

On the Upswing: Philippine economy expands by 5.6% in 2021, exceeding government's target

Philippines' 4Q 2021 GDP increases by 7.7%, raises full-year growth to 5.6%

- ▶ The country's 2021 GDP expanded by 5.6% in 2021 after hitting 7.7% growth for 4Q 2021. This exceeds the 5% to 5.5% 2021 GDP growth target of the Development Budget Coordination Committee. Most of the expansion was heavily supported by a surge in household consumption, which was up by 7.5% in 4Q 2021 from contracting by 7.3% in 4Q 2020.
- ▶ The national government is retaining its GDP growth target of 7% to 9% for 2022 and 6% to 7% for 2023 and 2024.

Containing COVID: Government eases border controls, extends scope of vaccination program

Government eases border control measures as Omicron wave subsides

- ▶ After a nearly 2-year travel ban since the pandemic began in 2020, fully vaccinated visitors from countries with visa-free entry to the Philippines will be allowed to enter the country starting Feb 10. Quarantine requirements will also be lifted for returning Filipinos starting Feb 1, and for foreign tourists starting Feb 10, if they are fully vaccinated and test negative for COVID-19.

National vaccination program to begin inoculating kids aged 5 to 11

- ▶ As of Jan 31, 59 million Filipinos or 53% of the population are fully vaccinated. The national vaccination program will extend to kids aged 5 to 11 starting Feb 7 and is expected to support the government's plan to transition back to in-person classes.

Spurring Investments: Foreign retailers face lower entry requirements; Bol targets approval of USD 20B in investments

Amendments to the Retail Trade Liberalization Act (RTLA) lower barriers to entry for foreign retailers

- ▶ Republic Act 11595, which amends the RTLA, took effect on Jan 21. It lowers the required paid-up capital for foreign retailers to PHP 25M (USD 500k) from PHP 125M (USD 2.5M) and removes certain requirements such as a minimum number of retail branches, a minimum net worth of USD 200M for its parent corporation, and a 5-year track record in retailing.
- ▶ The government hopes that this will encourage international firms to locate in the Philippines and will prevent large local corporations from dominating the market by allowing international brands to go direct to consumers instead.

Board of Investments targets to approve USD 20B in investment pledges this 2022

- ▶ The Board of Investments (Bol) is targeting to approve PHP 1T (USD 20B) in investment pledges this year, 53% higher than the PHP 655B (USD 13.1B) worth of investment approvals made in 2021. It is banking on the expected passage of major economic reforms that will ease restrictions on foreign equity participation, the country's participation in the Regional Comprehensive Economic Partnership free trade agreement, more aggressive investment promotion, and the continued push for the government's "Build, Build, Build" infrastructure program.

Deal Spotlight: Local startups raise various funding rounds

GrowSari, BillEase, and BreederDAO raise various funding rounds in January

- ▶ KKR is leading GrowSari's Series C funding round with a USD 45M investment. GrowSari is a digital retail distribution platform that connects informal retailers to FMCG manufacturers/wholesalers and allows them to provide digital services to their customers (e.g., bills payment, e-wallet top up). The funds will be used to enter new regions and expand its financial products.
- ▶ BillEase, a buy-now-pay-later startup, raised USD 11M in its Series B funding round. Its service functions like a credit card, allowing customers to use their assigned credit limits, determined by its in-house algorithm, to make purchases while the company earns from interest charges.
- ▶ BreederDAO, a month-old blockchain startup, raised USD 10M in Series A funding co-led by venture capital firm Andreessen Horowitz (a16z). It generates NFTs or digital assets for use in blockchain-based games and virtual worlds such as Axie Infinity.

Industry Watch: IT-BPM industry is projected to grow by 7.1% in 2021

Everest Group projects the Philippine IT-BPM industry to grow by 7.1% in 2021

- ▶ Everest Group, a global Business Process Outsourcing (BPO) research firm, projected the Philippines' IT-BPM industry to grow by 7.1% in 2021. It noted the emergence of certain business process subsegments such as insurance and health, HR outsourcing, and customer experience management. It also reports seeing opportunities in IT-oriented and complex services such as cloud and data center services. In 2020, the local BPO industry saw revenues increase by 1.4% to USD 26.7B amidst the pandemic.