



## **Review of the Medium-Term Macroeconomic Assumptions and Fiscal Program for FY 2022 to 2028**

December 5, 2022



The Development Budget Coordination Committee (DBCC) reviewed the government's medium-term macroeconomic assumptions, fiscal program, and growth targets for FY 2023 to 2028 to take into account the latest domestic developments, global economic status, and the administration's priorities and strategies.

### **Real Growth Projections**

As the economy continues to reopen, domestic demand increased, and services and industry sectors improved. This enabled the country to register a 7.7 percent Gross Domestic Product (GDP) growth rate for the first three quarters of the year, surpassing the 6.5 to 7.5 percent target range for 2022.

Year	Growth Assumptions <i>(in percentage)</i>
2022	6.5 - 7.5
2023	6.0 - 7.0
2024-2028	6.5 - 8.0

This momentum is expected to slightly decelerate in 2023 and range from 6.0 to 7.0 percent considering external headwinds such as the slowdown in major advanced economies. Nevertheless, growth is expected to pick up in 2024 to 2028 at 6.5 to 8.0 percent, as we push for government strategies and interventions of the Philippine Development Plan 2023-2028. These include modernizing agriculture and agri-business, revitalizing the industry sector, and reinvigorating the services sector, among others.

Poverty incidence is projected to gradually improve, likely reaching the 9% target of the administration by 2028.

## Macroeconomic Assumptions

The DBCC also approved the following revisions to the macroeconomic assumptions based on emerging data:

Indicator	2022	2023	2024 - 2028
<i>Inflation (%)</i>	5.8	2.5 - 4.5	2.0 - 4.0
<i>Dubai crude oil (USD/bbl)</i>	98 - 100	80 - 100	70 - 90
<i>Forex (Php/USD)</i>	54 - 55	55 - 59	53 - 57
<i>Imports of goods, BPM6 (%)</i>	20.0	4.0	8.0
<i>Exports of goods, BPM6 (%)</i>	4.0	3.0	6.0

The average inflation rate assumption for 2022 is slightly increased to 5.8 percent from the previous assumption of 4.5 to 5.5 percent given the persisting high prices of food and transport costs. Nonetheless, inflation is expected to moderate in the medium-term reaching 2.5 to 4.5 percent in 2023 before returning to the target range of 2.0 to 4.0 percent in 2024 until 2028.

Meanwhile, the assumption for the price of Dubai crude oil for 2022 is slightly adjusted to USD 98 to 100 per barrel considering global supply constraints on oil. This is expected to gradually slide to USD 80 to 100 per barrel in 2023 before stabilizing at USD 70 to 90 per barrel in 2024 to 2028 as oil supply catches up with demand over the medium-term.

Likewise, the peso-dollar exchange rate assumptions for 2023 and 2024 were adjusted upwards as the peso continues to depreciate

due to heightened global uncertainties and aggressive monetary policy tightening of the US Federal Reserve. This is expected to range from USD 54 to 55 in 2022 and further increase to USD 55 to 59 in 2023. Nonetheless, the peso is expected to appreciate and stabilize at USD 53 to 57 in 2024 to 2028, with the BSP's policy normalization measures and expected pick-up in foreign exchange inflows.

As domestic demand recovers, goods imports growth projection for this year is increased to 20.0 percent and revised to 4.0 percent in 2023. Goods exports on the other hand are adjusted downwards to 4.0 percent in 2022, and 3.0 percent in 2023 but are expected to stabilize at 6.0 percent in the medium term. Both trade assumptions reflect the gradual recovery of trade with the normalization of economic activities, globally and domestically.

### **Medium-Term Fiscal Program**

Revenue projection for 2022 is adjusted upwards to P3.5 trillion, following better-than-expected revenue performance from January to October 2022. This is attributed to the improved tax collection and digitalization efforts of the government. Meanwhile, revenue projections in the medium-term are expected to be from P3.7 trillion in 2023 to P6.6 trillion in 2028, as tax reforms from the previous administration and strategies to ensure environmental sustainability are continuously being pursued.

(in billion pesos)

PARTICULARS	2022	2023	2024	2025	2026	2027	2028
	Full-Year Outlook	Projections	Projections	Projections	Projections	Projections	Projections
<b>Revenues</b>	<b>3,515.7</b>	<b>3,706.8</b>	<b>4,198.3</b>	<b>4,644.7</b>	<b>5,210.9</b>	<b>5,846.0</b>	<b>6,583.2</b>
% of GDP	16.1%	15.4%	15.8%	16.0%	16.4%	16.9%	17.4%
<b>Disbursements</b>	<b>5,017.8</b>	<b>5,177.4</b>	<b>5,556.5</b>	<b>5,844.2</b>	<b>6,320.4</b>	<b>6,954.5</b>	<b>7,721.0</b>
% of GDP	23.0%	21.5%	20.9%	20.2%	19.9%	20.1%	20.4%
<b>Deficit</b>	<b>(1,502.2)</b>	<b>(1,470.6)</b>	<b>(1,358.2)</b>	<b>(1,199.6)</b>	<b>(1,109.5)</b>	<b>(1,108.6)</b>	<b>(1,137.8)</b>
% of GDP	-6.9%	-6.1%	-5.1%	-4.1%	-3.5%	-3.2%	-3.0%

For 2022, full-year disbursement outlook is expected to reach P5.0 trillion, equivalent to 23 percent of GDP. This is mainly attributed to large transfers to local government units (LGUs), maintenance and other operating expenses as a result of the releases for the targeted cash transfer program, and improved spending on infrastructure and other capital outlays as well as personnel services. Meanwhile, disbursements from 2023 to 2028 are also adjusted but are sustained above 20 percent of GDP, reaching P5.2 trillion in 2023 and expanding to P7.7 trillion in 2028.

Given the revised revenue and disbursement program, the DBCC revised its deficit projection to 6.9 percent of GDP for 2022 but maintained its target deficit for 2023 to 2028, which shall progressively decline from 6.1 percent of GDP in 2023 to pre-pandemic level of 3.0 percent of GDP in 2028. This is aligned with the government's Medium-Term Fiscal Framework, as the government continues to pursue a fiscal consolidation strategy over the medium term.

## **FY 2024 National Expenditure Program**

Consistent with the macroeconomic assumptions and foregoing fiscal targets, the proposed FY 2024 cash appropriations is pegged at P5.8 trillion. This proposed budget will continue to provide the necessary funding requirements to support the administration's overarching goal of economic recovery and prosperity towards inclusivity and sustainability, as encompassed in the 8-Point Socioeconomic Agenda.

## **Closing Remarks**

As we move forward amid the sharp increase in inflation this year, the government commits to take actions that will mitigate the lingering effects of the COVID-19 pandemic and impact of geopolitical tensions. Recognizing both opportunities and challenges, the DBCC stands united and believes that the Philippine economy can grow further at a robust pace by putting the right policies and spending priorities in place. We will continue working together for an inclusive and sustainable economy for all Filipinos.

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