



KEYNOTE SPEECH

CARLOS G. DOMINGUEZ
Secretary of Finance

Philippine Economic Briefing for Japanese Investors
November 24, 2021

**Japan has been an extremely reliable partner of the Philippines.
It remains our country's biggest provider of official development assistance.**

**Indicative Official Development Assistance (ODA) Ranking by Development Partner
*as of June 2021***

Rank	Development Partner	Total ODA (In million USD)	Percent Share to Total ODA
1	Japan	10,449.26	38.1
2	Asian Development Bank	7,202.51	26.3
3	World Bank	5,270.20	19.2
4	Asian Infrastructure Investment Bank	1,257.60	4.6
5	China	876.02	3.2

The majority of our 26 ongoing loans from Japan involve key infrastructure projects that are currently moving on the ground.

Select Japan-Funded Big-Ticket Infrastructure Projects



Metro Manila Subway Project



Cebu-Mactan Bridge (4th Bridge) and Coastal Road Construction Project



Davao City Bypass Construction Project



Arterial Road Bypass Project



Road Network Development Project in Conflict Affected Areas in Mindanao



Pasig-Marikina River Channel Improvement Project



Central Luzon Link Expressway Project



New Bohol Airport Construction and Sustainable Environment Protection Project



Metro Rail Transit Line 3 Rehabilitation Project



North-South Commuter Railway Extension Project

Japan has also long been one of our top trading partners.

Top 5 Trading Partners During the Duterte Administration
2016 to September 2021

Rank	Development Partner	Total Trade (In billion USD)
1	China	173.26
2	Japan	120.50
3	USA	103.59
4	Hong Kong	68.53
5	South Korea	64.19

Under President Duterte's term, Japan has been our second-largest source of FDIs. Annual FDIs from Japan did not wane amid the pandemic.

Top 5 Sources of Foreign Direct Investments (FDIs) During the Duterte Administration *2016 to August 2021*

Rank	Country	FDI (in billion USD)	Average annual growth from 2016-2019 to 2020-2021 (in percent)
1	Singapore	3.07	-58.9
2	Japan	2.61	45.2
3	Netherlands	2.34	-75.0
4	USA	1.28	-50.6
5	Hong Kong	1.12	-88.2

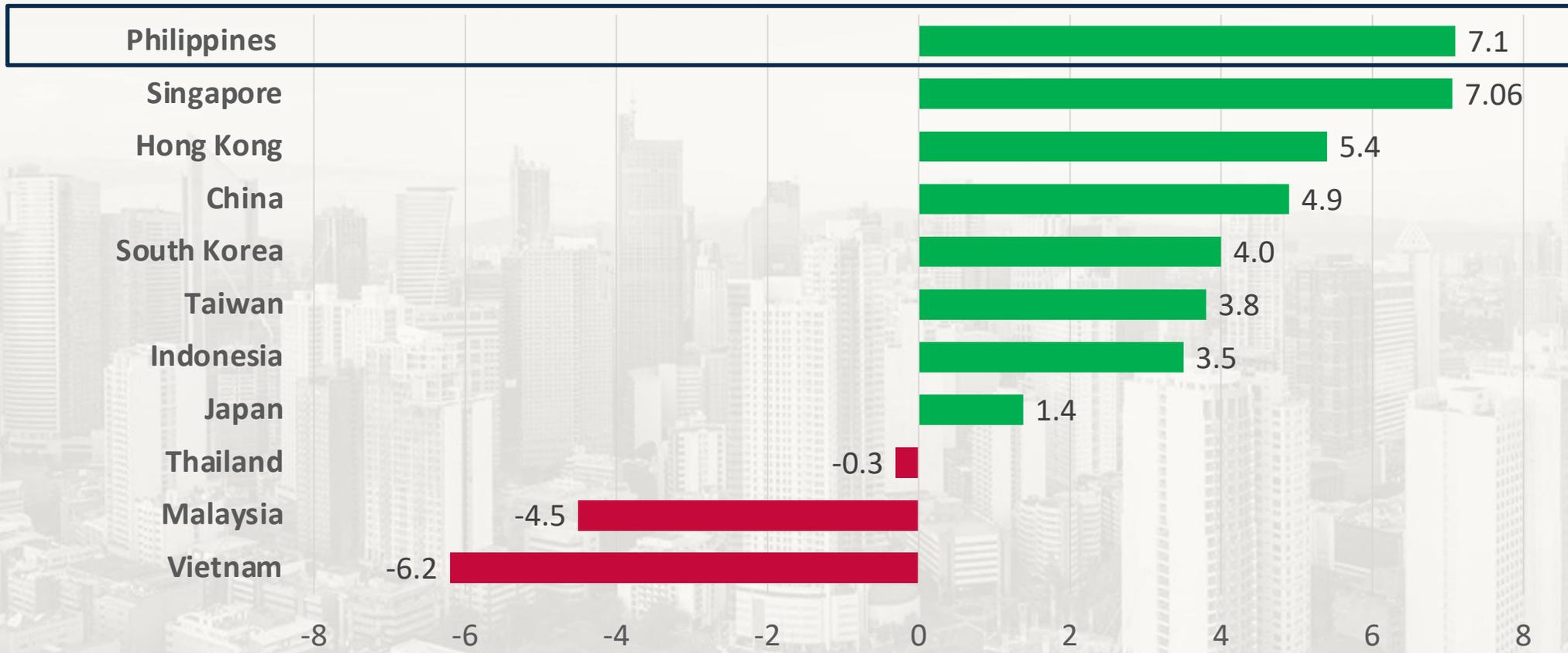
An aerial view of a city skyline, likely Tokyo, with numerous skyscrapers and buildings. The image is faded and serves as a background for the text. At the bottom of the image, there is a solid red bar with a small blue and yellow square on the left side.

Japan has become a valuable partner in our development story.

We are optimistic that Japan will continue to play a key role in our economic resurgence.

In Q3 2021, the Philippine economy grew by 7.1 percent. That not only exceeded forecasts, but it also overshadowed the performance of our peers in the region.

Q3 GDP Growth in Asia-Pacific



Source: NEDA, Country Statistic Offices

Total investments increased by 22 percent in the third quarter of 2021, driven by public construction.

Year-on-Year Growth Rates of Capital Formation



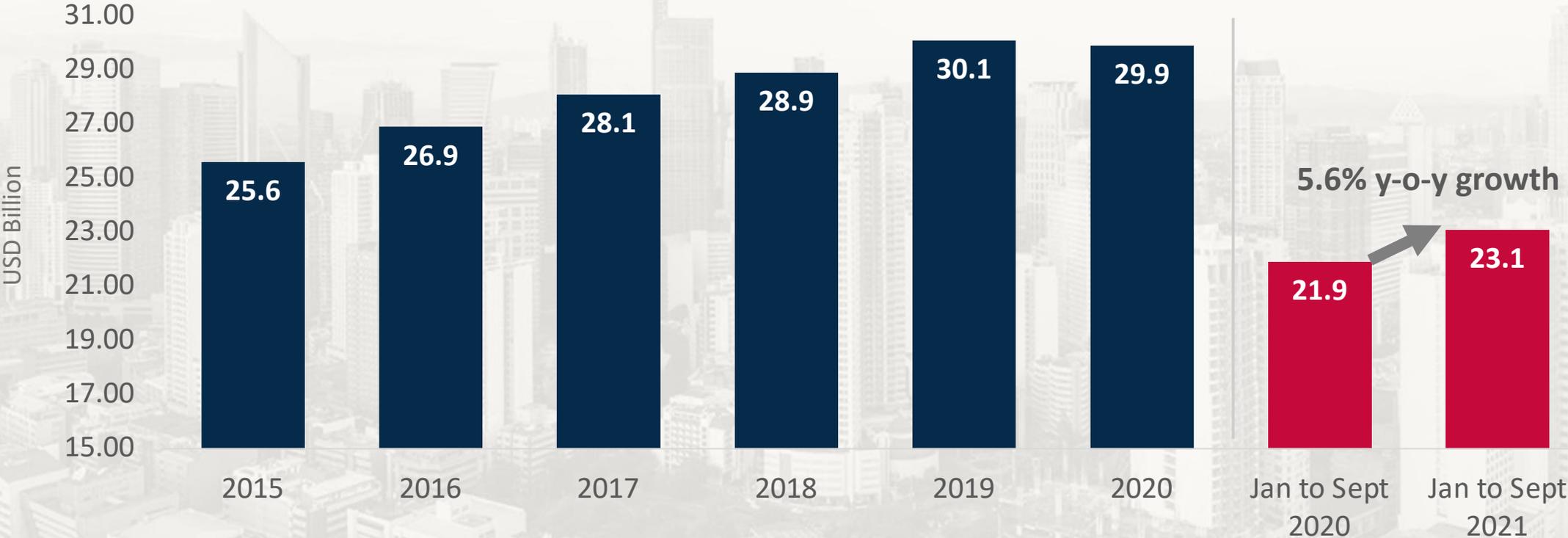
Investment inflows reflect confidence on economic recovery.

Net Foreign Direct Investment Inflows (in USD Billion)



Overseas Filipinos' remittances remained resilient amid the pandemic.

Overseas Filipinos' Cash Remittances (in USD Billion)



Source: BSP

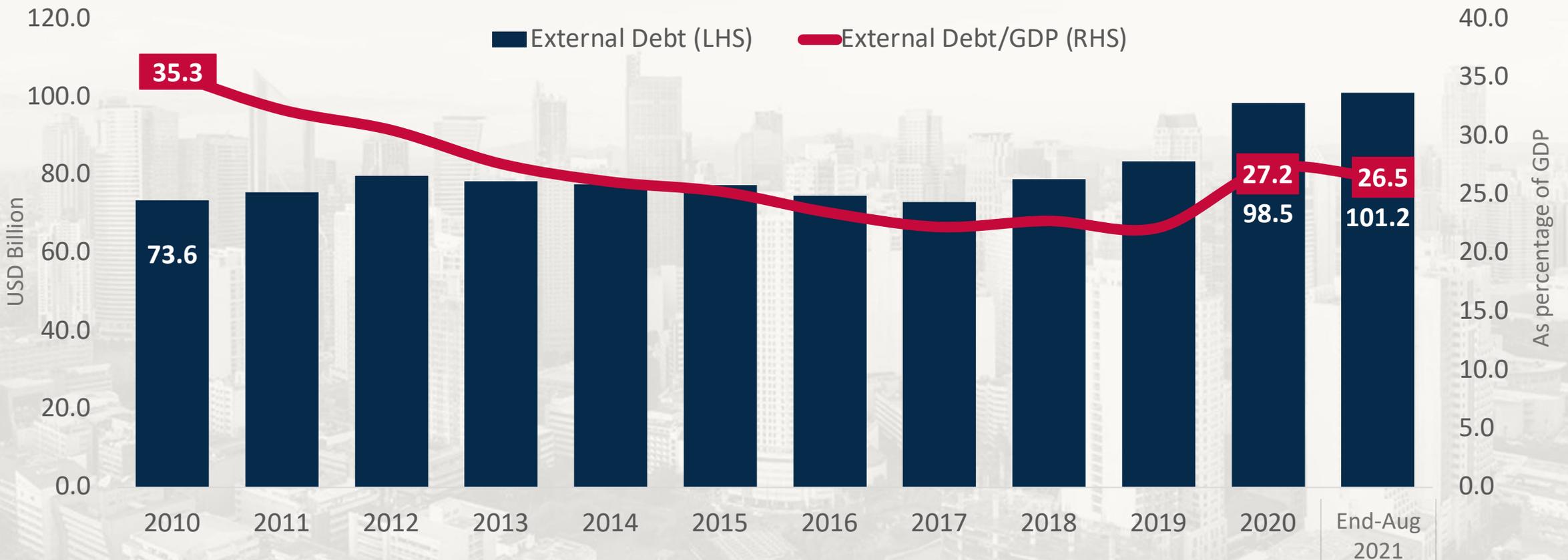
We have adequate external liquidity buffers.

International reserves (USD Billion) and months of import cover



Our international reserves exceed our total external debt obligations.

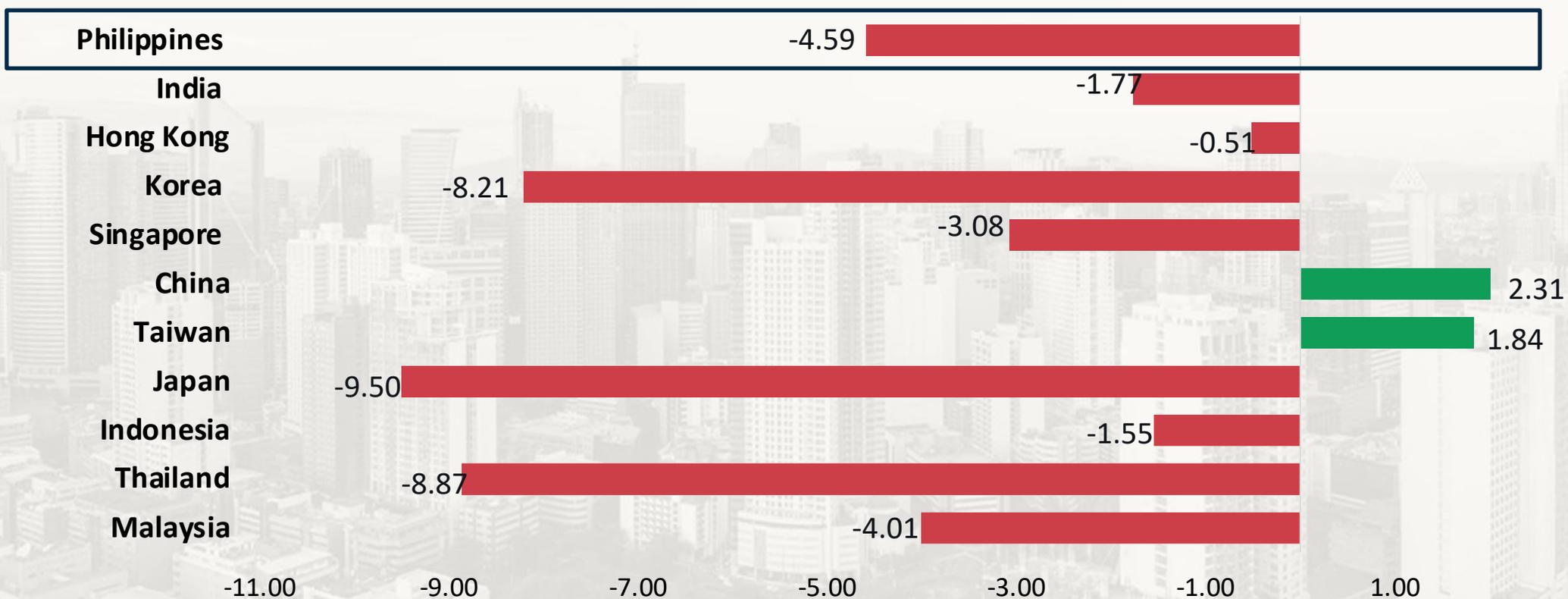
External Debt (USD Billion) and External Debt/GDP (%)



Peso performance is broadly in line with regional currencies.

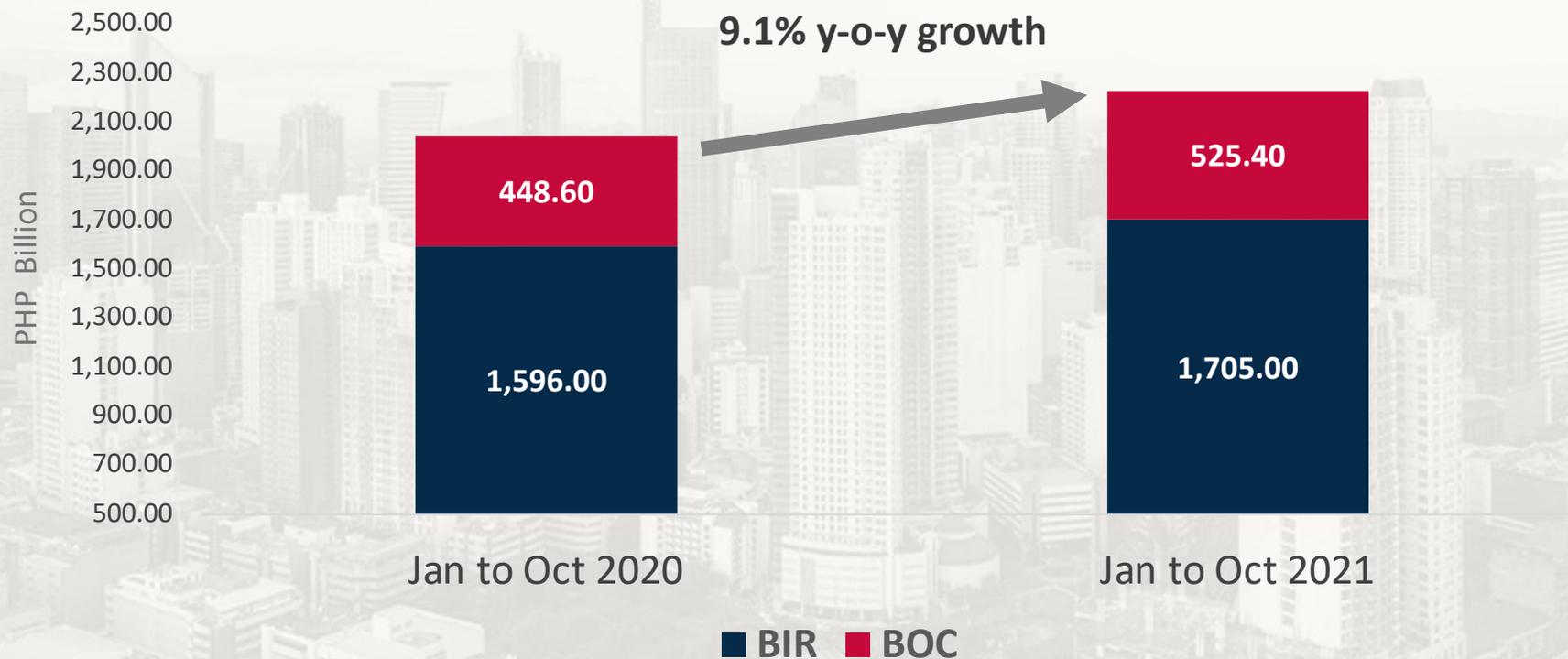
Year-to-date Appreciation (+)/Depreciation (-) (in percent)

As of November 22, 2021



Level of tax collections have been exactly as projected.

Combined Tax Collections of the Bureau of Internal Revenue and the Bureau of Customs (PHP Billion)



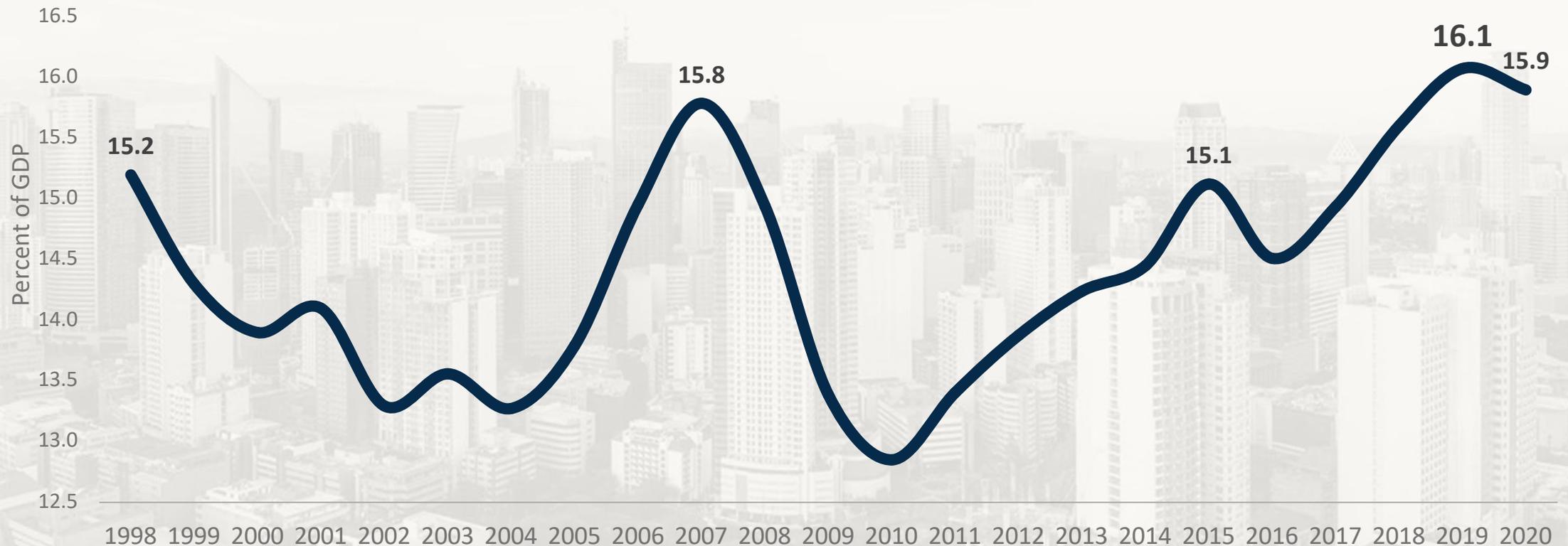
The Philippines had brought its national government debt-to-GDP ratio to a historic low of 39.6 percent in 2019.

National Government Debt-to-GDP Ratio (%)



We entered 2020 with a two-decade high revenue effort at 16.1 percent of GDP. Despite the pandemic, revenue effort remained high at 15.9 percent of GDP.

Revenues as Percentage of GDP (%)



With our high credit ratings, it was not difficult to engage in emergency financing with concessional rates.

Lianhe Credit Rating Co. Ltd.

Affirmation of AAA, Stable Outlook (July 2021)

Japan Credit Rating Agency

Upgrade from BBB+ to A-, Stable Outlook (June 2020)

R&I

Affirmation of BBB+, Stable Outlook, (April 2021)

S&P Global Rating

Affirmation of BBB+ rating, Stable Outlook (May 2021)

Fitch Ratings

Affirmation of BBB rating, Revised Outlook to Negative (July 2021)

Moody's

Affirmation of Baa2 rating, Stable Outlook (July 2020)

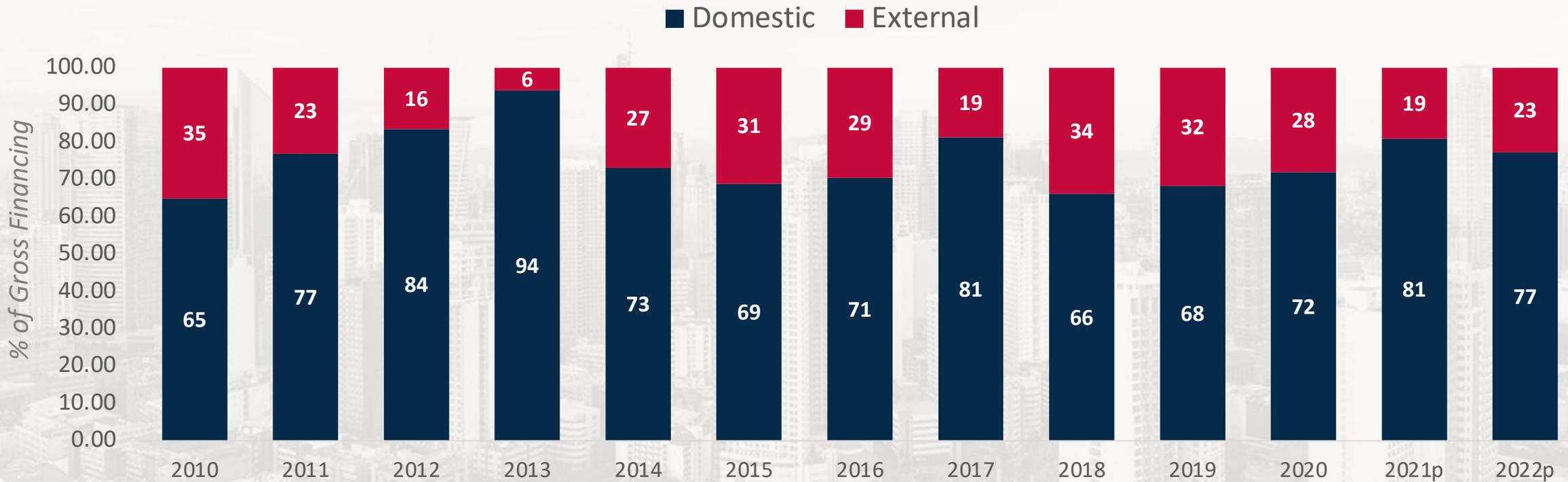
Japanese investors have been very bullish on our Samurai bond issuances, which have consistently met strong demand.

Samurai Bond Issuances

Year	Amount (in JPY billions)	Weighted Average Coupon	Weighted Average Spread (in bps)	Initial Target (in JPY billions)
2018	154.2	0.55%	34.7	100.0
2019	92.0	0.35%	37.0	80.0
2021	55.0	0.00%	21.0	30.0

Following the pattern of the past few years, more than two-thirds of our borrowings are locally sourced.

Domestic to Foreign Financing Mix (in %)



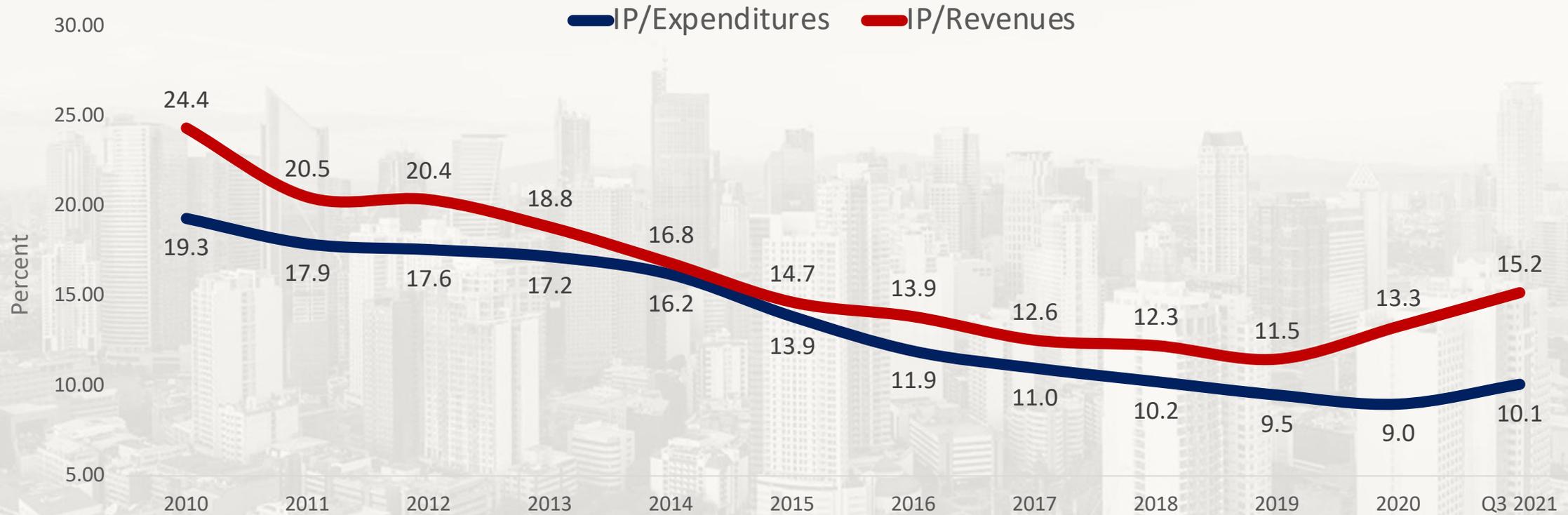
Our average annual interest rate on domestic and external debt has been declining.

Weighted Average Annual Interest Rate (%)



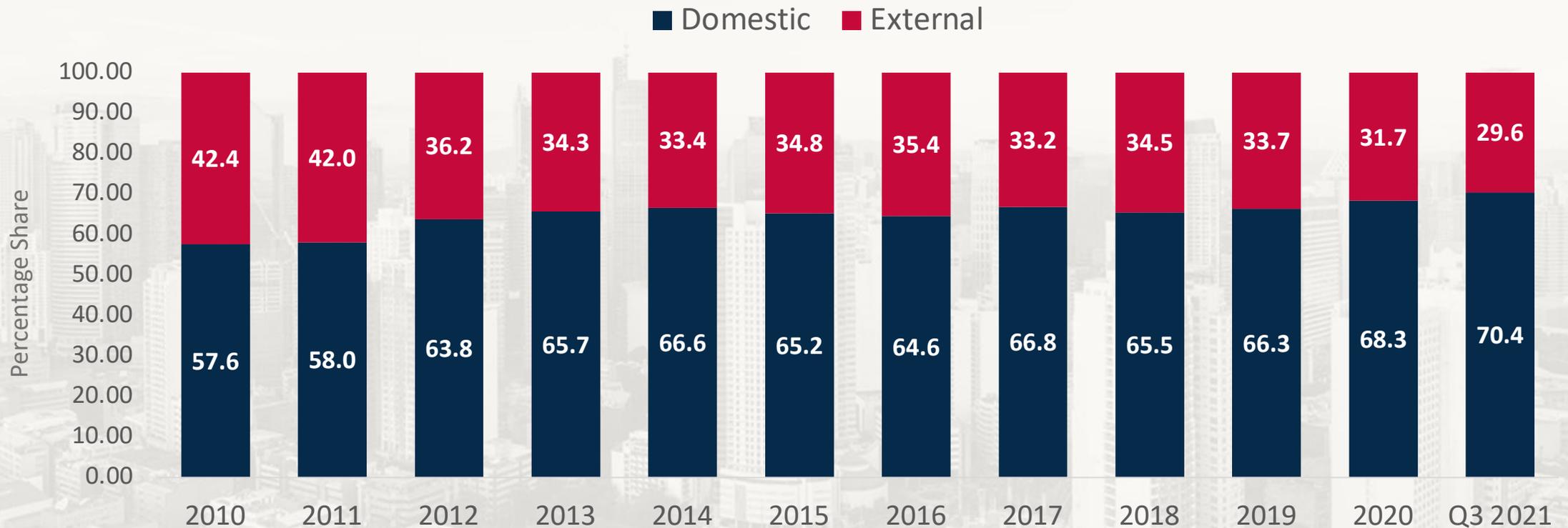
The affordability of our debt remains well-manageable.

Interest Payments/Revenues and Interest Payments/Expenditures (%)



The risk of peso depreciation inflating the debt level has been significantly reduced.

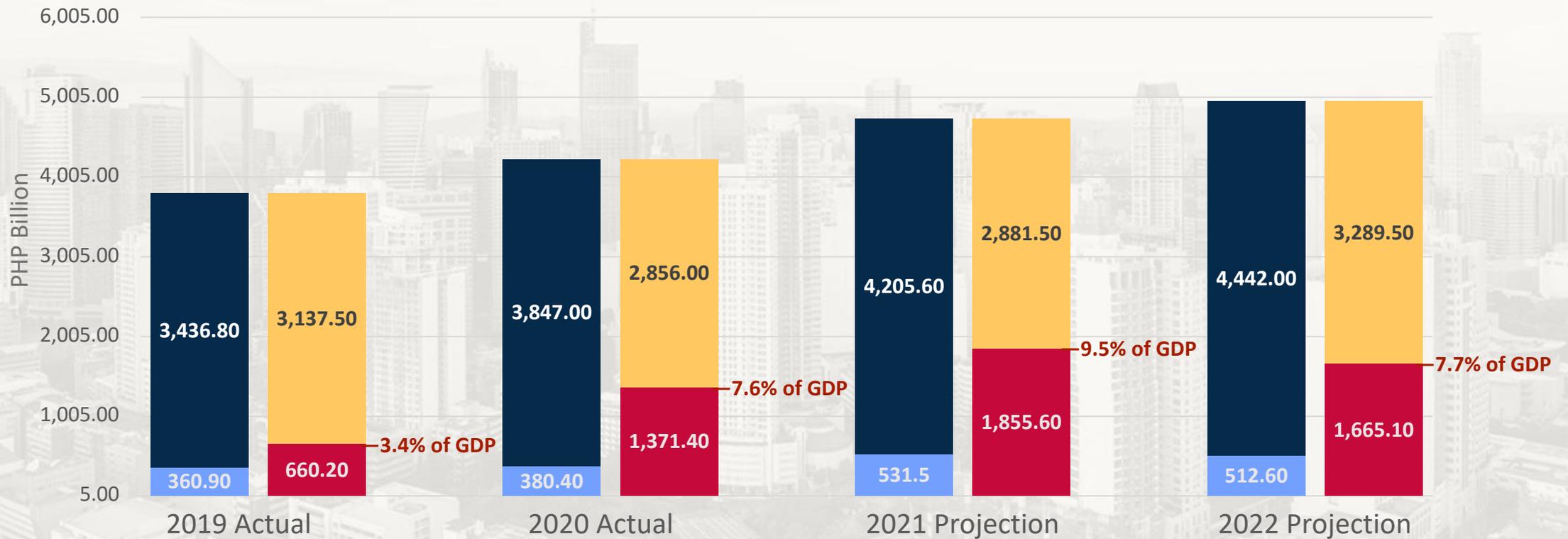
Outstanding Debt by Currency Composition (%)



Under our fiscal program, our revenue collections will return to pre-pandemic levels next year.

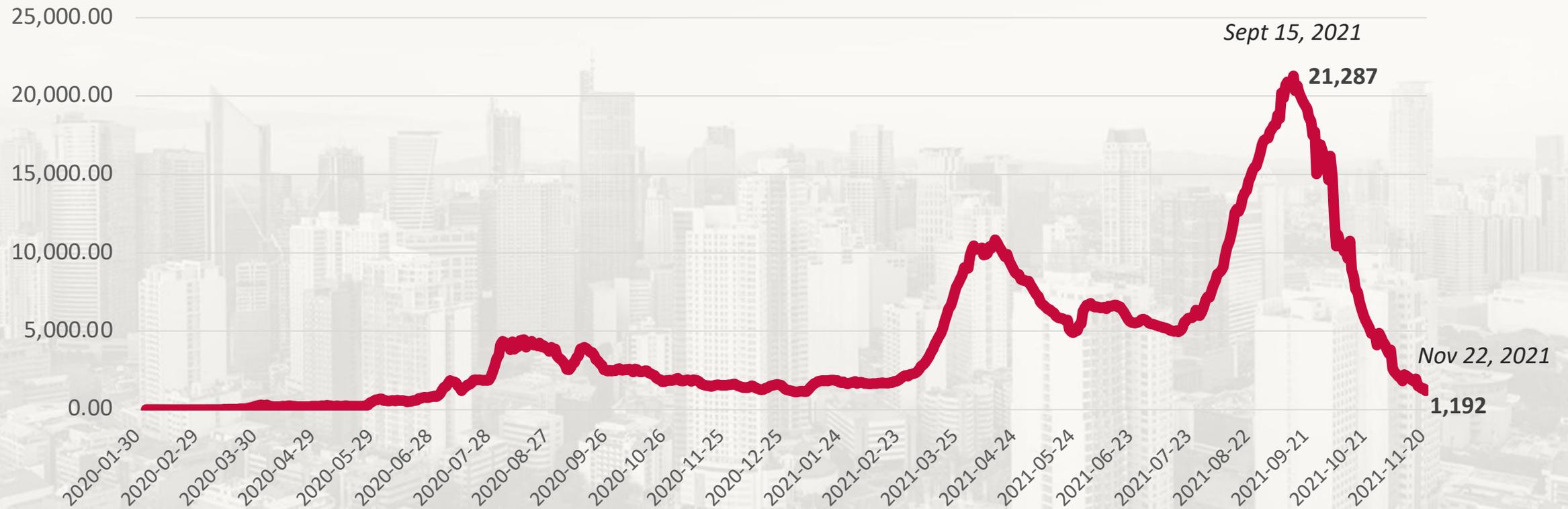
Fiscal Performance and Program (in PHP Billion)

Primary Expenditures Interest Payments Total Revenues Deficit



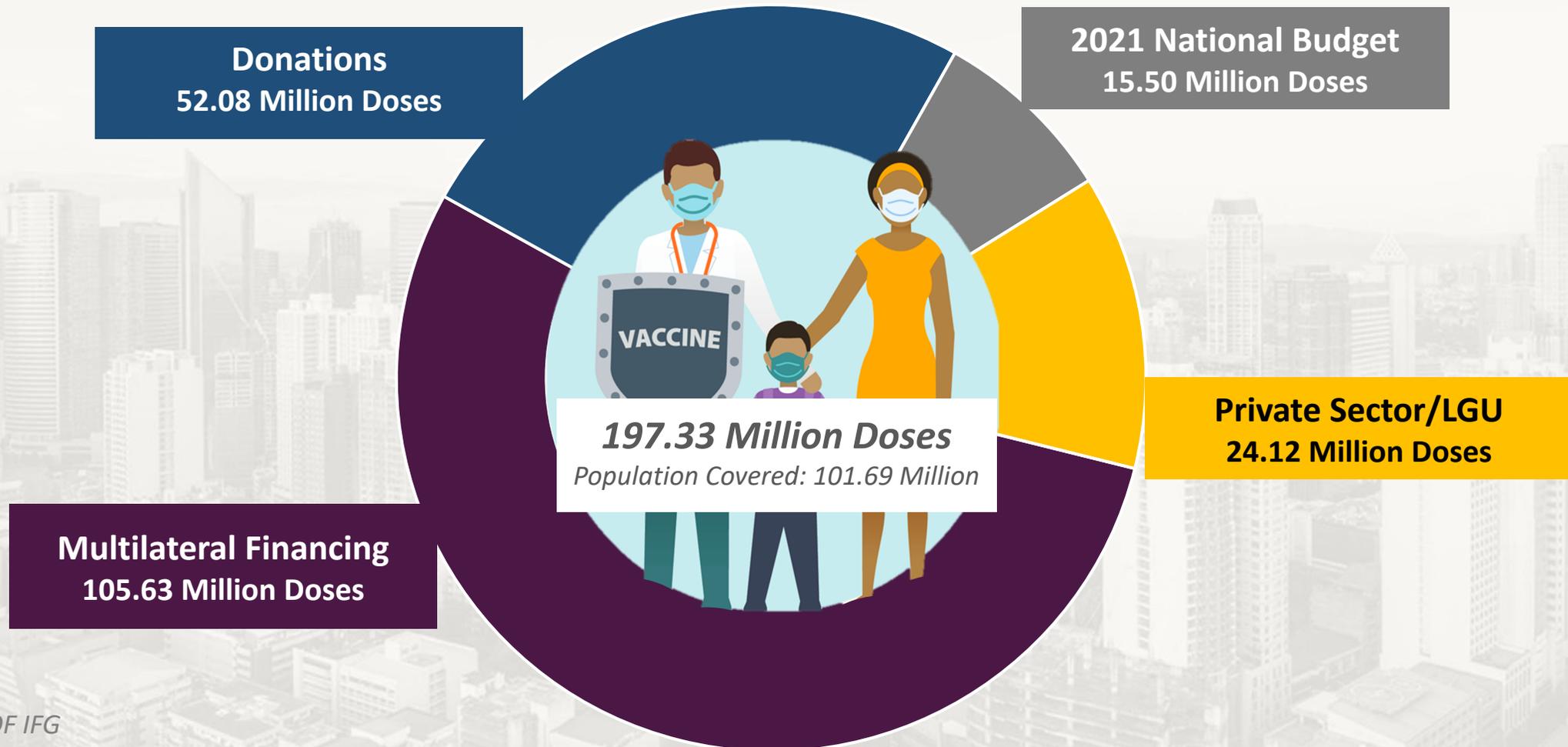
We will continue easing restrictions as our infection rates continue their step decline.

7-Day Average Daily New COVID-19 Cases in the Philippines



We have secured all the vaccines we need.

Summary of Vaccine Doses Secured By Source



We have been receiving steady supplies of vaccines and inoculating our people apace.



135.2 Million Doses

Total COVID-19 Vaccine Doses That
Arrived in the Country
As of November 24, 2021



77.6 Million Shots

Total Number of Vaccine Doses
Administered
(First Dose: 43.3 M; Fully Vaccinated: 34.2 M)
As of November 23, 2021



**With current trends, we expect to achieve
the full reopening of the economy by
the onset of the New Year.**

We are ready for a strong recovery.

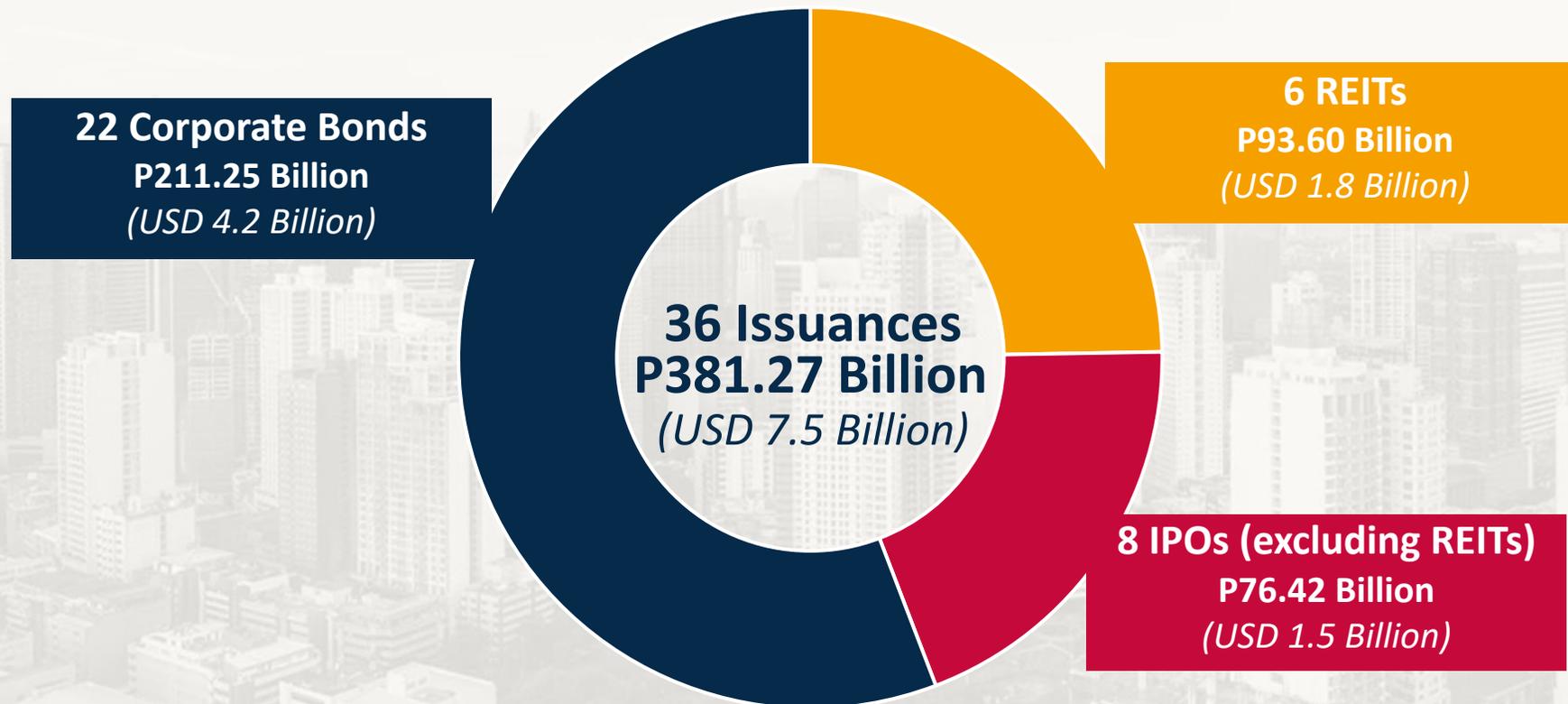
The electronic channels in place even before the pandemic enabled our main revenue-generating agencies to consistently over-perform and collect more revenues.

Manually vs Electronically Filed Annual Income Tax Returns (AITR)



Digital technology has paved the way for a host of market issuances, from real estate investment trusts, initial public offerings, to corporate bonds.

Number of REITs, IPOs, and Corporate Bond Issuances in the Capital Markets Since March 2020 (Onset of the Pandemic) and Total Amount Raised



The Bureau of the Treasury has floated a series of government securities, including our first-ever Retail Dollar Bonds.

Government Bond Issuances since March 2020

Bond Issuances	Initial Target (in PHP billions)	Amount Raised (in PHP billions)
Retail Treasury Bond (RTB) 24	30.0 <i>(USD 592 Million)</i>	516.3 <i>(USD 10.2 Billion)</i>
RTB 25	30.0 <i>(USD 592 Million)</i>	463.3 <i>(USD 9.1 Billion)</i>
RTB 26	30.0 <i>(USD 592 Million)</i>	Offer period ongoing
Premyo Bonds 2	3.0 <i>(USD 59 Million)</i>	6.6 <i>(USD 130 Million)</i>
Retail Dollar Bonds	20.0 <i>(USD 400 Million)</i>	80.0 <i>(USD 1.6 Billion)</i>

The President signed into law the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act on March 26, 2021.



Largest fiscal stimulus program for enterprises in the country's history

This gives out **almost USD 2 billion worth of tax relief annually** to the corporate sector to sustain employment or use for investments.



Provides hefty corporate income tax rate cuts

The law provides an immediate 10 percentage point cut in the corporate income tax rate of domestic MSMEs (from 30 percent to 20 percent), while the rest of the corporations enjoy a 5-percentage point reduction (from 30 percent to 25 percent).



Provides more flexibility in the grant of fiscal and non-fiscal incentives

The law rationalizes fiscal incentives, creating an enhanced incentives package that is performance-based, time-bound, targeted, and transparent.

Within the first eight months since the CREATE law was passed, the Fiscal Incentives Review Board already approved incentives for four big-ticket projects.

Project	Location	Description of Activity	Tax incentives granted	Estimated project cost (in PHP Billion)
Mass housing	Leganes, Iloilo	New developer of economic and low-cost housing project	4 years income tax holiday (ITH) and tax exemption on importations	1.4 <i>(USD 28 Million)</i>
Cement Manufacturer 1	Porac, Pampanga	Cement producer expanding operations	2 years ITH, 5 years of enhanced deduction, and duty exemption on importations	3.1 <i>(USD 61 Million)</i>
Cement Manufacturer 2	Calatagan, Batangas	New producer of cement	6 years ITH, 5 years of enhanced deduction, and duty exemption on importations	24.9 <i>(USD 491 Million)</i>
Rail operations of subway project	City of Makati, Metro Manila	Construction, operation, management, and maintenance of the rail project	4 years ITH, 5 years enhanced deductions, and duty exemption on capital equipment, raw materials, spare parts, or accessories	80.1 <i>(USD 1.6 Billion)</i>

The background of the slide is a faded, grayscale aerial photograph of a dense urban skyline, likely Tokyo, with numerous skyscrapers and buildings. At the bottom of the slide, there is a solid red horizontal bar. On the left side of this bar, there are two smaller, vertical rectangular blocks: a yellow one on top and a dark blue one on the bottom.

With CREATE, we see opportunities to strengthen investment and business partnership with Japan especially in the areas of **manufacturing, digital technology, renewable energy, and research and development activities.**

We are taking full advantage of the demographic sweet spot the Philippines enjoys.

A young and talented population profile means we will have a workforce prepared to swiftly adjust to the transformations taking place in our economy.

List of economic priorities before the end of President Duterte's term:

Digitalization



Continue the ongoing digital reforms

Economic Liberalization Bills



Amendments to the Foreign Investments Act



Amendments to the Public Service Act



Amendments to the Retail Trade Liberalization Act

Remaining Tax Reform Packages



Tax Reform Package 3:
Property Valuation Reform



Tax Reform Package 4: Passive
Income and Financial
Intermediary Taxation

Climate Change Action



Practical Adaptation and Mitigation
Projects on the Ground

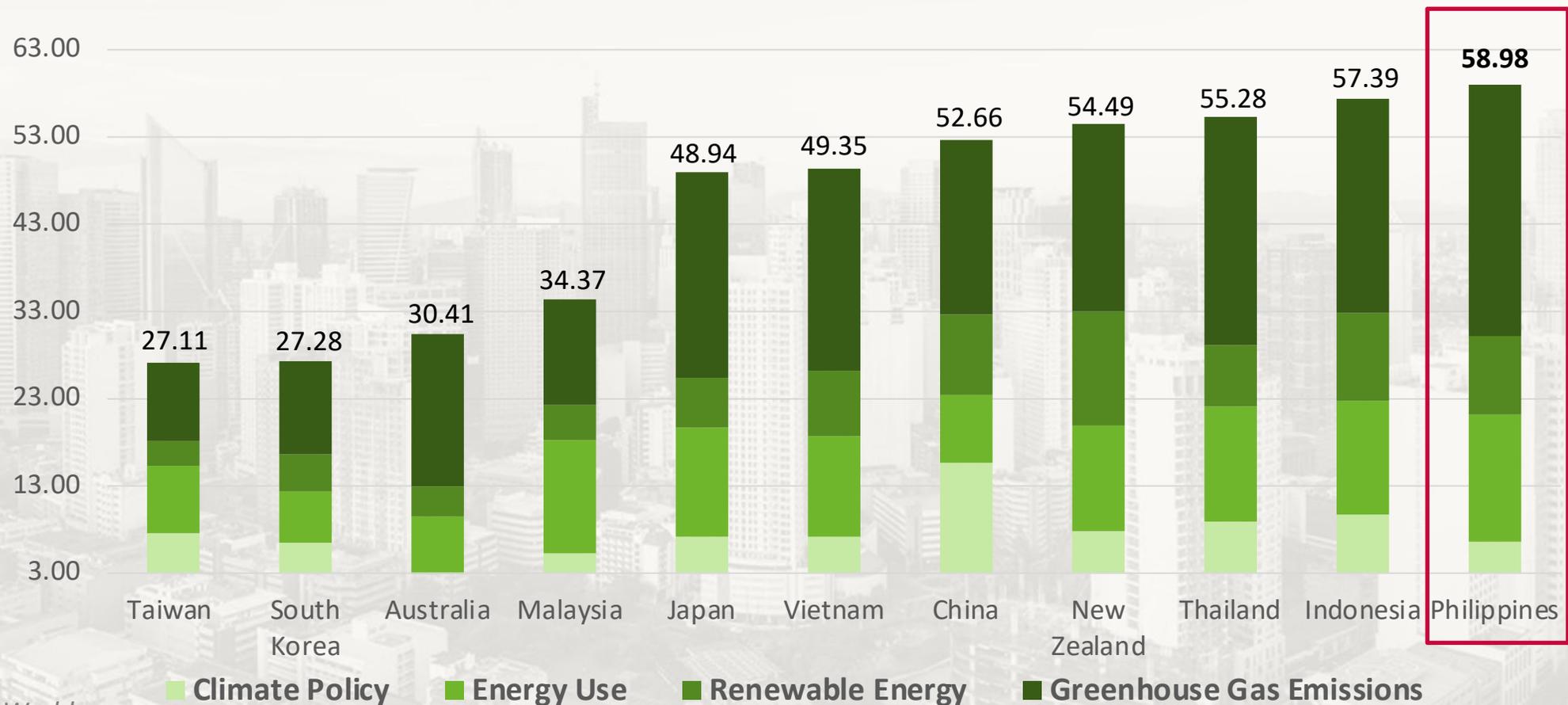
Capital Markets Reform



Capital Market Development
Act of 2021

The Philippines has outperformed its peers in the Asia Pacific Region in climate protection performance according to the recent Climate Change Performance Index.

Overall Score of the Asia-Pacific Region in the 2022 Climate Change Performance Index



The Philippines has shifted global discussions on climate change from focusing on general scientific findings to undertaking practical actions that may immediately be undertaken on the ground.

Climate Change Mitigation and Adaptation Projects



Put together a group of experts to prepare and execute localized action plans



Launched the Philippines' Sustainable Finance Roadmap to encourage public and private investment in green projects



Currently pushing for a law banning single-use plastics



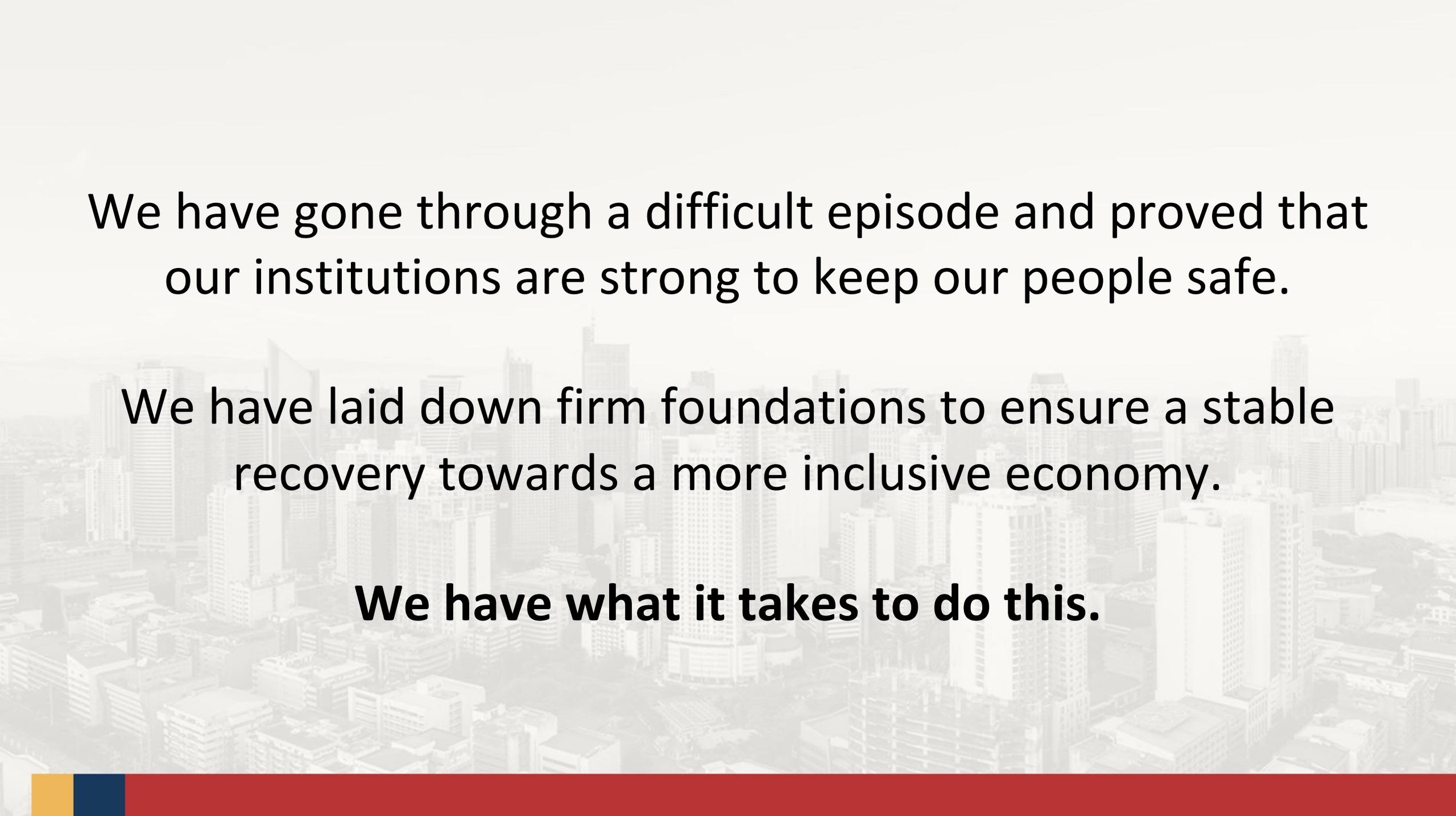
Embarking on a project with ADB to accelerate the PH's transition from coal to clean energy



Finalizing a sustainable finance framework for the issuance of PH's first-ever sovereign green bonds



**We look forward to your continued support
and to working with you more closely in achieving
a sustainable and better future for the Filipino people.**



We have gone through a difficult episode and proved that our institutions are strong to keep our people safe.

We have laid down firm foundations to ensure a stable recovery towards a more inclusive economy.

We have what it takes to do this.



An aerial view of a city skyline, likely Manila, Philippines, with a semi-transparent white overlay. The text is centered in the middle of the image.

**The Philippines is more than ready
for the new and better normal.**



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