



Philippine Business and Economic Forum

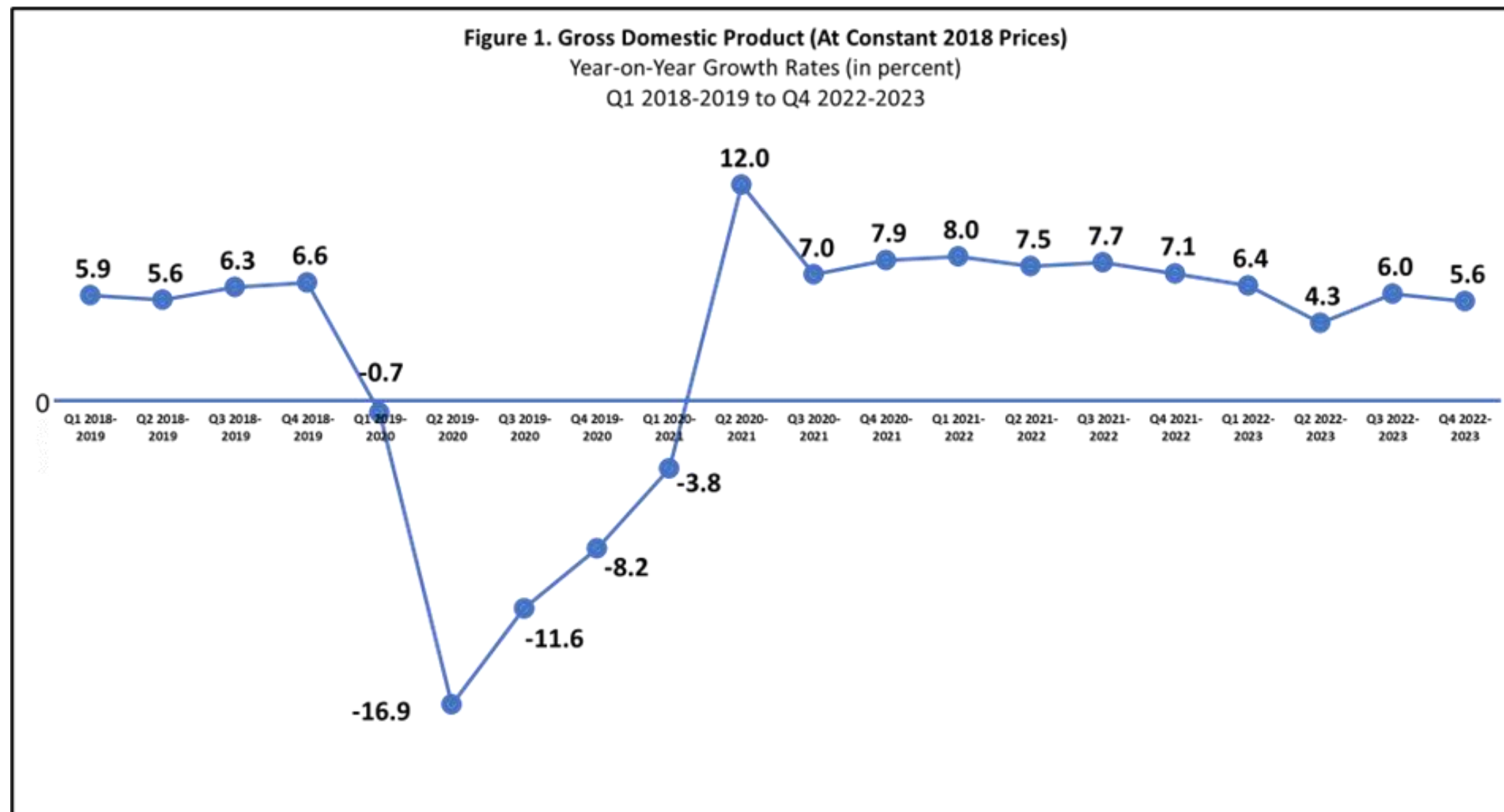
Keynote Luncheon Address

27 February 2024

WWW.PHILIPPINES.BUSINESS



Stable and strong GDP growth, post-pandemic Full Year 2023: 5.6% one of the fastest in Asia



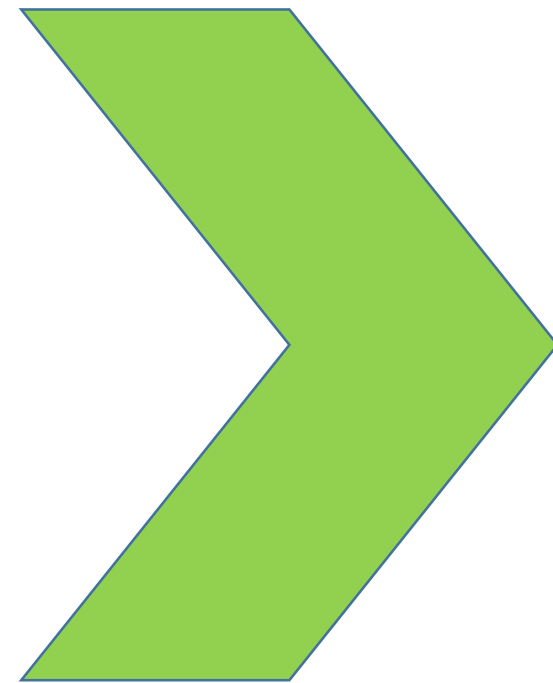
PH on track to become a
USD 1-Trillion Economy by 2033

GDP Growth Rate of Major Economies in Asia



PH Growth for 2023: **5.6%**
Outpacing China, Vietnam
and Malaysia

PH Goal is not just Growth as we are already the Fastest Growing Country in one of the Fastest Growing Regions in the World.



Our goal is to Transform the Economy in order to enter a virtuous cycle of sustained Economic growth.

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.

**Necessitates Active and Not Passive Government involvement!
Sustainable means more Inclusive!**

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

Comparative ASEAN Net FDIs

Country	2022	2023 Jan-Sept
	US\$ Billion	
Singapore	141.3	na
Indonesia	25.5	16.3
Vietnam	22.4	15.9
Philippines	9.4	5.9
Malaysia	17.1	5.0
Thailand	11.2	4.4

Net FDI inflows soared to near two-year high in November 2023

By: Ian Nicolas P. Cigaral - 9 hours ago

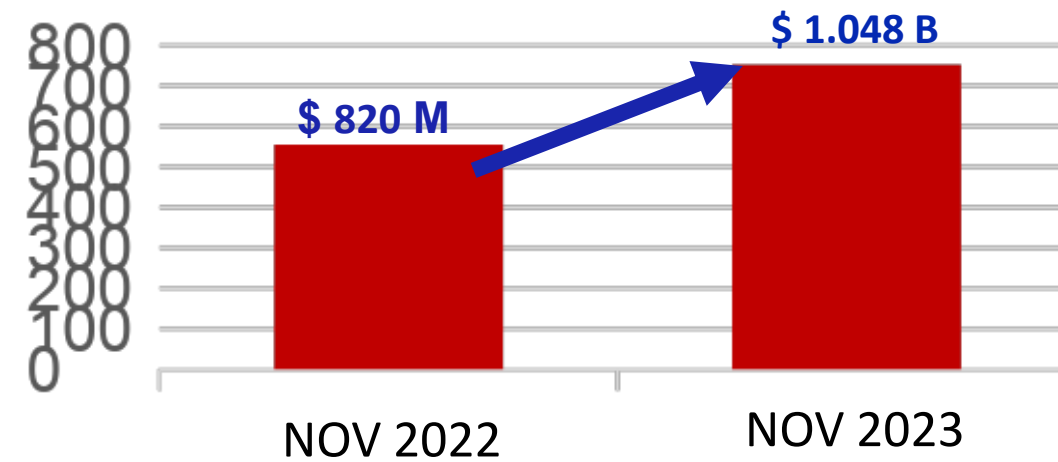


Bangko Sentral ng Pilipinas. (File photo / Philippine Daily Inquirer)

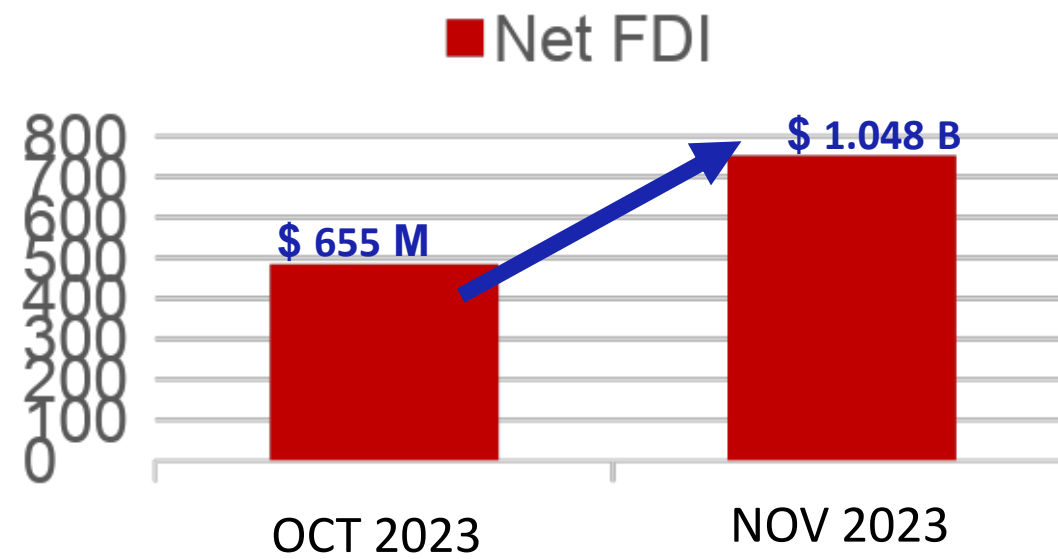
MANILA, Philippines –The net inflow of foreign direct investments (FDI) to the Philippines returned to growth mode in November 2023 to post its largest haul in nearly two years as easing inflation calmed investors' nerves.

Inward FDIs

JAN – NOV 2023



27.8%
November 2022 vs November 2023

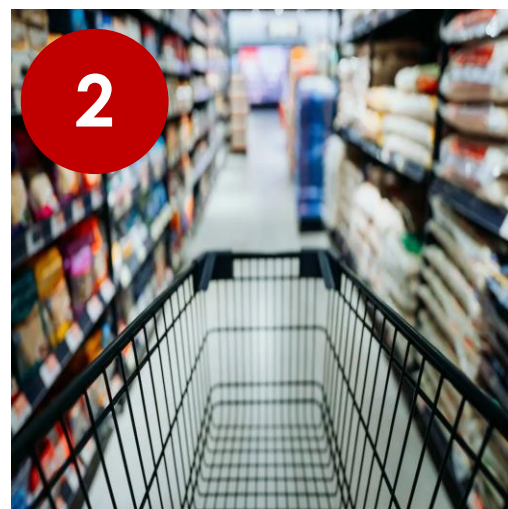


60%
October 2023 vs November 2023

TOP INDUSTRIES



1
Manufacturing
USD 754.99 M



2
Retail
USD 93.23 M



3
Real Estate
USD 84.41 M

TOP COUNTRY SOURCES



Source: Bangko Sentral ng Pilipinas, Net FDI Flows



INVESTMENT PERFORMANCE

JANUARY TO DECEMBER 2023

Total Approved Investments

PHP 1.26T  **73%**
increase from the same period last year

vs. **1.15T** PREXC target in IPA-approved investments in 2023

PHP 766.97B

Foreign investment Approvals

PHP 493.23B

Local Investment Approvals

TOP FOREIGN SOURCES



Germany
PHP393.28B



Netherlands
PHP333.61B



Singapore
PHP21.45B



United States
PHP3.55B

INVESTMENT APPROVALS PER SECTOR



Renewable Energy
PHP987.12B



Information and Communication
PHP96.04B



Mining
PHP79.19B



Manufacturing
PHP22.05B



Infrastructure (Toll Roads)
PHP21.47B

RENEWABLE ENERGY

The Philippines with its vast RE resources, coupled with strong government policy support & direction, can support the sustainable and net zero emission goals of Japanese companies.

Power Capacity and Generation Mix | 2022

Installed Generating Capacity
TOTAL : 28,258 MW

12,428 MW | 44%
Coal

8,264 MW | 29%
Renewable Energy

3,834 MW | 14%
Oil-Based

3,732 MW | 13%
Natural Gas



Power Generation
TOTAL : 111,516 GWh

66,430 GWh | 60%
Coal

24,684 GWh | 22%
Renewable Energy

2,519 GWh | 2%
Oil-Based

17,884 GWh | 16%
Natural Gas

As of 31 December 2022, a total of 1,002 projects were awarded RE Contracts with an installed capacity of 5,571 MW and a potential of 80,399 MW.

RE Goal: 35% RE share in the power generation mix by 2030, and 50% by 2040

Opportunities in RE

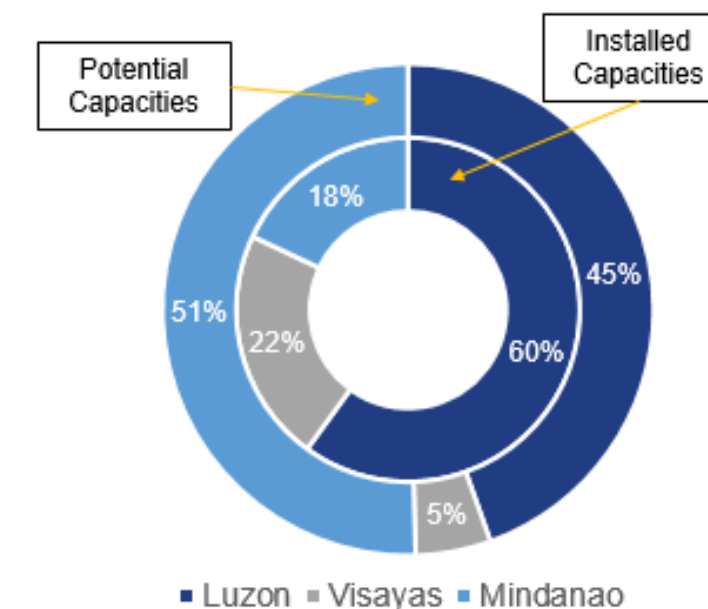
100% allowable foreign equity for RE resources such as geothermal, solar, wind, biomass, ocean or tidal energy

Competitive Renewable Energy Zone | CREZ

Identified 25 individual zones with high-quality solar and wind resources across the Philippines.

58,110 MW Solar PV and 93,987 MW Wind potential capacities

Estimated potential for other RE resources: 374 MW Biomass, 365 MW Geothermal; 655,024 MW Hydroelectric



RE Outlook (2021 – 2040)

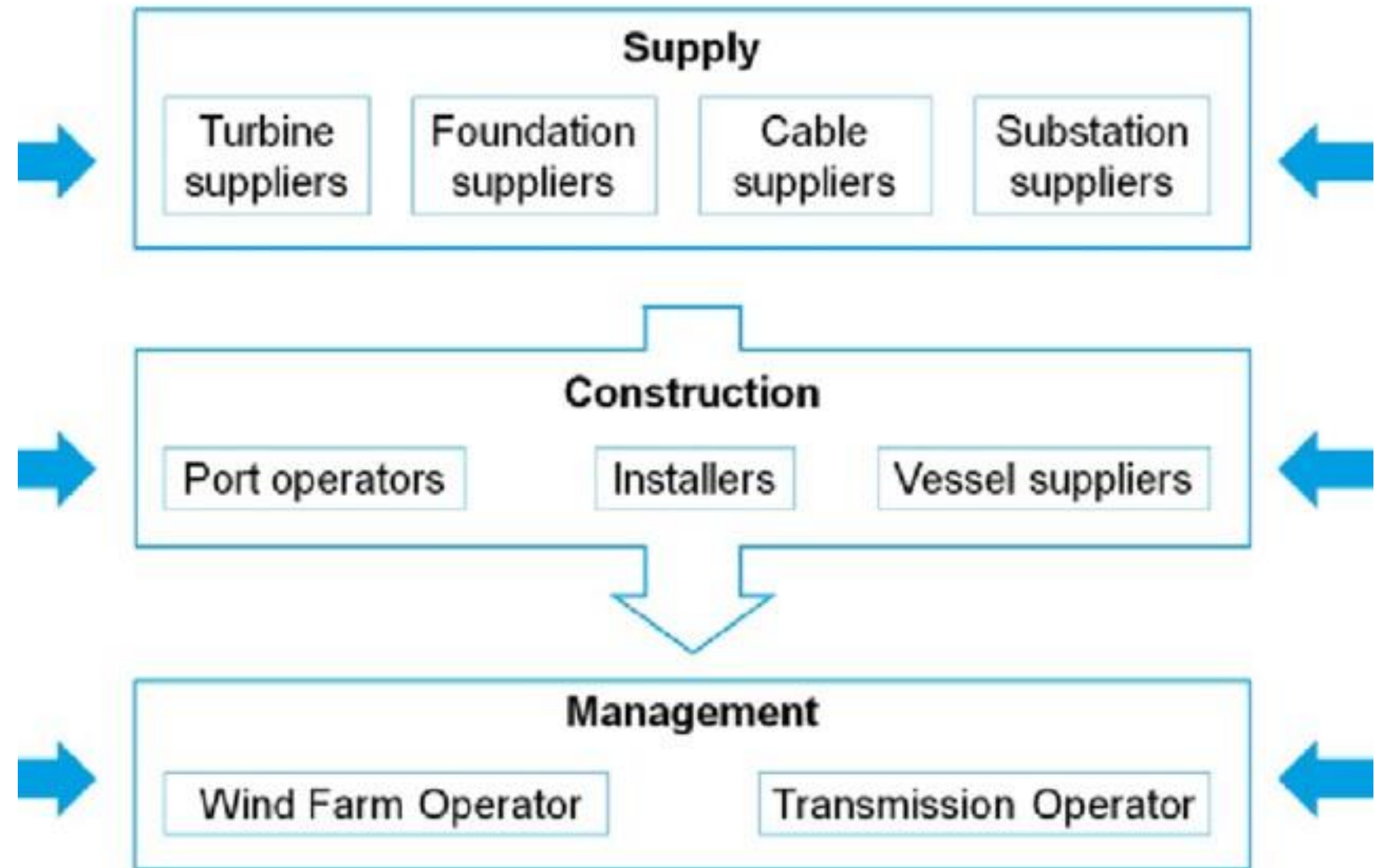
Particulars, in MW	2021	2025	2030	2035	2040
New Natural Gas	0	759	2,259	8,159	18,859
New Biomass	0	120	120	360	364
New Geothermal	0	0	850	1,900	2,500
New Solar	0	2,660	5,585	8,910	27,162
New Hydro	0	0	0	2,200	6,150
New Wind	0	0	6,450	13,050	16,650
Committed Capacity	2,066	7,512	7,592	7,592	7,592
Existing Capacity	22,954	22,954	22,954	22,954	22,954

Plant Type	2030		2040	
	Power Generation in Gwh	Percent Share	Power Generation in Gwh	Percent Share
Coal	84,306	45	84,491	24
Oil-based	308	0	365	0
Natural Gas	36,618	20	89,866	26
RE	65,316	35	174,783	50
Biomass	1,455	1	2,353	1
Geothermal	23,293	12	35,321	10
Solar	10,436	6	43,686	12
Hydro	12,884	7	49,697	14

To reach the RE target, a total of 52,826 MW additional RE capacity is needed by 2040.

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)



GREEN METALS

NICKEL
2.1 billion MT

CHROMITE
127.4 million MT

COPPER
6.9 billion MT

GOLD
3.63 million kg

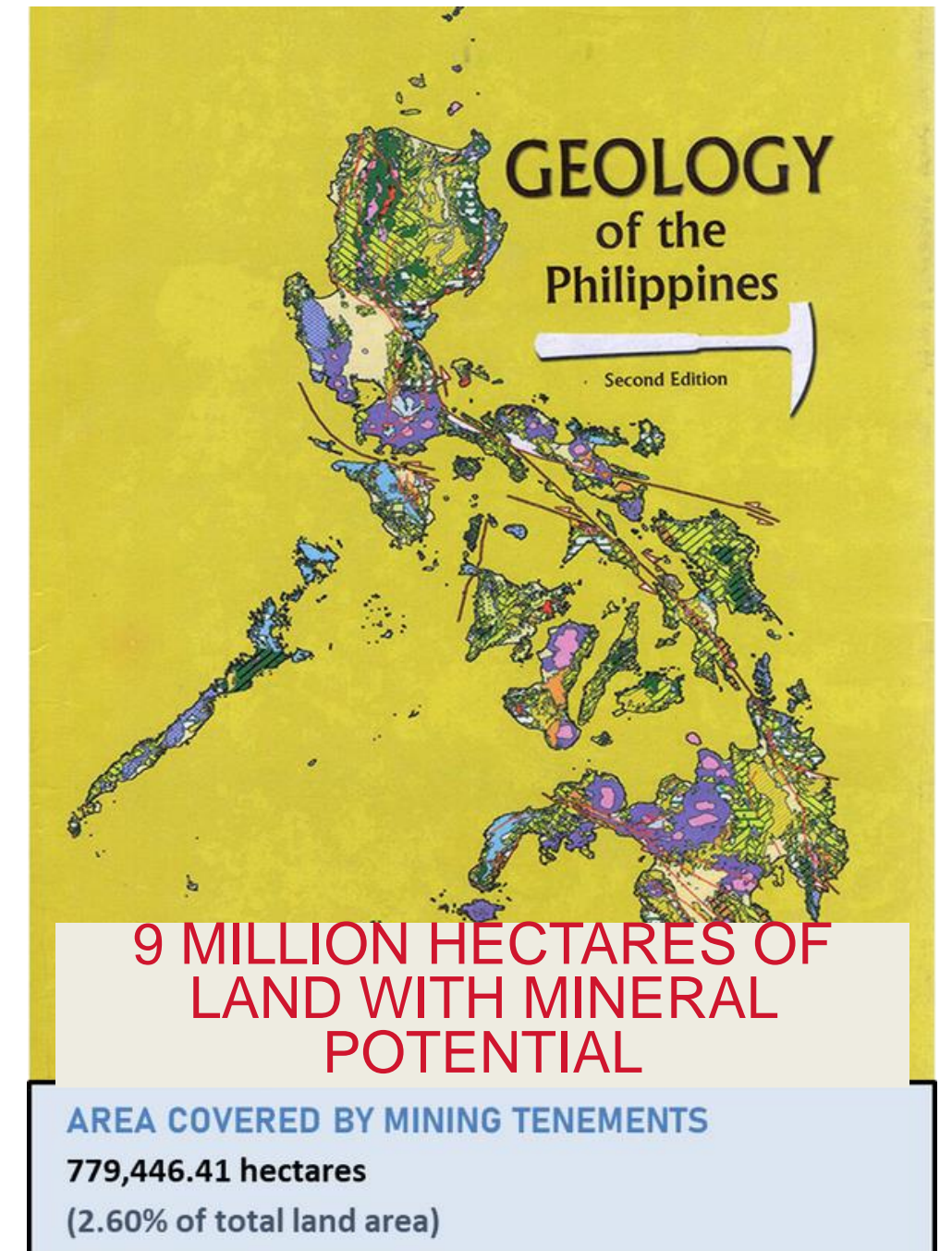
COBALT
260,000 MT

IRON
1.56 billion MT

OTHER METALLIC MINERAL RESOURCES:
manganese minerals, sulfur minerals, bauxite

VALUE PROPOSITION

ABUNDANT MINERAL RESOURCES



INDONESIA MODEL



Export Ban of Raw Unprocessed Mineral Commodities



Nickel (2020)



Bauxite (2022)



Copper (2023)

Increase in Export Value of Nickel Derivative Products:

3-4 years ago
US\$ 1,1 B



2021 (Estimate)
US\$ 20 B



Natural Resources Based (Primary) Economy¹³

Exploiting and Exporting Natural Resources; such as Nickel, Bauxite, Copper



Value-Added Based Economy



Processing the Mineral (Downstream Industry) in Indonesia

VALUE PROPOSITION

MINERAL PROCESSING HUB IN THE REGION



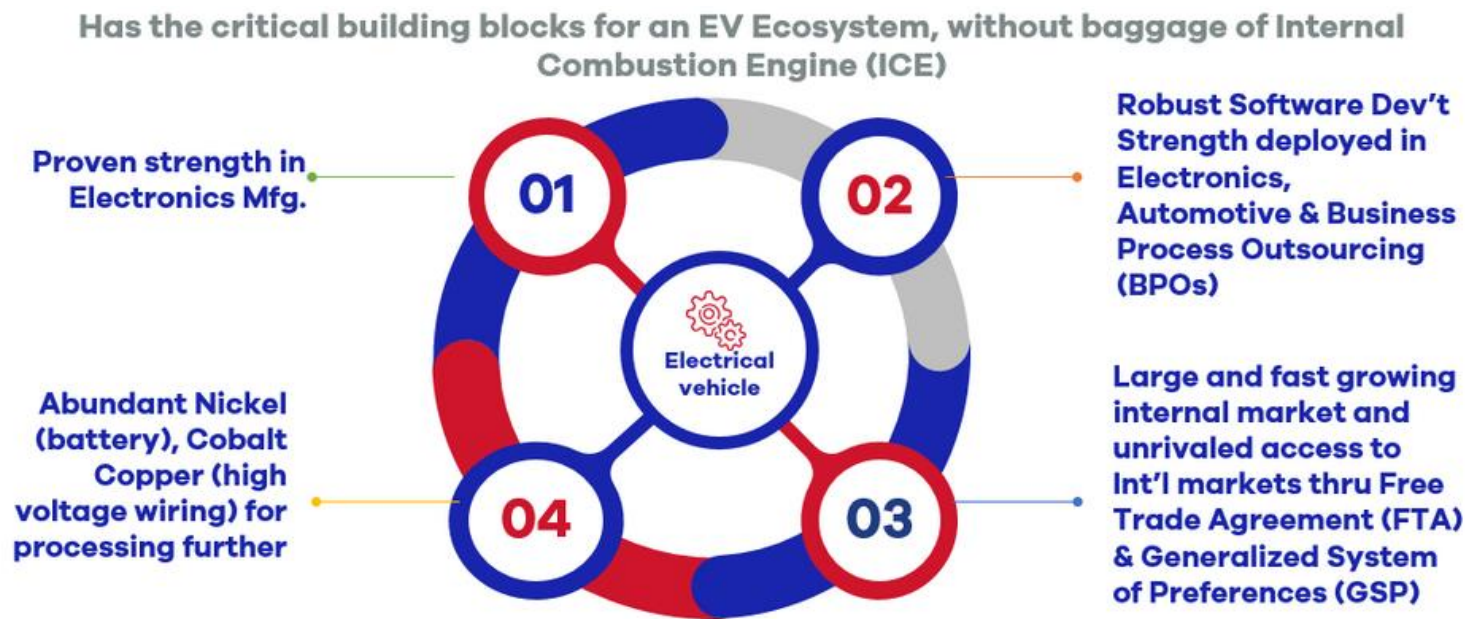
Nickel mining clusters --
possible locations for establishment of a
processing facility

#	Cluster	Industry players	% total production
1	CARAGA (Surigao del Norte, Surigao del Sur, Dinagat Islands)	13 mines 1 HPAL plant	76%
2	Palawan	4 mines 1 HPAL plant	17%
3	Zambales	5 mines	6%

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

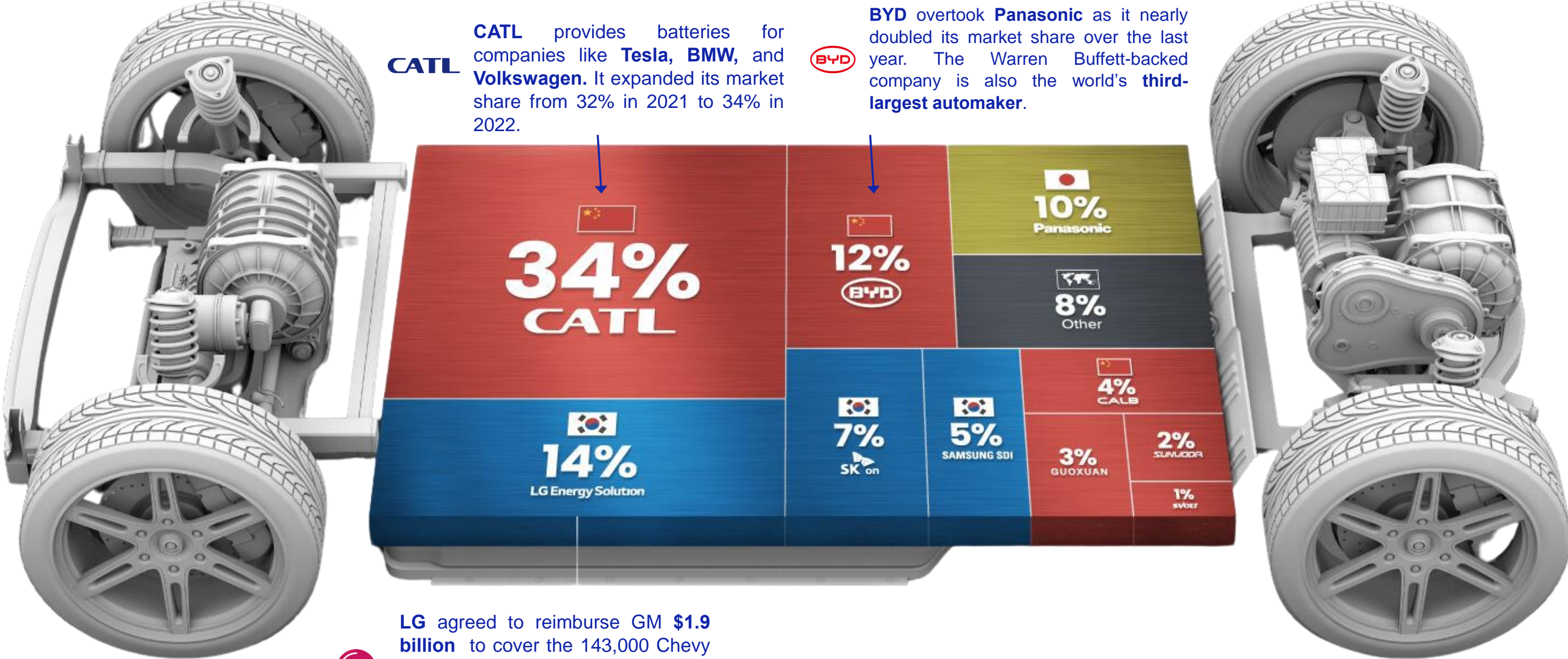
*commercially recoverable and economically viable

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

EV BATTERY MANUFACTURERS IN 2022



CATL provides batteries for companies like **Tesla, BMW, and Volkswagen**. It expanded its market share from 32% in 2021 to 34% in 2022.

BYD overtook **Panasonic** as it nearly doubled its market share over the last year. The Warren Buffett-backed company is also the world's **third-largest automaker**.

LG agreed to reimburse GM **\$1.9 billion** to cover the 143,000 Chevy Bolt recalled due to fire risks caused by faulty batteries.

July 19, 2023, Laguna, Philippines- Integrated Micro-Electronics Inc. (IMI), a global electronics manufacturing expert and Zero Motorcycles, a California-based manufacturer of 100% electric motorcycles, yesterday inaugurated the first high powered e-motorcycle manufacturing assembly line at the Laguna Technopark facility of IMI.

First high-powered e-motorcycle assembly line in the Philippines, launched



IMI and Lithos Energy Announce Strategic Manufacturing Collaboration



LITHOS



February 27, 2024, Laguna, Philippines — Integrated Micro-Electronics, Inc. (IMI), a leading global technology and electronics manufacturing solutions expert based in the Philippines, and Lithos Energy, Inc., a world leading manufacturer of high-performance lithium-ion battery systems engineered for demanding environments based in California, USA have forged a partnership to build electronics systems for their family of battery products in the Philippines.

Lighting-up ceremony for the Express Route of the InfiniVAN-initiated Philippine Domestic Submarine Cable Network (PDSCN).



Making faster internet speed happen in the Philippines: President Ferdinand R. Marcos, Jr. (middle) led the lighting-up ceremony for the Express Route of the InfiniVAN-initiated Philippine Domestic Submarine Cable Network (PDSCN) in Makati City on February 15, 2024.

BOI gives green lane endorsement to Metro Pacific's vegetable, dairy farm projects



- A vegetable farm project located in Bulacan and A dairy farm project situated in Laguna.
- Total cost - Php3.4 billion.

HI-TECH MFG & SERVICES

Business

Dyson's soon-to-rise Batangas hub to become its 'biggest' software center



Dyson — which currently has a software lab in Alabang and a manufacturing facility in Calamba, Laguna — will launch its P11-billion hybrid plant in Santo Tomas, Batangas in the third quarter of 2024 in a bid to consolidate all of its Philippines offices under one roof.

It targets to hire an additional 400 engineers and more than 50 graduate engineers for the new hub. The firm earlier said the investment would generate around 1,250 employees by mid-2024. Adriaansen says they do not consider the Philippines a support entity for Dyson. They instead see the Batangas operations as key to the company's development, adding that the country has "very talented people."

DTI eyes 128K engineers as PH chosen for US CHIPS Act aid

By Kris Crismundo

Share



MANILA – The DTI is eyeing to produce 128,000 engineers for the semiconductor industry as the Philippines and the United States partnered to develop the domestic sector....

DTI Undersecretary and Board of Investments Managing Head Ceferino Rodolfo and US Under Secretary for Economic Growth, Energy, and the Environment Jose Fernandez met last week during the latter's visit to the Philippines to forge collaboration in strategic industries, particularly semiconductors, critical minerals, and renewable energy.

Fernandez announced in a press briefing here last week that the Philippines is one of the countries that the US chose to benefit from USD500 million under the International Technology, Security, and Innovation (ITSI) Fund over a five-year period.

SteelAsia commissions PH's largest steel mill



The company also claimed that it is now the largest producer of rebars in Southeast Asia with the additional capacity from its Compostela steel mill. SteelAsia has two mills in Bulacan and one each in Batangas, Cebu, Davao City, and Misamis Oriental. The Compostela steel mill is expected to generate 500 direct jobs and 2,500 indirect jobs once fully operational.

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

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

34 of 42 Greenlane Certificates are for RE Projects!

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



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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

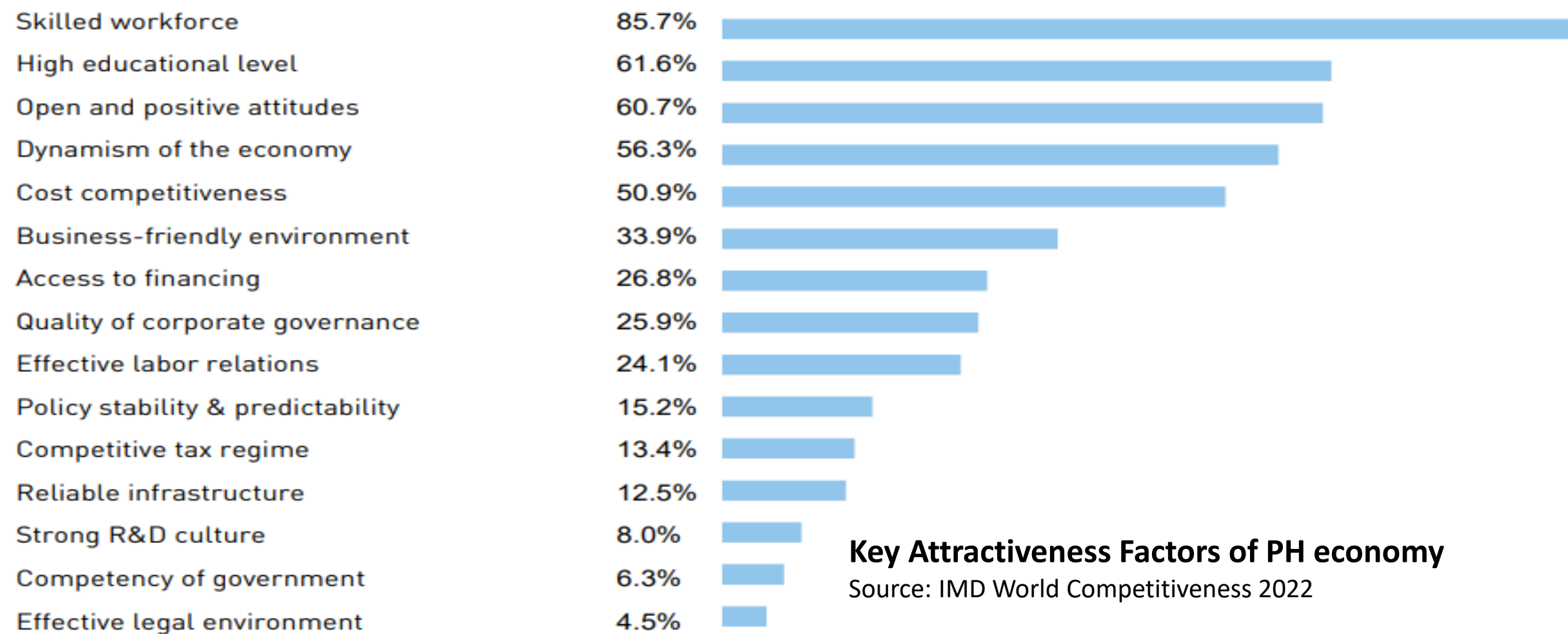
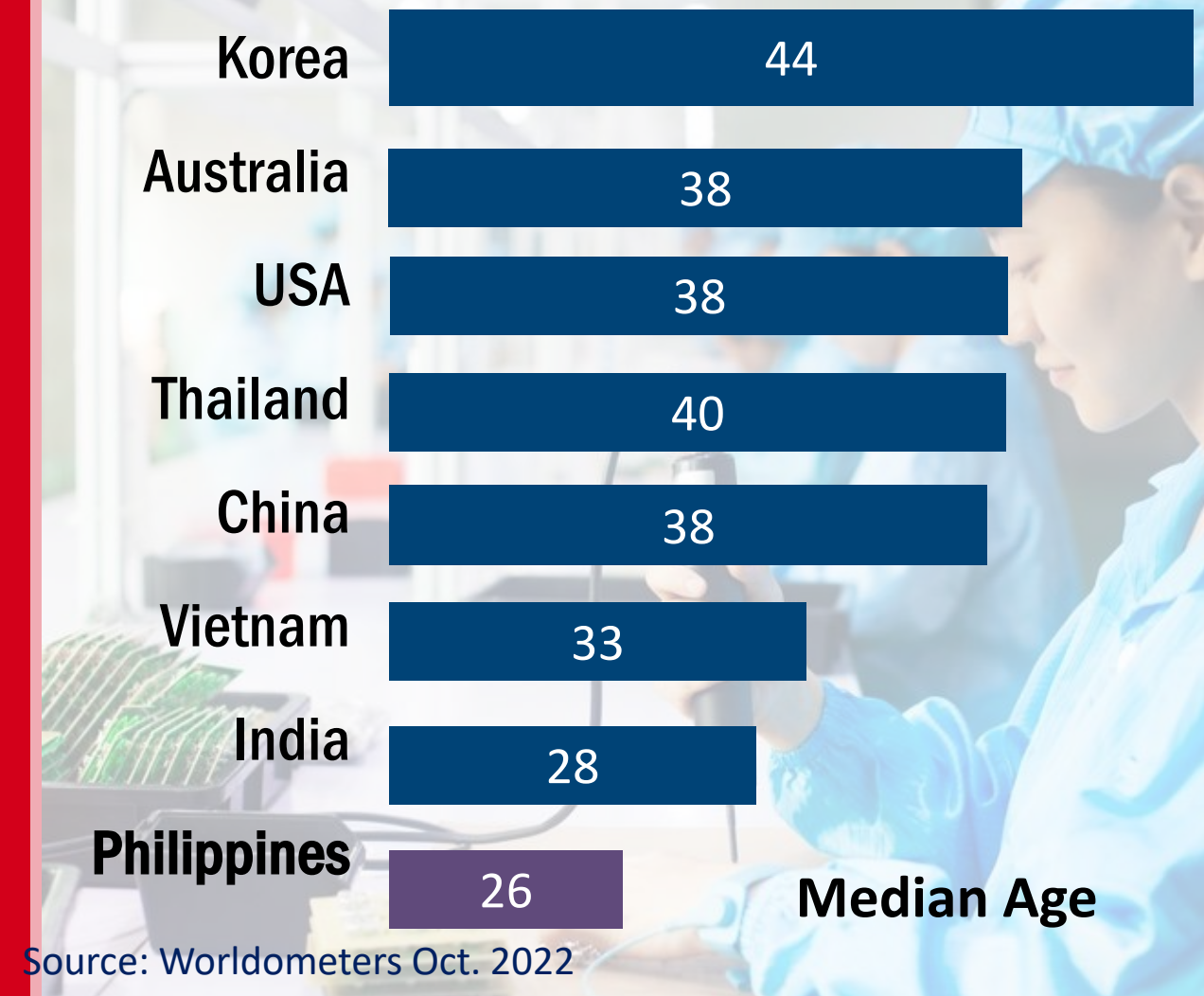
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The Philippines in Demographic Sweet Spot

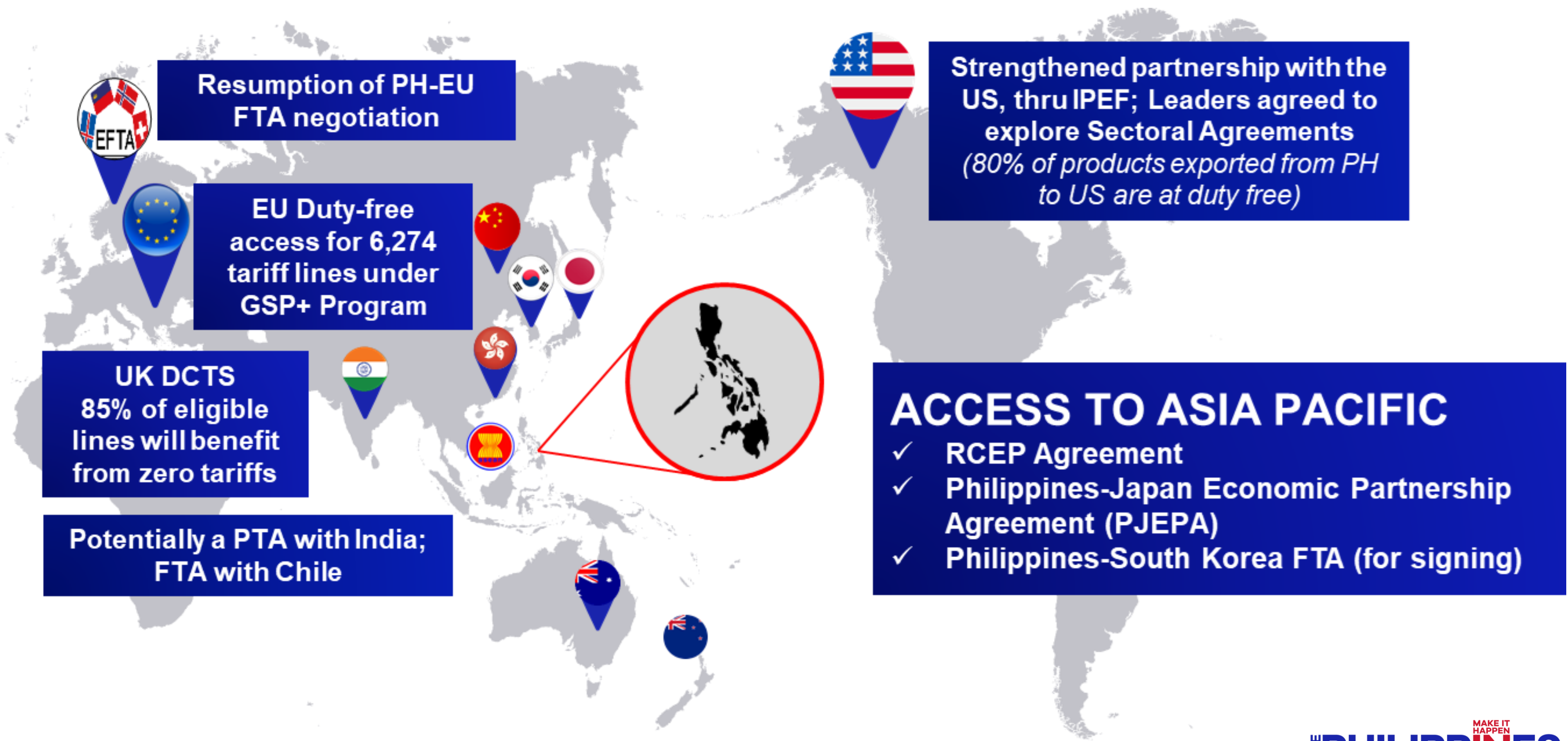
- Total population: **113 million** as of 2022 and **125 million** by 2030
- Labor force stands at **51.2 million**
- **800,000** graduates/year (average past 3 school years)
- **86,000** - Engineering and Technology Graduates (average past 3 school years)
- Highly trainable with a short learning curve 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



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

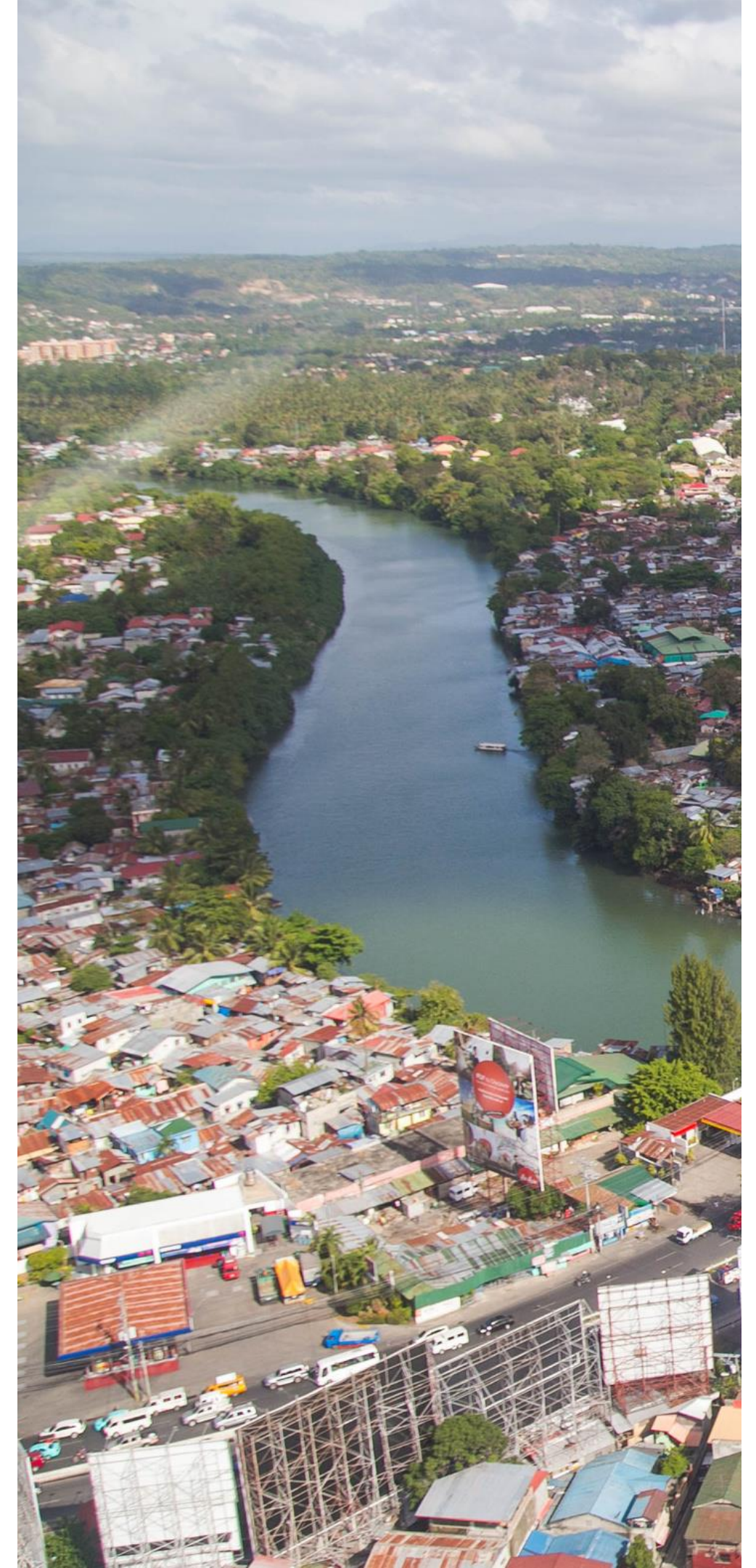
Strengthened partnership with the US, thru IPEF; Leaders agreed to explore Sectoral Agreements (80% of products exported from PH to US are at duty free)

ACCESS TO ASIA PACIFIC

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

Key Take-aways

- The PH Economy is growing (fastest in Asia / 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
- US-companies are especially important in the Philippines' Transformation





Thank you!

DR. CEFERINO S. RODOLFO

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