The Philippine economy continued to recover underpinned by domestic demand

Real GDP growth rate (year-on-year)

Annual GDP growth rate, at constant 2018 prices

Period	Value
2012	6.9
2013	6.8
2014	6.3
2015	6.3
2016	7.1
2017	6.9
2018	7.0
2019	6.1
2020	-9.5
2021	5.7
2022	7.6
Q1–Q3 2023	5.5

Period
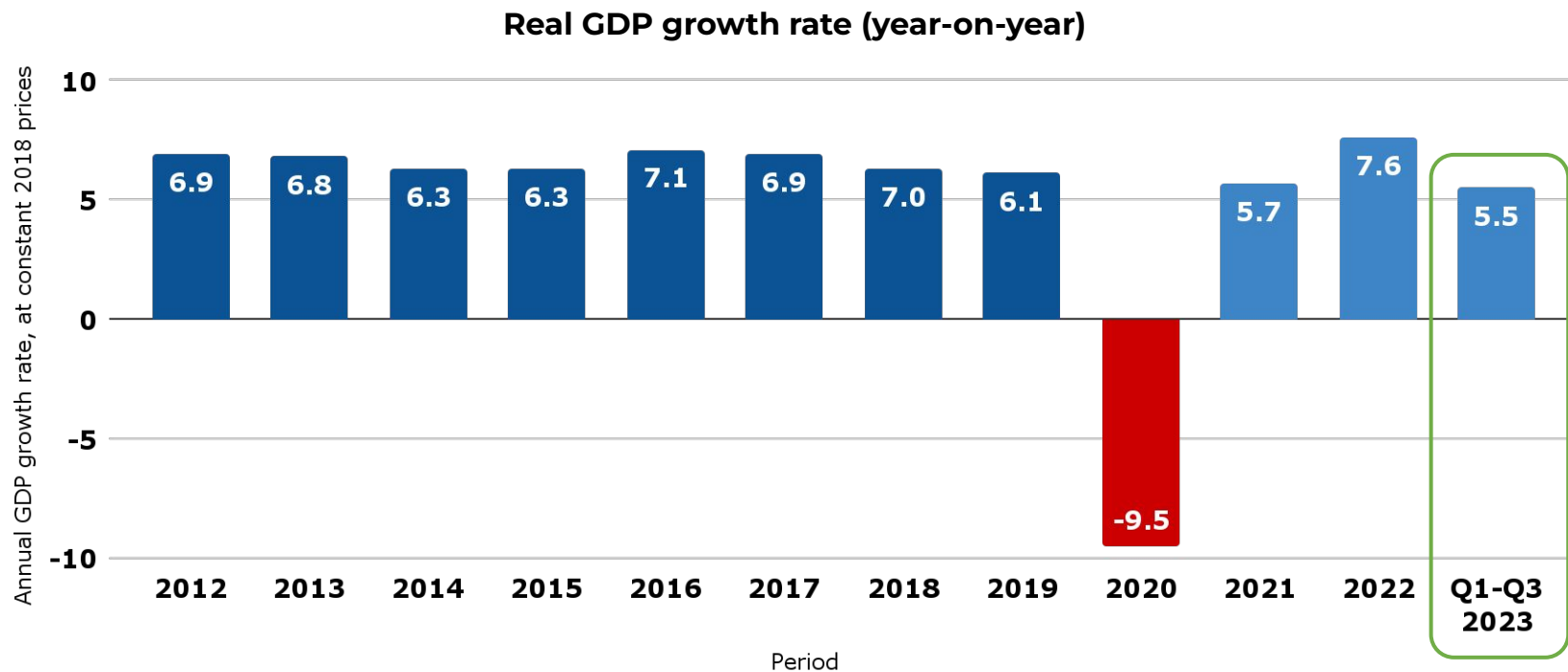
PH MAINTAINS INVESTOR-GRADE CREDIT RATINGS

Fitch Ratings

Affirmation of BBB rating, Stable Outlook (November 2023)

Japan Credit Rating Agency

Affirmation of A- rating, Stable Outlook (March 2023)

S&P Global Ratings

Affirmation of BBB+, Stable Outlook (November 2022)

Moody's

Affirmation of Baa2 rating, Stable Outlook (September 2022)

R&I

Affirmation of BBB+ rating, Revised Outlook from Stable to Positive (August 2023)

Multilateral organizations revised downwards its economic projections for the Philippines in 2023 but expect growth to improve next year.

Particulars	2023		2024	
	Previous	Latest	Previous	Latest
International Monetary Fund	6.2[a/]	**5.3[b/]**	5.5[a/]	**6.0[b/]**
Asian Development Bank	6.0[a/]	**5.7[c/]**	6.2[a/]	6.2[c/]
ASEAN+3 Macroeconomic Research Office	6.2[a/]	**5.9[c/]**	6.5[a/]	6.5[c/]
World Bank	6.0[d/]	**5.6[b/]**	5.9[d/]	**5.8[b/]**
Development Budget Coordination Committee	6.0 - 7.0		6.5 - 8.0	

Labor conditions remain positive as unemployment recorded lower than pre-pandemic levels

January-September 2023 Employment Situation

4.5% ↓
Unemployment rate

64.1% ↓
Labor force participation rate

95.5% ↑
Employment rate

10.7% ↓
Underemployment rate

Unemployment rate remains below pre-pandemic levels

Unemployment and underemployment rates
(January 2019 - September 2023)
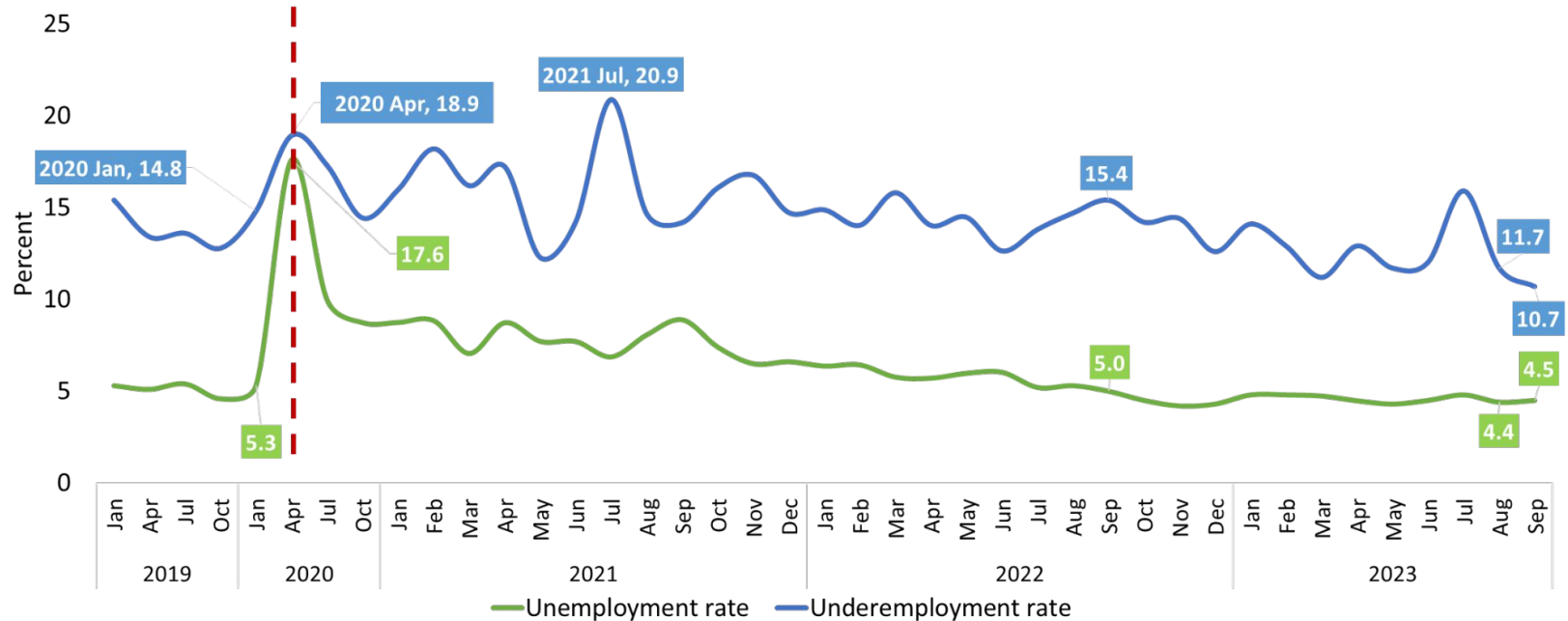
The labor market continues to regain employment losses

Employment Gains/Losses since January 2020 (in million)

in Millions

-8.7

5.1

2020   2021   2022   2023
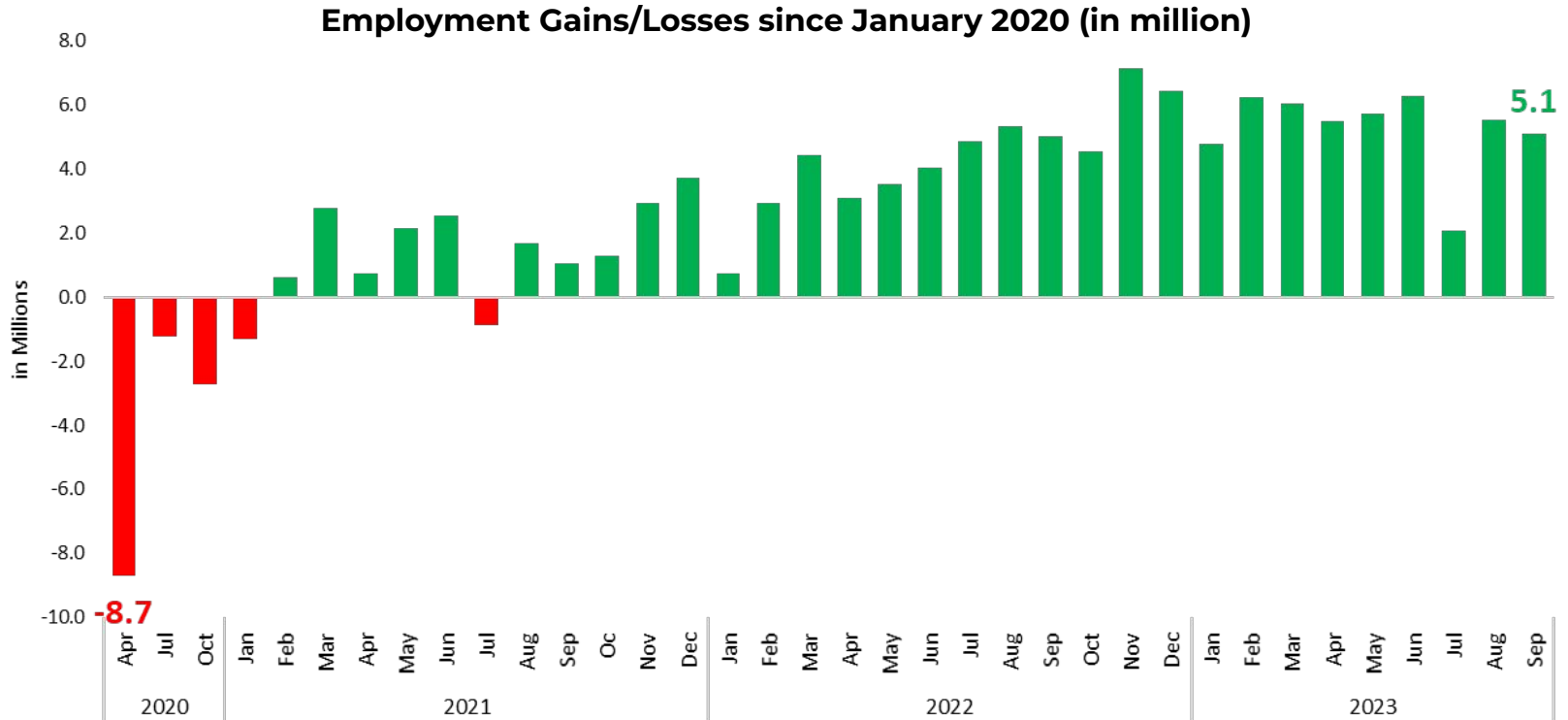
Manufacturing sector continues to expand amid strong orders

Purchasing Managers' Index (PMI)
January 2019 to October 2023

52.4
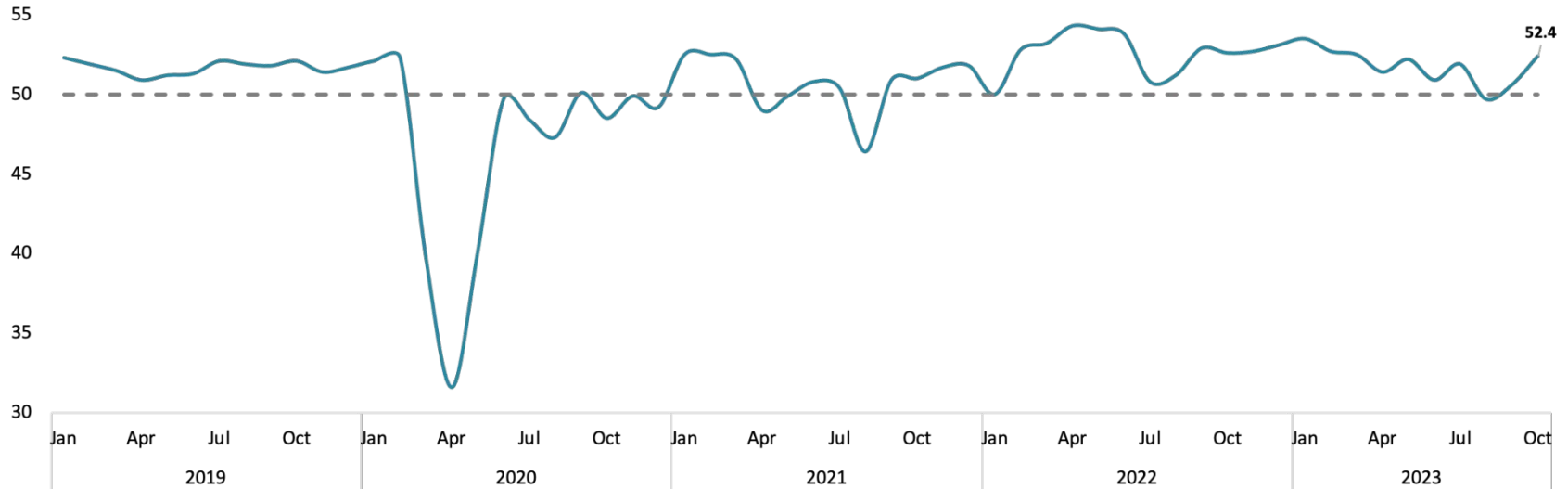
Manufacturing sector continues to expand amid increased customer demand

- Year-to-date vehicle sales as of August 2023 in the country continued to post double-digit growth.

- Volume of Production Index (VoPI) and Value of Production (VaPI) both registered year-on-year increases of 9.1 percent
- and 8.9 percent in September 2023, respectively.

- Loans to manufacturing sector declined by 3.0 percent year-on-year in August 2023.

Charting the path to lower inflation: Monetary and fiscal policies, direct measures

Headline inflation decelerates to 4.9 percent in October 2023
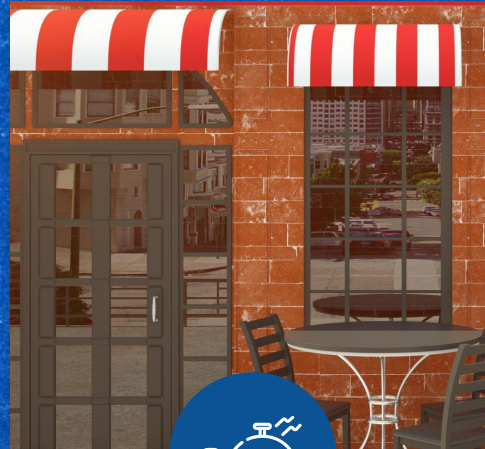
Headline inflation and contributors to inflation, January 2022 to October 2023

YTD 2023 Inflation Rate = 6.4 percent

Data source: Philippine Statistics Agency

Year-to-date inflation continue to ease

Year-on-Year and Core Inflation (2018=100)
January 2021- October 2023

2023 Jan, 8.7
2023 Mar, 8.0
2022 Oct, 7.7
2022 Oct, 5.9
2023 Oct, 5.3
2023 Oct, 4.9
3.0
1.9

— Y-o-Y Inflation — Core Inflation ▨ Inflation Target
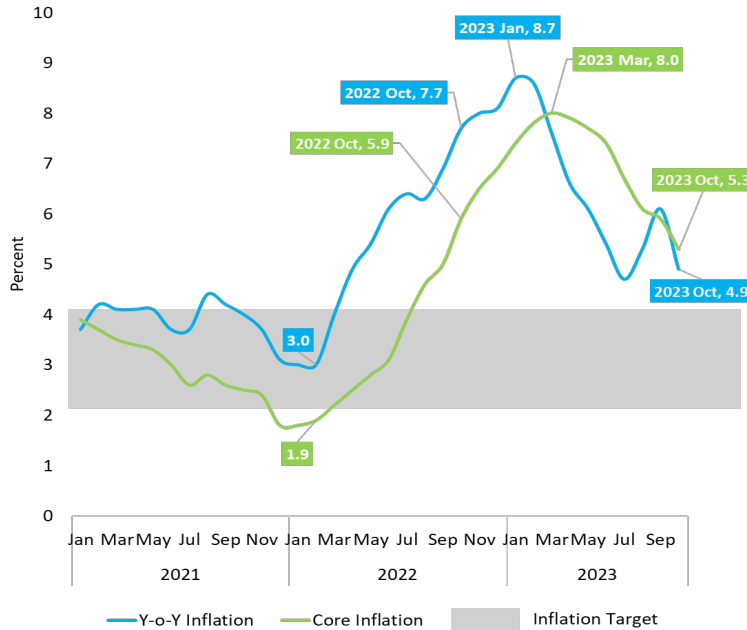
Month-on-Month Inflation (2018=100)
January 2021- October 2023

2023 Sep, 1.2
2023 Jan, 1.0
2022 Oct, 0.9
2023 Oct, -0.3
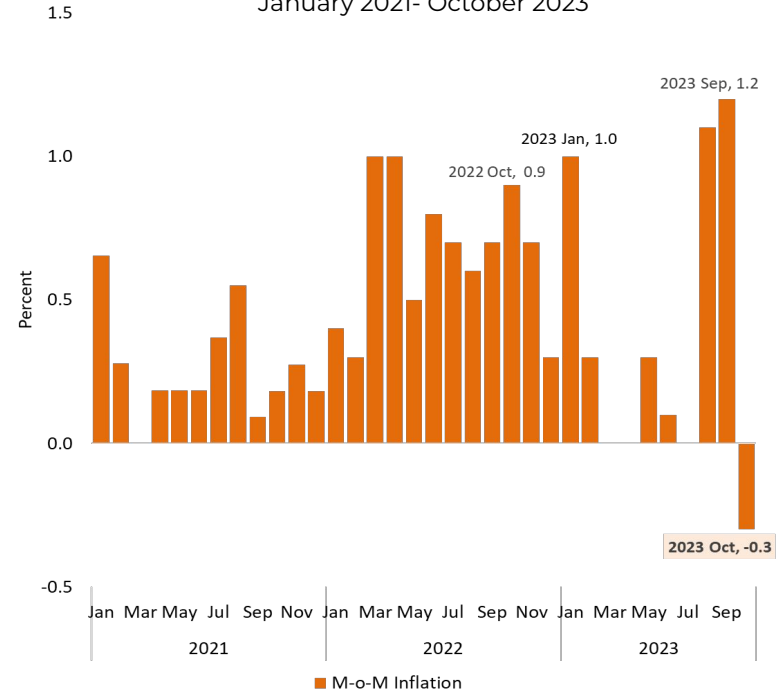
■ M-o-M Inflation

Data source: Philippine Statistics Agency
Note: M-o-M inflation was computed using seasonally-adjusted CPI.

Monetary and fiscal policies are aligned

Monetary Policy Vote May 2022 to Oct 2023: + 450 basis points (bps)

In Percent

Month	Value
Jan 2022	2.0
Feb 2022	2.0
Mar 2022	2.0
Apr 2022	2.0
May 2022	2.25
Jun 2022	2.5
Jul 2022	3.25
Aug 2022	3.75
Sep 2022	4.25
Oct 2022	4.25
Nov 2022	5.00
Dec 2022	5.50
Jan 2023	5.50
Feb 2023	6.00
Mar 2023	6.25
Apr 2023	6.25
May 2023	6.25
Jun 2023	6.25
Jul 2023	6.25
Aug 2023	6.25
Sep 2023	6.25
Oct 2023	6.50

Data source: Bangko Sentral ng Pilipinas

Stop Inflation Now: The Inter-Agency Committee on Inflation and Market Outlook (IAC-IMO) is implementing and monitoring measures to mitigate inflation.

Fill the domestic supply gap through timely and adequate importation based on ex-ante supply-demand analysis

Monitoring and assessment of market development, including the use of remote sensing technology

Fast track the response to address the impact of recent typhoons and the implementation of the El Niño Mitigation and Adaptation Plan

Protect the vulnerable sector including the agriculture and transport sector

Sound fiscal performance provides support to growth

Fiscal deficit performance widened during the pandemic but was within target in 2022

Revenues, expenditure, and fiscal balance (as percent of GDP)

Year	Revenue	Expenditure	Fiscal balance
2016	14.5	16.8	-2.3
2017	14.9	17.1	-2.1
2018	15.6	18.7	-3.1
2019	16.1	19.5	-3.4
2020	15.9	23.5	-7.6
2021	15.5	24.1	-8.6
2022	16.1	23.4	-7.3
2022	15.2	22.9	-7.6
2023	15.3	21.4	-6.1
2024	15.6	20.7	-5.1
2025	16.0	20.2	-4.1
2026	16.5	20.0	-3.5
2027	17.0	20.2	-3.2
2028	17.6	20.6	-3.0

Actual (2016–2022)   MTFF target (2022–2028)

Legend: Revenue ■ Expenditure ■ Fiscal balance — Revenue (Program) ● Expenditure (program) ◆

- **As of September 2023, the country's fiscal deficit stood at PHP 983.4 billion, a 2.9 percent decline compared to the same period in 2022. This is equivalent to the NG deficit-to-GDP ratio of 5.7 percent, within the full-year target of 6.1 percent.**

Note: Revenue and tax effort are computed using tax revenues and GDP at current prices.
Sources: BTr, PSA, and MTFF

January to September 2023 revenues grew by 6.8 percent and exceeded the DBCC target by 3.0 percent

Particulars (in PHP billion)	January to September				
	2023 Program (A)	2023 Actual (B)	2022 Actual (C)	Growth Rate (%) (B) vs. (C)	Variance (%) (B) vs. (A)
TOTAL REVENUES	**2,755.7**	**2,837.8**	**2,657.4**	**6.8**	**3.0**
Tax Revenues	**2,595.6**	**2,541.3**	**2,389.0**	**6.4**	**(2.1)**
BIR	1,933.3	1,858.0	1,732.5	7.2	(3.9)
BOC	644.2	660.4	638.5	3.4	2.5
Other Offices	18.1	22.9	18.0	27.0	26.5
Non-tax Revenues	**160.1**	**296.5**	**268.4**	**10.5**	**85.2**
BTr	53.7	158.0	129.7	21.8	194.4
Other Offices	106.5	138.5	138.7	-0.2	30.1

Sources: BTr and DBCC

Government expenditures from January to September 2023 are rose by 4.1 percent, although lower than target by 1.1 percent

Particulars (in PHP billion)	2023 Program (A)	2023 Actual (B)	2022 Actual (C)	Growth Rate (%) (B) vs. (C)	Variance (%) (B) vs. (A)
TOTAL EXPENDITURES	**3,862.2**	**3,821.3**	**3,670.2**	**4.1**	**(1.1)**
Current Operating Expenditures	**2,929.7**	**2,784.7**	**2,727.3**	**2.1**	**(4.9)**
o.w. Personnel Services	1,031.9	1,000.8	962.8	3.9	(3.0)
MOOE	685.3	632.8	592.9	6.7	(7.7)
Subsidy	185.0	137.1	122.3	12.2	(25.9)
Allotment to LGUs	537.2	533.6	621.5	(14.1)	(0.7)
Interest Payments	479.4	460.1	400.0	15.0	(4.0)
Capital Outlays (CO)	**907.4**	**1,018.9**	**922.8**	**10.4**	**12.3**
o.w. Infrastructure/Other CO	740.7	857.6	720.3	19.1	15.8
Capital Transfers to LGUs	164.7	161.0	201.6	(20.1)	(2.2)
Net Lending	**25.1**	**17.7**	**20.0**	**(11.9)**	**(29.6)**
Infrastructure Disbursement	*939.7*	*1,021.0*	*904.6*	*12.9*	*8.7*

The Economic Team commits to sound fiscal management through the Medium-Term Fiscal Program

NG Fiscal position and Medium-Term Fiscal Program
(in PHP billion unless otherwise indicated)

Outlook In % GDP	2023		2024 Program	2025 Program	2026 Program	2027 Program	2028 Program
	Actual (Jan-Sep)	Program					
Revenues	**2,837.8**	**3,729.0**	**4,201.4**	**4,692.0**	**5,255.4**	**5,895.9**	**6,621.6**
as percent of GDP	*16.5*	*15.2*	*15.9*	*16.2*	*16.6*	*16.9*	*17.3*
Disbursements	**3,821.3**	**5,228.4**	**5,564.3**	**5,887.7**	**6,372.2**	**7,014.8**	**7,773.4**
as percent of GDP	*22.2*	*21.3*	*21.0*	*20.3*	*20.1*	*20.2*	*20.4*
Deficit	**(983.4)**	**(1,499.4)**	**(1,362.9)**	**(1,195.7)**	**(1,116.8)**	**(1,118.9)**	**(1,151.7)**
as percent of GDP	*(5.7)*	*(6.1)*	*(5.1)*	*(4.1)*	*(3.5)*	*(3.2)*	*(3.0)*
Infrastructure Disbursements	**1,021.0**	**1,292.7**	**1,365.2**	**1,470.0**	**1,617.7**	**1,916.0**	**2,303.3**
as percent of GDP	*5.9*	*5.1*	*5.1*	*5.1*	*5.1*	*5.5*	*6.0*

Notes: a) Totals may not add up due to rounding. b) Figures in parentheses represent negative values.
Sources: BTr, DBM, DOF staff calculations, and 185th Development Budget Coordination Committee (DBCC) Ad Referendum as of 5 July 2023

The Economic Team commits to sound fiscal management through the Medium-Term Fiscal Program

Indicators In % GDP	Actual	DBCC Emerging Program/MTFF Targets					
	2023 (Jan-Sep)	2023	2024	2025	2026	2027	2028
Revenues	**16.5**	**15.2**	**16.1**	**16.3**	**16.6**	**17.0**	**17.4**
MTFF target		15.3	15.6	16.0	16.5	17.0	17.6
Disbursements	**22.2**	**21.3**	**21.2**	**20.4**	**20.1**	**20.2**	**20.4**
MTFF target		21.4	20.7	20.2	20.0	20.2	20.6
Fiscal Balance	**(5.7)**	**(6.1)**	**(5.1)**	**(4.1)**	**(3.5)**	**(3.2)**	**(3.0)**
MTFF target		(6.1)	(5.1)	(4.1)	(3.5)	(3.2)	(3.0)
NG Debt	**60.2**	**61.4**	**60.2**	**58.5**	**56.7**	**53.6**	**51.2**
MTFF target		61.2	60.0	58.3	56.6	53.4	51.1

Notes: a) Totals may not add up due to rounding. b) Figures in parentheses represent negative values.
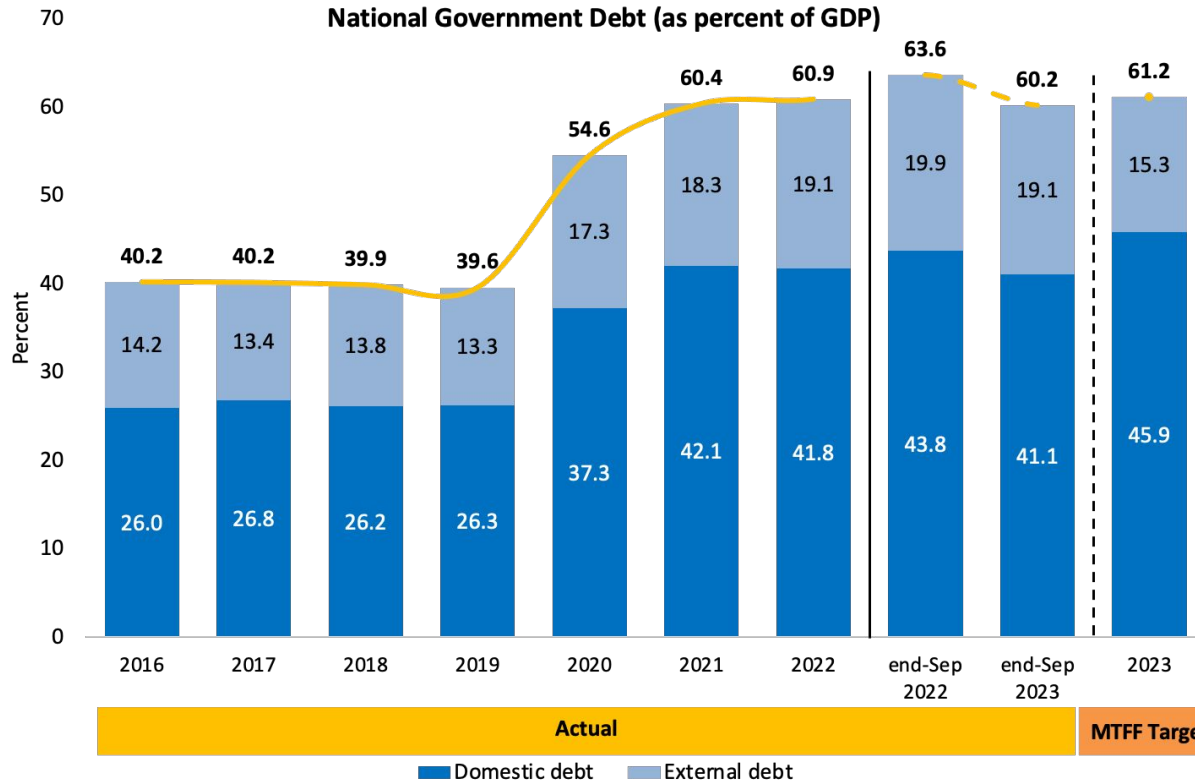*Sources: PSA, BTr, and DOF staff estimates*
Program: 185th DBCC Ad Referendum as of 05 July 2023
Targets: Medium-Term FIscal Framework
NG Debt based on BTr submission on 24 August 2022

The narrowing of the fiscal deficit during the post-pandemic led to stabilization of debt-to-GDP ratio

National Government Debt (as percent of GDP)

Year	Domestic debt	External debt	Total
2016	26.0	14.2	40.2
2017	26.8	13.4	40.2
2018	26.2	13.8	39.9
2019	26.3	13.3	39.6
2020	37.3	17.3	54.6
2021	42.1	18.3	60.4
2022	41.8	19.1	60.9
end-Sep 2022	43.8	19.9	63.6
end-Sep 2023	41.1	19.1	60.2
2023	45.9	15.3	61.2

Actual | MTFF Target

The DOF will continue its prudent debt management, prioritizing domestic financing to mitigate external vulnerabilities.

Data sources: BTr and MTFF

We continue implementing the Medium-term Fiscal Framework (MTFF)

The Medium-Term Fiscal Framework (MTFF) serves as our blueprint to achieve fiscal sustainability while promoting robust economic growth

Reduce the fiscal deficit
Bring down the deficit-to-GDP ratio to 3% by 2028
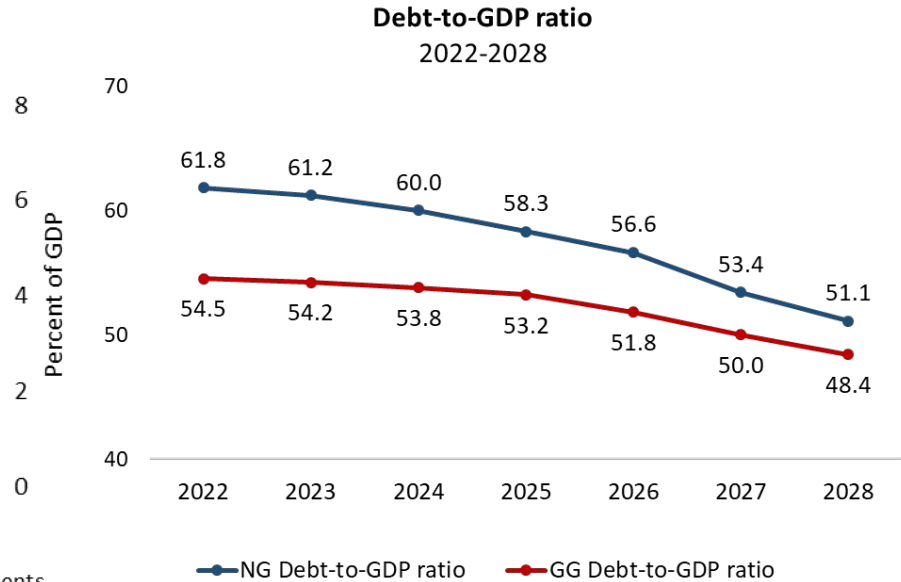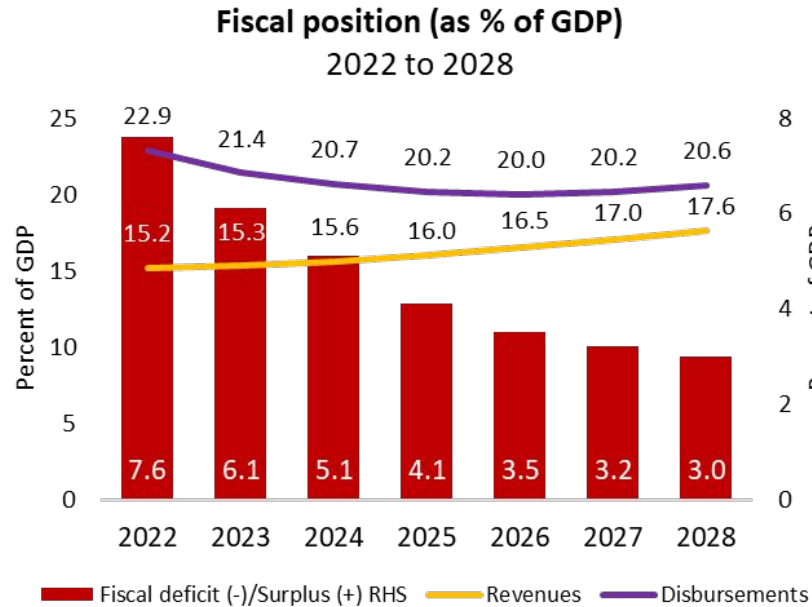
Promote fiscal sustainability
Reduce the debt-to-GDP ratio to less than 60% by 2025, then further down to 51% by 2028

Enable robust economic growth
With its high multiplier effects, sustain high infrastructure spending at 5% to 6% of GDP annually

The first-ever 6-year Medium-Term Fiscal Framework was formulated

Fiscal position (as % of GDP)
2022 to 2028

Fiscal deficit (-)/Surplus (+) RHS — Revenues — Disbursements

Disbursements: 22.9, 21.4, 20.7, 20.2, 20.0, 20.2, 20.6
Revenues: 15.2, 15.3, 15.6, 16.0, 16.5, 17.0, 17.6
Fiscal deficit: 7.6, 6.1, 5.1, 4.1, 3.5, 3.2, 3.0

Debt-to-GDP ratio
2022-2028

NG Debt-to-GDP ratio: 61.8, 61.2, 60.0, 58.3, 56.6, 53.4, 51.1
GG Debt-to-GDP ratio: 54.5, 54.2, 53.8, 53.2, 51.8, 50.0, 48.4

We will continue to work with Congress in pushing for key reforms crucial to accelerating economic development

Tax Revenue Measures identified in the MTFF

Package 4 of CTRP

VAT on Digital Service Providers

Tax on Pre-mixed Alcohol

Excise Tax on Single-Use Plastic Bags

Additional measures in support of the MTFF

Rationalization of the Mining Fiscal Regime

Excise Taxes on Sweetened Beverages and Junk Food

Motor Vehicles Road Users Tax

We will continue to work with Congress in pushing for key reforms crucial to accelerating economic development

Tax Administration Improvements

BIR's Digitalization Transformation (DX) Roadmap

BOC's Philippine Customs Program (PCMP)

Expenditure Reforms in the Pipeline

Progressive Budgeting for Better and Modernized (PBBM) Governance Bill

National Government Rightsizing Program

Military and Uniformed Personnel (MUP) Pension Reform Bill

To support economic momentum, the government is committed to pursue **groundbreaking structural reforms** and **strategic public investments**

We are rolling out 197 Infrastructure Flagship Projects (IFPs) under the Marcos Administration's *Build Better More* Program

Physical connectivity
121 projects
PHP 6,963.7 billion

Health
6 projects
PHP 131.2 billion

Water Resources
44 projects
PHP 831.7 billion

Digital Connectivity
5 projects
PHP 97.0 billion

Agriculture
15 projects
PHP 637.9 billion

Other Infrastructure
5 projects
PHP 42.7 billion

Power and Energy
1 project | PHP 10.2 billion

We are rolling out 197 Infrastructure Flagship Projects (IFPs) under the Marcos Administration's *Build Better More* Program

PHP 8.7 trillion

- Hybrid, 11
- Public-Private Partnerships (PPP), 41
- General Appropriations Act, (GAA), 62
- Official Development Assistance (ODA), 74
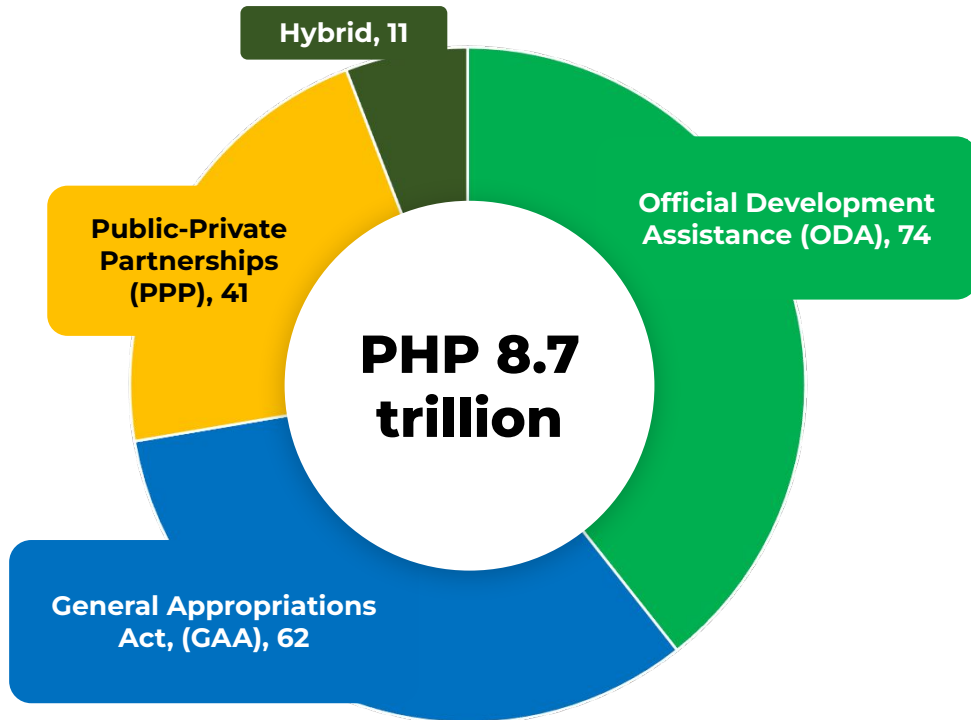
Objectives:

- Improve physical and digital connectivity

- Upgrade health, transport, agriculture, and energy sectors

- Strengthen infrastructure against climate related risks

The Maharlika Investment Fund (MIF) is Philippines' first-ever sovereign investment fund designed to promote economic development

Attract direct equity investments from local and global funds

Accelerate the implementation of 197 infrastructure flagship projects

Co-financing and knowledge sharing with other sovereign wealth funds

Invest in emerging megatrends (digitalization, ESG, and healthcare)

We are generally on track with medium-term macroeconomic assumptions and external outlook

Indicator	2022 actual	2023 YTD	2023 assumptions	2024-2028 assumptions
Real GDP growth rate (%)	7.6	5.5 (Jan-Sep)	6.0 - 7.0	6.5 - 8.0
Inflation (%)	5.8	6.4 (Jan-Oct)	5.0 - 6.0	2.0 - 4.0
Exports of goods (%)	5.9	(5.4) (Jan-Jun)	(4.0)*	5.0 (2024)*
Imports of goods (%)	18.5	(5.3) (Jan-Jun)	(3.0)*	7.0 (2024)*
OF Cash Remittances (g.r, %)	3.6	2.8 (Jan-Aug)	3.0*	3.0 (2024)*
BPO Receipts (g.r., %)	9.1	8.0 (Jan-Jun)	9.0*	9.0 (2024)*
Travel receipts (g.r., %)	595.4	502.0 (Jan-Jul)	100.0*	40.0 (2024)*
Net FDI (USD billion)	9.2	5.5 (Jan-Aug)	8.0*	10.5 (2024)*

*Sources: DBCC-approved macroeconomic assumptions on 9 June 2023, PSA, and *BSP*