IN THIS ISSUE

Economic Indicators Updates
Economic Growth, External Trade Performance, Foreign Direct Investment (FDI), Remittances, Employment, Inflation, Exchange Rates, Revenue Collections, and Debt-to-GDP

Economic Surveys
Business Expectation Survey (BES), Consumer Expectation Survey (CES), Social Weather Stations (SWS) September 2020 National Mobile Phone Survey on Adult Joblessness, and Social Weather Stations (SWS) September 2020 National Mobile Phone Survey on Trends in the Quality of Life

Insights
Philippines has yet to fully lay-out a post-pandemic health recovery plan, more so for its ailing economy

economic snapshots

QUICK FACTS AND FIGURES OF THE PHILIPPINE ECONOMY

QUARTERLY

CURRENT ECONOMIC SITUATION

Entering the last quarter of 2020, the Philippines is still on edge with little clarity on the national government's direction in resolving the pandemic spread and laying out a clear recovery plan to lift its sluggish economy. The Asian Development Bank (ADB) recently released its Asian Development Outlook that viewed the Philippines as the worst-performing economy in the Southeast Asian region. The report emphasized that the economy would continue its slump with an 8.5% drop compared to what was initially projected at -7.3% set in September of 2020. Furthermore, it was anticipated that the Philippines would also have the deepest economic fallout compared to its neighbors, with Thailand coming next with 7.3%, followed by Singapore with 6.2% GDP contractions. The only country that set itself apart from the rest is Vietnam, which is expected to be on the positive side of the economic projection spectrum with an expected 1.8% gain. ADB's projection mirrors each country's economic rebound while the world awaits the resolution of the pandemic. With various vaccines in the pipeline and awaiting the results of final clinical trials, ASEAN economies are optimistic about emerging out of a period of stagnation, even as the Philippines remains uncertain about the future of its economiy.

ECONOMIC INDICATORS UPDATES

Economic Growth

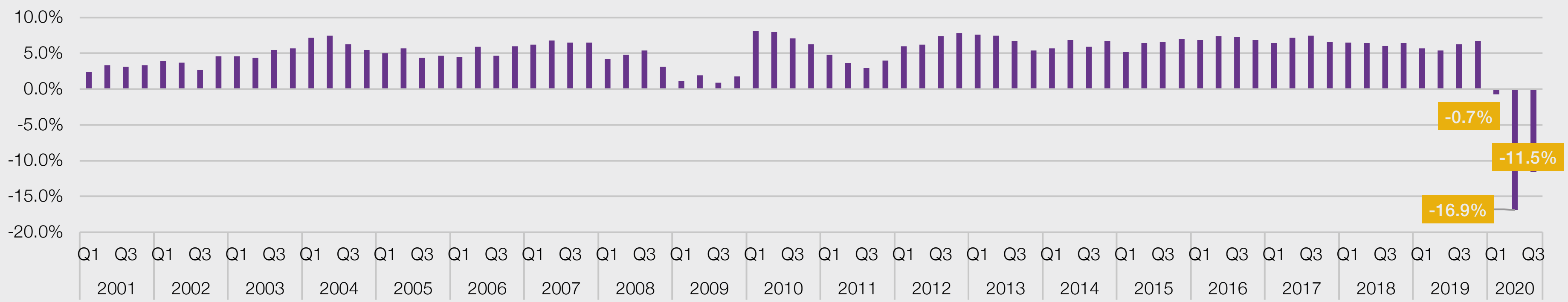
During the third quarter of 2020, the Philippine gross domestic product (GDP) contracted by 11.5%, slower than the recorded 16.9% during the previous quarter.[1] As seen in Figure 1, the Philippine economy continued to contract for the third consecutive quarter after entering a technical recession during the second quarter due to the COVID-19 pandemic. By the third quarter of the year, the community quarantine and movement restrictions had been eased in most parts of the country. Based on estimates from the National Economic and Development Authority, as of September 1, 2020, areas under modified general community quarantine (MGCQ) represented 53.5% of the country's GDP.[2] The NEDA also emphasized that economic activity is sensitive to community quarantine, which hinders the economy from fully recovering.[3]

In December 2020, President Rodrigo Duterte placed the National Capital Region (NCR), Batangas, Iloilo City, Tacloban City, Lanao del Sur, Iligan, Davao City, and Davao del Norte under general community quarantine (GCQ) until the end of the year, while the rest of the country was placed under MGCQ.

Both Industry and Services contracted by 17.2% and 10.6%, respectively. These were improvements, though, from their respective contractions of 21.8% and 17.0% from the previous quarter, the steepest declines ever registered. Services continued to have the highest share of GDP in the third quarter, with 63.4%.[4]

Specifically, the following industries were the top contributors to this quarter's decline: Construction (-39.8%), Real Estate and Ownership of Dwellings (-22.5%), and Manufacturing (-9.7%). In contrast, the top three industries that posted positive growth were Financial and Insurance Activities (6.2%), Public Administration and Defense, Compulsory Social Activities (4.5%), and Agriculture, Forestry, and Fishing (1.2%).[5]

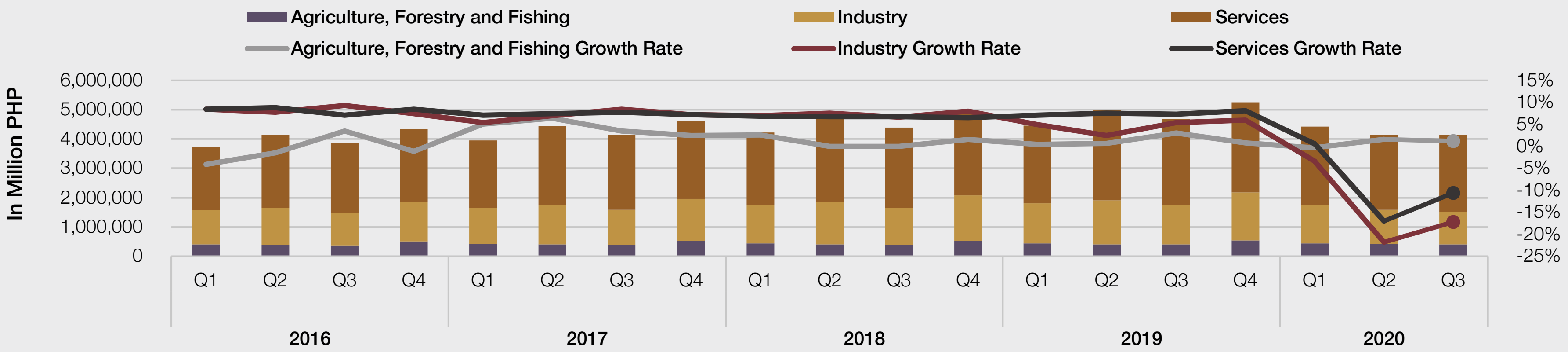
Figure 1 . Philippine Real GDP Growth Rates
(Q1 2001 – Q3 2020)



Note: The figures are in constant 2018 prices

Source: Philippine Statistics Authority (2020)

Figure 2 . Philippine GDP by Industry
(Q1 2016 – Q3 2020)



Note: The figures are in constant 2018 prices.

Source: Philippine Statistics Authority (2020)

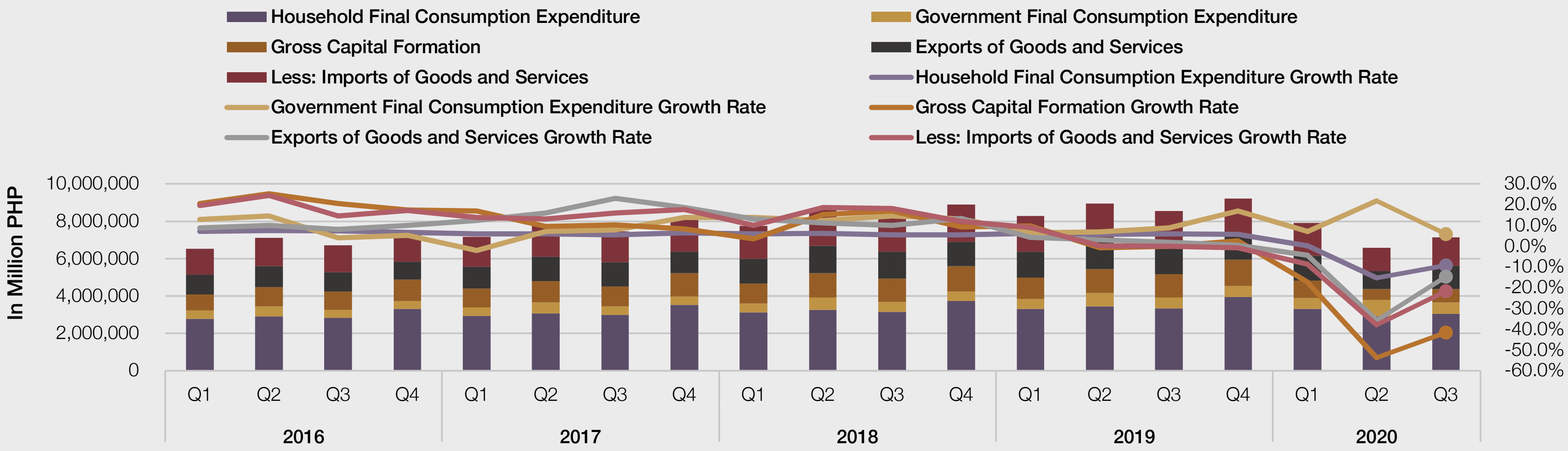
However, on the expenditure side, the following declined during the same period: Household Final Consumption Expenditure (HFCE) with -9.3%; Gross Capital Formation (GCF) with -41.6%; Exports with -14.7%; and Imports with -21.7%. In contrast, Government Final Consumption Expenditure (GFCE) grew by 5.8%. It is important to note that all these items, except for GFCE, showed signs of improvement from steep contractions registered during the previous quarter.[6]

Consumption, which has traditionally been a growth driver of the Philippine economy, continued to contract in the third quarter at 9.3%, albeit improving from 15.3% in the previous quarter as the economy gradually opened. The consumption of essential items continued to post growths in the third quarter: Food and Non-Alcoholic Beverages (4.6%), Housing, Water, Electricity, Gas and Other Fuels (6.7%), Miscellaneous Goods and Services (2.2%), and Communication (5.7%). On the other hand, the non-essential sectors still experienced declines, such as Recreation and Culture (-59.3), Restaurants and hotels (-49.9%), and Alcoholic Beverages and Tobacco (25.5%). Also, Transport and Education declined by 33.4% and 20.8%, respectively.[7]

The Philippines continues to lag behind its neighbors in Southeast Asia. While Malaysia's -17.1% growth rate during the second quarter was worse than the Philippines' -16.9%, the former bounced back in the next quarter with a growth rate of -2.7%. Based on the latest figures, the Philippines was the worst economic performer in the region, with -11.5% in the third quarter.

With the easing of quarantine restrictions and the gradual opening up of the Philippine economy in June 2020, improvements are expected to manifest in the coming quarters. International institutions have been consistent in their forecasts: the Philippine economy will decline in 2020 but will rebound the following year. For 2021, the ADB projects the Philippine economy to grow by 6.5%;[8] the World Bank projects it at 5.9%,[9] and the International Monetary Fund (IMF) at 7.4%.[10] Meanwhile, the Philippine Development Budget Coordination Committee (DBCC) - comprised of the Department of Budget and Management (DBM), Department of Finance (DOF), NEDA, the Bangko Sentral ng Pilipinas (BSP), and the Office of the President - estimates the GDP to range between 6.5% and 7.5% in 2021.[11] Significant developments in the projects under the "Build, Build, Build" infrastructure program combined with the revitalization of the Industry and Services sectors are likely to drive economic growth in 2021. As quarantine measures ease and business and industry further opens, more sectors of the economy will regain higher productivity.

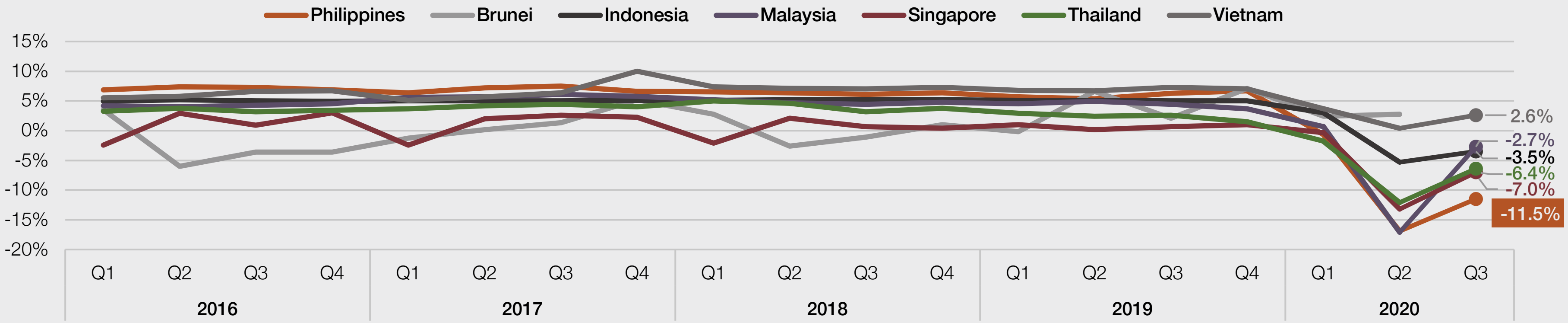
Figure 3 . Philippine GDP by Expenditure
(Q1 2016 – Q3 2020)



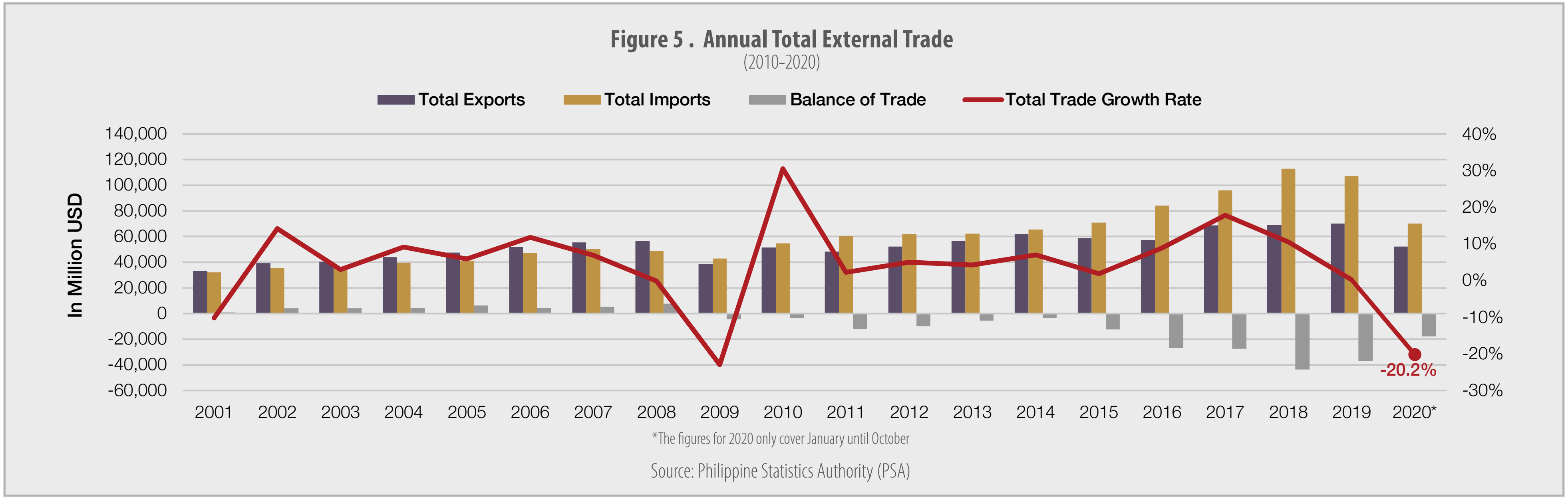
Note: The figures are in constant 2018 prices.

Source: Philippine Statistics Authority (2020)

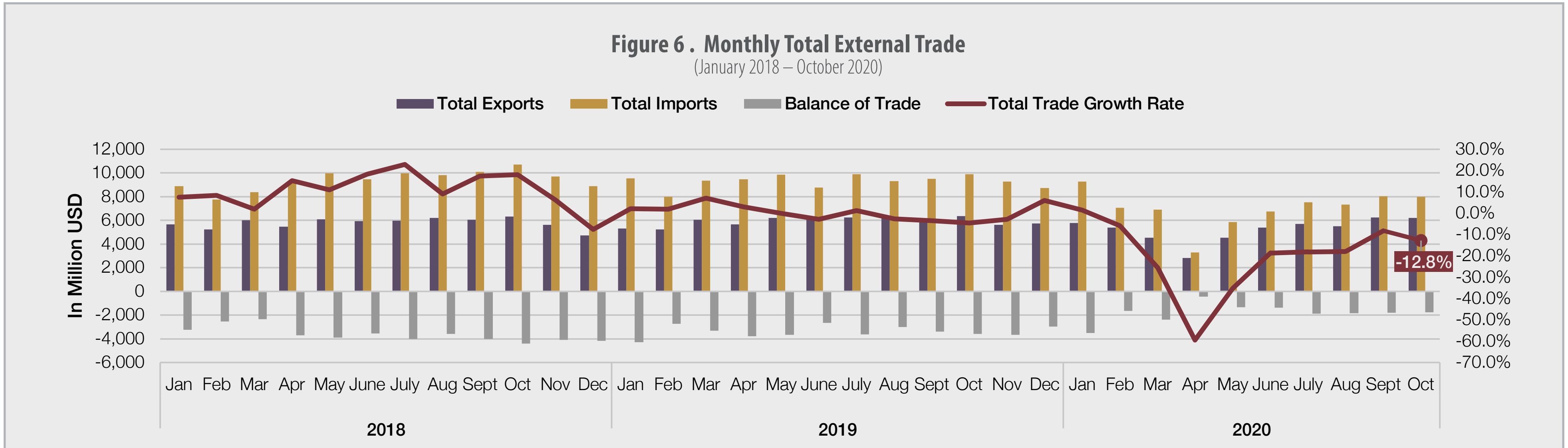
Figure 4 . ASEAN Real GDP Growth Rates
(Q1 2016 – Q3 2020)



Sources: Bangko Sentral ng Pilipinas (BSP)



Source: Philippine Statistics Authority (PSA)



Source: Philippine Statistics Authority (PSA)

External Trade Performance

Based on data from the Philippine Statistics Authority (PSA), the Philippines' total external trade performance in the first ten months of 2020 fell by 20.2% year-on-year, amounting to USD 122.2 billion. Total external trade in the same period in 2019 was recorded at USD 153.2 billion. From January to October 2020, total exports were recorded at USD 52.1 billion, lower by 12.5% from the same period in 2019, while total imports at USD 70.0 billion, a 25.2% decline from last year.[12]

As most parts of the Philippines have been elevated to the more relaxed community quarantine classifications in the latter part of 2020, the country's external trade continued to contract, albeit at a slower pace since the slump experienced in April 2020 at -59.5%.

In October 2020, total external trade amounted to USD 14.2 billion, lower by 12.8% year-on-year. However, this annual drop was faster than the previous month's growth rate of -8.2%. The trade deficit hardly changed to USD 1.8 billion from July to October 2020. Of the country's total external trade in October 2020, 56.3% were imported goods.[13]

Total exports during the month amounted to USD 6.2 billion, lower by 2.2% year-on-year. Electronic products remained the country's top export in terms of commodity groups, with total earnings of USD 3.6 billion. Electronic Products represent 57.8% of the country's total exports, followed by Other Manufactured Goods (7.1%) and Other Mineral Products (4.5%). The top export destinations in October 2020 were the US (16.3%), followed by Japan (15.6%), China (15.2%), Hong Kong (12.1%), and Singapore (6.4%).[14]

On the other hand, total imports in October 2020 were recorded at USD 7.98 billion, 19.5% lower than that of the same month in 2019. This annual decline in imports was due to the decrease in seven of the top ten major commodity groups, led by Transport Equipment (-53.6%), followed by Mineral Fuels, Lubricants, and Related Materials (-49.9%), and Industrial Machinery and Equipment (-28.8%). Likewise, Electronic Products had the highest share among the imported commodity groups at 31.2%, with an import value of USD 2.4 billion. This was followed by Mineral Fuels, Lubricants and Related Materials (7.3%) and Transport Equipment (7.0%). The top sources of imports were China (24.4%), followed by Japan (11.0%), the US (8.0%), South Korea (7.3%), and Indonesia (6.4%).[15]

Socioeconomic Planning Secretary Karl Kendrick T. Chua emphasized the need for the safe opening of the economy, connectivity, and logistics reforms. He elaborated that the government and the private sector need to work together to improve the communication infrastructure and utilize digital platforms and alternative means to source from and supply to the country.[16]

Foreign Direct Investment (FDI)

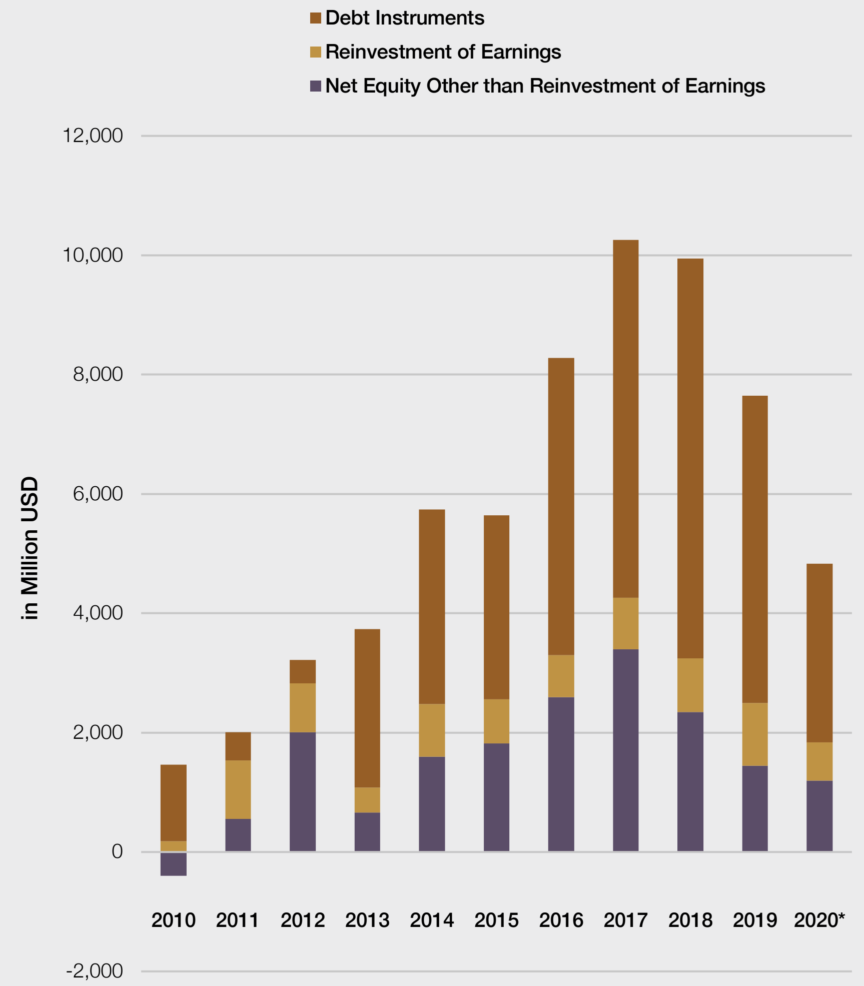
From January to September 2020, total net FDI inflows to the Philippines declined by 8.6% year-on-year, amounting to USD 4.8 billion. The BSP attributed this to the worldwide cautious investment climate brought upon by the prolonged and induced COVID-19 pandemic. Most of the equity capital placements during the first three quarters of 2020 were from Japan, the Netherlands, the US, and Singapore, which were then channeled to the following sectors: (1) manufacturing; (2) real estate; and (3) financial and insurance industries.[17]

Meanwhile, in September 2020 alone, net FDI inflows amounted to USD 523 million, which was 12.3% lower than in the same month in 2019. The BSP attributed this to the two-week Modified Enhanced Community Quarantine (MECQ) in the National Capital Region (NCR) and surrounding areas in the first half of August, which may have had dampened investor sentiment on prospects of the economy's reopening. However, according to the BSP, this decline in net inflows was mitigated partly by net equity capital, which posted a growth of 2.5% year-on-year, amounting to USD 99 million. Most of these were from Japan, the US, and Singapore and were directed to the following sectors: (1) manufacturing; (2) real estate; and (3) financial and insurance industries. Net investments in debt instruments declined by 14.3%, from USD 423 million in September 2019 to USD 362 million in September 2020. The reinvestment of earnings continued to be in negative territory at -19.7%, amounting to USD 62 million from USD 77 million in the same month last year.[18]

As foreign companies leave China to diversify their supply chains due to the US-China trade war and the COVID-19 pandemic, the Philippines emerges as a natural alternative due to its strategic location, young and educated labor force, and low cost of living. This new development in foreign investments in Asia serves as a welcome opportunity for the Philippines to attract foreign investors.

Interestingly, through Memorandum Order No. 50, President Duterte approved in November 2020 the 2020 Investment Priorities Plan (IPP), which enumerates the preferred investment activities. In this edition of the IPP, the granting of incentives is consistent with the national goals under Republic Act No. 11469 or the Bayanihan to Heal as One Act, and RA No. 11494 or the Bayanihan to Recover as One Act.[19]

Figure 7 . Annual Net FDI Inflows
(2010 – 2020)

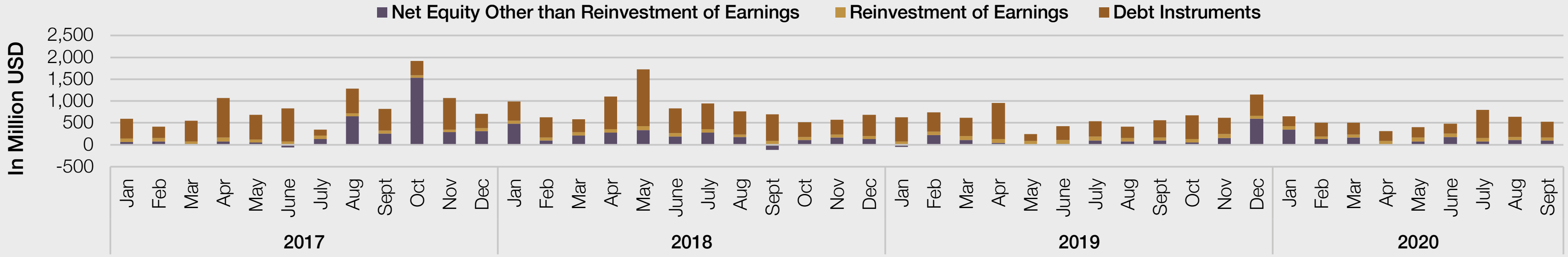


*January-September 2020

Source: Bangko Sentral ng Pilipinas (BSP)

Figure 8 . Monthly Net FDI Inflows

(January 2018 – September 2020)



Source: Bangko Sentral ng Pilipinas (BSP)

Table 1 . Preferred Activities for Investment

Preferred Activities

- All qualified activities relating to the fight against the COVID-19 pandemic (e.g., production or manufacture of medicines and medical equipment, repurposing of manufacturing activities to produce medical products, crematoriums, health waste treatment and disposal, laboratories, test facilities, hospitals, quarantine facilities)
- Investments in activities supportive of programs (e.g., Balik Probinsya Program) to generate employment opportunities outside of congested urban areas
- All qualified manufacturing activities including agro-processing
- Agriculture, fishery and forestry
- Strategic services (i.e., integrated circuits (IC) design; creative industries or knowledge-based services; maintenance, repair and overhaul (MRO) of aircraft; charging/refueling stations for alternative energy vehicles; industrial waste treatment; telecommunications; state-of-the-art engineering, procurement, and construction)
- Healthcare and disaster risk reduction management services
- Mass housing
- Infrastructure and logistics
- Innovation drivers (e.g., research and development, conduct of clinical trials, business incubation hubs, smart cities)
- Inclusive Business (IB) models (e.g., business activities of medium and large enterprises in the agribusiness and tourism sectors that provide opportunities to micro and small enterprises as part of their value chains)
- Environment or climate change-related projects (e.g., establishment of energy efficiency-related facilities and privately-owned materials recovery facilities, green ship recycling)
- Energy (e.g., power generation projects utilizing conventional fuels)

Export Activities

- Production and manufacture of export products
- Services exports
- Activities in support of exporters

Special Laws

- Industrial Tree Plantation (PD 705)
- Mining (RA 7942) (limited to capital equipment incentives)
- Publication or Printing of Books/Textbooks (RA 8047)
- Refining, Storage, Marketing, and Distribution of Petroleum Products (RA 8479)
- Rehabilitation, Self-Development and Self-Reliance of Persons with Disability (RA 7277)
- Renewable Energy (RA 9513)
- Tourism (RA 9593)
- Energy Efficiency and Conservation (RA 11285)

Source: 2020 Investment Priorities Plan, as attached in Memorandum Circular No. 50, s. 2020

Moreover, in the same month, the Philippine Senate, after much deliberation, approved on third and final reading Senate Bill No. 1357, its counterpart version of the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE). The House of Representatives (HOR) approved its version of the bill on the third reading in September 2019. This tax measure is the second package of the Duterte administration's Comprehensive Tax Reform Program (CTRP) and was initially known as the Tax Reform for Attracting Better and High-Quality Opportunities (TRABAHO) bill and later revised as the Corporate Income Tax and Incentives Rationalization Act (CITIRA). The CREATE bill was calibrated to make it more responsive to the needs of businesses and to improve the ability of the Philippines to attract highly desirable investments that will serve the public interest. The CREATE bill is also one of the economic recovery legislative priorities of Congress certified as urgent by President Duterte during his State of the Nation Address last July 2020.

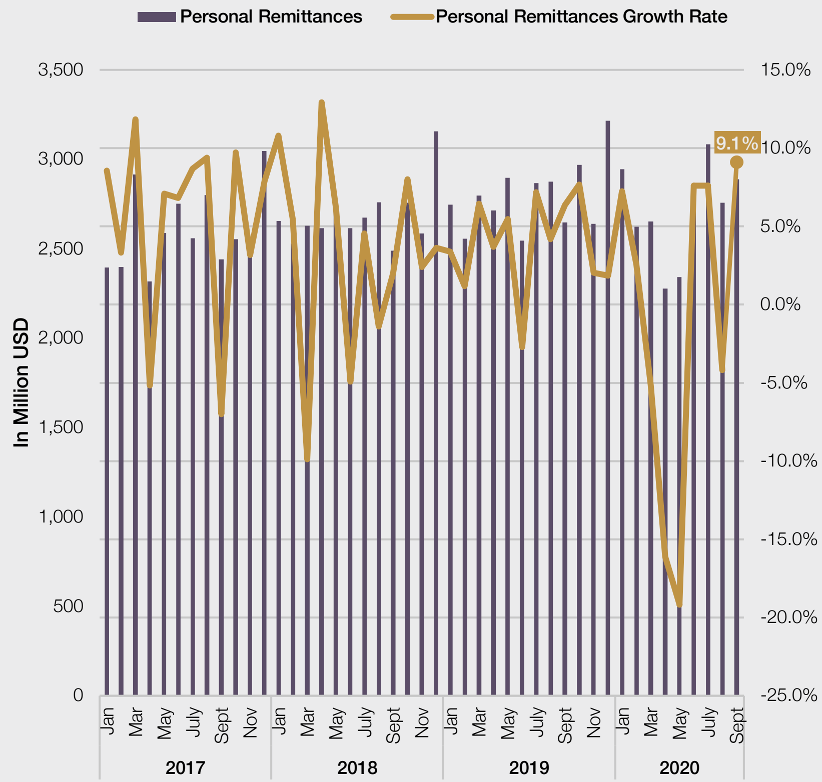
If finally passed and signed by the President, the CREATE bill will lower the corporate income tax (CIT) rate from 30% to 25% retroactive to July 1, 2020. Corporations with net taxable income below Php 5 million and total assets below Php 100 million will be taxed at 20%. The bill also aims to develop a more responsive and globally competitive tax incentives regime that is performance-based, targeted, time-bound, and transparent, intended to attract better investments into the country and boost economic activities. The Strategic Investment Priority Plan, which will identify priority projects or activities that will receive incentives, will be formulated, subject to review and amendment every three years. The Fiscal Incentives Review Board or Investment Promotion Agencies will grant the appropriate tax incentives to registered business enterprises only to the extent of their approved registered project or activity under the Strategic Investment Priority Plan. With this measure's passage, the cloud of uncertainty that has long prevented potential investors in the Philippines is expected to diminish.

Remittances

In September 2020, personal remittances from overseas Filipino workers (OFWs) amounted to USD 2.89 billion, which is higher by 9.1% than the USD 2.65 recorded in the same month in 2019. Cumulatively, personal remittances for the first nine months of 2020 amounted to USD 24.30 billion, which is lower by 1.4% year-on-year. Personal remittances brought by land-based workers with work contracts of one year increased by 10.2%, while those from sea-based and land-based workers with work contracts of less than one year likewise rose by 6.5% year-on-year. For the first nine months of 2020, the United States (US) had the highest share of total remittances (40.1%), followed by Singapore, Saudi Arabia, Japan, United Kingdom (UK), United Arab Emirates (UAE), Canada, Hong Kong, Qatar, and Taiwan. [20]

As of November 16, a total of 254,785 OFWs have been repatriated by the Department of Foreign Affairs (DFA) since it began its repatriation efforts for OFWs in February due to the impact of the COVID-19 pandemic.[21]

Figure 9 . Overseas Filipinos' Personal Remittances
(January 2017 – September 2020)

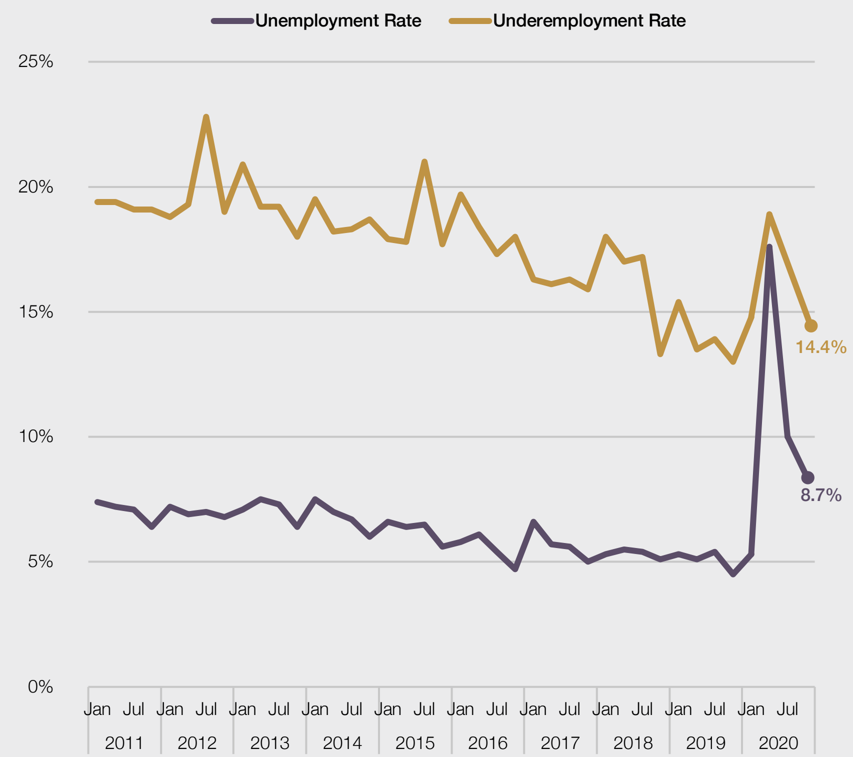


Source: Bangko Sentral ng Pilipinas (BSP)

Employment

There continue to be some improvements in employment in the Philippines since the steep increase in unemployment in April 2020. By the latter part of the year, movement restrictions have been eased across the country as most areas have been elevated to simple community quarantine forms. Based on data from the PSA, in October 2020, the employment rate was recorded at 91.3% - higher than the 90.0% reported in July 2020 - which translates to around 39.8 million employed Filipinos. In terms of employment share by sector, 57.2% were in Services, 24.5% in Agriculture, and 18.3% in Industry. The employment growth rate of the Arts, Entertainment and Recreation sector continued to experience the highest decline at -38.2% year-on-year, followed by the Accommodation and Food Service Activities at -33.2%. On the other hand, the following sub-sectors experienced growths: Water Supply, Sewerage, Waste Management and Remediation Activities (23.2%); Fishing and Aquaculture (5.4%), and Education (5.2%).[22]

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



Source: Philippine Statistics Authority (PSA)

However, all regions reported a decrease in the labor force participation rate (LFPR). The LFPR in October 2020 was recorded at 58.7% - lower than the 61.9% reported in July 2020 - and was the second-lowest LFPR in the history of the Philippine labor market, following the record-low of 55.7% in April 2020.[23]

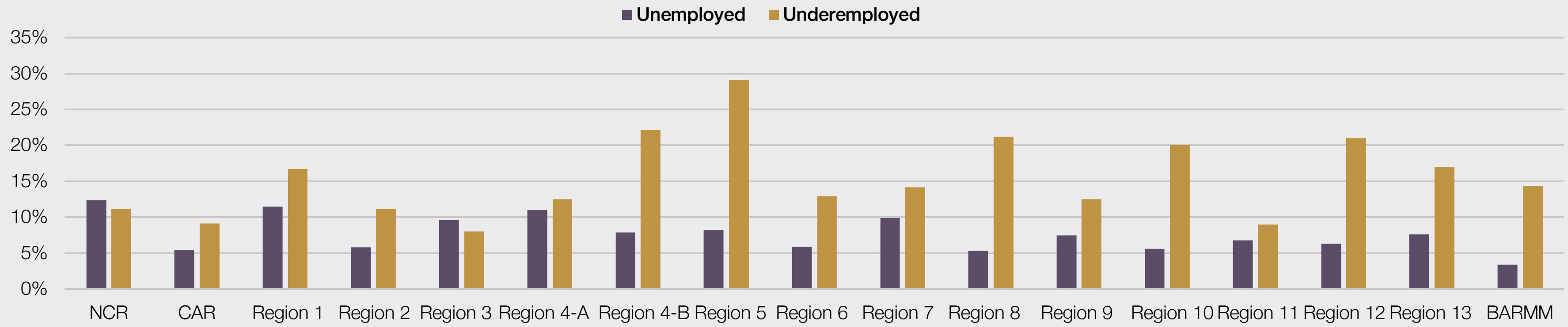
The unemployment rate in October 2020 eased to 8.7% from 10.0% in July. This translated to 3.8 million unemployed Filipinos who were 15 years of age and above. Despite this decline since the record-high of 17.7% registered in April 2020, it was still higher than the 4.6% - or 2.0 million unemployed Filipinos - reported in the same month last year. Meanwhile, the underemployment rate likewise decreased to 14.4% in October 2020, from 17.3% in July and 18.6% in April. This rate in October 2020 was also higher than the October 2019 rate of 12.8%.[24]

Now that additional areas across the country have been upgraded to the more relaxed community quarantine classifications, and other sectors of the economy have been reopened, only three regions in October 2020 - from the five regions in July 2020 - remained with double-digit unemployment rates. The highest was in the NCR (12.4%), followed by Region I (Ilocos Region) at 11.5% and Region IV-A (CALABARZON) at 11.0%.[25]

As a result of the significant job losses and, therefore, income decline, the World Bank projects that there would be an additional 2.7 million poor people in the Philippines in 2020.[26] With this estimate, consumption, which has long been one of the Philippines' major growth drivers, will not be expected to improve significantly. This situation is further aggravated by the repatriation of thousands of OFWs, as host countries likewise experienced the negative impact of the economic turmoil.

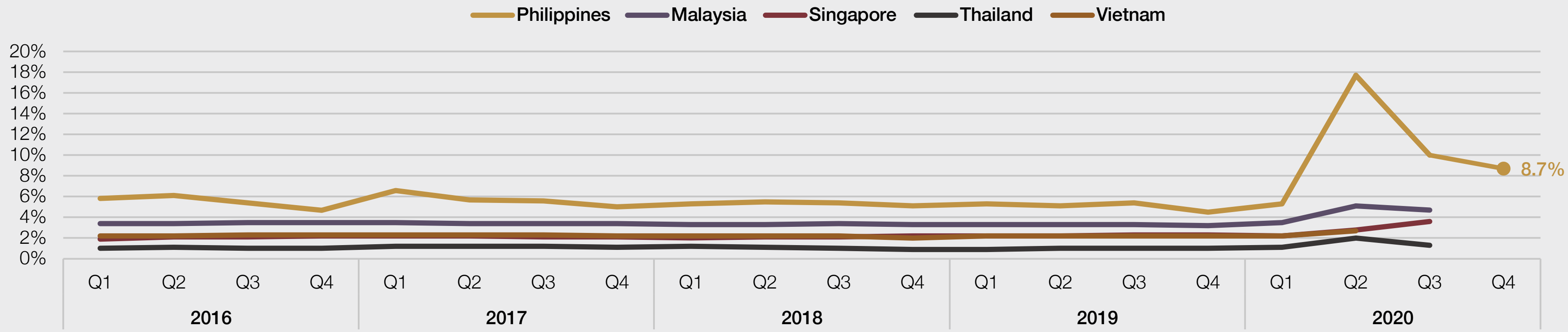
Compared with other ASEAN countries, the Philippines already had the highest unemployment rate, ranging between 4% and 6% in the years before the COVID-19 pandemic. However, as the pandemic forced businesses to close down and severely reduced economic activity, the country's unemployment rate surged to an all-time high of 17.7% in the second quarter, although it also quickly declined to 10.0% in the third quarter and 8.7% in the fourth quarter. However, these figures are still far from the unemployment rates in other ASEAN countries.

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



Source: Philippine Statistics Authority (PSA)

Figure 12 . ASEAN Unemployment Rates
(Q1 2016 – Q4 2020)



Source: Bangko Sentral ng Pilipinas (BSP)

Inflation

Philippine inflation, rising beyond the projected and revised targets of 2.4% to 2.6%, registered at 3.3% during November alone. After being hit by extreme weather disturbances, prices for basic commodities increased, most significantly for food. Due to the recent floods and typhoons, the higher food prices pushed the national food price index to 4.5%. For 2021, inflation will depend squarely on the government's response amid the pandemic. Economic recovery for some of its neighbors is within reach with definite recovery plans set. Simultaneously, the Philippines remains to be in a proverbial pandora's box as regards directing its mid- and long-term economic recovery.

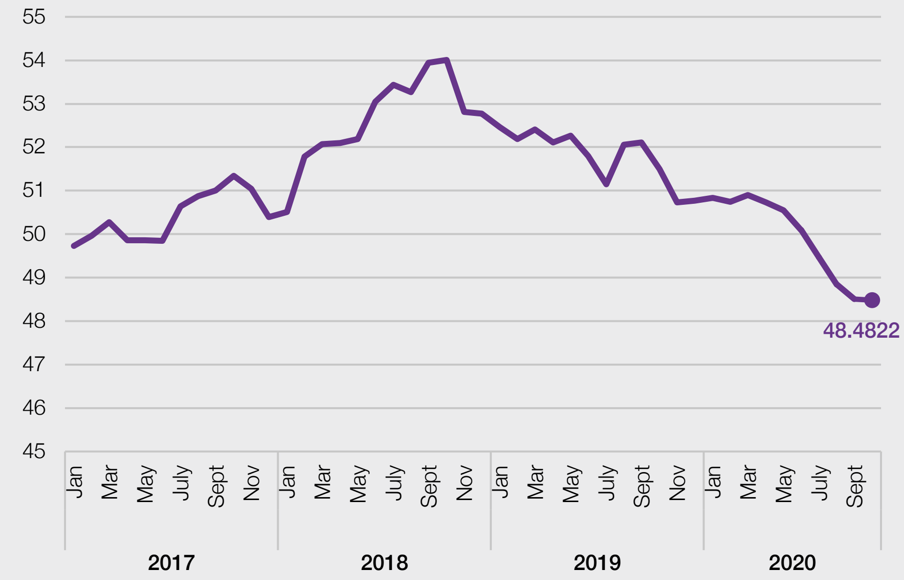
Figure 13 . Inflation Rates
(JJanuary 2016 – November 2020)

Source: Bangko Sentral ng Pilipinas (BSP)

Exchange Rates

The seeming resilience and relative strength of the Philippine Peso against its counterparts in the region is an offshoot of the slowdown of imports brought about by falling demand in a weakening domestic economy. This caused a positive upside to the Philippine Peso because of weaker demand for foreign currencies. Studying the local currency's year-to-date performance shows the parallel trend of dropping imports even before the height of the COVID-19 pandemic. With the weak local economy, the situation created a solid base for the currency and economic surplus that supported its apparent strength. As the nation is still struggling to contain the COVID pandemic, the economic trend is projected to remain until 2021 in the absence of a clear plan of action by the national leadership. However, cyclical trends may further strengthen the Philippine Peso entering the holiday season due to the inflow of overseas remittances.

Figure 14 . Philippine Peso per US Dollar
(January 2016 – October 2020)



Source: Bangko Sentral ng Pilipinas (BSP)

Revenue Collection

Expectedly, as a result of the COVID-19 pandemic, national government revenues fell by 7.9% in the first three quarters of 2020. Tax revenues also declined by 11.3% as the collections of the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) dropped by 9.9% and 15.3%, respectively. On the other hand, non-tax revenues increased by 21.6% due to higher dividend remittances and repayment of interest and advances by government-owned and controlled corporations (GOCCs). In addition, expenditures jumped by 15.1%, amounting to Php 3,022.7. These were utilized in supporting programs meant to counter the impacts of the COVID-19 pandemic, such as the Social Amelioration Program (SAP) and subsidies to PhilHealth and the National Housing Authority (NHA).[27]

On top of these, according to DOF Assistant Secretary Maria Teresa S. Habitan, if passed into law, the CREATE bill is expected to cost the government as much as Php 250 billion in foregone revenues from 2021 to 2022. This estimate is based on the assumption that the CREATE bill will be signed into law before the end of 2020, and the provisions applied retroactively to July 1, 2020.[28]

Table 2 . National Government Revenue Collection Performance

	January-September 2019	January-September 2020	Growth (%)
Total Revenues	**2,327.9**	**2,143.5**	**-7.9%**
Tax Revenues	2,090.5	1,854.8	-11.3%
BIR	1,602.8	1,443.9	-9.9%
BOC	470.0	398.0	-15.3%
Other Offices	17.7	12.8	-27.6%
Non-Tax Revenues	237.3	288.4	21.6%
Expenditures	**2,626.9**	**3,022.7**	**15.1%**
NG Balance	**(299.0)**	**(879.2)**	**194.1%**

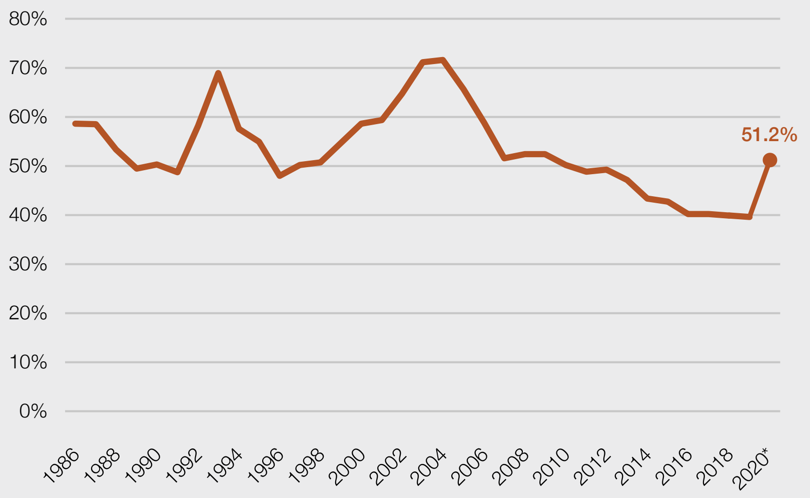
Source: Department of Finance (DOF)

Debt-to-GDP

In September 2020, the Philippines' debt-to-GDP ratio surged to 51.2% from 48.1% in July 2020, as the national government continued to borrow funds to counter the impacts of the COVID-19 pandemic. According to the Bureau of the Treasury (BTr), as of October 2020, the total national government debt amounted to Php 10.0 trillion, 70.6% of which came from domestic sources. It is important to note that the country's lowest debt-to-GDP ratio was in 2019 at 39.6%.[29]

The Philippine government continues to secure funding to support its COVID-19 response efforts, most of which were from development partners such as the ADB and the World Bank. The Department of Finance (DOF) reported that as of November 23, 2020, a total of USD 10.61 billion had been raised. Of this amount, USD 9.97 billion would serve as budgetary support. USD 641.36 million worth of grants and loans have also been provided for specific projects for COVID-19 response.[30]

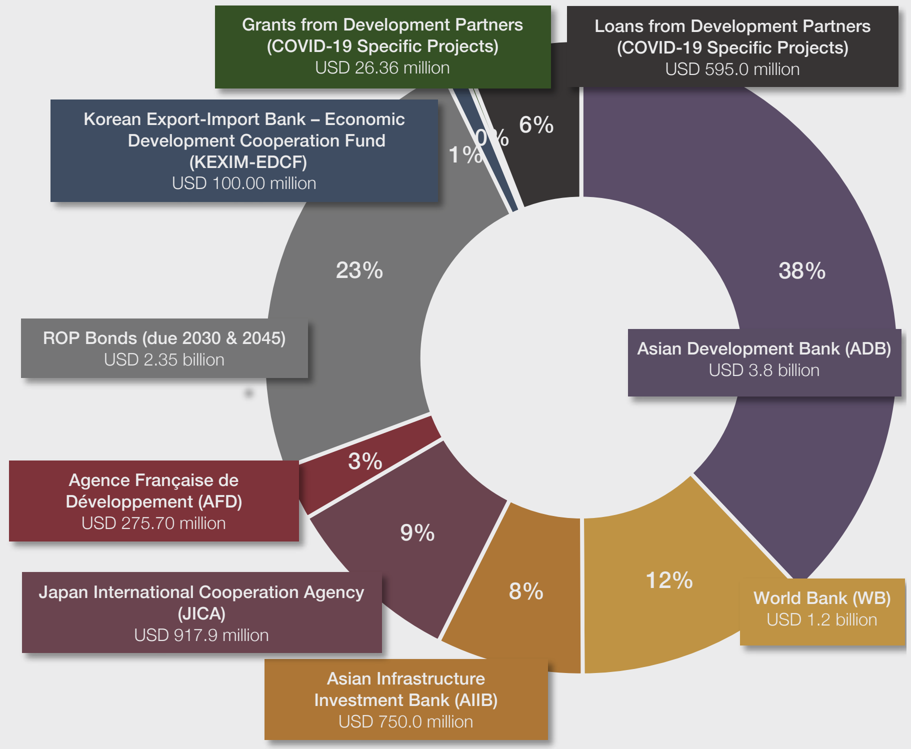
Figure 15 . National Government Debt as % of GDP
(1986-2020)



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

With the Philippine government's mounting debt and decreased revenue collections, higher taxes would be paid by the people in the coming years. The government has been eyeing to impose taxes on various goods to raise revenue, such as the digital economy and junk food.[31]

Figure 16 . Share of the Financing Secured from Development Partners and Commercial Markets for COVID-19 Response
(as of 23 November 2020)



Note: The funds from the ADB, WB, AIIB, AFD, KEXIM-EDCF, and JICA are for budgetary support

Source:Department of Finance (DOF)

Table 3 . Breakdown of the Financing Secured from Development Partners and Commercial Markets for COVID-19 Response
(as of 23 November 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: 29 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 (Effective: 7 Aug 2020)	165.42
AFD Inclusive Finance Development Program, Subprogram 1	9 Jun 2020 (Effective: 7 Aug 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 (Effective: 11 Aug 2020)	458.95
ADB Competitive and Inclusive Agriculture Development Program, Subprogram 1	20 Aug 2020 (Effective: 16 Sept 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
ADB Disaster Resilience Improvement Program	15 Sept 2020	500.00
KEXIM-EDCF Program Loan for COVID-19 Emergency Response Program	29 Oct 2020	100.00
WB Philippines Beneficiary FIRST Social Protection Project	10 Nov 2020	580.00
WB Social Welfare Development and Reform Project II - Additional Financing	28 Nov 2019 (Effective: 6 Jan 2020)	200.00
Subtotal, Budgetary Support Financing		9,973.60
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
WB Philippines Beneficiary FIRST Social Protection Project (DSWD)	10 Nov 2020	20.00
Subtotal, Project Loan Financing		615.00
Total Financing Secured for COVID-19 Response, as of 23 November 2020		**10,614.96**

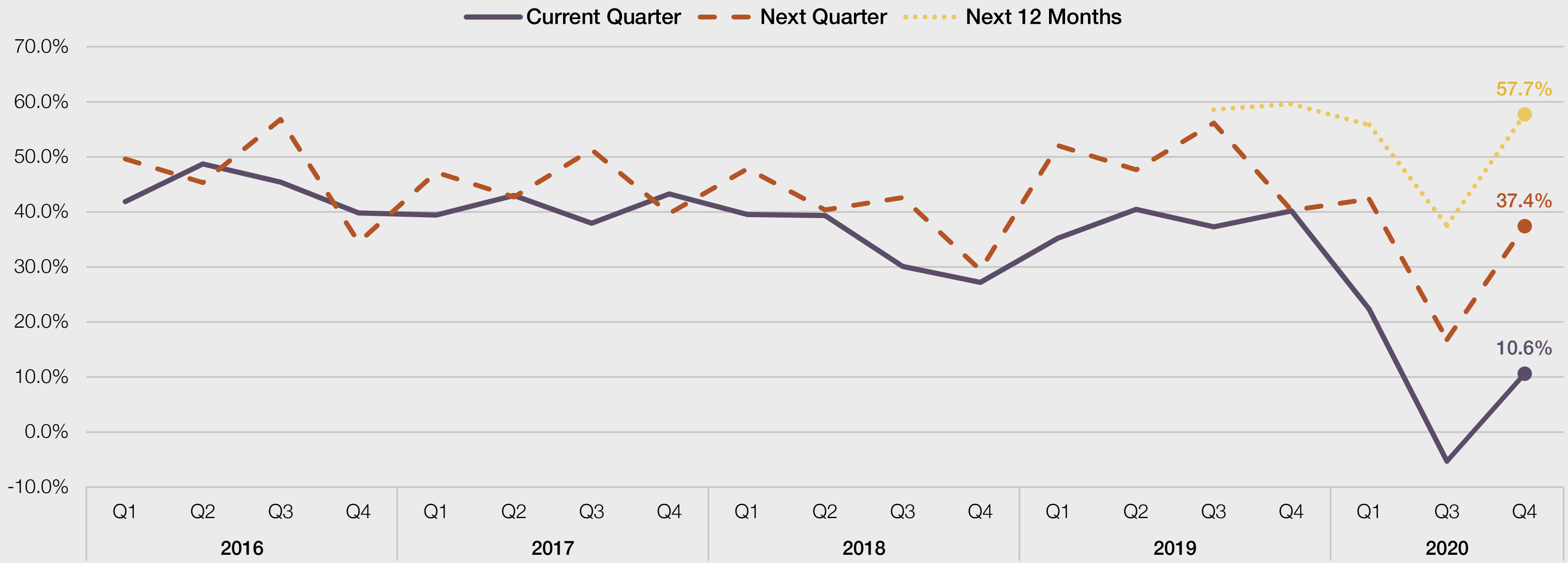
Source: Department of Finance (DOF)

ECONOMIC SURVEYS

Business Expectations Survey (BES)

The latest Business Expectations Survey (BES) of the BSP found that business confidence in the Philippine economy improved in the fourth quarter of 2020, as the overall confidence index (CI) jumped to 10.6% from -5.3% in the third quarter. This meant that more respondents had a positive outlook on the economy than those with an opposing view. The survey also showed that this optimism was mainly due to the following: (1) reopening of businesses and adapting to the "new normal"; (2) easing of community quarantines nationwide; (3) seasonal factors such as uptick in demand during the holiday season and start of milling season; and (4) increase in the volume of sales and orders. Likewise, the survey found that this improved business sentiment persisted in the first quarter of 2021 - with a CI of 37.4% - due to the following expectations: (1) reopening of firms and adapting to the "new normal"; (2) gradual recovery from the COVID-19 pandemic, particularly with the anticipated availability of the vaccine; (3) relaxing the quarantine restrictions; and (4) rise in sales and orders. Similarly, the business outlook on the Philippine economy for the next 12 months was more optimistic, with a CI of 57.7% from 37.5% in the third quarter of 2020 survey results.[32]

Figure 17 . Overall Business Confidence Index
(Q1 2016 – Q4 2020)

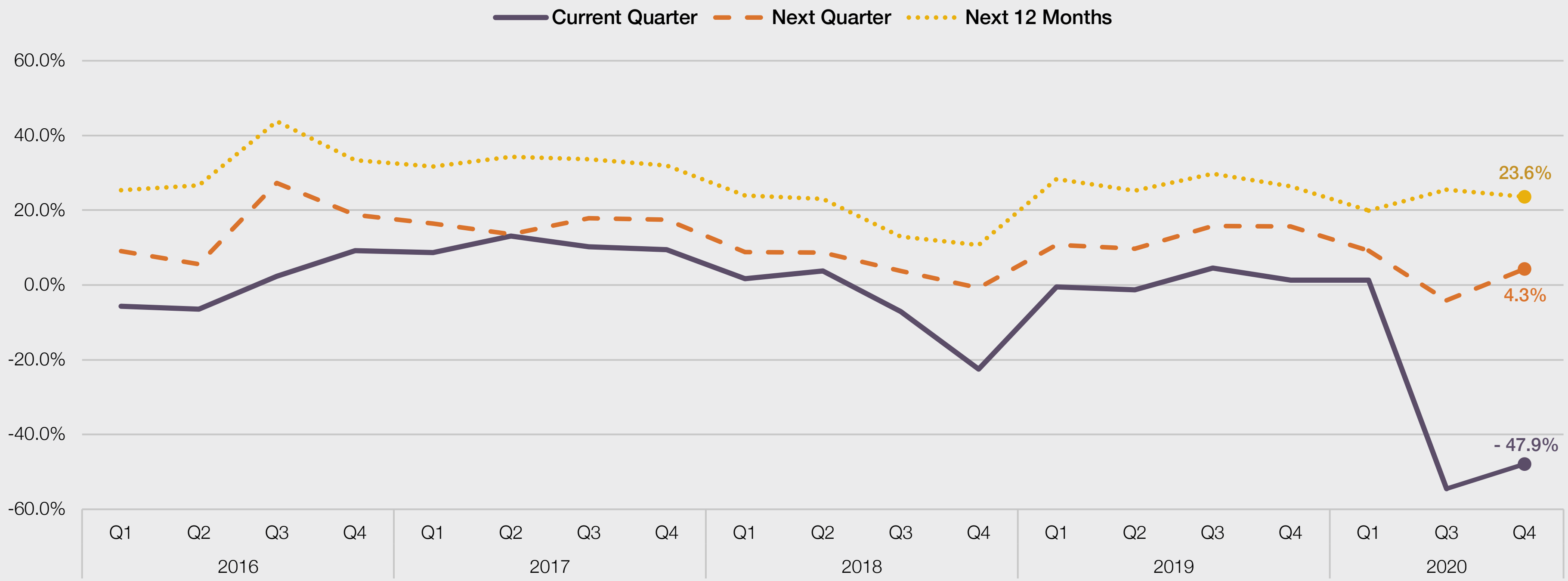


Note: The conduct of the Q2 2020 BES was canceled due to the implementation of the community quarantine
Source: : Bangko Sentral ng Pilipinas (BSP)

Consumer Expectations Survey (CES)

Another survey conducted by the BSP, the Consumer Expectations Survey (CES), found that the country's consumer outlook became less pessimistic for the fourth quarter of 2020. The overall CI slightly increased to -47.9% from the record low of -54.5% in the third quarter. The survey respondents attributed this improved outlook to the following expectations: (1) availability of more jobs and permanent employment; (2) additional and high income; (3) effective government policies and programs such as the Social Amelioration Program (SAP) and the Plant, Plant, Plant Program; (4) fewer community restrictions; (5)reopening of businesses; and (6) an end to COVID-19 pandemic. Meanwhile, the CI reverted to positive territory at 4.3% by the first quarter of 2021 as consumers anticipate the following: (1) availability of more jobs and more working family members; (2) additional and high income; (3) an end in the COVID-19 pandemic as well as the discovery of the vaccine; and (4) reopening of businesses. Consumers remained optimistic for the next 12 months as the CI was recorded at 23.6%, although slightly lower than the 25.5% reported in the third quarter.[33]

Figure 18 . Overall Consumer Outlook Index
(Q1 2016 – Q4 2020)



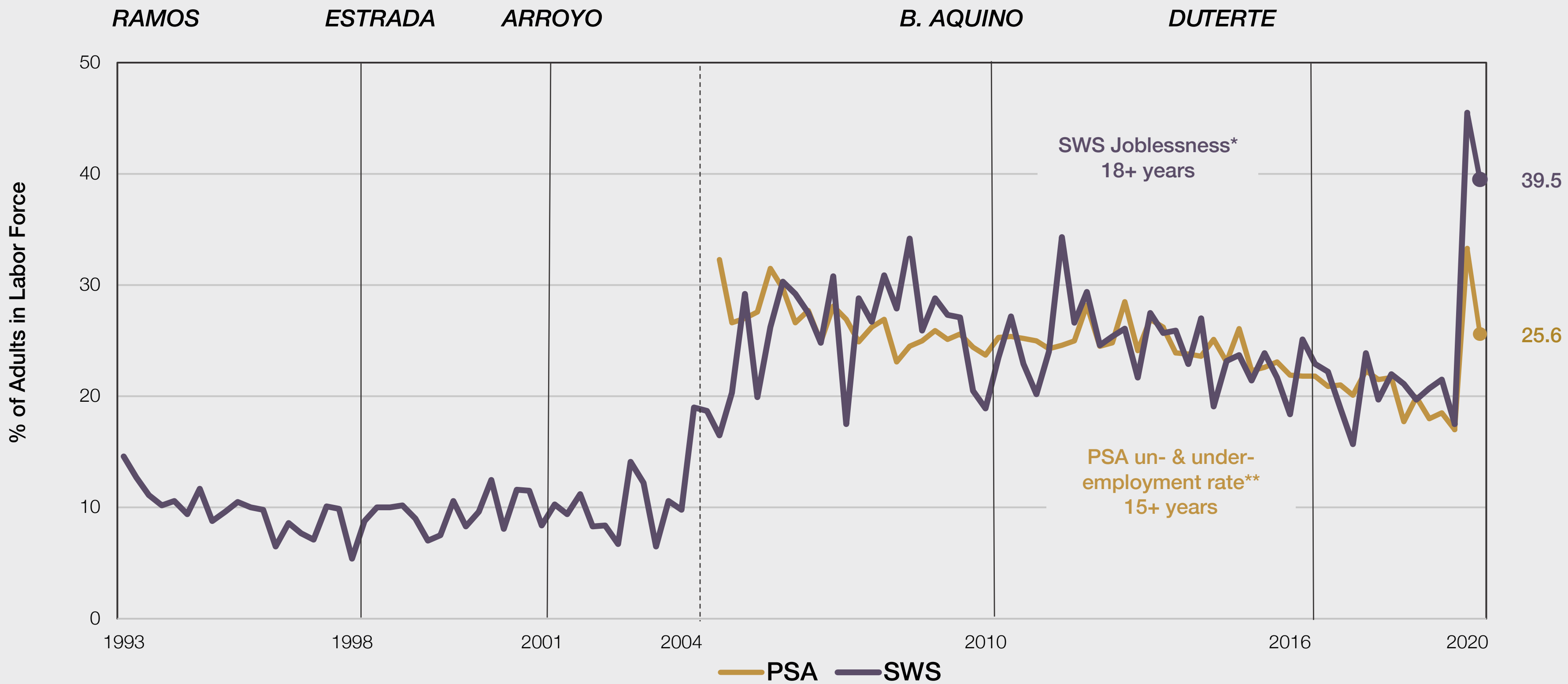
Note: The conduct of the Q2 2020 CES was canceled due to the implementation of the community quarantine

Source: Bangko Sentral ng Pilipinas (BSP)

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

The National Mobile Phone Survey conducted by the Social Weather Stations (SWS) from September 17 to 20, 2020, found that adult joblessness remained very high at 39.5%, translating to around 23.7 million adults. This figure is lower than the July 2020 survey, with adult joblessness at 45.5%, or about 27.3 million people. The survey also revealed that 14% of adult Filipinos lost their livelihood during the COVID-19 pandemic. Adult joblessness slightly declined in all areas except for the Visayas, which set a new record-high of 52.0% in September 2020. Expectedly, hunger was higher among the jobless.[34]

Figure 19 . SWS Joblessness Rate and PSA Unemployment and Underemployment Rate
(September 1993 – September 2020)



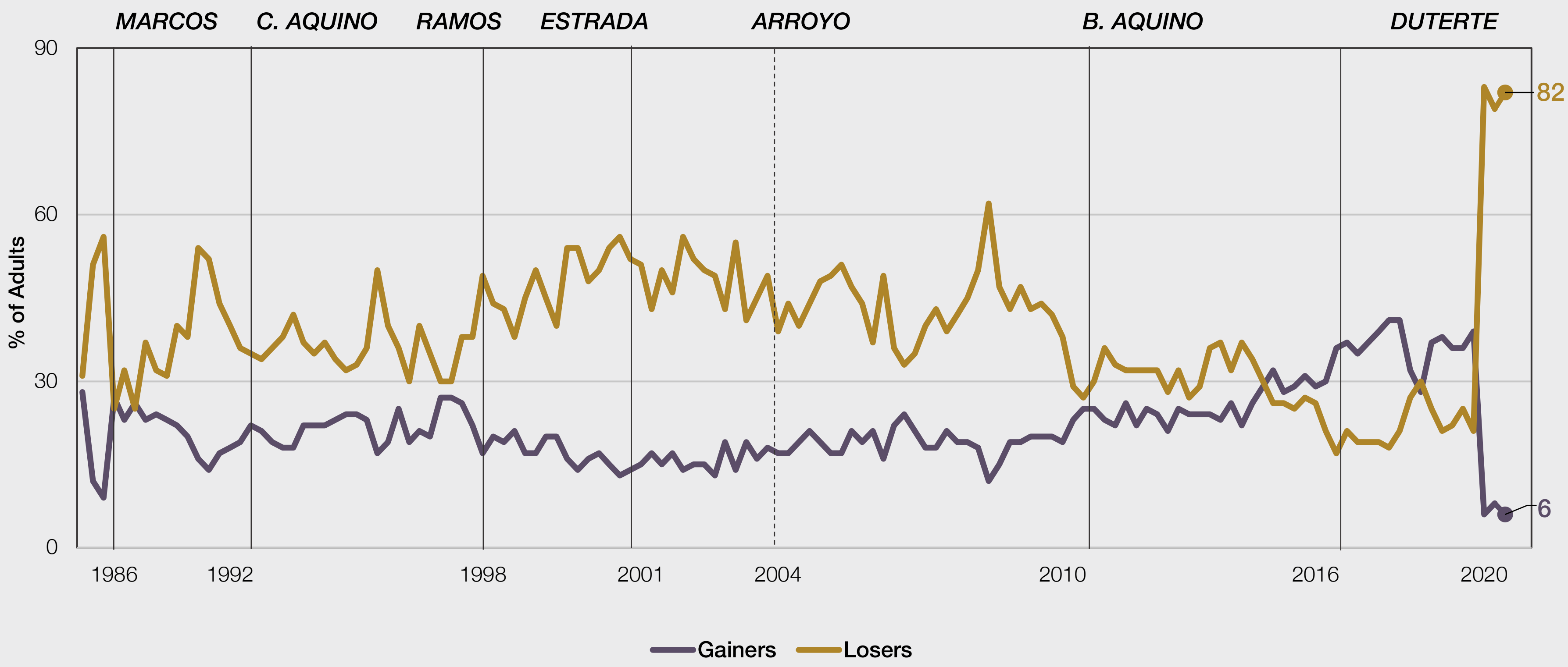
*% of the Labor Force without a job at present and looking for a job **% of the Labor Force unemployed and underemployed

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

Social Weather Stations (SWS) September 2020 National Mobile Phone Survey on Trends in the Quality of Life

Another National Mobile Phone Survey conducted by the SWS in September 2020 found that 82% of adult Filipinos said that their quality-of-life got worse ('Losers'), 11% unchanged, and 6% said that it got better ('Gainers'), compared to last year. Hence, the Net Gainers score in September 2020 was -76, considered by the SWS as 'catastrophic.' Net Gainers is catastrophic in all areas; compared to the July 2020 figures, all areas experienced a worsening Net Gainers scores. The Net Gainers score hardly varies by job status; they are just as low among those with a job as it is among the jobless. Net Gainers was also worse among non-college graduates (ranging from -72 to -83) and hungry families (-84).[35]

Figure 20 . Change in Personal Quality of Life Over the Past 12 Months
(April 1983 – September 2020)



Source: Social Weather Stations (SWS)

INSIGHTS

With the absence of pragmatic and decisive leadership from the Philippine government as manifested in knee-jerk short-term economic policy plans, the general public remains short-changed. Nowhere is this reality more visible than in the poor economic performance during the first three quarters of 2020. While the year was full of anxiety concerning the world's answer to the global pandemic, the tail-end of 2020, however, has offered a ray of hope as the cure for COVID-19 is just an arm's length away.

Countries in Southeast Asia such as Indonesia have received the vaccine's initial batches from China, and other nations from the west are now rolling out the emergency use of other vaccines. Meanwhile, the Philippines has yet to fully lay-out a post-pandemic health recovery plan, more so for its ailing economy. Despite having an economic war chest derived from various loans evidenced in the debt-to-GDP indicators, the direct impact of these has yet to trickle down to those who need them most, the Filipino people. Micro, Small and Medium Enterprises (MSMEs) are still fighting for survival. The growing number of economically displaced families lacks aid, and the underprivileged seek refuge from an underground economy to weather the world's most prolonged lockdown. Though recovery relative to the Philippines is slow, the data has shown some improvement in employment which is a significant indicator of a recovering economy. However, small wins such as this cannot discount the fact that the government's answer to the pandemic lacked the expected impact, and the nation's economic sacrifices did not reap the reward as promised. COVID-19 remains a real threat as ever, and the economy, though showing signs of life, has yet to show long-term sustainability. The people show signs of fatigue from the constant barrage of corruption, abuse of power, and human rights.

Recovery efforts should be multifaceted. Public-private partnerships are laudable steps in the right direction. Equally important is the effective and efficient delivery of responsive public services by the government to its people.

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