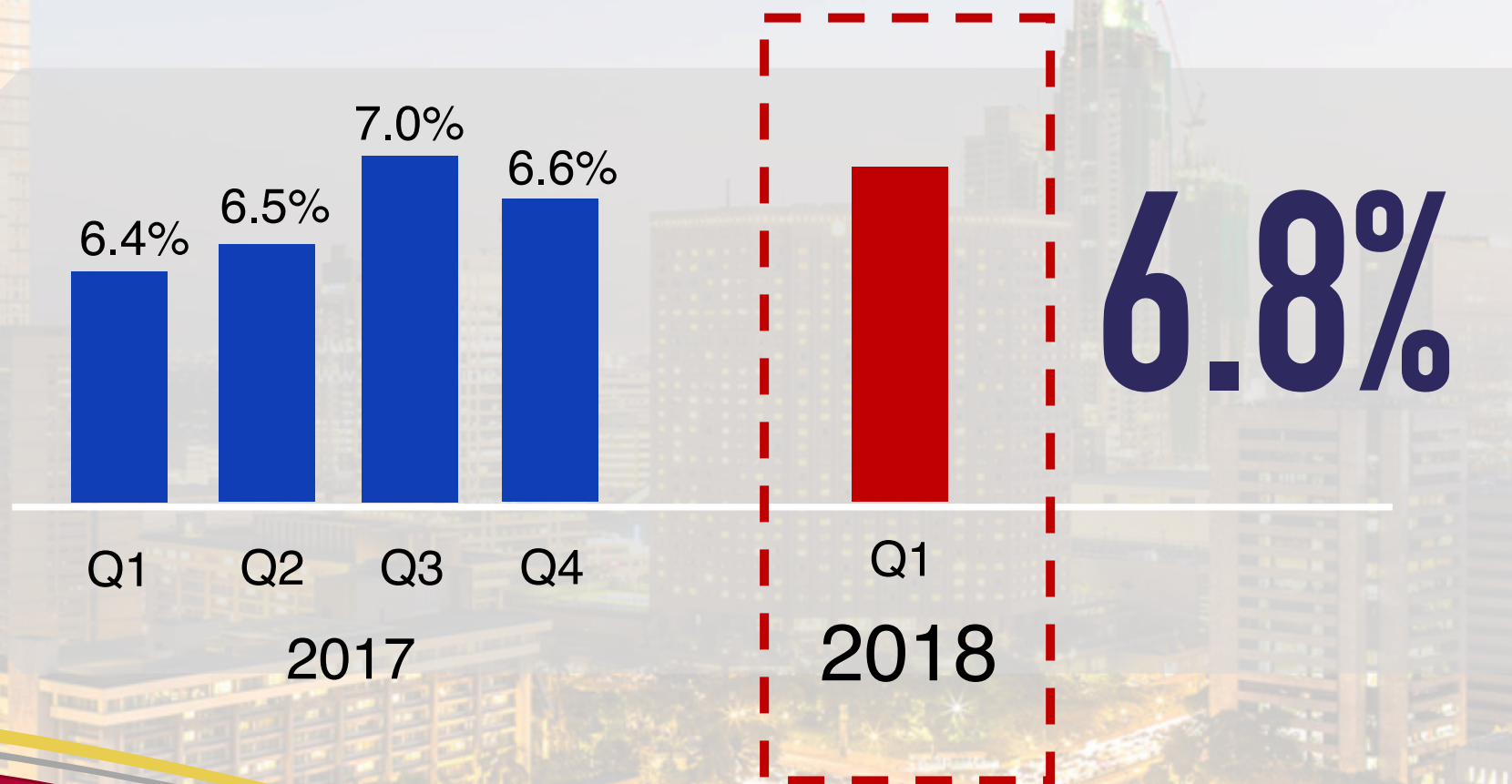


# THE ECONOMY IS ON COURSE

FINANCE SECRETARY CARLOS G. DOMINGUEZ  
ECONOMIC DEVELOPMENT CLUSTER (EDC) PRE-SONA  
JULY 6, 2018 | PICC HALL



# Q1 2018 GROSS DOMESTIC PRODUCT GROWTH



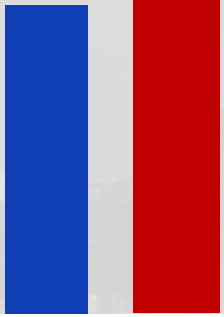
The latest growth numbers cap 77 consecutive quarters of sustained expansion. Over the last 10 quarters, we achieved growth rates of 6.5 percent or better.

Source: Philippine Statistics Authority



# ECONOMIC PERFORMANCE BY SECTOR

7.7% 8.0%



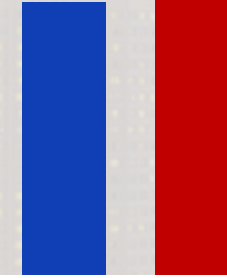
MANUFACTURING

6.5% 7.9%



INDUSTRY

6.7% 7.0%




SERVICES

*The dynamism of these sectors has been due to more robust investment flows.*

■ Q1 2017 ■ Q1 2018

Source: Philippine Statistics Authority



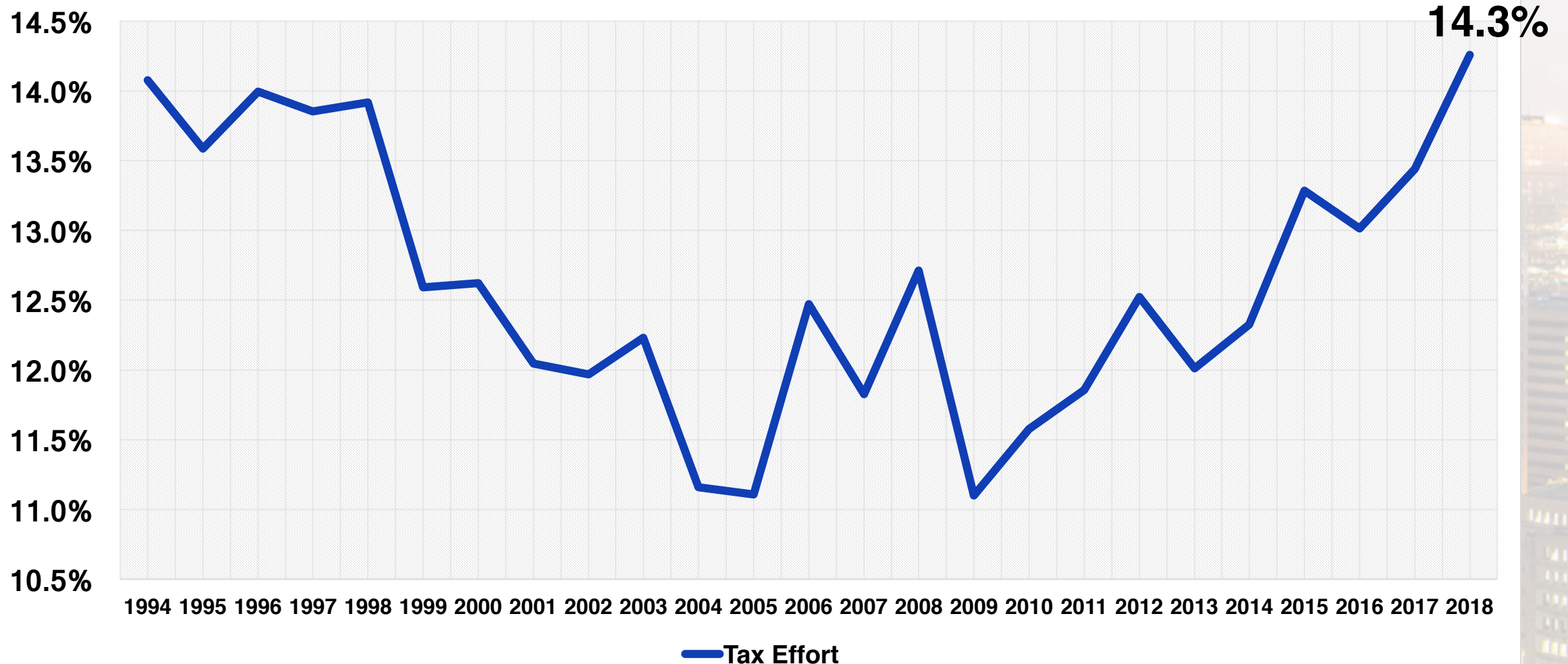


We aim to bring down poverty  
incidence from 21.6 percent in  
2015 to just **14 PERCENT BY 2022**

*Photo Source: Headwaters Relief Organization*

# Q1 TAX EFFORT IN THE LAST 25 YEARS

In the first quarter of 2018, tax effort rose by 0.9 percentage point, from 13.4 percent of GDP to 14.3 percent, the highest first quarter tax effort ever achieved in the past 25 years






# NATIONAL GOVERNMENT FISCAL POSITION

*Actual: January to May (in million pesos)*

PARTICULARS	2017	2018	PESO VARIANCE	% GROWTH
<b>REVENUES</b>	<b>996,516</b>	<b>1,186,343</b>	<b>189,827</b>	<b>19.0%</b>
Tax Revenues	900,766	1,066,958	166,192	18.5%
<b>BIR</b>	<b>716,768</b>	<b>827,730</b>	<b>110,962</b>	<b>15.5%</b>
o.w. Tax Expenditure Fund	799	2,018	1,219	152.6%
DST on Gov. Securities	2,965	3,707	742	25.0%
<b>BOC</b>	<b>174,864</b>	<b>229,339</b>	<b>54,475</b>	<b>31.2%</b>
o.w. Tax Expenditure Fund	489	1,741	1,252	256.0%
Other Offices	9,134	9,889	755	8.3%
Non-Tax Revenues	95,507	119,033	23,526	24.6%
Fees and Charges	16,272	19,828	3,556	21.9%
Bureau of Treasury	48,031	58,359	10,328	21.5%
Other Existing Non-Tax Revenues	31,177	40,846	9,669	31.0%
Foreign Grants	27	-	(27)	-100.0%
Privatization	243	352	109	44.9%
<b>EXPENDITURES</b>	<b>1,060,113</b>	<b>1,325,072</b>	<b>264,959</b>	<b>25.0%</b>
o.w. Interest Payments	132,294	141,085	8,791	6.6%
<b>SURPLUS/(DEFICIT)</b>	<b>(63,597)</b>	<b>(138,729)</b>	<b>(75,132)</b>	<b>118.1%</b>



# COMPREHENSIVE TAX REFORM PROGRAM PACKAGE 2 HIGHLIGHTS

- Lower the corporate income tax rate from 30% to 25% by 2022
- Rationalize investment tax incentives
- Simplify tax rules for corporations to improve compliance
- Expand the function of the Fiscal Incentives Review Board (FIRB) to serve as the overall administrator of all investment promotion agencies
- DOF to chair the FIRB as the custodian of fiscal prudence and responsibility
- Broaden the tax base by repealing 123 special laws on investment incentives

The incremental revenues raised from the tax reform law will be directed to the following:

**70%**

**INFRASTRUCTURE PROGRAM**



**30%**

**SOCIAL SERVICES AND HUMAN  
CAPITAL DEVELOPMENT**







# BUILD

# BUILD

# BUILD



MORE RAILWAYS,  
MASS URBAN TRANSPORT,  
AIRPORTS AND SEAPORTS

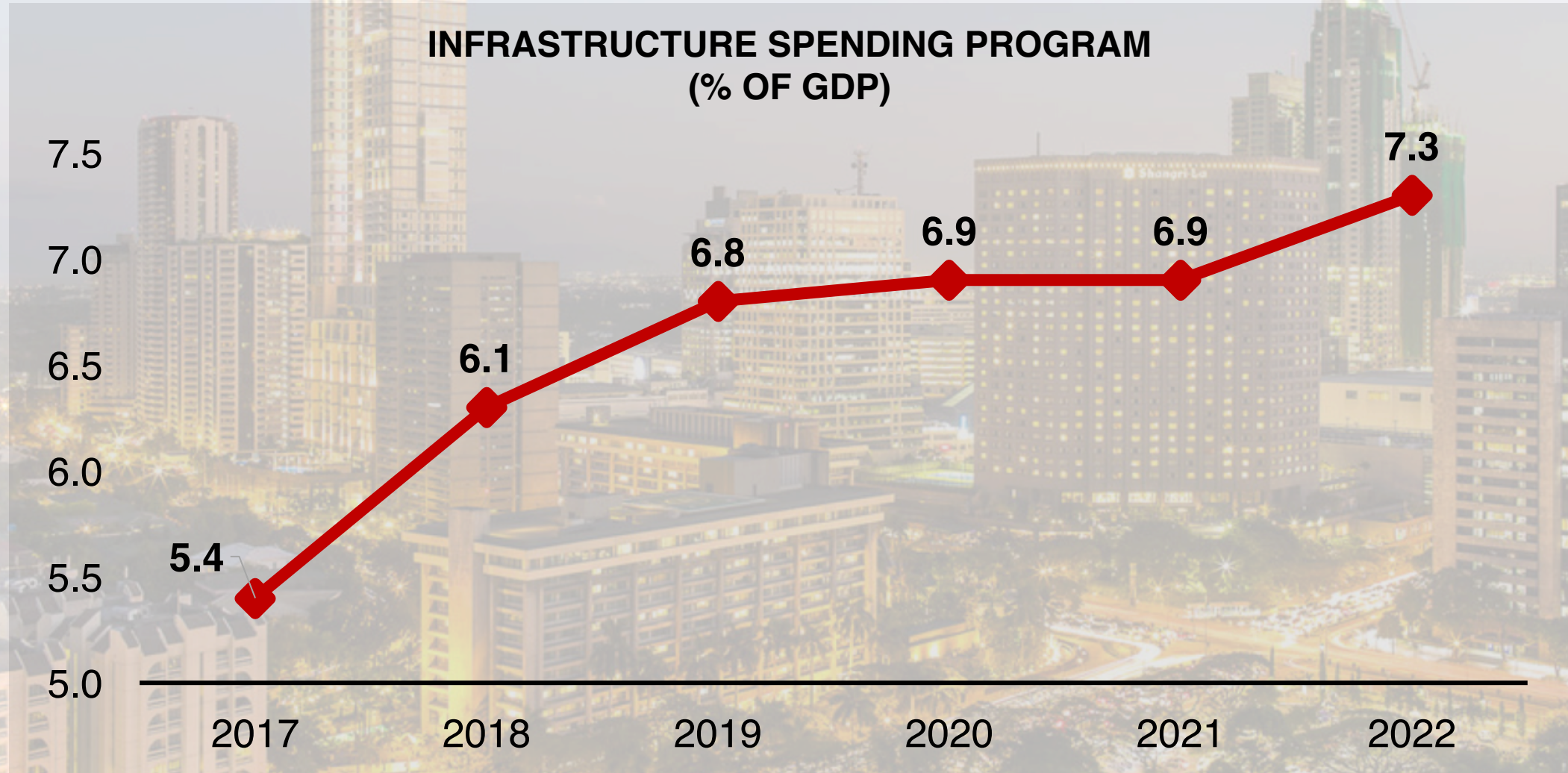


MORE BRIDGES AND  
ROADS



NEW AND BETTER  
CITIES

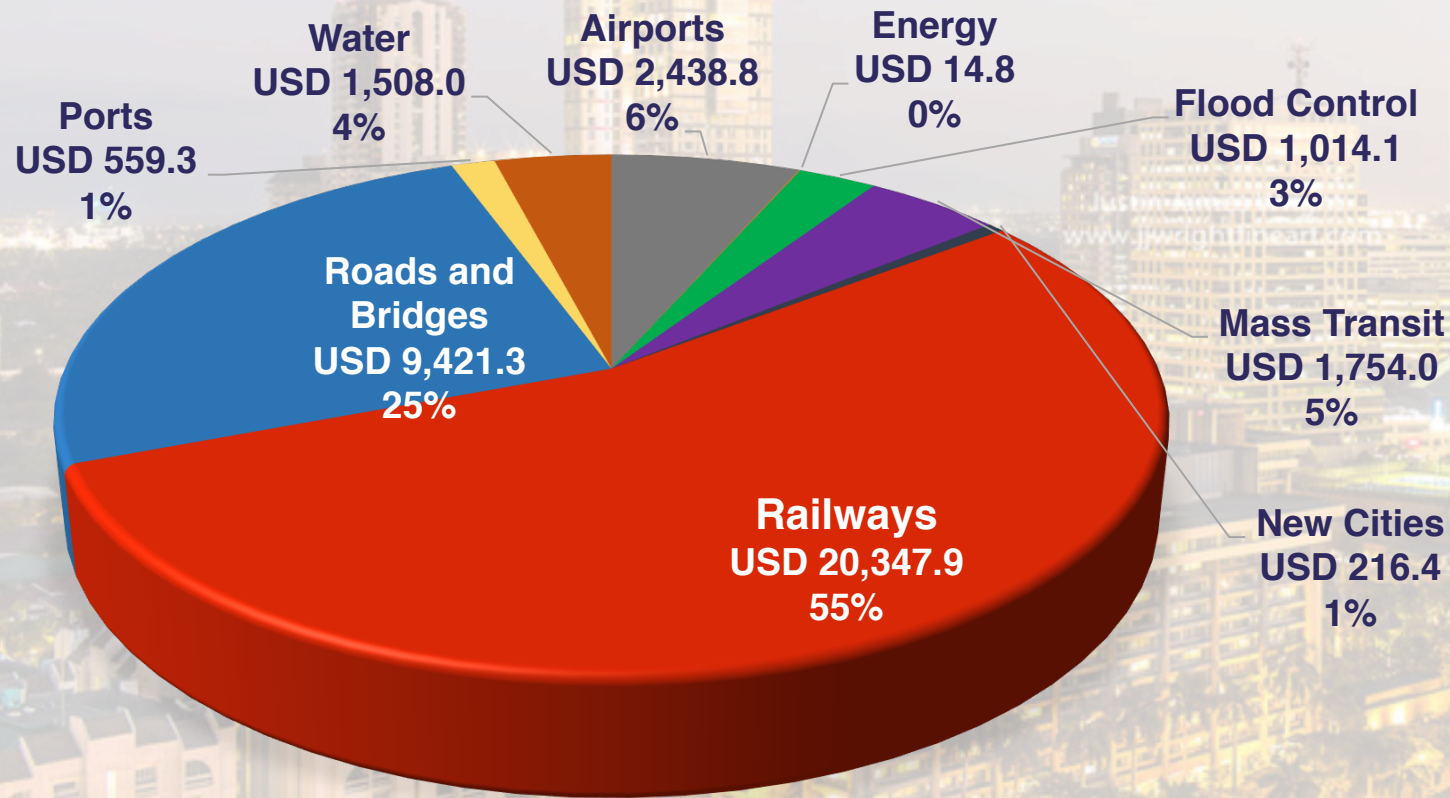
# RAPID ADMINISTRATIVE RESPONSE FOR INFRASTRUCTURE DEVELOPMENT











# 75 FLAGSHIP INFRASTRUCTURE PROJECTS

(of which 35 projects have been approved by the NEDA Board)



Note: Amount (in million)

	69.5km PNR North 2/Malolos-Clark Airport-New Clark City Rail (USD4,186.6mn)
	25.3km Metro Manila Subway Project - Phase 1 (USD7,068.6mn)
	72km PNR South Commuter Line Tutuban-Los Baños (USD2,458.3mn)
	581km PNR Long-haul Manila-Bicol (USD3,471.6mn)
	Davao International Airport Development Project (USD803.4mn)
	102.3km Mindanao Railway: Tagum-Davao City-Digos Segment (USD698.2mn)

Select NEDA Board Approved  
Flagship Infrastructure Projects



# MAJOR DRIVERS OF INFLATION

Higher domestic demand, given that people now have more to spend monthly as a result of the personal income tax (PIT) cuts



Increased trade deficit and depreciating peso due to massive importation of capital goods needed for the Build, Build, Build program



Uncertainty we saw when the NFA rice dissipated, causing a spike in rice prices



Excise taxes on products such as tobacco and sugar beverages





# PRIORITY LEGISLATIVE MEASURES

## RICE TARRIFICATION LAW

*This should ensure adequate rice supplies and prevent the uncertainty we saw when the NFA rice dissipated, causing a spike in rice prices.*



## CASH TRANSFER PROGRAM

*The speedier implementation of the cash transfer program for the poorest Filipino families will help ease inflation's impact.*



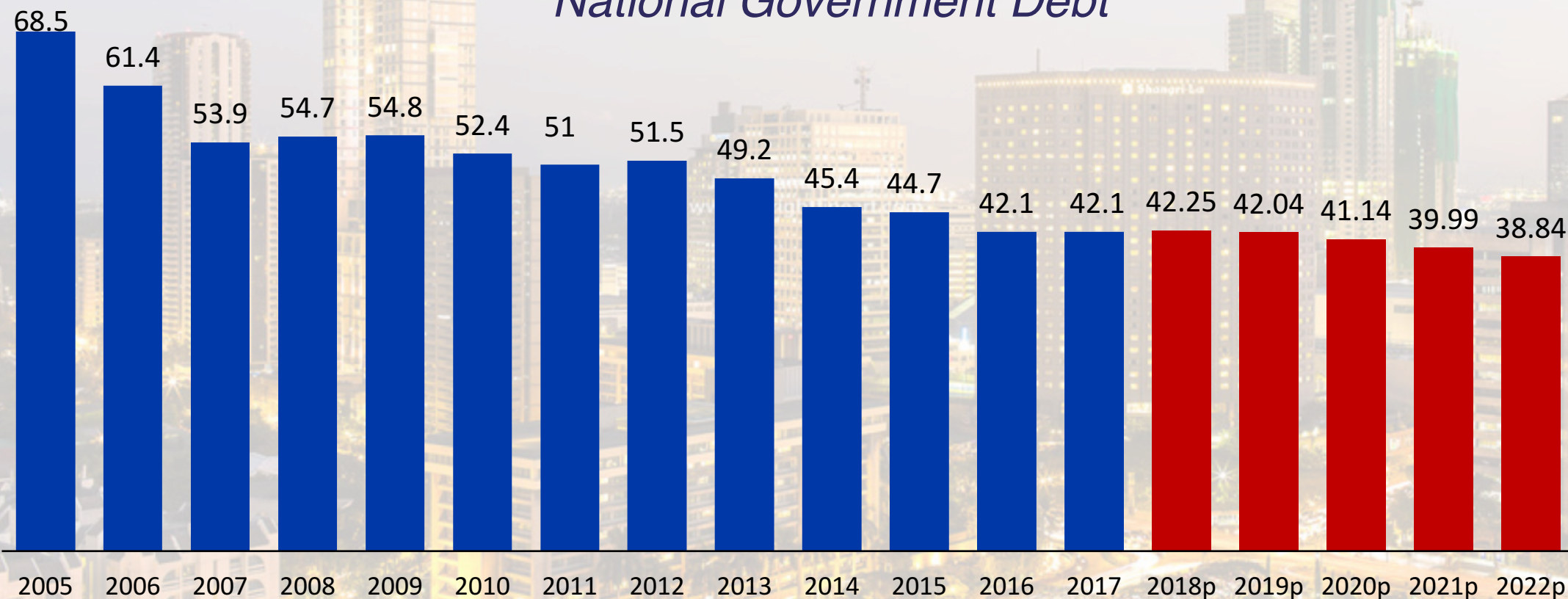
## NATIONAL I.D. SYSTEM

*This will greatly enhance the efficiency of transactions in our economy.*



# SUSTAINED DECLINE IN DEBT-TO-GDP RATIO

## *National Government Debt*





# RISING INVESTMENTS HIGHLIGHT CONFIDENCE IN PHILIPPINE GROWTH PROSPECTS

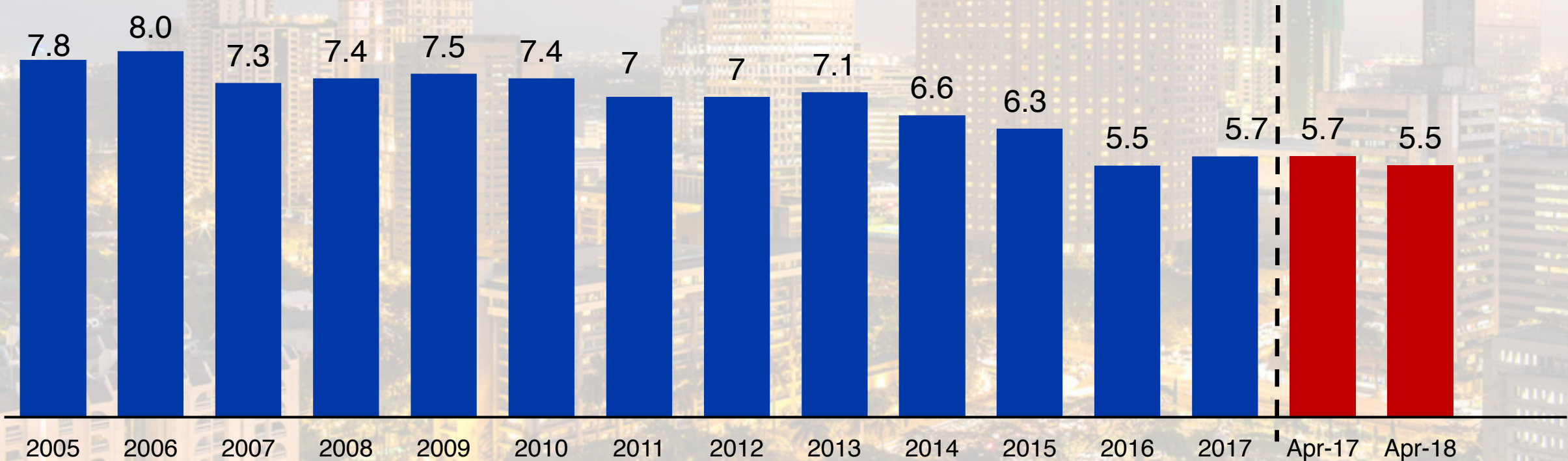
*Net Foreign Direct Investment (FDI) Flows  
(In USD Billion)*



Source: BSP IRO Office

# VIBRANT ECONOMY PRODUCING MORE AND BETTER JOBS

## *Unemployment Rate*







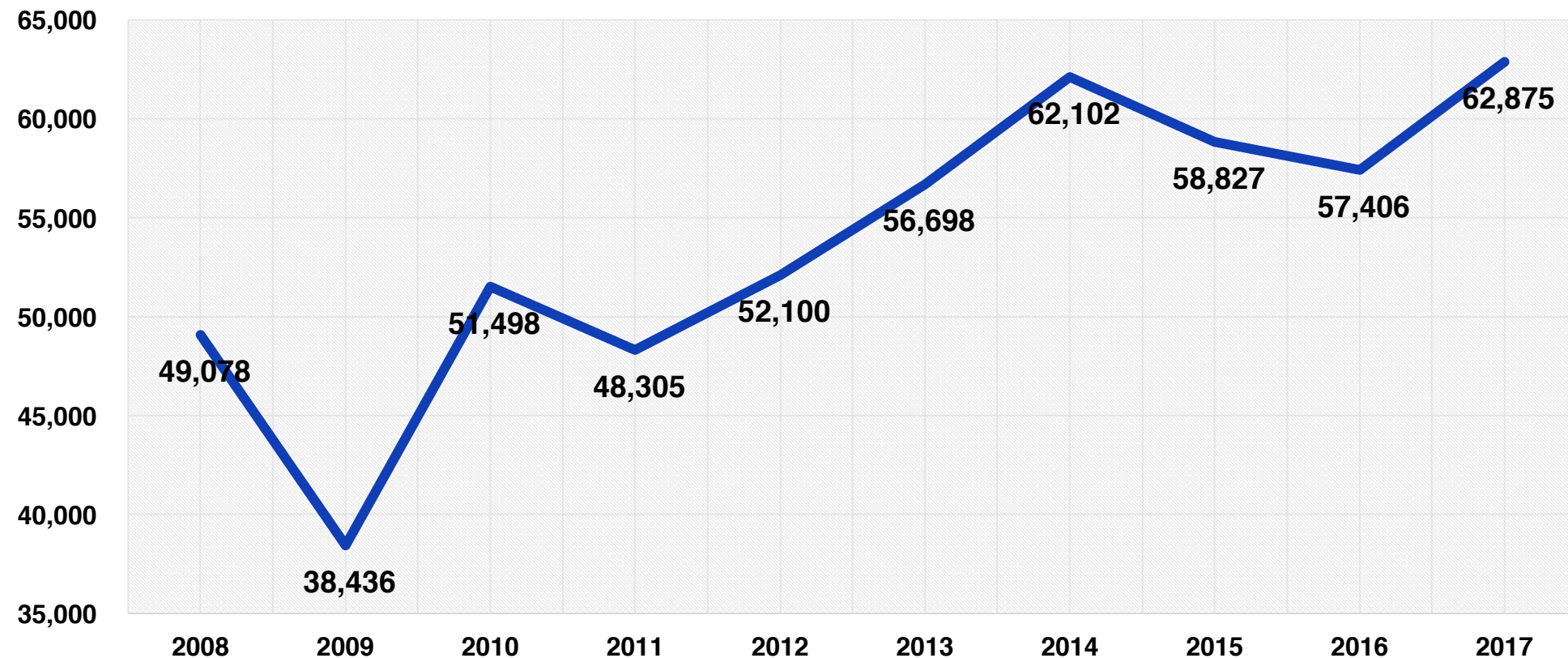
As of April 2018,  
**625,000** more jobs were  
created. Of this number,  
**605,000** Filipinos were  
employed in manufacturing  
and construction

*-National Economic and Development  
Authority (NEDA)*



# CONTINUED INCREASE IN MERCHANDISE EXPORTS

**Merchandise Export from 2008 to 2017**  
*(in USD Million)*

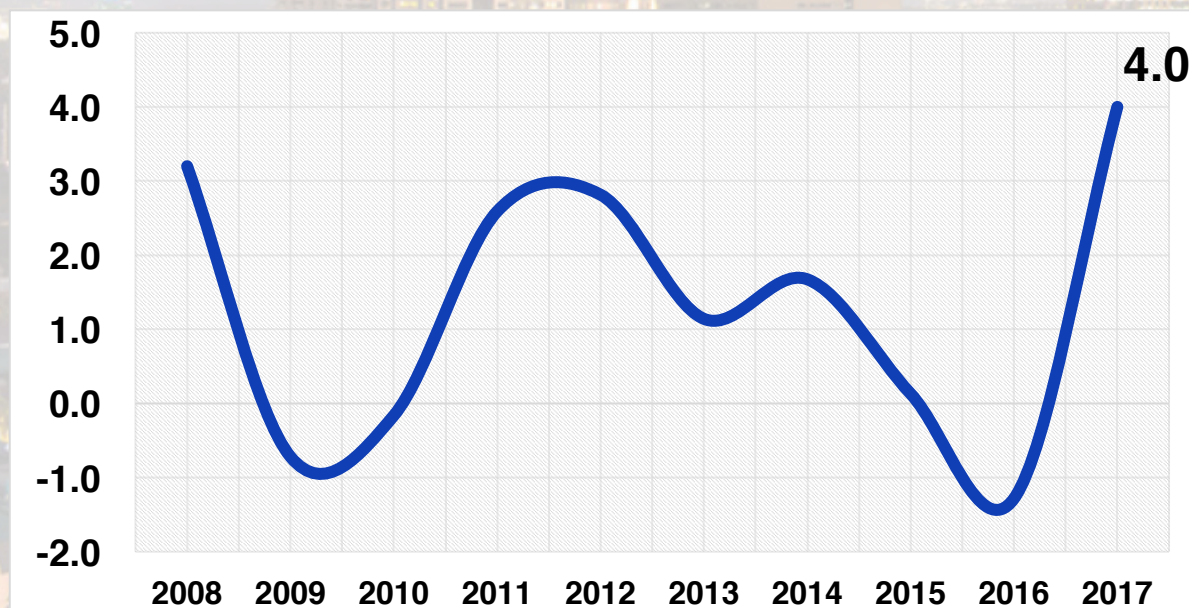




# IMPROVING AGRICULTURAL SECTOR WILL BE SUPPORTIVE OF MORE INCLUSIVE DEVELOPMENT

*Highest performance in a decade due to increasing access to technology and innovative low-cost financing*

**Real Agriculture, Forestry and Fishing (AFF) GVA Growth, in %**



**GVA Growth of Select AFF, 2016-2017**

Sector/Subsector	2016	2017
AFF GVA growth (%)	-1.2	4.0
Agriculture	-0.6	5.0
Rice	-2.9	9.4
Corn	-4.0	9.8
Sugarcane	-0.7	30.2
Livestock	4.6	1.1
Poultry	1.3	4.5



Our numbers all point to a  
**POSITIVE DIRECTION.**

We are doing the **RIGHT THINGS**  
at the **RIGHT TIME.**



An aerial photograph of a city skyline at dusk or dawn. The sky is a pale blue-grey. Numerous skyscrapers and high-rise buildings are visible, many with their windows glowing with warm yellow light. In the foreground, there are lower-rise buildings, some with distinctive architectural features like tiered roofs. A winding road or highway with some traffic is visible in the lower right. The overall scene conveys a sense of urban growth and development.

There is reason to be  
**CONFIDENT** in the  
**PHILIPPINES' GROWTH STORY**

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