



Republic of the Philippines  
**House of Representatives**  
**CONGRESSIONAL PLANNING AND BUDGET DEPARTMENT**  
Quezon City, Metro Manila

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FOR : **THE HONORABLE HOUSE MEMBERS**

SUBJECT : **2008 Economic Performance and 2009 Prospects**

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This is to apprise your Honor on the Philippine economic performance in 2008 based on the recent report of the National Statistical Coordination Board. In addition, we are pleased to present the CPBD's forecast of the economic prospects for this year.

***2008 Economic Performance***

1. The gross domestic product grew by 4.6% in 2008, slowing down from the 7.2% growth recorded in 2007. Propelled by a robust 20.8% growth in net factor income abroad (mainly OFW remittances), GNP or gross national product was reported at 6.1% in 2008. The growth trend is comparable to the expectations of other neighboring economies. Singapore posted a 1.2% growth in 2008 from 7.7% in 2007.
2. On the supply side, the three major sectors registered slower growth in 2008 compared to 2007: agriculture (from 4.9% to 3.2%), industry (from 7.1% to 5%), and services (from 8.1% to 4.9%). Sharp decline in the construction and mining and quarrying industries pulled down total industry growth. Non-bank services (e.g., financial services from investment companies, security dealers, brokers and pawnshops) contracted by 4.1% and insurance services by 8.2% due to the financial crisis which began in the second half of last year.
3. On the demand side, private spending which grew by 4.5% supported the modest economic expansion. The growth of public spending decelerated in 2008 to 4.3% from 8.3% in 2007. Growth in total investments also slowed down to only 4.2%, significantly lower than the 11.2% growth in 2007 due to the decline in construction and durable equipment and the contraction in breeding stock and orchard development.
4. Total merchandise exports went down by 1.7% as the top four major merchandise exports – semiconductors and electronic microcircuits, finished electrical machinery, garments and crude coconut oil - contracted in 2008. However, this was balanced by the exports of non-factor services (i.e. call centers and business process outsourcing) which grew by 7.7%. Thus, total exports recorded a miniscule 0.004% growth in

2008. Total imports, on the other hand, declined only by 1.6% in 2008 compared to a 4.5% contraction in 2007.

### **2009 Prospects**

5. CPBD simulations indicate that 2009 GDP growth will range between 3.2% and 4.1%. This is more conservative compared to the government's 3.7%-4.7% official target. The growth forecasts for 2009 from the multilateral agencies are lower though: Asian Development Bank (3.5%), World Bank (3%) and International Monetary Fund (2.25%).
6. On the supply side, the services sector will still lead GDP expansion with 4.2%-4.5% growth. The industry, and agriculture, forestry and fishery sectors are estimated to grow by 1.9%-3.3% and 3.2%-4%, respectively.
7. On the demand side, private spending which will be affected by tightening of credit is expected to post a slower growth of 3.7%-4.2%. On the other hand, government spending is expected to grow by 6%-8% to mitigate the impact of the crisis. Concern over developments in the financial markets and the global economic crisis will dampen investor confidence. CPBD estimates that total investments will post a modest growth of 1.6% to 4.6% which will be buoyed mainly by public investment.
8. The contraction in exports will continue to persist as the economies of the country's top export destinations slow down. For 2009, the CPBD estimates that exports growth will range between -3.1% and 2.9%. Imports will contract further by 1.3% but may grow to as much as 3% in case of an early economic turnaround. Meanwhile, NFIA will post a slower growth of 6% to 9.8% from the 20.9% posted in 2008. This is mainly because of OFW displacements from export-driven economies such as Taiwan, South Korea and Singapore.

### **Imperatives**

9. With the slowdown in private sector economic activities, the government is expected to step in. The government must ensure proper allocation and usage of the proposed P330 billion stimulus fund to maximize its contribution to growth, employment and social safety nets. Strengthening the domestic economy is a must, with major emphasis on infrastructure and industry development. The micro and SME sector should be given utmost attention as it provides the greatest number of employment opportunities.

Attached, for your reference, are the summary charts and table of the 2007 and 2008 economic performance including the CPBD growth scenarios.

For your information.