

5.2% Q3 2024 GDP

Green light for BSP to continue easing

Expenditure Share: Consumption takes front seat

- Household consumption emerged as the biggest contributor to growth in Q3, delivering 3.7 percentage points (ppts) out of the total 5.2% for the quarter, as it expanded by 5.1% year-on-year (YoY) from 4.7% in the preceding quarter. This is also the first time in 2024 that consumption growth was at the 5% level.
- Private investments also picked up in the third quarter, contributing 2.6 ppts to the third quarter growth after registering a 16.1% YoY expansion from 6.1% in Q2.
- The pickup in household consumption and private investments is attributed to improved consumer and business sentiment following the start of the Bangko Sentral ng Pilipinas (BSP)'s monetary easing in August.
- Government spending, including public construction, which led growth in the second quarter, contributed 0.9 ppts to the third quarter growth after a slower expansion of 4.6% YoY compared to 15.5% in Q2. This lower contribution from government expenditures is attributed to the front-loaded spending in Q2, following improved government procurement policies, exacerbated by high base effects from Q3 last year.
- Meanwhile, the wider trade deficit in Q3 weighed on growth with a -2.9 ppt contribution after the trade deficit expanded by 32.6% YoY. The already substantially larger volume of imports continues to grow at a faster rate of 6.4% compared to exports, which contracted by 1.0%.

GDP Growth Contribution by Expenditure

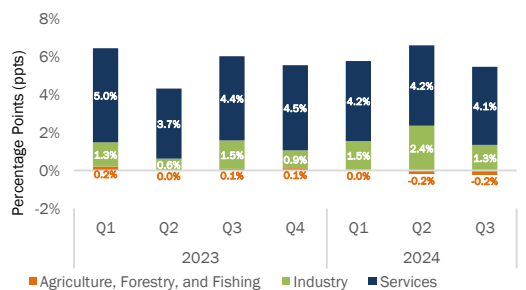


Source: Philippine Statistics Authority (PSA)

Sectoral Share: Agricultural sector continues to contract

- The services sector continued to post the highest contribution of 4.1 ppts out of the total 5.2% YoY growth. The sector slowed down slightly this quarter at 6.3% from 6.8% in Q2. Wholesale and retail trade remains the major contributor despite its softer growth of 5.2% compared to last quarter's 5.8%.
- Meanwhile, the industry sector moderated at 5.0% YoY from 9.1% last quarter, contributing 1.3 ppts to overall growth. Although growth in the construction industry registered lower at 9.0% compared to 16.1% in Q2, it remained the main driver of the sector growth.
- Lastly, the agriculture, forestry, and fishing sector contracted for a second consecutive quarter at -2.8% YoY from -2.3% in the preceding month, weighing down Q3 GDP growth by -0.2 ppts.
- According to National Economic and Development Authority (NEDA) Secretary Arsenio Balisacan, extreme weather conditions which have damaged agricultural crops, reduced fishing harvest and moderated tourism activities, as well as the fishing bans in the West Philippine Sea and the African Swine Fever outbreak, contributed to the lower-than-target print.

GDP Growth Contribution by Sector



Source: Philippine Statistics Authority (PSA)

METRO RESEARCH'S TAKE

Q4 growth to edge higher

- The Q3 2024 GDP print came out lower than the Metrobank Research forecast of 5.5% and the consensus estimate of 5.7%. Year-to-date GDP now stands at 5.8%, below the government target of 6.0%-7.0% for the full year.
- After the much-awaited pick up in consumption and investment spending in Q3, Metrobank Research expects this to continue in the next quarter, supported by the BSP's monetary easing and moderating inflation, prompted further upwards by improved consumer and investor sentiment.
- Metrobank Research forecasts that fourth quarter growth will settle higher than in Q3, as the lagged effects of monetary easing is expected to further surface. Given the recent data print and the upward revision of Q2 2024 GDP to 6.4% from the initially reported 6.3%, Metrobank Research maintains its FY 2024 forecast at 5.7%.

Full effects of lower rates to kick in

- Although the BSP started its monetary easing cycle in August, it has yet to see see growth numbers bounce past the 6.0%-level. We expect lagged effects of low interest rates to fully materialize starting 2025 onwards. Given this, Metrobank Research forecasts stronger growth in FY 2025 and FY 2026 at 6.2% annually.

Monetary easing

- While the Bangko Sentral ng Pilipinas (BSP)'s mandate is to maintain price stability, BSP Governor Eli Remolona Jr. earlier revealed last August that the push to support growth, in both consumer and investment spending, was among the compelling reasons for delivering the first policy rate cut in years. This means that, along with inflation, GDP growth matters when formulating monetary policy.
- The latest GDP print provides room for continued monetary easing by the BSP to support growth in private consumption and investment spending. This also supports Metrobank Research's view that the BSP will reduce its target Reverse Repurchase (RRP) rate by another 25 basis points (bps) at its Monetary Board (MB) meeting in December, which should bring the BSP's policy rate to 5.75% by year-end.

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