

# Philippines: First quarter GDP falls short of expectations but don't count on a BSP cut just yet

1Q24 GDP slips below market consensus to settle at 5.7% YoY



Source: Shutterstock

**5.7%** 1Q24 GDP YoY growth

Lower than expected

## Growth momentum appears to be slowing

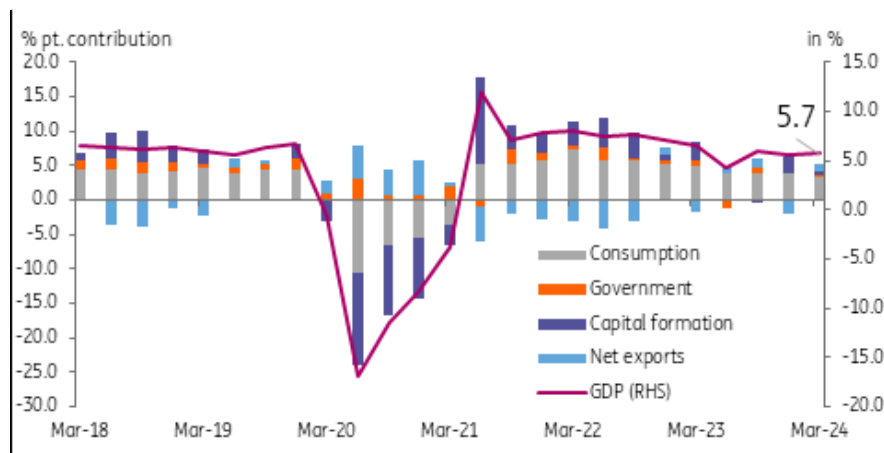
The Philippine economy expanded 5.7% year-over-year in the first quarter of 2024. Today's reading was below the market consensus expectation for a 5.9% YoY increase.

Net exports delivered a positive contribution (1.2 percentage points) as expected but the rest of the economy appears to be slowing. Household consumption grew 4.6%YoY, the slowest pace of

expansion since 2011 (outside Covid). Government outlays inched up 1.7% YoY as fiscal consolidation efforts constrained spending. Capital formation managed a modest 1.3% YoY rise as investment activity was held back by high borrowing costs.

Today's GDP report moves in line with our expectation that full-year growth will settle below the official government target of 6-7% at 5.4%YoY.

## GDP misses the mark, momentum is slowing



Source: PSA and ING estimates

## BSP likely to hold rates unchanged

The Bangko Sentral ng Pilipinas (BSP) meets next week to decide on monetary policy. Governor Remolona will likely factor in slower-than-expected inflation and below-consensus GDP when the monetary board meets on 16 May. We do not expect any adjustment to the current policy settings. However, a sustained deceleration of inflation and disappointment on the growth front could convince the BSP to cut rates as soon as the Fed does later this year.

Previous rhetoric from Remolona pointed to BSP's first rate cut by 1Q 2025 but recent data reports could prod Remolona to push forward his rate cut timing.

The PHP was little changed after the release with market participants likely factoring in no-change from BSP next week.

### Author

**Nicholas Mapa**

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)