



Funding the Republic

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG INGATANG-YAMAN
(BUREAU OF THE TREASURY)
Intramuros, Manila 1002

Press Release

National Government Expenditures Beat Target in 2019
Full-year disbursements grew 11.42% YoY
putting deficit at P660.2 billion

MANILA, Philippines, 26 February 2020 – The National Government (NG) notched a P660.2 billion budget deficit in 2019 driven by robust disbursements in December which surged by 57.83% from a year ago. The acceleration brought full-year government spending to a year-over-year (YoY) growth of 11.42% and 0.74% more than the program.

Expenditure Performance

Full-year 2019 National Government disbursements reached P3,797.7 billion, up by P389.3 billion compared to the P3,408.4 billion outlay a year ago, and P28.1 billion higher than the target. Expenditures sped up despite the delay in the approval of the 2019 budget as line agencies caught up with spending towards the latter part of the year. In particular, disbursements for the month of December surged by P181.1 billion from the same period last year to reach P494.4 billion backed by strong infrastructure spending of the DPWH, implementation of social protection programs and services of the DSWD, and personnel services expenditures with the grant of the Service Recognition Incentive, payment of pension and retirement benefits, as well as requirements for the creation and filling of positions in various agencies.

Productive spending (expenditures net of interest payments) reached P3,436.9 billion, increasing by 12.34% or P377.6 billion YoY. Meanwhile, total Interest payments (IP) reached P360.9 billion, up 3.34% or P11.7 billion over last year, but still 9.68% below program, generating P38.7 billion in savings. The increment in IP was due to coupon payments for outstanding debt as well as foreign exchange and LIBOR rate adjustments. Nevertheless, December IP of P29.1 billion decreased marginally by 0.31% compared to 2018. IP as a percentage of revenue and expenditures declined to 11.50% and 9.50% from 12.25% and 10.25% a year ago, respectively, highlighting affordability and sustainability in the country's debt and borrowing operations.

Net of interest payments, NG achieved a P299.4 billion primary deficit for 2019, 43.21% higher than the primary balance in 2018 and 35.81% above program. Meanwhile, the December primary deficit of P222.0 billion exceeded the primary balance a year ago by P170.2 billion.

Revenue Performance

Total revenue settled at P3,137.5 billion in 2019, growing 10.08% YoY and just 0.39% or P12.2 billion short of the P3,149.7 billion program for the year. Tax revenues swelled 10.21% YoY to P2,827.8 billion, making up 90% of total collections. Meanwhile, the remaining 10% came from non-tax sources which also grew by 8.91% to P309.7 billion. December 2019 revenues likewise increased by 4.77% to P243.3 billion from the previous year's outturn of P232.2 billion.

Revenue effort went up to 16.86% from 16.36% in 2018 and exceeded the program of 16.51%. Meanwhile, tax effort of 15.19% was lower than the goal of 15.49% but higher than the previous year's 14.72%.

The Bureau of Internal Revenue (BIR) recorded an 11.46% improvement in its full-year collection of P2,175.5 billion¹. However, BIR's performance is still behind by 4.22% compared to the P2,271.4 billion program. While percentage taxes grew significantly,² the lower revenue from the excise tax on fuel and sugary drinks partly caused the lower-than-programmed collection of the agency.³ BIR collected P162.6 billion in December was up 7.78% or P11.7 billion from the same period last year.

The Bureau of Customs' (BOC) net revenue take of P630.3 billion⁴ was 6.27% better than last year's P593.1 billion, but still short of the program by 4.65%. The shortfall is mainly attributed to peso appreciation and lower importation.⁵ Nevertheless, BOC's full-year gross revenue totaled P640.0 billion, inclusive of the P9.7 billion tax refund paid to claimants. However, the P52.2 billion raised by the BOC for December contracted by 4.47% YoY or by P2.4 billion relative to 2018 collections.

The Bureau of the Treasury (BTr) generated P146.5 billion in 2019, nearly double the program of P73.9 billion and 28.30% higher compared to the P114.2 billion achieved in 2018. Growth was propelled by higher interest income from NG deposits, dividend on shares of stocks, interest on advances to GOCCs as well as interest income from Bond Sinking Fund (BSF) investments and NG's share from PAGCOR income. In December 2019, the Bureau was likewise able to exceed last year's income by 11.42% to reach P11.8 billion due to higher returns from BSF investments, PAGCOR income, and guarantee fees.

Other offices (other non-tax including privatization proceeds and fees and charges) contributed P163.1 billion in revenues, down 4.10% YoY due to the high base from the one-off remittance of bond proceeds from UCPB for the Coco Levy fund in 2018.⁶ Relative to the program, total collections were still higher by 35.54% or P42.8 billion. Meanwhile, December collections amounting to P16.0 billion showed a 2.01% increase over 2018 collections.

Lastly, relative to the economy, the full-year deficit was at 3.55% of GDP, higher than the target of 3.25% and 3.20% for 2018.

¹ Net of tax refund amounting to P929.0 million for December and P11.0 billion for January to December; December total BIR collection inclusive of tax refund is P163.5 billion while full year BIR collection inclusive of tax refund is P2,186.4 billion.

² https://www.bir.gov.ph/index.php/tax-information/percentage-tax.html#ptax_description. Data provided by BIR.

³ <https://business.inquirer.net/284190/bir-to-miss-2019-collection-goal>

⁴ Net of tax refund amounting to P997.0 million for December and P9.7 billion for January to December; December total BOC collection inclusive of tax refund is P53.2 billion while full year BOC collection inclusive of tax refund is P640.0 billion.

⁵ <https://business.inquirer.net/286920/customs-collections-hit-record-p630-6b>

⁶ Transfer of bond proceeds remitted by UCPB from escrow account to Special Account in General Fund for the PCGG-CIIF holding companies amounting to P13.5 billion.

Fiscal Performance
For the Period Indicated
(In Billion Pesos)

Year-on-Year

Particulars	December				January to December (Actual)			
	2018	2019	Diff	YoY	2018	2019	Diff	YoY
REVENUES	232.2	243.3	11.1	4.77%	2,850.2	3,137.5	287.3	10.08%
Tax Revenues	206.0	215.5	9.6	4.64%	2,565.9	2,827.8	262.0	10.21%
BIR ^{1/}	150.8	162.6	11.7	7.78%	1,951.9	2,175.5	223.7	11.46%
BOC ^{2/}	54.6	52.2	(2.4)	-4.47%	593.1	630.3	37.2	6.27%
Other Offices	0.5	0.8	0.3	51.09%	20.9	22.0	1.1	5.33%
Non-Tax Revenues	26.2	27.8	1.5	5.81%	284.3	309.7	25.3	8.91%
BTr	10.6	11.8	1.2	11.42%	114.2	146.5	32.3	28.30%
Other Offices	15.6	16.0	0.3	2.01%	170.1	163.1	(7.0)	-4.10%
EXPENDITURES	313.3	494.4	181.1	57.83%	3,408.4	3,797.7	389.3	11.42%
Interest Payments	29.2	29.1	(0.1)	-0.31%	349.2	360.9	11.7	3.34%
Others	284.0	465.3	181.2	63.80%	3,059.2	3,436.9	377.6	12.34%
SURPLUS/ (DEFICIT)	(81.0)	(251.1)	(170.1)	209.84%	(558.3)	(660.2)	(102.0)	18.27%
Primary Surplus/ (Deficit)	(51.8)	(222.0)	(170.2)	328.29%	(209.0)	(299.4)	(90.3)	43.21%

1/ December gross BIR collection is P163.5 billion, inclusive of the P929 million tax refund. Full year gross collection is P2.2 trillion, total tax refund of P11.0 billion.

2/ December gross BOC collection inclusive of P997 million tax refund is P53.2 billion. Full year gross collection is P640.0 billion with a total tax refund of P9.7 billion.

Program vs Actual

Particulars	January-December			
	Prog	Actual	Diff	%
REVENUES	3,149.7	3,137.5	(12.2)	-0.39%
Tax Revenue	2,955.4	2,827.8	(127.6)	-4.30%
BIR	2,271.4	2,175.5	(95.9)	-4.22%
BOC	661.0	630.3	(30.7)	-4.65%
Other Offices	23.0	22.0	(1.0)	-4.27%
Non-Tax Revenue	194.2	309.7	115.4	59.41%
BTr	73.9	146.5	72.6	98.29%
Other Offices	120.4	163.1	42.8	35.54%
EXPENDITURES	3,769.7	3,797.7	28.1	0.74%
Operating exp.	3,370.1	3,436.9	66.8	1.98%
Interest Payments	399.6	360.9	(38.7)	-9.68%
SURPLUS/ (DEFICIT)	(620.0)	(660.2)	(40.2)	6.49%
Primary Surplus/ (Deficit)	(220.4)	(299.4)	(78.9)	35.81%