15/05/2018

**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** | **Philippine inflation rises to 4.5 percent in April 2018.**  Inflation reaches a 5-year high amid price increases for alcoholic beverages and tobacco; transport; as well as housing, water, electricity, gas, and other fuels.  **On 10 May, the Monetary Board decided to increase its policy interest rate by 25 basis points to 3.25 percent**. The policy rate had remained unchanged since late 2014. In deciding to raise the policy interest rate, the BSP noted that inflation pressures could become more broad-based. Inflation may breach the inflation target range of 3.0 percent ± 1.0 percentage point for 2018 with price pressures emanating from possible adjustments in transport fares, utility rates, and wages. |
| **External trade** | **In the first quarter of 2018, exports contracted by 6% year-on-year while imports grew by 6.8%.** The country’s trade deficit widened to $8.7 billion, an increase by 42% from the US$6.1 billion deficit recorded in the first quarter of 2017. Both export and import growth figures are below the government’s targets of 10% and 11%, respectively, this year. |
| **Remittances** | **In March 2018, remittances sent by overseas Filipino workers totalled $2.6 billion, 9.9% lower than the $2.9 billion received in March 2017**. In the first-quarter of 2018, remittances reached $7.8 billion, 1.3% higher than the $7.7 billion remittances booked during the same period in 2017.  **The central bank’s remittances growth forecast for 2018 is 4%.** Remittances are projected to hit around $29 billion. In 2017, remittances grew by 4.3% to reach $28.06 billion. |
| **Foreign direct investments (FDI)** | **FDI net inflows for the first two months of 2018** **rose year-on-year by 52.6 percent to US$1.5 billion**. The sustained investment inflows reflect investor confidence in the country’s sound macroeconomic fundamentals and growth prospects.  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. |
| **Infrastructure spending** | **Infrastructure spending up 15.4% in 2017.** The amount spent by the government to build infrastructure in 2017 reached US$11 billion, exceeding the program (US$10.5 billion) by 3.5% as more projects were rolled out towards the end of the year.  For the January-February period of 2018, infrastructure and other capital outlays grew 34.6% as the government spent US$1.8 billion compared to US$1.3 billion in the first two months of 2017. |
| **Government deb**t | Even as the national **government’s outstanding debt** **rose to a record-high $127 billion in 2017**, its share to the gross domestic product remained the lowest since 1980 amid sustained robust economic growth. Based on the latest Bureau of Treasury data, the national government debt-to-GDP ratio stayed at **42.1 percent** at end-2017, similar to 2016. |