

Manufacturing remains biggest contributor to growth despite slowdown

GROWTH in the manufacturing sector decelerated in 2018, but remained a significant contributor to the country's economic growth that year amid headwinds at home and abroad.

The sector's output growth based on gross value added (GVA) at constant 2000 prices grew by 4.9% to P2.15 trillion for the entire 2018. This was, however, slower than its 8.4% expansion in 2017.

This marked the ninth straight year of growth for the sector since it registered a 4.8% decline in 2009.

Of the 6.2% economic growth posted last year, manufacturing managed to chip in 1.2 percentage points (ppt), the biggest among subsectors. This, despite decreasing its contribution from 2.0 ppt in 2017 when the economy logged in a 6.7% growth.

More than half of the 22 manufacturing subcomponents registered above-average growth rates last year, according to the Philippine Statistics Authority's (PSA) national accounts. Of these, five posted double-digit growth led by petroleum and other fuel products' 19.4% year-on-year growth followed by that of paper and paper products (13.8%); rubber and plastic products (13.4%); non-metallic mineral products (11.9%); and wood, bamboo, cane and rattan articles (10.9%).

Food manufactures, which made up 33.6% of manufacturing GVA, grew 5.1% in 2018, slightly faster than the 5.0% print in 2017.

The growth in the sector was also seen in the PSA's Monthly Integrated Survey of Selected Industries, which averaged 7.6% last year, faster than 2017's 1.0%.

"While manufacturing growth has been quite remarkable from 2010 to 2018 averaging at 7.3%, its average contribution to GDP has remained stagnant at 22.8%," wrote Senior Fellow at Action for Economic Reforms and Undersecretary for the Department of Trade and Industry's Competitiveness and Innovation Group Rafaelita M. Aldaba in her Yellow Pad column titled "Trade deficits and industry competitiveness" published on April 28, 2019.

Among the reasons for this stagnation, Ms. Aldaba wrote, include manufacturing's orientation largely towards the domestic market, its "broken supply and value chains" leading local manufacturers to rely on imports, the appreciation of the peso that made imports cheaper and the industry's competitiveness weaker, and the difficulty in attracting high-value exports due to the "absence of a strategic industry development program in the past..."

Furthermore, a look at government trade data seemed to suggest that the sector's performance last year was mostly domestic-driven. According to preliminary data from PSA, exports of manufactured goods were valued at \$56.49 billion in 2018, 1.5% lower than \$57.34 billion in 2017. As of December 2018, manufactured goods

accounted for 83.7% of the country's total merchandise exports.

This year's edition of the *Top 1000 Corporations in the Philippines* includes 315 manufacturing firms, which posted gross revenue totaling P4.58 trillion, up by 8.3% from 2017.

Petron Corp. is once again on the top spot among manufacturers while placing second in the main ranking. It grossed P360.81 billion last year, up by 31.5% from the previous year, while rival Pilipinas Shell Petroleum Corp. recorded a 28% increase in earnings to P219.82 billion, placing fourth overall.

Meanwhile, Baguio-based chipmaker TI (Philippines), Inc. occupies the fifth slot with an 8.1% increase in gross revenue from the previous year to P163.04 billion.

Other top-grossing manufacturing firms that made it to the top 10 are Toyota Motor Philippines Corp. (No. 8); PMFTC, Inc. (No. 9); and Toshiba Information Equipment (Philippines), Inc. (No. 11). — **Marissa Mae M. Ramos** ■

SECTOR AT A GLANCE

YEAR	GROSS REVENUE % change	NET SALES % change	NET INCOME P billion	TOTAL ASSETS % change	TOTAL LIABILITIES % change	STOCK-HOLDERS' EQUITY % change	RETURN ON EQUITY	RETURN ON SALES	DEBT-TO-EQUITY RATIO
2014	9.7	9.7	178.1	7.1	13.5	0.2	0.1	0.1	1.2
2015	0.9	0.9	214.91	2.6	(2.5)	8.7	0.2	0.1	1.0
2016	10.3	10.3	234.98	10.1	9.1	11.2	0.2	0.1	1.1
2017	10.9	11.2	258.19	8.6	7.4	9.9	0.2	0.1	1.0
2018	8.3	7.9	195.39	5.3	7.4	3.1	0.1	0.0	1.1

Source: Financial statements from the SEC and companies included in the Top 1000

GROSS VALUE ADDED

Manufacturing
Growth in Percent (at constant 2000 prices)

