

Philippines: Government spending packs a punch in September

After months of weakness, government spending is back after the budget passed in May



Source: Shutterstock

Budget balance swings into the red in September

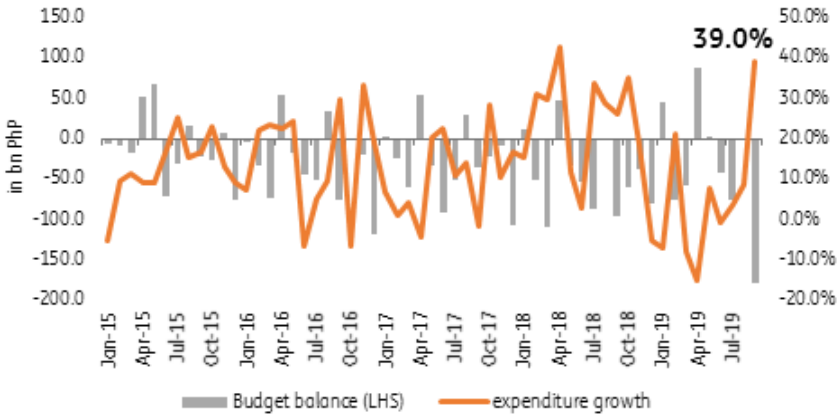
After vowing aggressive spending to make up for the budget delay, expenditures posted a herculean 39% surge with the budget balance swinging to a deficit of PHP 178.6 bn despite a double digit gain in revenue collection of 16.9%. The impressive performance on both fronts gives hope for a 6% growth chase towards the end of the year as expenditures roll out while the government continues to streamline and improve its collection efforts.

Can you say catch-up spending?

Government spending closes 3Q on a strong note with expenditure growth hitting 39% - all the more impressive given that it topped a 26% gain in September 2018. So far 2019 growth has been disappointing to say the least with the budget delay constraining government outlays (both capital and operational expenditure) and as elevated borrowing costs put the brakes on capital formation, noted in lackluster car sales and the overall meltdown in durable good equipment growth.

The September spending numbers also benefited from the PHP 13bn release for right of way requirements which may be followed by further outlays for the actual construction activity. Meanwhile, end-September notice of cash allocation utilisation rates remain favorable, peaking at 97% and matching the same utilisation rate in 2018.

Philippine budget balance and expenditure growth



Source: Bloomberg

Chasing 6% growth with a significantly better 2H

A resurgence in government spending coupled with still robust and potent household spending will look to carry the load for 3Q GDP growth as capital formation remains handicapped and recovers from its meltdown in 2Q. As capital formation regains form hopefully by 4Q, we can expect growth to return to form and close out the year on a strong note with the economy firing on all cylinders once more.