PHILIPPINES

GDP PRODUCTION & EXPENDITURE APPROACH

INTRODUCTION

The System of National Accounts (SNA) is the internationally agreed standard set of recommendations on how to compile measures of economic activity. The SNA describes a coherent, consistent, and integrated set of macroeconomic accounts in the context of a set of internationally agreed concepts, definitions, classifications, and accounting rules. (https://unstats.un.org/unsd/nationalaccount/sna.asp)

The SNA provides a systematic statistical framework for summarizing and analyzing the economic flows and wealth of an economy.

In the Philippines, the PSA is mandated to compile the National Accounts. It adopts an international statistical standard in the Philippine System of National Accounts (PSNA) as recommended by the 2008 System of National Accounts (2008 SNA). The 2008 SNA is the latest version of the international statistical standard for the national accounts, adopted by the United Nations Statistical Commission (UNSC). (https://unstats.un.org/unsd/nationalaccount/sna2008.asp)

The PSA releases the National Accounts every quarter. The Macroeconomic Accounts Service (MAS) under Sectoral Statistics Office (SSO) of the PSA oversees this task. The MAS has six divisions in which three divisions are assigned to deliver this task. The Production Accounts Division (PAD) and Subnational Economic Accounts Division (SEAD) are in charge in estimating the production side; and the Expenditure and Integrated Accounts Division (EIAD) estimates the expenditure side, and integrates and consolidates the National Accounts.

GROSS DOMESTIC PRODUCT

Three approaches can be used to calculate GDP:

- Production approach. This method calculates what each separate producer adds to the value of final output (value added), by deducting intermediate consumption from gross output. Value added is summed for all producers. In practice, the components of value added are also independently estimated.

- Income approach. This approach directly measures the incomes received by the owners of the factors of production. These represent the returns to the labor and capital employed such as wages and salaries, and profits.

- Expenditure approach. This method sums the values of all final demands, that is, final consumption expenditures (of households, government and private non-profit institutions serving households), gross capital formation, and net exports (or exports less imports).

GDP PRODUCTION

- COVERAGE
- DATA SOURCE
- METHODOLOGY
- RECONCILIATION AND REVISION POLICY
- DISSEMINATION

COVERAGE

The GDP publication covers estimates on 80 sub-industries, summarized into sixteen major industries. These are grouped into Agriculture, Industry, and Services, as follows:

Agriculture, forestry, and fishing (AFF)
Industry
1. Mining and quarrying (MAQ)
2. Manufacturing (MFG)
3. Construction (CNS)
4. Electricity, steam, water, and waste management (ESWW)

Services
1. Wholesale and retail trade; repair of motor vehicles and motorcycles (TRD)
2. Transportation and storage (TAS)
3. Accommodation and food service activities (AFSA)
4. Information and communication (IAC)
5. Financial and insurance activities (FIA)
6. Real estate and ownership of dwellings (REOD)
7. Professional and business services (PBS)
8. Public administration and defense; compulsory social security (PAD)
9. Education (EDUC)
10. Human health and social work activities (HHSW)
11. Other services (OS)

DATA SOURCES

The data used in the compilation are sourced from both administrative data as well as censuses and surveys.

Administrative data are generated from the monitoring and regulatory functions of government and private agencies. It is an extensive source of information and is relatively inexpensive compared to censuses and surveys. As one of its functions, the PSA collaborates with national government agencies including Government-owned and controlled corporations (GOCCs) and their subsidiaries in the collection, compilation, maintenance, and publication of statistical information, including special statistical data derived from the activities of those departments, corporations, and their subsidiaries.

The following major censuses and surveys conducted by the PSA are the main sources of data for the Production Approach:
- Census of Philippine Business and Industry (CPBI)
- Census of Population and Housing (CPH)
- Census of Agriculture and Fisheries (CAF)
- Family Income and Expenditure Survey (FIES)

- Annual Survey of Philippine Business and Industry (ASPBI)
- Quarterly Survey of Philippine Business and Industry (QSPBI)
- Monthly Integrated Survey of Selected Industries (MISSI)
- Agricultural Surveys
- Others

METHODOLOGY

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.

RECONCILIATION AND REVISION POLICY

The PSA revises the GDP estimates based on an approved revision policy (PSA Board Resolution No. 1, Series of 2017-053 https://psa.gov.ph/psa-board/resolutions/year/2017) which is consistent with international standard practices on national accounts revisions.

The updating of the Quarterly Accounts for each quarterly estimation round shall be limited to the immediately preceding quarter, and for the rest of the past quarters to be done only during the annual round of estimates done every April of the succeeding year.

DISSEMINATION

The Quarterly National Accounts of the Philippines report is being released not later than 40 days after the reference period, except for the fourth quarter, which is to be released 30 days after the reference period. Meanwhile, Annual National Accounts is being released not more than 30 days after the reference year.

GDP EXPENDITURE

- COVERAGE
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COVERAGE

In measuring GDP of the Philippine economy by expenditure approach, the following expenditure components are highlighted:

1. Household final consumption expenditure
2. Government final consumption expenditure
3. Gross capital formation
    - 3.1. Gross fixed capital formation
        - 3.1.1. Construction
        - 3.1.2. Durable equipment
        - 3.1.3. Breeding stocks and orchard development
        - 3.1.4. Intellectual property products
    - 3.2. Changes in inventories
    - 3.3. Valuables
4. Exports of goods and services
    - 4.1. Exports of goods
    - 4.2. Exports of services
5. Imports of goods and services
    - 5.1. Imports of goods
    - 5.2. Imports of services.

DATA SOURCE

The following major censuses and surveys conducted by the PSA are the main sources of data for the Expenditure Approach:

- Census of Philippine Business and Industry (CPBI)
- Census of Population and Housing (CPH)
- Census of Agriculture and Fisheries (CAF)
- Family Income and Expenditure Survey (FIES)
- Annual Survey of Philippine Business and Industry (ASPBI)
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- Monthly Integrated Survey of Selected Industries (MISSI)
- Agricultural Surveys

Aside from surveys and censuses, administrative data are also utilized:

- Foreign Trade Statistics
- Balance of Payments
- Annual Financial Reports of the Government
- Others

METHODOLOGY

All output from production is destined for either intermediate or final consumption. Since the national accounts aims to measure the unduplicated value of production, this is equivalent to examining the value of all final uses or demands. By summing the components of final demand, expenditure on GDP is obtained.

In the expenditure approach, GDP is derived as the sum of final consumption expenditures, gross fixed capital formation (which is acquisition less disposals of produced and non-produced fixed assets), changes in inventories and exports of goods and services less imports of goods and services.

When calculating GDP by this method, the value of imports must be deducted since they are implicitly included in the final sales and represent non-residents rather than Philippine produced goods and services.

RECONCILIATION AND REVISION POLICY

A quarterly indicator series is obtained and reconciled to the annual value. Production indicators will preferably be output-based measures, but data limitations can result in input measures needing to be used. As a rule, the quarterly indicator will represent a subset of the series being measured. The indicator series is reconciled to the annual benchmark, preserving the quarter-on-quarter movements of the indicator series but scaling its values to sum to the annual. When the annual value is not available for the latest periods, the movements in the quarterly series are extrapolated from the last available annual estimate. As more recent annual values become available, the indicator series is reconciled to the new benchmark.

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