BPI Asset Management and Trust Corporation

# BEATING EXPECTATIONS

## Analyzing the Q2 2017 GDP Results

***August 23, 2017***

### PH Annual GDP Growth Surpasses Forecasts in Q2

The Philippine economy beat expectations of many analysts, attaining an annual growth rate of 6.5% in the June quarter of 2017. This is an increase from the 6.4% growth tallied in the previous quarter, and is a welcome positive after having experienced three consecutive quarters of slowdowns. As of writing, the 6.5% growth in GDP places the Philippines ahead of other Southeast Asian nations that have released their GDP figures for the 2nd quarter.

The better than expected GDP results continue to support the narrative of robust domestic spending. Household expenditures, which make up about 70% of GDP, gained 5.9% year-on-year, compared to the 5.8% in the first quarter. Meanwhile, government expenditure took a massive leap to 7.1% from the dismal 0.1% growth in the previous quarter. Completing the expenditure side, gross domestic capital formation increased by a respectable 8.7%, despite being a slowdown from the recorded 10.6% in the March quarter.

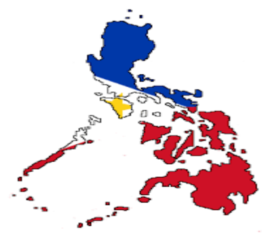
On the production side, the country's services sector advanced 6.1%, a slight decline compared to a 6.7% growth in the three months to March. The industry sector, on the other hand, posted better figures at 7.3% expansion, following a 6.3% growth in the preceding quarter.

Agriculture's 6.3% in the 2nd quarter of 2017 is also an improvement from the 4.9% recorded in the first three months of the year.

The country increased its exports performance in Q2 2017 by 19.7%. Sales of goods rose 23% (from 22.8% in the first quarter) and those of services went up 9.9% (from 12.4%). Imports increased by 18.7%, following an 18.6% rise in the preceding quarter.

### PH Growth Continues to Zoom

The economic team of President Duterte expects the economy to advance between 6.5 to 7.5% for full-year 2017, maintaining the Philippines' position as one of the fastest growing economies in Asia. The International Monetary Fund provides a more tempered but still positive sentiment on Philippine growth, forecasting 6.6% GDP growth for 2017. It remains optimistic that the economy would grow strongly in the medium term. Catalysts such as tax reform and the present government's resilient stance on infrastructure spending provide strong support for this positive outlook.



### Participating in the Philippine Growth Story

On the back of the strong GDP results, the PCOMP continues to experience upbeat bullish sentiment. On the day that the GDP results came out, the PSEi played around reaching this year's all-time high level of 8,106.74 (July 27, 2017), achieving intraday high of 8,105.01, and closing at 8,072.75 due to profit taking among local investors. It will likely trade higher on account of this positive economic data, as well as the much anticipated effects of the passing of the government's Tax Reform Acceleration and Inclusion (TRAIN) program. As a heavily consumption driven economy, the jump in disposable income from the tax reform can have massive positive implications.

Investors can join in this growth story by participating in local equities. Ranked as one of the country's top managed equity tracker funds, the **BPI Philippine Equity Index Fund** has been able to outperform the benchmark over the last seven months. As of July 31, the fund registered a 17.23% YTD, outperforming the benchmark by 2 bps.

*Sources:*

*https://www.bpiassetmanagement.com/pages/bpi-philippine-equity-index-fund*

*http://www.pse.com.ph/stockMarket/marketInfo-marketActivity.html?tab=5*

*https://tradingeconomics.com/philippines/gdp-growth-annual*