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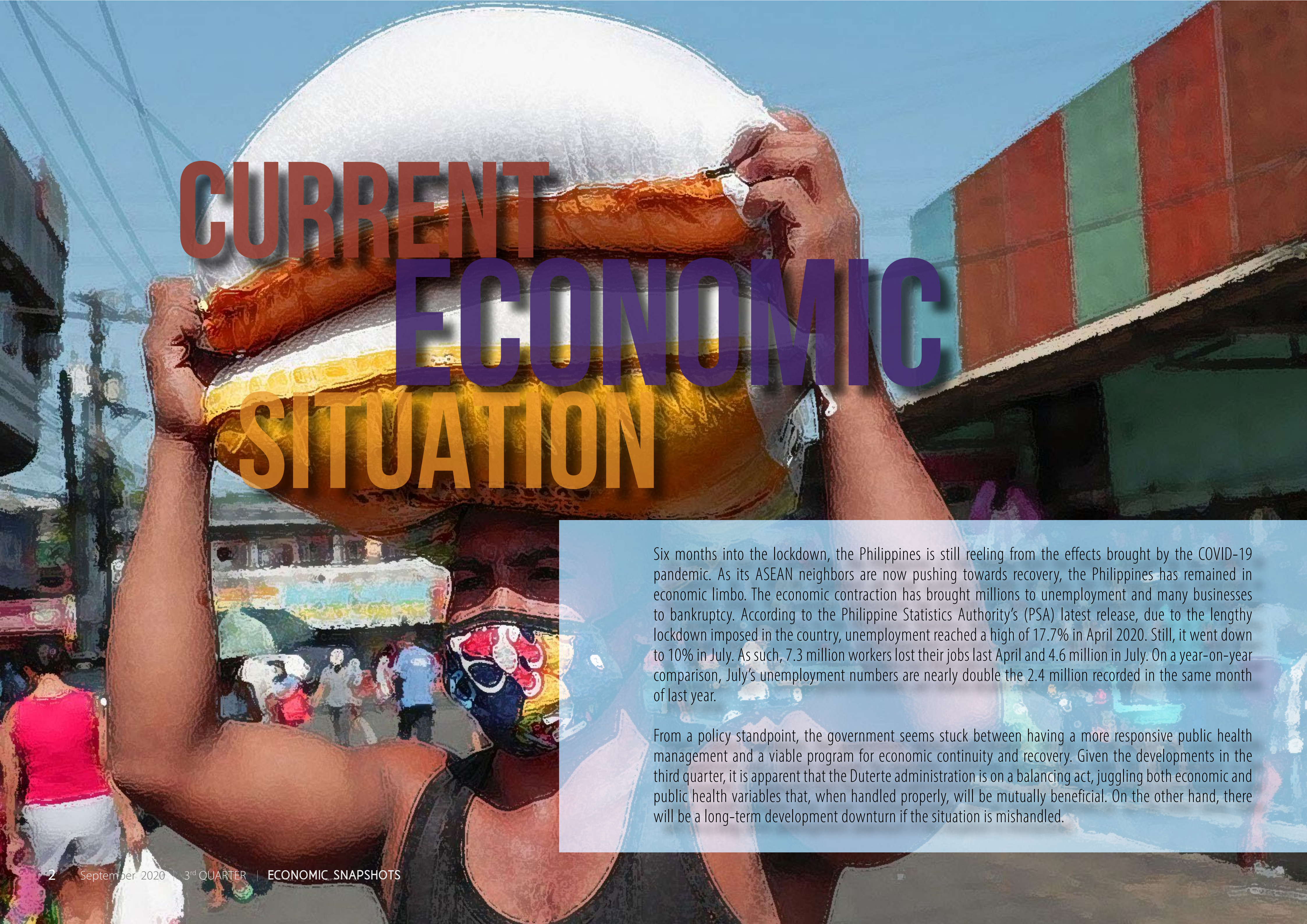
QUICK FACTS AND FIGURES OF THE PHILIPPINE ECONOMY

QUARTERLY



CURRENT ECONOMIC SITUATION

Six months into the lockdown, the Philippines is still reeling from the effects brought by the COVID-19 pandemic. As its ASEAN neighbors are now pushing towards recovery, the Philippines has remained in economic limbo. The economic contraction has brought millions to unemployment and many businesses to bankruptcy. According to the Philippine Statistics Authority's (PSA) latest release, due to the lengthy lockdown imposed in the country, unemployment reached a high of 17.7% in April 2020. Still, it went down to 10% in July. As such, 7.3 million workers lost their jobs last April and 4.6 million in July. On a year-on-year comparison, July's unemployment numbers are nearly double the 2.4 million recorded in the same month of last year.

From a policy standpoint, the government seems stuck between having a more responsive public health management and a viable program for economic continuity and recovery. Given the developments in the third quarter, it is apparent that the Duterte administration is on a balancing act, juggling both economic and public health variables that, when handled properly, will be mutually beneficial. On the other hand, there will be a long-term development downturn if the situation is mishandled.

ECONOMIC INDICATORS UPDATES

Economic Growth

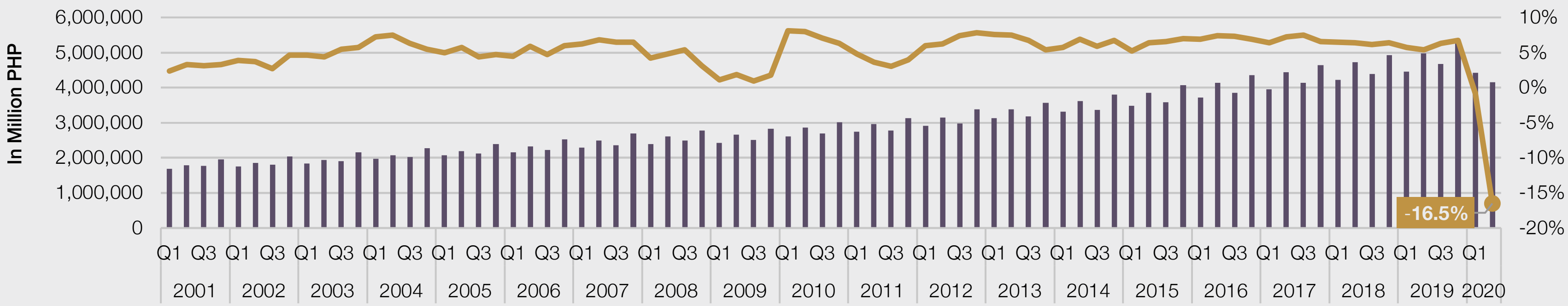
In mid-March 2020, President Rodrigo Duterte imposed an enhanced community quarantine (ECQ) over the entire Luzon, which accounts for 73% of the country's economy and 56% of the total population. This extreme measure was intended to contain the spread of COVID-19, but it also carried severe repercussions on the economy.

In the second quarter of 2020, where much of the full lockdown was in place, the economy contracted by 16.5%, the lowest quarterly growth recorded in four decades.[1] This rate is much lower than the recorded GDP growth of -0.7% in the first quarter. Because of the steep contractions for two consecutive quarters, the Philippines officially entered a technical recession. Figure 1 shows that the Philippines' quarterly gross domestic product (GDP) growth ranged between 5.0% and 8.0% in the years before the COVID-19 pandemic. However, just two quarters into 2020, growth plummeted into negative territory. This year's declines in GDP growth are worse than those during the 2008-2009 global financial crisis.

Three particular sectors with a significant share to GDP mainly contributed to this decline: Manufacturing at -21.3%; Construction at -33.5%; and Transportation and Storage at -59.2%. Both Industry and Services fell by 22.9% and 15.8%, respectively, the steepest decline ever recorded. In contrast, Agriculture, Forestry, and Fishing posted a slight growth of 1.6%.[2]

While most sectors declined, such as Accommodation and Food Service Activities (-68.0%), the following sectors posted growths in the second quarter of 2020: Information and Communication (6.6%); Financial and Insurance Activities (6.8%); and Public Administration and Defense, Compulsory Social Activities (8.3%).[3]

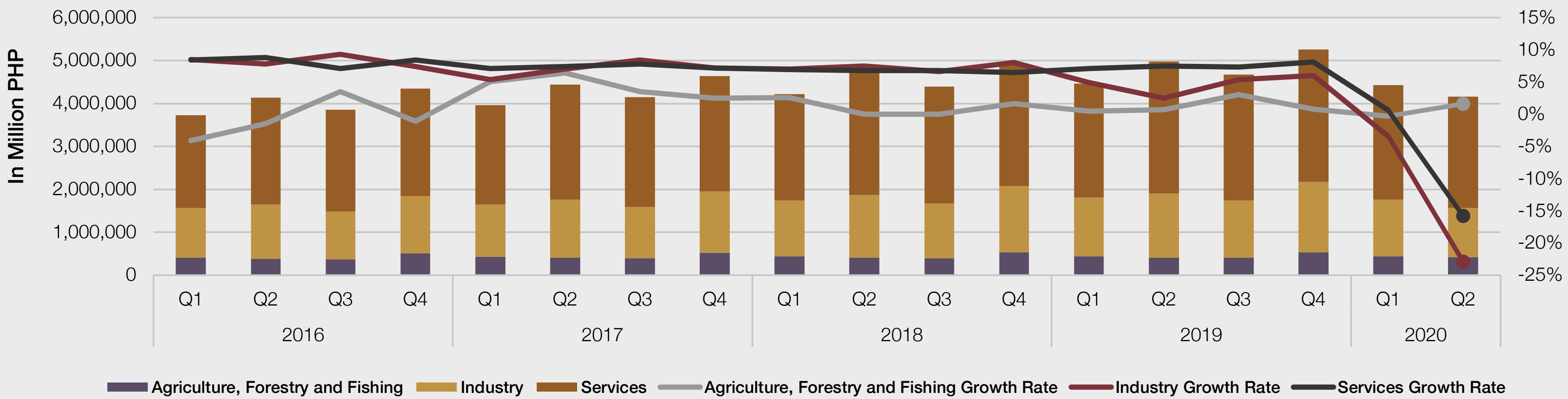
Figure 1 . Philippine Real GDP Growth Rates
(Q1 2001 – Q2 2020)



Note: The figures are in Million Pesos; and based on constant 2018 prices

Source: Philippine Statistics Authority (2020)

Figure 2 . Philippine GDP by Industry
(Q1 2016 – Q2 2020)



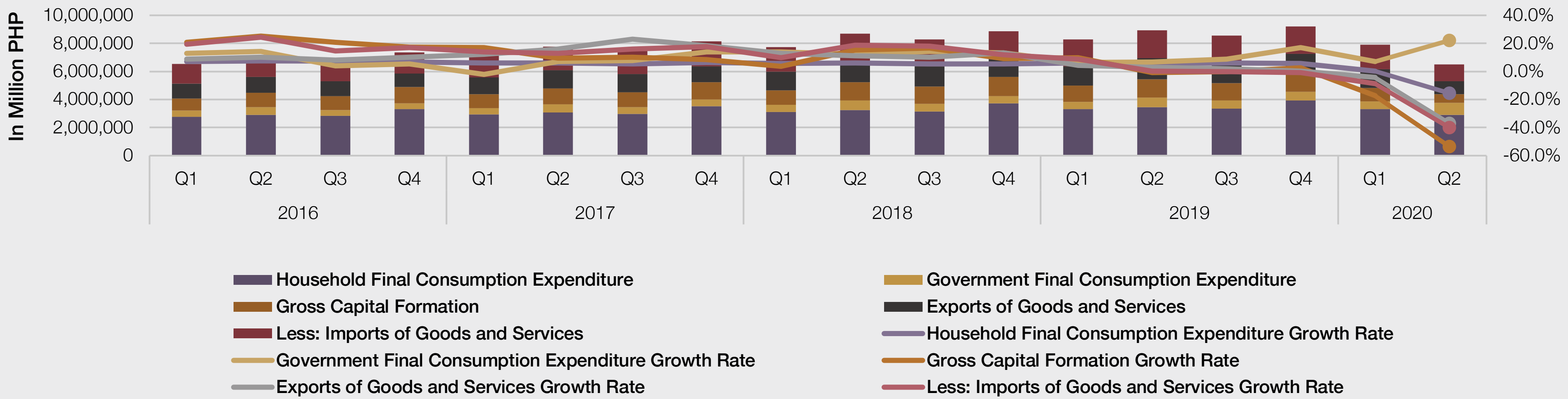
Note: The figures are in Million Pesos; and based on constant 2018 prices

Source: Philippine Statistics Authority (2020)

As the Philippines adapts to a "new normal", the usage of digital payments has significantly increased. While the Philippines has been lagging in the utilization of digital payments compared to its other Southeast Asian neighbors, the COVID-19 pandemic served as a driver for boosting electronic payments in the country. The Philippines was placed under community quarantine since mid-March, making it difficult for consumers to pay at bank or store counters. Major wireless carrier Globe Telecom's GCash, the nation's largest "mobile wallet" or e-money app, said the number of its registered users soared by 150% since mid-March. GCash and its main competitor, PLDT's PayMaya, positioned themselves through marketing campaigns as a necessity in the "new normal". Both GCash and PayMaya are focusing on areas where demand for digital currency is expected to grow fast, such as public transportation and telemedicine services through the utilization of QR code payment systems. These are in line with the Philippine government's direction towards increased use of digital currency. The country's central bank has set a target of raising the share of electronic payments to 50% in terms of volume by 2023. The government is directing its efforts towards the usage of EGov Pay, a digital payment platform for administrative services. The government also plans to make the new National QR Code Standard, which was introduced along with EGov Pay facility in partnership with public and private-sector banks, as commercially usable by the end of 2020. The widespread use of electronic money is expected to boost business efficiency by cutting lines at stores and government agencies and to allow low-income earners without bank accounts to access financial services.[4]

With economic activity on a steep decline and no clear indication of a swift recovery, the economy will be facing headwinds with COVID-19 recovery still in its early stages. With consumption, investments, and global trade on the slowdown, due to mobility constraints, the path to recovery will rely on the ability of the government to handle the current health concern. Neglecting the economic effects of the virus and blindly pushing for economic recovery in haste will again be detrimental to the recovery timeline of the country.

Figure 3 . Philippine GDP by Expenditure
(Q1 2016 – Q2 2020)



Note: The figures are in Million Pesos; and based on constant 2018 prices

Source: Philippine Statistics Authority (2020)

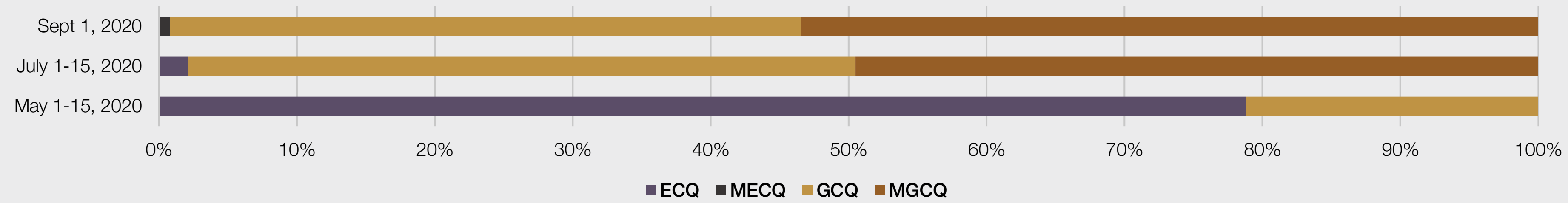
As seen in Figure 3, on the expenditure side, the following took a pronounced fall during the same period: Household Final Consumption Expenditure (HFCE) with -15.5%; Gross Capital Formation (GCF) with -53.5%; Exports with -37.0%; and Imports with -40.0%. In contrast, Government Final Consumption Expenditure (GFCE) grew by 22.1%.[5]

The Philippines has traditionally been a consumption-led economy. However, the imposition of community quarantine and movement restrictions has led to a domino effect, hampering business operations, the supply chain, workers' income, and the demand for goods and services. Without a source of income during the lockdown periods, overall consumer spending dropped significantly by 15.5% in the second quarter. The consumption of essential items posted a decent growth during the same period: Food and Non-Alcoholic Beverages (2.4%); Housing, Water, Electricity, Gas and Other Fuels (6.6%); and Communication (7.4%). On the other hand, consumption in non-essential activities or leisure, such as Clothing and Footwear, experienced a decline.[6] Expectedly, in times of crisis, people would prioritize the purchase of their most basic needs for survival.

Socioeconomic Planning Secretary and National Economic and Development Authority (NEDA) Director-General Karl Kendrick Chua said that only 25% of the economy was operational during the ECQ period. Meanwhile, 50% and 75% of the economy were opened under the modified enhanced community quarantine (MECQ) and general community quarantine (GCQ), respectively. The NEDA reported that as of September 1, the areas under MGCQ represent 53.5% of the GDP.[7]

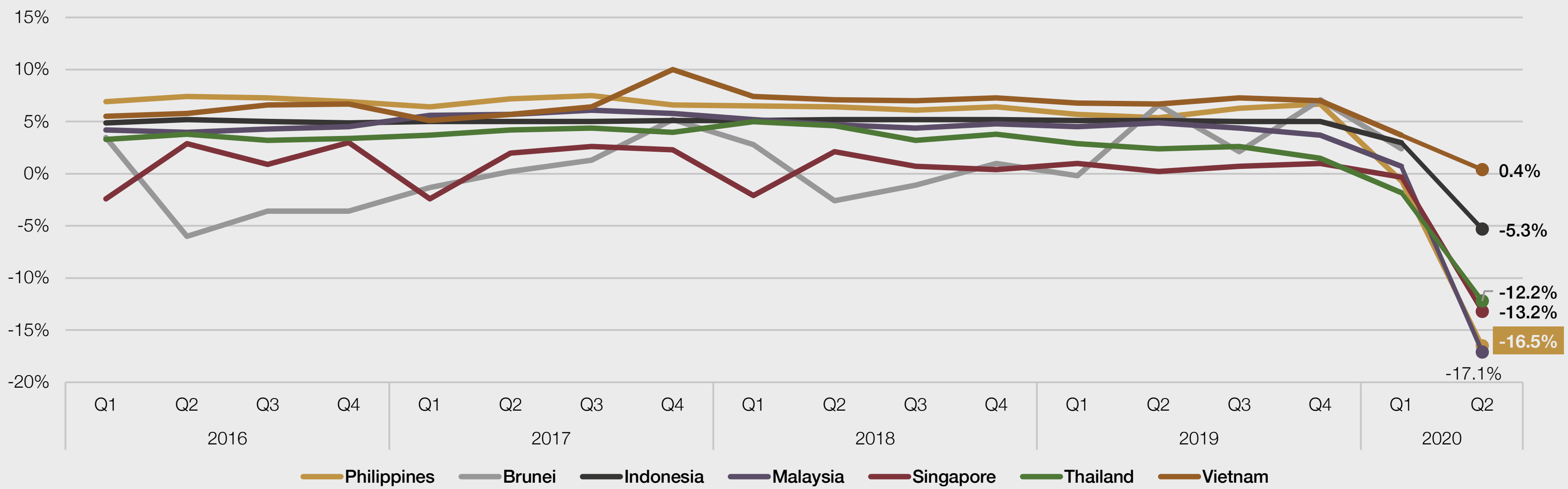
Compared to its closest neighbors in Southeast Asia, the Philippines did not fare as well. In Figure 5, data show that the Philippines is one of the worst economic performers in the region during the second quarter of 2020 behind Malaysia, which shrank by 17.1%.

Figure 4 . Community Quarantine Status
(as % of GDP)



Source: National Economic and Development Authority (NEDA)

Figure 5 . ASEAN Real GDP Growth Rates
(Q1 2016 – Q2 2020)



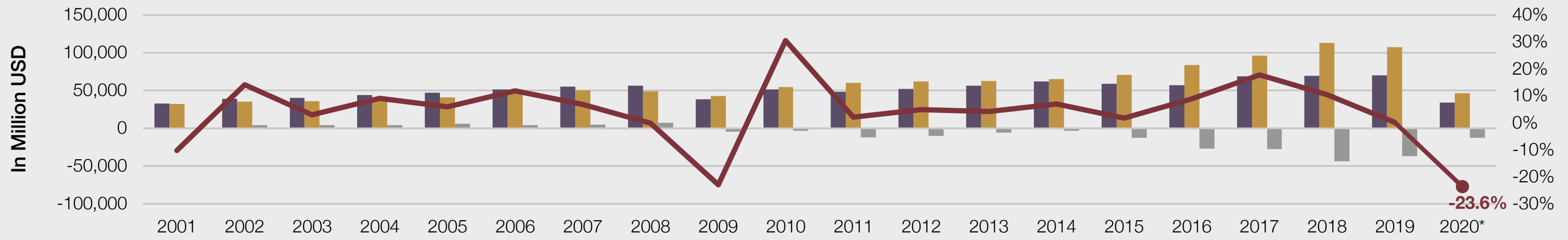
Source: Bangko Sentral ng Pilipinas (BSP)

External Trade Performance

The Philippines' total external trade performance fell to its lowest level, thus far, in 2020. Based on data from the Philippine Statistics Authority (PSA), total trade only amounted to USD 80.8 billion during the first seven months. This rate is lower by 23.6% compared to the same period in 2019, which amounted to USD 105.7 billion. From January to July 2020, total exports were recorded at USD 34.1 billion, lower by 16.4% from the same period in 2019, and total imports at USD 46.6 billion, a 28.1% decline from last year.

The slump in external trade was most apparent in April when it amounted to just USD 6.1 billion, or 59.5% lower than in April 2019. However, as the country's major economic hubs transitioned to MECQ and eventually to a more relaxed GCQ, some improvements in external trade performance were observed, as seen in Figure 7. The

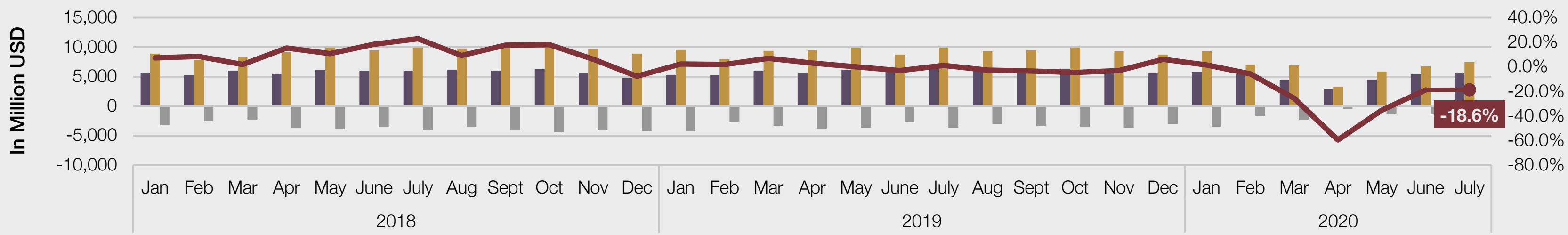
Figure 6 . Annual Total External Trade
(2010-2020)



Note: The figures for 2020 only cover January until July

Source: Philippine Statistics Authority (PSA)

Figure 7 . Monthly Total External Trade
(January 2018 – July 2020)



Source: Philippine Statistics Authority (PSA) year-on-year decline in total external trade eased eventually, from -35.3% in May to -18.7% in June, and -18.6% in July.

For July 2020, total external trade amounted to USD 13.1 billion, which was 18.6% lower than that recorded in July 2019 at USD 16.1 billion. This 18.6% level was slightly lower than that posted in June 2020, which stood at 18.7%. The trade gap widened to USD 1.8 billion in July 2020, from the previous month's USD 1.4 billion. Of the country's total external trade in July 2020, 57.0% were imported goods.[8]

Total exports during the month amounted to USD 5.7 billion, shrinking by 9.6% year-on-year. Of the ten major commodity classifications, two groups posted year-on-year growth in July 2020: Other Mineral Products (52.2%); and Cathodes and Sections of Cathodes of Refined Copper (21.3%). On the other hand, the eight other commodity groups registered declines, led by Gold (-41.6%); Ignition Wiring Set and Other Wiring Sets Used in Vehicles, Aircraft and Ships (-35.9%); and Machinery and Transport Equipment (-30.9%). Electronic Products remained to be the country's top exported commodity group (59.3%). The top export destinations in July 2020 were the US (18.3%), followed by China (16.1%) and Japan (14.4%).[9]

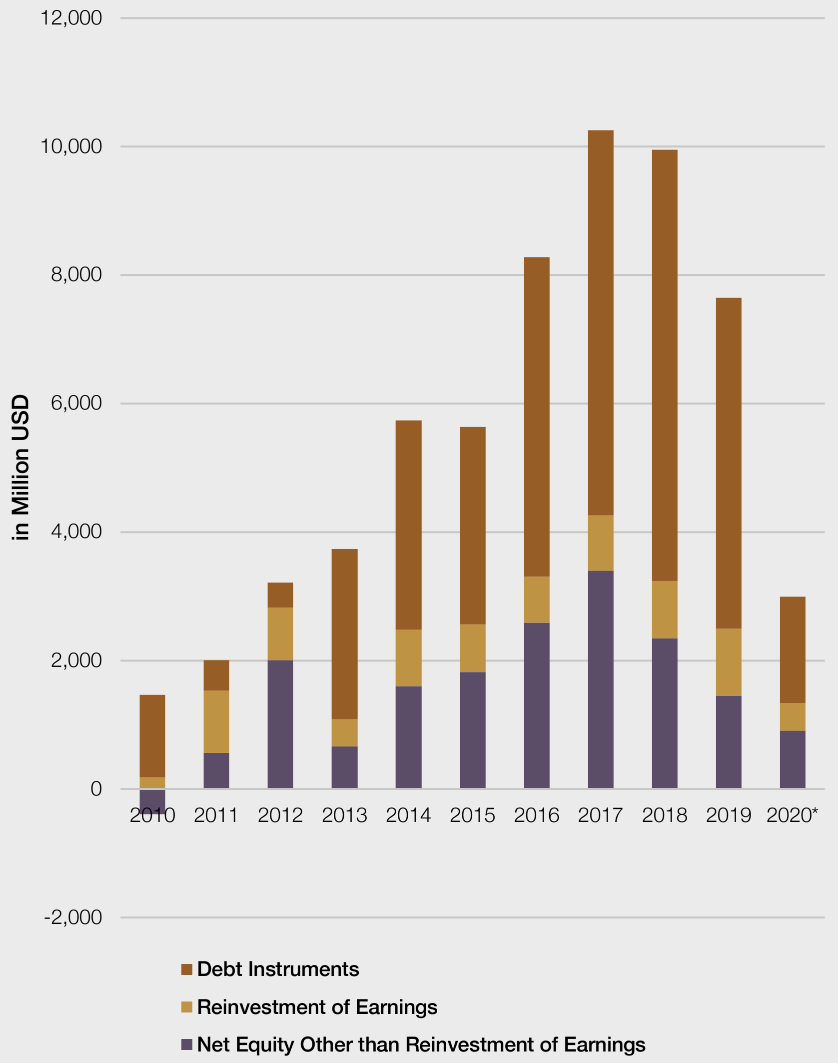
On the other hand, total imports in July 2020 was registered at USD 7.5 billion, 24.4% lower than that of the same month in 2019. The decline in imports year-on-year is due to the decrease in all top ten major commodity groups, led by Transport Equipment (-69.2%), followed by Cereals and Cereal Preparations (-37.8%), and Mineral Fuels, Lubricants and Related Materials (-36.2%). Also, Electronic Products had the highest share among the imported commodity groups (31.8%). The top sources of imports were China (25.2%), followed by Japan (9.7%) and South Korea (7.9%).[10]

Foreign Direct Investments (FDI)

The net inflows of foreign direct investments (FDIs) reached their peak in 2017 at USD 10.3 billion but have been on a decline since then. Total net FDI inflows are expected to decrease even further in 2020 due to the COVID-19 pandemic that rapidly spread and ravaged economies worldwide.

From January to June 2020, total net FDI inflows for the Philippines amounted to almost USD 3.0 billion, which was lower by 18.3% than that of the same period in

Figure 8 . Annual Net FDI Inflows
(2010 – 2020)



Note: January-June 2020

Source: Bangko Sentral ng Pilipinas (BSP)

2019, where net FDI inflows were recorded at USD 3.7 billion. Net equity capital severely plummeted in April 2020, declining by 82.6% to only USD 7.4 million.[11] The Bangko Sentral ng Pilipinas (BSP) attributed this slowdown in net FDI inflows to the continued weakening of global and domestic demand prospects amid the COVID-19 pandemic, which has forced potential investors to put on hold their investment plans and ventures.[12]

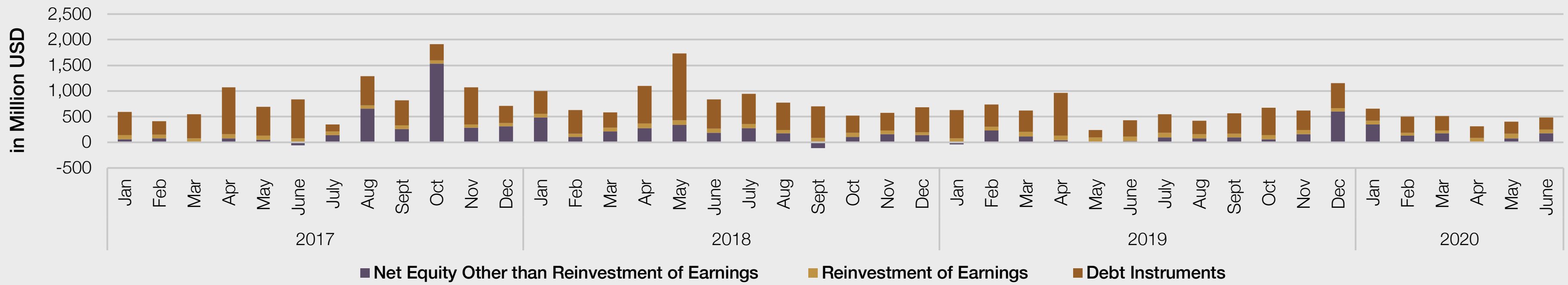
However, there have been some noticeable improvements as net FDI inflows surged during the following months upon the imposition of the more relaxed community quarantine classifications in the Philippines that allowed more sectors of the economy to reopen and resume operations. In June 2020 alone, net FDI inflows jumped to USD 481 million, which was 7.1% higher than that registered in June 2019, at USD 449 million. Net equity capital amounted to USD 173 million, most of which were sourced from Japan, the United Kingdom, and the United States. They were then mostly channeled to the following sectors: Manufacturing; Human Health and Social Work; Financial and Insurance Activities; and Real Estate Activities. Net investments in debt instruments declined by 28.8%, from USD 321 million in June 2019 to USD 229 million in June 2020. However, the reinvestment of earnings remained sluggish as it declined by 19.4%, from USD 99 million in June 2019 to USD 80 million in June 2020.[13]

The BSP attributed these positive developments to the gradual reopening of advanced economies interested in investing in the country, along with the Philippines' strong macroeconomic fundamentals that were sustained during the pandemic.[14]

Overall, during the first semester of 2020, much of the net equity capital were from Japan, the Netherlands, Singapore, and the United States, and were mainly invested in the Manufacturing, Real Estate, Financial and Insurance Activities, and Administrative and Support Service industries.[15]

A recent study conducted by the European Chamber of Commerce of the Philippines (ECCP) on the impact of COVID-19 on European businesses in the Philippines revealed that health and safety concerns, unclear government policies, and higher operational costs are the top three factors restricting European investments in the Philippines. Their most common concerns about the supply chain are regional logistics constraints, limitations and delays in meeting orders of clients, and difficulties in sourcing inputs. Moreover, 74.8% of companies expressed dissatisfaction with the current measures and economic stimulus efforts of the Philippine government, while 25.2% were satisfied. The ECCP report also highlighted the top three critical recommendations provided by the companies to enhance the Philippines' competitiveness: (1) simplification of the process of doing business; (2) fast-tracking infrastructure development; and (3) effectively controlling the spread of COVID-19.[16]

Figure 9 . Monthly Net FDI Inflows
(January 2018 – June 2020)



Source: Bangko Sentral ng Pilipinas (2020)

Employment

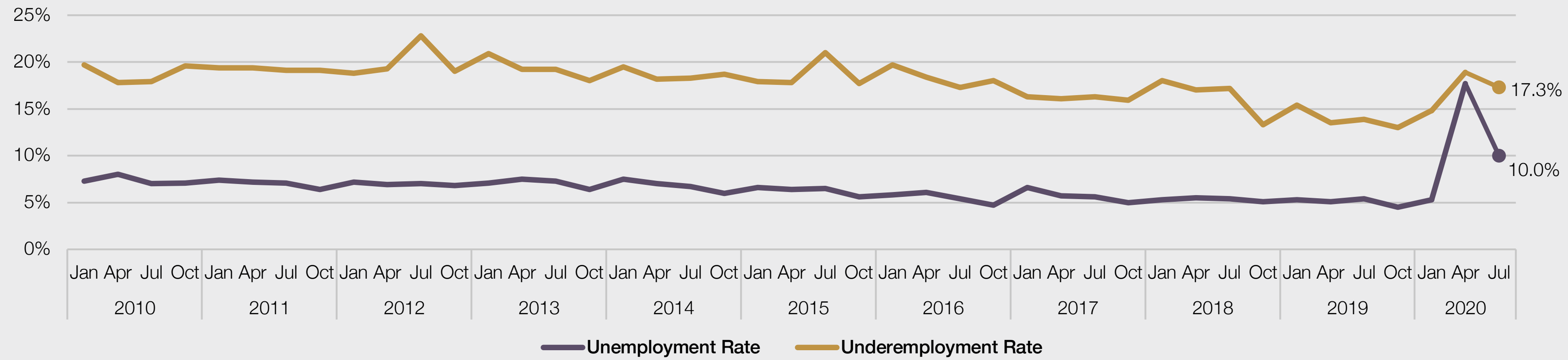
The latest PSA data show that there have been some improvements in terms of labor and employment since the dismal situation in April 2020, as movement restrictions were gradually eased from May to June. In July 2020, the labor force participation rate (LFPR) was recorded at 61.9%. This rate is higher than that recorded in April 2020 at 55.6%, which is the lowest LFPR in the history of the Philippine labor market. The employment rate also improved in July 2020 at 90.0%, from the record low of 82.3% in April 2020. Around 41.3 million Filipinos were employed in July 2020, higher than the 33.8 million registered in April 2020. In terms of employment share by sector in July 2020, 26.3% were in Agriculture, 18.8% in Industry, and 54.8% in Services. Among these sectors, only the employment share of Industry increased in July 2020, from 17.0% in April 2020.[17]

Furthermore, as seen in Figure 10, the unemployment rate in July 2020 eased to 10.0%. While this is lower than the record-high of 17.7% registered in April 2020, it is still higher than the unemployment rate of 5.4% in July 2019. Around 4.6 million Filipinos 15 years of age and above were unemployed in July 2020, lower than the recorded 7.3 million in April 2020. Meanwhile, the underemployment rate was estimated at 17.3% in July 2020, which is slightly lower than that of April 2020 at 18.9%. There were around 7.1 million underemployed Filipinos in July 2020, compared to the 6.4 million recorded in April 2020.[18]

Even though most parts of the country have shifted to a more relaxed community quarantine classification and eased movement restrictions, double-digit unemployment rates still registered in five regions, the highest being in the National Capital Region (NCR) at 15.8%, followed by Region IV-A (CALABARZON) at 12.4%; Region VII (Central Visayas) at 11.7%; Region I (Ilocos Region) at 11.1%; and Region III (Central Luzon) at 10.9%.[19] These were areas placed under strict forms of community quarantine for a few months, where economic activities were severely limited.

The most affected sector was the Arts, Entertainment, and Recreation sector, which experienced a decline in the employment rate of 72.9% year-on-year. This was followed by the Accommodation and Food Service Activities, which plunged by 35.9%.[20]

Figure 10 . Philippine Unemployment Rate and Underemployment Rate
(January 2010 – July 2020)

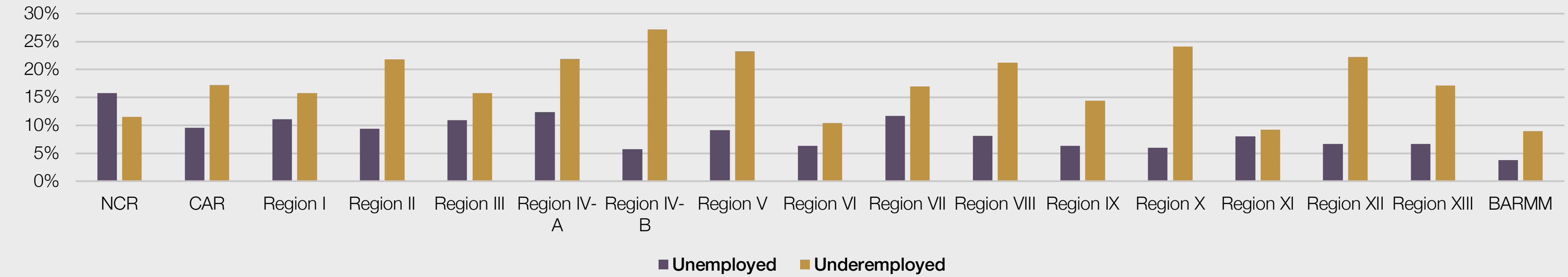


Source: Philippine Statistics Authority (PSA)

Poor Filipinos would take around 24 years to attain middle-income status if household incomes contract by 20%, based on a recent study by the Philippine Institute for Development Studies (PIDS). This situation, in turn, would make it difficult for the country to achieve its aspiration of a middle-class society as articulated in Ambisyon 2040.[21]

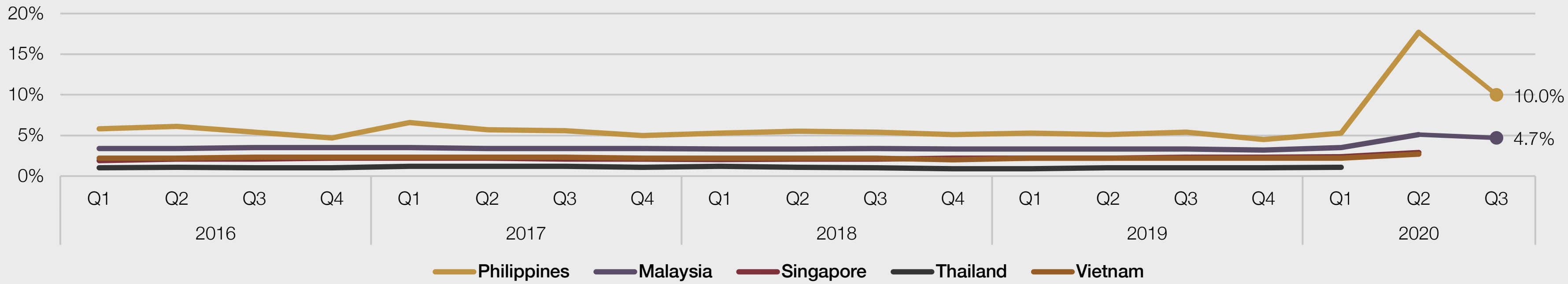
Compared with other ASEAN countries, the Philippines already had the highest unemployment rate, ranging between 4%-6% in the years before the COVID-19 pandemic. As a result of the economic crisis brought about by the pandemic, the unemployment rate in the country surged, reaching an all-time high of 17.7% in the second quarter but also quickly declining to 10.0% in the third quarter.

Figure 11 . Unemployment and Underemployment by Region
(July 2020)



Source: Philippine Statistics Authority (PSA)

Figure 12 . ASEAN Unemployment Rates
(Q1 2016 – Q3 2020)



Source: Bangko Sentral ng Pilipinas (BSP)

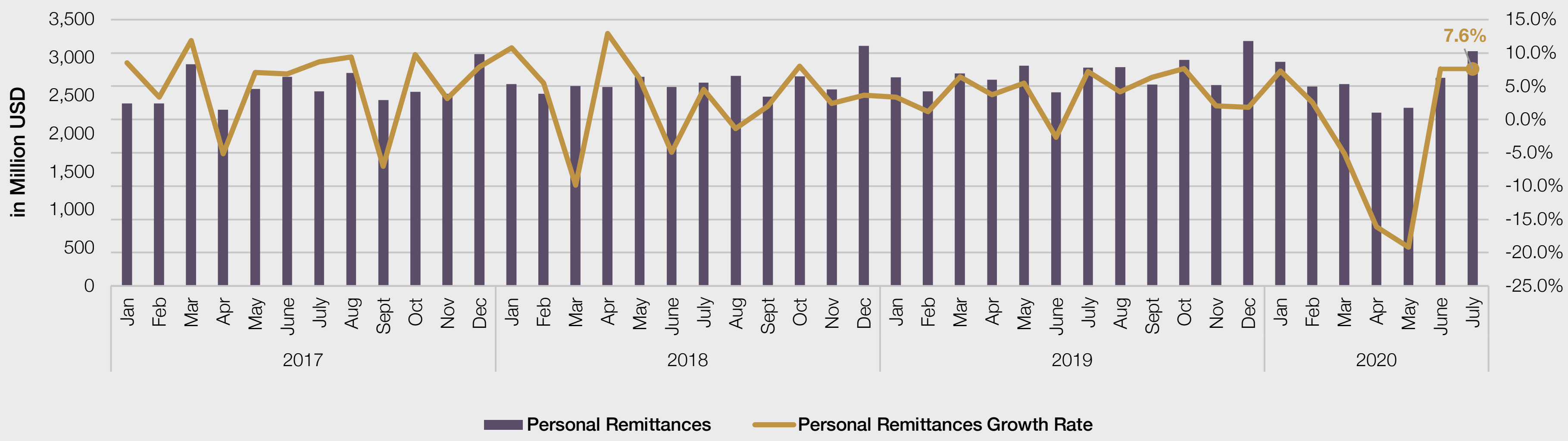
Remittances

Due to similar economic problems in other countries brought about by the COVID-19 pandemic, remittances from overseas Filipino workers (OFWs)—one of the main drivers of the country's economic growth—significantly declined as thousands of OFWs were repatriated. The Department of Foreign Affairs (DFA) reported that as of September 5, more than 164,368 OFWs had been repatriated, most of whom were displaced workers from countries that were severely affected by the pandemic.[22]

While personal remittances continuously declined since the start of the year and plummeted in April and May 2020, it bounced back in June as it posted a growth of 7.6%, amounting to USD 2.737 billion. Personal remittances increased for the second consecutive month in July 2020 as it also grew by 7.6% year-on-year, amounting to USD 3.085 billion. The BSP attributed this development to the continued increase in remittances from land-based workers with work contracts of more than one year. However, remittances from sea-based workers continued to decline due to the repatriation thereof during the COVID-19 pandemic. For the first seven months of 2020, remittances from the United States, Japan, Singapore, Qatar, and Taiwan posted continued growth, while those from Saudi Arabia, United Arab Emirates (UAE), Germany, Kuwait, and the United Kingdom declined.[23]

The World Bank projected that global remittances would post their "sharpest decline in recent history," as remittance flows to low- and middle-income countries could decline by 20% this year. It noted that migrant workers are more vulnerable to loss of employment and wages when the host country is in the middle of economic turmoil.[24]

Figure 13 . Overseas Filipinos' Personal Remittances
(January 2017 – July 2020)



Source: Bangko Sentral ng Pilipinas (BSP)

Inflation

The pandemic has brought mixed economic effects, and yet, inflation has remained within the government's target of 1%-3%. With mobility minimized due to the MECQ, all economic activity was once again reduced. Simultaneously, commodity prices such as food, transportation, communication, and health expense all contributed to the slight bump in headline inflation. Another factor to the slight increase is the recovery of the global oil market in various parts of the world is slowly restarting. The deceleration of inflation prices in August, which was the slowest in 3 months, was because of the slow price movement on alcohol and food, which were heavily weighted.

Figure 14 . Inflation Rates
(January 2016 – August 2020)

Source: Bangko Sentral ng Pilipinas (BSP)

Exchange Rates

Despite the policy fumbles the current administration has experienced through the pandemic months, the Philippine peso has remained strong due to the slight inflation rate bump and surplus in the Balance of Payments (BOP). During the start of September, the Philippine peso reached Php 48.48 against the US dollar. Considerably, the hard lockdown imposed to quell the spread of the virus improved the BOP and the strong position of the peso, with imports experiencing a decline. Another factor contributing to the strength of the Philippine currency is the foreign reserves that are now around USD 94 billion due to foreign loans and the bond market.

Figure 15 . Philippine Peso per US Dollar
(January 2016 – August 2020)

Source: Bangko Sentral ng Pilipinas (BSP)

FISCAL PERFORMANCE

Revenue Collection

As expected, government revenues dropped due to the COVID-19 pandemic. In a budget deliberation meeting, Finance Secretary Carlos Dominguez III reported that total revenues during the first seven months of 2020 were recorded at Php 1.69 trillion, which is 6.8% lower than that in the same period in 2019.[25]

The year 2019 registered a strong revenue performance and expenditure catch-up, where a total of Php 3.1 trillion of revenues were raised. This level is 10.1% higher than that recorded in 2018 and accounts for 16.1% of its GDP. The DOF projects revenue collection in 2020 to amount to Php 2.5 trillion, which will be 13.4% of the GDP. Collected revenues are expected to reach Php 2.7 trillion in 2021 and eventually Php 3.0 trillion in 2022. The deficit-to-GDP ratio is projected to decline from 8.5% in 2021 to 7.2% in 2022.[26]

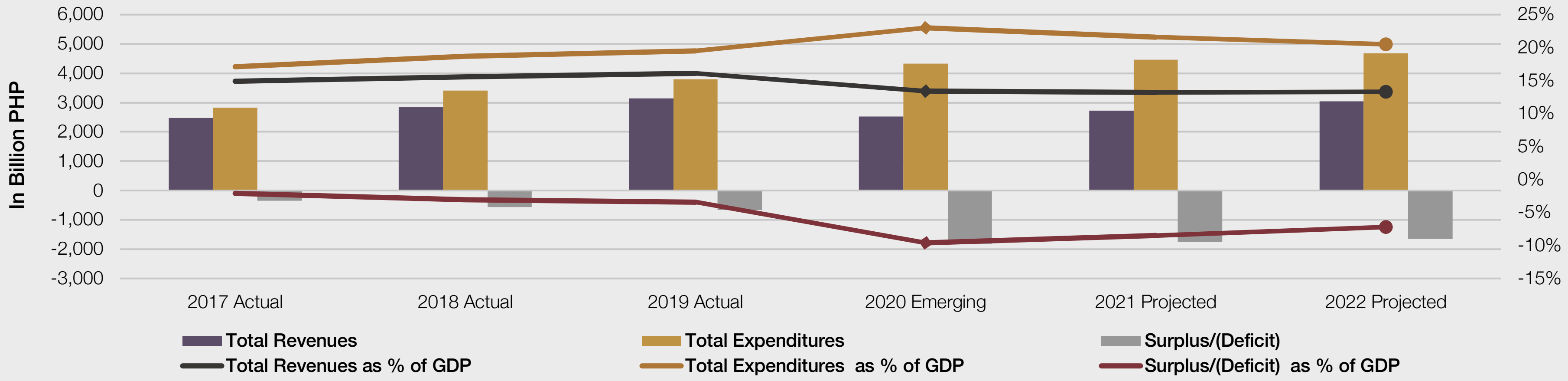
Tax revenues amounted to Php 2.8 trillion in 2019, which is 14.5% of the GDP. According to the DOF, in 2019, collections from the Tax Reform for Acceleration and Inclusion (TRAIN) Law exceeded the 2018 level by 91%.[27]

Table 1 . 2020 National Government Revenue Collections

In PHP Billion	2019 Jan-July Actual	2020 Jan-July Actual	Growth Rate
Total Revenues	1,811.6	1,687.8	(6.8%)
Tax Revenues	1,617.8	1,428.6	(11.7%)
BIR	1,246.7	1,115.4	(10.5%)
BOC	357.7	302.9	(15.3%)
Other Offices	13.4	10.3	(23.0%)
Non-Tax Revenues	193.9	259.2	33.7%
Expenditures	1,929.6	2,388.4	23.8%
Surplus/(Deficit)	(117.9)	(700.6)	(494.0%)

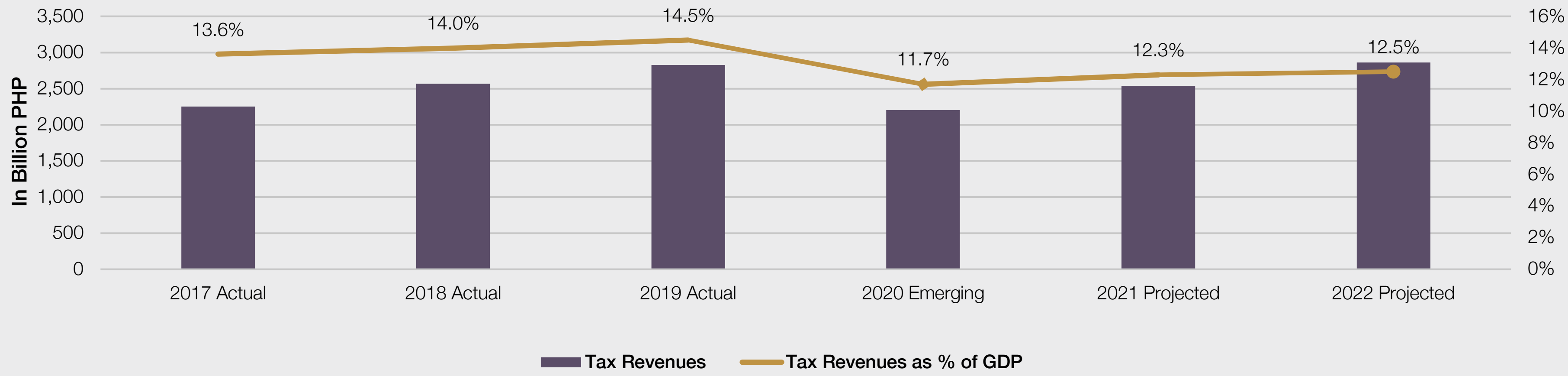
Source: Department of Finance (DOF)

Figure 16 . Total Revenue Collections and the National Government's Fiscal Program



Source: Department of Finance (DOF)

Figure 17 . Tax Revenue Collections and the National Government's Fiscal Program



Source: Department of Finance (DOF)

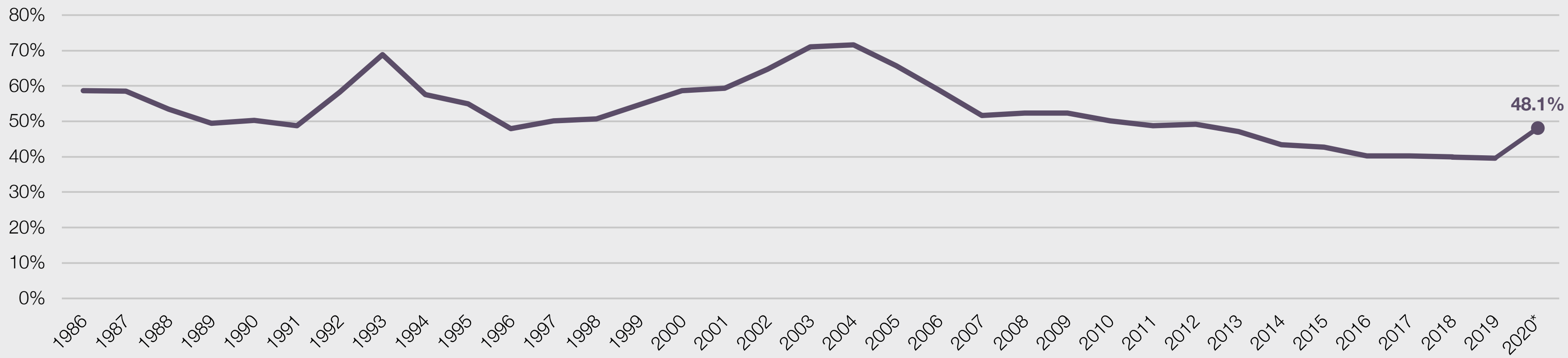
Debt-to-GDP

The Philippines' debt-to-GDP ratio has been noticeably decreasing over time, reaching a low 39.6% in 2019.[28] However, due to the COVID-19 pandemic, this ratio surged to 48.1% as of June 2020. Data from the Bureau of the Treasury (BTr) show that as of July 2020, the total national government debt amounted to Php 9.16 trillion, 68.3% of which was from domestic sources.[29] This amount is expected to increase in the coming months, as Dominguez stated that the government would be bridging the budget gap with additional borrowings.

According to the NEDA's Official Development Assistance (ODA) Portfolio Review 2019, the country's ODA portfolio as of December 2019 amounted to USD 21.62 billion. The portfolio comprises 84 loans worth USD 19.98 billion (92% of the total portfolio), and 268 grants worth USD 1.64 billion (8% of the total portfolio). Japan remained the top provider of ODA to the Philippines in 2019, with its loans and grants amounting to USD 8.51 billion (39% of the active ODA portfolio). Aside from Japan, other top providers of ODA were the Asian Development Bank (USD 5.70 billion, or 26%) and the World Bank (USD 4.31 billion, or 20%). Most of these ODA were channeled to the Infrastructure Development sector, representing the largest share of the active ODA portfolio with USD 12.54 billion (or 58% of the total). This sector was followed by the Social Reform and Community Development sector, with USD 3.81 billion (18%). The remaining 24% of the total active ODA portfolio (USD 5.26 billion) were for other sectors: Governance and Institutions Development (GID), Agriculture, Agrarian Reform, and Natural Resources (AARNR), and Industry, Trade, and Tourism (ITT).[30]

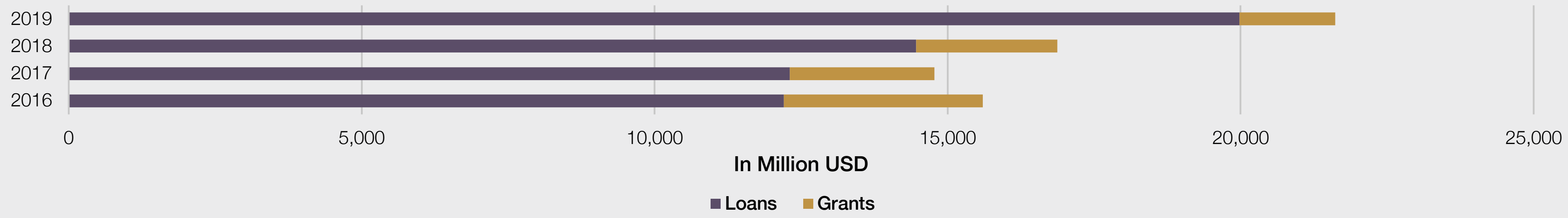
On top of this Php 21.62 billion worth of ODA, the government continues to secure funding from development partners – most of which were from the Asian Development Bank (ADB) and the World Bank (WB) – and commercial markets to support its COVID-19 response efforts. As of September 18, 2020, the DOF has raised a total of USD 9.41 billion. Of this amount, USD 8.79 billion would serve as budgetary support. These were sourced from various development partners as well as USD-denominated global bonds. USD 7.55 billion of this amount has already been disbursed to the government. Moreover, a total of USD 621.36 million worth of grants and loans have been provided for specific projects for COVID-19 response.[31]

Figure 18 . National Government Debt as % of GDP
(1986-2020)



*June 2020
Source: Bureau of the Treasury (BTr)

Figure 19 . Official Development Assistance: Amount of Loans and Grants
(2016-2019)



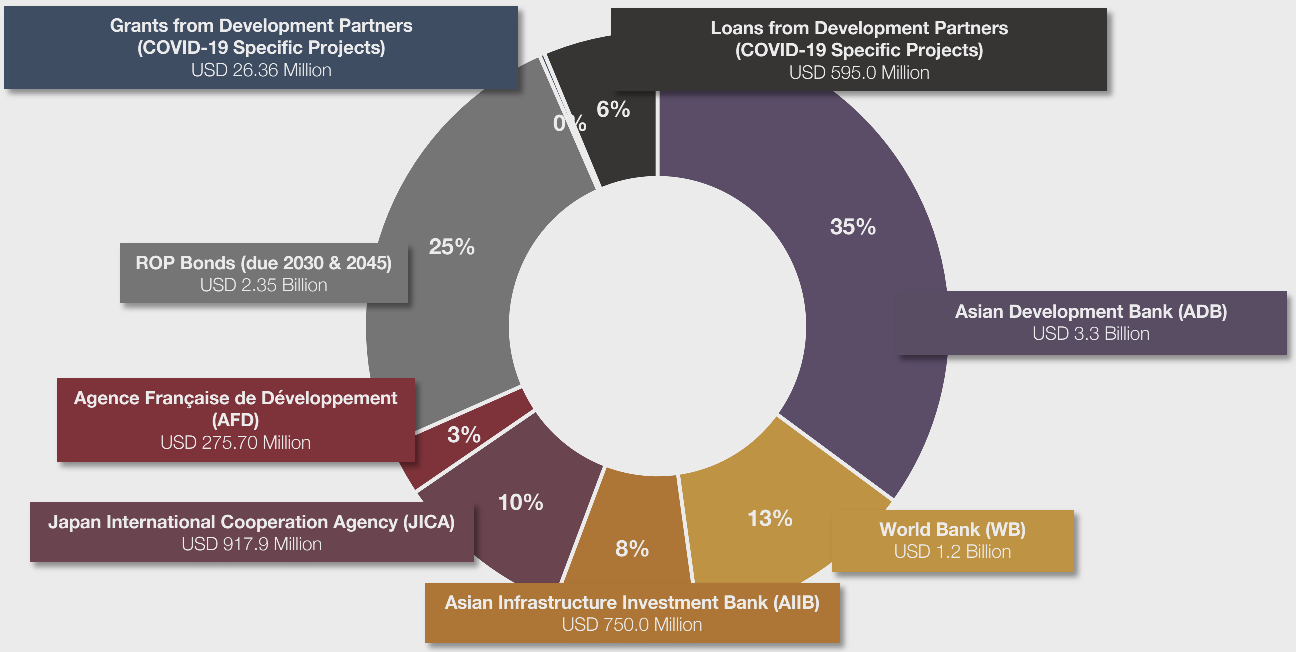
Source: National Economic and Development Authority (NEDA)

Table 2 . Breakdown of the Financing Secured from Development Partners and Commercial Markets for COVID-19 Response
(as of 18 September 2020)

Particulars	Signing/Issuance Date	Amount in USD Million
Budgetary Support Financing		
ADB COVID-19 Active Response and Expenditure Support Program	23 Apr 2020 (Effective: 27 Apr 2020)	1,500.00
ADB Social Protection Support Project - Second Additional Financing	28 Apr 2020 (Effective: 5 May 2020)	200.00
WB Third Disaster Risk Management Development Policy Loan	10 Apr 2020 (Effective: 27 Apr 2020)	500.00
ROP Bonds Due 2045 with 2.950% coupon	5 May 2020	1,350.00
ROP Bonds Due 2030 with 2.457% coupon	5 May 2020	1,000.00
WB Emergency COVID-19 Response Development Policy Loan	3 Jun 2020 (Effective: 19 Jun 2020)	500.00
ADB Support to Capital Market Generated Infrastructure Financing, Subprogram 1	4 June 2020 (Effective: 30 Jun 2020)	400.00
AIIB CARES Program	5 Jun 2020 (Effective: 30 Jun 2020)	750.00
AFD Expanding Private Participation in Infrastructure Program, Subprogram 2	9 Jun 2020	165.42
AFD Inclusive Finance Development Program, Subprogram 1	9 Jun 2020	110.28
ADB Expanded Social Assistance Program	15 Jun 2020 (Effective: 21 July 2020)	500.00
JICA COVID-19 Crisis Response Emergency Support Loan	1 Jul 2020	458.95
ADB Competitive and Inclusive Agriculture Development Program, Subprogram 1	20 Aug 2020	400.00
ADB Inclusive Finance Development Program, Subprogram 2	27 Aug 2020	300.00
JICA Post Disaster Standby Loan (Phase 2)	15 Sept 2020	458.95
WB Social Welfare Development and Reform Project II - Additional Financing	28 Nov 2019 (Effective: 6 Jan 2020)	200.00
Subtotal, Budgetary Support Financing		**8,793.60**
Grant Assistance		
ADB COVID-19 Emergency Response Project	16 Mar 2020	3.00
ADB Rapid Emergency Supplies Provision	27 Mar 2020	5.00
Government of Japan Non-Project Grant Aid for the Provision of Medical Equipment to DOH	8 Jun 2020	18.36
Subtotal, Grant Assistance		**26.36**
Project Loan Financing		
WB COVID-19 Emergency Response Project	28 Apr 2020 (Effective: 6 May 2020)	100.00
WB Support to Parcelization of Lands for Individual Titling (SPLIT) Project	14 July 2020	370.00
ADB Health System Enhancement to Address and Limit COVID-19 Program	8 Sep 2020	125.00
Subtotal, Project Loan Financing		**595.00**
Total Financing Secured for COVID-19 Response, as of 18 September 2020		**9,414.96**

Source: Department of Finance (DOF)

Figure 20 . Share of the Financing Secured from Development Partners and Commercial Markets for COVID-19 Response
(as of 18 September 2020)



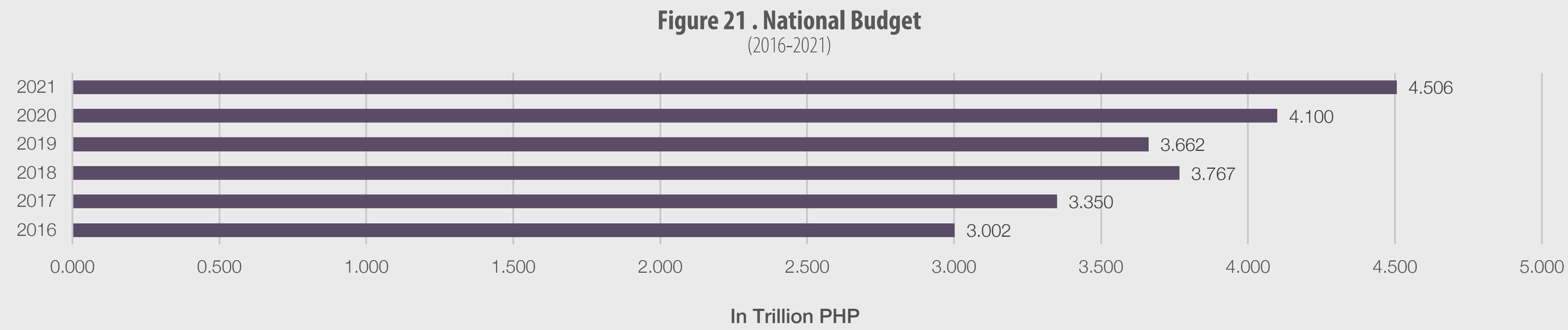
Note: The bonds, as well as the funds from the ADB, WB, AIIB, AFD, and JICA, are for budgetary support

Source: : Department of Finance (DOF)

National Budget for Fiscal Year 2021

The proposed national budget for Fiscal Year 2021 amounts to Php 4.506 trillion, equivalent to 21.8% of the projected GDP. This amount is 9.9% higher than the 2020 national budget of Php 4.100 trillion.[32]

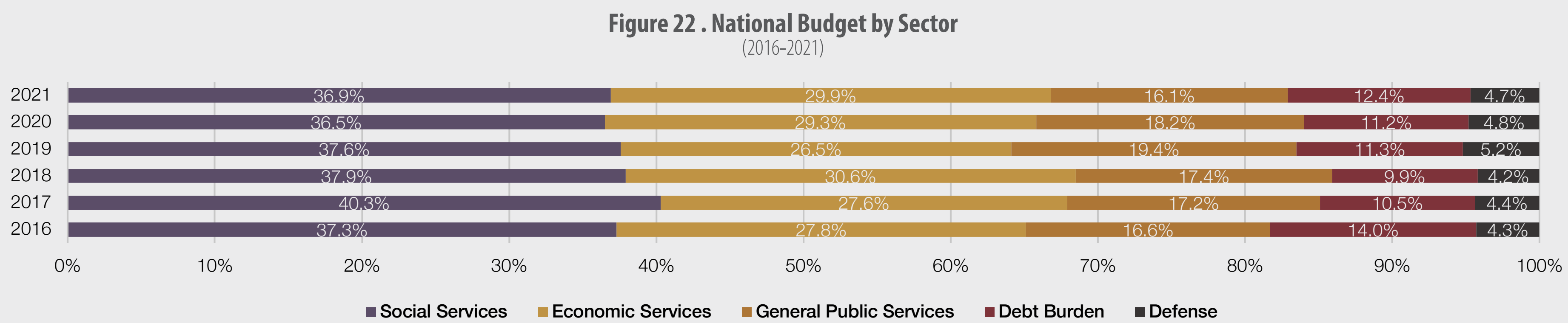
According to the President's Budget Message for Fiscal Year 2021, there are seven key budget priorities: Health, Nutrition, and Wellness; Education; Food Security; Social Protection; Preparedness and Resiliency; Enhancing Interoperability to Address Coordination Gaps; and Safety, Security, and Stability. The National Budget for 2021 is focused on the highest priority: to sustain and strengthen government efforts in effectively responding to and recovering from the COVID-19 pandemic. Shifting priorities and realigning spending priorities is a must. The Budget Message also stated that the entire budget is focused on containing the spread and mitigating the effects of the COVID-19 pandemic; funding a vaccine; restarting the economy to create jobs and attract investments, and transitioning to the post-crisis recovery environment. The budget is intended to recoup the gains of the past years and gear the country and people for resilience and sustainability in and out of a crisis.[33]



Note: Based on the General Appropriations Acts (GAAs) for FYs 2016-2020 and the National Expenditure Program (NEP) for FY 2021. The country's first cash budget started in 2019

Source: Department of Budget and Management (DBM)

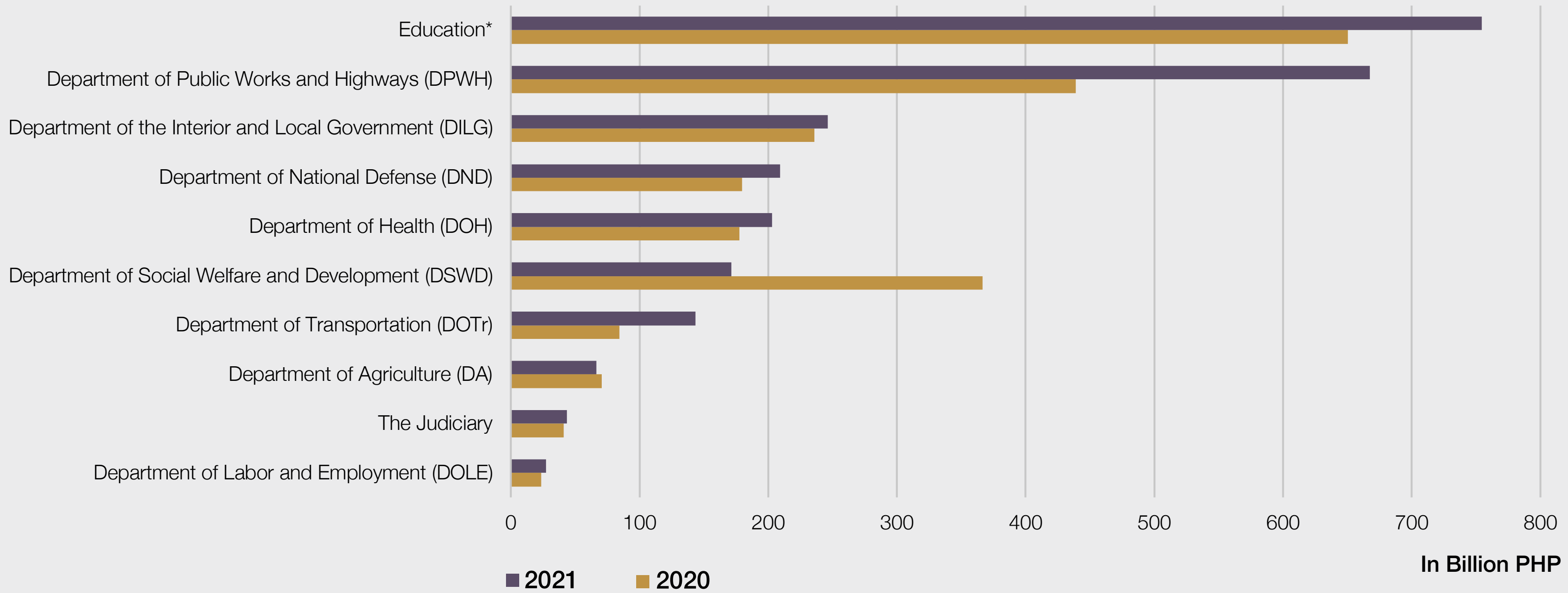
Based on the National Expenditure Program (NEP) for FY 2021, the Social Services sector remains to have the largest share in the total budget pie, with Php 1.7 trillion (or 36.9%), followed by Economic Services with Php 1.3 trillion (or 29.9%). The General Public Services sector is to receive Php 724.2 billion (or 16.1%), Debt Burden is allotted Php 560.2 billion (or 12.4%), while Defense will have an allocation of Php 210.6 billion (or 4.7%).[34] Expectedly, the budget allocation for debt service is higher for 2021 compared to those in the previous years,[35] given the increase in the government's borrowings for its COVID-19 response.



Note: Based on the General Appropriations Acts (GAAs) for FYs 2016-2020 and the National Expenditure Program (NEP) for FY 2021

Source: Department of Budget and Management (DBM)

Figure 23 . Top 10 Departments
(2020-2021)



Note: The figures for the 2020 national budget already reflect the adjustments done to redirect funds for COVID-19 response
*Includes the Department of Education (DepEd), State Universities and Colleges (SUCs), the Commission on Higher Education (CHED), and the Technical Education and Skills Development Authority (TESDA)

Source: : Department of Budget and Management (DBM)

Bayanihan to Recover as One Act ('Bayanihan 2')

Republic Act No. 11494, also known as the Bayanihan to Recover as One Act ('Bayanihan 2'), was signed by President Rodrigo Duterte on September 11, 2020. It is a sequel to an earlier legislation, Republic Act No. 11469, approved on March 24, 2020, and referred to as Bayanihan to Heal as One Act (or 'Bayanihan 1'). Through this measure, President Duterte extends his special powers to address the country's health crisis. Among his powers is the authority to realign and reprogram Php 165.5 billion in funds from programs, activities, and projects to fund the country's COVID-19 response and recovery interventions until December 19, 2020.

A standby fund of Php 25.5275 billion will be made available once funds are generated from savings and unused amounts. This fund will be used for the following: COVID-19 testing and procurement of COVID-19 medication and vaccine (Php 10.0 billion); support for wholesale banking and equity infusion of the LBP (Php 9.0275 billion) and the DBP (Php 6.5 billion); and other programs and activities.

Table 3 . Breakdown of the Appropriations Under Bayanihan 2

Particulars	Amount (In Million Php)
Health-related responses	13,500.0
Procurement of face masks, PPE, shoe covers, and face shields	3,000.0
Construction of temporary medical isolation and quarantine facilities, field hospitals, dormitories for front-liners, and the expansion of government hospital capacity	4,500.0
Cash-for-work programs for displaced workers and unemployment or involuntary separation assistance	13,000.0
Capital infusion to GFIs	39,472.5
Assistance to the agriculture sector and “Plant, Plant, Plant” initiative of the DA	24,000.0
Programs of the DOTr	9,500.0
Training and subsidies for tourist guides	100.0
Assistance to state universities and colleges (SUCs) in the development of smart campuses	3,000.0
Subsidies and allowances to qualified students of public and private elementary, secondary, and tertiary education institutions	600.0
Subsidies and allowances of displaced teaching and non-teaching personnel	300.0
Additional scholarship funds of the TESDA	1,000.0
Programs of the DSWD	6,000.0
Assistance to the DepEd in the implementation of Digital Education, Information Technology (IT) and Digital Infrastructures and Alternative Learning Modalities	4,000.0
Assistance to LGUs under the Local Government Support Fund (LGSF)	1,500.0
Allowances for National Athletes and Coaches	180.0
Repatriation-related expenses and other assistance provided for OFWs under the DFA	820.0
Tourism industry	4,000.0
Construction and maintenance of isolation facilities, including billing of hotels, food, and transportation to be used for the COVID-19 response and recovery program by the Office of Civil Defense as the head of the National Task Force against COVID-19	4,500.0
The hiring of at least 50,000 contact tracers to be implemented by the DILG, including recruitment, training, compensation, monitoring, logistics, and operational expenses	5,000.0
Professional Regulation Commission’s (PRC) computer-based licensure examination	2.5
Subsidize the payment of interest on new and existing loans secured by LGUs from LBP and DBP	2,000.0
COVID-19 research	10.0
Establishment of a computational research laboratory in the UP Diliman Institute of Mathematics to process big data analysis for COVID-19 and other pandemic research	15.0
Total	**140,000.0**

Source: Republic Act No. 11494 (Bayanihan to Recover as One Act)

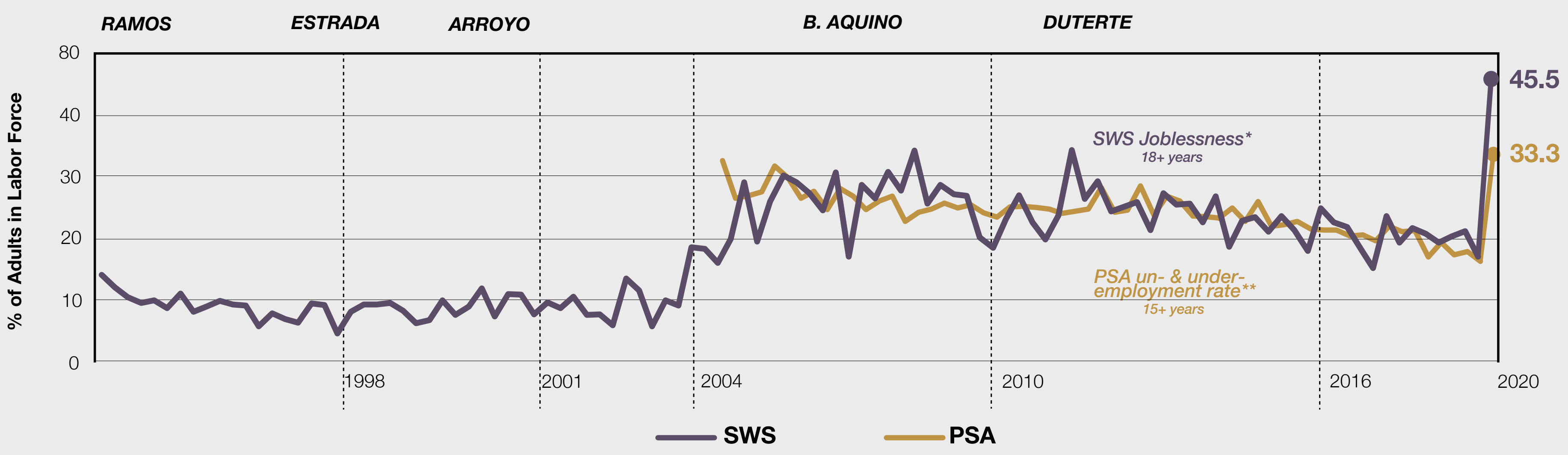
ECONOMIC SURVEYS

Social Weather Stations (SWS) July 2020 National Mobile Phone Survey on Adult Joblessness

The special Social Weather Stations (SWS) National Mobile Phone Survey conducted from July 3 to 6 revealed that adult joblessness surged to 45.5% in July 2020. This rate is higher than the recorded 17.5% in December 2019, and is the new record-high since March 2012, with 34.4%. Some 27.3 million adults were estimated to be jobless in July 2020, much higher than the 7.9 million estimated in December 2019.

The survey also found that one out of five adult Filipinos (21%) lost their jobs during the COVID-19 pandemic. Adult joblessness surged in all areas from December 2019 in July 2020: Metro Manila (from 15.0% to 43.5%); Balance Luzon (from 17.3% to 45.2%); Visayas (from 15.7% to 46.6%); and Mindanao (from 20.7% to 46.5%). It also rose in urban and rural areas, to a record-high of 43.9% and 46.0%, respectively.[37]

Figure 24 . SWS Joblessness Rate and PSA Unemployment and Underemployment Rate
(September 1993 – July 2020)



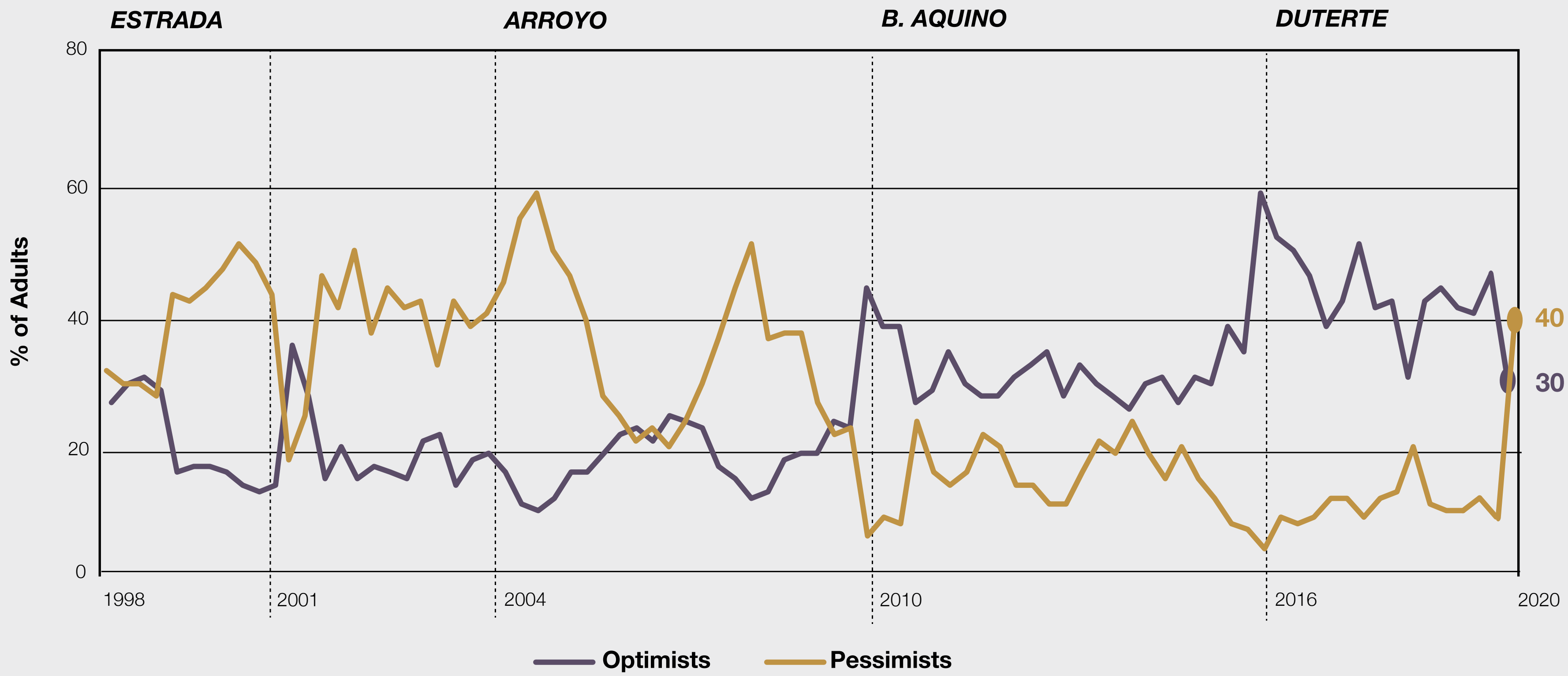
*% of the Labor Force without a job at present and looking for a job
**% of the Labor Force unemployed and underemployed
Note: Year labels are plotted in June of each year.

Source: Social Weather Surveys (SWS) & Philippine Statistics Authority (PSA)

Social Weather Stations (SWS) July 2020
National Mobile Phone Survey on Expected Change in the Economy

Another SWS National Mobile Phone Survey conducted from July 3 to 6 found that 40% of adult Filipinos expect the economy to worsen in the next 12 months. This percentage is the highest in 12 years since 52% recorded in June 2008. On the other hand, 30% of adult Filipinos expect it to improve, and this is the lowest in 5 years since 27% registered in March 2015. Meanwhile, 24% hope it stays the same. As such, Net Economic Optimism fell to "mediocre." The survey also found that Net Economic Optimism is lower among college graduates and junior high school graduates than among elementary and non-elementary graduates.[38]

Figure 25 . SWS Expected Change in the Economy, Philippines
(September 1998 – July 2020)



Source: Social Weather Surveys (SWS)

INSIGHTS

Based on the economic data released in the third quarter, it becomes evident that the administration is traversing treacherous seas with no clear indication of better weather ahead. It presupposes the notion that we are in it for the long haul. The government lost crucial opportunities to avert the economic repercussions of arbitrary lockdowns and hardships the country is currently experiencing. During the first quarter of the year, the Duterte administration had a chance to prevent a health and economic catastrophe but failed to capitalize on it. Because of this, the country has been pushed into a major predicament of balancing between public health and economic stability.

Moving towards the third quarter of 2020, the government has yet to establish long-term policy solutions to anticipate the downward trend on the drivers of economic growth. The country's past cash-cow industries, such as services, tourism, and hospitality services, were severely hit by the global pandemic and have ravaged MSMEs in the process. Moreover, with the most prolonged lockdown in the world, the Philippines mishandled the pandemic by relying on the false hope that the COVID-19 would just eventually fade away in a few months. President Duterte hinged his policies on a working vaccine that has yet to emerge. Meanwhile, the country is playing catch up on mitigating the effects of the pandemic that has pushed unemployment to historic levels, debt to historic highs, and economic activity to unprecedented lows. Furthermore, it remains unclear how the government can make optimum use of the loans it obtained. To service such loans, the government will need to impose higher taxes on various sectors in the years to come.

The country's economic managers should realize by now that investment-led growth will be essential in the push towards economic recovery, and bolstering the resurgence of MSMEs can only reinforce this push by generating jobs, income, and consumption. These recent quarters saw the continuous boost in digital and cashless transactions as lockdowns were imposed and businesses and consumers alike practiced social distancing to prevent the transmission of COVID-19. In effect, these digital services have helped keep the economy running. While the monetary policy of the government has maintained a steady level, it must now be utilized by pushing for the availability of capital and support to industries that are the foundations of the nation's economy. Now, more than ever, the government needs to fast-track the development of digital infrastructures that are crucial for economic recovery and long-term growth. The efforts of both the private sector and the government in terms of digital services will be useless without the presence of the necessary infrastructures in place.

With about two years left, the administration should look more into economic recovery than focusing on the political legacy of President Duterte while time is still on our side.

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is a quarterly publication that presents the current economic situation of the Philippines through various economic indicators as monitored by local and international financial institutions. This includes the country's most recent data on Gross Domestic Product, Foreign Direct Investments and Remittances, among others. In addition, studies on the economic performance and financial forecasts for the Philippines are included in this report.

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