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**Q&A**

When lined up with India, China and Vietnam, the Philippines appears to be well positioned for the long term.

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Singapore remains the Philippines' largest Southeast Asian trading partner, with total trade amounting to US\$9.358 billion in 2007. Imports from Singapore totaled US\$6.219 billion.

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**The Philippines: Strong Labour Market and Trade Opportunities**

Philippine gross domestic product (GDP) reached 7.3 percent in 2007, a three-decade high. While the country's GDP growth is forecast to slow in 2008, trade and investment opportunities continue to arise.

Domestic consumption accounts for more than 70 percent of the country's GDP. With a young and rapidly growing population, domestic consumption can be expected to remain as one of the major drivers of economic growth in the Philippines.

In addition, the home-bound remittances of approximately eight million overseas Filipino workers (OFWs) have played an increasingly important role in boosting consumption.<sup>1</sup>

**Growth from Exports**

Because the United States is the Philippines' largest export market, recent turmoil in the US economy is expected to affect the Philippines' growth. The Economist Intelligence Unit (EIU) has in fact lowered its 2009 growth forecast for the Philippines to 4.2 percent last month.

However, Philippine exports will find support from Asian economies, as EIU forecasts economic growth in most parts of Asia to remain relatively strong in the midst of the US slowdown.<sup>2</sup>



In the first half of 2008, Singapore emerged as the Philippines' fourth largest trading partner, with total trade amounting to \$4.75 billion or 8.6 percent of total trade. The Philippines' major exports to Singapore included electronic products and petroleum products, while mineral fuels, lubricants and also electronic products topped the list of imports from Singapore.<sup>3</sup>

**Offshoring and Outsourcing**

The Philippines has become one of the major global destinations for offshoring and outsourcing (O&O) operations in only a few short years. Suitable labour market, quality infrastructure and conducive business environment are key factors that make the country attractive to the O&O sector.

Arguably the most attractive of these factors is the country's large and highly skilled labour force, refreshed annually by half a million college graduates. The Philippine workforce, most of whom are fluent in English, cover a range of disciplines that are well-suited to the O&O industry. Almost 150,000 students graduate from business-related courses yearly, while another 100,000 graduate from engineering or information technology (IT) programmes.<sup>4</sup>

**Business Environment Highlights<sup>5</sup>**

- **Foreign Investment** - Greater access for foreign investment is expected to occur on a case-to-case basis, rather than through a revision of legislation.
- **Foreign Trade** - The Philippines maintains liberal exchange rate and is working to reduce tariffs under the ASEAN Free-Trade Area. Domestic political pressures, however, slow down the process.
- **Labour Market** - As previously mentioned, an English-speaking workforce makes the Philippines a contender in business-process outsourcing. In addition, a high unemployment rate caused by rapid population growth ensure that real wage rises remain modest.
- **Infrastructure** - Budgetary constraints restrict the scope of new capital projects. However, liberalisation in the power sector offers fresh opportunities for investment.

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1. Business Monitor Online, "*BMI View - Philippines*", 15 September 2008
2. Economist Intelligence Unit, "*Country Forecast: Philippines*", September 2008
3. National Statistics Office (Philippines), "*Foreign Trade Statistics of the Philippines: First Semester 2008*", 26 September 2008
4. Business Processing Association of the Philippines, "*Why the Philippines?*"
5. Economist Intelligence Unit, "*Country Forecast: Philippines*", September 2008

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