

Macro Movements: PH on track with investment target; now open to full foreign ownership in select public sectors

PH gov't secures nearly half of its PHP 1 trillion investment target for 2023

- ▶ In Q1 of 2023, the Board of Investments reported its investment approvals amounted to more than PHP 400B (USD 7.3B) or over 40% of its target of PHP 1T (USD 18.3B) investment approvals for 2023. The renewable energy, infrastructure, manufacturing, IT, and business process management sectors are expected to receive the highest investments.

Gov't releases implementing rules and regulations for amendments to the Public Service Act

- ▶ Implementing rules and regulations for the law amending the Public Service Act, which allows for increased foreign ownership of certain sectors, took effect on April 4. Full foreign ownership in airports, railways, expressways, and telecommunications is now allowed.

Trade Relations: RCEP to take effect in June; ADB and International Trade Center project significant increase in exports

Largest free trade agreement to take effect in the Philippines this June 2023

- ▶ Following the Philippines Senate's ratification of the Regional Comprehensive Economic Partnership (RCEP), the RCEP Agreement will be effective in the Philippines in June.
- ▶ As the world's largest free trade agreement, the RCEP involves a third of the global economy. The Asian Development Bank estimates that the RCEP could increase the Philippines' exports by 3.7% by 2030, amounting to an addition of USD 7B, while a study conducted by the International Trade Center estimates the country to have almost USD 30B of unrealized export potential to RCEP countries over the next five years.

Deal Highlights: Startup investments see sustained momentum in 2022 with over USD 1 billion raised in capital

Early-stage investments continue to dominate the local startup fundraising space

- ▶ According to the Philippine Venture Capital 2023 report released by Foxmont Capital Partners and Boston Consulting Group, Philippine startups raised over USD 1B in funding in 2022 for the second year in a row despite a global slowdown. Early-stage investments below USD 5M continued to dominate investment deals, but there is a notable increase in later-stage investments. Most funding went into ecommerce and fintech segments, accounting for 23% and 39% of total early-stage funding recorded in 2022, respectively.

PH gov't accredits Gobi-Core Philippine Fund as co-investor for state Startup Venture Fund

- ▶ The DTI and National Development Council officially announced Gobi-Core Philippine Fund as the co-investment partner for the government-initiated USD 10M Startup Venture Fund (SVF). The Gobi-Core Philippine Fund is co-managed by Manila-based venture capital firm Core Capital and Gobi Partners, a Malaysia and Hong Kong-based venture capital firm.
- ▶ The SVF is a result of the Innovation Startup Act, signed into law in 2019. It streamlines business registration, research and development grants, international exposure, the creation of a Philippine startup ecozone, and the launch of the SVF.

Industry Watch: Global cost-cutting to benefit Philippine BPO growth

BPO sector grows by 8.4% in headcount and 10.3% in revenues in 2022

- ▶ According to the IT and Business Process Association of the Philippines (IBPAP), the BPO sector could generate almost USD 36B in revenues and have a total of 1.7M full-time workers in 2023 as some countries experience an economic slowdown and firms implement cost-cutting measures.
- ▶ In 2022, the number of full-time employees in the sector grew by 8.4%, bringing the total headcount to almost 1.6M while revenues grew by 10.3% to USD 32.5B. This boost in headcount and revenue is attributed to growth in banking, financial services and insurance, healthcare, retail, technology, and telecommunications. The industry also accounted for almost half of the total demand for office space nationwide.
- ▶ IBPAP is currently working on its Roadmap 2028 with the goal to grow the industry's workforce to 2.5M and generate about USD 60M in revenues.