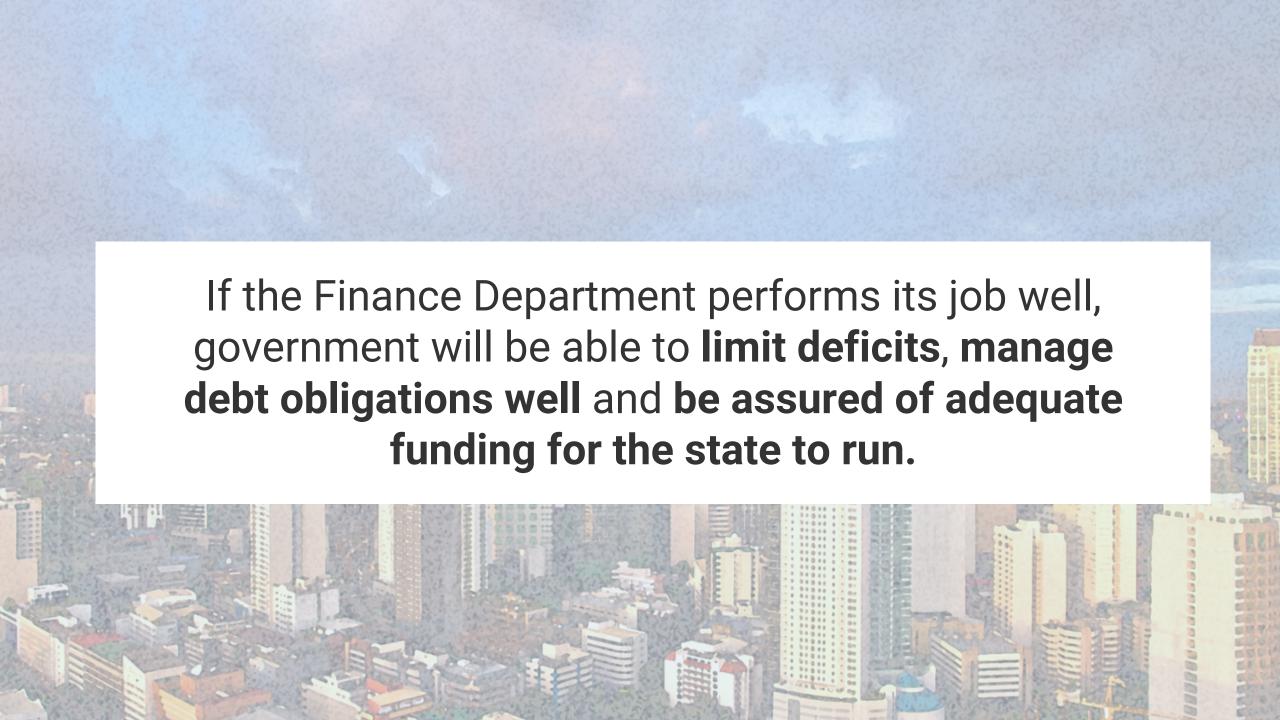
# KEYNOTE SPEECH

FINANCE SECRETARY CARLOS G. DOMINGUEZ III
FORUM BETWEEN CABINET MEMBERS AND
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JUNE 18, 2019









# EXPANDED VAT RATE BROUGHT DOWN OUR BORROWING COSTS

#### **YEAR 2004**

We were paying

## 467 basis points

in interest premium.

#### **PRESENT**

We only paid

## 110 basis points

above US treasury bonds in our last US dollar bond offering in January 2019.

#### 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.

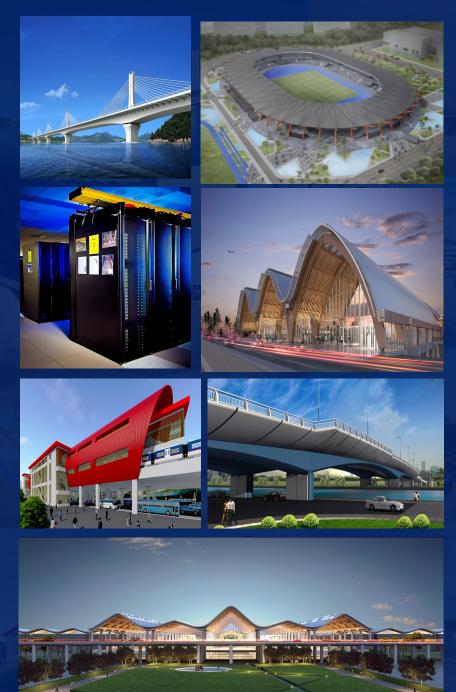
# REVENUE COLLECTION FROM TRAIN LAW IN 2018 WAS 108.1% OF TARGET

TRAIN Revenues in 2018 (in PHP Billion)

Actual to Target Ratio
(%)

68.4
63.3
108.1%

Source: Strategy, Economics, and Results Group, DOF



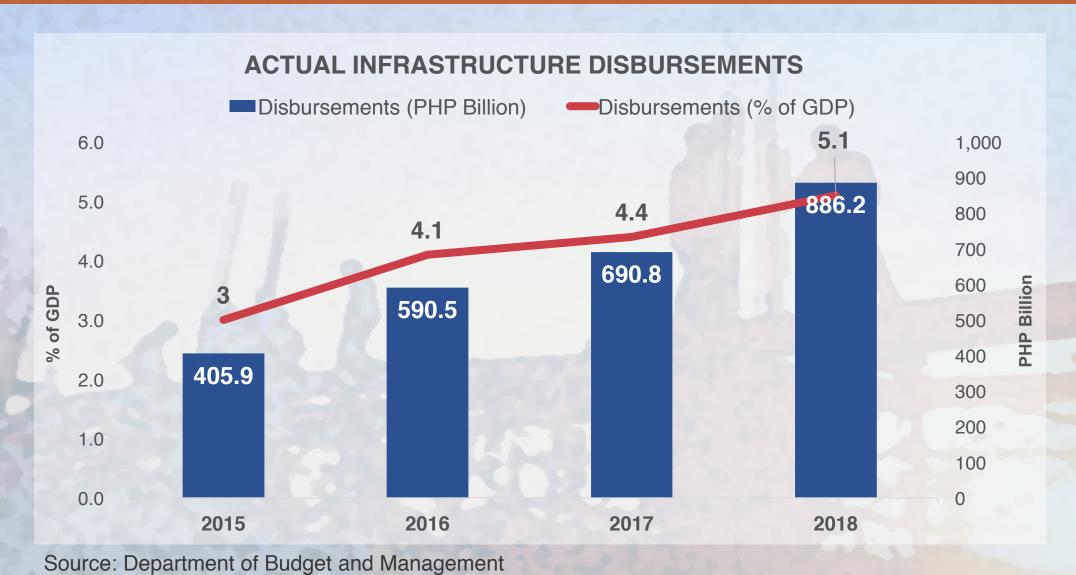
# BUILD BUILD

MORE RAILWAYS,
MASS URBAN
TRANSPORT, AIRPORTS
AND SEAPORTS

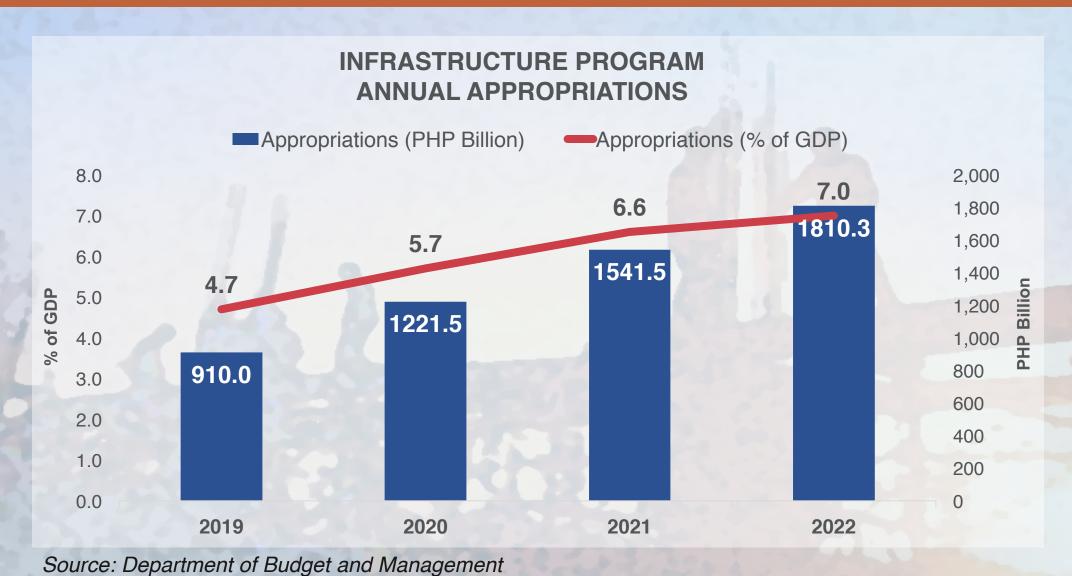
MORE BRIDGES
AND ROADS

NEW AND BETTER
CITIES

# RAPID ADMINISTRATIVE RESPONSE FOR INFRASTRUCTURE DEVELOPMENT



# RAPID ADMINISTRATIVE RESPONSE FOR INFRASTRUCTURE DEVELOPMENT



# IMPACT OF NEW TAX REFORM LAW ON TAXPAYERS' PERSONAL INCOME



Workers earning below
PHP 250,000 (USD 4,500)
annually are now exempted
from paying personal
income taxes



Workers earning <u>above</u>
PHP 250,000 (USD 4,500)
annually are now receiving about <u>a month's extra take-home pay each year</u>

## ROBUST DOUBLE-DIGIT GROWTH IN SALES AND THE HIGH-PROFIT MARGINS OF RETAIL GIANTS AND REAL ESTATE COMPANIES IN 2018



TOTAL REVENUES: P28.3 BILLION (+11%)

New Store openings: UP 10%



TOTAL REVENUES: P158.67 BILLION (+20.60%)

TOTAL INCOME: P7.77 BILLION (+16.5%)



TOTAL REVENUES: P103.9 BILLION (+17%)

TOTAL INCOME: P32.2 BILLION (+17%)



TOTAL REVENUES: P75.56 BILLION (+18.60%)

TOTAL INCOME: P16.19 BILLION (+50%)



TOTAL REVENUES: P286.3 BILLION (+14%)

TOTAL INCOME: P30.5 BILLION (+8%)



TOTAL REVENUES: P162.855 BILLION (+17.8%)

TOTAL INCOME: P29.2 BILLION (+16%)



TOTAL REVENUES: P16.19 BILLION (+21.3%)

TOTAL INCOME: P1.84 BILLION (+32%)



TOTAL REVENUES: P132.68 BILLION (+15.10%)

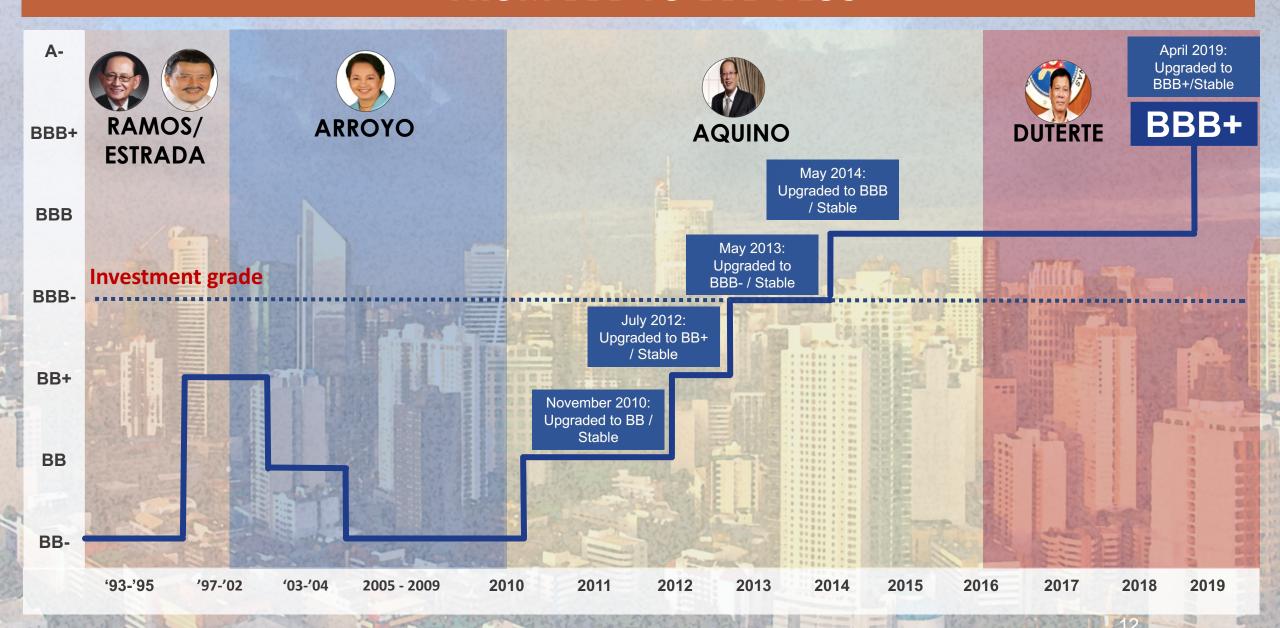
TOTAL INCOME: P4.98 BILLION (+6.50%)



TOTAL REVENUES: P40.26 BILLION (+15.6%)

TOTAL INCOME: P10.23 BILLION (+16.3%)

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



#### **S&P RATINGS OF SELECTED COUNTRIES**

AAA

Canada, Singapore

**A**-

Spain, Malaysia

BBB+

Philippines, Mexico, Peru, Thailand

**BBB** 

**BBB-**

Italy, Portugal

Indonesia, India, Colombia

Vietnam (BB)

Bangladesh, Brazil (BB-)

Turkey, Greece (B+)

Sri Lanka, Argentina, Egypt (B)

Pakistan, Iraq, Ecuador (B-)

Venezuela (selective default)

**BB+** and below ("junk bond" status, below investment grade)

#### SUSTAINED DECLINE IN DEBT-TO-GDP RATIO

#### **NATIONAL GOV'T DEBT-TO-GDP**



Source: Bureau of the Treasury

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

# 2018

#### **ROPs**

- USD 2 billion US dollars
   10-year global bonds
- Issued in January
- +37.8 bps spread

#### **ROPs**

- USD 1.5 billion of 10year Global Bonds
- Issued in January 7, 2019
- +110 bps spread

#### PANDA BONDS

- Maiden issuance of RMB 1.46 billion 3-year Panda bonds
- Issued in March
- +35 bps spread

#### **EURO BONDS**

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

#### SAMURAI BONDS

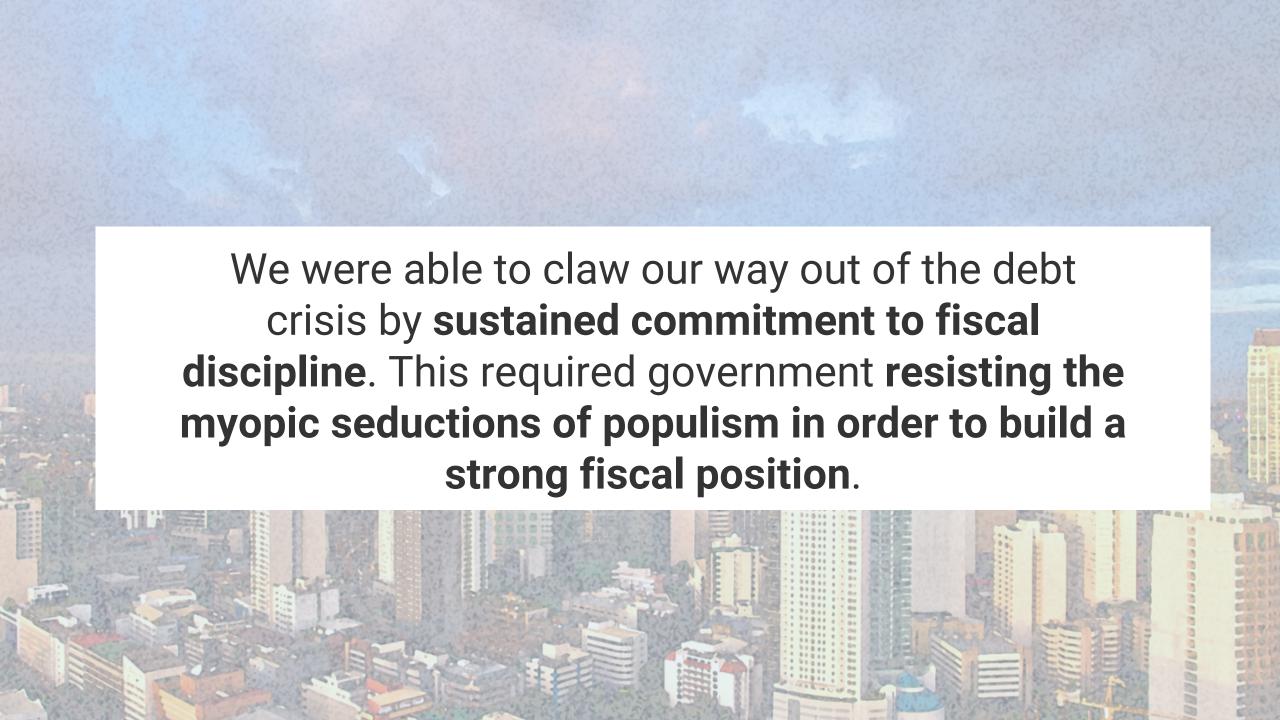
- JPY 154.2 billion multitranche Samurai bonds
- Issued in August
- +34.7 bps spread

#### PANDA BONDS

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

### FISCAL DEFICIT TARGET





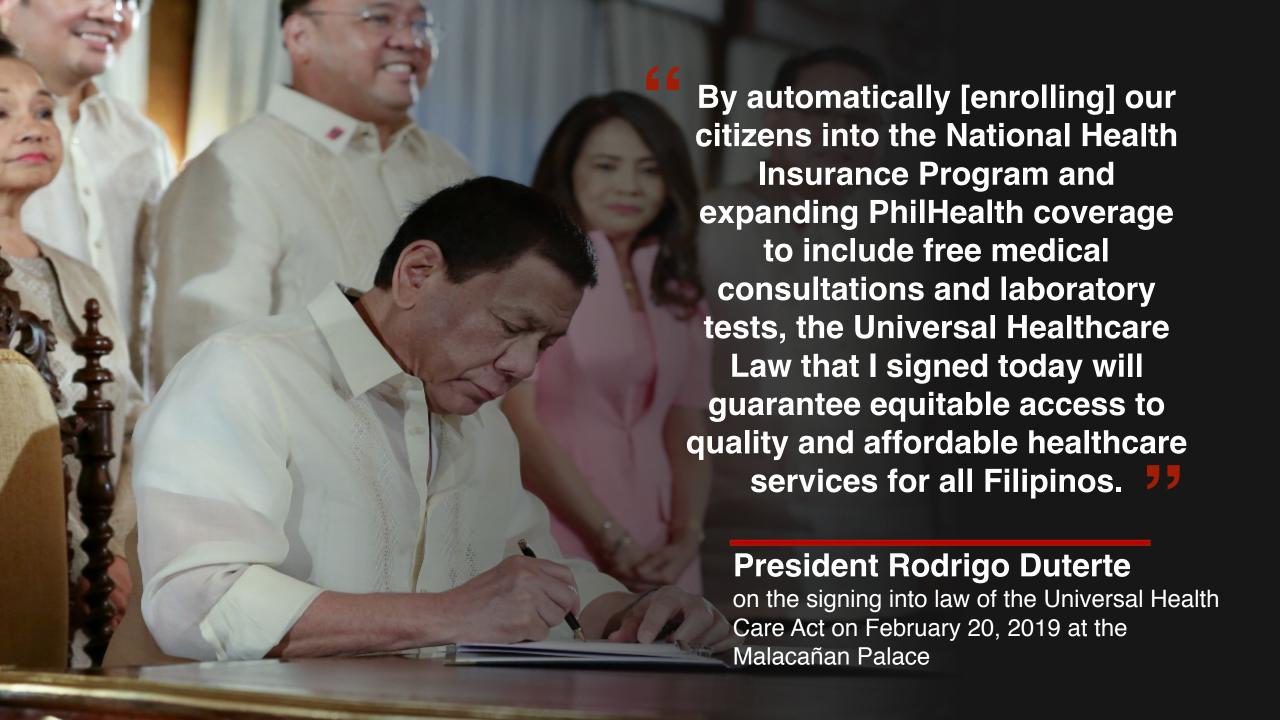
## RICE TARIFFICATION LAW (RA11203)

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

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

Promotes **competition** by opening up the rice market to both import and domestic production.

Provides funds for farmer education and mechanization to improve productivity.



## SOME MEASURES PROPOSED BY THE 17<sup>TH</sup> CONGRESS ARE NOT ALIGNED WITH OUR PUBLIC INVESTMENT PRIORITIES OR DETRIMENTAL TO OUR FISCAL POSITION

## **147 BILLS**

would either erode revenues by 178 billion pesos or mandatorily add to the budget 799 billion pesos, or a total of 977 billion pesos.

## 31 BILLS

would create more tax-free freeports or ecozones. As of 2017, we already had 546 of them, all contributing to massive leakages.

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

REMAINING **PROPOSALS UNDER PACKAGE 1B** 

**PACKAGE 2 TRABAHO** 

PACKAGE 2+ MINING AND SIN **TAXES** 

PACKAGE 3 **PROPERTY VALUATION AND TAXES** 

**PACKAGE 4 CAPITAL INCOME** AND FINANCIAL **TAXES** 

This consists of the Vehicle Motor User Charge lifting of bank secrecy laws, and the automatic exchange of tax information.

includes This (MVUC), the reduction of corporate income tax rates and the rationalization of fiscal incentives.

further the Increases excise tax on both alcohol and tobacco provide products to additional funding for the Universal Health Care (UHC). This also includes the increase government's share from mining.

Broadens the tax base of property taxes of the national and local governments, thereby increasing government without revenues increasing the existing tax rates or devising new tax impositions.

Rationalization of capital taxation income address the multiple rates and different tax treatments and exemptions on capital and other income financial instruments.

The government has so far achieved partial success with its "Comprehensive Tax Reform Program." The program aims to ensure that finances remain sustainable while addressing the nation's pressing infrastructure needs and chronic underinvestment.

#### **S&P Global Ratings**

Press release titled Philippines Long-Term Rating Raised To 'BBB+' On Strong Growth Trajectory; Outlook Stable; April 30, 2019

# GOVERNMENT TO ALLOW PRIVATE SECTOR TO DRIVE GROWTH

The Executive and the Legislative branches of government need to work together in passing legislation that allows for a business-friendly environment:

## AMENDMENTS TO PUBLIC SERVICE ACT

Redefining the term "public utility" to relax constitutional restrictions on foreign ownership of industries that should be open to competition.

# FOREIGN INVESTMENTS ACT

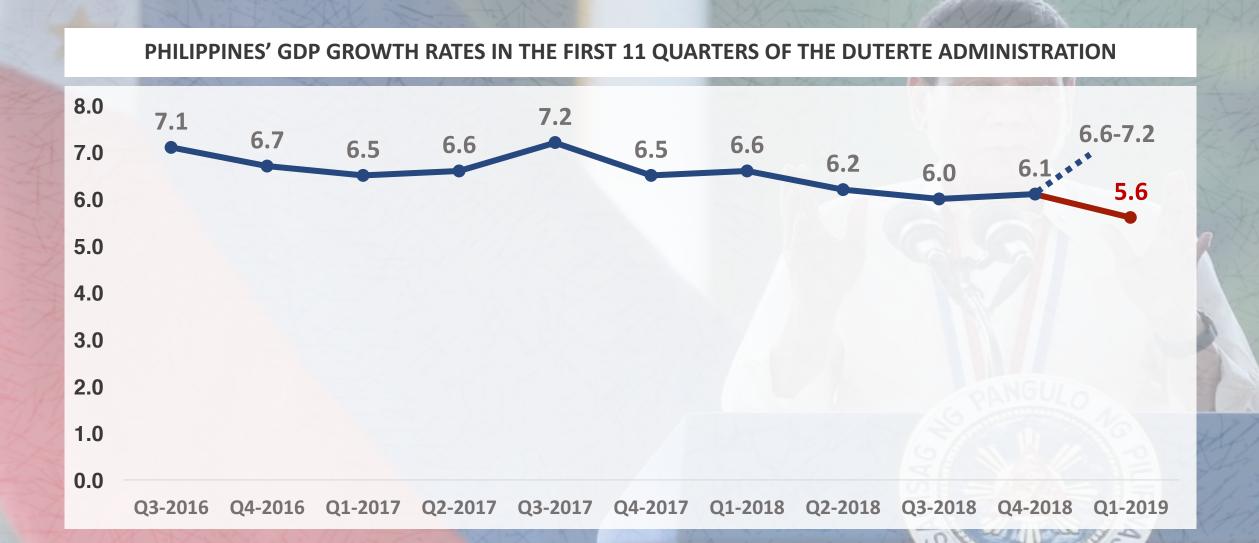
Proposes to remove restrictions on foreigners from practicing their profession in the Philippines, provided Filipinos are given reciprocal privileges in the foreign nationals' own countries.

Proposes to hold an annual review of the regular Foreign Investment Negative List to keep it in line with the government's economic policy.

## RETAIL TRADE LIBERALIZATION ACT

Seeks to do away with barriers to foreign investments by easing the equity and capitalization requirements to create a more favorable investment climate in the country.

## HAD THE BUDGET BEEN PASSED ON TIME, Q1-2019 GDP WOULD HAVE GROWN WITHIN TARGET AT 6.6% TO 7.2%



# THE GOVERNMENT MISSED AN OPPORTUNITY TO PROVIDE JOBS AND UPLIFT FILIPINOS OUT OF POVERTY

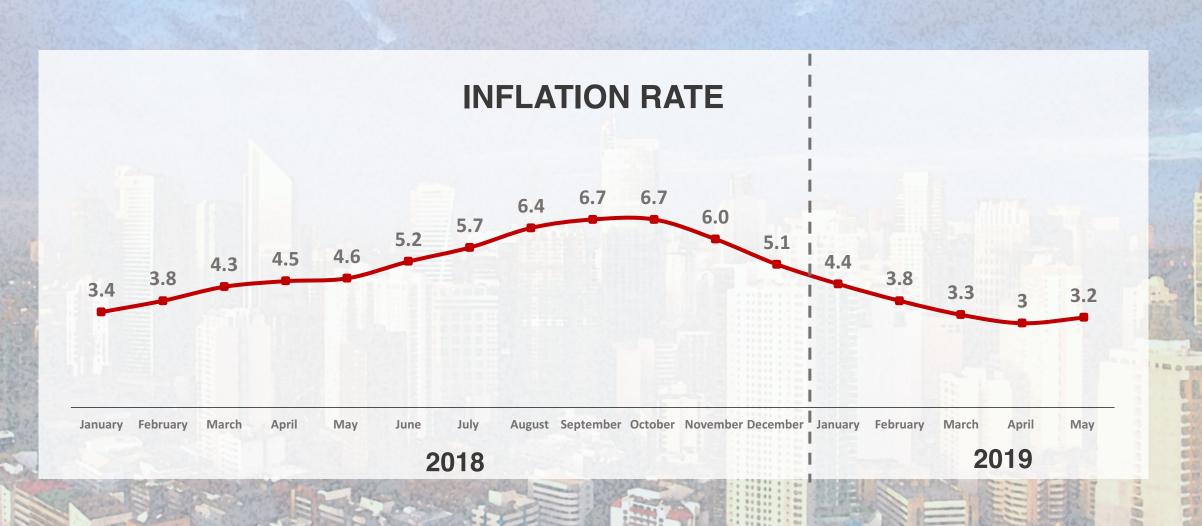


Number of jobs not created, affecting the construction, public administration and defense, wholesale and retail trade, land transport, and education sectors.



Number of Filipinos that could have been taken out of poverty.

# INCLUSIVE ECONOMIC GROWTH IS MADE EVEN BRIGHTER BY THE DECELERATION OF OUR INFLATION RATE



Source: Philippine Statistics Authority





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