

ECONOMY GROWS 7.5% IN 2ND QUARTER, FASTEST IN 2 DECADES

The Philippine economy, as measured by its gross domestic product (GDP), grew by 7.5 percent in the second quarter of the year, bringing to 7.3 percent the average GDP growth rate for the first semester.

“The 7.5 percent GDP growth in the second quarter from 5.5 percent in the same quarter last year was the fastest growth in two decades,” President Gloria Macapagal Arroyo said in a recent press conference in Malacanang Palace.

The gross national product (GNP), on the other hand, or the GDP plus income from abroad including remittances from overseas Filipino workers (OFWs) grew by 8.3 percent. This is an improvement over the 6.4 percent growth in the same quarter last year.

President Arroyo vowed to sustain the economic momentum by cutting down on corruption, improving tax collections and spending more on small businesses.

“First we must achieve our revenue and deficit targets to maintain investor and creditor confidence as well as to keep the flow of interest capital strong,” she added. In this connection, she ordered government’s revenue agencies to boost their collections. “With the world economy hitting some bumps due to oil and market turmoil, we will intensify domestic growth and investments,” the President said.

Present at the press conference were her economic team managers including National Economic and Development Authority OIC Director General Augusto B. Santos, Finance Secretary Margarito Teves, Budget and Management Secretary Rolando Andaya, and Trade and Industry Secretary Peter Favila.



Given the robust growth in the second quarter, Santos said the government’s full-year growth target of 6.1-6.7 percent may be exceeded. “Hitting 7.0 percent is not impossible. We don’t expect any slowdown in the second half. We may even exceed the target,” he pointed out.

Growth drivers for the second half of the year would come from service and industry, Santos added. He noted that the agriculture sector has a lot of catching up to do, having been battered by the dry spell. However, with the rains coming, he expects increased productivity in the next months.

Services Still the Main Growth Driver

Santos said the services sector grew by 8.4 percent leading agriculture which grew by 3.9 percent and industry, by 8.0 percent.

Service sector, with a share of 49.8 percent of total GDP, continued to gain strength. All services sectors performed better in the second quarter. Finance led the growth by 11.8 percent. “Growth in this

Economic Performance

(Growth rates, in percent)

	Second Quarter		First Half	
	2006	2007	2006	2007
GDP	5.5	7.5	5.6	7.3
GNP	6.4	8.3	6.4	8.0
NFIA	16.3	16.6	14.9	15.6

Major Industries

(Growth rates, in percent)

	Second Quarter		First Half	
	2006	2007	2006	2007
AFF	6.7	3.9	5.3	4.0
Industry	4.4	8.0	4.9	7.2
Services	5.7	8.4	6.2	8.6

sector can be attributed to higher earnings of banks and other financial services providers,” Santos added. Other growth drivers include transportation, communication and storage or TCS (9.8%), private services (8.6 %) and trade (8.4%) according to data from the National Statistical Coordination Board (NSCB).

Communications grew by 12.5 percent and was the main contributor to TCS growth due to increased cellular, fixed line and broadband subscribers. For the transport subsector, the increased number of passengers of the light rail transit (LRT) and metro rail transits (MRT) as well as the vigorous fare promotions by domestic airlines and tourism-related promotion activities made the land and air sectors grow by 5.9 and 13.8 percent, respectively. Trade growth was propelled by the performance of the retail industry, the increased sales of newly opened malls and supermarkets as well as appliance centers.

Ownership of dwellings and real estate (ODRE) grew by 6.3 percent as sales in real estate increased alongside rent and lease operations of malls and other shopping centers. Private services, on the other hand, grew by 8.6 due to the continued expansion in call centers and business process outsourcing (BPO) businesses.

The *industry sector* also performed strongly. Mining and quarrying sustained its growth in the second quarter growing by 33.3 percent from the 3.3 percent in the same quarter last year. The performance of the quarrying sector was boosted by construction that grew by 21.0 percent, on account of the property market boom and strong growth in public construction that grew by 39.6 percent. Mining, on the other hand, grew due to increased demand in coal and nickel. Investments worth \$1.5 billion is expected to come in next year, following the \$500 million investment estimated this year.

Private-sector investments in infrastructure also grew by 2.5 percent, after a 4.0-percent contraction in the second quarter of 2006. Manufacturing grew at a slower pace at 3.7 percent. Food manufacture was the lead contributor to this growth, growing twice faster at 5.6 percent compared to the 2.5 percent growth in the same quarter last year. Stronger consumption by commercial and residential users, on the other hand, led to the 5.8 percent growth of the electricity, gas and water.

Moderate Growth in AFF

Agriculture, fisheries and forestry (AFF) grew moderately. This sector which accounts for a fifth of the country’s total GDP grew by 3.9 percent, slightly up from 3.8 percent in the second quarter of last year.

Palay production remained healthy despite prolonged drought because of the increase in area harvested, better irrigation and effective government interventions. High value crops, also supported the subsector’s growth. Other crops that include mango, onion and rubber, grew by 9.0 percent from a negative 2.8 percent for the period.

The sustained growth in fishery (6.1%), on the other hand, can be attributed to the increased fish catch from commercial fishing. The increased production of trees and plantation species in CARAGA revived forestry’s performance, growing

Agriculture, Fishery & Forestry				
(Growth rates, in percent)				
	Second Quarter		First Half	
	2006	2007	2006	2007
AFF	6.7	3.9	5.3	4.0
Palay	10.3	4.4	8.4	2.9
Corn	49.2	-2.5	32.0	5.7
Coconut / copra	1.0	-4.7	1.8	-4.9
Sugarcane	3.4	-23.8	2.0	-6.5
Banana	10.8	8.5	11.8	7.3
Other crops	-2.8	9.0	-0.1	5.8
Livestock	3.4	2.8	2.8	2.6
Poultry	1.5	-2.2	-1.5	0.2
Fishery	11.2	6.1	8.1	7.3
Forestry	-13.6	28.2	-11.9	26.2

to 28.2 percent from -13.6 percent in the same quarter last year.

Other contributors to growth included robust consumer spending that grew by 6.0 percent in the second quarter from 5.4 percent a year ago, boosted by an upsurge in remittances from OFWs as well as robust government consumption spending which soared to 13.5 percent from 3.3 percent in the same quarter last year due to election-related expenditures.

Private construction also performed better than last year. It grew by 2.5 percent from the negative 4.0 percent growth in the previous year due to increased investments in non-residential constructions.

Total exports (PhP686.2 billion) which exceeded total imports (PhP684.7 billion) resulted in a surplus of PhP1.6 billion as against the trade deficit of PhP39.0 billion registered in the same period last year.

Attaining Targets for 2007

Given the robust growth seen in the second quarter, Santos said there is a good chance the government’s full-year growth target may be exceeded. He noted that the strong performance of the economy showed that macroeconomic reforms have been effective.

The NEDA chief, however, stressed that more needs to be done in order to boost business, modernize agriculture, strengthen small entrepreneurs, expand enterprise, and spend more for social services, especially for education and health.

He added that reforms should also be implemented to improve productivity and boost the investment climate. Some of these reforms include infrastructure upgrading, sustaining fiscal reforms, cutting loose from policies that distort market competition, and achieving political stability. “We need to speed up the pace of implementing these reforms to ensure increasing growth over the medium term,” he pointed out.

Santos emphasized that the country could not afford to be complacent. “We have to continually raise the bar to ensure the economy’s solid growth, so that economic gains increasingly benefit the Filipino people,” he said.