

BRIEFER ON THE 2023 BUDGET PRIORITIES FRAMEWORK (Macroeconomic and Fiscal Environment)

To help achieve the 6.0% to 7.0% GDP growth target for 2023, the Philippine government remains strongly committed to crafting the FY2023 Cash Budget based on sound macroeconomic and fiscal management policies, with expenditures focusing on crucial and shovel-ready programs, activities, and projects (PAPs) to benefit micro communities and promote sustainable and inclusive development and reforms.

Macroeconomic Assumptions

PARAMETER	Year-to-Date (YTD)	PROJECTIONS ^{1/}			
		2022	2023	2024	2025
Real GDP (%) ^{2/}	8.3	7.0-8.0	6.0-7.0	6.0-7.0	6.0-7.0
Inflation (%) ^{3/}	3.7	3.7-4.7	2.0-4.0	2.0-4.0	2.0-4.0
Dubai Crude Oil (US\$/bbl)	99.71	90-110	80-100	70-90	70-90
FOREX (P/US\$)	51.79	51-53	50-53	50-53	50-53
Growth of Goods Export (%) ^{4/}	n.a.	7.0	6.0	6.0	6.0
Growth of Goods Import (%) ^{4/}	n.a.	15.0	6.0	8.0	8.0

^{1/} Projections were adopted in the 181st Development Budget Coordination Committee (DBCC) Meeting on May 24, 2022

^{2/} At constant 2018 prices

^{3/} Actual and YTD inflation rate using 2018-based Consumer Price Index

^{4/} Based on the International Monetary Fund's Balance of Payments and International Investment Position Manual, 6th edition (BPM6)



Real GDP Growth

Taking into consideration external risks, such as the Russia-Ukraine conflict, recent lockdowns in China, and monetary normalization in the United States of America, the Philippine government retained its target at 6.0% to 7.0% GDP growth target for 2023. These risks are tempered by, among others, the expected growth in the tourist sector as the pandemic restrictions gradually ease.



Dubai Crude Oil

Amidst the supply disruptions mainly caused by sanctions on Russian oil and gas imports, the price for Dubai crude oil is expected to range between US\$80 to 100 in 2023, lower than the 2022 projections of US\$90 to 110.



Foreign Exchange Rate

The peso-dollar exchange rate for 2023 is pegged within PhP50 to 53 per US\$1, as influenced by various depreciation and appreciation pressures, among others.



Inflation

For 2023, inflation is projected to settle at 2.0% to 4.0% because of present domestic realities (e.g., resurgence of COVID-19, oil price hikes, food-related risks) and developments on the external front (e.g., supply chain bottlenecks in the oil and non-oil industries).



Growth of Goods

Despite the risks brought by supply disruptions and Russia-Ukraine conflict, the robust demand for various goods (e.g, technology and electronic products) estimates growth of goods exports to reach 6.0%, while goods import at 6.0% in 2023.

Fiscal Program

The fiscal program for FY 2023 will require the government to be more prudent in managing its fiscal resources to promote long-term sustainability and ensure that high-impact expenditure items will be prioritized to maximize the limited funds available.

PARTICULARS	2021	2022	2023	2024	2025
	ACTUAL	PROJECTIONS ^{1/}			
Levels (in billion Pesos)					
Revenues	3,005.5	3,304.1	3,632.9	4,062.7	4,548.7
Disbursements	4,675.6	4,954.6	5,085.8	5,392.2	5,723.0
Fiscal Balance	(1,670.1)	(1,650.5)	(1,453.0)	(1,329.5)	(1,174.3)
Appropriations	4,506.0	5,023.6	5,268.0	5,559.0	5,834.9
Percent of GDP (%)					
Revenues	15.5	15.2	15.3	15.6	16.1
Disbursements	24.1	22.8	21.3	20.8	20.2
Fiscal Balance	(8.6)	(7.6)	(6.1)	(5.1)	(4.1)
Appropriations	23.2	23.1	22.1	21.4	20.6
Growth Rate (%)					
Revenues	5.2	9.9	10.0	11.8	12.0
Disbursements	10.6	6.0	2.6	6.0	6.1
Fiscal Balance*	(21.8)	1.2	12.0	8.5	11.7
Appropriations	9.9	11.5	4.9	5.5	5.0
GDP (nominal, in billion Pesos)	19,410.6	21,775.7	23,822.0	25,980.8	28,304.0

Sources: Department of Budget and Management, Department of Finance, and National Economic and Development Authority

*A positive growth rate indicates an improvement in the fiscal balance, while a negative growth rate implies a deterioration in the fiscal balance.

^{1/} Consistent with the macroeconomic and growth assumptions, and fiscal program approved during the 181st DBCC Meeting on May 24, 2022.

For 2023, revenues are expected to grow by 10.0% year-on-year to PhP3,632.9 billion, or 15.3% of GDP, while disbursements will increase by 2.6% to PhP5,085.8 billion. Deficit, on the other hand, is expected to decline to PhP1,453.0 billion, or 6.1% of GDP, from this year's program of PhP1,650.5 billion or 7.6% of GDP.

Cash-Based Budget

- The total cash budget for FY 2023 is PhP5,268.0 billion, 4.9% higher than this year's PhP5,023.6 billion. This amount represents 22.1% of GDP.
- Meanwhile, the projected disbursement for FY 2023 will amount to PhP5,085.8 billion or 2.6% higher than the 2022 program of PhP4,954.6 billion.
- Given the limited resources for this year and to practice prudent public financial management, the FY 2023 cash budget will prioritize implementation-ready PAPs that reflect the government's priorities.
- The government will fund health-related expenditures, disaster risk management, social security, digital economy/government, local government support, and growth-inducing expenditures.



Produced by:

Budget Information and Training Service
Department of Budget and Management
www.dbm.gov.ph