

SGV Government and Public Sector Bulletin  
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# Philippine Macroeconomic Update Snapshot

3<sup>rd</sup> Quarter 2023  
9 November 2023



Image from Alex Gerard

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## Gross Domestic Product (GDP)

### Y-o-Y GDP Growth

7.8%	5.5%	7.7%	4.3%	5.9%
2022 Q1-Q3	2023 Q1-Q3	2022 Q3	2023 Q2	2023 Q3

### Seasonally adjusted Q-o-Q GDP Growth

2.3%	0.9%	3.3%
2022 Q3	2023 Q2	2023 Q3

## Real GDP growth outlook, %

Organization	2023	2024
DBCC*	6.0 - 7.0	6.5 - 8.0
ADB	5.7	6.2
World Bank	5.6	5.8
IMF	5.3	5.9

Sources: DBCC, ADB, World Bank, IMF | \* - Development Budget Coordination Committee

- ▶ The Philippine economy grew by 5.9% in the third quarter of 2023, beating expectations even amid domestic and external headwinds. The third quarter figure is an improvement from the 4.3% growth in the previous quarter.
- ▶ For the first three quarters of the year, the economy grew by 5.5%, below the government's 6-7% lower-end target for the year. NEDA Director General Arsenio M. Balisacan noted that the economy needs to grow by 7.2% in the last quarter of the year to hit the low-end of the target of 6%.
- ▶ On a seasonally-adjusted basis, the economy expanded by 3.3% in the third quarter.

## Quarterly and Semestral GDP growth by Industrial Sector (%)

Industrial Origin	2022 Q3	2023 Q2	2023 Q3	2022 Q1-Q3	2023 Q1-Q3
Agriculture, forestry & fishing	2.1	0.2	0.9	0.8	1.1
Industry	5.8	2.1	5.5	7.4	3.7
Services	9.3	6.1	6.8	9.0	7.0

Source: PSA

- ▶ The rebound in the third quarter growth is broad-based across the major industrial sectors.
- ▶ Agriculture posted modest growth of 0.9%, up from 0.2% in the prior quarter. Livestock recorded a 2.7% growth, up from 1.6% the prior quarter. Similarly, poultry and egg production also recorded growth of 2.9% from 1.2% in the previous quarter.
- ▶ Industry grew by 5.5%, accelerating from the anemic 2.1% growth the prior quarter, driven by construction. Construction picked up pace, surging from 3.6% in the second quarter to 14% in the third quarter, as government caught up on its infrastructure spending program. Manufacturing also posted modest growth of 1.7%, up from 1.1% and mining grew by 4.5%, reversing the 2.9% decline in the second quarter.

- ▶ Services grew by 6.8% in the third quarter of 2023, up from 6.1% in the previous quarter. The uptick was driven by financial activities, which grew by 9.5%, and information & communication, which expanded by 4.4%. Tourism-related activities, transportation and accommodation & food service, maintained their double-digit growth as the economy continued to re-open. The latter, for instance, still recorded growth of 20% in the third quarter, although this is considerably lower than the 41.8% growth in the same quarter last year.

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We are pleased to announce that the Philippine economy continues to grow despite several major headwinds that we have experienced and continue to experience... this performance makes our economy the fastest among the major emerging economies in Asia that have released their third-quarter 2023 GDP growth.

Socioeconomic Planning Secretary and NEDA Director General Arsenio M. Balisacan, Ph.D.  
Press Conference on the 2023 3<sup>rd</sup> Quarter Performance of the Philippine Economy

## GDP Growth by Expenditure components, (%)

Expenditure	2022 Q3	2023 Q2	2023 Q3	2022 Q1-Q3	2023 Q1-Q3
Consumer	8.0	5.5	5.0	8.8	5.7
Government	0.7	(7.1)	6.7	5.4	1.1
Exports	13.6	4.4	2.6	9.7	2.7
Imports	18.5	0.2	(1.3)	16.4	1.1
Capital Formation	18.2	0.3	(1.6)	17.7	3.3

Source: PSA

- ▶ Household final consumption expenditure growth further eased to 5.0% on the back of elevated inflation. Nevertheless, the seasonally adjusted quarter-on-quarter growth of household consumption remained solid at 4.8%.
- ▶ Government spending growth surged to 6.7%, an improvement from the same quarter in the previous year's 0.7%, and a reversal from the decline of 7.1% in the prior quarter. Of the 5.9% growth in the current quarter, government spending contributed 1.0 percentage point.
- ▶ Exports of goods and services grew by 2.6%, marking a slowdown from the 4.4% growth in the previous quarter. While goods exports declined further by 2.6% following the 0.9% contraction in the second quarter, services exports showed growth, increasing by 11.7%, as tourism-related activities continue to perform. Imports, meanwhile, slid into contraction territory. Total imports declined by 1.3%. Good imports declined further by 8.1% but was cushioned by services imports growth of 27.7%.
- ▶ Gross Capital Formation posted a decline of 1.6%, reversing the 17.2% growth in the same quarter last year primarily due to substantial drawdown in inventories. Construction, however, tempered this decline as it jumped from 2.4% to 12.4%. In the third quarter, government construction surged by 26.9%, up from 0.7% in the prior quarter. Of the 5.9% GDP growth, government construction contributed 1.2 percentage points.

## Inflation, %

6.1%

September 2023

4.9%

October 2023

## Inflation by Commodity (%)

Commodity	Oct 2022	Sep 2023	Oct 2023
<b>Headline Inflation</b>	7.7	6.1	4.9
<b>Food &amp; Non-Alcoholic Beverages</b>	9.4	9.7	7.0
Food	9.8	10.0	7.1
Rice	2.6	17.9	13.2
Bread	9.8	8.1	7.4
Meat	11.5	1.3	0.8
Fish	9.4	6.1	5.6
Milk & Eggs	8.7	7.3	7.5
Vegetables	16.0	29.6	11.9
Sugar	34.4	9.0	4.9
Non-Alcoholic Beverages	4.7	5.5	5.1
Alcohol & Tobacco	10.4	9.8	9.3
<b>Non-Food</b>	6.4	3.5	3.4
Clothing & Footwear	3.1	4.7	4.8
Housing, Utilities, & Fuels	7.4	2.4	2.6
Rentals for Housing	3.7	3.9	4.0
Electricity & Fuels	16.1	(1.9)	(1.3)
Furnishings	3.8	5.4	5.3
Health	2.6	4.1	4.0
Transport	12.5	1.2	1.0
Information & Communication	0.5	0.6	0.8
Recreation	3.0	5.1	5.0
Education	3.4	3.8	3.8
Restaurants & Accommodation	5.7	7.1	6.3
Financial Services	-	-	-
Personal Care	3.7	5.4	5.3
<b>Core Inflation</b>	5.9	5.9	5.3

Source: PSA





## Inflation Outlook, %

Agency	2023	2024
BSP	5.8	3.5
ADB	6.2	4.0
World Bank	5.9	3.6
IMF	5.8	3.2

Sources: BSP, ADB, World Bank, IMF

- ▶ Headline inflation moderated to 4.9% in October, down from 6.1% the prior month, largely on account of food. Food inflation eased from 10% in September to 7.1% in October. Rice inflation, however, remained at double digits, at 13.2%, even after decelerating from 17.9% inflation of the previous month. Of the 4.9% October inflation figure, rice contributed 0.9 percentage points.
- ▶ The Philippine government will continue to prioritize strategies in response to potential impacts of El Niño which is anticipated to intensify in the coming months until early next year. Headed by the inter-agency El Niño Task Force, the government will also continue providing the needed support for the agriculture sector, particularly for those provinces that are foreseen to be able to grow food despite being heavily affected by adverse weather conditions, while also aiding farmers belonging to those provinces that cannot produce goods during this period.
- ▶ Core inflation, which strips out the volatile items to have a gauge of the persistent component of inflation, eased to 5.3% in October, down from 5.9% in September. This remains elevated, suggesting that inflationary pressures persist.

## Selected Indicators vs PDP 2023-2028 Targets/ DBCC Assumptions

Indicator	Q1-Q3 2023	2023 Target
 GDP Growth	5.5%	6.0% - 7.0%
 NG Fiscal Deficit in % of GDP	5.7%	6.1%
 Headline Inflation	6.4%	5.0% - 6.0%
 NG Debt in % of GDP	60.2% (Sep 2023)	60.0% - 62.0%



## Philippine labor force as of September 2023



**95.5%**  
Employment rate



**10.7%**  
Underemployment rate



**4.5%**  
Unemployment rate



**64.1%**  
Labor force  
Participation rate

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