



**PRESS CONFERENCE ON THE Q3 2020  
PERFORMANCE OF THE PHILIPPINE ECONOMY**

**JOINT STATEMENT  
OF THE DUTERTE ADMINISTRATION'S ECONOMIC MANAGERS:**

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**Introduction**

Colleagues in government, friends from the media, fellow Filipinos, good morning.

Our experience with COVID-19 over the past several months tells us two things. First, the economy is strong enough to recover, if we enable it to do so. Second, our best recourse to help the economy is to manage the risks.

Managing risks, instead of avoiding them, will allow us to safely open more of the economy and help Filipinos recover their sources of income. This will also put the Philippines back on its solid growth and development trajectory.

**Quarantine impact on health**

The third quarter of 2020 saw the country dance with the virus: two steps forward and one step back.

In August, the National Capital Region or NCR and neighboring provinces reverted to modified enhanced community quarantine or MECQ status for two weeks to respond to the increase in COVID-19 cases and to help prepare the hospitals critical care units.

Earlier in June and July, Cebu City also reverted to enhanced community quarantine (ECQ) and then MECQ to improve its health system. Several other local government units (LGUs) also went back to more stringent quarantines to save lives.

These actions gave us time to expand our capacity to deal with this contagion.

From almost zero capacity in February, daily testing capacity reached 111,605 on November 4, with 160 labs providing RT-PCR testing, while daily testing reached a peak of 46,597 on September 11. From a handful of DOH personnel as contact tracers, we now have over 253,442 trained contact tracers deployed across the country as of November 6.

More testing and vigilant contact tracing led to the detection of more cases, as expected, but the far majority, at 94 percent, are asymptomatic or mildly sick. More importantly, we have reduced the number of future infections because we have also implemented more effective isolation protocols.

Of around 393,961 total cases as of November 7, reported deaths number 7,485, equivalent to a case fatality rate of 1.9 percent. This is much lower than the 17 percent in April. Total active cases are manageable at 36,260, of which around 2,283, or six percent, are severely or critically ill, requiring hospital care.

We have also used the quarantine period wisely to boost our capacity to treat those requiring hospitalization. Throughout the country, some 21,909 hospital beds are dedicated to COVID-19 as of November 4. Of the total allocated beds, only around 39 percent is occupied. This means that the country is ready to care for COVID-19 patients.

However, these concerted efforts do not come without costs.

### **Quarantine impact on the economy: GDP performance**

The economic team is optimistic that the worst is over for the country.

The smaller GDP contraction of 11.5 percent in the third quarter from a contraction of 16.9 percent in the second quarter indicates that the economy is on the mend. The path is clearer to a strong bounce-back in 2021.

The double-digit contraction in the third quarter is not surprising given the return to more stringent quarantine measures in NCR and neighboring provinces, and Cebu City, which together account for around 60 percent of the Philippine economy.

In addition, the public transportation was restricted. This prevented many Filipinos from leaving their homes and reporting for work even if their industries are allowed to operate.

For instance, in NCR, some 58.2 percent of workers were allowed to resume work in September. However, public transportation at that time could only accommodate 35.5 percent because of social distancing rules and lower operator turnout. This means some 22.7 percent of NCR workers could not go back to work.

Nonetheless, the economy has begun to recover. On a quarter-on-quarter basis, the economy grew by 8 percent in the third quarter, reflecting the return of economic activities as the quarantine was eased.

On the expenditure side, households and firms have begun to recover, with smaller contractions in household consumption, firm investments, exports, and imports. In particular, goods exports grew by positive 2.2 percent in September, as the economy of our major trading partners in the region recovered, notably China.

With the expiration of Bayanihan 1 in June and Bayanihan 2 still in Congress, government consumption growth slowed to 5.8 percent. According to the Department of Budget and Management (DBM), actual infrastructure disbursement in the third quarter exceeded programmed levels by 12.1 percent, although this was lower than third quarter 2019 level by 28 percent in real terms. This is not surprising given the catch-up spending carried out in the second half of last year after the late passage of the 2019 budget.

On the supply side, agriculture growth slowed to 1.2 percent, as the sector faced a number of plant and animal diseases. These headwinds, however, had minimal effects on overall food supply as evidenced by falling food inflation in the same period.

Both industry and services also showed a smaller contraction, consistent with the initial recovery of employment, where some 7.5 million workers returned in the third quarter. This reduced the unemployment rate to 10 percent in July from 17.7 percent in April, when the quarantine was at its strictest.

## **Recovery policies**

Recent developments show that the Philippines' economic fundamentals remain strong and managing risks going forward will allow us to open up even more of the economy safely to accelerate the recovery.

The Cabinet has recently approved measures to further open up the economy in the fourth quarter, subject to enforcing the minimum health standards and enhancing the Prevent, Detect, Isolate, Treat, Reintegrate or the PDITR strategy.

Starting October, new guidelines by the Department of Trade and Industry (DTI) allow more sectors to expand capacity to between 75 and 100 percent.

The Department of Transportation (DOTR), on the other hand, has also issued guidelines to increase public transport capacity using a combination of faster turnaround, service contracting, and adequate social distancing, such as the "one seat apart" rule while following the "seven commandments."

At the same time, as the economy opens up, the government continues to ensure hospitals are equipped and preparation for vaccine procurement is underway.

These policies to manage risk will help limit total COVID-19 cases, ensure we are able to care for the critically and severely ill, and allow everyone else to safely return to work and address their non-COVID-19 health needs. Successful implementation of this strategy will also help improve consumer confidence to support near-term growth.

As the government pursues efforts to avoid virus surges while easing restrictions on businesses and transportation, the economic team is hopeful that Congress will do its part to help the economy bounce back by passing the pending recovery bills within the year.

These are the 2021 General Appropriations Act (GAA), the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, the Government Financial Institutions Unified Initiative to Distressed Enterprises for Economic Recovery or the GUIDE Act, and the Financial Institutions Strategic Transfer or the FIST Act.

CREATE will lower the corporate income tax outright from 30 percent to 25 percent as soon as it is made effective. This will be the biggest stimulus package ever for businesses, benefiting mostly micro, small, and medium enterprises (MSMEs) that comprise 99 percent of businesses and employ over 60 percent of Filipino workers.

FIST will help banks dispose non-performing loans and assets so they can free up money and capital to extend more credit, especially to small businesses. Meanwhile, GUIDE will provide equity support to strategically important companies facing insolvency. All three bills are important elements of the recovery program to address specific needs of businesses.

In the fourth quarter, the full release and utilization of Bayanihan 2 is crucial to improving 2020 GDP prospects. As of November 3, 80 billion pesos or some 58 percent of the 140 billion pesos in regular appropriations for Bayanihan 2 have been released.

Finally, the 2021 budget will provide us with some of the heftiest tools necessary to rebuild our economy. The timely passage of this bill is crucial in helping attain the 6.5 to 7.5 percent GDP growth target for next year.

With an infrastructure budget amounting to 1.121 trillion pesos, some 1.7 million jobs can be created. With its high multiplier effect, the Build, Build, Build program will play a pivotal role in our economic recovery.

A delay in the passage of the budget will be detrimental to the economy and our recovery. Each day of delay will result in 1.1 billion pesos not spent.

## **Conclusion**

Our experience in 2020, thus far, shows our resilience as a nation. We are aware of and very thankful for the many sacrifices the Filipino people have to make—from mothers who juggle work while helping their children study remotely, to healthcare workers in

testing centers and in hospitals who risk their lives to detect the virus and care for the very sick, some of them our family members and close friends.

A major part of our success in controlling virus transmission is the cooperation of people in making the minimum health standards a part of their daily lives. All these small contributions go a long way in our recovery process.

Like before, we will make sure that we do not let this crisis go to waste. The Duterte administration will do all that is necessary so that adequate, prudent, and timely policies and responses help bring our country back to its inclusive growth trajectory.

The challenges are immense, but we are determined to build back a better economy our people deserve.

Thank you.

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