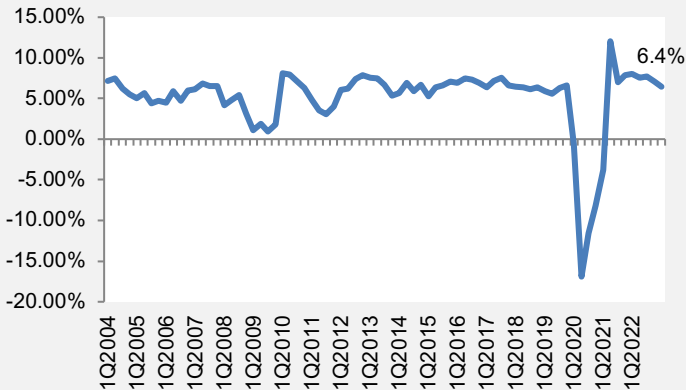


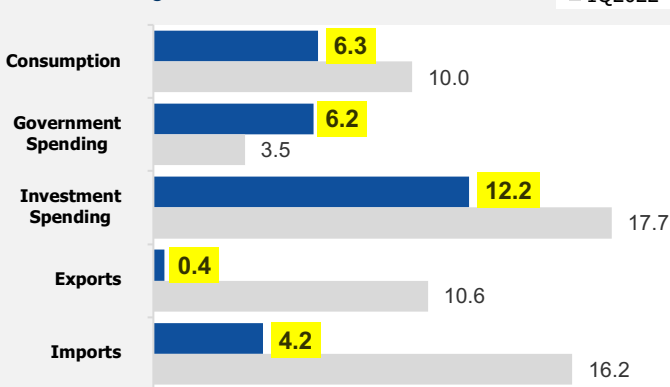
Metro Research

Philippines' Q1 2023 GDP Growth

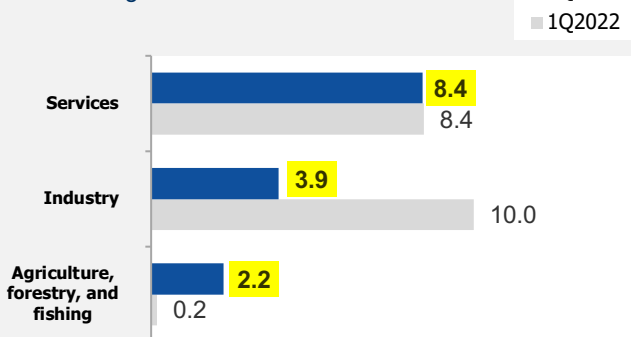
Real GDP (2018=100)
YOY % Change



Real GDP by Expenditure Shares (2018=100)
YoY % change



Real GDP by Industrial Origin (2018=100)
YoY% change



For comments and suggestions, please contact:

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Q1 2023 GDP growth exceeded expectations

The Philippine economy expanded by 6.4% year-on-year in the first quarter of 2023, faster than the 6.1% median analyst forecast from a BusinessWorld poll. This growth, however, was slower than the 7.1% clip reported in the previous quarter and the 8.0% growth during the same period last year. It was also the lowest print in nearly two years. Nonetheless, among Asian countries who have already released their Q1 2023 GDP data, the PH grew the fastest followed by Indonesia and China. This continued growth highlights still-strong pent-up demand, but already normalizing back to the growth trajectory pre-pandemic.

On the demand side, all components posted positive expansions. Consumption (C) grew 6.3% y-o-y driven by still strong demand, but slower than the 10% recorded in Q1 2022 due to the fading effects of the economic reopening. Government spending (G) expanded by 6.2% in the first quarter, higher than the 3.5% recorded in the same period last year, fueled by transportation and infrastructure projects. On the other hand, investment spending (I) posted a slower y-o-y growth of 12.2% in Q1 2023, coming from an already high base, where growth was at 17.7% during the same period last year. Export growth considerably slowed to 0.4% in Q1 2023 versus 10.6% in Q1 2022 due to global headwinds tempering demand. Import growth likewise substantially eased to 4.2% in the first quarter of this year (from 16.2% in the same quarter last year) given the normalizing of pent-up demand.

On the supply side, the services sector posted the highest growth at 8.4% in Q1 2023, maintaining its growth momentum from the same period last year. The robust growth in the services sector translated into improved labor force conditions showing positive improvement in unemployment and underemployment as well as increased employment especially in the transportation & storage, accommodation and food service activities, wholesale and retail trade, and construction sectors. Industry grew marginally by 3.9% in Q1 2023, down from 10.0% in the same period last year, mainly due to a decline in mining and quarrying output and slower growth in manufacturing as it is sensitive to global conditions and faced challenges from higher input costs. On the contrary, Agriculture, fisheries, and forestry saw a surprising growth of 2.2% in Q1 2023, compared to a mere 0.2% growth in Q1 2022. This growth was driven by annual increases in crop, livestock, poultry, and fisheries production.

Outlook

The Philippines' growth in the first quarter of this year remained robust but was slower than previous quarters as base effects from the lockdowns disappear. Pent-up demand continued to drive the expansion, though this is normalizing towards the pre-pandemic growth trajectory, noting the high growth environment last year due to said base effects and considerable lifting of COVID-19 curbs.

Challenges remain, however, as pent-up demand is fading and as inflation is expected to remain elevated due to high food and commodity prices, second-round effects, and external challenges such as the looming El Niño and global headwinds. The El Niño can affect the economy through the production side, especially the Agriculture sector. Possible recessions in advanced economies such as the US may also pull down the country's growth this year. Additionally, higher interest rates may likewise temper consumption and subsequently growth.

Albeit slower than last year's expansion, the Philippines is still expected to experience robust growth in 2023, now estimated at 6% and still in line with the 6%-7% government projections, given the growth potential of certain sectors that have not yet reached its pre-pandemic levels such as Tourism, Mining and Quarrying, and Accommodation and Food Service Activities.