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BARMM ECONOMY IN BRIEF

A snapshot of the economic trends and prospects in the Bangsamoro Autonomous Region in Muslim Mindanao

2022-2024

The present economic situation in the BARMM region demonstrates resilience and growth, and the outlook for the region remains positive.

ACKNOWLEDGEMENT

We extend our sincerest gratitude to our Honorable Minister Ubaida C. Pacasem for his unwavering support and guidance throughout the preparation and publishing of this briefer. Without his support, this briefer would not have been possible.

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Lastly, we acknowledge the efforts of all those who have provided support in various capacities to ensure the success of this project. We remain steadfast in our commitment to providing relevant and timely information to facilitate evidence-based decision-making and informed policy development.

> *Together, we can make peace and continued development a reality for all Filipinos within and even beyond the Bangsamoro Region.*
>
> *- Minister Ubaida C. Pacasem*

ABOUT THIS BRIEFER

This briefer provides an analysis of the economic performance of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) in 2022, as well as forecasts for 2023 and 2024. The briefer presents the estimated Gross Regional Domestic Product (GRDP), Gross Regional Domestic Expenditure (GRDE), labor and employment statistics, and inflation rate, allowing for a glimpse of the economic trajectory of the region in the near future.

The information presented in this briefer includes data sourced from the Philippine Statistics Authority (PSA) and forecasts generated using the Asian Development Bank's (ADB) Macroeconomic Monitoring Forecasting (MMF) tool.

This Economic Brief is an initiative from the Economics Division of the Ministry of Finance, Budget, and Management (MFBM), that aims to serve as a valuable tool for presenting reliable economic analysis and forecasts to support informed budget and policy decisions. This briefer is designed to share the knowledge and insights of the Economics Division with the key stakeholders, and make the information accessible and valuable for the public. The briefer will be published on the Division's microsite, as well as in print format, to maximize its reach and impact.

DISCLAIMER: While efforts have been made to ensure accuracy of information presented, certain data, particularly those deemed preliminary, may be subject to adjustments depending on subsequent releases of the Philippine Statistics Authority (PSA). Readers are advised to keep this in mind when interpreting the content in this briefer. Further, the analyses and recommendations expressed in this briefer are those of the authors and should not be attributed to the Ministry and/or the Bangsamoro Government.

EXECUTIVE SUMMARY

The BARMM region experienced a 6.6% **Gross Regional Domestic Product** growth in 2022, a slight deceleration from 7.5% in 2021. Stable growth is projected for the coming years, with rates of 6.4% in 2023 and 6.3% in 2024.

The economic growth in the region is primarily driven by **household consumption**, with a 6.2% increase in 2022 and expected growth of 2.4% in both 2023 and 2024. Factors contributing to this trend include the region's young population, increasing disposable income levels, remittances, and government initiatives. Fostering inclusive growth and improving access to education and skills training are key strategies to support continued consumption-driven growth.

Meanwhile, the **government expenditure** expanded by 3.2% in 2022 and is projected to increase significantly by 9.8% in 2023 and 9.0% in 2024. Investments in infrastructure, public services, and effective public administration are crucial to support the region's economic growth. Sustained prioritization of public spending and fiscal sustainability will ensure the government can meet the population's needs while stimulating investor interest.

After a significant rebound in 2021, investments or the **Gross Capital Formation** growth continued at 22.5% in 2022 and is expected to surge by 470.8% in 2023 before decelerating to 67.2% in 2024. The government should focus on sustainable growth through productivity enhancement, investment in human capital, and innovation to maximize the benefits of increased capital formation.

Despite challenges in the goods **export** sector, services exports are expected to grow in 2023 and 2024. However, trade imbalances persist, and the government must support export industries, promote domestic production, and enhance competitiveness to achieve a more balanced trade position. The region's reliance on imports of goods and services from other parts of the Philippines highlights the need for the BARMM government to prioritize the development of manufacturing and industrial capacity. By supporting SMEs, incentivizing investment, and improving access to finance and technology, the region can reduce its import dependence and promote local production and self-sufficiency.

On the supply side, BARMM region's **agriculture sector** experienced a decelerated growth of 3.5% in 2022 due to typhoon damages, with projections showing further slowdown to 4.9% in 2023 and 4.1% in 2024. The government should prioritize restoring damaged infrastructure, providing financial and technical assistance, and promoting climate-resilient and sustainable practices. Diversifying the sector with high-value crops, livestock, and fisheries can also help increase productivity and reduce vulnerability to natural disasters.

The **industry sector** in the BARMM region saw a decline in growth to 6.1% in 2022, with modest growth expected at 6.4% in 2023 and 6.3% in 2024. The government should focus on accelerating the manufacturing sector, balancing environmental concerns with economic needs in mining and quarrying, and investing in infrastructure and renewable energy sources for electricity, gas, and water supply. Supporting the construction sub-sector with infrastructure projects and aligning them with the region's development goals will contribute to economic growth and job creation.

The **service sector** in the BARMM region experienced accelerated growth of 9.8% in 2022, with projections of 7.8% in 2023 and 8.2% in 2024. The government should prioritize policies supporting the expansion of public administration, education, and wholesale and retail trading industries. Enhancing the quality and accessibility of public services, developing the education sector, and boosting the business environment for SMEs can support long-term growth. Promoting other service sub-sectors, such as health services and tourism, can diversify the sector and create more job opportunities.

The **labor** market in BARMM is showing positive trends in 2022, with expectations for further improvements in 2023 and 2024. The working-age population is projected to grow, contributing to a higher labor force participation rate, which is expected to increase from 82.7% in April 2023 to 90.3% in October 2024. The unemployment rate is also forecasted to decline from 1.7% in April 2023 to -4.8% in October 2024, indicating more job openings than job seekers. However, the underemployment rate remains high, though it is predicted to decrease from 9.0% in late 2023 to 6.5% in late 2024. The BARMM government should prioritize policies and programs that promote employment, address underemployment, and improve the quality of jobs to ensure sustainable economic growth.

The **inflation** in the BARMM region was notably high during 2022 and the first quarter of 2023 but is projected to decline gradually throughout the year, with an anticipated average inflation rate of 5.6% for 2023 and 2.9% for 2024. Food inflation is expected to remain elevated, fluctuating between 2.33% and 5.50% in 2023. Transport inflation is projected to exhibit volatility in 2023, while housing, water, electricity, gas, and other fuels are expected to experience relatively stable inflation rates. Other goods and services are likely to have moderate inflation rates in 2023, with increased volatility in 2024. Monitoring these factors and their potential impact on inflation is essential for informed policy decisions.

Overall, the present economic situation in the BARMM region demonstrates resilience and growth, driven by key sectors such as household consumption, government expenditure, and investments. The outlook for the region remains positive, with stable economic growth, improving labor market conditions, and a gradual decline in inflation rates expected in the coming years. Addressing present challenges, such as trade imbalances, underemployment, and inflation, will be crucial for sustained progress. With the government's focus on inclusive growth strategies, investment in infrastructure, and support for key economic sectors, the BARMM region is well-positioned for continued development and prosperity in both the present and future.
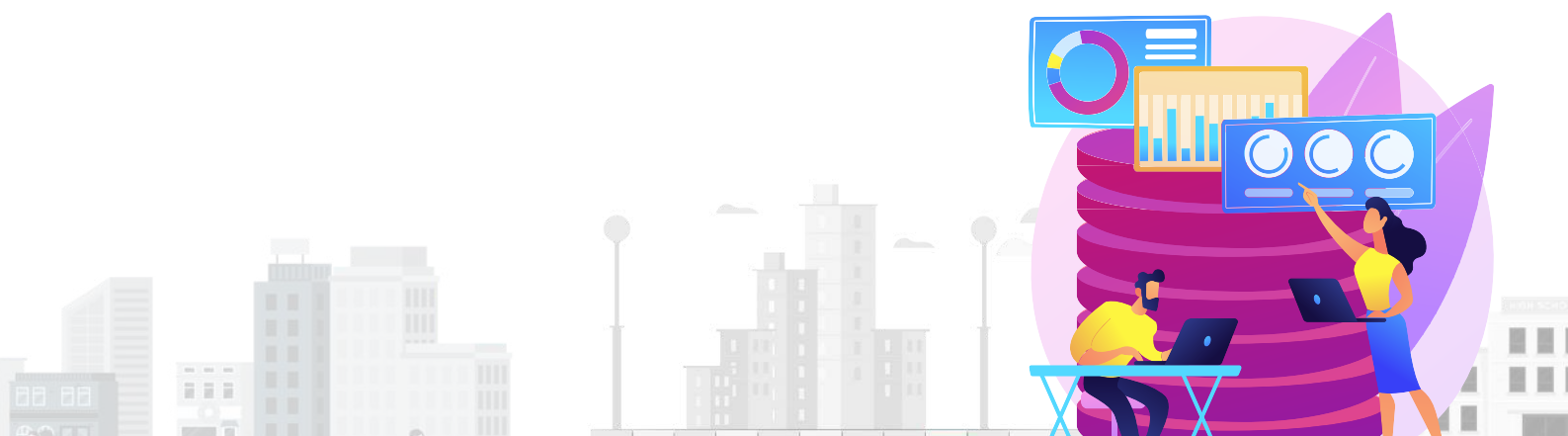
BARMM AT A GLANCE

REGIONAL ECONOMY CONTINUE TO GROW
GRDP growth rate slowed down from 7.5% in 2021 to 6.6% in 2022, and it is expected to decelerate further to 6.4% in 2023 and 6.3% in 2024.

PRIVATE AND PUBLIC CONSUMPTIONS REMAIN AS MAJOR DRIVERS OF GROWTH
Household consumption to drive growth in 2023 and 2024 at 2.4%, with government expenditure rising by 9.8% and 9.0%, respectively.

INVESTMENTS ARE PROJECTED TO HAVE AN UPWARD TRAJECTORY IN 2023
GCF grew by 22.5% in 2022, with an expected 470.8% surge in 2023, and a slowdown to 67.2% in 2024.

BARMM REMAINS A NET IMPORTER IN 2022-2024
Exports of goods and services are expected to increase in 2023 and in 2024 but not enough to shift trade balance.

SERVICE SECTOR IS EXPERIENCING ACCELERATED GROWTH
BARMM's service sector grew by 9.8% in 2022, with projected 7.8% and 8.2% growth in 2023 and 2024, respectively.

AGRICULTURE EXPECTED TO CONTINUE GROWTH SLOWDOWN
Agriculture growth dropped to 3.5% in 2022, expected to grow at a modest rate of 4.9% in 2023 and 4.1% in 2024.

MODEST GROWTH AHEAD IN THE INDUSTRY SECTOR
BARMM's industry sector declined to 6.1% in 2022, with 6.4% and 6.3% growth expected in 2023 and 2024, respectively.

INCREASING TRENDS ON ALL LABOR STATISTICS IN BARMM FROM 2022 TO 2024
With significant increases in labor force participation rate and decrease in unemployment rate.
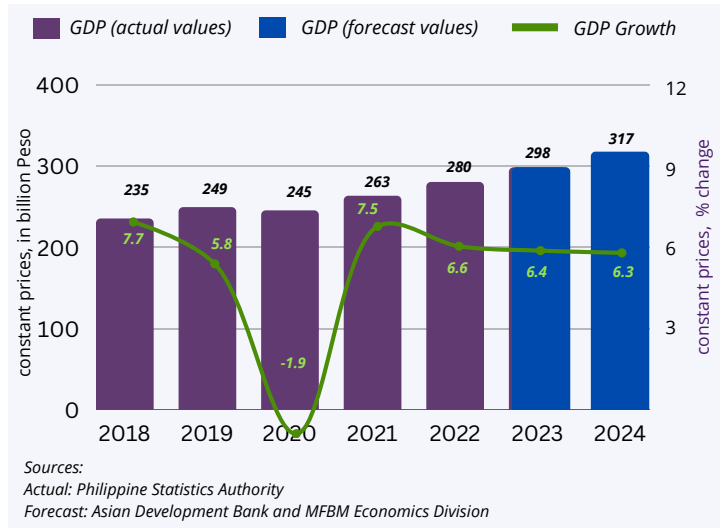
MORE STABLE PRICES COMPARE TO PHILIPPINES AND THE REST OF MINDANAO
Average inflation of 3.8% in 2022, to increase to 5.6% in 2023 before stabilizing at 2.9% in 2024. Food inflation is the major contributor of the rising prices.

Regional Growth

The Gross Regional Domestic Product (GRDP) and Gross Regional Domestic Expenditure (GRDE) are important economic indicators used to measure the output and spending in a region. The GRDP measures the total value of goods and services produced within a region, while the GRDE measures the total amount of money spent on goods and services in the same region.
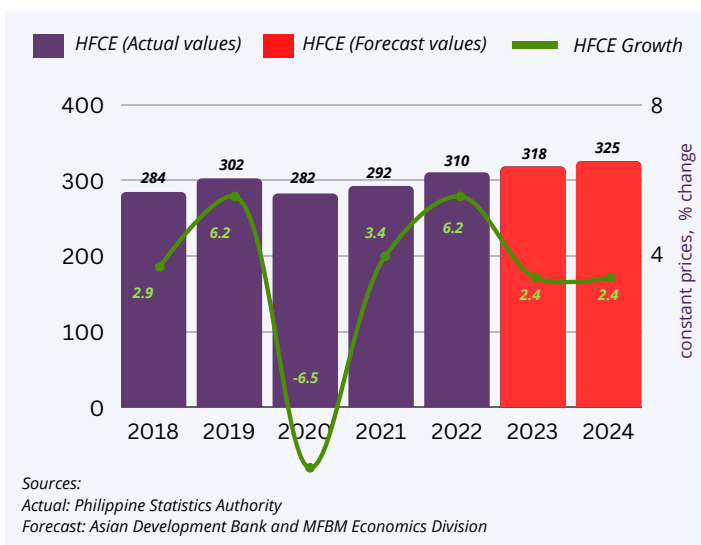
In 2022, BARMM's real GRDP recorded a growth of 6.6%, indicating a slowdown from the 7.5% growth rate in 2021. The growth represents an estimated increase of 17.4 billion pesos in economic value. This upward trend is expected to persist into 2023, albeit at a slightly reduced rate of 6.4% which translates to an estimated increase of 18 billion pesos from the 2022 GRDP. In 2024, the region's economy is expected to keep growing but at a slightly slower pace of 6.3%.

Sources:
Actual: Philippine Statistics Authority
Forecast: Asian Development Bank and MFBM Economics Division

Demand-side

The demand side of GDP refers to the total amount spent on goods and services within a region by consumers, businesses, and governments. It measures the total demand for economic output.

A. Household Final Consumption Expenditure

Sources:
Actual: Philippine Statistics Authority
Forecast: Asian Development Bank and MFBM Economics Division

Household consumption is the primary driver of economic growth in the BARMM region, with a 6.2% increase in 2022 and an expected 2.4% growth in 2023 and 2024. This trend can be linked to several factors, such as the region's young and growing population, as well as their increasing disposable income levels. The 2020 Housing and Population Survey revealed that the median age in BARMM was 21 years, significantly lower than the national median age of 25 years.[1]

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[1] *Median age is estimated using a weighted average approach based on the available aggregate data.*
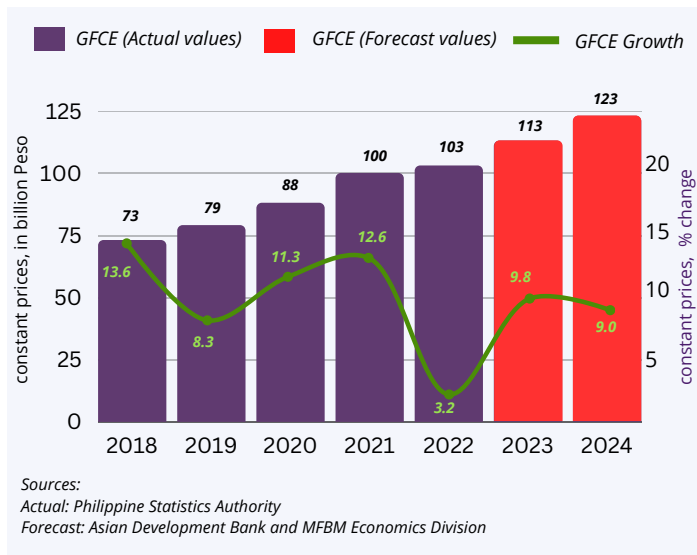
Moreover, the PSA has reported that poverty incidence in the region declined from 52.6% in 2018 to 29.8% in 2021, indicating a notable rise in disposable income levels. This development is likely to result in higher demand for goods and services, as younger individuals typically exhibit greater consumption needs and possess higher disposable incomes.

Remittances from abroad and foreign aid also play a crucial role in providing financial inflows to the residents of the region. Additionally, government initiatives, including social welfare programs and cash transfers, are expected to boost household consumption further. These combined factors contribute to the overall cohesion of the region's economy and are anticipated to sustain household consumption as the primary driving force behind the BARMM region's economic growth in 2023 and 2024.

> The BARMM government should prioritize fostering inclusive economic growth by improving access to education and skills training, investing in infrastructure development, encouraging entrepreneurship and innovation, implementing social welfare programs, and promoting public-private partnerships. By addressing these key areas, the region can empower its young population, create new job opportunities, diversify the economy, reduce poverty, and enhance the overall quality of life, leading to increased purchasing power and disposable income.

B. Government Expenditure

Sources:
Actual: Philippine Statistics Authority
Forecast: Asian Development Bank and MFBM Economics Division

The BARMM government's ongoing investment in infrastructure and public services play a pivotal role in GRDP growth in 2022. Government expenditure expanded by 3.2% in 2022 and is projected to experience a significant increase of 9.8% in 2023 and 9.0% in 2024. The government's focus on social welfare programs, healthcare, education, and infrastructure development is anticipated to not only improve living standards but also strengthen the overall economy.

Additionally, the government's commitment to moral governance and effective public administration is likely to foster a conducive business environment, attracting further investments to the region and amplifying government consumption's impact on GRDP growth.

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2 *As reported by the PSA BARMM in the "2021 Full Year Official Poverty Statistics" released on 13 October 2022.*
3 *A significant portion of the budget for 2023 was allocated to education, social services, health, and public works based on the 2023 General Appropriations Act of the Bangsamoro ("GAAB" 2023).*

It is also worth noting that although the BARMM government promotes increased private sector participation for a market-oriented economy, the region's unique socio-political landscape and existing market challenges necessitate a larger scope for government regulations and public spending.[4]

> To maintain its economic growth and attract investors, it is recommended that the BARMM government continues to prioritize investments in infrastructure and public services while ensuring fiscal sustainability. This approach would enable the government to support the region's economic growth and address the population's needs while stimulating investor interest in the area.

C. Gross Capital Formation

Gross Capital Formation (GCF) is a crucial indicator of investment and economic growth, as it reflects the total resources spent on acquiring new fixed assets and improving existing ones within the region. The GCF in BARMM has experienced fluctuations in recent years, with a significant decline of 50.1% in 2020 due to the COVID-19 pandemic. However, in 2021, GCF rebounded to 44 billion pesos from 23 billion pesos in 2020, exhibiting a 93.9% growth, followed by a further increase of 22.5% in 2022.

In 2023, GCF is expected to grow by 470.8% due to the BARMM government's efforts to improve infrastructure and encourage investment. This growth rate will slow down

Sources:
Actual: Philippine Statistics Authority
Forecast: Asian Development Bank and MFBM Economics Division

to 67.2% in 2024. The government has allocated a significant portion of the budget to infrastructure development, including roads, water systems, and public buildings.[5] Investment and trade promotion offices have also been set up to attract local and foreign investors.[6]

However, despite the anticipated growth in GCF, its contribution to overall economic growth is expected to decrease in 2023 and 2024. This highlights the need for the BARMM government to concentrate not only on augmenting investment but also on fostering sustainable economic growth through productivity enhancement. Focusing on productivity improvement can lead to more efficient use of resources, increased competitiveness, economic diversification, and greater resilience against external shocks. Moreover, higher productivity can result in increased revenues for businesses, translating to higher wages and improved living standards for the region's population.

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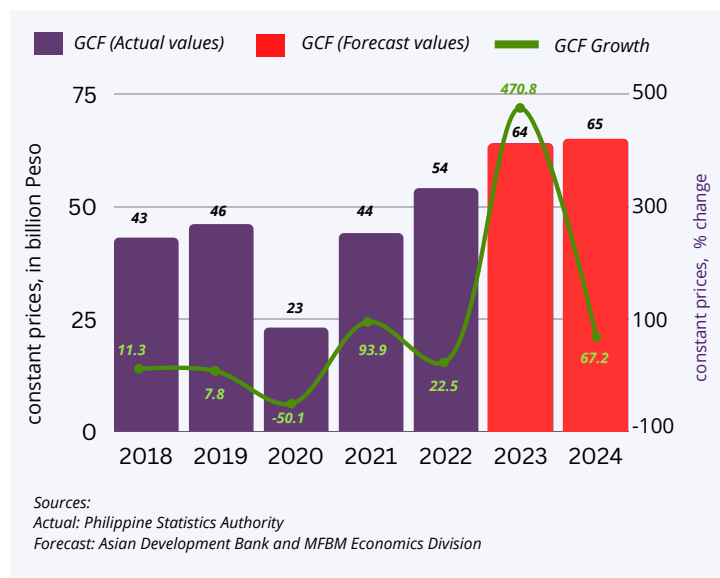
[4] *As mentioned in the Technical Notes accompanying the 2021 Approved Bangsamoro Budget published by the Ministry of Finance, and Budget and Management (MFBM).*
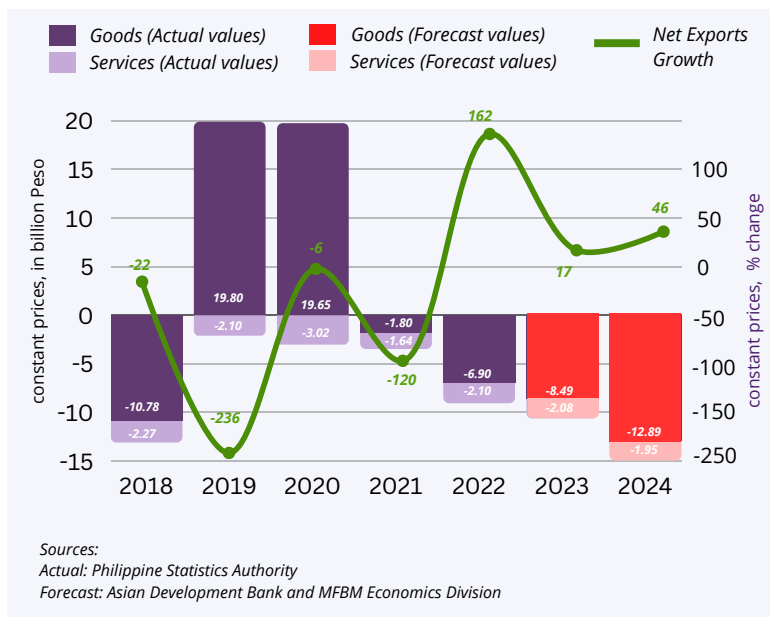
[5] *The approved 2023 budget for the infrastructure sector, which includes the Ministry of Public Works (MPW), Ministry of Transportation and Communications (MOTC), and Ministry of the Interior and Local Government (MILG), totaled to an estimated 19 billion pesos ("GAAB" 2023).*

[6] *The Bureau of Investments (BOI) under the Ministry of Trade, Investments, and Tourism (MTIT) is mandated to promote investments in the BARMM region, while the Bangsamoro Economic Zone Authority (BEZA) is mandated to promote investments in ecozones. In addition, the Bangsamoro Board of Investments (BBOI) is responsible for attracting and facilitating investments from foreign and local investors in the region. These offices were established to promote and attract local and foreign investors to the BARMM region.*

To achieve lasting economic progress and development in the BARMM region, the government should prioritize investments in human capital development, research and development, and innovation. It should also focus on enhancing the business climate and aligning developmental objectives with the broader goals of the region. These initiatives will help to promote sustainable economic growth and development in the BARMM region.

D. Net Exports of Goods and Services to the Rest of the World

Sources:
Actual: Philippine Statistics Authority
Forecast: Asian Development Bank and MFBM Economics Division

In 2022, the BARMM region experienced a decrease in goods exports, possibly due to global economic conditions, supply chain disruptions, and domestic challenges. [7]

Nonetheless, there was an increase in service exports, which may be attributed to the growth of the region's service sectors. Despite the increase in , the imports of services remain high in the region, potentially due to a demand for specialized services that are not readily available within BARMM or a reliance on external expertise for various projects and initiatives.

This highlights the need for the BARMM government to focus on enhancing the competitiveness of both its goods and services in international markets and addressing potential barriers to export growth.

Goods exports declined in 2022, but both goods and services exports are expected to rise in 2023 and in 2024. However, rising goods imports could widen the goods trade deficit, and while services exports may grow modestly, the net export of services remains negative. Achieving a more balanced trade position may be a challenge for the BARMM region in the coming years.

To reduce import dependence and achieve a more balanced trade, the BARMM government should boost its export industries, including agribusiness, halal industry, and tourism sectors, and increase its participation in BIMP-EAGA. It should also promote domestic production, improve competitiveness, and create a favorable business climate to attract more investments to the region.
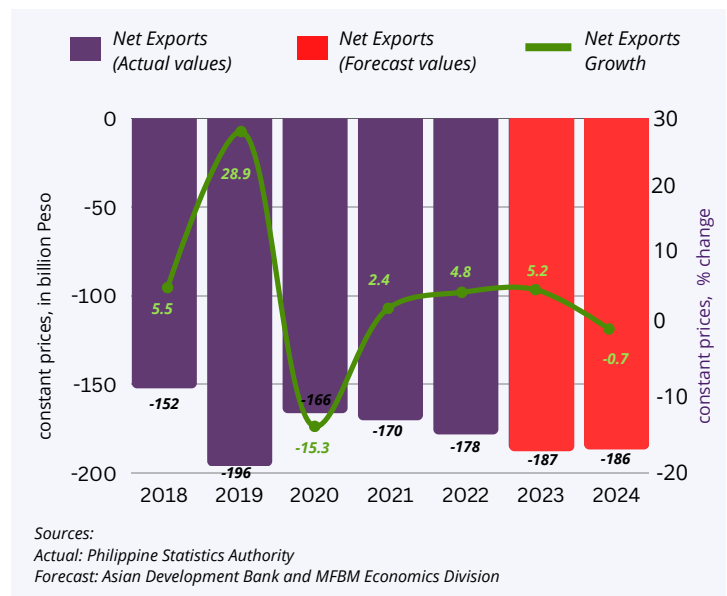
7 *According to the World Trade Organization (WTO), global trade volume experienced a slowdown in 2022 due to multiple factors, including changes in global economic condit... chain disruptions, and geopolitical tensions ("WTO Trade Outlook Indicator" 2022).*

E. Net Exports of Goods and Services to Rest of the Philippines

BARMM stands as a significant importer of goods from other regions of the Philippines in 2022, and this trend is projected to persist in 2023 and 2024. A primary factor behind this reliance on imports is the region's limited industrial and manufacturing capacity, leading to a dependency on goods from other regions to satisfy domestic demand.[8] This situation is further underscored by the relatively small contribution of the manufacturing sector to the overall economic activity in the region. [9]

Moreover, the region's comparatively low human capital and limited access to quality education and skills training have posed challenges to local production and self-sufficiency. The PSA reported that in 2019, the region's functional literacy rate stood at only 76.5%, compared to the national rate of 96.5%.[10] This disparity further exacerbates the region's dependence on imports of goods and services.

Sources:
Actual: Philippine Statistics Authority
Forecast: Asian Development Bank and MFBM Economics Division

To address these issues, the BARMM government must focus on developing its manufacturing and industrial capacity. This can be achieved through policies that support small and medium-sized enterprises, incentivize investment in manufacturing and industrial sectors, and improve access to finance and technology. Additionally, government investments in education and skills training are necessary to cultivate a competent and skilled workforce that can promote local production and self-sufficiency.

Supply-side

The supply side of GRDP refers to the factors that contribute to the production of goods and services within a region, including agriculture, industry, and services. It measures the total output of goods and services.

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8   Bangsamoro economist Assad L. Baunto argued during his presentation on "Exploring the Role of Industrial Policy in BARMM" at the PRLS-EU activity in Davao City last 16 March 2022 that the BARMM region prematurely shifted from agriculture to services due to the weakness of its industrial performance. Baunto further argued that the industry and manufacturing sector cannot support the population in the region. He identified the inadequate infrastructure and poor technical capabilities as the two primary reasons for the manufacturing sector's inability to take off.

9   In 2022, the estimated contribution to growth of the manufacturing sector is 0.08, calculated by subtracting its value of the current year from last year and dividing it to the total GRDP.

10   The BARMM region has the lowest functional literacy rate in the Philippines, according to the Functional Literacy, Education and Mass Media Survey (FLEMMS) conducted by the PSA ("FLEMMS Survey" 2019).
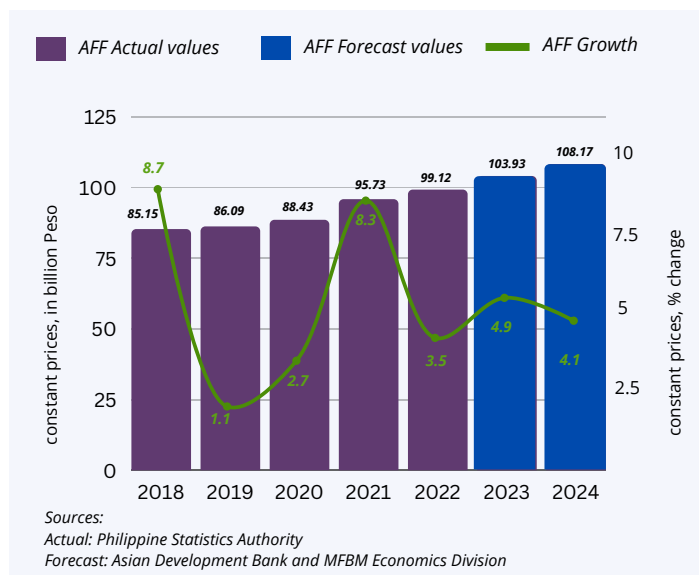
A. Agriculture

The BARMM region's agriculture sector experienced a slowdown in growth, from 8.3% in 2021 to 3.5% in 2022, due to reduced output in crops, livestock, poultry, and fisheries, especially in the final quarter of the year.[11] This drop is largely due to the damage caused by Typhoon Paeng, resulting in an estimated Php 585,602,462.33 worth of damage to infrastructure and agriculture. [12]

Agriculture sector expected to slow down with growth rates of 4.9% in 2023 and 4.1% in 2024. The projected slowdown in the agriculture sector's growth in the BARMM region may have significant implications for the regional economy,

Legend: AFF Actual values | AFF Forecast values | AFF Growth

constant prices, in billion Peso / constant prices, % change

Year	2018	2019	2020	2021	2022	2023	2024
Value	85.15	86.09	88.43	95.73	99.12	103.93	108.17
Growth	8.7	1.1	2.7	8.3	3.5	4.9	4.1

Sources:
Actual: Philippine Statistics Authority
Forecast: Asian Development Bank and MFBM Economics Division

food security, and employment opportunities. This slow down could be due to recent natural disasters that disrupted production and damaged infrastructure. Farmers and fisherfolk may still be recovering, hindering their productivity. In addition, limited access to modern technology and inadequate infrastructure pose structural challenges, hindering the sector's adoption of sustainable practices for long-term growth.

To support the rehabilitation and recovery of the agriculture sector, the BARMM government should prioritize policies and programs that promote the restoration of damaged infrastructure, financial and technical assistance to affected farmers and fisherfolk, and the promotion of climate-resilient and sustainable agricultural practices. Efforts to diversify the agriculture sector by developing high-value crops, livestock, and fisheries can increase productivity and reduce the sector's vulnerability to natural disasters. These measures will support the long-term growth of the agriculture sector, which is crucial to the region's economy and livelihoods.
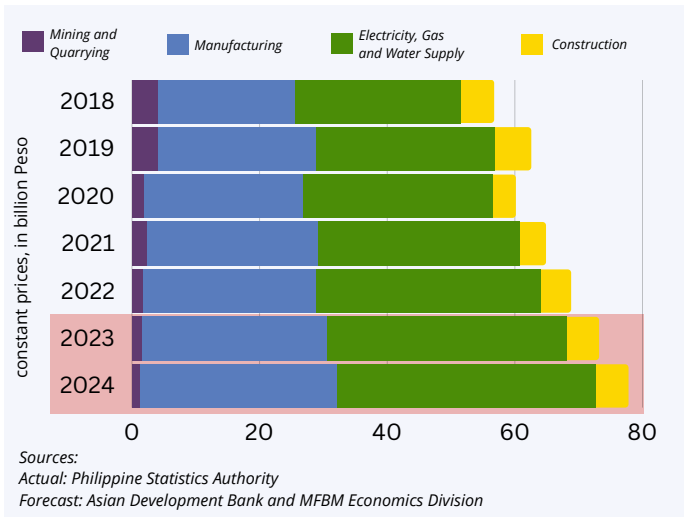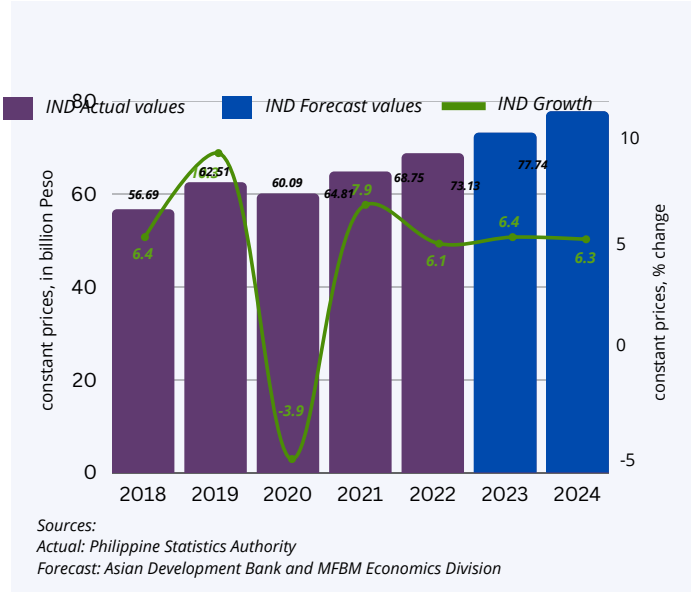
B. Industry

The industry sector in the BARMM region experienced a decline in growth, decreasing from 7.9% in 2021 to 6.1% in 2022. Despite this slowdown, the outlook for this sector remains cautiously optimistic, with projections indicating modest growth rates of 6.4% in 2023 and 6.3% in 2024. The projected growth in the coming years is expected to be driven by the government investments in infrastructure development, increased public and private sector spending, and ongoing efforts to improve the business environment.

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[11] *Based in the preliminary result of the Q4 2022 Palay Production Survey (PPS), Corn Production Survey (CPS), Backyard Livestock & Poultry Survey (BLPS), Commercial Livestock & Poultry Survey (CLPS), and the Quarterly Aquaculture Survey (QAqS).*

[12] *The Bangsamoro Information Office (BIO) reported in an article titled "AS IT HAPPENED: BARMM's disaster response for TS Paeng," published on November 4, 2022*

Mining and quarrying in the BARMM region has declined consistently from 2018 to 2022, with a significant drop in 2019 and 2020. The trend is expected to continue, with a projected decline of 14.4% in 2024. This decline can be attributed to stricter environmental regulations, global market fluctuations, and local operational challenges. The decrease in this sub-sector indicates a potential loss of revenue and employment opportunities, requiring the government to re-evaluate strategies and regulations, balancing environmental concerns with economic needs. Exploring alternative sources of income and employment for communities dependent on mining and quarrying activities may also be necessary.

Sources:
Actual: Philippine Statistics Authority
Forecast: Asian Development Bank and MFBM Economics Division

Sources:
Actual: Philippine Statistics Authority
Forecast: Asian Development Bank and MFBM Economics Division

Manufacturing has grown steadily from 2018 to 2022, albeit at a slower pace in recent years. This trend is expected to continue, with growth rates projected to reach 6.4% in 2024. To prevent the region from lagging behind other areas, the government should prioritize accelerating the growth of the manufacturing sector. Enhancing this sector can lead to increased employment opportunities, economic diversification, and overall economic growth in the region. The electricity, gas, and water supply subsector has grown steadily from 2018 to 2022 and is expected to continue, reaching 7.6% in 2024.

This growth can be attributed to increased demand, investments in renewable energy, and infrastructure expansion. To ensure a sustainable and reliable supply of energy and water, the government should prioritize infrastructure development and renewable energy sources.

In the construction sub-sector, growth declined from 2018 to 2020 but rebounded in 2021 and 2022, with projected growth rates of 4.4% in 2023 and 1.8% in 2024. Infrastructure investments, private sector spending, and overall economic expansion are expected to drive this growth.
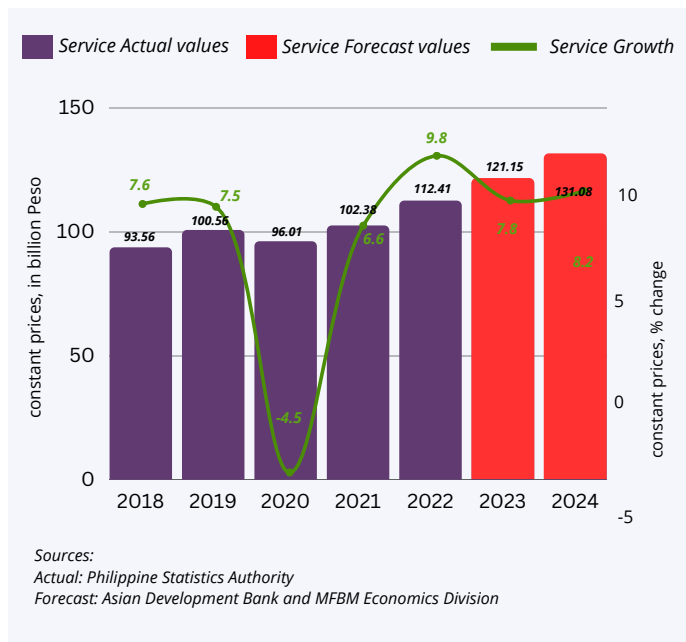
To support the growth of the industry sector in the BARMM region, the government should continue to prioritize infrastructure development and public services, particularly in the construction sub-sector. Furthermore, efforts should be made to address the challenges faced by the manufacturing sub-sector, including improving access to technology, financing, and skilled labor, and providing incentives for small and medium-sized enterprises. The government should ensure that its investment in public infrastructure projects is aligned with the region's development goals and priorities, taking into account the needs and aspirations of local communities. By implementing these measures, the BARMM government can support the long-term growth and development of the industry sector, which is essential to the region's economic growth and job creation.

C. Services

The BARMM region's service sector saw significant growth in 2022, with a 9.8% increase, and is projected to continue growing at a modest pace of 7.8% in 2023 and 8.2% in 2024.

The sustained growth of the service sector is a positive sign for the region's economy, as it indicates an expanding market for various services. This expansion can create employment opportunities and contribute to a higher standard of living for the region's population. However, the BARMM government should be mindful of potential challenges associated with the growth of the service sector, such as income inequality and inadequate access to essential services for marginalized communities.

Sources:
Actual: Philippine Statistics Authority
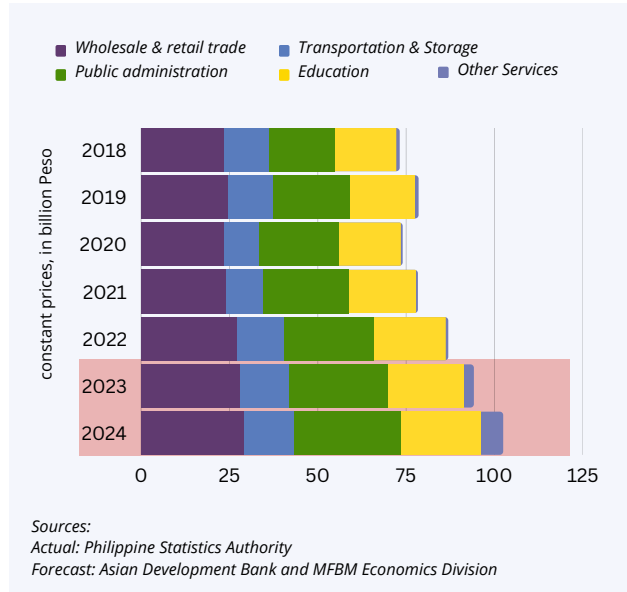*Forecast: Asian Development Bank and MFBM Economics Division*

Wholesale and retail trade sub-sector has consistent growth from 2018 to 2022, indicating a rising consumer demand, and is expected to continue through 2023 and 2024.Meanwhile, the transportation and storage sub-sector, after a decline in 2020, has rebounded in 2021-2022 and is projected to continue growing due to infrastructure development and increased trade activities.

Public administration has consistently expanded since 2018, with the growth expected to continue in the forecasted period. The growth may be driven by increased government spending on public services, social programs, and defense, which contributes to the overall development and stability of the region.

The education subsector has experienced growth from 2018 to 2022, with a slight dip in 2020. The forecasted values indicate continued growth through 2023 and 2024. This growth signifies a greater emphasis on improving the quality and accessibility of education in the region, which can lead to a more skilled and educated workforce and support long-term economic development.

Other services experienced a dip in 2020 but has since recovered in 2021 and 2022. The forecasted values for 2023 and 2024 show significant growth. This may indicate a diversification of the service industry, with new opportunities and innovations emerging in various niche markets.

Sources:
Actual: Philippine Statistics Authority
Forecast: Asian Development Bank and MFBM Economics Division

It is recommended that the BARMM government continues to prioritize the growth of the service sector by promoting policies that support the expansion of public administration, education, and wholesale and retail trading industries. These policies should aim to enhance the quality and accessibility of public services, promote the development of the education sector, and boost the business environment for small and medium-sized enterprises in the wholesale and retail trading industries. It is also important to diversify the sector, create job opportunities with health services and tourism to support the long-term growth and development of the service sector, which plays a crucial role in the region's economy and employment.

Labor and Employment

The labor and employment statistics in BARMM showed positive trends in 2022 and is expected to improve further in 2023 and 2024.

The working-age population aged 15 years and older in the BARMM region showed some fluctuations from October 2022 to January 2023, but is expected to steadily increase in 2023 and 2024. This indicates a growing potential workforce that could lead to more job opportunities and increased economic growth in the region.

Moreover, the labor force participation rate witnessed an increase from 56.0% in January 2022 to 72.9% in April 2023, indicating that a larger proportion of the working-age population is either employed or actively seeking employment. The rise in employment in the region could be due to the generation of more job opportunities or an increased inclination towards employment. The labor force participation rate is expected to continue its upward trend, growing from 80.1% in April 2023 to 95.9% in October 2024.

	Jan 2022[f]	Apr 2022[f]	Jul 2022[p]	Oct 2022[p]	Jan 2023[p]	Apr 2023[p]	Jul 2023	Oct 2023	Jan 2024	Apr 2024	Jul 2024	Oct 2024
Total Working Population	2.9M	2.9M	2.6M	3.0M	3.0M	3.0M	3.1M	3.2M	3.3M	3.4M	3.5M	3.5M
Labor Force Participation Rate	56.0%	63.1%	60.3%	74.7%	73.2%	72.9%	80.1%	83.6%	87.2%	90.8%	94.3%	95.9%
Underemployment Rate	12.0%	18.5%	13.4%	10.6%	10.4%	10.2%	9.5%	8.9%	8.4%	7.8%	7.2%	6.7%
Unemployment Rate	7.0%	7.6%	5.6%	2.4%	3.2%	4.3%	2.0%	1.2%	0.5%	-0.2%	-0.9%	-1.7%

Notes:
f Estimates are final
p Estimates are preliminary and may be changed by PSA

Sources:
Actual: Philippine Statistics Authority
Forecast: MFBM Economics Division

This highlights an expansion in the number of working-age individuals participating in the labor market, either through employment or job-seeking. A higher labor force participation rate can foster increased economic growth, as more people contribute to the labor market and the overall economy.

The unemployment rate in BARMM also showed a positive trend, decreasing from 7.0% in January 2022 to 4.3% in April 2023. This suggests that a greater number of individuals who are actively seeking employment are finding jobs within the labor market. The unemployment rate is forecasted to decline sharply from 2.0% in July 2023 to -1.7% in October 2024. A negative unemployment rate implies that there will be more job openings than job seekers, which is an encouraging sign for the labor market.[13] As a result, a higher number of people will be employed, thereby contributing to the region's economic growth.

The underemployment rate remains high despite the decrease in unemployment rate. From 12.0% in January 2022, it only slightly decreased to 10.2% in April 2023, indicating that many employed individuals are not working full-time or are in jobs that do not fully utilize their skills. However, it is expected to decrease to 8.9% in the last quarter of 2023 and further to 6.7% in the last quarter of 2024. The government should focus on improving the quality of jobs and increasing the proportion of full-time employment to address this concern.

The BARMM government should prioritize policies promoting employment and improving job quality. This can be achieved by creating job opportunities in high-growth industries through infrastructure, education, and training investments. Encouraging entrepreneurship and self-employment can also provide alternative sources of income.

The government should monitor labor and employment statistics to make informed policy decisions, ensure fair wages, social protection, and safe working conditions, and reduce reliance on wage employment.

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13 *The negative unemployment rate may also indicate an anomaly in the forecasts due to limited number of data available or an extremely tight labor market.*
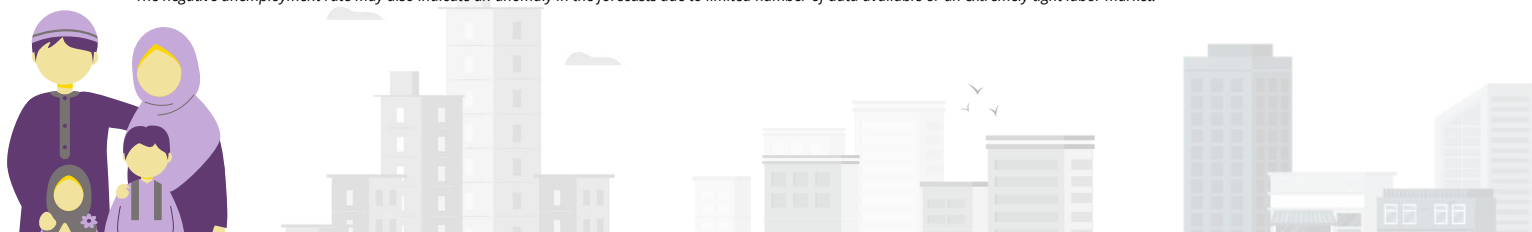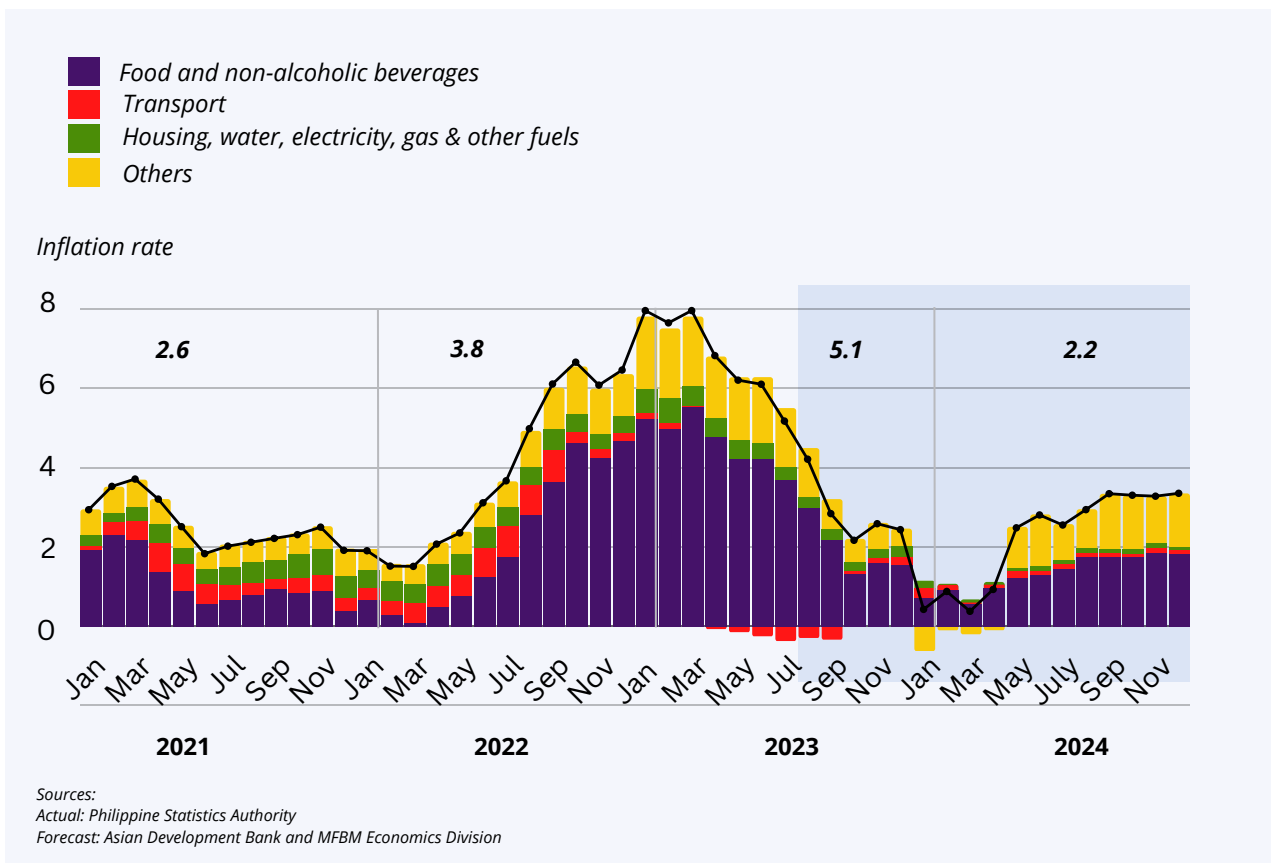
Prices

Despite having the lowest inflation rate in the Philippines, BARMM experienced a notable increase in headline inflation from 3.6% in July to 6.3% in December 2022.   This significant quarterly change is estimated at 29.7%, while the average inflation rate for 2022 increased by 1.2% compared to the previous year.

Food inflation, having the largest weight at 59% of the consumer price index, have been the largest contributor in both years. In December 2022, it rose to 8.5% from 7.6% in November. While there is no available data on the inflation rate per income households in BARMM, low-income households are generally the most affected to the rising food prices.

There are several factors that may have fueled food inflation in the last quarter of 2022 but it can be primarily driven by supply chain disruptions when the region was hit by the typhoon Paeng and the shortage of sugar supply in the country.

Sources:
Actual: Philippine Statistics Authority
Forecast: Asian Development Bank and MFBM Economics Division

The inflation rate in the BARMM region during the first quarter of 2023 was notably high, peaking at 7.8% in both January and March. It then declined at the beginning of the second quarter. The forecasts suggest that inflation will continue its gradual decline from May to December, indicating a more stable inflation outlook for the region. By December 2023, the inflation rate is projected to reach 2.4%. The anticipated average inflation for 2023 stands at 5.1%, and it is further projected to decrease in 2024 to 2.2%.

Food inflation will remain high in 2023, fluctuating between 2.2% and 10.2%, which could be challenging for low-income households. The upward trend in food inflation can be attributed to supply chain disruptions, weather-related crop issues, and growing demand. By 2024, it is expected to subside.

Transport inflation is expected to vary from -6.6% to 4.1% in 2023, reflecting potential fluctuations in fuel prices and transportation costs. Government policies targeting reduced transportation expenses, such as fuel subsidies and fare regulations, may have contributed to the decrease in transport inflation. Global oil prices have also returned to pre-war levels, following the conflict between Ukraine and Russia. By 2024, transport prices are expected to stabilize.

Housing, water, electricity, gas, and other fuels are expected to experience relatively stable inflation in 2023, ranging from 0.2% to 0.6%. This trend could be due to government regulations on utility rates and a stable supply of basic goods and services. Stability is expected to continue into 2024.

Lastly, **other goods and services** are projected to have moderate inflation in 2023, with clothing, education, health care, and recreation expected to experience moderate price increases. In 2024, this category may exhibit increased volatility due to factors such as changes in demand, global market fluctuations, or government policy shifts that affect pricing. It is essential to monitor these factors' potential impact on inflation.

> The BARMM government should address the high inflation rate and its impact on different sectors by implementing a multi-faceted strategy. This should include investing in resilient infrastructure, disaster preparedness programs, and early warning systems to strengthen the food supply chain. Additionally, promoting local production and seeking alternative sources to address shortages such as the sugar supply issue would be beneficial.

"The progress of BARMM economy is the progress of Philippine economy"

- Anonymous
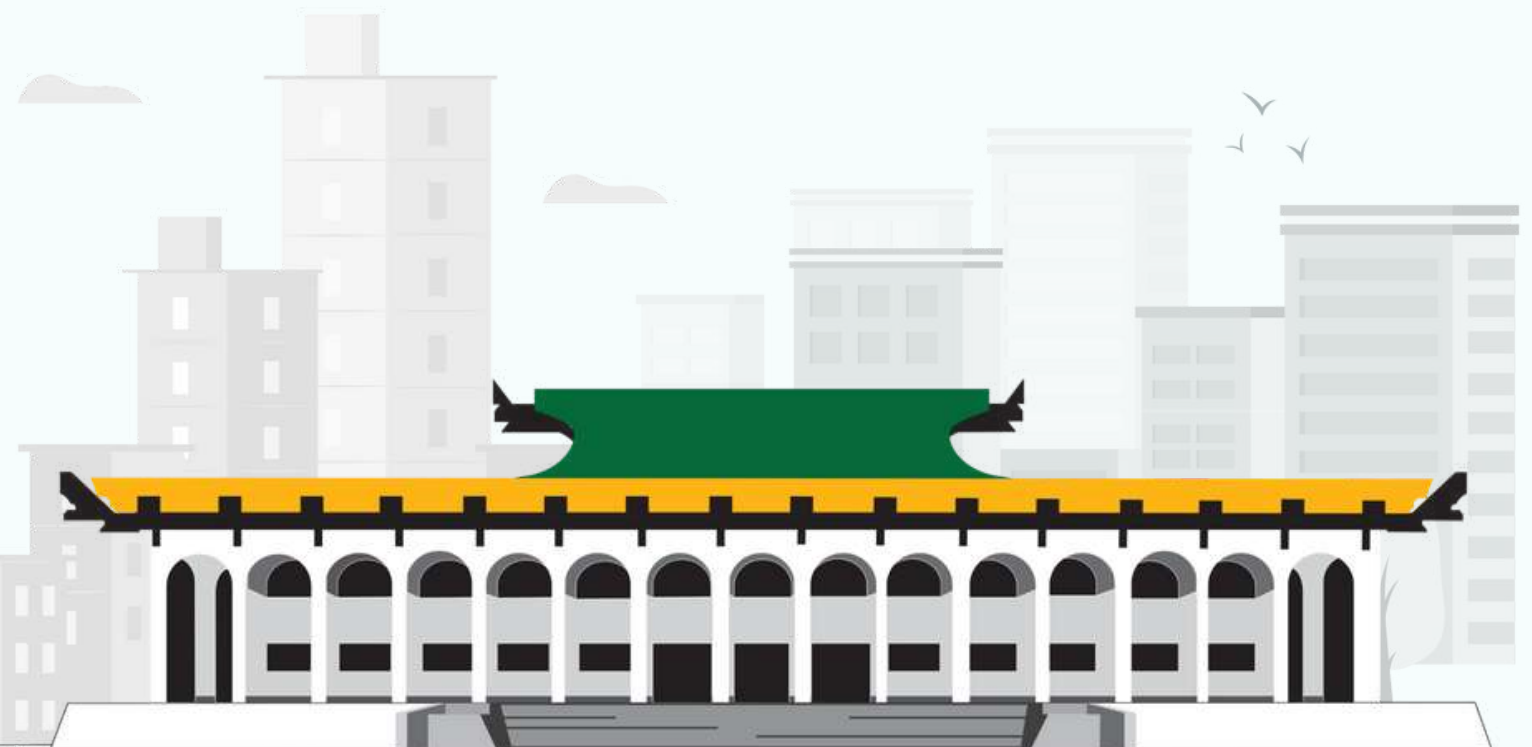
ABOUT US

The **Economics Division** serves as the support arm to the Office of the Minister, tasked to undertake research, and examine economic data/trends for the continuing formulation of fiscal and other development policies and processes toward efficient and responsive fiscal management and resource utilization in the Bangsamoro region.

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BARMM ECONOMY IN BRIEF

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