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THE PHILIPPINES

INVESTMENT HANDBOOK

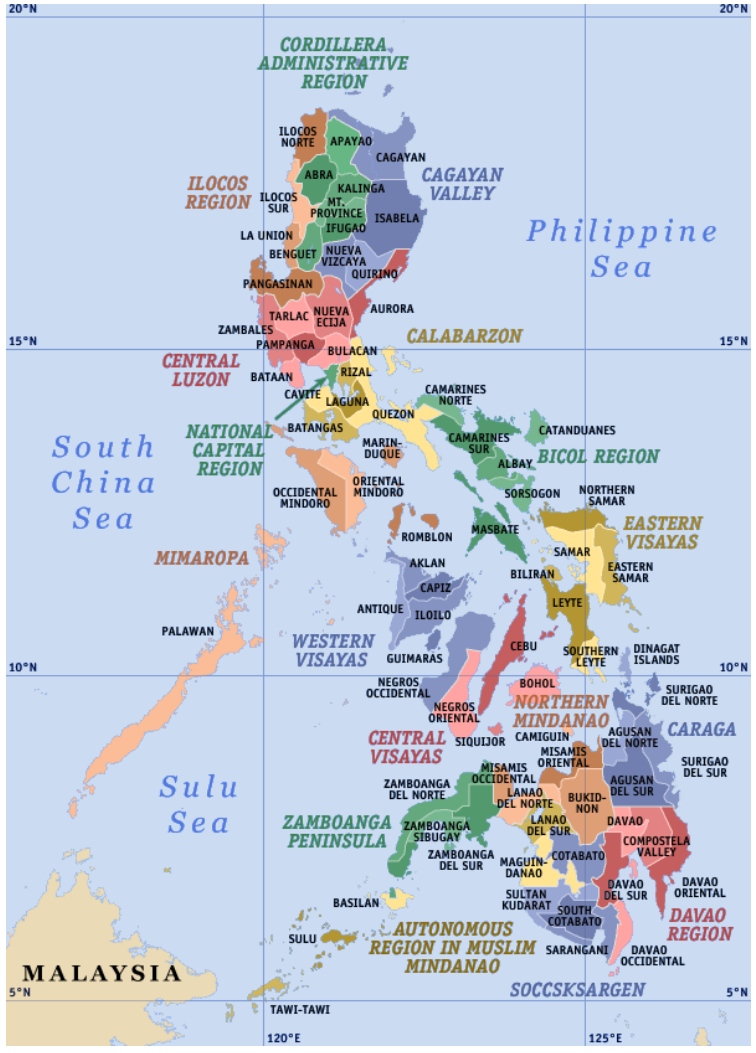
March 2023

Krungsri Research

Key takeaways: Business opportunities in the Philippines are ample despite some structural challenges

- **The Philippines economy is facing both internal and external challenges in the near term. As a result, growth is expected to expand by 5.0% in 2023 and by 6.0% in 2024,** according to the IMF (as of January 2023). Rising inflation compounded by tightening domestic financial conditions will hurt domestic consumption and investment, and a darkening global economic outlook will dent the external demand. However, in the longer term, we expect the economy to gradually rebound to its potential growth trajectory of 7% p.a. supported by its favorable fundamentals, infrastructure investment, and ongoing structural reforms.
- In the medium to longer term, despite some structural challenges, **we remain optimistic about the potential of the Philippines economy as there are relatively favorable fundamentals compared to regional peers and this would help the country to secure its high potential growth path in the years to come.** Key fundamentals to drive the economy are (1) demographic dividend, (2) structural reforms, (3) infrastructure investment, and (4) FDI inflows. **This opens up business opportunities for foreign investors in some of the potential sectors including food and beverage, beauty and personal care, tourism, and agriculture.**

Philippines: A Country Overview

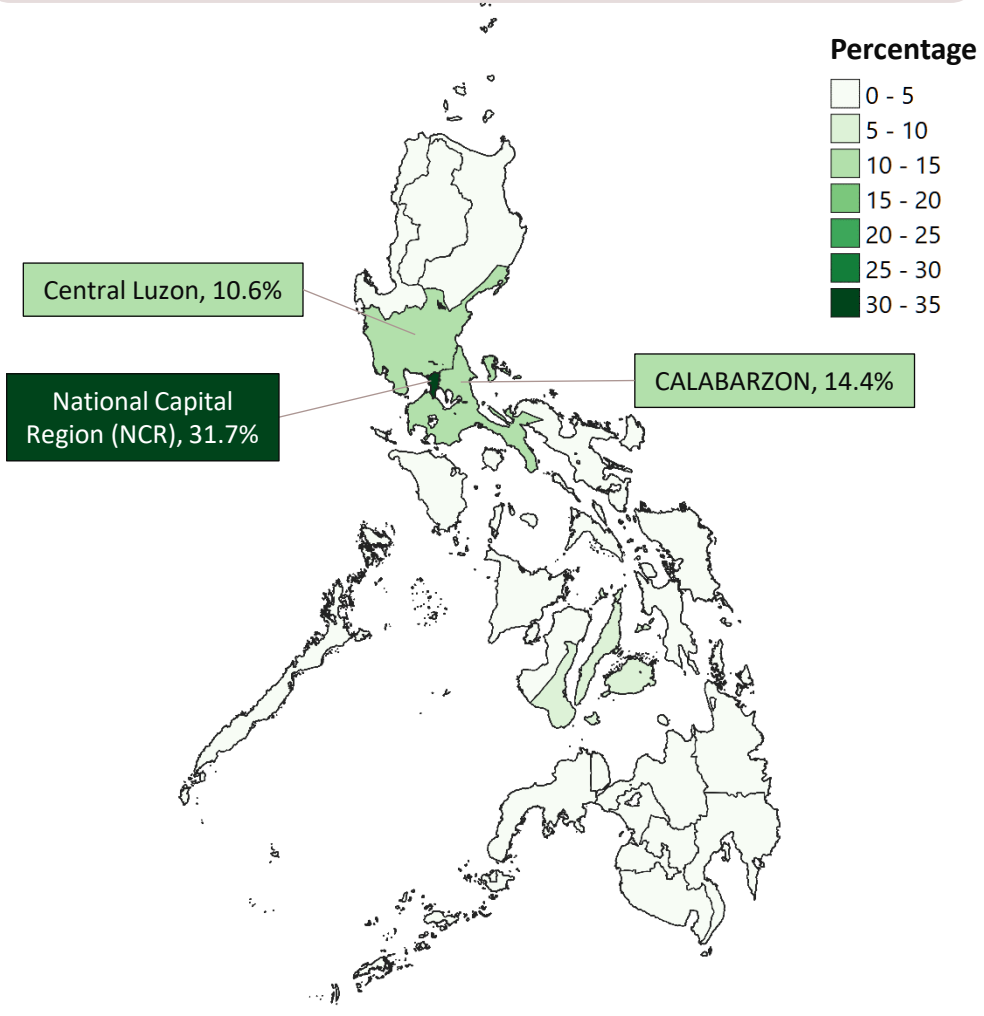


Official name	Republic of the Philippines
Form of State	Presidential republic
Economic system	Market-led economy
Total area (sq. km)	300,000 (land: 99.39%, water: 0.61%)
Administrative divisions:	81 provinces and 38 chartered cities
Total population (person)	114,666,324 (2022 est.) Median age: 24.7 years (2022 est.) Population growth rate: 1.55% (2022 est.)
Climate	Tropical marine; northeast monsoon (Nov to Apr); Southwest monsoon (May to Oct)
Urbanization	Urban population: 48% of total population (2022) Rate of urbanization: 2.04% annual rate of change (2020-25 est.)
GDP	USD 394.09 bn (2021)
GDP - composition, by sector	Agriculture: 10.1% (2021) Industries: 28.9% (2021) Services: 61% (2021)
Agricultural products	Sugar cane, rice, coconuts, maize, bananas, vegetables, tropical fruit, plantains, pineapples, cassava
Industries	Semiconductors and electronics assembly, business process outsourcing, food and beverage manufacturing, construction, electric/gas/water supply, chemical products, radio/television/communications equipment and apparatus, petroleum and fuel, textile and garments, non-metallic minerals, basic metal industries, transport equipment
Exports - commodities:	Integrated circuits, office machinery/parts, insulated wiring, semiconductors, transformers, cathodes, electronic products, machinery and transport equipment, chemicals, coconut oil, banana, metal components
Labor force	43.83 million (2021)
Taxes revenues:	14.13% (of GDP) (2021)
Fiscal year:	Calendar year

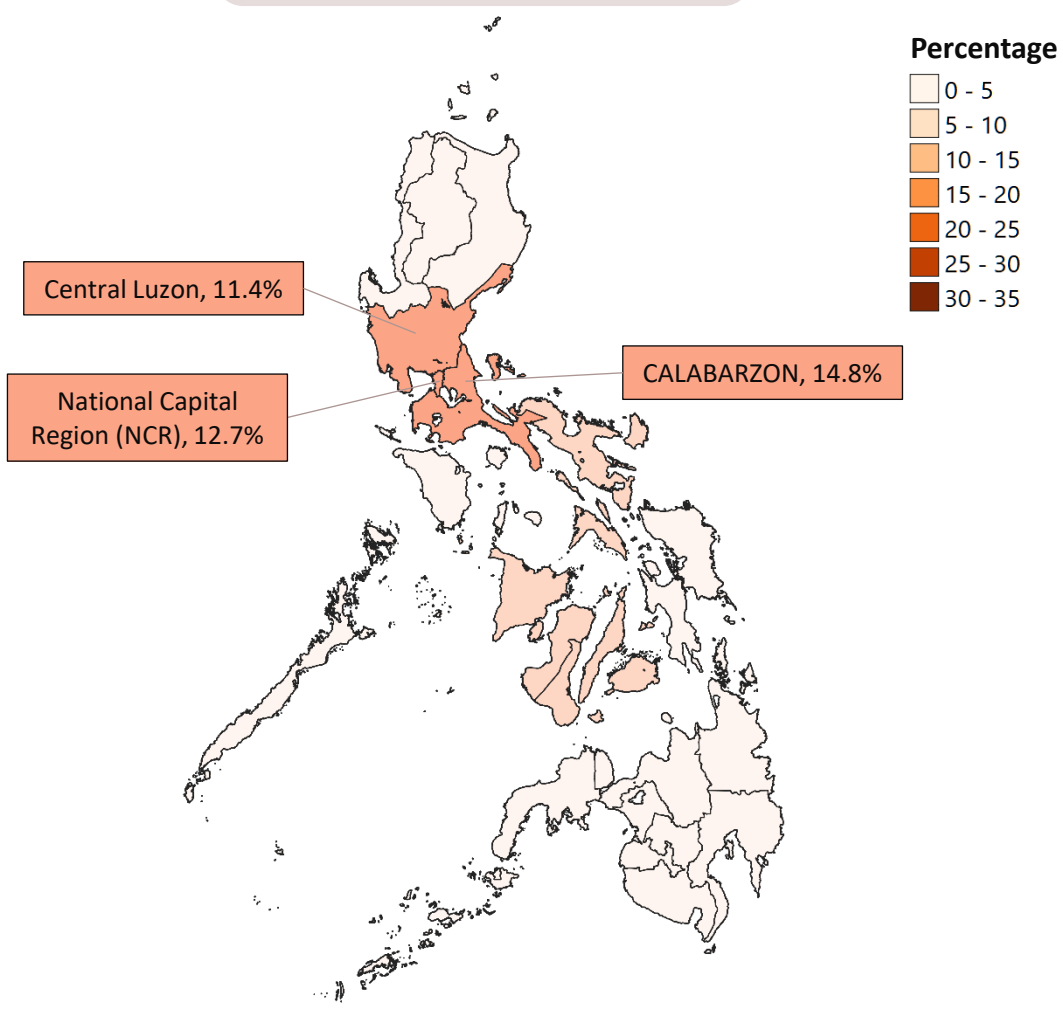
Source: CIA Factbook, UN, World Bank, CEIC, and Philippines Statistics Authority compiled by Krungsri Research

Geographically, *the Philippines economy* will continue to be dominated by the NCR, Calabarzon, and Central Luzon region

Gross Regional Domestic Product (GRDP) Distribution in 2021



Population Distribution in 2021



Source: Philippines Statistics Authority

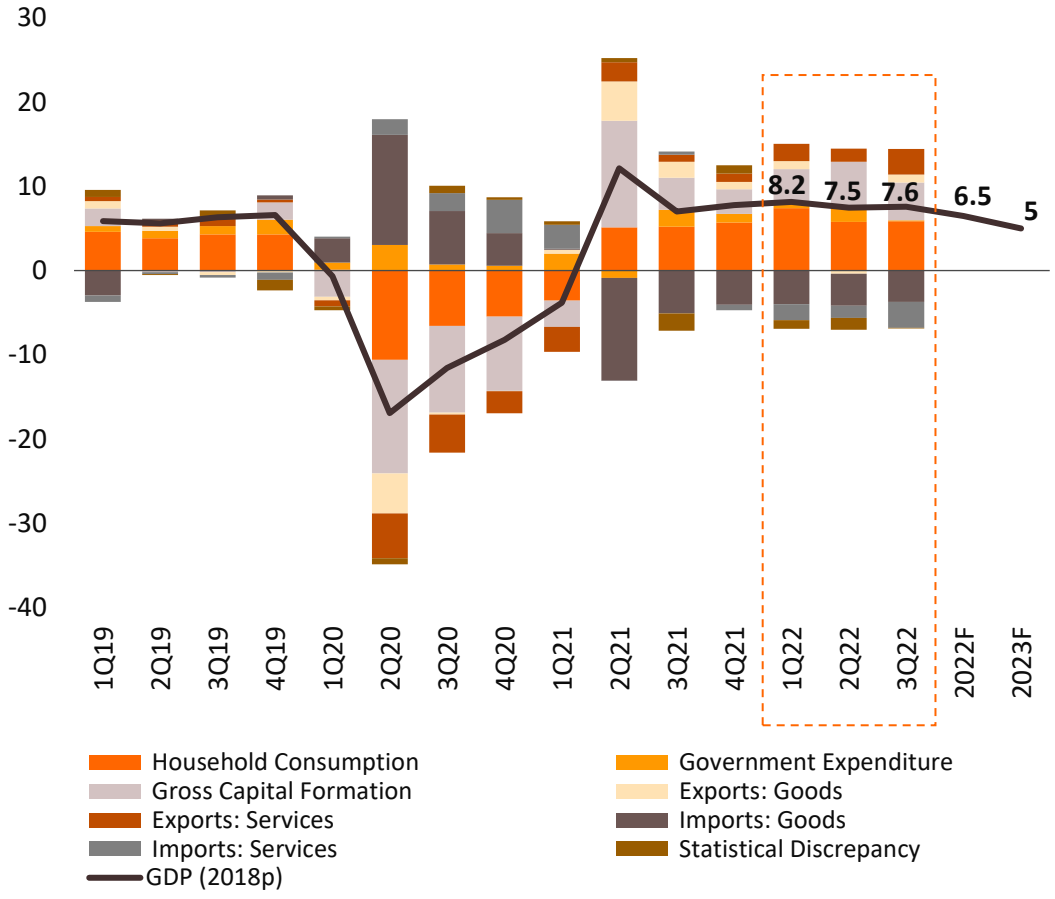
Macro forecasts: The pandemic's scar remains visible in the medium term, but the long-term outlook is still promising

Indicators (% change, otherwise indicated)	2019	2020	2021	2022F	2023F	2024F
Real GDP	6.1	-9.5	5.7	6.5	5.0	6.0
CPI (period average)	2.4	2.4	3.9	5.3	4.3	3.1
Net lending (+)/borrowing (-) (% of GDP)	-1.7	-5.7	-6.5	-5.4	-4.7	-3.7
General government gross debt (% of GDP)	37.0	51.6	57.0	59.2	60.9	60.8
Money and credit: Claims on private sector (% of GDP)	48.0	52.0	49.9	49.9	51.1	52.1
Current account balance (% of GDP)	-0.8	3.2	-1.5	-5.0	-4.1	-3.6
Trade balance (% of GDP)	-10.8	-6.8	-10.7	-14.0*	-13.5*	…
Foreign Direct Investment (net, % of GDP)	-1.4	-0.9	-2.5	-2.0	-2.0	-2.0
Fiscal balance (% of GDP)	-3.4	-7.6	-8.6	-7.6	-6.1	-5.2
Gross International reserves:						
In billions of USD	87.8	110.1	108.8	94.1	88.7	83.9
Percent of short-term debt, residual maturity	396.5	524.6	522.8	446.0	402.1	361.8
Total external debt (USD bn)	83.6	98.4	106.4	107.0	112.5	118.7
Total external debt (% of GDP)	22.2	27.2	27.0	26.6	26.4	25.8
Exchange rate (USD/PHP, period average)	51.8	49.6	49.3	54.8*	57.8*	56.2*
Nominal GDP (PHP bn)	19,518	17,952	19,411	21,690	23,597	25,798
Nominal GDP (USD bn)	376.8	361.8	394.1	402.2	426.2	459.9

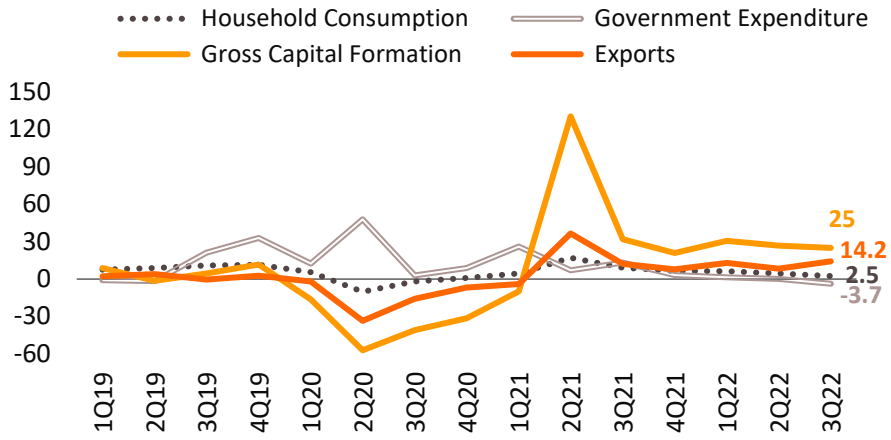
Note: Data is based on IMF WEO database updated as of December 2022 , * FocusEconomics Forecast Figures
Source: IMF, FocusEconomics and Krungsri Research

The main economic engines are recovering from the pandemic-caused slump in 2020; surging inflation poses challenges to the near-term outlook

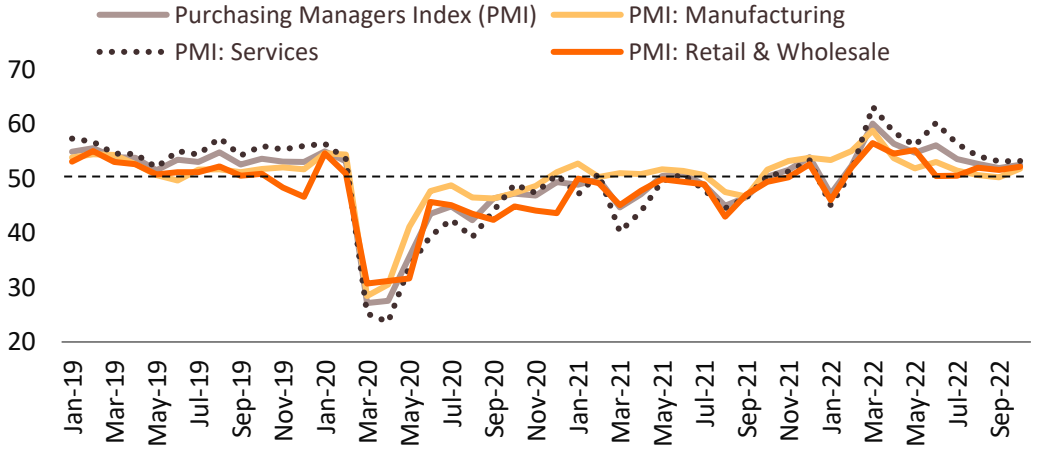
Contributions to growth (expenditure side, ppt, 2018p)



Components of GDP (%YoY, 2018p)



Purchasing Managers Index (PMI)*

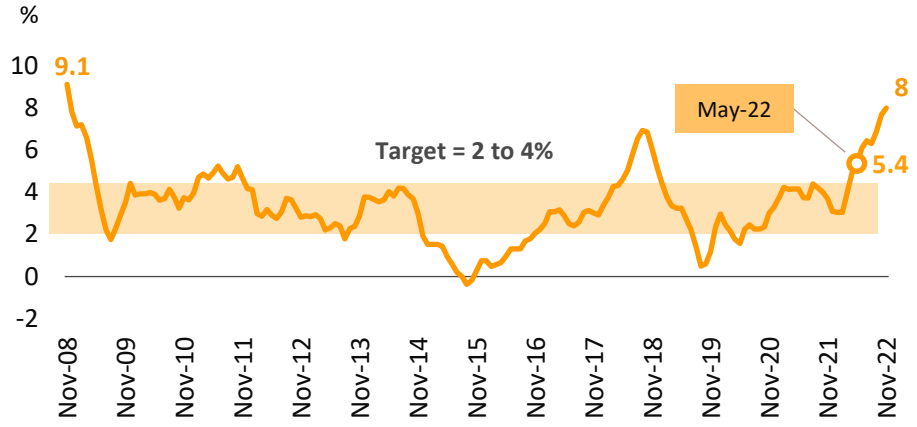


Source: CEIC

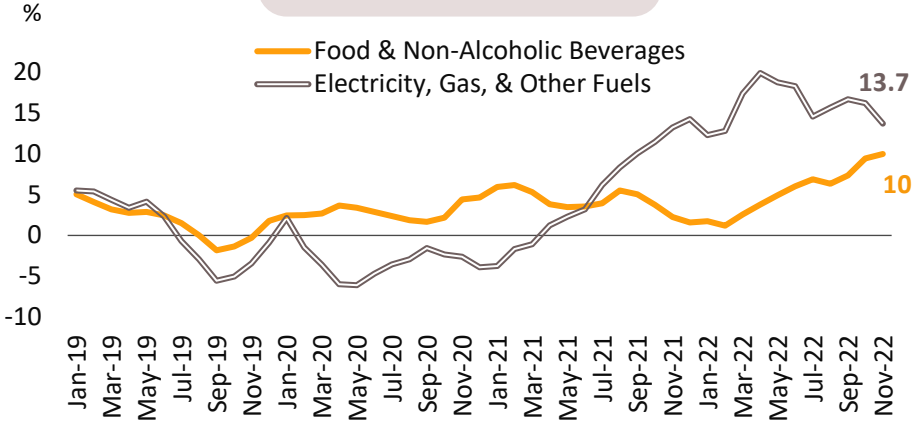
Note: * >50 indicates expansion from previous month

Inflation has reached a 14-year high, driven by high prices of food and utility; the above-target inflation is likely to be contained as policy interest rate has been raised aggressively

Headline Inflation



Consumer Price Index



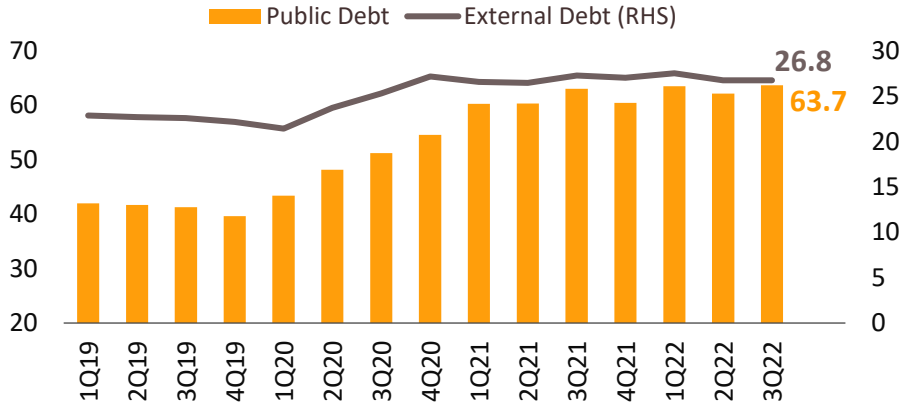
Philippines' Policy Interest Rates

Period	Overnight Lending Facility (%)	Reverse Repurchase (%)
Nov-20 to Nov-21	2.5	2.0
December-21	2.5	2.0
Jan-22	2.5	2.0
Feb-22	2.5	2.0
March-22	2.5	2.0
Apr-22	2.5	2.0
May-22	**2.75**	**2.25**
June-22	3.0	2.5
July-22	3.75	3.25
Aug-22	4.25	3.75
Sep-22	4.75	4.25
Oct-22	4.75	4.25
Nov-22	5.5	5.0
Dec-22	6.0	5.5
Q1/23	**6.5***	**5.5***

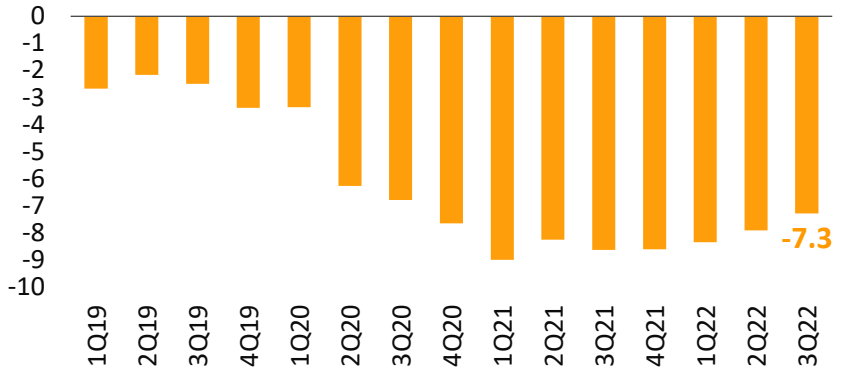
Note: *According to Bloomberg, the BSP will raise interest rates by 50 basis points in the first quarter of 2023.
Source: CEIC, Bloomberg, Krungsri Research

Rising debt and twin deficits are also likely to complicate the recovery in the medium term

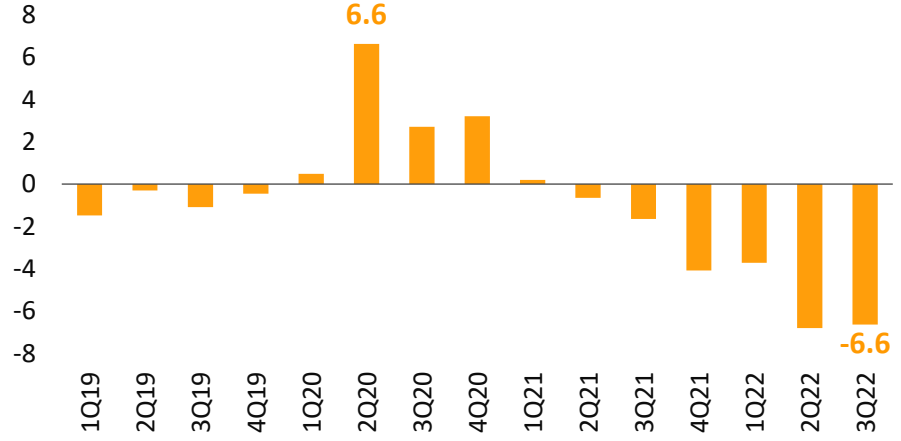
Debt to GDP Ratio (%)



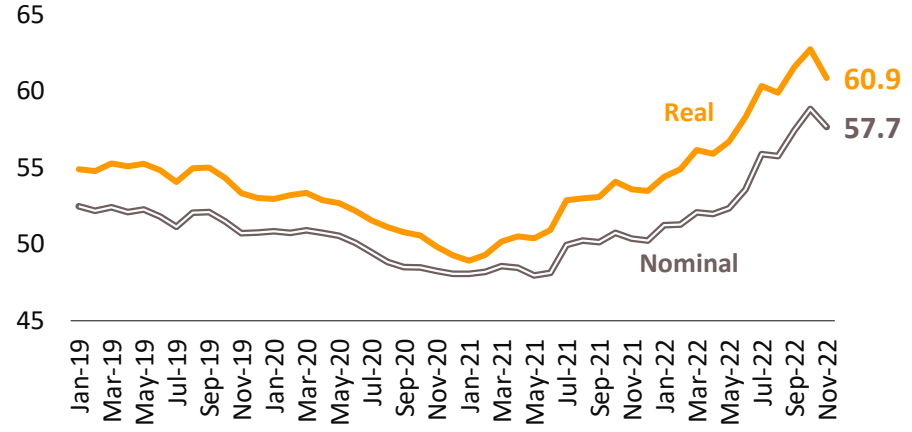
Fiscal Balance to GDP Ratio (%)



Current Account Balance to GDP Ratio (%)



Average Foreign Exchange Rate (USD/PHP)



Source: CEIC and Krungsri Research

Major milestone of the Philippines' socioeconomic developments

1542	The Spanish expedition claims the islands and names them the Philippines after the heir to the Spanish throne (later becomes King Philip II of Spain).
1896	The beginning of the Civil and armed campaign for independence from Spanish rule.
1898	A short period of the Spanish-American War, the US Navy destroys Spanish fleet in Manila Bay. Spain cedes Philippines to the US, which proclaims military rule.
1941	Japan occupation of the Philippines
1945	The Philippines gains independence from the US.
1965	Ferdinand Marcos becomes president.
1967	Joining the Association of Southeast Asian Nations (ASEAN)
1980-2010	The Philippines had been dubbed the "Sick man of Asia" as it grew by just 3.6% annually during 1980 to 2010 – much slower than its nearby East Asian 'tigers' that grew by more than 6% a year over the same period.
1992	Fidel Ramos wins presidency.
1995	Joining the World Trade Organization (WTO).
1997	Asian Financial Crisis (AFC)
2002	The inflation targeting framework has been adopted by the Bangko Sentral ng Pilipinas (BSP), the central bank, formally replacing the monetary aggregate targeting framework.
2008-2009	Global Financial Crisis (GFC)
2010-2019	High economic growth period with annual growth rate of 6.4%.
2016	• Rodrigo Duterte becomes a 6-year-term president in from June 2016. • The national government through the National Economic and Development Authority (NEDA) launched Ambisyon Natin 2040, a long-term vision of becoming a prosperous middle-class country free of poverty by 2040.
2017	• Implementing the medium-term development plan under the long-term plan (Ambisyon Natin 2040), the Philippine Development Plan (PDP) 2017-2022 with several aims including to become an upper middle-income country by 2022. • President Rodrigo Duterte and his economic managers launched the ambitious P8.4-trillion infrastructure program called the "Build, Build, Build" program in 2017 to reduce poverty, stimulate economic growth, and reduce congestion in Metro Manila. This program is expected to be significantly funded by the government's tax reform initiatives.
2020-2022	The first case of Covid-19 was discovered in the Philippines on January 30, 2020. The number of daily cases peaked at nearly 40,000 in January 2022. Over 4 million confirmed cases and over 65,000 deaths have been recorded as of December 2022.
2022	• Ferdinand Marcos Jr., the son of Ferdinand Marcos, takes office as president for a six-year term beginning in June 2022, with Sarah Duterte, Rodrigo Duterte's daughter, as his vice president. • The newly sworn president promises to continue and expand the previous administration's "Build, Build, Build" program.

Source: World Bank, WHO, IMF, BBC, and various sources compiled by Krungsri Research

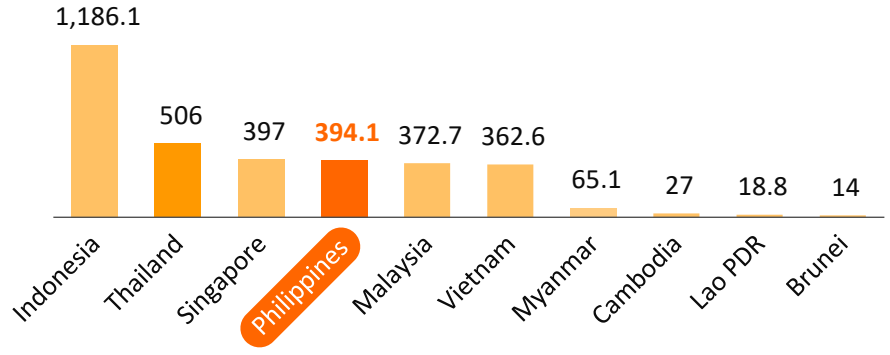
Structure and Potential of the Philippines Economy



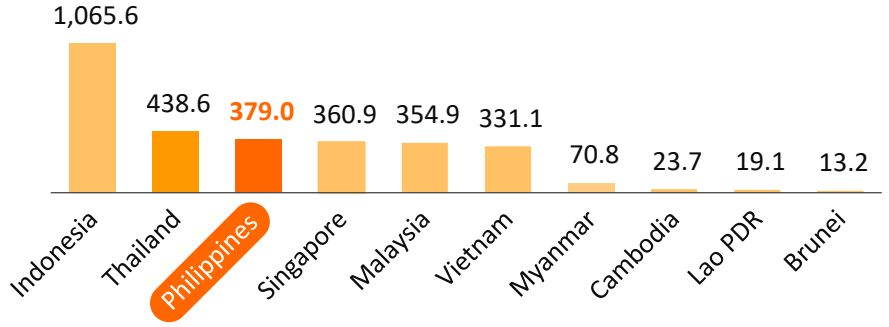
Philippines among ASEAN peers: achieving upper-middle income country status by 2023 is unlikely

The Philippines is still classified as a low-middle income country, with a GNP per capita of USD 3,650 in 2021. Although the Philippines experienced relatively high economic growth of 6.4% on average from 2010 to 2019, and its economy has been shifting toward higher-value-added sectors over the past two decades, **President Ferdinand Marcos Jr.'s optimistic expression on achieving upper-middle income status by 2023 is still unlikely**. According to its Department of Budget and Management and our projection, **GNP per capita will be around USD 4,075 in 2023, falling slightly short of the upper-middle income group's lower bound.**

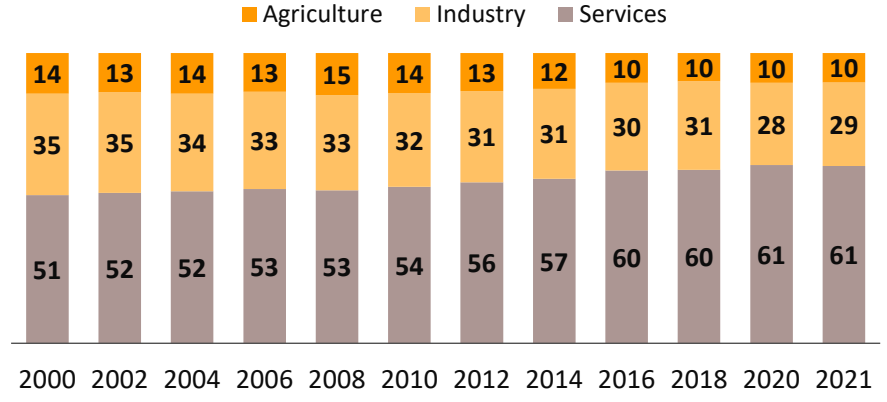
Nominal GDP (USD bn, 2021)



Real GDP (USD bn, 2021, constant 2015)



GDP Composition by Sector



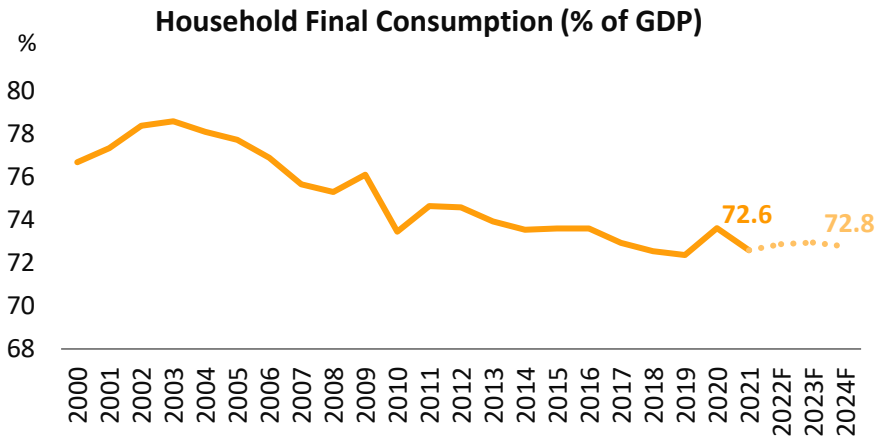
ASEAN members by income status (as of December 2022)

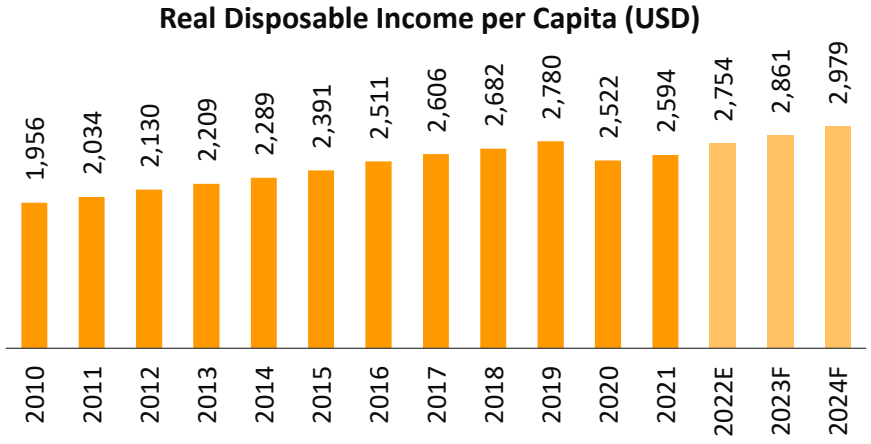
ASEAN member	GNI per capita[1/] (USD)	Classification by income
Singapore	64,010	High-income
Brunei	31,510 [2/]	High-income
Malaysia	10,930	Upper-middle income
Thailand	7,260	Upper-middle income
Indonesia	4,140	Lower-middle income
Philippines	**3,640**	**Lower-middle income**
Vietnam	3,560	Lower-middle income
Lao PDR	2,520	Lower-middle income
Cambodia	1,550	Lower-middle income
Myanmar	1,140	Lower-middle income

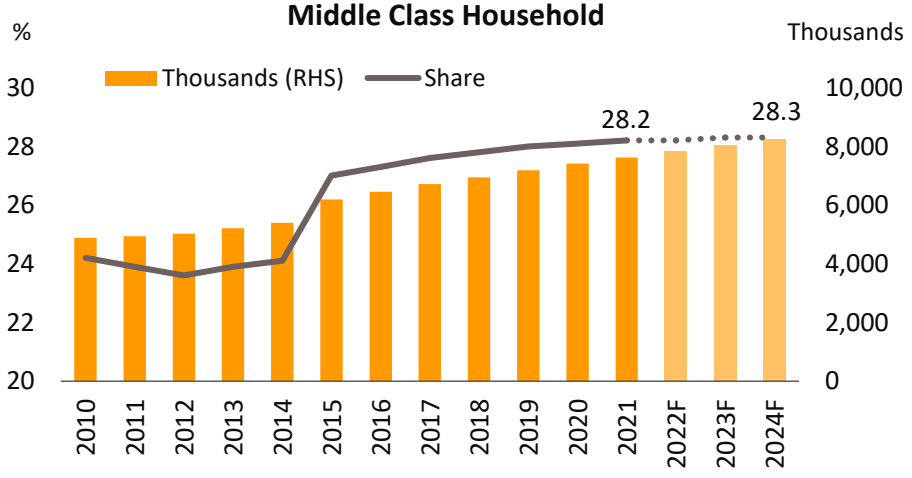
Note: 1/ Based on classification by the World Bank, lower middle-income economies are those with a GNI per capita between USD1,086 and USD4,255; upper middle-income economies are those with a GNI per capita between USD4,256 and USD13,205; high-income economies are those with a GNI per capita of USD13,205 or more.
2/ 2020 data
Source: World Bank, the Philippines Department of Budget and Management and Krungsri Research

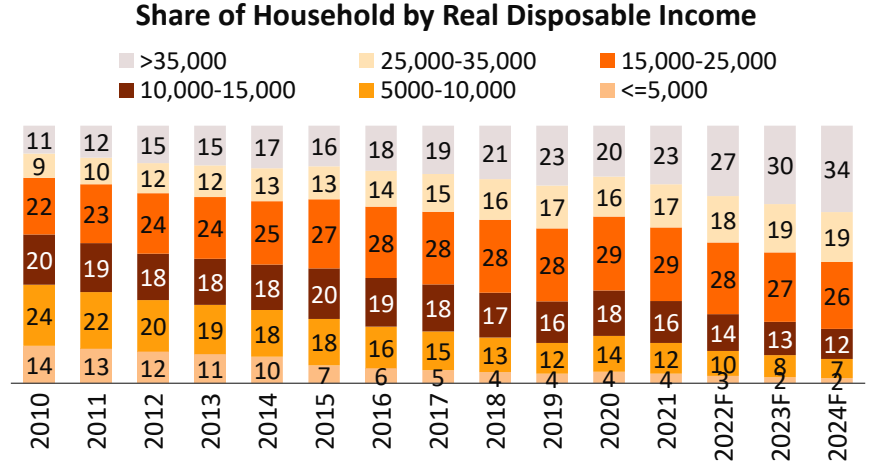
Household spending will continue to serve as a major economic engine for many years to come

Household consumption accounted for 72.6% of GDP in 2021 and is expected to rise to 72.8% by 2024. Despite high global inflation, real per capita disposable income is recovering and is expected to surpass pre-pandemic levels by the end of 2023. Meanwhile, the middle class has gradually expanded. By 2024, most households will have real disposable incomes of more than USD 25,000. Therefore, domestic consumption will continue to play a crucial role in driving economic growth in both medium and long term.







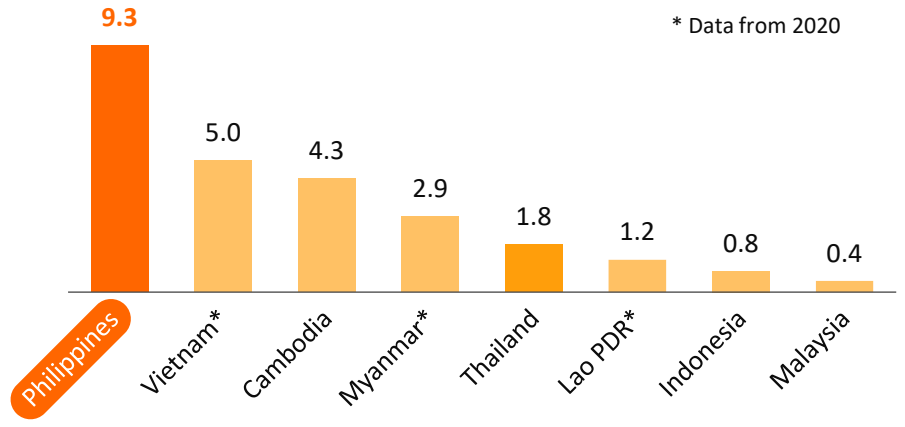


Source: CEIC, Euromonitor

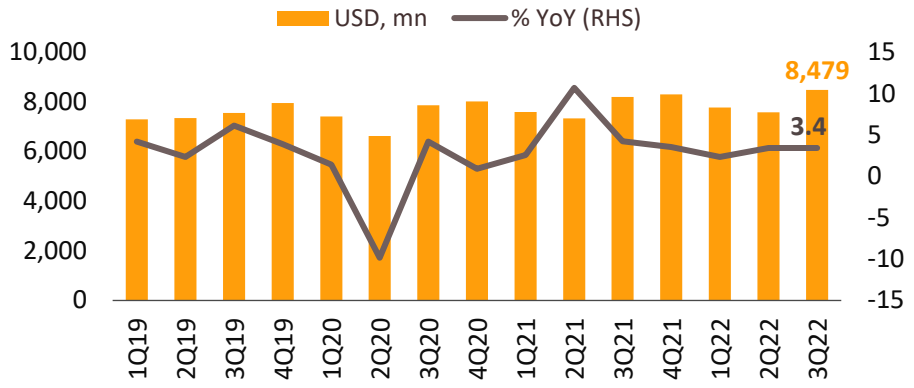
Remittance is also likely to remain a crucial source of income, but its influence is gradually fading

Among ASEAN peers, **the Philippines has the highest remittance-to-GDP ratio, accounting for nearly 10% in 2021**. After recovering from a slump during the first phase of Covid-19 in 2020, remittance has continued to rise. However, **its significance in sustaining Filipino household income is dwindling.** In 2024, it is predicted to account for 10.2% of disposable household income. Meanwhile, **revenue from working in IT Business Process Outsourcing (IT-BPO)** is rising sharply and **is expected to outpace remittance in the coming years** due to a surge in demand.

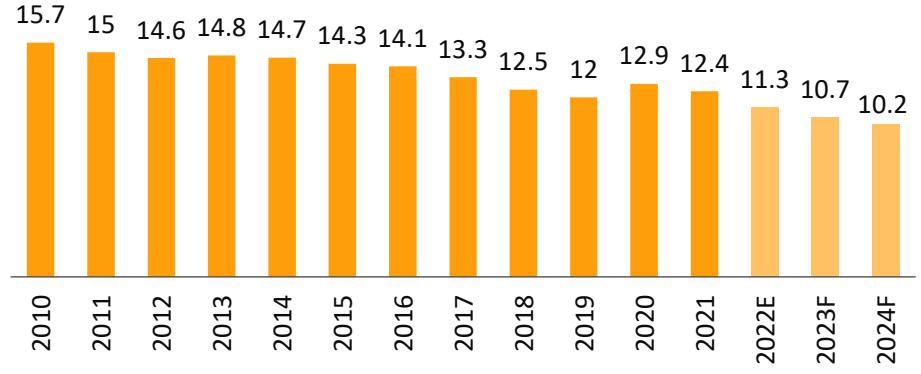
Personal Remittances, Received (% of GDP, 2021)



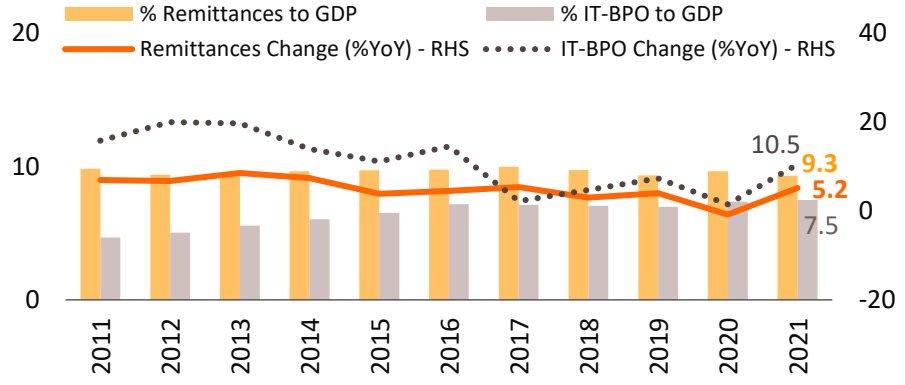
Personal Remittances



Remittances to Household Disposable Income Ratio



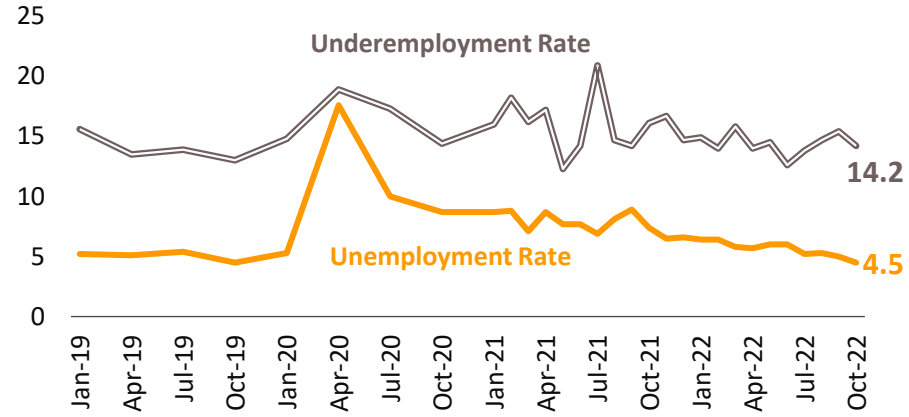
Remittances and IT-BPO Business Revenue to GDP



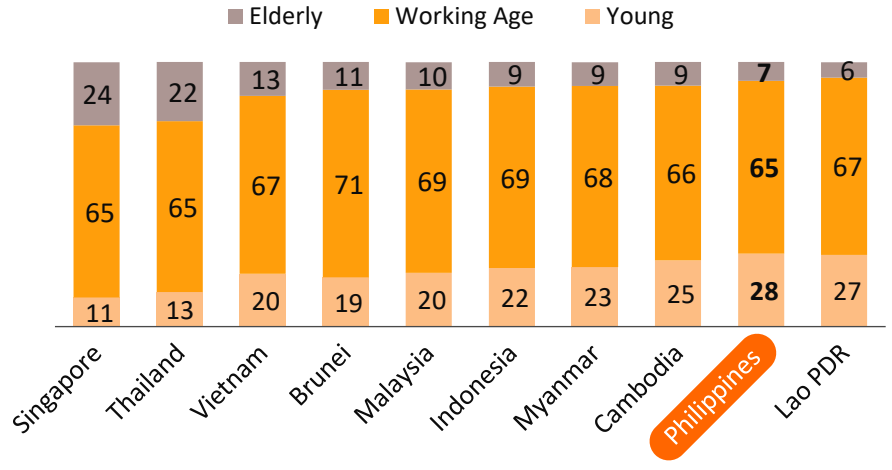
Source: World Bank, CEIC, Euromonitor, Magellan Solutions and Krungsri Research

The labor market is still recovering from the pandemic's peak and likely to improve further in 2023; by 2032, the Philippines will not bear much of the burden from an aging society

Underemployment and Unemployment Rate



Projected Population Structure in 2032



Population Structure in 2022



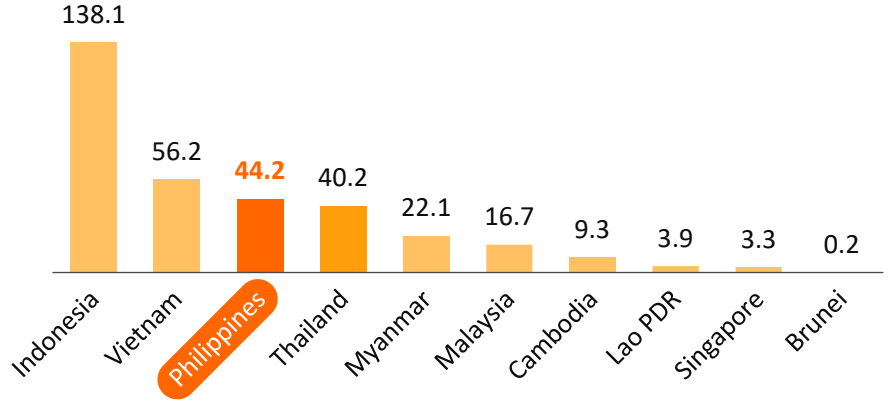
Total: 112.5 millions

Young (0-14): 29.1% | **Working Age** (15-64): 64.9% | **Elderly** (>64): 6%

Source: UN and Krungsri Research

Favorable population structure, large pool of labor force with moderately high productivity and low minimum wages provide comparative advantages in labor-intensive sectors

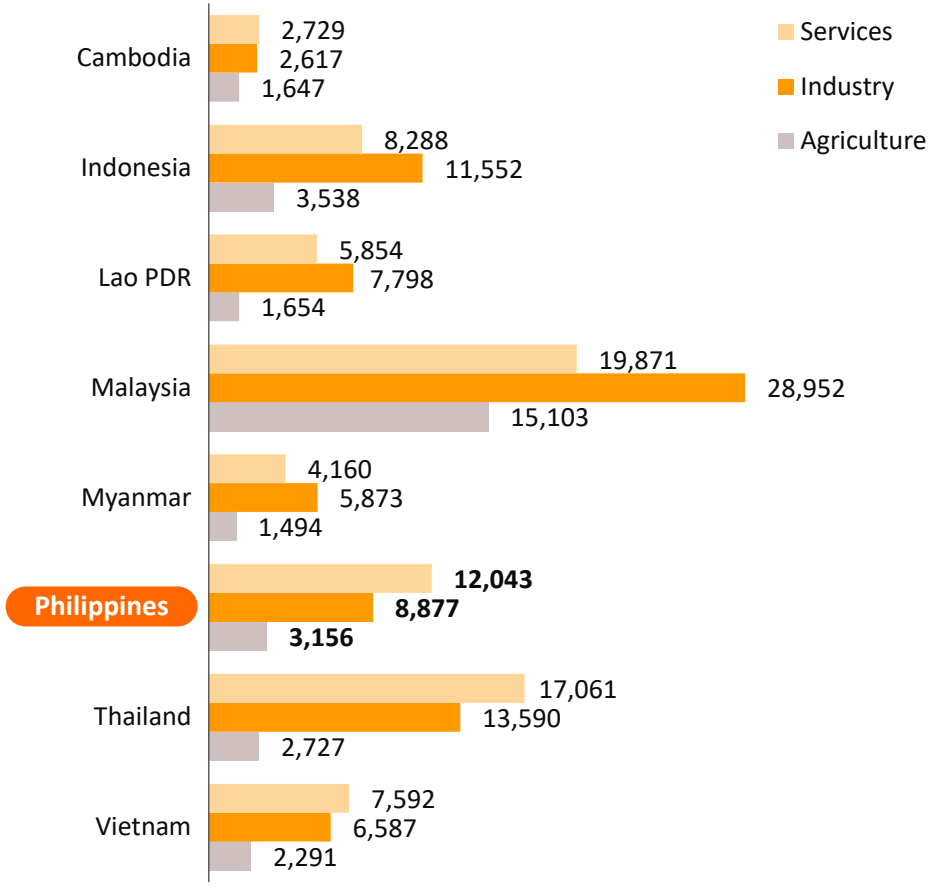
Labor Force in ASEAN 2021 (millions)



Average Minimum Wages as of August 2022 (USD)

Countries	Daily	Monthly
Cambodia	6.5	194
Indonesia	4.07-10	122.1-299.9
Lao PDR	2.4	72.6
Malaysia	8.2-11.2	245.6-334.9
Myanmar	2.3	69.3
Philippines	**5.4-10.1**	**163.3-304.2**
Thailand	8.6-9.2	258-277
Vietnam (Region I & II)	5.9-6.7	177.6-199.8

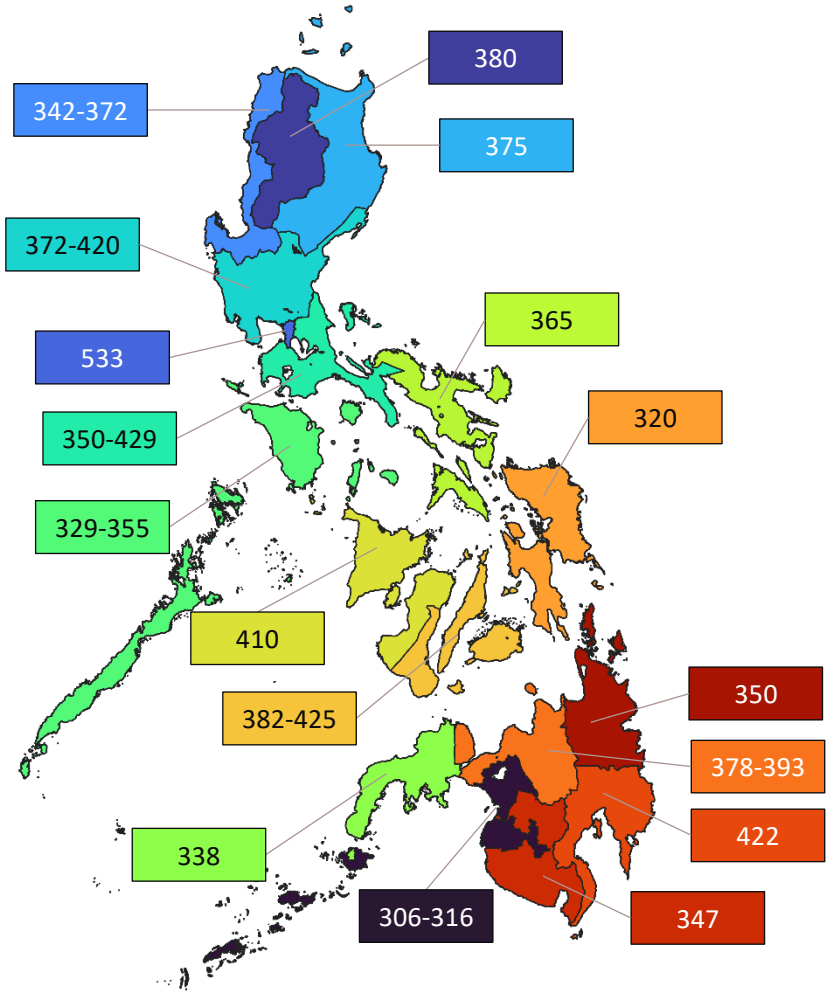
Estimated Labor Productivity by Sector in 2021 (USD)



Source: World Bank, the Philippines Department Labor, the ASEAN Secretariat and Employment and Krungsri Research

…however, investors should carefully weigh their options since regional and industry-specific minimum wages vary

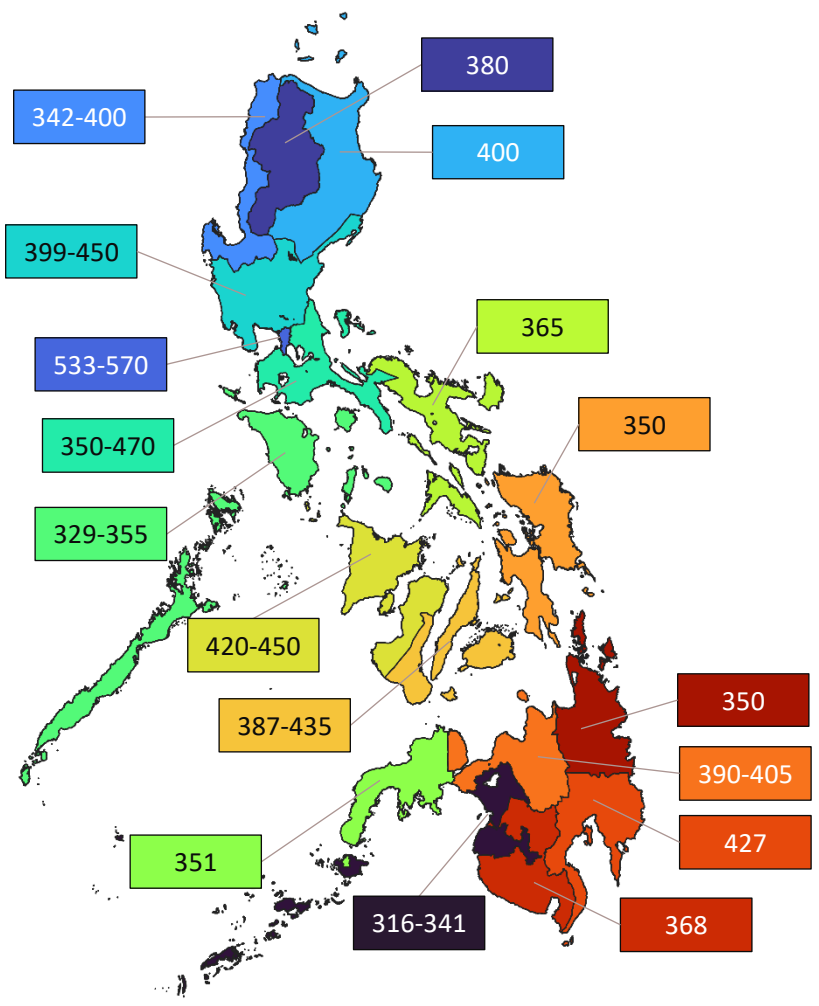
Agricultural minimum wage as of December 2022 (PHP)



Region

- BARMM
- Cordillera Administrative Region
- National Capital Region
- Ilocos Region
- Cagayan Valley
- Central Luzon
- CALABARZON
- MIMAROPA Region
- Zamboanga Peninsula
- Bicol Region
- Western Visayas
- Central Visayas
- Eastern Visayas
- Northern Mindanao
- Davao Region
- SOCCSKSARGEN
- Caraga

Non-agricultural minimum wage as of December 2022 (PHP)

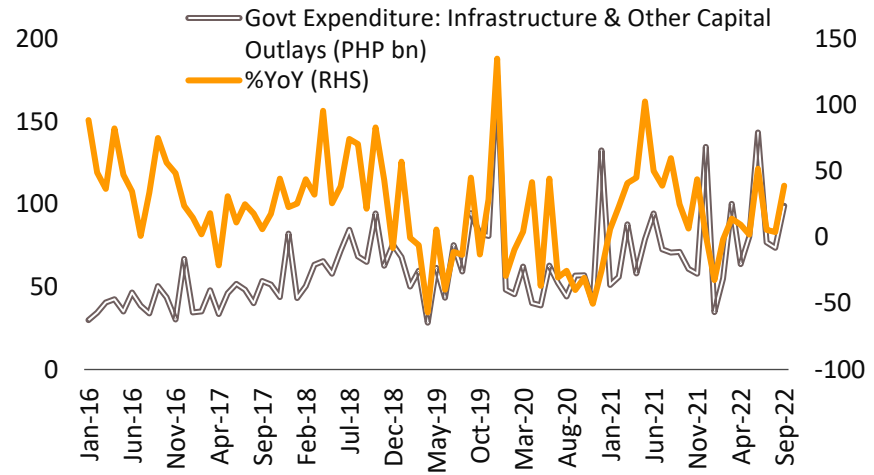


Source: The Philippines Department Labor and Employment and Krungsri Research

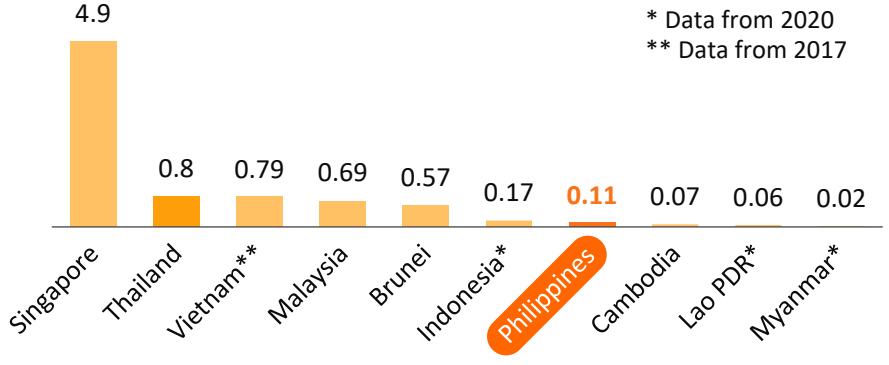
...as well as the quality of the common transportation system, particularly roads which lag behind its neighbor

To address the country's enduring infrastructure gaps, the Duterte administration launched the "Build, Build, Build" program in 2017. Despite efforts, **the most basic mode of transportation appears to improve only in terms of coverage** (unpaved roads decreased from 8.4% of total road length in 2016 to 1.4% in 2021), **not quality**. Furthermore, the Philippines' road density continues to lag behind its peers. **As the new government promises to continue and expand previous infrastructure programs, we expect that overall infrastructure will continue to improve significantly over the next six years.**

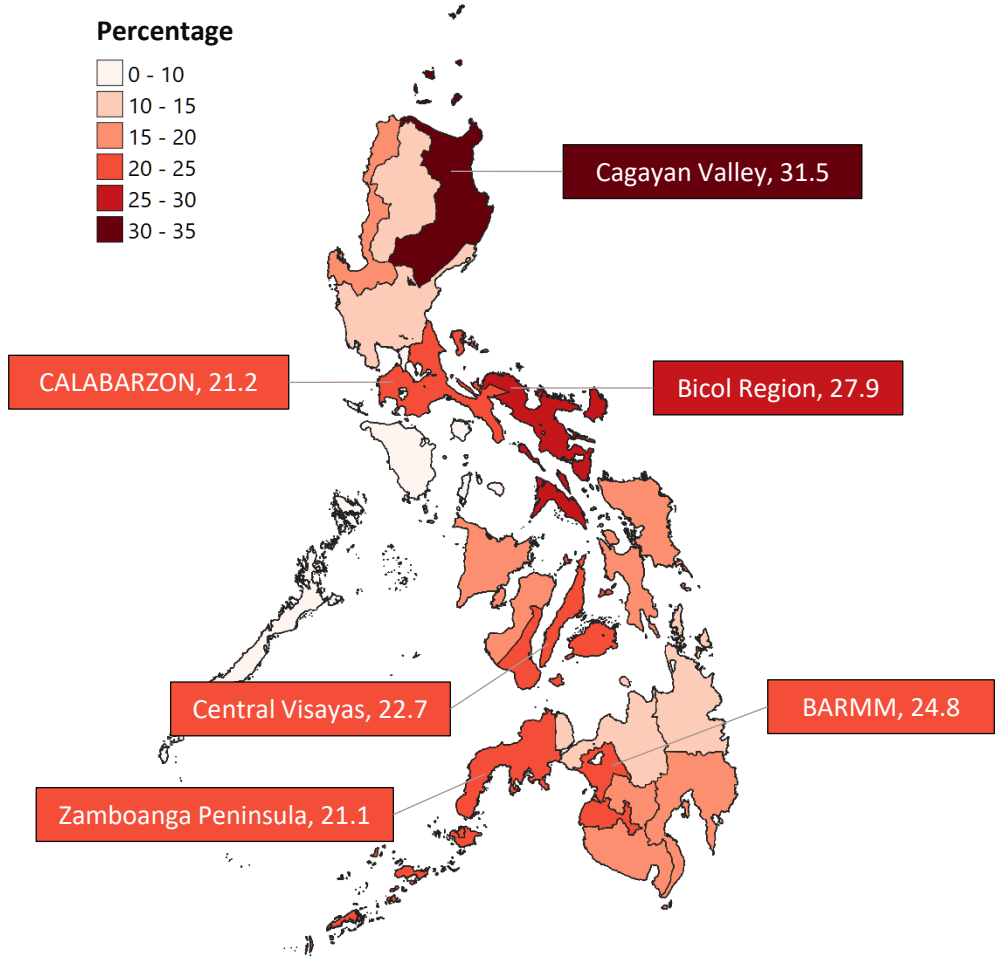
Government Infrastructure Expenditure



Pave Roads Density (km per km², 2021)



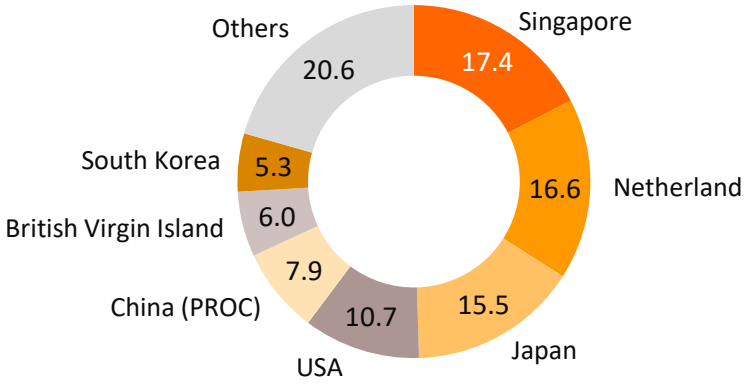
Proportion of Roads Rated as Poor or Bad in 2021 by Region



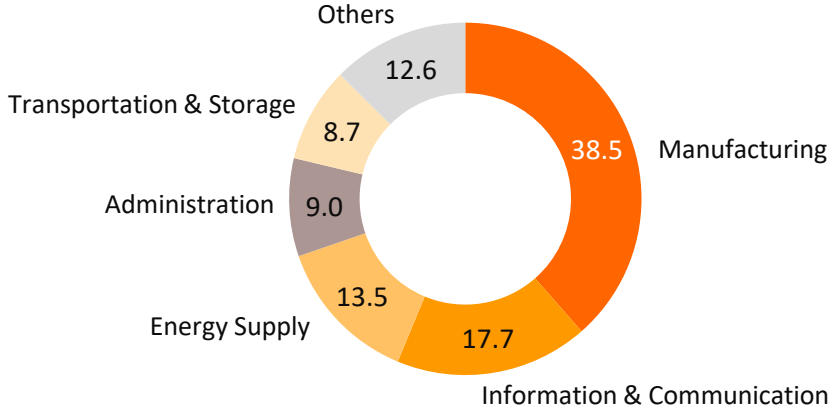
Source: ASEANstats, the Philippines' Department of Public Works and Highways and Krungsri Research

In the last decade, the Philippines has mainly attracted investment from Singapore, the Netherlands, and Japan, with manufacturing sector receiving the most attention; geographically, CALABARZON is still the most appealing region

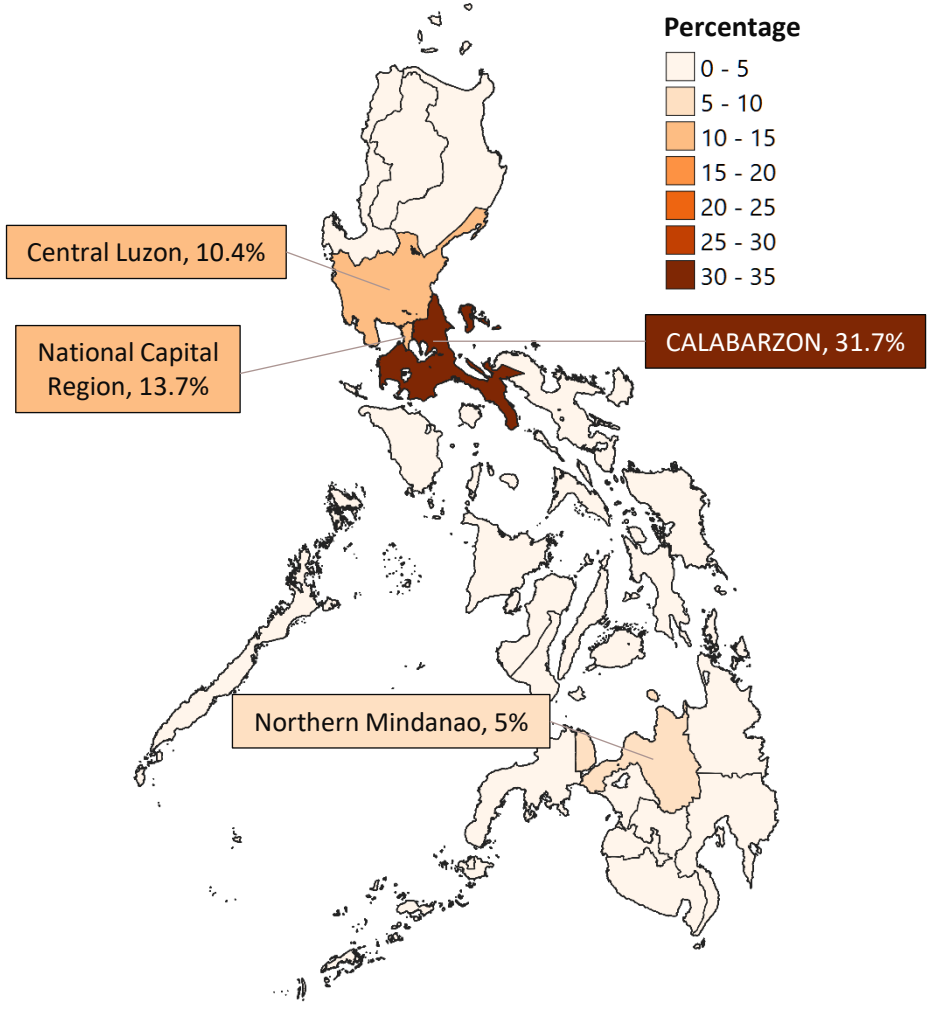
Foreign Direct Investment by Country (2012 to 2022Q3)



Foreign Direct Investment by Industry (2012 to 2022Q3)



Foreign Direct Investment by Region (2015 to 2022Q3)



Source: Philippines Statistics Authority and Krungsri Research

A more liberal exchange rate policy and a lower CIT could contribute to a more favorable investment environment

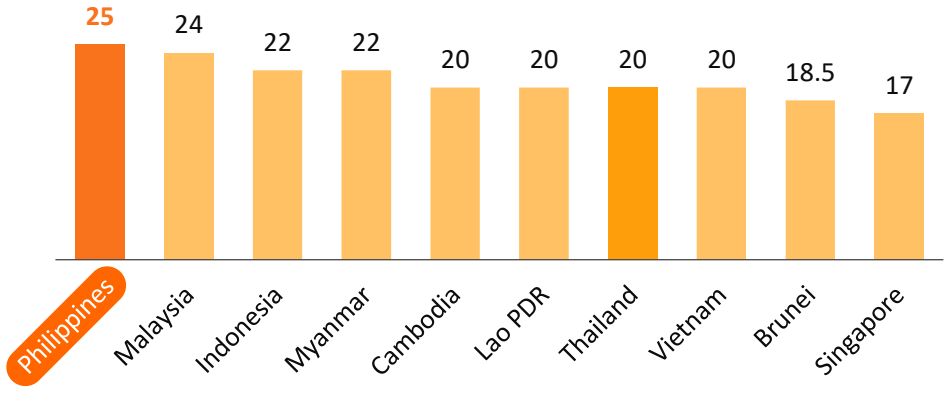
Exchange Rate Policy

- The currency of the Philippines is the Philippine peso (PHP). According to the IMF classification, the Philippines' de jure exchange rate arrangement is free floating, and the de facto exchange rate arrangement is also classified as floating.
- The Philippines adopted inflation targeting in January 2002.
- The Development Budget Coordination Committee (DBCC), in consultation with the BSP, sets a fixed inflation target over a multiyear period to promote a longer-term view on inflation, help anchor inflation expectations, and foster greater flexibility in economic decisions. On approval by the DBCC, the BSP announces the inflation target to the public.
- In 2021, the BSP streamlined procedures and requirements, permitted electronic documents and e-signature, as well as allowing financial institutions to sell foreign currency without obtaining prior approval.

Tax Policy

- In April 2021, CREATE (Corporate Recovery and Tax Incentives for Enterprises) went into effect. It aims to provide tax relief to businesses in order to help them recover from the ongoing COVID-19 pandemic, with more than a trillion pesos in tax relief expected over the next ten years.
- Under this act, CIT is reduced from 30% to 25% for large firms (taxable income greater than 5 million pesos) and 20% for MSMEs (taxable income of 5 million pesos and below, and with total assets of not more than 100 million pesos)
- Furthermore, by 2025, CIT for large firms will be reduced to 20%. Foreign corporations, on the other hand, continue to be taxed at the standard rate of 25%. Despite this change, the Philippines continues to have the highest CIT in ASEAN.

Corporate Tax Rates in ASEAN (%, 2022)



Tax	Scope	Rate
Corporate Income Tax (CIT)	Domestic corporations created or organized under Philippine laws are taxed on their worldwide income. Foreign corporations are taxed on their Philippine source income.	25% (standard rate, domestic large firm, foreign company) 20% (MSMEs)
Value added tax (VAT)	VAT is levied on the value added at each stage of the production and distribution supply chain. The amount levied depends on the type of good.	0% or 12% (standard rate is 12%)
Personal Income Tax (PIT)	Resident Philippine citizens are subject to tax on their worldwide income, whereas non-resident Philippine citizens are subject to tax on their Philippine source income.	0% to 35%
Withholding taxes on payments abroad	Applied on dividends, interests and royalties' payments made abroad by companies.	15% to 25%

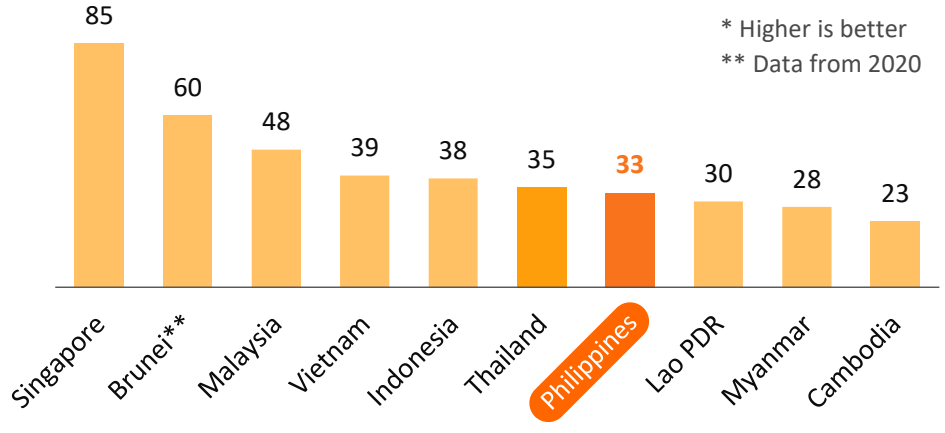
Source: IMF AREAER Database, Investment Climate Statement, Trading Economic, Orbitax, HKTDC, PWC and Krungsri Research

...which would also benefit from the revised business law; however, this could be complicated by restrictions on foreign ownership control and widespread corruption

Business Facilitation

- By passing the Ease of Doing Business and Efficient Government Service Delivery Act in 2018, the Duterte administration aimed to streamline the issuance of necessary business licenses and permits, as well as increase the efficiency and transparency of government service delivery.
- Existing and future businesses in the Philippines can now enjoy perpetual incorporation status without having to renew their status every 50 years thanks to the passage of the "Revised Corporation Code of the Philippines," or "RCC," in 2019.
- All incorporations previously required at least five stockholders; the amendments now permit the formation of one-person corporations, providing greater business flexibility.

Corruption Perceptions Index (points, 2022)



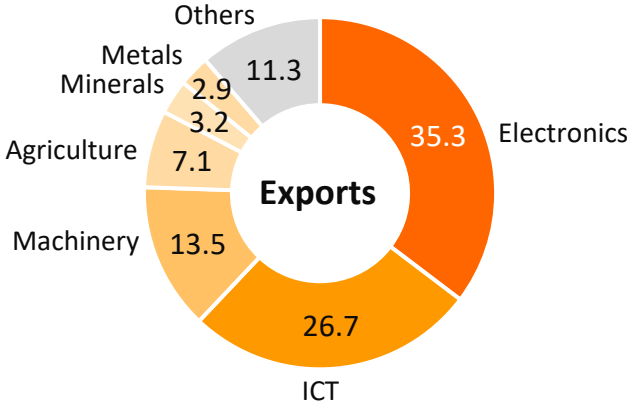
Source: Investment Climate Statement, Transparency International and Krungsri Research

Limitation on Foreign Control and Right to Private Ownership and Establishment

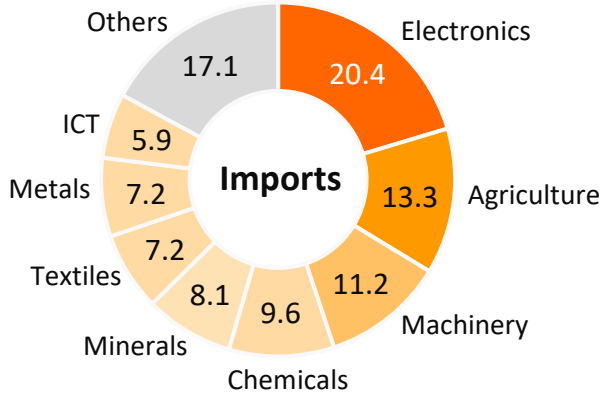
- Foreigners are prohibited from fully owning land under the 1987 Constitution, but the Investor's Lease Act of 1993 allows them to lease an adjacent land lot of up to 100 km^2 for a maximum of 75 years.
- The newly enacted 2022 Foreign Investment Act (FIA) retains the requirement that the relevant government agency publish the Foreign Investment Negative List (FINL) every two years. The most recent one was released in October 2021.
- The main purpose of the FINL is to forbid foreign ownership or participation in certain industries such as the media, small-scale mining, marine resource utilization, and cockpits.
- However, some sectors are allowed to be controlled by foreign investors, but only up to a certain threshold, such as the operation of deep-sea fishing vessels (40%), private land (40%), advertising agencies (30%), and private employee recruitment company (25%).
- This amended act also permits 100% ownership with a minimum paid-in capital of USD 100,000 in the following sectors: advanced technology, or a start-up or business with at least 15 employees, the majority of whom are local.
- Furthermore, the Retail Trade Liberalization Act restricts retail enterprises worth less than USD 500,000 to local investors only.
- If certain conditions are met, foreign banks can open branches or own up to 100% of the voting stock. They are, however, prohibited from establishing more than six branches.

Exports continue to be heavily reliant on the electronics and machinery, as well as ICT services; *Imports*, on the other hand, are much more diverse; China remains the largest trading partner

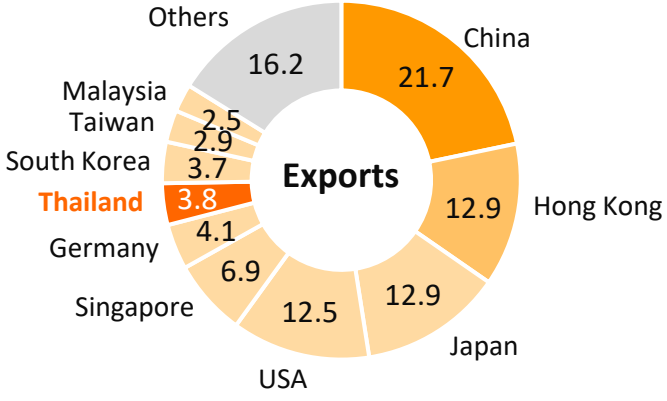
Export of Goods and Services Structure
(% of total exports in 2020)



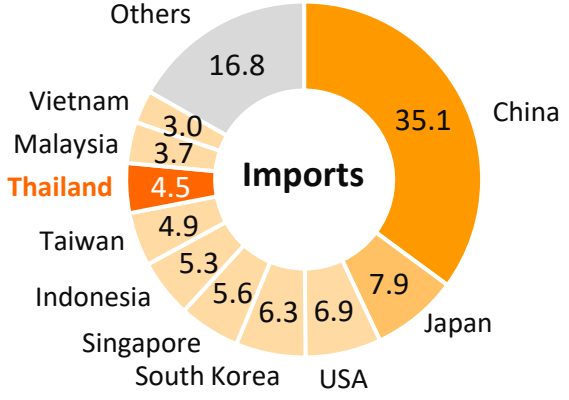
Import of Goods and Services Structure
(% of total exports in 2020)



Share of Export by Destination
(% of total exports in 2020)



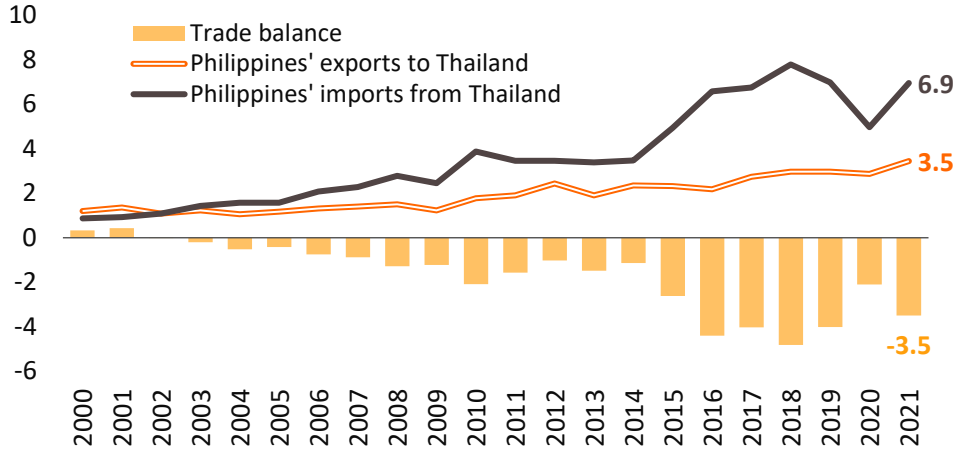
Share of Import by Destination
(% of total imports in 2020)



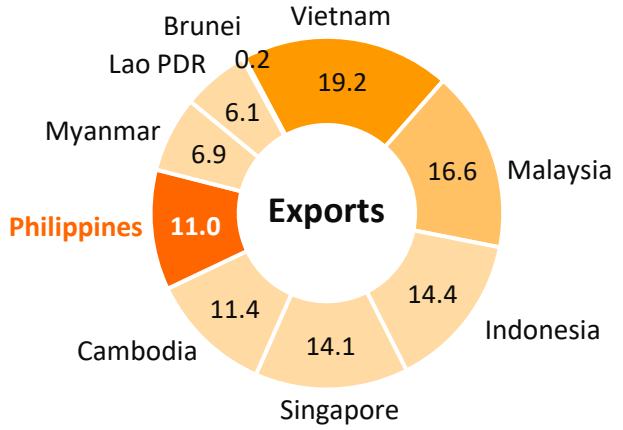
Source: Trade Map, Krungsri Research

The Philippines remains one of the key trading partners in ASEAN for Thailand

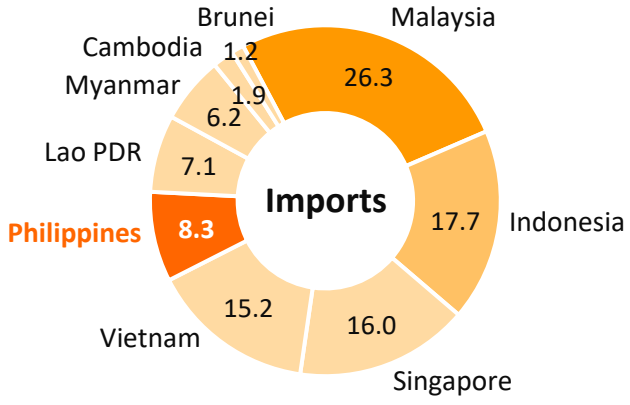
Philippines' bilateral trade with Thailand (USD, bn)



Share of Thailand's export to ASEAN in 2021 (%)



Shares of Thailand's Import from ASEAN in 2021 (%)



Major Product Traded between Thailand and Philippines in 2021

Major Thailand's exports to Philippines	USD mn	Major Thailand's imports from Philippines	USD mn
1. Motor cars, motor vehicles, parts and accessories	1,982.5	1. Computers, parts and accessories	947.8
2. Electronic machines	951	2. Electrical, electronic equipment and parts	688.4
3. Refine fuels	510.9	3. Other metal ores, metal waste scrap, and products	486.1
4. Electrical equipment	467.1	4. Parts and accessories of vehicles	351.6
5. Polymers of ethylene, propylene, etc in primary forms	331.9	5. Electrical machinery and parts	327.8

Source: CEIC, Thailand's Ministry of Commerce, Trade Map, and Krungsri Research

Despite the obvious scars left by the pandemic and high inflation, *strong fundamentals* could help the country get back on track in the long run

Although the Philippines has gradually recovered from the worst of the pandemic, high inflation, rising debt, and worsening twin deficits will likely limit economic growth in the coming years to 5-6%, less than the pre-pandemic five-year average of 6.6%. We expect the Philippines' economy to resume its potential trajectory and effectively address long-standing structural challenges in the long term as a result of the four main factors listed below: (1) demographic dividend, (2) structural reforms, (3) infrastructure investment, and (4) FDI inflows.



1

Favorable demographic structure (young labor force)

- Pools of young labor force for labor-intensive sector
- Attracting FDI inflows
- Growing middle-class consumers and sizeable domestic market as young workers earning higher income
- Expanding physical and digital urbanization



2

Structural reforms

- Raising the country's long-term potential growth by eliminating structural bottlenecks
- Enhancing the country's overall productivity and competitiveness
- Promoting ease of doing business
- Underpinning confidence and attracting FDI inflows



3

Infrastructure investment



4

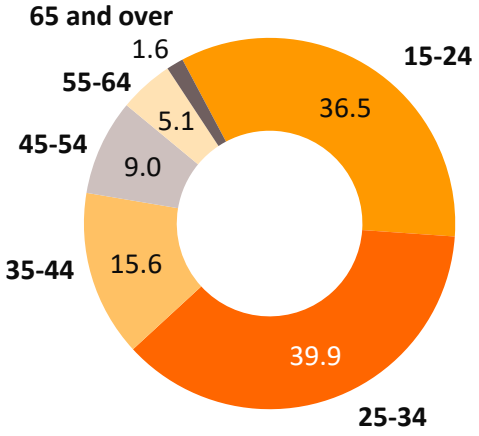
Foreign Direct Investment (FDI) inflows

- Further supporting and facilitating the Philippines' industrialization
- Supporting the integration to regional supply chains and value chains
- Creating jobs and new business opportunities for growing young workers.

Source: Krungsri Research

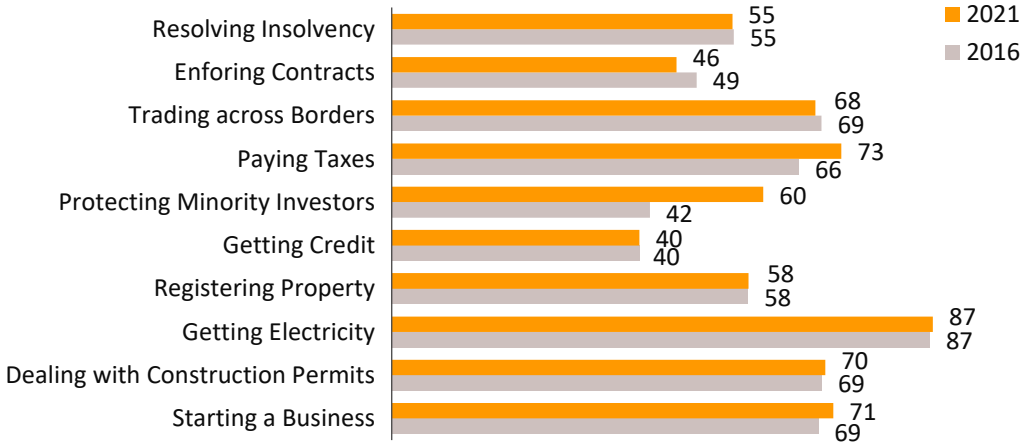
1 Demographic Dividend

Labor Force by Age in October 2022



2 Structural Reform

Easing of Doing Business Score (0-100, 190 economies)



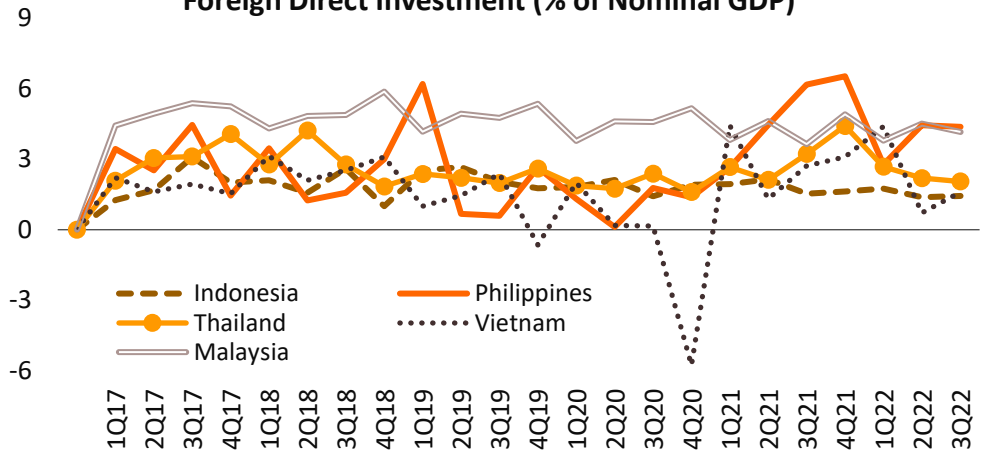
3 Infrastructure Investment

Build, Build, Build Programs Achievement as of July 2021

Type of Infrastructure	Achievement
Roads	29,264 km
Bridges	5,950
Flood Control Projects	11,340
Evacuation Centers	222
Airport Projects	214
Commercial and Social Seaports	451
Reduction in Railway Travel Time	2-5 times

4 Foreign Direct Investment

Foreign Direct Investment (% of Nominal GDP)



Source: The Philippine Statistics Authority, World Bank, Manila Bulletin, CEIC and Krungsri Research

Business Opportunities in the Philippines for Thailand



Sizeable domestic demand and growing wealthier middle-class Filipino consumers offer business opportunities for Thai investors

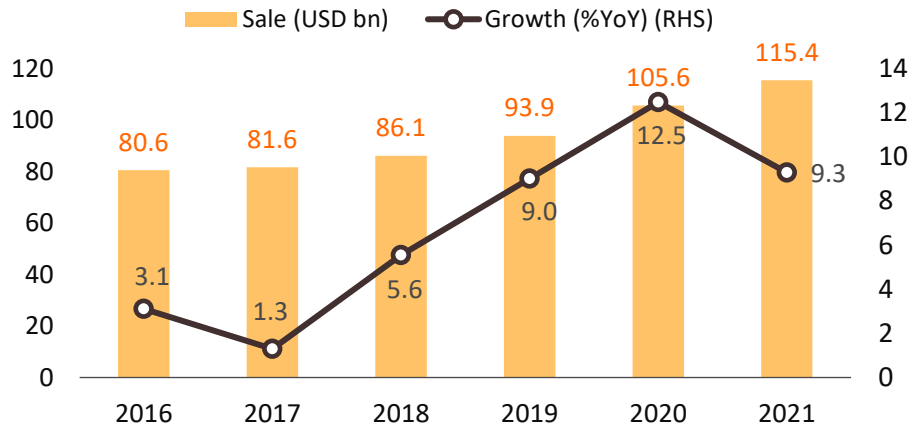
The Philippines' population will be around 133 million by 2032. Because of the high rate of economic growth, this would imply a large number of young and wealthy consumers. Looking ahead, the Philippines should continue to be one of the most thriving economies in the region, providing opportunities for Thai companies seeking to expand their operations. According to our analysis, the potential sectors are food and beverage, beauty and personal care, tourism, and agriculture.

Food and beverage	Beauty & Personal Care	Tourism	Agriculture
			
Underlying trends in Philippines			
• Sizeable domestic market • Growing young middle-class consumers • Health consciousness • Urbanization • Premiumization	• Sizeable domestic market • Growing young middle-class consumers • Urbanization • Premiumization and Personalization	• Sizeable domestic market • Fast-growing market • Plentiful natural destination • Premiumization • Low barrier to entry on high-end market	• Sizeable domestic market • Growing young middle-class consumers • Health consciousness • Urbanization • Premiumization

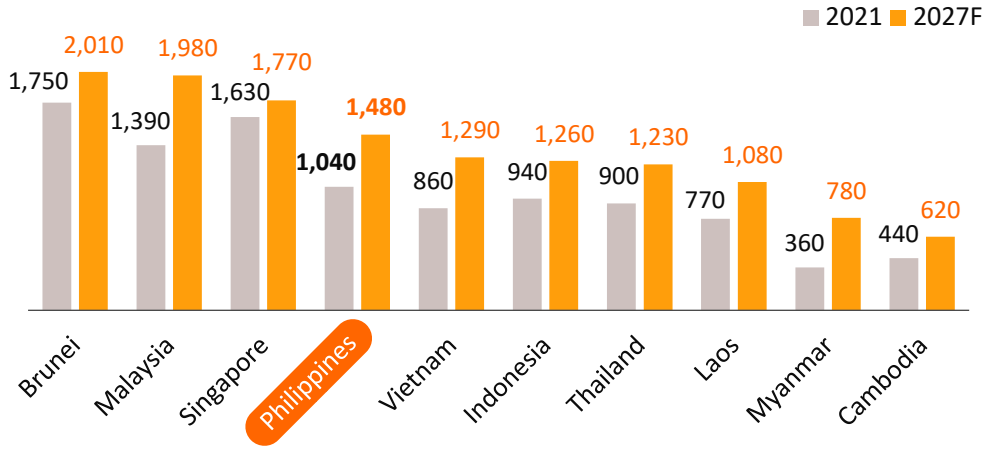
Source: Krungsri Research

Food: Thailand's food expertise will provide Thai investors a leg up on the competition; however, high-end healthy food market is still niche and dominated by few companies

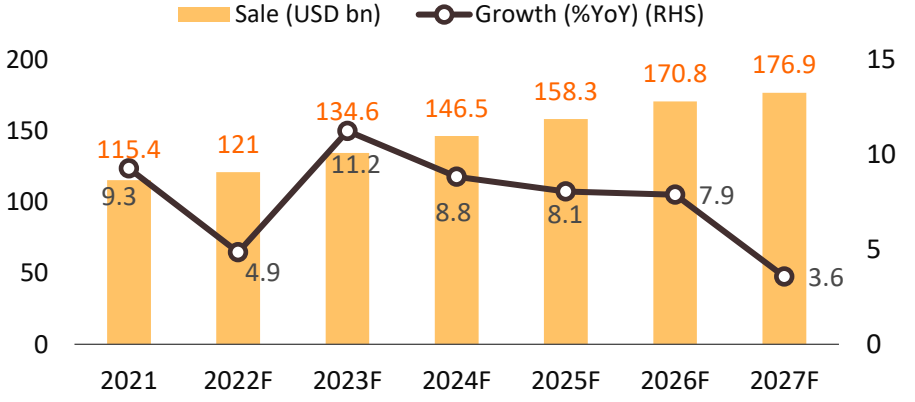
Food Sales in Philippines (USD bn, 2016-2021)



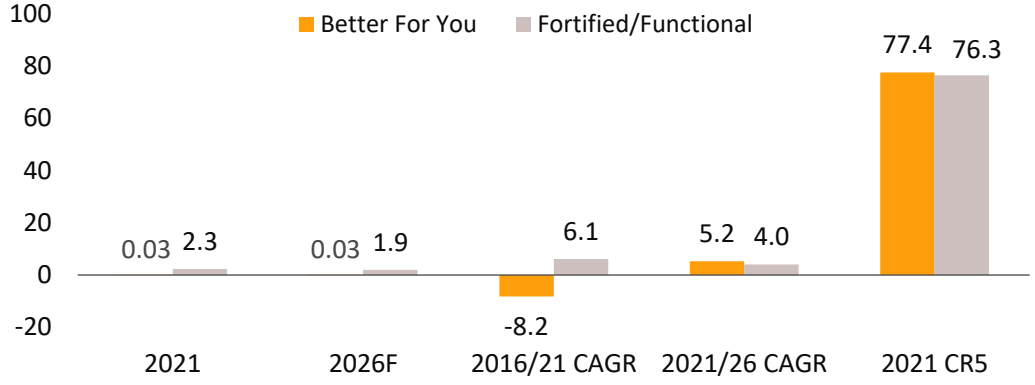
Food Sales (USD per capita)



Projected Food Sales in Philippines (USD bn, 2022-2027)



Healthy Packaged Food (% of Total Food Sales)

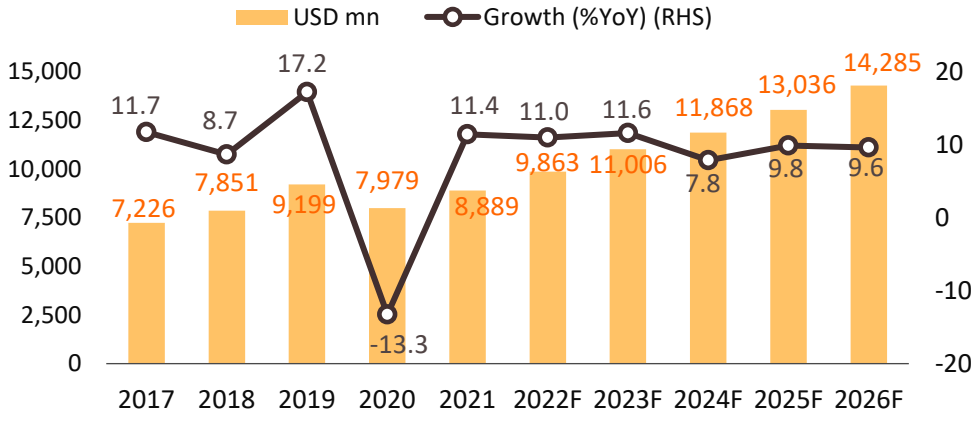


Note: Better For You packaged food includes product where the amount of a substance considered to be less healthy has been actively reduced during production.
Fortified/functional packaged food includes product which health ingredients have been added and provides health benefits beyond their nutritional value and/or the level of added ingredients would not normally be found in that food.

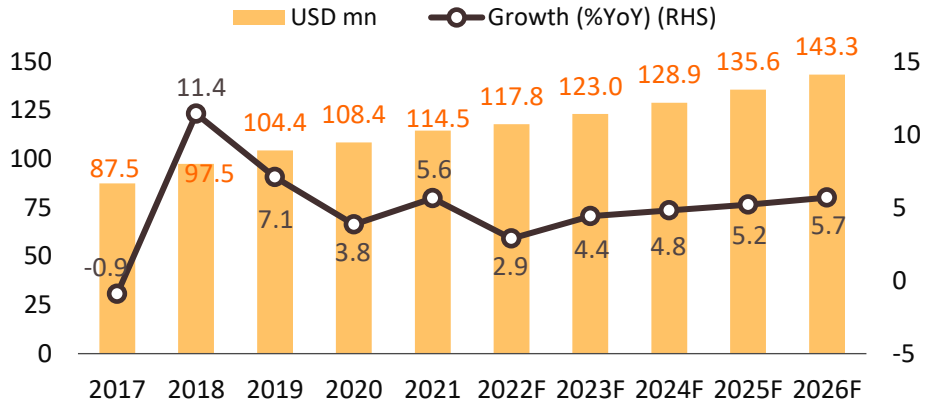
Source: Statista, Euromonitor and Krungsri Research

Beverage: Although Filipinos continue to enjoy alcoholic beverages, the demand for healthier alternatives is increasing and expected to accelerate in the long term

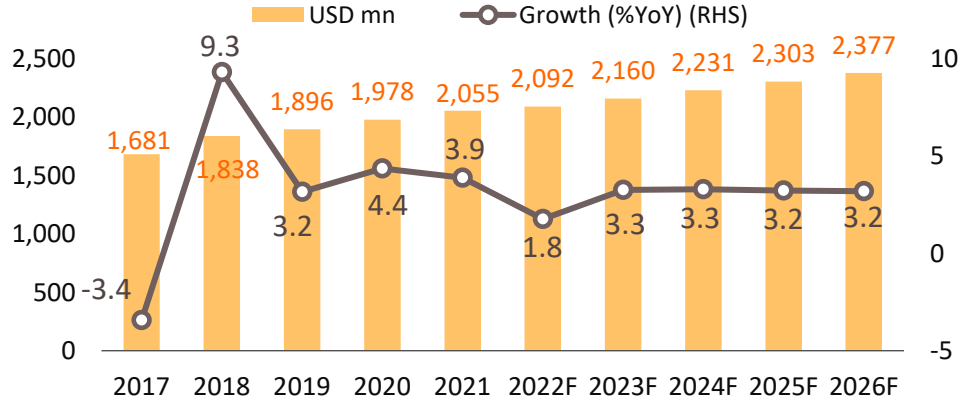
Alcoholic Drinks Sales (USD mn, 2017-2026)



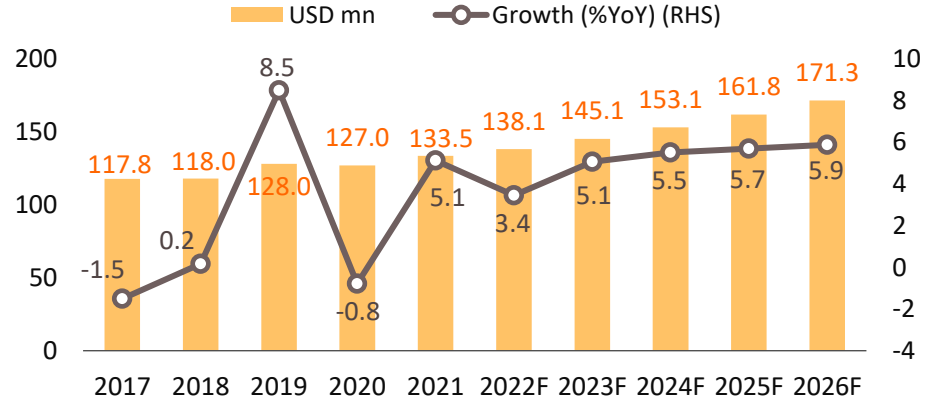
Better For You Beverages Sales (USD mn, 2017-2026)



Fortified/Functional Beverages Sales (USD mn, 2017-2026)



Naturally Healthy Beverages Sales (USD mn, 2017-2026)

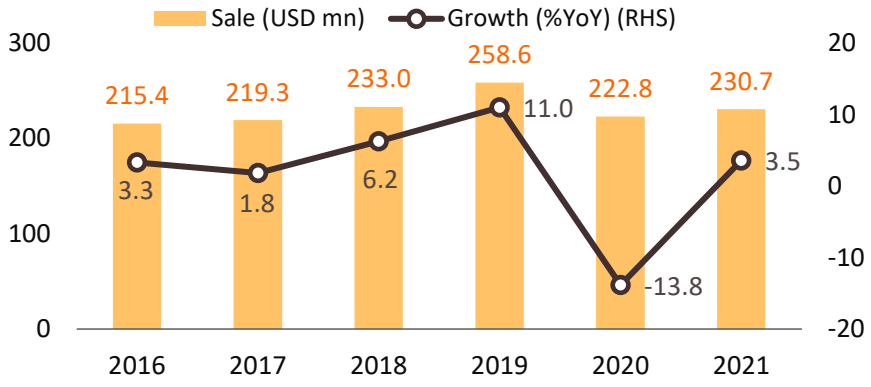


Note: Better For You beverage includes product where the amount of a substance considered to be less healthy has been actively reduced during production.
Fortified/functional beverage includes product which health ingredients have been added and provides health benefits beyond their nutritional value and/or the level of added ingredients would not normally be found in that food.
Naturally healthy beverage includes products on the basis of naturally containing a substance that improves health and wellbeing beyond the product's pure calorific value.

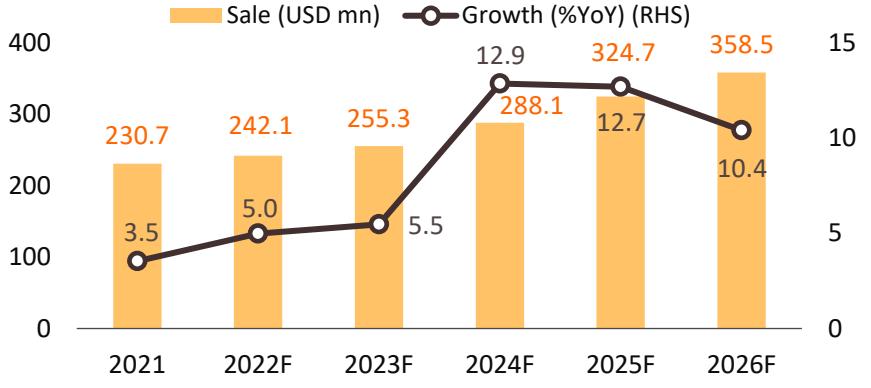
Source: Euromonitor and Krungsri Research

Beauty and Personal Care[1/]: Demand quickly recovering from the pandemic's slump will resume its potential trajectory in 2023-2024, and maintain high growth in the long run

Premium Beauty and Personal Care Sales (USD mn, 2016-2021)



Projected Premium Beauty and Personal Care Sales (USD mn, 2022-2026)



Premium Beauty and Personal Care by category (USD mn, 2021)

Category	Sales (USD mn)	% Share
Skin Care	82.7	35.8
Fragrances	53.5	23.2
Colour Cosmetics	41.4	17.9
Bath and Shower	28.9	12.5
Hair Care	14.6	6.3
Baby and Child-specific products	7	3.0
Deodorants	2.1	0.9
Adult Sun Care	0.3	0.1
Total	230.7	100

Note: 1/ Premium beauty and personal care includes premium color cosmetics, fragrances, deodorants, skin care, sun care, baby and child- specific products, bath and shower and hair care.

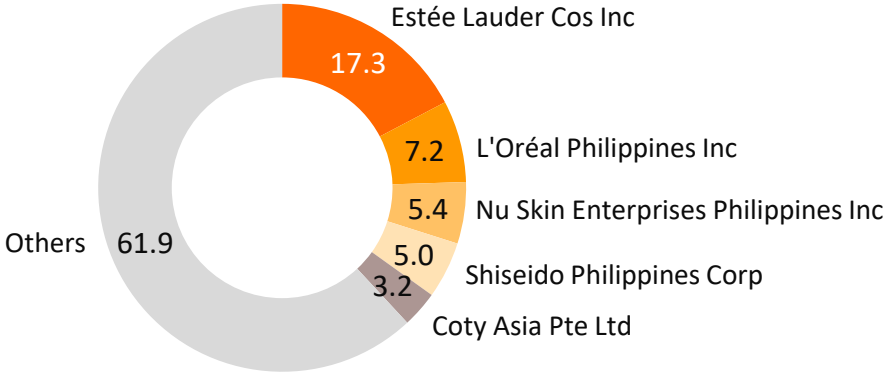
Source: Euromonitor and Krungsri Research

….owing primarily to a growing middle class of wealthier consumers and a premiumization trend; newcomers are likely to have better chances of competing in the Philippines

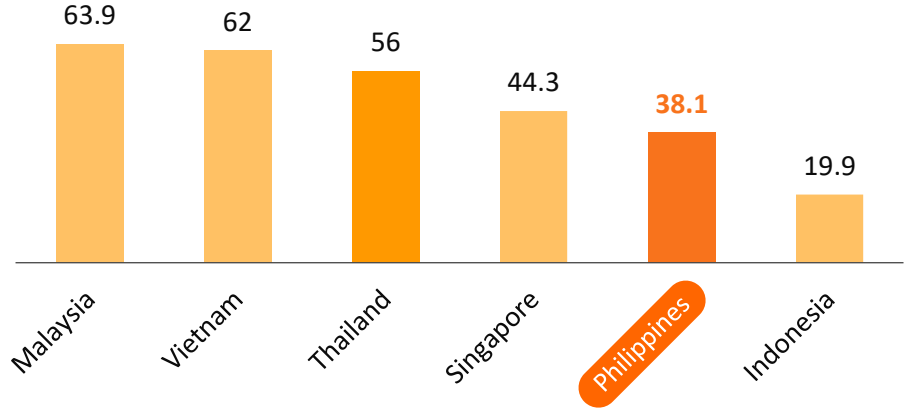
Premium Beauty and Personal Care by category (USD mn, 2026)

Category	Sales (USD mn)	% Share
Skin Care	122.3	34.1
Fragrances	88.2	24.6
Colour Cosmetics	69.7	19.4
Bath and Shower	40.4	11.3
Hair Care	23.6	6.6
Baby and Child-specific products	10.4	2.9
Deodorants	3.1	0.9
Adult Sun Care	0.6	0.2
Total	**358.5**	**100.0**

Market Shares of Premium Beauty and Personal Care in 2021



Market Concentration Ratio of Premium Beauty and Personal Care in ASEAN (CR_5, %, 2021)

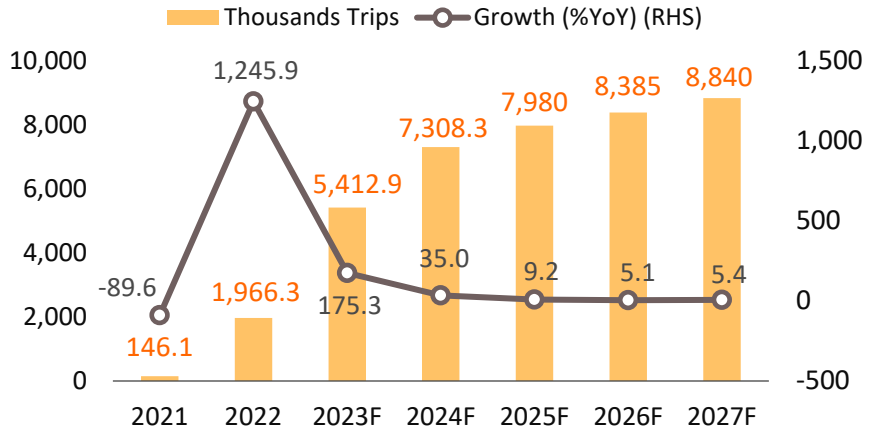


Note: 1/Premium beauty and personal care includes premium color cosmetics, fragrances, deodorants, skin care, sun care, baby and child-specific products, bath and shower and hair care.

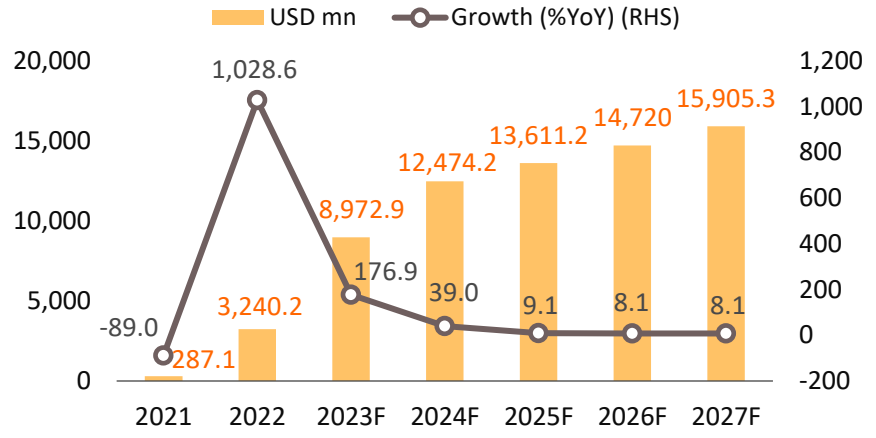
Source: Euromonitor and Krungsri Research

Tourism: With the country reopening in 2021, demand and spending are expected to surge in 2023, eventually surpassing the pre-pandemic level in the coming years

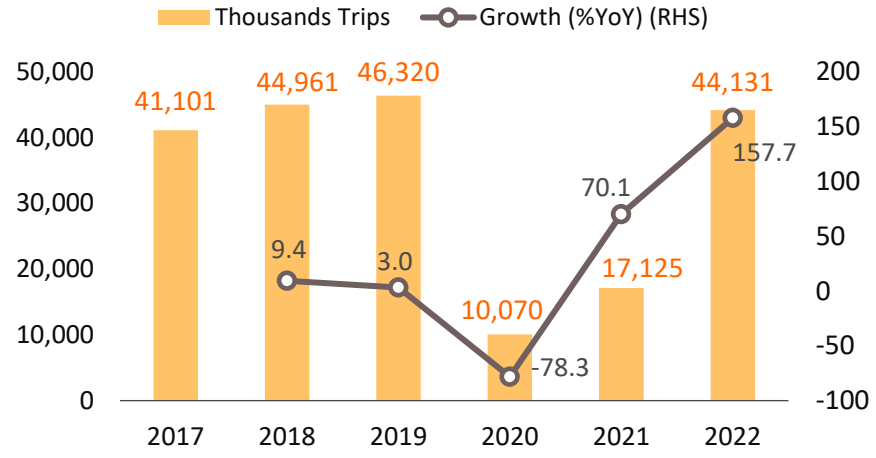
Inbound Arrivals (thousands trips, 2021-2027)



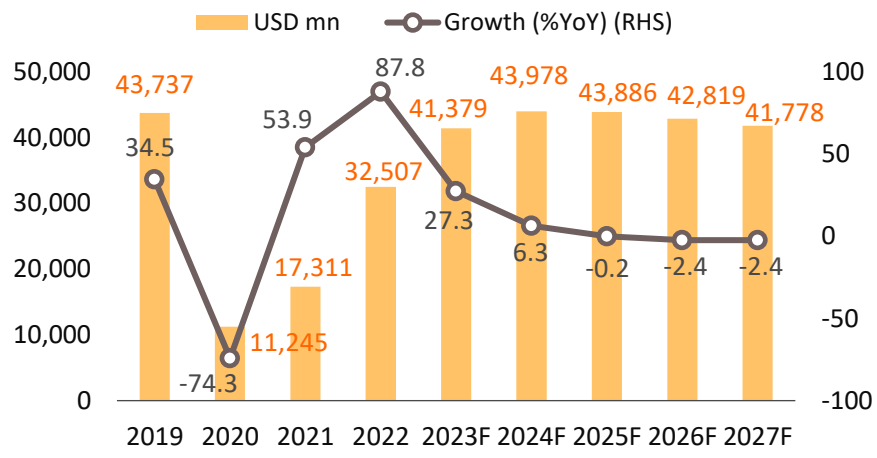
Inbound Tourism Spending (USD mn, 2022-2027)



Domestic Trip (thousands, 2017-2022)



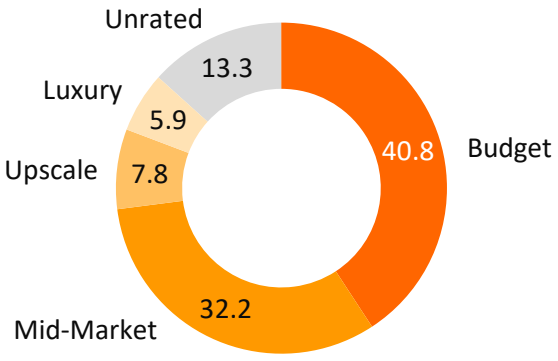
Domestic Spending (USD mn, 2019-2027)



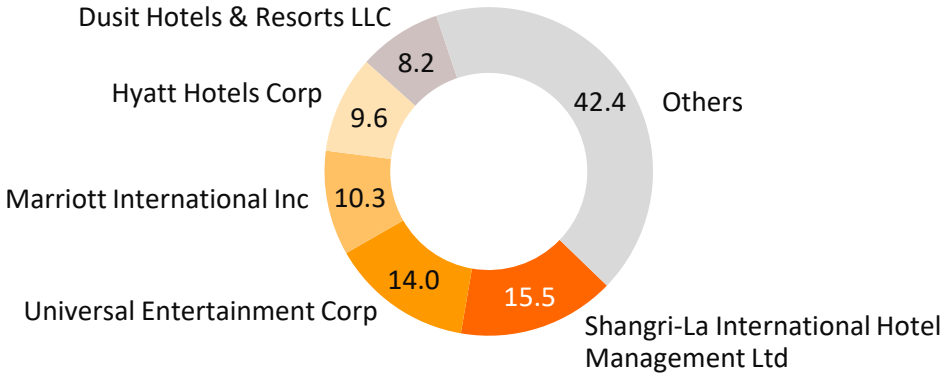
Source: Euromonitor and Krungsri Research

Abundant natural attractions and a lack of high-end hotels present an excellent opportunity; however, high market concentration and high crime rates remain challenging

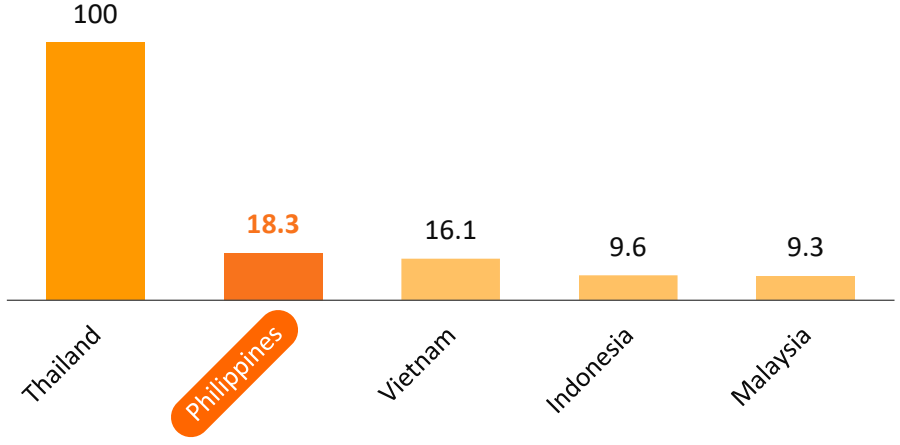
Hotel Classified by Types in 2022



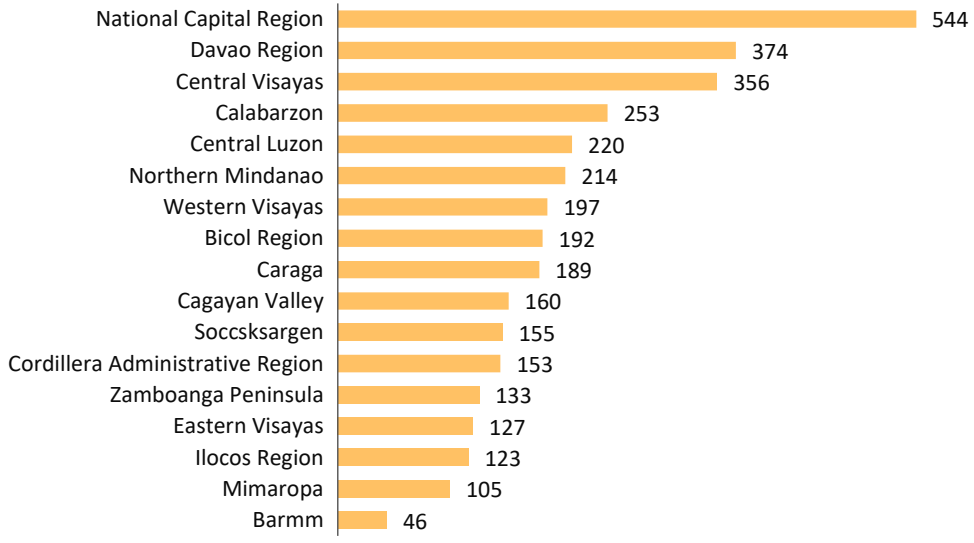
Market Shares of Luxury Hotel in 2021



Upscale and Luxury Hotel Density Index in 2022



Crime Incidents per Million Citizens as of February 2022

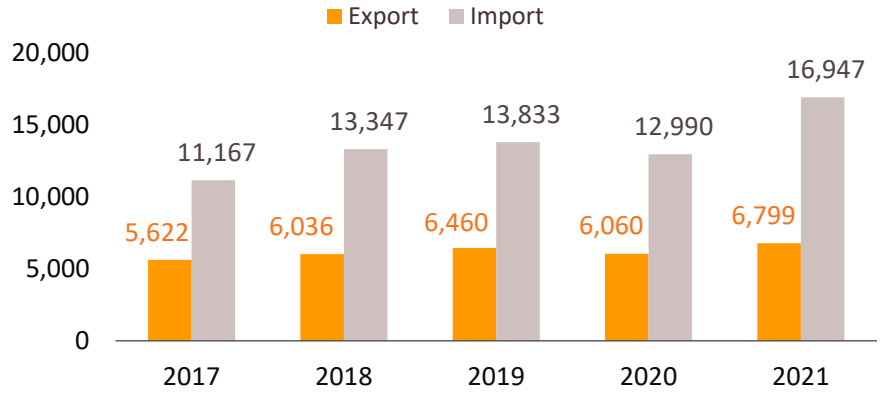


Source: Euromonitor, Statista, the Philippines Statistics Authority and Krungsri Research

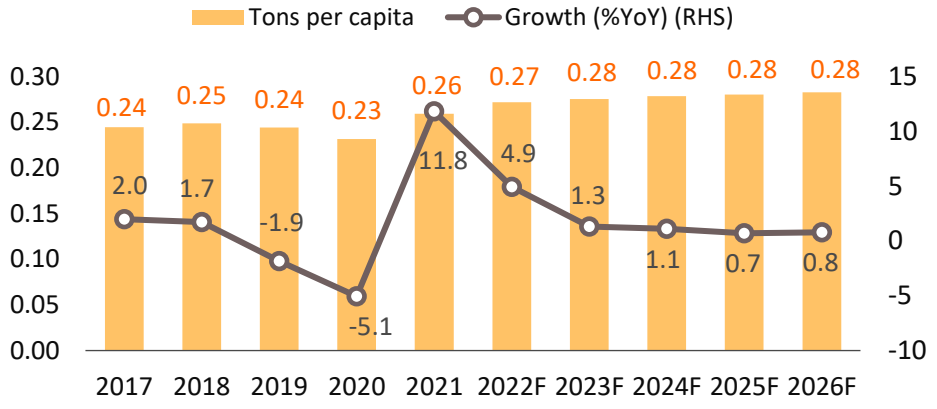
Agriculture: Demand is rising in tandem with the population growth, necessitating a reliance on imports

The Philippines has been a net importer of agricultural products for many years, and this trend is expected to continue as per capita consumption remains stable at 0.28 tons. This should present an excellent opportunity for Thai investors in two scenarios: (1) an increase in fresh or processed product exports, and (2) direct investment. The latter scenario is supported by the fact that the Philippines is a major producer of certain crops that could be used to manufacture a wide range of foods or materials. The Philippines, however, is the most disaster-prone country in the world.

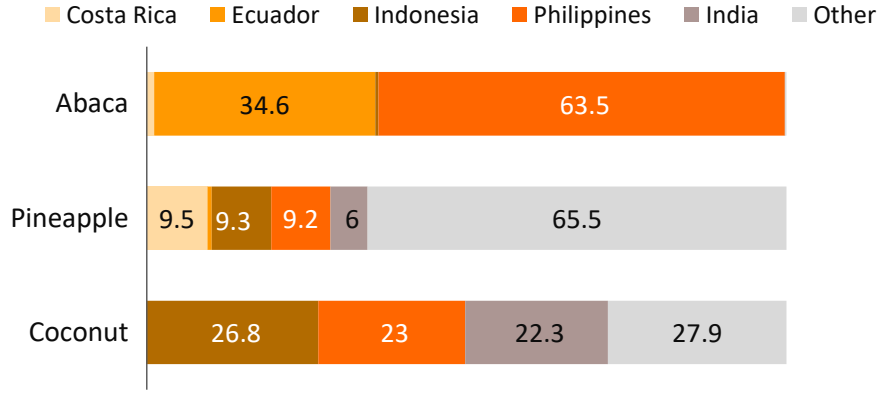
Agricultural Product Trade (USD mn, 2017-2021)



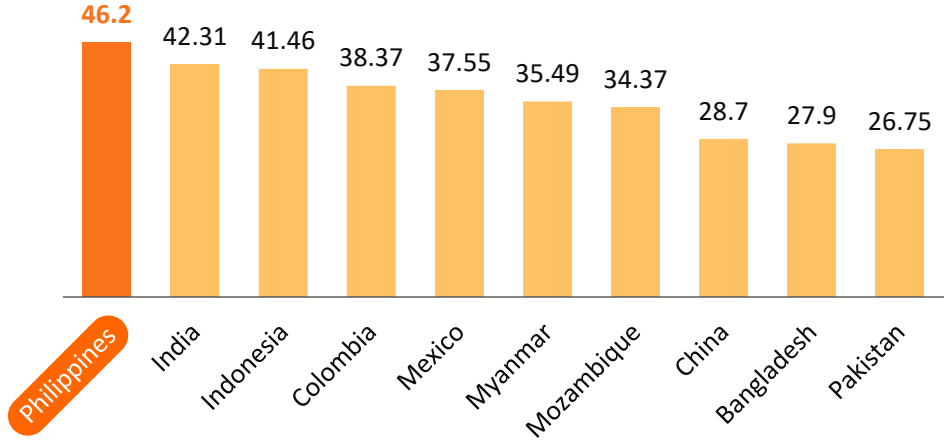
Agricultural Consumption (tons per capita, 2017-2026)



Share of Global Production (%, 2021)



Disaster Risk Index 2021



Source: Trade Map, Euromonitor, FAO, World Risk Report 2022, and Krungsri Research

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