Review of the Medium-Term Macroeconomic Assumptions and Fiscal Program for FY 2023 to 2028

April 24, 2023

We, the Development Budget Coordination Committee (DBCC), reviewed the government's medium-term macroeconomic assumptions, fiscal program, and growth targets for FY 2023 to 2028 given recent developments in the domestic and global economy and the administration's near- and medium-term priorities.

Real Growth Projections

With increased domestic demand along with better labor conditions, improved tourist turnout, and resumption of face-to-face classes, the Philippine economy grew by 7.6 percent in 2022, outperforming the DBCC's growth target of 6.5 to 7.5 percent. This high-growth performance is projected to continue until 2028, aligned with the Medium-Term Fiscal Framework.

Thus, we maintained our growth targets at 6.0 to 7.0 percent for 2023 and 6.5 to 8.0 percent for 2024 to 2028 in consideration of the risks posed by geopolitical and trade tensions, possible global economic slowdown, as well as weather disturbances in the country. In line with the Philippine Development Plan (PDP) 2023-2028, the strategies of the government will focus on modernizing agriculture, expanding agri-business, encouraging private sector participation in infrastructure development, promoting digital transformation, and enhancing the competitiveness of local industries, among others.

Year	**Growth Assumptions** *(in percentage)*
2023	6.0 - 7.0
2024-2028	6.5 - 8.0

By implementing the reforms and strategies already outlined in the PDP 2023-2028, Filipinos can expect a more robust Philippine economy with a single-digit poverty level.

Macroeconomic Assumptions

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

Indicator	2023	2024	2025 - 2028
Inflation (%)	**5.0 - 7.0**	2.0 - 4.0	2.0 - 4.0
Dubai crude oil (USD/bbl)	**70 - 90**	70 - 90	**60 - 80**
Forex (Php/USD)	**53 - 57**	53 - 57	53 - 57
Goods Exports Growth, BPM6 (%)	3.0	6.0	6.0
Goods Imports Growth, BPM6 (%)	4.0	8.0	8.0
Services Exports Growth, BPM6 (%)	**17.0**	**16.0**	6.0
Services Imports Growth, BPM6 (%)	**11.0**	**10.0**	8.0

The average inflation rate assumption for 2023 is increased to 5.0 to 7.0 percent from the previous assumption of 2.5 to 4.5 percent given the persisting high prices of food, energy, and transport costs. Nevertheless, the government, through the Inter-Agency Committee on Inflation and Market Outlook (IAC-IMO) is committed to pursuing an all-of-government approach to continuously implement immediate and medium-term strategies to alleviate inflation, ensure food and energy security, and return to the target range of 2.0 to 4.0 percent between 2024 and 2028.

Meanwhile, the assumption for the price of Dubai crude oil for 2023 is lowered to USD 70 to 90 per barrel considering the global demand slowdown. The latest forecasts suggest that global crude oil prices will continue to decline in 2024 before stabilizing at USD 60 to 80 per barrel between 2025 and 2028 as the latest forecasts suggest falling global crude oil prices over the medium term.

Likewise, the peso-dollar exchange rate assumptions for 2023 were adjusted downwards to USD 53 to 57, and are expected to be maintained at the same level until 2028. This positive outturn is attributed to the BSP's policy normalization measures, as well as expected inflows from improvements in tourism revenues and OFW remittances due to the reopening of the country's economy.

Goods exports and imports growth projections for this year remain at 3.0 percent and 4.0 percent, respectively, following the trend in near-term global demand outlook and trade prospects. These are expected to stabilize at 6.0 percent and 8.0 percent, respectively, in the medium term.

Meanwhile, services exports are expected to perform better this year and next year following the recovery of the tourism sector and the continued resilience of the BPO sector. Specifically, services exports growth was adjusted upwards from 12.0 percent to 17.0 percent in 2023 and from 6.0 percent to 16.0 percent in 2024. Services imports growth estimates were also increased from 8.0 percent to 11.0 percent in 2023 and from 8.0 percent to 10.0 percent in 2024. The trade assumptions reflect the gradual normalization of economic activity both globally and domestically.

Medium-Term Fiscal Program

We will continue to be guided by the Medium-Term Fiscal Framework (MTFF) to ensure the achievement of the administration's socio-economic development agenda outlined in the PDP 2023-2028 while ensuring macro-fiscal sustainability and sustainable growth.

As such, revenue projections in the medium term are expected to improve from Php 3.73 trillion in 2023 to Php 6.62 trillion in 2028, as proposed tax revenue measures under the MTFF such as the Package 4 or the Passive Income and Financial Intermediary Taxation Act, VAT on digital service providers, and excise taxes on single-use plastics and pre-mixed alcohol are expected to be implemented starting 2024. There will be three additional tax reform measures such as excise tax on sweetened beverages, motor vehicle road user's tax, and mining fiscal regime.

(in billion pesos)

PARTICULARS	2023	2024	2025	2026	2027	2028
	Projections	Projections	Projections	Projections	Projections	Projections
Revenues	**3,729.0**	**4,184.4**	**4,692.0**	**5,255.4**	**5,895.9**	**6,621.6**
% of GDP	15.2%	15.7%	16.1%	16.5%	16.9%	17.2%
Disbursements	**5,228.4**	**5,547.3**	**5,887.7**	**6,372.2**	**7,014.8**	**7,773.4**
% of GDP	21.3%	20.8%	20.2%	20.0%	20.1%	20.2%
Deficit	**(1,499.4)**	**(1,362.9)**	**(1,195.7)**	**(1,116.8)**	**(1,118.9)**	**(1,151.7)**
% of GDP	-6.1%	-5.1%	-4.1%	-3.5%	-3.2%	-3.0%

Meanwhile, disbursements from 2023 to 2028 are revised upwards and are sustained above 20 percent of GDP, reaching Php 5.23 trillion in 2023 and expanding to Php 7.77 trillion in 2028. This will enable the government to implement priority programs and strategies outlined in the 8-point Socioeconomic Agenda and the PDP 2023-2028.

Following the revised revenue and disbursement program, we will maintain our commitment to fiscal sustainability by adhering to the target deficit for the period 2023 to 2028, which shall progressively decline from 6.1 percent of GDP in 2023 to 3.0 percent of GDP in 2028.

The implementation of a fiscal consolidation strategy under the MTFF will better equip the national government to handle future shocks and risks, particularly in light of emerging global and domestic challenges.

Closing Remarks

As we strive to sustain our high-growth performance and achieve a truly inclusive and sustainable economy, the DBCC is committed to taking proactive measures to bring inflation back within the target range while developing physical, social, and digital infrastructures to gear up the Philippines for more investments and opportunities that every Filipino can enjoy.

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