JOINT STATEMENT BY THE ECONOMIC MANAGERS ON THE PHILIPPINE ECONOMIC PERFORMANCE FOR THE SECOND QUARTER OF 2023

As the Philippine Statistics Authority reported, the Philippines' gross domestic product (GDP) for the second quarter of 2023 expanded at a moderate pace of 4.3 percent. This brings our real GDP growth to 5.3 percent for the first semester of the year.

To achieve the target growth rate of 6-7 percent for the year, the country's GDP needs to grow by at least 6.6 percent in the second half of 2023. Notwithstanding the challenges, we believe this is still attainable.

It is important to recognize the underlying growth drivers for the year's first half. Employment and jobs are at historic high levels, tourism growth areas are back, investment registration activities have significantly increased, and our students are back in school.

Since the opening of the economy last year, we have seen improvements in labor and employment conditions, with the services sector continuing to be a reliable source of economic activity, particularly with the recovery of food services and accommodation. We also note that both unemployment and underemployment rates have been declining while the labor force participation rate has been increasing, which implies that net employment generation has also been growing.

For the second quarter, the moderate economic expansion was driven by increases in tourism-related spending and commercial investments, but was tempered by high commodity prices, the lagged effects of interest rate hikes, the contraction in government spending, and slower global economic growth.

While government expenditure contracted by 7.1 percent in the absence of election-related spending in the first half of the year, government spending will accelerate in the coming quarters to allow us to recover our growth momentum.

To do this, we will accelerate the execution of government programs and projects, including the delivery of public services, under the 2023 national budget. Indeed, the Economic Development Group (EDG) has already been discussing how various government agencies can expedite the implementation of programs and projects for the rest of the year. Government agencies, including local and regional government entities, are encouraged, if not instructed, to formulate catch-up plans, accelerate, and even frontload the implementation of said programs and projects. Line agencies already have their catch-up plans and are enjoined to implement these urgently. Moreover, fiscal stimulus activities are underway to increase the productive capacities of both the public and private sectors. Meanwhile, to address the adverse impact of the recent typhoons and monsoon rains, we recommend the immediate use of the Quick Response Fund and other disaster-related budgetary instruments of the government.

Inflation in the country has been decelerating in recent months, reaching 4.7 percent in July 2023. Nevertheless, we will continue to intensify our supply-side interventions and demand-side management measures to maintain overall price stability amid upside risks such as weather disturbances, including El Niño, trade tensions, and the imposition of export bans in other countries. The improving outlook for inflation bodes well for the easing of interest rates and should pave the way for the expansion of activities of businesses, households, and the rest of the private sector. The government will also intensify its targeted measures to cushion the impact of high inflation on vulnerable sectors.

We shall continue to monitor closely the impact of the global economic slowdown and the recent wave of trade protectionism on the country's export sector. We will facilitate the diversification of external markets to expand opportunities for our exporters.

To aid in the design of policies and assistance measures, the government will also hold more discussions with sectors observed to be adversely affected by the global economic slowdown and shifts in demand preferences as the pandemic wanes and with those that have not yet returned to their pre-pandemic levels in terms of production and capacity. For example, the government is continuing its implementation of credit programs designed to provide loans for marginalized farmers and fisherfolk and micro and small enterprises at low-interest rates, with minimal or no collateral, and fewer documentary requirements.

We recognize that we shall continue to confront a challenging economic environment in 2023 and 2024.

The Economic Team is closely monitoring domestic and external developments and is ready to make policy adjustments to ensure that we attain our medium-term growth targets. We firmly believe that the prospects of the Philippine economy remain strong and positive. Our economy has weathered the worst and most challenging times during the pandemic. Now, we are better equipped and more resilient to withstand the various risks and challenges on both the external and domestic fronts.

Our robust growth strategies and the active participation of all sectors of society, especially our private partners, will keep us on track to achieving our social and economic transformation agenda toward a prosperous, inclusive, and resilient Philippines.

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