

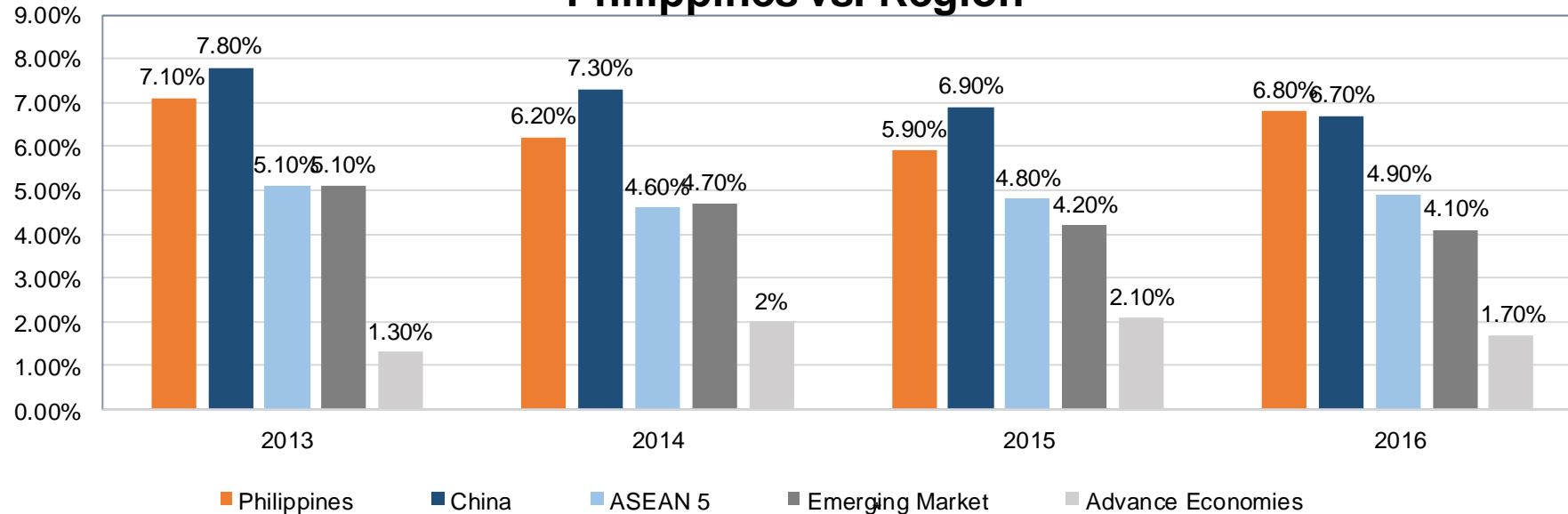
# AN OVERVIEW OF THE PHILIPPINES: PERFORMANCE AND PROSPECTS ON INVESTMENT AND TRADE



# PHILIPPINE ECONOMIC PERFORMANCE

GDP increased by 6.5% in Q2 2017, leading ASEAN-5 growth

## Quarterly GDP Growth Philippines vs. Region



INDICATOR	CURRENT DATA	FORECAST
Inflation	3.1% Jan – July 2017 2-4% BSP Target	3.3 – 3.6%
Exchange Rate Peso-Dollar	50.66 (Average: Aug. 1 to Aug. 17, 2017)	50.43 (FY 2017)

\* The ASEAN-5 is comprised of Malaysia, Indonesia, Thailand, Vietnam and the Philippines

Source: IMF World Economic Outlook April 2017, ADB Asia Development Outlook

# DRIVERS OF GROWTH

**International Organizations identified the country's strong domestic demand, low inflation, and investments as main drivers of growth**



- Investment drove economy-wide growth for the first time since 2013, as the government's expansionary fiscal-policy stance helped capital formation to expand by 20.8 percent year-on-year led by the construction sector
- Low inflation boosted households' purchasing power, while a steady increase in remittance inflows accelerated the growth of household consumption



- Private consumption and investment remain the main drivers of growth and it provides nearly 70% of the Philippines' GDP



- More positive on the property, consumer and infrastructure-related sector in the Philippines
- Buoyant domestic demand



- Strong domestic demand that more than offset the drag from net exports
- Unemployment rate fell from 6.3 percent in 2015 to 5.5 percent in 2016
- Consumption, and particularly investment, grew rapidly

# PHILIPPINE CREDIT RATING

**Fitch Ratings**

**BBB-**  
Outlook: Positive  
*March 2017*

**Standard & Poor's**

**BBB**  
Outlook: Stable  
*April 2017*

**Moody's Investors Service**

**Baa2**  
Outlook: Stable  
*June 2017*

**Rating & Investment Information, Inc.**

**BBB**  
Outlook: Stable  
*April 2017*

**Japan Credit Rating Agency, Ltd.**

**BBB+**  
Outlook: Stable  
*July 2017*

**NICE Investors Service Co., Ltd.**

**BBB**  
Outlook: Positive  
*April 2017*



# FOREIGN DIRECT INVESTMENTS (FDI)

The Philippines is now among the **top 15 preferred investment destinations** of multinational enterprises according to UNCTAD Report

1	United State
2	<b>China</b>
3	<b>India</b>
4	United Kingdom
5	Germany
6	<b>Japan</b>
7	Brazil
8	Mexico
9	<b>Indonesia</b>
10	<b>Malaysia</b>
11	<b>Philippines</b>
12	France
13	Australia
14	<b>Myanmar</b>
15	<b>Vietnam</b>

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UNCTAD noted the Philippines implemented several “noteworthy measures” such as **removing foreign ownership restriction on leading firms, investment houses and financing companies.**

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The report said multinational firms have their eyes trained on long-term trends such as rising urbanization and developing and developed countries because of the **expanding consumer market.**

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Other considerations in investing include the **development of digital economy, energy security, food security and overall peace and order.**

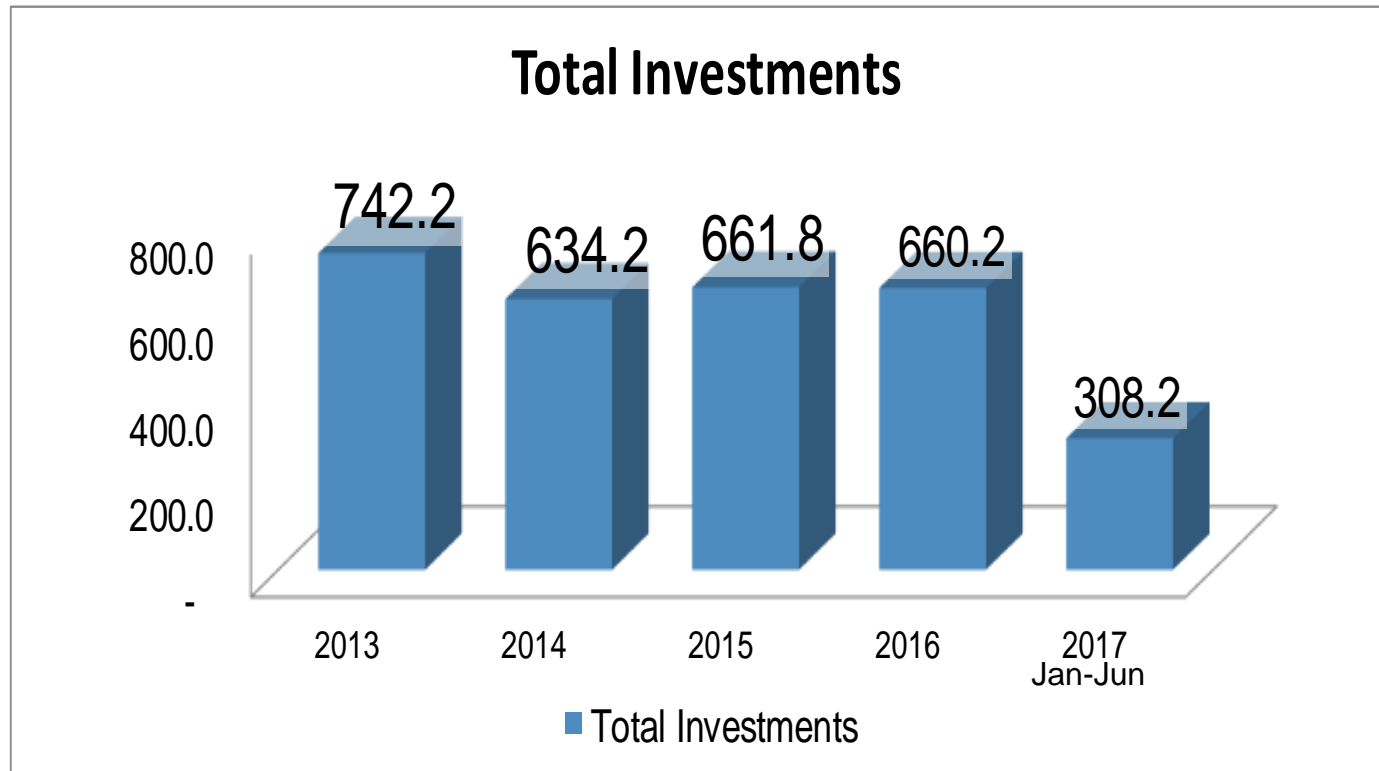
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Source: “World Investment Report 2016”, United Nations Conference on Trade and Development

# STEADY INVESTMENT FLOWS

## BOI-PEZA Approved Investments

*In PHP billion*



Source: Department of Trade and Industry Statistical Data

### 2016 TOP SECTORS (% of Total Investments)

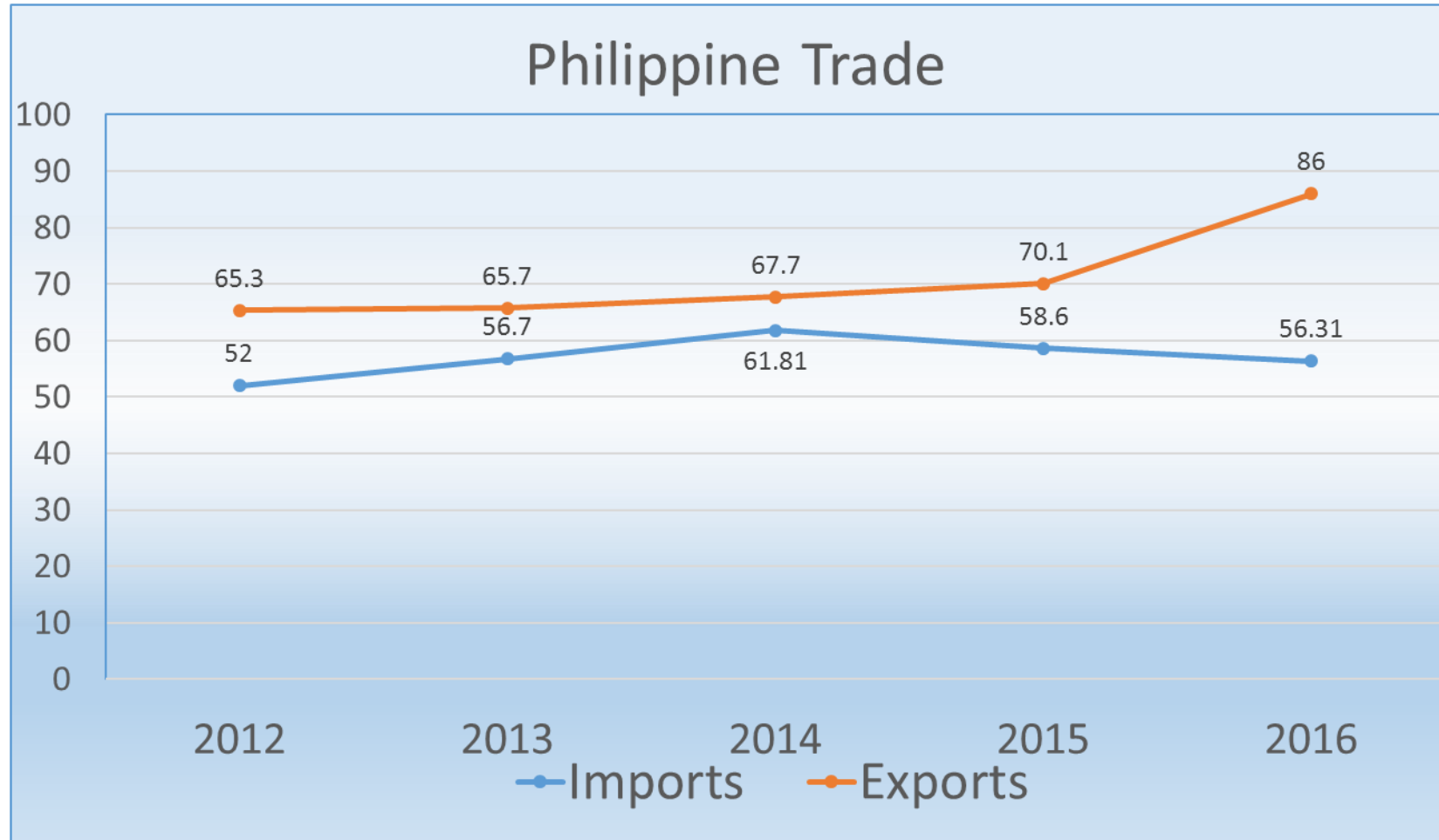
1. Real Estate Activities
2. Electricity, Gas, Steam & Air Conditioning
3. Construction
4. Manufacturing
5. Transportation & Storage

### 2016 TOP SOURCES (% of Total Foreign Investments)

1. Netherlands
2. Singapore
3. Japan
4. U.S.A.
5. UK

# PHILIPPINE TRADE:

Positive balance of trade over the years and steady increase in export



Source: ITC Trade Map, Philippines

# PHILIPPINE EXPORTS

## 2016 TOP COMMODITY EXPORTS

	Commodity	% Share
1	Electronic products	50.11
2	Other manufacturers	6.94
3	Machinery and transport equipment	6.57
4	Ignition Wiring Set and Other Wiring Sets Used in Vehicles, Aircrafts and Ships	3.31
5	Woodcrafts and furniture	2.98
6	Chemicals	2.70
7	Coconut oil	2.55
8	Metal components	2.31
9	Articles of apparel and clothing accessories	2.22
10	Other mineral products	1.89

## 2016 TOP EXPORTS MARKETS

	Country	% Share
1	Japan	16.73
2	USA	14.65
3	Hong Kong	12.99
4	China	10.64
5	Singapore	6.21
6	Korea	4.17
7	Thailand	4.11
8	Germany	1.09
9	Netherlands	3.86
10	Taiwan	3.59

Source: Department of Trade and Industry Statistical Data



# PHILIPPINE IMPORTS

## 2016 TOP COMMODITY IMPORTS

	Commodity	% Share
1	Electronic products	25.01
2	Mineral fuels, lubricants, and related materials	11.57
3	Transport equipment	10.57
4	Industrial machinery and equipment	6.62
5	Iron and steel	4.72
6	Other food and live animals	3.31
7	Miscellaneous manufactured articles	2.78
8	Telecommunication Equipment and Electrical Machinery	2.77
9	Plastics in primary and non-primary forms	2.56
10	Cereals and cereal preparations	2.10

## 2016 TOP IMPORTS SUPPLIERS

	Country	% Share
1	China	18.23
2	Japan	12.23
3	Korea	8.14
4	USA	7.81
5	Thailand	7.20
6	Indonesia	6.45
7	Singapore	6.14
8	Taiwan	5.06
9	Malaysia	3.79
10	Hong Kong	3.02

Source: Department of Trade and Industry Statistical Data

A stylized map of the Philippines is centered in the background. The map is filled with a blue and white fingerprint pattern, with a red and white fingerprint pattern on the southern part. A yellow sun with rays is positioned behind the map. The text "WHY CHOOSE PHILIPPINES?" is overlaid on the map in a large, bold, black font with a white outline.

# WHY CHOOSE PHILIPPINES?

# OUTLOOK

## International Organizations expressed continued favorable outlook for the country



- One of the most dynamic economies in the East Asia region, with sound economic fundamentals and a globally recognized competitive workforce.
- The strength of domestic demand and services exports (BPO) will provide a strong buffer to external headwinds to merchandise trade (goods) and remittance growth.



The economic outlook for the Philippines is robust, underpinned by resilient domestic demand.



The economic performance of the Philippines continues to be very strong.

# PH IN DEMOGRAPHIC SWEET SPOT

## Demographic “sweet spot”<sup>(1)</sup>

- Philippines is entering a “sweet spot,” a multi-decade growth phase wherein there is a surge in consumption caused by the increasing workforce population, and growth of the middle-class as signaled by the nominal GDP per capita rising to US\$3,000.
- This drives purchasing power and boosts consumption and investments, potentially translating to a sustained long-term annual GDP growth of 6-8%

Sources:

1) Bloomberg. ‘Multi-decade’ 6% GDP growth seen. February 2015

2) World Factbook, July 2016 estimate

103.4  
million



Filipinos are younger compared to the rest of the world <sup>(2)</sup>

Uganda	15.7
Mali	16.2
Nigeria	18.3
<b>Philippines</b>	<b>23.4</b>
India	27.6
Malaysia	28.2
Indonesia	29.9
Vietnam	30.1
Singapore	30.5
Thailand	37.2
USA	37.9
Japan	46.9

Median age:  
23.4 years old



WORLD TRADE CENTER®  
METRO MANILA

# RICH TALENT POOL

- ✓ Highly educated and English Proficient
- ✓ Ranks 13th in the English Proficiency Index in the World
- ✓ Strongly customer-oriented
- ✓ Highly trainable with fast learning curve
- ✓ Adaptable to universal cultures
- ✓ Has high level of commitment and loyalty

Source: Board of Investments, Why Philippines

# CRITICAL MARKET ACCESS



- ✓ critical entry point to over 600 million people in the ASEAN Market and a natural gateway to the East-Asian economies
- ✓ placed at the crossroads of international shipping and airlines
- ✓ within Asia, Philippines is reachable within 3 to 4 hours by plane

Source: Board of Investments, Why Philippines

# PHILIPPINES: YOUR GATEWAY TO THE ASEAN



- ✓ Ten member state at varying levels of economic development
- ✓ Population of 638 million people
- ✓ Combined income (GDP) of US\$12.7 billion
- ✓ Total exports (to world) of US\$1.2 billion
- ✓ Total imports (to world) of US\$1.1 billion

Source: World Economic Outlook Database, April 2017, International Monetary Fund

# COST OF DOING BUSINESS

Wage is less than 1/5 of that in the U.S

**Minimum wage**  
PhP 444 to  
PhP 481  
per day



Business cost savings for foreign companies are estimated at:

30 to 40%

**Outsourcing programming  
& business processes**

15 to 30%

**Call center services  
& application systems**

35 to 50%

**Software development**

Sources:

(1) Wage Order No. NCR-19. Providing for a Wage Increase in the National Capital Region, as of 4 April 2016.

(2) Department of Foreign Affairs. Doing Business in the Philippines.



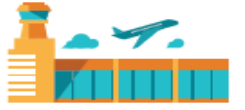
# ABUNDANT RESOURCES

- ✓ Top producer of carrageenan in the World
- ✓ Top pineapple producer in Asia
- ✓ Second biggest producer of coconut products in the World
- ✓ Third largest producer of banana in the World
- ✓ World's 4<sup>th</sup> largest shipbuilder
- ✓ World's next mining power
- ✓ Home to 2,145 fish species, 4x more than those found in the Bahamas
- ✓ 7,100 islands boast of beautiful beaches and breathtaking sceneries

Source: The World Atlas

# PRIORITIES OF THE PH GOVERNMENT

## Improving Public Infrastructure



- Construction of transport systems (railways, sea/airports, roads)
- Construction and rehabilitation of school buildings
- Implementation of flood control systems

## Modernizing Agriculture & Rural Communities



- Funding for agriculture and agrarian reform programs
- Rehabilitation and construction of farm-to-market roads
- Construction and expansion of irrigation systems

## Peace and Order



- Funding and capability enhancement for the PNP
- Increased support for the counter-terrorism efforts of the AFP
- De-clogging of courts and improving ease of doing business

## Investing in Human Capital



- Improved educational funding programs and infrastructure
- Construction of rehabilitation facilities and better implementation of Universal Healthcare
- Increased provision of socialized housing and relocation of informal settlers from danger zones or displaced area

Source: Department of Budget Management