KEYNOTE SPEECH

FINANCE SECRETARY CARLOS G. DOMINGUEZ 2019 MANILA ROTARY INSTITUTE NOVEMBER 29, 2019



DROP IN UNEMPLOYMENT RATE REFLECTS IN THE REDUCTION OF POVERTY INCIDENCE

FIRST SEMESTER POVERTY ESTIMATES AMONG THE POPULATION



THE PHILIPPINES ECONOMY IS STRONG AND READY TO SOAR





S&P RAISED OUR SOVEREIGN RISK RATING FROM BBB TO BBB PLUS



S&P RATINGS OF SELECTED COUNTRIES

ΑΑΑ	Canada, Singapore		
A-	Spain, Malaysia		
BBB+	BBB+ Philippines, Mexico, Peru, Thailand		
BBB	Italy, Portugal		
BBB-	Indonesia, India, Colombia		
BB+ and below ("junk bond" status, below investment grade)	Vietnam (BB) Bangladesh, Brazil (BB-) Turkey, Greece (B+) Sri Lanka, Argentina, Egypt (B) Pakistan, Iraq, Ecuador (B-) Venezuela (selective default)		

THE END-OCTOBER 2019 LEVEL OF THE GROSS INTERNATIONAL RESERVES PROVIDES AN AMPLE EXTERNAL LIQUIDITY BUFFER

GROSS INTERNATIONAL RESERVES (IN USD BILLION) AND MONTHS OF IMPORT COVER



International reserves



THE PHILIPPINES IS SCHEDULED TO BECOME AN UPPER-MIDDLE INCOME COUNTRY IN 2020



PHILIPPINES' GNI PER CAPITA

COMPREHENSIVE TAX REFORM PROGRAM

The tax reform program seeks to make the tax system



It also seeks to create a LEVEL PLAYING FIELD FOR BUSINESS and GENERATE A RELIABLE REVENUE PROCESS to support both economic investments and more robust social services.

HIGHLIGHTS OF THE TAX REFORM FOR ACCELERATION AND INCLUSION LAW (TRAIN LAW-PACKAGE 1)

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We are putting more money in people's pocket.

- Shifted to a simplified Personal Income Tax (PIT) system, and reduces the max rate to 30% over time
 - Restructured the tax for micro enterprises/ self-employed to an optional flat tax rate of 8%
- Reduced and restructured the donor's tax to a single rate of 6%

Reduced and restructured the estate tax to a single rate of 6%

We are funding investments for our people for a more inclusive growth.

- Broadened the VAT system by reducing the number of unnecessary exemptions.
 - Increased the excise tax on petroleum products gradually.
- Simplified excise tax on automobiles.
 - Introduced a tax on sweetened beverages.
 - Introduced and updated taxes on: cosmetic procedures, coal excise, mining, tobacco, foreign currency deposits, capital gains, stock transactions, and documentary stamp taxes.

REVENUE COLLECTIONS IN THE FIRST TEN MONTHS OF 2019 VS THE SAME PERIOD IN 2016

January to October (in PHP Billion)

	2016	2019	GROWTH (%)
Revenues	1,821.38	2,589.46	42.17%
Tax Revenues	1,629.55	2,327.98	42.86%

IN THE 1ST SEMESTER OF 2019, TRAIN LAW PRELIMINARY REVENUES IS 65% HIGHER THAN THE SAME PERIOD LAST YEAR



2018 ACTUAL

2019 PROGRAM

2019 ACTUAL

33.7 52.1 55.6

Department of Finance made history in 2017 by collecting from a cigarette manufacturer more than USD 600 MILLION

for its non-payment of excise taxes and use of counterfeit tax stamps on its cigarette packs.

WEI STEE

THE REVENUES FUND PRESIDENT DUTERTE'S PRIORITY PROGRAMS THAT WILL IMPROVE THE LIVES OF OUR PEOPLE











Build, Build, Build infrastructure program Conditional and Unconditional Cash Transfer programs Free Tuition Program in state universities and colleges

Universal Health Care Program Continuing improvements to the country's defense and public safety capabilities

Photo Sources: DSWD and Interaksyon, DPWH, PanayNews, Official Gazette







BULD BULD BULD

MORE RAILWAYS, MASS URBAN TRANSPORT, AIRPORTS AND SEAPORTS

> MORE BRIDGES AND ROADS

NEW AND BETTER CITIES

BUILD, BUILD, BUILD PROGRAM FLAGSHIP INFRASTRUCTURE PROJECTS



ROADS AND BRIDGES

RAILWAY AND URBAN TRANSPORT



WATER TRANSPORT PROJECTS

FLOOD MANAGEMENT PROJECTS

WATER SUPPLY AND **IRRIGATION PROJECTS**



POWER PROJECTS



AIR TRANSPORT PROJECTS



NEW CITIES AND OTHER PUBLIC INFRASTRUCTURE PROJECTS

RAPID ADMINISTRATIVE RESPONSE FOR INFRASTRUCTURE DEVELOPMENT

ACTUAL INFRASTRUCTURE DISBURSEMENTS



Source: Department of Budget and Management

RAPID ADMINISTRATIVE RESPONSE FOR INFRASTRUCTURE DEVELOPMENT

INFRASTRUCTURE PROGRAM ANNUAL APPROPRIATIONS



Source: Department of Budget and Management

New Clark City BY THE NUMBERS





smart, green, and resilient metropolis in the Philippines



9,450 hectares



1.2 Million residents



600,000 workers + provide indirect employment opportunities in Central Luzon



Soon to rise

National Government Administrative Center Philippine Sports City Food Processing Terminal International Food Market Mixed-use estate by Filinvest

Schools

University of the Philippines Technological University of the Philippines Philippine Science High School



New Clark City's World Class Sports Complex





The Clark International Airport is now **87 percent complete** and is targeted to be **operational by mid-2020.**



Public spending on infrastructure and private spending on construction combine to **boost domestic economic demand**, **create jobs**, and **open numerous investment opportunities**.

OUR AMBITIOUS INFRASTRUCTURE PROGRAM BENEFITS FROM EXPANDED OFFICIAL DEVELOPMENT ASSISTANCE (ODA) FLOWS FROM OUR FRIENDS IN THE REGION



CHINA committed USD 9 BILLION worth of aid and investments



JAPAN pledged USD 9 BILLION

worth of investment and development aid package

SOUTH KOREA pledged up to USD 1 BILLION in official development assistance



Public-Private Partnership for the People



THE TIGHT SPREADS OF OUR BOND ISSUANCES INDICATE INVESTOR CONFIDENCE IN OUR FISCAL AND DEBT MANAGEMENT

ROPs	PA	NDA BONDS		SAMUR	RAI BON	DS
 USD 2 billion US d 10-year global bon Issued in January +37.8 bps spread 	ds RM Pai • Iss	 Maiden issuance of RMB 1.46 billion 3-year Panda bonds Issued in March +35 bps spread 		 JPY 154.2 billion multi- tranche Samurai bonds Issued in August +34.7 bps spread 		
ROPs	EURO BC	ONDS PAND	A BO		SAMURAI	BON
• USD 1.5 billion of 10-	EUR 750 million	n of 8- • RMB 2	2.5 billion (3-year •	JPY 92 billio	n 4-tran

year Global Bonds

2018

2019

- Issued in January 7, 2019
- +110 bps spread

- EUR 750 million of 8year Euro Bonds
- Issued on May 10, 2019
- +70 bps spread

- RMB 2.5 billion 3-year
 Panda Bond
- Issued on May 15, 2019
- +32 bps spread

- JPY 92 billion 4-tranche Samurai bonds
- Issued in August
- +37 bps spread

GOOD NEWS!

95th place

The Philippines' ranking in the World Bank 2020 Ease of Doing Business report rose 29 notches to 95th place from 124th last year.

124th place 2018

2019



RICE TARIFFICATION LAW (R.A. 11203)

Signed into law on February 14, 2019



Promotes **food security** by lowering the price of rice for every Filipino family.



Supports domestic rice production as it The mandates the National Food Authority (NFA) to source the emergency buffer stock solely from local farmers.

Provides funds for farmer education and mechanization to **improve productivity**.

THE RICE TARIFFICATION LAW HAS BROUGHT DOWN THE PRICE OF OUR COUNTRY'S STAPLE FOOD FOR MORE THAN 100 MILLION FILIPINOS



UNDER THE NEW RICE REGIME, THE INFLATION RATE FURTHER RELAXED



RISING FOREIGN INVESTMENTS HIGHLIGHT CONFIDENCE IN THE PHILIPPINES' GROWTH PROSPECTS

NET FOREIGN DIRECT INVESTMENT INFLOWS (IN USD BILLION)



CONTINUED PURSUIT OF A SIMPLER, FAIRER, AND MORE EFFICIENT TAX SYSTEM FOR ALL

REMAINING PROPOSALS UNDER PACKAGE 1B	PACKAGE 2 (CITIRA)	PACKAGE 2+ MINING AND SIN TAXES	PACKAGE 3 PROPERTY VALUATION AND TAXES	PACKAGE 4 CAPITAL INCOME AND FINANCIAL TAXES
This consists of the Motor Vehicle User Charge (MVUC), the lifting of bank secrecy laws, and the automatic exchange of tax information.	This includes the reduction of corporate income tax rates and the rationalization of fiscal incentives.	Increases further the excise tax on both alcohol and tobacco products to provide additional funding for the Universal Health Care (UHC). This also includes increase in the government's share from mining.	Broadens the tax base of property taxes of the national and local governments, thereby increasing government revenues without increasing the existing tax rates or devising new tax impositions.	Rationalization of capital income taxation to address the multiple rates and different tax treatments and exemptions on capital income and other financial instruments.

FOUR MAIN PRINCIPLES FOR TAX INCENTIVES



YOUNG AND SKILLED WORKFORCE SUPPORTS THE ROBUST ECONOMIC MOMENTUM

THE PHILIPPINES HAS THE YOUNGEST MEDIAN AGE COMPARED TO ITS NEIGHBORS AND THE REST OF THE WORLD EVEN UP TO 2030.

THE PHILIPPINES' WORKFORCE IS:

Highly educated and English Proficient Strongly customer-oriented Highly trainable with fast learning curve Adaptable to universal cultures High level of commitment and loyalty



Source: United Nations World Population Prospects 2017

0-10 POINT SOCIO-ECONOMIC AGENDA OF THE DUTERTE ADMINISTRATION



Peace and Order Stability



Continue macroeconomic policies



Tax Reform







Rural Development



Land Administration



Human Capital Development



Massive Infrastructure Build-Up



Science and Technology



Social Protection Program



Reproductive Health

WE WILL CONTINUE STRENGTHENING THE FOUNDATIONS OF RAPID AND INCLUSIVE GROWTH.

Photo Source: Build, Build, Build Website

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