Metrobank

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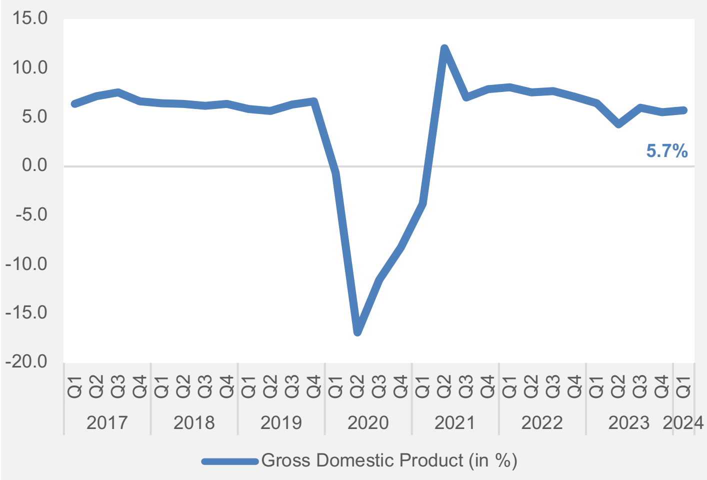
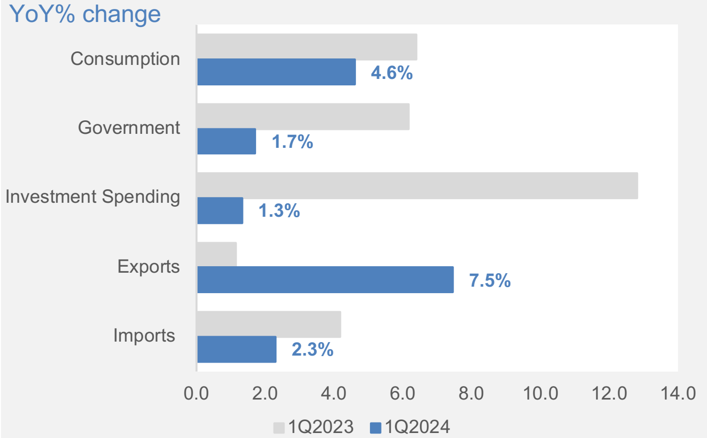
# Metro Research

## Philippines' 1Q 2024 GDP Growth

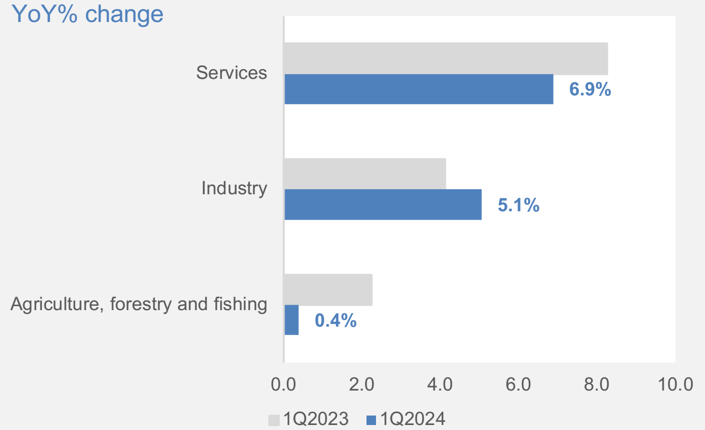
**Real GDP (2018=100)**
YOY % Change




**Real GDP by Expenditure Shares (2018=100)**
YoY% change




**Real GDP by Industrial Origin (2018=100)**
YoY% change




### Philippines 1Q 2024 GDP expands at 5.7%

The Philippines' Gross Domestic Product (GDP) for the first quarter grew at a faster pace by 5.7% year-on-year (YoY) versus the 5.5% growth recorded in Q4 2023. The latest quarterly GDP print came out lower than the 5.9% Bloomberg consensus estimate, though above Metrobank Research's forecast of 5.6%.

On the demand side, Consumption (C) grew by 4.6% YoY, lower than the 5.3% growth in the previous quarter and the slowest recorded since Q1 2021. The slowdown in household spending was mainly due to elevated prices of major food items and base effects from still high consumer spending in Q1 2023. On the other hand, Government spending (G) increased by 1.7% from the negative growth (-1.8%) seen last quarter. Investment spending (I) posted a slowdown in growth at 1.3% vs. 11.6% in Q4 2023 which reflected the less favorable business sentiment during the quarter amid the moderate growth in domestic demand. Lastly, Exports (X) growth rebounded to 7.5% YoY from the 2.5% contraction seen previously due to the recovery in exports of electronic products. Imports (M) slightly increased (2.3% vs. 2.0% YoY) despite a decline in imports of transport equipment.

On the supply side, the Services sector posted the highest growth at 6.9% for Q1 2024, driven by the still-strong growth from Accommodation and Food Service Activities; and Financial and Insurance Activities. Meanwhile, the Industry sector posted a 5.1% YoY growth versus 3.1% in Q4 2023. The growth was primarily attributed to higher growths in Manufacturing and Electricity; and Steam, Water and Waste Management which increased by 4.5% and 6.3% from 0.5% and 5.5% in Q4 2023, respectively. Lastly, Agriculture, Fisheries, and Forestry sector declined by 0.4% YoY from 1.3%, driven by the deceleration in the growth of *palay*.

### Outlook

The Philippine economy expanded moderately in the first quarter of 2024 as elevated inflation and the high interest rate environment dampened the growth in consumer spending and investment spending. According to National Economic and Development Authority (NEDA) Secretary Arsenio Balisacan, the moderation in economic activity especially on household consumption was due to the effects of the El Niño phenomenon, which consequently affected the growth in the services sector. He also cited the lower business confidence for the first quarter, stemming mainly from the abovementioned downside risks to growth.

On a nominal basis, consumer spending has slowed down to 8.2% year-on-year, the slowest growth since the rebound of the economy in the 2nd quarter of 2021 coming from the peak of the Covid-19 pandemic. This was shadowed by a lower investment growth at 3.1% year-on-year. Downside risks are expected to linger for the second quarter as the El Niño phenomenon would have peaked in April to May, as well as the threat of a La Niña beginning this June. However, government spending is expected to pick up in the second quarter given the scheduled disbursements for Infrastructure Flagship Projects (IFPs) in April.

Metrobank Research is retaining its 2024 full-year average GDP forecast at 6.0% on the back of the anticipated policy rate cuts by the Bangko Sentral ng Pilipinas (BSP) in the last quarter of the year and the relatively lower yet still elevated inflation, which is seen to average at 4.0% this year (revised from 4.3%↓). Subdued inflation and a lower interest rate environment will help stimulate growth in consumer and investment spending.

Apart from the IFPs, NEDA Secretary Balisacan cited a whole-of-government approach to boost foreign investments, increase exports by the manufacturing sector, enhance tourism, and improve resilience of the agricultural sector amid extreme weather phenomena. These government interventions will improve business sentiment and provide room for more domestic activity.


**For comments and suggestions, please contact:**

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