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# PHILIPPINES ECONOMIC UPDATE

Bracing for Headwinds,  
Advancing Food Security

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**World Bank Philippines**



# Key Messages

1

The Philippine economy has remained resilient despite a challenging global environment.

2

The deteriorating global environment is spilling into the domestic economy and tempering the country's growth prospects in 2023.

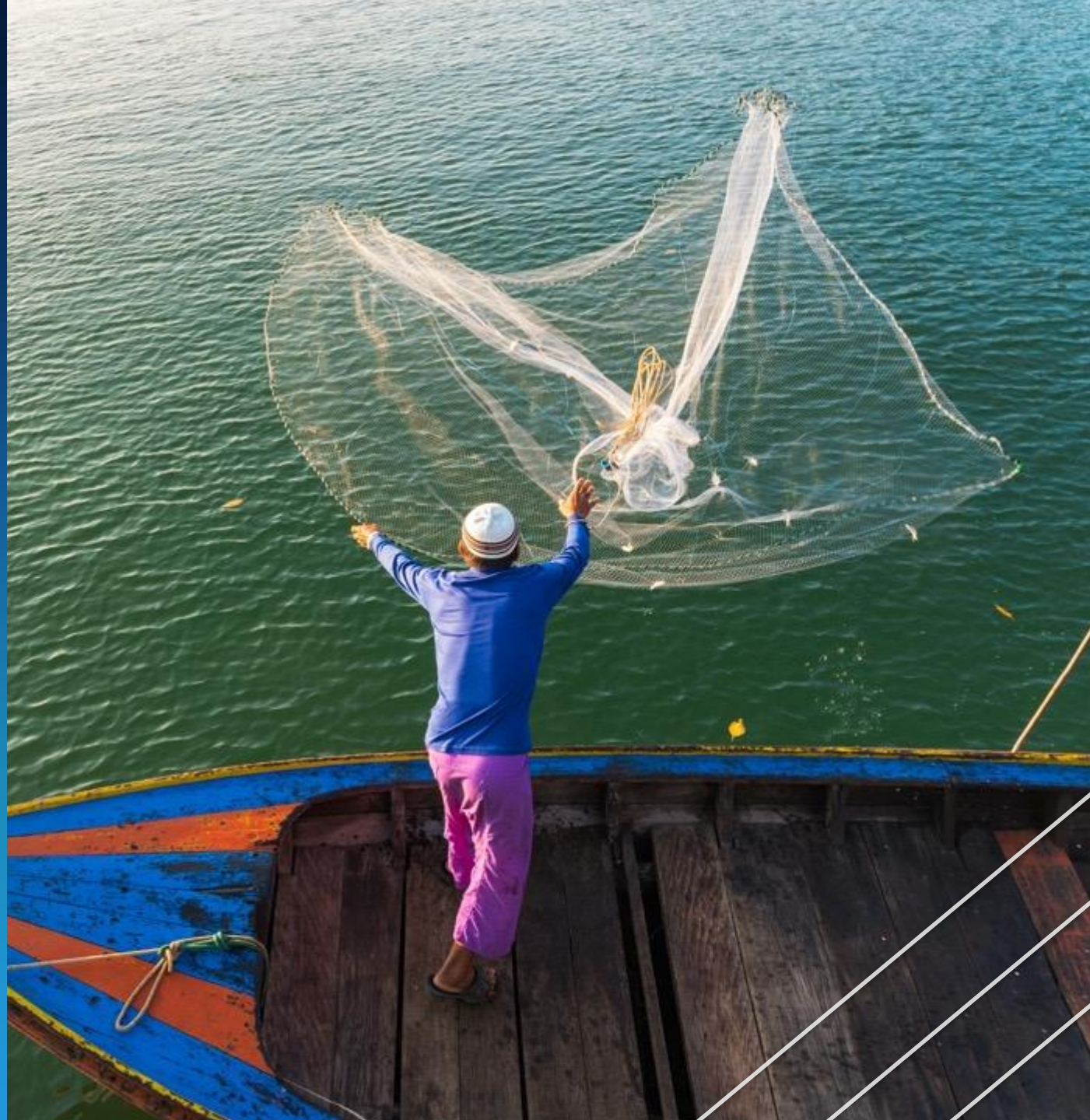
3

Addressing the immediate challenge of elevated inflation, staying the course on fiscal consolidation, sustaining investments in health and education, and reversing the low agriculture productivity will be key to safeguard growth and achieve long term development goals.



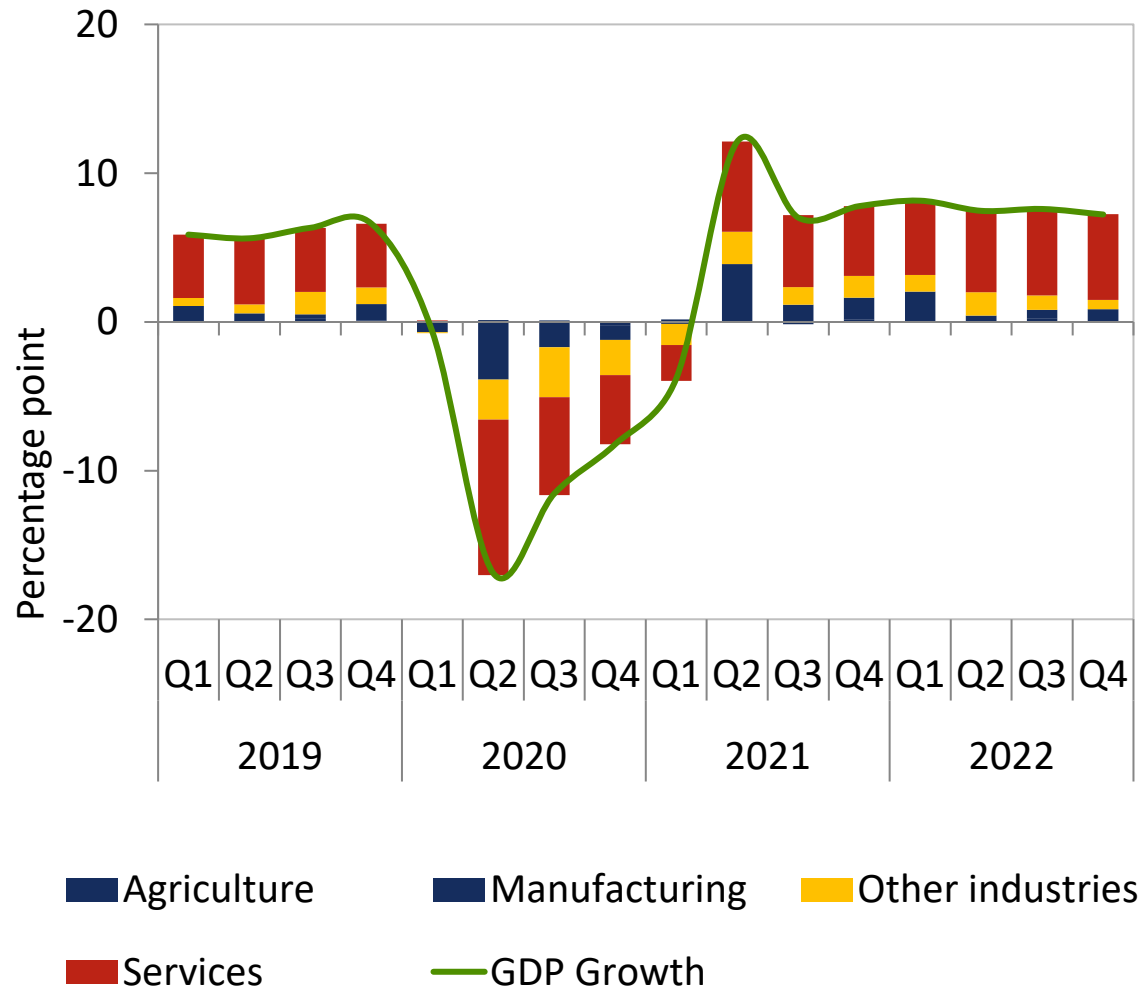
# Recent Economic and Policy Developments<sub>1</sub>

The Philippine economy has remained resilient despite a challenging global environment.

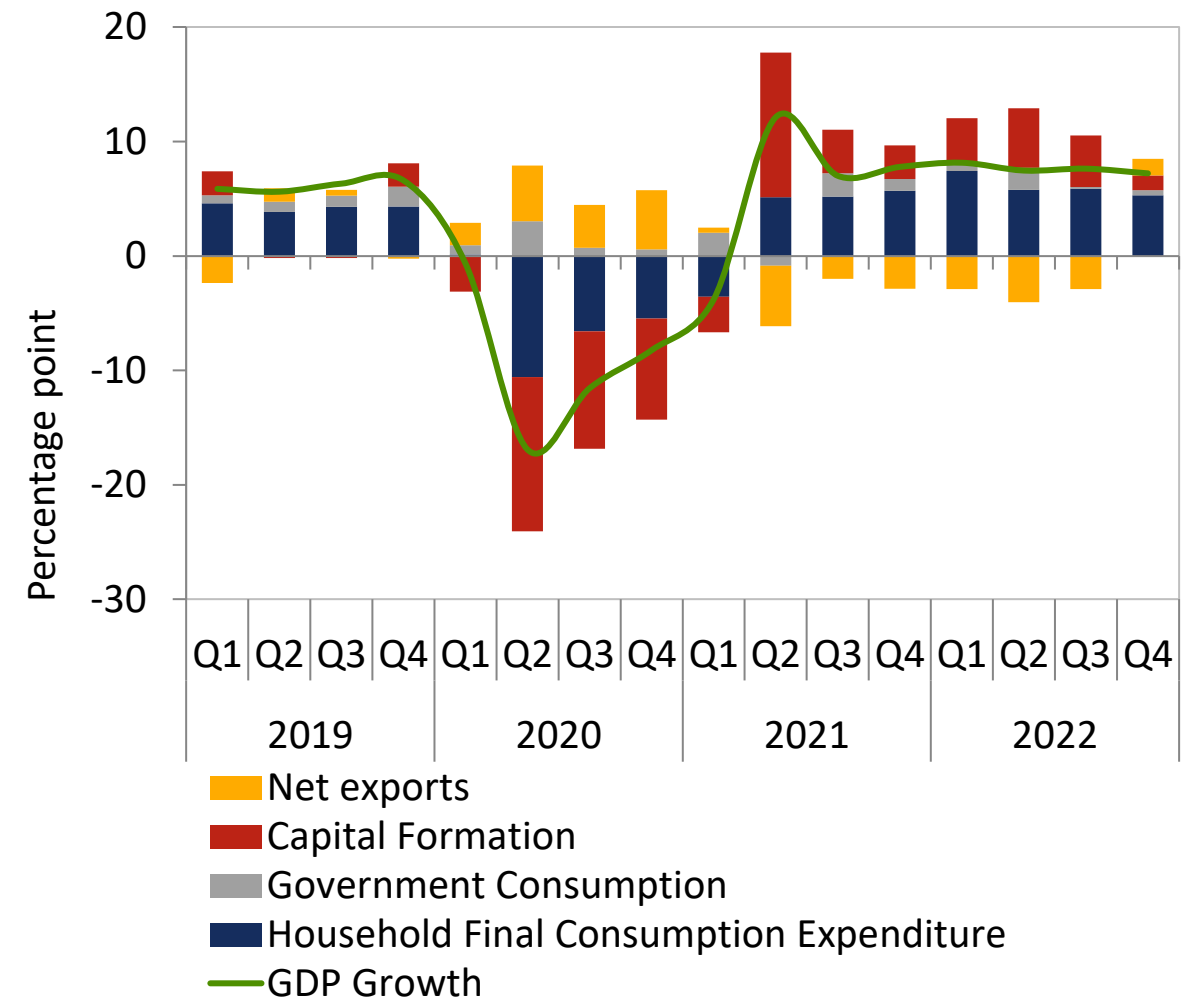


# The post-pandemic recovery is underway, driven by strong domestic demand.

## Supply Side: Contribution to GDP growth

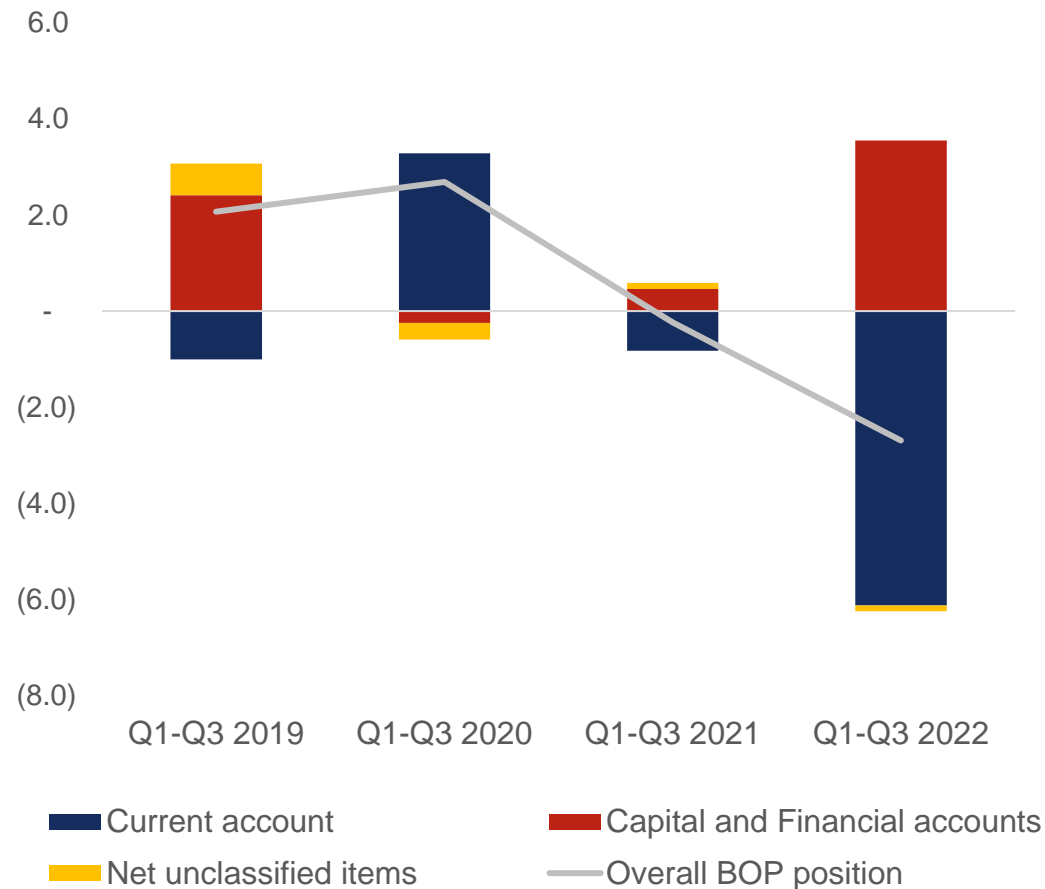


## Demand Side: Contribution to GDP growth

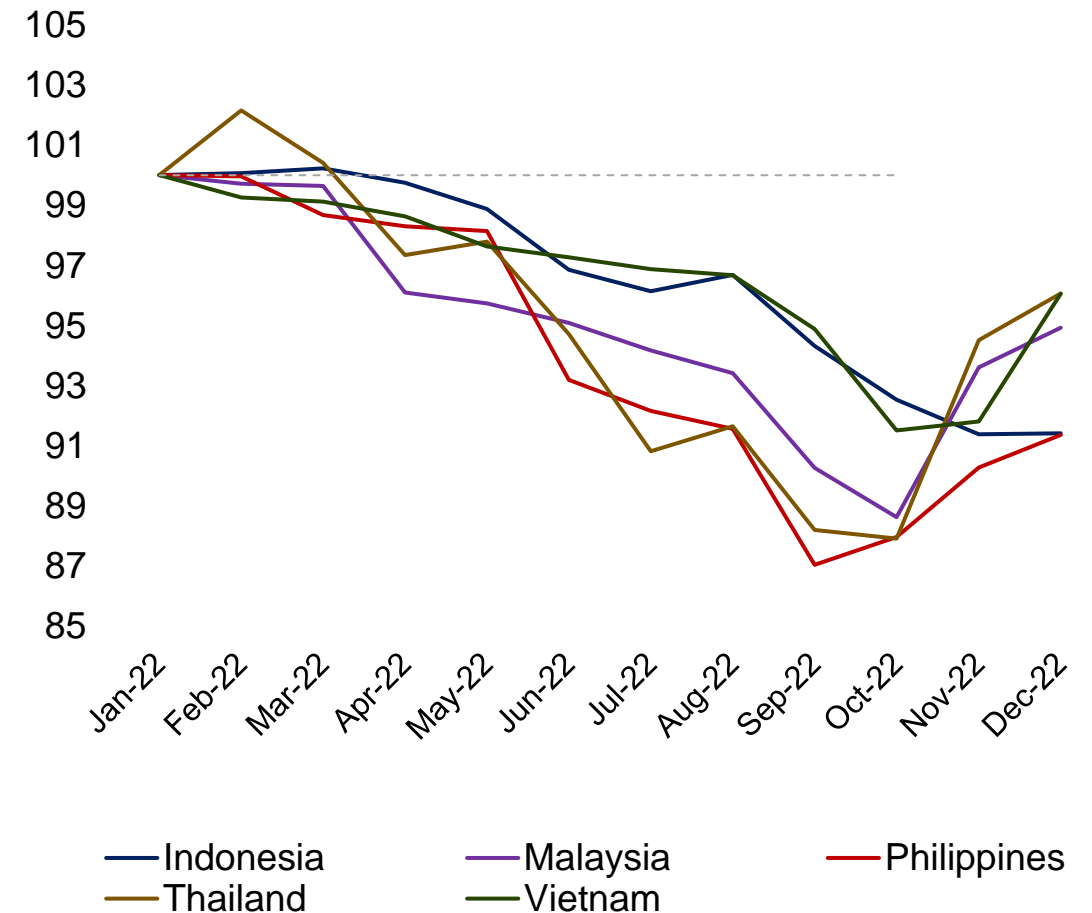


# The Balance of Payments deficit widened, and the peso has depreciated.

## Balance of Payments Components (percent of GDP)

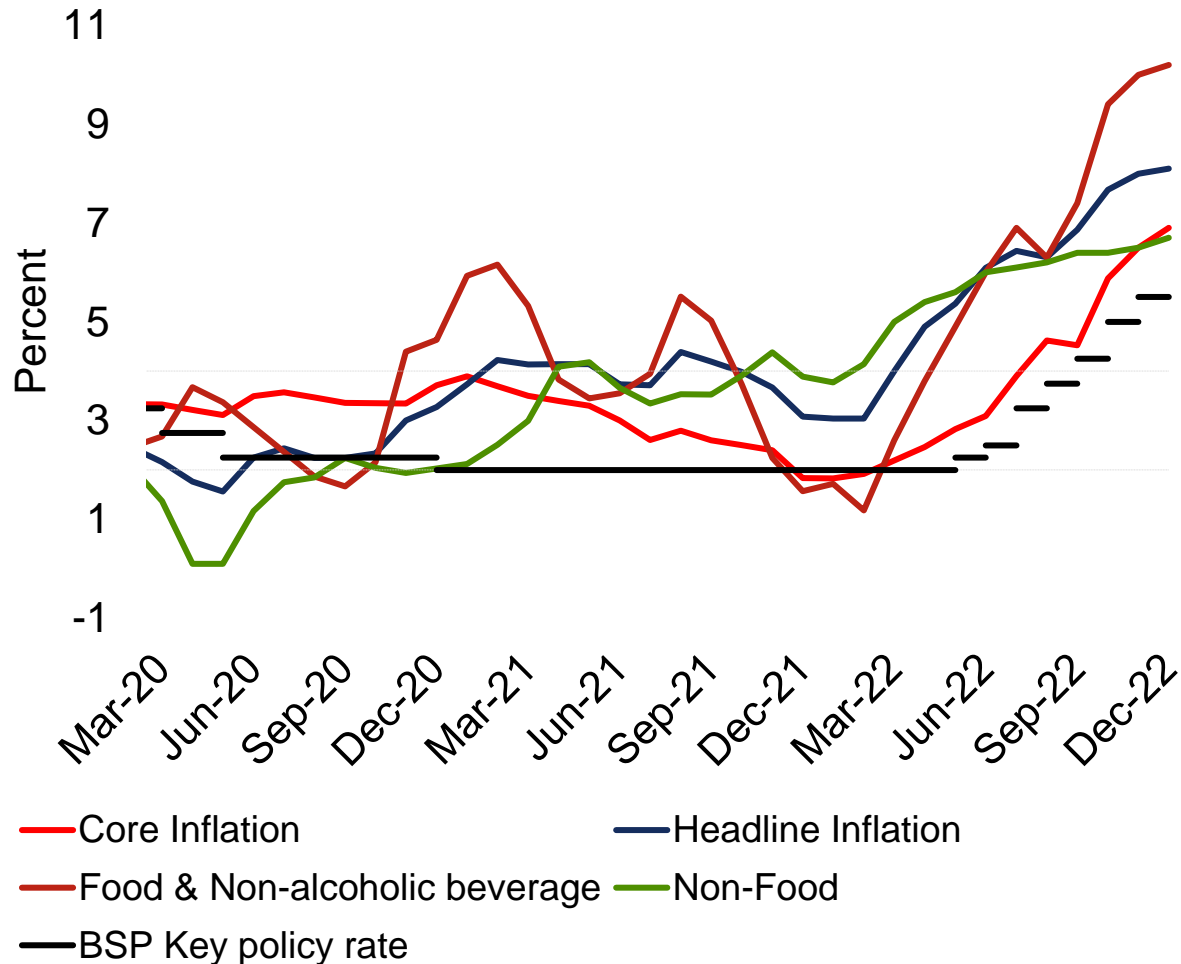


## Regional Currency Movements (January 2022=100)

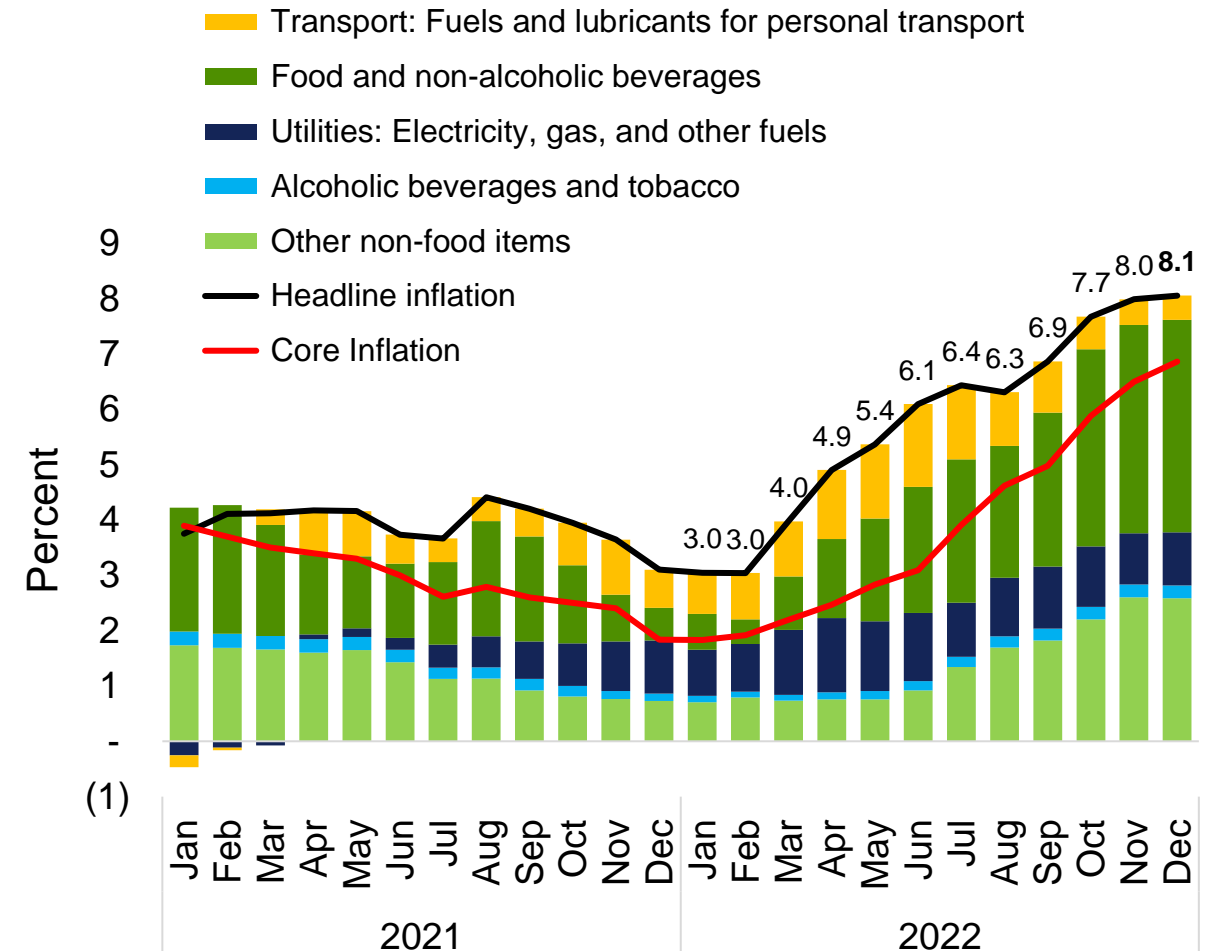


# Inflationary pressure has intensified, and monetary policy has tightened.

## Inflation and Key Policy Rate (percent)



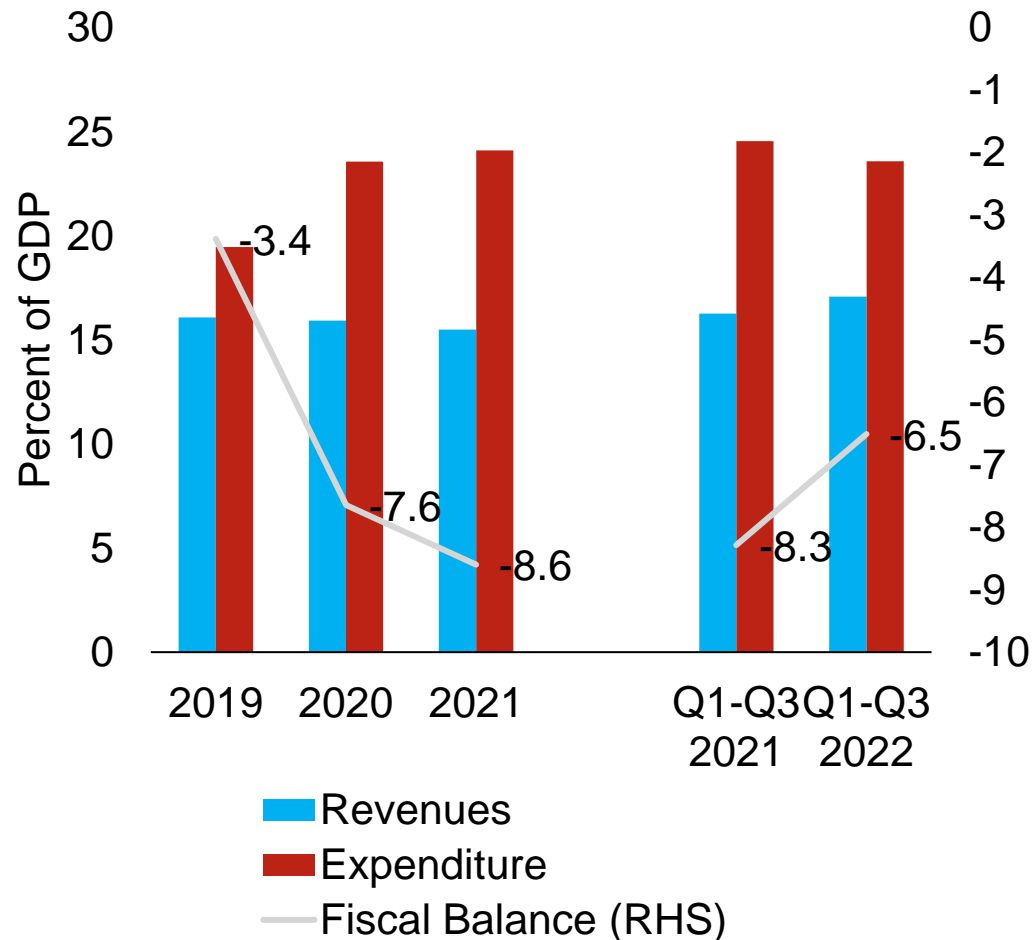
## Contribution to Headline Inflation (percentage points)



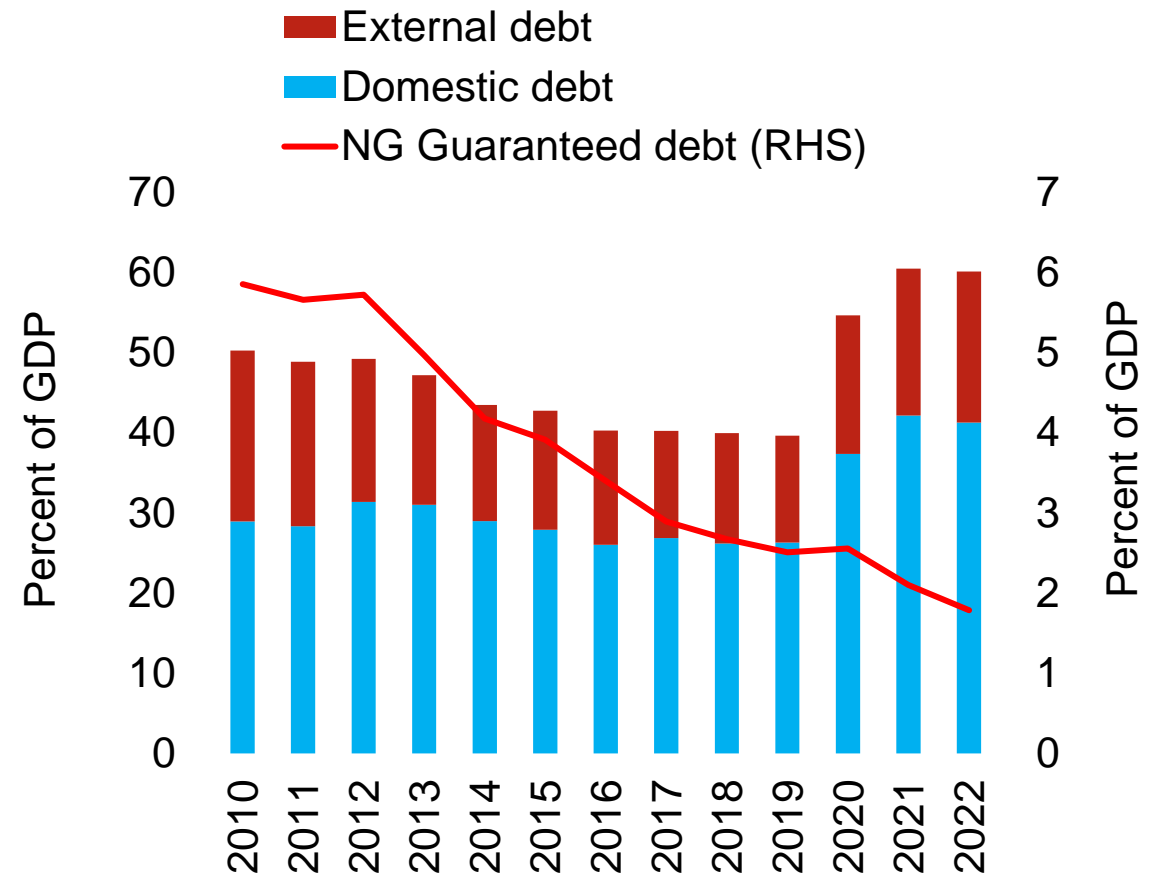


# Higher revenue generation and lower-than-target public spending lowered the fiscal deficit in Q1-Q3 2022.

## National Government Fiscal Balance (percent of GDP)

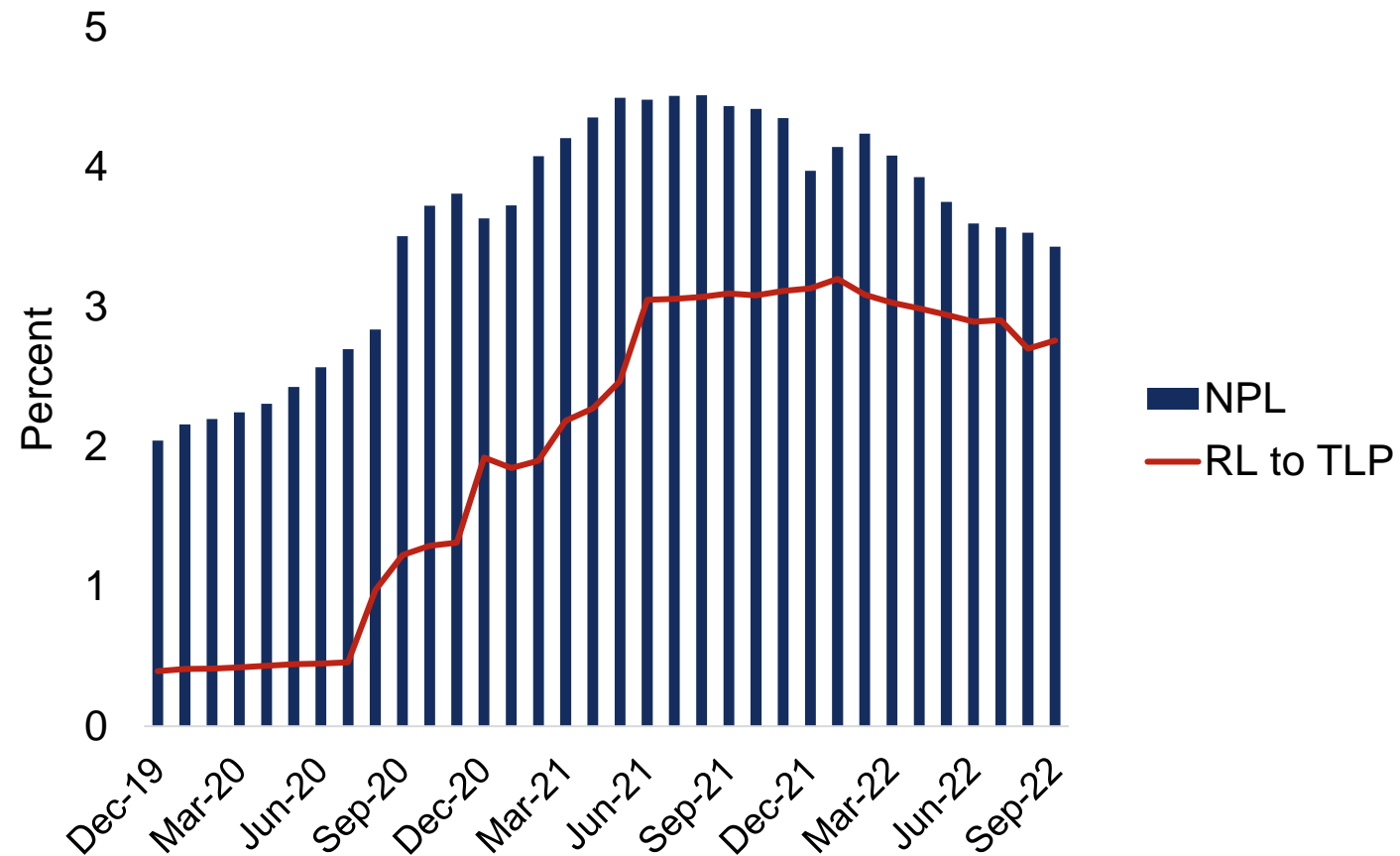


## National Government Debt (percent of GDP)



The banking sector shows signs of improvements as the share of NPLs and restructured loans decline, while bank lending growth picked up.

### Non-Performing Loans (NPLs) and Restructured Loans (percent of portfolio)



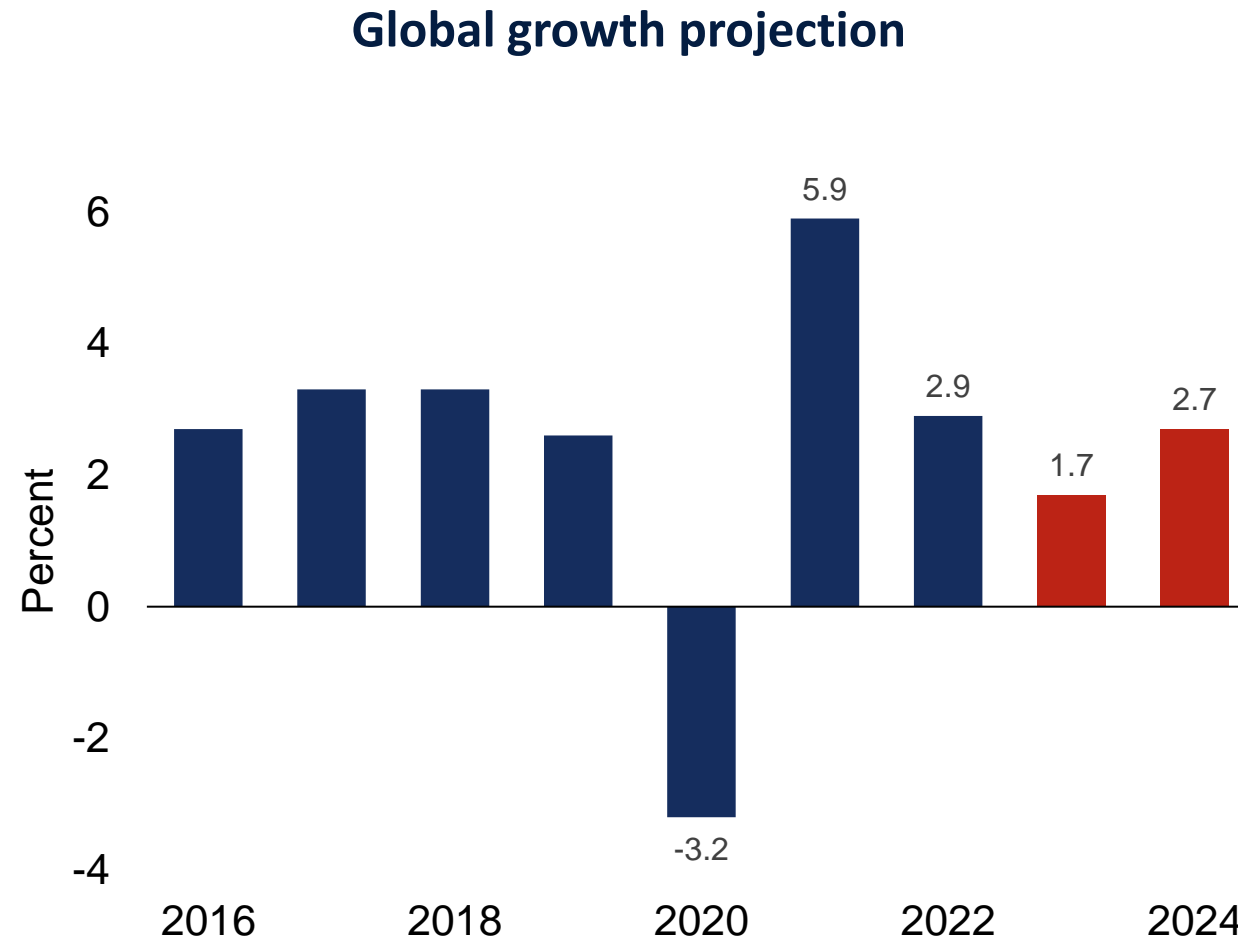


# Outlook and Risk

The deteriorating global environment is spilling into the domestic economy and tempering the country's growth prospects in 2023.

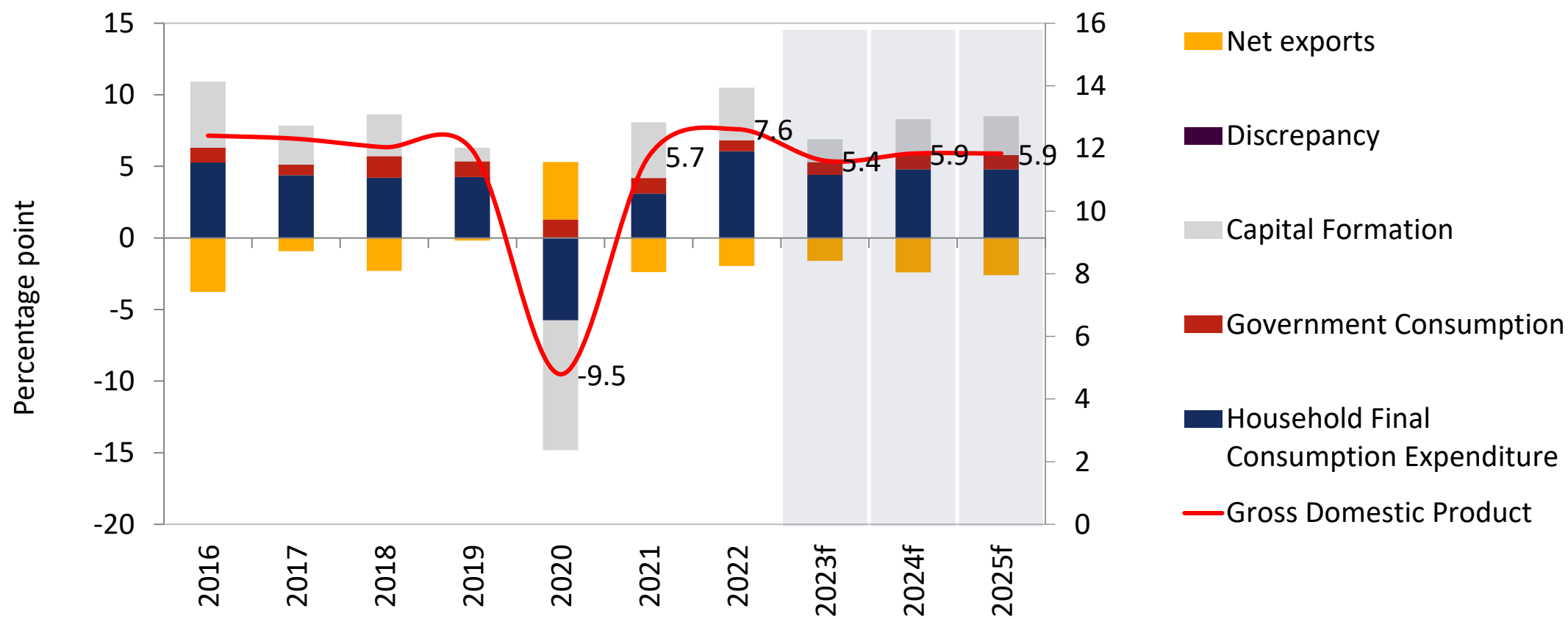


# Global growth is expected to decelerate sharply to 1.7 percent in 2023.



# The Philippines growth outlook is positive but faces risks.

**Projected growth trajectory  
(percentage points contribution of components)**



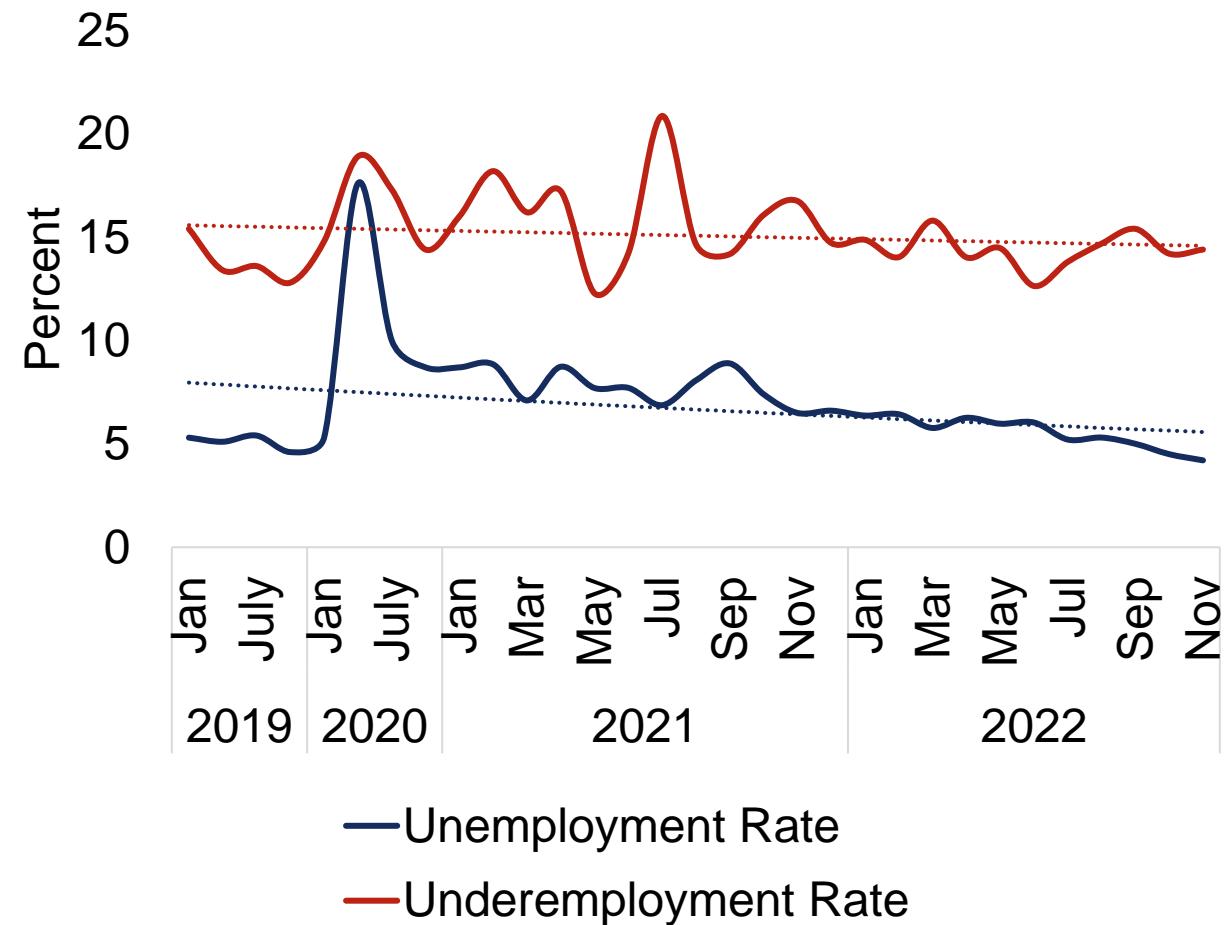


# Downside risks come from external and domestic environment.

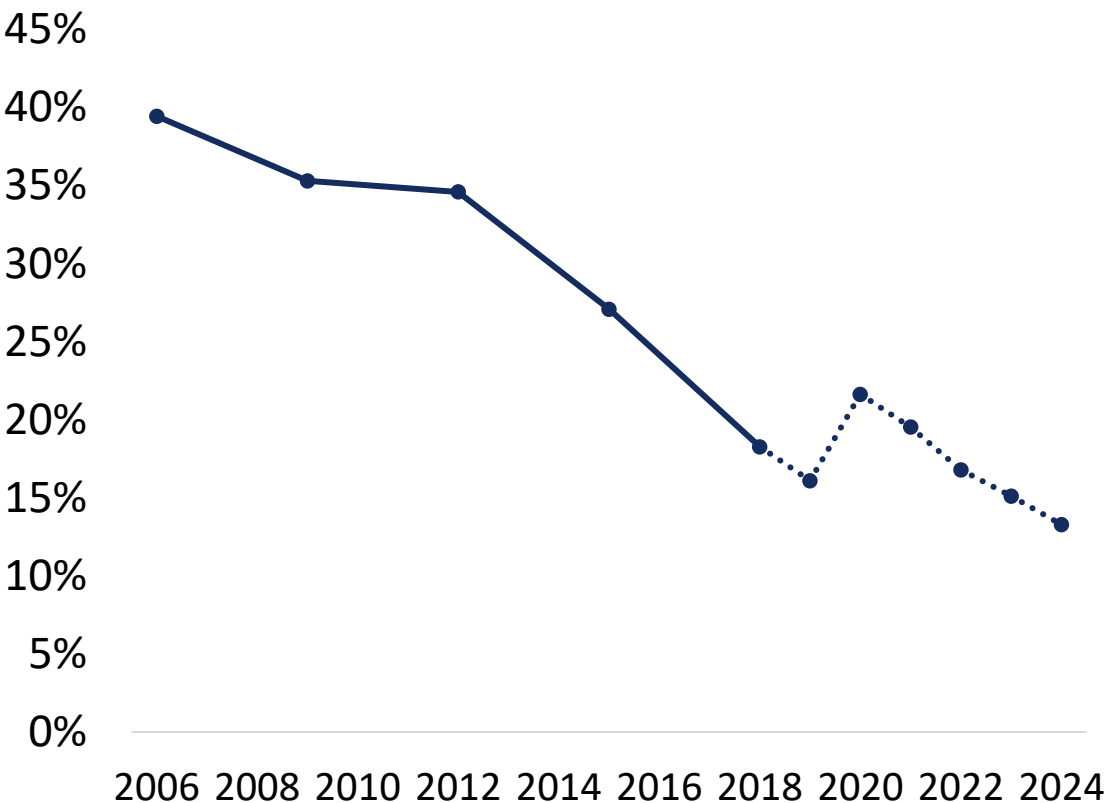
- The synchronous monetary tightening in many central banks could produce larger impacts than intended, both in tightening financial conditions and deepening the growth slowdown.
- An escalation of geopolitical tensions and supply chain bottlenecks could further disrupt commodity markets and international trade.
- Prolonged and elevated domestic inflation may dampen household consumption.
- As the pandemic has yet to be declared over, the risk of another COVID-19 wave hangs over the outlook.

The recovering labor market and improving incomes will contribute to the decline in the poverty rate.

Unemployment and Underemployment Rates (%)



Poverty Rate (% , using US\$3.65/day PPP)



# Policy Recommendations





# Policy Recommendations

- Addressing the inflationary pressure means employing both monetary and non-monetary measures, including near-term monetary tightening to prevent the de-anchoring of inflation expectations.
- Staying the course on fiscal consolidation signals commitment to fiscal sustainability.
- Sustaining investments in health and education to reduce vulnerabilities from the scarring impact of the pandemic remains important.
- Over the medium term, improving the effectiveness of public spending on agriculture will help address low agriculture productivity and alleviate the challenge of food security in the country.

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