

## Philippine budget deficit points to solid 2H GDP this year

Philippine September budget deficit hit PHP96.25 bn as non-interest expenditure saw a 3rd straight month of double-digit gains. Strong government spending will likely bolster growth into 2H 2018 and offset a likely slowdown in household spending due to accelerating inflation and elevated borrowing costs



Source: Shutterstock

### Pump that prime: 3Q primary spending vaults 33.1%

The Philippines reported a September budget deficit of PHP96.25 bn as non-interest expenditure saw a third straight month of double-digit gains to post a 26% increase. For the 3Q, government expenditure grew a whopping 31.1% with the year-to-date budget deficit at 72% of target and closing in fast on the PHP523.6 bn full-year deficit target. In order to clear the full-year programme spend of PHP3.76 Tr, government spending will need to approach 40% growth on top of last year's impressive 4Q print. Given the recent resolve the government has displayed in spending these past months, our forecast for 6.0-6.5% growth in the 2H will rely more heavily on the national government's ability to stimulate the economy to offset the projected deceleration in household consumption as the twin effects of accelerating inflation and higher borrowing costs

begin to bite.

## Fund the republic

On top of the current build-build-build efforts of the government, election-related expenditures are also seen to kick into high gear ahead of May 2019. Given their current cash position and projected aggressive expenditure programme, the government will be pressured to finance the expected pump-priming efforts. Such financing will likely employ a mix of foreign-denominated and local borrowings as the administration closes in on its expenditure target for the year.