6th Mindanao Policy Research Forum

Bouncing Back in the New Normal through Countryside Development and Agricultural Resilience

Socio-Economic Impact of COVID-19

Dr. Enrico L. Basilio

18 September 2020
COVID-19: PHILS

Is the curve flattening?

Reproductive Rate: **0.96**
Positivity Rate: down to **12%** (from 19%)
THE PHILIPPINE ECONOMY: COVID 19 Pandemic

Economic growth declined as a consequence of ECQ. Real GDP growth rate

Source: PSA

Source: NEDA Presentation, PCCI Visayas Area Business Conference (August 27, 2020)
THE PHILIPPINE ECONOMY: COVID 19 Pandemic

The main contributors to the decline were:
• Manufacturing - 21.3%
• Construction - 33.5%
• Transportation and Storage - 59.2%

SUPPLY SIDE: Among the major economic sectors –
• Agriculture + 1.6%
  • sugarcane 76%, corn 15.6%, rubber 12.1%, and palay, 7.2%
• Industry - 22.0%
• Services - 15.8%

DEMAND (EXPENDITURE) SIDE: major items that declined were:
• Household Final Consumption Exp - 15.5%
• Gross Capital Formation (GCF) - 53.5%
• Exports - 37.0%
• Imports - 40.0%
• Govt Final Consumption Exp + 22.1%

Net Primary Income (NPI) from ROW - 22%
NGI - 17%

Source: PSA (6 August 2020)
## Economic Growth Forecasts

<table>
<thead>
<tr>
<th>Institutions</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMF Forecast (June 2020)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. World economy</td>
<td>-4.9</td>
<td>5.4</td>
<td></td>
</tr>
<tr>
<td>2. ASEAN-5</td>
<td>-2.0</td>
<td>6.2</td>
<td></td>
</tr>
<tr>
<td>Philippine economy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Government</td>
<td>-2.0 to -3.4</td>
<td>7.1 to 8.1</td>
<td></td>
</tr>
<tr>
<td>4. IMF (June 2020)</td>
<td>-3.6</td>
<td>6.8</td>
<td></td>
</tr>
<tr>
<td>5. ADB (June 2020)</td>
<td>-3.8</td>
<td>6.5</td>
<td></td>
</tr>
<tr>
<td>6. WB (June 2020)</td>
<td>-1.9</td>
<td>6.2</td>
<td>7.2</td>
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<tr>
<td>7. CNBC (May 2020)</td>
<td>-2 to -3.4</td>
<td></td>
<td></td>
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<tr>
<td>8. HSBC (July 2020)</td>
<td>-3.9</td>
<td>7.0</td>
<td></td>
</tr>
<tr>
<td>9. ING Manila</td>
<td>-2.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. RESPOND (July 2020)</td>
<td>-5.6</td>
<td>2.7</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Source of Data: Various sources

ADB (Revised) 2020: -7.3%
Eagle Watch: -7.26%
THE PHILIPPINE ECONOMY: COVID 19 Pandemic

Socio-economic Cost/day during Quarantine

- ECQ: March 16-May 15, 90 days, **P14.6B/day**
- MECQ: May 15-May 31, 16 days, **P9.9B/day**
- GCQ: June 1-August 3, 64 days, **P8.6B/day**
- MECQ: August 4-18, 14 days, **P9.9B/day**
- GCQ: August 19- present, 26 days, **P8.6B/day**

Source: Sescon et al (2020)

Source: Presentation of Dr. N. Aldaba (SCAn e-Forum, 15 Sept 2020)
THE PHILIPPINE ECONOMY: COVID 19 Pandemic

P1.1 Trillion loss per month of lockdown (NEDA)

<table>
<thead>
<tr>
<th>Regions</th>
<th>Losses in Agriculture (in PHP million)</th>
<th>Losses in Industry (in PHP billion)</th>
<th>Losses in Services (in PHP billion)</th>
<th>Total Losses (in PHP billion)</th>
<th>% of GDP/GRDP*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>94.30</td>
<td>537.72</td>
<td>589.72</td>
<td>1,107.54</td>
<td>5.56</td>
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<tr>
<td>NCR</td>
<td>0.45</td>
<td>134.41</td>
<td>454.84</td>
<td>589.25</td>
<td>7.89</td>
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<tr>
<td>CAR</td>
<td>7.56</td>
<td>5.99</td>
<td>3.61</td>
<td>9.61</td>
<td>2.76</td>
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<tr>
<td>Ilocos Region</td>
<td>3.69</td>
<td>7.02</td>
<td>6.69</td>
<td>13.72</td>
<td>2.19</td>
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<tr>
<td>Cagayan Valley</td>
<td>6.35</td>
<td>9.05</td>
<td>3.80</td>
<td>12.86</td>
<td>3.71</td>
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<tr>
<td>Central Luzon</td>
<td>24.84</td>
<td>68.70</td>
<td>14.87</td>
<td>83.59</td>
<td>4.51</td>
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<tr>
<td>CALABARZON</td>
<td>26.33</td>
<td>244.48</td>
<td>20.62</td>
<td>265.13</td>
<td>9.02</td>
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<td>MIMAROPA</td>
<td>1.52</td>
<td>4.58</td>
<td>4.58</td>
<td>9.16</td>
<td>2.92</td>
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<tr>
<td>Bicol Region</td>
<td>2.32</td>
<td>4.31</td>
<td>10.27</td>
<td>14.57</td>
<td>3.41</td>
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<tr>
<td>Western Visayas</td>
<td>3.52</td>
<td>7.81</td>
<td>9.81</td>
<td>17.62</td>
<td>2.09</td>
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<tr>
<td>Central Visayas</td>
<td>1.96</td>
<td>25.10</td>
<td>12.55</td>
<td>37.65</td>
<td>2.85</td>
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<tr>
<td>Eastern Visayas</td>
<td>0.62</td>
<td>5.58</td>
<td>3.92</td>
<td>9.50</td>
<td>2.34</td>
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<tr>
<td>Zamboanga Peninsula</td>
<td>5.88</td>
<td>1.81</td>
<td>3.09</td>
<td>4.91</td>
<td>1.26</td>
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<tr>
<td>Northern Mindanao</td>
<td>2.56</td>
<td>4.24</td>
<td>5.87</td>
<td>10.11</td>
<td>1.28</td>
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<tr>
<td>Davao Region</td>
<td>0.91</td>
<td>6.13</td>
<td>7.39</td>
<td>13.52</td>
<td>1.45</td>
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<td>SOCCSKSARGEN</td>
<td>1.52</td>
<td>3.60</td>
<td>4.66</td>
<td>8.27</td>
<td>1.53</td>
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<tr>
<td>BARMMM</td>
<td>1.55</td>
<td>0.34</td>
<td>0.55</td>
<td>0.89</td>
<td>0.61</td>
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<tr>
<td>Caraga</td>
<td>2.73</td>
<td>4.57</td>
<td>2.60</td>
<td>7.17</td>
<td>3.23</td>
</tr>
</tbody>
</table>

Source: NEDA-Regional Development Staff estimates.
*2020 GRDP estimates were generated based on the regional growth targets on the 2017-2022 Philippine Development Plan.

Source: Presentation of Dr. N. Aldaba (SCAn e-Forum, 15 Sept 2020)
THE PHILIPPINE ECONOMY: COVID 19 Pandemic

ADB Institute e-Forum, 16 Sept 2020

Job loss/workload reduced

- % Households with at least one person who lost job/experienced workload reduced

[Bar chart showing percentage of households affected in various countries]

ADB Institute
THE PHILIPPINE ECONOMY: COVID 19 Pandemic

ADB Institute e-Forum, 16 Sept 2020

5. Financial difficulty during the pandemic

[Bar chart showing financial difficulties experienced by different countries during the pandemic]
THE PHILIPPINE ECONOMY: COVID 19 Pandemic

ADB Institute e-Forum, 16 Sept 2020

Coping strategies for financial difficulty

- Given having financial difficulty

1. Reduce consumption / expenditures 83%
2. Drawdown cash and savings 50%
3. Selling or pawn properties 18%
4. Borrow from friends relatives 38%
5. Borrow from money lenders 14%
6. Borrow from Micro finance institutions 13%
7. Borrow from commercial banks / policy 14%
8. Deferred payments and debt reimbursement 35%
9. Sold merchandise stock at lower price 14%
10. Self Homemade foods or items selling 20%
11. Applied for social / governement aid 34%
THE PHILIPPINE ECONOMY: COVID 19 Pandemic

RECOVERY PROGRAM

- Bayanihan Act (1 and 2)
- Build, Build, Build Program
- 2020 / 2021 Budget

Source: NEDA Presentation, Sulong Pilipinas e-Forum on May 14, 2020

A total of 655 billion pesos have been allocated to help the people cope with the pandemic (596 billion) and improve the healthcare system (59 billion).

This includes ramped up spending to protect some 18 million low income households and 3.1 million workers of small businesses.

Source: NEDA Presentation, PCCI Visayas Area Business Conference August 27, 2020
THE PHILIPPINE ECONOMY: COVID 19 Pandemic

Bayanihan 1

- P374.89 billion spent:
  - P 200.98 billion DSWD SAP
  - P 88.5 billion DOF
  - P 48.23 billion DOH
  - P 12.5 billion DOLE TUPAD
  - P 11 billion DA
  - P 10.9 billion DEPED
  - P 1.1 billion DND
  - P 747 million DILG
  - P 400 million UP-PGH
  - P 203 million DTI
  - P 53.2 million DOST

- Sources: Discontinued government programs (P 266.2 billion), special purpose funds (P 98.4 billion), and regular budget of agencies (P 10.2 billion)

Source: Presentation of Dr. N. Aldaba (SCAn e-Forum, 15 Sept 2020)
THE PHILIPPINE ECONOMY: COVID 19 Pandemic

Bayanihan 2

- Provides a **P165.5 billion fund**, including P140 billion in regular appropriation with P25.5 billion in standby funds
  - capital infusion for government financial institutions (P39.5B)
  - assistance to the agricultural sector (P24B)
  - emergency hiring of health workers (P13.5B)
  - cash for work programs (P13B)
  - assistance to transportation sector (P9.5B)

Source: Presentation of Dr. N. Aldaba (SCAn e-Forum, 15 Sept 2020)
• Ten Leading Emerging Markets that will dominate the Global Economy in the Next Decade – **Oxford Economics 2019**

1. India
2. Philippines
3. Indonesia
4. China
5. Malaysia
6. Turkey
7. Thailand
8. Chile
9. Poland
10. South Africa

“In these very uncertain times, we have to focus on lasting trends instead of getting distracted by temporary blips.”

**Dr. Bernardo M. Villegas**  
Asia CEO Forum  
3 September 2020

• HSBC’s Top Economies by 2050 (Philippines – 16th)
• The Economist’s Emerging Economies ranked by Financial Strength (Philippine – 6th)

Source: Presentation of Dr. Bernardo Villegas (Asia CEO Forum, September 2020)
THE PHILIPPINE ECONOMY: COVID 19 Pandemic

- Macro-fiscal framework has weakened but fundamentals still ok
- Debt-to-GDP ratio may go up to 55% but still manageable
- Historical lows in price environment
- There are signs of recovery in manufacturing and exports
- Improvement in unemployment rate

Source: NEDA Presentation, PCCI Visayas Area Business Conference (August 27, 2020)
# PROSPECTIVE VIABLE INDUSTRIES

<table>
<thead>
<tr>
<th>INDUSTRY/SECTOR</th>
<th>SHARE OF REAL GDP (2019)</th>
<th>NUMBER OF EMPLOYED</th>
<th>BACKWARD MULTIPLIER</th>
<th>FORWARD MULTIPLIER</th>
<th>INFECTION RISKS</th>
<th>TESTING REQUIRED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and Fishery</td>
<td>7.7%</td>
<td>9,998,247</td>
<td>1.5</td>
<td>1.5</td>
<td>Low</td>
<td>None</td>
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<tr>
<td>Food Manufacturing</td>
<td>7.9%</td>
<td>1,068,805</td>
<td>2.2</td>
<td>8.1</td>
<td>Medium</td>
<td>Periodic Random</td>
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<tr>
<td>Basic Health Services</td>
<td>1.6%</td>
<td>517,583</td>
<td>2.3</td>
<td>1.2</td>
<td>High</td>
<td>Regular Testing</td>
</tr>
<tr>
<td>Pharmaceutical Products</td>
<td>0.8%*</td>
<td>39,349</td>
<td>2.6</td>
<td>1.4</td>
<td>Medium</td>
<td>Periodic Random</td>
</tr>
<tr>
<td>Chemical products (for cleaning and related chemicals)</td>
<td>0.2%*</td>
<td>14,280</td>
<td>2.4</td>
<td>3.2</td>
<td>Medium</td>
<td>Periodic Random</td>
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<tr>
<td>Wearing Apparels (incl. PPE sector)</td>
<td>0.4%</td>
<td>610,650</td>
<td>1.7</td>
<td>1.2</td>
<td>Medium</td>
<td>Periodic Random</td>
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<tr>
<td>Financial Services</td>
<td>7.7%</td>
<td>437,123</td>
<td>1.8</td>
<td>2.3</td>
<td>Medium</td>
<td>Periodic Random</td>
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<tr>
<td>Utilities (Electricity, Gas, and Water)</td>
<td>3.2%</td>
<td>16,882</td>
<td>2.0</td>
<td>2.3</td>
<td>Medium</td>
<td>Periodic Random</td>
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<tr>
<td>Communications</td>
<td>4.3%</td>
<td>202,724</td>
<td>1.7</td>
<td>1.6</td>
<td>Medium</td>
<td>Periodic Random</td>
</tr>
<tr>
<td>Land Transport</td>
<td>1.5%</td>
<td>2,721,687</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Logistics (Storage and Services)</td>
<td>1.0%</td>
<td>3,106,182</td>
<td>2.3</td>
<td>2.2</td>
<td>High</td>
<td>Regular Testing</td>
</tr>
<tr>
<td>Retail Trade (Supermarkets/drugstores)</td>
<td>13.5%</td>
<td>5,995,435</td>
<td>1.7</td>
<td>11.8</td>
<td>High</td>
<td>Regular Testing</td>
</tr>
<tr>
<td>Restaurants (converted to take out)</td>
<td>1.40%*</td>
<td>1,381,952</td>
<td>1.1</td>
<td>1.3</td>
<td>High</td>
<td>Regular Testing</td>
</tr>
<tr>
<td>Public &amp; limited Private Construction</td>
<td>10.6%</td>
<td>3,865,472</td>
<td>1.0</td>
<td>1.2</td>
<td>High</td>
<td>Regular Testing</td>
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<tr>
<td><strong>TOTALS</strong></td>
<td><strong>61.8%</strong></td>
<td><strong>27,354,684</strong></td>
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</tr>
</tbody>
</table>


* - Extrapolated from 2012 I-O Tables
MINDANAO’S POTENTIAL

This is my Mindanao

Mindanao is the country’s food basket

36% of the country’s farm area

43% of the country’s total farm produce

However, only 49.5% of the roads in Mindanao are paved.

Mindanao has been growing faster!

GRDP Growth Rate at Constant Prices (2016-2017)

7.1% Mindanao

6.7% National Average

Investment Inflow to Mindanao

$120-125 Million

Annual Average Investment Inflow (2001-2010)

$1.2 Billion

Annual Average Investment Inflow (2011-2016)
CHALLENGES

- Improve the regulatory environment
- Strengthen regulatory governance by separating the regulatory and commercial functions of regulatory agencies
THE PHILIPPINE ECONOMY: COVID 19 Pandemic

- Address Non-Tariff Measures (NTMs)

Tariff levels have gone down, NTMs increasing

THE PHILIPPINE ECONOMY: COVID 19 Pandemic

- Infrastructure development, ICT and Inter-island connectivity

The number of registered Philippine online businesses surged more than 40 times in the past five months.

*Source: Department of Trade and Industry*
Thank you