

## PHILIPPINES

### BUSINESS CONDITIONS SNAPSHOT

- Pre-COVID-19, the Philippines was one of the fastest growing economies in Asia with real GDP growth on average of 6.3 per cent over the 10 years to 2019. Despite falling into recession in June 2020, the country's macroeconomic fundamentals remain sound. The ADB, IMF and World Bank all expect the Philippines to bounce back to pre-COVID-19 growth in 2021.
- As the Philippines emerges from COVID-19, there is considerable opportunity to expand existing trade, investment and economic ties. Australia's proximity and its reputation as a supplier of quality products, technology and services are important factors in penetrating ASEAN's second most populous country.
- Australia is supporting the Philippine business environment through a range of initiatives.
  - Investing in development activities that respond to COVID-19.
  - Improving the ease of doing business.
  - Supporting customs modernisation.
  - Facilitating competition.
  - Laying the foundations for inclusive economic growth.
  - Supporting private sector investment in the infrastructure agenda.
- Conflict in the southern Philippines is not expected to impact overall growth projections. The Australian Government continues to advise Australians not to travel to central and western Mindanao, due to the very high threat of terrorist attack, kidnapping, violent crime and violent clashes between armed groups. Detailed travel advice for the Philippines, including the southern Philippines, is available on DFAT's Smartraveller website.

#### Key facts and figures

- Population: 108.1 million (2019)
- GDP growth: 5.7 per cent (2019)
- GDP per capita: US\$3,294.50
- Political system: Democratic and Republican State
- Two-way trade (2019): A\$5.9 billion
- Two-way investment (2019): A\$10.8 billion
- Aid relationship (2019–20):
  - Bilateral: A\$63.7 million
  - Total ODA: A\$79.7 million

### Trade and Investment Opportunities

- More than 300 Australian companies operate in the Philippines, employing over 44,000 Filipinos in business process outsourcing, infrastructure, financial services, ICT and energy sectors.



# MARKET INSIGHTS

CONNECTING AUSTRALIAN BUSINESS TO THE WORLD

- The businesses benefit from the Philippines' young, well-educated, English speaking talent pool.
- There are trends in the Philippines that offer opportunities for trade and investment.
  - The Philippines has fast-tracked digitalisation of its economy: while internet access, use and infrastructure lag in ASEAN, an established social media user base has accelerated digitalisation efforts across the government and private sector in response to COVID-19.
- With e-commerce also expected to grow by 37 per cent (compound annual growth rate) between 2019 and 2024, new opportunities arise for Australia to be a technology and innovation partner of choice.
  - This includes in digital transformation, cybersecurity and big data, and to expand our consumer market share through online channels.
  - The Philippines has been one of Australia's fastest growth markets for education and training. At September 2020, 17,041 Filipino students were enrolled in Australian education institutions (53 of these are Australia Awards scholars) – a 25 per cent increase year-on-year.
- Corporates are seeking to up-skill and re-skill their workforce, including through distance learning.
  - This includes in areas such as remote and resilient leadership, and data analysis.
  - Local education institutions are increasingly looking for international partners to complement their curriculum and to provide teacher training and online education delivery.
- The Philippines market for imported agrifood is around A\$20 billion. More than 30 million consumers are demanding premium produce, especially horticulture, meat, packaged food, grains, and dairy products.
  - With most Australian agrifood products attracting a zero or reduced tariff under the ASEAN Australian New Zealand FTA (AANZFTA)—and product registration by the Philippine Food and Drug Administration now down to 20 working days—there is an opportunity to expand trade across categories and channels, including traditional and online retail.
  - Advice on distribution, logistics and supply cold chain could also help expand the market.
  - Private developers and government—supported by Official Development Assistance—have been reviewing and prioritising their budgets towards infrastructure, including transport and logistics, telecommunications and healthcare.



Australian Government

Department of Foreign Affairs and Trade

- Opportunities exist to provide niche Australian technology and services for construction, water, energy, transport, mobility/connectivity, power assets operation and maintenance services and LNG supply.
- Philippine conglomerates are seeking access to Australian know-how and technology, including in renewable energy, agrifood and alternate proteins.
- There may be opportunities for strategic partnerships and investment.
- There are many investment opportunities in the Philippines, but inward investment into some sectors is constrained by the Philippine Constitution.
- Major promotional events/activities include:
  - Australian Retail Promotion (on and offline) – January 2021.
  - Philippines–Australia Friendship Day – May 2021.

## Trade Policy Focus and Negotiations

- Australia and the Philippines are parties to AANZFTA which entered into force on 1 January 2010 for Australia and eight other signatories, including the Philippines. Ministers have endorsed a work plan for negotiations to upgrade AANZFTA. Trade between Australia and the Philippines has expanded by over 125 per cent since AANZFTA entered into force in 2010.
- Australia and the Philippines are among the 15 countries that signed the Regional Comprehensive Partnership Agreement (RCEP) on 15 November 2020, which will help strengthen economic integration and build strategic confidence in the region.
- The Philippines has introduced new services and investment commitments that build on AANZFTA. RCEP countries will now commence their domestic ratification processes before it can enter into force.
- The Philippines is also a member of the World Trade Organization, APEC and ASEAN Economic Community.
- Australia is working with the Philippines to remove non-tariff barriers and exploring irradiation and e-health certificates to support agricultural trade.

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*Insight current as at December 2020.*

