



Economic Trends in the Philippines 2016

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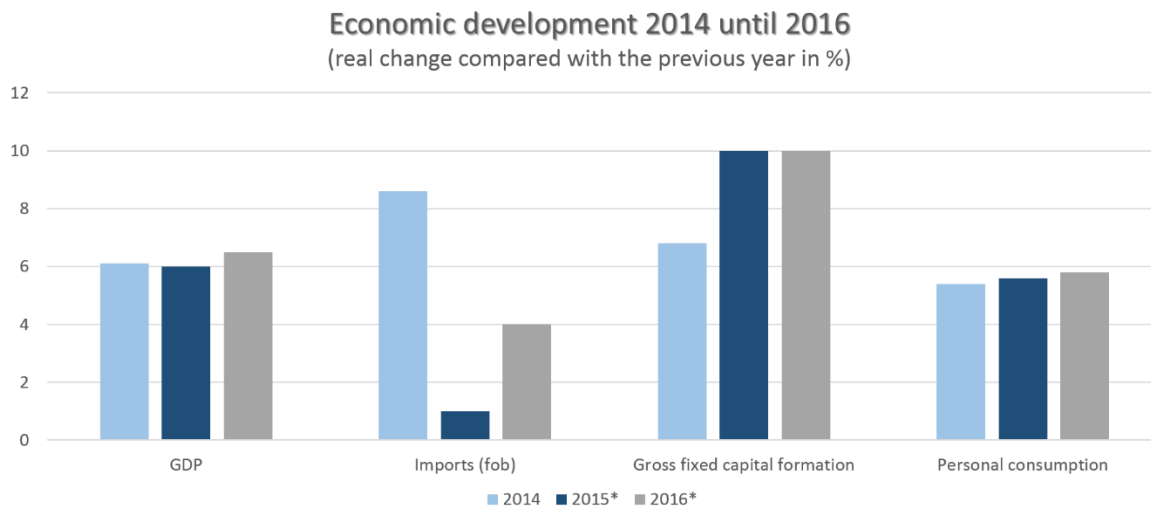
The economic forecast for the Philippines for 2016 looks better than in 2015. Government expenditure, private consumption as well as investments will be the most important pillars of the economy. There will also be stronger dynamics in the bilateral exchange with Germany.

1. Overall economic outlook

Development of the gross domestic product

Increased public spending before the Philippine presidential election will contribute to higher economic growth 2016.

The robust development of domestic investments and consumption makes the Philippines less vulnerable towards external risks as in comparison to other emerging economies (according to a study by Standard & Poor's).



*forecast

Sources: Bangko Sentral ng Pilipinas (BSP),
Philippine Statistics Authority



Investments

Private willingness to invest remains high, especially in the energy sector.

Improved infrastructure and energy supply are crucial requirements to increase foreign direct investment. Therefore the government plans to commission more construction contracts. The total volume should grow by 29 % to approximately 767 billion Philippine pesos in 2016. More than 60 public-private-partnership projects are currently in the pipeline.

Selected large-scale projects			
Designation of project	Amount to be invested	Current project status	Notes
Yokohama Tire Corp.	\$ 650 Mio. between 2011 and 2017	Phase I completed, Phase III 2015 until 2017	Increase in capacity of tire production from 22,000 to 50,000 pieces per day
Metropolitan Waterworks and Sewerage Systems (MWSS)	Approximately \$ 2.2 billion	Construction of two dams until approx. 2020	Water infrastructure
Meralco	\$ 5.2 billion	until 2019	Four liquid gas power plants (375 MW), two coal-fired power stations (600 MW)
Mactan Cebu International Airport	\$ 390 million	Place order (BOT-project)	New Terminal for 8 Million passenger per year
Clark Green City	\$ 5 billion	Start of construction in 2015	Development of new modern city on 36,000 hectare
LNG-Terminal of First Gen Corp. (Batangas)	\$ 1 billion	Start of construction in 2016	Landing, storage and regasification of liquid gas

Consumption

A robust growing economy, a decreasing inflation and rising bank transfer of OFWs stimulate the private consumption, which covers 70 % of the Philippine Gross Domestic Product. There was an expected growth in 2015 of 5.5 % regarding the private consumption. This figure should remain constant in 2016, based on the high consumer confidence.



Foreign trade

Compared to 2015, there is a more positive development expected for 2016 regarding imports and exports.

In comparison to other export countries, exchange of goods between Germany and the Philippines in 2015 developed positively. The imports coming from Germany rose in the first three quarters of 2015 in comparison to the reference period 2014 by 14.1 % to \$2.2 billion. The exports declined by 2.6 % to \$1.9 billion. In both directions, electronic commodities are the most important exchange goods.

Foreign trade Philippines (in Mio. US\$, real changes in %)

	2013	2014	Change 2014/13	Jan.-Sept. 2015	Change Jan.- Sept. 2015/14
Imports	62,411	65,398	4.8	49,915	2.3
Exports	56,698	62,102	9.5	43,746	-6.9
Balance of trade	-5,713	-3,296		-6,169	

2. Overview of sectors

Machine and plant engineering

Capacity building and modernization in this industry require equipment imports. Since the Philippines are not able to satisfy their demand on machines out of local sources, there exists a strong dependence on imports. The amount coming from Germany rose by 7.1 % to \$108 million in 2015. China and Japan are the most important suppliers in this sector, importing goods worth more than \$400 million and \$300 million, respectively.

Motor vehicle industry

The motor vehicle industry is developing positively, with a 21% growth of automobile sales in the first half of 2015 (compared to first half of 2014) and an expansion of the automotive parts production. Commercial- and lightweight vehicles represent the bulk of the automotive market. Japanese brands dominate imports, production (CKD-assembling) and selling of vehicles in the Philippines.



Chemicals/Pharmaceuticals

The pharmaceutical sector stays strong and shows an estimated growth of 3.8%. A growing population, an increasing purchasing power and an improved supply have driven up the expenditures for the health sector. Most pharmaceuticals are imports, reaching a value of \$1 billion in 2013. Germany is one of the largest supplier of western pharmaceuticals.

Construction industry

A strong increase in governmental construction contracts is expected, and public construction expenditures should increase at a double-digit rate in 2016. The private construction sector will keep booming as well, in particular construction of residential and office buildings.

Electrical engineering / Electronics

Electronic products cover a large part of the imports and exports in the Philippines, and constitute the bulk of German-Philippine trade. Due to the increasing productivity of electronics manufacturing, more equipment for the electricity generation required. The Philippines have established themselves as a location for the export processing in this sector and the industry wants to further increase investments. Exports grew by more than 7% (to \$21 billion), imports by 33.2% (to 14.6 billion).

Information- and communications technology

Production is mainly designated as export. An extension of the telecom infrastructure is visible, stimulated by outsourcing and smartphones. There is still a high accumulated demand regarding information- and communications technology for companies as well as in the public area and for private users.

Environmental technology

The water supply and sewerage systems in the Philippines are underdeveloped. Therefore the two biggest water companies, Maynilad Water Services and Manila Water, implemented an investment policy. Maynilad announced in 2015 that they would invest PHP 106 billion until 2020. Aside from increasing the connection rate to the sewerage system, both companies also invest in the reconstruction of the distribution systems as well as the renovation or new construction of dams.



Medical technology

The Philippines are a profitable market for products of the health care industry, since the country doesn't produce those goods by itself. The requirements for import cover the health care facilities through products from Germany, the USA, Japan and the People's Republic of China. Forecasts state that there will be a growth of around 10 % in the next years.

Energy

The power generation achieved strong growth but the capacity still has to be significantly expanded. The largest increase flows into the construction of power plants with conventional energy sources. However, interest in investing in wind and solar power increases steadily, since this also receives public subsidies.

Outsourcing

The Business Processing Outsourcing is one of the fastest-growing sectors in the Philippines. For 2016, a revenue of \$25 billion is targeted. The call center business claims a great share of around 60 %, employing 1.2 million people. The Outsourcing Sector is dominated by foreign demand and the major investors are foreign companies.

Agribusiness

The agricultural sector makes up more than 10 % of the GDP and employs around 30 % of the working population. The local processing of those products should be expanded since there is a high export demand, both regional and international. A growing and keen-to-consume population and the developing joint ASEAN market are factors that also influence the sector positively.

Information in this text is based on:
WIRTSCHAFTSTRENDS PHILIPPINEN - JAHRESWECHSEL 2015/16
Germany Trade & Invest
Gesellschaft für Außenwirtschaft und Standortmarketing mbH