Philippine GDP revised upwards, masks slowing growth momentum

The Philippine Statistics Authority (PSA) revised 4Q18 GDP growth to 6.3% from 6.1%. Growth was supported by government spending which offset weaker consumption and fixed capital investment, with the revision masking slowing growth momentum.

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4Q GDP revised, boosted by government spending as consumption and investment sag

The PSA released revised figures for 4Q GDP showing national government spending supporting sagging consumption and investment. With the government breaching its deficit spending target for the year, public administration and defense saw a hefty PHP2.87bn upward revision (at 14.7% growth vs the previous estimate of 12.6%). Household spending saw a sizeable downward revision of PHP2.7bn, translating into growth of 5.29%, down from 5.43%.

Meanwhile, elevated borrowing costs stemming from the BSP's aggressive rate hike cycle of 2018 continued to stymie both consumption and capital formation, with the government needing to support growth through accelerated spending. Fixed capital formation numbers were likewise revised lower to show a 8.5% increase (from 9.8%) as both construction and durable equipment figures were revised lower. Changes in inventory sawa substantial build up of c.PHP8.94 worth of goods, pointing to possibly slowing aggregate demand in coming months.

2019: consumption to be counted on as government spending and capital formation seen to be challenged

This year the Philippine economy is banking on a strong rebound in consumption to help support overall growth, with a rapid deceleration in inflation and the upcoming mid-term elections. A strong pickup in household consumption will be needed to counter the slowing momentum seen in other sectors of the economy. Government spending will undoubtedly be challenged given the ongoing budget delay, with projects on hold as legislators iron out the spending bill. Meanwhile, capital investment may also struggle given the tightening liquidity conditions and as the effects of BSP's 175bp rate hike continue to sap investment momentum. In coming months, the economy will look to tried and tested Filipino purchasing power to deliver the goods in 2019 and keep GDP above the 6% threshold.

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