

# **Advancing the Agenda of Subregional Economic Accounting for Better Policy Analysis: Developing Framework for the Provincial Product Accounts (PPA)**

**by**

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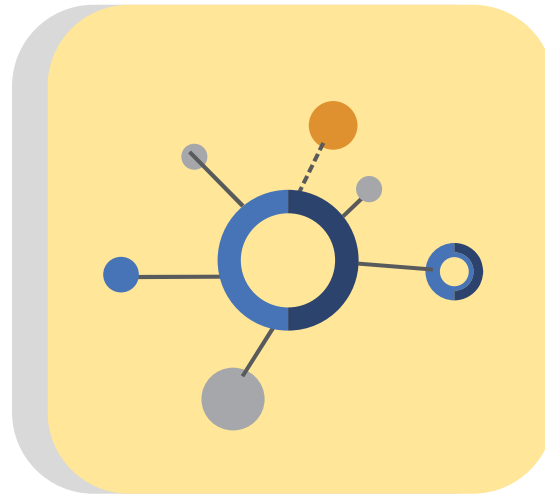
## Outline of Presentation

- I. The Overarching Demand for Provincial Product Accounts (PPA)
- II. A Step Closer: Working with what we have
- III. Experimental Results and Discussion
- IV. Challenges and Way Forward

## Importance of granular data



**More informed and more precise policy interventions**



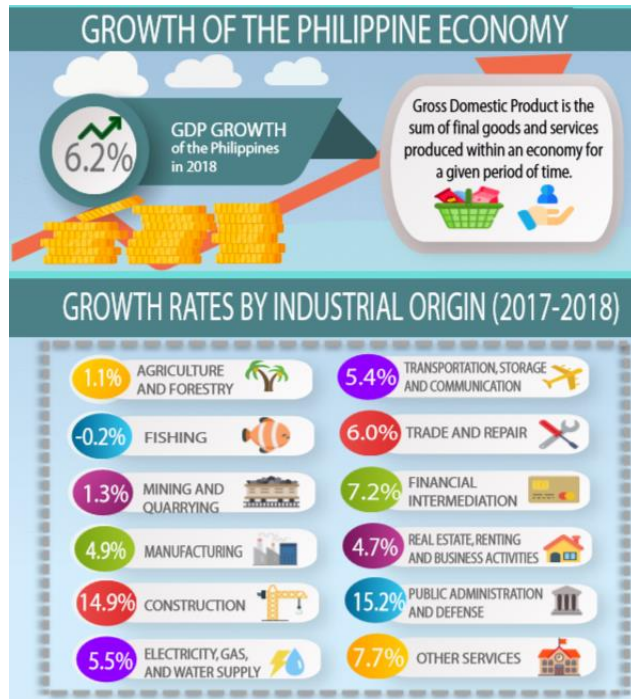
**Comprehensive picture of the economic structure**



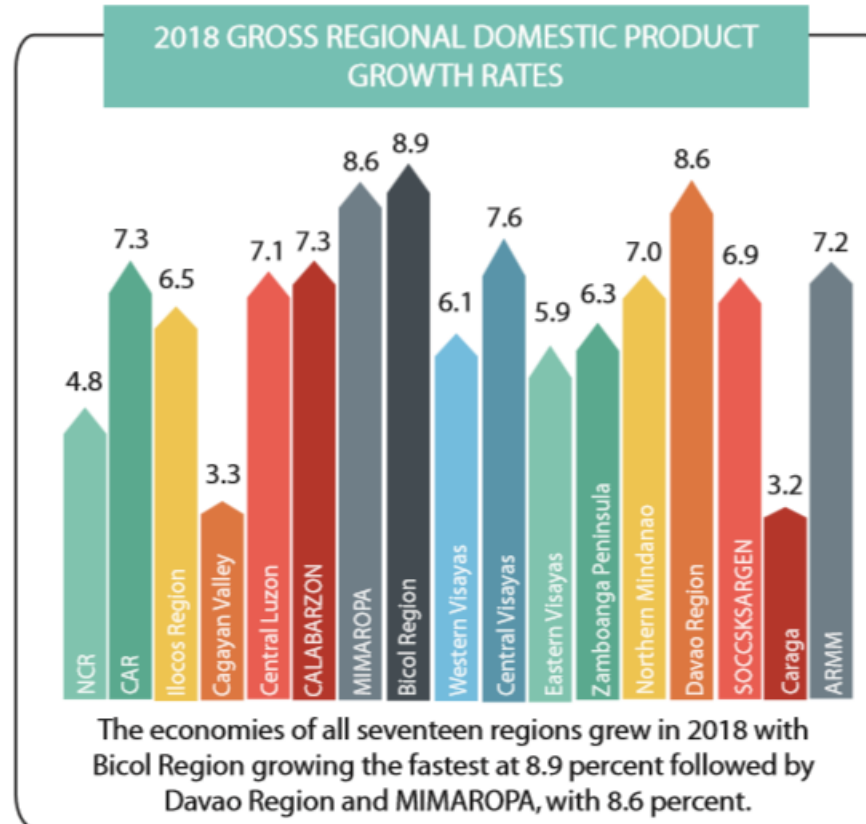
**Program targeting**

# Existing mechanisms in compiling economic accounts in the Philippines

## National



## Regional

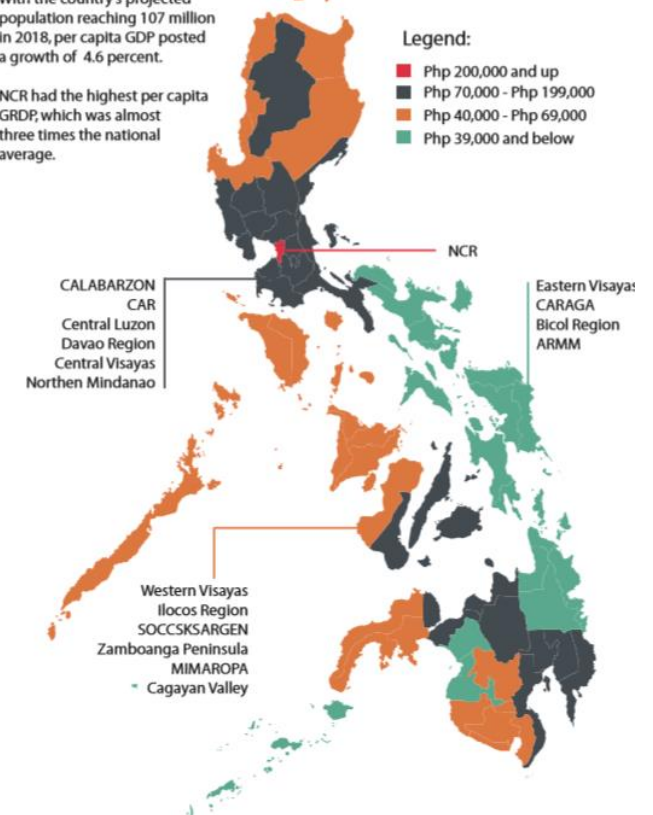


Note: growth rates at constant 2000 prices

### 2018 GRDP PER CAPITA

With the country's projected population reaching 107 million in 2018, per capita GDP posted a growth of 4.6 percent.

NCR had the highest per capita GRDP, which was almost three times the national average.



## Limitations of existing mechanisms



- Lack of lower level of disaggregation
- Masks the disparity of development among provinces within the region
- Not accurate measure to support planning and policy formulation at the local level

## **Provincial Product Accounts (PPA)**


➤ serves as a framework towards improving data generation at the local level for planning and policymaking purposes.

➤ counterpart of Gross Domestic Product (GDP) at the national level and Gross Regional Domestic Product (GRDP) at the regional level


## II. Potentials of PPA compilation in Phil. Setting

# Working within the System of National Accounts (SNA)

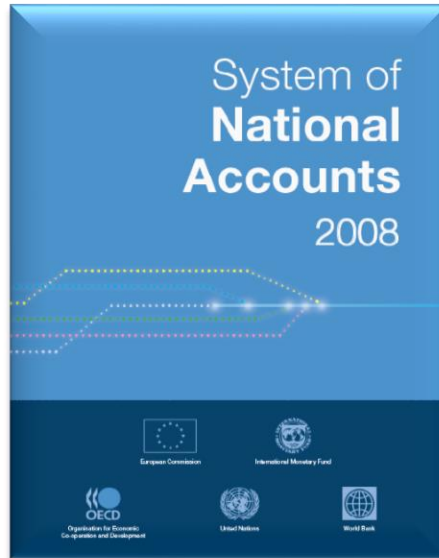
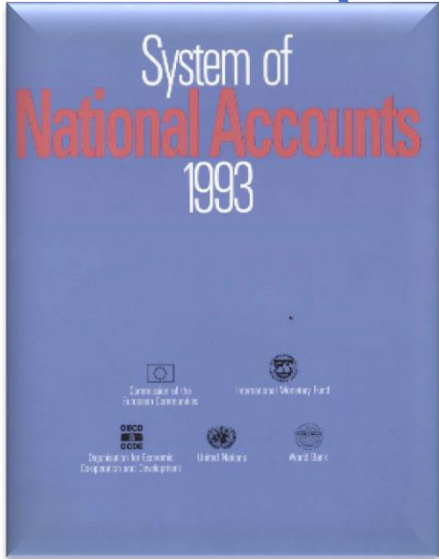
### Framework for Economic Accounting



A statistical framework that provides a **comprehensive, consistent** and **flexible** set of macroeconomic accounts for policymaking, analysis and research purposes



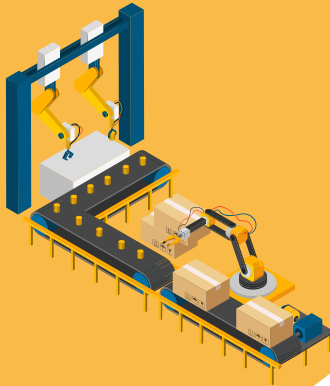
SNA is based on a set of **internationally** agreed concepts, definitions, classifications and accounting rules



## Target: Gross Domestic Product (GDP)

### Review on different ways of estimating GDP

#### Production



Sum of the value added created in the production of goods and services within the economy

#### Expenditure



Sum of all final expenditure in the economy, plus the value of exports less expenditure on imports

#### Income



Sum of the income generated in the production of goods and services including income earned by companies



## Measurement of GDP- Production Approach

**GDP =  $\sum$  Gross Value Added (GVA) of all industries**

**Gross Value Added\***

*equals:*

**Gross Output**

*less:*

**Intermediate Consumption**

*\* by taking away Intermediate consumption, GDP represents unduplicated outputs of the economy*

## Operational Methodology

**GDP =  $\sum$  Gross Value Added (GVA) of all industries**

**GVA = GO x GVAR**

where: GVAR = Gross Value Added ratio derived from Census/Annual Survey of Philippine Industry

- For this exercise, regional GVAR were used by industry (at the 3-digit PSIC level) on the assumption of homogeneity of structure of industries among provinces within the region

## Operational Methodology

### Indicators/proxies of Gross Output

- estimated value of goods produced in the provinces by industry, i.e agriculture, mining and quarrying, electricity, etc
- Used employment levels by industry to derive output by multiplying estimated productivity (output per worker) from CPBI/ASPBI with employment levels in 2018
  - For this exercise, parameters on output per worker by industry (at the 3-digit PSIC level) were used on the assumption of homogeneity of structure of industries among provinces within the region

## Operational Methodology

### Linking derived indicators with the Gross Regional Domestic Product (GRDP)

$$GVA_{ipr} = RGVA_{ir} \times \frac{GO_{ipr}}{\sum GO_{ir}}$$

where:

$GVA_{ijk}$  = estimated GVA for industry  $i$  of province  $p$  in region  $r$

$RGVA_i$  = published GVA for industry  $i$  in region  $r$

$\frac{GO_{ipr}}{\sum GO_{ir}}$  = ratio of derived GO in industry  $i$  for province  $p$  to total GO of industry  $i$  in region  $r$

## Operational Methodology

### Linking derived indicators with the Gross Regional Domestic Product (GRDP)

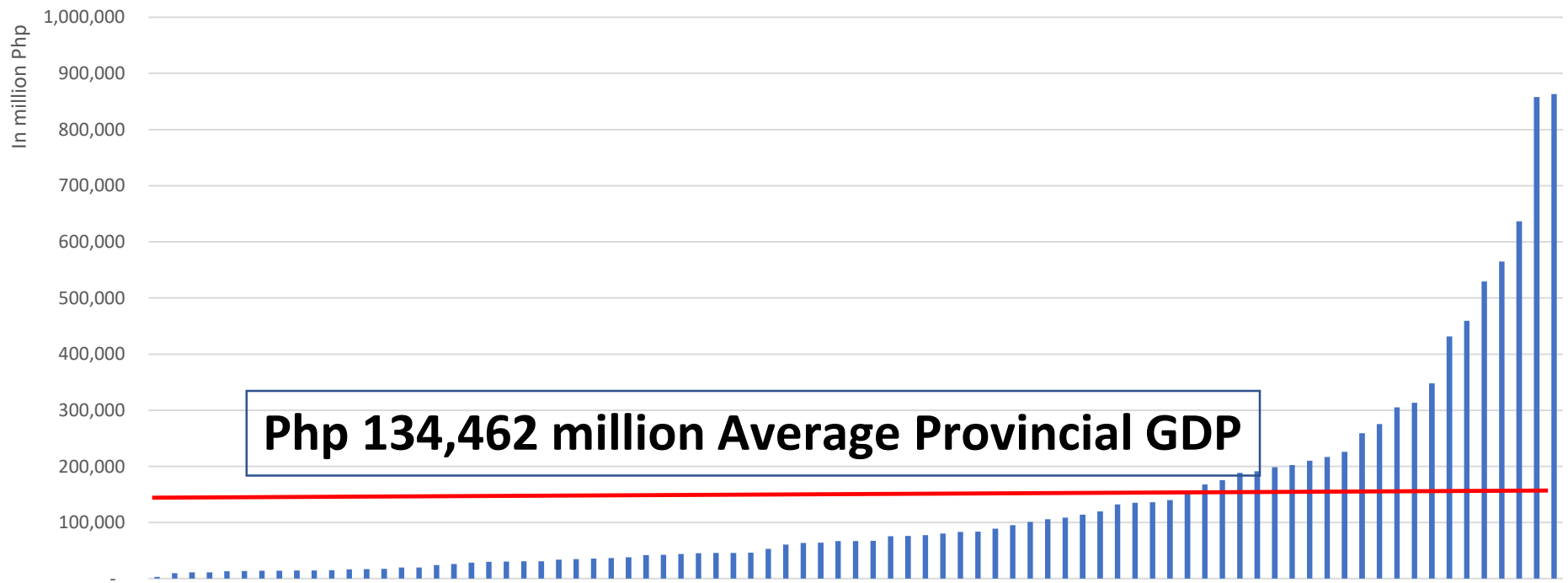
$$GDP_{pr} = \sum GVA_{ipr}$$

where:

$GDP_p$  = estimated GDP of province p

## IV. Experimental results and discussion\*

### Estimated Provincial GDP at current prices 2018 (in million PhP)

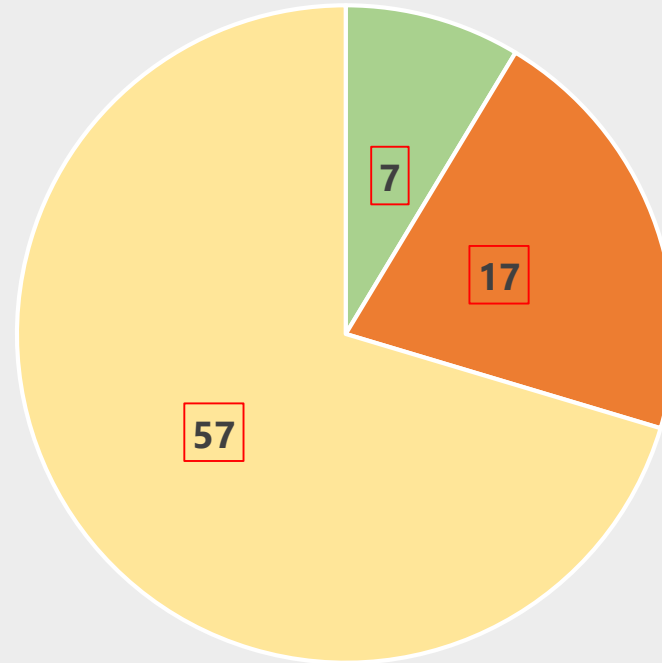


**56** out of 81 provinces have estimated GDP lower than the provincial average

\* This experimental results does not include NCR; comparison refer only to 81 provinces

## IV. Experimental results and discussion\*

### Distribution of Provinces by Major Industries



■ Agricultural   ■ Industrial   ■ Services

**57** out of 81 provinces are predominantly services-based; **17** are industrial; while **7** are agricultural



**Cebu**  
largest provincial economy

**Four**  
out of the  
Top 15







File photo: Wheretogo.com.ph

# Batanes

smallest provincial economy

Three  
out of the  
Bottom 15



MindaNews file photo by BOBBY TIMONERA

# Proposed Activities



**Provide technical visits**



**Appreciation seminars**



**Data management and assessment**



**Consultations with stakeholders**

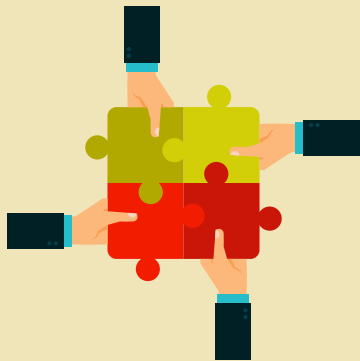
# More importantly



**Capacitate**



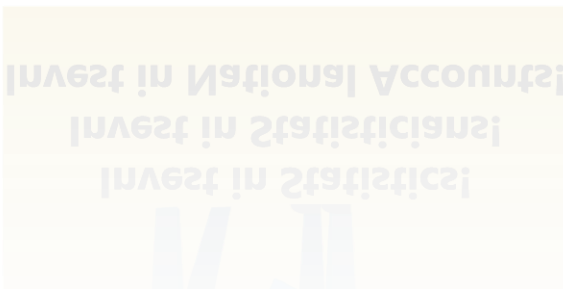
**Develop Expertise**



**Allocate Resources**



**Invest in Statistics!  
Invest in Statisticians!  
Invest in National Accounts!**



# Maraming Salamat