



# Country Outlook: The Philippines

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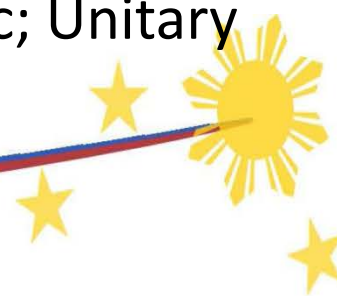


## Asia-Pacific Business Outlook 2013

# The Philippines – Geography, People & Government

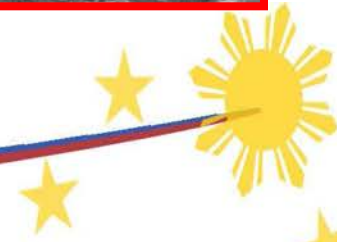


- 7,107 islands – size of New England
- 101 million people;
- Median age- 23 years old
- Over 12 million Overseas Filipino Workers (OFWs)
- Ethnic groups: Malay, Chinese
- Religion: Christian (92.5%); and Muslim (5%)
- Constitutional Republic; Unitary Presidential



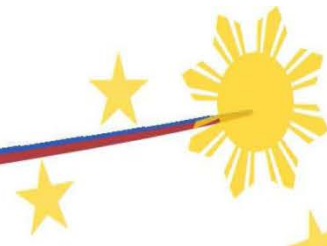
# U.S. - Philippine Ties

- Colonial Era
  - 1898 to 1946
- World War II
  - Shoulder to Shoulder
- Matured Friendship
  - English Language
  - Democratic Principles
  - 5 million Fil-Ams in the U.S.
  - Estimated 400,000 U.S. citizens the Philippines



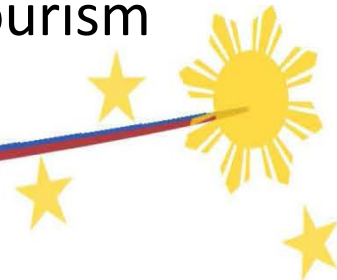
# The Philippine Market

- The U.S. is the 2nd largest trading partner
- High opinion of the U.S.
- Well-established market for U.S. business
- American brands are well known and trusted
- Strong affinity for Western culture
- 4<sup>th</sup> largest English-speaking country in the world
- Filipino people are eager consumers and early adapters of new trends and technologies



# The Philippines: Pushing Forward on All Fronts

- Reform-minded Administration with a growing track record of good governance, prudent fiscal and budgetary management
- Strong external payments position supported by large foreign exchange reserves, robust overseas foreign remittances
- Credit rating upgrades over the past two years and ongoing market appetite
- Major industries: business process outsourcing, electronics assembly, garments, wood products, food processing, petroleum refining, fishing, chemicals, tourism
- Mid-term national elections in May 2013





# The Aquino Administration

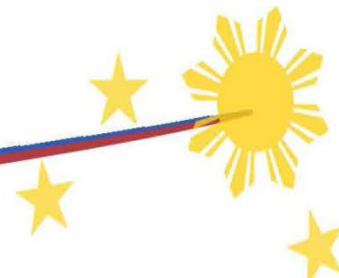
*“By curbing corruption we can reduce poverty.”*

*- - President Benigno S. Aquino III*



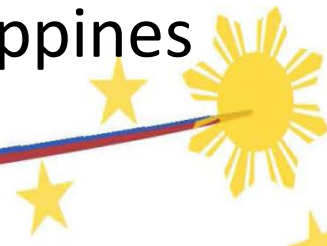
## Priorities:

- Rapid, inclusive, and sustained economic growth
- Anti-corruption/transparent, accountable and participatory governance
- Poverty reduction, education and empowerment of the poor and vulnerable
- Improvement of fiscal management
- Public-Private-Partnership (PPP)



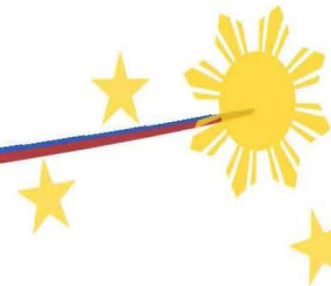
# U.S. - Philippine Trade Relationship

- Over **US\$18B** two-way trade - relatively balanced trade flows
- The Philippines ranked as the United States' **33<sup>rd</sup> largest export** partner and the **38<sup>th</sup> largest import** partner
- The U.S. is 3<sup>rd</sup> largest foreign investor in the Philippines
- U.S. foreign direct investment (FDI) in the Philippines (stock) at \$5.3 billion



# Key Economic Growth Drivers

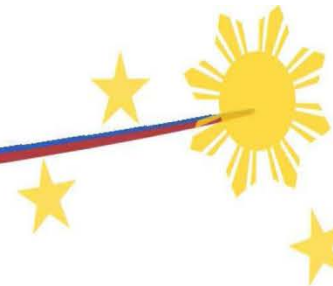
- Real GDP rose 6.7% in 2012 (2<sup>nd</sup> highest in the region)
- Annual per capita income improved to over US\$2,610.
- Consumer spending as main growth driver, growing at 11% a year (US\$186 billion in 2012)
- Spending sustained by overseas Filipino remittances represent stable inflow - *US\$23 billion of remittances (about 10% of the GDP)*





# Market Opportunities

- Peso strengthening (US\$1 – PHP41.00)
- Inflation managed (3%)
- Among Asian countries with large, young, and fast growing population getting “demographic windows” (36.6% - 25-54; 53.4% - 34 & below)
- Active human resource development and education
- Fitch Ratings (March 2013) – upgraded to '**BBB-**' from 'BB+“



# Leading Industrial Sectors for U.S. Exports to the Philippines

1. Information Technology
2. Electric Power Systems /Renewable Energy
3. Telecommunications Equipment
4. Medical Equipment
5. Water Resources Equipment & Services



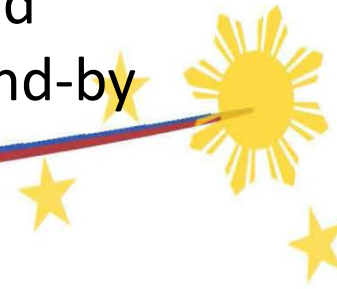
# # 1 Leading Sector: INFORMATION TECHNOLOGY

- **#1** in offshore site for “voice” services; IT Enabled – Business Process Outsourcing (BPO) industry contributed 5.4% to RP’s GDP, generated US\$13 billion in revenue and close to 700,000 direct jobs
- The BPO Industry aims for US\$25 billion revenue & 1.3 million jobs by 2016
- Largely American-dominated: HP, Dell, Apple, Avaya, Cisco, IBM, Oracle, Symantec, McAfee
- **Best Prospects:** IT Security, Networking Systems/Solutions (servers, LAN, WAN), Enterprise Software (CRM, ERP), Broadband Solutions, Wireless Applications, Innovative Applications, Workforce Management, Software-as-a-Service (SAAS)

## #2 Leading Sector:

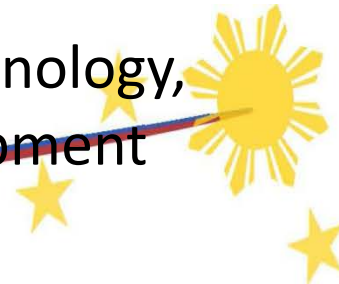
# ELECTRIC POWER/RENEWABLE ENERGY

- World leader in renewable energy with a third of its total electric power needs met through renewable sources (geothermal, natural gas and hydro); 26% and 23% of power generation is by coal-fired and oil-based power plants, respectively
- Renewable Energy Act offers fiscal and non-fiscal incentives to equipment manufacturers/suppliers with the goal of achieving 60% renewable energy generation by 2017
- **Best prospects:** Renewable energy equipment, Energy Efficiency Technologies, Lighting Equipment, Smart Grid Systems, Transmission and Distribution Hardware, Stand-by Mobile Power Generating Systems



## #3 Leading Sector: TELECOMMUNICATIONS

- Over *90 million* mobile device users; close to *2 billion* text messages daily
- Broadband growth is driven primarily by the Filipino's attachment to social networking sites
- Major telecom carriers: PLDT/Smart and Globe Telecom. Both have invested in other major carriers, such as Digital Telecom and Bayantel (in talks with Globe)
- Broadcast sector is dominated by ABS-CBN, GMA Network and TV5
- ***Best Prospects:*** Wireless Technology, Broadband Technology, Digital Terrestrial Transmission, Post-Production Equipment





## #4 Leading Sector: MEDICAL EQUIPMENT

- Total import of medical equipment roughly at \$285 million. The U.S. regained its top position, supplying more than 35% of total importation.
- The U.S. performs well with high value, low volume medical equipment such as ultrasound equipment, magnetic resonance imaging (MRI) equipment, breathing equipment, and other radiology and electronic medical equipment.
- **Best Prospects:** Electro-cardiographs, ultrasonic scanning machines (ultrasound), magnetic resonance imaging (MRI) equipment, x-ray and radiation equipment, breathing appliances, and computed tomography apparatus (CT scan).

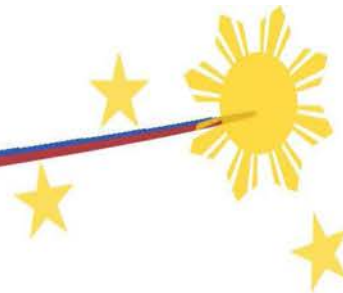
## #5 Leading Sector:

# WATER RESOURCES EQUIPMENT & SERVICES

- Expected growth of 10% yearly in view of upcoming projects that address increasing water scarcity, sanitation and wastewater-related problems.
- Highly dependent on imported water and wastewater treatment products and services.
- Japan, U.S. and Singapore - major sources of water and imported wastewater treatment products and equipment
- **Best prospects** : Drinking/Potable water treatment equipment/processes, Products/equipment for the construction and development of additional water resources and water supply systems, Water supply rehabilitation products/equipment.

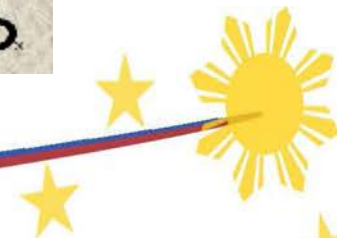
## Other Promising Sectors

- Defense/Security (Aviation)
- Franchising
- Infrastructure
- Education/Publishing



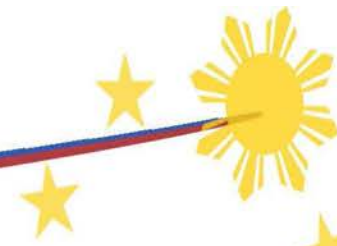
# U.S. Firms Succeed in the Philippines

- U.S. business engagement in the Philippines is longstanding, positive and growing, and American firms play a major role in the economy
- Over 600 U.S. Companies and their affiliates operate in the Philippines (oldest Amcham in the world)
- Recent U.S. players:

The Google logo, featuring the word "Google" in its signature multi-colored font.

# Challenges in Doing Business

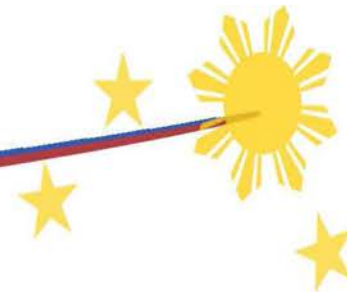
- Legacy of corruption
- Infrastructure/energy shortfalls
- Intellectual property rights
- Bureaucracy
- Local Government Units
- Judicial system
- Lack of transparency
- 60/40 investment restriction & negative list





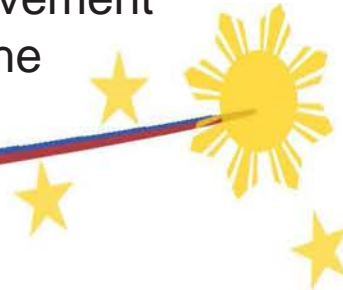
# Philippine Business Culture

- Exporters should use a representative, agent or distributor
- Do your due diligence – Know Your Partner!
- Manage your risks/have patience



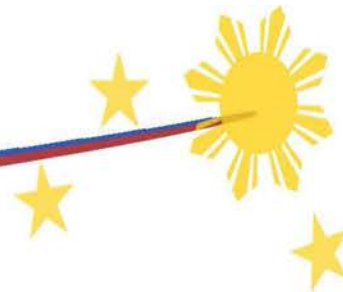
# What Others Are Saying...

- **Global Competitiveness Index (World Economic Forum):**
  - Ranked **65th**, the Philippines is one of the countries showing the most improvement.
  - **Advanced 22 places** since reaching its lowest mark in 2009... important strides this year in improving competitiveness—albeit often from a very low base - especially with respect to its public institutions (94th, up 23 places).
  - **Trust in politicians** has made considerable progress (95th, up 33), although significant room for improvement remains.
  - The perception is that **corruption** (108th, up 11) and **red tape** (108, up 18) are finally being addressed decisively, even though they remain pervasive.
  - The **macroeconomic environment** also exhibits marked improvement (36th up 18) and represents one of the strongest aspects of the Philippines performance, along with its **market size** (38th).



## Others...

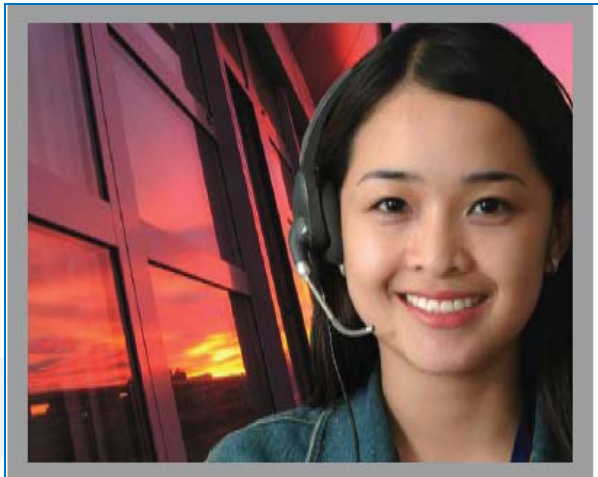
<b>TI Corruption Index</b>	2012	105 of 176 (34)
<b>Heritage Economic Freedom</b>	2013	97 of 177 (58.2)
<b>World Bank Doing Business</b>	2013	138 of 185



# Why It's More Fun the Philippines?

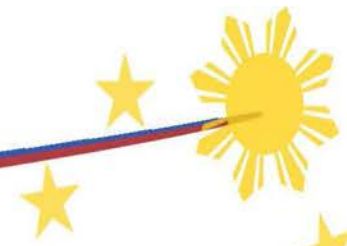
The Philippines has much to offer to American business....

- **A Strong Comeback** with Economic Opportunities in Many Hot Sectors
- **Warm, Friendly People...** and English-Speaking
- **Shared Cultural Heritage** in a vibrant democracy



# Trade Missions

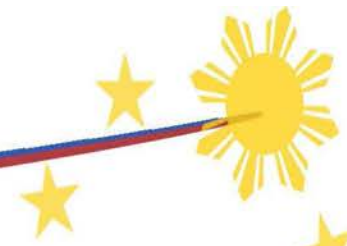
- **Recent:** Renewable Energy, Trade Delegations from Iowa & Hawaii
- **Trade Winds 2013**  
May 9-17, 2013  
Korea, Philippines, Japan, Hong Kong & Taiwan
- **State of Utah Trade Mission**  
July 15-17, 2013
- **ASEAN Energy & Environment Trade Mission**  
Sept. 15-20, 2013, Thailand, Malaysia, Philippines  
([export.gov/trademissions/aseanenergy/](http://export.gov/trademissions/aseanenergy/))
- **Education Trade Mission**  
October 23-30, 2013, Malaysia and Philippines





# Points to remember

- Work in Progress
- 6.7 % Growth Rate
- Long Historical Legacy
- Positive U.S. image - - Business and People



# Mabuhay from CS Philippines!



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# Thank you!

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