

Macro Movements: Philippine growth forecast & new ecozones

IMF increases Philippines growth forecast from 5% to 6%

- ▶ The International Monetary Fund (“IMF”) raised its 2023 GDP growth forecast for the Philippines from 5% to 6% in its recent World Economic Outlook report. The revised outlook aligns the IMF’s growth forecast with the local government’s lower bound 6-7% annual growth projections.
- ▶ The IMF identifies the Philippines’ better-than-expected 4Q2022 performance, continued strong consumer demand, and positive outlook following China’s reopening as the main drivers for sustaining this year’s economic growth.

Approved ecozones in Bacolod and Batangas to spread growth outside the National Capital Region

- ▶ According to the Philippine Economic Zone Authority (“PEZA”), President Marcos Jr. has approved two new economic zones in Bacolod and Batangas, which are expected to generate PHP 1.6B (USD 28.9M) worth of investments.
- ▶ The new ecozone in Batangas added lands for the expansion of the 700-hectare Lima Technology Center, while the Bacolod ecozone is for the establishment of a new IT ecozone called Robinsons Cyberpark Bacolod.
- ▶ As of April 2023, PEZA claims to still have another twenty economic zones waiting for approval, which include eleven IT centers, eight manufacturing zones, and one agro-industrial hub. This keeps them on track with their goal to create thirty new ecozones every year that create economic progress outside the National Capital Region.

Industry Insights: IT-BPM talent crisis; Philippine office market post-pandemic comeback

IT-BPM stakeholders call for talent development initiatives to address the talent crisis

- ▶ According to the IT and Business Process Association of the Philippines (“IBPAP”), the government and private sector need to develop national talent attraction and development programs for Filipinos to remain competitive and employable.
- ▶ IT-BPM sector stakeholders emphasize the immediate need for improvements in higher education curriculum as well as the necessity for companies to invest in re-skilling and upskilling workers as a means to solve the industry’s shortage of ready-to-hire talents.
- ▶ Under the Philippine IT-BPM Industry Roadmap 2028, the sector is eyeing to generate USD 59B in revenues and create 1.1 million new jobs by 2028. For 2023, IBPAP’s aim is to reach 1.7 million full-time employees to generate USD 35.9B in revenues.

Accelerating demand for office spaces driven by the IT-BPM sector and traditional offices

- ▶ According to Leechiu Property Consultants (“LPC”), despite 2022 being the 3rd best year for leasing, 1Q2023 demand for office spaces more than doubled to 264,000 sq.m. compared to the 124,000 sq.m. seen in the same period last year.
- ▶ Demand in Metro Manila was driven by traditional offices at 49%, while demand in the provincial areas was dominated by the IT-BPM sector which accounted for 96% of demand. Cebu is the leading interest in the provincial market, followed by Clark. Other locations of interest are Iloilo, Davao, Bohol and Bacolod.
- ▶ LPC’s data shows that the supply of office spaces will come down significantly from 2024 until 2026, leading to an overall decline in office vacancy.

Deal Highlights: Local coffee startup backed by foreign investors; Philippines as hotbed for edtech services

Local grab-and-go coffee startup Pickup Coffee secures USD 40M in funding

- ▶ Pickup Coffee, a local start-up offering specialty coffee at affordable prices raised at least USD 40M (PHP 2.2B) in series A1 funding, led by Indonesian venture capital firm Go Ventures with additional participation from various investors.
- ▶ After this latest round of funding, the company has reached an estimated value of USD 130M (PHP 7.18B).

Two edtech companies partner with Philippine BPO companies for front- and back-office requirements

- ▶ Coursera and Kahoot!, two globally recognized online learning platforms, engaged Philippine BPO companies for services such as helpdesk operation, technical support and student assistance. The collaboration has allowed for 24/7 customer support to a global user base while enjoying cost savings and improvements in efficiency.