For the first three quarters of the year, the national government (NG) continued to show improving fiscal numbers. This has led to an upgrade in the Moody’s credit rating from “negative” to “stable”. This upgrade will further boost government savings brought about by lower cost of servicing future loans as credit spreads narrow.

Fiscal Position

- January to September national government deficit reached P50.4 billion, P71.6 billion lower than its target.
- Total revenues reached P715.9 billion, 1.3 percent more than the P706.8 billion programmed for the first three quarters.
- All revenue collecting agencies exceeded their target except for the Bureau of Internal Revenue (BIR). The Bureau of Customs (BOC) and the Bureau of the Treasury (BTr) exceeded their target by 3.9 percent and 30.6 percent, respectively.
- BTr’s revenues primarily came from income from investments which include income from bond sinking fund. It exceeded its target by 27.8 percent.
- Compared to the same period last year, collections of the BIR and the BOC grew by 20 percent and 39 percent, respectively. This can be attributed to the increase of the VAT rate from 10 percent to 12 percent.
- Expenditures, on the other hand, stood at P766.3 billion, 7.5 percent lower than the target. This is partly attributable to the failure to enact the 2006 budget.

Bureau of Internal Revenue Collections

- Income tax collection fell short of its target by about 5 percent. The BIR attributed this to the reduction in the issuance of Treasury bills and bonds, and the drop in interest rates on bank deposits. This resulted in a 25-percent shortfall in income tax collections from bank deposits and Treasury bills.
- Despite missing its target, income tax collection incurred higher growth than the previous years mainly because of this year’s increase in the corporate income tax rate to 35 percent.
**Disbursements**

- BIR collections from VAT amounted to P103.8 billion, 0.8 percent short of the target. The shortfall may be attributed to the low compliance of professionals such as doctors and lawyers whose services are now VATable.
- A 66.7-percent increase in VAT collections was registered compared to same period last year due to the broadening of the VAT base and two-percent increase in VAT rate.

**Bureau of Custom Collection**

- The better-than-expected performance of BOC was mainly due to VAT collections particularly on petroleum products.
- VAT collections registered a 78 percent increase from the same period last year due to the inclusion of petroleum products in the VAT chain.
- There was also a slight increase in the collection of non-oil import duties from its target which may be attributed to the increased efficiency of the BOC brought about by the Run After the Smugglers (RATS) and the Revenue Integrity Protection Service (RIPS) programs.

**Disbursements**

- The appreciation of the peso and lower interest rates resulted in interest savings for the government of P17.3 billion.
- Net lending increased significantly as government lent P5.8 billion to fund the operation of the National Food Authority. Government also lent P3.1 billion to the National Irrigation Authority and P3 billion to the National Power Corporation for the Casecnan Project.
- Subsidies, likewise, increased significantly as government provided P1.7 billion to Philippine Health Insurance Corporation, P1.3 billion each to the National Housing Authority and the Land Bank of the Philippines and P1 billion to National Electrification Authority.