

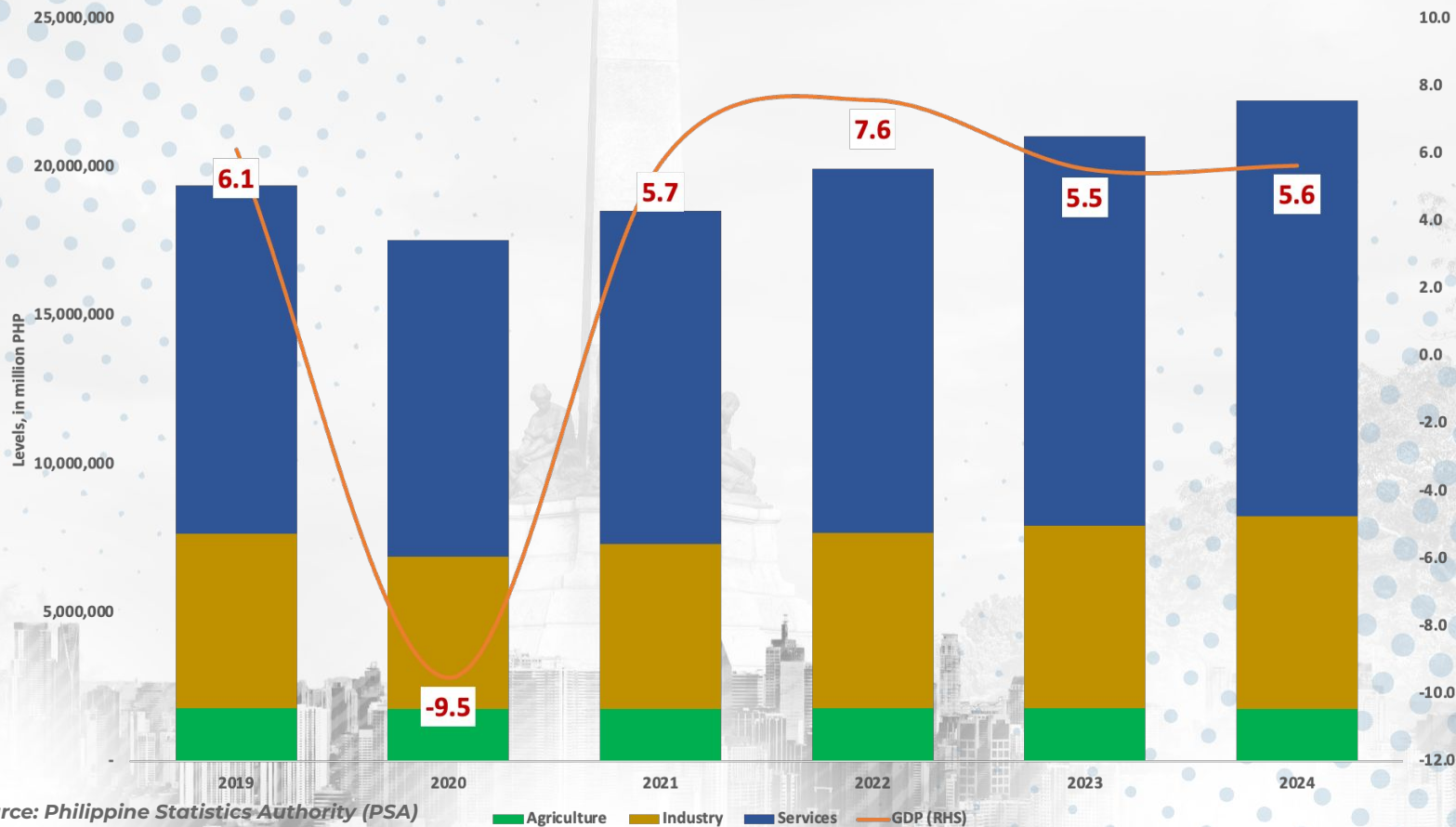


Sustaining the Philippines' Growth Trajectory with **Fiscal** **Sustainability**

Rolando G. Tungpalan
Undersecretary
Department of Finance

13 February 2025

The Philippines remains one of the fastest-growing economies in the region, expanding by 5.6 percent in 2024



Source: Philippine Statistics Authority (PSA)

Agriculture Industry Services GDP (RHS)

The **Medium-Term Growth Assumptions** in recognition of domestic and external headwinds

Real GDP Growth	Actual		Projection		
	2023	2024*	2025	2026	2027-2028
MTFP target set in 2024	5.5	5.6		6.0 - 8.0	
IMF			6.1	6.3	-

* In its World Economic Outlook Update (October 2024), **the IMF projected the Philippines' real GDP to grow by 5.8 percent in 2024.**
Sources: 189th Development Budget and Coordinating Committee (DBCC) Meeting on 2 December 2024;
Philippine Statistics Authority (PSA); and the IMF World Economic Outlook Update, January 2025.


Drivers and risks to growth



Drivers

- Easing inflation and sustained improvements in labor market conditions
- Infrastructure spending by the National Government and the private sector, through PPP modalities
- Implementation of investment-inducing reforms (CREATE MORE, and Amendments to Public Service Act, Retail Trade Liberalization Act, and Foreign Investments Act)
- More foreign investments through the Regional Comprehensive Economic Partnership (RCEP)
- Improved outlook for services sector focusing on tourism with simplified protocols and reopening of international borders



Risks

- Extreme natural disasters aggravated by climate change
 - Delayed completion of critical infrastructure
 - Acute and protracted global economic slowdown
 - Heightened geopolitical tensions
 - Tariff and non-tariff barriers to trade
- 

Supportive labor and employment conditions

Indicators	2024
Labor Force Participation Rate	64.4
Labor Force	50.8
No. of Employed (million)	48.8
Unemployment Rate	3.8%

Median Age of Selected Countries as of 2025

Select Country/Region	Median Age
 Japan	49.8
 Europe	42.8
 Thailand	40.6
 China	40.1
 United States	38.5
 Australia	38.3
 Singapore	35.1
 Vietnam	33.4
 Brunei	32.7
 Malaysia	31.0
 Indonesia	30.4
 Myanmar	30.1
 India	28.8
 Cambodia	26.2
 Philippines	26.1
 Lao PDR	24.9
 Timor-Leste	21.7

The Philippines will be the world's 14th largest economy by 2075

Largest Economies by 2075		
1		China
2		India
3		United States
4		Indonesia
5		Nigeria
6		Pakistan
7		Egypt
8		Brazil
9		Germany
10		UK
11		Mexico
12		Japan
13		Russia
14		Philippines

Real GDP Growth	2024-2029	2030-2039	2040-2049	2050-2059	2060-2069	2070-2079
WORLD	2.8	2.5	2.1	2.0	1.8	1.7
ASIA (excl. Developed Markets)	4.2	3.1	2.4	2.1	1.8	1.5
China	4.0	2.5	1.6	1.1	0.9	0.5
India	5.8	4.6	3.7	3.1	2.5	2.1
Korea	1.9	1.4	0.8	0.3	-0.1	-0.2
Bangladesh	6.6	4.9	3.8	3.0	2.5	2.0
ASEAN	3.9	3.4	2.9	2.5	2.1	1.9
Indonesia	4.3	3.6	3.0	2.6	2.3	2.0
Thailand	2.8	2.4	1.9	1.4	1.1	0.9
Philippines	6.0	4.9	4.1	3.5	3.1	2.7
Malaysia	3.6	3.5	2.9	2.2	1.8	1.5



Cementing a Fiscal Sector Supportive of Economic Growth

2025 Target Infrastructure Spending

PHP 1.546 Trillion

↑ 0.4%
y-o-y growth

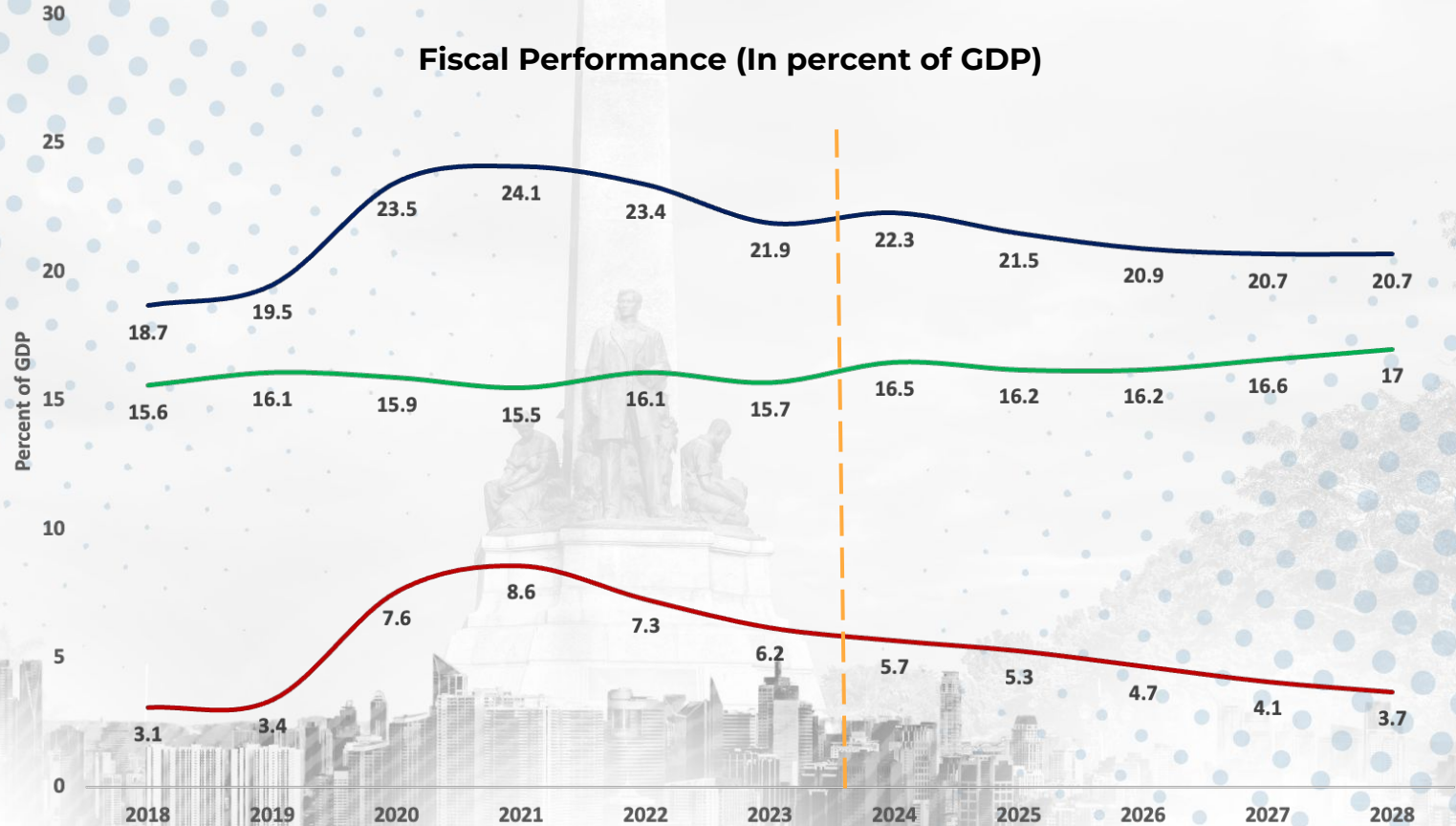
5.4%
of GDP

Particulars*	2024	2025	2026	2027	2028
	Program Projections				
Levels (in PHP billion)	1,540.1	1,546.1	1,690.8	1,898.1	2,140.4
y-o-y growth (%)	8.5	0.4	9.4	12.3	12.8
in % of GDP	5.8	5.4	5.4	5.6	5.9

*Comprised of infrastructure outlays, which include the infrastructure components of the subsidy/equity to Government-Owned and Controlled Corporations (GOCCs) and transfers to local government units (LGUs)

Source: 189th Development Budget Coordination Committee

The latest Medium-Term Fiscal Program (MTFP) reflected recent economic developments and **slower fiscal consolidation path**



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



VAT on Digital Services (Republic Act (RA) No. 12023)

Signed into law on 02 October 2024



Package 4 of Comprehensive Tax Reform Program (CTRP)

Pending in the Senate Committee on Ways and Means as of 29 May 2024. The House of Representatives (HOR) version was approved on the 3rd Reading on 14 November 2022.



CREATE MORE (RA No. 12066)

Signed into law on 11 November 2024.



Rationalization of the Mining Fiscal Regime

Pending on 2nd Reading in the Senate since 24 September 2024. HOR version was approved on 3rd reading on 25 September 2023.



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.



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.

Annual Revenue Impact of Tax Reforms (In PHP billion)

2025

+28.4

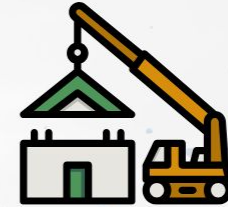
2026

+47.8

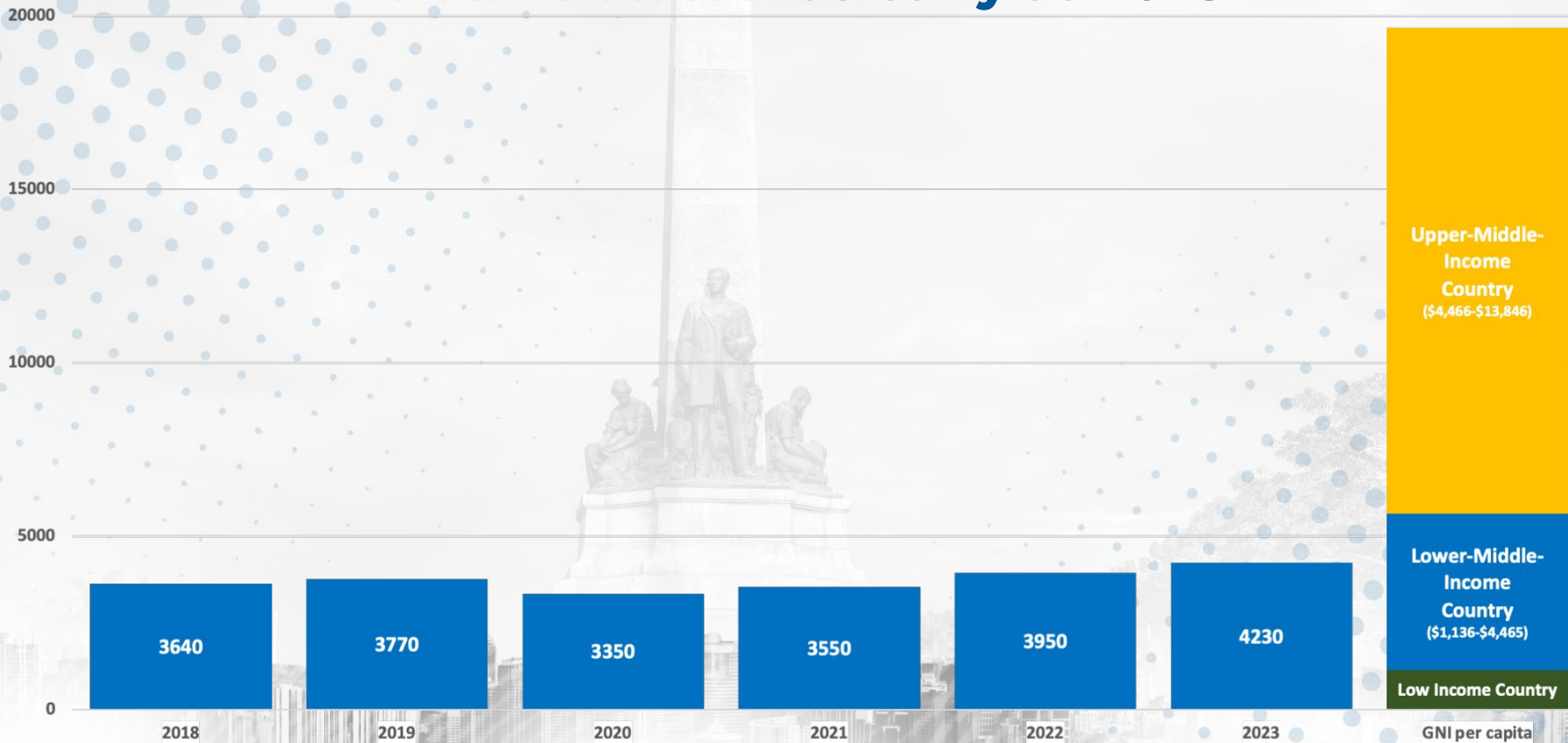
2027

+48.1

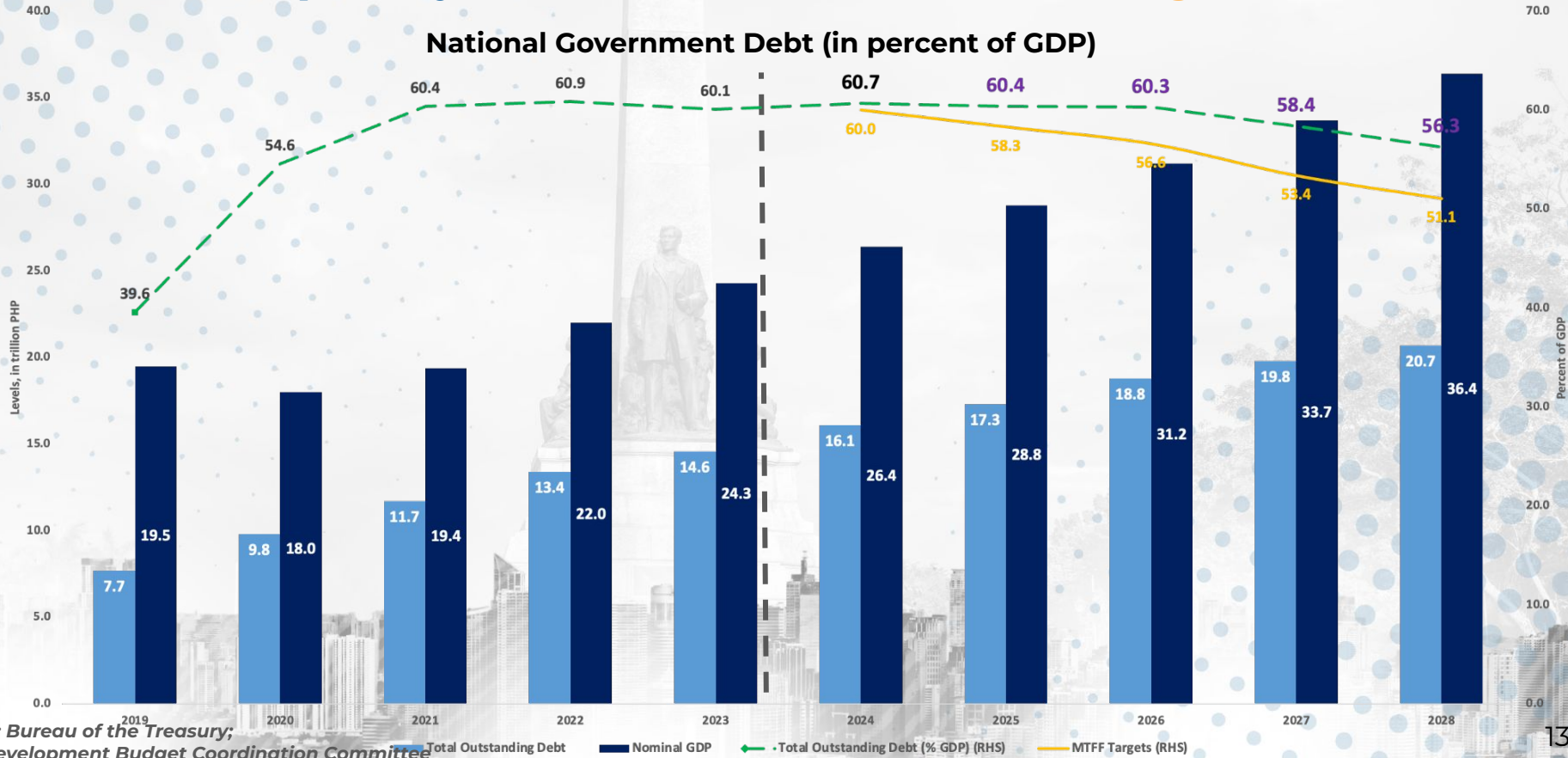
The Maharlika Investment Fund (MIF) is the Philippines' first-ever sovereign investment fund designed to generate optimal returns and support the National Government's infrastructure development agenda.



The Philippines is projected to achieve **upper-middle income status** as early as 2025



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



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



R&I

Upgraded rating to A-, Stable Outlook
(August 2024)

Short-term: **A2**



Japan Credit Rating Agency

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

Short-term: **A2**



Fitch Ratings

Affirmation of BBB rating, Stable Outlook
(June 2024)

Short-term: **F2**



Moody's

Affirmation of Baa2 rating, Stable Outlook
(August 2024)

Short-term: **Not rated**

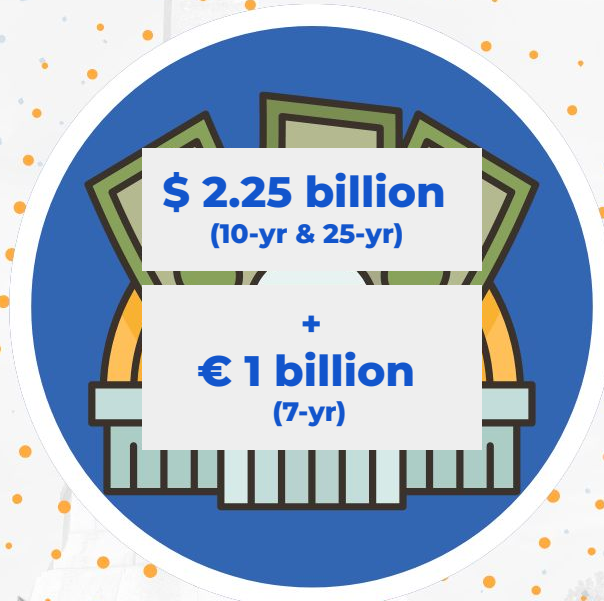


S&P Global Ratings

Affirmation of BBB+, **Positive Outlook**
(November 2024)

Short-term: **A2**

Dual currency Bond Offering showcase **foreign investors' confidence** in the Philippines' credit profile and long term outlook

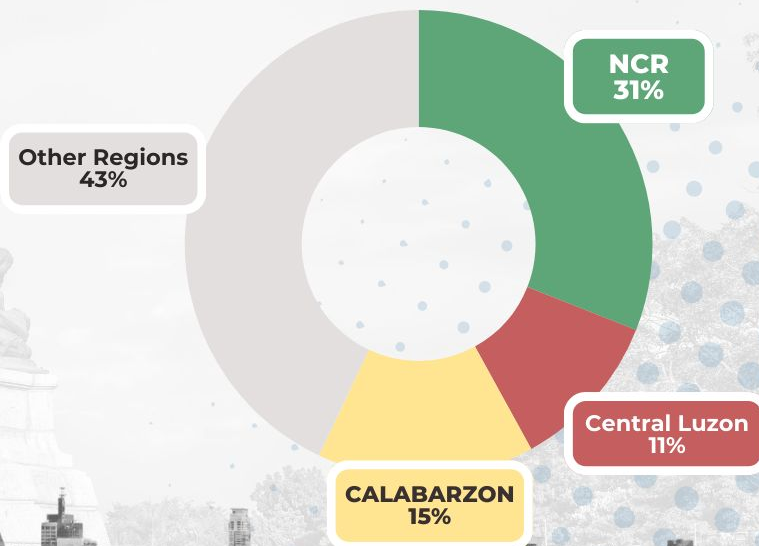


Ensuring equitable investments across the archipelago



GROSS REGIONAL DOMESTIC PRODUCT

Share per region as of 2023





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