

# 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**

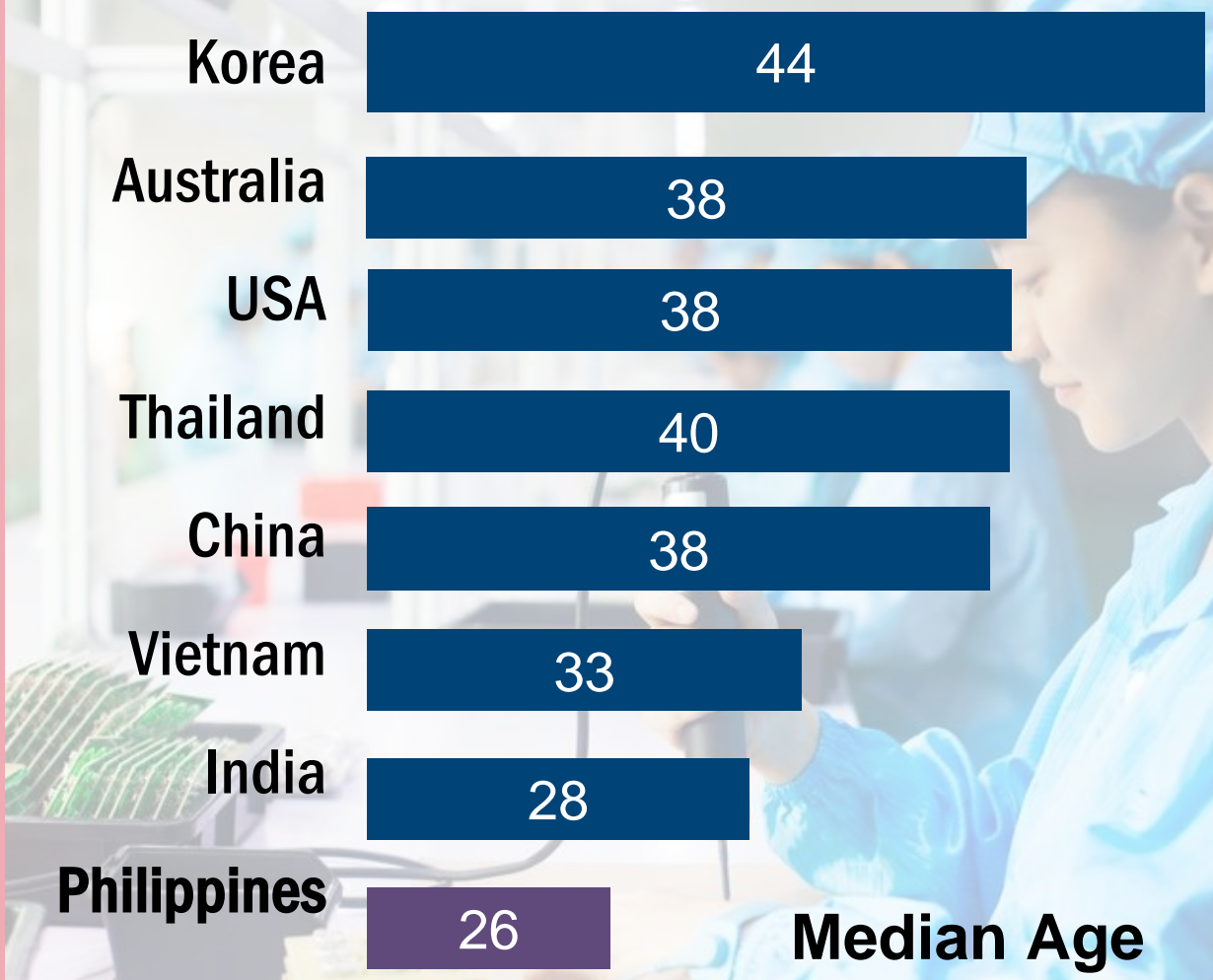
**by empowering the Private Sector**

**thru market-based tools.**

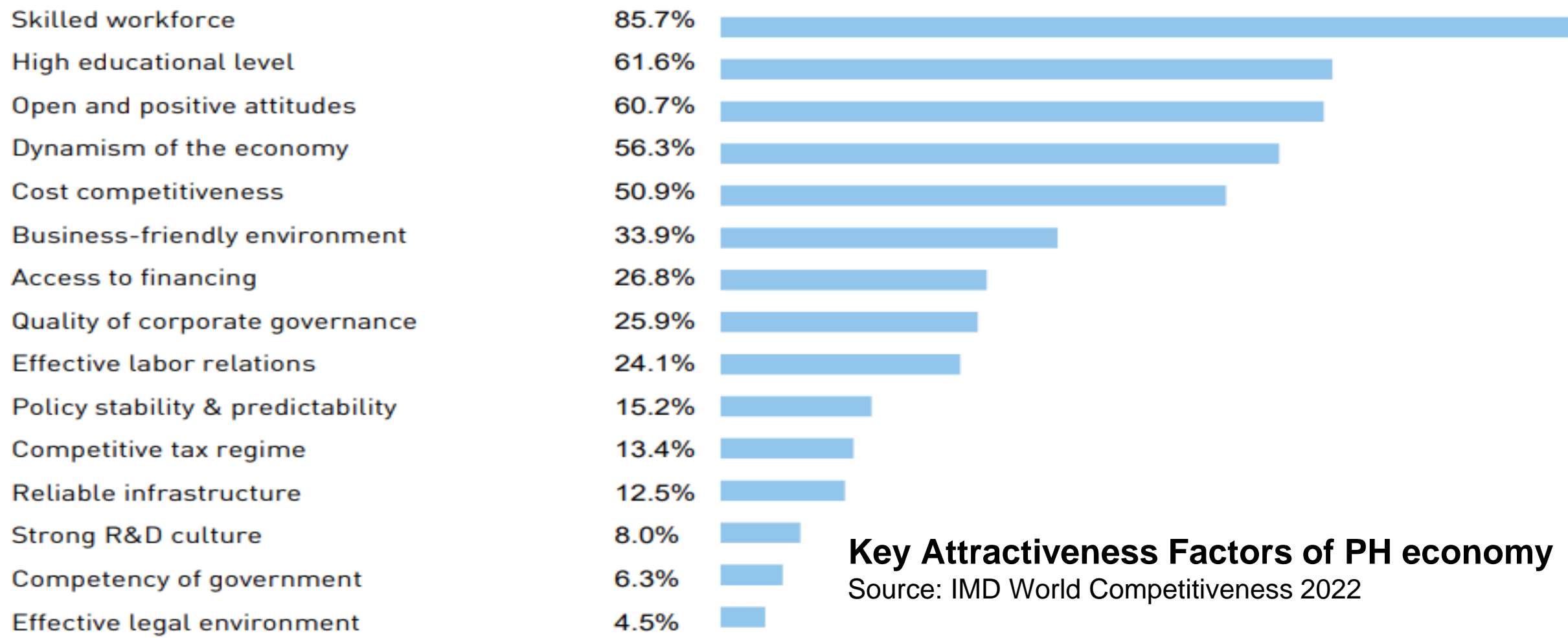
# The Philippines in Demographic Sweet Spot

- 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**

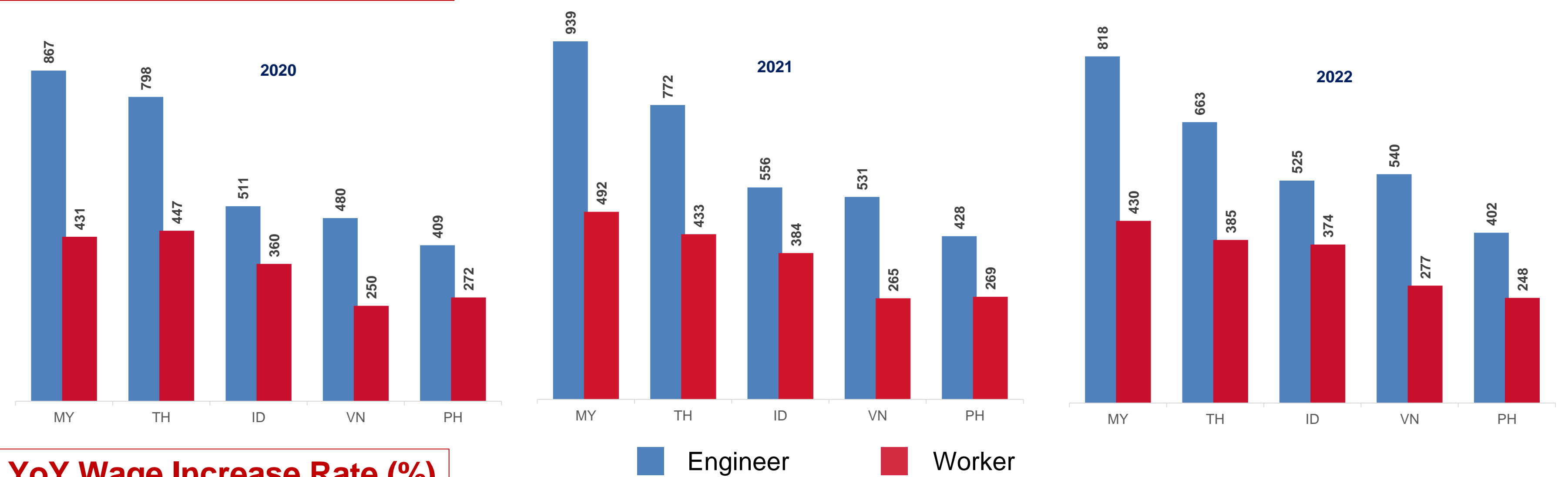


Source: Worldometers Oct. 2022

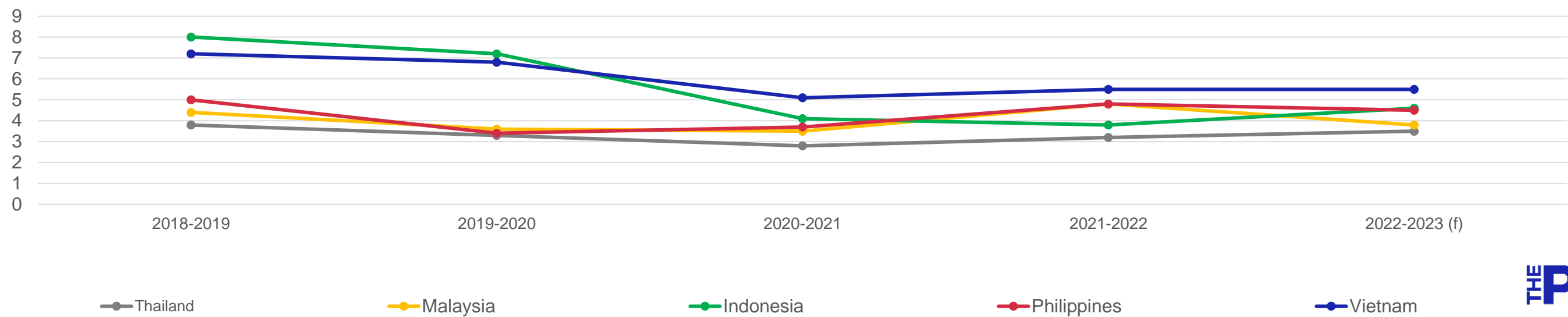


# Competitive Salary & Steady Wage Increase for Manufacturing

Monthly Base Salary (in US\$)



YoY Wage Increase Rate (%)



Source: JETRO Surveys



## Geographic Aspects of FDI in SEAsia

### Previously

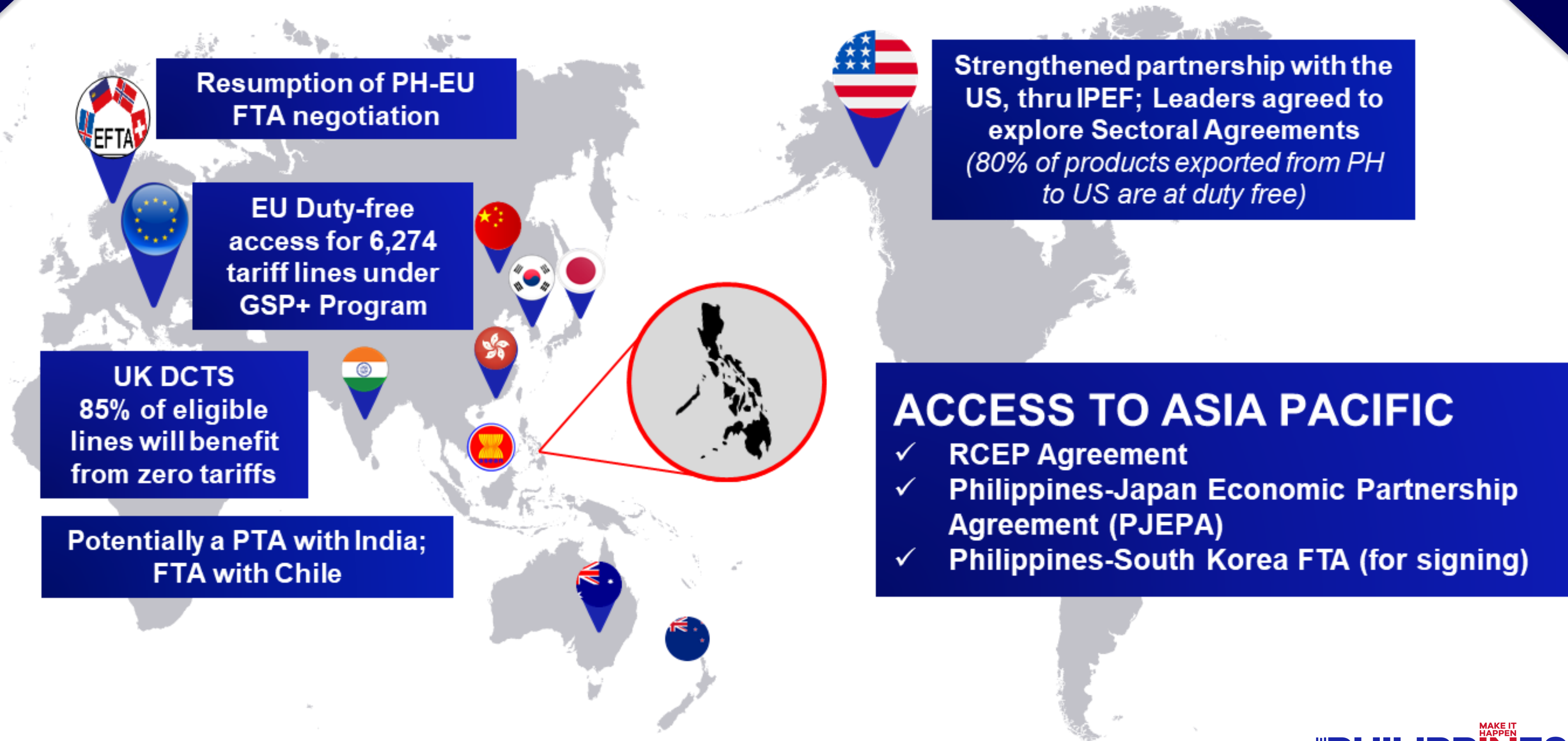
- Driven by Proximity to China (main magnet of FDI)
- Mineral resource abundance

### 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)



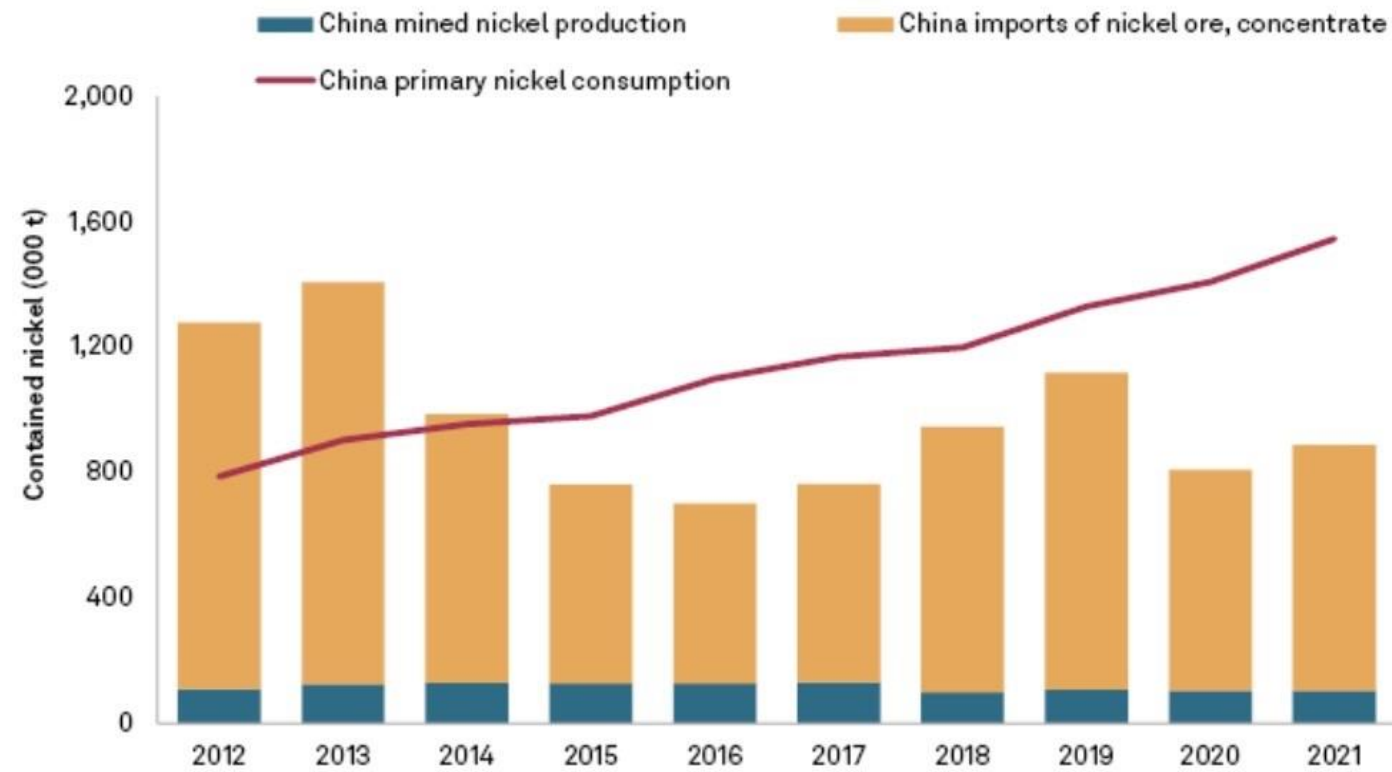
# Strategic Access to Key Markets thru GSPs and FTAs





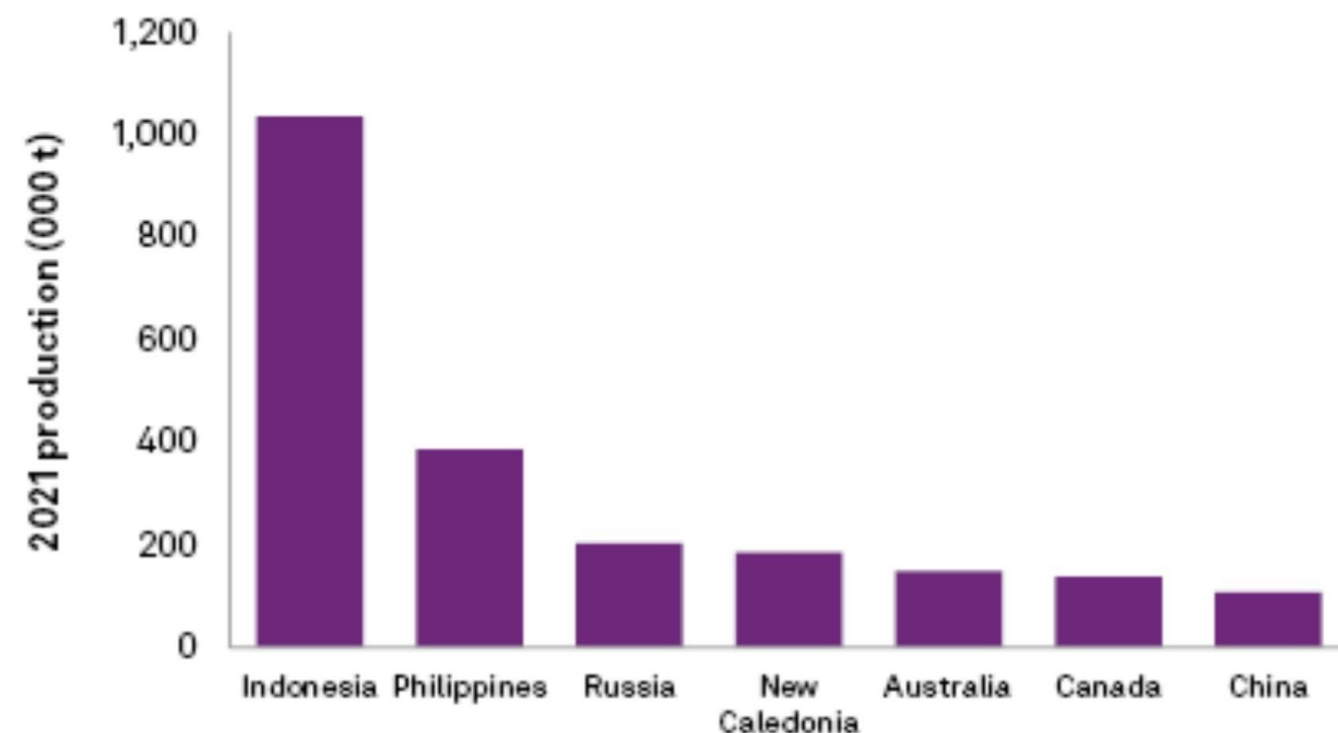
# New Energy Materials, Processing of Minerals for Batteries

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**

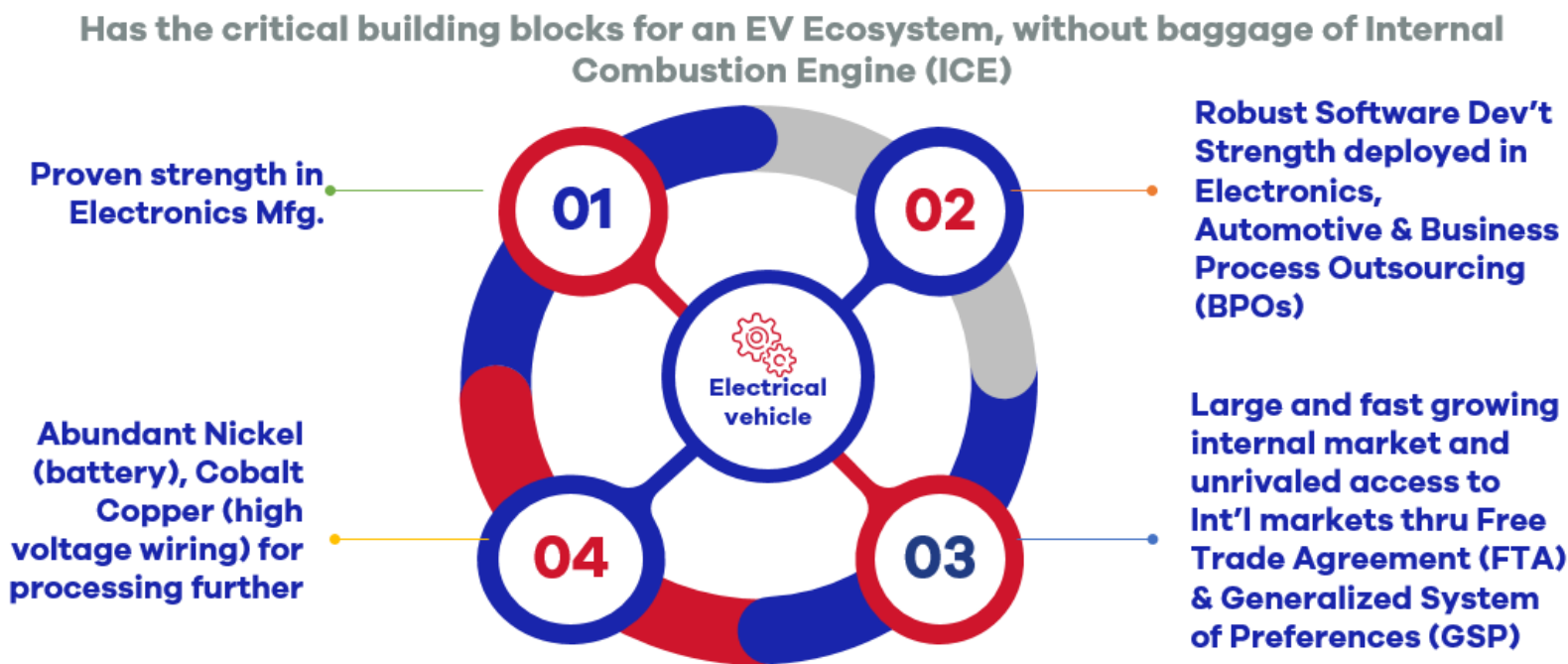
**Actual projects are now being finalized for further Nickel Processing in PH**



# 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

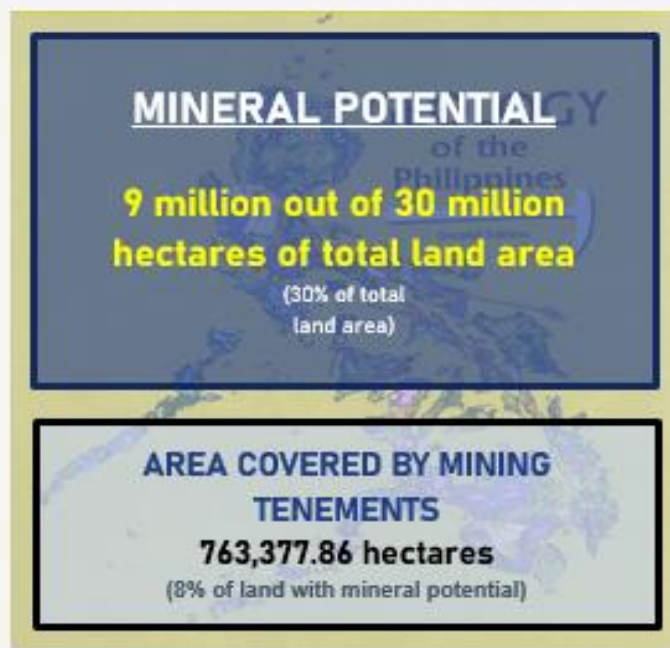
## The Philippine Advantage (GEMS)

- **G**reen Metals that are in abundant supply as inputs to Batteries;
- **E**lectronics Manufacturing expertise needed in developing the Supply Chain for Electric Vehicle Parts;
- **M**arket size and demand for Electric Vehicle Products; and
- **S**oftware 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

Corporate Recovery and Tax Incentives for Enterprises <b>(CREATE) Act</b> Republic Act No. 11534	26 March 2021	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!
Amendments on Retail Trade Liberalization Act <b>(RTLTA)</b> Republic Act No. 11595	10 December 2021	Further lowered project capitalization threshold for Foreign Retailers' new Stores Note: PH hosts biggest IKEA & UNIQLO stores
Amendments on Foreign Investments Act <b>(FIA)</b> Republic Act No. 11647	02 March 2022	Allows foreign tech start-ups with as low as US\$100k capitalization, and employ 15 Filipinos
Amendments on Public Services Act <b>(PSA)</b> Republic Act No. 11659	21 March 2022	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.



# 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**

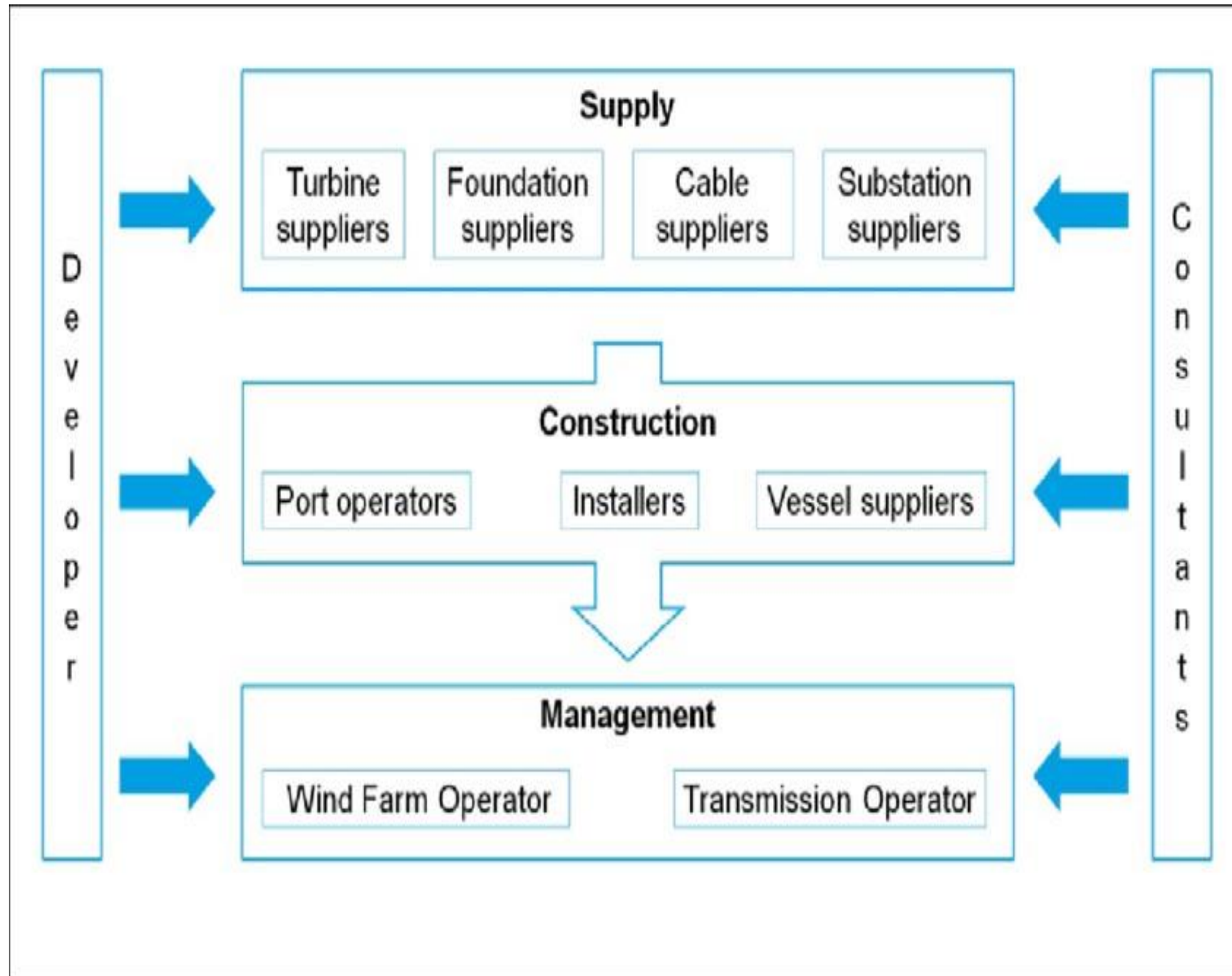
American companies can now own **100%** of wind and solar power projects in the Philippines.

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)



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

**16 Projects  
Php336.3Bn  
Areas:**

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



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



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



**NEW**

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

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**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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**MinebeaMitsumi**  
PHILIPPINES  
CEBU  
MW SOLAR FARM  
INVESTMENT CEREMONY 2023  
October 19, 2023

## 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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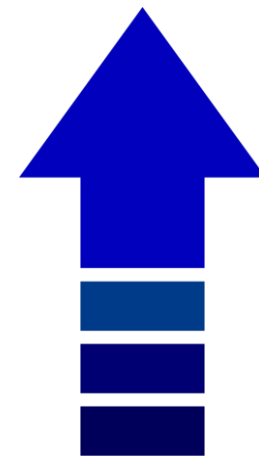


# BOI INVESTMENT APPROVALS

## JAN TO OCT 2023

**Total Approved Investments**

**PHP 1.07T**



**86%**

increase from the same period last year

**PHP 757.33B**

**Foreign Investment Approvals**

71% of total approvals

### 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

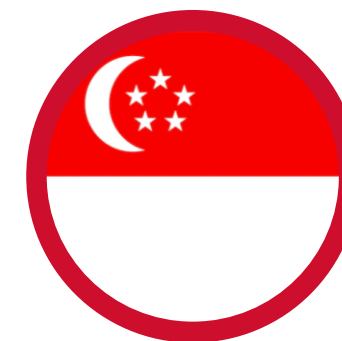
### TOP COUNTRY SOURCES:



**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.



# MAKE IT HAPPEN #PHILIPPINES

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