



The German-Philippine Business Insight

GPCCI Journal - Vol. 1 Year 2021



Deutsch-Philippinische
Industrie- und Handelskammer
German-Philippine Chamber
of Commerce and Industry



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The German-Philippine Business Insight
Vol.1 - 2021

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Foreword



It is with no question that the Philippines is one of the most crisis-resilient countries in the world, but COVID-19 is not a typhoon, not an earthquake, nor a volcanic eruption. It has brought many challenges to the country, especially to the economy as its consequences were painful and lingering. It has affected the daily lives of every individual as businesses were limited to essential, movement was regulated, and most people were required to stay at home.

This publication narrates how the Philippines dealt with the pandemic and provides insights into how the German-Philippine business community adapted to the situation. It also features a collection of reports from the AHK World Business Outlook surveys around the world conducted in both pre- and mid-pandemic times to evaluate how German businesses around the world handled different issues caused by the plague.

We hope that this journal helps our readers to understand their respective business-related priorities as we bounce back from the ill-effects of COVID-19 and also encourage everyone to also start looking at a policy level as we lobby our network's recommendations to appropriate stakeholders.

I also would like to commend the German-Philippine Chamber of Commerce and Industry's (GPCCI) efforts in continuing to promote our advocacies as well as continued support us in these very critical times.

Salamat po!

Stefan Schmitz
President

German-Philippine Chamber of Commerce and Industry





The Philippines and Germany are important business partners, which is why we value our network's voice in our Chamber's policy work. As the Philippines most important trading partner in the European Union, solving the urgent issues of our members is our priority. For this reason, our team at the German-Philippine Chamber of Commerce and Industry (GPCCI) are continuously finding more ways to serve you better during this pandemic.

It has been more than a month since I joined GPCCI and I am amazed at how the Chamber has adapted to the virtual setup as physical activities and events are limited. And as I read this report, I am enthusiastic about what we can offer for our members once the situation gets better.

Furthermore, I would like to highlight the Chamber's extensive efforts in the field of information during this crisis. With the ever-changing health and safety rules in the country, I am certain that our contacts are well informed with our regular COVID-19 updates. I would also like to emphasize GPCCI's endeavors in addressing travel restrictions where we offered to assist urgent individuals in their respective businesses in the Philippines.

Please enjoy reading this material and we hope that we can explore more activities soon that can contribute to the Philippines' recovery story.

Looking forward to meeting you all in person.

Danke!

Christopher Zimmer
Executive Director
German-Philippine Chamber of Commerce and Industry



Philippine-German Trade Numbers

WORLDWIDE, GERMANY IS THE PHILIPPINES'...

#12 TRADING PARTNER

#8 EXPORT MARKET AND

#12 IMPORT SUPPLIER

#1 TRADING PARTNER
IN THE
EUROPEAN UNION

EUR 1.9 BILLION

VALUE OF PHILIPPINE IMPORTS FROM GERMANY

OVER

40

PROJECTS WITH GERMAN EQUITY APPROVED
BY THE PHILIPPINE BOARD OF INVESTMENTS

AROUND

50

COMPANIES WITH GERMAN EQUITY ARE LOCATORS
IN PHILIPPINE ECONOMIC ZONES

EUR 3.4 BILLION

VALUE OF PHILIPPINE EXPORTS TO GERMANY



Deutsch-Philippinische
Industrie- und Handelskammer
German-Philippine Chamber
of Commerce and Industry

 **PartnerInThePhilippines**

Feature Article

The Philippines' Battle Against the COVID-19 Pandemic

85

Weeks under
Quarantine

Over

2.7

Million

Total Number of
COVID-19 Cases

Over

43

Thousand

Total Deaths

Feature Article

The Philippines' Battle Against the COVID-19 Pandemic

By Louise Medrano

Contributor: Yves Aguilos

On 31st of December 2019, China reported a mysterious respiratory disease to the World Health Organization (WHO). The disease is caused by Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2). The first known case was identified in Wuhan, China, in December 2019. In the Philippines, the Department of Health (DOH) confirmed the first case of COVID-19 on January 30 from a woman arriving from Wuhan, the epicenter of the virus. The next day, President Rodrigo Duterte ordered a temporary ban on Chinese nationals from China's Hubei province, where Wuhan City is located.

On March 8, President Duterte declared a state of a public health emergency, as the number of confirmed cases reached 24, and on March 12, the entire Metro Manila was placed on lockdown, more locally known

as “community quarantine”. Domestic land, air and sea travel to and from Metro Manila had been suspended from 15 March 2020 to 14 April 2020. It was on March 16 that Pres. Duterte placed Luzon under enhanced community quarantine, implementing strict home quarantine in all households, suspension of transportation, provision for food and essential services shall be regulated, and heightened presence of uniformed personnel to enforce quarantine procedures.

On 30 April 2020, the government finalized its rules for areas under different kinds of community quarantine. On 16 May 2020, Pres. Duterte declared a state of calamity throughout the Philippines due to COVID-19 with Proclamation No. 929.



Hundreds of public and private vehicles wait for their turn to be checked at the boundary of Metro Manila.

Photo by: Philippine News Agency

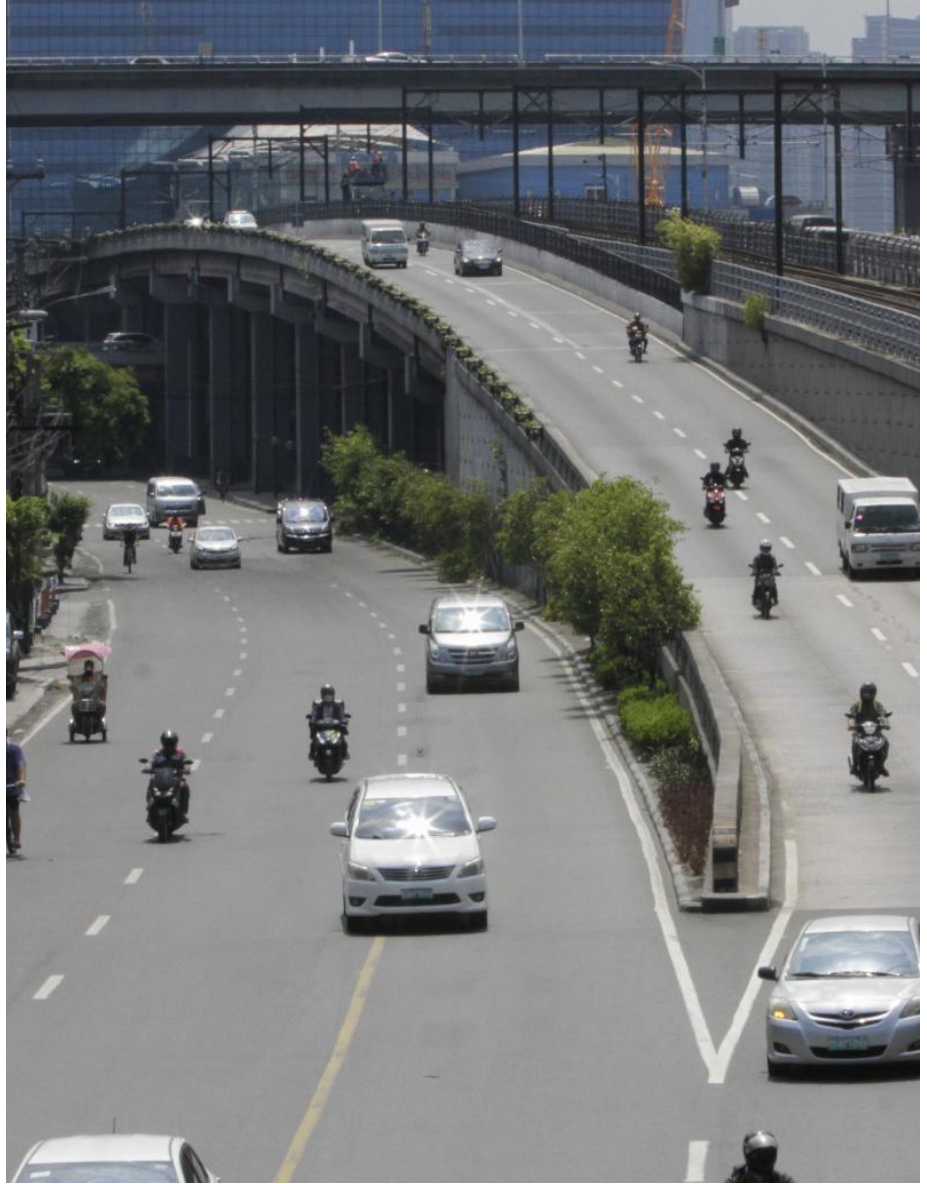
The Lockdown and its Effect on the Economy

The pandemic plunged the Philippine economy into its worst contraction since the Second World War, with Gross Domestic Product (GDP) falling by 9.5% in 2020. GDP dropped to as low as -16.9% during the 2nd quarter of 2020, when the strictest lockdown was enforced.

In terms of unemployment, the country reached a rate of 10.3% in 2020 or 4.5 million unemployed Filipinos, which is recorded to be the highest rate recorded since April 2005.

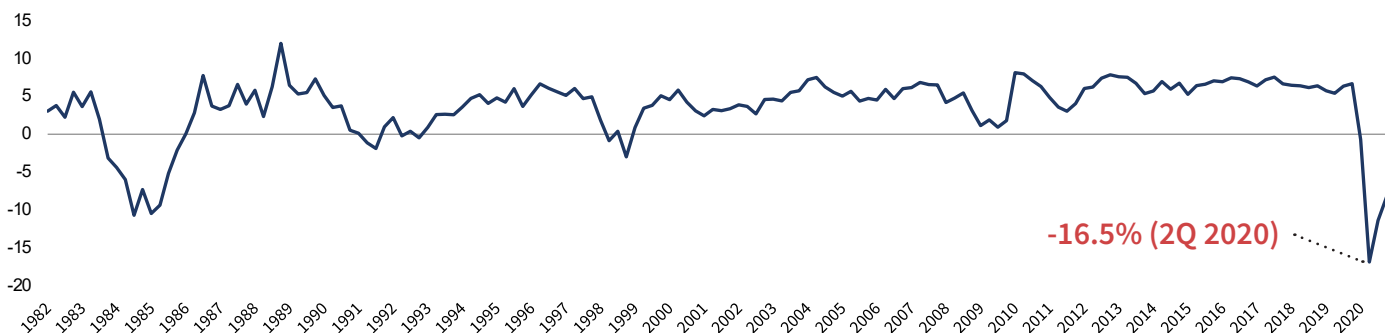
Foreign direct investments also contracted by 24.6% to \$6.5 billion in 2020 from \$8.7-billion net inflows in 2019, mainly due to the impact of the pandemic on cancelled investments and travel restrictions. In 2020, exports of goods and services fell by 16.3%.

Meanwhile, exports of goods decreased by 5.2%, affecting the Philippine export sector. Remittances by Filipinos working abroad remained stable, with a decrease of only 0.8%.



The EDSA Highway, known for its round-the-clock traffic jams, appears to be almost empty even during rush hour.
Photo by: Philippine News Agency

Chart I
PH GDP Record Due to COVID-19 Pandemic



Source: Philippine Statistics Authority



Pandemic-Related Policies and Recovery Measures

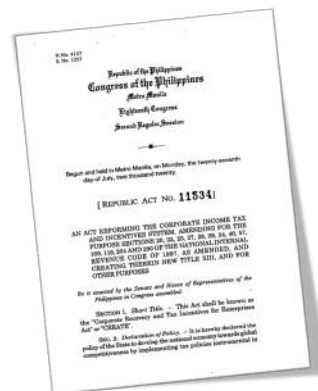
On 25 March 2020, President Duterte signed the Bayanihan to Heal As One Act (Republic Act No. 11469), granting the President special powers to address the spread of COVID-19. This includes the authority to provide a social amelioration package to those in need. The President is also authorized to ensure the availability of credit to productive sectors in the countryside as well as incentives for businesses to manufacture and import critical or needed equipment against COVID-19 that is exempt from duties and taxes. This law was set to expire on 25 June 2020.

This was followed by Bayanihan 2, or the Bayanihan to Recover as One Act, on 11 September 2020. It contains relief provisions for both consumers and businesses including extended deadlines for loans and bills payments, and filing and payment of taxes.

On 26 March 2021, the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Act) was also passed into law. Previously known as the Corporate

Income Tax and Incentives Reform Act (CITIRA bill), the law grants tax relief for companies in financial need, provides transparent tax provisions, and further increases the competitiveness of the Philippines.

On 26 July 2021, President Duterte, during his final State of the Nation Address, reiterated the passing of bills that will ease restrictions on foreign investors and measures such as the Retail Trade Liberalization Act, the Foreign Investments Act, and the Public Service Act.



CREATE law (Republic Act No. 11534) was signed into law in 26 March 2021 to attract more investments and maintain fiscal prudence and stability.
Photo by: Philippine News Agency



Philippine President Rodrigo Roa Duterte delivers his final State of the Nation Address at the Batasang Pambansa on 26 July 2021.
Photo by: Presidential Photos

GPCCI during the Pandemic: Imparting important information and providing assistance to members

As part of the Chamber's efforts to keep companies informed of the constantly changing quarantine measures imposed nationwide, GPCCI has been preparing weekly wrap-ups containing updates on important announcements from the national government, quarantine classification areas, inbound travel protocols, as well as providing a weekly case overview of the COVID-19 situation and vaccination updates.

Additionally, the Chamber has also been helping firms whose individuals are critically needed in their respective local companies by acquiring travel ban exemptions through issuing agencies. This serves as the chamber's effort to ensure that businesses in the Philippines continue to operate normally during the pandemic.



Website Portal.
Updated weekly together with the Wrap-Up announcements which contains an archive of COVID-19 related issuances and FAQs.



Weekly Wrap-Ups.
Keep contacts abreast on matters relating to COVID-19 related updates in the Philippines through announcements and proclamations, quarantine protocols, relevant news, and a COVID-19 case tracker.



Travel Related Assistance.
GPCCI offers support to companies whose critical personnel are needed in urgent operations.

Outlook of a Post-Pandemic Philippines

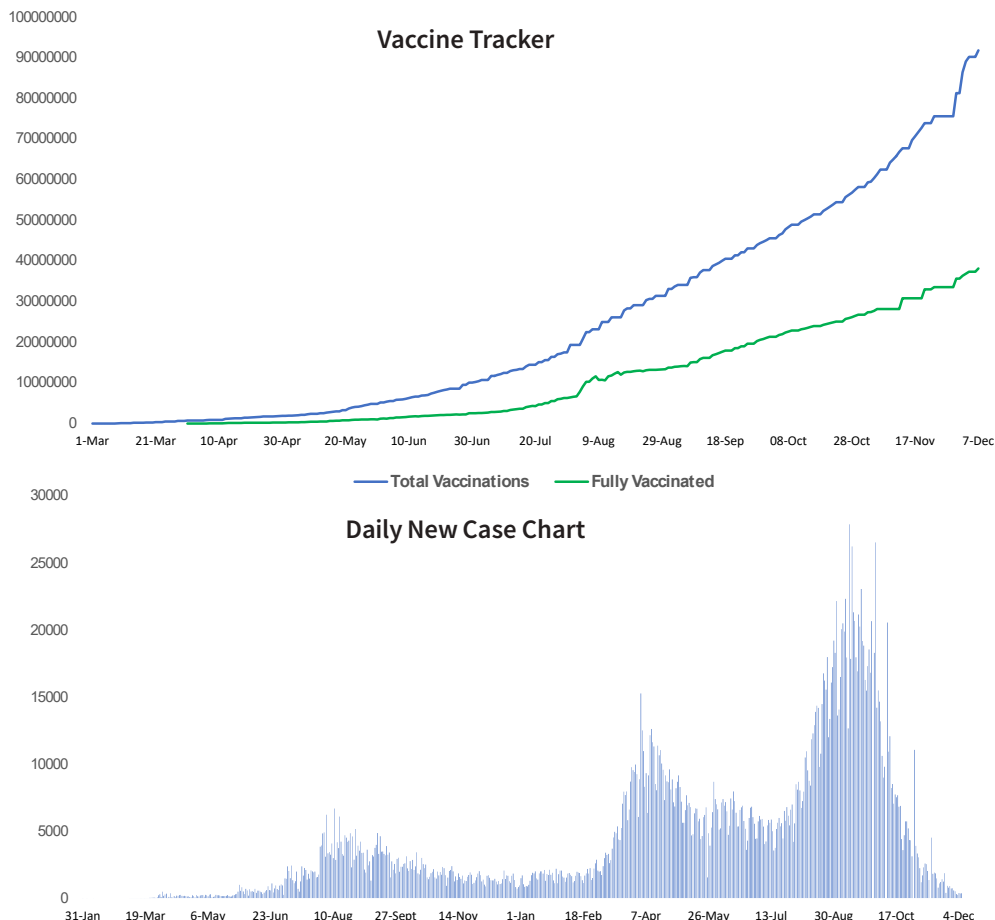
According to the World Bank: Philippines Economic Update, the Philippine economy is forecasted to grow at 4.7 percent this year before accelerating to 5.9 percent in 2022 and 6.0 percent in 2023. As lockdown restrictions eased in early 2021, people's mobility sped up, and employment and earnings of families gradually recovered. The better external environment also led to an expansion in trade. However, the surge in COVID-19 cases in March and August seem to have derailed the momentum for recovery.

As the Duterte government comes to a near end and elections will take place in 2022, the post-pandemic scenario will be heavily shouldered by the next administration.

Furthermore, the need for aggressive socio-economic policies shall be a crucial priority to achieve a definite rebound in the economy. Furthermore, the immediate resolution of long-term consequences such as stringent lockdown measures, that resulted to large fiscal deficits, cancelled investments, and high unemployment rates will also require a special consideration as we go back to normalcy.

Finally, as more countries now seem to have substantial access to COVID-19 vaccines and more individuals are getting fully-vaccinated, the Philippines has to expedite its efforts in achieving their targets to fully open business activities, avoid further lockdowns, and unlock doors to opportunities like tourism and various foreign investment trips. ■

Chart II
COVID-19 Vaccination and Case Dashboard
as of 13 December 2021



Vaccination Overview

92,911,641
Total Doses Administered
54,705,555
First Doses
37,431,765
Second / Single Doses
774,321
Booster Shots

Case Overview

2,768,849
Confirmed Cases
2,676,349
Recoveries
50,152
Active Cases
42,348
Deaths

72%

Businesses Around the World suffer
from strict Travel Restrictions

80%

German Businesses Abroad
expected decline in sales

9/10

Businesses in the Philippines expect
Recovery by 2022 and beyond

In Focus

AHK World Business Outlook Survey: The Pandemic Effect

In Focus

AHK World Business Outlook Survey: The Pandemic Effect

By: Yves Aguilos

With an alarming speed of infection, the pandemic forced the world to go to a standstill as many countries were obliged to enforce stringent lockdowns and border controls, minimize allowed business activities, impose strict health and safety protocols, and reduce movement to protect their respective populations.

However, even before the pandemic wreaked havoc, the world was also struggling to resolve the impacts of geopolitics.

Divided with trade conflicts and increased protectionism, many businesses around the world were already seeing a complicated global issue.

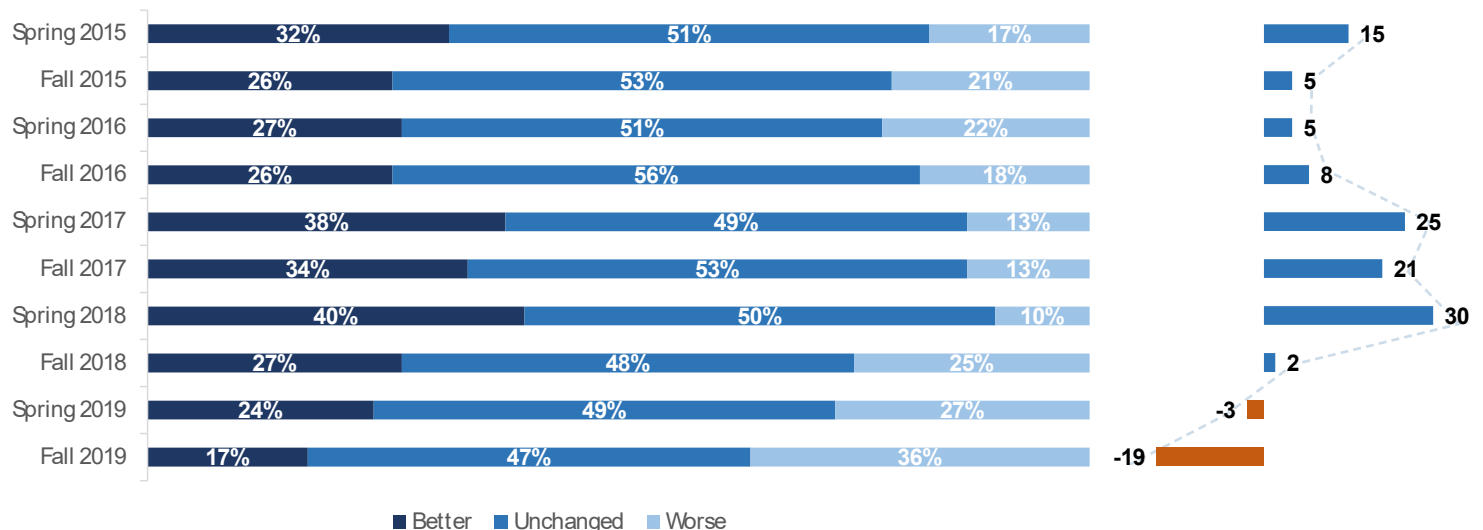


US-China Trade War: The predicament of the pre-pandemic world.
Photo by: Pexels

Chart III

Economic Expectations: AHK WBO Fall 2015-2019 Survey Results (Worldwide)

Shares in Percentage + Balance in Points



Top 5 Notable Factors Influencing Business in the Pre-Pandemic Philippines

AHK WBO Survey Fall 2019 (Philippines)

66%

Inflation Rate

46%

Access to
Financing

45%

Availability of
Skilled Workers

45%

Image of EU

42%

Absence of
Corruption

Pre-Pandemic Figures

In Fall 2019, the Association of German Chambers of Commerce and Industry (DIHK) published the worldwide results of the 'AHK World Business Outlook (WBO) based on the responses of around 4,000 member companies of the German Chambers of Commerce and Industry abroad (AHK).

The pre-pandemic situation is attributed to a weakening global economy where developing tensions between the US and China, and the withdrawal of the United Kingdom from the European Union continue to impede international business operations and investment and employment plans of German companies for the international market were restrained.

In the ASEAN region, the Philippines leads in almost all fields of the Fall 2019 Survey and is only tied with

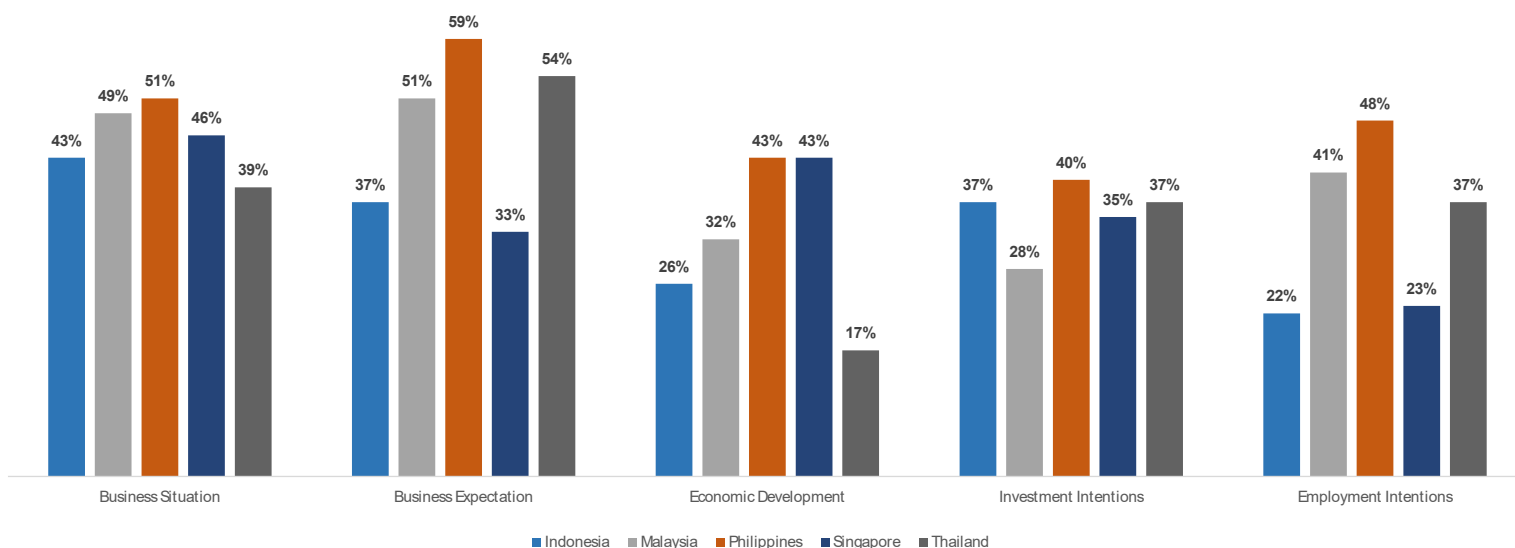
Singapore in terms of medium-term economic development. This shows that while economic slowdown can be observed at the global level, companies involved in German-Philippine relations continue to be optimistic and that the Philippines was considered to be an economic bright spot.

While figures remain high for the Philippines in Fall 2019, several risks and challenges continue to persist due to both prevailing and developing issues. Wide-spread effects created by the trade conflict between the United States and China made the Philippines caught in between both countries which represent the country's largest trading partners – and have affected the firms' market demands.

Chart IV

AHK WBO Fall 2019 Survey Results (ASEAN)

"Good", "Better" or "Higher" answers



The Pandemic Effect

At the onset of the pandemic, German companies abroad declare that they are now in a substantial crisis. About two-thirds of the AHK member companies worldwide expect the economy to deteriorate in their respective countries. In Europe and North America, German companies are assumed to have a dramatically worsened economic development. With a half expect their businesses to decline in the next twelve months, many already want to reduce their committed investments and reduce employment.

At the ASEAN region, all member-countries received less than 40% of “Good”, “Better”, and “Higher” responses from participants. The economic development of every ASEAN-member country was reported to have the lowest evaluation as governments start to impose stringent public health and safety measures that limit business activities. In terms of investment and employment, the survey reveals that Indonesia and Vietnam had better opportunities compared with their neighbors.

In the Philippines, companies active in the German-Philippine business relations strongly feel the negative impact of COVID-19. Participants feel the erosion of business confidence in the Philippines due to imposed strict lockdown measures affecting all business activities and have disrupted the general flow of goods. A very noticeable increase in “bad” / “worse” ratings was reflected in all areas and numbers appear to be quite opposite from the preceding Fall 2019 survey.

Passengers maintain safe physical distancing and health and safety protocols before entering an establishment.

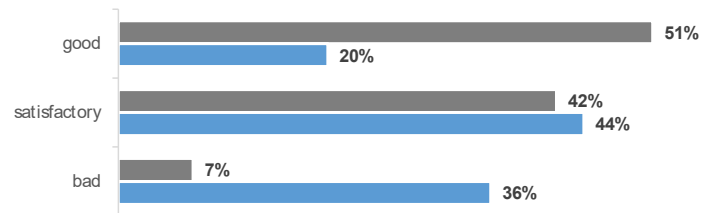
Photo by: Philippine News Agency

Chart V

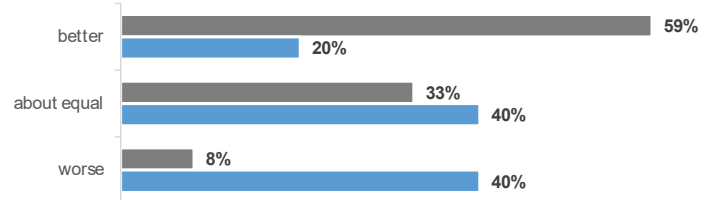
AHK WBO Survey Philippine Results

Fall 2019 vs Spring 2020

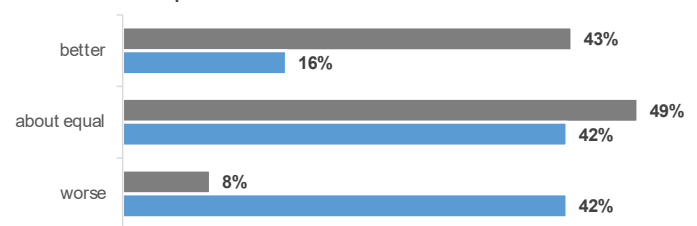
Business Situation



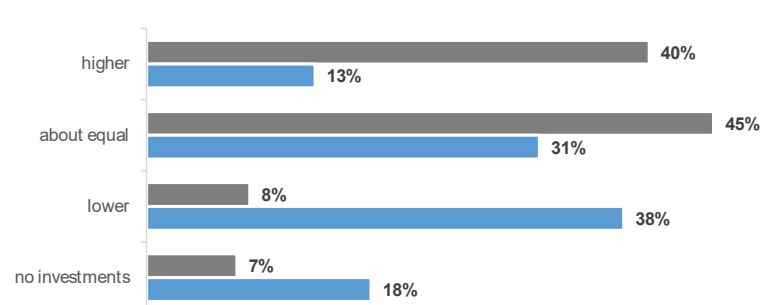
Business Expectation



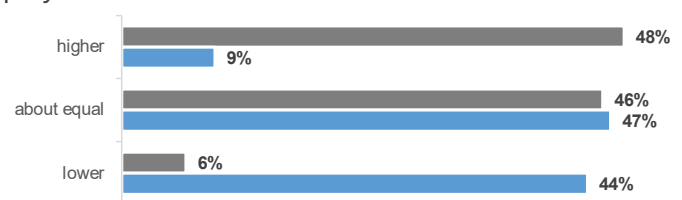
Economic Development



Investment Intentions



Employment Intentions



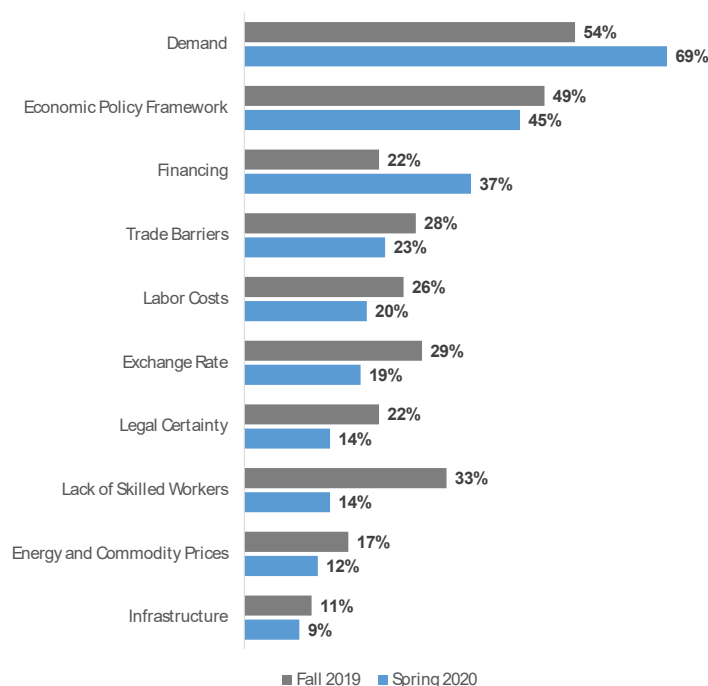
■ Fall 2019 ■ Spring 2020





Man receives "Ayuda" (government financial assistance) from a Barangay Personnel
Photo by: Philippine News Agency

Chart VI
AHK WBO Survey Worldwide Results
Fall 2019 vs Spring 2020



Demand and Financing: Main Risks and Challenges for the Sick Global Economy

Risks for the economy during the advent of the pandemic may seem to look the same from pre-pandemic figures. However, a noticeable increase in demand (69%) and financing (37%) continue to put pressure on governments worldwide to save their respective ill economies.

Looking at the Philippines, the same picture takes place with demand (58%) and financing (44%) leading to the top risks and challenges. Meanwhile, certain “*Bayanihan*” (civic unity) laws were passed to reallocate budgets – provide financial assistance or “*Ayuda*” – to address urgent livelihood effects of the pandemic to Filipinos. Moreover, the law also provided President Duterte with emergency powers to enable him to temporarily take over or direct the operations of public utilities and privately owned health facilities and other necessary facilities for quarantine, the accommodation of health professionals, and streamline testing efforts.



Chart VII

World vs Philippines: AHK World Business Outlook Survey Spring 2021

Top 3 Economic Risks and COVID-19 Pandemic Effects



Recovery Expectations

Assumptions for the sustainable recovery of every country vary from different levels of economies. The Spring 2021 survey reveals that countries in North America expect a fast recovery in 2021.

Meanwhile, the Eurozone predicts a conservative approach where almost half of their respondents predict that a sustained recovery will happen in 2022.

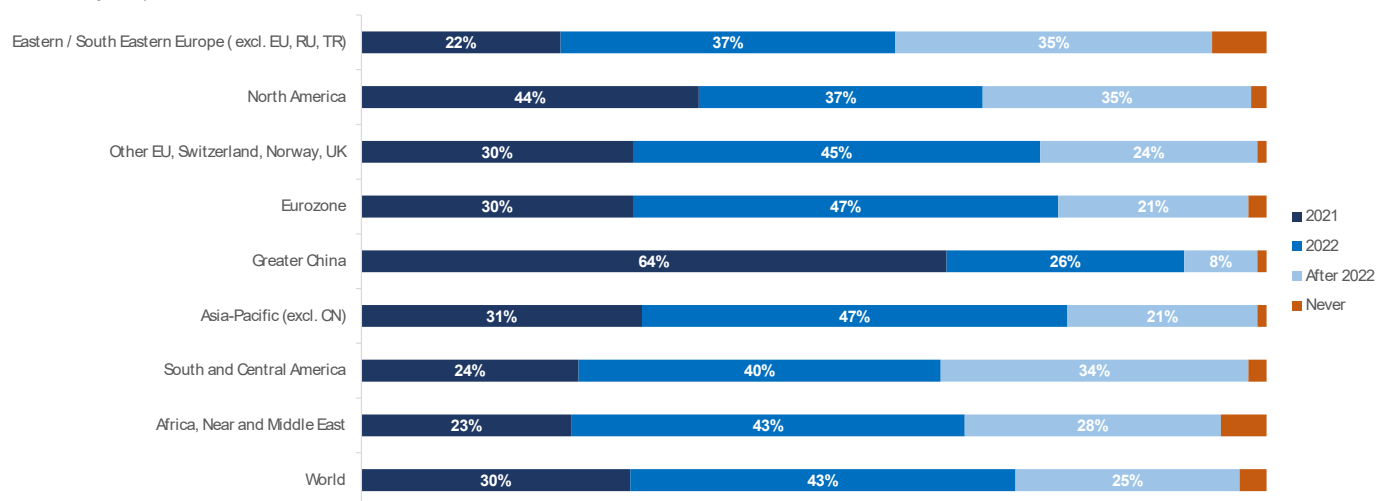
Businesses from the Greater China region – the first-hand victims of the COVID-19 pandemic – say otherwise. 64% of their respondents say that they already expect a sustainable economy in 2021.

As we look into the ASEAN region, half (51%) of the respondents say that recovery will likely happen in 2022. Interestingly, Vietnam leads the recovery

Chart VII

AHK WBO Survey Results Spring 2021

Recovery Expectations (Worldwide)



Top Negative Effects to Businesses

The pandemic brought a variety of problems among businesses around the world. The AHK WBO Spring 2021 global survey reveals that about a third (72%) respondents declare travel restrictions as to their top negative experience as restrictive inbound travel requirements are in place in every country. The Philippines also share these results and has reported that 83% experience stringent entry restrictions even after a year when the pandemic started.

Coming in at a second place, the world was experiencing massive cancellations on trade fairs and events as public gatherings were seen to possess a high amount of risk in spreading the virus. In the Philippines, events have been all done online and have adapted well compared to the rest of the world, however, it is notable that over a half of the respondents say there is less demand for products and services.

projections in the region with over 57% saying that recovery will happen this 2021.

Most respondents in the Philippines are uncertain as to either they will expect a recovery in 2022 (48%) or even a longer time (42%) with a notable number of only 9% expecting recovery in 2021.

Finally, less demand for products and services shows a threat to the world in third place. The Philippines on the other hand missed opportunities in investments where more than a half say that they postponed/cancelled.

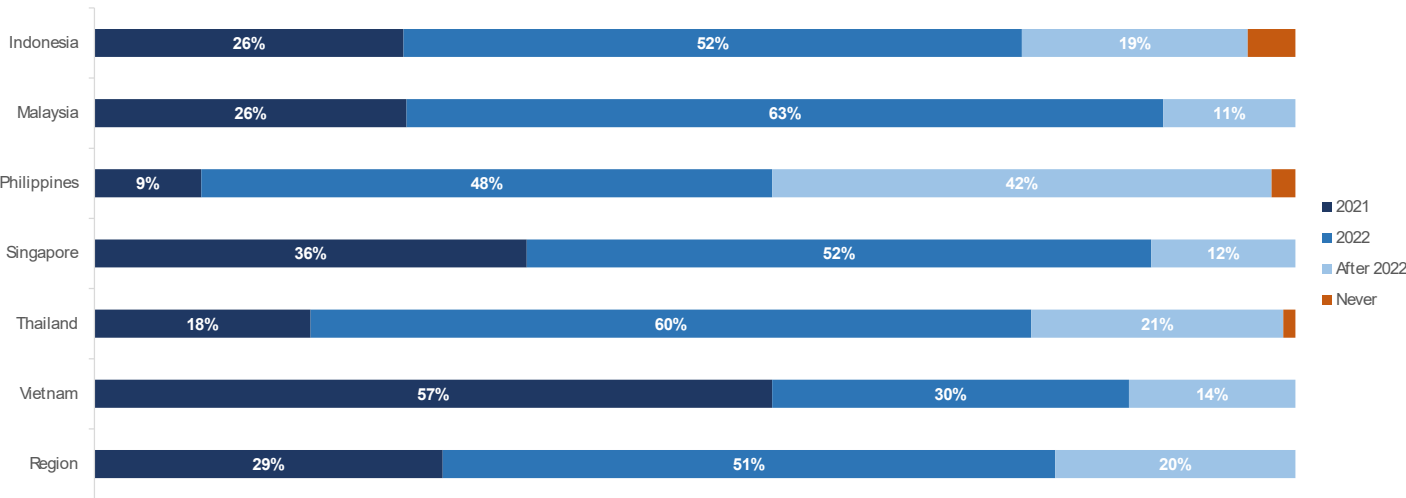
Outlook in 2022 and Beyond

As more people get access to vaccines, the recovery story for each country will be quite different as the inoculation of the general public becomes a product of their respective government’s political will. In several countries in Europe, lockdown measures have been relaxed and lifted, social activities are again possible, and the majority of the population activities start to go back to normal.

In the Philippines, the country may still continue to struggle from the threats brought about by major outbreaks despite the implementation of hard lockdown measures. Businesses also have to adjust in the ever-changing strict health and safety protocols which cannot be easily and immediatel adapted by most businesses.

More so, opportunities for recovery shall eventually be delayed and catching up with the rest of the world as the country shall heavily rely on the efforts and plans of the next administration. ■

Chart IX
AHK WBO Survey Results Spring 2021
Recovery Expectations (ASEAN)



GPCCI Policy Efforts 2020-2021



Dynamic Public Partnerships

We value our networks the same way as we value our members. Our active partnerships with the government has been going stronger despite the challenges brought by the pandemic.

MORE THAN

150

MEDIA MENTIONS

AROUND

50

POSITION PAPERS AND LETTERS
SIGNED / INITIATED / PARTICIPATED



Protecting Your Data

GPCCI values your personal data by making ourselves compliant with the Privacy Act and EU General Data Protection Regulation (GDPR).



Strong Media Presence

With the increasing importance of media during this troubled times, GPCCI was able to actively participate in local news programs that showcase Philippine-German business relations.



Advocacy for Businesses

GPCCI provides a stage for its members to lobby their interests - whether in policy or any general business agenda. Our active participation in policy and advocacy works with the use of various materials and publications presents the chamber's contribution to local policy-making.



OVER

90

ANNOUNCED COVID-19 ADVISORIES

182

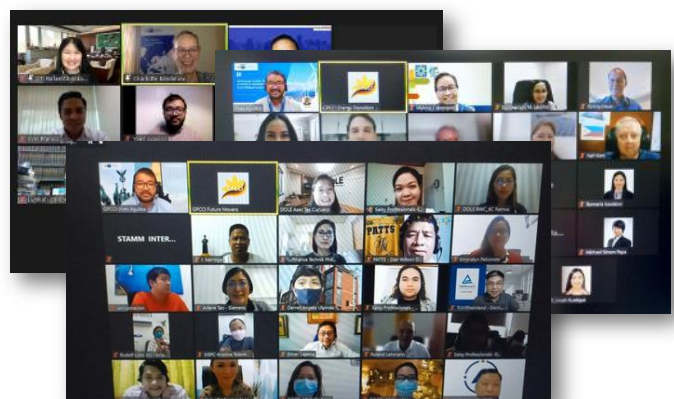
ADDRESSED PANDEMIC TRAVEL-RELATED INQUIRIES

al information and we commit to it
compliant with both the Philippine Data
al Data Protection Regulations.



Meaningful Discussions

Opportunities for our members to participate in local policy dialogues in the country has been one of our commitments. GPCCI has been a platform for several round table discussions accross different sectors to ensure businesses stay relevant in emerging policies brought by the pandemic.



Imprint

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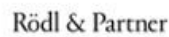
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