

Philippine Economy Grows 5.1% in '05

The country's economic growth as measured by the gross domestic product (GDP) grew 5.1 percent in 2005 despite high oil prices and weak farm output, the National Economic and Development Authority (NEDA) reported. Last year's performance reached the agency's target of 4.8 to 5.1 percent growth, better than most private sector's forecasts of below five percent. The government expects GDP to grow between 5.7 to 6.3 percent this year.

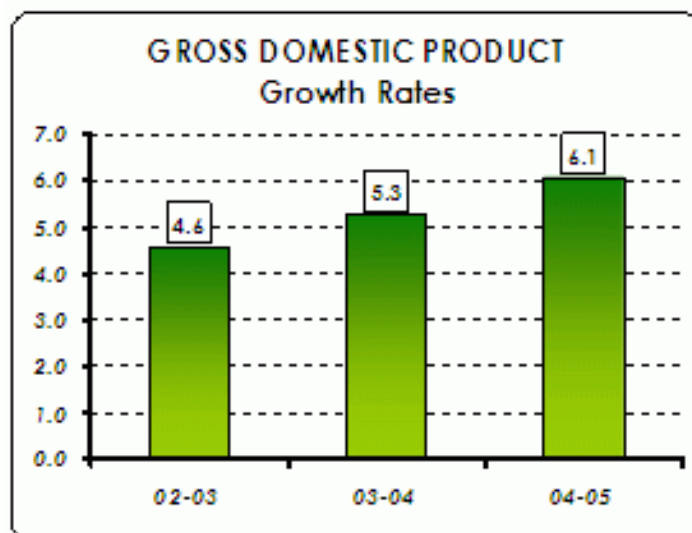


In a statement, President Gloria Macapagal Arroyo attributed the growth to the government's fiscal and economic reforms such as the expanded value added tax which would benefit the whole country and the people.

All major sectors contributed positively to the growth of the economy despite the persistent increases in oil and consumer prices and weaker farm harvests according to Socioeconomic Planning Secretary and NEDA Director General Augusto B. Santos. The robust increase in inflows from abroad mostly from overseas based Filipinos pushed the gross national product (GNP) to 5.7 percent in 2005. Remittances rose 23.3 percent to \$10.85 billion in 2005.

LOOKING BACK

Secretary Santos said that services continue to lead the economy's growth by 6.3 percent. Industry grew by 5.3 percent and agriculture, fishery and forestry (AFF) at 2.0 percent.



Agriculture, Forestry and Fishery (AFF). This sector expanded moderately by 2.0 percent. Palay (0.7%), banana (11.6%), fishery (6.0%) and livestock production (2.0%) contributed to the growth of the sector. However, corn production declined by -2.9 percent from 17.3 percent in 2004 while sugarcane production performed by -7.3 percent in 2005.

Secretary Santos said the moderate expansion of AFF was due to the weak growth of crops, livestock, and poultry. In contrast, fisheries showed a robust performance. This was driven by the increased production of seaweeds due to high foreign demand. It has also been favored by good weather conditions for most of the year, improved dispersal program and better technical and financial assistance. Forestry, on the other hand, continued to plunge due to the implementation of the selective logging ban in the country, he added.



Fisheries performed robustly in the fourth quarter

Services sector. Services contributed the most to GDP growth at 2.98 percent in 2005. Leading the sector's growth were finance, trade, and transport, communication and storage (TCS). Of these three, finance contributed the largest at 15.4 percent. The TCS, on the other hand, grew by 7.1 percent. Trade grew by 5.8 percent.

Ownership of dwellings and real estate (ODRE) grew by 5.0 percent. Private services grew by 4.5 percent. Government services by 1.3 percent.

Industry sector. This sector grew by 5.3 percent. According to Secretary Santos, all subsectors posted remarkable growth except for utilities, which suffered from planned reductions in government spending in order to meet the fiscal deficit target. Mining and quarrying surged to 9.3 percent from a modest growth of 2.6 percent in 2004.

Secretary Santos said that as of 2005, 24 new mining projects have been identified which have generated US\$339.7 million in investments and have created over 5,000 jobs. Over the medium term, the investment target for the subsector is US\$6.16 billion. Moreover, construction grew at a respectable pace of 4.3 percent as public construction started to revive.

National Statistical Coordination Board (NSCB) data revealed that manufacturing grew by 5.6 percent. Electricity and water, on the other hand, slowed down to 2.5 percent in 2005 from the 4.2 percent growth in 2004. For electricity, this is attributed to the lower demand by residential sectors in order to save electricity bills. For water, the slowdown is due to the ongoing expansion works in the east zone of Metro Manila and the continued reduction of nonrevenue water.

PROSPECTS FOR 2006

Secretary Santos said that the Philippine economy remains resilient despite external and domestic threats. However,

there is a need to sustain and hasten growth to a level where the standards of living of the majority of Filipinos can be improved.

In the medium term, the government aims to generate more investments in order to create more jobs, he added. This will be in areas of agribusiness, information and communications technology, healthcare and wellness products, energy, infrastructure, tourism, shipbuilding/shipping, jewelry and fashion garments, motor vehicle products, and electronics.

To ensure that investments shall improve the country's infrastructure, local government units (LGUs) and private sector will continuously be tapped.

Moreover, reforms such as addressing the issues of pricing and accessibility in the power sector will continue alongside efforts to ensure the country's energy independence. Priority will thus be given to the exploration, development and utilization of indigenous energy resources, intensifying renewable energy development and increasing the use of alternative fuels.

On the deficit, the continued implementation of fiscal reforms started last year will lower deficit to PhP124.9 billion or 2.21 percent of GDP, Secretary Santos pointed out.

According to NEDA National Planning and Policy Staff Director Dennis Arroyo, the AFF, industry and services are expected to grow by 6.8, 5.1 and 4.0 percent, respectively, for 2006.

For agriculture, Director Arroyo said that growth drivers in this sector this year include the strong external demand for high quality commercial crops such as coconut, coffee, abaca, among others; the rising prices of sugar in the world market; and the expected 6.0 expansion of the fishery sector.

In industry, drivers of growth include the upbeat interest in the mining sector, implementation of major infrastructure projects such as the automated fingerprint ID System costing PhP1.9 billion, the PhP847 million Carmen Bulk Water Supply Project alongside the widening of the McArthur Highway, the PhP248 million Northern Intermodal Transport Terminal, among others, as well as the expected 10 percent growth of semiconductors exports, equivalent to US\$29.7 billion.

Remittances of Filipinos working overseas and better performance of the tourism sector are expected to prop up private services alongside the strong growth in business process outsourcing (BPO) and call centers, and promotion of medical tourism.