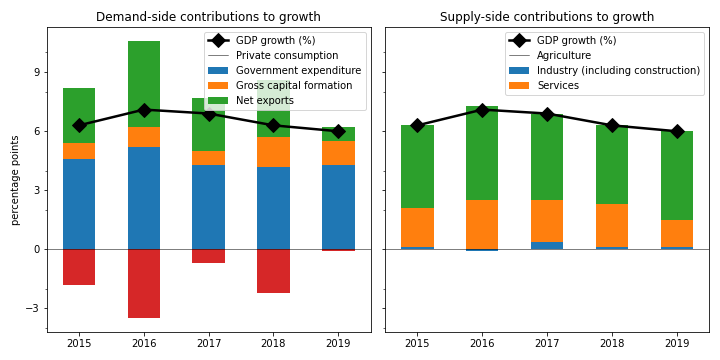
Philippines: Recent Economic Developments and Outlook

# GDP growth in 2019 rose

GDP growth rose by 6.0% year-on-year (yoy) in 2019. On the demand side, private consumption (73.2% of GDP) contributed the most to growth, with 4.3 percentage points (pp). On the supply side, services (61.0% of GDP) contributed the most to growth, with 4.5pp.



## Net exports increased the fastest on the demand side

Net exports increased by the largest margin (10.4%). Government expenditure jumped by 9.6%. Private consumption increased by 5.9%. Gross capital formation jumped by 2.5%.

## On the supply side, services picked up the fastest

Services picked up the most rapidly (7.5%). Industry (including construction) jumped by 4.7%. Agriculture picked up by 1.2%.

## Unemployment improved; inflation declined

Unemployment improved from 2.3% in 2018 to 2.2% in 2019, while inflation declined from 5.2% to 2.5%. At the end of 2020, the central bank set the policy rate at 2.0%.

## Current account balance deficit

The current account balance (CAB) recorded a deficit at 0.9% of GDP in 2019, compared to 2.6% in 2018.

USA is the top export destination (16.3% of exports in 2019). Other major exports partners include Japan (15.1%), China (13.8%), and China, Hong Kong SAR (13.6%). Top export products are electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles (50.5% of exports).

Top imports origins are China (22.8%), Japan (9.6%), Rep. of Korea (7.5%), and USA (7.3%). Major import commodities are electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles(24.2% of imports).

# Output contracted in Q4 2020

Output plunged by 8.3% yoy in Q4 2020 (-11.5% in the previous quarter). Gross capital formation slowed down by the largest margin at -29.1% yoy. Exports contracted by 10.7%.

## Leading indicators

Consumer confidence index was in the pessimistic territory at -45.7 in Q4 (-55.2 in Q3). Retail sales shrank by 18.1% yoy in December (-35.4% yoy in November). Industrial production shrank by 2.6% yoy in December (-12.9% yoy in November).

## Inflation picked up

Inflation rose to 4.2% yoy in January (3.5% yoy in December). Meanwhile, the central bank maintained the policy rate to 2.0% in January.

# Outlook favorable this year

As of January 2021, Consensus Economics panelists project economic growth ending at 7.1% in 2021, while in 2022, the panelists foresee growth at 7.0%. Over the same period, consumption is expected to change by 6.2% and 6.1%, while investment is projected to change by 11.5% and 12.2%. Industrial production is seen to change by 6.4% and 5.1%. Finally, Consensus Economics foresee inflation at 3.1% in 2021 and 3.2% in 2022.

*Sources: Consensus Economics, The World Bank, UN Comtrade, Haver Analytics, and National Sources. Accessed 06 February 2021.*