

OPENING REMARKS

CARLOS G. DOMINGUEZ Secretary of Finance

> Kapihan Sa Manila Bay June 24, 2020

Our recent economic indicators show the tradeoffs from President Duterte's decisive actions to put primacy on protecting our people

Q1 2020 GDP

-0.2%

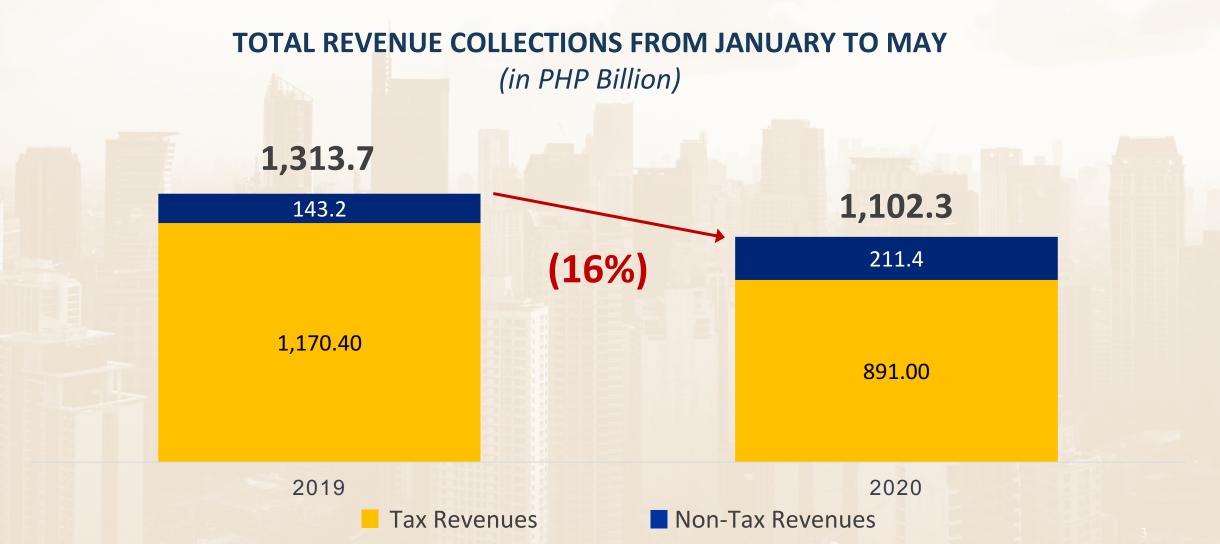
This is first time real GDP growth fell into negative territory since 1998.

APRIL 2020 UNEMPLOYMENT RATE

17.7%

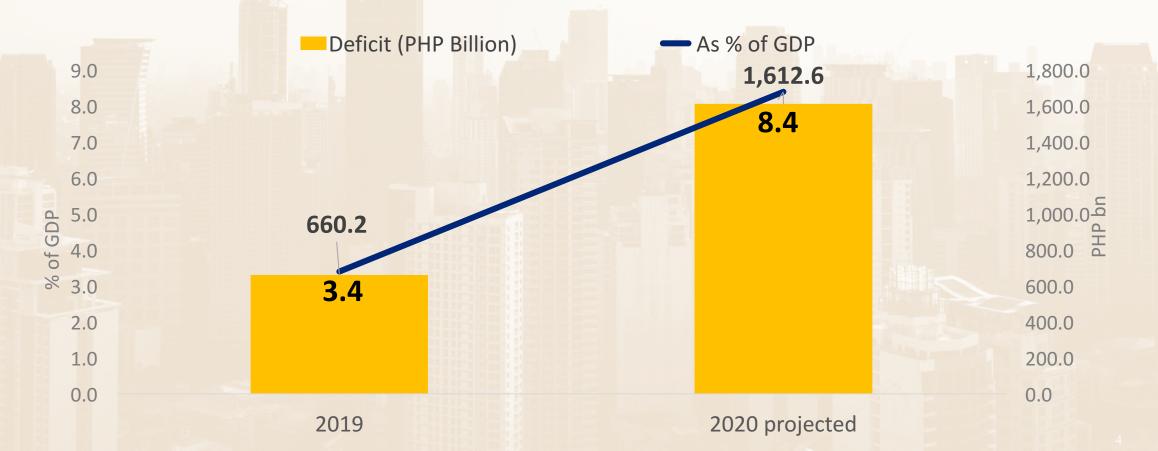
This represents 7.3 million jobless Filipinos.

The lockdown dealt a significant blow to both the tax base and tax collection



Our deficit-to-GDP ratio will more than double as tax collections are down and as we spend more for our people



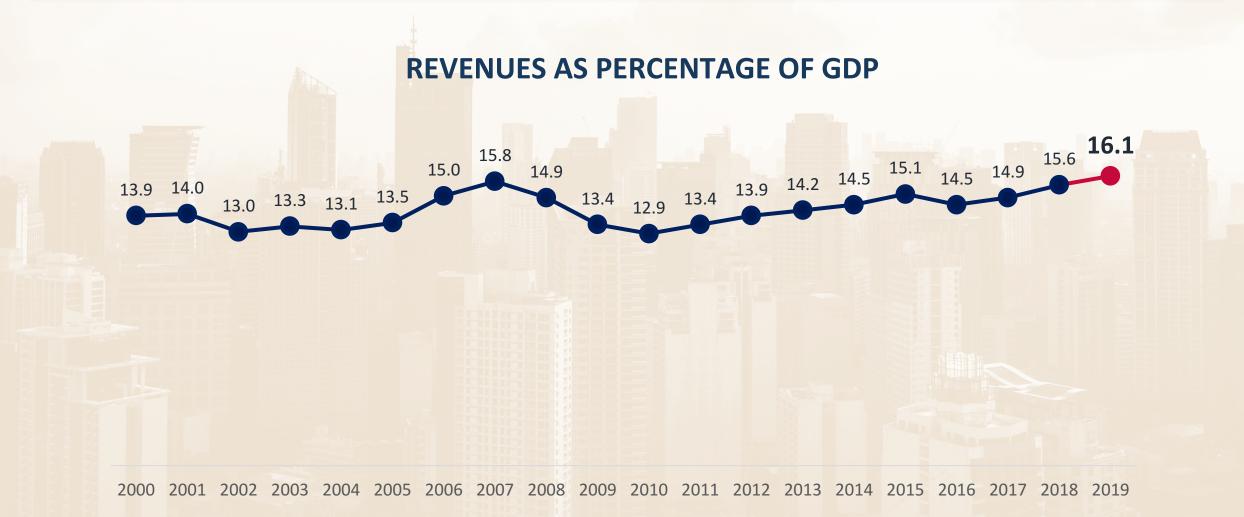


Fortunately, the President's judicious economic management and reform agenda since he took over in 2016 has put our government in **a strong fiscal position ahead of the global health crisis.** 2019 debt-to-GDP ratio of 39.6% is the lowest it has been since the country started recording this metric since 1986

NATIONAL GOVERNMENT DEBT-TO-GDP RATIO



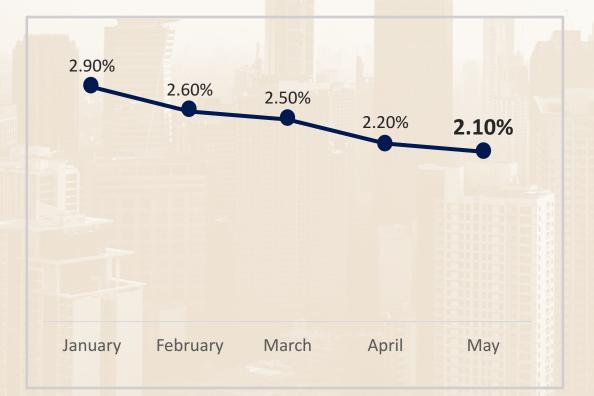
Revenues were at 16.1% of GDP in 2019, the best performance in 22 years



May 2020 inflation rate further slowed down to 2.1%; Prices in May have not actually gone up compared to prices in January

INFLATION RATE (January to May 2020)

CONSUMER PRICE INDEX (January to May 2020)



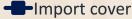


Hefty reserves at USD 93 billion as of May 2020 is the highest recorded so far, and can cover 8.4 months of imports

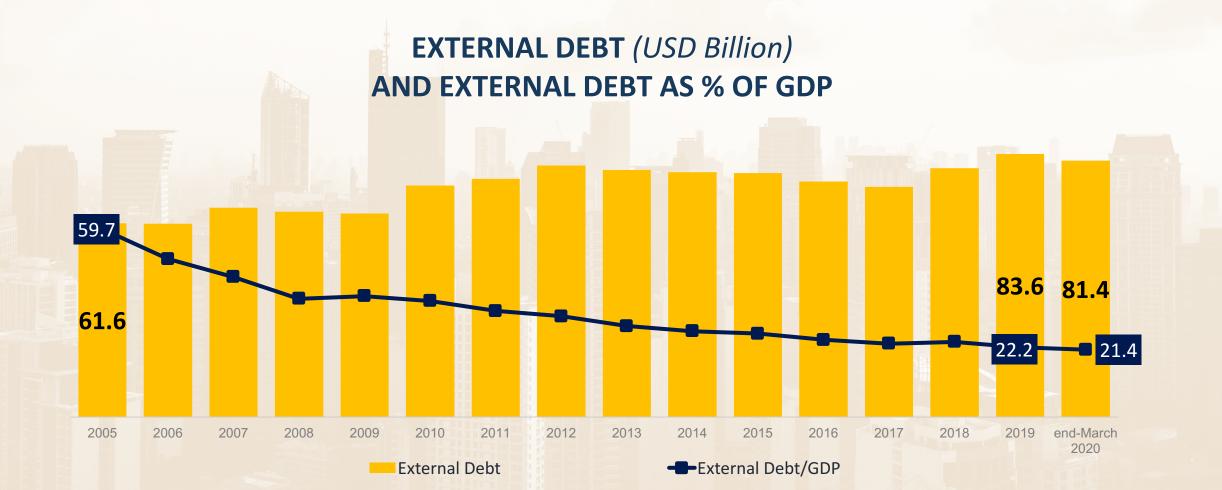
INTERNATIONAL RESERVES (USD Billion) AND MONTHS OF IMPORT COVER



International reserves



Our foreign reserves are even more than our outstanding external debt, which stood at USD 81.4 billion as of end-March 2020



Last year, S&P raised our sovereign risk rating to BBB plus the highest in our country's history



Recent Credit Rating Actions on the Philippines

S&P Global Ratings

On May 29, **S&P affirmed the Philippines 'BBB+' rating, 'stable' outlook** in recognition of the country's sound macroeconomic fundamentals going into the COVID-19 pandemic and its perceived ability to bounce back from the crisis.

Fitch Ratings

On May 7, **Fitch ratings affirmed the Philippines' rating at "BBB"** and updated the outlook to stable. The affirmation reflects the country's fiscal and external buffers and its still-strong medium term growth prospects.

Recent Credit Rating Actions on the Philippines

On June 11, Japan Credit Rating Agency upgraded the Philippines' credit rating by a notch from "BBB+" to "A-", citing the country's resilience amid a pandemic. JCR assigned a "stable" outlook on the new rating.

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

Rout 66 Selected emerging economies ranked on four measures of financial strength 1=strongest Public

Country (with rank)	debt debt % of GDP, 2020*	borrow- cover [‡] ing [†]	
 Botswana Taiwan South Korea 			
4 Peru			
5 Russia		and the second second	
6 Philippines			
/ mananu			
8 Saudi Arabia			
9 Bangladesh			
10 China			
11 Guatemala			
12 Vietnam			
13 Poland			
14 Nigeria			
15 Trinidad & Tol	D.		
16 Indonesia			
17 UAE			
18 India			
19 Czech Rep.			
20 Paraguay 21 Bolivia			
21 Bonna 22 Kuwait			
23 Azerbaijan			
24 Ivory Coast			
25 Malaysia			
26 Morocco			
27 Romania			
28 Mexico			
29 Colombia			
30 Brazil			
31 Chile			
32 Dom. Rep.			
33 Uruguay			

Foreign Cost of Reserve

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

Sources: EIU; IMF; JPMorgan Chase; iShares; The Economist;

*Forecast [†]Yield on hard-currency bond or real yield on local bond [‡]Foreigncentral banks; Haver Analytics; World Bank; Finanzen.net exchange reserves, relative to 2020 foreign-debt payments and current-account deficit

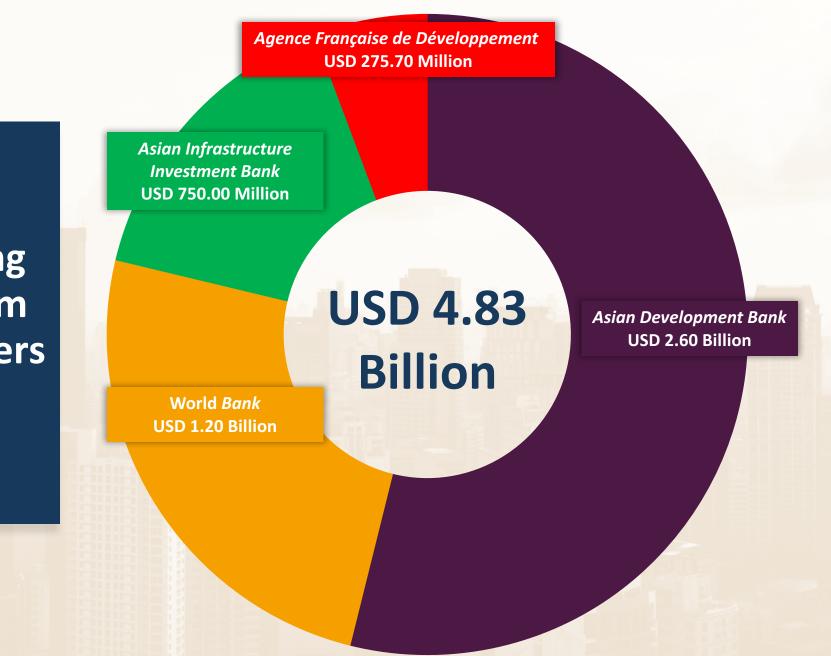
Strongest Weakest

By maintaining a prudent fiscal program that has allowed us to protect our credit-worthiness, the commercial markets and our development partners continue to lend to us at generous interest rates and better terms.

When the government can access debt at least cost, so will our private enterprises in need of assistance.

The ability to refinance at lower cost will help us recover more quickly and more sustainably.

Budgetary Financing Support Raised from Development Partners (As of June 17)



Disbursed Amounts of the Budgetary Financing Support Raised from Development Partners (As of June 17)

Disbursed USD 2.26 Billion

World Bank

USD 700 Million

Asian Development Bank USD 1.56 Billion

The Philippines successfully offered USD 2.35 Billion double tranche 10-year and 25-year Global Bonds on April 27

- This is the Philippines' lowest ever coupon for a 10- and 25-year benchmark issuance.
- The 10-year global bonds were priced at 180 basis points above the comparable US Treasury Bond after an initial pricing guidance of 220 basis points area.
- The 25-year tranche was priced at 2.95 percent, 42.5 basis points tighter than initial pricing guidance of 3.375 percent area.

Domestic sources to support the government's budgetary requirements

P300.0 BILLION

P1.2 TRILLION

Financing support from the Bangko Sentral ng Pilipinas (BSP)

Net domestic borrowings from the beginning of the year (as of June 9)

P149.2 BILLION

Total amount of remittances received from government-owned and-controlled corporations (GOCCs) since the start of the year (as of June 19) Allotments Released for the Government's COVID-19 Response Programs

NOTE: Figures are subject to changes based on emerging COVID-19 needs. Values may not add up due to rounding-off. DOLE Workers Assistance Programs PHP 7.58 Billion

DA Ahon Lahat, Pagkaing Sapat Kontra COVID-19 Program PHP 9.09 Billion

Bayanihan Grant to Provinces, Cities and Municipalities PHP 37.02 Billion

DOH COVID-19 Programs and Procurement of Testing Kits PHP 48.23 Billion

SSS Small Business Wage Subsidy Program PHP 51 Billion

Other National Government Agencies PHP 2.78 Billion

PHP 355.68

Billion

DSWD Social Amelioration Program PHP 199.98 Billion

Taxation of the digital economy

- The Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) No. 60-2020 dated June 1, reminding all persons doing business and earning income through digital means to ensure that their businesses are registered, or their registrations are updated. Whether or not they will be subject to tax depends on their specific circumstances.
- Registering with the BIR not only helps the government generate additional revenues for its COVID-19 response measures and various projects. Joining the formal economy also ensures that these businesses and their employees are eligible for government assistance programs.

We cannot banish the basics of fiscal discipline at the risk of bringing ourselves to bankruptcy or severe indebtedness. Prudence dictates that we keep our powder dry. We should be able to finance fighting the second wave should that happen.

A generous stimulus package may be ideal. But if it is **unfundable and unsustainable**, then it is just wishful thinking.

Four Legislative Imperatives to Revive the Economy

- 1. Infuse additional capital to our government financial institutions to strengthen their capacity and allow them to provide assistance to micro, small and medium enterprises, as well as strategically important companies adversely affected by the pandemic.
- 2. Allow banks to dispose of non-performing loans and assets through asset management companies that are similar to special purpose vehicles.
- **3.** Immediate passage of the CREATE bill 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.
- 4. Provide greater support to the agriculture sector by giving the banking system the ability to support the whole value chain of agri-enterprises.

The wild card in all our planning and strategizing is the virus itself. We have no vaccine for it and no medicine to cure the infected as of this time. With all the uncertainty about the progress of this pandemic, we need to maintain utmost prudence. This crisis will neither diminish our capacity for good governance nor our willingness to exercise decisive leadership.



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