

## **Philippines economy backed by robust domestic demands amid slowing external demands**

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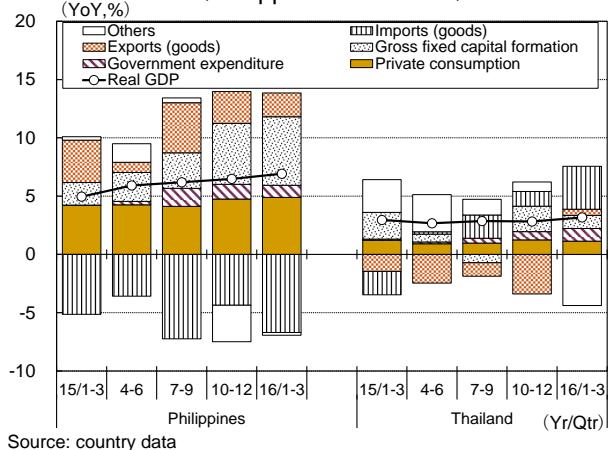
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Leave won a majority at UK Referendum on June 23 to vote on whether or not to leave the EU (Brexit). Upon the unexpected outcome, investors quickly moved to take risk-off position in the global market, even Asia was no exception, all Asian stock markets on June 24 tumbled.

Sluggish exports continue to weigh on Asian real economies as a whole, nevertheless, the economic conditions of each country in real terms depends on its economic structure (sensitivity to changes in external demands). Looking at ASEAN, real GDP growth of Thailand with its high dependency on external demand was +3.2% YoY in Jan-Mar, which remained low. In contrast, real GDP growth of Philippines with the typical economy driven by domestic demands stood at +6.9% YoY, accelerated for four consecutive quarters, the highest growth among the ASEAN5 (Chart 1). The sluggish exports of Thailand have depressed corporate earnings, resulting in weak wage growth, also holding back households consumption. On the other hand, the high real GDP growth rate in Philippines is partially attributed to its robust private consumption which accounts for about 70% of nominal GDP. Such robust consumption is supplemented by the steady wage increase and the effects of OFW remittance (account for approximately about 10 % of nominal GDP) to push up the nominal income, as well as improved real income owing to easing inflation. Furthermore, such circumstance led to the improved corporate earnings, which in result have stimulated private investment.

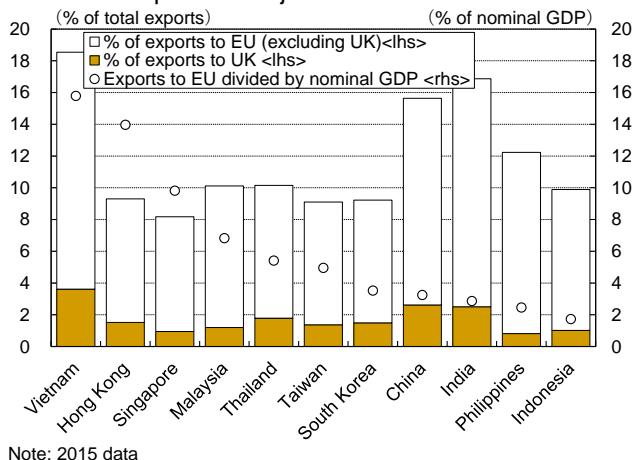
Looking ahead the Asian economies, domestic demands will be supported by the stability of employment/income environment as well as the economic stimulus measures to be implemented by the governments. In Philippines, newly established Duterte Administration laid out the Economic Plan on June 20 that contains 10-point economic agenda such as acceleration of infrastructure investment and deregulation to attract foreign investment, which is expected to further stimulate the investment. Exports will also gradually recover, in particular, by the one to U.S. The direct impact of the Brexit on real economies will be limited, as the exports of each Asian economy to EU (as a percentage of nominal GDP) accounts for less than 10 % with Vietnam and Hong Kong as an exception although the exports to UK/EU will decelerate impacted by the possible slowdown of UK and EU economies (Chart 2).

**Chart 1: Changes in real GDP growth rate  
(Philippines/Thailand)**



Source: country data

**Chart 2: Exports of major Asian countries to UK/EU**



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