

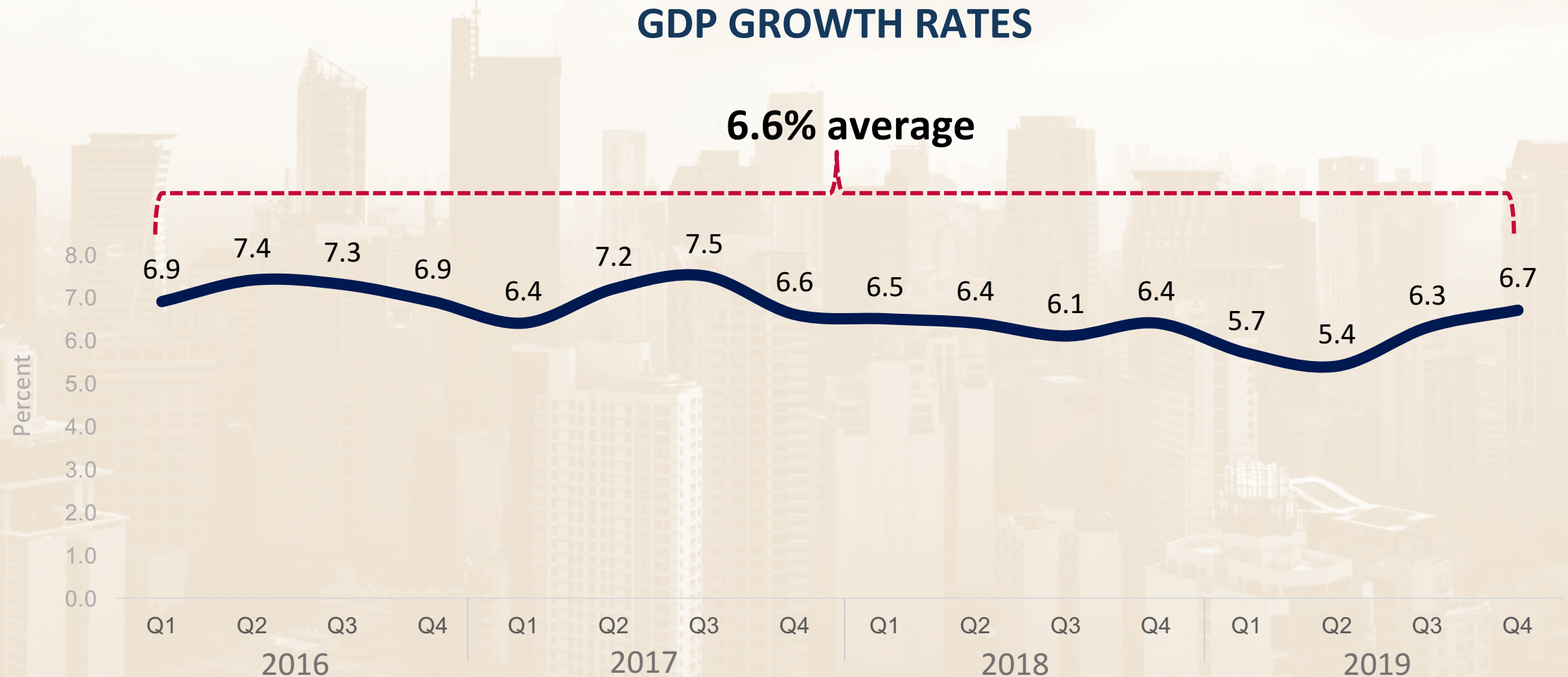


# KEYNOTE SPEECH

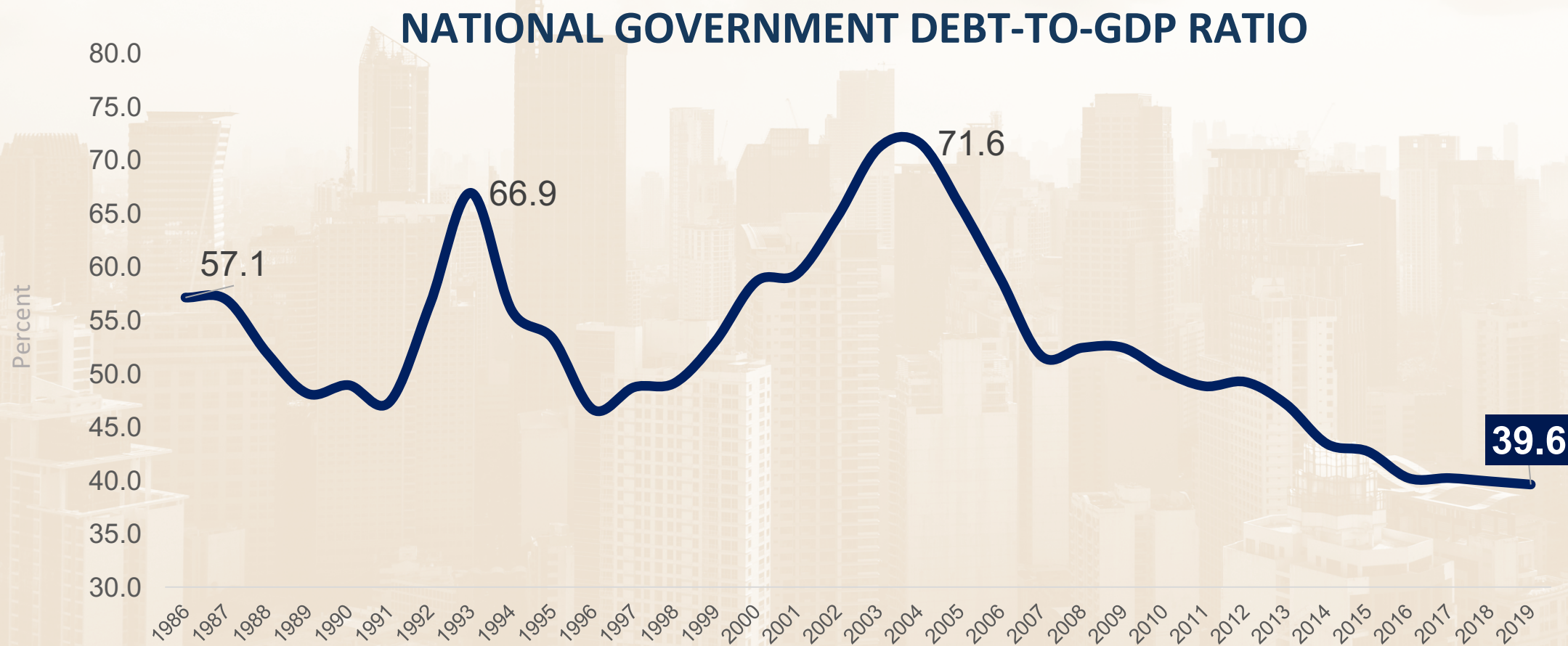
**CARLOS G. DOMINGUEZ**  
Secretary of Finance

*Iloilo Business Club Webinar  
September 16, 2020*

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

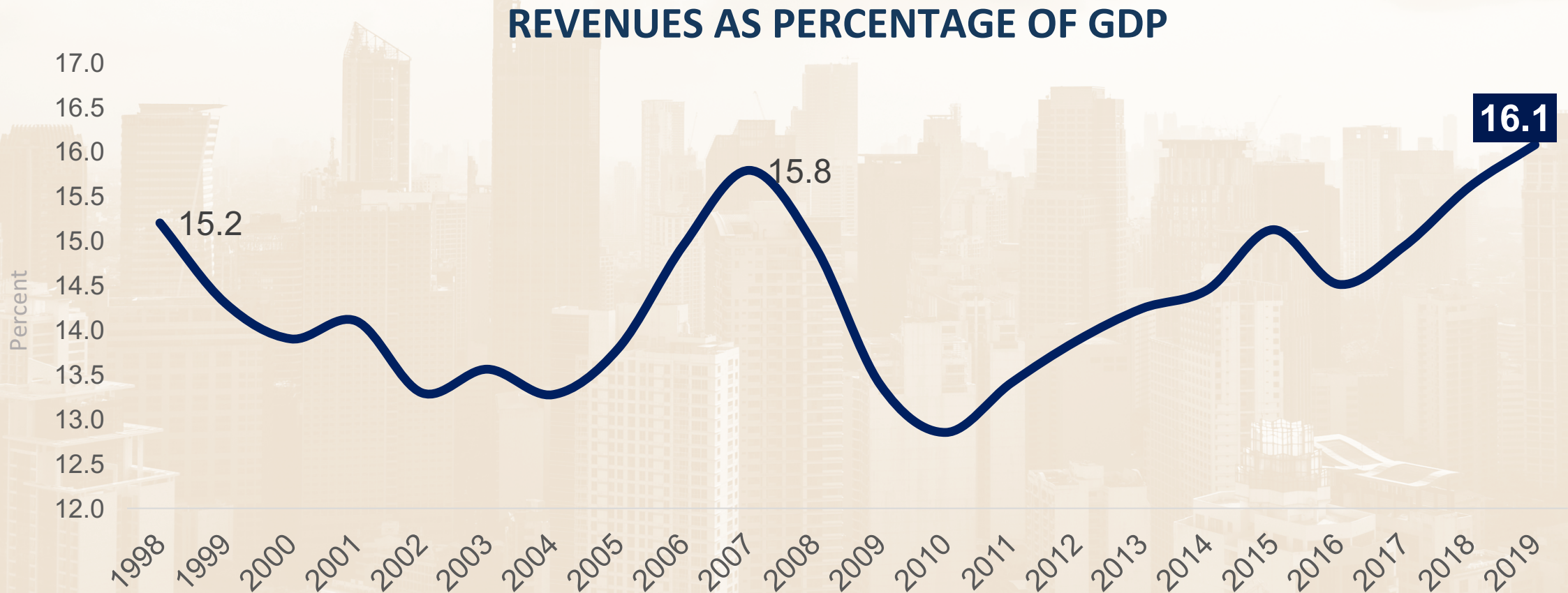


**2019 debt-to-GDP ratio of 39.6 percent is the lowest it has been since the country started recording this metric in 1986.**





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

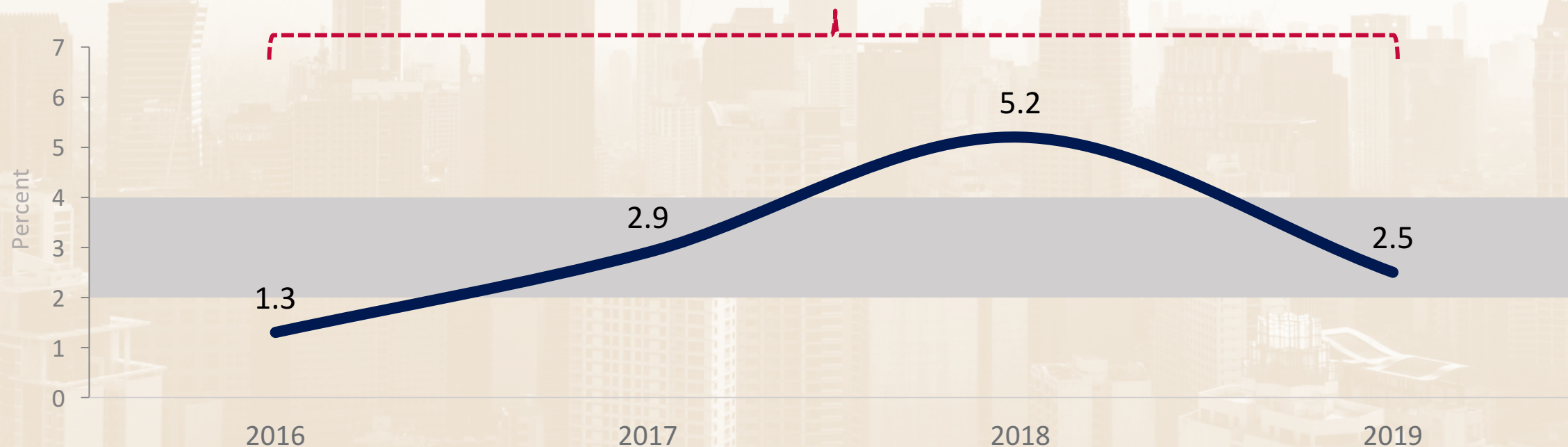




**We continue to enjoy low and stable inflation.  
From 2016 to 2019, our inflation rate averaged at 3 percent.**

## INFLATION RATE

**3.0% average**

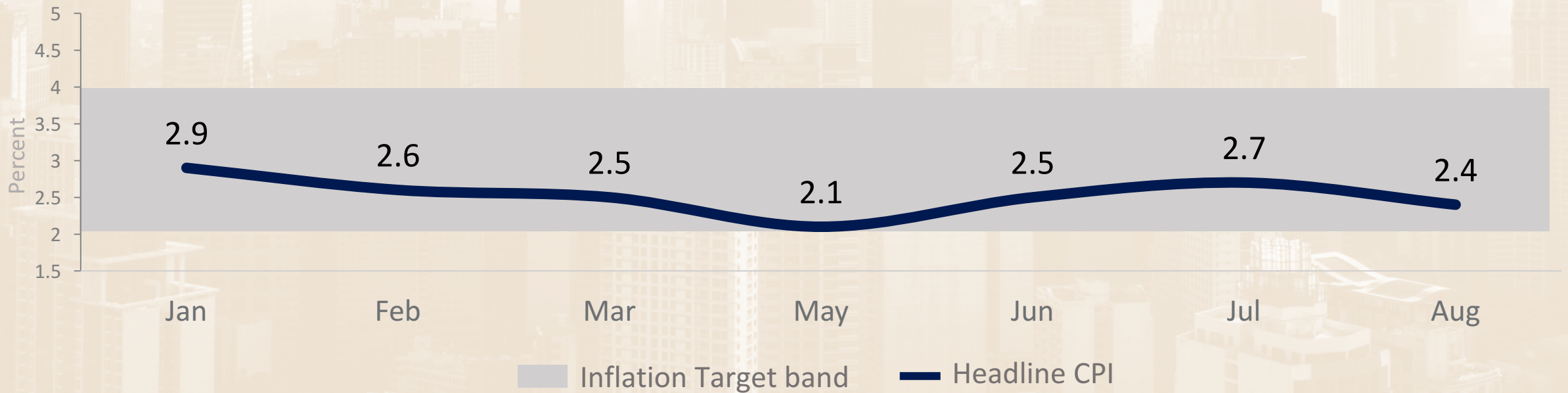


■ Inflation target band

— Headline CPI

**In August 2020, the inflation rate further eased to 2.4 percent.**

## 2020 YEAR ON YEAR INFLATION RATES

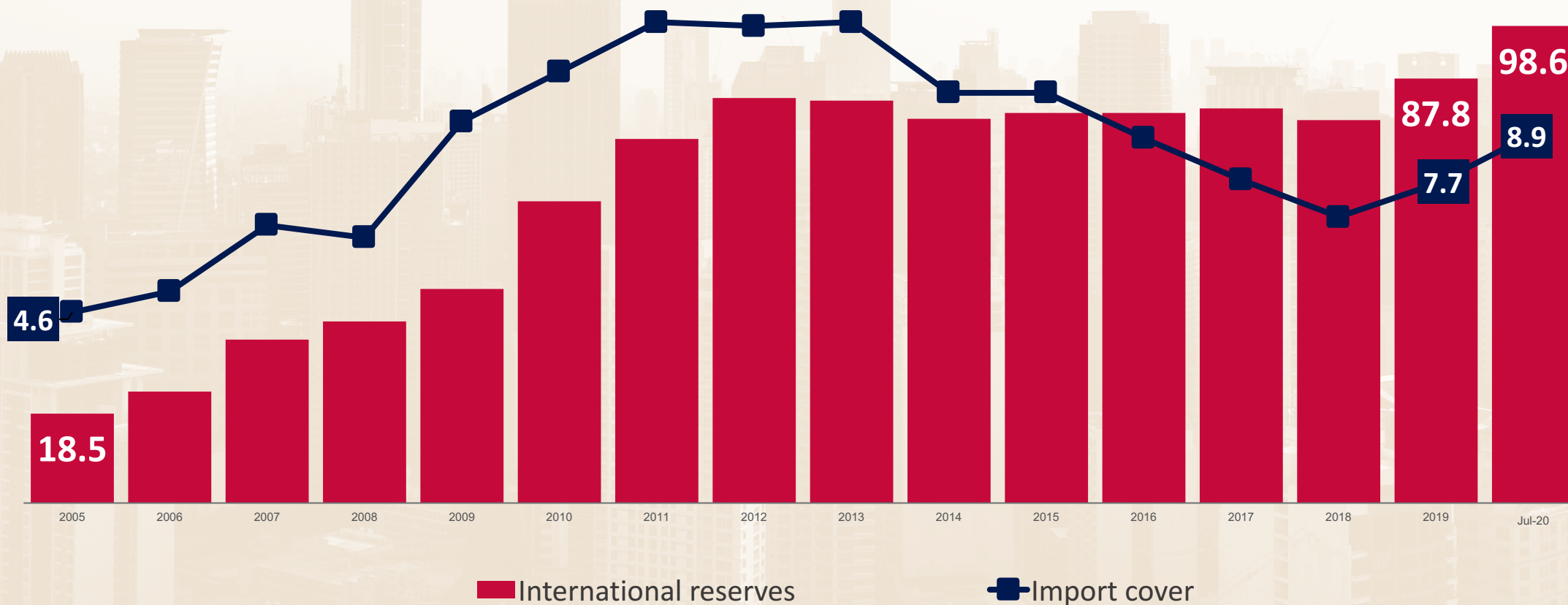


Source: PSA



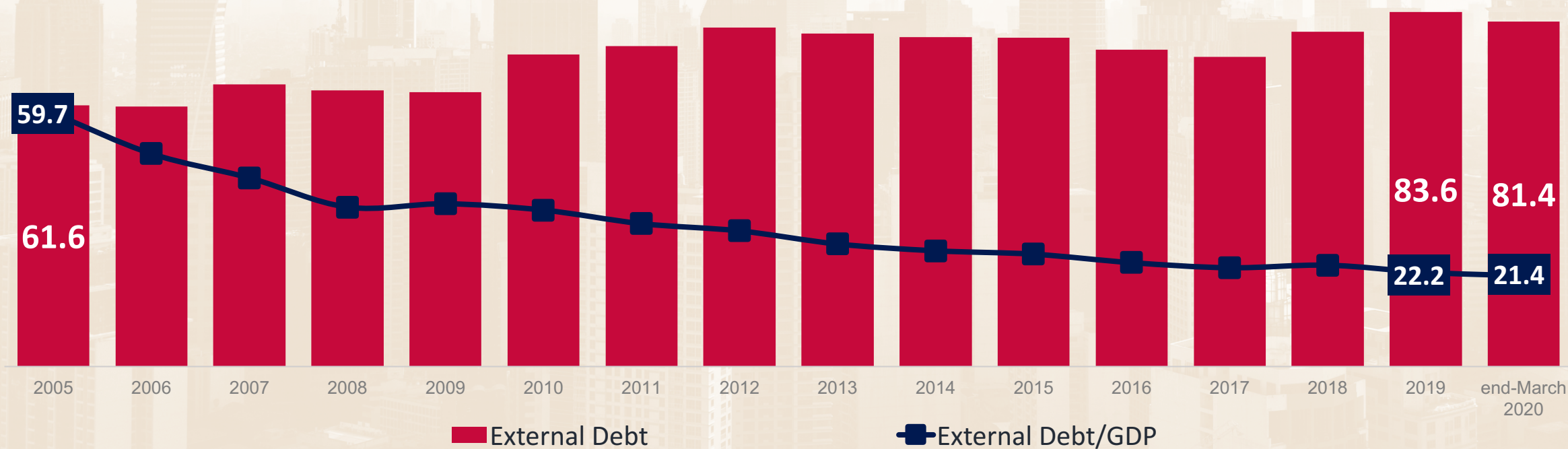
**Hefty reserves at USD 98.6 billion as of July 2020 is the highest recorded so far, and can cover 8.9 months of imports**

**INTERNATIONAL RESERVES (*USD Billion*)  
AND MONTHS OF IMPORT COVER**



**Our foreign reserves even exceeded our outstanding external debt, which stood at USD 81.4 billion as of end-March 2020.**

**EXTERNAL DEBT (*USD Billion*)  
AND EXTERNAL DEBT AS % OF GDP**

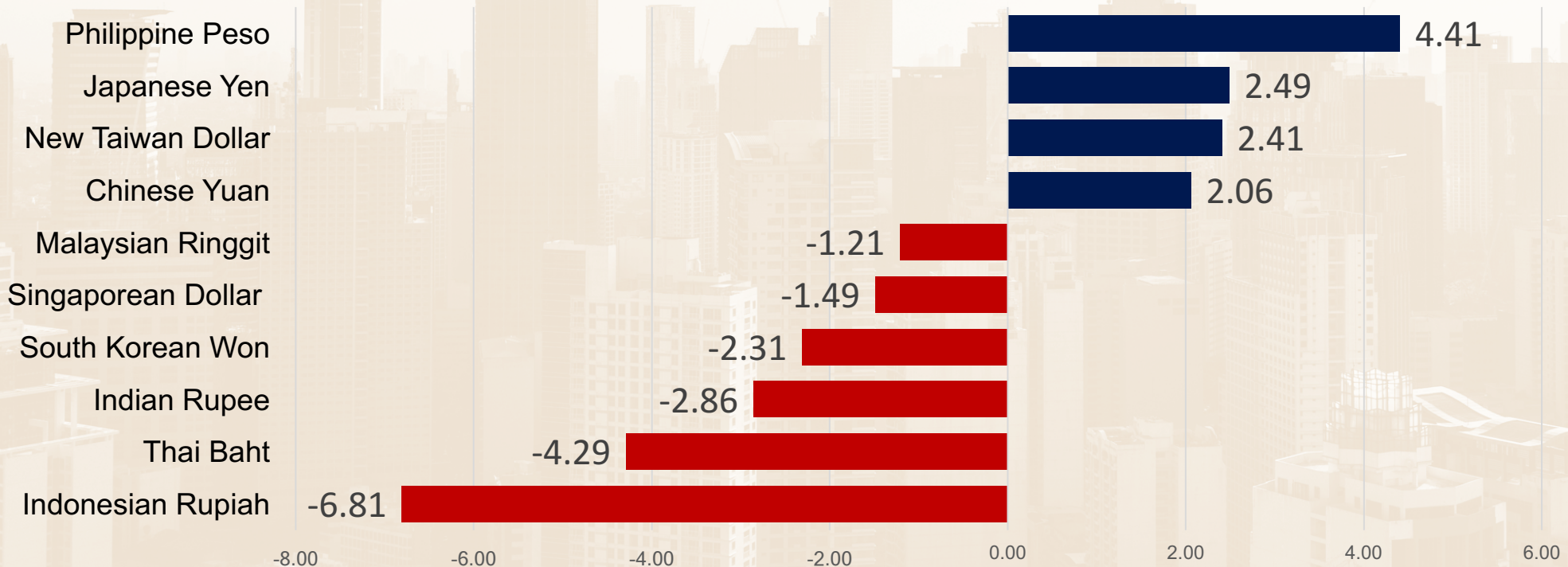




**The Philippine peso is one of the best-performing currencies in the region.**

**YEAR-TO-DATE APPRECIATION (+)/DEPRECIATION (-) OF  
ASIAN CURRENCIES AGAINST US DOLLAR**

*(In percent, as of September 14, 2020)*



**Credit rating upgrades and affirmations are vote of confidence on the country's ability to stage an economic recovery from this health crisis.**

**Japan Credit Rating Agency**

Upgrade from BBB+ to A- (Stable Outlook)

**R&I**

Upgrade from BBB- to BBB+ (Stable Outlook)

**Moody's**

Affirmation of Baa2 rating (Stable Outlook)

**Fitch Ratings**

Affirmation of BBB rating (Stable Outlook)

**S&P Global Rating**

Affirmation of BBB+ rating (Stable Outlook)



With our strong credit-worthiness,  
the commercial markets and our  
development partners continue to

**provide us financing at very low  
rates, tight spreads, and longer  
repayment periods.**





# 1.3 million to 3.5 million

**Estimated number of infections prevented due to government interventions, such as the lockdowns**

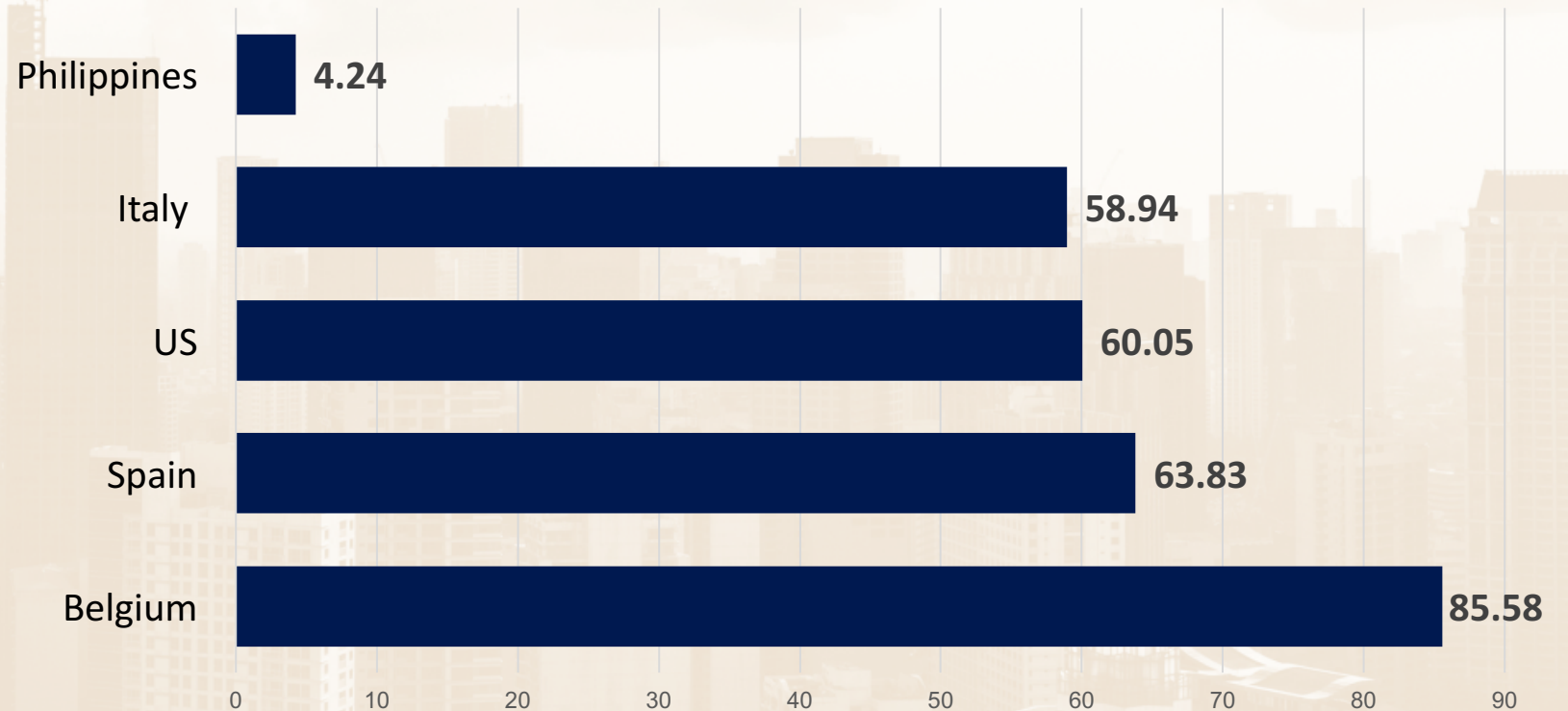
*Source: Epidemiological Models of the FASSSTER Project in April and the University of the Philippines COVID-19 Pandemic Response Team as of June 27*



**The Philippines' mortality ratio is at 4.2 people per a hundred thousand**

## DEATHS PER 100,000 POPULATION OF SELECT COUNTRIES

*(As of September 15, 2020)*



**Rebuilding the economy is a condition  
for ensuring public health.**

We cannot fight a pandemic with a weak economy; nor can we restore economic vigor without solving the public health crisis.



**Our unemployment rate in July 2020 fell to 10 percent, easing from 17.7 percent in April.**



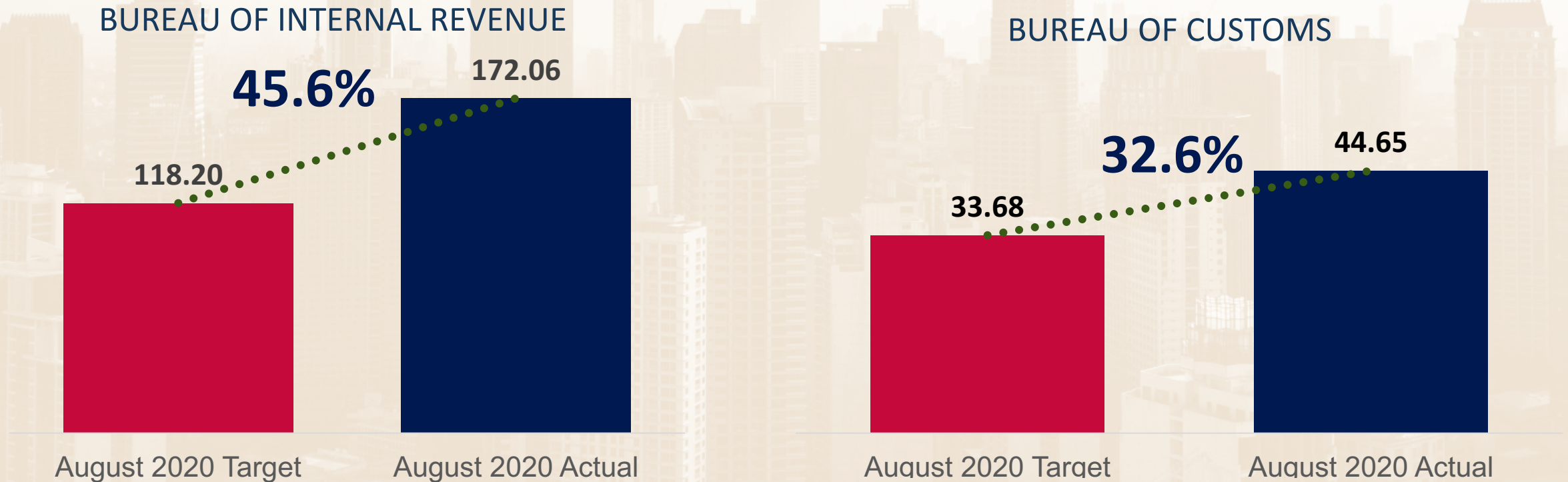


## As quarantine restrictions were eased, economic activities improved gradually.

- The value of the production index for the month of July showed a **slower annual decline of 14.8 percent** from a high of 41.2 percent in April.
- The volume of production index in July likewise **shrank at a slower annual rate by 11.9 percent** compared to a high of 38.8 percent in April.
- The country's total merchandise trade further eased its negative trajectory in July with a **slower annual decline of 18.6 percent** after a steep 59.5 percent contraction in April.

**Both the Bureau of Customs and the Bureau of Internal Revenue registered hefty tax collections in August and exceeded their targets.**

**TAX COLLECTIONS FOR THE MONTH OF AUGUST 2020**  
**ACTUAL VS. TARGET**  
*(in PHP Billion)*



How a country's economy performs during COVID-19 and how quickly it can bounce back once the crisis is over will depend on its

**economic resilience.**





We have been consistent  
with our approach:

**we will do what is necessary,  
but we will not be wasteful.**



**Congress passed fiscally responsible measures that we can implement within our means.**

## **BAYANIHAN I**

**P389.06  
BILLION**

*(USD 7.70 BILLION)*

*COVID-19 Releases as of August 28*

## **BAYANIHAN II\***

**P140.00  
BILLION**

*(USD 2.78 BILLION)*

*Appropriations*

*\*Has standby funding worth  
P25.53B (USD 507.85 Million)*

Bayanihan 2 extends the carry-over period of net losses in 2020 and 2021 from three to five years.

**This will allow businesses to deduct incurred losses from tax payments for a longer period, giving them more time to set their finances in order.**





**The infusion of capital in our government financial institutions will have large multiplier effect in economic activity.**

These interventions are cost-effective for the taxpayer, with every peso generating around 10 times its value in credit available to businesses, both large and small.



# Legislative Imperatives to Revive the Economy

1. **Immediate passage of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act** 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. This will be reduced further by one percentage point every year from 2023 to 2027.
  - Maintain for up to 9 years the status quo for registered business activities enjoying the 5 percent tax on gross income earned incentive.
  - Allow the President to grant longer tax and non-tax incentives for investments with exceptional benefits to the public interest.
2. **Allow banks to dispose of non-performing loans and assets** through asset management companies that are similar to special purpose vehicles created in early 2000s to deal with the effects of the Asian crisis.

# Legislative Imperatives to Revive the Economy

3. Our government banks will also **setup a company to deal with problems involving solvency issues** and we will be inviting other multilateral agencies and foreign investment companies to participate.
4. **Provide greater support to the agriculture sector** by giving the banking system the ability to support the whole value chain of agri-enterprises.



**The timely passage of the 2021 national budget is crucial to our economic recovery.**

This will provide us with the tools necessary to rebuild our economy and decisively defeat COVID-19.



**We are committed to pursue the remaining tax reform packages that will allow a simpler, fairer and more efficient tax system.**

Package 3	Package 4	Others
Real Property Valuation and Assessment Reform	Passive Income and Financial Intermediary Taxation	Motor vehicle user charge, general tax amnesty with automatic exchange of information and lifting of bank secrecy for tax fraud cases, and mining tax regime

The cornerstone of our economic recovery is the Build, Build, Build program.

**Investments in infrastructure have the highest multiplier effect in the economy.**





# **Recent infrastructure developments in Iloilo underscore the commitment of the Duterte administration to forge ahead with our Build, Build, Build program despite the pandemic.**

In June 2020, the Department of Transportation inaugurated expansion projects in the Port of Estancia and the Iloilo Commercial Port Complex .



**Port of Estancia**



**Iloilo Commercial Port Complex**

A lot will depend on whether the government and business sector can **work together to revive consumer confidence and domestic demand.**





I ask enterprises to return to the economic frontlines **by innovating operations and taking advantage of digital technologies** for the new economy.





**We will not rest until we  
have prevailed over this  
extraordinary challenge.**





# KEYNOTE SPEECH

**CARLOS G. DOMINGUEZ**  
Secretary of Finance

*Iloilo Business Club Webinar  
September 16, 2020*