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ECONOMY POSTS 6.2% GROWTH IN 2ND QUARTER

Once considered a symbol of privilege and power, mobile phones are now an essential every day communications tool among Filipinos. People can exchange information among one another, no matter where they are. Farmers, for example, can transact business and seal deals with traders and buyers. In short, mobile phones have changed lives and are literally helping the economy grow.

Thus, along with election spending, the increased use of cellular phones has helped push the country's economic growth despite external and internal challenges.

According to the National Statistical Coordination Board (NSCB), the gross domestic product (GDP) – or the total value of goods produced and services rendered within the country, grew by 6.2 percent in the second quarter of this year despite the government's fragile fiscal position. As a result, the first semester growth in the GDP this year rose to 6.3 percent from 4.5 percent for the same period last year.

The services sector, including communications and transport, with its share of 48.2 percent of total GDP was the major source of growth for the economy.



The Philippine gross national product (GNP), however, grew 5.7 percent in the April-June 2004 quarter, down from 6.5 percent for the same period last year. The GNP combines the GDP and the net factor income from abroad (NFIA) representing income earned through remittances from abroad. This dip was traced to the low 0.3-percent growth in NFIA, particularly from overseas Filipino workers (OFWs) whose compensation income grew by only 3.3 percent as compared with 11.5 percent in April-June last year.

NSCB Secretary-General Romulo Virola said the decreased deployment of OFW's in the last three months could have contributed to the lower remittances. This situation, however, is expected to improve in the next few quarters because of high demand for Filipino workers, including nurses and caregivers.

KEY SECTOR PERFORMANCES

Socioeconomic Planning Secretary and National Economic and Development Authority (NEDA) Director-General Romulo L. Neri said that the growth in industry and services was largely fueled by both strong foreign and local demand for domestic goods and services. Exports rose on the back of demand from the country's trading partners like US, Japan, and Asia, including China.

He also noted that "the expansion of call center operations in the economy boosted exports of non-factor services and the private services sector."

The NSCB data showed how the key sectors performed:

Services grew at a faster pace of 7.3 percent from 5.7 percent in 2003. Aside from increased use of cellular phones, land transport surged by 12.4 percent in the second quarter due to increased passenger patronage of road and railway transport services. The ownership of dwellings and real estate also grew by 4.5 percent, alongside the 6.8 percent surge in private services in education, hotels and restaurants, business and recreation. As the government continued to implement its program of controlled spending to control the budget deficit, government services grew by only 2.7 from 2.2 percent in 2003.

Agriculture, fishery and forestry surpassed last year's growth with 4.3 percent from 1.6 percent. Palay grew by 11 percent in the second quarter from the negative 10.3 percent in 2003. Favorable weather, expansion in harvest area and the use of high quality seeds helped prop up output of this staple food crop. Fishery production grew by 6.0 percent mainly because of improvements in aquaculture production. Forestry output increased by 110.4 percent.

Industry continued to gain strength with its 5.6 percent growth in the second quarter from 3.6 percent in the same period last year. Manufacturing improved further to 4.6 percent, as with construction (3.7%); and electricity and water (4.1%). On the other hand, mining and quarrying showed a marked reduction in growth with 2.5 percent in the second quarter of 2004, compared with its considerable output of 26.7 percent in 2003.

IN OTHER FRONTS

As the government continued its efforts to ease the budget deficit, **general government consumption expenditure** posted a minimal 0.1 percent growth from negative 1.4 percent.

Total exports grew by 14.9 percent in the second quarter this year from 1.2 percent in 2003 due to strong performances of merchandise exports and non-factor services. The top export commodities include: bars, rods of copper, transmission apparatus, canned pineapple, copra oil, cake, among others. Meanwhile, the monetization of gold grew 20.6 percent. However, principal exports continued to shrink by 7.3 percent as 13 of the 22 principal exports products dropped during the second quarter.

Total imports managed to sustain a growth of 7 percent because of the favorable performance of both merchandise imports and non-factor services. Total merchandise imports grew by 6.9 percent from 6.8 percent in the previous year. However, principal merchandise imports re-

ported a lower growth of 5.3 percent from 10.3 percent a year ago. The five major contributors to the growth were electrical machinery, textile fibers, feeding stuff, textile yarns, and machinery other than electrical.

Personal consumption expenditure grew by 6 percent from 5.3 percent in 2003. Election-related expenses and increased use of mobile phone services contributed to the PCE's strong performance. These were reflected in the gains in the expenditures of food, beverages, clothing and footwear; and transportation/communication.

FORECAST TARGETS THE SAME

Secretary Neri said that he is confident that growth in 2004 will still be moving within the range of 4.9-5.8 percent.

"For 2005, the government is still sticking to its GDP growth forecast of 5.3 percent-6.3 percent. Achieving this, however, will depend on the successful implementation of measures that will boost competitiveness and investor confidence," he added.

Fiscal reform will be at the top of the priority list. Another key priority is infrastructure development, which is needed to boost the productivity of industries by reducing transport costs and to assist the agriculture sector and small and medium enterprises by improving their access to credit, technology and markets.

Neri reiterated that other countries such as Malaysia (8%), Hong Kong (12.1%), Taiwan (7.7%), China (9.6%), and Singapore (12.5%) are growing at much robust rates because of their performance in exports.

"The strong growths in these countries indicate that all sectors of society must move forward in support of the national development agenda to raise the level of competitiveness and investments if the Philippines is to shift to a higher growth path over the medium term," he said. ■

	GROSS NATIONAL PRODUCT					
	At Constant 1985 Prices (Annual percent change)					
	2003			2004		
	Q1	Q2	FY	Q1	Q2	
GROSS NATIONAL PRODUCT	4.6	6.5	5.6	6.5	5.7	
GROSS DOMESTIC PRODUCT	4.8	4.2	4.7	6.5	6.2	
Net factor income from abroad	3.0	40.9	17.9	6.7	0.3	
By Industrial Origin						
AGRI.FISHERY,FORESTRY	3.3	1.6	3.8	8.1	4.3	
Agriculture & Fishery	3.3	1.8	3.7	7.9	3.9	
Forestry	-10.7	-30.1	23.2	96.2	110.4	
INDUSTRY SECTOR	4.8	3.6	3.8	5.6	5.6	
Mining & Quarrying	13.9	26.7	16.8	21.8	2.5	
Manufacturing	5.3	4.6	4.2	3.9	4.6	
Construction	0.3	-8.5	-2.6	9.3	13.7	
Elect, Gas and Water	2.9	3.2	3.2	5.1	4.1	
SERVICE SECTOR	5.5	5.7	5.8	6.4	7.3	
Transport., Comm., Stor.	8.6	8.4	8.6	9.2	13.5	
Trade	5.6	5.4	5.7	6.7	6.1	
Finance	5.5	8.6	7.1	7.0	8.8	
O. Dwellings & R. Estate	3.2	4.1	4.0	4.0	4.5	
Private Services	5.4	4.9	5.1	6.5	6.8	
Government Services	2.8	2.2	2.9	2.3	2.7	