

## Philippine budget deficit shrinks as government reigns in spending

The Philippine September budget deficit is more than 22% lower YoY at PHP138.5bn as expenditures drop. Weaker fiscal spending may be a strategy to limit the budget shortfall but a sustained pullback could cloud the outlook for economic recovery



Philippine President Rodrigo Duterte speaks at the Malacanang presidential palace in Manila, Philippines

Source: Shutterstock

**-15.5%** Change in government expenditure

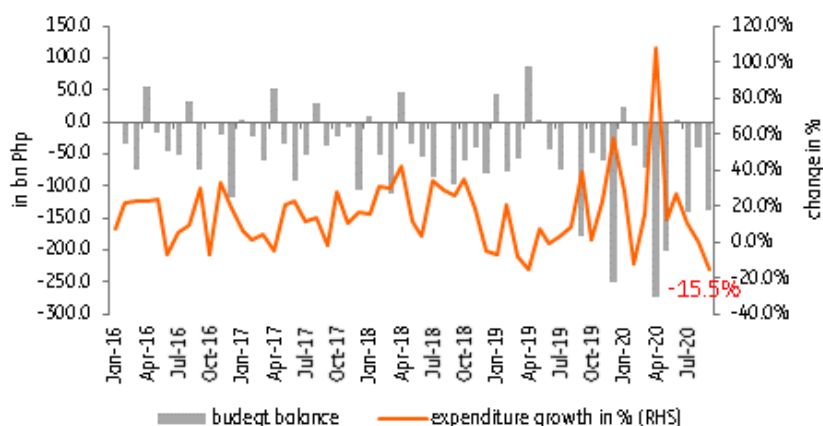
### September budget deficit shrinks with spending down 15%

The Philippines posted a budget deficit of PHP138.5bn in September, with the shortfall 22% smaller than in September 2019.

Revenue collections dipped by 10.2% as the economy slid into recession with customs collections down 14% while internal revenue fell 19%. Meanwhile, national government spending declined

sharply by 15.5%, with authorities opting to hold off fiscal stimulus to offset the negative fallout from the pandemic.

## Philippines budget balance and expenditure growth



Source: Philippines Bureau of the Treasury

## Weaker fiscal spending clouds outlook for quick recovery

Year to date, the budget deficit surged to PHP879.2bn compared to PHP299bn posted in the same period in 2019 with revenue streams constrained by slowing economic activity and expenditures in the first half of the year surging in response to the pandemic.

The current deficit is roughly -6.8% of GDP, still substantially away from the worst-case scenario forecast of -9.6% by the finance ministry a few months ago.

Slower expenditures may be a strategy to limit the budget shortfall but a sustained pullback in expenditures in the fourth-quarter could cloud the outlook for a quick economic recovery. Government spending alongside net exports accounts were the lone bright spots for GDP in 1H20 and the projected decline in fiscal expenditures does not bode well for the GDP outlook for both 2020 and 2021.