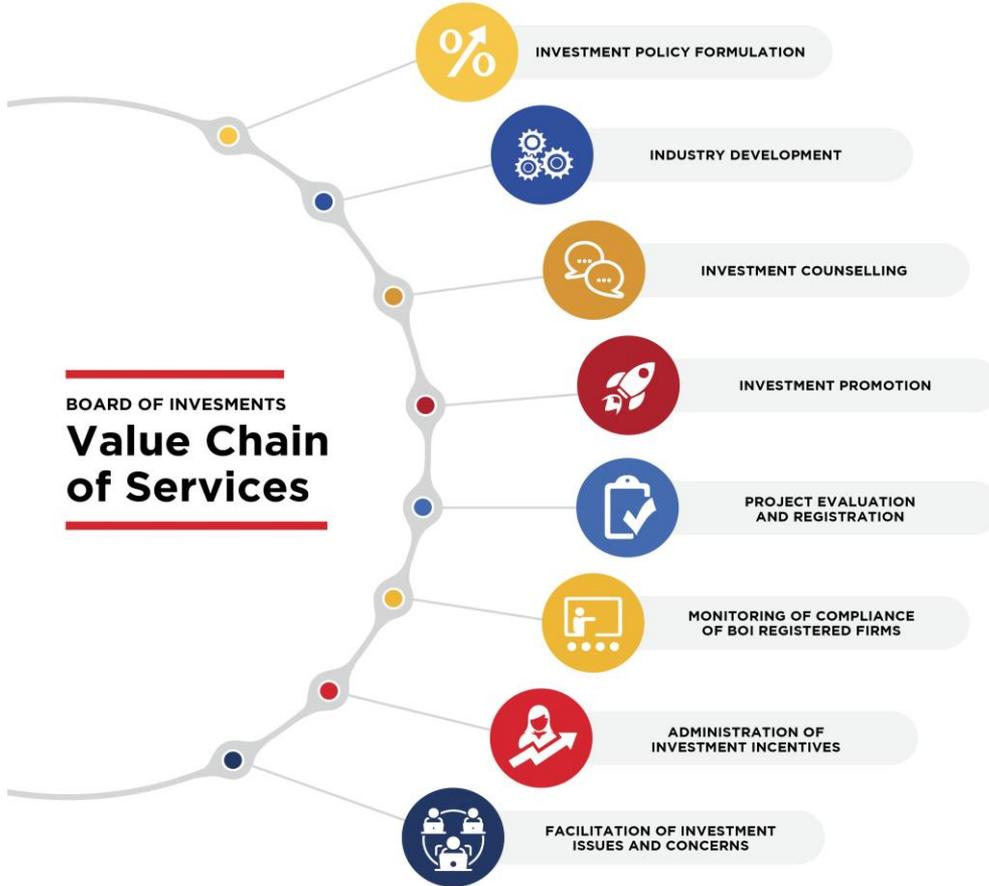


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BOARD OF INVESTMENTS
**Value Chain
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Presentation Outline

SECTION 1 **The Philippine Economic Performance and Outlook**

1. Macroeconomic Snapshot
2. The Philippine Investment Performance

SECTION 2 **The Philippine Advantage**

1. Demographic Sweet Spot, Rich Talent Pool & HR Development Support
2. Competitive Salary and Steady Wage Increase
3. Labor Attrition/Turnover Rates and Industrial Peace
4. Strategic Access to Key Markets and FTAs in the Works
5. Infrastructure Development
6. Availability of Suitable Locations
7. Intellectual Property Protection
8. IT-BPM: Strength Beyond Voice

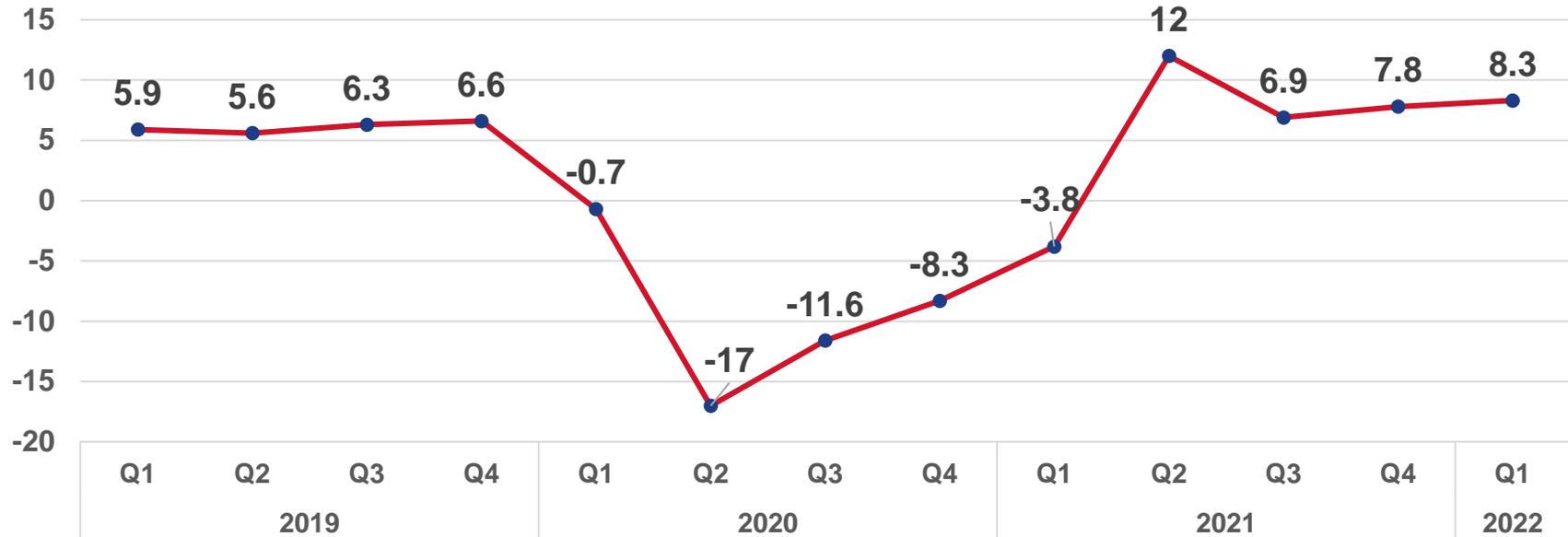
SECTION 3 **Government Support**

ECONOMIC PERFORMANCE

1. Macroeconomic Snapshot
2. The Philippine Investment Performance

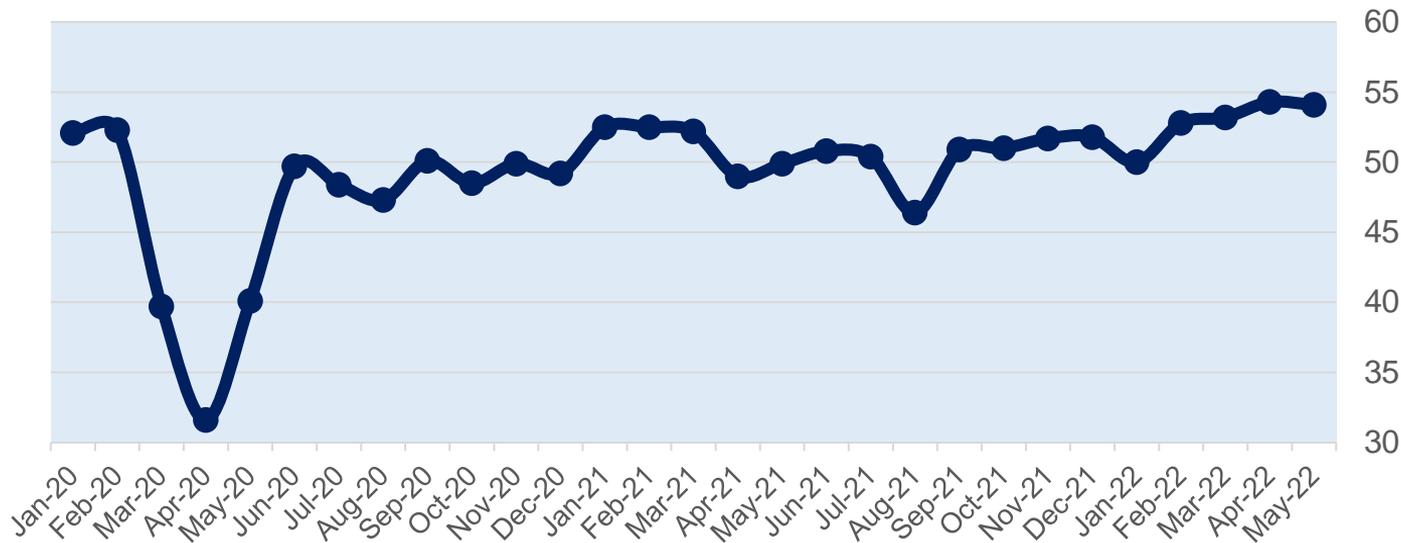
Philippine GDP grows 8.3% in Q1 2022

Philippine GDP Year-on-Year Growth Rates (Q1 2019 – Q1 2022)



GDP accelerated by 8.3% in Q1 2022, a turnaround from the 3.8% drop in the same period last year and also faster than the revised 7.8% growth in the Q4 2021. The economy grew 1.9% quarter-on-quarter in seasonally adjusted terms.

PH Purchasing Managers' Index (PMI) reading is the 3rd fastest in ASEAN



- The PMI regained its health albeit marginally signals the country's **path to recovery in the manufacturing sectors**.
- The shift of the NCR+ Bubble towards General Community Quarantine (GCQ), and the eventual easing of alert levels nationwide provided an avenue for stakeholders to **resume operations and productions to reduce backlogs**.
- Despite disruptions in some manufacturing activities due to Typhoon Odette, and surge in Omicron, **overall outlook remained positive** as hopes of returning to normalcy **anchored on the success of the vaccination efforts**.
- Government still **expects improvements** in the measure as it continuous to **implement programs under REBUILD and CREATE Act**.

Investments have continued even during the Pandemic

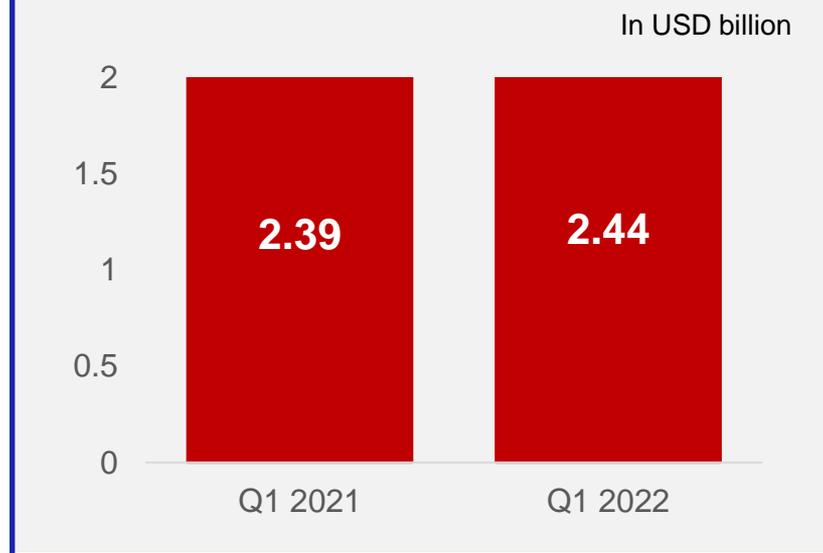
54% increase in FDI net inflows in 2021, reaching US\$10.5B

	2019	2020	2021	Growth rate 2021 vs 2020	Growth rate 2021 vs 2019
Net FDI Jan-Dec (in USD)	8.7 B	6.8 B	10.5 B	54.2%	21.3%

Top 5 Highest Industries Receiving Net Equity Placements in 2021

Top Industries	Value (USD)
Manufacturing	550.78 M
Electricity, Gas, Steam and Air-conditioning Supply	485.92 M
Financial and Insurance Activities	269.06 M
Real Estate Activities	139.47 M
Information and Communication	53.11 M

2.0% increase in FDI YoY net inflows in Q1 2022, amounting to US\$2.44B



Source: Bangko Sentral ng Pilipinas

THE PHILIPPINE ADVANTAGE

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1. Demographic Sweet Spot, Rich Talent Pool & HR Development Support
2. Competitive Salary and Steady Wage Increase
3. Labor Attrition/Turnover Rates and Industrial Peace
4. Strategic Access to Key Markets and FTAs in the Works
5. Infrastructure Development
6. Availability of Suitable Locations
7. Strategic Trade Management Act
8. Intellectual Property Protection

PH in Demographic Sweet Spot and Rich Talent Pool

45M

WORKFORCE

We produce **an average of 750,000 graduates annually** across a wide range of disciplines including engineering and technology

Our workforce is:

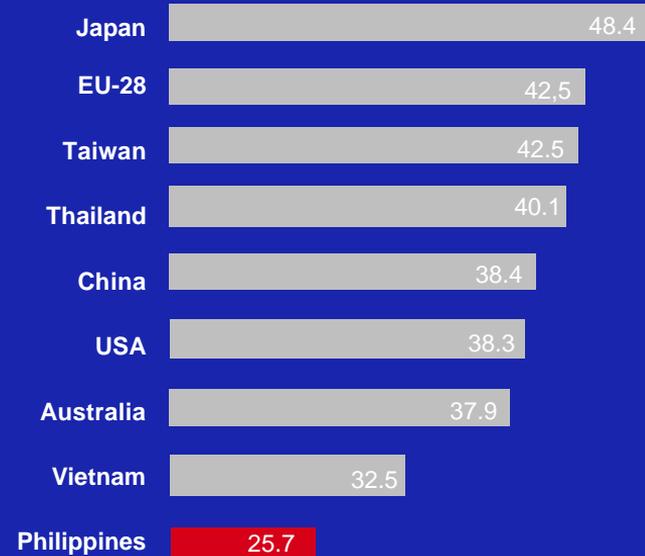
- Highly educated and English Proficient
- Strongly customer-oriented
- Multi-skilled
- Highly trainable with fast learning curve
- Adaptable to universal cultures
- High level of commitment and loyalty

Sources: UNDP, CHED, Country Sources

THE PHILIPPINES
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Filipinos are younger compared to the rest of the world

The median age in the Philippines is 25.7 years old. This is equivalent to the age of someone who recently graduated from college.



Rich Talent Pool

Number of Enrolled Students: 3,408,425

Number of Graduates: 796,576

Total Number of HEIs: 2,396

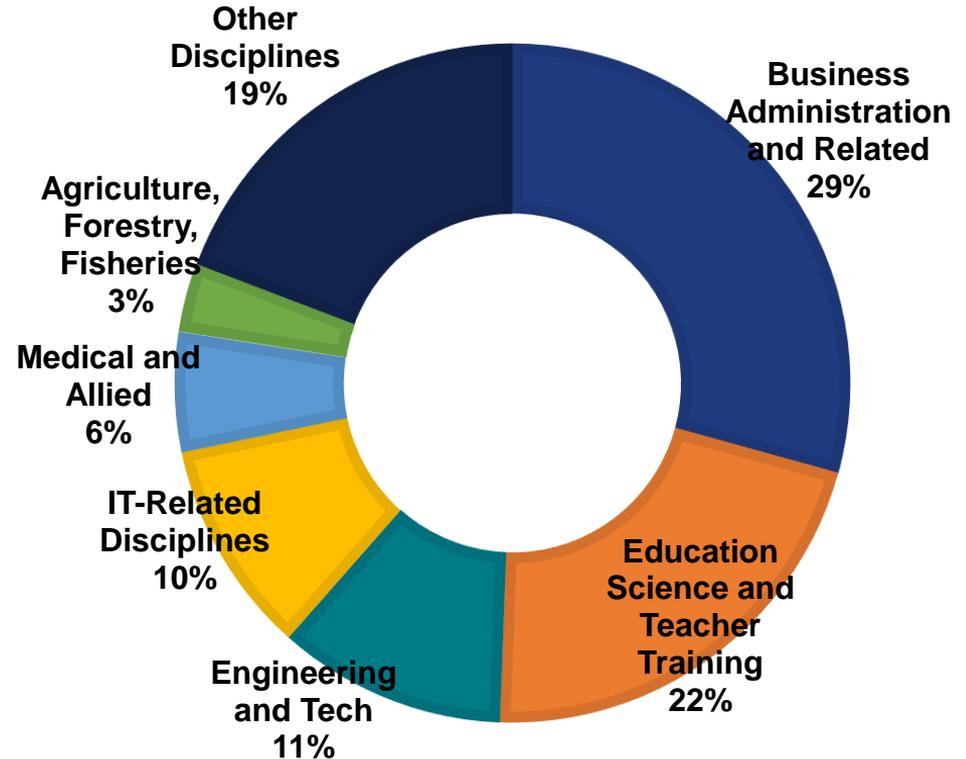
Private HEIs: 1,729

SUCs (including satellite campuses): 533

Regions with Most College Graduates

National Capital Region	155,737
CALABARZON	100,829
Central Luzon	79,384
Central Visayas	65,072
Western Visayas	59,800

GRADUATES BY DISCIPLINE

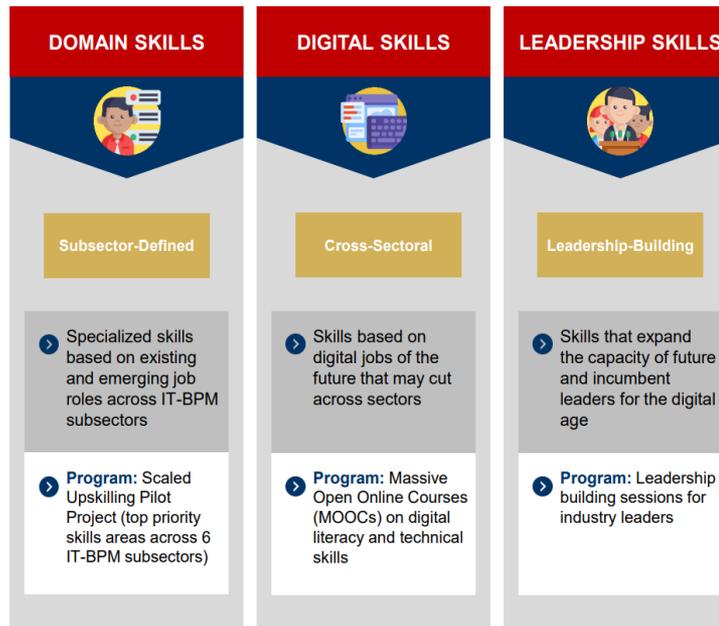


HR Development Support

National Upskilling and Reskilling Framework



Enable skills development and lifelong learning for 1 million Filipinos in 5 years



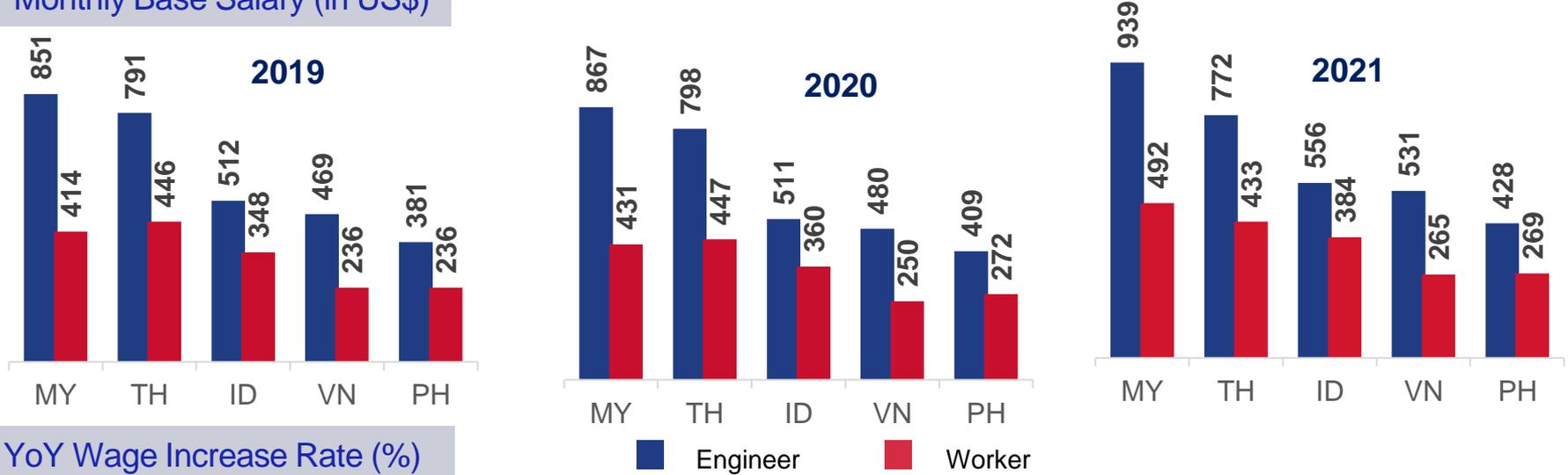
BOI-CHED Memorandum of Understanding signed in November 2020

The partnership between the two (2) agencies seeks to map skills requirements of emerging industries and will focus on STEAM Education (Science, Technology, Engineering, Agri-Fisheries and Mathematics) in order to produce more future-ready workforce.

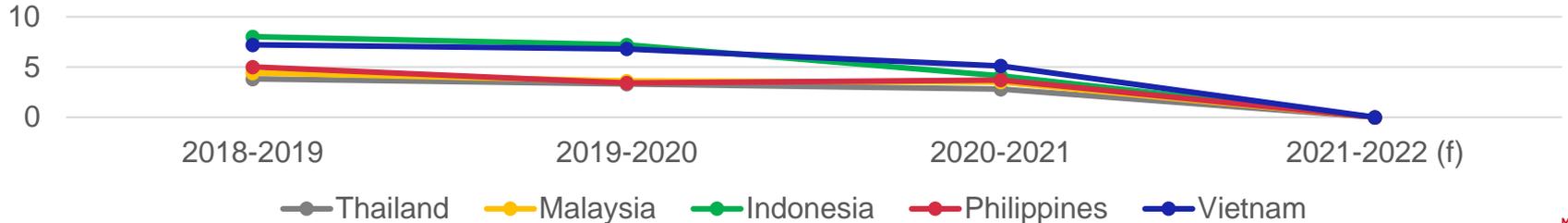
The Philippines is enhancing its focus on pro-active measures for talent development through industry-academe linkages, infrastructure development, and market repositioning in order to accelerate the growth of innovations-led/ technology intensive industries.

Competitive Salary & Steady Wage Increase

Monthly Base Salary (in US\$)

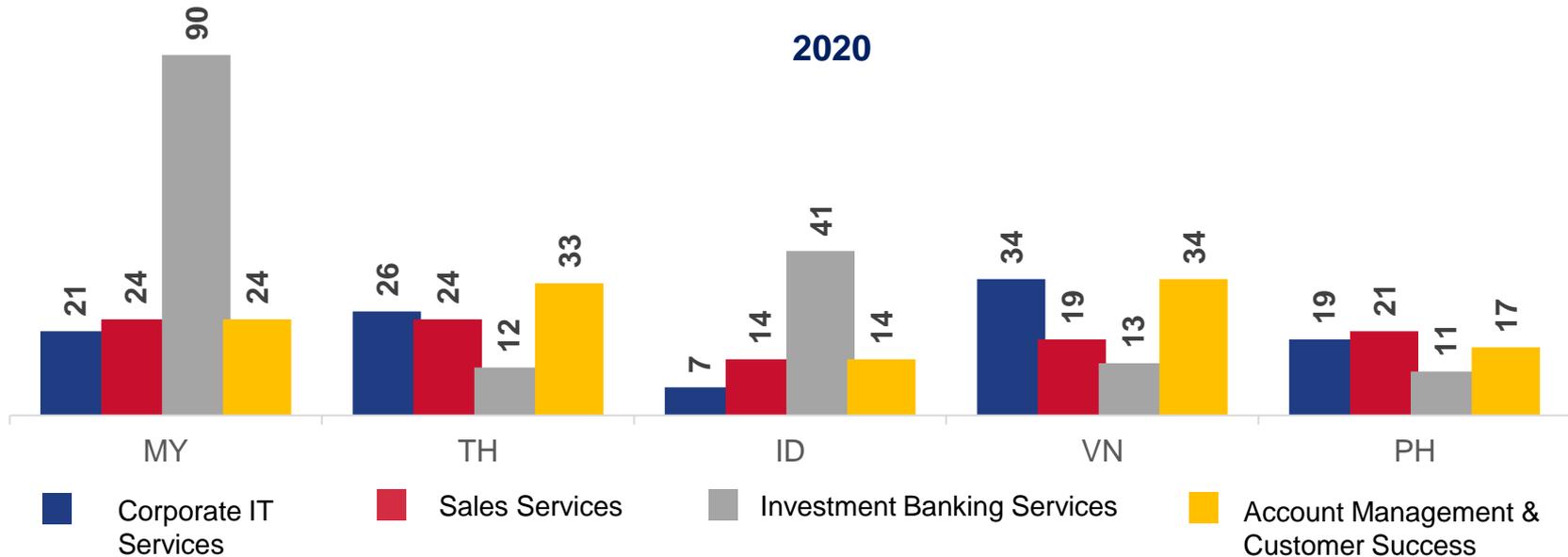


YoY Wage Increase Rate (%)



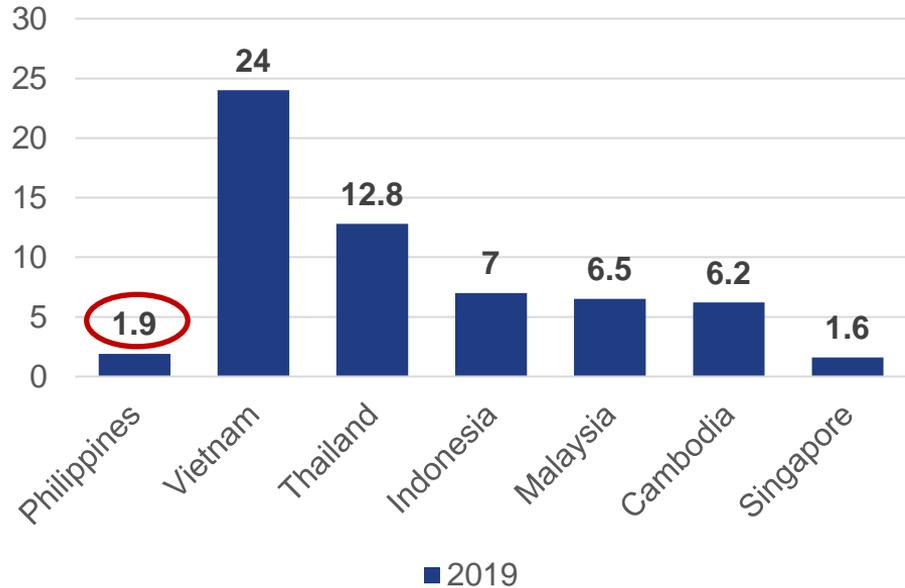
Competitive Human Resource Costs for Services

Annual Base Salary (in US\$ '000)

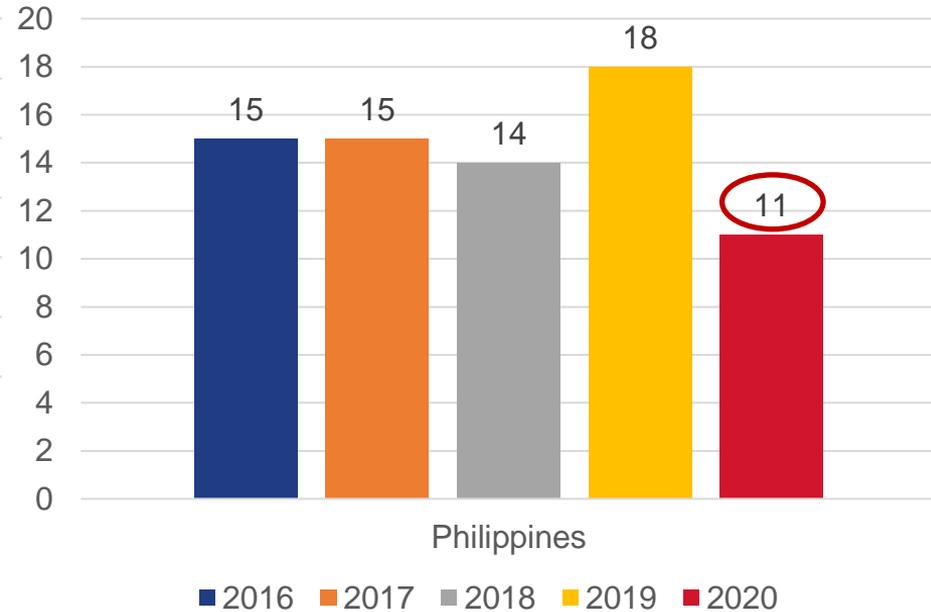


Source: RFG Salary Watch 2020

Labor Attrition/Turnover Rates



Number of Strikes/Lockouts



Sources:

Philippines: Philippine Statistics Authority (4th Quarter of 2019); National Conciliation and Mediation Board, PEZA,

Philippine Statistics Authority and DOLE (No. of Actual Strikes/Lockouts as of Sept. 2020)

Vietnam: Viet Nam News (24% = Labor Attrition Rate in VN as of October 2019)

Thailand: Bangkok Post (12.8 = total voluntary turnover rate in TH, 2019)

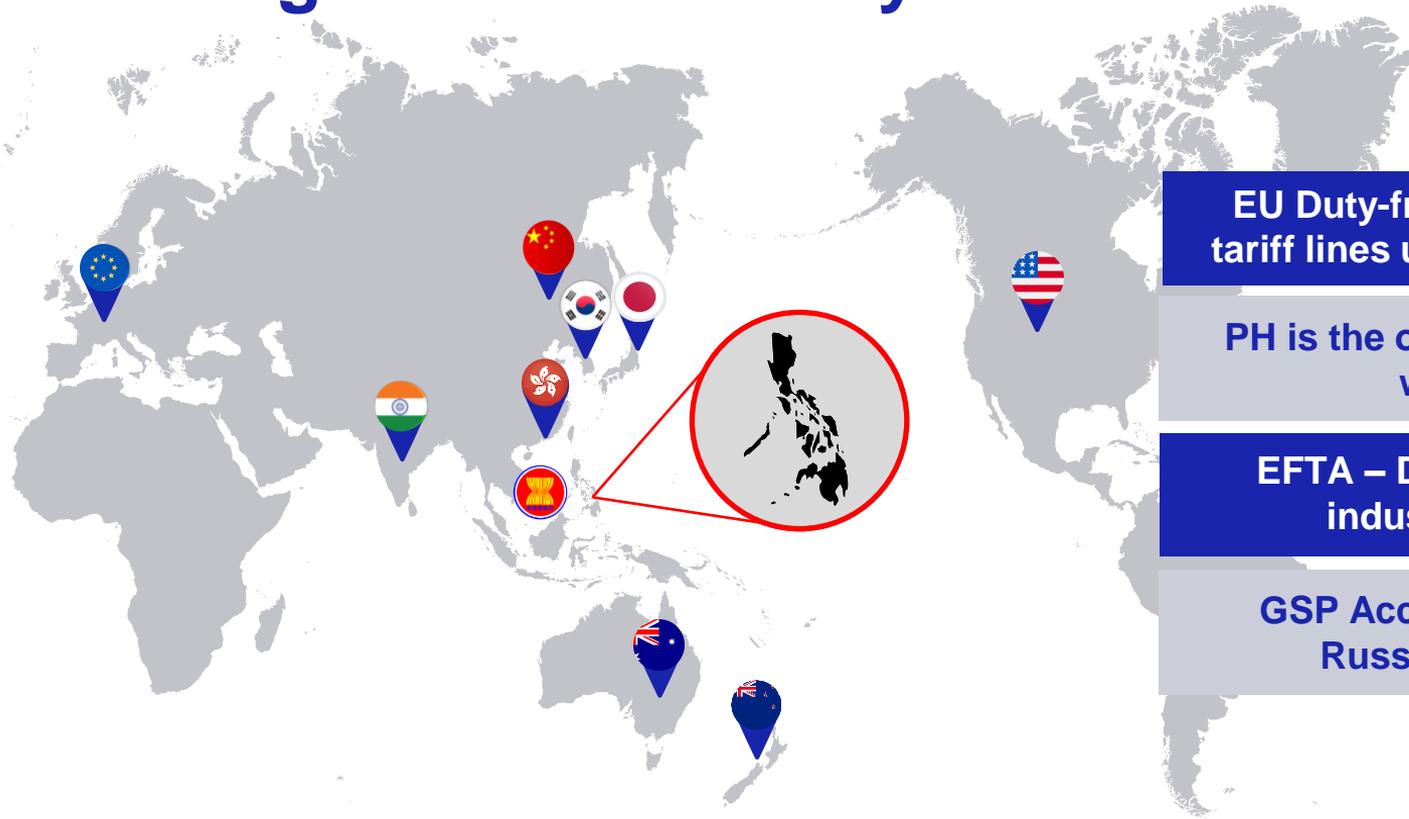
Indonesia: Mercer (7% = total voluntary attrition rate in ID, 2019)

Malaysia: Mercer (6.5 = total voluntary attrition rate in MY for Semester 1, 2019)

Cambodia: National Employment Agency of Cambodia (6.2% = expected turnover of KH; as of May 2018)

Singapore: Ministry of Manpower (1.6% = total value of resignation and recruitment rate in SG; as of Q3 of 2020)

Strategic Access to Key Markets



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

PH is the only ASEAN country with GSP+

EFTA – Duty-free from ALL industrial products

GSP Access to UK, EAEU, Russia and Canada

Part of the world's largest free-trade deal, the RCEP Agreement

Infrastructure development for sustained inclusive growth

GOLDEN AGE OF INFRASTRUCTURE

112

FLAGSHIP PROJECTS

- Transport and Mobility
- Power
- Water
- Information & Communications Technology
- Urban Development & Renewal

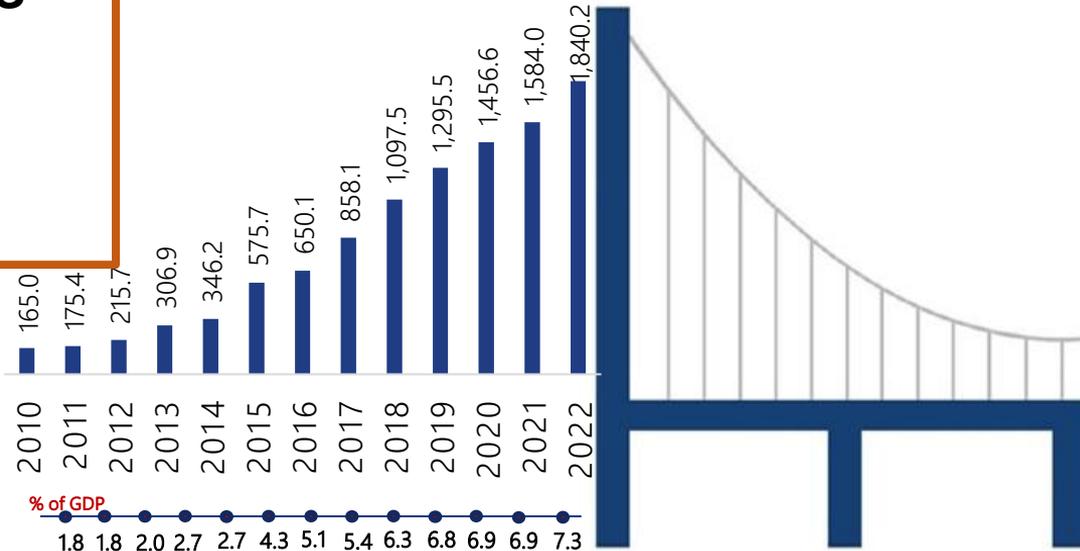


63

PPP PROJECTS

(as of December 2021)

- Includes solicited and unsolicited projects
- Expressways, airports, railways, roads, ports, hospitals, etc.



Philippines Suitable Locations for Manufacturing

CENTRAL LUZON

Hermosa Ecozone Industrial Park
Hermosa, Bataan

- Area: 54,245 sqm

Freeport Area of Bataan
Mariveles, Bataan

- Area: 10,800 sqm

SMC Aerotropolis
Bulakan, Bulacan

- Area: 2,500 has

Cavite Economic Zones 1 & 2
Rosario & Noveleta, Cavite

- Area: 3,470,000 sqm

First Philippine Industrial Park II
Sto. Tomas, Batangas

- Area: 300,000 sqm

First Industrial Township
Sto. Tomas, Batangas

- Area: 700,000 sqm



Angeles Industrial Park
Bacolor, Pampanga

- Area: 30,000 sqm

TECO Industrial Park
Mabalacat, Pampanga

- Area: 900,000 sqm

Laguna Technopark
Biñan, Laguna

- Area: 154,700 sqm (Phase 1);
221,000 sqm (Phase 2)

Lima Technology Center
Lipa/Malvar, Batangas

- Area: 724 has

Light Industry & Science Park IV
Malvar, Batangas

- Area: 90,500 sqm



CALABARZON

Philippines robust IT infrastructure

Asia Pacific on the 5G Curve

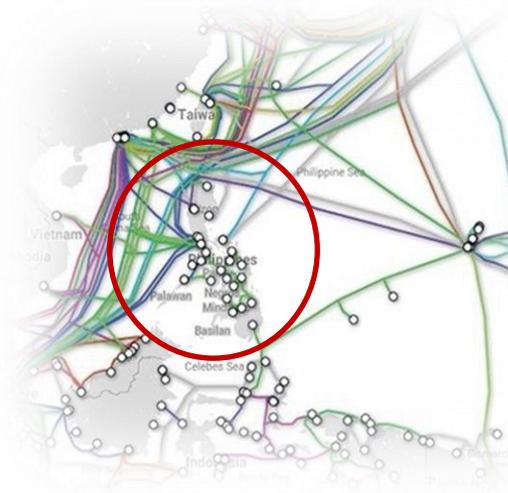
Global rating agency Moody's expects 5G to gain some traction in these countries in 2019 - 2020

- PIONEERS**
Australia, Japan and South Korea
- EARLY ADOPTERS**
China, Hong Kong, Singapore, The Philippines
- LATE ADOPTERS**
Bangladesh, India, Indonesia, Malaysia

Sources: GSM ASSOCIATION (GSMA),
MOODY'S INVESTORS SERVICE
STRAITS TIMES GRAPHICS



Source: TeleGeography



19 Subsea cables, 14 of which are international Cable Systems

- | | |
|----------------|--------------------|
| ADC (2022) | SeaMeWe-3 |
| CAP-1 (2022) | APCN-2 |
| PLCN | EAC |
| AAG | EAC-C2C |
| ASE | TGN-IA |
| SEA-US | SJC |
| Jupiter (2021) | New Cable (TBA 2H) |

Globally Certified Data Centers



8 Major Commercial Data Center Providers

Estimated **13K** total rack capacity

10 cities across the country

9 Major Internet Exchanges

<https://cloudscene.com/market/data-centers-in-philippines/dl>

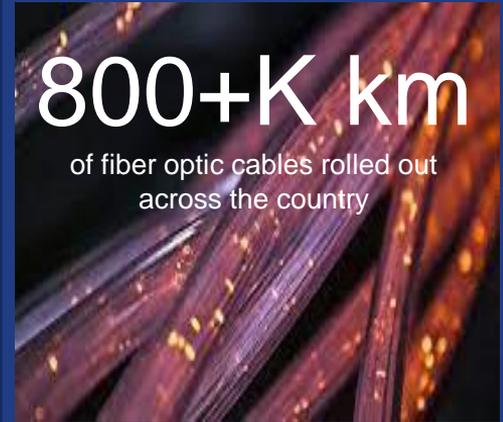
13 Cable Landing Stations

- Batangas CLS
- Nasugbu CLS
- La Union
- Cavite
- Daet
- Ballesteros

- Baler
- Poro Point/San Fernando
- Davao (BiFrost)
- Davao (Apricot)
- Pagudpud
- (2022)
- Zamboanga
- Palawan

800+K km

of fiber optic cables rolled out across the country





Pharmacovigilance



Medical Transcription



2D Animation



3D Animation



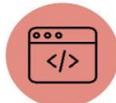
Game Quality Assurance



System Integration



Mobile App Development



Software Dev



Clinical Trial Management



Patient Care



Content Creation



Content Moderation



Game Development



IT Infrastructure



Data Science



Cloud Computing



Cybersecurity



Software Quality Assurance



HR Services



Bookkeeping

STRENGTH BEYOND VOICE



Social Media



Real Estate



Legal Research



Auditing



Financial Reporting



Core Banking



Accounting



Asset Management



Tax Reporting



Commercial Mortgage



Claims Management



Insurance Administration



Engineering Design



Payroll Processing



Data Analytics



Financial Analysis



Business Intelligence



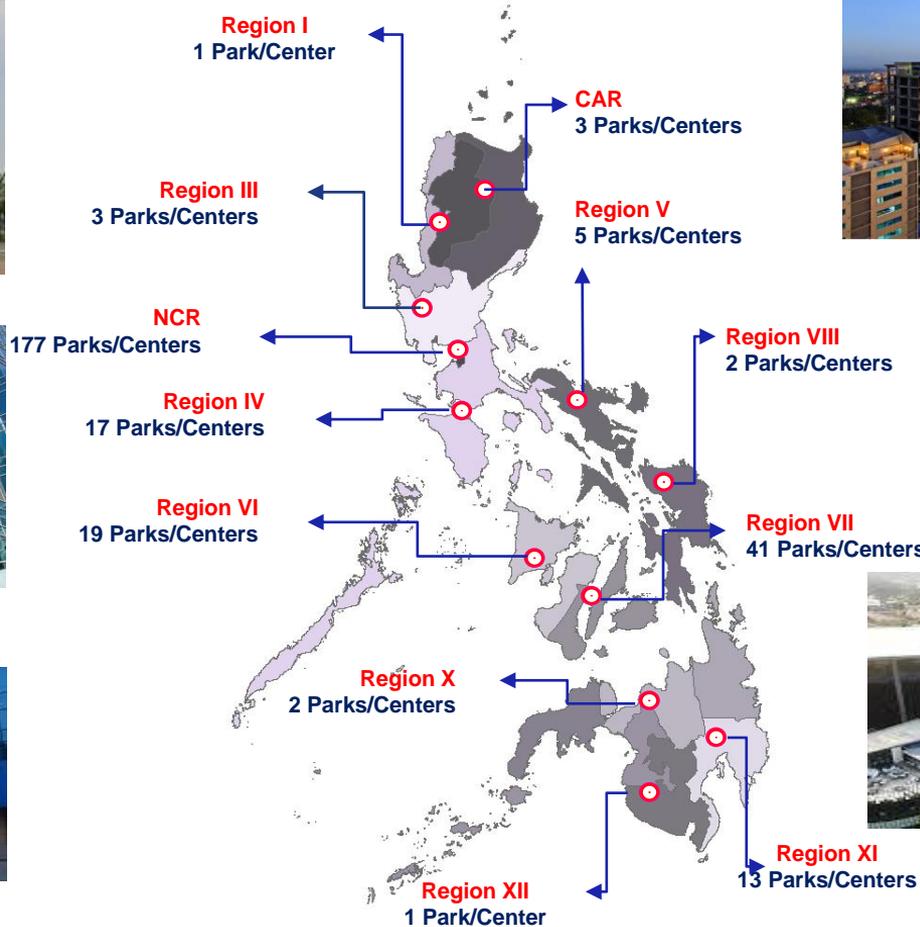
Inventory Management



Market Research

- Animation
- Contact Center
- Game Development
- Healthcare
- Global Shared Services
- I.T. & Software

Presence of 413 IT Parks / Centers ready to serve ITBPM, SSC, R&D companies





- 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 City
- 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

Intellectual Property Protection

2020 Special Rules on the Prosecution of IP Cases

fosters a legal atmosphere that ultimately spurs creative activity and innovation, technology transfer and foreign investment in the Philippines by ensuring an effective and speedy adjudication of IP rights cases

50th

WIPO Global Innovation Index 2020

up from 54th in 2019

Strengths:

- ❖ IP registration
- ❖ Patent protection
- ❖ E-Participation
- ❖ Domestic Market Scale
- ❖ Knowledge absorption and diffusion
- ❖ High-tech imports and exports
- ❖ Creative and ICT exports
- ❖ Productivity Growth

2020 IP Rights Index Score

up from 5.309 in 2019

5.322

Steady Increase in IP Registrations in the Past Few Years



PATENTS



TRADEMARKS

Source: IPOPHL

GOVERNMENT SUPPORT

1. CREATE Act
2. Policy Initiatives/Legislative Reforms

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

Status: Signed by the President on 26 March 2021; Effectivity: 11 April 2021

Menu of Incentives

- 4-7 years Income Tax Holiday (ITH);
- 5% Special Corporate Income Tax (SCIT) based on Gross Income Earned, in lieu of all national and local taxes **OR** Enhanced Deductions
- Duty exemption on importation of Capital Equipment, raw materials, spare parts, or accessories
- VAT exemption on importation and VAT Zero-rating on local purchases

Other key features of the Act:

- Removal of export and nationality bias
- Reduction of CIT Rate from 30% to 25% effective 1 July 2020
- President's flexibility in **granting incentives up to 40 years** for highly desirable projects with minimum investment capital of P50 billion (US\$1B) or at least 10,000 job generation

Enhanced Deductions:

- Depreciation allowance of assets-additional 10% for buildings; and additional 20% for machineries and equipment
- 50% additional deduction on labor expense
- 100% additional deduction on R&D
- 100% additional deduction on training expense given to Filipino employees
- 50% additional deduction on domestic input expense
- 50% additional deduction on power expense;
- Deduction for reinvestment allowance to manufacturing industry - the amount reinvested to a maximum of 50%
- Enhanced *NOLCO*

Ensuring Continued Business Operations

Ease of Doing Business and Efficient Delivery of Government Services Act of 2018 (*Amendment of the Anti-Red Tape Act of 2007*)

Launching of the Central Business Portal

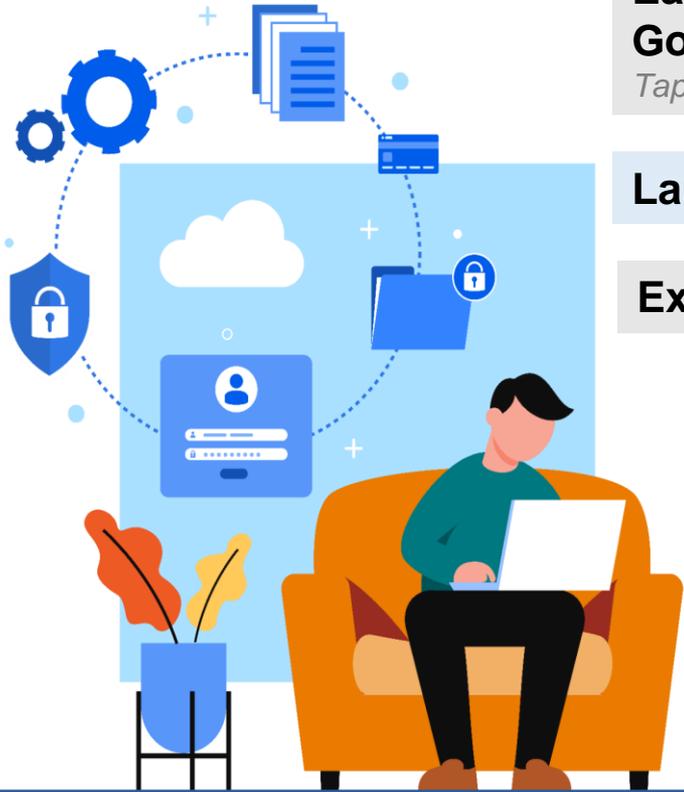
Executive Order No. 127 (*Amending EO No. 467 (S.1998)*)

Telecommuting Act

National Employment Recovery Strategy (NERS)

Assistance to Repurpose Manufacturing

Travel Ban Exemption Endorsement



Public Service Act (RA No. 11659)

Allows foreigners to own 100% foreign ownership of public services in the Philippines

Open for 100% Foreign Equity	60% Filipino, 40% Foreign Equity
<ul style="list-style-type: none"><input type="checkbox"/> Telecommunications<input type="checkbox"/> Shipping<input type="checkbox"/> Air carriers<input type="checkbox"/> Railway<input type="checkbox"/> Subways<input type="checkbox"/> Airports<input type="checkbox"/> Toll Roads	<ul style="list-style-type: none"><input type="checkbox"/> distribution of electricity;<input type="checkbox"/> transmission of electricity;<input type="checkbox"/> petroleum and petroleum products pipeline transmission systems;<input type="checkbox"/> water pipeline distribution systems and wastewater pipeline systems, including sewerage pipeline systems;<input type="checkbox"/> seaports;<input type="checkbox"/> public utility vehicles

Foreign Investments Act (RA No. 11647)

Makes the Philippines more accessible to foreign investors as it removes several restrictions on foreign investments in certain industries

Key Features

- The new law allows qualified non-Philippine nationals to do business in the country or invest in a domestic enterprise up to 100% of its capital and liberalizes the practice of professions not governed by existing special laws.
- It reduces the list of investment areas reserved for Filipinos to just 1) defense-related businesses, and 2) small and micro domestic market enterprises with paid-up equity capital of less than \$200,000.
- It also allows foreigners 100% ownership of startups or startup enablers, enterprises involving advanced technology, enterprises where a majority of direct employees are Filipinos and there must be at least 15 such employees.
- To integrate all the promotion and facilitation efforts to encourage foreign investments, the Inter-Agency Investment Promotion Coordination Committee (IIPCC) was also created which shall be chaired by the DTI Secretary.
- Export enterprises involving foreign investors that fail to meet export ratio requirements will be ordered to reduce its domestic market sales to at most 40% of its total production.

Retail Trade Liberalization Act of 2000 (RA No. 11595)

Key Features:

1. Reduction of the capital requirement of retail enterprise from US\$2.5M to PhP25M (or around US\$500,000)

2. Deletion of the classification of retail enterprises, including those enterprises that specializes in high-end or luxury goods

3. Removal of the US\$200M net worth requirement, minimum number of required retail branches, and the minimum 5-year retailing track record conditions

4. For foreign retailers engaged in retail trade through more than one (1) physical store, the minimum investment per store must be at least PhP10M

Pre-qualification from BOI is removed.

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As of 01 July 2022