



# KEYNOTE SPEECH

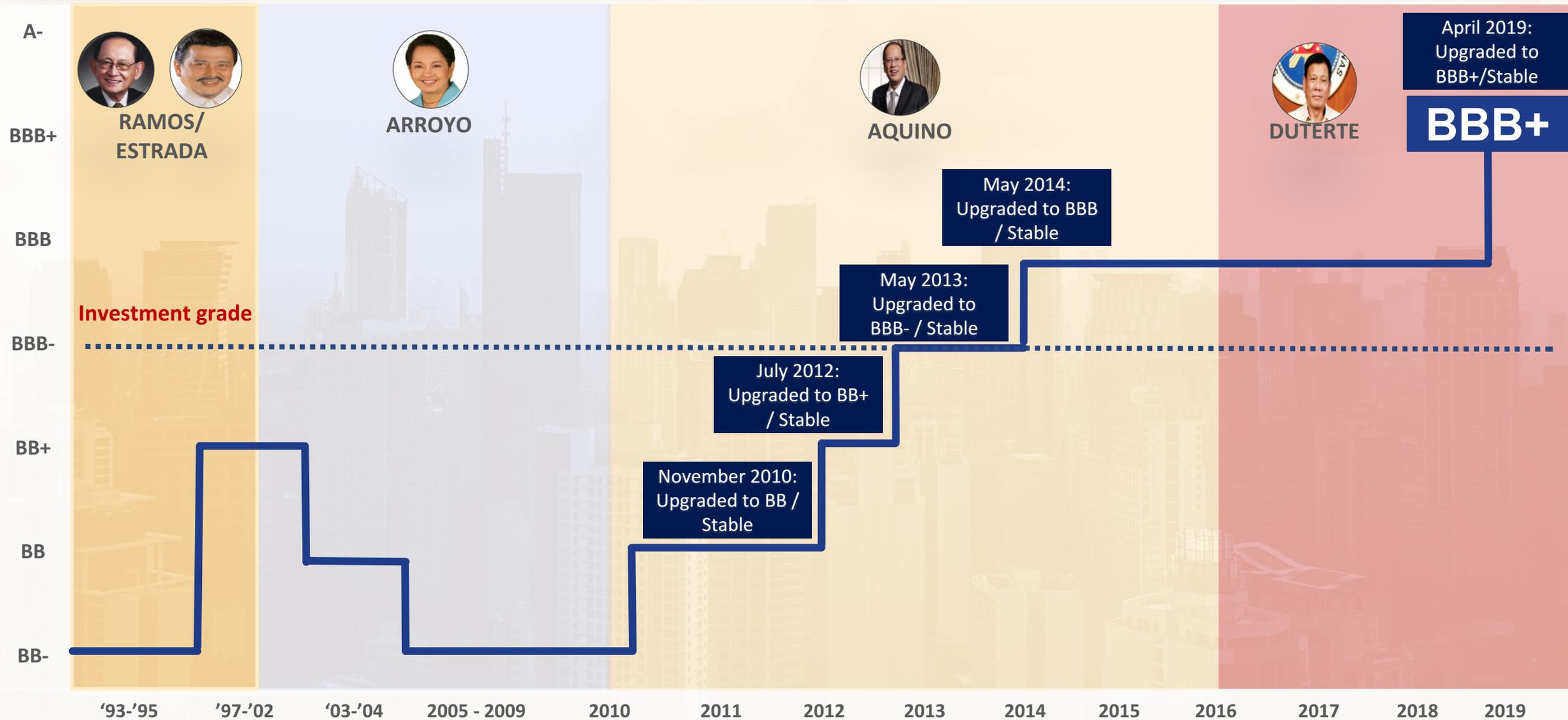
**CARLOS G. DOMINGUEZ**  
Secretary of Finance

*Manila Times Economic Forum*  
*February 26, 2021*

At this time last year,  
**the Philippine economy  
was in the pink of health.**



# In 2019, S&P raised our sovereign risk rating to BBB plus—the highest in our country's history



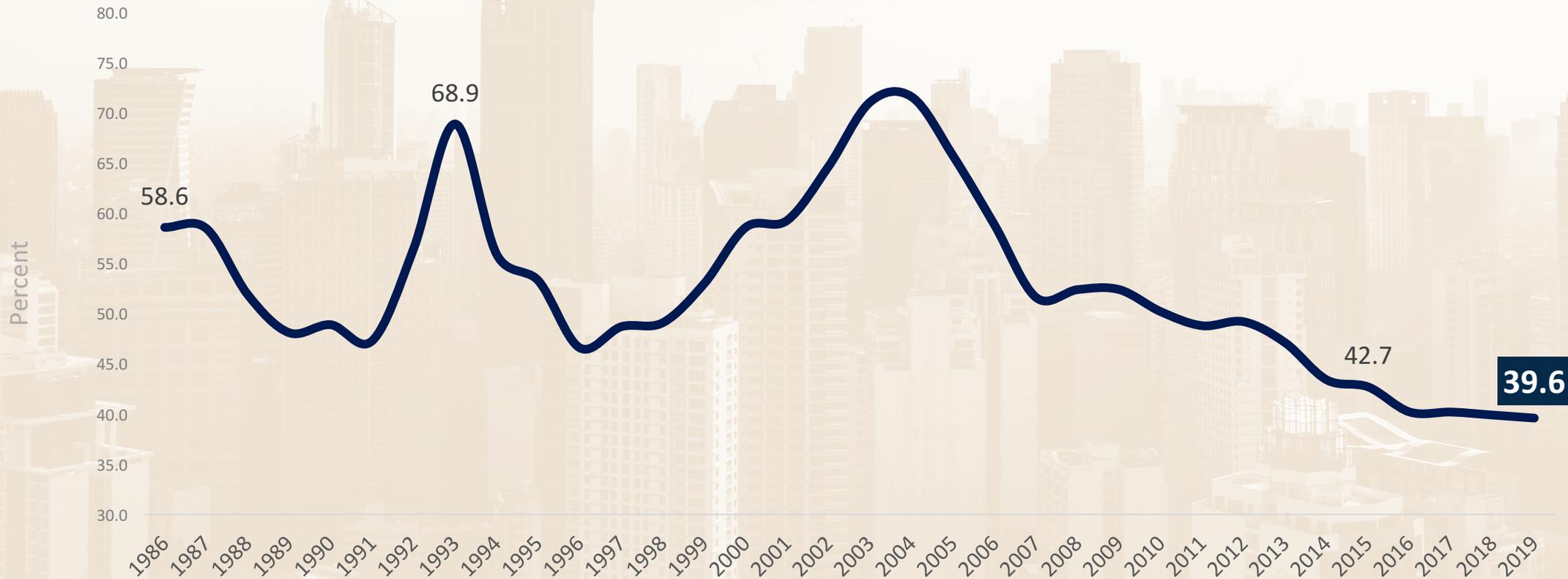
Revenues were at 16.1 percent of GDP in 2019,  
the highest in more than two decades.

### REVENUES AS PERCENTAGE OF GDP



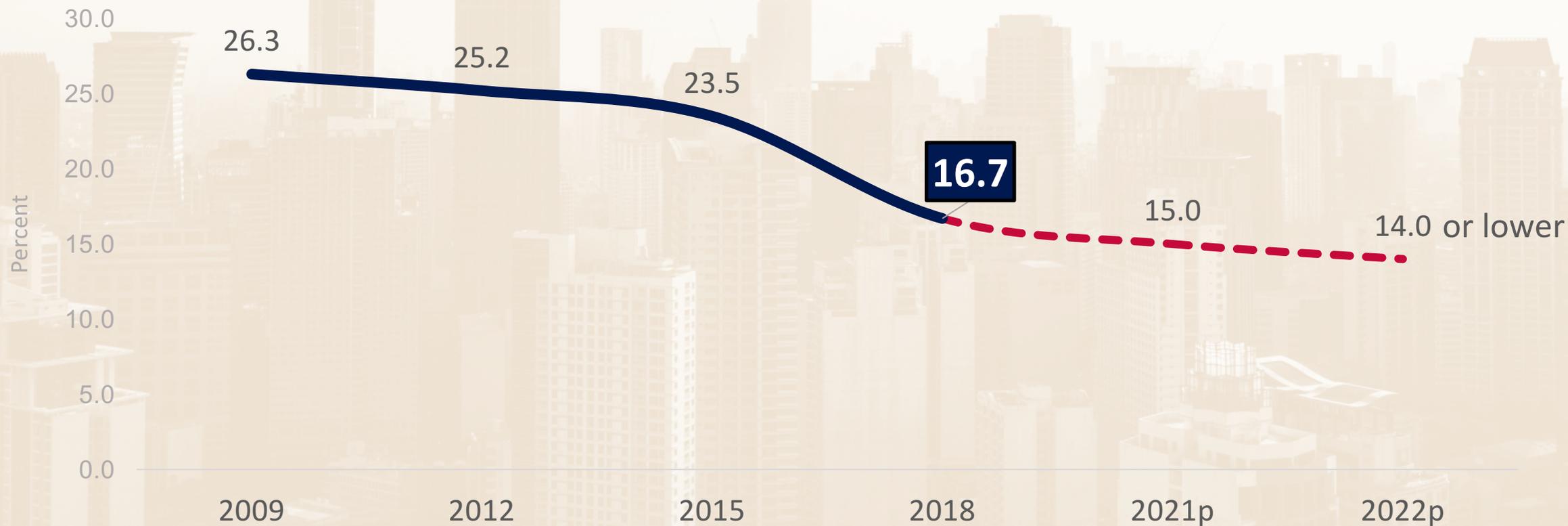
**2019 debt-to-GDP ratio of 39.6 percent is the lowest it has been since the country started recording this metric in 1986.**

## NATIONAL GOVERNMENT DEBT-TO-GDP RATIO

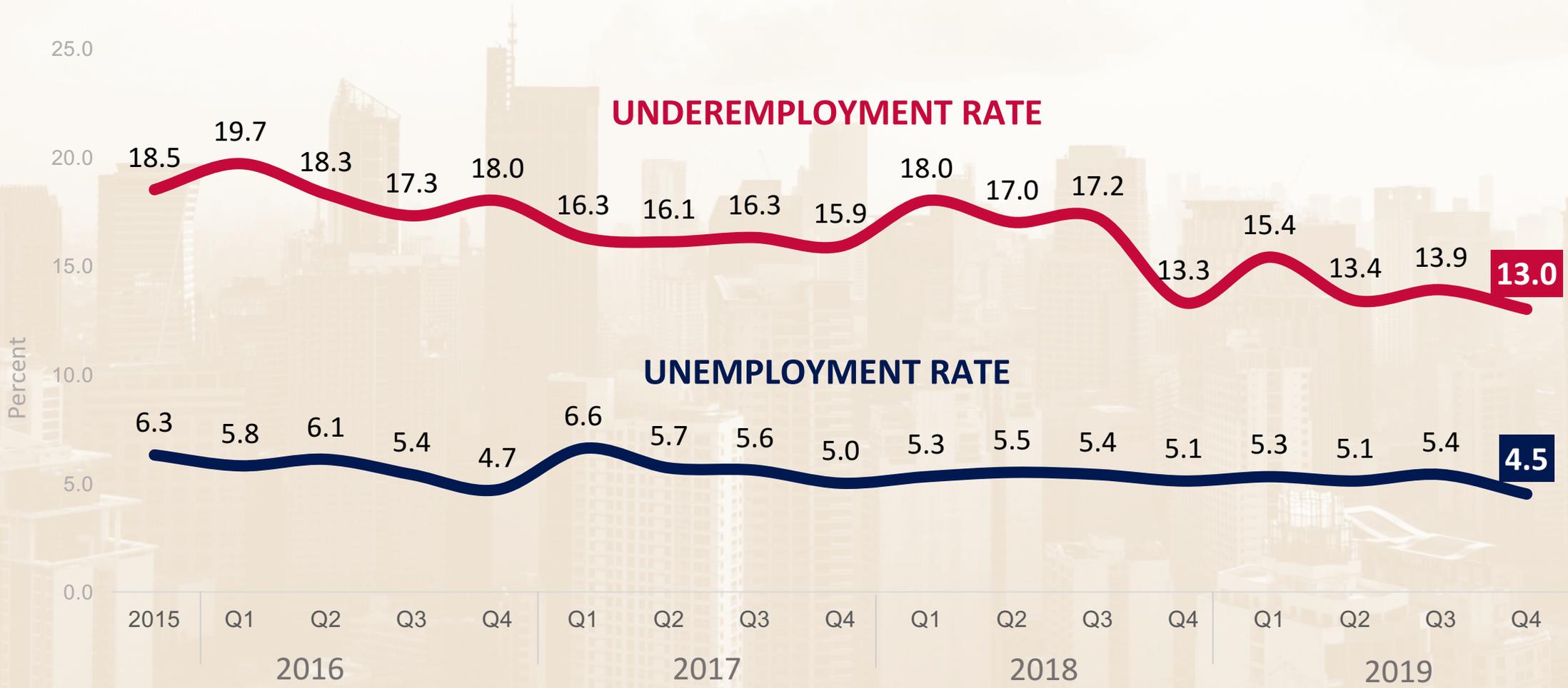


The President's promise of lifting 6 million Filipinos from poverty by 2022 was achieved ahead of schedule in 2018.

## POVERTY INCIDENCE AMONG THE POPULATION



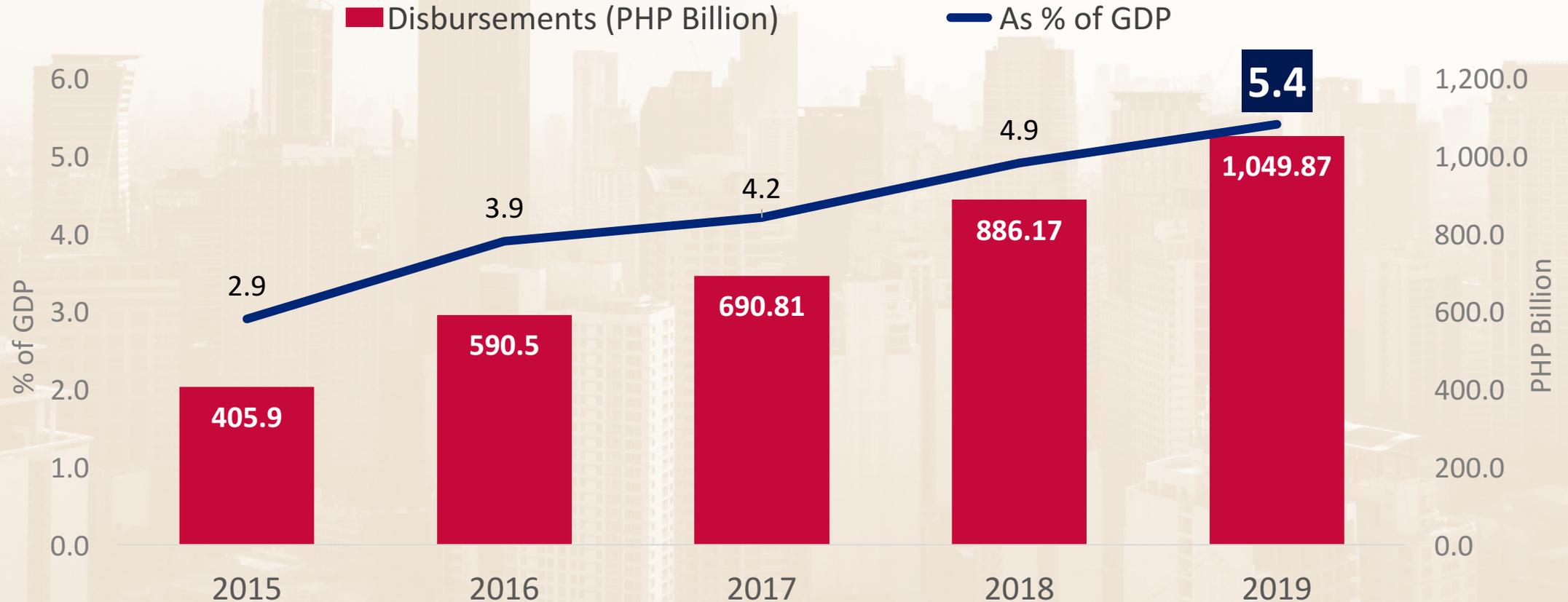
**At the end of 2019, we have achieved the lowest recorded rates of unemployment at 4.5 percent and underemployment at 13.0 percent.**



Source: NEDA

Spending on infrastructure investments reached 5.4 percent of GDP in 2019, double the average infrastructure spending to GDP for the past 50 years.

### INFRASTRUCTURE SPENDING AS PERCENTAGE OF GDP



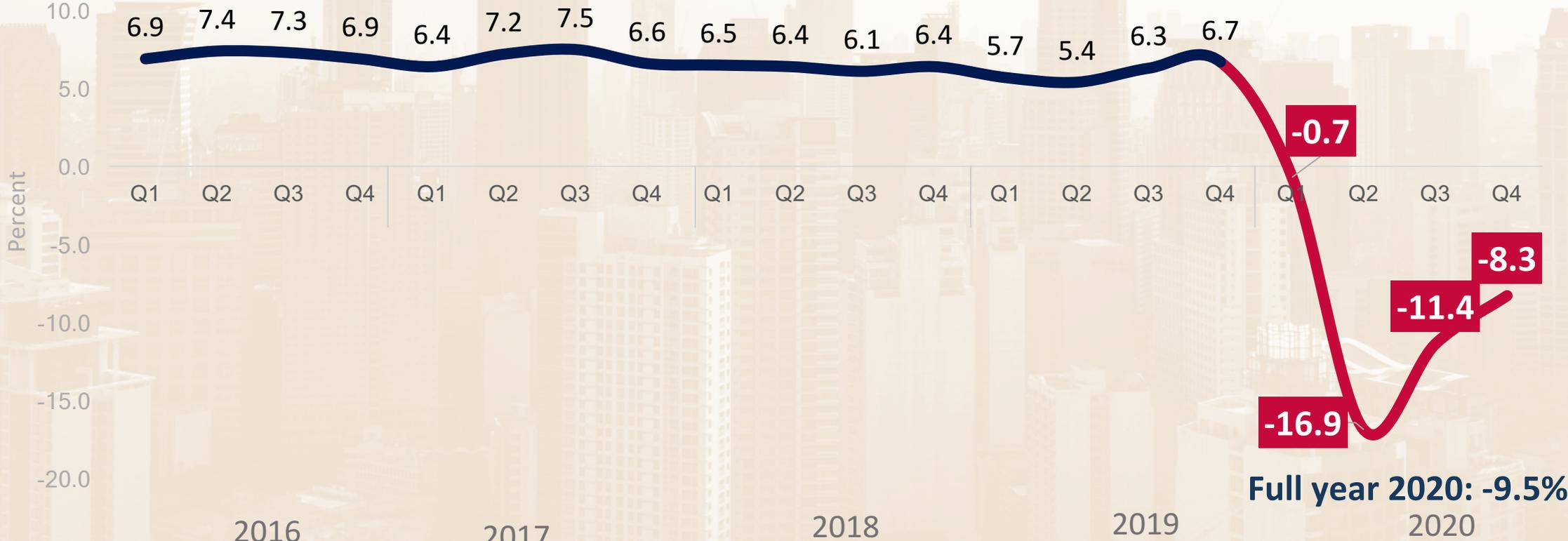


**When the pandemic struck, the Philippine government prioritized the health and safety of its people above everything else.**



Because of our present economic situation,  
our 2020 full-year GDP contracted by 9.5 percent

### GDP GROWTH RATES



Source: NEDA

# The Duterte Administration's Four-Pillar Socioeconomic Strategy Against COVID-19

**P2.66 Trillion (USD 53.69 Billion) or 14.7% of GDP**

*As of December 31, 2020*

**PILLAR 1**  
Emergency support for  
vulnerable groups

**P506.08 billion**  
**(USD 10.20 billion)**



**PILLAR 2**  
Marshalling resources to  
fight COVID-19

**P57.73 billion**  
**(USD 1.16 billion)**



**PILLAR 3**  
Monetary actions to  
keep the economy afloat

**P1.30 trillion**  
**(USD 26.38 billion)**



**PILLAR 4**  
An economic recovery  
program to create jobs and  
sustain growth

**P791.61 billion**  
**(USD 15.95 billion)**



*\*Preliminary DOF staff estimates as of December 2020*

*\*\*Amounts in PHP are from BSP; amounts in USD and % of GDP are DOF staff computations*

*\*\*\*Not Added to avoid double counting: PILLAR 3-B Financing support for emergency response and recovery initiatives (P1.4 trillion or USD 29.21 billion)*

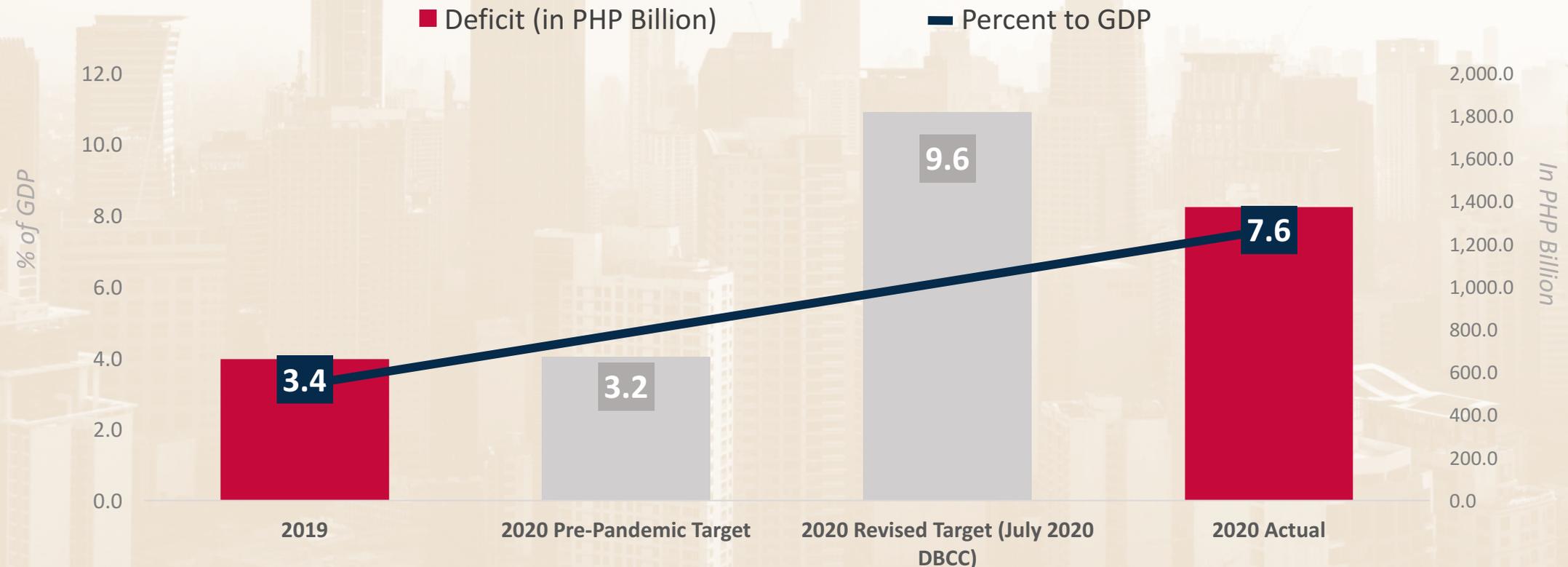
Despite the severity of the  
contraction,

**we continued to maintain  
fiscal discipline.**



**In 2020, our deficit-to-GDP ratio climbed to 7.6 percent.  
We expect this ratio to remain within the median of our neighbors and  
credit-rating peers around the world.**

## DEFICIT-TO-GDP RATIO



**We have set out a clear strategy  
for financing our deficit.**

We prioritized domestic borrowings followed by official development assistance and the international capital markets.



**Credit rating upgrades and affirmations are votes of confidence on the country's ability to stage an economic recovery from this health crisis.**

**Japan Credit Rating Agency**

Upgrade from BBB+ to A- (Stable Outlook)

**R&I**

Upgrade from BBB- to BBB+ (Stable Outlook)

**S&P Global Rating**

Affirmation of BBB+ rating (Stable Outlook)

**Fitch Ratings**

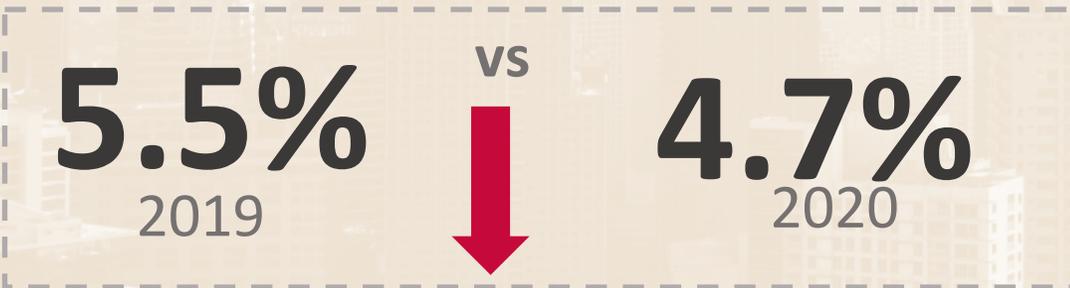
Affirmation of BBB rating (Stable Outlook)

**Moody's**

Affirmation of Baa2 rating (Stable Outlook)

With our credit ratings at historic highs, we quickly accessed emergency financing from our development partners and the commercial markets at very low rates, tight spreads, and longer repayment periods.

Average Interest Rate of Domestic Borrowings (per annum)

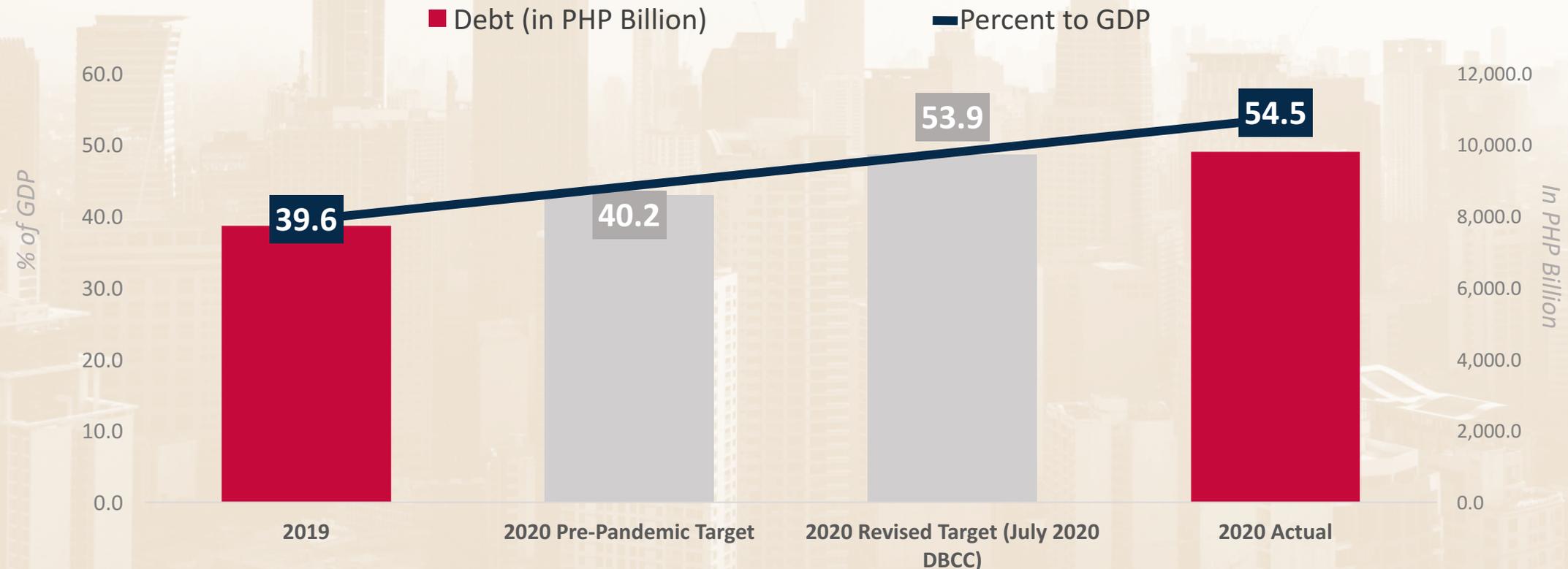


Average Interest Rate of External Borrowings (per annum)



**Our debt-to-GDP ratio reached 54.5 percent in 2020. Nonetheless, this level keeps us well within the prescribed bounds of fiscal viability.**

## DEBT-TO-GDP RATIO



*\*According to Preliminary Figures from the Bureau of the Treasury*

The Duterte administration  
places paramount importance

**on the preservation of our  
long-term financial viability.**



We were never under the illusion that this challenge will be short.

**We are prepared to fight a long battle, exercising prudence over the use of our fiscal resources.**



**A sustainable fiscal position  
and a strong financial system**  
are the platforms on which we  
launch our economic recovery.



This year, we expect our economy to post a strong rebound and grow at the range of **6.5 to 7.5 percent.**

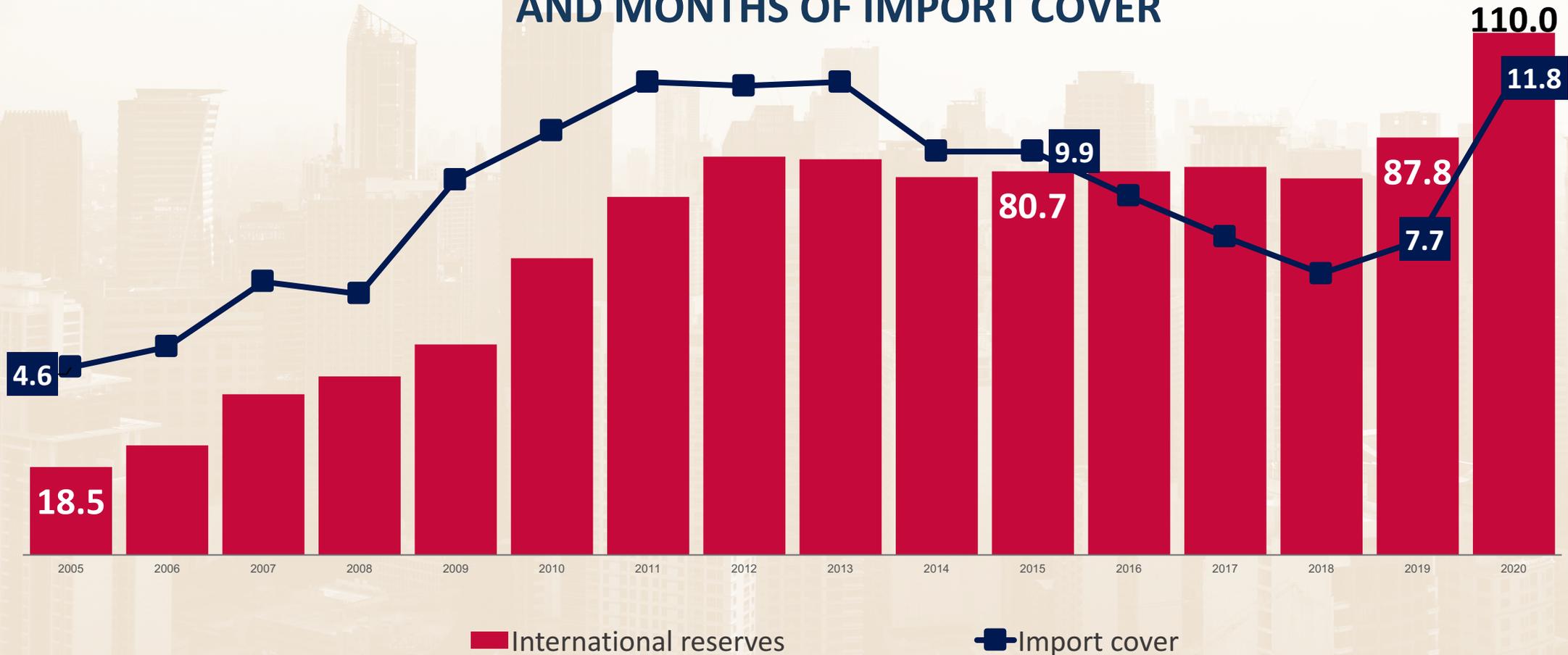


# We remain confident that we can easily fulfill our funding requirement for this year.

- The **large structural liquidity of our financial system** will enable us to continue prioritizing domestic financing to mitigate the build-up of foreign exchange risks.
- The **BSP's relaxation of reserve requirements** further enhances the structural liquidity of our system.
- As our **sovereign credit rating performed better than our peers**, we continue to have good access to external commercial borrowings and to official development assistance.

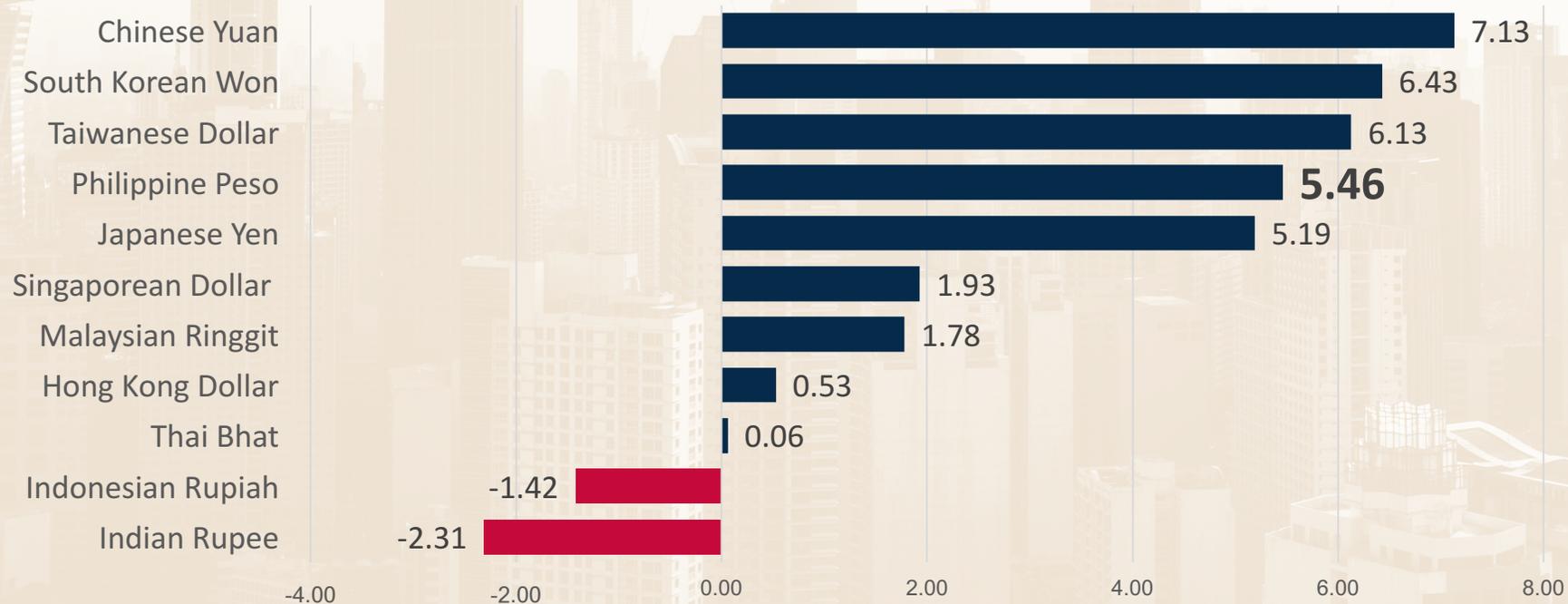
**Hefty reserves at USD 110 billion in 2020 is the highest recorded so far and can cover 11.8 months of imports.**

### INTERNATIONAL RESERVES (*USD Billion*) AND MONTHS OF IMPORT COVER

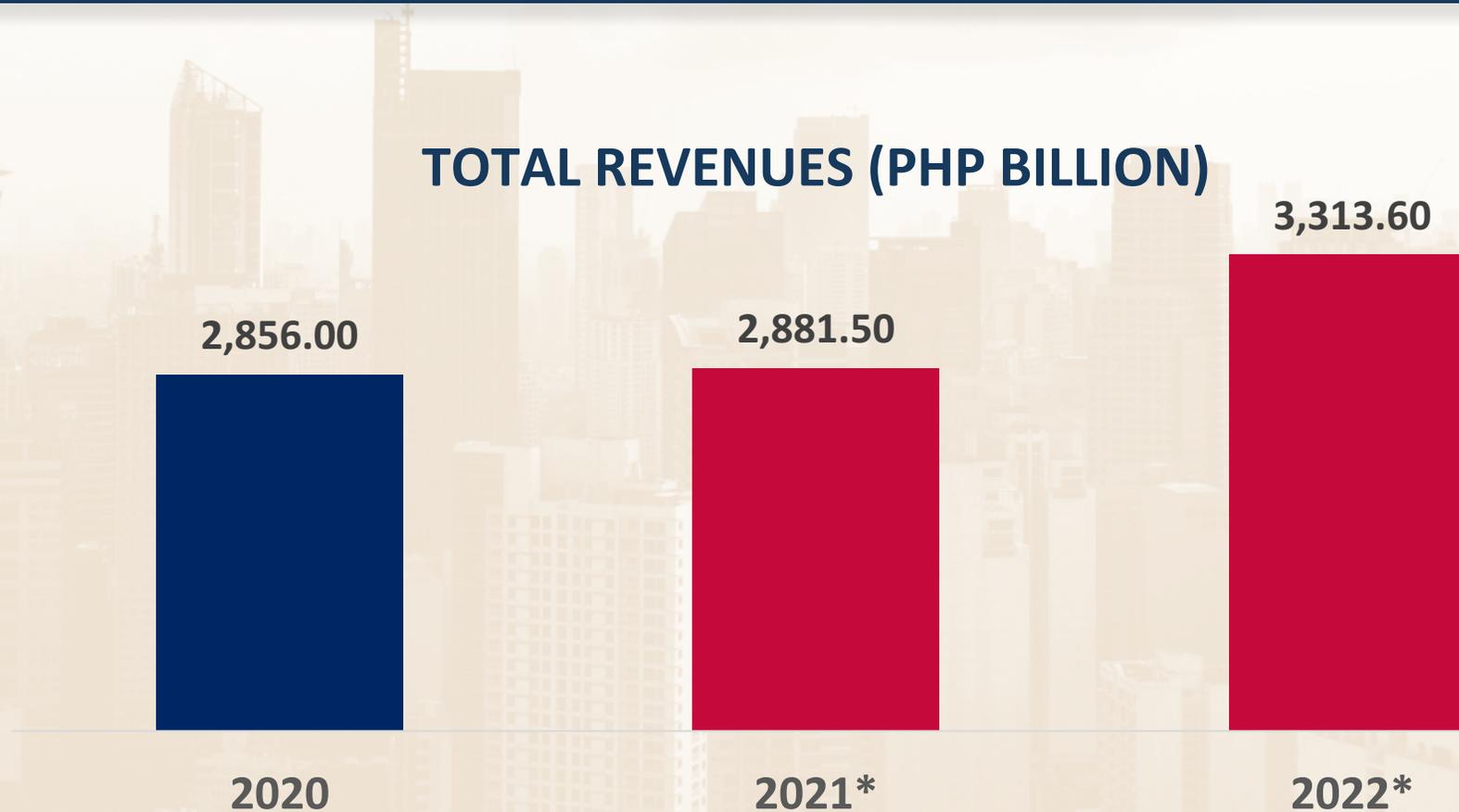


The Philippine peso is one of the best-performing currencies in the region.

**APPRECIATION (+)/DEPRECIATION (-) OF ASIAN CURRENCIES  
AGAINST US DOLLAR  
(Year 2020)**



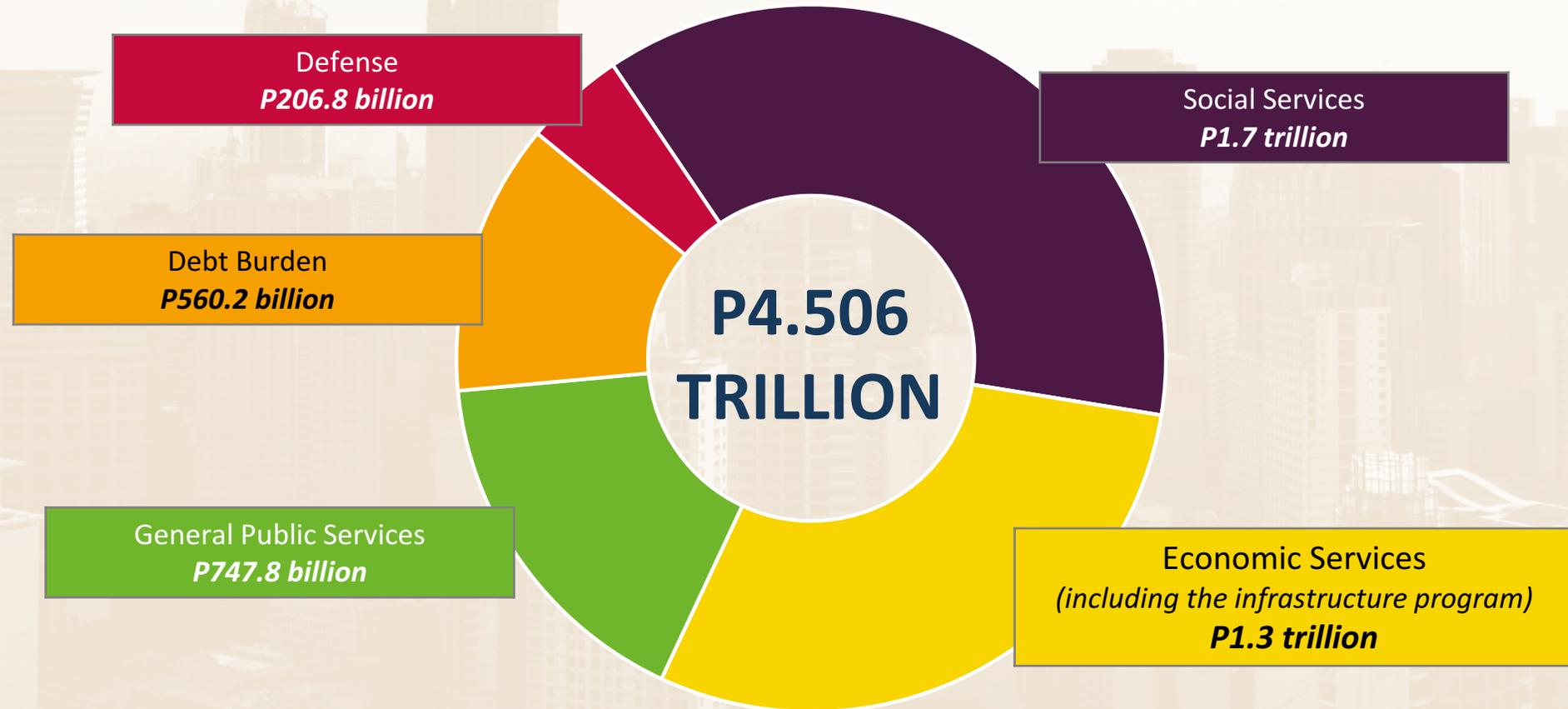
**We expect to achieve our adjusted revenue collection target for 2021 as the full digitalization of the Bureau of Internal Revenue and the Bureau of Customs is well underway.**



*\*Adjusted Collection Targets, December 2020 DBCC*

A large part of the government's 2021 national budget was earmarked for our Build, Build, Build program, which has the highest multiplier effect on the economy.

## 2021 NATIONAL BUDGET BY SECTOR



The more sustainable path to recovery is to foster the revival of our enterprises and the restoration of consumer activity.

**A strong private sector is the key to our recovery strategy.**



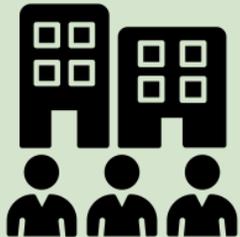
# The recent passage of the majority of our key recovery bills bodes well for our economic prospects.

- Congress has ratified the **Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act**, which lowers the corporate income taxes and provides other benefits to businesses to aid in their recovery. In addition, this measure proposes more flexibility in granting fiscal and non-fiscal incentives.
- The President signed into law the **Financial Institutions Strategic Transfer (FIST) Act**, which will help banks free up capital and funds to lend to more businesses facing liquidity issues.
- We are pushing for the passage of the **Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE bill)**. This measure will help us save strategically important companies by helping them to address their solvency issues.

# We have a three-pronged strategy to acquire COVID-19 vaccines.



Financing support from the multilateral institutions.



Partnership with private sector groups.



Partnership with local government units.

The doses we are acquiring are more than enough to inoculate

**100 percent of the country's  
adult population.**



**We will not recover alone.**

We are looking forward to all diplomatic initiatives to support a strong global economic recovery.



**The Philippine economy is seen to get a strong boost from our participation in the Regional Comprehensive Economic Partnership (RCEP), the latest and largest formed trading bloc in the world.**

- The manufacturers in the country can get **cheaper imported goods, raw materials, and other products** from other member countries of the RCEP.
- It will be convenient to do business as the RCEP **simplified the rules for businesses and investors**, and there will be a **clear mechanism on transparency and consultation** related to issues in trade and trading partners.
- Participating countries will have **uniform rules for protecting intellectual property rights**.
- The RCEP will **complement our ongoing trade and investment reforms and initiatives**.

**We will push for the passage of complementary bills that will open up the country to more foreign direct investment.**

**Retail Trade  
Liberalization Act**

Aims to remove barriers to foreign investments in the local retail sector.

**Foreign Investments Act**

Seeks updates to the declaration of policy to encapsulate inclusive economic growth, advancements in technology, and the dynamic relationships among global and regional economies.

**Public Service Act**

Aims to open more businesses to foreign participation and make our economy more progressive.

**We are committed to pursue the remaining tax reform packages that will allow a simpler, fairer, and more efficient tax system.**

**Package 3**



Real Property Valuation and  
Assessment Reform

**Package 4**



Passive Income and Financial  
Intermediary Taxation

# There is a strong case for the Philippines to focus on sustainable development.

- We fully support the enactment of legislative measures **banning single-use plastics**.
- We aim to mobilize investments in **renewable energy, sustainable urban planning, and climate-smart agriculture**.
- We commit to deploy **financial tools to build disaster resilience and climate adaptation** from the household to the national levels.

The Duterte administration is committed to ensure that our economic fundamentals remain strong and our fiscal resources sufficient and sustainable.



We are determined to rise to the twin challenge of **recovering strongly from the pandemic and mitigating the impact of climate change.**



The Duterte administration is doing its utmost to rebuild an **inclusive, sustainable, greener, and healthier economy** for the Filipino people.





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