Keynote Speech

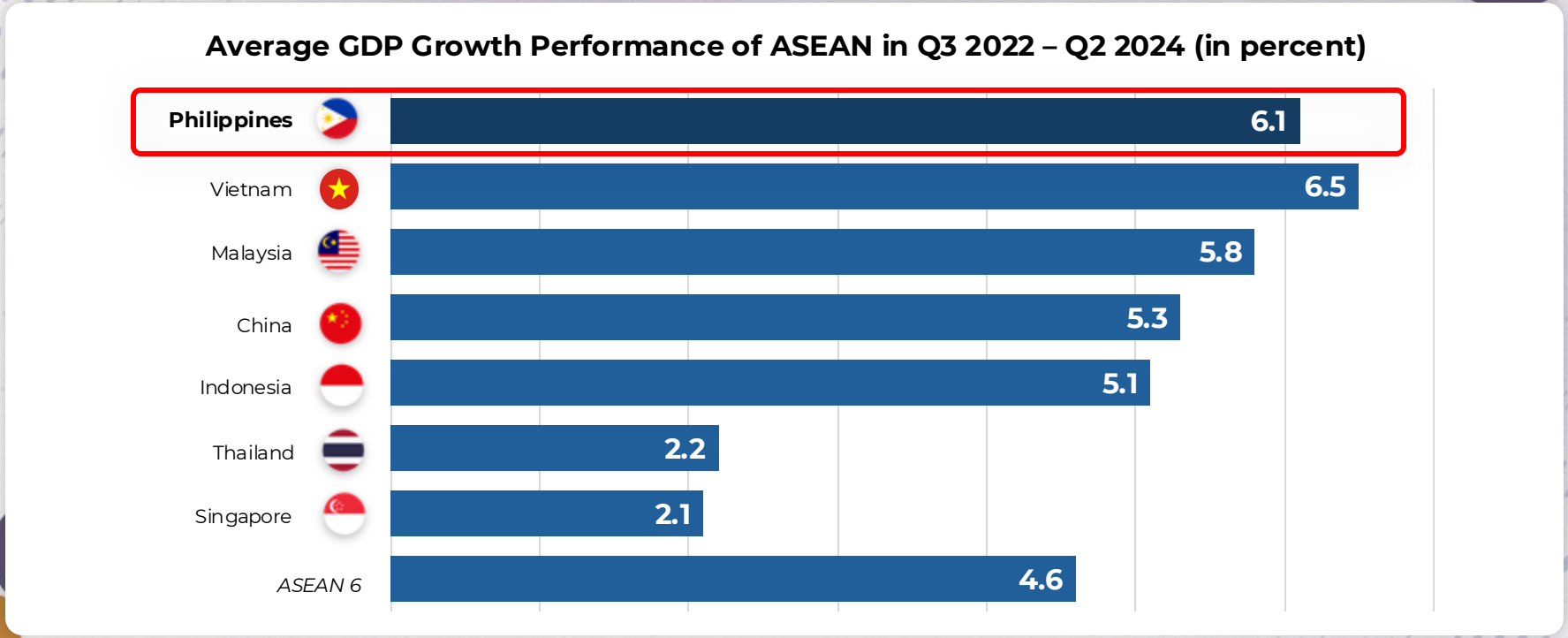
Stratbase Pilipinas Conference 2024

RALPH G. RECTO
SECRETARY OF FINANCE

November 7, 2024
Manila Polo Club

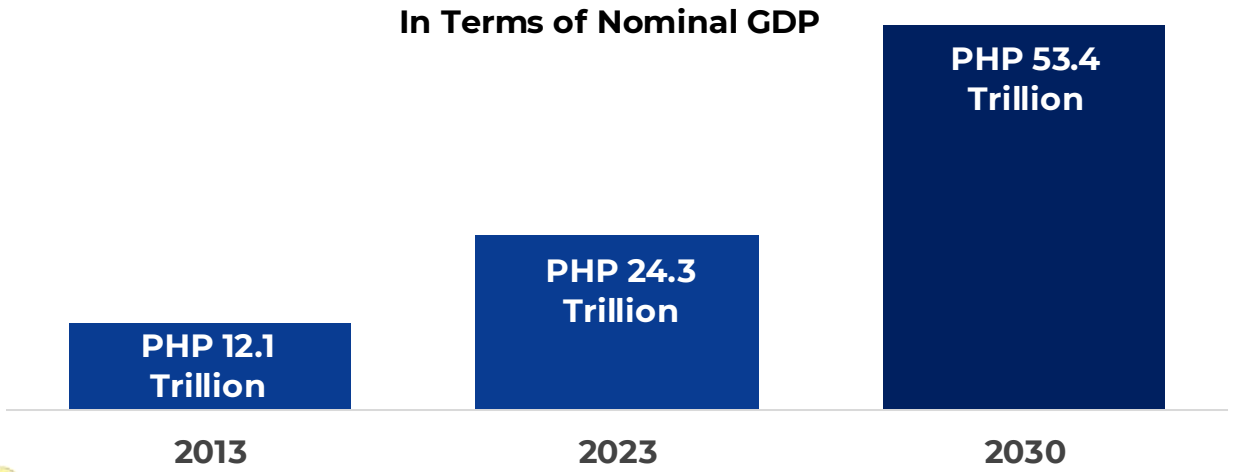
We now have the momentum on our side, and we must do everything to seize it.

Despite fierce global headwinds, the Philippines remains one of ASEAN's top economic performers



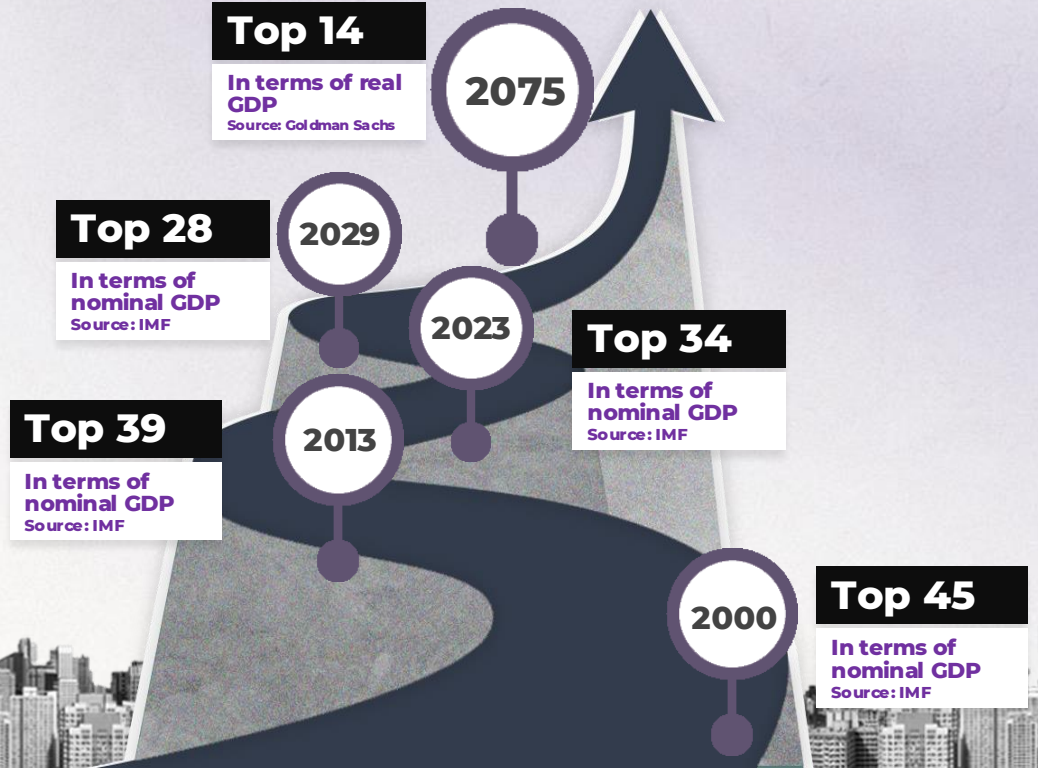
Sources: BSP, Countries' official websites, and News websites

The Philippine economy has already doubled its size since 2013, and it can grow by another two-fold by 2030



Sources: DOF Estimates

From being the world's 34th largest economy, the Philippines will climb up to the 28th spot by 2029 and 14th by 2075



Our refined Medium-Term Fiscal Program ensures a solid fiscal and economic foundation as a launchpad for high takeoff

Reduce debt-to-GDP ratio and deficit-to-GDP ratio gradually in a realistic manner

(Debt: from 60.1% in 2023 to 56.3% in 2028)

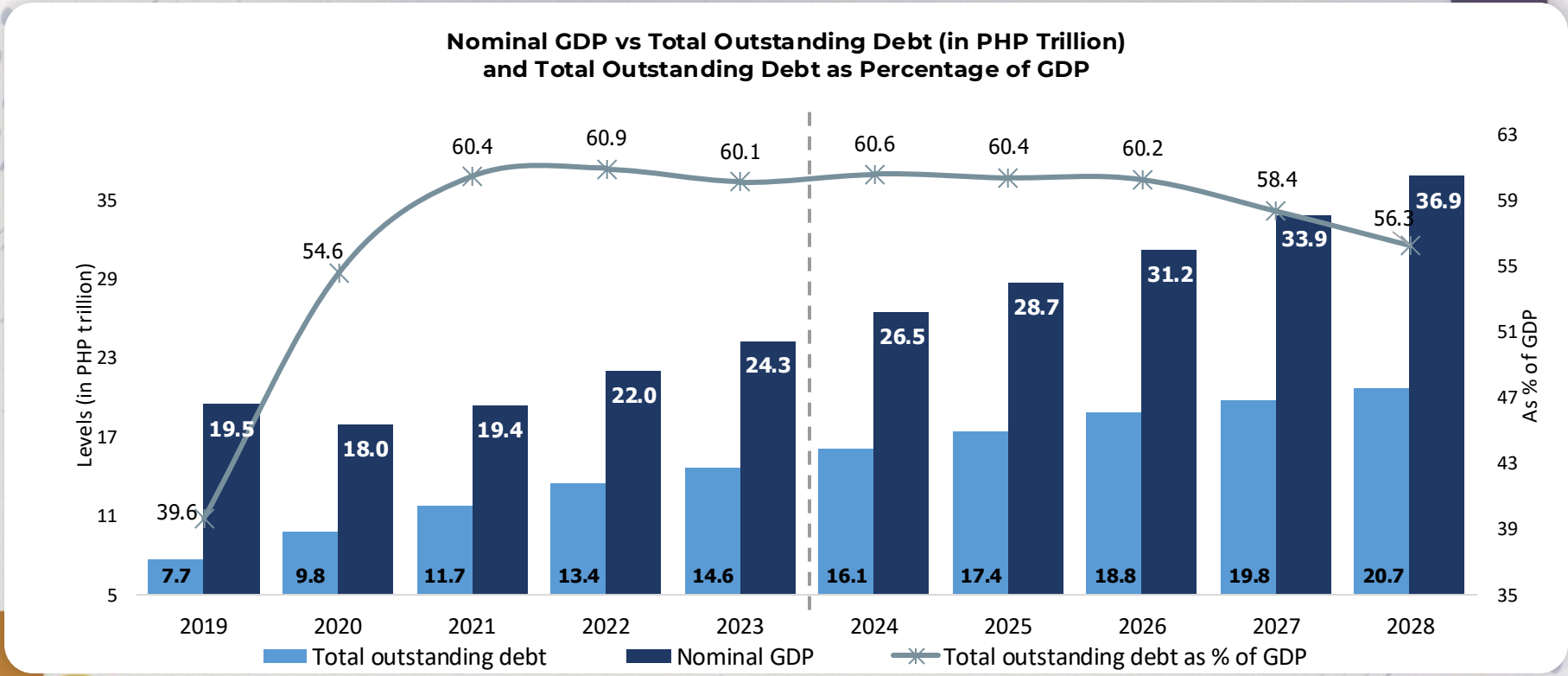
(Deficit: from 6.2% in 2023 to 3.7% in 2028)

Create more and better jobs

Increase people's income

Reduce poverty rate to single-digit or 9% by 2028

Our fiscal consolidation plan ensures that the economy will continue to outgrow our debt in the medium term



Sources: BTR and DBCC

Our fiscal discipline and prudent debt management earned us a credit rating upgrade and a series of affirmations

R&I

A- rating
Stable Outlook
(August 2024)

Japan Credit Rating Agency

A- rating
Stable Outlook
(March 2024)

S&P Global Ratings

BBB+ rating
Stable Outlook
(November 2023)

Fitch Ratings

BBB rating
Stable Outlook
(June 2024)

Moody's

Baa2 rating
Stable Outlook
(August 2024)

The DOF's refined revenue measures maximize gains, minimize pain, and ensure fairness and fiscal consolidation

VAT on Digital Services Act

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.

Package 4 of the CTRP

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

Excise Tax on Single-Use Plastics

Curbs overconsumption of single-use plastics while raising funds for the government.

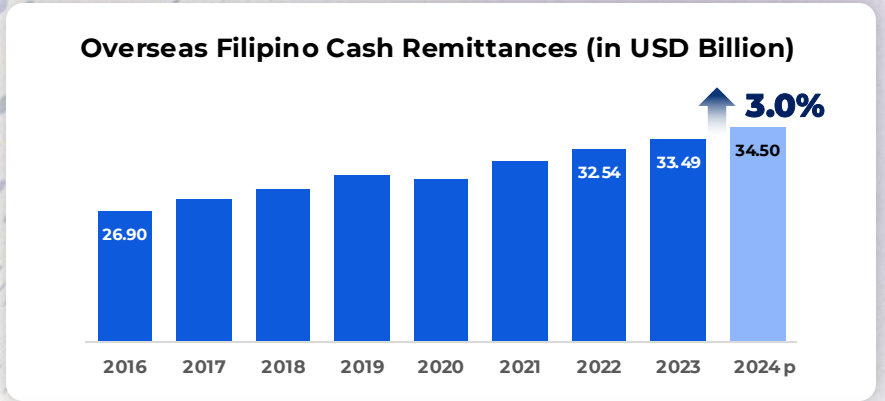
Motor Vehicle User's Charge

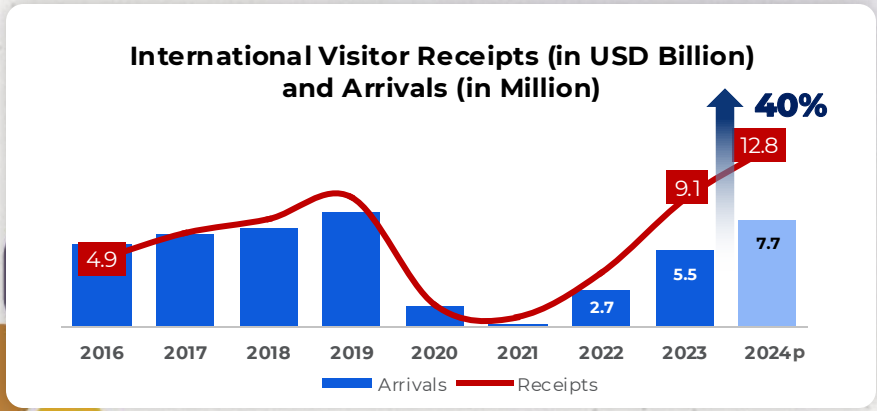
Aims to update the rates by introducing a 2-tier taxation scheme applicable to all vehicles to simplify tax administration and lowering compliance cost.

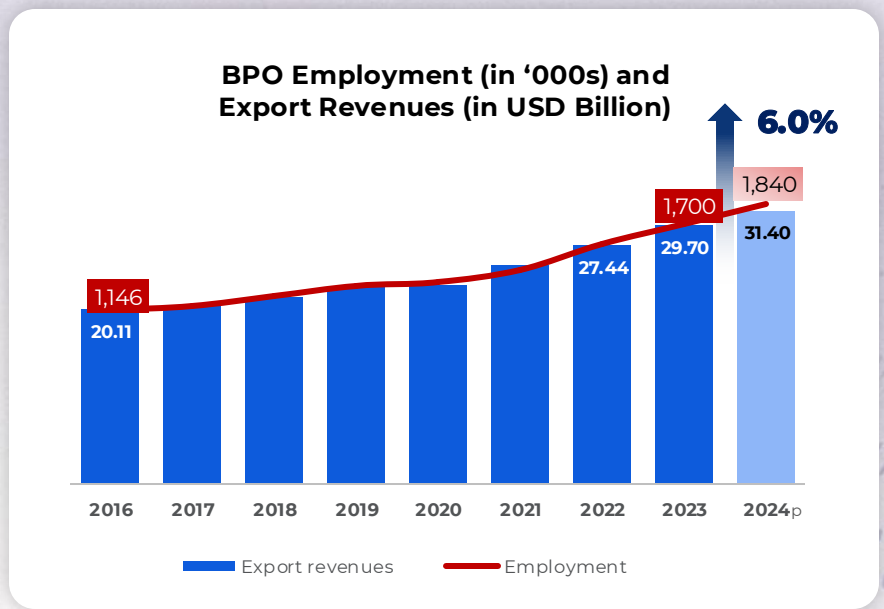
Rationalization of the Mining Fiscal Regime

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

The Philippines' external accounts remain as solid as ever

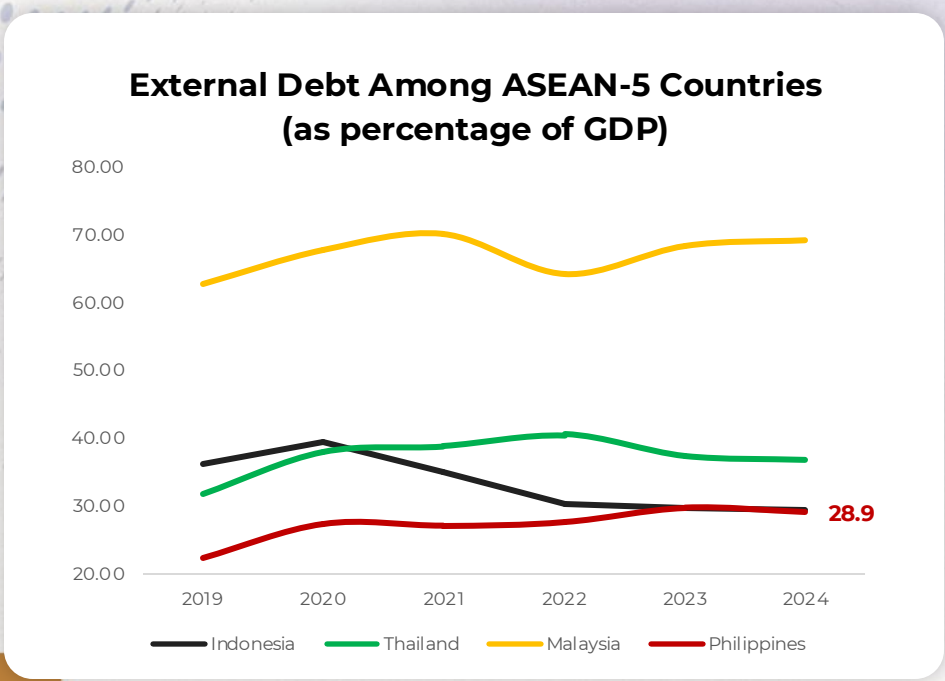


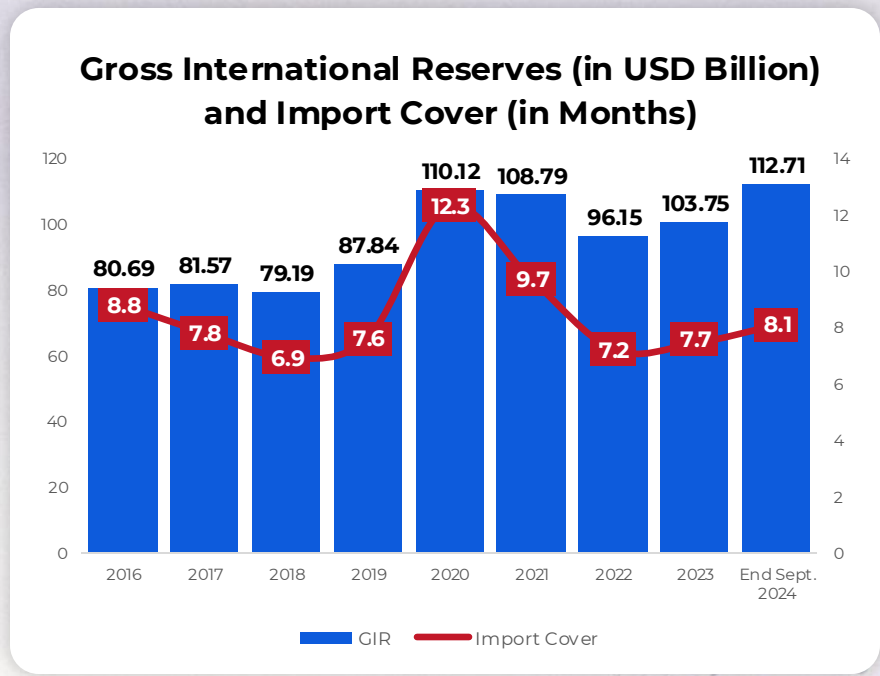




Source: BSP

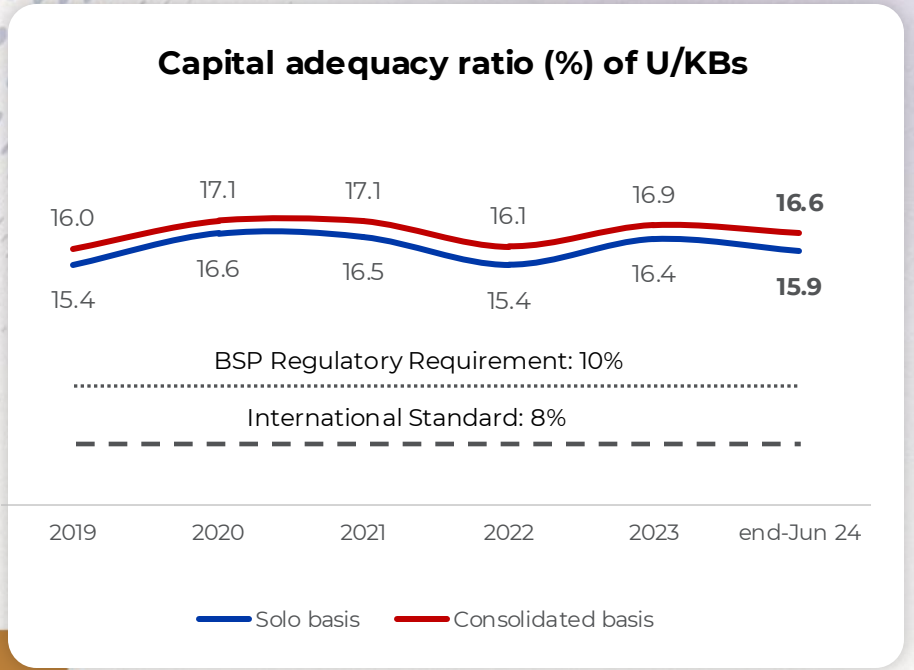
The Philippines continues to have the lowest external debt-to-GDP among ASEAN, and its level of reserves reached an all-time high

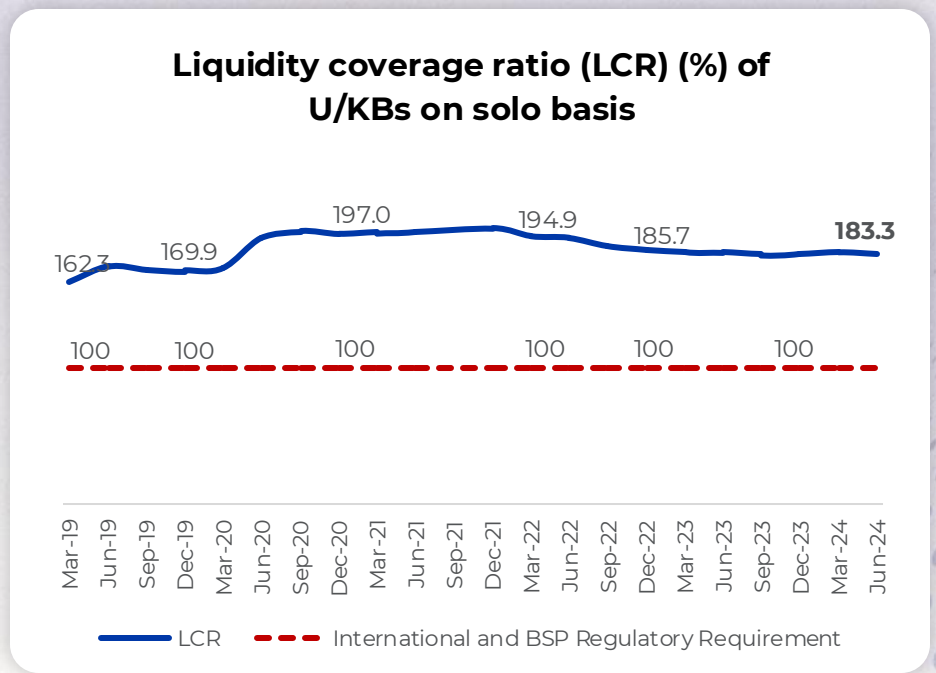




Source: BSP
*External Debt-to-GDP: PH as of S1 2024, others as of Q1 2024

The Philippine banking system is strong and stable





Source: BSP

The Philippines' inflation is within target band, the full-year projection is significantly lower than the global average

October 2024
2.3%
YTD: 3.3%

Government Target
2% - 4%

IMF Projections	2024	2025
Philippines	**3.3%**	**3.0%**
World (Average)	5.9%	4.5%
Emerging market and developing economies (Average)	8.3%	6.2%

Source: IMF

With our favorable domestic inflation outlook, the Bangko Sentral ng Pilipinas was the first in ASEAN to start its monetary policy easing

Reduced policy interest rates to a total of

50 basis points (6.0%)

Slashed reserve requirements across all financial intermediaries by

250 basis points (7.0%)

Source: BSP

The stage is set to fully harness our demographic sweet spot, our greatest asset to fuel long-term economic growth.

The Philippines boasts the most favorable demographics, with a median age of just 25 years old

Median Age of Select Countries

Japan	49.0
Europe	42.2
Thailand	39.7
China	39.1
United States	38.0
Australia	37.8
Singapore	35.1
Vietnam	32.4

Brunei	31.8
Malaysia	30.1
Indonesia	29.8
Myanmar	29.5
India	28.1
Cambodia	25.8
Philippines	**25.3**

Sources: United Nations Revisions of World Population Prospects 2024

The country's strong labor force fuels the dynamism of our economy

September 2024 Labor Force Survey Results

49.9M
Total Employed Individuals

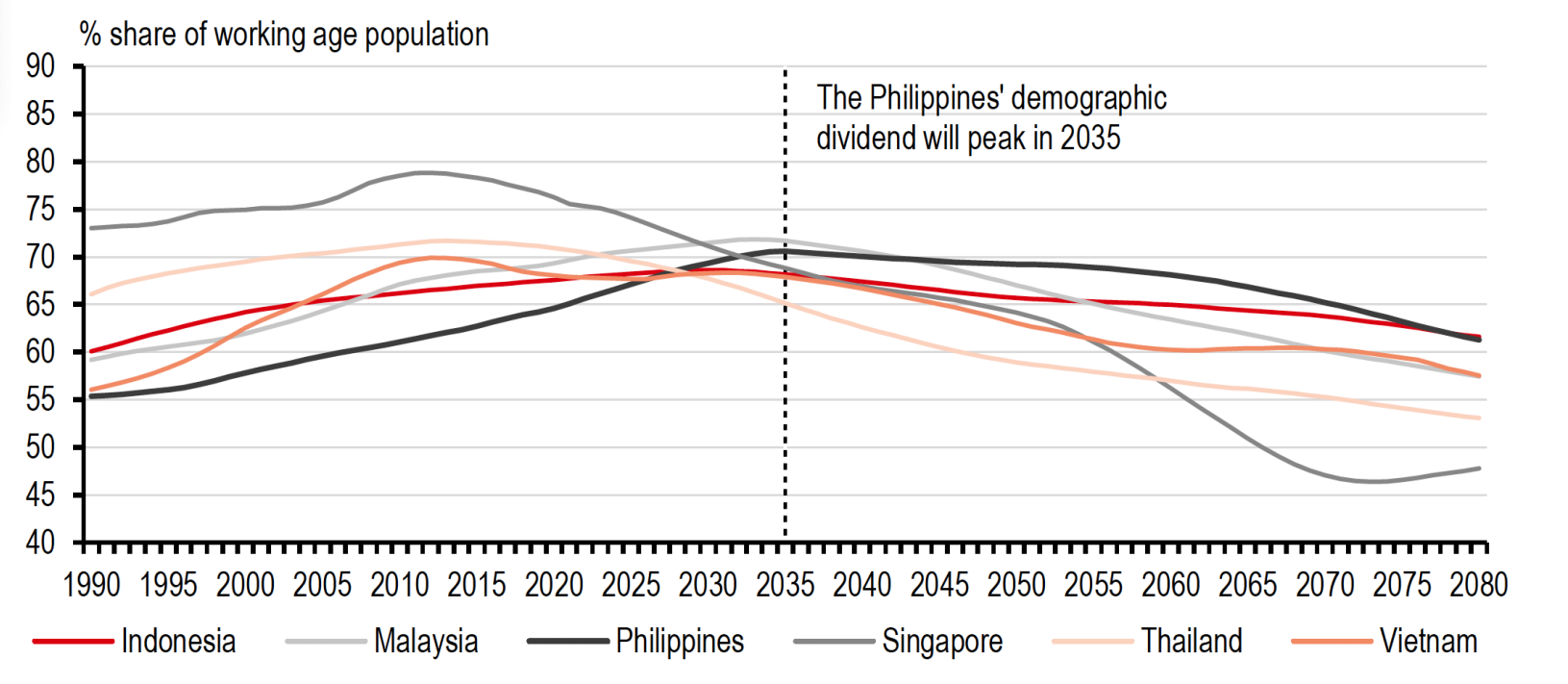
63.9%
Share of wage and salary workers to total employed individuals

11.9%
Underemployment rate

3.7%
Unemployment rate

Source: PSA

According to HSBC, the demographic tailwinds are strongest in the Philippines



Sources: UNPOP and HSBC

The Philippine domestic market has a **huge capacity** for enterprises to thrive

PH is expected to ascend to upper middle-income-status in 2025

An upper middle-income country means having a gross national income (GNI) per capita ranging between USD 4,516 and USD 14,005 for 2025.

PH is forecasted to be world's 13th largest consumer market by 2030

PH will have a total of 79 million consumers in 2030 from 41 million in 2020.

Source: World Bank

***The private sector is our major economic lifeline*— one that has the power to accelerate or break our growth momentum.**

That is why one of the Marcos, Jr. administration's first initiatives was the creation of the Private Sector Advisory Council.

The Public-Private Partnership Code allows us to build massive infrastructure projects that enhance both our physical and intellectual assets.

The Build Better More Program features 186 big-ticket infrastructure projects worth PHP 9.68 Trillion

Physical connectivity
135 projects
PHP 8.39 Trillion

Health
5 projects
PHP 95.72 Billion

Water Resources
29 projects
PHP 734.05 Billion

Digital Connectivity
4 projects
PHP 180.39 Billion

Agriculture
9 projects
PHP 213.67 Billion

Other Infrastructure
2 projects
PHP 21.33 Billion

Power and Energy
1 project
PHP 10.19 Billion

Education
1 project
PHP 30.56 Billion

SCAN TO VIEW THE LIST OF PROJECTS

Source: NEDA (as of June 2024)

CREATE MORE offers investors access to an attractive, streamlined, and cost-effective investment environment

Improves ease of doing business by enhancing provisions of the Tax Code, as amended by the CREATE Act

Clarifies VAT rules to address concerns on VAT incentives availment

Enhances the tax incentive competitiveness through better and more competitive incentive packages

Strengthens governance and accountability in the grant and administration of incentives

Clarifies transitory rules for registered business enterprises (RBEs)

We are replacing red tape with a red carpet to boost investments-led growth

Amendments to Economic Liberalization Laws
Lowers minimum paid-up capital requirement for foreign corporations; Allows full foreign ownership in public services

Proposed Creation of the Department of Water Resources
Modernizes and integrates water resources development and management in the country

Digital Connectivity Projects
Positions PH as an attractive host for technology-centric businesses

Proposed Reduction of the tax on stock transactions
From 0.6% to 0.1%; Lowers friction costs and aligns us with our regional peers

Green Lane Endorsement
Streamlines approval and registration processes

Proposed Amendments to the LBP and DBP charters
Empower our state banks to tap into private capital and publicly offer a portion of their shares

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

Proposed Amendments to the Right of Way Act
Expedites processes and completion of infrastructure projects in the country

We are fully committed to doing everything in our power to help businesses succeed.

Because we want you to make more money with us and grow your enterprises to help the nation prosper.

We have actively formed **strategic partnerships and alliances** with other countries to strengthen our defense.

For we understand that **national security is inseparable from economic prosperity**.

We are doing all of these to achieve our ultimate goal:
to lift 8 million more Filipinos out of the poverty line by 2028.

Let us continue to keep our lines of communication open as we run faster, reach farther, and soar higher for every Filipino.

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