

# OCCASIONAL PAPER

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AN ASSESSMENT OF THE  
ECONOMIC  
PERFORMANCE  
**OF THE MARCOS JR.  
ADMINISTRATION**  
DURING ITS  
FIRST YEAR



# AN ASSESSMENT OF THE ECONOMIC PERFORMANCE OF THE MARCOS JR. ADMINISTRATION DURING ITS FIRST YEAR

This paper presents a brief assessment of the Philippine economy under the first year of the Marcos Jr. administration in terms of responding to the key challenge of raising the overall size of the economy and per capita income. The assessment covers the following nine areas. First, in terms of GDP, the country registered as the 10<sup>th</sup> fastest out of the 100 major economies and No. 1 in the top 50 largest GDP size. Second, while inflation continues it is met by "revenge spending," this response may spur a positive push towards faster growth in the next three quarters.

Third, when it comes to government borrowing rates and Central Bank rates, the series of interest rate hikes are geared to controlling high inflation, encourage people to save more and reduce spending, and defend the peso against further depreciation. Fourth, the ratings upgrade from "negative" to "stable" means that the risk of loan default is low while the country's ability to pay its financial obligations is high. Fifth, as a small merchandise exporter in the world but a medium size exporter in terms of services, export improvements and development are imperative. Sixth, the decrease in foreign direct investments was caused by capital flight back to the US from many countries due to high government borrowing rates and central bank rates.

Seventh, the decrease in unemployment in the last three quarters has translated to more job creation. Eighth, the performance of the agriculture sector suggest that more consideration should be given to large-scale corporate farming and modernization to improve output and productivity. Ninth, people mobility is characterized by the sale of vehicles manifesting consumer confidence where people are going out and spending more. In the final analysis, the Marcos Jr. administration is off to a good start.

\* THE VIEWS AND OPINIONS EXPRESSED IN THIS PAPER ARE THOSE OF THE AUTHOR AND DO NOT NECESSARILY REFLECT THOSE OF THE INSTITUTE.

In 2022, the Philippines was the world’s 39<sup>th</sup> largest economy by GDP nominal values, or 30<sup>th</sup> largest by GDP Purchasing Power Parity (PPP) values. Nominal values are country currency multiplied by average USD exchange rate on a particular year; PPP values adjust and equalize the purchasing power of different currencies by eliminating the differences in price levels between countries.

Since the Philippines is the 12<sup>th</sup> largest in population size in the world, its per-capita GDP is low compared to that of many other countries. Raising the overall size of the economy and per capita income is an important challenge for the administration of President Ferdinand E. Marcos Jr. This paper will make a brief assessment of whether the administration is doing enough to meet this challenge.

ASSESSMENT NO. 1: GDP GROWTH

As of June 30, 2023, 101 countries and territories have reported their GDP growth in the first quarter (Q1) of 2023. The Philippines’ growth of 6.4% was the 10<sup>th</sup> fastest out of 101. But among the major economies, the top 50 largest in GDP size, the Philippines was number one. This a big achievement by the administration and its economic team even as it has gone unnoticed by many sectors.

The second-quarter (Q2) 2023 GDP report is yet to be released on the second week of August. Thus, to assess the first year GDP performance of the administration, we will use only the last three quarters -- Q3 and Q4 of 2022 and Q1 of 2023 -- and compare them with same quarters of preceding years, as well as with the performance of other countries.

I grouped the countries into three. Group A are the G7 industrialized countries, Group B are the big economies of North and South Asia, and Group C are the ASEAN-6.

TABLE 1 . GDP SIZE IN 2022, IN BILLION DOLLARS

Country	Nominal	Rank	PPP Values	Rank
United States	25,464.5	1	25,464.5	2
China	18,100.0	2	30,217.0	1
Japan	4,233.5	3	6,138.9	4
Germany	4,075.4	4	5,347.4	5
India	3,386.4	5	11,855.4	3
UK	3,070.6	6	3,714.6	9
France	2,784.0	7	3,704.2	10
Russia	2,215.3	8	4,771.3	6
Canada	2,139.8	9	2,264.4	15
Italy	2,012.0	10	3,058.0	12
Brazil	1,924.1	11	3,837.2	8
Australia	1,701.9	12	1,628.9	20
Korea	1,665.2	13	2,774.6	14
Indonesia	1,318.8	16	4,036.9	7
Saudi Arabia	1,108.1	17	2,150.5	17
Taiwan	761.7	21	1,613.6	21
Thailand	536.2	27	1,482.3	24
Israel	522.5	29	500.0	49
Singapore	466.8	34	719.1	38
Bangladesh	460.2	35	1,339.8	25
Malaysia	407.9	36	1,134.7	31
Vietnam	406.5	37	1,321.2	26
Philippines	404.3	39	1,171.2	30
Pakistan	376.5	41	1,517.7	23
Hong Kong	361.0	42	507.1	48

SOURCE: IMF WORLD ECONOMIC OUTLOOK 2023 DATABASE;  
RANKING IS MADE BY THE AUTHOR

TABLE 2 . GDP GROWTH IN PERCENT, AVERAGE FOR Q3, Q4 AND Q1 OF EACH PERIOD

Country	2020 -21	2021-22	2022-23
A. Canada	0.8	3.8	2.7
Italy	-4.0	5.9	2.0
United States	-0.8	4.8	1.5
Japan	-2.2	1.1	1.1
UK	-9.1	9.3	0.9
France	-2.2	4.2	0.9
Germany	-2.3	2.3	0.6
B. India	-0.5	6.1	5.6
China	10.0	4.8	3.8
Korea	-0.1	3.7	1.8
Taiwan	6.3	4.5	0.0
C. Malaysia	-2.1	1.3	8.9
Vietnam	4.0	1.4	7.7
Philippines	-7.9	7.6	7.1
Indonesia	-2.1	4.5	5.3
Thailand	-4.3	1.3	2.9
Singapore	-1.2	5.9	2.2

SOURCE: MONTHLY DATA FROM TRADING ECONOMICS, AVERAGES  
FOR Q3, Q4 AND Q1 ARE AUTHOR COMPUTATIONS



The Philippines under the Marcos Jr. administration has the third fastest growth of 7.1% next to Malaysia’s 8.9% and Vietnam’s 7.7%. What makes the Philippines’ growth impressive is that it was a high growth over a high base the previous year, whereas Malaysia and Vietnam have high growth over a low base the previous year.

ASSESSMENT NO.2: INFLATION RATE

The Philippines suffered from high inflation of 8%+ in late 2022 to early 2023. By June 2023, this has decelerated to only 5.4%. This is a significant development.

Below I summarize the inflation rate in the first half (H1) or January-June, and second half (H2) or July-December of each year. The Philippines’ 7.2% under this administration indeed has the highest inflation rate in the ASEAN-6 and neighbors in North East Asia. But it is not as bad as those in UK, Italy and Germany, or Pakistan and Bangladesh.

Tracing the sources of high inflation, in the last 12 months, the main generator in H2 2022 was transport (high oil prices) followed by alcoholic beverages and tobacco (ABT), then food and non-alcoholic beverages (FNB). In H1 2023, the main generator is ABT followed by FNB then restaurants and accommodation/hotel services.

This may imply that “revenge spending” continues, and that people are going out to eat, drink and party more than before. If so, this may have positive push towards faster GDP growth in Q2 to Q4 this year.

ASSESSMENT NO.3: GOVERNMENT BORROWING RATES AND CENTRAL BANK RATES

The Philippines’ high borrowings after the severe lockdown policies of 2020-2021 exacerbated an already-high government 10-year

TABLE 3 . INFLATION RATE, IN PERCENT

Country	2020		2021		2022		2023
	H1	H2	H1	H2	H1	H2	H1
G7: UK	1.2	0.6	1.3	3.8	7.7	10.4	9.6*
Italy	0.1	-0.4	0.9	2.8	6.3	10.1	8.2
Germany	1.4	-0.3	1.9	4.3	6.7	9.1	7.4
France	0.8	0.2	1.1	2.3	4.5	6.0	5.6
US	1.2	1.3	3.4	6.0	8.3	7.7	5.3*
Canada	0.9	0.5	2.4	4.4	6.7	6.9	4.6*
Japan	0.3	-0.3	-0.7	0.2	1.7	3.4	3.5*
Pakistan	10.4	8.6	9.2	9.8	14.4	25.0	33.1
Bangladesh	5.6	5.7	5.4	5.7	6.6	8.8	9.3
India	6.6	6.6	5.2	5.0	6.8	6.6	5.5*
South Korea	0.5	0.6	1.9	3.1	4.6	5.6	4.0
Taiwan	-0.2	-0.3	1.5	2.5	3.1	2.8	2.3
China	3.9	1.2	0.5	1.3	1.7	2.3	0.8*
Philippines	2.2	2.6	4.0	3.9	4.4	7.2	7.2
Singapore	-0.2	-0.2	1.5	3.1	5.2	7.0	5.8*
Indonesia	2.6	1.5	1.5	1.7	3.0	5.4	4.6
Malaysia	-0.8	-1.5	2.4	2.6	2.5	4.2	3.4*
Vietnam	4.2	2.3	1.5	2.2	2.4	3.9	3.3
Thailand	-1.1	-0.6	0.9	1.6	5.6	6.6	2.5

\* JANUARY-MAY 2023 ONLY, NO JUNE DATA YET

SOURCE: MONTHLY DATA FROM TRADING ECONOMICS; SIX-MONTH AVERAGES ARE AUTHOR COMPUTATIONS

TABLE 4 . MAJOR SOURCES OF PHILIPPINES HIGH INFLATION, IN PERCENT

Commodity Group	July-Dec 2022	Jan-June 2023
Overall Inflation	7.2	7.2
Alcoholic Beverages and Tobacco	9.9	11.8
Food and Non -Alcoholic Beverages	8.4	8.8
Restaurants and Accommodation Services	5.2	8.2
Housing, Water, Electricity, Gas, Other Fuels	6.9	7.2
Furnishings, Household Equipment and Routine Household Maintenance	3.9	6.0
Personal Care, Misc. Goods and Services	3.7	5.5
Clothing and Footwear	6.9	4.9
Recreation, Sport and Culture	2.9	4.6
Transport	14.0	4.1
Health	2.6	3.9

SOURCE: MONTHLY DATA FROM PHILIPPINE STATISTICS AUTHORITY (PSA); SIX-MONTH AVERAGES ARE AUTHOR COMPUTATIONS.

bond rates that reached 7%+ in 2022 and 2023. While this is high, the percentage point increase was modest at around 2% from 2020 to 2023.

In contrast, the US and UK have 4%+ in 2022 to 2023. In 2020, the US had only 1.9% and UK had 0.8% peak rates.

The Philippines has a high Central Bank rate of 6.25%. It was only 2% in April 2022. The series of interest rate hikes by the Bangko Sentral ng Pilipinas was aimed at controlling high inflation rates, to encourage the people to save more and reduce spending, and to help prevent the peso from further depreciation.

The huge currency depreciation in many countries around the world in late 2022 was mainly due to aggressive and fast interest rate hikes by the US Federal Reserve. US dollar investments abroad not earning enough returned to the US to take advantage of high returns from high Fed rates. This pushed many national currencies to depreciate deep, which also prompted central banks in other countries to also raise their interest rates.

ASSESSMENT NO.4: RATINGS UPGRADE

On May 22, 2023, the Philippines earned a ratings upgrade from Fitch. This outlook moved from “negative” to “stable.” Philippines rating remains at “BBB” which is considered “investment grade” and above the “speculative grade” of “BB” to “D”. A BBB stable means that the risk of loan default is low, and the country’s ability to pay its financial obligations is high.

TABLE 5 . GOVERNMENT BOND 10 YEARS, MONETARY AUTHORITIES INTEREST RATES, IN PERCENT

Country	Government Bond 10Y Peak				MA Int. 2022			MA Int. 2023	
	2020	2021	2022	2023	April	Aug.	Dec.	April	June
US	1.88	1.73	4.23	4.08	0.5	2.5	4.5	5.0	5.25
Canada	1.62	1.78	3.68	3.57	1.0	2.5	4.25	4.5	4.75
UK	0.79	1.17	4.50	4.65	0.75	1.75	3.50	4.25	5.0
Italy	2.39	1.22	4.82	4.62	0	0.5	2.5		
France	0.36	0.29	2.99	3.24	0	0.5	2.5		
Germany	0.24	-0.11	2.44	2.75	0	0.5	2.5		
Korea	1.75	2.56	4.66	3.84	1.25	2.25	3.25	3.5	3.5
China	3.31	3.37	2.95	2.98	3.70	3.70	3.65	3.65	3.55
Taiwan	0.69	0.69	1.94	1.28	1.35	1.50	1.75	1.88	1.88
Japan	0.04	0.16	0.48	0.51	-0.1	-0.1	-0.1	-0.1	-0.1
Philippines	5.49	5.34	7.70	7.13	2.00	3.25	5.50	6.25	6.25
Indonesia	8.32	6.81	7.65	7.04	3.50	3.50	5.50	5.75	5.75
Vietnam	3.62	2.43	5.21	5.03	4.0	4.0	6.0	5.5	4.5
Malaysia	3.57	3.67	4.58	4.09	1.75	2.25	2.75	2.75	3.0
Singapore*	1.78	1.84	3.63	3.44	0.50	0.75	1.65	3.6	3.79
Thailand	1.82	2.09	3.39	2.56	0.50	0.75	1.25	1.75	2.0

\* SINGAPORE HAS DAILY INTEREST RATES; NUMBERS HERE ARE JUST ESTIMATES FOR THE MONTH.  
SOURCE: TRADING ECONOMICS

TABLE 6 . RATINGS, OUTLOOK ALL STABLE

Country	Fitch	S&P	Moody's
Singapore	May 2003: AAA	Mar. 1995: AAA	June 2002: Aaa
S. Korea	Sept 2012: AA -	Aug. 2016: AA	Dec. 2015: Aa2
Taiwan	Sept 2021: AA	Apr. 2022: AA+	Sept 2022: Aa3
Hong Kong	Apr 2020: AA -	Sept 2017: AA+	Jan 2020: Aa3
China	Nov. 2007: A+	Sept 2017: A+	May 2017: A1
Japan	Mar. 2022: A	June 2020: A+	Dec. 2014: A1
Malaysia	Dec. 2020: BBB+	June 2022: A -	Jan. 2016: A3
Thailand	Mar. 2020: BBB+	Apr. 2020: BBB+	Apr. 2020: Baa1
Philippines	May 2023: BBB	Apr. 2019: BBB+	Dec. 2014: Baa2
Indonesia	Dec. 2017: BBB	Apr. 2022: BBB	Apr. 2018: Baa2
India	June 2022: BBB -	Sept 2014: BBB -	Oct. 2021: Baa3
Vietnam	Apr. 2021: BB pos.*	May 2022: BB+	Sept 2022: Ba2
Bangladesh	Aug. 2014: BB -	Apr 2010: BB -	May 2023: B1

\* SINGAPORE HAS DAILY INTEREST RATES; NUMBERS HERE ARE JUST ESTIMATES FOR THE MONTH.  
SOURCE: TRADING ECONOMICS

ASSESSMENT NO.5: EXPORTS PERFORMANCE

The Philippines remains a small merchandise exporter in the world although it is a medium size exporter of services, mainly from remittances by Overseas Filipino Workers (OFWs) and the Business Process Outsourcing (BPO) sector here.

Merchandise exports in the first three quarters under this administration was USD 57 billion, or almost one-fourth of Thailand and Indonesia, one-fifth of Malaysia and Vietnam.

Meanwhile, there was a drop in exports not only of Russia but also Japan, South Korea, Taiwan, Vietnam, Thailand, and the Philippines. The main gainers or high percentage growth were the US, UK and Canada.

ASSESSMENT NO.6: FOREIGN DIRECT INVESTMENT

After a fast recovery in foreign direct investment (FDI) in H2 2021 at USD 7.76 billion, it was down to USD 4.41 billion in H2 2022 or -42% change under the Marcos Jr. administration. This is the period where capital flight back to the US from many countries occurred, as discussed under Assessment No.3. Hence, it may be a case of the Marcos Jr. administration being at the right place but at the wrong time in terms of FDI net outflows.

ASSESSMENT NO.7: EMPLOYMENT

The high GDP growth experienced by the Philippines in the last three quarters has been translated to greater job creation. Unemployment rate has declined to only 4.3% in May 2023. Unemployment rate has declined from 7.7% in May 2021, 6.0% in May 2022, and only 4.3% in May 2023. Many other countries also experienced deceleration in

TABLE 7 . MERCHANDISE EXPORTS, TOTAL FOR Q3, Q4 AND Q1 OF PERIODS INDICATED, USD BILLION

Economy	2021-22	2022-23	% Change
World	17,551.7	18,169.6	3.5
US	1,390.9	1,561.8	12.3
Germany	1,239.7	1,247.5	0.6
Italy	474.2	493.3	4.0
France	452.3	468.6	3.6
Canada	405.9	434.5	7.1
UK	364.2	408.8	12.2
Russia	440.7	383.8	(12.9)
China	2,660.3	2,690.3	1.1
Japan	575.2	547.3	(4.8)
S. Korea	514.7	484.4	(5.9)
Singapore	365.0	375.3	2.8
Taiwan	360.0	330.0	(8.3)
India	326.5	330.1	1.1
Viet Nam	267.4	263.7	(1.4)
Malaysia	238.7	260.5	9.1
Indonesia	194.8	218.0	11.9
Thailand	213.2	208.3	(2.3)
Philippines	58.1	57.3	(1.4)
Bangladesh	38.6	41.7	8.1

SOURCE: QUARTERLY DATA FROM [HTTPS://STATS.WTO.ORG/](https://stats.wto.org/); SUM OF THREE QUARTERS AND % CHANGE ARE AUTHOR COMPUTATIONS

TABLE 8 . NET FDI IN THE PHILIPPINES

Net FDI	July-December			January-April		
	2020	2021	2022	2021	2022	2023
USD Billion	3,755	7,651	4,406	3,037	3,562	2,919
Change		103.8%	-42.4%		17.3%	-18.1%
By country of origin						
Japan					173.6	201.1
Malaysia					104.4	15.4
US					94.1	44.4
Kuwait					38.4	0
Singapore					37.3	66.5
Netherlands					8.5	-22.4

SOURCE: [HTTPS://WWW.BSP.GOV.PH/STATISTICS/EXTERNAL/FDI\\_YTD.ASPX](https://www.bsp.gov.ph/statistics/external/fdi_ytd.aspx)

TABLE 9 . UNEMPLOYMENT RATE, PERCENTAGE OF LABOR FORCE

Country	May-20	May-21	May-22	May-23
G7: Italy	8.7	9.9	8.1	7.6
France*	7.9	8.2	7.3	7.1
Germany	6.3	6.0	5.0	5.6
Canada	13.7	8.2	5.2	5.2
UK	4.1	4.8	3.8	3.8**
US	13.2	5.8	3.6	3.7
Japan	2.8	3.0	2.6	2.6
India	21.7	11.9	7.1	7.7
Indonesia*	4.9	6.3	5.8	5.5
China	5.9	5.0	5.9	5.2
Philippines	5.3***	7.7	6.0	4.3
Malaysia	5.3	4.5	3.9	3.5**
Taiwan	4.2	4.2	3.7	3.5
S. Korea	4.3	3.8	2.8	2.5
Singapore*	2.5	2.9	2.2	1.8
Thailand*	1.0	2.0	1.5	1.1

\* MARCH EACH YEAR; \*\* APRIL 2023 FOR UK AND MALAYSIA; \*\*\* PHILIPPINES

SOURCE: TRADING ECONOMICS

unemployment rates but not as significant as the Philippines’ rates, which halved under the current administration.

ASSESSMENT NO.8: AGRICULTURE, FISHERY AND FORESTRY (AFF) PERFORMANCE

The President is also the Agriculture Secretary. A review of Gross Value Added (GVA) in AFF in the last three quarters shows that overall AFF performance, 1.3% growth, is modest. The quarterly growth of AFF from Q3, Q4 of 2022 and Q1 of 2023 were 2.1%, -0.3%, and 2.2% respectively. The last time that AFF had a growth above 2.0% was in Q3 2019 at 3.0%,

Agriculture and fishery growth remains muted and low. The administration should consider more large-scale corporate farming in more sub-sectors. Adoption of modern machines, technology and farming practices will greatly help improve output and productivity in the sector.

ASSESSMENT NO.9: PEOPLE MOBILITY

Another indicator of consumer confidence, as people going out and spending more, is the sale of vehicles. There has been fast growth in this sub-sector under the current administration, a 9.4% growth in H2 of 2022 and 30% growth in H1 2023.

TABLE 10 . GVA IN AFF, PERCENT DISTRIBUTION AND PERCENT GROWTH, Q3, Q4 AND Q1 OF EACH PERIOD

Sub-sector or Sub-industry	Percent Share GVA 2022-2023	Growth Rate, In Percent			
		2019-2020	2020-2021	2021-2022	2022-2023
Palay	21.5	-3.9	7.6	1.3	1.0
Fishing and aquaculture	12.1	0.8	-0.8	-1.5	-2.0
Poultry and egg production	10.8	5.8	-5.3	5.6	3.7
Livestock	10.3	-1.9	-14.7	-8.8	4.3
Banana	7.3	-2.2	0.3	-0.7	-0.2
Corn	6.4	4.1	3.6	3.3	-0.4
Coconut including copra	5.3	-0.4	-1.3	2.2	1.9
Support activities to AFF	10.9	5.3	4.9	5.7	3.6
GVA in AFF	100.0	1.2	-0.9	0.0	1.3

SOURCE: QUARTERLY DATA FROM PSA; THREE-QUARTER AVERAGES ARE AUTHOR COMPUTATIONS

TABLE 11 . PHILIPPINES PASSENGER VEHICLE SALES

Year	Number of Units		Percent Change	
	January-June	July-December	January-June	July-December
2019	52,418	56,779		
2020	23,912	45,726	- 54.4	- 19.5
2021	42,406	42,854	77.3	- 6.3
2022	39,003	46,894	- 8.0	9.4
2023	50,848		30.4	

SOURCE: CHAMBER OF AUTOMOTIVE MANUFACTURERS OF THE PHILIPPINES



## SUMMARY AND CONCLUSION

From the nine areas of assessment, the administration's performance could be characterized as follows:

1. Good in four areas: GDP growth, ratings upgrade, low unemployment, and people mobility.
2. Modest or mild performance in four areas: interest rate, merchandise exports, FDI, and agriculture.
3. Poor performance in controlling high inflation. Still, as discussed above, the areas where commodity inflation is high also point to high consumer spending of “less necessities” like ABT and accommodation/hotels. In this case, high consumer confidence may just prod other sectors to expand production.

The first year of the Marcos Jr. administration therefore is off to a good start, creating more jobs and opportunities for Filipinos and foreigners doing business here.

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- <sup>2</sup> Page 2: [blogs.worldbank.org/voices/return-global-inflation](https://blogs.worldbank.org/voices/return-global-inflation)
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ABOUT



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