



REPUBLIC OF THE PHILIPPINES  
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

# The Philippine Economy: Prospects and Challenges

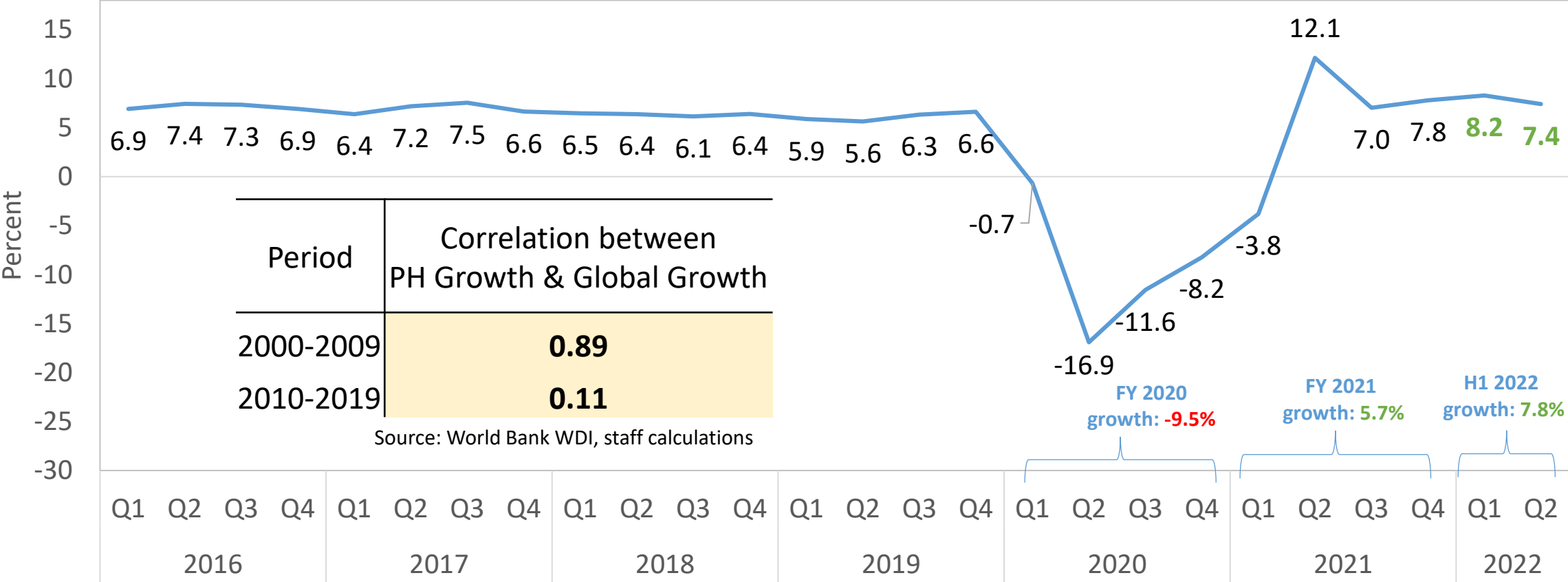
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**Secretary**

Management Association of the Philippines Economic Briefing and General Membership Meeting  
Bonifacio Hall, Shangri-la at The Fort

19 August 2022 | 12:50 PM

# Rapid growth recovery is firming up despite the global headwinds

PH Real GDP Growth (%)



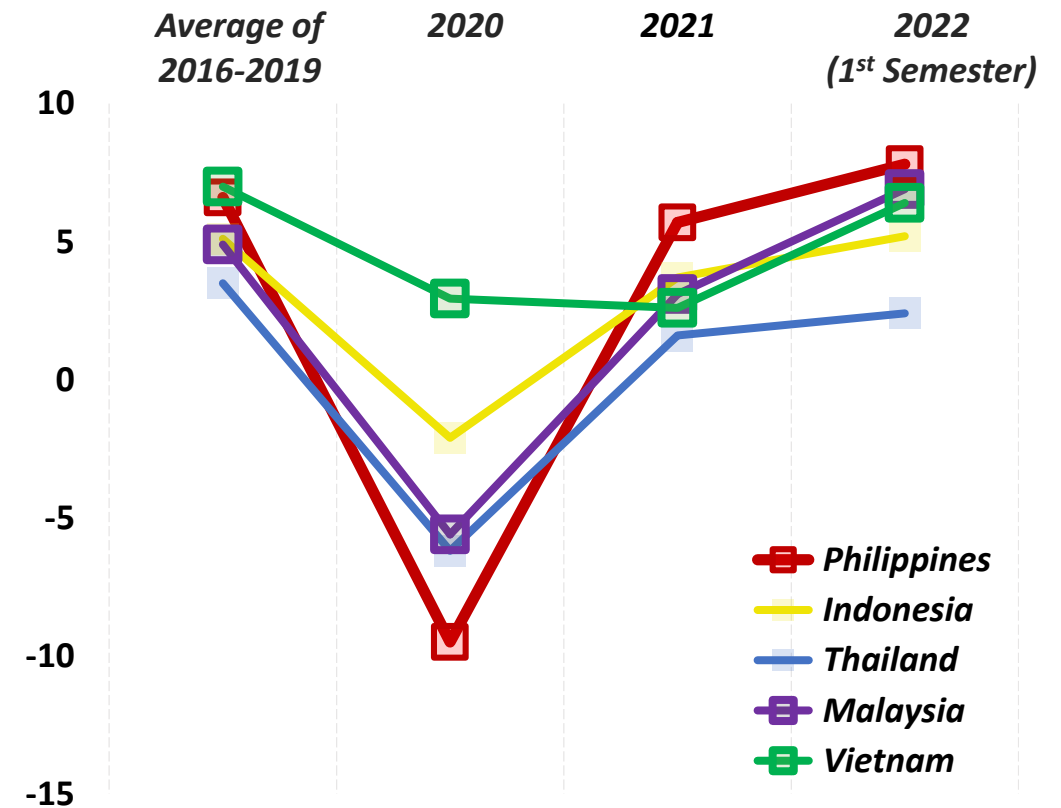
## GDP growth in H1 of 2022 has been driven largely by household consumption and investment on the demand side, and by the services sector on the supply side

Real Growth rates (%)	2020	2021	2022 1 <sup>st</sup> Semester
GROSS DOMESTIC PRODUCT	-9.5	5.7	7.8
By Expenditure (Demand Side)			
Household Final Consumption Expenditure	-8.0	4.2	9.3
Gov't Final Consumption Expenditure	10.5	7.1	7.8
Capital Formation	-34.2	20.3	20.5
of w/c: Fixed Capital Formation	-27.3	9.9	12.6
Exports	-16.1	8.0	7.3
Imports	-21.6	13.0	14.5
By Industrial Origin (Supply Side)			
Agriculture, Fishery & Forestry	-0.2	-0.2	0.2
Industry	-13.1	-13.1	8.3
of w/c: Manufacturing	-9.8	-9.8	5.9
Services	-9.1	-9.1	8.7

# In comparison to its ASEAN neighbors, the PH currently stands as the best-performing economy

**GDP Performance and Projections for ASEAN-5**

GDP Growth Rates (%)	Ave. GDP Growth	FY GDP Growth	FY GDP Growth	1 <sup>st</sup> Sem GDP Growth	IMF Projection	World Bank Projection
ASEAN Economy	2016-2019	2020	2021	2022	2023	2023
<b>PHILIPPINES</b>	<b>6.6</b>	<b>-9.5</b>	<b>5.7</b>	<b>7.8</b>	5.1	5.6
<b>INDONESIA</b>	5.1	-2.1	3.7	5.2		5.3
<b>THAILAND</b>	3.5	-6.2	1.6	2.4		4.3
<b>MALAYSIA</b>	4.9	-5.6	3.1	6.9		4.5
<b>VIETNAM</b>	7.0	2.9	2.6	6.4		6.5



Source: World Bank, PSA, Trading Economics, World Bank Global Economic Prospects (June 2022), IMF World Economic Outlook Update (July 2022)

## But, domestic and external risks could dampen the country's high-growth prospects

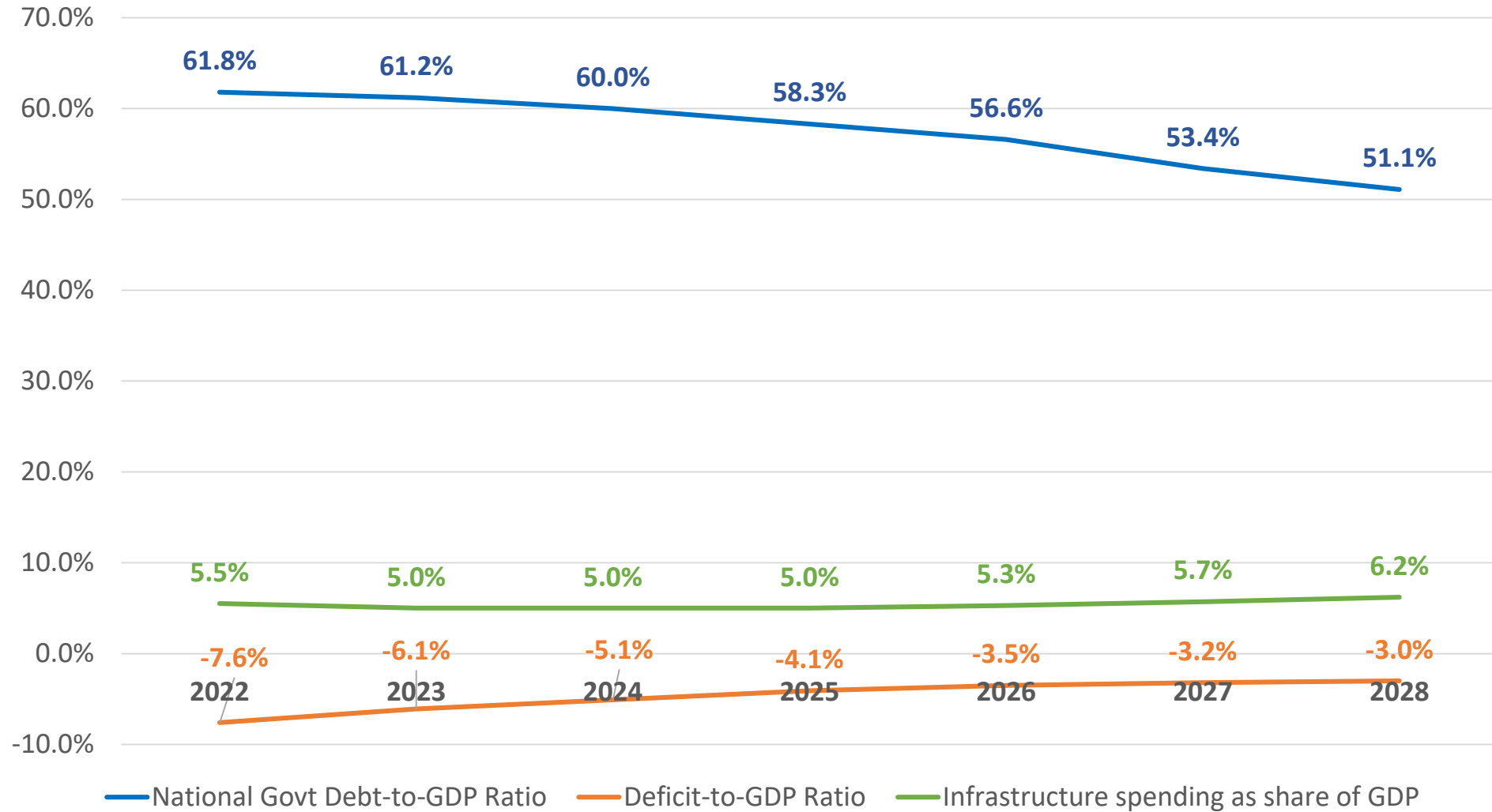
Domestic Risks	External Risks
<ul style="list-style-type: none"><li>• Spread of African Swine Fever and other highly-infectious animal diseases</li><li>• Low production of agricultural commodities</li><li>• Inclement weather (typhoons, re-emergence of La Niña) and natural disasters</li><li>• Local value chain disruptions</li><li>• Tighter fiscal space</li><li>• Limited absorptive capacity of implementing agencies and LGUs</li><li>• Emergence of new Covid-19 variants</li></ul>	<ul style="list-style-type: none"><li>• Elevated international commodity and input prices</li><li>• Weaker-than-expected global recovery, even slowdown/recession in major economies</li><li>• Monetary policy normalization</li><li>• Geopolitical and trade tensions</li><li>• Global value chain disruptions</li></ul>

# From the long term to the medium term: Headline Macroeconomic Targets (2023-2028)

Indicator	Baseline (2021 – full year)	Target (2028)
GDP growth rate (%)	5.7	6.5 – 8.0
Unemployment rate (%)	8.0	4.0 – 5.0
Wage and salaried workers (% of total employed)	48.0	53.0 – 55.0
Inflation (%)	4.3-4.5	2.0-4.0
Poverty incidence (%)	18.1	9.0

The overall goal is to **reinvigorate job creation and poverty reduction** by steering the economy back to its **high-growth path** and more importantly, through **economic transformation for a prosperous, inclusive, and resilient society**.

# The Medium-Term Fiscal Program commits the PH to prudent macroeconomic management



# The 8-Point Socioeconomic Agenda shall serve as the strategic framework of the PDP 2023-2028, the country's medium-term development blueprint

MATATAG, MAGINHAWA, AT PANATAG NA BUHAY

## ECONOMIC TRANSFORMATION FOR A PROSPEROUS, INCLUSIVE, AND RESILIENT SOCIETY

IMPROVE PURCHASING POWER OF FILIPINOS

INVEST IN HUMAN CAPITAL DEVELOPMENT

ENSURE SOUND MACROECONOMIC FUNDAMENTALS AND GOVERNMENT PROCESSES

INCREASE BUSINESS OPPORTUNITIES THROUGH COMPETITIVE SECTORS AND EFFICIENT INTER-SECTORAL LINKAGES

IMPROVE THE QUALITY OF EMPLOYMENT

BUILD RESILIENCY AND TAKE ACTION AGAINST CLIMATE CHANGE



ENSURE FOOD SECURITY BY STRENGTHENING FARM-TO-PLATE MEASURES



PROVIDE UNIVERSAL ACCESS TO HEALTH AND NUTRITION SERVICES



MAINTAIN PRICE STABILITY



IMPROVE PRODUCTIVITY OF AGRICULTURE AND EFFICIENCY OF AGRI-BUSINESS LINKAGES



REINVIGORATE SERVICES, WITH FOCUS ON CREATIVE INDUSTRIES, TOURISM, WHOLESALE & TRADE, INCLUDING E-COMMERCE



EXPAND AVENUES FOR RE-TRAINING AND RE-TOOLING



CLIMATE CHANGE ADAPTATION AND MITIGATION



REDUCE TRANSPORT AND UTILITY COST OF FAMILIES



IMPROVE SCHOOL AND LEARNING OUTCOMES



ENSURE SOUND FISCAL MANAGEMENT & IMPROVE THE TAX REGIME



REVITALIZE INDUSTRY WITH FOCUS ON MANUFACTURING



ADVANCE R&D AND INNOVATION



PROMOTE TRADE AND INVESTMENTS



ENHANCE EMPLOYMENT FACILITATION PROGRAMS



DISASTER RISK REDUCTION AND MANAGEMENT

MODERNIZE AND RATIONALIZE SOCIAL PROTECTION SYSTEMS



PROMOTE AN INNOVATIVE, INCLUSIVE AND HEALTHY FINANCIAL SECTOR



IMPROVE PHYSICAL & DIGITAL CONNECTIVITY AND ENERGY SECURITY



ENHANCE EFFICIENCY IN BUREAUCRATIC PROCESSES
















UPHOLD PUBLIC ORDER AND SAFETY, PEACE AND SECURITY



ENSURE A LEVEL PLAYING FIELD



# The 8-Point Socioeconomic Agenda of the Marcos Administration focuses on both near- and medium-term constraints to economic transformation

1. Improve the purchasing power of Filipinos	2. Invest In human capital development	3. Ensure sound macroeconomic fundamentals and government processes	4. Increase business opportunities through competitive sectors and efficient inter-sectoral linkages
 Ensuring food security through the improvement of the 3As ( <b>availability, accessibility, and affordability of food</b> ) amid the global food shortages	 Ramping up health initiatives such as <b>vaccination and booster programs</b> for the sick and elderly as well as <b>strengthening surveillance</b> and laboratory capacities	 Enhancing bureaucratic efficiency with the <b>transformation and digitalization of government processes, records, and databases</b> , as well as the <b>right-sizing of the bureaucracy</b>	 <b>Promoting trade and investments</b> with the help of the Corporate Recovery and Tax Incentives for Enterprise (CREATE) Law and the other economic liberalization laws like the Public Service Act, Retail Trade Liberalization Act, and the Foreign Investment Act
 Bringing down the cost of transportation and logistics by <b>streamlining regulatory processes</b> to facilitate the seamless movement of food in international trades and domestic transactions	 <b>Modernizing and rationalizing social protection systems</b> through Philippine Identification System (PhilSys) and updating the 4Ps social protection program to become more adaptive and responsive	 Ensuring sound fiscal management through the implementation of <b>tax administration reforms and the realignment of government expenditure priorities</b> toward health, education, infrastructure, and social protection	 <b>Reinvigorating the manufacturing industry and fully utilizing ecozones</b> to include strategic industries
 Reducing energy/travelling costs of families by limiting the need for F2F work arrangements, <b>encouraging alternative and flexible work set-ups, and promoting the use of active transportation modes</b>	 Improving school and learning outcomes in order to address learning gaps with the use of an expanded <b>Alternative Learning System</b> , more funding for teachers' support, the <b>Government Internship program, and the utilization of TESDA.</b>	 Ensuring a resilient and innovative financial sector through <b>enhanced digital financial services and reforms in the domestic financial market</b> (e.g. credit risk databases and digital supply chain financing)	 <b>Encouraging R&amp;D and innovations</b> especially in the fields of agriculture, food production, and climate change action
			 Enhancing the digital economy via <b>greater private-sector investments in the country's internet infrastructure, the facilitation of digital financial services, and the adoption of PhilSys</b> by service providers

# The 8-Point Socioeconomic Agenda of the Marcos Administration focuses on both near- and medium-term constraints to economic transformation

5. Improve the quality of employment	6. Build resiliency and take action against climate change	7. Ensure a level playing field	8. Uphold public order and safety, peace and security
 <p>Increasing employability through <b>strengthened linkages between industry, business, and training institutions</b> to make way for a more efficient labor market, as well as through <b>quality education, job facilitation, and skills development programs</b></p>	 <p><b>Pursuing a green and blue economy</b> via the introduction of risk-based budgeting and fiscal risk monitoring, reformed agricultural insurance for farmers' protection against climate extremes, carbon pricing mechanisms, and the operationalization of the Green Jobs Act</p>  <p>Establishing livable and sustainable communities by <b>promoting green public works and including a "green score"</b> as part of LGU performance indicators</p>  <p>Achieving energy security via a transition to <b>cleaner, more reliable, more cost-effective, and more secure mix of energy sources</b></p>	 <p>Strengthening market competition in the whole country through the <b>implementation of the National Competition Policy</b>, the enforcement of pro-competitive regulations and policies, and the promotion of competitive neutrality between state-owned and private businesses</p>  <p><b>Reducing barriers to entry and limits to entrepreneurship</b> through the establishment of the <b>Philippine Ease of Doing Business Reporting System</b> and implementation of the <b>National Policy on Regulatory Management System</b> to improve the quality of regulations</p>	 <p><b>Addressing and responding to all forms of internal, external, and non-traditional threats</b> to peace and security, such as local criminalities and communist armed conflicts (internal), transnational crimes and threats to territorial integrity (external), and cybercrimes and health emergencies (NTS)</p>  <p>Strengthening national and local institutions, as well as intergovernmental relations, to <b>empower communities to address their own local threats to security and public safety</b></p>  <p>Strengthening international engagements and <b>pursuing diplomatic measures to support international development objectives and a human-rights based strategy to peace and security</b> (re: regional peace, humanitarian responses, and transnational crimes)</p>

# Priority Legislative Reforms (SONA)

- National Government Rightsizing Program (NGRP)
- Budget Modernization Bill
- Tax Package 3: Valuation Reform Bill
- Passive Income and Financial Intermediary Taxation Act (PIFITA)
- E-Government Act
- Internet Transaction Act or E-Commerce Law
- Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE)
- The Establishment of a Medical Reserve Corps
- National Disease Prevention Management Authority
- Creation of the Virology Institute of the Philippines
- Department of Water Resources
- Unified System of Separation, Retirement and Pension
- E-Governance Act
- National Land Use Act
- National Defense Act
- Mandatory Reserve Officers' Training Corps (ROTC) and National Service Training Program (NSTP)
- Enactment of an Enabling Law for the Natural Gas Industry
- Amendments to the Electric Power Industry Reform Act or EPIRA (Rep. Act No. 9136)
- Amendments to the Build-Operate-Transfer (BOT) Law

# Marching orders: facilitate trade opportunities and ensure the proper implementation of amended economic liberalization laws

## Securing and pursuing opportunities for increased trade

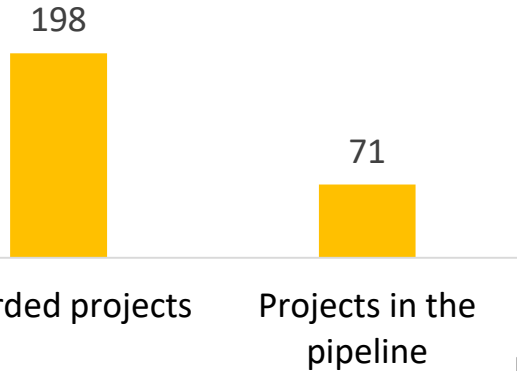
- **Regional Comprehensive Economic Partnership (RCEP)**
  - **NEDA to support the ratification of the RCEP by the PH Senate**
  - Objectives: encourage investments, enable cheaper and wider sourcing of raw materials, improve competitiveness and EODB to facilitate trade
- **PH-Korea Free Trade Agreement**
  - October 2021: Negotiations were concluded
  - June 2022: PH and Korea resolved outstanding issues
  - **Both countries undertaking domestic processes to sign the Agreement within 2022**
- **Review of other trade agreements** to look into more opportunities to improve trade relationships with partner economies (**ATIGA, AANZFTA, AITIGA, ACFTA**)

## Ensuring the proper implementation of recently-amended economic liberalization laws

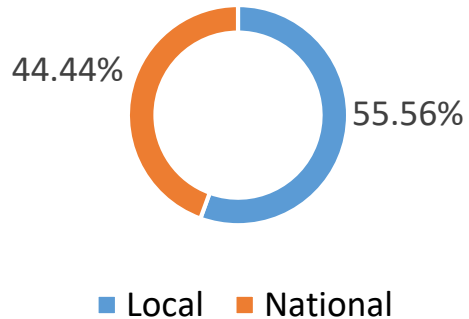
- **Retail Trade Liberalization Act (RTLA)**
  - Enacted 10 December 2021
  - **IRR published 12 March 2022**
- **Foreign Investments Act (FIA)**
  - Signed by the President on 2 March 2022
  - NEDA drafted IRR starting March 2022; consultation efforts with stakeholders held in April-May 2022
  - **IRR was signed on 28 June 2022 and published on 11 July 2022**
- **Public Service Act (PSA)**
  - Signed into law on 21 March 2022
  - Consultation efforts with stakeholders held from March-July 2022
  - **IRR is expected to be finalized soon, with a deadline of 9 October 2022**

# Engaging the Private Sector thru Public-Private Partnerships (PPPs)

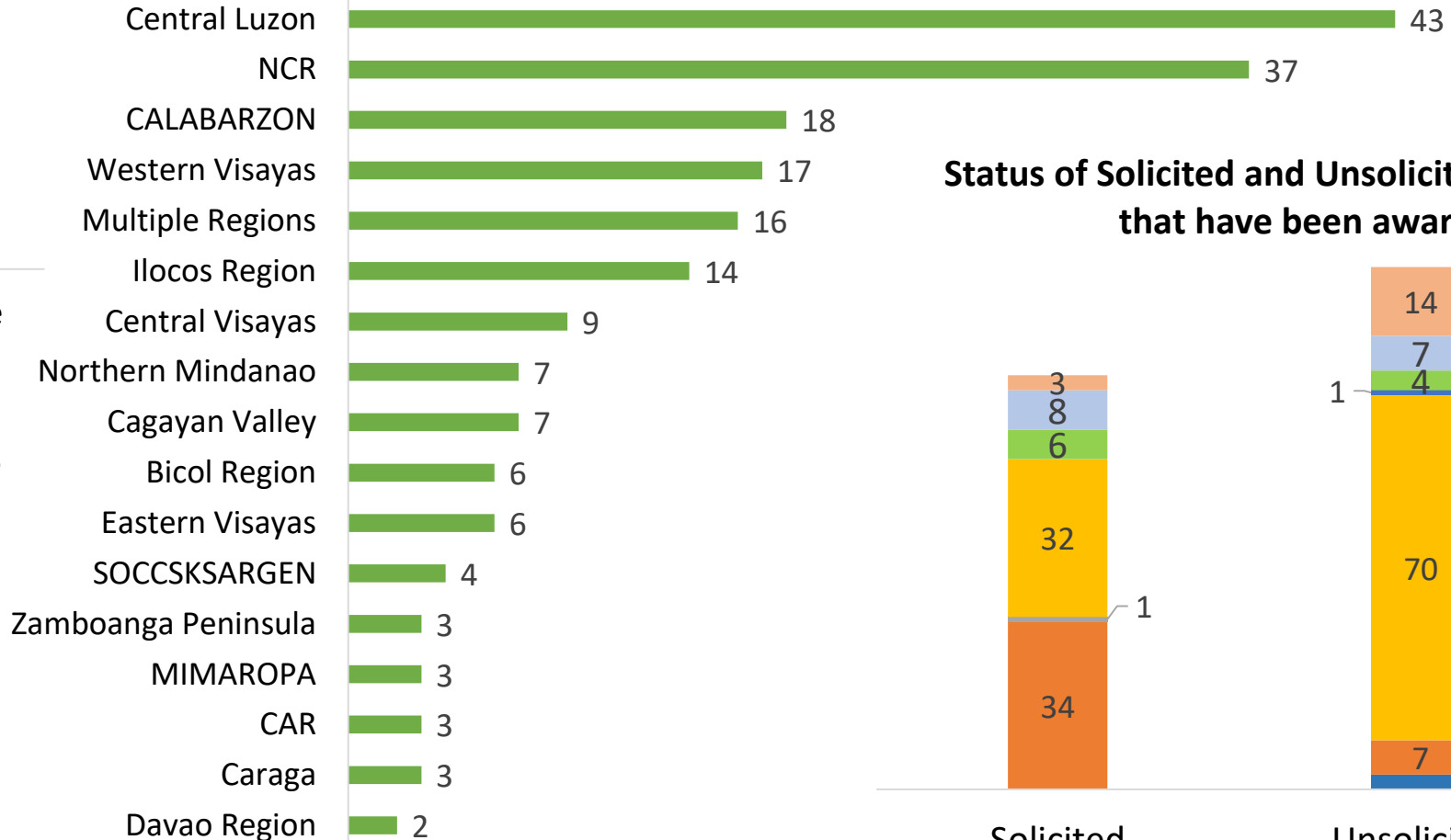
Number of PPP projects



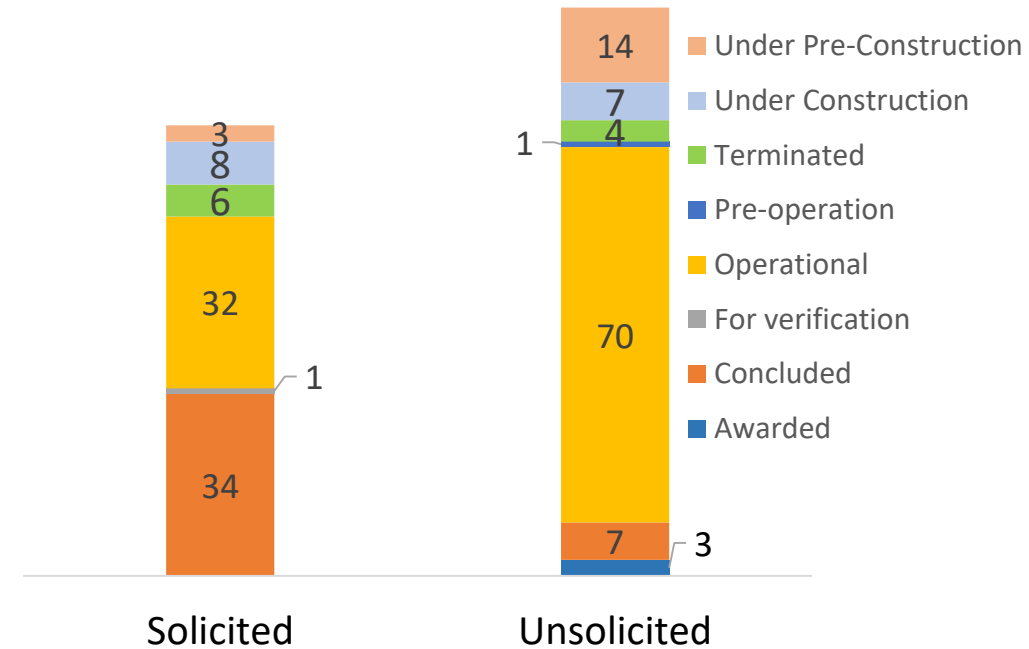
Share of Awarded PPP Projects



Number of Awarded PPP Projects, by region



Status of Solicited and Unsolicited PPP Projects that have been awarded\*

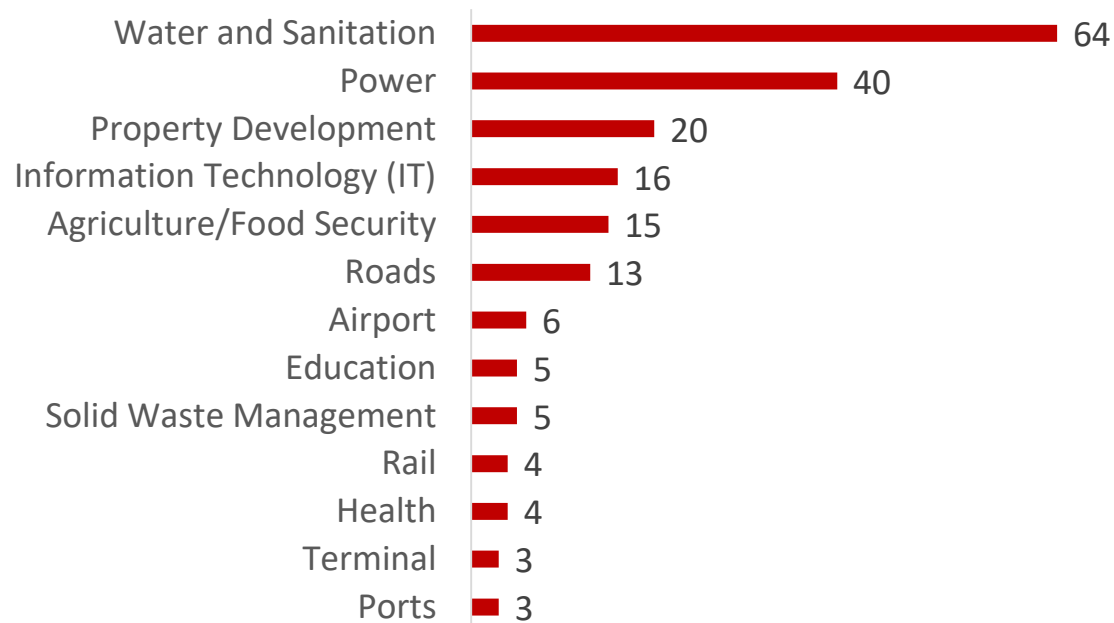


\*Does not yet include those under verification and with no available information

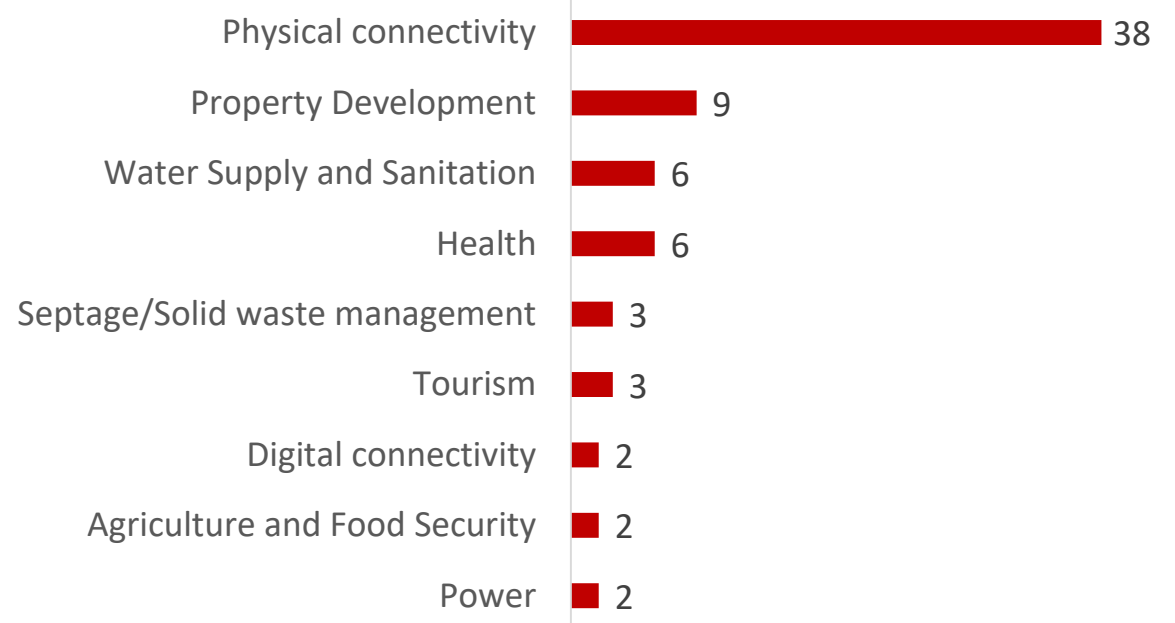
PPPs are expected to 1) upgrade the country's infrastructure, 2) boost the competitiveness of domestic industries, and 3) further encourage investments in various sectors that will lower prices and improve the quality of goods and services.

# Engaging the Private Sector thru Public-Private Partnerships (PPPs)

Number of Awarded PPP Projects, by sector



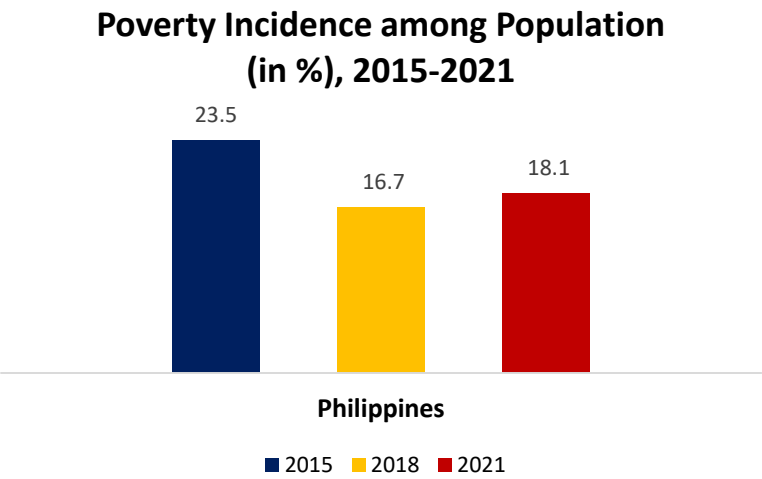
PPP Projects in the Pipeline, by sector



Source of basic data: PPP Center (as of 30 June 2022)

- PPPs will be utilized to address the binding constraints to **more and higher-quality job creation** in present and future growth drivers such as the **manufacturing, tourism, IT-BPOs, and creative sectors**
- They will be a major contributor to the upgrade of our **energy, logistics, transportation, telecommunications, and water infrastructure**.
- NEDA, in coordination with other agencies, will conduct a **thorough review of the Amended BOT Law IRR and seek to address the private sector's concerns on the viability of PPPs while upholding the government's objective of protecting public interest**
- **Upon the President's designation of the BOT IRR Committee Chairperson**, the Chairperson will reconvene the Committee to formulate amendments to the revised IRR

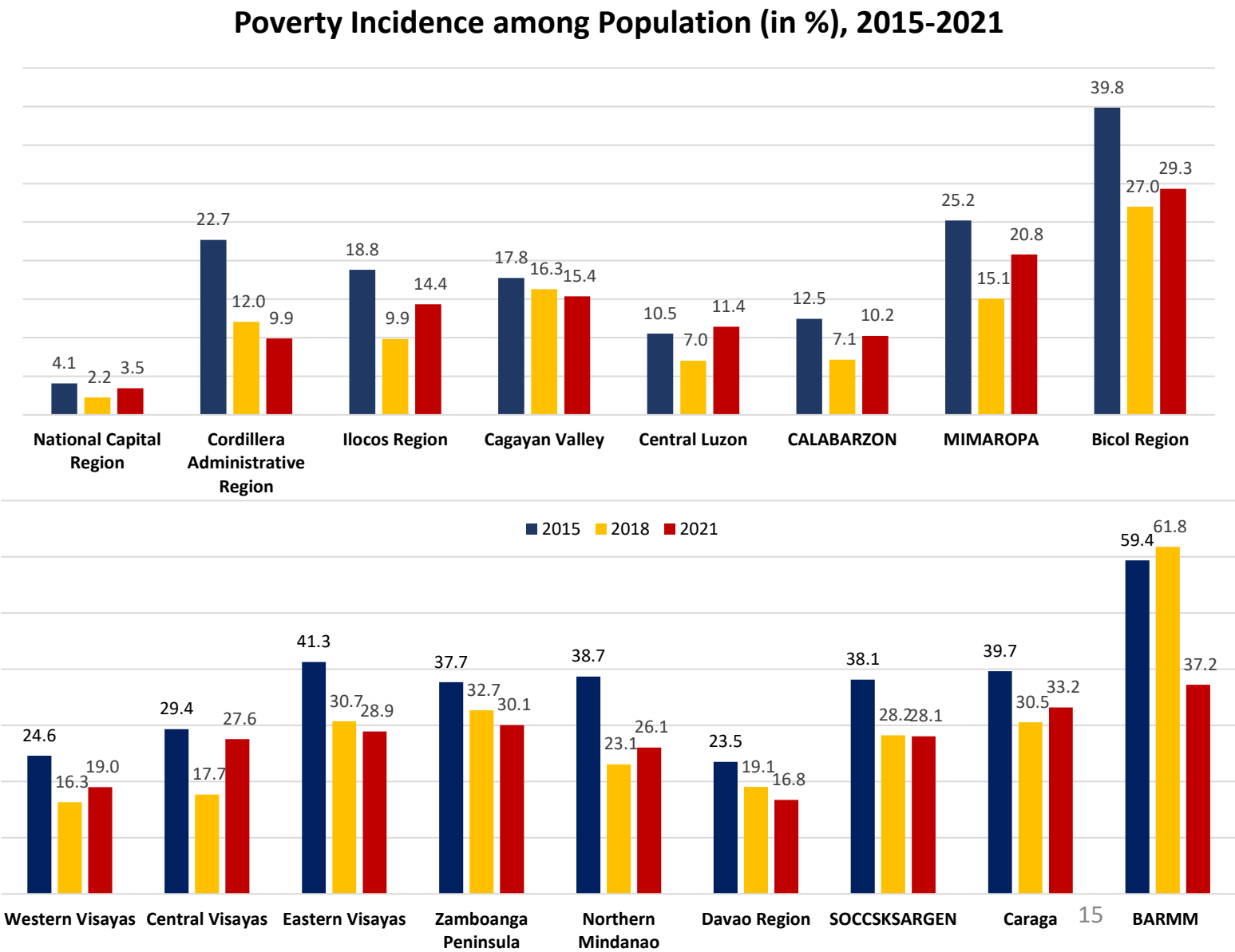
Significant gains in poverty reduction were made between 2015 & 2018, but unprecedented health and economic challenges, as well as policy response challenges, resulted in setbacks by 2021



Poverty Incidence among Population,  
by Major Island Group (in %)

Major Island Group	2015	2018	2021
PHILIPPINES	23.5	16.7	18.1 ↑
Luzon	14.8	9.3	12.0 ↑
NCR	4.1	2.2	3.5 ↑
Rest of Luzon	17.9	11.4	14.5 ↑
Visayas	30.2	20.2	24.6 ↑
Mindanao	38.7	31.6	27.7 ↓

Inequality in PH	2018	2021
Gini coefficient	0.4267	0.4119 ↓

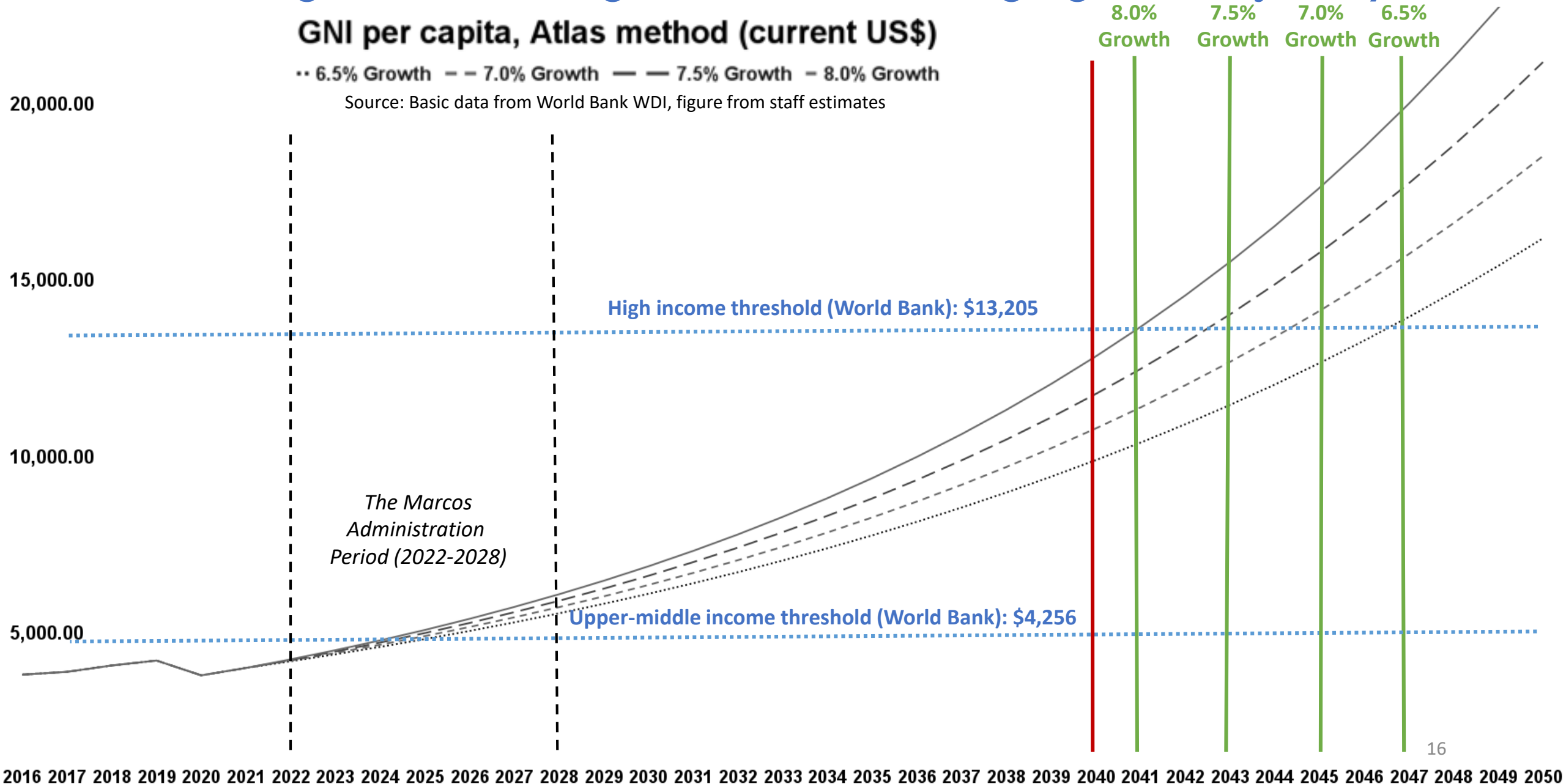


# Achieving the AmBisyon Natin targets will likely be delayed by a few years, contingent on how long we can sustain a high-growth trajectory

## GNI per capita, Atlas method (current US\$)

·· 6.5% Growth    - - 7.0% Growth    — — 7.5% Growth    - 8.0% Growth

Source: Basic data from World Bank WDI, figure from staff estimates





# NEDA as the socioeconomic planning body



## The NEDA...

- **Coordinates the formulation of policies, plans, and programs** to efficiently set the broad parameters for national and sub-national (area-wide, regional, and local) development
- **Provides high-level advice to policymakers** in Congress and the Executive Branch
- Undertakes short-term policy reviews to **provide critical analyses of development issues and policy alternatives** to decision-makers
- **Reviews, evaluates, and monitors infrastructure projects** consistent with the government's thrust of increasing investment spending for the growing demand on quality infrastructure facilities

The government is mindful of the significant role that the private sector plays in **increasing productivity, driving innovation, creating job and market opportunities, and addressing the long-standing and emerging issues** our country faces. There is no compelling reason to believe our country cannot reach its long-term ambitions.

We can make it happen **through robust partnerships between the public and private sectors.**





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**Thank you.**

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