



REPUBLIC OF THE PHILIPPINES  
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

# Impact of COVID-19 on the economy and the people, and the need to manage risk

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# Two economic principles to memorize, dream about, and apply

1. Nothing is free from heaven
2. Everything is a trade-off




# Development story

# Vision for the Philippines

By 2022



21.6%  14%  
poverty rate reduced  
(6 million Filipinos uplifted)

Extreme poverty eradicated

3,500  3,996  
USD USD

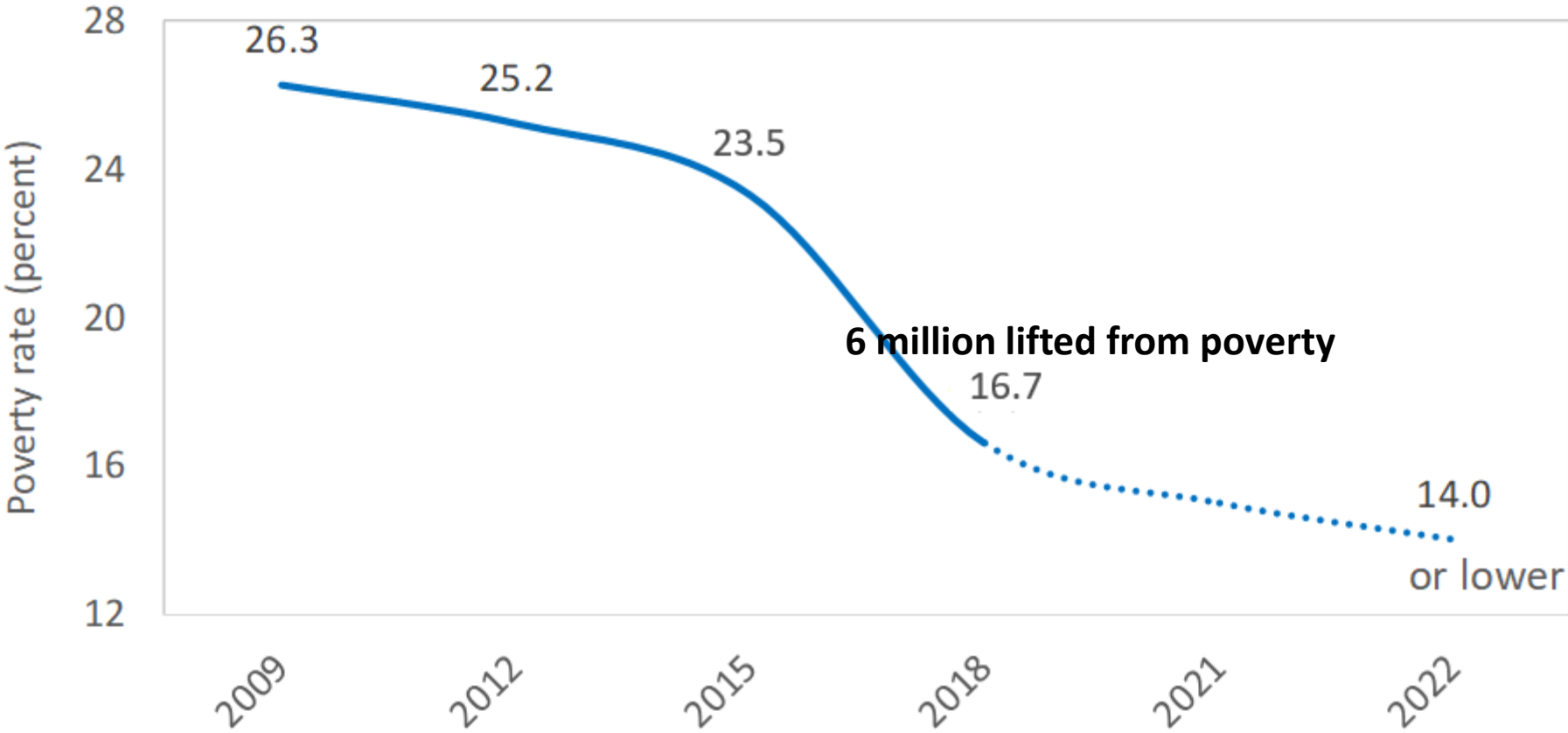
increase in Gross  
National Income (GNI)  
(achieve upper-middle income status  
where Thailand and China are today)

3,500  12,376  
USD USD

increase in Gross  
National Income (GNI)  
(achieve high income status  
where Japan and South Korea are today)

# The 2022 promise of lifting 6 million Filipinos out of poverty was achieved in 2018.

Full-year poverty estimates among the population



Source: PSA

Note: Poverty rates for 2021 to 2022 represent government targets.



# Progress in achieving the 10-point socioeconomic agenda is advancing strongly.

The 10-point Socioeconomic Agenda		Macroeconomic Policies 1		Tax Reform 2	
 <p>Increase competitiveness and the ease of doing business.</p>		 <p>Continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies.</p>		 <p>Institute progressive tax reform and more effective tax collection, indexing taxes to inflation.</p>	
 <p>Accelerate annual infrastructure spending to account for 5% of GDP, with public-private partnerships playing a key role.</p>		 <p>Promote rural and value chain development toward increasing agricultural and rural enterprise productivity and rural tourism.</p>		 <p>Ensure security of land tenure to encourage investments, and address bottlenecks in land management and titling agencies.</p>	
 <p>Invest in human capital development, including health and education systems, and match skills and training.</p>		 <p>Promote science, technology, and the creative arts to enhance innovation and creative capacity.</p>		 <p>Improve social protection programs, including the government's Conditional Cash Transfer program.</p>	
 <p>Strengthen implementation of the Responsible Parenthood and Reproductive Health Law.</p>					

# Without doubt, the pandemic and its adverse economic impact are testing the economy like never before. But unlike past crises, the Philippines is now in a much stronger position to address the crisis.



Strong **economic growth** performance (6.6% average from 2016 to 2019).



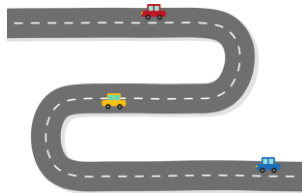
Likely to become **upper middle income country** in 2020 prior to COVID-19.



Low and stable **inflation** (3% average from 2016 to 2019) enabled by **RTL**.



Strong **fiscal position**: highest revenue (16.1%) and lowest debt (39.6%) as shares of GDP in 2019, enabled by **tax reform**.



**BBB infrastructure program** doubled as a share of GDP compared to the past five decades (4.5% of GDP or 882 billion pesos in 2019).



Highest ever **credit rating** in the range of **BBB+ to A-**.



Among the **lowest unemployment** (5.3%) and **underemployment** (14.8%) rates in Jan 2020.



**Lowest poverty incidence** (16.7%) as of 2018.

A person wearing a full-body white protective suit, including a hood and a face shield, is working in a laboratory. They are holding a white bag and appear to be handling something on a table. The background shows laboratory equipment and another person in a similar suit.

# Recent developments



## One of the longest lockdown/quarantine...

Month	% of economy	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
NCR	32	Green	Green	Green	Red	Red	Red	Red	Light Red	Yellow	Yellow	Yellow
Region III, IV-A	26	Green	Green	Green	Red	Red	Red	Red	Light Red	Yellow	Yellow	Yellow
Others	42	Green	Green	Green	Red	Red	Red	Red	Light Red	Yellow	Yellow	Yellow

Legend:

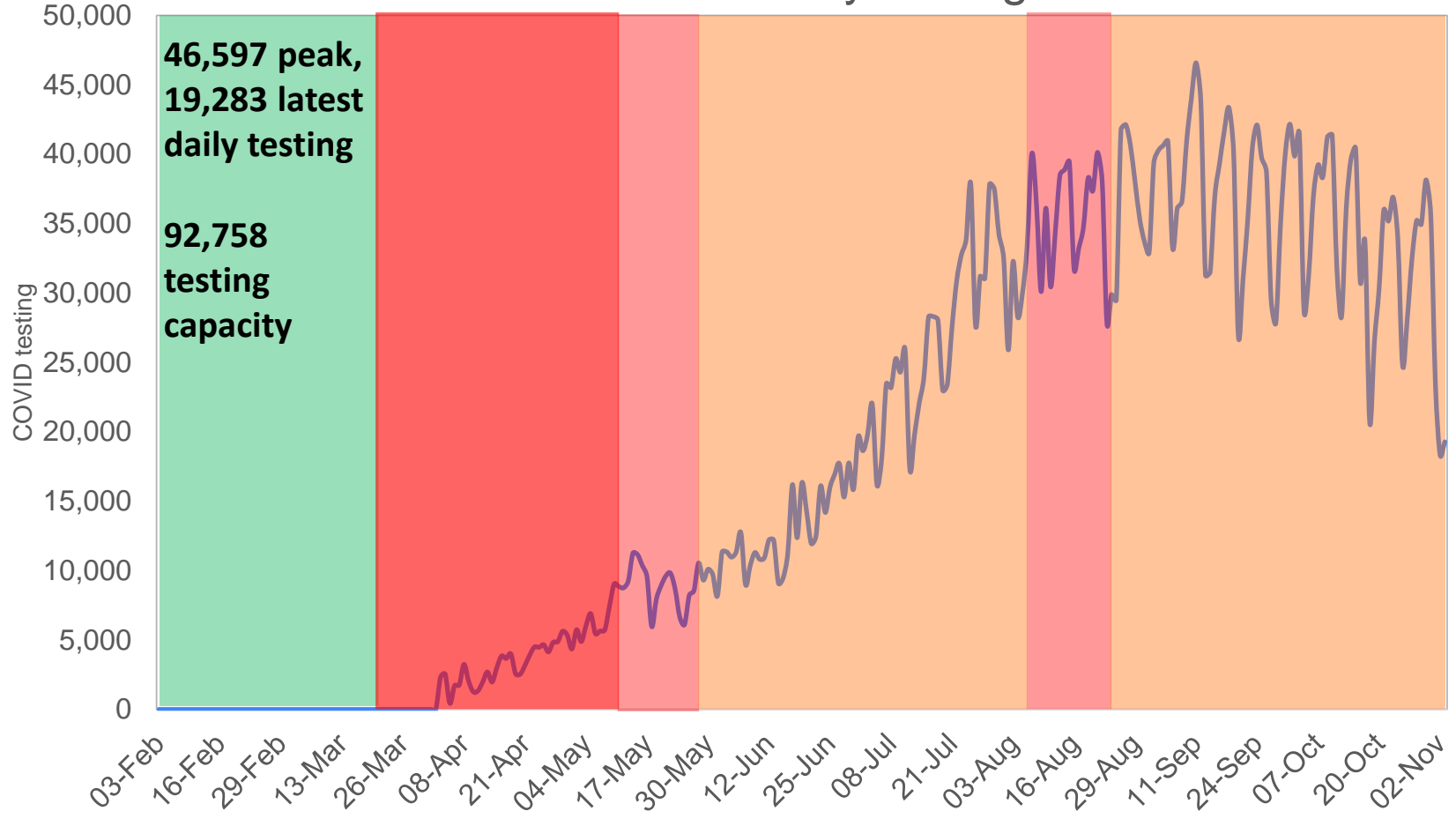
- ECQ
- MECQ
- GCQ
- MGCQ
- No CQ

Note: As of Nov 1, outside of NCR and its adjacent regions: Iloilo city, Bacolod, Tacloban, Iligan, and Lanao del Sur are under GCQ. All other areas are under MGCQ.

# Testing has significantly increased in the past two months.



COVID-19 daily testing



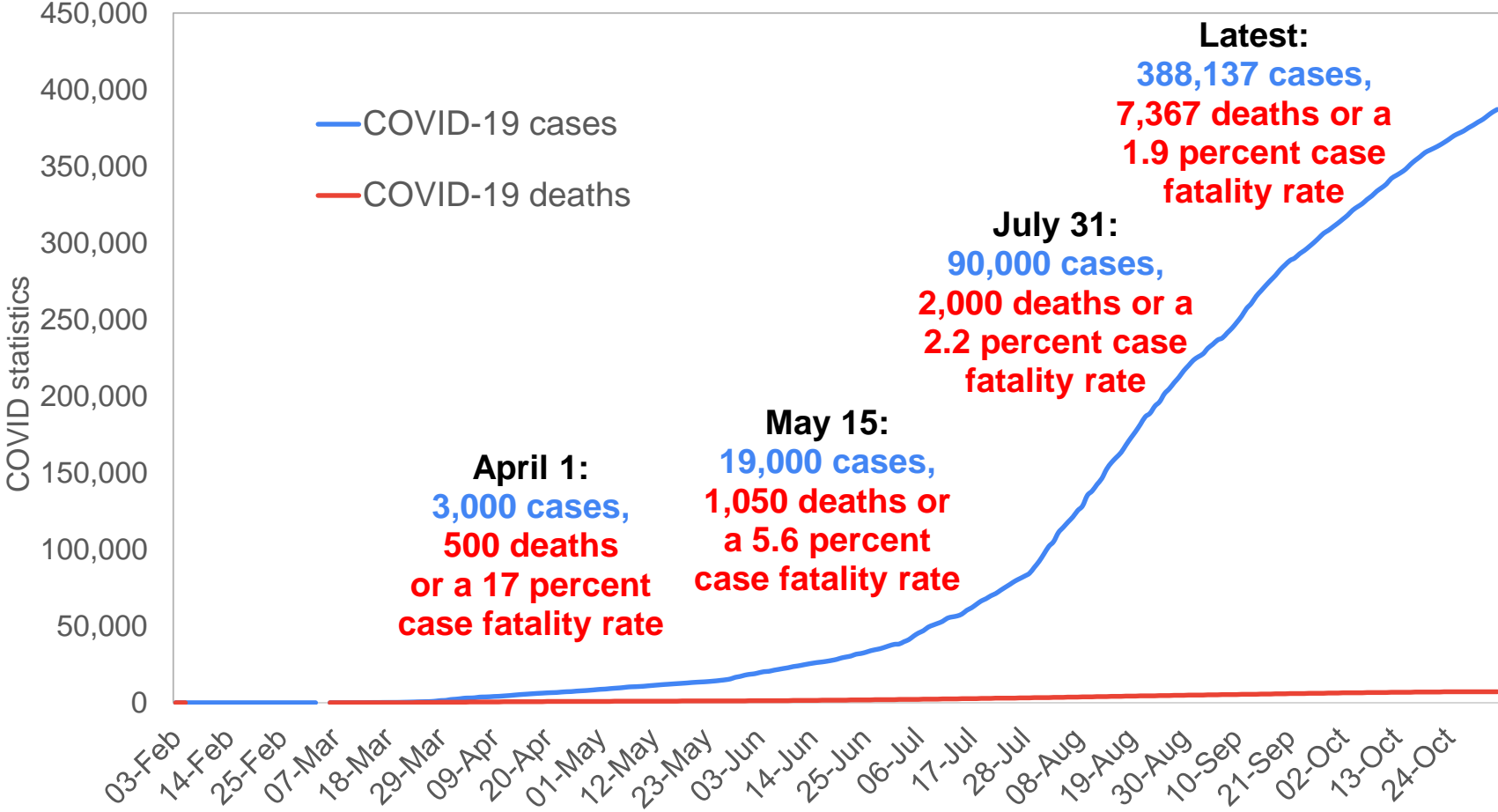
- Legend:
- ECQ
  - MECQ
  - GCQ
  - MGCQ
  - No CQ

Source: DOH



# Increased testing led to more confirmed cases, but the case fatality rate (deaths) declined significantly.

COVID-19 cases and fatality rate



Source: DOH



The far majority, or around 93 percent, are mild or asymptomatic cases.

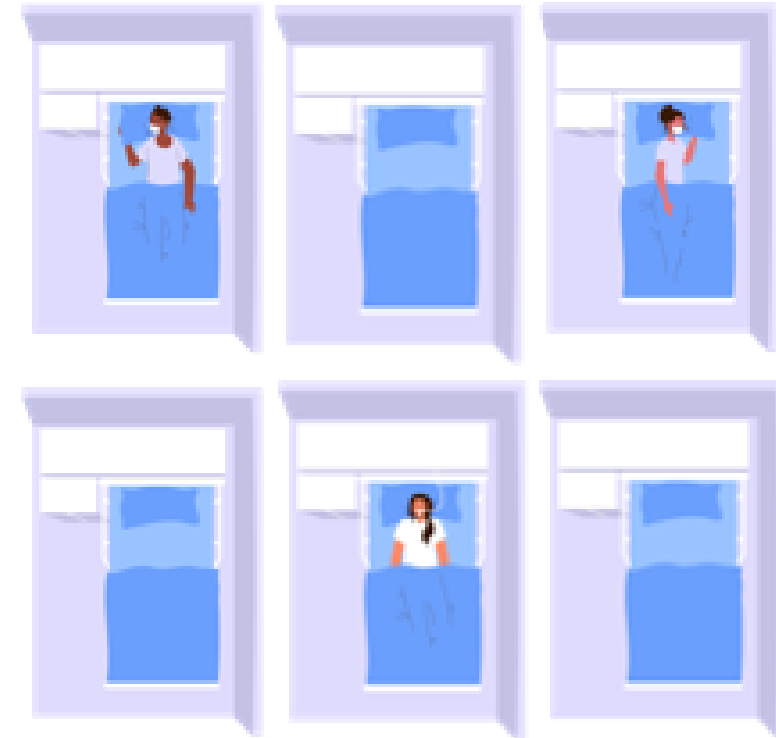
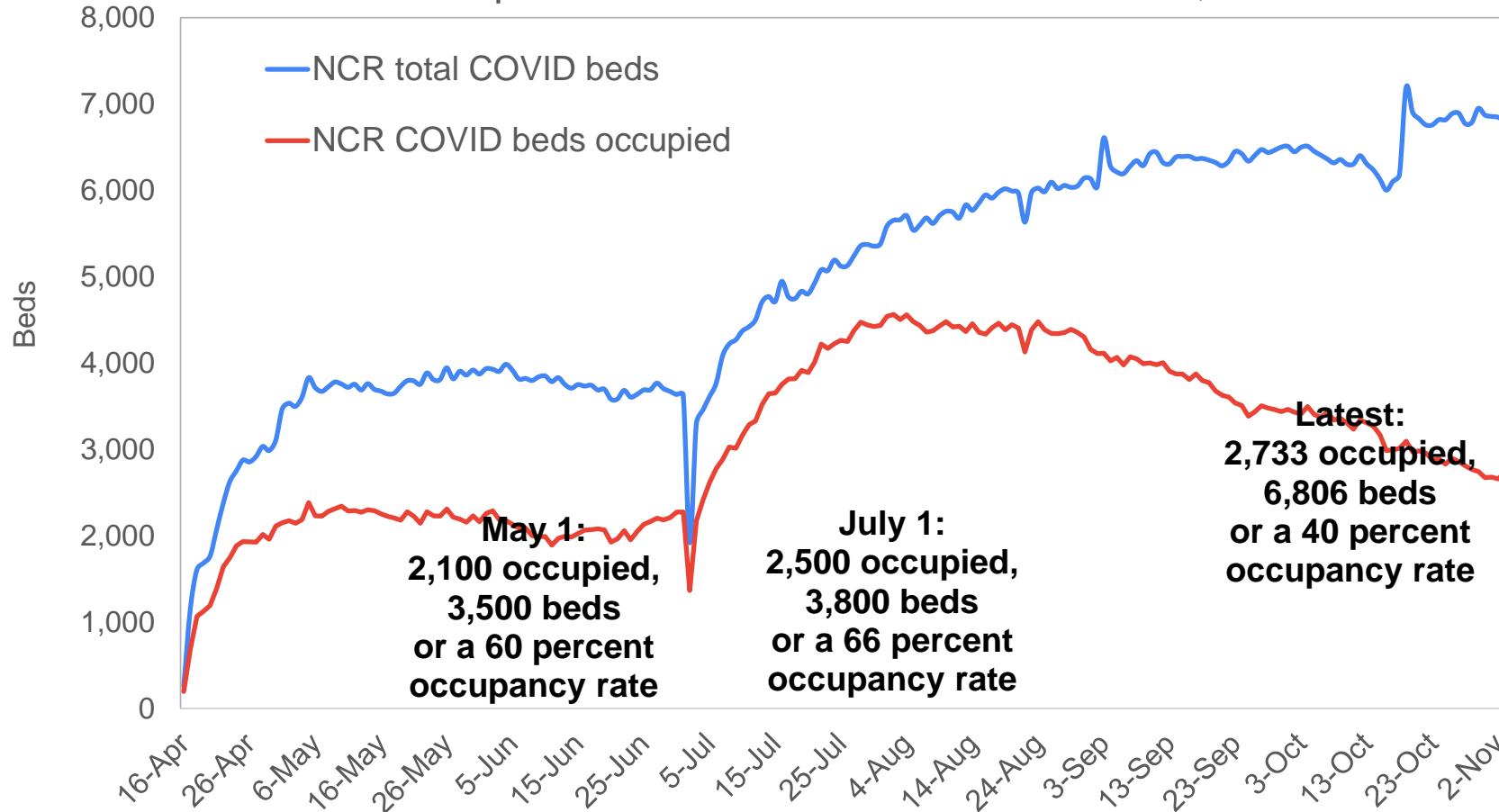
Breakdown of COVID-19 active cases as of 4 Nov 2020.

Status	Counts	Share to total active
<b>Total cases</b>	<b>388,137</b>	
<b>Total active cases</b>	<b>31,679</b>	<b>100.0</b>
Asymptomatic	3,289	10.4
Mild	26,167	82.3
Severe/critical	2,313	7.3

Source: DOH

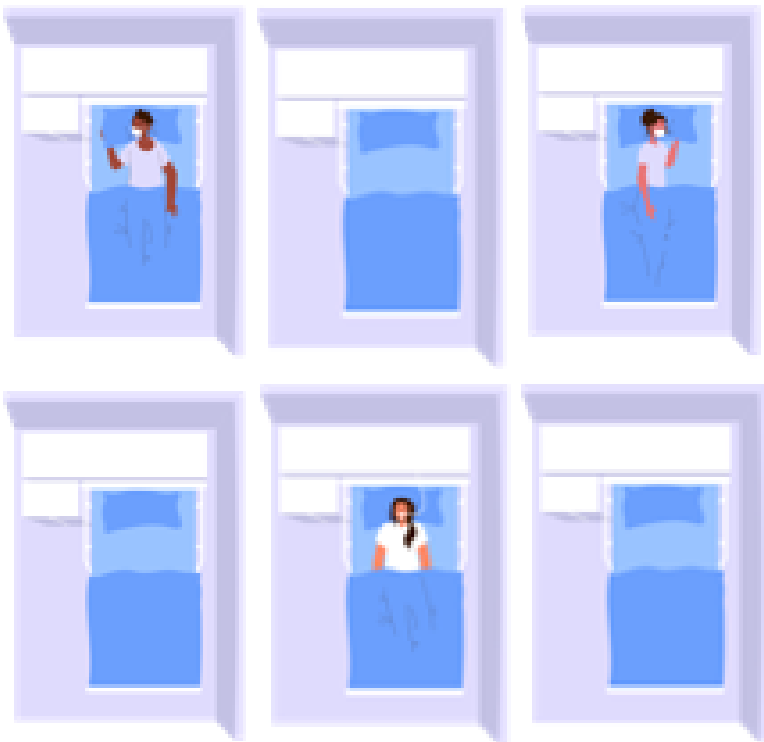
# COVID-19 dedicated beds in NCR have increased over time, while occupancy rate has decreased, and is currently at 40 percent.

Occupied and total COVID dedicated beds, NCR

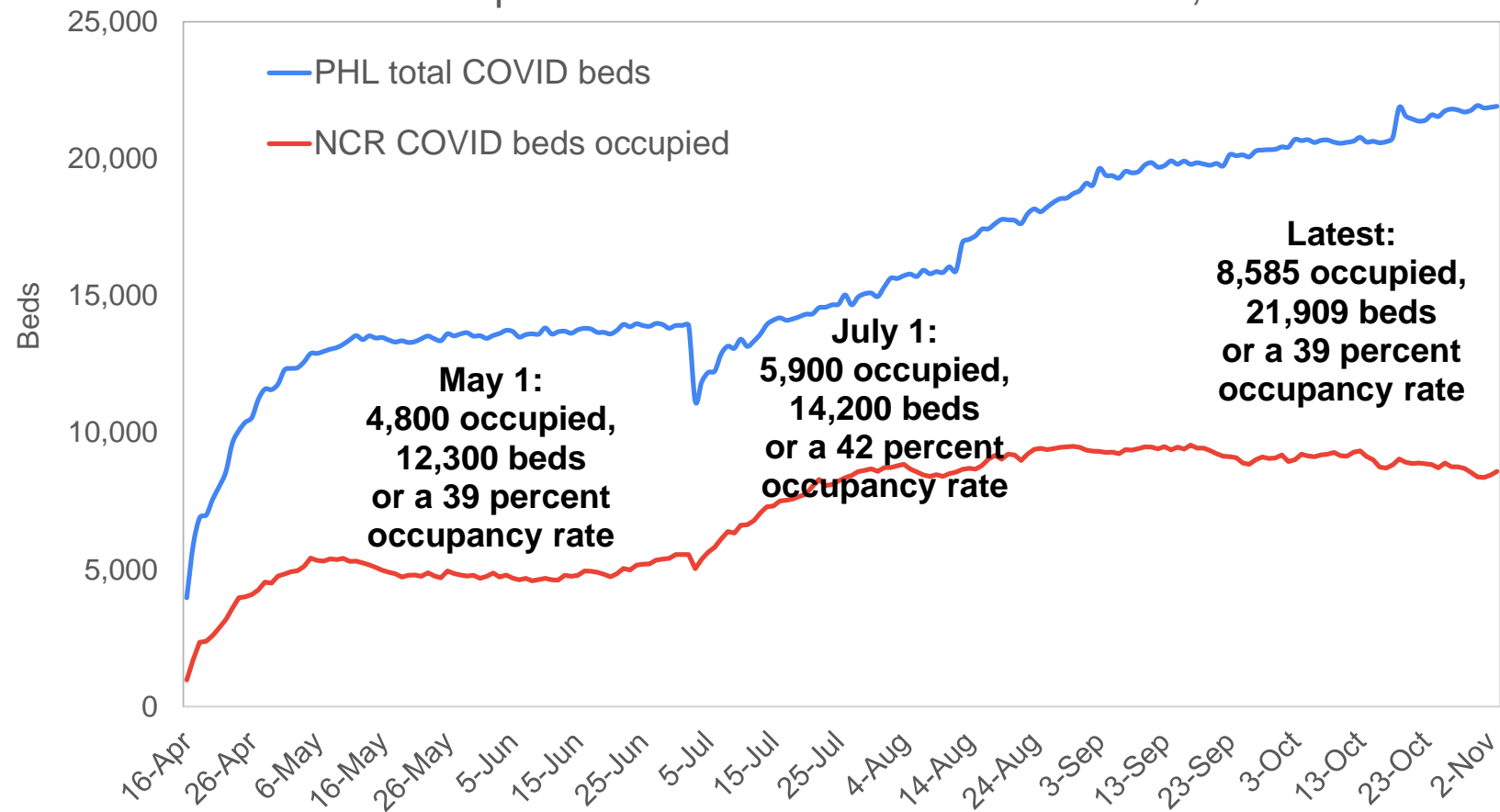


Source: DOH

# COVID-19 dedicated beds in Philippines have also increased over time, while occupancy rate remained less than half, and is currently at 39 percent.



Occupied and total COVID dedicated beds, PHL

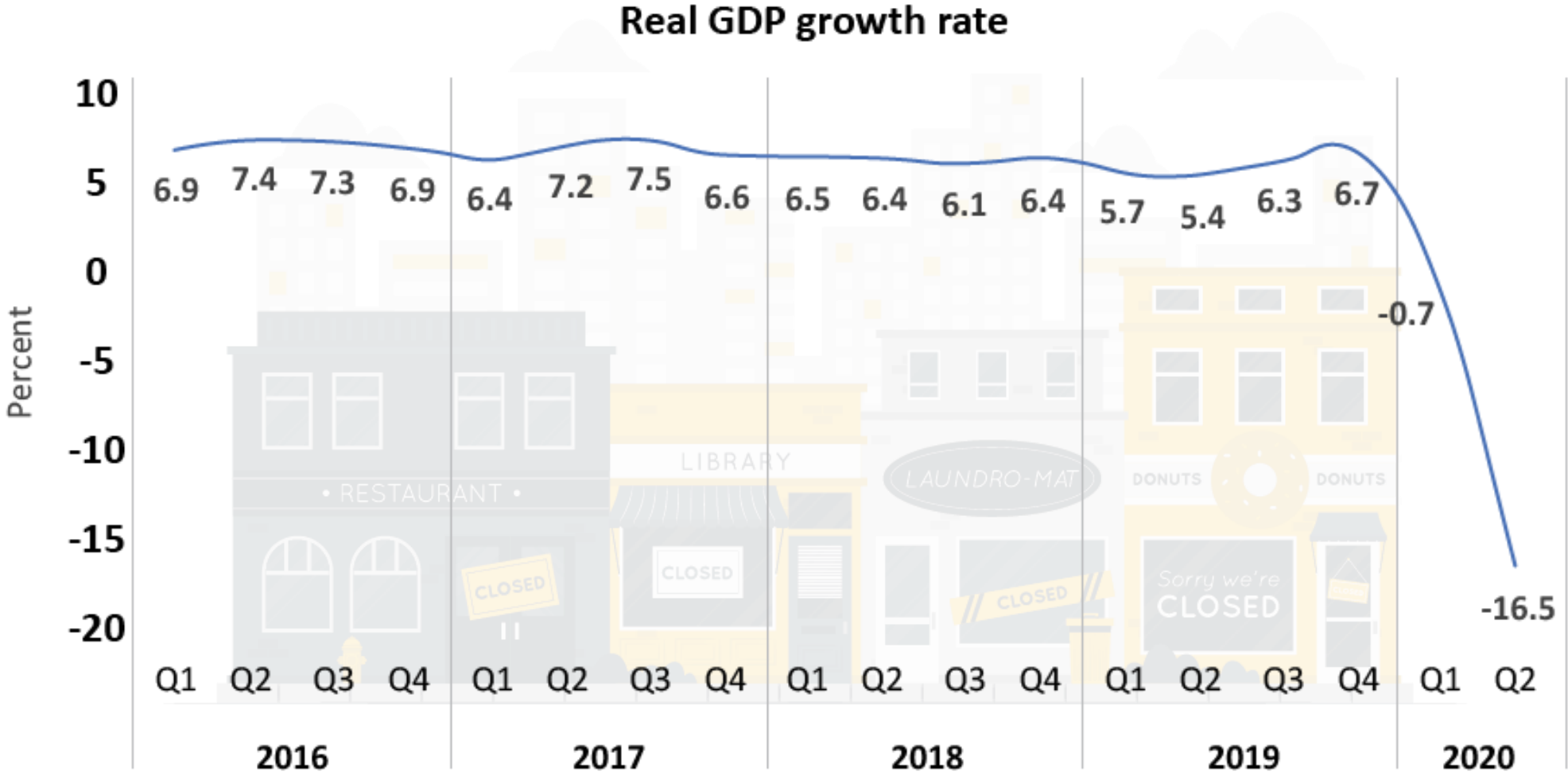


Source: DOH



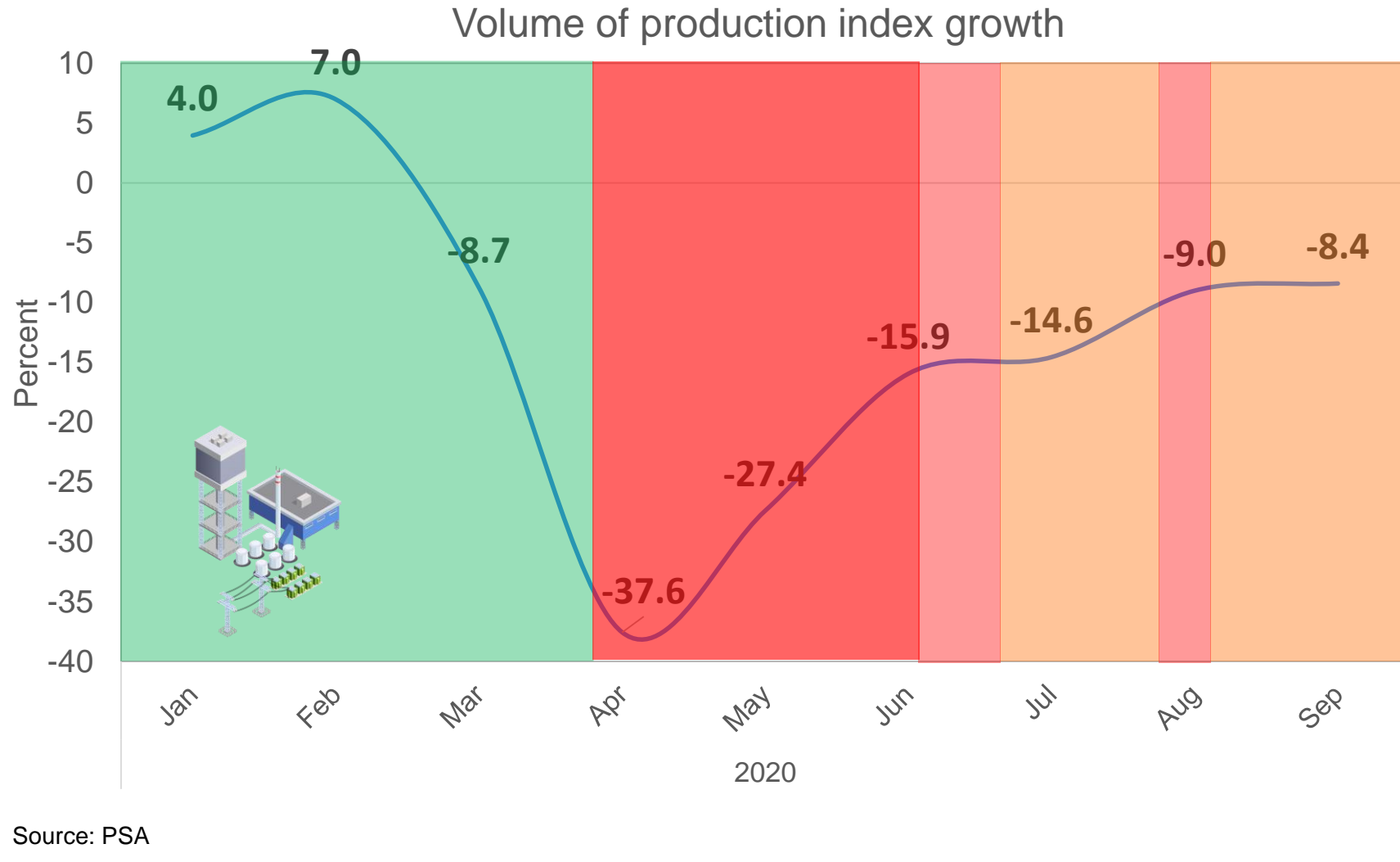
# Impact on economy

From consistently strong economic growth, GDP contracted by negative 9 percent in the first semester of 2020 due to the stringent quarantine measures.



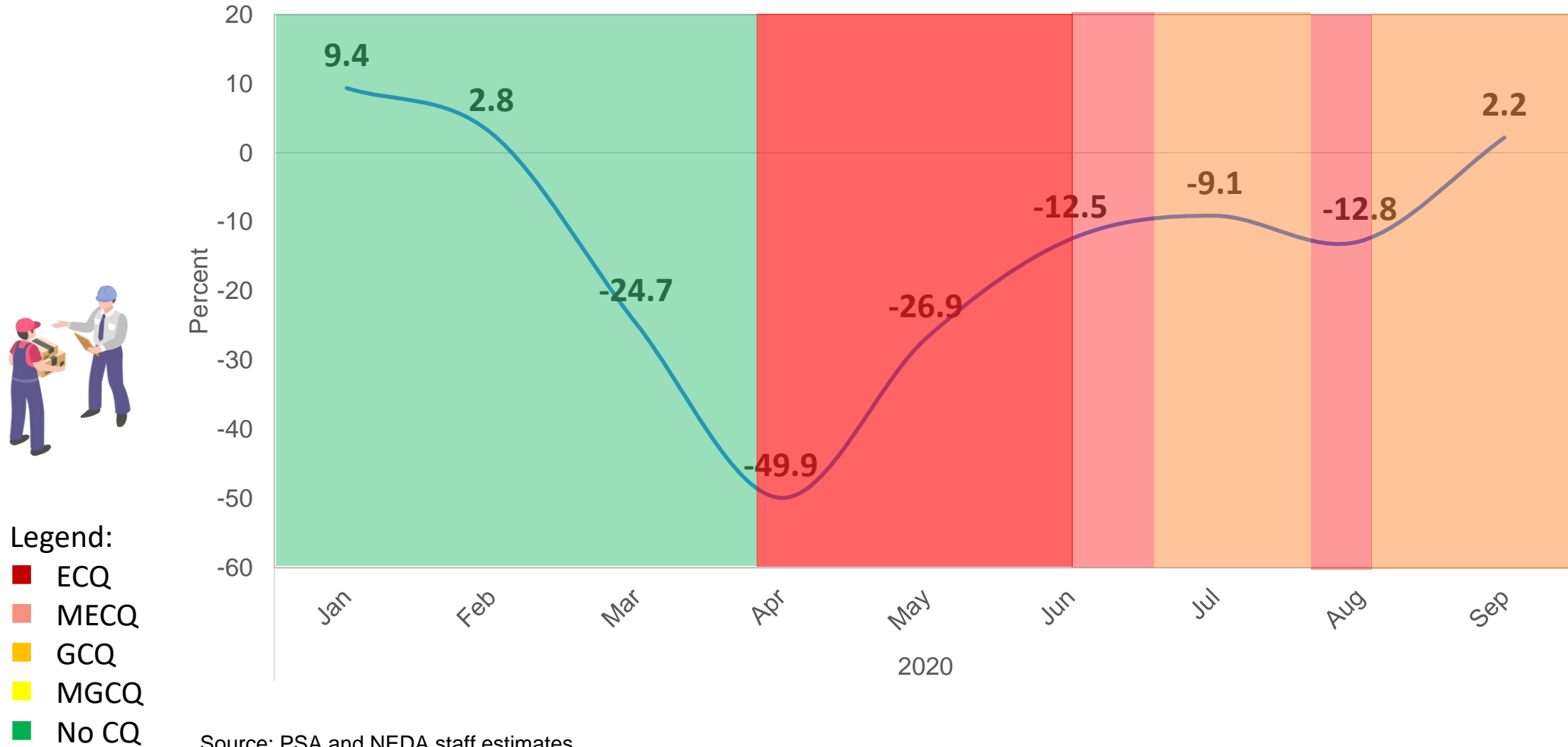


# As quarantine restrictions were eased, economic activities improved gradually, but more can be done.



# Economic activity, such as exports, is sensitive to the level of quarantine.

## Total merchandise exports monthly growth



A person wearing a full white protective suit, including a hood and mask, is working in a laboratory or hospital setting. The person is holding a white bag and appears to be handling something on a table. The background shows a clean, clinical environment with a sink and some equipment.

# The case for more public transportation

Relaxed quarantine (e.g., GCQ) without optimizing public transport will not really open up the economy as workers cannot go to work. This also means shifting to MGCQ will hardly improve the economy.



NCR economy that is open per IATF guidelines  
(in terms of workers going to work):

**65.4%**

NCR economy that is effectively open due to reduced vehicle capacity per IATF guidelines and low operator turnout:

**45.9%**

**GAP: 19.5%**  
(no means to go to work)

# Visits to public transport stations is still down by around 55 percent.

Transit stations: How did the number of visitors change since the beginning of the pandemic?

Change in visitor numbers is measured relative to a baseline day; a baseline day is the median value from the 5-week period between Jan 3rd and Feb 6th 2020. This index is smoothed to the rolling 7-day average.



Source: Google COVID-19 Community Mobility Trends – Last updated 7 October, 23:01 (London time)

Note: Google have currently suspended updates in some categories to improve how they are calculated. It's not recommended to compare levels across countries; local differences in categories could be misleading.

OurWorldInData.org/coronavirus • CC BY



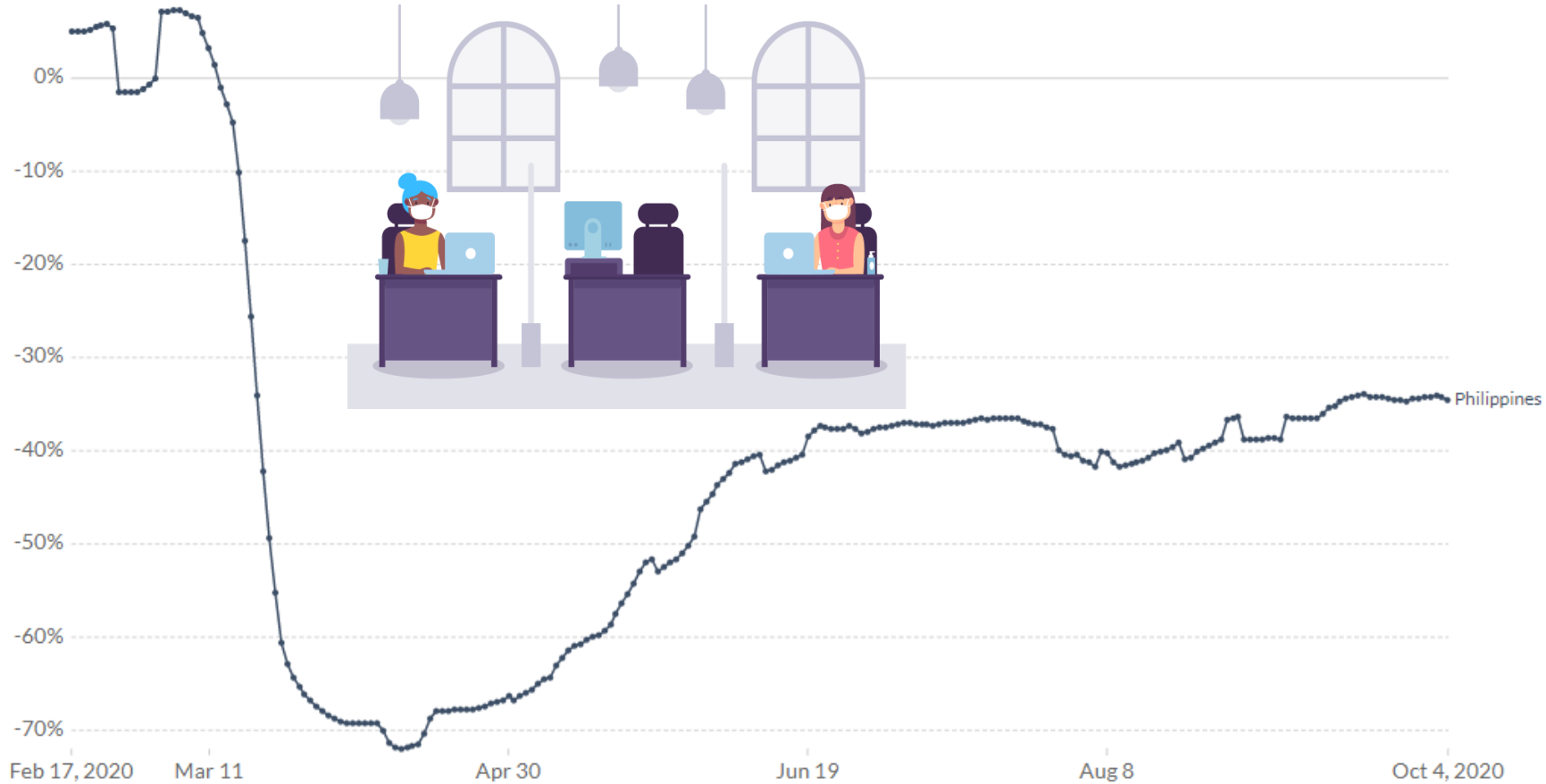
# People actually going to work is down by around 35 percent.

Workplaces: How did the number of visitors change since the beginning of the pandemic?

Change in visitor numbers is measured relative to a baseline day; a baseline day is the median value from the 5-week period between Jan 3rd and Feb 6th 2020. This index is smoothed to the rolling 7-day average.



+ Add country



Source: Google COVID-19 Community Mobility Trends – Last updated 7 October, 23:01 (London time)

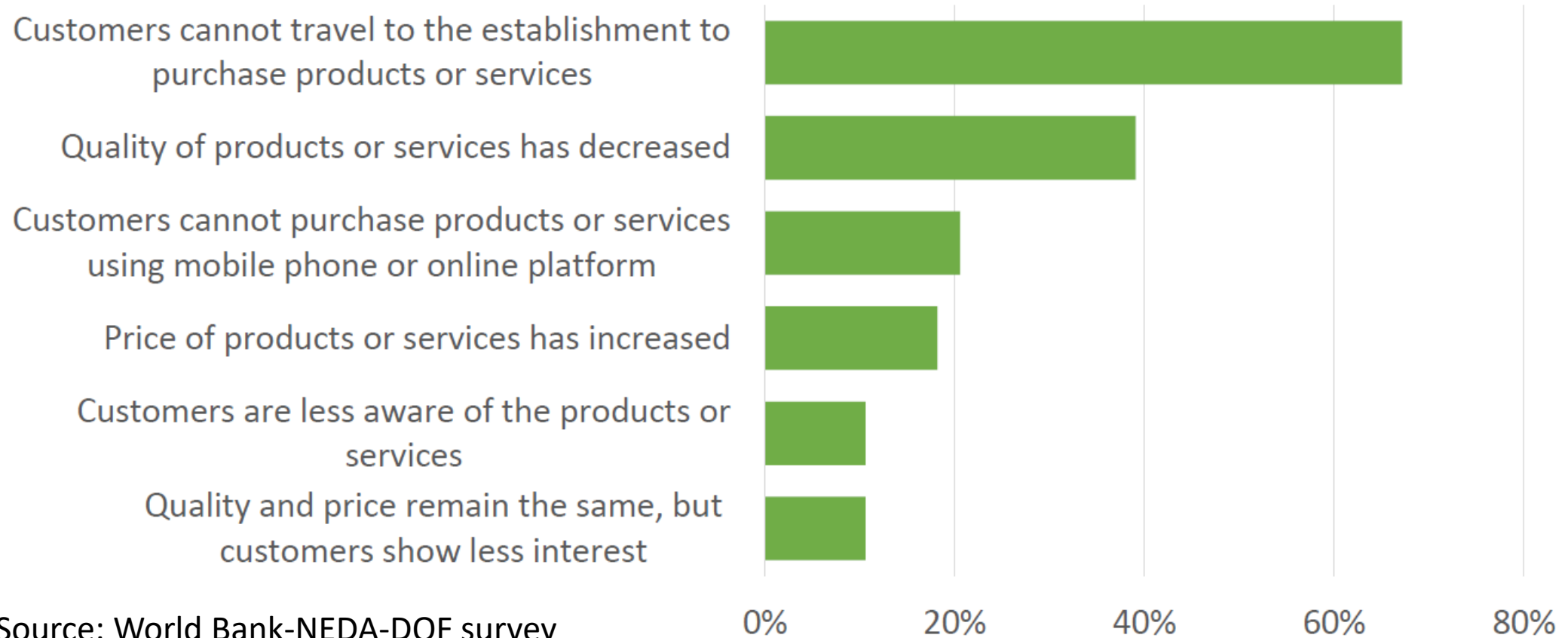
Note: Google have currently suspended updates in some categories to improve how they are calculated. It's not recommended to compare levels across countries; local differences in categories could be misleading.

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# Lack of public transport is the number one reason for decreased demand for products and services.

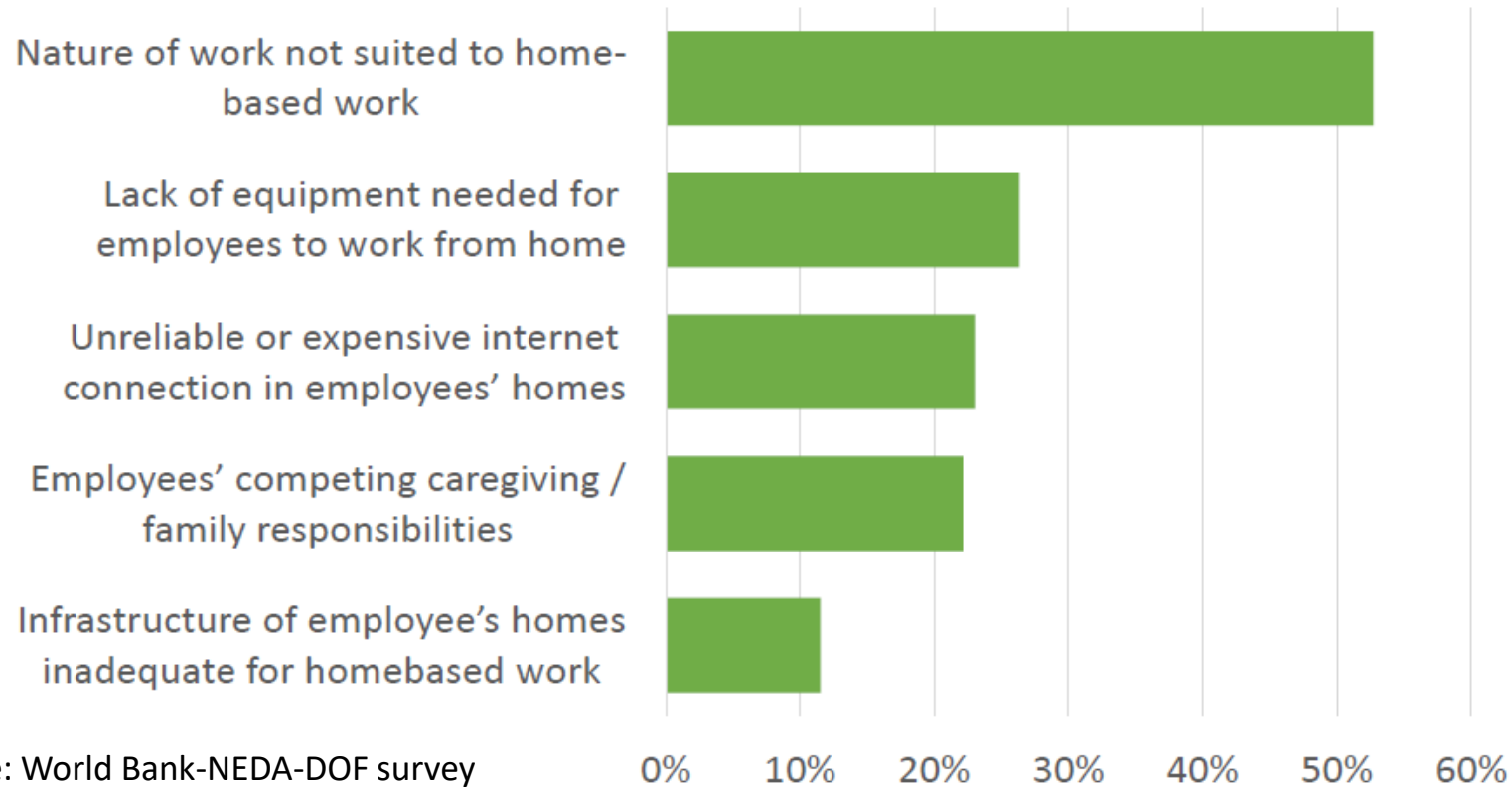
Reasons for decreased demand mentioned by firms (% of firms)



Source: World Bank-NEDA-DOF survey

# More than half of firms said that the nature of work is not suited to home-based type of work, reinforcing the need for more public transportation.

Major obstacles faced by the firm in maximizing the number of employees to work from home (% of firms)



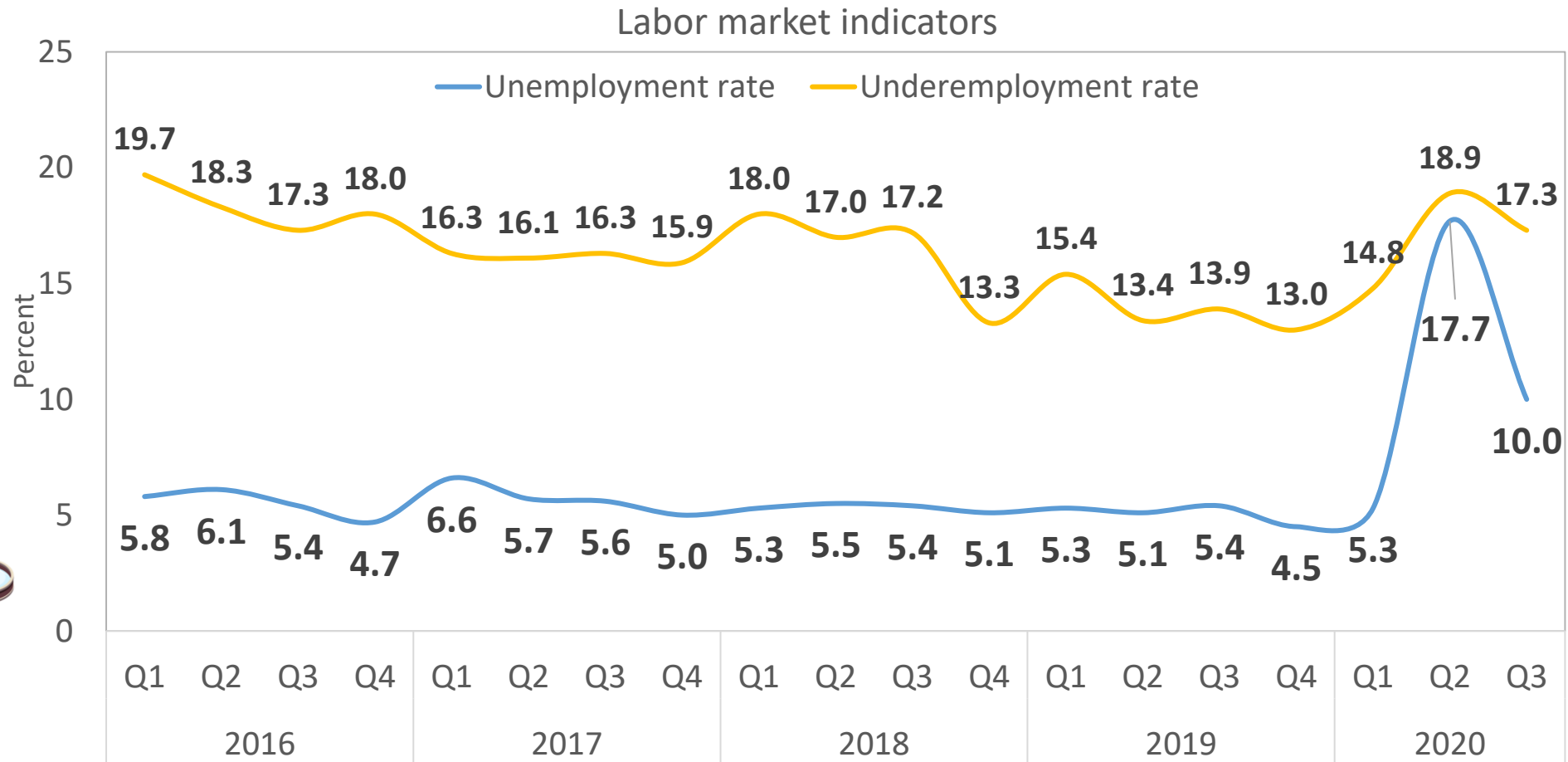
Source: World Bank-NEDA-DOF survey





# Impact on the people

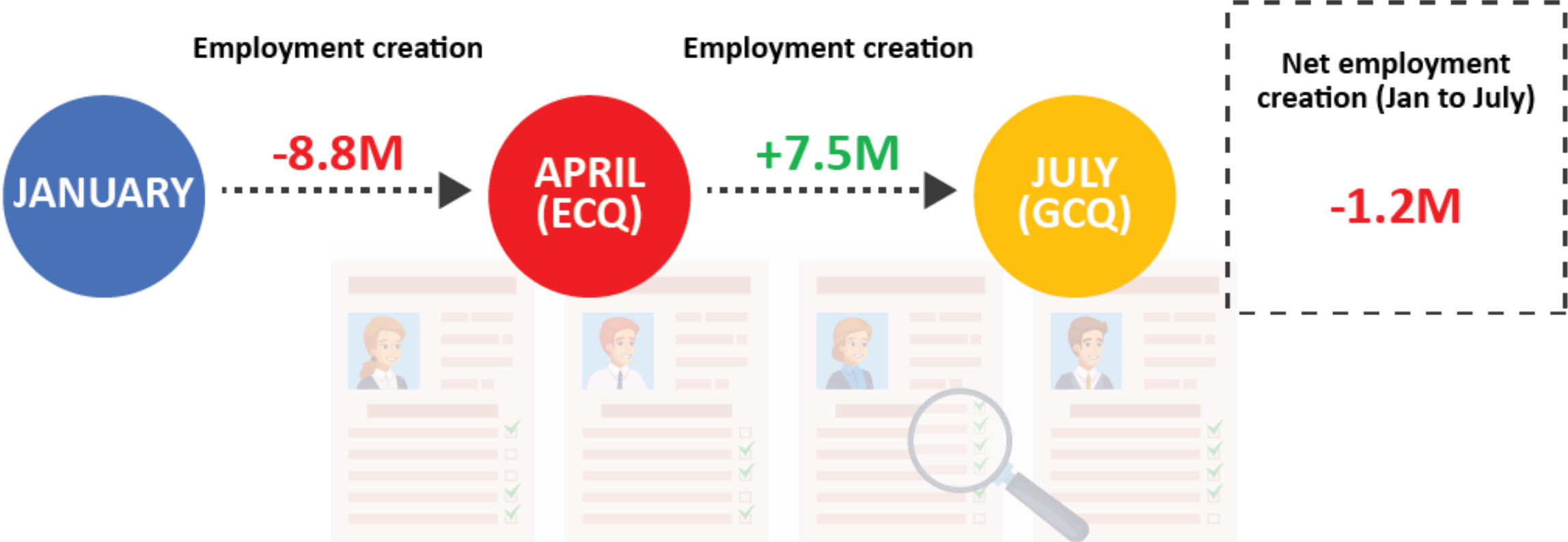
# The labor market also fell, but as the economy begun to open up, labor market indicators show big improvement.



Source: PSA

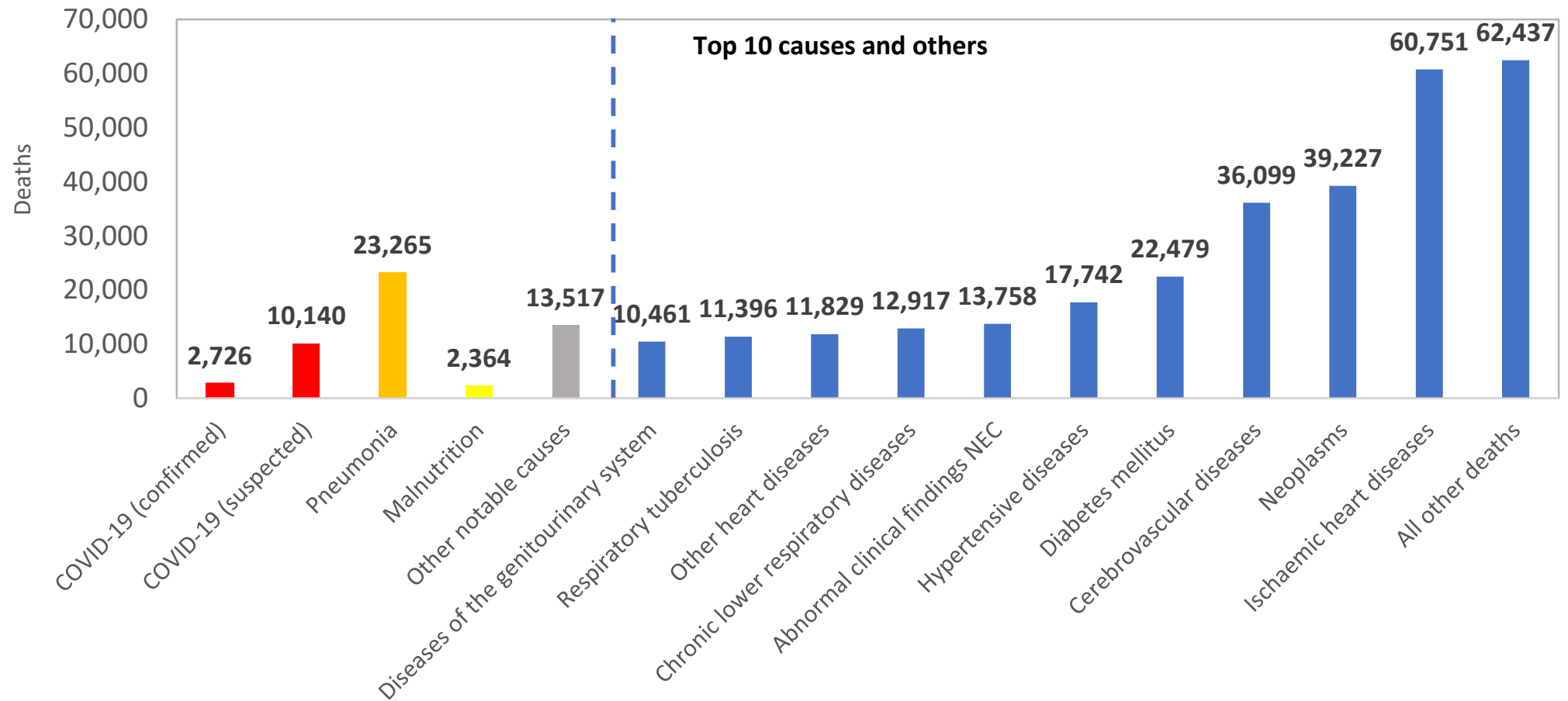


# Employment loss and creation through the quarantine period: the economy is strong enough to recover if we allow it to do so.



# The far majority of deaths are non-COVID-19 and also need help.

Total deaths from Jan to Aug 2020

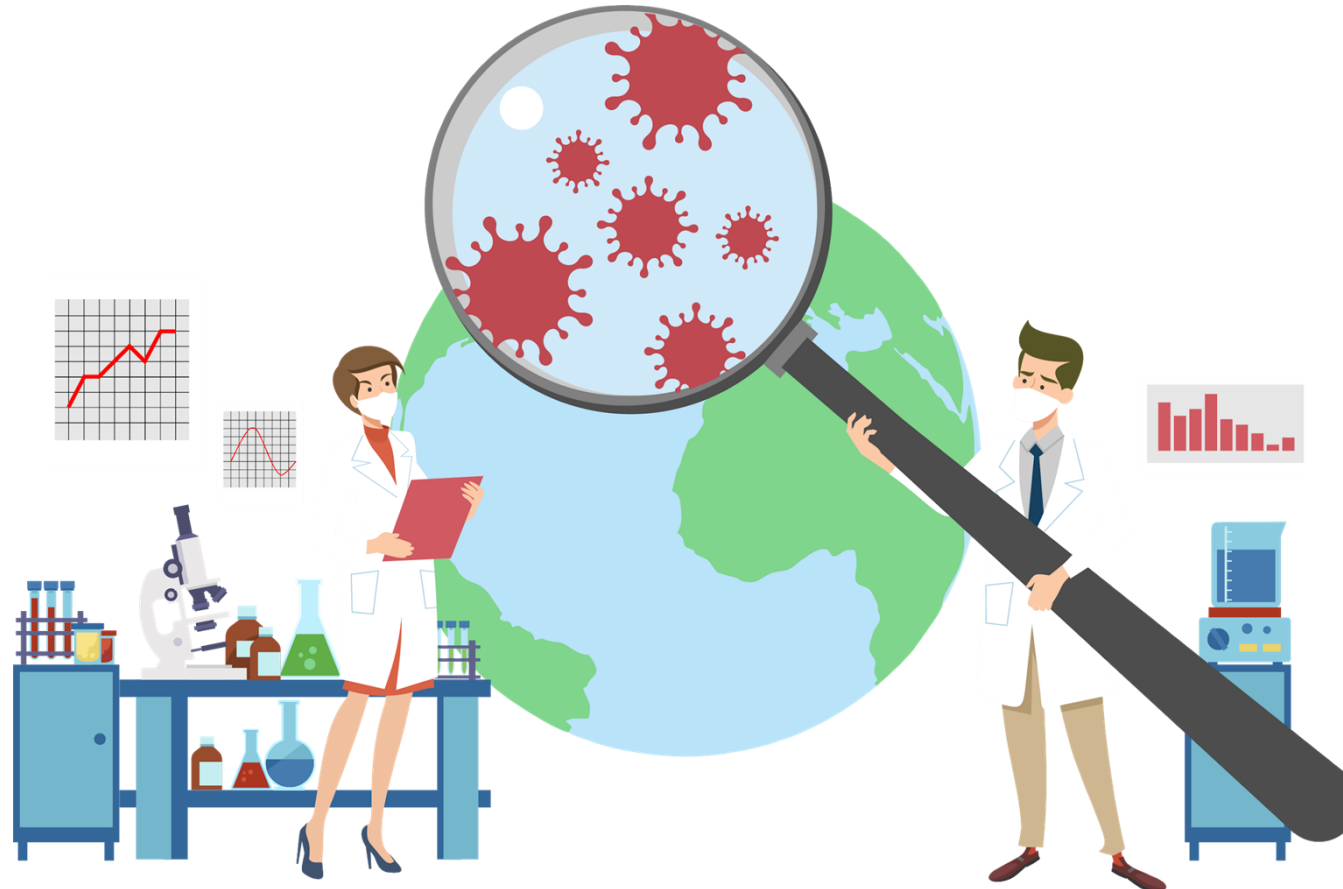


Source: PSA

Note: Other notable causes of death include transport accidents and assault, among other causes.

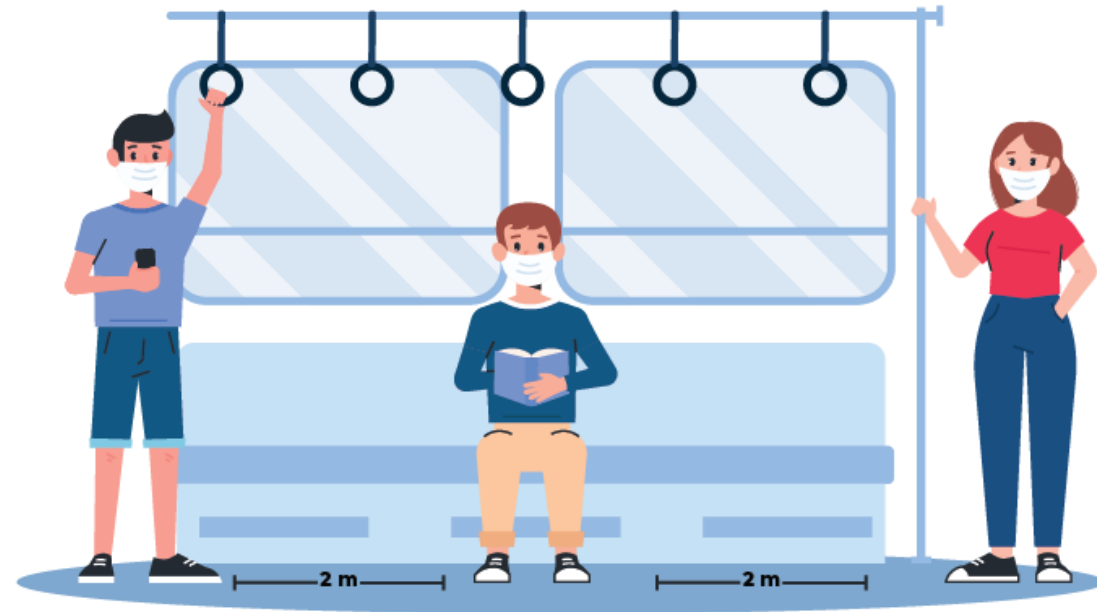
# Living with the virus

The reality today is that the **virus** is not going to go away easily and we will have to live with it for a longer period of time.



# Implications

1. The economy is strong enough to recover.
2. Quarantine restriction prevents the economy from fully recovering.
3. Higher quarantine will be expensive for the government (in terms of subsidies) and the people (in terms of meeting their daily needs and other health problems).
4. But lower quarantine level does not really open up the economy. To open more of the economy, public transport need to be sufficient yet safe.



# Recommendation



# Recovery program

1. Bayanihan to Recover as One Act  
(Bayanihan 2)
2. CREATE
3. FIST
4. GUIDE
5. Build Build Build program
6. 2021 Budget



# Recommendation

## 1. Policy needs to shift from total risk avoidance to risk management

- a. Need to revisit our objectives, for instance:
  - i. From limiting total COVID-19 cases at the expense of everyone's livelihood and welfare,
  - ii. To managing the severe and critical cases, and thus **limit deaths** to a manageable level by protecting the most vulnerable (elderly and those with co-morbidities) and by ensuring **hospitals are equipped** to care for them (**below 70% utilization rate**).
- b. This way, we can gradually **open the economy in increments** so long as **hospital capacity is below the threshold**.
  - i. If we **breach the threshold**, then we can **take a step back or further improve hospital care capacity**.
- c. In summary:
  - i. Around **93% of current cases are asymptomatic or mild** so they can survive and take care of themselves.
  - ii. We can focus our effort on the **7% severe or critical cases**.
  - iii. Social and economic activities can resume provided everyone observe the **minimum health standards**.



# Recommendation

## 2. Priority areas to manage COVID-19 cases

- a. **Pursue PDITR:** prevent, detect, isolate, treat, recover; through technology and discipline *(to reduce overall COVID-19 cases)*.
- b. **Improve hospital care capacity** to keep critical care below 70 percent *(to care for the severe and critical cases)*.
- c. **Open sufficient number of safe public transport** following expert's guidance on minimum health standards *(to care for everyone else who are in need of income, jobs, and food)*.
  - i. Begin with one seat apart and gradually increasing capacity or allow seating together with plastic barrier or use UV light.
  - ii. Expand rail capacity to 30 to 50 percent.
  - iii. Expand provincial buses, motorcycle taxi, shuttles, and TNVS.
  - iv. Accelerate use of service contracting to expand bus and jeep.



# Recommendation: Enforce the “7 Commandments” strictly

**Strictly implement the 7 Commandments, for all public transportation as proposed by health experts from diverse field: - DOTR**

1. Wearing of proper face masks
2. Wearing of face shields
3. No talking and no eating
4. Adequate ventilation
5. Frequent and proper disinfection
6. No symptomatic passengers
7. Appropriate physical distancing

**These recommended minimum health standards would be amongst the most comprehensive in the world.**

Source: **7 Commandments Health Experts:**

Dr. Manuel M. Dayrit (Former Health Secretary), Dr. Esperanza Cabral (Former Health Secretary), Dr. Vicente Belizario Jr. (Dean, UP College of Public Health) , Dr. Teodoro Herbosa (Special Advisor, COVID-19 National Task Force), Dr. Ma. Dominga Padilla (Founder, Eye Bank of the Philippines), Dr. Manuel Francisco T. Roxas (Director, Philippine College of Surgeons Cancer Commission), Dr. Rontgene Solante (Infectious Disease Specialist)

# Recommendation

2. **Priority areas to manage COVID-19 cases**
  - d. **Consider more incremental opening of businesses:**
    - i. Shorter curfew hours and multiple work shifts to allow more workers and buyers to contribute to economy.
    - ii. Further gradual expansion of business capacity to 75 to 100 percent.
    - iii. Gradual expansion of the age group allowed to go out (e.g., 15 to 65 years).
  - e. **Consider escalation of quarantine level only as last resort.**
    - i. If COVID-19 cases are rising, still maintain current quarantine level and implement stricter protocols and more localized quarantine.
  - f. **Intensify communication campaign** to inform and educate everyone on how to protect themselves and help prevent the spread of COVID-19, **especially at home.**