

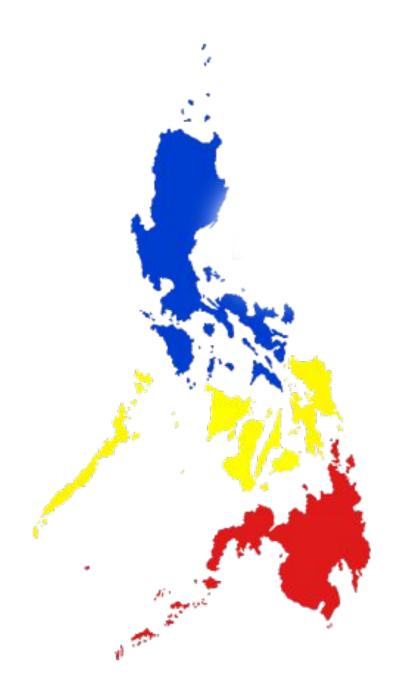
Doing Business in the Philippines

Market Information and Business Opportunities





Philippines at a Glance



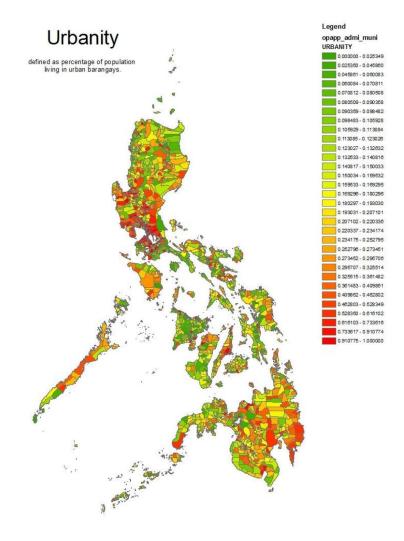
The Philippines at a Glance: Geography

- Luzon: economic and political center and the location of the Metro Manila region.
- Visayas: range of smaller islands location of Cebu City and prime tourist destinations.
- Mindanao: second largest island in the Philippines and provides less developed natural resources and fertile agricultural land.



The Philippines at a Glance: Demographics

- Total population: 110.8 million
- Working-age population: 71.2 million
 - (2021 estimates by PH Commission on Population and Development)
- Population Growth Rate: 1.7% (2013-18)
- Median Age: 24.1 years old
- Population Density: 355 persons per km2 (2018)
- Urban Population (2015): 51.2%
- Urbanization highest in:
 - National Capital Region (100%), CALABARZON (66.4%), and Central Luzon (61.6%).





The Philippines at a Glance: Demographics



	2021 Estimate	2025 Estimate
National Capital Region	14.0 million	14.5 million
CALBARZON	16.3 million	17.4 million
Cebu island	5.1 million	5.4 million
Davao city	1.9 million	2.0 million

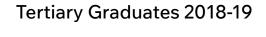
Source: Department of Health

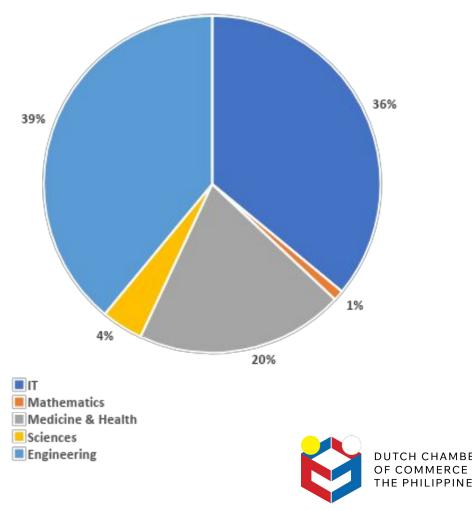


The Philippines at a Glance: Demographics

Level of Completed Education		
Completion Primary Education (2018 %)	97.2	
Completion Secondary Education (2018 %)	88.4	
Number of graduates finishing Tertiary Education or above (2017 total)	703,327	

Source: Philippines Statistics Authority, 2020; World Bank, 2018





The Philippines at a Glance: Labour market

- Total Workforce: 47.3 million (2021)
- Employed Workforce: 43.2 million (2021)
- Labour attrition rate: 1.9% (2019)

2019

Unemployment: 5.2% Labour participation

rate: 61.3%

April 2020

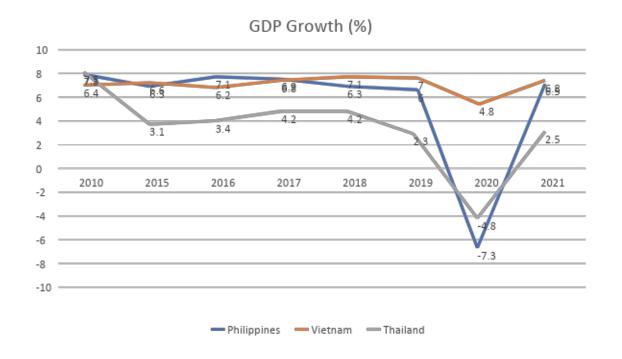
Unemployment: 17.7% Labour participation rate: 55.6%

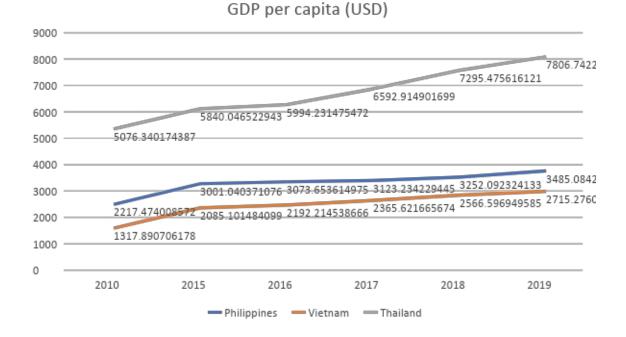
February 2021

Unemployment: 8.8% Labour participation rate: 63.5%

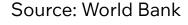


The Philippine Economy: GDP





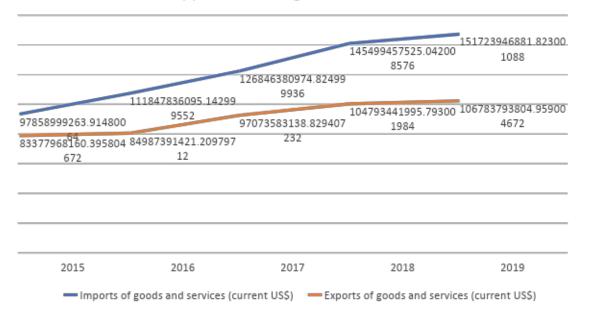
Source: Asian Development Bank





The Philippine Economy: Import & Export

Philippine trade in goods and services



EU-Philippines: Trade in goods

Trade in goods 2017-2019, € billions				
Year	EU imports	EU exports	Balance	
2017	7.0	6.0	-1.0	
2018	7.3	7.1	-0.2	

EU-Philippines: Trade in services

2019

7.5

Trade in services 2016-2018, € billions

7.4

Year	EU imports	EU exports	Balance	
2016	2.1	1.8	-0.3	
2017	1.9	1.9	0.0	
2018	1.9	1.8	-0.2	

Source: World Bank



-0.0

The Philippine Economy: GSP+

- Only ASEAN member with GSP+ access to the EU. Over 6000 product originating in the Philippines benefit of zero tariffs when exported to the EU
 - 2/3rd of EU tariff lines including earth metals

Product lines that have benefitted upon implementation:

- Animal products (+64%)
- Fish and related product (+71%)
- Prepared foodstuffs (+60%)
- Edible fruits (+39%)
- Automotive parts (+45%)
- Leather (+77%)
- Textiles (+145%)
- Footwear (+74%)



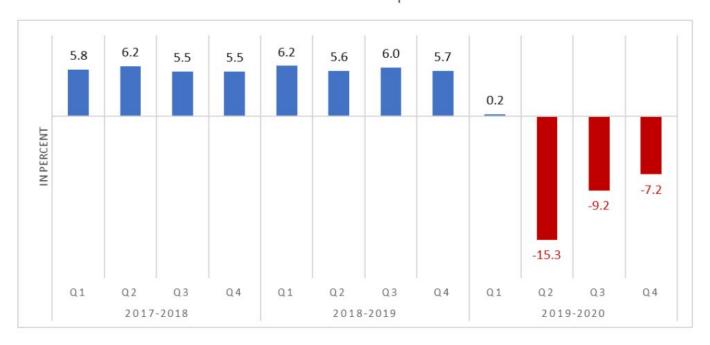


Economic Drivers

Economic Drivers: Consumer Spending

Consumer Spending

Household Final Consumption Expenditure, Q1 2018 to Q4 2020 Growth Rates, At constant 2018 prices



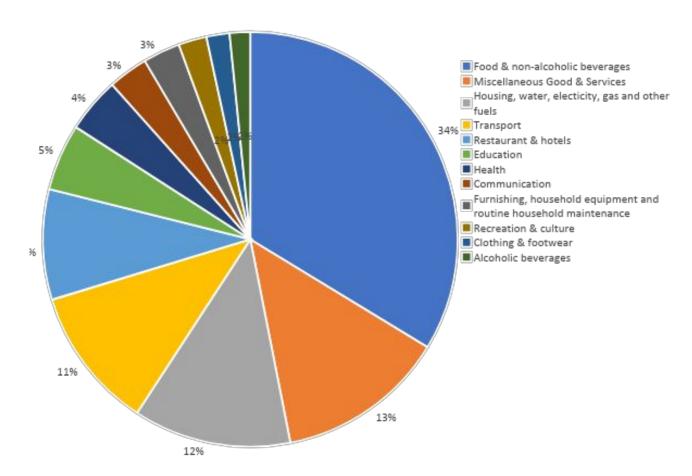




Source: Philippine Statistics Authority, 2020

Economic Drivers: Consumer Spending

Household Final Consumption Expenditure, Q1 2020





Economic Drivers: Service Sect

A Service Economy

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	22.5	19.8	57.6
Value Added (in % of GDP)	8.8	30.2	61.0
Value Added (Annual % Change)	1.2	4.7	7.5







Economic Drivers: Business Process Outsourcing (BPO)

First contact centre introduced in the Philippines

Philippines has 3% global market share. Double digit industry growth would follow (2006: growth of 46%).

BPO worth \$8.9bn revenue employing over 525,000 Filipinos Revenue: \$26.3bn with new growth segments: health care, gaming, animation services.

1992

2005

2010

2019



Economic Drivers: Overseas Filipino Workers (OFW)

2.2 million OFWs (2019 estimate)

Main destinations:

- Saudi Arabia 22.4%
- Hong Kong 21.7%
- UAE 13.2%

Main occupations:

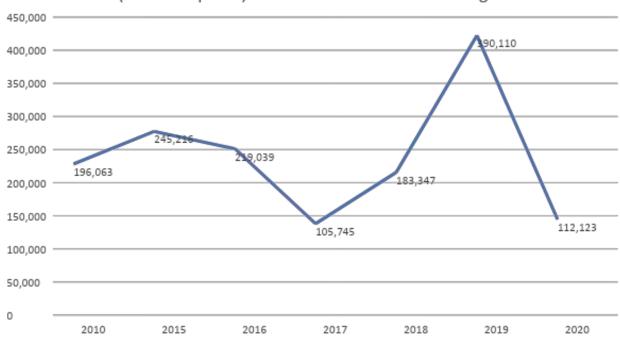
- Nurses
- Seafarers
- Engineers
- Domestic Helpers
- Construction
- Hospitality





Economic Drivers: Investments

Investments FDI (in million pesos) of all Investment Promotion Agencies



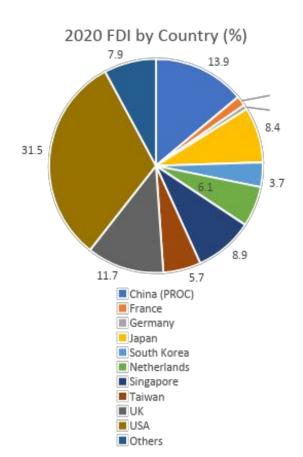
Philippines



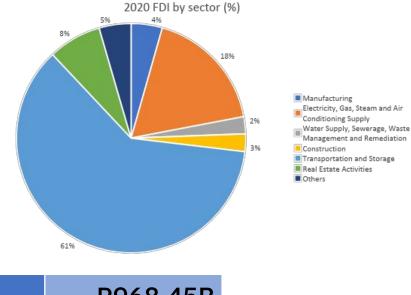


Source: Philippines Statistics Authority, 2021

Economic Drivers: Foreign Direct Investments



1.5 0.7



Domestic Investments	P968.45B
Foreign Investments	P47.7B

Source: Board of Investments, 2020



Source: Philippines Statistics Authority, 2021

Economic Drivers: Negative Investment List

0% Foreign Equity:

- Mass media, except recording and internet business;
- Practice of professions (with exceptions);
- Retail trade enterprises with paid-up capital of less than US\$2.5 million;
- Small-scale mining;
- Utilization of marine resources;
- Other security related professions;

Up to 25% Foreign Equity:

- Private recruitment;
- Construction contracts of defense-related structures;

Up to 30% Foreign Equity:

Advertising;

Up to 40% Foreign Equity:

 Contracts for the construction and repair of locally-funded public works except Infrastructure

- and foreign funded or assisted projects as per competitive bidding;
- Exploration, development, utilization of natural resources
- Ownership of private land and condominium units;
- Operation of public utilities (with exceptions);
- Education;
- Rice and corn;
- Contracts to Government-Owned and Controlled Corporations;
- Deep-sea fishing;
- PNP & Defense Contracts

Sector Snapshot: Agriculture

- Situational setbacks hamper growth in this sector
 - 2020: 1.2% sector contraction (Taal, Covid-19, AFS, Typhoons)
- Government priorities
 - Maintaining and supporting supply chains
 - Diversification of crops
 - High-value Crops for export
 - Development of infrastructure and logistics
 - Resilient crops and species

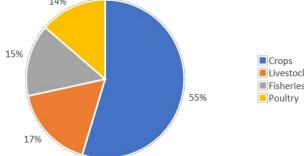
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Value of Production (Constant 2018 Prices)

15%

Crops
Livestor
Fisherie
Poultry

Value of Production (Current Prices)





Sector Snapshot: Transport & Infrastructure

- Build Build: flagship infrastructure development program.
 - 2017 2022 projection: 8 9 tn PHP
 - 2021: 1.3 tn PHP
- Localisation away from Metro Manila
 - Bayanihan 2 includes PHP9.5 bn for transportation



Sector Snapshot: Manufacturing

- Manufacturing remains a priority for the Philippines and comprises half of its industrial sector.
- Priorities
 - Connecting to and maintaining supply chains
 - Supporting innovation and R&D
 - Cost competitiveness
 - Upgrading manufacturing for Industry 4.0
 - Localisation

Sub-sector	Size (2019, USD)
Food manufacturing	14.9 B
Radio, television and communication equipment and apparatus	3.8 B
Chemical and chemical products	2.1 B
Petroleum and other fuel products	1.3 B
Beverage industries	1.1 B



Source: PEZA

277 OPERATING ECONOMIC ZONES *

BAGUIO CITY ECONOMIC ZONE JOHN HAY SPECIAL TOURISM ECONOMIC ZONE SANCTUARY IT BUILDING SM BAGUIO CYBERZONE BUILDING FORT ILOCANDIA TOURISM ECONOMIC ZONE PANGASINAN INDUSTRIAL PARK II LUISITA INDUSTRIAL PARK TECO SPECIAL ECONOMIC ZONE TARLAC PROVINCIAL INFORMATION TECHNOLOGY PARK II SM CITY PAMPANGA PAMPANGA ECONOMIC ZONE ROBIN SON S LUISITA CLARK TI SPECIAL ECONOMIC ZONE ANGELES INDUSTRIAL PARK STA. MARIA INDUSTRIAL PARK SUPIMA ECIRCLE PDC INFORMATION TECHNO PARK PHILIPPINE PACKING AGRICULTURAL EPZ ROBIN SON'S PLACE NOVALICHES ALPHALAND SOUTHGATE TOWERS AYALA NORTH POINT TECHNOHUB JELP BUSINESS SOLUTION CENTER ED SA CENTRAL IT CENTER EPLDT VENTUS JUPITER BUILDING **EPLDT VENTUS LIBERTAD BUILDING** FILANDIA IT CENTER PLDT SAMPALOC BUILDING ROBINSONS PLACE OTIS (MANILA GAS) SM CITY FAIRVIEW - ANNEX II WALTERMART-NORTH ED SA E-SQUARE INFORMATION TECHNOLOGY PARK PHILPLAN'S CORPORATE CENTER MCKINLEY HILL CYBER PARK MARKETI MARKETI ST. LUKE'S MEDICAL CENTER GLOBAL CITY MULTINATIONAL BANCORPORATION PEOPLESUPPORT CENTER IT BUILDING NORTHGATE CYBERZONE MACROA SIA ECOZONE A SAHI SPECIAL ECONOMIC ZONE EUGENIO LOPEZ JR. COMMUNICATION CENTER MANILA HARBOUR CENTER NEWPORT CITY CYBERTOURISM ZONE SM ICITY 2 SM CYBERZONE 1 G.T. TOWER INTERNATIONAL THE PAISEO CENTER IT BUILDING AMKOR TECHNOLOGY PACIFIC INFORMATION TECHNOLOGY CENTER JGC PHILIPPINES BUILDING SDC IT BUILDING A SIAN STAR BUILDING ROBIN SON S CYBERPARK ROBINSON S-EQUITABLE TOWER PROOM TOWER ANSON'S CENTER SUMMIT ONE OFFICE TOWER 6750 AYALA AVE. BLDG. 6780 AYALA 6788 AYALA AVE. BLDG. JG SUMMIT CENTER ECO PLAZA SOLARIS ONE MONFORT INFORMATION TECHNOLOGY BUILDING ILOILO COMMERCIAL DEVELOPMENT CORP. BUILDING SM MAKATI CYBERZONE BUILDING UNIONBANK PLAZA **BPI BUENDIA CENTER** ALLEGRO IT CENTER EAST CYBER GATE WORLDWIDE CORPORATE CENTER GATEWAY OFFICE TOWER CYBER PARK BUILDING ONE PACIFIC STAR BUILDING PHILAMLIFE IT TOWER PHILAMILIEF LT BUILDING UP SCIENCE & TECHNOLOGY PARK (South) UP SCIENCE & TECHNOLOGY PARK (North) HARVESTER CORPORATE CENTER NISCOM IT BUILDING



CAVITE ECONOMIC ZONE I HERMOSA ECOZONE INDUSTRIAL PARK LAGUNA INT'L. INDUSTRIAL PARK LEYTE IND'L. DEVELOPMENT ESTATE LIGHT INDUSTRY & SCIENCE PARK I LIGHT INDUSTRY & SCIENCE PARK II LIGHT INDUSTRY & SCIENCE PARK III TABANGAO SPECIAL ECONOMIC ZONE LAGUNA TECHNOPARK MISIBIS RESORTS AND ESTATES LAGUNA TECHNOPARK ANNEX RAPU-RAPU ECOZONE FIRST CAVITE INDUSTRIAL ESTATE GOLDEN MILE BUSINESS PARK KEPPEL PHILIPPINES MARINE SPECIAL ECONOMIC ZONE GREENFIELD AUTOMOTIVE PARK YTMI REALTY SPECIAL ECONOMIC ZONE NYK-TDG I.T. PARK LIMA TECHNOLOGY CENTER COCOCHEM AGRO INDUSTRIAL PARK PEOPLE'S TECHNOLOGY COMPLEX CALAMBA PREMIERE INTERNATIONAL PARK SMPIC SPECIAL ECONOMIC ZONE A SEANA ONE CARMELRAY INTERNATIONAL BUSINESS PARK AG&P SPECIAL ECONOMIC ZONE DAIICHI INDUSTRIAL PARK CLARK SPECIAL ECONOMIC ZONE FILINVEST TECHNOLOGY PARK - CALAMBA EASTBAY ARTS, RECREATIONAL AND TOURISM SAINT FRANCES CABRINI MEDICAL TOURISM PARK PHILTOWN TECHNOLOGY PARK ROBIN SON S PLACE LIPA PAMALICAN ISLAND TOURISM ECOZONE CAMARINES SUR IT PARK BORACAY ECO-VILLAGE RESORT TRANSCOM CENTER BACOLOD MACTAN ECONOMIC ZONE LAKESIDE EVOZONE BIGFOOT IT PARK KRC I.T. ZONE CBP-IT PARK MACTAN ECOZONE SYNERGIS IT CENTER CEBU IT TOWER MANGO SQUARE CEBU SOUTH ROAD PROPERTIES SAN CARLOS ECOZONE CARMEN CEBU GUM INDUSTRIAL ZONE CREATIVO IT CENTER CROWN 7 LT. CENTER DG31, T. CENTER ROBINLAND IT/BPO CENTER ARCENAS ESTATE IT BUILDING A. D. GOTHONG IT CENTER JY SQUARE IT CENTER JY SQUARE IT CENTER II JY SQUARE IT CENTER III CEBU LIGHT INDUSTRIAL PARK LEXMARK PLAZA LINKSY IT PARK OAKRIDGE INFORMATION TECHNOLOGY CENTER PHIL. BXT CORP. TOURISM ECONOMIC ZONE PHIVIDEC INDUSTRIAL ESTATE-ECONOMIC ZONE PIONEER HOUSE CEBU WEST CEBU INDUSTRIAL PARK NEW CEBU TOWN SHIP MRI ECONOMIC ZONE HVG ARCADE IT PARK CEBU IT PARK DAMOSA IT PARK ROBIN SON'S CYBERGATE CENTER PUEBLO DE ORO IT PARK JASAAN MIS. ORIENTAL ECOZONE DBP IT PLAZA THE BLOCK IT PARK K-POINTE TECHNOLOGY CENTER ONE SANPARO LOPUE'S EAST I.T. CENTER AMIGO MALL LP INFORMATION TECHNOLOGY PARK LUXUR PLAZA ITFORMATION CENTRE SMCLIT CENTER LOPUE'S SOUTH SQUARE IT PARK CIIF AGRO-INDUSTRIAL PARK RIO TUBA EXPORT PROCESSING ZONE SRC CALUMPANG ECONOMIC DEVT. ZONE SARANGANI ECONOMIC DEVELOPMENT ZONE SRC ALLAH VALLEY ECONOMIC DEVELOPMENT ZONE AJMR AGRO-INDUSTRIAL ECONOMIC ZONE



Legislative Developments

Legislative Developments: Tax Reform

2017: Tax Reform for Acceleration and Inclusion (TRAIN) Act

- First of four Tax Reform Packages to generate tax revenue through better collection, simplify the tax system and make it more efficient.
- Amended personal income tax, and increased excise tax on tobacco, petroleum products, automobiles, sweetened beverages etc.

2021: Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

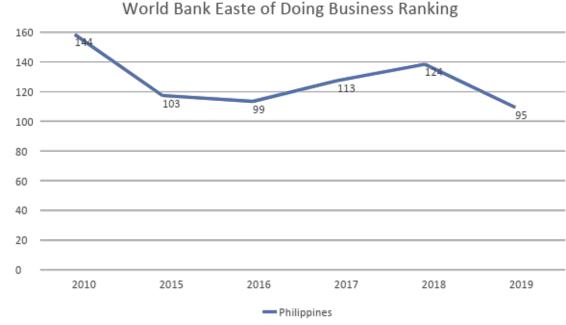
- 4-7 years of Income Tax Holiday
- Second Tax Reform Package. Cuts corporate income tax from 30% to 25% based on Gross Income Earned (GIE) for 10 years, in lieu of all national and local taxes, retroactively starting July 2020.
- Variety of enhanced deductions, duty exemptions and VAT exemptions
- Minimum corporate income tax reduced from 2 to 1 percent



Legislative Developments: Ease of Doing Business

- Ease of Doing Business and Efficient Government Service Delivery Act (2018)
 - Cuts red tape in business registration and business renewals
 - Government transaction turnaround time limited between 3 to 20 days
 - Digitalization: automated business registration
 - Anti-corruption: publication of service standards by government agencies and LGUs (Citizen's Charter)





Legislative Developments: Retail Trade

Retail Trade Liberalization Act

- Ease foreign restrictions: reduce the minimum capitalization of a foreign-owned retailer from the current Philippine Peso equivalent of US\$2,500,000 to US\$300,000.
- Coverage of e-commerce





Doing Business in the Philippines

Key Stakeholders

Public Sector		Private Sector	
Senate	Congress	DCCP Platinum Members:	
Cabinet & Execute and related and related Department of Trade and Board of Investment Philippine Economic Zone Anti-Red Tape Authority Department of Agriculture	ive Departments d agencies opment Authority Industry Authority	PHILIPS (Signify Royal Dutch Airlines) PHILIPS (Signify Regus PROON) REGUS PROON SPACES. ALASKA ALASKA ALASKA ALASKA Philippine family-owned enterprises Aboitiz Equity Ventures	
Department of Labor and Employment Department of Public Works and Highways Department of Science and Technology Local Government Units		Ayala Corporation LT Group San Miguel Corporation SM Group	

Do's and Don'ts

Do's

- Build relationships
- Use titles
- Handshakes and business cards
- Keep paper copies of <u>everything</u>
- Plan and track your government reporting requirements
- Due diligence, sign contracts, set clear payment terms and timelines

Don'ts

- Dress down/over-dress
- Open gifts in front of the gift-giver
- Underestimate traffic
- Rely on Dutch directness
- Force the loss of "face": disagreements
- Make pre-emptive assumptions on agreements





Conclusion: Opportunities in the Philippines

Conclusion: Business Opportunities in the Philippines

STRENGTHS

- Multi-million, young, English-speaking, trend-sensitive consumer market;
- Well-educated labour force with high workforce retention;
- One of the highest GDP-growth rates in East Asia driven by domestic consumption, a large and expanding service sector, and public infrastructure spending (BBB);
- GSP+ access to the EU for Philippine exports

WEAKNESSES

- Fractured consumer market across various islands;
- Bureaucracy: red Tape and periodic reporting requirements;
- Costs of public utilities;
- Digitalization with underdeveloped internet coverage and bandwidth;
- High import tariffs;
- · Limits on foreign ownership

OPPORTUNITIES

- Increased disposable income with a demand for premium products;
- Increasing pick-up on digitalization and automatization;
- Growing demand for sustainable alternatives, technology and innovations;
- Gradual liberalization of the economy;
- Improved infrastructure

THREATS

- Prone to natural disasters;
- Legislative delays in establishing a supportive environment for foreign businesses;
- Long term implications of Covid-19 restrictions;
- Price-competitiveness of regional competitors to Dutch businesses