

## REGAINING MOMENTUM, ACCELERATING RECOVERY IN A POST-COVID-19 WORLD

#### CARLOS G. DOMINGUEZ Secretary of Finance

Economic Development Cluster Pre-State of the Nation Address (SONA) Presentation July 8, 2020

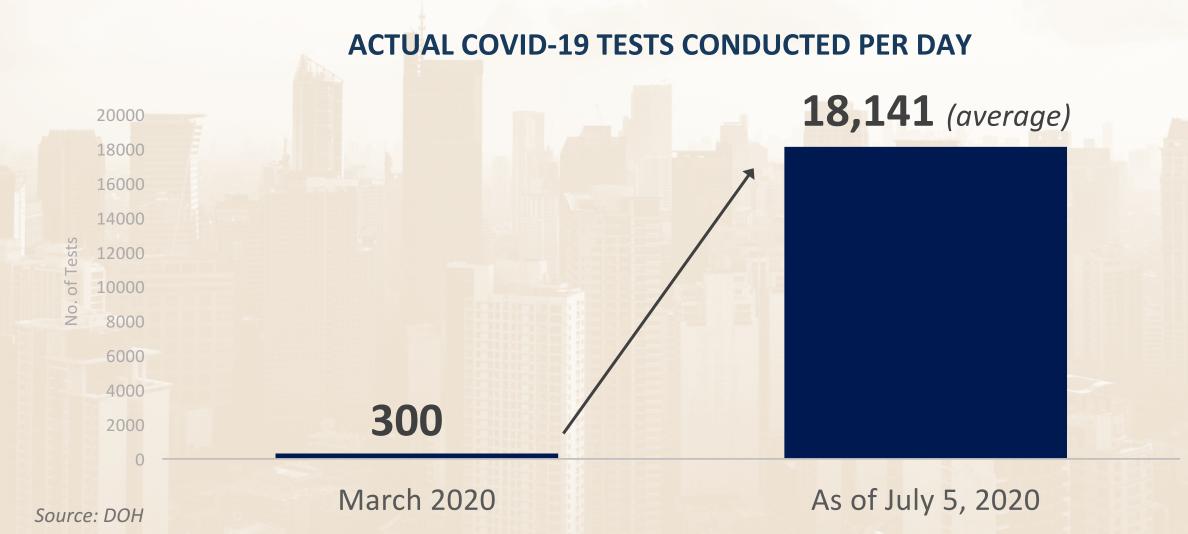




#### 1.3 to 3.5 million

Estimated number of infections prevented due to government interventions, such as the lockdowns, according to the Epidemiological Models of the FASSSTER Project in April and the University of the Philippines COVID-19 Pandemic Response Team as of June 27

### The Enhanced Community Quarantine gave us time to expand our testing capacity by multiples.



#### The Philippines meets the World Health Organization's Positivity Rate benchmark of 10 percent.

10%



**BENCHMARK POSITIVITY RATE** 

7.4%



PHILIPPINES' POSITIVITY RATE
(As of July 5, 2020)

Source: DOH

#### The Enhanced Community Quarantine allowed us to protect our frontliners and healthcare workers better.

NUMBER OF PERSONAL PROTECTIVE EQUIPMENT SETS PROCURED FOR THE FRONTLINE HEALTHCARE WORKERS

## 1 MILLION

As of April 30, 2020



## 6 MILLION

As of June 30, 2020

Source: DOH

#### The Enhanced Community Quarantine allowed us to protect our frontliners and healthcare workers better.

#### OVERALL CONFIRMED COVID-19 CASES

20%

As of April 30, 2020



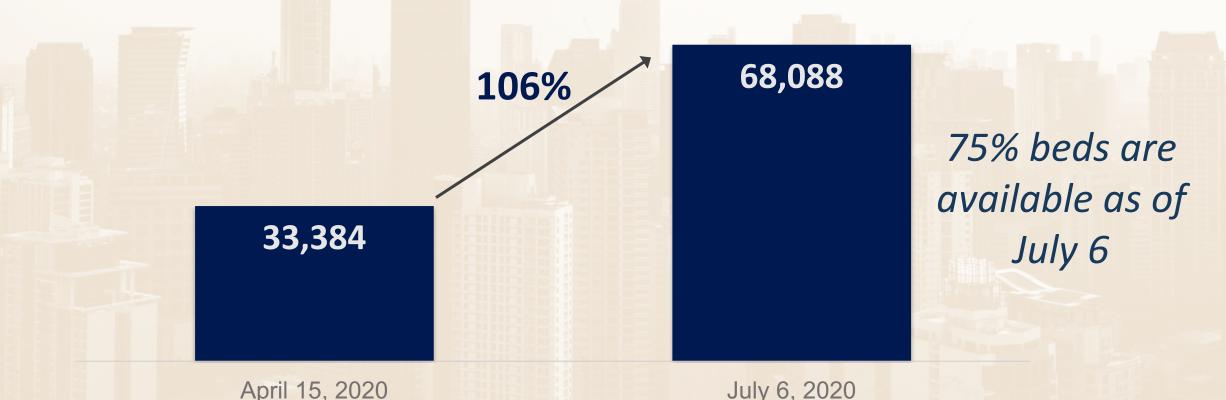
7.94%

As of July 5, 2020

Source: DOH

#### The Enhanced Community Quarantine gave us time to expand our capacity to treat and isolate the infected.

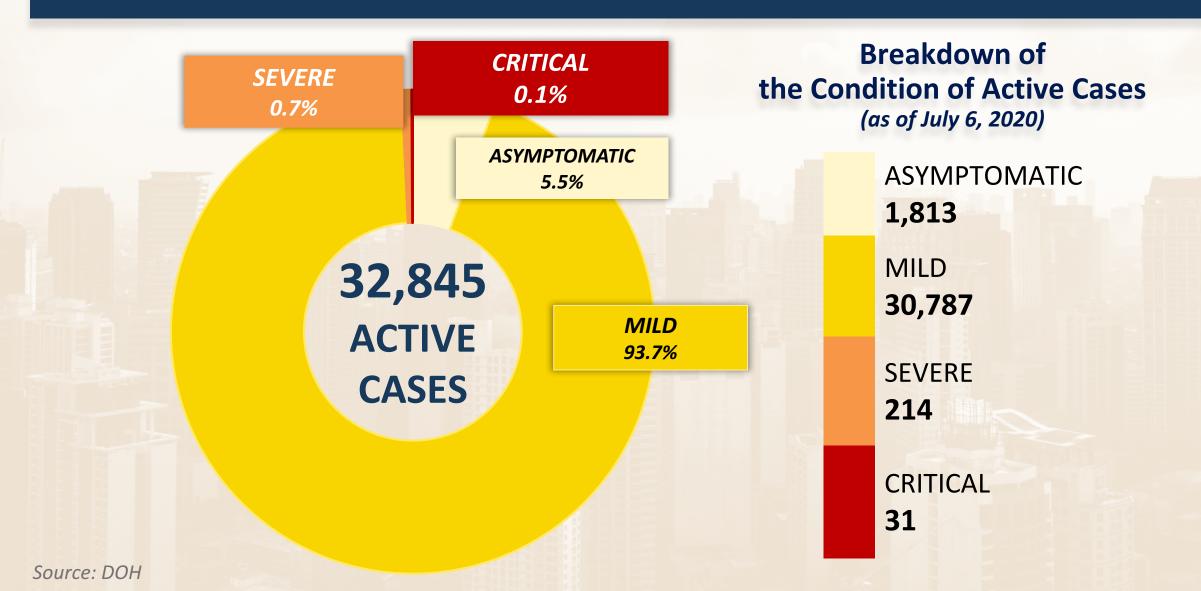
#### NUMBER OF BEDS IN QUARANTINE FACILITIES



Source: DOH

July 6, 2020

## Only less than one percent of all COVID-19 cases in the country are severe or critical



#### Everyone must adhere to the minimum health standards.

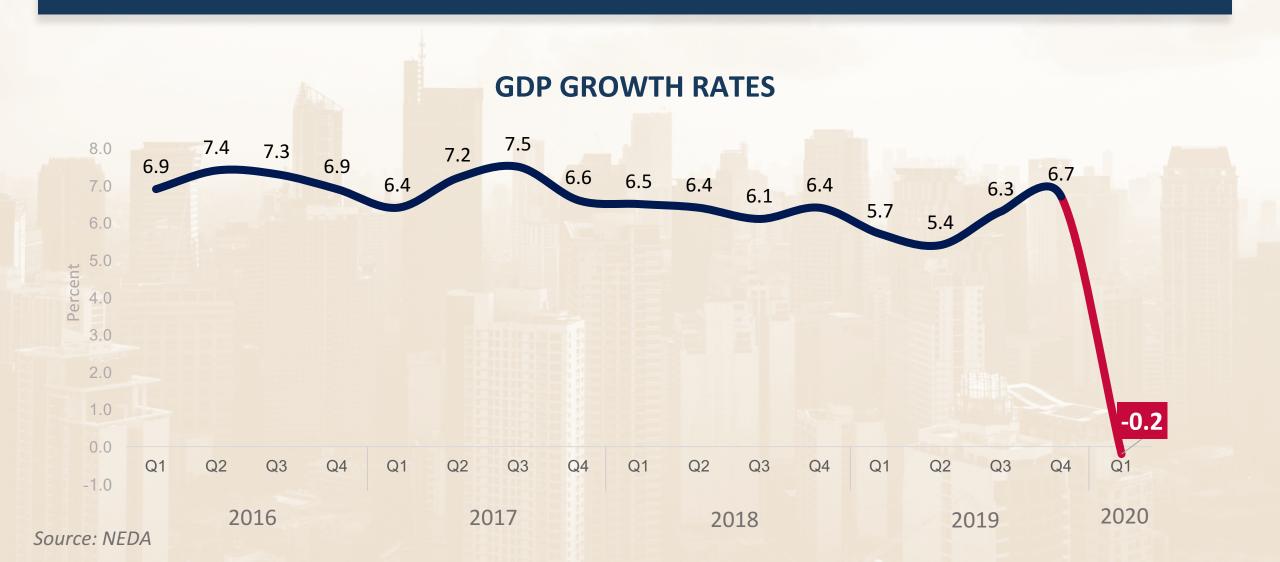




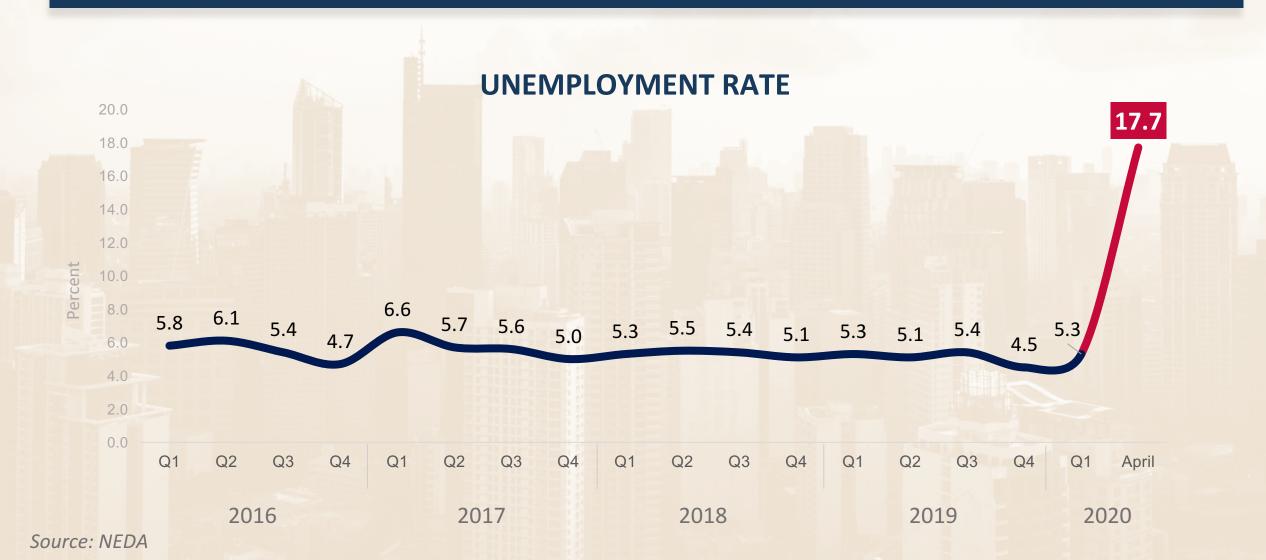


PHOTOS FROM DOH

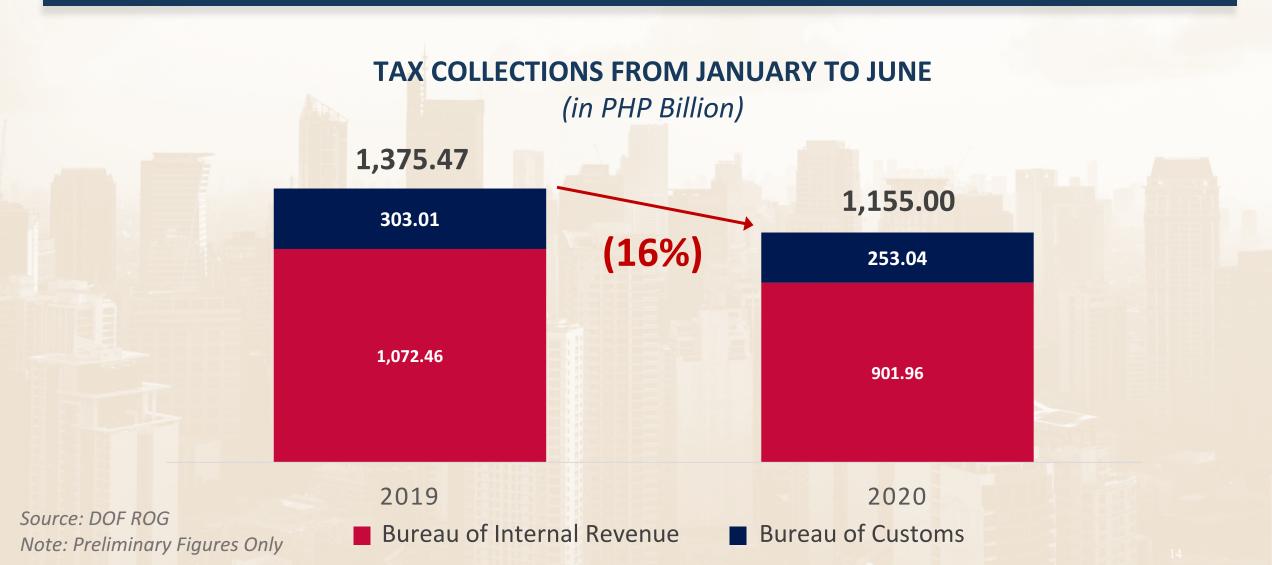
#### Q1 2020 growth rate was negative 0.2 percent, the first time in two decades that our economy suffered a contraction.



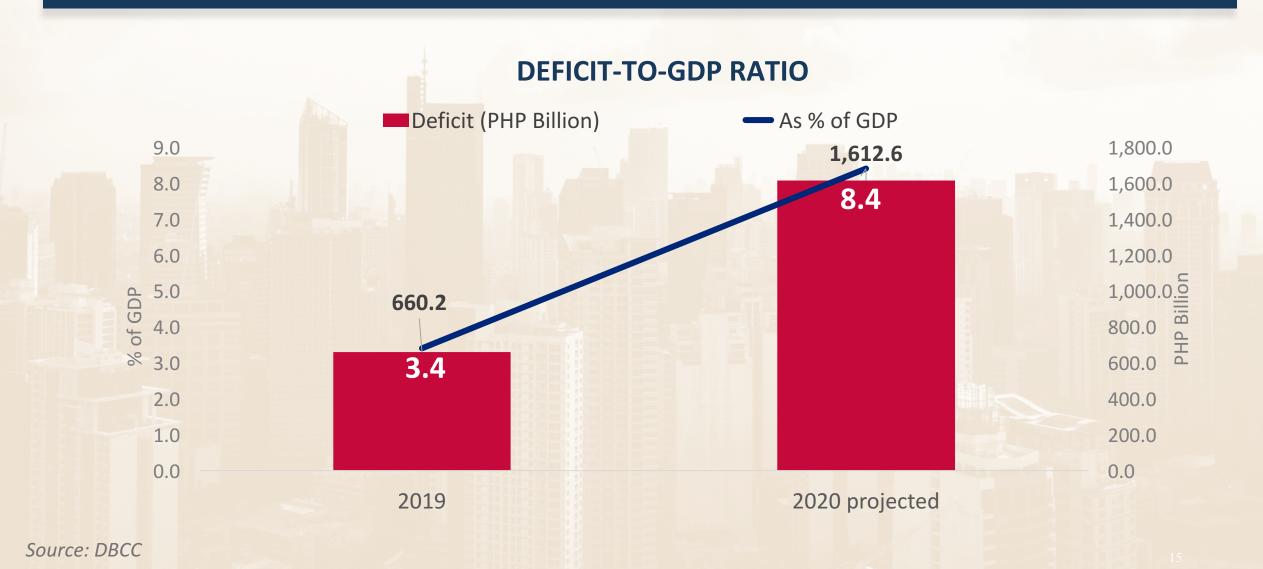
## Our unemployment rate in April 2020 spiked to 17.7 percent in the face of the strict community lockdowns.



#### The lockdown dealt a significant blow to both the tax base and tax collection.

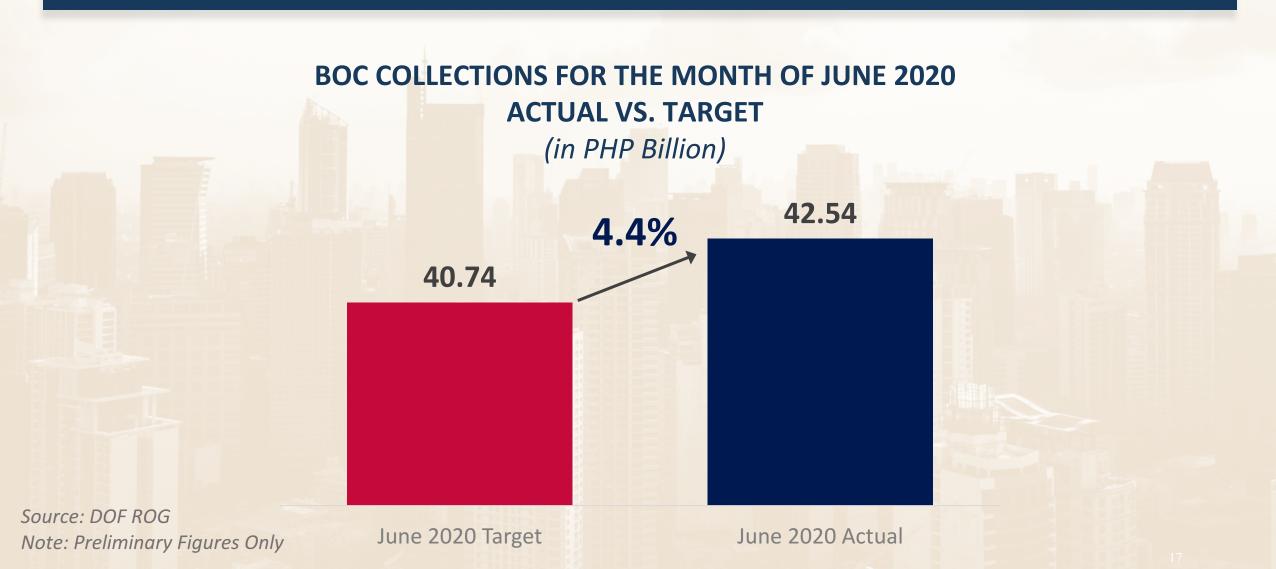


## Our deficit-to-GDP ratio will more than double as tax collections are down and as we spend more for our people.





## Despite the effects of COVID-19 to the overall trading environment, the BOC was able to surpass its June 2020 collection target by 4.4 percent.

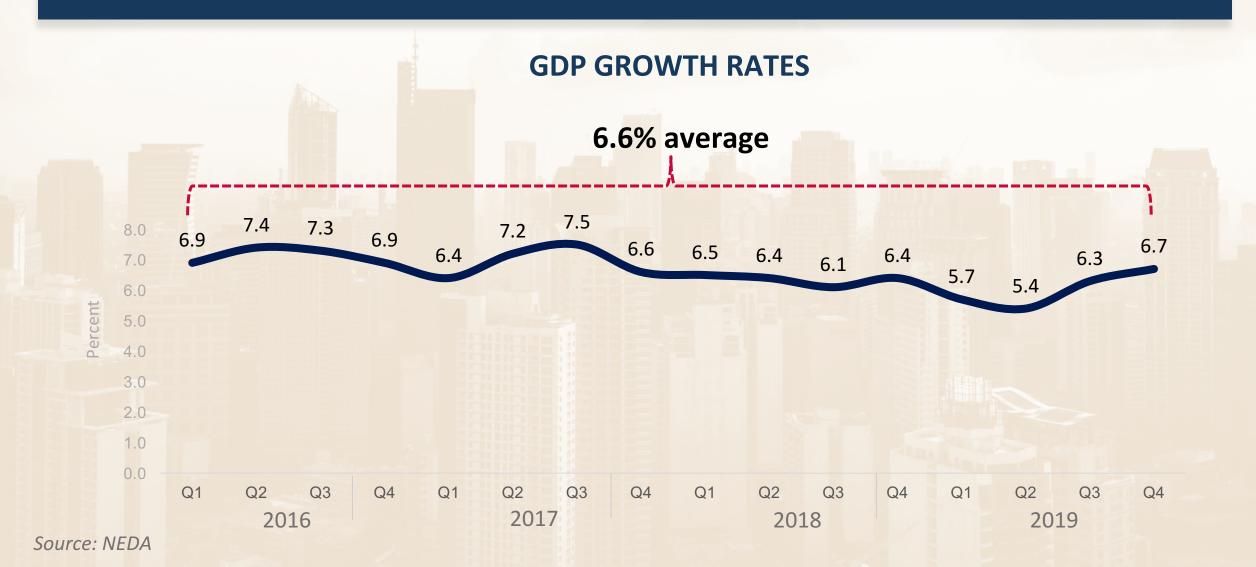


#### Recovery is also seen in the manufacturing sector as the economy reopens

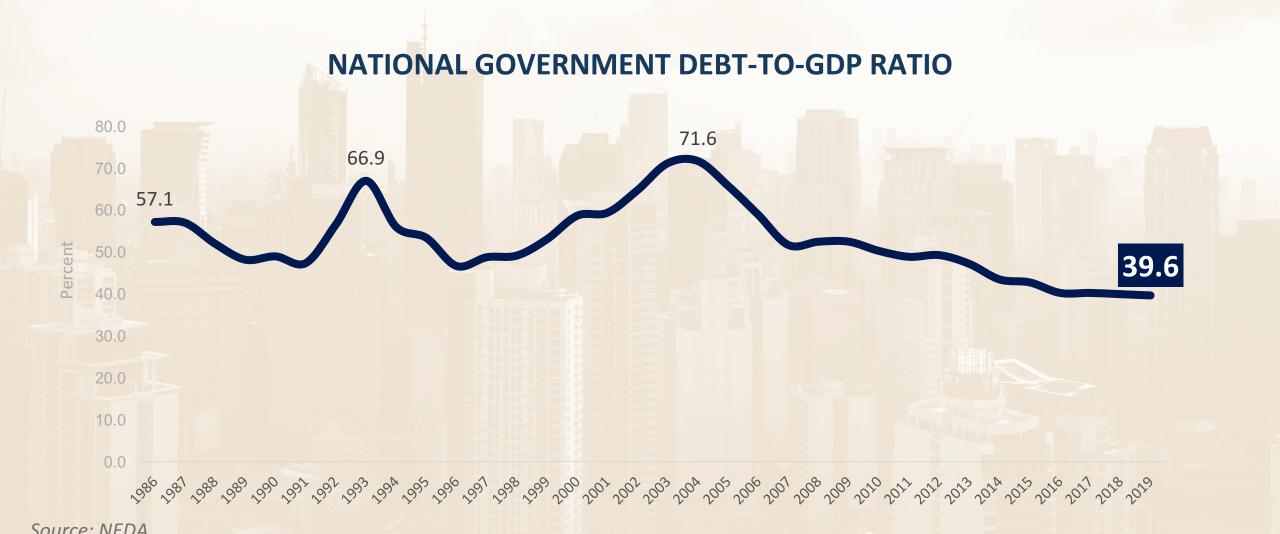
- Overall manufacturing capacity utilization increased to 73.4 percent in May compared to 71.2 percent in April.
- While year-on-year Volume of Production Index (VoPI) and Value of Production Index (VaPI) declined by 40.3 percent and 42.1 percent, respectively, in May, they are better than the revised VoPI and VaPI of -43.6 and -45.5 recorded in April.
- The latest results of the Purchasing Managers' Index also points to an improved manufacturing performance moving forward as the index rose from 40.1 in May to 49.7 in June.

Source: NEDA and PSA

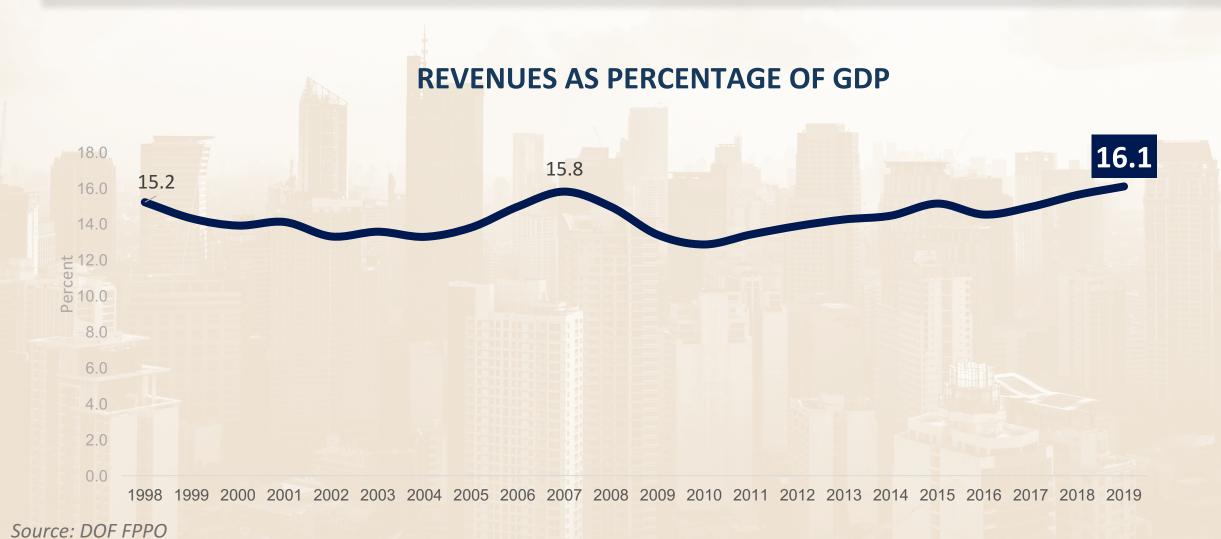
#### The Philippines was among the fastest growing economies in Asia, with an average GDP growth of 6.6 percent from 2016 to 2019.



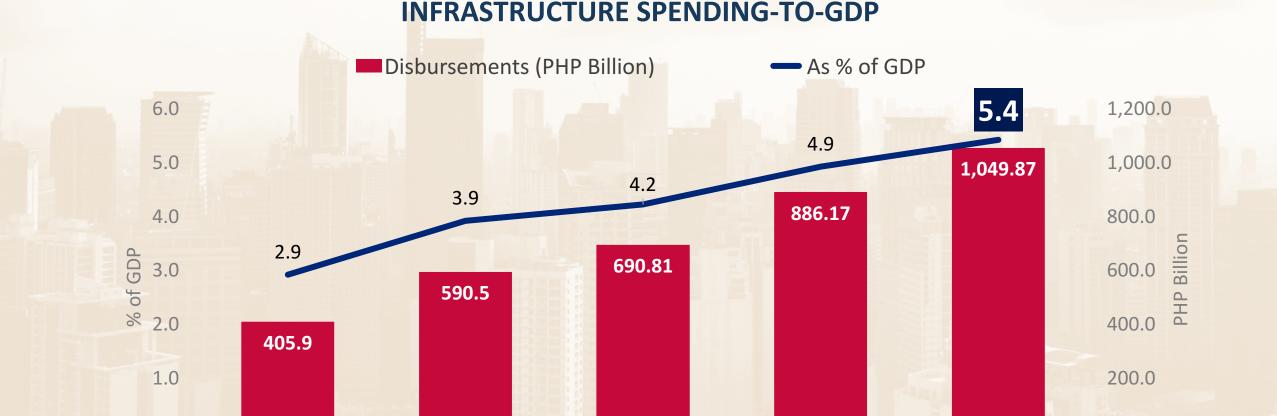
## 2019 debt-to-GDP ratio of 39.6 percent is the lowest it has been since the country started recording this metric in 1986.



## Revenues were at 16.1 percent of GDP in 2019, the best performance since 1998



#### We were able to catch up and accelerate our spending on infrastructure investments to 5.4 percent of GDP in 2019.



2017

2018

0.0

2019

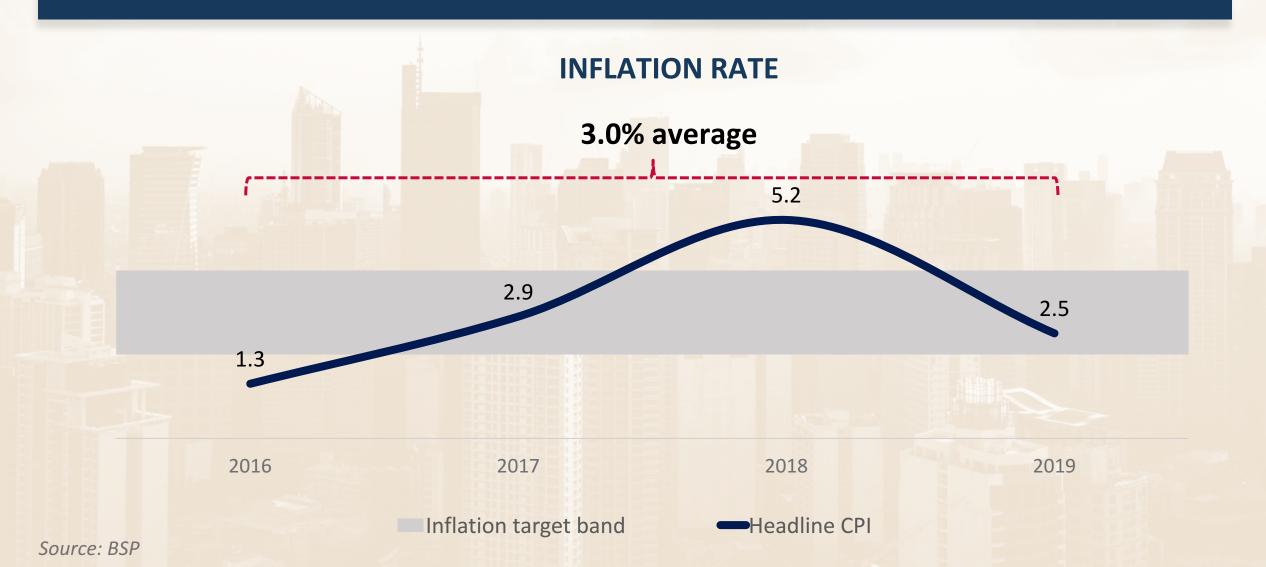
0.0

Source: DBM

2015

2016

## We continue to enjoy low and stable inflation. From 2016 to 2019, our inflation rate averaged at 3 percent.



## June 2020 inflation rate further slowed to 2.5 percent. Prices in June have only gone up by 0.2 percent compared to the prices in January.

#### **INFLATION RATE**

(January to June 2020)



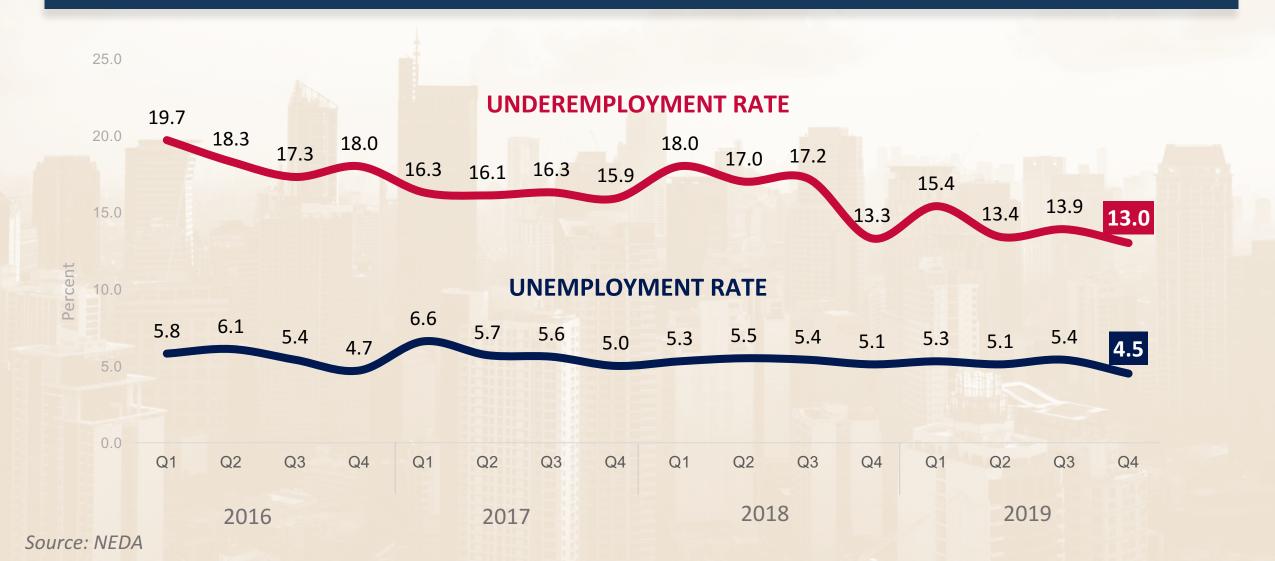
#### **CONSUMER PRICE INDEX**

(January to June 2020)

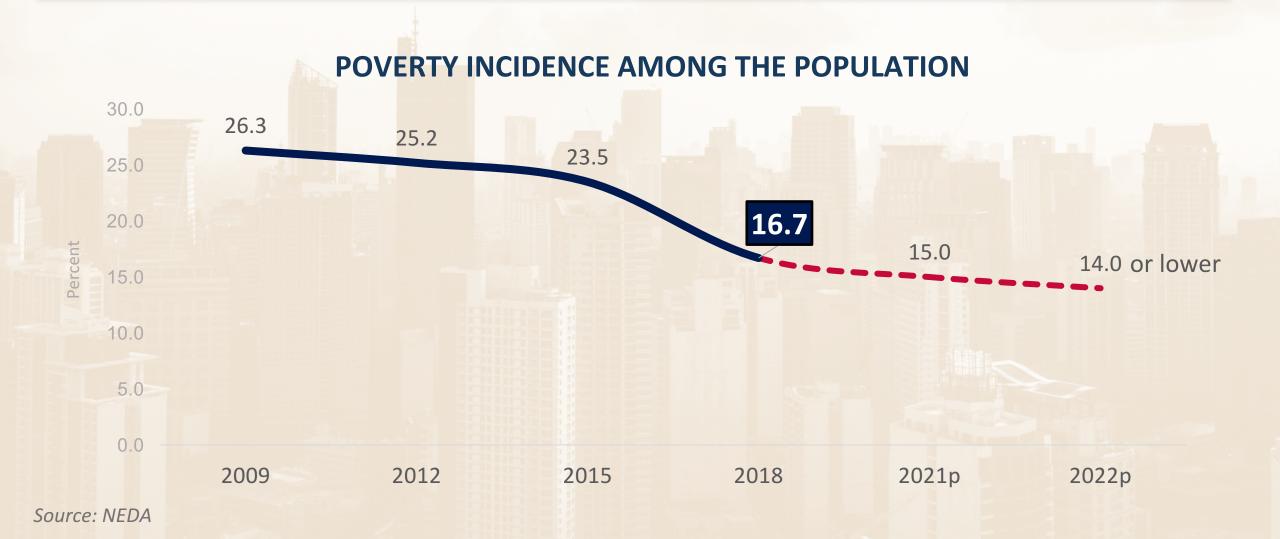


Source: PSA

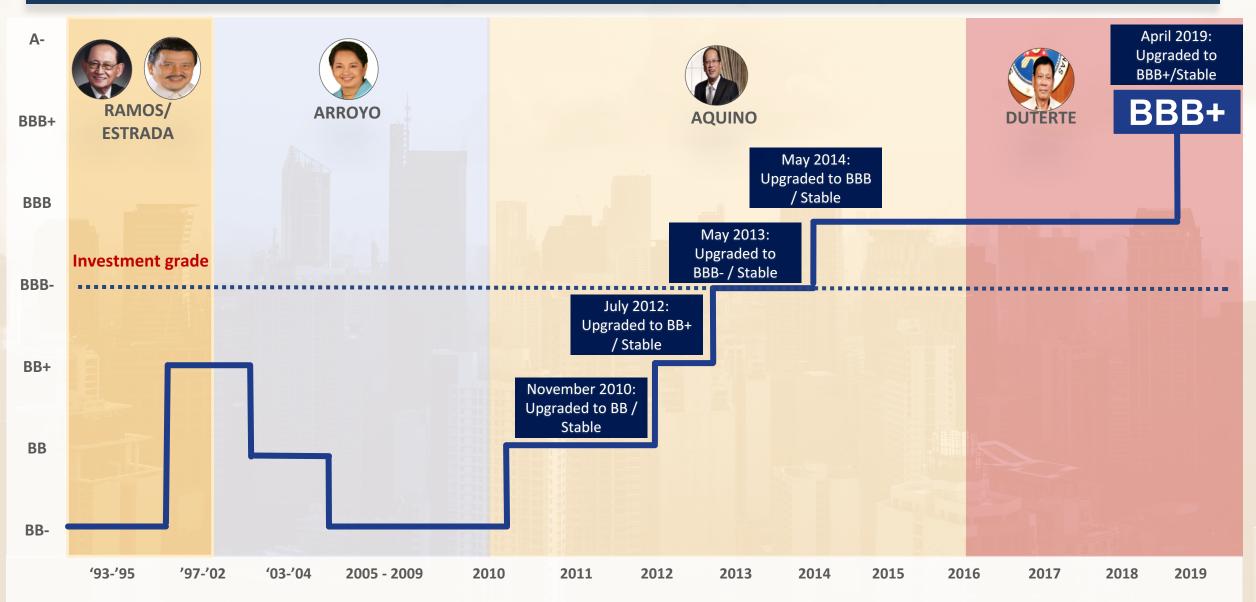
#### At the end of 2019, we have achieved the lowest recorded rates of unemployment at 4.5 percent and underemployment at 13.0 percent.



#### The President's promise of lifting 6 million Filipinos from poverty by 2022 was achieved ahead of schedule in 2018.



#### Last year, S&P raised our sovereign risk rating to BBB plus the highest in our country's history



#### Recent Credit Rating Actions on the Philippines

# **S&P Global**Ratings

On May 29, S&P affirmed the Philippines 'BBB+' rating, 'stable' outlook in recognition of the country's sound macroeconomic fundamentals going into the COVID-19 pandemic and its perceived ability to bounce back from the crisis.



On May 7, Fitch ratings affirmed the Philippines' rating at "BBB" and updated the outlook to stable. The affirmation reflects the country's fiscal and external buffers and its still-strong medium term growth prospects.

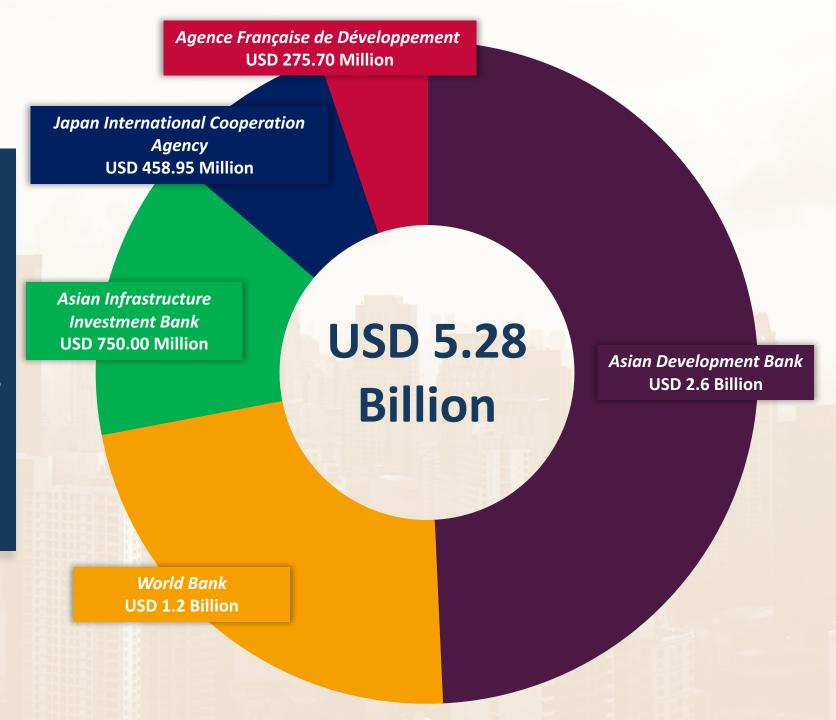
#### **Recent Credit Rating Actions on the Philippines**



On June 11, Japan Credit Rating Agency upgraded the Philippines' credit rating by a notch from "BBB+" to "A-", citing the country's resilience amid a pandemic. JCR assigned a "stable" outlook on the new rating.



Budgetary Financing Support Raised from Development Partners (As of July 1, 2020)



Ongoing Financing for COVID-19 Response Projects from Development Partners (As of July 1, 2020)

Asian Development Bank
Grants for COVID-19 Emergency
Response Project and Rapid
Emergency Supplies Provision\*
USD 8.0 Million

Government of Japan
Non-Project Grant Aid for the
Provision of Medical
Equipment to DOH\*\*
USD 18.36 Million

USD 126.36 Million

World Bank
COVID-19 Emergency Response
Project Loan
USD 100.0 Million

<sup>\*</sup>Executed through the issuance of a no-objection letter dated March 27, 2020

<sup>\*\*</sup>Provided through Exchange of Notes dated June 8, 2020; Amount in original currency: JPY2.00 billion

## The Philippines successfully offered USD 2.35 Billion double tranche 10-year and 25-year Global Bonds on April 27

- This is the Philippines' lowest ever coupon for a 10- and 25-year benchmark issuance.
- The 10-year global bonds were priced at 180 basis points above the comparable US Treasury Bond after an initial pricing guidance of 220 basis points area.
- The 25-year tranche was priced at 2.95 percent, 42.5 basis points tighter than initial pricing guidance of 3.375 percent area.

## Domestic sources to support the government's budgetary requirements

#### P1.2 TRILLION

Gross domestic borrowings from the beginning of the year (as of June 30, 2020)

## Domestic sources to support the government's budgetary requirements

#### P149.6 BILLION

Total amount of remittances received from government-owned and-controlled corporations (GOCCs) since the start of the year (as of July 3, 2020)

# Released Allotments for the Government's COVID-19 Response Programs

(as of June 30, 2020)

SSS Small Business Wage Subsidy Program PHP 51 Billion

NOTE: Figures are subject to changes based on emerging COVID-19 needs. Values may not add up due to rounding-off.

**DOLE OWWA Emergency Repatriation Program Other National Government Agencies** PHP 5.15 Billion PHP 13.99 Billion **DOLE Workers Assistance Programs** PHP 7.44 Billion **DA Ahon Lahat, Pagkaing Sapat Kontra COVID-19 Program** PHP 11.10 Billion **Bayanihan Grant to Provinces, Cities and Municipalities** PHP 37.02 Billion PHP 374.89 **DOH COVID-19 Programs and DSWD Social Amelioration Procurement of Testing Kits Program** PHP 48.23 Billion Billion PHP 200.98 Billion



# Health and livelihood is not a binary choice.

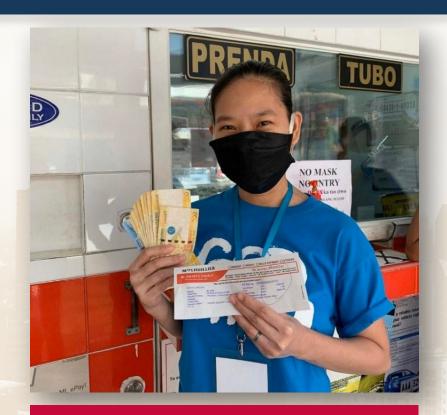
We must protect lives in ways that do not prevent us from earning a living.







#### Immediate Relief Measures for the Filipino People



P51 billion Small Business
Wage Subsidy Program to
3.0 million workers



P205 billion Emergency Subsidy Program to more than 18 million families

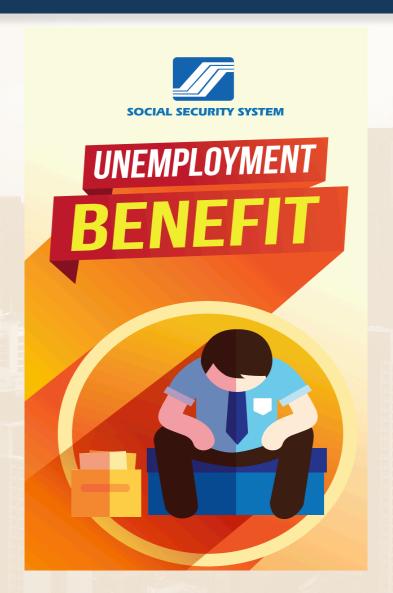
#### Social Security System's Calamity Assistance Program





- Members may apply for a loan up to P20,000 depending on their monthly salary credit in the last 12 months.
- This loan carries a 6-percent interest with a
   27-month term, inclusive of 3 month moratorium.
- SSS has already approved a total of 478,661
   loan applications amounting to P7.5 billion from June 15 to July 5, 2020.
- As July 5, 2020, **P1.7 billion in loans** was released by the SSS to **102,567 borrowers**.

#### **Social Security System's Unemployment Benefits**



- The benefit applies to all private sector workers, including household helpers and overseas Filipino workers who were laid off, terminated, or involuntarily separated from their work.
- From March 16 to July 5, 2020, SSS already approved 6,346 applications totaling P84.4 million.
- As of July 5, 2020, a total of P76.2 million worth of benefits has been released to 5,740 applicants.

## Government Service Insurance System's Computer Loan Program



- On August 1, GSIS will introduce a new P30,000 computer loan program to its active members.
- This will help members purchase a laptop or desktop in light of the new normal of holding distance or online classes.
- The loan is payable in 3 years at 6 percent interest rate.

## Government Service Insurance System's Educational Loan Program



PHOTO FROM: GSIS

- On September 17, GSIS will launch an educational loan program for its members to pay for tuition and other school fees of their nominated student-beneficiaries.
- The maximum loan amount that can be taken out by a borrower for a given academic school year is **P100,000.00**, payable after 5 years from initial loan take out.

### Land Bank's Access to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) lending program



- The program aims to help students in select academic institutions to continue their education amid financial difficulties due to the pandemic.
- Loans under the program carry an interest rate of 3 percent per annum and are payable based on the maturity of the sub-promissory notes but not to exceed 3 years.
- Since the program's launch in May, 80 private educational institutions nationwide have expressed interest in accessing this credit facility.
- As of July 1, 2020, the bank has approved loan applications totaling P260 million.

### Philippine Guarantee Corporation's P120 billion credit guarantee program for small businesses



- P120 billion-worth of loans for private banks has been made available for them to be able to extend financial assistance to small business owners during this crisis.
- To date, the corporation has already accredited 22 banks for a total facility of P37.5 billion.

### Department of Labor and Employment's Assistance to Displaced Workers and OFWS



PHOTOS FROM: DOLE

DOLE has so far extended financial assistance totaling

# P6.48 billion to over 1.18 million displaced workers

in both formal and informal sectors of the economy, including our returning overseas Filipino workers.

### Technical Education and Skills Development Authority's Online Livelihood Training Programs



#### 71 online training programs

have been made available to all, especially displaced workers for upskilling them and eventually absorb into the economy.

#### 722,022 individuals

availed of this program from March 16 to July 5, 2020.

PHOTOS FROM: TESDA

#### **Department of Tourism's Online Learning Series Workshops**





23 webinars have been conducted by the DOT under its Online Learning Series Workshops as part of its retooling program for industry stakeholders.

Since April 2020, **7,192 individuals** participated in the workshops.

PHOTOS FROM: DOT

#### Department of Agriculture's Cash Subsidies to Farmers and Fisherfolk



1,014,239 farmers and fisherfolk received cash subsidies worth P5,000 each under the DA's Financial Subsidy to Rice Farmers (FSRF) and Rice Farmers Financial Assistance (RFFA) programs.

Farmers and micro and small agricultural enterprises can tap the **Survival and Recovery Aid program** of the Agricultural Credit Policy Council for additional financial assistance.

PHOTO FROM: DA

### Department of Trade and Industry and the Small Business Corporation's P1.0 billion COVID-19 Assistance to Restart Enterprises Loans program



# 1,994 loan applications amounting to P152.4 million

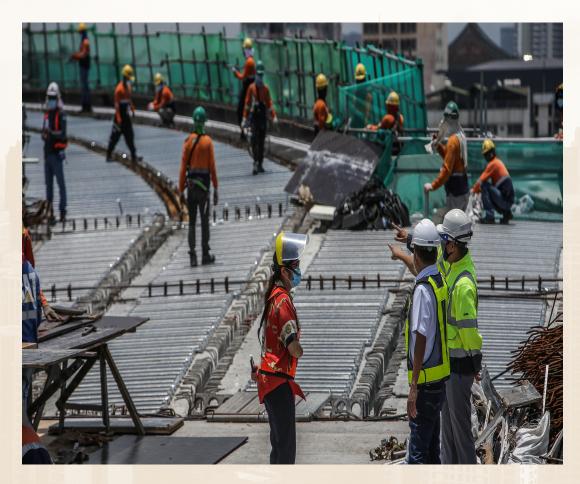
have been approved by the DTI and the SBC as of July 6.

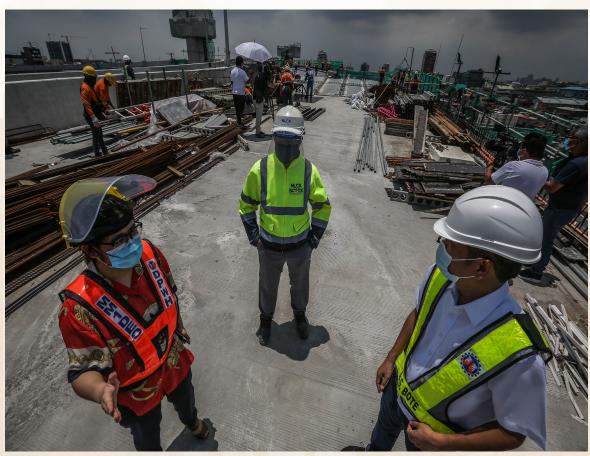
#### Loans totaling P14.2 million

have been released to 183 borrowers as of July 6.

PHOTO FROM: DTI

# We restarted the Build, Build Build program subject to compliance with health and safety protocols.





PHOTOS FROM: DPWH; NLEX Harbor Link Project

# Programs to help businesses equip themselves to operate in the new normal



The Department of Science and Technology is offering Small Enterprise Technology

Upgrading Program, where businesses can access training programs to help them transition to online and contactless operation.

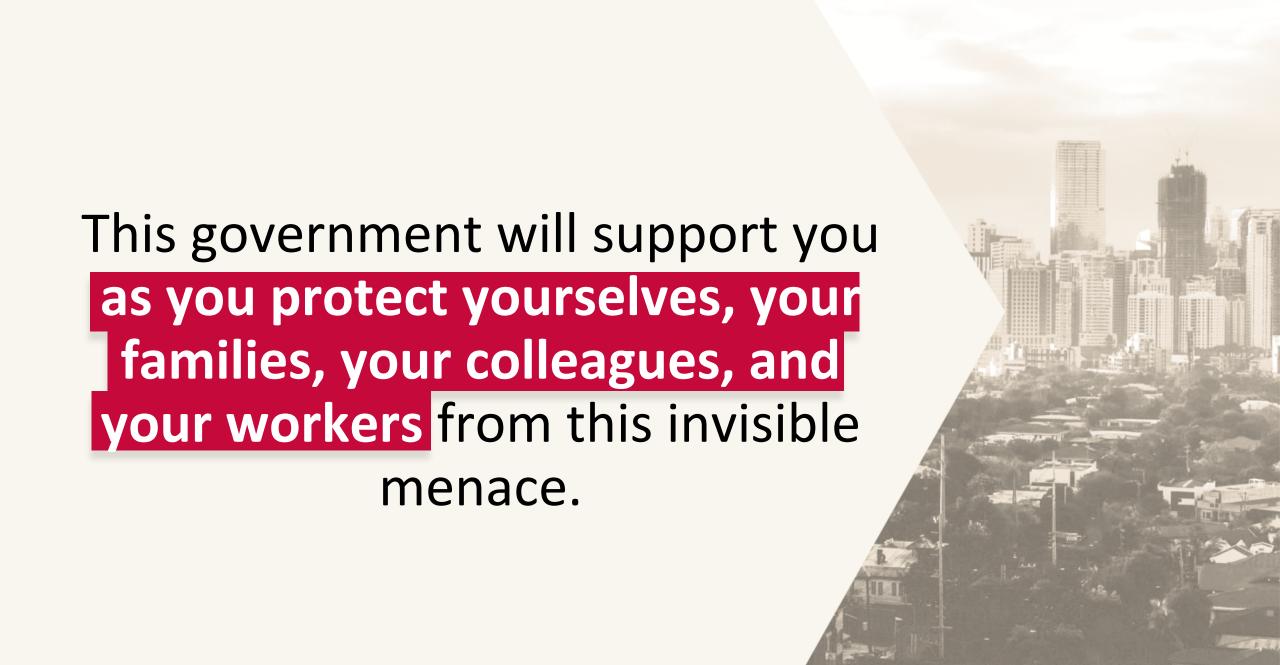
The Department of Information and Communications Technology is providing online resources for businesses and workers under a work-from-home program.

# Department of Energy will pursue its total electrification program to ensure that enterprises in remote communities are able to adapt to the new normal.



PHOTO FROM: BusinessWorld

The DOE's total electrification
program will be supported by the
P3.7 billion Access to
Sustainable Energy Program
grant from the European Union.





We encourage you to keep innovating.





Apart from paying the right taxes on time, you can invest in government securities.

The Executive Branch is doing its best to help the economy recover at the soonest possible time. But for other vital measures to boost economic activity and fortify key sectors,

we need Congress' action.

#### Four Legislative Imperatives to Revive the Economy

- 1. Infuse additional capital to our government financial institutions for them to be able to act as wholesale banks and fund substantial portions of loans that other commercial banks will provide to micro, small and medium enterprises. These private banks will then be able to lend even more money to businesses in need of liquidity.
- 2. Allow banks to dispose of non-performing loans and assets through asset management companies that are similar to special purpose vehicles.
- 3. Immediate passage of the CREATE bill that will provide targeted incentives and bring down our country's current corporate income tax rate of 30 percent to 25 percent as soon as possible.
- 4. Provide greater support to the agriculture sector by giving the banking system the ability to support the whole value chain of agri-enterprises.

#### **Other Priorities**

- 1. Maintain the Build, Build, Build program to generate new jobs and businesses.
- 2. More projects in the areas of health, education, housing, and water and sanitation.
- 3. Continuing commitment to bold fiscal and economic reform measures, such as the remaining packages of the comprehensive tax reform program.
- 4. Support complementary bills to open the country to more foreign direct investments, such as amendments to the Foreign Investments Act, the Retail Trade Liberalization Act, and the Public Service Act.



By working together, we will beat this pandemic and come out even stronger than ever.



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