

## 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.



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### 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.

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