

KEYNOTE SPEECH

FINANCE SECRETARY CARLOS G. DOMINGUEZ III
JOINT GENERAL MEMBERSHIP MEETING
JUNE 7, 2019

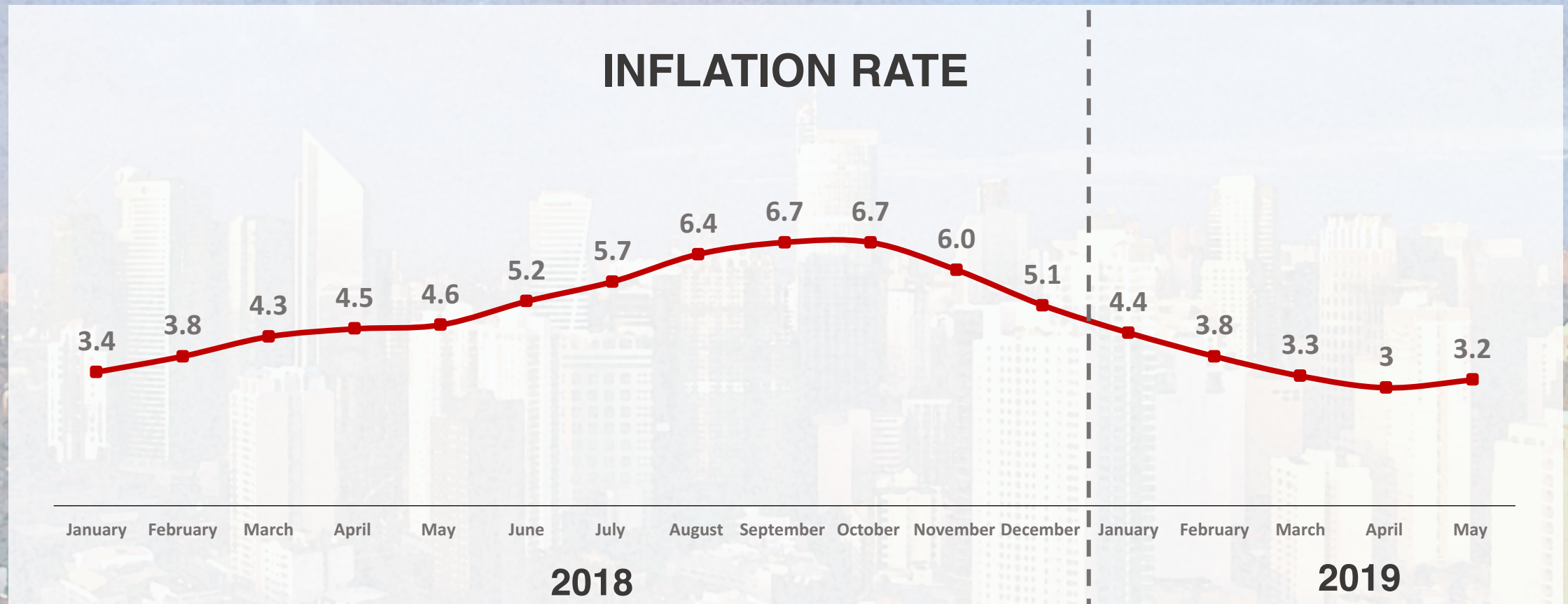


The Filipino people chose a leader of **proven political will**, a record of **pragmatic leadership**, and a **commitment to sweeping reforms**.



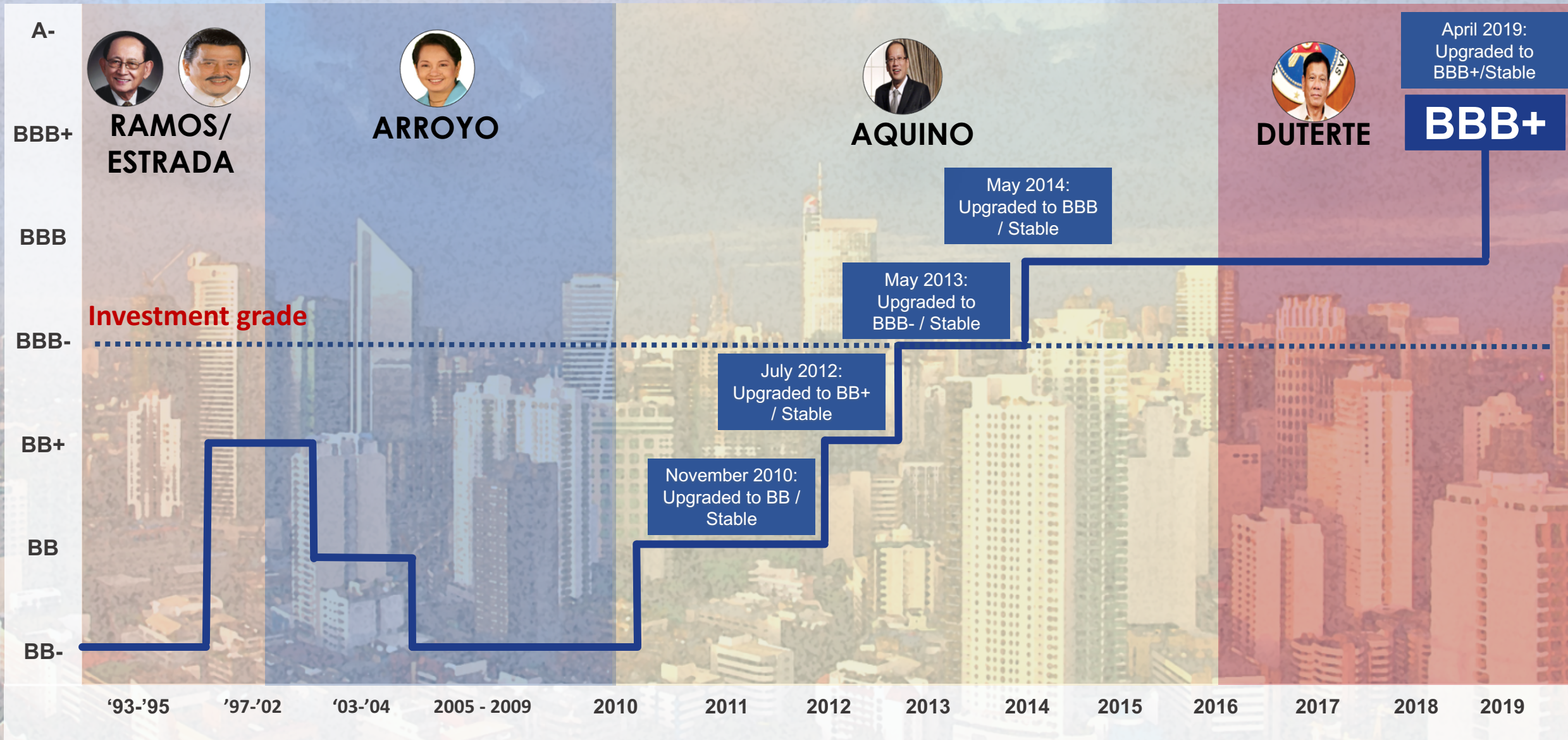
Photo Source: <https://www.timesofisrael.com>

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



Source: Philippine Statistics Authority

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	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)

THE MUCH-IMPROVED INFLATION OUTLOOK HAS ALLOWED OUR MONETARY AUTHORITIES TO CUT POLICY RATES AND RESERVE REQUIREMENT RATIO

The Monetary Board decided to reduce the interest rate on the BSP's overnight reverse repurchase (RRP) facility by

**25 BASIS POINTS TO
4.5 PERCENT,**

effective on Friday, 10 May 2019. The interest rates on the overnight lending and deposit facilities were reduced accordingly.

In its meeting on 16 May 2019, the Monetary Board decided to reduce the reserve requirements by

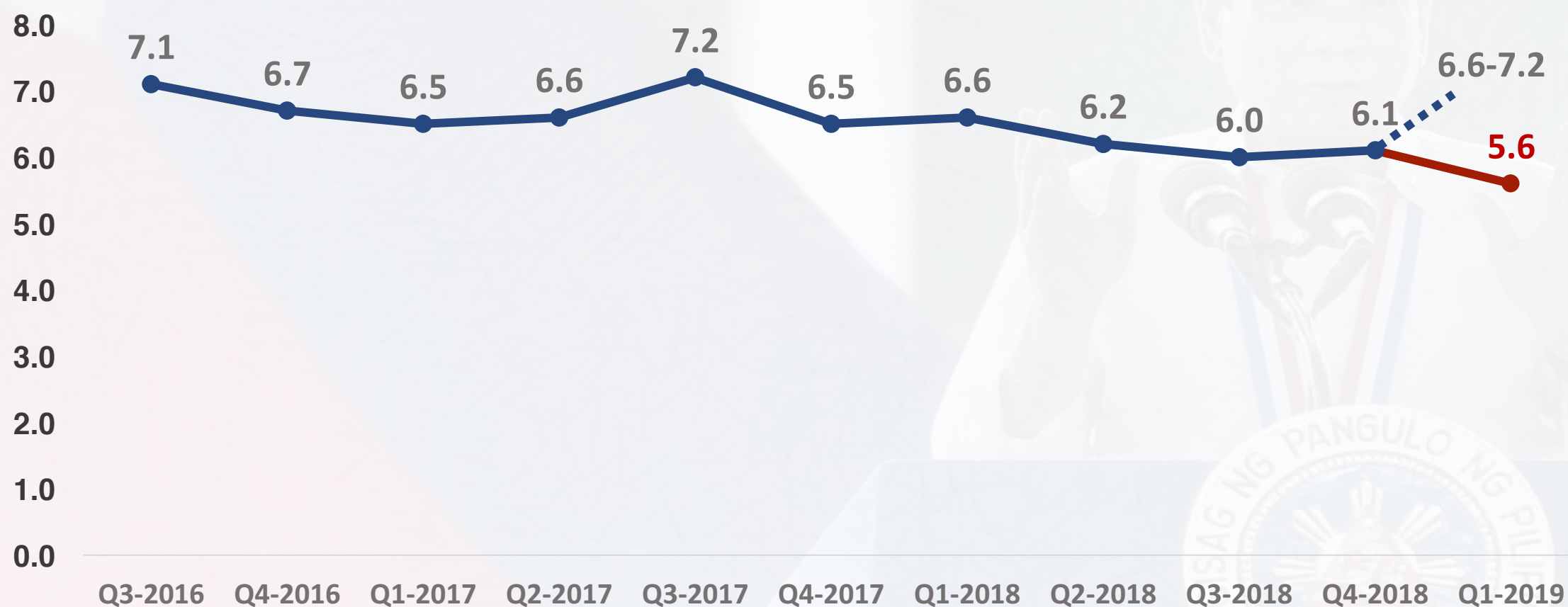
200 BASIS POINTS.

The reduction in the reserve requirement ratios shall be implemented according to the following schedule:


100 basis points	31 May 2019
50 basis points	28 June 2019
50 basis points	26 July 2019

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**

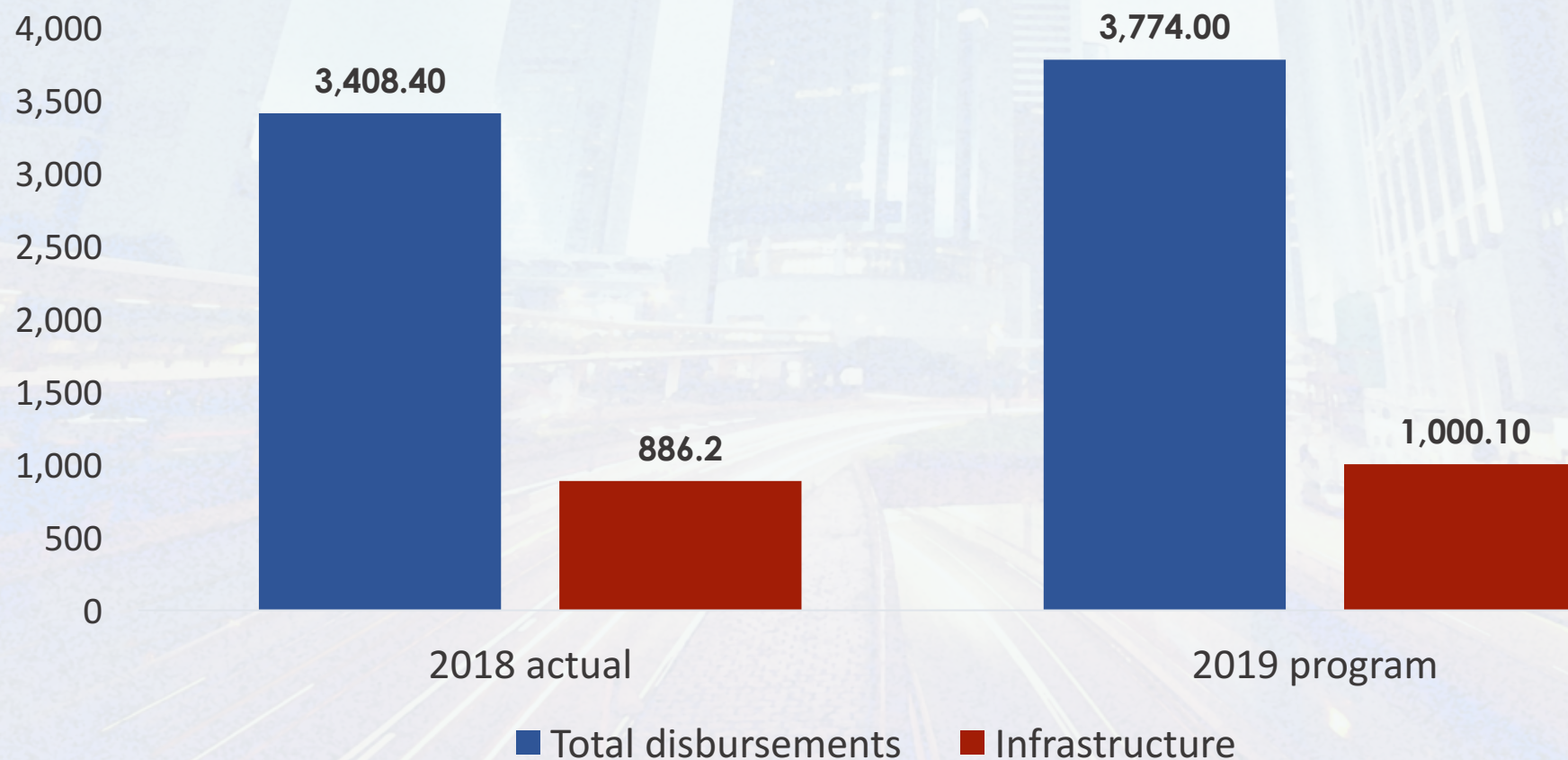
Number of jobs not created, affecting the construction, public administration and defense, wholesale and retail trade, land transport, and education sectors.

 **420,000**

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

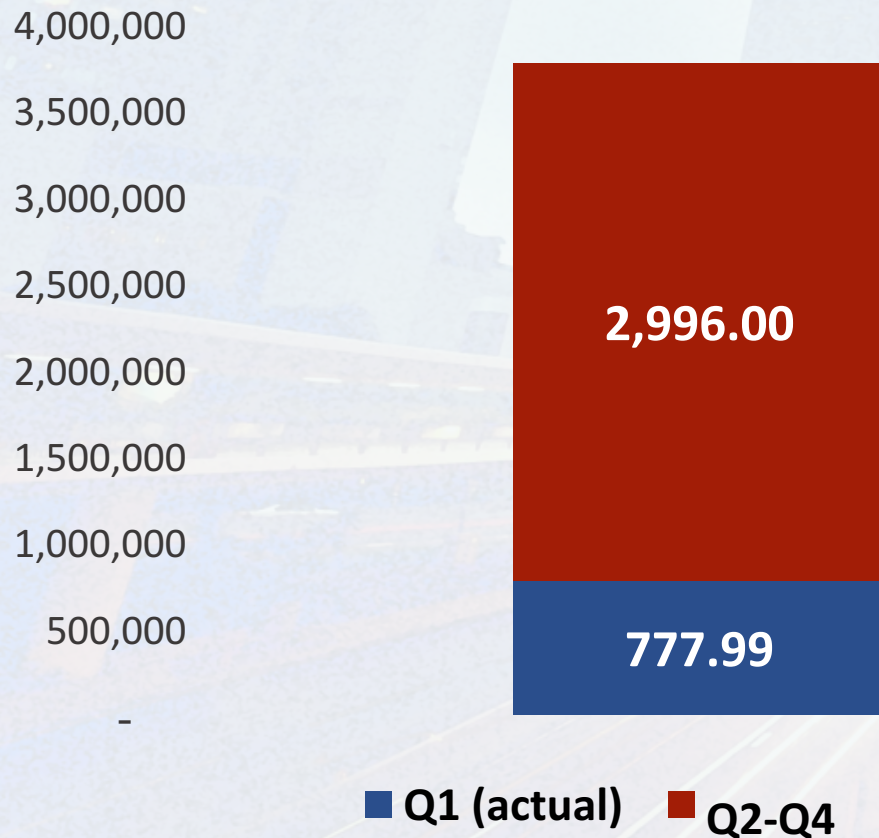
THE GOVERNMENT WILL ACCELERATE ITS SPENDING TO ACHIEVE ABOVE 6% GDP GROWTH IN 2019

**FY 2019 VS. 2018 DISBURSEMENT PROGRAM
(IN BILLION PESOS)**

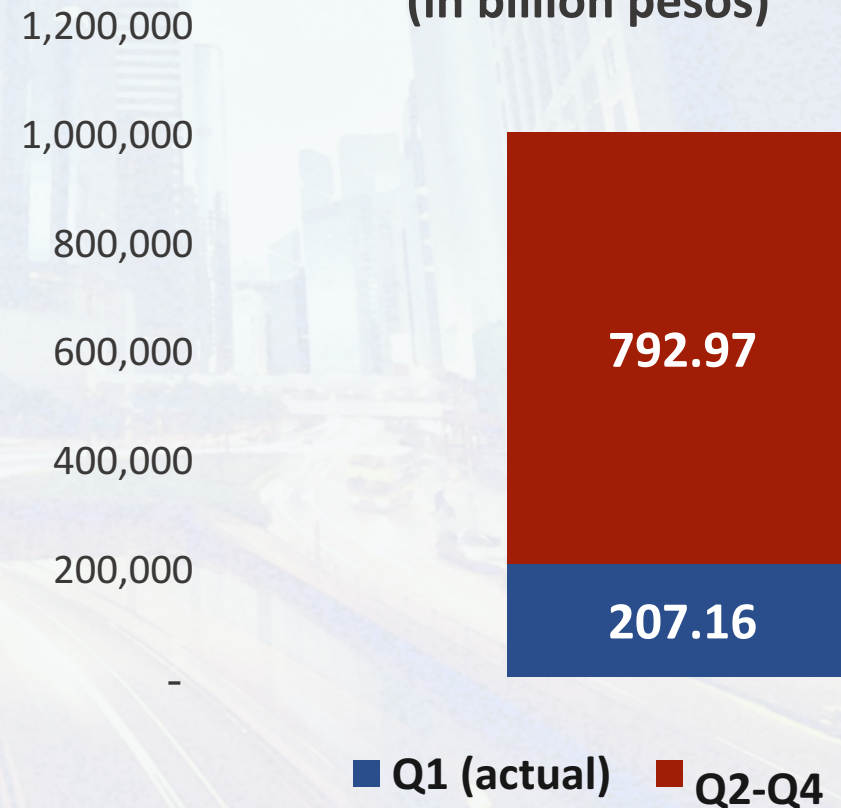


EXPENDITURE CATCH-UP PLAN

2019 disbursement program
(in billion pesos)



2019 infrastructure disbursement program
(in billion pesos)



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.

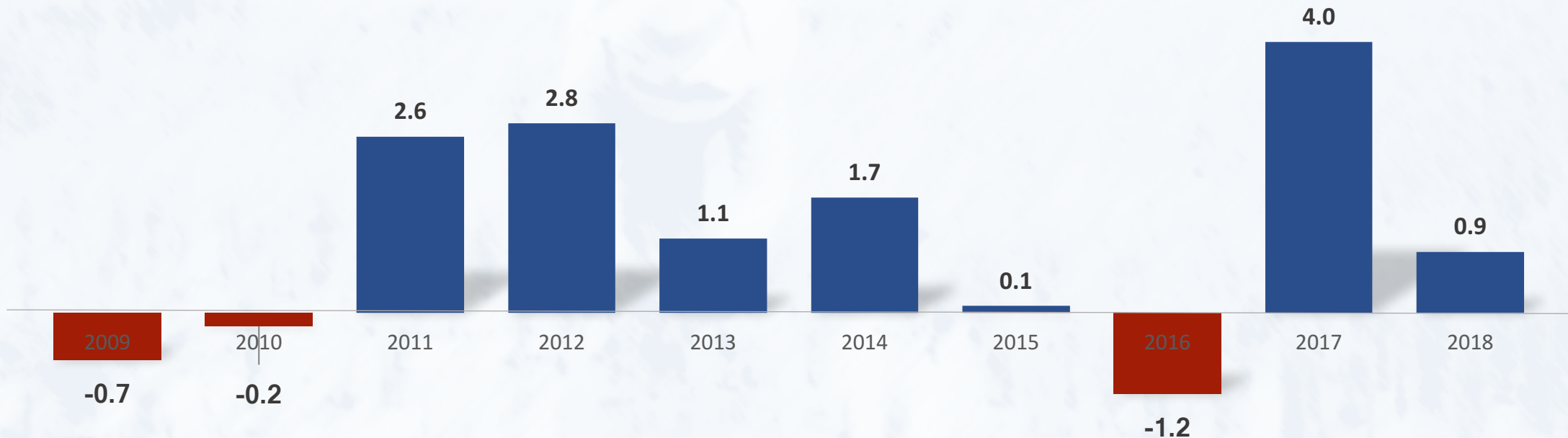
Proposes to hold an annual review of the regular Foreign Investment Negative List to keep it in line with the government's economic policy.

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.

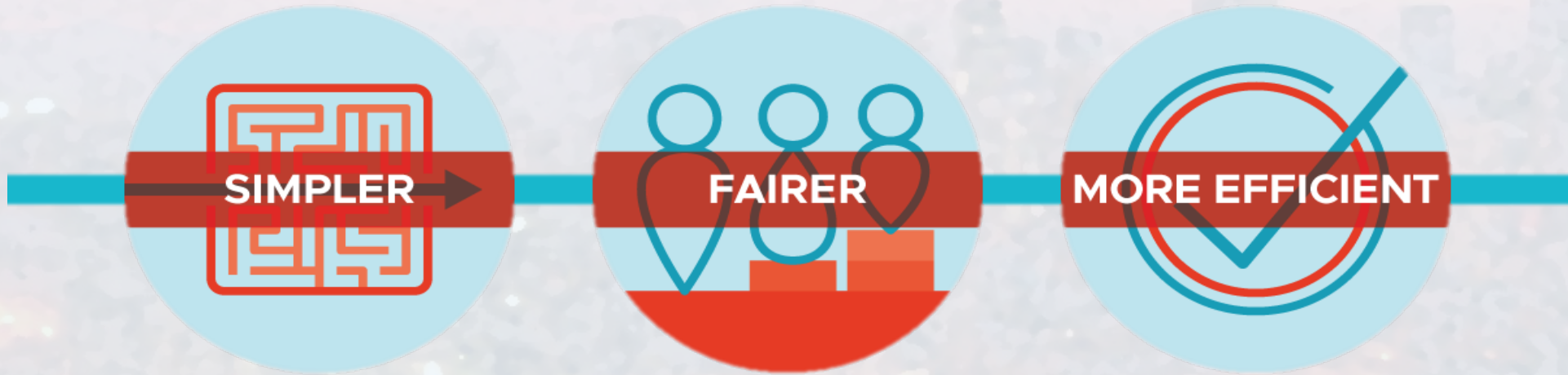
GROWTH OF AGRICULTURE SHOULD EXPAND BY AT LEAST 2 PERCENT PER ANNUM

AGRICULTURE SECTOR'S GROWTH (2009-2018)



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

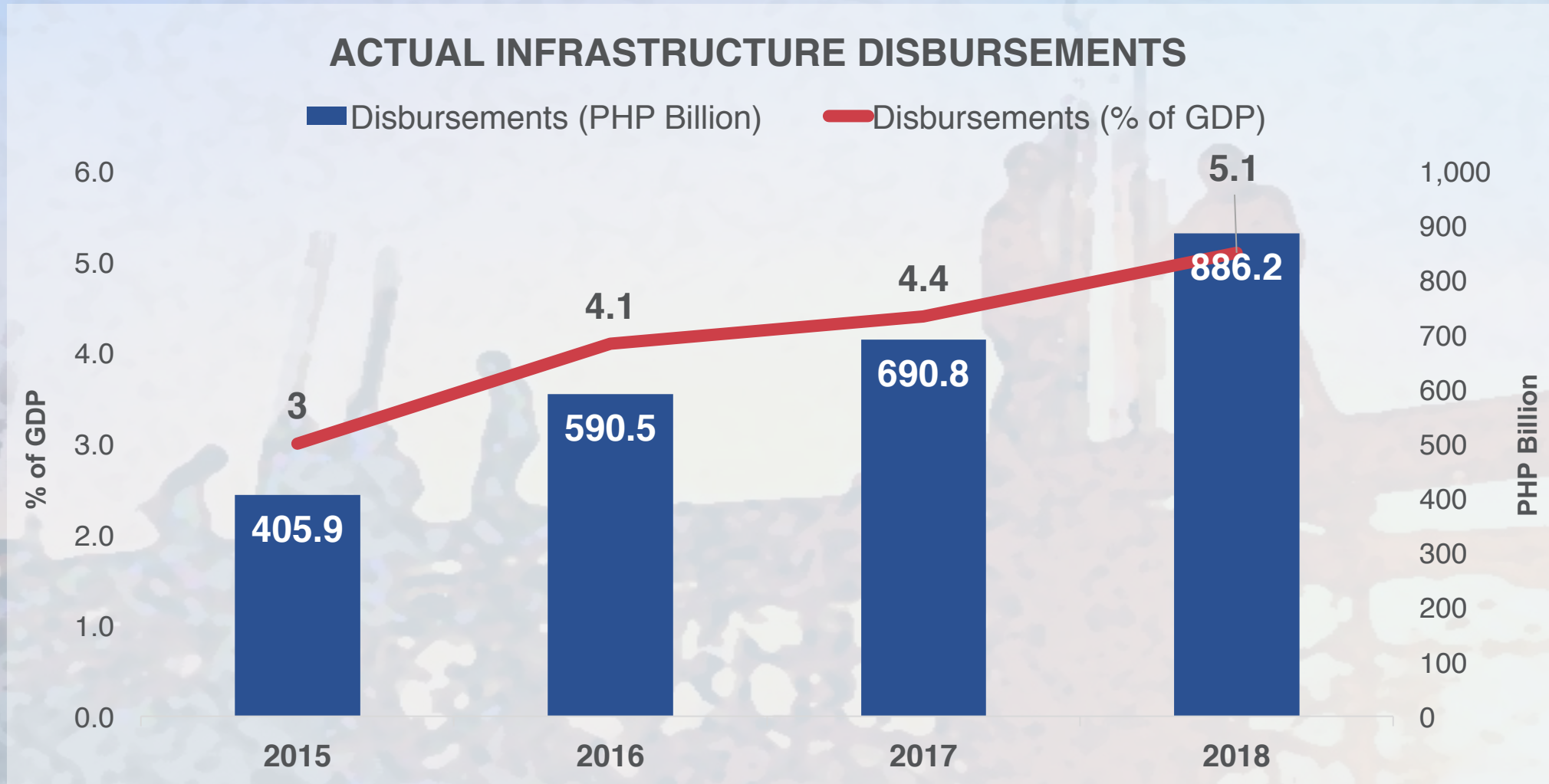
Target

68.4

63.3

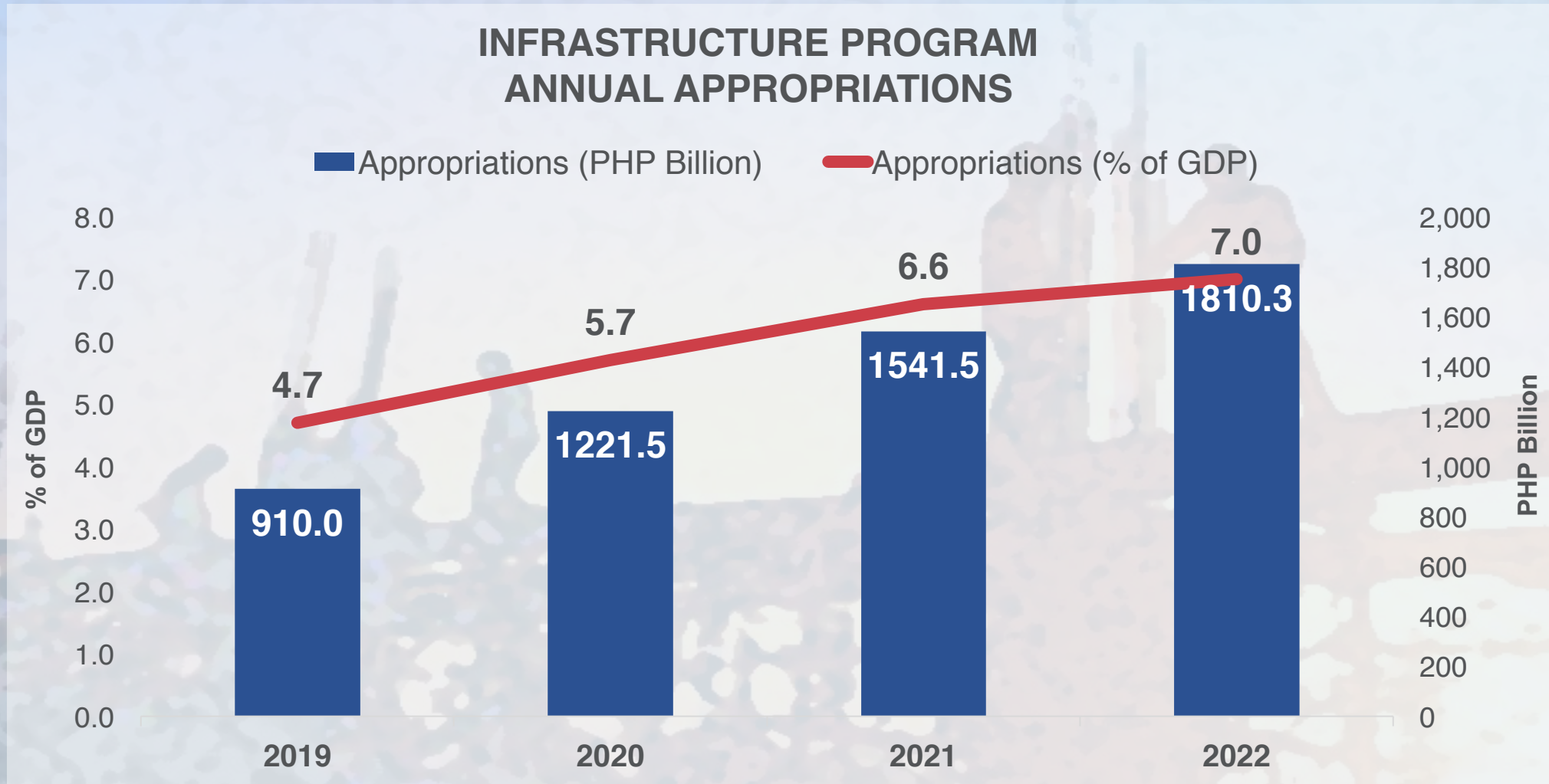
108.1%

RAPID ADMINISTRATIVE RESPONSE FOR INFRASTRUCTURE DEVELOPMENT



Source: Department of Budget and Management

RAPID ADMINISTRATIVE RESPONSE FOR INFRASTRUCTURE DEVELOPMENT



Source: Department of Budget and Management

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%)



PRIME
HOLDINGS

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

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



LT Group, Inc.
Lucio Tan Group of Companies

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

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



SAN MIGUEL
FOOD AND BEVERAGE, INC.

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%)



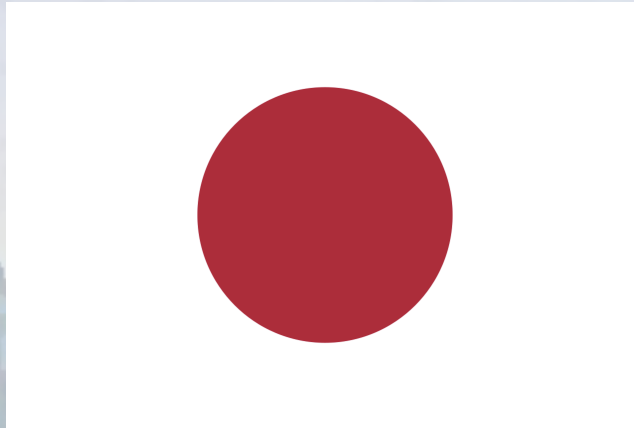
TOTAL REVENUES:
P40.26 BILLION (+15.6%)

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

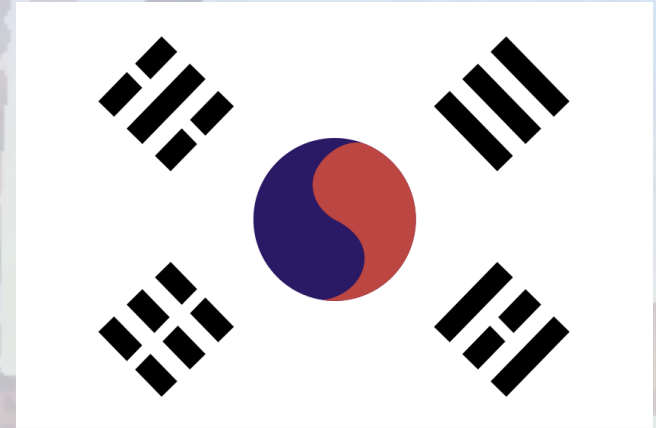
OUR AMBITIOUS INFRASTRUCTURE PROGRAM BENEFITS FROM EXPANDED OFFICIAL DEVELOPMENT ASSISTANCE (ODA) FLOWS FROM OUR FRIENDS IN THE REGION



CHINA committed
USD 9 BILLION
worth of aid and investments



JAPAN pledged
USD 9 BILLION
worth of investment and
development aid package



SOUTH KOREA pledged up
to **USD 1 BILLION**
in official development
assistance



**THIS IS ONE OF THE
SOFTTEST LOANS WE
HAVE EVER
NEGOTIATED.**

METRO MANILA SUBWAY PROJECT

Loan Amount
(1st tranche)

JPY 104.530 billion
(USD 935 million)

Interest Rates

0.10% per annum for
non-consulting
services;
0.01% per annum for
consulting services

Maturity

40 years inclusive of a
12-year grace period

HYBRID PUBLIC-PRIVATE PARTNERSHIP MODEL



The government undertakes the projects using budget allocations, official development assistance, and funds raised from bond flotation. The completed projects are then passed on to **private partners** for **management** or even **acquisition**.

CLARK INTERNATIONAL AIRPORT NEW TERMINAL BUILDING

The project won approval from the NEDA Board in June 2017 and after six months, the project broke ground.



CURRENT STATUS: PROJECT IS 66.5% COMPLETE

*EPC (engineering, procurement, and construction) Contract

*O&M (operations and maintenance) Contract

The speed by which we have processed and implemented the long-overdue Clark International Airport expansion project exemplifies this administration's commitment to ensure that our people reap the benefits of the Build, Build Build program at the soonest possible time.





BUILD BUILD BUILD

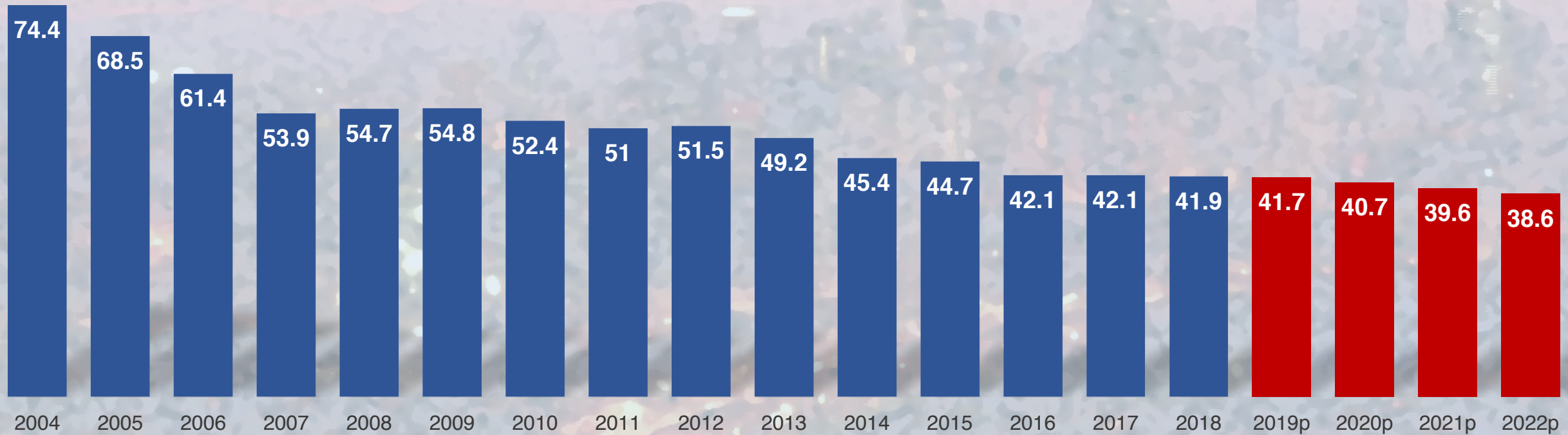
MORE RAILWAYS,
MASS URBAN
TRANSPORT, AIRPORTS
AND SEAPORTS

MORE BRIDGES
AND ROADS

NEW AND BETTER
CITIES

SUSTAINED DECLINE IN DEBT-TO-GDP RATIO

NATIONAL GOV'T DEBT-TO-GDP



Source: Bureau of the Treasury

FISCAL DEFICIT TARGET

Year	Target
2019	3.2%
2020-2022	3.0%

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

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 multi-tranche Samurai bonds
- Issued in August
- +34.7 bps spread

2019

ROPs

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

EURO BONDS

- EUR 750 million of 8-year 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

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**.

LANDMARK AND GAME-CHANGING POLICY REFORMS



EASE OF DOING BUSINESS ACT OF 2018

The law creates a unified business application form to make it easier to put up or renew business licenses in the Philippines.



NATIONAL I.D. SYSTEM

The law will pave the way for efficient delivery of services and strengthen financial inclusion.



BANGSAMORO AUTONOMOUS REGION FOR MUSLIM MINDANAO

This will create the best prospects for peace and development in the region

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

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

PACKAGE 2 TRABAHO

This includes the reduction of corporate income tax rates and the rationalization of fiscal incentives.

PACKAGE 2+ MINING AND SIN TAXES

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 government's share from mining.

PACKAGE 3 PROPERTY VALUATION AND TAXES

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 tax impositions.

PACKAGE 4 CAPITAL INCOME AND FINANCIAL TAXES

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



BUILD,BUILD,BUILD!





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

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