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# Economic Report 2021

## PHILIPPINES

31 MAY 2022

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### Executive Summary

- The Philippines is back on track posting a full-year growth of 5.6% in 2021 attributed to gradual resumptions of various economic activities, which have been totally and/or partially in lockdowns in the previous years.
- There is general optimism for economic recovery. In fact, conglomerates have seen rebounds in their net earnings, and increase in MSME registrations.
- Congress approves long-term critical economic reforms such as amendments to the foreign investment act, corporate tax and fiscal incentives rationalization, public services act, and retail trade act, among others. These structural reforms open wider opportunities for more foreign investors especially on key sectors such as renewable energies, retail trade, and those identified in the Investment Priorities Plan.
- Bilateral trade between the Philippines and Switzerland reaches CHF 540.2 million in 2021 from CHF 501.6 million in 2020. Top Swiss import products include machines, appliances, and electronics; textiles, clothing, and shoes; and precision instruments. Top Swiss exports are products from the chemical and pharmaceutical industry; machines, appliances, and electronics; and precisions instruments.
- Meanwhile, Swiss direct capital stock to the Philippines is at CHF 2.3 million in 2020 according to the latest available data from SNB.

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## 1 ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS

After five consecutive net negative gross domestic product (GDP) quarter growths largely attributed to impacts of the Covid19 pandemic, the Philippines is getting back on track reaching a peak of 12% in 2Q, thereby posting a 5.6% GDP full-year growth in 2021. This is directly attributed to the gradual resumption of economic activities, which have been totally and/or partially in lockdowns transitioning to alert level systems<sup>1</sup> with well-defined measures and movement restrictions in place. As opposed to total lockdowns, alert level systems allow minimal to maximum physical presence at work, which resulted to increased manufacturing activities at 7.2%, wholesale and retail trade at 7.4%, and construction at 18.5% in 4Q.

### GDP Growth Rates: 1Q 2019 – 4Q 2021 at constant 2018 prices



Source: Philippine Statistics Authority PSA

Notably, the same industries have contributed the most to the total annual growth performance. Except for agriculture, other major sectors posted net positive figures with industry and services at 8.2% and 5.3% respectively, and manufacturing services at 8.6%. Most workers in the manufacturing sites, particularly those located in economic processing zones (EPZs) have returned to full operation as these industrial sites are in locations outside heavily populated areas.

There is general optimism for economic recovery as about 51% of Filipinos believed that the Philippine economy will improve in the next 12 months as reflected in the survey conducted in 4Q 2021 by the Social Weather Station.<sup>2</sup> In the same survey, about 37% Filipinos are optimistic on improvement of their quality of life. In the fourth quarter Business Expectation Surveys (BES) and Consumer Expectations Survey (CES) reported by Bangko Sentral ng Pilipinas (BSP), confidence index of businesses rose to 67.6% compared to 56% the previous year. This hopeful view is credited to broader availability of vaccines, lowering of quarantine restrictions, and surge in sales and orders.<sup>3</sup> For instance, conglomerates have seen uptick recovery in the performance of its business units. Ayala Corporation reported a net income surge of 70% while Metro Pacific Investments Corporation is up by 23%.<sup>4</sup> Micro small and medium enterprises (MSMEs) likewise grew to 2.081 million registered from 1.7 million the previous year<sup>5</sup>, and Trade Secretary Ramon Lopez attributed this positive business outlook to the government's continued implementation of various programs under Revitalizing Businesses, Investments, Livelihood, and Domestic Demand or the *REBUILD PH* Campaign.

Unemployment has likewise slowed down from a peak of 8.7% in January to 6.6% by end of 2021. This could mean return to work arrangements for those previously displaced workers due

<sup>1</sup> See IATF Guidelines on the Nationwide Implementation of Alert Level Systems for Covid-19 Response, which is effective as of this writing, <<https://www.officialgazette.gov.ph/downloads/2022/02feb/20220227-IATF-GUIDELINES-RRD.pdf>>, accessed 26 April 2022.

<sup>2</sup> Fourth Quarter 2021 Social Weather Report, 12-16 December 2021, <<http://www.sws.org.ph/swsmain/articldisppage/?artcsyscode=ART-20220406075719>>, accessed 26 April 2022.

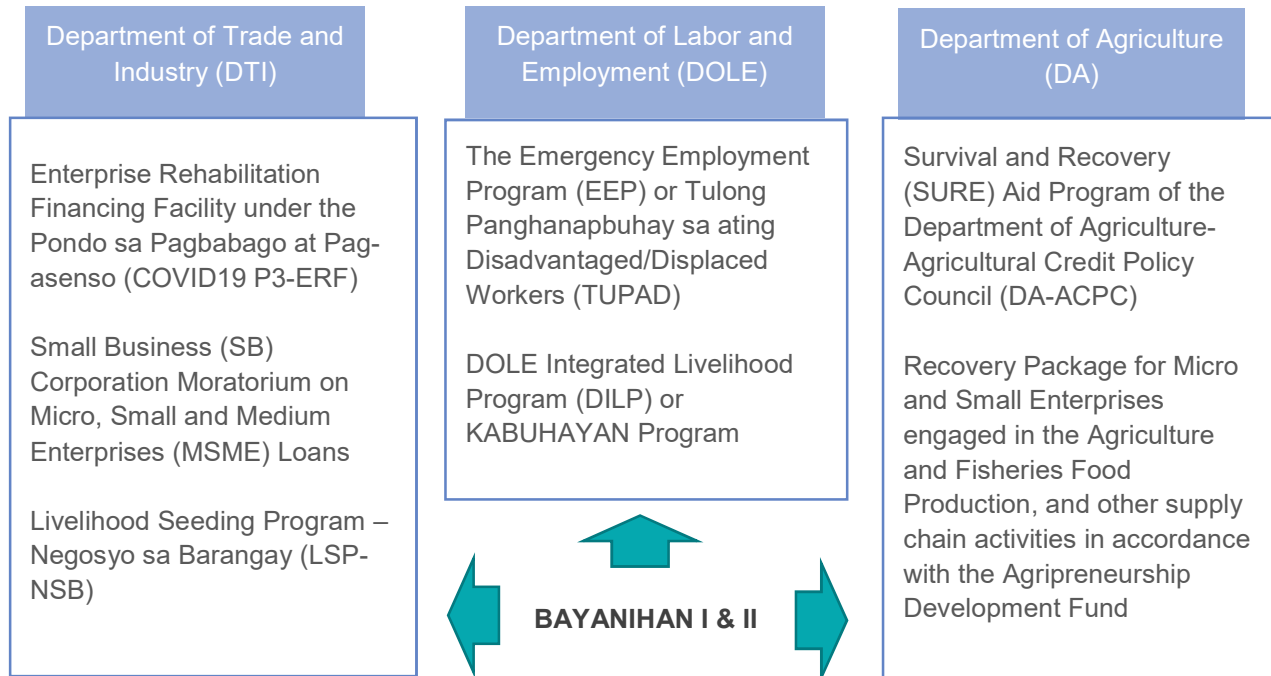
<sup>3</sup> See results of the 4Q 2021 Consumer Expectation Survey <[https://www.bsp.gov.ph/Lists/Consumer%20Expectation%20Report/Attachments/20/CES\\_4qtr2021.pdf](https://www.bsp.gov.ph/Lists/Consumer%20Expectation%20Report/Attachments/20/CES_4qtr2021.pdf)>, and 4Q Business Expectation Survey <[https://www.bsp.gov.ph/Lists/Business%20Expectations%20Report/Attachments/19/BES\\_4qtr2021.pdf](https://www.bsp.gov.ph/Lists/Business%20Expectations%20Report/Attachments/19/BES_4qtr2021.pdf)>, accessed 26 April 2022.

<sup>4</sup> Gonzales, I., 'Philippine businesses more optimistic about recovery in 2022', *Philippine Star*, 29 December 2021, <<https://www.philstar.com/business/2021/12/29/2150583/philippine-businesses-more-optimistic-about-recovery-2022>>, accessed 26 April 2022

<sup>5</sup> Desiderio, L., 'MSMWs now number over 2 million as of August', *Philippine Star*, 30 September 2021, <<https://www.philstar.com/business/2021/09/30/2130594/msmes-now-number-over-2-million-august>>, accessed 26 April 2022.

to closure of MSMEs and increase in number of people actively looking for jobs.<sup>6</sup> While a good indicator for economic recovery, there are still about 3.7 million unemployed individuals and 26.14 million Filipinos living below the poverty threshold as of the latest poverty statistics.<sup>7</sup>

Some concrete examples of government programs to minimize the impact of the Covid19 pandemic include (funds are sourced from Bayanihan I and II laws as approved by Congress):



Total cash remittances from overseas Filipinos remained unaffected and instead grew by 5.1% from USD 29.9 billion in 2019 to USD 31.4 billion in 2021. This comes when average annual inflation was its peak at 3.9%, hence their families left in the Philippines can tap on this resource since subsidies and other government financial interventions are insufficient amidst rising prices of basic commodities.

In terms of national government cash operations, total revenues increased by 5.2% but expenditures likewise grew by 10.6%, hence posting a net deficit of -8.6% ratio to GDP. With the on-going pandemic response system, the government tapped on securing both domestic and external loans to continue its infrastructure projects, deliver on health system requirements, and revive economic activities.<sup>8</sup>

To complement various projects in reviving the economy, the Philippine congress strengthened key legislative reforms in favour of more foreign direct investments by opening industries previously limited to its nationals. For instance, amendment to the Foreign Investment Act under Republic Act (RA) 11467, which lowers the minimum paid-in capital requirement to USD 100,000 under certain conditions; amendments to the Retail Trade Liberalization Act under RA 11595, which removed the categorization of enterprises and reduced the minimum paid-in capital of foreign retailers from USD 2.5 million to PHP 25 million (less than USD 500,000); and the amendments to the Public Services Act under RA 11659.

<sup>6</sup> Philippine Statistics Authority, employment figures, <<https://psa.gov.ph/statistics/survey/labor-and-employment/labor-force-survey/title/Unemployment%20Rate%20in%20December%202021%20is%20Estimated%20at%206.6%20Percent>>, accessed 26 April 2022.

<sup>7</sup> Philippine Statistics Authority, proportion of poor Filipinos in 1st semester 2021, <<https://psa.gov.ph/content/proportion-poor-filipinos-registered-237-percent-first-semester-2021>>, accessed 26 April 2022.

<sup>8</sup> See Philippines' financial system accounts here: <<https://www.bsp.gov.ph/SitePages/Statistics/Financial%20System%20Accounts.aspx?TabId=5>>, and its total gross loan portfolio in here: <<https://www.bsp.gov.ph/Statistics/Financial%20System%20Accounts/Table%2025.pdf>>, accessed 30 April 2022.

## 2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

With the passage of Foreign Investment Act FIA amendments discussed above, it enables the creation of the Inter-Agency Investment Promotion Coordination Committee (IIPC) as an integrated body tasked to promote and facilitate efforts geared towards increasing foreign investments in the Philippines. One major function of this committee is to establish both a medium- and long-term comprehensive and strategic Foreign Investment Promotion and Marketing Plan (FIPMP) that would operate as the national framework for the promotion of foreign investments in the country. While this is pending organization, the current government priority projects are reflected in the 2020 Investment Priorities Plan (IPP), which is valid from 2020-23.<sup>9</sup> Among others, the priority areas include:

- 1) All qualified activities relating to the fight against the Covid19 pandemic covering both essential goods and services;
- 2) Investment activities supportive of programs to generate employment outside of congested urban areas;
- 3) All qualified manufacturing activities including agro-processing;
- 4) Agriculture, fishery, and forestry;
- 5) Strategic services (e.g., IC design, creative industries or knowledge-based services);
- 6) Healthcare and disaster risk reduction management services
- 7) Mass housing
- 8) Infrastructure and logistics including local government public-private partnerships
- 9) Innovation drivers (e.g., research and development, clinical trials, business incubation hubs, smart cities, fablabs/co-working spaces, digital trade, etc.);
- 10) Inclusive business models from medium and large enterprises (MLEs) to micro and small enterprises (MSEs);
- 11) Environment or climate-related projects; etc.

The recent amendments to the FIA would mostly benefit start-ups because of the reduction of the minimum capital requirement. The government considers start-ups as key drivers of economic growth, job creation, and innovation, and support this widely-young group of entrepreneurs.

Other areas of opportunities are in the fields of telecommunications, shipping, air carriers, railways, and subways. The recent passage of the amendments to the Public Services Act has limited the definition of ‘public utility’ to only to distribution and transmission of electricity; petroleum and petroleum products pipeline transmission systems; water pipeline distribution systems and wastewater pipeline systems, sewerage pipeline systems; seaports; and public utility vehicles.<sup>10</sup> Thus, any industry not included in the list will remain as public services and is liberalized considering national security.

To examine in-depth some of these priority areas, the Swiss Embassy in Manila together with Switzerland Global Enterprises conducted series of Business Opportunity Reports in the Philippines for Swiss companies in the fields of (a) digital health, (b) rail, (c) renewable energy, (d) financial technology, and (e) electronic commerce. Full reports are accessible at <https://www.s-ge.com/en/non-sbh>

**A. Business Opportunities in Digital Health.** A distinctive characteristic of the country’s digital health market is the popularity of wearable devices particularly smartwatches and fitness trackers aside from the lack of doctors in proportion to its population and geographical location. The application of robotic solutions has witnessed similar growth

<sup>9</sup> For the comprehensive list of priority areas as identified in the 2020-23 IPP, see the list here: <https://www.officialgazette.gov.ph/downloads/2020/11nov/20201118-MO-50-RRD.pdf>, accessed 30 April 2022.

<sup>10</sup> See RA 11659 amended Public Services Act, <https://www.officialgazette.gov.ph/downloads/2022/03mar/20220321-RA-11659.pdf>, accessed 30 April 2022.

as well especially during the pandemic to help minimise human-to-human interaction in the hospitals and quarantine facilities. Some of the key opportunities include:

- i. Swiss companies supplying cancer-related digital equipment;
- ii. Solutions related to augment healthcare personnel such as the use of robots and drones;
- iii. Mobile health applications and health insurance products;
- iv. Wearable equipment and gadgets;
- v. Solutions related to develop e-health architecture big data, and data management; etc.

**B. Business Opportunities in Rail Transport.** The present administration has embarked on various infrastructure projects including rail. For Swiss companies, it may aid in training and improving the quality of human capital needs for operation and maintenance of the railway systems, participation in the project components of the Mindanao Railway System and other lines that are about to be created/on-going rail projects in Luzon and Visayas.

**C. Business Opportunities in Renewable Energy.** With a high renewable energy capacity, the Philippines planned to achieve 15.3GW of RE by 2030 focusing on solar, wind, biomass, hydropower, and geothermal. Swiss companies may invest directly in any of those sectors since incentives are available; participate in indirect financial tools like green bonds and loans; and provide expertise towards technology transfer.

**D. Business Opportunities in Financial Technology.** This sector has plenty of room for development due to confluence of various factors such as the fast-growing use of mobile banking, enabling regulatory environment, and high number of unbanked and financially underserved Filipinos, which is about 70% of the adult population. The Bangko Sentral ng Pilipinas (Central Bank of the Philippines) is a crucial enabler of this growth, and it has recently launched its Digital Payment Transformation Roadmap 2020-23, which targets to increase the country's adoption of digital financial services. Some opportunities for Swiss companies may include:

- i. Collaboration with banks in accelerating their digitalisation efforts and increasing their allocation of funds for IT-related expenditures;
- ii. Solutions and services related to digital payments and remittances to increase financial inclusion to at least majority of the population;
- iii. Alternative financing particularly for those segments of population that are unable to secure bank loans due to complicated application and approval processes;
- iv. Virtual assets (e.g., cryptocurrencies and play-to-earn gaming schemes)
- v. Cybersecurity solutions and services.

**E. Business Opportunities in Electronic Commerce.** E-commerce is a rapidly growing sector for the Philippines as highlighted during the pandemic. The Department of Trade and Industry (DTI) intends to increase the number of e-commerce businesses from 500,000 in 2020 to one million by 2022. It has also published the country's E-Commerce Roadmap that aims to promote e-commerce adoption among SMEs. Some highlights of this report include:

- i. Swiss companies could take advantage of the country's shift towards e-commerce to access the market, sell their products, and communicate directly with potential local buyers through e-commerce platforms;
- ii. Increase in e-commerce spending has been noted across multiple product categories. Swiss companies should take note that the strongest growths are expected to be realised by the food and fashion segments;
- iii. Solutions and services in expanding e-payment infrastructure; etc.

### 3 FOREIGN ECONOMIC POLICY

In the 2021 World Competitive Index released by IMD, the Philippines slipped seven notches (52<sup>nd</sup> out of 64 economics) to notably the sharpest decline in the Asia-Pacific region and the poorest performance over the last five years.<sup>11</sup> IMD measures economic performance, government efficiency, business efficiency, and infrastructure. The poor performance was due to high unemployment rate and/or absence of unemployment insurance in large-scale calamities such as during health pandemics, longest lockdown, and inadequate pandemic-response system.<sup>12</sup> The country's ranking declined in the first three measures except for infrastructure wherein it retained its previous rating. This is so because large infrastructure projects are on-going despite current restrictions imposed under the nationwide alert systems.

#### 3.1 Host country's policy and priorities

In order to speed up the process of economic recovery, the Philippines has shown its openness to foreign direct investments cemented by key economic reforms discussed earlier such as the passage of important amendments to PSA, RTA, and FIA. With these reforms, it has revamped its approach in designing investment priority areas while reinforcing existing ones. For instance, the creation of the Fiscal Incentives Review Board mandated under RA 11534 (Corporate Recovery and Tax Incentives for Enterprises Act otherwise known as CREATE law)<sup>13</sup> aims to have a transparent, efficient, and time-bound incentives for companies wanting to invest in the Philippines. The FIRB reviews applications on regular basis to catch-up with business and government efficiency and be able to identify projects that support the IPPs enumerated in the earlier section of this report.

As for the country's socio-economic planning agency, the National Economic Development Authority (NEDA), the medium-term priorities are toward (a) smarter infrastructure, (b) regional equity, (c) innovation, and (d) climate change. Some of these priorities reflected in the 2022 National Priority Plan<sup>14</sup> include the following:

- i. Malnutrition reduction programs;
- ii. Science and technology academic and research based openly operated kiosk (STARBOOKS), and research development science laboratories;
- iii. Adopt-a-school program (ASP);
- iv. Philippine rural development projects;
- v. Soil rejuvenation and fertilization of sugarcane farms with low productivity, sugarcane farm mechanization, and water management/irrigation support for sugarcane farms; and
- vi. DOSTv: science for the people (science communication tools).

#### 3.2 Outlook for Switzerland (potential for discrimination or comparative advantage)

With the many projects on-going under the roadmap for economic recovery for the Philippines, potentials for collaborations and partnerships are abound for Swiss companies particularly for those in the business of digital trade, e-commerce development, renewables, railway transport systems, and financial technology solutions and services.

<sup>11</sup> IMD World Competitiveness Ranking for the Philippines, <<https://worldcompetitiveness.imd.org/countryprofile/PH/wcy>>, accessed 30 April 2022.

<sup>12</sup> Simeon, L., 'Philippines global competitiveness ranking worst in five years', *Philippine Star*, 18 June 2021, <<https://www.philstar.com/business/2021/06/18/2106225/philippines-global-competitiveness-ranking-worst-five-years>>, accessed 30 April 2022.

<sup>13</sup> RA 11534 otherwise known as the CREATE Law, <<https://www.officialgazette.gov.ph/downloads/2021/03mar/20210326-RA-11534-RRD.pdf>>, accessed 30 April 2022.

<sup>14</sup> NEDA 2022 National Priority Plan, <<https://docs.google.com/document/d/1kJZlctviXnWaaeiYaV4QqWNaEJ0uRECO/edit>>, and its addendum as of 1 April 2022, <[https://docs.google.com/document/d/1MuWKQFxb0XozjR8RG-w\\_\\_wxxGp0ZvaSv/edit](https://docs.google.com/document/d/1MuWKQFxb0XozjR8RG-w__wxxGp0ZvaSv/edit)>, accessed 30 April 2022.

## 4 FOREIGN TRADE

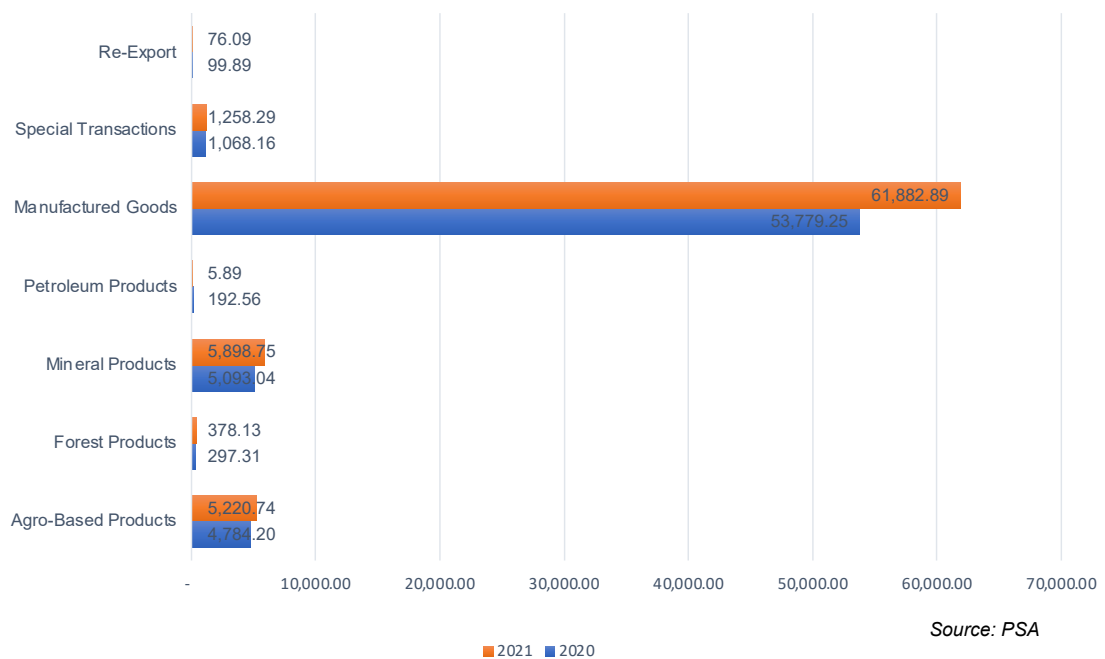
### 4.1 Developments and general outlook

Since the gradual opening of the Philippine economy and the resumption of international trading activities, the general outlook has been positive thus far. Business sentiments are optimistic with varying degrees of challenges and difficulties per area of business activities. Two years of lockdown means a new era of trading practices due to fast-track transition to digitalization. This also means integrating and/or improving those innovations done while on lockdown such as skeletal workforce and remote work set-ups, prior online appointments, online business registrations, hearings and appeals, digital invoices, etc.

#### 4.1.1 Trade in goods

Available data from the PSA reported an increase of 14.5% in total exports from USD 65.2 billion in 2020 to USD 74.6 billion in 2021. This is primarily driven by export of manufactured goods with total value of USD 61.8 billion representing an increase of 15.1% from the previous year, followed by mineral products amounting to USD 5.8 billion with an increase of 15.8%, and agro-based products with total value of USD 5.2 billion increasing by 9.1% in 2021.

Philippine Exports by Major Type of Goods, in USD million (2020-21)



Within manufactured goods, electronic products have the highest value share amounting to USD 42.4 billion (+11.9%), followed by other electronics with USD 3.4 billion (+26.1%), and machinery and transport equipment with USD 2.3 billion (+5.5%).

Top three electronic products in terms of export value are components and devices (semiconductors) amounting to USD 31.1 billion (+7.4%), followed by electronic data processing with USD 7.3 billion (+29.5%), and consumer electronics with USD 1 billion. Electronic products related to telecommunication has the highest percentage increase equivalent to 138% growth rate in 2021.



In terms of imports, the Philippines recorded a 31.1% growth from USD 89.8 billion in 2020 to USD 117.7 billion in 2021. Top five Philippine imports by commodity groups are electronic products (USD 31.7 billion, +18.1%), mineral fuels, lubricants, and related products (USD 14.6 billion, +91.3%), transport equipment (USD 8.2 billion, +29.3%), industrial machinery and equipment (USD 5.8 billion, +20.6%), and iron and steel (USD 5.2 billion, +40.9%).

Due to the current pandemic, the country's importation of medicinal and pharmaceutical products surged by 99% from USD 1.8 billion in 2020 to USD 3.6 billion in 2021.

## 4.2 Bilateral trade

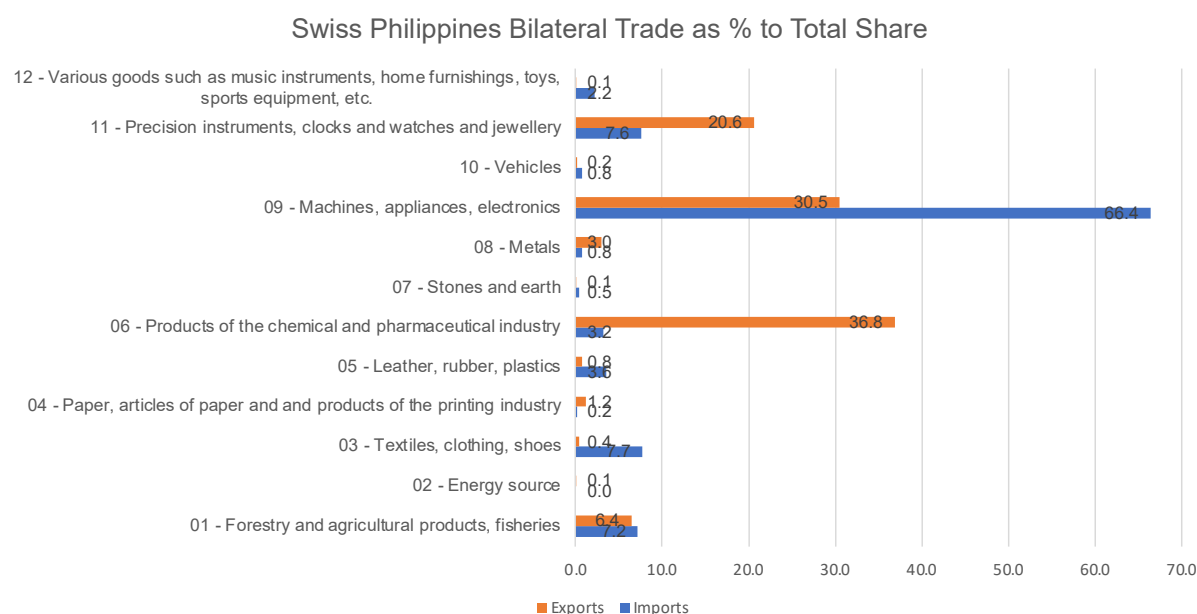
### 4.2.1 Trade in goods

Philippine bilateral total trade in goods with Switzerland reached CHF 540.2 million from CHF 501.6 million the previous year according to the data released by the Swiss Federal Customs Administration.<sup>15</sup>

Value of Swiss total imports from the Philippines amounted to CHF 232.1 million primarily from importation of machines, appliances, and electronics (CHF 154 million), textiles, clothing, and shoes (CHF 17.9 million), precision instruments, clocks and watches, and jewellery (CHF 17.6 million), and forestry and agricultural products, fisheries (CHF 16.6 million).

In terms of Swiss exports to the Philippines, it increased by 4.6% from CHF 295.0 million in 2020 to CHF 308.1 million in 2021. Top five exports are products of the chemical and pharmaceutical industry (CHF 113.5 million), machines, appliances, and electronics (CHF 93.8 million), precision instruments, clocks and watches, and jewellery (CHF 63.4 million), forestry and agricultural products, fisheries (CHF 19.7 million), and metals (CHF 9.1 million).

The difference in total trade as seen in the disaggregation of major categories are for gold and other precious stones.



<sup>15</sup> Federal Office for Customs and Border Security, <<https://www.gate.ezv.admin.ch/swissimpex/>>, accessed 5 May 2022

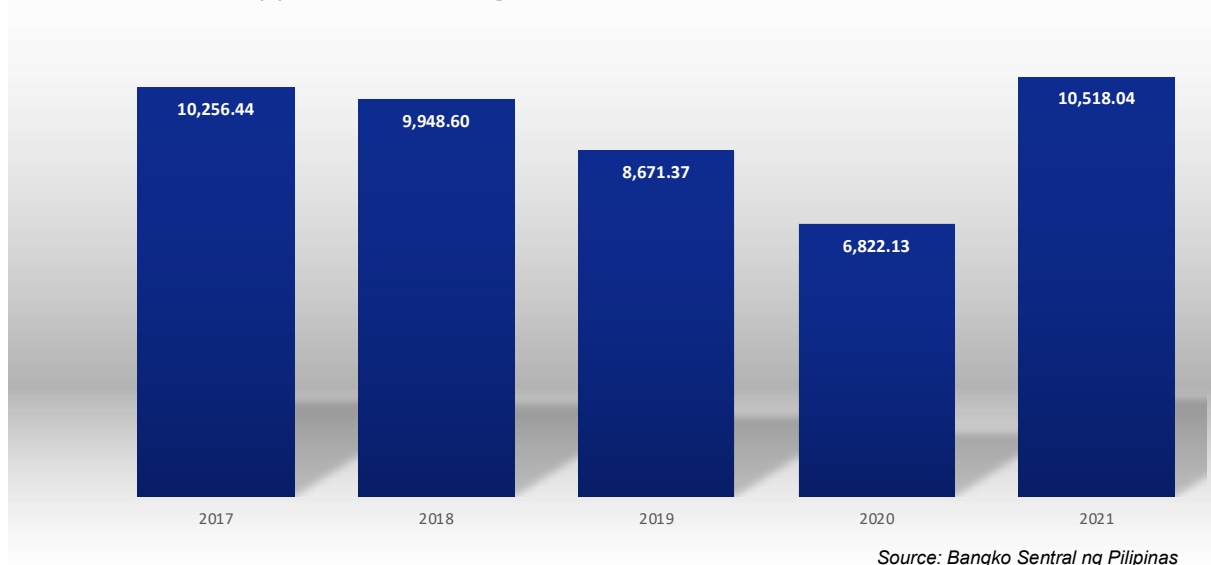
## 5 DIRECT INVESTMENTS

### 5.1 Developments and general outlook

Philippine Central Bank BSP reports record-high increase of 54.2% net foreign direct investments for the Philippines at USD 10.5 billion from USD 6.8 billion the previous year.<sup>16</sup> This is the highest so far in the country's FDI history, which reflects its continued efforts in revising regulatory and statutory laws to enable more foreign investments. A huge part of it is debt instruments (USD 7.5 billion) followed by equities other than reinvestments of earnings at USD 1.7 billion (note: top 3 investment equities are in the fields of manufacturing at USD 550 million; electricity, gas, steam, and air-conditioning supply at USD 485 million; and financial and insurance activities at USD 269 million), and reinvestment of earnings at USD 1.2 billion.

Top three FDI sources of the Philippines are Singapore (USD 761 million), Japan (USD 581 million), and the United States of America (USD 150 million). FDI from mainland China is USD 17.4 million only, however, there are also substantial foreign investments coming Hong Kong (USD 66.23 million) and Taiwan ROC (USD 26 million).

Philippines' Net Foreign Direct Investments (in USD million); 2017-22



### 5.2 Bilateral investment

Swiss foreign direct investments to the Philippines shows early signs of recovery with USD 5.4 million compared to USD 4.26 million last year according to the BSP.<sup>17</sup> However, this is still quite far from USD 23.1 million recorded in 2019. Meanwhile, data sourced from the PSA consolidating all reports from investment promotions agencies (IPAs) indicate that the Philippines has approved a total of PHP 193.4 million (USD 3.6 million) foreign investments in 2021.<sup>18</sup>

Moreover, Swiss National Bank recorded total capital stock to the Philippines amounting to CHF 2.3 million in 2020 – the highest so far in the last five years.

<sup>16</sup> Net Foreign Direct Investments (BPM6 concept) by Industry, Bangko Sentral ng Pilipinas, <<https://www.bsp.gov.ph/statistics/external/Table%2009.pdf?>>, accessed 2 May 2022.

<sup>17</sup> Net Foreign Direct Investments Flow (BMP6) by Country of Origin, Bangko Sentral ng Pilipinas, <<https://www.bsp.gov.ph/Statistics/External/Table%2010.pdf?>>, accessed 2 May 2022.

<sup>18</sup> See the table on Total Approved Foreign Investments by Country of Investor 2020 and 2021, <<https://psa.gov.ph/foreign-investments-press-releases/tables>>, accessed 2 May 2022.

## **6 ECONOMIC AND TOURISM PROMOTION**

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### **6.1 Swiss foreign economic promotion instruments**

The Swiss Embassy in Manila remains proactive and in the frontline of organizing activities that promotes Swiss economic and tourism opportunities and works with various offices and agencies of the host government including non-profit and private sector organizations. The Commercial Section regularly assists Swiss companies in terms of regulatory advice and representations, market research, trade facilitation, and general support for MSMEs and new businesses.

The Embassy liaises with the Swiss presence at the Asian Development Bank to scout for new opportunities and partnerships related to Philippines projects and programs such as in the fields of railway infrastructure, renewable energy, and financial technology, among others.

As a partner towards this goal, the Swiss Embassy works hand-in-hand with the Philippine Swiss Business Council (PSBC) in strengthening economic frameworks and business presence in both countries, and with the European Chamber of Commerce of the Philippines (ECCP). For PSBC, it has recently signed a Service Performance Agreement (SPA) with Switzerland Global Enterprise (S-GE), which would enable Swiss companies to tap on the expertise of PSBC members, participate in business networking activities, and industry advocacies. Moreover S-GE published various business opportunity studies specific to the Philippines in the areas of e-commerce, digital health, railway transport, renewable energy, and financial technology.

SECO's projects to the Philippines such as the Global Quality and Standards Programme (GQSP), which supports the country's development of medical personal protective equipment (PPEs), is actively monitored by the Swiss Embassy. Likewise, SECO's Sustainability Reporting for Responsible Business (SRRB) program being implemented with the Global Reporting Initiative (GRI) is gaining footprint in the Philippines as the Embassy facilitated various points for collaboration such as the recently concluded Memorandum of Agreement (MOA) with the Philippine Economic Zone Authority (PEZA) for the development of sustainability reporting for export enterprises.

Furthermore, the Swiss Embassy maintains an interactive presence in social media such as in Facebook and Instagram that showcase various initiatives, activities, and programs of the Swiss Confederation to the Philippines, and the world. This is done in cooperation with various social media hubs and Switzerland Tourism.

### **6.2 The host country's interest in Switzerland**

Preferential treatment and market access to Europe is one of the primary goals of the Philippines in expanding its economic and trade interests. This is currently done through the European Union's Generalised Scheme of Preferences (EU GSP+) and the Philippines-European Free Trade Association Free Trade Agreement (PH-EFTA FTA). Currently, the Philippines has only two bilateral FTAs, one with Japan and then with EFTA.

Hence, Switzerland as part of the EFTA states is an important trade partner for the Philippines. Aside from its trade offices in Geneva within the World Trade Organization, the Philippines has likewise opened its Commercial Office in Bern within the premises of its Embassy.

**ANNEX 1 – Economic structure****Economic structure of the Philippines**

Gross National Income and Gross Domestic Product, by Industry  
Annual 2000 to 2021 (At Current Prices) in million PHP

Industry	2020	2021
<b>Agriculture, forestry, and fishing</b>	<b>1,828,424</b>	<b>1,954,345</b>
<b>Industry</b>	<b>5,098,232</b>	<b>5,607,011</b>
01. Mining and quarrying	137,060	185,284
02. Manufacturing	3,169,921	3,423,404
03. Electricity, steam, water and waste management	611,051	650,876
04. Construction	1,180,199	1,347,446
<b>Services</b>	<b>11,024,918</b>	<b>11,849,213</b>
01. Wholesale and retail trade; repair of motor vehicles and motorcycles	3,317,371	3,503,236
02. Transportation and storage	551,045	604,919
03. Accommodation and food service activities	253,013	285,244
04. Information and communication	593,039	640,192
05. Financial and insurance activities	1,823,979	1,961,922
06. Real estate and ownership of dwellings	1,081,612	1,138,901
07. Professional and business services	1,137,558	1,220,837
08. Public administration and defense; compulsory social activities	950,590	1,030,438
09. Education	719,494	796,827
10. Human health and social work activities	325,260	385,686
11. Other services	271,957	281,010
<b>Gross Domestic Product</b>	<b>17,951,574</b>	<b>19,410,568</b>

**Note:**

**Due to the pandemic, there is no current data on distribution of employment by sector. However, PSA released the Preliminary Results of the 2021 Annual Labor Market Statistics, which can be downloaded.<sup>19</sup>**

Source(s): Philippine Statistics Authority, Annual National Accounts Linked Series 2020-21 at Current Prices, <<https://psa.gov.ph/national-accounts/base-2018/data-series>>, accessed 4 May 2022.

<sup>19</sup> PSA, 2021 Annual Labor Market Statistics (preliminary results), <<https://psa.gov.ph/system/files/Press%20Release%20for%20Annual%20LFS.pdf>>, accessed 4 May 2022.

**ANNEX 2 – Main economic data****Philippines' main economic data**

	2020	2021 proj.	2022 proj.
<b>GDP (USD bn)*</b>	361.5	400.6	433.6
<b>GDP per capita (USD)*</b>	3, 323	3, 628	3, 867
<b>Growth rate (% of GDP)*</b>	-9.6	5.4	7.0
<b>Inflation rate (%)***</b>	2.4	3.9	3.4
<b>Unemployment rate (%)*</b>	10.4	7.6	6.3
<b>Fiscal balance (% of GDP)**</b>	2.1	4.4	0.3
<b>Current account balance (% of GDP)*</b>	3.6	0.4	-1.8
<b>Total external debt (% of GDP)**</b>	27.2	25.0	24.4
<b>Debt-service ratio (% of GDP)***</b>	2.1	2.2	n/a
<b>Gross Reserves (USD bn)**</b>	110.1	103.6	98.3

\* Source: IMF, World Economic Outlook (indicate the month and year of publication)  
 ▪ [www.imf.org/external/pubs/ft/weo](http://www.imf.org/external/pubs/ft/weo)

\*\* Source: IMF, Article IV Consultation (or host country statistics) [indicate the date of the Art. IV Consultation report]  
 ▪ [www.imf.org/external/country/index.htm](http://www.imf.org/external/country/index.htm)  
 ▪ IMF Country Report No. 21/177, August 2021  
<https://www.imf.org/en/Publications/CR/Issues/2021/08/06/Philippines-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-463366> accessed 4 May 2022

\*\*\* Source: Bangko Sentral ng Pilipinas  
 ▪ Inflation rates, [https://www.bsp.gov.ph/Statistics/Prices/Table%2034\\_2018.pdf](https://www.bsp.gov.ph/Statistics/Prices/Table%2034_2018.pdf) accessed 4 May 2022.  
 ▪ Philippines: Balance of Payments, <https://www.bsp.gov.ph/Statistics/external/Table%2001.1.pdf?> accessed 4 May 2022.  
 ▪ Selected External Debt Ratios, <https://www.bsp.gov.ph/Statistics/External/Table%2006.pdf?> accessed 4 May 2022.

**ANNEX 3 – Trade partners****Trade partners of the Philippines****Year: 2021**

Country	Exports (FOB in USD mil)	Share %	Growth Rate %	Country	Imports (FOB in USD mil)	Share %	Growth Rate %
1 USA	11,848.58	15.9	18.3	1 China, PRC	26,788.55	22.7	28.4
2 China, PRC	11,551.41	15.5	17.5	2 Korea, ROC	9,345.54	7.9	35.5
3 Hong Kong	9,931.53	13.3	7.6	3 Japan	11,098.95	9.4	28.8
4 Japan	10,721.32	14.4	6.8	4 Indonesia	8,432.70	7.2	47.2
5 Singapore	4,195.45	5.6	11.2	5 USA	7,741.32	6.6	11.8
6 Thailand	3,450.76	4.6	19.9	6 Thailand	6,945.98	5.9	39.7
7 Netherlands	2,253.74	3.0	17.4	7 Singapore	6,945.30	5.9	23.5
8 Germany	2,938.42	3.9	23.6	8 Taiwan	5,762.31	4.9	23.0
9 Taiwan	2,525.45	3.4	19.1	9 Malaysia	5,304.53	4.5	31.8
10 Korea, ROC	2,572.63	3.4	-9.9	10 Saudi Arabia	2,172.16	1.8	292.1
11 Malaysia	1,892.28	2.5	6.9	11 Vietnam	4,194.61	3.6	33.0
12 Vietnam	1,638.20	2.2	27.9	12 France	979.16	0.8	56.2
13 Mexico	709.81	1.0	28.4	13 Hong Kong	3,267.33	2.8	17.4
14 Indonesia	867.69	1.2	89.4	14 Germany	2,046.81	1.7	4.1
15 France	513.72	0.7	7.3	15 India	2,248.57	1.9	37.8
16 India	735.53	1.0	32.8	16 Belgium	740.78	0.6	72.9
17 Australia	531.09	0.7	46.6	17 Australia	1,595.17	1.4	97.4
18 Canada	491.02	0.7	22.7	18 UAE	905.53	0.8	111.8
19 Switzerland	528.22	0.7	17.3	19 Canada	777.42	0.7	47.9
20 UK	475.16	0.6	14.8	20 Israel	267.96	0.2	40.2
21 Others	4,272.68	5.7	23.5	21 Others	10,218.63	8.7	21.9
<b>TOTAL EXPORTS</b>	<b>74,644.68</b>	<b>100</b>	<b>14.5</b>	<b>TOTAL IMPORTS</b>	<b>117,779.30</b>	<b>100</b>	<b>31.1</b>

Note: Ranking is based on PSA data; may not add up due to rounding. Some areas are contested.

Source: See Tables 7 and 13 of PSA statistical tables for December 2021 IMTS,  
<https://psa.gov.ph/statistics/foreign-trade/fts-table-id>, accessed 5 May 2022

**ANNEX 4 – Bilateral trade****Bilateral trade between Switzerland and the Philippines**

	<b>Export</b> (CHF million)	<i>Change (%)</i>	<b>Import</b> (CHF million)	<i>Change (%)</i>	<b>Balance</b> (in million)	<b>Volume</b> (in million)
2017	322.4	-12	199.7	14.6	122.3	522.1
2018	343.3	6.6	216.8	8.3	126.5	560.1
2019	328.5	-4.3	241.0	11.4	87.5	569.5
2020	295.0	-10.2	206.5	-14.3	88.5	501.5
<b>2021</b> (Total 1)*	<b>308.1</b>	<b>4.4</b>	<b>232.1</b>	<b>12.4</b>	<b>76</b>	<b>540.2</b>
<b>2022</b> (1 <sup>st</sup> Quarter)**	<b>82.6</b>	<b>6.2</b>	<b>64.6</b>	<b>13.7</b>	<b>18</b>	<b>147.2</b>

\*) 'Economic' total (total 1): not including gold bars and other precious metals, currencies, previous stones and gems, works of art and antiques

\*\*\*) 1Q 2022

<b>Exports</b>	<b>2020</b> (% of total)	<b>2021</b> (% of total)
1. Products of the chemical & pharmaceutical industry	38.8	36.8
2. Machines, appliances, electronics	30.1	30.5
3. Precision instruments, clocks & watches, jewellery	17.8	20.6
4. Forestry & agricultural products, fisheries	6.2	6.4

<b>Imports</b>	<b>2020</b> (% of total)	<b>2021</b> (% of total)
1. Machines, appliances, electronics	64.7	66.4
2. Precision instruments, clocks & watches, jewellery	10.4	7.7
3. Textiles, clothing, shoes	7.7	7.6
4. Leather, rubber, plastics	4.5	7.2

Source: Federal Office for Customs and Border Security

<https://www.gate.ezv.admin.ch/swissimpex/> accessed 5 May 2022

**ANNEX 5 – Main investing countries****Main investing countries in the Philippines****Year: 2021**

Rank	Country	Direct investment 2021 (USD million)	% Share to Total	Variation (%)	Inflows over past year 2020 (USD million)
1	Singapore	761.00	7.24	68.84	237.11
2	Japan	581.23	5.53	-23.96	720.51
3	USA	150.05	1.43	-7.71	161.62
4	Hong Kong	66.28	0.63	57.54	28.14
5	Germany	32.76	0.31	60.44	12.95
6	Taiwan	26.60	0.25	-122.52	59.19
7	Malaysia	18.55	0.18	-14.50	21.24
8	China	17.46	0.17	-237.34	58.90
9	UK	15.77	0.15	-174.76	43.33
10	Cayman Islands	10.59	0.10	-109.44	22.18
	EU	25.72	0.24	-978.62	277.42
13	<i>Switzerland</i>	5.40	0.05	21.11	4.26
	Total	10,518.04	100%	54.18	6, 822.13

Source(s): Bangko Sentral ng Pilipinas, Net Foreign Direct Investment Flows (BPM6), <https://www.bsp.gov.ph/Statistics/External/Table%2010.pdf?>, accessed 6 May 2022