Market Study of The Philippines

Introduction

The market study of the Philippines will be an overview of the current market share and the future growth prospects of the major 3 sectors i.e. Railways, Industries, and Agriculture.

The Philippines is a group of 7,640 islands with a total area of 300,000 kilometers and has the world's 5th longest coastline of around 36,289 kilometers. It is one of the easternmost countries in the South China Sea which gives it further geographical advantages.

The Philippines is the world's second-biggest geothermal energy producer behind the United States.

The GDP of the Philippines currently stands at $394 billion with a current growth rate of 7.4%. has a forex reserve of $98,800 million, the CPI inflation stood at 6.4%, and with a population of 110 million its unemployment rate is at 6%. The total FDI in all the segments stood at $742 billion

Railways

The country currently has a railway footprint of 533.14 kilometers, of which only 129.85 kilometers are operational as of 2022, This shows a major room for growth in this segment. For the past couple of decades, the government of the Philippines has been sincerely working on the rehabilitation of the same, with a plan to expand their network to 1900 kilometers.

The Philippine railway network consists of two commuter lines provided by the Philippine National Railways (state-owned) and three urban mass transit lines, out of which two of them operated by the light rail transit authority (state-owned). 579,000 passengers travel daily from these 2 lines. The third line is operated by a privately owned company named the Metro Rapid Transit Corporation and carries 400,000 passengers on a daily basis.

Following are some of the major problems the railways are facing

1. Poor operation and maintenance:

The railway stations, of all railways, are starting to deteriorate due to a lack of funding for operations and maintenance. Railways are not looking for the comfort of commuters, and facilities such as waiting lodges and cafeterias are not taken into consideration.

2. Inefficiency:
   The superior public transport network such as trams, light rail, and subways are still underdeveloped. On an average, there is only 0.05 kilometer of railway for every square kilometer of its area, due to this reason people generally preferred to travel by their own vehicle only.

3. Speed:
   The average speed of a normal train ranges from 60km/h – 80 km/h, so in the non-peak hours, people find travel with their private vehicle a much faster option as compared to the mass transit system.

There is much wider room for a lot of growth and development in these aspects, which both the government and private players are doing hand in hand.

Some of the government policies to enhance the rail infrastructure are

Project name	Distance	From	To
North-south commuter railway	180 KM	New Clark City	Calamba
Metro manila subway	36 KM	Quezon city	Taguig
MRT Line 7	22.8 KM	Bulacan	Quezon city
LRT Line 1 south extension	11.7 KM	Pasay	Bacoor

Apart from government agencies, some private players are also taking part in the growth story of the Philippines.

Sumitomo Corporation

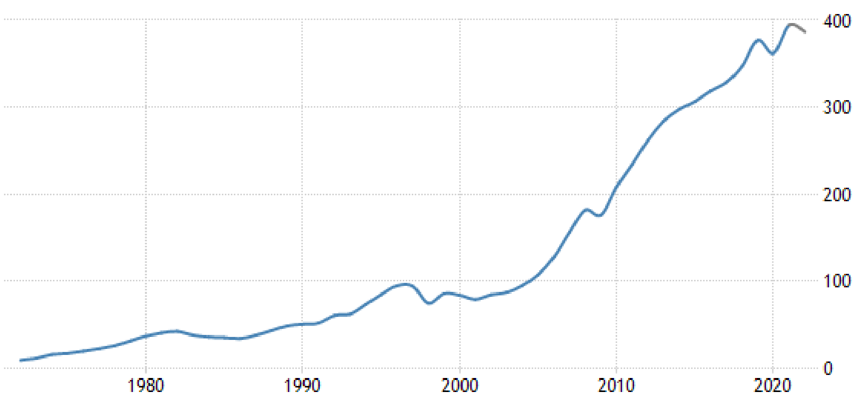
This company is contributing to the advancement of railway infrastructure development. They have been involved in the construction of the manila light rail transit system (LRT) Line 1, LRT Line 2, and manila metro rail transit system (MRT) Line 3.

Metro rail transit corporation

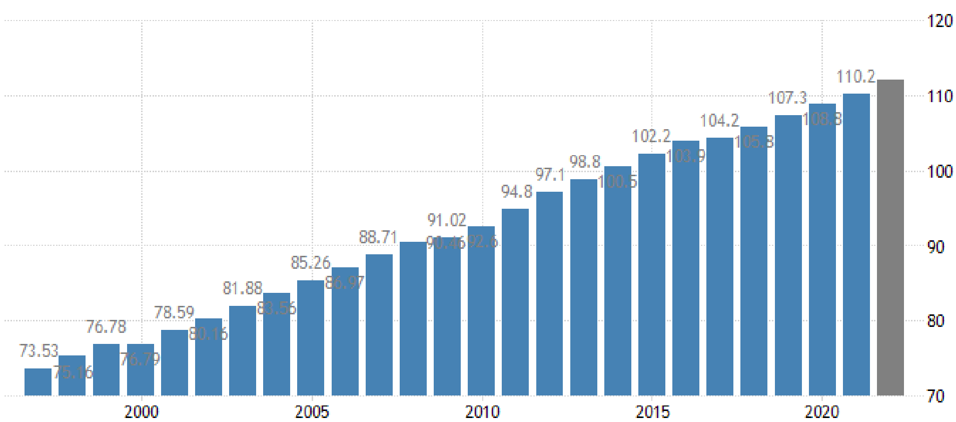
This company owns the manila metro rail transit system line 3 and runs this in coordination with the department of transportation.

Future outlook and growth prospectus

The Philippines enjoys one of the highest growth rates among ASEAN countries. The country's population has topped 100 million and is especially rapidly increasing in metro manila. The concentration of the population is causing serious traffic congestion issues. The economic loss due to traffic congestion, including the impact on the mobility of people and freight logistics, is estimated to reach roughly 3.5 billion pesos every day. Further Co2 emission from the increased traffic may result in serious air pollution in manila.



There GDP has shown a tremendous growth in past 50 years



Population growth of past 25 years

Demand for public transport will hence increase gradually, and with increasing government spending on the sector, the future outlook is very bullish as one is seeing from the point of view of investment.

Industrial

The industrial sector is contributing nearly 26% to the GDP of the Philippines and has grown with a CAGR of around 3.5% in the past 20 years. The whole sector together employs nearly 1/5th of the total workforce.

The major industries of the Philippines include manufacturing, mining and mineral processing, pharma, shipbuilding, electronics, and semiconductors. Exports of Semiconductors and electronic products together contribute more than 40% of the total exports.

The government of the Philippines is continuously working on the enhancement of the infrastructure to attract FDIs. The country has developed many SEZs for the same. The major thrust of MNCs to shift their manufacturing units from China to the developing economies of ASIA will further sustain the growth of the industrial sector of this nation in the years to come.

Government policies for the sector

New industrial policy:

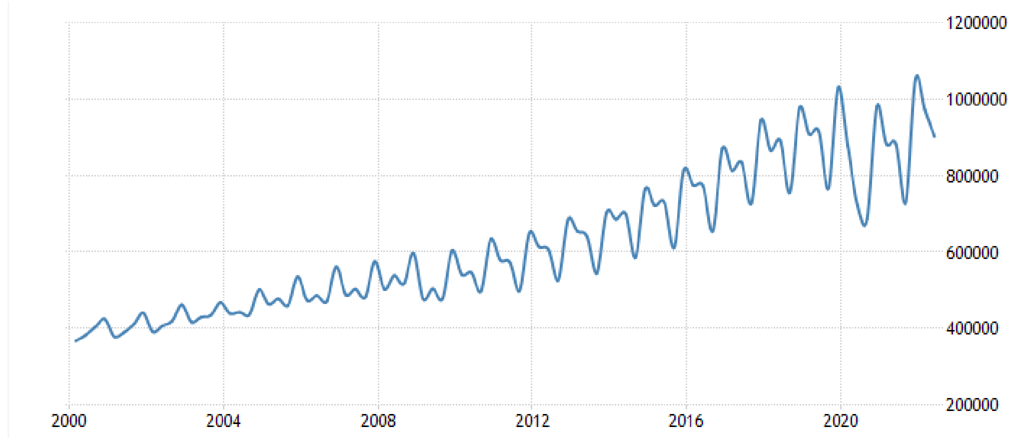
The Philippine government aims to promote domestic industries in both the local and global markets. With the private sector as the major driver of growth, the government acts as a coordinator and facilitator to implement policies and necessary support measures to address the obstacles to the entry and growth of domestic firms.

The Philippine new industrial policy would enable the country to maximize the trade and investment opportunities from the ASEAN Economic Community (AEC)

Upgrading manufacturing and integrating it with the agriculture and services sectors to promote strong forward and backward linkages can lay the foundation for the Philippine economy's structural transformation.

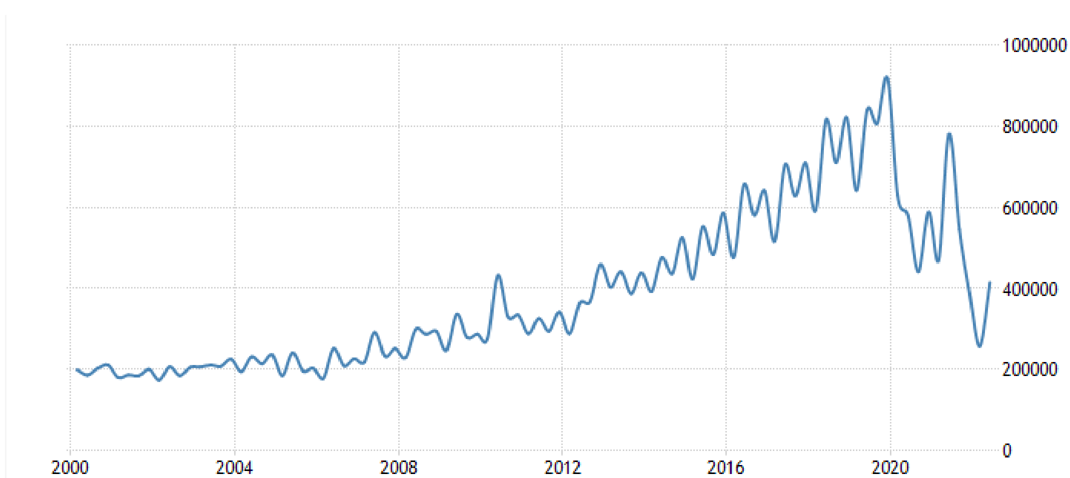
Growth in the manufacturing sector

The manufacturing sector of the Philippines is growing with a CAGR of around 4% in the past 20 years. A big chunk of the manufacturing sector comes from the electronic good and the ongoing tensions between China and Taiwan will disrupt the supply chain of Taiwan-made semiconductor chips, this will be a great opportunity for the domestic manufacturers of the Philippines to enhance their capacity.



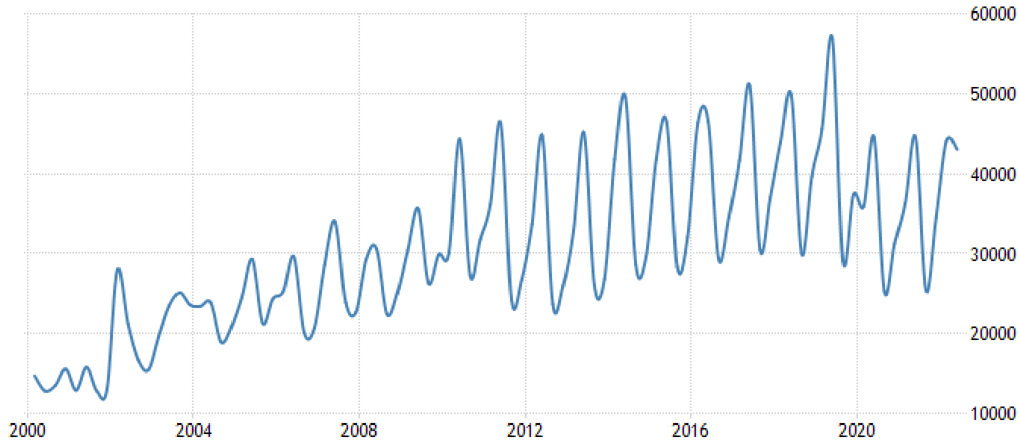
Growth in the construction sector

From the year 2000 to 2020 this sector was growing with a CAGR of 8.10% but due to the major hit by the covid-19, the whole sector saw a setback and shrinks 58% from the high of 2020. With the increasing government spending and the revival of domestic demand after the pandemic, this sector can again grow to its pre-pandemic levels and have the potential to go further beyond that.



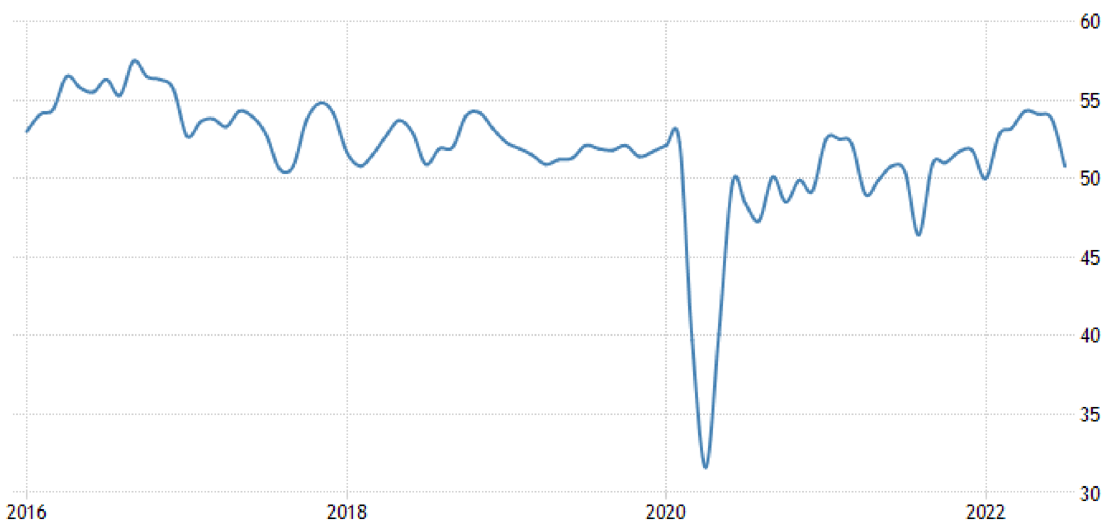
Growth in the Mining sector

This sector has shown growth at a CAGR of 5.6% in the past 20 years



Manufacturing PMI

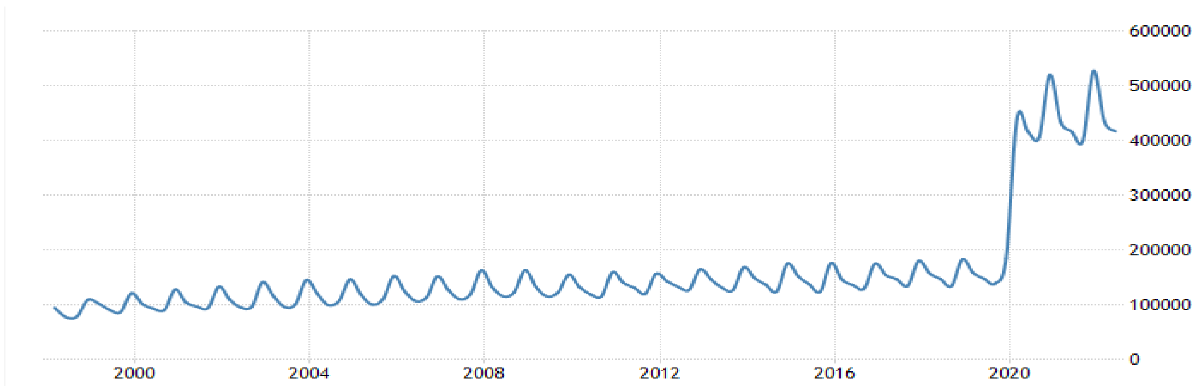
Due to the inflationary pressure from the past few months and rising costs for the manufacturers, there was stagnant growth. Now after taking rigorous measures to control inflation, the situation is gradually improving, and so the enhancement in the PMI in the upcoming quarters would be shown.



Agriculture

The agricultural sector contributes nearly 8.35% of the GDP while giving a growth of 6.5% CAGR in the past 25 years. This clearly shows the shift of the Philippines' economy from being dependent wholly on agriculture to manufacturing and service-oriented economy.

The Philippine's agriculture sector employs nearly 25% of the total workforce. The main agricultural products are sugarcane, coconuts, rice, corn, bananas, cassava (manioc), tapioca, pineapples, mangoes, pork, eggs, beef, and fish.



Challenges faced by the agriculture sector

Food production cannot keep up with the immense population growth. The Philippines' population expansion rate was estimated at 1.4 percent in 2019 by the Philippine Statistics Authority (PSA), while the agriculture sector grew by a measly 0.5 percent in late 2020. These figures clearly show the food-population imbalance, where the rapid rate of growth of the population outpaces the capacity to produce food.

The low level of productivity and slow growth in the Philippines' agricultural sector has resulted in a high incidence of poverty within the sector. The lack of government initiatives has been primarily responsible for the decline of the agricultural sector, which has suffered from poor infrastructure and low levels of investment.

Government policies for the enhancement of the sector

The government is backing the Department of Agriculture's (DA) programs in an attempt to improve food security, rural income, and infrastructure. Some initiatives by the DA in a bid to improve the post-harvest losses, while making products less expensive as well as stabilizing labor costs, are Farm Mechanization, National Organic Agriculture, and Post-Harvest Development

- Improve agricultural policy performance to enhance the sector's long-term productivity growth.
- Re-orient the focus of agricultural education and extension services to improve farm management skills.
- Improve the agricultural sector's capacity to adapt to climate change.
- Improve agricultural institutions and governance systems.

There is an enormous opportunities and a wide room for growth available in agriculture. As the country is not even self-sufficient in rice and coffee. The government is planning to become self-sufficient in various agro commodities by increasing its spending in incentivizing the producers, so the upcoming years would be surely of growth and prosperity.

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