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TRAIN revenue a boost to infra plan – Moody's

The additional revenue from the implementation of the tax reform law will put the Philippines in a better position to pursue its massive infrastructure program, according to Moody's Investors Service.

Christian de Guzman, vice president and senior credit officer at Moody's, said in a webcast the enactment of Republic Act 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Act last month would translate to higher revenue.

"This puts the Philippine government in a better position to accommodate the ambitious infrastructure development agenda," he said.

The Duterte administration has committed to spend P8.4 trillion to ramp up infrastructure spending in the country until 2022.

The additional revenue from the law that was signed by President Duterte on Dec. 19, 2017 was initially placed at P82.3 billion, but was raised to P90 billion after several provisions of the law were immediately vetoed.

"However, the ultimate impact on growth of the government's fiscal position will ultimately be determined by the government's ability to improve the implementation and disbursement performance," De Guzman said, adding that "It is not just the revenue picture we are talking about here, but also the spending picture."

The Philippines has been incurring a budget deficit as it spends more than it generates revenues.

De Guzman said the implementation of the TRAIN would also improve debt affordability.

"Revenue has been a key weakness of the Philippine government as compared to similarly rated peers in the past. So this tax reform and the expected pick up in receipts will help close that gap," he said.

Furthermore, Moody's said the alleged ongoing domestic security threats used by the Duterte administration to extend martial law in Mindanao even after Marawi was liberated from terrorists last October would not affect the country's gross domestic product (GDP) growth.

"We have not, nor do we expect those domestic security threats to pose an immediate risk to economic growth. The Philippines continues to maintain robust real GDP growth, most fastest in the region, and we expect that performance to be maintained in 2018," De Guzman said.

Moody's sees the country's GDP expanding 6.8 percent this year from the projected 6.5 percent last year.

The Philippines has booked 75 straight quarters of uninterrupted growth after the GDP expansion accelerated to 6.9 percent in the third quarter of last year from the revised 6.7 percent in the second quarter.

Economic managers penned a GDP growth of between seven and eight percent this year from the range of 6.5 to 7.5 percent last year.

Moody's rates the Philippines at Baa2 or a notch above minimum investment grade on a stable outlook at par with the rating of S&P Global Ratings and Fitch Ratings.

– Lawrence Agcaoili

* TAX REFORM FOR ACCELERATION AND INCLUSION (TRAIN)