

Friday 15th September 2017 –8:45 am

International

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Economic Alert: Moody's: Philippines' credit profile balances sound fundamentals against structural challenges

- Credit Rating Agency Moody's says that the credit profile of the Philippines (Baa2 Stable) balances sound economic and fiscal fundamentals against structural challenges to competitiveness and rising political risks.
- Additionally it is expected that robust economic growth to be sustained over the next few years, aided by the government's focus on infrastructure development, buoyant private sector investment, and the recovery in external demand.
- However, the agency cited the re-emergence of conflict in the southern Philippines, as well as the Duterte administration's focus on the eradication of illegal drugs, represents a rising but unlikely risk of a deterioration in economic performance and institutional strength.
- Moody's projects GDP growth to remain relatively stable for 2017 and to average 6.5%, which represents the lower end of the government's forecast range of 6.5%-7.5%.
- A 6.8% growth rate is pegged for 2018, voicing uncertainties regarding the proposed comprehensive tax reform program (CTRP), which is currently being considered by the upper house of Congress.
- Fiscal deficits are also widening, but ongoing debt consolidation and improving debt affordability give the government fiscal space to accommodate higher infrastructure spending and wider budget deficits.
- The stable outlook on the Philippines' rating indicates that upside and downside risks are balanced. On the upside, strong GDP growth could accelerate even further, especially if the government achieves higher investment spending.
- Currently, Philippines is also rated by S&P with a BBB credit rating and a *Stable* credit outlook while Fitch has placed a BBB- rating with a *Positive* outlook.



S&P Similarly Rated US\$			
Yields			
	Colombia	Panama	Philippines
5 Year	2.64%	3.44%	1.62%
10 Year	3.42%	3.03%	2.25%
15 Year	4.15%	4.41%	2.92%
20 Year	5.42%	5.39%	2.98%

Key Macroeconomic Data

	Q3 16	Q4 16				Q1 17			Q2 17			Q3 17
Indicator	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	
Real GDP (yoy %)	7.1	--	--	6.6	--	--	6.4	--	--	6.5	--	
Real GDP (yoy %, yearly)	--	--	--	6.9	--	--	--	--	--	--	--	
Consumer Price Index (yoy %)	2.3	2.3	2.5	2.6	2.7	3.3	3.4	3.4	3.1	2.7	2.8	
PPI Manufacturing (yoy %)	-4.3	-4.8	-4.7	-4.2	-1.1	-1.3	-0.5	-1.8	-2	-2.1	-1	
Unemployment Rate (%)	--	4.7	--	--	6.6	--	--	5.7	--	--	5.6	
Current Account (% of GDP, yearly)	--	--	--	0.2	--	--	--	--	--	--	--	
Exports (yoy %)	8.1	9.7	-4.5	6.6	22	8.7	18.1	19.1	13.7	5.8	10.4	
Imports (yoy%)	18	11.1	21	19	12.2	15.2	18	-0.1	16.6	-1.3	-3.2	
Budget Balance (% of GDP)	-2.2	--	--	-2.4	--	--	-2.2	--	--	-2.6	--	

Source: Moody's, Bloomberg, First Citizens Research & Analytics



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