



REPORT ON COVID-19 SOCIOECONOMIC RESPONSE

Secretary of Finance Carlos G. Dominguez

May 19, 2020

Outline of Presentation

- I. Where we were at the end of 2019
- II. Where we are now and the end-2020 economic projections
- III. What we have done to address the socioeconomic impact of the COVID-19 pandemic

Where we were at the end of 2019

The Philippines' macroeconomic fundamentals are strong

- Lowest recorded debt-to-GDP ratio of 39.6% in 2019
- Revenues were at 16.1% of GDP in 2019, the highest since 1997.
- Credit rating of BBB+ is the highest in our country's history
- Hefty reserves at USD 89 billion as of March 2020 is the highest recorded so far, and can cover close to 8 months of imports.
- Rice tariffication has kept inflation stable. April 2020 inflation at 2.2% is well within target range of 2% to 4%.
- Lowest recorded rates of unemployment which was 5.3%, underemployment of 14.8%, and poverty at 16.6% in 2019.

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

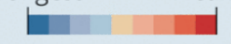
Route 66

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

The Philippines successfully offered USD2.35 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.
- **The rates are tighter than higher rated countries.**

Where we are now and the end-2020 economic projections

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	Negative*	“Broad lockdown” started March 25
Malaysia	2.2**	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

*according to Bank of Thailand (BOT), no specific number declared yet

**forecast

The Philippine economy is resilient, and can bounce back

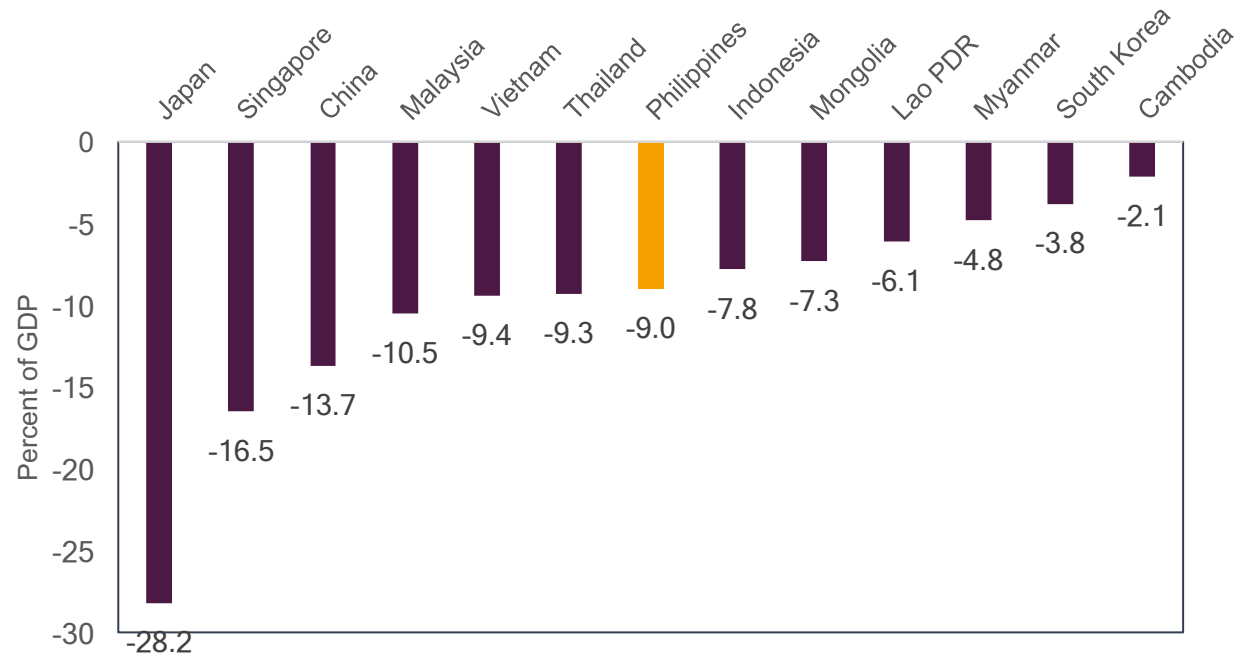
- Global experts have advised **not to focus on quarterly GDP performance** during this crisis.
- The most important actions are **fundamental reforms** and **conservative economic management**.

End-2020 Projections

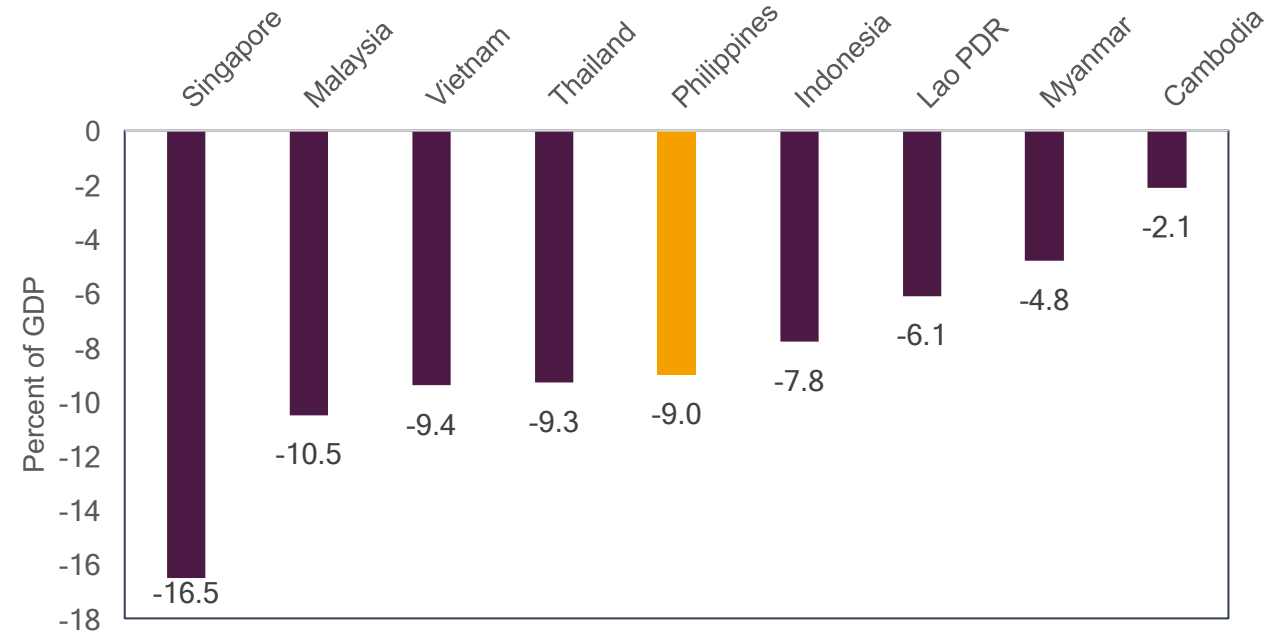
(in PHP Billion)	2019 Actual	2020 DBCC Projections (March 27, 2020)	2020 DBCC Projections (May 12, 2020)
Real GDP growth	6.0%	-1.0% to 0.0%	-2.0% to -3.4%
Total Revenues	3,137.5	3,173.1	2,612.6
<i>Revenue Effort</i>	<i>16.1%</i>	<i>16.2%</i>	<i>13.6%</i>
Disbursements	3,797.7	4,163.2	4,175.2
<i>Percent to GDP</i>	<i>19.5%</i>	<i>21.3%</i>	<i>21.7%</i>
Infrastructure	1,049.9	800.6	725.1
<i>Percent to GDP</i>	<i>5.4%</i>	<i>4.1%</i>	<i>3.8%</i>
Deficit	660.2	990.1	1,562.6
<i>Percent to GDP</i>	<i>-3.4%</i>	<i>-5.1%</i>	<i>-8.1%</i>
NG Debt	7,731.3	8,789.1	9,589.4
<i>Percent to GDP</i>	<i>39.6%</i>	<i>45.0%</i>	<i>49.8%</i>

For as long as the Philippines' deficit-to-GDP ratio will not exceed 9.0 percent, its ratio will remain in the median of comparable countries in ASEAN and in East Asia

Total fiscal deficit of East Asia and the Pacific countries (2020, as % of GDP)



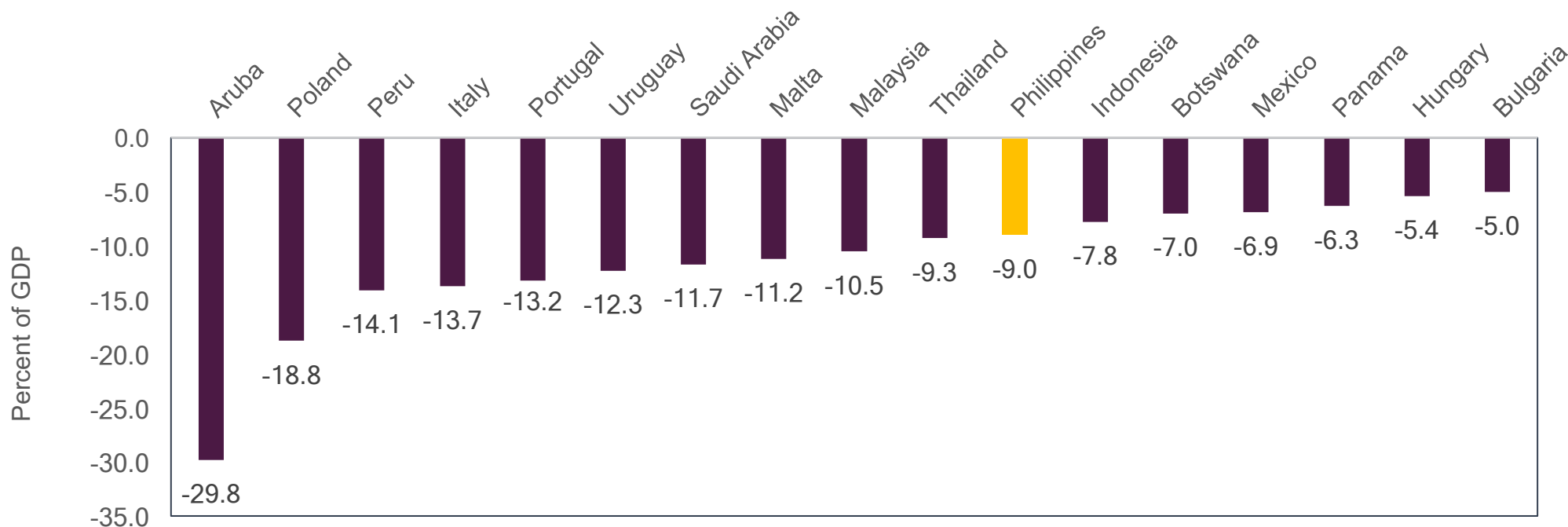
Total fiscal deficit of ASEAN countries (2020, as % of GDP)



Sources: DOF for PH data and IMF for other countries

For as long as the Philippines' deficit-to-GDP ratio will not exceed 9.0 percent, its ratio will remain in the median among peers with similar credit ratings

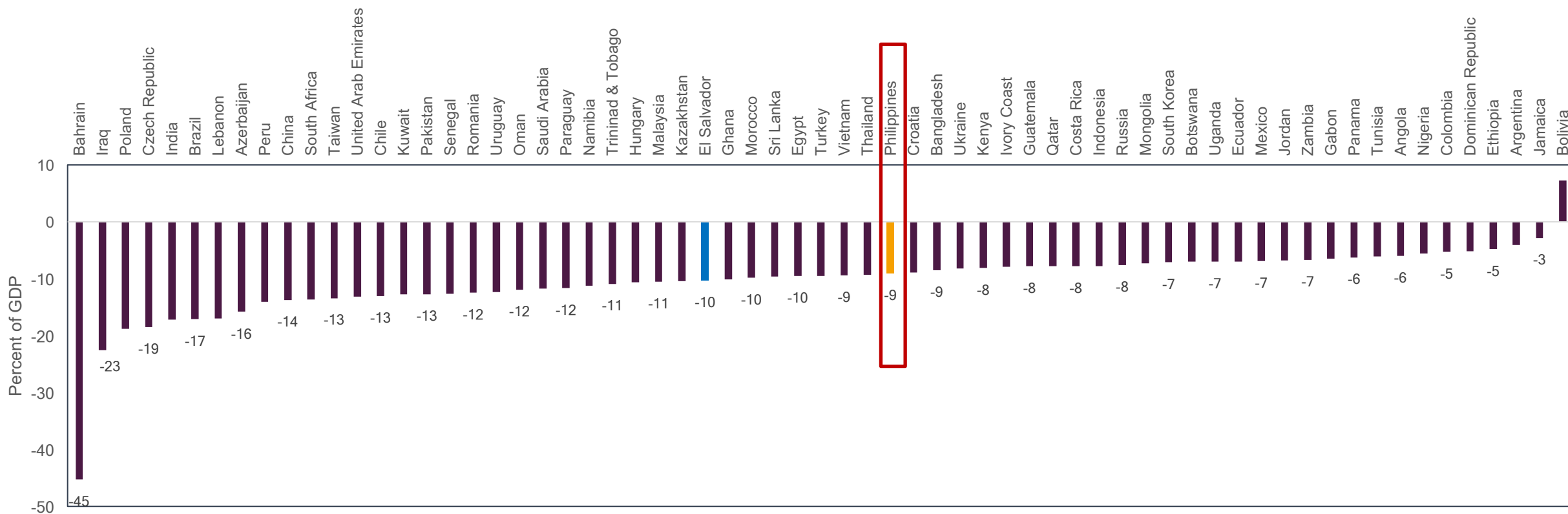
Total fiscal deficit of credit rating peers (2020, as % of GDP)



Sources: DOF for PH data and IMF for other countries

For as long as the Philippines' deficit-to-GDP ratio will not exceed 9.0 percent, its ratio will remain in the median among other emerging market economies

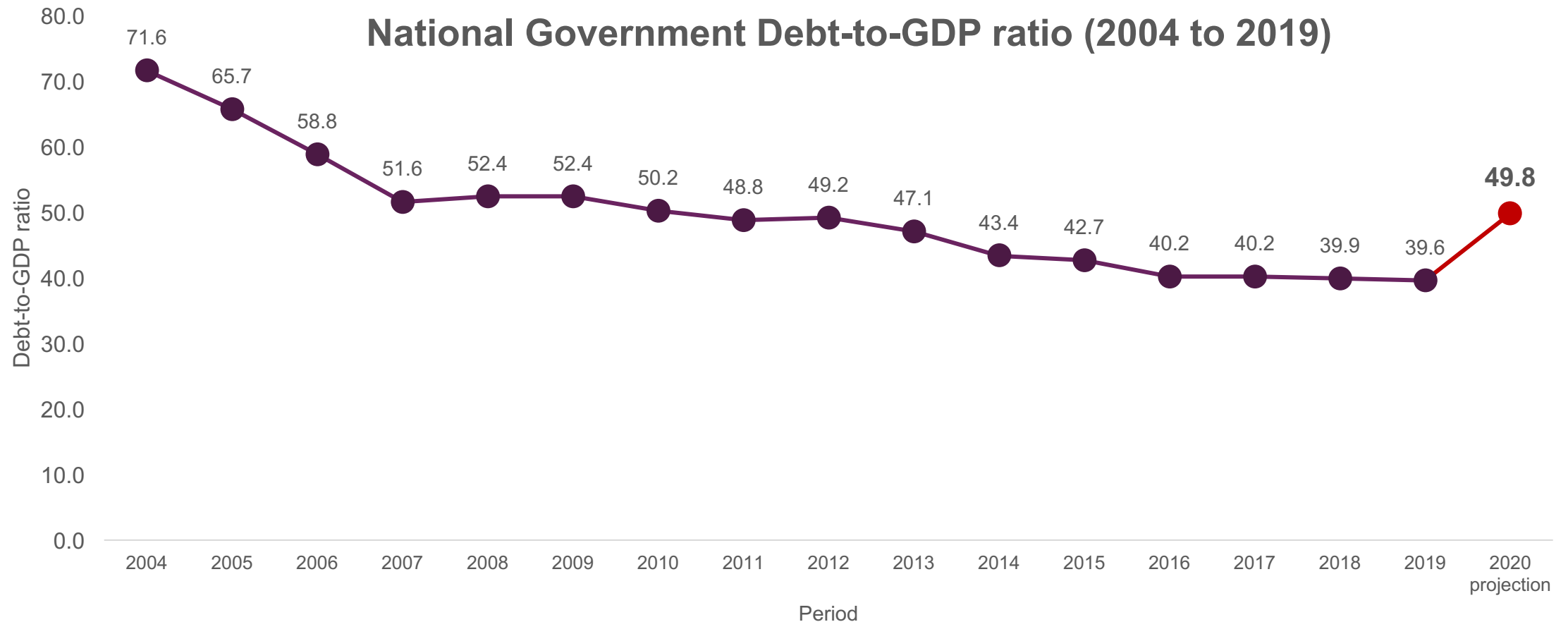
Total fiscal deficit of selected emerging countries* (2020, as % of GDP)



Sources: DOF for PH data and IMF for other countries

Note: *66 emerging economies as listed in The Economist

2020 projected National Government debt-to-GDP ratio is far lower compared to our historical performance

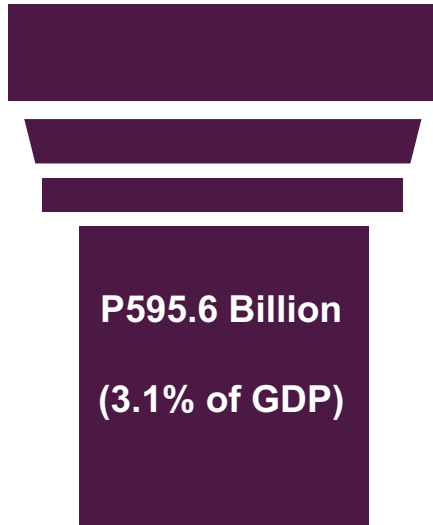


What we have done to address the socioeconomic
impact of the COVID-19 pandemic

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



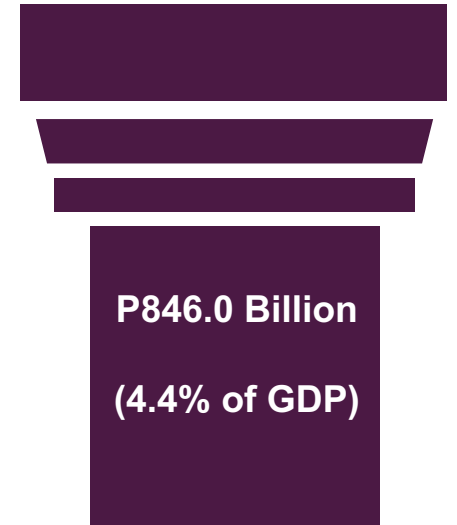
PILLAR 2
Marshalling resources
to fight COVID-19



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

Package 2 of the Comprehensive Tax Reform Program will be calibrated to make it more responsive to small businesses negatively affected by the pandemic.

- 1. An enhanced net operating loss carryover, extending reductions in future tax payments from the current 3 years to 5 years based on losses incurred in 2020.**
- 2. Across-the-board cut of the corporate income tax (CIT) rate from 30 to 25 percent starting July 2020.**
 - Reduce CIT further by one percentage point per year starting 2023, until it reaches 20 percent by 2027.
 - Extend by 2 years the sunset period for those under the gross income earned regime, from 2 to 7 years in the current draft to 4 to 9 years.

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

PH-PROGRESO: The Philippine Program for Recovery with Equity and Solidarity

Phased and adaptive recovery approach:



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. 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.

Priority Measures to Revive the Economy

4. **Stimulate consumer spending** by reviving manufacturing of products that have strong, inelastic demand, especially food production and logistics.
5. **Support the whole value chain** of these products, including food markets for efficient distribution of produce.

The Philippines will get back on its positive growth trajectory

2021 GDP
Growth Projections

7.1% to 8.1%

The Duterte Administration will protect our economic gains, support our recovery, strengthen our resilience, and solidify our return to the path of inclusive and shared prosperity.



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