

DOF Economic Bulletin on Credit

One of the major factors boosting Philippine economic growth is the rapid expansion of investment. Capital formation rose annually by 11.8% in real terms from 2011 to 2017 and further peaked to 16.4% in the first half of 2018 due to the Build, build, build program.

Investment growth was made possible by the rapid growth in credit provided by the financial sector. Domestic credits rose by 13.7% annually from 2012 to 2018, peaking at 15.0% as of end-August 2018. Banking system loans provided a large bulk of the increase, rising by 24.8% annually since 2011 and growing by 18.8% YTD as of August 2018.

NET DOMESTIC CREDITS							As of	AVERAGE 2011-2018
P Billion	2014	2015	2016	2017	2018			
End- December	7,057.1	7,861.0	9,199.9	10,441.9	..			
End-August	6,522.2	7,289.7	8,407.5	9,868.6	11,350.2			
% GROWTH	17.8%	11.4%	17.0%	13.5%	15.0%		13.7%	
NET DOMESTIC CREDITS, % of GDP								
End- December	51.6%	54.7%	58.1%	66.1%	..		56.1%	
End-August	56.5%	54.7%	58.1%	62.4%	64.8%			
BANKING SYSTEM 3/								
(NET) LOAN PORTFOLIO,								
P Billion	5,586.01	6,366.9	7,345.9	8,661.26	8,499.20	Aug		
Percent Growth	32.5%	51.0%	25.0%	17.9%	18.8%		24.8%	
DEPOSITS,								
P Billion	8,524.6	9,231.3	10,506.6	11,727.0	12,449.4	Aug		
Percent Growth	12.0%	8.3%	13.8%	11.6%	13.0%		12.9%	
% of GDP	67.5%	69.3%	72.6%	74.2%	75.3%		66.3%	

Source: Bangko Sentral ng Pilipinas

*Net loan portfolio excludes interbank loans

Credit growth is sustainable; it is supported by a similarly rapid growth in bank deposits. Bank deposits rose by 12.9% annually since 2011, reaching 75.3% of GDP as of August 2018 from 55.4% in 2011. Thus, despite the rapid credit growth, loan-deposit ratio remained manageable at 75.3% as of August 2018.

Compared with neighboring Asian countries, the Philippines has among the highest real growth in credits provided by the financial sector. Among 9 major countries, the Philippines ranked fourth among 9 countries from 2012 to 2017 at 20.2% annual growth. In 2017, it ranked second behind Singapore, an international financial center, with a real growth of 11.4%.

CREDITS PROVIDED BY THE FINANCIAL SECTOR

% REAL GROWTH*/

Average

	2012-2015	2016	2017	2012-2017
Philippines	23.8%	14.9%	11.4%	20.2%
Indonesia	21.4%	8.4%	2.9%	16.1%
Malaysia	17.5%	5.7%	..	15.1%
Singapore	26.9%	15.1%	12.6%	22.5%
Thailand	14.6%	2.9%	2.3%	10.6%
China	39.6%	19.3%	6.9%	30.7%
Korea	9.8%	5.9%	3.3%	8.1%
India	3.8%	5.0%	..	4.0%
Vietnam	29.0%	15.4%	8.1%	23.3%
AVERAGE	12.5%	10.4%	11.2%	11.9%

Source of basic data: World Bank