KPMG

R.G. Manabat & Co.

# Investing in the Philippines

## An overview of key sectors

February 2024

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# Message from the Chairman and CEO

The Philippines has demonstrated remarkable resilience in the face of formidable challenges posed by the global pandemic, geopolitical and trade tensions, and various economic headwinds.

Projections from institutions such as the International Monetary Fund (IMF) and the World Bank paint a promising picture of economic growth, driven by increased public investment and private consumption. Notably, the World Bank has projected the Philippines to become the second fastest-growing economy among Asian countries in the East Asia and Pacific region in 2024, highlighting the resilience and potential of our economy. Furthermore, President Ferdinand R. Marcos Jr.'s commitment to attracting foreign investment underscores our country's dedication to fostering a dynamic business environment.

At KPMG in the Philippines, we are optimistic that with the effective implementation of strategic reforms and the government's commitment to working towards robust economic growth for the country, the Philippines can further foster an environment ripe for sustainable growth and investment. Our firm stands ready to assist companies in seizing opportunities and navigating the evolving business landscape.

Together, we look forward to helping shape a future where the Philippines continues to thrive as a compelling destination for investment and innovation.

**Sharon G. Dayoan**

**Chairman and CEO**
KPMG in the Philippines
R.G. Manabat & Co.

## Message from the

# Vice Chairman and COO, Head of Advisory

As one of the fastest-growing economies in the region, the Philippines holds immense potential for business expansion and attraction in the years ahead. With a growing middle class, a young and educated population, and a strategic geographic location in Asia, our country presents unparalleled opportunities for growth and investment. This publication describes key sectors such as Infrastructure, Transport and Logistics, Energy and Natural Resources, Healthcare, Financial Services, Technology, Media, and Telecom, Business Process Outsourcing, as well as Retail.

We hope that this publication serves as a valuable resource, giving investors the knowledge to further explore, set-up, and, hopefully, flourish within the dynamic and diverse Philippine market.


## Emmanuel P. Bonoan

**Vice Chairman and COO,**

**Head of Advisory**

KPMG in the Philippines
R.G. Manabat & Co.

## Message from the

# PPP Center Executive Director

During his 1st State of the Nation Address in 2022, President Ferdinand R. Marcos, Jr. underscored the critical role of Public-Private Partnerships (PPPs) in helping the government achieve inclusive and sustained growth. The Marcos administration has been exerting concerted efforts to attract much-needed investments to the Philippines, aimed at fostering job creation and driving economic expansion.

The President's official foreign trips in the past months have notably bolstered foreign investments in the country. According to the Philippine Statistics Authority (PSA), total foreign investments in the fourth quarter of 2023 was recorded at Php 394.45 billion, a remarkable surge of 127.2 percent from the Php 173.61 billion total of foreign investments in the same quarter of 2022.

As of February 16, 2024, there has been a total of 186 awarded projects, and 117 projects in the pipeline worth Php 2.5 trillion pesos. Out of these, 15 are expected to be approved in 2024, predominantly within the transportation sector.

There are also several PPP projects that are currently in the early stages of development, with preliminary studies underway. Once completed, these can be submitted by the implementing agencies for approval by 2025.

Given the resurgence of interest in PPPs, we remain optimistic that the PPP Center will continue to play a pivotal role in driving economic growth in the country, fostering an environment conducive to attracting more investors.

And with the recent enactment of the PPP Code, the government is confident that more financially viable, well-structured, and high-quality PPP projects will be delivered to Filipinos.

**Ma. Cynthia C. Hernandez**

**Executive Director**

Public-Private Partnership Center
of the Philippines

# Economic Overview

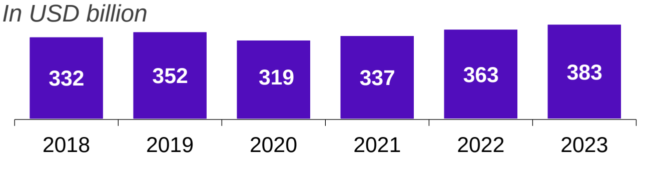
The Philippine economy grew by 5.6% in 2023. Although this fell short of the government's target of 6.0% to 7.0%, the Philippines' economic growth outpaced the growth of ASEAN 5 countries, and was faster than the latest estimates for the World at 2.5%. For 2024, the government continues to be optimistic and projects a faster GDP growth ranging from 6.5% to 7.5% despite domestic and external headwinds.

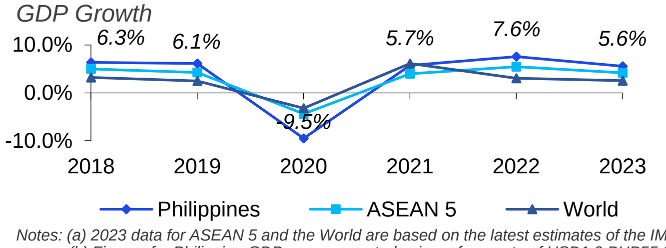
The Philippines' macroeconomic fundamentals continue to showcase the country's stability and attractiveness for local and foreign investments.

## Key Country Facts

### Philippines' Gross Domestic Product (GDP)

*In USD billion*

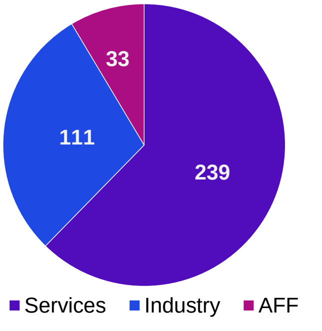



*Notes: (a) 2023 data for ASEAN 5 and the World are based on the latest estimates of the IMF.*
*(b) Figures for Philippine GDP were converted using a forex rate of USD1.0:PHP55.0.*
*Sources: International Monetary Fund (IMF), Philippine Statistics Authority (PSA)*

### 2023 Philippine GDP per sector

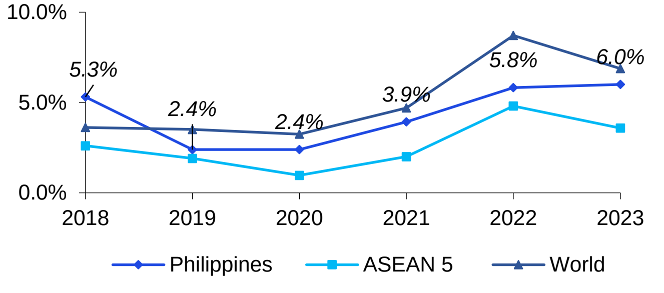
*In USD billion*




*Note: AFF stands for Agriculture, forestry, and fishery*
*Source: PSA*

### Inflation

*In percentage*




*Note: 2023 data for ASEAN 5 and the World are based on the latest estimates of the IMF.*
*Sources: IMF, PSA*

### Population

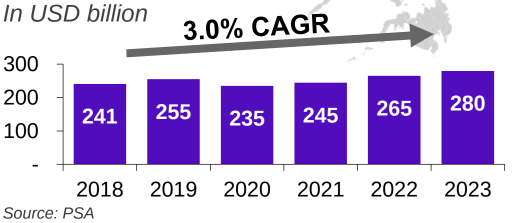
**109.0 million** 

*Population is as of 2020*

*Forecasted to grow to **118.7 million** by 2027*

### Consumer spending

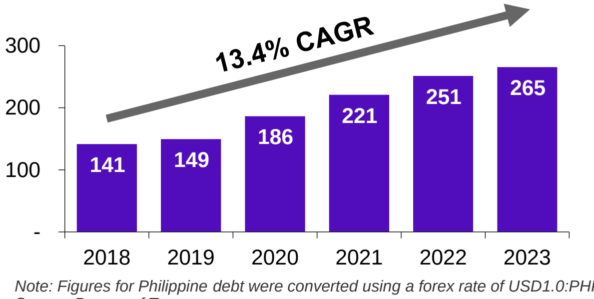
*In USD billion*




*Source: PSA*

### Philippine debt

*In USD billion*




*Note: Figures for Philippine debt were converted using a forex rate of USD1.0:PHP55.0.*
*Source: Bureau of Treasury*

### Philippine credit rating

| | |
|---|---|
| *Fitch* | **BBB** |
| *Moody's* | **Baa2** |
| *S&P* | **BBB+** |

# Infrastructure

# Infrastructure

## Sector profile

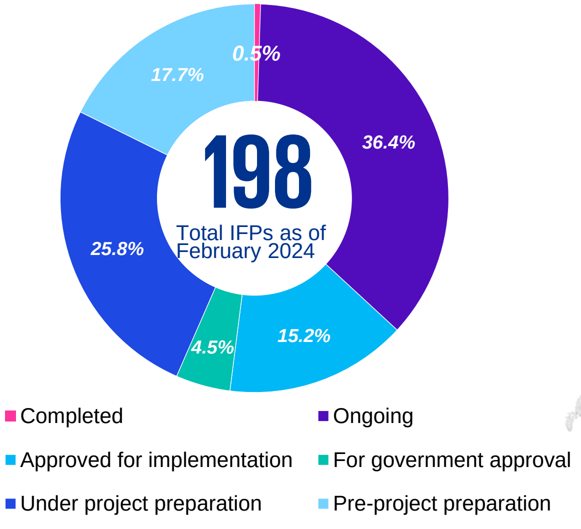
*Build-Better-More Program*

President Ferdinand R. Marcos Jr.'s Build-Better-More initiative builds upon the Build, Build, Build Program which aimed to address the Philippines' infrastructure gap; connect Luzon, Visayas, and Mindanao; and facilitate equitable spread of development opportunities, specifically in rural areas. The Build-Better-More Program aims to generate resilient jobs with improved wages, and to reduce poverty levels. It is aligned with the goals outlined in the Philippine Development Plan for 2023 to 2028, which emphasizes transforming production and social sectors through infrastructure expansion and upgrades.

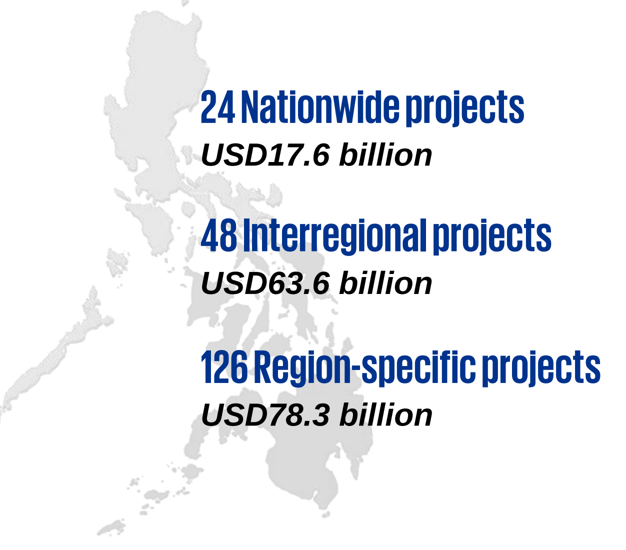
**USD159.6 billion**

Total cost of Infrastructure Flagship Projects (IFPs) as of February 2024

**Project Status as of February 2024**




**Projects by Spatial Coverage**




**Projects by Sector Coverage**

- **123** Physical connectivity
- **44** Water resources
- **15** Agriculture
- **6** Health
- **5** Digital connectivity
- **1** Power and energy
- **4** Other infra

*Source: NEDA website (accessed February 2024)*

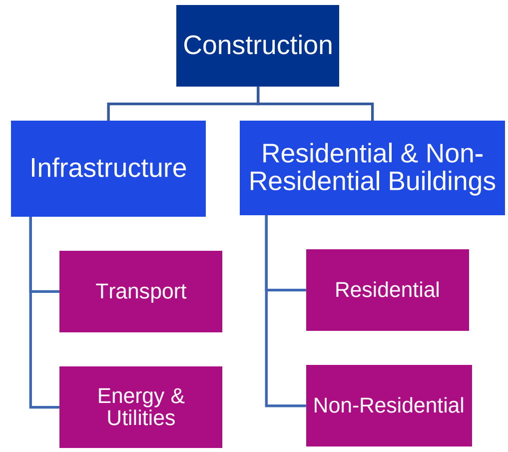
The Samar Pacific Coastal Road Project, under the Build-Better-More Program, has been completed in 2023.

# Infrastructure

## Sector profile

*Philippine Construction industry*

The Construction industry is divided into (1) Infrastructure construction, which encompasses transport infrastructure such as roads, railways, ports, and airports, as well as energy and utilities infrastructure such as power plants, transmission grids, water pipelines, oil pipelines, and gas pipelines; and (2) Residential and non-residential building construction, which includes the development of homes and various types of non-residential structures.



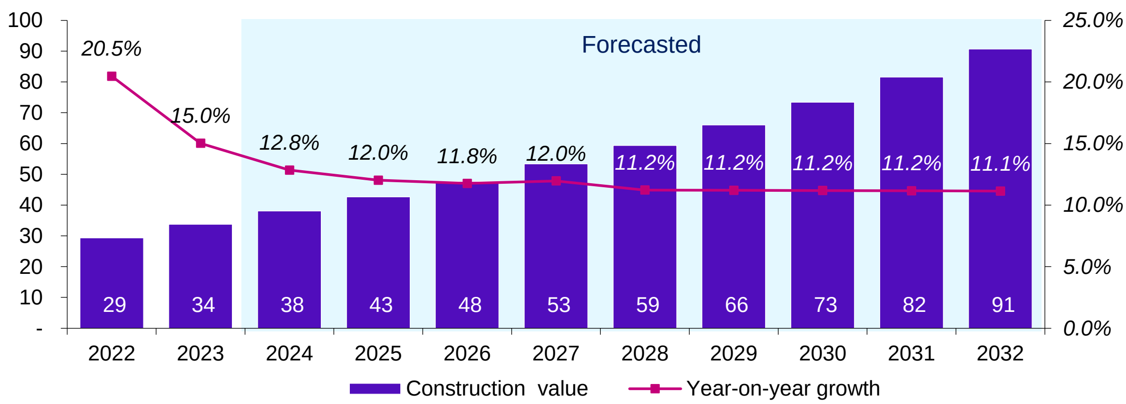

*Source: Fitch Solutions' Philippines Infrastructure Report (Q12024)*

*Construction industry forecast*

According to Fitch Solutions' Q12024 Philippines Infrastructure Report, the Construction industry's value is expected to increase at a CAGR of 11.5% from USD 38.0 billion in 2024 to USD91.0 billion in 2032.

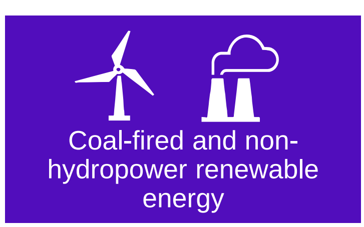
**Construction industry**

*In USD billion*




*Note: Figures for the value of the Philippine Construction industry were converted using a forex rate of USD1.0:PHP55.0*
*Source: Fitch Solutions' Philippines Infrastructure Report (Q12024)*

Infrastructure remains a top priority in the Philippines' economic agenda. Furthermore, reforms promoting foreign investments such as the removal of foreign ownership restrictions in the renewable energy and transportation sectors suggests growth in the Construction industry. There is also a robust pipeline for transport connectivity; energy; and residential, commercial, and industrial building projects.



*Source: Fitch Solutions' Philippines Infrastructure Report (Q12024)*

# Infrastructure

## Sector profile

*Ongoing projects in the Construction industry*

The following are the Top 10 ongoing infrastructure projects, in terms of project cost, within the Philippines as of November 2023:

**Daang Maharlika (N1) Improvement –** The USD4.6 billion project intends to widen, reconstruct, rehabilitate and upgrade road sections and bridges along the 3.1 thousand km Daang Maharlika Highway (N1).

**Farm-to-Market Road (FMR) Projects –** The USD4.5 billion project aims to develop 16.8 thousand km of farm-to-market roads and improve agricultural product transportation efficiency.

**Metro Cebu Expressway (Cebu Circumferential Road) –** The USD1.7 billion project funds a 56.9-km high-standard arterial toll road, which facilitates traffic flow between Naga City and Danao City.

**Nautical Highway Network Improvement –** The USD1.0 billion project encompasses the widening, reconstruction, rehabilitation, and upgrading of road sections and bridges along the 2,925-km Nautical Highway.

**Davao City Bypass Construction Project –** The USD0.85 billion project aims to reduce travel time between Brgy. Sirawan in Toril District, Davao City, and Brgy. J.P. Laurel in Panabo City, through a 46.0-km bypass road.

**Repair of National Irrigation System –** The USD0.83 billion project aims to repair national irrigation facilities, their associated structures, and the construction of access roads to said facilities.

**Improvement of Service Roads in National Irrigation Systems –** The USD0.72 billion project aims to assist farmers in delivering harvested crops from farms to markets.

**Cavite-Laguna Expressway (CALAX) –** The USD0.65 billion project funds a 44.6-km expressway linking CAVITEX in Kawit, Cavite to the South Luzon Expressway-Mamplasan interchange in Biñan, Laguna.

**Pasig Marikina River Channel Improvement Project –** The USD0.6 billion project will reduce Middle Marikina River flooding by 75.0% and cut flood damages by USD1.2 billion by constructing new structures and floodgates.

**Small Irrigation Project –** The USD0.6 billion project aims to develop larger irrigation projects, including dam and canal construction, to expand service areas.

*Note: Figures for the value of the project costs were converted using a forex rate of USD1.0:PHP55.0*
*Source: NEDA website (accessed February 2024)*

# Infrastructure

## Sector profile

*Recent developments and opportunities in the Construction industry*

A strong pipeline of infrastructure projects under the Build-Better-More Program will be the key driver of growth and opportunities in the Philippines. The program emphasizes sustainable, resilient, and technologically advanced infrastructure development to address issues such as connectivity gaps in the country.

Furthermore, recent regulations permit significant private and foreign involvement in infrastructure assets in the Philippines, allowing up to 100.0% foreign ownership in public services, including telecommunications, railways, shipping, airports, and expressways.

Strong demand for electricity, housing, and commercial construction will also continue to fuel industry growth. Government affordable housing plans will drive residential projects, while a thriving tourism sector and positive economic growth will stimulate investments in hotels, offices, and factories.

*Sector-specific opportunities in the Construction industry*

**Rail transit expansion plans in the Philippines**

Expansion plans for the Philippines' rail networks will boost the transport infrastructure sector. Growth will be driven by expanding Manila's rapid transit system to ease congestion, which will offer significant opportunities for development.

**Potential investment in the water sector**

Philippines' water sector, especially in Metro Manila, is expected to expand due to urbanization and climate change. Meeting increased demand relies on vital private investment aided by a conducive environment for private water enterprises.

**Potential investment in the energy sector**

The Philippines' energy sector stands out as a regional investment hotspot due to its favorable regulatory environment, including cost-reflective electricity tariffs and an established feed-in tariff program, which encourage investments.

Through public-private partnerships along with regulations encouraging foreign investments, foreign participation is expected to play a crucial role in the Philippine government's rollout of infrastructure projects throughout the country. To support economic growth, IFPs at various stages of development and with project costs ranging from USD9.0 million to USD4.5 billion, may be areas where foreign investors can contribute to filling in identified gaps (e.g. increasing fiscal constraints), and ultimately to the Philippines' economic growth.

# Transport and Logistics

# Transport and Logistics

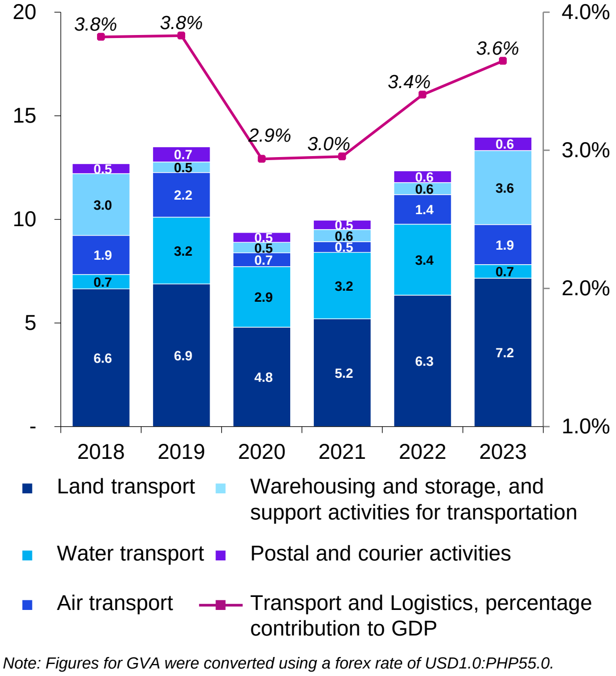
## Sector profile

In the Philippines, transport and logistics are catalysts of economic growth. As an archipelago, the Philippine transportation system is multimodal which involves both intra and inter-island movements, combining and utilizing all air, water, and land transport modes. Moreover, the sector is classified as the Transportation and Storage sector under the Philippine Standard Industrial Classification (PSIC), and is divided into the following five (5) components:


The road networks are heavily relied on to transport and handle freight and passengers. Ports, along with airports, are critical for connecting the major islands of Luzon, Visayas, and Mindanao. Postal and courier services as well as warehousing facilities have evolved in recent years as e-commerce continues to grow, and as Filipino consumers continue to gravitate towards digital markets.

**GVA of the sector's components**

*In USD billion except %*




*Note: Figures for GVA were converted using a forex rate of USD1.0:PHP55.0.*
*Source: PSA*

In 2023, the Gross Value Added (GVA) of the Transport and Logistics sector amounted to USD14.0 billion. The sector's contribution to GDP, which averaged at 3.4% from 2018 to 2023, has been consistently increasing since 2020. Several factors that contributed to the growth of this sector from 2020 include the gradual ease of travel restrictions, increased vaccination rates, and pent-up demand for travel and tourism. Additionally, government stimulus packages and support measures helped bolster the resilience of the sector and support its recovery efforts.

Land transport, considered as the primary mode of transport in the country, contributed 51.6% of the total GVA, on average from 2018 to 2023.

# Transport and Logistics

## Sector profile

### *Sector performance*

The Philippines moved up its ranking from 60th in 2018 to 43rd in 2023 out of 139 countries in the World Bank's Logistics Performance Index (LPI) survey. In Southeast Asia, the Philippines jumped from 6th place in 2018 to 4th place in 2023.

Countries were evaluated based on six (6) aspects of logistics performance, with the timeliness of shipments contributing the highest to the country's mean score. In addition, the country's standing only declined in the aspect of international shipments, from 37th place in 2018 to 47th place in 2023.

**World Bank's LPI 2023 survey - Southeast Asia**

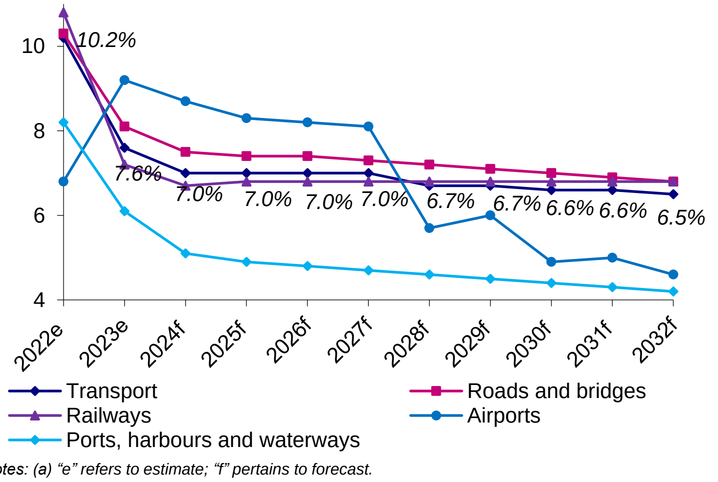
| Country | Customs | Infrastructure | International shipments | Logistics quality and competence | Timeliness of shipments | Tracking and tracing | Overall LPI score | Overall LPI rank |
|---|---|---|---|---|---|---|---|---|
| Singapore | 4.2 | 4.6 | 4.0 | 4.4 | 4.3 | 4.4 | 4.3 | 1 |
| Malaysia | 3.3 | 3.6 | 3.7 | 3.7 | 3.7 | 3.7 | 3.6 | 26 |
| Thailand | 3.3 | 3.7 | 3.5 | 3.5 | 3.5 | 3.6 | 3.5 | 34 |
| Philippines | 2.8 | 3.2 | 3.1 | 3.3 | 3.9 | 3.3 | 3.3 | 43 |
| Vietnam | 3.1 | 3.2 | 3.3 | 3.2 | 3.3 | 3.4 | 3.3 | 43 |
| Indonesia | 2.8 | 2.9 | 3.0 | 2.9 | 3.3 | 3.0 | 3.0 | 61 |
| Cambodia | 2.2 | 2.1 | 2.3 | 2.4 | 2.7 | 2.8 | 2.4 | 115 |
| Lao PDR | 2.3 | 2.3 | 2.3 | 2.4 | 2.8 | 2.4 | 2.4 | 115 |

*Source: World Bank*

### *Sector outlook*

Based on the forecast by Fitch Solutions, the Philippine transport infrastructure is forecasted to grow at an average annual rate of 6.8% from 2024 to 2032, with roads and bridges, railways and airports as the main growth drivers.

**Philippine transport infrastructure industry outlook (2022 to 2032)**
*In percent y-o-y*




*Notes: (a) "e" refers to estimate; "f" pertains to forecast.*
*(b) The label presented pertains to y-o-y growth for transport infrastructure.*
*Source: Fitch Solutions' Philippines Infrastructure Report (Q12024)*

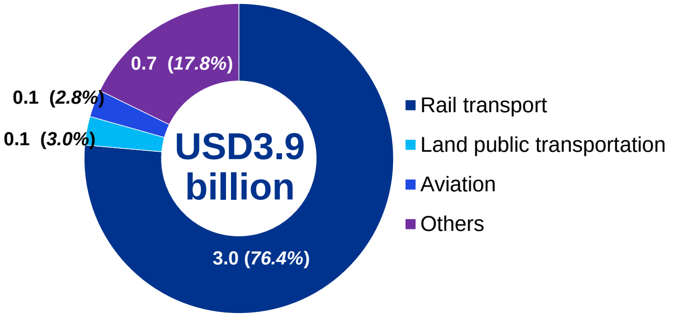
The robust pipeline of road and rail projects, increased investment interest from Philippine conglomerates, and business-friendly reforms such as the lifting of foreign ownership restrictions for railways and airlines are expected to support the growth of the transport infrastructure industry.

# Transport and Logistics

## Sector profile

### Department of Transportation 2024 budget allocation

*In USD billion except %*




*Notes: (a) "Others" includes maritime, motor vehicle, and DOTr's regular programs.*
*(b) Figures were converted using a forex rate of USD1.0:PHP55.0.*
*Source: Department of Budget and Management*

The Philippine government allotted USD3.9 billion to the Department of Transportation (DOTr) in 2024, to be used mainly for infrastructure development. The Build-Better-More Program is designated as a top priority which underscores its importance in the government's overall plan for socioeconomic development. It focuses on initiatives aimed at improving and modernizing various aspects of the country, including transportation and other related sectors.

### *Opportunities for growth*

The government has 123 physical connectivity projects as of February 2024, which aims to increase mobility of products and services.

The country is divided into 17 regions across the three (3) main islands, requiring the need for interconnectivity.

The thriving e-commerce business is expected to boost the demand for storage spaces warehouse facilities.

The Philippines can still improve its digital competitiveness to help streamline local operations and supply chain.

Building alliances with conglomerates may open more opportunities to drive growth of the Transport and Logistics sector.

Rural infrastructure remains far behind compared to urban areas, creating an opportunity to build more infrastructure projects in the provinces.

### *Recent market transactions*

1 **Ayala's logistics arm acquires Air21 Group**
In August 2022, Ayala Corporation, through its logistics arm, AC Logistics Holdings Corporation acquired 60.0% interest in Air21 Holdings, Inc., which has controlling interests in eight (8) operating companies.

2 **Grab Philippines acquires motorcycle firm, MOVE IT**
Grab Philippines, a local ride-hailing service in the Philippines, acquired MOVE IT, a motorcycle taxi hailing business at an undisclosed amount in August 2022.

# Energy and Natural Resources

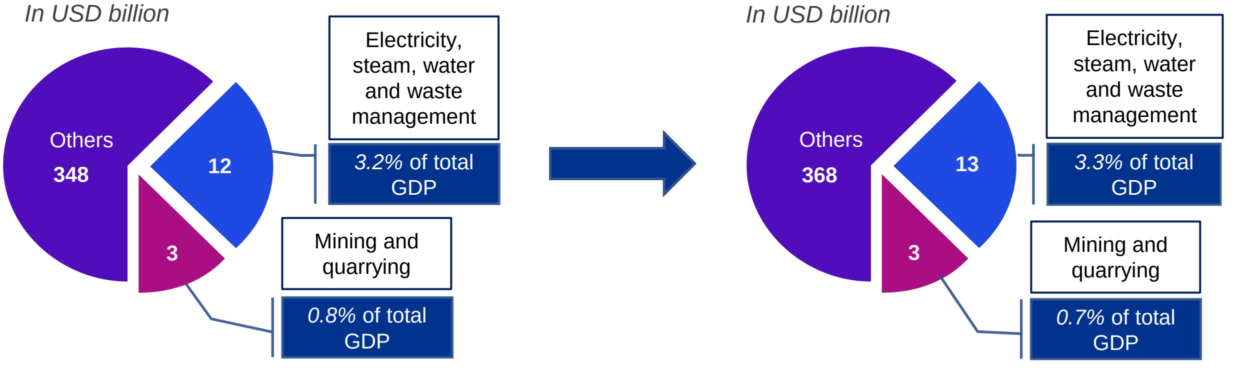
# Energy and Natural Resources

## Sector profile

The Energy and Natural Resources sector is primarily comprised of energy, mining, and oil and natural gas industries. The economic activities in this sector are measured through the output of (1) Electricity, steam, water, and waste management; and (2) Mining and quarrying accounts. The total GVA of these accounts, relative to GDP, remained constant at 4.0% in 2022 and 2023.

**Share to GDP in 2022**
*In USD billion*

**Share to GDP in 2023**
*In USD billion*




*Note: Figures were converted using a forex rate of USD1.0:PHP55.0.*
*Source: PSA*

### *Energy*

The Energy sector covers power generation, transmission, and distribution.

**Power generation**

Qualified generation companies in main grids are handled by the Energy Regulatory Commission (ERC). Participants in off-grid areas may operate through the New Power Producer (NPP) and Qualified Third Party (QTP) programs. Participation in the generation subsector does not require a franchise from the Philippine Congress, as generation is not considered a public utility operation.

**Power transmission**

National Transmission Corporation (TransCo) originally operated the transmission concession from 2003 to November 2007. In December 2007, TransCo's concession was awarded to National Grid Corporation of the Philippines (NGCP), which at present is still responsible for the operation of the transmission system in on-grid areas. Meanwhile, the National Power Corporation-Small Power Utilities Group (NPC-SPUG) covers off-grid areas.

**Power distribution**

Power distribution in the Philippines is a regulated business requiring a national franchise from the Philippine Congress. Distribution of electric power is currently handled by Distribution Utilities (DUs) comprised of Electric cooperatives (EC), Private investors owned utilities (PIOU), Local government unit owned utilities (LGUOU), and Multi-purpose cooperative owned utilities (MPC).

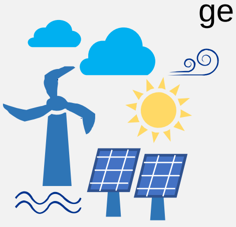
# Energy and Natural Resources

## Sector profile

*Power generation*

While the power supply mix of the Philippines currently leans heavily on coal (i.e. 44.0% of installed capacity, and 48.8% of dependable capacity as of 2022), the government is taking steps to increase power generation from Renewable Energy (RE) sources.

The Department of Energy (DOE) targets to increase RE share in power generation



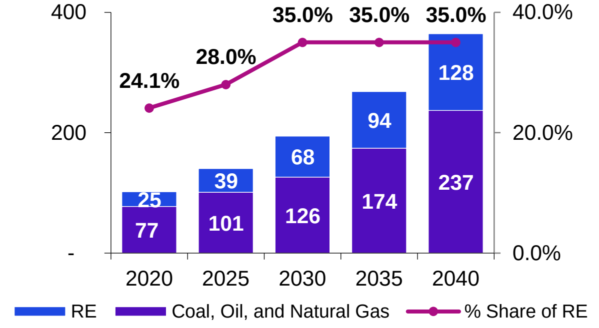
**35.0%** by **2030**

**50.0%** by **2040**

Existing capacity will be able to meet the peak demand until 2025, however, additional capacity is necessary to meet the energy requirements in the subsequent years. To meet the electricity demand by 2040, new RE capacity under the RE-35 Scenario is estimated at 44,903MW while under the RE-50 Scenario, additional RE capacity required is at 73,183MW.

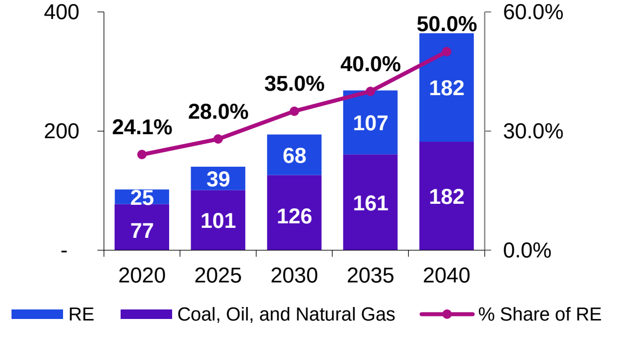
### Power generation mix, 2020-2040 RE-35 Scenario

*In TWh*




### Power generation mix, 2020-2040 RE-50 Scenario

*In TWh*

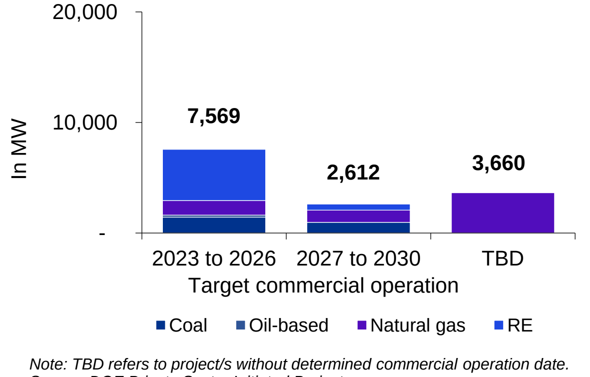



*Source: DOE Power Development Plan 2020 to 2040*

According to the DOE, as of 30 November 2023, the private sector has initiated 190 committed projects with 13.8 thousand MW additional capacity, and 369 indicative projects with 70.9 thousand MW additional capacity. In addition, there are currently three (3) public power generation projects initiated by NEDA.

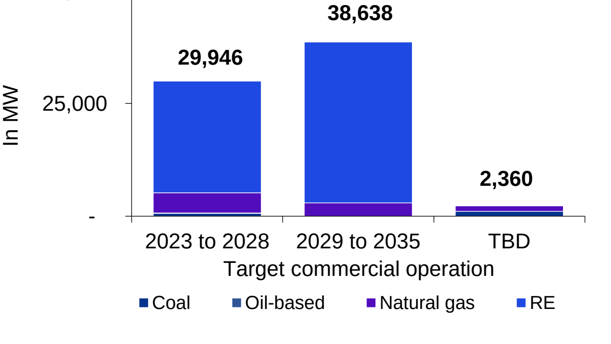
### Committed projects as of 30 November 2023

*In MW*




### Indicative projects as of 30 November 2023

*In MW*




*Note: TBD refers to project/s without determined commercial operation date.*
*Source: DOE Private Sector Initiated Projects*

# Energy and Natural Resources

## Sector profile

### *Power transmission*

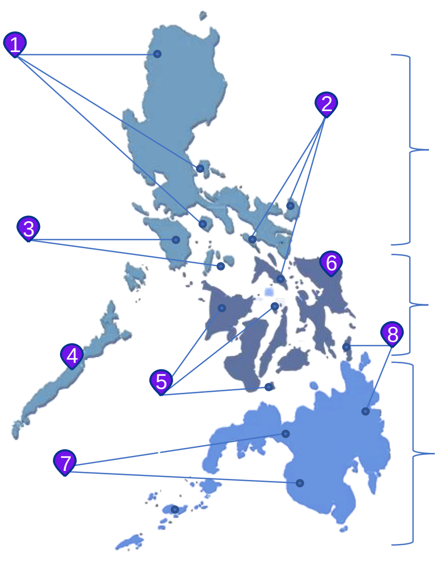
NGCP operates three main grids: Luzon, Visayas, and Mindanao. These lines operate at different voltages, with 500kV lines acting as the main arteries, stepping down to 230kV and lower voltages as they reach distribution networks. As of 2021, NGCP's transmission lines have a total length of about 21.0 thousand ckt-km.

**Off-grid**

NPC was able to sustain the operations of its 281 SPUG plants. SPUG plants were clustered in eight (8) areas:

1. Marinduque/Quezon/North Luzon
2. Bicol
3. Mindoro/Romblon
4. Palawan
5. Western Visayas
6. Eastern Visayas
7. Western Mindanao
8. Eastern Mindanao

*Source: NPC 2022 Annual Report*




**On-grid**

**Luzon grid**
9.6 thousand ckt-km

**Visayas grid**
5.3 thousand ckt-km

**Mindanao grid**
5.9 thousand ckt-km

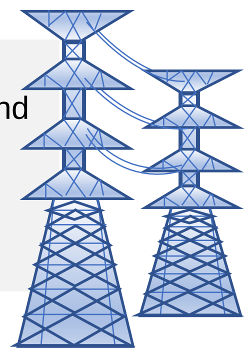
*Note: ckt-km – circuit kilometers.*
*Source: NGCP Transmission Development Plan 2022 to 2040 report*

NGCP targets to build 166 additional transmission lines, grouped into 15 clusters, to cater to bulk generation addition as of 2023.

*Source: NGCP Transmission Development Plan 2022 to 2040 report*

The Maharlika Investment Fund, established in 2023, may be tapped to fund new transmission projects to improve efficiency, increase accountability in NGCP's operations, and enhance energy security.

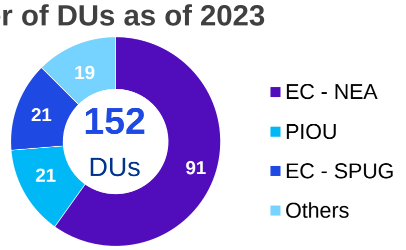
*Source: Philippine News Agency*



### *Power distribution*

As of 2023, there are 152 Distribution Utilities (DUs) in the Philippines. DUs implemented various capital expenditure projects to ensure that load growth will be met in their franchise areas and to improve system reliability and efficiency. In 2019, 109,135 ckt-km of distribution facilities across all three (3) main grids were added to the existing network.

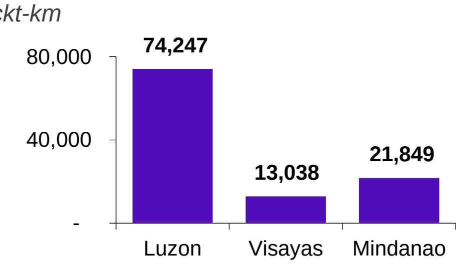
**Number of DUs as of 2023**




*Notes: (a) NEA – National Electrification Administration; SPUG – Small Public Utility Groups.*
*(b) "Others" include EC-Cooperative Development Authority (CDA); LGUOU, MPC, and Uncategorized DUs.*
*Source: DOE Distribution Utility Profile*

**Capital expenditures as of 2019**

*In ckt-km*




*Note: Totals may not add-up due to rounding.*
*Source: Philippine Development Plan 2020-2040*

# Energy and Natural Resources

## Sector profile

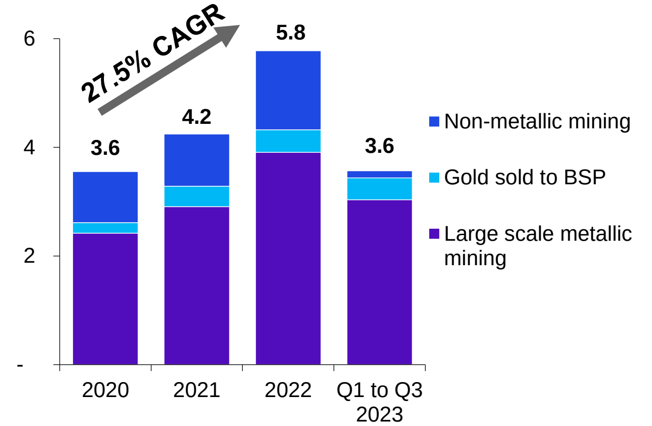
### *Mining*

The Mining industry's production value of USD5.8 billion in 2022 was mainly driven by the extraction of nickel, copper, gold, cobalt, and iron, among others.

Activities in the Mining industry are regulated by the Department of Environment and Natural Resources (DENR). Specific approvals and permits are issued by the Mines and Geosciences Bureau (MGB) and Environmental Management Bureau of the DENR.

**Total production value in Mining**

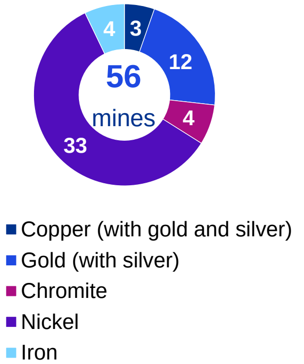
*In USD billion*




*Note: Figures production value were converted using a forex rate of USD1.0:PHP55.0.*
*Source: DENR MGB – Mining Industry Statistics*

As of 2022, the Philippines has 56 active metallic mines, seven (7) processing plants or smelters, and 59 active non-metallic mines.

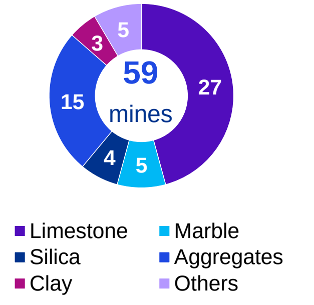
**Number of operating metallic mines in 2022**




*Source: DENR MGB – Mining Industry Statistics*

**Number of processing plants/smelters in 2022**


**Number of operating non-metallic mines in 2022**




*Note: "Others" includes Shale, Dolomite, Sand and gravel, and Volcanic tuff.*

MGB anticipates to process 4,108 mining applications (including other mining rights-related applications) in 2024. Moreover, under the Mineral Investment Promotion Program, MGB targets the issuance of various mining permits and contracts, including those for areas within mineral reservations, as well as other related permits for 2024:

| | | |
|---|---|---|
| **75** Agreements, contracts and permits<br>*This includes Exploration Permits (EP), Industrial Sand and Gravel Permits (ISAGP), and Mineral Processing Permit (MPP)* | **4,029** Other mining related permits | **4** Declaration of Mining Project Feasibility (DMPF) |

*Source: DENR MGB – Mining Industry Statistics*

# Energy and Natural Resources

## Sector profile

### *Oil and gas*

The DOE created a roadmap for the Philippines' Oil and gas sector from 2023 to 2040. The roadmap includes plans such as: (1) boosting reserves and production of local oil, gas, and coal; (2) refining downstream oil industry policies to ensure a steady supply of high-quality petroleum products; and (3) create an investment-driven natural gas industry in the country.

*Upstream (Exploration & Production)*

Crude oil production is now limited to the Galoc oil field in Palawan and Alegria oil field in Cebu. On the other hand, the Malampaya gas field offshore of Northern Palawan is the only source of supply for the upstream or developing natural gas sector in the Philippines. Given the current limitations in crude oil and natural gas production, the government is actively promoting the development and production of resources. The DOE has outlined the following specific targets by 2040:

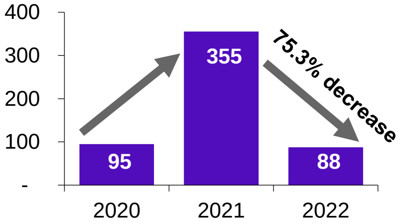
| Petroleum Reserve | Production | Additional Discovery |
|---|---|---|
| Increase:<br>**57.12 MMB**<br>delineated oil<br>**5.87 TCF**<br>delineated gas | Produce:<br>**114.44 MMB**<br>from 11 oil fields<br>**4.04 TCF**<br>from 7 gas fields | Drill:<br>**2 oil fields**<br>in Visayan and Northwest Palawan Basins<br>**2 gas fields**<br>in Northwest and Southwest Palawan Basins |

*Note: MMBO - Million Barrels of Oil.*
*TCF - Trillion cubic feet*
*Source: Philippine Energy Plan 2020-2040*

*Downstream (Refining & Distribution)*

Despite the entrance of new downstream oil players in 2022, total investment amount declined. In particular, investment from importers and import terminals was lackluster compared to 2021. For the downstream gas industry, there is currently no operational import-receiving terminal capable of receiving, storing, and regasifying LNG, and the gas pipeline infrastructure required for delivering LNG to end-users is limited.

**Investment in downstream oil industry**
*In USD million*




*Note: Figures for investments were converted using a forex rate of USD1.0:PHP55.0.*
*Sources: Philippine Energy Plan 2020-2040; Oil Industry Management Bureau (OIMB) Year-end Comprehensive Report FY2022*

As part of the DOE's downstream roadmap, the targets in the long term (2023-2040) include among others:

| Oil | Natural gas |
|---|---|
| • Encourage investments in downstream oil industry.<br>• Develop and implement capacity building programs for downstream oil industry. | • Promote Natural Gas Market Development and Natural Gas Infrastructure Development Program to investors.<br>• Conduct market study/desk research covering areas such as excise tax and incentives, inventory of natural gas technology, and commercial applications, emerging trends, and the impact of natural gas on the economy.<br>• Update the Natural Gas Development Program.<br>• Conduct study and assessment on potential natural gas projects. |

*Source: Philippine Energy Plan 2020-2040*

# Healthcare

# Healthcare

## Sector profile

The Total Philippine health expenditure, consisting of Current health expenditures and Health capital formation, grew at a CAGR of 9.1% from USD15.4 billion in 2018 to USD21.8 billion in 2022, accounting for an average of 5.3% of GDP during the same period. According to the Economist Intelligence Unit, the growth in Total health expenditure was primarily driven by the COVID-19 pandemic and inflation.

### *Current health expenditures*

Current health expenditures is further classified into types of provider, and types of financing schemes.

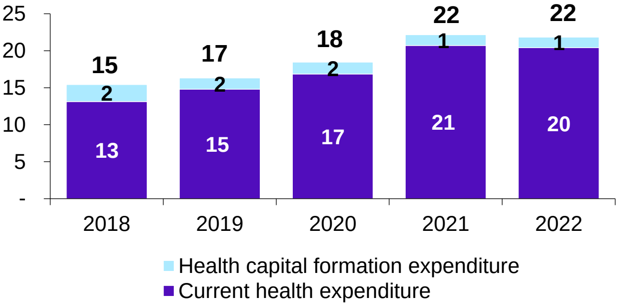
In 2022 and in terms of healthcare providers, Hospitals accounted for 41.0% of Current health expenditures. This was followed by Retailers and Other providers of medical goods which accounted for 29.2%. Meanwhile, in terms of financing schemes, Household out-of-pocket payment, and Government schemes and compulsory contributory health care financing schemes accounted for 44.8% and 44.7%, respectively of the total during the same period.

### *Health capital formation*

Spending in 2022 for Health capital formation amounted to USD1.4 billion which is 0.2% higher than the 2021 spending. The spending was mainly for Infrastructure (50.0%), and Machinery and equipment (50.0%).

**Philippine health expenditure**

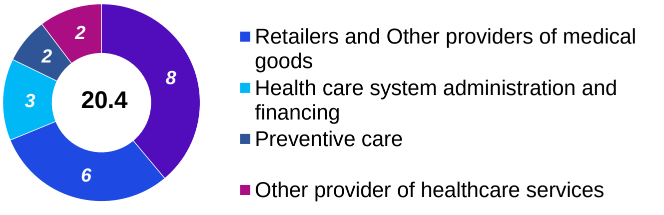
*In USD billion*




*Note: Figures for Philippine healthcare expenditure were converted using a forex rate of USD1.0:PHP55.0.*
*Source: PSA*

**2022 Current health expenditure per provider**

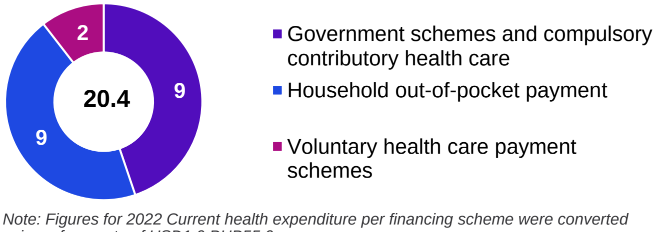
*In USD billion*




*Note: Figures for 2022 Current health expenditure per provider were converted using a forex rate of USD1.0:PHP55.0.*
*Source: PSA*

**2022 Current health expenditure per financing scheme**

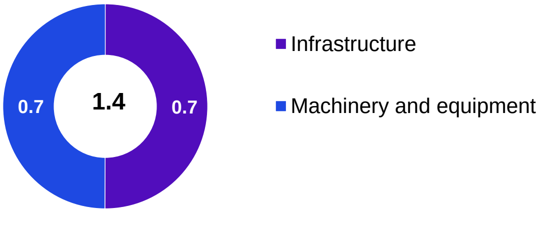
*In USD billion*




*Note: Figures for 2022 Current health expenditure per financing scheme were converted using a forex rate of USD1.0:PHP55.0.*
*Source: PSA*

**2022 Health capital formation expenditures**

*In USD billion*




*Note: Figures for 2022 Health capital formation expenditures were converted using a forex rate of USD1.0:PHP55.0.*
*Source: PSA*

# Healthcare

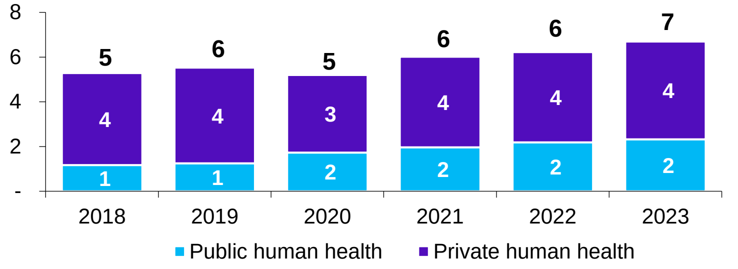
## Sector profile

*GVA of the Human health sector*

The GVA of the Human health sector grew at a CAGR of 8.3% from 2018 to 2023, and contributed 1.7% of GDP, on average during the same period.

**GVA by Human health sector**

*In USD billion*

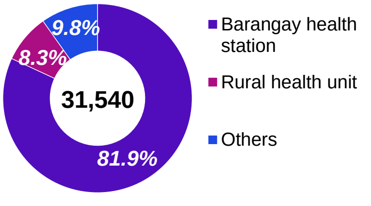



*Note: Figures for GVA by Human health sector were converted using a forex rate of USD1.0:PHP55.0.*
*Source: PSA*

*Facilities*

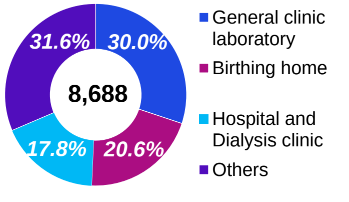
There is a total of 40,228 healthcare facilities as of 23 February 2024, which includes government and privately-owned facilities.

**Facilities owned by the government**




*Note: Others include Birthing homes, Hospital and infirmaries among other facilities.*
*Source: National Health Facility Registry*

**Privately-owned healthcare facilities**




*Note: Others include Ambulatory service providers, Medical facilities, and COVID-19 testing sites among other facilities.*
*Source: National Health Facility Registry*

*Recent market transactions*

1 **CVC Capital takes control of The Medical City**
In October 2023, CVC Capital acquired 63.9% share in The Medical City through the purchase of shares from Professional Services Inc.

2 **Metro Pacific Health acquires stake in a Cavite hospital**
In July 2023, Metro Pacific Health Corp. acquired 70.4% stake in Medical Center Imus, a Level 2 hospital that caters to the cities of Imus and Bacoor in Cavite.

3 **Ayala Corp. invests USD127.3 million into healthcare**
As of April 2023, Ayala Corp. intended to invest USD127.3 million for the construction of three (3) multi-specialty centers and 50 pharmacy branches.

4 **Pasig City inks deal with private firm to open dialysis facility**
The local government of Pasig City entered into a 15-year joint venture agreement with Premier 101 Healthcare Management, Inc., a private health care provider, to open a three-storey dialysis center in March 2022.

# Financial Services

# Financial Services

## Sector profile

*Economic overview*

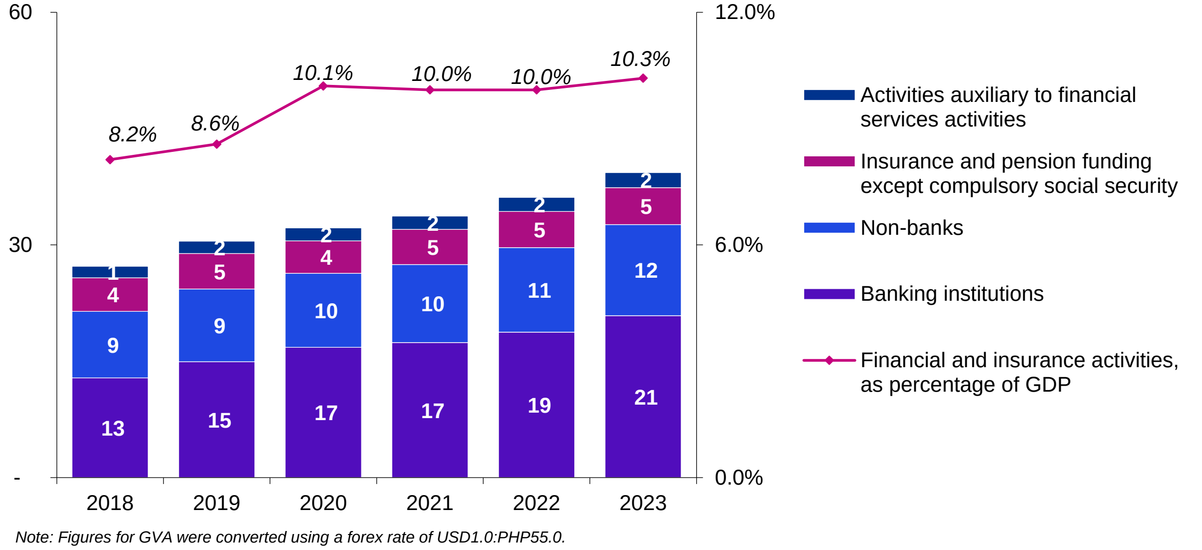
The Financial Services sector, also referred to as Financial and Insurance activities under the PSIC, is composed of the following sub-sectors: (1) Banking institutions; (2) Non-banks; (3) Insurance and pension except compulsory security; and (4) Activities auxiliary to financial services activities.

In 2023, the Philippines' Financial Services sector's GVA increased by 8.9% to USD39.3 billion. This was due to the sustained expansion in total assets through increased lending and investing activities in the banking sector, as financed by domestic deposits, and the increase in premium income in the insurance sector.

Banking institutions contributed the most based on percentage share in GVA of the Financial Services sector

**GVA of Financial Services sector by sub-component**

*In USD billion*




*Note: Figures for GVA were converted using a forex rate of USD1.0:PHP55.0.*
*Source: PSA*

The Financial Services sector was the third largest contributor to the Philippine GDP in 2023, following Wholesale and Retail, and Manufacturing. The Financial Services sector and its contribution to the economy continued to grow due to the expansion of the banks' credit activities, particularly in the area of household loans (i.e. credit card receivables and salary-based general-purpose consumption loans).

**Number of entities in the Financial Services sector**

**475** Banks

**137** Insurance Companies

**499** Financial Technology Companies

**5** Non-bank Financial Institutions with Quasi-Banking Functions

**1,165** Pawnshops

**735** Money Service Businesses

**3,765** Lending Companies

**887** Financing Companies

*Source: BSP; BSP Recent Trends in the Philippine Financial System as of October 2023*

# Financial Services

## Sector profile

*Banking*

The Philippine Banking System provided substantial support to the growth of the domestic economy as it maintained a strong performance in 2023.

### BANKING SNAPSHOT

**45** Universal and commercial banks

**42** Thrift banks

**388** Rural and cooperative banks

**13,374** Total bank network

**USD457.6 billion** Total assets

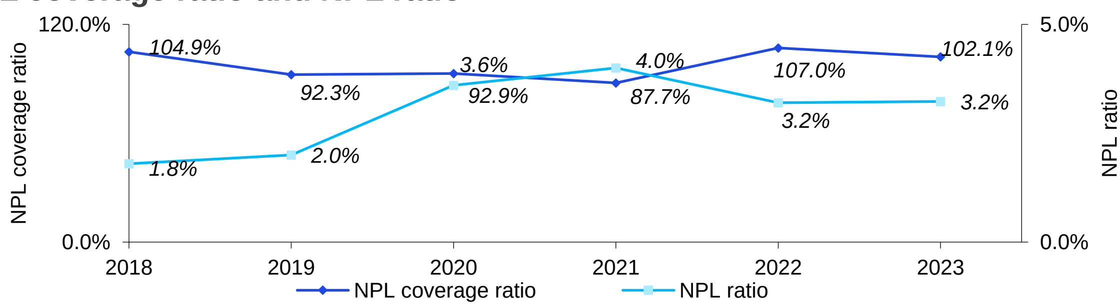
**USD23.4 billion** Total interest income

*Notes: (a) Figures are as of 31 December 2023*
*(b) Figures were converted to USD using an exchange rate of USD1.0:PHP55.0*
*Source: BSP Report on the Financial System*

The Banking sector's total assets amounted to USD457.6 billion as of 2023, 9.2% higher than its total assets as of 2023. The growth was primarily maintained by deposits, indicating the sustained confidence of the public. Meanwhile, interest income grew from 2022 to 2023 by 41.2% or USD6.8 billion. This was primarily driven by lending activities to private corporations and households, and investment in securities. These factors indicate that the banks' core activities continued to be their primary focus.

The BSP assessed the banking system's loan quality, based on their October 2023 statement, as satisfactory. For instance, the Non-performing loan (NPL) ratio as of 2023 was sustained at 3.2%, similar to the level as of 2022. The coverage ratio, on the other hand, declined from 107.0% as of 2022 to 102.1% as of 2023.

### NPL coverage ratio and NPL ratio




*Source: BSP Report on the Financial System 2018, 2019, 2020, 2021, 2022 and 2023*

**Industry outlook**

**High interest rates will continue in 2024**

Banks expect the BSP to hold any adjustments to benchmark interest rates in 2024, with potential rate cuts to be considered only in the latter part of 2024.

**Rising demand for digital banking services**

More consumers are using mobile banking apps, and utilizing online transactions, driving up demand for digital banking services.

*Source: The Philippine Star article; Business World article*

# Financial Services

## Sector profile

*Non-banks*

The Non-banks sector includes Non-Bank Financial Institutions with Quasi-banking Functions (NBQB), Non-stock Savings and Loans Associations (NSSLA), Pawnshops and Money Service Businesses (MSB), and Lending and Financing Companies.

The key financial and operating information for these four (4) subsectors are provided below:

### Non-Bank Financial Institutions with Quasi-Banking Functions

**5 NBQBs**
As of October 2023

**USD2.8 billion**
Total assets as of June 2023
*6.5% higher than in June 2022*

**USD2.5 billion**
Total loans as of June 2023
*11.3% higher than in June 2022*

**USD18.1 million**
Net profit in June 2023
*25.4% higher than in June 2022*

*Source: BSP Recent Trends in the Philippine Financial System as of October 2023*

### Non-Stock Savings and Loans Associations

**56 NSSLAs**
With 136 branches as of October 2023

**USD5.5 billion**
Total assets as of March 2023
*5.1% higher than in March 2022*

**USD4.8 billion**
Total loans as of March 2023
*4.8% higher than in March 2022*

**USD120.0 million**
Net profit in March 2023
*1.5% lower than in March 2022*

*Source: BSP Recent Trends in the Philippine Financial System as of October 2023*

### Pawnshops and Money Service Businesses

**Pawnshops**

*77.5% are engaged in remittance activities*

**1,165 head offices**
**14,873 branches**
as of October 2023

**MSBs**

*66.4% were large-scale remittance operators with average monthly network volume of transactions of at least USD1.4 million.*

**735 head offices**
**7,215 branches**
as of June 2023

*Source: BSP Recent Trends in the Philippine Financial System as of October 2023*

### Lending and Financing Companies

**3,765 Lending companies**
With Certificate of Authority as of September 2023

**887 Financing companies**
With Certificate of Authority as of September 2023

*Source: SEC List of Financing Companies as of 30 September 2023*

# Financial Services

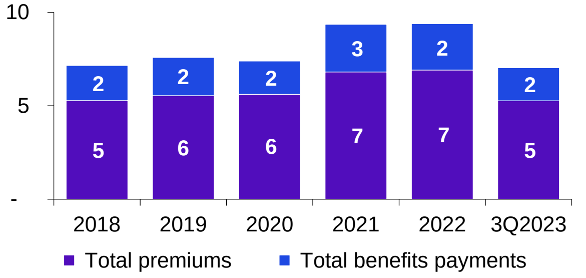
## Sector profile

### *Insurance*

The Insurance industry is composed of 27 life, 47 non-life, seven (7) composite, one (1) reinsurance, and five (5) servicing reinsurance companies based on the list published by the Insurance Commission (IC) on 29 December 2023. The IC has also accredited 42 mutual benefit associations (MBAs).

**Total premiums vs Total benefits payments**

*In USD billion*




*Source: Philippines Insurance Industry Performance for 2018-3Q2023 (Insurance Commission)*

Total premiums grew from 2020 to 2022 due to digitalization and increased awareness, especially for life insurance, brought about by the COVID-19 pandemic.

Total benefit payments dropped in 2020 as a result of the COVID-19 pandemic, but have since been increasing due to the increasing costs of financial coverage for healthcare brought about by inflation.

**Overview of the Insurance sector**

**USD289.6 billion**

Total premium income as of 30 September 2023

**USD450.2 billion**

Total net worth as of 30 September 2023

**USD2.2 trillion**

Total assets as of 30 September 2023

**129**

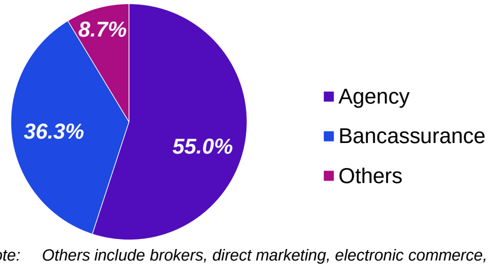
Licensed companies as of 29 December 2023

*Note: Figures (except for No. of licensed companies) were converted to USD using an exchange rate of USD1.0:PHP55.0.*
*Source: Philippines Insurance Consolidated Industry Performance (Insurance Commission)*

Life insurance comprised 79.0% of the total premiums as of 3Q2023 despite having fewer companies compared to non-life insurance and MBAs. This is attributable to the high value of life insurance policies, especially variable life insurance products.

Based on the most recent available data as of 2020, the main distribution channel for insurance products is through agency. However, partnerships with financial providers are being established to gain access to more customers. One of these is through bancassurance.

**2020 Distribution channel mix**




*Note: Others include brokers, direct marketing, electronic commerce, online, digital, and mobile phone.*
*Source: IC's 2020 Annual report*

Based on Fitch Solutions' Philippine Banking and Financial Services Report, the overall gross insurance premium is forecasted to grow by 7.8% in 2024. Life and non-life insurance premiums are expected to grow by 6.5% and 10.6%, respectively.

# Financial Services

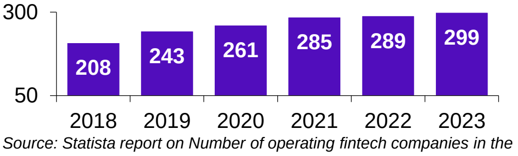
## Sector profile

*Financial technology*

The number of players operating in the Philippines' Fintech sector grew at a CAGR of 7.5% from 2018 to 2023. Digital payments accounted for 38.0% of the total fintech companies as of 2023. This may be attributed to the shift in consumer preference (i.e. it is more convenient to use digital payment platforms) as well as the perception that digital payments can be a tool for potential business expansion (i.e. digital payments allow companies to serve a larger customer base).

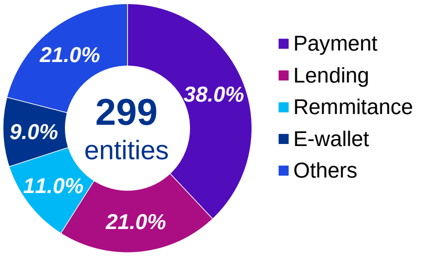
Along with the growth in the number of players, the number of active e-money accounts also grew at a CAGR of 107.8%, based on available data from 2017 to 2021. The sector experienced significant growth in 2020, driven by the shift from the use of cash as well as limited access to ATMs and physical banks. These factors were among the effects of the COVID-19 pandemic.

**Number of operating fintech companies**




*Source: Statista report on Number of operating fintech companies in the Philippines from 2017 to 2022; Fintech Philippines Report 2023*

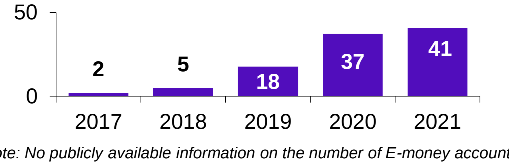
**Fintech map 2023 based on sector**




*Note: "Others" includes KYC/Regtech, Blockchain/Crypto, BNPL, Wealthtech, Proptech, Insurtech, Digital Banking, Comparison, Crowdfunding.*
*Source: Fintech Philippines Report 2023*

**Number of active E-money accounts**

*In million*




*Note: No publicly available information on the number of E-money accounts for 2022 and 2023.*
*Source: Fintech Philippines Report 2023*

### Ongoing efforts for industry growth

The Open Finance Pilot PH is a collaborative undertaking of financial institutions, fintech companies, and government agencies. This is for the exploration of technologies for the delivery of financial products and services to customers.

The Open Finance Pilot PH commenced in June 2023 and is monitored by the Open Finance Oversight Committee Transition Group.

**Expected outcome and benefits**

1. To develop innovative financial solutions, such as among others, those that provide real-time payments, greater financial transparency options for account holders, marketing, and cross-selling opportunities; and
2. Come up with comprehensive open finance framework for the Philippines.

*Source: Fintech Philippines Report 2023; BSP website - Open Finance PH*

# Technology, Media, and Telecom

# Technology, Media, and Telecom

## Sector profile

### *Technology*

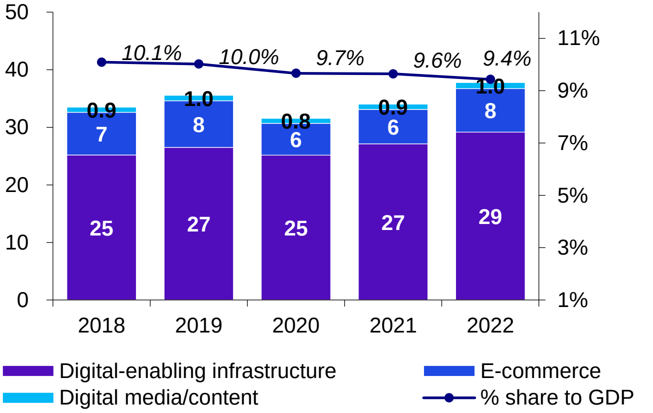
The Philippines' digital economy has reached USD37.8 billion in 2022, contributing 9.4% to the country's economy.

According to the 2023 e-Conomy SEA Report, the Philippines is the fastest growing digital investments in Southeast Asia. The Philippines has the most engaged internet users in the world, however, digital participation across sectors is still low. Given the gap, investors are expecting increased deal activities in the next years which could result to the digital economy possibly reaching USD100.0 billion to USD150.0 billion by 2030.

Digital-enabling infrastructure contributed the most to the digital economy at 77.2% (USD29.2 billion). This includes telecommunication services, professional and business services (IT services), and the sale of computer, electronic and optical products.

**GVA of digital economy (2018-2022)**

*In USD billion*




*Source: PSA*

*Recent developments*

**USD1.1B**

Funds raised by PH start-ups in 2022

**Start-up ecosystem:** Start up funding continuously increased in the recent years (mostly for fintech companies) and crossed the USD1.0 billion mark in 2021, driven by the increased interest from investors, and supported by government programs.

*Source: Foxmont Capital Partners*

Digitalization through the DICT

**Digital transformation:** The government is committed to leverage technology to optimize its operations. This includes the adoption of cloud computing, data analytics, artificial intelligence (AI), and Internet of Things (IoT) solutions.

*Source: DTI*

AI Philippines Coalition Launch

**Adoption of AI:** The Department of Trade and Industry (DTI) launched the national AI roadmap in 2021, and mentioned that the industry could potentially contribute USD92.0 billion or 12.0% to the country's GDP by 2030.

*Source: DTI*

# Technology, Media, and Telecom

## Sector profile

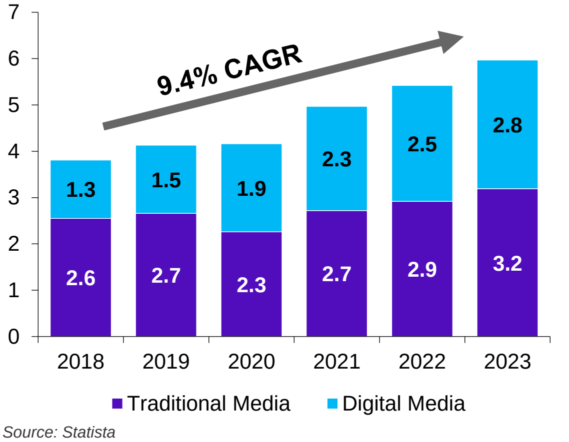
### *Media*

The Philippines exhibited a gradual shift towards digital media landscape from 2018 to 2023 as social media and streaming platforms became alternative sources of news and entertainment. This was further supplemented with traditional media outlet's expansion of their online presence.

According to Reuters, urban areas usually source news using social media while TV and radio are still the sources for those who are in the Philippine rural areas.

**Revenue of media (2018-2023)**

*In USD billion*




*Source: Statista*

The biggest segment of digital media is mobile games, accounting for 70.1% of the total media revenue in 2023, having gained its popularity due to affordability, convenience, and access to smartphones. E-sports and brand partnerships also play a major role in encouraging Filipinos to play mobile games.

As of January 2024, there are 86.8 million local social media users representing 73.4% of the total population. The continuous shift to digital media is anchored on Filipinos' habit of consuming content online:

**75.1%**
Internet users watching streaming and on-demand TV

**54.2%**
Internet users reading online press content

**3h43m**
Time spent on social media per day

*Note: The percentages above reflect the percentages of internet users aged 16 to 64 who consume each media type, while the time spent on social media is the average amount of time that internet users aged 16 to 64 spend with different kinds of media and devices.*
*Source: 2024 Global Digital Report by We Are Social and Meltwater*

### *Key opportunities and developments*

**Growing e-sports market:** There is increasing investments in the e-sports scene, and the country's gamers are open to trying new game technologies. The mobile game players have also made a mark in Southeast Asia and global competitions.

**Digitalization of TV signals:** The Philippines is targeting a full switch from analog to digital terrestrial broadcasting this 2024. Currently, approximately 83.0% of households are receiving digital TV receptions.

# Technology, Media, and Telecom

## Sector profile

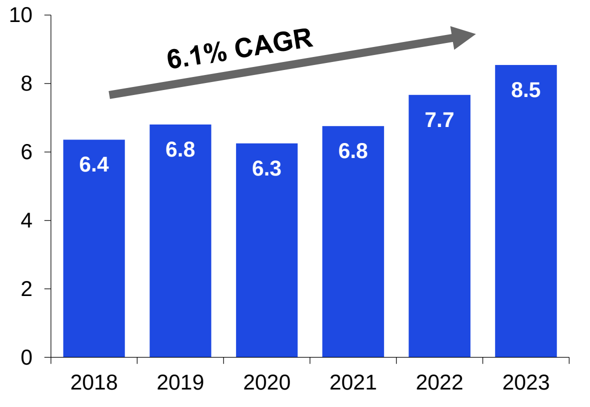
### *Telecom*

The Telecommunications sector's revenue grew at a CAGR of 6.1% from 2018 to 2023 which is primarily driven by the expanded coverage, increased data consumptions and broadband usage, accelerated smartphone penetration, and service improvements.

The market's competition was also amplified with the entry of a third player - DITO Telecommunity - after decades of PLDT and Globe dominating the industry.

**Telecom industry revenue, 2018-2023**

*In USD billion*




*Source: Euromonitor*

**Additional 50,000** Cell site towers by 2028 (from 16,000 cell sites as of January 2019)

*Source: DICT*

DITO Telecommunity's entry also propelled tower sharing in the market, with the government pushing for common tower policy. The initiative is aimed to improve service quality and expand wireless network coverage, especially in the unserved and underserved areas.

Meanwhile, the country's fixed broadband still lags behind other Southeast Asian leaders which is attributed to access and affordability. To address this, the government developed the National Broadband Plan to accelerate telecommunication infrastructures, including reliable and fast broadband services.

| 84.7M | 152.1K | 87th | 51st |
|---|---|---|---|
| Mobile internet subscribers in 2023 | Broadband subscribers in 2023 | Ookla's speedtest for mobile internet speed | Ookla's speedtest for fixed broadband |

*Source: Euromonitor, Ookla*

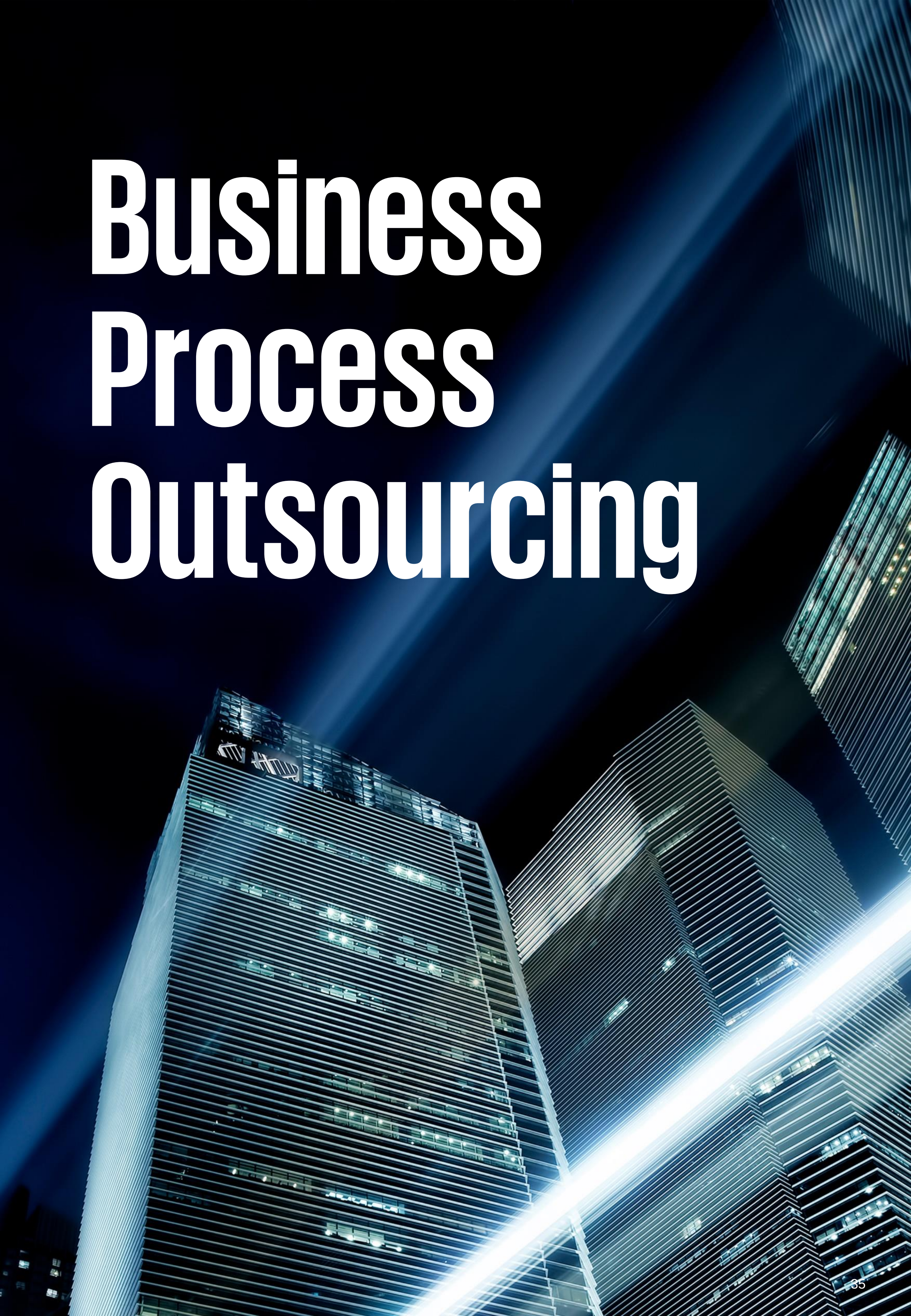
### *Recent developments*

**5G Roll-out:** The 5G network was introduced in 2020, and is expected to continue growing in the next years, albeit average download and upload speed remains meager compared to neighboring countries.

**Launch of eSIM:** In July 2023, Smart Communications, Inc. (SMART) pioneered the launch of the prepaid embedded SIM (eSIM) in the Philippines, which set the pace for its wider adoption in the country.

**Ease of foreign entry:** In 2022, the Philippines allowed up to 100% foreign ownership of telecommunication companies attracting more investments and new players, especially in the telco tower and other telco infrastructure initiatives.

# Business Process Outsourcing



# Business Process Outsourcing

## Sector profile

The Philippines' Business Process Outsourcing (BPO) industry, also referred to as Information Technology and Business Process Management (IT-BPM), plays a significant role in the growth of the economy as the industry provides jobs in various sectors. The industry is expected to contribute up to 8.5% to the Philippine GDP by 2028.

### BPO At a glance

**2.2 thousand**
Total number of establishments as of 2021

**1.7 million**
Estimated headcount as of 2023

**USD35.9 billion**
Estimated revenue as of 2023

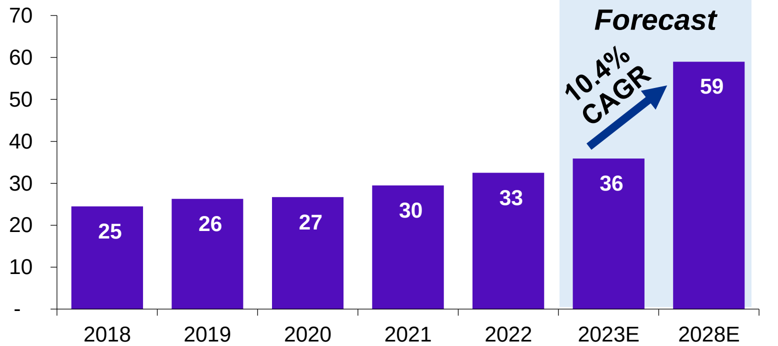
*Sources: PSA; IT and Business Process Association of the Philippines (IBPAP)*

### *Sector growth*

Despite the global impact of the pandemic in 2020, the Philippines' BPO sector thrived, generating a total revenue of USD26.7 billion in 2020, which further increased by 10.5% to USD29.5 billion in 2021. According to the IT & Business Process Association of the Philippines (IBPAP), the BPO sector grew even bigger in 2022 due to the growth in the following areas: financial services, healthcare, retail, technology, and telecommunications.

**IBPAP aims to achieve a CAGR of 10.4% with revenues amounting to USD59.0 billion by 2028.**

**Philippine IT-BPM services industry revenue**
*In USD billion*

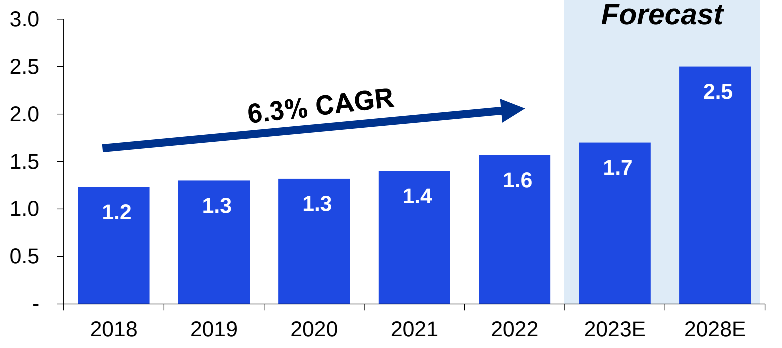



*Source: IBPAP*

From 2018 to 2022, the headcount under the BPO sector has increased at a CAGR of 6.3%.

**According to IBPAP, the BPO sector can generate a total headcount of up to 2.5 million by 2028.**

**Philippine IT-BPM services industry headcount**
*In million*




*Source: IBPAP*

# Business Process Outsourcing

## Sector profile

*Recent developments*

The BPO sector globally has encountered both challenges and opportunities with the work-from-home (WFH) arrangement, especially during the COVID-19 pandemic. In recent years, BPO companies were required to return to office with specific guidelines.

**PEZA allowed only 30.0% WFH for BPOs**

The Philippine Economic Zone Authority (PEZA) permitted up to 30.0% of the BPO workforce to work from home with a prior Letter of Authority (LoA) and fulfillment of specified conditions.

**April 2022**

**IT-BPOs shifted registration to BOI for 100.0% WFH**

To implement a 100.0% WFH arrangement, 446 or 41.0% of BPOs initially registered with the PEZA shifted their registration to the Board of Investments (BOI).

**December 2022**

**Proposed amendments for BPOs**

The House of Representatives proposed amendments to the CREATE law to enable BPOs to adopt WFH arrangements.

**November 2023**

*Where the sector is heading*

In 2009, the Department of Information and Communications Technology (DICT), IBPAP, and Leechiu Property Consultants (LPC) launched the Next Wave Cities Program, which aimed to develop ICT hubs that serve as alternative investment destinations and promote country-wide development by creating jobs and related economic opportunities in the regions outside of Metro Manila. The list of cities covered by the program expanded in 2016.

In 2020, the DICT, IBPAP, and LPC launched the Digital Cities 2025, which aims to maintain the legacy of the Next Wave Cities.

**2009-2012**

**Next Wave Cities was launched**

**2016**

**The list of cities was updated**

**2020-2025**

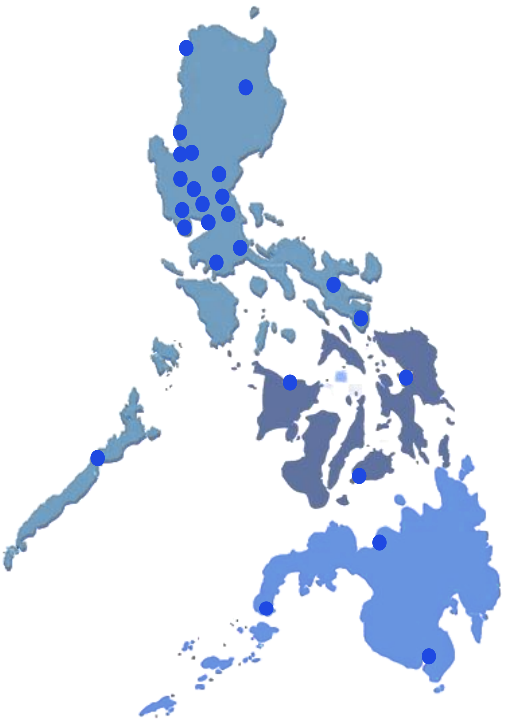
**Digital Cities 2025 was launched**

# Business Process Outsourcing

## Sector Profile

Digital Cities 2025 aims to build the resiliency of the BPO sector as an engine of growth for the Philippine economy as well as local economies within the country. The 25 new locations, alongside the Centers of Excellence and established Next Wave Cities, shall serve as investment destinations for a thriving digital economy.

### 25 Digital Cities



Sources: DICT, IBPAP

- Balanga City
- Batangas City
- Cabanatuan City
- Dagupan City
- General Santos City
- Iligan City
- Iriga City
- Laguna Cluster (Calamba, Los Baños, San Pablo)
- Laoag City
- Legazpi City
- Malolos City
- Metro Cavite (Bacoor, General Trias, Imus)
- Metro Rizal (Antipolo, Cainta, Taytay)
- Olongapo City
- Puerto Princesa
- Roxas City
- San Fernando City, La Union
- San Fernando City, Pampanga
- San Jose Del Monte City
- Tacloban City
- Tagbilaran City
- Tarlac City
- Tuguegarao City
- Urdaneta City
- Zamboanga City

The 25 Digital Cities were chosen based on a four-point evaluation system that takes into account the following factors: talent availability, infrastructure, cost-effectiveness, and business environment.

*Challenges and opportunities within the sector*

### Talent development

The Philippines is at risk of falling behind in the global industry due to the education crisis. With this, funding for State universities and colleges increased in the 2024 budget.

### Digital Infrastructure

The Philippines needs to address challenges in terms of funding, lack of digital infrastructure and technical competencies as LGUs are looking to develop smart cities.

# Retail

# Retail

## Sector profile

*Economic overview*

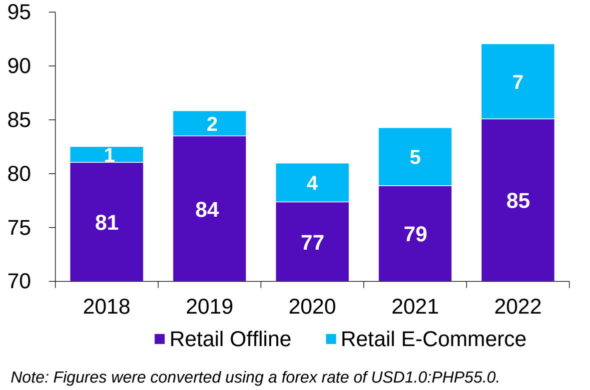
The Retail industry has been steadily recovering from the pandemic due to robust economic growth, lifting of government restrictions, and rising disposable income amongst Filipino households. The combination of workers and consumers being reintegrated back into city life has resulted in a resurgence of increased spending activities. Convenience stores, health specialists, and hypermarkets/supermarkets have all recorded positive growth with Filipinos continuing to shop for essential products which was critical to the normalization of spending.

The GVA of Retail trade accounted for 15.2% of GDP and rose by 6.0% in 2023, slightly above the overall GDP growth of 5.6% in the same year.

Based on Euromonitor's Retail in the Philippines report (published in March 2023), 2022 was a decent year for the sector generating total Retail sales of USD92.1 billion, 9.2% higher than the USD84.3 billion in 2021. The sector's growth was mainly driven by Retail Offline, which is composed of the following channels: Grocery retailers, Non-grocery retailers, Direct selling, and Vending. Grocery retailers, considered as the primary channel for Retail Offline, contributed 61.9% of the total Retail Offline sales, on average from 2018 to 2022.

**Total Retail Sales from 2018-2022**

*In USD billion*

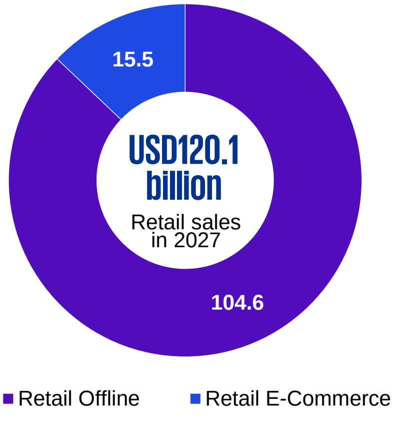



*Note: Figures were converted using a forex rate of USD1.0:PHP55.0.*
*Source: Euromonitor International: Retail in the Philippines, March 2023*

*Retail outlook*

Despite consumers returning to brick-and-mortar stores, a common theme for retail channels was to continue expanding e-commerce sales as it remains to be a source for income. Increased demand for online shopping in marketplaces such as Shopee, Zalora, and Lazada have all contributed to increased product accessibility and sales. Manufacturers, whilst having existing partnerships with physical stores, have also relied on partnerships with e-commerce platforms to further increase the accessibility of their products to consumers.

**Retail sales is expected to grow at an annual average rate of 5.5%.**




*Note: Figures were converted using a forex rate of USD1.0:PHP55.0.*
*Source: Euromonitor International: Retail in the Philippines, March 2023*

# Retail

## Sector profile

*E-Commerce*

Despite COVID-19 restrictions being eased or lifted, the recovery of the brick-and-mortar sales across all retail channels did not limit e-commerce sales from recording growth. While greater mobility increased, major retail players saw the value in tapping the e-commerce industry as another source of growth. Many businesses have adopted an omnichannel approach, garnering sales from both offline and online stores, to provide consumers with more choices as to how they spend. Online marketplaces have begun to house both independent e-commerce sellers as well as official stores of manufacturers which, in turn, drives product variety and accessibility.

**47.8%**
CAGR from 2018 to 2022

**52.2%**
Market share of Top 3 players in 2022 (Shopee, Lazada, Shein)

**USD7.0 billion**
2022 Sales in Retail E-Commerce

*MADALI 2022 (Market Access. DigitAlization. Logistics Integration.)*

In 2022, the Department of Trade and Industry (DTI) launched its e-commerce Philippines roadmap to employ strategies that will improve digital infrastructure and utilize e-commerce to unlock economic assets which will speed up growth. The DTI pointed out that the Philippines' large, young, and still growing population that is technology and internet savvy will enable the country's global economic leadership in the e-commerce sector.

The DTI's shared 2030 vision with stakeholders from various consultations is founded on the following pillars (The 4S Strategic Framework), which lead to an ultimate goal of creating an e-commerce environment that drives industry development, and long-term and inclusive growth for consumers and merchants alike.

**SPEED**
Providing consumers with access to timesaving options through swift transactions and delivery of products and services

\+

**SECURITY**
Creating a network founded on trust between buyers and sellers wherein they are protected by improved regulations

\+

**STRUCTURE**
Implementing policies that encourage ease of doing business and having close collaboration with the private sector

=

**SALES**

*Source: DTI E-Commerce 2022 Roadmap*

The government also provided their 20 strategies and 22 agenda items that aim to aggressively digitalize its services and the MSMEs, expand logistics/telecommunications infrastructure, establish an enabling business environment in order to accelerate the advancement of B2C and B2B components of digital trade.

According to Euromonitor, the balance between physical and digital store sales will be crucial for the Retail sector's growth. Furthermore, improvements in omnichannel strategies will allow retailers to maximize the integration of a digital marketplace and achieve higher accessibility.

# Government agencies

# Government agencies

The following are the relevant government agencies that oversee the various sectors covered by this publication.

| Government agencies |
|---|
| **Bangko Sentral ng Pilipinas (BSP)**<br>BSP provides policy direction on money, banking, and credit; supervises banks, non-bank financial institutions, and money service businesses; and regulates payment system operators under relevant laws. |
| **Department of Energy (DOE)**<br>Under RA 7638, the DOE is tasked with overseeing all government energy-related plans, programs, projects, and activities, including exploration, development, utilization, distribution, and conservation. |
| **Department of Environment and Natural Resources (DENR)**<br>DENR manages and develops the country's environment and natural resources, ensuring their responsible use and environmental preservation in line with sustainable development. |
| **Department of Health (DOH)**<br>DOH is responsible for formulating, planning, implementing, and coordinating health policies and programs, focusing on promoting, protecting, preserving, and restoring public health through service provision and regulating health providers. |
| **Department of Information and Communication Technology (DICT)**<br>DICT is responsible for policy-making, planning, coordination, implementation, and administration for the information and communications sector. DICT's role is to strategize, advance, and endorse the national agenda for the sector. |
| **Department of Public Works and Highways (DPWH)**<br>DPWH plans, designs, constructs, and maintains infrastructure, particularly national highways, flood control systems, water resources development, and other public works, aligning with national development goals. |
| **Department of Trade and Industry (DTI)**<br>DTI is responsible for overseeing trade, industry, and investments in the Philippines. DTI fosters economic growth by promoting private sector involvement through industrial strategies, liberalization, and policies for expanding domestic and foreign trade. |

# Government agencies

## Government agencies

**Department of Transportation (DOTr)**

DOTr is the main government body responsible for coordinating, implementing, and regulating transportation systems to ensure fast, safe, and reliable services.

**Energy Regulatory Commission (ERC)**

ERC is responsible for fostering competition, driving market development, ensuring customer choice, and penalizing market power abuse in the electricity industry. ERC establishes rules and imposes fines for any violations.

**Food and Drugs Administration (FDA)**

FDA regulates food, drugs, cosmetics, devices, biologicals, vaccines, diagnostic reagents, radiation-emitting devices, household hazardous substances, and consumer commodities to ensure the safety, efficacy, and quality of the products.

**Insurance Commission (IC)**

IC regulates the insurance, pre-need, and health maintenance organization (HMO) industries to safeguard the interest of policyholders by setting rules and guidelines. IC ensures fair practices, transparency, and accountability within the industry.

**National Economic and Development Authority (NEDA)**

NEDA coordinates activities such as the formulation of policies, plans, and programs to efficiently set the broad parameters for national and sub-national development.

**National Power Corporation (NPC)**

NPC is a government-owned corporation tasked with electrifying remote, off-grid areas and islands in the Philippines. NPC is also tasked with managing the government's power assets.

**Philippine Economic Zone Authority (PEZA)**

PEZA promotes the establishment of economic zones for foreign investments. It is also responsible for extending assistance in registering and facilitating the business operations of investors.

# Government agencies

| Government agencies |
| --- |
| **Public-Private Partnership Center (PPP Center)**<br>PPP Center is the central coordinating and monitoring agency for all PPP projects in the Philippines. PPP Center also advocates policy reforms to enhance the legal and regulatory frameworks governing PPPs, maximizing the potential of infrastructure and development projects in the country. |

# Setting up in the Philippines

Any person, partnership, association or foreign corporation, singly or jointly with others but not more than 15 in number may organize a corporation for any lawful purpose/s. A corporation shall have perpetual existence unless its Articles of Incorporation (duly signed by incorporators and treasurer and acknowledged or authenticated—may be allowed and filed with the Philippine Securities and Commission (SEC) together with other documentary requirements.

Establishing branches requires applications with the SEC for licenses to transact business in the Philippines. The capital requirements for local and foreign entities looking to set up business in the country vary depending on the types of business activities and the percentage of foreign ownership secured for their enterprise. Although foreign entities are allowed to conduct business in the country, they are restricted to participate in areas of investment that are wholly or partially reserved to Filipino citizens, this is regulated under Republic Act No. 7042, otherwise known as the Foreign Investments Act of 1991.

In setting-up, corporations must register to the following:

1. Local government unit (LGU) having jurisdiction over the entity to secure a business permit or license and other related permits from the LGU;
2. The Revenue District Office (RDO) of the Bureau of Internal Revenue (BIR) having jurisdiction of the place of business of the entity;
3. Social security agencies, such as the Social Security System (SSS), Philippine Health Insurance Corporation (PhilHealth), and Home Development Mutual (Pag-Ibig) Fund, in compliance with the Philippine social security laws mandating employers to be registered with such agencies.

The entity will also register with the BIR its manual books of accounts and secure an Authority to Print (ATP) for its manual invoices/ official receipts. However, if the new entity wishes to use a computerized accounting system (CAS) or computerized books of account (CBA) and/or its components, the entity shall inform the BIR office where it is registered of its intention to use the same. The entity should submit the required documents referred to in Revenue Memorandum Order No. 9-2021. The BIR office will issue an Acknowledgement Certificate within three working days from receipt of the complete documentary requirements.

If the entity will engage in a project or activity that may qualify for tax incentives, an application for the registration of the project or activity should be filed with the relevant Investment Promotion Agency (IPA) and approved by the Fiscal Incentives Review Board (FIRB) for purposes of availing of the tax incentives. The foreign investment should be registered with the Bangko Sentral ng Pilipinas (the Philippine Central Bank) if the foreign currency will be purchased from the Philippine banking system to repatriate/remit capital/profits/dividends.

In the case of a branch, within 60 days after the issuance of the license to transact business in the Philippines, it shall deposit with the SEC for the benefit of present and future creditors in the Philippines securities satisfactory to the SEC with an actual market value of at least PHP500,000.00 or such other amount that may be set by the SEC. This requirement shall not apply to foreign banking or insurance corporations.

Through the Ease of Doing Business and Efficient Government Service Delivery Act, the Philippine government seeks to improve the delivery of government services using simplified requirements and procedures aimed at reducing red tape and expediting business- and nonbusiness-related transactions with the government. The law also seeks to promote effective practices aimed at efficient turnaround of services and the prevention of graft and corruption in government.

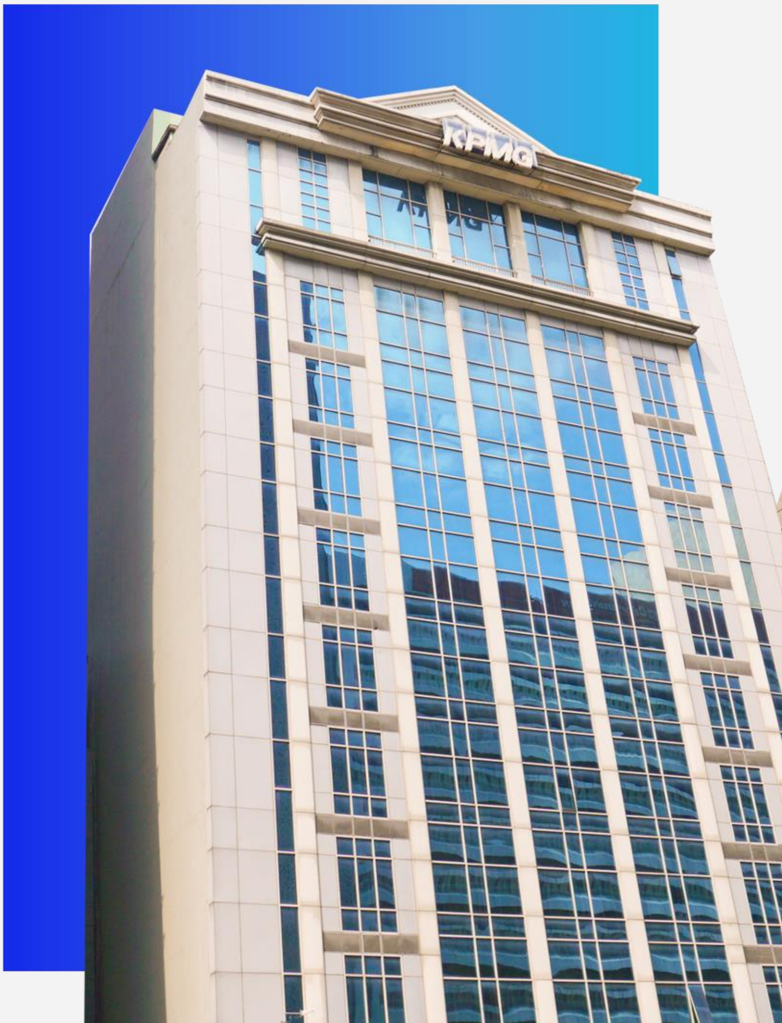
The BIR has adhered to the mandate of the law by simplifying requirements and processes for taxpayers. More recently, the Ease of Paying Taxes Act was signed into law which introduced further amendments to streamline tax administration through efficient mechanisms for proper compliance. Key features of this law include the classification of taxpayers, nonrequirement of withholding of tax as a requisite for deductibility of expense, clarifications on the VAT and percentage tax systems, and processing of refund of taxes.

# KPMG in the Philippines

KPMG R.G. Manabat & Co. is a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. Strategically positioned across key business hubs in Makati, Cebu and Iloilo, our firm has a workforce of around 1,900 personnel, including 47 Partners and Principals, dedicated to delivering exceptional professional services.

The firm has been recognized with the following notable awards in the past years: Philippines Tax Firm of the Year by the International Tax Review 2023 in the National Awards Category, certified as a Great Place to Work in the Philippines and recognized by the Philippine Daily Inquirer and Statista as one of the Philippines' Best Employers.

The firm provides audit and assurance, tax, advisory and technology consulting services. It provides insights and assessments to help organizations and companies start, invest, and/or expand their growth and profitability in the Philippines. It utilizes a global approach spanning professional disciplines, industry sectors and national borders. The diverse public and private sector backgrounds of the firm's partners and principals, coupled with extensive training, and backed up by the wide knowledge resources and network of KPMG professionals, allow the firm to give real-world solutions to increasingly complex business and regulatory issues.



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