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Opening Statement
Post-SONA 2023 Philippine Economic Briefing: Fireside Chat with Euben Paracuelles

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Ladies and gentlemen, good morning.

Today, with Mr. Euben Paracuelles, I will discuss the country's fiscal performance and outlook and the policy tools we need to pursue to sustain the Philippine economy's growth momentum.

The Philippines is one of the fastest growing emerging economies in the region, with much promise of growth in the years ahead. This is amid a fragile global economy.

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In 2022, the economy grew by 7.6 percent – the highest growth rate in the last 46 years. This is followed by a robust Q1 2023 growth of 6.4 percent. This year, we expect the economy to grow between 6.0 to 7.0 percent, then pick up the pace to 6.5 to 8.0 percent from 2024 to 2028.

The pillars that hold up the strength and resilience of the Philippine economy are built on a solid fiscal foundation, guided by the Medium-Term Fiscal Framework.

To recall, the Framework's goals are to attain a National Government deficit-to-GDP ratio of 3.0 percent by 2028; debt-to-GDP ratio below 60 percent by 2025 and around 51 percent by 2028; and sustained infrastructure spending at 5.0 to 6.0 percent of GDP annually.

Our consistently strong fiscal performance, as well as improving revenue generation and spending efficiency, brings us closer to these goals.

From January to June of this year, revenue collections of the National Government reached 1.9 trillion pesos, up by 132.6 billion pesos or 7.7 percent year-on-year. Tax collections grew by 7.5 percent, while non-tax collections grew by 9.1 percent.

Our stellar performance was the result of higher economic activity and efficiency gains from the digital transformation of our revenue agencies. The digitalization of the Bureau of Internal Revenue and the Bureau of Customs have continued to maximize the government's revenue potential, simplify taxpayer compliance, and improve the ease of doing business.

Sustaining robust revenue collection requires a simpler, fairer, and more efficient tax system, reinforced by a combination of tax policy and tax administration measures.

Reforms in the pipeline include Package 4 or the Passive Income and Financial Intermediary Taxation, VAT on non-resident digital service providers, and excise taxes on single-use plastics and pre-mixed alcoholic beverages, which are expected to be implemented starting 2024.

Higher economic activity and increased investments will bring us to even greater heights. The policy environment for foreign direct investments is the most open and liberal it has ever been.

Aside from the economic liberalization measures which have effectively opened many sectors, such as retail trade, renewable energy, toll roads, airports, telecommunications, and shipping, to 100 percent foreign ownership, the Philippine government is sharpening its public-private partnerships or PPP policy tools.

This will allow us to engage the private sector more effectively in the funding and implementation of high-impact infrastructure flagship projects, which will significantly enhance the quality and pace of infrastructure development in critical sectors.

Furthermore, the recently enacted Maharlika Investment Fund will serve as a vehicle for growth. As an additional new form and source of funding, the MIF is expected to widen the fiscal space and reduce reliance on official development assistance in funding big-ticket infrastructure projects. Some target investment areas include green and blue projects, rural development, digitalization, sustainable development, and healthcare.

I look forward to discussing these in further detail today. Thank you!

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