



*Funding the Republic*

REPUBLIKA NG PILIPINAS  
KAGAWARAN NG PANANALAPI  
**KAWANIHAN NG INGATANG-YAMAN**  
(BUREAU OF THE TREASURY)  
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**Press Release**

**Full-Year 2018 Budget Deficit Reached P558.3 Billion  
NG rises above serial underspending with 3.2% of GDP deficit in 2018**

**22 February 2019 Manila, Philippines** – The National Government (NG) achieved a fiscal deficit of P558.3 billion or 3.2% of GDP in 2018, slightly exceeding the 3% target by P34.6 billion. The improvement from last year's 2.2% of GDP deficit performance was underpinned by a 21% increase in disbursement matched with on-target revenue growth of 15%. Meanwhile, the budget shortfall in December narrowed by 24% year-on-year to P81.0 billion behind 4% year-on-year revenue expansion and 5% expenditure contraction.

**Revenue Performance**

Full-year revenue collection reached P2,850.2 billion, exceeding the target by P3.9 billion, as the shortfall in tax collection was more than offset by strong non-tax revenues. Tax collection, which made up 90% of total revenues, amounted to P2,565.9 billion, 4% behind program but 14% higher than the 2017 level. Meanwhile, non-tax collection contributed 10% or P284.3 billion, exceeding the goal by 68% behind year-on-year growth of 28%. Revenue collections for December increased by 4%, year-on-year, reaching P232.2 billion.

On a full-year basis, the Bureau of Internal Revenue (BIR) collection grew by 10% to P1,951.9 billion<sup>1</sup>, but was 6% or P121.9 billion behind the program. The shortfall may be partly attributed to non-implementation of fuel-marking and the slowdown in consumption amid high inflation and peso depreciation. The BIR's December collection of P150.8 billion was broadly equal to the outturn posted in the same month in 2017.

However, the Bureau of Customs (BOC) surpassed its revenue target by 2% with a P593.1 billion<sup>2</sup> full-year collection which is 29% higher compared to 2017's performance. Revenue enhancement measures coupled with proper valuation and tariff classification of goods, as well as a strengthened campaign against illegal trade and the windfall from peso depreciation, contributed to the strong BOC performance. Also, the December collection of P54.6 billion indicates a 21% improvement over the uptake in the same month last year.

Total income generated and collected by the Bureau of the Treasury (BTr) stood at P114.2 billion for the year, a 14% increment from last year and a P58.4 billion over-performance relative to this year's target. The increase was on account of higher dividends from NG shares of stocks amounting to P40.8 billion (four times higher than the P10.0 billion program) and the NG share from PAGCOR income amounting to P31.8 billion. On the other hand, the P10.6 billion collected by the BTr for December 2018 was down by 21% year-on-year due to lower dividend remittance compared to last year.

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<sup>1</sup> Net of total tax refund of P10.8 billion, Jan-Dec Gross BIR collections (inclusive of tax refund) is P1,962.6 billion. December tax refund was P1.4 billion while December Gross BIR collection is P152.3 billion.

<sup>2</sup> Net of total tax refund of P5.3 billion, Jan-Dec Gross BOC collections (inclusive of tax refund) is P598.4 billion.

For 2018, revenues from other offices (non-tax) rose to P170.1 billion, a 39% increase from 2017's outturn and surpassing the P113.1 billion programmed for the year. Revenue for December likewise grew by 23%, year-on-year, to P15.6 billion.

## **Expenditures**

Government disbursement for the year totaled P3,408.4 billion, breaking consecutive years of underspending with a 1% variance over the P3,370.0 billion spending program. As a result of ramped-up spending in public infrastructure, social protection, and higher Personnel Services (PS) due to the pay increase for both the civilian, and military and uniformed personnel, as well as the improved fill up rates for teaching positions in the DepEd disbursements surged by 21% from last year's level. Meanwhile, disbursements for December reached P313.3 billion, lower by 5% compared to the P330.2 billion spent in December 2017.

Of the total disbursements, 90% went to primary expenditures while the remaining 10% was for interest payments. Total primary expenditures (net of interest payments) went up by 22% year-on-year to P3,059.2 billion in 2018.

Interest payments (IP) amounted to P349.2 billion for the year - up 12% year-on-year but still 1% below program, generating savings of P4.8 billion. The growth in IP for 2018 was attributed to discounts on T-Bills issued in 2018, coupon payments of new debt issued in 2017, and upward adjustments in foreign debt servicing due to peso weakness and higher LIBOR rates. December 2018 IP grew 42% from a year ago reflecting coupon payments of new RTBs issued in December 2017 and June 2018.

## **Primary Surplus/ (Deficit)**

Net of interest payments, NG's primary deficit for December was recorded at P51.8 billion, lower than the December 2017's outturn of P86.6 billion by 40%. Nevertheless, the full-year primary deficit of P209.0 billion was more than five times higher compared to the P40.1 billion posted a year ago and above target by 23%.

## **Fiscal Indicators**

Revenue effort advanced to 16.4% from 15.6% a year ago, exceeding the programmed of 16.3%. Tax effort also improved to 14.7% from 14.2% and the highest in 20 years, although short of the 15.4% program. Meanwhile, expenditures to GDP—the participation of government in domestic output—has increased to 19.6% from 17.9% a year ago and was significantly above the 19.3% target. Moreover, the IP component of spending contracted to 10.2% from 11.0% last year, lower than the program of 10.5%. Lastly, IP as a percentage of total revenue improved to 12.3% from 12.6% in 2017, slightly better than the 12.4% program. In sum, the quality of government spending has improved.

## Fiscal Performance

For the Period Indicated

In billion pesos

### Year-on Year

Particulars	December				January to December (Actual)			
	2017	2018	Diff	YoY	2017	2018	Diff	YoY
<b>REVENUES</b>	<b>223.1</b>	<b>232.2</b>	<b>9.1</b>	<b>4%</b>	<b>2,473.1</b>	<b>2,850.2</b>	<b>377.1</b>	<b>15%</b>
<b>Tax Revenues</b>	<b>197.0</b>	<b>206.0</b>	<b>9.0</b>	<b>5%</b>	<b>2,250.7</b>	<b>2,565.9</b>	<b>315.2</b>	<b>14%</b>
BIR <sup>1/</sup>	151.2	150.8	(0.4)	0%	1,772.3	1,951.9	179.5	10%
BOC <sup>2/</sup>	45.1	54.6	9.6	21%	458.2	593.1	134.9	29%
Other Offices	0.7	0.5	(0.2)	28%	20.2	20.9	0.8	4%
<b>Non-Tax Revenues</b>	<b>26.1</b>	<b>26.2</b>	<b>0.2</b>	<b>1%</b>	<b>222.5</b>	<b>284.3</b>	<b>61.8</b>	<b>28%</b>
BTr	13.4	10.6	(2.8)	21%	99.9	114.2	14.3	14%
Other Offices	12.7	15.6	2.9	23%	122.5	170.1	47.5	39%
<b>EXPENDITURES</b>	<b>330.2</b>	<b>313.3</b>	<b>(17.0)</b>	<b>-5%</b>	<b>2,823.8</b>	<b>3,408.4</b>	<b>584.7</b>	<b>21%</b>
Interest Payments	20.6	29.2	8.7	42%	310.5	349.2	38.7	12%
Others	309.7	284.0	(25.6)	-8%	2,513.2	3,059.2	546.0	22%
<b>SURPLUS/ (DEFICIT)</b>	<b>(107.1)</b>	<b>(81.0)</b>	<b>26.1</b>	<b>24%</b>	<b>(350.6)</b>	<b>(558.3)</b>	<b>(207.6)</b>	<b>59%</b>
<b>Primary Surplus/ (Deficit)</b>	<b>(86.6)</b>	<b>(51.8)</b>	<b>34.8</b>	<b>40%</b>	<b>(40.1)</b>	<b>(209.0)</b>	<b>(168.9)</b>	<b>421%</b>

1/ For Dec, net of tax refund amounting to P1.4 billion; December gross BIR collections was P152.3 billion. Jan-Dec gross BIR collection inclusive of tax refund is P1,962.6 billion. Total tax refund is P10.8 billion.

2/ Jan-Dec gross BOC collections of P598.4 billion, net of tax refund amounting to P5.33 billion.

### Program vs Actual

Particulars	January to December			
	Program	Actual	Diff	%
<b>REVENUES</b>	<b>2,846.3</b>	<b>2,850.2</b>	<b>3.9</b>	<b>0%</b>
<b>Tax Revenues</b>	<b>2,677.4</b>	<b>2,565.9</b>	<b>(111.5)</b>	<b>-4%</b>
BIR	2,073.8	1,951.9	(121.9)	-6%
BOC	581.3	593.1	11.8	2%
Other Offices	22.4	20.9	(1.5)	-6%
<b>Non-Tax Revenues</b>	<b>168.8</b>	<b>284.3</b>	<b>115.4</b>	<b>68%</b>
BTr	55.8	114.2	58.4	105%
Other Offices	113.1	170.1	57.0	50%
<b>EXPENDITURES</b>	<b>3,370.0</b>	<b>3,408.4</b>	<b>38.5</b>	<b>1%</b>
Interest Payments	354.0	349.2	(4.8)	-1%
Others	3,015.9	3,059.2	43.3	1%
<b>SURPLUS/ (DEFICIT)</b>	<b>(523.7)</b>	<b>(558.3)</b>	<b>(34.6)</b>	<b>7%</b>
<b>Primary Surplus/ (Deficit)</b>	<b>(169.7)</b>	<b>(209.0)</b>	<b>(39.4)</b>	<b>23%</b>