The Philippines — Economic Outlook and Challenges

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Presentation Plan

• Pre-pandemic performance
• The impact of the pandemic and economic outlook
• Recovery challenges
The Philippine economy has been a top performer in the region, with a strong structural reform momentum.

Sources: Haver Analytics; Philippines, Department of Finance, Philippine Statistics Authority, Bureau of the Treasury and IMF staff estimates.
Covid-19 has severe economic impact

- Sharp economic contraction in 2020
- Rising unemployment and reduced household incomes, including from falling remittances
- Financial pressures on corporates, especially SMEs

WEO Forecasts (June 2020)

<table>
<thead>
<tr>
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<th>2020</th>
<th>2021</th>
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<tbody>
<tr>
<td>GDP Growth (percent)</td>
<td>-3.6</td>
<td>6.8</td>
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<tr>
<td>Inflation (percent, end of period)</td>
<td>2.1</td>
<td>2.8</td>
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Economic impact is larger than expected and recovery slower than initially thought

• The impact of ECQ on Q1 growth was significantly larger than expected

• Supply-side disruptions are still expected to be largest in Q2

• Recovery will be slower due to
  - More gradual resolution of the pandemic
  - Prolonged social distancing as the infection curve yet to be flattened
  - Larger scarring effects on the economy, e.g., loss of skills, bankruptcies
  - Weaker external demand due to downgraded global outlook, e.g. tourism
Virus infection curve yet to flatten; testing capacity is increasing

COVID-19 Philippines
Total number of cases
(as of 28 July 2020, 4:00 pm)

83,673 Total confirmed cases
1,678 New confirmed cases (RHS)
1,947 Total deaths
26,617 Total recoveries

Source: Philippine Department of Health

COVID-19 Philippines
Daily Tests Conducted/Unique Individuals Tested
(as of 26 July 2020, 4:00 pm)

23,487 Tests Conducted
22,944 Individuals Tested

Source: Department of Health Data Drop
Fiscal response in PHL is larger than during the GFC, and than many EMs, but lower than some peers

Changes in General Government Balance
(In percent of GDP; median across groups)

Discretionary Fiscal Measures During COVID-19
(In percent of GDP)

Sources: IMF, World Economic Outlook; and IMF staff estimates.
1/ National government.

Source: IMF staff estimates.
Targeted support to households and economy

• Increased resources for the healthcare sector, e.g., PPE procurement
• Emergency income support for 18 million low-income households
• Social protection measures for vulnerable workers, including for displaced and overseas Filipino workers
• Credit guarantee for small businesses and support to the agriculture sector
• Financial assistance for affected MSMEs and vulnerable households through specialized microfinancing loans and loan restructuring
As most EMs, PHL provided larger monetary accommodation than during GFC

Policy Rate Changes 1/
(In basis points)

Sources: Haver Analytics; and IMF staff estimates.
1/ COVID-19 is the period January to July 14, 2020; the GFC is the period end of July 2008 to January 2009.
Recovery challenges—mitigating scarring effects while meeting long-term development needs

• Strengthening social protection programs as temporary income support measures are phased out
  ➢ E.g., expanding conditional cash transfer program

• Infrastructure investment with short-term focus on jobs and social needs
  ➢ Projects already under construction, digital capacity, maintenance and repair projects

• Providing greater support for MSMEs
  ➢ E.g., corporate liquidity support and debt restructuring to address post-crisis debt overhang

• Structural reforms that address both immediate and longer-term needs
  ➢ National digital ID, tax reforms, further relaxation of FDI restrictions
Thank you.