



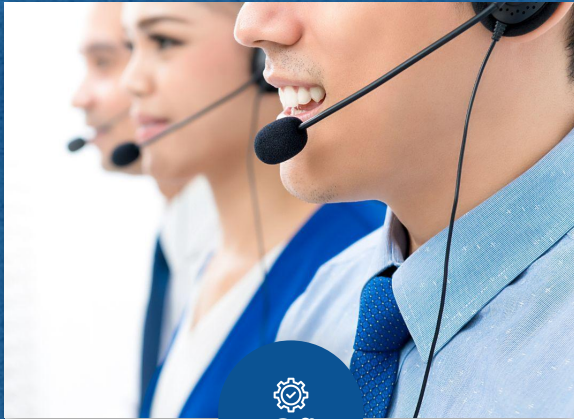
# Maintaining the Philippine Economy's Resilience Amid the Global Economic Slowdown

**BENJAMIN E. DIOKNO**

SECRETARY OF FINANCE

November 28, 2023

# Economic growth of 5.9% in Q3 2023 remains broad-based as all sectors posted positive growth



**6.8%**  
**SERVICES**



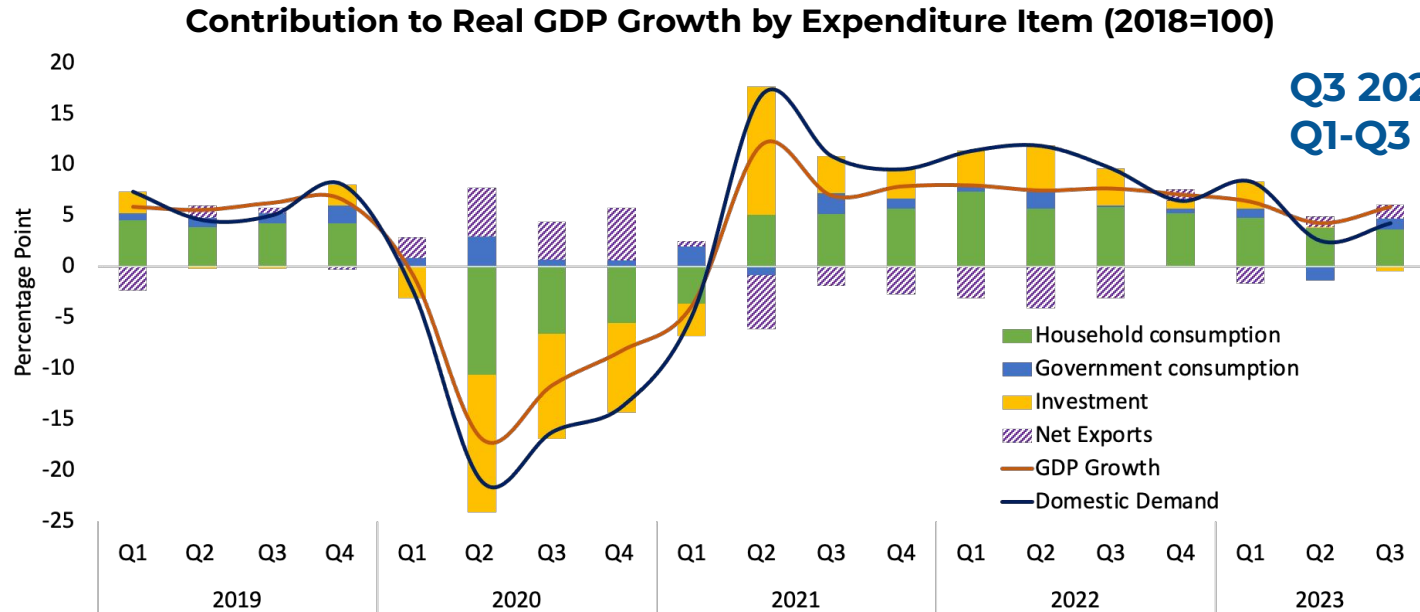
**5.5%**  
**INDUSTRY**



**0.9%**  
**AGRICULTURE**

Data source: PSA

# Economic growth continues to be underpinned by robust domestic demand as government spending rebounds, while investment slightly declines



# The Philippines solidifies its position as one of the fastest-growing economies in Asia

Countries	Q3 2023 GDP <i>(in percent)</i>	Q1-Q3 2023 <i>(in percent)</i>
<b>Philippines</b>	<b>5.9</b>	<b>5.5</b>
Vietnam	5.3	4.2
Indonesia	4.9	5.1
China	4.9	5.2
Malaysia	3.3	3.9
Singapore	0.7	0.5

# The IMF projects a slower global outlook in 2024 while multilateral organizations expect the country's growth to improve next year

Particulars	2023	2024
	In percent	
<b>World</b>	3.0 <sup>a/</sup>	2.9 <sup>a/</sup>
<b>Philippines</b>		
<b>International Monetary Fund (IMF)</b>	5.3 <sup>a/</sup>	6.0 <sup>a/</sup>
<b>Asian Development Bank (ADB)</b>	5.7 <sup>b/</sup>	6.2 <sup>b/</sup>
<b>ASEAN+3 Macroeconomic Research Office (AMRO)</b>	5.9 <sup>b/</sup>	6.5 <sup>b/</sup>
<b>World Bank</b>	5.6 <sup>a/</sup>	5.8 <sup>a/</sup>
<b>Development Budget Coordination Committee</b>	6.0 - 7.0	6.5 - 8.0

Sources: IMF Article IV Consultation to the Philippines Press Release (October 3, 2023); Asian Development Outlook (ADO) September 2023; AMRO AMRO Consultation Visit Press Release (September 12, 2023); World Bank East Asia and Pacific (EAP) Economic Update October 2023; DBCC Ad Referendum (July 5, 2023)  
 Notes: a/ as of October 2023; b/ as of September 2023

# PHILIPPINE ECONOMIC OUTLOOK

 <b>AMRO</b>	Growth Projection	
	2023	2024
<b>Philippines</b>	5.9	6.5
<b>Cambodia</b>	5.3	6.2
<b>Indonesia</b>	5.0	5.2
<b>Lao PDR</b>	4.8	5.0
<b>Vietnam</b>	4.7	6.0
<b>Malaysia</b>	4.2	5.2
<b>Thailand</b>	3.5	3.9
<b>Myanmar</b>	2.2	2.8
<b>Brunei Darussalam</b>	1.1	2.0
<b>Singapore</b>	1.0	2.9

Source: ASEAN+3 Regional Economic Outlook, October 2023

 <b>THE WORLD BANK</b>	2023 Growth Forecast
	<b>Philippines</b>
<b>Cambodia</b>	5.5
<b>China</b>	5.1
<b>Mongolia</b>	5.1
<b>Indonesia</b>	5.0
<b>Vietnam</b>	4.7
<b>Malaysia</b>	3.9
<b>Lao PDR</b>	3.7
<b>Thailand</b>	3.4
<b>Myanmar</b>	3.0

Source: World Bank East Asia and the Pacific Economic Update October 2023



# Development Budget Coordination Committee Real GDP Growth Assumptions

*(in percent)*

*As of June 9, 2023*

**2023**

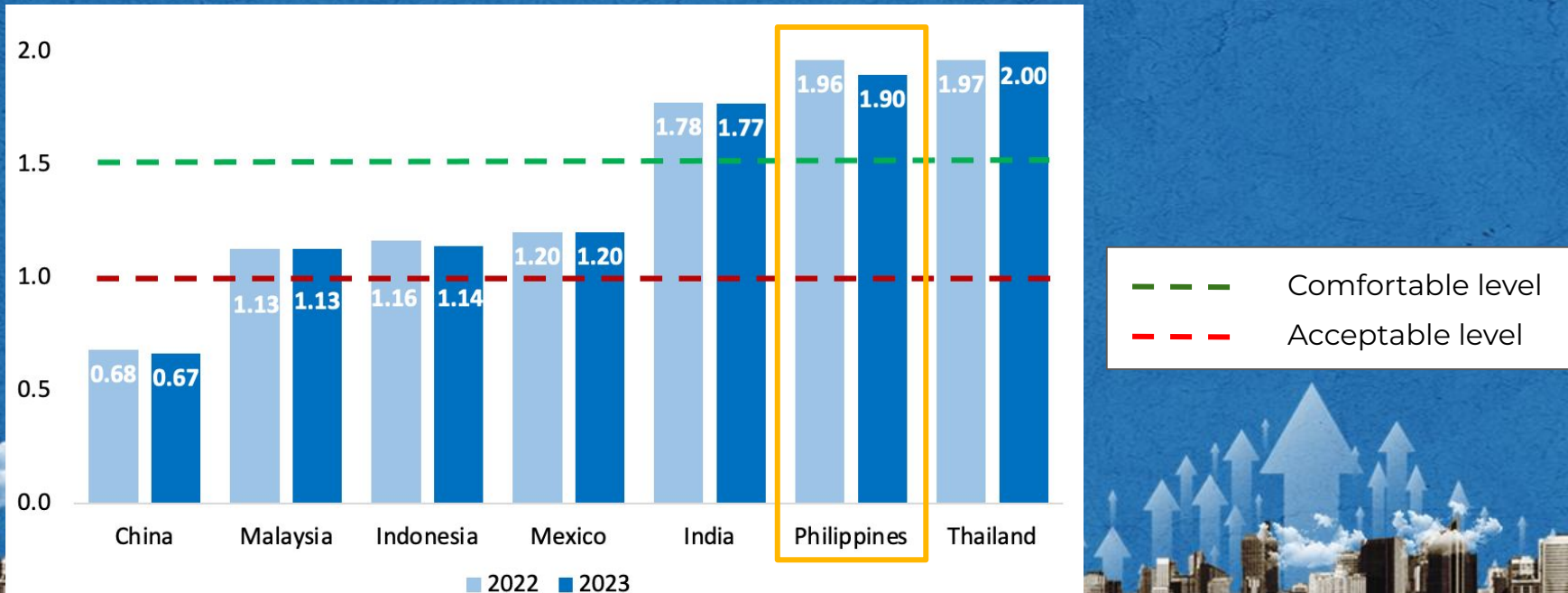
6.0 - 7.0

**2024-2028**

6.5 - 8.0

# Our gross international reserves speak of our sound external position

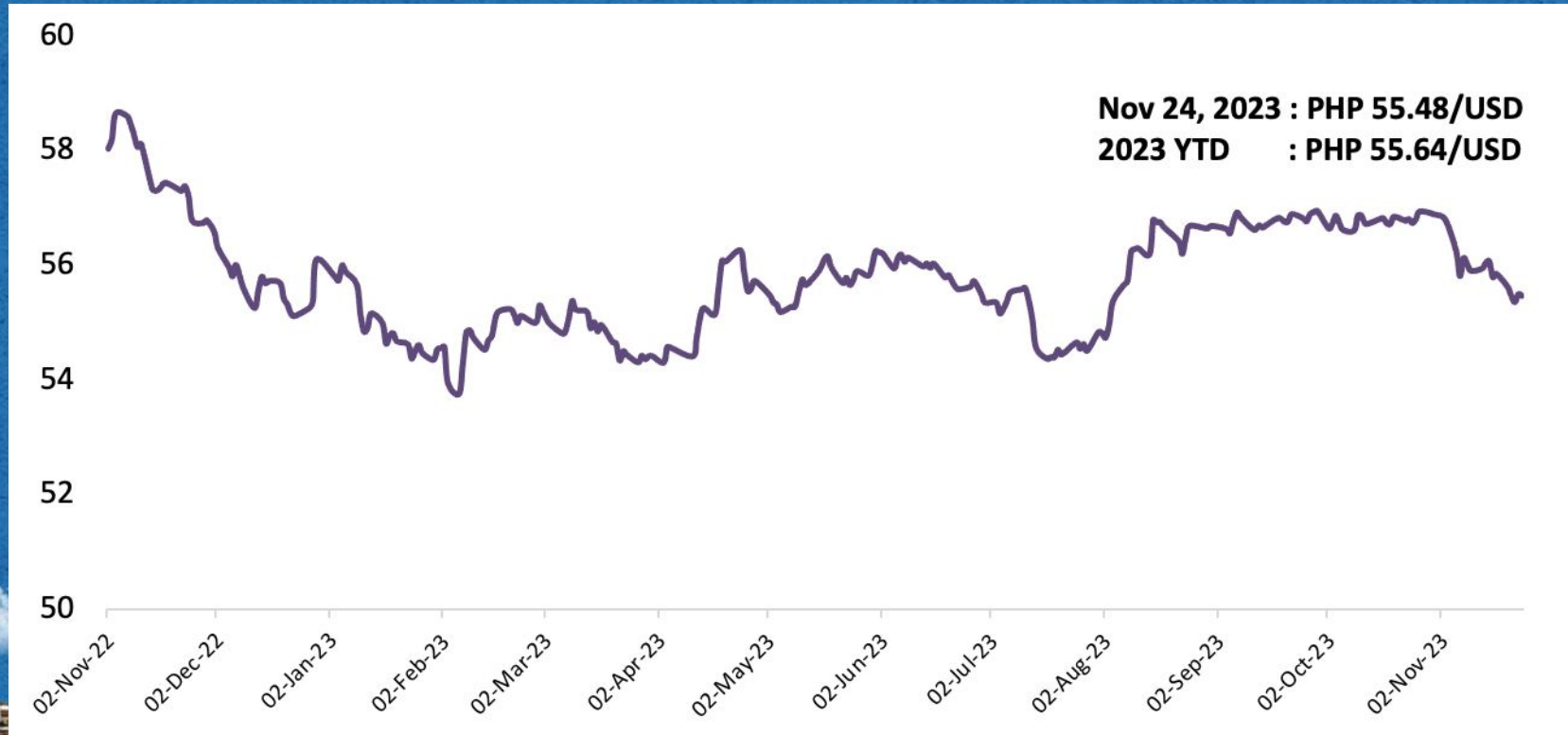
Ratio of Reserve / Assessing Reserve Adequacy (ARA) metric



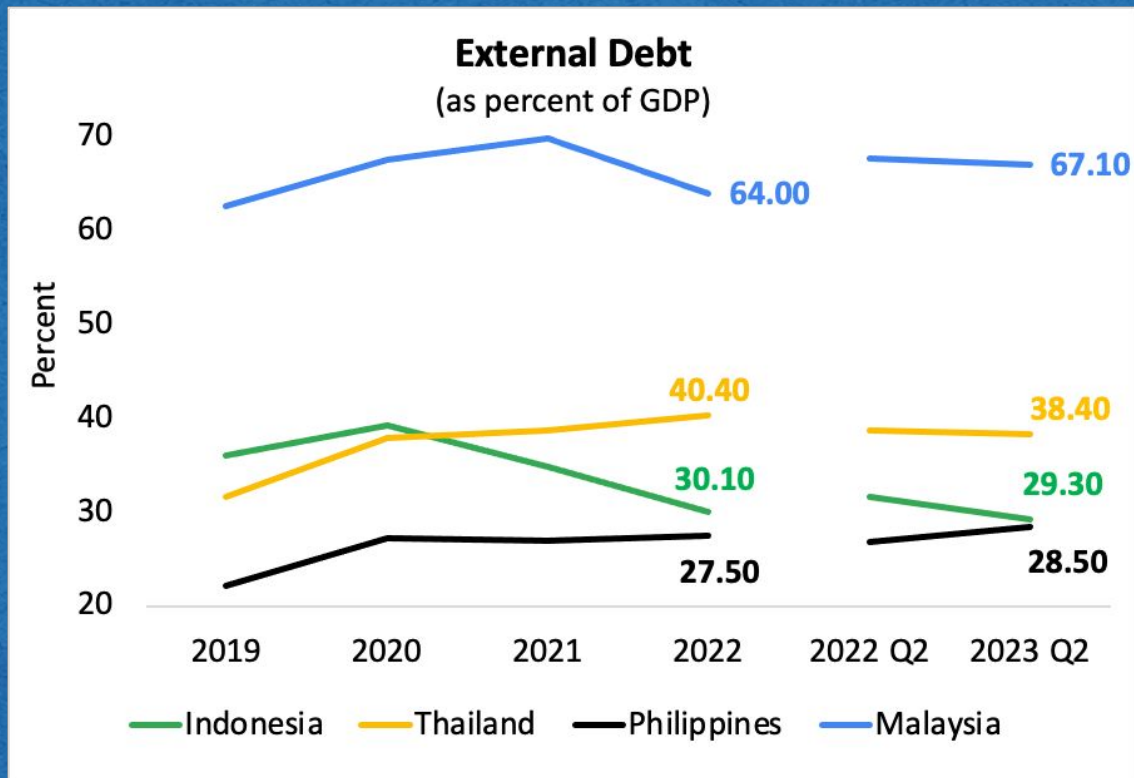
Source: IMF as of November 2023



# Aside from ample international reserves, the Philippine peso will continue to be supported by structural foreign exchange inflows



# The Philippines' low external debt-to-GDP ratio also reflects the country's external strength



Source: BSP

# PH MAINTAINS INVESTOR-GRADE CREDIT RATINGS



FitchRatings

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## Fitch Ratings

Affirmation  
of BBB rating,  
Stable Outlook  
(November 2023)



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## Japan Credit Rating Agency

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



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## S&P Global Ratings

Affirmation  
of BBB+,  
Stable Outlook  
(November  
2022)



MOODY'S

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## Moody's

Affirmation  
of Baa2 rating,  
Stable Outlook  
(September  
2022)



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## R&I

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

# REVENUE COLLECTIONS ABOVE TARGET

↑ **9.4% YoY**

↑ **5.2 % vs PROGRAM**



# PHP 3.2 trillion

January-October 2023

# JOBS MARKET IS BRIGHT

September 2023 Employment Situation (year-on-year)

**4.5%** ↓

Unemployment rate

**64.1%** ↓

Labor force  
participation rate

**95.5%** ↑

Employment rate

**10.7%** ↓

Underemployment rate



# The government recognizes the following risks to the growth outlook

## Domestic risks

- Elevated prices due to inadequate food supply:
  - Typhoons and natural disasters;
  - Stronger than expected El Niño which may last until June 2024
  - Spread of highly infectious animal diseases
- Waning of pent-up demand and impact of interest rate hikes (further possible slowdown in bank lending)
- Limited absorptive capacity of implementing agencies and LGUs

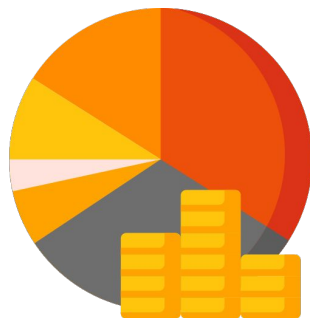
## External risks

- Elevated international commodity and input prices
- Lower global growth and possible US recession
- Geopolitical and trade tensions
- Pneumonia outbreak and property crisis in China

# Policy thrusts to achieve a full year growth that is closer to the low-end of the **6.0 to 7.0 percent** growth target for 2023



**Stop  
Inflation  
Now**



**Efficient  
Budget  
Execution**

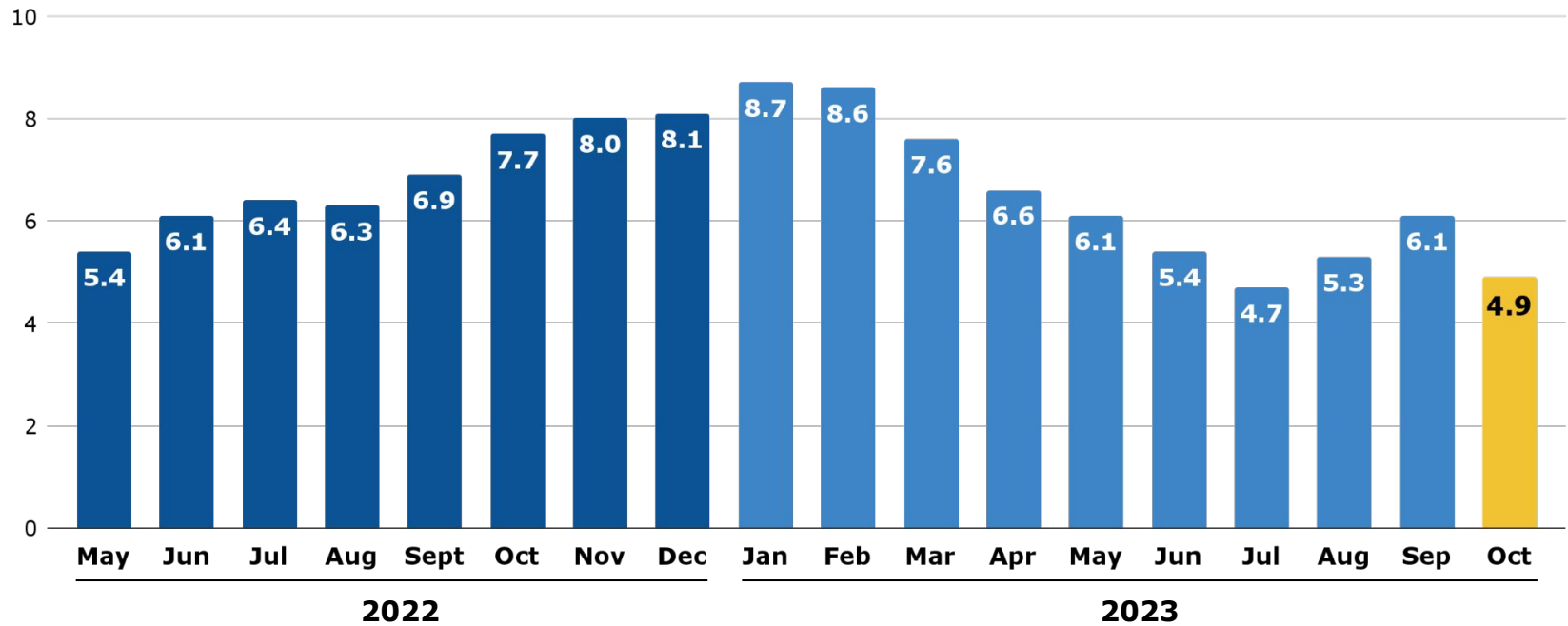


**Navigate  
External  
Headwinds**



**Implement  
Structural  
Reforms**

# Headline inflation eased to 4.9% in October 2023





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



**Improve production and fill the domestic supply gap through timely and adequate importation based on ex-ante supply-demand analysis**



**Monitoring and assessment of market developments, 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 sectors**

# **Requested action from the President: Support the following recommendations by the IAC-IMO**



**Support the extension of reduced MFN tariff rates for rice, corn, and pork Executive Order No. 10**



**Request the timely completion of transmission projects**



**Support energy conservation measures being promoted by the National Government**

# Efficient budget execution: Pursue the catch up plan in Q4 2023 and avoid underspending in S1 2024



Agencies' catch-up plans will be implemented with great **urgency** to improve budget utilization rate and address problems in program and project implementation



**Expedite the implementation of big-ticket projects** in the last quarter to further increase total disbursements. Ensure that we do not repeat the underspending in the first half of 2024.

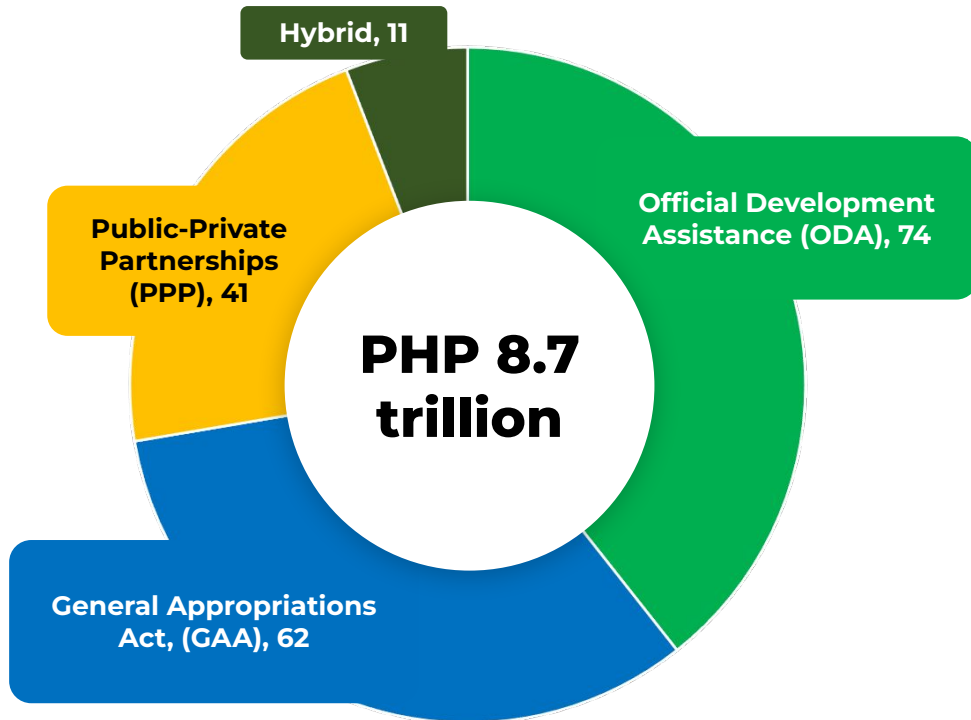


Agencies to **conduct Early Procurement Activities** (EPAs) to ensure that government programs and projects are implemented as scheduled, particularly for multi-year infrastructure projects.

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



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## Objectives:

- Improve physical and digital connectivity
- Upgrade health, transport, agriculture, and energy sectors
- Strengthen infrastructure against climate related risks

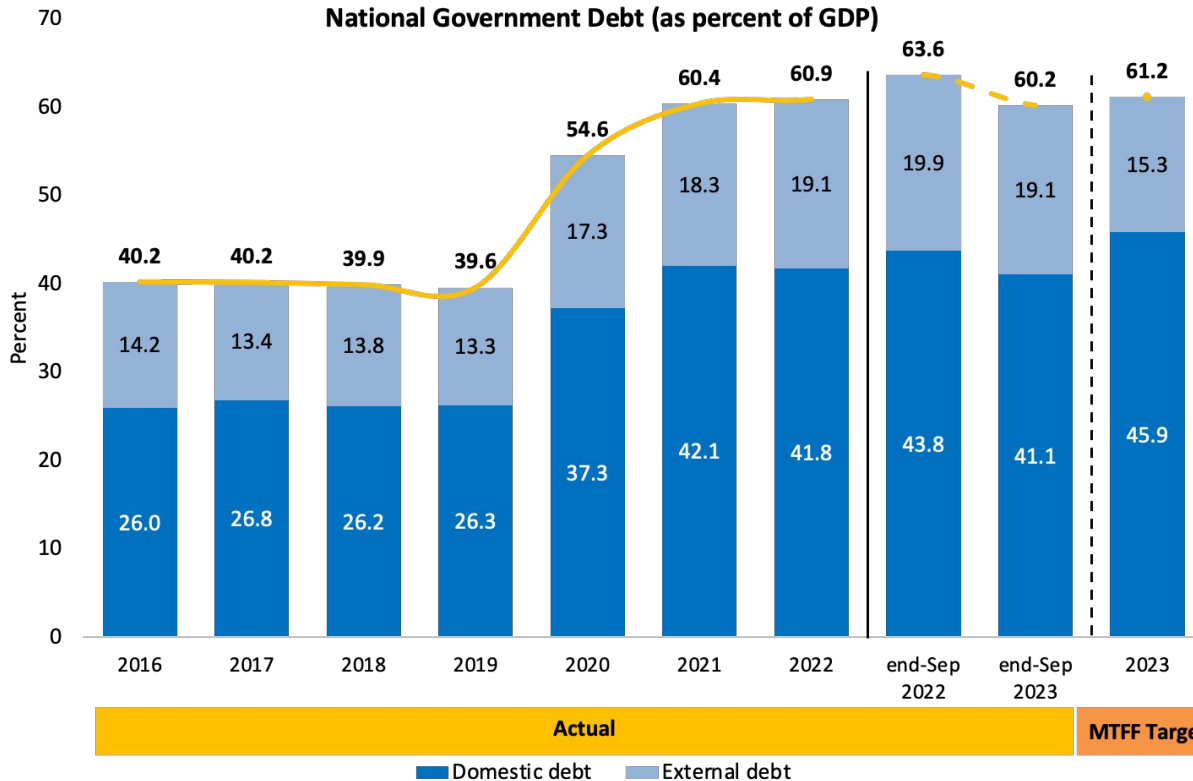
# DEBT AND FISCAL METRICS

As of Q3 2023



	Q3 2022	Q2 2023	Q3 2023
<b>Debt-to-GDP</b>	63.6%	61.0%	60.2%
<b>Deficit-to-GDP</b>	6.45%	4.77%	5.71%

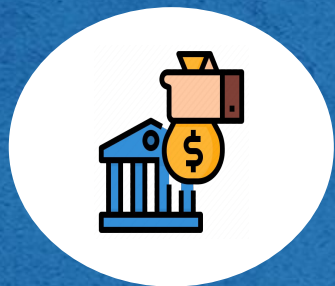
# The narrowing of the fiscal deficit during the post-pandemic led to stabilization of debt-to-GDP ratio



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

# Requested action from the President: Certify the following revenue measures as urgent to help ensure sufficient government financing of the proposed budget and attain the 5.1% deficit-to-GDP target for 2024

Passage by December 2023



Package 4 of the CTRP



VAT on Digital Service Providers



Excise Tax on Single-Use Plastic Bags

**Revenue impact:** PHP 32.0 billion or **0.1% of GDP**

**Legislative Status:** These three measures are currently in the advanced stages in the Senate Ways and Means.

Passage by Q1 2024



Excise Tax on Sweetened Beverages and Junk Food

PHP 75.7 billion or **0.3% of GDP**



## **Requested action from the President: Encourage local government units to expand its revenue sources and boost spending to support local and national growth**

- Based on the fiscal performance of the LGUs, the Bureau of Local Government Finance (BLGF) noted that:
  - LGUs continue to be dependent on national transfers despite its broad powers to raise sources of revenue; and
  - LGUs have an increasing surplus which signals low absorptive capacity to improve quality of public goods and services that they are supposed to deliver.

## **Navigate External Headwinds: Proactive response to external developments**

- Continue to **monitor closely the impact of the global economic slowdown and the recent wave of trade protectionism**
- **Facilitate trade diversification to expand opportunities for exporters** and take advantage of Regional Comprehensive Economic Partnership (RCEP) and Free Trade Agreements.
- Conduct **more discussions with the affected sectors**, including those experiencing shifts in demand preferences as the pandemic wanes and those that have yet returned to their pre-pandemic levels in terms of production and capacity.
- **Continue the implementation of credit programs** designed to provide loans for the marginalized farmers and fisherfolk and MSMEs at low interest rates, with minimal or no collateral, and fewer documentary requirements.
- Increase exports by **developing and expanding the country's current export capabilities**

# Implement structural reforms: Ensure efficient implementation of game-changing structural reforms to boost investments

Corporate Recovery and Tax Incentives for Enterprises Act



Amendments to the Public Service Act



Amendments to the Retail Trade Liberalization Act



Amendments to the Foreign Investments Act



Revised IRR of the Renewable Energy Act

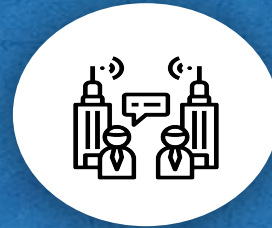
# Measures to Ensure Effectiveness of Reforms

## Corporate Recovery and Tax Incentives for Enterprises Act



The economic managers have already submitted their consolidated comments/joint position paper on the proposed CREATE amendments or the CREATE More Bill.

- Each administrative agency should complete the review and finalize the drafting of the revisions of its existing rules and regulations to be in accordance with the amended PSA.
- Strengthen efforts to incorporate PPPs open to 100 percent foreign ownership into the improvement and development of existing and new airports.



## Amendments to the Public Service Act

**The strength of the Philippine economy rests on firm macroeconomic fundamentals and a robust policy toolkit that promotes rapid, sustainable, and inclusive growth**





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