



The Philippines – Economic Outlook and Challenges

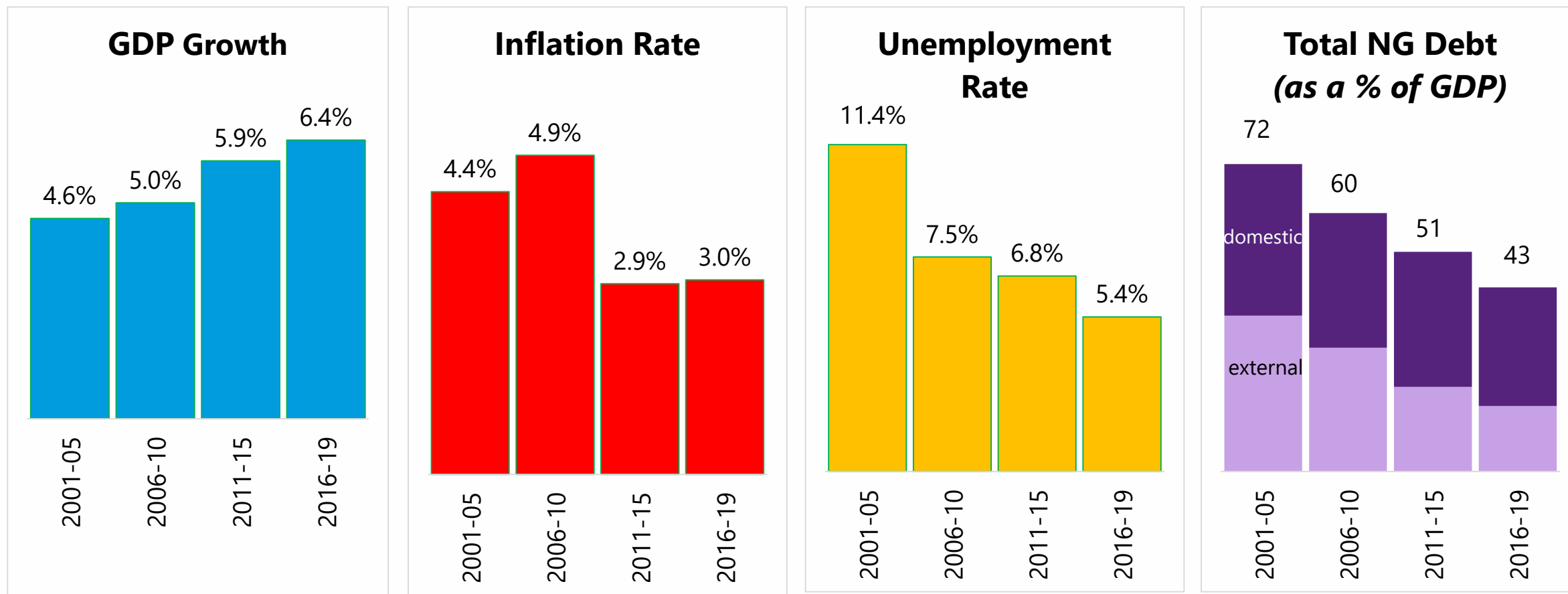
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Yongzheng Yang
Resident Representative to the Philippines
International Monetary Fund

Presentation Plan

- Pre-pandemic performance
- The impact of the pandemic and economic outlook
- Recovery challenges

The Philippine economy has been a top performer in the region, with a strong structural reform momentum



Sources: Haver Analytics; Philippines, Department of Finance, Philippine Statistics Authority, Bureau of the Treasury and IMF staff estimates.

Covid-19 has severe economic impact

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

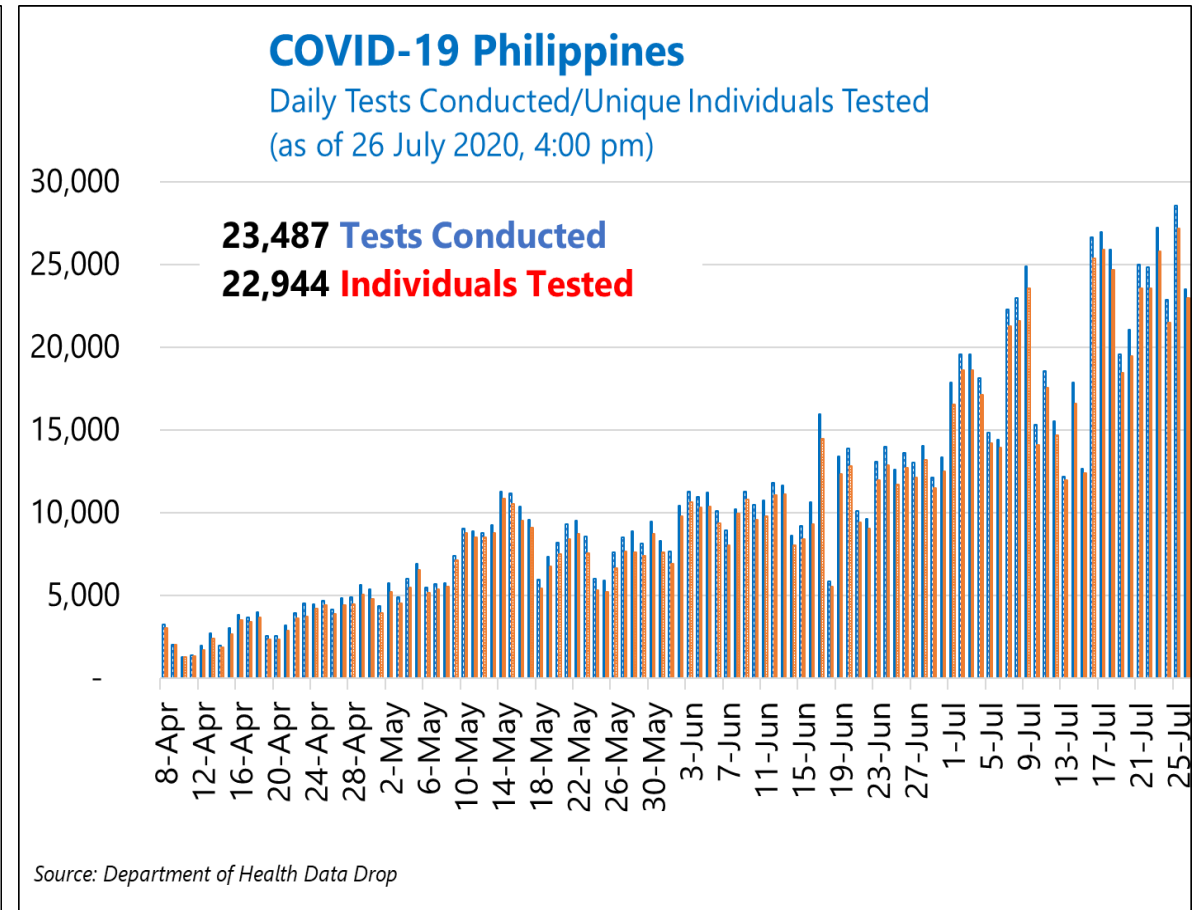
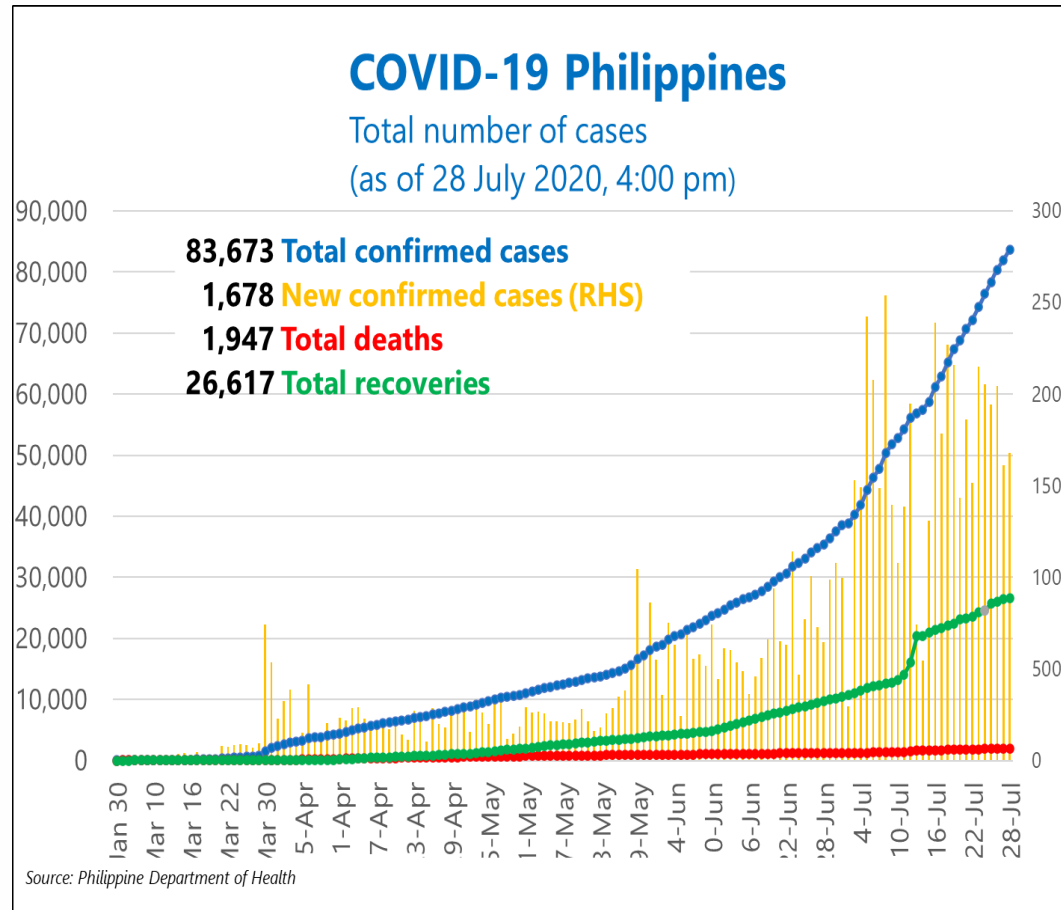
WEO Forecasts (June 2020)

	2020	2021
GDP Growth (percent)	-3.6	6.8
Inflation (percent, end of period)	2.1	2.8

Economic impact is larger than expected and recovery slower than initially thought

- The impact of ECQ on Q1 growth was significantly larger than expected
- Supply-side disruptions are still expected to be largest in Q2
- Recovery will be slower due to
 - More gradual resolution of the pandemic
 - Prolonged social distancing as the infection curve yet to be flattened
 - Larger scarring effects on the economy, e.g., loss of skills, bankruptcies
 - Weaker external demand due to downgraded global outlook, e.g. tourism

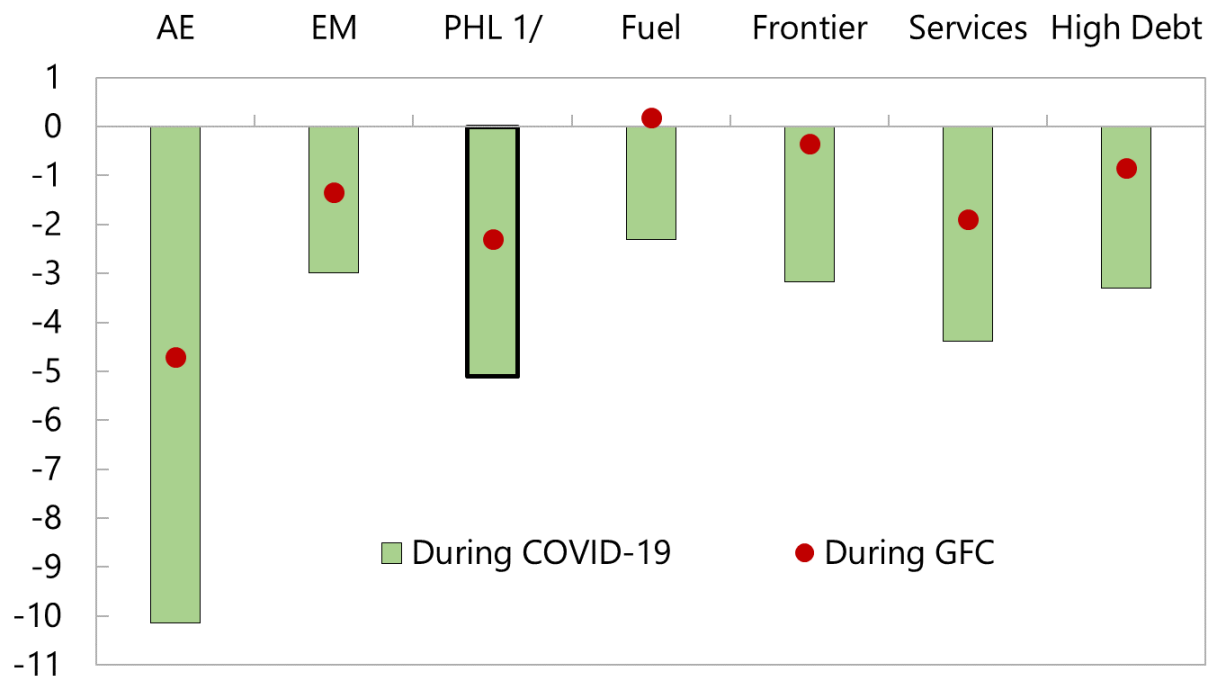
Virus infection curve yet to flatten; testing capacity is increasing



Fiscal response in PHL is larger than during the GFC, and than many EMs, but lower than some peers

Changes in General Government Balance

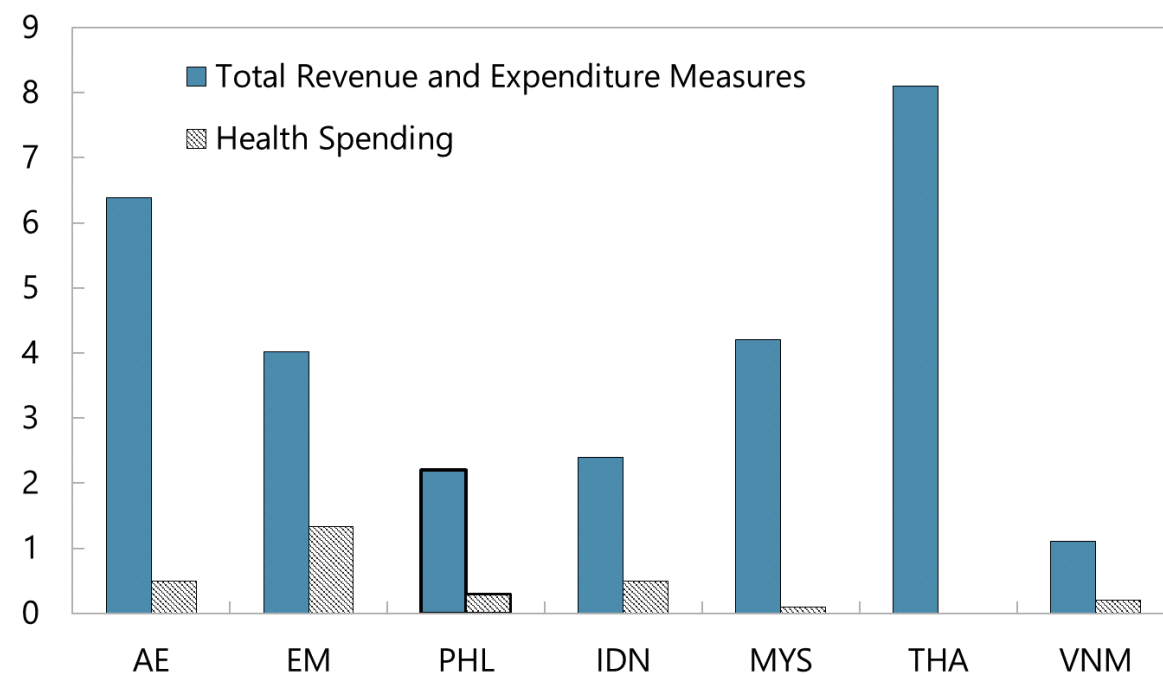
(In percent of GDP; median across groups)



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

Discretionary Fiscal Measures During COVID-19

(In percent of GDP)



Source: IMF staff estimates.

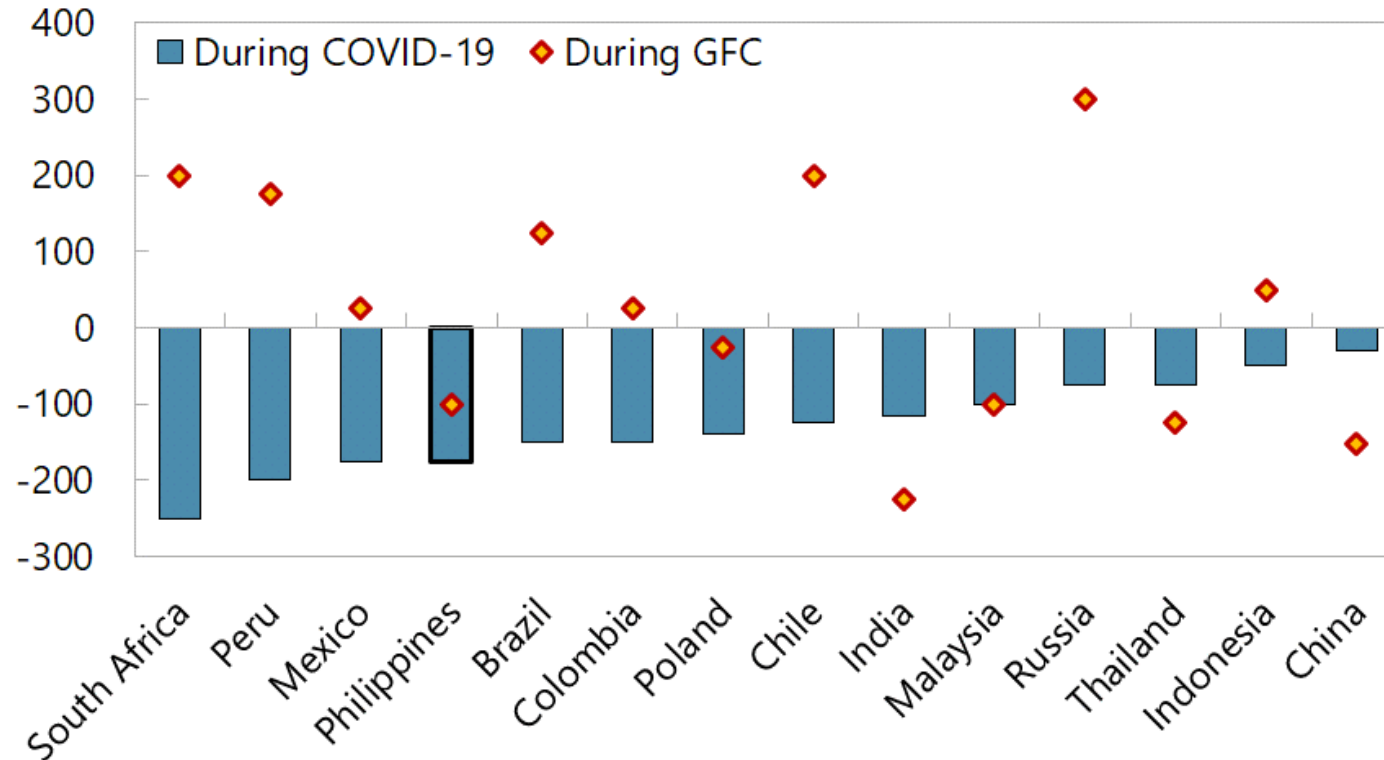
Targeted support to households and economy

- Increased resources for the healthcare sector, e.g., PPE procurement
- Emergency income support for 18 million low-income households
- Social protection measures for vulnerable workers, including for displaced and overseas Filipino workers
- Credit guarantee for small businesses and support to the agriculture sector
- Financial assistance for affected MSMEs and vulnerable households through specialized microfinancing loans and loan restructuring

As most EMs, PHL provided larger monetary accommodation than during GFC

Policy Rate Changes 1/

(In basis points)



Sources: Haver Analytics; and IMF staff estimates.

1/ COVID-19 is the period January to July 14, 2020; the GFC is the period end of July 2008 to January 2009.

Recovery challenges—mitigating scarring effects while meeting long-term development needs

- Strengthening social protection programs as temporary income support measures are phased out
 - E.g., expanding conditional cash transfer program
- Infrastructure investment with short-term focus on jobs and social needs
 - Projects already under construction, digital capacity, maintenance and repair projects
- Providing greater support for MSMEs
 - E.g., corporate liquidity support and debt restructuring to address post-crisis debt overhang
- Structural reforms that address both immediate and longer-term needs
 - National digital ID, tax reforms, further relaxation of FDI restrictions

Thank you.