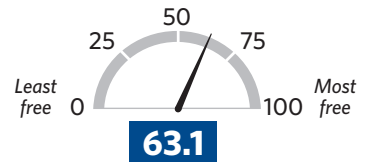


# PHILIPPINES

## Economic Freedom Score



World Rank: **70**

Regional Rank: **14**

**T**he Philippine economy has been growing steadily at an average annual rate above 6 percent for the past five years. The government has pursued legislative reforms to enhance the entrepreneurial environment and develop a more vibrant private sector to generate broader-based job growth. Despite some progress, poor infrastructure remains a serious impediment to economic growth.

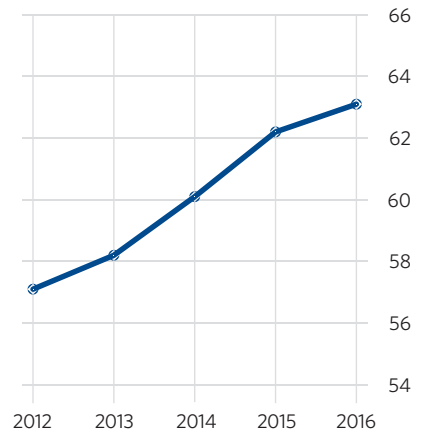
### ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **63.1 (up 0.9 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **70th**
- Regional Ranking: **14th in the Asia-Pacific Region**
- Notable Successes: **Monetary Freedom and Management of Public Finance**
- Concerns: **Rule of Law and Labor Freedom**
- Overall Score Change Since 2012: **+6**

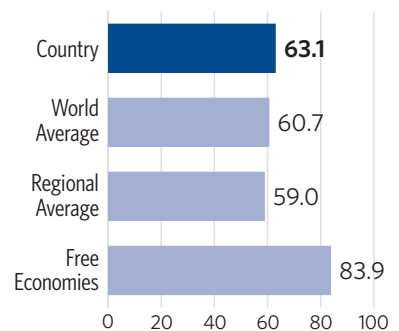
Overcoming lingering institutional challenges will require a deeper commitment to reform. Although the perceived level of corruption has declined, more effective anti-corruption measures need to be institutionalized. The judiciary remains susceptible to political interference and does not provide dependable enforcement of the law.

**BACKGROUND:** The Philippines' diverse population, speaking more than 80 languages and dialects, is spread over 7,000 islands in the Western Pacific. Democracy was restored in 1986 after two decades of autocratic rule. President Benigno Aquino III took office in 2010 with a mandate to root out corruption. The Philippines' next presidential and general elections are scheduled to be held in May 2016. While agriculture is still a significant part of the economy, industrial production in areas like electronics, apparel, and shipbuilding has been growing rapidly. Remittances from overseas workers are equivalent to nearly 10 percent of GDP. The Philippines was ravaged in late 2013 by Typhoon Haiyan, but its economy recovered rapidly.

## Freedom Trend



## Country Comparisons



## Quick Facts

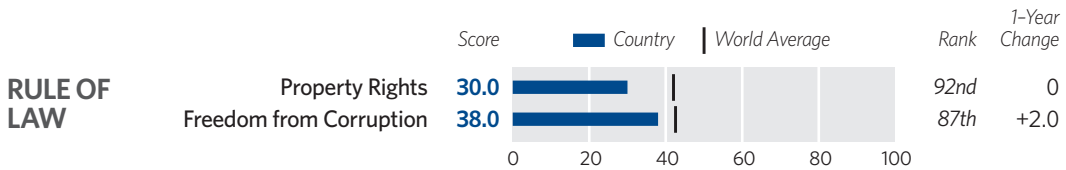
- Population:** 99.4 million
- GDP (PPP):** \$692.2 billion
- 6.1% growth in 2014
- 5-year compound annual growth 6.3%
- \$6,962 per capita
- Unemployment:** 7.1%
- Inflation (CPI):** 4.2%
- FDI Inflow:** \$6.2 billion
- Public Debt:** 37.2% of GDP

### How Do We Measure Economic Freedom?

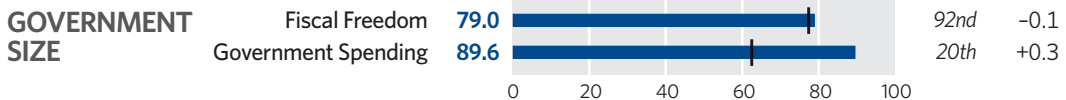
See page 467 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2014 data unless otherwise noted.  
Data compiled as of September 2015.

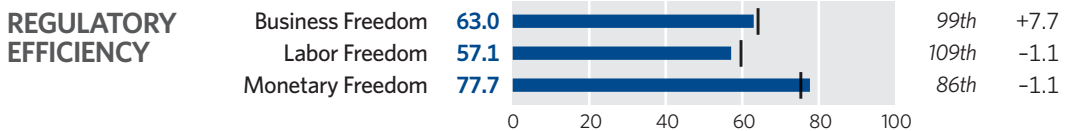
**THE TEN ECONOMIC FREEDOMS**



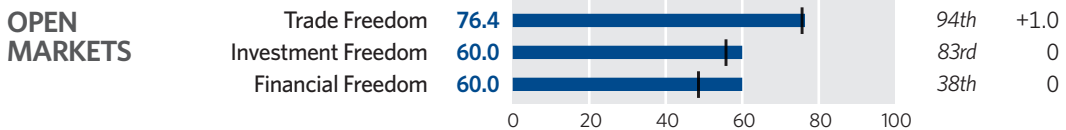
Corruption and cronyism are rife in business and government. A few dozen leading families hold a disproportionate share of land, corporate wealth, and political power. A culture of impunity, stemming in part from case backlogs in the judicial system, hampers the fight against corruption. The rule of law is generally weak as courts are hampered by inefficiency, low pay, intimidation, and corruption.



The top individual income tax rate is 32 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax and an environmental tax. The overall tax burden equals 13.3 percent of total domestic income. Government spending amounts to 18.6 percent of GDP. Public debt has been below 40 percent of GDP. Efforts to narrow the budget gap have kept budget deficits under control.



The time involved in dealing with licensing requirements has been notably reduced, and the cost of completing them has been cut. The labor market remains structurally rigid, although existing regulations are not particularly burdensome. Government subsidies to state-owned or state-controlled corporations jumped by 200 percent in the first quarter of 2015, with the National Electrification Administration receiving much of this support.



The Philippines' average tariff rate is 4.3 percent. Quotas restrict imports of several agricultural products. State-owned enterprises operate in several sectors of the economy. The financial sector, which is gradually modernizing, remains relatively stable and sound. Restrictions on foreign ownership of banks have been lifted since 2014, allowing overseas banks to acquire 100 percent equity in existing banks.

**Long-Term Score Change (since 1995)**

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+5.8	Business Freedom	+8.0	Trade Freedom	+34.4
Freedom from Corruption	+28.0	Government Spending	+1.2	Labor Freedom	+3.7	Investment Freedom	+10.0
				Monetary Freedom	+1.0	Financial Freedom	+10.0