

Philippines: 3Q GDP surprises on the upside

3Q GDP expanded sharply by 5.9%YoY



We remain optimistic about the growth outlook for the Philippines

5.9% 3Q YoY growth

Higher than expected

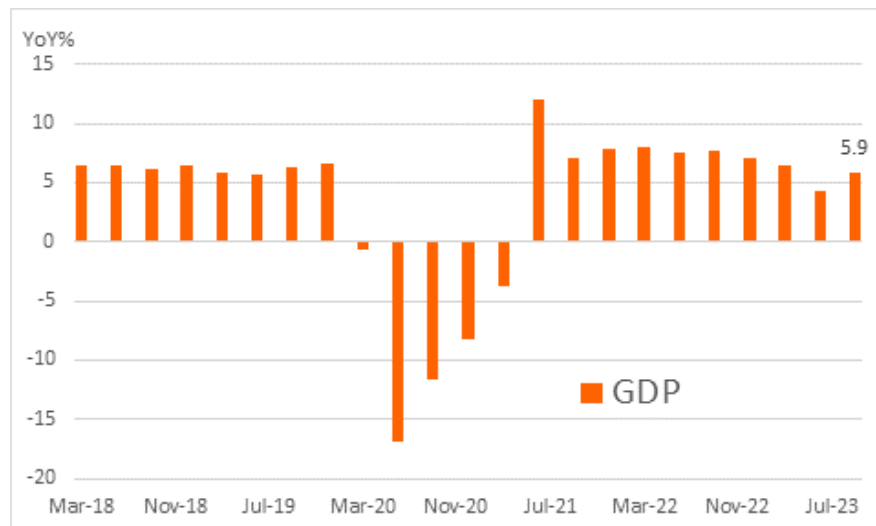
3Q GDP at 5.9%

GDP for the Philippines picked up sharply in 3Q, rising 5.9% YoY compared to the median estimate for a 4.7% gain. The big improvement came from the 6.7% YoY rise in government spending, rebounding quickly after a contraction in the previous quarter. Household spending, which accounts for the bulk of economic activity moderated to 5% YoY while capital formation contracted by 1.6% YoY probably due to elevated borrowing costs.

In terms of sectors, agriculture activity managed to grow 0.9% YoY despite severe weather conditions, while industrial output rose sharply by 5.5% YoY. Meanwhile, the service sector gained by 6.8% YoY driven by a strong performance (9.5% YoY) of financial activity.

The fiscal authorities promised catch-up spending and delivered 0.98 percentage points of the overall growth. Year-to-date growth now stands at 5.5% with Economic Secretary Balisacan still optimistic about hitting his growth estimates.

3Q GDP growth surprise



Source: Philippine Statistics Authority

Strong GDP performance opens door for more rate hikes by BSP

The stronger-than-expected 3Q GDP number opens the door for additional tightening from the BSP. Robust growth coupled with hawkish statements from Bangko Sentral ng Pilipinas (BSP) Governor Remolona points to at least one more rate hike before the end of the year and possibly 2 should BSP’s inflation forecasts for 2024 remain elevated.

We expect BSP to hike next week at the 16 November meeting before raising rates to 7% at the December meeting with BSP predicting 2024 inflation will average 4.7%YoY.