

BRIEFER ON THE 2024 BUDGET PRIORITIES FRAMEWORK (MACROECONOMIC AND FISCAL ENVIRONMENT)

Considering the prevailing global and domestic economic conditions, the government commits to follow sound macroeconomic and fiscal management policies as it crafts the FY 2024 Cash Budget.

Macroeconomic Assumptions

Parameter	Actual	Projections ^{1/}					
	2022	2023	2024	2025	2026	2027	2028
Real GDP (%)	7.6	6.0 - 7.0	6.5 - 8.0	6.5 - 8.0	6.5 - 8.0	6.5 - 8.0	6.5 - 8.0
Inflation (%)	5.8	5.0 - 7.0	2.0 - 4.0	2.0 - 4.0	2.0 - 4.0	2.0 - 4.0	2.0 - 4.0
Dubai Crude Oil (US\$/bbl)	97.05	70 - 90	70 - 90	60 - 80	60 - 80	60 - 80	60 - 80
FOREX (Php/US\$)	54.48	53 - 57	53 - 57	53 - 57	53 - 57	53 - 57	53 - 57
Growth of Goods Export (%)	5.9	3.0	6.0	6.0	6.0	6.0	6.0
Growth of Goods Import (%)	18.5	4.0	8.0	8.0	8.0	8.0	8.0

^{1/}Projections were adopted in the 184th DBCC Meeting on April 24, 2023.



Real GDP Growth

With the continued positive economic performance of the Philippines, the government has set the GDP growth target for 2024 at 6.5% - 8.0%. To help reach this, the government will continue implementing risk-mitigating interventions and forward-looking policies to improve the country's competitiveness and resilience.



Dubai Crude Oil

Despite the uncertainty in the near term, Dubai Crude Oil is expected to fall within the range of \$70 to \$90 per barrel in 2024, as supported by recent prices and forecasts.



Inflation

Inflation is projected to settle at 2.0% to 4.0% in 2024 due to the interplay of factors that could cause inflation to rise (e.g., rising food prices, supply chain disruptions, and potential wage and transport fare increases) and factors that could cause inflation to fall (e.g., recovery in local swine production, enforcement of non-monetary measures to address supply chain disruptions and moderation in global commodity prices).

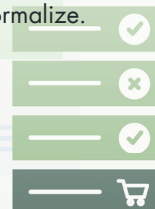


Foreign Exchange Rate

As the U.S. Federal Reserve eases its monetary policy as well as the normalization efforts of the Bangko Sentral ng Pilipinas, the peso-dollar exchange rates are expected to settle within Php 53 to Php 57 per US\$ 1 for 2024.

Growth of Goods

The growth of goods exports and imports is expected to reach 6.0% and 8.0% in 2024, respectively, as both global and domestic economic activity gradually normalize.



Fiscal Program

The government will continue to practice fiscal prudence and efficiently use its limited resources in FY 2024. With the continued implementation of the Cash Budgeting System, agencies are expected to ensure that proposed programs, activities, and projects are implementation-ready.

Particulars	Actual	Projections ^{2/}					
	2022	2023	2024	2025	2026	2027	2028
Levels (in billion Pesos)							
Revenues	3,545.5	3,729.0	4,184.4	4,692.0	5,255.4	5,895.9	6,621.6
Disbursements	5,159.6	5,228.4	5,547.3	5,887.7	6,372.2	7,014.8	7,773.4
Fiscal Balance	(1,614.1)	(1,499.4)	(1,362.9)	(1,195.7)	(1,116.8)	(1,118.9)	(1,151.7)
Appropriations	5,023.6 ^{3/}	5,268.0	5,750.6	5,903.9	6,400.4	7,145.6	7,883.6
Percent of GDP (%)							
Revenues	16.1	15.2	15.7	16.1	16.5	16.9	17.2
Disbursements	23.4	21.3	20.8	20.2	20.0	20.1	20.2
Fiscal Balance	(7.3)	(6.1)	(5.1)	(4.1)	(3.5)	(3.2)	(3.0)
Appropriations	22.8	21.5	21.6	20.3	20.1	20.4	20.5
Growth Rate (%)							
Revenues	18.0	5.2	12.2	12.1	12.0	12.2	12.3
Disbursements	10.4	1.3	6.1	6.1	8.2	10.1	10.8
Fiscal Balance ^{4/}	3.4	7.1	9.1	12.3	6.6	(0.2)	(2.9)
Appropriations	11.5	4.9	9.2	2.7	8.4	11.6	10.3
GDP (nominal, in billion Pesos)	22,024.5	24,522.1	26,628.0	29,146.6	31,902.2	34,985.3	38,390.7

Sources: Department of Budget and Management, Department of Finance, and National Economic and Development Authority
^{2/}Consistent with the macroeconomic and growth assumptions, and fiscal program approved during the 184th DBCC Meeting on April 24, 2023.
^{3/}Total cash appropriations for FY 2022 as authorized under the General Appropriations Act (Republic Act No. 11639).
^{4/}A positive growth rate indicates an improvement in the fiscal balance, while a negative growth rate implies a deterioration in the fiscal balance.

Revenues

For 2024, revenues are expected to grow by 12.2% amounting to Php 4,184.4 billion, equivalent to 15.7% of GDP, as supported by measures such as the Passage of the Passive Income and Financial Intermediary Taxation Bill (Package 4 of the Comprehensive Tax Reform Program); and the Imposition of Value-Added Tax (VAT) on digital service providers, as well as excise taxes on single-use plastics and pre-mixed alcohol, to further strengthen revenue growth.

Disbursement

The disbursements for FY 2024 will increase by 6.1% to Php 5,547.3 billion, equivalent to 20.8% of GDP. Due to the tight fiscal space, the government will continue employing measures to improve bureaucratic efficiency and absorptive capacities. These include digital transformation and the passage of key public financial management reforms that will play crucial roles in the effective utilization of public resources.

Deficit

For 2024, the deficit is projected to decrease to Php 1,362.9 billion, equivalent to 5.1% of GDP. This downward trend is expected to persist, reaching 3.0% of GDP by 2028. To mitigate foreign exchange and interest rate risks, the government will continue to prioritize domestic sources of financing. Additionally, the government plans to explore alternative funding options like Environmental, Social, and Governance financing within the country's Sustainable Finance Framework.



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