

# **STRONG PARTNERS, STRONG GROWTH**

FINANCE SECRETARY CARLOS G. DOMINGUEZ  
PHILIPPINE ECONOMIC BRIEFING  
SEPTEMBER 26, 2017 | TOKYO, JAPAN



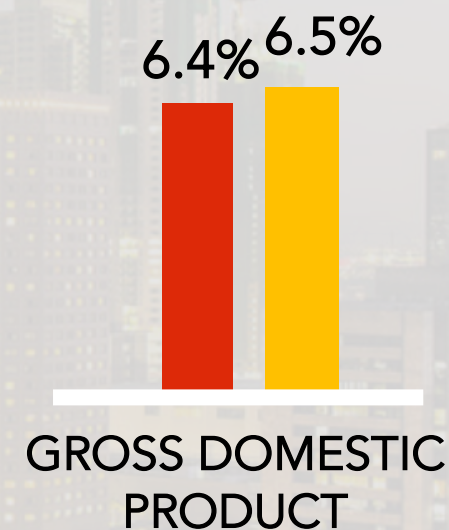
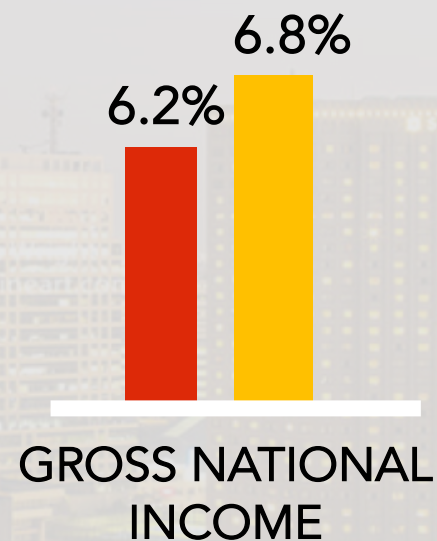
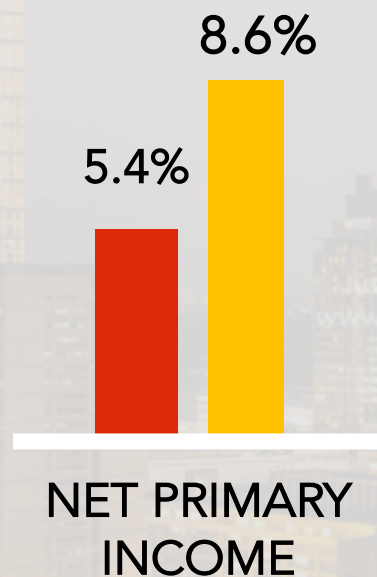
An aerial night view of a city skyline, likely Manila, Philippines, featuring several prominent skyscrapers and illuminated buildings. The image is overlaid with a semi-transparent yellow filter. The text "The Philippine economy is delivering the performance we anticipated" is centered in white. A small, faint watermark "www.jwwrightlineart.com" is visible in the middle ground.

The Philippine economy is  
delivering the performance  
we anticipated

*Photo Source: Justin James Wright (gettyimages)*



# Q2 2017 PHILIPPINE ECONOMIC PERFORMANCE

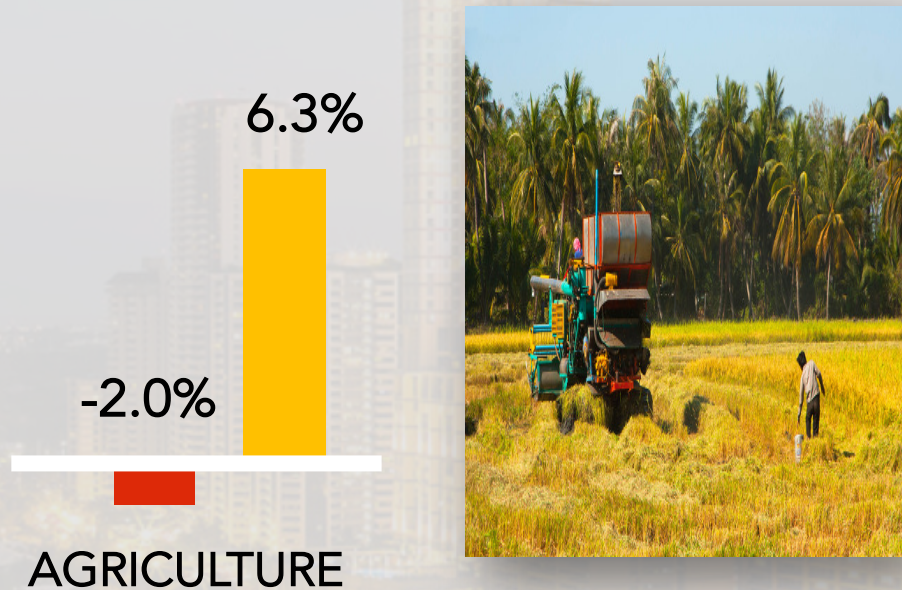


*This performance is well on track in meeting the full-year target growth rate of 6.5% to 7.5%*

■ Q1 2017    ■ Q2 2017

Source: PSA

# YEAR-ON-YEAR GROWTH RATES BY INDUSTRIAL ORIGIN



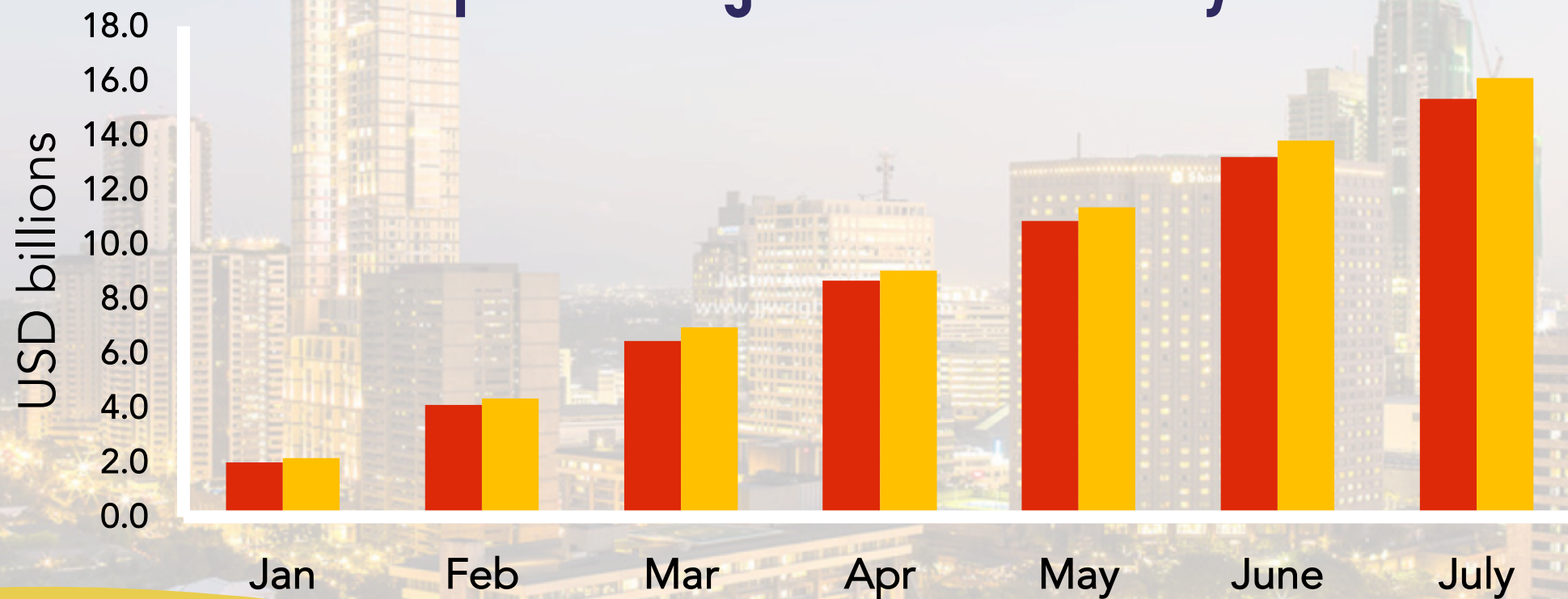
*This is a departure from the earlier pattern where growth was led by the services sector.*

■ Q2 2016    ■ Q2 2017

Source: PSA



# Cash remittances as of July reached USD 16.1 billion which is 5 percent higher than the last year.



Remittances from our foreign-based workers now account for about a tenth of GDP.

2016 2017

Source: BSP



We are expecting more  
investments coming in as we  
modernize our infrastructures and  
reform our economic policies to  
spur business activity

*Photo Source: BCDA*







Investment-led growth will  
make our domestic  
economy more inclusive  
and create quality jobs  
for our people

*Photo Source: Randy Competente Asia*



# 0-10 POINT SOCIO-ECONOMIC AGENDA OF THE DUTERTE ADMINISTRATION



Peace and Order Stability



Continue macroeconomic policies



Tax Reform



Ease of Doing Business



Infrastructure Building



Rural Development



Land Administration



Human Capital Development



Science and Technology



Social Protection Program



Reproductive Health

Our entire economic strategy seeks to bring down poverty incidence from the current 21% to 14% by 2022





# **BUILD BUILD BUILD**



**MORE RAILWAYS,  
MASS URBAN TRANSPORT,  
AIRPORTS AND SEAPORTS**



**MORE BRIDGES AND  
ROADS**

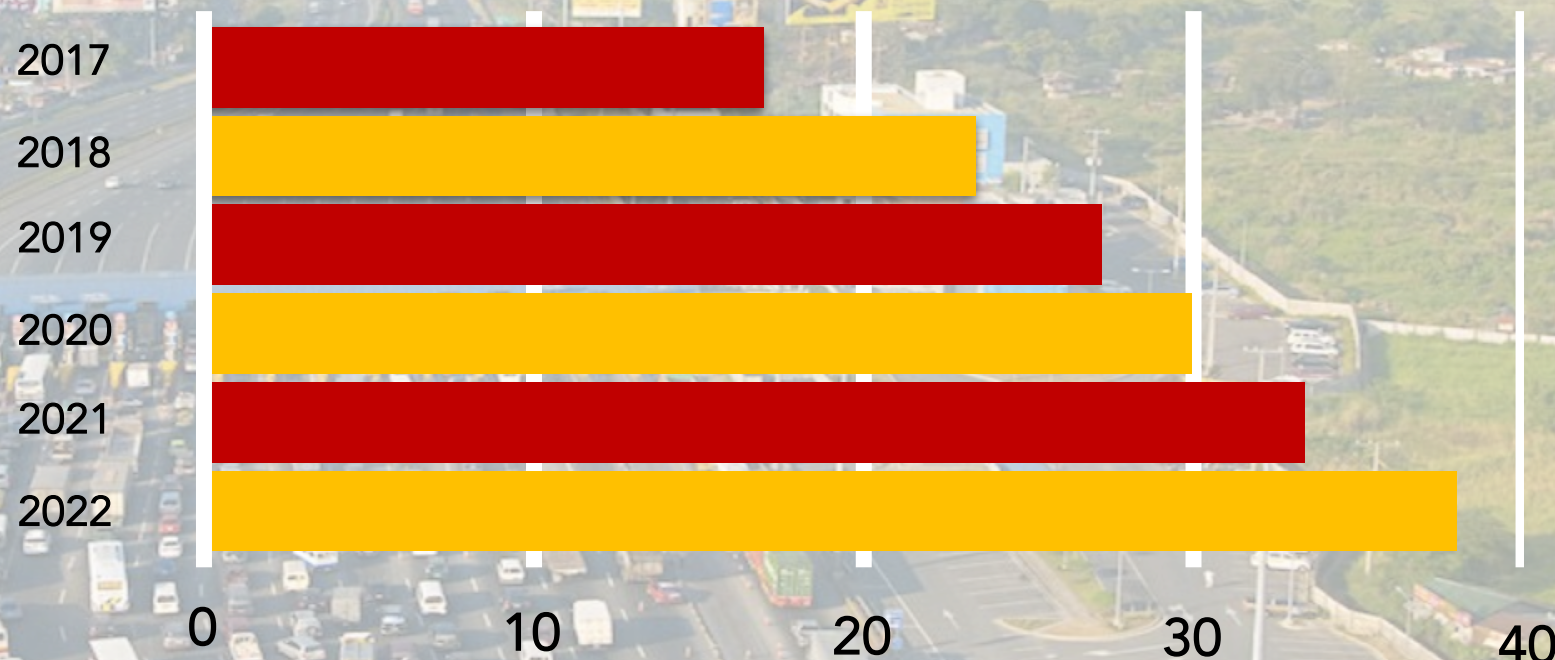


**NEW AND BETTER  
CITIES**



# BOLDEST, MOST AMBITIOUS INFRASTRUCTURE PROGRAM IN HISTORY (in US \$ BILLION)

## US\$ 170B IN 6 YEARS



The Philippines is looking to spend about 20Billion USD per year through the medium term to build the urgently needed infra



# TAX REFORM FOR ACCELERATION AND INCLUSION

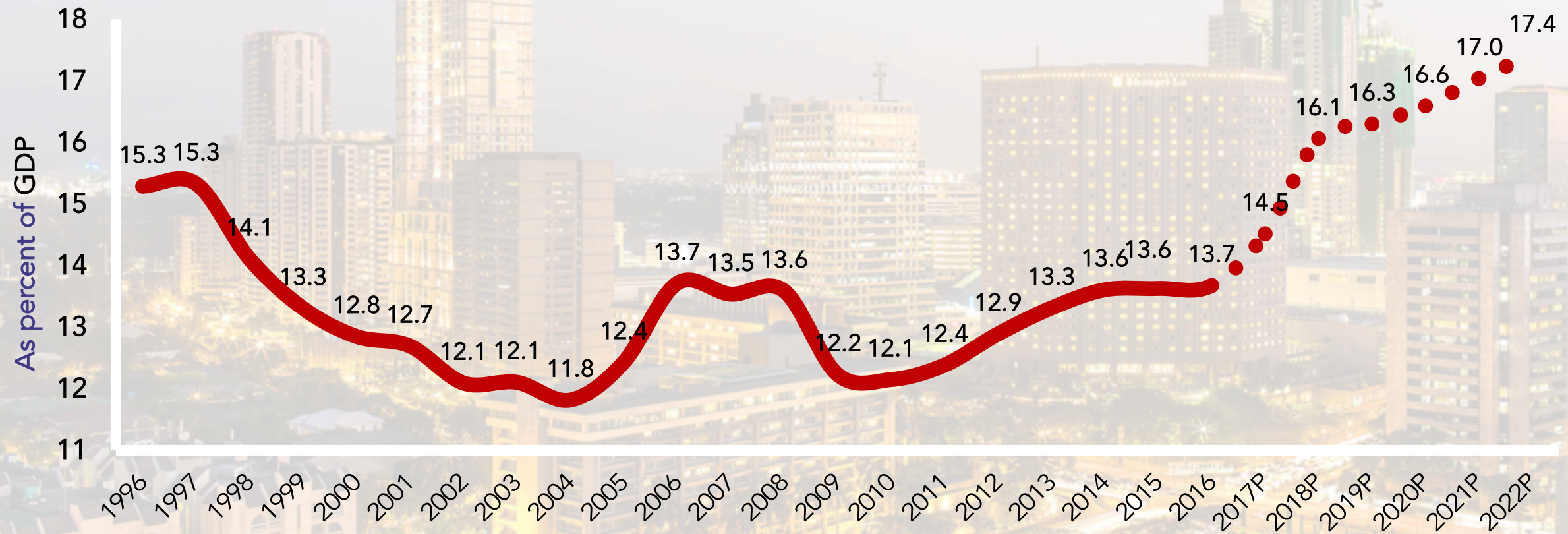
We are redesigning our tax system to become:



while also raising the resources needed to invest in our infrastructure and people



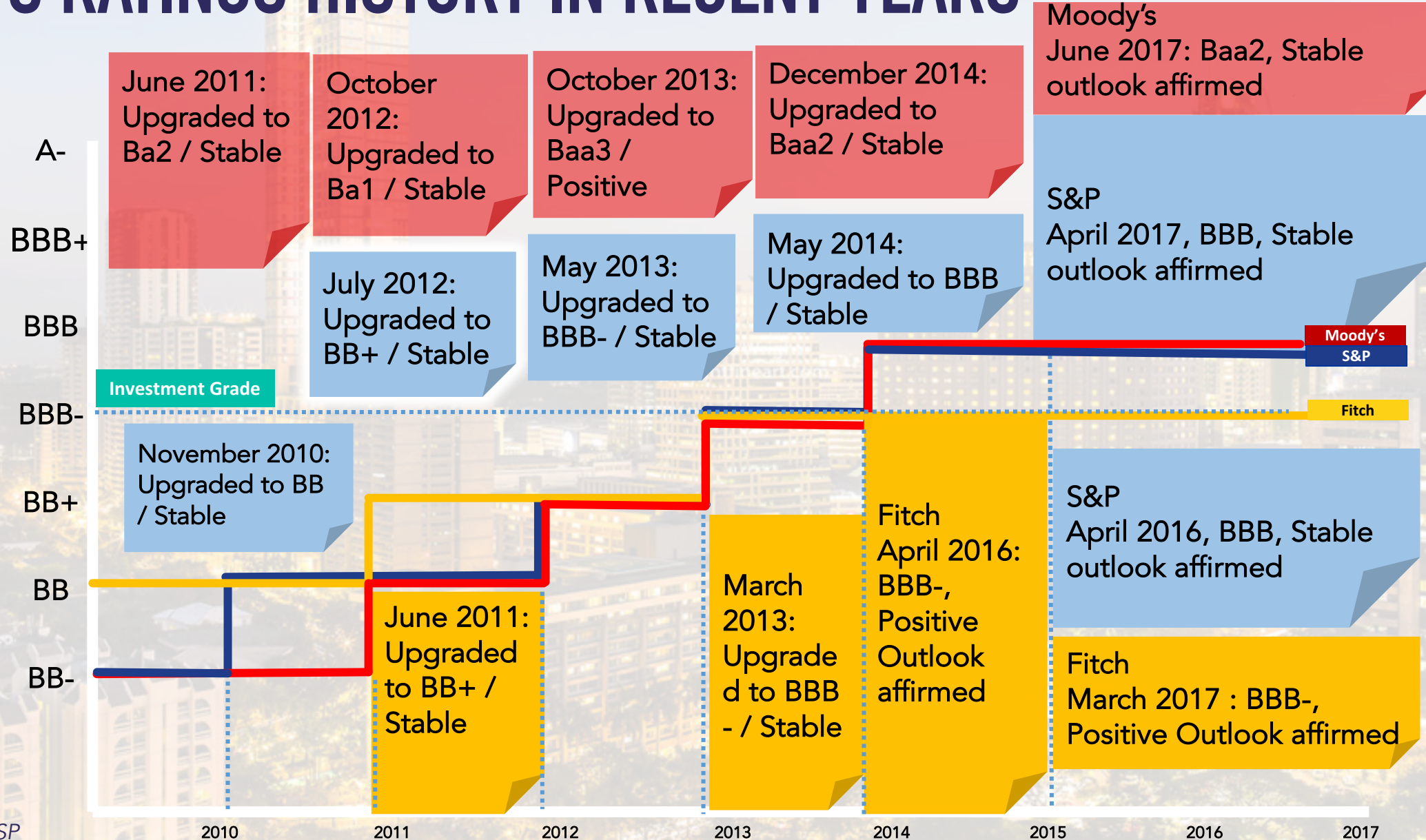
# The Philippine Government's tax effort will go beyond 15% of GDP by 2018 because of the passage of tax reform



Source: DOF SERG



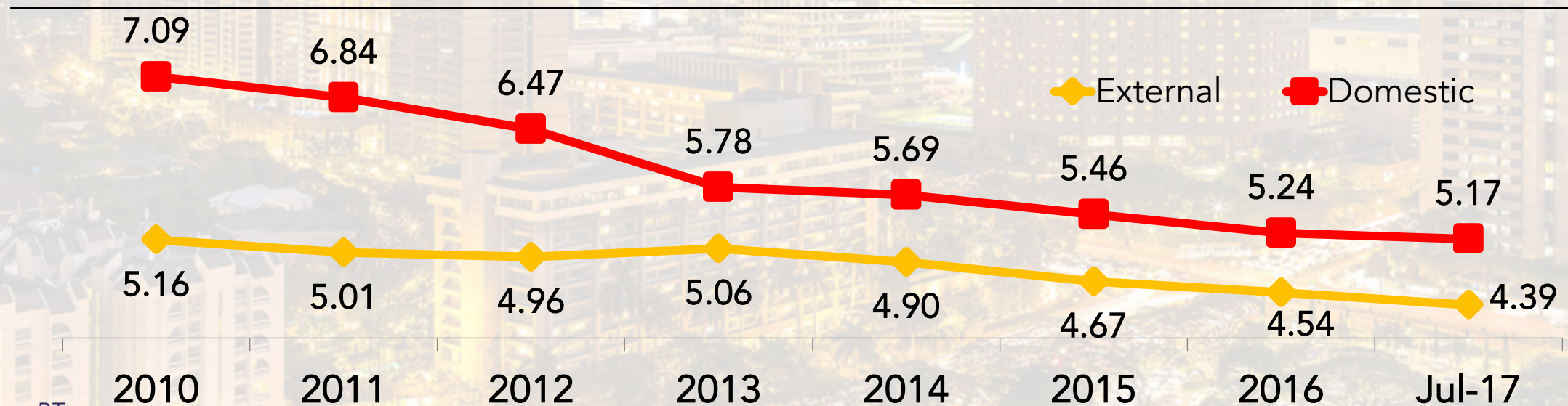
# ROP'S RATINGS HISTORY IN RECENT YEARS





# DECLINING BORROWING COST

	2012	2013	2014	2015	2016	Jul 2017
Average Interest Rates						
External	5.0%	5.1%	4.9%	4.7%	4.54%	4.39%
Domestic	6.5%	5.8%	5.7%	5.5%	5.24%	5.17%
Total	5.9%	5.6%	5.4%	5.2%	4.99%	4.90%





# The price impact of tax reform is estimated to be 0.9 ppt thus, overall inflation in 2018 is expected to be 3.9%

Commodity	Share of CPI (%)	CPI 2016	Share of petroleum products as input (%) <sup>1</sup>	Net impact of excise to prices (%) <sup>2,3</sup>				Inflation rate (%) <sup>4,5,6</sup>
				Diesel	Gasoline	LPG	Kerosene	
Food	36	163	10	1.1	0.6	0.7	0.9	0.9
Transportation	6	128	30	3.3	1.9	2.0	2.7	2.8
Electricity	7	124	7	0.8	0.4	0.5	0.6	0.7
Others	51	135	6	0.7	0.4	0.4	0.6	0.6
Total	100	144						0.9

## Notes:

1. Transportation share is the daily average of jeepney and bus operation in Metro Manila based on the National Tax Research Center computation. Electricity share is based on the Department of Energy power statistics.
2. The net impact of the excise is obtained by multiplying the share of oil as input and the price increase as a result of the excise.
3. The increase in the price of the petro products as a result of an increase in excise tax using the petro prices in Metro Manila in 2016
4. Weighted net impact of the increase in excise tax on each commodity computed based on weights below using HECS 2011
5. Overall inflation computed from the weighted average of commodity inflation based on the share of CPI
6. Percentage point on top of the BSP projected inflation.





As a matter of policy, we are maintaining an

**80% to 20% BORROWING**

favoring meeting our financing needs  
through domestic borrowing

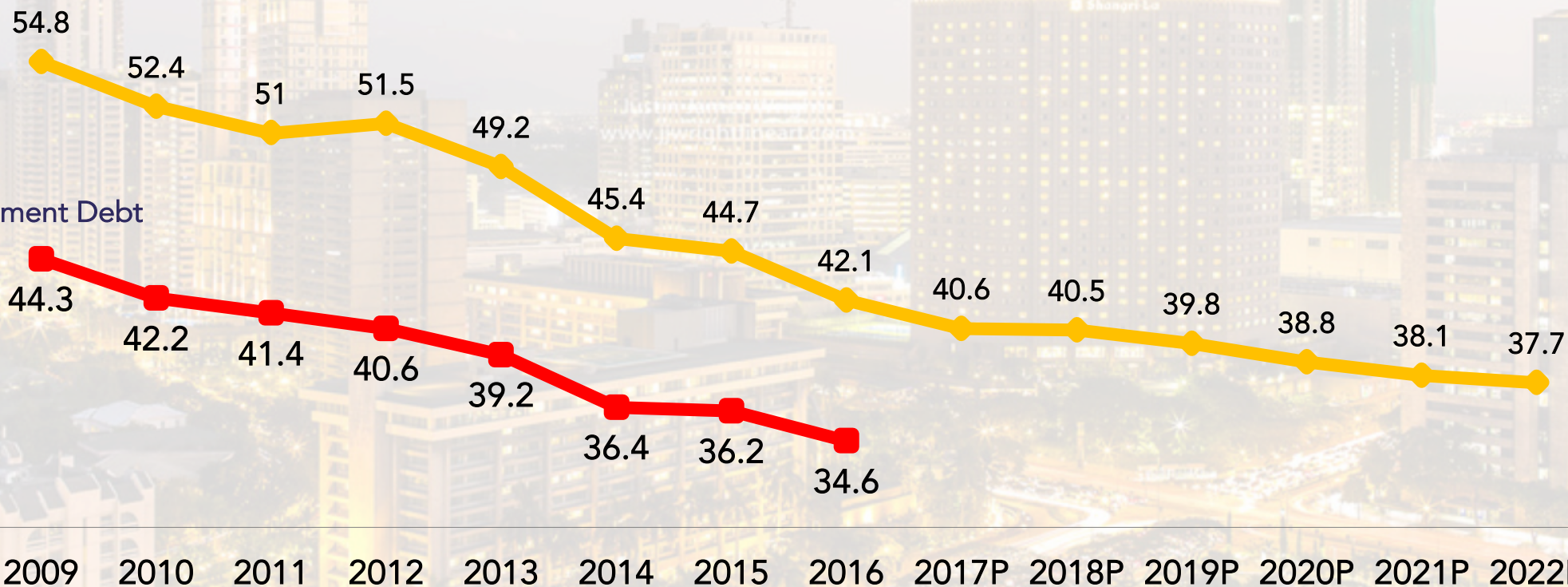
*This will lessen the exchange risks as we  
pursue an expansionary economic strategy*



# Prudent and effective liability management to sustain downward trajectory of Debt-to-GDP

National and General Government Debt (% to GDP)

National Government Debt



Source: BTr





From 2010 to 2016, the Philippines moved up 49 notches in the World Bank's Ease of Doing Business Index. We improved 57 notches in the Heritage Foundation's Index of Economic Freedom.





The Philippines now looks forward to what has been called a “demographic sweet spot”

*Photo Source: Philippine Star*



Great strides have been  
achieved towards building  
a common market among  
the ASEAN economies.

*Photo Source: seatca.org*






In January this year,  
Japanese Prime Minister  
Shinzo Abe pledged a 1-  
trillion yen (US D9 billion)  
investment and  
development aid package  
to the Philippines.

*Photo Source: The Nation*





An aerial night view of a city skyline, featuring a prominent skyscraper on the left and various other high-rise buildings. The city lights are visible, and the sky is a clear blue. The text is overlaid on the image.

As of March this year, Japanese ODA amounted to  
**USD 5.41 billion, of which USD 149.32 million**  
came in the form of grants

*Japan is the Philippines largest source of  
official development assistance*



Build  
BuildBuild

# MEGA MANILA SUBWAY

PHASE 1 (Quezon City - Taguig)



BCDA





Japan has been a **major source of industrial investments** in the Philippines. As we modernize our infrastructure and accelerate our growth, we look forward to **increased investment flows** from Japanese companies

*We hope to benefit from the transfers of technology that invariably tracks investment flows*





*On the Philippines' part, we commit to...*

**FURTHER IMPROVE EASE IN DOING BUSINESS  
RESPECT THE SANCTITY OF CONTRACTS  
PROMOTE A MORE CONDUCTIVE CLIMATE FOR  
INVESTMENTS**

*We look forward to an even stronger partnership  
with the Japanese people*



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