Philippine Business Forum

Philippine Economic Outlook

RALPH G. RECTO
SECRETARY OF FINANCE

March 4, 2024
9:00am to 12:30pm (AEST)
Ritz Carlton, Melbourne, Australia

Over the years, the Philippines and Australia have enjoyed robust trade and investment relations and people-to-people ties

13th Largest Trading Partner of PH

USD 4.1 Billion total trade in 2023 (↑20.6%)

16th Biggest Contributor of Net FDIs to PH

USD 5.7 million in net FDIs from Jan-Nov 2023, positive shift since 2022

4th Largest Source of Tourist Arrivals in PH

266,551 arrivals in 2023 (↑93%)

PH is the 5th Largest Migrant Community in Australia

320,300 Filipino-born people were living in Australia as of June 2022

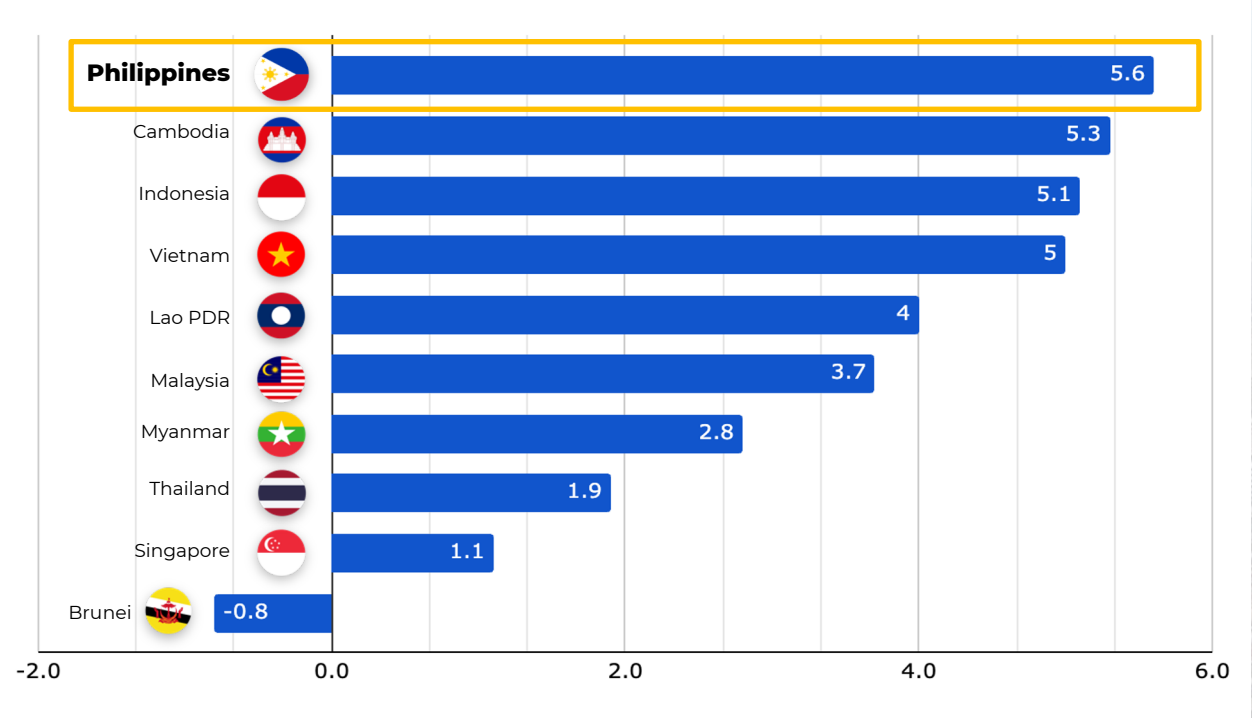
PH Hosts 250+ Australian Companies

Across across various sectors, employing over 44,000 Filipinos

Source: Philippine Statistics Authority, Bangko Sentral ng Pilipinas, and the Department of Tourism

The Philippines is the fastest-growing economy in ASEAN

Actual GDP Growth Performance of ASEAN in 2023 (in percent)



Source: Philippine Statistics Authority and various news websites

Multilateral organizations affirm the strength of the Philippine economy, projecting it to be a frontrunner in ASEAN in 2024

Philippines' 2024 GDP Growth Forecasts of Various Multilateral Organizations

6.3%

AMRO
ASEAN +3 MACROECONOMIC RESEARCH OFFICE

ASEAN+3 Macroeconomic Research Office (AMRO)

6.2%

ADB

Asian Development Bank

6.0%

INTERNATIONAL MONETARY FUND

International Monetary Fund

5.8%

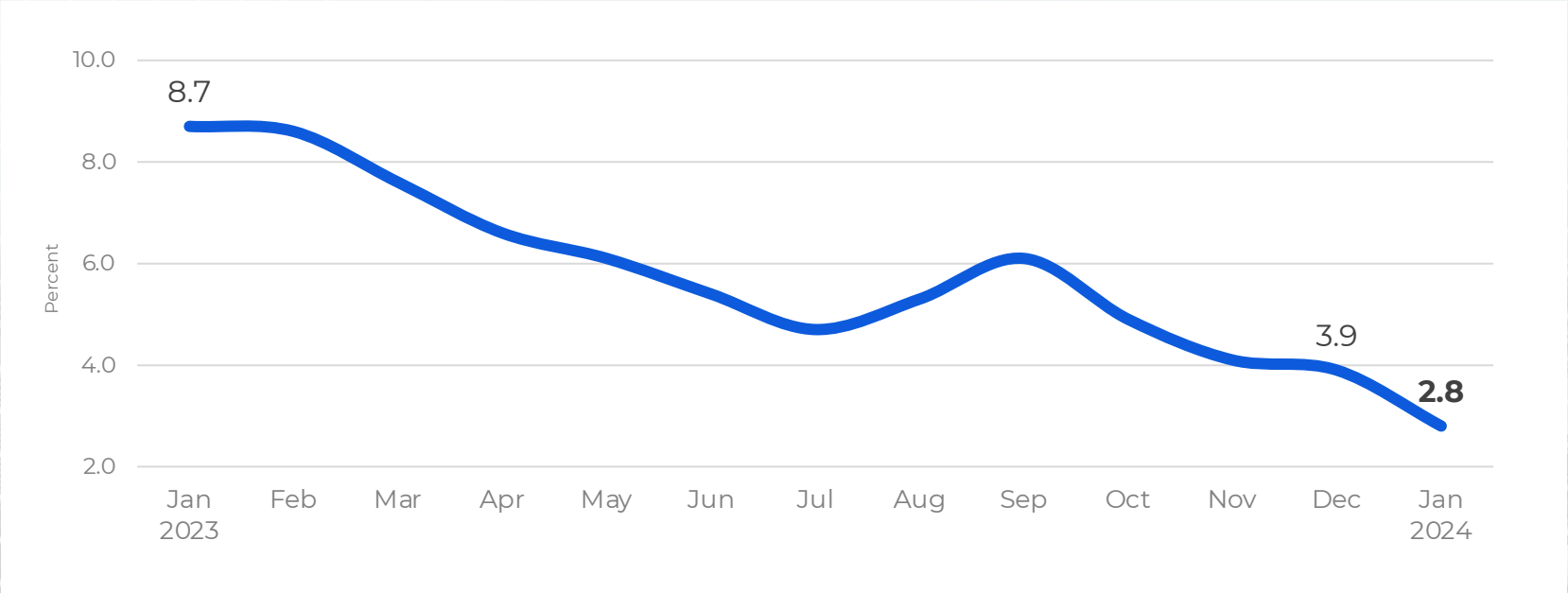
THE WORLD BANK

The World Bank

Source: Multilateral Organizations

Philippine inflation rate is well under control, further dropping to 2.8% in January 2024

Headline Inflation Rates in the Philippines, All Items



Source: Philippine Statistics Authority, Retail Price Survey of Commodities for the Generation of Consumer Price Index

The Philippines boasts a vibrant labor market

December 2023 Employment Situation (YoY)

66.6%
Labor force participation rate

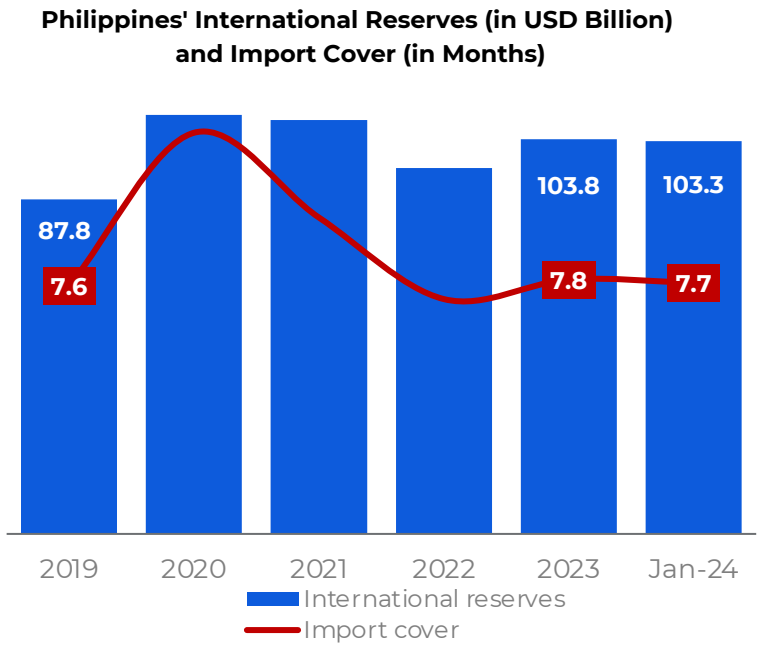
96.9%
Employment rate

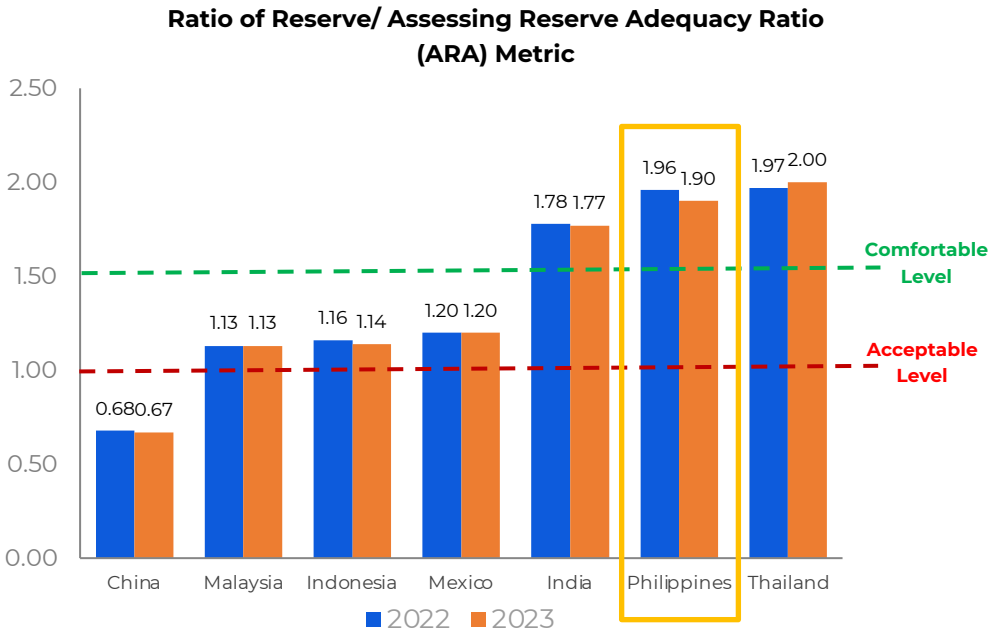
11.9%
Underemployment rate

3.1%
Unemployment rate, lowest ever

Source: Philippine Statistics Authority

The Philippines' external position remains robust and stable, with level of reserves exceeding the recommended level

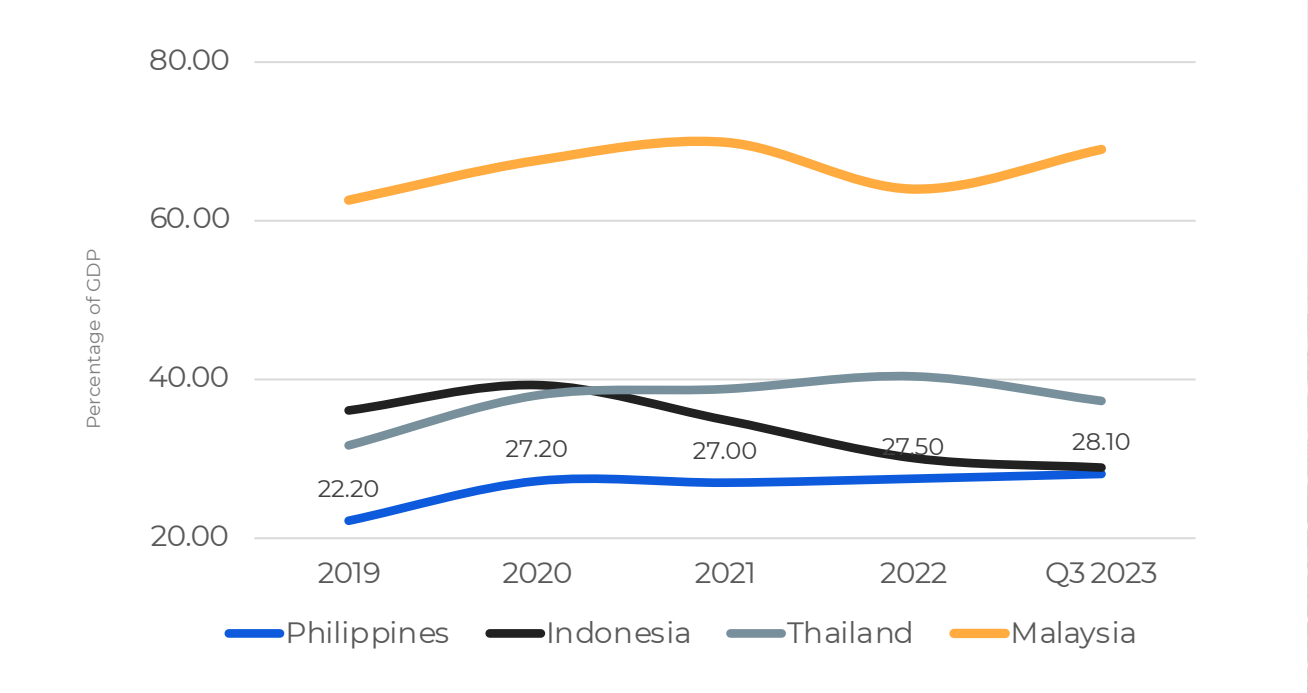




Source: Bangko Sentral ng Pilipinas

The Philippines continues to have the lowest external debt-to-GDP among ASEAN-5 countries, making it less vulnerable to external shocks

External Debt Among ASEAN-5 Countries (as percentage of GDP)



Source: Bangko Sentral ng Pilipinas

The Philippines' fiscal performance remains robust and on track with its fiscal consolidation plan dubbed as the Medium-Term Fiscal Framework

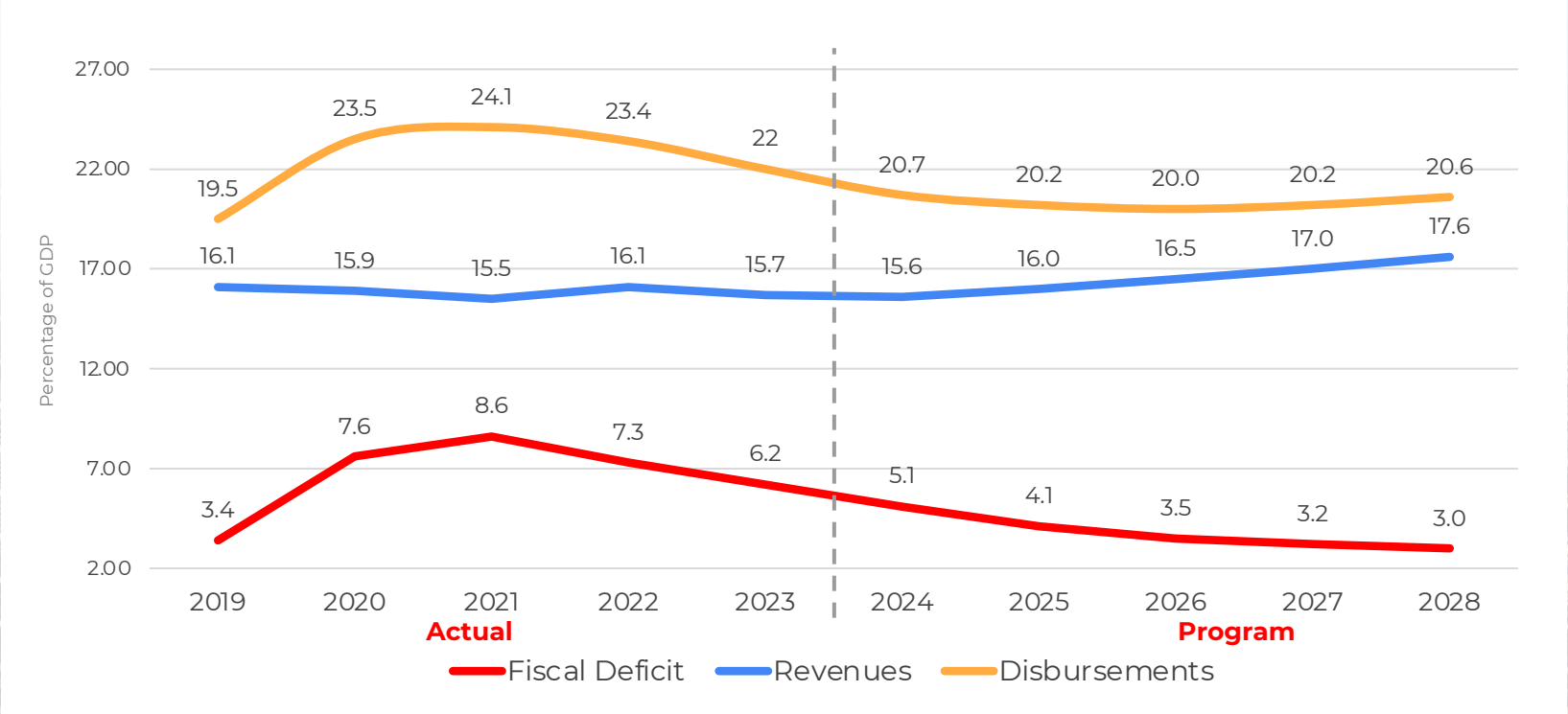
Reduce the fiscal deficit

Promote fiscal sustainability

Enable robust economic growth

The fiscal deficit has continued to narrow down from its peak at the height of the pandemic

Fiscal Performance As Percentage of GDP



Source: Medium Term Fiscal Framework and Bureau of the Treasury

Along with digitalization to enhance tax administration efficiency, the Philippines is pursuing six tax reform measures to improve revenue mobilization and modernize tax system

VAT on Digital Transactions

Seeks to level the playing field between local and foreign digital service providers by clarifying that services provided by the latter in the country are subject to VAT.

Rationalization of the Mining Fiscal Regime

Provides a simplified and predictable fiscal regime for the extractives sector, while ensuring that the government collects its fair share of revenues.

Excise Tax on Single-Use Plastics

Designed to curb overconsumption of single-use plastics while raising funds for the government.

Real Property Valuation and Assessment Reform

Aims to promote the development of a just, equitable, and efficient real property valuation system that is aligned with global standards to improve revenue collection and mobilization at the local levels.

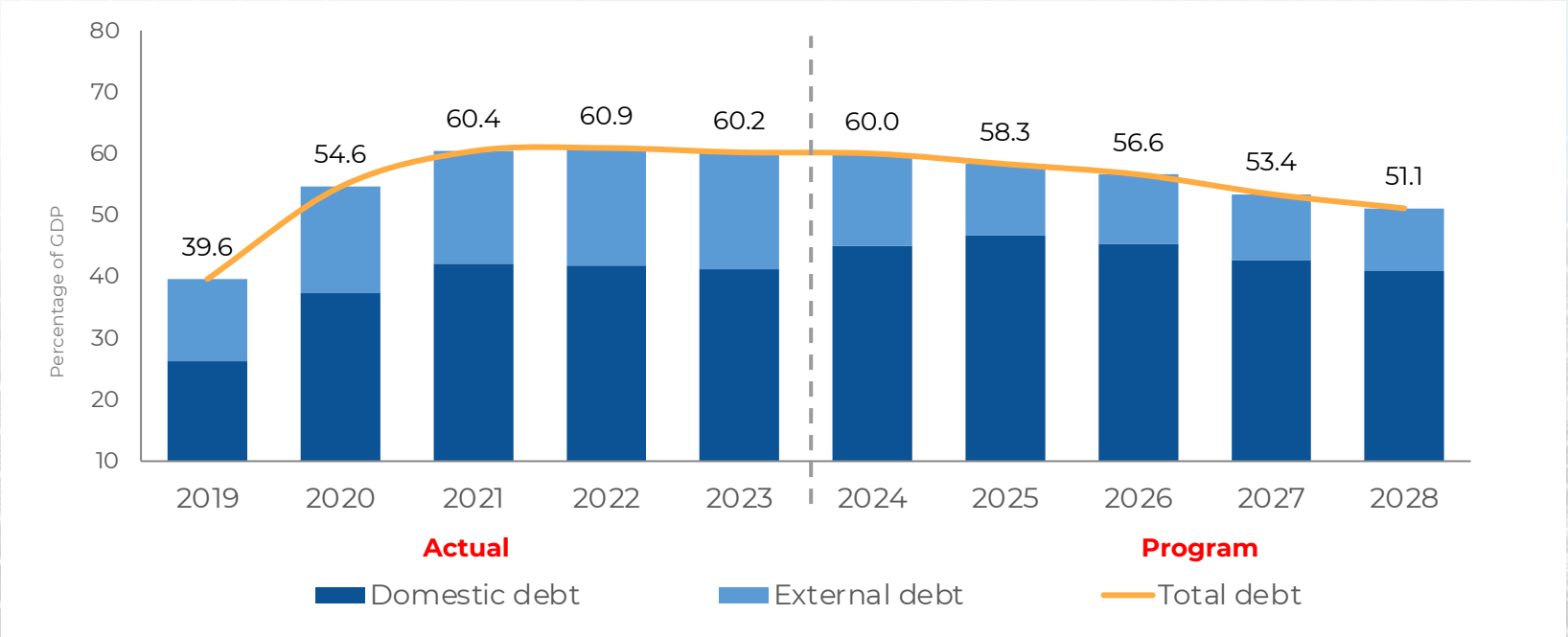
Passive Income and Financial Intermediaries Taxation

Seeks to redesign financial sector taxation to be simpler, fairer, and more globally competitive, with the end goal of deepening our capital markets.

Motor Vehicle User's Charge

Aims to update the rates by introducing a 2-tier taxation scheme applicable to all vehicles to simplify tax administration and lowering compliance cost.

The national government debt is on a downward trend after its peak at the height of the pandemic



Source: Medium Term Fiscal Framework and Bureau of the Treasury

Our adherence to fiscal discipline and prudent debt management allowed us to maintain our high credit ratings amid the sea of downgrades globally

S&P Global Ratings

Affirmation of BBB+, Stable Outlook (November 2023)

Short-term: **A2**

Fitch Ratings

Affirmation of BBB rating, Stable Outlook (November 2023)

Short-term: **F2**

R&I

Affirmation of BBB+ rating, Revised Outlook from Stable to Positive (August 2023)

Short-term: **BBB+**

Japan Credit Rating Agency

Affirmation of A- rating, Stable Outlook (March 2023)

Short-term: **A2**

Moody's

Affirmation of Baa2 rating, Stable Outlook (September 2022)

Short-term: **N.R.**

Growth-Enhancing Actions and Resolutions (GEARs)

A fiscal stance that adequately supports growth while remaining committed to fiscal consolidation

Effective and efficient execution of the budget to ensure timely delivery of services and programs

Reduction of Emerging Inflation Now (REIN) through proactive management of price pressures

Infrastructure build up to improve connectivity and enhance resilience

Investment promotion through improvements in regulatory regime and reduction in the cost of doing business and addressing constraints

The Philippine government has a strong commitment to foster more robust collaboration with the private sector

THE PUBLIC-PRIVATE PARTNERSHIP CODE OF THE PHILIPPINES

Rolls out a red carpet to investors, offering a stable, predictable, and competitive environment in which high-quality PPP investments can thrive

- Leverages over 30 years of experience with the Build-Operate-Transfer Law
- Integrates best practices to streamline processes, reduce costs, and enhance ease of doing business for PPPs
- IRR is in the final stages and will be released very soon

The Philippines' Build Better More Program features 185 big-ticket infrastructure projects worth USD 163 billion open for PPPs

Physical connectivity
134 projects
USD 142.7 billion

Health
5 projects
USD 1.6 billion

Water Resources
29 projects
USD 12.2 billion

Digital Connectivity
3 projects
USD 1.5 billion

Agriculture
9 projects
USD 3.8 billion

Other Infrastructure
4 projects
USD 1.0 billion

Power and Energy
1 project | USD 181.8 million

SCAN TO VIEW THE LIST OF PROJECTS

Source: NEDA (February 27, 2024)

The Philippine Government acts fast and efficient on investments

Ninoy Aquino International Airport (NAIA) Solicited Public-Private Partnership Project

Total estimated project cost:
USD 3 Billion

Scope: Rehabilitate the country's main international gateway

Project Approved on July 19, 2023:
Evaluated by the government within a record-breaking six weeks — the fastest approved PPP proposal in Philippine history

Awarding of Private Sector Contract on February 16, 2024:
The deal is aggressively forecasted to generate around **USD 16 billion** in revenues for the national government in the course of its entire concession period (15 years with 10 years extension)

MAHARLIKA INVESTMENT FUND

The Philippines' first sovereign wealth fund provides an opportunity for the private sector to participate in funding big-ticket infrastructure projects.

The Philippines has pro-business policies in place

Proposed Amendments to the Corporate Recovery and Tax Incentives for Enterprises Act
Further tailor fits incentives to investors

Amendments to the Foreign Investments Act
Promotes FDIs and eases restrictions on professions

Ease of Paying Taxes Act
Modernizes tax administration and adopts best practices

Amendments to the Retail Trade Liberalization Act
Lowers minimum paid-up capital requirement for foreign corporations

Ease of Doing Business Law
Eliminates red tape

Amendments to the Public Service Act
Allows 100 percent foreign ownership in public services

Amendments to the Renewable Energy Act of 2008
Allows full foreign ownership of renewable energy projects

The Philippines and Australia should become demographic partners

Median Age of Select Countries as of 2022

Philippines	**24.5**
Australia	41*
US	37.7
Europe	44.1
China	37.9
Japan	48.4
India	27.6
Singapore	41.8

Cambodia	26.5
Indonesia	29.4
Lao PDR	23.8
Malaysia	29.9
Myanmar	29
Brunei	31.8
Thailand	39.3
East Timor	20.3
Vietnam	32

Sources: United Nations, World Population Prospects 2022 and Eurostat (for Europe)
** Australian Bureau of Statistics*
Notes: 1950 to 2021 show historical estimates. From 2022 the UN projections (medium variant) are shown.

“

There is a wide range of investment opportunities waiting to be explored.

See for yourself how we prioritize prudent economic management to ensure stability for businesses.

“

Keep in mind that you are teaming up with the fastest-growing economy in Asia.

Our resilience has been tested and proven strong.

“

Our young population is eager to work with forward-looking enterprises.

You are backed by pro-business policies and a President with decisive political leadership.

“

We have rolled out the red carpet and reserved the best seat for you to join us in shaping our blockbuster growth story.

This is an exciting opportunity that Australian investors should certainly not miss out on.

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