An indroduction of the philippines economics essay

The Philippines is an island nation located in the Malay Archipelago in Southeast Asia. It has 7107 islands. And has a total area of 300000 square kilometers.

At the north side of Philippine the Taiwan is located. At the east side the Pacific Ocean, Indonesia and Malaysia at the south and South China Sea at the west.

The capital city of Philippines is manila which is located in the island of Luzon at the northern part. The total population of Philippines is 98 million. The climate of Philippines is tropical.

The culture of Philippines is influenced by Spanish and Chinese. Most of the people having also Spanish surnames. It has generally west European culture, people of Philippines are Christian. Islam is more popular in island of Mindanao.

The Philippines has developing economy with agricultural and service sector base. The poverty line is 40% it means 40% of the population remain be poor. The large trading partners' of the Philippines are the US and Japan.

Philippines is a presidential unitary republic with the president at the apex, as the head of state, the head of government and the commander in chief of the armed forces. He is elected by popular vote, every 6 years. Government policies are design to promote industrial development.

1. 1 ECONOMICAL ENVIRONMENT :

Economic environment of business has reference for economic systems to operate the business. The business sectors also continue economic relations with govt, capital market, worldwide and households sector. It would affect the trends and formation of the economy. The outer factors that influence with the following points.

Economic Conditions :-

The economic circumstances are safe in the country. Per capita income, national income, allocation of income and assets, Economic resources, economic growth etc are also affected to prepared the business strategies. Economic growth and business cycle are easily defined the economic environment.

System :-

The economic system also impact on business endeavor. Economic system of a Philippines also considered socialist, capitalists, mixed or communist.

Economic Policies :-

The government also decided budgets, economic planning, economic industrial regulation, law of business. Industrial guidelines to control on price and wages, trade and transportation polices the size of national income, demand and supply of different merchandise.

Economic Growth :-

The economic growth impacts the strategies of business. It helps in rising the economic growth and expenses in consumption. It provides opportunities to the industries for the expansion.

v. Currency Exchange :-

Current exchanges have direct impact on the environment of business. The rupee was devalued in1991. The Indian products cheaper in the world market and boost exports of India.

ECONOMIC CONDITION

2. 1 GDP of Philippines :

The GDP growth rate provides an aggregated measure of changes in value of goods and services produced by an economy.

The GDP growth rate of Country from 1998 to 2012 is average 1. 08%. The domestic economy accelerated in the second quarter of 2012 to 5. 9% from 3. 6%. The earlier year boosting the first semester growth to 6. 1% from 4. 2%. The resilient Services sector remained the main driver of growth supported by the sustained growth of manufacturing and the return of construction.

Philippines is a recently industrialized country in the Southeastern Asia. The most important industries of Philippines are food processing, textiles and garments, automobile parts and electronics. Philippines have also treasury of chromites, nickel, copper, coal and newly discovered oil.

Philippines GDP Growth Rate

This chart is all about the past data for Philippines growth rate.

[Source: http://www. nscb. gov. ph/sna/2012/2nd2012/2012qpr2. asp]

2. 2 Per Capital Growth in Philippines :

In 2011, it was at 1. 98% in Country and it was published by World Bank report in 2012. The Growth rate of GDP per capital depends on continuous local currency. The GDP Divided by Mid Year Population.

The GDP of Purchasing Price is total of all resident products in economy (+) product taxes & (-) any subsidies which is not included in value of the product. This is calculated without making deduction for depreciation of fictional assets. It includes a chronological chart, news and estimate for GDP. In Southeastern area of Philippines is newly industrialized country. Philippines Predicting food processing Textiles and Garment, Electronic and automobile parts and also significant reserve of Chromate, Nickel, Copper, Coal and Recently Discovered Oil.

[Source: http://www. kedingeconomics. com/philippines/GDP. Per. Capitagrowth. Annual. Percentwb. data. html]

2. 3 PPP Philippines :

Philippine has long familiarity with public-private partnership, initiatives and serves as future investment with aggressive PPP promotion. The Government is to attract private partners to invest only in traditional infrastructure Projects like Power, Transportation and Water Sectors and in Non-Traditional Infrastructure similar to information and communications technology, health and property development.

The Partnership addressed in 1990s and it help out to improve road network quality, transport linkages and social Services.

[Source: http://www. ppp/gove. ph/]

2. 4 International Reserve :

County's beginning gross global reserve is significantly increased up to US $79. 3 Billion in July. BSP Governor Amando Letangco said that foreign reserve were US $3. 2 Billion higher than GIR of US $76. 1 Billion,

The Level of GIR Increased in end of July, Due to Foreign exchange operations. The funds of the Country are deposited in foreign currency. The Philippines acquire income from investment in a foreign country of the BSP and gain revolution on BSP gold holdings arising from increase in price of Gold in global Market.

The Import of goods and payment of services and income adequately cover in 11. 7 months and also corresponding 10. 7 times. Philippine's short term outer debt based on original maturity.

[Source: http://www. sunstar. com. ph/breadkingnews/201208/]

ECONOMY OF PHILIPPINES

Population : 95. 9 Million

GDP (PPP) : $351. 4Billion

: 6. 1% growth in 2012

: 5. 5% 5-year compound annual growth

: $4, 700 per capita

Unemployment : 7. 3%

Inflation (CPI) : 3. 60%

FDI Inflow : $1. 7 billion for 1st Half Quarter

1 Peso : 1. 3134 Rupee and 0. 0243 Dollar

The Philippines ranks 19thout of 41countries in the Asia Pacific region. And 44th the biggest economy on the earth. According to HSBC estimates. The stock market is one of the best performers in the region. The peso reached a 4 year high against the dollar about the same time.

Economy has been on a solid path of economic expansion. The govt. has pursued a series of governmental reforms to increase the industrial environment and build up private sector for reduce unemployment. But regulatory efficiency has been not improved. And over last 5 year the economy has been develop at average annual rate of 5%.

Rule of Law :

The rule of law is not on level and authorized structure is poor in independence and efficiency. The judiciary is independent but there is political interference. There is some progress due to government anti corruption efforts to eliminate corruption and fix efficiently.

Limited Government :

Government spending Spurs on 6. 4% growth in 1st Quarter.

Taxable

Income

Tax Rate

More than

But less than

0

P10, 000

5%

P10, 000

P30, 000

P500 + 10% of the Excess over P10, 000

P30, 000

P70, 000

P2, 500 + 15% of the Excess over P30, 000

P70, 000

P140, 000

P8, 500 + 20% of the Excess over P70, 000

P140, 000

P250, 000

P22, 500 + 25% of the Excess over P140, 000

P250, 000

P500, 000

P50, 000 + 30% of the Excess over P250, 000

P500, 000

P125, 000 + 32% of the Excess over P500, 000 in 2000 and onward

Corporate tax rate is 30% and Regional are taxed at 10% on taxable income. The VAT an environmental tax with overall tax is 12. 8% of total domestic income. If any taxpayer fail to pay VAT component in the sales invoice or official receipts shall be penalized as :

Fine of not less then P1, 000 but not more than P50, 000 and

Suffer custody of not less than 2 but not more than 10 years.

Regulatory Efficiency :

The business regulatory environment has improved considerably. Although launching a business still takes more than the world averages of seven procedures and 30 days, the overall process has become less costly. The time and cost involved in dealing with licensing requirements have been notably reduced. The labor market remains structurally rigid, but existing regulations are not particularly burdensome. Inflation is modest.

Open Market :

The trade weighted average tariff rate is 4. 8 percent, and layers of non-tariff barriers further

inhibit more dynamic gains in trade. Despite a strong desire to attract longer-term foreign

investment, systemic inefficiency exacerbated by heavy bureaucracy discourages dynamic

growth in investment. The financial sector, which is gradually modernizing, remains relatively

stable and sound.

[http://www. heritage. org/index/pdf/2012/countries/philippines. pdf]

ECONOMIC POLICIES

4. 1 Monetary Policy

The international Monetary Fund will look into the country's progress on the monetary and fiscal policy and assess the 2 year old Aquino administration by short staff visit which is commence. The most accurate forecasters agree on that Monetary authorities are trying to control foreign investment in the Peso arguing that Asia's best performing currency has strengthened too much.

The economic momentum has built up from decreasing of monetary policy may boost the country is growth in2012 is 5. 8% and up to 7 % is 2013. And the govt.'s success in containing the budget deficit has been given monetary authorities considered liberty. In 2011 the govt. incurred a budget deficit of 197. 8 billion which was less than two third of 2010.

The size of economy in overspending in 2011 comprised only 2% less than 3. 5% recorded in2010. The debt stock of 2011 settled at P4. 95% trillion or 50. 9% of gross domestic.

[http://business inquirer-net/49369/bsp-monetary-policy-expected-to-push-up-ph-economy]

4. 2 Fiscal Policy :

The Philippines' long term foreign currency credit rating raised from BB to BB+. It kept rating outlook at stable.

According to Presidential spokesman Ricky Carandang the Philippines can still afford to undertake public spending without put in to danger its overall financial position. And the govt. doesn't want a strong peso to delay competitiveness of exports. The Philippines economy grew by 6. 4% in 1st quarter, it is one of the highest in Asia and upgrade is a vote of confidence for the country.

According to finance secretary Cesar V Purisima, that this gives more confidence to continue with the work towards macroeconomic stability, fiscal sustainability and inclusive economic growth.

[http://www. philstar. com/Artical. aspx? article Id= 824407 & publication Sub Category Id=]

4. 3 Deficit Policy :

The Financial Secretary Cesar Purisima said that the govt. spent P19. 90 billion and the deficit was manageable, expressing, confidence the full year fund shortfall would staying within 2. 6% of GDP or P279 billion.

The govt. continued rise in revenue collections so that the fiscal position remains under control. So this wide fiscal space will gives the advantage to finance infrastructure projects and social programs that curb poverty and promote equality.

Jan-May deficit P22. 79 billion. The govt.'s self imposed 1st half ceiling of P109. 34 billion and it spent P668. 43 billion in 1st five month of year up 13. 1% compared to last year. And revenues reached P645. 64 billion.

For May revenue grew 9. 4% to 131. 4 billion while spending reached P151. 3 billion. Purisima said that the govt. is committed to reach its 5. 6% growth in 2012 and recorded 6. 4% expansion in 1st three month.

The Philippines suffered a P 197. 8 billion budget deficit last year which is equivalent to 2% of GDP.

[http://business-inquirer-net /67459/Philippine-budget-deficit-shoots-up]

4. 4 Foreign Trade Policy :

According to the Global Enabling Trade Report 2012, the rank of Philippines is 72nd out of 132 countries. It measured the factors, policies, services, areas of market access, border administration transport and communication infrastructure and business environment.

In the area of market access the Philippines jumped 14 from 64 and in terms of efficiency of import-export procedure it looks 48 spot from 55. And access to imported inputs at competitive prices identifying potential market and buyers corruption at the border and other concerns it places 62 out of 132 countries.

The trade chief attributed the country's improvement in ranking to the debt of Trade and Industry's effort to facilitate trade across borders like the Doing business in Free Trade Areas an awareness campaign has aimed to help stakeholders into understand new markets and instruments like free trade agreement.

It reforms to improve the ease of doing business in country through the Philippines. Business Registry (PBR) and Business permits and license streamlining (BPLS) programs for local govt.

[http://businessinquirer-net/63369/Philippines-climbs-20-nitches-up-in-business-destination-ranking]

4. 5 Balance of Payment :

The inflow of foreign currency exceeded than the outflow in Feb and Philippines balance of payments hitting a surplus of $588 million.

BOP is recorded of the country's commercial transaction with the rest of world. It helps beef up the country's total reserves of foreign exchange or gross international reserves (GIR). It stands at a record high of $78 billion.

According to economist the unfavorable global economy that investors have tendency to pull out funds from emerging markets like Philippines. So it create depreciation pressures on local currencies. But with enough reserves of foreign exchange the Bangko Sentral ng philipines can buy pesos and reduce its depreciation and it will hit a surplus of at last $2. 8 billion by end of 2011.

Due to increase in employment in US an economist said that it would lead to increase in demand for imported goods from Philippines.

[http://bus. inquirer. net/50127/bsp-balance-of-payment-stood-at-surplus-in-feb]

GLOBAL & INTERNATIONAL ECONOMICAL GOVERNMENT

5. 1 Import :

Philippines import were worth 5101 million USD in June of 2002 until 2012, Philippines averaged imports 4155. 20 million USD reaching an all time high of 5848. 00 million USD in July of 2008 and low record of 2226. 00 million USD in January of2002. Philippines imports mostly considered electronic products, mineral fuel, industrial machinery and equipment, transport equipment, lubricants, steel and iron. Mostly import partners are Japan, china, Singapore, South Korea, United States. Here we include the chart with historical data for Philippines import.

Philippines Imports

[http://www. tradingeconomics. com/philippines/imports]

Export :

Philippines exports were worth 4314 million USD in June of 2012. From 2002 until 2012, average export of Philippines 3681. 10 million USD reaching an all time high of 5325. 00 million USD in September of 2010 and record low of 2506. 00 million USD in February of 2009. Major exporter of electronic products like processors, chips, and hard drives (more than 50% of total exports revenue) and other major exports include apparel and clothing accessories, wood crafts, coconut oil and furniture. Philippines major export partners are United States, Singapore, Japan, Hong Kong, china. This page includes a chart with Philippines historical data of Philippines exports.

Philippines Exports

[http://www. tradingeconomics. com/philippines/exports]

5. 2 Corporate Income Tax :

The domestic and foreign resident corporation's income tax rate in Philippines is 30%, based on net taxable income. Domestic company payable company tax on all income derived from sources outside and within the Philippines. Foreign corporations, whether resident or non-resident are taxable on income derived from sources within the Philippines.

Non resident foreign corporations are , in certain circumstances, subject to a final withholding tax on passive (investment) incomes at rates higher than the applicable tax rates applying to domestic and foreign resident corporations. Resident companies are created or organized under the law of

Philippines or foreign companies licensed to engage in business or trade in the Philippines.

The corporate income tax rate for domestic and foreign resident corporations is 30%, income tax excluded from are dividend received from domestic corporations, interest on Philippines currency bank deposits and other monetary benefit from deposits substitutes and trust funds and arrangements and final taxes, interest income derived from the foreign currency deposits is include final tax of 7. 5% , other interest earned by domestic and foreign resident corporations is included 20% final withholding tax.

Special economic tones enterprises registered with economic tone authority are taxed at the rate of 5% on gross income in lieu of national and local taxes and real property tax. Gross sales or gross revenue derived from the business activity within the Ecozens, sales returns, net of sales discount and allowances less the cost of sales or direct costs but before deduction made for expenses of administrative and losses during the taxable period.

[http://www. quezoncity. gov. ph/index. php? option= com_content&view= article&id= 226&Itemid= 347]

India

2005-36. 59 2006-33. 66 2007-33. 99 2008-33. 99

2009-33. 99 2010-33. 99 2011-32. 44 2012-32. 44

The corporate tax rate is 32. 445% . Domestic companies tax rate is 30%, profits from life insurance business in India are taxed at the rat of 12. 5%. foreign companies are taxed at the rate of 40%. A minimum alternate tax (MAT) is levied at 18. 5% of adjusted profit of companies. The tax payable is less than 18. 5% of book profits. Dividend distributed from domestic company. Surcharge and education cess is above taxes is applicable. 5% surcharge in case of foreign companies is applicable. The total income is in excess of INR 10 million. Education cess of 3% is applicable on income tax plus surcharge wealth tax is imposed at a rate of 1% on the value of specified assets held by the tax payer in excess of basic exemption of INR13million. transaction tax of securities transactions in equity shares and units of equity oriented funds.

[http://www. kpmg. com/global/en/whatwedo/tax/tax-tools-and-resources/pages/corporate-tax-rates-table. aspx]

HOW ECONOMIC ENVIRONMENT OF PHILIPPINE AFFECTS INTERNATIONAL BUSINESS?

The Philippines has certainly had a steady flow of positive economic news recently. On July 4, Standard & Poor’s raised the country’s debt rating to just below investment grade, the highest rating for the country since 2003 and equivalent to that of Indonesia.

The Philippines is the 44th-largest economy in the world today, according to HSBC estimates. But if current trends hold, it can leap to the No. 16 spot by 2050. The Philippine stock market, one of the best performers in the region, closed at a record high after the recent S.& P. rating upgrade, and the country's currency, the peso, reached a four-year high against the dollar at about the same time.

With $70 billion in reserves and lower interest payments on its debt after recent credit rating upgrades, the Philippines pledged $1 billion to the International Monetary Fund to help shore up the struggling economies of Europe.

The gross domestic product of the Philippines grew 6. 4 percent in the first quarter, according to the country's central bank, outperforming all other growth rates in the region except China's. Economists expect similarly strong growth in the second quarter.

" We have made a very bold forecast for the Philippines, but I think justifiably so," said Frederic Neumann, a senior economist at HSBC in Hong Kong.

A high population growth rate, long considered a hindrance to prosperity, is now often seen as a driving force for economic growth. About 61 percent of the population in the Philippines is of working age, between 15 and 64. That figure is expected to continue increasing, which is not the case for many of its Asian neighbors, whose populations are aging.

6. 1 Trade & Economy :

The GDP per capita growth (annual %) in Philippines was last reported at 1. 98 in 2011, according to a World Bank report published in 2012. Annual percentage growth rate of GDP per capita based on constant local currency. GDP per capita is gross domestic product divided by midyear population.

GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. This page includes a historical data chart, news and forecats for GDP per capita growth (annual %) in Philippines. Philippines is a newly industrialized country in the Southeastern Asia. The nation's most important industries are food processing, textiles and garments, electronics and automobile parts. Philippines also has significant reserves of chromite, nickel, copper, coal and recently discovered oil. In addition, the Philippians economy relies on remittances as a source of foreign currency.

philippines gdp per capita growth annual percent wb data

6. 2 Domestic Price :

The Philippine domestic economy shrunk to 3. 7 percent in 2011, after a stellar growth of 7. 6 percent in 2010. Growth was mainly undermined by the severe state under spending as well as the frail external environment. Outlook for 2012 is relatively sanguine with the government hinging its optimism on robust consumer demand and a more vigorous public spending. However, downside risks to growth persist with the global recovery poised to remain slow and uncertain.

2011 domestic economy tepid at 3. 7%. The Philippine domestic economy grew by 3. 7 percent in 2011, almost half of its 7. 6 percent growth in 2010. The growth is within the latest forecasts of the National Economic and

Development Authority (3. 6-4. 0 %) and the International Monetary Fund (3. 7%). However, the growth figure is well below that assumed by the Development Budget Coordination Committee (4. 5-5. 5%), Asian Development Bank (4. 7%), and the World Bank (4. 2%); and is significantly off the growth target of the Philippine Development Plan (7. 0%). Notable is the country’s poor economic performance relative to its neighbors. Except for Thailand, most Asian economies registered higher gross domestic product (GDP) growth rates than the Philippines in 2011.

Gross national income (GNI)1 likewise slumped to 2. 6 percent from 8. 2 percent in 2010. This resulted from the significant contraction of net primary income (NPI), 2 which slowed to a negative 0. 9 percent, a turnaround from the 10. 0 percent growth in 2010

6. 3 Labor Force :

Unemployment down to 7%. The country’s labor force numbered at 61. 9 million in 2011. Of this number, 2. 8 million were unemployed registering an unemployment rate of 7. 0 percent. Moreover, the service sector’s share of total employment increased from 51. 8 percent in 2010 to 52. 1 percent. Agriculture accounted for 33. 0 percent of the employed while industry’s share was 14. 9 percent. Although the economy managed to generate more than one million jobs in 2011, the quality of employment is still a concern given the substantial increase in the underemployment rate as well as in the number of unpaid family workers. Latest data showed that the underemployed numbered at 7. 2 million

6. 4 Inflation :

Headline inflation is within target. Headline inflation averaged 4. 8 percent in 2011, well within the 3. 0-5. 0 percent inflation target for 2011 but higher than the 3. 8 average recorded in 2010. A rise in the prices of food items had been recorded mainly due to the adverse effect of typhoons on agricultural food supplies. Core inflation, 3 on the other hand, averaged 3. 6 percent

The government is particularly bullish on having higher investments in 2012 as investment pledges registered with the Philippine Economic Zone Authority surged by 47 percent in the first two months of the year. The PSEi's breaching of the 5, 000 mark for the first time in March 2012 is also said to bode well for the equities market.

Likewise, private construction, particularly in the property subsector, is anticipated to remain robust given the upward momentum in office demand and investments in low-cost housing. Demand for commercial spaces will continue to be buoyed by the BPO sector, the revenues of which are slated to grow even further this year by 20 percent. The residential sector is also expected to receive continued support by the robust demand from families of overseas Filipinos. Consumer spending will similarly be sustained by the favorable inflation outlook and the continuous inflow.

6. 5 Unemployment Rate :

Unemployment means the number of people actively looking for a job divided by the labor force. Unemployment depends on the number of non-employed people who found the job and the people who lost their current job. Unemployment related to labour force, participation rate and employment rate.

The unemployment rate of Philippines is 7. 2 % which we can show that in the graph.

6. 6 Private Sector Development :

The stimulus package presented by Gloria Macapagal Arroyo is known as the economic resiliency plan. The package included personal income-tax relief for low- and middle-income earners, reduction in corporate income tax, higher social spending on cash transfers and job-creation schemes, as well as a series of infrastructure projects. Although the reforms were not entirely new, the package led the Philippines to being acknowledged as Asia's more socially responsible stimulus plans thanks to its' focus on agriculture and social services that directly benefit the poor population. The fall in agricultural commodity prices helped support personal disposable income. As a result personal household budgets were minimally effected. The social component in their reforms may be credited with the largest impact due to the focus on poverty.

The Philippines must sustain the reform movement in order to spur investments, increase growth, generate higher employment, and alleviate poverty for the fast growing population. Their reforms have already generated 34 consecutive growth quarters, created 8 million jobs, and maintained the lowest inflation in a generation. Most importantly poverty has decreased while revenue increased and has allowed the nation to invest in human and physical infrastructure. With sustained reform and their economic resiliency the Philippines may soon be a prime investment opportunity in uncertain world economic and financial conditions.