



KEYNOTE SPEECH

CARLOS G. DOMINGUEZ
Secretary of Finance

The Manila Times Business Forum 2020
October 20, 2020

President Rodrigo Duterte received a record-high 91 percent trust rating amid the pandemic. This is according to a latest survey done by Pulse Asia.



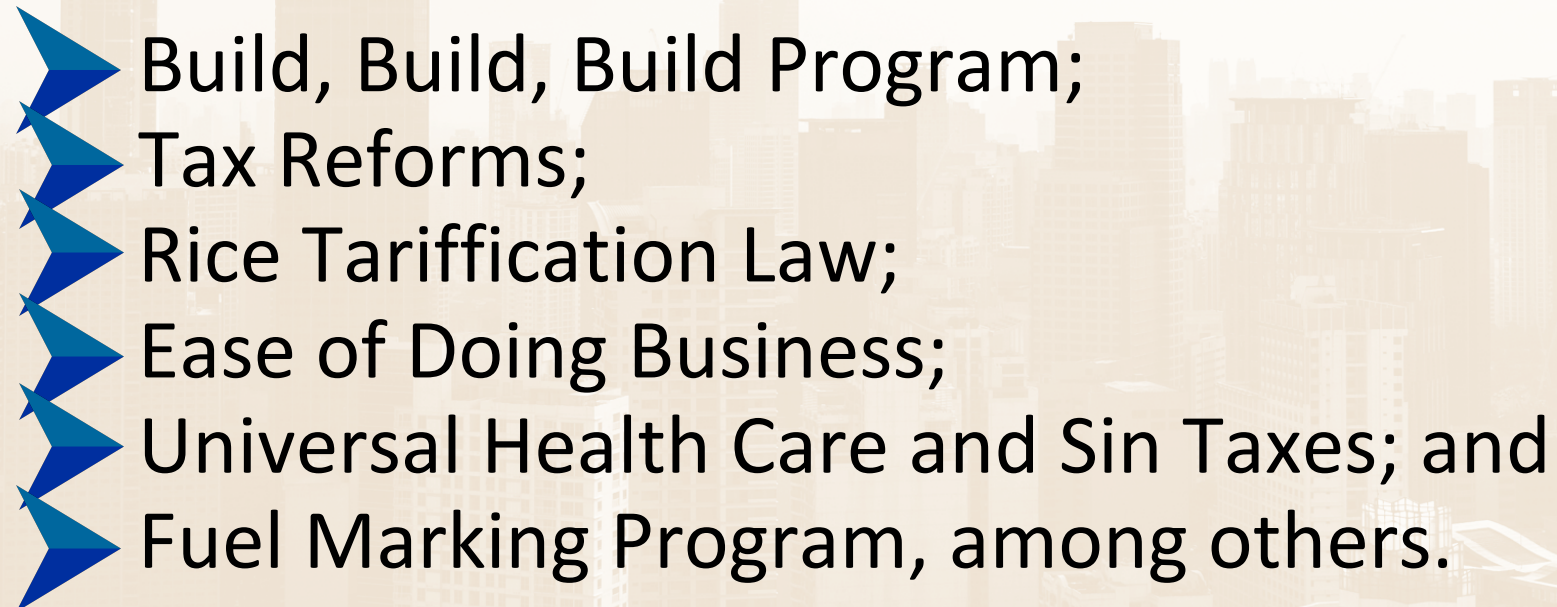
When this crisis hit,

we were financially

ready.

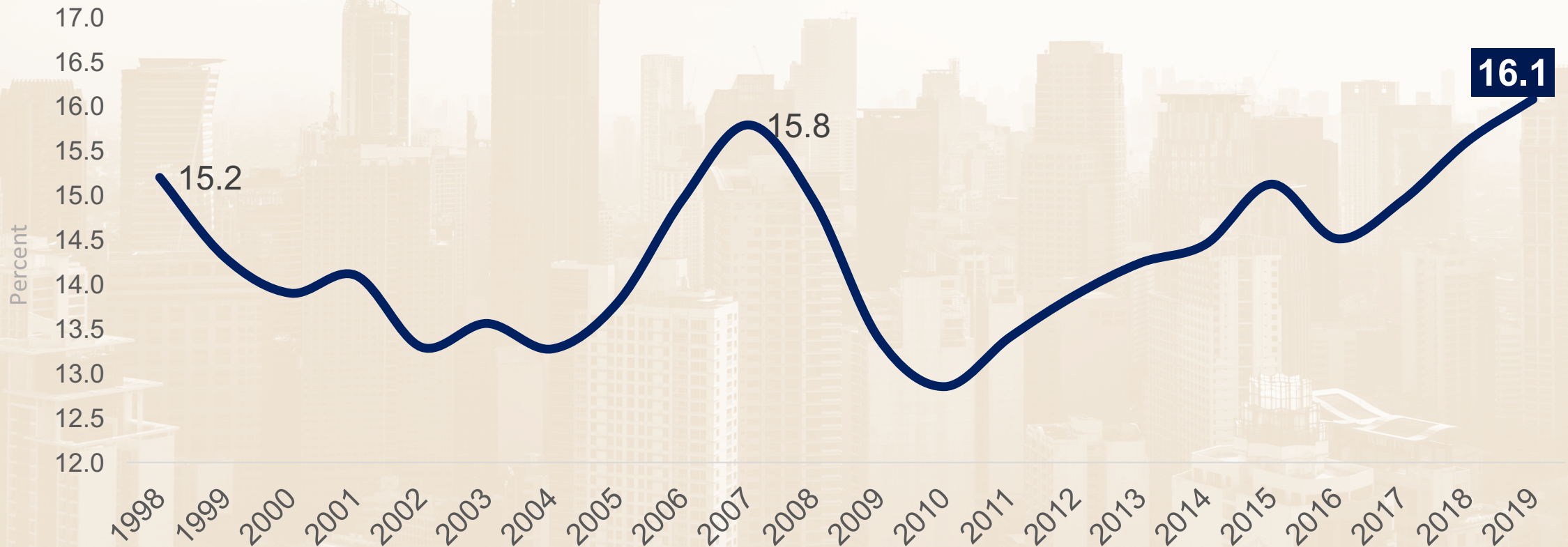


The game-changing reforms we passed over the last four years have strengthened our fiscal and economic stamina.

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- Build, Build, Build Program;
 - Tax Reforms;
 - Rice Tariffication Law;
 - Ease of Doing Business;
 - Universal Health Care and Sin Taxes; and
 - Fuel Marking Program, among others.

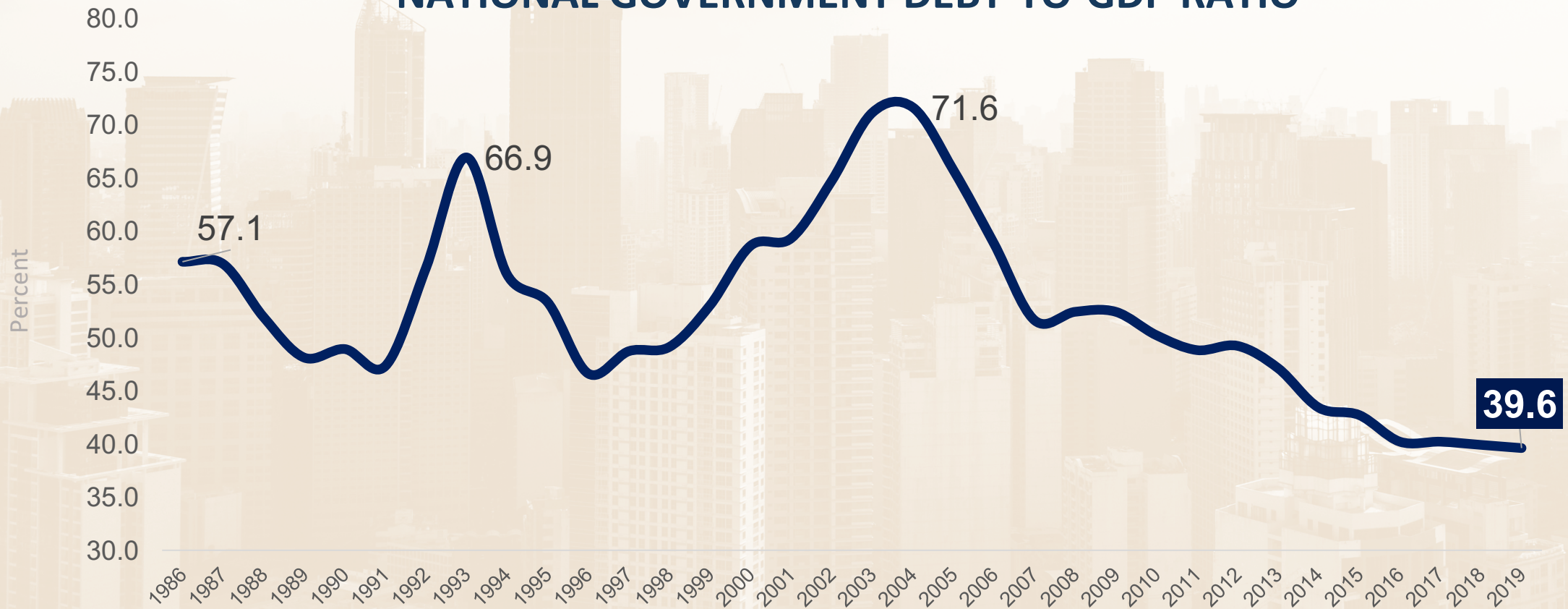
Revenues were at 16.1 percent of GDP in 2019,
the best performance since 1998.

REVENUES AS PERCENTAGE OF GDP



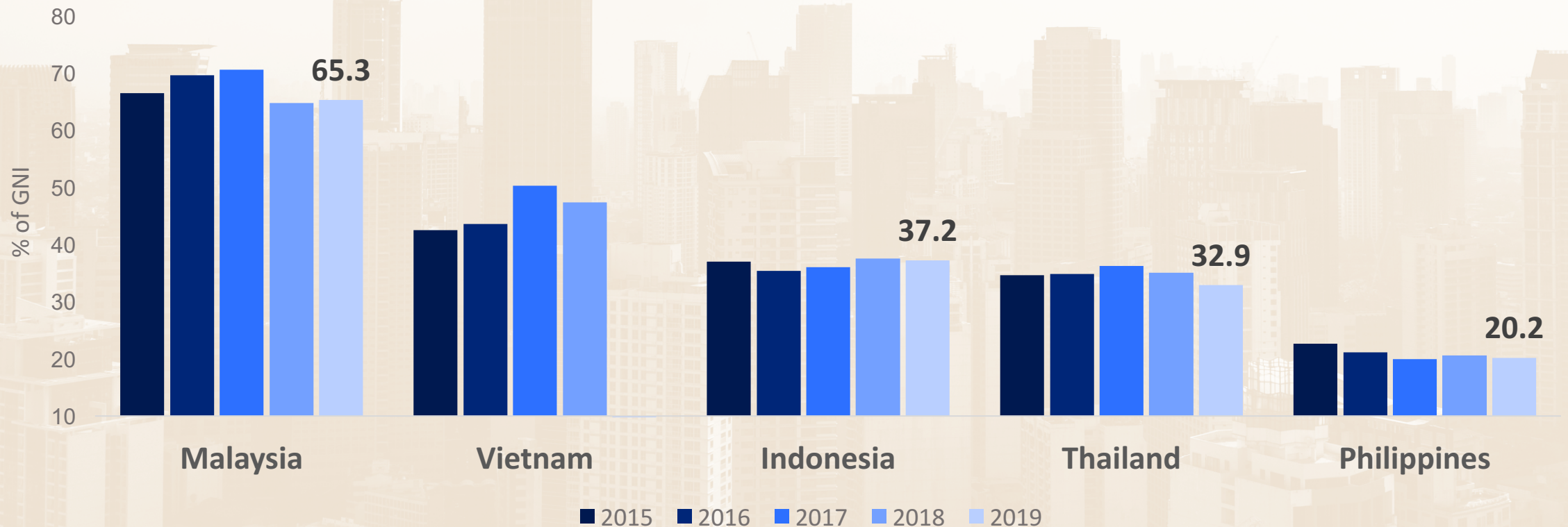
2019 debt-to-GDP ratio of 39.6 percent is the lowest it has been since the country started recording this metric in 1986.

NATIONAL GOVERNMENT DEBT-TO-GDP RATIO



The Philippines' 2019 external debt-to-GNI ratio of 20.2 percent is the lowest among the ASEAN-5 countries

GROSS EXTERNAL DEBT-TO-GNI RATIO



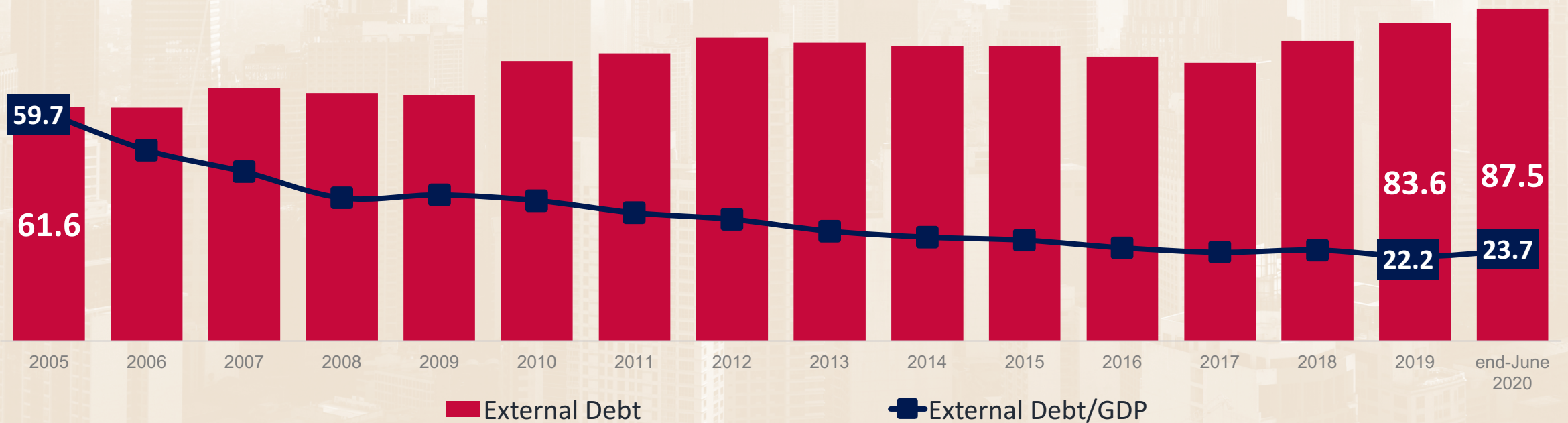
Hefty reserves at USD 100.5 billion as of September 2020 is the highest recorded so far, and can cover 10 months of imports.

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



Our foreign reserves even exceeded our outstanding external debt, which stood at USD 87.5 billion as of end-June 2020.

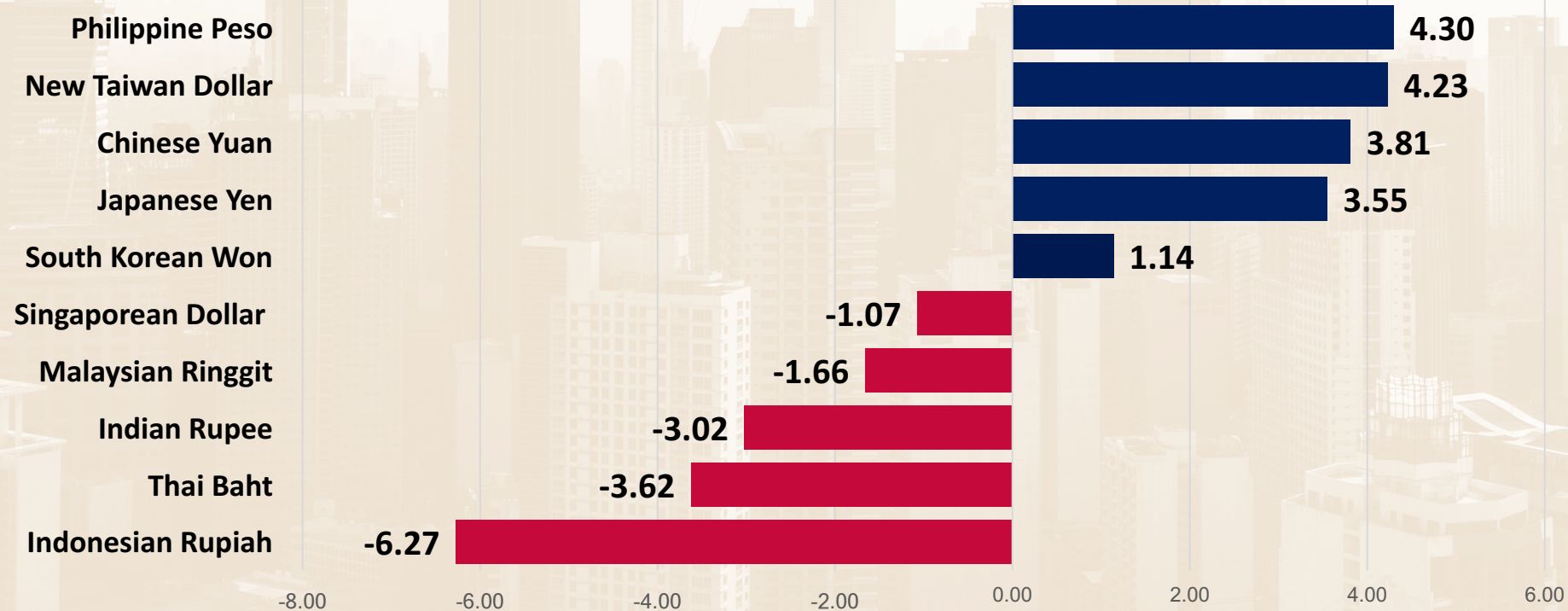
**EXTERNAL DEBT (USD Billion)
AND EXTERNAL DEBT AS % OF GDP**



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

YEAR-TO-DATE APPRECIATION (+)/DEPRECIATION (-) OF ASIAN CURRENCIES AGAINST US DOLLAR

(In percent, as of October 16, 2020)



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

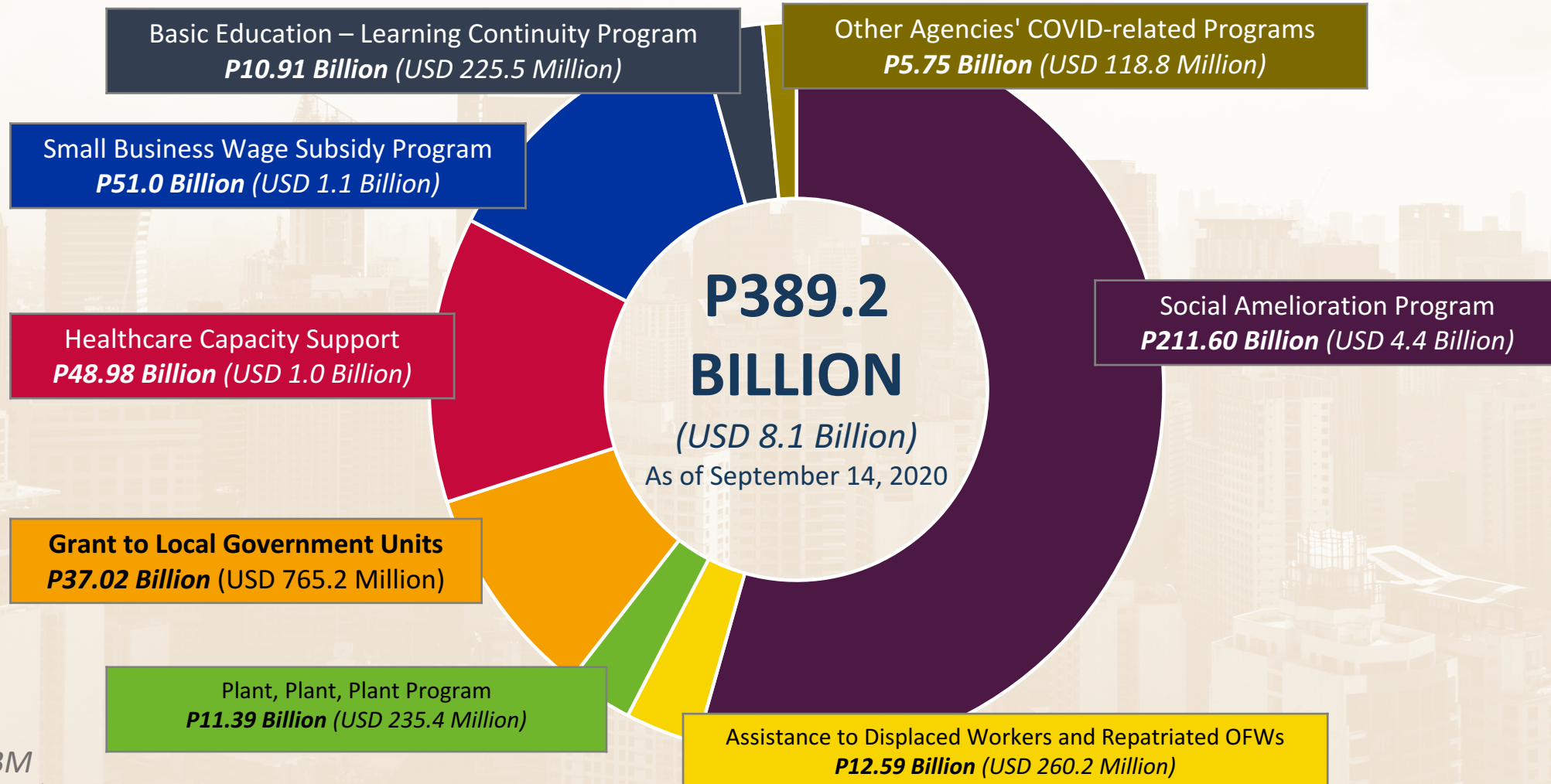
Affirmation of BBB rating (Stable Outlook)

Moody's

Affirmation of Baa2 rating (Stable Outlook)

One week after the imposition of lockdown in March, Congress swiftly passed Bayanihan I.

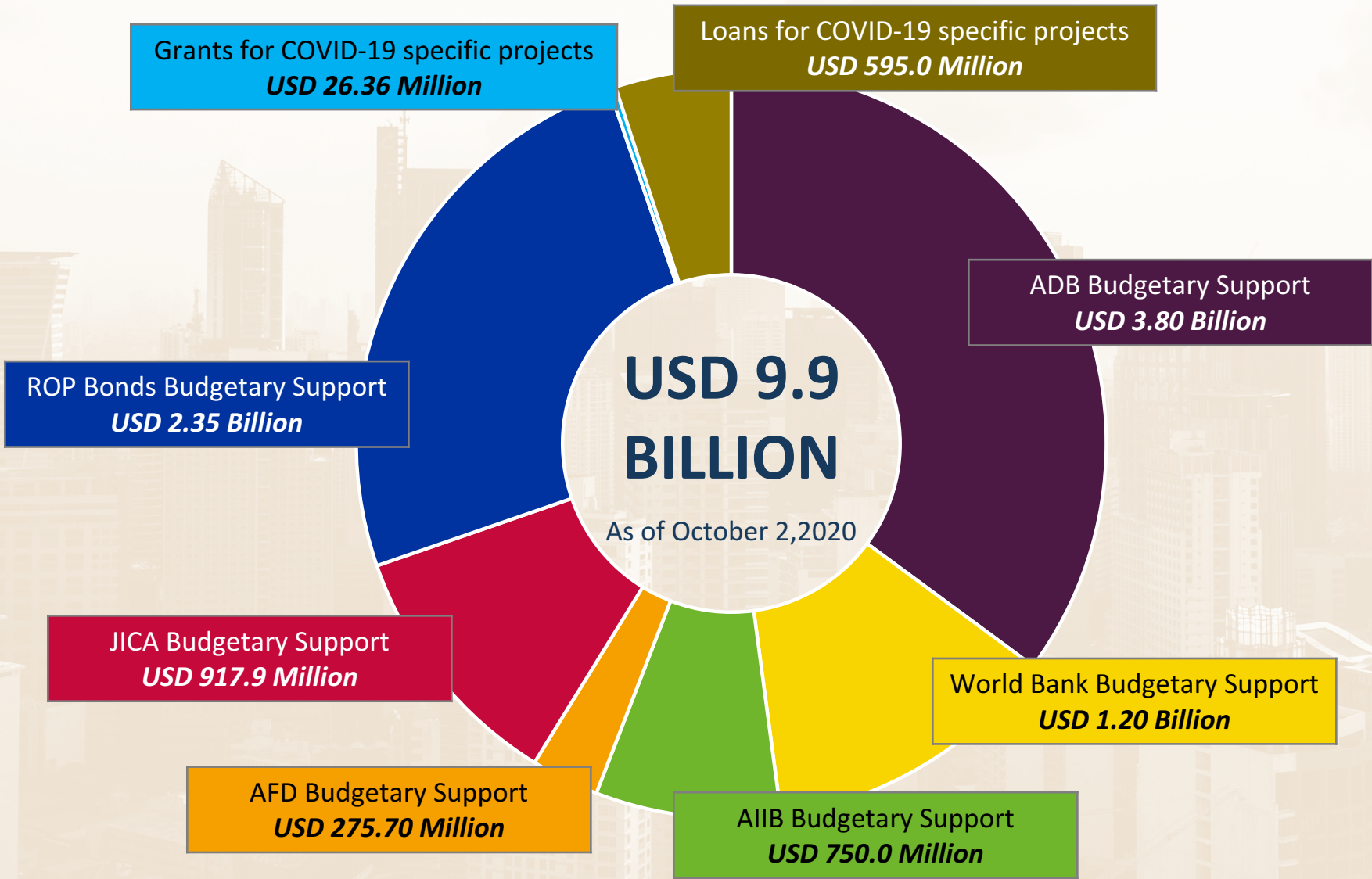
Total Allotments Released Under Bayanihan I



Source: DBM

1 USD= PHP 48.38 (BSP Exchange Rate as of October 13, 2020)

The Philippines quickly secured financing support from development partners and commercial markets for its COVID-19 response efforts.



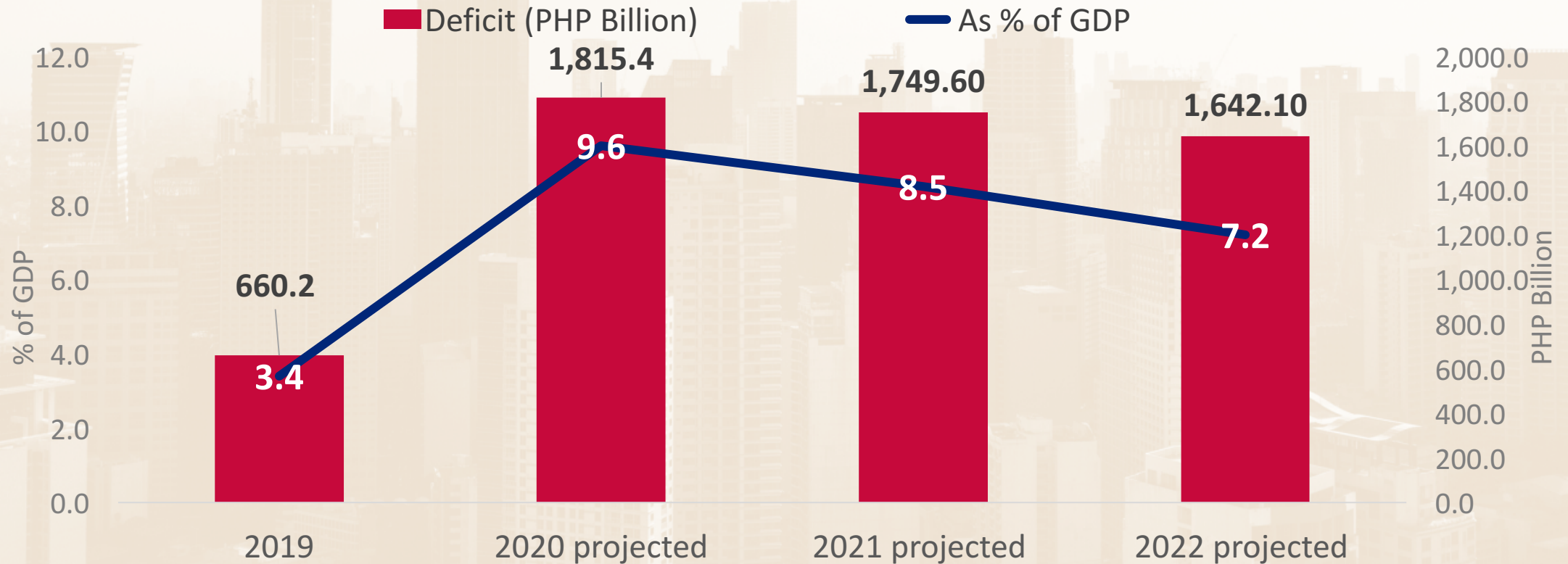
With all the uncertainty on the outcome of this pandemic,

The Philippines has chosen to take the path of fiscal prudence.



Our goal is to land our deficit-to-GDP ratio in the middle of our ASEAN neighbors and credit rating peers.

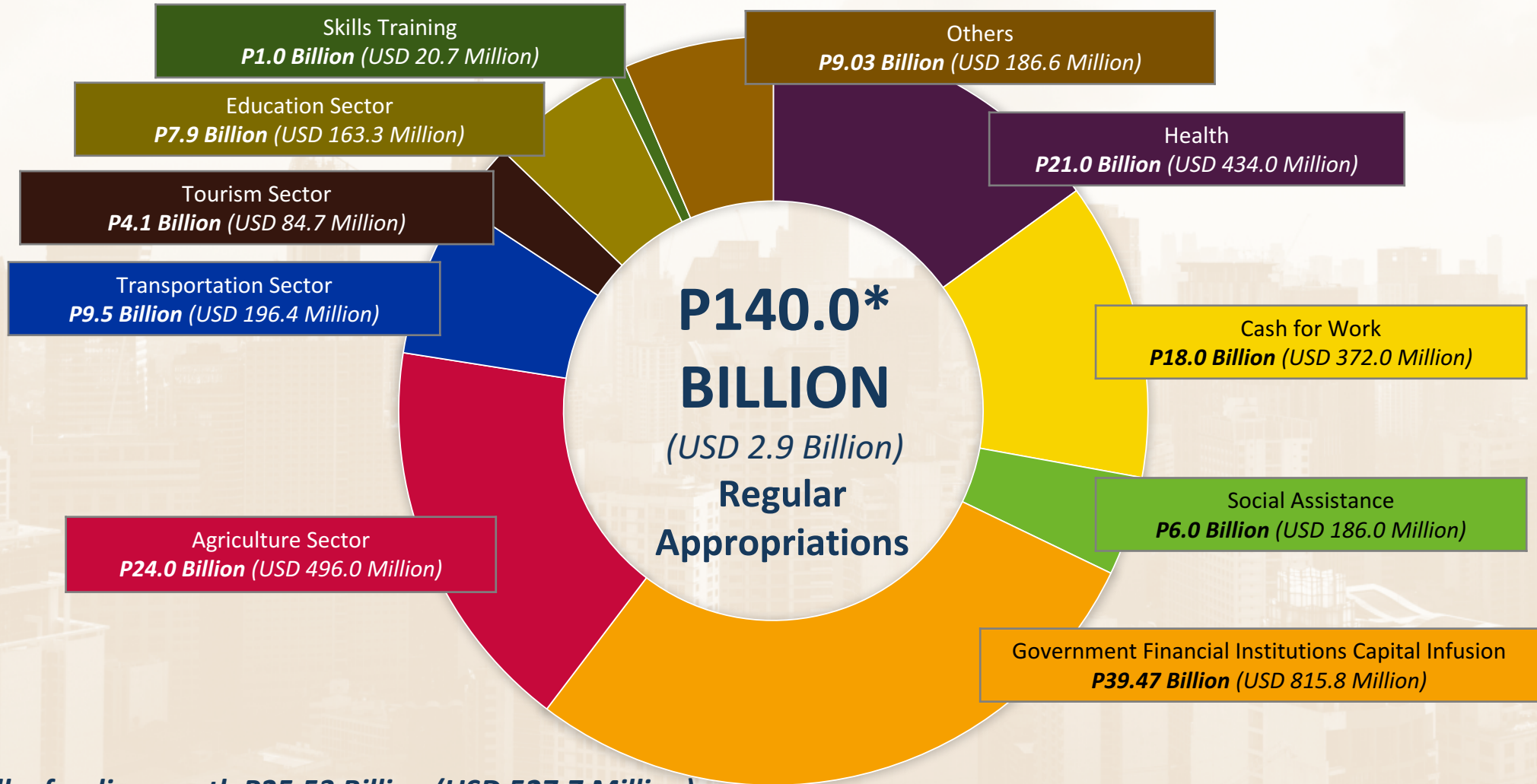
DEFICIT-TO-GDP RATIO



Both Bayanihan One and Two recognize that the fight against the pandemic has an **indeterminable timeline.**



Congress passed a fiscally responsible Bayanihan II that we can implement within our means.



***Has standby funding worth P25.53 Billion (USD 527.7 Million)**

1 USD= PHP 48.38 (BSP Exchange Rate as of October 13, 2020)

The credit programs under Bayanihan II will support, rather than diminish, the financial sector's continued strength and stability.

- **Infuses P39.47 billion in additional capital into government financial institutions to dramatically expand their lending to MSMEs.**
 - A total of P24.47 billion is made available for the LBP (*P18.47 billion*) and the DBP (*P6.0 billion*) as equity infusion for loans to individuals and businesses affected by the pandemic.
 - P5.0 billion is allocated to the Philippine Guarantee Corporation for the credit guarantee program.
 - P10.0 billion is made available for the lending programs and interest rate subsidies of the Small Business Corporation.
- **Makes available a standby fund in the amount of P15.53 Billion for equity infusion in LBP (*P9.03 Billion*) and DBP (*P6.50 Billion*).**

The cornerstone of our economic recovery is the Build, Build, Build program.

Investments in infrastructure have the highest multiplier effect in the economy.



Legislative Imperatives to Revive the Economy

- 1. Immediate passage of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act** that will provide targeted incentives and bring down our country's current corporate income tax rate of 30 percent to 25 percent as soon as possible. This will be reduced further by one percentage point every year from 2023 to 2027.
 - Maintain for up to 9 years the status quo for registered business activities enjoying the 5 percent tax on gross income earned incentive.
 - Allow the President to grant longer tax and non-tax incentives for investments with exceptional benefits to the public interest.
- 2. Allow banks to dispose of non-performing loans and assets** through asset management companies that are similar to special purpose vehicles created in early 2000s to deal with the effects of the Asian Financial Crisis.

Legislative Imperatives to Revive the Economy

- 3. Enable Government Financial Institutions to form a special holding company** that will infuse equity, with strict conditions, into strategically important companies facing insolvency.
- 4. Provide greater support to the agriculture sector** by giving the banking system the ability to support the entire value chain of agri-enterprises.

The 2021 national budget will provide us with the tools necessary to rebuild our economy.

FY 2021 PROPOSED BUDGET

P4.506 Trillion



9.9% year-on-year growth
21.8% of GDP



The government's aim has been to
**pursue a safe new normal while
we strive for a better normal.**



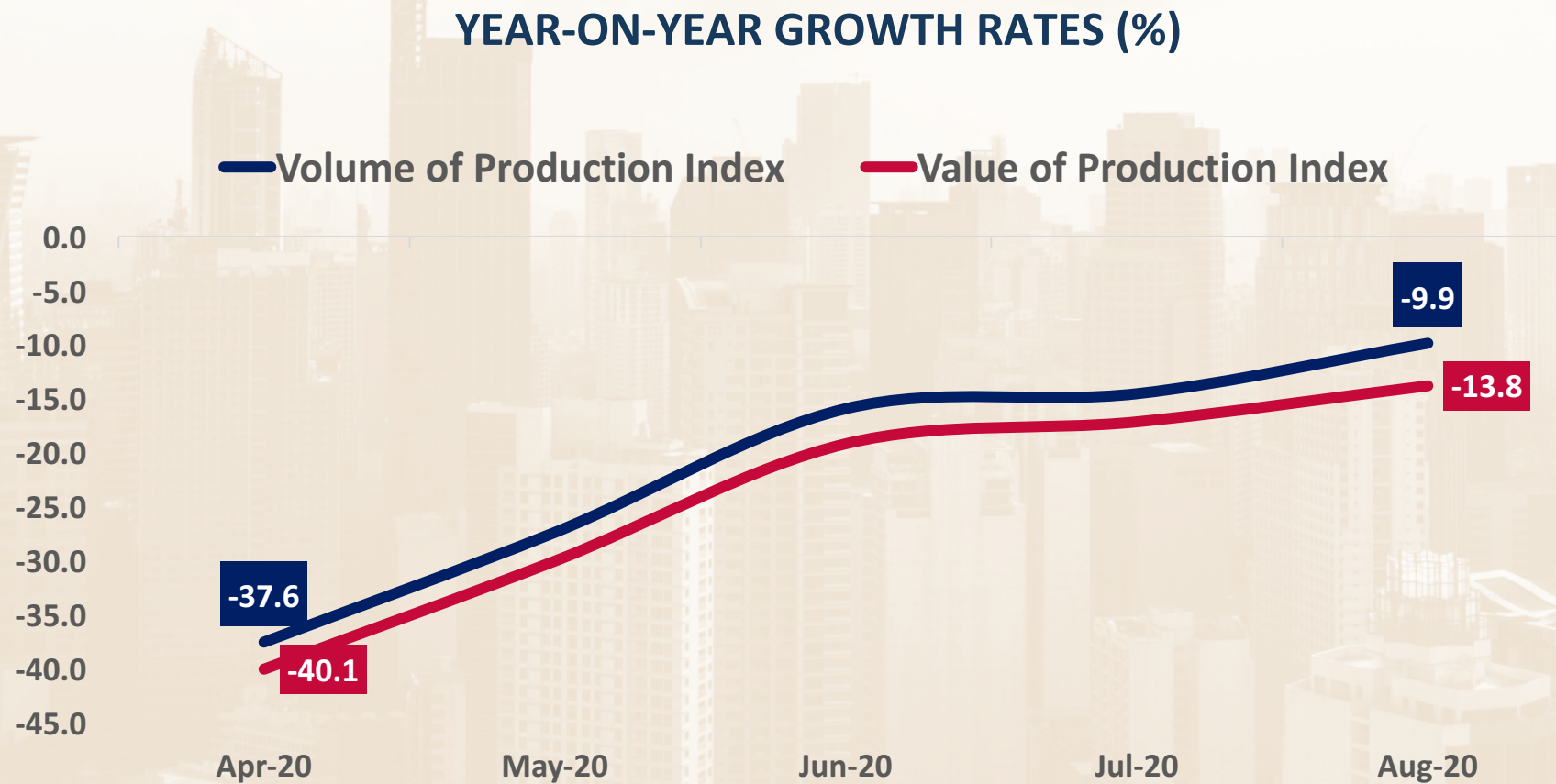
We are doing our utmost to balance
our efforts to **revive consumer
confidence and reopen the economy
with health interventions.**



Our unemployment rate in July 2020 fell to 10 percent, easing from 17.7 percent in April.

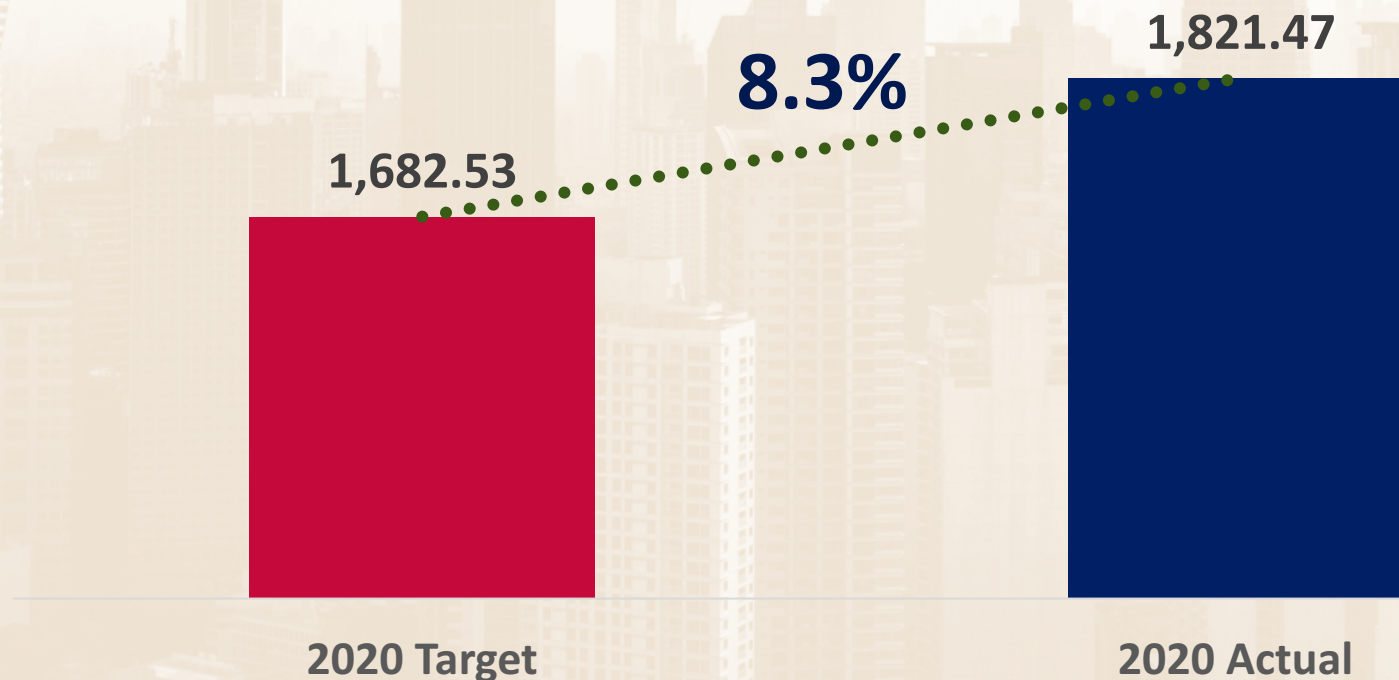


As quarantine restrictions were eased, economic activities improved gradually.



Combined collections of the Bureau of Customs and the Bureau of Internal Revenue exceeded our revised target for the first nine months of the year by 8 percent.

TAX COLLECTIONS FROM JANUARY TO SEPTEMBER 2020
ACTUAL VS. TARGET
(in PHP Billion)



Source: DOF ROG
Preliminary Collection Report

We are turning this crisis into an opportunity to push for innovative measures that will help revive the domestic economy.

- Boost the competitiveness of our manufacturing and agriculture sectors;
- Support the rehabilitation of our tourism infrastructure and facilities;
- Accelerate the digital transformation of our government processes to drastically cut red tape, hasten the delivery of services to the people, and curb corruption; and
- Shift to the digital economy.

By exercising **prudence in managing**
our fiscal affairs, we are confident
that we will outlast this emergency.



**We are determined to build back
a better economy the Filipino
people deserve.**





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