Philippines Economic and Business Update

Market Report

June 2021

Prepared by the New Zealand Embassy in Manila

RĀPOPOTO - SUMMARY

- The Philippines continued its fifth quarter of negative growth but is committed to an ambitious 10.1% growth over the next three quarters in order to reach its target of 6.5% annual growth by the end of 2021.
- Growth continued to be affected by the re-imposition of stricter lockdowns due to increased COVID 19 risks and delays in fully opening the economy. There were some bright spots in terms of export growth.

PŪRONGO – REPORT

The Statistics

The Philippines reported a GDP contraction of 4.2% for the first quarter of 2021. This was worse than expected, with economists forecasting an average projection of -2.82%. This is the fifth consecutive quarter of negative growth. Philippines would need to grow by at least 10.1% in the remaining quarters to meet the Philippine government's target of 6.5% to 7.5% for annual growth.

Despite the GDP figures some positive indicators were a flat inflation rate of 4.5% in April and external trade rising by 22.5% from last year. Import and export figures showed strong signs of recovery with an increase of 16.6% and 31.6% respectively. Unemployment figures remain erratic with figures initially going down in March to 7.1% from 8.8% in February and up again to 8.7% in April due to the imposition of stricter quarantine measures in March to April.

The Prospects

National Economic and Development Authority (NEDA) Secretary Karl Chua was upbeat about an upturn, saying that the Philippines might recover with a safe reopening, full implementation of relief programmes, and fast-tracking of the mass vaccination programme. Chua said a continued contraction for the second quarter was "not plausible" and could only happen if imposed restrictions were worse than last year.

The World Bank and the Asian Development Bank have scaled down their growth forecasts for the year to 4.7% (down from 5.9%) and 4.5% (from 6.5%) respectively. Both cited high COVID-19 transmission, possible resurgence, prolonged restrictions, and the slow rollout of the vaccination programme as reasons for the updated forecast. Other commentators argued the government's targeted 10.1% growth in the remaining quarters may be too ambitious and were riddled with too many uncertainties and risks.

Implications for New Zealand Business

Two-way trade with the Philippines has gone down for year-to-year December 2020, from NZ$1.41 billion to NZ$1.15 billion. Total exports decreased from NZ$1.11 billion in 2019 to NZ$920 million in 2020. Total imports decreased from NZ$300 million to NZ$230 million in 2019.

New Zealand goods exports to the Philippines was NZ$810 million, a decline of 18.56%. Dairy exports account for approximately 75 % of goods exports and declined by 14.24% in 2020. Other products such as wood and wood products, paper and paperboard, and edible fruits and nuts also saw double digit declines for 2020. Powered aircraft which amounted to NZ$21 million in export in 2019 had an almost 100% decrease. New Zealand goods imports also experienced a decline of 12.38 % to NZ$107.80 million.

Some New Zealand businesses have reported positive news. Some NZTE customers were able to secure substantial sources of revenue, resulting in either continued engagement in the market or establishing a more permanent presence. Engagement with the Philippines on renewable energy opportunities for New Zealand players, including joint investment and development opportunities looks promising. Possible opportunities in the construction and infrastructure sector are also being explored.

New Zealand continue to engage with the Philippine Government on improving non-tariff barriers such as working with the Philippine Customs' Modernization Programme and expanding electronic certification on export of agricultural products.

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