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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

The Philippines' economy is considered as one of the most dynamic in East Asia and the Pacific. Following a robust rebound from the pandemic in 2022, economic expansion slowed in the first half of 2023 owing to external challenges, fiscal underutilization, and the normalization of accumulated demand. However, after bouncing back in the second half of the year, total GDP growth was estimated at 5.3% by the IMF. This year, growth is projected to attain 5.9%, buoyed by an uptick in public investment and enhanced external demand for Philippine exports. The resurgence in private investment is expected to be gradual, given the need to deplete excess real estate inventory. The government's infrastructure initiatives, along with increased FDI opportunities and private sector involvement through Public-Private Partnership models, will gradually attract private investment and unlock a growth potential ranging from 6% to 6.5% over the medium term (IMF).

Concerning public finances, the budget deficit stood at 4.8% of GDP in 2023, down from 5.6% one year earlier. The 2024 budget proposal, ratified by the House of Representatives in September, targets a deficit of 5.1% of GDP. This consolidation primarily hinges on increased tax revenues and prudent management of current expenditures. The national government debt increased marginally from 57.5% of GDP at the end-2022 to 57.6% in 2023 and is projected to remain stable over the forecast horizon, driven mainly by a favourable interest-growth differential. Debt coverage at the national level is considered appropriate by the IMF, as local government units and social security institutions have surpluses. Inflation decelerated from its peak in early 2023, aided by domestic policy tightening, although there has been a recent uptick attributed to resurgent commodity prices, averaging 5.8%. Inflation is expected to converge to the target band in 2024 (3.2%) and 2025 (3%).

In 2023, the unemployment rate (4.7%) and underemployment rate remained close to their historical lows, with the labour force participation rate moving above its pre-pandemic levels although broader measures incorporating the informal labour market suggest some slack remains. The country's GDP per capita (PPP) was estimated at USD 10,133 in 2023 by the World Bank but 22% of the population still lives below the poverty line (PSA, 2023). According to a 2022 report by the World Bank, the Philippines ranked 15th out of 63 countries in terms of income inequality. The top 1% of income earners accounted for 17% of the national income, while the bottom 50% only garnered 14%.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	404.28	435.68	475.95	521.90	574.43
GDP <i>(Constant Prices, Annual % Change)</i>	7.6	5.3	5.9	6.1	6.2
GDP per Capita <i>(USD)</i>	3,624	3,859	4,169	4,523	4,926
General Government Balance <i>(in % of GDP)</i>	-5.6	-4.8	-4.3	-4.0	-3.5
General Government Gross Debt <i>(in % of GDP)</i>	57.5	57.6	57.7	57.4	56.4

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
Inflation Rate (%)	n/a	5.8	3.2	3.0	3.0
Unemployment Rate (% of the Labour Force)	5.4	4.7	5.1	5.1	5.1
Current Account (billions USD)	-18.12	-12.95	-12.27	-11.02	-9.60
Current Account (in % of GDP)	-4.5	-3.0	-2.6	-2.1	-1.7

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

According to the latest data by the World Bank, the agricultural sector contributes to 9.5% of the Philippines' GDP and employs around 24% of the labour force. Rice is the primary staple crop, with corn, coconut (the second-largest producer worldwide), sugarcane, bananas, and mangoes as significant contributors to the agricultural output. The country's fertile land and favourable climate conditions allow for the cultivation of a wide variety of fruits and vegetables, including pineapples, papayas, and vegetables such as eggplant and tomatoes. Livestock farming, including poultry, swine, and cattle, is also prominent, catering to domestic consumption and export markets. Despite the agricultural potential, challenges such as land reform issues, inadequate infrastructure, natural disasters, and climate change impacts persist, affecting productivity and sustainability in the sector. According to data from PSA, the full-year value of production in agriculture and fisheries at constant 2018 prices expanded by 0.4% in 2023, marking the first time agricultural output posted growth after three straight years of decline.

The industry sector contributes to 29.2% of GDP and employs 19% of the workforce. Industrial food processing is one of the Philippines' main manufacturing activities. The big industries are dominated by the production of cement, glass, chemicals products and fertilisers, iron, steel and refined oil products. While the sector's growth was halted in the initial stages of the pandemic, as response measures impeded manufacturing activity and reduced the global demand for industrial products, the Filipino industry showed a gradual recovery in the past few years. The logistics industry was particularly dynamic, driven by a recovery in both local and global demand in e-commerce, domestic manufacturing and the export sectors. In 2023, the annual average growth rate of the value of production index for manufacturing exhibited an expansion of 5.9%, while in terms of volumes, production increased by 4.4% (data PSA).

The tertiary sector - which represents 61% of GDP and employs 58% of the country's workforce - has developed substantially, particularly in telecommunications, call centres and finance, business process outsourcing (BPO) and information technology services, with cities like Manila and Cebu emerging as global BPO hubs. Additionally, the tourism industry plays a significant role (5.45 million international visitors in 2023, still 44% below the pre-COVID level). The retail and wholesale trade sector is also prominent, reflecting the country's robust consumer market. Emerging sectors include fintech, e-commerce, and healthcare services, driven by technological advancements and evolving consumer preferences. With a young and tech-savvy population, the Philippines is poised to continue expanding its tertiary sector and diversifying its service offerings in the global market.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	24.3	18.7	57.0
Value Added (in % of GDP)	9.5	29.2	61.2
Value Added (Annual % Change)	0.5	6.5	9.2

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Philippine Peso (PHP) - Average Annual Exchange Rate For 1 USD	47.49	50.40	52.66	51.80	49.62

Source: World Bank - Latest available data.

FOREIGN TRADE

The Philippines is open to foreign trade, which represents around 72% of the country's GDP according to the World Bank. Main exports include electronic integrated circuits and micro assemblies (36.7%), wires and cables (3.5%), automatic data processing machines and units (2.9%), coconuts (2.7%), and printing machinery (2.6%); while imports are focused on electronic integrated circuits and micro assemblies (11.8%), petroleum oils (9.9%), coal (4.1%), crude oil (2.6%), and motor cars (2.4% - Comtrade 2022).

In 2022, the Philippines' main export partners were the United States (15.8%), Japan (14.1%), China (13.9%), Hong Kong (13.3%), Singapore (6.2%), Thailand (4.3%), with imports coming chiefly from China (20.4%), Indonesia (9.6%), Japan (9.0%), South Korea (8.7%), and the United States (6.6% - Comtrade). The country is part of a number of trade agreements, including the Asia Free Trade Agreement, the Asia Europe Meeting (ASEM), the Japan-Philippines Economic Partnership Agreement (JPEPA), the ASEAN-Australia-New Zealand Free Trade Agreement; and the ASEAN-China Free Trade Area.

Traditionally, the country's trade balance has been in deficit due to high imports of raw materials and intermediate goods. According to WTO data, in 2022, the Philippines exported USD 78.9 billion worth of goods (+5.7% y-o-y) and imported USD 145.8 billion (+17.2% y-o-y). As with regards to services, the country's export value exceeded the import value by reaching USD 41 billion and USD 25.4 billion, respectively. For the year as a whole, the Philippines' trade balance was estimated to be negative by 15.6% of GDP by the World Bank. According to preliminary figures from PSA, in 2023, the total value of exports amounted to USD 73.52 billion, marking a 7.6% decrease, whereas imports amounted to USD 125.95 billion, up by 8.2%.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods (million USD)	115,119	112,909	90,751	124,367	145,867
Exports of Goods (million USD)	67,488	70,334	63,879	74,618	78,930
Imports of Services (million USD)	26,789	28,225	17,956	19,531	25,439
Exports of Services (million USD)	38,397	41,264	31,822	33,570	41,070

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade (in % of GDP)	72.2	68.8	58.2	63.5	72.4
Trade Balance (million USD)	-50,972	-49,312	-33,775	-52,806	-69,393
Trade Balance (Including Service) (million USD)	-39,364	-36,272	-19,909	-38,767	-53,761
Imports of Goods and Services (Annual % Change)	14.6	2.3	-21.6	12.8	13.9
Exports of Goods and Services (Annual % Change)	11.8	2.6	-16.1	8.0	10.9
Imports of Goods and Services (in % of GDP)	41.9	40.5	33.0	37.7	44.0

Foreign Trade Indicators	2018	2019	2020	2021	2022
Exports of Goods and Services <i>(in % of GDP)</i>	30.2	28.4	25.2	25.8	28.4

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	12.4	5.7	7.5	6.5	6.5
Volume of imports of goods and services (Annual % change)	1.7	9.6	7.5	6.6	6.5

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

The Philippines is a member of the following international economic organisations: IMF, Asia-Pacific Economic Cooperation (APEC), ICC, Association of Southeast Asian Nations (ASEAN), Colombo Plan, G-24, G-77, WTO, among others. For the full list of economic and other international organisations in which participates the Philippines click [here](#). International organisation membership of the Philippines is also outlined [here](#).

Free Trade Agreements

The Philippines is a member of Regional Comprehensive Economic Partnership ([RCEP](#)) signed on 15 November 2020. The complete and up-to-date list of Free Trade Agreements signed by the Philippines can be consulted [here](#).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
United States	15.8%
Japan	14.1%
China	13.9%
Hong Kong SAR, China	13.3%
Singapore	6.2%
See More Countries	36.7%

Main Suppliers <i>(% of Imports)</i>	2022
China	20.4%
Indonesia	9.6%
Japan	9.0%
South Korea	8.7%
United States	6.6%
See More Countries	45.7%

POLITICAL OUTLINE

Current Political Leaders

President: Ferdinand "Bongbong" MARCOS, Jr (since 30 June 2022)
Vice-President: Sara DUTERTE-Carpio (since 30 June 2022)

Next Election Dates

Presidential: May 2028

Senate: May 2025

House of Representatives: May 2025

Current Political Context

In May 2022, Filipinos went to the polls to cast their votes for the country's new president. Ferdinand "Bongbong" Marcos Jr, the son of a former long-serving president, Rodrigo Duterte, won the elections and succeeded him in office, while Duterte's daughter, Sara Duterte-Carpio, became vice-president. As an ideological ally of former President Duterte, President Marcos is expected to continue the policy course pursued by the Duterte administration.

Among his government's notable policies that should continue with the new administration, are the country's intense campaign against drug crime, the rebalancing of relations with the U.S., strengthening ties with China (even though some tensions linger with relation to territorial disputes in the South China Sea), and closer cooperation with neighbouring Indonesia and Malaysia. Despite the vulnerability of its relationship with Beijing due to disputes over territories in the South China Sea, in early 2023, both countries pledged to address the issue through "friendly consultations". Meanwhile, the Philippines maintains historical ties with and receives growing military support from the U.S.: in February 2023, amid tensions between China and the United States' ally Taiwan, the Philippines granted the United States expanded access to its military bases.

Combating maritime piracy and terrorist groups were other priorities, as well as the introduction of universal health care (currently 93%) and free education from pre-school up to a basic university degree level, and boosting the Filipino economy. Furthermore, Marcos intends to go on with his father's "Build, Build, Build" programme, a centrepiece of the Duterte administration, which aims to usher in the "Golden age of infrastructure" in the Philippines and boost economic development in the country. To do so, the government aims to further develop the relationship with China, as investments from the country have been paramount for the success of the programme.

Lastly, in November 2023, the House of Representatives Committees on human rights and justice adopted two resolutions urging the government to collaborate with the International Criminal Court (ICC) in its investigation into the Duterte administration's drug war.

Main Political Parties

The Philippines has a multi-party system and political parties usually have diverse ideologies. As a result, parties generally work together to form coalition governments. The largest political parties in the country are:

- [Lakas-Christian Muslim Democrats](#) (Lakas-CMD): centre to centre-right, conservative political party with religious overtones
- [Partido Demokratiko Pilipino-Lakas ng Bayan](#) (PDP-Laban): centre-left, democratic socialism, populism
- [National Unity Party](#) (NUP): centre-right, Christian democracy
- Nationalist Party (NP): centre-right, conservatism, populism. Oldest party in the country and historically dominated the political arena
- [Nationalist People's Coalition](#) (NPC): centre-right, social and liberal conservatism
- Partido Federal ng Pilipinas (PFP): populist, federalist
- [Liberal Party](#) (LP): centre to centre-left, liberal, endeavours to tackle poverty and promote economic growth.

Executive Power

The [President](#) is both the Chief of State and head of Government and is directly elected by a popular vote to serve a single six-year term without the possibility of re-election, even if non-consecutive. He or she presides over and appoints the [Cabinet](#) members, and is also the Commander-in-Chief of the Armed Forces. The President holds the executive powers which include the implementation of the law in the country and running the day-to-day affairs. If the President resigns, is impeached or dies, the Vice President assumes the presidency.

Legislative Power

The legislature in the Philippines is bicameral. The parliament, called the Congress, consists of: the [Senate](#) (the upper house) having 24 seats with its members elected mostly by popular vote to serve (renewable) six-year terms, and the [House of Representatives](#) (the lower house) having 316 seats, with its members elected by popular vote to serve three-year terms - with a limit of three consecutive terms. The President has the power to veto acts of the legislature, and in turn a supermajority (generally two-thirds) of legislators may act to override his veto. The people of the Philippines enjoy considerable political rights.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) undertaken by the government of the Philippines, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).

