

PHILIPPINES

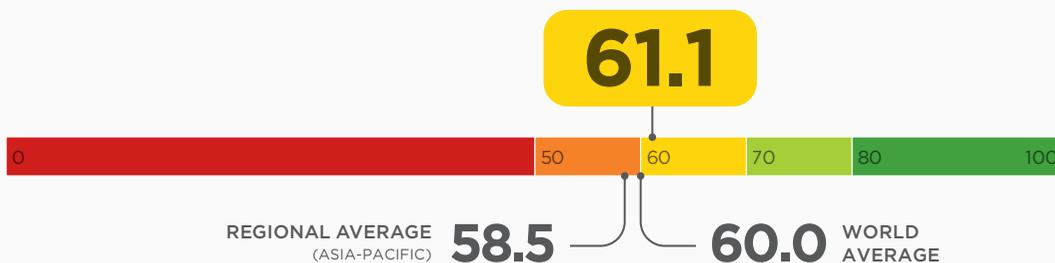
The Philippines' economic freedom score is 61.1, making its economy the 80th freest in the 2022 *Index*. The Philippines is ranked 15th among 39 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

Economic growth in the Philippines slowed from 2017 through 2019, turned negative in 2020, and rebounded in 2021. Over the same five-year period, economic freedom has slipped. Dragged down by decreased scores for **fiscal health** and **monetary freedom**, the Philippines has recorded a 4.5-point overall loss of economic freedom since 2017 and has fallen to the bottom ranks of the "Moderately Free" countries. The **tax burden** is not heavy, and **trade freedom** is a bright spot, but **judicial effectiveness** and **government integrity** exhibit weaknesses.

IMPACT OF COVID-19: As of December 1, 2021, 48,712 deaths had been attributed to the pandemic in the Philippines, and the government's response to the crisis ranked 11th among the countries included in this *Index* in terms of its stringency. The economy contracted by 9.5 percent in 2020.



ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +6.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
109.6 million

GDP (PPP):
\$919.4 billion
-9.5% growth in 2020
5-year compound annual growth 3.4%
\$8,452 per capita

UNEMPLOYMENT:
3.4%

INFLATION (CPI):
2.6%

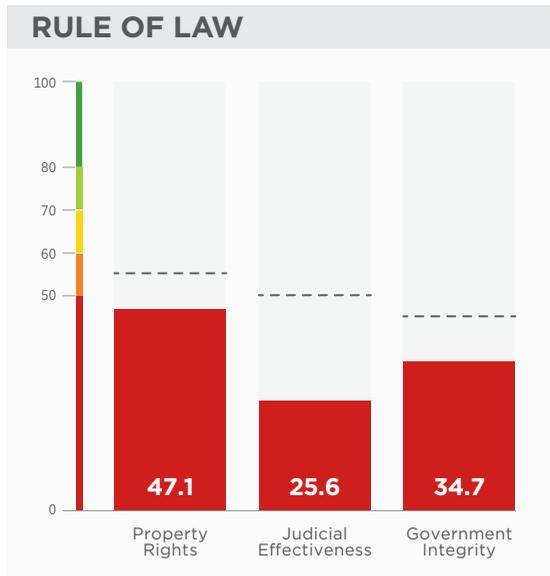
FDI INFLOW:
\$6.5 billion

PUBLIC DEBT:
47.1% of GDP

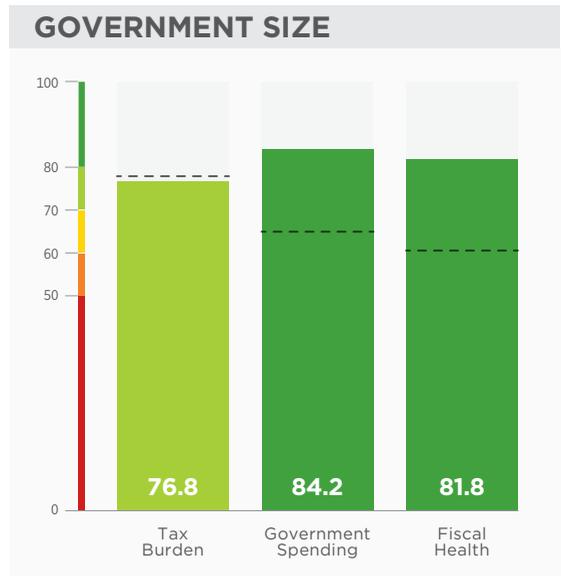
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: A former colony of Spain and then of the United States that is spread over 7,000 linguistically diverse Western Pacific islands, the Philippines became a self-governing commonwealth in 1935. President Rodrigo Duterte, whose term ends in 2022, has consolidated power by marginalizing his opponents. The brutality of his crackdown on illegal drug trafficking reflects authoritarian tendencies. Duterte was strengthened politically when his allies swept the 2019 midterm Senate elections. To improve economic relations between the two countries, Duterte has downplayed tensions between the Philippines and China. Agriculture is still a significant part of the economy, but industrial production in such areas as electronics, apparel, and shipbuilding has been growing rapidly. Remittances from overseas workers are equivalent to 10.5 percent of GDP.

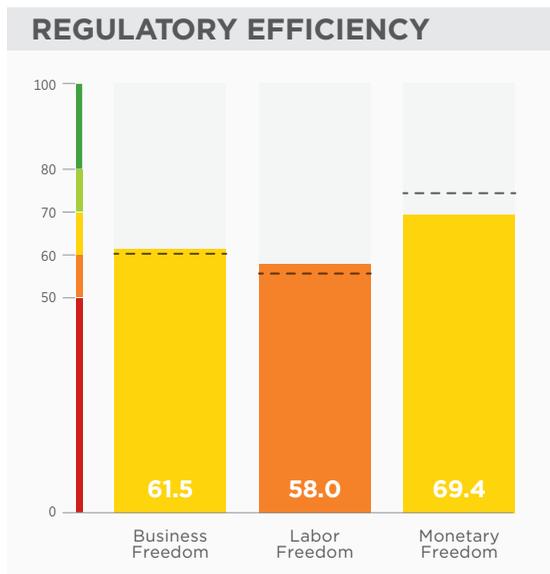
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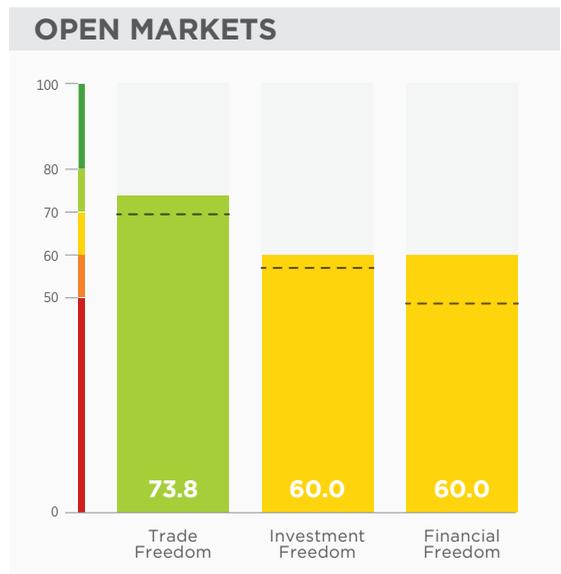
The law recognizes property rights, but enforcement is weak and fragmented. Land administrators are often corrupt. Courts are inefficient, biased, corrupt, slow, and hampered by low pay, intimidation, and complex procedures. At least 61 lawyers, judges, and prosecutors reportedly have been killed since 2016. Corruption and cronyism are pervasive. There is little accountability for powerful politicians, big companies, or wealthy families.



The top individual income tax rate has been raised to 35 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 14.0 percent of total domestic income. Government spending has amounted to 23.0 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.9 percent of GDP. Public debt is equivalent to 47.1 percent of GDP.



Weak infrastructure, unaffordable power costs, shabby broadband, and inconsistent regulations tend to make business ownership a challenge. Minimum wage standards and payments of social security contributions, bonuses, and overtime as stipulated by law are often ignored. In 2020, the OECD estimated that government agriculture subsidies amounted to nearly 27 percent of gross farm receipts.



The Philippines has 11 preferential trade agreements in force. The trade-weighted average tariff rate is 5.6 percent, and 285 nontariff measures are in effect. Foreign investment is generally welcome, and the investment code treats foreign investors the same as it treats domestic investors. However, investment in several sectors remains restricted. The financial sector, dominated by banking, is relatively stable. Capital markets are underdeveloped.