

ATENEO CENTER FOR ECONOMIC  
RESEARCH AND DEVELOPMENT

**PHILIPPINE  
ECONOMIC OUTLOOK 2021:  
RECOVERY PROSPECTS AMIDST VIRUS  
RESURGENCE**

*ALVIN ANG, PhD  
Director, ACERD and  
Professor, Economics Department  
May 2021*

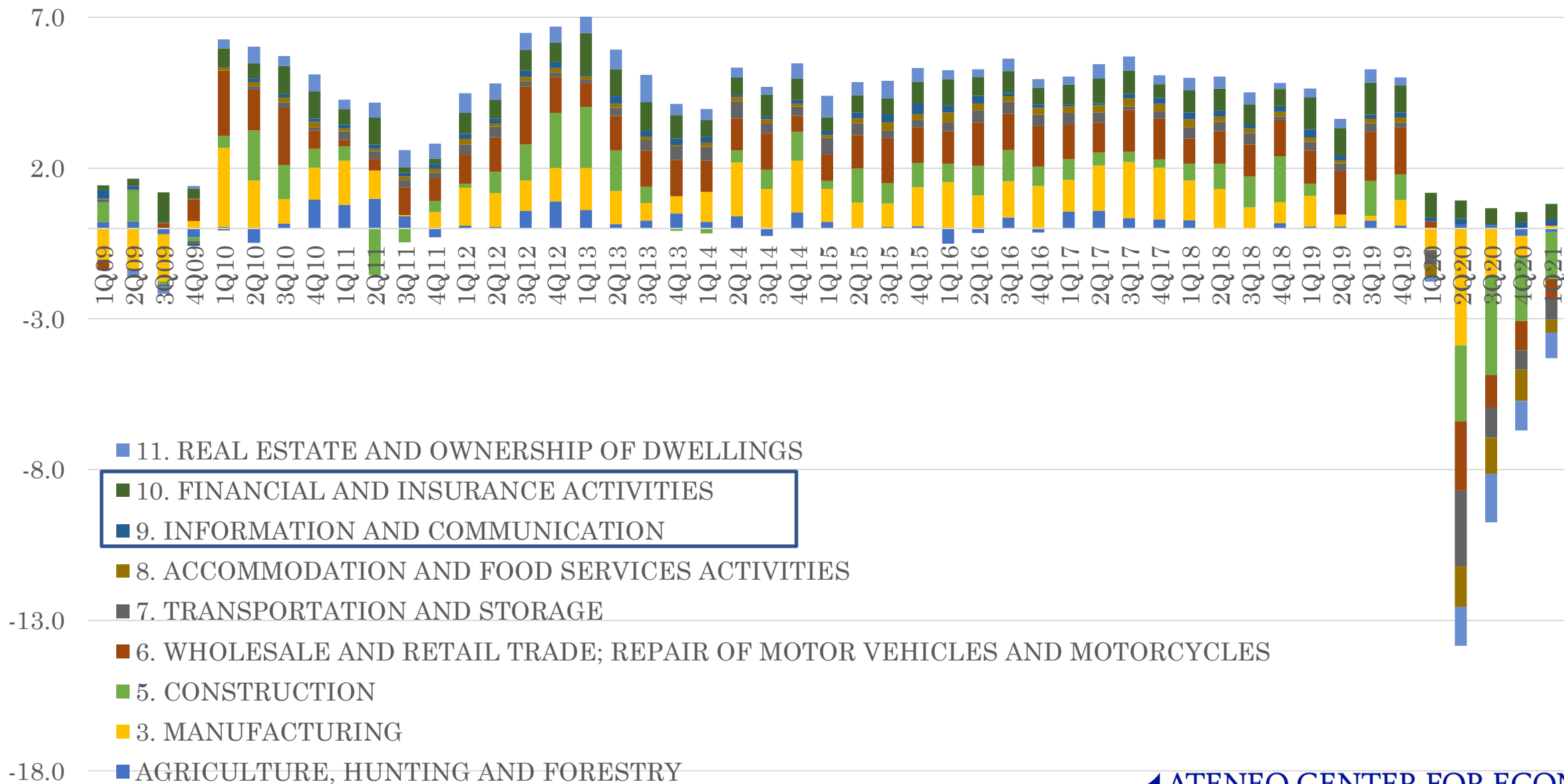
## OUTLINE

- Facts for Recovery
- World Recovery – an imperative
- Which industries are growing/need to grow
- Employment will follow
- Where are the opportunities for growth
- Estimates

# PRE-PANDEMIC ECONOMIC STRUCTURE

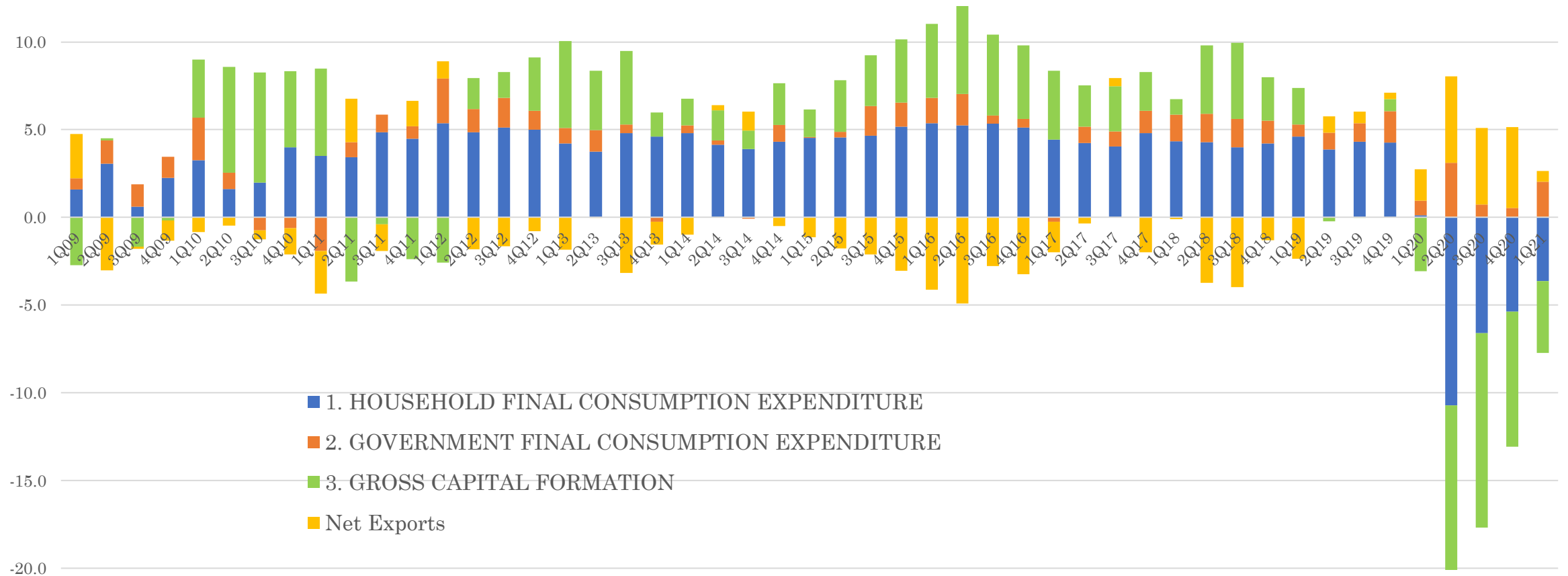
- Strong Household Consumption
- Strong Investments
- Moderate Government Participation
- Large Trade Deficit
  
- Weak Agriculture
- Moderate Manufacturing
- Services led by Wholesale and Retail Trade, Construction, Finance
- Supported by Business Process Outsourcing and some FDI
- Boosted by OFW Remittances

# CONTRIBUTION TO GROWTH

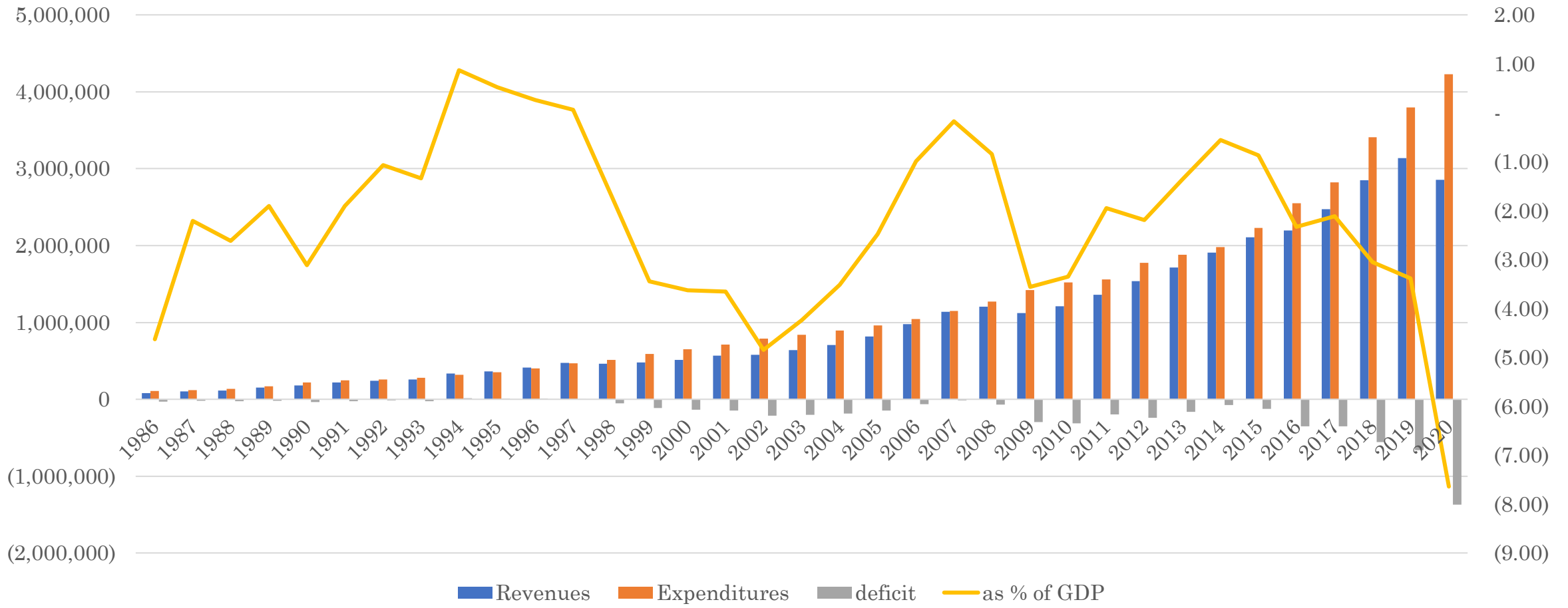


# QUICK RECOVERY IS DEPENDENT ON CONDITIONS BEFORE PANDEMIC

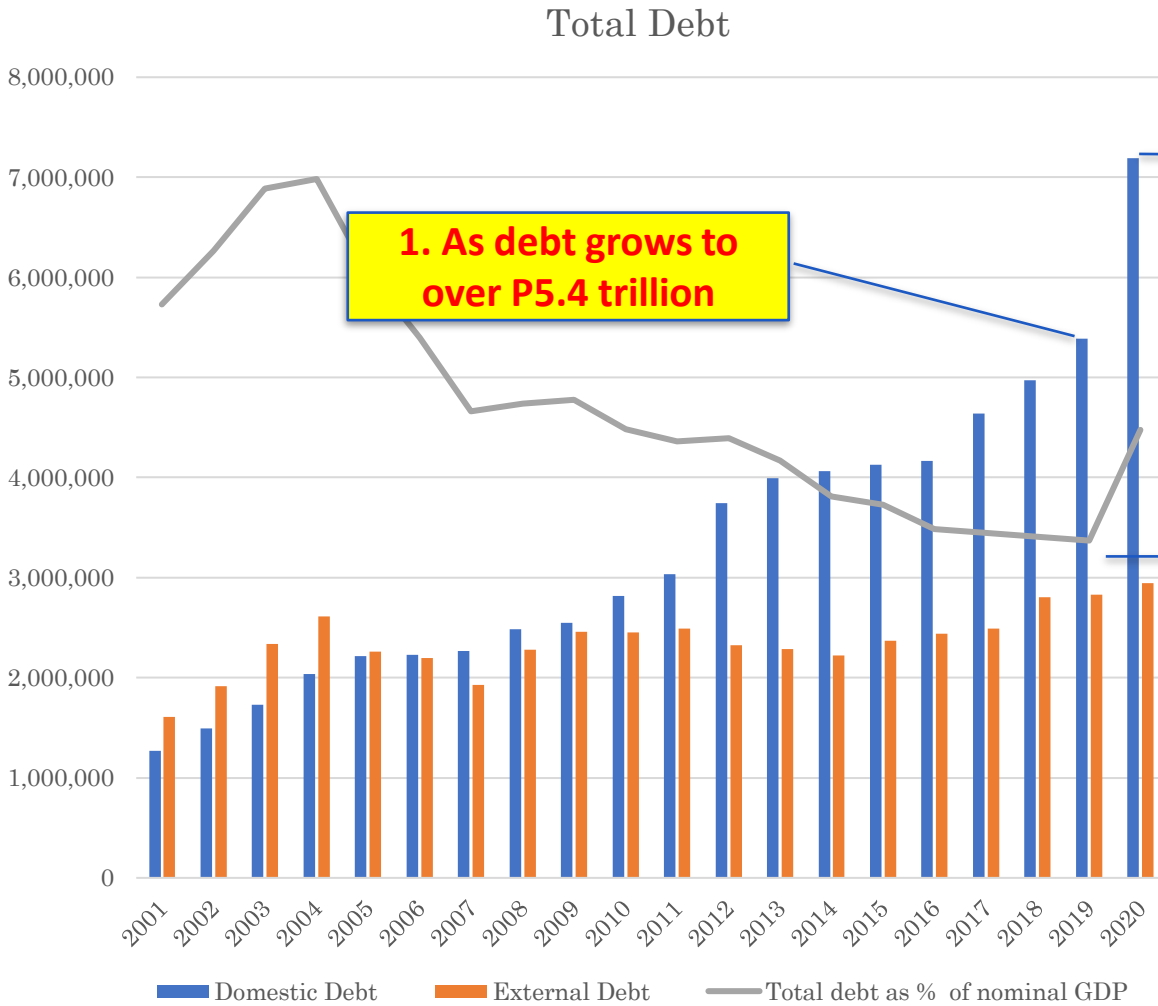
CONTRIBUTION TO GROWTH



# FISCAL POSITION WORSENE



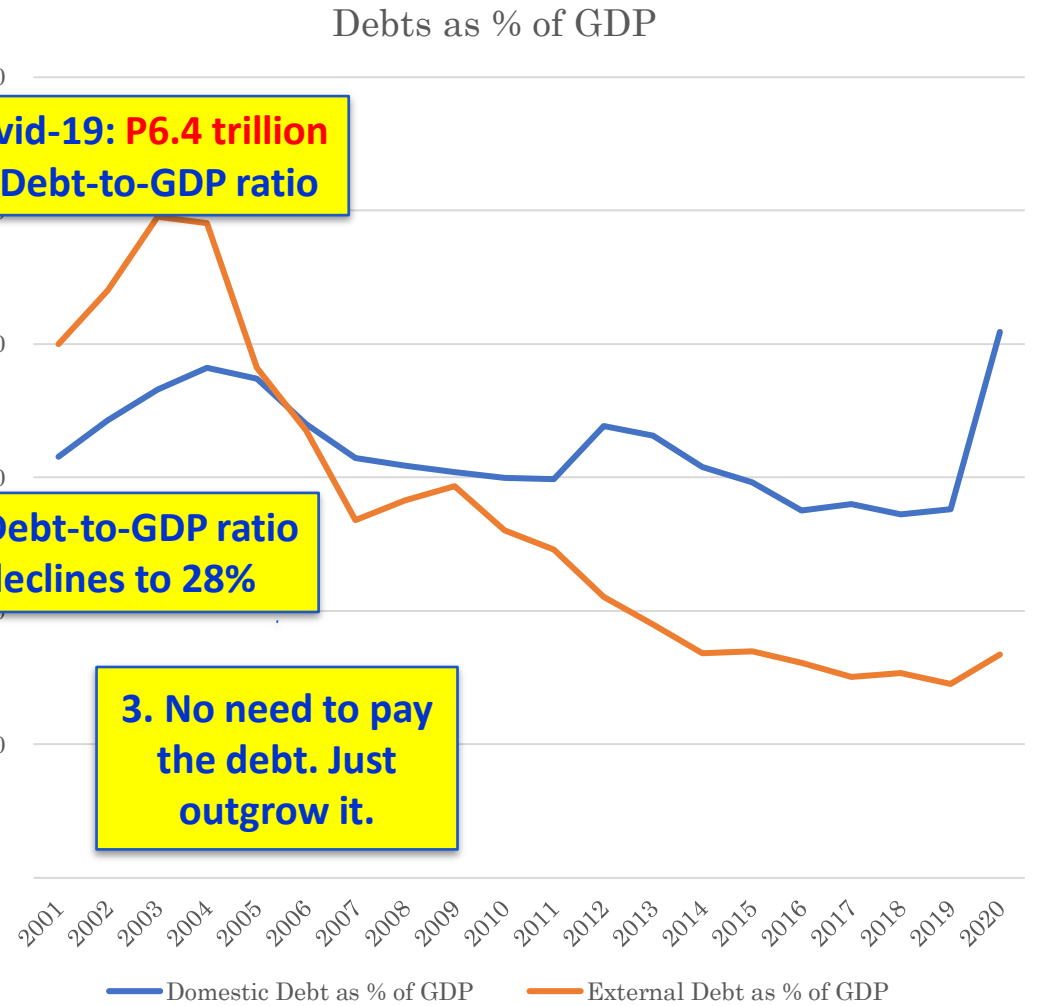
# GOVERNMENT HAS TO BORROW



**4. Covid-19: P6.4 trillion  
36% Debt-to-GDP ratio**

**2. Debt-to-GDP ratio declines to 28%**

**3. No need to pay the debt. Just outgrow it.**



## FACTS FOR RECOVERY

### Public Health Prioritization

- Economic Activity will remain depressed as long as the threat of the virus remain
- Government has to boost public health defense

### Negative Shock will linger

- Global Response is uncoordinated
- Borders will remain restricted
- Economic activity will be volatile

### Economic Pre- condition matters

- How big is informality and public services
- How dependent is a country on tourism, remittances, exports and FDI



# PUBLIC HEALTH PRIORITIZATION

	APRIL 2020	APRIL 2021
Total Tests Conducted	89,889	1,190,873
Daily Test Conducted	4,895	42,981
Number of Laboratories	19	216
Ward beds	1,444	11,193
Isolation beds	4,746	19,445
ICU beds	800	2,810
Number of Active Cases	7,777	71,472
Number of Health Workers affected	1,434	15,662*
Positivity Rate	12%	10.1%

\*As of March 2021, Source: DOH

# TESTS PER CASE SPELL THE DIFFERENCE OF GROWTH, LOCKDOWNS AND LIVELIHOODS

<i>Determinant</i>	<i>Output</i>	<i>COVID suffering</i>	<i>Public health policy responses</i>		<i>Domestic exposure</i>	<i>Fiscal capacity</i>
<i>Proxies</i>	<i>2020 GDP growth</i>	<i>deaths per million</i>	<i>Tests per case</i>	<i>Stringency Index (average)</i>	<i>Tourism (% of GDP)</i>	<i>Gross debt position (% of GDP)</i>
Cambodia	-3.1	0	897	38	16	32
China	2.3	0	1,853	68	0	62
Fiji	-19.0	3	240	51	30	84
Indonesia	-2.1	81	6	54	2	39
Lao PDR	0.4	0	2,080	35	5	60
Malaysia	-5.6	15	244	54	6	68
Mongolia	-5.4	1	1,180	58	4	60
Myanmar	1.7	49	336	60	3	42
Philippines	-9.5	84	17	66	3	49
PNG	-3.8	1	47	43	0	47
Thailand	-6.1	1	880	46	13	50
Timor-Leste	-7.3	0	382	32		12
Tonga	-1.5	0		40	10	42
Vietnam	2.9	0	4,277	57	4	47
EAP median	-4.0	4	113	50	3	47
World median	-5.2	81	48	52	3	62

Source: World Bank, April 2021



# VACCINE STATISTICS

As of May 11, 2021

## TOTAL DOSES 7,764,050

DISTRIBUTED

# 83%

6,408,640

3,688 Vaccination Sites

ADMINISTERED

# 2,539,693

78% 1ST DOSE  
2,025,038

20% FULLY VACCINATED  
(Completed 2nd Doses)  
514,655

of the Isfest Total Allocation (2,611,130)

7-DAY AVERAGE OF DAILY VACCINATED INDIVIDUALS: **67,780**

Region	NO. OF 1ST DOSES ADMINISTERED (%) VS TOTAL ALLOCATION PER REGION FOR 1ST DOSE		NO. OF DOSES RECEIVED	NO. OF 2ND DOSES ADMINISTERED (%) VS TOTAL ALLOCATION PER REGION FOR 2ND DOSE		NO. OF DOSES RECEIVED
	1st Dose Administered (%)	1st Dose Total Allocation		2nd Dose Administered (%)	2nd Dose Total Allocation	
CAR	45,788/48,840 (94.1%)	48,840	123,280	17,805/48,840 (35.0%)	48,840	148,240
REGION 1	66,711/80,840 (85.0%)	80,840	238,080	27,403/80,840 (33.9%)	80,840	226,680
REGION 2	67,833/71,440 (94.7%)	71,440	134,780	10,779/71,440 (15.1%)	71,440	311,730
REGION 3	178,720/218,940 (81.6%)	218,940	631,620	24,831/218,940 (11.3%)	218,940	169,420
REGION 4A	213,003/262,990 (81.0%)	262,990	446,180	23,894/262,990 (8.7%)	262,990	145,020
NCR	717,983/1,076,195 (66.7%)	1,076,195	2,495,970	247,343/1,076,195 (23.0%)	1,076,195	65,600
REGION 4B	38,277/49,100 (78.0%)	49,100	121,600	5,829/49,100 (11.9%)	49,100	
REGION 5	76,121/89,920 (83.6%)	89,920	192,340	8,146/89,920 (9.7%)	89,920	
REGION 6	88,731/111,220 (80.7%)	111,220	339,640	24,180/111,220 (21.7%)	111,220	
REGION 7	117,043/132,820 (88.4%)	132,820	396,290	38,320/132,820 (29.7%)	132,820	
REGION 8	75,155/84,480 (89.0%)	84,480	222,170	8,416/84,480 (10.0%)	84,480	
REGION 9	49,637/57,520 (86.3%)	57,520	148,240	15,142/57,520 (26.3%)	57,520	
REGION 10	96,602/97,140 (99.4%)	97,140	226,680	15,608/97,140 (17.9%)	97,140	
REGION 11	65,141/85,240 (76.4%)	85,240	311,730	21,496/85,240 (25.2%)	85,240	
REGION 12	89,093/92,210 (95.7%)	92,210	169,420	8,187/92,210 (12.7%)	92,210	
CARAGA	56,624/57,613 (98.3%)	57,613	145,020	8,325/57,613 (12.0%)	57,613	
BARMM	15,864/32,800 (47.8%)	32,800	65,600	3,205/32,800 (9.8%)	32,800	

\* The total doses have increased with the arrival of the 1,500,000 Coronavac doses last 7 May, 2021, the 2,230,420 AstraZeneca doses last 4 May, 2021, and the 783,050 Pfizer doses last 10 May, 2021. Distribution of these doses have already begun, and are already reflected in this report. Both these additional doses, more priority groups will be covered.

\*\* DND and AFP have received a total of 102,200 doses of vaccines. Data on vaccines administered are incorporated in the Regional Breakdown.

\*\*\* Roll-out of the 2nd dose for Priority Group A1 has begun in all regions, maximizing protection against COVID-19. Roll-out for Priority Group A2 has begun in all regions, and A2 2nd doses have begun in Regions 1, 3, 4A, 4B, 5, 6, and in CAR and NCR. Vaccination roll-out for Priority Group A3 has begun in Regions 2, 3, 4A, 4B, 5, 6, 7, 8, 9, 12, and in CARAGA, BARMM, CAR, and NCR; and A3 2nd doses have begun in Regions 2, 3, 4A, 5, 6, and in CAR and NCR. The vaccination for Priority Group A4 has begun in all regions under the symbolic vaccination of A4 in recognition of Labor Day.

Current deployment is for Priority Groups A1, A2, A3, and A4 (ceremonial vaccination only for Labor Day) all of whom were given CoronaVac, AstraZeneca, or Sputnik V vaccines.

## VACCINATION STATUS (AS OF MAY 11, 2021)

## VACCINES ARE ALREADY AVAILABLE BUT...

## AT CURRENT RATE, WE NEED 3 YEARS



Halina't mag-pabakuna, at sama-sama tayong sa **BIDA BAKUNATION!**



# HOW MUCH DID WE SPENT FOR COVID<sub>19</sub> IN 2020?

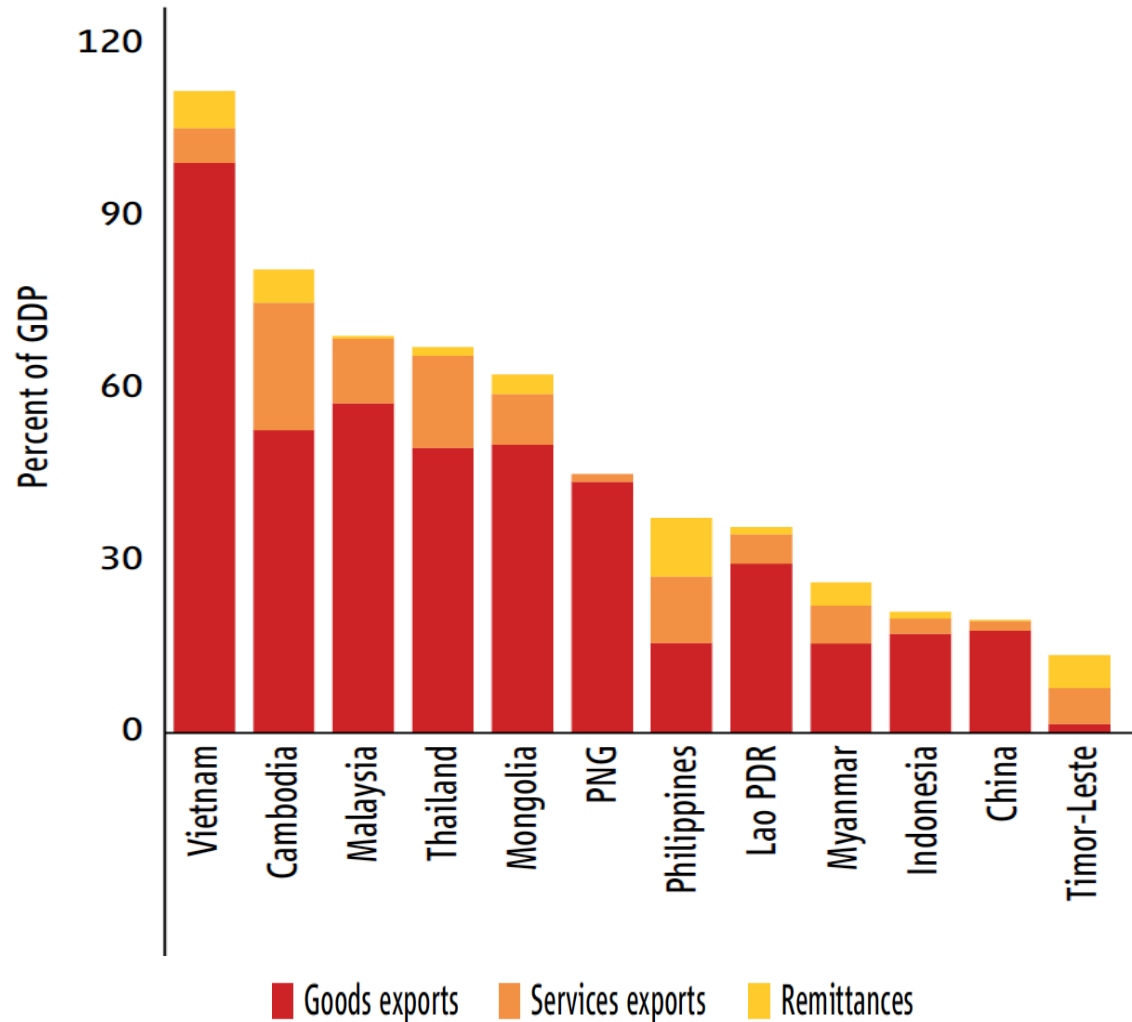
	USD Billion				Percent of GDP			
	Above the line measures				Above the line measures			
	Additional spending or foregone revenues			Accelerated spending / deferred revenue	Additional spending or foregone revenues			Accelerated spending / deferred revenue
Subtotal	Health sector	Non-health sector	Subtotal		Health sector	Non-health sector		
Brazil	126	17	109	39	8.8	1.2	7.6	2.7
China	711	21	689	232	4.8	0.1	4.7	1.6
India	90	10	80	19	3.3	0.4	3.0	0.7
Indonesia	48	19	29		4.5	1.8	2.7	
Singapore	54.5	0.6	53.9		16.0	0.2	15.9	
Malaysia	15.1	0.4	14.7	0.0	4.5	0.1	4.3	0.0
<b>Philippines</b>	<b>9.8</b>	<b>1.5</b>	<b>8.3</b>		<b>2.7</b>	<b>0.4</b>	<b>2.3</b>	
Thailand	41.2				8.2			
Vietnam	4.8	0.0	4.8	7.8	1.4	0.0	1.4	2.3

Source IMF, April 2021

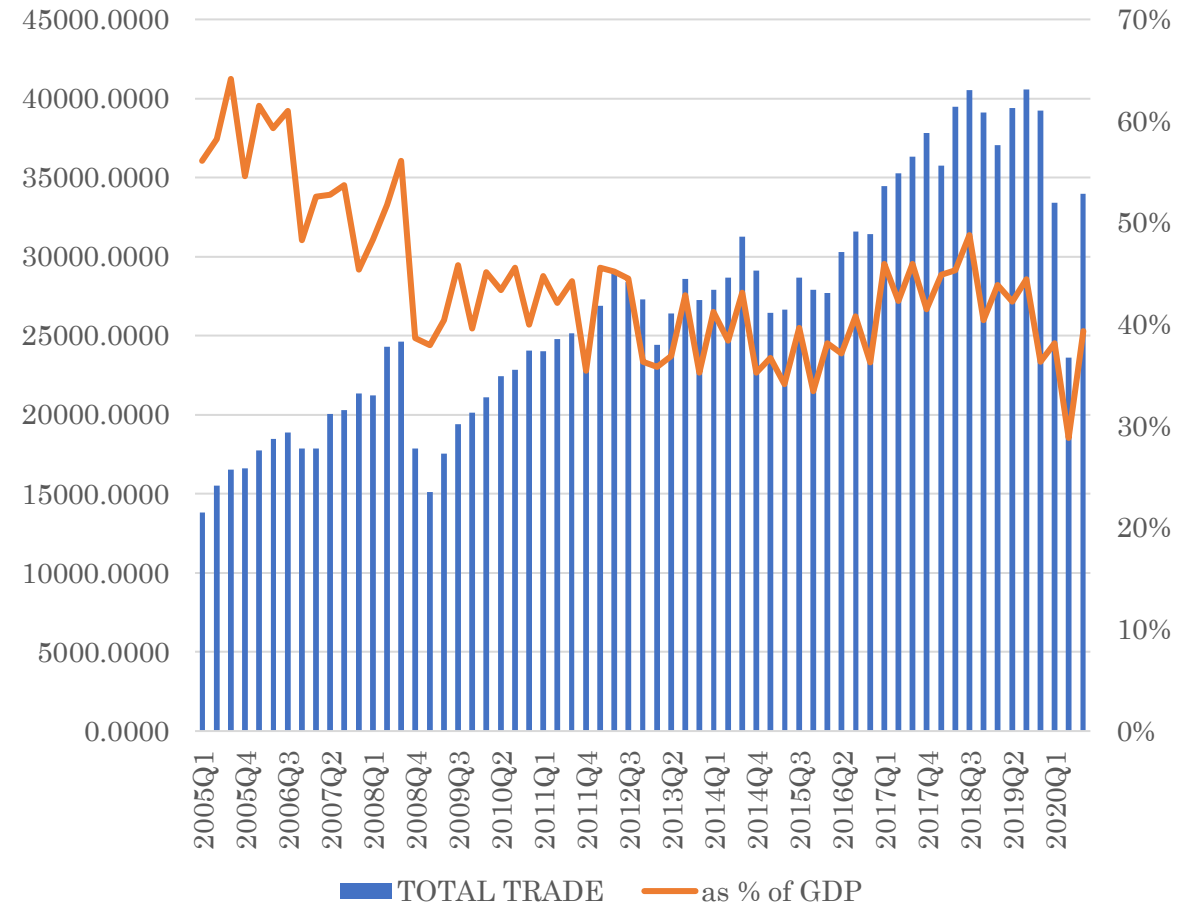




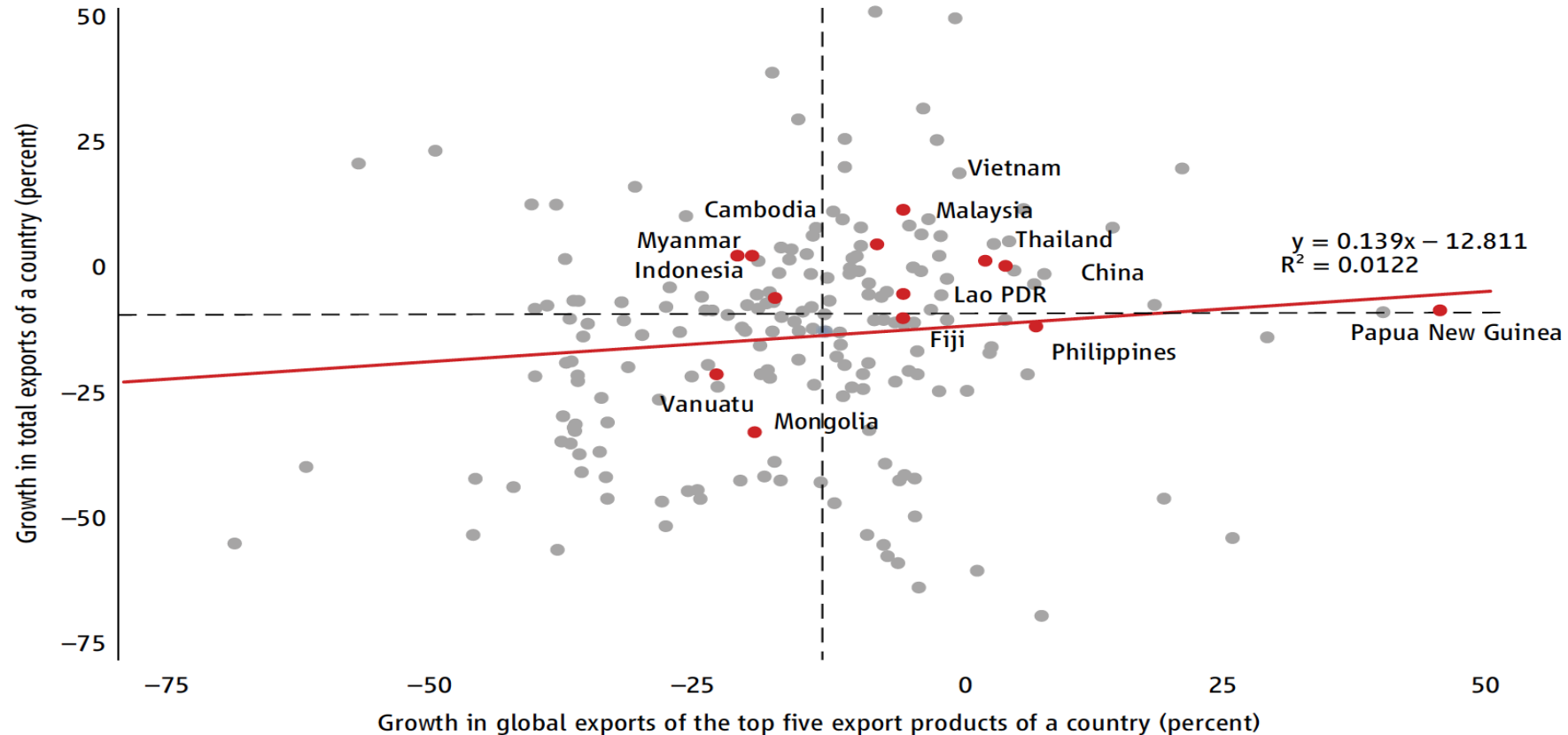
# 40% OF PHILIPPINE GDP IS CONNECTED TO THE WORLD



PHILIPPINE TOTAL TRADE



# SOME GROWTH IN EXPORTS

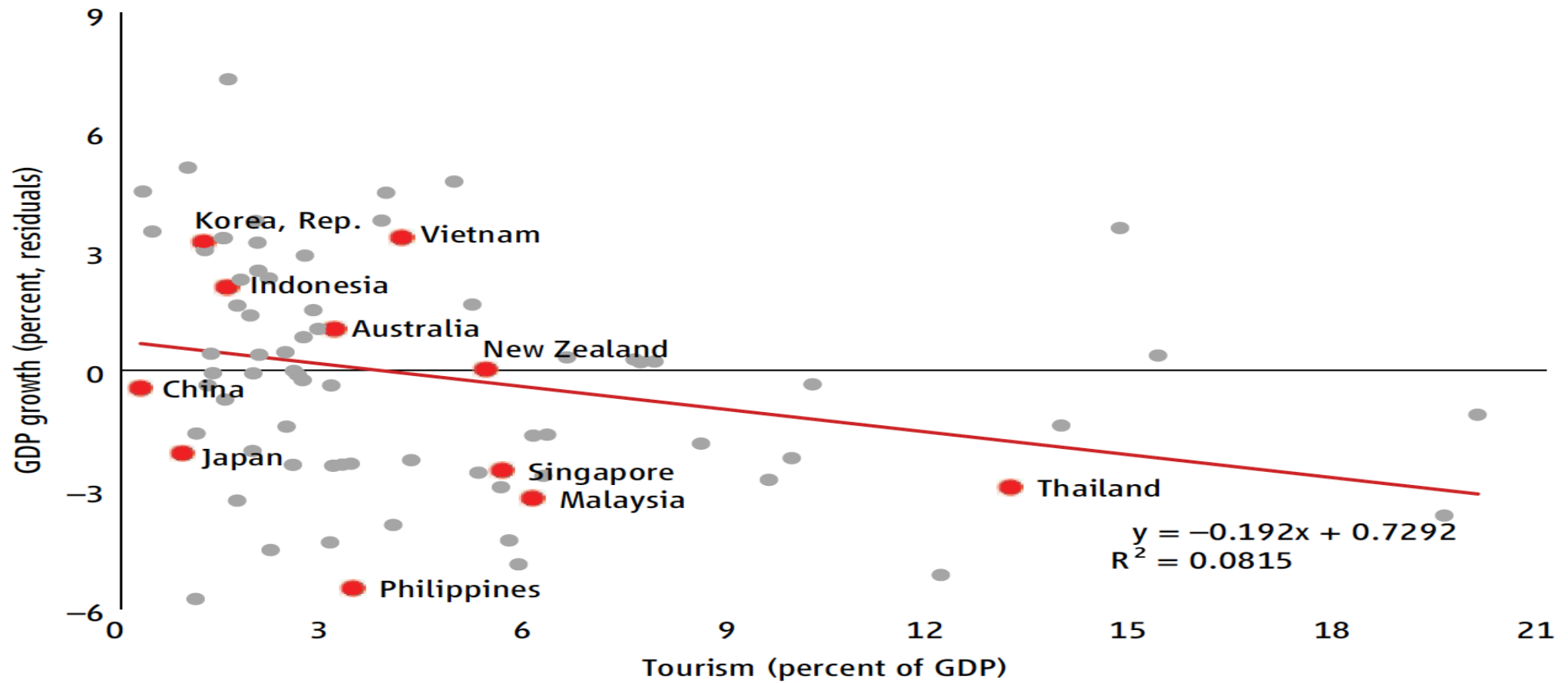


Source: US, EU, and Japan customs administrations.

Note: The scatter plot shows the relationship between the global demand increase in each country's top five exported products (rank based on 2019 data) and that particular country's aggregate export growth.

Source: WB, 2021

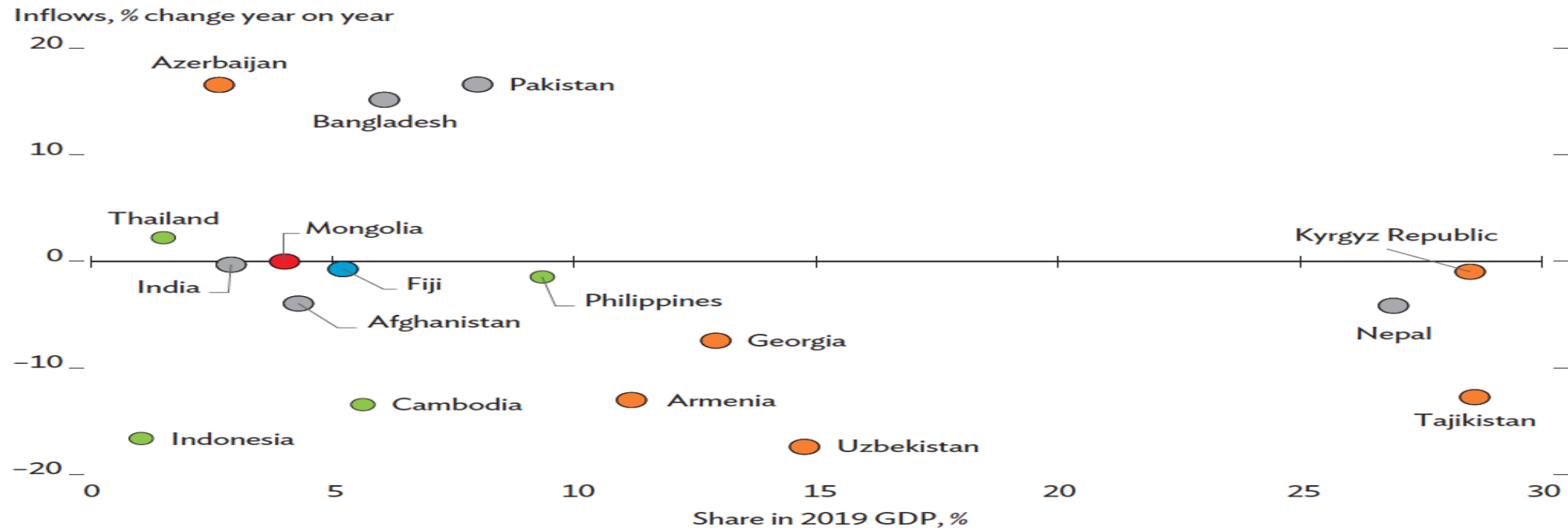
# TOURISM HEAVY DECLINE



Source: WB, 2021



# REMITTANCES DID NOT FALL AS MUCH AS EXPECTED

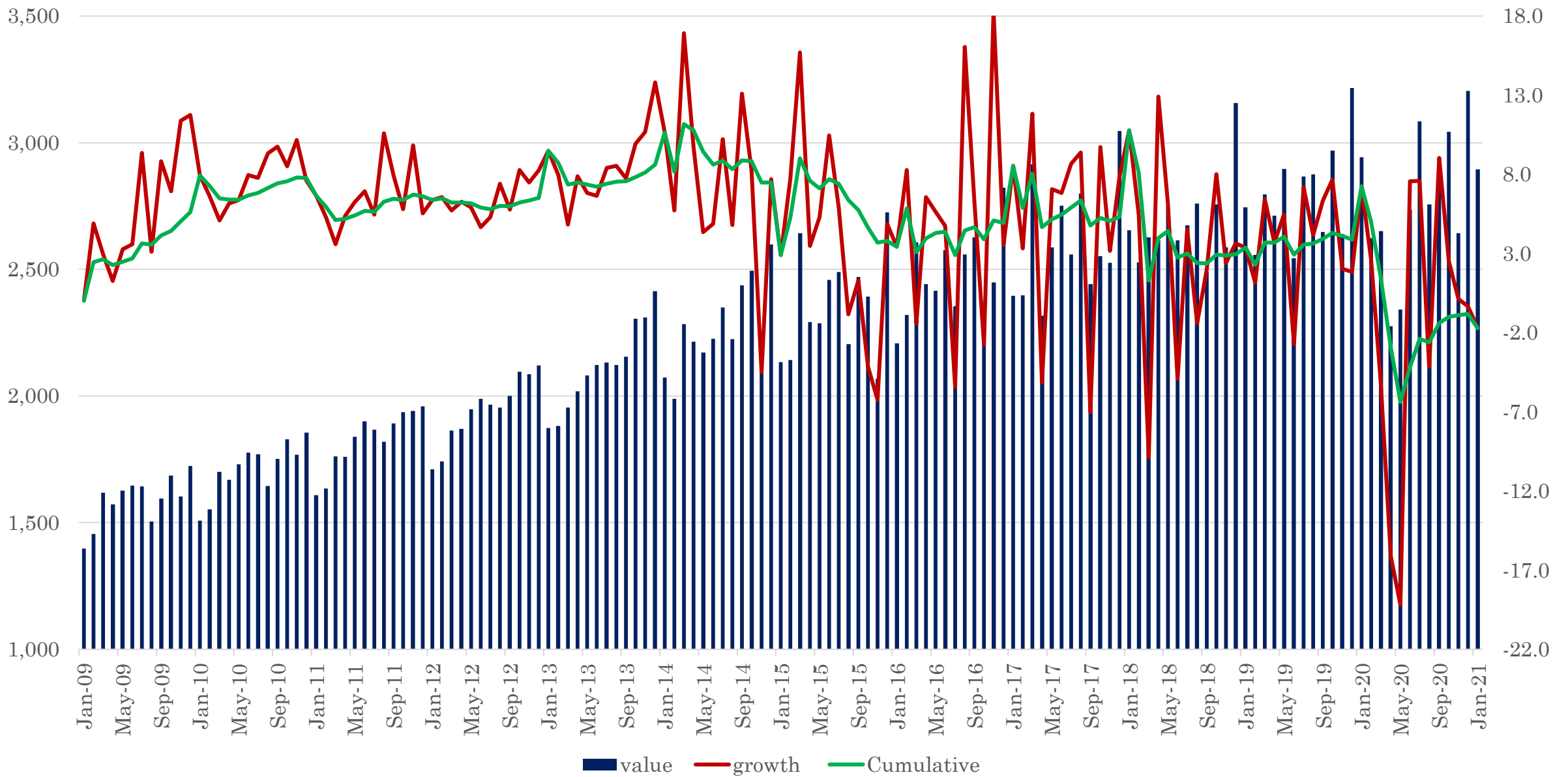


GDP = gross domestic product, Q = quarter.

Notes: The sample is restricted to economies where remittances accounted for at least 1% of GDP in 2019. Remittances are defined as the sum of “compensation for employees” and “personal transfers” in the balance of payments.

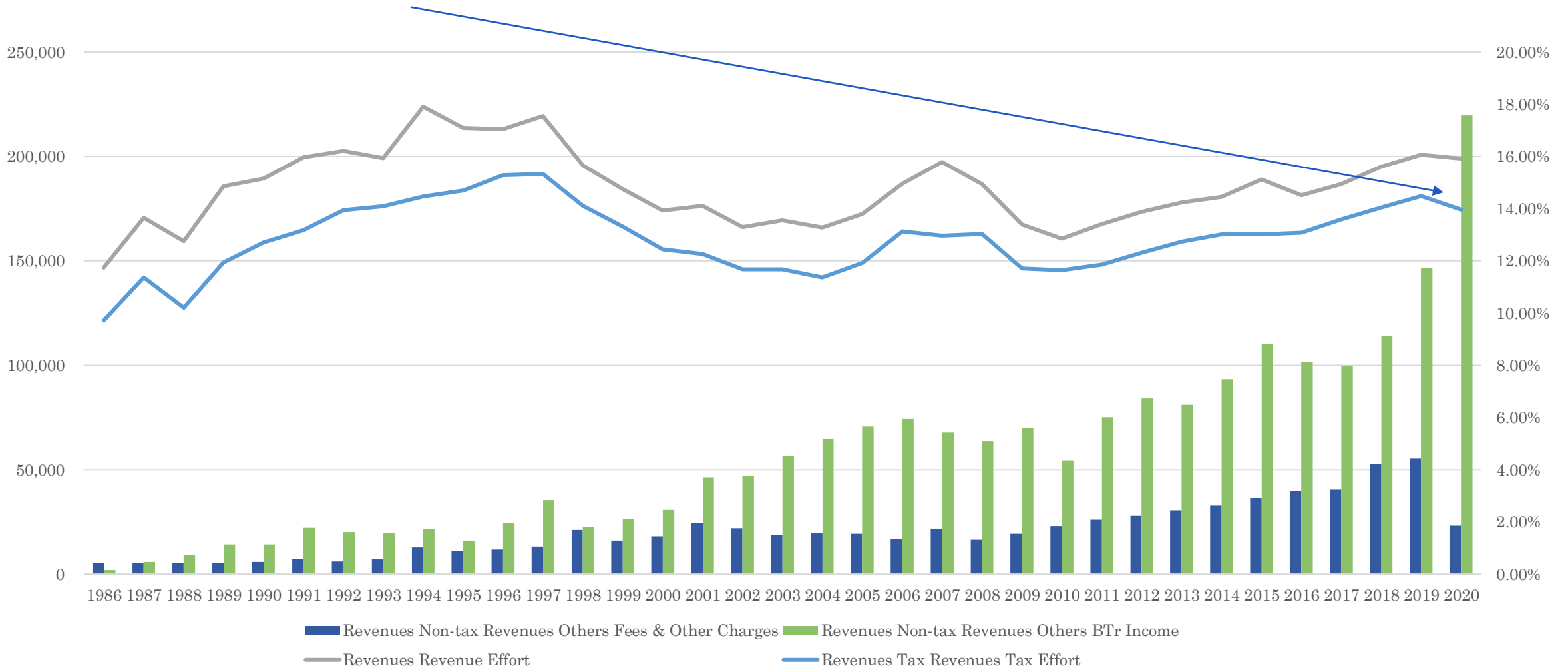
Sources: International Monetary Fund. Balance of Payments and International Investment Position Statistics. <https://data.imf.org/>; World Bank. World Development Indicators Database. <https://data.worldbank.org/> (both accessed 31 March 2021).

Source: ADB, 2021



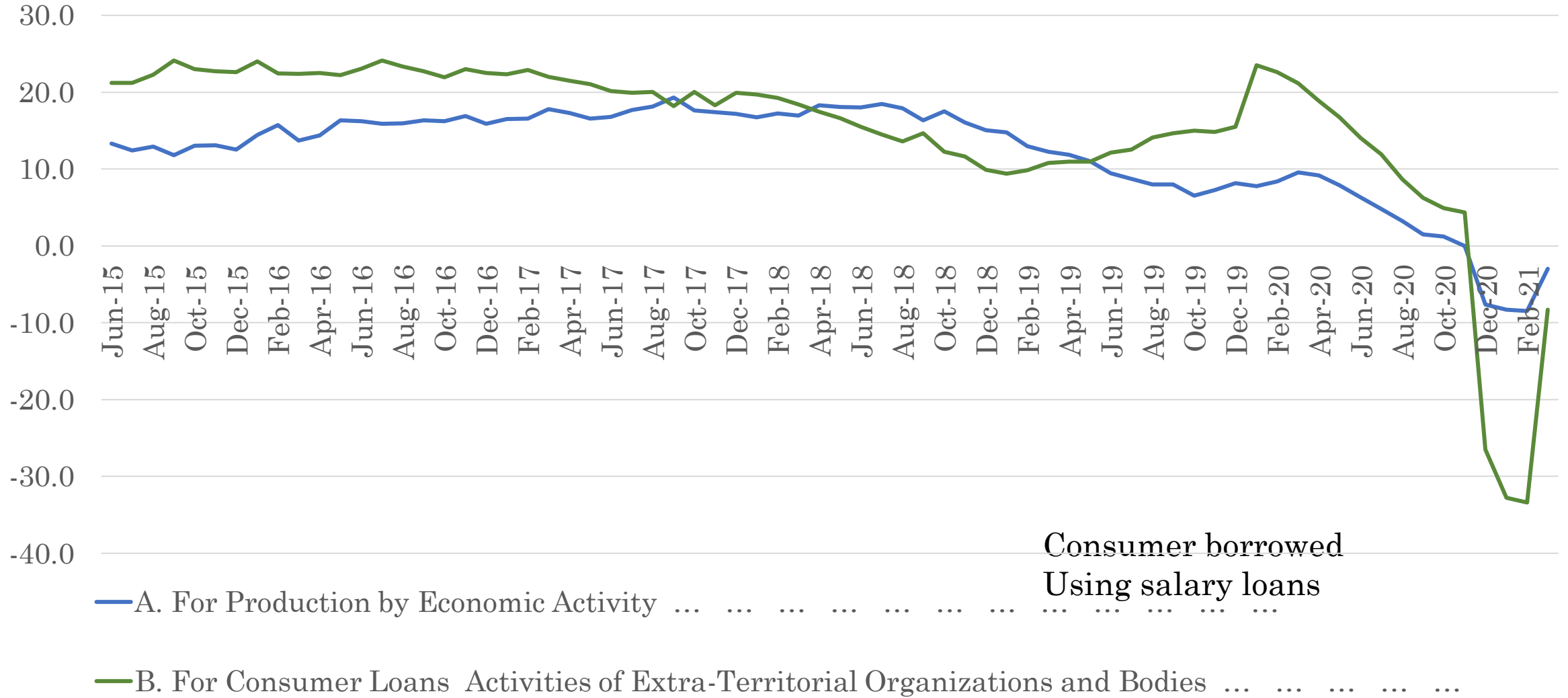
REMITTANCES WILL BE SLOWER

# DESPITE CRISIS: REVENUE EFFORT DID NOT FALL SIGNIFICANTLY



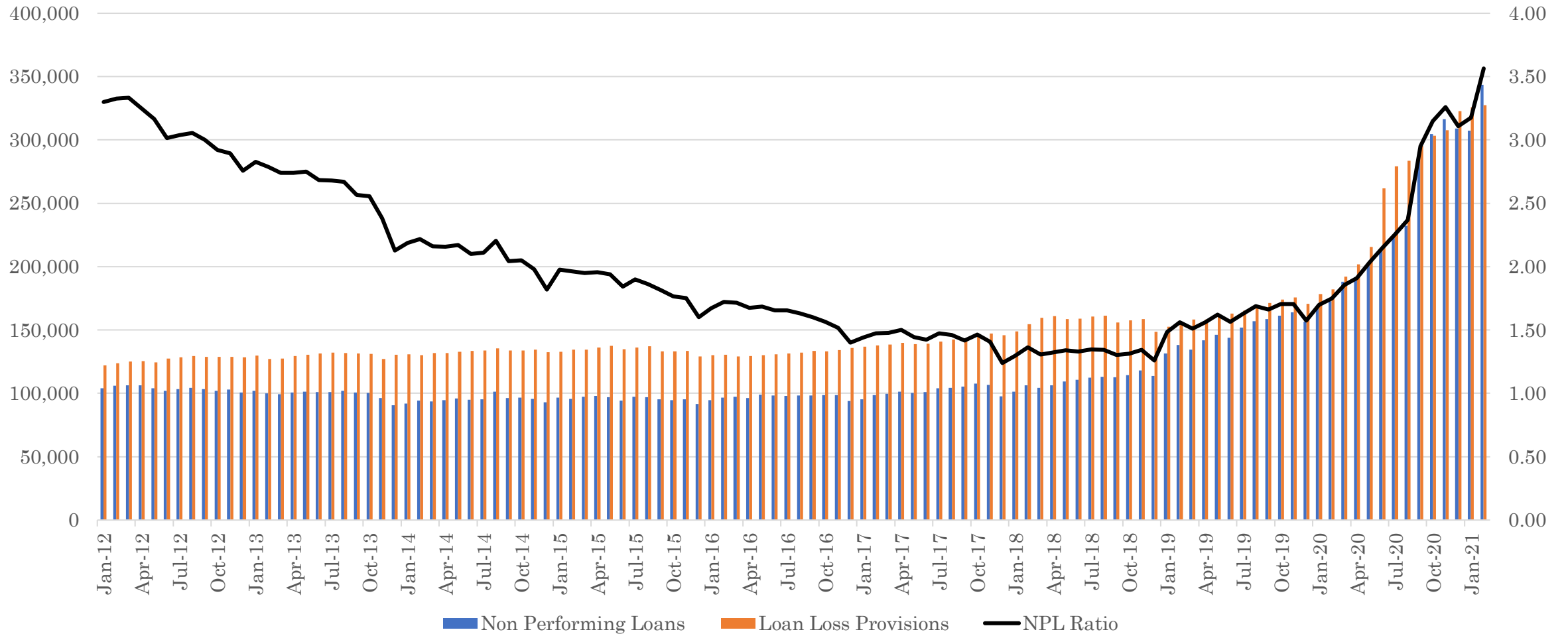
EARNING COMPANIES CONTINUE TO PAY TAXES

# Loan Growth



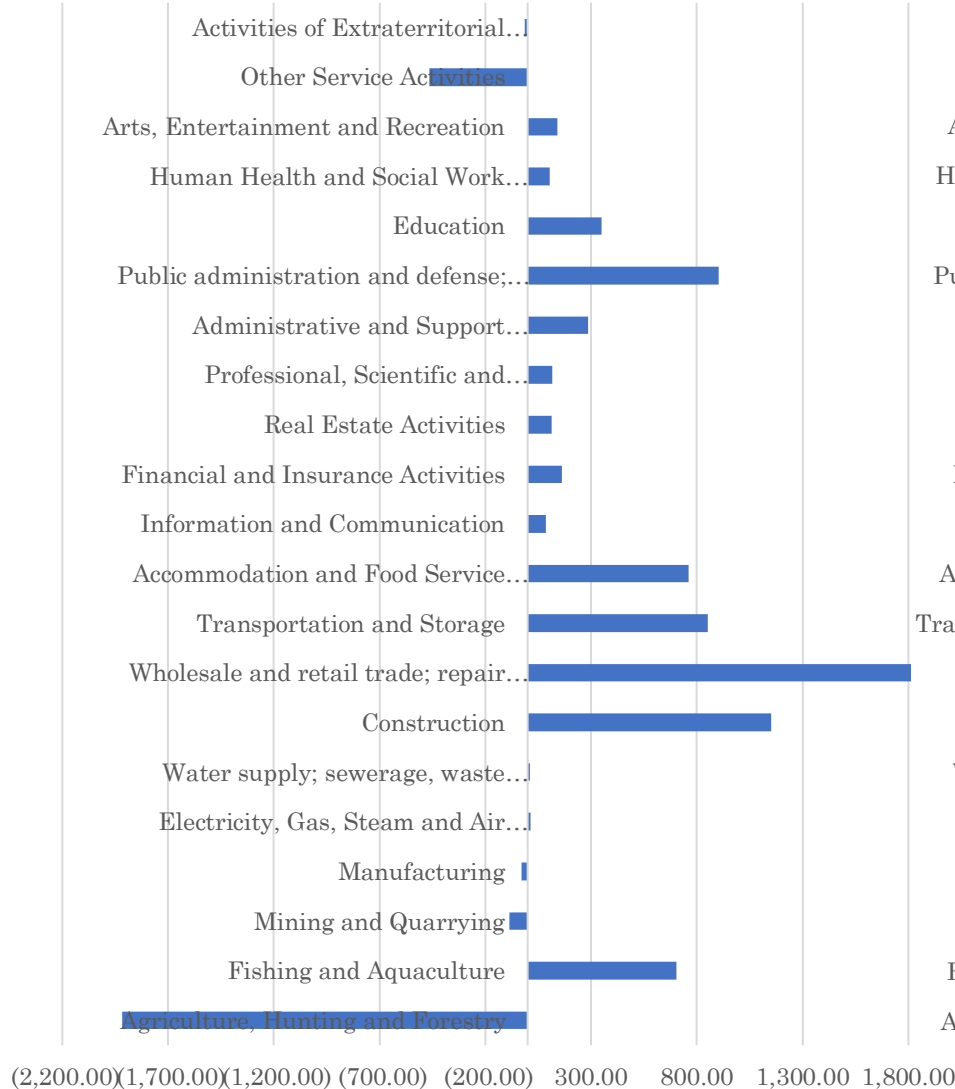
**FIRMS and CONSUMERS DO NOT WANT TO BORROW OR BANKS ARE NOT LENDING**

# NON PERFORMING LOANS RISING

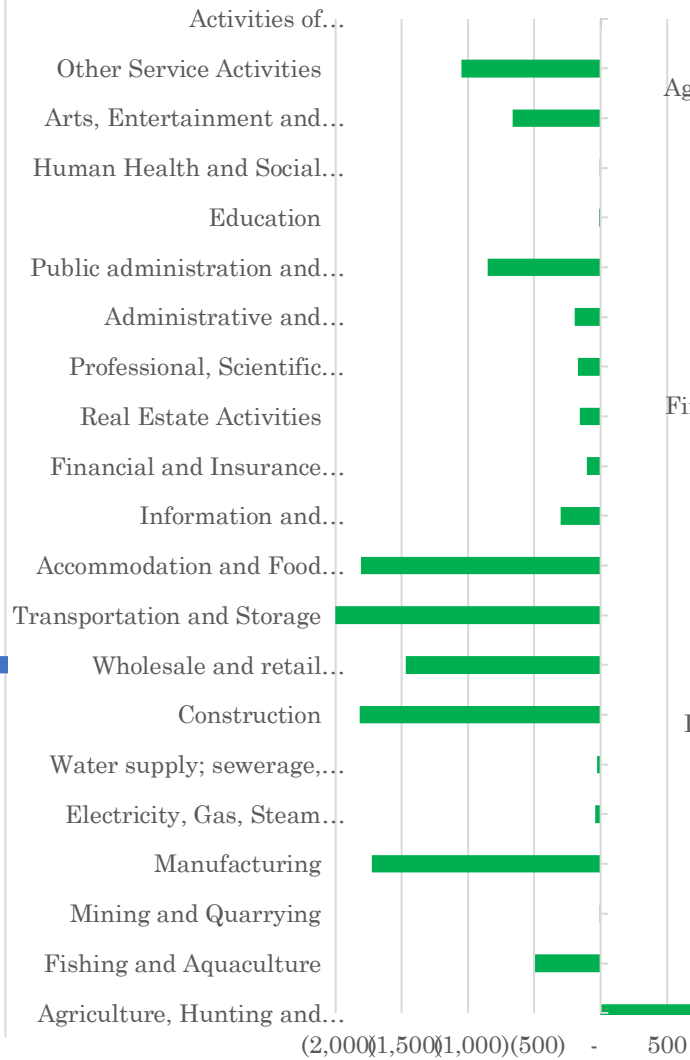


# NUMBER OF EMPLOYED PER SECTOR IS ALREADY RISING!

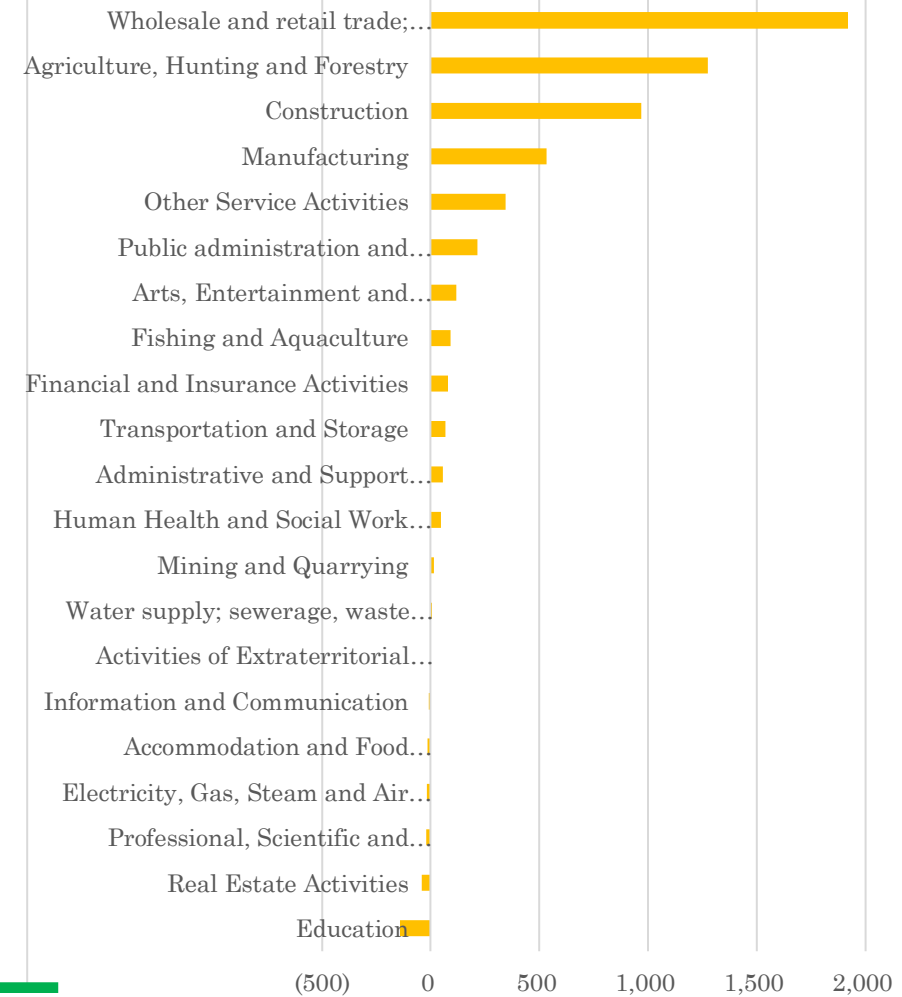
2018-2019



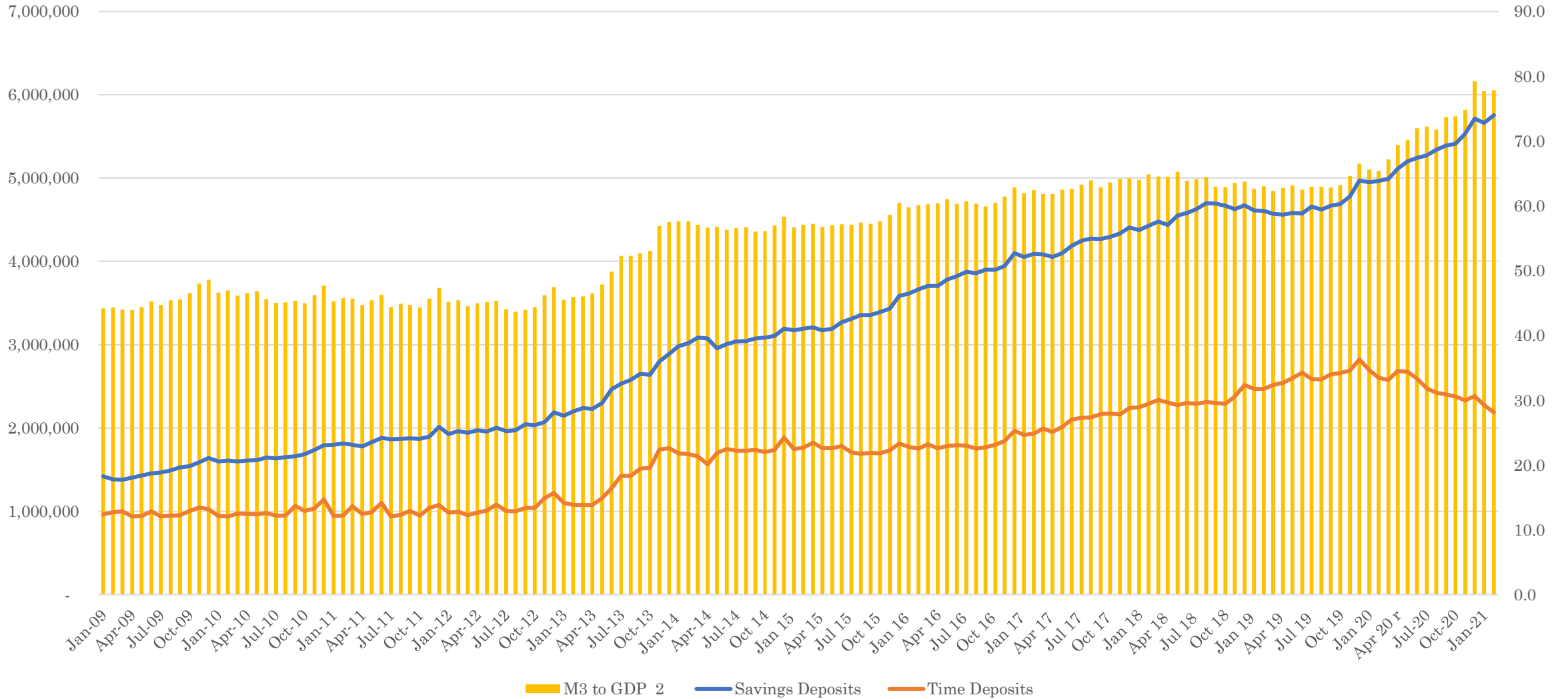
2019-2020



Oct 2020 - March 2021

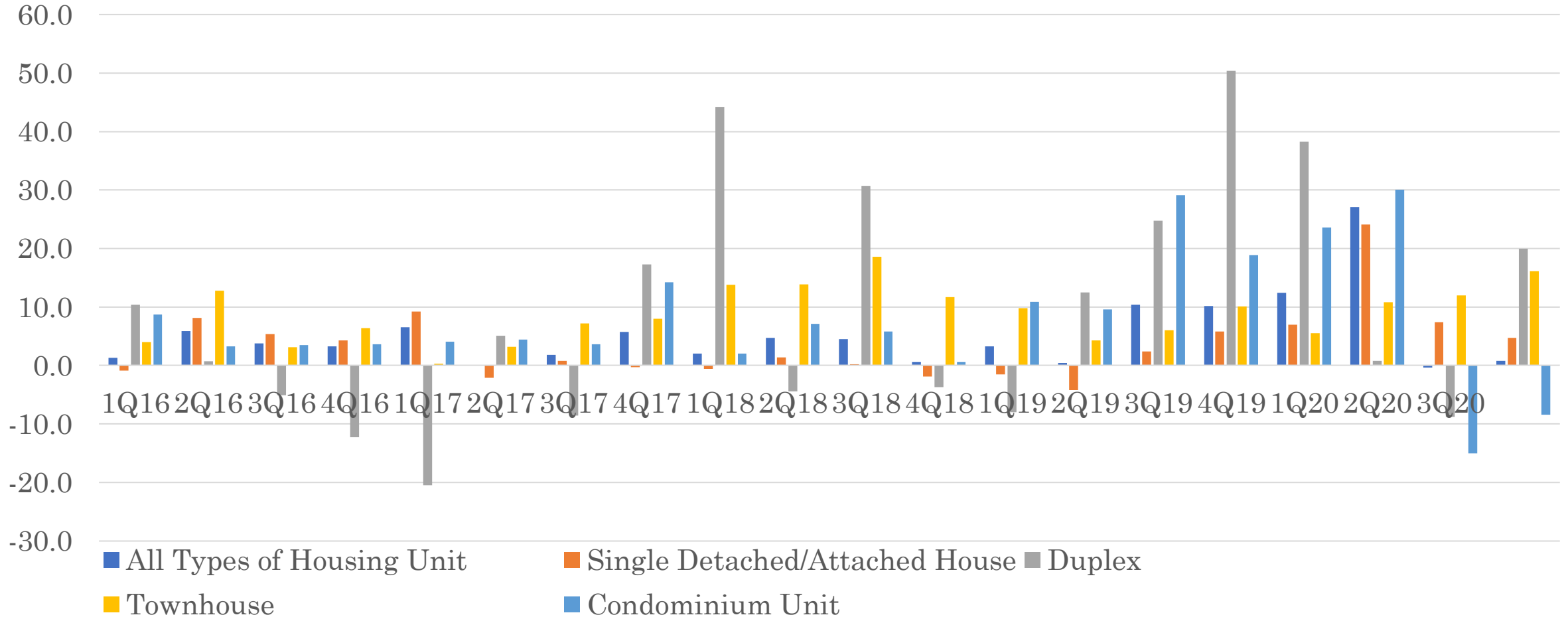


# Money Supply



**SAVINGS INCREASING DURING PANDEMIC AS  
MONEY SUPPLY REACH 80% OF GDP – PEOPLE WANT TO  
BE LIQUID**

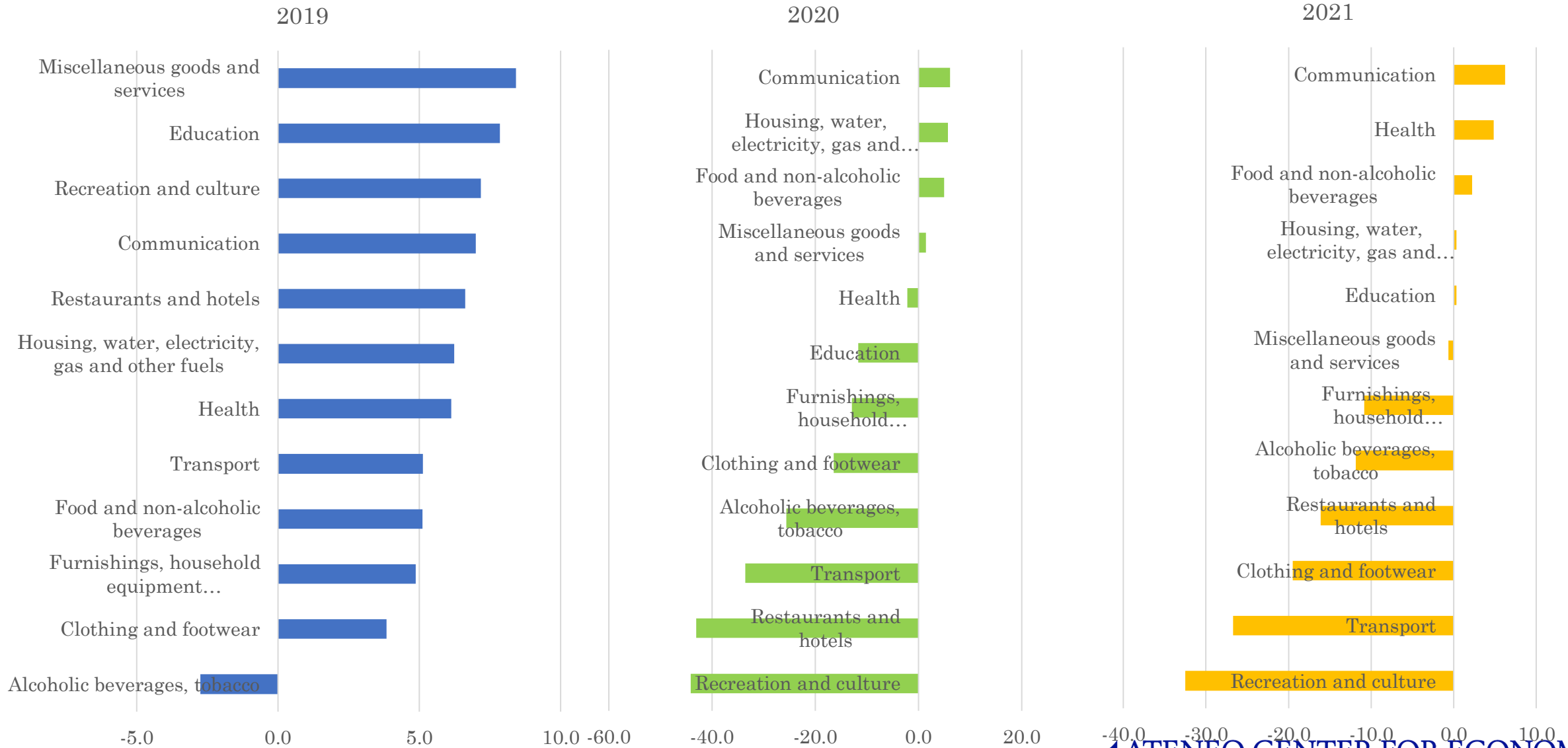
## Growth Rate of Housing Real Estate (YoY)



PEOPLE SHIFTED TO BUYING LANDED VS  
CONDOMINIUM PROPERTIES



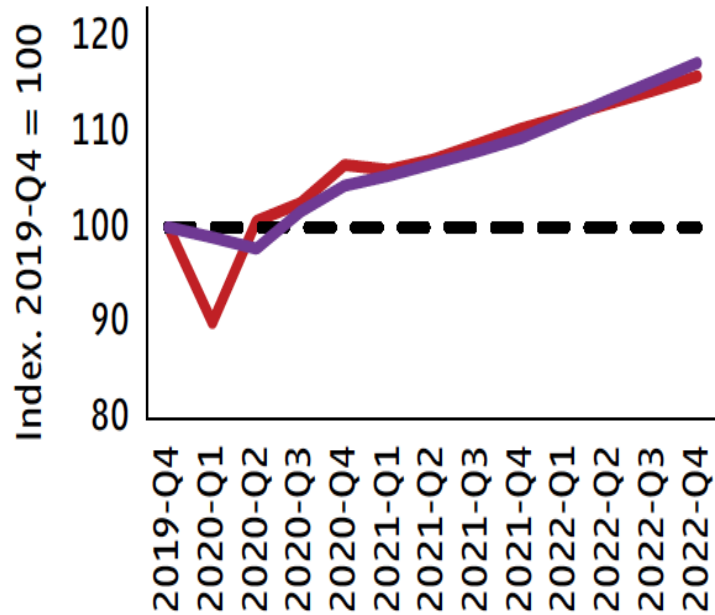
# GROWTH IN HOUSEHOLD CONSUMPTION COMPONENTS



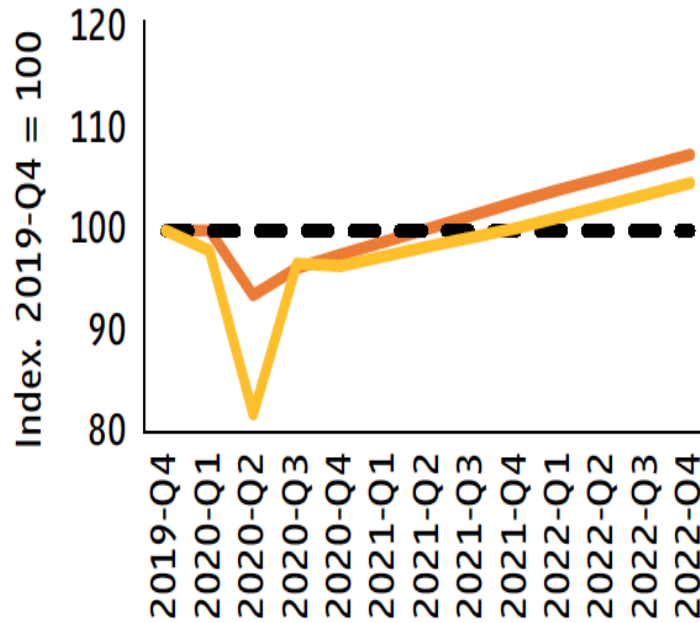
# BUSINESS CYCLE OF INCOME

	2020		2021					Steady State
	Q4	Year	Q1	Q2	Q3	Q4	Year	
2020								
COVID hit:								
• Accomodat'n								
• Transport								
• Construction								
Growth								
• Finance								
• Public Admin								
• BPOs								
GROSS DOMESTIC PRODUCT	-8.27	<b>-9.33</b>	<b>-4.2</b>	<b>3.7</b>	<b>4.7</b>	<b>5.1</b>	<b>2.3</b>	<b>5.9</b>
AGRICULTURE, FISHERY & FORESTRY	0.84	<b>0.84</b>	<b>-1.2</b>	<b>1.9</b>	<b>2.0</b>	<b>2.0</b>	<b>1.2</b>	<b>2.0</b>
INDUSTRY SECTOR	-9.93	<b>-13.09</b>	<b>-4.7</b>	<b>3.6</b>	<b>5.6</b>	<b>5.8</b>	<b>2.6</b>	<b>5.8</b>
Mining and Quarrying	-14.78	<b>-18.19</b>	<b>-1.0</b>	<b>-0.6</b>	<b>0.9</b>	<b>1.3</b>	<b>0.2</b>	<b>1.5</b>
Manufacturing	-7.11	<b>-10.40</b>	<b>0.5</b>	<b>2.6</b>	<b>3.7</b>	<b>4.3</b>	<b>2.8</b>	<b>5.0</b>
Electricity Gas and Water	1.66	<b>0.08</b>	<b>1.9</b>	<b>6.1</b>	<b>5.7</b>	<b>5.6</b>	<b>4.8</b>	<b>5.7</b>
Construction	-23.39	<b>-24.10</b>	<b>-24.2</b>	<b>5.9</b>	<b>11.6</b>	<b>11.5</b>	<b>1.2</b>	<b>8.3</b>
SERVICE SECTOR	-8.39	<b>-68.66</b>	<b>-4.4</b>	<b>4.0</b>	<b>4.8</b>	<b>5.3</b>	<b>2.4</b>	<b>6.6</b>
Wholesale & retail; repair: vehicles & bikes	-3.82	<b>-5.38</b>	<b>-3.9</b>	<b>7.0</b>	<b>6.2</b>	<b>5.8</b>	<b>3.8</b>	<b>5.9</b>
Transport and Storage	-16.36	<b>-28.93</b>	<b>-18.8</b>	<b>1.6</b>	<b>4.2</b>	<b>5.7</b>	<b>-1.8</b>	<b>7.6</b>
Accommodation & food service activities	-40.58	<b>-44.64</b>	<b>-20.6</b>	<b>0.3</b>	<b>1.3</b>	<b>2.1</b>	<b>-4.2</b>	<b>4.9</b>
Information and communication	3.12	<b>4.93</b>	<b>6.3</b>	<b>4.9</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>	<b>5.7</b>
Financial and insurance activities	8.55	<b>6.82</b>	<b>5.2</b>	<b>9.0</b>	<b>9.3</b>	<b>9.3</b>	<b>8.2</b>	<b>9.3</b>
Real estate and ownership of dwellings	-18.86	<b>-17.56</b>	<b>-13.2</b>	<b>-6.7</b>	<b>-3.6</b>	<b>-1.4</b>	<b>-6.2</b>	<b>5.8</b>
Professional and business services	-9.94	<b>-9.02</b>	<b>-6.5</b>	<b>4.3</b>	<b>6.2</b>	<b>7.2</b>	<b>2.8</b>	<b>8.8</b>
Pub. admin. & def.; compulsory soc. act.	5.06	<b>5.59</b>	<b>7.5</b>	<b>6.3</b>	<b>6.6</b>	<b>6.7</b>	<b>6.8</b>	<b>6.7</b>
Education	-13.09	<b>-11.20</b>	<b>-1.0</b>	<b>-9.5</b>	<b>-5.9</b>	<b>-3.8</b>	<b>-5.1</b>	<b>3.8</b>
Human health and social work activities	-2.61	<b>-4.04</b>	<b>11.7</b>	<b>4.4</b>	<b>5.0</b>	<b>5.5</b>	<b>6.7</b>	<b>6.1</b>
Other services	-31.45	<b>-38.73</b>	<b>-38.0</b>	<b>-1.0</b>	<b>1.3</b>	<b>2.1</b>	<b>-8.9</b>	<b>4.1</b>

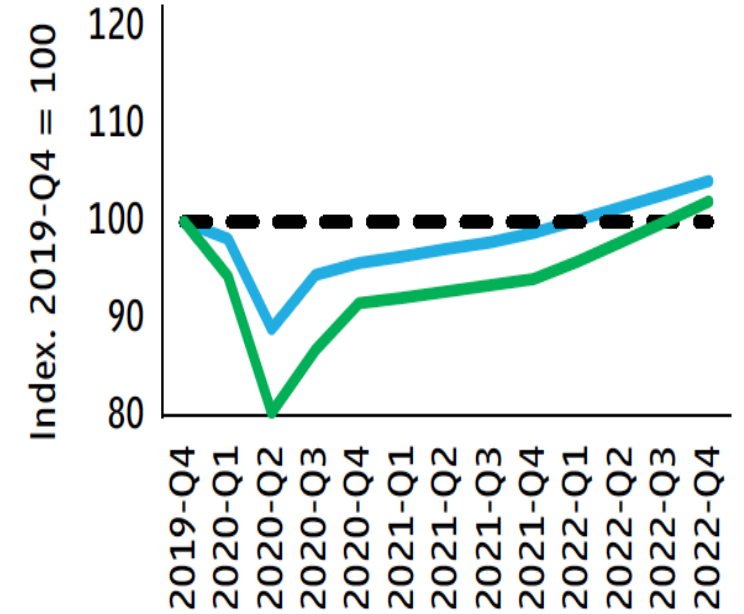
# OUR RETURN TO 2019 LEVELS IS LIKELY AT THE END OF 2022



China  
Vietnam



Indonesia  
Malaysia



Thailand  
Philippines

Source: World Bank staff estimates.

Note: Black (horizontal) dotted line shows 2019-Q4 index.

## SUMMARY

- The worst maybe over, but can turn back anytime unless we address the 3 elements
- Overall confidence is largely dependent on vaccine rollout, testing capacity and acceptability
- Consistent fall in daily cases will be the game changer for confidence to return at full blast
- Taking advantage of low interest rates which is ending
- Be wary of overall inflation
- Slow recovery better than no recovery

THANK YOU AND GOD BLESS!

[apang@ateneo.edu](mailto:apang@ateneo.edu)