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REGAINING MOMENTUM, ACCELERATING RECOVERY IN A POST-COVID-19 WORLD

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Executive Secretary Salvador Medialdea; Infrastructure Cluster Chairman and Secretary of Public Works and Highways Mark Villar; Bangko Sentral ng Pilipinas Governor Benjamin Diokno; Cabinet Secretary Karlo Nograles; members of the Economic Development and Infrastructure Clusters; fellow workers in government; members of the diplomatic corps; business and financial communities; academe, civil society, youth organizations, development partners, friends in media: Good morning.

We live in difficult and uncertain times. In a country whose median age is below twenty-five, the COVID-19 health emergency is perhaps the toughest economic crisis most of our people will live through. This pandemic is a “black swan” event that no one fully anticipated and was truly prepared to deal with.

But we did not fold and run in the face of an unprecedented crisis. We quickly took stock of the situation and responded with everything we had. President Duterte’s early and decisive measures to combat the contagion saved thousands of lives. According to the Epidemiological Models by the FASSSTER Project in April and the University of the Philippines COVID-19 Pandemic Response Team as of June 27, government interventions such as the lockdown have prevented as much as 1.3 to 3.5 million infections.

Imposing the enhanced community quarantine not only slowed the virus’ spread, when it could have grown exponentially faster. The lockdown gave us time to expand our testing capacity by multiples. From just around 300 actual tests per day in March, our capacity grew to 18,141 average daily tests at start of this month. As an indicator for whether a country is doing enough tests, the World Health Organization has set 10 percent positive rate as the benchmark. The Philippines meets this measure, with only 7.4 percent of tests yielding a positive result.

We were also able to protect our frontliners and healthcare workers better, from procuring 1 million personal protective equipment sets by the end of April, to 6 million by the end of June. This is a sixfold increase that was accelerated by the special powers under the Bayanihan law that facilitated emergency procurement, and measures by the Bureau of Customs to expedite their release from the piers.

We have improved the protection of healthcare workers. For all confirmed cases of COVID-19 at the end of April, 20 percent were health workers. This dramatically decreased to less than 8 percent as of July 5. Hopefully, this down trend will continue as we strengthen infection prevention and control protocols.

The lockdown likewise gave us time to expand our capacity to treat and isolate the infected. From around 33,000 beds in our quarantine facilities in mid-April, we were able to bring up isolation and treatment capacity to 68,000 beds as of July 6. Seventy-five percent of these beds are vacant and available for use to date.

Only less than one percent of all COVID-19 cases in the country are severe or critical. The rest are mild or asymptomatic cases, and will not need intensive hospital care. Despite this, we will sustain our efforts to expand access to testing, hire more contact tracers, and beef up our treatment capacity.

For us to overcome this contagion, we must do our part as individuals. We all have a big responsibility to play. In our homes and places of work, as we travel day-to-day, we must adhere to the minimum health standards. In places we live, shop, and work, we must wear masks, wash our hands frequently, and practice social distancing.

We knew that protecting the lives of our people would come at a heavy price. In the first quarter of this year, our economy shrank by two-tenths of one percent. This is the first quarterly economic contraction in two decades.

Our unemployment rate in April of this year spiked to 17.7 percent. Similarly, the shutdown of economic activities has taken its toll on business.

The slowdown in economic activity and the extensions of tax filing and payment deadlines combined to bring down our revenues. For the first half of this year, estimated tax collections from the Bureau of Internal Revenue and the Bureau of Customs dipped to 1.2 trillion pesos, 16 percent behind last year's performance for the same period. Given the economic situation, we expect to collect significantly less taxes than we projected to raise at the start of the year.

Our deficit-to-GDP ratio will likely more than double as tax collections drop, even as the government spends more to beef up our healthcare system and to provide relief to families, workers and other sectors hardest hit by the pandemic. None of the emergency spending was programmed. In addition, we need to fund our economic recovery plan, especially for small businesses. We will bridge the gap with additional borrowings.

In previous years, emergency spending and urgent borrowing might have been very difficult. The Duterte administration's prudent approach to fiscal and economic management made us one of the strongest, most resilient, and credit-worthy economies in the region.

Signs of recovery are also emerging. Despite the effects of COVID-19 on the overall trading environment, the Bureau of Customs was able to surpass last month's collection target by 4.4 percent due to higher import volume. This signals rising economic activity.

Recovery is also seen in the manufacturing sector as the economy reopens. As reported yesterday by the Philippines Statistics Authority in its Monthly Integrated Survey of Selected Industries, the capacity utilization of factories as a whole increased to 73.4 percent in May compared to 71.2 percent in April.

In addition, while the year-on-year Volume of Production Index of Manufacturing is down by 40.3 percent in May, this is an improvement over April's 43.6 percent contraction.

The latest result of Purchasing Managers' Index also points to an improved manufacturing performance moving forward, as it rolls from 40.1 in May to 49.7 in June.

Before COVID-19, all indicators showed economic strength. We were among the fastest growing economies in Asia, with an average GDP growth of 6.6 percent from 2016 to 2019.

We had managed to bring down our debt-to-GDP ratio to a historic low of 39.6 percent. Our revenues were robust after the passage of bold tax reform measures. In 2019, revenues were at 16.1 percent of GDP, our best performance in 22 years.

This provided solid-footing for our Build, Build, Build program. Despite the delay in the passing of the budget for 2019, we were able to catch up and accelerate our spending on infrastructure investments to 5.4 percent of GDP last year, double the average infrastructure spending to GDP for the past 50 years.

Inflation also remained stable and under control, averaging 3 percent from 2016 to 2019. For the month of June this year, the inflation rate further slowed to 2.5 percent. Also, prices in June have only gone up by less than one quarter of one percent compared to the prices at the start of this year.

At the end of 2019, we had achieved the lowest recorded rates of unemployment at 4.5 percent, underemployment at 13 percent, and poverty incidence at 16.7 percent. In other words, without this global economic crisis, we had realized better economic outcomes for our people. Our economy was ready to soar.

When the health crisis happened, we had already received a BBB plus credit rating, the highest in our country's history. And even amidst the pandemic, international credit rating agencies have affirmed our sovereign ratings and have kept them at investment grade levels. In fact, the Japan Credit Rating Agency upgraded us from BBB plus to A minus last month. This is a vote of confidence in a sea of credit rating downgrades and negative outlook revisions worldwide.

With our sterling credit-worthiness, the commercial markets and our development partners continue to provide us financing at lower interest rates and longer repayment periods.

When the government can access debt at low cost, so will our private sector enterprises in need of liquidity assistance. That is so important in recovering from the ravages of the painful, but necessary lockdown.

The ability to refinance at lower cost will help us bounce back more quickly and more sustainably. This is what makes the credit ratings so crucial to restoring our economy’s health.

To date, the Department of Finance has raised a total of 5.3 billion US dollars in concessional budgetary support from our development partners.

On top of these, the Philippines secured a total of 126 million US dollars in grant and loan financing from our development partners for various COVID-19 specific projects. This includes the purchase of emergency medical supplies and equipment, as well as a food distribution program for the poorest households in Metro Manila.

In the commercial market, we raised 2.35 billion US dollars from our latest global bond offering that fetched the lowest ever coupon in the US dollar market. All these are a clear vote of confidence in our future recovery and a favorable appraisal of where our prospects stand compared to the rest of the world.

In terms of domestic sources, we have raised 1.2 trillion pesos in gross domestic borrowings from the beginning of the year to support our budget. As part of this, the Bangko Sentral ng Pilipinas entered into a repurchase agreement with the National Government amounting to 300 billion pesos to help us fund our COVID-19 initiatives.

Moreover, we have received a total of 149 billion pesos in remittances from government-owned or -controlled corporations since the start of the year.

The Department of Budget and Management has thus far released allotments totaling 375 billion pesos for the government's COVID-19 response programs.

While the people's health and safety remain a priority, we cannot keep on retreating from the virus at the cost of our livelihoods. Metro Manila and CALABARZON account for 67 percent of the country's economy. It is vital that these regions reopen. The reality is that this virus will not go away until a vaccine is found. In the meantime, we must get back to work while staying safe.

We need to strike a reasonable balance between safeguarding public health and restarting our economy. Health and livelihood is not a binary choice. We must protect lives in ways that do not prevent us from earning a living. This is a tough decision to make but we need to do this.

Revving up the economy essentially means raising consumer and investor confidence, which requires some functional level of interaction among groups and individuals. We are asking all Filipinos to cultivate in themselves a renewed sense of confidence through continued vigilance --

not out of fear, but with the knowledge that most factors of viral transmission are under our personal control.

Pragmatism guides us as we put together an effective recovery program that we can afford and fully execute. Components of this plan are already being rolled out.

In addition to the 205 billion-peso emergency cash grant and 51 billion-peso small business wage subsidy designed for immediate relief measures, the government is implementing other initiatives to help struggling families and businesses.

The public can avail of several credit facilities and services extended by government financial institutions. Members of the Social Security System can now borrow calamity assistance loans for COVID-19. Since its online filing was launched on June 15, SSS has approved a total of 479,000 applications amounting to 7.5 billion pesos. To date, it has released 1.7 billion pesos to 102,500 borrowers.

Those laid off workers when the economy froze can seek unemployment insurance benefits equivalent to half of their average monthly salary credit for two months. The SSS launched this program in August of 2019. Since the start of the lockdown, it has already approved 6,300 applications totaling 84.4 million pesos. To date, SSS has released 76.2 million worth of benefits to 5,740 applicants.

The Government Service Insurance System will also help members cope with the changes brought about by the pandemic. Next month, GSIS will introduce a new 30,000-peso computer loan program to its active members to help them purchase a laptop or desktop in light of the new normal of holding distance or online classes. The loan will be payable in three years at a 6 percent per annum interest rate.

In addition, the GSIS will launch in September an educational loan program for its members to help them pay tuition and other school fees for their nominated student-beneficiaries. The maximum loan amount that can be taken out by a borrower for a given academic school year is 100,000 pesos. This will be payable after five years from the initial loan take out.

Private educational institutions can also seek help from the Land Bank of the Philippines' "study now, pay later" lending program. Since the program's launch two months ago, over 80 educational institutions nationwide have expressed interest in accessing this credit facility. As of July 1, the bank has approved loan applications totaling 260 million pesos.

The Philippine Guarantee Corporation, meanwhile, approved a credit guarantee program amounting to a total of 120 billion-peso-worth of loans for private banks for them to be able to extend financial assistance to small business owners during this crisis. To date, the corporation has already accredited 22 banks for a total facility of 37.5 billion pesos. Businesses are expected to start availing of the program by the end of July, once the banks complete their legal review of the guarantee agreements.

The Department of Labor and Employment, for its part, has extended financial aid totaling 6.4 billion pesos to over 1.18 million displaced employees in the formal and informal sectors of the economy, including our returning overseas Filipino workers.

The Technical Education and Skills Development Authority or TESDA, launched an online training program for displaced workers to upskill them. Since the start of the lockdown, 722,000 individuals availed of this program. The government is working hard to provide job opportunities and eventually absorb our laid off workers into the economy in the shortest possible time.

Similarly, the Department of Tourism has been implementing Online Learning Series workshops since April as part of its retooling program for the industry stakeholders. To date, 23 webinars have been conducted for about 7,200 participants. This agency is also working on its Tourism Response and Recovery program focused on the protection of tourism workers, promotion of domestic destinations, and development of institutional measures in support of the new normal, among others.

Meanwhile, the Department of Agriculture rolled out cash subsidies to over a million affected farmers and fisherfolk amounting to 6 billion pesos, or around 5 thousand pesos each. Farmers and micro and small agricultural enterprises can also tap the Survival and Recovery Aid program of the Agricultural Credit Policy Council for additional financial assistance.

Micro and small enterprises can also avail of the Department of Trade and Industry and the Small Business Corporation’s one billion-peso COVID-19 Assistance to Restart Enterprises Loans program. The loan amount that businesses can avail of ranges from 10,000 pesos to 500,000 pesos at zero interest rate, payable in either 18 or 30 months. Since the program’s launch in April, the agencies have approved 2,000 applications with total loans amounting to 152.4 million pesos. To date, a total of 14.2 million pesos in loans has been released to 183 borrowers.

We have also embarked on a series of priority actions to revive the economy, while protecting our citizens. This includes restarting and accelerating the Build, Build, Build program subject, of course, to compliance with health and safety protocols.

We are helping businesses equip themselves to operate in the new normal. The Department of Science and Technology is offering its Small Enterprise Technology Upgrading Program, where businesses can access trainings to help them transition to online and contactless operation. The Department of Information and Communications Technology, for its part, is providing online resources for businesses and workers under a work-from-home program.

To ensure that enterprises even in the remote communities are able to adapt to a new normal, the Department of Energy will be pursuing its total electrification program. This will be supported by the 3.7 billion-peso Access to Sustainable Energy Program grant from the European Union. The program aims to provide access to basic electricity and energy services to hundreds of thousands of households nationwide, with a focus on Mindanao.

We have thrown a wide safety net for our people and our economy. This government will support you as you protect yourselves, your families, your colleagues, and your workers from this invisible menace.

President Duterte's 8-8-8-8 government complaints hotline is active. Do not hesitate to use this to complain or make suggestions. We are all in this together.

We also ask you to bear in mind that while health measures are absolutely necessary for us to fight this pandemic, increasing economic activity in a responsible manner is a matter of national survival and priority.

We encourage you to keep on innovating. Wherever possible and efficient, shift activity to digital spaces, as many businesses have already done. Again, feel free to bring to our attention government services that you need digitalized. We must keep making progress on this front.

To be eligible for benefits to duly-registered enterprises, you have to, of course, register with the Bureau of Internal Revenue, the Department of Trade and Industry, and your local governments. These agencies are working to make filings and payments digitally enabled.

Bear in mind, too, that you can directly contribute to our COVID-19 war chest. Apart from paying the right taxes on time, you can invest in government securities. Investing in government securities is not only safe but is very helpful to economic recovery.

The Executive Branch is doing its utmost to help the economy recover at the earliest possible time. But for other vital measures to boost economic activity and fortify key sectors, we need Congress' action.

We are working on four legislative imperatives to help the economy recover quickly in a sustainable and resilient manner. These measures will make more support available for businesses, workers, and families and will come on line as soon as Congress is able to pass them.

Elements of this recovery plan are informed by results of an extensive nationwide survey as well as continuous engagement with thousands of stakeholders through our Sulong Pilipinas workshops with youth and business leaders. We certainly hope that our honorable legislators will give due priority to enacting them in a timely manner and in a form that is fiscally responsible.

First, we are seeking Congressional approval for infusing additional capital to our government financial institutions for them to be able to act as wholesale banks and fund substantial portions of loans that other commercial banks will provide to micro, small and medium enterprises adversely affected by the pandemic. These private banks will then be able to lend even more money to businesses in need of liquidity.

Second, we seek to allow banks to dispose of their non-performing loans and assets through asset management companies similar to the special purpose vehicles that were established in the early 2000s.

Third, we are still waiting for the Senate to pass the CREATE bill or the Corporate Recovery and Tax Incentives for Enterprises Act that will reduce corporate income taxes for the majority of small- and medium-sized businesses by 5 percentage points immediately. This will help enterprises retain employees, invest more money and meet their operating costs. The CREATE bill will also modernize our incentives system and allow us to tailor-fit fiscal and non-fiscal incentives to the investors we want to invite here.

Finally, we seek to provide greater support to the agriculture sector by giving the banking system the ability to support the whole value chain of agricultural enterprises.

As we enter 2021, we are going to plan for a healthier and more resilient Philippines, while making sure that all of the proposed policies are aligned with this new normal.

We are maintaining our Build, Build, Build program. Infrastructure projects will be the best way to revive the economy because of their high multiplier effects, stimulating demand and generating new jobs and businesses. More projects are also being identified in the areas of health, education, housing, and water and sanitation.

We maintain our commitment to bold fiscal and economic reform measures, such as the remaining packages of the comprehensive tax reform program. The economic team also supports complementary bills that will open up our country to more foreign direct investments, such as amendments to the Foreign Investments Act, the Retail Trade Liberalization Act, and the Public Service Act.

We will never take the threat posed by the pandemic lightly. Be assured that the Duterte administration will protect our economic gains, support our recovery, strengthen our resilience, and bring us back to the path of inclusive and shared prosperity. This crisis will not diminish our willingness to exercise decisive leadership.

By working together, we will beat this pandemic and come out even stronger than ever.

Thank you.

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