



# Market Update

In our previous update, we talked about the economic cycle and how we can maximize our investments while the Philippines is at the recovery phase. For this month's report, let's try to understand the main drivers of the Philippine gross domestic product (GDP) and how it affects our investments.

## Our economy is looking strong with high GDP and low inflation rate

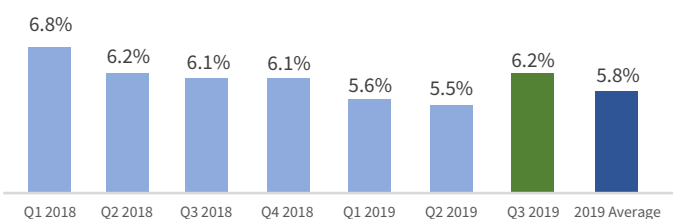
**Our GDP had a 6.2% growth during the third quarter of this year— the highest since the second quarter of 2018!**

This is thanks to:

- **Government consumption**, or all the spending done by the Philippine administration
- **Household consumption**, or all the spending done by consumers (like you) on goods and services

Our 2019 average GDP is now at 5.8%, closer to 2019 target of 6-7% set by the government.

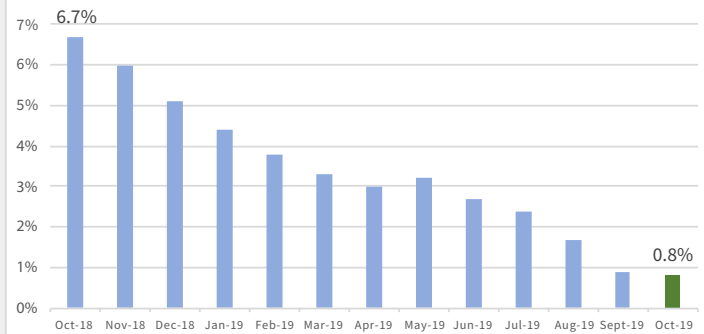
Quarterly GDP Growth Rates



**The inflation rate for October 2019 is at 0.8% -- the lowest inflation rate since May 2016!**

It has been on a downward trend since around the same time last year.

Monthly Inflation Growth Rates



**With the GDP at its highest and inflation rate at its lowest, our economy looks to be in a healthy state, all the more strengthening its position in the recovery phase of the economic cycle.**

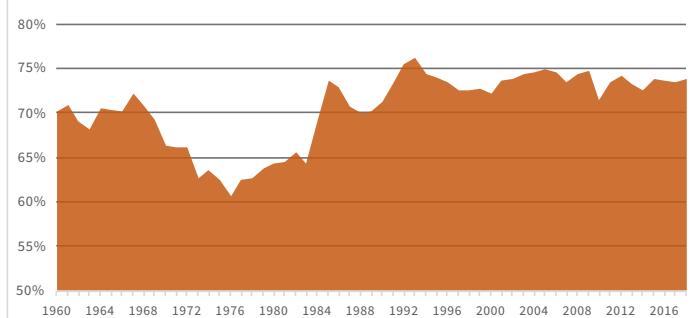
[Missed last month's update? Click here to read and learn more about the economic cycle.](#)

## How can we benefit from this?

**Since our economy is tied to us, Filipino consumers, it is good to consider household consumption when investing.**

Since 1960, household consumption has contributed a lot to our total GDP. In fact, it reached its highest mark in over 30 years during the second quarter of this year at 76.8%. It looks like it will stay as a large contributor to GDP moving forward.

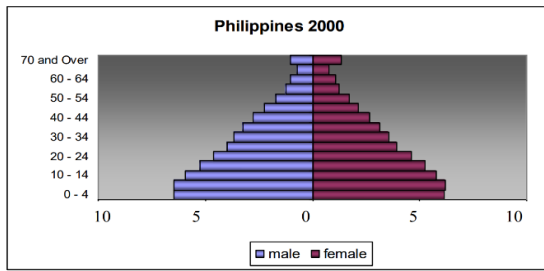
Household Consumption as % of GDP



# How can we be sure to see strong consumption continuously?

- ✓ Household Consumption continues to be a large driver of GDP
- ✓ PH Inflation slowing down to lowest level in over 3 years
- ✓ PH Demographics suggest healthy outlook on PH Household Consumption

## Phase One of the Demographic Transition



## PH in a Demographic Sweet Spot

Currently, over 30 million Filipinos are aged 14 or younger, further strengthening the Philippine consumer base.

It was also during periods of similar demographics that global powerhouses like the US and China took advantage of the favorable increasing share of work force by increasing economic efficiency and output.

## Here's what we recommend for you

When capitalizing on household consumption, better take a look at the top drivers in the country. Consider the businesses of the leading tycoons in the Philippines under **AXA's Chinese Tycoon Fund**.

### The story behind the Chinese Tycoon Fund

The founders of the largest companies in the Philippines have a couple of things in common, apart from their business savvy:

Henry Sy



Tony Tan Caktiong



John Gokongwei



1. They all made a living out of **selling consumer products**. This is why they were able to build their massive corporations.

2. The Philippines is also considered as a **prime environment** that gave them the opportunity to make the most out of their businesses.

### The upcoming holiday season

With the upcoming holiday season, we expect to see Filipinos spending more on consumer goods as they purchase gifts for their loved ones, and food for their celebrations. With that, we expect continued strength in the contribution of household consumption to the GDP.

*"For the remaining months of the year, the benign inflation outlook and more upbeat consumer confidence are expected to stimulate private consumption, especially with the nearing holiday season that has begun."*

**Ernesto M. Pernia**

Head of National Economic and Development Authority

**Be in the know with the current market news, and have the advantage to reach your long-term goals faster**

#### Sources:

PH GDP <https://psa.gov.ph/nap-press-release>

<https://www.bworldonline.com/economic-growth-closes-in-on-target/>

PH Inflation <https://psa.gov.ph/price-indices/cpi-ir/title/Summary%20Inflation%20Report%20Consumer%20Price%20Index%20%282012%3D100%29%3A%20October%202019>

Household Consumption <https://psa.gov.ph/nap-press-release/sector/Household%20Final%20Consumption>

Household Consumption as % of GDP [https://www.theglobaleconomy.com/Philippines/household\\_consumption/](https://www.theglobaleconomy.com/Philippines/household_consumption/)

Quote from Head of NEDA <https://business.inquirer.net/282810/economic-growth-picked-up-in-q3>

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