Economic Alert iQ

First Citizens Research & Analytics

Monday 6th November 2017 –12:00pm
International
Prepared by: Trevis Gangaya, Analyst I (Research and Analytics)
Trevis.Gangaya@firstcitizenstt.com

IMF Executive Board Concludes 2017 Article IV Consultation with the Philippines

- On October 26, 2017, the Executive Board of the IMF concluded the Article IV consultation with the Philippines, and considered and endorsed the staff appraisal without a meeting.
- The IMF expressed confidence in Philippines' economy as growth reached 6.9% in 2016 and 6.4% in the first half of 2017, led by robust domestic demand, a recovery in exports, and a fiscal impulse.
- Headline and core inflation have remained near the center of the target band (3±1%) in 2017, reflecting stable commodity prices and a near zero output gap.
- IMF estimates that the unemployment rate remains low at 5.5%
- The external and fiscal positions are robust, with the current account balance near zero, gross international reserves at US$81 billion representing roughly 8.7 months of import cover
- National government deficit is estimated at 2.4% of GDP and the general government net debt at 34.6% of GDP.
- The IMF expressed confidence in the first tax reform package designed to create additional fiscal space, and encouraged the authorities to consider additional revenue measures.
- The ambitious development agenda depends on a series of comprehensive tax reforms that could create additional fiscal space.
- However, the IMF said while tax reforms can bring much welcomed tax revenue, the agency cautions that reform efforts may have a lower revenue yield than originally projected because of dilution in Congress.
- With regards to monetary policy, the IMF believes measures remain appropriate, but warned the central bank should be ready to tighten if there are signs of overheating.

- Additionally, the country's authorities' "*intention to unwind the high banks' reserve requirements"* over time would reduce macro financial risks.
- The outlook for the Philippine economy is favorable despite external headwinds. Real GDP growth is projected at 6.6% in 2017 and 6.7% in 2018, owing to continued robust domestic demand.
- Conclusively, the IMF supports the ongoing reforms aimed at lowering poverty. The agency believes the authorities are appropriately focusing on investing in infrastructure and human capital, reducing regional disparities, eliminating quantitative restrictions in rice imports, and improving access to finance including through capital market development.
- Regulatory reforms to reduce the costs of doing business and openness to foreign investment are welcomed as it would help in promoting domestic competition.

Key Economic Metrics

Projections

	2012	2013	2014	2015	2016	2017	2018
Real GDP (%)	6.7	7.1	6.1	6.1	6.9	6.6	6.7
Consumer prices (annual average) %	3.0	3.0	4.1	1.4	1.8	3.1	3.0
Debt service ratio	9.9	11.1	8.4	7.7	9.7	10.0	9.2
Reserves (US$ billions)	83.8	83.2	79.5	80.7	80.7	80.9	80.6
Public finances (percent of GDP) : National government balance	-2.3	-1.4	-0.6	-0.9	-2.4	-3.0	-3.0
Current account (percent of GDP)	2.8	4.2	3.8	2.5	-0.3	-0.1	-0.3

Source: International Monetary Fund (IMF)

Follow us on Twitter @FCISResearch

Disclaimers

All information contained in this article has been obtained from sources that First Citizens Investment Services believes to be accurate and reliable. All opinions and estimates constitute the Author's judgment as of the date of the article; however neither its accuracy and completeness nor the opinions based thereon are guaranteed. As such, no warranty, express or implied, as to the accuracy, timeliness or completeness of this article is given or made by First Citizens Investment Services in any form whatsoever.First Citizens Investment Services and/or it employees or directors may, where applicable, make markets and effect transactions, or have positions in securities or companies mentioned herein. Neither the information nor any opinion expressed shall be construed to be, or constitute an offer or a solicitation to buy or sell.