



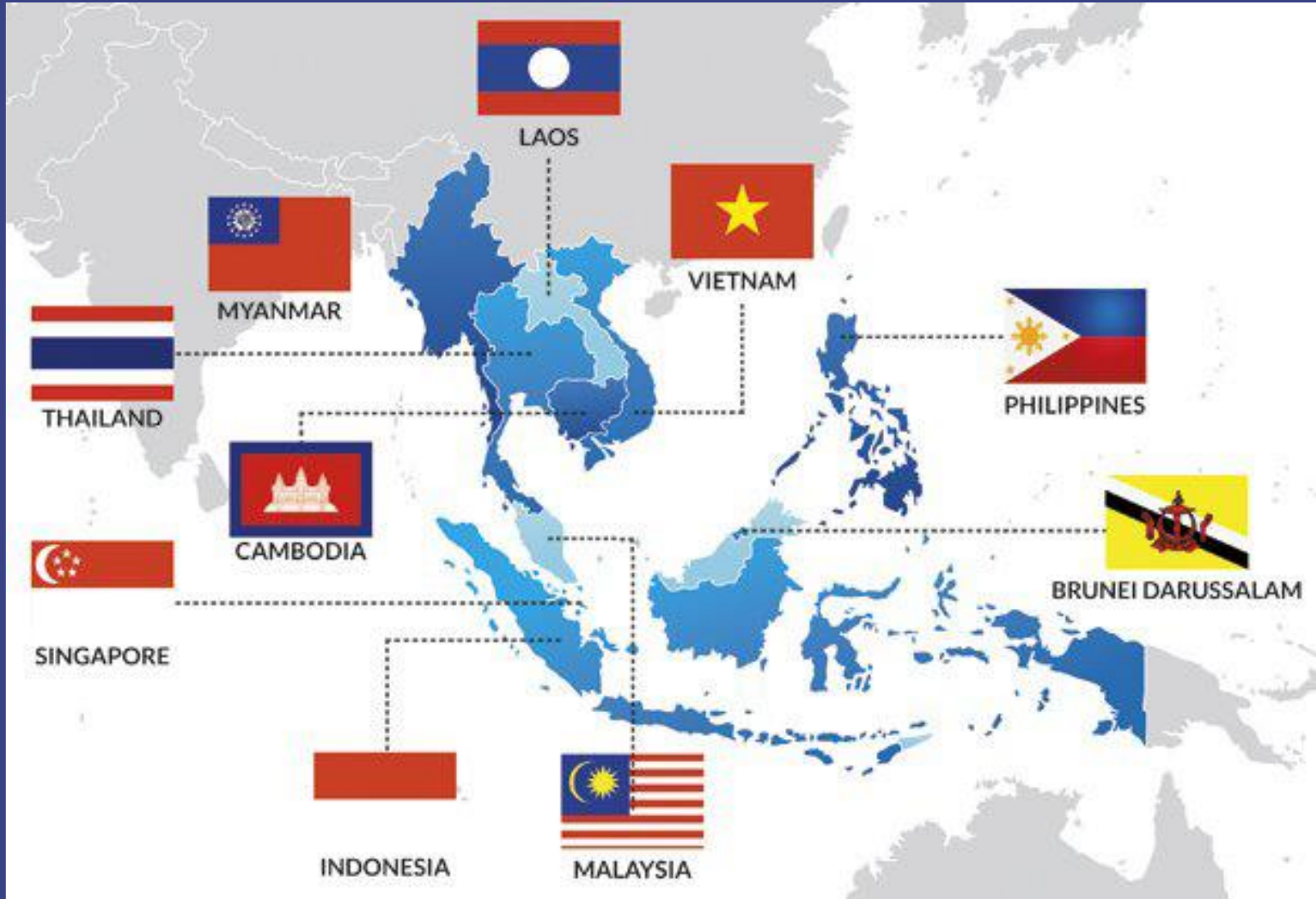
Invest in the Philippines

Key Facts, Opportunities and promising sectors for EU companies

Valerio Mazzone
EU Outreach Officer



ASEAN (Association of Southeast Asian Nations)



Did you know?

- #1 in Marine Diversity
- #1 in Voice Call Centers
- #1 Sailors and Seafarers
- #1 Musicians
- #2 in BPOs
- #3 Longest Coastline
- #4 in Gold Reserves
- #4 in Shipbuilding
- #5 in All Other Mineral Resources
- #12 in Human Resources

Why the Philippines

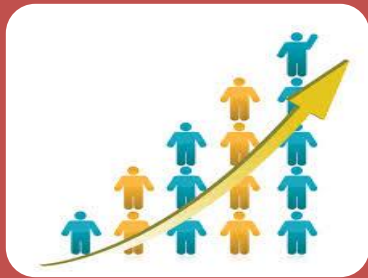
- Competitive investment environment
- Language proficiency
- Customer-service mindset
- Good work ethics
- Growing young middle class
- Consumer oriented society

Business Opportunities

Tourism – IT/ICT/BPO
Renewable Energy
Environmental
Agribusiness
Food&Beverage
Maritime - Construction
Manufacturing...



Welcome to the Philippines!



Population

- 100 million
- 12th most populous country in the world
- 23,5 years: the average age of the population



Economy

- GDP: \$289 Billion (EUR 258 Billion) in 2014
- GDP per capita: \$2.913 (EUR 2.597) in 2014
- GDP growth 6.1 % in 2014 (7.2 % in 2013)



Language

- Filipino
- English (3rd largest English-speaking country in the world)

The Philippines



ECONOMIC GROWTH & COMPETITIVENESS

- GDP growth 6.1 % in 2014 (7.2 % in 2013)
- Ranked 52nd out of 189 countries from 59th (+7 places) WEF's Global Competitiveness Report 2014-2015



EASE OF DOING BUSINESS

- Ranked 95th out of 189 countries (+13 places) in 2015
- 108th (+30 places) in 2013 World Bank Doing Business Report



INVESTMENT GRADE RATINGS

- Fitch, S&P, Moody's, Japan, Korea
- Increased FDI interest towards Philippines

EU & The PH: Total Trade



Goods :

€12.5 Billion (+16% in 2014)



Services :

€3.1 Billion (+17% in 2013)

EU-Philippines Trade

EU Exports

The EU becomes the Philippines' 3rd largest trading partner in 2014

Goods

€6.8 Billion
(+19.3% compared to 2013)

Services

€1.4 Billion (+12% compared to 2012)

Goods

€5.7 Billion
(+11.8% compared to 2013)

Services

€1.7 Billion (+21% compared to 2013)

EU Imports

EU and Philippines

- Total stock of EU direct investments € 800 million (about 26% of total FDI stock in the Philippines) in 2014
- European companies are estimated to employ around 450,000 Filipinos
- Filipino migrants in the EU as well as Filipino seafarers manning European ships sent \$3.35 billion back to the Philippines in 2014, making the EU the second largest source of remittances to the Philippines

EU and PH: Trade Figures

#	Country	Exports (EUR Mn)		Imports (EUR Mn)		Total Trade	
		2013	2014	2013	2014	2013	2014
1	Germany	1,729	2,036	1,982	2,330	3,711	4,366
2	France	1,460	1,897	308	287	1,768	2,184
3	Netherlands	390	433	1,322	1,527	1,712	1,960
4	UK	398	430	422	461	820	891
5	Italy	422	439	179	187	601	626
10	Poland	41	78	59	99	100	177
14	Ireland	80	99	32	35	112	134
20	Slovakia	3	8	9	16	12	24
23	Luxembourg	5	6	4	6	9	12
26	Croatia	8	3	3	1	11	4

Incentives to invest in the Philippines



EU - Most Favoured Nation (MFN)



Board of investment –
Investment Priority Plan (IPP)



Generalised System of Preferences Plus
(GSP+)



PH - PEZA

Under the Philippine Economic Zone Authority (PEZA) many incentives have been developed to attract foreign investments to the country

Economic Zones

Incentives (fiscal and non-fiscal)

Services to companies

Investment promotion

Incentives to invest Eligible activities under PEZA

Export Manufacturing

IT Service Export

Tourism

Medical Tourism

Agro-industrial Export Manufacturing

Agro-industrial Bio-Fuel Manufacturing

Logistics and Warehousing Services

PEZA: Incentives to invest

Fiscal

- Temporary tax exemption or lower tax rate
- Tax and duty free importation for raw materials
- Zero rate of VAT for local purchases
- Exemption from payment of any and all local taxes
- Exemption from wharfage dues and export tax, impost or fees
- Exemption from expanded withholding tax

Non-fiscal

- Simplified Import – Export procedures
- Non-resident Foreign Nationals may be employed by PEZA-registered Economic Zone Enterprises in supervisory, technical or advisory positions
- Special Non-Immigrant Visa with Multiple Entry Privileges



IT-BPO

(Information Technology and Business Process Outsourcing)

Forecast 2016

- \$25 Billion (EUR 18.7 billion) revenues
- 10% of the world market

Jobs

- 960.000 in 2013
- 1.3 million by 2016

Growth

- 16% in 2013

World-class destination

- Manila: the world's 2nd most important place for BPO destinations

IT-BPO: the market

- **#1 in voice. Idiomatic American English 3rd largest English-speaking country. #1 in terms of English accent (*Everest Group*)**
- **400.000 graduates each year**

- **#2 in non-voice BPO: back office and knowledge process outsourcing**

- **Many other segments: IT outsourcing, health information management, Engineering services outsourcing, Creative services outsourcing**

IT-BPO: Opportunities

In-Voice-BPO (contact center)

Non-voice-based BPO (Back office or Knowledge process outsourcing – KPO)

IT outsourcing – Health Information Management – Engineering services – Creative services outsourcing

Skilled labor - Broadband speeds – Priority investment area (Fiscal and non-Fiscal benefits for qualified investors)

Tourism

Arrivals

- 4.8 million people in 2014
- 10 million people in 2016 (expected)

GDP

- Total contribution around €20 billion (11.3% of GDP) in 2013
- €7.93 billion direct contribution to the GDP (4.2% tot. GDP)

Growth

- 9.6% in 2013

Competitiveness

- Climbed from 94th to 82nd in Travel & Tourism Competitiveness

Tourism: the market


- #1: Domestic travelers
- #1: Korea foreign tourists
- EU tourist arrivals ranked 4th (400.000 tourists in 2014)

- 7107 islands with outstanding white sand beaches, mountains, volcanoes
- Among the most famous destinations: Manila, Mactan, Camarines Sur, Palawan, Boracay

- Crossroad of Asian, European & American cultures, Service-oriented culture

- Public-Private Partnership projects implemented to upgrade the Philippine infrastructures necessary to develop the tourism

Tourism: Opportunities




Tourism Facilities:
Hotels, resorts, spa

Travel agencies and
Entertainment

National Regulations

Medical and healthcare
tourism



Healthcare & Medical

Market

- One of the top 15 destination for medical tourism worldwide
- 80.000 medical tourists in 2010

Hospitals

- 1800 hospitals, 60% privately owned
- 21 hospitals registered for medical tourism

Medical tourism

- \$3billion (EUR 2.24 billion) revenues by 2015

Healthcare & Medical: the market

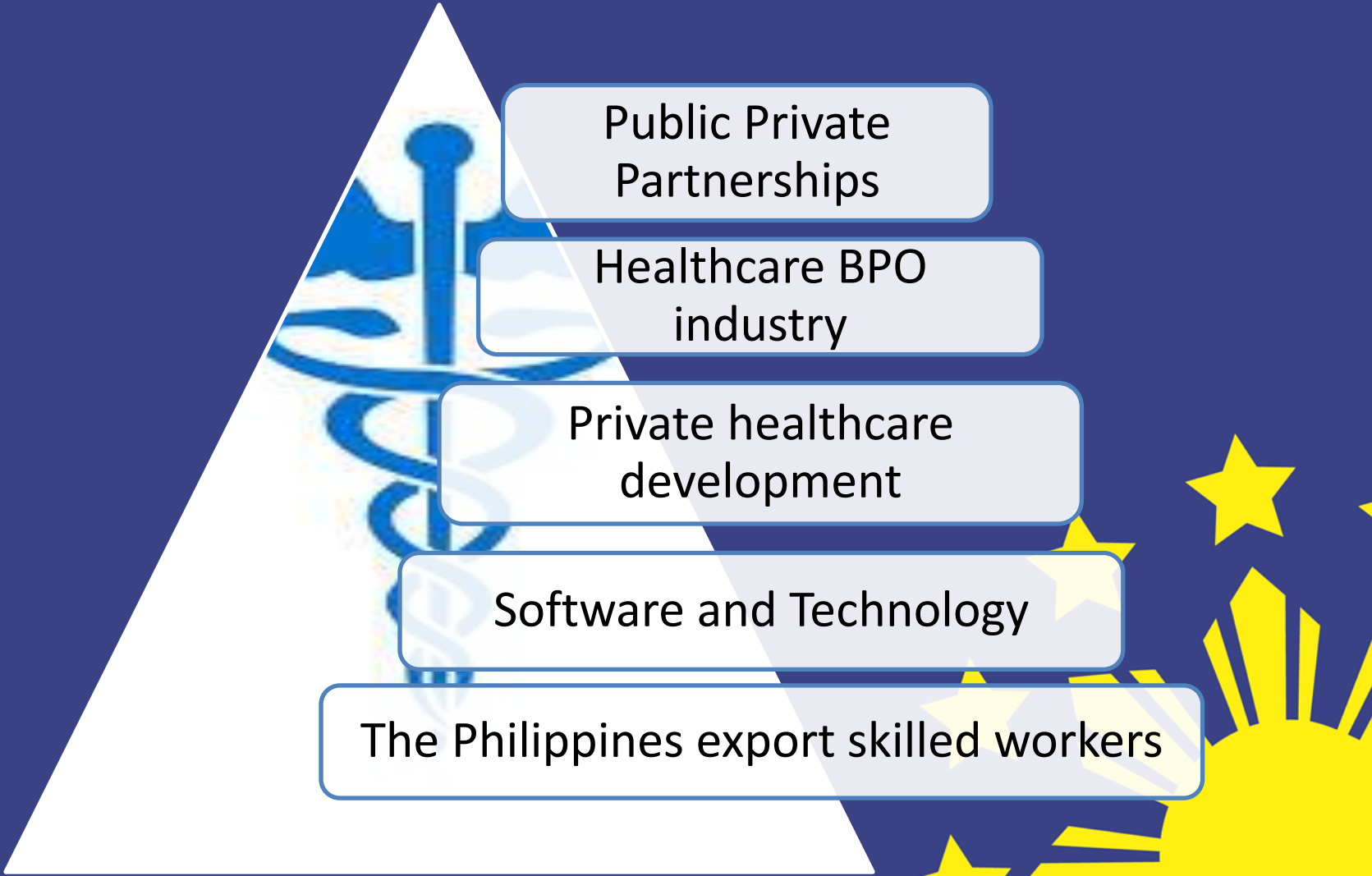
- Higher medical costs in developed countries: elderly population worldwide may find more interesting Healthcare & Retirement services in the Philippines

- Large pool of qualified, English-speaking healthcare professionals
- Medical staffs trained abroad

- Competitive prices: for many surgical procedures the Philippine has a better cost-effectiveness than its competitors such as India, Singapore, Thailand

- Many retirement facilities and special visa for retirees

H & M: Opportunities



Public Private Partnerships

Healthcare BPO industry

Private healthcare development

Software and Technology

The Philippines export skilled workers

Agribusiness

Growth

- 1.83% in 2014
- 1.12% in 2013

Value added

- F&B processing contributes 50 % to the country's total manufacturing output

Jobs

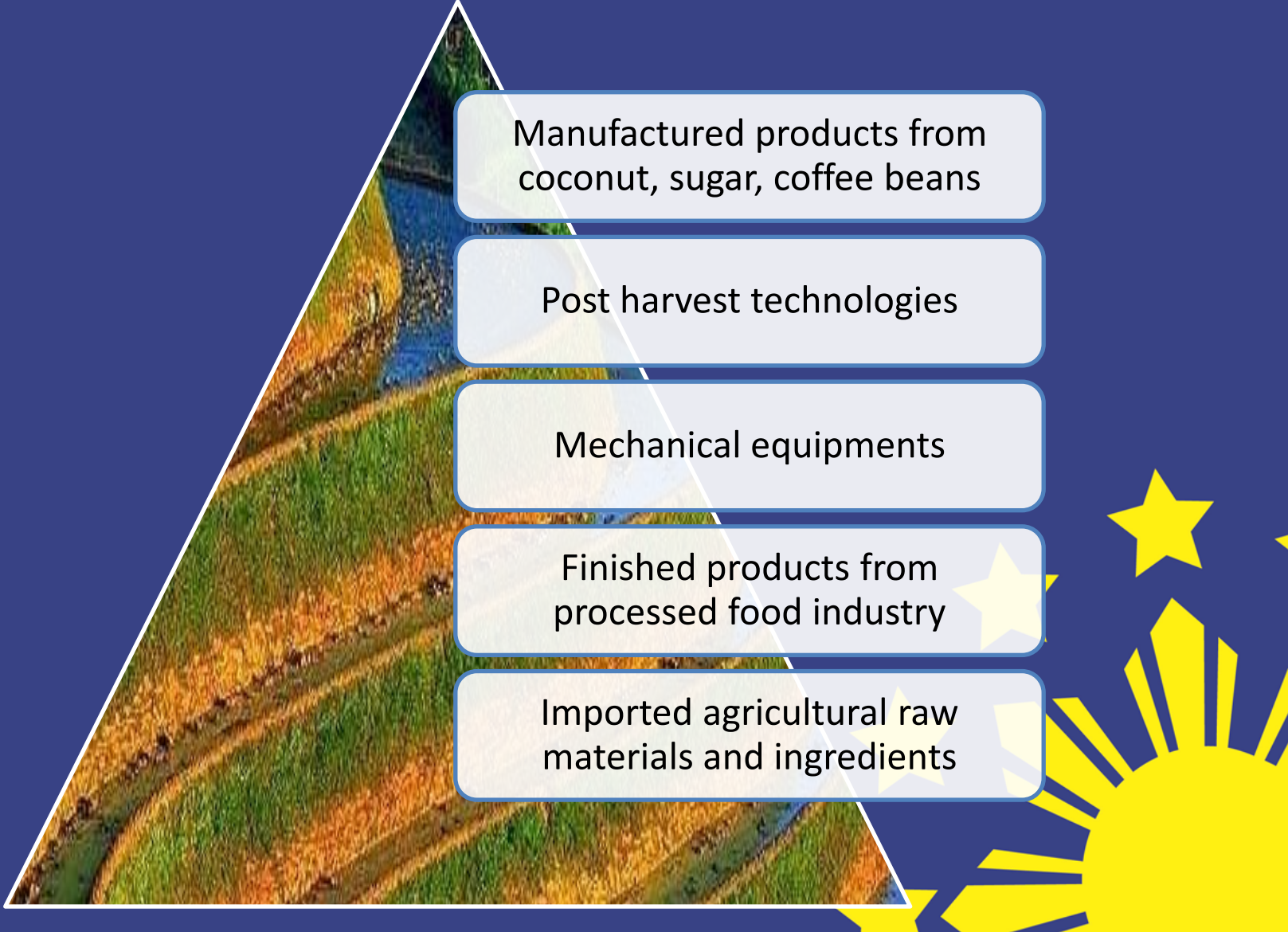
- 12 million workers
- 30% of the total labor force



Agribusiness: the market

- Among one of the top producer of tropical fruits, #1 in coconut, #1 in pineapple, among the top producers of bananas
- Crops subsector represents 52.72% of the total agricultural production. Production of Palay (rice) & Corn recorded a significant increase over the last years
- Multinational investments in the food, beverage and tobacco industries

Agribusiness: Opportunities



Manufactured products from coconut, sugar, coffee beans

Post harvest technologies

Mechanical equipments

Finished products from processed food industry

Imported agricultural raw materials and ingredients

Manufacturing

Production

- Food processing: 49.7%
- Oil processing & Chemicals: 13.4%
- Electronics: 13%

Trade

- Manufacturing represents 84% of the EU exports to the Philippines
- Semiconductors represent more than 50% of the total Philippine exports

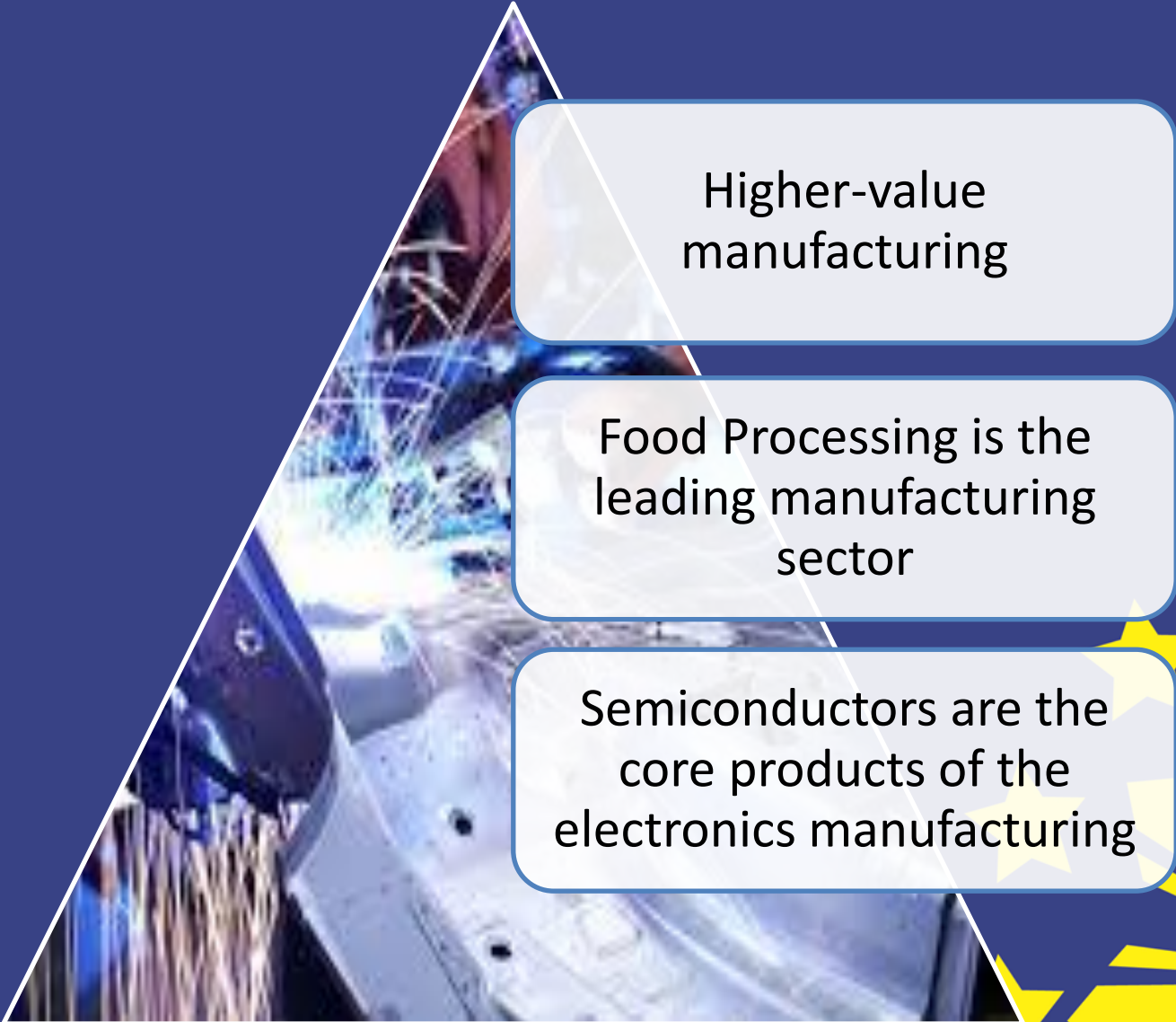
Growth

- 12.3% in recent years
- Forecast 7-9% growth in the next 20 years

Manufacturing: the market

- Strong investments opportunities e.g the Japanese manufacturing industry invested PHP 34 Billion (EUR 580 Million) in 2013
- Philippine competitiveness among the other Asian emerging economies
- The government and private sector set up various industry roadmaps that are expected to give a boost to the manufacturing industry
- Proximity with the fast growing markets in Asia. The Philippine is about to become a regional hub for the South-East Asian markets

Manufacturing: Opportunities



Higher-value
manufacturing

Food Processing is the
leading manufacturing
sector

Semiconductors are the
core products of the
electronics manufacturing

Automotive

Sales

- +29.5% (234,747 units sold) in 2014
- 181,283 units sold in 2013
- At least +16% year-on-year

Production

- Production: 75,413 units
- +5% year-on-year

Forecast

- 500,000 sales in 2022
- 70% manufactured from domestic assemblers

Automotive: the market

- “Knock-down model”: incentives to import the cars complete but totally disassembled

- High tariffs on imports of totally assembled cars
- Ban on the imports of used cars

- Japanese brands market share over 57% of the market

- Private vehicles (90,287 units sold in 2014)
- Commercial vehicles (144,460 units sold in 2014)

Automotive: Opportunities

ASEAN Free Trade Agreement

Cebu has been identified as a potential hub thanks to its port facilities

Quality standards which are not the same as in Europe, Japan, US

Consumer Goods / Retail

Added-Value

- \$34.9 billion (EUR 26 billion) in 2013
- 4.2% average growth in last decade

Market

- Household consumption: 74% of GDP (>US & Europe)
- Food: 43% of the purchases, \$80.25 Billion (EUR 60 billion)

Jobs


- 18% of the workforce (5.25 million workers)



Consumer goods / Retail: the market

- Strong private consumption growth
- Expansion towards other regions (e.g Cebu, Davao)
- Consumerist culture
- Different players from sari-sari stores to hypermarkets
- Most of the foreign investments in retail businesses through joint ventures with a Filipino company

Consumer Goods / Retail: Opportunities



Rapid expansion of the low-end/middle-end products due to the economic growth

High-end products from Europe

Food retail is the major component of the retail market

E-commerce / Online retail

Energy/Renewables

Competitiveness

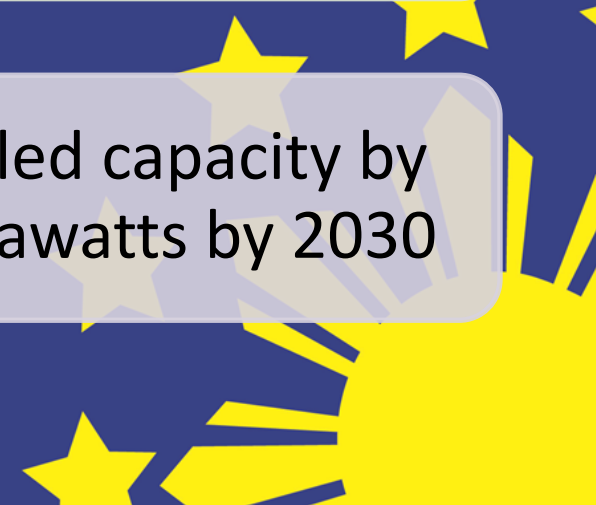
- Among the highest electricity rate/price in South East Asia

Supply

- 25% of the energy supply from renewable energy sources

Project

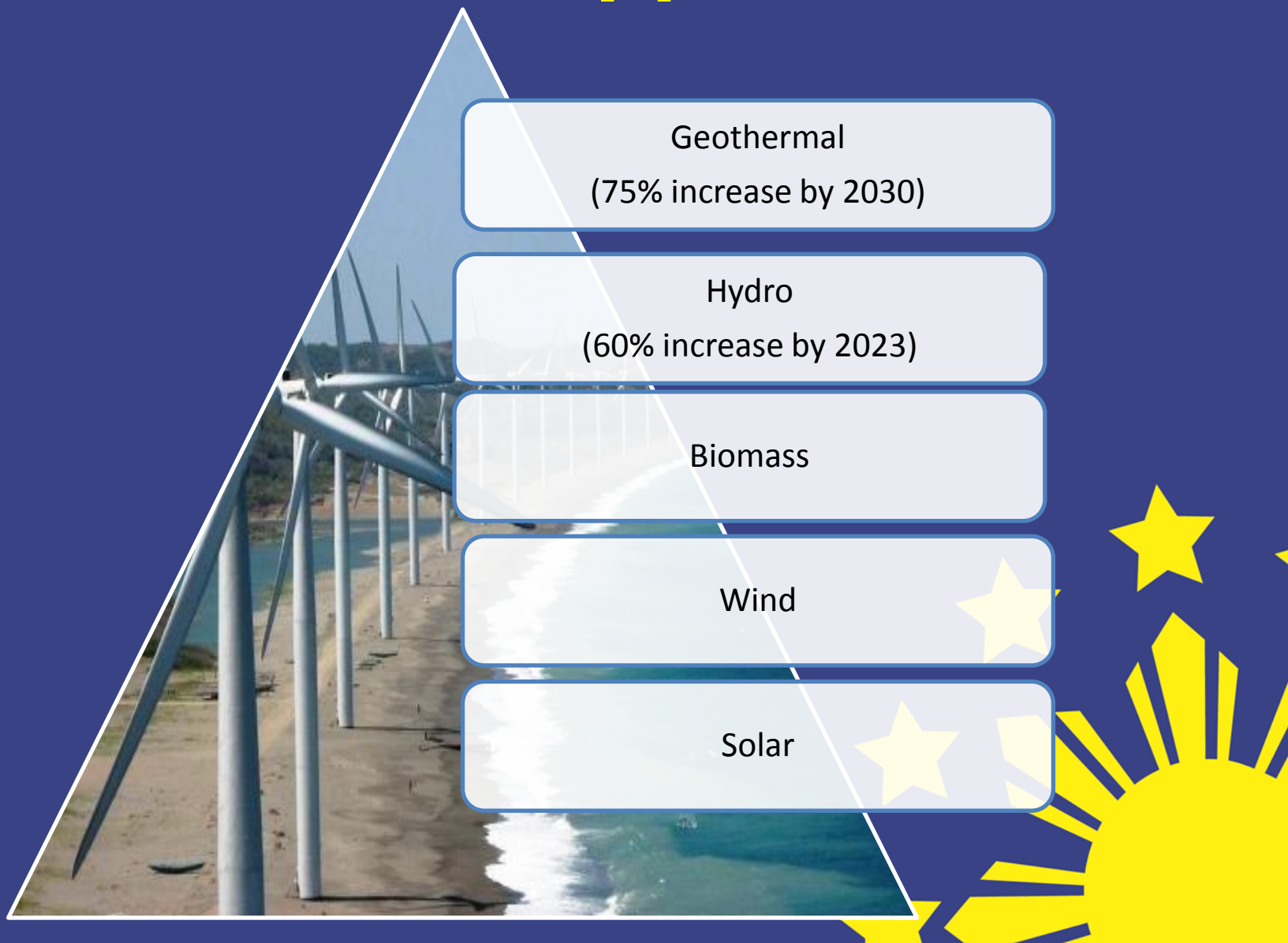
- Increase the installed capacity by 200% up to 10 Gigawatts by 2030



Energy/Renewables

- Feed-in tariff incentive with preferential rates for electricity sales from renewable power plants
- Many improvements in the 2000s to create a real and fair competition in the sector (Electric Power Industry Reform Act)
- Power shortages are a current problem in many provinces as well as in the capital
- Ambitious targets of the government through the National Renewable Energy Program (NREP)

Renewables: Opportunities



Geothermal
(75% increase by 2030)

Hydro
(60% increase by 2023)

Biomass

Wind

Solar

Infrastructure & Transport

Growth

- Fastest growing sector among South-East Asia

Public Investment

- 2.09% of the GDP (15% of the national budget) dedicated to the sector
- Target of 5% of the GDP by 2016

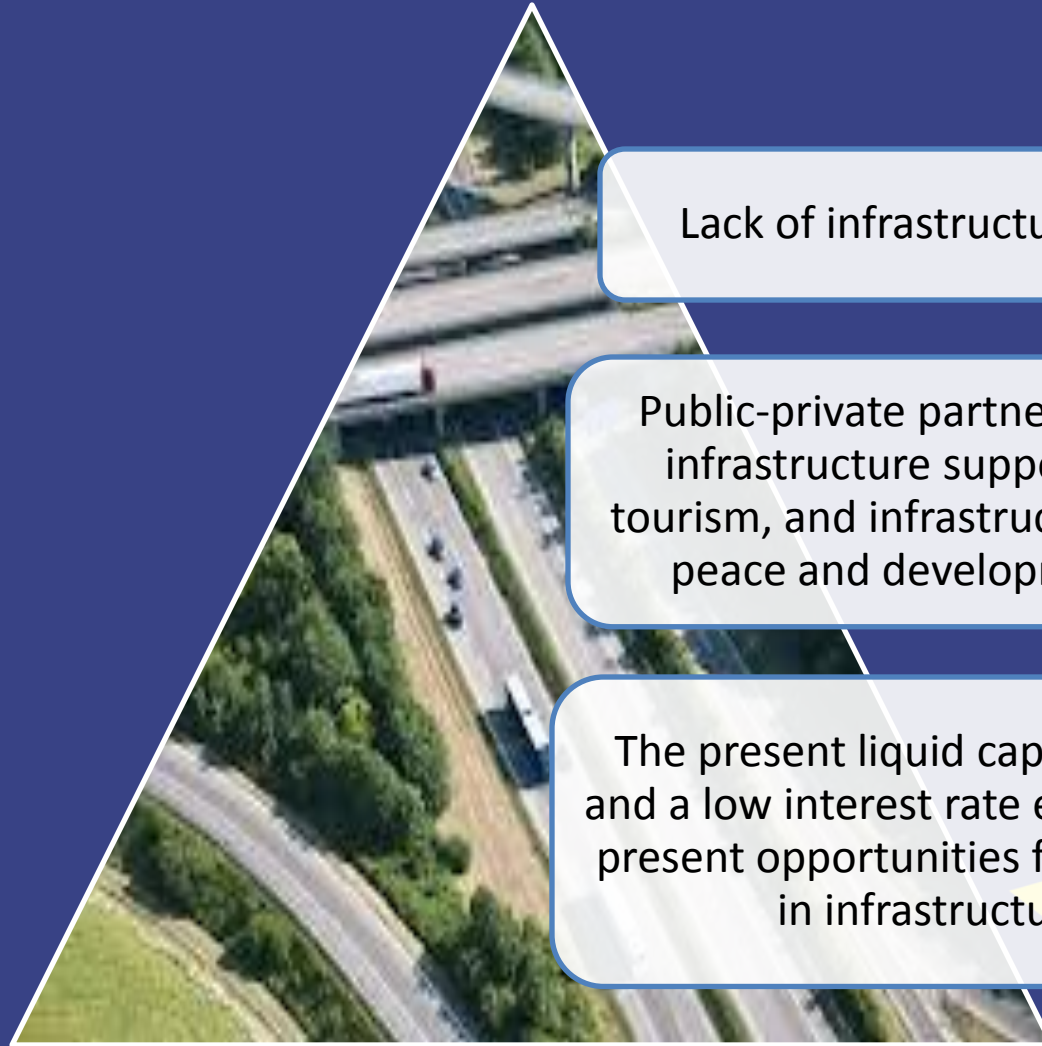
Value-added

- Growth rate forecast 2014-2033 of 5.2% per year

Infrastructure & Transport: market

- Most congested infrastructures in the ASEAN, especially in Metro Manila
- Public-Private Partnerships to upgrade the existing infrastructures. Currently 47 projects covering transportation and road networks, education, healthcare
- The construction sector is driven by the demand for homes and for office spaces from the business-process outsourcing (BPO) sector

Infrastructure & Transportation: Opportunities



Lack of infrastructure

Public-private partnerships,
infrastructure support to
tourism, and infrastructure for
peace and development

The present liquid capital market
and a low interest rate environment
present opportunities for investing
in infrastructure

Maritime

Growth

- 5.42% of GDP annual growth
- 5.22 billion USD remittances in 2013

Jobs

- 400,000 Filipino seafarers overseas workers
- Approximately 35 - 40 % of the world's seafarers

Competitiveness

- 4th shipbuilding nation worldwide in 2013


Maritime: market

- The Port of Manila is the largest in the country. It includes three port groups: Manila North Harbour, Manila South Harbour and Manila International Container Terminal. There are two additional ports in the vicinity of the Capital: Batangas and Subic

- Manila Port Congestion
- Existing infrastructure is not sufficient to accommodate the rising levels of tonnage passing through Manila

- The Philippines is ranked only 29th, UNCTAD Maritime Review 2012

Maritime: Opportunities



Existing infrastructure is not sufficient to meet current needs

Expansion of the ports and their facilities alongside an integrated road development and management system

European countries need skilled labor in the sector

Environment

Waste

- More than 15 million metric tons of solid waste product every year
- 8,200 metric tons/day

Investment

- \$800 million (EUR 597 million) needed before 2022 to ensure the water supply

Natural disasters


- 22 typhoons per year on average



Environment: market

- Growth of the domestic, agricultural and industrial demand for water
- Water sector is generally regulated by PPPs (e.g MWSS-RO for Metro Manila)
- Overloading of garbage dumpsites is a major problem
- Master plan for flood control project in Metro Manila
- 11 projects, €5-6 billion

Environment: Opportunities



Solid waste management & Water Management
Project to re-use 25% of the garbage by 2030

Flood Control

Technical assistance for distribution and
sanitation systems

Recycling facilities
(metals, raw materials)

Composting and biogas production from organic
waste

Leachates treatment and biogas re-use from
landfills

Pharmaceuticals

Growth

- 3% to 4% in recent years

Trade

- EU exports totalized €311 million in 2013
- 11.34% growth of the imports (2005-2010)

Expenditures

- In 2001 every Filipino spent roughly \$29 (EUR 21) per year on healthcare
- 2011: \$97 (EUR 72)


Market

- €2.2 billion generated in 2013
- 3rd largest market in the ASEAN

Pharmaceuticals: the market

- Foreign drugs manufacturing is almost exclusively subcontracted to one local manufacturer: InterPhil Laboratories
- The government has been increasing public spending on healthcare alongside its efforts to bring PhilHealth (the public health system) scheme available to all Filipinos
- Improvements in the health insurances. Products more affordable for everybody
- Recent estimations indicate that the pharmaceutical market will more than double by 2020

Pharmaceuticals: Opportunities



Pharma market will more than double by 2020, generating revenues worth of USD 8 billion (EUR 6 billion)

The average spending per capita on healthcare has already more than tripled since the beginning of this century

National Health Insurance Act was signed, which brings national health insurance scheme PhilHealth to the reach of all Filipinos



NOKIA



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SHARING EXPERTISE

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Upcoming events for SMEs in the PH

- March 2016 - **Worldbex** (architecture, construction, interior design, furniture)
- June 2016 - **SIAL Philippines** (Food & Beverage)
- July 2016 - **Energy Smart** (Energy - Renewable)
- October 2016 - **Philconstruct** (Construction machinery, construction and building)
- October 2016 - **Agrilink** (Agriculture)

Join the EU Pavilion at Worldbex

Business mission for EU SMEs around Worldbex in Manila

March 16 to 20, 2016

10 EU SMEs will be selected - total cost € 3,200.00 per SME
includes:

- Exhibition booth in the EU Pavilion for 5 days
- B2B meetings with selected potential partners
- Networking dinner
- Accommodation in 5* or 4* hotel (estimated)
- Flight round trip Europe – Philippines (estimated)

Worldbex is the most relevant tradeshow in the architecture, construction and interior design sectors in the Philippines. The event showcases products in the building construction, home furnishings, home textiles, architecture and designing

Upcoming events for SMEs in EU

- January 2016 - **IMM** in Cologne (Furniture and interior design)
- March 2016 - **CEBIT** in Hannover (Business IT event)
- September 2016 - **SPACE** in Rennes (Agriculture)
- October 2016 - **SIAL** in Paris (Food)

Our support to EU SMEs

- Analysis and advocacy to better access the market
- Business coordination and support
- Market research and strategies
- Delivery of information on business potential and opportunities
- Business empowering missions
- Regular update on trade and investments developments





Contact Information

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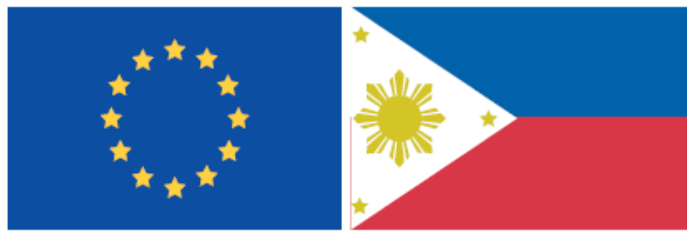
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