

Beautiful  
**ALBAY**  
PHILIPPINES



pilik.miong

**Dutertenomics** is a cohesive roadmap to acceleration and inclusion. More equal and more prosperous at home. More equal abroad and at peace with our neighbors.

# DUTERTENOMICS 1.0

**DU30 Express: TARA saTRAIN to Single Digit Poverty and New Middle Class, Golden Age of Transportation and Science for Change**

**PAGBA 2016**

*Davao City Convention Center*



*November 16, 2016*



**Rep. Joey Sarte Salceda**  
**2<sup>nd</sup> District, Province of Albay**  
**Philippines**



# Macroeconomic Strategy and Fiscal Reforms

- ❖ New (ab)Normal: Prosperity = Lower Poverty but Higher Inequality
- ❖ 5<sup>th</sup> and most ambitious reform package since 1986: 
  - Cory: liberal democracy, demonopolization, tariff liberalization
  - Ramos: liberalization, deregulation, privatization
  - PGMA: fiscal reforms
  - Aquino: good governance
  - Duterte: egalitarian policies through political will for strong society, creation of new middle class and single-digit household poverty
- ❖ Existential strategy of Du30: 
  - reduce inequality (quality of life)
  - increase growth potential
  - enhance social fabric



# Our Chosen Destination: Single Digit Poverty

## ❖ Strategic Goals

- The goal of Du30 Economic Managers is to reduce 9%, this results in a target of 7.5% or single-digit household poverty by 2022, population poverty at 15% Slide
- Growth could go 9% (global 2.5%/China soft landing) but target 7.2% average over next 6 years. For every 1% GDP, 0.3% poverty reduction. Slide

## ❖ Increase Infra/GDP from 5.2% (2016) to 6.5% (2022)

### • Absorptive Capacity

- Full cabinet / NEDA Cabcom meet (weekly during Erap), not small groups, no silo thinking
- Rapid capdev for IA Usecs/Asecs/Directors (DAP, NCPAG, AIM)
- ROWA and EIA – clear and simple regulations, LGU and community ownership
- **Traffic and Congestion Crisis Act – Admin certified urgent**

### • Infrastructure Mix

- Transportation – the Golden Age of Transportation
- New Masterplanned Cities
- Agricultural investments Slide
- **Digital Infrastructure for faster internet speed and coverage** Slide
  - (1) Fiber Right of Way
  - (2) Inter island submarine cables
- **After infra for Grade 12 in 2017, fiscal space for public goods** Slide
  - Science for Change (No. 8 socioeconomic agenda)



**Special Focus:**

**TRAIN:** Tax Reforms for Acceleration and Inclusion

# TRAIN - Tax Reform for Acceleration and INclusion

## ❖ It's Tax/GDP, stupid. Slide

- **The issue is who pays?**
  - **Shifting tax burden from income to consumption (encourage savings, investments)**
  - **Shift consumption to investments:** 1% of GDP. 2/3 to Infra, 1/3 to Transfers.
  - **Tax the rich, Benefit the poor:** P111bn from removal of VAT exemptions should be disaggregated, those estimated by the elderly and PWDs should be paid in advance and based on legislated earmarking of unconditional but targeted cash/vouchers
- **Benefit first, Tax later:** Reverse P1trn underspending from 2010- 2016, Aggressive 2017 (K+12 fully funded) solely financed by organic growth and new taxes yet to kick in
- **Shared burden, Shared benefits:** Weakness is “benefits to lower 50% dependent on bureaucratic efficiency, benefits to upper 50% is assured via automatic tax (withholding) reductions”

# TRAIN - Tax Reform for Acceleration and INclusion

- ❖ PPP project financing. [Slide](#)
- ❖ CPSD leeway – (1) cash-rich Pagcor and PPA should focus on regulatory functions and be sold (2) engage asset-rich/EV-based GOCCs like BCDA (3) more aggressive GFIs in investments esp. agriculture, (3) Create Philippine Infrastructure Corporation (start from scratch) to bring in private talent. [Slide](#)
- ❖ Hold the NG deficit at 3%, keep investment grade



# Fiscal Roadmap to Acceleration and Inclusion

Tax package	Loss	Gain	Net
<b>Package 1: PIT and consumption</b>	-159.0	359.7	200.7
Lower personal income tax rate	-159.0		
VAT base expansion		163.4	
Excise tax on oil		178.2	
Sugary product tax		18.1	
<b>Package 2: CIT and incentives</b>	-34.8	33.8	-1.0
Lower CIT rate and remove OSD	-34.8		
Fiscal incentives rationalization		33.8	
Full VAT refund	TBD		
<b>Package 3: property tax</b>	-3.5	43.5	40.0
Centralize and increase valuation		43.5	
Reduce estate and donor tax	-3.5		
<b>Package 4: capital income tax</b>	-1.0	0.0	-1.0
Harmonize rates for all assets	-1.0		
<b>Package 5: other taxes</b>	0.0	129.4	129.4
Luxury tax (e.g., automobile, etc)		7.7	
Mining tax		3.5	
Sin tax on alcohol and tobacco		58.2	
Fatty food tax (rough estimate)		20.0	
Carbon tax (rough estimate)		20.0	
Lottery and casino tax (rough estimate)		20.0	
<b>Net impact</b>	<b>-198.3</b>	<b>566.4</b>	<b>368.1</b>

\* Exemption withdrawal from seniors and PWDs should be reimbursed in advanced

\* Health package has strong constituency and policy bearing

Combined effect (high case)			Package 1 annual change in take home pay				
Decile/ percentile	Typical Filipino household	2019 projected monthly household total income	PIT	VAT	PETROL & TRANSPO	AUTO	Net
D1	Subsistence poor	4,215	0	-130	-187	0	-317
D2	Subsistence poor	6,796	5	-177	-293	0	-465
D3	Poor	8,730	55	-223	-396	0	-564
D4	Near poor	10,789	281	-292	-603	0	-614
D5	Near poor	13,209	734	-369	-810	0	-445
D6	Informal worker	16,434	1,854	-456	-1,116	0	283
D7	Minimum wage worker	21,026	4,209	-1,238	-1,522	0	1,448
D8	Above minimum wage	28,673	9,365	-1,680	-2,164	0	5,521
D9	Professional	43,010	21,177	-5,740	-2,985	0	12,452
D10	Middle class	107,275	78,693	-11,048	-7,046	-21,599	39,000
P100	Executive	283,046	208,347	-23,478	-18,285	-176,602	-10,017
T1000	CEO	632,183	310,308	-30,229	-29,979	-535,978	-285,879
	Top taxpayer A	1,153,846	181,269	-55,174	-54,718	-1,222,292	-1,150,914
	Top taxpayer B	3,000,000	-750,752	-143,452	-142,266	-1,222,292	-2,258,761

Source: FIES-LFS 2012, DOF staff estimates

Note: Each household has about 2 income earners.

# Combined tax-transfer impact: Unconditional Cash Transfer to 80% of Families

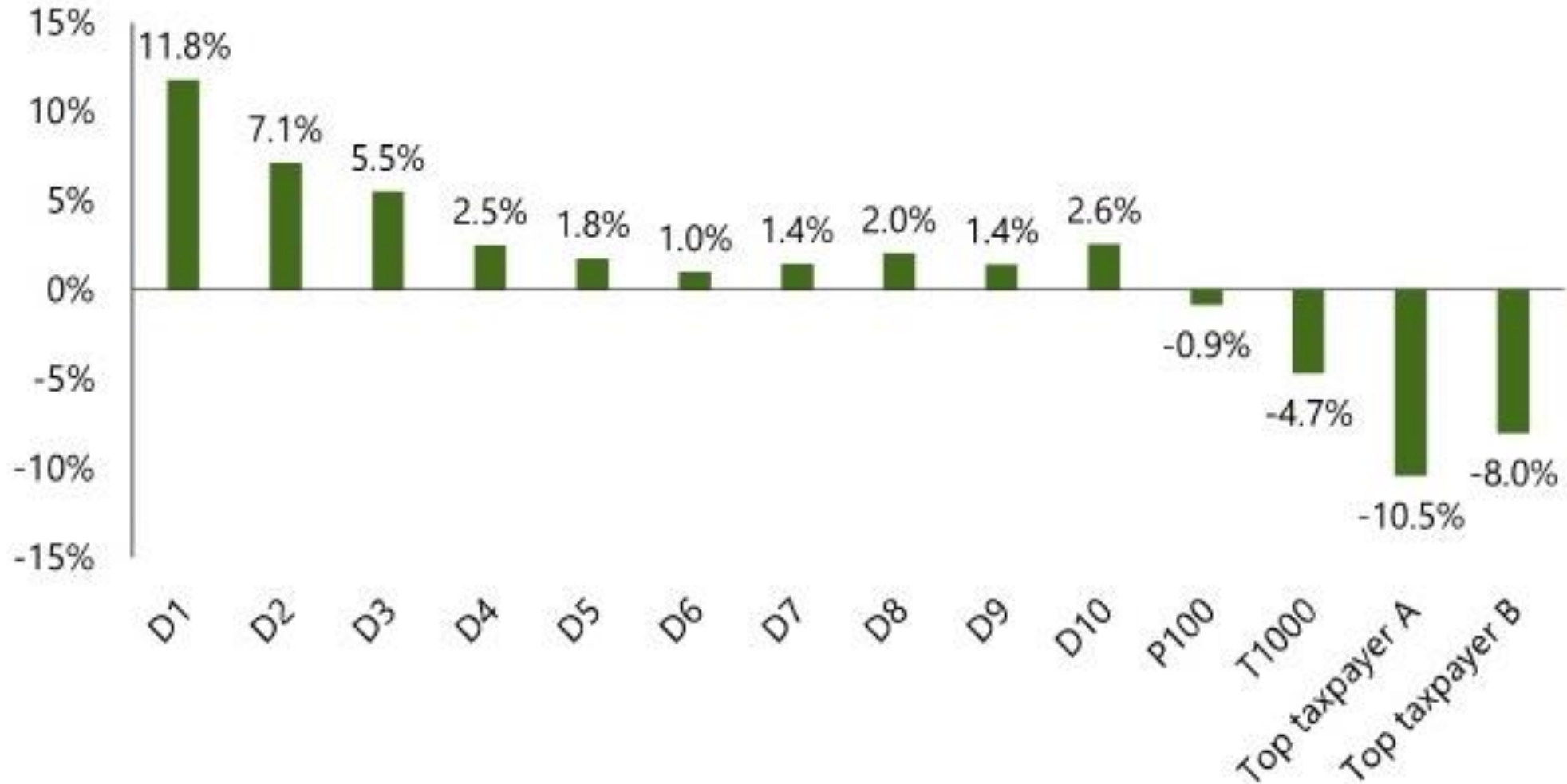
Combined effect (high case)			Package 1		
Decile/ percentile	Typical Filipino household	2019 projected monthly household total income	Net	Transfer (full year)	Net of transfer
D1	Subsistence poor	4,215	-317	6,000	5,683
D2	Subsistence poor	6,796	-465	6,000	5,535
D3	Poor	8,730	-564	6,000	5,436
D4	Near poor	10,789	-614	3,000	2,386
D5	Near poor	13,209	-445	3,000	2,555
D6	Informal worker	16,434	283	1,500	1,783
D7	Minimum wage worker	21,026	1,448	1,500	2,948
D8	Above minimum wage	28,673	5,521	1,500	7,021
D9	Professional	43,010	12,452	0	12,452
D10	Middle class	107,275	39,000	0	39,000
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Source: FIES-LFS 2012, DOF staff estimates

Note: Each household has about 2 income earners.



### % increase in household income



Source: DOF

**Special Focus:**

**TARA:** Tax Administration Reforms Act

# TARA – Tax Administration Reforms Act

- “Tax administration” measures that are necessary in order to achieve genuine tax reform that aims to i) ***improve the effectiveness of the tax administration especially in detecting and prosecuting non-compliance***, and ii) ***improving the tax paying environment***, that especially focuses in giving compliant taxpayer the assurance of protection against abuse.

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- Two basic Goals
  1. Measures that will improve the tax environment
  2. Measures that will make tax administration more effective:



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# TARA – Tax Administration Reforms Act

- Measures that will improve the tax environment
  1. Institute a genuine taxpayer bill of rights that serves to “protect” tax-paying, law-abiding citizens from dysfunctional practices and their practitioners
  2. Implement the estimated payments system for individual business taxpayers in order to minimize fluctuations in revenue collections while lowering the cost of compliance. This is already provided for in Sec. 74 of the NIRC but lacks implementing rules for defining a “safe harbor” and imposition of penalties for falling below this threshold.
  3. Provide an effective and transparent tax appeals mechanism: INDEPENDENT TAXPAYERS APPEALS MECHANISM, independent of the BIR.
  4. Make filing of VAT and percentage tax returns quarterly as provided for by law. Monthly VAT filing is inconsistent with the NIRC, and imposes undue burden especially on smaller taxpayers. Removing monthly filing for both will lessen the number of tax returns by half, lowering compliance costs and making the volume of useful information more manageable.
  5. Make electronic filing and payment options available to all taxpayers and for all tax types. This is a better solution than using sales data\*to compute tax due. This will entail essentially a shift from “taxing” EFPS (Java-based) to friendlier EVIR (HTA).

# TARA – Tax Administration Reforms Act

- Measures that will tax administration effective
  1. **Introduce a medium taxpayers unit in key Revenue Regions of the BIR.** Tax policy must be consistent with the size of the taxpayers (i.e. special tax regime for MSEs) rather a one-size-fits-all tax policy. The current VAT threshold at PhP2 million annual turnover should be increased to PhP5 million, consistent with the MSE threshold. VAT threshold in Indonesia is 4.8 billion rupiah annual turnover (\$363,000 or PhP18 million). Conceptually, this segment is beneath the LTPU and higher than PIT – most likely self-employed.
  2. **China wall on Incestuous tax regimes– PEZA/BOI and their related entities:** Enact a clear definition of related parties as a step in controlling abuse from the use of transfer pricing schemes and adopt thin capitalization rules to limit earnings stripping. While this may be done through regulation, Section 50 of the NIRC must be amended to make reference to a definition that is based on “effective control” by one entity over the other. PEZA provision that mandates the creation of a new entity in order to take advantage of tax incentives must be repealed as this provides a venue for transfer pricing, especially without a working definition of related parties. A provision in the BOI law that make “profitable” ventures eligible for tax incentives must also be repealed since this clearly leads to “redundant” incentives
  3. **Evaluate tax and customs administrations through the use of a set of clearly defined, holistic and transparent performance indicators rather than revenue targets.** This can be done only if the Attrition Law is repealed or amended. For example, a performance criteria could be to measure the number of productive audits of BIR rather than the number of audits with small amounts recovered.
  4. **Implement a modern and effective human resource management system at BIR.** A genuine competency-based hrm will allow for competitive selection, placement, promotion, career management, and training/motivation.
  5. **Remove bank secrecy rules** to allow revenue authorities to combat tax evasion, consistent with international practice. This is especially important in addressing the tax-gap from individual taxpayers.



# Special Focus: PIVOT TO CHINA and ENDO OF US-PH SPECIAL RELATIONS

Rep. Joey Sarte Salceda

Presentation to CITEM Manila FAME

October 21, 2016

# THE CHINA PIVOT- STATUS: In a relationship

- a) Structural adjustment towards equidistant economic relations (thus, the noise)
  - i. Officially, China is the country's largest trading partner officially 3<sup>rd</sup> (\$17bn) after Japan (\$21bn), Asean(\$18bn) and US (\$16bn) but if informal included –China is about \$32bn
  - ii. so such massive trade relations do not benefit from protection nor promotion.
- b) Rectifying trade imbalance of \$5bn officially; not inc informal - \$12bn. Total Trade Imbalance: \$18bn
- c) Move towards a PJEPA. Easily, stronger bilateral relations can yield additional P72bn in import VAT from “smuggled goods”
- d) Trade restructuring would require “China investments in Ph” esp. since Ph resident investments of \$6bn in China
- e) Infrastructure for railways and renewable energy
- f) Technology in agriculture and manufacturing
- g) Tourism – 500m China touristable market while Ph has 432T in 2015
- h) One Belt, One Road (OBOR) Initiative
- i) Asian Infrastructure and Investment Bank
- j) Access to rising bloc – BRICS (Brazil, Russia, India, China, South Africa)

# Adding “informal trade of \$12bn”, China is PH biggest trading partner

**DIRECTION OF TRADE**  
for the periods indicated  
in million U.S. dollars

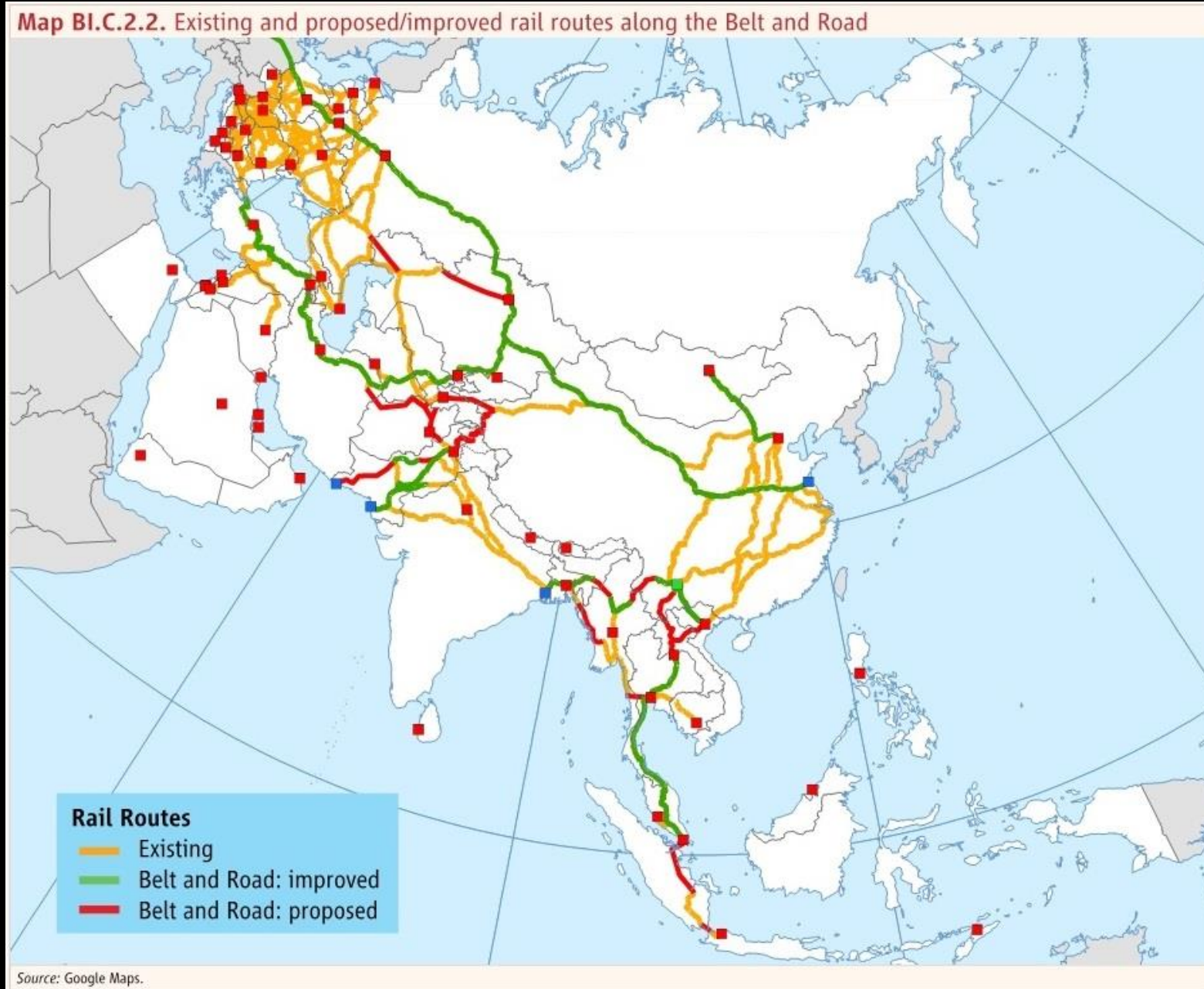
Country	2015				January - June					
					2015			2016 <sup>P</sup>		
	Export	Import	TOTAL Trade	Trade Bal	Export	Import	TOTAL Trade	Export	Import	TOTAL Trade
<b>NIES</b>	<b>14,630</b>	<b>17,342</b>	<b>31,972</b>	<b>-2,712</b>	<b>6,945</b>	<b>7,840</b>	<b>14,785</b>	<b>6,720</b>	<b>8,786</b>	<b>15,506</b>
Singapore	3,801	5,005	8,806	-1,204	1,814	2,387	4,201	1,809	2,564	4,373
Hongkong	6,391	1,840	8,231	4,551	2,944	746	3,690	3,010	1,134	4,144
Taiwan	2,012	5,839	7,851	-3,827	976	2,647	3,623	915	2,538	3,453
South Korea	2,426	4,657	7,084	-2,231	1,212	2,061	3,272	986	2,550	3,535
<b>Japan</b>	<b>12,300</b>	<b>6,368</b>	<b>18,668</b>	<b>5,932</b>	<b>5,990</b>	<b>2,353</b>	<b>8,343</b>	<b>5,747</b>	<b>4,477</b>	<b>10,225</b>
<b>ASEAN</b>	<b>4,941</b>	<b>12,937</b>	<b>17,878</b>	<b>-7,996</b>	<b>2,354</b>	<b>5,996</b>	<b>8,349</b>	<b>2,229</b>	<b>7,642</b>	<b>9,870</b>
Thailand	2,330	4,944	7,274	-2,614	1,088	2,168	3,255	1,020	3,208	4,227
Malaysia	1,204	3,441	4,645	-2,237	598	1,655	2,253	542	1,588	2,130
Indonesia	650	3,031	3,681	-2,380	336	1,497	1,833	313	1,903	2,215
Vietnam	708	1,500	2,208	-792	301	663	963	341	927	1,268
Myanmar	35	17	52	18	24	11	35	9	11	20
Brunei Darussalam	12	4	16	7	7	2	9	5	4	9
<b>China</b>	<b>6,175</b>	<b>11,471</b>	<b>17,646</b>	<b>-5,296</b>	<b>3,199</b>	<b>5,184</b>	<b>8,383</b>	<b>2,702</b>	<b>7,114</b>	<b>9,816</b>
<b>U.S.A.</b>	<b>9,023</b>	<b>7,468</b>	<b>16,491</b>	<b>1,554</b>	<b>4,539</b>	<b>3,505</b>	<b>8,044</b>	<b>4,270</b>	<b>3,357</b>	<b>7,626</b>
<b>European Union</b>	<b>7,186</b>	<b>6,695</b>	<b>13,881</b>	<b>491</b>	<b>3,536</b>	<b>3,455</b>	<b>6,991</b>	<b>3,316</b>	<b>3,093</b>	<b>6,409</b>

Note: Based on concept and coverage of Foreign Trade Statistics generated by the Philippine Statistics Authority;  
Details may not add up to totals due to rounding-off

<sup>P</sup> Preliminary

Source: Foreign Trade Statistics, Philippine Statistics Authority

# The Trade Effects of One Belt, One Road (OBOR) Initiative





# China Pivot: PH needs institutional linkages to One Belt, One Road Initiative

Map BI.C.2.1. Overview of the Belt and Road Initiative



Source: China-Britain Business Council.



# CHINA HARVEST: \$24bn - \$15bn projects and \$9bn loans

1. Subic-Clark railway project by Bases Conversion and Development Authority (BCDA) and China Harbour Engineering Co.
2. Bonifacio Global City-Ninoy Aquino International Airport Segment of Metro Manila Bus Rapid Transit-EDSA project by BCDA and China Road and Bridge Corp.
3. BCDA-China Fortune Land Real Estate project (memorandum of understanding);
4. Safe and Smart City projects for BCDA by BCDA and Huawei Technologies
5. Transportation and logistics infrastructure at Sangley Point by Cavitex Holdings, International Container Terminal Services Inc. and China Harbour Engineering
6. Joint venture agreement of Jimei Group of China and Expedition Construction Corp. for infrastructure projects
7. North Negros biomass and South Negros biomass project by North Negros Biopower and Wuxi Huaguang Electric Power Engineering
8. Globe Telecom projects to improve network quality and capacity
9. Jin Jiang hotel room capacity expansion from 1,000 to 2,000 by Double Dragon Properties and Hotel of
10. Asia Inc.
11. Joint development project on renewable energy by Columbus Capitana and China CAMC Engineering
12. New Generation Steel Manufacturing Plant by Mannage Resources and SIIC Shanghai International Trade HK;
13. Joint venture on steel plants by Global Ferronickel and Baiyin International
14. Renewable energy projects by Xinjiang TBEA Sunoasis

# CHINA HARVEST: \$24bn - \$15bn projects and \$9bn loans

15. Davao coastline and port development project by Mega Harbor Port and Development and China Harbour Engineering;
16. Manila Harbour Center reclamation by R-II Builders Inc. and China Harbour Engineering
17. Cebu International and Bulk Terminal project by Mega Harbour Port and CCCC Dredging Company
18. Cabling manufacturing facilities by MVP Global Infrastructure Group and Suli Grp Ltd.
19. Manila EDSA Bus Transportation program by Phil State Group and Yangtse Motor group and Minmetals International
20. Hybrid rice production by SL Agritech and Jiangsu Hongqi Seed Inc.
21. Bus manufacturing facility by Zhuhai Bus and Coach Co.
22. Banana plantation project by AVLB Asia Pacific and Shanghai Xinwo Agriculture Development Co.
23. 300MW Pulangi-5 Hydro Project by Greenergy Co. and Power China Guizhou Engineering Corp.
24. Pasig River, Marikina River and Manggahan Floodway bridges construction project by Zonar Construct and SinoHydro;
25. Ambal Simuay sub-river basin flood control project by One Whitebeach Land Development and Sino Hydro;
26. Nationwide island provinces link bridges by Zonarsystems and PowerChina Sino Hydro; and
27. Railway project (study) by MVP Global Infrastructure group and China Railway Engineering Corp.

# PH-US STATUS: From exclusively dating to MU to allies

US will remain dominant in the next century

a) US\$21trn GDP versus China's \$11trn

b) 400 of the 900 Nobel laureates

c) 80% of the top universities – THE and QS

d) WEF – 3<sup>rd</sup> most competitive but excluding Singapore and Switzerland (small countries), it is the most competitive major economy

# GDP (nominal) Ranking 2016

Source	International Monetary Fund World Economic Outlook (April-2016)
Date	14 Apr 2016

Rank	Country/Economy	GDP Nominal (billions of \$)					
		2016	share	2017	2018	2019	2020
1	United States	18,558.130	25.081	19,285	20,145	21,016	21,874
2	China	11,383.030	15.384	12,263	13,338	14,605	16,144
3	Japan	4,412.600	5.963	4,514	4,562	4,676	4,800
4	Germany	3,467.780	4.687	3,592	3,697	3,822	3,959
5	United Kingdom	2,760.960	3.731	2,885	2,999	3,123	3,256
6	France	2,464.790	3.331	2,538	2,609	2,700	2,804
7	India	2,288.720	3.093	2,488	2,725	3,007	3,315
8	Italy	1,848.690	2.498	1,902	1,943	1,994	2,051
9	Brazil	1,534.780	2.074	1,556	1,609	1,677	1,749
10	Canada	1,462.330	1.976	1,531	1,596	1,667	1,740
11	Korea	1,321.200	1.786	1,379	1,435	1,499	1,566
12	Spain	1,242.360	1.679	1,291	1,332	1,380	1,433
13	Australia	1,200.780	1.623	1,262	1,330	1,399	1,469
14	Russia	1,132.740	1.531	1,268	1,355	1,447	1,531
15	Mexico	1,082.430	1.463	1,167	1,228	1,300	1,381
16	Indonesia	936.955	1.266	1,024	1,110	1,193	1,292
17	Netherlands	762.521	1.031	794	821	851	885
18	Turkey	751.186	1.015	791	834	883	935
19	Switzerland	651.770	0.881	665	676	691	709
20	Saudi Arabia	618.274	0.836	660	700	741	778

# List of countries by GDP (PPP)

List by the International Monetary Fund (Estimates for 2016)

Source: "Report for Selected Country Groups and Subjects (PPP valuation of country GDP)". IMF. Retrieved 13 June 2016.

Rank	Country	GDP (Millions of Int\$)
	<u><i>World</i></u>	<b>113,523,500</b>
1	 <u>China</u>	21,269,331
2	 <u>United States</u>	18,562,129
—	 <u>European Union<sup>[n 1]</sup></u>	16,673,364
3	 <u>India</u>	8,720,758
4	 <u>Japan</u>	4,932,102
5	 <u>Germany</u>	3,979,664
6	 <u>Russia</u>	3,745,081
7	 <u>Brazil</u>	3,134,247
8	 <u>Indonesia</u>	3,027,746
9	 <u>United Kingdom</u>	2,787,748
10	 <u>France</u>	2,736,378
11	 <u>Mexico</u>	2,227,176
12	 <u>Italy</u>	2,213,909
13	 <u>South Korea</u>	1,848,518
14	 <u>Saudi Arabia</u>	1,720,027
15	 <u>Turkey</u>	1,665,332
16	 <u>Canada</u>	1,631,943
17	 <u>Spain</u>	1,615,074
18	 <u>Iran</u>	1,439,295
19	 <u>Australia</u>	1,138,085
20	 <u>Thailand</u>	1,108,111

## Number of Nobel Laureates by Country

	Country	Number of Nobel Laureates
1	 United States	363
2	 United Kingdom	123
3	 Germany	106
4	 France	68
5	 Sweden	31
6	 Russia / Soviet Union	27
7	 Switzerland	26
8	 Japan	25
9	 Canada	25
10	 Austria	21
11	 Italy	20
12	 Netherlands	20
13	 Poland	16
14	 Denmark	14
15	 Norway	13
16	 Israel	12
17	 Australia	12
18	 Belgium	10
19	 South Africa	10
20	 India	10
21	 Hungary	9
22	 China	9
23	 Spain	7
24	 Ireland	7
25	 Czech Republic	5
26	 Argentina	5
27	 Finland	5
28	 Romania	4
29	 Egypt	4
30	 New Zealand	3
31	Mexico	3



## 579 Nobel Prizes!

Between 1901 and 2016, the Nobel Prizes and the Prize in Economic Sciences were awarded 579 times.

Nobel Prize	Number of Prizes	Number of Laureates	Awarded to one Laureate	Shared by two Laureates	Shared by three Laureates
Physics	110	204	47	32	31
Chemistry	108	175	63	22	23
Medicine	107	211	39	31	37
Literature	109	113	105	4	-
Peace	97	104+26	66	29	2
Economic Sciences	48	78	24	18	6
<b>Total:</b>	<b>579</b>	<b>911</b>	<b>344</b>	<b>136</b>	<b>99</b>



## World University Rankings 2016-2017



T.H.E. survey

Rank	University	Country
1	University of Oxford	United Kingdom
2	California Institute of Technology	United States
3	Stanford University	United States
4	University of Cambridge	United Kingdom
5	Massachusetts Institute of Technology	United States
6	Harvard University	United States
7	Princeton University	United States
8	Imperial College London	United Kingdom
9	ETH Zurich – Swiss Federal Institute of Technology Zurich	Switzerland
10	University of California, Berkeley	United States
10	University of Chicago	United States
12	Yale University	United States
13	University of Pennsylvania	United States
14	University of California, Los Angeles	United States
15	University College London	United Kingdom
16	Columbia University	United States
17	Johns Hopkins University	United States
18	Duke University	United States
19	Cornell University	United States
20	Northwestern University	United States

Source: [www.timeshighereducation.com](http://www.timeshighereducation.com)

## World University Rankings 2016

QS survey

Rank	University	Country
1	 Massachusetts Institute of Technology (MIT)	United States
2	 Stanford University	United States
3	 Harvard University	United States
4	 University of Cambridge	United Kingdom
5	 California Institute of Technology (Caltech)	United States
6	 University of Oxford	United Kingdom
7	 UCL (University College London)	United Kingdom
8	 ETH Zurich - Swiss Federal Institute of Technology	Switzerland
9	 Imperial College London	United Kingdom
10	 University of Chicago	United States
11	 Princeton University	United States
12	 National University of Singapore (NUS)	Singapore
13	 Nanyang Technological University, Singapore (NTU)	Singapore
14	 Ecole Polytechnique Fédérale de Lausanne (EPFL)	Switzerland
15	 Yale University	United States
16	 Cornell University	United States
17	 Johns Hopkins University	United States
18	 University of Pennsylvania	United States
19	 The University of Edinburgh	United Kingdom
20	 Columbia University	United States

Source: <http://www.topuniversities.com/>

# The Global Competitiveness Report 2016-2017: US tops big economies

Rank	Economy	Score	Previous Rank	Rank	Economy	Score	Previous Rank
1	Switzerland	5.81	1	26	Korea, Rep.	5.03	26
2	Singapore	5.72	2	27	Iceland	4.96	29
3	United States	5.70	3	28	China	4.95	28
4	Netherlands	5.57	5	29	Saudi Arabia	4.84	25
5	Germany	5.57	4	30	Estonia	4.78	30
6	Sweden	5.53	9	31	Czech Republic	4.72	31
7	United Kingdom	5.49	10	32	Spain	4.68	33
8	Japan	5.48	6	33	Chile	4.64	35
9	Hong Kong SAR	5.48	7	34	Thailand	4.64	32
10	Finland	5.44	8	35	Lithuania	4.60	36
10	Norway	5.44	11	36	Poland	4.56	41
12	Denmark	5.35	12	37	Azerbaijan	4.55	40
13	New Zealand	5.31	16	38	Kuwait	4.53	34
14	Taiwan, China	5.28	15	39	India	4.52	55
15	Canada	5.27	13	40	Malta	4.52	48
16	United Arab Emirates	5.26	17	41	Indonesia	4.52	37
17	Belgium	5.25	19	42	Panama	4.51	50
18	Qatar	5.23	14	43	Russian Federation	4.51	45
19	Austria	5.22	23	44	Italy	4.50	43
20	Luxembourg	5.20	20	45	Mauritius	4.49	46
21	France	5.20	22	46	Portugal	4.48	38
22	Australia	5.19	21	47	South Africa	4.47	49
23	Ireland	5.18	24	48	Bahrain	4.47	39
24	Israel	5.18	27	49	Latvia	4.45	44
25	Malaysia	5.16	18	50	Bulgaria	4.44	54

Economy	Score <sup>1</sup>	Prev. <sup>2</sup>	Trend <sup>3</sup>	Economy	Score <sup>1</sup>	Prev. <sup>2</sup>	Trend <sup>3</sup>	Economy	Score <sup>1</sup>	Prev. <sup>2</sup>	Trend <sup>3</sup>
47	South Africa	4.47	49		50	Lao PDR	3.93	83			
48	Bahrain	4.47	39		51	Trinidad and Tobago	3.93	89			
49	Latvia	4.45	44		52	Tunisia	3.92	92			
50	Bulgaria	4.44	54		53	Kenya	3.90	99			
51	Mexico	4.41	57		54	Bhutan	3.87	105			
52	Rwanda	4.41	58		55	Nepal	3.87	100			
53	Kazakhstan	4.41	42		56	Côte d'Ivoire	3.86	91			
54	Costa Rica	4.41	52		57	Moldova	3.86	84			
55	Turkey	4.39	51		58	Lebanon	3.84	101			
56	Slovenia	4.39	59		59	Mongolia	3.84	104			
57	Philippines	4.36	47		60	Nicaragua	3.81	108			
58	Brunei Darussalam	4.35	n/a		61	Argentina	3.81	106			
59	Georgia	4.32	66		62	El Salvador	3.81	95			
60	Vietnam	4.31	56		63	Bangladesh	3.80	107			
61	Colombia	4.30	61		64	Bosnia & Herzegovina	3.80	111			
62	Romania	4.30	53		65	Gabon	3.79	103			
63	Jordan	4.29	64		66	Ethiopia	3.77	109			
64	Botswana	4.29	71		67	Cape Verde	3.76	112			
65	Slovak Republic	4.28	67		68	Kyrgyz Republic	3.75	102			
66	Oman	4.28	62		69	Senegal	3.74	110			
67	Peru	4.23	69		70	Uganda	3.69	115			
68	Macedonia, FYR	4.23	60		71	Ghana	3.68	119			
69	Hungary	4.20	63		72	Egypt	3.67	116			
70	Morocco	4.20	72		73	Tanzania	3.67	120			
71	Sri Lanka	4.19	68		74	Paraguay	3.65	118			
72	Barbados	4.19	n/a		75	Zambia	3.60	96			
73	Uruguay	4.17	73		76	Cameroon	3.58	114			
74	Croatia	4.15	77		77	Lesotho	3.57	113			
75	Jamaica	4.13	86		78	Bolivia	3.54	117			
76	Iran, Islamic Rep.	4.12	74		79	Pakistan	3.49	126			
77	Tajikistan	4.12	80		80	Gambia, The	3.47	123			
78	Guatemala	4.08	78		81	Benin	3.47	122			
79	Armenia	4.07	82		82	Mali	3.46	127			
80	Albania	4.06	93		83	Zimbabwe	3.41	125			
81	Brazil	4.06	75		84	Nigeria	3.39	124			
82	Montenegro	4.05	70		85	Madagascar	3.33	130			
83	Cyprus	4.04	65		86	Congo, Democratic Rep.	3.29	n/a			
84	Namibia	4.02	85		87	Venezuela	3.27	132			
85	Ukraine	4.00	79		88	Liberia	3.21	129			
86	Greece	4.00	81		89	Sierra Leone	3.16	137			
87	Algeria	3.98	87		90	Mozambique	3.13	133			
88	Honduras	3.98	88		91	Malawi	3.08	135			
89	Cambodia	3.98	90		92	Burundi	3.06	136			
90	Serbia	3.97	94		93	Chad	2.95	139			
91	Ecuador	3.96	76		94	Mauritania	2.94	138			
92	Dominican Republic	3.94	98		95	Yemen	2.74	n/a			

Note: The Global Competitiveness Index captures the determinants of long-term growth. Recent developments (such as Brexit, commodity price changes, and market volatility) are reflected only in-so-far as they have an impact on data measuring these determinants. The Index should be interpreted in this context.

1 Scale ranges from 1 to 7.  
2 2015-2016 rank out of 140 economies.  
3 Evolution in percentile rank since 2007.

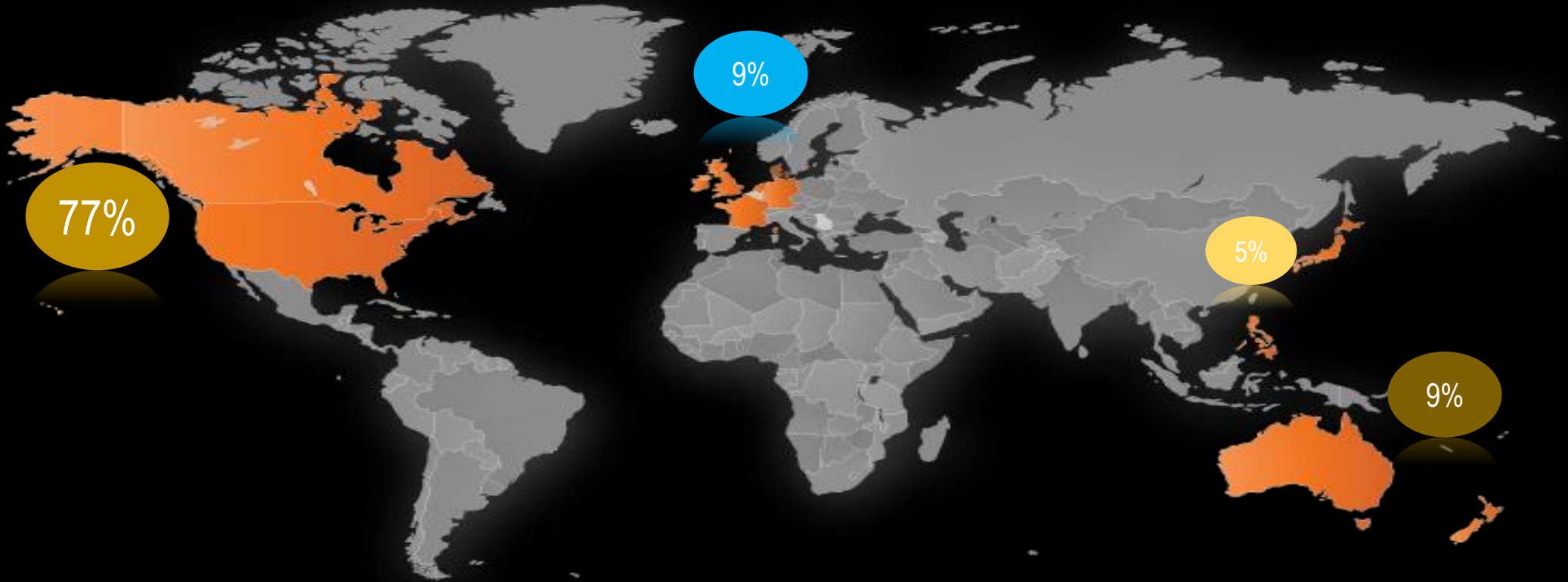
# PH-US STATUS: From exclusively dating to MU to allies

## Economic Relations with US

- i. \$10bn from 60% of BPO is American business
  - i. neutral accent English
  - ii. competitive-trainable
  - iii. socio-cultural predisposition to Western lifestyles
- ii. \$8.4bn remittances
- iii. 3.4m OF in the US
- iv. 272,000 TNTs (US Census Bureau), 360,000 (Commission of Filipinos Overseas)
- v. \$16bn in trade with \$1.5bn trade surplus
- vi. 780,000 tourists annually (most of which balikbayans)

# KEY GLOBAL MARKETS

Revenue Contribution by Regions (% , 100% = USD 18 BN+)



## Asean-5 Exposure to US

	US as % of Exports	Exports as % of GDP	US Exports as % of GDP
Indonesia	12	21	2.5
Philippines	16	28	4.5
Malaysia	10	71	7.1
Thailand	12	65	7.8
Singapore	10	177	17.7



## Top 10 Philippine Exports to US (2015)

Source: Trademap.org (in USD Thousand)

Rank	Product Label	Value in 2015	% Share
<b>TOTAL</b>	<b>All products</b>	<b>8,811,250</b>	
1	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	3,281,671	37%
2	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	1,296,874	15%
3	Articles of apparel and clothing accessories, knitted or crocheted	605,720	7%
4	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	556,297	6%
5	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	407,508	5%
6	Articles of apparel and clothing accessories, not knitted or crocheted	384,898	4%
7	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles ...	321,914	4%
8	Preparations of vegetables, fruit, nuts or other parts of plants	290,653	3%
9	Aircraft, spacecraft, and parts thereof	228,356	3%
10	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	143,884	2%



# Overview

YEAR	Landbased	Seabased	TOTAL
1990	590,440	210,768	801,208
1991	996,965	276,317	1,273,282
1992	853,794	304,940	1,158,734
1993	1,146,025	279,671	1,425,696
1994	1,687,673	290,864	1,978,537
1995	2,604,137	143,653	2,747,790
1996	2,397,518	166,949	2,564,467
<b>1997</b>	<b>3,925,921</b>	<b>183,509</b>	<b>4,109,430</b>
<b>1998</b>	<b>6,200,955</b>	<b>202,260</b>	<b>6,403,215</b>
1999	3,894,267	550,173	4,444,440
2000	3,211,440	733,199	3,944,639
2001	2,257,359	944,871	3,202,230
2002	2,414,669	1,028,878	3,443,547

Asian  
Crisis

YEAR	Landbased	Seabased	TOTAL
2003	3,167,065	1,132,785	4,299,850
2004	3,706,999	1,197,303	4,904,302
2005	5,042,404	1,382,444	6,424,848
2006	5,376,759	1,149,670	6,526,429
2007	6,179,656	1,385,231	7,564,887
2008	5,807,261	2,018,346	<b>7,825,607</b>
2009	5,635,420	1,688,241	<b>7,323,661</b>
2010	5,927,098	1,935,109	7,862,207
2011	6,043,257	2,437,907	8,481,164
2012	6,439,381	2,677,445	9,116,826
2013	7,334,447	2,571,016	9,905,463
2014	4,650,600	2,752,933	7,403,533
2015	5,697,746	2,710,844	8,408,590

Financial  
Crisis

# PH-US STATUS: BFF again

- a) Trump poses risks but Du30 wants strong relations which can to offset
  - i. Bring jobs back home:
    - i. BPOs: DU30 should seek no penalties on outsourcing
      - i. Philippines is competitive
        - i. neutral accent English
        - ii. competitive-trainable
        - iii. Socio-cultural predisposition to Western lifestyles
    - ii. \$16bn in trade with \$1.5bn trade surplus
      - i. the volume is more important since the surplus is not substantial compared to Japan
    - iii. US investments in the Philippines
      - i. Consumer manufacturing like P&G et al needs Philippine markets
      - ii. Electronic Parts - have been for a long time and serve a global value chain
  - ii. Build a wall
    - i. TNTs: Du30 should ask for amnesty or roadmap to legalization for 360,000
  - iii. 780,000 tourists
    - i. Most of them are balikbayans
  - iv. \$8.4bn remittances from 3m OF in the US
    - i. At most, 10% may be dislocated since TNTs account for 10% of total Filipinos in the US

# THE US- STATUS: FROM EXCLUSIVELY DATING TO M.U.

## d) US PIVOT TO ASIA

- i. US interest to protect access to the South China Sea where \$5.3trn goods pass of which \$1.3bn is US – related.
- ii. Forward position of the US in Asia: Japan, South Korea, Taiwan, Philippines, Singapore
- iii. Trade deals are a way to remain in the game and set the rules for the fastest growing segment of the world

# Special Focus: IT-BPM

To achieve the projected future of the IT-BPM sector given the goals of technology readiness, higher skilled talent and inclusive growth, key interventions are critical

2015: CURRENT STATE

- **US\$ 20.5 billion** billing revenue
- **12%** share of Global IT-BPM sourcing
- **1.05** million FTEs
- **47%** workforce in low-skilled roles
- **US\$20,000** ~ revenue / FTE



2022: HIGH VALUE TRANSITION

- **US\$ 43.4 billion** billing revenue
- **17%** share of Global IT-BPM sourcing
- **1.8** ~ million FTEs
- **75%** workforce in mid-high skilled roles
- **US\$22,000** ~ revenue / FTE
- More **diversified growth**



## The IT-BPM sector has significant indirect and induced impact on the economy

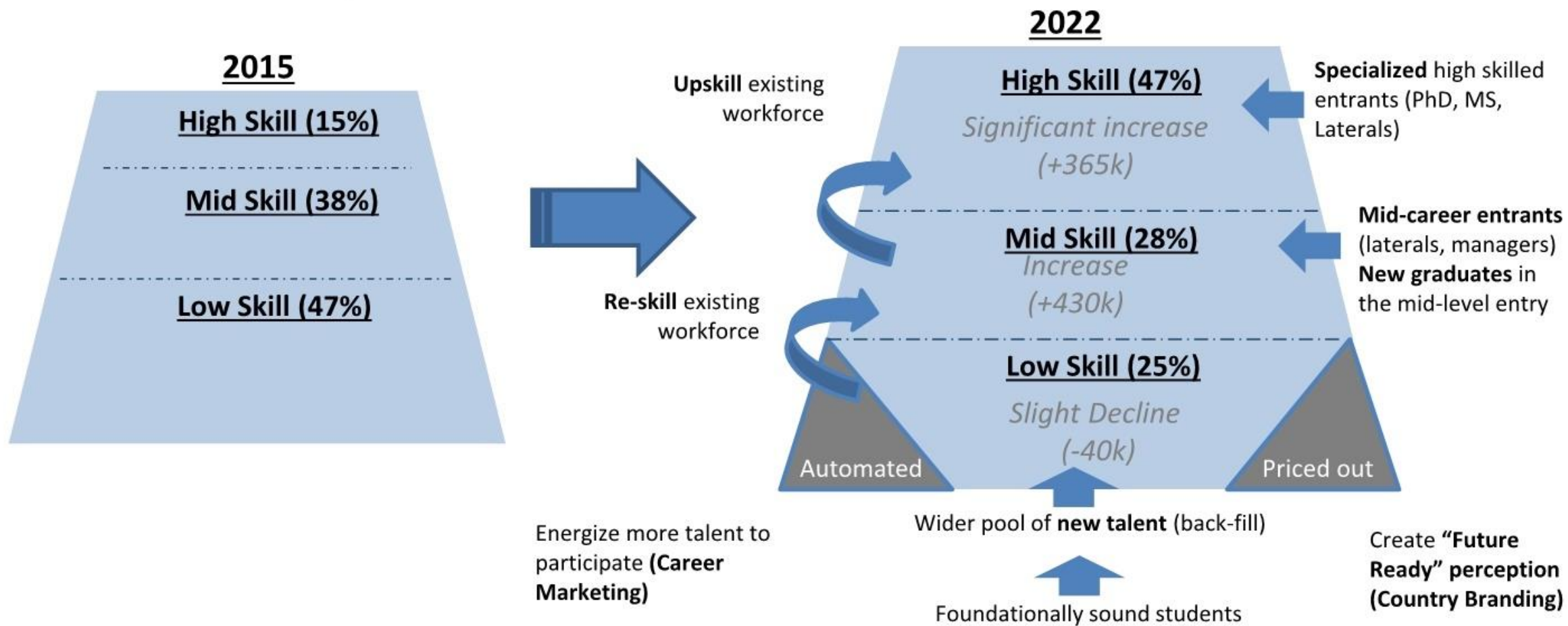
Multiplier	Definition	Ratio <sup>1</sup>	Key Impact
<b>Output</b>	Effect of per unit change in revenue in IT-BPM sector on the rest of the economy	2.5438	<ul style="list-style-type: none"> <li>• <b>PHP 1,146.2 billion</b> cumulative additional output between 2016 and 2022</li> <li>• In 2022, total contribution of IT-BPM to GDP projected to be <b>9.7% of National GDP</b></li> </ul>
<b>Income</b>	Increase in income (economy-wide) arising from a unit increase in IT-BPM revenue	0.5366	<ul style="list-style-type: none"> <li>• Cumulative improvement in income (2016-2022) is <b>PHP 232.4 billion</b></li> </ul>
<b>Employment</b>	Increase in employment in the economy per 1 million PHP increase in IT-BPM revenue	4.2258	<ul style="list-style-type: none"> <li>• Additional cumulative direct employment (2016-2022): <b>759,000 FTEs</b></li> <li>• Additional employment generated: <b>4.74 million FTEs</b></li> </ul>
<b>Tax (Direct + Indirect)</b>	Increase in Tax revenue per unit increase in IT-BPM sector revenue	0.1353	<ul style="list-style-type: none"> <li>• Cumulative taxes contributed by IT-BPM (2016-2022)</li> <li>• Direct Taxes: PHP 54.9 billion</li> <li>• Indirect Taxes: PHP 35.5 billion</li> </ul>

Figures include direct, indirect and induced impacts

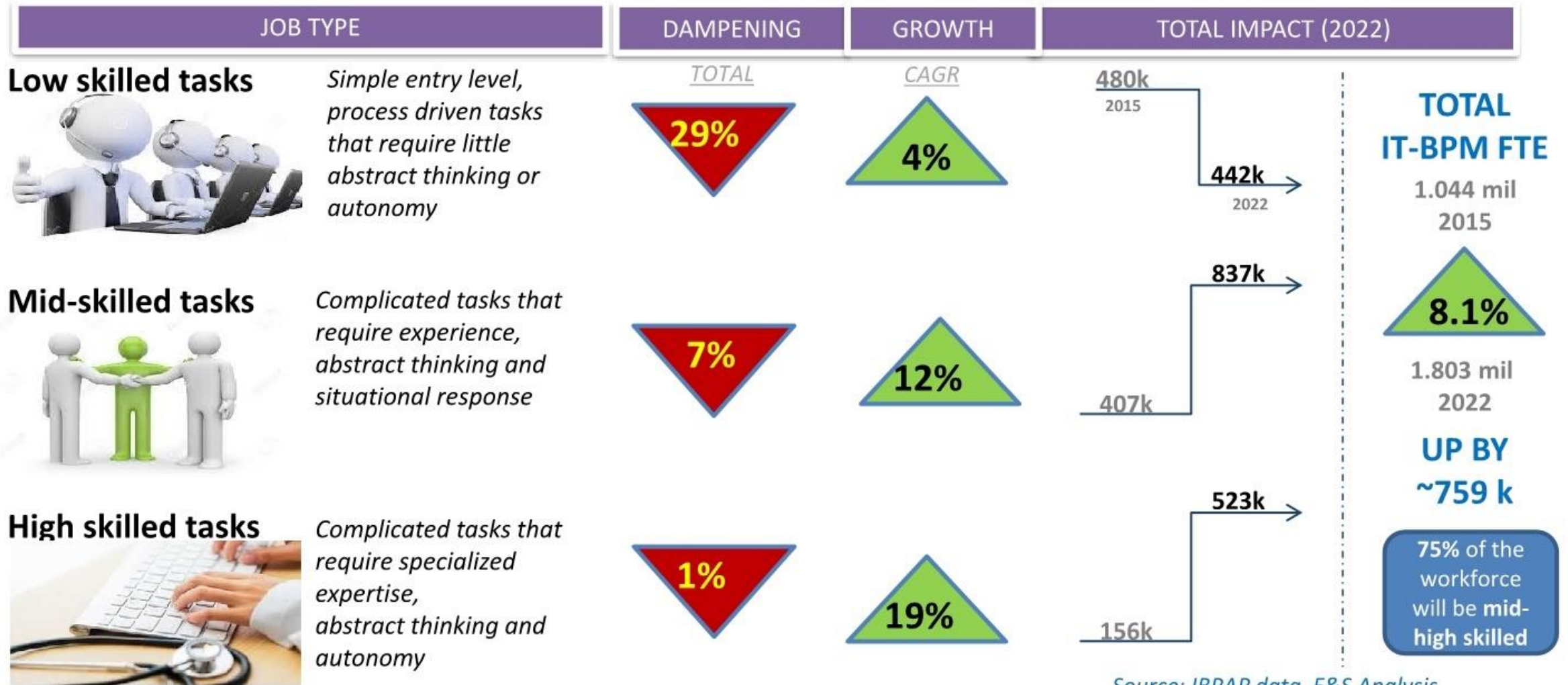


# Technology evolution will drive IT-BPM industry & workforce transformation – interventions are required across the skill spectrum

## Illustrative Human Capital Skill-mix transformation



# In the short-medium term, despite an adverse job impact on low skilled IT-BPM jobs, there is a potential upside for 759,000 net new jobs to be created by 2022



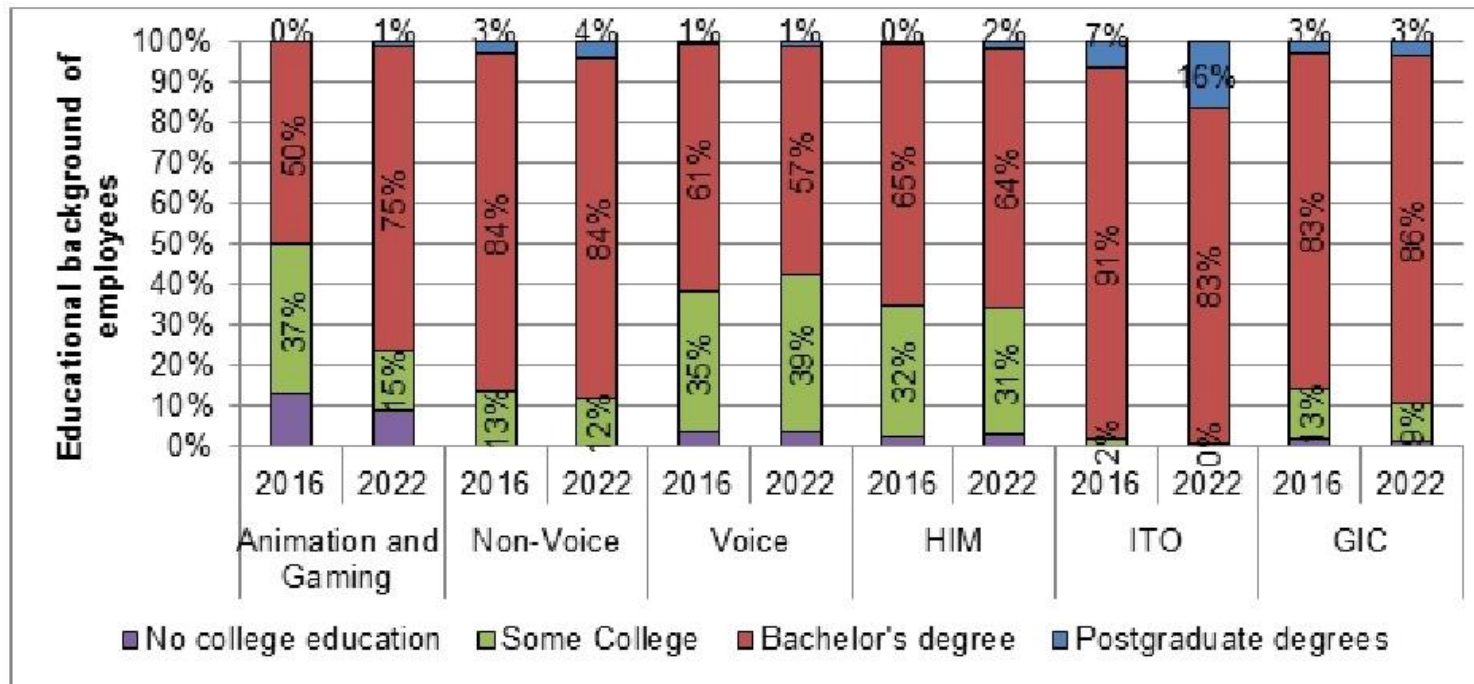
Source: IBPAP data, F&S Analysis



## By 2022, steady but significant changes are expected in demands of the IT-BPM sector from the labor force

Higher skills, thus education require

### Projected Educational Background Requirement of IT-BPM Industry Employees



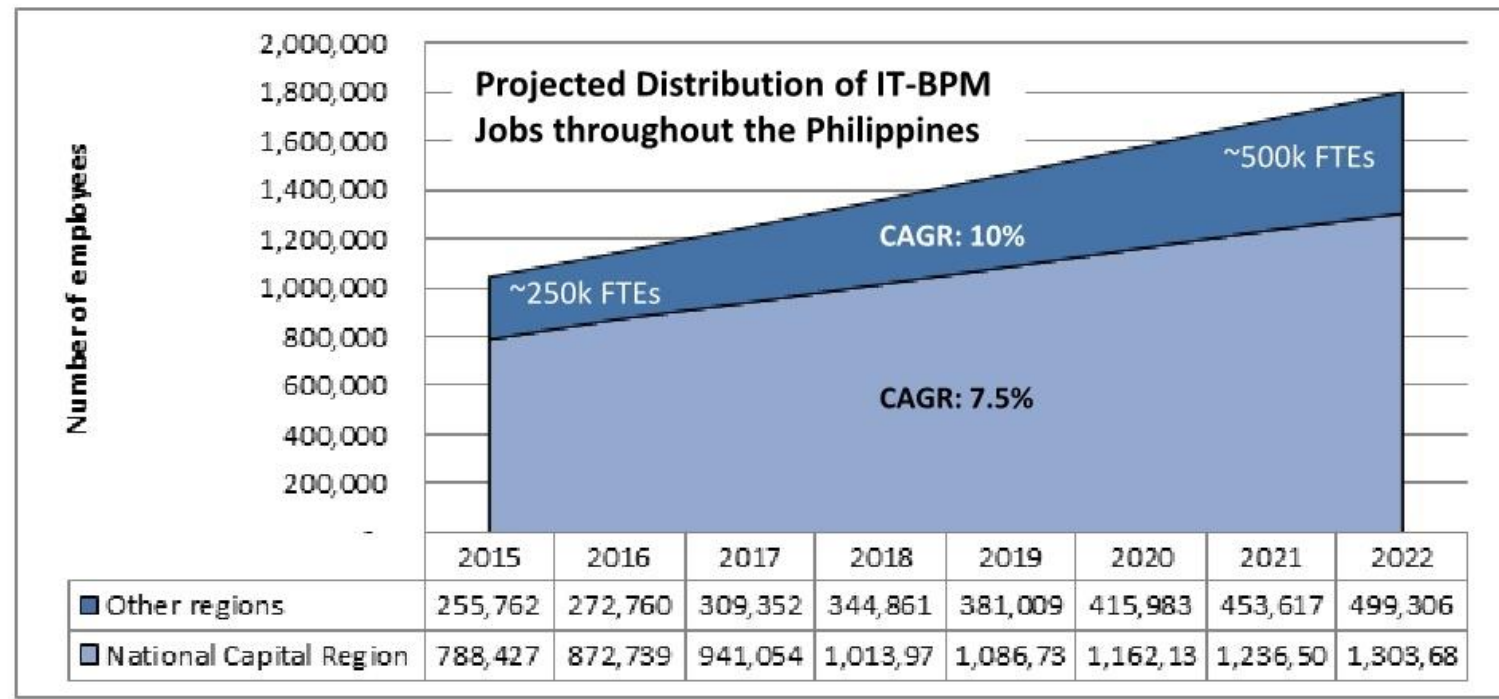
- Sub-sectors such as ITO, expect a surge in the demand for post-graduates.
- The Animation and Gaming sub-sector foresees a labor force with more relevant bachelor degree education due to the technological developments within the software used for drawing and the increasing complexity of visual design processes.
- In the last years, most progresses in ensuring that graduates have the right skill sets have been observed in the area of data analytics (cross-cutting for all sectors) and in the Animation and Gaming sub-sector

#### Sources:

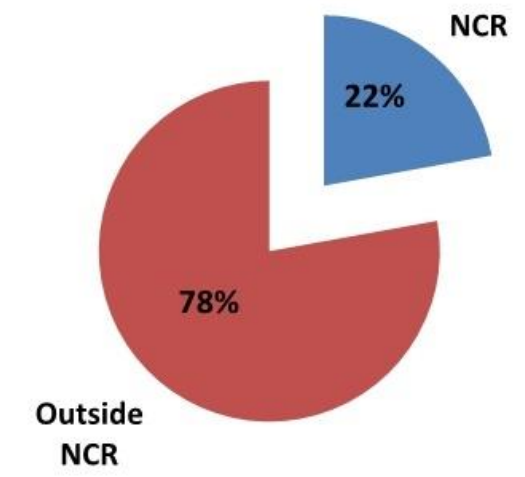
1. Frost & Sullivan Survey undertaken as part of the Roadmap 2022, PSA data
2. Assumption: on average all newly created jobs will be for entry level. Job functions requiring more experience will be filled predominantly through in-house training and that the positions that those who benefit from the upskilling will be filled by fresh graduates

# Employment creation will continue to be diversified, with regions outside NCR seeing higher growth driven by availability of qualified talent

78% of graduates outside in NCR



Number of Graduates of Tertiary Education Institutes in the Philippines



The growth in the number of IT-BPM companies establishing delivery centers outside of the NCR will go hand in hand with an increased number of job-opportunities for young Filipinos throughout the country. The opportunity fresh graduates will have to earn relative high incomes upon graduation will likely act as a catalyst and thus convince even more high-schoolers to pursue a college degree.

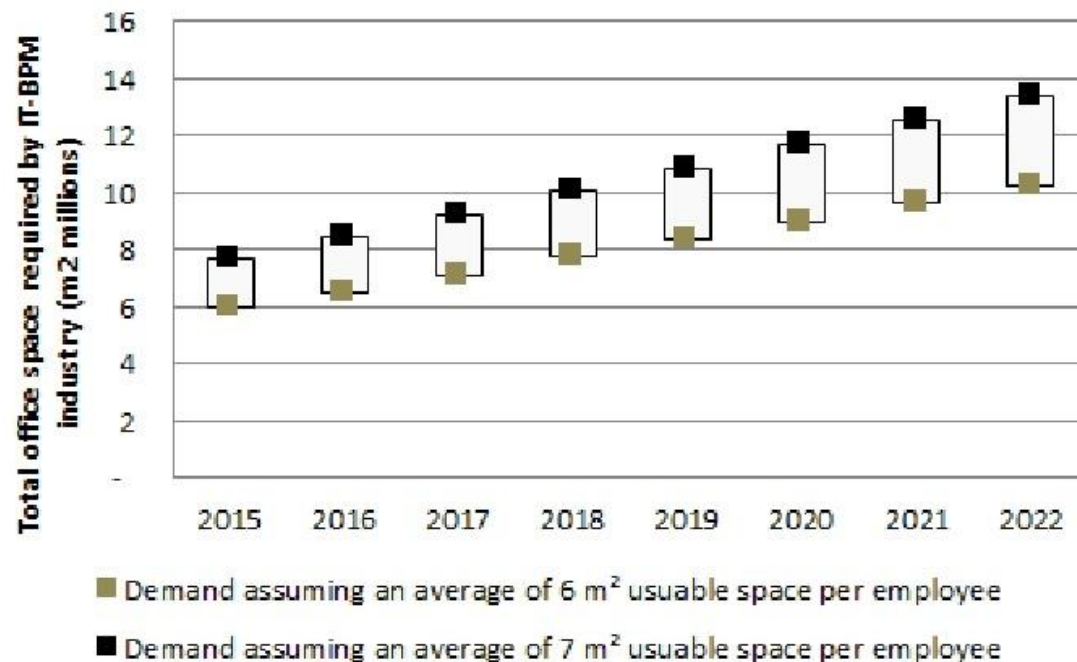
Source: Frost & Sullivan Analysis with inputs from ICT-Councils



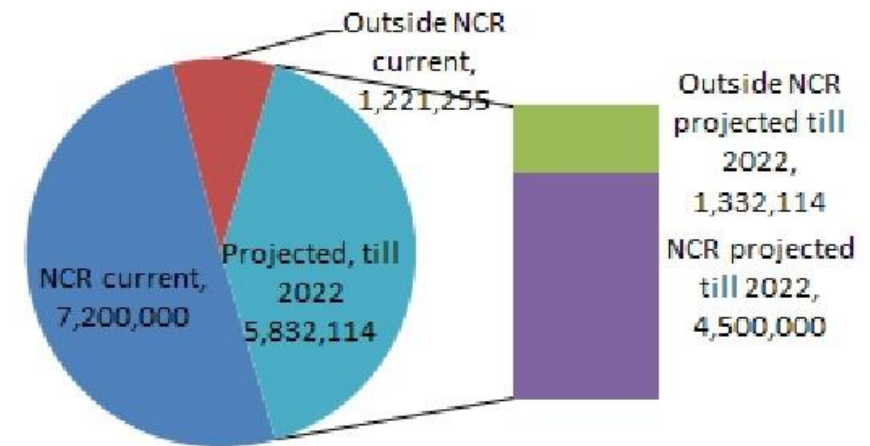
# A key enabler of IT-BPM sector headcount growth will be the availability of working space; analysis indicates this to be on track

## Most seats/locations in NCR

Total Rentable Office Space Required by IT-BPM Sector (Million m<sup>2</sup>)



Current and Projected Office Building Floor Area (in sq. m.) suitable for the IT-BPM Industry



**Total Available + Planned = 14.26 Million m<sup>2</sup>**

### Sources

- Data provided by Leechui Property Consultants (for the NCR)
- Publicly available PEZA data (outside of the NCR).

Note: Under a scenario where industry-wide seat-utilization ratios would increase by 2.5% annually from 2017 onwards, the total demand of rentable space by the IT-BPM industry could be reduced to 9.9 million m<sup>2</sup> in 2022



# POLICY RECOMMENDATIONS

- Ph advantage remains commanding
  - Neutral accent
  - Caring culture towards patrons (call it colonial mentality but more like socio-cultural predisposition towards Western lifestyles)
- Support 2<sup>nd</sup> Wave cities, and build 3<sup>rd</sup> Wave (new ecozones in the countryside)
  - IT infrastructure rollout – diverse fiber outside NCR
  - no incentives to projects in MM
- Regulatory needs
  - PEZA taking 9 months to process
  - Bring laptop home (Customs rules tweaking) – “work from home” trend
- Subsidy to training (BPO upskilling retraining fund) and inclusion in curriculum so skills will match new task requirements
  - Big data analytics
  - Automation
  - Artificial Intelligence
  - Robotics

# **DUTERTENOMICS 101**

**Recent Performance of the Philippine Economy**

## 2<sup>nd</sup> fastest after Pakistan in Asia

	2015	2016	
	Q2	Q1 <sup>r</sup>	Q2
<b>GDP</b>	5.9	6.8	<b>7.0</b>
<b>GNI</b>	5.4	7.4	<b>6.8</b>
<b>NPI*</b>	2.5	9.9	<b>6.2</b>

\* refers to Net Primary Income from Abroad  
r - revised

Source: Philippine Statistics Authority

## Agri needs public investments but Industry resurgence

	2015	2016	
	Q2	Q1 <sup>r</sup>	Q2
<b>Agriculture</b>	-0.1	-4.4	<b>-2.1</b>
<b>Industry</b>	6.1	9.0	<b>6.9</b>
<b>Services</b>	6.7	7.6	<b>8.4</b>

\* refers to Agriculture, Hunting, Forestry and Fishing (AHFF)  
r - revised

Source: Philippine Statistics Authority

# July jobs report:

1. Industry now at par with Services
2. Full-time jobs added at 1.573m

Sector/Subsector/Hours Worked	July 2016	July 2015	Change	
<b>EMPLOYED PERSONS</b>	40,974	39,177	1,797	5%
Agriculture	26.9	28.0	52	0.5%
Agriculture, hunting and forestry	88.9	24.7	122	1%
Fishing	11.1	3.3	69	-5%
<b>Industry</b>	<b>17.8</b>	<b>16.5</b>	<b>829</b>	<b>13%</b>
Mining and quarrying	3.0	0.6	-16	-7%
Manufacturing	46.4	8.3	132	4%
Electricity, gas, steam, and air conditioning supply	1.5	0.2	31	40%
Water supply; sewerage, waste management	1.0	0.1	34	86%
Construction	48.1	7.3	648	23%
<b>Services</b>	<b>55.3</b>	<b>55.5</b>	<b>915</b>	<b>4%</b>
Wholesale and retail trade; repair of motor vehicles	35.9	18.5	887	12%
Transportation and storage	13.0	7.4	47	2%
Accommodation and food service activities	7.7	4.5	-18	-1%
Information and communication	1.6	1.0	-29	-7%
Financial and insurance activities	2.3	1.2	51	11%
Real estate activities	0.8	0.5	-15	-7%
Professional, scientific and technical activities	0.9	0.6	-31	-13%
Administrative and support service activities	6.0	2.9	223	20%
Public administration and defense	9.4	5.7	-103	-5%
Education	5.8	3.4	-18	-1%
Human health and social work activities	2.2	1.3	-11	-2%
Arts, entertainment and recreation	1.3	0.9	-58	-16%
Other service activities	12.3	7.7	-230	-8%
Activities of extraterritorial organizations and bodies	0.8	-	181	
<b>HOURS WORKED</b>	40,974	39,177	1,797	5%
Less than 40 hours	31.6	32.2	333	3%
<b>40 hours and over</b>	<b>67.9</b>	<b>67.0</b>	<b>1,573</b>	<b>6%</b>
With a job, not at work	0.5	0.8	-109	-35%
Mean hours worked in one week	42.7	42.4		

Source: Philippine Statistics Authority, July Labor Force Survey

	2016			2015			2014				
	Jul	Apr	Jan	Oct	Jul	Apr	Jan	Oct	Jul	Apr	Jan
Population 15 years old and over (in '000)	68,436	66,805	67,153	66,622	66,614	64,802	64,591	64,257	64,070	63,772	61,777
Increase in Potential Labor	1,822	2,003	2,562	2,365	2,544	1,030	2,814	-157	-400	-318	-1,943
Labor Force (in '000)	43,320	42,488	42,508	42,146	41,900	41,862	41,164	41,319	41,231	41,588	39,387
Labor Entrants	1,420				669	274	1,777	147	53	682	-1,447
Labor Force Participation Rate (%)	63.3				62.9	64.6	63.7	64.3	64.4	65.2	63.8
Employment (in '000)	40,974	39,174	39,158	38,461	38,837	38,453	38,664	36,418			
JOBS Created	1,800	758	1,586	942	721	494	2,043	300	278	845	-1,522
Employment Rate (%)	94.6	93.9	94.2	94.4	93.5	93.6	93.4	94.0	93.3	93.0	92.5
Less than 40 hours (part-time)	12,948	12,893	12,815	13,644	12,614	15,507	14,346	13,748	13,920	14,963	13,220
as percent of total employed	31.6	32.3	32	34.3	32.2	39.6	37.3	35.4	36.2	38.7	36.3
40 hours and over (full time)	27,821	26,225	26,952	25,896	26,247	22,790	23,692	24,739	24,110	22,928	22,652
as percent of total employed	67.9	65.7	67.3	65.1	67.0	58.2	61.6	63.7	62.7	59.3	62.2
Unemployment (in 000)	2,335	2,703	2,482	2,778	2,924	2,969					
Unemployment Rate (%)	5.4	6.6	6.0	6.7	7.0	7.5					
Underemployment (in 000)	7,094	7,278	7,049	7,027	7,103						
Underemployment Rate (%)	17.3	17.9	18.7	18.3	18.2	19.5					
Number of Wage and Salary Workers	25,199	24,788	25,310	23,589	24,445	22,633	22,115	22,554	22,449	22,219	20,930
Increase in Wage and Salary Workers	754	2,155	3,195	1,035	1,996	414	1,185	357	231	473	-1,910
	61.5%										

Surprising since K12 enrolled 1.5m in Grade 11

1. Of the 41m employed, 68% are full time
2. Of the full time 27.8m, 25.2m are wage/salaried

Source: Philippine Statistics Authority, Labor Force Survey



# BOI INVESTMENT PERFORMANCE

## (JAN - SEPT 2015 VS. JAN - SEPT 2016)

	2015	2016	% Increase/ (Decrease)
<b>Project Cost (PhP M)</b>	<b>192,390.52</b>	<b>286,443.07</b>	<b>48.89</b>
Foreign (PhP M)	41,796.50	49,593.48	18.65
Local (PhP M)	150,594.02	236,849.59	57.28
No. of Projects	255	255	0.00
Employment	45,439	46,716	2.81

# BOI INVESTMENT PERFORMANCE

## (SEPT 2015 VS. SEPT 2016)

	2015	2016	% Increase/ (Decrease)
<b>Project Cost (PhP M)</b>	<b>17,414.75</b>	<b>51,026.56</b>	<b>193.01</b>
Foreign (PhP M)	846.91	6,305.76	64
Local (PhP M)	16,567.84	44,720.80	16
No. of Projects	35	25	(28)
Employment	2,454	4,502	83.46

Compared to 49% in first 9 months, Sept BOI defies expectations at +193%

# BOI INVESTMENT PERFORMANCE

## (BY REGION, JAN – SEPT 2015 VS. JAN - SEPT 2016)

54% share  
in combined  
investments  
From NCR,  
CL, STR

Region	2015	2016	% Increase/ (Decrease)
	Investments (Php Million)		
<b>National Capital Region</b>	<b>21,081.04</b>	<b>74,126.86</b>	251.63
<b>REGION 3</b>	<b>14,984.18</b>	<b>45,155.40</b>	201.35
<b>REGION 4A</b>	<b>85,498.91</b>	<b>32,945.76</b>	(61.47)
REGION 7	19,881.45	20,776.75	4.50
Negros Island Region	10,338.17	19,258.50	86.29
REGION 12	8,110.33	18,213.60	124.57
REGION 6	2,581.39	17,599.94	581.80
REGION 1	809.93	14,817.65	1,729.49
Cordillera Autonomous Region	0.00	12,776.14	100.00
REGION 10	8,605.13	9,786.68	13.73
REGION 11	473.39	7,412.24	1,465.79
REGION 2	0.00	5,078.40	100.00
REGION 5	697.36	4,476.90	541.98
REGION 4B	1,311.48	2,546.54	94.17
REGION 8	6,210.94	807.45	(87.00)
REGION 9	0.00	664.26	100.00
SEVERAL LOCATIONS	11,806.83	0.00	(100.00)
<b>TOTAL</b>	<b>192,390.53</b>	<b>286,443.07</b>	<b>48.89</b>

Source: Board of Investments

# BOI INVESTMENT PERFORMANCE

## (BY REGION, SEPT 2015 VS. SEPT 2016)

Region	2015	2016	% Increase/ (Decrease)
	Investments (Php Million)		
<b>National Capital Region</b>	<b>2,565.05</b>	<b>30,437.43</b>	<b>1,086.62</b>
<b>REGION 6</b>	<b>1,044.74</b>	<b>16,786.89</b>	<b>1,506.81</b>
<b>REGION 7</b>	<b>5,379.15</b>	<b>1,455.97</b>	<b>(72.93)</b>
REGION 12	0.00	567.82	100.00
REGION 11	243.13	517.77	112.96
REGION 4A	777.50	496.98	(36.08)
CAR	0.00	451.14	100.00
REGION 3	5,183.78	234.00	(95.49)
REGION 4B	0.00	78.57	100.00
REGION 8	2,131.72	0.00	(100.00)
REGION 5	89.69	0.00	(100.00)
<b>TOTAL</b>	<b>17,414.75</b>	<b>51,026.56</b>	<b>193.01</b>

Regional dispersion  
Starting Jan  
for NCR,  
Sept for R6,  
and April  
for R7

# BOI (JANUARY to SEPTEMBER 2016): EU now biggest investor of PH

Country	2015	2016	% Increase/ (Decrease)
	Investments (Php Million)		
Singapore	9,920.23	12,895.47	29.99
<b>Netherlands</b>	<b>24,786.16</b>	<b>7,995.35</b>	<b>(67.74)</b>
Japan	1,680.35	6,833.48	306.67
South Korea	2,170.30	6,423.35	195.97
<b>United Kingdom</b>	<b>16.52</b>	<b>2,339.94</b>	<b>14,062.54</b>
British Virgin Islands	889.69	2,018.62	126.89
<b>Germany</b>	<b>488.64</b>	<b>1,957.79</b>	<b>300.66</b>
U.S.A.	428.54	627.97	46.54
China	90.27	361.40	300.34
India	25.57	309.45	1,110.00
Canada	215.16	139.95	(34.96)
Taiwan	133.39	122.89	(7.87)
<b>Italy</b>	<b>0.00</b>	<b>71.64</b>	<b>100.00</b>
Hongkong	100.53	29.59	(70.57)
Australia	12.07	22.15	83.48

Country	2015	2016	% Increase/ (Decrease)
	Investments (Php Million)		
Liberia	0.00	9.57	100.00
Scotland	0.00	9.59	100.00
Cayman Islands	0.00	9.36	100.00
Thailand	0.00	9.03	100.00
Vanuatu	0.00	6.71	100.00
Myanmar	0.00	3.62	100.00
St. Kitts & Nevis	0.00	3.36	100.00
Norway	8.83	2.35	(73.40)
<b>France</b>	<b>0.00</b>	<b>0.46</b>	<b>100.00</b>
Malaysia	36.03	0.11	(99.70)
Switzerland	349.20	0.00	(100.00)
Denmark	17.78	0.00	(100.00)
United Arab Emirates	9.03	0.00	(100.00)
Cook Islands	8.87	0.00	(100.00)
Bermuda	8.82	0.00	(100.00)
Various Nationalities	400.52	7,390.33	1,745.18
<b>TOTAL</b>	<b>41,796.50</b>	<b>49,593.53</b>	<b>18.65</b>



# BOI SEPTEMBER 2016: Mostly from Singapore

Country	2015	2016	% Increase/ (Decrease)
	Investments (Php Million)		
Singapore	178.97	3,055.72	1,607.41
China	7.58	67.84	794.46
Liberia	0.00	9.57	100.00
Scotland	0.00	9.56	100.00
Netherlands	0.00	9.33	100.00
Hongkong	9.36	8.73	(6.81)
South Korea	0.00	3.55	100.00
Malaysia	0.03	0.11	230.30
Various Nationalities	650.96	3,141.36	382.57
<b>TOTAL</b>	<b>846.91</b>	<b>6,305.76</b>	<b>644.56</b>

# **DUTERTENOMICS 101**

## **Structural Preconditions**

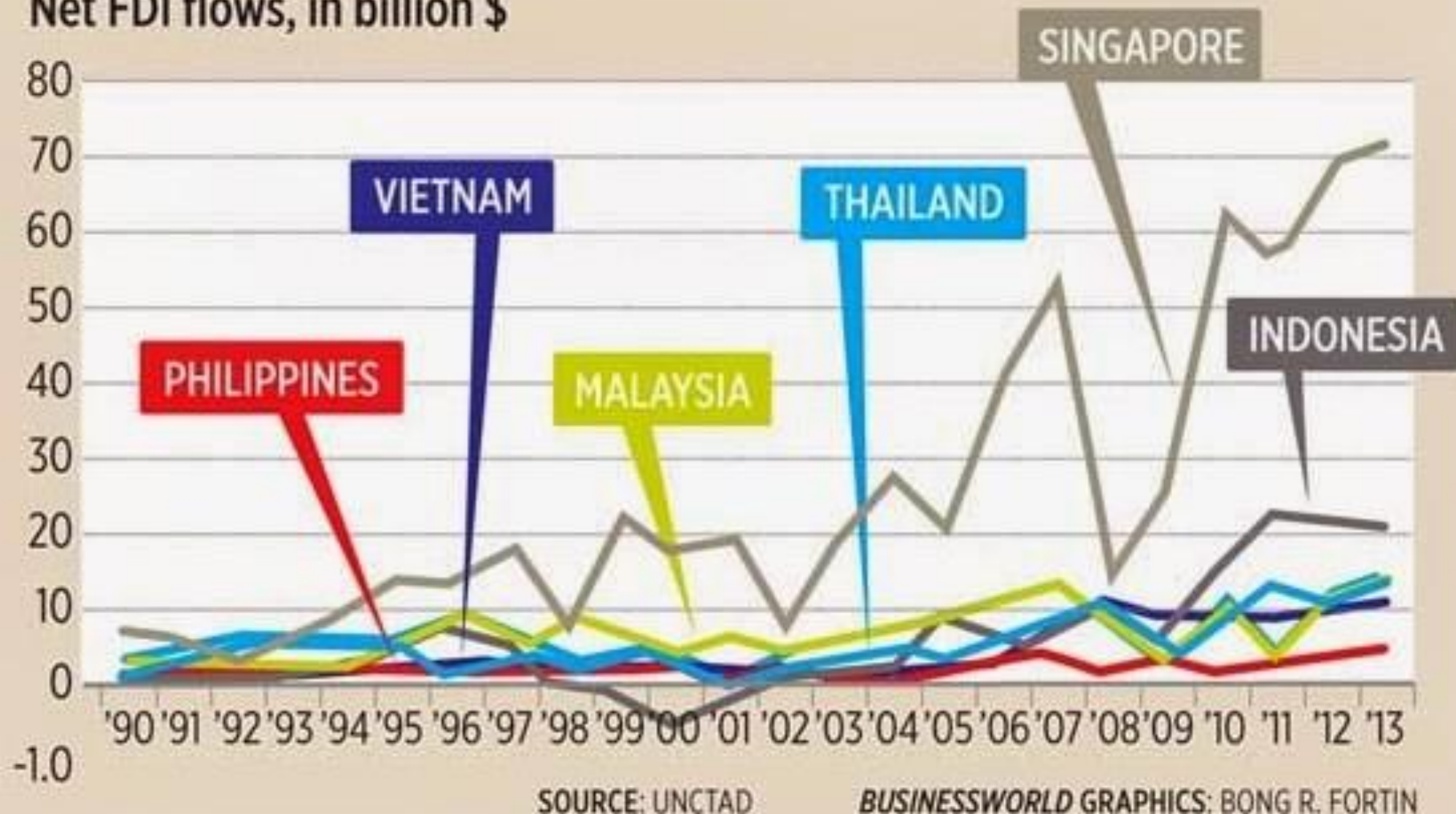
# Investments to GDP

Gross capital formation, % of GDP



# ASEAN-6 FDI flows

Net FDI flows, in billion \$

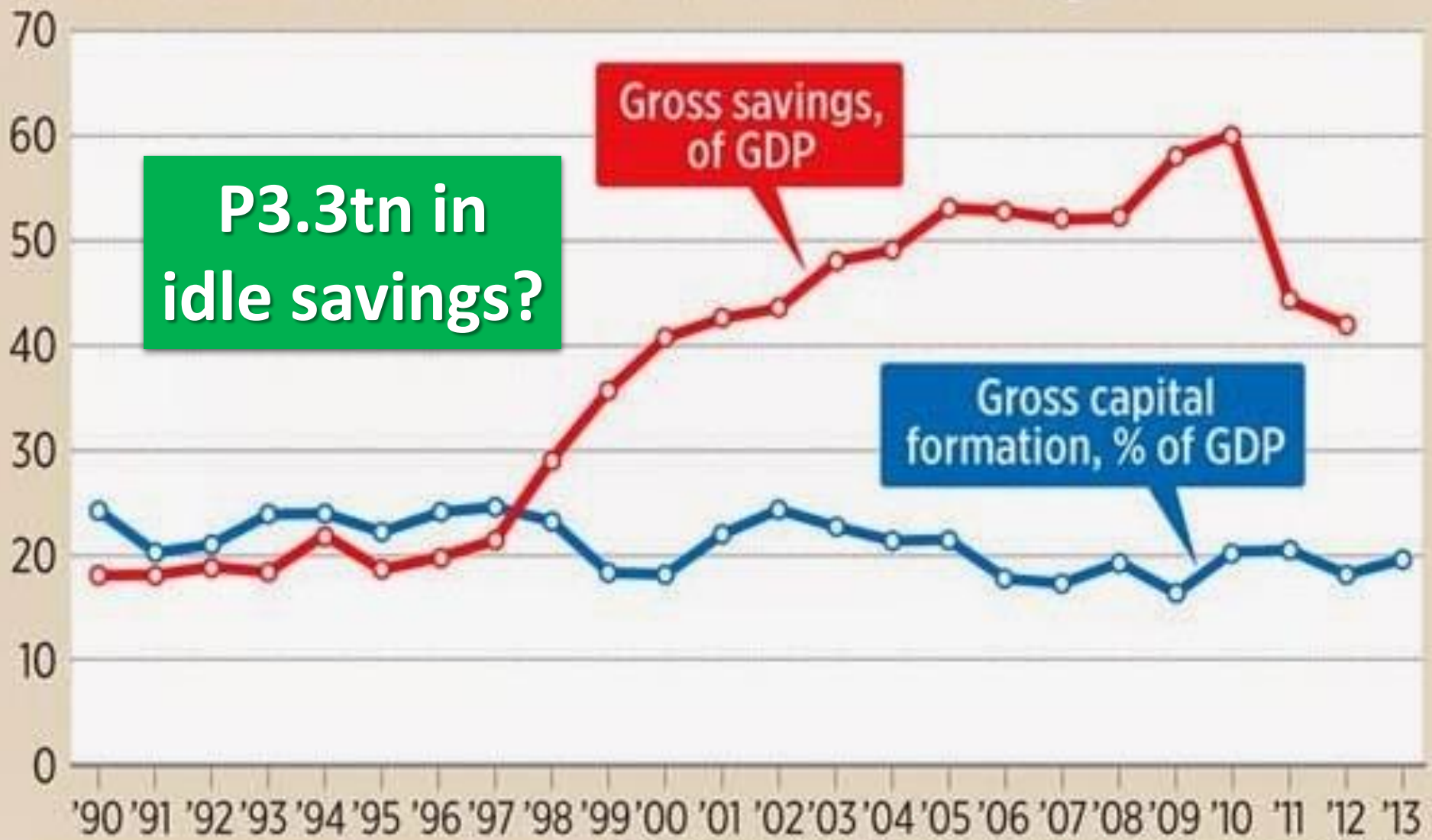


SOURCE: UNCTAD

BUSINESSWORLD GRAPHICS: BONG R. FORTIN



# PHL investments and savings

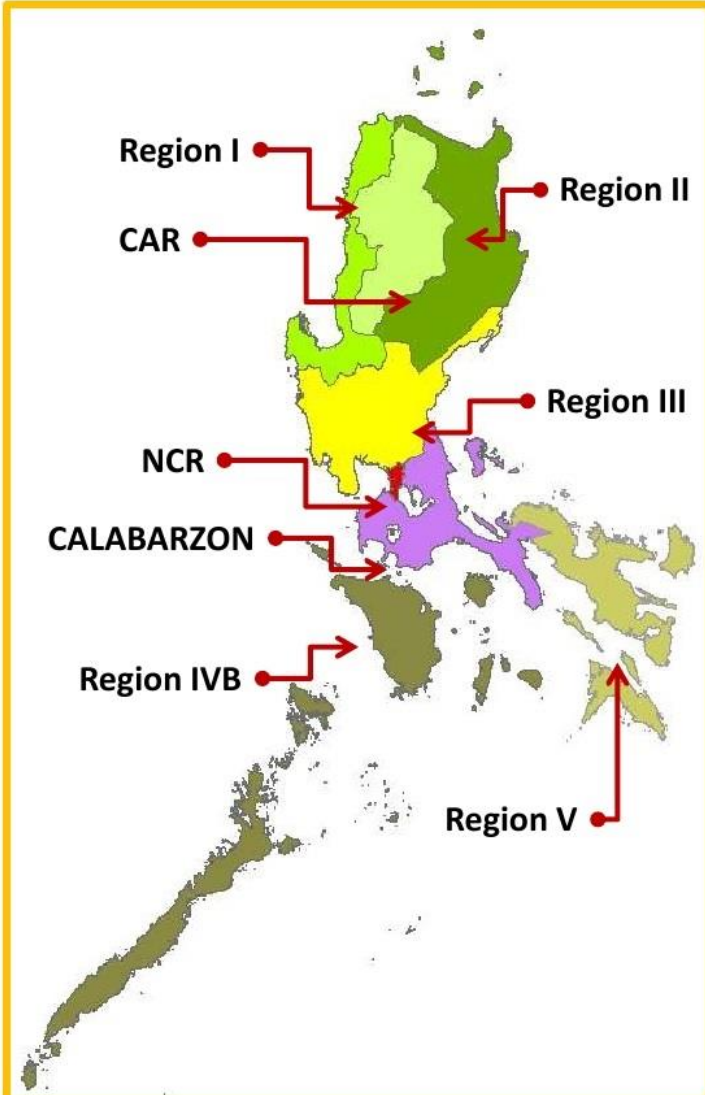


SOURCE: WORLD BANK (NO 2013 DATA YET FOR GROSS SAVINGS)



# 3 areas account for 62% of GDP

$\Sigma = 62.1\%$

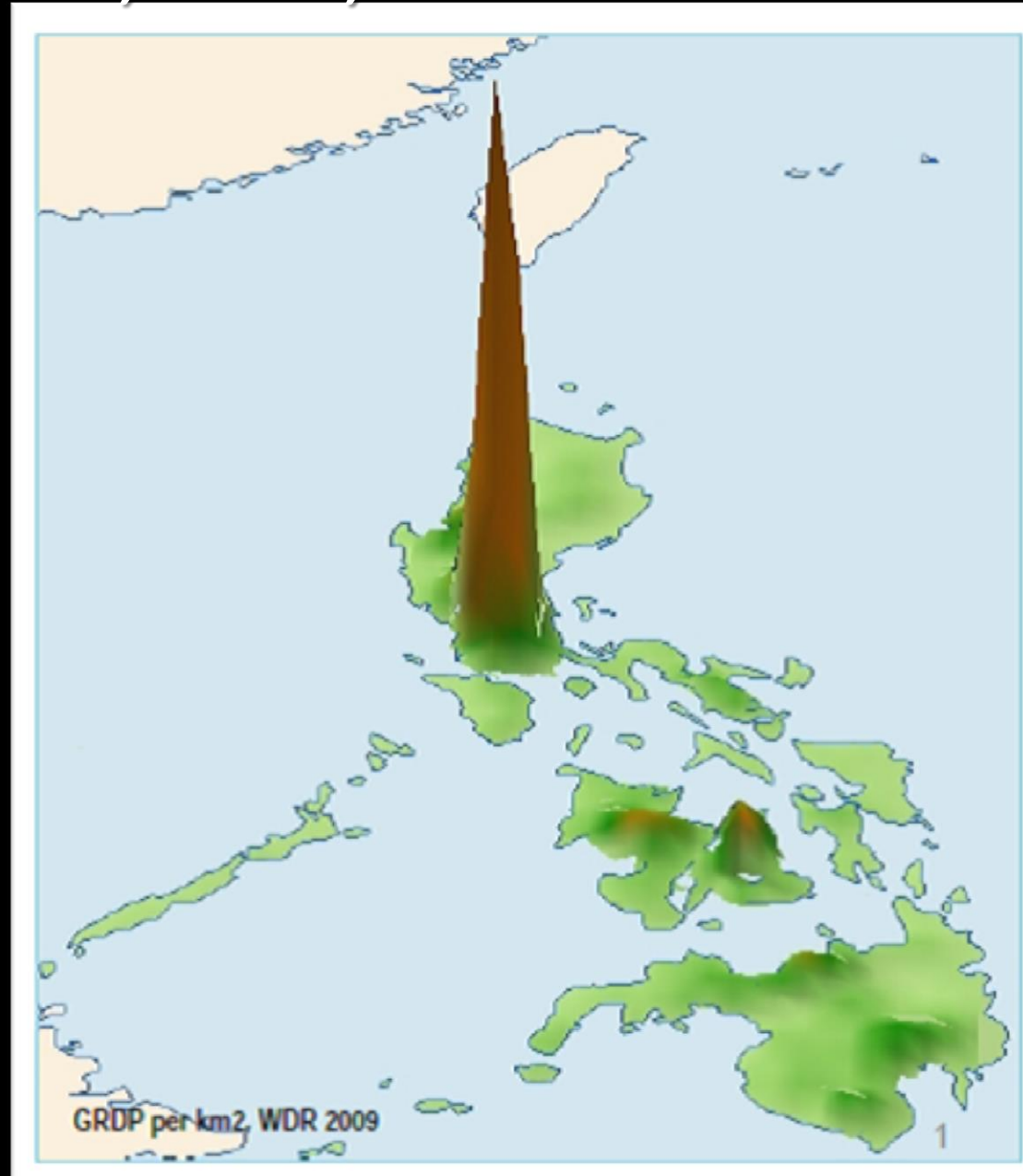


## Population, GRDP & Land Area

Region	Pop 2010	% Share	GRDP 2012 (in Trillions)	% Share	Area (sq. km)	% Share
I, II, & CAR	9.6	10.39	0.726	6.87	60,850	17.7
III	10.2	11.00	0.958	9.08	22,014	6.4
<b>NCR</b>	11.9	12.84	3.830	<b>36.26</b>	619	0.18
IVA	12.3	13.36	1.770	16.76	16,644	4.8
4B & V	8.2	8.84	0.397	3.76	47,760	13.9
Luzon	52.1	56.42	7.683	72.73	147,888.	43.1
PHL	92.3	100	10.564	100	343,448	100

- NCR has < 0.2% of the country's total area but its share of GRDP is commanding at 36%
- The combined economic output of NCR, III, & IVA is even more towering at 67.4% vis-à-vis the 72.7% share of the entire Luzon - the trend for the last 20 years

# GDP/sqm – NCR-CL-STR towering with Cebu, Iloilo-Bacolod, CDO, Davao, Gensan and some Naga-Legazpi



Source: NEDA

# Income Distribution and Sizes of Income Classes 2009 and 2012

17 million poor  
to low income  
households  
Increase

Income Class	No. of Households 2009	No. of Households 2012	Increase
Poor	10,664,713.58	11,286,314.31	621,600.73
Low Income	5,249,031.60	5,777,762.68	528,731.08
Middle Class	3,120,092.21	3,568,661.53	448,569.32
Upper Income	676,471.17	792,998.52	116,527.35

Source: Source: Dr. Jose Ramon Albert; FIES; PSA



## Inequality

Economic growth in the past 20 years in Asia has been accompanied by a rising degree of income inequality, especially among developing nations. A 2012 Asian Development Bank (ADB) report on the issue posited that the main causes were technological change, globalisation and market reforms, all of which tend to boost returns to capital over labour.<sup>30</sup> Academic literature is divided on whether trade (the prime manifestation of globalisation) contributes to inequality.<sup>31</sup> The mechanisms by which it may do so—such as differing levels of productivity and employment between domestic and exporting firms, higher wage premiums for skilled workers in exporting industries, or disparities in bargaining power between workers and employers along supply chains—are also a key focus of ongoing research.

Figure 3.1: Social pillar results

Rank	Country	Score/100
1	South Korea	88.9
2	USA	88.1
3	Japan	85.7
4	Taiwan	81.6
5	Singapore	74.2
6	Brunei	68.2
7	Hong Kong	56.4
8	Malaysia	52.2
9	Vietnam	48.1
10	Thailand	45.2
11	Sri Lanka	44.9
12	China	41.1
13	Indonesia	40.0
14	India	39.8
15	Laos	38.7
16	Cambodia	35.5
17	Pakistan	35.0
18	Bangladesh	33.5
19	Philippines	28.0
20	Myanmar	27.3

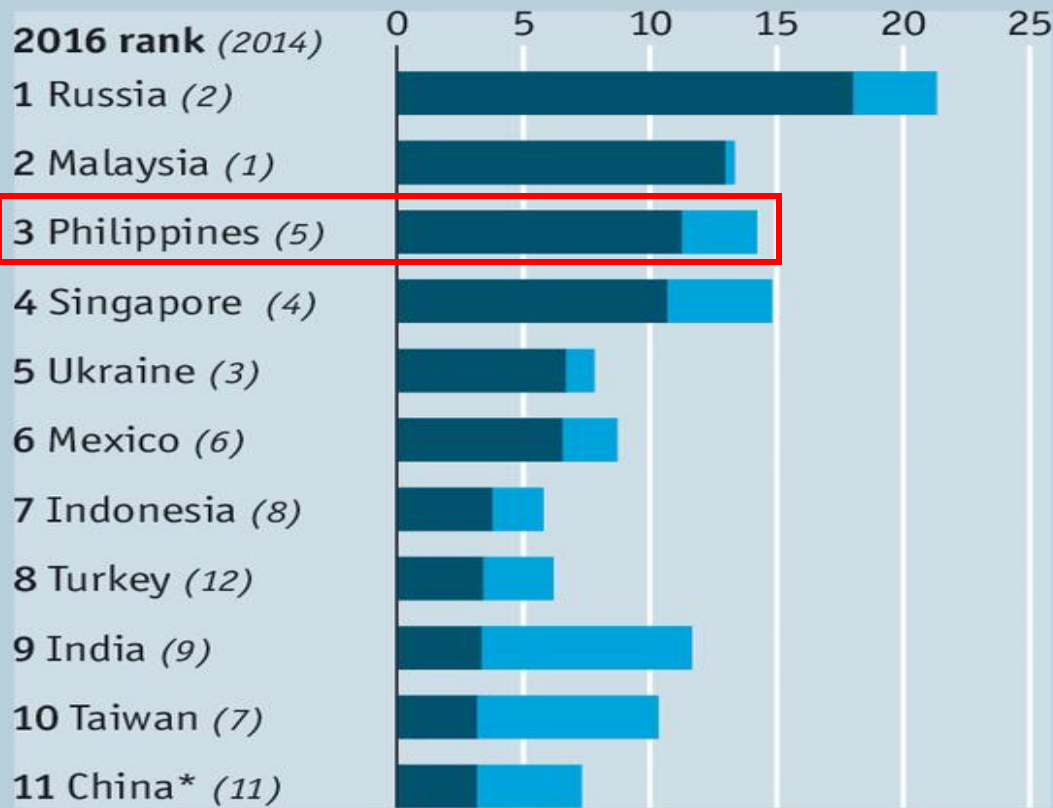
**Ph – 2<sup>nd</sup> most unequal.  
More unequal than Bangladesh**

Source: The Economist Intelligence Unit

# Oligarchy: Ph ranked 3rd!

## The crony-capitalism index

Billionaire wealth as % of GDP, 2016  
Ranked by crony-sector wealth



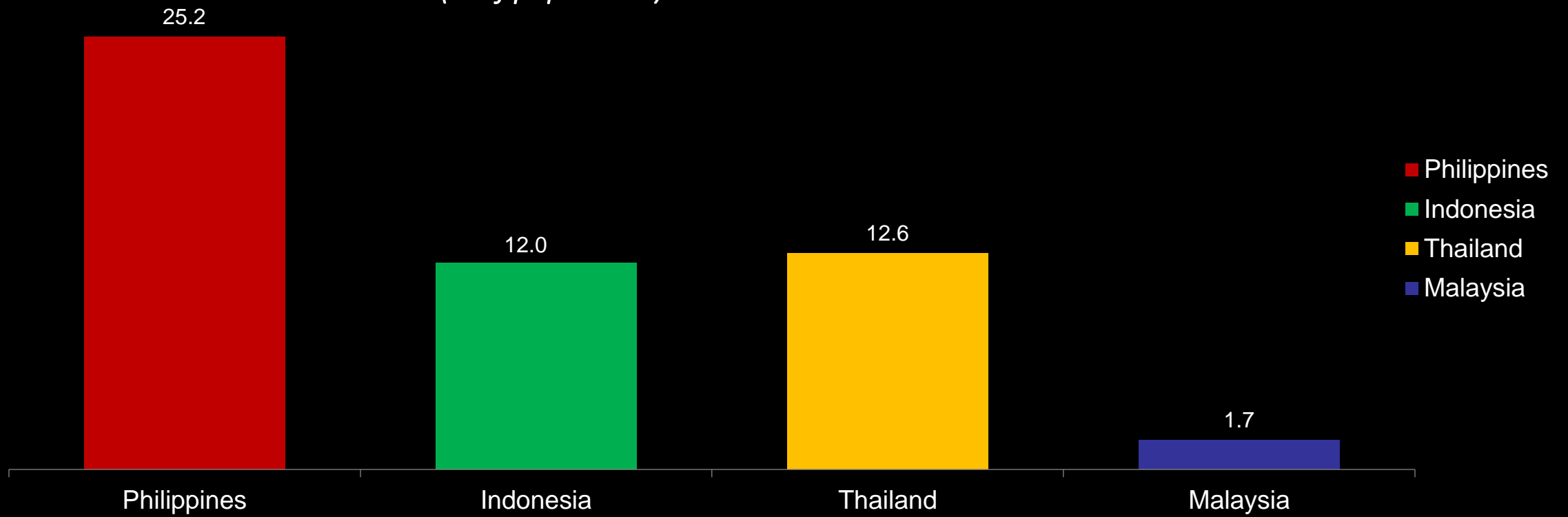
Sources: *Forbes*; IMF; *The Economist*

\*Includes territories



# More poor than our neighbors

*Poverty headcount ratio at national poverty lines, 2012  
(% of population)*



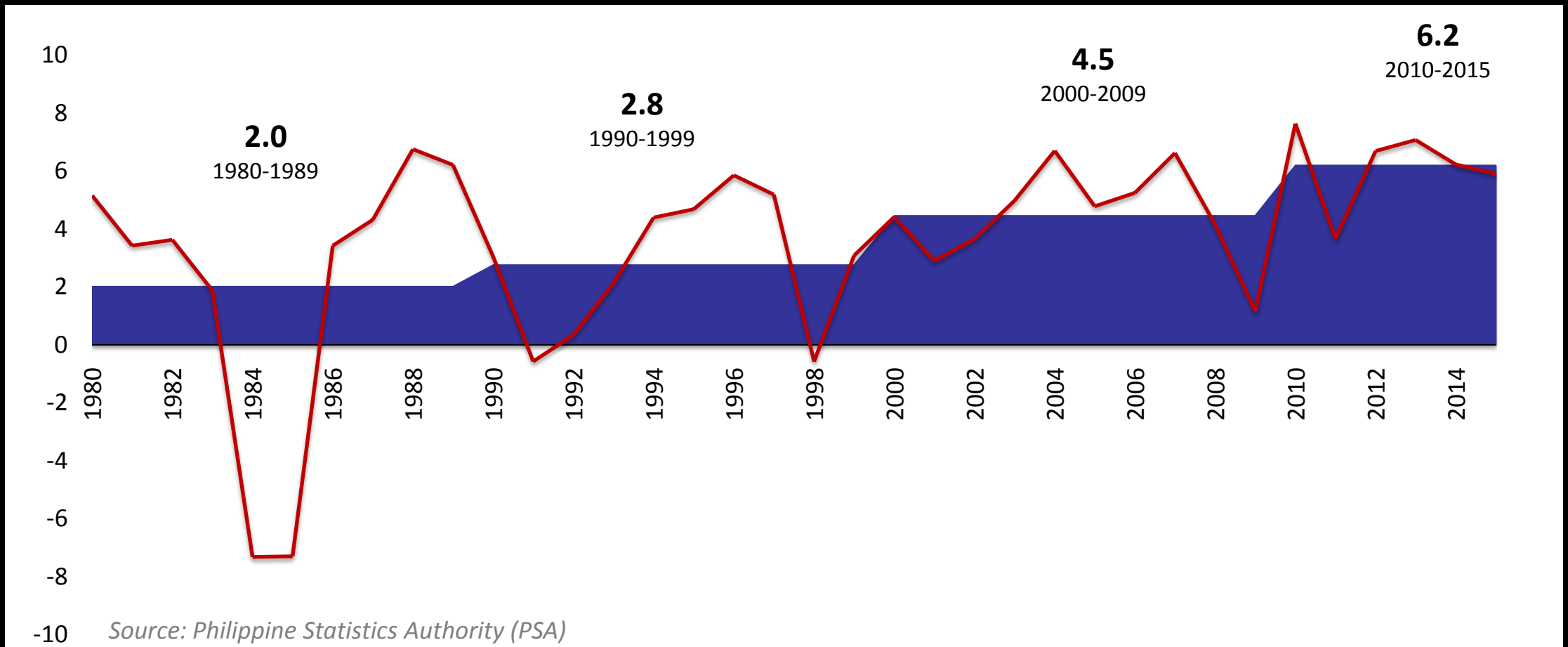
*Source: World Development Indicators; government statistical agencies  
Notes: No poverty data available for the Philippines on 2013 and 2014*

# **DUTERTENOMICS 1.0**

**Prospects and Strategy**

# The Philippines' growth story: (1) rising trajectory, (2) 17 years of uninterrupted expansion

*GDP growth rates (in %, at constant prices)*



# WB: Keeps Ph- numbers trump words

**Table I.B.1. East Asia and Pacific: GDP growth projections**

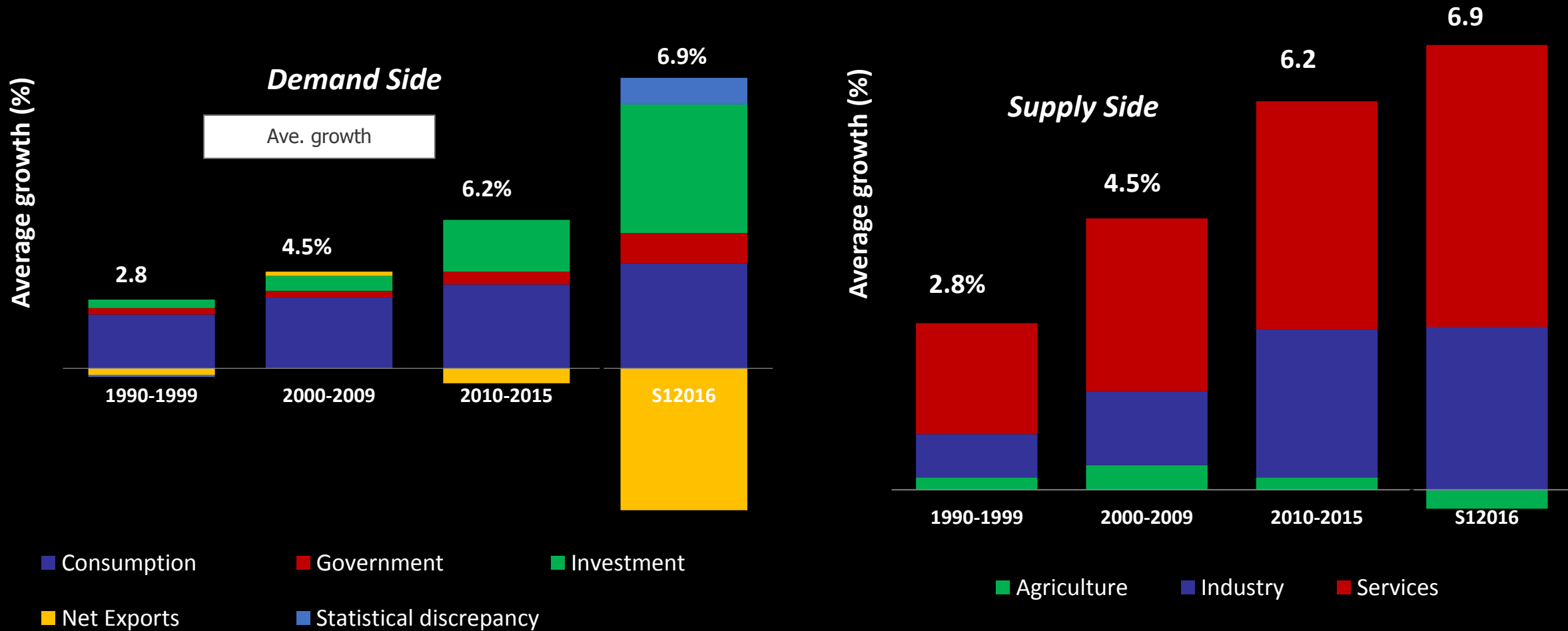
Percent change from a year earlier, unless otherwise noted

	Forecast					Change from April 2016 <sup>a</sup> (percentage points)		
	2014	2015	2016	2017	2018	2016	2017	2018
<b>East Asia &amp; Pacific (EAP)<sup>b</sup></b>	6.2	5.9	5.8	5.7	5.7	0.1	0.0	-0.1
<b>Developing EAP</b>	6.8	6.5	6.4	6.2	6.0	0.1	0.0	-0.2
China	7.3	6.9	6.7	6.5	6.3	0.0	0.0	-0.2
<b>Developing EAP excl. China</b>	4.7	4.8	4.8	5.0	5.1	0.0	0.1	0.0
Developing ASEAN	4.6	4.8	4.9	5.0	5.2	0.1	0.1	0.0
Indonesia	5.0	4.8	5.1	5.3	5.5	0.0	0.0	0.0
Malaysia	6.0	5.0	4.2	4.3	4.5	0.2	0.2	0.2
Philippines	6.2	5.9	6.4	6.2	6.2	0.0	0.0	0.0
Thailand	0.8	2.8	3.1	3.1	3.3	0.6	0.5	0.3
Vietnam	6.0	6.7	6.0	6.3	6.3	-0.2	0.0	0.0
Cambodia	7.1	7.0	7.0	6.9	6.9	0.1	0.1	0.1
Lao PDR	7.5	7.4	7.0	7.0	6.8	0.0	0.0	0.0
Myanmar	8.5	7.0	7.8	8.4	8.3	0.0	0.0	0.0
Mongolia	8.0	2.3	0.1	2.0	3.5	-0.6	-0.7	-2.7
Fiji	5.3	4.1	2.4	3.9	3.7	0.0	0.1	0.2
Papua New Guinea	7.4	6.8	2.4	3.0	3.2	-0.6	-1.1	0.3
Solomon Islands	2.0	3.3	3.0	3.3	3.0	0.0	0.0	0.0
Timor-Leste <sup>c</sup>	5.9	4.3	5.0	5.5	6.0	0.0	0.0	0.5
<b>Assumptions about the external environment:<sup>d</sup></b>								
World	2.6	2.6	2.3	2.7	2.9	-0.2	-0.2	-0.1
Advanced economies	1.8	2.1	1.5	1.7	1.8	-0.4	-0.3	-0.2
Emerging and developing economies	4.1	3.4	3.5	4.4	4.7	0.0	0.0	0.0
Excluding EAP <sup>e</sup>	2.6	1.5	1.6	3.2	3.7	—	—	—
Crude oil (spot, US\$/barrel)	96	51	43	53	60	-8.0	-1.8	1.9
Non-energy commodities (index, 2010 = 100)	97	82	79	81	83	-4.9	-4.3	-4.5
Food (index, 2010 = 100)	107	91	91	93	94	-0.8	-1.3	-0.7

Sources: World Bank data and staff estimates.

Note: a. World Bank *East Asia and Pacific Economic Update*, April 2016; b. Developing East Asia and Pacific and Newly Industrialized Economies; c. Nonoil GDP; d. Global growth forecasts are preliminary working assumptions. Commodity price assumptions are based on World Bank (2016b); e. Country classification not used in previous issues of the *East Asia and Pacific Economic Update*; — = not available.

# Investment & industry are increasingly becoming major drivers of GDP growth



# ADB's Asia 2050

- Asia will nearly double its share of global GDP to over 50%.
- Asia's per capita income will rise six-fold from 2010 to 2050, higher than the global average
- 7 economies will lead Asia's march to prosperity (South Korea, Japan, China, India, Indonesia, Malaysia and Thailand)
- The Philippines will be overtaken by India and Viet Nam; will be in the company of Mongolia and Cambodia.

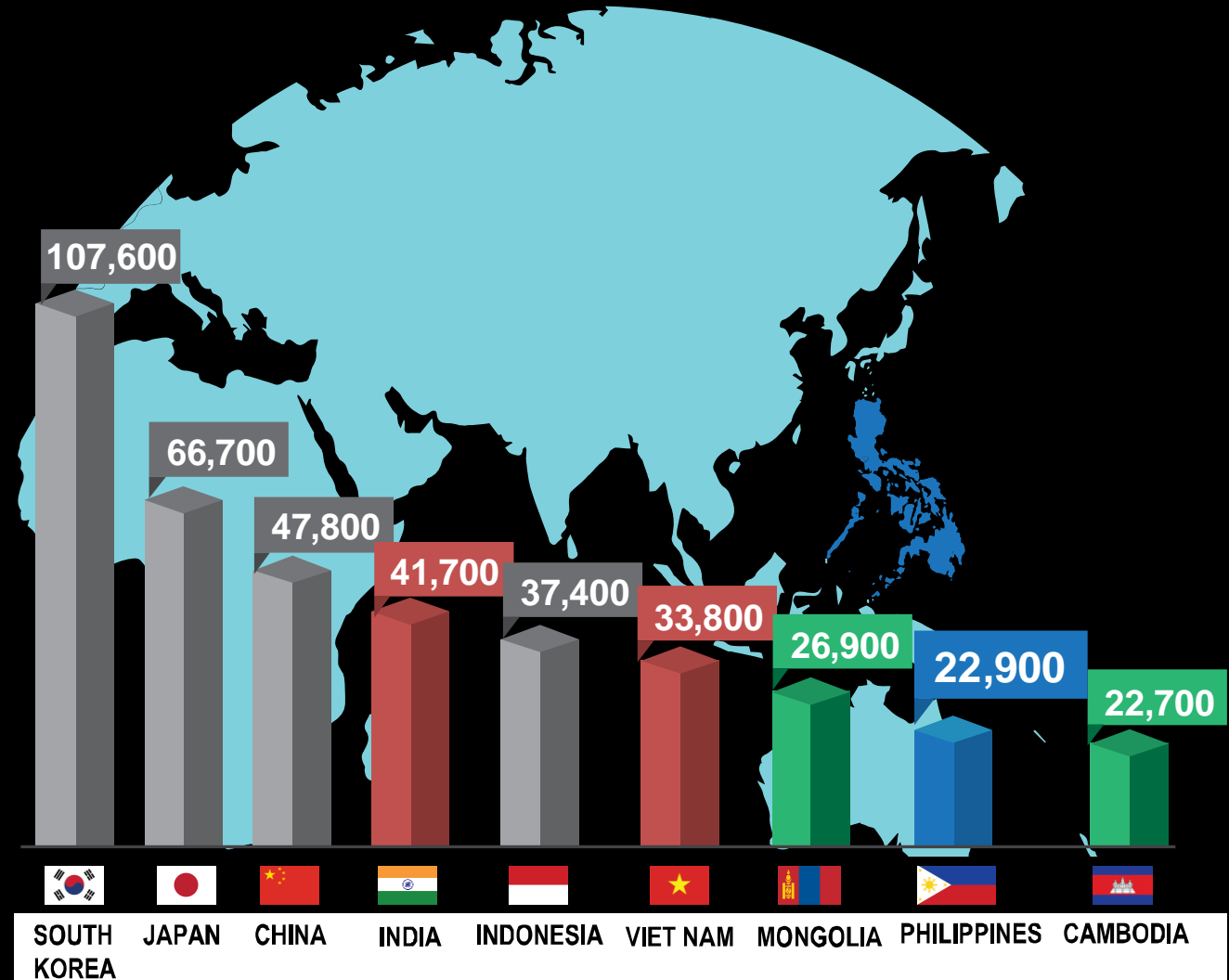
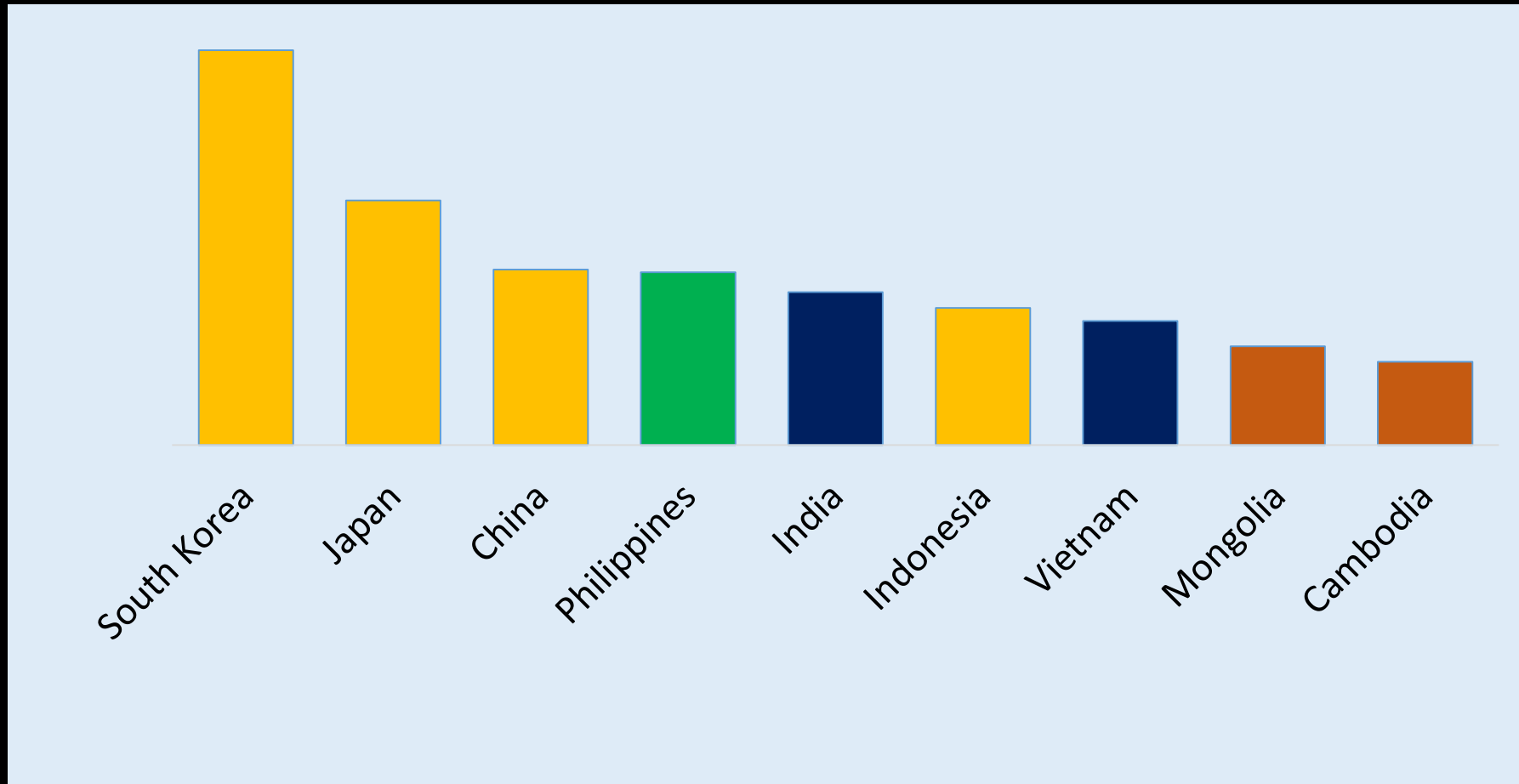


Figure 3: Projections of Per Capita GDP (constant 2010 PPP) of Selected Asian Economies in 2050  
Source of basic data: ADB Publication – Asia 2050

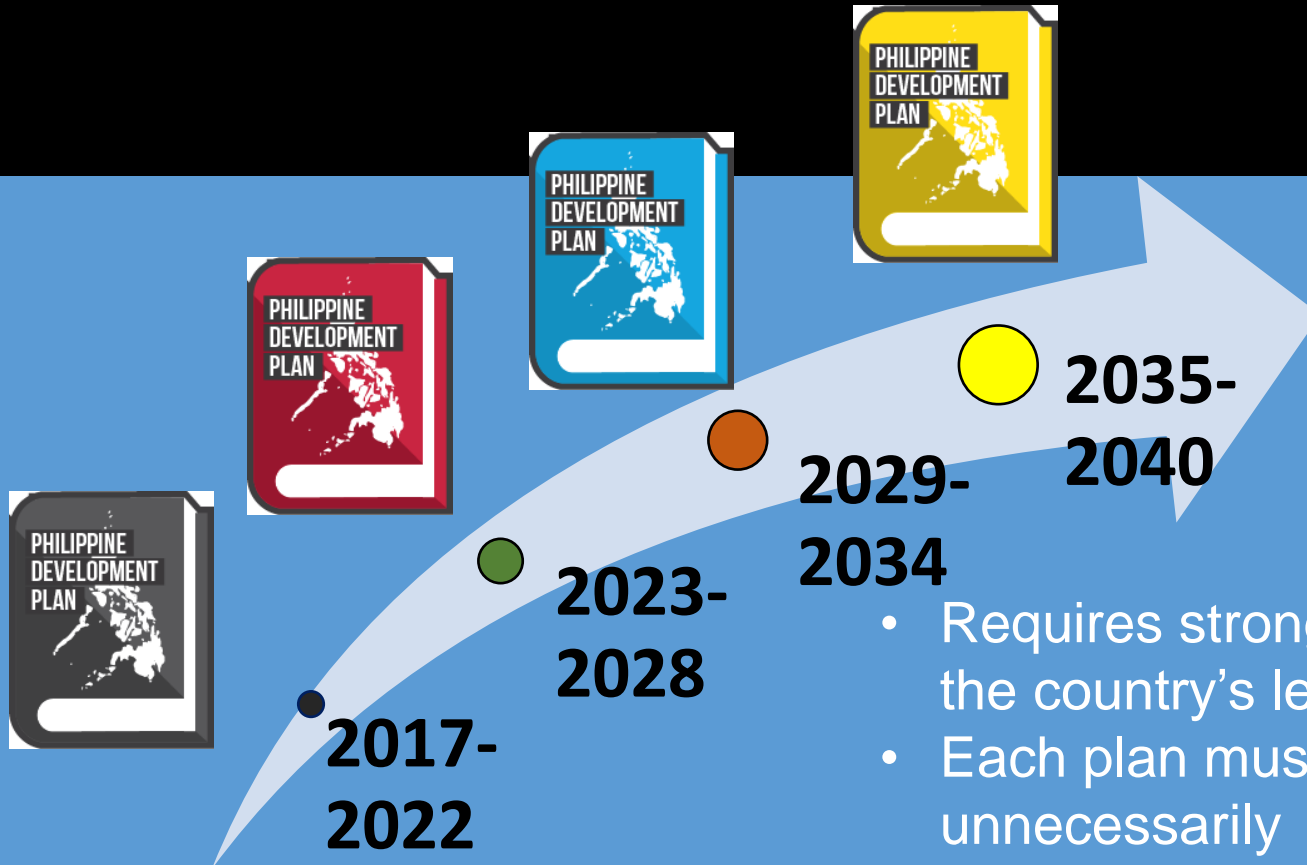
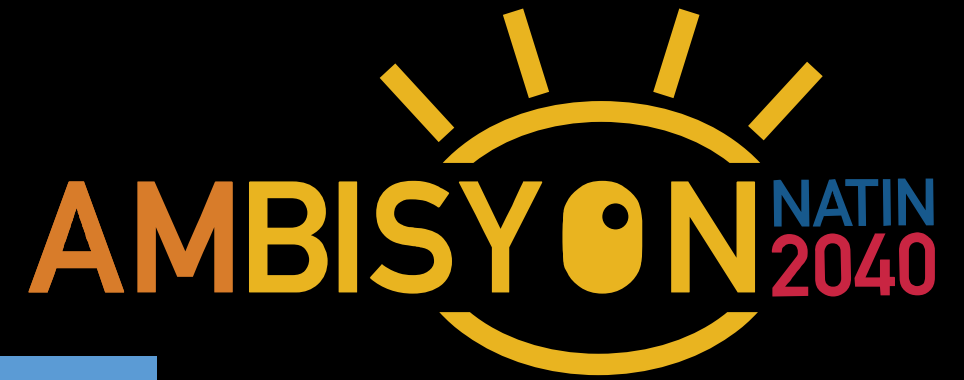


# Asia 2050: We can change the future!



The Philippines can join Asia's march to prosperity!

# From vision to action



- Requires strong ownership and buy-in by stakeholders and the country's leaders over the next 25 years
- Each plan must build on previous plan, not change it unnecessarily
- Needs and preferences may change over time
- Unexpected developments may arise (e.g. climate, science & technology)

FOUNDATION FOR INCLUSIVE GROWTH, A HIGH-TRUST SOCIETY AND A GLOBALLY COMPETITIVE KNOWLEDGE ECONOMY

2022

REDUCING INEQUALITY



Expand economic opportunities

Increase access to economic opportunities



Promote technology adoption

Encourage innovation

Promote competition

ENHANCING THE SOCIAL FABRIC



Build trust in public institutions

Strategic trade and fiscal policy and macroeconomic stability



Accelerate human capital development

Reduce vulnerability of the poor



Maximize demographic dividend



Promote and value cultural diversity

Accelerated and strategic development of infrastructure

Maintain ecological integrity, clean and healthy environment

Ensure security



MATATAG, MAGINHAWA AT PANATAG NA BUHAY

2040

FOUNDATION FOR INCLUSIVE GROWTH, A HIGH-TRUST SOCIETY AND A GLOBALLY COMPETITIVE KNOWLEDGE ECONOMY

2022

REDUCING INEQUALITY



INCREASING POTENTIAL GR



ENHANCING THE SOCIAL FAB



Expand economic opportunities

Increase access to economic opportunities



Promote technology adoption  
Encourage innovation  
Promote competition



Build trust in public institutions

Strategic trade and fiscal policy and macroeconomic stability



Accelerate human capital development

Reduce vulnerability of the poor





Maximize demographic dividend



Promote and value cultural diversity



Accelerate   ment



clean t

Ensure s  y

# PRESIDENT DUTERTE ADMINISTRATION

## 10-POINT SOCIOECONOMIC AGENDA





# **PRESIDENT DUTERTE** ADMINISTRATION

## **10-POINT SOCIOECONOMIC AGENDA**

**(1) Continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies.**

**(2) Institute progressive tax reform and more effective tax collection, indexing taxes to inflation.**

**(3) Increase competitiveness and the ease of doing business.**

**(4) Accelerate annual infrastructure spending to account for 5% of GDP, with Public-Private Partnerships playing a key role.**

**(5) Promote rural and value chain development toward increasing agricultural and rural enterprise productivity and rural tourism.**

**(6) Ensure security of land tenure to encourage investments, and address bottlenecks in land management and titling agencies.**

**(7) Invest in human capital development, including health and education systems, and match skills and training.**

**(8) Promote science, technology, and the creative arts to enhance innovation and creative capacity towards self-sustaining, inclusive development.**

**(9) Improve social protection programs, including the government's Conditional Cash Transfer program.**

**(10) Strengthen implementation of the Responsible Parenthood and Reproductive Health Law.**

## STRATEGIC GOALS

CURRENT	FUTURE
<b>Middle Income Country (2015)</b>	<b>\$1trn economy by 2030 (OECD level)</b>
<b>#137 in GDP/capita (2015)</b>	<b>#100 by 2022, #80 by 2030</b>
<b>Poor (2012) or 4.4m families</b>	<b>7.5% or 2m families by 2022</b>
<b>Near poor (2012) or 7.0m families</b>	<b>20% or 4.4m families by 2022</b>
<b>Increase in middle class families</b>	<b>4.84m families or 15.2m by 2022</b>

**National Goals: more equal, more prosperous and more competitive**

# Simulated GDP Growth Rate Assuming 3% to 5% Expenditure on Infrastructure and other Capital Outlays

Forecast Year	Lagged / Scenario Value for Infrastructure Spending (in % )	Lagged Forecast Growth Rate for Public Spending (in %)	Lagged Forecast Growth Rate for GDCF (in %)	Simulated Annual GDP Growth Rate (in %)
2016	2.3	7.5	5.1	6.2
2017	2.1	1.3	14.1	4.9
2018	2.6	2.7	3.7	5.3
2019	3.0	6.3	-16.1	5.8
2019	3.5	6.3	-16.1	6.6
2019	4.0	6.3	-16.1	7.4
2019	4.5	6.3	-16.1	8.3
<b>2019</b>	<b>5.0</b>	<b>6.3</b>	<b>-16.1</b>	<b>9.1</b>



# 6-Year Growth Prospects

## GROSS DOMESTIC PRODUCT AND GROSS NATIONAL INCOME

By Expenditure Shares at Constant 2000 Prices								
Particulars	ACTUAL	FORECAST						
	2015	2016	2017	2018	2019	2020	2021	2022
Consumption	6,049.5	6,440.0	6,826.4	7,240.5	7,692.3	8,184.0	8,719.7	9,304.0
Private	5,264.1	5,595.8	5,931.5	6,287.4	6,677.2	7,097.9	7,552.2	8,043.1
Government	785.3	844.2	894.9	953.1	1,015.0	1,086.1	1,167.5	1,260.9
Investment	1,805.3	2,021.9	2,284.8	2,604.6	2,969.3	3,385.0	3,858.9	4,399.1
Domestic demand	7,854.8	8,461.9	9,111.2	9,845.1	10,661.5	11,568.9	12,578.6	13,703.1
Exports of goods and services	3,681.2	4,012.5	4,433.8	4,930.4	5,423.4	6,020.0	6,742.4	7,551.5
Imports of goods and services	3,942.2	4,494.1	5,033.4	5,637.4	6,342.1	7,166.6	8,169.9	9,313.7
Statistical discrepancy	0.0	102.4	144.7	143.3	210.9	253.9	301.4	353.6
Gross domestic product	7,593.7	8,082.6	8,656.2	9,281.4	9,953.8	10,676.2	11,452.4	12,294.5
Net primary income	1,540.9	1,662.6	1,729.2	1,791.1	1,860.0	1,925.5	1,990.9	2,056.3
Gross national income	9,134.7	9,745.2	10,385.4	11,072.5	11,813.8	12,601.7	13,443.3	14,350.8
Consumption	6.5	6.5	6.0	6.1	6.2	6.4	6.5	6.7
Private	6.3	6.3	6.0	6.0	6.2	6.3	6.4	6.5
Government	7.8	7.5	6.0	6.5	6.5	7.0	7.5	8.0
Investment	15.1	12.0	13.0	14.0	14.0	14.0	14.0	14.0
Domestic demand	8.4	7.7	7.7	8.1	8.3	8.5	8.7	8.9
Exports of goods and services	9.0	9.0	10.5	11.2	10.0	11.0	12.0	12.0
Imports of goods and services	14.0	14.0	12.0	12.0	12.5	13.0	14.0	14.0
<b>Gross domestic product</b>	<b>5.9</b>	<b>6.4</b>	<b>7.1</b>	<b>7.2</b>	<b>7.2</b>	<b>7.3</b>	<b>7.3</b>	<b>7.4</b>
Net Primary Income (ROW)	5.3	7.9	4.0	3.6	3.8	3.5	3.4	3.3
Gross national income	5.8	6.7	6.6	6.6	6.7	6.7	6.7	6.8

Source: Salceda, J.S. - Philippine Socio-Economic Prospects under the Duterte Administration

**Pillar I: Improving Government Effectiveness**

**Pillar II: Expanding Economic Opportunities**

**Pillar III: Building Human Capital**

**Pillar IV: Expanding the National Potential**

**Pillar V: Social Justice: Rectifying Inequality,  
Reducing Vulnerability and Enhancing  
Social Protection**

**Pillar VI: Financing Inclusive Development**

## **Pillars of Philippine Development**



- a) Fight **Crime** (crime against persons down 39% in July), **Drugs** (down 80% in July-August) in 1 year and **Corruption**
  - Long term commitment to social stability
- b) **Final Peace Talks with NDF: 2<sup>nd</sup> meeting in Oslo, Indefinite ceasefire**
- c) **Final Peace Agreement with Muslim separatists**
- d) **Regular Full Cabinet meeting (5<sup>th</sup> meeting already); convening of LEDAC & other cabinet clusters for inclusive decision-making**
- e) **Fight all forms of red tape: no queues, permits in 3 days**
- f) **Freedom of Information**
- g) **National ID system**
- h) **Political reforms: Federal-Unicameral-Presidential**

## Pillar I: Improving Effectiveness of Public Institutions

# Ranking of Countries by Intentional Homicide Rate (Asia)

	Country	Rate	Count	Region	Sub-region	Year Listed
1	Myanmar	15.2	8,044	Asia	South-Eastern Asia	2012
2	Turkmenistan	12.8	660	Asia	Central Asia	2012
3	Mongolia	9.7	266	Asia	Eastern Asia	2011
4	Kyrgyzstan	9.1	494	Asia	Central Asia	2011
5	<b>Philippines</b>	<b>8.8</b>	<b>8,484</b>	<b>Asia</b>	<b>South-Eastern Asia</b>	<b>2012</b>
6	Iraq	8	2,628	Asia	Western Asia	2012
7	Kazakhstan	7.8	1,263	Asia	Central Asia	2012
8	Pakistan	7.7	13,846	Asia	Southern Asia	2012
9	Palestine	7.4	312	Asia	Western Asia	2012
10	Cambodia	6.5	964	Asia	South-Eastern Asia	2012
11	Afghanistan	6.5	1,948	Asia	Southern Asia	2012
12	Laos	5.9	392	Asia	South-Eastern Asia	2012
13	North Korea	5.2	1,293	Asia	Eastern Asia	2012
14	Thailand	5	3,307	Asia	South-Eastern Asia	2011
15	Yemen	4.8	1,099	Asia	Western Asia	2010

Source: United Nations Office on Drugs and Crime

## **a) Increased Public Infrastructure to 7% of GDP**

- i. Luzon 2045 Infra – P8.1trn
- ii. Visayas 2045 Infra – P4.4trn
- iii. Mindanao 2045 Infra – P6 trn
- iv. PPP Pipeline: P5.9trn

## **b) Ease in approvals of project proposals**

- i. Fight against red tape- 22,000 laws, IRRs, DO, MCs being reviewed
- ii. P5bn below – no need for ICC and NEDA CabCom
- iii. SDR lowered from 15% to 10%
- iv. \* Increase capacity of RDCs and LGUs with funds for FS capability and FSDE preparation

## **c) Enactment of Traffic and Congestion Crisis Act (HB 3712, Salceda)**

## **d) Growth potential from agriculture, manufacturing, tourism and rural ecozones**

## **e) Optimize existing trade deals – ASEAN+1 FTAs, PJEPA, emerging Pivot to China**

## **f) 42 Industry Roadmaps**

## **g) 2017-2022 Investment Priorities Plan**

## **h) Regional Development: Government to build/lease new ecozones in countryside**

## **i) Aside from bilateral / multilateral sources, access the \$10bn Green Climate Fund and the China-led AIIB**

# **Pillar II: Expanding Economic Opportunities**

# PPP Pipeline: P5.6 trillion!

*Status of PPP Projects (as of 30 September)*

Projects by Status	No. of Projects	Amount (PhP Bn)
<b>Projects Under Implementation</b>	<b>14</b>	<b>293.91</b>
Contract Awarded	14	293.91
<b>PPP Pipeline</b>	<b>40</b>	<b>5,642.54</b>
For Contract Signing	1	23.2
For Roll Out	1	74.56
Projects under Procurement	11	263.72
For Approval of Relevant Government Bodies	5	241.26
For Evaluation of Concerned Agencies	2	5,034.00
Projects with Ongoing Studies	3	4.21
Projects Under Conceptualization/Development	16	NA
<b>Total</b>	<b>53</b>	<b>5,934.86</b>

# Case Study: PJEPA



# Impact of PJEPA: Trade

In USD Thousand

Year	PH Export to JP	PH Import from JP	Total Trade with JP	Trade Balance
2001	5,057,443	6,995,947	12,053,390	(1,938,504)
2002	5,295,454	7,926,492	13,221,946	(2,631,038)
2003	5,768,938	8,295,476	14,064,414	(2,526,538)
2004	7,983,390	8,050,849	16,034,239	(67,459)
2005	7,206,100	8,464,166	15,670,266	(1,258,066)
2006	7,918,337	7,676,911	15,595,248	241,426
2007	7,304,148	7,219,107	14,523,255	85,041
2008	7,707,063	7,121,851	14,828,914	585,212
2009	6,208,401	5,764,923	11,973,324	443,478
2010	7,841,291	7,301,840	15,143,131	539,451
2011	8,866,494	7,016,762	15,883,256	1,849,732
2012	9,881,269	6,960,940	16,842,209	2,920,329
2013	12,048,496	5,594,520	17,643,016	6,453,976
2014	13,918,860	5,538,671	19,457,531	8,380,189
2015	12,381,197	6,761,333	19,142,530	5,619,864

## PJEPA Entry-into-Force: December 2008

- *Trade Balance improved by US\$ 31.8 billion in favor of PH\**

Pre-PJEPA (2002-2008): (5,571,422)  
Post-PJEPA (2009-2015): 26,207,019

- *Total Trade increased by 11.69%\**

Pre-PJEPA (2002-2008): 103,938,282  
Post-PJEPA (2009-2015): 116,084,997

Source: trademap.org

\*Based on 7-year average before and after PJEPA EIF

# Impact of PJEPA: Investments

In Php Millions

Year	Total Approved Investments to PH	Approved Investments from JP	% Share to Total
2001	62,436.10	23,021.00	36.9
2002	46,048.80	17,053.80	37
2003	34,010.40	8,840.80	26
2004	173,895.20	26,596.20	15.3
2005	95,821.80	27,548.10	28.7
2006	165,880.00	20,065.70	12.1
2007	214,117.70	38,587.30	18
2008	182,680.90	16,115.60	8.8
2009	121,815.90	70,737.10	58.1
2010	196,063.50	58,333.10	29.8
2011	258,231.20	78,321.20	30.3
2012	289,544.30	69,037.00	23.8
2013	274,013.60	44,784.40	16.3
2014	186,960.00	35,659.90	19.1
2015	245,215.70	54,711.10	22.3

Source: Foreign Investments Reports published by PSA

## PJEPA Entry-into-Force: December 2008

- *Investments from JP increased by 165%\**

Pre-PJEPA (2002-2008): 154,807.5

Post-PJEPA (2009-2015): 411,583.8

- *In 2015, JP is the 2<sup>nd</sup> largest source of approved investments to PH following an increase in its % share after PJEPA EIF\**

Pre-PJEPA (2002-2008): 17%

Post-PJEPA (2009-2015): 26.2%

\*Based on 7-year average before and after PJEPA EIF

# Impact of PJEPA: Movement of Natural Persons

Year/Batch	Total No. Deployed		
	Nurse	Careworker	Total
2009/ 1 <sup>st</sup>	93	190	<b>283</b>
2010/ 2 <sup>nd</sup>	46	72	<b>118</b>
2011/ 3 <sup>rd</sup>	70	61	<b>131</b>
2012/ 4 <sup>th</sup>	28	73	<b>101</b>
2013/ 5 <sup>th</sup>	64	87	<b>151</b>
2014/ 6 <sup>th</sup>	36	147	<b>183</b>
2015/ 7 <sup>th</sup>	75	218	<b>293</b>
2015 returnees / change employers	1	5	<b>6</b>
2016/ 8 <sup>th</sup>	60	276	<b>336</b>
2016 returnees / change employers		2	<b>2</b>
<b>TOTAL</b>	<b>473</b>	<b>1130</b>	<b>1,603</b>

*After PJEPA EIF, nurses and careworkers were allowed entry to JP*

- 8 batches deployed
- 473 nurses
- 1,130 careworkers

Source: POEA Welfare and Employment Office

# **Special Focus: MRP 42 Industry Roadmaps**



# INDUSTRY ROADMAPPING PROJECT

**42** ROADMAPS SUBMITTED TO  
BOI

**36** COMPLETED

**6** DRAFTS

1. Automotive
2. Automotive Parts
3. Biodiesel
4. Cement
5. Ceramic Tiles
6. Chemicals
7. Copper Products
8. Furniture
9. Mass Housing
10. Motorcycle
11. Petrochemicals
12. Rubber Products
13. Tool and Die

14. Manufacturing
15. Electric Vehicles
16. Electronics
17. Iron and Steel
18. IT-BPM
19. Metalcasting
20. Plastics
21. Paper
22. Natural Health Products
23. Aerospace
24. Retirement
25. Shipbuilding
26. IC Design

27. Healthcare Services
28. Printing
29. Book Publishing
30. Dried Mango
31. Processed Shrimps/Prawns
32. Seaweed/ Carageenan
33. Coco coir
34. Bamboo
35. Gifts & Houseware
36. Holiday décor

## Drafts

1. Jewelry
2. Creative Industries
3. Gold
4. Services
5. Chocolate Confectionaries – Tablea
6. Condiments/ Mixes



# Summary of Industry Targets: 42 Industry Roadmaps

Industry	Investment Target	Export Value Target (in US dollars)	Gross Value Added Target	Employment Target	Other Targets/Remarks
Manufacturing	Data not available	Data not available	30% of total value added	15% of total employment	
Aerospace	Data not available	USD 2.57 Billion (from USD 192 Million in 2013)	Data not available	14,932 indirect and indirect jobs (from 2,200 in 2013)	
Automotive (including Automotive Parts, Motorcycle and Electric Vehicle)	Data not available	Data not available	Data not available	Data not available	<ul style="list-style-type: none"> <li>• Auto sales projection for 2016 – 380,000 units</li> <li>• Motorcycle sales projection for 2016 – 1.4 million units</li> <li>• EV production projection for 2017 - 69,145 units (based on roadmap)</li> <li>• Auto Parts CKD Local Content Target - 68% in 2019-2020 (based on roadmap)</li> </ul>
Bamboo	The total planned investments in the bamboo industry of planned and on-going projects is estimated at Php 34.026 billion which is much higher than the estimated cost of bamboo roadmap implementation of Php 26.235 billion.	Data not available	Data not available	From 2016 to 2040, the targeted 80,300 hectares will require a workforce equivalent of 9.9 million mandays - additional employment for farm workers. Employment from the processing of bamboo for food, e-bamboo and chemical products will require from 968 to 1,165 workers.	

Industry	Investment Target	Export Value Target (in US dollars)	Gross Value Added Target	Employment Target	Other Targets/Remarks
Biodiesel	Data not available	Data not available	Data not available	Data not available	<p>Target blend:</p> <ul style="list-style-type: none"> <li>• 2009 – B2</li> <li>• 2011 –</li> <li>• 2015 – B5</li> <li>• 2022 – B10</li> <li>• 2030 – B20</li> </ul> <p>If B5 mandate will not be implemented in 2016, The Philippine Biodiesel Association (TPBA) is of the view that the following could be a workable compromise:</p> <ul style="list-style-type: none"> <li>• 2016 – B3</li> <li>• 2017 – B4</li> <li>• 2018 – B5</li> <li>• 2022 – B10</li> <li>• 2030 – B20</li> </ul>
Carageenan	Data not available	<p>For 2016, the 140,000 tons target was set by the industry to supply the 110,000 tons requirements of carrageenan processors and 30,000 tons for exports.</p> <p>Production and exports of ulva is projected to increase to 2,000 tons in 2020.</p> <p>The industry is also looking at reviving the market for gracillaria, with a target of 6,000 tons dried in 2016 and increasing it to 10 percent annually.</p>	Data not available	Data not available	<ul style="list-style-type: none"> <li>• Increase seaweed production by 10 to 15 percent growth annually in the medium term</li> <li>• Increase carrageenan production by 5% annually in the medium term</li> </ul>

Industry	Investment Target	Export Value Target (in US dollars)	Gross Value Added Target	Employment Target	Other Targets/Remarks
Condiments	Data not available	2014(BL) – 30.41M kg (USD102M) 2015 – 31.93M kg 2016 – 33.52M kg 2017 – 35.20M kg 2018 – 36.96M kg	Data not available	Data not available	
Copper	Data not available	2016 – USD 346 million 2022 – USD 800 million 2030 – USD 2450 million *excluding cathodes	Data not available	Data not available	
Electronics	Double investment from 2022-2030	Increase export by 10%	Data not available	Data not available	
Furniture	Data not available	USD 295.79 million by 2016 from USD268.9 in 2015 (10% increase)  Projection: Export of Furniture Products would likely increase by 10% to 14% based on its performance from 2010 to 2015	Projection: GVA for the Furniture Industry would likely increase by 28% to 35% based on its performance from 2010 to 2015	Maintain direct employment number at 118,000  Projection: Employment for the Furniture Industry would likely increase by 0.3% based on performance from 2009 to 2014	
Gifts and Houseware	Data not available	5-10% annual growth until 2030	Data not available	Data not available	
Holiday Decor	Data not available	5-10% annual growth in exports until 2030	Data not available	Data not available	
Housing	P2.5 trillion	Data not available	P1.4 trillion value added created P1.18 trillion household income	862 thousand	2.2 million units housing produced



Industry	Investment Target	Export Value Target (in US dollars)	Gross Value Added Target	Employment Target	Other Targets/Remarks
IC Design	2016: USD 40 million additional investment (mainly on services side)  2020-2025: USD 310 million additional investment (both manufacturing and services)	2020-2025: 2.3 billion USD additional export (goods trading)	Data not available	2016: 40,000 additional workers (direct for the S&E industry) 280,000 additional workers (indirect for the country)  2020-2025: 150,000 additional workers (direct for the S&E industry) 1 million additional workers (indirect for the country)	
Iron and Steel	Data not available	Data not available	Data not available	42,616 direct jobs  Based on PH Projections Model (PEPM) 2015 from approx. 17,000 in 2015	Apparent Steel Consumption (ASC) of 70% by 2030 – long and flat steel products to 9.8M MT and 10.1M MT, respectively.
IT-BPM	Data not available	USD 25 billion by 2016 (from USD 21.8 in 2015)	12% global market share in 2015	1.3 million direct jobs and 2.5 million indirect jobs by 2016 (from 1,071 million jobs in 2015)	The new roadmap will come out by third week of October so these figures will be updated.
Metalcasting	Data not available	ST – 10,000 tons MT – 16,000 tons LT – 26,000 tons	Data not available	Data not available	Increased casting production: ST – 65,000 tons MT – 105,000 tons LT – 172,000 tons  Increased import substitution: ST – 10,000 tons MT – 16,000 tons LT – 26,000 tons
Natural Health Products	Data not available	USD 70 million	Data not available	20,000 additional employment	
Petrochemicals	Data not available	Data not available	Increase GDP share by 5%-10% by 2025 <ul style="list-style-type: none"> <li>• 2010 – PhP 44 billion</li> <li>• 2018 – PhP 113 billion</li> <li>• 2025 – PhP 215 billion</li> </ul>	Data not available	

Industry	Investment Target	Export Value Target (in US dollars)	Gross Value Added Target	Employment Target	Other Targets/Remarks
Processed Shrimp/Prawns	Data not available	Industry players estimate total shrimp export volume of about 7,000 tons in 2015 doubled in 2016 and increasing 10% per year if constraints are dealt with. Hence, total export volume forecast is 14,000 tons in 2016, 15,400 tons in 2017, and about 17,000 tons by 2018.	Data not available	Data not available	The industry targets an annual increase of 10 percent in production and export in the short-term. With an estimated shrimp production of 55,000 in 2015, it is projected to increase to 60,500 tons in 2016, to 66,550 tons in 2017, and to 73,200 tons in 2018.
Pulp and Paper	Data not available	Data not available	Data not available	Data not available	raise level of wastepaper recycling 2013-2016 – from 50% to 60% 2017-2022 – from 65% to 70%
Retirement	Data not available	Data not available	Data not available	Data not available	2018 – 50,000 of world's retirees chosen Philippines as retirement destination 2024 – 500,000 2030 – 3,000,000
Shipbuilding	Data not available	USD 2 billion by 2030 (from USD 1 billion in 2012)	2.8% global market share in 2015	75,000 direct jobs by 2030 (from 47,847 in June 2016)	
Tool and Die	Data not available	2:1 import-export ratio by 2016 (3:1 import-export ratio in 2014 and 4:1 ratio in 2013)	Data not available	80 graduates of Die and Mould Making and Design (D2M2) Trainings by 2016	
Tourism	Data not available	Data not available	USD 24.7 billion Tourism Direct Gross Value-Added (8.1% share to GDP)	6.8 million people employed (17% share to national employment)	<ul style="list-style-type: none"> <li>6 million international tourist arrivals</li> <li>35.5 million domestic travellers</li> </ul>

No specific targets were identified in the roadmaps of coco coir, book publishing, chemicals, plastics, cement, dried mango, health care services, printing, rubber and ceramic tiles.



# **Special Focus: 2017/22 Investment Priorities Plan**

# IPP 2017-2019

## KEY OBJECTIVES

### Generate massive levels of decent jobs

- Promote linkage between growing and lagging sectors, geographical areas; Medium and Large size Enterprises with Micro, Small, Medium Enterprises (MSMEs)
- Spur and nurture innovation-driven growth models and projects
- Modernize Philippine economy
- Solve social issues (e.g. Housing, Transportation, Safe and Secure Travel)
- Sustain and further deepen competitive advantage in people

# FOCUS AND STRATEGIES

- Broaden coverage of Manufacturing and Agribusiness sectors
  - Massive employment generation and higher value adding activities
  - Revival of the manufacturing sector – walking on 2 legs
  - Reviving industries whose competitiveness is declining over the years through provision of fiscal incentives
- Inclusion of Inclusive Business (IB) Projects
  - Linking MSEs to bigger enterprises
  - Provide business and employment opportunities to agribusiness and tourism sectors
  - Support to Pro-poor programs
  - Encourages social entrepreneurship
- Ease of doing business
  - Streamlining of procedures
  - Liberalizing Board policies

# FOCUS AND STRATEGIES

- Modernizing the incentives regimes
- Promotion of innovation centers, fablabs, R & D activities, testing labs, Centers of Excellence
  - Improvement of productivity & competitiveness
- Commercialization of government-funded research studies
  - Supports business start-ups
- Development of the countryside – **no incentives to projects in MM**

**a) Education modernization (P700bn in 2017)**

- i. Pursue K-to-12, close resource gaps in kindergarten and in all tracks of senior high (P570bn)**
- ii. No HS-less barangays (with at least 30 students)**
- iii. Australian model (HECS) / Thailand (TICAL) on Universal “Study Now-Work and Pay” for both private and public post-secondary: National Higher Education Contribution Scheme possibly pilot test in 2017 and scale up to universal by 2019 (HB 2771, Salceda)**
- iv. Supply side modernization of SUCS (P58.8bn): more on QS list**
- v. TESDA – P6.9bn for 293,000 trainees**

**b) Cuban model on Healthcare (Health budget – P151bn in 2017)**

- i. Shift health expenditure towards primary, preventive healthcare**
- ii. On hospital care and curative care, make PhilHealth compulsory, expand catastrophic packages**
- iii. P9bn shift to rehab centers**
- iv. P4.8bn for RPRH- mostly for maternal/infant nutrition and only P800m in commodities**

## **Pillar III: Building Human Capital**



- c) Expand CCT to include vulnerable poor i.e. 21% poor + next 20% (P130bn)**
- d) Massive “mass housing” for the homeless and the vulnerable in complement and in contrast to the booming condominium – neglected by all past admins or attempts not succeeding**
- e) Create the Department of Overseas Filipinos with incentives for savings and SSS, PhilHealth benefits portable (HB 192, Bertiz and Salceda)**
- f) Active citizenship: Restore ROTC**

## **Pillar III: Building Human Capital**

# Regression adjusted wage premia

	Wage premium (%)
Urban / Rural	20
Formal / Informal	33
Tertiary / Primary education	113
Tertiary / Secondary education	74
Secondary / Primary education	34
Industry / Services	18
Skilled manual / Unskilled	30
Skilled manual / Services and sales	13
Service and sales / Unskilled	14
Male / Female	30

Sources: Labor Force Survey 2013 and Informal Sector Survey 2008; Bank staff calculations.

- a) **Independent foreign policy – Rebuilding relations with China... and now with US, EU and UN**
- b) **Promotion of innovation, creativity and culture of design as a national policy**
  - i. **Prioritize operationalization of DICT: P35bn for “last mile” internet**
  - ii. **Increase the speed to boost creativity (crosspollination of ideas)**
  - iii. **Creation (designation) of “Innovation Officer” in all units of government- Undersecretary in the Department level**
- c) **Promotion of science and technology and indigenous knowledge**
  - i. **SCIENCE FOR CHANGE: 13-pt Agenda**
- d) **Promotion of arts, culture and history: Creation of Department for History, Culture and Arts (subsuming NHCP, NMP, KWF et al)**
- e) **Promotion of sports – national and grassroots**
  - **Gintong Alay – type of sports development**
- f) **Establish strategic initiatives fund – P20bn for business incubation, P20bn for international tourism marketing, P20bn for culture and arts, P20bn for sports development, P20bn for basic RD and P20bn for technology diffusion**

## **Pillar IV: Expanding the National Potential**

## Science for Change Platform by DOST

Program Expansion for:

1. Health Self Sufficiency;  
Drug Discovery and development;  
Diagnostics development;  
Biomedical Efficiency;
2. Renewable Energy;  
Solar, Ocean, Wind, Brines;  
Energy Storage
3. Climate and Environment Sciences;  
Disaster Risk Reduction,  
Resilience in Different Sectors  
Models downscaled to specific locations
4. Food and Nutrition;  
Innovative Food Product,  
Affordable Nutrition Interventions,  
Focus on First 1000 Day of the Young
5. Agricultural Productivity:  
Farm Mechanization  
High yielding hybrids  
Disease Prevention and Control
6. Defense and Security R & D
7. Regional Strengthening of R & D and S & T Services  
Through Infrastructure,  
Facilities, HRD and R&D Functions
8. Space Technology Development;  
New Satellites (Apo & Mayon after Diwata)
9. Science and Technology  
For the Creative Arts,  
Tourism Techvoc and the Services Industries
10. Artificial Intelligence:  
From HRD, R&D to Industry
11. Biotechnology for Industry:  
Agriculture, Health, Environment
12. Technology Business Incubation
13. Project Noah to be under PAGASA

**cc. Rep. Joey Sarte Salceda**



- a) **Class-wise**: target both poor (4.4m) and near-poor (7.0m) families
- b) **Sectorally**, refocus on agri & food security from less than 3% of GAA to 10% of budget
  - i. condone all IA debts to NIA
  - ii. scrap irrigation service fees
- c) **Spatially**, focus infra on countryside where 67% of poor reside inc. new ecozones
- d) **Promotion of environment**: securing the means for future Filipinos, no intergenerational transfer of pollution. Sec Gina Lopez and CSOs
  - i. Tree sponsorship for CSRs and high network (geo-tagged e-certificates)
  - ii. Universal charge in electricity and water for tree growing agreements with communities
- e) **Level playing field**
  - i. Dismantling of oligarchies esp. state-sponsored privileges
  - ii. Reform sectors benefitting from unequal sharing of natural wealth such as large-scale mining
  - iii. Terminating undue access and benefit from state's market power thru competitive auction (Ongpin's e-game)
- f) **Labor welfare**
  - i. **End of "endo": revoke DOLE circular 18-A (2011) enabling contractualization**
  - ii. OJT / Internship for nursing and hotels work should be paid

## **Pillar V: Social Justice: Rectifying Inequality, Reducing Vulnerability and Enhancing Social Protection**



**g) Agrarian:**

- i. condone agrarian reform loans, cancel encumbrance**
- ii. Distribute remaining 643,000 hectares for free to poorest willing farmers based on clear parameters of priority**

**h) Support to OFW dislocation**

- i. DOLE – TUPAD and Reintegration – P3bn**
- ii. OWWA – P2bn reintegration**
- iii. DFA – ATN LAF of P400m**

**i) Support to 4.6m senior citizens**

- i. Increase in social pension for senior citizens – DSWD P18bn**
- ii. Increase in SSS pension by P2,000, premium increase 1/3 by employees & 2/3 by employers**

**j) DRR-CCA**

- i. Relocation of vulnerable households**
- ii. Creation of sustainable eco-townships**
- iii. Creation of National Disaster Risk Reduction Management Authority**

## **Pillar V: Social Justice: Rectifying Inequality, Reducing Vulnerability and Enhancing Social Protection**

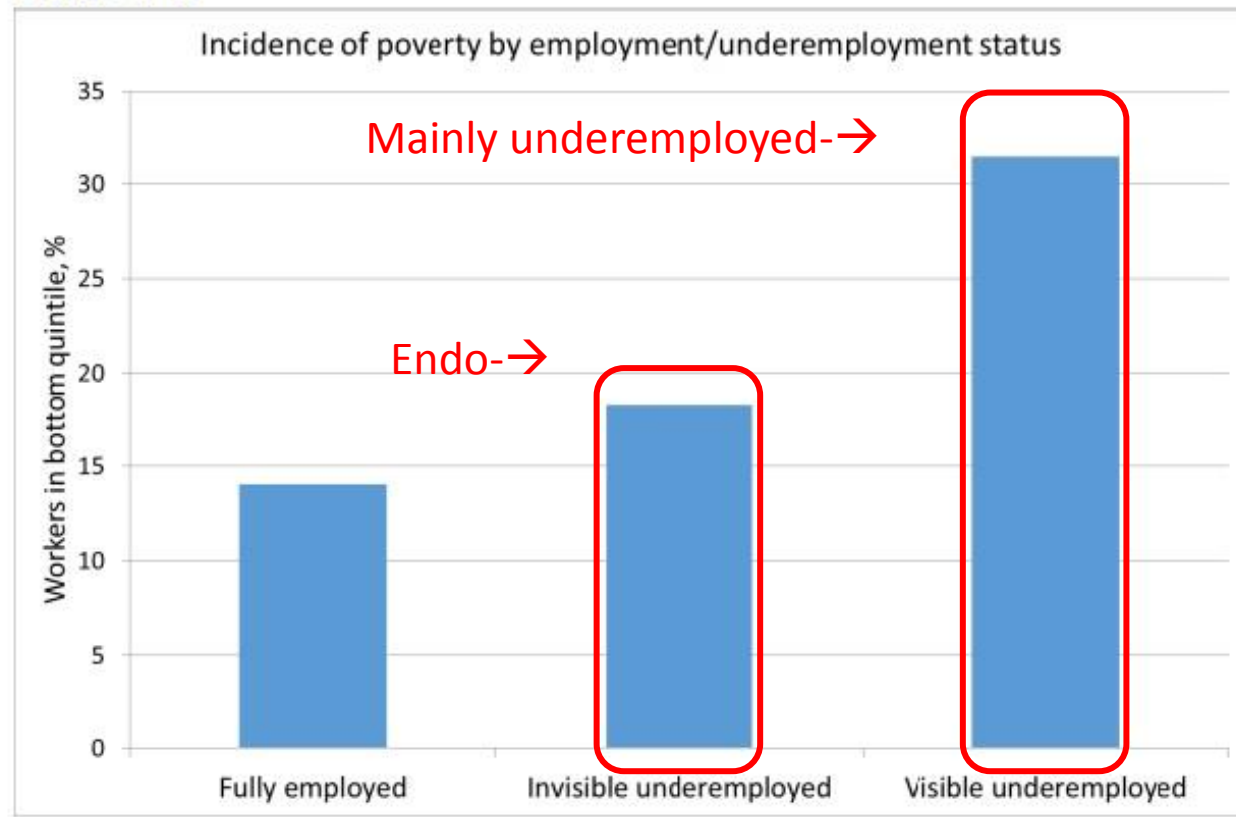
# Special Focus: ENDO

# Unemployed have less poor than Employed: **In-work poverty**

Panel A



Panel B



Note: Poverty = bottom quintile of individual per capita income distribution.

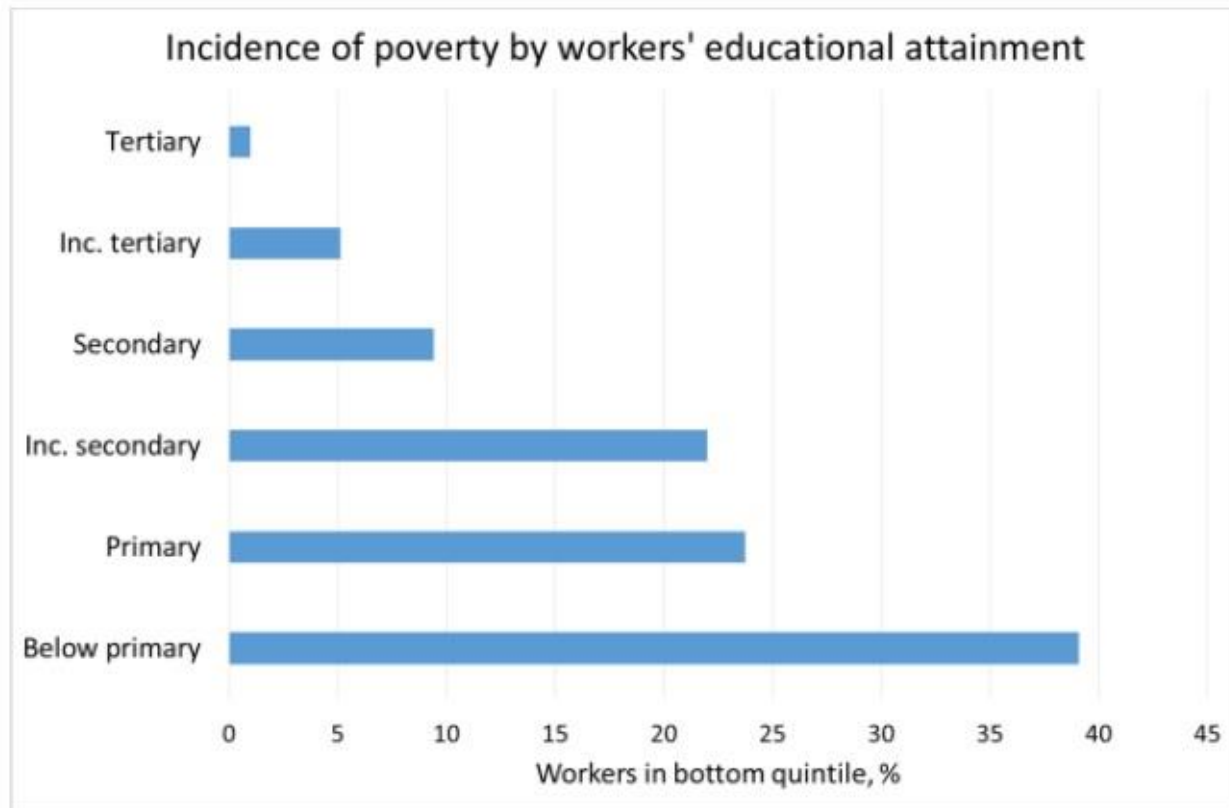
Visible underemployed = work less than full-time (40 hours per week) and would like to work more.

Invisible underemployed = work full-time but would like to work more.

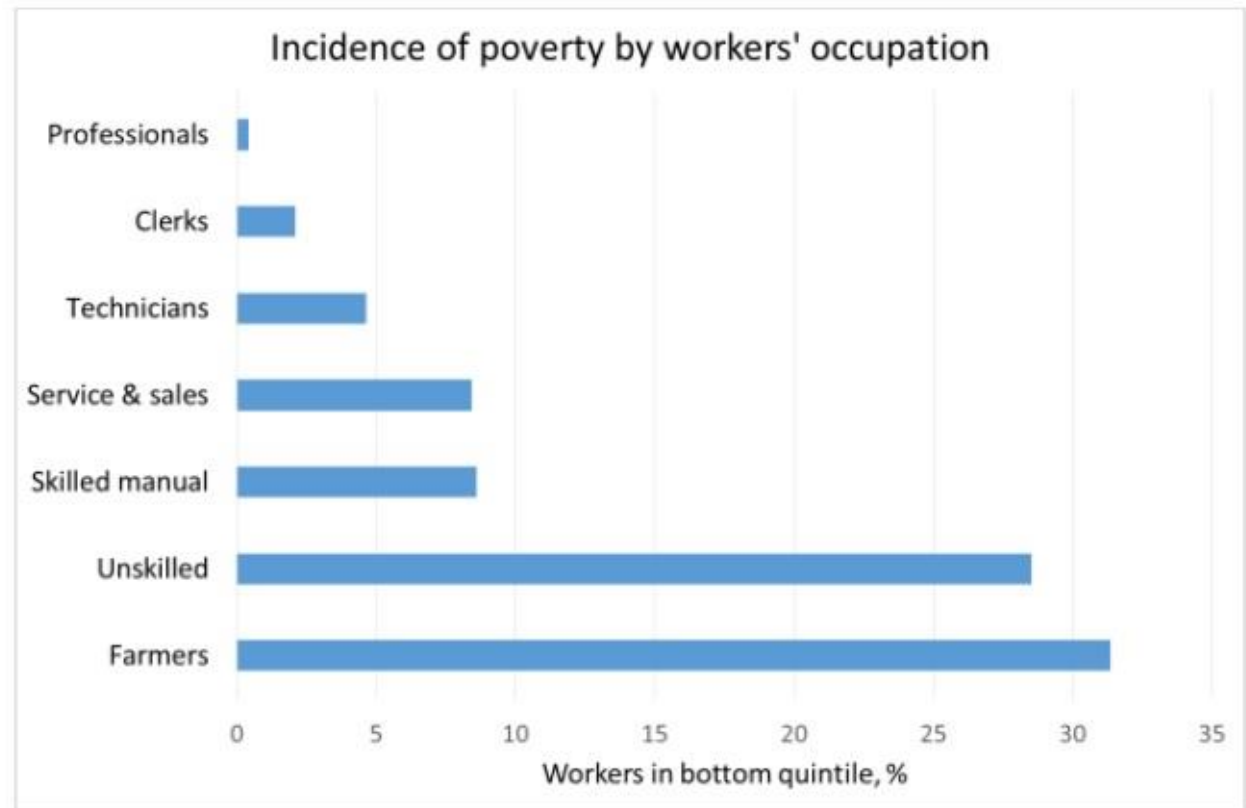
Source: Family Income and Expenditure (FIES) - Labor Force Survey data, January 2013; Bank staff calculations.

# “in-work poverty” falls with “higher education and skills”

Panel A

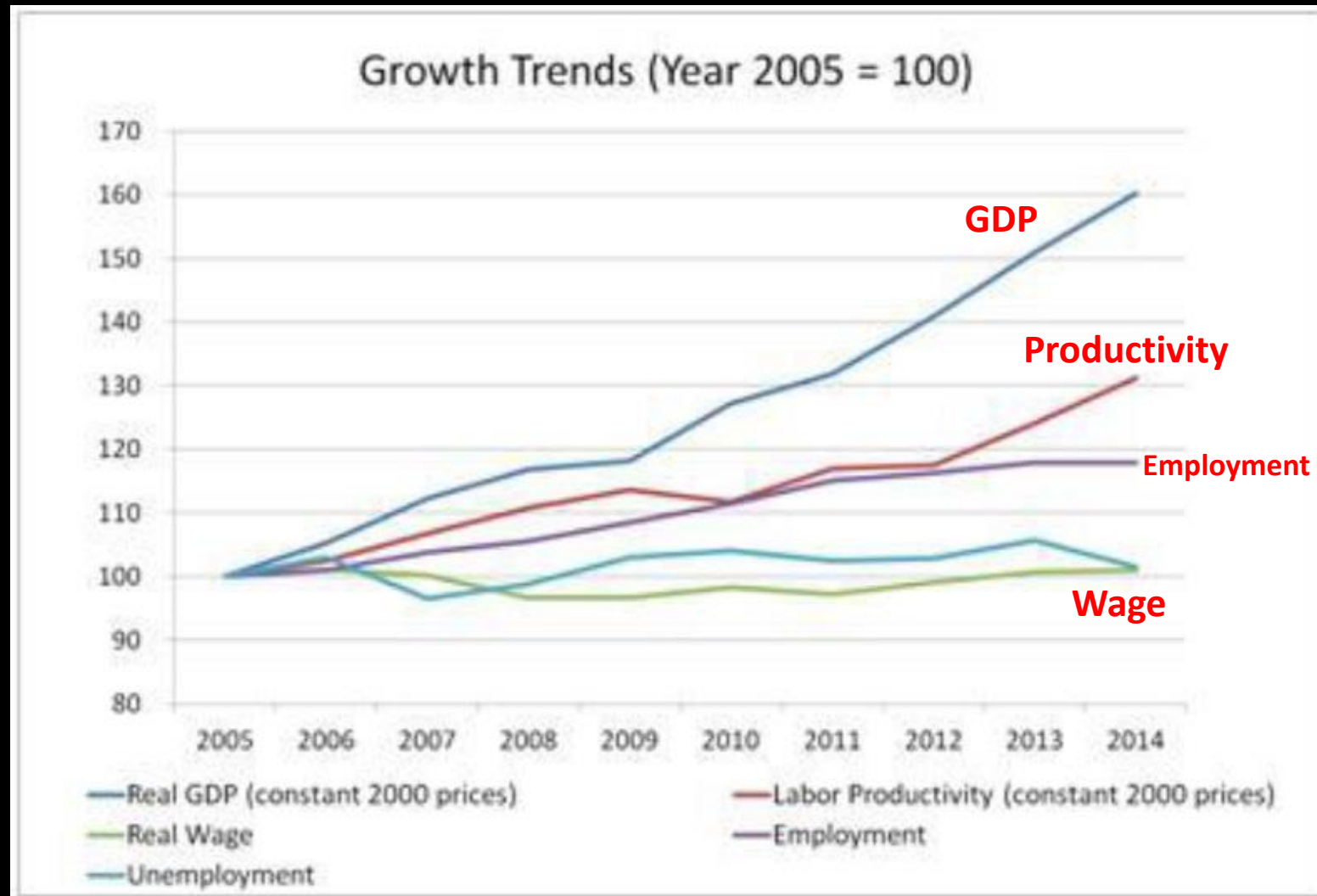


Panel B



Sources: Family Income and Expenditure - Labor Force Survey data, January 2013; Bank staff calculations.

# Dismal wage growth despite rising GDP and rising labor productivity



Sources: National Accounts, Philippine Statistics Authority (various years); Yearbook of Labor Statistics (various years), Current Labor Statistics, Bureau of Labor and Employment Statistics; Global Wage Report 2014-2015, International Labor Organization; World Development Indicators, World Bank.

Note: 2014 real wage data is average of January and April 2014.



# Falling wage growth in the region



Sources: National Accounts, Philippine Statistics Authority (various years); Yearbook of Labor Statistics (various years), Current Labor Statistics, Bureau of Labor and Employment Statistics; Global Wage Report 2014-2015, International Labor Organization; World Development Indicators, World Bank.

Note: 2014 real wage data is average of January and April 2014.

# Distribution of employment by nature of job: rising % of temporary workers: BPOs and malls

Nature of Jobs	2000	2005	2010	2014
<b>ENDO/Temp/TEC</b>	<b>18.4</b>	<b>20.8</b>	<b>21.9</b>	<b>24.0</b>
Regular	74.5	74.8	74.2	69.6
Others	7.1	4.4	3.9	6.4

Source: LFS, October series

# Average daily earnings of wage and salary workers (in 2006 prices)

**Recent rise after decline but still below 2001 level**

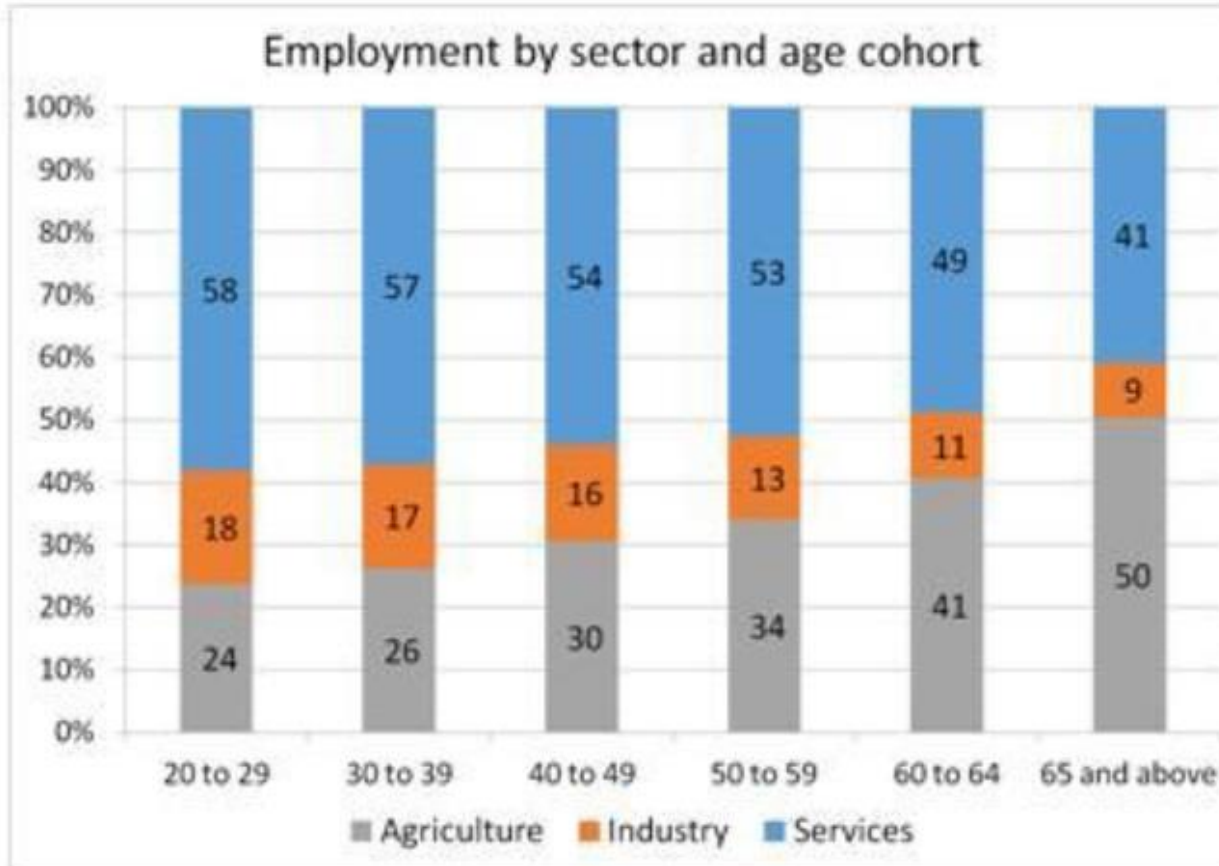
Nature of Jobs	2001	2005	2010	2014
All employees	₱ 290.30	₱ 268.55	₱ 259.73	₱ 265.56
Regular Employees	₱ 329.44	₱ 298.59	₱ 289.90	₱ 300.79
<b>ENDO/TEMP/TEC</b>	<b>₱ 201.48</b>	<b>₱ 188.63</b>	<b>₱ 181.56</b>	<b>₱ 194.91</b>

Source: LFS, October series. CPI deflator

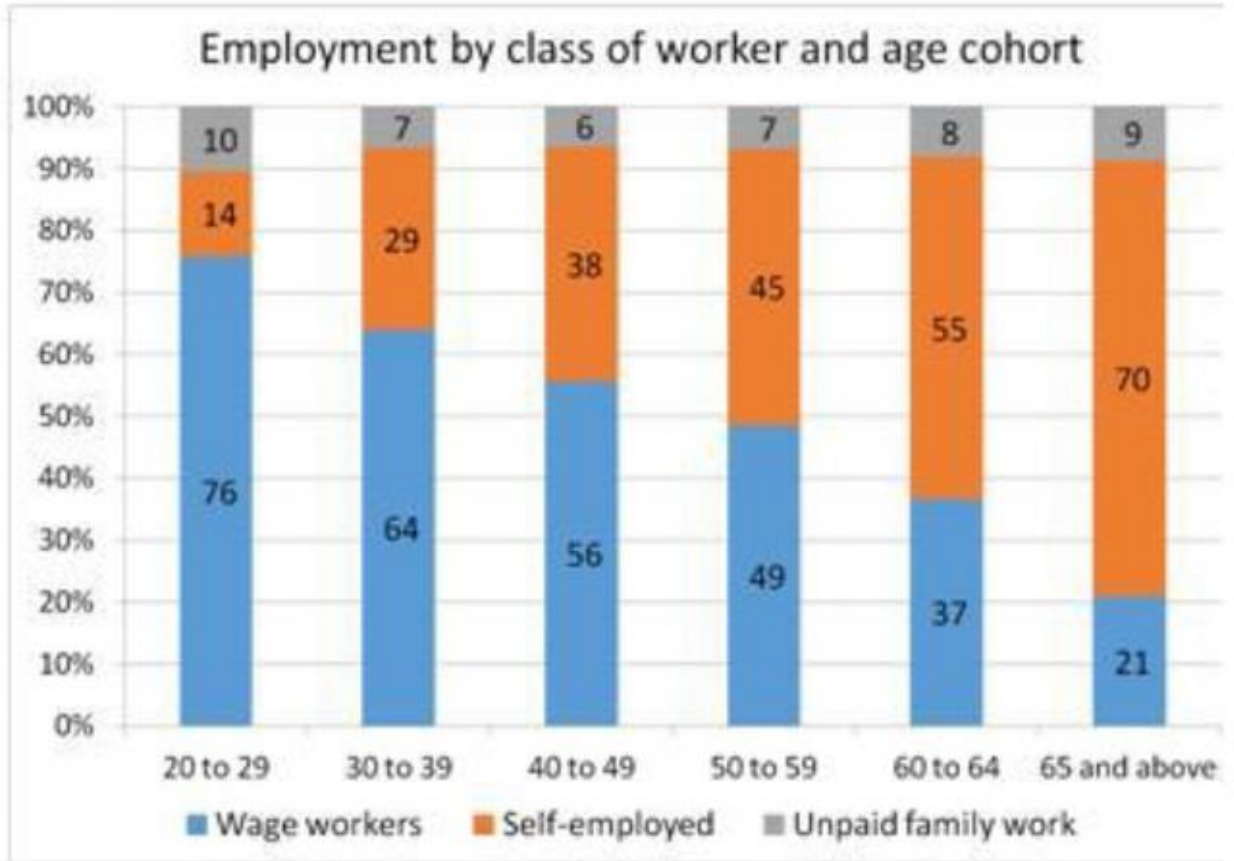
# Experience Not Needed!

## Younger workers have better jobs

Panel A



Panel B



Sources: Labor Force Survey 2013; Bank staff calculations.

## Higher EPLs raise unemployment rate: fixed effects model, using European panel data and gen. least squares

Independent Variables	Dependent =	UNEM
$U_{it-1}$	0.872***	(0.033)
EPL temporary contracts <sub>it</sub>	0.436***	(0.129)
EPL regular contracts <sub>it</sub>	0.908*	(0.497)
Union density <sub>it</sub>	0.367	(0.285)
Benefit replacement ratio <sub>it</sub>	0.083	(0.159)
Benefit duration <sub>it</sub>	-0.212*	(0.120)
Centralisation <sub>it</sub>	0.362**	(0.163)
Co-ordination <sub>it</sub>	-0.116	(0.219)
Labourdemand shocks <sub>it</sub>	-0.385***	(0.078)
TFP shocks <sub>it</sub>	-0.069*	(0.040)
Time dummies, country dummies		
Hausman test	.001	S.E.
Notes. *, ** and *** denote statistical significance at the 10%, 5% and 1% levels respectively. Source: Faccini (2014), Economic Journal		



# ENDO CONDITIONS

- Employers must offer casuals and other temps permanent employment six months after start of their engagement; otherwise, the employers must lay them off.
  - Regular workers are entitled to certain benefits that temporary employees are not.
  - Regular workers can be dismissed only for lawful or authorized cause and with observance of due process. This means in practice it is very difficult and costly for firms to dismiss regular workers (security of tenure).
- **Endo**(short for end of contract) is the practice of hiring a temp for 6 months, dismissing him before 6 months has lapsed, and hiring him again later (cycle).
- Endo is deemed illegal.
- Temps can be legally hired directly by principals or thru manpower service contractors (agencies), provided certain conditions are met (but no to labor only contractors)

# ENDO CONDITIONS

- More than 50% of first-time temps do not make it to regular job and had to be fired after 2 quarters of work as temps.
- In Philippines, 40-55 percent of temporary workers during the 2003-2010 period transitioned to permanent employment status after a few quarters (Panel LFS data)
  - To compare, temps in 1996 in Europe transitioning to permanent jobs one year later ranges from 56.1 percent in UK to 20.8 perc

# POLICY RECOMMENDATIONS

- DU30's vow is limited to ending endo
  - 50% reduction of endo in 2016
  - 100% by 2017
- DTI-DOLE “win-win” is a good start
  - Higher labor cost 40% mark-up by qualified contractors
  - Firms better off regularizing if endo is doing permanent tasks
- Longer apprenticeship
  - Legislation needed
- Long-term
  - Upskilling through K-to-12 and TESDA training

- a) Fiscal Reforms to Acceleration and Inclusion**
- b) Continue measures to increase collection efficiency**
  - i. Prosecute smugglers and tax evaders**
  - ii. BOC: Implement CMTA**
  - iii. BIR: minimizing taxpayer contact and the use of computer technology in tax collection**
- c) Build on the experience and expertise of the Philippines in PPP with a backlog of P1.4trn projects**
- d) Fiscal prudence to preserve gains in fiscal space by restraining deficit spending to a maximum 3% of GDP on the frontend but falling towards a more balanced budget towards the end of 6-year, which would keep the NG debt / GDP falling from current 42% but be sensitive to market conditions (Avoid: credit degrading)**

## **Pillar VI: Financing Inclusive Development**

Combined effect (high case)			Package 1 annual change in take home pay				
Decile/ percentile	Typical Filipino household	2019 projected monthly household total income	PIT	VAT	PETROL & TRANSPO	AUTO	Net
D1	Subsistence poor	4,215	0	-130	-187	0	-317
D2	Subsistence poor	6,796	5	-177	-293	0	-465
D3	Poor	8,730	55	-223	-396	0	-564
D4	Near poor	10,789	281	-292	-603	0	-614
D5	Near poor	13,209	734	-369	-810	0	-445
D6	Informal worker	16,434	1,854	-456	-1,116	0	283
D7	Minimum wage worker	21,026	4,209	-1,238	-1,522	0	1,448
D8	Above minimum wage	28,673	9,365	-1,680	-2,164	0	5,521
D9	Professional	43,010	21,177	-5,740	-2,985	0	12,452
D10	Middle class	107,275	78,693	-11,048	-7,046	-21,599	39,000
P100	Executive	283,046	208,347	-23,478	-18,285	-176,602	-10,017
T1000	CEO	632,183	310,308	-30,229	-29,979	-535,978	-285,879
	Top taxpayer A	1,153,846	181,269	-55,174	-54,718	-1,222,292	-1,150,914
	Top taxpayer B	3,000,000	-750,752	-143,452	-142,266	-1,222,292	-2,258,761

Source: FIES-LFS 2012, DOF staff estimates

Note: Each household has about 2 income earners.



**Special Focus:**

**TRAIN:** Tax Reforms for Acceleration and Inclusion

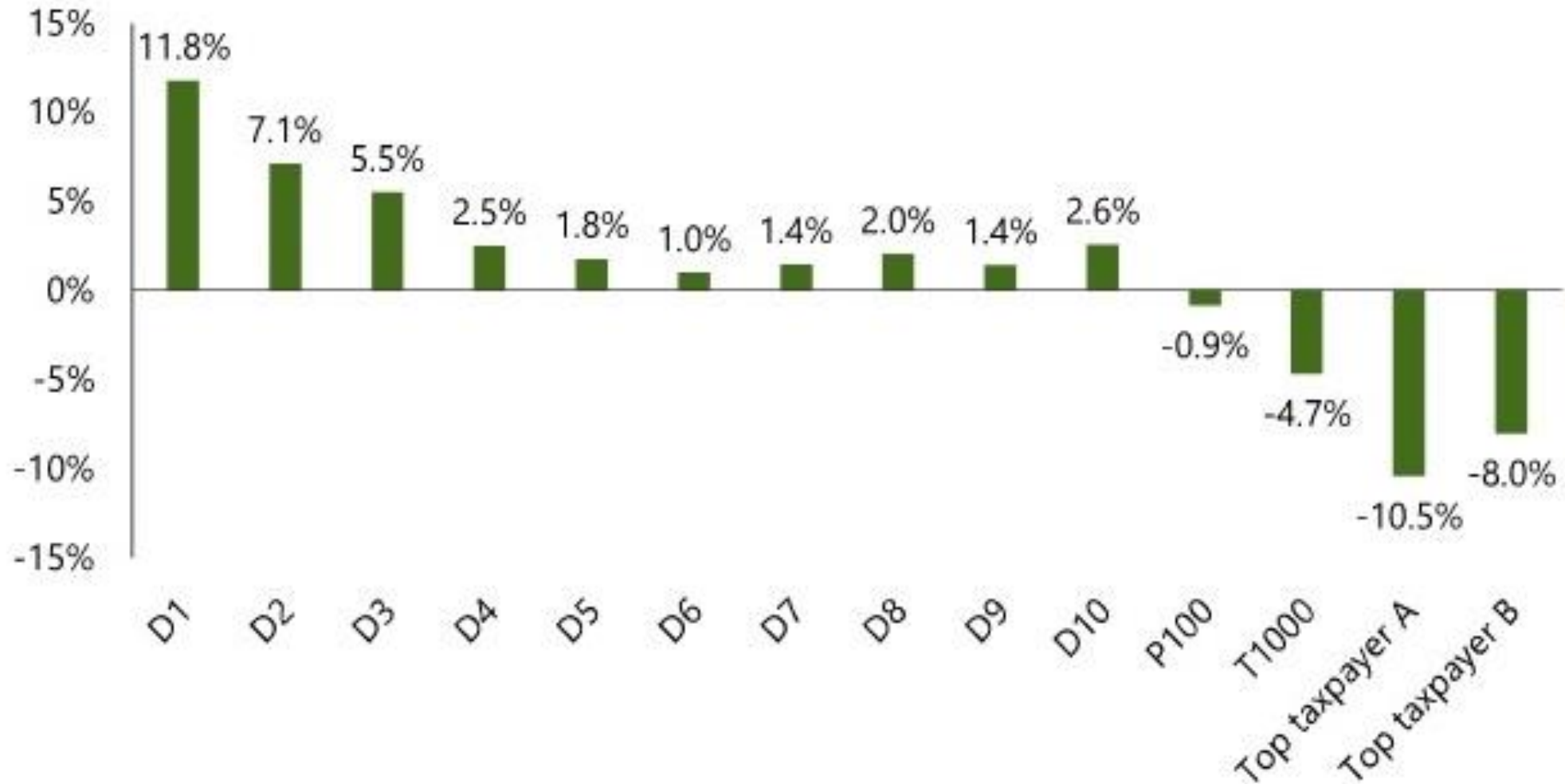
# Combined tax-transfer impact: Unconditional Cash Transfer to 80% of Families

Combined effect (high case)			Package 1		
Decile/ percentile	Typical Filipino household	2019 projected monthly household total income	Net	Transfer (full year)	Net of transfer
D1	Subsistence poor	4,215	-317	6,000	5,683
D2	Subsistence poor	6,796	-465	6,000	5,535
D3	Poor	8,730	-564	6,000	5,436
D4	Near poor	10,789	-614	3,000	2,386
D5	Near poor	13,209	-445	3,000	2,555
D6	Informal worker	16,434	283	1,500	1,783
D7	Minimum wage worker	21,026	1,448	1,500	2,948
D8	Above minimum wage	28,673	5,521	1,500	7,021
D9	Professional	43,010	12,452	0	12,452
D10	Middle class	107,275	39,000	0	39,000
P100	Executive	283,046	-10,017	0	-10,017
T1000	CEO	632,183	-285,879	0	-285,879
	Top taxpayer A	1,153,846	-1,150,914	0	-1,150,914
	Top taxpayer B	3,000,000	-2,258,761	0	-2,258,761

Source: FIES-LFS 2012, DOF staff estimates

Note: Each household has about 2 income earners.

### % increase in household income



Source: DOF

# Fiscal reform goal by 2019

- By 2019, raise PHP 600 billion (3% of GDP in 2019 prices) to fund the priority investments of the Duterte Administration.
  - PHP 400 billion (2% of GDP) from tax policy reform.
  - PHP 200 billion (1% of GDP) from tax administration reform.
    - BIR: Increase taxpayer satisfaction, reduce compliance cost, gain public trust, and protect revenues.
    - BOC: Protect revenues from smuggling while enhancing trade facilitation.
- Earmarked revenues
  - Transfers to lower 60%
  - Infrastructure to GDP lifted to 7%

# Raise additional revenues: 1trn pesos per year

- **Tax policy reform** to create a simpler, fairer, and more efficient tax system characterized by low rates and a broad base that can promote investment, job creation, and poverty reduction.
- **Tax administration** reforms in BIR and BOC.
- **Budget reforms** to improve spending, transparency, and efficiency so that savings can be generated.
- **Solid economic growth** to increase opportunities (multiplier effect).
- **All are needed.** Higher chances of tax reform succeeding if done together with other reforms.



# Proposed tax policy package 1

Package	Revenue eroding measures	Offsetting measures	Passage
<p>1. Personal income tax (PIT) and consumption tax</p>	<ul style="list-style-type: none"> <li>• Adjust brackets to correct “income creeping”</li> <li>• Reduce PIT max rate to 25% over time, except for the highest income earners to maintain progressivity</li> <li>• Shift to a modified gross system to simplify PIT system</li> </ul>	<ul style="list-style-type: none"> <li>• Expand the VAT base by limiting exemptions to raw food and other necessities (e.g., education, health)</li> <li>• Increase excise on all petroleum products &amp; index to inflation (diesel and essentials from 0 to 6 pesos per liter; gasoline and non-essentials from around 4.35 to 10 pesos per liter).</li> <li>• Increase excise on automobiles (progressive ad valorem system).</li> </ul> <p>Mitigating measures</p> <ul style="list-style-type: none"> <li>• Low income consumers and businesses are already protected by the marginal threshold, which can be adjusted if needed.</li> <li>• Use targeted programs to protect the poor and vulnerable. Benefits will not be reduced.</li> </ul>	<p>TBA</p>

# High end revenue impact by 2019 (PHP billion and % of GDP)

Tax package	Loss	Gain	Net
<b>Package 1: PIT and consumption</b>	<b>-180.3</b>	<b>377.3</b>	<b>197.0</b>
Lower personal income tax rate	-180.3		
VAT base expansion		108.4	
Automobile excise		69.3	
Excise tax on oil		199.6	

Tax package	Loss	Gain	Net
<b>Package 1: PIT and consumption</b>	<b>-1.0</b>	<b>2.0</b>	<b>1.0</b>
Lower personal income tax rate	-1.0		
VAT base expansion		0.6	
Automobile excise		0.4	
Excise tax on oil		1.1	

# Proposed Personal Income Tax System

First year						Number taxpayers	Percent
	Income Bracket		Tax Rate				
1		0 - 250,000	0			4,659,173	83%
2	Over	250,000 - 400,000	0 +	20% of the excess over	250,000	539,465	10%
3	Over	400,000 - 800,000	30,000 +	25% of the excess over	400,000	232,232	4%
4	Over	800,000 - 2,000,000	130,000 +	30% of the excess over	800,000	148,215	3%
5	Over	2,000,000 - 5,000,000	490,000 +	32% of the excess over	2,000,000	28,099	1%
6	Over	5,000,000	1,450,000 +	35% of the excess over	5,000,000	5,593	0%
						<b>5,612,777</b>	<b>100%</b>

Note 1: The 4,659,173 number of taxpayers in the first bracket includes minimum wage earners numbering 1,752,009

2: The 5,612,777 total taxpayers is based on the 2013 BIR dataset, which is based on alpha list.

3: According to the labor force survey, total number of workers in 2013 was around 41.1 million.

Second year onwards							
	Income Bracket		Tax Rate				
1		0 - 250,000	0				
2	Over	250,000 - 400,000	0 +	15% of the excess over	250,000		
3	Over	400,000 - 800,000	22,500 +	20% of the excess over	400,000		
4	Over	800,000 - 2,000,000	102,500 +	25% of the excess over	800,000		
5	Over	2,000,000 - 5,000,000	402,500 +	30% of the excess over	2,000,000		
6	Over	5,000,000	1,302,500 +	35% of the excess over	5,000,000		

# The tax reform proposal will have no effect on Minimum Wage Earners

Impact of year 1 proposal to

## Minimum Wage Earner

salary grade: 5

monthly income: **P12,488**

annual basic salary: **P149,856**

13<sup>th</sup> month pay and other benefits: **P34,976**

de minimis and other non-taxable income(PERA): **P34,000**

annual gross income: **P218,832**

mandatory contributions: **P18,284**

NTI (present): **P0**

tax due (present): **P0**

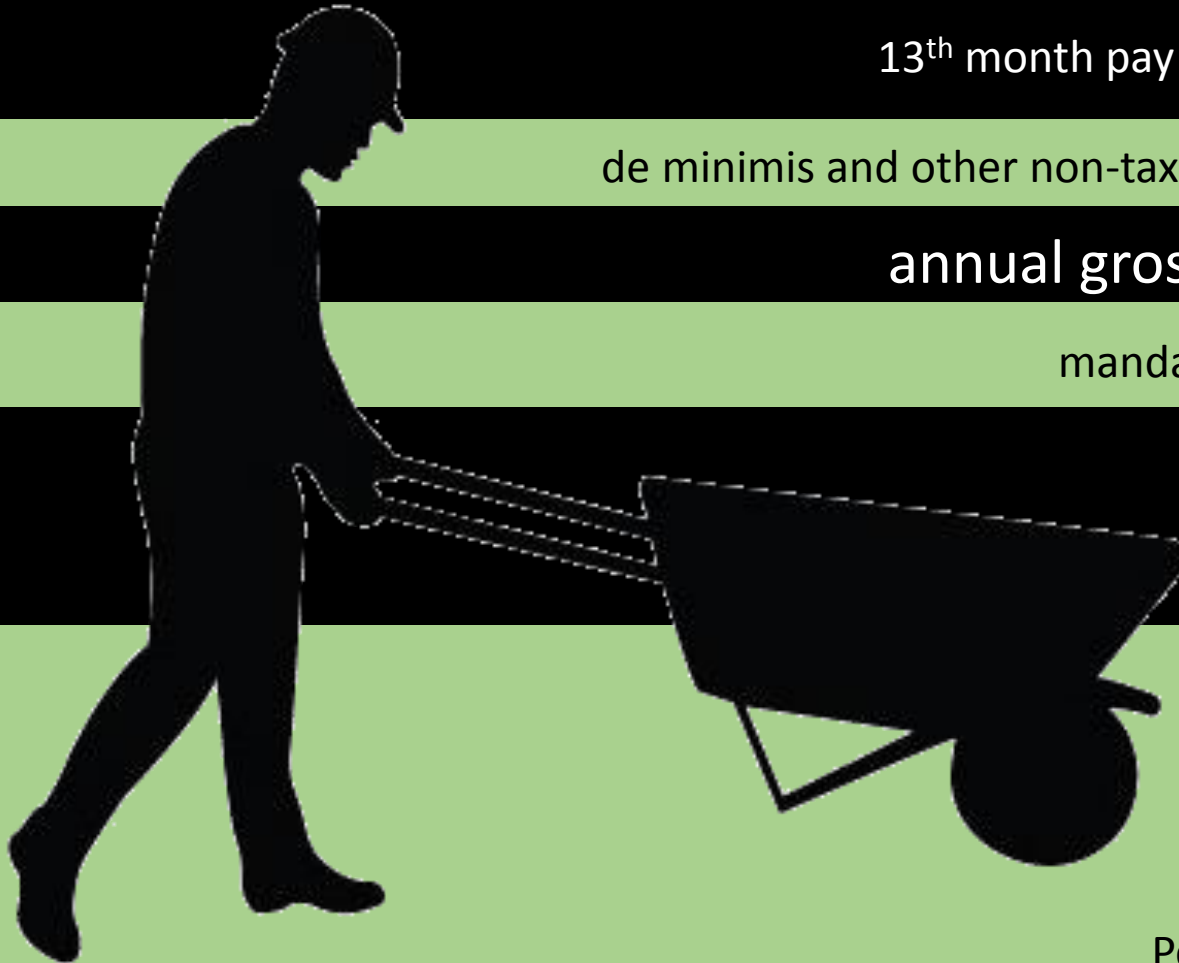
NTI (proposal): **P0**

tax due (proposal):

**P0**

Tax Savings: **0**

Percent Increase/(Decrease): **0%**



# Entry-level workers with above minimum wage shall not have to pay an income tax

Impact of year 1 proposal to

## Clerk III

(entry-level worker, above minimum wage)

salary grade: 6

monthly income: **P13,378**

annual basic salary: **P160,536**

13<sup>th</sup> month pay and other benefits: **P36,756**

de minimis and other non-taxable income(PERA): **P34,000**

annual gross income: **P231,292**

mandatory contributions: **P19,669**

NTI (present): **P90,867**

tax due (present): **P12,673**

NTI (proposal): **P177,623**

tax due (proposal):

**P0**

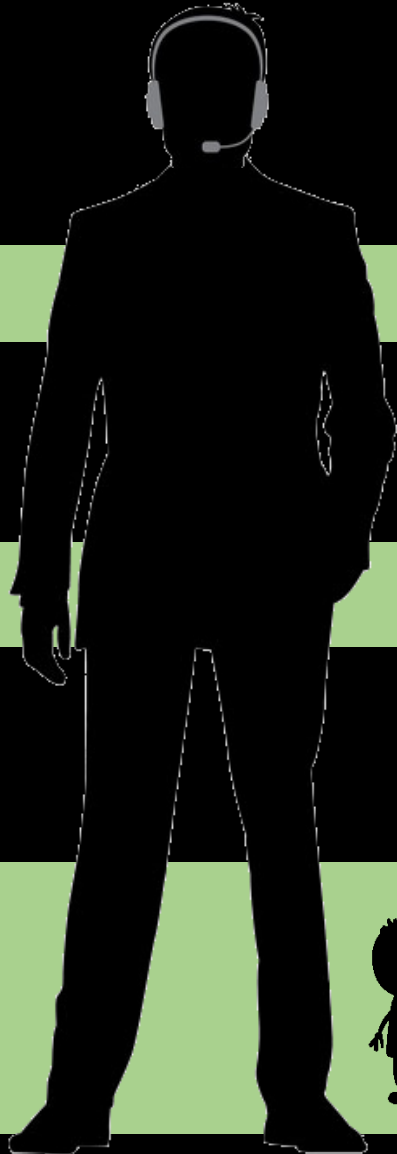
Tax Savings: **P12,673**

Percent Increase/(Decrease): **100%**





Impact of year 1 proposal to  
**Call Center Agent**  
with 4 dependents



monthly income: **P21,000**

annual basic salary: **P252,000**

13<sup>th</sup> month pay and other benefits: **P21,000**

annual gross income: **P273,000**

mandatory contributions: **P15,165**

personal exemption and allowance for dependents: **P150,000**

NTI (present): **P86,834**

Tax Due (present): **P9,209**

NTI (proposal): **P257,834**

Tax Due (proposal): **P1,567**

Tax Savings: **P7,642**

Percent Increase/(Decrease) in tax due: **(83%)**

# Protecting low income and vulnerable Filipinos from higher fuel excise

Income group	Possible transfer/subsidy program
Decile 1 to 5 (Poorest 50 percent)	Fully protected by through unconditional cash transfers (e.g., PhP 200 to 500 per month).
Decile 6 to 8 (Working and commuting class)	Protected through discounts and cash cards for PUVs so that fare increase is minimized or remains flat.
Decile 9 to 10	Middle class will see lower income tax that they can use to offset the increase in fuel excise.

# Benefits of the tax reform

- **More money** for the people in terms of lower income taxes.
- **Improve equity** of tax system: shift burden to rich.
- 1/3 of incremental revenues will be used for **targeted transfers/subsidies** to low income and vulnerable people to improve their welfare.
- The balance will be used for **education, health, and infrastructure** to raise productivity and competitiveness that can translate to higher real wages for the people.
  - Address traffic congestion
  - Build climate change-resilient infrastructure
  - Address health issues from pollution
  - Improve implementation of Kto12
  - Improve delivery of basic preventive health services

# Personal income tax (using 2016 salaries) by individual

Personal income tax			Marginal tax rate		Current vs DOF	
Decile/ percentile	Typical Filipino individual	Monthly average individual wage	Current	Proposed	Monthly change in take home pay	Effective tax rate of proposal
D1	Subsistence poor	1,000	0%	0%	0	0.0%
D2	Subsistence poor	2,000	0%	0%	0	0.0%
D3	Poor	3,000	0%	0%	0	0.0%
D4	Near poor	4,000	0%	0%	0	0.0%
D5	Near poor	5,000	0%	0%	0	0.0%
D6	Informal worker	6,000	0%	0%	0	0.0%
D7	Minimum wage worker	8,000	0%	0%	0	0.0%
D8	Above minimum wage	12,000	15%	0%	383	0.0%
D9	Professional	18,000	20%	0%	1,475	0.0%
D10	Middle class	50,000	32%	20%	4,375	11.2%
P100	Executive	150,000	32%	25%	11,730	20.0%
T1000	CEO	400,000	32%	35%	16,522	26.4%
	Top taxpayer A	1,000,000	32%	35%	-2,978	31.6%
	Top taxpayer B	1,500,000	32%	35%	-4,853	31.8%

Source: DOF staff estimates

Note: Assumes 2 dependents with 13th month pay. Incomes are net of mandatory contributions

# Personal income tax (using 2019 salaries) for public officials

Personal income tax		2019 projected	Current vs DOF	
Salary Grade	Typical government employee	Basic monthly salary	Monthly change in take home pay	Effective tax rate of proposal
1	Laborer	11,068	96	0.0%
2	Messenger	11,761	158	0.0%
3	Clerk 1 and Driver 1	12,466	225	0.0%
4	Mechanic 1	13,214	322	0.0%
5	Carpenter II	14,007	427	0.0%
6	Electrician II	14,847	539	0.0%
7	Secretary 1	15,738	656	0.0%
8	Bookkeeper	16,758	818	0.0%
9	Education Research Assistant	17,975	1,032	0.0%
10	Nurse 1, Teacher 1	19,233	1,234	0.1%
11	Agriculturist I	20,754	1,183	1.5%
12	Engineer I	22,938	1,118	3.2%
13	Veterinarian I	25,232	1,141	4.6%
14	Legal Officer I	27,755	1,168	6.0%

15	Admin Officer II	30,531	1,197	7.2%
16	Dentist II	33,584	1,116	8.6%
17	Postmaster IV	36,942	1,172	10.1%
18	Forester III	40,637	1,367	11.4%
19	Associate Professor	45,269	1,612	12.7%
20	Rural Health Physician	51,155	1,923	14.0%
21	Attorney III	57,805	2,367	15.2%
22	Assistant Division Chief	65,319	2,785	16.5%
23	Court Atty II	73,811	2,965	17.9%
24	Division Chief	83,406	3,167	19.2%
25	Director I	95,083	3,414	20.5%
26	Director III	107,444	3,675	21.5%
27	Director III	121,411	3,970	22.4%
28	Director IV	137,195	4,304	23.2%
29	Assistant Secretary	155,030	4,681	23.9%
30	Undersecretary	175,184	4,730	24.7%
31	Department Secretary	257,809	4,730	26.8%
32	Vice-President	307,365	4,730	27.5%
33	President	388,096	4,730	28.3%

Source: DOF staff estimates

Note: Assumes 2 dependents with 13th month pay.



# Personal income tax (using estimated and adjusted 2019 income) by household

Personal income tax (DOF proposal)		2019 projected monthly household				Net annual increase in take home pay	Effective tax rate of proposal
Decile/ percentile	Typical Filipino household	total income	compensation income	self-employed income	other income		
D1	Subsistence poor	4,215	1,247	2,072	904	0	0.0%
D2	Subsistence poor	6,796	2,497	2,758	1,550	5	0.0%
D3	Poor	8,730	3,565	3,179	2,019	55	0.0%
D4	Near poor	10,789	4,781	3,634	2,443	281	0.0%
D5	Near poor	13,209	6,112	4,506	2,735	734	0.0%
D6	Informal worker	16,434	7,960	5,336	3,397	1,854	0.0%
D7	Minimum wage worker	21,026	10,119	7,453	4,120	4,209	0.0%
D8	Above minimum wage	28,673	13,283	12,346	5,113	9,365	0.3%
D9	Professional	43,010	21,842	18,710	7,191	21,177	1.9%
D10	Middle class	107,275	64,391	35,397	19,420	78,693	9.4%
P100	Executive	283,046	196,313	51,738	55,294	208,347	16.4%
T1000	CEO	632,183	472,525	124,543	54,206	310,308	22.5%
	Top taxpayer A	1,153,846	862,442	227,313	98,935	181,269	27.8%
	Top taxpayer B	3,000,000	-	2,833,364	257,230	-750,752	31.9%

Source: FIES-LFS 2012, DOF staff estimates

Note: Includes 13th month pay.

# Personal income tax (using estimated and adjusted 2019 income) by household

Personal income tax (DOF proposal)		2019 projected monthly household				Net annual increase in take home pay	Effective tax rate of proposal
Decile/ percentile	Typical Filipino household	total income	compensation income	self-employed income	other income		
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	Top taxpayer B	3,000,000	-	2,833,364	257,230	-750,752	31.9%

Source: FIES-LFS 2012, DOF staff estimates

Note: Includes 13th month pay.

# VAT base broadening

Decile/ percentile	Value added tax (high case)		Net annual increase in take home pay	Effective tax rate of proposal
	Typical Filipino household	2019 projected monthly household total income		
D1	Subsistence poor	4,215	-130	2.8%
D2	Subsistence poor	6,796	-177	2.8%
D3	Poor	8,730	-223	2.9%
D4	Near poor	10,789	-292	3.0%
D5	Near poor	13,209	-369	3.0%
D6	Informal worker	16,434	-456	2.9%
D7	Minimum wage worker	21,026	-1,238	4.2%
D8	Above minimum wage	28,673	-1,680	4.0%
D9	Professional	43,010	-5,740	3.6%
D10	Middle class	107,275	-11,048	2.9%
P100	Executive	283,046	-23,478	2.4%
T1000	CEO	632,183	-30,229	1.6%
	Top taxpayer A	1,153,846	-55,174	1.6%
	Top taxpayer B	3,000,000	-143,452	1.6%

Source: FIES-LFS 2012, DOF staff estimates

Note: For D1-6, 40 percent of consumption is assumed to be done in a marginal store (eg. sari-sari store), 40 percent from cooperatives, and the rest from groceries in the current scenario. With some exemptions lifted, we assume consumption of these groups in marginal stores to increase to 80 percent, consumption from cooperatives to decrease down to 10 percent, and consumption from groceries to 10 percent. For D7-8, 20 percent of consumption is assumed to be done in a marginal store (eg. sari-sari store), 40 percent from cooperatives, and the rest from groceries in the current scenario. With some exemptions lifted, we assume consumption of these groups in marginal stores to increase to 60 percent, consumption from cooperatives to decrease down to 20 percent, and consumption from groceries to 20 percent.

**Note: The poor can pay less VAT by shifting purchases to marginal stores.**

# Excise on petroleum

Decile/ percentile	Petroleum excise (high case)		Net annual increase in take home pay	Effective tax rate of proposal
	Typical Filipino household	2019 projected monthly household total income		
D1	Subsistence poor	4,215	-187	0.4%
D2	Subsistence poor	6,796	-293	0.3%
D3	Poor	8,730	-396	0.4%
D4	Near poor	10,789	-603	0.5%
D5	Near poor	13,209	-810	0.5%
D6	Informal worker	16,434	-1,116	0.5%
D7	Minimum wage worker	21,026	-1,522	0.6%
D8	Above minimum wage	28,673	-2,164	0.6%
D9	Professional	43,010	-2,985	0.6%
D10	Middle class	107,275	-7,046	0.6%
P100	Executive	283,046	-18,285	0.6%
T1000	CEO	632,183	-29,979	0.4%
	Top taxpayer A	1,153,846	-54,718	0.4%
	Top taxpayer B	3,000,000	-142,266	0.4%

Source: FIES-LFS 2012, DOF staff estimates

Note: For high case, excise is assumed to be PHP 6/L for diesel, kerosene and LPG and PHP 10/L for gas in 2017, increasing 10% annually.

Elasticity: -0.38

# Excise on automobiles

Decile/ percentile	Automobile tax (high case)		Net annual increase in take home pay	Effective tax rate of proposal
	Typical Filipino household	2019 projected monthly household total income		
D1	Subsistence poor	4,215	0	0.0%
D2	Subsistence poor	6,796	0	0.0%
D3	Poor	8,730	0	0.0%
D4	Near poor	10,789	0	0.0%
D5	Near poor	13,209	0	0.0%
D6	Informal worker	16,434	0	0.0%
D7	Minimum wage worker	21,026	0	0.0%
D8	Above minimum wage	28,673	0	0.0%
D9	Professional	43,010	0	0.0%
D10	Middle class	107,275	-5,320	0.6%
P100	Executive	283,046	-80,460	3.4%
T1000	CEO	632,183	-326,360	7.7%
	Top taxpayer A	1,153,846	-430,100	12.1%
	Top taxpayer B	3,000,000	-1,118,260	12.1%

Source: DOF staff estimates

Note: We assume that only those in the tenth decile can purchase a new car. For the richest households, we assume they purchase 1.5 cars per household in a year, 1 for T1000 households, 0.75 for P100, and 0.3 for rest of D10. We assume that D10 purchases a car from bracket 1, P100 from bracket 2, and so on. For high case, rates are at: 5% for 0-600k, 20% for 600k-1.1m, 40% for 1.1-2.1m and 60% for 2.1m and above.



# Mitigating Factors better than Tax Exemption

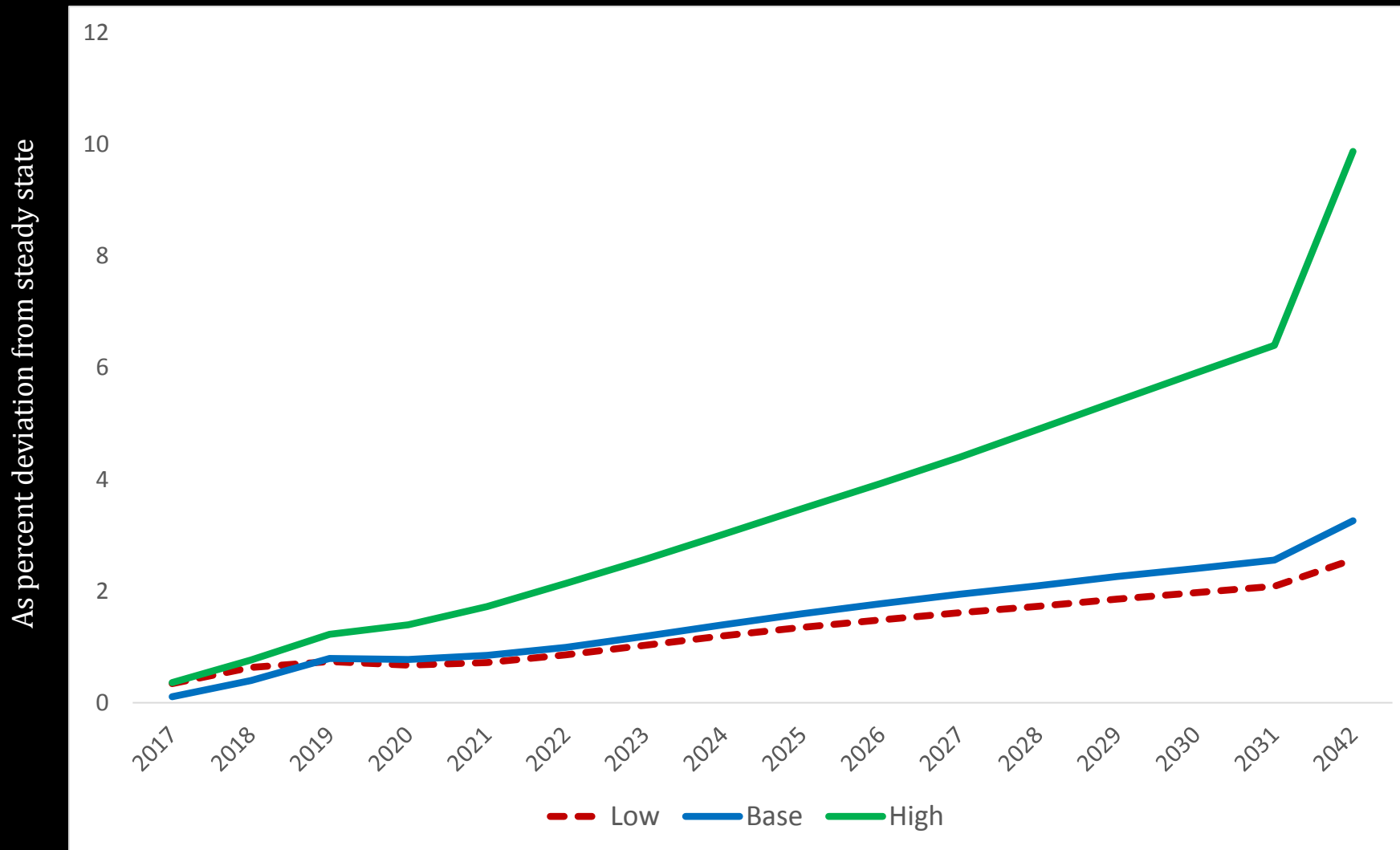
- **VAT threshold** for marginal establishment can be increased from 1.9 to around 3 million pesos, thereby exempting their goods from VAT.
- **Senior citizens:** higher socialized pension with rice subsidy that will not make low income senior citizens worse off.
- **Persons with disabilities:** higher PhilHealth coverage and benefits that will not make PWD worse off.
- **Electricity consumers:** more lifeline subsidy for low income consumers.

To use the tax system to protect the poor and low income earners results into massive leakages.

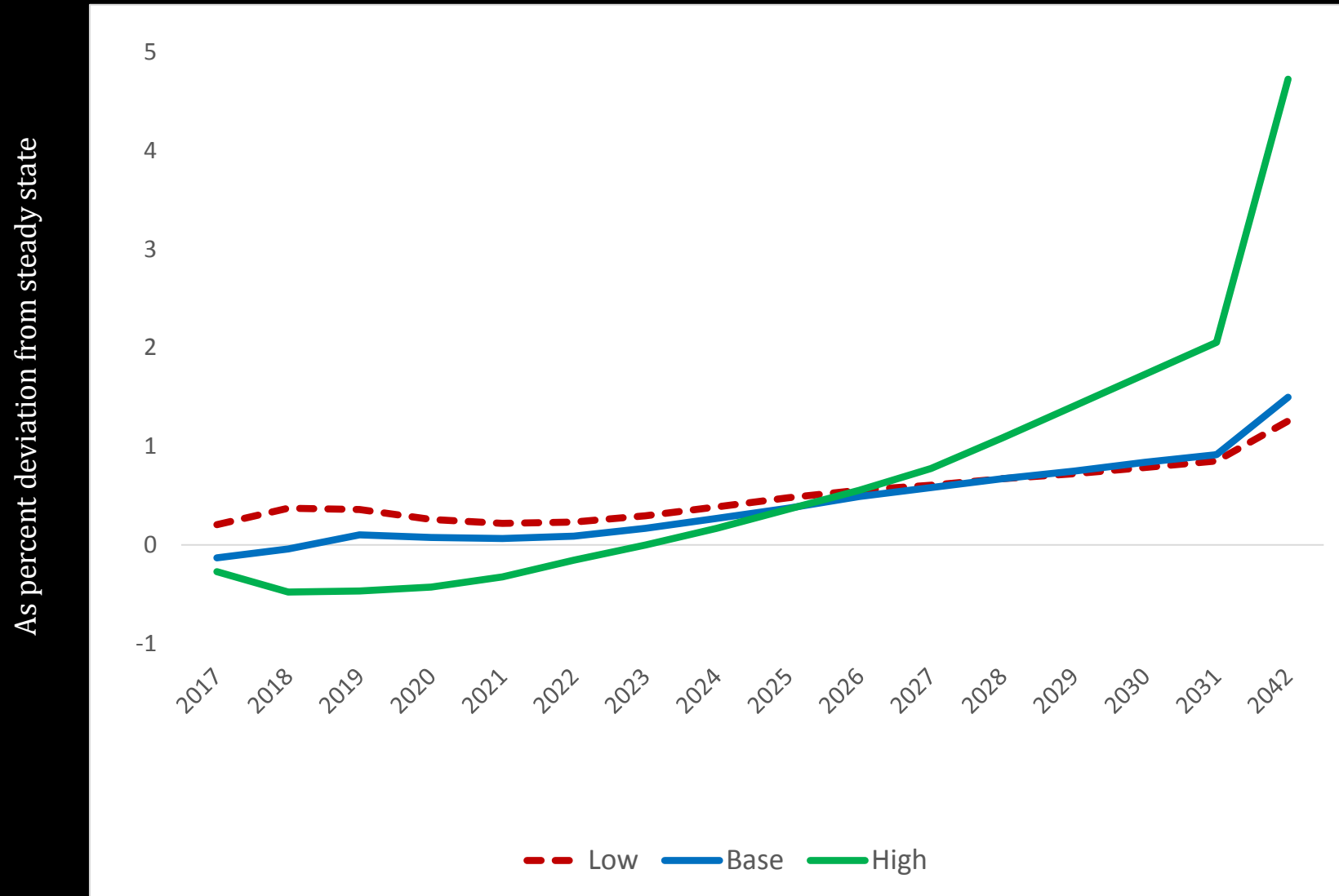
# Cases (% of GDP unless otherwise specified)

	Low case	Base case	High case
<b>Description</b>	HB20 lower PIT is passed, high deficit	No policy change	Only package 1 is passed, 25% of additional revenues go to transfers
<b>Additional investment target</b>	1.5	1.5	3 of which 0.6 are transfers
<b>Tax policy financed</b>	- 0.3	0	1
<b>Tax admin financed</b>	0.3	0.3	1
<b>Deficit financed</b>	1.5	1.2	1
<b>Public investment efficiency</b>	60%	60%	80%

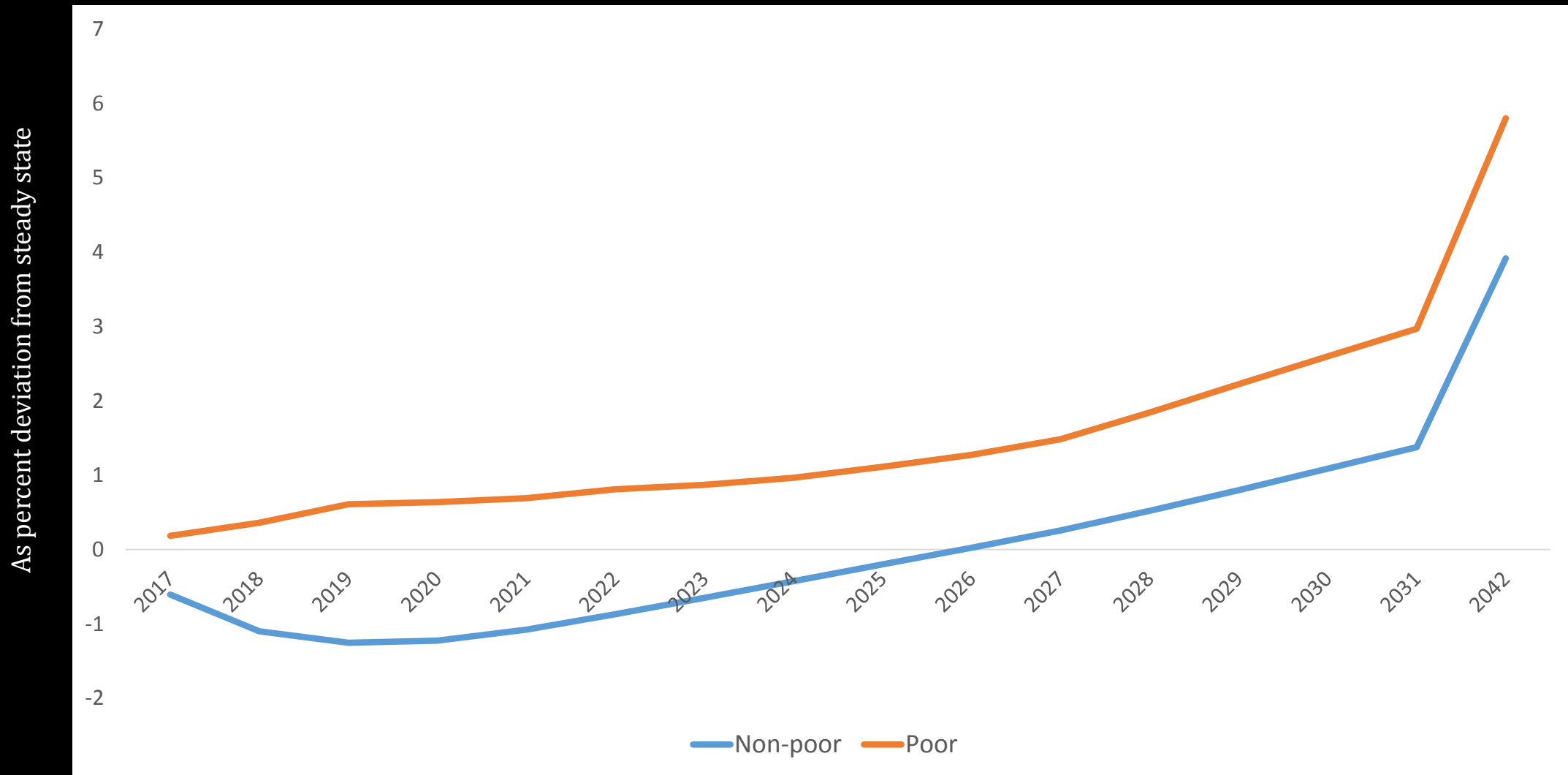
**GDP:** The high case shows initially lower GDP growth but it soon catches up and well exceeds the low and base case as tax revenues are invested.



**Consumption:** The high case initially sees lower consumption due to higher consumption taxes but later on catches up well as investments make people more productive.

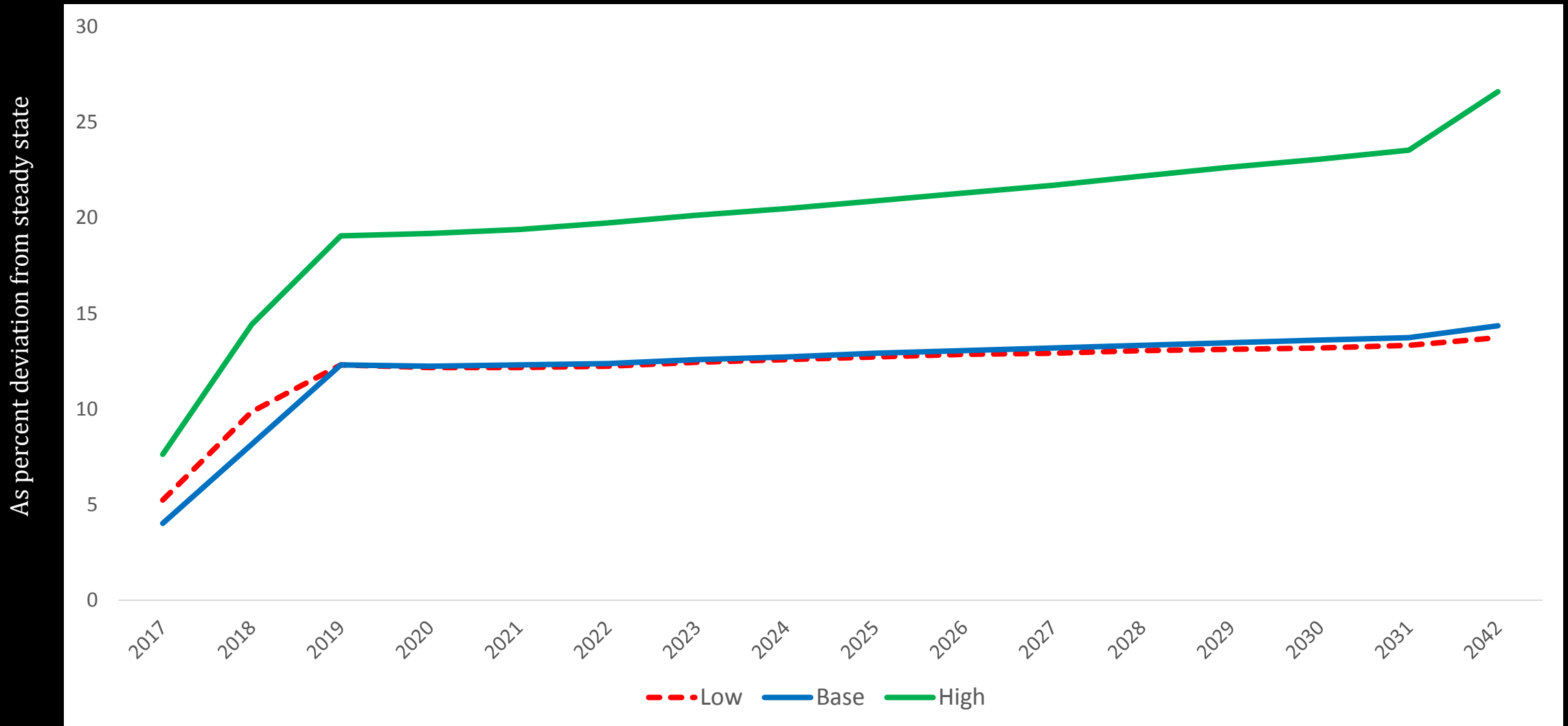


# Consumption path of rich and poor: Transferring back some 25 percent of incremental revenues to the low income households improves their welfare today and in the future.

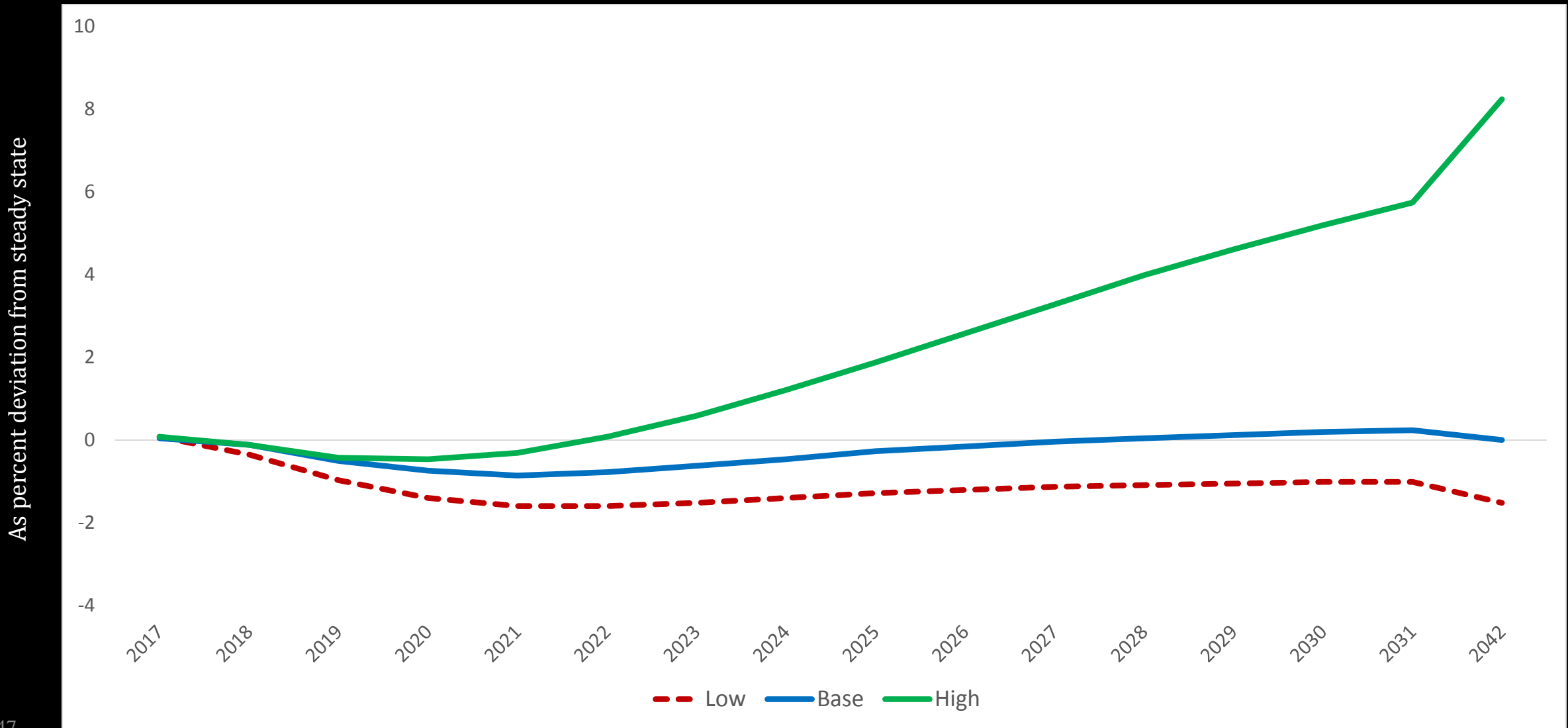




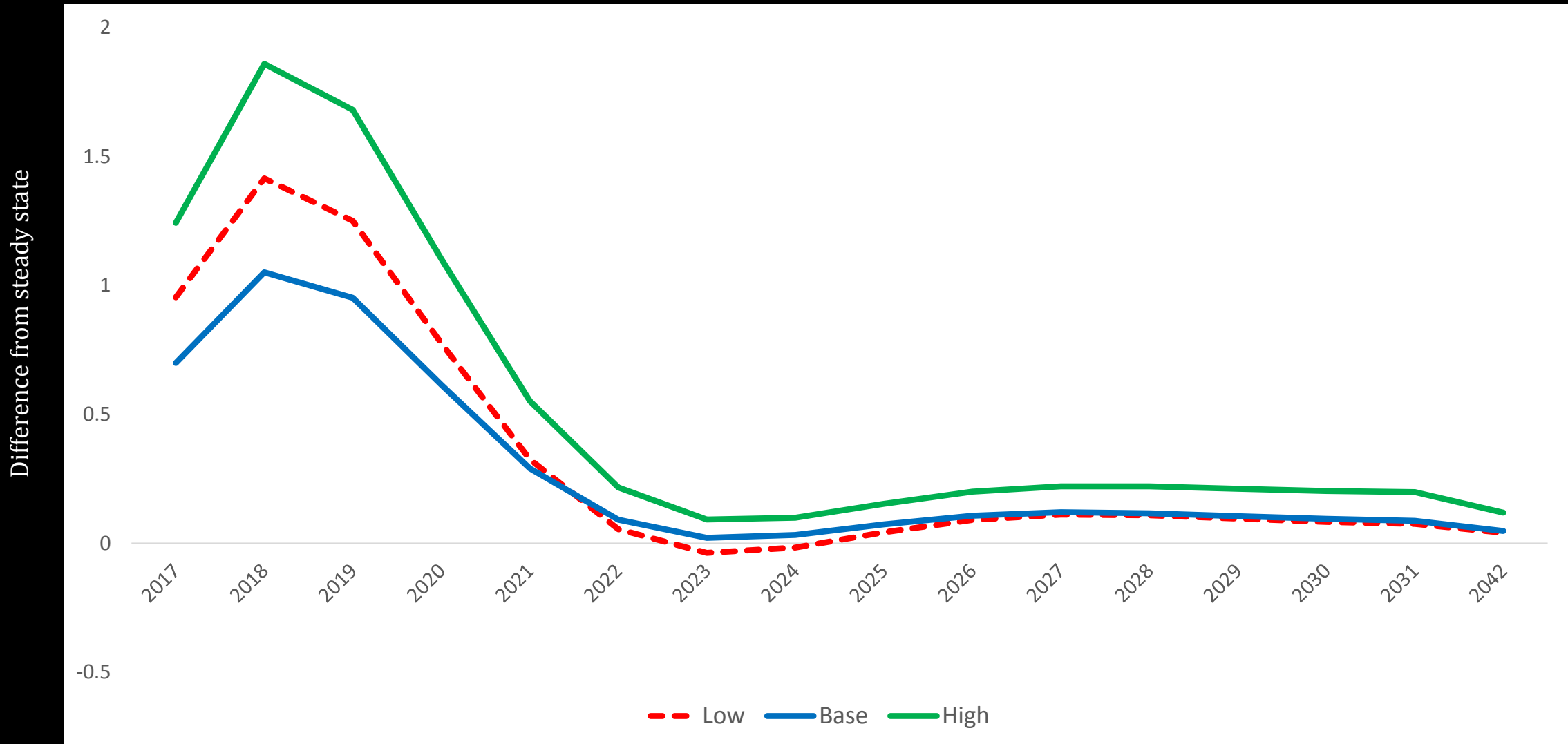
**Government spending:** High case represents both an increase in the level and efficiency of government spending (i.e., spending leads to asset accumulation).



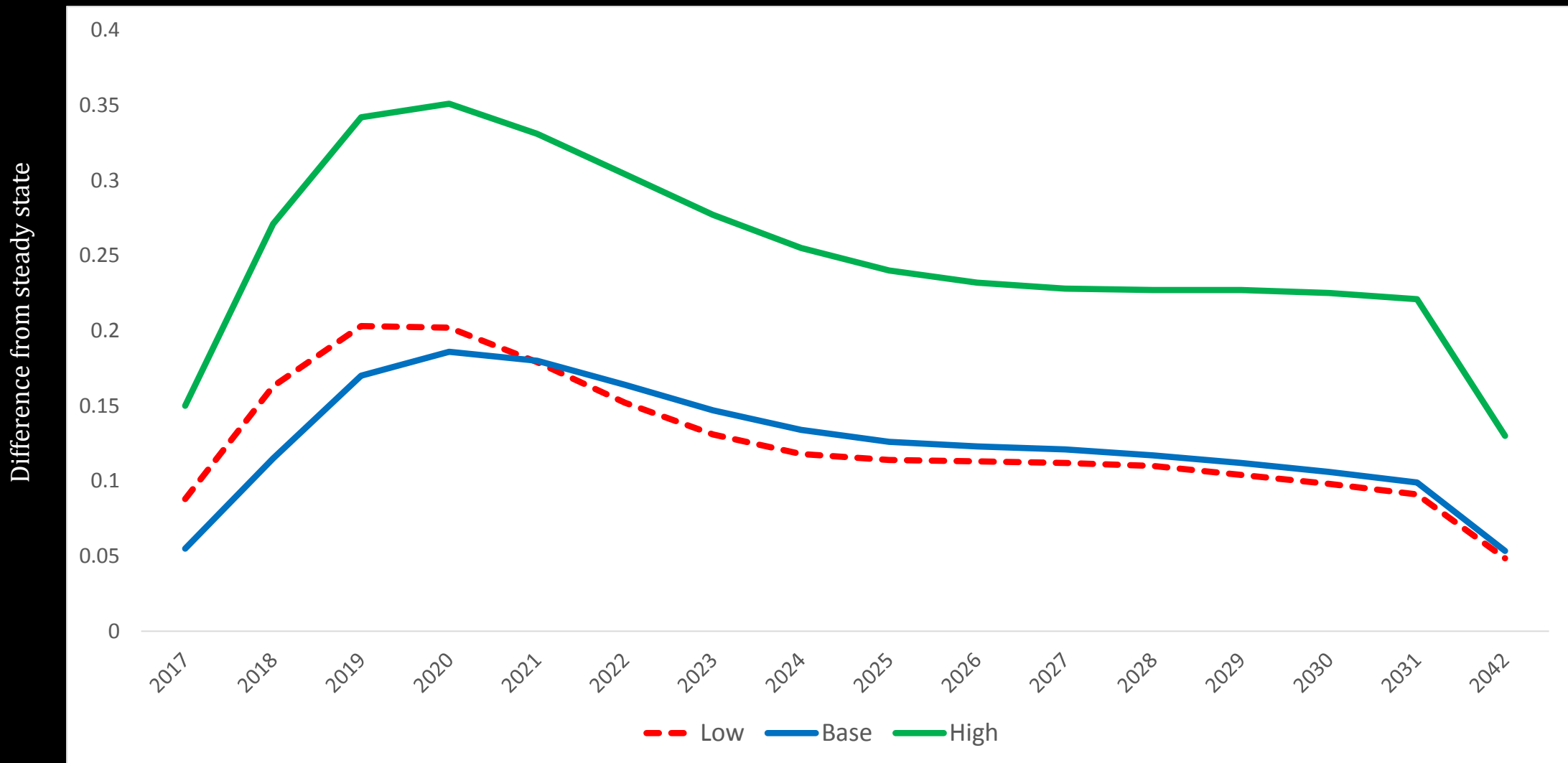
**Investment:** Over the medium-term, public investment stimulates private investment in high case. Crowding out effect and higher interest rates reduce investments in the low case.



# Inflation without monetary response for 2 years: In the high case, inflation increases by 1.8 ppt due to higher consumption taxes, but still within BSP target.

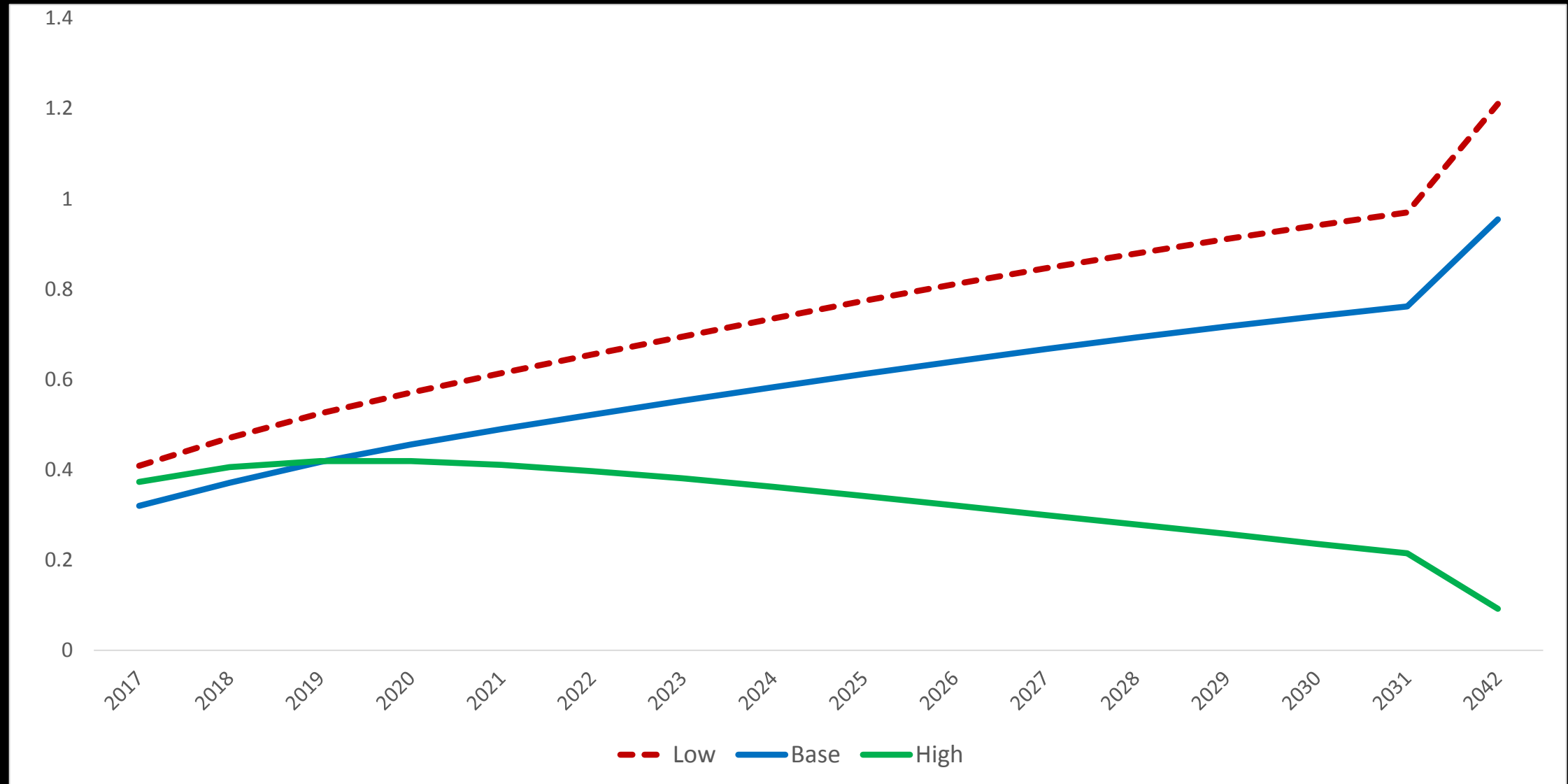


**Inflation with monetary response:** But higher inflation can be moderated by appropriate monetary policy and the BSP has an excellent track record.

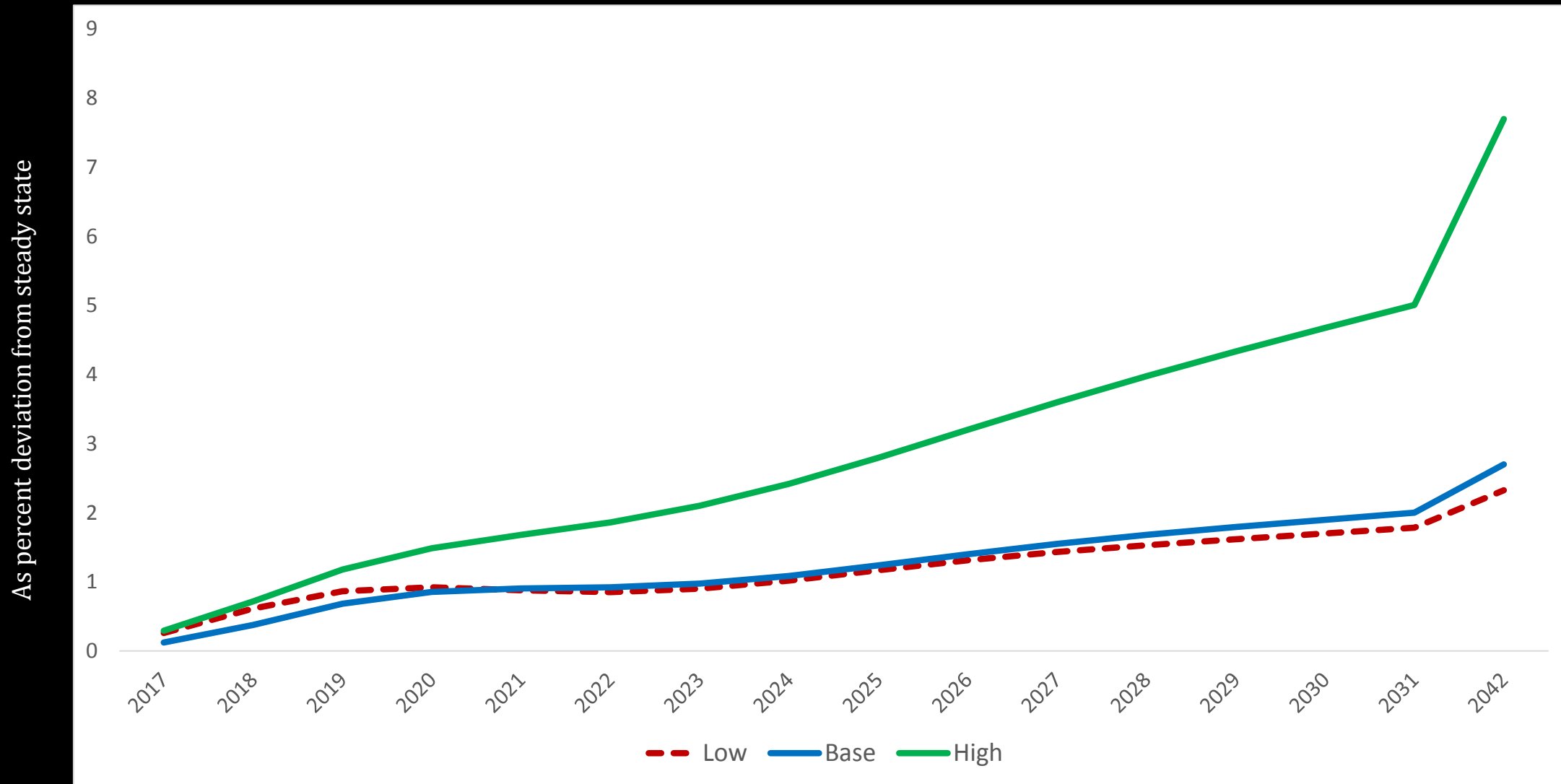


# Real interest rate: High case shows lower long-term interest rate as tax financing does not crowd out capital.

Difference from steady state

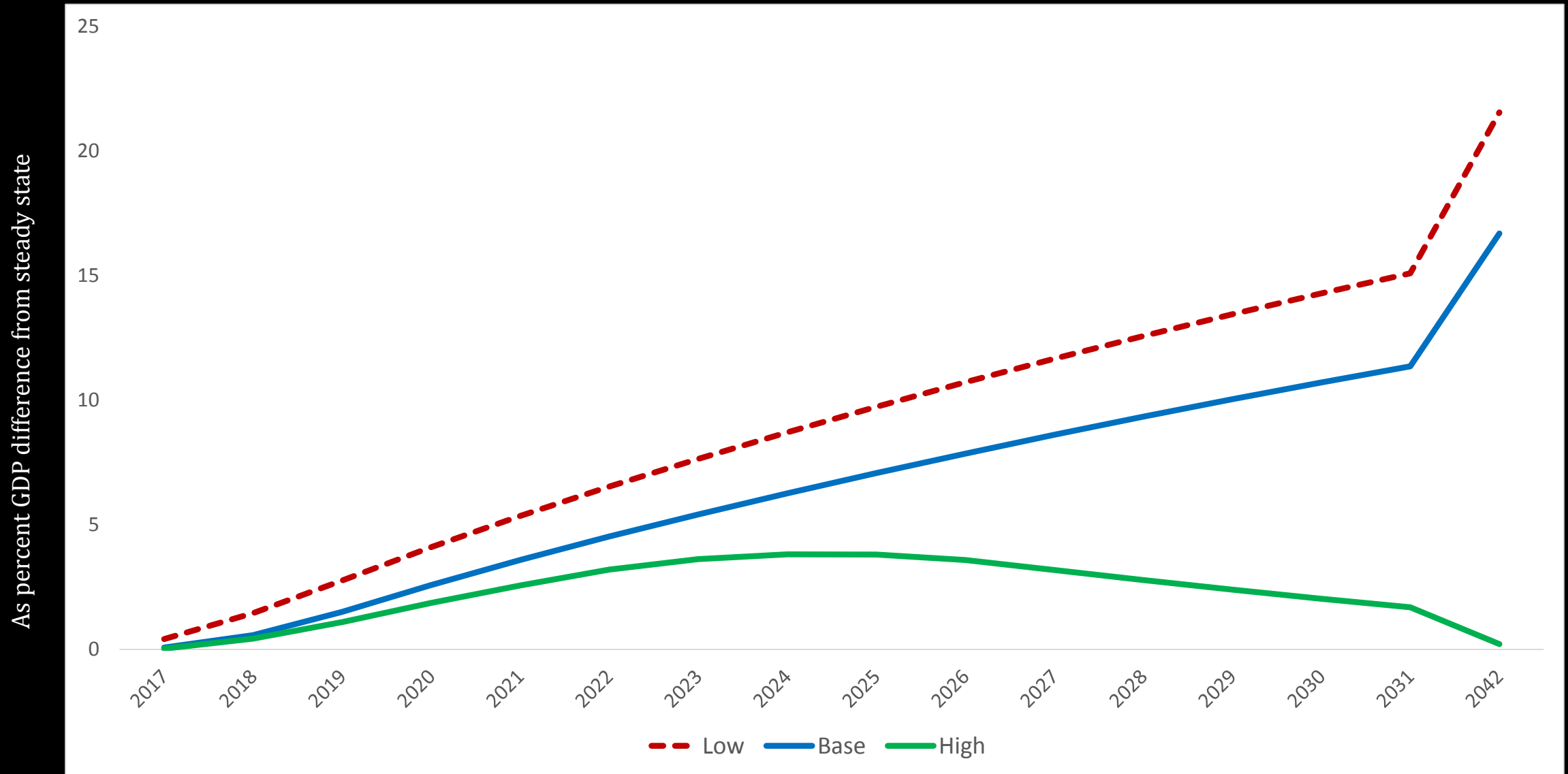


**Real wages:** Tax-financed public investments encourages more job-generating private investment that raises productivity and wages.

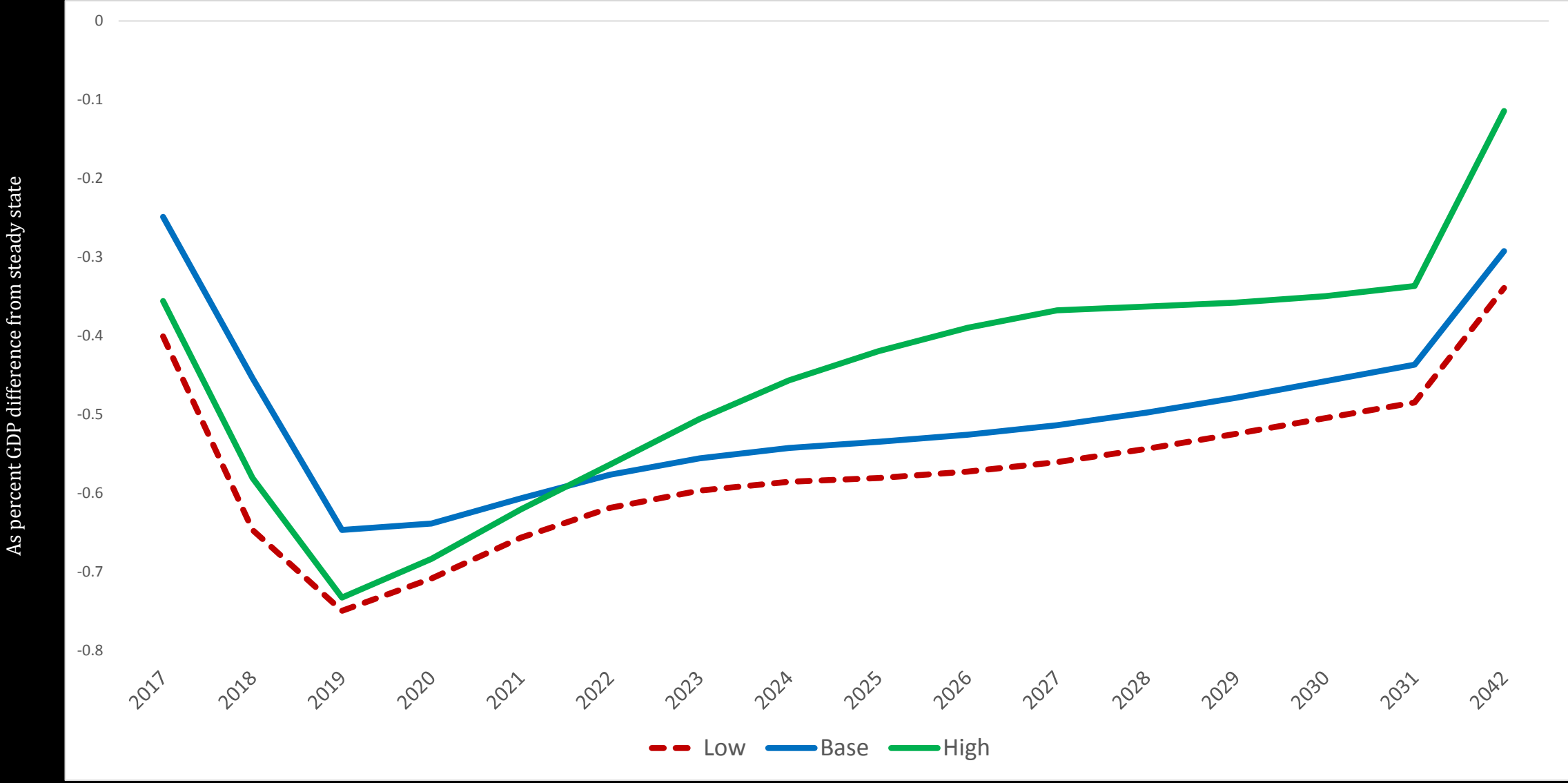




# Government debt: The high case, which relies on tax financing, achieves a sustainable debt path.



# Current account: The deficit is higher in high case due to capital importation to support an investment-led growth.



- a) After painful structural adjustments in the sector since 2001, EPIRA's promised benefits are now materializing in terms of private sector competition bringing down prices while shifting the supply curve to the right at the same time increasing reserves, thus reliability.
- b) In Luzon, power prices are bound to fall with some **4,000MW now committed under long term supply contracts at P3.30/kwhr**. Together with low-to-modest wage growth relative to competitors, this should power a resurgence manufacturing even if only for domestic market.
- c) **Mindanao is likely to be net exporter** with additional 1,000MW mostly fueled by cheap coal together with the onset of La Nina boosting its hydro power which currently accounts for 60%. The imperative is for Mindanao to be interconnected with the Visayan grid, onwards to Luzon so excess capacity can be deployed
- d) Possible return of government in building power plants – up to 20% of capacity, golden share

## Philippine Energy Outlook

- a) **Quality of life for the greatest majority and for the poorest of the poor**
- b) **Cuban-model of primary healthcare to improve wellness and quality of life and reduce morbidity rates**
- c) **HS in every barangay (with at least 30 students) funded by PAGCOR**
- d) **Drinking water in every barangay**
- e) **Government support to catastrophic medicine (cancer, etc.) funded by PAGCOR**
- f) **Study Now, Work and Pay scheme- universal access to college**
- g) **Cheaper power rates**
- h) **Substantial reduction in crime rates and drugs prevalence in 3-6 months**
- i) **Active citizenship through civic education (ROTC restoration)**
- j) **No shirtless in the streets, after 10pm no drinking, no vagrant juveniles in the streets and no karaoke at home (under the thematic of Active Citizenship)**
- k) **Final peace agreements – at least indefinite ceasefire @now**
- l) **Expansion of middle class by 4.5m, reduction of poverty from 21% to 10%**
- m) **10m foreign tourists by 2022**
- n) **7.5% GDP 6-year average growth at 2-3% inflation**

## **Distinctive Comparative Attributes of the DU30 Administration**



# THANK YOU

Quitinday Greenhills, Camalig, Albay

# 6-Year Growth Prospects

## GROSS DOMESTIC PRODUCT AND GROSS NATIONAL INCOME 2016 - 2022 TARGETS (in Billion Pesos)

Industrial Origin at Constant 2000 Prices								
Particulars	ACTUAL	FORECAST						
	2015	2016	2017	2018	2019	2020	2021	2022
Agriculture, Hunting, Fisheries and Forestry	719.7	698.1	719.1	744.2	770.3	797.2	827.5	859.0
Non-agriculture	6,874.0	7,384.5	7,937.2	8,537.1	9,183.5	9,879.0	10,624.9	11,435.5
Industry	2,535.8	2,720.9	2,933.1	3,167.8	3,427.6	3,708.6	4,016.4	4,357.8
Services	4,338.2	4,663.6	5,004.0	5,369.3	5,755.9	6,170.3	6,608.4	7,077.6
Gross Domestic Product	7,593.7	8,082.6	8,656.2	9,281.4	9,953.8	10,676.2	11,452.4	12,294.5
Net income from abroad	1,540.9	1,662.6	1,729.2	1,791.1	1,860.0	1,925.5	1,990.9	2,056.3
Gross National Income	9,134.7	9,745.2	10,385.4	11,072.5	11,813.8	12,601.7	13,443.3	14,350.8
Agriculture, Hunting, Fisheries and Forestry	0.1	-3.0	3.0	3.5	3.5	3.5	3.8	3.8
Non-agriculture	6.5	7.4	7.5	7.6	7.6	7.6	7.6	7.6
Industry	6.0	7.3	7.8	8.0	8.2	8.2	8.3	8.5
Services	6.8	7.5	7.3	7.3	7.2	7.2	7.1	7.1
<b>Gross Domestic Product</b>	<b>5.9</b>	<b>6.4</b>	<b>7.1</b>	<b>7.2</b>	<b>7.2</b>	<b>7.3</b>	<b>7.3</b>	<b>7.4</b>
Net Primary Income (ROW)	5.3	7.9	4.0	3.6	3.8	3.5	3.4	3.3
Gross National Income	5.8	6.7	6.6	6.6	6.7	6.7	6.7	6.8



## 6-Year Growth Prospects

### GROSS DOMESTIC PRODUCT AND GROSS NATIONAL INCOME 2016 - 2022 TARGETS (in Billion Pesos)

Share to GDP (In Percent)								
Particulars	ACTUAL	FORECAST						
	2015	2016	2017	2018	2019	2020	2021	2022
Agriculture, Hunting, Fisheries and Forestry	9.5	8.6	8.3	8.0	7.7	7.5	7.2	7.0
Non-agriculture	90.5	91.4	91.7	92.0	92.3	92.5	92.8	93.0
Industry	33.4	33.7	33.9	34.1	34.4	34.7	35.1	35.4
Services	57.1	57.7	57.8	57.9	57.8	57.8	57.7	57.6
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

# 6-Year Growth Prospects

## GROSS DOMESTIC PRODUCT AND GROSS NATIONAL INCOME 2016 - 2022 TARGETS (in Billion Pesos)

Share to GDP (In Percent)								
Particulars	ACTUAL	FORECAST						
	2015	2016	2017	2018	2019	2020	2021	2022
Consumption	79.7	79.7	78.9	78.0	77.3	76.7	76.1	75.7
Private	69.3	69.2	68.5	67.7	67.1	66.5	65.9	65.4
Government	10.3	10.4	10.3	10.3	10.2	10.2	10.2	10.3
Investment	23.8	25.0	26.4	28.1	29.8	31.7	33.7	35.8
Domestic demand	103.4	104.7	105.3	106.1	107.1	108.4	109.8	111.5
Exports of goods and services	48.5	49.6	51.2	53.1	54.5	56.4	58.9	61.4
Imports of goods and services	51.9	55.6	58.1	60.7	63.7	67.1	71.3	75.8
Statistical discrepancy	0.0	1.3	1.7	1.5	2.1	2.4	2.6	2.9
Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

# BOI INVESTMENT PERFORMANCE

## (JANUARY to JULY 2016)

Industry	2015	2016	% Increase/ (Decrease)	2015	2016	% Increase/ (Decrease)
	Investments (Php Million)			Employment		
Electricity, Gas, Steam & Air Conditioning Supply	25,434.85	108,061.40	324.86	260	1,797	591.15
Construction	8,361.08	31,904.00	281.58	11,872	1,341	-88.70
Real Estate Activities	25,588.40	26,755.41	4.56	15,197	16,989	11.79
Manufacturing	18,162.32	18,655.27	2.71	3,931	11,069	181.58
Transportation & Storage	12,114.68	13,316.99	9.92	631	702	11.25
Water Supply, Sewerage, Waste Management and Remediation Activities	0.00	8,377.31	100.00	0	1,089	100.00
Agriculture, Forestry and Fishing	5,519.45	1,697.25	-69.25	984	241	-75.51
Accommodation & Food Service Activities	2,340.28	1,066.70	-54.42	1,332	1,353	1.58
Human Health and Social Work Activities	860.00	283.05	-67.09	305	28	-90.82
Financial & Insurance Activities	113.41	123.87	9.22	0	0	100.00
Public Administration & Defense; Compulsory Social Security	91.51	103.05	12.61	660	2,455	271.97
Administrative and Support Service Activities	238.01	17.70	-92.56	1,503	110	-92.68
Education	1,408.00	8.25	-99.41	59	313	430.51
Information and Communication	4,675.32	0.00	-100.00	598	0	-100.00
Arts, Entertainment and Recreation	1,175.84	0.00	-100.00	406	0	-100.00
<b>TOTAL</b>	<b>106,083.15</b>	<b>210,370.25</b>	<b>98.31</b>	<b>37,738</b>	<b>37,487</b>	<b>-0.67</b>

Source: Board of Investments

# LABOR FORCE (2009-2015)

(in '000)	2009 average	2010 average	2011 average	2012 average	2013 average	2014* average	2015 average	Change (2009 to 2015)
<b>Population 15 years old and over</b>	59,237	60,717	61,883	62,985	64,174	63,469	65,660	6,423
<b>Labor Force</b>	37,893	38,893	40,006	40,426	41,023	40,881	41,776	3,883
<b>Employed</b>	35,061	36,035	37,192	37,600	38,118	38,093	39,143	4,082
<b>Unemployed</b>	2,831	2,859	2,813	2,826	2,905	2,788	2,496	(335)
<b>Underemployed</b>	6,693	6,762	7,163	7,514	7,372	7,114	7,280	587
<b>Wage &amp; Salary Workers</b>	18,681	19,626	20,538	21,491	22,247	22,038	22,507	3,826

\*2014 - Leyte was excluded

Source of Data: Yearbooks of Labor Statistics

# LABOR FORCE (2001-2009)

(in '000)	2001 average	2002 average	2003 average	2004 average	2005 average	2006 average	2007 average	2008 average	2009 average	Change (2001 to 2009)
<b>Population 15 years old and over</b>	48,929	50,344	51,793	53,144	54,388	55,230	56,565	57,848	59,237	10,308
<b>Labor Force</b>	32,809	33,936	34,571	35,862	35,381	35,464	36,213	36,805	37,893	5,084
<b>Employed</b>	29,156	30,062	30,635	31,613	32,313	32,636	33,560	34,089	35,061	5,905
<b>Unemployed</b>	3,653	3,874	3,936	4,249	3,068	2,829	2,653	2,716	2,831	(822)
<b>Underemployed</b>	5,005	5,109	5,221	5,575	6,785	7,371	6,757	6,579	6,693	1,688
<b>Wage &amp; Salary Workers</b>	14,438	14,653	15,354	16,472	16,316	16,673	17,508	17,846	18,681	4,243

Source of Data: Yearbooks of Labor Statistics

# BOI TOP 10 APPROVED PROJECTS (JANUARY to JULY 2016)

Name of Firm	Activity	Proj. Cost (Php M)
Limay Premiere Power Corp. (100% Filipino)	New operator of 300MW circulating fluidized bed coal fired power plant project in Limay, Bataan	23,299.560
GMR Megawide Cebu Airport Corporation (60% Filipino / 38.30% Singaporean / 1.70% Indian)	PPP for Mactan Cebu International Airport Project (Phase 2 – Operation and Maintenance of Terminal 2)	16,750.000
Light Rail Manila Corporation (LRMC) (90% Filipino / 10% Singaporean)	Modernization of the existing system – operations and maintenance of Manila LRT 1 Integrated Railway System Project pursuant to the BTO contractual arrangement under the concession agreement with DOTC and LRTA - Manila LRT1	15,154.000
Bayog Wind Power Corp. (60% Filipino / 39.952% Dutch / 0.024% American / 0.024% UK)	Renewable energy developer of wind energy resources (150MW Baloi Wind Energy Project) in Pagudpud, Ilocos Norte	14,728.095
Cordillera Hydro Electric Power Corporation (83.41% Filipino / 16.58% British Virgin Islands / 0.01% South Korea)	Renewable energy developer of hydroelectric energy resources (60MW Kapangan Hydroelectric Project) in Benguet	12,175.000
El Elyon Power Plant Phils., Inc. (60% Filipino / 40% South Korean)	Renewable energy developer of 160MW Alabel Solar Power Project in Sarangani Province.	11,641.600
Alternergy Sembrano Wind Corporation (86.37% Filipino / 13.628% Dutch / 0.002% Australian)	Renewable energy developer of 80.4 Wind Power Project in Pililia, Rizal, Mabitac, and Pakil, Laguna	8,526.000

Source: Board of Investments



# BOI TOP 10 APPROVED PROJECTS (JANUARY to JULY 2016)

Name of Firm	Activity	Proj. Cost (Php M)
Luzon Clean Water Development Corporation (80% Filipino / 20% South Korean)	PPP (Bulacan Bulk Water Supply Project - Stages 1 and 2) under the concession agreement with MWSS	8,377.310
SM Development Corporation (99.95 Filipino / 0.05% various)	Expanding Developer of economic and low-cost housing project (Shore 2 Residences) in MOA, Pasay City	5,964.449
South Negros Biopower, Inc. (100% Filipino)	Renewable energy developer of biomass energy resources (South Negros Biopower 25 MW Biomass Power Plant) in La Carlota, Negros Occidental	4,929.387

# BOI INVESTMENT PERFORMANCE (MANUFACTURING BREAKDOWN)

Manufacturing Sub-sector	2015	2016	% Increase / (Decrease)
	Investments (Php Million)		
Food Products	0.00	8,139.21	100.00
Motor vehicles, trailers and semi-trailers	4,872.15	7,797.59	60.04
Fabricated metal products, except machinery and equipment	6,852.11	1,979.16	-71.12
Leather and other related products	0.00	62.01	100.00
Wearing apparel	112.87	25.66	-77.27
Furniture	0.00	8.08	100.00
Chemicals and chemical products	0.00	6.11	100.00
Wood and of products of wood	5.00	3.42	-31.60
Basic Metals	6,056.86	0.00	-100.00
Machinery and equipment, NEC	124.40	0.00	-100.00
Electrical equipment	50.00	0.00	-100.00
Computer, electronic and optical products	40.00	0.00	-100.00
Rubber and plastic products	30.38	0.00	-100.00
Pharmaceutical products & pharmaceutical preparations	7.02	0.00	-100.00
Other transport equipment	6.18	0.00	-100.00
Other manufacturing products	5.35	634.04	11,751.21
<b>MANUFACTURING TOTAL</b>	<b>18,162.32</b>	<b>18,655.28</b>	<b>2.71</b>

Source: Board of Investments

# BOI INVESTMENT PERFORMANCE (JULY 2016)

Industry	2015	2016	% Increase/ (Decrease)	2015	2016	% Increase/ (Decrease)
	Investments (Php Million)			Employment		
Electricity, Gas, Steam & Air Conditioning Supply	6,334.52	12,109.10	91.16	95	79	-16.84
Water supply; sewerage, waste management and remediation activities	0.00	8,377.31	100.00	0	1,089	100.00
Real Estate Activities	5,216.50	2,362.38	-54.71	3,366	3,739	11.08
Transportation & Storage	529.39	921.42	74.05	135	87	-35.56
Manufacturing	1,024.47	43.69	-95.74	1,337	172	-87.14
Financial & Insurance Activities	7.95	31.62	297.74	0	0	0.00
Public Administration & Defense; Compulsory Social Security	27.11	18.72	-30.95	660	2,114	220.30
Accommodation & Food Service Activities	494.50	0.00	-100.00	109	0	-100.00
Human Health and Social Work Activities	430.00	-	-100.00	124	0	-100.00
<b>TOTAL</b>	<b>14,064.44</b>	<b>23,864.24</b>	<b>69.68</b>	<b>5,826</b>	<b>7,280</b>	<b>24.96</b>

Source: Board of Investments

# BOI TOP 10 APPROVED PROJECTS (JULY 2016)

Name of Firm	Activity	Proj. Cost (Php M)
El Elyon Power Plant Phils., Inc. (60% Filipino / 40% South Korean)	Renewable energy developer of 160MW Alabel Solar Power Project in Sarangani Province.	11,641.600
Luzon Clean Water Development Corp. (80% Filipino/ 20% South Korean)	PPP (Bulacan Bulk Water Supply Project - Stages 1 and 2) under the concession agreement with MWSS	8,377.310
Johndorf Ventures Corporation (100% Filipino)	New developer of economic and low-cost housing project (Tierra Nava Subd., Carcar City, Cebu)	630.900
Cenqhomes Development Corporation (80% Filipino / 20% Taiwanese)	New developer of economic and low-cost housing project (Terraverde Residences Phase 1) - Cavite	518.250
Greentech Solar Energy (60% Filipino / 39.998% Singaporean / 0.002% Indian)	Renewable energy developer of 6.25 Cabanatuan Solar Power Project	467.500
Starlite Ferries, Inc. (100% Filipino)	New domestic shipping operator (RoRo Type Passenger Ferry Ship - MV Starlite Saturn) - Batangas	427.040
Citihomes Builder and Dev't, Inc. (100% Filipino)	Expanding developer of economic and low-cost housing project (Liora Homes Phase 2) in Cavite	351.510
Herma Shipping and Transport Corp. (100% Filipino)	New domestic shipping operator of 16 MB Oil Tanker Vessel - MT Matinpuno - home wharf is Bataan	307.580
JEJ Palawan Realty Corporation (100% Filipino)	New operator of cold storage facilities in Rizal	186.800
Solanaland Development, Inc. (100% Filipino)	Expanding developer of economic and low-cost housing project (La Tierra Solan Phase II) in Bacolor, Pampanga	164.950

Source: Board of Investments

# Ranking of Countries by Intentional Homicide Rate (Asia)

	Country	Rate	Count	Region	Sub-region	Year Listed
1	Myanmar	15.2	8,044	Asia	South-Eastern Asia	2012
2	Turkmenistan	12.8	660	Asia	Central Asia	2012
3	Mongolia	9.7	266	Asia	Eastern Asia	2011
4	Kyrgyzstan	9.1	494	Asia	Central Asia	2011
5	<b>Philippines</b>	<b>8.8</b>	<b>8,484</b>	<b>Asia</b>	<b>South-Eastern Asia</b>	<b>2012</b>
6	Iraq	8	2,628	Asia	Western Asia	2012
7	Kazakhstan	7.8	1,263	Asia	Central Asia	2012
8	Pakistan	7.7	13,846	Asia	Southern Asia	2012
9	Palestine	7.4	312	Asia	Western Asia	2012
10	Cambodia	6.5	964	Asia	South-Eastern Asia	2012
11	Afghanistan	6.5	1,948	Asia	Southern Asia	2012
12	Laos	5.9	392	Asia	South-Eastern Asia	2012
13	North Korea	5.2	1,293	Asia	Eastern Asia	2012
14	Thailand	5	3,307	Asia	South-Eastern Asia	2011
15	Yemen	4.8	1,099	Asia	Western Asia	2010

Source: United Nations Office on Drugs and Crime

# Proposed Personal Income Tax – P159bn reduction Tianko-Tinio version

*“SEC. 24. Income Tax Rates –*

*“(A) Rates of Income Tax on Individual Citizen and Individual Resident Alien of the Philippines. –*

*“(1) An income tax is hereby imposed:*

*x x x*

*“(2) Rates of Tax on Taxable Income of Individuals. - The tax shall be computed in accordance with and at the rates established in the following schedule:*

Not over P360,000	0%
Over P360,000 but not over P600,000	10%
Over P600,000 but not over P960,000	20%
Over P960,000 but not over P1,440,000	25%
Over P1,440,000 but not over P1,920,000	30%
Over P1,920,000	32%

*x x x”*



# BOI INVESTMENT PERFORMANCE

## (JANUARY to JULY 2016)

	2015	2016	% Increase/ (Decrease)
<b>Project Cost (PhP M)</b>	<b>106,083.13</b>	<b>210,370.25</b>	<b>98.31</b>
Foreign (PhP M)	13,672.29	36,583.47	167.57
Local (PhP M)	92,410.84	173,786.78	88.06
No. of Projects	180	192	6.67
Employment	37,738	37,487	-0.67

# BOI INVESTMENT PERFORMANCE (JULY 2016)

	2015	2016	% Increase/ (Decrease)
<b>Project Cost (PhP M)</b>	<b>14,064.43</b>	<b>23,864.23</b>	<b>69.68</b>
Foreign (PhP M)	385.70	6,688.39	<b>1,634.09</b>
Local (PhP M)	13,678.73	17,175.84	<b>25.57</b>
No. of Projects	31	30	Compared to 98% in 1 <sup>st</sup> 7 months, July BOI Is respectable at 69.7%
Employment	5,826	7,280	

# BOI INVESTMENT PERFORMANCE

## (BY REGION, JANUARY to JULY 2016)

50% in  
NCR, STR  
CL

Region	2015	2016	% Increase/ (Decrease)
	Investments (Php Million)		
<b>REGION 3</b>	<b>6,766.80</b>	<b>44,320.83</b>	554.97
<b>National Capital Region</b>	<b>14,512.63</b>	<b>37,053.38</b>	155.32
<b>REGION 4A</b>	<b>32,832.00</b>	<b>30,721.78</b>	-6.43
REGION 7	14,302.10	19,063.77	33.29
REGION 12	2,323.55	15,695.78	575.51
REGION 1	809.93	14,817.65	1,729.50
Negros Island Region	0.00	14,735.92	100.00
Cordillera Autonomous Region	0.00	12,325.00	100.00
REGION 10	7,887.55	7,304.89	-7.39
REGION 11	230.26	6,386.87	2,673.76
REGION 5	607.67	4,476.89	636.73
REGION 4B	1,311.48	1,980.82	51.04
REGION 9	0.00	648.83	100.00
REGION 8	4,055.12	554.79	-86.32
REGION 6	8,637.21	283.05	-96.72
SEVERAL LOCATIONS	11,806.82	0.00	-100.00
<b>TOTAL</b>	<b>106,083.12</b>	<b>210,370.25</b>	<b>98.31</b>

Source: Board of Investments

# BOI INVESTMENT PERFORMANCE

## (BY REGION, JULY 2016)

Region	2015	2016	% Increase/ (Decrease)
	Investments (Php Million)		
<b>REGION 12</b>	<b>0.00</b>	<b>11,641.60</b>	<b>100.00</b>
<b>REGION 3</b>	<b>0.00</b>	<b>9,508.89</b>	<b>100.00</b>
<b>REGION 4A</b>	<b>5,126.24</b>	<b>2,032.51</b>	<b>-60.35</b>
REGION 7	177.98	630.90	<b>254.48</b>
National Capital Region	1,690.82	50.34	<b>-97.02</b>
REGION 8	4,055.12	0.00	<b>-100.00</b>
REGION 10	2,335.29	0.00	<b>-100.00</b>
REGION 6	494.50	0.00	<b>-100.00</b>
REGION 11	184.48	0.00	<b>-100.00</b>
<b>TOTAL</b>	<b>14,064.43</b>	<b>23,864.24</b>	<b>69.68</b>

Regional  
dispersion  
starting?

# BOI (JANUARY to JULY 2016): EU now biggest investor of PH

Country	2015	2016	% Increase/ (Decrease)
	Investments (Php Million)		
Singapore	9,365.91	9,830.49	4.96
<b>Netherlands</b>	<b>308.28</b>	<b>7,121.95</b>	<b>2,210.22</b>
South Korea	141.28	6,417.84	4,442.64
Japan	1,630.51	5,690.00	248.97
<b>British Virgin Islands</b>	<b>887.19</b>	<b>2,018.62</b>	<b>127.53</b>
<b>Germany</b>	<b>7.77</b>	<b>1,957.79</b>	<b>25,096.78</b>
<b>United Kingdom</b>	<b>7.21</b>	<b>874.45</b>	<b>12,028.29</b>
U.S.A.	333.66	625.65	87.51
India	16.66	302.09	1,713.27
China (PROC)	75.78	232.60	206.94
Canada	215.15	139.95	-34.95
Taiwan	133.38	119.38	-10.50
Australia	2.81	22.15	688.26
Cayman Islands	0.00	9.36	100.00
Vanuatu	0.00	6.71	100.00

Country	2015	2016	% Increase/ (Decrease)
	Investments (Php Million)		
Thailand	0.00	3.47	100.00
St. Kitts & Nevis	0.00	3.36	100.00
Norway	8.83	2.35	-73.39
Hongkong	0.00	2.33	100.00
Switzerland	339.85	0.00	-100.00
Malaysia	36.00	0.00	-100.00
Denmark	17.78	0.00	-100.00
United Arab Emirates	9.03	0.00	-100.00
Cook Islands	8.87	0.00	-100.00
Bermuda	8.82	0.00	-100.00
Lithuania	3.42	0.00	-100.00
Indonesia	2.23	0.00	-100.00
New Zealand	1.61	0.00	-100.00
Saudi Arabia	0.54	0.00	-100.00
Various Nationalities	109.74	1,202.94	996.17
<b>TOTAL</b>	<b>13,672.31</b>	<b>36,583.48</b>	<b>167.57</b>





















Source: Board of Investments

# BOI JULY 2016: Mostly from South Korea

Country	2015	2016	% Increase/ (Decrease)
	Investments (Php Million)		
South Korea	111.09	6,347.41	5,613.75
Singapore	9.03	196.36	2,074.53
Taiwan	0.00	103.65	100.00
China (PROC)	0.00	17.53	100.00
India	0.00	10.63	100.00
Australia	0.00	9.35	100.00
Thailand	0.00	3.47	100.00
Canada	215.15	0.00	-100.00
Japan	20.00	0.00	-100.00
U.S.A.	17.98	0.00	-100.00
United Arab Emirates	9.03	0.00	-100.00
Lithuania	3.42	0.00	-100.00
<b>TOTAL</b>	<b>385.70</b>	<b>6,688.40</b>	<b>1,634.09</b>

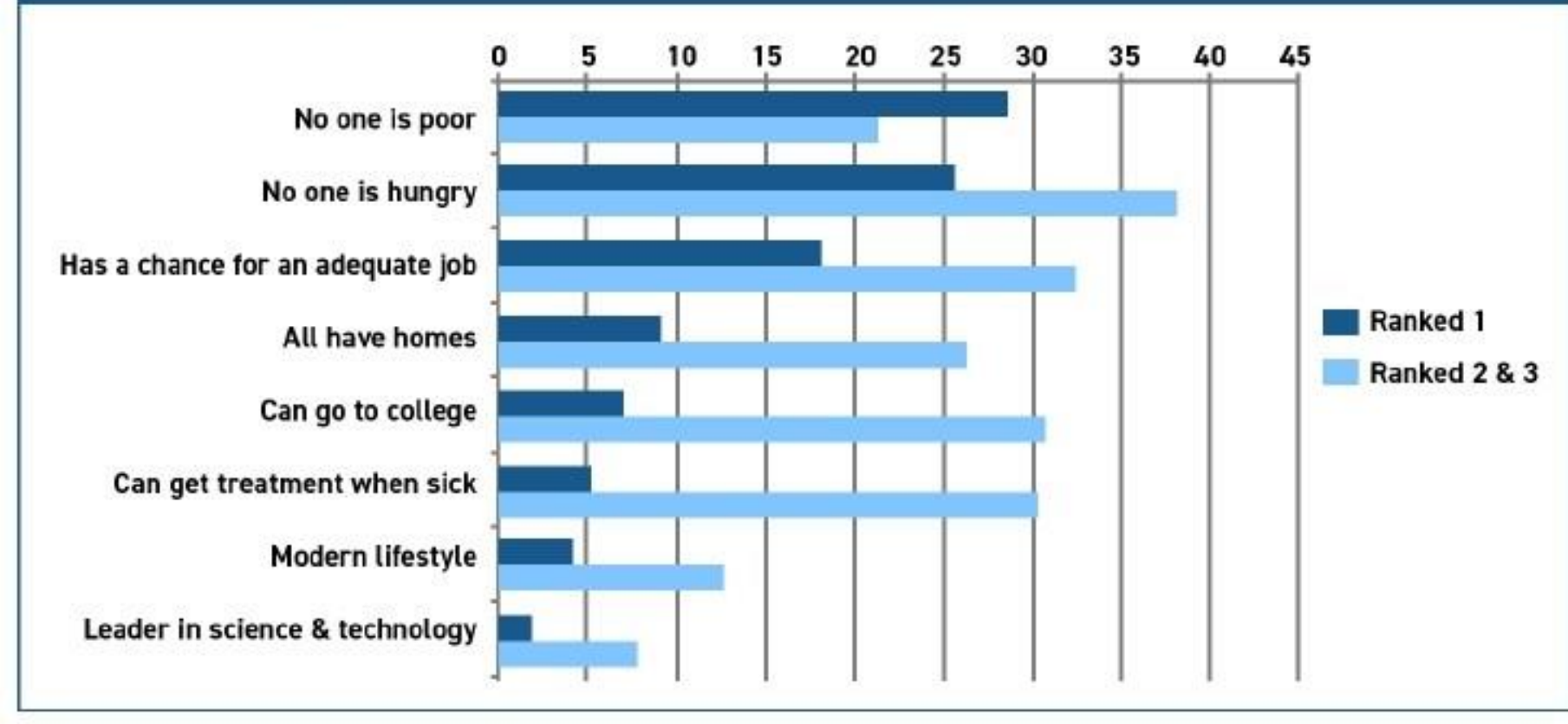
Source: Board of Investments



	HOUSE	FINANCES	VEHICLES	EDUCATION OF CHILDREN	OCCUPATION	VACATION
Simple and comfortable	61%  Medium-sized	66%  Enough for day-to-day needs	59% 	73% 	48%  Job that has enough salary for my needs.	84% 
Prosperous and affluent	82%  Medium-sized	38%  Has savings for unexpected expenses 39%  Enough for day-to-day needs	72% 	79% 	31%  Owns business that has enough earnings for my needs	69% 
Life of the rich	51%  Big	33%  Has savings for unexpected expenses 36%  Enough for day-to-day needs	69% 	88% 	47%  Owns business with high earnings	55% 

An overwhelming majority of Filipinos aspire for a simple and comfortable life (79%), followed by a smaller segment of the population who want an affluent life (16.9%) while a very small portion aspires for the life of the rich (3.9%). For Filipinos, a simple and comfortable life is described as having a medium-sized home, having enough earnings to support everyday needs, owning at least one car/vehicle, having the capacity to provide their children college education; and going on local trips for vacation.

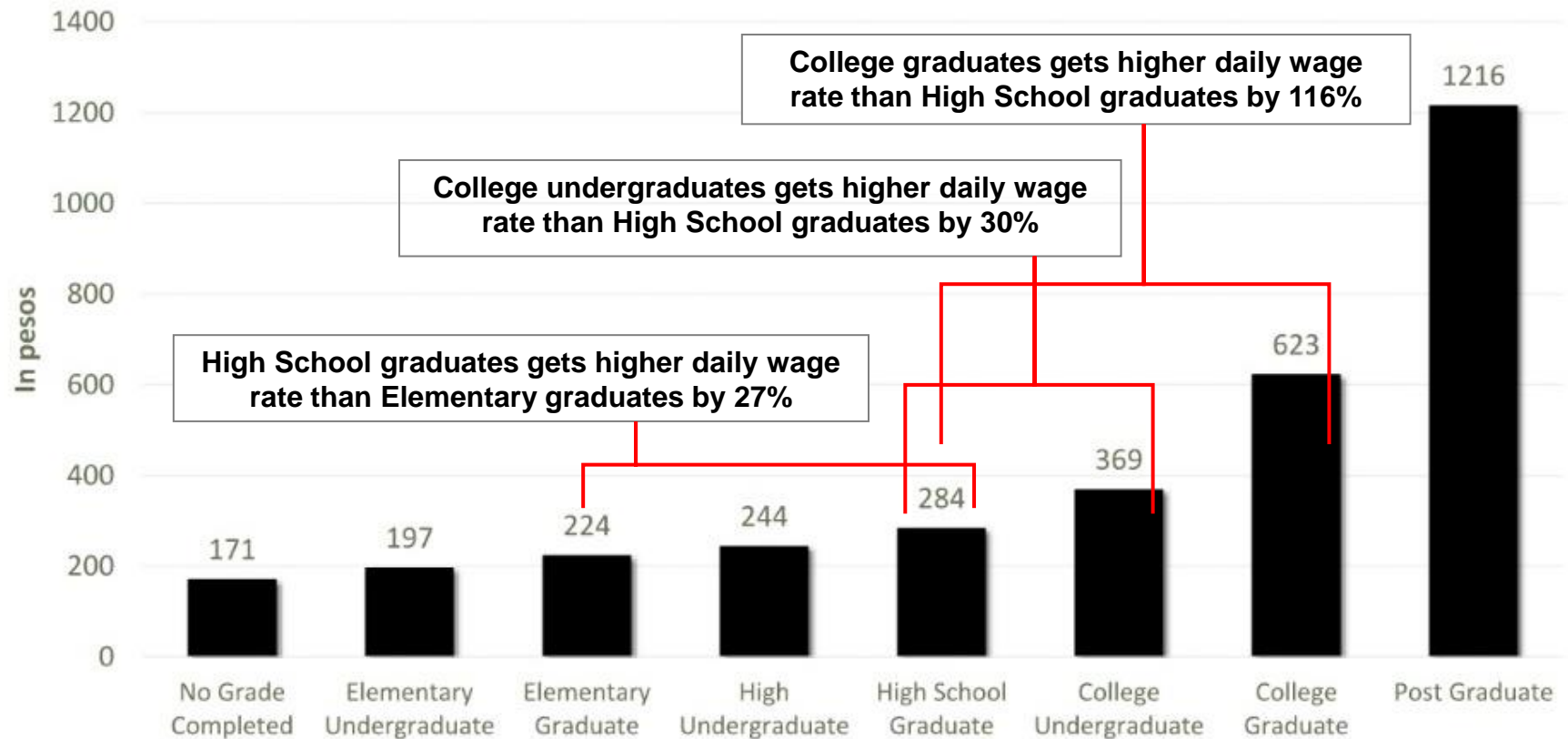
## MOST IMPORTANT CONDITIONS THE COUNTRY SHOULD ATTAIN



For the Filipinos in general, the most important economic goal is the eradication of poverty (Ranked 1: 28.7%; Ranked 2 & 3: 21.4%), hunger (Ranked 1: 25.7%; Ranked 2 & 3: 38.2%), and adequate jobs (Ranked 1: 18%; Ranked 2 & 3: 33%). Moreover, identified as second and/or third most important goals are housing (26.4%), education (30.8%) and health (30.3%). The survey results also indicated modern lifestyle and leader in science and technology as among the least important goals. More than 69 percent would choose a job at home instead of a job abroad if given a choice.

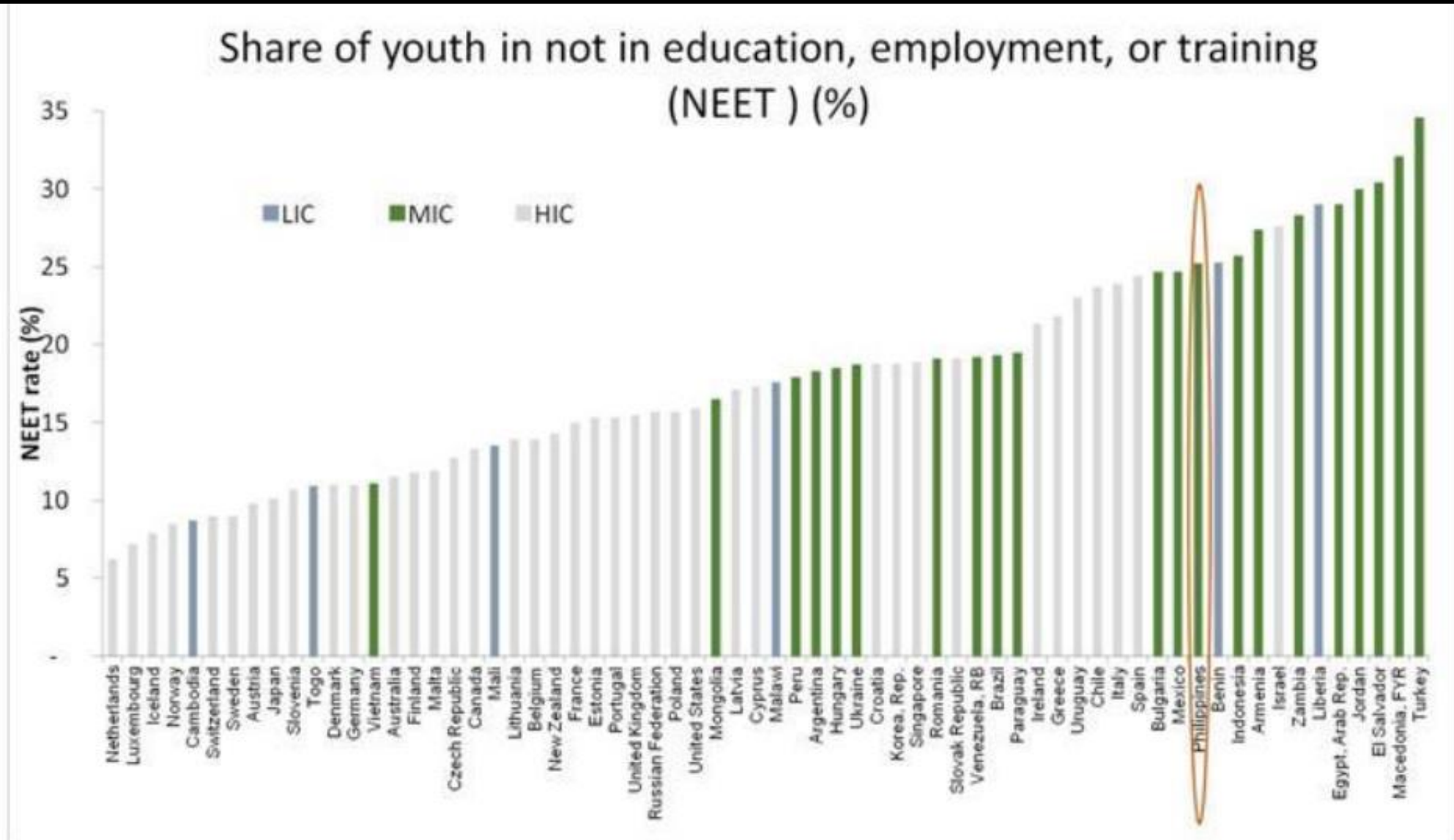
# Average daily wage rate

Average daily wage of wage/salary workers (aged 15 & over),  
by educational attainment, 2014



Source of basic data: Philippine Statistics Authority, Matched APIS 2014 and LFS July 2014 (Individual level)

# Youth unemployment relatively high compared to rest of world



Source: Key Indicators of the Labour Market database (2013), International Labour Organization; Bank staff calculations.



**Foreign selling out? Net buying since May to August, profit-taking is more feasible. But warning signs should not be dismissed.**



# Falling financial prices largely due to US

## Philippines: PSEi

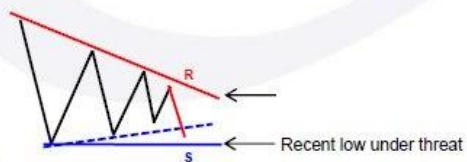


**Recommendation: Range trade (watch 7493 stop)**

**Support: 7,493 / 7,330-7,268 Resistance: 7,781 - 7,849**

- The PSEi fell 13-pts (-0.18%) unable to hang on to its intraday rally
- The break of its triangular pattern does keep our index more on the weaker side and the support break from the Sp500 may put our index support under serious threat
- A break of the 7,493 low would confirm the triangular support break we had earlier seen as well as the crosstown in MACD – which should be enough to call out a lighten or even a sell
- Recall that we are winding from within a pattern and a failure of support can knock prices down with force
- A break of 7,493 would drive prices lower finding next support between 7,330-7,268 as a first target...

**Triangle support breaks !**



## When the bough breaks: US support cracks - ripples to follow

**Fiddlesticks! SP500 cracks, prices trumped down...**

- As we have been on a count down towards a major range break decision into markets as pronounced by patterns nearing their apex, it would seem prices have given in to selling drives
- The Sp500 and Nasdaq both broke below an important support zone casting their short term angles down and could affect medium term trends as well as 7-8 month long up trendlines were broken in the process (this trendline was also broken into the Dow Jones Industrials)
- Given such a break, a callout of their Fibonacci Retracement possibilities shows a bit of concern
- This is so as their 38.2% pullback estimate alone could yank prices down by another 3.5% or so
- This may not look so bad but this would assume a minimum retracement and not a maximum given the break of such up trendlines

**Dollar jumps, sending other currencies lower...**

- The US Dollar Index jumped 0.81% sending the Euro down and may affect other Asian currencies today
- The effect of these reverberations could keep markets such as ours under duress and foster higher risk of a support fault
- This already pushed the MSCI Phils Index to break its recent lows and which may equally drive the PSEi to break below 7,493
- Too many supporting causes to break our index support – move to the defensive by lightening or reducing risk exposure



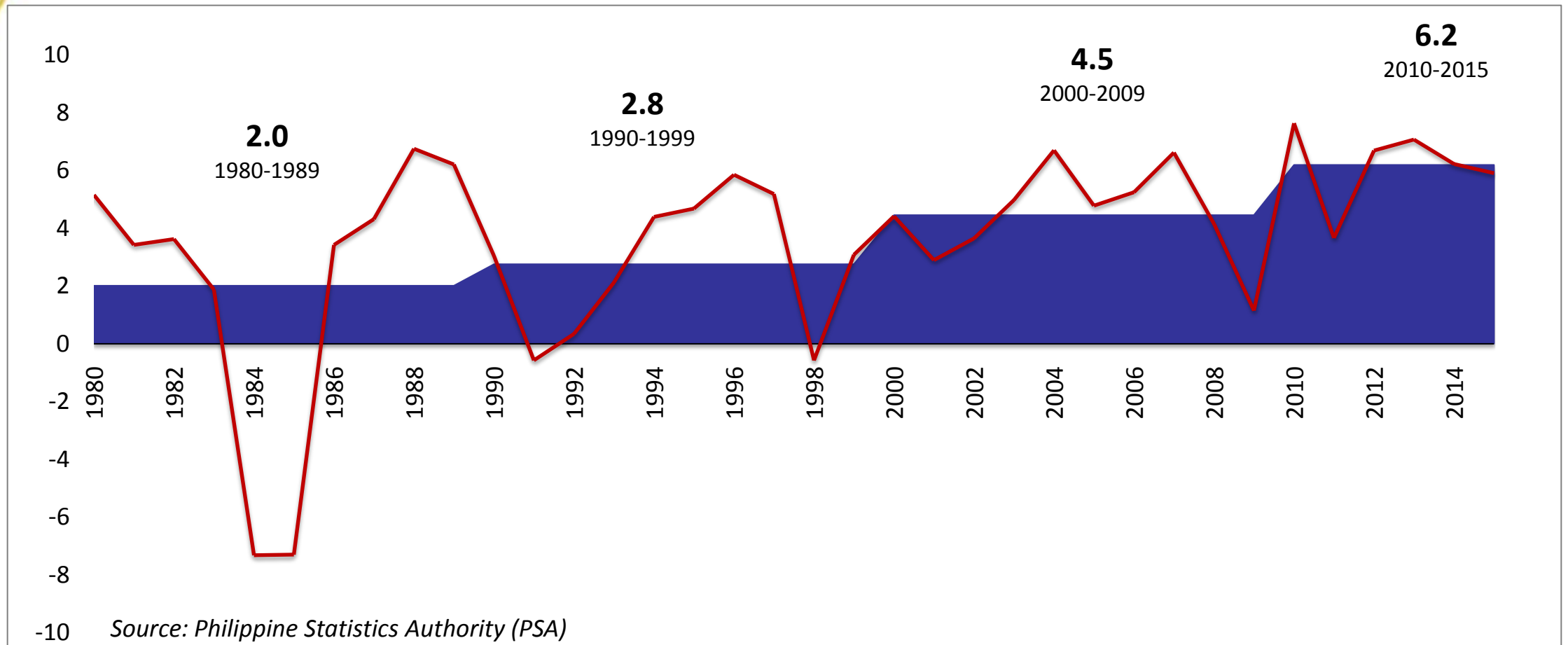


# THANK YOU

Quitinday Greenhills, Camalig, Albay

# The Philippines' growth story: (1) rising trajectory, (2) 17 years of uninterrupted expansion

*GDP growth rates (in %, at constant prices)*





FOUNDATION FOR INCLUSIVE GROWTH, A HIGH-TRUST SOCIETY AND A GLOBALLY COMPETITIVE KNOWLEDGE ECONOMY

2022

REDUCING INEQUALITY

INCREASING POTENTIAL GROWTH

ENHANCING THE SOCIAL FABRIC



Expand economic opportunities

Increase access to economic opportunities



Promote technology adoption  
Encourage innovation  
Promote competition



Build trust in public institutions

Strategic trade and fiscal policy and macroeconomic stability



Accelerate human capital development

Reduce vulnerability of the poor



Maximize demographic dividend



Promote and value cultural diversity

Accelerated and strategic development of infrastructure

Maintain ecological integrity, clean and healthy environment

Ensure security



MATATAG, MAGINHAWA AT PANATAG NA BUHAY

2040

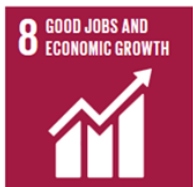
FOUNDATION FOR INCLUSIVE GROWTH, A HIGH-TRUST SOCIETY AND A GLOBALLY COMPETITIVE KNOWLEDGE ECONOMY

2022

REDUCING INEQUALITY



INCREASING POTENTIAL GR



ENHANCING THE SOCIAL FAB

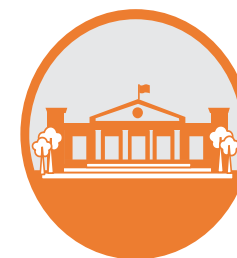


Expand economic opportunities

Increase access to economic opportunities



Promote technology adoption  
Encourage innovation  
Promote competition



Build trust in public institutions

Strategic trade and fiscal policy and macroeconomic stability



Accelerate human capital development

Reduce vulnerability of the poor



Maximize demographic dividend



Promote and value cultural diversity



Accelerate



ment



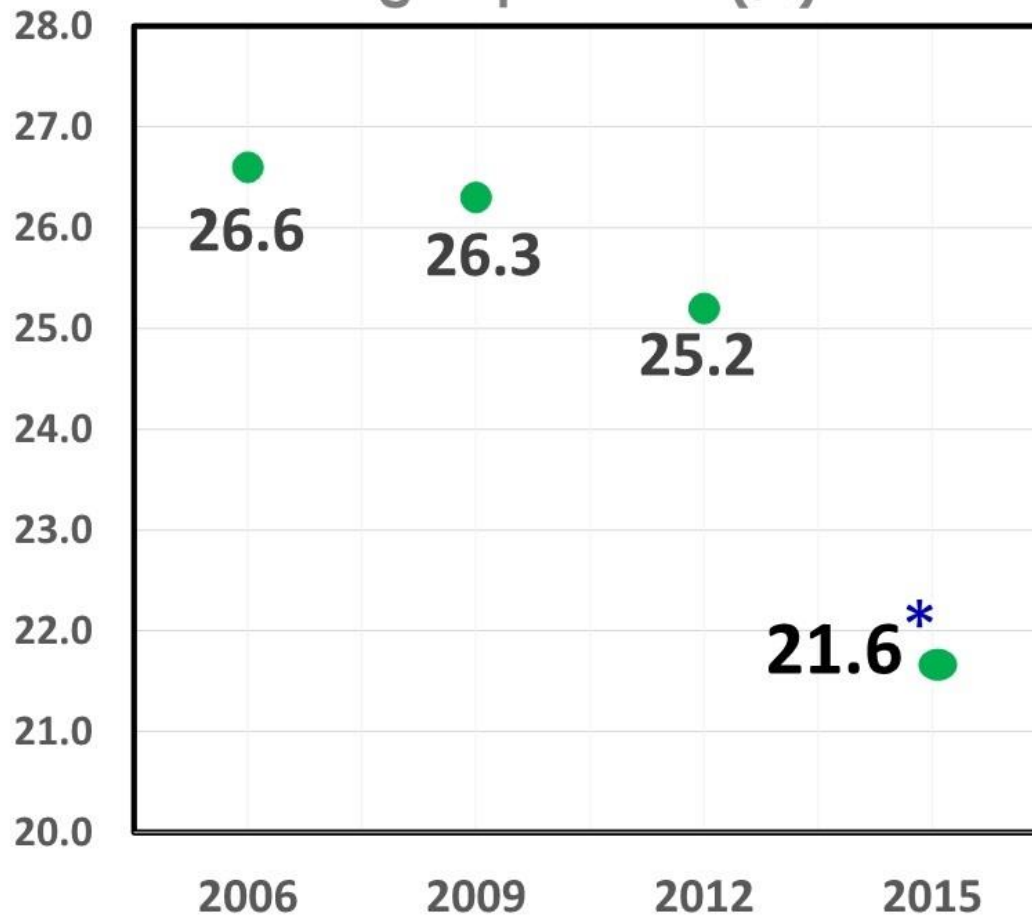
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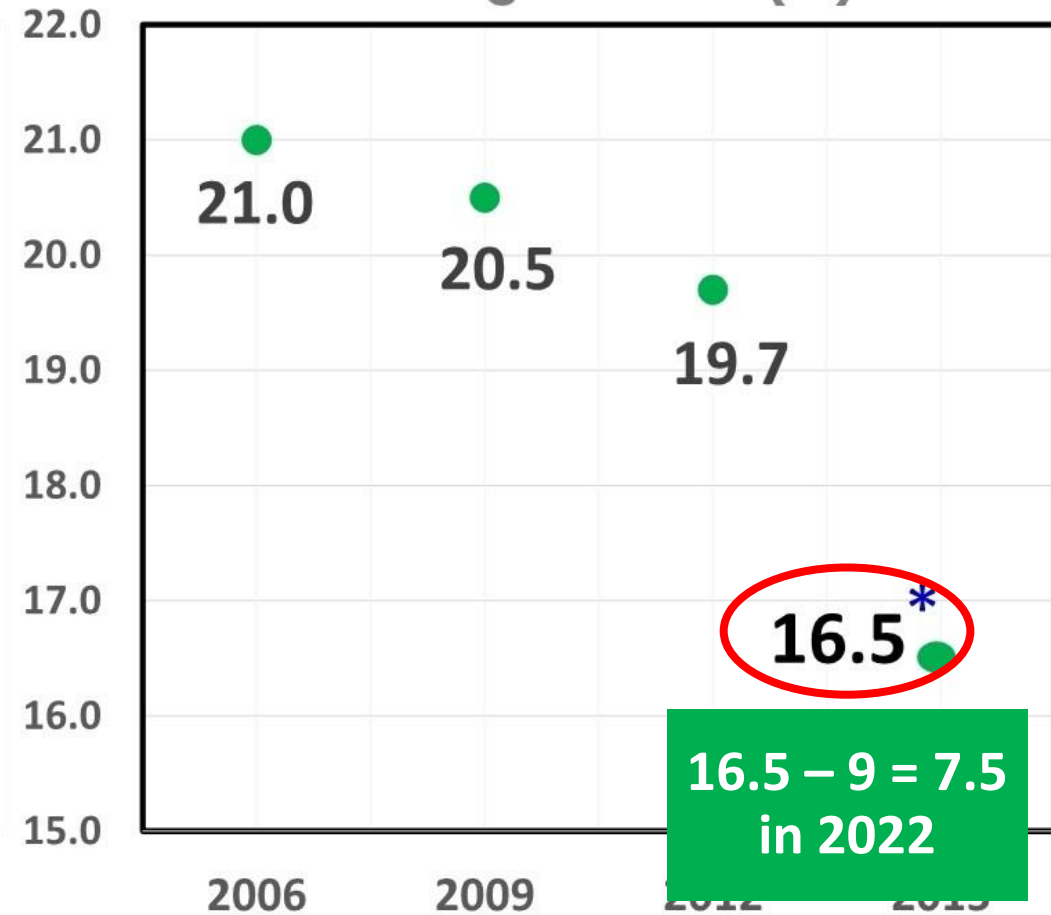
BACK

### Poverty Incidence among Population (%)



\* Statistically significant decrease between 2009 and 2012, and 2012 and 2015 based on t-test with 10% level of significance

### Poverty Incidence among Families (%)



\* Statistically significant decrease between 2012 and 2015 based on t-test with 10% level of significance.

## Simulated GDP Growth Rate Assuming 3% to 5% Expenditure on Infrastructure and other Capital Outlays

Forecast Year	Lagged / Scenario Value for Infrastructure Spending (in % )	Lagged Forecast Growth Rate for Public Spending (in %)	Lagged Forecast Growth Rate for GDCF (in %)	Simulated Annual GDP Growth Rate (in %)
2016	2.3	7.5	5.1	6.2
2017	2.1	1.3	14.1	4.9
2018	2.6	2.7	3.7	5.3
2019	3.0	6.3	-16.1	5.8
2019	3.5	6.3	-16.1	6.6
2019	4.0	6.3	-16.1	7.4
2019	4.5	6.3	-16.1	8.3
<b>2019</b>	<b>5.0</b>			<b>9.1</b>

BACK



# 6-Year Growth Prospects

## GROSS DOMESTIC PRODUCT AND GROSS NATIONAL INCOME

By Expenditure Shares at Constant 2000 Prices								
Particulars	ACTUAL	FORECAST						
	2015	2016	2017	2018	2019	2020	2021	2022
Consumption	6,049.5	6,440.0	6,826.4	7,240.5	7,692.3	8,184.0	8,719.7	9,304.0
Private	5,264.1	5,595.8	5,931.5	6,287.4	6,677.2	7,097.9	7,552.2	8,043.1
Government	785.3	844.2	894.9	953.1	1,015.0	1,086.1	1,167.5	1,260.9
Investment	1,805.3	2,021.9	2,284.8	2,604.6	2,969.3	3,385.0	3,858.9	4,399.1
Domestic demand	7,854.8	8,461.9	9,111.2	9,845.1	10,661.5	11,568.9	12,578.6	13,703.1
Exports of goods and services	3,681.2	4,012.5	4,433.8	4,930.4	5,423.4	6,020.0	6,742.4	7,551.5
Imports of goods and services	3,942.2	4,494.1	5,033.4	5,637.4	6,342.1	7,166.6	8,169.9	9,313.7
Statistical discrepancy	0.0	102.4	144.7	143.3	210.9	253.9	301.4	353.6
Gross domestic product	7,593.7	8,082.6	8,656.2	9,281.4	9,953.8	10,676.2	11,452.4	12,294.5
Net primary income	1,540.9	1,662.6	1,729.2	1,791.1	1,860.0	1,925.5	1,990.9	2,056.3
Gross national income	9,134.7	9,745.2	10,385.4	11,072.5	11,813.8	12,601.7	13,443.3	14,350.8
Consumption	6.5	6.5	6.0	6.1	6.2	6.4	6.5	6.7
Private	6.3	6.3	6.0	6.0	6.2	6.3	6.4	6.5
Government	7.8	7.5	6.0	6.5	6.5	7.0	7.5	8.0
Investment	15.1	12.0	13.0	14.0	14.0	14.0	14.0	14.0
Domestic demand	8.4	7.7	7.7	8.1	8.3	8.5	8.7	8.9
Exports of goods and services	9.0	9.0	10.5	11.2	10.0	11.0	12.0	12.0
Imports of goods and services	14.0	14.0	12.0	12.0	12.5	13.0	14.0	14.0
<b>Gross domestic product</b>	<b>5.9</b>	<b>6.4</b>	<b>7.1</b>	<b>7.2</b>	<b>7.2</b>	<b>7.3</b>	<b>7.3</b>	<b>7.4</b>
Net Primary Income (ROW)	5.3	7.9	4.0	3.6	3.8	3.5	3.4	3.3
Gross national income	5.8	6.7	6.6	6.6	6.7	6.7	6.7	6.8

Source: Salceda, J.S. - Philippine Socio-Economic Prospects under the Duterte Administration

## 2<sup>nd</sup> fastest after Pakistan in Asia

	2015	2016	
	Q2	Q1 <sup>r</sup>	Q2
<b>GDP</b>	5.9	6.8	<b>7.0</b>
<b>GNI</b>	5.4	7.4	<b>6.8</b>
<b>NPI*</b>	2.5	9.9	<b>6.2</b>

\* refers to Net Primary Income from Abroad  
r - revised

Source: Philippine Statistics Authority

## Agri needs public investments but Industry resurgence

	2015	2016	
	Q2	Q1 <sup>r</sup>	Q2
<b>Agriculture</b>	0.1	1.1	<b>-2.1</b>
<b>Industry</b>	6.1	9.0	<b>6.9</b>
<b>Services</b>	6.7	7.6	<b>8.4</b>

\* refers to Agriculture, Hunting, Forestry and Fishing (AHFF)  
r - revised

Source: Philippine Statistics Authority

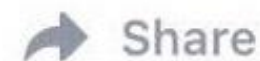


**Gil Genio**

5 hrs · 

PH government is very ambitious with many physical infrastructure projects such as tollways, highways, railways, airports, busways, ports, etc., yet neglects and even hinders critical infrastructure needed for today's economy: fiber right of way, cellsites and towers owned by government or others for operators to quickly use, inter-island submarine cables. These won't even cost hundreds of billions and easily be done within 6 years, and will do wonders for people, households, businesses and the economy.

So what is keeping PH from supporting, encouraging, even building the critical infrastructure to support today's information economy?



# **PRESIDENT DUTERTE** ADMINISTRATION

## **10-POINT SOCIOECONOMIC AGENDA**

**(1) Continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies.**

**(2) Institute progressive tax reform and more effective tax collection, indexing taxes to inflation.**

**(3) Increase competitiveness and the ease of doing business.**

**(4) Accelerate annual infrastructure spending to account for 5% of GDP, with Public-Private Partnerships playing a key role.**

**(5) Promote rural and value chain development toward increasing agricultural and rural enterprise productivity and rural tourism.**

**(6) Ensure security of land tenure to encourage investments, and address bottlenecks in land management and titling agencies.**

**(7) Invest in human capital development, including health and education systems, and match skills and training.**

**(8) Promote science, technology, and the creative arts to enhance innovation and creative capacity towards self-sustaining, inclusive development.**

**(9) Improve social protection programs, including the government's Conditional Cash Transfer program.**

**(10) Strengthen implementation of the Responsible Parenthood and Reproductive Health Law.**



## Agenda

### 1. R&D to Address Pressing Problems

- **Health Self Sufficiency**
  - Drug Discovery and Development;
  - Diagnostics Development;
  - Biomedical Engineering
  - Early Detection of Disease Outbreak
  - Malnutrition Reduction Program
- **Food and Nutrition**
  - Innovative Food Products
  - Complementary Foods
  - Affordable Nutrition Intervention
  - Focus on First 1000 Days of the Young
- **R&D on Priority Agricultural Commodities (Crops, Livestock, Poultry, Marine Resources, Inland Aquatic Resources, etc.)**
  - Reinvigorating the Philippine Coconut Industry through Coconut Somatic Embryogenesis Technology (CSET)
  - Varietal Improvement of Philippine Native Chicken, Ducks and Pigs
  - Varietal Improvement for Important Export Commodities
  - Disease Prevention and Intervention for Abaca, Banana, Coconut and Papaya
  - Increasing Crop Resilience to Environmental Stresses
- **R&D for Biodiversity and Sustainable Development**
  - Conservation of Select Indigenous Forest Tree Species in Forest Reserve
  - Mangrove Rehabilitation and Management
  - Coastal Sustainable Development / Ocean-Atmosphere Interaction Research Program
- **Transport and Mobility**
  - Environmentally-sustainable Technology Alternatives for Public Utility Vehicles
  - Intelligent Transport System (ITS)
  - Small Interisland Transport
- **National Security and Human Security**

## Agenda

### 2. R&D for Productivity

- **Technology Support for Agricultural Productivity**
  - Farm Mechanization
  - Varietal Improvement
  - Novel Farming Methods
  - Disease Prevention and Control
- **Technology Support for Industrial/Manufacturing/Mining Productivity**

- Production of Gums, Resins and Oils from Local Plants Using New Technologies
- Green Chemistry Products and Technologies
- R&D in Support of the Philippine Metals Industry
- Responsible Mining Technologies and Processes for extraction and product development for copper, nickel, iron, gold and chromite including Service Facilities for Artisanal Small-Scale Gold Mining
- Electronics Products Design and Development
- **S&T for the Creative Industries, Tourism Industry and Services Industry**

## Agenda

### 3. R&D to Tap, Manage and Store Renewable Energy Resources

- **Renewable Energy Production**
  - Solar ,Wind, Hydro, Biomass, Ocean
- **Energy Storage**
  - Engineering Design, Modeling, Assessment Tools and Development of Renewable Energy Systems
  - Fabrication of Solid State Rechargeable Batteries and Super capacitors

## Agenda

### 4. R&D to Apply New Technologies Across Sectors

- **Biotechnology, Nanotechnology, Genomics, ICT and Nuclear Science (for agriculture, industry, energy, health and environment)**
- **Artificial Intelligence**
- **Space Technology**

## Agenda

### 5. Disaster Risk Reduction and Climate Change

- **Full implementation of the PAGASA Modernization Law**
- **Improvement of Weather, Climate and Flood Forecasting /Warning and Other Related Activities**
  - Development of Flood/Hazard/Resource Vulnerability Maps
  - Development of Flood Forecasting Model for Major River Basin
  - Development of Radar Software and Hardware
  - Development of Tropical Cyclone Forecasting Tools for Deterministic or Consensus TC Forecast
  - Climate Monitoring and Prediction System (CLIMPS)
  - Severe Weather Forecasting and Warning
  - Automation of Flood Early Warning System
  - Advanced Data Collection, Enhancement of Web and Dissemination including Mirror Forecasting
- **Technical Advisory Services for Geologic and Geophysical Phenomena**
  - Development of Real-time Physico-chemical Monitoring Network
  - Ground Deformation Monitoring and R&D of Active Volcanoes
  - Fault Finder App



- **Disaster Preparedness**
  - Improvement of Weather Prediction and Information for Disaster Prevention
  - Volcano, Earthquake and Tsunami Disaster Preparedness and Risk Reduction
  - ReliefOps. Ph – a multi-stage and multi-user decision support system for disaster preparedness and response
  - Municipal Level Risk Assessment and Incident Reporting and Visualization
  - Development of Spatial Models for Comprehensive Land Use Planning
  - Best practices for environmental planning, structural and architectural designs and guidelines for residential structures and evacuation centers.
  - Enhancing Cytogenetic Biological Dosimetry Capabilities of the Philippines for Nuclear Incident Preparedness and environment)
  - Establishment of Real-time Environmental Radiation Monitoring System
  - Emergency Food Development
  - Emergency Shelter Development

## Agenda

### 6. Maximize Utilization of R&D Results Through Technology Transfer and/or Commercialization

- Inter-department Collaborations to roll out new beneficial technologies
- Promotion of Commercializable Technologies to the Private Industry Sector
- Community Empowerment through Science and Technology (CEST)
- **Disaster Risk Management**
  - Turnover of Flood/Hazard/Resource Vulnerability Maps to LGUs
  - Deployment of Early Warning Systems in Disaster-Prone Areas
  - Deployment of Weather Monitoring Devices

## Agenda

### 7. Assistance to the Production Sector

- One Lab / Metrology, Calibration and Testing – Networking of Laboratories
- One Expert – for S&T Services
- One Store – to assist in on-line marketing of technology-based products
- Packaging and Labeling Program
- Food Innovation Centers Program
- Food Safety and Quality Program

- Machine and Equipment Development
- Technology Assistance to Traditional/Indigenous Industries

## Agenda

### 8. Upgrading of Facilities and Improvement of S&T Services (Strengthening of R&D and S&T Services in the Regions through Infrastructure, facilities, HRD and R&D funding)

- Technology Business Incubation Program
- Product Development Centers
- Materials and Products Testing Facilities
- Research Centers in the Regions
- Disaster Risk Reduction Facilities

## Agenda

### 9. Human Resource Development for Science and Technology

- Foreign scholarships for PhD Scholars in S&T
- PhD by research
- MD/PhD scholarships
- Expanded MS/PhD S&T Scholarships
- Expanded Undergraduate S&T Scholarships for Inclusive Development
- Expanded Secondary Level Scholarships at Philippine Science High School
- Innovative modalities for the delivery of HR interventions
- Promotion of Culture of Science
- Science and Technology Education for Ordinary Citizens

## Agenda

### 10. Capacitate and Utilize Institutions in the Regions – SUCs who do R&D and Develop Human Resources in S&T

- S&T Regional Alliance of Universities for Inclusive National Development (STRAND)
- Science Teacher Academy for the Regions (STAR)
- Strengthening of Research Centers in Universities in the Regions

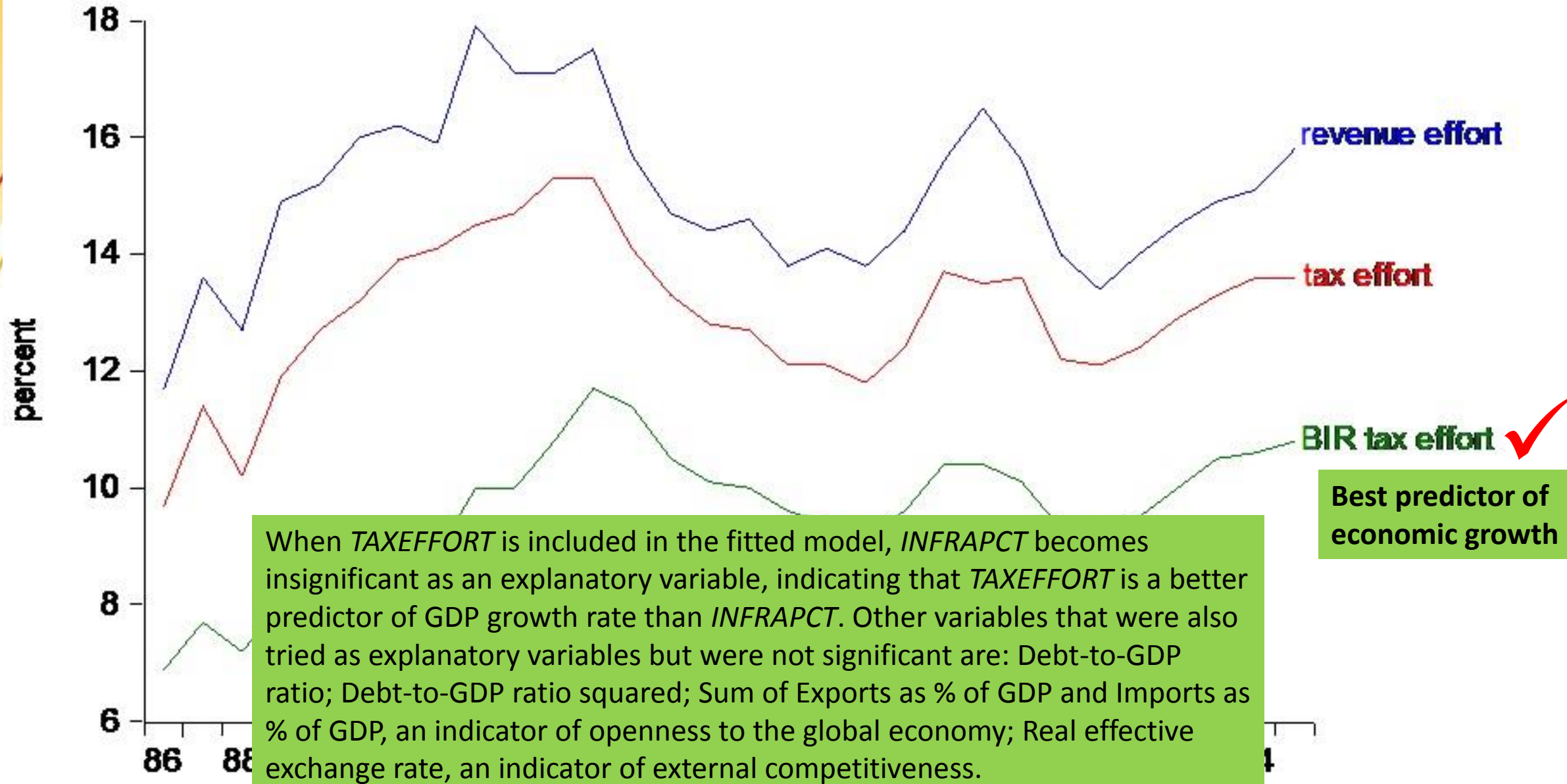
## Agenda

### 11. Collaboration with industry, academe and international institutions

- Industry-Academe-Government Collaboration in R&D (Co-laboratories)
- International S&T Collaborations



# REVENUE EFFORT, TAX EFFORT AND BIR TAX EFFORT, 1986-2015



When *TAXEFFORT* is included in the fitted model, *INFRAPCT* becomes insignificant as an explanatory variable, indicating that *TAXEFFORT* is a better predictor of GDP growth rate than *INFRAPCT*. Other variables that were also tried as explanatory variables but were not significant are: Debt-to-GDP ratio; Debt-to-GDP ratio squared; Sum of Exports as % of GDP and Imports as % of GDP, an indicator of openness to the global economy; Real effective exchange rate, an indicator of external competitiveness.

Source: DOF

# PPP Pipeline: P5.6 trillion!

*Status of PPP Projects (as of 30 September 2016)*

Projects by Status	No. of Projects	Amount (PhP Bn)
<b>Projects Under Implementation</b>	<b>14</b>	<b>293.91</b>
Contract Awarded	14	293.91
<b>PPP Pipeline</b>	<b>40</b>	<b>5,642.54</b>
For Contract Signing	1	23.2
For Roll Out	1	74.56
Projects under Procurement	11	263.72
For Approval of Relevant Government Bodies	5	241.26
For Evaluation of Concerned Agencies	2	5,034.00
Projects with Ongoing Studies	3	4.21
Projects Under Conceptualization/Development	16	NA
<b>Total</b>	<b>53</b>	<b>5,934.86</b>

Source: PPP Center

**PHILIPPINES****SELECTED ECONOMIC AND FINANCIAL INDICATORS**

02-Nov-16

Item	2008	2009	2010	2011	2012	2013	2014	2015
<b>IV. EXTERNAL SECTOR</b>								
<b>E. Consolidated Public Sector Financial Position</b>								
(CPSFP) Total Surplus/(Deficit) (₱ Billion)	29.2	-240.1	-355.8	-175.1	-162.7	44.8	121.8	79.5
(as % of GDP)	<b>0.4</b>	<b>-3.0</b>	<b>-4.0</b>	<b>-1.8</b>	<b>-1.5</b>	<b>0.4</b>	<b>1.0</b>	<b>0.6</b>



# THANK YOU

