

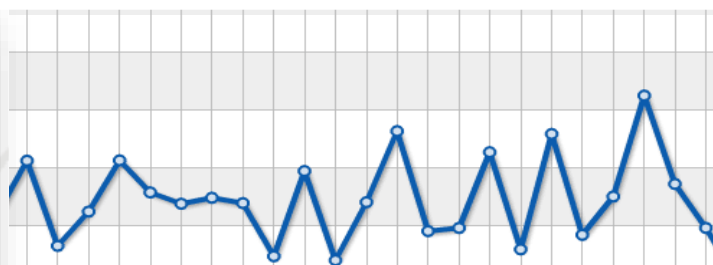


Gauging the Economy through Relevant and Reliable Official Economic Statistics

(**P**hilippine **S**ystem of **N**ational **A**ccounts)

A Presentation to the 1st Philippine Data Festival
Manila Peninsula, Makati City

#1stPHDataFest





OUTLINE OF PRESENTATION

I. Why do we need to study the Economy?

II. Mechanisms of Economic Accounts in the Philippines

III. Basics of GDP (Gross Domestic Product)

IV. Basic Analyses on Major Economic Accounts



Economy

“...people in the
ordinary
business of life.”

- *Alfred
Marshall*

“... how societies use scarce
resources to produce valuable
commodities and distribute them
among different people.”

- *Paul A. Samuelson*



**We need science to
measure economy's
overall economic
performance...**

Macroeconomic Accounting



Why do we need economic Accounts?

▶ **Monitoring the behavior of the economy**

- ❖ To judge the relative success/failure of economic policies

▶ **Economic analyses**

- ❖ To investigate the causal mechanisms at work within the economy of the region
- ❖ Macroeconomic models and forecasting

▶ **Comparison with other economies**

- ❖ Can influence popular and political judgments about the relative success of economic programs



Questions answered by economic accounts

- ▶ ***How much the country/region improve over the period?***
- ▶ ***What are growth drivers?***
- ▶ ***What are the potential sources of growth for the next periods?***
- ▶ ***What are the productive sectors?***
- ▶ ***How does the country/region compare with other economies?***
- ▶ ***Are the targets met?***



Key Mandates of the PSA

- ☐ national censuses and surveys
- ☐ sectoral statistics
- ☐ consolidation of selected administrative recording systems
- ☐ compilation of national accounts



Economic Accounts



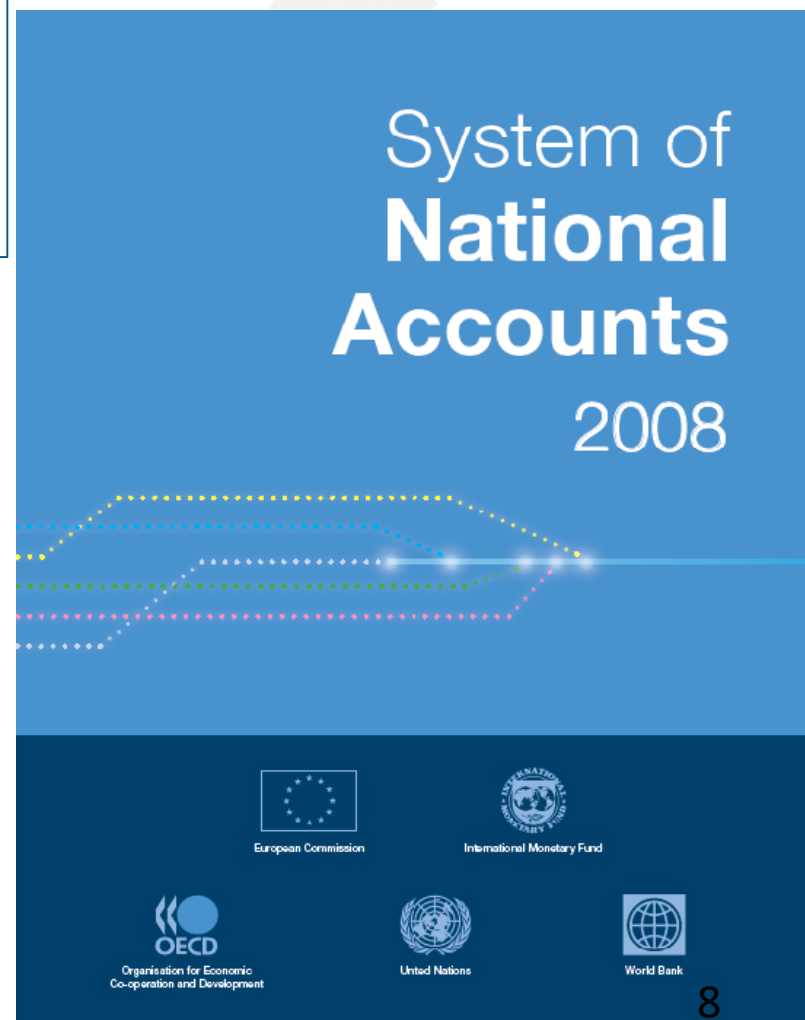
Framework for Economic Accounting

System of National Accounts (SNA)

➤ *A statistical framework that provides*

- **comprehensive,**
- **consistent, and**
- **flexible**

**set of macroeconomic
accounts**

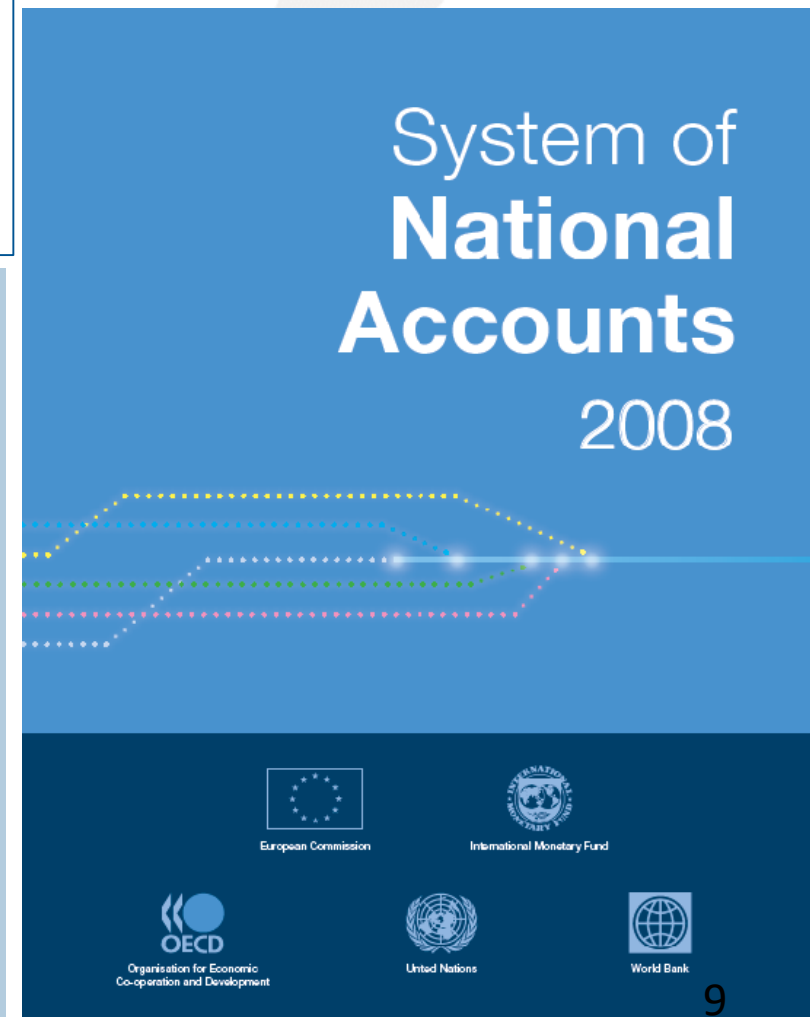




Framework for Economic Accounting

System of National Accounts (SNA)

- based on a set of internationally agreed
 - concepts,
 - definitions,
 - classifications, and
 - accounting rules





SNA as a tool for harmonizing data

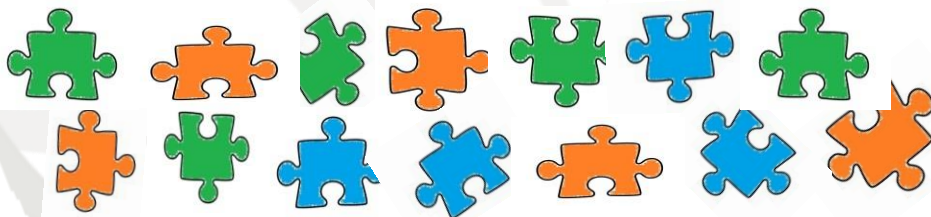
Policy makers
Journalists
Academe
Students
Analysts

4. “Getting an Overview of the Picture”: Headline indicators derived from SNA for an indication of developments in the economy

3. “Seeing the overall picture and how things fit together in detail”: Organizing data into accounts for ‘systems level’ understanding of the economy

2. “Harmonizing Basic Data”: Application of statistical standards to reconcile divergent methodologies

1. Fragmented Data: Data collection dispersed across agencies using different methodologies





Summary of Data Collection Mechanisms

Censuses

Surveys

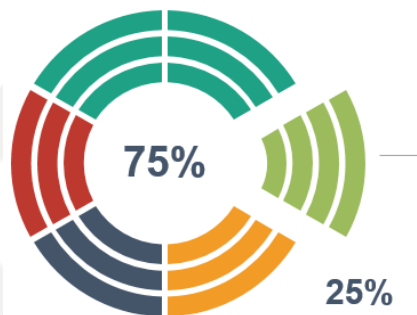
Data from Administrative Sources



Quality assessment

Considerations for data assessment

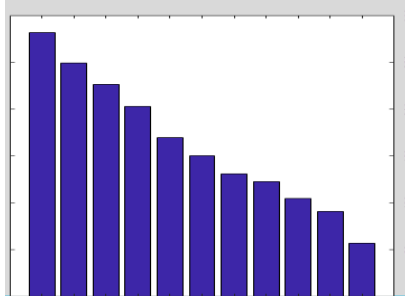
Completeness



Comprehensive



Availability of time series



Comparable





Objectives

Comprehensiveness

Accuracy

Timeliness

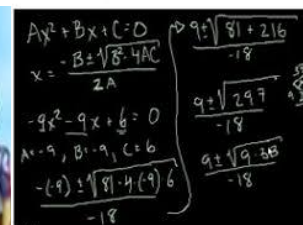


...provide timely and quality
statistics necessary for decision
making in all aspects of Filipino life



Gross Domestic Product (GDP)

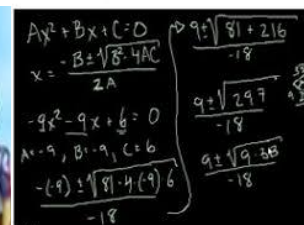
measures the additional value of goods and services newly created in the **economy** within a specified **period** of time





Gross Domestic Product (GDP)

- concept of production \neq wealth \neq welfare
- considers:
 - production boundary
 - who are the producers (*residence units*)
 - timing of production (*accrual not cash-based*)





3 Approaches of GDP measurement:



Production



Expenditure



Income



Measurement of GDP – Production Approach

GDP = Σ Gross Value Added (GVA) of all industries

equals:

Gross Value Added*

Gross Output

less:

Intermediate Consumption

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



Operational Industry Groupings in the PSNA

AGRI., HUNTING, FORESTRY & FISHING

A. Agriculture and Forestry

B. Fishing

INDUSTRY

A. Mining and Quarrying

B. Manufacturing

C. Construction

D. Electricity, Gas and Water Supply

SERVICES

A. Transportation, Storage and Communication

B. Trade and Repair of Motor Vehicles, Personal Goods

C. Financial Intermediation

D. Real Estate, Renting and Business Activities

E. Public Administration and Defense

F. Other Services



Measurement of GDP – Expenditure Approach

GDP Expenditure



Final
Consumption
Expenditures

C + G

+



Investments

I

+



Exports

X

-



Imports

M

Basic Macroeconomic Identity



Scope and Coverage of GDP (Expenditure)



Household Final Consumption Expenditure (HFCE)



Government Final Consumption Expenditure (GFCE)



Fixed Capital Formation (FCF)



Changes in inventories



Net Exports (Total Exports – Total Imports)



Measurement of GDP – Income Approach

Presents income generated from production in a period; or simply returns to factors of production

Compensation of Employees*

- **Consumption of Fixed Capital**
- **Other taxes less subsidies on production and imports**
- **Operating Surplus***

➤ * “Mixed income” is used when operating surplus cannot be distinguished from wage income



Illustration

Example: PRODUCTION OF BREAD



40 Php

What is the GDP?

1. Production ($\sum GVA_s$)

$$= (10-0) + (25-15) + (40-15) = \text{Php } 40$$

2. Expenditure (Consumption)

$$= \text{Php } 40$$

3. Income ($\sum \text{Salary \& Profit}$)

$$= 10 + 15 + 15 = \text{Php } 40$$

Supply of Output

	Wheat	Wheat Flour	Bread	Con- sumption	Total Products
Wheat	0	10	0	0	10
Wheat Flour	0	0	25	0	25
Bread	0	0	0	40	40
Salary & Profit	10	15	15		
Total Products	10	25	40		

Input for
a specific
product



"Wheat" was produced with 10 Php of salary & profit, then sold to "wheat Flour" company



"Wheat Flour" company bought 10 Php of "wheat" and add their 15 Php of salary & profit, then sold to "Bakery" shop



"Bakery" shop bought 25 php of "wheat Flour" and add their 15 Php of salary & profit, then sold to "consumer".





Analyzing GDP

Performance Indicators

- ☐ best used to **gauge** the **overall performance** of the sector/region of the economy
- ☐ purpose of utilizing performance indicators is to arrive at an understanding of the broad **performance** and **trends** of the sector/region in a **harmonized** and **comparable manner**.



Economic Growth



Increase



Decrease



(Decline)



Accelerate

Decelerate

etc



Economic Growth



ECONOMIC PERFORMANCE OF THE PHILIPPINES 3rd Quarter 2018

As of November 2018
MAS03-16-01-08112018

The Philippine economy grew by 6.1 percent in the third quarter of 2018.

Services had the fastest growth at 6.9 percent, followed by Industry at 6.2 percent. AHFF declined by 0.4 percent.





ECONOMIC PERFORMANCE OF THE PHILIPPINES 3rd Quarter 2018

GROWTH RATES OF MAJOR INDUSTRIES Q3 2018, AT CONSTANT PRICES IN PERCENT



ECONOMIC PERFORMANCE OF THE PHILIPPINES 3rd Quarter 2018

GROWTH RATES OF MAJOR EXPENDITURE ITEMS Q3 2018, AT CONSTANT PRICES IN PERCENT

■■■■■ 5.2

Household Final Consumption Expenditure

■■■■■■■■■■■■■■■■■■■■ 14.3

Government Final Consumption Expenditure

■■■■■■■■■■■■■■■■■■■■■■■■■■■■■■ 16.7

Capital Formation

■■■■■■■■■■■■■■■■■■■■■■■■■■■■■■ 14.3

Exports

■■ 18.9

Imports

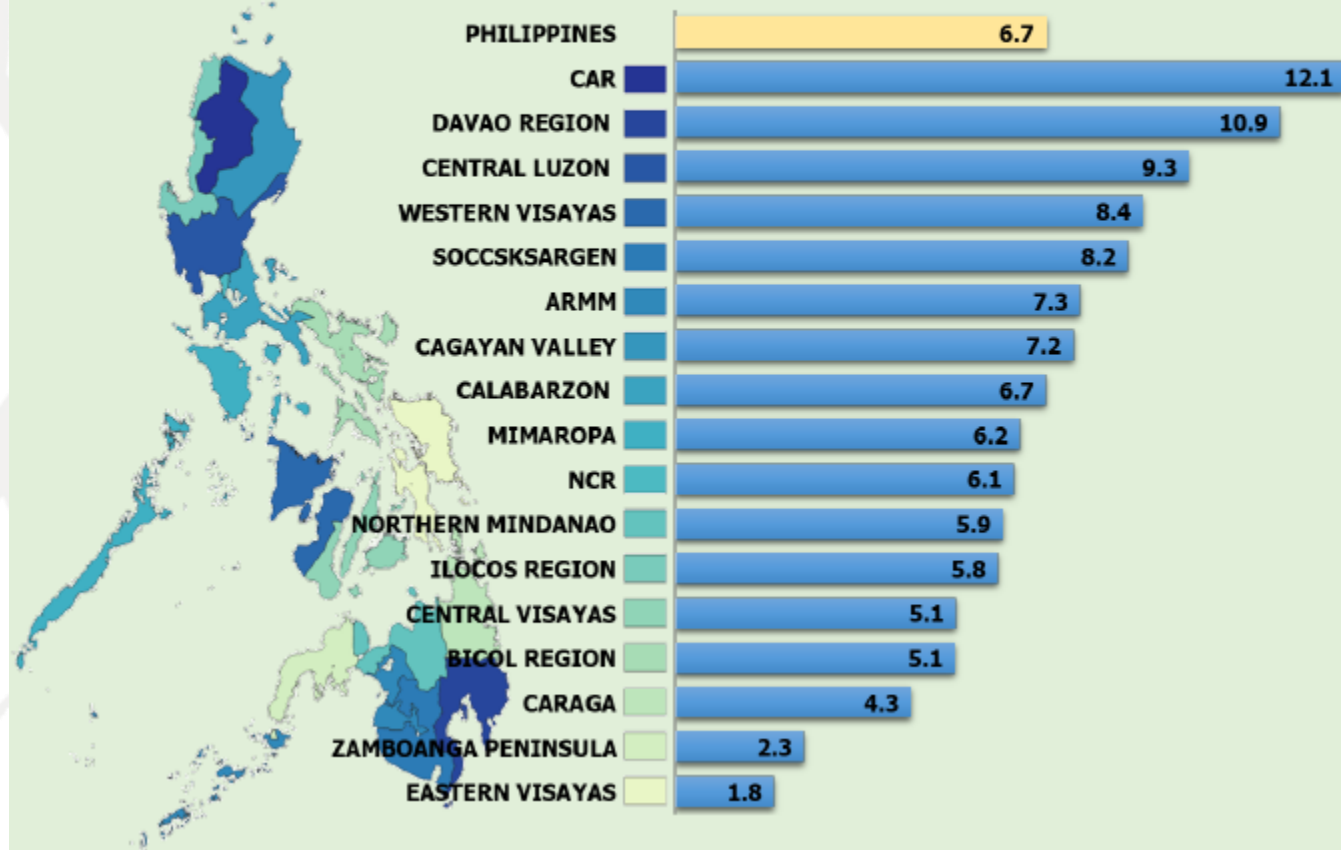


Economic Growth



GROSS REGIONAL DOMESTIC PRODUCT 2016 - 2017

Regional Growth Rates: 2016-2017
At Constant 2000 Prices
(in percent)



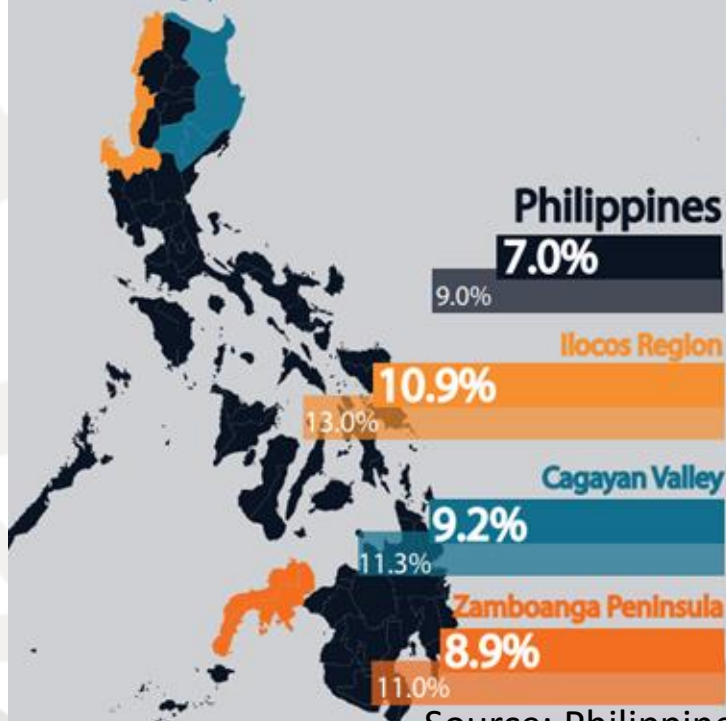


2017 Gross Regional Domestic Expenditure

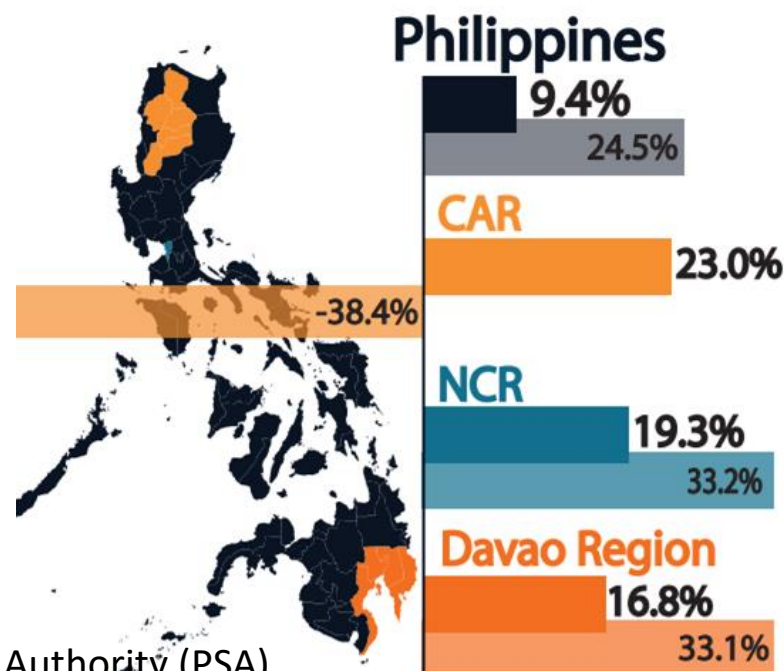


Gross Regional Domestic Expenditure (GRDE) is defined as the expenditure of residents of the region in the domestic territory plus their expenditures in other regions including the rest of the world.

Top 3 Government Final Consumption Expenditure Growth Rates, 2016 and 2017



Top 3 Gross Capital Formation Growth Rates, 2016 and 2017

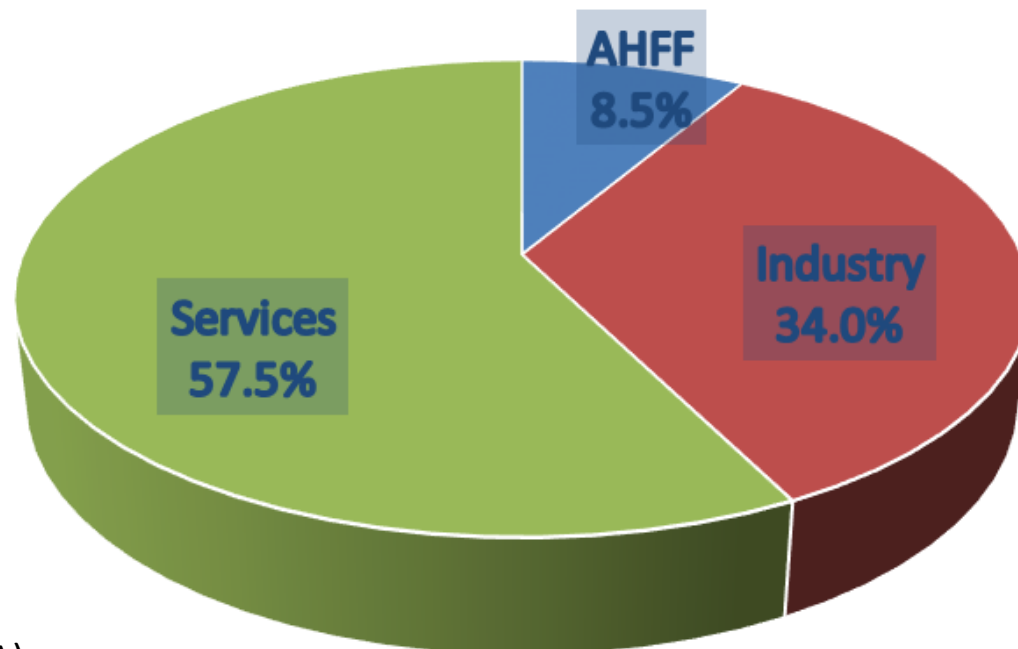


Source: Philippine Statistics Authority (PSA)
<https://psa.gov.ph/grde>



Percent Distribution

- ❑ relative share of components
- ❑ structure



Source: Philippine Statistics Authority (PSA)
<https://psa.gov.ph/nap-press-release>

Percent Share to GDP, 2017



GROSS REGIONAL DOMESTIC PRODUCT 2016 - 2017

REGION WITH THE LARGEST SHARE TO THE



**Agriculture, Hunting,
Forestry and Fishing**
Central Luzon
16.3%



Industry
CALABARZON
30.6%



Services
NCR
52.1%



Growth Accounting

- Contribution to growth (to GDP by Region, by industry to GDP)
 - relative extent/impact of components to the aggregate growth

$$\%points\ cont_i = \left(\frac{GVA_{it} - GVA_{it-1}}{GDP_t - GDP_{t-1}} \right) \times \text{GDP growth rate}$$

Where:

t = current period

$t-1$ = previous period

i = industries

ECONOMIC PERFORMANCE OF THE PHILIPPINES 3rd Quarter 2018

CONTRIBUTION TO GROWTH OF
MAJOR ECONOMIC INDUSTRIES
Q3 2018, IN PERCENTAGE POINTS



Thank You!



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