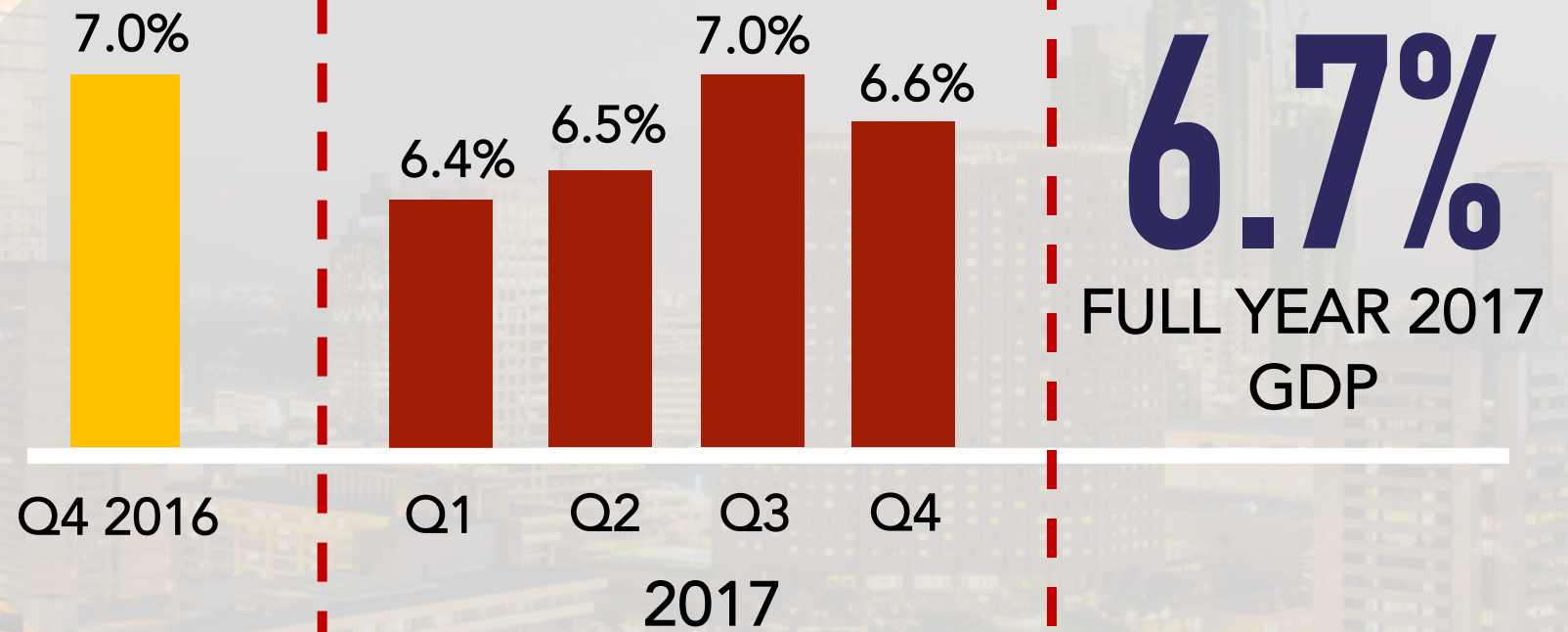


WE ARE READY TO GROW

FINANCE SECRETARY CARLOS G. DOMINGUEZ
ASIA BUSINESS COUNCIL 2018 SPRING FORUM
FEBRUARY 6, 2018, SHANGRI-LA AT THE FORT



FULL YEAR 2017 GROSS DOMESTIC PRODUCT GROWTH



This stable performance brings our full-year growth in 2017 to 6.7 percent—a strong finish that keeps our position as one of the fastest-growing economies in Asia

Source: NEDA

FASTEST GROWING MAJOR ASIAN ECONOMY (2017)

6.9%



6.8%



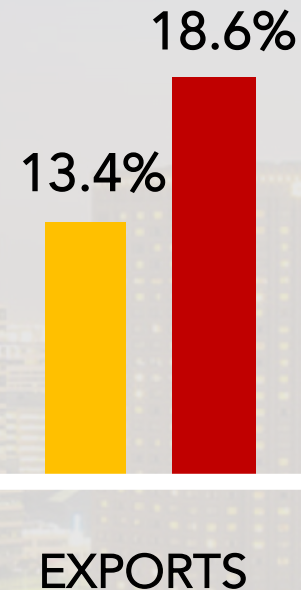
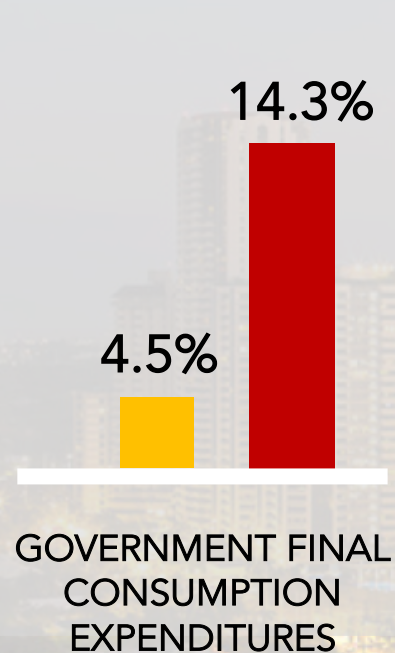
6.7%



The Philippines is the third fastest growing economy in East Asia after China and Vietnam

Source: NEDA

YEAR-ON-YEAR GROWTH RATES BY EXPENDITURE SHARES

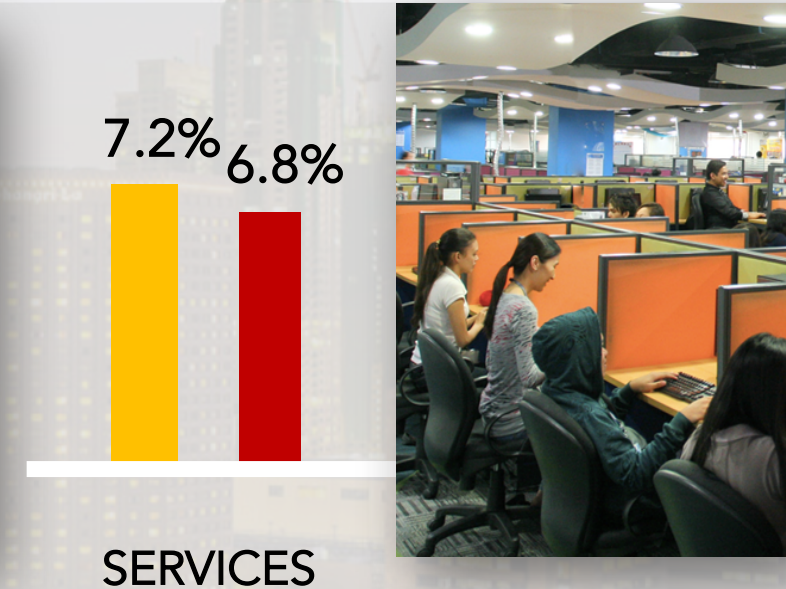
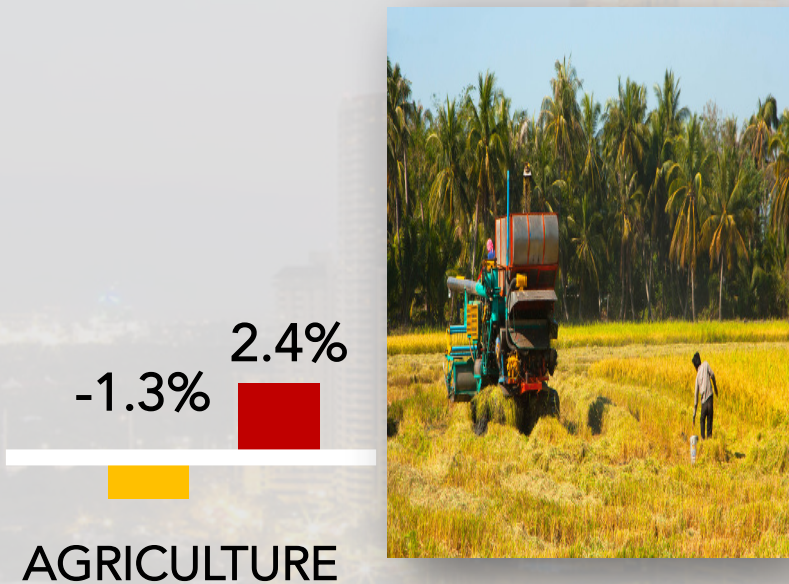


The increase in government expenditures reflects more effective budget utilization. The growth in our exports likewise expanded significantly over the previous year

■ Q4 2016 ■ Q4 2017

Source: PSA

YEAR-ON-YEAR GROWTH RATES BY INDUSTRIAL ORIGIN



The growth on our supply side indicates a broadening base for the economy

Q4 2016 Q4 2017

Source: PSA

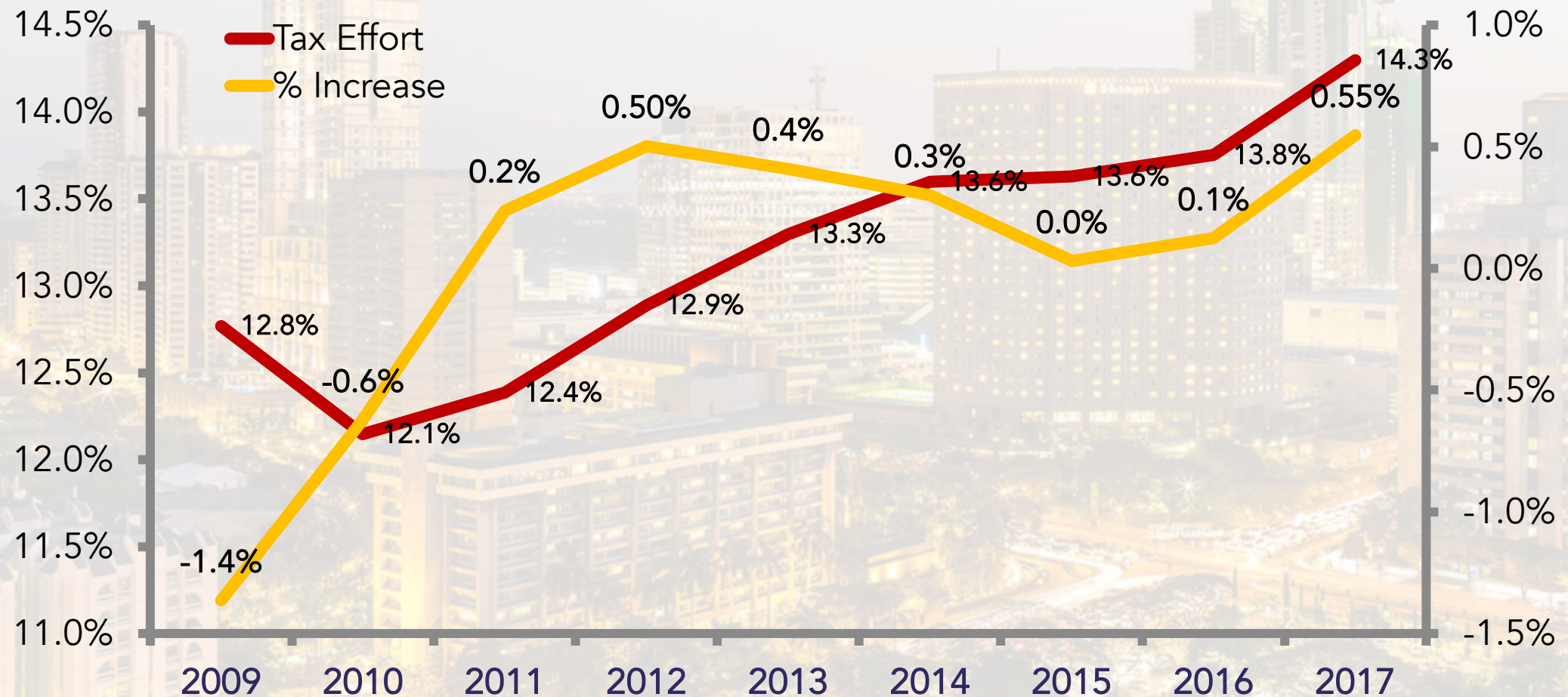
Based on preliminary results, full year 2017 revenues is estimated to reach P2.48 trillion

(In Billion Pesos)

Particulars	2012	2013	2014	2015	2016	2017 (preliminary)
REVENUES	1,535	1,716	1,909	2,109	2,196	2,476
Tax Revenues	1,361	1,536	1,719	1,815	1,980	2,257
Non-Tax Revenues	174	180	189	293	215	218

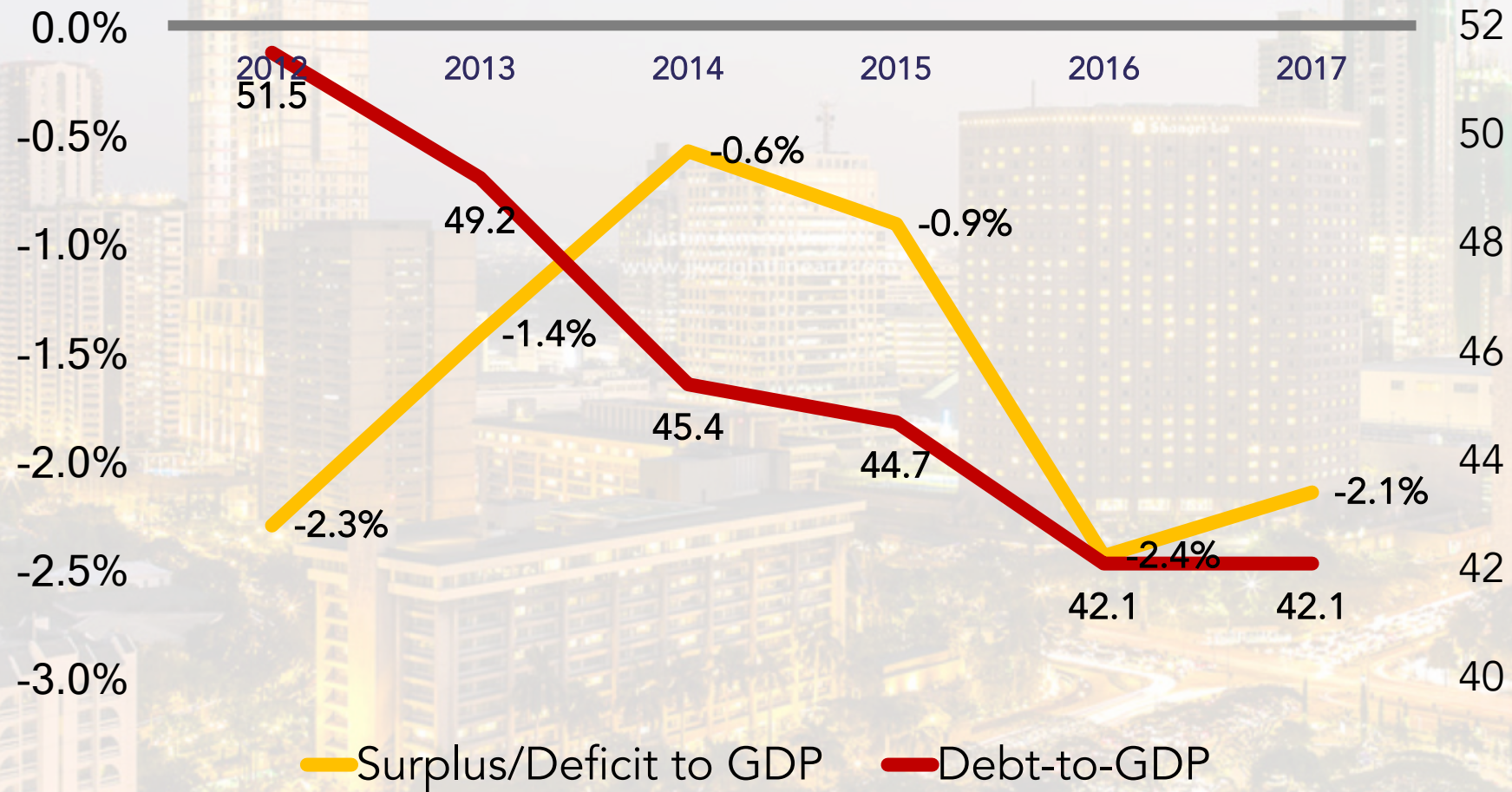
Source: Bureau of the Treasury

**According to 2017 preliminary data, the tax effort registered at 14.3%,
the highest in the last 11 years**



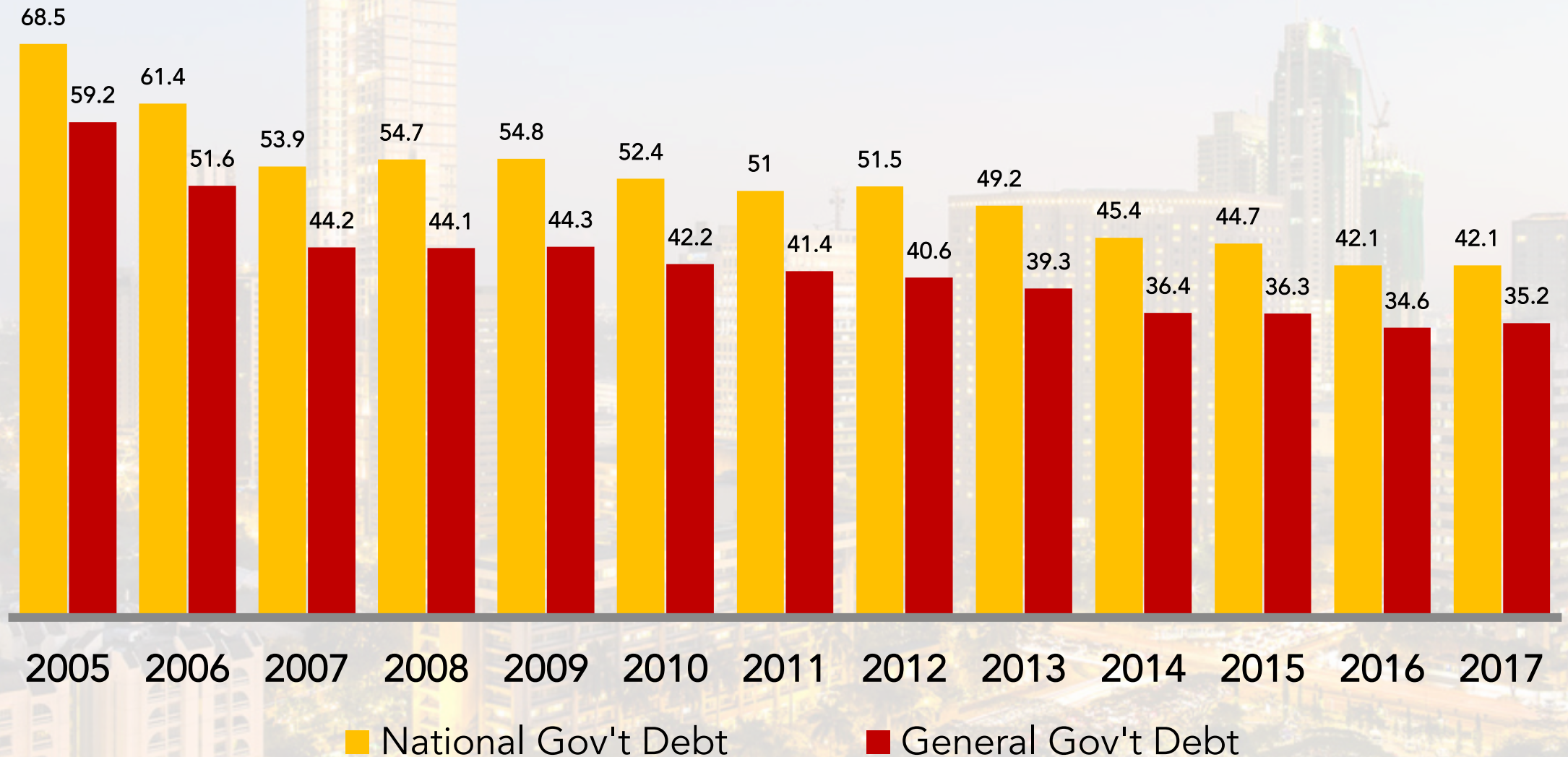
Our deficit-to-GDP ratio has been kept at manageable levels.

Initial estimate for the full year deficit is at 2.1%



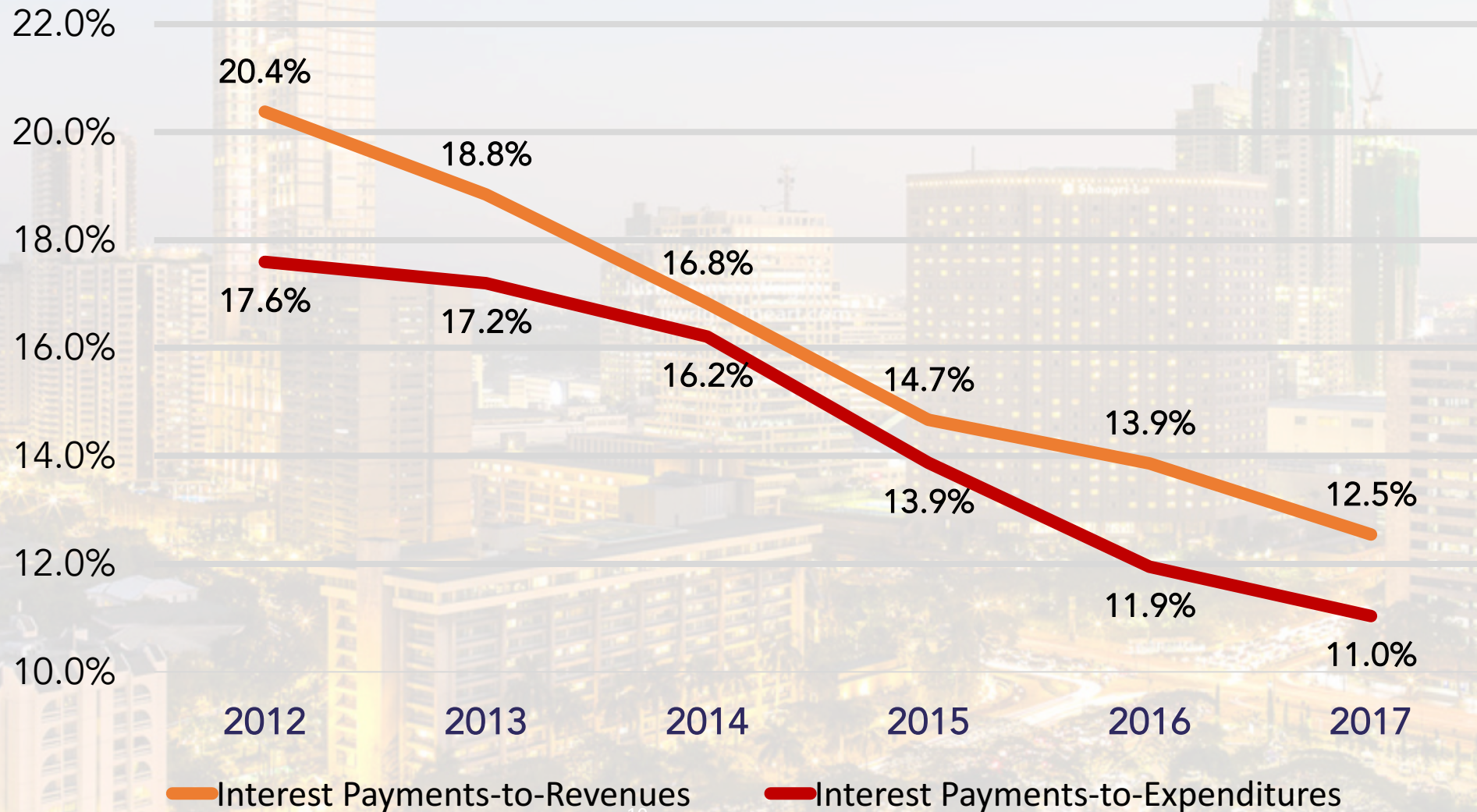
DEBT-TO-GDP RATIO

Sustained decline in debt/GDP ratio



STEADY DECLINE IN THE REPUBLIC'S INTEREST SERVICE BURDEN

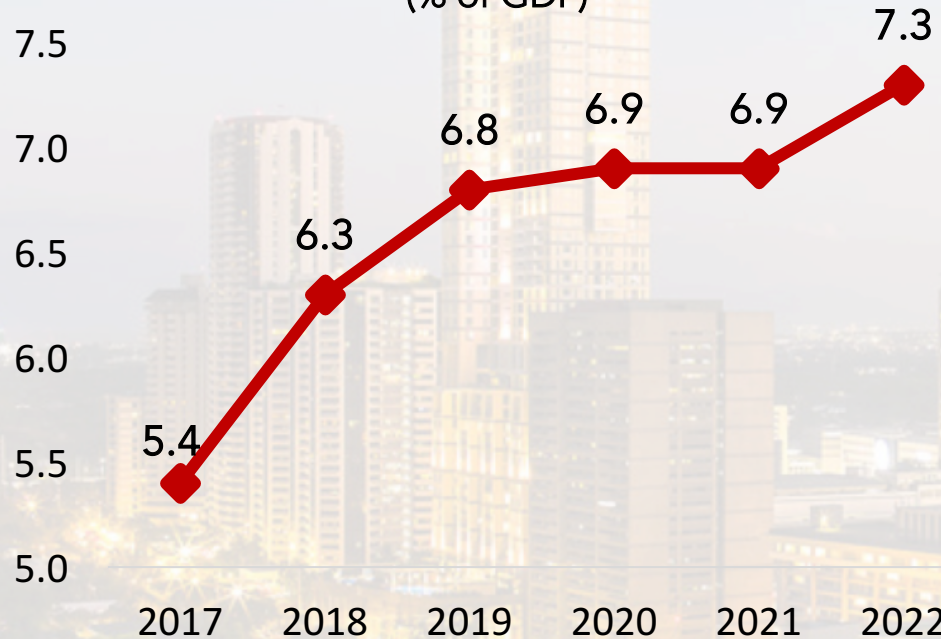
Interest payments /NG revenue (%) and Interest payments /NG expenditure (%)



ROBUST PIPELINE OF CRITICAL INFRASTRUCTURE PROJECTS

Rapid administrative response for infrastructure development Build Build Build

Infrastructure Spending Program
(% of GDP)



75 FLAGSHIP INFRASTRUCTURE PROJECTS

- 23 projects worth over USD20bn have been approved by the NEDA Board

Agency	Type of Project	No. of Projects	Amount (USD mn)
DPWH	Roads, Bridges and Flood control	31	17,386.2
DOTr	Airport, Rail, Mass Transit & Ports	14	22,357.9
NIA	Water	8	1,140.8
DA	Ports	3	298.7
BCDA	New Cities, Mass Transit, Rail & Airport	5	3,536.3
DOE	Energy	2	14.8
MWSS, CPA, ARMM	Water, Ports, Roads	3	595.1
Sub-Total		66	45,329.7
Cost to be Determined			
DPWH	Roads, Bridges and Flood control	5	TBD
BCDA	New Cities	1	TBD
DOTr	Airport, Rail, Mass Transit & Ports	1	TBD
DOE	Energy	2	TBD
Sub-Total		9	TBD

Select NEDA Board Approved Flagship Infrastructure Projects

69.5km Malolos-Clark Railway Project /PNR North 2 (USD4,186.4mn)

25km Metro Manila Subway Project (USD7,041.4mn)

72km PNR South Commuter Line Tutuban-Los Baños (USD2,457.4mn)

581km PNR Long-haul from Los Baños to Bicol, Sorsogon, Batangas (USD3,471.3mn)

Improving Growth Corridors in Mindanao Road Sector Project (USD419.7mn)

102.3km Mindanao Railway: Tagum-Davao City-Digos (TDD) Segment (USD698.2mn)

Source: DBM, NEDA Presentation dated 23 January 2018

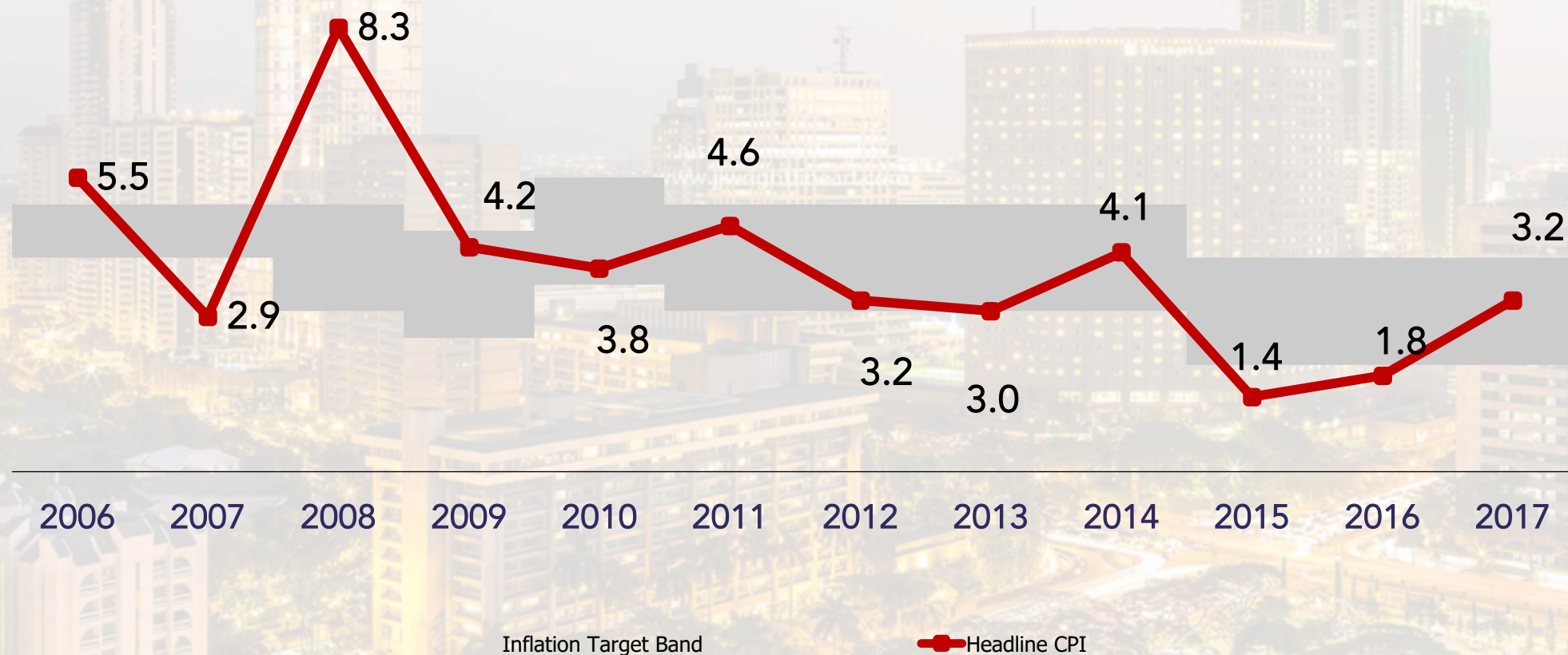
Note: National Economic and Development Authority (NEDA), Department of Public Works and Highways (DPWH), Department of Transportation (DOTr), National Irrigation Administration (NIA), Department of Agriculture (DA), Bases Conversion and Development Authority (BCDA), Department of Energy (DOE), Metropolitan Waterworks and Sewerage System (MWSS), Cebu Port Authority (CPA), Autonomous Region in Muslim Mindanao (ARMM)

Note: Exchange Rate Used is Midpoint of USD49-52 for 2018 DBCC Exchange Rate Assumption, 22 December 2017

SUSTAINED MANAGEABLE INFLATION ENVIRONMENT

Inflation remains manageable demonstrating monetary policy credibility

Headline CPI (yoy, %)





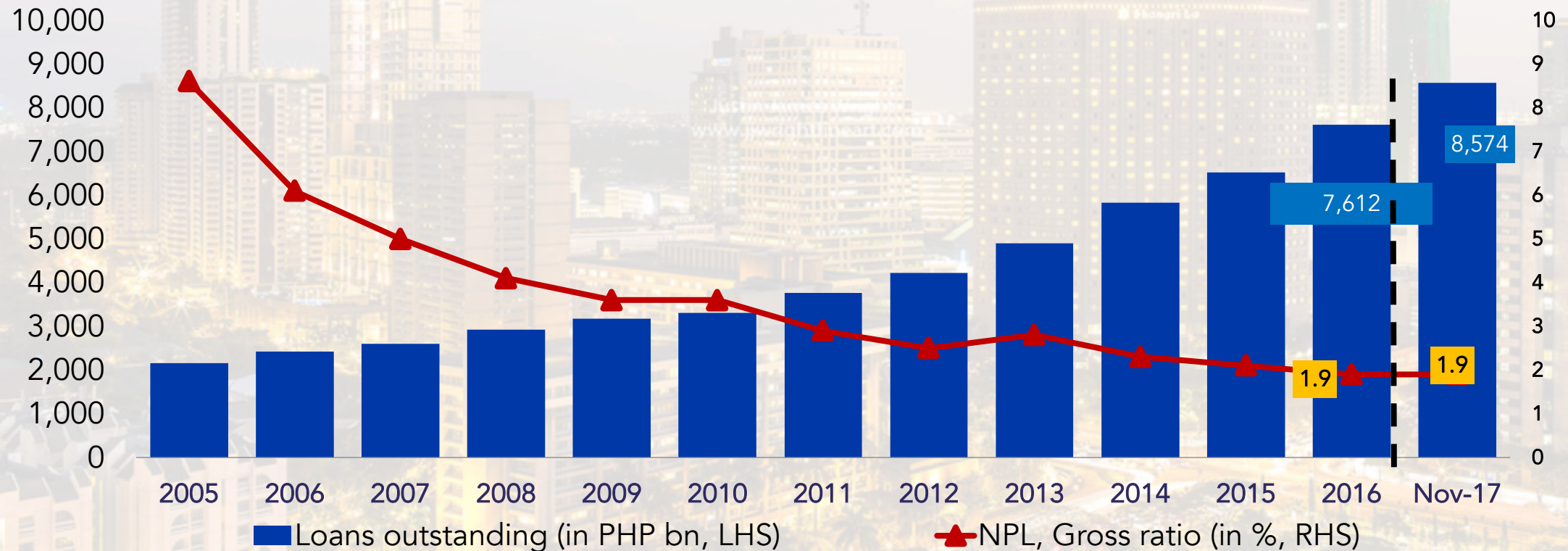
The 2018 financing program sets

74% to be strategically sourced from domestic funds

This serves the twin goal of harnessing liquidity in our domestic market and mitigating foreign exchange risk.

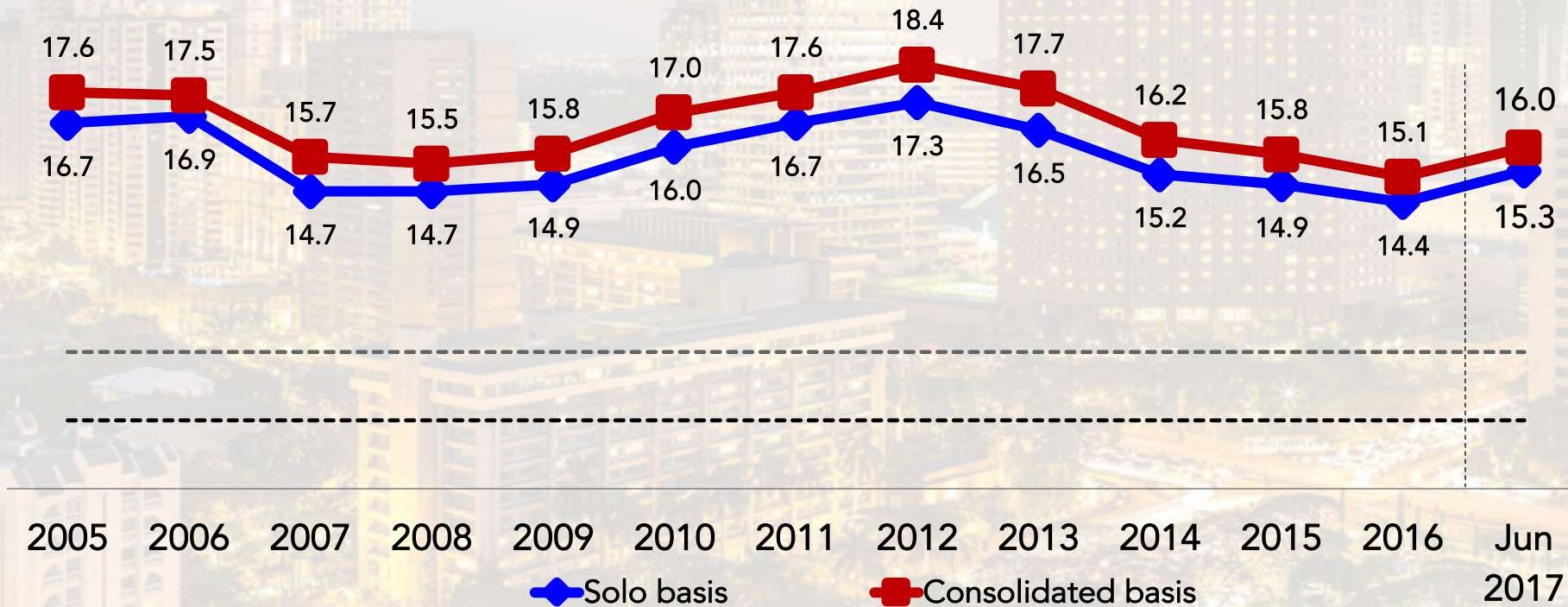
IMPROVED QUALITY OF LOAN PORTFOLIO

Total Loan Portfolio (PHP bn) and NPL coverage ratio (%)



STRONG CAPITALIZATION WELL ABOVE INTERNATIONAL NORMS


Capital adequacy ratio (%) of U/KBs (Universal and Commercial Bank)



The Philippines' sovereign credit default swap (CDS) swap spread hovers well-below the ASEAN peer average for both the 5-year and 10-year CDS spreads

Country	5-Year CDS Spread	10-Year CDS Spread
Philippines	55.58	101.22
Vietnam	112.01	182.12
Indonesia	77.96	143.70
Malaysia	54.61	99.98
Thailand	40.56	101.30
AVERAGE	68.14	125.66

Source: Bloomberg



Our benchmark equities index
advanced **4.1%** month-on-month,
hovering close to the
9000-point level

TAX REFORM FOR ACCELERATION AND INCLUSION

The first package of our comprehensive tax reform program passed late last year, along with complementary measures, is expected to raise

P128.8 billion in additional revenues



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



Peace and Order Stability



Continue macroeconomic policies



Tax Reform



Ease of Doing Business



Infrastructure Building



Rural Development



Land Administration



Human Capital Development



Science and Technology



Social Protection Program



Reproductive Health

Our entire economic strategy seeks to bring down poverty incidence from the current 21% to 14% by 2022



On the basis of this first package of tax reforms alone, we expect to bring down the debt-to-GDP ratio to

39.7% by 2022.

PACKAGE 2

- Corporate taxation and fiscal incentives

PACKAGE 2 plus

- Taxes on tobacco, alcohol, mining, coal, and casinos

PACKAGE 3 and 4

- Property taxation and valuation
- Passive income and financial taxes



In 2015 alone, we gave away a total of
301 BILLION PESOS

worth of income, VAT, and customs duty incentives
to various firms, and this does not yet include local
taxes forgone and leakages



The reform of the incentives will be:

performance-based

time-bound

targeted

transparent



BUILD BUILD BUILD



**MORE RAILWAYS,
MASS URBAN TRANSPORT,
AIRPORTS AND SEAPORTS**



**MORE BRIDGES AND
ROADS**

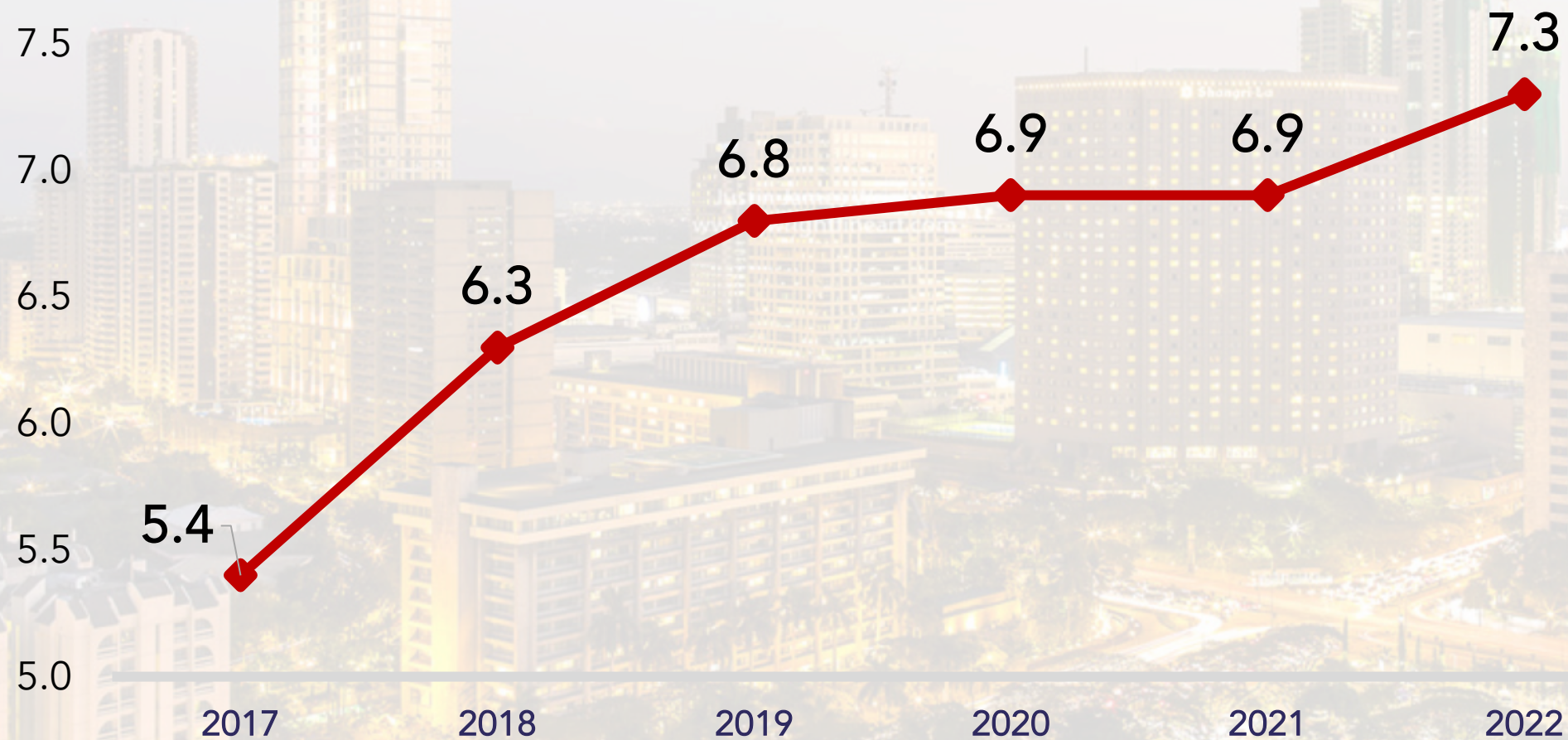


**NEW AND BETTER
CITIES**

RAPID ADMINISTRATIVE RESPONSE FOR INFRASTRUCTURE DEVELOPMENT

BUILD BUILD BUILD

Infrastructure Spending Program
(% of GDP)



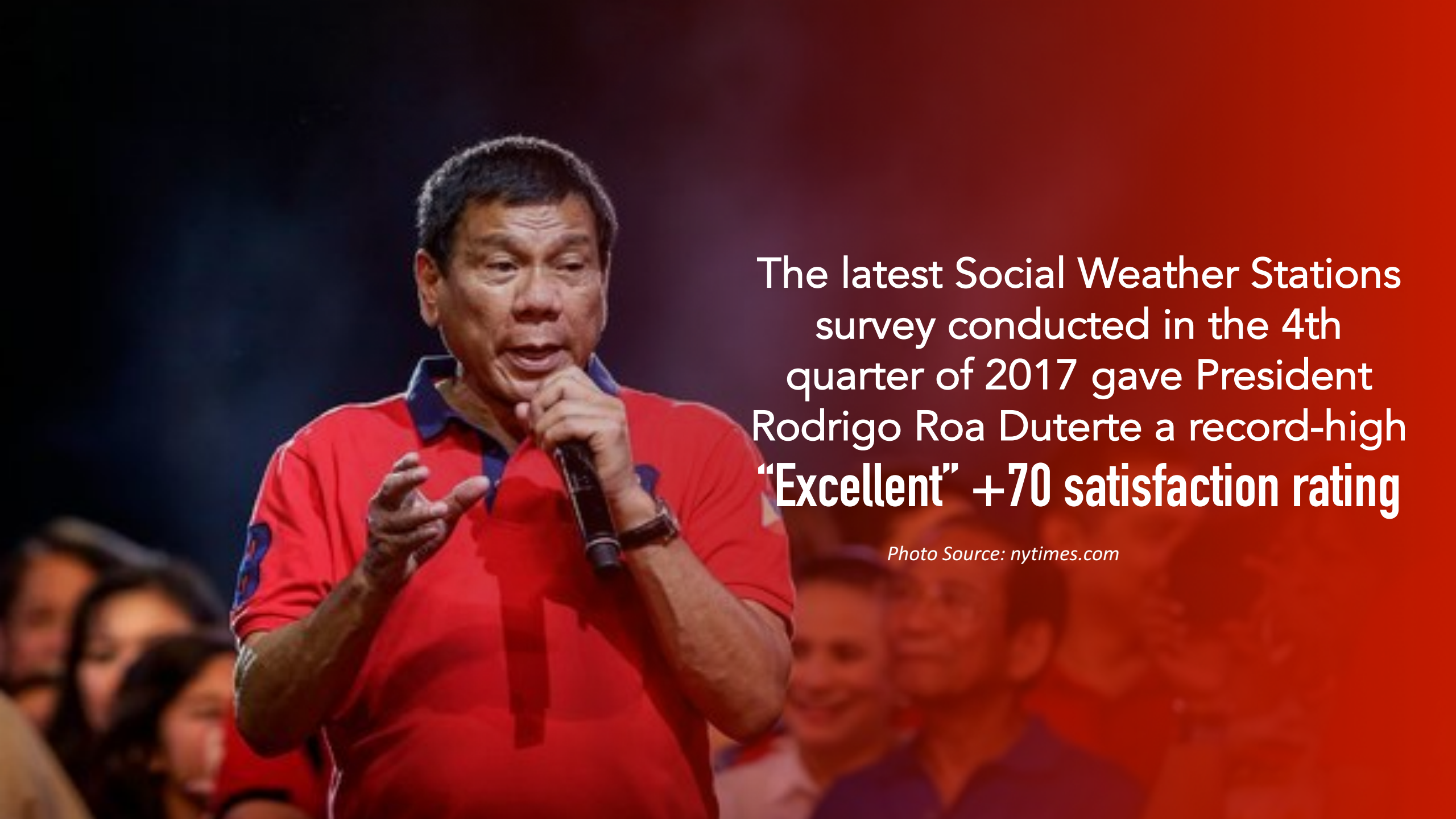


Recently, the Department of Finance launched the
PHILIPPINE NATIONAL SINGLE WINDOW
using an online platform to fully automate import
and export application processes

The reforms being
undertaken by this
administration stretches
across the board to ensure
rapid economic growth and
better social protection


Photo Source: Headwaters Relief Organization





The latest Social Weather Stations survey conducted in the 4th quarter of 2017 gave President Rodrigo Roa Duterte a record-high **“Excellent” +70 satisfaction rating**

Photo Source: nytimes.com

An aerial night view of a city skyline, featuring several tall skyscrapers and a dense urban landscape. The image is overlaid with a semi-transparent yellow filter. The text "This is truly the place to do business in. This is where the action is." is centered in white. A small watermark "www.jwrightinart.com" is visible in the middle of the image.

This is truly the place to do
business in. This is where
the action is.

Photo Source: Justin James Wright (gettyimages)

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