

Philippines: February fiscal spending is GDP positive

Fiscal spending in February accelerated to a 37% annual increase from January's 16%, bringing the 2M growth to 26%. 1Q18 spending is on track for 31% growth, a GDP positive



Source: Shutterstock

37%

February government spending growth

On track for 31% 1Q annual growth

Acceleration of government spending is a positive for 1Q GDP growth

Headline and core government spending growth rates accelerated in February to 37% and 35% respectively. These annual increases are not just a result of positive base effects with February 2017 spending of near flat YoY. Government policies of a “cash-based budget” and a one-year effectivity of the approved budget procurement programme push government agencies to

improve spending performance. February's spending acceleration resulted in a 2M average headline and core spending growth rates of 26% and 27% respectively. The performance brings spending growth on track to a 31% growth for 1Q, which would be around 15x faster than 1Q17 growth of only 2%. This implies that March spending should continue at an accelerated pace of a 39% annual gain. The strong fiscal stimulus would offset the drag that higher inflation may have on household spending and moderate business and investment spending. The fiscal stimulus would likely bring 1Q GDP growth closer to the government's 2018 target growth of 7-8%. We revise up our 1Q GDP growth forecast from 6.5% to 6.9% and full year growth from 6.7% to 6.8%.