



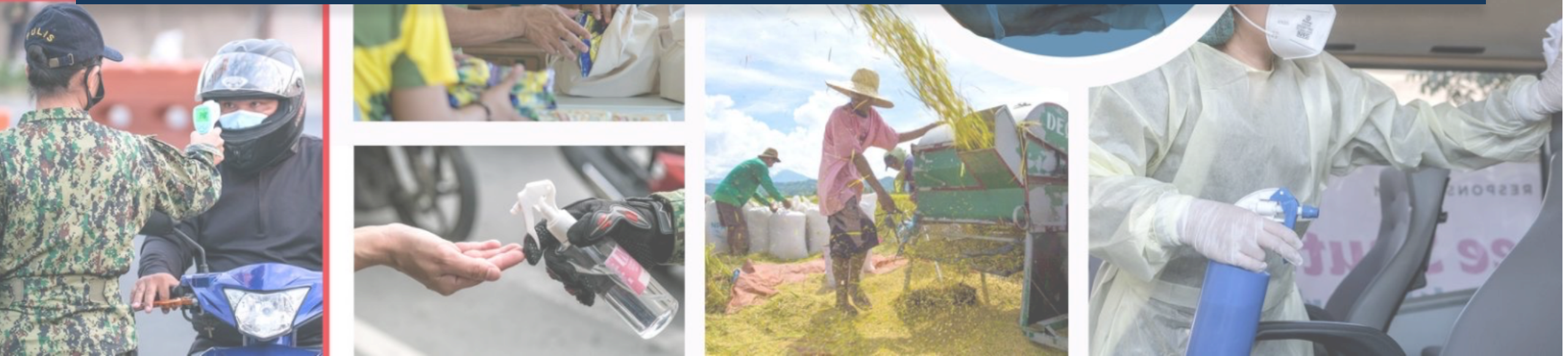
# OPENING REMARKS

**CARLOS G. DOMINGUEZ**  
Secretary of Finance

*Meeting with the Joint Foreign Chambers of Commerce of the Philippines  
August 18, 2020*



**The Duterte administration did not fold in the face of this global health emergency. We quickly took stock of the situation and responded with everything we had.**





The background of the slide is a faded, high-angle photograph of a city skyline, likely Manila, with numerous skyscrapers and buildings. Overlaid on this is a large, solid red rectangular box in the upper center. Inside this box, the text '1.3 million to 3.5 million' is written in a large, white, sans-serif font. Below the red box, the text 'Estimated number of infections prevented due to government interventions, such as the lockdowns' is written in a smaller, dark blue, sans-serif font. At the bottom left, a source attribution is provided in a small, grey, italicized font.

# 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 lockdown gave us time to expand our capacity  
to deal with this contagion.**

## NUMBER OF ACTUAL COVID-19 PCR TESTS CONDUCTED PER DAY

**1,282**

end March 2020

**31,979**  
*(average)*

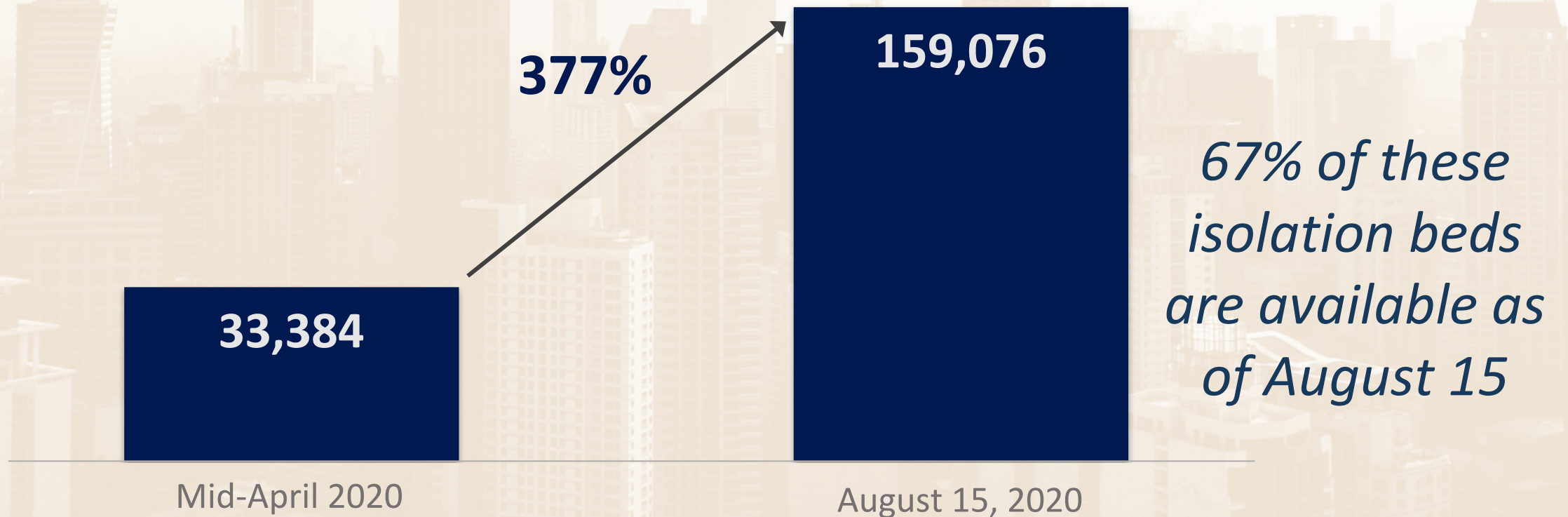
Start of August 2020

*On August 10, we  
achieved our  
all-time high daily  
testing output of  
36,041 tests.*

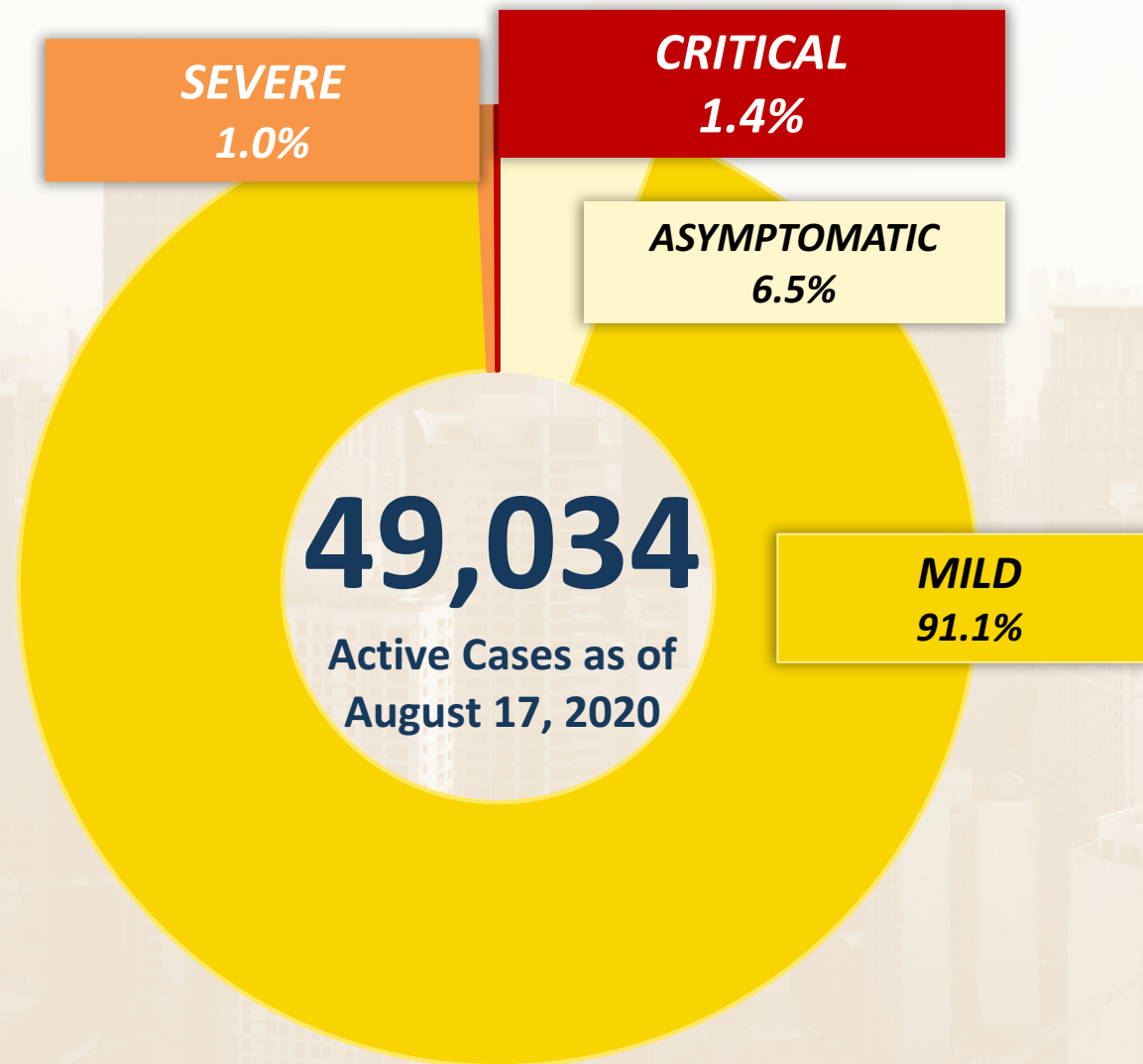


The lockdown gave us time to expand our capacity to isolate the infected.

### NUMBER OF BEDS IN QUARANTINE FACILITIES



**A little over one percent of all COVID-19 cases  
in the Philippines are severe or critical.**

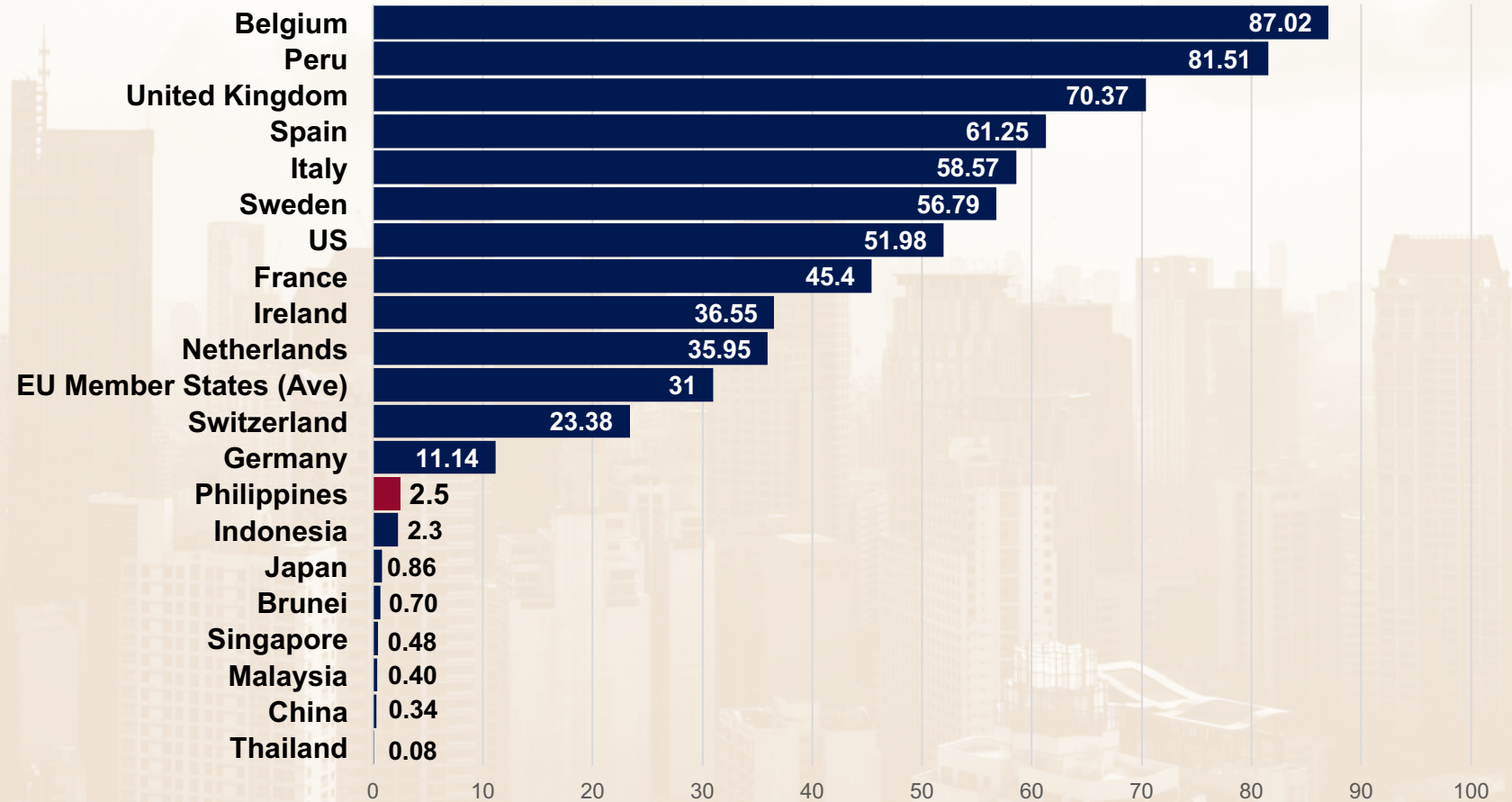




## DEATHS PER 100,000 POPULATION OF SELECT COUNTRIES

(As of August 17, 2020)

The Philippines' mortality ratio is at 2.5 people per a hundred thousand



Every death is still one too many, which is why we will sustain our efforts to **expand access to testing, hire more contact tracers, and beef up our treatment capacity** to save as many lives as possible.





Country	Lockdown at peak Score (100=strictest)*	Q2 2020 GDP Growth	Deaths per 100K population	Stimulus (Total % of GDP)
<b>Philippines</b>	<b>100</b>	<b>-16.5</b>	<b>2.50</b>	<b>6.4**</b> <b>4.2***</b>
Thailand	82	-12.2	0.08	<b>9.6</b>
Malaysia	75	-17.1	0.40	<b>18.2</b>
United Kingdom	76	-21.7	70.37	<b>23.4</b>
Sweden	46	-8.2	56.79	<b>10.8 to 16.6</b>

*\*Source: The Government Response Stringency Index*

*\*\*Estimated to be the difference between projected fiscal deficit pre-COVID (-3.2% of GDP) and the latest projected fiscal deficit (-9.6% of GDP); takes into account all announced stimulus measures*

*\*\*\*From IMF tracker (3.1% of GDP) and pending legislations (1.1% of GDP)*

*Other sources of data: PSA, Worldometers, IMF, Oxford, and individual country sources*

*Note: Data are as of August 17, 2020*

**Our economic performance for the first half of the year falls within the mid-range of our credit-rating peer group.**

## *Real GDP growth rates of selected countries (in percent)*

Country	Q1 2020	Q2 2020	H1 2020
<b><i>Credit rating peers</i></b>			
Indonesia	3.0	-5.3	<b>-1.2</b>
Thailand	-2.0	-12.2	<b>-7.1</b>
<b>Philippines</b>	<b>-0.7</b>	<b>-16.5</b>	<b>-9.0</b>
Portugal	-2.3	-16.5	<b>-9.4</b>
Mexico	-2.2	-18.9	<b>-10.6</b>
Italy	-5.5	-17.3	<b>-11.4</b>
<b><i>Other countries</i></b>			
China	-6.8	3.2	<b>-1.6</b>
Malaysia	0.7	-17.1	<b>-8.3</b>
United States	0.3	-9.6	<b>-4.6</b>
Singapore	-0.3	-13.1	<b>-6.7</b>
France	-5.7	-19.0	<b>-12.4</b>
Spain	-4.1	-22.1	<b>-13.1</b>

Source: DOF OCE



Until a safe and effective vaccine is developed and made broadly available,  
**we will have to learn to coexist with  
COVID-19 while implementing a  
recovery strategy for our economy.**

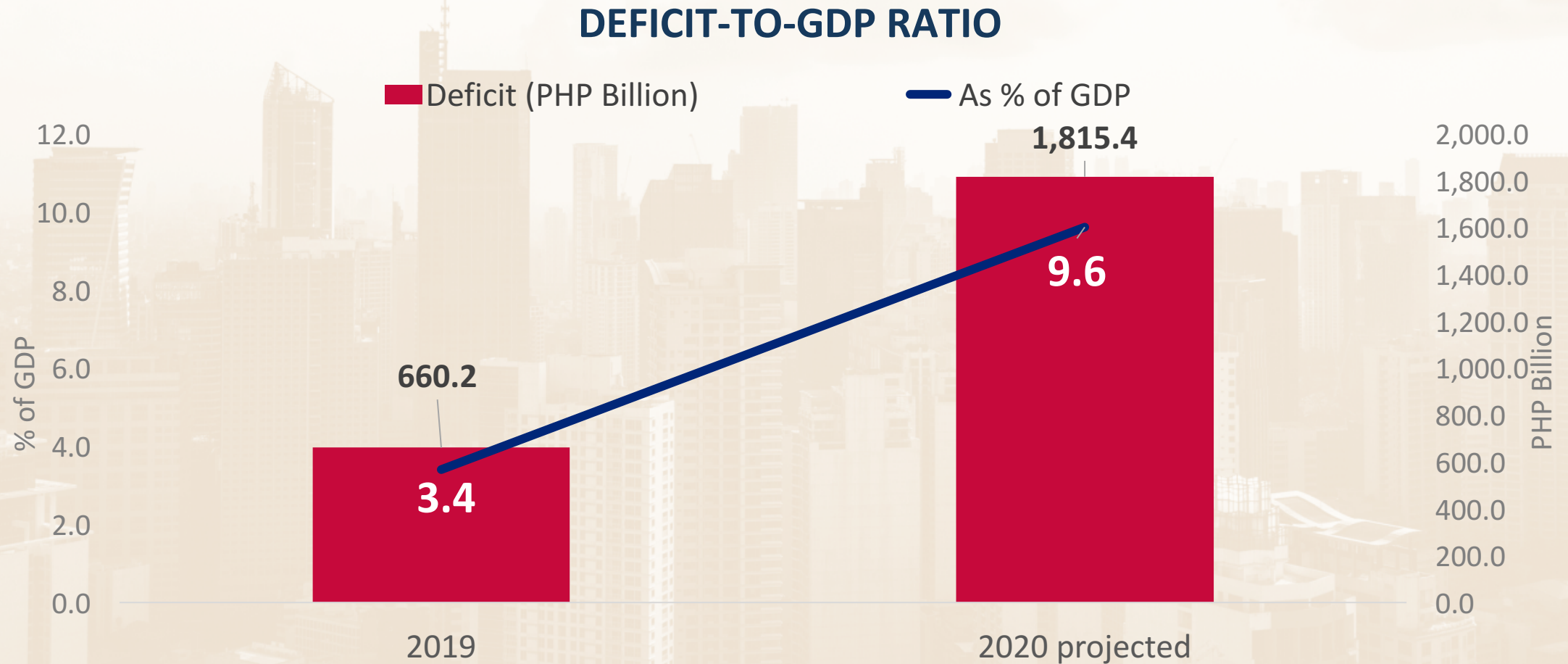


That strategy will build on the strengths  
of our domestic economy:

**our strong fiscal position and the  
resiliency of our financial system.**



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





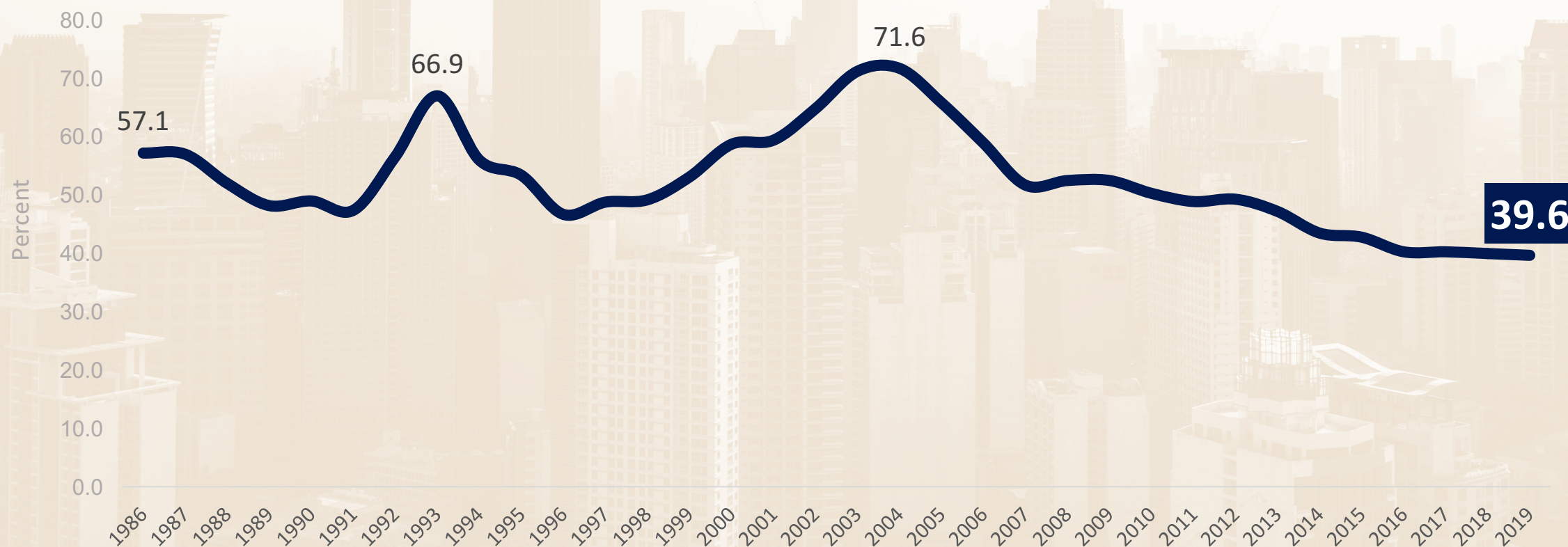
The Duterte administration's prudent approach to fiscal and economic management made us one of the

**strongest, most resilient, and most credit-worthy economies in the region.**



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

## NATIONAL GOVERNMENT DEBT-TO-GDP RATIO

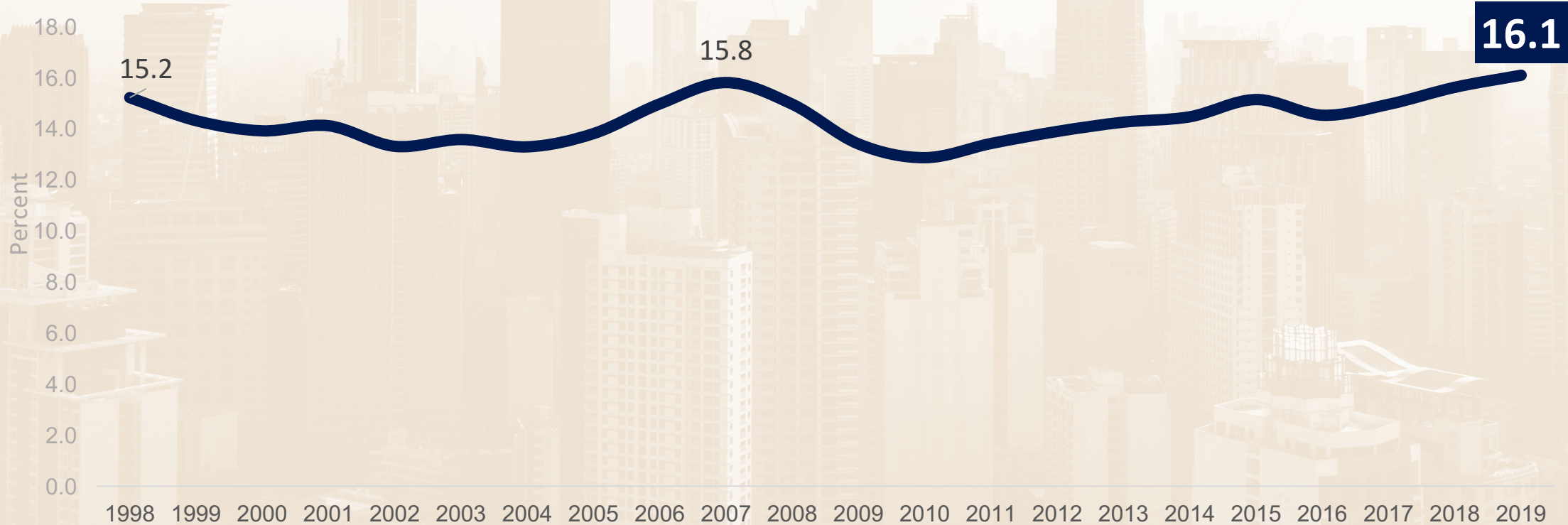


Source: NEDA



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

### REVENUES AS PERCENTAGE OF GDP





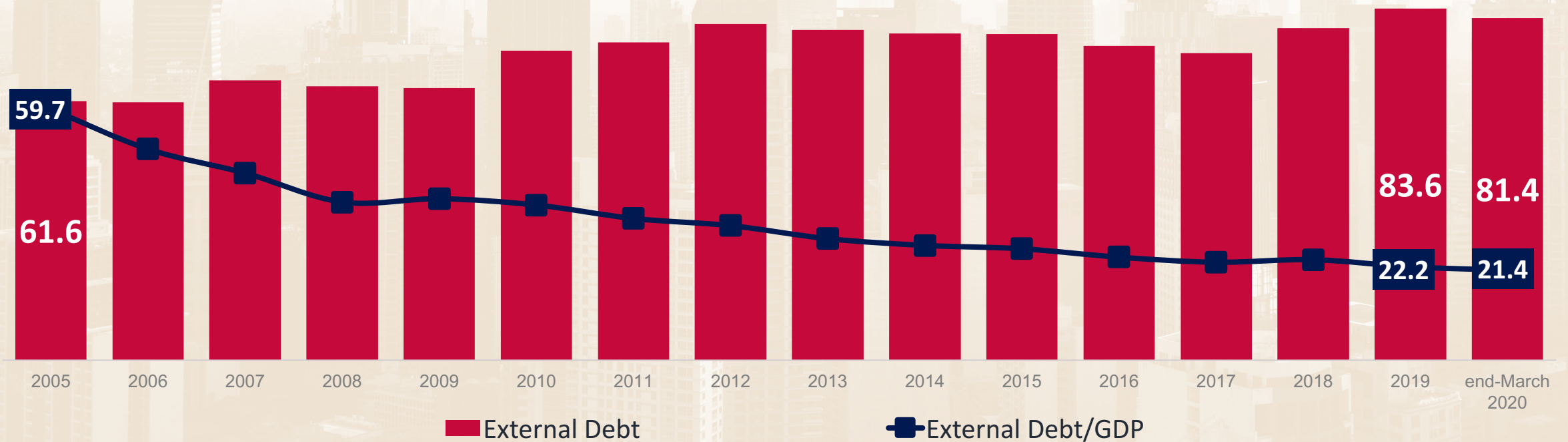
**Hefty reserves at USD 98 billion as of July 2020 is the highest recorded so far, and can cover 8.9 months of imports**

**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 background of the image is a hazy, high-angle view of a city skyline, likely Manila, Philippines, with numerous skyscrapers and buildings. A large, solid red rectangular box is centered in the upper half of the image, containing white text.

**Year-to-date, the Philippine peso has  
appreciated by 3.9 percent against  
the US dollar**

**The Philippine Peso is one of the best-performing currencies  
in the region amidst the pandemic.**



# Recent Credit Rating Actions on the Philippines in 2020

## **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 in 2020



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 July 16, **Moody's Investors Service has affirmed the Philippines' credit rating of "Baa2" with a "stable" outlook.** The latest rating action reflect Moody's view that the fortification of the government's fiscal position in recent years provides a buffer against a rise in public indebtedness due to shocks such as the ongoing global coronavirus outbreak.

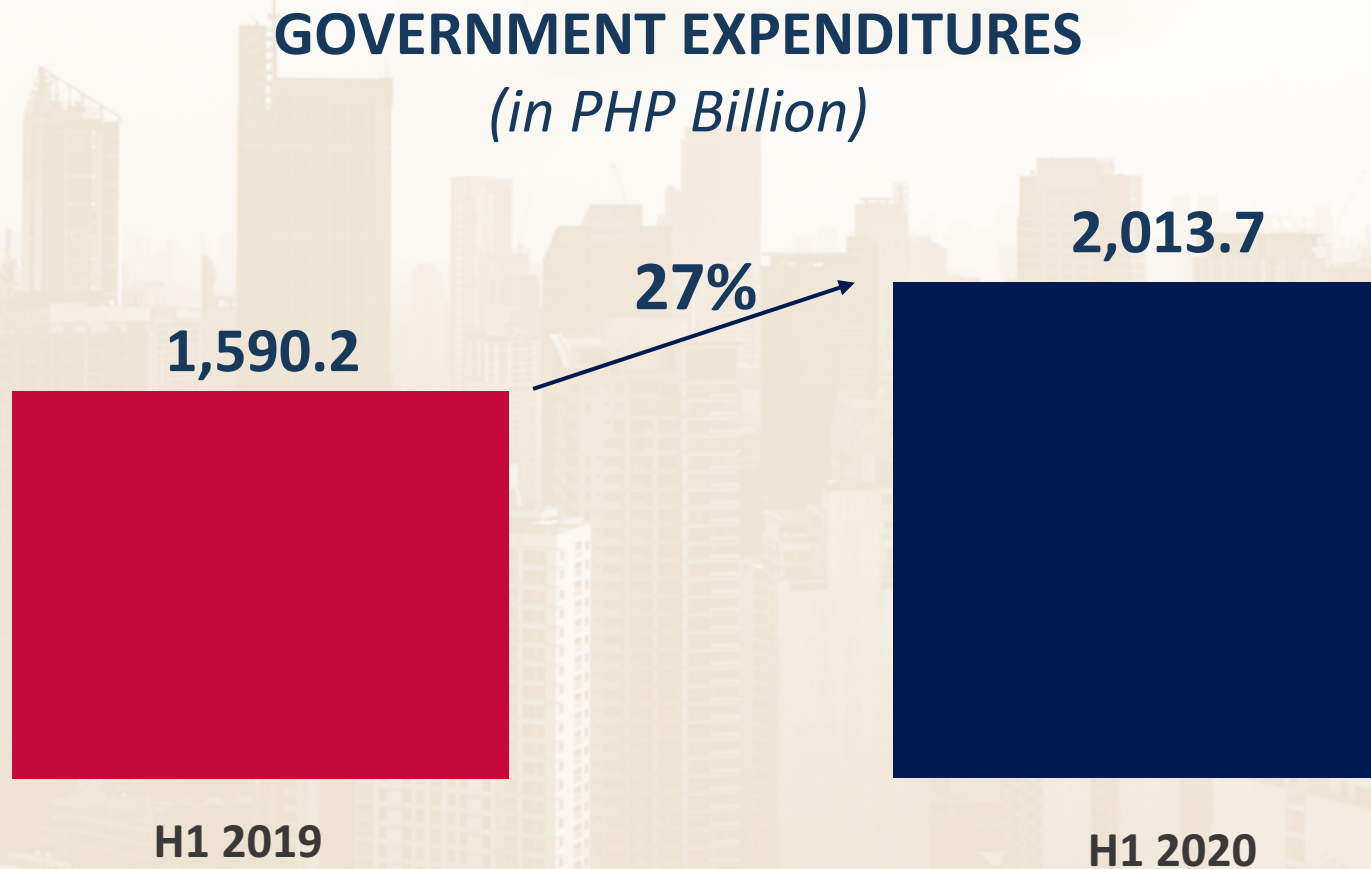
With our strong credit-worthiness, the commercial markets and our development partners continue to

**provide us financing at lower interest rates and longer repayment periods.**





**We expanded government expenditures  
in the first semester of 2020 by 27 percent.**



# Immediate Relief Measures for the Filipino People



**USD 1.0 Billion Small  
Business Wage Subsidy  
Program to 3 million  
workers**



**USD 4 Billion Emergency  
Subsidy Program  
to more than 18 million  
families**



# The government is implementing a wide range of initiatives to help struggling families and enterprises.

- Credit facilities and services by our state-owned financial institutions (e.g. calamity loans, computer loan program, and educational loan program, among others);
- Unemployment benefits for laid off workers;
- “Study now, pay later” lending program for students;
- Online livelihood training programs for our displaced workers to upskill and retool them;
- Credit guarantee program for small enterprises;
- Measures to help businesses equip themselves to operate in the new normal; and other initiatives



As we continue to balance the reopening of our economy with health and safety interventions, the government is doing its utmost to

**protect lives and help Filipinos return to their means of livelihood.**

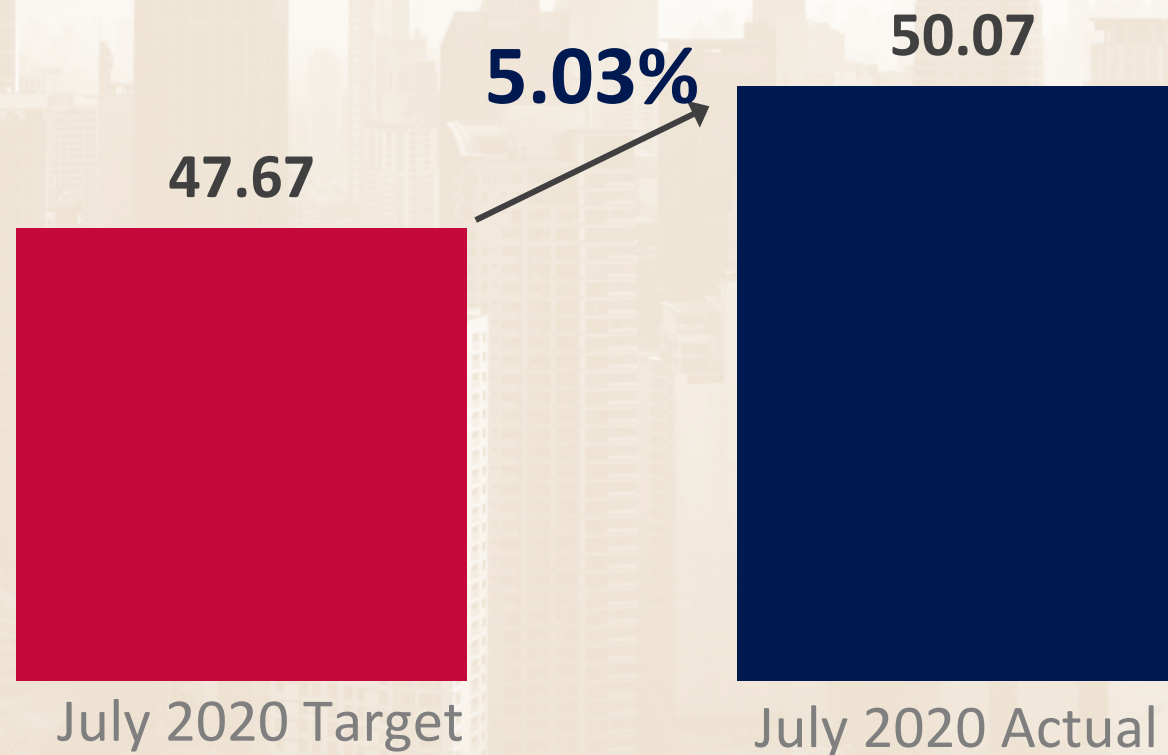


# Improvements are seen as the economy gradually reopens

- The value of the production index for the month of June showed a slower annual decline of 22.5 percent compared to the 31.2 percent decrease in May and 41.2 percent in April.
- While the volume of production index in June shrank by 19.3 percent year-on-year, the decline was slower compared to May's drop of 28.5 percent and 38.8 percent in April.
- The overall manufacturing capacity reached 73 percent in June, up from 72.4 percent in May and 70.5 percent in April.
- The Philippines' total merchandise trade further eased its negative trajectory in June with a slower decline of 19.9 percent, after a steep 35.3 percent contraction in May and 59.5 percent in April.

**Despite the effects of COVID-19 to the overall trading environment, the BOC was able to surpass its July 2020 collection target by 5 percent.**

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



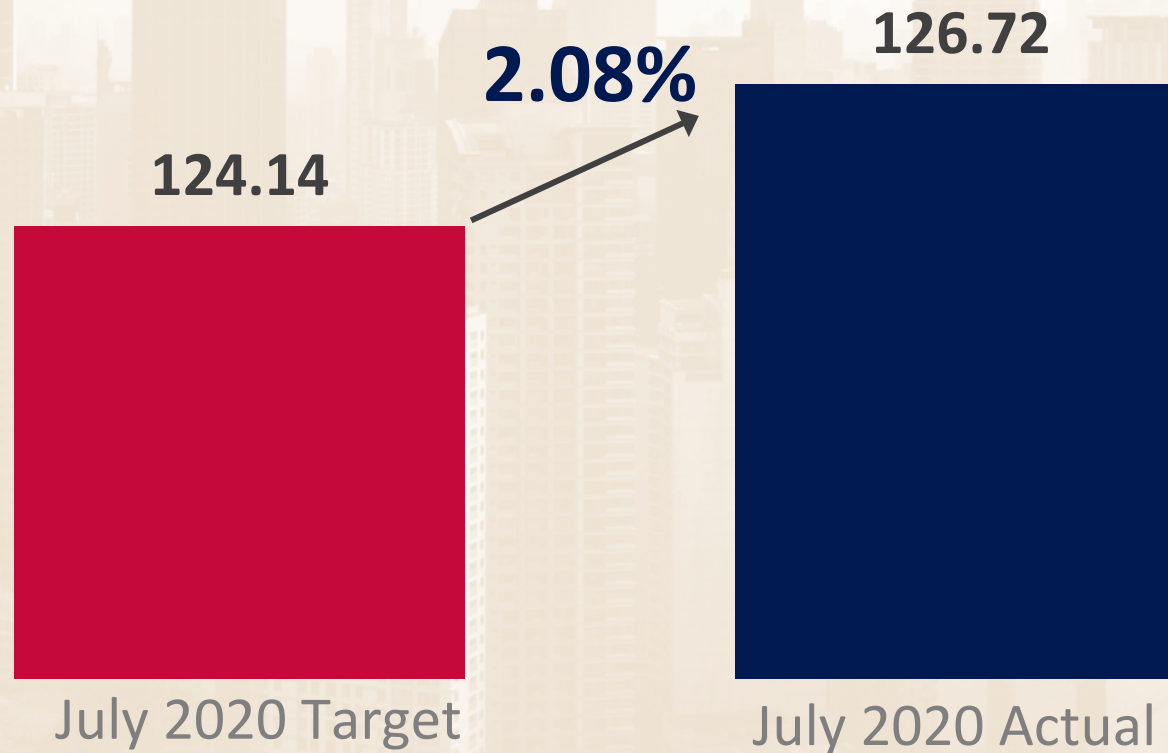
Source: DOF ROG

Note: Preliminary Figures Only



**The Bureau of Internal Revenue, for its part, exceeded its July 2020 collection target by 2 percent.**

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



Source: DOF ROG

Note: Preliminary Figures Only

We know that our economy's revival will not happen in a sprint. We are prepared for a long and difficult recovery that requires fiscal stamina.

**We will continue to deploy our resources prudently until we are sure we are on the right side of the curve.**



# Legislative Imperatives to Revive the Economy

1. **Fiscally-responsible Bayanihan to Recover as One Act**, which will provide another round of fiscal measures to stimulate consumer demand and support businesses and individuals critically impacted by COVID-19.
2. **Infuse additional capital to our government financial institutions** for them to be able to act as wholesale banks and fund substantial portions of loans that other commercial banks will provide to micro, small and medium enterprises.

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.

3. **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

4. **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.
  - Extend the applicability of the net operating loss carryover (NOLCO) for losses incurred by small businesses in 2020 from the current 3 years to 5 years.
  - 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.
5. **Provide greater support to the agriculture sector** by giving the banking system the ability to support the whole value chain of agri-enterprises.

# Other Priorities

1. **Maintain the Build, Build, Build program** to generate new jobs and businesses.
2. **Fast track the implementation of the national ID system and electronic-invoicing system.**
3. **Continue the commitment to bold fiscal and economic reform measures**, such as the remaining packages of the comprehensive tax reform program. These are improvements in our property valuation system and taxation on passive income and financial intermediaries.
4. **Support complementary bills to open the country to more foreign direct investments**, such as amendments to the Foreign Investments Act, the Retail Trade Liberalization Act, and the Public Service Act.

We hope to accomplish all of these  
as soon as possible to signal  
to the world that

**the Philippines is open for business.**





**I assure you that we intend to be  
among the first to emerge from  
the other end of the tunnel.**





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