



PHILIPPINE ECONOMIC BRIEFING

NOVEMBER 2023

 **SPEAK TO OUR TEAM AT**
WWW.PHILIPPINES.BUSINESS



POSITIONING STRATEGY:

Regional Hub for SMART and SUSTAINABLE MANUFACTURING and SERVICES

PRIORITY SECTORS



Electric Vehicles



Smart / High-Tech Light Manufacturing



Outsourced Semicon Assembly and Test



Green Metals



High-Tech Agriculture



Renewable Energy



Data Centers / Telco Infrastructure

1

Young, Talented Workforce

2

Rich in relevant Natural resources

3

Strategic Location

To transform the Philippines to be

**SEAsia's hub for Smart and Sustainable
manufacturing and services**

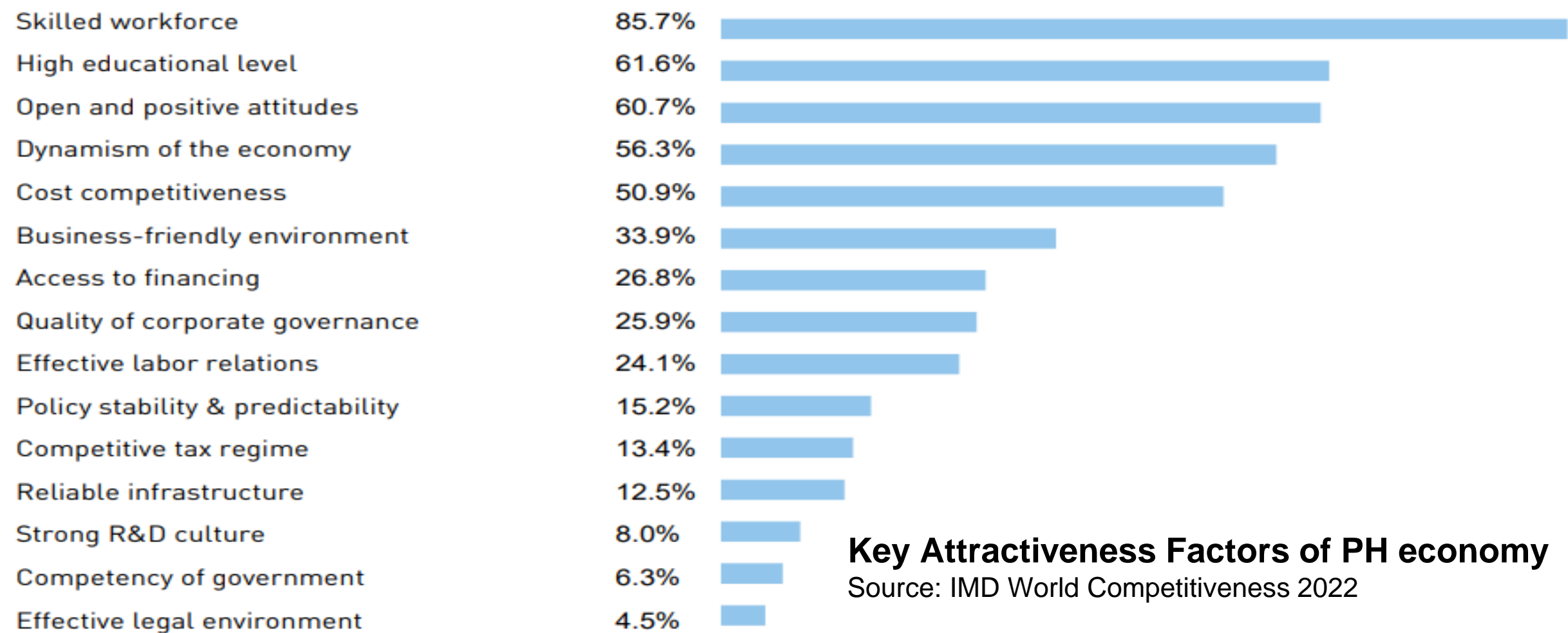
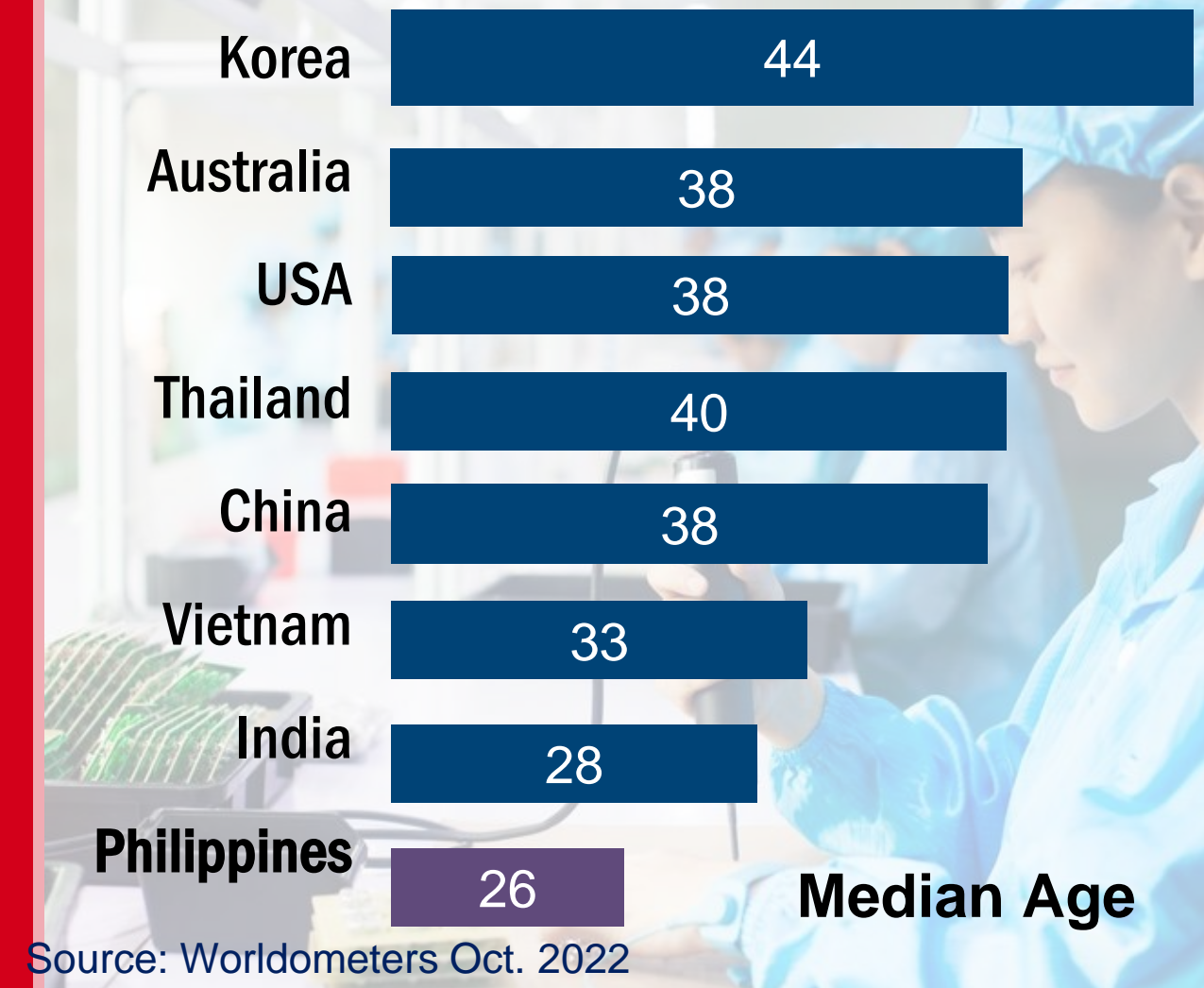
**by empowering the Private Sector
thru market-based tools.**

The Philippines in Demographic Sweet Spot

- Total population: **113 million as of 2022** and **125 million** by 2030
- Labor force stands at **51.2 million**
- **800,000** graduates/year (average past 3 school years)
- **86,000** - Engineering and Technology Graduates (average past 3 school years)
- Highly trainable with a short learning curve of 6 months
- Growth rate in labor productivity: **3.8%** with labor productivity highest in manufacturing and industry (WB 2019 Report)
- Adaptable to different work environments

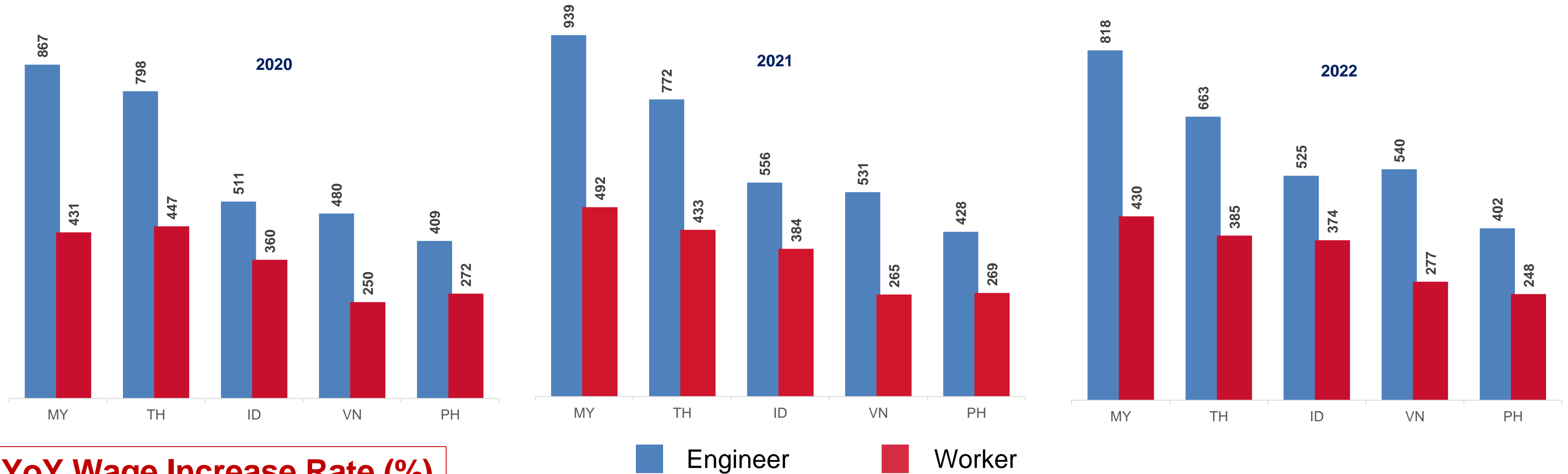


The FILIPINOS: Our strongest and best value proposition

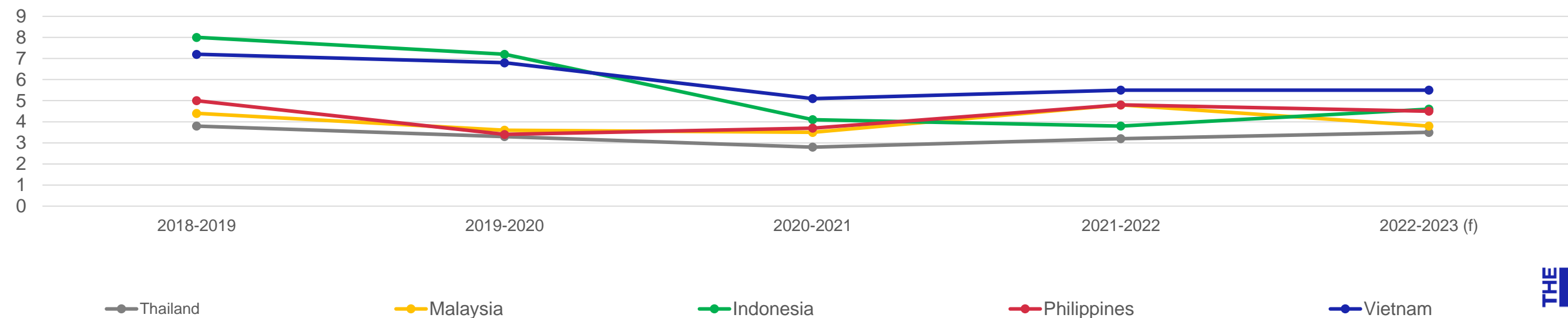


Competitive Salary & Steady Wage Increase for Manufacturing

Monthly Base Salary (in US\$)



YoY Wage Increase Rate (%)





Geographic Aspects of FDI in SEAsia

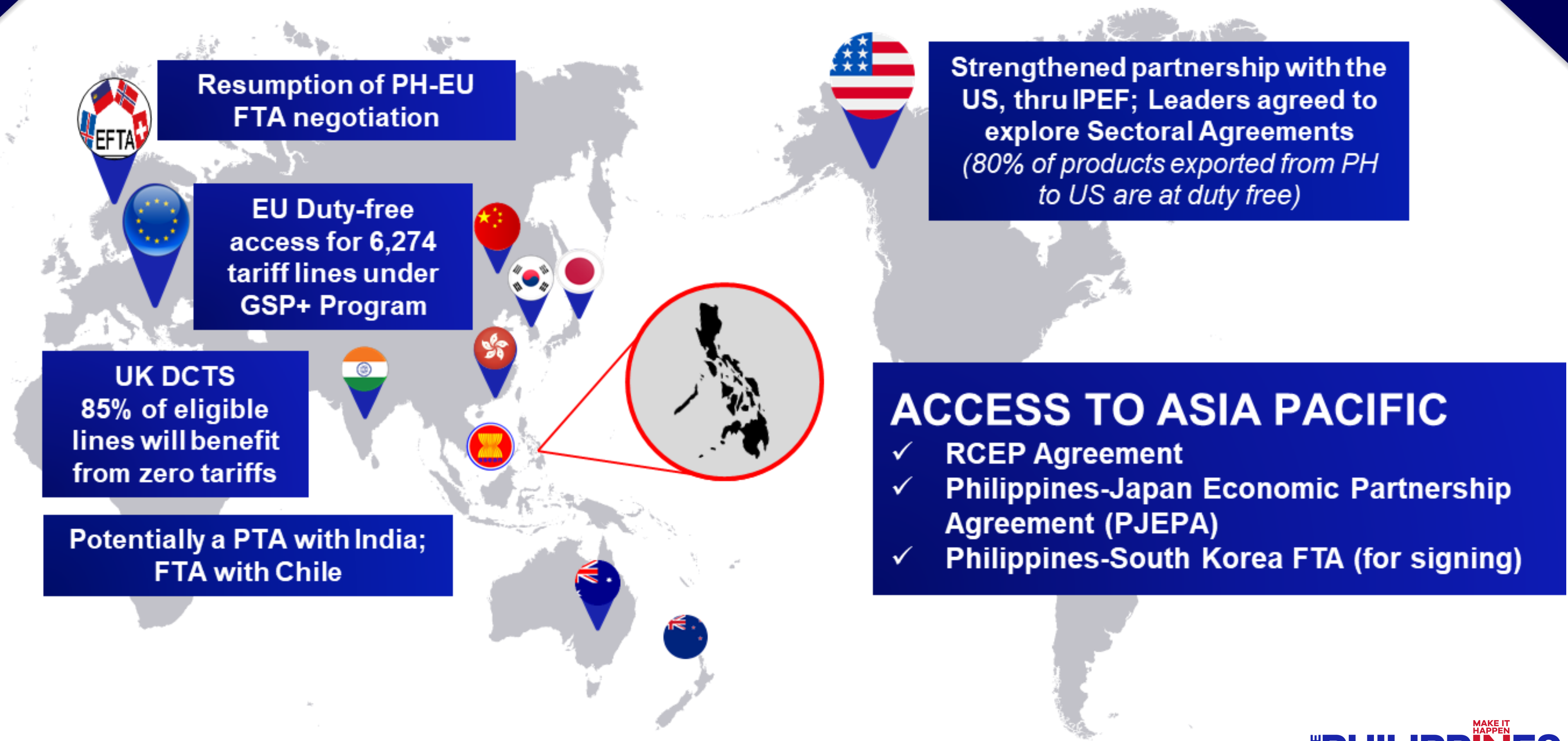
Previously

- Driven by Proximity to China (main magnet of FDI)
- Mineral resource abundance

Currently

- Context - Slower China growth and Geopolitical situation that has led to re-shoring / friend-shoring / de-risking
 - Driven by Proximity to East Asia (sources of FDI to China); and to the US (FDI source and Market)

Strategic Access to Key Markets thru GSPs and FTAs



Resumption of PH-EU FTA negotiation

EU Duty-free access for 6,274 tariff lines under GSP+ Program

UK DCTS
85% of eligible lines will benefit from zero tariffs

Potentially a PTA with India; FTA with Chile

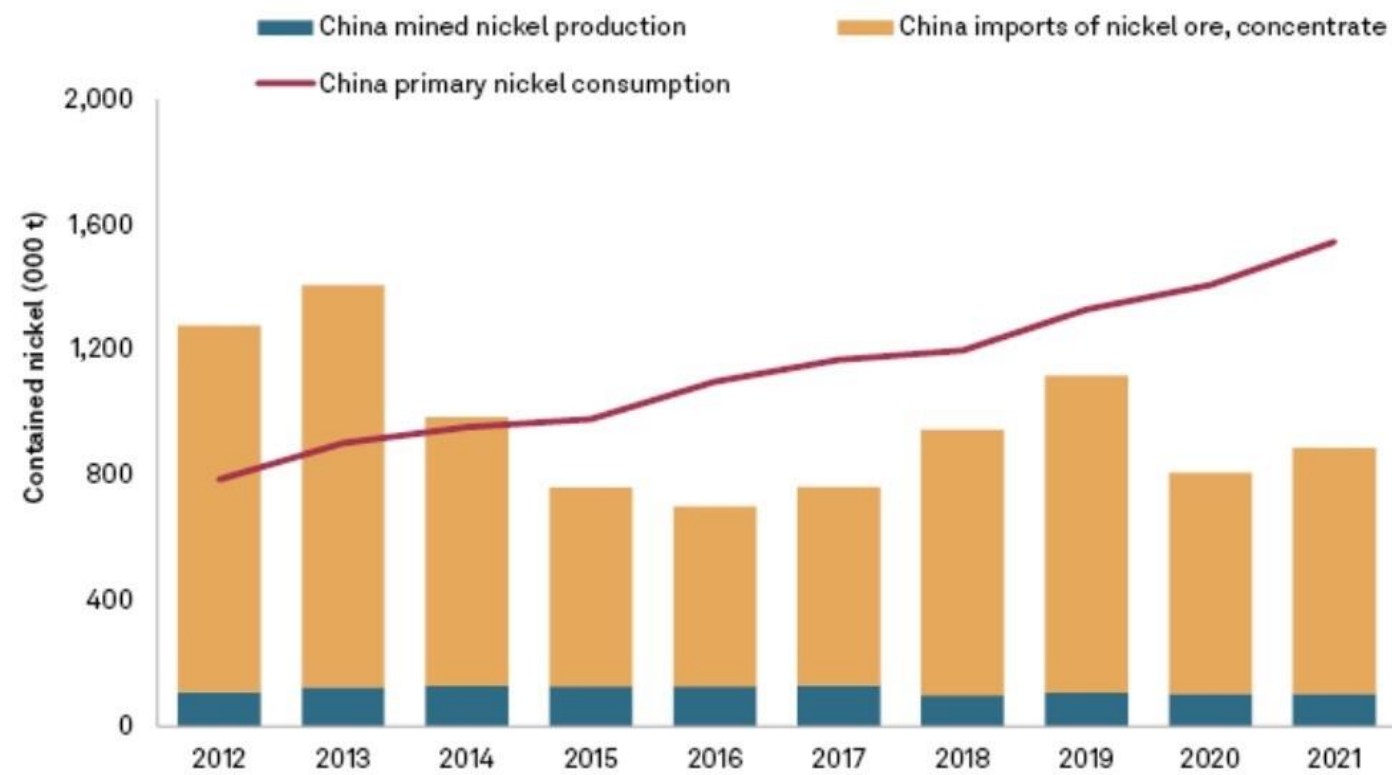
Strengthened partnership with the US, thru IPEF; Leaders agreed to explore Sectoral Agreements (80% of products exported from PH to US are at duty free)

ACCESS TO ASIA PACIFIC

- ✓ RCEP Agreement
- ✓ Philippines-Japan Economic Partnership Agreement (PJEPA)
- ✓ Philippines-South Korea FTA (for signing)

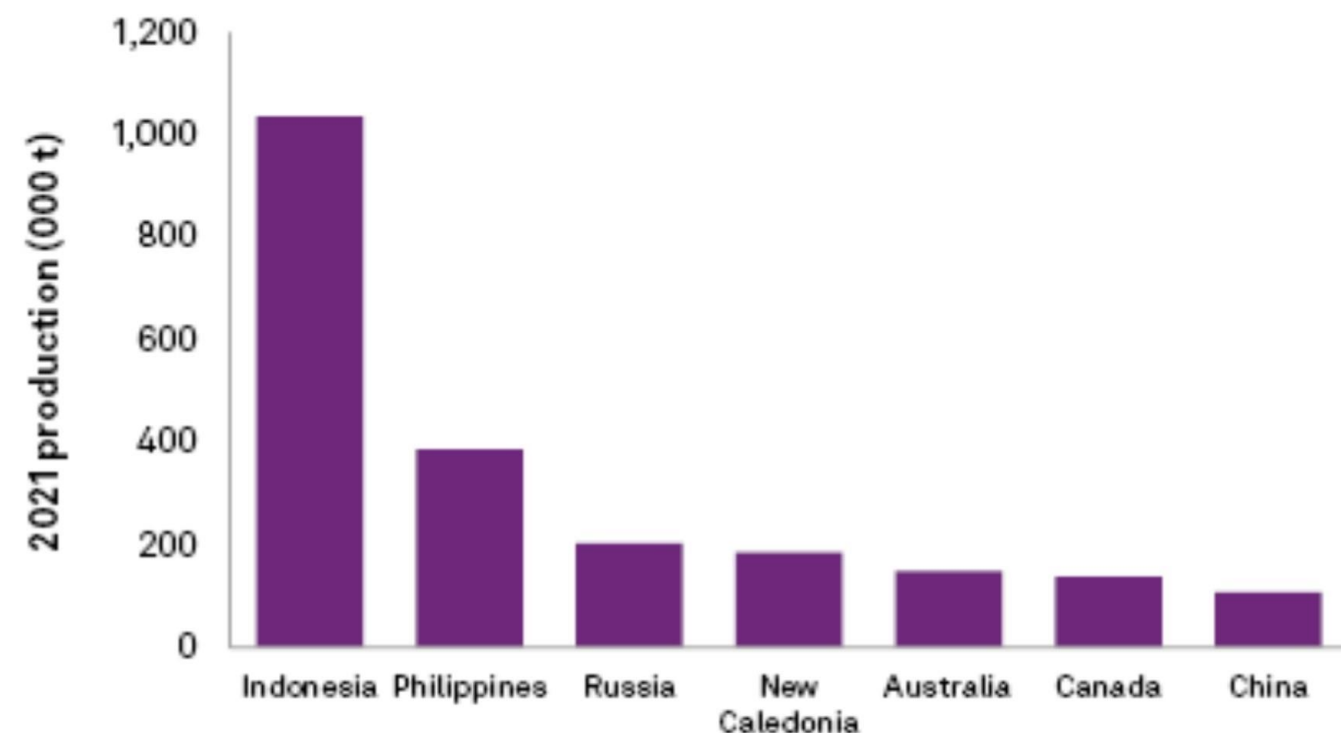
New Energy Materials, Processing of Minerals for Batteries

China nickel consumption heavily dependent on imports



In 2021, China imported nickel ore from 21 countries or regions. According to the publisher's analysis, China's major sources of nickel ore imports by import volume are the Philippines, New Caledonia and Indonesia. Among them, the Philippines is China's largest source of nickel ore imports. 2021, China imports 39.01 million tons of nickel ore from the Philippines, accounting for 89.6% of the total import volume and US\$3.0 billion, accounting for 67.9% of the total import value.

Nickel



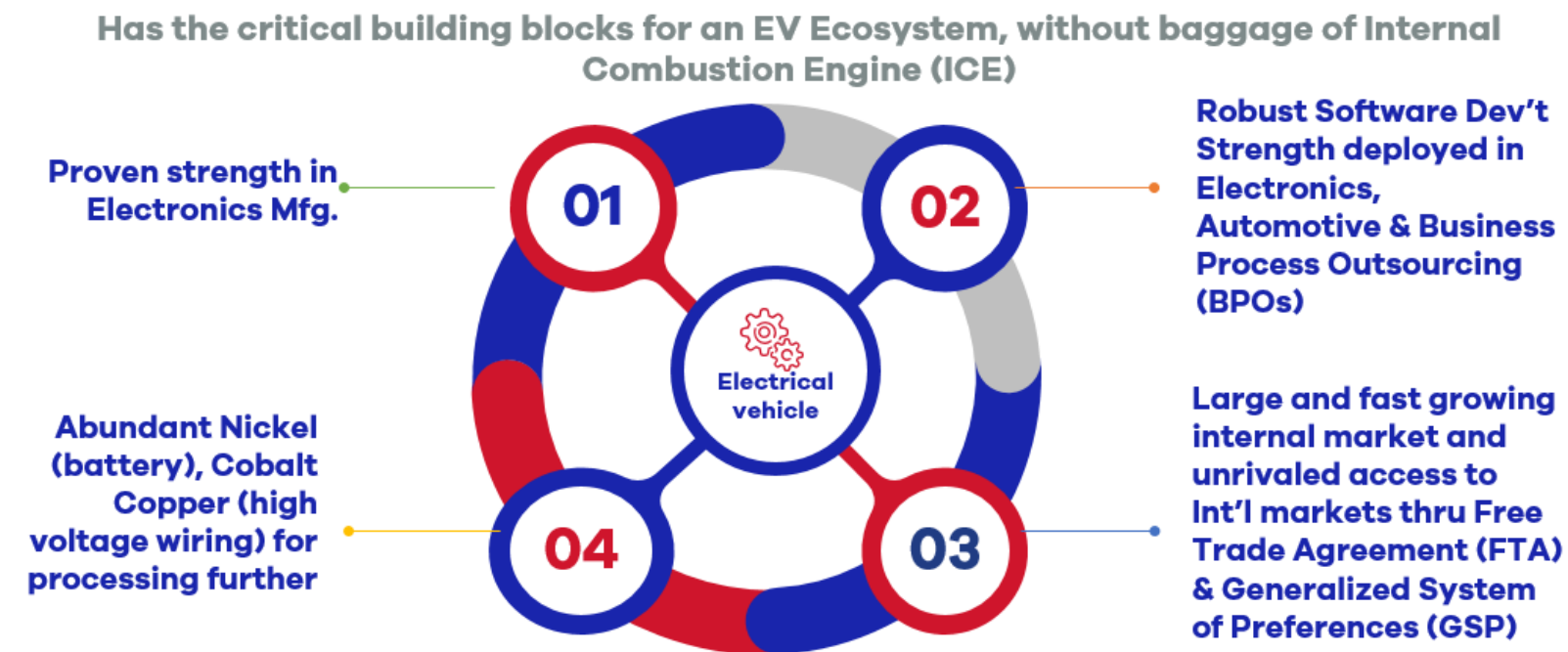
China is heavily dependent on Nickel Ore imports from PH

Actual projects are now being finalized for further Nickel Processing in PH

Electric Vehicles and Green Metals

Backed by huge reserves of green metals, the Philippines has the potential to supply key minerals to Japan and can be considered as production location for precursor battery/materials and battery manufacturing for EV.

Why Philippines for EV?



- Government policy for EV development in place (EV Industry Dev't. Act)
- Incentives regime, highly competitive

The Philippine Advantage (GEMS)

- Green Metals that are in abundant supply as inputs to Batteries;
- Electronics Manufacturing expertise needed in developing the Supply Chain for Electric Vehicle Parts;
- Market size and demand for Electric Vehicle Products; and
- Software Development talent pool for developing Battery Management Systems as well as other Software to integrate the different functions of an Electric Vehicle.

Opportunities in the Green Metals Sector

1. Exploration and development of additional mineral resources
2. Mineral processing
3. Battery precursor production
4. Battery production
5. Growing demand for EVs

Green Mineral Potential and Supply



RESERVES

*commercially recoverable and economically viable

Commodity	Quantity, MT
Nickel	474,490,000
Copper	3,260,000
Cobalt	260,000

PRODUCTION (2022)

Commodity	Quantity, DMT	Value, PHP million
Nickel Direct Shipping Ore (DSO)	29,390,000	61,605
Copper concentrates	258,729	25,673
Mixed Nickel Cobalt Sulfide (MNCS)	80,991	55,529

Game-Changing Economic Reforms

<p>Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act Republic Act No. 11534</p>	<p>26 March 2021</p>	<p>Competitive Incentives (Duty-free Importation of Capital Equipment, Income Tax Holiday, Low Corporate Income tax) that run from 10 to 17 years, up to even 40 years!</p>
<p>Amendments on Retail Trade Liberalization Act (RTLTA) Republic Act No. 11595</p>	<p>10 December 2021</p>	<p>Further lowered project capitalization threshold for Foreign Retailers' new Stores Note: PH hosts biggest IKEA & UNIQLO stores</p>
<p>Amendments on Foreign Investments Act (FIA) Republic Act No. 11647</p>	<p>02 March 2022</p>	<p>Allows foreign tech start-ups with as low as US\$100k capitalization, and employ 15 Filipinos</p>
<p>Amendments on Public Services Act (PSA) Republic Act No. 11659</p>	<p>21 March 2022</p>	<p>ONLY remaining Public Services sectors with 40% Foreign Equity cap: 1. distribution & transmission of electricity; 2. petroleum pipeline; 3. water pipeline distribution; 4. wastewater & sewerage pipeline; 5. seaports; 6. PUVs All the rest can have up to 100% Foreign Equity.</p>

Key Reforms/Initiatives under President Ferdinand R. Marcos Jr.

1

MARKET ACCESS - RCEP; PH-S. Korea FTA; PH-EU FTA (negotiation); US GSP (for reauthorization)

2

Elimination of MFN tariffs on Electric Vehicles

TESLA can now export Electric Cars to PH at **0%** duty, eventually may assemble EVs in the PH

3

Removal of Equity Restriction on Renewable Energy Projects

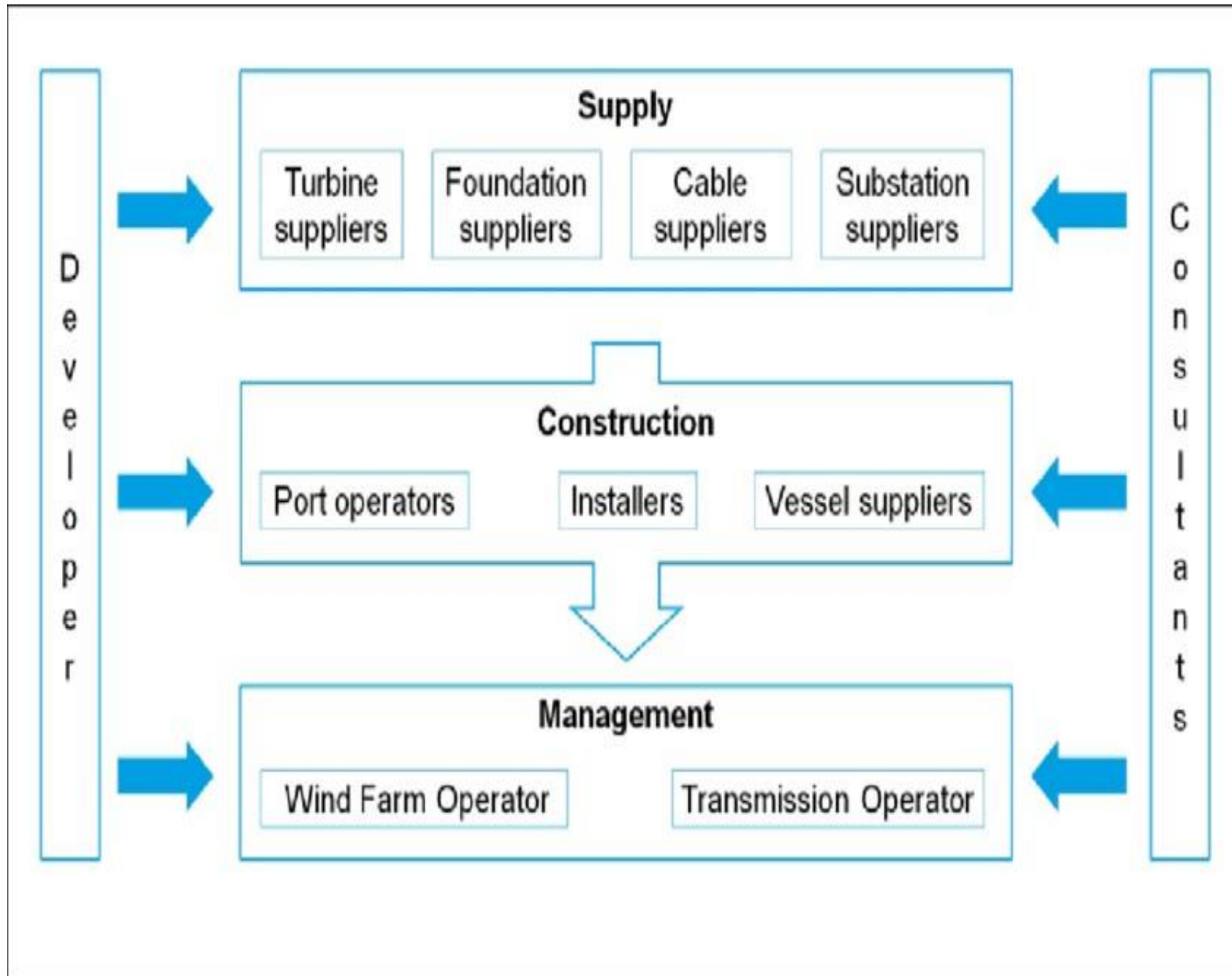
American companies can now own **100%** of wind and solar power projects in the Philippines.

4

Government-wide Green Lane for Strategic Projects

US investors in strategic sectors (eg Wafer Fabrication, Nickel Processing, R&D Centers) may be given **Greenlane treatment** for permits and licenses

PH as base for Renewable Energy equipment Value Chain



- PH location is perfect for Solar and Wind Projects.
- PH location perfect for RE equipment logistics
- PH has preferential access to major Markets.
- PH has young, English-speaking talent pool to implement and maintain offshore wind and solar projects (e.g. seafarers, industrial welders, software developers)

Updates on E.O. 18 Greenlane Projects (a.o. end-Oct 2023)

NEWS

Pres. Marcos gives go light to green lanes

Published on: February 28, 2023
By Kate Shiene Austria



Executive Order No. 18, s. 2023
CONSTITUTING GREEN LANES FOR STRATEGIC INVESTMENTS



5 Floating Solar Projects, total: Php48Bn, 1.12GW Laguna Lake



500K MT Steel mill (sections), Php19.3Bn, Lemery, Batangas



On-shore Wind, 101MW, Php10.8Bn, Laguna

16 Projects
Php336.3Bn
Areas:

Renewable energy
/Common towers /
Hyperscale Data Center /
Manufacturing (i.e.,
reinforcing steel bars)

NEW

Income Tax Holiday of up to 50% of the Cost of the Renewable Energy Project!



GOOD NEWS

INVESTMENT COMMITMENT, FULFILLED; PRESIDENT'S PROMISE, DELIVERED

Japanese firm's Php500 million solar farm project creates 18,500 local jobs



OFFICIAL VISIT TO JAPAN
FERDINAND R. MARCOS JR.
FEBRUARY 8 - 12, 2023



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THE PHILIPPINES MAKE IT HAPPEN



PH GIVES MORE PERKS TO FIRMS USING OWN RENEWABLE ENERGY

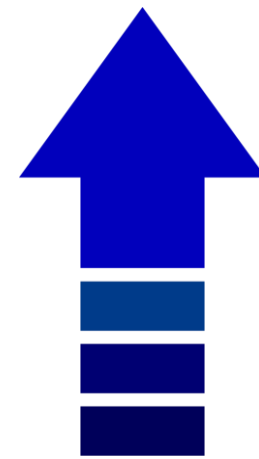
BOI MC No. 2023-006 provides updated guidelines on giving incentives on energy efficiency and conservation projects under the special laws of the 2022 SIPP

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BOI INVESTMENT APPROVALS JAN TO OCT 2023

Total Approved
Investments

PHP 1.07T



86%

increase from the same
period last year

TOP PERFORMING SECTORS OF APPROVED INVESTMENTS

1. Renewable Energy - PHP899.79B
2. Information & Technology - PHP95.51B
3. Transportation & Storage - PHP21.27B
4. Manufacturing - PHP16.37B
5. Admin & Support Services - PHP8.94B

PHP 757.33B

Foreign
Investment
Approvals

71% of total
approvals

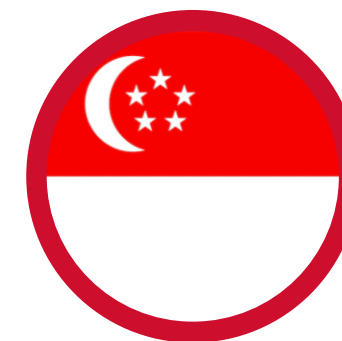
TOP COUNTRY SOURCES:



Germany
PHP393B



Netherlands
PHP333B



Singapore
PHP17.07B



USA
PHP2.63B

Key Takeaways:

- The PH Economy is growing (fastest in SEAsia!)
- The PH Economy is continually Reforming
- With these Reforms, the PH Economy is being Transformed (turning Challenges to Advantage)
- The PH Economy is attracting foreign investments, to fuel this Transformation.

#PHILIPPINES **MAKE IT HAPPEN**

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