

# External Environment Situation and Forecast

---

FSSI | JUNE 04, 2020

# COVID-19 Impact to PH

---

- ❑ A total of 1.19 million workers affected, mostly those in the education, manufacturing, hotel and restaurant, tourism sectors
- ❑ Delayed overseas remittances
- ❑ Restrained movement of agri produce resulting in food waste, lower farmgate price, and higher retail food price. Closure of restaurants created food surpluses
- ❑ Manufacturing firms not able to operate at full capacity
- ❑ Retail businesses affected by closure, reduced foot traffic
- ❑ Tourism and business travel ground to a halt
- ❑ School closures

[Source: NEDA We Recover as One Report](#)

# Experiences of the Agri Sector

NEDA Business Survey for Agri and Fisheries Sector

---

- ❑ 86% of respondents able to continue agricultural activities
- ❑ 14% said activities were disrupted (equivalent to 1,169ha not planted)
- ❑ 65% able to sell their produce

Highest income loss recorded in HVC farming (36.82M); livestock and poultry (24.48M); rice farming (18.63M); fisheries (8.78M); corn (5.6M)

## **Expectation after ECQ is lifted:**

- 96% intend to continue agriculture activity in next cropping season
- Majority of requests are cash assistance, production support, machinery and equipment

[Source: NEDA We Recover as One Report](#)

# Experiences of MSMEs

NEDA Business Survey for MSMEs\*

---

Indicators	Remarks
Change in cost of raw materials	Almost two-thirds reported unchanged cost of production during the ECQ. About 26% reported an increase in their cost of production.
Change in sales	Almost two-thirds reported zero sales due to temporary closure, particularly of non-essential businesses. <sup>11</sup>
Change in working arrangements	More than 60% of the surveyed firms stopped operations. Others adopted reduced work hours (13.2%) or work from home scheme (12.4%).
Change in number of workers	Majority (74.4%) of the firms surveyed did not lay-off workers. Some firms (25.4%) temporarily laid off workers during ECQ.
Mechanism to manage cash flow	To stay afloat during the ECQ, most of the firms delayed payments on taxes and debt (22.8%) as well as to suppliers and borrowers (17.7%). Many also accessed loans from government institutions (12.5%), borrowed from friends (10.2%), and requested early payments from customers (9.5%).
Assistance received	Almost 77% did not avail of the existing government assistance programs. Among those who did avail, about 42% were satisfied with the program.

# Experiences of MSMEs

\*survey of over 44,000 enterprises (71.2% micro; 17% small; 7.2% medium; 4.6% large enterprises)

---

Indicators	Remarks
Business outlook	With another month of extension, 80% of enterprises will be unable to operate. After lifting of the ECQ, 31% still do not see good prospects for their business.
Assistance needed	At least 30% of firms suggest the following forms of assistance: <ul style="list-style-type: none"><li>• payment deferment to government;</li><li>• payment deferment to debtors (e.g., banks, utility companies);</li><li>• tax discounts or tax credits;</li><li>• low interest loans from government; and</li><li>• lower interest loans from banks.</li></ul>

---

“While COVID-19 impact will vary from country to country, it will most likely increase poverty and inequalities at a global scale, making achievement of SDGs even more urgent.”

- UN Framework for the Immediate Socio-economic Response to COVID-19

# Post-Pandemic Scenarios

---

## SCENARIO 1: Fast, V-shaped Recovery

- China, industrialized EA countries have fully controlled outbreak, other countries take effective actions to overcome peak by May
- Despite infections, pandemic is controlled, assisted by low virulence in high-humidity temperature climates and mutation of virus to weaker strains
- Relatively low-cost treatments, vaccines tested and widely rolled out by mid-2021

# Post-Pandemic Scenarios

---

## SCENARIO 2: Protracted Recovery with Permanent Scars

- China, industrialized EA countries have controlled pandemic by early May, but large regions struggle to flatten the curve
- Uncoordinated responses, lack of testing prevent accurate identification, dealing with the problem in many countries (clusters of countries struggling to contain COVID by August 2020)
- Pandemic retreats in N. hemisphere but intensifies in S. hemisphere. Lull in areas used to strengthen health systems, develop vaccine and treatment by mid-2021

# Post-Pandemic Scenarios

---

## SCENARIO 3: Global Meltdown with Fragmentation, Deglobalization, and Large Output Losses

- Countries unable to contain pandemic; health systems overwhelmed
- Escalating economic impact fragments globalized economy, and sets deglobalization in motion
- Virus mutates, gaining speed and strength, raising morbidity and mortality levels, lowering life expectancy globally

# Post-Pandemic Scenarios

---

## The Future of COVID-19 Transmission Dynamics

- Recurrent winter outbreaks may occur after initial, most severe pandemic wave
- Prolonged/intermittent social distancing may be necessary until 2022
- Additional interventions like expanded critical care capacity to hasten herd immunity
- Even in the event of apparent elimination, surveillance should be maintained because resurgence could be possible as late as 2024

# The Philippine Economy

---

- Q1 2020 GDP shrank by 0.2% (from 3.1% growth prediction) due to COVID-19, Taal Volcano explosion, ECQ implementation
- [PIDS](#): PH economy may lose Php 276.3 billion to 2.5 trillion due to COVID
- [ADB](#): PH economy to likely shrink by 3.8% this year (\*revised from 2% growth forecast in April)
- [S&P Global Ratings](#) affirms PH's 'BBB+' rating with stable outlook based on assumption that pandemic is generally contained by H1 of 2021

# The New Normal

---

## WHO criteria for restrictions to be lifted:

1. Transmission is controlled
2. Health system capacities in place to detect, test, isolate, and treat every case and contact
3. Outbreak risks are minimized in special settings like health facilities and nursing homes
4. Preventive measures in place in workplaces, schools, etc. where it's essential for people to go
5. Importation risks can be managed
6. Communities are fully educated, engaged, and empowered to adjust to the "new normal"

[Source: NEDA We Recover as One Report](#)

# The New Normal: General Context

---

## POLITICAL

- Characterized by volatility and uncertainty
- LGUs expected to take on greater role; bear responsibility of delivering public services
- Some LGUs taking control measures to the extreme may continue unless assured of prompt help from the national gov't
- Increased demand for PH ID System implementation

[Source: NEDA We Recover as One Report](#)

# The New Normal: General Context

---

## ECONOMIC

- Global economy expected to be in recession in 2020 as COVID-19 continues to spread
- Deterioration of balance sheets of firms, households may lead to tighter lending standards of banks
- Rising risk aversion of investors may significantly drive out capital
- Exports to N. America and Asia expected to be hardest hit, with trade from sectors with complex value chains, such as electronics and automotive products, expected to decline

# The New Normal: General Context

---

## PRODUCTION SECTOR – AGRICULTURE AND FISHERY

- Agri-food supply chain disruptions expected to persist
- Increased reliance on online/digital transaction for food commodities expected to continue even in post-ECQ
- Expected increased demand for modern agri machineries and equipment in lieu of manual labor
- Higher demand for raw materials to be used for preserving food

# The New Normal: General Context

---

## PRODUCTION SECTOR – AGRICULTURE AND FISHERY

- Shift in preferences for healthier diets to increase demand for safe and nutritious food
- Expected reduction in tourism and dine-in services to result in reduced demand for agri food items in establishments
- There may be higher demand for agro-industrial products like rubber (for gloves and PPE), fiber (for masks), and raw materials for soap, disinfectants

# The New Normal: General Context

---

## PRODUCTION SECTOR – INDUSTRY & SERVICES

- Heightened risk of financial insolvency for firms (those with mounting debt, large overhead costs, limited or no insurance coverage against losses)
- Increased demand for economic assistance from MSMEs
- In manufacturing, favor for essential goods production related to contain COVID
- Important that manufacture of intermediate inputs and raw materials for essential goods remains unhampered

# The New Normal: General Context

---

## PRODUCTION SECTOR – INDUSTRY & SERVICES

- Construction to focus on building quarantine and other health facilities, rehabilitating existing ones
- There may be increased construction demand in rural areas
- E-commerce to play a big role with increased use of online transactions
- In transport sector, reduced load factor and stringent sanitary protocols in public transportation to be part of new normal; travel restrictions to likely continue, as demand for tourism and travels, in general, will be relatively low

# The New Normal: General Context

---

## SOCIAL

- Activities to remain limited by need to practice physical distancing. Wearing of masks, bringing of hand sanitizers will be the norm.
- Mass gatherings will continue to be restricted or discouraged
- Schools likely to remain closed
- Expected increased demand for health services. Even after COVID-19 is placed under control, health-seeking behavior expected to improve.

# The New Normal: General Context

---

## TECHNOLOGY

- Increased interest in using advances in medical science, greater efforts to find ways to manage pandemic situations
- Use of digital technology to increase significantly; online business transactions to become a necessity rather than a convenience
- For production sector, increased demand for automation to complement manual labor

# The New Normal: General Context

---

## ENVIRONMENT

- Air quality may deteriorate post-ECQ since people may opt to use their own vehicles; more jeepneys and buses may need to be deployed due to reduced factor loading
- Higher demand for water inevitable
- Increase in volume of infectious waste materials, solid waste from packaging materials
- Greater interest in urban farming/household gardening; increase in community farming

# The New Normal: General Context

---

## LEGAL

- Existing laws may need to be reviewed whether they provide sufficient latitude to implement needed interventions
- In crafting and implementing gov't responses, careful attention must be given to ensuring that human rights are upheld
- Need to strike balance between data privacy and public health
- Expected rise of data security and data discrimination concerns
- Need for assessment on gov't ability to protect citizens, businesses against cyber-attacks and cybercrime

# The New Normal: General Context

---

## LEGAL

- Legal implications arising from the pandemic also include the treatment of supply contracts affected by supply chain disruption; insurance coverage of epidemic-related damage to business and property; and employment arrangements
- Laws on stockpiling of critical materials, which include medicines and devices for lifesaving care, will have to be revisited

# Suggested Interventions After ECQ Lifting

*NEDA Interventions to NGAs, LGUs*

---

## FOOD PRODUCTION AND SUPPLY CHAIN

- 1) Link farmers to supply gov't feeding programs and relief operations
- 2) Promote urban agriculture and community gardening
- 3) Strictly enforce policies to ensure continuity of food production, supply chain
- 4) Frequently monitor prices of food, other essential commodities
- 5) Utilize the \*Supply Chain Regulatory Impact Assessments and Analysis Dashboard

*\*NEDA is planning to create a national supply chain plan for food, medical supplies, and other urgently-needed goods during the state of calamity | [SCAN Dashboard](#)*

# Suggested Interventions After ECQ Lifting

---

## ACCESS TO FINANCE

- 1) Provide access to business financing and financial services
- 2) Provide zero interest, no collateral, and longer-term credit programs for agri, forestry, and fishery - based enterprises, farmers/fisherfolk
- 3) Provision of additional support programs for business and MSMEs

---

Thank you.

