



THE PHILLIPINES

What's happening in this economy

The Philippines, one of the world's fastest growing economies, recorded 6.2 per cent GDP growth in 2018. Domestic consumption continues to be the biggest contributor to growth (68% of GDP in 2018¹), and is partly fuelled by remittances which represent over 10 per cent of GDP (USD28.9 billion in 2018)².

The outlook remains positive as the IMF is predicting above 6 per cent growth for the coming decade. This forecast assumes that public expenditure on infrastructure and human capital investments will maintain momentum.

The Philippines receives Australian development assistance. For 2018-19, the bilateral budget was AUD67m and total Official Development Assistance is AUD82.8m. Through the aid program, Australia is supporting the Philippine business environment by investing in activities that improve the ease of doing business, support customs modernisation, improve competition, help lay the foundations for inclusive economic growth and support private sector investment in the Philippine infrastructure agenda.

Trade between Australia and the Philippines has expanded by over 70 per cent since the ASEAN-Australia-New Zealand Free Trade Agreement entered into force in 2010. There is appetite on both sides to boost two-way total trade, which was valued at AUD4.7 billion in 2018.

There are many investment opportunities in the Philippines, but inward investment to some sectors is constrained by the Philippine Constitution. Furthermore, some current trends have created caution for investors. For example, the Philippines is undertaking a comprehensive tax reform to widen its tax base and support infrastructure spending plans. The Corporate Income Tax and Incentive Rationalization Act (CITIRA), which is still under review, proposes to lower corporate tax, but also to rationalise fiscal incentives, which could lessen the country's competitiveness for investment when combined with very high power costs and transportation bottlenecks.

The conflict in the southern Philippines is not expected to impact overall growth projections. Similarly, the 2017 declaration of martial law in Mindanao has not had an impact general investor confidence in the Philippines. 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

Key facts and figures

- Population: 106.6 million (2018)
- GDP growth: 6.2% (2018)
- GDP per capita: USD3103.6 (2018).
- Political system: Democratic and Republican State
- Two-way trade in goods and services (2018): AUD4.7b
- Two-way investment/major investments (2018): AUD10.1b
- Aid relationship (2018-19):
Bilateral: AUD67m
Total ODA: AUD82.8m

¹ Philippine Statistics Authority, 2019

² Bangko Sentral ng Pilipinas, 2019



between armed groups. Detailed travel advice for the Philippines, including the southern Philippines, is available on DFAT's [Smartraveller](#) website.

Trade, investment and commercial opportunities and activities

- Over 300 Australian companies employing 44,000 Filipinos are present in the Philippines, tapping into a young, well-educated, English speaking talent pool. ANZ, Telstra, QBE and the Macquarie Group, among others, have a strong market presence. The Australian business community is well-represented by the Australian-New Zealand Chamber of Commerce, which has access to key policymakers.
- There is an increasing appetite by major Philippine conglomerates to invest in Australia, secure their supply chains and access advanced products and technology, particularly in energy and technology. Philippine investment in Australia amounted to AUD365m in 2018.
- There are trends in the Philippine setting that offer opportunities for trade and investment:
 - Future proofing the workforce – The Philippines is Australia's fastest growth market for education and training. With 54 million Filipinos under the age of 24 years old and over 10 million residing overseas, employability and access to internationally recognised skills and curricula are a top priority for the Philippine Government.
 - Digitalisation and innovation - With 76 million internet users, 124 million mobile subscribers and 72 million mobile social media users, the Philippines is well-poised to adopt new technology and develop a dynamic innovation ecosystem. This affords new opportunities to expand our bilateral relationship and for Australia to offer technology and innovation-related expertise and solutions, including cybersecurity, big data, data analytics and digitisation of services.
 - Domestic consumption and tourism, pillars of economic growth - The Philippines is progressing to upper-middle income country status with a USD9,542 per capita income in Metro Manila (on par with Beijing). A growing target consumer population is seeking imported premium and quality products. Thanks to the vibrant retail and tourism-hospitality landscape (USD82 billion - 24.7 percent share of 2018 GDP with a 12.36 per cent increase in tourist arrivals between January to July 2019 compared to the same period last year³) combined with the rapid rise of ecommerce (162.7 per cent growth between 2013 and 2018⁴), Australia can continue to grow its share of the Philippine AUD19.4 billion agrifood import market.
 - Future Cities – Unprecedented public funds (AUD208 to AUD236 billion) have been allocated to the 'Build Build Build' program, with over 70 flagship projects in transport, railways, roads, airports, ports, energy and utilities to be deployed by 2022. Private developers are also driving a robust pipeline of greenfield township and smart city developments across the country, including the new growth centre, Clark. With energy demand on the rise and the only operational gas field facing depletion, the Philippines is seeking LNG imports and the development of associated facilities.

³ Department of Tourism of the Philippines, September 2019

⁴ Euromonitor Passport database, 24 June 2019



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Trade policy and negotiations

- Australia and the Philippines are parties to the ASEAN-Australia-New Zealand FTA (AANZFTA) which entered into force on 1 January 2010 for Australia and eight other signatories including the Philippines; Cambodia, Laos and Indonesia followed in 2011-12. Ministers have endorsed a work plan for negotiations to upgrade AANZFTA.
- The Philippines is a party to the Regional Comprehensive Economic Partnership (RCEP), which is currently being negotiated between ASEAN (Association of South-East Asian Nations) and six other countries including China, India, Japan, the Republic of Korea, New Zealand and Australia. RCEP provides an opportunity to strengthen the regional trade and investment environment, boost regional economic confidence and benefit consumers.
- The Philippines is also a member of the WTO, APEC and ASEAN Economic Community.

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