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Industry Outlook Chapter Seventh PH-EITI Report

Hon. Ma. Teresa S. Habitan

Assistant Secretary, Department of Finance
Alternate Chair and Focal Person, PH-EITI

Industry Outlook Chapter

a response to challenges in
producing EITI reports



Image by PNG Mart



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To produce this chapter, the PH-EITI:

- utilized **historical quantitative data** in predicting a post-pandemic outlook for the sector
- implemented **qualitative surveys** to complement analysis



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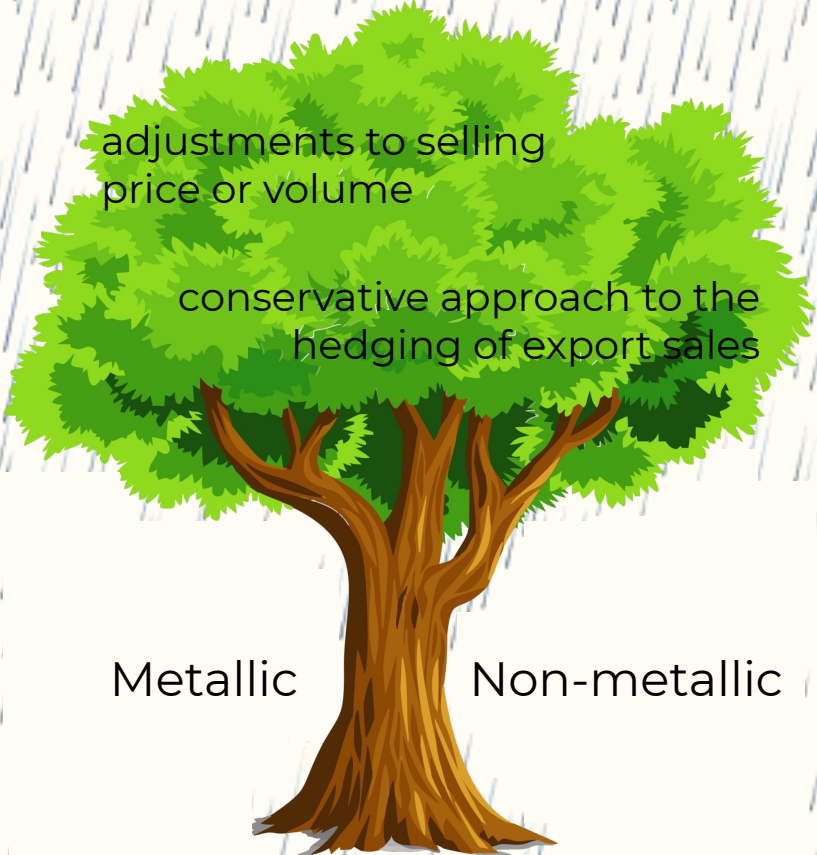
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adjustments to selling price or volume

conservative approach to the hedging of export sales

Metallic

Non-metallic

Price Shock

Price Shock

Price Shock

Price Shock

Price Shock



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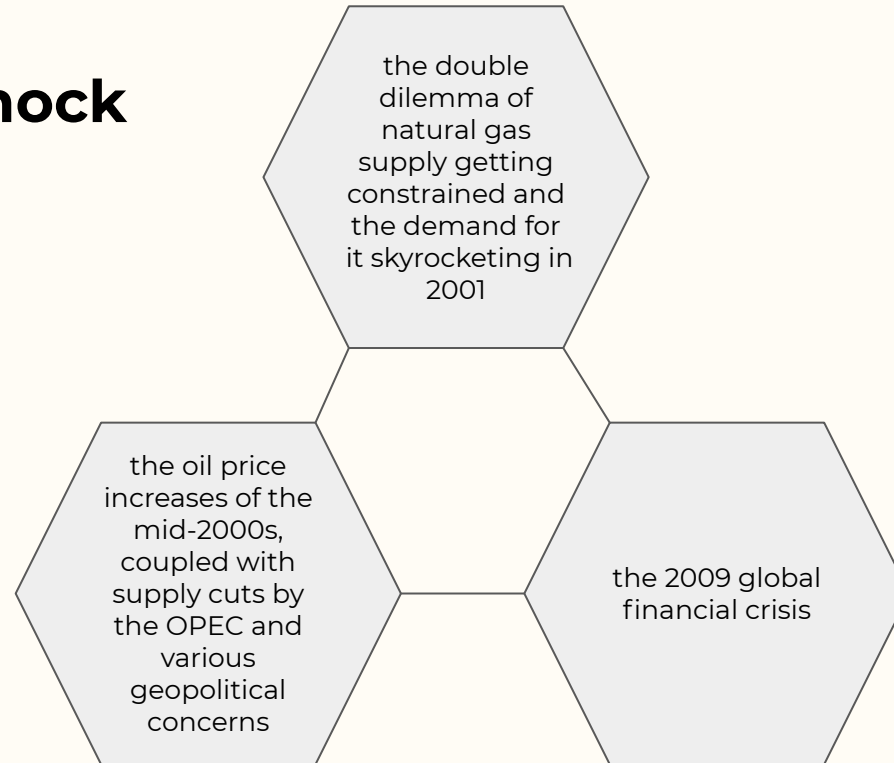
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Causes of Price Shock



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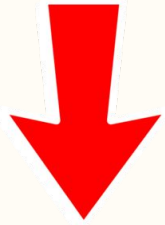


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Oil Price



Coal Price

The decline in demand for traditional energy sources will mean corresponding price decreases.



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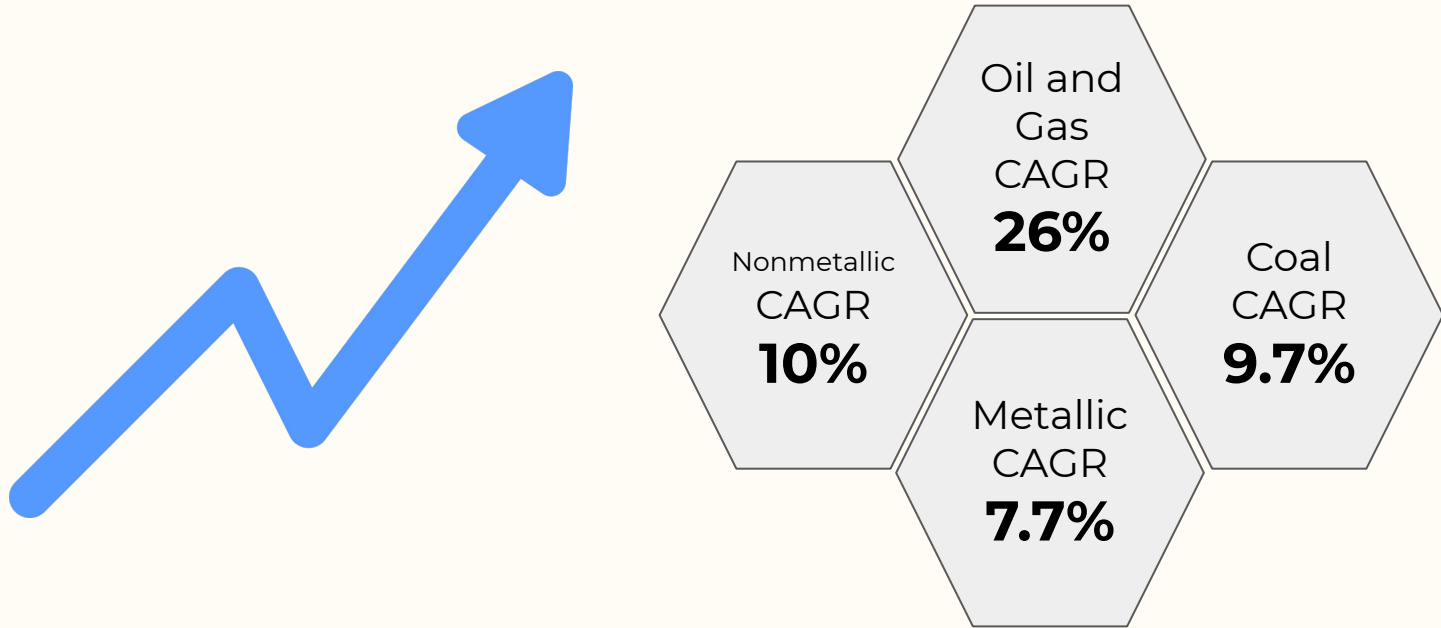
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The extractive industry in the Philippines is poised to grow in the long term at an annual rate of **10.3 percent** from 2020.



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COVID-19 Impacts

Projected Growth Rates

- Oil, gas, coal, metallic, and non-metallic mining  **16%**
- gold  **11%**
- copper concentrates  **78%**
- non-metallic mineral manufactures  **19%**
- iron and steel  **71%**



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The nonmetallic mines were the most affected by COVID-19.


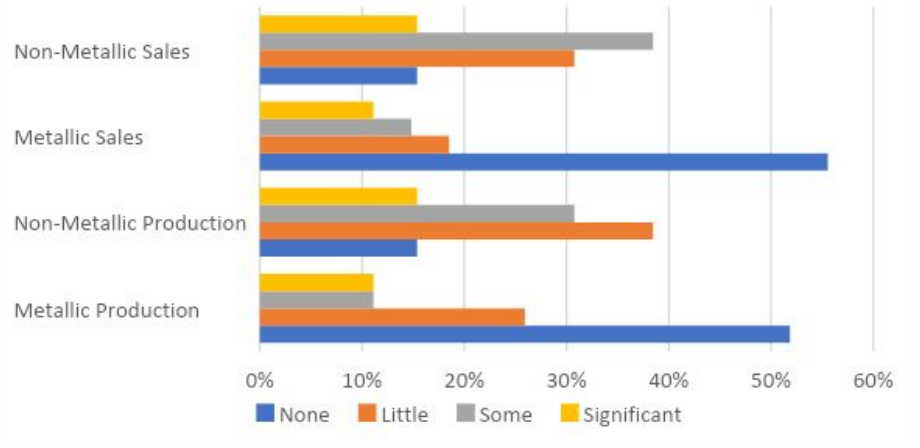
- volume of production  **50%**
- experienced a reduction in their sales by about the same proportion

Chart 32: Peri-Pandemic Effect on the Mining Sector's Output and Revenues



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3 out of 4 metallic mining company respondents suffered little or no impact on both their output and revenues during this pandemic.

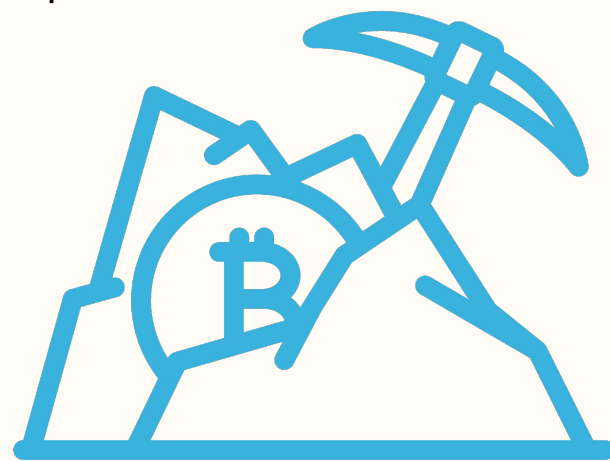


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Silver Linings for the Extractives Sector

- Lifting of mining contracts suspension
- DTI issued **Memorandum Circular 20-22** -- oil and gas, coal, metallic mining, non-metallic mining, and SSM sectors as essential industries



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It is the **lockdown, not the pandemic per se**, that has adverse effects not just on the Philippine extractive industry but also on the global economy.



Image by Philippine Star



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Executive Order No. 130

- lifted the nine-year **moratorium** on new mining projects
- expected to boost mineral production by around PHP 15 billion more every year until 2023 and up to an additional PHP 43 billion annually until 2027



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Corporate Recovery and Tax Incentives for Enterprises Act

- reduced the Corporate Income Tax from **30 to 25 percent**
- will allow companies to reinvest savings towards further expansion



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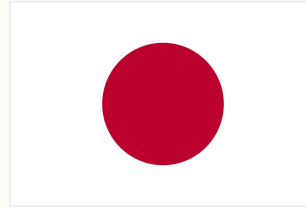
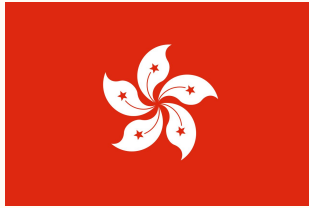
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Economic developments are paving the way for the metallic mining sector onward to greater export revenues.



Importation needs of Hong Kong, China, and Japan will drive greater demand for extractive commodities.

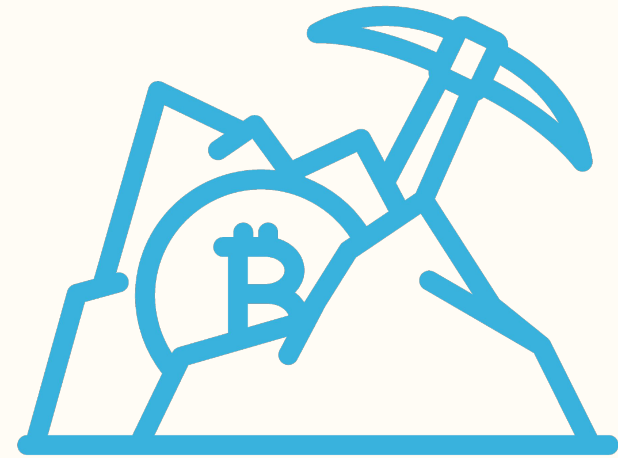


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Electricity Production

Oil and Gas / Fossil Fuels
VS
Renewable Energy Sources



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The Philippine transportation will continue to rely on **fossil fuels** so the outlook is still bright for the oil and gas sectors.



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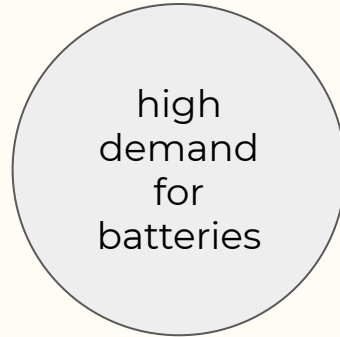
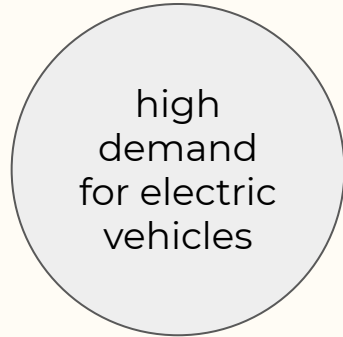


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Industry Strengths and Opportunities

- Significant contribution to GVA specifically the metallic mines;
- Steady growth of exports;
- Proper handling of commodity price shocks;
- Pricing of nonmetallic commodities that is independent of the global market that regardless of sudden price drops or surges, the industry is still able to charge prices set at a domestic level and continue to generate profits;
- Consistent generation of employment opportunities;
- Openness to adapting to the necessary changes brought about by extreme events such as the COVID-19;
- Keenness of mining sector in automation; and
- A degree of optimism that the overall business environment will get better post-pandemic.



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