

Philippines: Strong fiscal spending to continue

Fiscal spending has sustained double-digit growth over the past three years. GDP growth in 2018 should benefit from planned fiscal spending growth of around 20%, up from 12% in 2017



Source: Shutterstock

12%

2017 core fiscal spending growth

Double digit growth for three years in a row

Government targets to sustain spending growth in 2018 and support GDP growth

Headline and core fiscal spending has sustained double-digit growth over the past three years with 2017 growth rates of 11% and 12% respectively. The increases were slower than 2016 which benefitted from spending for the national elections. The slowdown is normal but the 2017 pace of spending was elevated relative to previous post-election year sluggishness. Despite strong

spending growth, the government posted a deficit of only -2.2% of GDP, lower than the -3% target. The government targets 20% growth in spending this year as infrastructure spending escalates to 5.3% of GDP, up from last year's target of 4.2%. This year's spending plan primes the economy to reach target GDP growth of 7-8%. We are confident that the government will succeed in escalating the pace of spending, helped by the January release of 80% of the budget. We expect 2018 GDP growth of 6.7% as the impact of higher inflation moderates household spending.