

## Philippine Economy 1<sup>st</sup> Quarter Growth Still Within Target

The Philippine economy as measured by the gross domestic product (GDP) grew by 5.2 percent in January-March this year compared with 7.0 percent for the same period last year. The GDP growth is still within the government's official forecast of between 5.2 to 6.2 percent.

The first quarter growth was slower because of weak exports as well as the rising prices of food and energy, according to Acting Socioeconomic Planning Secretary and National Economic and Development Authority (NEDA) Director-General Augusto B. Santos.

The full-year growth is expected to settle between 5.7-6.5 percent from the earlier forecast of 6.3-7.0 percent. Secretary Santos said the Development Budget Coordination Committee (DBCC) committed to finetune the fiscal program in order to achieve the new growth forecast. "The government will be spending more particularly for the most vulnerable sectors of society," he said in a recent press conference at the National Statistical Coordination Board (NSCB).

Meanwhile, the 30.3 percent growth in Net Factor Income from Abroad (NFIA) coming mostly from an increase in compensation inflow of overseas Filipino workers (OFWs) boosted gross national product (GNP) to 7.3 percent in the first quarter. According to NSCB, total OFW inflows for the first quarter totaled Php219.8 billion.

<b>Economic Performance</b>			
Growth rates, in percent			
	2007		2008
	Q1	Q4	Q1
<b>GDP</b>	7.0	6.4	5.2
<b>GNP</b>	7.3	6.0	7.3
<b>NFIA</b>	11.3	0.6	30.3

### HOW THE SECTORS PERFORMED

**Services Remains The Major Growth Driver.** This sector accounted for almost half (49.4%) of the total GDP and contributed 3.3 percent to total growth. Secretary Santos said



that the services sector rose by a healthy 6.9 percent in the first quarter, albeit lower than the 8.4 percent gain the previous year. The sector's performance was bolstered by real estate (5.8%), finance (12.9%), and trade (6.8%). "The real sector continues to be buoyed by demand for office space as well as residential property from OFWs," Santos said.

NSCB data showed that the growth in finance was due to the strong performance of banks as well as insurance companies that grew by 16.5 percent and 3.6 percent, respectively.

Transport, communication and storage (TCS), on the other hand, slowed down to 6.7 percent from 10.5 percent a year ago. According to NSCB, the growth was pulled down by the decelerated number of new subscribers to wireless providers that led to a slowdown of the communication subsector by 4.3 percent from 13.2 percent a year ago.

<b>Major Industry</b>			
Growth rates, in percent			
	2007		2008
	Q1	Q4	Q1
<b>AFF</b>	4.0	5.7	3.0
<b>Industry</b>	6.6	4.9	3.9
<b>Services</b>	8.4	7.8	6.9

Private services grew by 5.1 percent as business process outsourcing (BPO) continued its robust climb at 7.6 percent. Compensation of newly hired government employees made government services grow by 3.5 percent from 1.7 percent growth a year ago.

**Moderate Growth In Agriculture, Fishery and Forestry (AFF).** This sector grew by 3.0 percent from 4.0 percent recorded a year ago. Secretary Santos said that higher production of palay (2.0%), corn (16.9%), banana (20.6%), coconut (5.1%), and poultry (4.4%) contributed to the sector’s performance.

“The significant increase in the country’s agro-based exports such as coconut products, pineapple, coffee, rubber and seaweeds also helped prop up the sector,” he added. The AFF sector contributed 0.6 percent to the total GDP.

The increase in corn production was attributed to the bigger harvest area and increased number of seeds available from the GMA-Corn Program that encouraged more farmers to plant corn particularly in Northern Mindanao, Western Visayas, and Ilocos. Increased production of banana, on the other hand, benefited from bigger harvests and the rise in export demand.

Growth in the poultry sector can be attributed to the expansion in broilers and chicken egg production. However, the decline in hog fattener stocks and occurrence of swine diseases in some Central and Southern Luzon provinces resulted in negative 3.4 percent growth in livestock.

<b>Agriculture, Fishery &amp; Forestry</b>			
Growth rates, in percent			
	2007		2008
	Q1	Q4	Q1
<b>AFF</b>	4.0	5.7	3.0
Palay	1.7	10.1	2.0
Corn	11.4	15.7	16.9
Coconut/copra	-5.1	3.4	5.1
Sugarcane	-0.4	-19.1	1.8
Banana	5.9	19.5	20.6
Other crops	3.1	8.3	-1.9
Livestock	2.3	3.1	-3.4
Poultry	2.2	0.6	4.4
Fishery	8.6	3.6	4.2
Forestry	-6.3	-5.3	10.8

Forestry grew by 10.8 percent from a negative 6.3 percent the previous year due to an increase in log production.

**Industry Posted A Slower Growth.** Secretary Santos said that the sector’s growth was sluggish at 3.9 percent compared to the 6.6 percent recorded in the same period last year. The slower growth can be attributed to the decline in public construction as well as weak exports,” Santos added. The industry sector contributed 1.3 percent to total GDP growth.

The mining and quarrying sector grew by 13.4 percent in the first quarter due to increased production of copper, Santos said. Manufacturing, slowed down to 2.3 percent from 4.1

percent the previous year. Construction also declined to 4.5 percent from 21.7 a year ago as public construction dropped to negative 9.5 percent from a growth of 18.9 the previous year. Electricity and water surged to 10.4 percent from 4.4 percent as energy and water demand from commercial and industrial users increased.

**Other Contributors To Growth.** Personal consumption expenditure grew by 5.1 percent as households consolidated their income on food (5.4%), household furnishings (9.7%), transportation and communication (12.2%), beverages (3.0%), household operations (2.8%), and miscellaneous expenses (2.8%), according to Secretary Santos.

He also said that overall capital formation registered a respectable growth of 7.3 percent. “A noteworthy development is the strong growth in investment coming from durable equipment that grew by 8.2 percent,” Santos added.

However, exports fell by 11.1 percent, reversing the 8.2 percent growth recorded last year as high oil prices forced foreign markets to reduce spending on imported goods. Imports also contracted to negative 6.6 percent due to the lackluster demand for merchandise from abroad.

#### LOWER '08 TARGET

Because of the impact of high oil prices, the government’s economic team decided to reduce the GDP growth forecast for the entire year to 5.7-6.5 percent, from the earlier forecast of 6.3 to 7 percent.

“It’s an era of high oil prices and people are really tightening their belts. As a result of the global economic slowdown, the environment is now tough and this will really hit the poor,” Secretary Santos said. “It’s important that government spend more on programs that will benefit the poor such as subsidizing the price of rice and transportation fare as well as continuing the Food for School program,” he added.

To help pump-prime the economy, the government will spend beyond the approved national budget of PhP1.236 trillion for 2008. Following this decision to spend more, the economic team is preparing a proposed supplemental budget for approval by Congress. According to the Department of Finance, the government is looking at PhP93.6 billion in additional spending.

Secretary Santos said that the economic team will meet again to decide on the specific programs to be financed by the additional budget. The programs will target poor families and sectors needing support the most. The amount would be funded by revenues from asset sales and new borrowings from both foreign and domestic sources.

“The increase in spending means that the government is giving up its goal of posting a balanced budget this year”, Santos said.☹

Sources:  
[Statement delivered by Acting Socioeconomic Planning Secretary and NEDA Director-General Augusto B. Santos and 1st Qtr. National Income Accounts documents](#)