



# FY 2021 NATIONAL EXPENDITURE PROGRAM

*Reset, Rebound, and Recover:  
Investing for Resiliency and Sustainability*

**ACTING SECRETARY KARL KENDRICK T. CHUA**

National Economic and Development Authority

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# The Philippines entered 2020 with a very strong position.



Strong **economic growth** performance (6.6% average from 2016 to 2019).



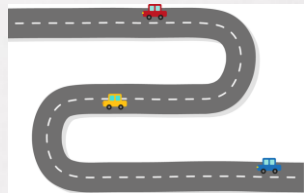
Likely to become **upper middle income country** in 2020 prior to COVID-19.



Low and stable **inflation** (3% average from 2016 to 2019) enabled by **RTL**.



Strong **fiscal position**: highest revenue (16.1%) and lowest debt (39.6%) as shares of GDP in 2019, enabled by **tax reform**.



**BBB infrastructure program** doubled as a share of GDP compared to the past five decades (4.5% of GDP or 882 billion pesos in 2019).



Highest ever **credit rating** in the range of **BBB+ to A-**.



Among the **lowest unemployment** (5.3%) and **underemployment** (14.8%) rates in Jan 2020.



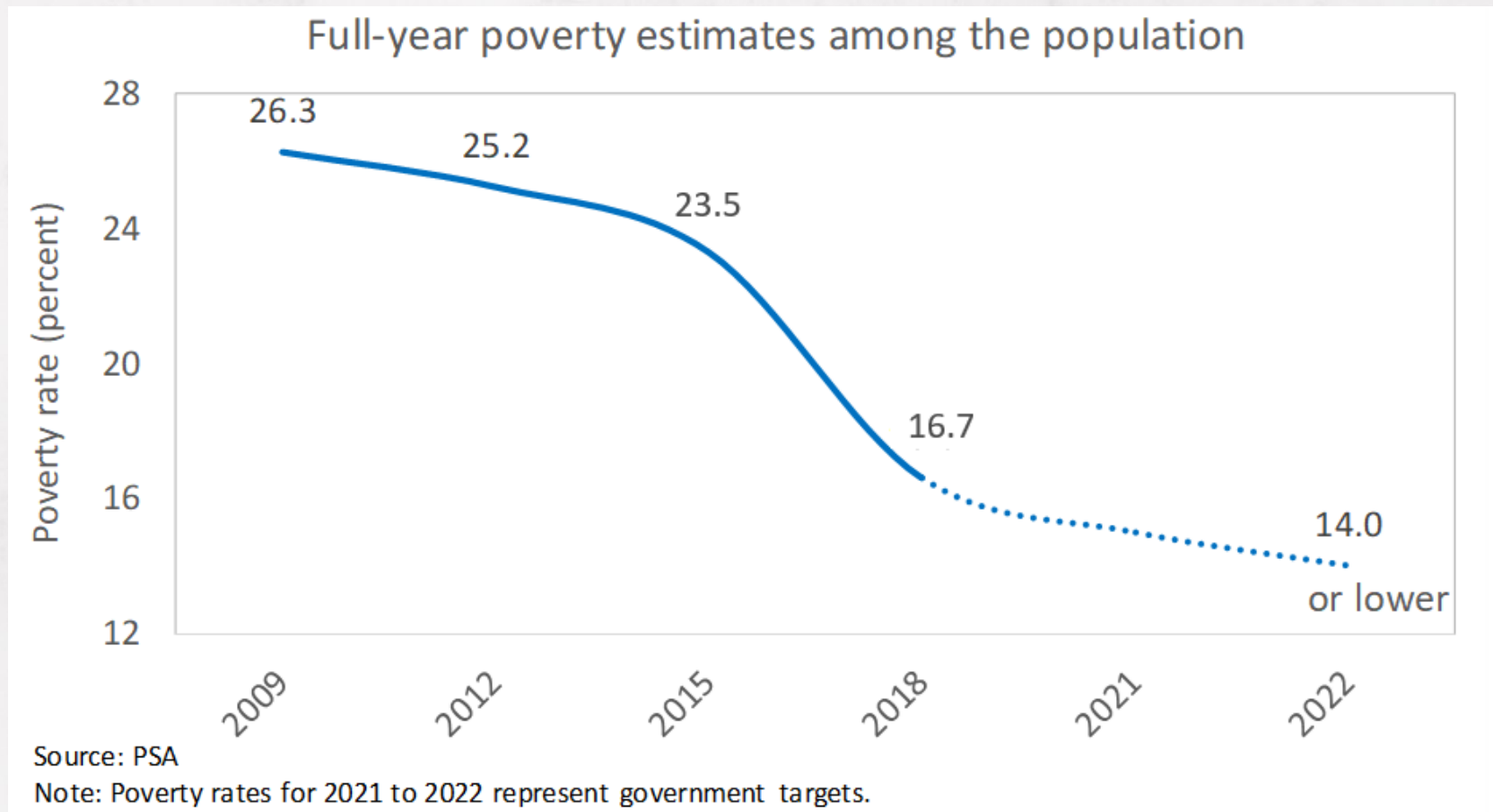
**Lowest poverty incidence** (16.7%) as of 2018.



# Progress in achieving the 10-point socioeconomic agenda has advanced strongly.



# The 2022 promise of lifting 6 million Filipinos out of poverty was achieved in 2018, or four years ahead of the 2022 target.



# Saving lives as top priority in the first three months of quarantine.

As local transmission of the virus surged in March 2020, we made the very difficult decision of placing a large part of the economy in enhanced community quarantine (ECQ) because the priority was clearly to save lives from COVID-19. This decision is worth the lives saved.

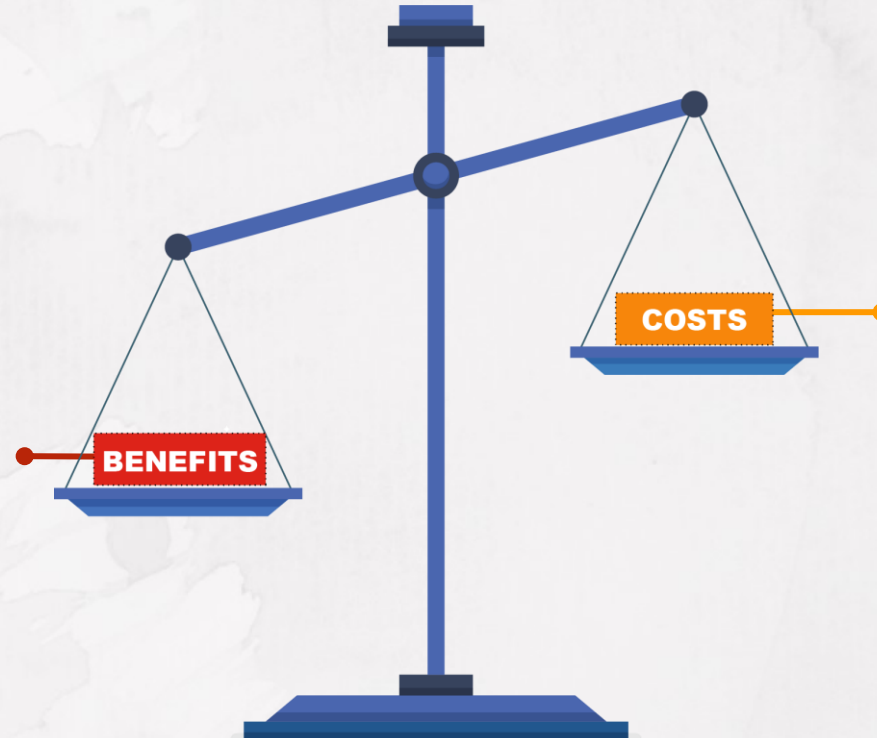
Daily testing peaked at **41,030** on Aug 27.

Testing capacity at **84,595** as of Aug 25.

Averted some **59,000 to 171,000** deaths. Death rate reduced from a high of **17 percent** to **1.6 percent** (2,687 deaths as of Aug 18).

Averted some **1.3 to 3.5** million cases, of which **68,000** severe and critical cases at peak.

**Shut down of 75 percent of the economy**



Economy contracted by **0.7** percent in Q1 and by **16.5** percent in Q2 2020.

Unemployment rate reached **17.7** percent in May 2020.

**7** million unemployed.



**But with the COVID-19 pandemic and the quarantines, the Philippine economy contracted by 9.0 percent in the first semester of 2020.**

Real Growth Rates (%)	2019	2020		
	FY	Q1	Q2	S1
<b>Gross Domestic Product</b>	6.0	(0.7)	(16.5)	(9.0)
<b><i>By expenditure item:</i></b>				
Household Final Consumption Expenditure	5.9	0.2	(15.5)	(7.8)
Government Final Consumption Expenditure	9.6	7.0	22.1	15.6
Capital Formation	2.5	(17.4)	(53.5)	(36.6)
of which: Fixed Capital Formation	3.9	(4.4)	(37.8)	(22.3)
Exports	2.4	(4.4)	(37.0)	(21.4)
Imports	1.8	(8.7)	(40.0)	(24.7)
<b><i>By industrial origin:</i></b>				
Agriculture, Forestry, and Fishing	1.2	(0.3)	1.6	0.6
Industry	4.7	(3.4)	(22.9)	(13.5)
of which: Manufacturing	3.2	(3.8)	(21.3)	(12.5)
Services	7.5	0.6	(15.8)	(8.2)

Source: Philippine Statistics Authority (PSA)



**With 75 percent of the economy forced to shutdown, unemployment and underemployment increased sharply.**

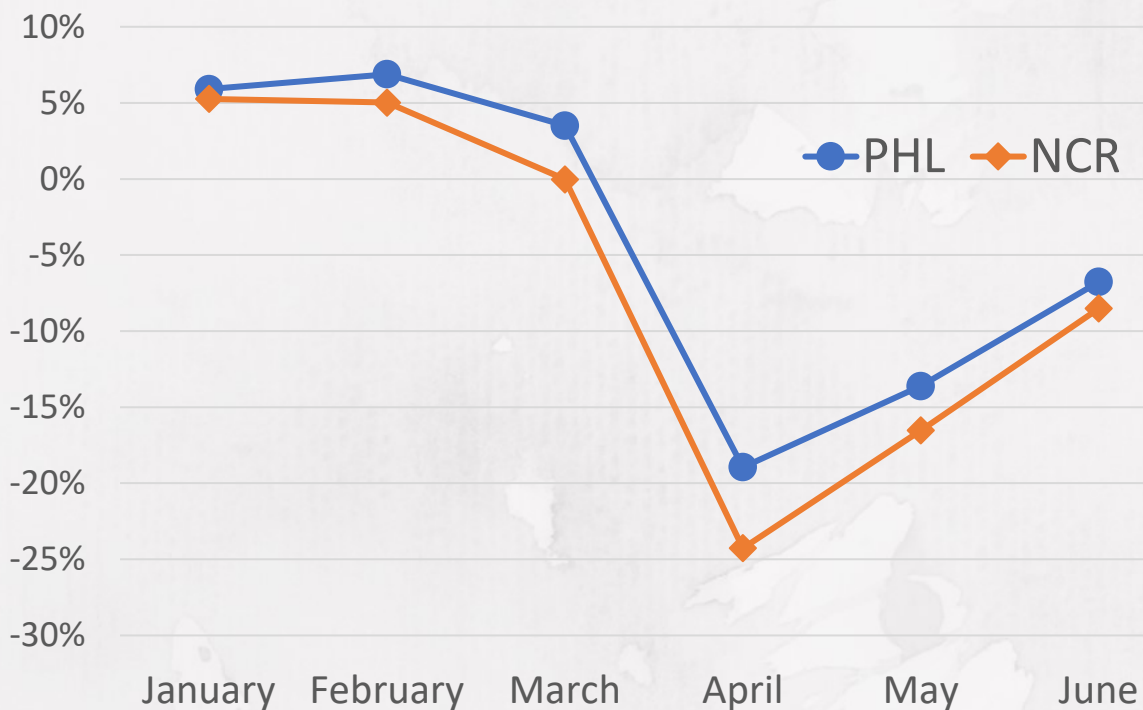
	Philippines		
	April 2019	April 2020	Increment
Unemployment (in millions)	2.3	7.3	5.0
Unemployment Rate (in percent)	5.1	17.7	12.5
Underemployment (in millions)	5.6	6.4	0.8
Underemployment Rate (in percent)	13.4	18.9	5.5

Source: Philippine Statistics Authority (PSA)

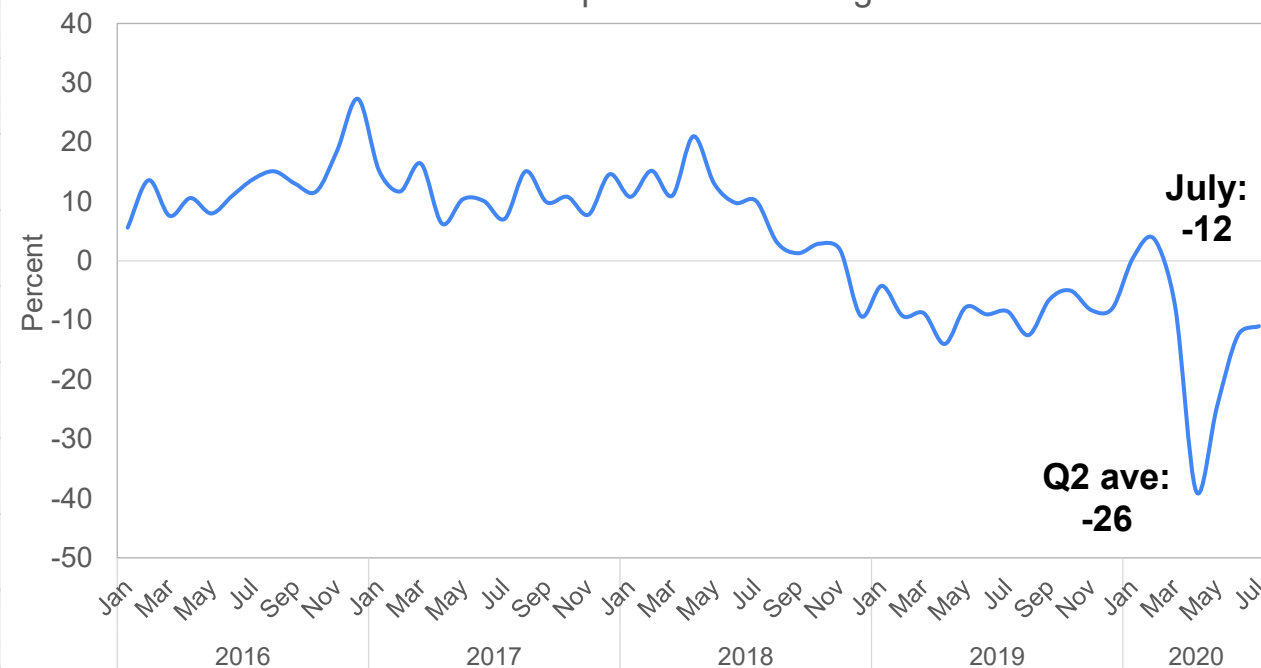


## As quarantine restrictions were eased, economic activities improved gradually.

### Growth of NGCP Energy Delivery (yoy)



### Volume of production index growth

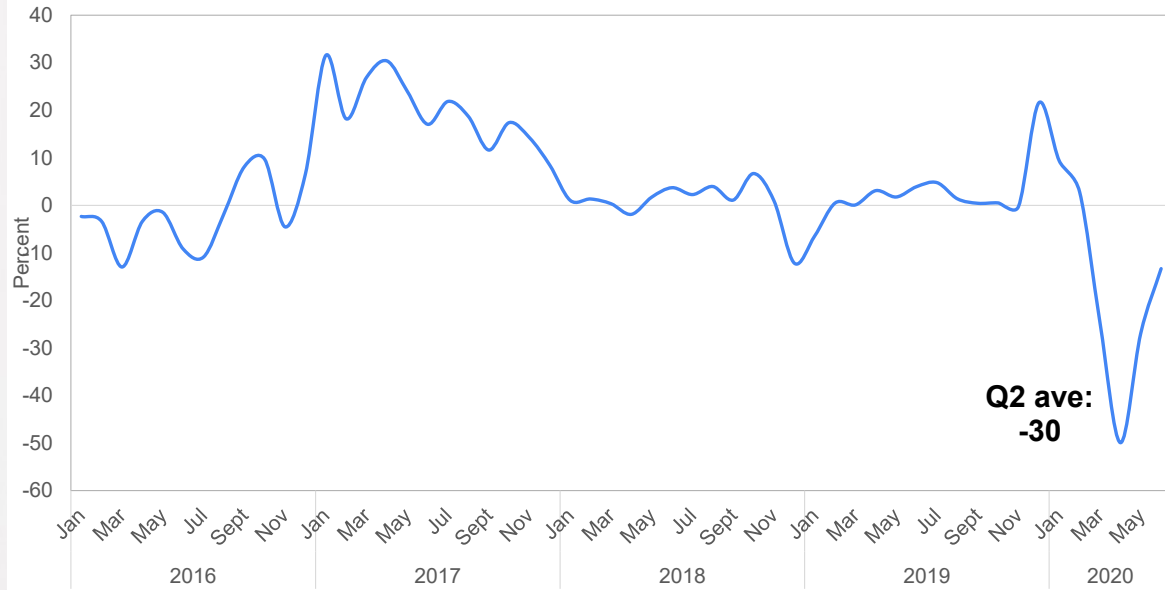


Source: PSA



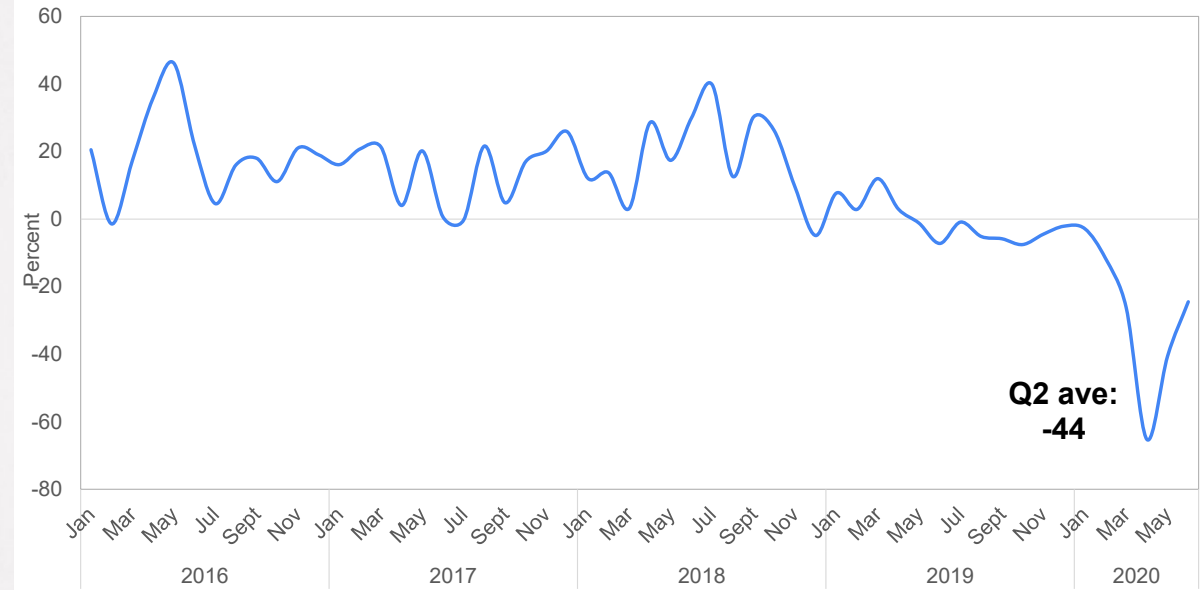
# As quarantine restrictions were eased, economic activities improved gradually.

Total merchandise exports monthly growth



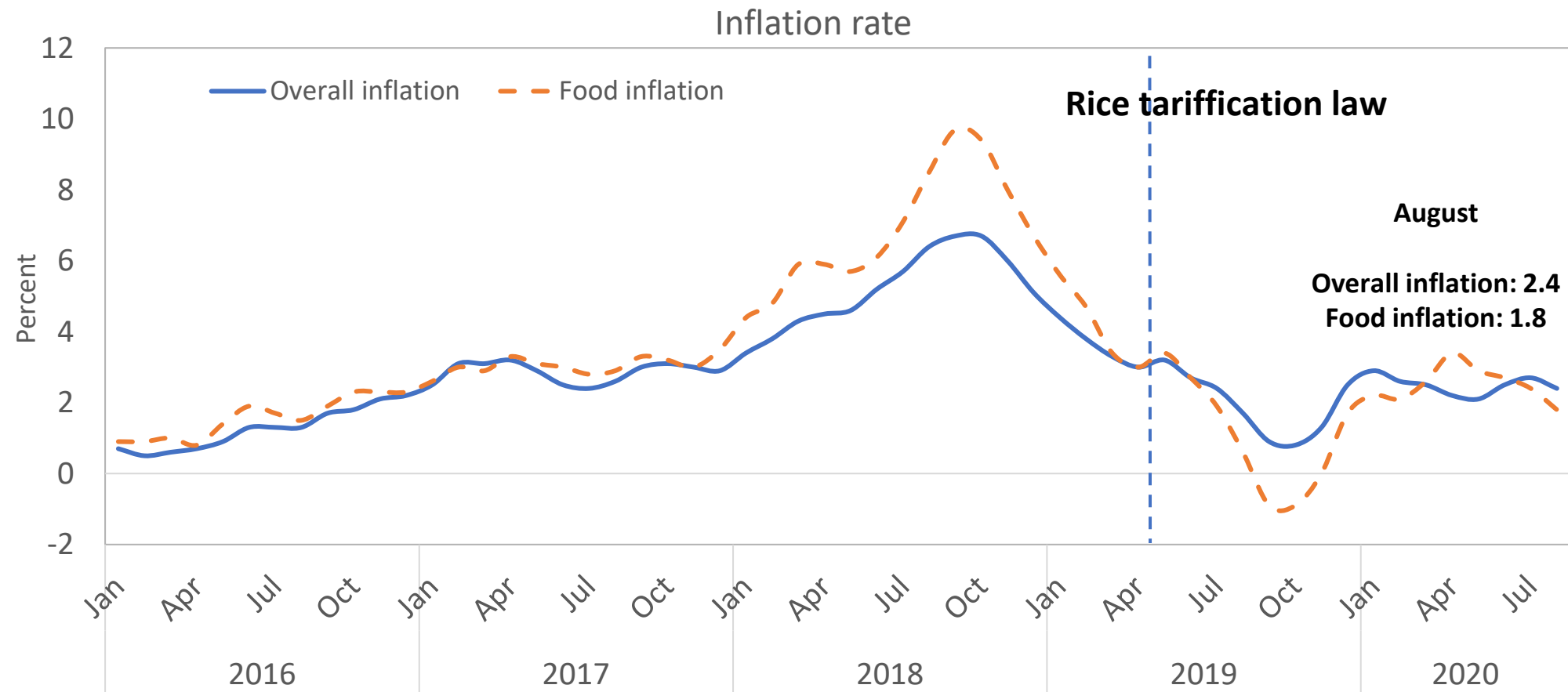
Source: PSA and NEDA staff estimates

Total merchandise imports monthly growth



Source: PSA and NEDA staff estimates

# Inflation remains low and stable due to recent reforms and adequate supply of basic commodities.



Source: PSA

## Lower quarantine restriction opened more sectors and helped jobs come back.

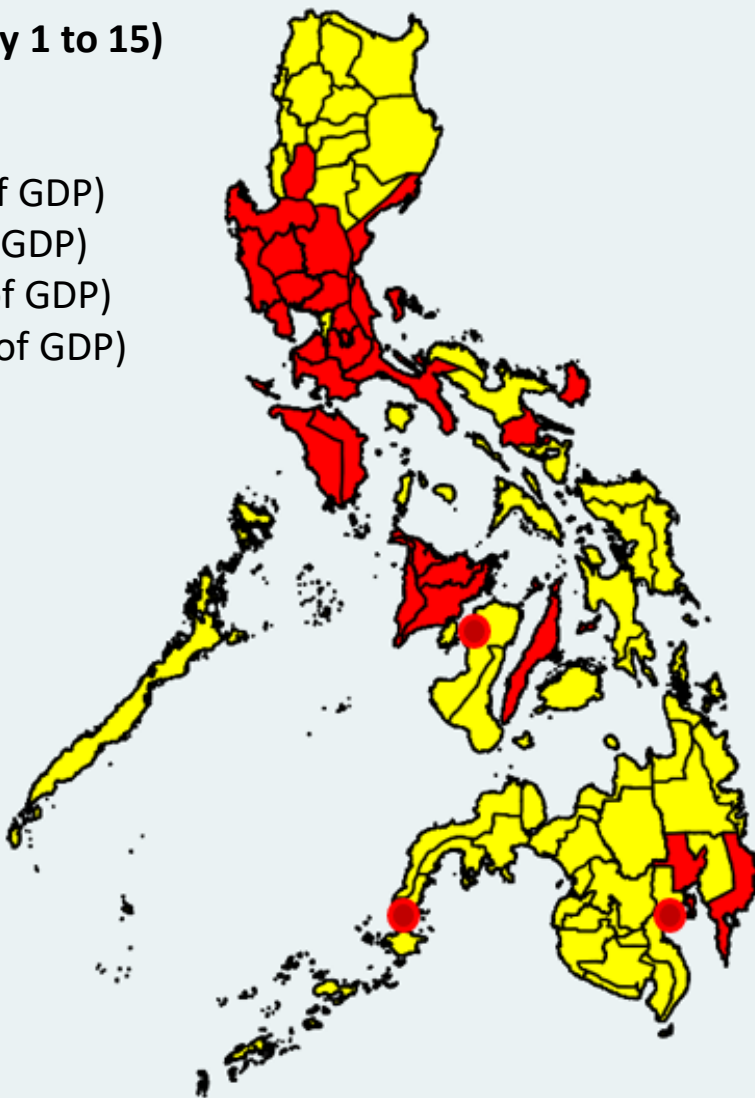
CQ status (% of GDP)	1 to 15 May 2020	1 to 15 July 2020	1 Sep 2020
<b>ECQ</b>	<b>78.8</b>	<b>2.1</b>	<b>0</b>
<b>MECQ</b>	<b>0</b>	<b>0</b>	<b>0.8</b>
<b>GCQ</b>	<b>21.2</b>	<b>48.4</b>	<b>45.7</b>
<b>MGCQ</b>	<b>0</b>	<b>49.5</b>	<b>53.5</b>
<b>Total economy</b>	<b>100</b>	<b>100</b>	<b>100</b>
GDP growth (%)	-16.5 (Q2)	TBD	TBD
Unemployment rate (%)	17.7 (Apr*)	10.0	TBD
Underemployment rate (%)	18.9 (Apr*)	17.3	TBD
Source: PSA, NEDA staff estimates, and IATF sub-TWG on data analytics			
Note: Due to the ECQ, the April round of the LFS was conducted between April 25 and May 16 for 2020.			



### CQ status (May 1 to 15)

Legend:

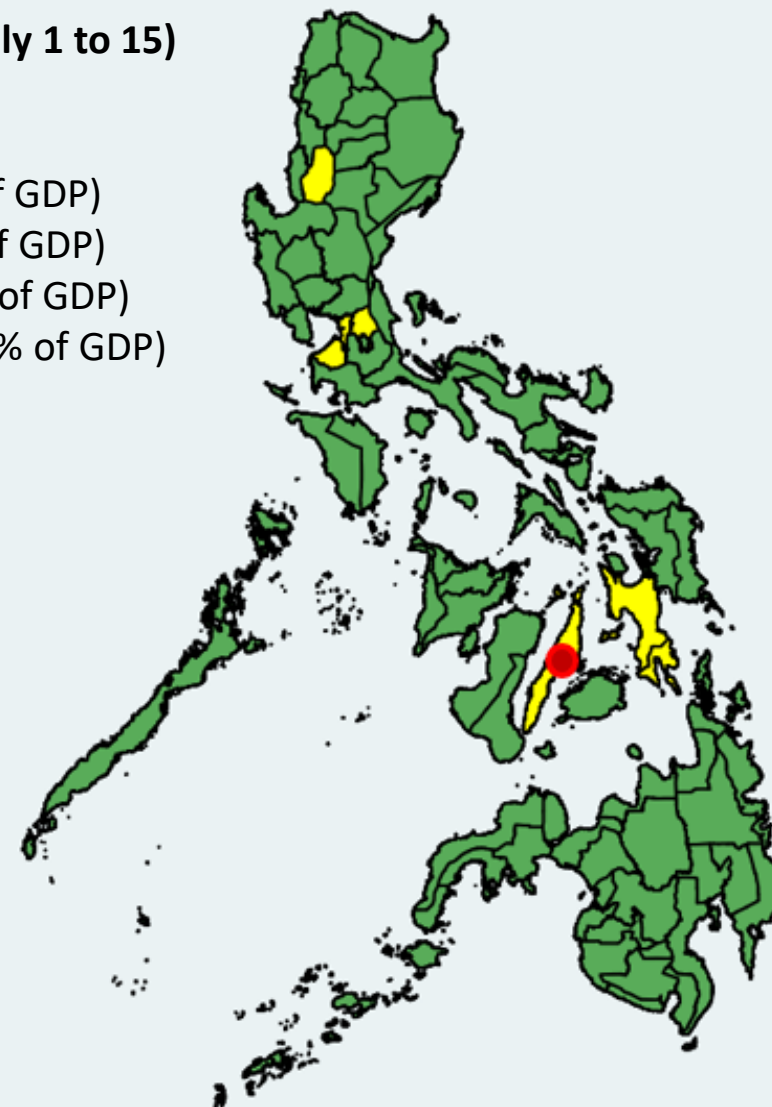
- ECQ (78.8% of GDP)
- MECQ (0% of GDP)
- GCQ (21.2% of GDP)
- MGCQ (0.0% of GDP)



### CQ status (July 1 to 15)

Legend:

- ECQ (2.1% of GDP)
- MECQ (0% of GDP)
- GCQ (48.4% of GDP)
- MGCQ (49.5% of GDP)



**GDP growth is projected to be around negative 5.5 percent in 2020, before recovering to around 6.5 to 7.5 percent in 2021 and 2022.**

DBCC GDP Growth Assumptions as of July 28, 2020

Year	Real GDP Growth
2020	-4.5 to -6.6 (midpoint: -5.5)
2021	6.5 to 7.5
2022	6.5 to 7.5

# Medium-term macroeconomic assumptions

DBCC Macroeconomic Assumptions as of July 28, 2020

Macroeconomic Indicators	2020	2021	2022
Real GDP Growth	-4.5 to -6.6	6.5 to 7.5	6.5 to 7.5
Inflation	1.75 to 2.75	2.0 to 4.0	2.0 to 4.0
Dubai Crude Oil	35 to 45	35 to 50	35 to 50
364-day T-Bill Rate (%) <sup>a/</sup>	2.5 to 3.5	3.0 to 4.5	3.0 to 4.5
Foreign Exchange Rate (₱/US\$)	50 to 52	50 to 54	50 to 54
LIBOR, 6 mos. (%)	0.8 to 1.5	1.0 to 2.0	1.0 to 2.0
Goods Exports (BPM6) (%)	-16.0	5.0	5.0
Goods Imports (BPM6) (%)	-18.0	8.0	8.0
Services Exports (BPM6) (%)	-13.0	6.0	9.0
Services Imports (BPM6) (%)	-9.0	5.0	5.0

<sup>a/</sup> Based on the primary market rate



# We remain vigilant against risks to the growth outlook




Domestic risks to the growth outlook include:

- **Uncertainty** brought by the COVID-19 pandemic
- **Subdued** consumer and business **sentiment**
- **Inclement weather** (e.g. occurrence of typhoons, possibility of weak La Nina)
- **Animal-borne diseases** (e.g., African Swine Fever)
- **Disruptions in transport, value chains, and the logistics sector**
- **Limited absorptive capacity** of implementing agencies and LGUs
- **Labor market disruptions** due to the pandemic

External Risks:

- **Weak global economy** and slowdown in international trade
- **Geopolitical tensions** (US- China, diplomatic tensions in Taiwan and HK, etc.)
- **Lower remittances and foreign direct investments (FDI)**

# A phased and adaptive recovery approach that prioritizes health and recovery of consumer confidence.

	 <b>EMERGENCY STAGE</b>	 <b>RECOVERY STAGE</b>	 <b>RESILIENCY STAGE</b>
<b>Period</b>	March to May 2020	June to Dec 2020	2021 onwards
<b>Analogy</b>	Intubation in ICU	Dextrose in regular room	Vitamins at home
<b>Law</b>	<b>Bayanihan I</b>	<b>Bayanihan II, GUIDE, FIST, CREATE</b>	<b>2021-22 GAA and other reform laws</b>
<b>Pillar</b>	Pillar I and II	Pillar III and IV	Plan for a Healthy and Resilient PH
<b>Key features</b>	<ul style="list-style-type: none"> <li>• Budget and procurement flexibility.</li> <li>• Subsidy to poor and low income.</li> <li>• Small business support (grace period, wage subsidy)</li> <li>• Support to key sectors (e.g. agri and OFW).</li> <li>• Health system, capacity, and insurance.</li> <li>• Support front-liners.</li> </ul>	<ul style="list-style-type: none"> <li>• Budget and procurement flexibility</li> <li>• Reprioritization of 2020 budget.</li> <li>• <b>Priority BBB resumption.</b></li> <li>• <b>Demand side to raise income and create jobs:</b> better targeted and implemented Bayanihan I programs.</li> <li>• <b>Supply side to support firms:</b> Liquidity and equity infusion, and guarantee thru the financial sector.</li> <li>• <b>Targeted tax incentives.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Reprioritization of the 2021 and 2022 budget.</li> <li>• Structural reforms to turn crisis into opportunity to prepare for the new normal.</li> <li>• Support Balik Probinsya, Bagong Pag-asa (BP<sup>2</sup>) Program.</li> </ul>



Reduce COVID19 transmissions  
and non-COVID19 deaths

Restart social and economic  
activities

### Contribution to prevent, detect, and, isolate (PDI) strategies

- Compliance to minimum health standards (MHS)
- Active involvement in PDI protocols

### Contribution to reintegration strategies

- Reduce economic losses
- Address psychosocial concerns

### Business and service continuity focused on:

- Health system improvement
- Food security
- Learning continuity
- Digital transformation
- Ecological integrity

### Good governance

Inclusive and  
people-centered

Responsive

Clean

Technology-enabled



## Short-term response strategies

1. Intensify the implementation of Prevent, Detect, Isolate, Treat, and Reintegration (PDITR) strategies through:
  - Enforcement of minimum health standards
  - Health surveillance
  - Intensified contact tracing protocol
  - Construction of more isolation facilities and provision of adequate funds for personal services (PS) and operations and maintenance (O&M)
  - Strategic stockpiling of PPE and other needed medical paraphernalia
  - Construction of treatment facilities, particularly to care for mild cases
  - Provision of financial and social assistance to individuals and their families undergoing isolation or treatment

## Short-term response strategies

2. Intensify information, education, and communications (IEC) campaign of Prevent, Detect, Isolate, Treatment, and Reintegration (PDITR) and how individuals and communities can contribute to the effort
3. Develop the PPE ecosystem
4. Implement a strategic stockpiling system of PPE and other essential goods with strong linkage to domestic manufacturers
5. Support the agriculture sector, including urban agriculture
6. Minimize disruptions in value chains and the logistics sector
7. Extend financial assistance, intensify retooling and upskilling programs, alternative livelihood options, and job matching services

## Short-term response strategies

8. Provide support for flexible learning opportunities
9. Extend financial and technical assistance to micro, small, and medium enterprises (MSME) to shift to digital transformation
10. Improve and invest in digital infrastructure
11. Continue implementation of projects on ecological integrity (e.g. solid waste management, hazardous waste management, national reforestation and national greening program)
12. Reopen safe and sufficient public transportation
13. Resume the Build, Build, Build (BBB) program



# The case for reopening public transport: Visits to public transport stations dipped again in August.

Transit stations: How did the number of visitors change since the beginning of the pandemic?

Change in visitor numbers is measured relative to a baseline day; a baseline day is the median value from the 5-week period between Jan 3rd and Feb 6th 2020. This index is smoothed to the rolling 7-day average.

Our World  
in Data



Source: Google COVID-19 Community Mobility Trends – Last updated 31 August, 22:01 (London time)

Note: This includes places like public transport hubs such as subway, bus, and train stations. It's not recommended to compare levels across countries; local differences in categories could be misleading.

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# The case for reopening public transport: People actually going to work likewise dropped in August.

## Workplaces: How did the number of visitors change since the beginning of the pandemic?

Change in visitor numbers is measured relative to a baseline day; a baseline day is the median value from the 5-week period between Jan 3rd and Feb 6th 2020. This index is smoothed to the rolling 7-day average.

Our World  
in Data



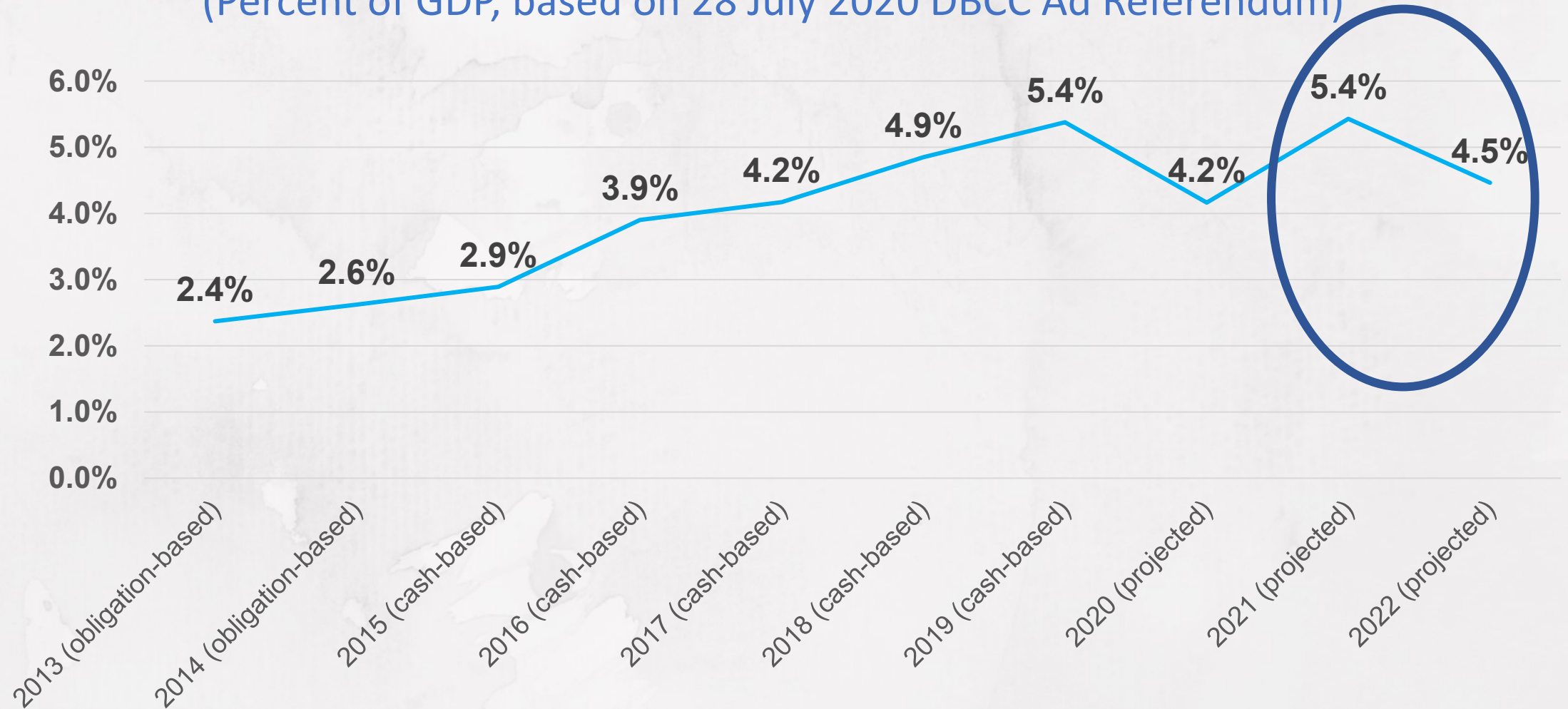
Source: Google COVID-19 Community Mobility Trends - Last updated 31 August, 22:01 (London time)  
Note: It's not recommended to compare levels across countries; local differences in categories could be misleading.

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40 percent but  
also improving.

# Higher infrastructure spending is crucial to the recovery.

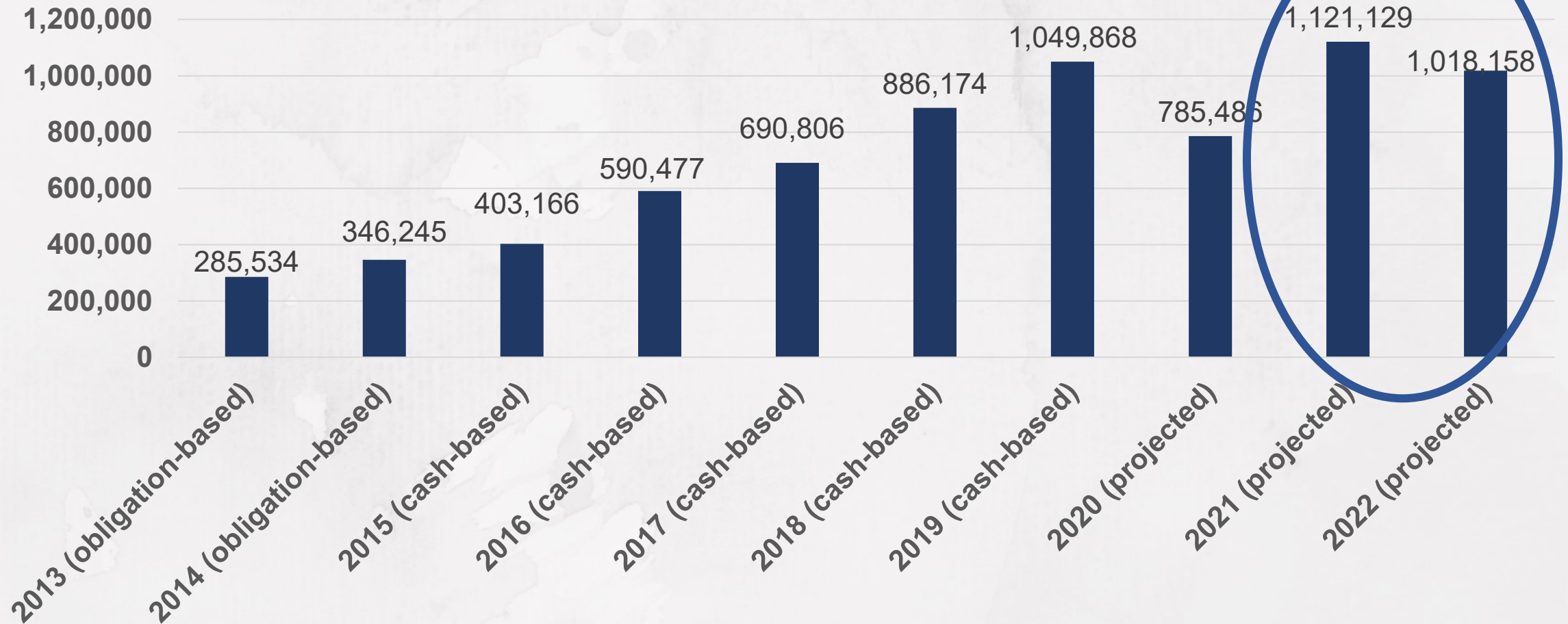
(Percent of GDP, based on 28 July 2020 DBCC Ad Referendum)





# Higher infrastructure spending is crucial to the recovery.

(In PHP million, based on 28 July 2020 DBCC Ad Referendum)



# Key legislation to support the recovery.

1. Financial Institutions Strategic Transfer (FIST) Bill
2. GFIs Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Bill
3. Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill
4. 2021 GAA
5. Amendments to Public Service Act
6. Amendments to the Foreign Investment Act
7. Amendments to Retail Trade Liberalization Act

# Updated overall PDP 2017-2022 strategic framework.

