

WE ARE READY FOR GROWTH

FINANCE SECRETARY CARLOS G. DOMINGUEZ III
PHILIPPINE ECONOMIC BRIEFING IN OSAKA, JAPAN
FEBRUARY 22, 2019





The Philippines and Japan can be **DEMOGRAPHIC PARTNERS**

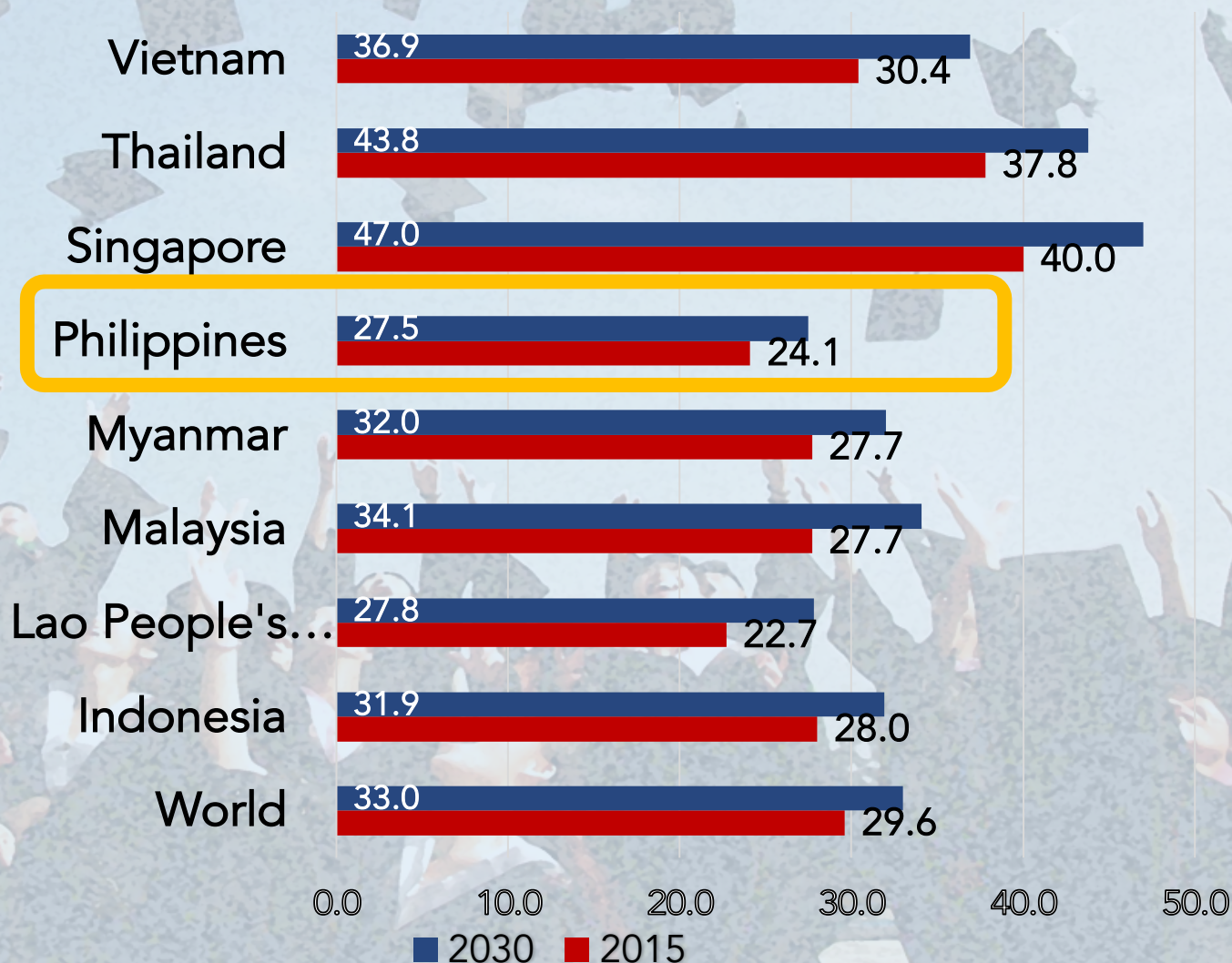
Photo Sources: Philippine Star and MarketExpress

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



JAPAN WAS OUR SECOND MAJOR TRADING PARTNER IN 2018

PHILIPPINES' TOP TRADING PARTNERS IN 2018







Country		Amount (in USD Billions)
	CHINA	30.093
	JAPAN	20.023
	USA	18.357
	KOREA	13.704
	HONG KONG	12.573
	THAILAND	10.324
	SINGAPORE	10.253

Source: Philippine Statistics Authority

JAPAN HAS BEEN OUR FOURTH LARGEST SOURCE OF FOREIGN DIRECT INVESTMENTS (FDIs)

PHILIPPINES' TOP SOURCES OF FDI INFLOWS







(January to November 2018)

Country		Amount (in USD Millions)
	SINGAPORE	912.43
	HONG KONG	268.77
	CHINA	195.25
	JAPAN	189.03
	TAIWAN	151.93
	USA	137.00

Source: Bangko Sentral ng Pilipinas

JAPAN WAS OUR FOURTH LARGEST SOURCE OF TOURISTS IN 2018

PHILIPPINES' TOP MARKET SOURCES OF TOURISTS IN 2018

Country		Total No. of Tourists
	KOREA	1,587,959
	CHINA	1,255,258
	USA	1,034,396
	JAPAN	631,801
	AUSTRALIA	279,821
	TAIWAN	240,842

Source: Department of Tourism

JAPAN HAS ALSO BEEN THE PHILIPPINES' MAJOR SOURCE OF FINANCING



SAMURAI BONDS

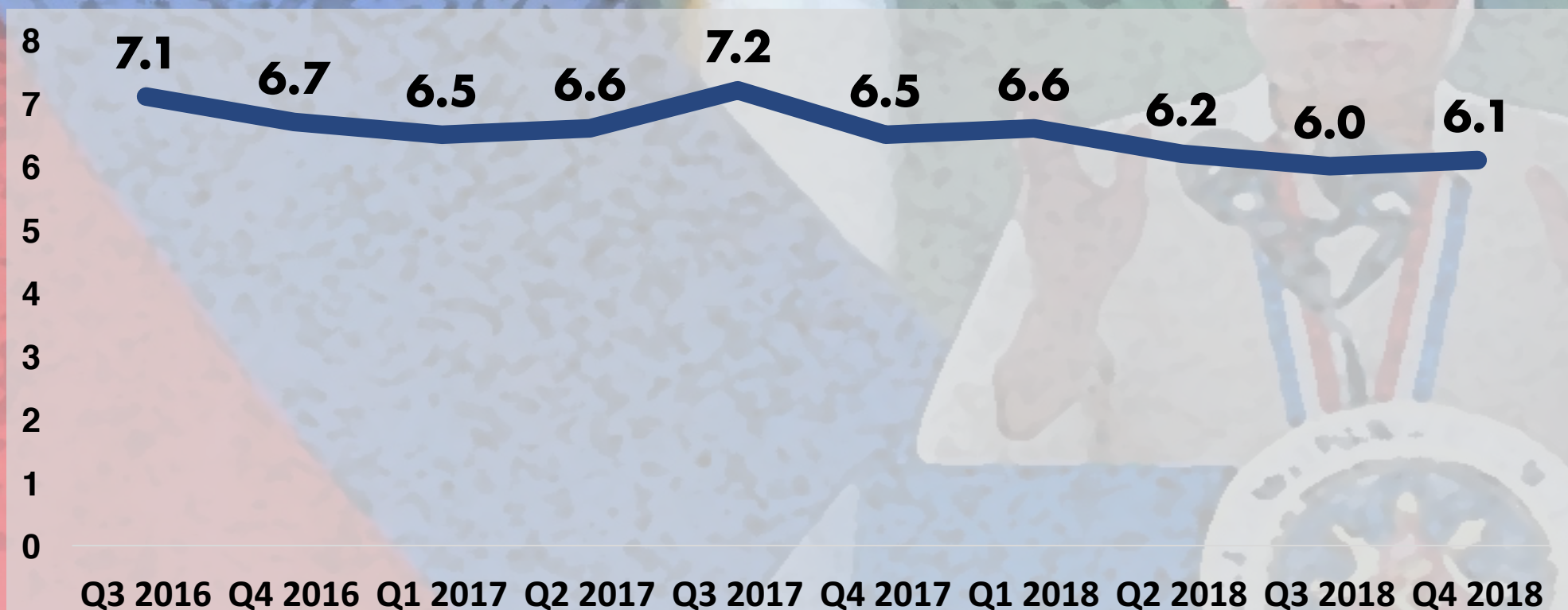
On August 8, 2018, the Philippines successfully returned to the public Samurai market, with a multi-tranche JPY 154.2 billion (USD 1.39 billion) transaction.

Overall, the transaction yielded a weighted average spread of 34.7 basis points above benchmark.

With the overwhelming response, the Philippines is likely to return to the Samurai market every 12 or 18 months to establish a regular presence.

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



RIISING INVESTMENTS HIGHLIGHT CONFIDENCE IN THE PHILIPPINES' GROWTH PROSPECTS

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



OUR ECONOMIC STRATEGY IS ANCHORED ON TWO MAJOR PROGRAMS:

COMPREHENSIVE TAX REFORM PROGRAM



BUILD, BUILD, BUILD PROGRAM

**BUILD
BUILD
BUILD**



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.

2018 REVENUE AND EXPENDITURE PERFORMANCE

(In PHP Billions)

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%



BUILD BUILD BUILD

MORE RAILWAYS,
MASS URBAN
TRANSPORT, AIRPORTS
AND SEAPORTS

MORE BRIDGES
AND ROADS

NEW AND BETTER
CITIES

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**

7 LOAN AGREEMENTS FOR INFRASTRUCTURE PROJECTS SIGNED BETWEEN THE PHILIPPINES AND JAPAN SINCE 2016



**Arterial Road Bypass Project
(Phase III)**
(JPY 9.39 Billion)



**Cavite Industrial Area Flood
Risk Management Project**
(JPY 15.92 Billion)

**Pasig-Marikina River Channel
Improvement Project (Phase IV)**
(JPY 37.91 Billion)



**New Bohol Airport Construction
and Sustainable Environment
Protection Project (II)**
(JPY 4.38 Billion)



**Metro Manila Subway
Project (Phase I) (1st
tranche)**
(JPY 104.530 Billion)

**Metro Rail Transit Line 3
Rehabilitation Project**
(JPY 38.10 Billion)

**North-South Commuter
Railway Extension Project
(1st tranche)**
(JPY 167.19 Billion)



**THIS IS ONE OF THE
SOFTTEST LOANS WE
HAVE EVER
NEGOTIATED.**

The **104.530 billion yen (USD 935 million)-loan agreement** for the first tranche of financing carries an interest rate of **0.10% per annum for non-consulting services** and **0.01% per annum for consulting services.**

It will be payable in **40 years inclusive of a 12-year grace period.**

METRO MANILA SUBWAY PROJECT

PHILIPPINES-JAPAN HIGH LEVEL JOINT COMMITTEE ON INFRASTRUCTURE DEVELOPMENT AND ECONOMIC COOPERATION



PH-JP HIGH-LEVEL MEETING IN TOKYO
(JUNE 2018)



PH-JP HIGH-LEVEL MEETING IN MANILA
(JULY 2017)



PH-JP HIGH-LEVEL MEETING IN CEBU
(FEBRUARY 2018)



PH-JP HIGH-LEVEL MEETING IN MANILA
(NOVEMBER 2018)

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



Photo Source: Mr. Aldrin Mercado

JOLLIBEE FOODS CORPORATION

(the Philippines' largest fastfood chain and globally recognized brand)

2018 TOTAL SALES:
USD 2.9 BILLION
(+16.6% growth)

2018 NET INCOME:
USD 158 MILLION
(+17% growth)



Photo Source: Rappler

AYALA LAND INCORPORATED

(The Philippines' premier and oldest property company engaged in the planning and development of large scale, integrated estates)

2018 TOTAL SALES:
USD 3.11 BILLION
(+17.8% growth)

2018 NET INCOME:
USD 558 MILLION
(+16% growth)



SM PRIME HOLDINGS

(the Philippines' owner of the biggest and most number of Malls as well as the second largest high rise condominium developer with a market capitalization of USD 20 Billion)

2018 TOTAL SALES:
USD 1.98 BILLION
(+17% growth)

2018 NET INCOME:
USD 616 MILLION
(+17% growth)



Photo Source: Philippine Primer

BDO UNIBANK, INC.

(the largest bank in the Philippines in terms of assets)

2018 (Jan-Sep) INTEREST INCOME:
USD 1.37 BILLION
(+20% growth)



METROBANK

(the second largest bank in the Philippines in terms of assets)

2018 (Jan-Sep) INTEREST INCOME:
USD 975 MILLION
(+12.6% growth)

2018 (Jan-Sep) NET INCOME:
USD 352 MILLION
(+18% growth)

TAX REFORM PACKAGE 2 MAIN HIGHLIGHTS

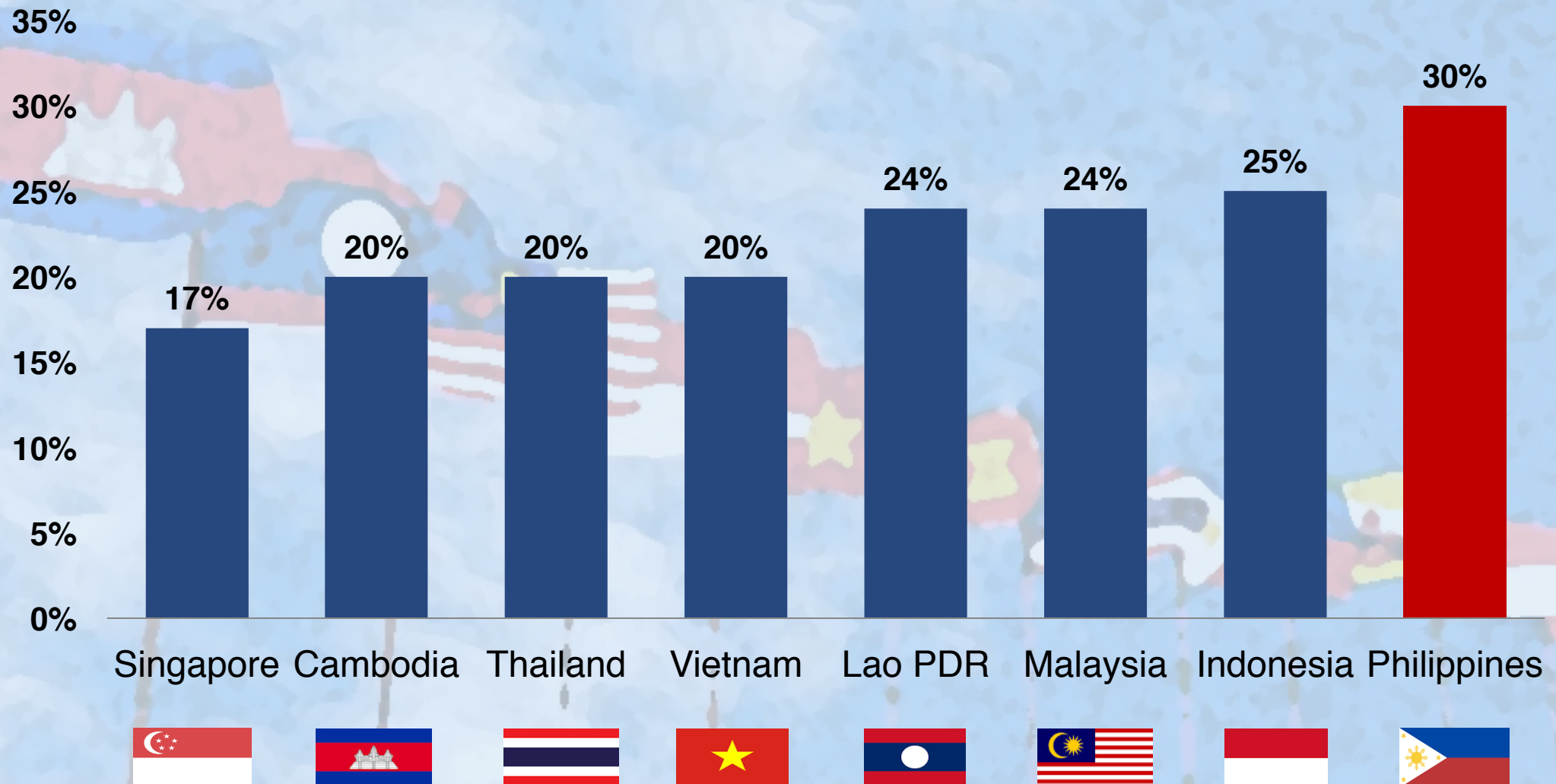
Reduction of corporate income tax rates

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.

COMPARATIVE CORPORATE INCOME TAX RATES IN ASEAN



INCENTIVES ARE NOT THE ONLY FACTOR THAT DRIVES INVESTMENT

In the global survey by the World Economic Forum in 2017 on investor appetite for the Philippines, tax incentives are only the 5th major concern.

1

Government inefficiency

2

Infrastructure gap

3

Corruption

4

High cost of doing business

5

Tax Incentives

THIS GOVERNMENT IS ADDRESSING THE TOP FOUR CONCERNS DECISIVELY.

FOUR MAIN PRINCIPLES FOR TAX INCENTIVES



Performance-based



Time-bound



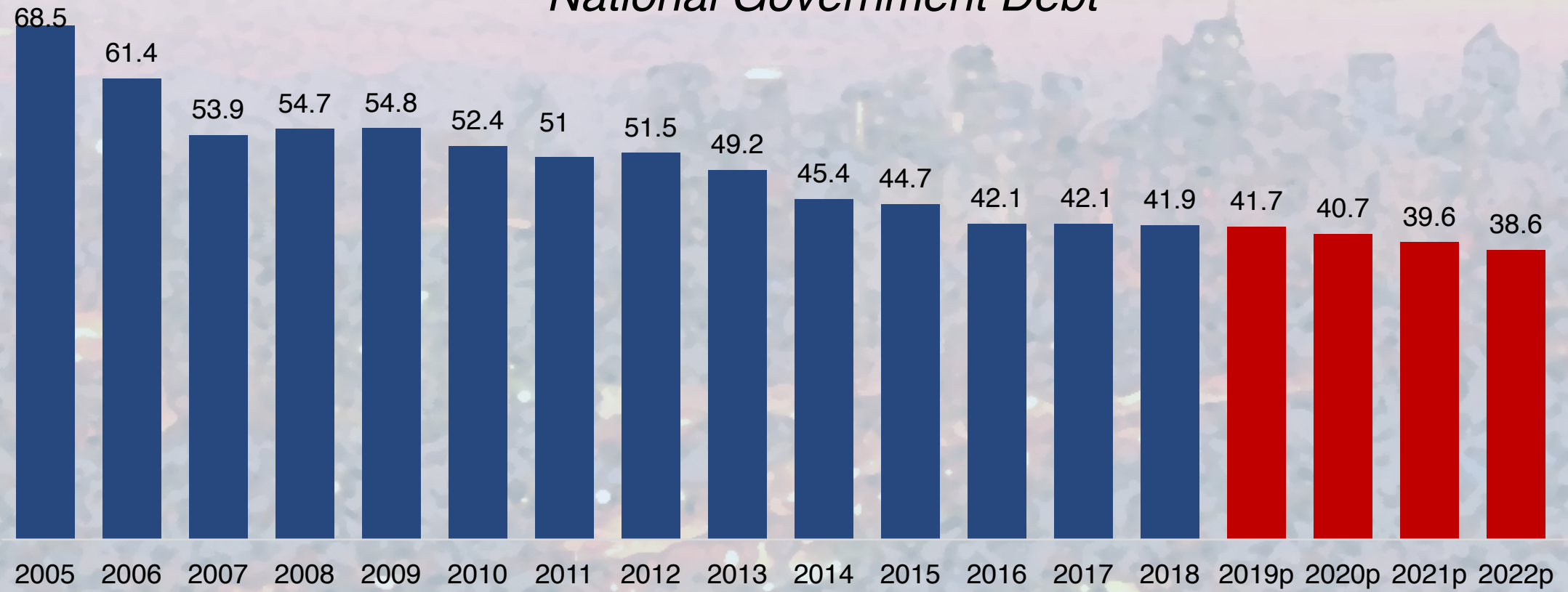
Targeted



Transparent

SUSTAINED DECLINE IN DEBT-TO-GDP RATIO

National Government Debt



Source: Bureau of the Treasury

“ By automating our bureaucratic processes and integrating online mechanisms in day-to-day transactions, we do not just bring our people closer to their government. We also forge a vibrant and productive relationship that will redound to the benefit of the people. ”

President Rodrigo Duterte

on the signing into law of the Ease of Doing Business and Efficient Government Service Delivery Act on May 28, 2018 at the Malacañan Palace



An aerial night view of a city skyline, likely Manila, Philippines, showing numerous skyscrapers and buildings illuminated with various lights, creating a vibrant urban scene.

THE PHILIPPINES ASPIRES TO BECOME AMONG THE MOST HOSPITABLE ECONOMIES FOR BUSINESS

Photo Source: The Filipino Times



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

Photo Source: Justin James Wright (gettyimages)

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