KEYNOTE SPEECH

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



If the Finance Department performs its job well, government will be able to **limit deficits**, **manage debt obligations well** and **be assured of adequate funding for the state to run**.



If the Finance Department does its job well, **the country will be spared from financial shocks** and a **healthy business climate will be created** that will ensure prosperity for our people.



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	
Actual	Target	(%)	
68.4	63.3	108.1%	

Source: Strategy, Economics, and Results Group, DOF







BULD BULD BULD

MORE RAILWAYS, MASS URBAN TRANSPORT, AIRPORTS AND SEAPORTS

> MORE BRIDGES AND ROADS

NEW AND BETTER CITIES



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

IMPACT OF NEW TAX REFORM LAW ON TAXPAYERS' PERSONAL INCOME



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

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

Photo Sources: RMN Network and Land Bank of the Philippines

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



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+	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)

SUSTAINED DECLINE IN DEBT-TO-GDP RATIO



Source: Bureau of the Treasury

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

- USD 2 billion US dollars 10-year global bonds
- Issued in January

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201

• +37.8 bps spread

PANDA BONDS

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

SAMURAI BONDS

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

ROPs

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

EURO BONDS

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

PANDA BONDS

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

FISCAL DEFICIT TARGET



We were able to claw our way out of the debt crisis by sustained commitment to fiscal discipline. This required government resisting the myopic seductions of populism in order to build a strong fiscal position.

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**.

By automatically [enrolling] our citizens into the National Health **Insurance Program and** expanding PhilHealth coverage to include free medical consultations and laboratory tests, the Universal Healthcare Law that I signed today will guarantee equitable access to quality and affordable healthcare services for all Filipinos.

President Rodrigo Duterte

on the signing into law of the Universal Health Care Act on February 20, 2019 at the Malacañan Palace

SOME MEASURES PROPOSED BY THE 17TH 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 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	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	Rationalization of capital income taxation to address the multiple rates and different tax treatments and exemptions on capital income and other financial instruments

government's share from

mining.

tax impositions.

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%

PHILIPPINES' GDP GROWTH RATES IN THE FIRST 11 QUARTERS OF THE DUTERTE ADMINISTRATION



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

260,000-320,000

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

420,000

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

DISCIPLINED MANAGEMENT BROUGHT US TO WHERE WE ARE NOW. IT WILL SECURE FOR US A PROGRESSIVE AND STABLE FUTURE.



TOGETHER, WE CAN ENSURE THE SUSTAINABILITY OF THE HIGH AND INCLUSIVE ECONOMIC GROWTH RATE WE NOW ENJOY.



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