# OPENING REMARKS

**CARLOS G. DOMINGUEZ**
Secretary of Finance

*Kapihan Sa Manila Bay*
*June 24, 2020*

# Our recent economic indicators show the tradeoffs from President Duterte's decisive actions to put primacy on protecting our people

**-0.2%**

**Q1 2020 GDP**

*This is first time real GDP growth fell into negative territory since 1998.*

**17.7%**

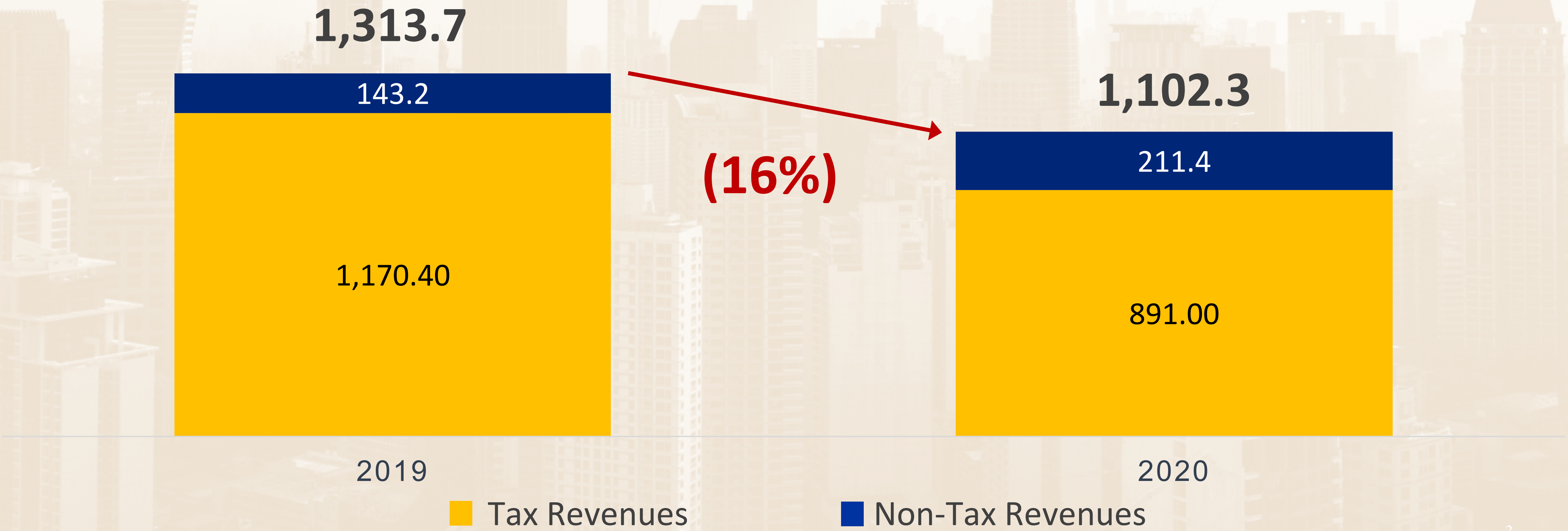
**APRIL 2020 UNEMPLOYMENT RATE**

*This represents 7.3 million jobless Filipinos.*

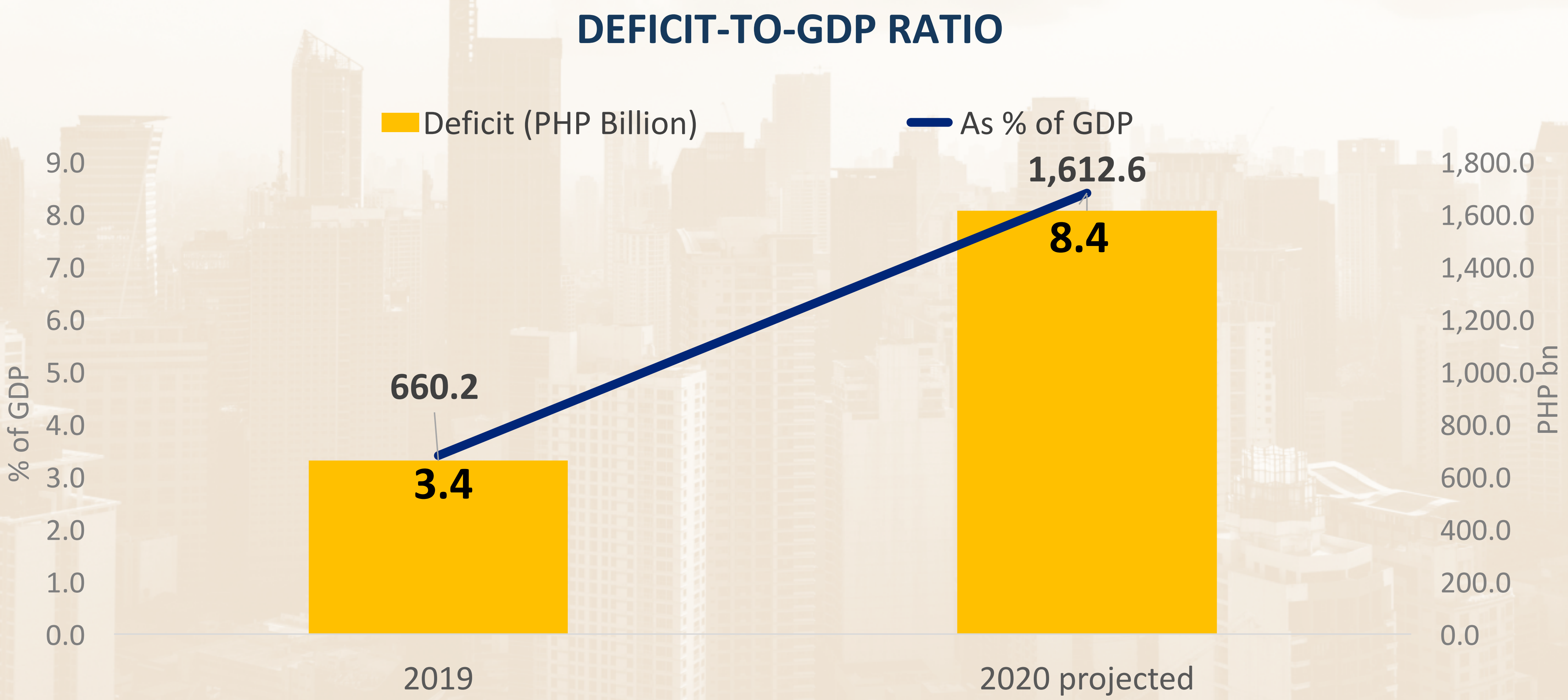
# The lockdown dealt a significant blow to both the tax base and tax collection

**TOTAL REVENUE COLLECTIONS FROM JANUARY TO MAY**

*(in PHP Billion)*

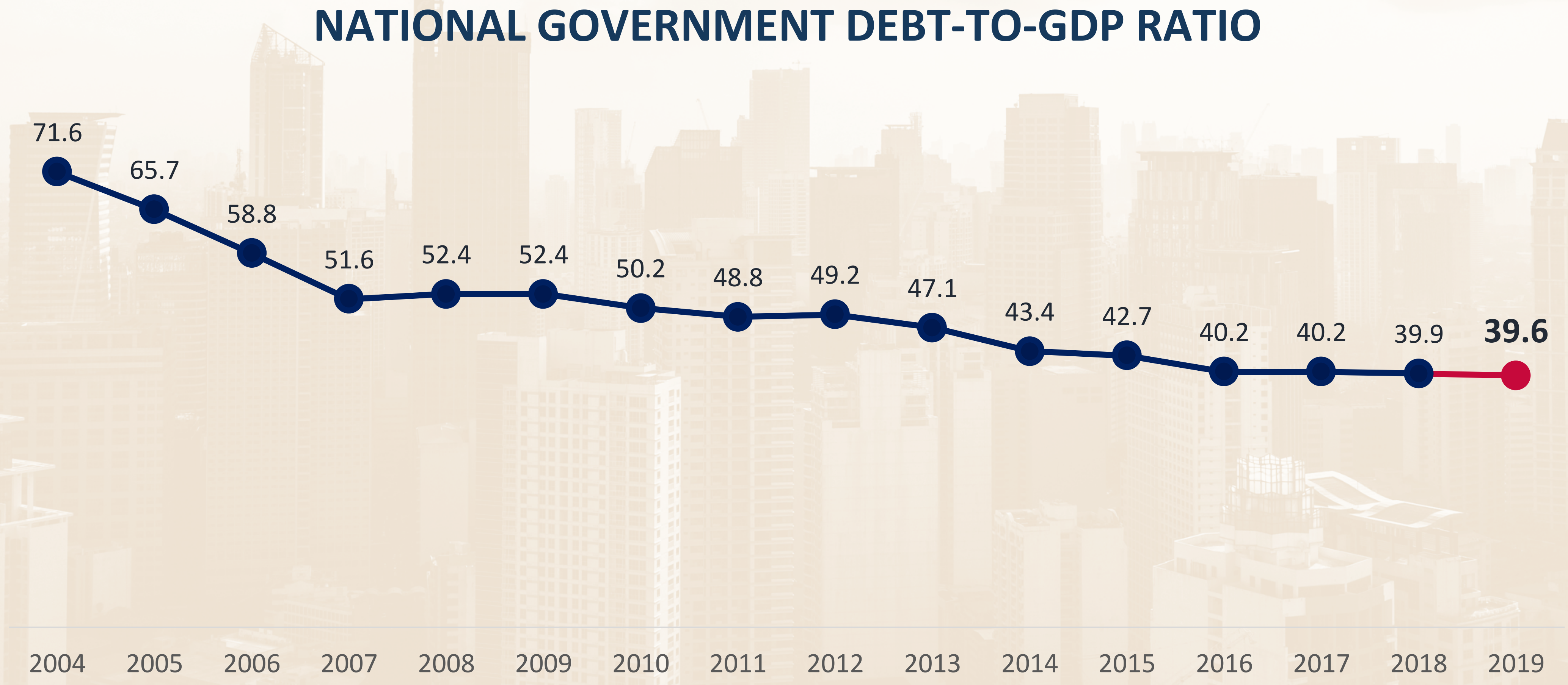


# Our deficit-to-GDP ratio will more than double as tax collections are down and as we spend more for our people

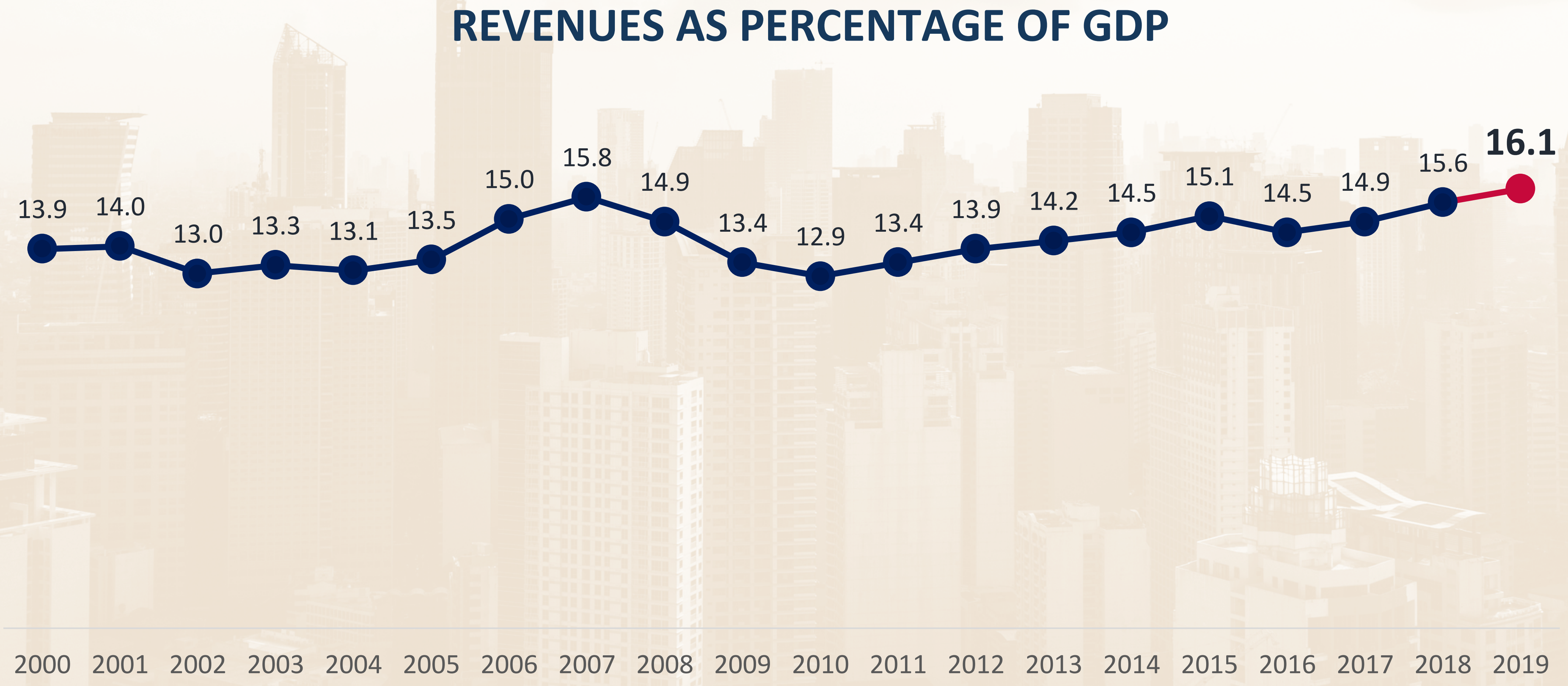


Fortunately, the President's judicious economic management and reform agenda since he took over in 2016 has put our government in **a strong fiscal position ahead of the global health crisis.**

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

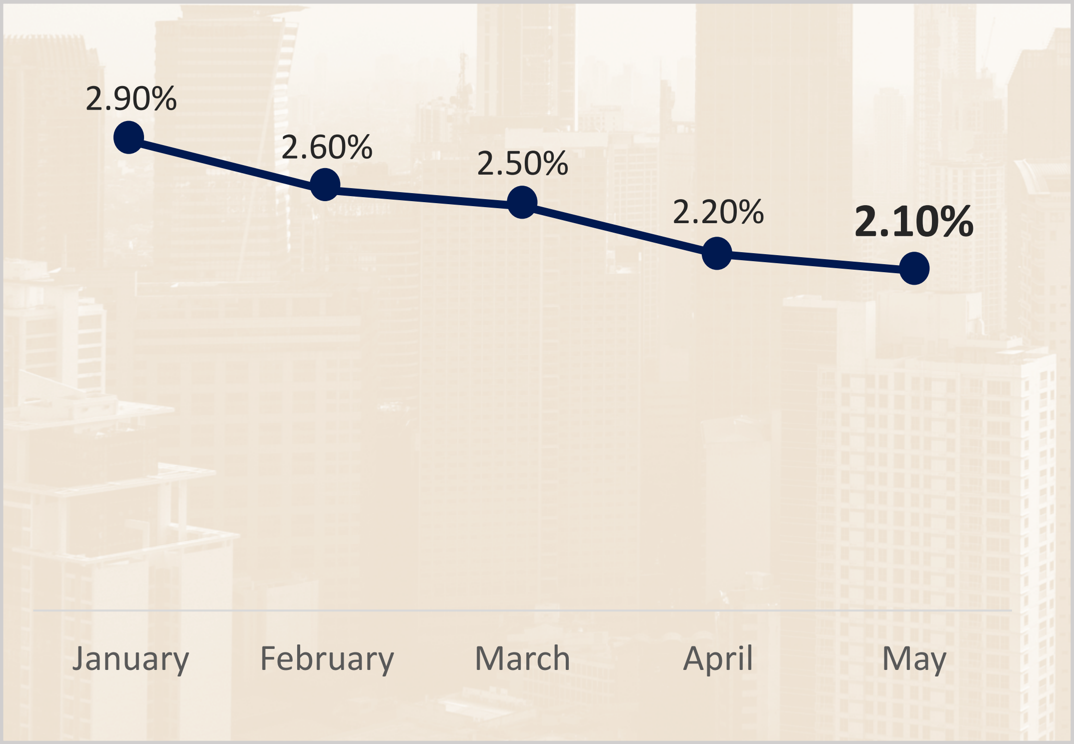


# Revenues were at 16.1% of GDP in 2019, the best performance in 22 years

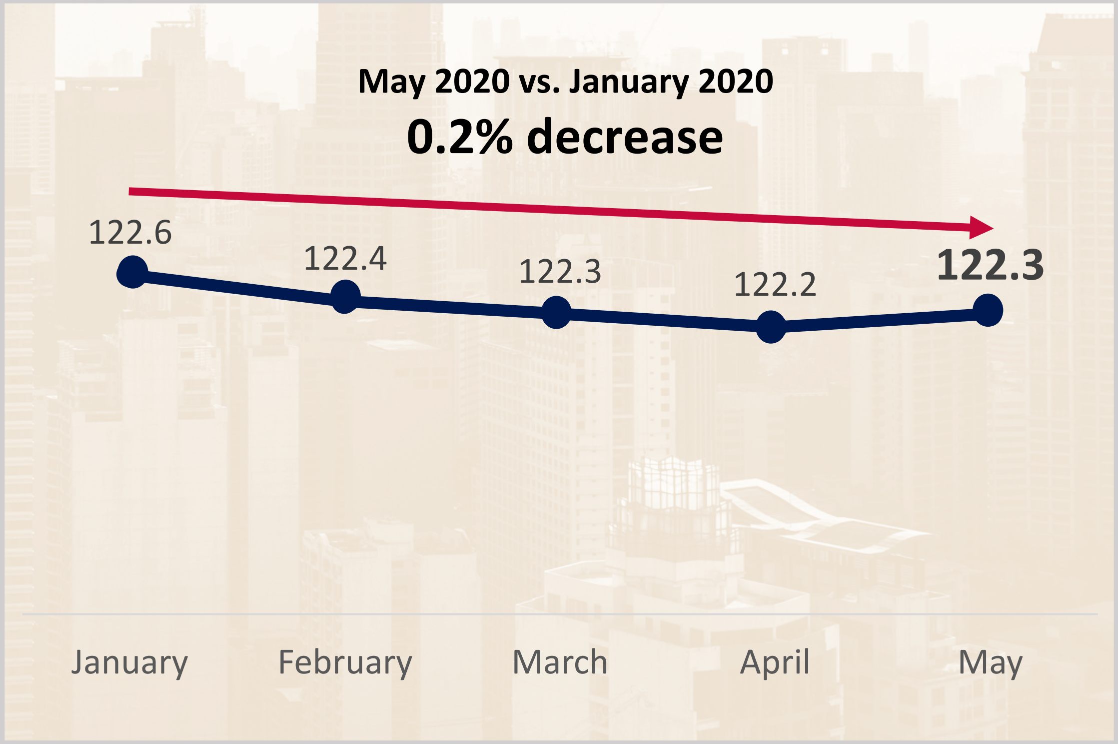


# May 2020 inflation rate further slowed down to 2.1%; Prices in May have not actually gone up compared to prices in January

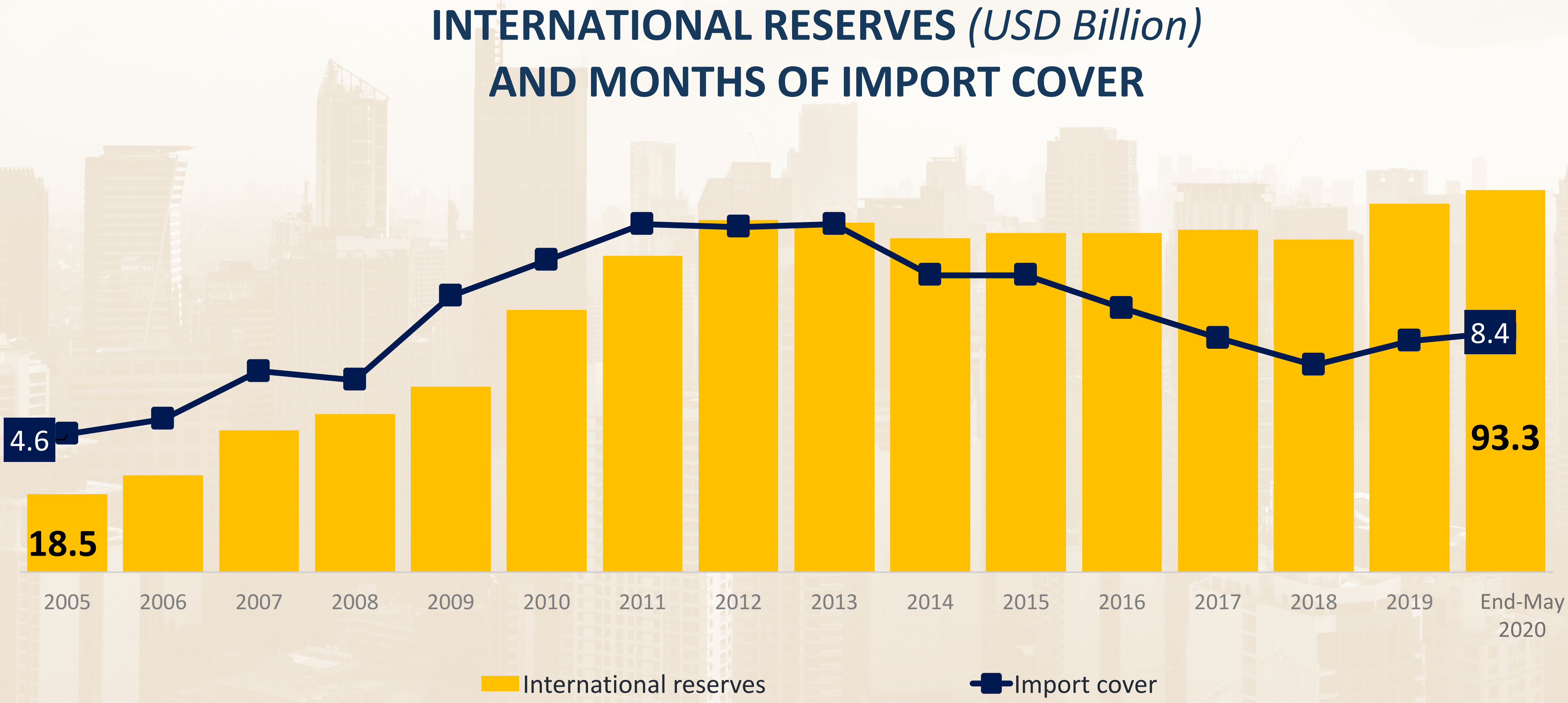
## INFLATION RATE
*(January to May 2020)*



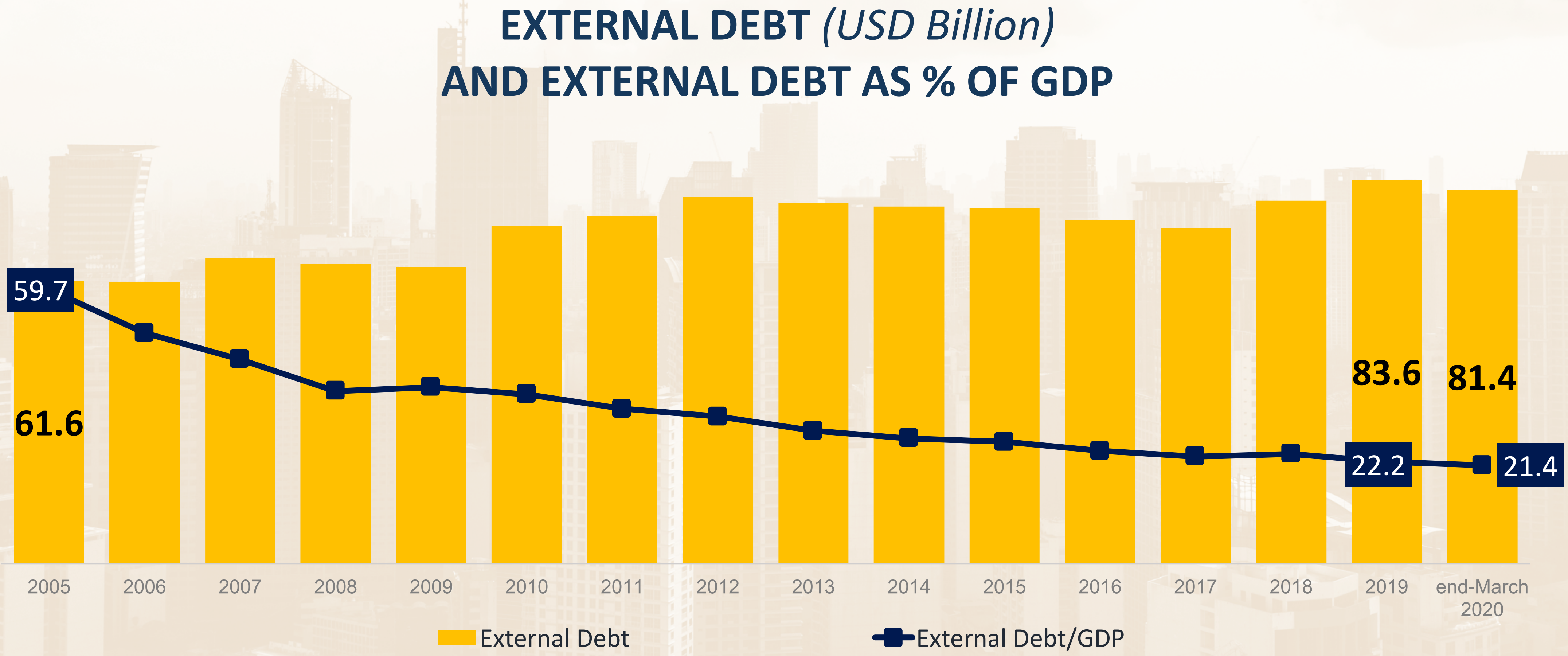

## CONSUMER PRICE INDEX
*(January to May 2020)*



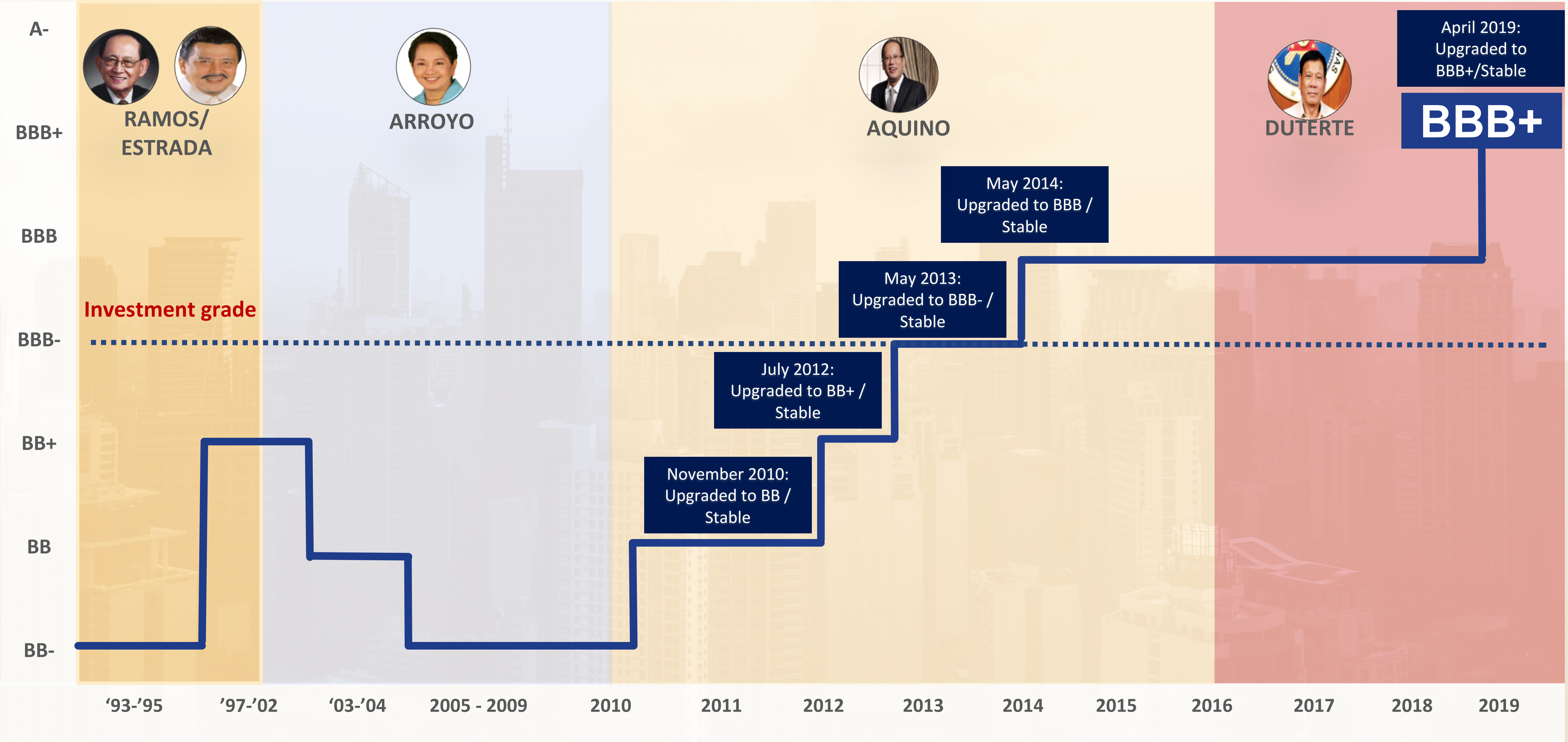
# Hefty reserves at USD 93 billion as of May 2020 is the highest recorded so far, and can cover 8.4 months of imports



# Our foreign reserves are even more than our outstanding external debt, which stood at USD 81.4 billion as of end-March 2020



# 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.

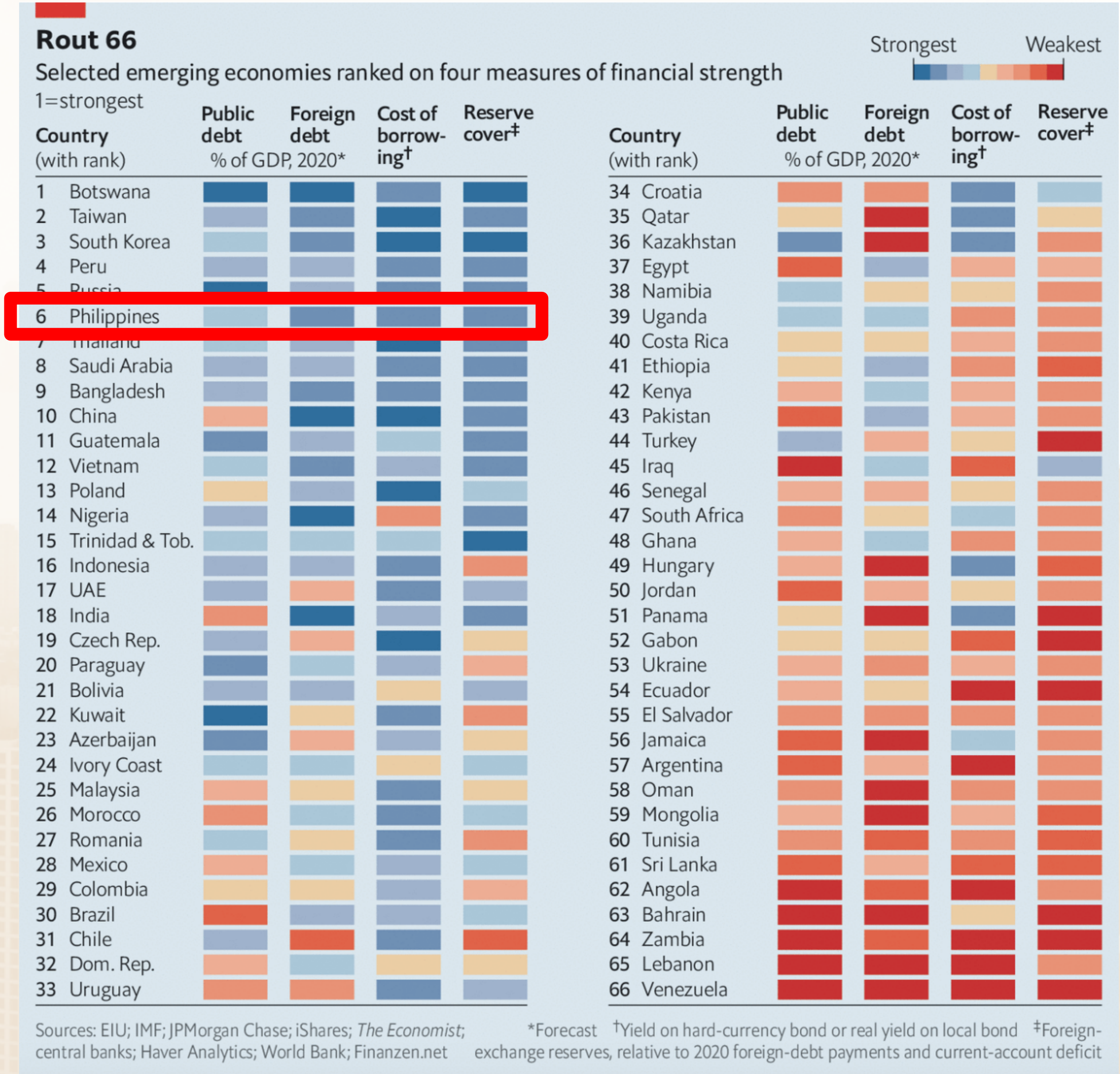
Fitch Ratings

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.

On April 30, *The Economist* ranked the Philippines' financial strength 6th among 66 emerging economies.



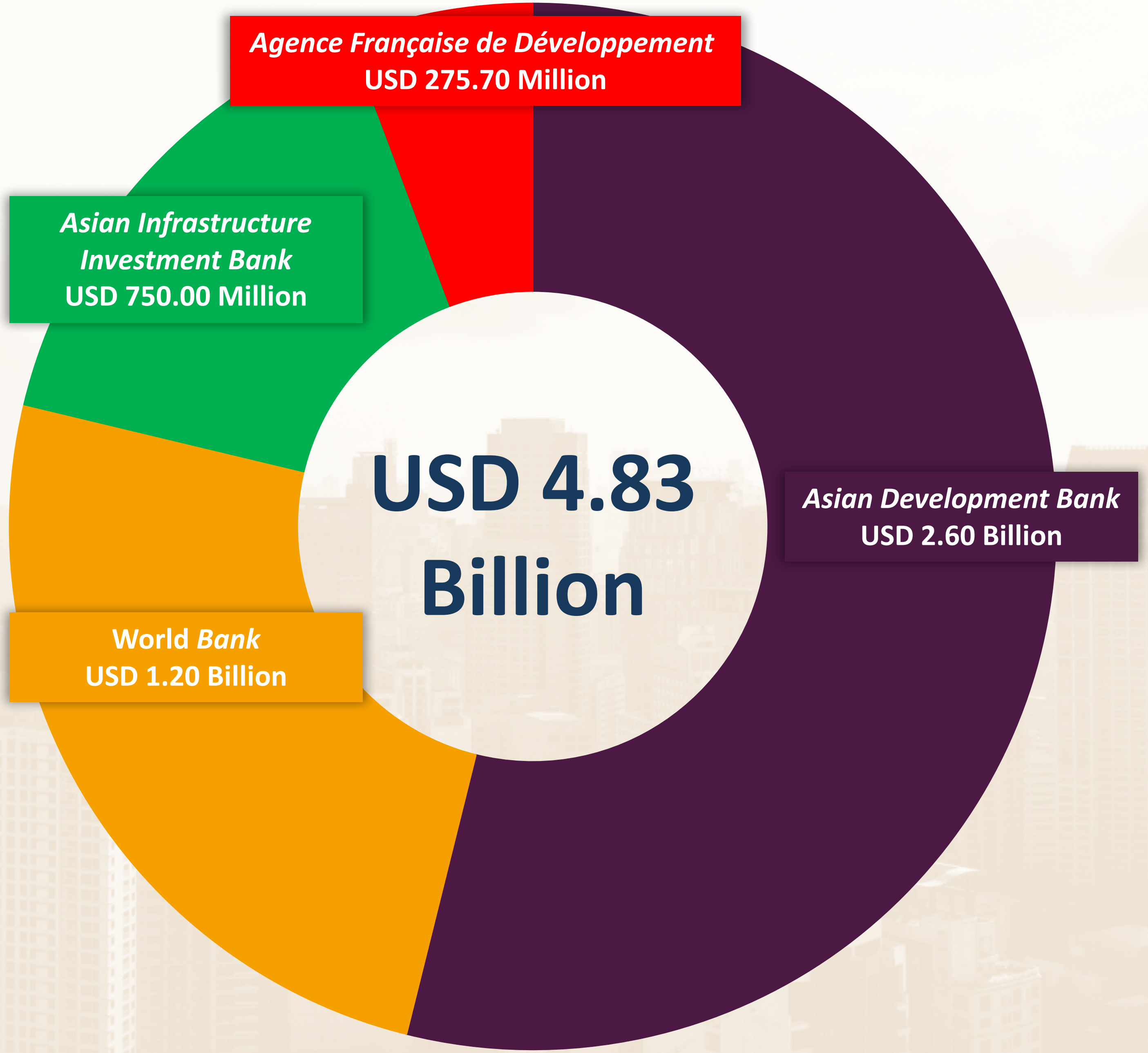
By maintaining a prudent fiscal program that has allowed us to protect our credit-worthiness, the **commercial markets and our development partners continue to lend to us at generous interest rates and better terms.**

When the government can access debt at least cost, so will our private enterprises in need of assistance.

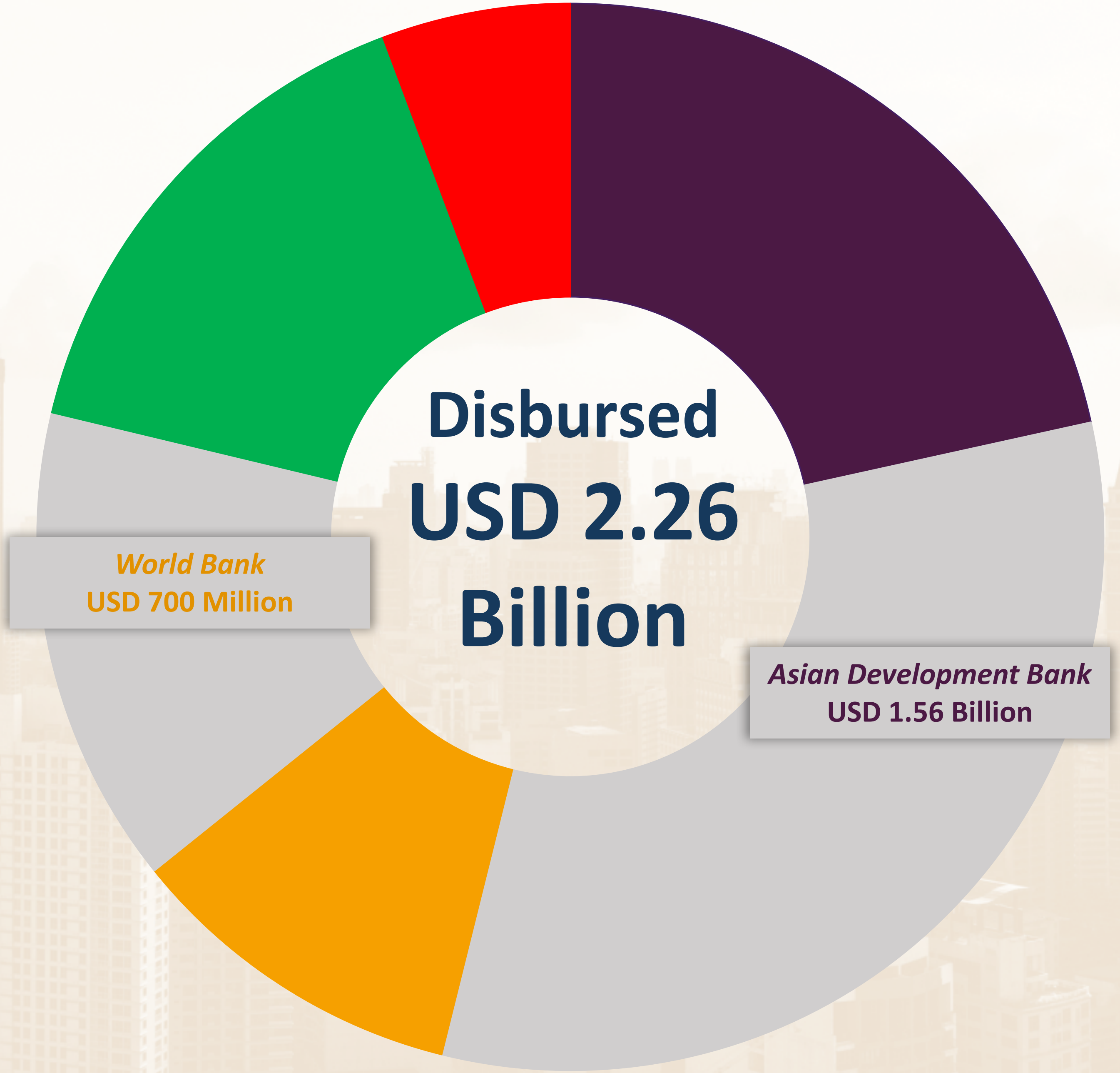
**The ability to refinance at lower cost will help us recover more quickly and more sustainably.**

# Budgetary Financing Support Raised from Development Partners

*(As of June 17)*



**Disbursed Amounts of the Budgetary Financing Support Raised from Development Partners**
*(As of June 17)*



# 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

**P300.0 BILLION**

Financing support from the Bangko Sentral ng Pilipinas (BSP)

**P1.2 TRILLION**

Net domestic borrowings from the beginning of the year (as of June 9)

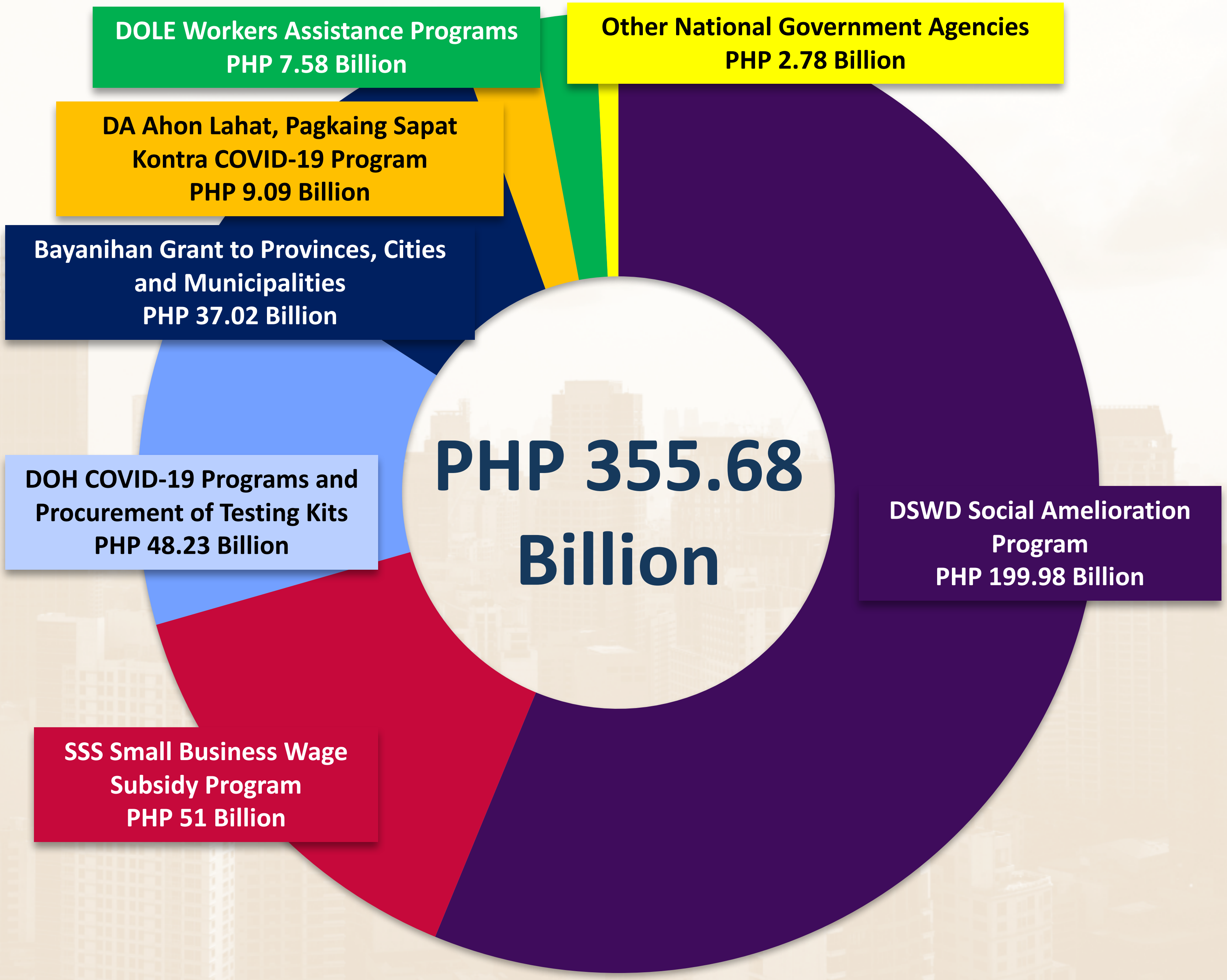
# P149.2 BILLION

**Total amount of remittances received from government-owned and-controlled corporations (GOCCs) since the start of the year (as of June 19)**

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

*(as of June 22, 2020)*

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



# Taxation of the digital economy

- The Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) No. 60-2020 dated June 1, reminding all persons doing business and earning income through digital means to ensure that their businesses are registered, or their registrations are updated. **Whether or not they will be subject to tax depends on their specific circumstances.**

- **Registering with the BIR not only helps the government generate additional revenues for its COVID-19 response measures and various projects.** Joining the formal economy also ensures that these businesses and their employees are eligible for government assistance programs.

**We cannot banish the basics of fiscal discipline** at the risk of bringing ourselves to bankruptcy or severe indebtedness.

**Prudence dictates that we keep our powder dry**. We should be able to finance fighting the second wave should that happen.

A generous stimulus package may be ideal. But if it is **unfundable and unsustainable,** then it is just wishful thinking.

# Four Legislative Imperatives to Revive the Economy

1. **Infuse additional capital to our government financial institutions** to strengthen their capacity and allow them to provide assistance to micro, small and medium enterprises, as well as strategically important companies adversely affected by the pandemic.

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.

**The wild card in all our planning and strategizing is the virus itself.** We have no vaccine for it and no medicine to cure the infected as of this time.

With all the uncertainty about the progress of this pandemic, **we need to maintain utmost prudence.**

This crisis will neither diminish our capacity for good governance nor our willingness to exercise decisive leadership.

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