

DOF Economic Bulletin on National Government (NG) Fiscal Performance in 2020

NG revenues dropped by 9.0% in 2020 as the country battled a pandemic that led to nominal GDP slumping 7.9% during the period. (Table 1)

Tax revenues dropped by 11.4% as BIR collections slid by 10.3% and BOC collections by 14.7%. Other taxes which include motor vehicle taxes and forestry charges also dropped by 28.1%.

Non-tax revenues rose by 13.5% due primarily to higher dividend remittances and repayment of interest and advances by GOCCs. BTr income soared to P219.7 billion, 49.9% up from the same period last year. BTr receipts benefited from robust collections of dividend remittances on national government shares of stocks which reached a peak of P157 billion last year and compensated for the decline in the share in profits from PAGCOR. The Bayanihan to Heal as One Act also empowered the President to reprogram, reallocate and realign unutilized funds from government entities to finance programs to counter the Covid-19 pandemic.

Expenditures rose by 11.3% % to P4,227.4 billion to support programs to counter the Covid-19 pandemic. This includes the Social Amelioration Program and subsidies to PhilHealth and National Housing Authority (NHA). On the other hand, prudent debt management led to P40.9 billion in savings from interest payments that rose to P380.4 billion, 9.7% below the program of P421.3 billion for the year.

Table 1. REVENUES			
	Actual	Actual	
	2019	2020	% Growth
TOTAL REVENUES	3,137.5	2,856.0	-9.0%
TAX REVENUES	2,827.7	2,504.4	-11.4%
BIR	2,175.5	1,951.0	-10.3%
BOC	630.3	537.7	-14.7%
OTHER OFFICES	21.8	15.7	-28.1%
NON-TAX REVENUES	309.6	351.3	13.5%
EXPENDITURES	3,797.7	4,227.4	11.3%
NG BALANCE	(660.2)	(1,371.4)	107.7%
NOMINAL GDP	19,516.4	17,976.0	-7.9%

SOURCE: Bureau of the Treasury

Revenue effort dropped by a slight 0.19 percentage point from 16.08% in 2019 to 15.89% in 2020. (Table 2) Tax effort, however, dropped by 0.56 percentage points, from 14.49% to 13.93% due to lower collections from BIR, BOC, and other offices.

Expenditure effort rose to 23.52%, the highest in the country's history and 4.06 percentage points higher than the 19.46% recorded in 2019.

The historic growth in expenditures led to a higher NG deficit that settled at 7.63% of GDP, likewise the highest in the postwar period. This is lower than the P1.815 trillion program set in July 2020.

Table 2. REVENUE EFFORT			
	2019	2020	CHANGE
REVENUE EFFORT	16.08%	15.89%	-0.19%
TAX EFFORT	14.49%	13.93%	-0.56%
BIR	11.15%	10.85%	-0.29%
BOC	3.23%	2.99%	-0.24%
OTHER OFFICES	0.11%	0.09%	-0.02%
NON-TAX REVENUE EFFORT	1.59%	1.95%	0.37%
EXPENDITURE EFFORT	19.46%	23.52%	4.06%
NG BALANCE	-3.38%	-7.63%	-4.25%

SOURCES: Bureau of the Treasury, Philippine Statistics Authority

DOF View

The fiscal reforms adopted by the Duterte administration, including tax reforms and the utilization of idle savings in the public sector, boosted the revenue effort to its second highest level in history, eclipsed only by the 2019 level attained during the period of an economic boom. These reforms made the country one of the six strongest emerging economies to meet the challenges of the pandemic.

The country should continue to adopt fiscal reforms, particularly tax reforms still pending in Congress, to sustain these fiscal gains. Due to fiscal reforms, the country was able to fund the unprecedented fiscal requirements imposed by the pandemic and, at the same time, protect its strong macroeconomic fundamentals.

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