



REPUBLIC OF THE PHILIPPINES  
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

# **Socioeconomic performance and macroeconomic outlook amid the COVID-19 pandemic**

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House of Representatives

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# Outline

1. Strong economic foundations
  2. Recent economic developments
  3. COVID-19 and quarantines
  4. Prospects for recovery
  5. Key legislation to support the recovery
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- 



# **Strong economic foundations**

# Vision for the Philippines

By 2022



21.6% → 14%  
poverty rate reduced  
(6 million Filipinos uplifted)

Extreme poverty eradicated

3,500 → at least 3,996  
USD USD

increase in Gross  
National Income (GNI)

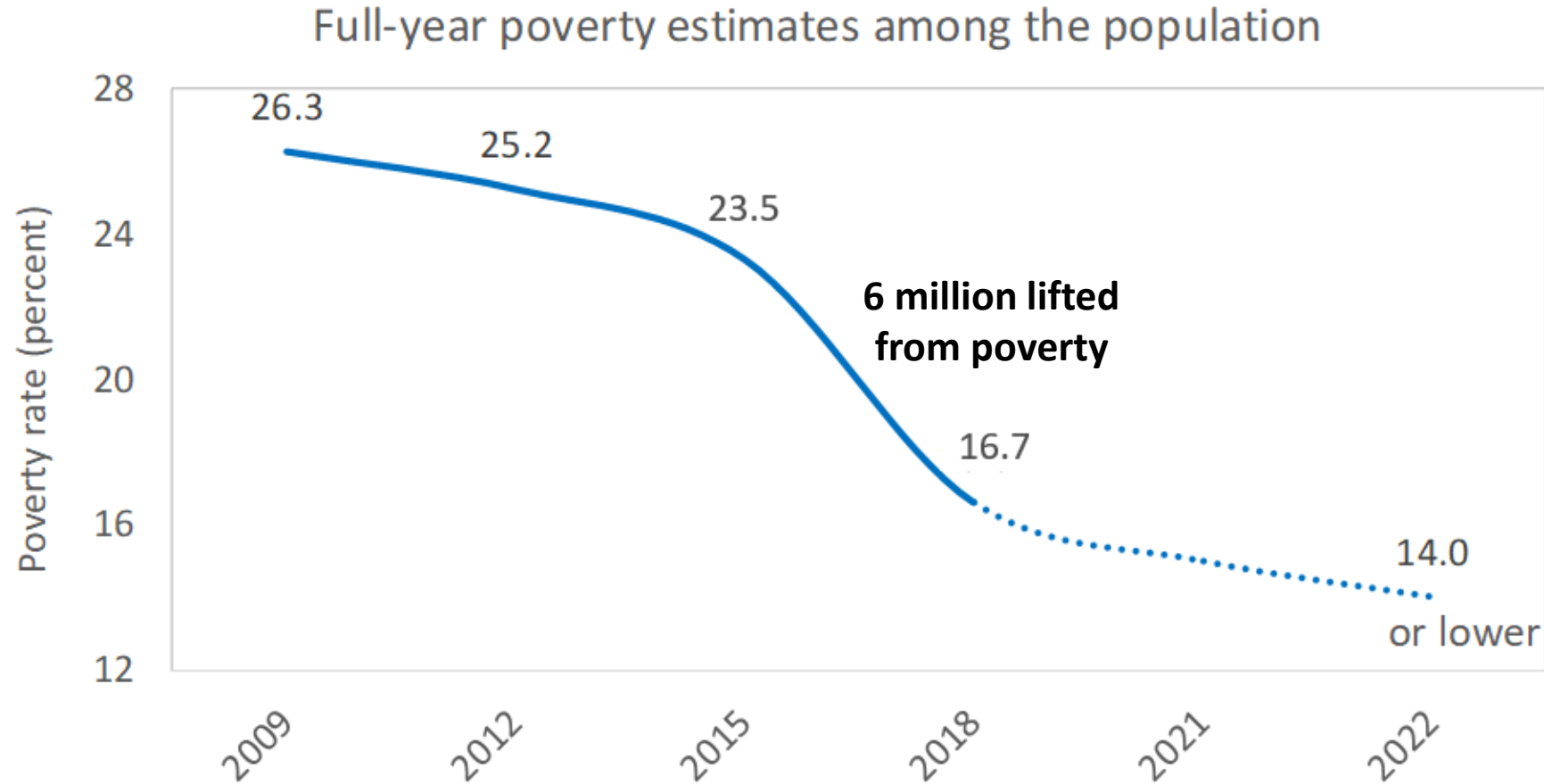
(achieve upper-middle income status  
where Thailand and China are today)

3,500 → at least 12,376  
USD USD

increase in Gross  
National Income (GNI)

(achieve high income status  
where Japan and South Korea are today)

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



Source: PSA

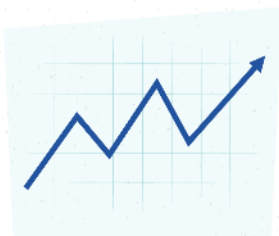
Note: Poverty rates for 2021 to 2022 represent government targets.



# We are progressing strongly in our 10-point socioeconomic agenda.



# Economic growth potential remains because of early reforms and our strong macroeconomic fundamentals.



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



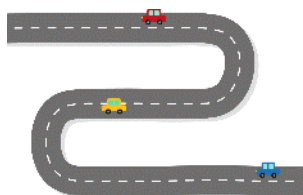
Likely to become **upper-middle income country** in 2020 prior to COVID-19.



Low and stable **inflation** (3% average from 2016 to 2020) enabled by the **Rice Tariffication Law**.



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 (5.4% of GDP or 1.05 trillion 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.



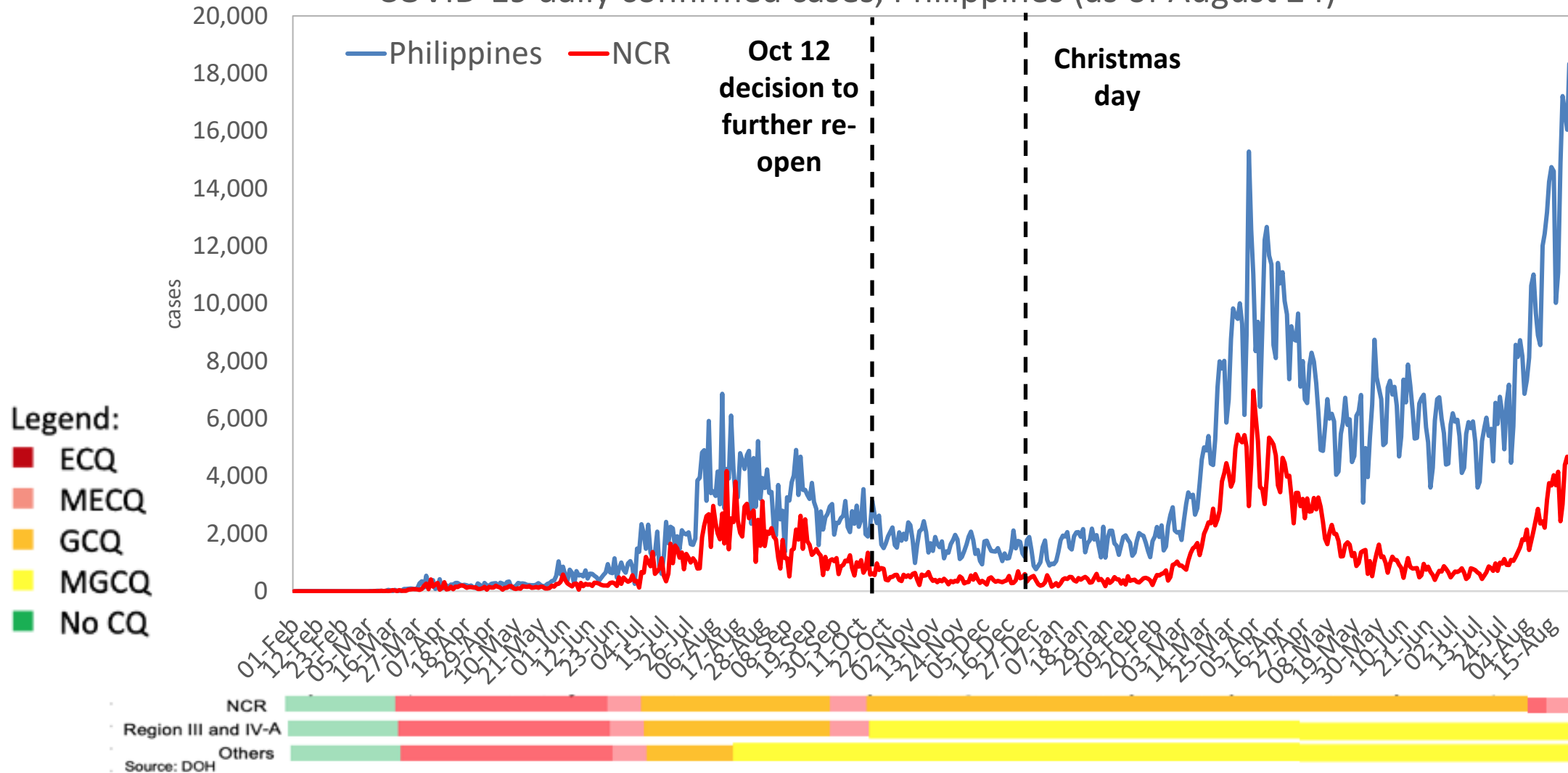
# Recent economic developments





# The COVID-19 virus is not going to go away easily.

COVID-19 daily confirmed cases, Philippines (as of August 24)



**We have one of the longest quarantines. High risk aversion has artificially restricted our productivity and economic growth.**

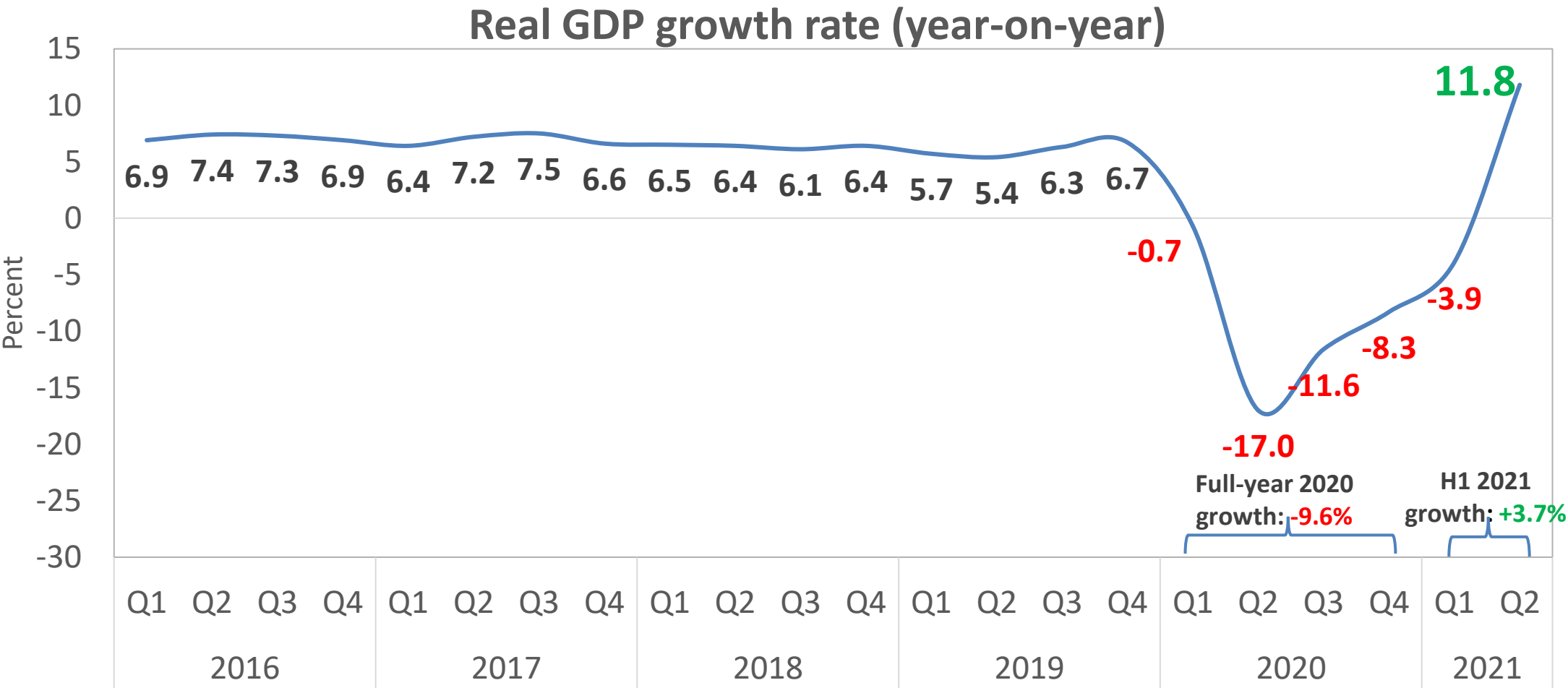
Region	% of economy	2020												2021							
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
NCR	32	Green	Green	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
Region III, IV-A	26	Green	Green	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
Others	42	Green	Green	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red

Legend:

- Red ECQ
- Light Red MECQ
- Orange GCQ
- Yellow MGCQ
- Green No CQ

Note: As of 21 August 2021: NCR, Bataan, Laguna, Iloilo City, Cagayan de Oro, Apayao, Ilocos Norte, Bulacan, Cavite, Lucena City, Rizal, Aklan, Iloilo Province, Lapu-lapu City, Mandaue City, and Cebu City are under MECQ. The rest of the country are either in GCQ with heightened restrictions, GCQ, or MGCQ.

Philippine economic growth is beginning to recover, but sustainability will depend on the actions we take in dealing with the virus.



Source: PSA

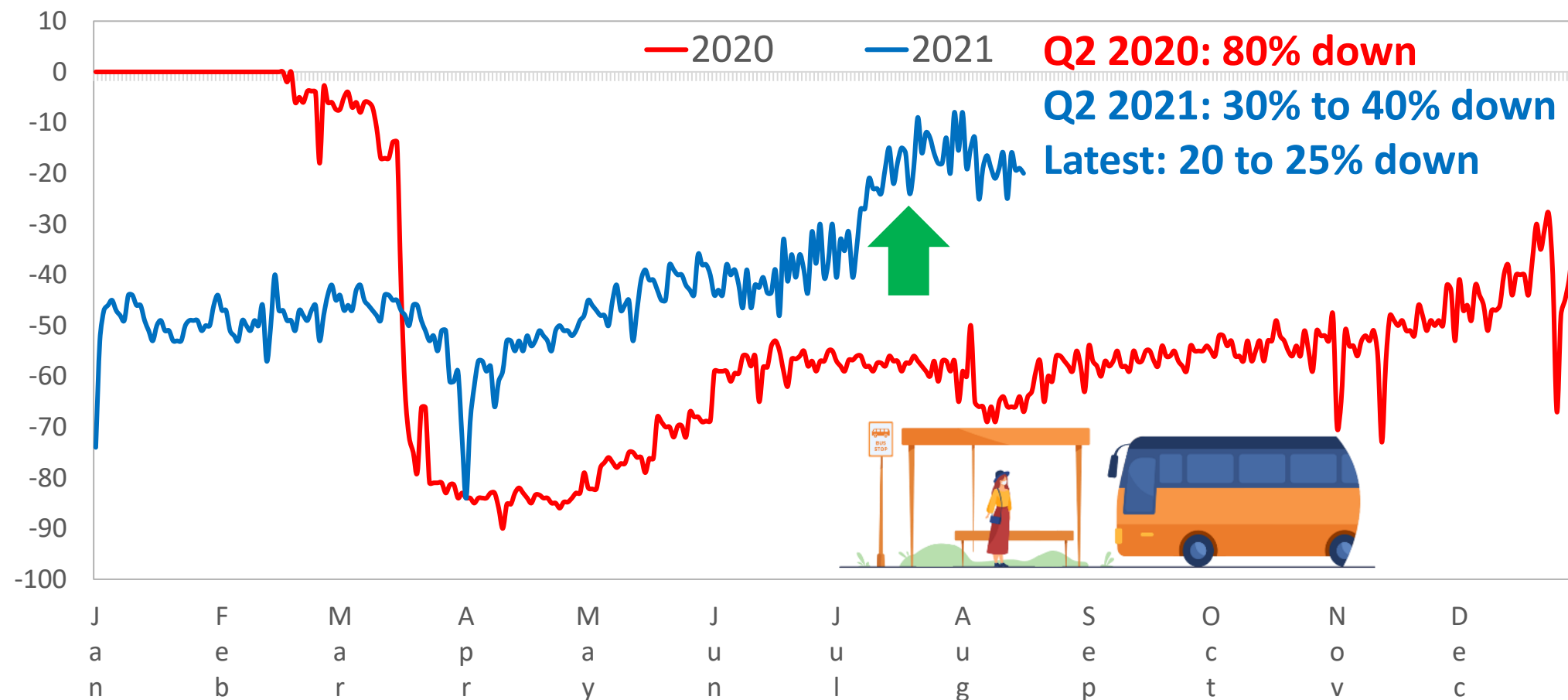
**Almost all sectors rebounded in Q2, driven by investments and household spending on the expenditure side and by manufacturing and construction on the production side.**

Real Growth rates (%)	2020					2021		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	S1
<b>GROSS DOMESTIC PRODUCT</b>	<b>-0.7</b>	<b>-17.0</b>	<b>-11.6</b>	<b>-8.3</b>	<b>-9.6</b>	<b>-3.9</b>	<b>11.8</b>	<b>3.7</b>
<i>By Expenditure:</i>								
Household Final Consumption Expenditure	0.2	-15.3	-9.2	-7.3	-7.9	-4.7	7.2	0.9
Gov't Final Consumption Expenditure	7.0	21.8	5.8	5.1	10.5	16.1	-4.9	3.5
Capital Formation	-12.1	-51.5	-39.5	-32.2	-34.4	-14.8	75.5	20.2
<i>of which: Fixed Capital Formation</i>	-2.0	-35.8	-38.0	-30.0	-27.5	-18.0	37.4	6.1
Exports	-4.4	-33.5	-15.1	-10.2	-16.3	-8.8	27.0	6.6
Imports	-7.4	-37.3	-20.7	-20.2	-21.6	-7.0	37.8	11.6
<i>By Industrial Origin:</i>								
Agriculture, Fishery and Forestry	-0.3	1.6	1.2	-2.5	-0.2	-1.3	-0.1	-0.7
Industry	-2.5	-21.8	-17.6	-10.6	-13.2	-4.4	20.8	7.4
<i>of which: Manufacturing</i>	-3.3	-21.2	-10.4	-4.9	-9.8	0.5	22.3	10.4
Services	0.1	-17.1	-10.6	-8.0	-9.2	-4.1	9.6	2.6

Source: Philippines Statistics Authority

# Visits to public transport stations have strongly improved compared to last year even during ECQ and MECQ.

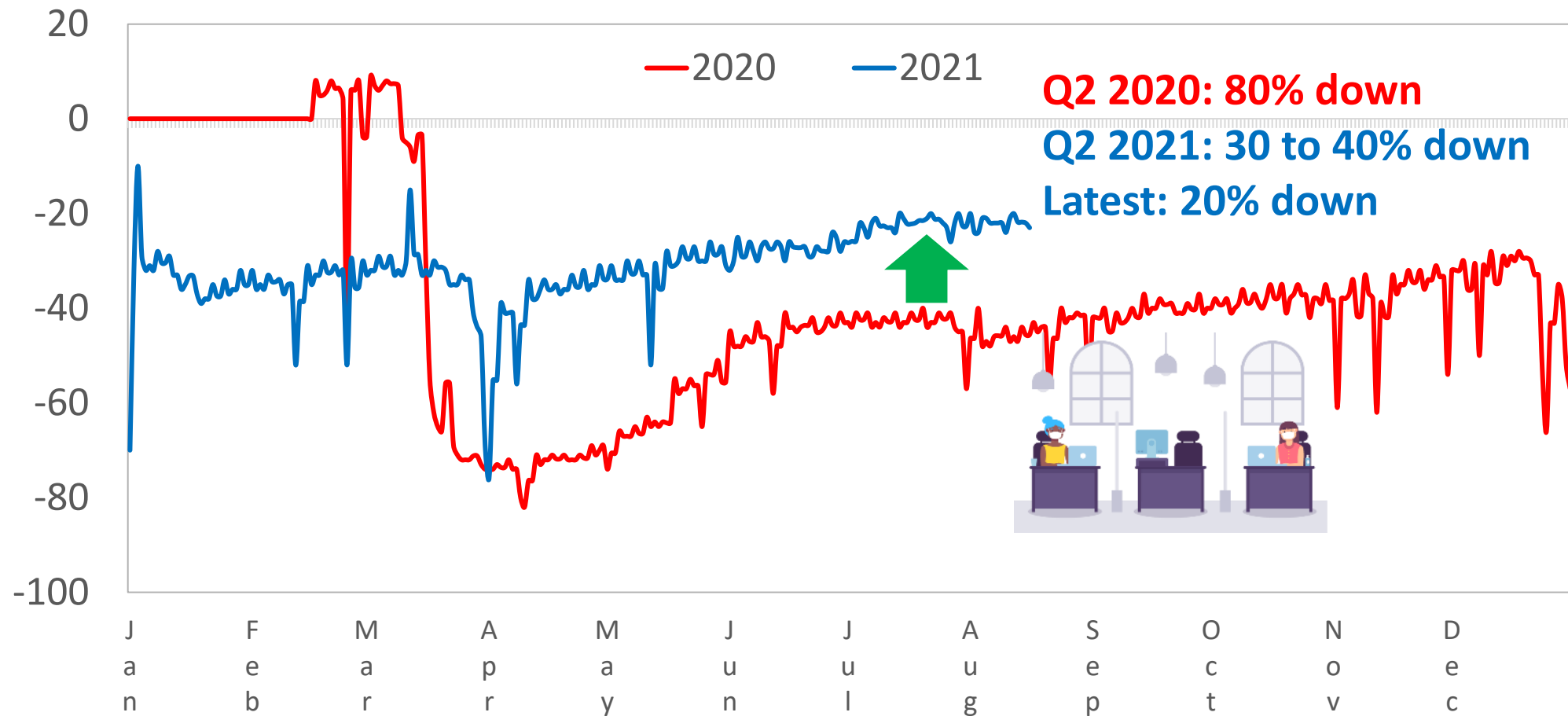
Transit stations (Google mobility)



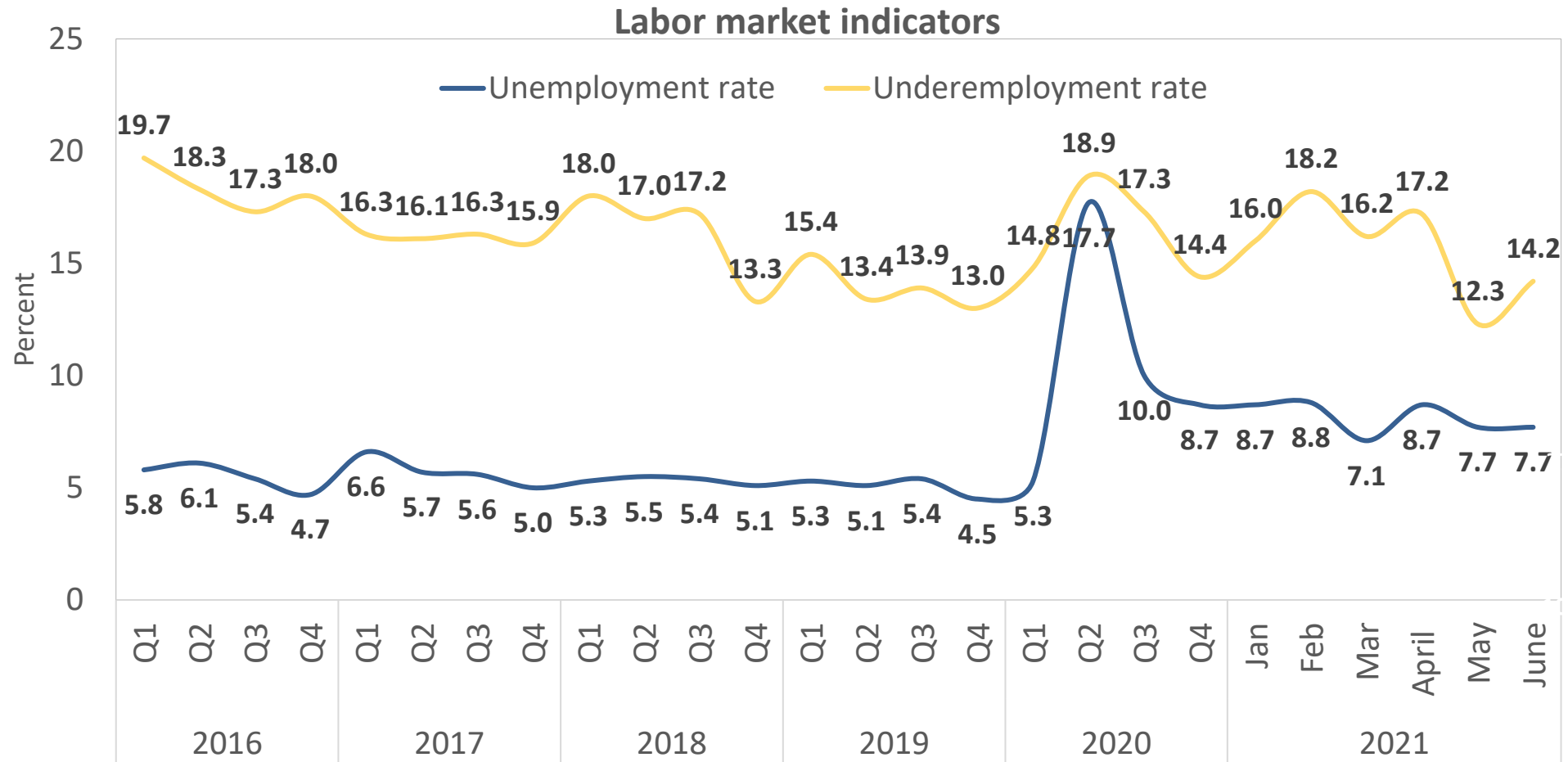


# Visits to workplaces have strongly improved compared to last year even during ECQ and MECQ.

Workplaces (Google mobility)



# Unemployment and underemployment rates eased to 7.7 percent and 14.2 percent, respectively.



Source: PSA

Note: Starting February 2021, the LFS has been conducted monthly to generate national level labor and employment statistics. Unlike the quarterly rounds, the monthly rounds do not produce regional estimates.

## Job creation is highly correlated to the level of quarantine.

<b>JAN '20</b> 42.5M Employment	<b>APR '20</b> (ECQ) 33.8M	<b>JUL '20</b> (GCQ) 41.3M	<b>OCT '20</b> (GCQ) 39.8M	<b>JAN '21</b> (GCQ) 41.2M	<b>FEB '21</b> (GCQ) 43.1M	<b>MAR '21</b> (GCQ) 45.3M	<b>APR '21</b> (ECQ) 43.3M	<b>MAY '21</b> (MECQ/ GCQ) 44.7M	<b>JUN '21</b> (GCQ) 45.1M
	<b>-8.7M</b>	<b>+7.5M</b>	<b>-1.5M</b>	<b>+1.4M</b>	<b>+1.9M</b>	<b>+2.2M</b>	<b>-2.1M</b>	<b>+1.4M</b>	<b>+0.4M</b>

**Net employment creation between  
January 2020 and June 2021**

**+2.5 million**

Source: PSA

Note: Due to the ECQ, the April round of the LFS was conducted between April 25 and May 16 for 2020.

The March 2021 survey was conducted from March 8 to 28.

The quarantine classification in NCR Plus was downgraded to GCQ from May 15 to 31 after being under MECQ status from April 12 to May 14.

**Prospects for 2021 remain encouraging and will allow us to recover to pre-pandemic levels by the end of 2022. This will prevent long-term scarring and productivity losses.**

	2021	2022	2023 and 2024
Estimated economic growth (%)	4 to 5	7 to 9	6 to 7

**Enablers of our recovery:**

1. Acceleration of the vaccination program.
2. Safe re-opening of the economy, while strictly adhering to health protocols.
3. Full implementation of the recovery package (*i.e.*, 2021 budget, CREATE, and FIST).

# Medium-term macroeconomic assumptions.

**DBCC M=macroeconomic assumptions as of 19 July 2021**

	2021	2022	2023	2024
Inflation (%)	2.0-4.0	2.0-4.0	2.0-4.0	2.0-4.0
Dubai crude oil (US\$/bbl)	50-70	50-70	50-70	50-70
364-day T-bill rate (%) <sup>a/</sup>	2.0-3.0	2.0-3.5	2.5-4.0	2.5-4.0
Foreign exchange rate (₪/US\$)	48-53	48-53	48-53	48-53
LIBOR, 6 mos. (%)	0.2-1.2	0.3-1.3	0.5-1.5	1.0-2.0
Goods exports (BPM6) (%) <sup>b/</sup>	10.0	6.0	6.0	6.0
Goods imports (BPM6) (%) <sup>b/</sup>	12.0	10.0	8.0	8.0
Services exports (BPM6) (%) <sup>b/</sup>	6.0	7.0	6.0	6.0
Services imports (BPM6) (%) <sup>b/</sup>	7.0	8.0	8.0	8.0

Source: DBCC





*a/ Based on primary market rate*

*b/ Based on Balance of Payments and International Investment Position Manual, 6<sup>th</sup> edition (BPM6)*



# Our COVID-19 vaccination program is on track.

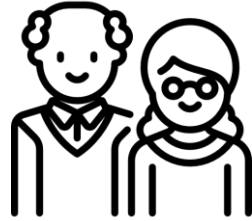
## A total of 48.5 million doses have arrived as of 22 August 2021.

Manufacturer	Q1 2021	Q2 2021	Q3 2021	Total Doses Delivered
 <b>sinovac</b>	1.00 million 1.00 million (CN)	10.00 million	14.5 million	<b>26.5 million</b>
<b>AstraZeneca</b> 	0.53 million (COVAX)	2.03 million (COVAX)	1.12 million (JP) 0.42 million (UK) 2.03 million (COVAX) 2.31 million	<b>8.43 million</b>
		2.47 million (COVAX)	2.12 million	<b>4.59 million</b>
<b>moderna</b>		0.25 million	1.05 million 3.00 million (COVAX)	<b>4.30 million</b>
<b>Sputnik V</b>		0.18 million	0.19 million	<b>0.37 million</b>
<b>Johnson &amp; Johnson</b>			3.24 million (COVAX)	<b>3.24 million</b>
 <b>Hayat-Vax</b>			0.10 million (UAE) 1.00 million (China)	<b>1.10 million</b>
<b>Total vaccines delivered</b>	<b>2.53 million</b>	<b>14.93 million</b>	<b>31.07 million</b>	<b>48.52 million</b>

Source: Presentation of Sec. Carlito Galvez, Jr. to the President on 16 August 2021 and National Task Force against COVID-19 updates as of 18 August 2021

As of 24 August 2021, a total of 31.1 million doses have been administered, consisting of 17.8 million for the first dose and 13.3 million for the second dose.

Vaccine doses that have been administered  
across A1 to A5 priority groups as of 24 August 2021



Status	A1	A2	A3	A4	A5	Total
Partially vaccinated	2,282,820	3,303,955	5,125,452	5,402,614	1,697,198	<b>17,812,039</b>
Fully vaccinated	1,914,427	3,852,589	4,970,170	2,105,565	445,103	<b>13,287,854</b>

Source: National Task Force Against COVID-19



# COVID-19 and quarantines



The imposition of MECQ in high-risk areas, including NCR from August 21 to 31, 2021, is our proactive response to balance the needs of the people and address the spread of the more contagious Delta variant.

# QUARANTINE CLASSIFICATIONS UNTIL AUGUST 31, 2021



## MECQ

NCR FROM AUG. 21 - AUG. 31

LAGUNA FROM AUG. 21 - AUG. 31

BATAAN FROM AUG. 23 - AUG. 31

ILOILO CITY  
CAGAYAN DE ORO  
APAYAO  
ILOCOS NORTE  
BULACAN  
CAVITE  
LUCENA CITY  
RIZAL  
AKLAN  
ILOILO PROVINCE  
LAPU-LAPU CITY  
MANDAUE CITY  
CEBU CITY

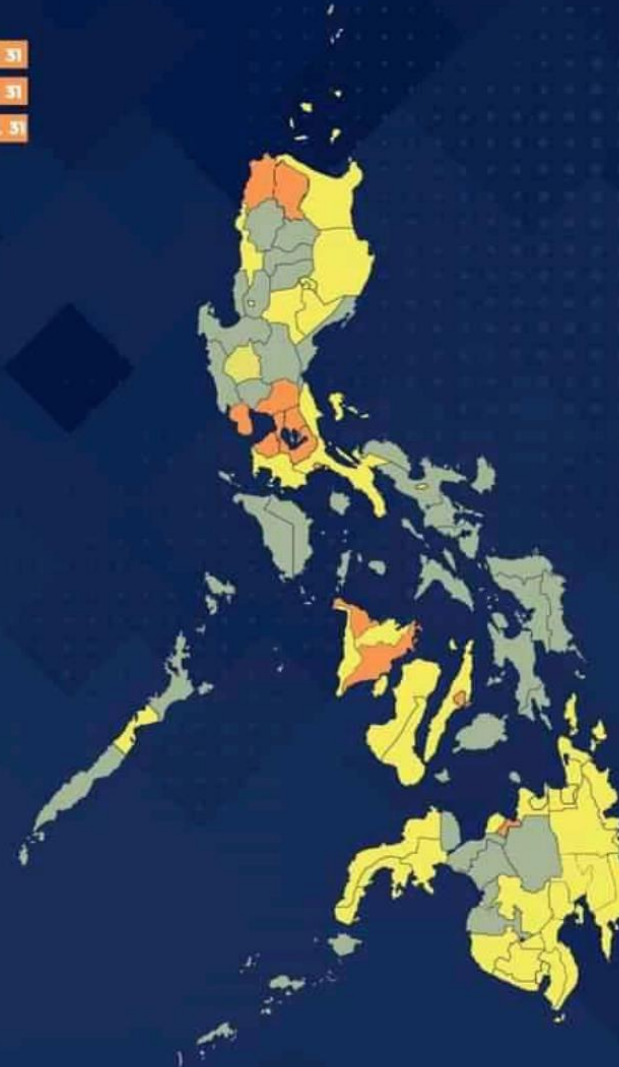
## GCQ WITH HEIGHTENED RESTRICTIONS

ILOCOS SUR  
CAGAYAN  
QUEZON  
BATANGAS  
NAGA CITY  
ANTIQUE  
BACOLOD CITY  
CAPIZ  
NEGROS ORIENTAL  
CEBU  
ZAMBOANGA DEL SUR  
MISAMIS ORIENTAL  
DAVAO CITY  
DAVAO DEL NORTE  
DAVAO OCCIDENTAL  
DAVAO DE ORO  
BUTUAN CITY

## GCQ

TARLAC  
BAGUIO CITY  
SANTIAGO CITY  
QUIRINO  
ISABELA  
NUEVA VIZCAYA  
PUERTO PRINCESA  
GUIMARAS  
NEGROS OCCIDENTAL  
ZAMBOANGA SIBUGAY  
ZAMBOANGA CITY  
ZAMBOANGA DEL NORTE  
DAVAO ORIENTAL  
DAVAO DEL SUR  
GENERAL SANTOS CITY  
SULTAN KUDARAT  
SARANGANI  
NORTH COTABATO  
SOUTH COTABATO  
AGUSAN DEL NORTE  
AGUSAN DEL SUR  
SURIGAO DEL NORTE  
SURIGAO DEL SUR  
DINAGAT ISLANDS  
COTABATO CITY

## MGCQ REST OF THE PHILIPPINES





# Status of economy and employment.

## Share of economy under each community quarantine (CQ) type (in percent)

	ECQ	MECQ	GCQ HR	GCQ WR	GCQ	MGCQ
July 23-31 CQs	3	2	46	0	24	26
Aug 1-5 CQs	3	9	53	0	14	21
Aug 6-15 CQs	39	11	18	0	10	21
Aug 16-20	38	16	15	0	10	21
Aug 21-31	0	54	15	0	10	21

## Number of affected workers under each CQ type (in thousands)

	ECQ	MECQ	GCQ HR	GCQ WR	GCQ	MGCQ
July 23-31 CQs	1,640	744	12,313	0	12,538	14,727
Aug 1-5 CQs	1,699	4,240	15,613	0	8,140	12,269
Aug 6-15 CQs	8,739	5,495	8,924	0	6,534	12,269
Aug 16-20	7,966	7,681	7,511	0	6,534	12,269
Aug 21-31	0	15,647	7,511	0	6,534	12,269

Sources: PSA and NEDA staff estimates





# Weekly impact of each community quarantine in NCR+ (vs no CQ)

NCR+ (NCR, Bulacan, Laguna, Cavite, Rizal)	ECQ	MECQ	GCQ HR	GCQ WR	GCQ	MGCQ
Impact on economy (in million PhP)	(144,260)	(73,677)	(21,432)	(14,921)	(13,077)	(8,134)
Impact on number of poor ('000)	161 to 242	82 to 123	24 to 36	17 to 25	15 to 22	9 to 14
Impact on number of unemployed ('000)	607	310	90	63	55	34

Source: NEDA staff estimates as of 2 August 2021





# Prospects for recovery



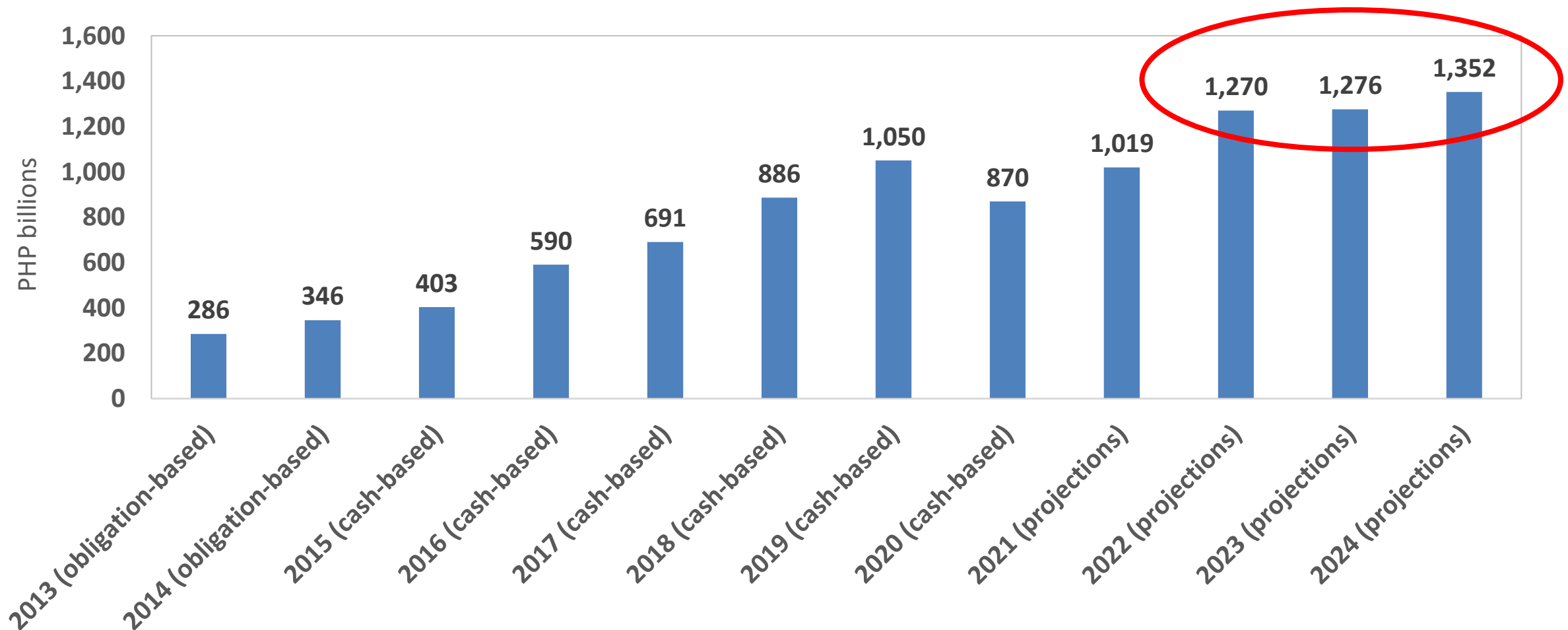


## The economy's recovery will also get a boost from the following:

1. 2021 and 2022 budget,
2. Build, Build, Build infrastructure program
3. CREATE on lowering taxes and granting performance-based and targeted tax incentives.
4. Passage of the amendments to the following legislative measures:
  - i. Public service act,
  - ii. Retail trade liberalization act,
  - iii. Foreign investments act

# Higher infrastructure spending is crucial to recovery.

(In PHP billion, based on 19 July 2021 DBCC)



# PhilSys accomplishments.

As of 20 August 2021

**40,757,830**

Step 1  
Demographic data  
collection

**26,322,999**

Step 2  
Biometrics capture

**1,230,853**

Step 3  
Issuance of PhilIDs

**5,154,567**

Applications for  
bank accounts

We aim to register at least 50 million Filipinos with PhilSys by the end of 2021.





## PhilSys priority use cases

- 1. Financial inclusion** – The Land Bank of the Philippines is co-locating in PhilSys registration sites with the goal of opening bank accounts for all low-income families by the end of 2021.
- 2. COVID-19 vaccine distribution** – The PhilSys registry may also aid the efficient distribution of COVID-19 vaccines to the general population.
- 3. Social protection subsidies** – The PhilSys registry will also help in the efficient and effective distribution of additional social transfers to mitigate the impact of the COVID-19 pandemic.



## Prospects for a strong economic recovery in 2021 remain promising.

1. Although there are speed bumps ahead given the **current MECQ** in Metro Manila and other parts of the country, **we are now better equipped** to sustain **continuous positive growth**.
2. **Accelerating vaccination** is key to our recovery.
3. The **Duterte administration remains steadfast** in its commitment to **save lives, protect communities, and preserve the livelihood of Filipinos** amid the pandemic.
4. With **everyone's cooperation**, we will **recover strongly** and regain the pre-pandemic growth momentum towards a **better life for every Filipino**.



# **Key legislation to support the recovery**

## Key legislation to support the recovery.

**The Legislative-Executive Development Advisory Council (LEDAC) agreed on a Common Legislative Agenda (CLA) with 10 priority measures targeted to be passed by 2021.**

1. Amendments to the Retail Trade Liberalization Act,
2. Amendments to the Foreign Investments Act,
3. Amendments to the Public Service Act,
4. Establishing the Tax Regime of Philippine Offshore Gaming Operators,
5. Department of Migrant Workers and Overseas Filipinos Act,
6. Package 4 of the Comprehensive Tax Reform Program (CTRP) or the Passive Income and Financial Intermediary Taxation Act,
7. Virology Science and Technology Institute of the Philippines,
8. Rural Agricultural and Fisheries Development Financing System Act,
9. Package 3 of the CTRP or the Valuation Reform Bill, and
10. Bureau of Fire Protection (BFP) Modernization Bill.





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**Thank you**