



REPUBLIC OF THE PHILIPPINES
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

COVID-19 Impact on the Economy and Mitigating Measures

March 9, 2020

ERNESTO M. PERNIA, PHD

Secretary of Socioeconomic Planning

Estimated Economic Impact of COVID 2019

Estimates as of March 5, 2020



- NEDA assumes that the restriction in passenger traffic from China and its administrative regions (i.e., Hong Kong and Macau), as well as parts of South Korea, and a 10% drop in foreign tourists from other countries will last until June.
- NEDA assumes that the top exports that are dependent on China, as well as the top consumer-oriented products dependent on Hong Kong, will decline for two months (February and March 2020) at rates similar to the contraction seen in partial customs data for February (ranging from 11% to 100%).
- NEDA assumes that top intermediate imports that are dependent on China will decline at rates similar to the contraction seen in partial customs data for February (ranging from 20%-80%) for two months.
- This analysis uses the NEDA Input-Output Simulator.

Estimated Economic Impact of COVID 2019

Estimates as of March 5, 2020



- With respect to food items, those that have the largest import dependence on China (including Hong Kong) are the following food items: garlic (85% import dependence), mandarin oranges (55%), peanut (52%), coffee (26%), oranges (24%) and onion (11%). Disruptions in the arrival of these imported food products may affect domestic food prices.
- Reduction in tourist arrivals based on projections of Department of Tourism and NEDA.



Mitigating Measures



Phase 1

Respond



Phase 2

Recover

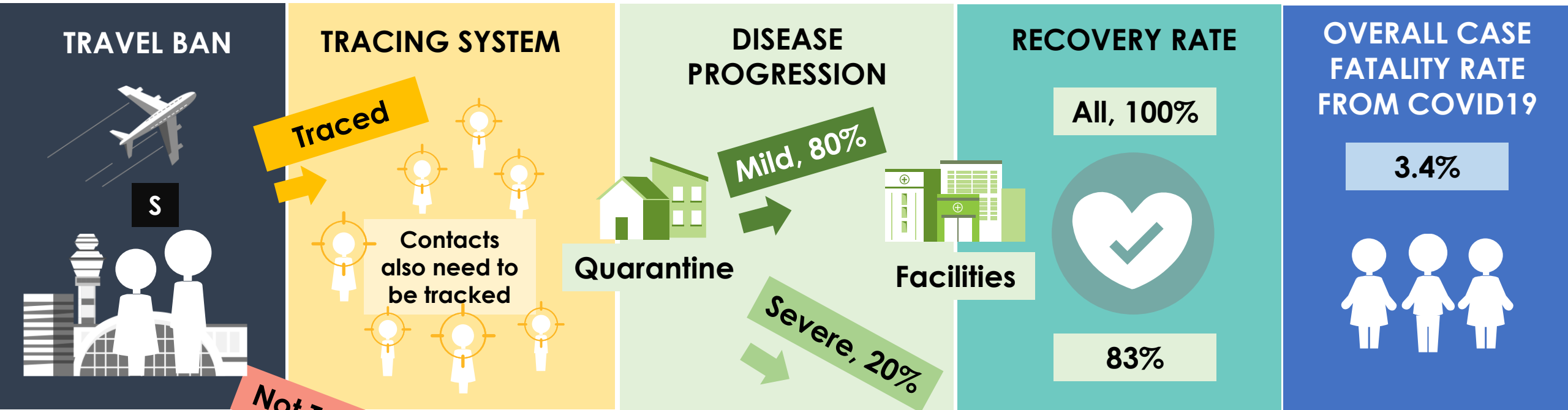


Phase 3

Rehabilitate



Respond: Safety First



Possible contagion, average is about 3, but can be as many as 40 people



Proper hygiene



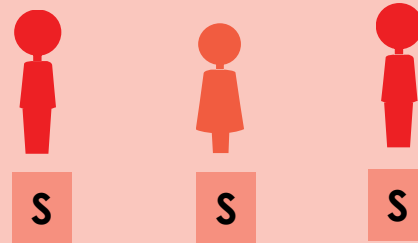
Boost immune system



Health Surveillance System



Social distancing



During the initial phase of the crisis, the focus should be on public health measures to contain the spread of the virus, and thus minimize the duration of the crisis.



Respond: Safety First

Relax some regulations for those affected by epidemics.

- Encourage telecommuting
- Allow for reduction of work hours/workdays, rotation of workers, and forced leave.
- Expand rules on minimum wage exemption to cover epidemics
- Provide relief for banks and quasi-banks – staggered booking of allowance for credit losses, non-imposition of penalties on legal reserve deficiencies, and non-recognition of certain defaulted accounts as past due.
- Waive participation fees for international trade and travel fairs (P11.2 million – DOT)
- Allow exporters to sell to the domestic market.



Respond: Safety First

Prepare for the rebound.

Take advantage of the current lull to invest in:

- **Infrastructure** – especially those that improve connectivity to tourism areas, including night rating of secondary airports (P3 billion - DOT)
- **Rehabilitation of the ecosystem** – including investments in sewerage treatment plants (P800 million – DOT)
- **Crafting of local government tourism master plans** (P400 million – DOT)
- **Upgrading of facilities** by the private sector



Respond: Safety First

Tap financing programs.

- **LBP-CARES Program or Calamity Support Program**
 - ✓ loan restructuring, loans to SMEs.
 - ✓ 6% (may be lowered) fixed rate for first two years or first five years (for long-term loan) and subject to annual repricing thereafter. Maximum term of ten years.
- **DBP's RESPONSE Program:** can be used for disease infestations that result in significant socioeconomic damage.
 - ✓ reduced equity requirement to 5% of project cost, reduced margin to 1%
 - ✓ tenor of up to 15 years for LGUs and ten years for private entities
 - ✓ simplified application procedure.



Respond: Safety First

Use programs to provide unemployment/sickness benefits, emergency employment, and re-employment.

- **SSS Unemployment benefits**

- ✓ 50% of average monthly salary credit (AMSC) for a maximum of two months (up to PhP20,000).

- **SSS Sickness benefits**

- ✓ 90% of daily salary, or up to PhP530/day, on top of the PhP14,000 hospitalization costs to be shouldered by PhilHealth. Duration of the benefits yet to be evaluated.



Respond: Safety First

Use programs to provide unemployment/sickness benefits, emergency employment, and re-employment.

- **DOLE Tulong Panghanapbuhay sa Ating Displaced/Disadvantaged Workers (TUPAD) Program** - A community-based package, with PhP6.8 billion budget for 2020
 - ✓ emergency employment for displaced workers, underemployed and seasonal workers, for 10 to 90 days of displacement, depending on the nature of work to be performed.
 - ✓ Compensation will be 100% of the prevailing private sector minimum wage in the area/locality.
- **Labor Market Interventions** – DOLE to provide referral and re-employment services



Respond: Safety First

Industries affected by value chain disruptions **should identify new sources/markets**; where there are no trade agreements, DTI can embark on a trade mission.

- **Alternative export markets (from DTI)**
 - Electronics: US, Japan, South Korea
 - Processed Fruits: Japan, South Korea, Egypt, South Africa, UK, EU
 - Consumer goods: India, Pakistan, Mexico, Iran
- **Foster trade missions**
 - DTI Outbound trade missions to expand market share and diversify exports; this includes recently concluded mission in the Middle East
 - Upcoming trade missions: Mexico (Mar 2020), Thailand (May 2020), Malaysia (Sep 2020), Israel (Sep 2020), Russia (Sep 2020), Kazakhstan (Sep 2020), among others
- **Alternative sources of imported products**
 - Auto and auto parts: Indonesia, India, Thailand, Turkey
 - Electronics: Taiwan



Respond: **Safety First**

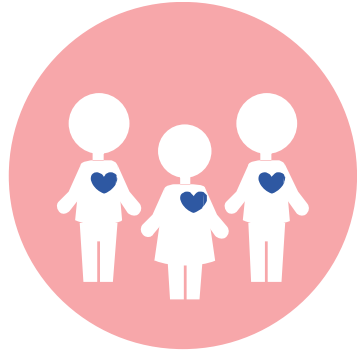
Build up inventory of strategic commodities, eg., medical supplies, essential medicines, food, etc.

Registered business enterprises (RBEs) located in various ecozones, that manufacture these commodities will need prior approval to be able to sell a higher proportion of their output to the domestic market.



Recover: Rebuild Confidence

- **Promote domestic tourism**
 - Develop a new campaign for domestic travel targeting visiting OFs and Filipinos postponing their overseas travel. (P421 million - DOT)
 - Abolish the travel tax (PhP6.4B in 2018) on Filipino travelers to nudge up travel demand; this will require legislative action.
- **Government to lead in Meetings, Incentives, Conventions and Entertainment (MICE) activities outside NCR**, to motivate travel and consumption spending.
- **Provide retooling trainings**
 - Livelihood training – P20,000 to be provided to up to 8,500 beneficiaries under DOLE Adjustment Measures Program. (P121 Mn – DOLE)
 - TESDA Training allowance/stipend – 50% of minimum wage (DOLE)



Rehabilitate: Build Back Better

- **Encourage strategic investments in the medical field** – personal protective materials/equipment; test kits; vaccines
- **Establish a Center for Disease Control (CDC)-like network.** Strengthen health surveillance systems. Construct quarantine facilities in strategic location across the country. Construct health facilities near tourism establishments.
- **Strengthen the epidemiological research system.** Develop human resources for health (HRH) trained to handle infectious diseases.
- **Promote healthy lifestyle, proper hygiene** beginning with government officials and government establishments.
- **Present the country as a viable alternative location** for firms relocating from China or source of intermediate inputs, besides efforts to keep foreign investment locators that we already have.



Rehabilitate: Build Back Better

- Spur manufacturing activities to reduce reliance on overseas suppliers. Encourage
 - Local manufacturing of inputs for production (*backward linkages*)
 - Processing, refining of commodities to produce finished goods (*forward linkages*)
- Fast-track the passage of the legislative agenda to ***ease foreign ownership restrictions***.
- Intensify the implementation of the ***Ease of Doing Business and Efficient Government Service Act***.
- Fast-track the passage of the **CITIRA**.
- Encourage more businesses and industries to adopt the Fourth Industrial Revolution.



REPUBLIC OF THE PHILIPPINES
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

COVID-19 Impact on the Economy and Mitigating Measures

March 9, 2020

ERNESTO M. PERNIA, PHD

Secretary of Socioeconomic Planning