CHAPTER 2

Global and Regional Trends and Prospects

The global economy is expected to gradually recover from COVID-19 pandemic over the next two years, while emerging risks such as pandemic scarring, policy normalization, financial market volatility, inflation, and geopolitical events will influence global and regional developments in the near term. Thus, the country needs a balancing act as it maneuvers through health, environmental, economic, social, political, and technological trends while pursuing development towards a healthy and resilient Philippines.

HEALTH TRENDS AND UNCERTAINTIES

Some 517 million people around the world have contracted COVID-19.[1] Several variants have been identified since the start of the pandemic.[2,3] Meanwhile, 65.5 percent of the world's population had received at least one vaccine dose,[4] but vaccine inequity remains across regions. The Vaccine Equity Dashboard reported that over 72 percent of the population in high-income countries had received at least one COVID-19 vaccine dose while the coverage is only at about 17 percent for low-income countries.[5]

Nonetheless, the International Monetary Fund (IMF) expects Omicron variant cases to abate by the latter half of 2022, while emerging economies will have broad access to vaccines by 2022 to 2023. Consequently, improved access to vaccines and treatments as well as more targeted and effective protocols will bring down hospitalizations and deaths by end of 2022.

Accessible and equitable vaccination rollout will be critical to the global recovery moving forward.

ECONOMIC TRENDS AND UNCERTAINTIES[6,7,8]

After contracting by 3.1 percent in 2020 amid the pandemic and the Great Lockdown, the IMF estimated that the global economy expanded by 6.1 percent in 2021 as economies reopened and vaccination programs were rolled out. For 2022, the IMF expects global economic growth to slow down to 3.6 percent for both 2022 and 2023, before stabilizing to around 3.3 percent moving forward. The outlook is tempered by the

[1] Cumulative Confirmed Covid-19 Cases. Johns Hopkins Data via Our World in Data. https://ourworldindata.org/covid-cases (accessed 10 May 2022)
[2] WHO. Tracking SARS-CoV-2 variants. https://www.who.int/en/activities/tracking-SARS-CoV-2-variants (accessed 8 February 2022)
[3] CoVariants. https://covariants.org (accessed 8 February 2022)
[4] Our World in Data. https://ourworldindata.org/covid-vaccinations (accessed 21 April 2022)
[5] UNDP-WHO-University of Oxford. Vaccine Equity Dashboard. https://data.undp.org/vaccine-equity (accessed 21 April 2022)
[6] IMF. "World Economic Outlook: Recovery During a Pandemic". (October 2021)
[7] IMF. "World Economic Outlook Update: Rising Caseloads, a Disrupted Recovery, and Higher Inflation." (January 2022)
[8] IMF. "World Economic Outlook: War Sets Back the Global Recovery". (April 2022)

Ukraine-Russia conflict, inflation risks, monetary and fiscal normalization, financial market volatility, China slowdown, pandemic uncertainties, and gaps in vaccine access. [9]

From a contraction of 4.5 percent in 2020, advanced economies have recovered with growth reaching 5.2 percent in 2021. For 2022 and 2023, advanced economies are expected to grow by 3.3 percent and 2.4 percent, respectively. Meanwhile, after a 2.0 percent decline in 2020, emerging economies grew by 6.8 percent in 2021 and are projected to expand further by 3.8 percent in 2022 and 4.4 in 2023. After a 3.4 percent decline in 2020, Association of Southeast Asian Nations (ASEAN)-5[10] is estimated to have grown by 3.4 percent in 2021. For 2022 and 2023, the region is forecasted to grow by 5.3 percent and 5.9 percent, respectively.

After rebounding from a contraction of 7.9 percent in 2020 to 10.1 percent growth in 2021, the IMF expects global trade growth to moderate to 5.0 percent in 2022 and 4.4 percent in 2023.

Global foreign direct investment (FDI) flows beat pre-pandemic levels[11] as it rebounded by 77 percent from USD929 billion in 2020 to USD1.65 trillion in 2021. ASEAN FDI flows also stayed resilient with an average growth of 35 percent. The United Nations Conference on Trade and Development (UNCTAD) forecasts global FDI flows to remain robust in 2022,[12] primarily driven by international project finance for infrastructure.[13]

Reopening economies and recovering global demand create upside pressures on inflation. At the same time, geopolitical tensions, supply chain bottlenecks from production restrictions, rising shipping costs, weather externalities, and domestic idiosyncrasies have pushed up global oil, freight, and food prices. Amid this confluence of factors, the IMF sees elevated inflation as much more broad-based, persistent, and at risk of outpacing expectations that may in turn require aggressive policy responses in 2022.

The "unprecedented" fiscal response to the pandemic reached over USD16.9 trillion. This led to the global fiscal deficit widening to 9.9 percent and global government debt rising to 99.2 percent of global GDP in 2020.[14] Despite the persistence of the pandemic, the global fiscal deficit began to narrow to 6.4 percent in 2021 and is expected by the IMF to fall further to 4.9 percent in 2022.[15] Nevertheless, global government debt is estimated to remain elevated at 94.4 percent in 2022.[16]

In 2020, central banks across the world implemented accommodative monetary policies[17] to counter the COVID-19 induced recession. However, emerging broad-based inflation pressures have induced several central banks to start normalizing monetary policy in 2021 to 2022. Most notably, the US Federal Reserve

[9] The IMF removed the US Build Back Better fiscal policy package from its baseline outlook in January 2022.
[10] Indonesia, Malaysia, Philippines, Thailand, Vietnam
[11] USD1.5 trillion in 2019
[12] United Nations Conference on Trade and Development (UNCTAD), "World Investment Report 2021: Investing in Sustainable Recover". https://unctad.org/webflyer/world-investment-report-2021 (accessed 20 October 2021)
[13] UNCTAD, "Investment Trends Monitor: Global FDI rebounds strongly in 2021, but recovery highly uneven". Global Investment Trends Monitor, No. 40. https://unctad.org/system/files/official-document/diaeiainf2021d3_en.pdf (accessed 9 February 2022)
[14] Gaspar, Vitor, Paulo Medas, and Roberto Perrelli. IMF Blog. "Global Debt Reaches a Record $226 Trillion". https://blogs.imf.org/2021/12/15/global-debt-reaches-a-record-226-trillion (accessed 9 February 2022)
[15] IMF, "Fiscal Monitor: Fiscal Policy from Pandemic to War". April 2022
[16] IMF WEO April 2022
[17] Measures include low to negative interest rates, expansion of asset purchases, provision of credit loans and guarantees, alternative monetary facilities, and regulatory easing.

hiked its policy rate by 75 basis points and cited plans to reduce its securities holdings beginning June 2022.[18] Meanwhile, the European Central Bank signaled more aggressive asset purchase tapering, while other central banks have started hiking interest rates.[19,20] In the near-term, the IMF warns of more volatile global financial conditions that limit policy space to support growth. A faster-than-expected policy normalization may result in debt repayment pressures, capital outflows, and foreign exchange volatility, among others.

POLITICAL TRENDS AND UNCERTAINTIES

Protectionist, populist, and inward-looking policies are expected to persist. The Ukraine-Russia conflict has raised the risks of further escalation of tensions between superpowers.[21] Despite a Brexit agreement in December 2020, the outlook remains fragile as part of the agreement remains under dispute.[22] Geopolitical risks in the Middle East are expected to remain high due to multiple factors, including the Taliban takeover in Afghanistan and the Iranian nuclear program.[23,24] Tensions between the US and China are expected to continue over trade, technology, and security.[25] Disputes over territorial claims in the West Philippine Sea will likely persist as well.

Domestically, the key uncertainties are with regard to the policy agenda of the incoming Administration.[26,27] Another source of uncertainty how local government units (LGU) will choose to utilize additional resources under the Mandanas-Garcia Ruling and implement the full devolution of certain functions under Executive Order No. 138, s. 2021.[28]

SOCIAL AND DEMOGRAPHIC TRENDS AND UNCERTAINTIES

The World Bank (WB) estimates the total COVID-19-induced new poor population relative to pre-pandemic levels at about 93 million in 2020 and 85 million in 2021. In 2022, the WB forecasts that added inflation pressures and the Ukraine-Russia conflict will create an additional 75 to 95 million individuals in extreme poverty.[29] Meanwhile, the International Labour Organization (ILO) estimated

[18] Fed Press Release, "Federal Reserve issues FOMC statement" https://www.federalreserve.gov/newsevents/pressreleases/monetary20220316a.htm (accessed 23 March 2022)
[19] Fed Press Release, "Federal Reserve issues FOMC statement". https://www.federalreserve.gov/newsevents/pressreleases/monetary20220504a.htm (accessed 10 May 2022)
[20] ECB Press Release, "Monetary policy decisions". https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.mp220310~2d19f8ba60.en.html (accessed 23 March 2022)
[21] Roubini, Nouriel. Project Syndicate. "Russia's War and the Global Economy" https://www.project-syndicate.org/onpoint/russias-war-and-the-global-economy-by-nouriel-roubini-2022-02 (accessed 28 February 2022).
[22] Article 16, or trading arrangements for Northern Ireland.
[23] Middle East Institute. "2022 trends and drivers to watch in the Middle East". https://www.mei.edu/publications/2022-trends-and-drivers-watch-middle-east (accessed 23 February 2022).
[24] Roubini, Nouriel. Project Syndicate. "Clouds Over 2022". https://www.project-syndicate.org/commentary/economic-market-outlook-2022-by-nouriel-roubini-2021-12 (accessed 23 February 2022).
[25] The Economist. "Rivalry between America and China will shape the post-covid world." https://www.economist.com/the-world-ahead/2021/11/08/rivalry-between-america-and-china-will-shape-the-post-covid-world (accessed 8 February 2022).
[26] Leather, Gareth. "A guide to political events in 2022". Capital Economics. https://www.capitaleconomics.com/publications/emerging-asia-economics/emerging-asia-economics-update/a-guide-to-political-events-in-2022 (accessed 10 May 2022)
[27] The Economist, Another Ferdinand Marcos is set to become president of the Philippines, 7 May 2022.
[28] World Bank. "PHILIPPINES: Mandanas Ruling Provides Opportunities for Improving Service Delivery Through Enhanced Decentralization, June 10, 2021." https://www.worldbank.org/en/news/press-release/2021/06/10/philippines-mandanas-ruling-provides-opportunities-for-improving-service-delivery-through-enhanced-decentralization (accessed 10 May 2022).
[29] Mahler, Daniel Gerszon, Nishant Yonzan, et al. World Bank Blog. "Pandemic, prices, and poverty". https://blogs.worldbank.org/opendata/pandemic-

global employment loss[30] of 114 million in 2020[31] and 14 million in 2021.[32,33] Long-term scarring[34,35] may lead to further delays in poverty reduction.

Moreover, the UN estimates that migrant levels were 2 million lower in 2020 compared to a non-COVID-19 environment.[36] Moving forward, international migration trends will be influenced by structural forces such as geopolitical, technological, and environmental dynamics.[37] While demand for migrant workers will remain in the long run, downside risks emanate from remote work and more prevalent technology use for services.[38]

Meanwhile, the UN maintains its outlook of continued but slower population growth and long-term "demographic transition."[39] It expects that trends such as increasing life expectancies, decreasing fertility rates,[40] and ageing populations[41] will persist beyond the pandemic.

ENVIRONMENTAL TRENDS AND UNCERTAINTIES

After a short respite at the start of the pandemic and the subsequent global lockdown, concentrations in global greenhouse gases (GHG) continued to rise in 2020.[42] The National Aeronautics and Space Administration (NASA) reported that 2020 and 2021 were among the hottest on record as the global surface temperature increased by 1.2°C[43] and 1.1°C,[44] respectively, relative to the previous century. According to the Intergovernmental Panel on Climate Change (IPCC), the projected global warming by 1.5°C to 2.0°C will continue in the absence of significant GHG emission reductions in the coming

prices-and-poverty (accessed 21 April 2022)

30 Mainly from rising inactivity and unemployment

31 ILO Monitor. "COVID-19 and the world of work". https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_767028.pdf (accessed October 21, 2021)

32 International Labour Organization. "World Employment and Social Outlook: Trends 2021". https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_794452.pdf (accessed 10 May 2022)

33 International Labor Organization, "World Employment and Social Outlook Trends 2022". https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_834081.pdf (accessed 9 February 2022)

34 Das, Sonali and Wingender, Philippe. IMF Blogs. "Slow-Healing Scars: The Pandemic's Legacy". https://blogs.imf.org/2021/03/31/slow-healing-scars-the-pandemics-legacy (accessed 21 October 2021)

35 Nguyen, Van. UN ESCAP Blogs. "A new legacy of inequality behind COVID-19". https://www.unescap.org/blog/new-legacy-inequality-behind-covid-19 (accessed 21 October 2021)

36 UNDESA. "International Migration 2020 Highlights". https://www.un.org/development/desa/pd/sites/www.un.org.development.desa.pd/files/undesa_pd_2020_international_migration_highlights.pdf (accessed 10 November 2021)

37 International Organization for Migration (IOM), "World Migration Report 2022". https://publications.iom.int/books/world-migration-report-2022 (accessed 9 February 2022)

38 KNOMAD-World Bank. "Migration and Development Brief: Resilience – COVID-19 Crisis Through Migration Lens". https://www.knomad.org/sites/default/files/2021-05/Migration%20and%20Development%20Brief%2034_1.pdf (accessed 10 November 2021)

39 UNDESA. "Global Population Growth and Sustainable Development". https://desapublications.un.org/publications/global-population-growth-and-sustainable-development (accessed 21 April 2022)

40 UNDESA. " The impact of the COVID-19 pandemic on fertility: Ten key messages" August 2021. https://www.un.org/development/desa/pd/sites/www.un.org.development.desa.pd/files/files/documents/2021/Aug/undesa_pd_egm_feretility_2020_key_messages_23aug.2021.pdf (accessed 10 November 2021)

41 UNDESA. "World Population Ageing 2020 Highlights". https://www.un.org/development/desa/pd/sites/www.un.org.development.desa.pd/files/undesa_pd-2020_world_population_ageing_highlights.pdf (accessed 10 November 2021)

42 World Meteorological Organization. "State of the Global Climate 2020". https://library.wmo.int/doc_num.php?explnum_id=10618 (accessed 9 November 2021)

43 Greene, Tylar and Peter Jacobs. "2020 Tied for Warmest Year on Record, NASA Analysis Shows". https://www.nasa.gov/press-release/2020-tied-for-warmest-year-on-record-nasa-analysis-shows (accessed 22 November 2021)

44 Bates, Sofia and Michael Carlowicz. NASA Earth Observatory News. "2021 Continued Earth's Warming Trend". https://earthobservatory.nasa.gov/images/149321/2021-continued-earths-warming-trend#:~:text=Global%20temperatures%20in%202021%20were,global%20temperatures%20change%20over%20time. (accessed 21 April 2022)

decades.[45],[46] Consequently, intensified tropical cyclones and storms, rising sea levels, increased flooding, coastal erosion, and increased severity of heatwaves and droughts brought about by climate change and variabilities will cause food and water insecurity, human displacement, and vector-borne diseases.[47]

Similarly, the Department of Science and Technology-Philippine Atmospheric, Geophysical, and Astronomical Services Administration (DOST-PAGASA) projects that the Philippines will experience warming at an average rate of 0.1°C per decade, more frequent extreme rainfall and tropical cyclone events, and rising sea levels that render infrastructure and agricultural and coastal communities particularly vulnerable.[48]

TECHNOLOGICAL TRENDS AND UNCERTAINTIES[49,50]

COVID-19 has fast-tracked the progress of the Production Revolution and Industry 4.0.—with advancements in Artificial Intelligence (AI), the Internet of Things (IoT), robotics, engineering biology, and space travel. Blockchain technology ushered in a new "web3" trend, such as cryptocurrencies and 'tokens,'[51] which has applications in social media, marketplaces, and digital art. The field of medicine saw a breakthrough in messenger ribonucleic acid (mRNA) vaccine technology. Other plans in the pipeline include a "multivalent" equivalent that will protect against multiple COVID-19 variants, anti-body treatments, and antiviral drugs.[52] Of particular interest to the Philippines are expected technological developments in vertical farming, artificial meat and fish, HIV and malaria vaccines, and 3D printed houses.[53] The use of e-commerce and hybrid work arrangements, which were boosted by the pandemic, are expected to persist.[54],[55] For the Philippines, addressing the digital divide is an important challenge to remaining competitive in the "new normal." On the other hand, the breakneck speed of technological development requires policymakers to manage trust, privacy, ethical risks, and cybersecurity.

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[45] Masson-Delmotte, V. P. Zhai, A. Pirani, et al. IPCC. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. "Climate Change 2021: The Physical Science Basis – Summary for Policymakers". https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM_final.pdf (accessed 9 November 2021)

[46] Portner, Hans-Otto, Roberts, Debra C., et al. IPCC. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. "Climate Change 2022: Impacts, Adaptation and Vulnerability - Summary for Policymakers". https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_SummaryForPolicymakers.pdf (accessed 21 April 2022)

[47] Smith, K. R., A. Woodward. D. Campbell-Lendrum, et al. IPCC. Contribution of Working Group II to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. "Human health, impacts, adaptation, and co-benefits". https://www.ipcc.ch/site/assets/uploads/2018/02/WGIIAR5-Chap11_FINAL.pdf (accessed 9 November 2021)

[48] DOST-PAGASA. "2018: Observed and Projected Climate Change in the Philippines". https://www.pagasa.dost.gov.ph/climate/climate-change/dynamic-downscaling (accessed 26 November 2021)

[49] OECD, "Science, Technology, and Innovation Outlook 2021: Times of Crisis and Opportunity". https://www.oecd-ilibrary.org/science-and-technology/oecd-science-technology-and-innovation-outlook-2021_75f79015-en (accessed 9 November 2021)

[50] Standage, Tom. The Economist. "The World Ahead 2022: Ten trends to watch in the coming year". https://www.economist.com/the-world-ahead/2021/11/08/ten-trends-to-watch-in-the-coming-year?utm_campaign=the-economist-today&utm_medium=newsletter&utm_source=salesforce-marketing-cloud&utm_term=2021-11-08&utm_content=article-link-1&etear=nl_today_1 (accessed 10 November 2021)

[51] Dixon, Chris and Packy McCormick. The Economist. "Chris Dixon and Packy McCormick on the future of crypto". https://www.economist.com/the-world-ahead/2021/11/08/chris-dixon-and-packy-mccormick-on-the-future-of-crypto?utm_campaign=a.22worldahead_vertical_prospect.2021-11-21&utm_medium=email-owned.np&utm_source=salesforce-marketing-cloud&utm_term=11/21/2021&utm_id=959886&sfmc_id=0033z00002ykmqHAAQ (accessed 22 November 2021)

[52] Loder, Natasha. The Economist. "What to expect in year three of the pandemic". https://www.economist.com/the-world-ahead/2021/11/08/what-to-expect-in-year-three-of-the-pandemic (accessed 22 November 2021)

[53] The Science and Technology Correspondents of The Economist. "What next? 22 emerging technologies to watch in 2022". https://www.economist.com/the-world-ahead/2021/11/08/what-next-22-emerging-technologies-to-watch-in-2022?utm_campaign=the-economist-today&utm_medium=newsletter&utm_source=salesforce-marketing-cloud (accessed 10 November 2021)

[54] Ignacio, Chelsey Keith P. BusinessWorld News. "Retail's transformed future with e-commerce". https://www.bworldonline.com/special-features/2021/10/07/401849/retails-transformed-future-with-e-commerce/ (accessed 21 April 2022)

[55] Nauta, Sacha. The Economist. "How to ensure that the future of work is fair for all". https://www.economist.com/the-world-ahead/2021/11/08/how-to-ensure-that-the-future-of-work-is-fair-for-all (accessed 21 April 2022)

ALTERNATIVE FUTURES

From the above trends and uncertainties, two of the most critical uncertainties that have the largest impact on the country's future are the **COVID-19 pandemic** and the **digital divide**. Based on these critical uncertainties, four potential futures were considered and guided the development of the strategies elaborated in the succeeding chapters, especially in Chapters 6, 7, 9A, 9B, 9C, 10, 13, 14, 15, 16, and 19.

Scenario A: "Best of Both Worlds." In this ideal scenario, the country learns to live with COVID-19 in a non-disruptive manner as part of the new normal, while at the same time policy reforms and technological improvements narrow the digital divide. In the near term, these restore confidence, increase mobility, and revert economic activities to pre-pandemic levels. The country's digital transformation is incentivized and enabled, raising productivity and efficiency across sectors.

For instance, the industry sector is strengthened by innovative technologies and automation that improve manufacturing capacity, logistics management, and integration into global value chains, and enabled production of higher-value goods (Chapter 9). Transportation improves amid the proliferation of e-transactions, contact-tracing, and real-time advisory on public transit systems (Chapter 19). Micro, small, and medium enterprises (MSMEs), including farmers and fisherfolk, gain access to affordable and diverse digital financial services and information (Chapter 15). Consumers benefit from the increased availability of goods and services, as well as reasonable prices. As the economy recovers, strong investor confidence attracts more players, increases competition, and prompts private and public sectors to innovate and allocate more resources towards Research and Development Innovation (R&DI) investments (Chapters 16 and 14).

Digital connectivity aids learning, career, and startup opportunities, particularly in the Science, Technology, Engineering, the Arts, and Mathematics or STEAM fields (Chapters 14 and 10). Basic public health services and information, particularly for maternal and child health, become more accessible and affordable through both physical (e.g., primary care facilities, barangay health centers) and digital platforms (e.g., telehealth, electronic medical records system). The Philippine Identification System (PhilSys) facilitates the transfer of cash grants and other social protection programs for the most vulnerable sectors (Chapters 10 and 13).

Justice system procedures are streamlined through digital adoption, while livelihood and aftercare programs are provided to foster appropriate care and eventual rehabilitation of inmates into society (Chapter 6). Culture is safeguarded and enhanced through digital means such as online markets, which also sparks interest among the youth. Accessibility to cultural sites and the promotion of natural locations also increases as the economy reopens (Chapter 7).

Scenario B: "Return to Status Quo." In this likely scenario, the country learns to live with COVID-19 in a non-disruptive manner as part of the new normal, but there is insufficient progress in narrowing the digital divide. Mobility and economic activities resume, primarily through traditional mechanisms.

The local culture scene is revived through the resumption of domestic and international travel (Chapter 7). However, travel procedures remain inefficient and uneven due to the slow uptake of digital systems.

The industry sector's global value chain (GVC) participation is constrained by limited adoption of sustainable and innovative technologies, e-commerce, and logistics management (Chapter 9). The transportation system experiences a strong rebound in demand, but is overwhelmed due to slow booking, price surges, and inadequate supply of units (Chapter 19). The Justice system suffers from case backlogs because of the lack of improvement in the accessibility of its services (Chapter 6). Health and nutrition services become more accessible and affordable but also face delays due to problems with electronic records systems (Chapter 13). Online learning remains a challenge due to unstable and expensive gadgets and internet connectivity (Chapter 10). R&DI investments are not fully maximized (Chapter 14). Urban SMEs that have better access to digital platforms outperform those in rural areas (Chapters 9 and 16). Foreign investments and investor confidence are dampened as production and transaction costs remain high (Chapter 15).

Scenario C: "Survival of the Fittest." In this middling scenario, the country continues to struggle with the effects of COVID-19, but policy reforms and technological improvements narrow the digital divide and accelerate digital transformation.

Businesses adopt a hybrid of face-to-face and digital channels, but mobility restrictions, frequent border restrictions and constricted supply continue to hamper distribution of physical goods. Similarly, digital services flourish, including telemedicine, distance education, digital financial services, and online entertainment. However, experiential services (e.g., tourism, transport, medical procedures) continue to lag given mobility and physical distancing restrictions. Digital platforms boost the market for indigenous products but mobility restrictions hamper cultural tourism. Failure of smaller firms in lagging sectors reinforce the market power of larger firms. Economies of scale and scope and network effects associated with digitalization also lead to dominance for some digital firms. Despite the uptake of digital technologies, licensure exam disruptions continue stemming the R&D talent pool, while hands-on technical-vocational training remain limited. Adversely affected households are assisted through digital transfers linked to PhilSys.

Scenario D: "Sinking Ship." In this worst-case scenario, COVID-19 continues to ravage the country, and at the same time, there is poor progress in narrowing the digital divide. Mobility remains low due to the protracted COVID-19 outbreak and subsequent restrictions. Meanwhile, inadequate technological infrastructure leads to lower productivity, costly information and communication technology (ICT) services, and irregular and disrupted economic activities. In particular, smaller enterprises and lower income households and communities struggle to survive amid limited access to information, digital platforms, and social protection programs. Ultimately, this leads to long-term scarring in investments, R&DI, output growth, and human capital.