

## I. ECONOMIC ENVIRONMENT

### (1) MAJOR FEATURES OF THE ECONOMY

1. The Philippines has a GDP per capita estimated at US\$1,372 for 2010 (US\$1,189 in 2005), and about a quarter of its 94 million people living below the poverty line (less than US\$1 a day).<sup>1</sup> The Philippines ranks 112<sup>th</sup> (out of 187 countries) on the UNDP Human Development Index.<sup>2</sup> Remittances from the 8.6 million Filipinos overseas<sup>3</sup>, are a prominent feature of the economy, representing about 10% of GDP, making the Philippines one of the largest recipients worldwide.<sup>4</sup>

2. Services constitute the most important sector in terms of contribution to real Gross National Income (GNI) (42% in 2010), and employment (48% of the labour force).<sup>5</sup> Manufacturing accounts for about 17% of real GNI and some 85% of the total value of merchandise exports (section (3)(i) below). Agriculture and related activities remains an important sector of the economy, despite the decline in its share in real GNI to 8.8% in 2010, while mining and quarrying (0.9% of GNI) is gradually being developed.

3. The Philippines has a floating exchange rate regime with the peso's value set by the market.<sup>6</sup> The Bangko Sentral ng Pilipinas (BSP) intervenes in the exchange rate market, according to the authorities, only to smooth out excessive exchange rate volatility. Nonetheless, it monitors the foreign exchange market to assess the likely impact of currency movements on inflation. According to the IMF, the real exchange rate is broadly in line with its equilibrium level.<sup>7</sup> The exchange rate system is free of restrictions on payments and transfers for current international transactions.

### (2) RECENT ECONOMIC PERFORMANCE

4. At the time of the third TPR of the Philippines in 2005, its economic growth had resumed following the 1997 Asian financial crisis, with average GDP growth of over 4% annually during 1999-04. Nevertheless, the economy remained vulnerable to external shocks, compounded by declining international competitiveness. Domestic factors hampering economic growth identified at that time included the persistent budget deficit resulting in burgeoning public debt and associated large external financing requirements, and the long-standing institutional and governance weaknesses inhibiting private sector development.<sup>8</sup>

5. Since then, the key elements of the Philippines economic reform programme include: maintaining the floating exchange rate regime and inflation targeting<sup>9</sup>; implementing fiscal discipline

<sup>1</sup> World Bank online information. Viewed at: <http://data.worldbank.org/country/Philippines>.

<sup>2</sup> UNDP (2011).

<sup>3</sup> Commission on Filipinos Overseas online information. Viewed at: <http://www.cfo.gov.ph/pdf/statistics/Stock%202009.pdf>.

<sup>4</sup> Remittances reached a record US\$18.8 billion in 2010, mostly from Filipinos working in the Middle East (particularly the Kingdom of Saudi Arabia and the United Arab Emirates), and North Africa. The significance of remittances underscores the importance to the Philippines of overseas economies opening their service markets to foreign personnel (GATS mode 4).

<sup>5</sup> Based on the National Statistics Office 2010 Labour Force Survey.

<sup>6</sup> The Philippines maintains a *de jure* free floating exchange rate arrangement, while the *de facto* rate is classified as floating (IMF, 2011a).

<sup>7</sup> IMF (2011a).

<sup>8</sup> WTO (2005).

<sup>9</sup> In 2002, the BSP adopted annual targets for "headline inflation", which measures average prices of a standard basket of goods and services.

and reforms; and improving the business climate to attract larger foreign direct investment (FDI) inflows and increase productivity. The reform programme resulted in positive economic performance during the period under review. Real GDP grew at an annual average rate of 4.9% in 2005-11 (against 3.6% over 1993-2002), peaking at 7.6% in 2010 (Table I.1) its highest growth rate since 1976. Growth has been broad-based across private consumption, investment, and exports, and helped by fiscal stimulus implemented in 2008 in response to the global economic crisis. These factors offset the adverse impact of the typhoons in the latter part of 2009 and the drought in the first half of 2010.<sup>10</sup> Nonetheless, GDP growth has been insufficient to further reduce the unemployment and underemployment<sup>11</sup> rates, which remained high at 7.4% and 18.8% in 2010, respectively. Some of the key constraints on overall growth identified in the Philippine Development Plan 2011-2016 are low investment<sup>12</sup>, slow technological progress because of inadequate infrastructure<sup>13</sup>, and weak institutions and governance.

**Table I.1**  
**Selected economic indicators, 2005-11**

	2005	2006	2007	2008	2009	2010	2011 <sup>a</sup>
<b>Miscellaneous</b>							
GNI at current prices (US\$ million)	129,804	153,624	187,095	219,815	223,617	265,931	..
GDP at current prices (US\$ million)	103,072	122,211	149,360	173,603	168,485	199,591	..
Real GDP (percentage change)	4.8	5.2	6.6	4.2	1.1	7.6	4.7
Unemployment rate (%)	8.7	8.0	7.3	7.4	7.5	7.3	..
Under-employment rate (%)	21.0	22.6	20.1	19.3	19.1	18.8	..
Consumer price index (average; percentage change)	7.6	6.2	2.8	9.3	3.2	3.8	4.5
<b>Monetary sector</b>							
Broad money (M3; percentage change, end of period)	10.3	22.7	10.6	15.6	8.3	10.6	..
Interest rate (%) <sup>b</sup>	6.4	5.2	4.2	5.8	4.3	1.3	..
Credit to the private sector	-0.3	6.7	8.5	16.8	8.2	8.7	..
<b>Public finances (percentage of GDP)</b>							
National government balance (authorities definition)	-1.8	0.2	0.3	0.4	-3.0	-4.0	..
National government balance (IMF definition) <sup>c</sup>	..	..	-1.7	-1.5	-4.0	..	..
Total revenue and grants	..	..	15.8	15.8	14.6	..	..
Total expenditure	..	..	17.4	17.3	18.6	..	..

**Table I.1 (cont'd)**

<sup>10</sup> Drought, brought about by El Niño, led to an overall decline in agricultural production by 2.6% in the first half of 2010, and it is estimated to have reduced real GDP growth by 0.9 percentage points of GDP in 2010 (World Bank, 2010c).

<sup>11</sup> Employed persons who express the desire to have additional work in their present job, to have an additional job, or to have a new job with longer working hours.

<sup>12</sup> As a share of GDP, gross domestic investment was 15.6% in 2010 (down from 24.8% peak in 1997).

<sup>13</sup> An inefficient transport network and unreliable power supply are among the most significant constraints on overall growth, while the percentage of paved roads to total roads remains one of the lowest in the region. Similarly, the quality of the port, air, and railroad infrastructure needs to be improved.

	2005	2006	2007	2008	2009	2010	2011 <sup>a</sup>
<b>Share of real GNI</b>							
Agriculture, fishery and forestry	10.6	10.5	10.3	10.1	9.5	8.8	..
Mining and quarrying	0.8	0.7	0.8	0.8	0.8	0.9	..
Manufacturing	18.9	18.7	18.3	18.1	16.3	16.7	..
Construction	3.5	3.7	4.0	4.0	4.1	4.3	..
Electricity, gas and water	2.9	2.8	2.8	2.8	2.6	2.7	..
Services	43.0	43.4	44.0	43.5	42.5	42.0	..
<b>National accounts (percentage of GNI)</b>							
Personal consumption	58.6	58.2	57.3	56.6	54.6	52.2	..
Government consumption	7.4	7.8	7.9	7.5	7.8	7.5	..
Gross fixed capital formation	15.7	15.7	15.6	15.3	14.2	15.6	..
Exports of goods and services	39.3	42.1	42.4	39.3	34.1	38.2	..
Less: Imports of goods and services	42.5	41.9	40.2	38.9	33.7	38.1	..
<b>External sector</b>							
Real effective exchange rate (12/1980 = 100) <sup>d</sup>	61.98	69.99	76.21	80.17	77.32	84.40	..
Pesos per U.S. dollar (average)	55.09	51.31	46.15	44.47	47.64	45.11	..
Current account (% of GDP)	1.9	4.4	4.8	2.1	5.6	4.2	1.7
Total external debt (% of GDP)	52.7	44.1	37.1	31.3	32.6	30.1	..
Gross international reserves (US\$ million)	18,494	22,967	33,751	37,551	44,243	62,373	..
Import cover (equivalent in months of imports)	3.82	5.17	6.99	7.37	11.42	12.26	..

.. Not available.

a Estimated.

b 91-day Treasury Bill, end of period, secondary market rate.

c Excludes privatization receipts and includes deficit from restructuring of the BSP (Central Bank-Board of Liquidators).

d Average, major trading partners.

Source: IMF, International Financial Statistics, various issues; and information provided by the BSP.

6. The annual average inflation rate in the Philippines, as measured by the consumer price index (CPI), was 5.3% over 2005-11 (6.9% during 1993-2002).<sup>14</sup> The main goal of the BSP's monetary policy is price stability.<sup>15</sup> According to the IMF, monetary policy responded well to the global economic crisis and helped foster the recovery through liquidity measures and interest rate stimulus. The BSP started to unwind its liquidity support measures in early 2010, and in July 2010 it extended through 2014 the 3-5% inflation target for 2011.<sup>16</sup> However, on 24 March 2011, the BSP raised key interest rates by a quarter of a percentage point for the first time since July 2009 in a pre-emptive move to curb rising inflation expectations; another increase of 0.25 points followed on 5 May 2011.<sup>17</sup>

7. Persistent fiscal deficits and resulting large public debt continue to pose the greatest risk to macro-stability in the Philippines. The associated large external financing requirement of government-owned and -controlled corporations (GOCC), including the National Power Corporation (NPC) and the National Food Authority (NFA)<sup>18</sup>, is a drag on the economy and makes it vulnerable to

<sup>14</sup> IMF (2011c).

<sup>15</sup> Monetary policy is conducted through open market operations, reserve requirements, and transactions under rediscounting facilities, which use a market-based pricing mechanism.

<sup>16</sup> IMF Public Information Notice No. 11/28, 1 March 2011.

<sup>17</sup> The BSP online information. Viewed at: <http://www.bsp.gov.ph/monetary/monetary.asp>.

<sup>18</sup> The NFA, a state-trading enterprise, operates on a "buy-high-sell-low" policy. Its mandate to maintain floors for farm gate prices while keeping retail prices at reasonable levels virtually prevents the NFA from recovering its cost (NEDA, 2011).

external shocks, such as swings in confidence, rising oil prices, and international recession. The national government deficit, as a percentage of GDP (Filipino authorities' definition), rose from 1.8% in 2005 to 4% in 2010, with surpluses during 2006-08 (Table I.1). The authorities aim to reduce the fiscal deficit to 2% from 2013 and lower the public debt burden (nearly 60% of GDP), since this reduces the private sector's access to finance and crowds out public investment in essential infrastructure.

8. A key fiscal weakness and contributor to persistent budget deficits is low tax revenues, partly due to revenue forgone (equivalent to some 2% of GDP) through the pervasive use of potentially distorting tax incentives, such as for export-oriented enterprises (Chapter III(2)(vii) and (viii)), and increased tax avoidance, if not evasion. The Government also relies on tariffs and other customs-related collections for a substantial share of tax revenue; these accounted for 23.7% of total tax revenue in 2010 (21.9% in 2005).<sup>19</sup>

9. The main elements of the authorities' fiscal strategy are to: improve tax administration without raising taxes, at least until 2012; rationalize fiscal incentives (Chapter III(3)(i)); address inefficiencies in the VAT; limit rice and transport subsidies by public enterprises and move instead to more targeted conditional cash transfer programmes; and adopt a public debt management strategy to reduce the share of external debt and lengthen the maturity structure.<sup>20</sup> Excise duties for alcohol and tobacco products were increased in 2011 (Chapter III(1)(iii)(g)). A more coherent and open government procurement system (Chapter III(1)(vii)), based on international competition to ensure value for money, rather than using it as an instrument of industrial policy, would also contribute to fiscal consolidation and efficiency.

### **(3) TRADE PERFORMANCE AND INVESTMENT**

#### **(i) Trade in goods and services**

10. During the last few years, the Philippines has improved its external position significantly, in part due to remittance inflows, which increased from US\$10.7 billion in 2005 to US\$18.8 billion in 2010 and offset the trade deficit which went from US\$7.8 billion to US\$11 billion during the period (Table I.2). As a result, gross international reserves reached a record high of US\$62.4 billion in 2010 (equivalent to 12.26 months of imports, compared with US\$18.5 billion in 2005 or 3.82 months of imports). With gross national saving exceeding gross domestic investment, the current account balance has recorded surpluses since 2003, peaking at 5.6% of GDP in 2009 and estimated at 4.2% for 2010 and 1.7% for 2011 (Table I.1).

11. The ratio of merchandise trade (exports and imports) to GDP averaged 67.8% during 2008-10. In 2010, the Philippines ranked 37<sup>th</sup> among world merchandise exporters and 29<sup>th</sup> among importers (considering the countries of the EU together and excluding intra-EU trade). In services trade, the Philippines ranked 27<sup>th</sup> among exporters and 36<sup>th</sup> among importers.<sup>21</sup>

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<sup>19</sup> Information provided by the National Economic and Development Authority (NEDA).

<sup>20</sup> IMF (2011c).

<sup>21</sup> WTO Statistics database, "Trade Profiles: Philippines". Viewed at: [http://stat.wto.org/CountryProfile/PH\\_e.htm](http://stat.wto.org/CountryProfile/PH_e.htm).

**Table I.2**  
**Balance of payments, 2005-10**  
 (US\$ million)

	2005	2006	2007	2008	2009	2010
<b>Current account</b>	1,980	5,341	7,112	3,627	9,358	8,924
Goods and services balance	-9,113	-6,595	-6,142	-11,725	-6,728	-8,027
Trade balance <sup>a</sup>	-7,773	-6,732	-8,391	-12,885	-8,842	-10,966
Exports	40,263	46,526	49,512	48,253	37,610	50,748
Imports	48,036	53,258	57,903	61,138	46,452	61,714
Services balance	-1,340	137	2,249	1,160	2,114	2,939
Receipts	4,525	6,444	9,766	9,717	11,014	14,358
Payments	5,865	6,307	7,517	8,557	8,900	11,419
Income balance	-298	-1,261	-899	105	-193	347
Credit	3,937	4,388	5,351	5,973	5,712	6,093
Debit	4,235	5,649	6,250	5,868	5,905	5,746
Current transfers	11,391	13,197	14,153	15,247	16,279	16,604
Credit	11,711	13,511	14,573	15,780	16,910	17,434
Debit	320	314	420	533	631	830
<b>Capital and financial account</b>	2,229	20	3,527	-1,649	-1,627	7,344
Capital account	40	138	24	53	104	98
Financial account	2,189	-118	3,503	-1,702	-1,731	7,246
Direct investment	1,665	2,818	-620	1,285	1,604	1,226
Direct investment in the Philippines	1,854	2,921	2,916	1,544	1,963	1,713
Philippines' direct investment abroad	-189	-103	-3,536	-259	-359	-487
Portfolio investment	3,475	3,043	4,623	-3,627	-625	4,100
Assets	-146	-1,567	834	789	-2,715	-3,460
Liabilities	3,621	4,610	3,789	-4,416	2,090	7,560
Financial derivatives	-43	-138	-288	-113	32	-191
Assets	98	159	170	541	403	429
Liabilities	-141	-297	-458	-654	-371	-620
Other investment	-2,908	-5,841	-212	753	-2,742	2,111
Assets	-4,791	-3,512	-4,840	4,305	-1,967	-2,979
Liabilities	1,883	-2,329	4,628	-3,552	-775	5,090
Net unclassified items	-1,799	-1,592	-2,082	-1,889	-1,310	-1,960
<b>Overall balance of payments</b>	2,410	3,769	8,557	89	6,421	14,308

a Adjustments in the general merchandise exports/imports data under the fifth edition of the Balance-of-Payments Manual (BPM5) include valuation adjustments to the National Statistics Office's raw material imports for electronics and garments, as well as conceptual and coverage adjustments.

Source: Information provided by the BSP (figures are based on the BPM5).

12. The Philippines continues to rely heavily on manufactured exports (Table AI.1 and Chart I.1), which accounted for 85.1% of total merchandise exports in 2010. They mainly comprise machinery and transport equipment (70.1% of the total), e.g. electronic integrated circuits, other electrical machines, and automotive products. Textiles and clothing exports represented 3.8% of total merchandise exports in 2010. The share of agricultural exports rose to 8%, while the share of mining exports, led by non-ferrous metals, rose to 6.2%. Manufactured products accounted for 66.8% of merchandise imports in 2010, including office machines and telecommunications equipment, and

chemicals. The share of agricultural imports increased to 11.7% over the period, while that of mining, mainly fuels, rose to 20.7% (Table AI.2).

13. The United States and the EU are the Philippines' main export markets of merchandise exports (Table AI.3 and Chart I.2). Nonetheless, in both cases their shares dropped during the review period, while that of Asia, led by Japan and Singapore, increased. The share of exports to ASEAN markets rose between 2005 and 2010. In 2010, the Philippines' main sources of imports continued to be Japan, the United States, and Singapore (Table AI.4). The EU's share fell during the period, while the share of ASEAN members rose.

14. Balance of payments data indicate that the Philippines became a net exporter of services in 2006 with a surplus averaging US\$1,210 million during 2005-10 (Table I.3). "Other business services" (e.g. professional and technical services, and other miscellaneous business) accounted for more than half of total services exported in 2010, followed by travel, computer and information, and transportation. The main services imports in 2010 were transportation, travel, and "other business services".

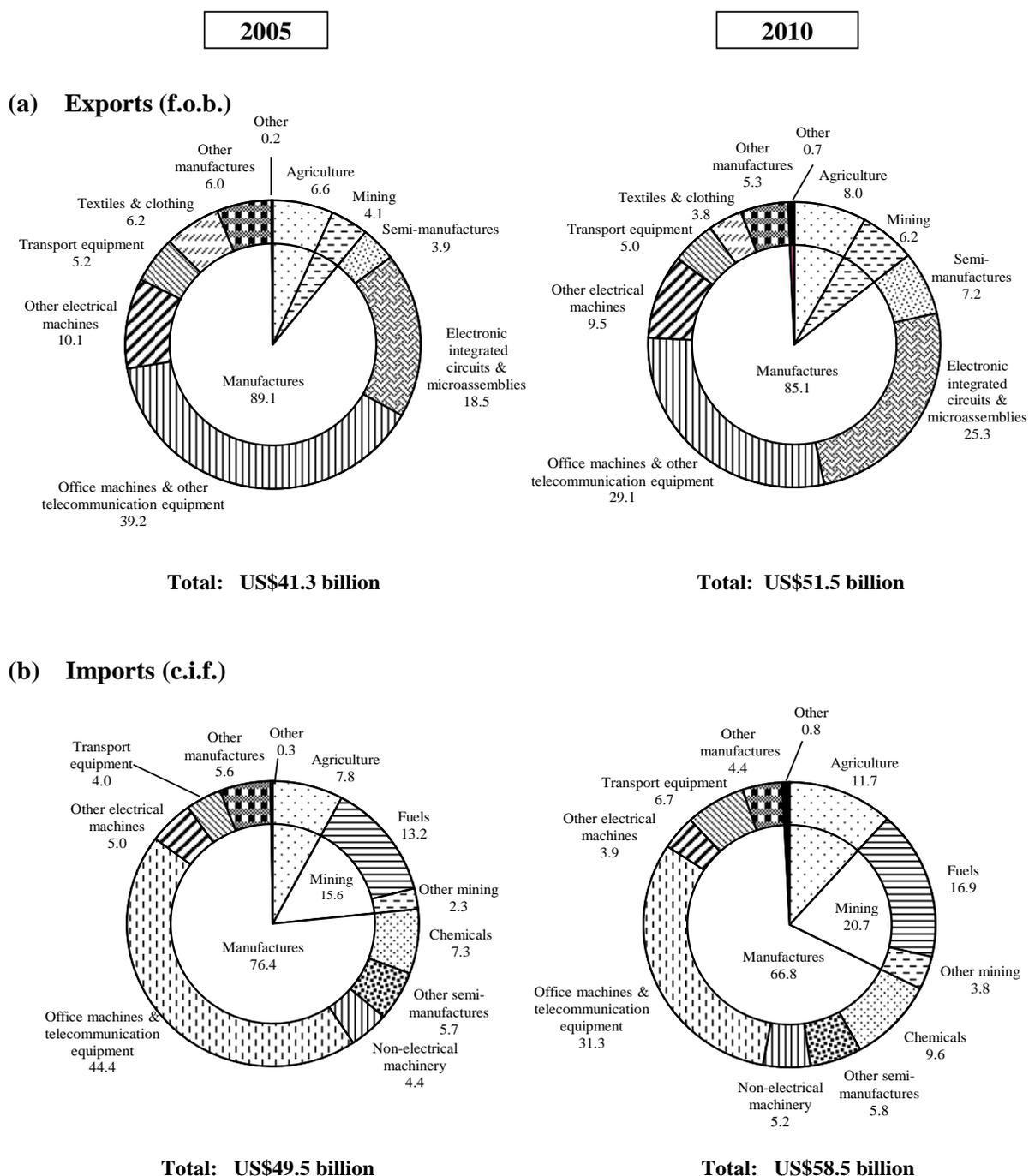
**Table I.3**  
**Trade in services, 2005-10**  
(US\$ million and %)

	2005	2006	2007	2008	2009	2010
Services balance (US\$ million)	-1,340	137	2,249	1,160	2,114	2,939
Exports of services	4,525	6,444	9,766	9,717	11,014	14,358
of which:						
Other business services	11.6	13.9	25.0	43.0	47.1	57.7
Travel	50.1	54.3	50.5	25.7	21.2	18.3
Computer & information	2.0	1.5	3.1	11.8	15.9	10.5
Transportation	21.3	17.9	13.5	13.3	10.5	9.4
Communication	11.5	8.9	5.3	4.2	3.2	2.1
Construction	1.5	1.1	1.2	0.9	0.7	0.8
Insurance	0.4	0.3	0.2	0.2	0.5	0.5
Financial	1.2	1.6	0.9	0.6	0.6	0.3
Personal, cultural & recreational	0.4	0.4	0.2	0.2	0.3	0.3
Royalties and license fees	0.1	0.1	0.1	0.0	0.0	0.0
Government	0.0	0.0	0.0	0.0	0.0	0.0
Imports of services	5,865	6,307	7,517	8,557	8,900	11,297
of which:						
Transportation	53.3	54.7	51.1	49.2	41.1	43.5
Travel	21.8	19.5	22.1	24.0	30.3	30.4
Other business services	10.9	10.1	11.1	12.5	14.2	13.8
Royalties and license fees	4.5	5.5	5.1	4.5	4.7	3.9
Insurance	3.5	3.6	3.3	3.1	2.6	2.7
Government	1.2	1.5	1.7	2.4	2.5	2.0
Communication	2.0	1.6	1.3	1.7	1.4	1.3
Computer & information	1.1	1.1	0.8	0.9	1.0	1.0
Financial	1.6	2.0	2.8	1.0	1.4	0.6
Personal, cultural & recreational	0.2	0.1	0.3	0.3	0.5	0.5
Construction	0.1	0.2	0.3	0.4	0.2	0.2

Source: Information provided by the BSP.

**Chart I.1**  
**Composition of merchandise trade, 2005 and 2010**

Per cent



Source: UNSD, Comtrade database (SITC Rev.3).



**(ii) Foreign direct investment**

15. The Philippines' annual inflow of FDI increased from an annual average of US\$1.3 billion during 1995-2005 to US\$2,211 million in 2006-10 (Table I.4). This was largely the result of positive developments in the economy over the period. The Philippines has also become an increasing investor in the rest of the world, with annual FDI outflows averaging US\$949 million during 2006-10 (compared with US\$166 million in 1995-2005), although these are still well below levels in other countries in the region.

**Table I.4**  
**Foreign direct investment, 2006-10**  
(US\$ million)

	2006	2007	2008	2009	2010
FDI inflows	2,921	2,916	1,544	1,963	1,713
FDI inward stock	16,914	20,463	21,746	23,180	24,893
FDI inward stock (% of GDP)	13.8	13.7	12.5	13.8	12.5
FDI outflows	103	3,536	259	359	487
FDI outward stock	2,131	5,667	5,736	6,095	6,582
FDI outward stock (% of GDP)	1.7	3.8	3.3	3.6	3.3

Source: UNCTAD (2011), *World Investment Report*, Geneva; and information provided by the BSP.

16. Success in attracting significant FDI inflows has been hampered by factors such as lack of good infrastructure<sup>22</sup>; FDI restrictions (Chapter II(3)); and, increased competition for FDI from neighbouring economies. In addition, external sources indicate that while positive steps have been taken, there remains considerable scope of the Philippines to improve the business climate.<sup>23</sup> As a result, the Philippines is ranked as performing "below potential" in attracting inward FDI (i.e. has high FDI potential but low FDI performance).<sup>24</sup> On the basis of UNCTAD's latest Inward FDI Performance Index, the Philippines ranked 116th out of 141 economies in 2010 (108th in 2009 and 122nd in 2008)<sup>25</sup>, while its position in UNCTAD's Inward FDI Potential Index was 82th in 2009 (81th in 2008).<sup>26</sup> Various measures are being taken by the Government to tackle these problems. However, there are no concrete plans to reduce the very extensive FDI restrictions contained in law (Chapter II(3)).

<sup>22</sup> Infrastructural shortcomings highlighted by external sources include ports, airports, roads, electricity generation and telephone lines. IMF (2011b); World Economic Forum (2011); and, ASEAN (2010).

<sup>23</sup> The Philippines ranks significantly higher in the World Economic Forum's 2011-12 Competitiveness Index than in the previous report (from 85<sup>th</sup> to 75<sup>th</sup> place). It scores well for its macroeconomic environment and business sophistication, but poorly for its public institutions. The Philippines ranks 136<sup>th</sup> (out of 183 economies in the World Bank's Ease of Doing Business 2012 Index), from 148<sup>th</sup> place in 2011. It scores well for getting electricity and trading across borders and poorly for starting a business and resolving insolvency. World Economic Forum (2011); World Bank (2010a); and, World Bank Group online information. Viewed at: <http://www.doingbusiness.org/data/exploreeconomies/philippines/>.

<sup>24</sup> The ranking is based on the Inward FDI Performance Index and the Inward FDI Potential Index of UNCTAD.

<sup>25</sup> UNCTAD's Inward FDI Performance Index measures the extent to which host countries receive inward FDI, and ranks countries by the amount of FDI they receive relative to their economic size. It is calculated as the ratio of a country's share in global FDI inflows to its share in global GDP.

<sup>26</sup> UNCTAD's Inward FDI Potential Index measures the extent to which host countries receive inward FDI, and ranks countries by the amount of FDI they receive relative to their potential. It is calculated on the basis of structural variables, such as country risk, and trade-related measures.

17. In terms of total approved local and foreign investment, manufacturing and electricity accounted for more than half of the total during 2005-10, followed by finance and real estate, and private services (Table I.5). By country of origin, Japan and the United States have traditionally been the top two sources of FDI in the Philippines, although in recent years FDI from the Netherlands, the United Kingdom, and Korea (Rep. of) has also increased.

**Table I.5**  
**Total approved local and foreign investment by activity and country of origin, 2005-10**  
(PHP million)

	2005	2006	2007	2008	2009	2010
<b>Activity</b>						
Agriculture	770	4,734	1,856	2,498	2,873	2,272
Communication	2,079	47,042	14,222	2,186	6	..
Construction	83	3,857	14,090	216	179	1,080
Electricity	21,659	45,403	139,078	131,923	32,296	189,920
Finance and real estate	10,019	28,833	54,927	114,088	89,111	72,108
Gas	269	..	561	..	17	..
Manufacturing	150,161	151,984	94,677	75,518	106,300	215,153
Mining	8,294	16,147	13,776	48,269	2,019	8,108
Private services	15,344	29,105	37,631	71,417	29,353	40,255
Storage	26	35	1,340	1,059	..	..
Trade	357	26,332	780	531	2,155	1,461
Transportation	22,172	3,530	10,329	16,516	3,830	12,248
Water	..	..	2,537	..	45,975	..
<b>Total</b>	<b>231,233</b>	<b>357,002</b>	<b>385,804</b>	<b>464,221</b>	<b>314,114</b>	<b>542,605</b>
<b>Country of origin</b>						
China (P.R. of)	195	7,935	1,822	2,307	2,392	5,657
Japan	27,539	20,066	38,587	16,116	70,737	58,333
Korea (Rep. of)	10,828	4,327	12,076	39,954	9,624	31,182
Netherlands	19,208	188	14,401	45,354	2,070	36,784
Singapore	889	396	44,246	6,565	3,468	7,283
United Kingdom	195	5,887	10,182	25,272	3,439	1,065
United States	14,913	8,199	36,089	19,721	12,947	13,159
Others	22,040	18,882	56,680	27,392	17,139	55,752
<b>Total</b>	<b>95,807</b>	<b>65,880</b>	<b>214,083</b>	<b>182,681</b>	<b>121,816</b>	<b>196,069</b>

.. Not available.

Source: NEDA (2011), Philippine Development Plan 2011-2016, Manila.

#### (4) OUTLOOK

18. Under the Philippines Development Plan 2011-16, the authorities are targeting annual average real GDP growth of 7-8%, with about 1 million jobs to be created on average per year (i.e. an unemployment rate of around 7% during the period). On the demand side, growth is expected to be increasingly based on private-sector activity, while government consumption and investment are expected to be subdued due to some realignments in the Budget. Inflation is anticipated by the authorities to range between 3-5% over the next few years, and the external payments position to remain in surplus with strong impetus from remittances, exports, and continued capital inflows. For

2012, the IMF predicts a real GDP growth rate of 4.9%, an inflation rate of 4.1%, and a surplus in the external current account balance of 1.3% of GDP%.<sup>27</sup>

19. The authorities recognize the downside risks facing the Philippine economy, particularly the uneven pace of global growth, persistent high world oil prices, and remaining domestic structural weaknesses. In this regard, the authorities are committed to pursuing additional domestic policy reforms to improve productivity and compete with low-cost neighbouring economies, including reducing the high overall public debt and large external financing requirements; further trade and investment liberalization; address vulnerabilities that hinder the attainment of sustainable medium-term growth (e.g. governance issues); promoting more competition in services and in other markets, and improving human capital and institutional quality. Moreover, given the limited fiscal space and the need to deliver the required investments for economic development, the Government is promoting public-private partnership programmes, *inter alia*, to improve infrastructure facilities throughout the economy<sup>28</sup>; provide incentives to stimulate private resources; and protect public interest.

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<sup>27</sup> IMF (2011c).

<sup>28</sup> Some infrastructure projects, including construction of expressways and the privatization of light railway operations in Manila, are expected to be put up for tender under public-private partnership arrangements.