

## 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

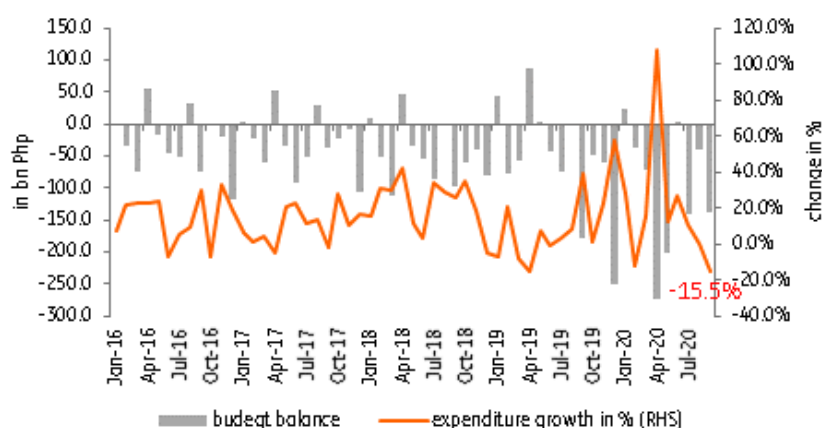
### September budget deficit shrinks with spending down 15%

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.

### 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>.