

WE ARE READY FOR GROWTH

FINANCE SECRETARY CARLOS G. DOMINGUEZ III
PHILIPPINE ECONOMIC BRIEFING IN BEIJING, CHINA
MARCH 20, 2019

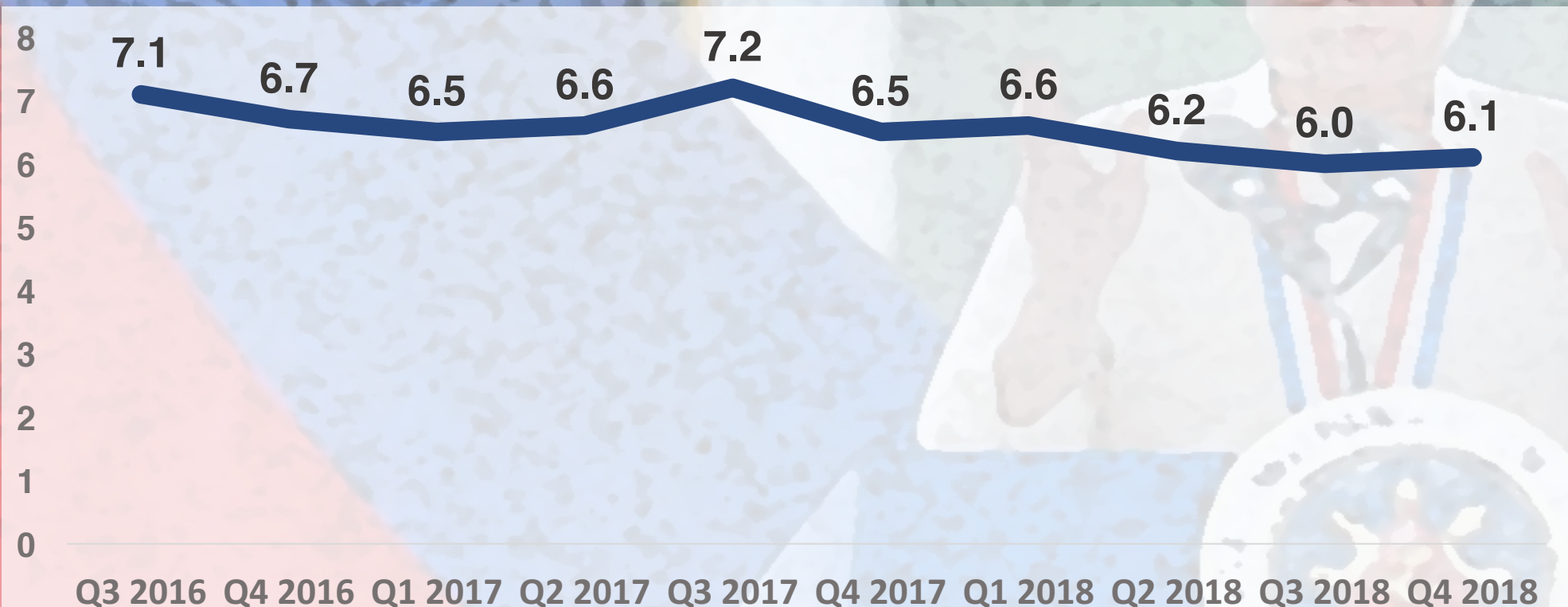




**BOTH THE PHILIPPINES AND CHINA
ARE LEADING THE REGION IN GROWTH**

OUR ECONOMY IS GROWING AT AN AVERAGE OF 6.5 PERCENT IN THE FIRST 10 QUARTERS OF THE DUTERTE ADMINISTRATION

PHILIPPINES' GDP GROWTH RATES IN THE FIRST 10 QUARTERS OF THE DUTERTE ADMINISTRATION



ROBUST INVESTMENT AND CAPITAL FORMATION RATES

SHARE TO GDP BY EXPENDITURE (%)

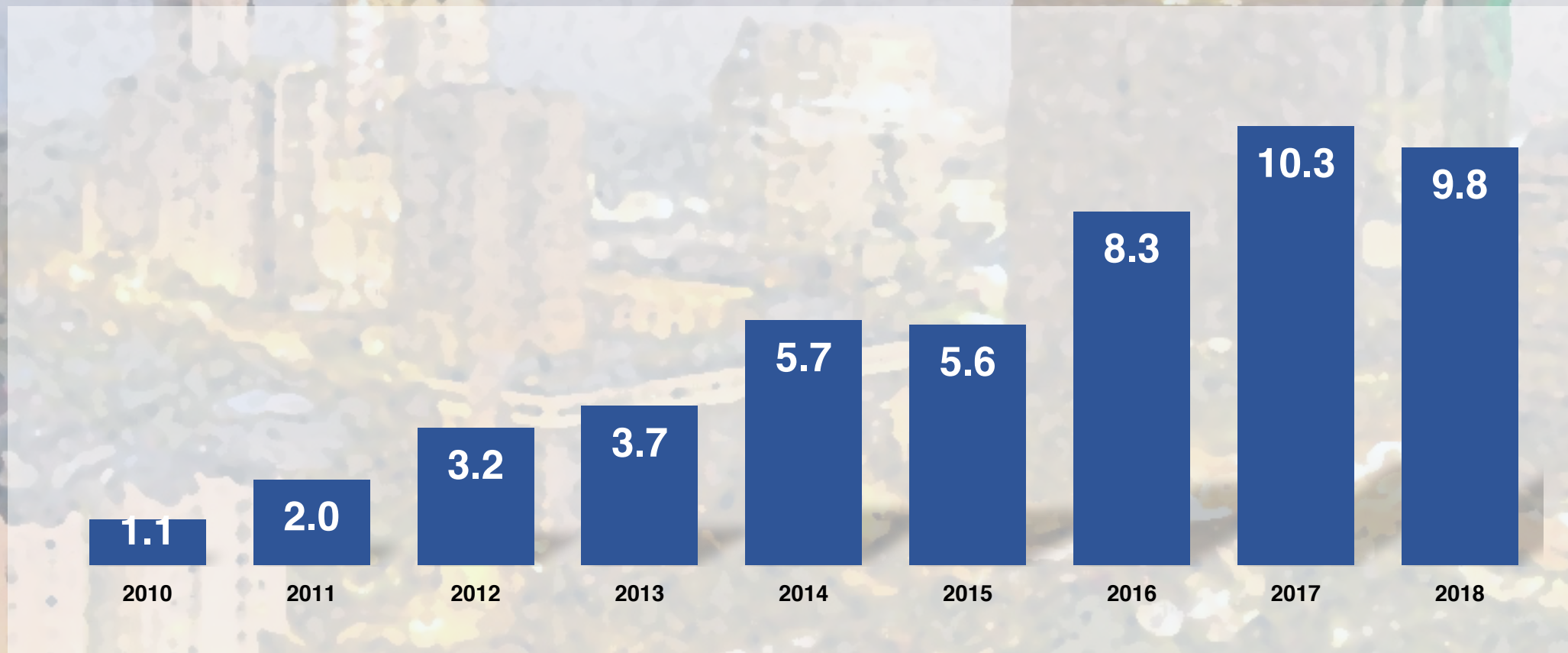
	Average Share		
	2017	2018	2010-2017
Capital Formation	25.1	27.0	21.3
A. Fixed Capital	25.0	27.0	21.5
a. Construction	12.3	13.5	11.1
b. Durable Equipment	10.8	11.5	8.4
c. Breeding Stock & Orchard Dev't	1.4	1.4	1.5
d. Intellectual Property Products	0.6	0.6	0.4
B. Changes in Inventories	0.1	0.0	(0.2)

Source: Office of the DOF Chief Economist

*At Current Prices

RISING INVESTMENTS HIGHLIGHT CONFIDENCE IN THE PHILIPPINES' GROWTH PROSPECTS

Net Foreign Direct Investment (FDI) Flows
(In USD Billion)



Source: Bangko Sentral ng Pilipinas

“ I applaud Congress for the timely passage of the TRAIN law (Tax Reform for Acceleration and Inclusion or Package 1). You have made funds available to build better roads and bridges, and improve health and education, and strengthen our safety and security. ”

President Rodrigo Duterte

Third State of the Nation Address (SONA) on July 23, 2018 at the session hall of the House of Representatives in Batasang Pambansa Complex, Quezon City



IMPACT OF NEW TAX REFORM LAW ON TAXPAYERS' PERSONAL INCOME



Workers earning below **PHP 250,000 (USD 4,500)** annually are now exempted from paying personal income taxes



Workers earning above **PHP 250,000 (USD 4,500)** annually are now receiving about a month's extra take-home pay each year

ROBUST DOUBLE-DIGIT GROWTH IN SALES AND THE HIGH-PROFIT MARGINS OF RETAIL GIANTS AND REAL ESTATE COMPANIES IN 2018



2018 (Jan-Sep) TOTAL SALES:
USD 653.4 MILLION
(+12% growth)

Since 2017, McDonald's has opened one store a week mostly outside of Metro Manila.



SAN MIGUEL
FOOD AND BEVERAGE, INC.

2018 TOTAL REVENUES:
USD 5.4 BILLION
(+14.% growth)

2018 NET INCOME:
USD 579 MILLION
(+9% growth)



**PRIME
HOLDINGS**

2018 TOTAL SALES:
USD 1.9 BILLION
(+17% growth)

2018 NET INCOME:
USD 612.1 MILLION
(+17% growth)



Jollibee

2018 TOTAL SALES:
USD 2.9 BILLION
(+16% growth)

2018 NET INCOME:
USD 157.8 MILLION
(+17% growth)

AyalaLand

2018 TOTAL SALES:
USD 3.1 BILLION
(+17.8% growth)

2018 NET INCOME:
USD 555.1 MILLION
(+16% growth)



LT Group, Inc.
Lucio Tan Group of Companies

2018 TOTAL REVNUES:
USD 1.4 BILLION
(+18.6% growth)

2018 NET INCOME:
USD 307.8 MILLION
(+49.5% growth)

WILCON

2018 TOTAL REVENUES:
USD 403 MILLION
(+19% growth)

2018 NET INCOME:
USD 34.9 MILLION
(+32.3% growth)

2018 REVENUE AND EXPENDITURE PERFORMANCE

(In PHP Billion)

Particulars	2017	2018	Year on Year
Revenues	2,473,132	2,850,184	15%
Tax Revenues	2,250,678	2,565,812	14%
Bureau of Internal Revenue	1,772,321	1,951,850	10%
Bureau of Customs	458,184	593,111	29%
Other Offices	20,173	20,851	3%
Non-Tax Revenues	222,454	284,372	28%
Bureau of the Treasury	99,905	114,199	14%
Other Offices	122,549	170,173	39%
Expenditures	2,823,769	3,408,443	21%

As % of GDP	2017	2018
Revenue Effort	15.6%	16.4%
Tax Effort	14.2%	14.7%
Expenditure Effort	17.9%	19.6%

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 CORPORATE INCOME TAX RATES AND FISCAL INCENTIVES

Covers the reduction of corporate income tax rates from the current 30 percent to 20 percent; as well as 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.



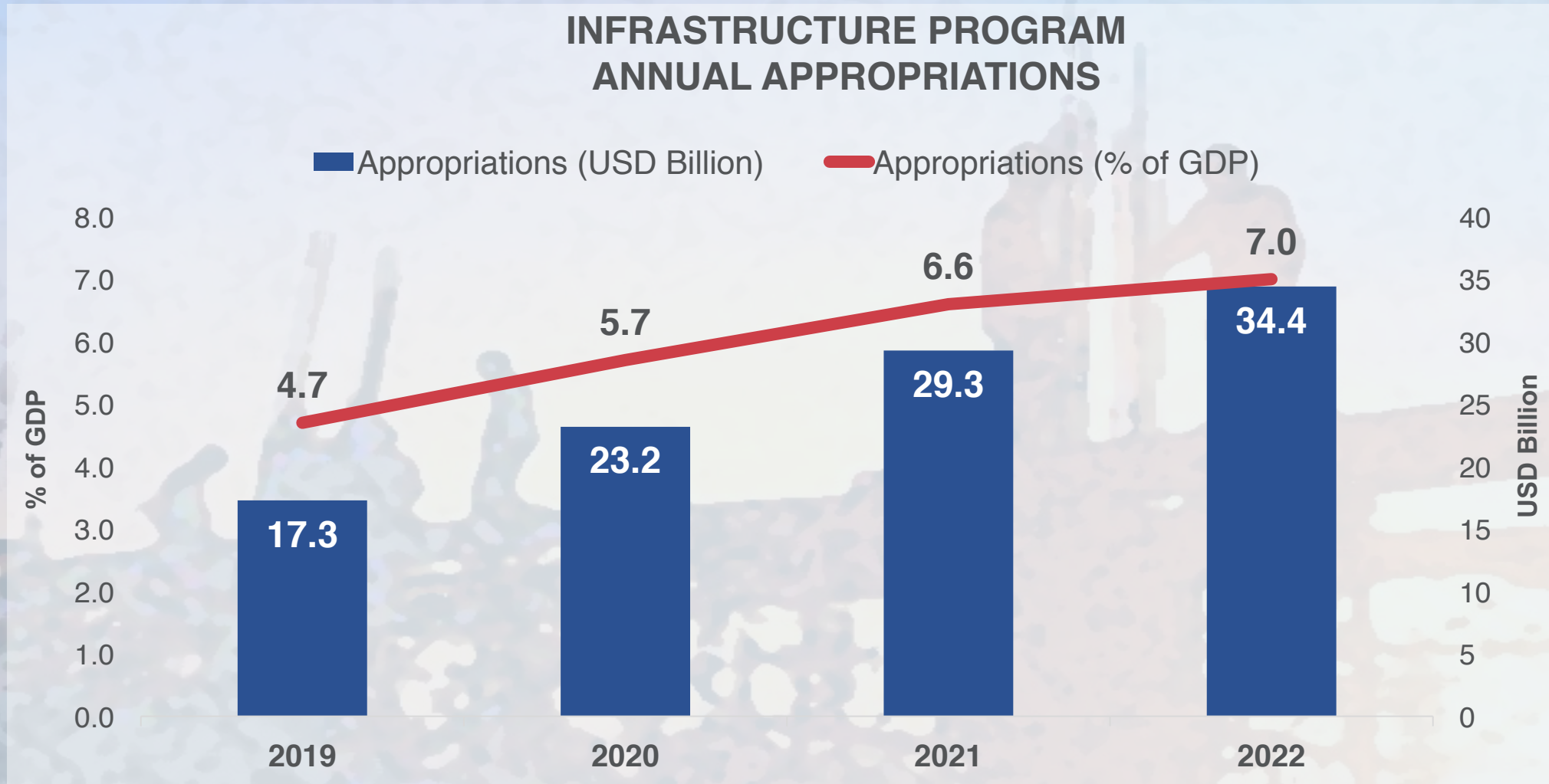
BUILD BUILD BUILD

MORE RAILWAYS,
MASS URBAN
TRANSPORT, AIRPORTS
AND SEAPORTS

MORE BRIDGES
AND ROADS

NEW AND BETTER
CITIES

RAPID ADMINISTRATIVE RESPONSE FOR INFRASTRUCTURE DEVELOPMENT



Source: Department of Budget and Management

BUILD, BUILD, BUILD PROGRAM

75 FLAGSHIP INFRASTRUCTURE PROJECTS



**31 ROADS AND
BRIDGES**



**12 RAILWAY AND
URBAN TRANSPORT**



**11 WATER SUPPLY
AND IRRIGATION
PROJECTS**



**6 AIR TRANSPORT
PROJECTS**



**4 WATER
TRANSPORT
PROJECTS**



**4 FLOOD
MANAGEMENT
PROJECTS**



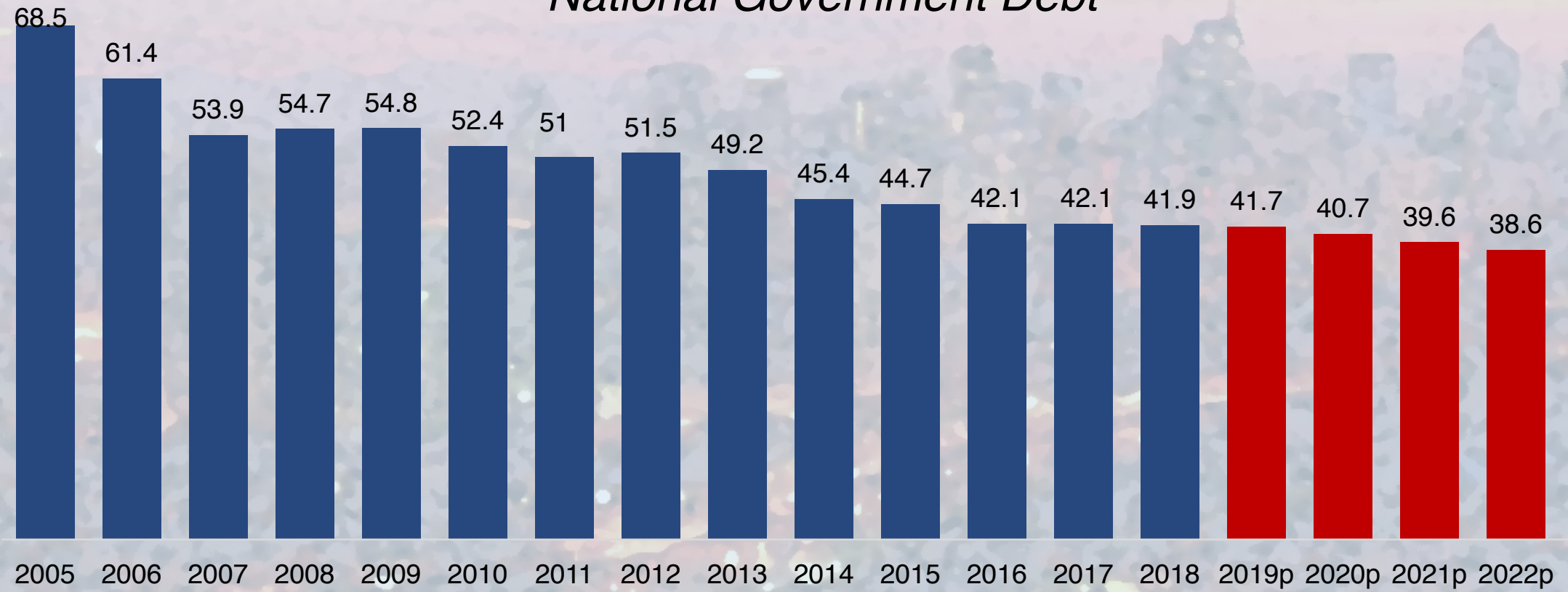
**4 POWER
PROJECTS**



**3 OTHER PUBLIC
INFRASTRUCTURE
PROJECTS**

SUSTAINED DECLINE IN DEBT-TO-GDP RATIO

National Government Debt









Source: Bureau of the Treasury



Our **BUILD, BUILD, BUILD PROGRAM** works in concert with China's much larger and broader **BELT AND ROAD INITIATIVE**

CHINA, INCLUDING ITS SPECIAL ADMINISTRATIVE REGIONS, HONG KONG AND MACAU, WAS OUR BIGGEST TRADING PARTNER IN 2018

PHILIPPINES' TOP TRADING PARTNERS IN 2018






Country		Amount (in USD Billions)
	CHINA*	42.720
	JAPAN	20.023
	USA	18.357
	KOREA	13.704
	THAILAND	10.324
	SINGAPORE	10.253

**Includes Hong Kong and Macau*

Source: Philippine Statistics Authority

CHINA WAS OUR SECOND LARGEST SOURCE OF TOURISTS IN 2018

PHILIPPINES' TOP MARKET SOURCES OF TOURISTS IN 2018






Country		Total No. of Tourists
	KOREA	1,587,959
	CHINA*	1,382,578
	USA	1,034,396
	JAPAN	631,801
	AUSTRALIA	279,821

**Includes Hong Kong and Macau*

Source: Department of Tourism

CHINA WAS OUR SECOND LARGEST SOURCE OF FOREIGN DIRECT INVESTMENTS (FDIs) IN 2018

PHILIPPINES' TOP SOURCES OF FDI INFLOWS

Country		Amount (in USD Millions)
	SINGAPORE	935.62
	CHINA*	478.53
	JAPAN	218.91
	USA	160.43
	TAIWAN	155.05

**Includes Hong Kong and Macau*

Source: Central Bank of the Philippines

PHILIPPINES' MAIDEN ISSUE OF 1.46 BILLION RENMINBI-PANDA BONDS

PANDA BONDS

- On March 20, 2018, the Philippines' maiden issue of 1.46 billion renminbi-Panda bonds received a tight spread of 35 basis points.

- The issuance was warmly received by the Chinese and other offshore markets with oversubscription hitting about 6.32 times, the all-time largest coverage for any Panda sovereign issuer.

- The bonds were also rated AAA by China's Lianhe Credit Rating.

PHILIPPINE RENMINBI TRADING COMMUNITY



At the Peso-Renminbi Trading Community MOA signing on October 20, 2018.

We anticipate a significant reduction in the cost of doing business across our two economies as a result of this initiative.

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.



REVISED CORPORATION CODE OF THE PHILIPPINES

The amendments are aimed at encouraging entrepreneurship, the formation of new businesses, and improving the ease of doing business in the country.

LANDMARK AND GAME-CHANGING POLICY REFORMS



THE NEW CENTRAL BANK ACT

This will help the central bank prepare for the fast-changing market landscape and quickly adapt to a technology-based financial system.



RICE TARIFFICATION ACT

This promotes food security by lowering the price of rice for every Filipino family, thereby further easing inflation. The law also promotes competition by opening up the rice market to both imports and domestic production.



“ The Rice Tariffication Law will stabilize rice prices, further push down inflation, and improve the Philippines’ agricultural productivity as well as open the country’s rice market to private traders. This will reduce the pressure of increasing minimum wages as the price of food goes down. ”

Finance Secretary Carlos Dominguez

said in a speech before Osaka-based investors at the Philippine Economic Briefing in Osaka, Japan on February 22, 2019

Photo Source: Business World

TAX REFORM PACKAGE 2 MAIN HIGHLIGHTS

Reduction of corporate income tax rates

This will bring our tax regime closer to the regional average, help us attract investments to fuel our economic growth, and benefit small and medium enterprises that employ the biggest number of Filipinos.

Rationalization of fiscal incentives

This will create a level playing field for our enterprises and attract new players to compete.

FOUR MAIN PRINCIPLES FOR TAX INCENTIVES



Performance-based



Time-bound



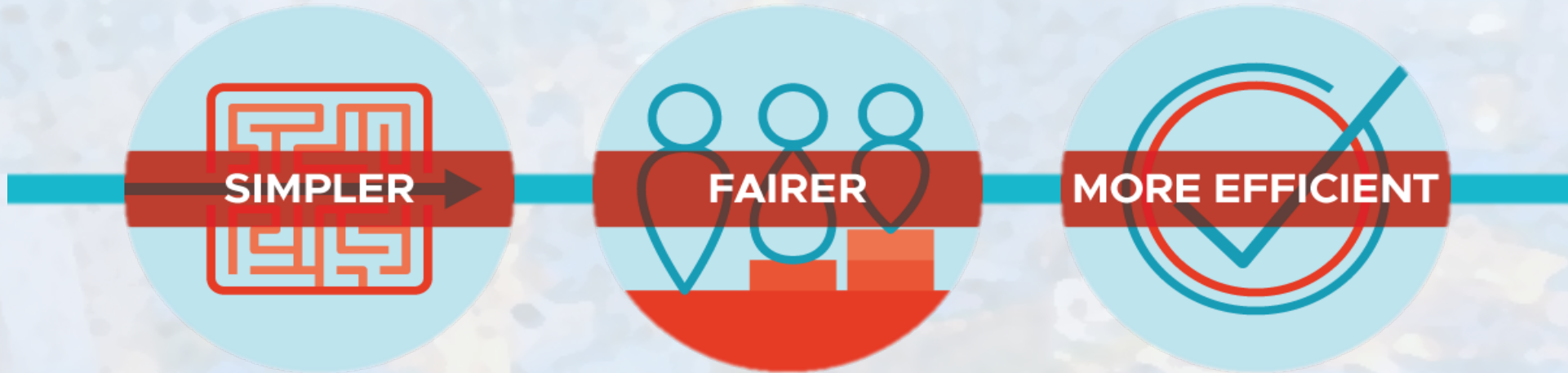
Targeted



Transparent

COMPREHENSIVE TAX REFORM PROGRAM

The tax reform program seeks to make the tax system



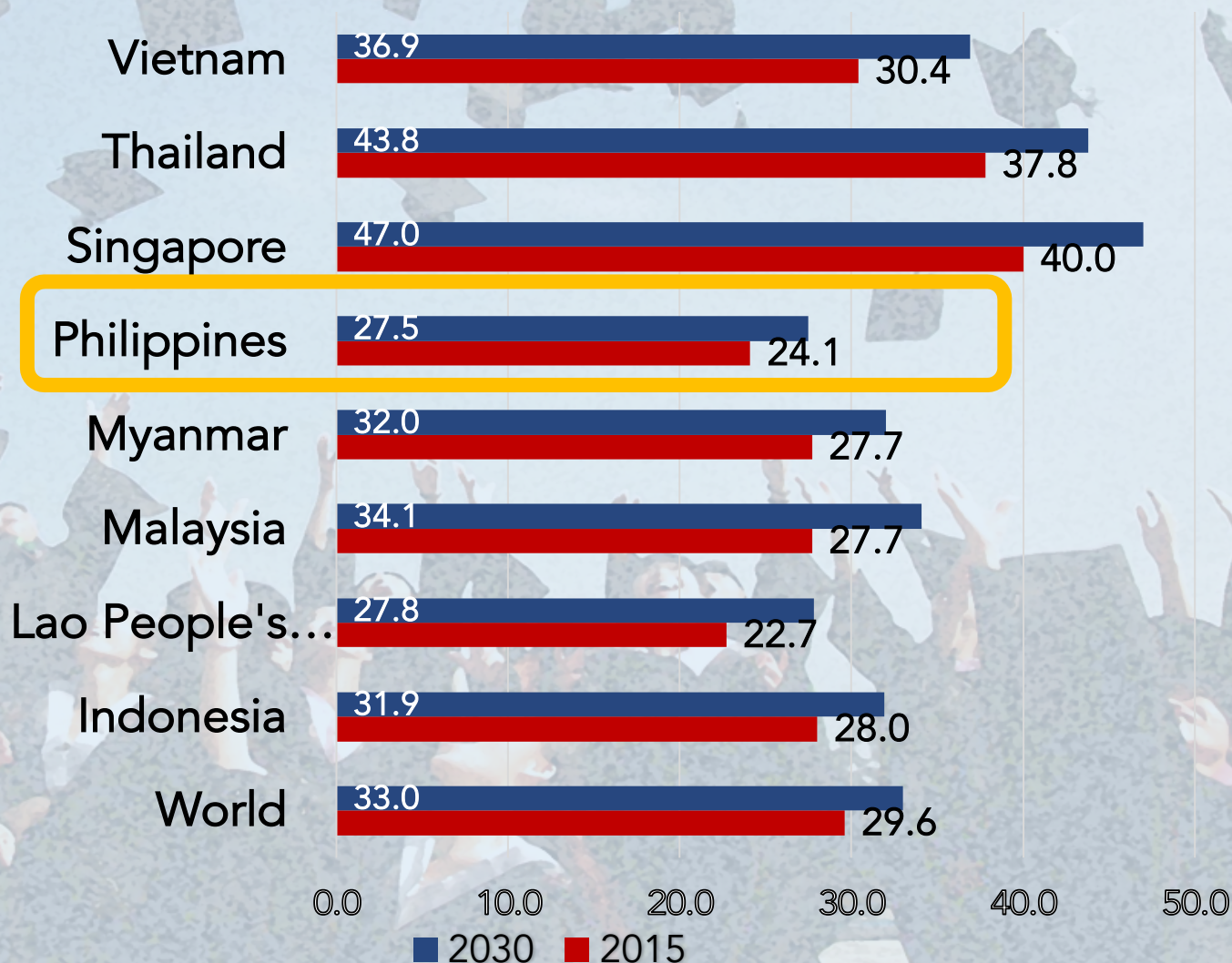
It also seeks to create a **LEVEL PLAYING FIELD FOR BUSINESS** and **GENERATE A RELIABLE REVENUE PROCESS** to support both economic investments and more robust social services.

YOUNG AND SKILLED WORKFORCE SUPPORTS THE ROBUST ECONOMIC MOMENTUM

**THE PHILIPPINES HAS THE
YOUNGEST MEDIAN AGE
COMPARED TO ITS NEIGHBORS
AND THE REST OF THE WORLD
EVEN UP TO 2030.**

THE PHILIPPINES' WORKFORCE IS:

- ✓ Highly educated and English Proficient
- ✓ Strongly customer-oriented
- ✓ Highly trainable with fast learning curve
- ✓ Adaptable to universal cultures
- ✓ High level of commitment and loyalty



An aerial night view of a city skyline, likely Manila, Philippines, featuring several prominent skyscrapers and illuminated buildings. The image is overlaid with a semi-transparent orange filter. The text is centered over the image.

The Philippines remains one of the
BEST PERFORMING ECONOMIES
in the region and its
OUTLOOK IS STRONG

Photo Source: Justin James Wright (gettyimages)



The Philippines aspires to become **AMONG THE MOST HOSPITABLE ECONOMIES FOR BUSINESS**

Photo Source: The Filipino Times



Our **YOUNG POPULATION OF QUICK LEARNERS** is eager to work with forward-looking enterprises.

Photo Source: Philippine Star

An aerial view of a dense city skyline, likely Manila, Philippines, featuring numerous high-rise buildings and skyscrapers. A large, semi-transparent flag, possibly the Philippine flag, is overlaid on the left side of the image. The sky is filled with dramatic, dark clouds, and the overall lighting suggests a sunset or sunrise. The text is centered in a bold, white, sans-serif font.

**I INVITE YOU TO BE PART OF OUR
REMARKABLE ECONOMIC
UNFOLDING**

WE ARE READY FOR GROWTH

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