

# PHILIPPINES ECONOMIC UPDATE

## NAVIGATING A CHALLENGING RECOVERY

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# Key Messages

- The resurgence of COVID-19 cases and the reimposition of stringent quarantine measures held back early signs of an economic rebound.
- The economy is expected to recover over the forecast horizon, but there are significant downside risks.
- The key policy challenges are to manage the pandemic, effectively deliver social protection, and mobilize private sector participation in the recovery.

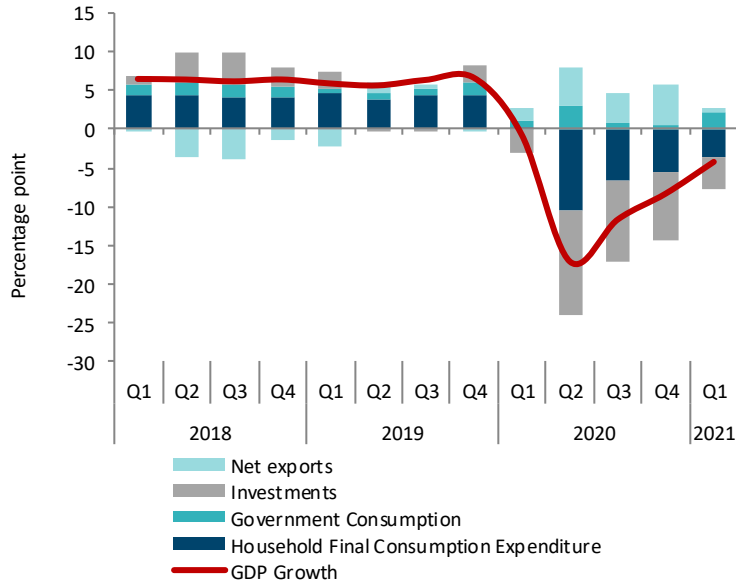
# Recent Economic and Policy Developments

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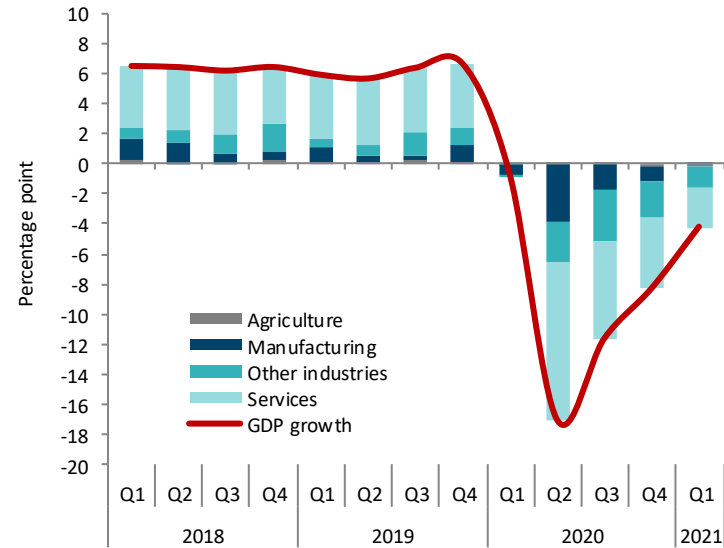


# The economy remained in recession in the first quarter of 2021 with the contraction being broad-based.

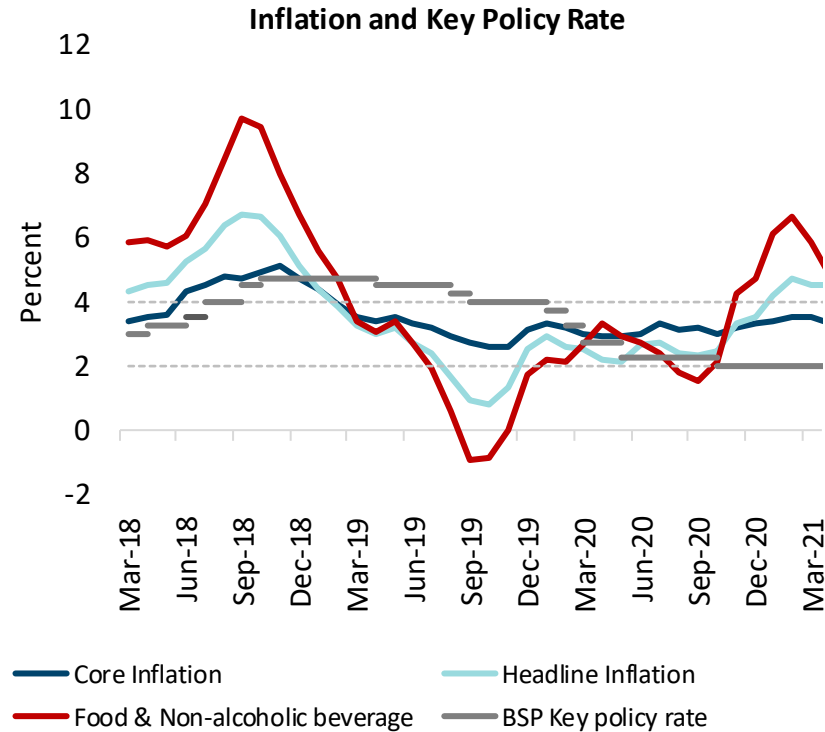
### Demand side: Contribution to GDP growth



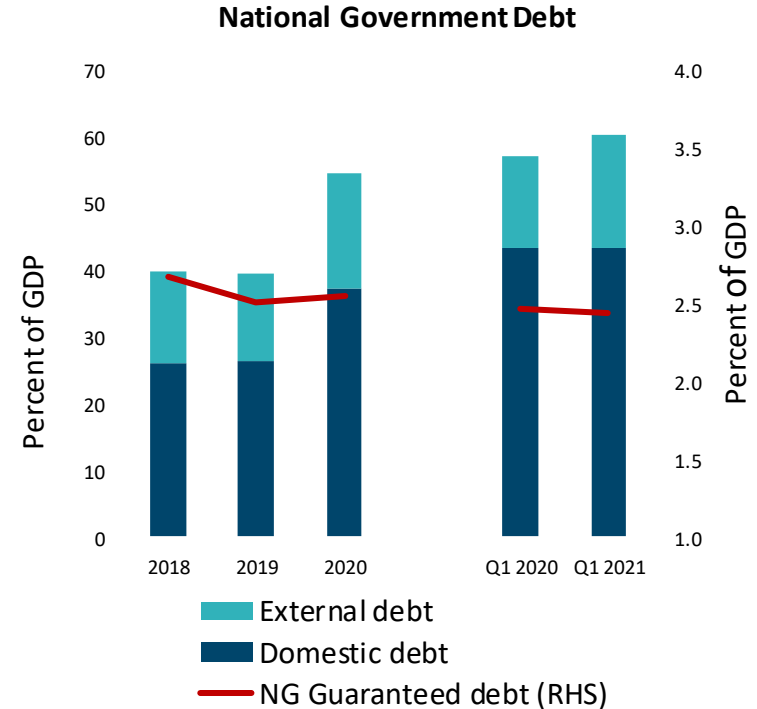
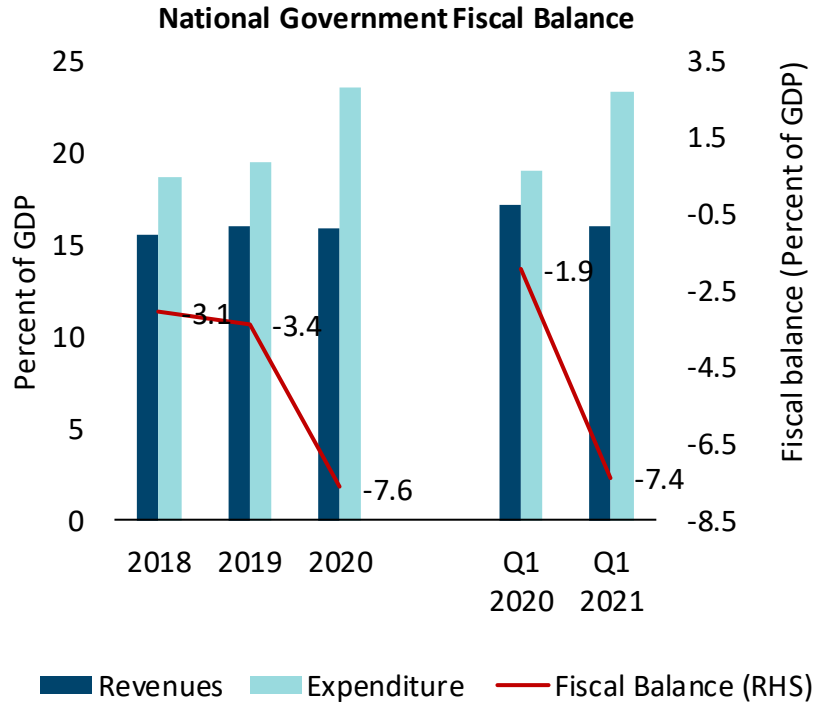
### Supply side: Contribution to GDP growth



# Monetary policy was accommodative to growth despite higher inflation.



# The fiscal deficit continued to widen, leading to an increase in public debt.



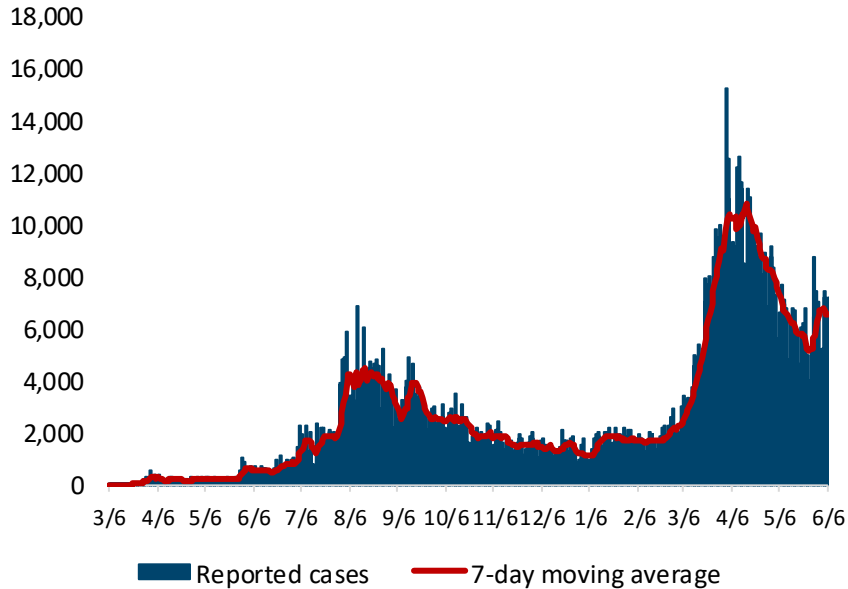
# Outlook and Risks

The economy is expected to recover over the forecast horizon, but there are significant downside risks.

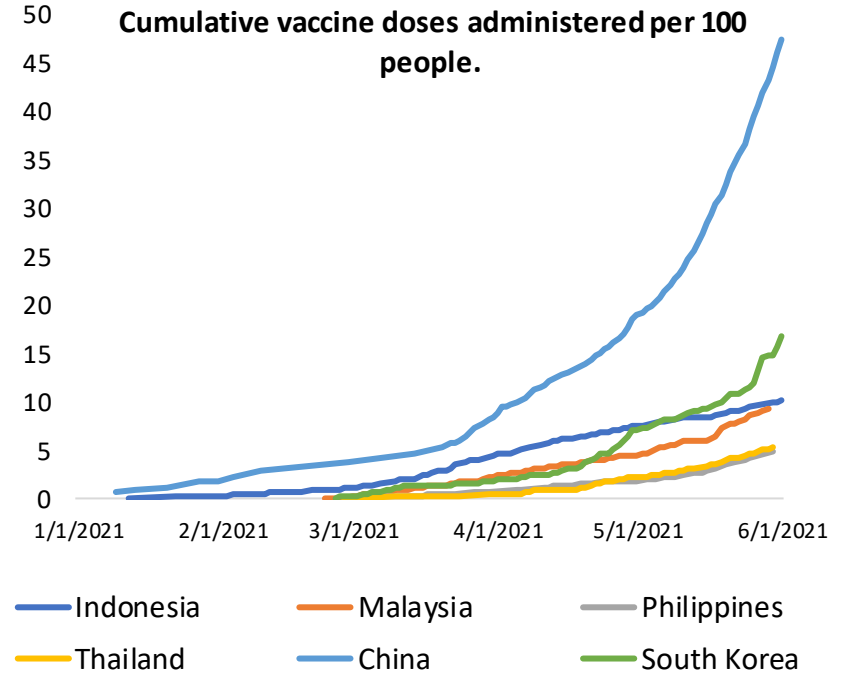


# The growth prospects hinge on the ability to manage the COVID-19 health crisis.

### Reported cases per day

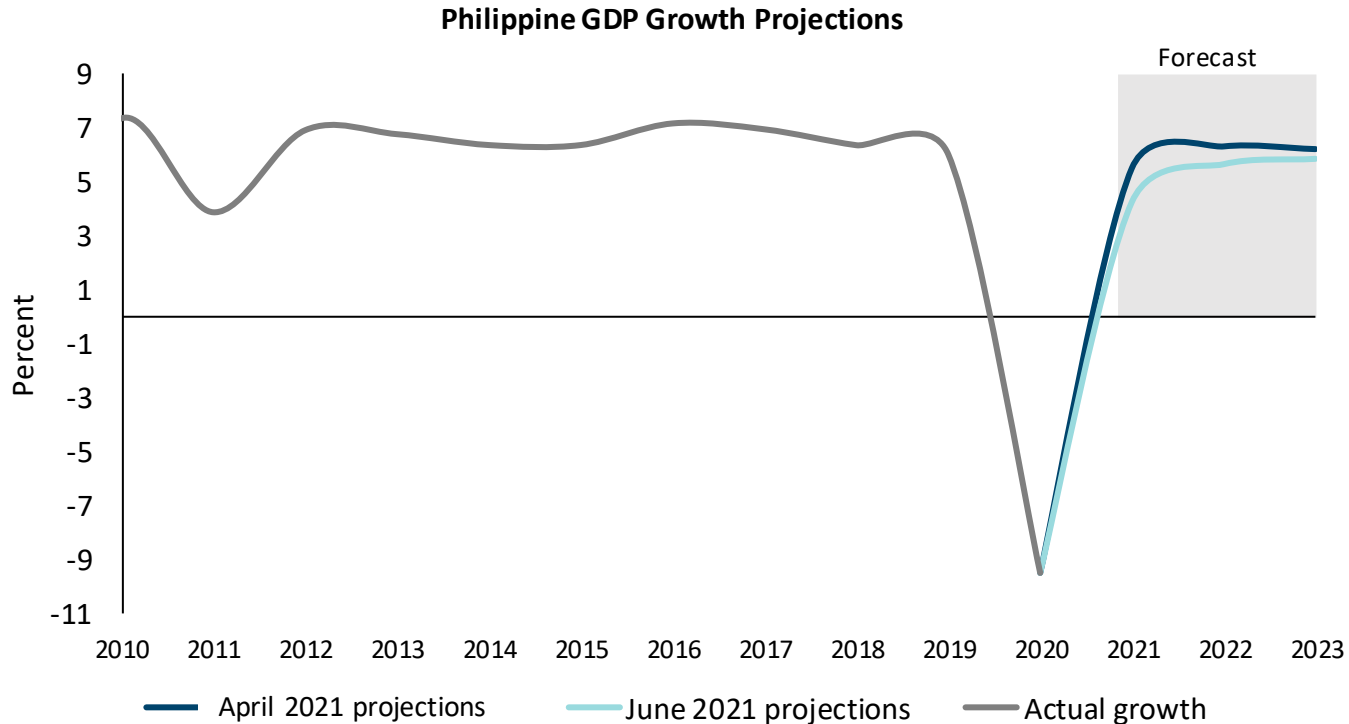


### Cumulative vaccine doses administered per 100 people.

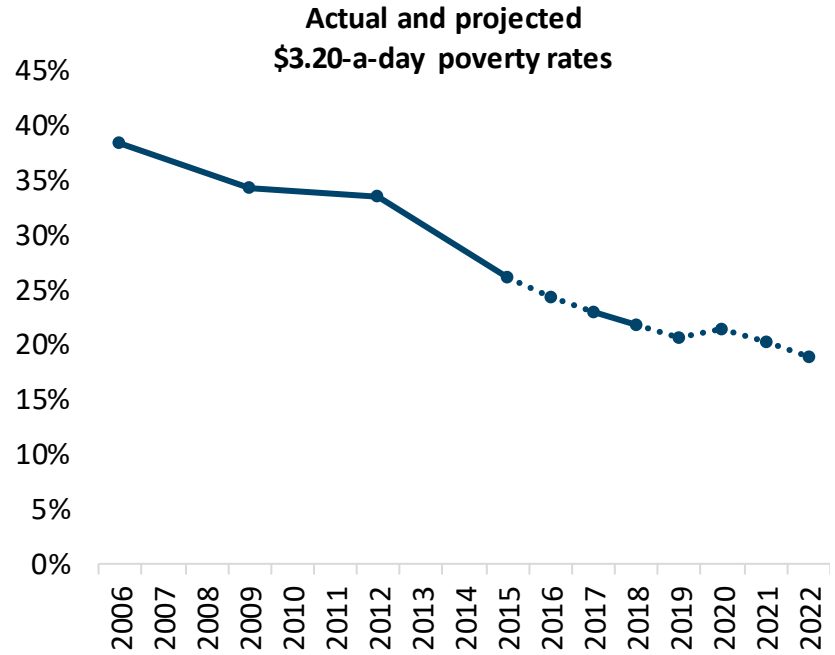
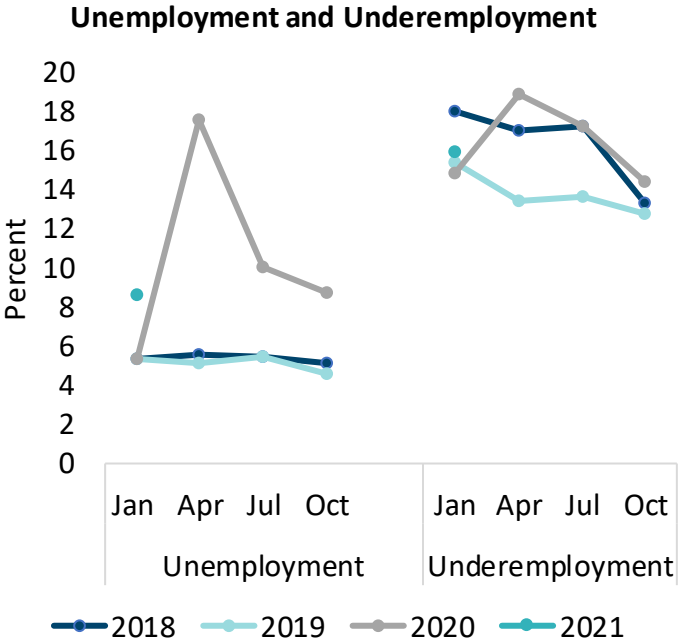




# The economy is expected to recover over 2022-2023 following the deep recession in 2020.



# The economic recovery will contribute to renewed progress in poverty reduction.



# Policy recommendations

The key health policy response remains the management of the virus and roll out of the vaccination program.

Effectively delivering social protection programs will help reduce the extent to which the crisis adversely affects long-term human capital accumulation.

Mobilizing greater private sector participation in public infrastructure projects will be important as the government faces limited fiscal space in the short term.

Relaxing restrictions on FDI is expected to boost the economic recovery.

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