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economic snapshots

QUICK FACTS AND FIGURES OF THE PHILIPPINE ECONOMY

QUARTERLY

CURRENT ECONOMIC SITUATION

In his 2023 State of the Nation Address (SONA), President Ferdinand "Bongbong" Marcos, Jr. presented his administration's achievements, outlining his plans and priorities for the coming year in a wide range of sectors, such as the economy, agriculture, infrastructure development, power and energy, education and labor, health, digital transformation, environment, peace and order, and foreign policy. The contents of his second SONA reflected general economic concerns of Filipinos on the ground such as inflation, job security, and poverty that indicates policy continuity for the succeeding years of his term. The president emphasized that the government had looked beyond the local economy and formed "strategic alliances with traditional and newfound partners in the international community." He also stated that the country's independent foreign policy – which is to be a friend to all and an enemy of none – had proven effective.

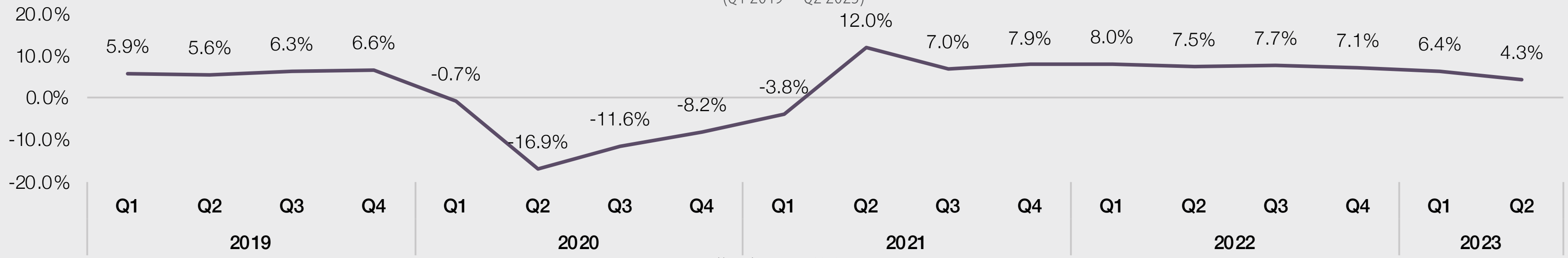
Judging from the nature of President Marcos Jr.'s plans and programs, it can be said that his administration is on the right track toward addressing the main concerns of the people on the ground. Then again, all these grand plans and pronouncements will be futile without a sustainable funding source. The proposed national budget for fiscal year 2024 has been marred with contentions amid increasing issues about intelligence and confidential funds, while the creation of the controversial Maharlika Investment Fund received opposition from various sectors, such as the business community and the academe. One positive development in President Marcos Jr.'s administration was the support from both chambers of Congress, which made the national budget a reality in the form of the General Appropriations Act (GAA). At the very least, any judgment on whether the aforesaid plans and programs would proceed effectively depends on the actual implementation of the national budget for 2024 once it is finally approved.

UPDATES ON ECONOMIC INDICATORS

Economic Growth

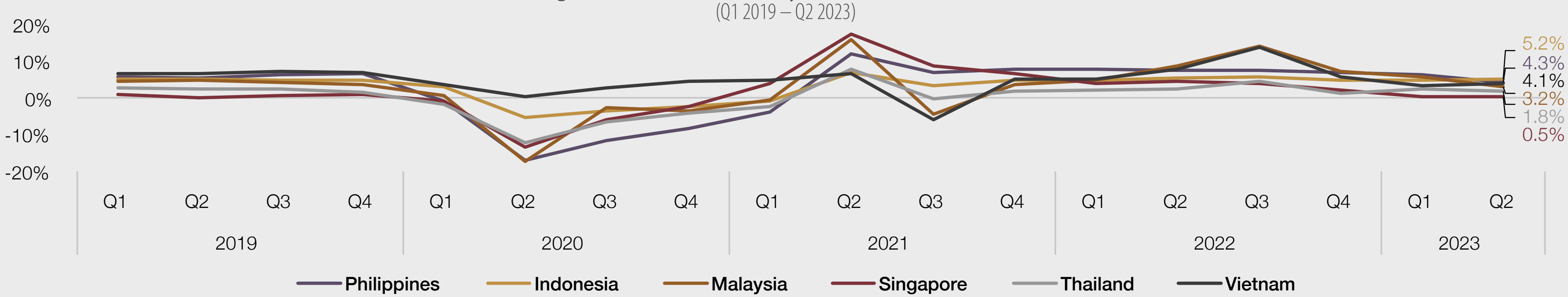
According to the latest data from the Philippine Statistics Authority (PSA),[1] the Gross Domestic Product (GDP) expanded by 4.3% in the second quarter of 2023, slower than the previous quarter's rate of 6.4% (Figure 1). This brought the first semester average growth to 5.3%, below the government's growth target of 6.0-7.0% for the year. The PSA identified the main drivers of this growth as follow: wholesale and retail trade, repair of motor vehicles and motorcycles (5.3%); financial and insurance activities (5.0%); and transportation and storage (17.3%). Notably, all major sectors expanded during the quarter: Agriculture, Forestry, and Fishing (0.2%); Industry (2.1%); and Services (6.0%). Meanwhile, on the expenditure side, Household Final Consumption Expenditure expanded by 5.5%. Exports and Imports likewise grew by 4.1% and 0.4%, respectively. However, two items posted negative growths, namely Government Final Consumption Expenditure (-7.1%) and Gross Capital Formation (-0.04%). As shown in Figure 2,[2] the Philippines was the second fastest growing economy in Southeast Asia, trailing behind Singapore.

Figure 1 . Quarterly Real GDP Growth Rates
(Q1 2019 – Q2 2023)

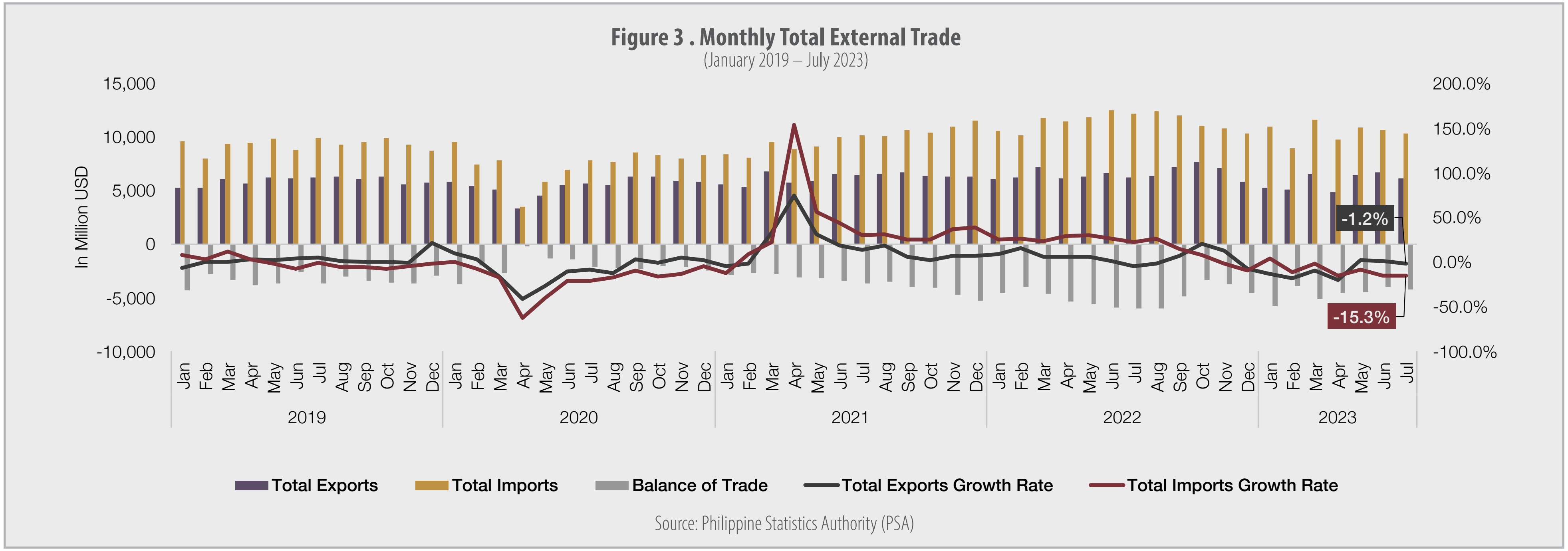


Note: At constant 2018 prices
Source: Philippine Statistics Authority (PSA)

Figure 2 . ASEAN Quarterly Real GDP Growth Rates
(Q1 2019 – Q2 2023)



Source: Bangko Sentral ng Pilipinas (BSP)



External Trade Performance

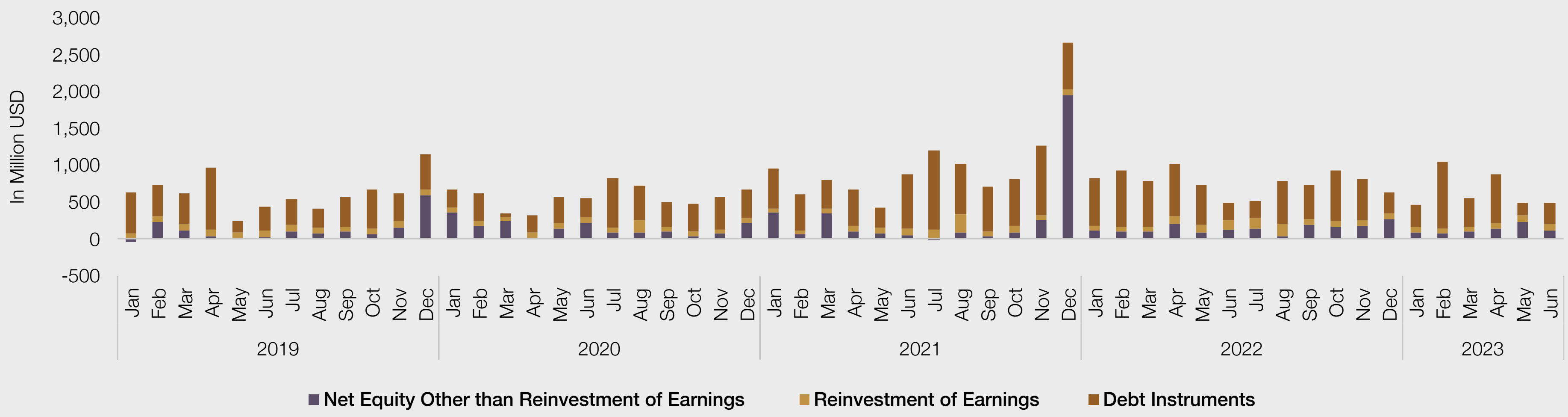
According to the PSA,[3] the country's total external trade in July 2023 amounted to USD 16.49 billion, contracting by 10.5% year-on-year (Figure 3). A closer look at the data shows that out of the total external trade, 62.7% were imported goods, while the rest were exported goods. As such, the resulting trade deficit amounted to USD 4.20 billion, indicating an annual decline of 30.0%.

Philippine exports in July 2023 amounted to USD 6.14 billion, posting a growth rate of -1.2% year-on-year. Electronic products remained to be the country's top export product, valued at USD 3.65 billion and accounting for 59.4% of the total exports during the month. This was followed by other manufactured goods (4.5%) and other mineral products (3.6%). The United States of America was the top export destination, amounting to USD 1.04 billion with a share of 16.9% to the total exports. Trailing behind were Japan (14.0%), Hong Kong (13.0%), China (12.3%), and the Netherlands (5.3%).

On the other hand, total imported goods amounted to USD 10.35 billion, posting a decline of 15.3% year-on-year. Electronic products were likewise the highest import value among commodity groups, amounting to USD 2.26 billion and accounting to 21.9% of the total imports. This was followed by mineral fuels, lubricants and related materials (14.8%) and transport equipment (9.6%). China continued to be the country's top source of imported goods amounting to USD 2.64 billion, representing 25.5% of the total. Other top sources were Japan (8.4%), Indonesia (7.8%), USA (6.6%), and Thailand (6.2%).[4]

A crucial development that can significantly impact the growth of trade and investments in the Philippines is the signing of the Philippines-Korea Free Trade Agreement (PH-KR FTA) in September 2023. According to Department of Trade and Industry (DTI) Secretary Alfredo Pascual, the FTA aims to elevate the Philippines' current bilateral relations with South Korea to a stronger strategic partnership. The Philippines' collaboration with South Korea focuses on trade, economic cooperation,

Figure 4 . Monthly Net Foreign Direct Investment (FDI) Inflows
(January 2019 – June 2023)



Source: Bangko Sentral ng Pilipinas (BSP)

and investments, particularly in critical minerals and supply chains. The FTA seeks to strengthen this partnership, boost trade and investment, and create jobs. It will also position the Philippines as an attractive destination for smart and sustainable investments, especially in manufacturing and exports. The PH-KR FTA is expected to bring economic benefits through improved access to the South Korean market for products like tropical fruits and enhanced cooperation mechanisms.

Foreign Direct Investment (FDI)

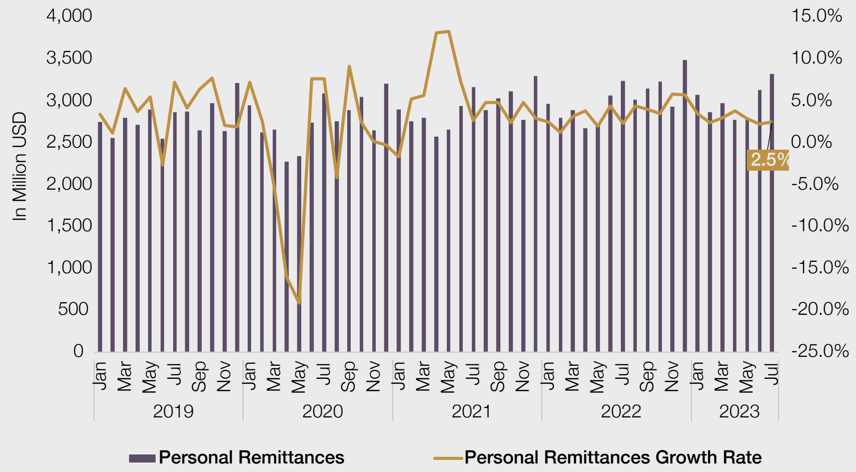
According to the BSP,[6] the net inflows of foreign direct investment (FDI) in June 2023 expanded by 3.9% year-on-year, amounting to USD 484 million (Figure 4). The BSP attributed this decline to investor concerns over weak growth prospects amid persistent global uncertainties. Notably, majority of the foreign equity capital during the month came from Japan, the United States of America, and Singapore, which were then directed to the manufacturing, real estate, and information and communication industries. Cumulatively, the net inflows of FDI during the first half of 2023 amounted to USD 3.9 billion, indicating a 20.4% decline from the USD 4.9 billion net inflows registered in the same period in 2022.

On top of the net FDI inflows,[7] latest PSA data shows that the total foreign investment pledges approved in the second quarter of 2023 amounted to PHP 59.09 billion, an expansion of 27.8% from the PHP 46.26 billion recorded in the same period in 2022. Out of the total, Japan was the top source of investment pledges, accounting for 34.4%. This was followed by Singapore (29.9%) and Cayman Islands (19.7%). The manufacturing industry was the top recipient of approved investments amounting to PHP 35.07 billion, or 59.3% of the total, followed by Information and Communication (23.6%) and Administrative and Support Service Activities (5.6%). The biggest chunk of investment pledges will be directed to SOCCSKSARGEN (32.8%), CALABARZON (24.8%), and the National Capital Region (5.3%). If these foreign investment projects materialize, over 21,000 jobs are expected to be generated.

Remittances

Data from the BSP[8] show that personal remittances from overseas Filipinos posted an increase of 2.5% in July 2023 year-on-year, amounting to USD 3.32 billion (Figure 5). This growth was attributed to higher remittances sent by land-based workers with work contracts of one year or more, as well as by sea- and land-based workers with work contracts of less than one year. This brought the cumulative personal remittances during the first seven months of the year to USD20.91 billion, which was 2.9% higher than the USD 20.33 billion in the same period in 2022. Notably, out of the personal remittances, cash remittances that were coursed through banks reached USD 2.99 billion in July 2023, indicating a 2.6% increase year-on-year. From January to July 2023, the USA remained as the top source of overall remittances, followed by Singapore, Saudi Arabia, and Japan.

Figure 5 . Overseas Filipinos' Personal Remittances
(January 2019 – July 2023)



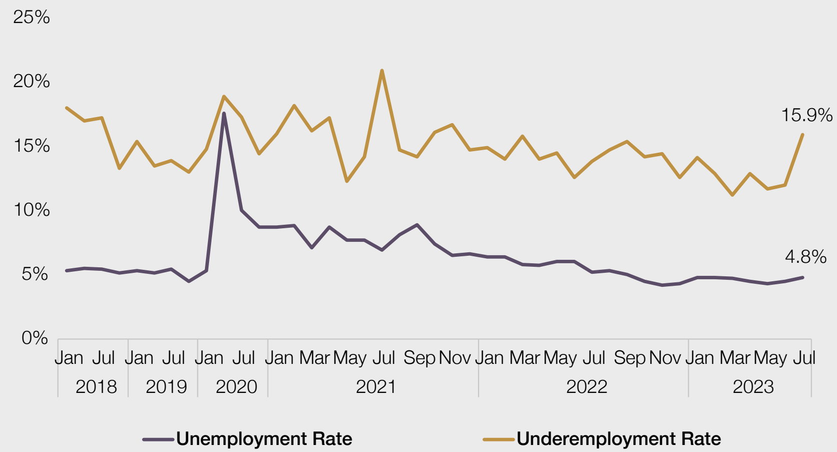
Source: Bangko Sentral ng Pilipinas (BSP)

Employment

The PSA's latest Labor Force Survey[9] shows that the country's labor force participation rate (LFPR) in July 2023 was recorded at 60.1%, equivalent to 46.90 million, who were either employed or unemployed. This rate was lower than the 66.1% registered in June 2023. The employment rate in July 2023 also slightly declined to 95.2% from the previous month's rate of 95.5%. Notably, the services sector remained dominant in the employment hub as it employed 59.4% of the total, followed by the agriculture and industry sectors at 21.5% and 19.0%, respectively.

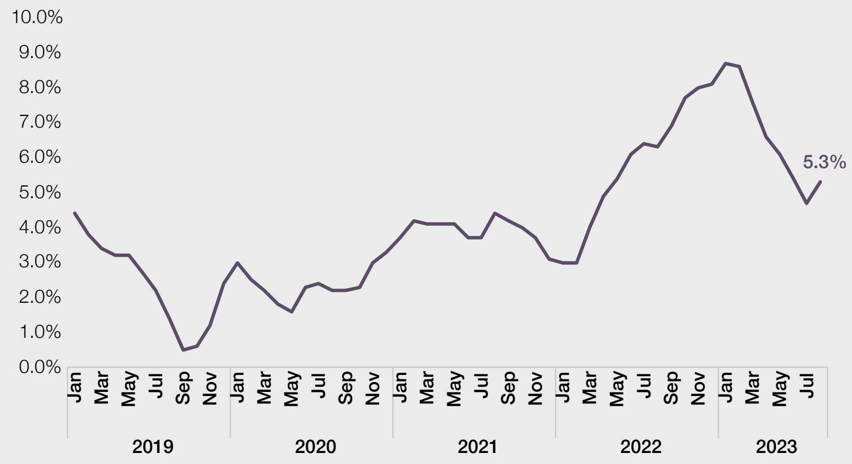
As shown in Figure 6, the country's unemployment rate in the same month was registered at 4.8% – translating to 2.27 million – higher than the previous month's rate of 4.5%. Out of the 17 regions in the country, seven regions registered unemployment rates higher than the national rate of 4.8%, as follows: Region V (Bicol Region) (6.2%); Region IV-A (CALABARZON) (5.9%); Region VII (Central Visayas) (5.5%); Region X (Northern Mindanao) (5.4%); Region VIII (Eastern Visayas) (5.1%); Region XIII (Caraga) (5.1%); and the National Capital Region (4.9%). Meanwhile, the underemployment rate in the same month rose to 15.9% – translating to 7.10 million persons – from 12.0% in June 2023.

Figure 6 . Unemployment Rate and Underemployment Rate
(January 2018 –July 2023)



Source: Philippine Statistics Authority (PSA)

Figure 7 . Headline Inflation Rates (2018=100)
(January 2019 – August 2023)

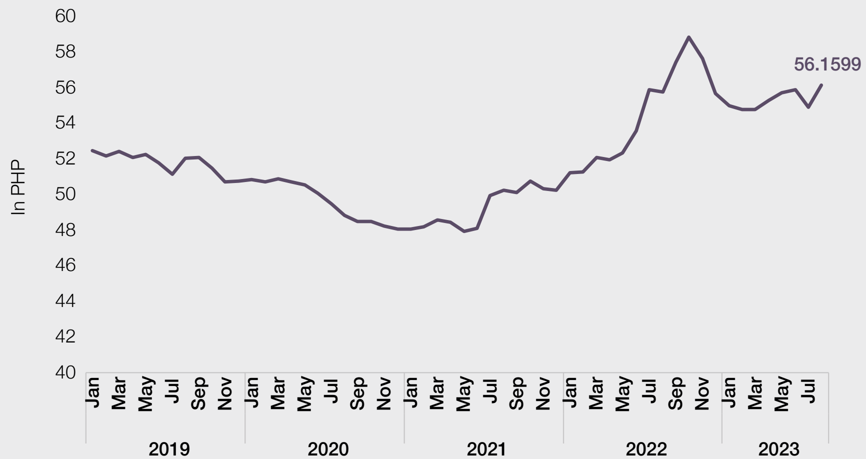


Source: Philippine Statistics Authority (PSA)

Inflation

Headline inflation in the Philippines accelerated to 5.3% in August 2023 from the previous month's rate of 4.7% (Figure 7), bringing the national average inflation during the first eight months of the year to 6.6%.[10] This average remained above the government's target range of 2.0-4.0% for the year. The increase in inflation during the month was attributed to the faster price hikes of rice, vegetables, and fish due to disruptions in the supply chain caused by recent weather disturbances. Non-food inflation also saw an increase as transport inflation accelerated as a result of the upward adjustment in domestic petroleum prices.[11] Meanwhile, core inflation, which excludes selected food and energy items, decelerated to 6.1% in the same month from 6.7% in July 2023. This brought the average core inflation from January to August 2023 to 7.4%.

Figure 8 . Philippine Peso per US Dollar Monthly Averages
(January 2019 – August 2023)

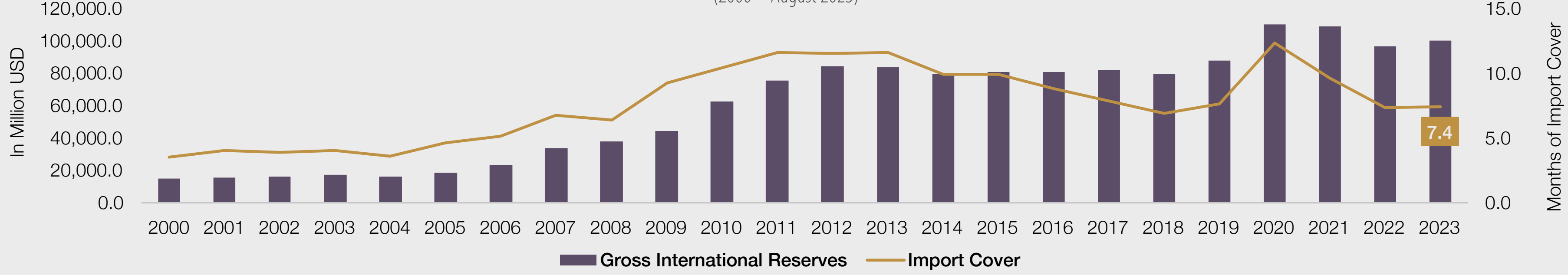


Source: Bangko Sentral ng Pilipinas (BSP)

Exchange Rates

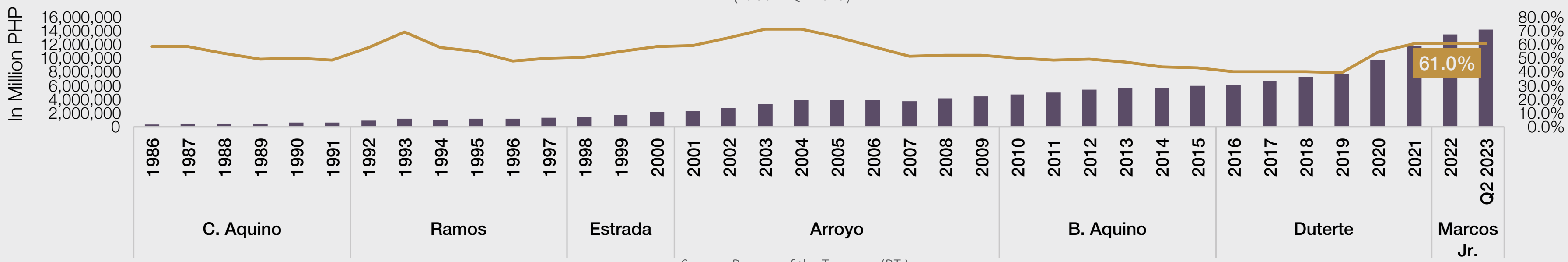
According to the latest data from the BSP,[12] as of September 21, 2023, the Philippine peso vis-à-vis the US dollar was at PHP 56.78. On a monthly basis, the average exchange rate for August 2023 was PHP 56.16 per USD 1.00 (Figure 8).[13] From the way the rates have been fluctuating, the peso has been stable compared to the US dollar. Since the exchange rate is affected by many factors, both external and internal, the fact that they have avoided wild swings means that the government agencies concerned, particularly the BSP, have been effective in maintaining a healthy financial balance. Such stability positively affects the country's balance of payments position, debt-to-GDP ratio, debt service, credit policy and FDI inflows, among others. As such, this gives the government ample room for policy maneuver to maintain healthy options within a tight fiscal space. This ultimately affects the government's ability to achieve plans and programs to boost the economy and provide better social welfare for the citizens.

Figure 9 . Gross International Reserves
(2000 – August 2023)



Source: Bangko Sentral ng Pilipinas (BSP)

Figure 10 . National Government Debt and as Percent of GDP
(1986 – Q2 2023)



Source: Bureau of the Treasury (BTr)

Gross International Reserves

According to the BSP,[14] the country's gross international reserves (GIR) as of end-August 2023 stood at USD 99.8 billion, slightly lower than the USD 100.0 billion registered at the end of July 2023 (Figure 9). The latest GIR level serves more than adequate external liquidity buffer that is equivalent to 7.4 months of imports of goods and payments of services and primary income. The BSP noted that the decrease in the GIR level from the previous month's can be attributed to the national government's payments of its foreign currency debt obligations as well as the downward adjustments in the value of the BSP's gold holdings due to the lower price of gold in the international market.

FISCAL PERFORMANCE

Debt-to-GDP

Latest data from the Bureau of the Treasury (BTr)[15] shows that the Philippine national government's total outstanding debt in July 2023 reached a new record high of PHP 14.24 trillion. Almost 69% of the outstanding debt came from domestic sources while the remaining 31% were from external sources. As shown in Figure 10, by the end of the second quarter of the year, the country's total outstanding debt was registered at

Table 1 . National Government Revenue Collections
(January-June 2023)

Particulars (In PHP Billion)	January-June		Difference	Growth Rate (Year-on-Year)
	2023	2022		
Revenues	**1,860.1**	**1,727.5**	**132.6**	**7.7%**
Tax Revenues	***1,657.0***	***1,541.3***	***115.7***	***7.5%***
BIR	1,219.2	1,132.5	86.7	7.7%
BOC	433.4	396.7	36.7	9.3%
Other Offices	4.4	12.1	(7.7)	-63.9%
Non-Tax Revenues	***203.1***	***186.2***	***17.0***	***9.1%***
BTr	93.0	104.1	(11.1)	-10.7%
Other Offices	110.2	82.0	28.1	34.3%

Source: Department of Finance (DOF)

PHP 14.15 trillion, indicating a debt-to-GDP ratio of 61.0%. Internationally, financial managers observe a 60% limit for national debt to give policymakers enough room to absorb future funding sources, since a high debt-to-GDP ratio may mean a higher risk classification and force a country out from the low-interest market. If national debt translates to higher economic productivity, the debt-to-GDP ratio can come down to healthier levels even if the total debt remains constant. The government's priority of sourcing more credit from local funders allows it to better control of financial space and avoid wide and adverse fluctuations in exchange rates and debt service.

Revenue Collection

During the budget briefing of the Development Budget Coordination Committee (DBCC) in Congress[16] in August 2023, Department of Finance (DOF) Sec. Benjamin Diokno stressed the need to ensure sound fiscal management to have adequate fiscal space for priority government programs, projects, and plans to achieve the administration's 8-Point Socioeconomic Agenda by 2028. The economic team set the Medium-Term Fiscal Framework (MTFF) targets, which include bringing down the debt-to-GDP ratio to lower than 60% by 2025, reducing the deficit-to-GDP ratio to 3.0% by 2028, and maintaining high investment in infrastructure at 5-6% of GDP annually. Sec. Diokno stated that the country is on track to meet these targets as national government revenue collections in 2022 increased by 18% year-on-year, while those recorded in the first half of 2023 likewise grew by 7.7%, exceeding the DBCC's targets (Table 1). Tax revenue is projected to rise from PHP 3.5 trillion in 2023 to PHP 6.5 trillion in 2028, while non-tax revenue is expected to grow from PHP 191.1 billion in 2023 to PHP 183.7 billion in 2028. The DOF plans to reduce net financing to PHP 1.4 trillion in 2022 to PHP 1.2 trillion in 2024. This, along with the projected high GDP growth, is expected to bring the debt-to-GDP ratio to almost below 60% by 2025. Moreover, in the first half of 2023, around 75% of the borrowing was from domestic sources to minimize exposure to foreign exchange risks and to develop the local bond market. The government expressed confidence in achieving the MTFF targets with the deficit program down to 6.1% this year and 5.1% next year.

During the DBCC budget briefing, Sec. Diokno also identified several proposed legislative measures that were DOF priorities, including the remaining tax reform packages of the Duterte administration as well as additional measures such as the excise tax on single-use plastics, rationalization of the mining fiscal regime, motor vehicle road users' tax, excise taxes on sweetened beverages and junk food, tax on pre-mixed alcohol, value-added tax on digital service providers, carbon taxation, capital market development bill, and the military and uniformed personnel pension reform bill. The DOF aims to enact the seven tax measures within the 19th Congress. These are projected to raise revenues amounting to PHP 120.5 billion in 2024 and PHP 183.2 billion in 2026 (Table 2).

On top of the proposed tax measures, the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) are pursuing tax administration measures to improve collection efficiency. The BIR's initiatives include the Run After Tax Evaders program, Oplan Kandado, broadening of tax base, nationwide raid of illicit cigarettes and vapor products, Run After Fake Transactions program, and the digital transformation roadmap. Meanwhile, initiatives of the BOC include modernization efforts, transparency and anti-corruption efforts, Computer-Aided Risk Management System (CARMS), and anti-smuggling efforts.

Proposed National Budget for Fiscal Year 2024

Anchored on the theme, "Agenda for Prosperity: Securing a Future-Proof and Sustainable Economy," the proposed national budget for fiscal year 2024[17] amounts to PHP 5.768 trillion. This is 9.5% higher than the 2023 budget and accounts for 21.8% of the country's GDP. According to the 2024 National Expenditure Program (NEP), expenditures

Table 2 . Projected Revenues of Critical Tax Measures

Particulars	Projected Revenue (In PHP Billion)		
	2024	2025	2026
Package 4 or the Passive Income and Financial Intermediary Taxation	8.5	7.2	5.5
VAT on digital service providers	17.0	18.3	19.5
Excise tax on single-use plastics	6.5	7.0	7.4
Excise tax on pre-mixed alcohol	0.4	0.4	0.5
Excise tax on sweetened beverage and junk food tax	75.7	90.7	106.0
Mining fiscal regime	12.4	12.9	13.4
Motor vehicles road user's tax	-	15.8	31.0
Total	**120.5**	**152.2**	**183.2**
As percent of GDP	*0.5%*	*0.5%*	*0.6%*

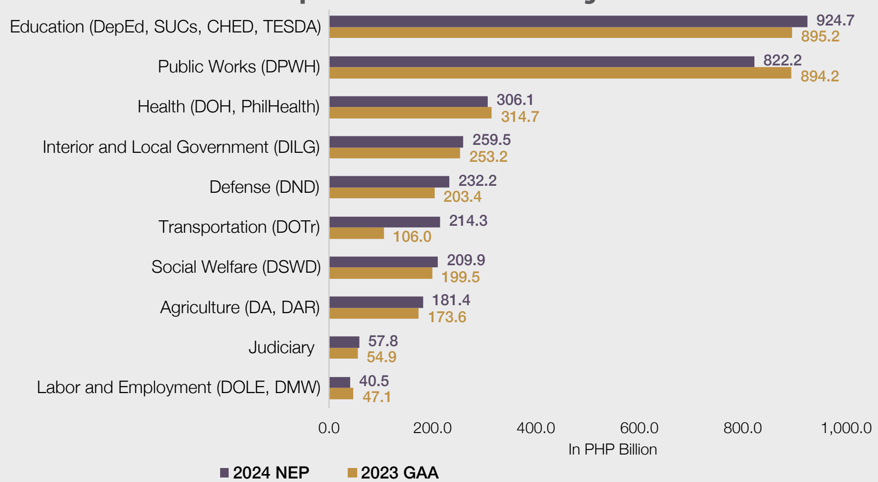
Source: Department of Finance (DOF)

Table 3 . National Expenditure Program FY 2024, by Sector

Sectors	Levels (In PHP Billion) 2023 GAA	Levels (In PHP Billion) 2024 NEP	Increase/Decrease Amount (In PHP Billion)	Increase/Decrease %	% Distribution 2023 GAA	% Distribution 2024 NEP
Economic Services	1,624.2	1,709.4	85.2	5.2	30.8	29.6
Social Services	2,004.3	2,183.0	178.7	8.9	38.1	37.9
Defense	232.5	282.7	50.2	21.6	4.4	4.9
General Public Services	796.0	893.3	97.3	12.2	15.1	15.5
Debt Burden	611.0	699.2	88.2	14.4	11.6	12.1
Total	**5,268.0**	**5,767.6**	**499.6**	**9.5**	**100.0**	**100.0**

Source: Department of Budget and Management (DBM))

Figure 11 . Priority Sectors and Departments in the Proposed 2024 National Budget



Source: Department of Budget and Management (DBM))

that aim to accelerate economic growth will remain prioritized in the budget, specifically through investments in programs and projects that support the goals based on the 8-Point Socioeconomic Agenda. The 2024 NEP further noted that achieving these goals will require high investments in priority sectors and greater revenue mobilization, which can generate more and better quality jobs and provide social protection. These will, in turn, contribute to narrow the fiscal deficit and lower poverty incidence.

During the budget briefing of the DBCC in Congress[18] in August 2023, Department of Budget and Management (DBM) Secretary Amenah Pangandaman stated that the proposed budget for 2024 will prioritize expenditures based on the administration's 8-Point Socioeconomic Agenda and the Philippine Development Plan (PDP) 2023-2028. Government disbursements will be sustained at about 20% of GDP. In evaluating budget proposals, the DBM will consider the availability of fiscal space, implementation-readiness of programs/activities/projects, the agency's absorptive capacity, alignment with budget priorities framework and the PDP 2023-2028, the three-year infrastructure program, and the information systems strategic plan.

As shown in Table 3,[19] the Social Services sector, which covers health, education, culture and manpower development, social security, welfare, and employment, will receive the largest allocation of PHP 2.183 trillion or 37.9% of the total proposed budget for 2024. Meanwhile, the Economic Services sector, which includes communications, roads and other transport, agriculture and agrarian reform, as well as trade and industry, will have the second largest budget share, amounting to PHP 1.709 trillion or 29.6% of the total. Aligned with the current administration's "Build Better More" flagship infrastructure program, a huge portion of the budget for this sector will be allocated to roads and other transport infrastructure. General Public Services will receive PHP 893.3 billion – or 15.5% of the total budget – that will fund expenses for general administration, public order and safety, and other governance and regulatory services. PHP 699.2 billion, or 12.1% of the total, will be for Debt Burden. Lastly, the Defense sector will receive PHP 282.7 billion to support the Land, Air, and Naval Forces Defense Programs, among others, to safeguard domestic security.

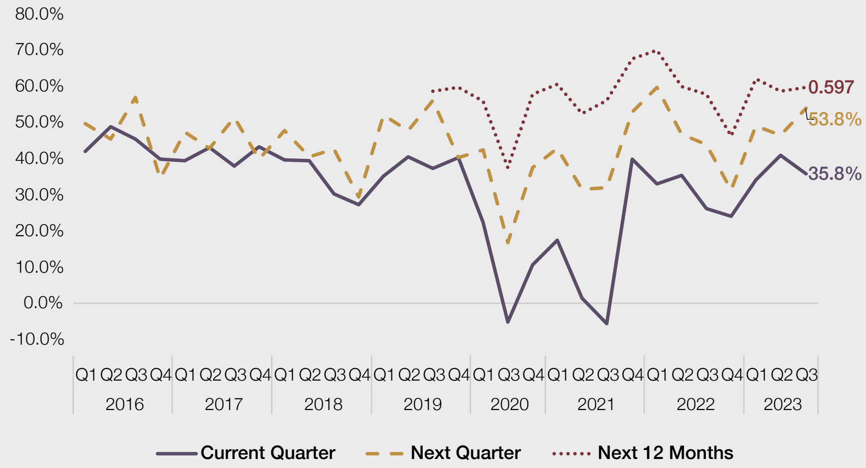
Specifically, the top recipient will remain to be the education sector, amounting to PHP 924.7 billion (Figure 11). This includes the budget allocations for the Department of Education (DepEd), Commission on Higher Education (CHED), Technical Education and Skills Development Authority (TESDA), and state universities and colleges (SUCs).

SURVEYS

BSP Business Expectations Survey: Third Quarter 2023

The BSP's Business Expectations Survey[20] found that business outlook on the economy weakened in the third quarter of 2023, with the overall Confidence Index (CI) going down to 35.8% from the previous quarter's 40.8% (Figure 12). The following factors contributed to this sentiment: (1) decline in sales and demand for goods and services due to weather-related disruptions and other seasonal factors; (2) higher prices of raw materials and production costs; (3) elevated inflation and interest rates; and (4) peso depreciation. Despite this, businesses' sentiment for the following quarter was more optimistic as the overall CI rose to 53.8% due to the following expectations: (1) stronger demand for products and services and higher revenues driven by holiday spending and other seasonal factors (e.g., peak of sugar milling season); (2) better economic conditions as the state of public health emergency due to COVID-19 is lifted; (3) more expansion and business opportunities; and (4) new customers and projects. Likewise, for the next 12 months, business confidence was more favorable as the overall CI increased to 59.7%. This was due to businesses' anticipation of the following: (1) higher demand for goods and services across all sectors; (2) improved business climate as the economy fully reopened; (3) further expansion and new business opportunities; (4) additional clients and projects; and (5) easing inflation.

Figure 12 . Overall Business Confidence Index
(Q1 2016 – Q3 2023)

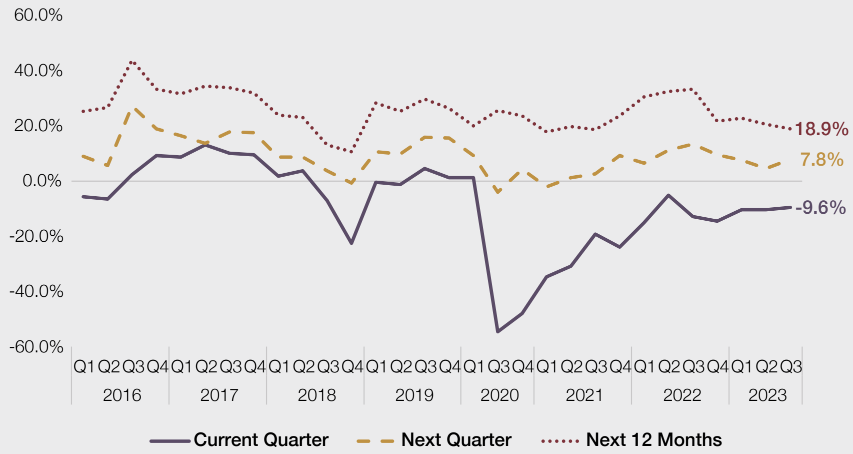


Source: Bangko Sentral ng Pilipinas (BSP)

BSP Consumer Expectations Survey: Third Quarter 2023

According to the BSP's Consumer Expectations Survey,[21] consumer confidence for the third quarter of 2023 improved as the overall CI became slightly less negative at -9.6% from -10.5% in the previous quarter's survey (Figure 13). This less pessimistic sentiment was due to the following: (1) more available jobs and permanent employment; (2) higher income; and (3) additional working family members. Furthermore, consumer outlook for the fourth quarter of 2023 showed improvements, with the CI rising to 7.8%. Consumers attributed this optimism to their expectations of the following: (1) more available jobs; (2) additional sources of income; (3) higher income; (4) increase in salary; and (5) stable prices of goods. However, consumer sentiment for the next 12 months was less optimistic as the CI declined to 18.9% due to their concerns over the following:

Figure 13 . Overall Consumer Outlook Index
(Q1 2016 – Q3 2023)



Source: Bangko Sentral ng Pilipinas (BSP)

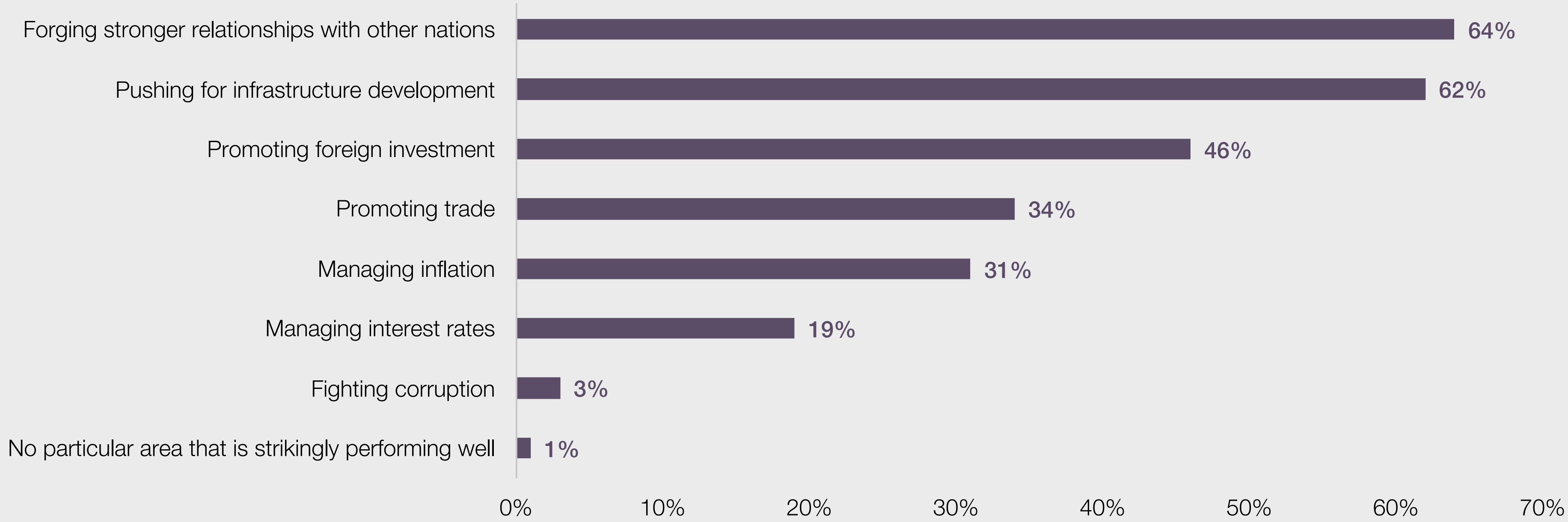
(1) faster increase in the prices of goods and higher household expenses; (2) fewer available jobs; (3) lower income; and (4) the effectiveness of government policies and programs on financial aid, inflation management, and economic growth.

PwC-MAP Philippine CEO Survey 2023

The Philippine CEO Survey 2023 by PwC Philippines, together with the Management Association of the Philippines (MAP)[22] revealed that more businesses have recovered from the COVID-19 pandemic, with 83% of CEOs reporting that they have already rebounded. 79% of CEOs are optimistic that their organizations' revenue will grow in the next 12 months, while 87% are certain to see an increase in revenue within the next three years. Likewise, 83% of CEOs are confident about their industry's prospects for the next 12 months. However, they face threats from inflation (90%), macroeconomic instability (89%), cyber risks (81%), and supply chain constraints (78%). To address these risks, CEOs are reducing their operating costs (54%) and diversifying their product and service offerings (49%). CEOs identified infrastructure development, domestic consumption, and the BPO and services sector as the key growth drivers of the Philippine economy in the next 12 months.

Notably, CEOs believe that the government is performing well in forging relationships with other nations (64%), pushing for infrastructure development (62%) and promoting foreign investments (46%) (Figure 14). While corruption is an obstacle to growth, only 3% of CEOs say that the government's performance in fighting corruption has been satisfactory. This indicates that majority of CEOs are not happy with how corruption is being addressed. Interestingly, the survey also found that in order to boost collaboration with other countries, CEOs propose that the government should improve the ease of doing business (89%), as well as technology and infrastructure across the Philippines (75%).

Figure 14 . Philippine CEO Survey 2023: Government Performance



Source: PwC-MAP Philippine CEO Survey 2023

INSIGHTS

For this quarter, what warrants government attention are the tangible ways of curbing inflation, boosting employment and national production, attracting beneficial FDI, improving trade relations and collaboration with other countries, enhancing the ease of doing business, and upgrading technology and infrastructure across the country alongside the strengthening of business and consumer indices.

Specific to the 2024 proposed national budget, civil society, business sectors, and members of the academe have pointed out glaring contrasts in programs identified for the national good. Remarkably noticeable are the intelligence and confidential funds of government offices whose functions do not concern national defense and security. At the center of the major controversies are the Office of the Vice President (OVP) and the Office of the Secretary of Education (DepEd), both under the direct leadership of Sara Duterte, which have secret fund allocations in their proposed budgets for 2024 even if their functions involve social services unrelated to national security or law enforcement. With such allocations for intelligence and confidential funds across many government offices, the national budget will be subject to tight fiscal funding, parallel to funding cuts on many other operations and budget items.

Moreover, an important development is the creation of the Maharlika Investment Fund. Observers and analysts have pointed out that establishing such a fund is not irrational. The problem lies in the soundness of the strategy of prioritizing the establishment of an investment fund amid the tight fiscal space being experienced by the government. To keep an investment fund, a government should first have extra funds to serve as seed money for investments. Therefore, the government should prioritize the funding and management of the national budget geared toward achieving plans and programs for the next year.

Lastly, factors that increase inflation are not being properly addressed. Smuggling and illicit trade negatively affect the production of farmers and destabilize the supply of agricultural products that eventually reach consumer markets. As such, various food items continue to suffer from unending price spikes. Notwithstanding the publicized police raids, no illicit traders have been caught or prosecuted.

The Marcos administration has been doing a relatively respectable job of steering back economic growth amid threats posed by external global developments and the pandemic. The third-quarter numbers, however, point to areas of improvement and other issues that might affect the prognosis for long-term development. The business community in particular would like to see that the administration is serious about achieving transparency and accountability in government to curb corruption. The swift yet questionable approval of confidential funds for agencies with no defense or security mandates, prioritizing the establishment of an investment fund despite obvious fiscal constraints, and the continuing vulnerability of the country to factors that affect the prices of basic goods do not inspire business confidence in this regard.

For businesses to feel more optimistic and to ensure the sustained growth and resilience of the economy, the current administration must confront these concerns with greater decisiveness and visibility.

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