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# Economic Report 2023

## PHILIPPINES

28 June 2024

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### **Executive Summary**

- The Philippine GDP expands by 5.5% in 2023, one of the highest growths in the region despite subdued global growth and geopolitical risks.
- Key infrastructure projects are aggressively pursued via PPPs, government financing, and multilateral loans, hence, growth projections are largely optimistic and favourable.
- Domestic challenges include high inflation, especially on food and fuel commodities. In response, the government is implementing short- to medium-term programs such as agricultural subsidies and employment generation initiatives, and liberalizing trade to attract foreign investments.
- Switzerland is top 4 European destination for Filipino exporters, following Netherlands, Germany, and France. Meanwhile, Swiss exports to the Philippines consist of 35.5% chemical and pharmaceutical products, 32.9% machines, appliances, and electronics, 18.7% precision instruments, clocks & watches, jewellery, and 6.9% forestry and agricultural products including fisheries.
- Total bilateral trade on merchandise goods is CHF 562.41 million.
- On investments, Switzerland is the third highest source of FDI (USD 7.38 million) from Europe following Germany and Sweden.
- While still recovering from Covid-19, the country is starting to get back on track from being a lower-middle-income country to an upper-middle-income country in the next 2-3 years.

*Note:  
Exchange rate used in this report is 1 CHF = 63 PHP*

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## 1 ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS

Growth prospects for the Philippines remains to be strong with gross domestic product and per capita outlook increasing amidst external geopolitical tensions and global uncertainties. Current GDP is at USD 436.62 billion and projected by IMF to expand by 6.2% in 2024 at USD 471.52 billion. While per capita expanded from USD 3,620 in 2022 to USD 3,870 in 2023, most Filipinos still suffer from rising inflation at an average of 6.0% - a major factor of which is food inflation recording full-year average growth of 8.0%.<sup>1</sup> For instance, the cost of rice - a staple food for most Filipinos - accelerated to its fastest in 14 years<sup>2</sup> due to combine factors such as global price fluctuations, drought, insufficient domestic supply, high tariff, and poor regulatory environment particularly in the implementation of the Rice Tariffication Law. Retail prices of rice is up by 36% in a year according to the Department of Agriculture.<sup>3</sup>

To mitigate inflation on agricultural products, the government is taking a more intensified approach to investments in flood control infrastructure and post-harvest facilities to stabilize domestic supplies of key agricultural commodities and overall agricultural productivity, timely and adequate importation based on ex-ante demand and supply analysis and addressing anti-competitive practices to improve the regulatory environment.

Unemployment rate slowed down to 4.3% in 2023 (compared to 5.4% in 2022), by far the lowest since 2020. The service sector employs about 57.3% of the workers while industry and agriculture accounted for 24.4% and 18.3% respectively. The largest increases in the number of workers are in construction, agriculture and forestry, and accommodation and food services. Although the unemployment rate has decreased, the country must address the growing skill disparity between industry needs and academic output (talent gap), along with challenges posed by artificial intelligence, remote work, brain drain, and global competition.

Gross international reserve grew by 7.9% as of December 2023 to USD 103.75 billion mostly coming from foreign investments (84.7%) and gold (10.2%)<sup>4</sup>. External debt amounted to USD 125 billion, which is 28.7% of GDP. Major bilateral creditors are Japan (USD 15.55 billion), China (USD 4.65 billion), and United Kingdom (USD 4.18 billion), and from multilaterals, the Asian Development Bank at USD 15.12 billion, and World Bank at USD 12.42 billion.<sup>5</sup> These figures show that Japan has extended the largest credit to Philippines bilaterally and through the ADB, reflecting the very warm and close relations between the two countries.

The Philippines fiscal initiatives continue to strengthen the country's public finance that provide growth impetus. Tax collection efficiency has improved due to tax policy changes brought about by the Tax Reform for Acceleration and Inclusion Act (RA 10963), which harmonizes incentives and corporate taxation align with ASEAN, Sin Tax Reform Act (RA 10351)<sup>6</sup>, which imposes higher taxes on tobacco products, and digitalization efforts in the tax collection and customs administration.

On infrastructure development, President Marcos continues the key infrastructure projects of his predecessors and have allocated about 5-6% of its GDP for 2024-28 to constructing

<sup>1</sup> Department of Finance, 2024 PH records lowest 2023 inflation rate of 3.9% in December, meets DBCC assumption of 6.0% for full year 2023, 5 January 2024, < [https://www.dof.gov.ph/ph-records-lowest-2023-inflation-rate-of-3-9-in-december-meets-dbcc-assumption-of-6-0-for-full-year-2023/#:~:text=Food%20inflation%20averaged%208.0%20percent,other%20seafood%20\(0.4%20ppt\).>](https://www.dof.gov.ph/ph-records-lowest-2023-inflation-rate-of-3-9-in-december-meets-dbcc-assumption-of-6-0-for-full-year-2023/#:~:text=Food%20inflation%20averaged%208.0%20percent,other%20seafood%20(0.4%20ppt).>,), accessed 30 May 2024

<sup>2</sup> Cordero, T, 2024, Philippines ends 2023 with 14-year high rice inflation in December', 5 January 2024, *GMA News Online*, < [https://www.gmanetwork.com/news/money/economy/893220/philippines-ends-2023-with-14-year-high-rice-inflation-in-december/story/>](https://www.gmanetwork.com/news/money/economy/893220/philippines-ends-2023-with-14-year-high-rice-inflation-in-december/story/>,), accessed 30 May 2024.

<sup>3</sup> Cariaso, B, 2024, DA: Rice price up 36% in a year, 7 March 2024, *PhilStar Global*, <[https://www.philstar.com/headlines/2024/03/07/2338680/da-rice-prices-36-year#:~:text=Based%20on%20price%20watch%20monitoring,kilo%20on%20March%201%2C%202024.>](https://www.philstar.com/headlines/2024/03/07/2338680/da-rice-prices-36-year#:~:text=Based%20on%20price%20watch%20monitoring,kilo%20on%20March%201%2C%202024.>,)>, accessed 30 May 2024

<sup>4</sup> Banko Sentral ng Pilipinas BSP Statistics, International Reserves, Table 4 <[https://www.bsp.gov.ph/Statistics/External/Table%2004.pdf>](https://www.bsp.gov.ph/Statistics/External/Table%2004.pdf>,), accessed 6 June 2024.

<sup>5</sup> Banko Sentral ng Pilipinas BSP Statistics, Total Philippine External Debt by Creditor Country, Table 3, <[https://www.bsp.gov.ph/statistics/external/Table%2005.3.pdf?>](https://www.bsp.gov.ph/statistics/external/Table%2005.3.pdf?>,), accessed 6 June 2024.

<sup>6</sup> See RA 10963 <[https://www.officialgazette.gov.ph/downloads/2017/12dec/20171219-RA-10963-RRD.pdf>](https://www.officialgazette.gov.ph/downloads/2017/12dec/20171219-RA-10963-RRD.pdf>,), and RA 10351 <[https://www.officialgazette.gov.ph/2012/12/19/republic-act-no-10351/>](https://www.officialgazette.gov.ph/2012/12/19/republic-act-no-10351/>,), accessed 6 June 2024.

roads, airports, bridges, tunnels, and other major infrastructure development projects identified by the National Economic Development Authority (NEDA). Priority projects and programs are worth USD 309.6 billion, and USD 163.27 billion of which is for the 185 Infrastructure Flagship Projects (IFPs) 2023-2028.<sup>7</sup>

Swiss companies engaged in transport-related projects may participate in the IFPs through direct bidding via joint ventures, supply of goods and services via the multilateral agencies, and/or distribution networks. For instance, those active in dams and tunnels, bridges, rails, airport, industrial materials and digital connectivity solutions, among others.

Moreover, there are major economic policy changes enacted or in advanced stages of legislation that affect foreign investments and/or general business climate of the Philippines. The newly enacted Maharlika Investment Fund<sup>8</sup> is touted to be the first ever sovereign wealth fund to invest in big ticket items mostly identified in the IFPs or the Public Investment Program.<sup>9</sup>

Other key economic policy measures include<sup>10</sup>:

- *Ease of Paying Taxes Act*, which modernizes tax administration, encourages proper and easy compliance, and boosts revenue collection.
- Amendments to the *Public Private Partnership Code*, which now sets stricter timeline to various government approvals, streamline processes overseen by the Public Private Partnership (PPP) Center, and limits judicial injunctions such as temporary restraining orders to national government projects to the level of the Supreme Court only.
- 100% foreign ownership of renewable energy projects such as in solar, wind, hydro, and ocean/tidal energy.
- *Internet Transaction Act*, which lays down code of conduct and qualifications for businesses who wish to engage in e-commerce.
- *Amendments to Electric Power Reform Act* to ensure fair pricing, and addresses issues related to power supply and demand.
- *Amendments to the Bank Secrecy Law* to empower the Central Bank's investigative powers and improves the country's defences against money laundering and cybercrime.
- *Amendments to the Right of Way Act* to fast-track acquisition of right of way leading to accelerated implementation of infrastructure projects.
- *Rationalization of the mining fiscal regime* to boost transparency and government revenue.
- *Amendments to the Government Procurement Law* to shorten the present bureaucratic intricacies in the system.
- *E-Government Act* to promote interoperability of the government's ICT network and provide reliable access to government services.

Most of these economic policy reforms are of primordial importance to existing companies in the Philippines for ease of doing business and may increase appetite for new investors. For instance, the new PPP code is such a remarkable feat for business as national projects can only be intercepted by the Supreme Court. This boosts confidence for business to bid for government infrastructure projects as timeline is shorten and construction may not be hampered by lower courts.

For Swiss companies and investors, these are positive developments that increase the country's competitiveness and further push growth targets.

<sup>7</sup> See the complete list of IFP, < <https://neda.gov.ph/infrastructure-flagship-projects/>>, accessed 6 June 2024.

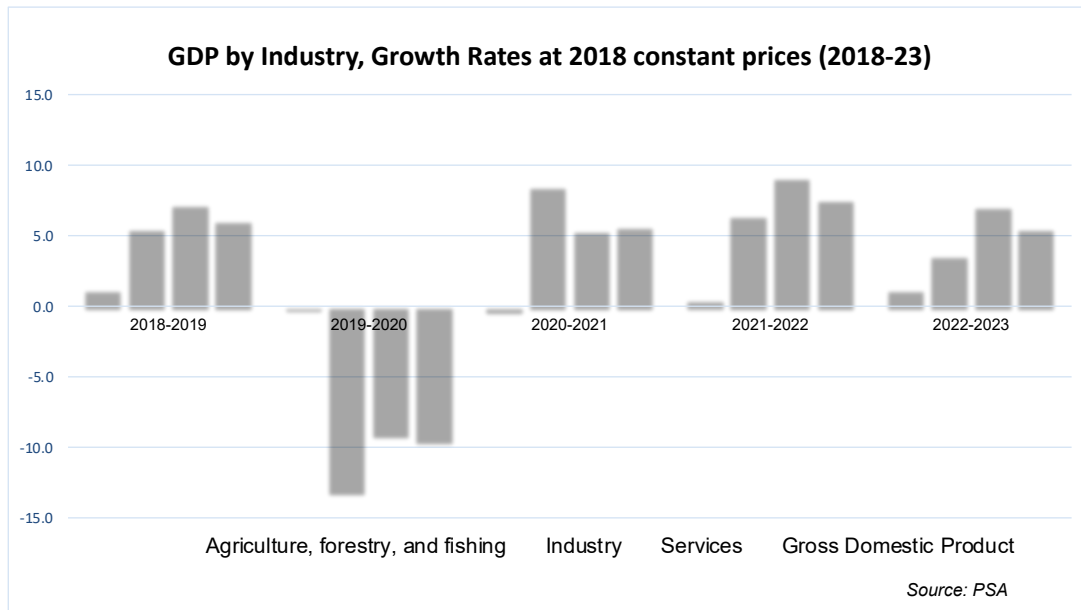
<sup>8</sup> See explanations here, < <https://maharlika.dof.gov.ph/about/>>, accessed 6 June 2024.

<sup>9</sup> See details here, < <https://neda.gov.ph/public-investment-programs/>>, accessed 6 June 2024

<sup>10</sup> Lifted from the government's presentation during the Philippine Economic Briefing held on 27 May 2023.

## 2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

Full year gross domestic growth rate of the Philippines in 2023 reached 5.5% with the service sector growing at 7.1% primarily fuelled by accommodation and food service activities (23.2%) followed by other services (20.8%) and transportation and storage (13.0%). Industry grew by 3.6% due to construction (8.8%) and electricity, steam, water, and waste management (5.8%) while agriculture expanded by 1.2%. While the country is primarily a service-driven economy, this year saw a net variable growth rate increase in agriculture by 0.7% while both services and industry declined by 2.1% and 2.9% respectively.<sup>11</sup> This is by far the lowest GDP growth rate of the Philippines since 2021 but relatively one of the strongest compared to major economies in Asia.<sup>12</sup>



On agricultural development, the Philippine government allotted PHP 43 billion (CHF 682 million) in 2023 for national programs in rice, corn, livestock, high-value crops development, organic agriculture, and urban and peri-urban agriculture programs.<sup>13</sup> In 2024, agriculture budget increased to PHP 197.84 billion (CHF 3.12 billion) to boost food and water security.<sup>14</sup> In his remarks before the UN Food and Agriculture Organization (FAO) in Sri Lanka last 20 February 2024, DA Secretary Francisco Tiu Laurel Jr., highlighted the modernization of the agriculture sector particularly on *‘increased investments in science-based technologies and innovations, development of a blue economy to protect, leverage, and optimize the country’s coastal and marine resources, enhance the country’s capacity to collect, use and analyse agricultural data that would foster food security, poverty alleviation, and sustainable development.’*<sup>15</sup>

Among the agri-tech related projects that received incentive support from the Board of Investments (BOI) in the last five years include irradiation facility using electron-beam

<sup>11</sup> Banko Sentral ng Pilipinas BSP Statistics- Real Sector Account, Table 31 Gross National Income and Gross Domestic Product by Industry at constant 2018 prices, <<https://www.bsp.gov.ph/Statistics/Real%20Sector%20Accounts/Table%2031.pdf>>, accessed 30 May 2024

<sup>12</sup> Department of Finance, 31 January 2024 News, <<https://www.dof.gov.ph/phs-full-year-2023-gdp-growth-strongest-among-major-asian-economies/#:~:text=The%20Philippines%20finished%20strong%20in,on%20the%20latest%20available%20data.>>>, accessed 30 May 2024. See also Biswas, R, 2024, ASEAN economic outlook 2024, 12 January 2024, S&P Global, <<https://www.spglobal.com/marketintelligence/en/mi/research-analysis/asean-economic-outlook-in-2024-jan24.html>>, accessed 30 May 2024.

<sup>13</sup> See DBM Press Release, <<https://www.dbm.gov.ph/index.php/management-2/325-dbm-p43b-alloted-for-2023-agriculture-priority-programs>>, accessed 11 June 2024.

<sup>14</sup> See DBM Press Release, <<https://www.dbm.gov.ph/index.php/management-2/210-agriculture-sectors-p197-84-billion-budget-for-2024-to-boost-food-water-security>>, accessed 11 June 2024.

<sup>15</sup> See DA Press Release, <<https://www.da.gov.ph/da-chief-highlights-philippine-agriculture-priorities-at-fao-meeting/>>, accessed 11 June 2024.

technology, drone spraying application for crop protection, natural foliar fertilizers, modern urban agriculture projects powered by hydroponics, development of hybrid seeds and indoor temperature-controlled tulip production, among others.<sup>16</sup> There is also an on-going legislative proposal to enhance the Philippine competitiveness in cacao production.<sup>17</sup>

On industry, construction projects are front and centre of government priorities as it aimed to modernize its infrastructure nationwide, hence this is a huge area for potential partnerships for both domestic and international bidders and suppliers of construction-related materials, solutions, and services.

Projects related to electricity, water, and waste management are also given priority attention as the Philippines continue to suffer from high electricity rates and water service disruptions. The Department of Energy (DOE) looks at renewable energy sources and offers fiscal and non-fiscal incentives to achieve its power energy mix target of 35% renewable by 2030 and 50% by 2040.<sup>18</sup>

In terms of minerals, the Philippines is among the largest copper deposits around the world, which could be vital in the production of turbines and solar panels. The country is second globally in nickel production, which is essential to low carbon technologies<sup>19</sup>. Thus, the government is trying to unlock potentials in the mining industry to drive green tech and create high quality job opportunities.

On services, transportation and storage are potential growth sub-sectors as various connectivity projects are implemented nationwide and cold-storage facilities are important to preserve agricultural harvests from the provinces. The country's IT-BPM remains to be a key contributor to growth as its revenue hits USD 35.5 billion in 2023<sup>20</sup> and created an additional 135,000 jobs to a total workforce of 1.7 million.

Moreover, the transition to digitalization for government operations and services remains to be a key focus of the government. For instance, President Marcos asked the Department of ICT to capacitate local government units (LGUs) for e-Gov system adaption.<sup>21</sup> Most LGUs embed digitalization in their various efforts to make public service delivery more efficient. Some e-Government Priority Projects include (a) centralizing government cloud services, e-Report for citizens' feedback and complaints, and e-Gov App that integrates all government services in one platform.

Some other key programs and projects of DICT are related to ICT ecosystem and development, national connectivity, e-Filipino, e-Government harmonization, e-Civil servants, next wave cities, ICT enabled start-up, and stepping-up the value chain.<sup>22</sup>

<sup>16</sup> Sun Star Davao Digital 2024, 'BOI backs PH high-tech agri, F&B through incentive, industry development', 1 June 2024, <[https://www.sunstar.com.ph/davao/business/boi-backs-ph-high-tech-agri-fb-through-incentives-industry-devt#google\\_vignette](https://www.sunstar.com.ph/davao/business/boi-backs-ph-high-tech-agri-fb-through-incentives-industry-devt#google_vignette)>, accessed 11 June 2024.

<sup>17</sup> Cruz, B, 2024, 'Cacao industry development bill wins committee approval', 7 August 2023, *Business World*, <<https://www.bworldonline.com/economy/2023/08/07/538305/cacao-industry-devt-bill-wins-committee-approval/>>, accessed 11 June 2024.

<sup>18</sup> See the Philippine Power Development Plan 2020-40, <<https://doe.gov.ph/energy-information-resources?q=power-development-plan#:~:text=In%20line%20with%20the%20DOE%27s,50%25%20by%202040%20were%20adopted.>>, accessed 11 June 2024.

<sup>19</sup> From the message of DENR Secretary Maria Antonia Yulo Loyzaga during the Investment Forum: Opportunities in Sustainable Water Utilization and Infrastructure Development, 13 February 2024, PICC, Manila, <<https://denr.gov.ph/secretarys-corner/message-of-denr-secretary-maria-antonio-yulo-loyzaga-during-the-investment-forum-opportunities-in-sustainable-water-utilization-and-infrastructure-development-13-february-2024-picc-manila/>>, accessed 11 June 2024.

<sup>20</sup> Desiderio, L, 2024, 'IT-BPM revenue hits \$35.5 billions', 7 March 2024, *PhilStar Global*, <<https://www.philstar.com/business/2024/03/07/2338561/it-bpm-revenue-hits-355-billions#:~:text=In%20terms%20of%20headcount%2C%20Madrid,headcount%20to%201.84%20million%20employees.>>, accessed 11 June 2024.

<sup>21</sup> PCCO Press Release, <[https://pco.gov.ph/news\\_releases/pbbm-tasks-dict-to-capacitate-igus-for-e-gov-system-adaption/](https://pco.gov.ph/news_releases/pbbm-tasks-dict-to-capacitate-igus-for-e-gov-system-adaption/)>, 23 May 2024, accessed 11 June 2024.

<sup>22</sup> The complete list of DICT priority programs and projects can be found here <<https://dict.gov.ph/major-programs-and-projects/>>, accessed 11 June 2024.

### 3 FOREIGN ECONOMIC POLICY

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

President Marcos recorded eleven official visits covering nine countries in 2023 - all aimed to solidify existing partnerships and promote the Philippines as potential investment destination in the region by showcasing economic reforms that his administration has undertaken and will continue to prioritise.<sup>23</sup> In his remarks during the WEF High-Level Dialogue on Investing Infrastructure for Resilience last 19 January 2023 at Davos, Switzerland, he shared that *'top priority to design and build climate-resilient infrastructure, programs, and projects'* and *'have allocated 9 percent of national budget towards initiatives to support conservation, climate change adaptation, and disaster risk reduction'*.<sup>24</sup>

From this directive, the government has made significant economic reforms to attract investments such as amending the Build-Operate-Transfer Law (BOT) to address concerns on financial viability and bankability of public-private partnerships and the concerns on potential delays that might impede implementation. The President likewise created a Private Sector Advisory Council tasked to formulate strategies to position the Philippines properly for the development and evolution of the new global economy.

The Maharlika Investment Fund was also launched at the WEF. President Marcos emphasized that the MIF would leverage liquidity from government financial institutions and government-owned and government-controlled corporation to pursue strategic and profitable investments in key and high-impact sectors.<sup>25</sup>

Effective 2 June 2023, the country's membership to the Regional Comprehensive Economic Partnership (RCEP) came into force, which brings together 15 countries in the Asia-Pacific region representing 30% of the world's population and approximately 30% of the global GDP.

The Philippines also signed an FTA with Korea in September 2023 at the sidelines of the 43<sup>rd</sup> ASEAN Summit in Jakarta, Indonesia. Both countries committed to make substantial tariff concessions with South Korea removing tariffs on approximately 94.8% of Philippine products while the Philippines abolishing 96.5% tariffs on South Korean products.

Negotiations for an EU-Philippines FTA are on-going as announced by Department of Trade and Industry (DTI) Secretary Alfredo Pascual and European Commission Executive Vice President and Trade Commissioner Valdis Dombrovskis.<sup>26</sup>

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

With the Philippines-EFTA FTA in force, Swiss companies may take advantage of the opportunities identified in the priority sectors above and the economic liberalization reforms that have been passed, which makes it easier for foreign investors to do business in the Philippines. Swiss products and services are known for its precision and high quality, and the zero tariffs provided by PH-EFTA FTA makes it more advantageous for Swiss firms to actively participate mostly through supply or distributor arrangements, and some through direct bidding.

<sup>23</sup> De Leon, D., 2023, 'President Marcos Jr.'s 2023 in foreign travels, wrapped', 26 December 2023, Rappler, <<https://www.rappler.com/newsbreak/iq/ferdinand-marcos-jr-foreign-trips-2023-summary-recap-list/#:~:text=President%20Ferdinand%20Marcos%20Jr.,ASEAN%20Japan%20Friendship%20and%20Cooperation.>>, accessed 12 June 2024.

<sup>24</sup> Opening Remarks of President Ferdinand R. Marcos Jr. for the High-Level Dialogue – Investing in Infrastructure for Resilience, 19 January 2023, <<https://mirror.pco.gov.ph/presidential-speech/opening-remarks-of-president-ferdinand-r-marcos-jr-for-the-high-level-dialogue-investing-in-infrastructure-for-resilience/>>, accessed 12 June 2024.

<sup>25</sup> DFA Press Release, 31 July 2023, <<https://dfa.gov.ph/dfa-news/news-from-our-foreign-service-postsupdate/33046-maharlika-investment-fund-soft-launched-at-davos-world-economic-forum-wef>>, accessed 11 June 2024.

<sup>26</sup> DTI Press Release, 19 March 2024, <<https://www.dti.gov.ph/archives/news-archives/ph-eu-resume-fta-negotiations/>>, accessed 12 June 2024.

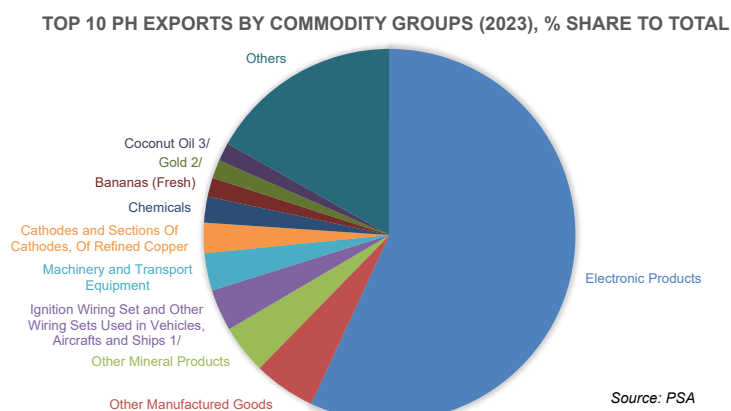
## 4 FOREIGN TRADE

### 4.1 Developments and general outlook

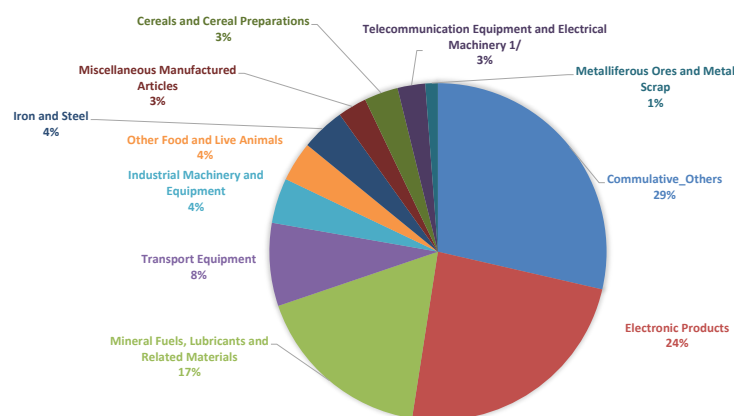
#### 4.1.1 Trade in goods

The Philippines recorded total merchandise trade of USD 199.83 billion in 2023, which is slightly lower than the USD 215.99 billion the previous year due to subdued global growth.

Top five export destinations for Philippine products are USA (15.7%), China (14.8%), Japan (14.2%), Hong Kong (12.0%), and the Republic of Korea (4.8%). From these countries, only China has potential negative trade implication due to on-going geopolitical tensions in the West Philippine Sea (a portion of the South China Sea). Of the five countries, only South Korea posted a positive export growth rate of 11.5% due to overall positive trade developments as both countries recently concluded an FTA.



The rest of the major export destinations registered negative growth with Hong Kong declining by 18.5%. Total exports in 2023 was USD 73.62 billion.



TOP 10 IMPORTS BY COMMODITY GROUPS (2023), % SHARE TO TOTAL  
Note: Top 10 represents 71.4% to total share. Source: PSA

Meanwhile, the country imported 23.3% from China (USD 29.39 billion) followed by Indonesia (9.1%), Japan (8.2), Republic of Korea (6.7%), and USA (6.7%). Total imports decreased by 8.7% amounting only to USD 126.21 billion compared to USD 137.16 billion in 2022.

PH imports from EU countries registered at USD 7.79 billion representing 6.2% share to total. Top EU import sources are Germany at USD 2.17 billion (1.7%), France at USD 1.23 billion (1.0%), and Italy at USD 918.25 million.

On tariffs, the government approved the extension of reduced tariff rates on key commodities until the end of 2024 to keep local food prices stable amid the volatile supply situation. Accordingly, these tariff rates are still implemented - 15% and 25% for in-quota and out-quota pork import; 5% and 15% for in-quota and out-quota corn imports; and a 35% percent uniform rate for rice imports.<sup>27</sup>

<sup>27</sup> Arcalas, J.E. and Ordinario, C 2023, 'Lower tariffs on key food items extended till end-2024', 15 December 2023, *Business Mirror*, <<https://businessmirror.com.ph/2023/12/15/lower-tariffs-on-key-food-items-extended-till-end-2024/>>, accessed 12 June 2024.



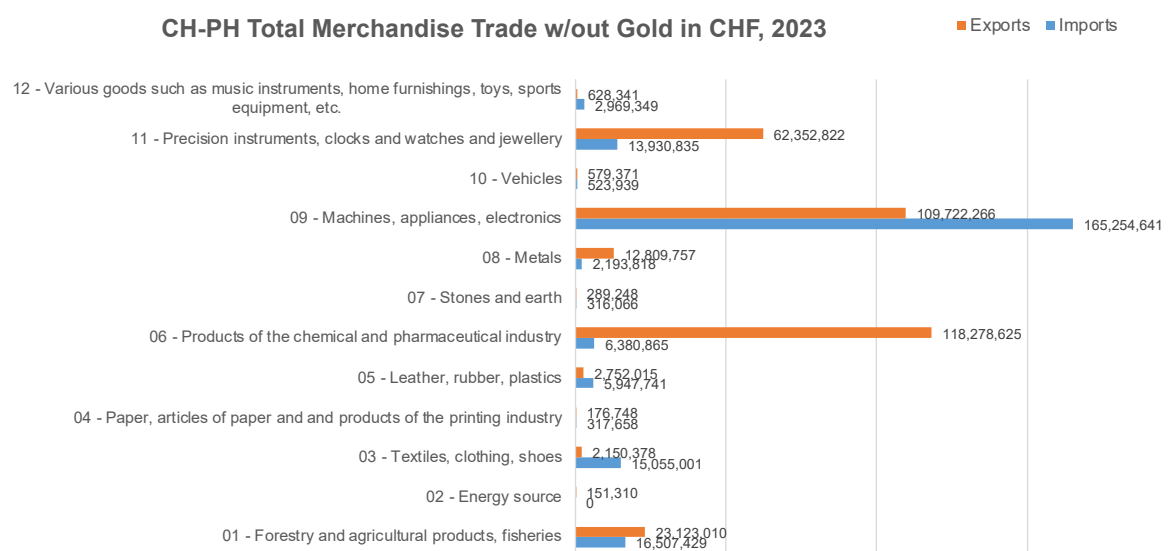
## 4.2 Bilateral trade

### 4.2.1 Trade in goods

Total trade (goods excluding gold) between Switzerland and the Philippines declined by 10.23% from CHF 626.49 million in 2022 to CHF 562.41 in 2023. This might be related to geopolitical uncertainties in the European region where Swiss companies recalibrate production outputs. Swiss imports from the Philippines are mostly inputs to final products, which are then exported globally. With gold, total trade is at CHF 1.91 billion, which is 51.72% less from 2022.

Swiss imports from the Philippines fell by 19.3% at CHF 229.40 million. 72.04% are machines, appliances, and electronics; 7.20% are forestry and agricultural products including fisheries; 6.56% are textiles, clothing, and shoes; 6.07% are precision instruments, clocks and watches, and jewellery; and 2.78% are products of chemical and pharmaceutical industry. All commodities dwindled except for paper, articles of paper, and products of the printing industry that recorded 30.8% expansion.

On Swiss exports to the Philippines, 35.52% are products of the chemical and pharmaceutical industry; 32.95% are machines, appliances, electronics; 18.72% are precision instruments, clocks and watches and jewellery; 6.94% are forestry and agricultural products including fisheries; and 3.85% are metals.



Source: Federal Office for Customs and Border Security FOCBS

Trade outlook is minimally positive as there are good developments in liberalizing trade policies in the Philippines, but the slow implementation and execution of these reforms remained to be a concern by companies. For instance, Swiss exports of chemical and pharmaceutical products might be affected by the bureaucratic processes of the Health Technology Assessment Council (HTAC), which undermines penetration of new innovative medicines in the Philippine market.

In a recent survey by the Swiss Chamber of Commerce of the Philippines to its members, most of them expected positive outlook for 2024 and some with expansion plans. However, concerns on ease of doing business still haunt these companies, which likewise discourages prospective companies in Switzerland opening potential offices in the Philippines.

## 5 DIRECT INVESTMENTS

### 5.1 Developments and general outlook

Foreign direct investment (FDI) net inflows shrank by 6.6% to USD 8.86 billion from USD 9.49 billion in 2022 apparently due to risk aversion among investors triggered by a subdued global economic growth and geopolitical risks says the Bangko Sentral ng Pilipinas.<sup>28</sup> A large portion of FDI is primarily driven by reinvestment of earnings at USD 1.24 billion and debt instruments at USD 6.33 billion. On industry level, most FDIs came from manufacturing at USD 931.75 million, wholesale and retail trade including repair of motor vehicles and motorcycles at USD 101.31 million, and real estate activities at USD 89.83 million.<sup>29</sup>

Japanese investments to the Philippines held very significant share to total FDI inflows at 65.79% equivalent to USD 849.36 million. While Japan has consistently been the top source for FDIs, this year saw a big delegation from the Philippines led by President Marcos visiting Japan that captured fresh pledges and actualized investments from nine companies with existing contracts for expansions.<sup>30</sup> Other top country sources include Singapore at USD 182.65 million, Germany at USD 149.89 million, USA at USD 113.14 million, and Taiwan at USD 36.96 million.

As noted earlier, the Philippines under the Marcos administration has embarked on various market liberalization measures to attract more foreign investors such as allowing 100% foreign ownership in renewable energy sources and streamlining approvals for big ticket items supervised by the Public Private Partnership (PPP) Center and the PPP board, which is chaired by the President.

### 5.2 Bilateral investment

Switzerland is the third European country with the largest investments to the Philippines valued at USD 7.38 million, next only to Germany (USD 149.89 million) and Sweden (USD 11.81 million) and ranked thirteenth globally. There are more than sixty Swiss companies in the Philippines creating approximately 27,000 jobs. In the Philippine Economic Zone Authority (PEZA) alone, there are twenty-eight Swiss company locators registered as export oriented in IT and manufacturing enterprises that by far generated PHP 19.62 billion (CHF 314.43 million) in cumulative investments and 8, 547 direct jobs.<sup>31</sup>

Large Swiss companies in the Philippines are in the pharmaceutical, manufacturing, and construction industries. There is potential for clinical trials as availability, affordability, and access to innovative medicines remain to be a priority of the government, and ICT-enabled services across sectors and industries.

Data from Swiss National Bank reflects CHF 2.66 billion capital stock investments and CHF 169 million capital transactions in the Philippines in 2022.<sup>32</sup>

<sup>28</sup> Cigarral, I, 2023, 'FDIs sank for 2nd year in 2023 to \$8.9B', 12 March 2024, *Inquirer.net*, < <https://business.inquirer.net/449617/fdis-sank-for-2nd-year-in-23-to-8-9b#:~:text=There%20was%20a%20net%20FDI,economy%20against%20those%20that%20left.>>, accessed 12 June 2024.

<sup>29</sup> See BSP, Net Foreign Direct Investment Flows (BPM 6) by Industry, < <https://www.bsp.gov.ph/statistics/external/Table%2009.pdf>>, accessed 12 June 2024.

<sup>30</sup> Magaluz, J and Aning, J, 2023, 'Marcos' Japan trip nets P14.5B in fresh investment pledges', 19 December 2023, *Inquirer.net*, < <https://globalnation.inquirer.net/224561/marcos-japan-trip-nets-p14-5b-in-fresh-investment-pledges>>, accessed 12 June 2024.

<sup>31</sup> PEZA Press Release, 18 January 2023, < [https://www.peza.gov.ph/press-releases/peza-seeks-swiss-investments-promotes-sustainability-reporting-actions-export-0#:~:text=Of%20the%2060%20Swiss%20companies,jobs%2C"%20OIC%20Panga%20added.](https://www.peza.gov.ph/press-releases/peza-seeks-swiss-investments-promotes-sustainability-reporting-actions-export-0#:~:text=Of%20the%2060%20Swiss%20companies,jobs%2C)>, accessed 12 June 2024.

<sup>32</sup> See Swiss National Bank statistics (capital stocks by country and country group), < [https://data.snb.ch/en/topics/aube/cube/fdiausbla?fromDate=2020&dimSel=d0\(PH\)](https://data.snb.ch/en/topics/aube/cube/fdiausbla?fromDate=2020&dimSel=d0(PH))>, accessed 12 June 2024.

## 6 ECONOMIC AND TOURISM PROMOTION

### 6.1 Swiss foreign economic promotion instruments

In 2022, Switzerland Tourism opened its antenna in Manila embedded within the embassy to further promote various Swiss travel destinations and culture. Since then, it has organized several events to gather numerous Philippine travel agencies including featuring key Filipino media personalities to showcase various themes about Switzerland. Some of these media personalities include but not limited to:

Personalities	Link	Views <sup>33</sup>
<b>Jessica Soho</b> via GMA Public Affairs 23.4 million subscribers	< <a href="https://www.youtube.com/watch?v=HYohW0hVHkM">https://www.youtube.com/watch?v=HYohW0hVHkM</a> > < <a href="https://www.youtube.com/watch?v=xmMEcKxrpsl">https://www.youtube.com/watch?v=xmMEcKxrpsl</a> >	1.1 million 601K
<b>Karen Davila</b> 1.9 million subscribers	< <a href="https://www.youtube.com/watch?v=IXrLYXIK6ac">https://www.youtube.com/watch?v=IXrLYXIK6ac</a> > < <a href="https://www.youtube.com/watch?v=q8Qy0B5yrMQ">https://www.youtube.com/watch?v=q8Qy0B5yrMQ</a> >	904K 406K
<b>Gretchen Ho</b> 203K subscribers	< <a href="https://www.youtube.com/watch?v=MCFgcWGmO0Q&amp;t=6s">https://www.youtube.com/watch?v=MCFgcWGmO0Q&amp;t=6s</a> >	2.2 million

These features generated substantial interests from Filipino tourists to explore Switzerland. In fact, visa applications have consistently peaked without off season as more and more Filipinos wanted to experience Switzerland.

Data from the Federal Statistics Office noted such increase in tourist arrivals from the Philippines at 36,527 and overnight stays at 80, 199 in 2023.<sup>34</sup>

On export and investment promotions, this is carried directly by the economic and trade division of the Swiss Embassy in close coordination with Switzerland Global Enterprises (S-GE) in Zurich, and the Southeast Asia and the Pacific (SEAP) regional hub based in Jakarta, Indonesia. There are regional monthly calls, annual regional planning, annual consultation with companies in Switzerland, and several implementations of mandates to support Swiss MSMEs expanding to the Philippines and Southeast Asia.

Moreover, the newly reorganized Swiss Chamber of Commerce of the Philippines (SwissCham Philippines) has been instrumental in organizing several business meetings with government and private sector partners, consolidating and strengthening the Swiss business community, promoting bilateral trade and investment events and one-on-one business conferences, and representing Swiss business concerns to Philippine agencies.<sup>35</sup> SwissCham Philippines likewise work very closely with like-minded business organizations in the promotion of ease of doing business, reducing corruption, and economic reform advocacies.

Development projects funded by the State Secretariat for Economic Affairs (SECO) such as the Sustainability Reporting for Responsible Business (SRRB) program with the Global Reporting Initiative (GRI) are carried directly by the Swiss Embassy.

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

The Philippines aim to further strengthen its economic and trade cooperation with Switzerland as the success of the PH-EFTA FTA can be a reference to the favourable outcome of the on-going EU-PH FTA negotiations. It is looking for investments and support to the Maharlika Investment Fund as recently launched at the WEF in Davos.

<sup>33</sup> Views as of 12 June 2024.

<sup>34</sup> See Federal Statistics Office, Hotel sector: arrivals and overnight stays of open establishments by year, month, canton and visitors' country of residence, <<https://www.bfs.admin.ch/bfs/en/home/statistics/tourism.assetdetail.32068275.html>>, accessed 12 June 2024.

<sup>35</sup> See the monthly business journals issued by SwissCham Philippines to know more about its activities, <<https://swisscham.ph/publications/>>, accessed 12 June 2024.

## ANNEX 1 – Economic structure

## Economic structure of the Philippines

Gross Domestic Product (2018, 2023), % Share to GDP at Constant 2018 Prices		
	2018	2023
<b>Agriculture, forestry, and fishing</b>	9.7	8.6
<b>Industry</b>	30.6	29.1
Mining and quarrying	0.9	0.7
Manufacturing	19.1	18.0
Electricity, steam, water and waste management	3.0	3.3
Construction	7.5	7.2
<b>Services</b>	59.8	62.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	17.7	18.6
Transportation and storage	3.8	3.6
Accommodation and food service activities	2.2	1.9
Information and communication	2.8	3.4
Financial and insurance activities	8.2	10.3
Real estate and ownership of dwellings	6.5	5.5
Professional and business services	6.3	6.3
Public administration and defense; compulsory social activities	4.2	4.9
Education	4.0	4.0
Human health and social work activities	1.7	1.9
Other services	2.3	1.9
<b>Gross Domestic Product</b>	100.0	100.0

Source: Philippine Statistics Authority, <https://openstat.psa.gov.ph>, accessed 20 May 2024.

Distribution of employment	2018	2021*
Agriculture	24.3	22.0
Industry	19.1	19.9
Services	56.6	58.1
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Philippine Statistics Authority, Employment by Branch of Economic Activity and Sex, % Distribution, <https://openstat.psa.gov.ph>, accessed 20 May 2024.

\* Latest available data is from July 2021, <https://www.psa.gov.ph/statistics/labor-force-survey/special-release/stat-tables>, accessed 20 May 2024.

## ANNEX 2 – Main economic data

## Philippines' main economic data

	2022	2023	2024
<b>GDP (USD bn)*</b>	404.28	436.62	471.52
<b>GDP per capita (USD)*</b>	3, 620	3, 870	4, 130
<b>Growth rate (% of GDP)*</b>	7.6	5.6	6.2
<b>Inflation rate (%)*</b>	5.8	6.0	3.6
<b>Unemployment rate (%)*</b>	5.4	4.4	5.1
<b>Fiscal balance (% of GDP)**</b>	-7.6	-6.1	-5.1
<b>Current account balance (% of GDP)*</b>	-4.5	-2.6	-2.2
<b>Total external debt (% of GDP)**</b>	27.5	27.5	27.1
<b>Debt-service ratio (% of exports)***</b>	6.3	10.5	9.7
<b>Gross Reserves (USD bn)**</b>	96.2	98.1	93.4

\* Source: IMF, World Economic Outlook (indicate the month and year of publication)  
<https://www.imf.org/en/Countries/PHL#countrydata>, accessed 20 May 2024.

\*\* Source: IMF, Article IV Consultation (or host country statistics) [indicate the date of the Art. IV Consultation report]. IMF Country Report No. 23/414, December 2023  
<https://www.imf.org/en/Publications/CR/Issues/2023/12/14/Philippines-2023-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-542518>, accessed 20 May 2024.

\*\*\* Source: Bangko Sentral ng Pilipinas (BSP), Selected External Debt Ratios  
<https://www.bsp.gov.ph/Statistics/External/Table%2006.pdf?>, accessed 20 May 2024.

## ANNEX 3 – Trade partners

## Trade partners of the Philippines Year: 2023

PH EXPORTS (2023)					PH IMPORTS (2023)				
	Countries	FOB value in million USD	% share to total	Growth Rate		Countries	FOB value in million USD	% share to total	Growth Rate
	<b>Total</b>	<b>73,617.12</b>	<b>100.0</b>	<b>-7.1</b>		<b>Total</b>	<b>126,209.20</b>	<b>100.0</b>	<b>-8.7</b>
<b>1</b>	USA	11,547.57	15.7	-6.9	<b>1</b>	China	29,392.40	23.3	4.0
<b>2</b>	China	10,925.42	14.8	-0.4	<b>2</b>	Indonesia	11,514.77	9.1	-14.5
<b>3</b>	Japan	10,455.79	14.2	-6.4	<b>3</b>	Japan	10,288.08	8.2	-20.0
<b>4</b>	Hong Kong	8,843.73	12.0	-18.5	<b>4</b>	Republic of Korea	8,488.02	6.7	-45.1
<b>5</b>	Republic of Korea	3,533.83	4.8	11.5	<b>5</b>	USA	8,417.99	6.7	-5.9
<b>6</b>	Singapore	3,528.07	4.8	-39.1	<b>6</b>	Thailand	7,880.58	6.2	7.0
<b>7</b>	Netherlands	3,088.59	4.2	4.8	<b>7</b>	Singapore	7,095.08	5.6	-14.4
<b>8</b>	Thailand	2,931.64	4.0	-15.1	<b>8</b>	Malaysia	5,962.10	4.7	-7.0
<b>9</b>	Taiwan	2,637.85	3.6	-12.4	<b>9</b>	Vietnam	4,709.00	3.7	5.3
<b>10</b>	Germany	2,486.64	3.4	-11.7	<b>10</b>	Taiwan	4,686.25	3.7	-45.1
<b>11</b>	Malaysia	2,183.65	3.0	-11.9	<b>11</b>	Australia	3,497.48	2.8	19.8
<b>12</b>	Vietnam	1,694.89	2.3	-1.6	<b>12</b>	Saudi Arabia	2,318.49	1.8	8.3
<b>13</b>	India	1,103.89	1.5	34.8	<b>13</b>	Germany	2,165.40	1.7	10.8
<b>14</b>	Mexico	906.71	1.2	5.5	<b>14</b>	Hong Kong	2,010.76	1.6	-54.2
<b>15</b>	Indonesia	748.94	1.0	3.1	<b>15</b>	India	1,980.02	1.6	-6.1
<b>16</b>	France	679.94	0.9	-	<b>16</b>	UAE	1,538.11	1.2	0.3
<b>17</b>	Canada	583.00	0.8	-2.9	<b>17</b>	Brazil	1,372.75	1.1	-6.5
<b>18</b>	Australia	561.94	0.8	1.0	<b>18</b>	France	1,229.40	1.0	-
<b>19</b>	Switzerland	560.46	0.8	1.0	<b>19</b>	Italy	918.25	0.7	-6.3
<b>20</b>	UAE	341.97	0.5	-	<b>20</b>	Canada	906.68	0.7	-
	Top 20	69,344.51	94.2			Top 20	116,371.61	92.2	
	Others	4,272.61	5.8		<b>27</b>	Switzerland	372.55	0.3	-
						Others	9,465.05	7.5	

Note: Due to changes in table format by PSA, export % change for France and UAE cannot be computed as 2022 export data not available (aggregated under 'others' in the PSA table).

Due to changes in table format by PSA, Import % change for France, Canada, and Switzerland cannot be computed as 2022 export data not available (aggregated under 'others' in the PSA table).

Source: See Table 12, sort by largest value, and calculate % change by getting 2022 values. <https://www.psa.gov.ph/statistics/export-import/monthly/stat-tables/released/2023>, accessed 20 May 2024.

## 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>Value</b> (in million)
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
2021	308.1	4.4	232.1	12.4	76.0	540.2
<b>2022</b>	<b>342.4</b>	<b>11.1</b>	<b>284.1</b>	<b>22.4</b>	<b>58.3</b>	<b>626.5</b>
<i>(Total 1)*</i>						
<b>2023**</b>	<b>333.0</b>	<b>-2.7</b>	<b>229.4</b>	<b>-19.3</b>	<b>103.6</b>	<b>562.4</b>

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

\*\*\*) Change (%) from the previous year

<b>Exports</b>	<b>2022</b> (% of total)	<b>2023</b> (% of total)
1. Products of the chemical & pharmaceutical industry	34.1	35.5
2. Machines, appliances, electronics	31.5	32.9
3. Precision instruments, clocks & watches, jewellery	19.5	18.7
4. Forestry & agricultural products, fisheries	7.4	6.9

<b>Imports</b>	<b>2022</b> (% of total)	<b>2023</b> (% of total)
1. Machines, appliances, electronics	71.3	72.0
2. Forestry and agricultural products, fisheries	7.7	7.2
3. Textiles, clothing, shoes	6.2	6.6
4. Precision instruments, clocks and watches and jewellery	5.6	6.1

Source: Federal Office for Customs and Border Security

<https://www.gate.ezv.admin.ch/swissimpex/> accessed 28 May 2024

## ANNEX 5 – Main investing countries

## Main investing countries in the Philippines

Year: 2023

Rank	Country	Direct investment 2023 (USD, stock)	Share	Variation (stock)	Inflows over past year 2022 (USD)
1	Japan	849.36	65.79	62.78	786.58
2	Singapore	182.65	14.15	-356.63	539.28
3	Germany	149.89	11.61	82.99	66.90
4	USA	113.14	8.76	-138.11	251.25
5	Taiwan	36.96	2.86	15.12	21.84
6	Malaysia	27.38	2.12	-81.27	108.65
7	S. Korea	21.30	1.65	0.79	20.51
8	China	15.99	1.24	0.3	15.69
9	Sweden	11.81	0.91	6.07	5.74
10	Indonesia	11.09	0.86	3.91	7.18
...	EU	63.99	4.96	34.83	29.16
13	Switzerland	7.38	0.57	-12.59	19.97
	Total	8, 863.96	100%	-628.27	9, 492.23

Source(s): Bangko Sentral ng Pilipinas, Net Foreign Direct Investment Flows (BPM6),  
<https://www.bsp.gov.ph/Statistics/External/Table%2010.pdf> accessed 30 May 2024