

Discussion on UNESCAP's Economic and Social Survey of Asia and the Pacific 2022 and PIDS' study on public debt sustainability

Gil S. Beltran

President, Philippine Tax Academy

Chief Economist, Department of Finance

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Shaping the Future of Regional Cooperation in Asia and the Pacific



The Philippine fiscal sector: from the economy's Achilles' heel to its strong partner in sustainable and inclusive growth and development

Gil S. Beltran

Chief Economist

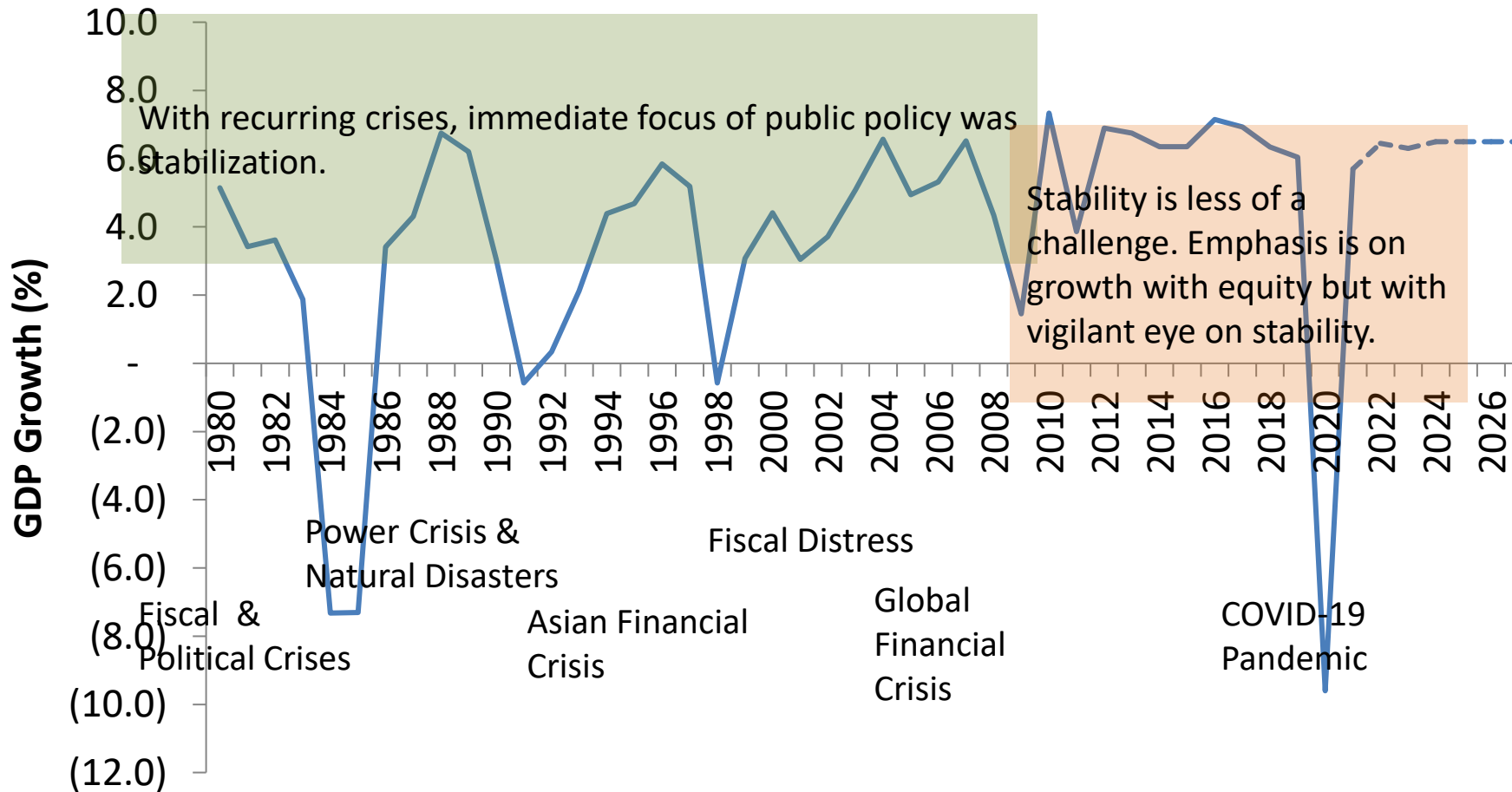
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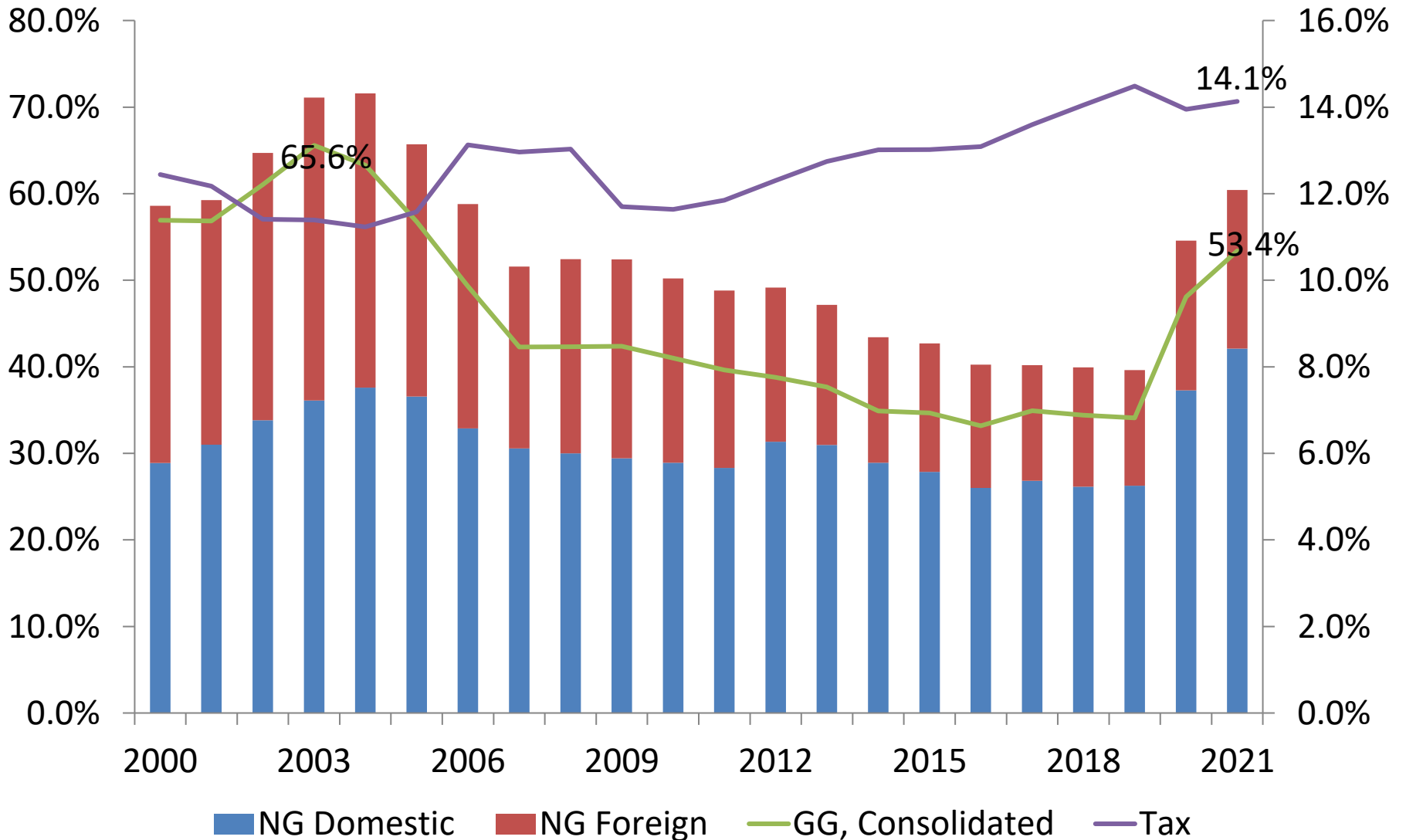
Recalibration of Developmental Objectives: Efficiency, Equity, Stability



Source: IMF

Note: Projected GDP Growth in dashed line

Selected Fiscal Indicators (in % of GDP)



A Simplified Debt Dynamics Model

$$d_t = \frac{(1 + \pi)(1 + r)}{(1 + \pi)(1 + g)} d_{t-1} - pb_t$$

$d_t = \text{Debt/GDP}$

$\pi = \text{Inflation rate}$

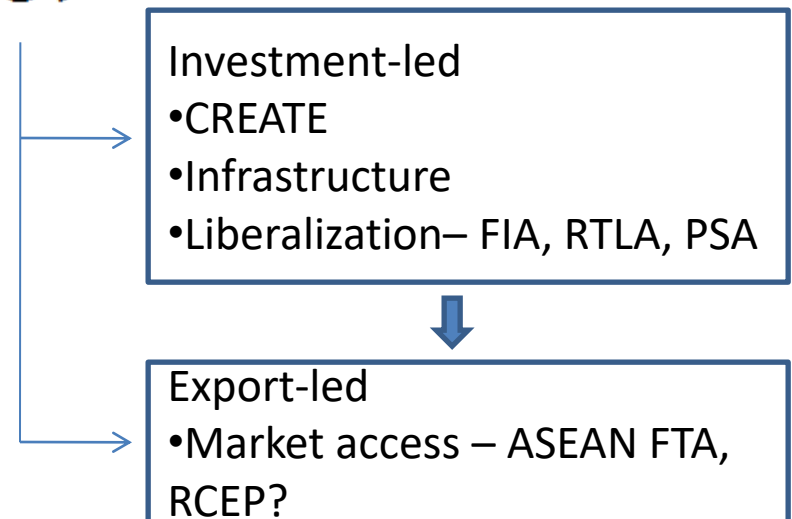
$r = \text{real interest rate}$

$g = \text{real GDP growth rate}$

$pb_t = \text{primary balance}$

Resuming Inclusive and Sustainable Growth Against the Backdrop of Fiscal Consolidation and Headwinds

$$d_t = \frac{(1 + \pi)(1 + r)}{(1 + \pi)(1 + g)} d_{t-1} - pb_t$$



MT Fiscal Program

% of GDP

	Actual			Program*	Projections*		
	2019	2020	2021	2022	2023	2024	2025
Revenues	16.1	15.9	15.5	15.2	15.3	15.6	16.1
Expenditures	19.5	23.5	24.1	22.8	21.3	20.8	20.2
Overall							
Balance	(3.4)	(7.6)	(8.6)	(7.6)	(6.1)	(5.1)	(4.1)
Primary							
Balance	(1.5)	(5.5)	(6.4)	(5.2)	(3.8)	(2.7)	(1.6)
Infra Program	5.4	4.8	5.8	5.5	5.4	5.4	5.3
PPP**	0.4	1.6	2.5	2.2	2.8	2.5	1.9

Notes: * - DBCC assumptions as of 24 May 2022

** DOF Estimates based on completed and ongoing projects

Sources of Basic Data: DBM; PSA; BTr

MT Fiscal Program

	2019	2020	2021	2022	2023	2024	2025
REAL GDP GROWTH, %	6.0	-	5.6	6.5	6.5	6.5	6.5
REAL INTEREST RATE, 10-YR BOND, %	2.8	0.5	-0.2	2.0	2.0	2.0	2.0
NG DEBT, % OF GDP	39.6	54.6	60.5	60.9	60.7	60.4	60.4
GG DEBT, % OF GDP	34.4	48.1	53.3	55.6	54.7	54.2	54.2
Source: DBCC							

Concluding Thoughts

- Through various fiscal and structural reforms and judicious debt management, the Philippine fiscal sector transformed from being the Achilles' heel of the economy to a strong pillar of stability and enabler of sustainable and inclusive development.
- Along with structural reforms, fiscal policy has and henceforth will continue to play a decisive role in helping recover lost household income and reviving the economy while at the same time remaining mindful of the stability implications of such actions.

(Excerpts from the ESCAP Commemorative Book)