

# Philippines: Brief Profile

September 2022

## Domestic Economy

- ❖ Real GDP of Philippines recovered at 5.5% during 2021 as compared to a contraction of 9.4% in 2020.
- ❖ In absolute terms, GDP of Philippines stood at US\$ 393.4 billion in 2021, with per capita GDP at US\$ 3,453.9 in 2021.
- ❖ The average consumer price inflation increased to 4.4% in 2021 from 2.6% recorded in the preceding year.
- ❖ Services sector dominated the economy, accounting for 61.4% of Philippines' GDP in 2020, followed by industry sector (38.4% of GDP) and agriculture sector (10.2%).
- ❖ Some of the major industries of Philippines include semiconductors and electronics assembly, business process outsourcing, food and beverage manufacturing, construction, electric/gas/water supply, chemical products, radio/television/communications equipment and apparatus, petroleum and fuel, textile and garments, non-metallic minerals, basic metal industries, and transport equipment.

### BASIC FACTS

**Land area:** 300,179 sq km

**Population:** 113.9 mn (2021)

**Language:** Filipino (Tagalog), English and Spanish

**Currency:** Peso (P)

**GDP:** US\$ 393.4 bn (2021)

**Exports:** US\$ 54.2 bn (2021)

**Imports:** US\$ 107.9 bn (2021)

**Sovereign Rating:** BBB+ (S&P's)

## Trade and External Sector

- ❖ Philippines' exports increased to US\$ 54.2 billion in 2021, as compared to US\$ 48.2 billion recorded in the preceding year.
- ❖ Philippines' imports also increased to US\$ 107.9 billion in 2021, as compared to US\$ 82 billion recorded in 2020.
- ❖ Accordingly, Philippines' trade deficit widened to US\$ 53.8 billion in 2021, as compared to US\$ 33.8 billion recorded a year ago.
- ❖ Electrical machinery and equipment was the major item exported by Philippines

in 2021, accounting for 51% of the total exports. Other principal items exported by Philippines in 2021 included machinery and mechanical appliances (12.7% of total exports), copper and its articles (3.5%), optical, photographic and medical apparatus (3%), ores, slag and ash (2.7%) and edible fruits and nuts (2.6%).

- ❖ Electrical machinery, equipment and parts were the principal import items of Philippines, accounting for 25% of the total imports in 2021. Other major items imported by Philippines in 2021 include mineral fuels, oils and products of distillation (12.4% of total imports), machinery and mechanical appliances (9.5%), vehicles other than railway and tramway (5.6%), iron and steel (3.9%) and plastics and articles (3.6%).
- ❖ USA was the leading export destination for Philippines, accounting for 15.9% of total exports in 2021. Other major destinations of exports in the same year include China (15.5% of total exports), Japan (14.4%), Hong Kong (13.3%), Singapore (5.6%), Thailand (4.6%) and Germany (3.9%).
- ❖ China was the major source of Philippines' imports, accounting for 22.7% of the total imports in 2021. Other important origins of imports in the same year included Japan (9.5% of total imports), South Korea (7.7%), Indonesia (7.3%), USA (6.7%), Singapore (5.8%) and Thailand (5.8%).
- ❖ Philippines' current account changed to an estimated deficit of US\$ 6.9 billion (1.8% of GDP) in 2021, from a surplus of US\$ 11.6 billion (3.2% of GDP) in 2020.

## Foreign Direct Investment, Foreign Exchange Reserves, and Exchange Rate

- ❖ According to UNCTAD's *World Investment Report 2021*, foreign direct investment (FDI) inflows to Philippines increased in 2021 to US\$ 10.5 billion, compared to US\$ 6.8 billion in 2020.
- ❖ According to the same source, foreign direct investment outflows from Philippines decreased to US\$ 2.4 billion in 2021 from US\$ 3.6 billion in 2020.

- ❖ Philippines's foreign exchange reserves decreased to an estimated US\$ 108.8 billion in 2021 from US\$ 110.1 billion recorded in 2020. Reserves reflected an import cover of over 12 months.
- ❖ The local currency of Philippines is Peso (P). The peso appreciated in 2021 to P 49.3: US\$ 1 from P 49.6: US\$ 1 in 2020.

## Country Rating

- ❖ *Standard & Poor's Sovereign Ratings* dated May 2022 rated Philippines as BBB+ (adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation) with a 'stable' outlook.
- ❖ *Dun and Bradstreet's (DB) Country Risk Indicator<sup>1</sup>*, August 2022, rates Philippines as DB4d (moderate risk: significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.). The trend of D&B's ratings for Philippines falls under the 'stable' category.
- ❖ *Moody's Investor services<sup>2</sup>* as of July 2022, rated Philippines as Baa2 (moderate level of credit risk: obligations are judged to be of the medium grade which may possess certain speculative characteristics) with a 'stable outlook'.
- ❖ According to *Organization for Economic Co-operation and Development (OECD)<sup>3</sup>* country risk classifications of July 1, 2022, Philippines was placed at 'category 3'.

<sup>1</sup> The DB risk indicator is divided into seven bands (DB1 to DB7, in the increasing order of risk). Each band is further divided into quartiles (a-d, ranging low to high), except the DB7 band.

<sup>2</sup> Moody's Investor services ranks countries in nine categories Aaa, Aa, A, Bbb, Bb, B, Ccc, Cc and C, according to increasing order of risk. Numerical modifiers 1, 2, and 3 are appended to each generic rating classification. The modifiers 1, 2 and 3, respectively indicate that the obligation ranks in the higher end, mid-range, and lower end of its generic rating category.

<sup>3</sup> The OECD Country Risk Classification measures country credit risk, i.e. the likelihood that a country will service its external debt, on a scale of 0 -7 (where 0 is the lowest risk category and 7 is the highest).

## Macroeconomic Outlook

- ❖ Some COVID-19-related social restrictions may remain in affected localities in 2022, but on a significantly smaller scale than in 2020-21, even if major outbreaks of COVID-19 are reported in the future. Barring the emergence of deadly new variants, the government will continue to ensure that the economy remains largely open, meaning that real GDP growth will accelerate to 6.7% this year following a rebound of 5.5% in 2021.
- ❖ The ongoing military conflict in Ukraine is likely to underpin sharp upward shocks to global energy and commodity prices. These will be the major drivers of consumer price growth in the Philippines in 2022, keeping average inflation high at 4.9%. The other major factor is the cost of food, which makes up the largest component of the consumer price index basket.
- ❖ Peso is expected to weaken from an average of P49.3:US\$1 in 2021 to P54.1:US\$1 in 2022. Elevated inflation and a wide twin deficit will weigh on the currency's value.
- ❖ The current-account deficit will widen in 2022, to the equivalent of 3.8% of GDP, as global energy, commodity and food prices expand the import bill throughout the year. Goods imports will remain robust as trade activity and infrastructure projects gather steam.

**Philippines: Economic Structure**

Economic Indicators	2017	2018	2019	2020	2021	2022 <sup>f</sup>	2023 <sup>f</sup>
Nominal GDP (US\$ bn)	328.0	346.1	376.2	361.6	393.4	394.9	437.4
Real GDP growth (%)	6.9	6.3	6.1	-9.4	5.5	6.7	4.5
Consumer price inflation (av; %)	2.9	5.3	2.5	2.6	4.4	4.9	3.7
Population (mn)	106.7	108.6	110.4	112.2	113.9	115.6	117.3
Exports of goods fob (US\$ bn)	51.8	52.0	53.5	48.2	54.2	56.3	59.5
Imports of goods fob (US\$ bn)	92.0	102.9	102.8	82.0	107.9	118.9	126.0
Current-account balance (US\$ bn)	-2.1	-8.9	-3.0	11.6	-6.9	-15.1	-11.4
External Debt (US\$ bn)	73.1	79.0	83.6	98.5	106.4 <sup>e</sup>	107.1	109.1
Total international reserves (US\$ bn)	81.6	79.2	87.8	110.1	108.8	98.8	106.6
Average Exchange Rate (P: US\$). Local Currency is Peso (P)	50.4	52.7	51.8	49.6	49.3	54.1	53.2

Note: <sup>e</sup>-Estimate and <sup>f</sup>- Forecast.

Source: EIU Country Report.