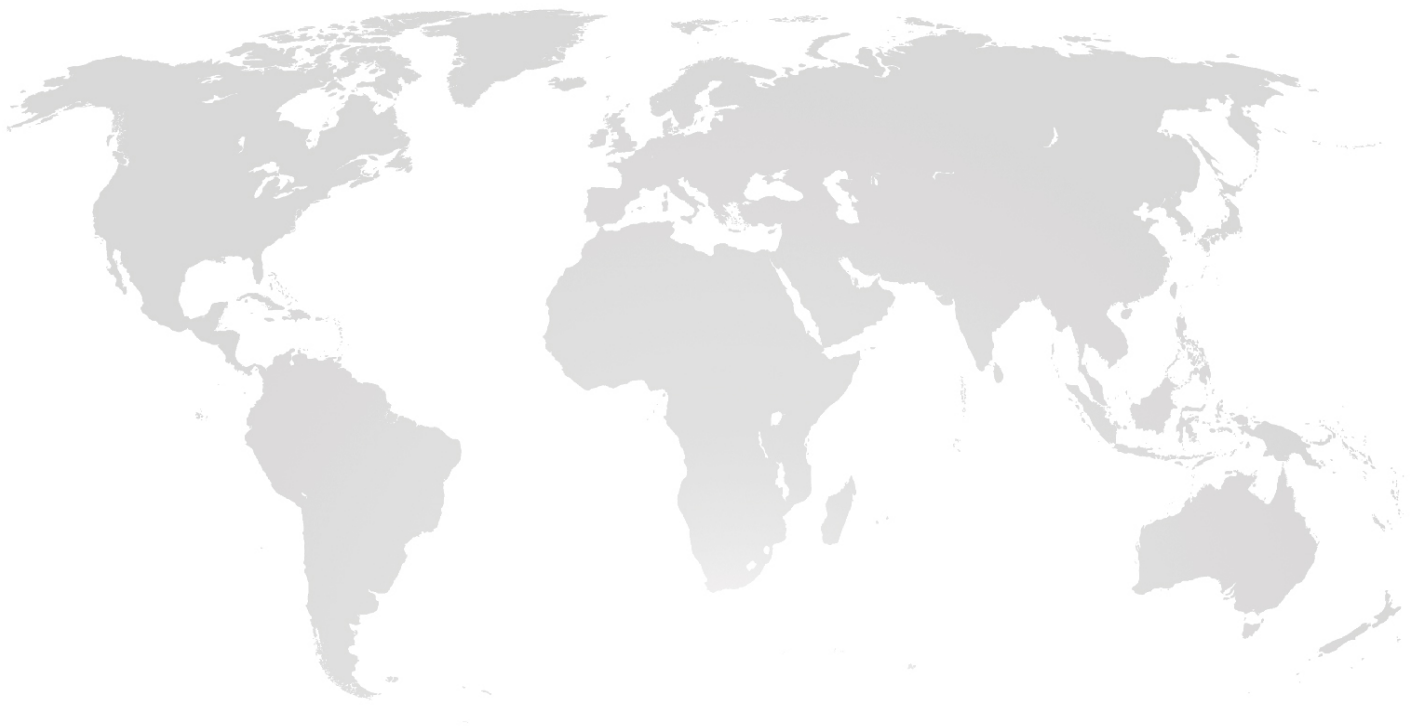


Country Insight Snapshot

Philippines

October 2015





OVERVIEW

OVERALL COUNTRY RISK RATING: DB4B

Moderate risk: Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

A

Rating Outlook:

Stable



CORE OUTLOOK

- + With a population of almost 100m people, the Philippines has large domestic market potential.
- Restrictions on hiring foreign workers necessitate a factoring in of the cost of training on the job.
- The influence of oligarchs/conglomerates prevents new businesses from entering the marketplace and thus constrains competition.
- Export hurdles include high costs or delays caused by domestic transportation, as well as burdensome import procedures.

KEY DEVELOPMENT

Growth opportunities abound in services, industry and agriculture as demographics and economic structure are supportive of long-term growth, but critical infrastructure needs upgrading.

CREDIT ENVIRONMENT OUTLOOK

G

Key Development has had a positive impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

R

Key Development has had a positive impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Key Development has had a positive impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

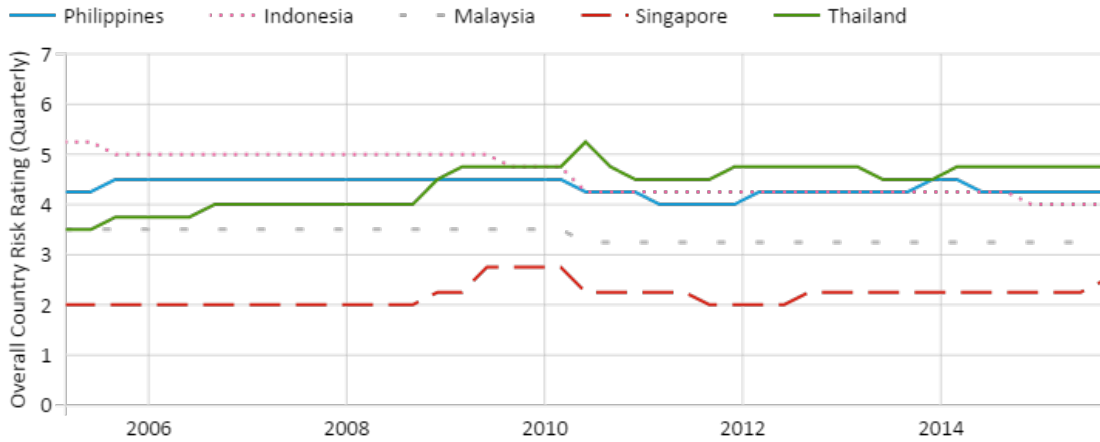
A

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

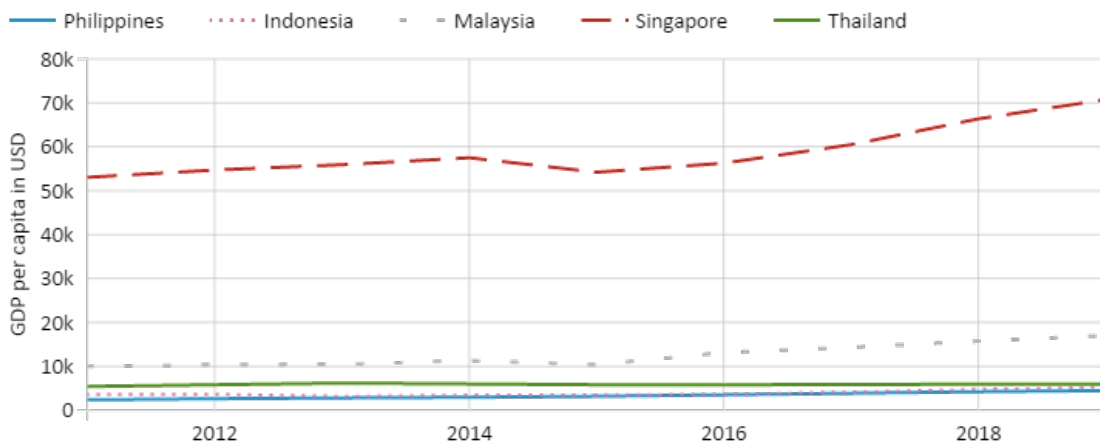
Rating History and Comparison



Source : Dun and Bradstreet

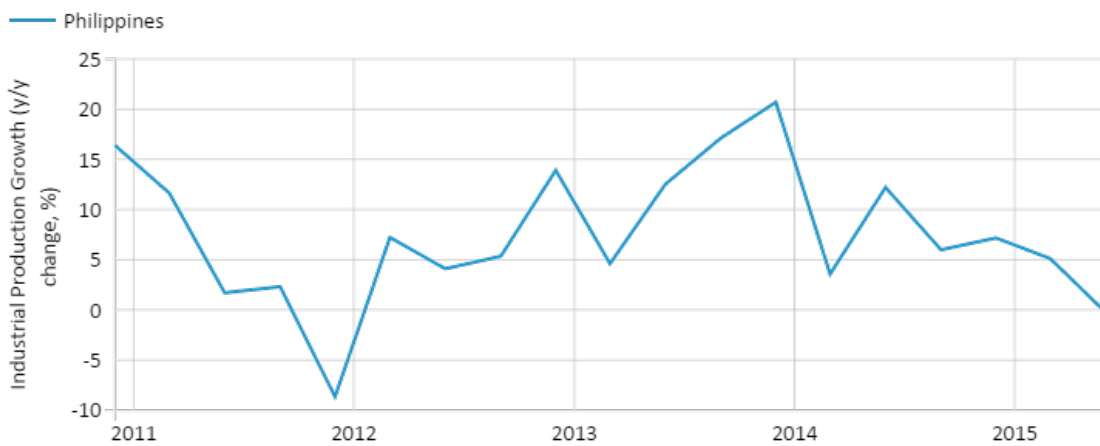
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : D&B

Industrial Production Growth (Quarterly)



Source : National Statistical Offices / Haver Analytics



Economic Indicators

Indicator	2012	2013	2014	2015f	2016f	2017f	2018f	2019f
C/A balance % GDP	2.8	4.2	3.8	4.1	3.4	3.6	3.0	2.6
FX reserves (yr-end, USDbn)	73.5	75.7	80.0	83.9	87.5	91.7	95.6	99.2
Govt balance, % GDP	-2.3	-1.4	-0.6	-1.2	-2.0	-2.0	-1.6	-1.6
Inflation, annual avge %	3.1	3.0	4.2	2.8	3.6	3.0	2.9	2.7
Real GDP Growth, %	6.7	7.3	6.1	5.8	6.2	6.5	7.0	7.0

Source : Haver Analytics/D&B

TRADE AND COMMERCIAL ENVIRONMENT

As of end-September, FX reserves in the Philippines stood at USD80.5bn, sufficient to cover 10.3 months of imports, multiple times the IMF-recommended 3.0-month minimum, and 4.5 times the country's short-term external debt, based on residual maturity. The country's ample FX reserves and robust economic growth are contributory factors to our decision to maintain LC as both minimum and recommended terms. Meanwhile, there are now three main candidates for the presidential elections due in May 2016: Jejomar Binay, Grace Poe and Manuel Roxas. Roxas is the most likely to continue with Acquino's policies and reforms, but all three candidates are broadly pro-business and liberal. Opinion polls name Poe as the favourite to win.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: LC

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: LC

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-60 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

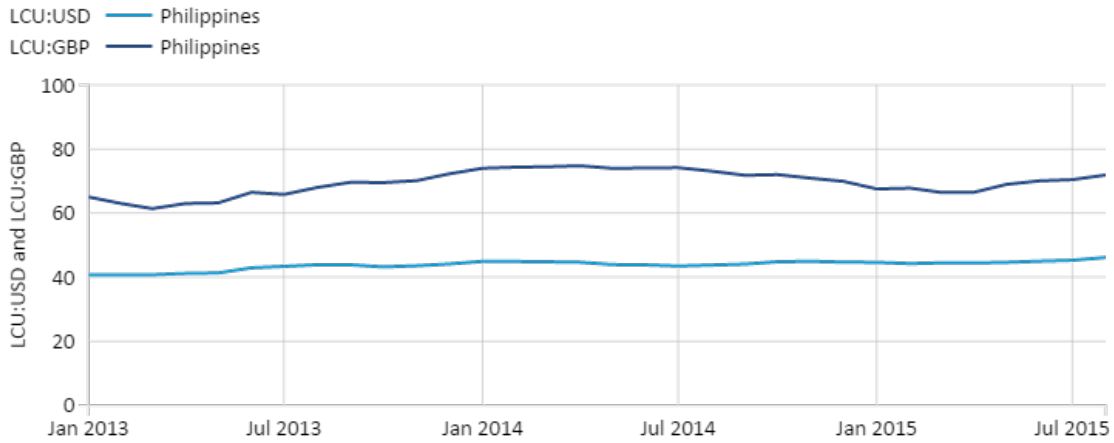
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-2 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



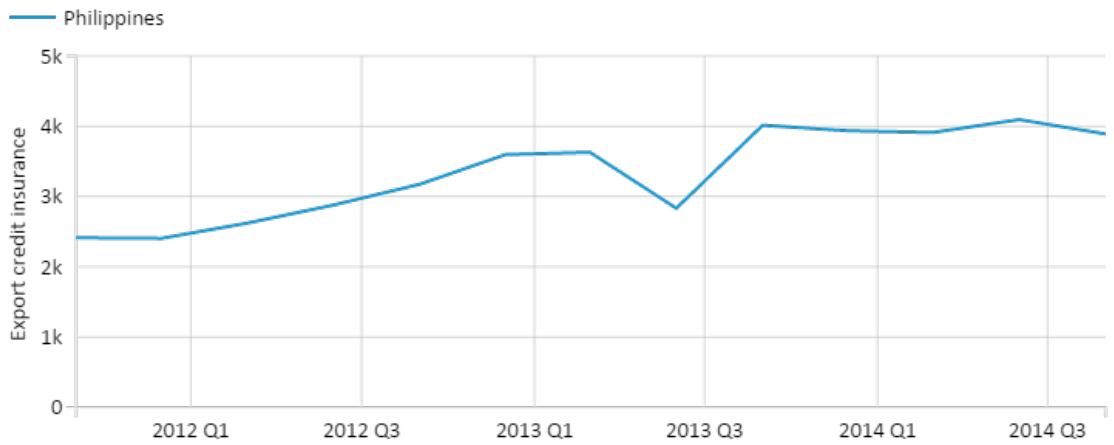
Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

LCU = Local Currency Unit

Credit Conditions



Source : Haver

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Long-Term Economic Potential

Demographics support future high growth

The Philippines has a diversified economy with a dominant service sector, a solid industrial sector, and diminishing commodities exposure. It is also in the enviable position of combining high growth with current account surpluses (rapidly developing countries usually accumulate external deficits). In terms of regional variation, Cebu has a more distinctly industrial economic profile than the rest of the country. Cebu has grown far quicker than the national average, and it has a younger, better-educated and English-speaking population. Apart from the rapidly growing sectors of ship-building, electronics and furniture, another growth opportunity in Cebu is services requiring high technological inputs, such as medical research, telecommunications and engineering (nationally, services are thriving, but mostly at the low value-added end), where the high level of local technological know-how would be a competitive advantage. As demographic trends show that the Philippines will still retain a labour surplus decades from now, wages should remain competitive.

Nationwide, there are major growth opportunities in support industries to the electronics sector, utilities (water supply, storm water and sewerage management systems), and in tourism. The Philippines has huge unrealised tourism potential; its own improved reputation (for political stability, security etc) will coincide with an increase in Chinese tourists. Agriculture is another high-growth area: the government is expanding its support, while the historically low investment rates in agriculture, and the lack of technology transfers mean that productivity and output can rocket. Generally, there is a lot of scope for higher investment (the Philippines is a regional laggard in FDI terms), and subsequently higher growth.

The real estate sector poses a medium-to-long term risk to growth. Rapidly growing countries invariably attract foreign capital that seeks high, quick returns. In the Philippines this is exacerbated by the large remittances that flow into the country; once incomes rise and the middle class expands, remittances are likely to fuel a real estate bubble rather than support domestic consumption.

Business Environment Quality

Infrastructure upgrades are in the pipeline

The main limit to growth is the country's poor and overburdened infrastructure (this is true of regional star Cebu as well). Manila airport ranks as one of the worst in the world, and the ports and the main roads are among the most congested. Companies that are interested in a long-term presence in the Philippines are advised to factor infrastructure upgrades into their plans; for instance, this year the government tendered the largest public-private partnership project, the south line of the North-South Railway project (both lines are scheduled to be operational by 2021). The government is preparing a tender for the modernisation of Manila airport, and authorities are building a new terminal at Clark International Airport north of Manila. Cebu will have a new international airport by 2017.



COUNTRY PROFILE AND STATISTICS

Overview

The Philippines consists of an archipelago in Southeast Asia. Since achieving independence from first Spanish, then US, colonial rule in 1946, it has suffered both from dictatorship (1972-86) and political instability under a succession of weak democratic governments.

The Philippines has consistently failed to live up to its significant economic potential, with poverty still endemic and the country's most notable export being its well-educated, English-speaking workforce (whose remittances provide a sizeable contribution to the economy). There has been an improvement in macroeconomic performance in recent years, aided by the global trend towards a declining cost of borrowing, which has helped to reduce state debt-servicing. However, the underlying oligarchic structure of Philippine society, which severely limits the tax base, still remains intact.

Corruption is a major problem, as is a violent separatist conflict in the Muslim-majority south that occasionally spills over into the capital, Manila.

Key Facts

Key Fact	Detail
Head of state	President Benigno Simeon AQUINO
Capital	Manila
Timezone	GMT +08-00
Official languages	English, Filipino
Population (millions)	98
GDP (USD billions)	288.3
GDP per capita (USD)	2,941
Life expectancy (years)	68
Literacy (% of adult pop.)	92.6
Surface area (sq km)	300,000

Source : UN / Haver Analytics / D&B

Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	7.63	3.7	6.8	7.16	6.15
Nominal GDP in USDbn	199.59	224.77	250.18	272.31	288.26
Nominal GDP in local currency (bn)	9,003	9,736	10,565	11,546	12,799
GDP per Capita in USD	2,140	2,370	2,617	2,802	2,941
Population (year-end, m)	93.26	94.85	95.6	97.2	98
Exchange rate (yr avge, USD-LCU)	45.11	43.31	42.23	42.4	44.4
Current Account in USDbn	7.18	5.65	6.95	11.38	12.65
Current Account (% of GDP)	3.6	2.51	2.78	4.18	4.39
FX reserves (year-end, USDbn)	55.36	67.29	73.5	75.7	80
Import Cover (months)	10.11	10.83	10.7	12	9.9
Inflation (annual avge, %)	3.9	4.6	3.1	3	4.2
Govt Balance (% GDP)	-2.4	-0.4	-0.6	-0.1	-0.2

Source : D&B



Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	5.8	6.2	6.5	7	7
Nominal GDP in USDbn	314.5	351	390.3	429.8	461.3
Nominal GDP in local currency (bn)	14,026.0	15,445.0	16,784.0	18,050.0	19,375.0
GDP per Capita in USD	3,177	3,511	3,866	4,214	4,479
Population (year-end, m)	99	100	101	102	103
Exchange rate (yr avge, USD-LCU)	44.6	44	43	42	42
Current Account in USDbn	13	12	14	13	12
Current Account (% of GDP)	4.13	3.42	3.59	3.02	2.6
FX reserves (year-end, USDbn)	83.9	87.5	91.7	95.6	99.2
Import Cover (months)	10.17	9.72	8.58	8.15	7.91
Inflation (annual avge, %)	2.8	3.6	3	2.9	2.7
Govt Balance (% GDP)	-1.2	-2	-2	-1.6	-1.6

Source : D&B

Comparative Market Indicators

Indicator	Philippines	Indonesia	Malaysia	Singapore	Thailand
Income per Capita (USD)	2,941	3,366	11,314	57,499	5,986
Country Population (m)	98	254.5	30.4	5.5	67.7
Internet users (% of population)	39.7	17.1	67.5	82	34.9
Real GDP Growth (% p.a., 2015 - 2024)	4.5 - 5.3	5.3 - 6	3.5 - 4.5	4 - 5.5	3.5 - 4

Source : D&B



LINKS

User Guide

Please [click here](#) to visit our online user guide.

Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

Dun & Bradstreet provides information relating to more than 240m companies worldwide. Visit www.dnb.com for details. Additional information relevant to country risk can be found in the: *International Risk & Payment Review* : Provides timely and concise economic, political and commercial information and analysis on 132 countries. Available as a subscription-based internet service (www.dnbcountryrisk.com) and monthly update journal, the IRPR carries essential information on payment terms and delays. It also includes the unique D&B Country Risk Indicator to help monitor changing market conditions.

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.