

# TECHNICAL NOTES

## National Accounts of the Philippines

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### I. Introduction

The Philippine Statistics Authority (PSA), as the compiler of the Philippine System of National Accounts (PSNA), has long recognized the need to improve the national accounts by updating the base year to a more recent one and to adopt the other recommendations of the 2008 SNA. Users of national accounts had also expressed the concern that the country's economy is rapidly changing as results of information and communication technologies, the rise of globalization, digitalization of the economy and the existence of new types of transactions in the economy which deemed it important to revise and rebase the PSNA.

Revising and rebasing of national accounts statistics are considered an international practice among statistical offices worldwide like the revisions of other official statistics.

The Philippine Statistics Act of 2013 or RA 10625 under Rule 4, Article 5 provides the mandates and functions of the PSA which, among others, shall primarily be responsible for the compilation of national accounts. The choice of a more updated base year improves the measure of the economic growth and becomes more accurate if the base year is not too far back. The choice of a base year as shown in many literatures is that, the base year should represent a "normal year" for the economy - with no influences due to economic and financial crisis, disaster, typhoons, calamities and/or other related events that brings negative impact to the economy.

The PSA's choice of 2018 as the new base year followed after assessing the series of the historical events, both international and domestic, which somehow affected the economy. It was noted that a choice of a normal year to be considered as the new base year posed some problems since the results of the evaluation did not have a conclusive basis on a normal year for a choice of the base year. This considers another criterion on the availability of data from censuses and surveys including administrative data to serve as bases for the compilation of the Supply and Use Table for the 2018 benchmark levels. Availability of data for base year became an important consideration.

Following the 2009 Philippine Standard Industrial Classification (2009 PSIC), an important feature of the revised and rebased national accounts is to allow, in a more systematic way, the expansion of the coverage of industries as well as to provide a more analytical presentation of the accounts. The new configuration now presents eighty (80) sub-industries grouped into sixteen (16) major industries as compared to the old configuration of seventy-two (72) sub-industries which is grouped into twelve (12) major industries.

Under the expenditure side of the GDP, "Valuables" is an additional expenditure item which is now captured and highlighted as additions to the gross capital formation.

Some of the major expenditure items e.g., Durable equipment and Exports and Imports of goods and services highlighted new commodities aligned with the latest 2015 Philippine Standard Commodity Classification (PSCC) and BPM6 Manual.

Benchmark data and annual data for the revised and rebased PSNA are provided from censuses and surveys of establishments and households, administrative data like financial statements as well as alternative data sources from field visits and special studies. In addition, other data sources from private agencies and private associations serve to supplement the benchmark data.

## II. Data and Data Sources

Data	Source Agency/ Data Source	Schedule of Release/ Data Availability
1. Census of Philippine Business and Industry (CPBI)	Philippine Statistics Authority (PSA)	Every 6 years
2. Annual Survey on Philippine Business and Industry (ASPBI)	PSA	Annual
3. Quarterly Survey on Philippine Business and Industry (QSPBI)	PSA	Quarterly; 30 days after the reference quarter
4. Monthly Integrated Survey of Selected Industries (MISSI)	PSA	Monthly; 35 days after the reference month
5. Family Income and Expenditure Survey (FIES)	PSA	Triennial (every 3 years)
6. Building permits	PSA	Monthly; 60 days after the reference month for the first two months; and 40 days for the third month of the reference quarter
7. Foreign Trade Statistics (FTS)	PSA	Monthly; 40 days after the reference month
8. Consumer Price Index (CPI)	PSA	Monthly; 5 days after the reference month
9. General Wholesale Price Index (GWPI)	PSA	Monthly; 45 days after the reference month
10. Construction Materials Wholesale Price Index in NCR	PSA	Monthly; 15 days after the reference month
11. General Retail Price Index in NCR	PSA	Monthly; 30 days after the reference month

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12. Producer Price Index	PSA	Monthly; 30 days after the reference month
13. Farmgate Prices	PSA	Monthly
14. Survey on Overseas Filipinos (SOF)	PSA	Annual
15. Labor Force Survey (LFS)	PSA	Monthly; 40 days after the reference month
16. Performance of Philippine Agriculture	PSA	Quarterly; 39 days after the reference quarter
17. Rice and Corn Inventory (NFA, Household, and Commercial)	PSA	Monthly; 40 days after the reference month
18. National Expenditure Program	Department of Budget and Management (DBM)	Annual; Available at the beginning of the reference year
19. Staffing Summary	DBM	Annual; Available at the beginning of the reference year
20. Budget of Expenditures and Sources of Financing (BESF)	DBM	Annual; Available at the beginning of the reference year
21. Cash Disbursement	DBM	Quarterly; 30 days after the reference quarter
22. Annual Financial Report	Commission on Audit	Annual; 9 months after the reference year
23. Public-Private Partnership Projects	Public Private Partnership Center	Quarterly; 40 days after the reference quarter
24. Production of Raw Sugar (In metric tons)	Sugar Regulatory Administration (SRA)	Quarterly
25. Composite Price of Raw Sugar	SRA	Quarterly
26. Compendium on Research & Development Statistics	Department of Science and Technology	Every 2 years
27. Crude and Petroleum Products Inventory	Department of Energy (DOE)	Monthly; 30-40 days after the reference month
28. Petroleum Products Wholesale Posted Prices	DOE	Monthly; 30-40 days after the reference month
29. Petroleum Production	DOE	Monthly; 30 days after the reference month
30. Domestic and International Demand for Petroleum Products	DOE	Monthly; 30-40 days after the reference month
31. Market Share of Retailing Petroleum Companies	DOE	Monthly; 30-40 days after the reference month
32. Coal Run-of-Mine	DOE	Monthly; 30 days after the

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Production		reference month
33. Electricity Gross Generation, Electricity Sales and Consumption of Distribution Utilities, Volume of Steam Production, Steam Selling Price	DOE	Annual; 3 months after the reference year
34. Metallic Mineral Production	Mines and Geosciences Bureau	Monthly; 30 days after the reference month
35. Electricity Gross Generation, Electricity Transmission	National Grid Corporation of the Philippines	Quarterly; 40 days after the reference quarter
36. Energy Sales, Distribution Price	Meralco	Quarterly; 40-45 days after the reference quarter
37. Volume of Steam Production, Steam Selling Price	Energy Development Corporation	Quarterly; 40-45 days after the reference quarter
38. Water Production	Metropolitan Waterworks and Sewerage System	Quarterly; 40-45 days after the reference quarter
39. Income Statement of Banks and Non-banks Institutions	Bangko Sentral ng Pilipinas (BSP)	45-50 days after the reference period
40. Balance of Payments	BSP	Monthly; 90 days after the reference month
41. Exchange Rates	BSP	Daily
42. Consumer Expectations Survey	BSP	Quarterly
43. Business Expectations Survey	BSP	Quarterly
44. Income Statement of Insurance Companies	Insurance Commission	50-60 days after the reference period
45. Passenger Traffic and Gross Sales of Metro Rail Transit (MRT) 3	Department of Transportation	Quarterly; 30 - 45 days after the reference quarter
46. Gross Rail Revenue, Net Sales and Total Passengers/Ridership for Light Rail Transit (LRT) – Line 2	Light Rail Transit Authority	Quarterly; 30 - 45 days after the reference quarter
47. Rail Revenue and Average Daily Ridership for LRT – Line 1	Metro Pacific Investments Corporation	Quarterly; 30-40 days after the reference quarter
48. Passengers Carried and Revenues	Philippine National Railways	Quarterly; 30-45 days after the reference quarter
49. Domestic and International Passenger Traffic	Civil Aeronautics Board	Quarterly; 45-47 days after the reference quarter

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50. Passengers Carried and Revenues	Philippine Airlines (PAL)	Quarterly; 30-40 days after the reference quarter
51. Fuel and catering services availed outside Philippines	PAL	Quarterly; 30-40 days after the reference quarter
52. Passengers Carried and Revenues	Cebu Pacific, Inc. (Cebu Pac)	Quarterly; 30-35 days after the reference quarter
53. Fuel and catering services availed outside Philippines	Cebu Pac	Quarterly; 30-40 days after the reference quarter
54. Cargo Throughput (domestic and foreign)	Philippine Ports Authority (PPA)	Quarterly; 25-30 days after the reference quarter
55. Ship calls (domestic and foreign)	PPA	Quarterly; 25-30 days after the reference quarter
56. Passenger traffic (embarked/disembarked)	PPA	Quarterly; 25-30 days after the reference quarter
57. Acquisition of Fixed Assets of GOCCs	Department of Finance (DOF)	Quarterly; 90 days after the reference quarter
58. Actual Statements of Financial Operations of 16 Major Non-financial Government Corporations (MNFGCs)	DOF	Quarterly
59. Infrastructure Flagship Projects	National Economic Development Authority	Quarterly
60. Number of totally damaged houses	National Disaster Risk Reduction and Management Council	Quarterly; 30 days after the reference quarter
61. Forecast revenue and employment for the IT and BPO industry	IT & Business Process Association of the Philippines	
62. Overall Status of DPWH Infrastructure Program	Department of Public Works and Highways	Quarterly
63. Tourist/Visitors Receipts and Tourist Arrivals; Outbound Philippine Residents by Purpose; Outbound by Port of Disembarkation	Department of Tourism	Monthly; 60 days after the reference month
64. Travel Tax	Tourism Infrastructure and Enterprise Zone Authority	Quarterly; 30 days after the reference quarter
65. Deployment; Average salaries of OFW's	Philippine Overseas Employment	Monthly; 30 days after the reference month

	Administration	
66. Trade margin of cattle for breeding	Federation of cattle Raisers Associations of the Phils	Quarterly
67. Commonly used fertilizer prices	Fertilizer and Pesticide Authority	Weekly
68. Trade margin of carabao for breeding	Philippine Carabao Center	Quarterly
69. Trade margin of poultry animals for breeding	Food and Agriculture Organization	Quarterly
70. Financial Statements of Companies	Philippine Stock Exchange	Quarterly; 40-45 days after the reference quarter
71. World Bank Commodity Prices and Indexes	World Bank	Monthly; 15-20 days after the reference month
72. Export and Price Indexes	US Bureau of Labor Statistics	Monthly; 15-20 days after the reference month

### III. Methodology

#### **III.1. Expenditure Approach**

GDP using the expenditure approach is derived as the sum of all final expenditures, gross capital formation and exports of goods and services less imports of goods and services.

##### **A. Household Final Consumption Expenditure**

For the 2018-based estimates for the overall revision and rebasing of the PSNA, the main statistics being utilized is retail trade output, with the assumption that the sales of goods (output) from retail trade is equal to the consumption of households. However, it also includes sales to other consumers such as foreign employees or visitors (non-residents). Hence, retail statistics is adjusted to remove expenditure of non-residents in the domestic area using inbound tourism expenditure. Lastly, the gross output of various industries i.e., recreation, ownership of dwellings, electricity, water, etc., were added to the estimate since retail covers the expenditure on goods only.

##### **B. Government Final Consumption Expenditure**

The estimates for GFCE is derived separately for national government, local government, social security schemes and non-profit institutions serving government using the data from the Commission on Audit and the Department of Budget and Management.

### **C. Durable Equipment**

The ASPBI/CPBI was utilized using the data on capital expenditure on machinery and equipment by industry. Likewise, balance sheet data from COA on property plant and equipment of National and Local government and GOCC were also processed. The processed ASPBI/CPBI and GOCC COA report constitute the private durable equipment and the National and Local government COA report constitute public durable equipment. The 2018 benchmark estimate of durable equipment was disaggregated into imported and local component using the cost insurance and freight from the foreign trade statistics (imports) and value of product shipped/sold to domestic market including the interplant transfers from the ASPBI/CPBI of manufacturing sector.

### **D. Breeding Stocks and Orchard Development**

The value of fixed capital formation on breeding stocks used as fixed capital is derived as the product of the number of animals (livestock and poultry) used as capital translated into live weight and relevant price. To account for the population of animals used as fixed capital, available ratio of the number of animals used as fixed capital to total animals. On the other hand, the value of capital formation in orchard development is based on the expenditure incurred in the areas to be planted and the cultivation of permanent crops until these become productive.

### **E. Intellectual Property Products**

The results from private establishments include capital expenditures on intangible fixed assets like: a) research and development; b) mineral exploration; c) computer software and databases; and d) entertainment, literary or artistic original, and other intangibles. We also used data from COA and DBM to estimate expenditures of the public sector. IPP is the summation of all components of intangible fixed assets spent by the private and public institutions.

### **F. Changes in Inventories**

For each subcomponent, the beginning and ending inventory levels are gathered from the source agencies or in some cases estimated using some indicators. For the estimation of raw sugar inventory, commodity flow approach is used to derive the ending inventory. Inventory levels are either in volume terms or in book values. Hence, there is an estimation methodology that will require transforming book values into volume terms. Appropriate prices and deflators are consolidated for proper valuation of each subcomponent.



## **G. Valuables**

Two approaches were considered in the estimation of valuables, the demand side which is the summation of costs of valuables acquired by institutional units and the supply side which is the summation of costs of valuables locally-produced and acquired from the rest of the world. The 2018 benchmark estimate of valuables was disaggregated into imported and local component using the cost insurance and freight from the foreign trade statistics (imports) and value of product shipped/sold to domestic market including the interplant transfers from the ASPBI/CPBI of manufacturing sector.

## **H. Exports and Imports of Goods**

The monthly FTS exports/imports data were used and processed in terms of the classifications based on the 2015 PSCC. In order to align with the National accounts concept, replacement and returned goods, articles temporarily exported/imported, and goods on consignment basis were deducted to come up with the total Exports and Imports of Goods. The FTS data, which are valued at fob, are converted to Philippine peso (PhP) using the monthly average buying and selling rates to account for the peso/dollar appreciation/depreciation.

## **I. Exports and Imports of Services**

Using the data mostly from the Balance of Payments of BSP, the following components are summed-up to derive the Services.

## **III.2. Production Approach**

The Gross Domestic Product (GDP) is based on the concept of Gross Value Added (GVA). The production measure of GDP is derived as the as the value of output less intermediate consumption plus any taxes less subsidies on products not already in value of output. Operationally, GDP at the production of the PSNA is compiled for the industries which allows the study of industrial activity in the economy and permits the compilation of supply and use tables and input-output tables. Sectoring of the industries is based 2009 Philippine Standard Industrial Classification System (PSIC). Measuring GVA at the industry level takes into account both the goods and services produced by the organized industry and unorganized industry for a more comprehensive picture of the performance of the industries or the economy as a whole. The organized industry includes the establishments and the government as producers of market output, output for own use, and non-market outputs, while the unorganized industry includes those that are not part of the organized industry but also producers of output such as the households.

### **A. Organized Industry**

Measuring GVA is done at the most detailed possible. It is computed at the 5-digit level of PSIC for each of the sub-industries in an industry and then summed up to derive the total GVA of the industry.



## B. Unorganized industry

Goods and services produced not captured in formal establishment surveys like the ASPBI and CPBI as well as administrative data are also included in the estimation of GDP by indirectly estimation using the residual employment approach. Using this approach, employment in the unorganized industry is derived as the residual of the employment of Labor Force Survey (LFS) and the CPBI for the benchmark year or the ASPBI for the non-benchmark years. The residual employment is multiplied to the per capita gross output of small establishments or those establishments with less than 20 employees in the ASPBI and CPBI to derive the gross output of the unorganized industry. Gross value added is derived by multiplying the resulting gross output to the gross value added ratio of small establishments.

Constant price estimates of GDP are obtained by expressing values in terms of a base period. In theory, the price and quantity components of a value are identified and the price in the base period is substituted for that in the current period. The 2018-based constant price estimation used the single extrapolation method. This is an improvement in the estimation methodology as compared to the single deflation method used in the 2000-based series. This method means that the "output is deflated using an output price index". The value added is extrapolated by using volume indicators, and the assumption is that there is a constant relationship in the output, intermediate consumption and value added in volume terms.

### III.3. Income Approach

The income approach of the PSNA is also part of the overall revision and rebasing to 2018. The results of this activity will be released in June 2021.

The third approach of compiling the GDP is the income approach, where the income generated by factor shares, i.e., the GVA from the production accounts is distributed to the institutional sector to which it accrues. This is shown in the Income and Outlay accounts, through the current receipts and disbursements of the four institutional sectors - financial corporations, non-financial corporations, general government and households, unincorporated enterprises including NPISH.

## IV. Concepts and Definition of Terms

1. **The System of National Accounts (SNA)** is an internationally agreed standard set of recommendations on how to compile measures of economic activity in accordance with strict accounting conventions based on economic principles.

2. **Gross Domestic Product (GDP)** - The aggregate of gross value added (GVA) of all resident producer units in the country.

3. **The Supply Table** describes how goods and services become available in an economy during a certain period of time. Products are either produced in the domestic industry or imported. **The Use Table** shows how goods and services are used in the economy during a certain period of time. Products can be used either as intermediate consumption or as final use.
4. **Gross Value Added (GVA)** - The value of output less the value of intermediate consumption. GVA is composed of compensation, depreciation, indirect taxes paid net of subsidies received and the operating surplus, which is the payment to the producer as entrepreneur.
5. **Gross Output (GO)** - The value of goods and services produced by an establishment, excluding the value of any goods and services used in an activity for which the establishment does not assume the risk of using the products in production, and excluding the value of goods and services consumed by the same establishment except for goods and services used for capital formation (fixed capital or changes in inventories) or own final consumption.
6. **Intermediate Consumption (IC)** - The value of goods and services consumed as inputs by a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital.
7. **Products and producing units** - Each industry consists of a group of establishments engaged in the same, or similar, kinds of activity. Industry classification are based on the Philippine Standard Industrial Classification (PSIC).
8. **Gross capital formation** consists of fixed capital formation, changes in inventories and valuables.
9. **Gross fixed capital formation** is composed of total expenditures on construction, durable equipment, breeding stocks and orchard development and intellectual property products.
10. **Final uses** refer to the values at purchasers' prices of goods and services used for final consumption of households and private non-profit institutions, general government both national and local government units, as well as those used for gross fixed capital formation by both public and private enterprises and for exports.

## V. Dissemination of Results

The Quarterly National Accounts of the Philippines report is being released 40 days after the reference period, except Q4, which is to be released 30 days after the reference period. Meanwhile, Annual National Accounts is being released 30 days after the reference year. The following schedule of releases in the PSA website are as follows:

Approved Investment Report	Schedule of Release
Quarter 4 of the Previous Year	January of the Current Year
Annual of the three previous years	April of the Current Year
Quarter 1 of the Current Year	May of the Current Year
Quarter 2 of the Current Year	August of the Current Year
Quarter 3 of the Current Year	November of the Current Year

The web release materials include press release, statistical tables, infographics, publication report, and social cards.

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## VII. Contact Information

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