

DUTCH CHAMBER
OF COMMERCE IN
THE PHILIPPINES



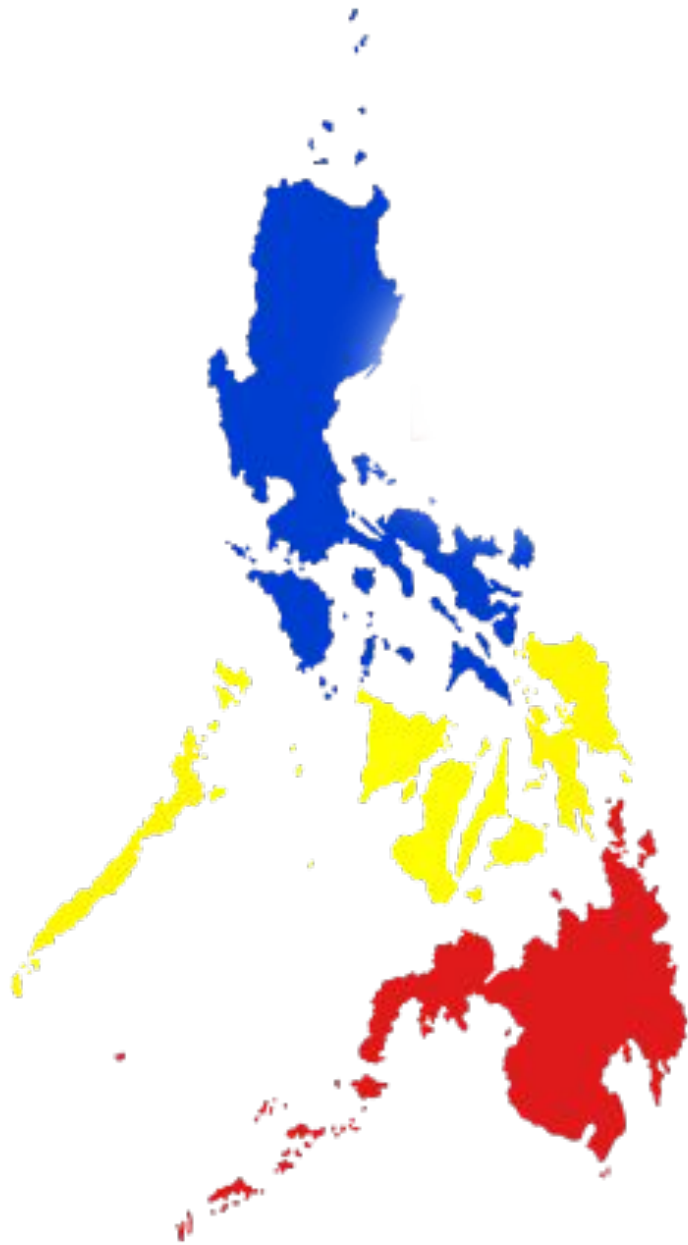
Doing Business in the Philippines

Market Information and
Business Opportunities



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Philippines at a Glance

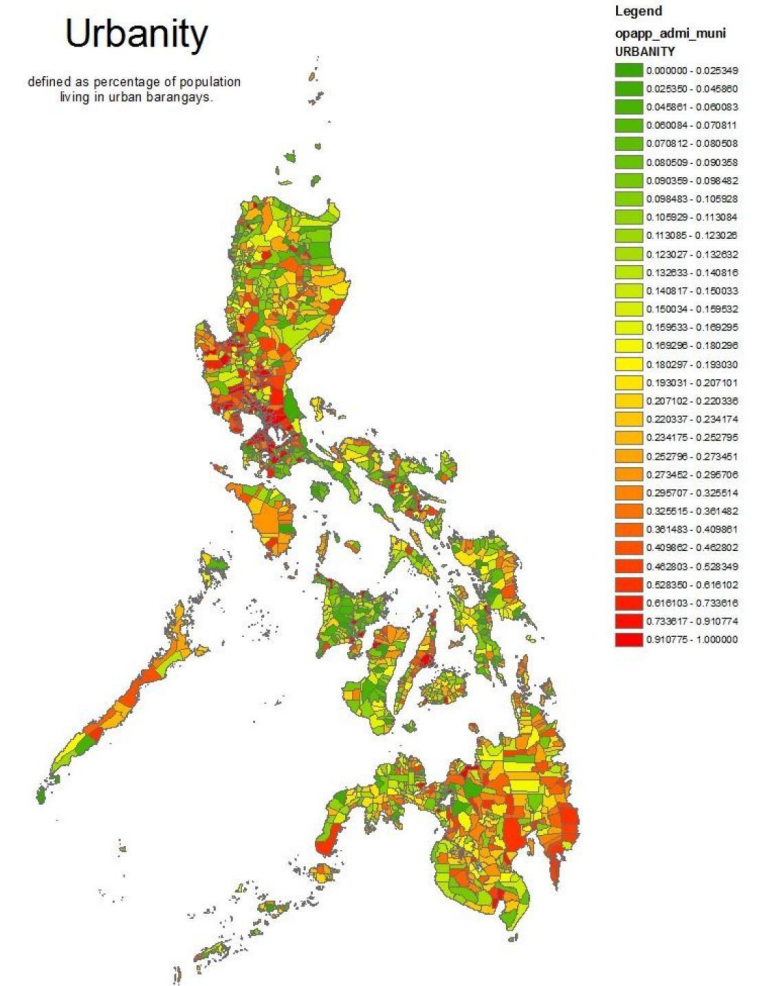


The Philippines at a Glance: Geography

- **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



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	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

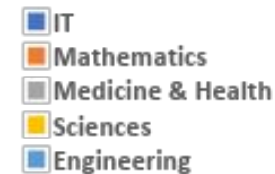
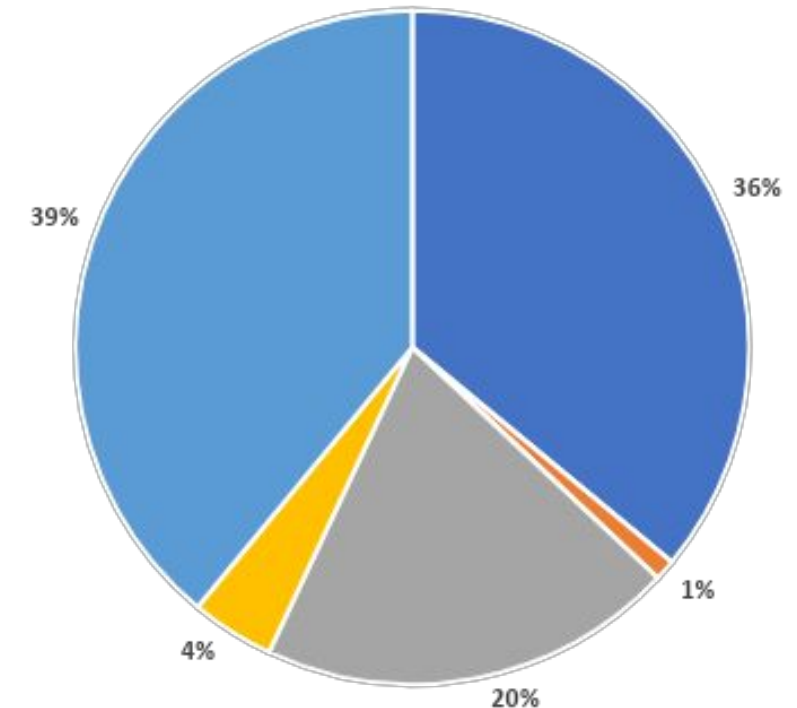


The Philippines at a Glance: Demographics

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

Tertiary Graduates 2018-19



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%

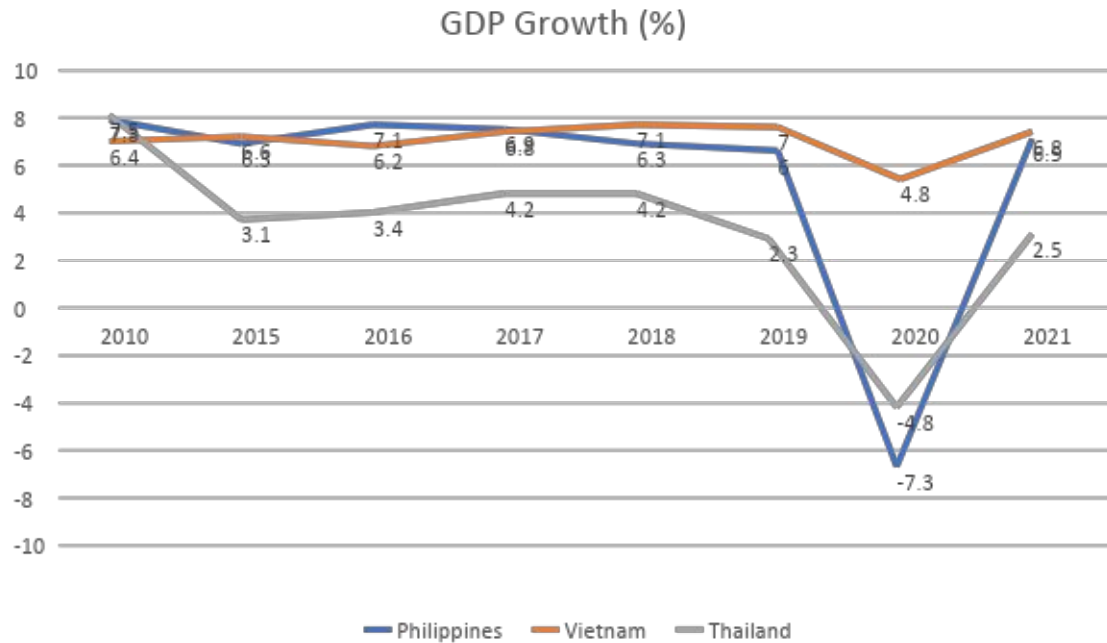
April 2020

Unemployment: 17.7%
Labour participation
rate: 55.6%

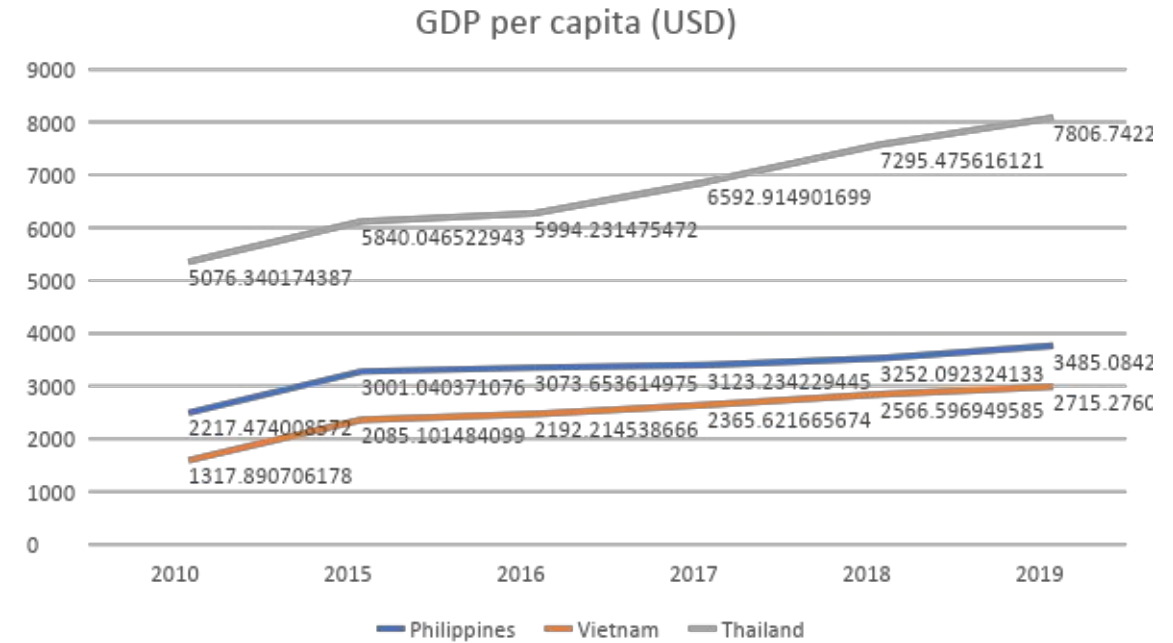
February 2021

Unemployment: 8.8%
Labour participation
rate: 63.5%

The Philippine Economy: GDP



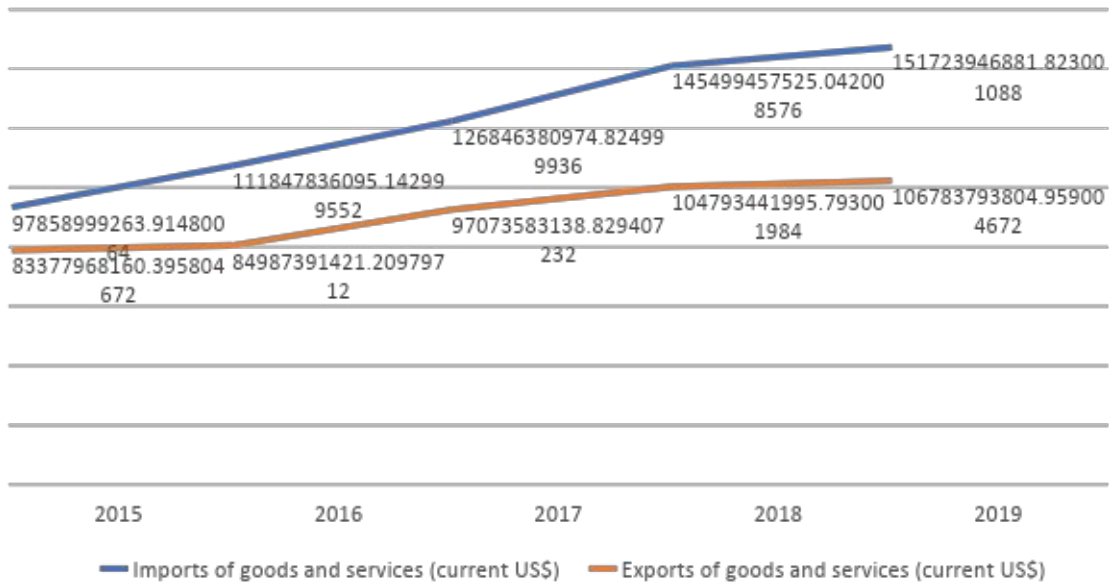
Source: Asian Development Bank



Source: World Bank

The Philippine Economy: Import & Export

Philippine trade in goods and services



Source: World Bank

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
2019	7.5	7.4	-0.0

EU-Philippines: Trade in services

Trade in services 2016-2018, € billions

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

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%)



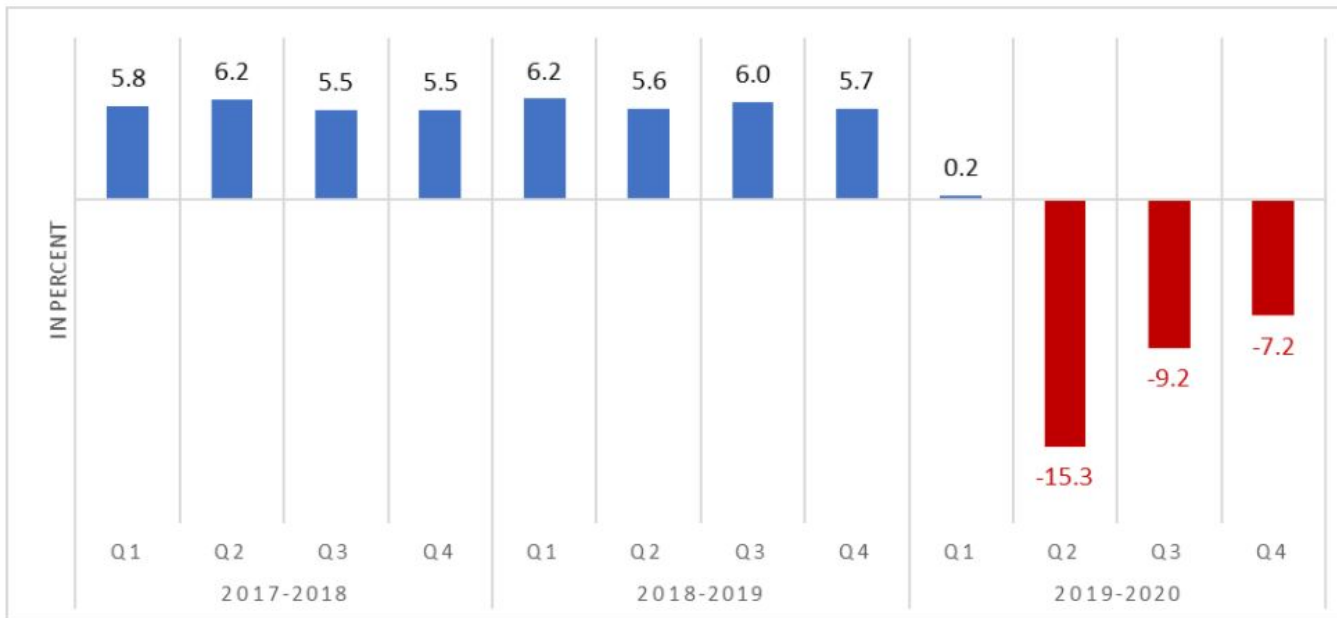
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Economic Drivers

Economic Drivers: Consumer Spending

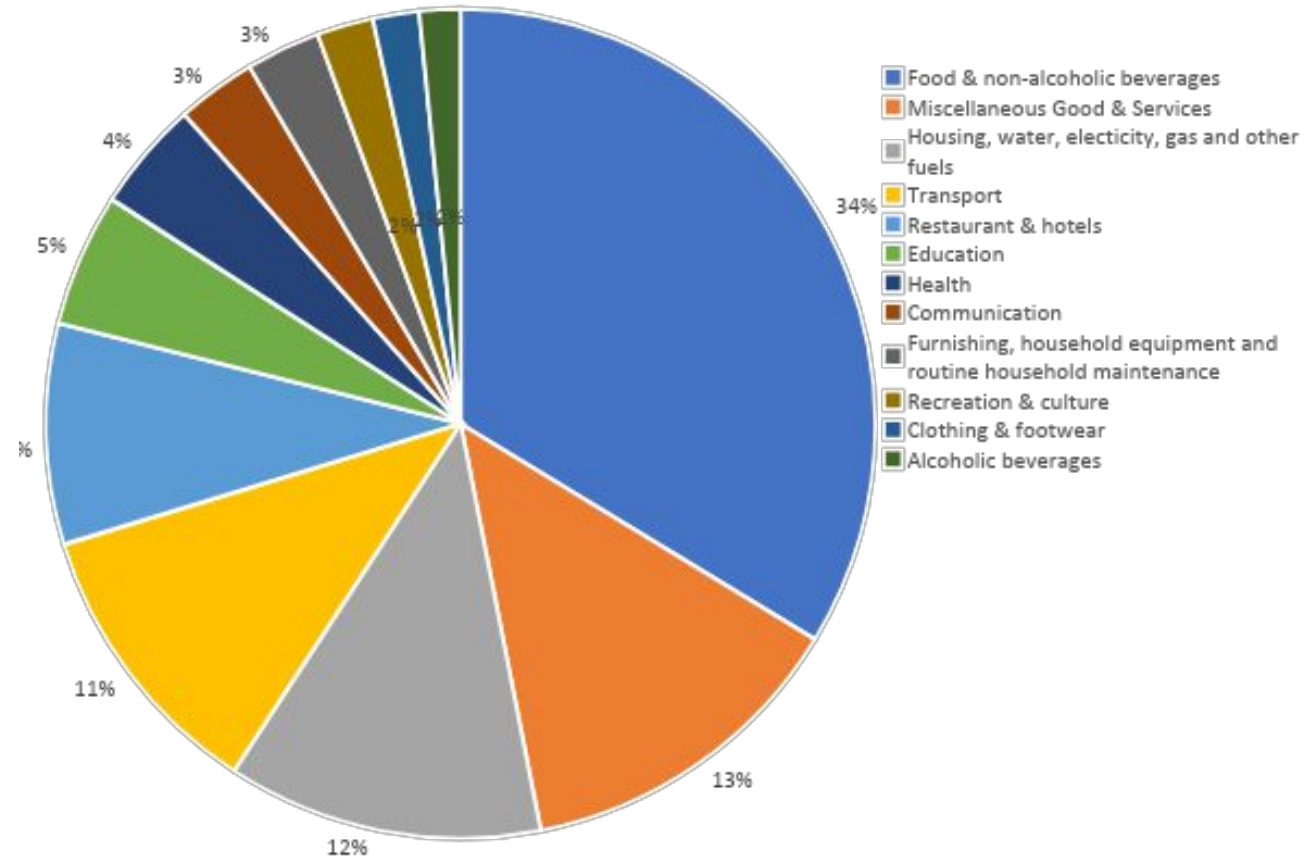
Consumer Spending

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



Economic Drivers: Consumer Spending

Household Final Consumption Expenditure, Q1 2020



Source: Philippines Statistics Authority, 2020



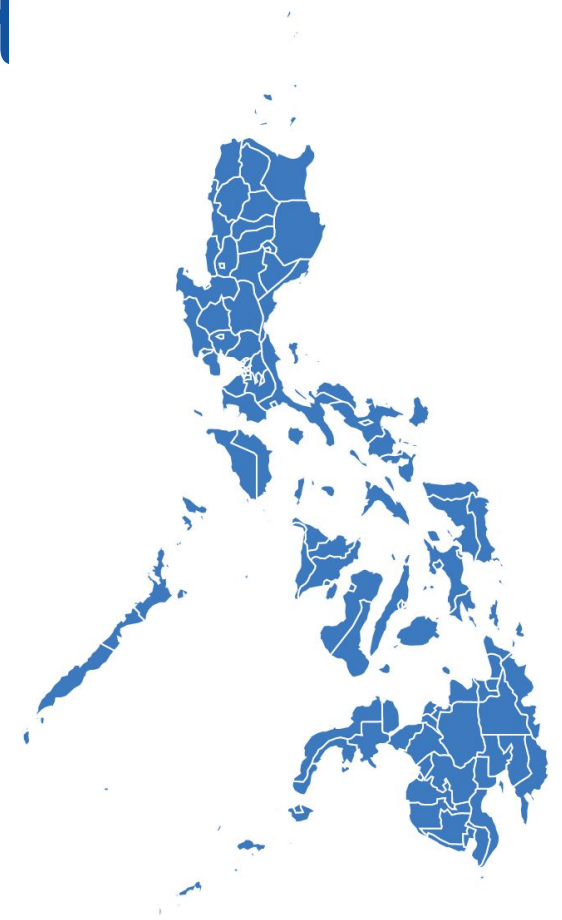
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Economic Drivers: Service Sect

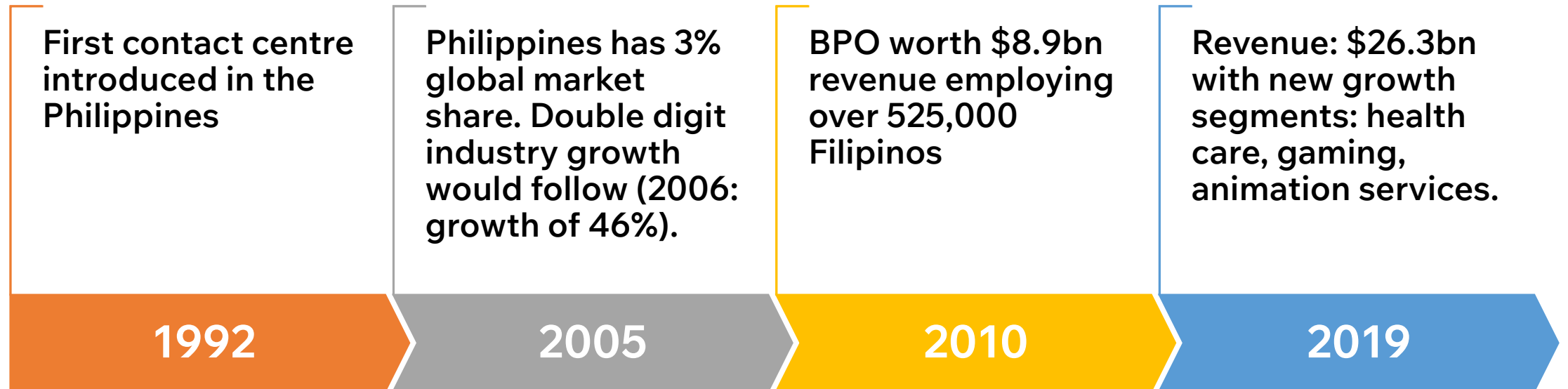
A Service Economy

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

Source: Oxford Business Group, 2020



Economic Drivers: Business Process Outsourcing (BPO)



Economic Drivers: Overseas Filipino Workers (OFW)

2.2 million OFWs (2019 estimate)

Main destinations:

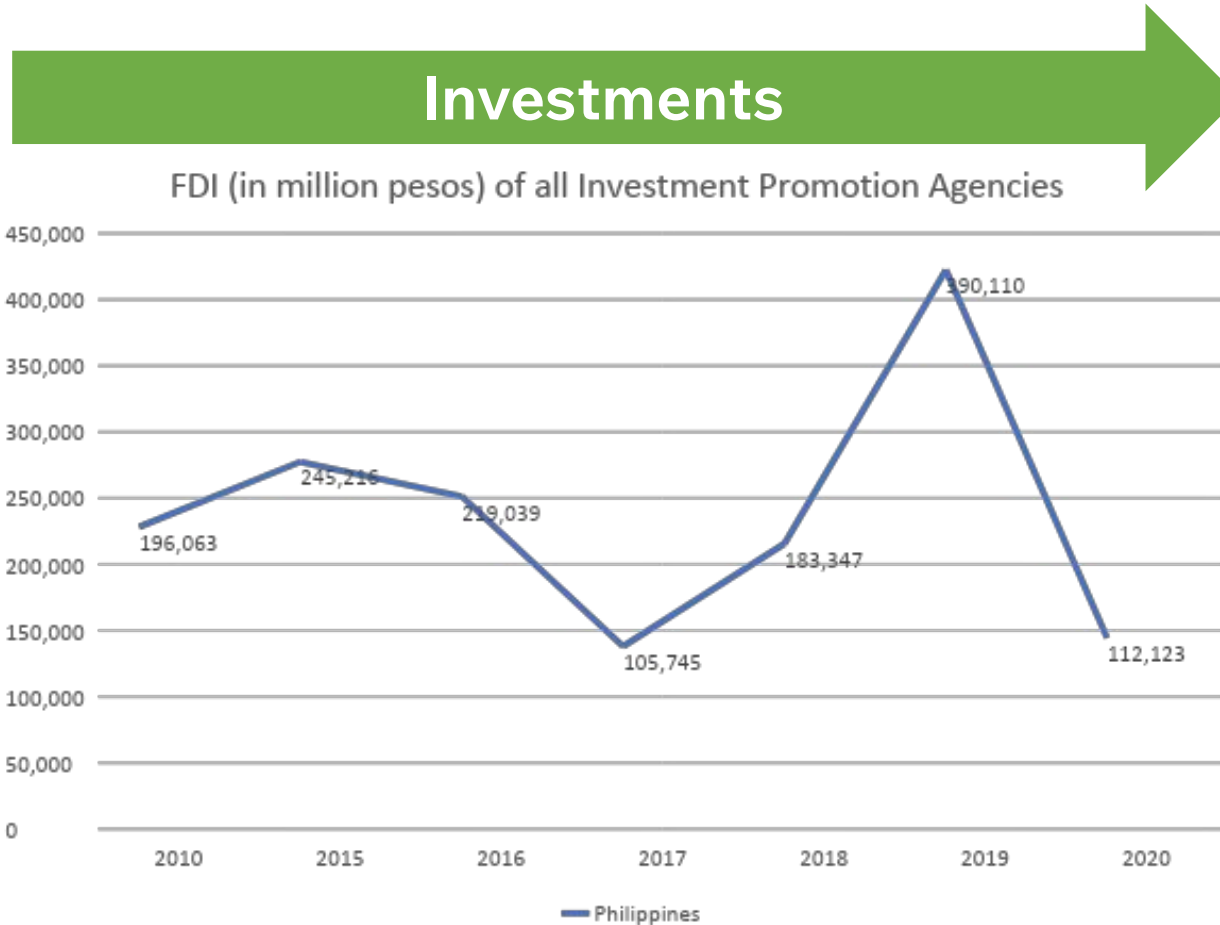
- Saudi Arabia – 22.4%
- Hong Kong – 21.7%
- UAE – 13.2%

Main occupations:

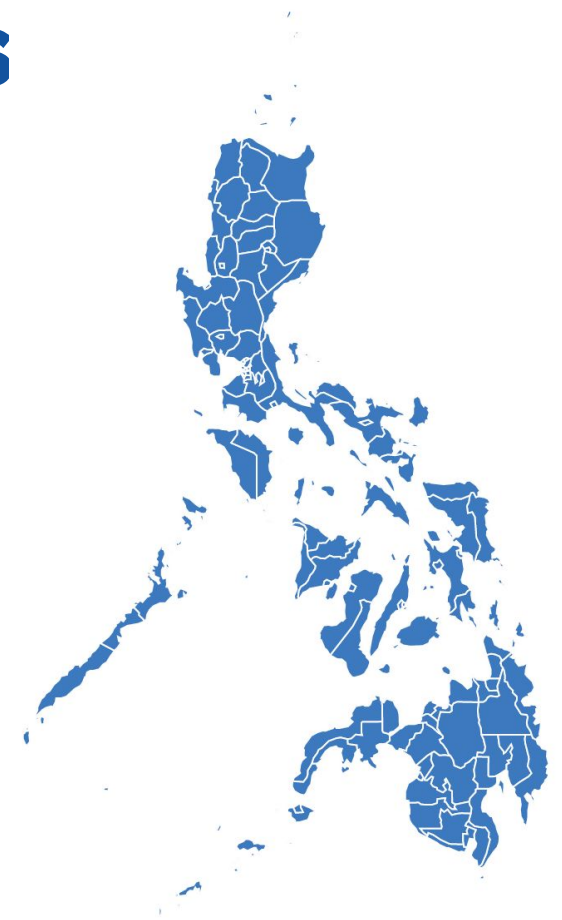
- Nurses
- Seafarers
- Engineers
- Domestic Helpers
- Construction
- Hospitality



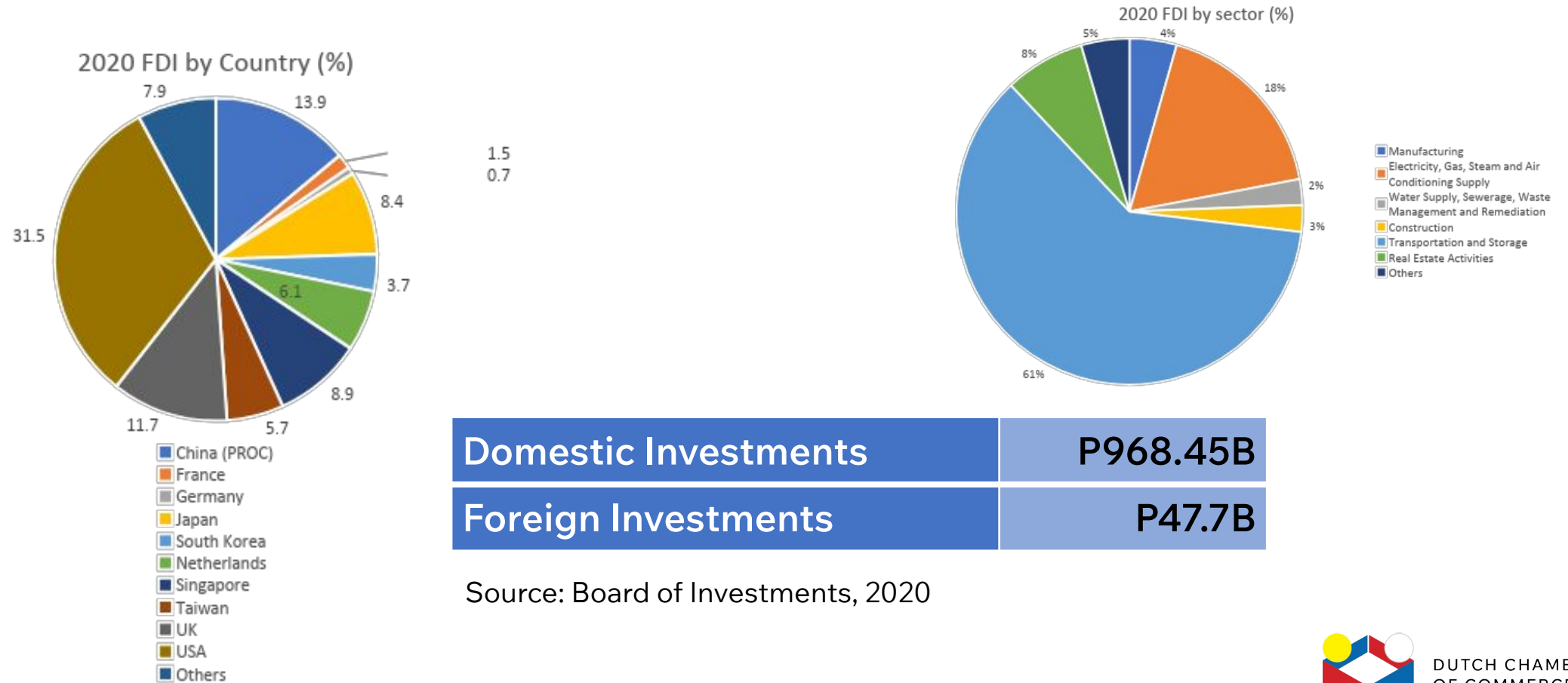
Economic Drivers: Investments



Source: Philippines Statistics Authority, 2021



Economic Drivers: Foreign Direct Investments



Source: Board of Investments, 2020

Source: Philippines Statistics Authority, 2021

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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;

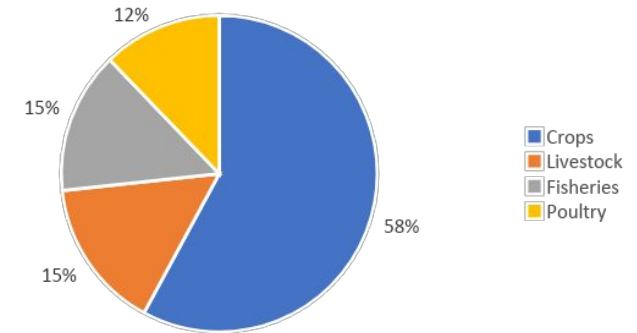
- Exploration, development, utilization of natural resources
- Ownership of private land and condominium units;
- Operation of public utilities (with exceptions);
- Education;
- Rice and corn;
- Contracts to Government-Owned and Controlled Corporations;
- Deep-sea fishing;
- PNP & Defense Contracts

Sector Snapshot: Agriculture

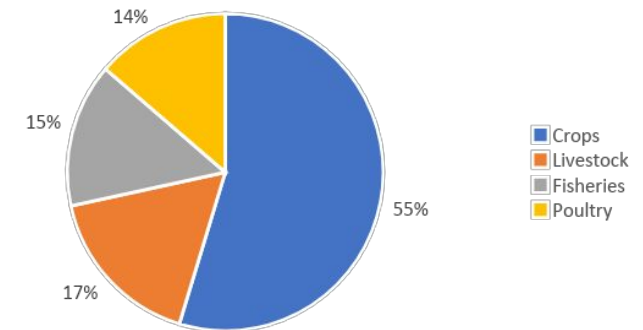
- Situational setbacks hamper growth in this sector
 - 2020: 1.2% sector contraction (Taal, Covid-19, AFS, Typhoons)
- Government priorities
 - Maintaining and supporting supply chains
 - Diversification of crops
 - High-value Crops for export
 - Development of infrastructure and logistics
 - Resilient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

Source: Philippines Statistics Authority, 2021

Value of Production (Constant 2018 Prices)



Value of Production (Current Prices)



Sector Snapshot: Transport & Infrastructure

- Build 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

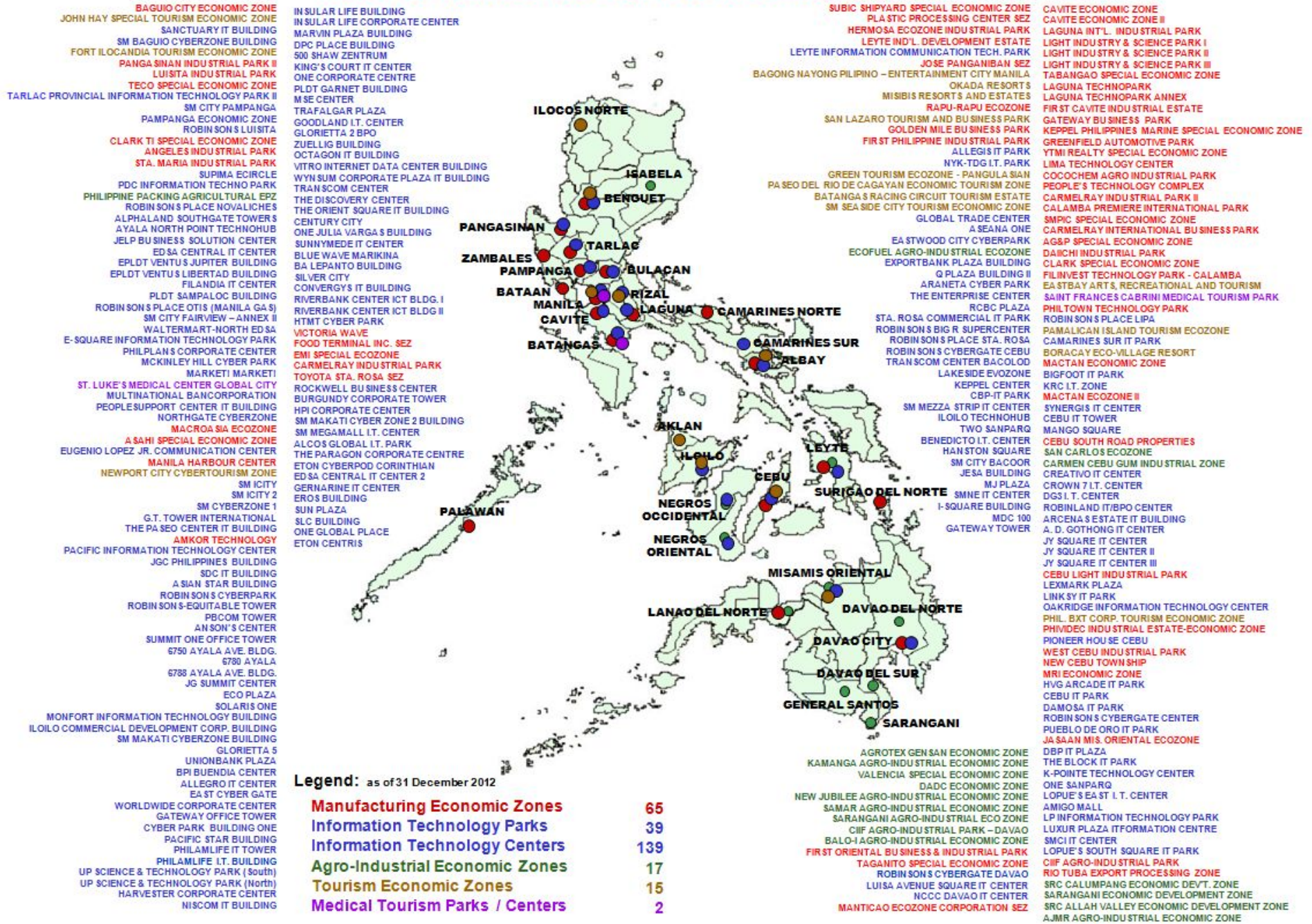


Sector Snapshot: Manufacturing

- 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

277 OPERATING ECONOMIC ZONES *





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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

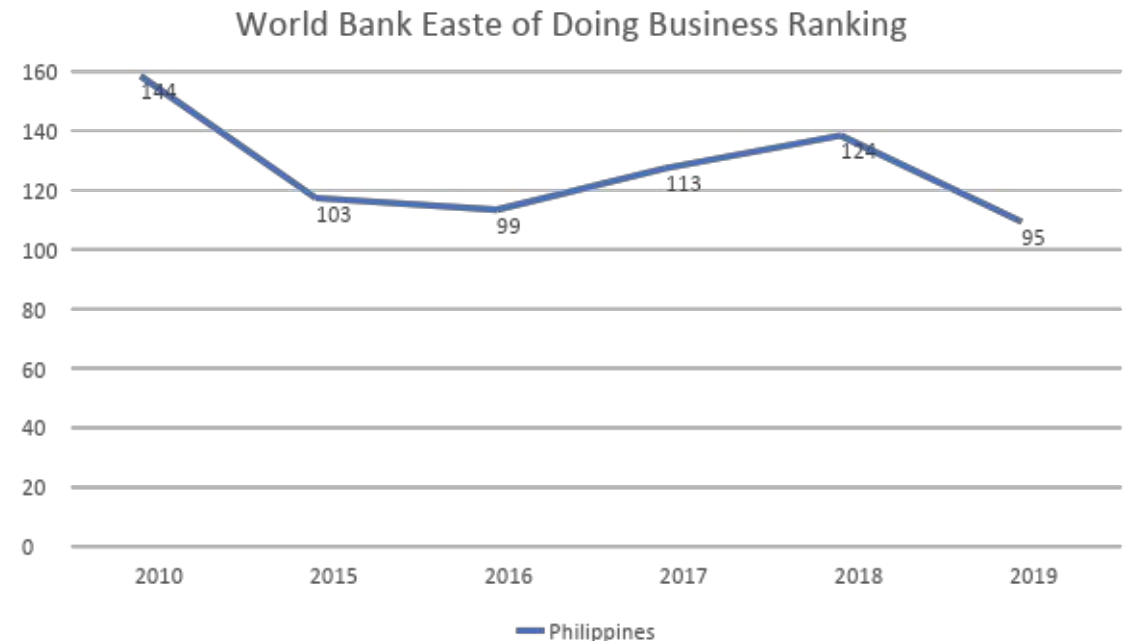
- 4-7 years of Income Tax Holiday
- Second Tax Reform Package. Cuts corporate income tax from 30% to 25% based on Gross Income Earned (GIE) for 10 years, in lieu of all national and local taxes, retroactively starting July 2020.
- Variety of enhanced deductions, duty exemptions and VAT exemptions
- Minimum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



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



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Doing Business in the Philippines

Key Stakeholders

Public Sector		Private Sector	
Senate	Congress	DCCP Platinum Members:	
<p>Cabinet & Executive Departments and related agencies</p> <p>National Economic Development Authority Department of Trade and Industry Board of Investment Philippine Economic Zone Authority Anti-Red Tape Authority Department of Agriculture Department of Labor and Employment Department of Public Works and Highways Department of Science and Technology Local Government Units</p>			
		Philippine family-owned enterprises	
		<p>Aboitiz Equity Ventures Ayala Corporation LT Group San Miguel Corporation SM Group</p>	

Do's and Don'ts

Do's

- Build relationships
- Use titles
- Handshakes and business cards
- Keep paper copies of everything
- 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



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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