

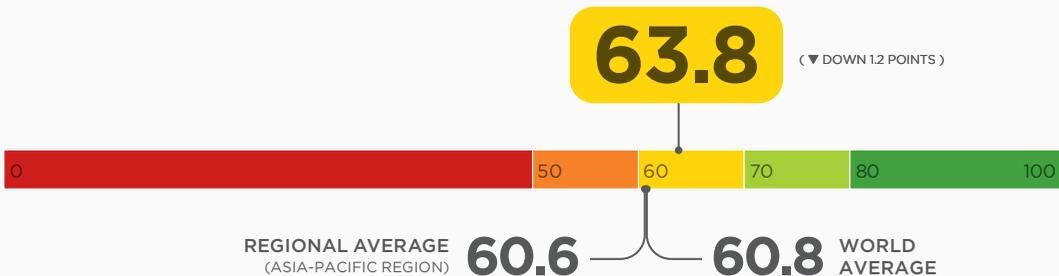
PHILIPPINES

The Philippines' economic freedom score is 63.8, making its economy the 70th freest in the 2019 *Index*. Its overall score has decreased by 1.2 points, with drops in scores for **monetary freedom**, **government integrity**, and the **tax burden** outweighing a higher score for **property rights**. The Philippines is ranked 15th among 43 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

Continued strong economic growth, driven in part by ambitious state-funded infrastructure projects, has allowed the government to prioritize domestic law-and-order issues over economic policy concerns. Investors remain concerned about President Duterte's heavy-handed rule, although Duterte has consolidated support from Congress. The absence of entrepreneurial dynamism thwarts development. Despite the adoption of some fiscal reforms, deeper institutional reforms are needed in inter-related areas: business freedom, investment freedom, and the rule of law. The judicial system remains weak and vulnerable to political influence.



ECONOMIC FREEDOM SCORE

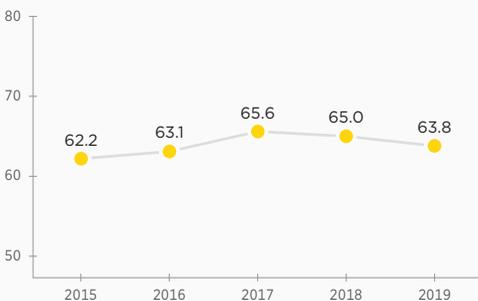


RELATIVE STRENGTHS:
Fiscal Health and Government Spending

HISTORICAL INDEX SCORE CHANGE (SINCE 1995):
+8.8

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
105.3 million

GDP (PPP):
\$875.6 billion
6.7% growth in 2017
5-year compound annual growth 6.6%
\$8,315 per capita

UNEMPLOYMENT:
2.4%

INFLATION (CPI):
3.2%

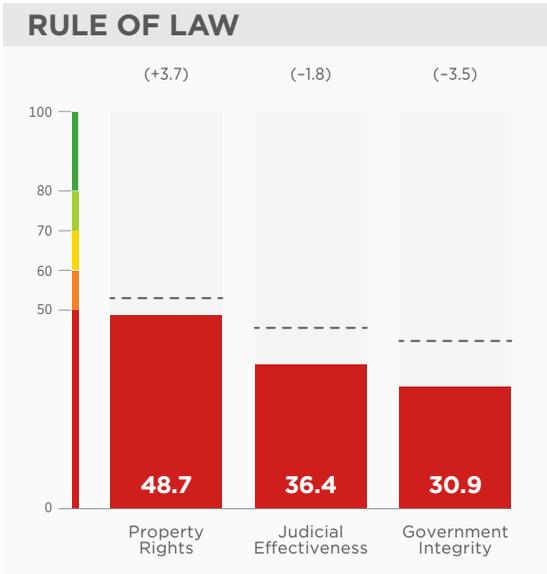
FDI INFLOW:
\$9.5 billion

PUBLIC DEBT:
37.8% of GDP

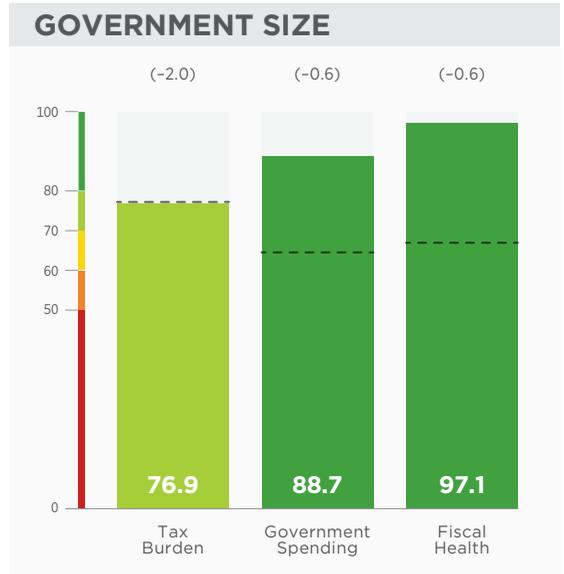
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: A former colony of Spain and then of the United States, the Philippines became a self-governing commonwealth in 1935. Its diverse population speaks more than 80 languages and dialects and is spread over 7,000 islands in the Western Pacific. Longtime Davao City Mayor Rodrigo Duterte succeeded President Benigno Aquino III in 2016. Duterte has consolidated power by marginalizing his opponents, and his brutal crackdown on illegal drugs reflects authoritarian tendencies. To improve economic relations, Duterte has downplayed tensions with 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 nearly 10 percent of GDP.

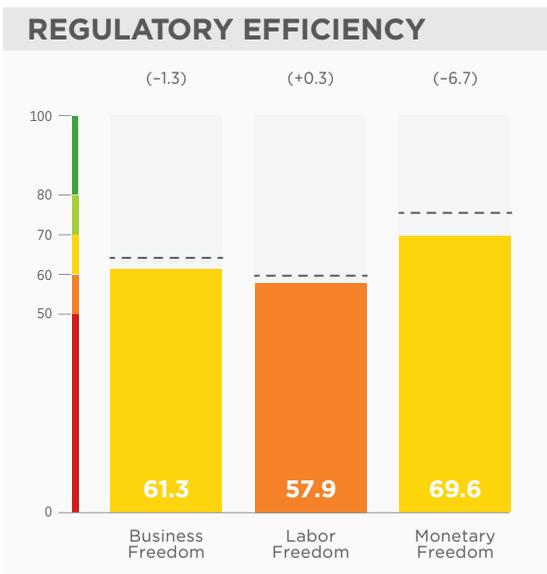
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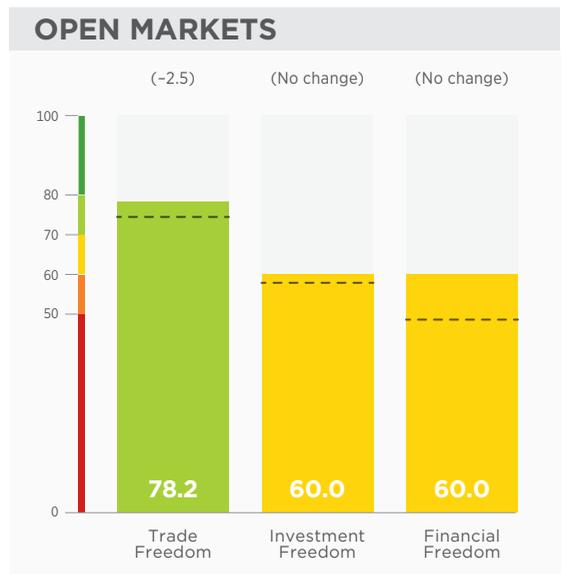
Laws protecting property rights are weakly implemented. Judicial independence is strong, but the rule of law is generally ineffective. Courts are inefficient, biased, corrupt, slow, and hampered by low pay, intimidation, and complex procedures. Corruption and cronyism are pervasive. A few dozen leading families hold a disproportionate share of land, corporate wealth, and political power. Anticorruption measures are not enforced.



The top individual income tax rate has increased 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 13.7 percent of total domestic income. Over the past three years, government spending has amounted to 19.4 percent of the country's output (GDP), with budgets effectively in balance. Public debt is equivalent to 37.8 percent of GDP.



A series of reforms has been pursued to enhance the entrepreneurial environment. Gradual improvement of the regulatory environment includes reduction of the time and cost involved in fulfilling licensing requirements. The labor market remains structurally rigid, but existing regulations are not particularly burdensome. The government budgeted a record \$3.03 billion in subsidies to state-owned enterprises in 2018 but decided to scrap agricultural subsidies.



The combined value of exports and imports is equal to 70.7 percent of GDP. The average applied tariff rate is 3.4 percent. As of June 30, 2018, according to the WTO, the Philippines had 286 nontariff measures in force. Many agricultural imports face additional barriers. Investment in several economic sectors is restricted. About 39 percent of adult Filipinos have access to an account with a formal banking institution.