

Philippine Economy

First Quarter Growth Within Government Target

The Philippine economy as measured by the gross domestic product (GDP) registered at 4.6 percent in the January-March quarter, with the services sector again leading the growth. The growth rate is within the government's target of 4.0-5.0 percent.

The impact of El Nino on agriculture, measures on fiscal austerity, and deceleration in consumer spending due to inflation slowed down the country's GDP from 6.4 percent in the first quarter of 2004, said Socioeconomic Planning Secretary and National Economic and Development Authority (NEDA) Director-General Romulo Neri in a press conference on the First Quarter 2005 Report on the Economy last May 30.



Neri expects the economy to perform better in the coming quarters, especially in the second semester as agriculture recovers with the onset of rains in El-Nino-affected areas. He noted that the Department of Agriculture (DA) was looking at a growth rate of 3.0-4.0 percent for the year. "If agriculture grows four percent, the economy is likely to attain the low end of the government's full-year growth target of 5.3-6.3 percent, although the weak growth in exports is a downside risk factor," the NEDA chief said.

Meanwhile, according to the National Statistical Coordination Board (NSCB), with the 6.7 percent growth in Net Factor Income from Abroad (NFIA) coming mostly from an increase in compensation income of overseas Filipino workers (OFWs), the gross national product (GNP) decelerated to 4.7 percent from 6.4 percent in the same period last year.

KEY SECTOR PERFORMANCES

According to NSCB Director-General Romulo Virola, the growth of the economy was carried by the steady increases in services and industry. Performance by sector follows:

Services sector. This sector that comprises about 48 percent of total GDP, provided the biggest contribution to GDP growth by 3.23 percentage points. The trade, transportation, communication and storage (TCS), and ownership of dwellings and finance were the leading contributors to the sector's growth.

The TCS grew 9.6 percent in the first quarter of the year from 9.2 percent in 2004 with communication services, accounting for 54 percent of the total TCS, expanding to 18.5 percent from 13.4 percent. Mobile communication services continued to drive the telecommunications industry. Technical breakthroughs and aggressive marketing pushed the growth of the services providers' subscribers' base. However, land transport slowed down by 0.3 percent from 7.0 percent growth in 2004 due to the sudden hike in transport fare. Meanwhile, ownership of dwellings and real estate continued to grow at 6.8 from 4.0 percent. Trade services recorded a lower growth of 6.0 from 7.1 percent. Private and personal services also slowed down.

Industry sector. This sector which accounts for about 32 percent of GDP and contributed 1.38 percentage points to total GDP growth. Manufacturing and construction led the growth, growing by 4.2 and 7.9 percent, respectively. Electricity, gas and water improved its growth to 5.6 percent. However, mining and quarrying contracted by 4.4 percent from the 21.7 percent vigorous growth last year. This is due to the decline in production of gold.

Agriculture, Forestry and Fishery (AFF). This sector suffered a reversal in the first quarter of 2005, contributing a negative 0.02 percentage point to total GDP growth. The AFF sector accounts for about 20 percent of total GDP. Most of the major crops, except for coconut and banana, declined during the period. Only fishery and poultry saved the day for AFF, posting 2.17 percentage points to the total sector growth.

IN OTHER FRONTS

In the NFIA, higher earnings and increase in stock and deployment of OFWs resulted in growth of compensation inflow by 4.2 percent from the 2.4 percent recorded in 2004. However, property income and expense declined by 15.9 and 4.0 percent, respectively. This led to a lower growth of net income flow of 6.7 percent in the first quarter of the year from 7.0 percent in 2004.

On the demand side, higher prices of goods and services reduced consumer spending rate. Thus, despite the increase in OFWs' remittances, personal consumption expenditure decreased to 5.0 from 5.7 percent last year. Expenditures on food, beverages, clothing and footwear, household furnishings, household operations, and fuel, light and water went down. However, expenditures on transportation and communication grew 17.5 percent due to increased road and railway ridership and mobile phone usage.

Total exports posted a moderate 3.1 percent growth in the first quarter of the year, down from the robust performance of 11.6 percent during the same period in 2004 as merchandise exports and non-factor services recorded decelerated growths.

Meanwhile, imports of non-factor services picked up by 8.0 percent from 2.0 percent in the first quarter of last year, mainly buoyed by travel services and miscellaneous services including payments for royalties and business services.

LOOKING AHEAD

Secretary Neri said that various programs will be implemented to help achieve the government's growth target of 5.3 to 6.3 percent in 2005.

Major infrastructure programs include the Northrail and Southrail Commuter project; Subic-Clark-Tarlac Expressway and Subic Bay Port projects; Skyway and C-5 extension to Sucat; Southern Tagalog Arterial Road-Batangas connection; MacArthur Highway Widening; and South Luzon Expressway Alabang viaduct and Calamba-Sto. Tomas phase.

Neri said that to diversify the agriculture and exports sector, the credit and technical/marketing support for small and medium enterprises under the SULONG and One Town-One Product (OTOP) programs will be sustained. He added that the DA should also sustain its program to improve agriculture productivity, especially for agro-based exports.

Moreover, investor confidence needs to be kept up to translate approved investments into actual investments., the NEDA chief stressed. The high cost of power and basic telephone charges should also be addressed. To do this, the government will resolve the issue over the implementation of the Voice over the Internet Protocol or VoIP.

Neri said the country's competitiveness for call center and business process outsourcing services will be maintained. Bottlenecks at the community level for mining projects will also be addressed, he noted.

FIRST QUARTER GROSS DOMESTIC PRODUCT (2003-2005)
Constant Growth Rates

