

Key Messages

- The Philippine economy outperformed its regional peers, growing by 6.4 percent in the first quarter of 2023.
- Despite weak external conditions, strong domestic demand will drive the growth of the Philippine economy this year.
- Managing inflation, pursuing revenue-enhancing policies and public spending efficiency, promoting investments, and pursuing a clean energy transition are key drivers to safeguard growth and achieve long term development goals.

Recent Economic and Policy Developments

The Philippine economy outperformed its regional peers, growing by 6.4 percent in the first quarter of 2023.

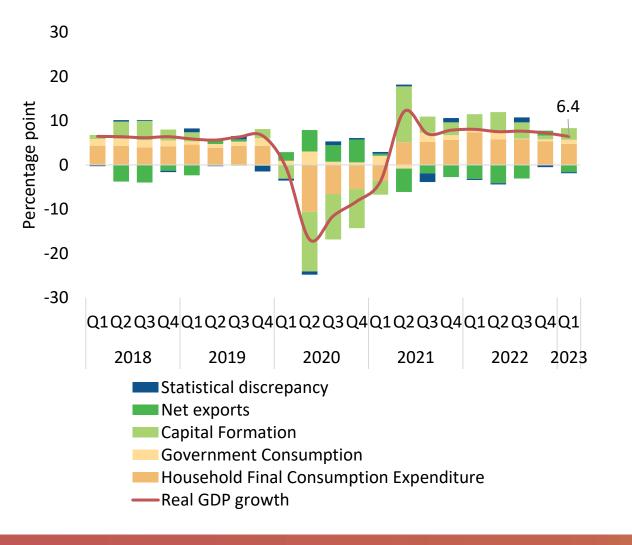




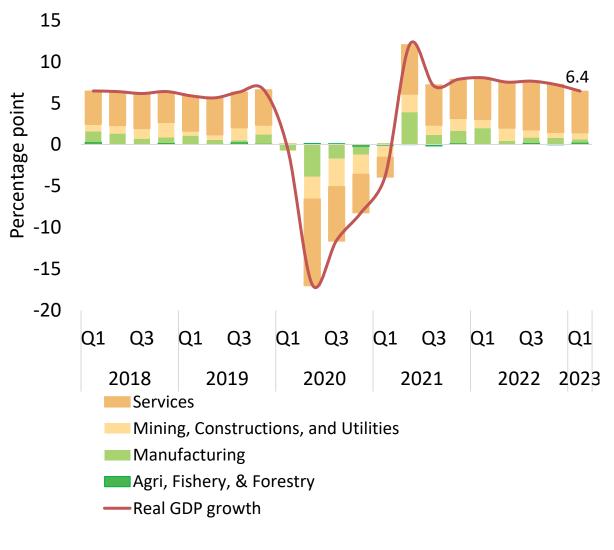
Robust domestic demand fueled growth, countering weaker global demand in the first quarter of 2023.



Private consumption and investment held up despite high inflation and rising interest rates

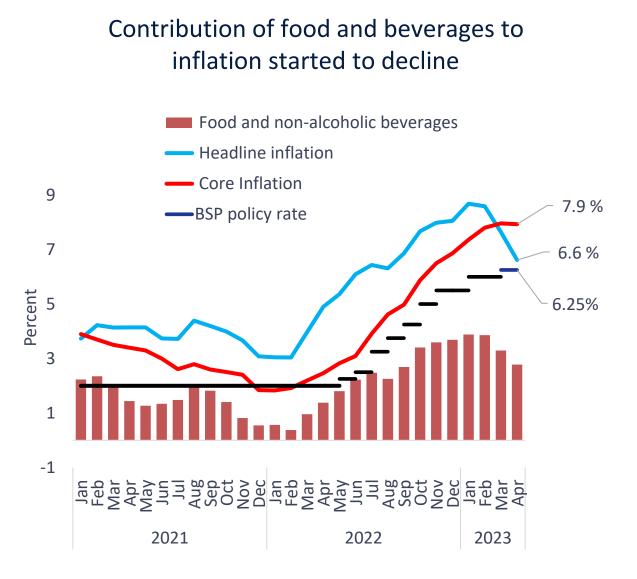




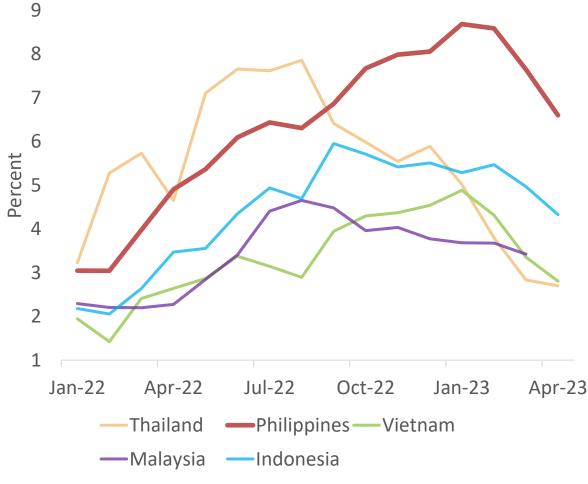


Inflation peaked in early 2023 after the BSP tightened monetary policy, although it remains well above peer countries in ASEAN.





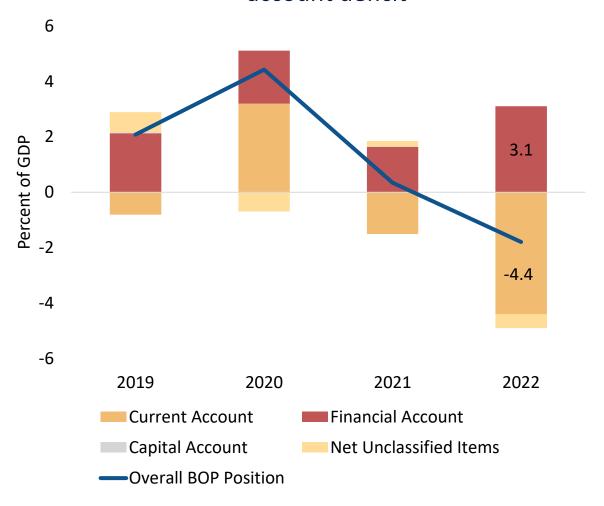




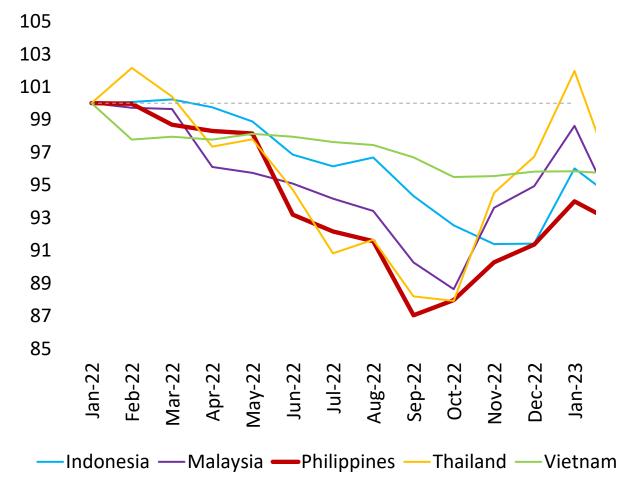
Remittances and financial inflows turned wide balance of payment deficit in 2022 to a surplus in early 2023 and the peso has rebounded.



The BOP shortfall was driven by a large current account deficit

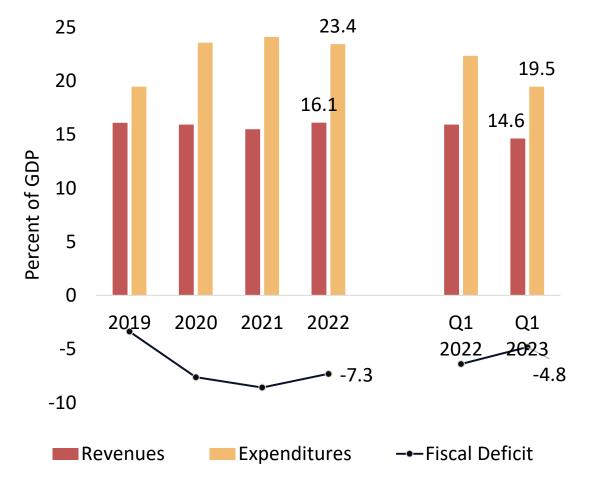


Regional currencies have strengthened since 2022 (January 2022=100, end of period)

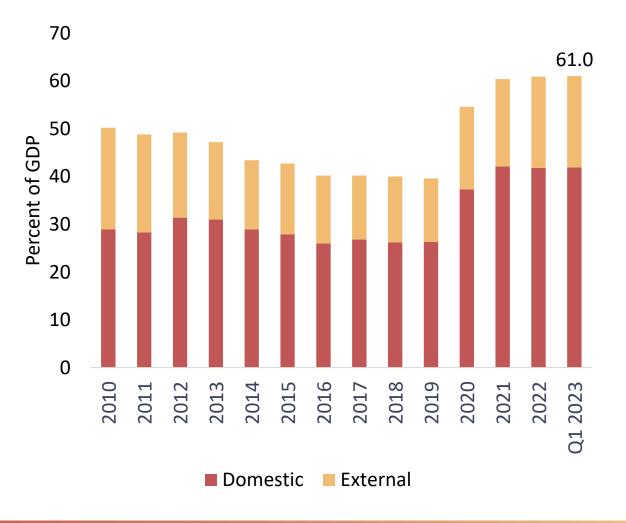




Lower revenues but a larger decline in expenditures caused the deficit to narrow



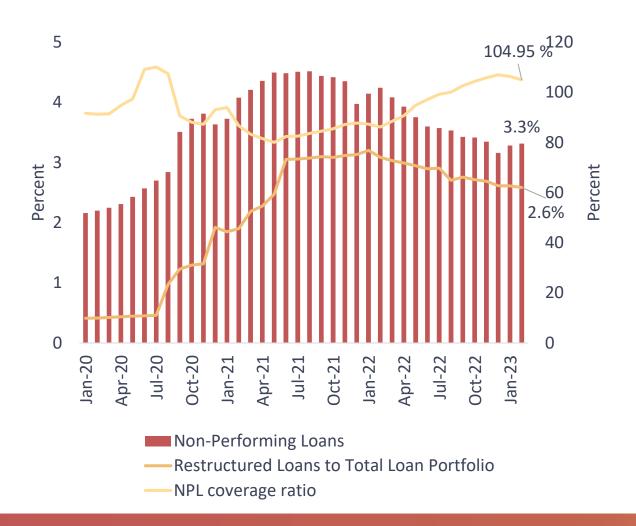
National Government debt remained flat



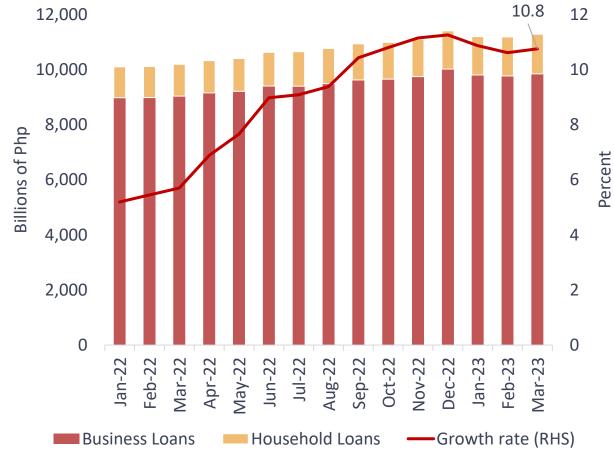
The banking sector shows signs of improvements as the share of NPLs and restructured loans decline, while bank lending growth picked up.



Forward-looking asset quality indicators improved amid the economic reopening



Bank lending has been robust with business loans growing 9.0% and household loans 24.8% in Q1 2023



Outlook and Risk

Despite weak external conditions, strong domestic demand will drive the growth of the Philippine economy in 2023.

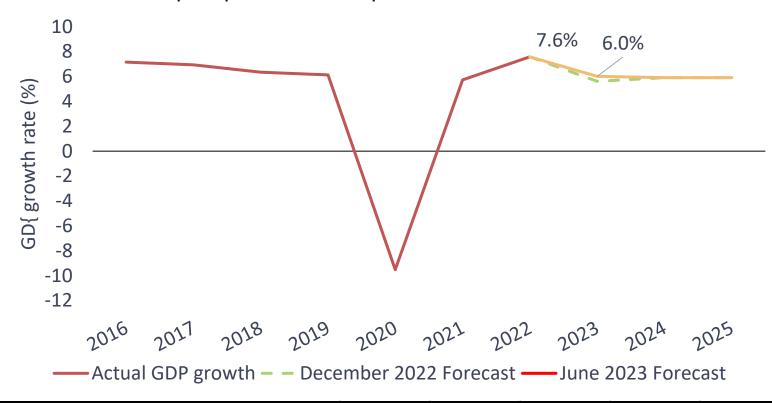




The growth outlook for 2023 is revised upwards, driven by domestic consumption and investment.



Growth prospects remain positive over the medium term

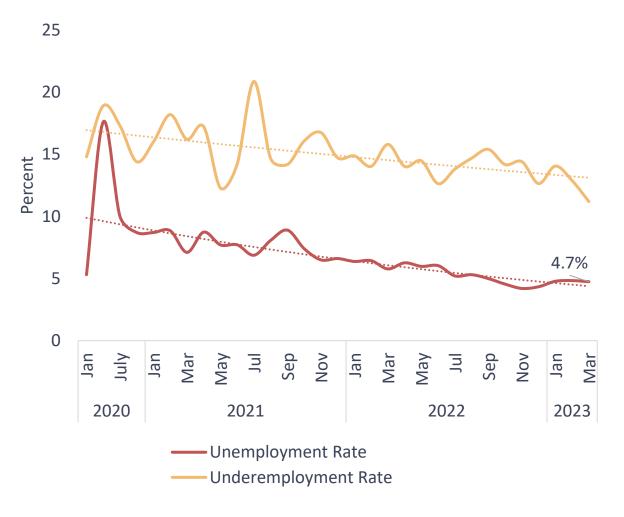


	2020	2021	2022	2023F	2024F	2025F
GDP growth, at constant market prices	-9.5	5.7	7.6	6.0	5.9	5.9
Headline inflation	2.4	3.9	5.8	5.7	3.6	3.0
National government balance (% of GDP)	-7.6	-8.6	-7.3	-6.0	-5.1	-4.1
National government debt (% of GDP)	54.6	60.4	60.9	61.0	61.7	61.2
Current account balance	3.2	-1.5	-4.4	-3.8	-3.5	-3.0

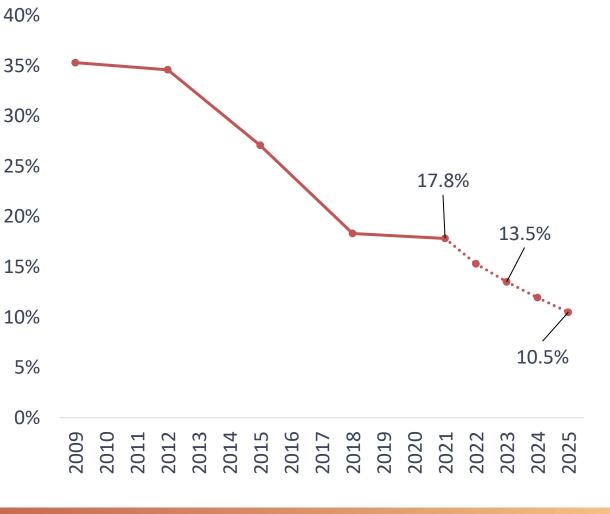
Economic and labor market recovery will support poverty reduction.







Poverty incidence is projected to decrease (\$3.65/day poverty line)



Downside risks come from external and domestic environment.



- The possibility of higher-than-expected global inflation, tighter global financing conditions and an escalation of geopolitical tensions could further disrupt global activity and cause a sharper-than-expected global slowdown.
- High inflation remains a risk, while sticky core inflation due to tight labor market and resilient demand could lead to further monetary tightening.
- The threat of El Niño and supply chain bottlenecks may yet again raise food supply challenges and place upward pressure on food prices.

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.
- 2. Pursuing revenue-enhancing policies can enhance fiscal consolidation efforts and support growth.
- 3. Improving public spending efficiency through better targeting of social protection measures is essential to protect the poor and vulnerable from economic shocks amid limited fiscal space.
- 4. Strengthening the economic recovery and achieving long-term growth ambition requires implementing recently approved investment reforms to attract more investment.
- 5. An energy transition toward low- and zero-carbon alternatives will help address energy demand and improve energy security to power long-term growth.

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Maraming Salamat!

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