

Philippines Economic Update and Medium term challenges

February 18, 2019

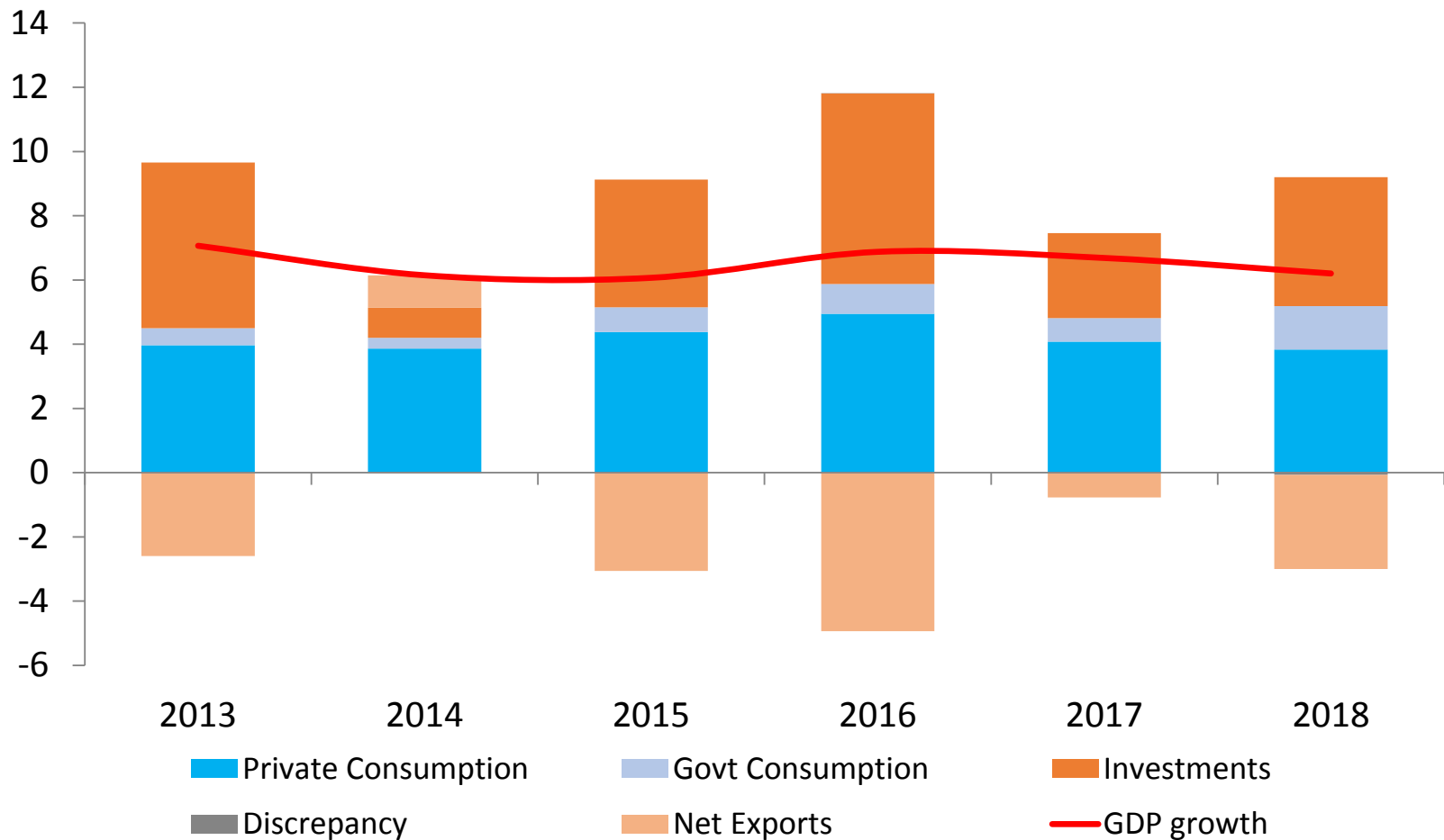
Key Messages

- Increased global uncertainties and high inflation have impacted growth performance in 2018.
- The economic growth prospect remains positive but uncertainties have increased.
- In the long term, the Philippines needs to accelerate capital accumulation and sustain high productivity growth to boost inclusive growth.

Recent development

Increased global uncertainties and high inflation have impacted growth performance in 2018.

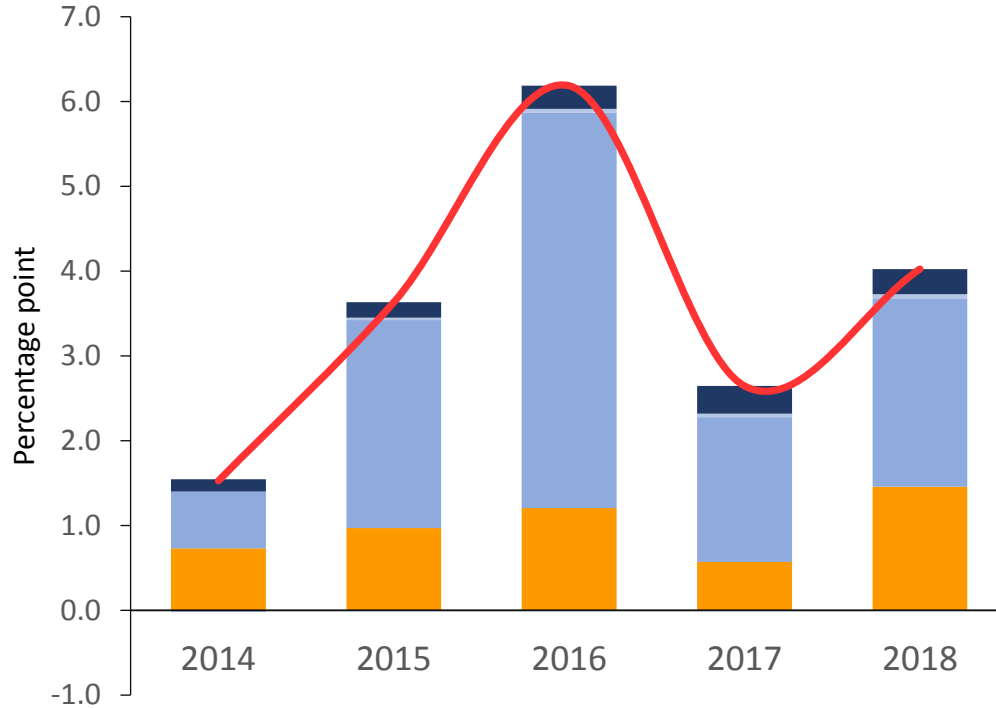
Economic growth moderated but remains strong, driven by robust investment growth



Source: Philippine Statistics Authority (PSA)

Durable equipment and construction drove fixed capital formation while national government ramped up infrastructure spending.

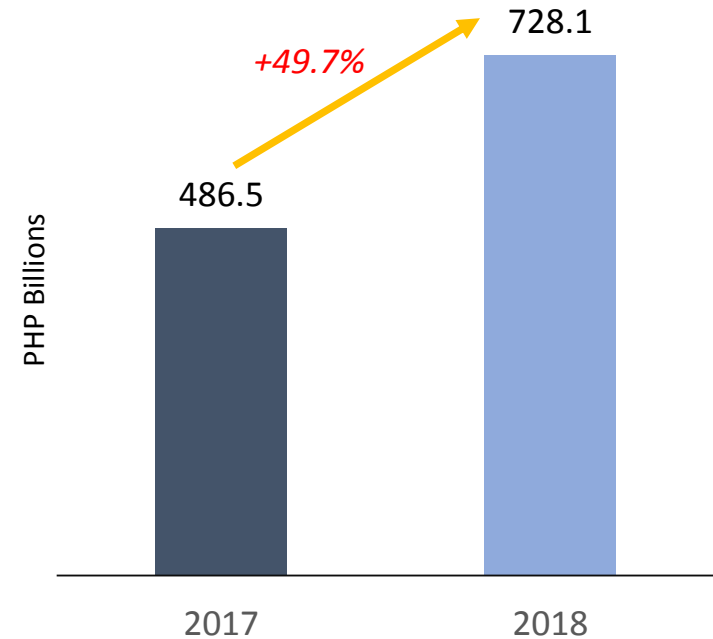
Fixed Capital Formation Composition
Contribution to GDP Growth



- Intellectual Property Products
- Breeding Stock & Orchard Dev't
- Durable Equipment
- Construction
- Fixed Capital

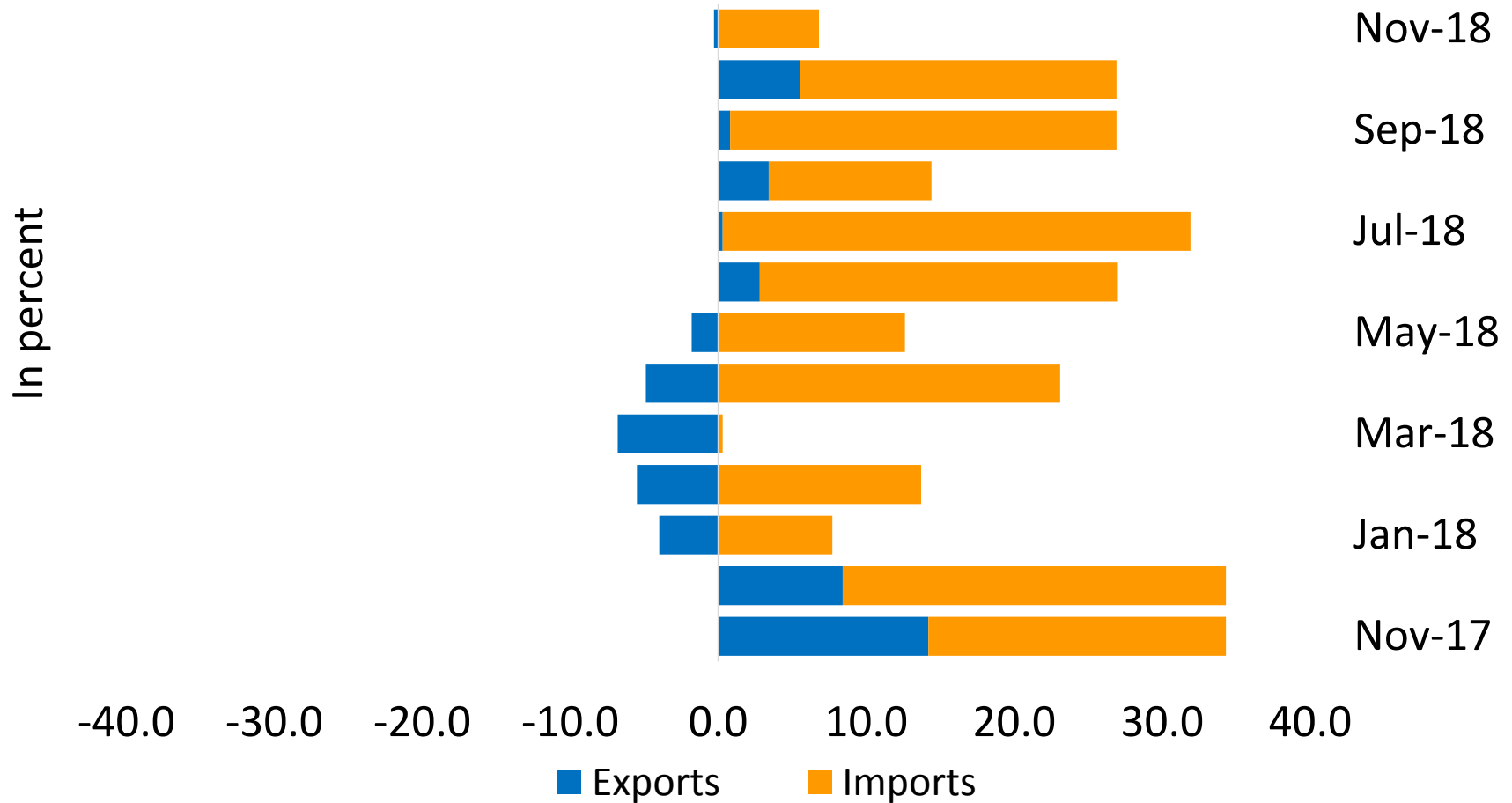
Source: PSA

NG Infrastructure and Other Capital
Outlays: January to November



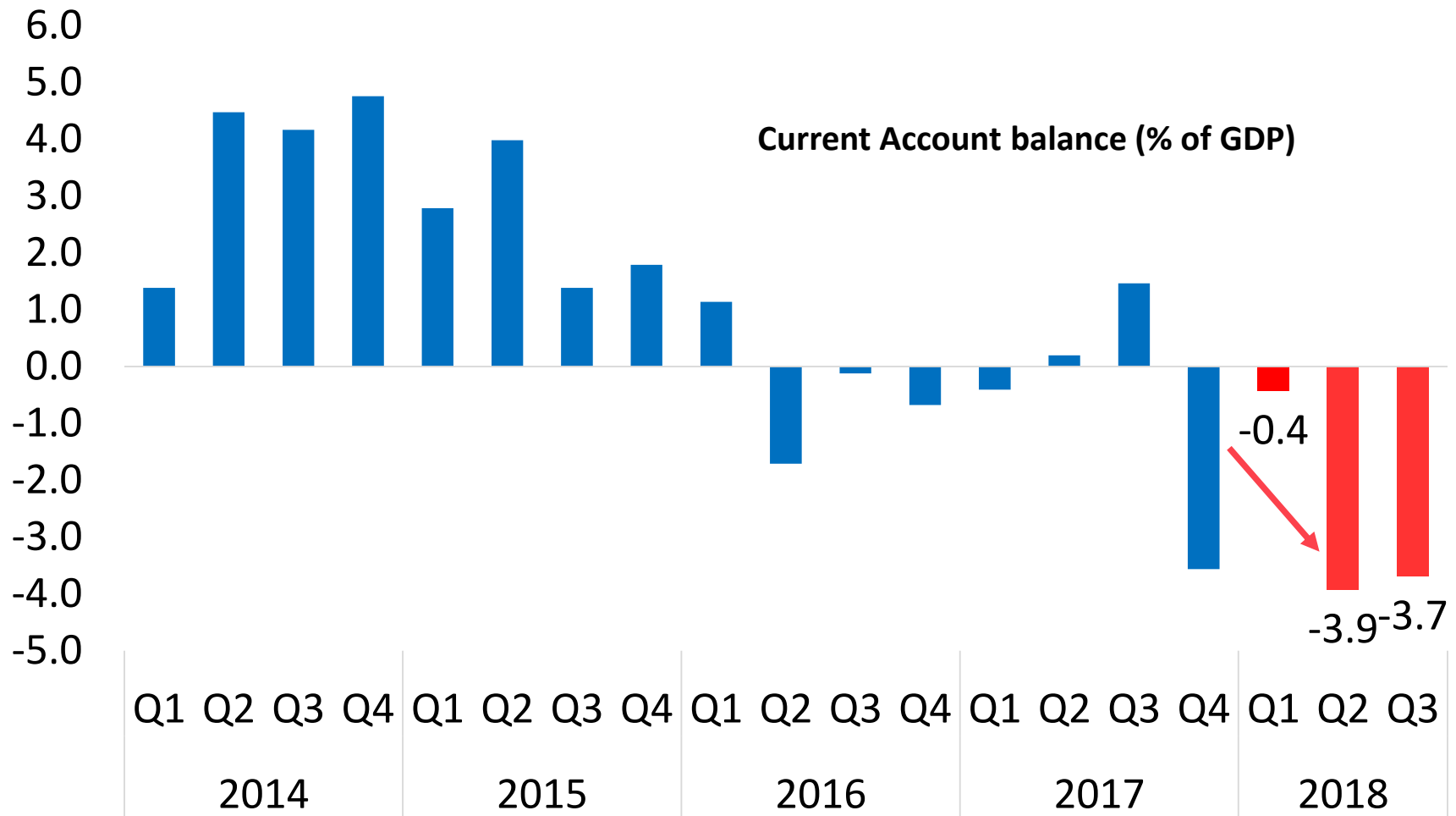
Source: Department of Budget and Management (DBM)

Import growth remained strong while export growth softened.



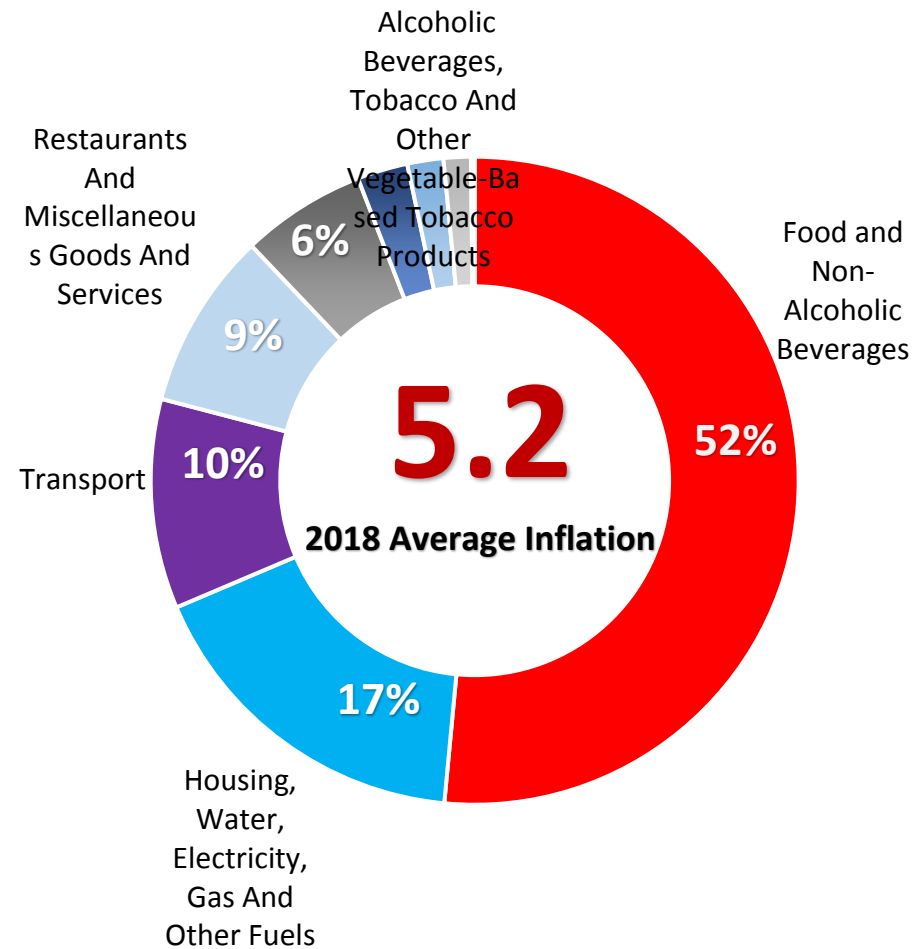
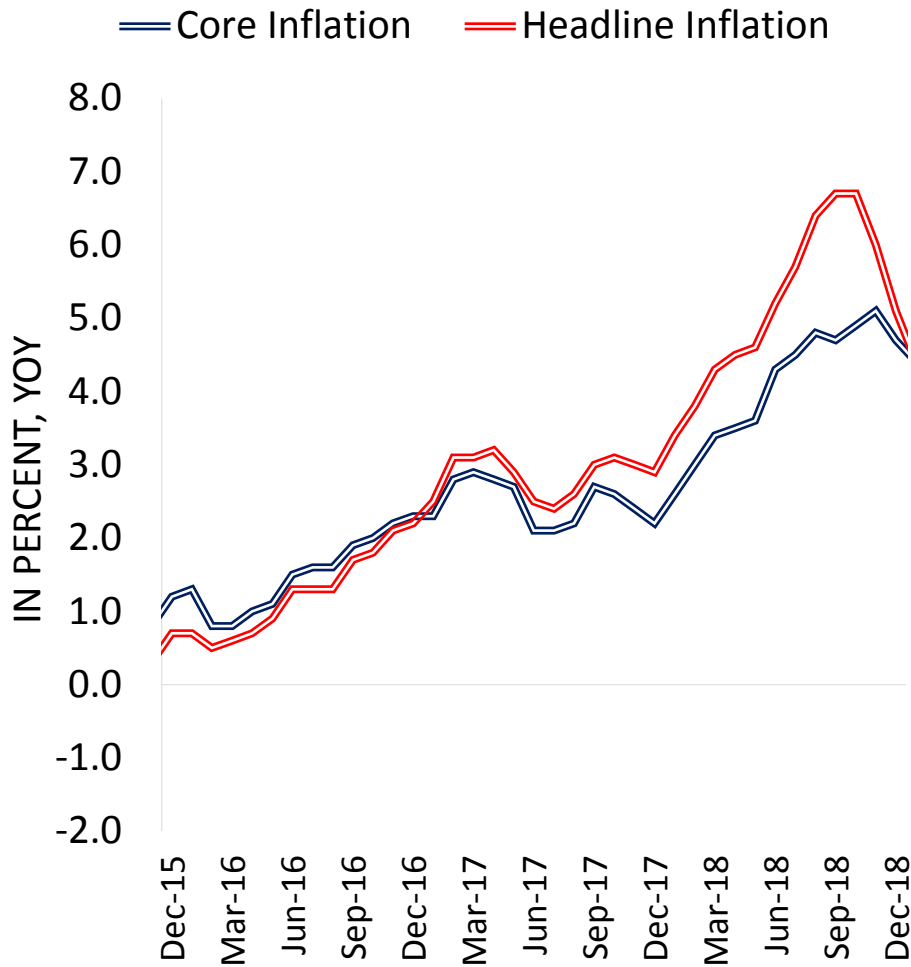
Source: PSA

Current account balance deteriorated sharply in the first three quarters of 2018.



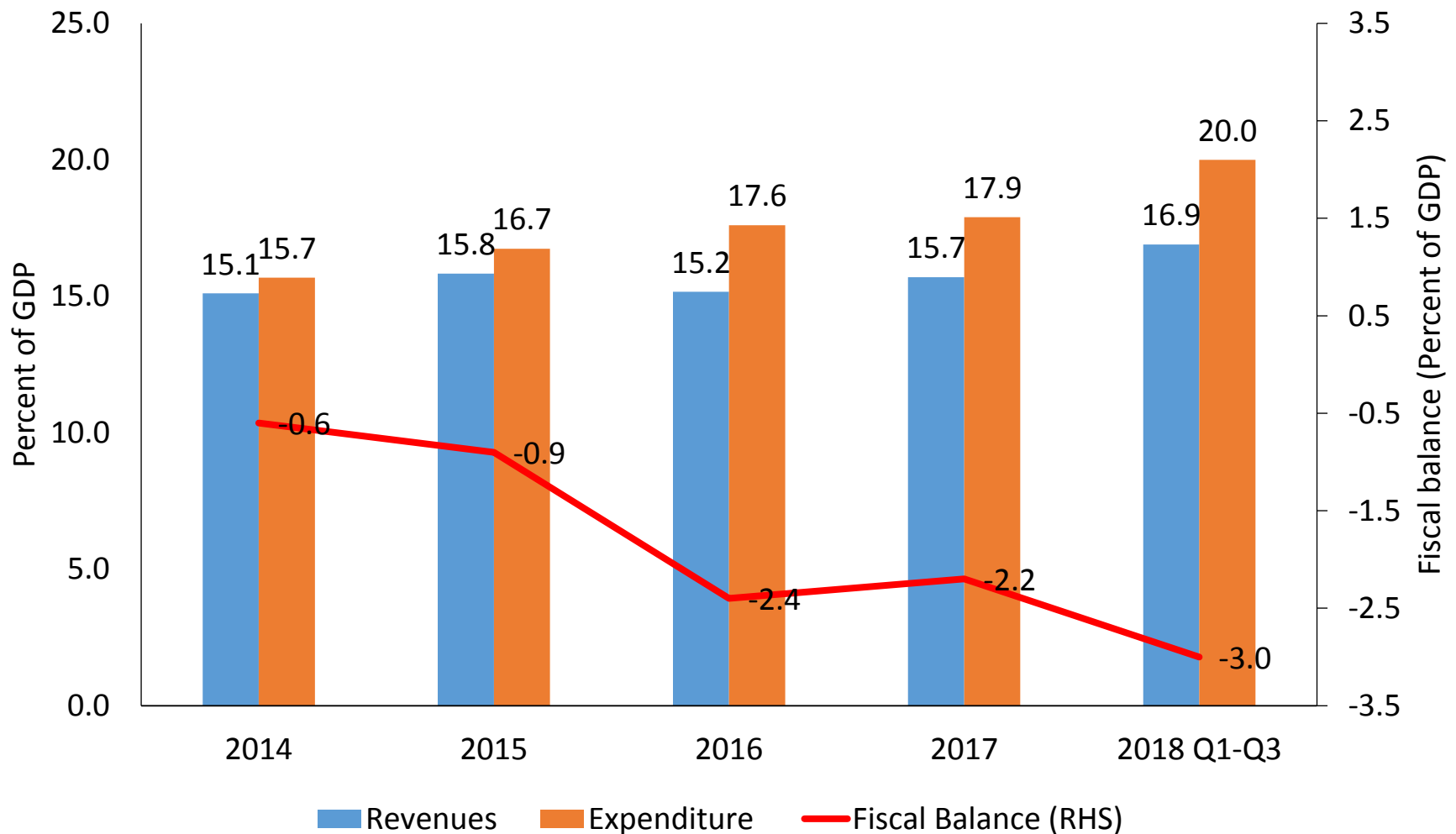
Source: Bangko Sentral ng Pilipinas

Inflation increased rapidly and peaked on the third quarter of 2018.



Source: PSA

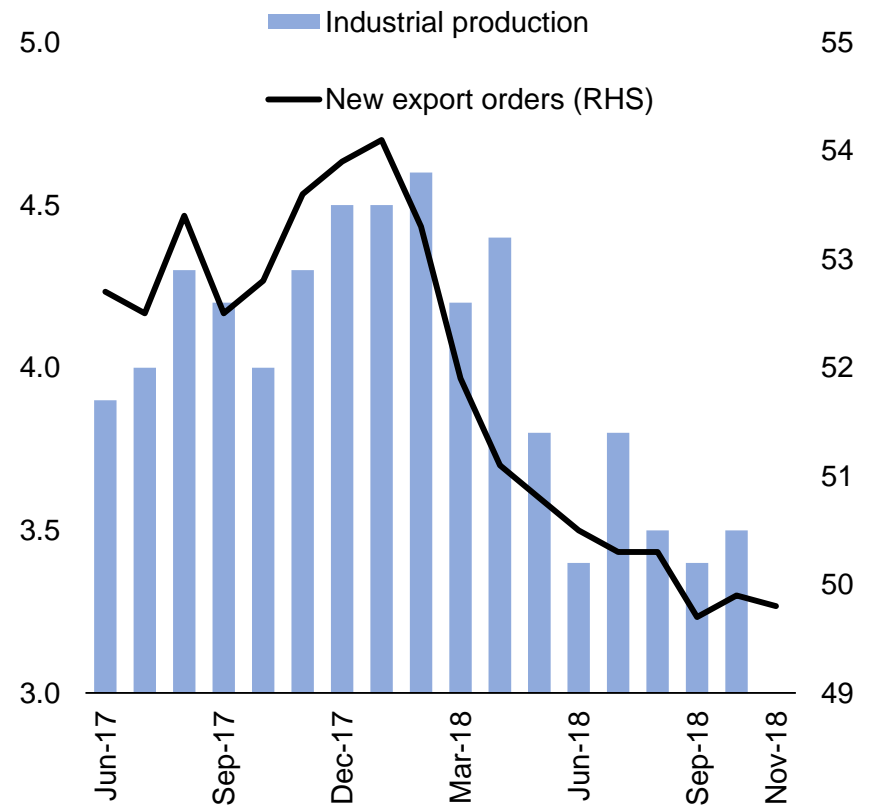
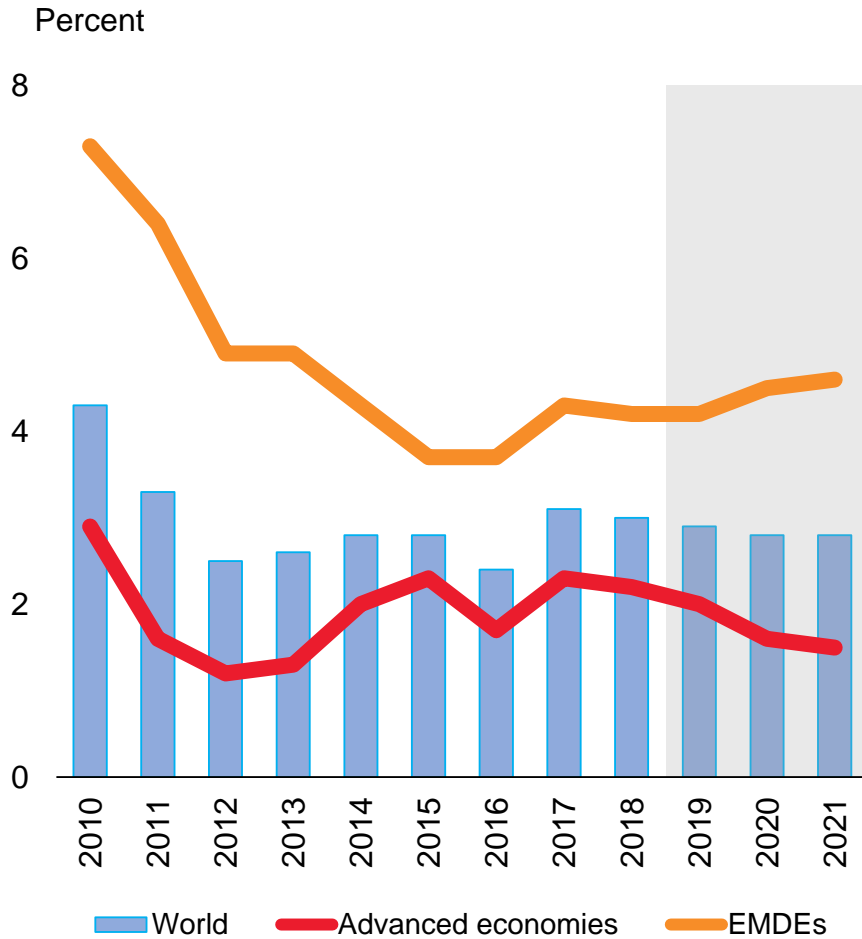
Fiscal policy remained expansionary supported by strong revenue growth.



Growth outlook and risks

The economic growth prospect remains positive but uncertainties have increased.

Global growth is moderating.

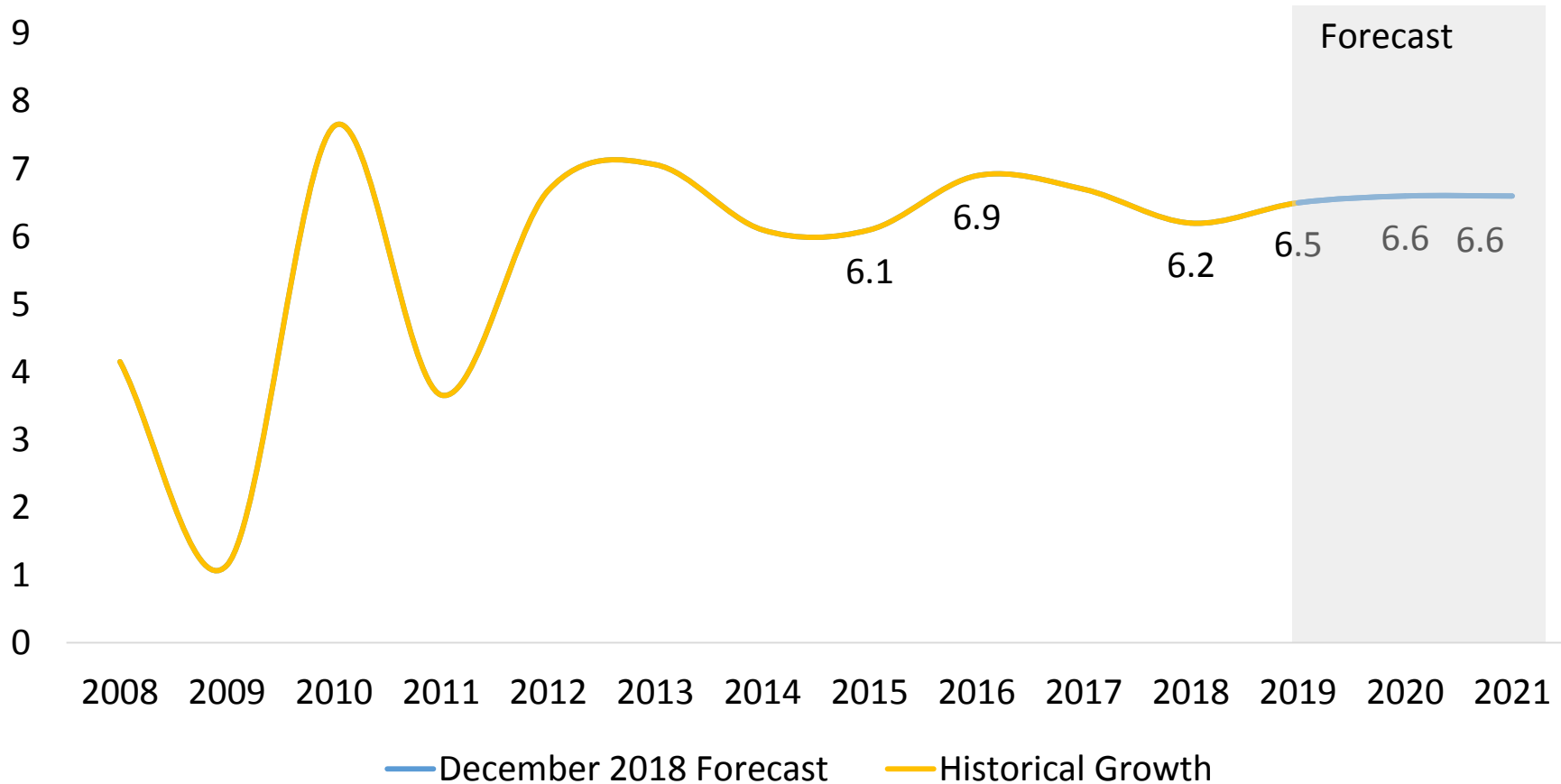


Source: World Bank, Global Economic Prospect January 2019

Philippine growth outlook

(as of December 21, 2018)

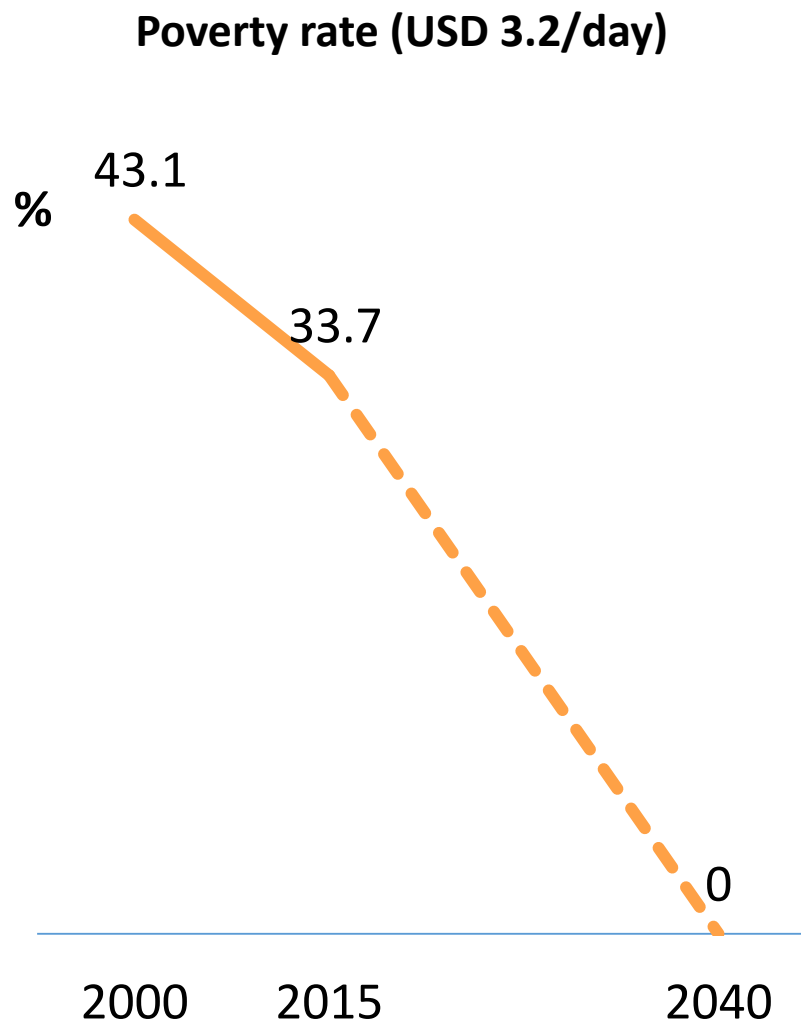
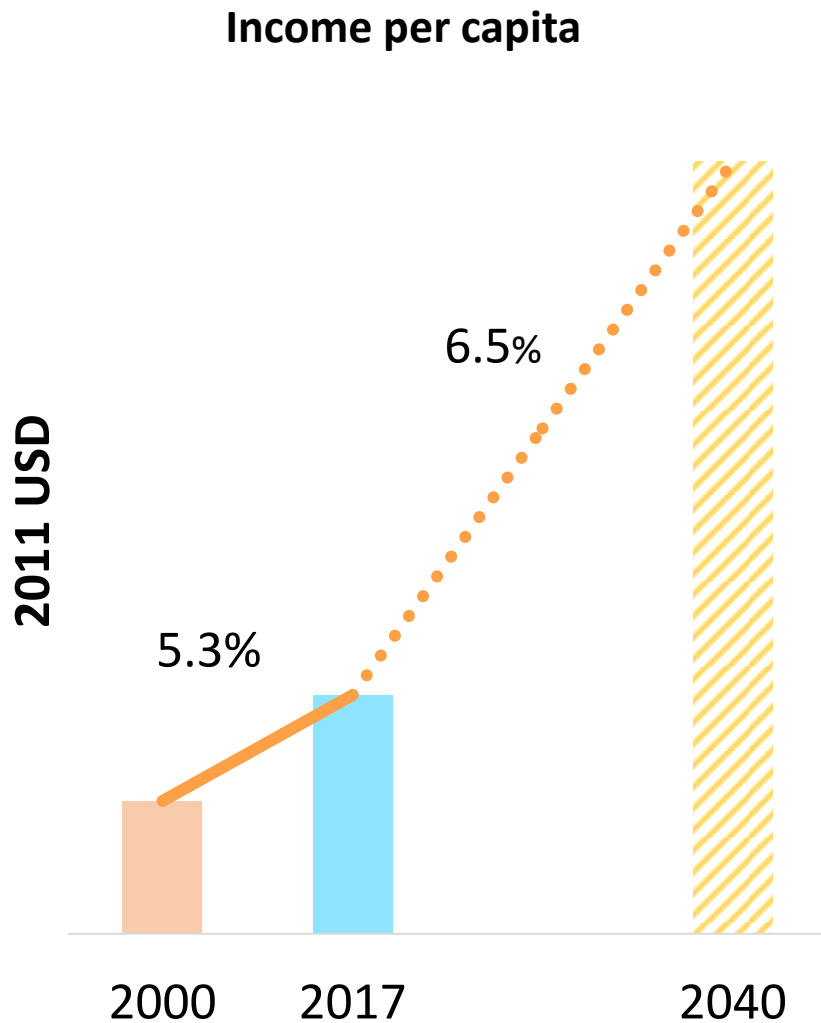
Actual and Forecast Growth (in percentage)



Medium to long term challenges

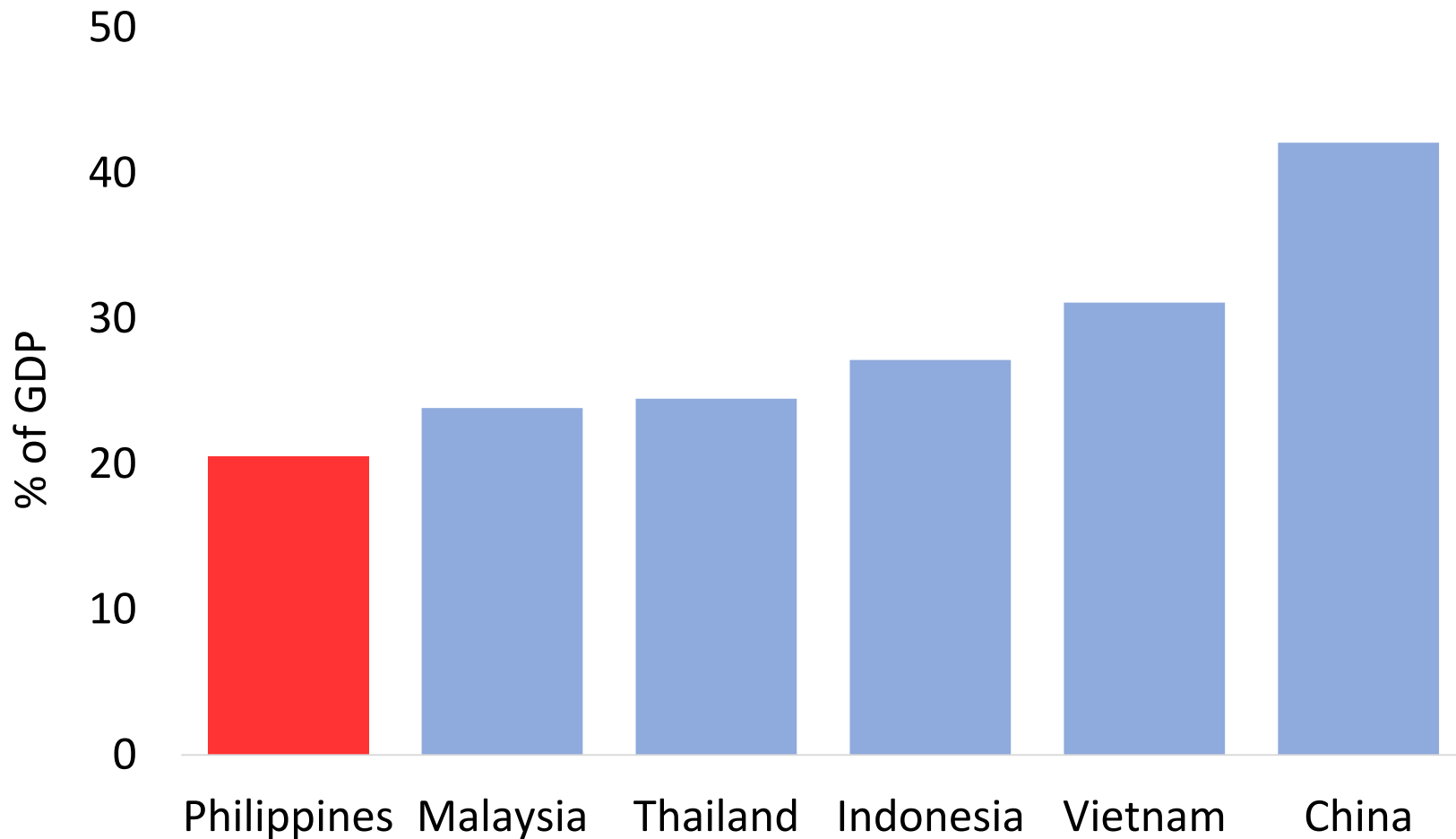
The Philippines needs to accelerate capital accumulation and sustain high productivity growth to boost inclusive growth.

Ambisyon Natin 2040 goals



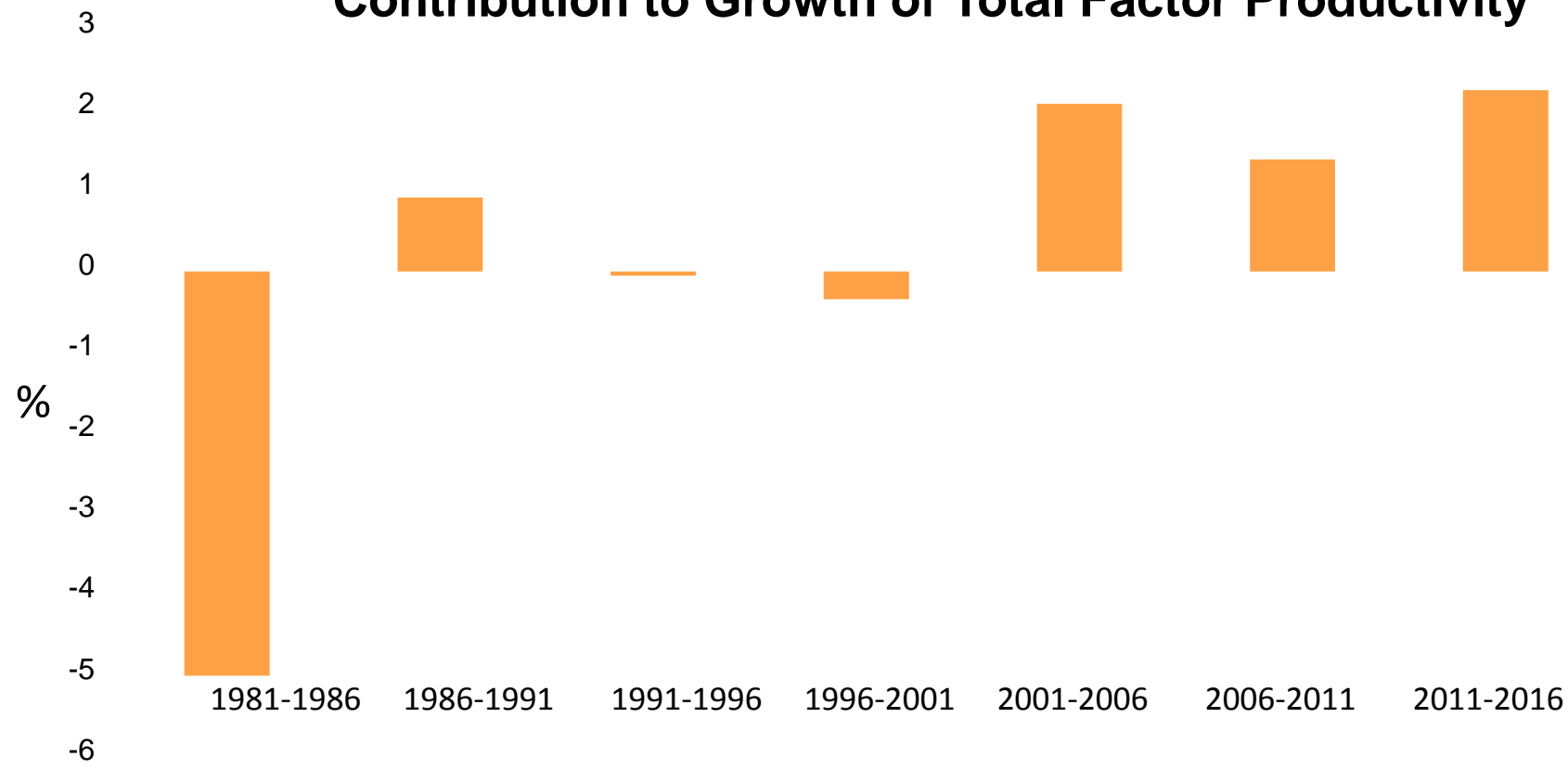
To achieve the goals, the Philippines needs to accelerate capital investment...

Gross capital formation (1998-2016)



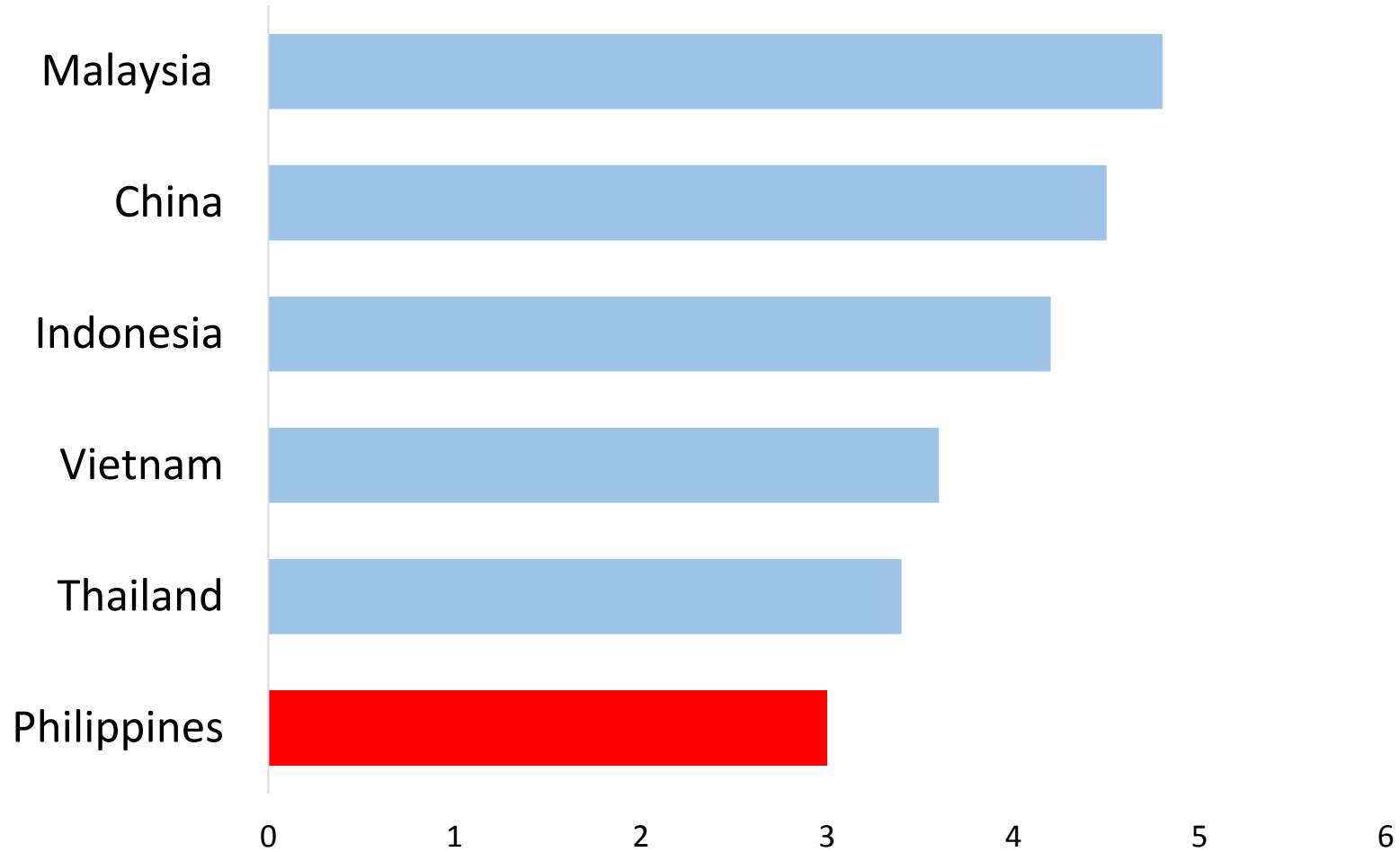
and sustain high total factor productivity growth.

Contribution to Growth of Total Factor Productivity



Through improving market competition...

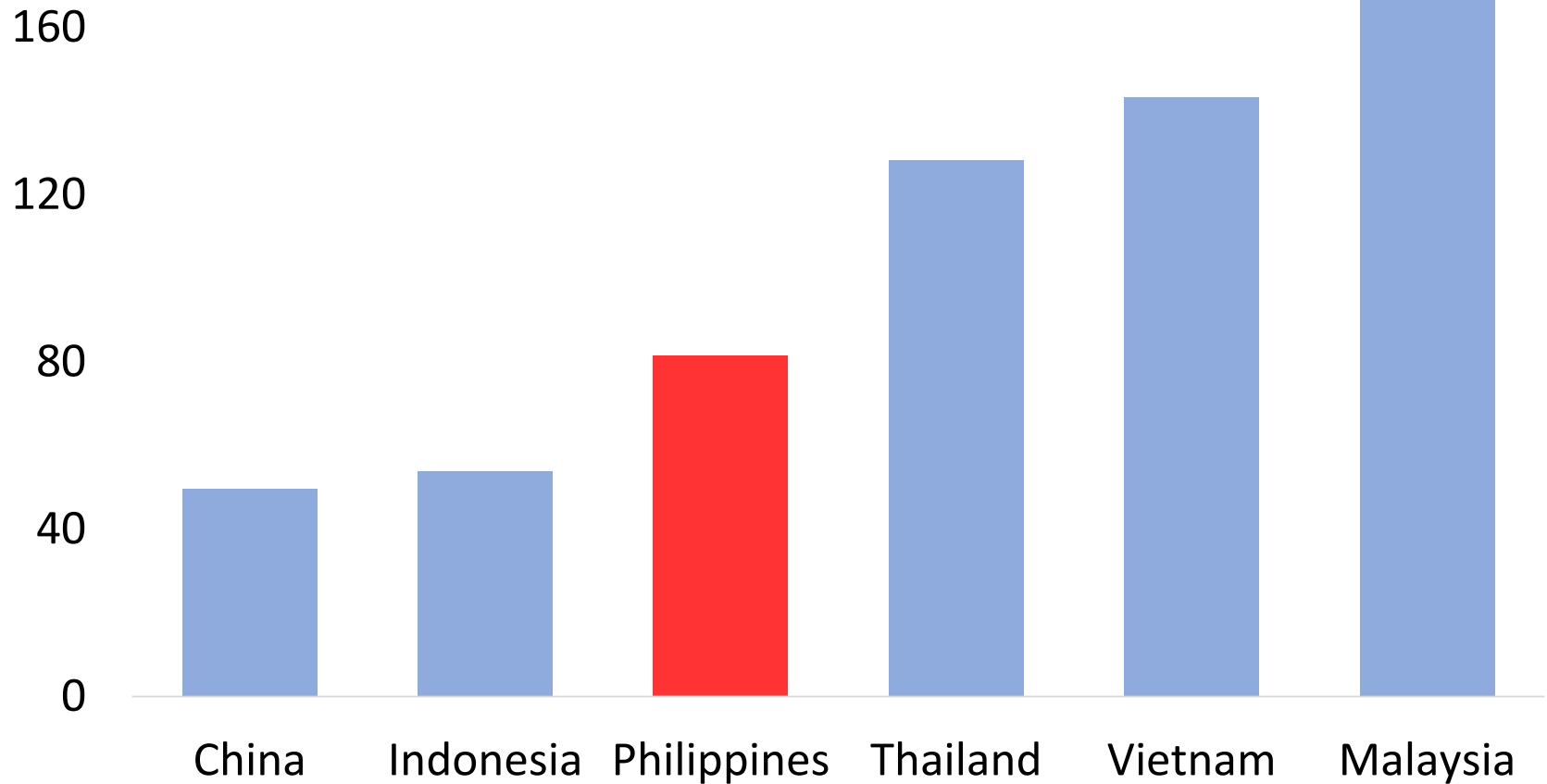
(7 = market less dominated)



Increasing foreign trade ...

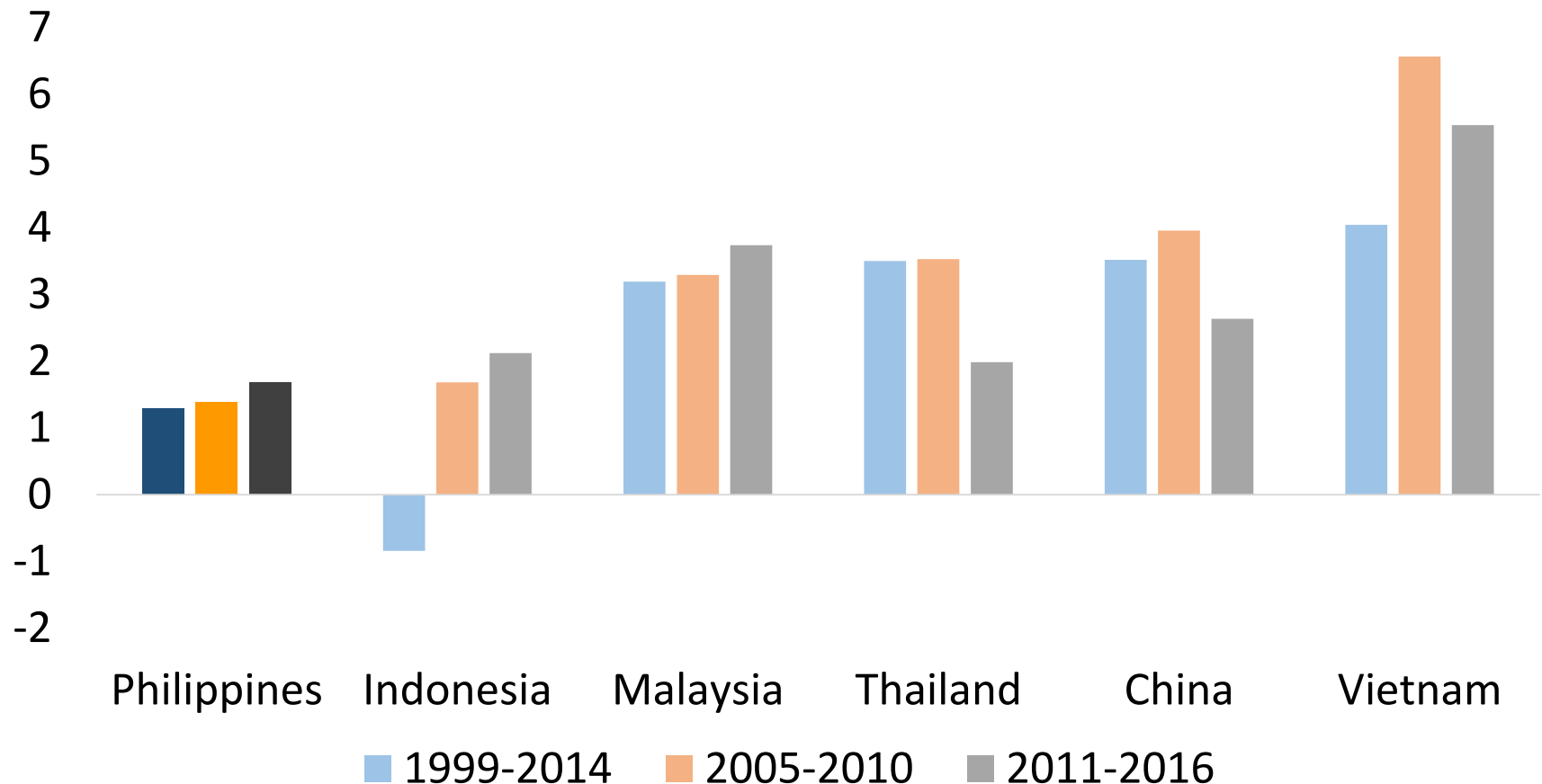
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Trade as a share of GDP (2000-2017)



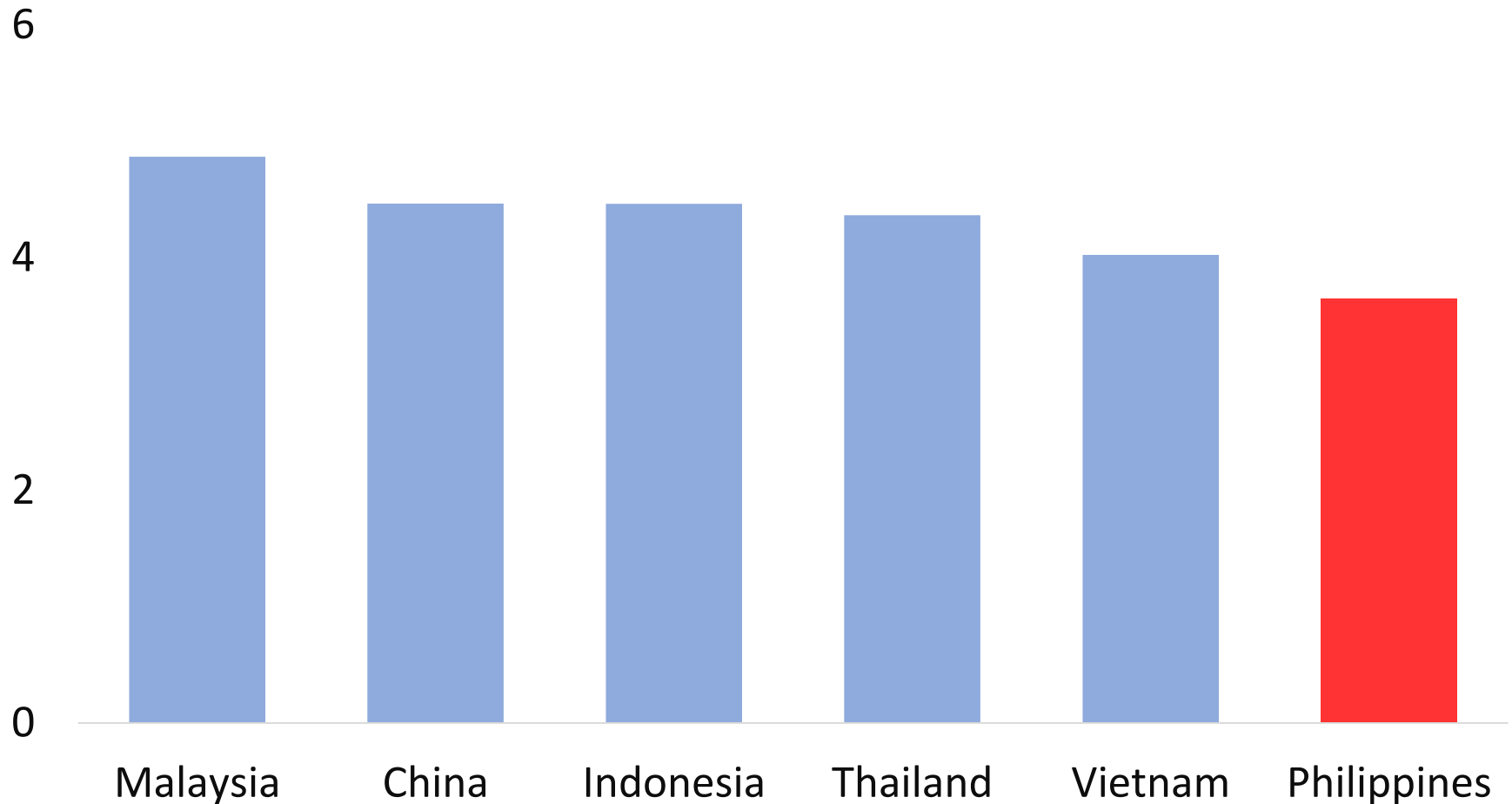
... increasing FDI to boost knowledge spillover

Net FDI inflow: Philippines vs. Regional peers
(% of GDP)



... and reducing labor market rigidities

Ease of hiring and firing (7=best)



Thank you!

For questions please contact:

Rong Qian, Senior Economist, World Bank Philippines
rqian@worldbank.org

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<http://www.worldbank.org/en/country/philippines>

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