

German-Philippine

Business Insight

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**Accelerating Sustainability
Goals Through Digitalization**

page 6

**CREATE MORE and VAT:
Unlocking Incentives,
Unleashing Complexity**

page 12

Imprint

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About GPBI

The German-Philippine Business Insight (GPBI) is an annual publication of the German-Philippine Chamber of Commerce and Industry, Inc. (GPCCI) / AHK Philippinen. It features business columns and industry reports covering the latest socio-economic trends in the Philippines and the international business community.

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Foreword

Nearly half of 2025 has passed, and the year continues to unfold like a vibrant kaleidoscope—each shift revealing new opportunities, deeper collaborations, and stronger ties within the German-Philippine business community.

In the Spring 2025 edition of the AHK World Business Outlook, we reflect on the evolving landscape of German-Philippine cooperation marked by shared growth, innovation, and renewed partnerships.

With the recent conclusion of the Philippine mid-term elections and the formation of a new German government, we welcome a fresh chapter of leadership in both countries. These transitions present renewed opportunities for policy dialogue, stronger economic ties, and a more enabling environment for bilateral business.

This edition of the German-Philippine Business Insight (GPBI) shines a spotlight on key themes such as digital transformation, sustainable development, Germany's new political direction, and the Philippine economic outlook.

In this light, I am honored to present Part 1 of the 2025 German-Philippine Business Insight, the first of two editions this year. I extend heartfelt thanks to all our article contributors, advertisers, and network partners for making this issue possible.

To our valued readers: may the insights in this publication inspire ideas, guide your strategies, and strengthen your engagement.

Let us move forward with purpose united in our mission to support inclusive and transformative growth!

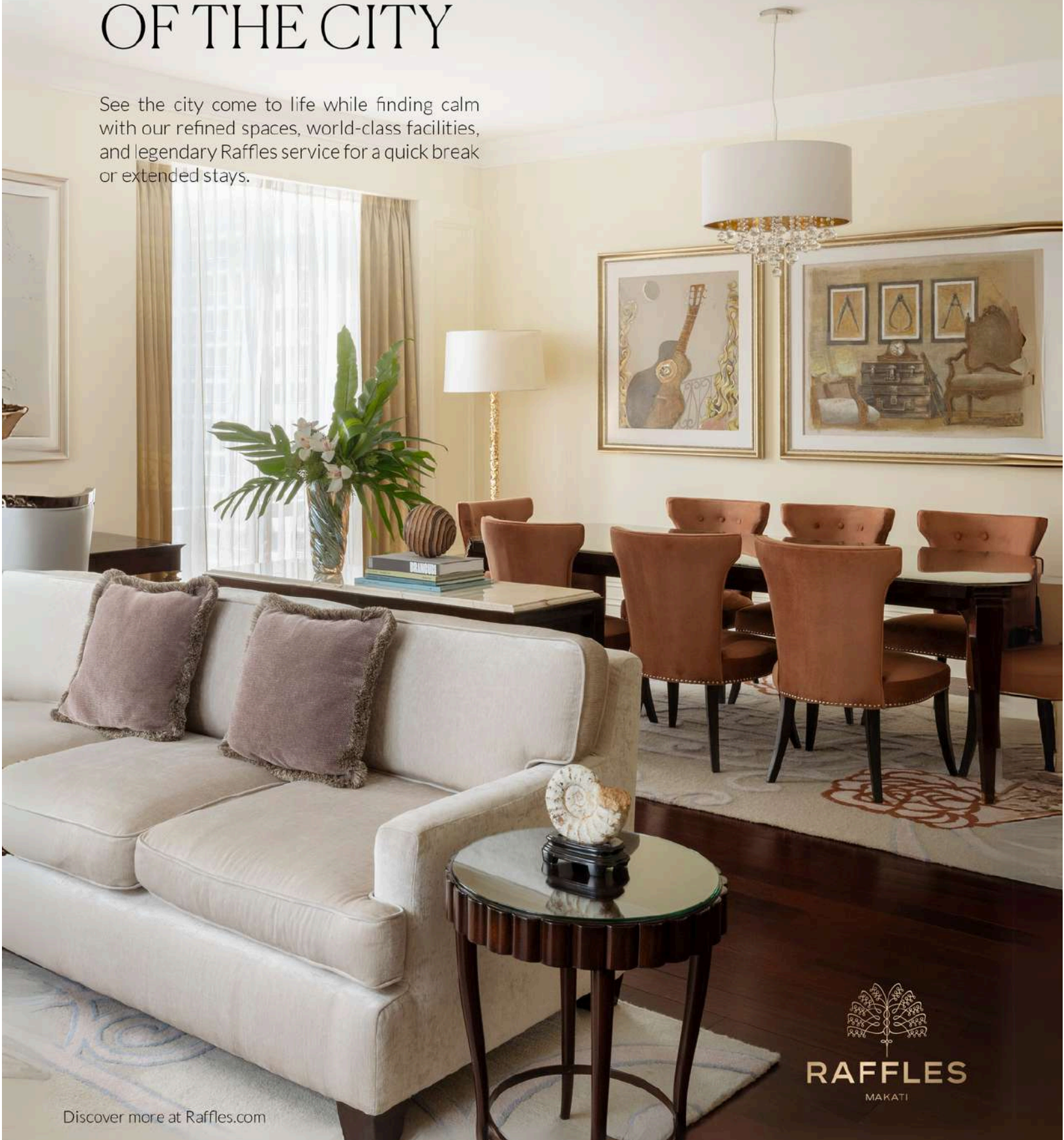
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Executive Director
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Table of Contents

2 Imprint

3 Foreword

5 Table of Contents

6 Cover Story

Accelerating Sustainability Goals Through Digitalization

12 Feature Story

CREATE MORE and VAT: Unlocking Incentives, Unleashing Complexity



18 Opinion

Germany's New Government: New Economic Policy and Positive Implications for the Philippines

24 Business Outlook

Thriving in Transformation: A German-Philippine Perspective for 2025

31 Advertising Packages

Cover Story

Accelerating Sustainability Goals Through Digitalization

Understanding the role of technology in transforming the landscape for sustainable development

Feature Story

CREATE MORE and VAT: Unlocking Incentives, Unleashing Complexity

Navigating the intricacies of the CREATE MORE Act and its potential upbringings



The background image shows two wind turbines in a field of tall grass or corn at sunset. The sky is filled with soft, orange and yellow clouds. Overlaid on the image are several semi-transparent icons: a recycling symbol, a globe, a bar chart with an upward arrow, a power button, and a line graph with an upward arrow. At the bottom, a tablet device is shown displaying a grid pattern.

Cover Story

Accelerating Sustainability Goals Through Digitalization



Cover Story

Accelerating Sustainability Goals Through Digitalization

Story by:

Mr. Nilesh Jadhav, Head of Sustainability Advisory (ASEAN) at Siemens, Inc.

As the world grapples with the urgent challenge of climate change, digital transformation is emerging as a catalyst for business growth and sustainability. Governments, industries, and organizations are under increasing pressure to decarbonize operations, improve resource efficiency, and build resilience in the face of global disruptions. Digitalization offers a compelling pathway to accelerate progress toward these goals, redefining how infrastructure is designed, built, and operated.

The Imperative for Change

Infrastructural systems—from transportation and energy to healthcare and manufacturing—account for a significant share of global greenhouse gas emissions. The recent Siemens Smart Infrastructure Tech Report (Siemens, 2024) explores the critical role of digitalization in accelerating sustainable outcomes.

The report underscores that to meet net-zero targets, the world must decarbonize at a rate five times faster than the current trajectory. However, existing infrastructure is often rigid, outdated, and ill-equipped to adapt to the complex sustainability challenges of the 21st century.

Digital technologies like AI, IoT, cloud computing, and digital twins

Enable a transition toward intelligent infrastructure—systems that not only function more efficiently but also adapt dynamically to real-time data and environmental conditions. This transformation is not just about upgrading hardware; it is about reimagining the very fabric of our urban and industrial ecosystems.



Digitalization: An Impactful Strategy for Sustainability

Digital technologies are powerful enablers of sustainability, delivering measurable environmental impact through strategic implementation. Here are three critical domains where digital transformation directly and most impactfully accelerates sustainability achievements:



Javits Center
Photo Credits: Siemens

1. Resilient Infrastructure

Digital tools enable infrastructure to better withstand and recover from shocks—whether pandemics, climate events, or geopolitical disruptions. For instance, real-time monitoring systems in water utilities can detect leaks or contamination instantly, reducing waste and protecting communities. Smart grids can reroute electricity during outages, maintaining continuity in essential services.

A strong example is the Javits Center in New York City, which developed an innovative distributed energy system supported by Siemens Smart Infrastructure technologies and Siemens Financial Services (Siemens, 2021). By integrating one of the largest rooftop solar arrays and battery storage systems in Manhattan to date, the center became one of the most sustainable convention centers globally, showcasing how digital infrastructure can serve both people and the planet.

In the data center sector—traditionally seen as energy-intensive—AI-powered controls and smart cooling systems are helping operators significantly reduce their carbon footprint while expanding capacity to meet growing digital demand. State-of-the-art data centers, in addition to being highly secure and reliable, need to become easier to build, operate and scale. They must be more flexible, connected, automated, and most importantly more energy efficient and sustainable. A great example of this is how Siemens Smart Infrastructure technologies helped Greenery develop the largest, most secure, and greenest data center of the Baltics (Siemens, 2022).



2. Efficient Operations

Digitalization significantly enhances operational efficiency—reducing resource consumption and emissions while lowering costs. Smart sensors, automation, and predictive maintenance can dramatically reduce energy and water use in buildings and factories. In the pharmaceutical industry, data driven strategies and automated digital systems are key enablers to ensure compliance, safety, quality, productivity and operational efficiency.

US pharmaceutical producer, Pfizer, has a plant in Freiburg, Germany, which is a world-leading example of digitalization supporting multiple goals. By centralizing building control, monitoring, data analysis, and visualization, Pfizer has more than doubled productivity while reducing the energy consumption by over 40% compared to a traditional plant (Siemens, 2023).

In manufacturing, machine learning algorithms can forecast equipment failures and adjust production schedules to avoid downtime and waste.

In energy systems, smart meters and AI models balance supply and demand, integrate renewables, and reduce peak loads—all critical for achieving decarbonization targets. For example, Heineken's smart breweries use digital twin technology to monitor, simulate, and optimize their production lines in real time, cutting energy use and carbon emissions (Siemens, 2024).



3. Transformational Impact

Perhaps the most ambitious but impactful role of digitalization is in enabling transformative business models and systems. By shifting from product-to outcome-based models—such as “mobility-as-a-service” or “energy-as-a-service”—companies can prioritize circularity and sustainability as core drivers of value.

A prime illustration comes from the healthcare sector. By deploying AI-driven diagnostics and remote monitoring tools, hospitals and clinics can improve patient outcomes while minimizing their environmental impact—reducing unnecessary travel, energy use, and medical waste. Siemens' work with healthcare providers demonstrates how digital platforms can coordinate care more effectively and sustainably across an ecosystem.

The Jakarta Heart Center (JHC), a pioneering healthcare facility in West Java, has embarked on a comprehensive digital transformation journey through its strategic partnership with Siemens (Siemens, 2024). This collaboration is revolutionizing patient care through the implementation of intelligent healthcare solutions and data-driven technologies. This digital revolution extends beyond medical equipment to encompass integrated healthcare IT systems, enabling seamless data sharing, real-time patient monitoring, and predictive analytics for improved patient outcomes. The result is a technologically advanced healing environment where digital innovation meets compassionate care, setting new standards for healthcare delivery in Indonesia.

Challenges to Digitalization

Despite its promise, digitalization for



Legacy Systems

Many infrastructure assets are decades old and not easily retrofitted with digital technologies.



Investment Gaps

Funding and ROI models often do not prioritize long-term sustainability benefits.



Skills shortages

There is a growing need for professionals who can bridge the gap between digital expertise and sustainability knowledge.

The Future is Smart, Connected, and Sustainable



The path to achieving global sustainability goals runs through digitally enabled smart infrastructure. Smart cities, clean industries, and resilient communities will all be built on the foundation of connected, intelligent systems. From enabling real-time responses to climate events to unlocking new circular business models, digitalization is not a silver bullet—but it is a powerful enabler. As more stakeholders embrace the convergence of sustainability and technology, digital transformation will be seen not just as a business imperative, but as a planetary one.

Article References



Mr. Nilesh Jadhav

Head of Sustainability Advisory (ASEAN) at Siemens

Nilesh Jadhav, with over 20 years of experience, is a certified sustainability professional and published author. As Head of Sustainability Advisory (ASEAN) at Siemens, Smart Infrastructure Buildings, he leads efforts in decarbonization and digital services for lifecycle sustainability, aiming for net-zero goals.

to Overcome

r sustainability faces several hurdles:



Data Silos

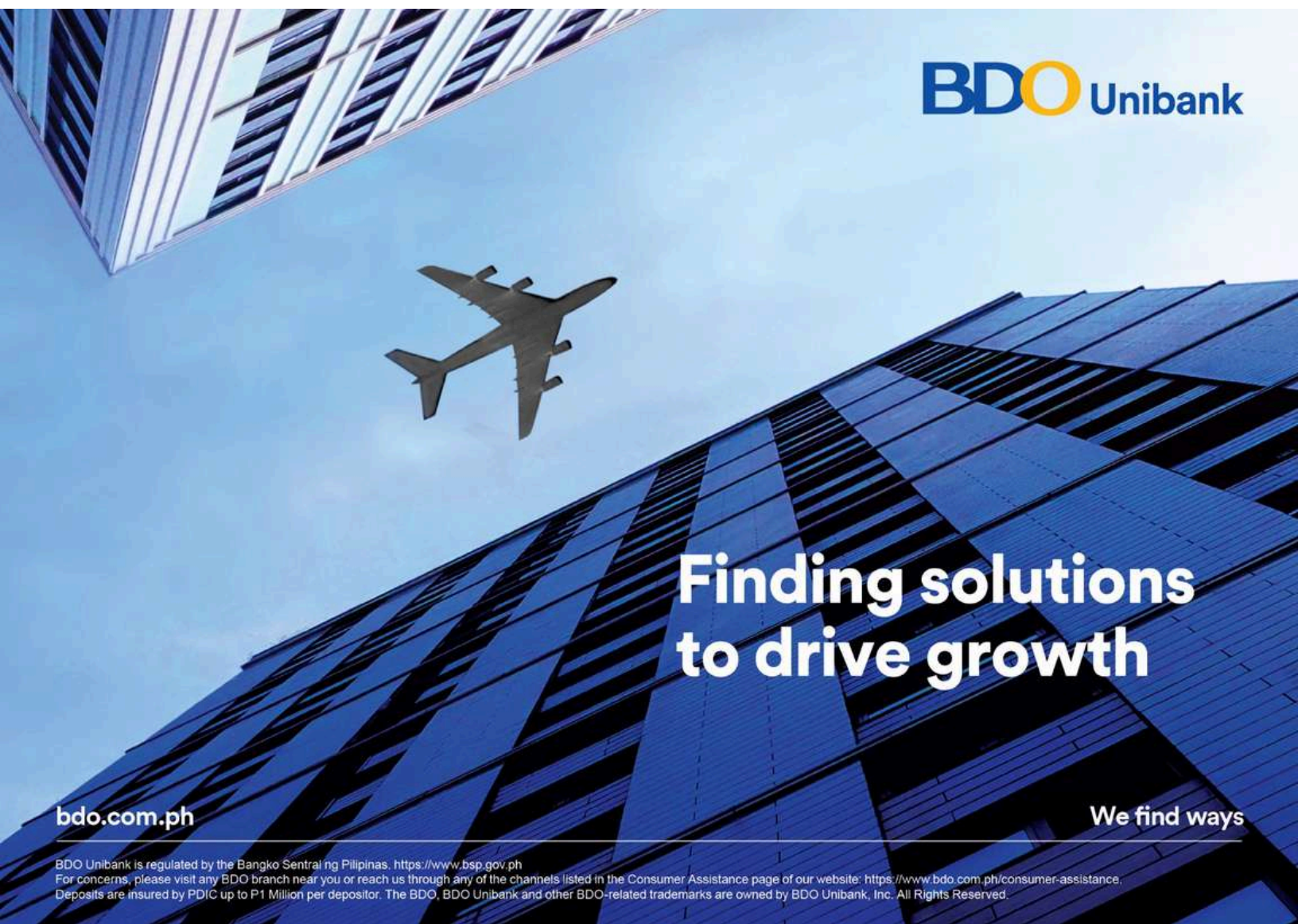
Without integrated data systems, it is difficult to gain the full benefits of digital transformation.



Privacy and Security Concerns

Data-driven transformation must be paired with robust governance. Issues of data privacy, cybersecurity, and ethical AI must be addressed to build trust and ensure equitable outcomes.

To overcome these challenges, Siemens emphasizes a **“total value” approach**—one that considers financial, environmental, and societal outcomes as part of a unified investment case (Siemens, 2024). Digitalization requires integrated thinking and cross-sector collaboration. Governments, businesses, academia, and technology providers must align their strategies to scale digital solutions for sustainability.



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Feature Story

CREATE MORE and VAT: Unlocking Incentives, Unleashing Complexity



Photo Credits: Official Facebook Page of German-Philippine Chamber of Commerce and Industry (AHK Philippinen)

Feature Story

CREATE MORE and VAT: Unlocking Incentives, Unleashing Complexity

Story By: Atty. Irwin C. Nidea Jr., Senior Partner at BDB Law

This article explores the VAT incentive implications of the **CREATE MORE initiative**—highlighting both the opportunities it offers and the challenges that may emerge in unlocking its full potential. As with any major reform, implementation and compliance issues may follow.

A Brief Background: The Cross Border Doctrine and VAT Zero-Rating

The Philippine VAT system followed the “Cross Border Doctrine.” For many years, this doctrine had been applied on sales made to businesses enterprises registered and located in economic and free-port zones. At its core, this principle ensured that value-added tax (VAT) would not be passed on to consumers of goods and services outside the country, including those located in freeport and economic zones, which, by legal fiction are considered outside the Philippine customs territory for VAT purposes.





Photo Credits: Official Facebook Page of Department of Finance

The CREATE Law: A Shift in Policy

This changed with the enactment of the CREATE Law in 2021. The law marked a shift in tax policy by moving away from location-based VAT incentives and instead introducing activity-based qualification criteria. Under Revenue Memorandum Circular (RMC) No. 24-2022, the Bureau of Internal Revenue clarified that the Cross Border Doctrine was no longer applicable for VAT purposes on sales made to business enterprises located in freeport and economic zones. Instead, VAT zero-rating would only apply to sales of goods and services that are directly and exclusively used in the registered activity of the buyer - Registered Business Enterprise (RBE).

This change triggered concern among stakeholders. Services such as security, janitorial work, utilities, and administrative support—which are critical to the day-to-day operations of the RBE but not necessarily “exclusively” used for production—were no longer eligible for VAT zero-rating.

CREATE MORE: A More Flexible Framework

Recognizing these and other concerns, the government enacted CREATE MORE in 2024. The new law introduced the more flexible standard of “directly attributable” use in determining which transactions are entitled to VAT zero-rating.

Under this revised framework, goods and services that are incidental to and reasonably necessary for the registered activity of an RBE now qualify for VAT zero-rating. For instance, while the original CREATE Law excluded janitorial, security, financial, marketing, consultancy, and administrative services from zero-rating, CREATE MORE now explicitly includes them as long as they are directly attributable to the RBE’s registered activity.



CREATE MORE ACT
Republic Act No. 12066



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What Can Be VAT Zero-Rated Under CREATE MORE?

CREATE MORE makes the following categories eligible for VAT zero-rating when sold to RBEs:

- Raw materials, components, and production inputs directly connected to the registered activity;
- Support services necessary to the operation, including janitorial, security, financial, consultancy, marketing, and administrative services;
- Office supplies and equipment used for administrative functions attributable to the registered activity.

However, these enhanced incentives apply only to:

- **Registered Export Enterprises (REEs)** – RBEs engaged in export-oriented manufacturing, assembly, processing, or services that directly contribute to exportation; and
- **High Value Domestic Market Enterprises (HVDMEs)** – defined as enterprises with capital investments of over PHP 15 billion or annual sales of at least USD 100 million.

Regular Domestic Market Enterprises (DMEs) do not enjoy VAT zero-rating on their purchases. This places them at a relative disadvantage, especially in light of changes to VAT rules for local transactions.

The Compliance Challenge: VAT on Local Sales

Despite the intentions of CREATE MORE to improve the investment climate, its VAT provisions concerning local sales have introduced new layers of complexity. CREATE MORE defines “local sales” as sales made by RBEs to DMEs or to non-registered enterprises, regardless of whether the transaction occurs inside or outside an economic zone. These local sales are now subject to the standard 12% VAT.

VAT Remittance: Buyer Beware?

Under Revenue Regulations No. 09-2025 (RR 09-25), the obligation to remit VAT on local sales depends on whether the transaction is B2B or business-to-consumer (B2C):

- For B2B transactions, the buyer is responsible for remitting the VAT to the government. However, the manner of remittance and the specific forms used vary depending on whether the seller is located in an Ecozone or is registered under the Board of Investments (BOI), as well as the seller’s VAT registration and income tax regime.

- For B2C transactions, where VAT collection from the buyer is not administratively feasible, the obligation remains with the RBE-seller.

These rules have led to confusion and increased administrative overhead. Buyers are now required to remit VAT on purchases from RBEs—a significant departure from usual tax compliance systems. While that used to be the practice, that was when the cross-border doctrine was still applicable, when it was logical to place the burden for the remittance on the buyer, similar to any import transaction. With the shift in the rule, it would have been easier if the responsibility is left with the seller, following the usual compliance rules. Additionally, both sellers and buyers must now align their invoicing and reporting systems to accommodate these changes, further increasing compliance complexity.



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The Dilemma for DMES

The new rules place DMES—except HVDMEs—in a particularly difficult position. Since DMES are not entitled to VAT zero-rating on local purchases or importations, they accumulate input VAT on these transactions. Ordinarily, this input VAT is creditable against output VAT from their sales.

However, under the current rules, where the buyer remits the output VAT on purchases from RBEs, including DMES, the DME has no corresponding output VAT liability against which the accumulated input VAT can be offset.

This leads to a build-up of unused VAT credits which are not refundable, as they are not attributable to zero-rated sales.

This scenario places DMES at a disadvantage—not just compared to RBEs enjoying enhanced VAT incentives—but also compared to regular VAT-registered businesses that operate under a more straightforward credit-offset mechanism.

Grandfathering of Incentives Until 2034

One of the more favorable provisions under CREATE MORE is that RBEs already enjoying VAT zero-rating and duty exemptions prior to the CREATE Law's enactment may continue to do so until December 31, 2034—regardless of whether they serve export or domestic markets.

However, this raises a critical question: Will DMES registered with IPAs such as PEZA before CREATE continue to enjoy VAT-free local purchases, even though newer DMES do not? If so, this could create inequity among similarly situated enterprises, depending solely on their registration date.

CREATE MORE represents a well-intentioned effort to refine and improve the Philippine tax incentive regime.

It introduces much-needed flexibility in VAT zero-rating, eases administrative barriers for exporters, and expands the pool of eligible purchases and services.

However, it also brings to light significant compliance challenges—especially in the context of local sales, VAT remittance responsibilities, and potential disadvantages for DMES. The introduction of new procedures for refund claims and the uneven implementation of rules across agencies further complicate the landscape.

As businesses adjust to the new framework, clear guidance from the BIR and consistency in regulatory enforcement will be critical.



Atty. Irwin C. Nidea Jr.

Senior Partner, BDB Law

Atty. Irwin C. Nidea Jr. is a Senior Partner at Du-Baladad and Associates (BDB Law), heading the firm's Tax Litigation and Transfer Pricing divisions. An economist-lawyer with nearly two decades of experience, he has secured landmark victories, including the cancellation of a ₱7.6 billion tax assessment—one of the largest on record—and the successful refund of multi-billion peso claims on novel legal grounds. He advises major Philippine conglomerates and multinational companies on transfer pricing and complex tax issues.

A photograph of the German flag (black, red, and gold horizontal stripes) waving on a tall pole in the foreground. In the background, the ornate, classical architecture of the Reichstag building in Berlin is visible, featuring a large pediment with intricate carvings and a prominent dome topped with a spire. The sky is a clear, pale blue.

Opinion

Germany's New Government: New Economic Policy and Positive Implications for the Philippines



Opinion

Germany's New Government: New Economic Policy and Positive Implications for the Philippines

Story By: Dr. David Klebs, Economic Counsellor, German Embassy Manila

Following the federal elections, the newly-elected members of the Bundestag (Federal Parliament), voted for Friedrich Merz to be the next Chancellor on 6th May 2025. He is leading the new government, a coalition government formed between the Christian Democratic Parties CDU/CSU and the Social Democratic Party SPD.

What new policies can we expect from this government? How does the new government position itself in light of new global challenges like raising tariffs of the Trump administration and geopolitical challenges? What does this mean for Southeast Asia and the Philippines?

Whilst it is too early to forecast how policies will take shape in practice, the coalition treaty, concluded between CDU, CSU and SPD before entering into the joint government, may provide interesting insights. In such a treaty, the parties jointly agree on their political agenda and vision for the country. Whilst the treaty is only political binding, it provides for a vision for the next four years of government.



Overview of the economic landscape in 2024

Examining the coalition treaty, the political parties involved make it clear that they have fully understood the seriousness of the situation. Voters expect the government to deliver results and to speed up the modernisation reforms relating to government and society. Economic policies are at the core of the coalition treaty with new government making economic growth a key priority.

The government is aiming to achieve “potential growth exceeding one percent” in the coming years by encouraging investments, reducing taxes and energy prices and cutting bureaucracy. The focus will be on strengthening industry, fostering innovation, and promoting competition. The coalition intends to take a “pragmatic” approach in economic policies.

This approach can be seen in many fields with this government prioritising pragmatic solutions along similar lines of their European neighbours. The coalition treaty foresees to reduce over-zealous policies by returning to a 1:1 implementation of EU rules in many fields such as the Supply Chain Act and the 2040 CO2 Targets.

The national Carbon Trading System shall be harmonised and replaced by the European Trading System ETS-2; whilst the Carbon Border Adjustment Mechanism which is to protect the German steel industry will be guided by EU-rules. The solvency-II-requirements shall be reduced to minimal levels.

The newly composed Ministry for Economic Affairs and Energy will be headed by Katherina Reiche (CDU). She is a former member of parliament and possesses extensive management experience from working in the energy sector. In one of her first interviews, minister Reiche stressed her desire to bring economic policies back to the roots by aligning it with ordo-liberal policies. She cited Ludwig Erhard and Alfred Müller-Carmack who together invented the vision of the social market economy that lied to cornerstones for economic prosperity since the 1950s.

With regard to international economic policy, the new government remains committed to a rules-based trade policy. The coalition expressed the concern that “protectionist trade policies question the stability and order of the world-wide economy”.



To promote free trade, the coalition treaty has stressed the importance of protecting and maintaining the WTO as a safeguard for international trade. The German government understands that the negotiations for various free-trade agreements shall be continued, and for pragmatic reasons of an easier ratification and reliability, these treaties shall be concluded as “EU only”, avoiding the need to reach a consensus amongst all 27 EU-member states on every point.

Opportunities for the ASEAN and the Philippines

With regards to the ASEAN countries, the coalition treaty provides for a continuity of policies as provided by the Indo-Pacific strategy. It has identified ASEAN as a partner for diversification.

In his first government statement on 14th May, Chancellor Merz highlighted the importance of strengthening trade partnerships and securing supply chains in Asia. He recognised the dynamic growth of the Asian region. Here, in my opinion, the Philippines can be proud of their recent achievements of GDP growth of around 6% for the last years and similar projections for the future, and with a government that is promoting international economic collaboration and investments.

Whilst the coalition treaty has not explicitly mentioned the Philippines (nor any other country in ASEAN), it is evident that the Philippines will continue to benefit from German economic policies.

The Philippines remains a trusted partner for political and economic collaboration for the German government and German businesses. The German government will continue to foster and promote the negotiations of the Free Trade Agreement between the EU and the Philippines that will benefit both parties significantly.

I am very happy to see that the negotiations have recently gained much momentum. In addition, German investments in the Philippines will continue to be protected under the existing Investment Promotion and Protection Agreement between Germany and the Philippines.



'Tis the season to celebrate
German-Philippine partnerships!



In High spirits

Bonifacio High Street Central,
Taguig City
November 7 - 8, 2025





Chancellor Friedrich Merz

Photo Credits: 2025 Press and Information Office of the Federal Government

Moreover, the coalition government has decided to promote international trade and investments. For example, the Außenwirtschaftsgesetz (Foreign Trade and Payments Act) shall be amended in order to simplify foreign trade processes. Export licensing will be streamlined with a shift towards spot checks rather than comprehensive examinations. New instruments for foreign trade promotion will be introduced and existing ones will receive increased financial support.

I also see a potential that the Philippines will benefit from the establishment of the Deutschlandfonds. This fund aims to address financing gaps for German SMEs and start-ups, particularly to support their expansion into Southeast Asian markets. With GPCCI and other start-up promotion programmes already in place for the Philippines, I expect that German start-ups will be increasingly tapping into the Philippines' dynamic and exciting market.

Thus, after the federal elections in Germany and the mid-term elections in the Philippines, both nations, Germany and the Philippines, can look together into the future with optimism. It did not come as a surprise to me that the Philippines have again improved in the latest GPCCI World Outlook and now, 65 % of German businesses in the Philippines expect positive developments within the next 12 months. The German government will continue to promote these exciting developments.

Let us continue to create opportunities for businesses in Germany and the Philippines and foster resilient, mutually beneficial partnerships in the years ahead.



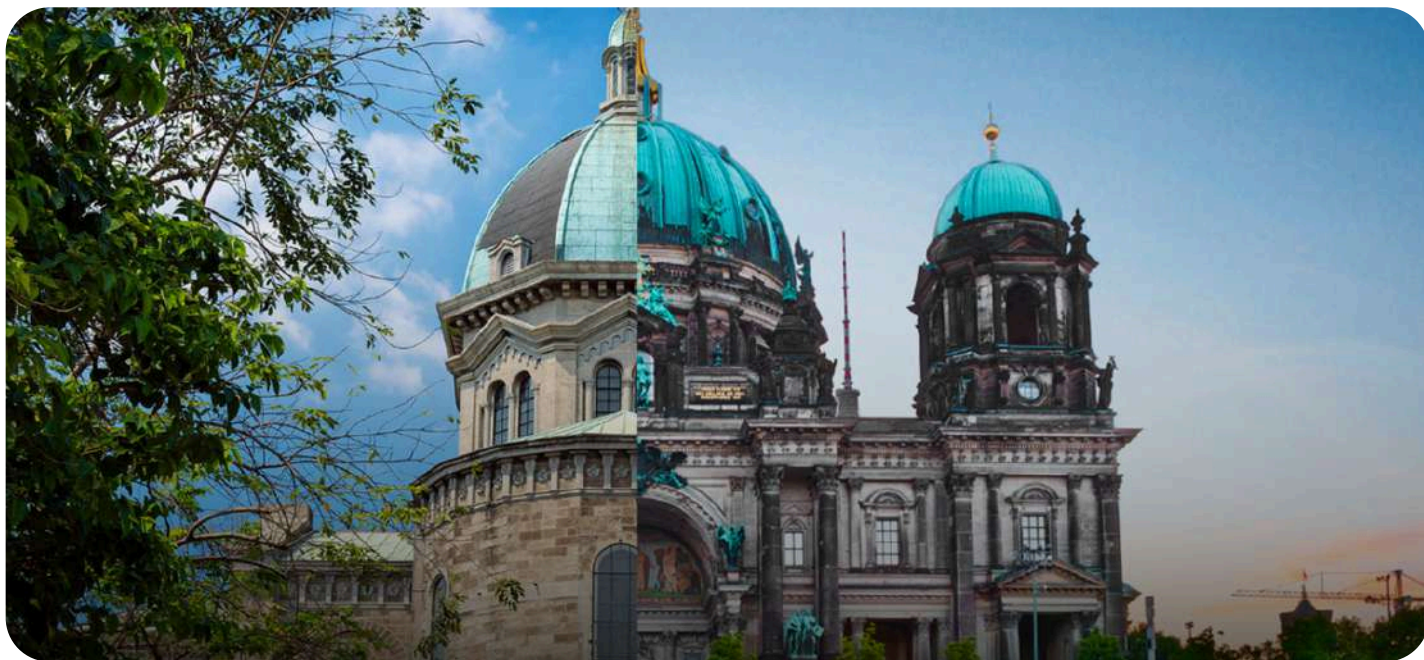
Dr. David Klebs **Economic Counsellor**

Dr. David Klebs was appointed as Economic Counsellor of the Embassy in August 2022. As such, he is the contact person for all questions relating to the German Supply Chain Due Diligence Act. Before his time in the Philippines, he served as Legal Counsellor and Agent of Germany to the European Court of Justice, litigating many cases of economic, trade, IT and labour law. Before, he served as judge in civil matters in Munich, and as a member of a Munich district council. He is socially engaged in the church in Germany, focusing on interreligious dialogues, as well as is assisting university education on matters of international commercial law and dispute resolution.



Business Outlook

Thriving in Transformation: A German-Philippine Perspective for 2025



Business Outlook

Thriving in Transformation: A German-Philippine Perspective for 2025

Story By: Nathalie Beatriz Hagelstein

The year 2025 signals a renewed wave of optimism in German-Philippine economic relations, with businesses reporting stronger confidence and an improved outlook in both current business performance and expected growth compared to the previous year. German companies in the

Philippines are entering the year with stronger confidence and a more positive outlook than their counterparts across the Asia-Pacific region (excluding China), globally, and even in Germany itself. In the Philippines, 65% of firms expect business to improve in the next 12 months, well above the 49% average across Asia-Pacific, 41% globally, and just 14% in Germany. Similarly, Philippine-based companies lead in positive assessments of their current business situation with 58%, plans to increase investment with 44%, and hiring intentions with 47%, all of which surpass the respective global and regional averages.

This strong sentiment is shaped by steady domestic demand, infrastructure progress, and optimism surrounding the anticipated EU-Philippines Free Trade Agreement. Compared to other ASEAN markets, the Philippines stands out not just as a resilient performer, but as a dynamic growth frontier within the region.



The AHK World Business Outlook, is based on biannual surveys conducted by the global network of German Chambers of Commerce Abroad (AHKs), including the German-Philippine Chamber of Commerce and Industry (GPCCI). The Spring 2025 edition reflects the views of over 4,600 German-affiliated companies worldwide, including 130 operating in the Philippines, offering a vital overview of business sentiment, strategic priorities, and risk perceptions across diverse markets. GPCCI continues to play a key role in capturing and interpreting these trends, supporting firms in navigating both opportunities and uncertainties in the evolving global economy.

AHK World Business Outlook Survey Spring 2025



Philippines



Worldwide

Business and Economic Trends

The Spring 2025 AHK World Business Outlook highlights the Philippines as one of ASEAN's most optimistic markets. Among German firms operating in the Philippines, 65% expect business improvement, 58% rate the situation as good, 44% plan more investment, and 47% intend to increase employment. These figures exceed ASEAN averages and reflect strong domestic demand, policy stability, and optimism about the EU-Philippines Free Trade Agreement.

The Philippines' net business expectation (+62) surpasses neighboring countries like Indonesia (+40), Vietnam (+38), Thailand (+26), Malaysia (+50), and Singapore (-7). Investment and employment plans in most of these markets also lagged behind, with Indonesia and Singapore even reporting negative investment sentiment, further underscoring the Philippines' standout position in the region.



Compared to the global landscape, the Philippines continues to outperform. While many companies worldwide are navigating economic uncertainty in the wake of U.S. trade tensions, only **41%** of firms globally expect business to improve. In contrast, German companies in the Philippines anticipate better development, reflecting a more confident outlook. Their strong investment and hiring intentions signal a forward-looking, opportunity-driven mindset, while global averages for investment (28%) and employment growth (31%) remain more cautious. This divergence underscores the Philippines' position as a regional leader and a strategic growth hub for German businesses in an otherwise restrained global environment.

The contrast with Germany is even more pronounced. There, only 14% of companies expect better business conditions, and sentiment remains subdued across all key indicators, including current business assessments, investment, and employment.

These comparisons underscore the Philippines' status as a standout performer in 2025. Whether measured against regional peers, the global network, or companies in Germany itself, German firms in the Philippines report higher confidence, stronger expectations, and a greater interest in expansion. These results reaffirm the country's appeal as a strategic hub for innovation, investment, and long-term growth within a globally cautious business environment.

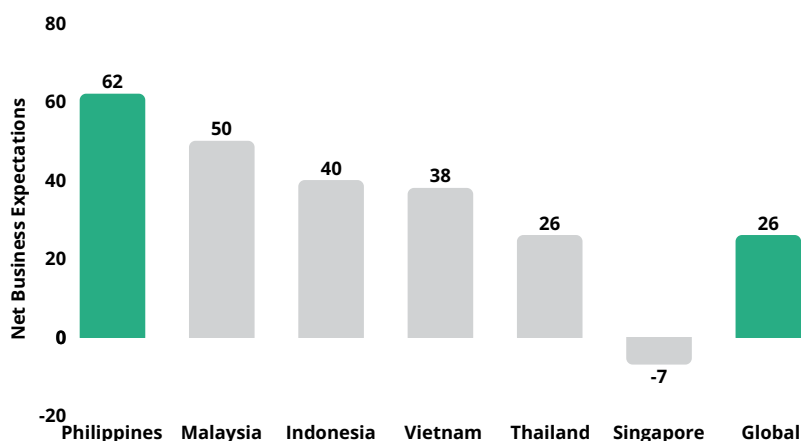


Figure 1

Business Expectations

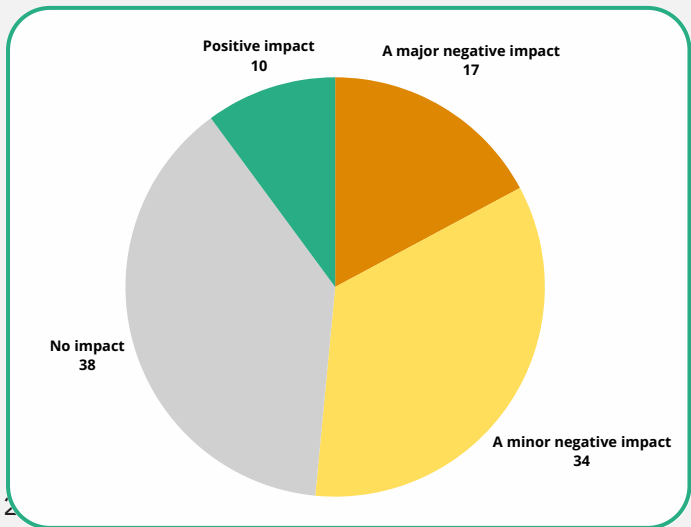
AHK WBO Spring Survey 2025

As shown in the graph, companies engaged in German-Philippine business relations demonstrate stronger business expectation projections compared to their regional counterparts and even the global average.

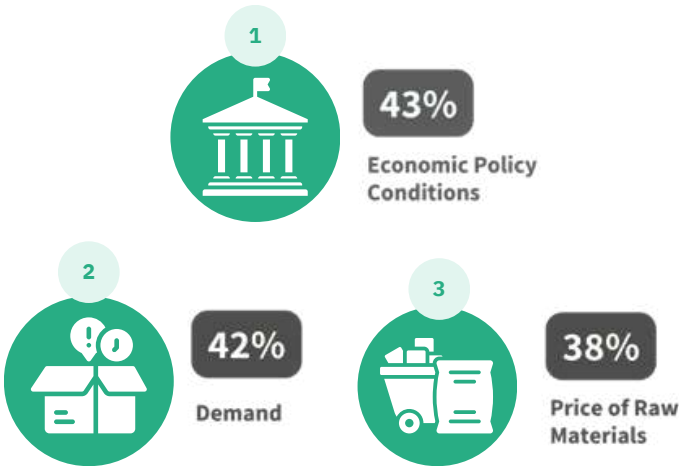
Risks and Economic Policy Uncertainties

The Spring 2025 survey continued to examine how German companies are managing risks and maintaining competitiveness amid a shifting global landscape. In the Philippines, firms identified economic policy conditions (43%), demand volatility (42%), and rising raw material costs (38%) as the top risks for the year ahead. Other frequently cited concerns included the potential impacts of a global recession, U.S. tariffs, tax audits, and tariff impacts. Political uncertainty surrounding the recent Philippine elections, trade wars, geopolitics, and bureaucratic challenges were noted as additional, though less immediate, risk factors. Interestingly, 38% of firms reported that new U.S. trade policies have had no direct impact and 34% have reported only minor negative impacts on their local operations, suggesting a degree of insulation or diversification in trade exposure.

Globally, companies expressed similar concerns, with economic policy (49%) and weak demand (46%) topping the list. However, global respondents placed greater emphasis on structural risks such as skilled labor shortages (34%), rising labor costs, currency exchange volatility, and increasing trade barriers. In Germany, risk perceptions are even more acute and focused on deep structural challenges. According to the DIHK survey: 60% cited economic policy conditions as a top risk, 59% named weak demand and 56% highlighted high labor costs.



Top 3 Risks for Companies in the Philippines in Spring 2025



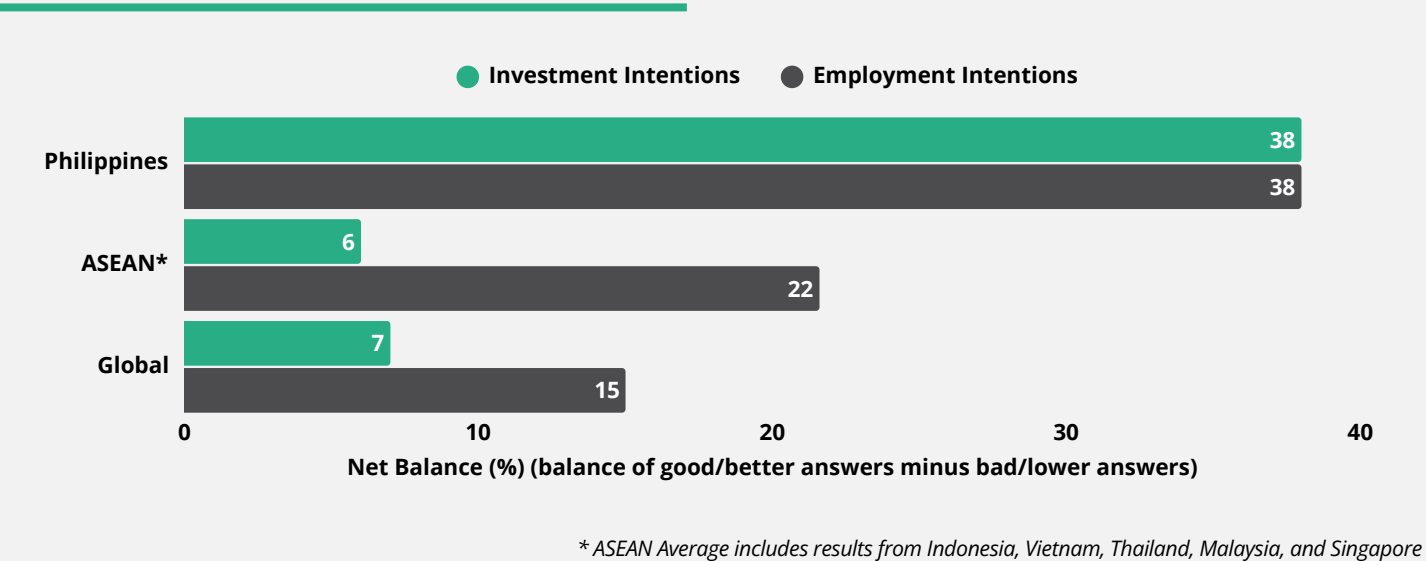
Other key issues mentioned by German firms were bureaucracy, followed by tax burdens, inflation, and regulatory uncertainty. While there is broad alignment in viewing economic policy and demand fluctuations as critical risks, German firms in the Philippines tend to emphasize cost pressures and local political dynamics more heavily. In contrast, their global counterparts are focused on systemic international risks and workforce-related challenges.

Figure 2
What impact do you expect the new US trade policy to have on your company's local business?
AHK WBO Spring Survey 2025

The graph shows that companies engaged in German-Philippine business relations report little to no impact from the United States' Liberation Day announcement on tariffs.

Figure 3

Investment and Employment Intentions Comparison Philippines vs Worldwide
AHK WBO Spring Survey 2025



2025 and Beyond

Building on the momentum observed in the Spring 2025 AHK WBO, German companies in the Philippines are entering the second half of the year with strategic clarity and measured optimism. The survey results reflect not only a strong rebound from previous global challenges but also a deliberate effort to future-proof operations through investment, workforce expansion, and risk management. In the wake of the recent Philippine midterm elections, the business community is watching closely for signs of policy continuity and renewed reform. These elections mark a critical opportunity for decision-makers to strengthen the country’s competitiveness by addressing regulatory bottlenecks, infrastructure challenges, and labor market development. Sustained government support will be essential to maintain investor confidence and economic momentum.

At the same time, political developments in Germany, including recent shifts in coalition dynamics and intensifying debates over economic and energy policy, may also impact business sentiment and investment decisions abroad.

As domestic uncertainty continues to shape the German business environment, firms may increasingly look to more stable, high-growth destinations like the Philippines to diversify and mitigate against risk at home.

Therefore, strengthened bilateral cooperation between Germany and the Philippines can unlock new opportunities across key business sectors. As global risks continue to evolve, German firms are leaning into resilience, innovation, and adaptability. The Philippines is increasingly seen not just as a growth market, but as a strategic platform for long-term transformation. With coherent policy, targeted investment, and strengthened international partnerships, the German-Philippine economic relationship is well-positioned to evolve into a more resilient, dynamic, and globally integrated partnership.



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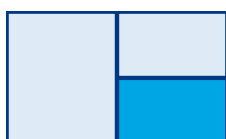
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