



OPENING REMARKS

Secretary of Finance Carlos G. Dominguez
Joint Meeting of the Business Community
May 28, 2020

2020 will be a challenging year for the economy but we are confident of weathering these challenges and recovering with resilience due to President Rodrigo Duterte's **prudent approach to fiscal management.**

The Philippines' macroeconomic fundamentals are strong

6.6%

*Average GDP growth rate
from 2016 to 2019*

39.6%

*2019 debt-to-GDP ratio; the
lowest ratio recorded*

16.1%

*2019 Revenue Effort; the
highest ratio since 1997*

BBB+

*PH's credit rating achieved
in 2019; the highest rate in
the country's history*

USD 89 B

*End-March 2020 gross
international reserves; the highest
recorded so far and can cover
close to 8 months of imports*

2.2%

*April 2020 inflation rate; well
within the target range of
2% to 4%*

On April 30,
The Economist
ranked the
Philippines'
financial strength
as 6th
among 66
emerging
economies.

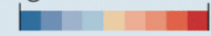
Route 66

Selected emerging economies ranked on four measures of financial strength

1=strongest

Country (with rank)	Public debt % of GDP, 2020*	Foreign debt % of GDP, 2020*	Cost of borrow- ing [†]	Reserve cover [‡]
1 Botswana	Dark Blue	Dark Blue	Dark Blue	Dark Blue
2 Taiwan	Blue	Blue	Blue	Blue
3 South Korea	Light Blue	Blue	Dark Blue	Dark Blue
4 Peru	Light Blue	Blue	Blue	Blue
5 Russia	Dark Blue	Blue	Blue	Blue
6 Philippines	Light Blue	Blue	Blue	Blue
7 Thailand	Light Blue	Blue	Dark Blue	Dark Blue
8 Saudi Arabia	Light Blue	Blue	Blue	Blue
9 Bangladesh	Light Blue	Blue	Blue	Blue
10 China	Orange	Dark Blue	Dark Blue	Dark Blue
11 Guatemala	Blue	Blue	Light Blue	Dark Blue
12 Vietnam	Light Blue	Blue	Blue	Blue
13 Poland	Yellow	Blue	Dark Blue	Light Blue
14 Nigeria	Blue	Dark Blue	Orange	Blue
15 Trinidad & Tob.	Light Blue	Light Blue	Light Blue	Dark Blue
16 Indonesia	Blue	Blue	Blue	Orange
17 UAE	Blue	Orange	Blue	Blue
18 India	Orange	Dark Blue	Blue	Blue
19 Czech Rep.	Blue	Orange	Dark Blue	Yellow
20 Paraguay	Blue	Light Blue	Blue	Orange
21 Bolivia	Blue	Blue	Yellow	Blue
22 Kuwait	Dark Blue	Yellow	Blue	Orange
23 Azerbaijan	Blue	Orange	Blue	Yellow
24 Ivory Coast	Light Blue	Light Blue	Yellow	Light Blue
25 Malaysia	Orange	Yellow	Blue	Yellow
26 Morocco	Orange	Light Blue	Blue	Light Blue
27 Romania	Light Blue	Yellow	Blue	Orange
28 Mexico	Orange	Light Blue	Blue	Light Blue
29 Colombia	Yellow	Yellow	Blue	Orange
30 Brazil	Orange	Blue	Blue	Light Blue
31 Chile	Blue	Orange	Blue	Orange
32 Dom. Rep.	Orange	Light Blue	Yellow	Yellow
33 Uruguay	Orange	Orange	Blue	Blue

Strongest Weakest



Country (with rank)	Public debt % of GDP, 2020*	Foreign debt % of GDP, 2020*	Cost of borrow- ing [†]	Reserve cover [‡]
34 Croatia	Orange	Orange	Blue	Light Blue
35 Qatar	Yellow	Red	Blue	Yellow
36 Kazakhstan	Blue	Red	Blue	Orange
37 Egypt	Orange	Blue	Orange	Orange
38 Namibia	Light Blue	Yellow	Yellow	Orange
39 Uganda	Light Blue	Light Blue	Orange	Orange
40 Costa Rica	Yellow	Yellow	Orange	Orange
41 Ethiopia	Yellow	Blue	Orange	Red
42 Kenya	Orange	Light Blue	Orange	Orange
43 Pakistan	Orange	Blue	Orange	Orange
44 Turkey	Blue	Orange	Yellow	Red
45 Iraq	Red	Light Blue	Orange	Blue
46 Senegal	Orange	Orange	Yellow	Orange
47 South Africa	Orange	Yellow	Light Blue	Orange
48 Ghana	Orange	Light Blue	Orange	Orange
49 Hungary	Orange	Red	Blue	Red
50 Jordan	Orange	Orange	Yellow	Orange
51 Panama	Yellow	Red	Blue	Red
52 Gabon	Yellow	Yellow	Orange	Red
53 Ukraine	Orange	Orange	Orange	Orange
54 Ecuador	Orange	Yellow	Red	Red
55 El Salvador	Orange	Orange	Orange	Orange
56 Jamaica	Orange	Red	Light Blue	Orange
57 Argentina	Orange	Orange	Red	Orange
58 Oman	Orange	Red	Orange	Orange
59 Mongolia	Orange	Red	Orange	Orange
60 Tunisia	Orange	Orange	Orange	Orange
61 Sri Lanka	Orange	Orange	Orange	Orange
62 Angola	Red	Orange	Red	Orange
63 Bahrain	Red	Red	Yellow	Red
64 Zambia	Red	Orange	Red	Red
65 Lebanon	Red	Red	Red	Orange
66 Venezuela	Red	Red	Red	Red

Sources: EIU; IMF; JPMorgan Chase; iShares; The Economist; central banks; Haver Analytics; World Bank; Finanzen.net

*Forecast †Yield on hard-currency bond or real yield on local bond ‡Foreign-exchange reserves, relative to 2020 foreign-debt payments and current-account deficit

1st Quarter Philippine GDP performance vs other ASEAN countries

Country	Q1 GDP growth (%)	Start of lockdown period
Singapore	-2.2	“Circuit breaker” measures started April 7; extended to June 1
Philippines	-0.2	NCR and Cainta community quarantine started on March 15 Luzon enhanced community quarantine started on March 17
Thailand	-1.8	“Broad lockdown” started March 25
Malaysia	0.7	Nationwide movement control order started March 18
Indonesia	3.0	Area-specific lockdowns, with the earliest imposed on April 10
Vietnam	3.8	“National isolation” (stay-at-home order) started March 31

Sources: Official statistics offices

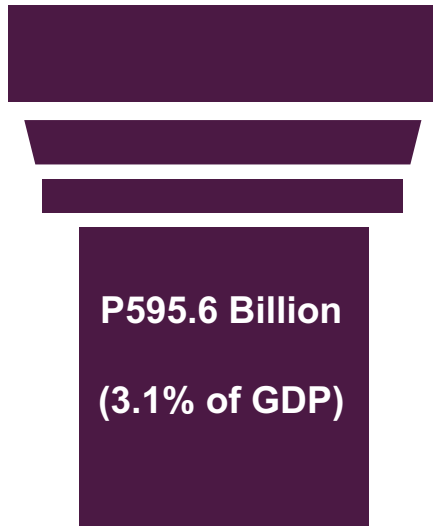
The economy is resilient, and can bounce back

- Global experts have advised **not to focus on quarterly GDP performance** during this crisis.
- The most important actions are **fundamental reforms** and **conservative economic management**.

Four-Pillar Socioeconomic Strategy Against COVID-19

Total value of P1.74 trillion, equivalent to 9.1% of GDP

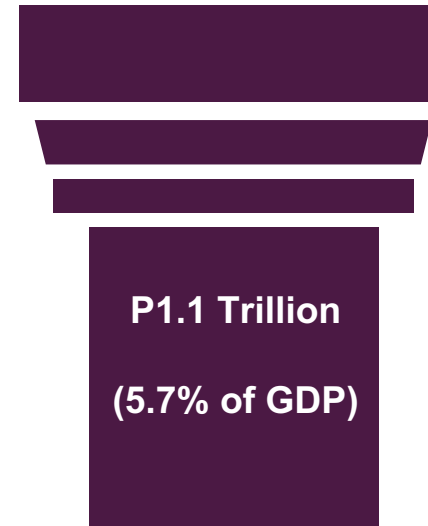
PILLAR 1
Emergency support for
vulnerable groups and
individuals



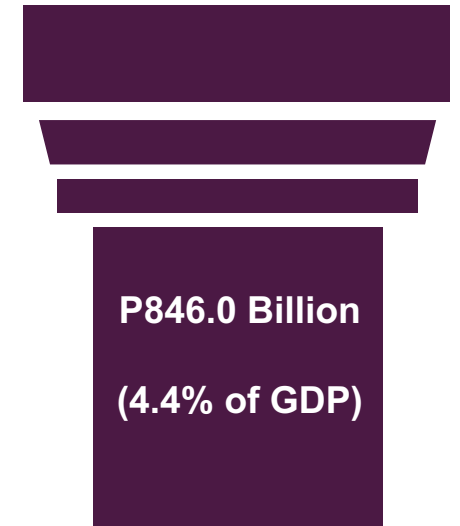
PILLAR 2
Marshalling resources
to fight COVID-19



PILLAR 3
Fiscal and monetary actions
to finance emergency
initiatives and keep the
economy afloat



PILLAR 4*
An economic recovery
program focused on getting
businesses back on their feet
to sustain and create jobs



**Note: Pillar 4 will be funded in large part by Pillar 3; the total amount of Pillar 4 is not included in the grand total.*

Pillar 1: Emergency support for vulnerable groups and individuals

(P595.6 billion, 3.1% of GDP)

Item	In PHP M	In USD M	% of GDP
• Department of Social Welfare and Development (DSWD) emergency subsidy program for 18 million low-income families	205,000.0	4,035.0	1.06
• Department of Finance (DOF), Bureau of Internal Revenue (BIR) and Social Security System (SSS) wage subsidy program for employees of small businesses to incentivize retention of workers	51,000.0	1,003.8	0.26
• Credit guarantee for affected small business to access bank financing during the crisis situation	120,000.0	2,361.9	0.62
• Proposed net operating loss carryover (NOLCO) of five years to help business cope with losses	139,596.1	2,747.6	0.72
• Department of Trade and Industry (DTI) loan program for micro, small and medium enterprises (MSMEs) for enterprise development training and livelihood kits	1,203.0	23.7	0.01
• Department of Agriculture (DA) loan assistance for marginalized farmers and fishers, and micro and small enterprises engaged in agriculture and fisheries production	2,500.0	49.2	0.01
• Additional local government unit (LGU) assistance to support vulnerable sectors	36,000.0	708.6	0.19
• DA and DTI rice programs to increase productivity and boost buffer stock	16,500.0	324.8	0.09
• LANDBANK loan program for LGUs to increase their emergency funding	10,000.0	196.8	0.05
• Department of Labor and Employment (DOLE) cash assistance program to support displaced overseas Filipino workers (OFWs)	1,500.0	29.5	0.01
• DOLE program that creates minimum-wage jobs for displaced informal sector workers	1,146.0	22.6	0.01
• DOLE cash assistance program to support affected formal workers	3,247.0	63.9	0.02
• DA cash assistance program to rice farmers	3,000.0	59.0	0.02
• SSS assistance to cover unemployment benefits	1,200.0	23.6	0.01
• Technical Education and Skills Development Authority (TESDA) free online courses to upskill workers	3,000.0	59.0	0.02
• Tax expenditure for tax payment extension	470.0	9.3	0.00
• Asian Development Bank (ADB) rapid emergency supplies provision grant	254.0	5.0	0.00
SUBTOTAL	595,616.1	11,723.4	3.09

Pillar 2: Expanded medical resources to fight COVID-19 and ensure the safety of frontliners (*P58.6 billion, 0.3% of GDP*)

Item	In PHP M	In USD M	% of GDP
• Philippine Amusement and Gaming Corporation (PAGCOR) and Philippine Charity Sweepstakes Office (PCSO) assistance for purchase of medical equipment and supplies	2,900.0	57.1	0.02
• ADB grant to support health measures against COVID-19	150.0	3.0	0.00
• World Bank loan for COVID-19 Emergency Response Project	5,080.6	100.0	0.03
• PhilHealth subsidy on medical expenses coverage for all COVID-19 patients and healthcare workers, in case of exposure to COVID-19 or any work-related injury or disease during the emergency*	22,185.6	436.7	0.12
• PCSO funding for COVID-19 medical coverage	420.6	8.3	0.00
• Procurement of personal protective equipment (PPEs) by the Department of Health (DOH) and other government agencies*	10,933.7	215.2	0.06
• Test kit procurement and production*	1,102.8	21.7	0.01
• Other medical supplies (e.g., Intensive Care Unit and isolation beds, and ventilators)*	11,962.5	235.5	0.06
• Special risk allowance for healthcare workers*	200.9	4.0	0.00
• Compensation to additional healthcare workers*	449.7	8.9	0.00
• Compensation to all healthcare workers in case of severe infection or death from COVID-19*	33.7	0.7	0.00
• Revenue forgone to expedite clearance and exempt importations of PPE and medical goods from taxes and duties*	2,701.5	53.2	0.01
• Compensation for private facilities used for the purpose of fighting COVID-19*	511.8	10.1	0.00
SUBTOTAL	58,633.3	1,154.1	0.30

*Preliminary DOF staff estimates

Pillar 3: Fiscal and monetary actions to finance emergency initiatives and keep the economy afloat (*P1.1 trillion, 5.7% of GDP*)

Item	In PHP M	In USD M	% of GDP
• Projected official development assistance support from multilateral and bilateral sources	436,929.5	8,600.0	2.27
• Selling of 10-year and 25-year global bonds by the Bureau of the Treasury to sustain COVID-19 response measures	119,393.5	2,350.0	0.62
• Bangko Sentral ng Pilipinas (BSP) purchase of government bonds to fund COVID-19 response measures	300,000.0	5,904.8	1.56
• BSP estimated liquidity infusion into the economy as a result of the reduction of the reserve requirement ratio by 200 basis points (bps)	200,000.0	3,936.6	1.04
• BSP estimated liquidity infusion as a result of the cumulative reduction of 125 bps in the policy rate	33,000.0	649.5	0.17
SUBTOTAL	1,089,323.0	21,440.9	5.7
GRAND TOTAL	1,743,572.4	34,318.4	9.1

Pillar 4: An economic recovery program focused on getting businesses back on their feet to sustain and create jobs once the quarantine period ends
(P846.0 billion, 4.4% of GDP)

Item	In PHP M	In USD M	% of GDP
• Proposed Bayanihan II and Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)*	173,000.0	3,405.1	0.90
• Reallocation of 2019 savings and 2020 budget, off-budget, financial sector, monetary policy, regulatory relief, and private sector contribution*	673,000.0	13,246.5	3.49
SUBTOTAL	846,000.0	16,651.7	4.4

Note: Pillar 4 will be funded in large part by Pillar 3; the total amount of Pillar 4 is not included in the grand total.

*Preliminary DOF staff estimates

Priority Measures to Revive the Economy

- 1. Restart and accelerate the Build, Build, Build program**, subject to minimum health standards.
- 2. Mass hiring of contact tracers** to lower the peak of COVID-19 infections and provide jobs.
- 3. Stimulate consumer spending** by reviving manufacturing of products that have strong, inelastic demand, especially food production and logistics.

Priority Measures to Revive the Economy

4. **Support the whole value chain** of these products, including food markets for efficient distribution of produce.
5. **Attract foreign investors** to relocate from other countries; **pass the package 2 of the comprehensive tax reform program** that will include flexible tax and non-tax incentives.

Package 2 of the tax reform program has been recalibrated to make it more responsive to the needs of businesses negatively affected by the COVID-19 pandemic.

The recalibrated Package 2 will also improve the ability of the Philippines to attract highly desirable investments that will serve the public interest.

The Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) will be the **first-ever revenue-eroding tax reform package** proposed by the Philippine Department of Finance and the **largest fiscal stimulus program for enterprises in the country's history.**

CREATE Highlights

- 1. An immediate across-the-board cut of the corporate income tax rate for all firms from 30 percent to 25 percent starting in July 2020.** The corporate income tax rate will be reduced further by 1 percentage point every year from 2023 to 2027.
- 2. Maintain for up to 9 years the status quo for registered business activities enjoying the 5 percent tax on gross income earned incentive.** The sunset period is prolonged by two years, from 2 to 7 years in the previous version, to 4 to 9 years.

CREATE Highlights

- 3. Extend the applicability of the net operating loss carryover (NOLCO) for losses incurred by small businesses in 2020 from the current 3 years to 5 years.**
- 4. Make the system more flexible by allowing the Fiscal Incentives Review Board to recommend to the President the grant of longer incentives and additional non-fiscal incentives for deserving investments.**

Overall, CREATE is a **generous proposal** that addresses most, if not all, of the concerns raised with us before by business and industry groups.

There is no better time to reform our
corporate income tax system, and
modernize our fiscal incentives than
NOW.

The unequivocal support of the business sector is crucial in urging our lawmakers to rally behind this long-overdue reform.

Be assured that the Duterte administration will do its very best to protect our economic gains, support our recovery, strengthen our resilience, and bring us back to the path of inclusive and shared prosperity.



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