

DOF Economic Bulletin on 2020 Economic Performance

- Year-on-year, the Philippine economy contracted by 8.3% in the final quarter of 2020, bringing the full-year growth to minus 9.5%.
- Unintended economic consequences of the quarantines, the Taal Volcano eruption in the first quarter, and the African Swine Flu (ASF) caused the country to back-pedal from an otherwise robust growth trajectory. The eruption of Taal Volcano in the otherwise idyllic tourist spot in Southern Tagalog disrupted economic activities in the immediate areas, the economic powerhouses of Regions IV-A, Central Luzon, and NCR, home to 58% of the country's output. The ASF and the series of natural calamities in the final quarter particularly hit agricultural production. The health issues posed by the COVI-19 epidemic likewise continues to pose challenges to economic activities.
- Seasonally adjusted figures, however, indicate that the economy might be well on its way to recovery. In the final quarter, quarter-to-quarter growth was 5.6%, continuing the positive growth of 8% in the previous quarter.

DOF View

- To sustain growth, the country has to maintain and enhance its capacity, medical or otherwise, to manage the health risks posed by the virus. Such capacity could tilt the odds in what is apparently a life-versus-livelihood dilemma and make it more of a life-and-livelihood dual outcome, but probably at a lesser scale than before under a “new normal” should there still be uncertainties about and risks posed by the virus.
- From a macroeconomic fundamentals point of view, the pandemic found the Philippines in the position of strength; the story would have been different had this pandemic struck in the early 2000s when the country was still reeling from the deleterious effects of the 1997 Asian Financial Crisis.
- We thank Congress for the on-time passage of the current budget that will help the country fight and recover from the epidemic. As before, as in TRAIN1, sin tax reform, and UHC, we likewise urge and will continue to work with Congress on important pieces of economic legislation (e.g. amendment to the Public Service Act, Retail Trade Liberalization Act, and Foreign Investment Act) and fiscal bills (CREATE, GUIDE, and FIST). Together with the continuing infrastructure program, these economic reforms will give the economy a big shot in the arm and would have a knock-on effect on employment and real wages.

Table 1 Economic Growth and Sources of Growth by Expenditure

Expenditure	Growth (%)					Contribution to Growth (ppts)				
	Annual		Quarterly			Annual		Quarterly		
	2019	2020	2019Q4	2020Q3	2020Q4	2019	2020	2019Q4	2020Q3	2020Q4
Household Consumption	5.9	(7.9)	5.7	(9.2)	(7.2)	4.3	(5.7)	4.3	(6.5)	(5.4)
Government Consumption	9.6	10.4	17.0	5.8	4.4	1.2	1.3	1.8	0.7	0.5
Investment	2.5	(35.8)	2.5	(41.6)	(29.0)	0.7	(9.4)	0.7	(11.1)	(7.7)
Fixed capital formation	3.9	(27.5)	5.8	(37.1)	(28.6)	1.1	(7.3)	1.6	(10.4)	(7.8)
Construction	8.9	(29.7)	11.4	(43.4)	(34.0)	1.4	(4.9)	1.9	(7.5)	(5.9)
General Government	(3.6)	(10.1)	32.4	(28.3)	(15.2)	(0.2)	(0.4)	1.3	(1.1)	(0.7)
Corporations	19.8	(29.5)	12.9	(39.0)	(48.0)	1.3	(2.2)	0.9	(2.9)	(3.5)
Households	6.3	(46.1)	(4.7)	(58.4)	(32.2)	0.3	(2.3)	(0.3)	(3.5)	(1.7)
Durable equipment	(7.0)	(31.3)	(6.5)	(34.5)	(24.7)	(0.6)	(2.3)	(0.5)	(2.7)	(1.7)
Exports	2.4	(16.7)	0.3	(14.4)	(10.5)	0.7	(4.9)	0.1	(4.5)	(2.6)
Exports of goods	1.0	(9.6)	(1.6)	(2.0)	(2.1)	0.2	(1.5)	(0.2)	(0.4)	(0.3)

Exports of services	4.2	(25.5)	3.2	(32.4)	(22.7)	0.6	(3.3)	0.3	(4.1)	(2.3)
Less: Imports	1.8	(21.9)	(0.7)	(21.5)	(18.8)	(0.8)	8.8	0.3	8.9	7.0
Imports of goods	1.2	(21.4)	(1.7)	(19.8)	(13.6)	(0.4)	7.0	0.5	6.6	3.9
Imports of services	4.5	(23.8)	3.1	(29.1)	(36.4)	(0.4)	1.8	(0.3)	2.2	3.1
GDP	6.0	(9.5)	6.7	(11.4)	(8.3)	6.0	(9.5)	6.7	(11.4)	(8.3)
Income From Abroad	(2.2)	(27.3)	(2.8)	(29.0)	(53.2)					
GNI	5.2	(11.1)	5.8	(13.0)	(12.0)					

Source of Basic Data: PSA

Table 2 Economic Growth and Sources of Growth by Sector

Industry	Growth (%)					Contribution to Growth (ppts)						
	Annual		Quarterly			Annual		Quarterly				
	2019	2020	2019Q4	2020Q3	2020Q4	2019	2020	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4
Agriculture	1.2	(0.2)	0.8	1.2	(2.5)	0.1	(0.0)	0.1	(0.0)	0.1	0.1	(0.3)
Industry	4.7	(13.1)	6.0	(17.3)	(9.9)	1.4	(4.0)	1.9	(1.0)	(6.5)	(5.0)	(3.1)
Mining and quarrying	3.6	(19.9)	(4.0)	(14.2)	(18.8)	0.0	(0.2)	(0.0)	(0.2)	(0.3)	(0.1)	(0.1)
Manufacturing	3.2	(9.5)	4.3	(9.9)	(4.3)	0.6	(1.8)	0.8	(0.8)	(3.8)	(1.6)	(0.8)
Utilities	6.6	(0.7)	7.3	0.2	(0.9)	0.2	(0.0)	0.2	0.1	(0.2)	0.0	(0.0)
Construction	7.8	(26.0)	10.7	(39.7)	(25.3)	0.6	(2.0)	0.9	(0.2)	(2.3)	(3.3)	(2.1)
Services	7.5	(9.1)	8.1	(10.5)	(8.4)	4.5	(5.5)	4.7	0.4	(10.5)	(6.6)	(4.9)
Trade	8.1	(5.7)	8.5	(5.7)	(4.1)	1.4	(1.0)	1.6	0.3	(2.4)	(1.1)	(0.8)
Transportation	6.3	(31.2)	4.7	(29.5)	(21.3)	0.2	(1.2)	0.2	(0.5)	(2.5)	(1.1)	(0.7)

Hotels & Restaurants	6.2	(44.7)	7.8	(54.4)	(42.7)	0.1	(1.0)	0.2	(0.4)	(1.3)	(1.2)	(0.9)
ICT	6.5	5.1	5.3	2.1	3.6	0.2	0.1	0.2	0.2	0.3	0.1	0.1
Banking and Finance	11.9	5.8	12.1	4.3	4.4	1.0	0.5	0.9	0.8	0.5	0.4	0.3
Real Estate	5.2	(17.0)	4.5	(19.4)	(15.4)	0.3	(1.1)	0.3	(0.2)	(1.9)	(1.4)	(0.9)
Business Activities	2.3	(9.3)	2.2	(10.5)	(8.8)	0.1	(0.6)	0.1	0.0	(1.0)	(0.7)	(0.5)
Public administration	13.4	4.4	21.3	4.7	0.6	0.6	0.2	0.9	0.2	0.3	0.2	0.0
Education	6.1	(11.9)	4.5	(17.8)	(15.0)	0.2	(0.5)	0.2	0.0	(0.7)	(0.7)	(0.5)
Social Services	4.1	(4.3)	9.2	(3.1)	(2.5)	0.1	(0.1)	0.1	0.1	(0.3)	(0.1)	(0.0)
Other services	6.5	(41.8)	7.3	(49.9)	(45.2)	0.1	(0.9)	0.2	(0.3)	(1.5)	(0.9)	(1.0)
GDP	6.0	(9.5)	6.7	(11.4)	(8.3)	6.0	(9.5)	6.7	(0.7)	(16.9)	(11.4)	(8.3)
Income From Abroad	(2.2)	(27.3)	(2.8)	(29.0)	(53.2)							
GNI	5.2	(11.1)	5.8	(13.0)	(12.0)							

Source of Basic Data: PSA

Table 3 Quarter-to-Quarter Growth Rates (%) Based on Seasonally-Adjusted National Income Accounts

	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4
Agriculture	0.3	-0.3	1.2	-0.3	-0.9	1.4	0.7	-4.1
Industry	0.2	1.1	2.1	2.2	-8.3	-18.0	7.3	11.6
Services	2.1	2.0	1.7	2.1	-5.0	-15.9	9.7	4.5
GDP	1.3	1.5	1.8	1.9	-5.6	-14.9	8.0	5.6
GNI	1.1	1.5	1.5	1.5	-5.4	-15.1	6.5	2.9
Consumption	1.4	1.6	1.6	0.9	-3.8	-14.0	9.1	2.9

Source: PSA

Table 4 ASEAN-5 GDP Growth (%) Outlook by Multilateral Financial Institution (MFI)

Economy	2018	2019	2020	WB (GEP, Jan 2021)			IMF (WEO, Jan 2021)			ADB (ADOS, Dec 2020)	
				2020	2021	2021	2020	2021	2021	2020	2021
Indonesia	5.2	5.0		(2.2)	4.4	4.8	(1.9)	4.8	6.0	(2.2)	4.5
Malaysia	4.7	4.3		(5.8)	6.7	4.8	(5.8)	7.0	6.0	(6.0)	7.0
Philippines	6.3	6.0	(9.5)	(8.1)	5.9	6.0	(9.6)	6.6	6.5	(8.5)	6.5
Thailand	4.1	2.4		(6.5)	4.0	4.7	(6.6)	2.7	4.6	(7.8)	4.0
Vietnam	7.1	7.0	2.9	2.8	6.7	6.5				2.3	6.1

Sources: PSA, World Bank, IMF, ADB, Vietnam General Statistics Office

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