

Week Ahead Economic Preview

Worldwide PMIs, US payrolls, eurozone CPI ring in the new year

22 December 2023

2023 draws to a close with a multitude of tier-2 data updates to inform us on the latest economic conditions into the year end, while 2024 will kickstart with worldwide PMIs, Fed minutes and December's US labour market report. Additionally, inflation updates are also eagerly anticipated from various regions such as the eurozone.

"Transitory" and "Convergence" were two words used to sum up the year in our latest [Q4 PMI webinar](#), illustrating the changing nature of economic conditions in 2023. While we commenced the year seeing the service sector basking in the first year of unfettered travelling post the Covid-19 pandemic, convergence soon took place into the latter half of the year as the "higher-for-long" rates outlook dampened spirits (read [our "Shifting Sands" report](#)). Through it all, PMI indicators have outlined the resilience of the labour market, albeit with [some softening starting to show](#). Furthermore, PMI price indicators have also correctly [pre-empted the rapid path lower for inflation](#), which brings us to the point where we are seeing the transition starting for central banks such as the Fed, whose rhetoric has turned dovish.

Going into the final week of 2023 and watching the start of 2024, we continue to monitor lingering issues that will form the basis of expectations going into the new year. Crucially, employment conditions in the US will be watched via non-farm payrolls and unemployment. Early [US flash PMI data have shown diverging employment trends in December](#), which was released after the decisive December Fed meeting with meeting minutes anticipated on the third day of the new year.

Developments on the inflation end will also serve as guideposts for interest rates in 2024, with December's flash eurozone CPI due in the first week of 2024. Referencing the HCOB Flash Eurozone PMI, some [stubbornness with regards to inflation has returned in December](#).

Finally, to gain an overview of global economic conditions in the final month of 2023, worldwide PMI data will be released through the first week of the year with detailed sector data also anticipated to gain insights into the key drivers for economic trends in December.

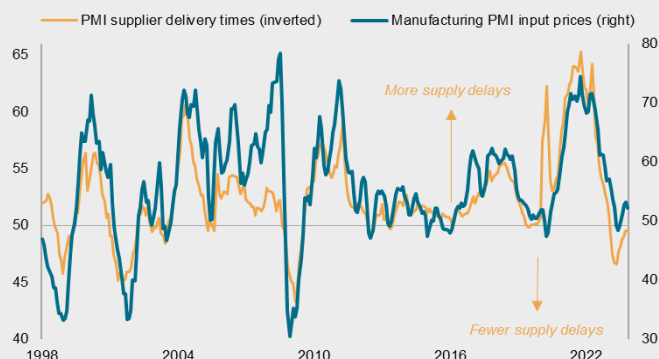
Supply chains under spotlight again in 2024

Inflation has fallen faster than many had expected in the US and across Europe in recent months, albeit in line with the advance signals from the PMI surveys. The survey data tends to act with a lead on changes in CPI inflation, with services PMI data in particular acting as a reliable guide to core inflation, which is also coming down faster than many had anticipated.

As we outlined in our [special report this week](#), while there are some signs of lingering stickiness in services inflation, a weakening demand environment is cooling labour markets, boding well for inflation pressures to continue to moderate in the months ahead.

The focus now turns to what could possibly cause inflation to re-ignite globally. One area of concern is supply chains. Tensions around the Israel-Gaza war have disrupted shipping in the Red Sea, with Yemen-based Houthi militant group attacks diverting a vast proportion of global container vessels from the Suez Canal to a lengthier route around the Cape of Good Hope. The disruptions come at a time when container transport through the Panama Canal is being throttled to a substantial degree by low water levels. As our chart below illustrates, any lengthening of supplier delivery times tends to quickly feed through to higher prices for those goods.

Global manufacturing supply conditions and prices



Data compiled December 2023 with PMI to November 2023.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month.
Sources: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.
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Our analysts note also that an uptick in attack incidents targeting shipping would also significantly increase the risk of regional conflict escalation between the US and Iran as a result of the perceived risks to global hydrocarbon trade, which would in turn put upward pressure on energy prices. [S&P Global's Maritime, Trade & Supply Chain](#) business is monitoring the situation closely in the Red Sea (see [our latest update here](#), available to clients).

Key diary events

Monday 25 Dec 2023

US, Canada, Brazil, UK, Eurozone, Switzerland, Norway, Australia, New Zealand, India, Singapore, Hong Kong SAR, South Korea, Indonesia, Philippines, South Africa Market Holidays

Japan Leading Economic Index (Oct, final)

Taiwan Industrial Production (Nov)

Taiwan Retail Sales (Nov)

Tuesday 26 Dec 2023

UK, Eurozone, Switzerland, Norway, Australia, New Zealand, Hong Kong SAR, South Africa Market Holiday

Japan Unemployment (Nov)

Thailand Trade (Nov)

Singapore Inflation (Nov)

Singapore Industrial Production (Nov)

Turkey Business Confidence (Dec)

United States Chicago Fed National Activity Index (Nov)

United States House Price Index (Oct)

Wednesday 27 Dec 2023

South Korea Consumer Confidence (Dec)

Japan BoJ Summary of Opinions (Dec)

China (Mainland) Industrial Profits (Nov)

Taiwan Consumer Confidence (Dec)

Japan Housing Starts (Nov)

Thursday 28 Dec 2023

South Korea Business Confidence (Dec)

South Korea Industrial Production (Nov)

South Korea Retail Sales (Nov)

Japan Industrial Production (Nov, prelim)

Japan Retail Sales (Nov)

Thailand Industrial Production (Nov)

Spain Retail Sales (Nov)

Hong Kong SAR Trade (Nov)

Turkey TCMB Meeting Minutes

United States Goods Trade Balance (Nov)

United States Wholesale Inventories (Nov)

United States Pending Home Sales (Nov)

Friday 29 Dec 2023

South Korea Inflation (Dec)

Australia Housing Credit (Nov)

Turkey Trade (Nov, final)

United Kingdom Nationwide Housing Prices (Dec)

Spain Inflation (Dec, prelim)

Brazil Unemployment (Nov)

India Current Account (Q3)

South Africa Trade Balance (Nov)

Saturday 30 Dec 2023

United Kingdom Nationwide Housing Prices (Dec)

Sunday 31 Dec 2023

China (Mainland) NBS PMI (Dec)

Monday 1 Jan 2024

US, Canada, Brazil, UK, Eurozone, Switzerland, Norway, Australia, New Zealand, Japan, Mainland China, Singapore, Hong Kong SAR, South Korea, Taiwan, Indonesia, Philippines, South Africa Market Holidays
South Korea Trade (Dec)

Tuesday 2 Jan 2024

Worldwide Manufacturing PMIs, incl. global PMI* (Dec)

Indonesia Inflation (Dec)

Brazil Trade (Dec)

Wednesday 3 Jan 2024

Singapore GDP (Q4, adv)

Turkey Inflation (Dec)

Spain Unemployment (Dec)

Germany Unemployment Rate (Dec)

Mexico Business Confidence (Dec)

United States ISM Manufacturing PMI (Dec)

United States JOLTs Job Openings (Nov)

United States Fed FOMC Minutes (Dec)

Thursday 4 Jan 2024

Worldwide Services, Composite PMIs, inc. global PMI* (Dec)

France Inflation (Dec, prelim)

United Kingdom Mortgage Lending and Approval (Nov)

Germany Inflation (Dec, prelim)

United States ADP Employment Change (Dec)

United States Initial Jobless Claims

Friday 5 Jan 2024

Philippines Inflation (Dec)

Thailand Inflation (Dec)

Japan Consumer Confidence (Dec)

Singapore Retail Sales (Nov)

Germany Retail Sales (Nov)

United Kingdom Halifax House Price Index* (Dec)

Switzerland Retail Sales (Nov)

Taiwan Inflation (Dec)

Eurozone HCOB Construction PMI* (Dec)

France HCOB Construction PMI* (Dec)

Germany HCOB Construction PMI* (Dec)

Eurozone Inflation (Dec, flash)

Italy Inflation (Dec, prelim)

Brazil Industrial Production (Nov)

Canada Trade (Nov)

Canada Employment (Dec)

United States Non-farm Payrolls, Unemployment,

United States Factory Orders (Nov)

United States ISM Services PMI (Dec)

* Access press releases of indices produced by S&P Global and relevant sponsors [here](#).

Special reports:

Flash PMIs point to widening growth divergences as 2023 draws to a close | Chris Williamson | [page 4](#)

Philippines economy shows robust growth into the new year | Rajiv Biswas | [page 7](#)

Recent PMI and economic analysis from S&P Global

Global	Flash PMIs point to widening growth divergences as 2023 draws to a close	18-Dec	Chris Williamson
	Monthly PMI Bulletin: December 2023	14-Dec	Jingyi Pan
	Deterioration of global trade conditions ease in November	7-Dec	Jingyi Pan
	Global PMI data hint at further cooling of inflation in the months ahead	7-Dec	Chris Williamson
	Worldwide employment stalls as businesses report further weakness of demand	6-Dec	Chris Williamson
	Global factory job losses continue as demand downturn persists in November	1-Dec	Chris Williamson
	Flash PMIs signal jobs decline as economic malaise drifts into fourth month	24-Nov	Chris Williamson
EMEA	Flash PMI points to UK economy ending 2023 on a more positive note	15-Dec	Chris Williamson
	Recession indicated as eurozone flash PMI signals deepening decline in December	15-Dec	Chris Williamson
US	US flash PMI ends 2023 at highest since July amid looser financial conditions	15-Dec	Chris Williamson
Asia-Pacific	APAC manufacturing sector rebounds in late 2023	18-Dec	Rajiv Biswas
	India seizes crown of fastest growing G20 economy	8-Dec	Rajiv Biswas

S&P Global Market Intelligence highlights

Shifting Sands: Economic Trends Impacting Global Economies in 2023-4



We study history to learn lessons from the past, helping us better understand the current environment and assess the likely future. Read this detailed review of some of the key signals from the Purchasing Managers' Index™ (PMI®) business survey data in 2023. With global and region-specific coverage and insights giving you an indication of what these trends mean for the global economy as we head into 2024.

[Click here to access our research and analysis](#)

PMI Insights: A look at the Americas



The economists see quite a subdued picture in Canada from their latest survey results. Firms are concerned about high interest rates and how they may squeeze clients' budgets. The newly launched PMI for the Canadian service sector, which covers private sector services accounting for about half of the country's GDP, offers additional insights into business activity, new orders, employment and more.

[Click here to listen to this podcast by S&P Global Market Intelligence](#)

For further information:

For more information on our products, including economic forecasting and industry research, please visit <https://www.spglobal.com/>. For more information on our PMI business surveys, please visit [here](#).

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Special Focus

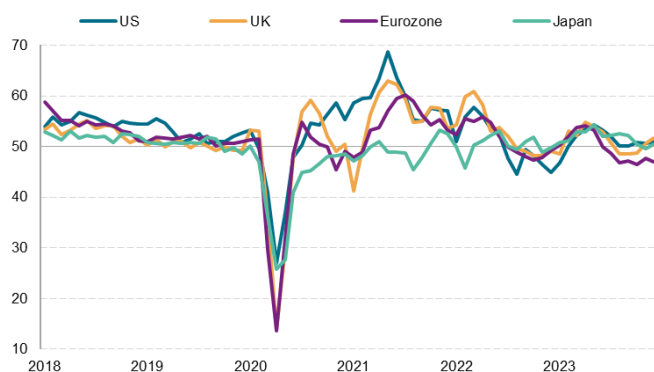
Flash PMIs Point to Widening Growth Divergences as 2023 Draws to a Close

Early PMI survey data for December from S&P Global showed the major developed economies collectively stagnating. However, trends varied, with the eurozone slipping deeper into decline to signal a recession, but modest growth was seen in the UK, Japan and US.

The surveys continue to indicate that service sector growth remains very subdued in the G4 on average relative to the growth surge seen in spring and summer, but looser financial conditions – based on expectations of lower interest rates in 2024 – have benefitted the US and UK in particular as 2023 draws to a close. Manufacturing, in contrast, remains firmly in decline, with output falling across all four economies, dropping most notably in the eurozone.

Further falls in backlogs of work in both sectors meanwhile bode ill for the near-term outlook, but also hint at some potential for further cooling of inflation. Service inflation remained elevated by historical standards, most noticeably in the UK, and the upcoming dataflow in this sector will be key to help assess policy developments in 2024.

Flash PMI output indicators of 'G4' economies



Data compiled December 15, 2023.
 PMI covers manufacturing and services. 50 = no change on prior month.
 Sources: S&P Global PMI with HCOB, CIPS and au Jibun Bank.
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Recession signals in Eurozone

Business activity across the four largest developed economies – the G4 – stabilized in December after four successive months of marginal declines. However, trends varied considerably across the four economies.

The worst performance continued to be recorded in the **eurozone**, where output fell for a seventh successive month,

with the rate of contraction accelerating in December to suggest GDP will have contracted by around 0.2% in the fourth quarter. Coming on the heels of a 0.1% GDP decline in the third quarter, the data therefore suggest that the euro area has fallen into a technical recession, defined as two consecutive quarters of falling GDP.

Both manufacturing and services activity fell at increased rates across the eurozone, with particularly steep declines again seen in France and Germany, pushing the flash composite PMI for the single currency area down from 47.6 in November to 47.0.

Stabilisation seen in the UK

Recession risks meanwhile eased in the **United Kingdom**, where the rate of business output growth accelerated to signal a second month of expansion. The composite flash PMI rose from 50.7 in November to 51.7, indicating a modest revival of growth to provide welcome news after the PMI had signalled continual declines over the three months to October. Overall, the PMI points to a flat GDP picture in the fourth quarter, so avoiding recession.

The good news out of the UK is tempered, however, by growth having been driven solely by the services sector, with manufacturing reporting a deepening contraction. Furthermore, within services, December saw a lop-sided revival of demand focused largely on tech and financial services, the latter buoyed by the recent loosening of financial conditions amid expectations of lower interest rates in 2024. These expectations are currently being reined in following hawkish rhetoric from the Bank of England's recent Monetary Policy Committee meeting, and (somewhat ironically) these higher-than-expected flash PMI numbers. These two events pushed sterling up from \$1.25 to \$1.28 against the US dollar.

Modest US expansion

Part of sterling's strength against the greenback also reflects the contrasting rates outlook in the **United States**. While the Bank of England stresses that there is "still more to do" to get inflation down to target, recent FOMC 'dot-plot' forecasts of the Fed Funds rate now being cut by 75 basis points (bps) in 2024, representing a major pivot from prior rhetoric and guidance.

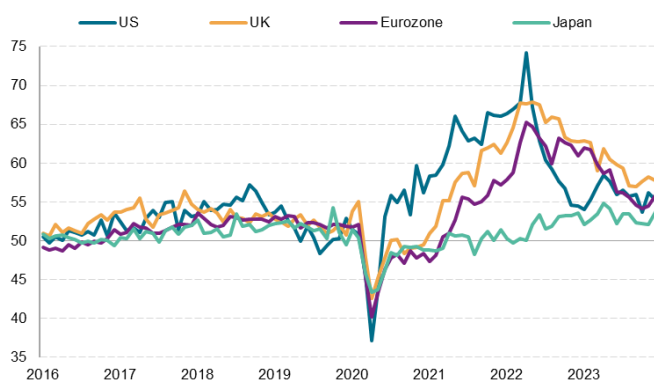
The Fed's gloomier outlook appears to be in part a response to signs of weakness in the growth projection. After GDP rose strongly in the second and third quarter of 2023, the fourth quarter is so far looking quite different, with the latest flash US PMI data showing further tepid growth. At 51.0 in December, up only marginally from 50.7 in the prior two months, the survey data point to GDP rising at a modest 1.5%-2% annualized rate in the fourth quarter.

As with the UK, US growth was driven by the service sector, as manufacturing slipped back into decline, and was in turn a reflection of looser financial conditions amid rising hopes of lower interest rates in 2024.

Price differentials

That said, even this slower growth trajectory out of the US PMI is stronger than for the UK, so the diverging policy rhetoric goes beyond current output indications. Instead, we need to consider the pricing differentials, and in particular the trends in services selling prices from the PMI surveys, as these prices tend to be a better reflection of the domestic demand environments, and hence better guides to core inflation, than manufacturing prices. Here it is evident that services inflation remains far stickier in the UK than the other G4 economies in December.

Flash services PMI output prices



Data compiled December 15, 2023.
PMI 50 = no change on prior month.
Sources: S&P Global PMI with HCOB (Eurozone), CIPS (UK), au Jibun Bank (Japan).
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Compared to pre-pandemic ten-year averages, US service sector selling price inflation as measured by the PMI gauge is now just 3.0 index points higher, whereas the comparable index in the UK is 6.1 points higher, and in the eurozone 6.0 points higher. In Japan, the index is just 4.3 points above its pre-pandemic ten-year average. Hence we can see some justification in the Bank of England and European Central Bank (ECB) retaining more hawkish stances than the US Federal Open Market Committee (FOMC).

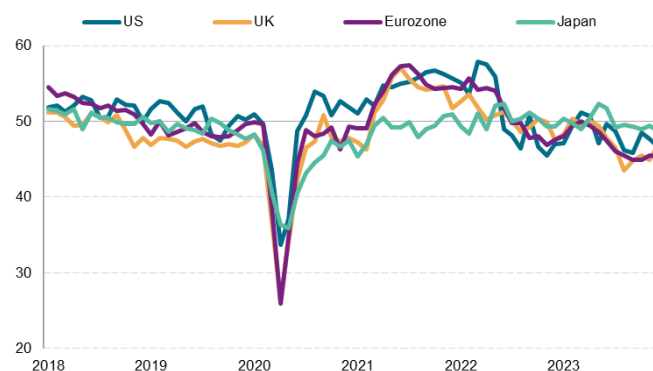
Spare capacity developing

It's also useful to consider how the demand environment is affecting pricing power, as this will help determine the inflation path in the coming months. A key metric from the PMI survey in this respect is the Backlogs of Work Index. This gauge acts as a guide to capacity utilization. Rising backlogs tend to occur when demand (i.e. the inflow of new orders) is growing at a pace that companies can fulfil. Falling backlogs, in contrast, tend to mean that output growth is exceeding the inflow of new work, hinting that spare capacity is developing.

The latest data show that backlogs are falling each of the G4 economies, dropping most sharply in the eurozone but also now falling at an increased – and historically elevated – rate in the US. Notably, service sector backlogs are down sharply in the US, Eurozone and UK, contrasting with the strong increases seen earlier in 2023, which had in turn facilitated the upsurge in service sector inflation as demand for services exceeded supply.

As such, the data hint at a broad-based weakening of firms' pricing power in the months ahead, as there are signs of the demand now falling behind supply.

Flash PMI backlogs of work indicators of 'G4' economies



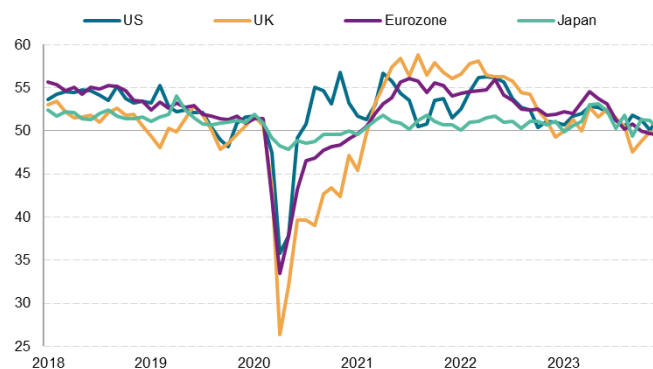
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Sources: S&P Global PMI with HCOB, CIPS and au Jibun Bank.
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Falling orders hint at pressure on jobs

In addition to signalling weakened pricing power as supply exceeds demand, the recent declines in backlogs of work suggest that companies could scale back their staffing levels.

Note that, although US employment growth accelerated slightly in December according to the flash PMI, it remained below rates seen earlier in the year. UK jobs have meanwhile fallen for four successive months and the eurozone has seen two months of modest job losses.

Flash PMI employment indicators of 'G4' economies



Data compiled December 15, 2023.
PMI covers manufacturing and services. 50 = no change on prior month.
Sources: S&P Global PMI with HCOB, CIPS and au Jibun Bank.
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Labour hoarding may buffer the payroll decline, but even in the absence of any significant falls in employment, the excess capacity signaled by the surveys will likely dampen wage bargaining power and in turn provide some further cooling of core inflation as we head into 2024. early 2021.

UK inflation problem

On this basis, it seems likely that inflation pressures will continue to cool in the US, eurozone and UK, hinting at policy pivots in all cases as we head into 2024. However, the resilience of UK services inflation in the face of falling employment in the sector is a particular concern, likely reflecting the need to offer higher pay amid an inadequate supply of labour (for which firms often blame Brexit), which add to speculation that the Bank of England will lag the ECB and FOMC in considering rate cuts.

Going forward, we will be eager to assess the developing trends of backlogs of work and services inflation as key gauges of the inflation outlook.

Chris Williamson

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Special Focus

Philippines Economy Shows Robust Growth into the New Year

Recent economic data shows that the Philippines economy has continued to show robust expansion, with GDP growth of 5.9% year-over-year (y/y) in the third quarter of 2023. Latest S&P Global Purchasing Managers Index survey results for November 2023 also showed that the Philippines manufacturing sector is one of the fastest growing amongst the major economies worldwide.

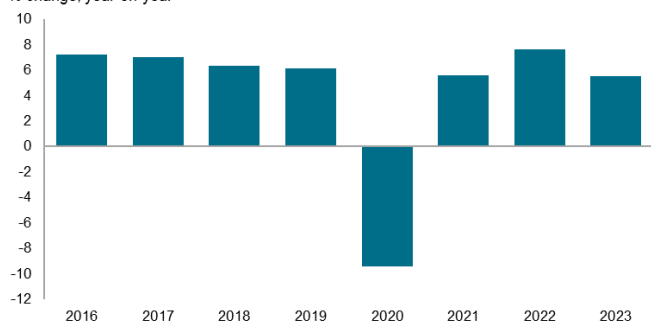
Sustained remittance inflows from workers abroad, fast-growing IT-BPO sector exports and the continued recovery of the tourism sector are also expected to support economic growth momentum during 2024. International visitor arrivals are estimated to have doubled in 2023 compared to 2022, driving a significant rebound in international tourism revenues.

Philippines amongst world's fastest growing emerging markets

The Philippines economy has continued to show strong recovery from the COVID-19 pandemic during 2023, with GDP growth strengthening to a pace of 5.9% y/y in the third quarter of 2023, compared with GDP growth of 4.3% y/y in the second quarter of 2023.

Philippines GDP growth

% change, year-on-year

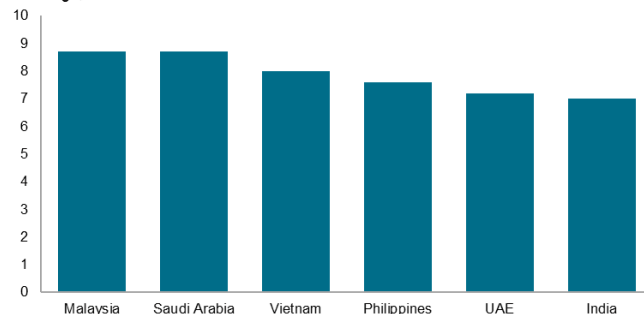


Source: S&P Global Market Intelligence. © 2023 S&P Global.

The continued rapid economic expansion in 2023 follows a strong rebound from the COVID-19 pandemic during 2022, which drove the pace of growth of the Philippines economy to the fastest rate since 1976. The Philippines GDP growth rate of 7.6% in 2022 was comparable to some of the world's fastest growing large emerging markets in 2022, including the Gulf Co-operation Council oil exporting nations of Saudi Arabia and United Arab Emirates, as well as other rapidly growing Asian emerging economies such as Malaysia, Vietnam and India.

Fast-growing large emerging markets in 2022

% change, real GDP



Source: S&P Global Market Intelligence. © 2023 S&P Global.

The Philippines has also shown a much-improved economic growth performance over the past decade, apart from during the peak period of the COVID-19 pandemic during 2020-21 when there was widespread global disruption to economic activity. During the period from 2012 to 2019, real GDP growth in the Philippines each year ranged between 6% to 7%. The economic rebound in 2022 pushed real economic growth to the highest pace recorded since 1976, with household final consumption expenditure growing by 8.3% y/y while gross capital formation grew by 16.8% y/y.

Recent economic data has continued to show expansionary conditions in the Philippines economy during the fourth quarter of 2023. The headline S&P Global Philippines Manufacturing PMI rose from 52.4 in October to 52.7 in November, signalling continued expansionary operating conditions that was the strongest reading since February.

The uptick in the headline PMI figure reflected gains across the top two PMI components of output and new orders. Firms noted that strong demand conditions both in domestic and foreign markets, new client wins and increased contract work boosted overall sales and in turn spurred greater production.

Philippines Manufacturing PMI

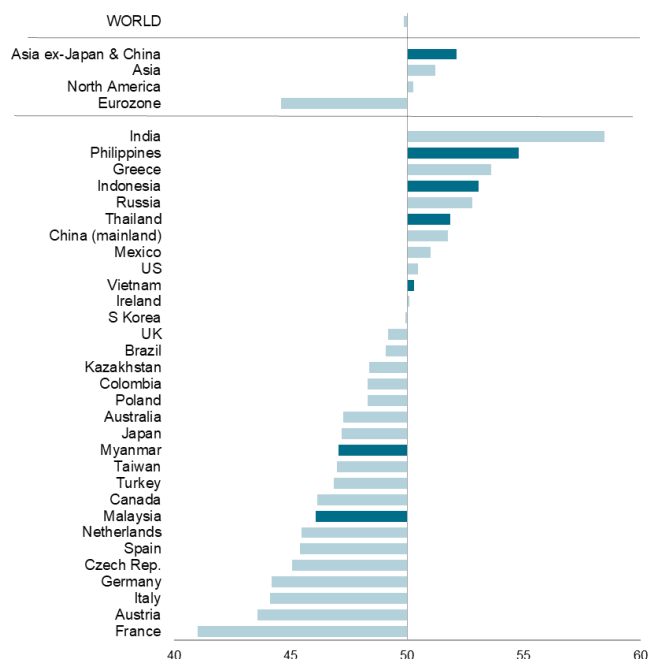
S&P Global PMI (Purchasing Managers' Index) Index
Diffusion index (50 = no change on prior month)



Source: S&P Global Market Intelligence, S&P Global PMI surveys © S&P Global 2023.

The latest international S&P manufacturing PMI survey results for November 2023 also show that the Philippines manufacturing sector was one of the fastest growing among all the countries surveyed worldwide.

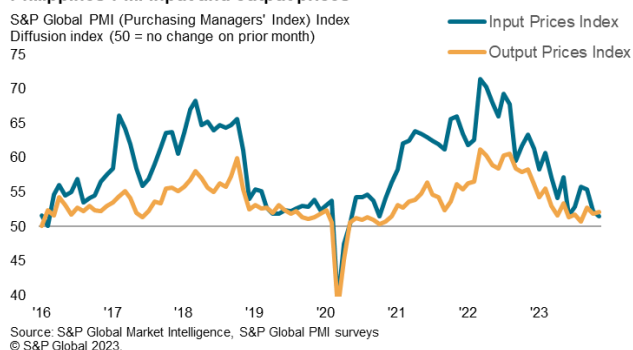
Manufacturing PMI output index



Data compiled December 2023.
 PMI index 50 = no change on prior month.
 Source: S&P Global PMI, S&P Global Market Intelligence, CBA, ISO, CIPS, HCOB, au Jibun Bank, NEVI, BME, © 2023 S&P Global.

According to the November Manufacturing PMI survey results, the rate of input price inflation was the weakest recorded in over three years, resulting in a similarly modest uptick in manufacturers' selling prices.

Philippines PMI input and output prices



Source: S&P Global Market Intelligence, S&P Global PMI surveys © S&P Global 2023.

Broader inflation pressures have remained a key concern for Bangko Sentral ng Pilipinas (BSP) during 2023. However, the headline CPI inflation rate has moderated to 4.1% y/y in late 2023, compared with 8.6% y/y in February 2023.

The CPI inflation rate had moved significantly above the BSP inflation target range of 2% to 4% due to the upsurge in inflation pressures during 2022 and the first half of 2023. As a result, the BSP tightened monetary policy by a total of 450 basis points (bps) since May 2022, with the most recent policy rate hike of 25bps on 27 October 2023. However, the BSP Monetary Board kept the policy rate unchanged at its

November and December meetings, with its assessment that CPI inflation would come back within the BSP inflation target range during 2024.

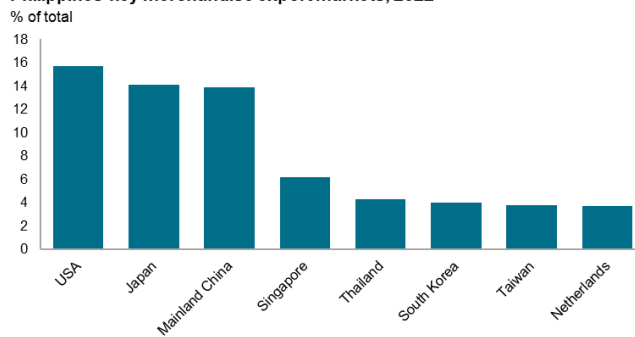
Improving balance of payments position in 2023

The Philippines recorded a significant improvement in its balance of payments position during 2023, with a cumulative balance of payments surplus of USD 3 billion for the first eleven months of 2023, compared with a deficit of USD 7.9 billion for the same period a year ago. This reflected a significant moderation in the current account deficit during 2023 and was also helped by continued growth in worker remittances from abroad.

The current account has shifted into deficit since 2020. In 2020, the current account had reached a record surplus of USD 11.6 billion or 3.2% of GDP, boosted by the sharp slump in imports due to the severe contraction in domestic demand during the COVID-19 pandemic peak. However, the current account shifted back to a deficit of USD 6.0 billion in 2021, or 1.5% of GDP, as growth recovery triggered higher domestic demand and rising imports. In 2022, the current account deficit rose to USD 17.8 billion, equivalent to 4.4% of GDP. Imports soared during 2022, with surging prices for world oil and gas being important factor contributing to a further sharp deterioration in the current account balance for calendar 2022.

The current account deficit is estimated to have moderated to USD 11.2 billion or 2.5% of GDP for 2023, according to latest BSP estimates in December 2023. The BSP projects that the current account deficit will narrow to USD 9.5 billion in 2024, or around 2% of GDP.

Philippines key merchandise export markets, 2022



Source: PSA © 2023 S&P Global.

External debt as a share of GDP remains moderate, at an estimated 28.5% of GDP in June 2023, according to BSP data.

An important stabilizing factor for the Philippines economy has been overseas worker remittances by Filipinos working

abroad, equivalent to around 10% of GDP. Remittances sent home by workers are an important factor supporting domestic consumer spending in the Philippines. Despite concerns about job losses for workers abroad due to the impact of the pandemic on many industries such as tourism and aviation, remittances data continues to show resilient remittance inflows. Remittances by workers abroad rose by 5.1% y/y in 2021, to USD 34.9 billion. In 2022, remittances by workers abroad rose by 3.6% y/y, to USD 36.1 billion. In the first ten months of 2023, worker remittances rose further, by 2.8% y/y compared to the same period a year ago.

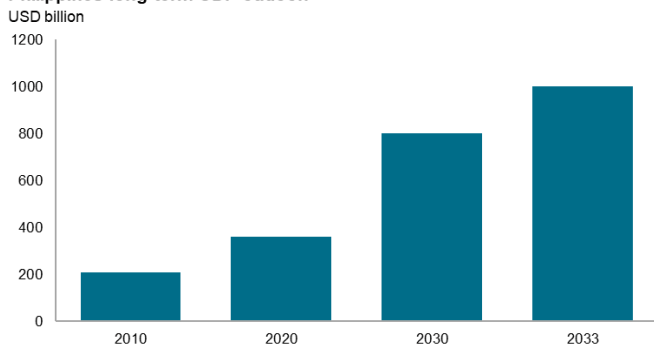
Rapid growth in exports from the IT-BPO sector have also become an important boost for the Philippines economy and for total exports. IT-BPO exports have risen from USD 9.5 billion in 2010 to USD 25.1 billion by 2021, according to BSP estimates.

Philippines economic outlook

The Philippines economy has recorded a third successive year of strong economic growth in 2023, after GDP growth for calendar 2021 rebounded to 5.6% y/y and strong growth momentum continued in 2022 at a pace of over 7.6% y/y.

The easing of pandemic-related travel restrictions since 2022 has also allowed a gradual recovery of domestic and international tourism travel during 2022 and 2023. International visitor arrivals were estimated to have reached 5.1 million by mid-December 2023, exceeding the government's international tourism arrival target of 4.8 million for calendar 2023. International tourism arrivals have approximately doubled compared to total arrivals of 2.6 million in 2022.

Philippines long-term GDP outlook



Source: S&P Global Market Intelligence.
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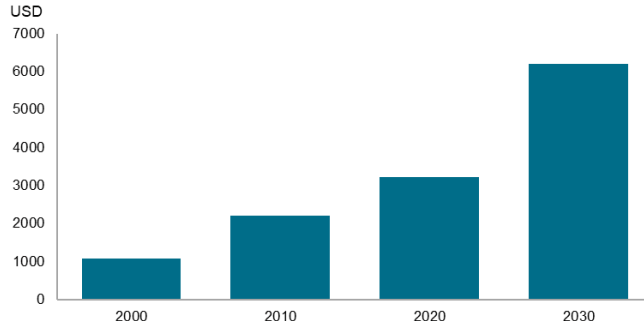
Prior to the pandemic, in 2019, gross direct tourism value added as a share of GDP was estimated at 12.7% of GDP, including both international and domestic tourism spending. International tourism spending was estimated at PHP 549 billion, while domestic tourism spending was estimated at PHP 3.1 trillion. Due to the importance of domestic tourism in the overall contribution of tourism to GDP, the continued

recovery of tourism could be a significant growth driver in 2024.

Continued rapid GDP growth of around 5.6% y/y is forecast for 2024, helped by sustained strong private consumption spending, an upturn in government infrastructure spending and improving remittance inflows. Over the next decade the Philippines economy is forecast to continue to grow rapidly, with total GDP increasing from USD 440 billion in 2023 to USD 800 billion in 2030. A key growth driver will be rapid growth in private consumption spending, buoyed by strong growth in urban household incomes.

By 2033, the Philippines is forecast to become on the Asia-Pacific region's one trillion-dollar economies, joining mainland China, Japan, India, South Korea, Australia, Taiwan and Indonesia in this grouping of the largest economies in APAC. This strong growth in the size of the Philippines economy is also expected to drive rapidly rising per capita GDP, from USD 3,700 in 2023 to USD 6,200 by 2030. This represents a remarkable improvement in the per capita GDP of the Philippines since 2000, when the GDP per person was just USD 1,100 per head. The rapid growth of household incomes over the next decade will help to underpin the growth of the Philippines domestic consumer market, catalysing foreign and domestic investment into many sectors of the Philippines economy.

Philippines per capita GDP



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The Philippines will also benefit from its membership of the recently implemented RCEP trade deal, particularly due to its very favourable rules of origin treatment, which provide cumulative benefits that will help to build manufacturing supply chains within the RCEP region across different countries. This will help to attract foreign direct investment flows for a wide range of manufacturing and infrastructure projects into the RCEP member nations, particularly into low-cost manufacturing hubs such as the Philippines.

Consequently, the outlook for the Philippines economy over the next decade is very favourable, with significant progress in economic development expected. In 2021, the Family Income and Expenditure Survey of the Philippines government indicated that 20 million people, or around

18.1% of the total population, still live below the poverty threshold. Rapidly rising per capita GDP and standards of living will help to underpin a broad improvement in human development indicators and should deliver a significant reduction in the share of the population living in extreme poverty by 2030.

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