

Economic Bulletin on Q1 2019 GDP

In the first quarter of 2019, the economy grew by 5.6%, lower than the 6.5% registered in the same quarter of last year and 6.3% of the previous quarter. This is due to the huge drop in government expenditure growth to 0.08% (in nominal terms) compared with 25.4% in the same period last year.

From the expenditure side, the lower growth can be traced to a moderated growth in both government consumption and capital formation/investment, which grew by 7.4% and 6.8% respectively, compared to 13.6% and 10.3% in the same quarter of last year.

The slowdown in capital formation is explained by the significant contraction in public construction by 8.6% compared to 22.6% growth in the same quarter of 2018. This is slightly tempered by 8.6% growth in private construction compared to 8.1% in the same quarter of 2018.

From the supply side, agriculture has decelerated to 0.8% in the first quarter. This confirms that El Niño has affected the sector. Industry also slowed, weighed down by mining and quarrying, slowdown in manufacturing activities, and construction. Note that growth in manufacturing and construction are much lower than GDP's.

Table 1: GDP/GNP, First Quarter of 2019

Q1 2019 Growth Rate	Value in Million PHP		Growth Rate	
	Current	Constant	Current	Constant
GDP	4206914.8	2257007.3	7.4	5.6
GNP	5106885.6	2728669.1	7.1	4.9

Table 2: GDP Growth Rate by Expenditure

Expenditure	Growth (%)				Contribution to Growth (ppts)			
	2018	Q12018	Q42018	Q12019	2018	Q12018	Q42018	Q12019
Household Consumption	5.6	5.6	5.3	6.3	3.8	3.9	3.8	4.3
Government Consumption	12.8	13.6	12.6	7.4	1.4	1.4	1.1	0.8
Capital Formation/Investment	13.9	10.3	4.9	6.8	4	3.3	1.5	2.2
Fixed Capital	14	8.2	8.7	5.7	4	2.5	2.5	1.8
Construction	15.1	10.8	17.6	5.0	1.5	0.9	1.7	0.5
Public Construction	21.2	22.6	11.2	-8.6	0.5	0.4	0.3	-0.2
Private Construction	12.9	8.1	19.3	8.6	0.9	0.6	1.4	0.6
Exports	11.5	10.3	14.6	5.8	6.5	6.1	6.9	3.5
Imports	14.5	11.3	12.5	8.3	-9.5	8.0	7.4	6.1
GDP	6.2	6.5	6.3	5.6				
GNI	5.8	6.3	5.7	4.9				

Table 3: GDP Growth Rate by Sector

Sector	Growth (%)				Contribution to Growth (ppts)			
	2018	Q12018	Q42018	Q12019	2018	Q12018	Q42018	Q12019
Agriculture	0.8	1.1	1.8	0.8	0.1	0.1	0.2	0.1
Industry	6.8	7.7	6.6	4.4	2.3	2.6	2.3	1.5
Mining & Quarrying	0.8	7.4	8.1	5.3	0.0	0.1	0.1	0.1
Manufacturing	4.9	7.3	3.2	4.6	1.2	1.8	0.8	1.1
Construction	15.8	10.2	20.0	3.9	1.0	0.6	1.2	0.2
Electricity, Gas & Water Supply	5.3	6.4	6.7	3.1	0.2	0.2	0.2	0.1
Services	6.8	6.7	6.8	7.0	3.9	3.8	3.8	4.0
Transportation	5.4	6.6	3.7	8.1	0.4	0.5	0.3	0.6

Trade	6.0	6.1	6.7	7.4	1.0	1.0	1.2	1.1
Financial Intermediation R. Estate, Renting & Bus. Activities	7.2	7.8	6.3	9.8	0.5	0.6	0.4	0.8
Public Administration	4.7	4.6	4.1	4.1	0.5	0.5	0.4	0.4
Other Services	15.5	13.2	14.7	9.7	0.6	0.5	0.6	0.4
GDP	7.8	7.0	9.4	5.7	0.8	0.8	0.9	0.6
		6.5	6.3	5.6				

DOF View

Underspending of P69.5 billion in the first quarter of the year reduced GDP growth by 1.6% of GDP. This was offset by election spending of candidates and lower consumer inflation by the combined impact of about 0.7% of GDP, boosting household consumption by 6.3% in real terms.

If the budget were approved as scheduled and disbursements were made promptly, GDP growth in the first quarter would have risen to 7.2%.

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