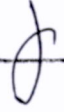


SEVENTEENTH CONGRESS OF THE ]  
REPUBLIC OF THE PHILIPPINES ]  
*Second Regular Session* ]

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SENATE

P. S. Res. No. 642

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Introduced by SEN. WIN GATCHALIAN

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**A RESOLUTION**

**DIRECTING THE SENATE COMMITTEE ON ECONOMIC AFFAIRS TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, THROUGH AN ECONOMIC BRIEFING, TO DISCUSS THE MACROECONOMIC FUNDAMENTALS OF THE COUNTRY IN THE PRECEDING AND CURRENT YEARS, AND THE PROSPECTS AND CHALLENGES TO ITS SHORT-TERM AND MEDIUM-TERM GROWTH, WITH A FOCUS ON CONTAINING INFLATION**

**WHEREAS**, in line with forecasts from both domestic and international experts, the Philippine GDP grew by 6.6% in the fourth quarter of 2017 – bringing the annual growth rate to 6.7%;

**WHEREAS**, such annual growth rate of 6.7%, while marginally lower than the 2016 GDP growth rate of 6.9%, breaks the cyclical trend where the GDP growth rate would taper immediately after the second quarter during and shortly after presidential election years;

**WHEREAS**, it is also observed that under the most recent cycle, growth did not taper throughout the six (6) recorded quarters after the 2016 presidential elections – a clear indication that the Philippine economy is presently being driven forward by non-cyclical growth drivers;

**WHEREAS**, the National Economic and Development Authority (NEDA) has identified the primary drivers of growth for 2017 to be as follows: (1) significant increase in government spending from 9.8% in 2016 to 14.3%; (2) continued robust demand from the private sector; and (3) continued robust performance of the industrial and agricultural sectors;

**WHEREAS**, the significant increase in government spending was primarily brought about by expansions in social services in education, health, and disaster relief, and is poised to even increase this year with the flagship programs of the government such as the Build, Build, Build, the Marawi rehabilitation, and Free Higher Education;

**WHEREAS**, the NEDA has also indicated that there will be additional demand side drivers, for both private consumption and investment, that will emerge in 2018, such as increased consumer demand brought about by the lower income tax deductions under the TRAIN, the cash transfer programs, and the anticipated liberalization of the laws and rules on foreign and domestic investments;

**WHEREAS**, the agricultural sector will likely remain strong in 2018 given that the weather will not be influenced by La Niña or El Niño, and free irrigation is expected to eke out more productivity across the board. However, given the existing structural problems within the sector, it is unreasonable to expect the agricultural sector to post significant gains;

**WHEREAS**, an inquiry into the sustainability and downside risks of these drivers on the short-term and medium-term growth of the country is necessary for judicious, prudent and sound economic planning and public policy;

**WHEREAS**, such inquiry must take into account the effect on these drivers the inflationary pressure induced by the TRAIN, which have to be

tempered if the government intends to maintain the strength of investment and consumption which can dip if inflation rises too fast. Likewise, the following other potential causes of inflation must be taken into consideration: rising oil prices, rising consumer demand, and weakening peso;

**WHEREAS**, the following table on year-on-year January inflation rates from 2012 to 2018 shows that the latest overall inflation figure of 3.95% is the highest January inflation rate since 2014 when overall inflation hit 4.24%. The magnitude of the January 2018 3.95% inflation figure is emphasized by the markedly lower January inflation rates in 2015, 2016, and 2017. The table also shows that the categories where inflation registered the highest increases are (1) food and non-alcoholic beverages with 4.47%, (2) alcoholic beverages and tobacco with 12.27%, (3) housing, water, electricity, gas, and other fuels with 3.68%, (4) transport with 3.21%, and (5) restaurants and miscellaneous goods and services with 3.73%.

**JANUARY YEAR-ON-YEAR INFLATION RATES 2012 TO 2018**

<b>CATEGORY</b>	<b>2012 to 2013</b>	<b>2013 to 2014</b>	<b>2014 to 2015</b>	<b>2015 to 2016</b>	<b>2016 to 2017</b>	<b>2017 to 2018</b>
ALL ITEMS	3.12%	4.24%	2.40%	1.35%	2.73%	3.95%
Food and Non-Alcoholic Beverages	2.38%	5.50%	5.35%	1.65%	3.44%	4.47%
Alcoholic Beverages and Tobacco	17.35 %	17.64 %	4.05%	4.73%	5.63%	12.27 %
Clothing and Footwear	4.89%	3.40%	3.21%	2.07%	2.76%	1.84%
Housing, Water, Electricity, Gas, and Other Fuels	3.67%	3.38%	- 2.13%	- 0.47%	1.80%	3.68%
Furnishing, House Maintenance	4.92%	2.58%	2.36%	1.54%	2.35%	2.00%
Health	3.65%	3.22%	2.75%	1.81%	2.56%	2.56%
Transport	1.12%	1.19%	- 1.33%	1.51%	2.43%	3.21%
Communication	0.54%	0.00%	0.00%	0.00%	0.11%	0.43%
Recreation and Culture	2.03%	2.53%	1.24%	1.05%	1.90%	1.44%
Education	4.36%	4.69%	5.10%	3.60%	1.83%	2.24%
Restaurants, Miscellaneous Goods and Services	2.80%	2.17%	1.65%	1.39%	2.21%	3.73%

• Source: BSP, PSA

**WHEREAS**, the inquiry will look into the following potential strategies to help curb inflation, such as the policy tools of the Bangko Sentral ng

Pilipinas (BSP), the liberalization of agriculture, and the lifting of quantitative restrictions on rice, among others;

**WHEREAS**, apart from inflation, the services sector is also facing contraction due to rising labor costs, decreasing labor surplus, and the increasing availability and accessibility of AI solutions to businesses;

**WHEREAS**, there are other external factors that pose serious challenges to our economic growth: competition from ASEAN countries, the continued recovery of EU economies, and the resurgence of the US economy;

**NOW THEREFORE, BE IT RESOLVED BY THE SENATE OF THE PHILIPPINES** to direct the Committee on Economic Affairs to conduct an inquiry, in aid of legislation, through an economic briefing, to discuss the macroeconomic fundamentals of the country in the preceding and current years, and the prospects and challenges to its short-term and medium-term growth, with a focus on containing inflation.

***Adopted,***



**WIN GATCHALIAN**