

## Philippines: 4Q GDP to accelerate to 6.6% but could miss full year target

The Philippines will likely miss its full year target of 6.0% as 3Q GDP is revised lower.



Source: Shutterstock

### 4Q GDP could hit 6.6%

The Philippines will report 4Q GDP on Thursday. Market analysts expect a 6.4% expansion as household consumption and catch up government spending lift economic activity to close out a relatively disappointing 2019. ING is estimating growth could outpace the median estimate, with growth hitting as high as 6.6% as capital formation and net exports complement the rest of the growth momentum for a strong finish for the year. However, even if the Philippines posts a 6.6% expansion, full year growth may slip below the government's official target of 6.0-6.5%.

### 3Q GDP revised lower as investments dry up

Growth in 3Q was slower than initially projected, with the Philippine Statistics Authority (PSA) trimming the outcome to 6.0% (previously 6.2%). Downward revisions were noted in private construction and investments in durable equipment with capital formation bearing the brunt of the downgrade. Meanwhile, net exports were upgraded as exports were actually higher than estimated while imports were likely revised lower. The 3Q GDP reading brings year-to-date growth

to 5.7% with the Philippines needing to record a 6.8% expansion in 4Q to hit the full year government growth target.

## Subdued recovery to prod BSP to cut in February

The sustained sluggish recovery in economic growth will likely move the Bangko Sentral ng Pilipinas (BSP) to ease policy rates further in February, with the ill effects of the aggressive 2018 tightening phase still being felt in 2019. The recent volcanic eruption and the impending disruption in economic activity from ash fall damage will likely weigh on 2020 growth momentum, with both fiscal and monetary policy called upon to bolster the economy amidst the higher growth target of 6.5-7.5%. Given these developments, we expect the BSP to cut policy rates by another 25bp at the 6 February meeting to give the economy a shot in the arm as the threat for a full blown volcanic eruption remains.

### Author

#### Nicholas Mapa

Senior Economist, Philippines

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

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.