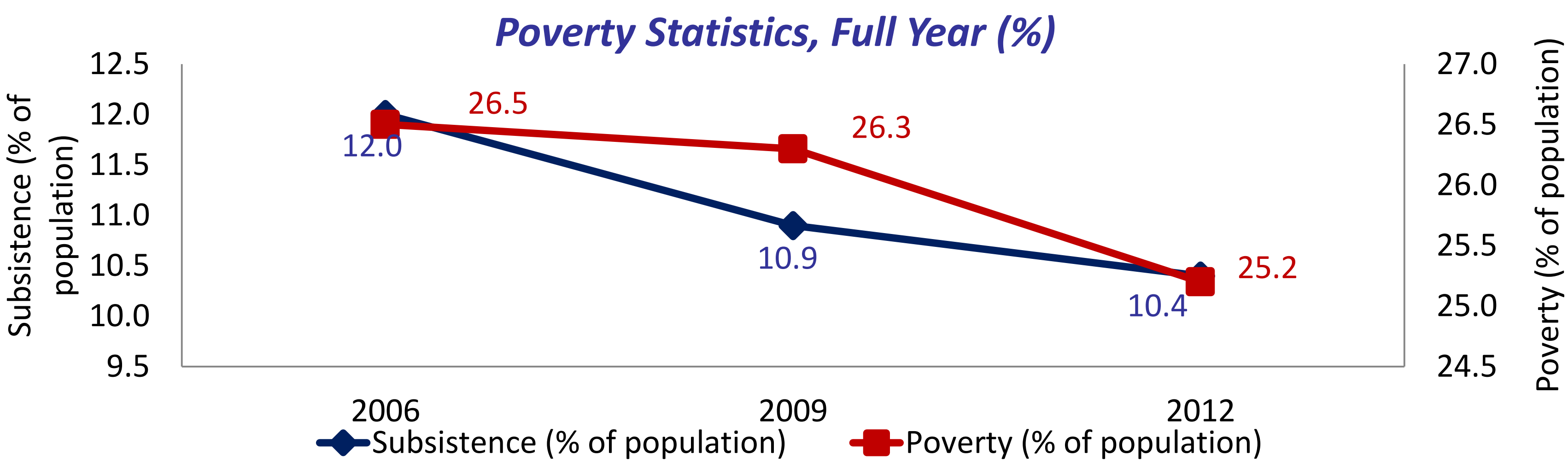
Gains in unemployment were broad-based geographically as most of the regions had unemployment rates lower than the national unemployment rate

	PH	NCR	CAR	I	II	III	IV-A	IV-B	V	VI	VII	VIII	IX	X	XI	XII	Caraga	ARMM	NIR
Unemployment rate	5.4	6.5	5.0	5.4	3.5	6.2	7.6	4.3	4.0	5.3	5.1	4.5	4.8	6.1	4.3	3.5	4.5	2.9	4.0
Underemployment rate	17.3	9.3	24.6	17.2	8.9	13.9	10.7	26.6	25.4	17.6	14.3	31.0	20.3	32.2	15.4	29.0	26.2	7.7	18.6

Beginning April 2016, the PSA adopted the 2013 Master Sample for household surveys in the sampling design of the LFS. Thus, April 2016 LFS figures are not comparable with previous data.
Source: PSA

Poverty reduction has improved but needs to accelerate further



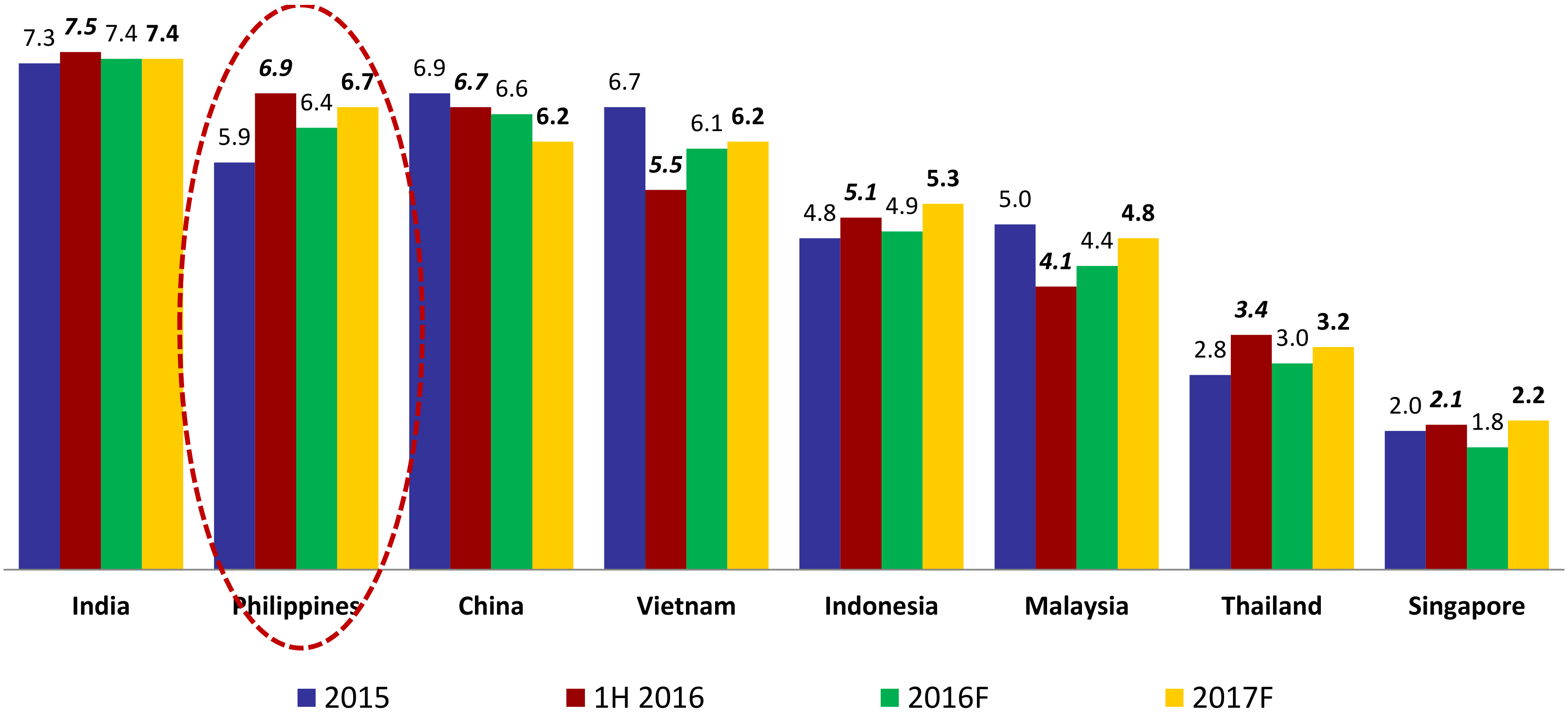


Source: PSA

Growth Outlook and Risks

The Philippines is expected to remain one of the fastest growing economies in Asia

GDP growth of selected Asian economies (%)



Source: IMF-WEO April 2016, July 2016 Update, Article IV consultations for forecast values, and various government websites for actual values

The vibrant view on the Philippine economy is also shared by the private sector

Consensus Forecast (in %)

Institution	2016	2017	2018
ADB	6.0	6.1	-
Barclays	6.2	5.8	-
Citi	6.3	6.5	-
Fitch rating	5.9	6.0	-
Goldman Sachs	6.4	6.1	-
HSBC	6.3	6.3	-
IMF	6.0	6.2	6.3
Metrobank Research	6.3	-	-
Moody's	6.0	6.0	-
Nomura	6.3	6.0	-
Standard and Poor's	6.1	6.3	6.2
Standard Chartered Bank	6.4	6.0	5.8
UNESCAP	6.4	-	-
WB	6.4	6.2	6.2
Median	**6.3**	**6.1**	**6.2**
Mean	**6.3**	**6.1**	**6.1**

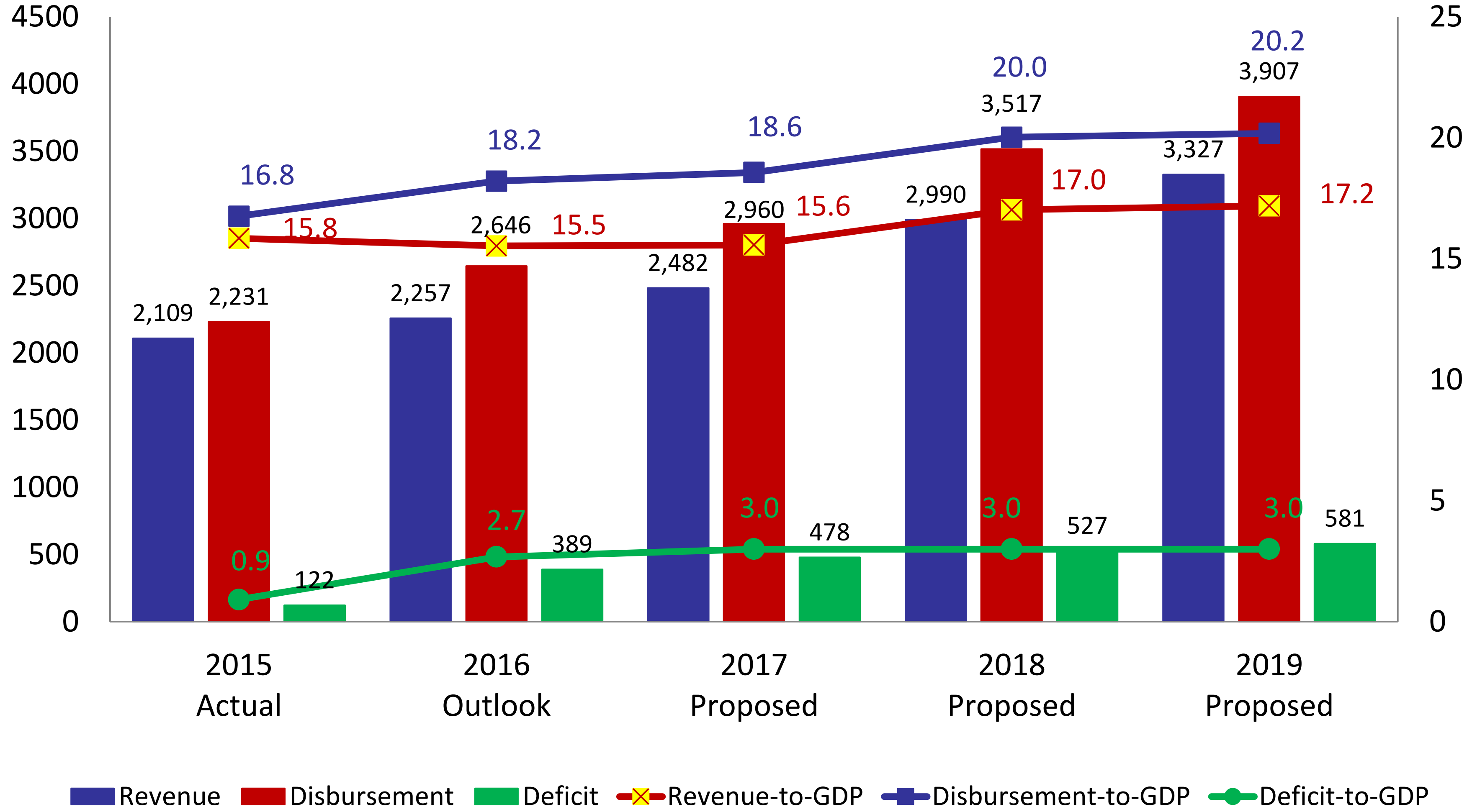
Source: Various sources, as of 17 August 2016

Outlook and targets for 2016-2022

Indicators	2014 Actual	2015 Actual	Projections[1/]						
			2016	2017	2018	2019	2020	2021	2022
Real GDP Growth Rate	**6.2**	**5.9**	**6.0-7.0**	**6.5-7.5**	**7.0-8.0**	**7.0-8.0**	**7.0-8.0**	**7.0-8.0**	**7.0-8.0**

[1/] Assumptions adopted by the Development Budget Coordination Committee (DBCC) on July 2016

Medium-term fiscal outlook 2015 - 2019



Source: BESF 2017

Expected Drivers of Growth

REPUBLIC OF THE PHILIPPINES
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

Demand side

- Household consumption: remittance inflows, better employment prospects, strong consumer confidence, low inflation, low interest rates
- Government spending: expansion of human development and social protection programs (i.e. CCT, K-12, health, etc)
- Investment: public construction, including infrastructure and reconstruction; private construction
- Exports of services: good prospects for Business Process Management (BPM) and tourism

Supply side

- Lower petroleum prices
- Construction and infrastructure development
- Manufacturing resurgence
- Real estate, renting, and business activities in response to demand from the BPM sector
- Tourism-related services
- Wholesale and retail trade

Risks to Growth

We remain vigilant and well- positioned against the downside risks to growth

External	▪ Fragile growth in Japan and European Union ▪ Slowdown in large emerging economies, particularly China ▪ Asynchronous monetary policies in major developed economies ▪ Uncertainties over "Brexit" ▪ Geopolitical tensions in the Middle East, extended period of low oil prices ▪ Maritime dispute in the West Philippine Sea
Domestic	▪ Logistics bottlenecks ▪ Delays in government infrastructure and reconstruction projects ▪ Weather shocks, potential La Nina ▪ Closure of mines

Opportunities

- Closer economic integration in the ASEAN region which would open up new sources of capital and markets
- Peaceful and smooth transfer of power
- Commitment of new Administration to continue current policies and programs, sustain reform momentum
- Resumption of peace talks with NDF, MILF, MNLF

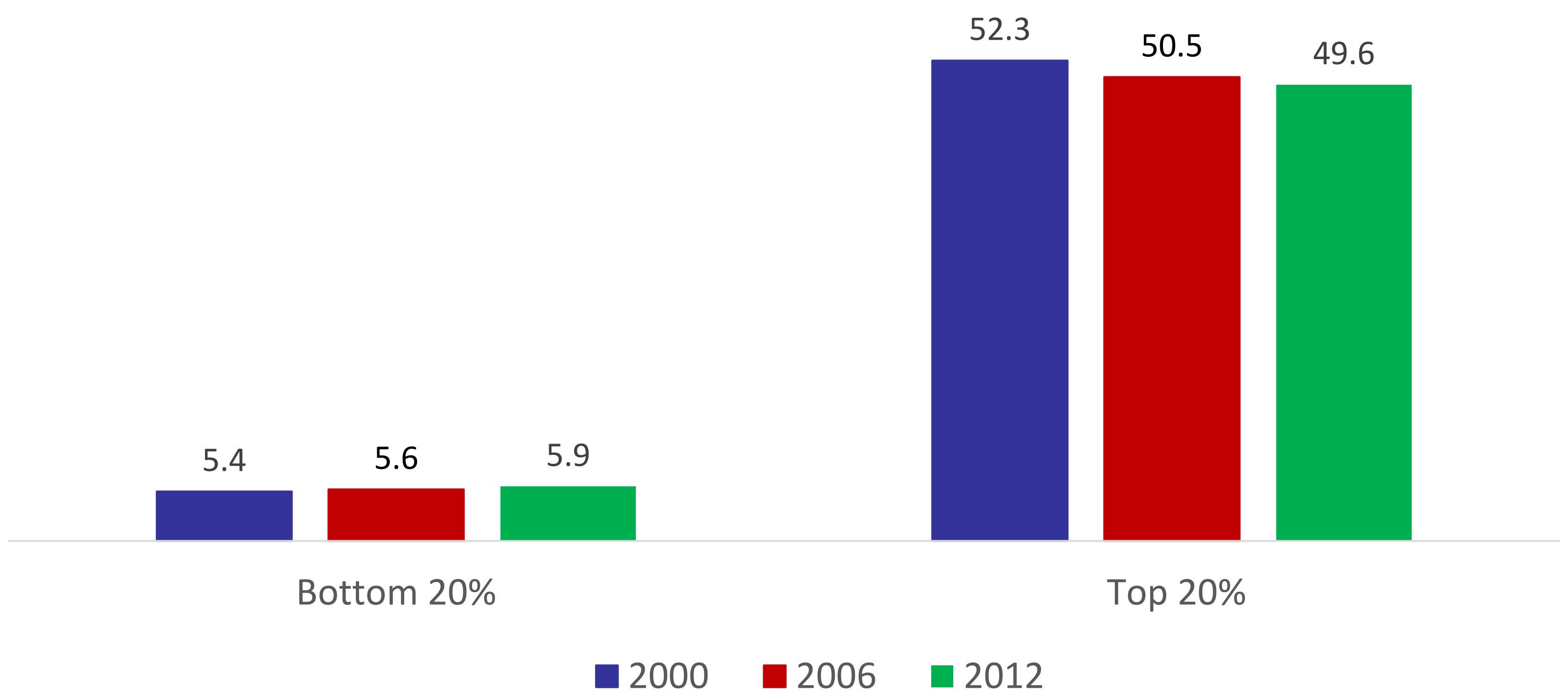
Challenges

The nagging PUZZLE: fast GDP growth but slow reduction in poverty incidence. Why?

- High growth relatively recent phenomenon
- Growth has not been broadly shared across socioeconomic classes and regions
- Agriculture, Fishery and Forestry grew by only 1.4% annually in 2010-2015; -3.3% in S1 2016.
- Food price, in particular rice, rose; poverty line increased by almost 30% during the period 2009-2015.
- High pop'n growth, resulting in 10M+ more Filipinos in 6 years.

Income inequality remains high, albeit slowly declining, across income classes…

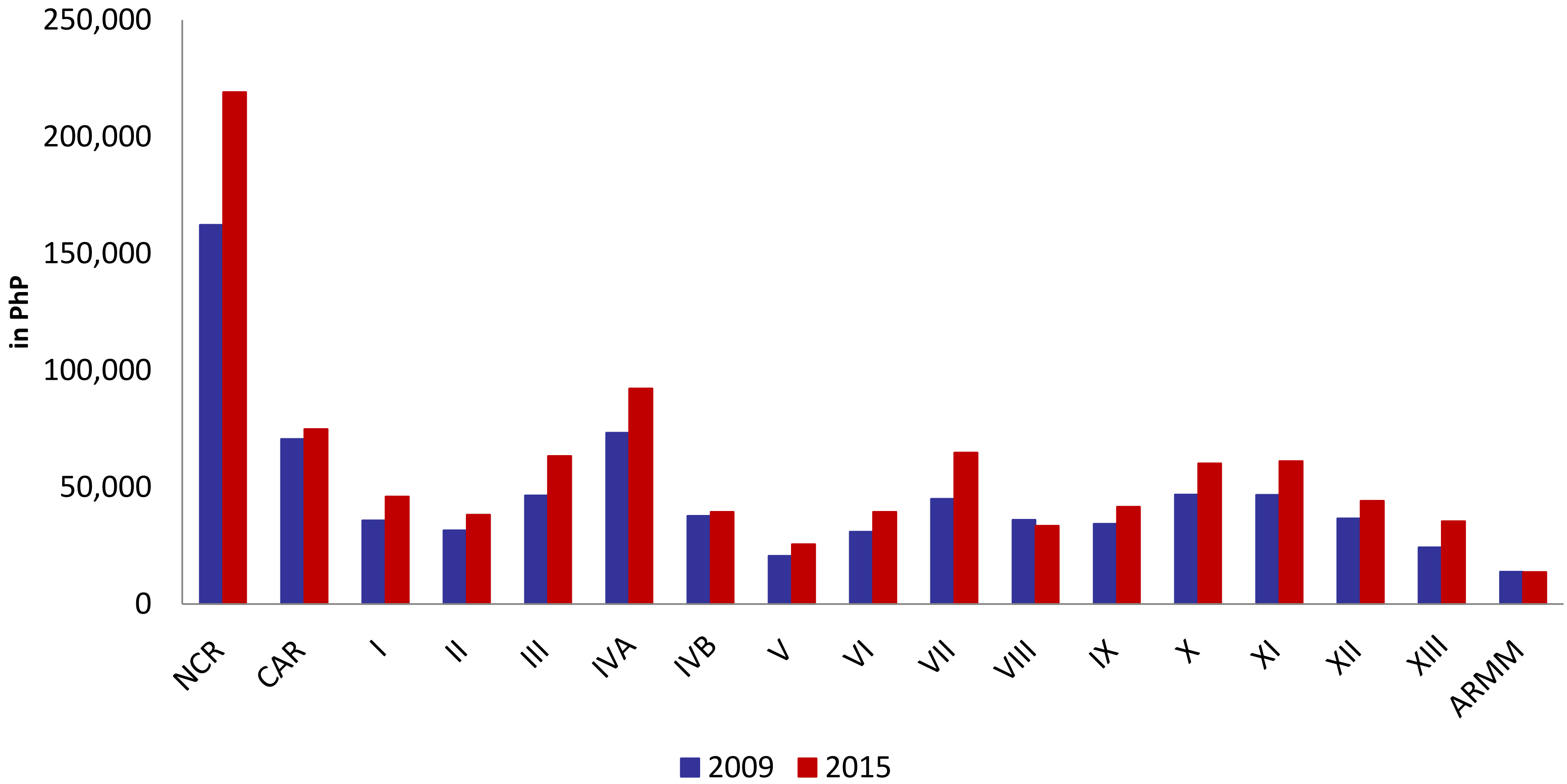
Income Shares of Top and Bottom HH Quintiles



Source: World Bank's World Development Indicators

There are broad-based improvements in average incomes, but wide disparities across regions persist…

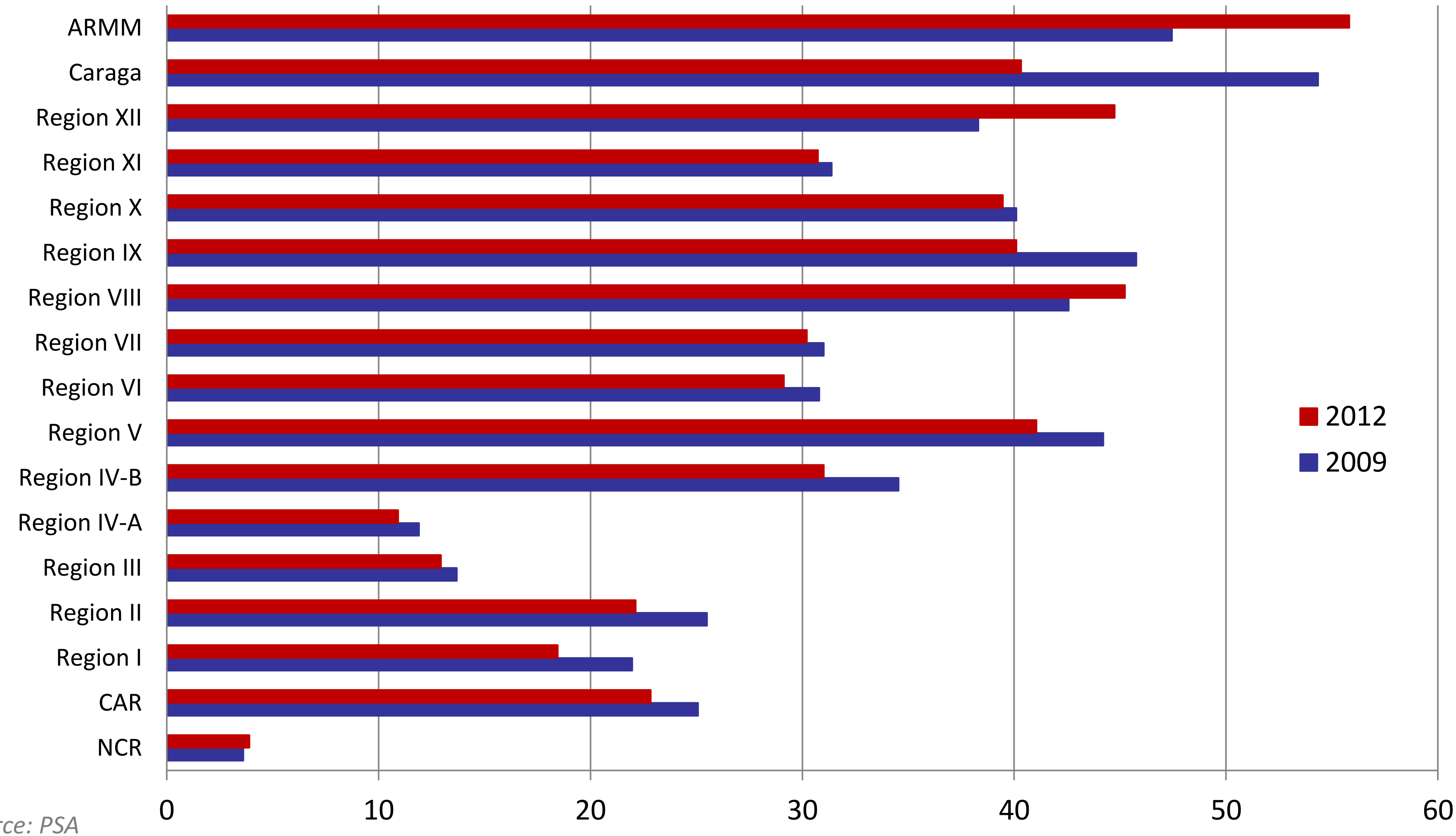
Regional per capita income (constant prices), 2009 & 2015



Source: PSA

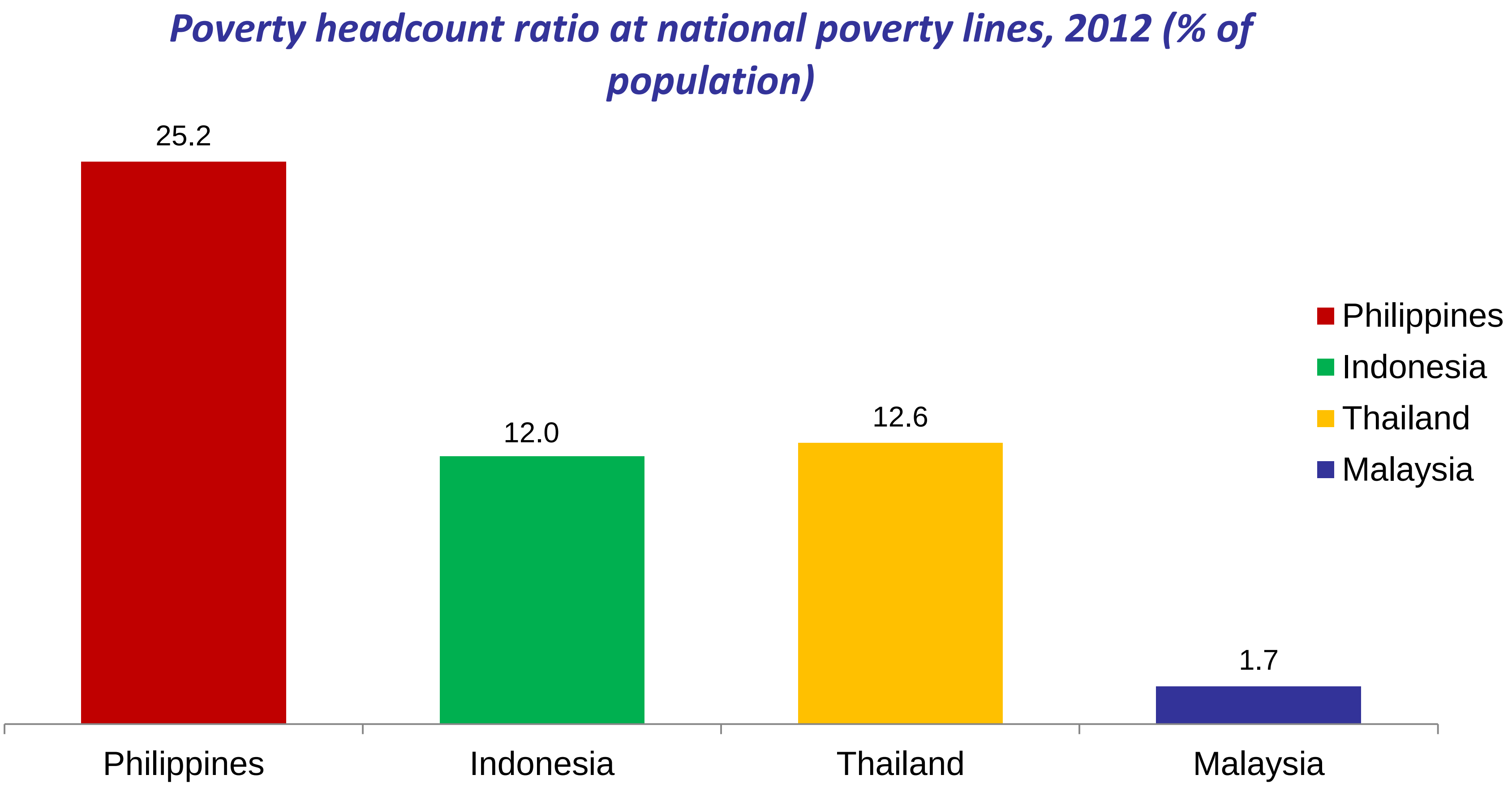
Poverty rate is declining in most regions, but remains above 20% for majority of regions…

Poverty Incidence by Region: 2009 and 2012



Source: PSA

We need to sustain the gains to catch up with our ASEAN neighbors in terms of poverty reduction



Source: World Development Indicators; government statistical agencies
Notes: No poverty data available for the Philippines on 2013 and 2014

The Plan: The 0-10 Socioeconomic Agenda designed to address the puzzle & challenge

For instance….

Challenge	Agenda
Adverse investment climate	Peace and order; massive infrastructure upgrade; cut red tape; ease constitutional restrictions on FDI ...
Uneven growth	Regional and rural development; pro-poor economic growth ...
Contraction in Agriculture and Fishery sector	Agricultural development; land administration and asset reform; technology and innovation; moving up the value chain and agri-business ...

The Plan: The 0-10 Socioeconomic Agenda designed to address the puzzle & challenge

Challenge	Agenda
High food prices	Raise farm productivity; macroeconomic esp. price stability; strategic trade policy
Faster population growth [bulge of reproductive-age (15-49) women] during the coming six years or so	Full, rapid and sustained implementation of RPRH Law esp. in LGUs.
PH's huge lag in Science and Technology (S&T) relative to ASEAN neighbours	Promote S&T and creative arts for self-sustaining inclusive growth and PH's participation in global knowledge economy

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