

## The Philippines' economy is doing significantly better

After hitting a speed bump in the first half of 2019, with growth slowing to 5.5%, the Philippines' economy looks set for a GDP rebound in the second half of this year



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### Growth seen to clip the lower end of the government's 6-7% target

Bangko Sentral ng Pilipinas (BSP) Deputy Governor Dakila expects growth to pick up in the second half of the year with 3Q GDP looking to settle between 5.8-6.0% while 4Q GDP is forecasted to accelerate to a 6.5% gain to close out the year. If the forecast comes to become a reality, this will propel full-year growth to hit the lower end of the government's 6.0-7.0% range and keep the string of growth above 6% alive for yet another year. YTD growth is now at 5.5%, and the 5.8-6.0% followed by the 6.5% expansion represents a significantly better second-half performance.

### Flexing some of that fiscal and monetary muscle

At the start of the year, domestic factors held back the usual robust economic momentum of the PHL with state underspending and handcuffed capital formation weighing down on the economy.

A series of policy rate cuts aided by fresh liquidity via RRR reductions will likely revive investment momentum going into 2020 and help reverse the contraction in capital formation seen in 2Q.

With the government flexing its ability to roll out true catch-up spending, the September expenditure numbers put to bed doubters with growth hitting 39% and that helped catapult the year-to-date figure closer to target. If spending keeps up at this pace, the deficit targets of 3.0% of GDP may well be achieved with the government flexing both its fiscal and monetary stimulus muscle.

## Significantly better

With the government flexing its stimulus when it counts, the PHL economy may post another year of 6% growth after picking up the pieces from the first half snafu. Significantly faster economic growth appears closer to reality now that state spending has picked up and after recent BSP policy rate cuts helping to reverse the meltdown in investment growth. The [tale of two halves](#) may come to pass after all as the economy finds its footing to fire on all cylinders and bring the count of annual growth above 6% for eight straight years.

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