

# The Philippine Economy: 2018 as Prism

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# GDP Growth: New vs. Old Normal

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## Quantity:

- New Normal: 6.5% average GDP growth last six years.
- Old Normal: 4.8% the previous 8 years
- Old Normal: 4.0% the previous 30 years
- New Normal growth:: Leading performer in the fast growing Asian region.
- New Normal growth leader: Manufacturing

# GDP Growth: New vs. Old Normal

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## Quality:

- New Normal: Growth of Manufacturing exceeded that of Services
- Old Normal: Growth of Services exceeded that of Manufacturing
- New Normal: Switch in Growth Drivers from Non-Tradables (Services) to Tradables (Manufacturing)

# The Duterte Watch: Year One

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- The Duterte Watch: promise to match or exceed the new normal performance
- GDP Growth Y1: The 6.7% GDP growth > 6.5%
- Manufacturing growth: 8.8% > 6.8% Services
- The 7% target seems eminently doable
- The ADB estimate of 6.3% long-term potential growth seems conservative
- What with TRAIN 1 enacted in January 2018
- What with the BUILDx3 poised to be unleashed

# Duterte Watch: 2018

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- 2018 Q1:
  - GDP growth: 6.8%
  - Manufacturing growth: 8%
  - Services growth: 7%
  - Still New Normal Standard
- 2018 Q2:
  - GDP growth: 6.0% / 6.3%
  - Manufacturing growth: 5.6% / 6.62%
  - Services growth: 6.6% / 6.68%

# Duterte Watch: 2018 S1

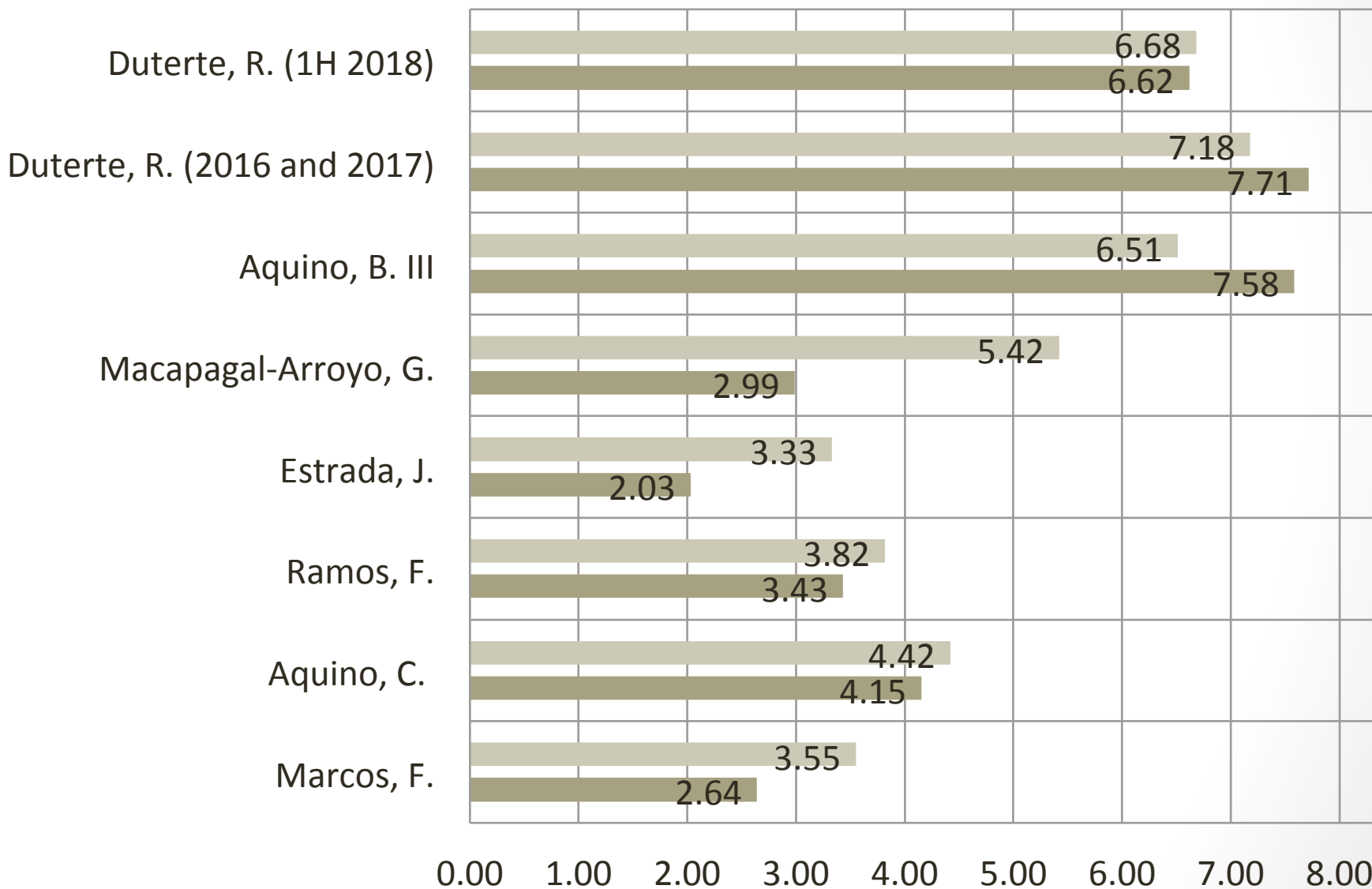
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- GDP growth S1: 6.3%  
Manufacturing growth: 6.62%  
Services growth: 6.68%
- Services recaptures the promontory
- Reverting to Old Normal Standard?:

Below is the comparative growth performance of the different presidential watches since 1970s.

# Manufacturing and Services Growth Performance under PHL Presidents

Services Manufacturing



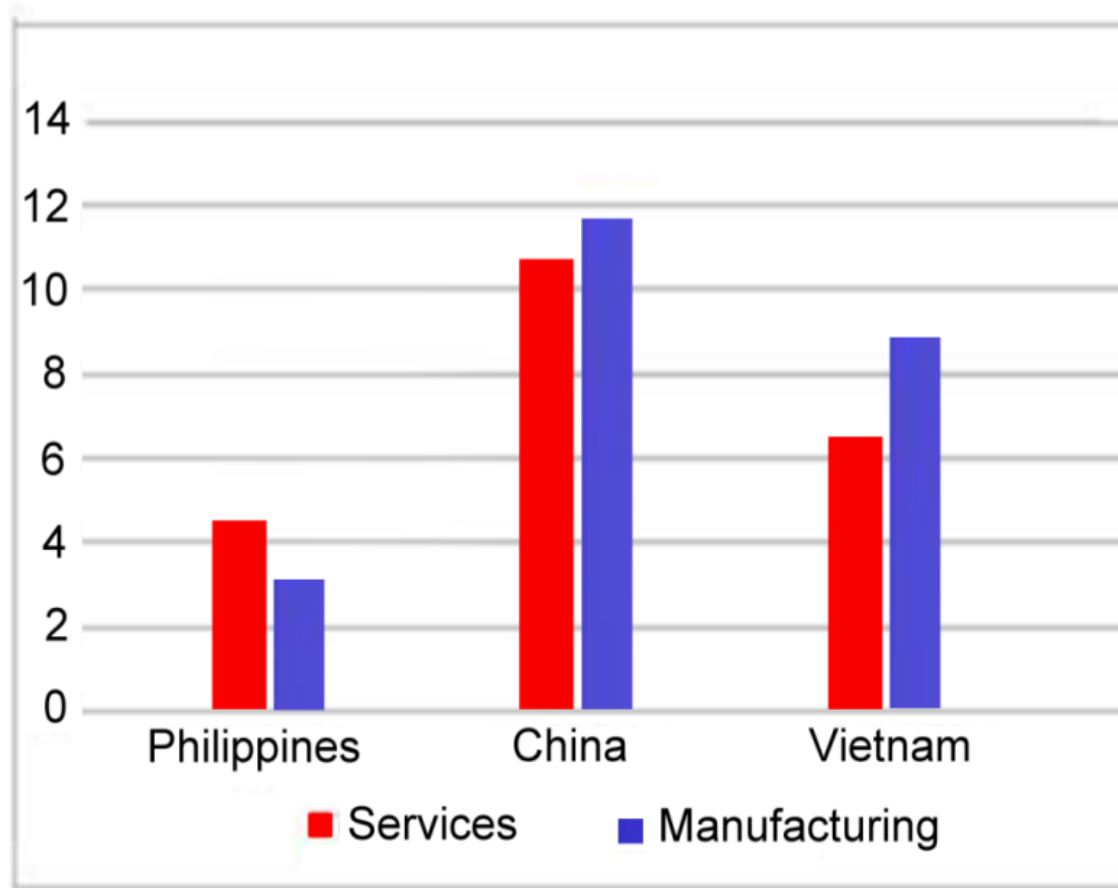
# Manufacturing and Inclusion

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- Inclusion as poverty reduction: fares better when Manufacturing growth exceeds Services growth in low-income countries.
- “Development progeria”: the name we also used for this phenomenon
- China, Vietnam and the Philippines illustrate this relation by way of contrast.

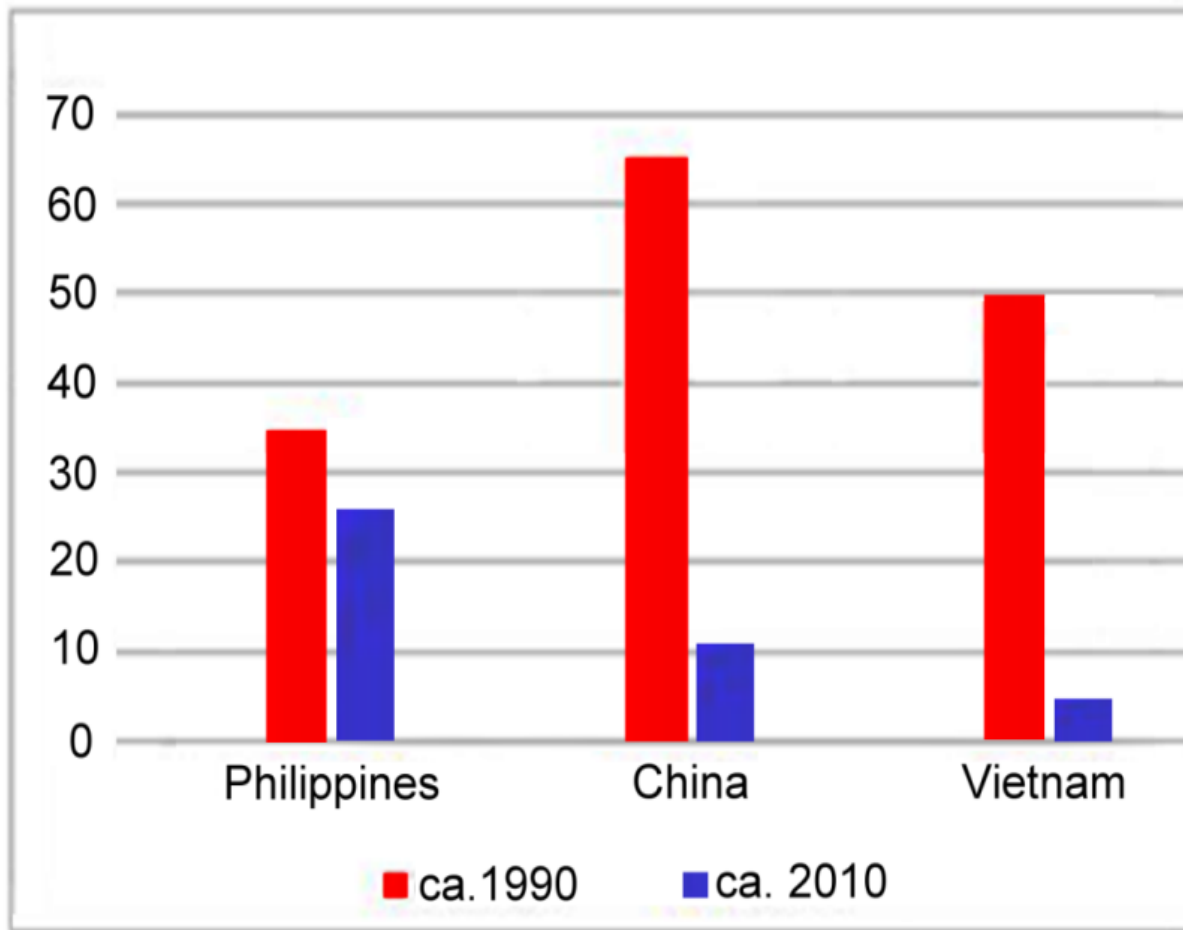


# Manufacturing vs. Services Growth



China, Vietnam, Philippines, 1990-2010

# Poverty Reduction



Poverty Reduction in China, Vietnam, Philippines,  
1990-2015

# Staying the New Normal Course

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- Keep TRAIN 1 on track: no step back on fuel excise
- Pass TRAIN 2 *but* with better regard for TRADABLES
- Minimize the uncertainties from the political projects: ENDO, Federalism, Populist entitlements
- Restore property rights stability in Agriculture

THANK YOU  
MABUHAY KAYO!