21/06/2018

**Subject: Latest economic indicators in the Philippines**

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| **Economic growth** | **Philippine economy grew by 6.8 percent in the first quarter of 2018**.  This was faster than the growth recorded in the same quarter of 2017 (6.5 percent). Among the major economic sectors, Industry recorded the fastest growth at 7.9 percent, followed by Services with a growth of 7.0 percent. Agriculture grew at a slower pace of 1.5 percent.  According to most forecast, the Philippine GDP may grow by 6.8 percent in 2018, before accelerating to 6.9 percent in 2019. |
| **Inflation** | **Inflation rises to 4.6 percent year-on-year in May 2018.**  Inflation reaches a 5-year high amid price increases for petroleum products, alcoholic beverages and tobacco; non-alcoholic beverages and food items; transport; electricity, gas, and other fuels. Year-to-date average inflation of 4.1 percent is above the inflation target for 2018 of 3.0 percent ± 1.0 percentage point.  **On 20 June, the Monetary Board raised its policy interest rate by 25 basis points (bps) to 3.50 percent**. The Monetary Board noted that inflation expectations remained elevated for 2018. The decision follows a first increase by 25 bps last 10 May. The policy rate had remained unchanged since late 2014. The Monetary Board emphasized the BSP’s continued vigilance against excessive peso volatility, that could affect the outlook for inflation. |
| **External trade** | **In the first four months of 2018, exports ($20.9 billion) contracted by 6.2% year-on-year while imports ($33.2 billion) grew by 10%.** The country’s trade deficit widened to $12.2 billion, an increase by 59% from the US$7.7 billion deficit recorded in the same period of 2017. The government export and import growth targets for 2018 are 10% and 11%, respectively. |
| **Remittances** | **In April 2018, remittances from overseas Filipino workers increased by 12.9% y.o.y. to reach $2.6 billion compared to $2.3 billion in April 2017**. For the first four months of 2018, remittances reached $10.4 billion, 4% higher than the $10.0 billion remittances booked during the same period in 2018.  **By country source,** the combined remittances from the first ten countries accounted for 79.5% of total cash remittances during the period: USA, Saudi Arabia, United Arab Emirates, Japan, Singapore, United Kingdom, Canada, Germany, Qatar and Kuwait.  **The central bank’s remittances growth forecast for 2018 is 4%.** Remittances are projected to hit $29 billion. In 2017, remittances grew by 4.3% to reach $28.06 billion. |
| **FDI inflows** | **For the first quarter of 2018, FDI net inflows** **rose by 43.5 percent year-on-year to US$2.2 billion from US$1.5 billion in Q1 2017**. The sustained investment inflows reflect investors’ confidence in the country’s sound macroeconomic fundamentals and robust growth prospects. Net equity capital increased more than six fold to US$887 million, net investments in debt instruments reached US$1.1 billion and reinvestment of earnings was steady at US$193 million.  **In 2017, FDI net inflows had reached a record high of US$10.1 billion**, up by 21.4 percent from the year-ago level. |
| **FDI pledges** | **Total foreign investments approved in the first quarter of 2018** amounted to PhP 14.2 billion (US$273 million), **37.9 percent lower compared with Q1 2017** (PhP 14.2 billion). **Foreign investment accounted for 7.7 percent** of the total approved investments (foreign and national) which grew by 52.3 percent (PhP 185.0 billion) |
| **Infrastructure spending** | **Infrastructure spending up 34% in Q1 2018.** For the first quarter of 2018, government spending increased by 27%, exceeding the target by 3.5%. Infrastructure and capital outlays increased by 34% (US$3 billion), in excess of by 9.6% of the government target and accounting for 20% of total public spending. |
| **Government deb**t | Government **debt as a percentage of gross domestic product rose from a year earlier to 56.2%** in the first quarter of 2018 amid an increase in borrowing ahead of higher US interest rates.  However, net debt-GDP ratio which nets out the NG cash balance from the debt level, dropped from 40.1% to 39.6% |