Philippines: Hey big spender - December expenditures rise 58%

Despite a 5-month delay in passing the budget, the Philippines recorded a budget deficit-to-GDP ratio of 3.5%

Source: Shutterstock

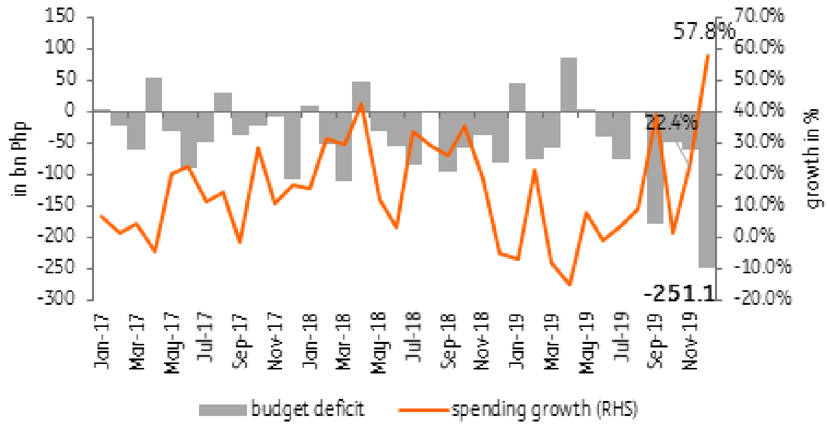
Hey big spender: December expenditures rise 58%

Vowing to make up for lost time, government expenditure posted a sizeable 58% jump for the month of December, bringing the full year deficit to Php660.2 bn for 2019. This means that the deficit moved well past the programmed target of 3.25% of GDP to hit 3.5% despite the hiccup in the first half of the year given the budget passage delay. For the year, spending rose roughly 11.4% while revenue collection growth remained healthy at 10%, highlighting that the slowdown in 2019 GDP was not due to a lack of government spending.

GDP likely to be revised higher, stimulus readied ahead of Covid-19

The strong spending to close out the year is likely to lead to an upward revision to 2019 GDP with full year growth probably realized at 6.0%. The surprise surge in spending in December is reflected in the aggressive borrowing stance of the Bureau of the Treasury (BTr) of late and we can expect this behavior to continue given the concurrent 2019 and 2020 budgets running parallel this year. With the Covid-19 virus expected to curb household spending in the coming months, we expect the fiscal front to help insulate the economy with strong spending likely to continue in 1H20. Meanwhile, monetary easing should complement the fiscal stimulus with Bankgo Sentral ng Pilipinas (BSP) Governor Diokno vowing at least 25 bp worth of rate cuts for the balance of the year to help revitalize investment momentum further.

Philippines budget deficit and government expenditure growth



Author

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com