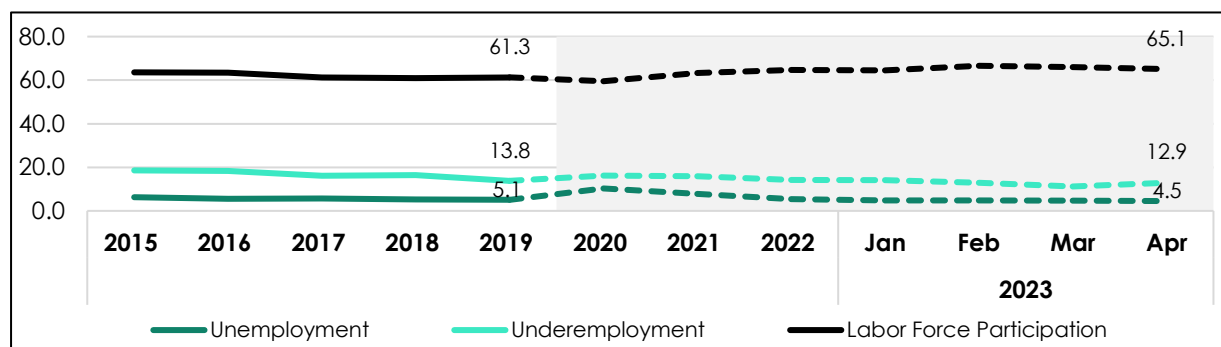




PH labor market remained strong in April 2023; Fast-growing IT-BPO sector will likely boost economic growth

Figure 1. Labor Force Survey, April 2023 (% y-o-y change)



Basic Source: [PSA, 2023a](#)

Prepared by: ERTD-ERAD

1. The country's labor market continues to improve following a further decline in unemployed individuals to 2.26 million in April 2023 from 2.76 million in the same period last year, despite year-on-year (y-o-y) labor force expansion by 1.92 million individuals (**Figure 1**).
2. While the underemployment rate in April 2023 returned to its February 2023 level of 12.9%, the number of Filipino workers who intend to work longer hours in their existing job, another one, or a new one with a longer hour of work decreased to 6.20 million Filipinos from 6.40 million in April 2022.
3. The services sector remained with the largest share of employed Filipinos in the PH labor market at 61.1%, and it is likely to nudge up further in the succeeding months with the rapid growth in exports from the IT-BPO. Export revenues from computer and other business services reached USD 27.4 Billion in 2022, up by 9.1% in 2021. An additional 2.89 million individuals were also hired in the services sector since April last year. With this, IT-BPO is likely to boost the country's economic growth and total exports this 2023.
4. Vigorous agriculture sector performance in Q1 2023 did not translate into new hires in the subsequent month, reducing the employed agricultural workers by 863 thousand; nonetheless, the 10.54 million workers represented 21.9% of the total employed workers.
5. While more Filipinos were hired in the manufacturing sector in April 2023 from the previous month—supported by month-on-month (m-o-m) and y-o-y expansion in the value and volume of production of manufactured food products, transport equipment, and other non-metallic mineral products—the overall employment in the industry sector has decreased by 341 thousand individuals as fewer workers were hired in the construction sector.
6. Albeit already much healthier than the pre-pandemic levels, the National Government (NG) is further bolstering the labor market by addressing several issues, including job quality, clamor for an increase in the minimum wage, and Filipino workers' competitiveness, among others. Since December last year, the Department of Labor and Employment has received several petitions for a wage hike, but they are still coming up with a balanced solution given that not all businesses, especially the micro, small, and medium enterprises, have recovered from the brunt of pandemic, and considering the inflationary effects should the Congress push for legislated national wage hike.
7. Another measure to prop up the Filipino workforce is the recently legislated Philippine Digital Workforce Competitiveness Act, which will equip workers with digital technology skills at par with global standards and will encourage digital innovations and entrepreneurship.

Sources: [PSA, 2023a](#); [PSA, 2023b](#); [S&P Global, 2023](#); [PNA, 2023a](#); [NEDA, 2023](#)



Fitch affirmed the PH's BBB credit rating; Revised PH's economic growth outlook to "stable"

Table 1. Economic Growth Forecast (%)

Forecaster	As of	Philippines	
		2023 _f	2024 _f
DBCC	Apr 2023	6.0 – 7.0	6.5 – 8.0
Fitch Ratings		>6.0	-
S&P Global	May 2023	5.9	6.0
Moody's Analytics		5.5	6.0
ADB	Apr 2023	6.0	6.2
IMF		6.0	5.8
World Bank	Jun 2023	6.0	5.9

Basic Source: [DOF, 2023a](#); [ADB, 2023](#); [IMF, 2023](#); [World Bank, 2023](#); [Fitch Ratings, 2023](#); [Bloomberg](#).

Prepared by: ERTD-ERAD

Forecaster Legend: Development Budget Coordination Committee (DBCC); Asian Development Bank (ADB); International Monetary Fund (IMF)

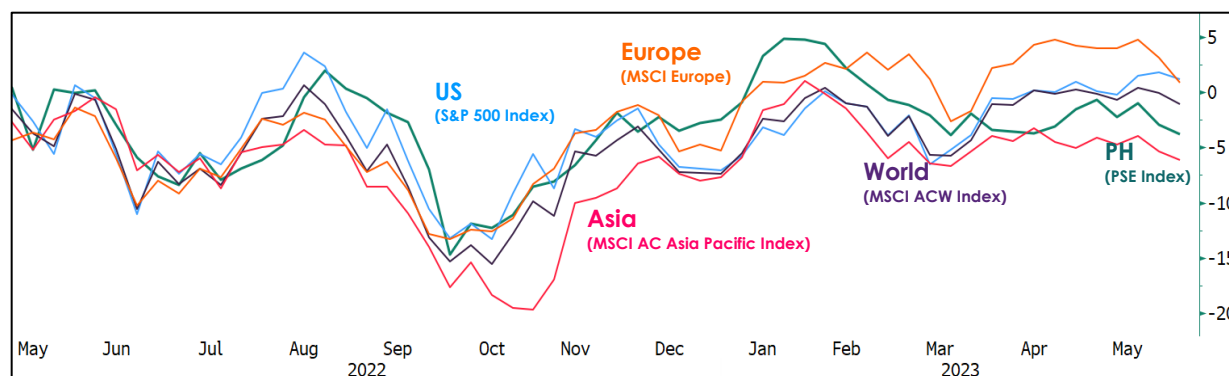
8. Following a robust economic performance in 2022 and moderate expansion in Q1 2023, Fitch Ratings affirmed the country's BBB credit rating and revised its economic growth outlook from negative to stable. The upgraded outlook stemmed from the increased confidence of the credit rating agency that the PH is on track to strong medium-term growth post-pandemic, supported by a continuous reduction in debt-to-gross domestic product (GDP), and a well-built economic policy framework.
9. While the global economic growth is still expected to slow down in 2023—though less severe than earlier anticipated due to strong household spending and better-than-expected recovery in the United States and Euro Area, and reopening of China, among others—think tanks, including Fitch Ratings, upgraded their initial PH economic growth forecast to 6.0% in 2023, stronger than the 'BBB' economies median of 3% (**Table 1**).
10. The same as last year, strong domestic demand is seen to thrust the PH economy in 2023, supported by pent-up private consumption as labor market conditions continue to improve and headline inflation gradually declines (**See Pages 1 and 6 for further information**).
11. The COVID-19 pandemic underlined the limited fiscal space of emerging markets like the PH. Evidently, the national government (NG) increased its debt financing for public health and pandemic-related support measures. With this, the NG has been pursuing a fiscal consolidation—improving spending efficiency and revenue collection mechanisms—and is on track to lower the deficit back to pre-pandemic levels. As of Q1 2023, total debt-to-GDP stood at 61.0%, while the deficit-to-GDP ratio reached 4.84%. Both debt indicators are within the NG's medium-term fiscal framework. (**See Page 5 for further information**).
12. Ongoing structural reforms in the business and private investment climate are expected to complement and likely boost economic growth for the year. This includes the presently being deliberated legislative measure in the 19th Congress to strengthen public-private partnerships (PPP) and provide a stable environment for collaboration between the public and private sectors in infrastructure development.
13. The proposal also aims to reduce transaction costs and investment risks, and improve the ease of doing business in the PH and the overall efficiency and financial sustainability of the PPP programs. Strengthening PPPs, complemented by fostering green energy investments, is expected to help the PH achieve climate change resilient infrastructures that can guarantee vigorous and sustainable economic growth.

Sources: [DOF, 2023a](#); [DOF, 2023b](#); [DOF, 2023c](#); [ADB, 2023](#); [IMF, 2023](#); [World Bank, 2023a](#); [Fitch Ratings, 2023](#); [Reuters, 2023a](#); [Senate of the Philippines, 2022](#); [Senate of the Philippines, 2023](#)



May saw widespread losses among global equity markets; ASEAN markets retreated for the month

Figure 2. PH and Global Major Indices Weekly Movement May 2022 – May 2023 (normalized % change)



Basic Source: Bloomberg Finance L.P., 2023a

Prepared by: ERTD-ERAD

14. Amid concerns around the US debt ceiling and global economic slowdown, majority of equity markets struggled to make headway in May (Figure 2). Eurozone equities fell on the back of the European Central Bank raising all three of key interest rates by 25 basis points, sluggish economic data, and news of Germany entering a technical recession. In the UK, equities retreated as the April headline inflation surpassed estimates and core inflation further accelerated. Uncertainty over China's post-COVID recovery and its frictions with the US dampened investor sentiment in many Asian markets. China, Hong-Kong, Singapore, Malaysia, Thailand, Indonesia, and the Philippines all recorded m-o-m losses. Meanwhile, tech-heavy markets such as Taiwan, South Korea, and India managed to rally following the global excitement over the potential of artificial intelligence (AI) and increased demand for AI chips.
15. US equity markets were mixed for the month, Dow Jones Industrials index declined by 3.2% m-o-m while tech-heavy Nasdaq Composite and the S&P500 gained 5.9% m-o-m and 0.4% m-o-m respectively. Headwinds including concerns about the federal debt ceiling, another US Federal Reserve rate hike, continued wariness over the regional banking sector, and higher headline and core April inflation were offset by the productive debt ceiling negotiations and passage of a debt-ceiling relief package, and the significant focus on AI and its potential economic impact to the technology sector.

Table 2. PSEi Performance as of End of May 2023

	Close	Comparative Change (%)	
		m-o-m	YTD
PSEi	6,477.36	-2.23	-1.36
All Shares	3,458.30	-2.10	-0.11
Financials	1,812.01	-5.53	10.15
Industrials	9,201.32	-3.20	-1.60
Holding Firms	6,490.26	1.32	0.89
Property	2,654.15	-2.97	-9.37
Services	1,517.94	-5.44	-7.12
Mining and Oil	9,964.78	-5.87	-7.81

Basic Source: PSE, 2023

Prepared by: ERTD-ERAD

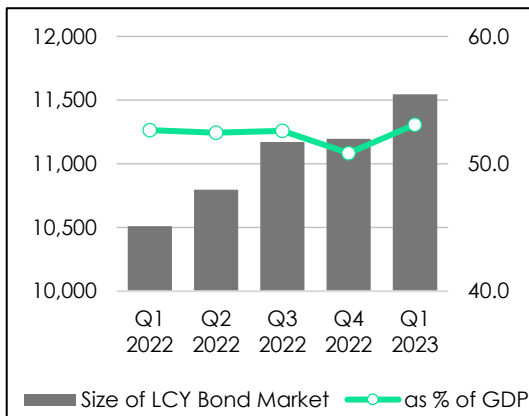
16. Similar to its ASEAN neighbors, Philippine equities declined in May. The Philippine Stock Exchange Index (PSEi) closed at 6,477.36, down by 2.23% m-o-m and 1.36% year-to-date (YTD) (Table 2). All sector indices retreated except Holding Firms, which rose by 1.32%. Mining and Oil, Financials, and Services declined by more than 5.0% m-o-m while Industrials and Property fell by around 3.0% m-o-m. All Shares Index, which includes all the common stocks of companies listed at PSE, declined by 2.10% m-o-m.
17. While the domestic front offered positive catalysts such as the recorded 6.4% GDP growth in Q1 2023, strong corporate earnings reports, the central bank's decision to keep interest rates unchanged, and signals of potential reserve requirement ratio cut, external factors such as concerns on the US debt ceiling and potential debt default weighed the domestic market.

Sources: Schroders, 2023; RothschildandCo, 2023; J.P. Morgan Asset Management, 2023; Invesco, 2023; LazardAssetManagement, 2023; Nikko Asset Management, 2023; MVT Inc., 2023; MassMutual Investments, 2023; Nasdaq, 2023; PSE, 2023; BSP, 2023; Bloomberg Finance L.P., 2023b; PSA, 2023c;



Local currency bond market recorded 3.12% expansion in Q1; Yield curve inverted during the month

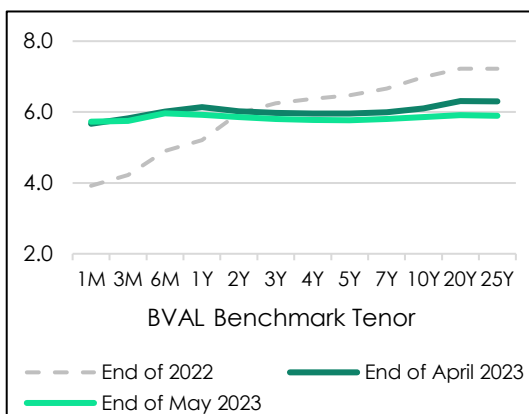
Figure 3. Size of local currency bond market (in PHP billions and as % of GDP)



Basic Source: AsianBondsOnline, 2023

Prepared by: ERTD-ERAD

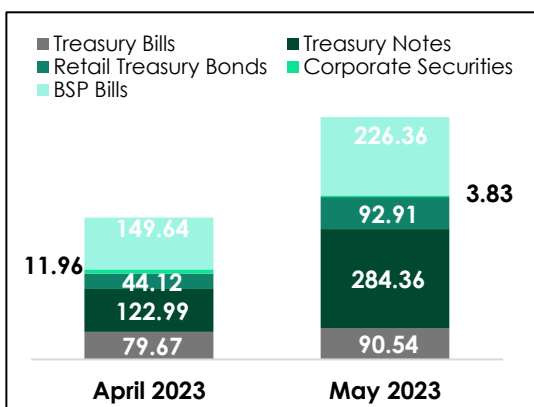
Figure 4. End of Period Yields across benchmark tenors (% BVAL Yield)



Basic Source: PDS, 2023b

Prepared by: ERTD-ERAD

Figure 5. PDEX Fixed Income Trade Volume Trends (in PHP Billions)



Basic Source: PDS, 2023c

Prepared by: ERTD-ERAD

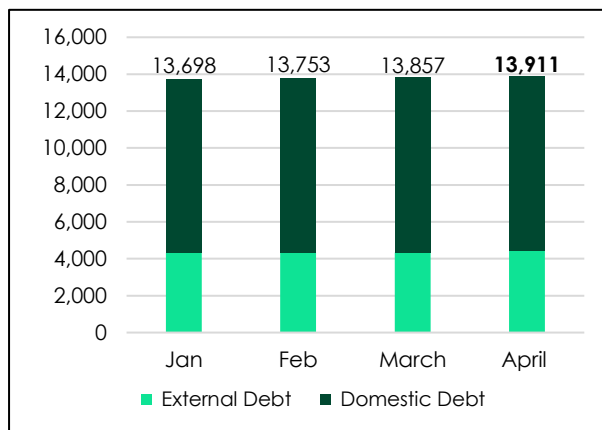
18. The size of the Philippine local currency bond market continued to expand in the first quarter of 2023. Total outstanding bonds, which include both corporate and government, amounted to PHP11.54 Trillion (USD212.37 Billion) by the end of March (**Figure 3**). This is 3.12% higher versus Q4 2022 and 9.84% more than the same quarter last year.
19. The size of the LCY bond market relative to PH GDP also advanced, growing from 50.84% in Q4 2022 to 53.08% in Q1 2023. The latest ratio also surpasses that of the same quarter last year (52.64%) and is the highest percentage yet on record.
20. After flattening in April, the PH benchmark tenor yield curve eventually inverted during the first week of May (**Figure 4**). The 10- vs 2-Year yield spread contracted to negative territory on 05 May, indicating short-term debt securities having higher rates than longer tenors.
21. Typically, a yield curve slopes upward (yields increase as the time to maturity of the bonds [tenor] also increases) as investors require better returns for taking risks on longer-term cash flows. An inverted yield curve indicates higher demand for longer-term bonds compared to shorter-term bonds.
22. Versus last month, yields for all benchmark tenor declined in May bar the 1-Month yield. Yields of front-end of the curve (1-Month, 3-Month, 6-Month, 1-Year, 2-Year, and 3-Year tenors) fell by 1.68% m-o-m on average while the belly and back-end of the curve fell deeper by an average of 4.40% m-o-m. This is on the back of slower April inflation, rate hike pause, potential cut in the reserve requirement for banks, and the Q1 2023 GDP data.
23. With the inverted yield curve, fixed income trade volume surged by 70.92% m-o-m to PHP698.00 Billion in May (**Figure 5**). Treasury Notes and Retail Treasury Bonds lead the group, with respective trade volumes growing by 131.20% and 110.61% m-o-m. More BSP Bills were also traded totaling PHP226.36 Billion, up by 51.27% m-o-m. Meanwhile, Corporate Securities trade volume declined by 68.02% to PHP3.83 Billion.

Source: AsianBondsOnline, 2023; PDS, 2023a; PDS, 2023b; PDS, 2023c; World Economic Forum, 2022; Financial Times, 2022; PSA, 2023c; PSA, 2023d; BSP, 2023; Bloomberg, 2023; Reuters, 2023b



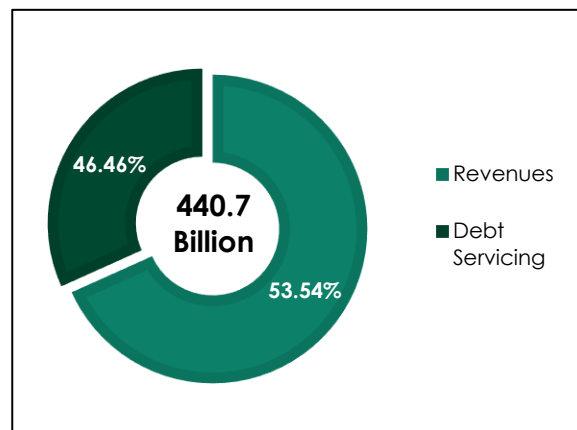
PH debt reaches PHP13.9 Trillion in April; Government revenues expected to hit PHP3.73 Trillion in 2023

Figure 6. National Government's Total Outstanding Debt, January to April 2023 (in PHP Billions)



Basic Source: BTr, 2023a; BTr, 2023b

Figure 7. Revenues vs Debt Servicing, April 2023



Prepared by: ERTD-ERAD

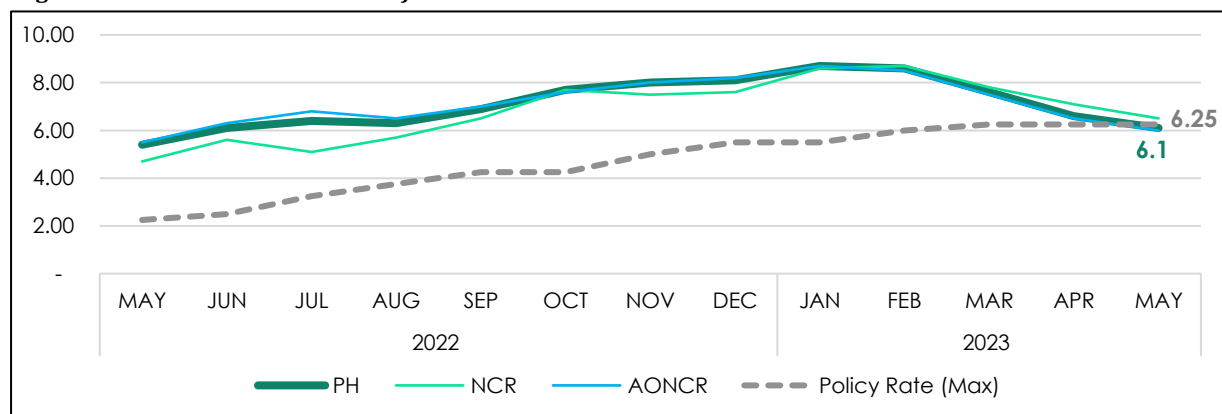
24. The government's outstanding debt stood at PHP13.9 Trillion as of the end of April 2023 (**Figure 6**) due to the weakening of the peso against the US dollar at 55.5 from 54.32 in March and the net issuance of external debt. The PH debt stock increased by 0.4%, or by PHP54.24 Billion from the previous month, with 32.0% representing debt from external sources and 68.0% from domestic borrowings.
25. Domestic borrowings remain the major source of financing; however, it went down 0.6% on a monthly basis due to the net redemption of government securities amounting to PHP57.79 Billion. On the other hand, external obligations showed a slight uptick at PHP4.45 Trillion from PHP4.34 Trillion in March. The overall debt pile already represents 95.08% of the expected PHP14.63 Trillion debt by the end of 2023.
26. Meanwhile, the government generated revenues amounting to PHP440.7 Billion in April, 46.46% or PHP 204.7 Billion of which was obligated for debt servicing (**Figure 7**). Tax revenues, which represent the collections of the Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC) registered PHP403.59 Billion, up from PHP221.79 Billion in March, while non-tax revenues posted an increase of 0.62% at PHP37.09 Billion.
27. Recently, the BOC collected a total of PHP77.79 Billion surpassing its revenue collection target of PHP72.35 Billion for May 2023. The better performance is attributed to intensified anti-smuggling measures, digitalization, and pro-active collaboration with other government agencies. Similarly, the BIR collected nearly PHP850 Billion in the first four months of the year, 1.67% higher than the target set for the period due to increased efficiency in tax compliance monitoring efforts.
28. To further complement the efforts to generate additional revenues, the DOF's Privatization Council identified 137 properties that will be up for sale with a total value of PHP2.5 Billion. Properties that will clear the NG's books of stagnant assets include the Emmanuel Community Hospital Inc., the Central Bank Board of Liquidators, and the Elorde Sports and Tourism Development Corporation, among others.
29. The country's improving fiscal performance vis-à-vis prudent fiscal management prompted the economic managers to project its revenue assumption for 2023 at PHP3.73 Trillion and revise its 2028 assumption to PHP6.62 Trillion. Relatively, trimming down the debt-to-GDP ratio, which stands at 61.0%, remains a primary goal to promote sustainability and reduce fiscal stress.

Sources: BTr, 2023a; BTr, 2023b; BTr, 2023c; BTr, 2023d; BOC, 2023; PNA, 2023b; PNA, 2023c; DBM, 2023



Inflation down for 4th straight month at 6.1%; BSP pauses rate hike, keeps interest rate at 6.25%

Figure 8. 2022-2023 PH Headline Inflation



Basic Source: PSA, 2023a; BSP, 2023a

Prepared by: ERTD-ERAD

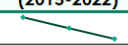
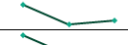
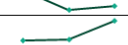


30. The country's Inflation decelerated for fourth straight month at 6.1% from 6.6% in April (**Figure 8**). The May inflation rate stands within the BSP forecast range of 5.8 to 6.6% and analysts' median estimate of 6.1%. Despite the slowdown, the May rate remains to be well above the government target band of 2.0 to 4.0% and slightly higher than 5.4% recorded in May 2022.
31. The sustained downward trajectory is primarily due to the decline in the index of transport at -0.5% from 2.6% in the previous month following a four straight week of oil price rollback in petroleum products. In the first week of May alone, oil players slashed over PHP2.00 per liter on diesel and gasoline bringing the overall reduction in prices to 18.5% and 27.6%, respectively.
32. Similarly, food and non-alcoholic beverages also contributed a slower inflation print as it registered 7.4% from 7.9% in the previous month. Decreases in the average retail prices of galunggong, pork, sugar, and vegetable were observed in different parts of the country based on the May 2023 second phase of price situationer issued by the PSA. Finally, the restaurant and accomodation services also posted a decline of 0.29 percentage points (ppts) at 8.3%.
33. Reflective of the national trend, slower inflation was also seen in NCR at 6.5% from 7.1% in the previous month while Areas Outside NCR (AONCR) recorded a 6.0% inflation rate from 6.5% in April. Specifically, inflation eased on all 16 regions outside Metro Manila. MIMAROPA recorded the highest inflation at 7.2% while Cordillera Administrative Region (CAR) had the slowest rate at 3.9%. In addition, commodity prices for the bottom 30% of income households exhibited a downtrend for the third month in a row at 6.7% from 7.4% last month.
34. In view of the decelerating inflation, the BSP makes a prudent hike pause after its year-long tightening stance, maintaining the 6.25% benchmark interest rate. Furthermore, the Monetary Board revised its inflation forecasts to 5.5% for 2023 and 2.8% for 2024 from 6.1% and 3.1%, respectively. Meanwhile, the World Bank expects inflation to settle at 5.7% this year and 3.6% in 2024. The pause in the tightening cycle will allow the BSP to observe how macroeconomic and financial conditions evolve as upside risks such as oil price volatility, transport fare hikes, supply constraints, and looming El Niño impacts continue to pose a threat to the outlook.
35. The government remains optimistic that inflation will reach the target band by the fourth quarter of the year or early 2024, as it continues to solve bottlenecks in the country's logistics and supply chain which placed the Philippines in the 43rd spot from 60th of the World Bank Logistics Index. This highlights the improvements in infrastructure, logistics competence, quality, timeliness, tracking, and tracing performance of the country's ports.

Sources: PSA, 2023e; PSA, 2023f; PSA, 2023g; DOF, 2023e; BSP, 2023a; PNA, 2023d; PNA, 2023e; World Bank, 2023b



PH bested Asia-Pacific for SDG 12; Strengthening local governments against climate change

Table 3. SDG 12 Indicators with the PH as Top Performer

Indicator Number	SDG 12: Responsible Consumption and Production Indicators		Trend (2015-2022)
12.1	Material footprint	Material footprint, total (Kg per 1 USD (2015) GDP)	
12.4.2	Hazardous waste generated/treated	Hazardous waste generated (Kg per capita)	
		Hazardous waste treated or disposed (Percentage)	
12.b.1	Sustainable tourism strategies	Implementation of standard accounting tools to monitor the economic and environmental aspects of tourism: Tourism Satellite Account tables (Number)	
12.c.1	Fossil-fuel subsidies	Fossil-fuel subsidies (consumption and production) (% of GDP)	

Basic Source: [UN ESCAP, 2023a](#)

Prepared by: ERTD-ERAD

36. The PH topped the Asia-Pacific region in 2022 for Sustainable Development Goal (SDG) 12, Responsible Consumption and Production, supported primarily by declining material footprint, decreasing wastes generated but increasing wastes treated; the growing number of companies publishing sustainability reports and improved renewable energy capacity; and the implementation of standard accounting tools to monitor the economic and environmental aspects of tourism, among others (**Table 3**). Overall, the PH is a top performer in the region for 16 SDG indicators while 51 are still progressing.
37. While the affordable and clean energy (Goal 7) and industry, innovation, and infrastructure (Goal 9) efforts had the utmost development in the Asia-Pacific, actions towards climate change (Goal 13) had been regressing. With this, United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) expects the region to fail in achieving 90% of the 118 measurable targets by 2030, unless efforts are multiplied.
38. Although intensified regression in climate change actions may be due to the re-opening of most economies—as economic activity increases, environmental degradation also increases but will eventually decline once a certain income threshold is reached—and as countries prioritized Covid-related measures, it should not curb efforts towards realizing sustainable development. In the case of the PH, efforts are being made, both in national and local governments, to be on track toward a sustainable and climate-resilient economy.
39. Recently, the U.S. Agency for International Development (USAID) and Korea International Cooperation Agency (KOICA) have partnered with the NG to build climate-resilient cities in the PH. The five-year USD15.00 Million project will help local governments adapt to, mitigate, and endure the impacts of climate change through enhancing accessibility to climate financing and tools to build resilience.
40. The country's scores in SDG 12 could be further improved as local governments are now more empowered to build waste management systems since intergovernmental transfers from the NG have increased given the Mandanas-Garcia Case Ruling. Local governments may also opt to venture into PPP for sanitary landfills and composting facilities, among others.
41. The Inter-Agency Task Force on Sustainable Finance was also reconvened to discuss the status and next steps in the implementation of the Sustainable Finance Roadmap and its Guiding Principles. In line with the said roadmap, the Commission has issued several policies such as the adoption of corporate governance codes and rules protecting minority investors, and elevating the standards of sustainability reporting in the corporate sector. The Commission has also renewed its membership in the ASEAN Taxonomy Board.
42. With the continuous policy thrusts of the Commission for upholding good corporate governance practices and pushing for sustainability, it received anew in 2022, and for the third consecutive year, the 3G Advocacy and Commitment to Corporate Governance Award.

Sources: [UN ESCAP, 2023a](#); [UN ESCAP, 2023b](#); [Science Direct, 2023](#); [USAID, 2023a](#); [USAID, 2023b](#); [DOF, 2023d](#); [SEC, 2023a](#)



SEC remains steadfast in improving audit quality; New SEC Tacloban Office to bring services closer to Eastern Visayas



Photo Source: SEC FB Page; IFIAI



Photo Source: SEC FB Page



Photo Source: SEC FB Page

Sources: SEC, 2023b; SEC, 2022; SEC, 2023c; BusinessWorld, 2023

43. Chairperson Emilio B. Aquino, General Accountant Emanuel Y. Artiza, Assistant Director Guada May S. Preciados, and Executive Assistant Maria Carmina D.S. Aquino represented the SEC in the International Forum of Independent Audit Regulators (IFIAR) in Washington, D.C. The Commission's delegation joined the representatives from 44 IFIAR member states in discussing key developments and emerging trends in the audit industry, specifically on the areas of audit quality, inspection, enforcement, standard-setting, use of technology, and sustainability assurance.
44. Since the SEC's admission to IFIAR in 2019, the agency has been stepping up its efforts to pursue best practices in audit quality standards as well as credible and transparent financial reporting. One of which, is the SEC Oversight Assurance Review (SOAR), which summarizes various observations on the audit quality of 17 audit firms that have clients with equity or debt securities listed on an exchange. The latest report showed the commitment of audit firms to perform root-cause analyses on the identified inspection findings.
45. In order to ensure the efficient delivery of public services, the SEC opened its 10th extension office (EO) in the country located in Barangay Baras, Tacloban City. The EO will address the business registration needs of some of the 10,456 corporations registered in the Eastern Visayas region who previously had to travel to the SEC Cebu EO in order to avail the Commission's services.
46. The establishment of Tacloban EO was upon the recommendation of House Speaker Ferdinand Martin Romualdez, citing its significance in harnessing the city's potential given its renowned competitiveness and urbanization. Moreover, the presence of the EO in the area will ensure the effective enforcement of laws concerning the capital market, financing and lending companies, and the overall corporate sector.
47. Meanwhile, the Zamboanga leg of the Commission's capital market roadshow attracted more than a hundred onsite participants and 83 virtual attendees, consisting of company executives, different business groups, and government agencies.
48. During the event, crowdfunding measures were presented as an accessible means to raise funding for MSME's business expansion. It also highlighted the participation of over 200 enterprises that have raised capital through leading platforms such as Investree and Seedin Technology. SEC is set to bring the campaign initiative to Bacolod, Legazpi, and Iloilo, among others.



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SECONOMICS Editorial Team

Writers and Contributors

Kathlene Anne F. Famadico (Lead)

Alexander C. Matoza

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Editor

Director Rose Ann S. Espiritu

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