



Budget Notes



SENATE ECONOMIC PLANNING OFFICE

August 2019

BN 19-01

Macroeconomic Assumptions of the Proposed 2020 Budget

The proposed national budget for 2020 amounts to PhP4.1 trillion. This is 12.0 percent higher than 2019's budget of PhP3.6 trillion and will account for 19.4 percent of Gross Domestic Product (GDP) in 2020.

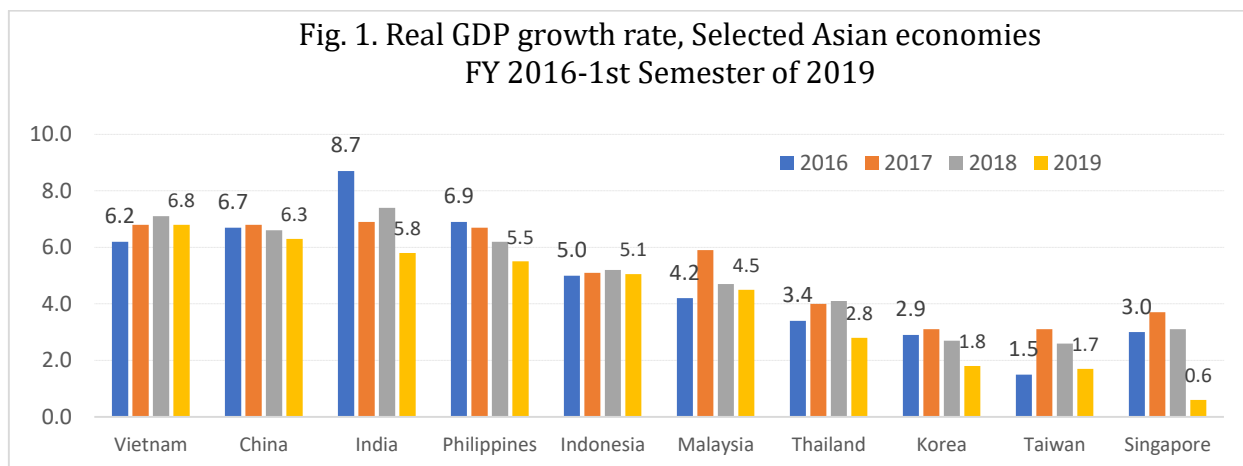
The viability of the budget will largely depend on a set of macroeconomic assumptions set by the Development Budget and Coordination Committee (DBCC). These macroeconomic assumptions are as follows:

Table 1. Macroeconomic Assumptions for 2020 Budget

Macroeconomic Indicators	Actual	Adjusted	Projections		
	2018	2019*	2020	2021	2022
Real GDP growth (%)	6.2	6.0 – 7.0	6.5 – 7.5	7.0 – 8.0	7.0 – 8.0
Inflation rate (%)	5.2	2.7 -3.5	2.0 – 4.0	2.0 – 4.0	2.0 – 4.0
Dubai crude oil price (USD/barrel)	69.4	60 – 75	60 – 75	60 – 75	60 – 75
Foreign exchange rate	52.7	51 – 53	51 – 55	51 – 55	51 – 55
364-day Treasury bill rate (%)	5.1	5.5 – 6.5	5.0 – 6.0	5.0 – 6.0	5.0 – 6.0
LIBOR, 180-day (6 months)	2.5	2.5 – 3.5	1.5 - 2.5	1.5 - 2.5	1.5 - 2.5
Unemployment rate (%)	5.3	4.3 – 5.3	3.8 – 5.2	3.4 – 5.1	3.0 – 5.0
Exports of Goods (in USD bn)	51.7	52.7	55.8	59.2	62.8
Growth rate (in %)	-0.3	2.0	6.0	6.0	6.0
Imports of Goods (in USD bn)	100.7	107.8	116.3	125.7	135.7
Growth rate (in %)	9.4	7.0	8.0	8.0	8.0
Current account balance (in USD bn)	-7.9	-10.2	-11.6	n.a.	n.a.
Percent of GDP (%)	-2.4	-2.8	-2.9	n.a.	n.a.
GIR (year-end, in USD billion)	79.2	83.0	84.0	n.a.	n.a.
import cover	7.0	6.9	6.5	n.a.	n.a.

* 176th DBCC Meeting, July 2019

2020 Budget Expenditures and Sources of Financing (BESF)



Source: BSP

Real GDP Growth. The Philippine’s recent economic performance continues to be robust and the country remains to be one of the fastest growing in Asia.

However, the rate of the domestic economy’s expansion is decelerating. For the first semester of 2019, the average real gross domestic product(GDP)- the value of final goods and services produced within the Philippine borders- grew by only 5.5 percent. This was mainly attributed to the delayed approval of the 2019 budget and which was exacerbated by the public works ban during the election campaign period. It should be noted though that the slower pace of growth has been seen not just in the last two quarters of this year. From 6.9 percent in 2016, the GDP growth rate declined to 6.7 percent in 2017 and further slowed down to 6.2 percent in 2018, primarily on account of a higher inflation environment.

Moreover, the government has actually been revising downwards its GDP growth targets. In 2017, the GDP growth target band was reduced to 6.5 percent -7.5 percent from the earlier projection of 7.0 percent-8.0 percent. Similarly, economic managers are now expecting GDP growth to hit 6.0 percent-7.0 percent in 2019 and 6.5 percent-7.5percent in 2020 from the earlier forecast of 7.0 percent to 8.0 percent.

The revisions are broadly in line with the downgraded forecasts of other institutions. The Asian Development Bank (ADB) also trimmed its 2019 growth forecast for the Philippines from 6.7 percent to 6.4 percent. The World Bank (WB) likewise cut its projection to 6.4 percent for this year and to 6.5 percent in 2020.

In a bid to promote rapid, sustained and inclusive growth, as well as to cushion the domestic economy from the volatility of the global market, the government has embarked on an aggressive spending program. In 2015, the ratio of the National Government (NG) expenditures to the GDP was only 16.7 percent but this shot up to 19.6 percent in 2018. In the same manner, the actual NG fiscal deficit reached PhP558.3 billion or 3.2 percent of the GDP in 2018, a huge jump from PhP121.7 billion in 2015 which is merely 0.9 percent of the GDP. For 2020, the fiscal deficit is projected to further soar to PhP677 billion, more than

five times bigger than the amount of fiscal deficit in 2015. An explanation is thus needed why economic growth continues to decelerate despite the expansionary fiscal stance of the government.

Table 2. Philippine Growth Rate Projections, 2019 and 2020 (in %)

	<u>Previous Projection^a</u>		<u>Latest Projection^b</u>	
	2019	2020	2019	2020
DBCC	7-8	7-8	6-7	6.5-7.5
ADB	6.7		6.4	6.4
World Bank	6.5	6.6	6.4	6.5
IMF	6.6	6.6	6.5	6.6

^a DBCC 174th Meeting Oct 2018; ADB Asian Development Outlook September 2018 Update; World Bank Global Economic Prospects Jan 2019; IMF World Economic Outlook Oct 2018

^b DBCC 175th Meeting March 2019; ADB Asian Development Outlook April 2019; World Bank Global Economic Prospects April 2019; IMF World Economic Outlook April 2019

Table 3. Growth Rates of Gross National Income and Gross Domestic Product by Expenditure Shares, 2018 Q1 to 2019 Q2

TYPE OF EXPENDITURE	<u>2018</u>				<u>2019</u>		<u>1st Sem</u>	
	Q1	Q2	Q3	Q4	Q1	Q2	2018	2019
1. Household Expenditure	5.6	6.0	5.3	5.3	6.1	5.6	5.8	5.8
2. Government Expenditure	13.6	11.9	14.3	12.6	7.4	6.9	12.6	7.1
3. Capital Formation	10.3	20.0	19.6	4.9	8.0	-8.5	14.9	-0.1
A. Fixed Capital	8.2	19.3	16.6	8.5	6.4	-4.8	13.5	0.8
1. Construction	10.8	11.9	13.3	17.6	6.4	2.6	11.5	4.2
2. Durable Equipment	7.2	25.7	18.5	2.3	6.1	-13.0	15.2	-2.9
3. Breeding Stock & Orchard Dev't	4.1	3.6	6.2	5.2	3.8	3.6	3.9	3.7
4. Intellectual Property Products	11.1	26.7	24.0	25.2	14.0	28.7	18.4	21.4
4. Exports	10.3	14.7	14.2	14.4	5.7	4.4	12.6	5.0
A. Exports of Goods	8.8	16.1	16.8	16.1	6.3	4.6	12.6	5.4
B. Exports of Services	15.8	9.7	1.9	7.4	3.6	3.8	12.7	3.7
5. Less : Imports	11.3	21.0	19.1	12.4	8.6	0.0	16.1	4.2
A. Imports of Goods	11.9	23.0	21.2	12.8	9.0	-0.2	17.4	4.2
B. Imports of Services	9.0	10.4	8.1	10.8	6.8	1.5	9.6	4.4
GROSS DOMESTIC PRODUCT	6.5	6.2	6.0	6.3	5.6	5.5	6.3	5.5
GROSS NATIONAL INCOME	6.3	5.9	5.9	5.7	5.2	5.1	6.1	5.1

Source: Philippine Statistics Authority

The decline in 2019 economic growth appears to be broad based. While the budget impasse has been regarded as the main drag to the economy in the first semester of 2019, public spending was not the only growth component that weakened. Capital

Formation which is mostly comprised by private investments also contracted by 0.1 percent, a marked turnaround from the 14.9 percent growth it registered in the first half of 2018. Businesses appear to be on a wait-and-see mode as both monetary and tax policies remain unclear. It is uncertain whether prices will continue to go down and whether the BSP will decide on further monetary policy easing. Similarly, the CITIRA bill which seeks to reduce corporate income taxes and rationalize fiscal incentives is still being deliberated in Congress.

Inflation is easing but consumer outlook is less upbeat. Another growth component worth looking into is the consumption spending of households, which accounts for around 60 percent of GDP. In the second quarter of 2018, inflation averaged 4.8 percent but household expenditures still managed to grow by 6.0 percent. For the same period this 2019, inflation eased and settled at a much lower three-month average of 3.0 percent, yet private spending grew even slower at 5.6 percent.

Table 4. Inflation and Contribution to Inflation of Selected Commodities

Items	Contrib.	Monthly Inflation						Jan to Jun	
		Jan	Feb	Mar	Apr	May	Jun	2019	2018
All items	3.4	4.4	3.8	3.3	3.0	3.2	2.7	3.4	4.3
Food	1.3	5.1	4.2	3.1	3.0	3.2	2.6	3.5	5.3
• Rice	0.1	4.7	2.8	1.4	0.0	-0.6	-1.7	1.1	3.5
• Corn	0.0	0.9	-0.4	-2.5	-3.0	-2.8	-4.0	-2.0	11.7
Non Food	1.7	3.2	2.9	2.8	2.7	2.8	2.3	2.8	3.0
• Electricity, Gas and other Fuels	0.3	5.3	5.3	4.1	2.9	3.5	2.6	4.0	5.2
• Transport	0.2	2.5	1.2	3.3	3.8	3.5	1.6	2.6	5.5

Source: Philippine Statistics Authority

In the first six months of 2019, headline inflation averaged at 3.4 percent, well within the government's full year target of 2.0 to 4.0 percent. Food inflation has stabilized, supported by sufficient supply conditions and the continuing decline in the price of rice and corn. In addition, the signing of Executive Order (EO) No. 82 last June maintained the five (5) percent tariff on mechanically deboned meat, thereby reducing pressure on the prices of processed meat/food products.¹ Non-food inflation likewise continued to decelerate given lower electric generation charges as well as the reduction in prices of domestic petroleum products.

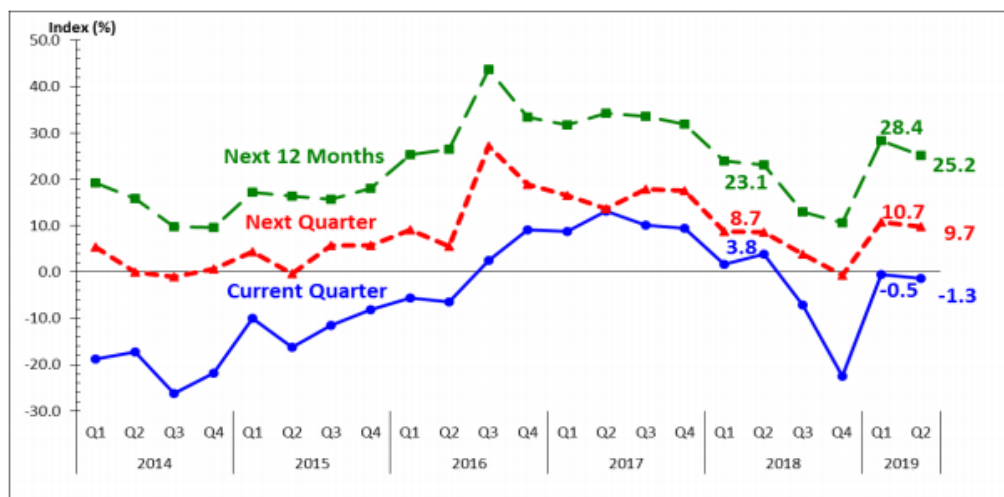
Despite these, consumer confidence is less optimistic for the next quarter (Q3 2019) and the year ahead as revealed in the 2nd Quarter 2019 Consumer Expectations Survey of

¹ Under Executive Order No. 23 several food items, such as meat, dairy, and vegetables, were granted lower tariff rates as a concession with the World Trade Organization (WTO) for the extension of the quantitative restrictions on rice importation. However, with the removal of quantitative restrictions in favor of rice tariffication, the tariff rates of these food items could revert back to its previously higher rates. For instance, the tariff on Mechanically-Deboned or Separated Meat (MDM/MSM) will return to 40.0 percent from 5.0 percent upon the reversal of the concessions.

the Bangko Sentral ng Pilipinas (BSP). While the confidence index is still positive which means that the number of households with favorable outlook continues to exceed those with negative views, the confidence index has declined. The respondents' less upbeat sentiment for the next quarter and the year ahead stemmed from households' concerns about higher prices of goods, as well as expectations on the increase in household and educational expenses with the start of school opening for the school year 2019-2020.

Figure 2.

Overall Consumer Outlook Index
Philippines



Source: Consumer Expectations Survey 2nd Qtr. 2019, Bangko Sentral ng Pilipinas

For 2019, inflation is expected to hover between 2.7 percent to 3.5 and between 2-4 percent in 2020. Other upside risks to inflation include the rate adjustments from Meralco and PSALM, the passage of the bill increasing excise taxes for alcoholic beverages, and a prolonged El Niño episode that could adversely affect agricultural food supplies.

Exports and imports contracted. Preliminary trade data from the Philippine Statistics Authority (PSA) show that for the first six months of the year, total exports of goods amounted to US\$34.1 billion or a contraction of 0.8 percent from the previous period. The lackluster export performance is attributed to the much tempered global demand for electronics, the Philippines' top export product. During the said period, the growth of electronics exports decelerated to 0.7 percent from 5.3 percent in 2018. The escalating US-China trade war, policy uncertainties and some geopolitical tensions all weighed down on the country's exports. As for the contraction in imports, aside from weaker demand, the budget deadlock in Congress, which stymied infrastructure spending is partly to be blamed. There is also a concern that capital formation may have already peaked or would likely slow down as imports of capital goods and raw materials have likewise decelerated.

Table 5. Philippines External Trade, Jan-Jun 2018 and 2019

PARTICULARS	Jan-Jun 2018	Jan-Jun 2019
Exports		
level (in US\$ billion)	34.397	34.114
growth rate (%)	1.1	-0.8
Imports		
level (in US\$ billion)	53.632	53.117
growth rate (%)	17.1	-1.0
Trade balance		
level (in US\$ billion)	-19.235	-19.004
growth rate (%)	63.7	1.2

Source: PSA

**Table 6. 2019 January to June Imports, by Major Type of Goods
(FOB Value in USD million)**

Type of Goods	Jan to June		Y-o-y growth (%)		Share to Total (%)
	2018	2019	2018	2019	
Capital Goods	16,598	17,414	13.8	4.9	34.2
Raw Materials and Intermediate Goods	21,721	19,953	12.2	-8.1	36.5
Mineral Fuels, Lubricants and related materials	6,512	6,352	19.1	-2.4	12.6
Consumer Goods	8,472	8,940	10.3	5.5	16.0
Special Transactions	329	458	23.2	39.0	0.70
Total Imports	53,632	53,117	13.2	-1.0	100.0

Source: PSA

While the government is optimistic that international trade will likely recover in the second half of 2019, the DBCC nonetheless cut the export and import growth targets for the year. Exports of goods were previously expected to grow by 9.0 percent in 2019, while imports were expected to increase by 10 percent. These targets have been lowered to just 2.0 percent and 7.0 percent, respectively. For the year 2020, exports are seen to pick up and grow by 6.0 percent, while imports are forecast to expand by 8.0 percent. Based on the budget sensitivity indicators of the 2019 BESF, for every percentage point decrease in the assumed import growth rate, revenues and consequently, the budget balance will be reduced by Php5.5 billion, assuming all other things remain constant.

The current account (CA) deficit continues to widen. The current account measures the net transfer of real resources between the domestic economy and the rest of the world. This includes trade in goods and services, net income, direct transfers of capital,

and asset income. If the current account is in surplus, the country is likely exporting more or taking in more earnings than it is spending. In 2015, the country's current account was in a surplus but this was reversed the following year to a deficit and has widened since then, as the country imported more capital goods for its infrastructure programs. In 2018, the current account deficit ballooned to US\$7.9 billion (2.4 percent of GDP), the highest recorded since the height of the Asian Financial Crisis in 1997.

As of the first quarter of 2019, the current account deficit is at US\$1.2 billion, equivalent to 1.5 percent of the GDP. The full year CA deficit was initially projected to hit US\$3.8 billion or 1 percent of the GDP but this forecast was later on adjusted upwards to US\$8.4 billion and recently revised again to US\$10.2 billion. For 2020, the current account deficit is projected to be even higher at US\$11.6 billion.

Table 7. Current Account Balance and Other Selected Indicators of External Position

Items	In US\$ Billion (<i>unless otherwise indicated</i>)					Jan to Mar	
	2014	2015	2016	2017	2018	2018	2019
Current Acct. Balance	10.8	7.3	-1.2	-2.1	-7.9	-0.3	-1.2
<i>as % of GDP</i>	3.8	2.5	-0.4	-0.7	-2.4	-0.4	-1.5
						<u>Jan to Jun</u>	
Trade Balance	-17.3	-23.3	-35.5	-40.2	-49.0	-19.2	-19.0
Cash Remittances	24.6	25.6	26.9	28.1	28.9	14.2	14.6
<i>% Change</i>	7.2	4.0	5.0	4.3	3.1	2.7	3.2
Overall BOP Position	-2.9	2.6	-1.0	-0.9	-2.3	-3.3	4.8
Net International Reserves	79.5	80.7	80.7	81.6	79.2	76.7	85.2

Source: Bangko Sentral ng Pilipinas

While the widening current account deficit is not an immediate cause for concern, it increases the economy's exposure to external headwinds (e.g., exchange rate volatility, escalating trade tensions, etc.). Thus, it also adds to the need to scale up resources that act as buffers to such external risks (i.e., remittances, BPOs, and tourism receipts). This is in line with sustaining the economy's positive external position. Credit watcher Moody's has in fact recently suggested to the BSP that the current account deficit be an additional consideration when it makes its monetary-policy decisions.

FDIs are on the decline. The large trade gap and the widening current account deficit could have been offset by a strong capital account which includes the country's inflow of portfolio and foreign direct investments. In 2018, FDI net inflows reached US\$9.8 billion, down by 4.4 percent from the US\$10.3 billion net inflows in 2017. This downtrend continued in the first five months of 2019 with net investment flows recorded at US\$3.1 billion, 37.1 percent lower than the US\$5 billion recorded in the comparable period in 2018. This was due mainly to the drop in net equity capital investments as placements declined to US\$787 million from US\$1.5 billion, while withdrawals increased to US\$451 million from US\$139 million during the period.

Table 8. Net Foreign Direct Investment (In Million US Dollars)

in million U.S. dollars	Jan-May 2019 ^p		Growth Rate (in%)
Net Incurrence of Liabilities :			
Non-Resident Investments in the Philippines	5002	3145	-37.1
Equity and investment fund shares	1771	754	-57.4
Equity other than reinvestment of earnings	1400	336	-76.0
Placements	1539	787	-48.9
Withdrawals	139	451	223.9
Reinvestment of earnings	371	418	12.9
Debt instruments, net	3232	2391	-26.0

Source: BSP

* Net FDI flows refer to non-residents' net equity capital (i.e., placements less withdrawals) + reinvestment of earnings + debt instruments (i.e., net intercompany borrowings).

^p Preliminary

Investors have held back amidst the concerns on the rising trade tension between Washington and Beijing and the slowdown in global trade activity. On the domestic front, policy uncertainties in connection with the passage of the CITIRA bill and amendments to the Public Service Act, Retail Trade Liberalization Act, and Foreign Investment Act, are likely weighing in on investment decisions. Moreover, the delay in the implementation of the government's key infrastructure projects under the Build Build Build does not inspire investor confidence. To date, and with only three years to go in the current administration, only 11 out of the 75 flagship infrastructure projects (there are 38 NEDA-approved) are in the construction stage.

Unemployment and poverty rates are on the downtrend. An encouraging development trend is the seemingly improving labor market. In the latest round (April 2019) of the Labor Force Survey (LFS), both unemployment and underemployment rates have gone down while the employment and labor force participation rates (LFPR) have increased. The services sector, which accounts for 58.5 percent of the country's total employment, was the biggest contributor in terms of additional employment.

Unemployment rate was at 5.1 percent during the said period, well within the unemployment rate target of 4.3 to 5.3 percent for 2019. For 2020, the jobless rate is expected to further decline to 3.8-5.2 percent, and between 3-5 percent by 2022.

Table 9. Selected Labor and Employment Indicators

Indicator	April 2017	April 2018	April 2019
Population, 15 yrs and over (million)	69.6	71.02	72.54
Joined the Labor Force (million)	42.71	43.26	44.54
Labor Force Participation Rate (%)	61.4	60.9	61.4
Employment Rate (%)	94.3	94.5	94.9
Unemployment rate (%)	5.7	5.5	5.1
Underemployment Rate (%)	16.1	17	13.5

Source: PSA

However, the government could have actually aimed for a more ambitious unemployment goal. It should be noted that the target is pegged at a baseline figure of 5.6 percent in 2016. Only six basis points would have to be slashed from the starting point to meet the upper end of the unemployment target band. Also, even if the target were achieved, the Philippines would still have one of the highest unemployment rates in the ASEAN region.

Another key challenge is creating more productive and decent jobs. While there has been an improvement, the underemployment rate remains high at 13.5 percent. This is particularly important for the poor as studies show that poverty is closely associated with one's nature and quality of employment and not whether he or she is employed. In fact, a large number of the poor are employed because they cannot afford to be jobless in the first place. However, they are confined to low-paying, low productivity, unsafe and insecure working environment. Providing productive employment is thus a viable way to lift people out of poverty.

The government has targeted to reduce the national poverty rate by 7.6 percentage points or from 21.6 percent in 2015 to 14 percent in 2022. This seemed achievable because a significant reduction in poverty (or by 3.6 basis points) was realized within a span of 3 years, from 25.2 percent in 2012 to 21.6 percent in 2015.

While the full year results of the 2018 Family Income and Expenditure Survey (FIES) are still forthcoming, preliminary data for the first semester of 2018 show that the poverty incidence among Filipino individuals continues to be on a declining trend. The question though is whether poverty is declining fast enough to meet the target of 14 percent by 2022.

Table 10. Poverty Incidence Among Population (in %)
First Semester 2015, 2018

First Semester	Poverty Incidence	Coefficient of Variation
2018	21.0	1.1
2015	27.6	4.5

Source: PSA

If the country were to meet the said target, the poverty incidence should have hit 17 to 18 percent in 2018.

In the first semester of 2018, poverty was estimated at 21.0 percent, a big drop from 27.6 percent recorded in the first half of 2015. The second semester 2018 poverty data is yet to be released by November but to achieve the full year target of 17 to 18 percent, poverty should have gone down to 15 percent during the said period. It should be noted though that the second semester of 2018 was when inflation spiked the highest and thus achieving a low poverty incidence could be challenging if not unlikely. This only means that more concerted efforts are needed in the next three years for the country to meet its poverty goal by 2022.

Other macroeconomic assumptions:

Dubai Crude Oil Price. The price of Dubai crude started increasing early in 2019, from USD58.96/barrel (bbl) in January then peaking at USD70.66/bbl in April. By June however, the price was down to USD61.30/bbl and it seemed as if the effort of the

Organization of Petroleum Exporting Countries (OPEC) to curb supply in order to prop up prices has lost steam.²

OPEC face two challenges in attempting to steady market prices. First, US output has surged to new records. The latest projection of the Energy Information Administration (EIA) shows US crude oil production will rise to 12.36 million barrels/day in 2019, from 10.96 million barrels/day in 2018. Second, there is a huge cloud of uncertainty surrounding oil demand against a backdrop of global trade choked by US-China tariffs. In July, OPEC has nevertheless agreed to extend production cuts for another nine months until March 2020 to keep oil prices afloat.

Foreign Exchange Rate. The Philippine Peso averaged PhP52.06/USD1 in the second quarter of 2019, appreciating from the previous quarter's average of PhP52.36/USD1. On a year-to-date basis, the peso appreciated against the US dollar to close at PhP51.36/USD1 on 28 June from the end-December closing rate of PhP52.72/USD1. The appreciation of the peso was mainly due to the country's easing inflation and the dovish stance of the US Federal Reserve. The sustained inflows of foreign exchange from overseas Filipino (OF) remittances, foreign direct investments (FDI), business process outsourcing (BPO) receipts, as well as the ample level of gross international reserves are expected to provide support to the peso.

364-Day Treasury Bill Rate. T-bill rates affect the budget in terms of the level of domestic debt, the cost of servicing that debt, and the level of revenues (via the 20 percent withholding tax on interest income). A percentage point increase in T-bill rates is projected to result in a PhP1.4 billion increase in the 2020 budget deficit, all other things constant.

The 364-day T-bill rate averaged at 5.87 percent in the first semester of 2019. T-bill rates fell in June amidst expectations of policy rate cuts by the BSP and the US Federal Reserve. The trend is likely to continue in the short-run. After cutting benchmark interest rates by 25 basis points (bps) in May, the BSP also fired off a 200 bps phased reduction in universal and commercial banks' reserve requirement ratio.³ This policy move fundamentally brings down local interest rate benchmarks and is likely a response to tightening liquidity conditions amidst increasing uncertainties in the region. In August, the BSP further cut down the interest rate on overnight reverse repurchase (RRP) facility by 25 bps to 4.25 percent. Accordingly, the interest rate on overnight deposit and lending facilities were reduced to 3.75 percent and 4.75 percent, respectively.

London Inter-Bank Offered Rate (LIBOR), 6 months. Since its creation in 1986, the LIBOR has emerged as the key gauge of interbank borrowing and interest payments on almost all adjustable rate financial products. An increase in LIBOR implies an increase in

² In December 2018, OPEC and its allies agreed to cut down oil production by 1.2 million barrels/day. The agreement was to start from January 2019 for a 6-month period.

³ According to the BSP, the reduction in RRRs is expected to release some PhP200 billion into the financial system.

expenditure for foreign interest payments, which may increase the budget deficit if it is not matched by additional revenue flows.

The 180-day LIBOR rate is on a downward trend beginning January and averaged at 2.63 percent for the first semester of 2019. It is likely to continue on this track in the coming months, taking cue from statements of the US Fed to keep US economic expansion going amidst negotiations concerning international trade, the federal debt ceiling and inflation below the 2 percent target set by the Fed.

It might also be worthy to note that there have been concerns regarding the legitimacy of LIBOR since the Global Financial Crisis in 2007-2008 and after it came under spotlight in 2012 when it had been manipulated by several of the panel banks that formed the basis of calculating the rate. In addition, banks now scarcely tap interbank markets.⁴ Thus, there is an urgent call in the international financial market to transition to and adopt an alternative rate benchmark.

⁴ <https://bpi.com/wp-content/uploads/2019/04/Why-Is-LIBOR-Being-Replaced-Rather-Than-Reformed.pdf>