



Propelling the Philippine Economy amidst Global Headwinds

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Philippine Economic Dialogue Milan

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If you are looking for a place to grow your business and make more money:

CHOOSE THE PHILIPPINES

And we will make it happen.

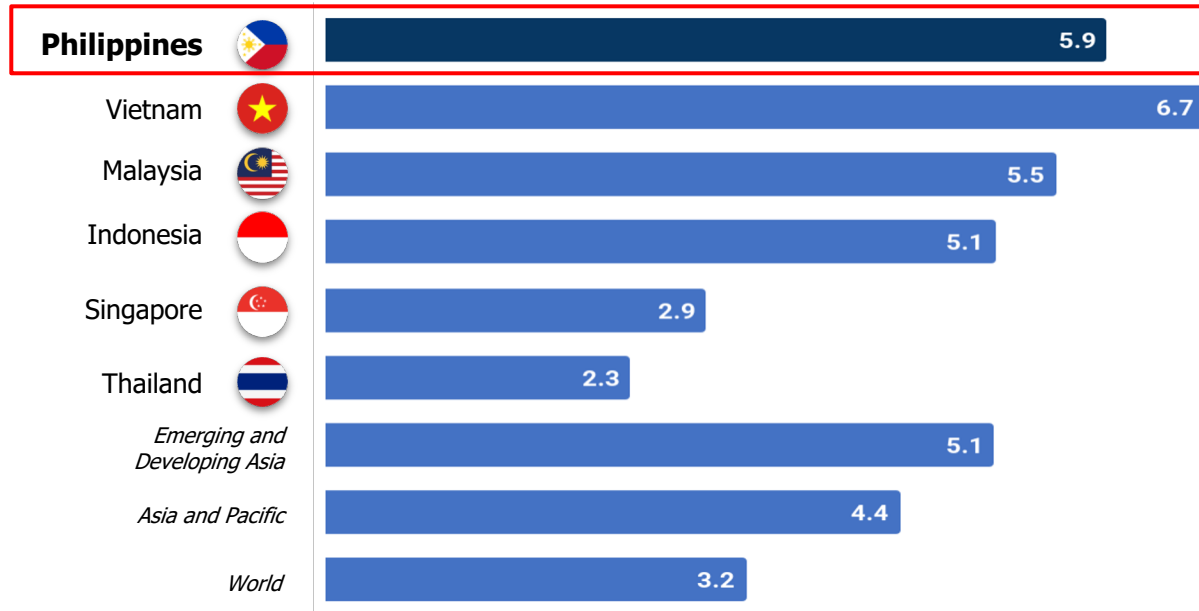


**1. Our exceptional growth is
underpinned by a large
consumer market**



GDP grew an average of 5.9% since President Marcos, Jr. took office—among the fastest in the region

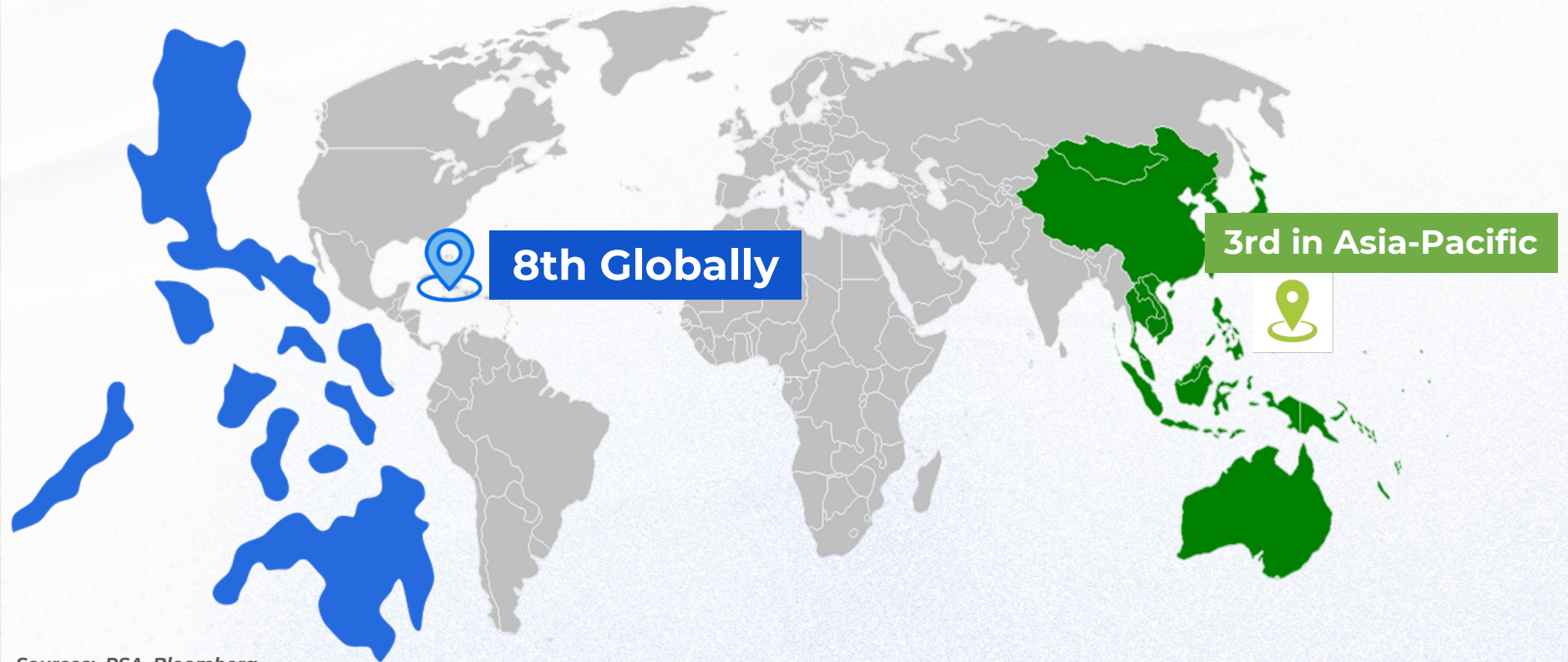
Average GDP Growth Performance of ASEAN in Q3 2022 - Q1 2025 (in %)



Note: Average of annual growth rates divided into eleven quarters for the period Q3 2022-Q1 2025.

Sources: PSA, Bangko Sentral ng Pilipinas (BSP), International Monetary Fund (IMF) World Economic Outlook (WEO) April 2025, and various national websites

The Philippines emerged as one of the fastest growing economies both in the Asia-Pacific region and globally in 2024



Despite recent downgrades, the IMF projected the Philippines to be the **fastest growing economy in 2025 and 2026**

Country (In %)	Actual GDP Growth			Growth Outlook							
	2023	2024	Q1 2025	2025		Difference from previous reports		2026		Difference from previous reports	
				WB	IMF	WB	IMF	WB	IMF	WB	IMF
Philippines	5.5	5.7	5.4	5.3	5.5	-0.8	-0.6	5.4	5.8	-0.6	-0.5
Indonesia	5.1	5.0	4.9	4.7	4.7	-0.4	-0.4	4.8	4.7	-0.3	-0.4
Vietnam	5.1	7.1	7.0	5.8	5.2	-0.8	-0.9 ^a	6.1	4.0	-0.2	-2.0 ^a
Malaysia	3.6	5.1	4.4	3.9	4.1	-0.6	-0.6	4.3	3.8	0.0	-0.6
Thailand	2.0	2.5		1.6	1.8	-1.3	-1.1	1.8	1.6	-0.9	-1.0
Singapore	1.8	4.3	3.8		2.0		-0.5 ^a		1.9		-0.6 ^a
China	5.4	5.0	5.4	4.0	2.6	-0.5	-2.0	4.0	4.0	0.0	-0.5
India	7.6	9.2		6.5	6.2	-0.2	-0.3	6.3	6.3	-0.4	-0.2
US	2.9	2.8	2.0	2.3	1.8	0.5 ^b	-0.9	2.0	1.7	0.2 ^b	-0.4
World	3.3	3.2		2.7	2.8	0.0 ^b	-0.5	2.7	3.0	0.0 ^b	-0.3

Sources: World Bank (WB) and International Monetary Fund (IMF)

Notes: Difference from previous reports: WB Global Economic Prospects (GEP) January 2025 and IMF World Economic Outlook (WEO) January 2025, except for a/ from IMF WEO Oct 2024 and b/ from WB GEP Jun 2024

Strong labor market conditions continue to support economic growth

4.0% ↓

2025 Unemployment rate
*Better than 4.4 - 4.7% target;
lowest since 2005*

63.7%

2025 Labor force participation rate

12.3% ↓

2025 Underemployment rate

63.2% ↑

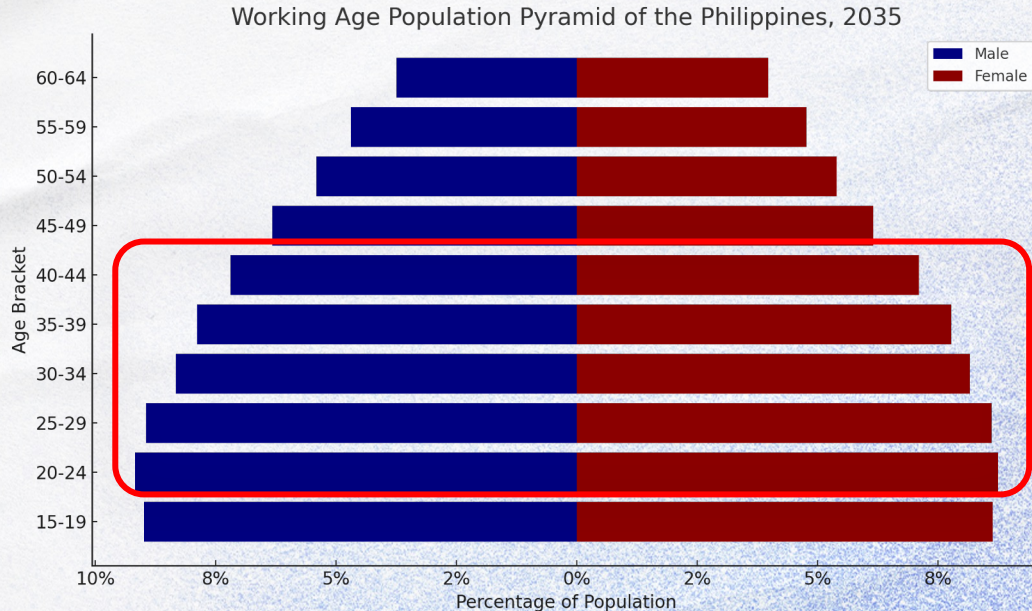
**Share of wage and
salary workers to
total employed
individuals in 2025**

86%

**of knowledge workers
utilize AI in daily tasks**



Philippines has a “demographic sweet spot” with strong labor market in 2024.



Country	Median Age
Japan	49.0
Europe	42.2
Thailand	39.7
China	39.1
United States	38.0
Australia	37.8
Singapore	35.1
Vietnam	32.4
Brunei	31.8
Malaysia	30.1
Indonesia	29.8
Myanmar	29.5
India	28.1
Cambodia	25.8
Philippines	25.3
Lao PDR	24.3
East Timor	21.0

Demographic dividend to
peak by **2035**.

**13th largest consumer
market by 2030**
with relatively young population

Relatively young population
with a **median age of 25.3 y/o.**



2. Our prudent commitment economic and fiscal management



The fiscal program ensures a strategic and growth-enhancing fiscal consolidation

Medium-Term Fiscal Program (In PHP billion)

Particulars	ACTUAL		PROGRAM			
	2023	2024	2025	2026	2027	2028
Revenues	3,824.1	4,419.0	4,644.4	5,063.2	5,627.5	6,249.6
Growth rate (%)	7.9	15.6	5.1	9.0	11.1	11.1
as percent of GDP	15.7	16.7	16.1	16.2	16.7	17.1
BIR	2,517.0	2,851.6	3,232.5	3,606.5	4,013.1	4,463.1
Growth rate (%)	7.8	13.3	13.4	11.6	11.3	11.2
as percent of GDP	10.4	10.8	11.2	11.6	11.9	12.2
BOC	883.2	916.7	1,064.0	1,184.8	1,321.1	1,472.8
Growth rate (%)	2.4	3.8	16.1	11.4	11.5	11.5
as percent of GDP	3.6	3.5	3.7	3.8	3.9	4.0
Non-Tax Revenues	394.8	618.3	311.8	224.5	241.9	257.9
Growth rate (%)	21.4	56.6	-49.6	-28.0	7.7	6.6
as percent of GDP	1.6	2.3	1.1	0.7	0.7	0.7
Disbursements	5,336.2	5,925.4	6,182.1	6,540.1	7,027.0	7,621.5
Growth rate	3.4	11.0	4.3	5.8	7.4	8.5
as percent of GDP	21.9	22.4	21.4	21.0	20.8	20.9
Deficit	(1,512.1)	(1,506.4)	(1,537.7)	(1,476.8)	(1,399.5)	(1,371.9)
Growth rate	(6.3)	(0.4)	2.0	(4.0)	(5.2)	(2.0)
as percent of GDP	(6.2)	(5.7)	(5.3)	(4.7)	(4.1)	(3.7)
Infrastructure Disbursement	1,419.0	1,545.2	1,546.1	1,690.8	1,898.1	2,140.41
Growth rate (%)	11.0	8.5	0.4	9.4	12.3	12.8
as percent of GDP	5.8	5.8	5.4	5.4	5.6	5.9

Source: BTr, 189th DBCC Meeting on 2 December 2024

The PHP 478.8 billion fiscal deficit in Q1 2025 **remains aligned with the full-year deficit program**

Q1 2025 Fiscal Performance (In PHP billion)

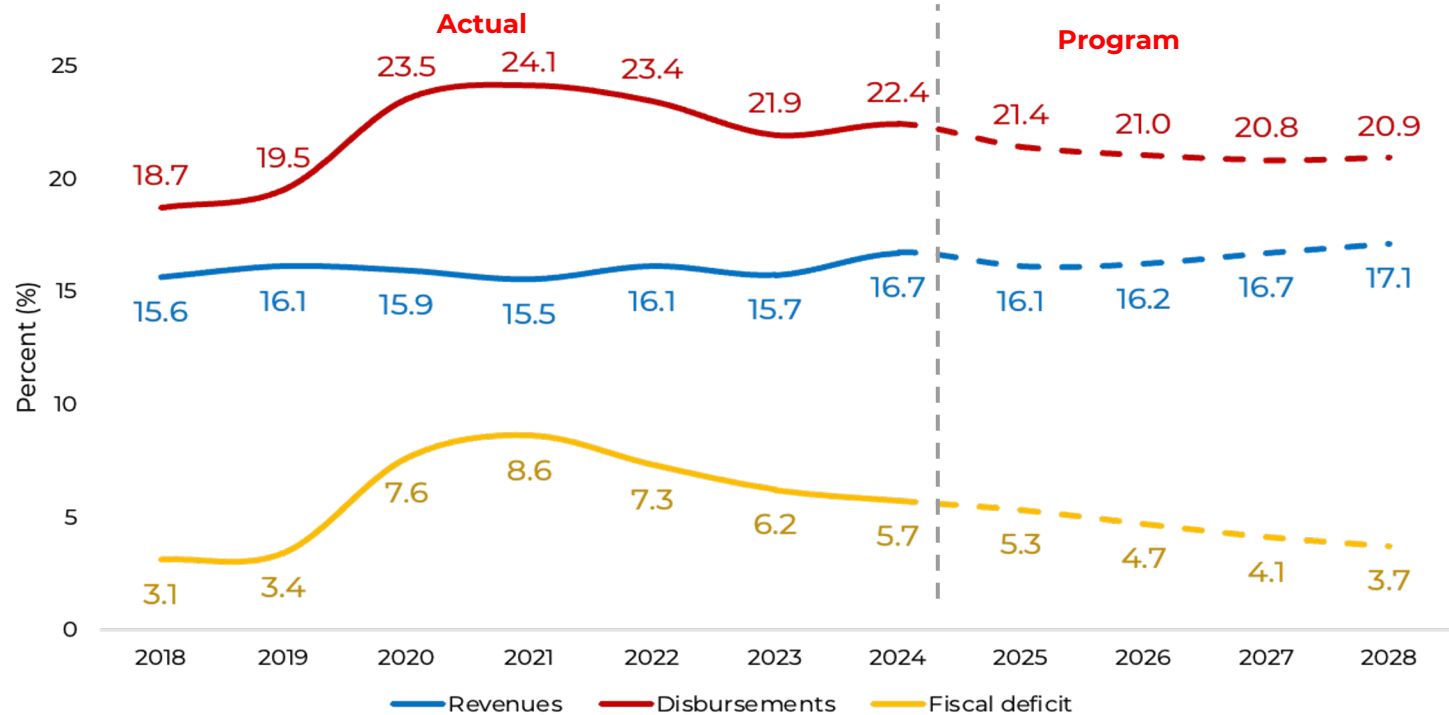
Particulars	January to March			
	2024	2025	Growth (%)	Share to GDP (%)
Revenues	933.7	998.2	6.9	15.2
Tax Revenues	820.4	931.5	13.5	14.1
<i>BIR</i>	<i>591.8</i>	<i>690.4</i>	<i>16.7</i>	<i>10.5</i>
<i>BOC</i>	<i>218.9</i>	<i>231.4</i>	<i>5.7</i>	<i>3.5</i>
<i>Other Offices</i>	<i>9.7</i>	<i>9.7</i>	<i>(0.2)</i>	<i>0.1</i>
Non-tax Revenues	113.4	66.7	(41.2)	1.0
<i>BTr Income</i>	<i>72.3</i>	<i>32.3</i>	<i>(55.3)</i>	<i>0.5</i>
<i>Other Offices and Grants</i>	<i>41.1</i>	<i>34.3</i>	<i>(16.4)</i>	<i>0.5</i>
Expenditures	1,206.4	1,477.0	22.4	22.4
Fiscal deficit	272.6	478.8	75.6	7.3
Deficit-to-GDP (%)	4.5	7.3		

Source: BTr

Notes: Totals may not add up due to rounding. Figures in parentheses represent negative values.

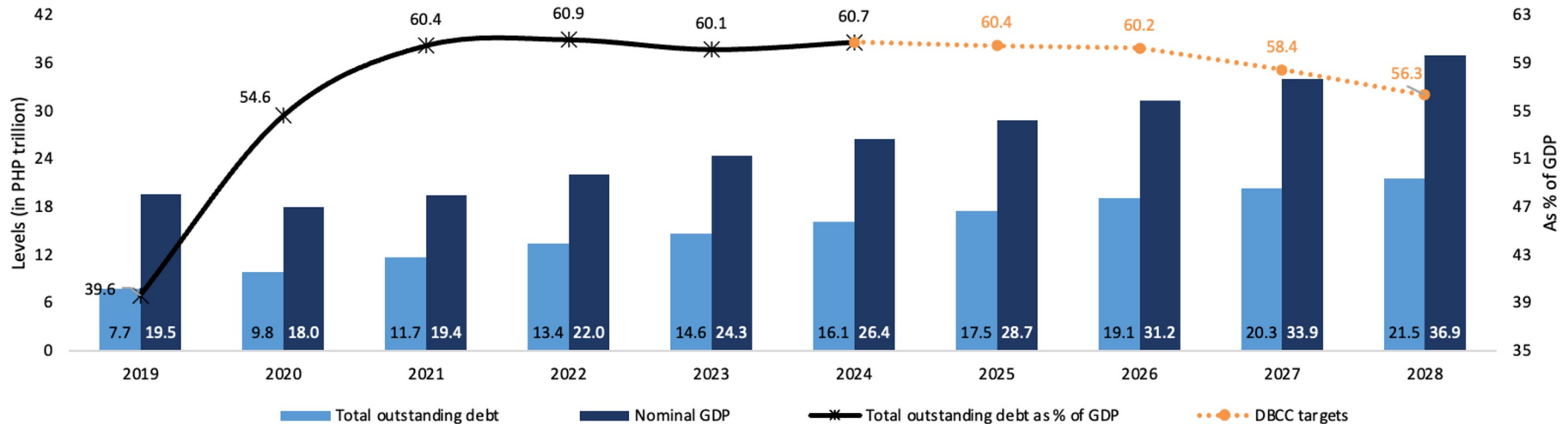
We are gradually bringing the fiscal deficit down to **3.7% by 2028**

Fiscal Performance (In percent of GDP)



National Government debt to decline from 60.7% in 2024 to 56.3% by 2028; with priority on domestic source of financing

National Government Debt (in percent of GDP)



Less reliance on ODAs upon graduating to upper middle-income status

Medium-Term Financing Program for 2024-2028 (in PHP Billion)

Particulars (in PHP Billion)	Actual		Program			
	2023	2024*	2025	2026	2027	2028
Gross Borrowings	2,193.2	2,564.5	2,545.0	2,544.0	2,590.0	2,553.0
<i>% of GDP</i>	<i>9.0</i>	<i>8.7</i>	<i>8.9</i>	<i>8.1</i>	<i>7.6</i>	<i>6.9</i>
Domestic	1,634.2	1,923.3	2,037.6	2,029.7	2,059.4	2,039.5
<i>% of GDP</i>	<i>6.7</i>	<i>6.8</i>	<i>7.1</i>	<i>6.5</i>	<i>6.1</i>	<i>5.5</i>
External	559.0	582.4	507.4	514.3	530.6	513.5
<i>% of GDP</i>	<i>2.3</i>	<i>2.4</i>	<i>1.8</i>	<i>1.6</i>	<i>1.6</i>	<i>1.4</i>
Financing Mix	75:25	75:25	80:20	80:20	80:20	80:20
NG Debt as % of GDP	60.1%	60.7%	60.4%	60.2%	58.4%	56.3%

Adherence to good governance, fiscal discipline and prudent debt management led to **high credit ratings** amid sea of downgrades globally



S&P Global Ratings

Affirmation of BBB+,
Positive Outlook
(November 2024)

Short-term:
A2

MOODY'S

Moody's

Affirmation of Baa2 rating,
Stable Outlook
(August 2024)

Short-term:
Not rated



R&I

Upgraded rating to A-,
Stable Outlook from BBB+,
Positive Outlook
(August 2024)

Short-term:
A2

FitchRatings

Fitch Ratings

Affirmation of BBB rating,
Stable Outlook
(April 2025)

Short-term:
F2



Japan Credit Rating Agency

Affirmation of A- rating,
Stable Outlook
(March 2024)

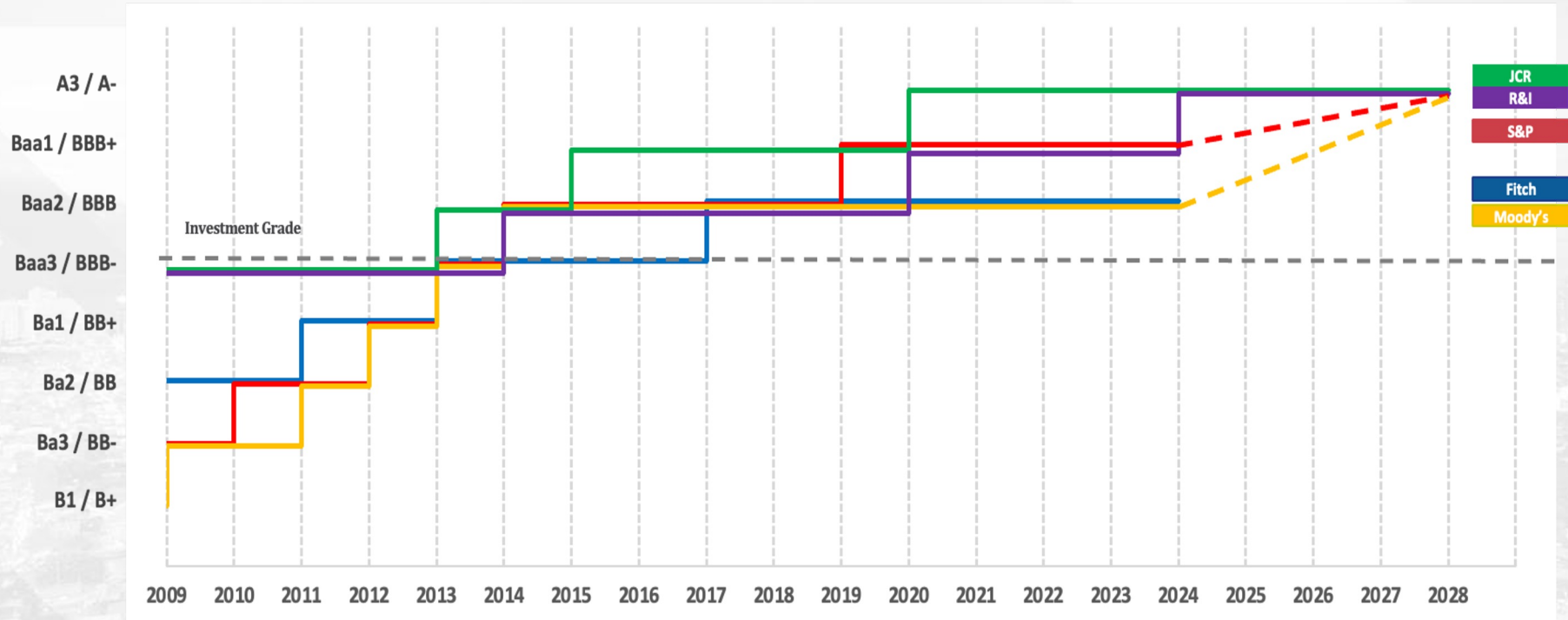
Short-term:
A2



Philippines' exit from the FATF "grey list"

(21 February 2025)

On the Road to Single A, **continuous upgrades** show a stable increase of credit rating over the past years.



3. Our multi-pronged strategy to maximize the government's fiscal resources



We adopt a multi-pronged strategy to drive significant and sustained revenue growth



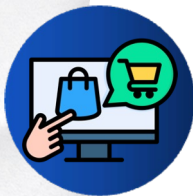
A. **Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC).** Strengthen the implementation of initiatives to improve tax administration, such as the *withholding tax on online platforms and sellers, Run After Fake Transactions (RAFT), tax stamps on vapor products, and Ease of Paying Taxes (EOPT) Act.*

B. **Priority revenue reforms.** Accelerate revenue efforts in the near- and medium-term through the passage of priority reforms

C. **Non-tax revenues.** Optimize non-tax revenue streams through Public-Private Partnerships (PPPs) and the privatization of idle state-owned assets

The BIR and BOC are integral in ensuring a robust, fair, and efficient tax administration

Withholding tax on online platform and sellers (RR 16-2023 and RMC 79-2024)



Online platforms are required to **withhold and remit 1% from half of the income earned by online sellers**

e-marketplace
PHP 708.6M
As of 31 October 2024

Digital Service Financial Providers
Started on 13 October 2024

Run After Fake Transactions (RAFT)



Collect **revenues from fraudulent transactions** and file legal actions against individuals and entities using **fake receipts and invoices**.

Developed a proprietary system using **mathematical models** to discover sellers and buyers of **ghost receipts**.

BIR Collections
PHP 4.3B
As of 31 December 2024

Filed with Court of Tax Appeals
3 cases (PHP 0.79B)
As of 31 December 2024

The BIR and BOC are integral in ensuring a robust, fair, and efficient tax administration



Tax stamps on vapor products (RMC 59-2024)

All vape products sold in the local market are **required to bear internal revenue stamps**. Failure to comply will result in the seizure of illicit vape products and filing criminal charges.

Ordered tax stamps
6.8M stamps (PHP 447.0M)
As of 31 July 2024



Ease of Paying Taxes (EOPT) Act (RA No. 11976)

Streamlines processes and reduces administrative burdens to taxpayers, **modernizes** the country's tax system and **improves tax compliance**.

BIR has released a series of **Revenue Regulations, Memorandum Orders and Memorandum Circulars** for the implementation of EOPT, e.g., **New BIR Digital Transformation Roadmap 2025-2028**

Champion crucial reforms to enhance revenue mobilization through more focused and streamlined revenue legislations

2025-2028



Real Property Valuation and Assessment Reform Act

Signed into law on 13 July 2024.

2025-2028

For local government units



VAT on Digital Services

Signed into law on 02 October 2024.

72.3B



CREATE MORE Act

Signed into law on 11 November 2024.

(5.9B)



Capital Markets Efficiency Promotions Act (CMEPA)

Bicameral Conference Committee Report ratified by both Houses of Congress on 5 February 2025

12.6B



Rationalization of the Mining Fiscal Regime

Pending Bicameral Conference Committee. Approved on 3rd and final reading in the Senate on 3 February 2025. HOR version was approved on 3rd reading on 25 September 2023.

25.1B



Excise Tax on Single-Use Plastics

SB Nos. 1449 and 1844 are currently pending in the Senate Committee on Ways and Means since 22 November 2022. Approved by the HOR on 3rd Reading on 14 November 2022.

25.6B



Motor Vehicle Road User's Charge

Pending in the Senate Committee on Ways and Means since 7 August 2023. Approved on 3rd reading in HOR on 12 December 2023.

26.7B

The government is aggressively pursuing non-tax revenues through privatization



NLEX Corporation

PHP 330 million
Target: Q2 2025



Receivables - Nonoc Mining and Industrial Corporation

PHP 1,263 million
Target: Q3 2025



Elorde Sports and Tourism Development Corporation

PHP 621 million
Target: Q3 2025



Mile-Long Parking Area

PHP 140 million
Target: Q4 2025



Caliraya-Botocan-Kalayaan (CBK) Hydroelectric Power Plants

PHP 50 billion
Target: Q4 2025



Semirara Mining and Power Corporation

Target: Q4 2025



PMO Lease Income

PHP 146 million



SMC SLEX, Inc.

PHP 12,042 million (low);
PHP 24,802 million (high)



United Coconut Chemicals, Inc.

PHP 2,820 million

4. We are also working towards making the Philippines

**open, liberalized, and ready for
the world than ever before**



We are replacing red tape with a red carpet to boost investments-led growth



CREATE MORE offers investors access to an **attractive, streamlined, and cost-effective investment environment**



Improves ease of doing business

by enhancing
provisions of the
Tax Code, as
amended by the
CREATE Act



Clarifies VAT rules

to address
concerns on VAT
incentives
availment



**Enhances the
tax incentive
competitiveness**
through better
and more
competitive
incentive
packages



**Strengthens
governance and
accountability**
in the grant and
administration of
incentives



**Clarifies
transitory rules**
for registered
business
enterprises
(RBEs)

Simply put, CREATE MORE
was carefully designed to

✓ make **MORE** money
for you

✓ create **MORE**
high-quality
jobs for our people



CREATE MORE offers a **very competitive and attractive incentive package**



Provides Registered Business Enterprises (RBEs) with the option to choose between the **Special Corporate Income Tax (SCIT) of 5%** or the **Enhanced Deductions Regime (EDR)** right from the start of their commercial operations



Extends the SCIT and EDR incentives of **up to 17 or 27 years**



Allows labor-intensive projects to apply for an **extension of incentives for another 5 or 10 years**

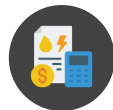


Allows high-value domestic market enterprises with significant investment capital and exports to **avail of VAT incentives**

Under the expanded EDR:



Reduces corporate tax rate to **20% from 25%**



Doubled the additional **deduction for power expense to 100%**



Allows **50% additional deductions for reinvestments in the tourism industry** and expenses related to the conduct of trade fairs or trade missions



Maximizes the benefits of the Net Operating Loss Carry-Over (NOLCO) by **changing the reckoning period from "year of loss" to the "last year of the project's income tax holiday (ITH) entitlement period"**



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IN THE PHILIPPINES!





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