



Country spotlight: Philippines



Country overview



Healthy expansion set to continue

In addition to rising domestic demand, a recovery in the services sector (including services exports) will drive growth over the medium to long term. Meanwhile, private consumption will see an uptick driven by lower unemployment rate, increased remittances from overseas, and tourism recovery. The country is expected to reach upper-middle income status by 2025, further supporting healthy digital economy growth.

Foreseeable high growth given emerging digital participation

While internet users in the Philippines are amongst the most engaged in the world, digital participation across sectors remains lower. This signals sizable headroom for digital economic growth over the medium to long term as incomes grow. E-commerce is also expected to benefit from the shift of informal, unorganised commerce to organised e-commerce platforms.

Infrastructure investment to fuel transport growth in outer cities

Both domestic and regional transport providers are expanding to outer cities to fuel long-term growth. To capture these segments, businesses have started growing their two-wheeler offerings as a more affordable alternative. Sustained infrastructure investments are expected to support this by making transport more efficient and accessible in these regions.

E-wallet and account-to-account (A2A) nab the largest share of growth

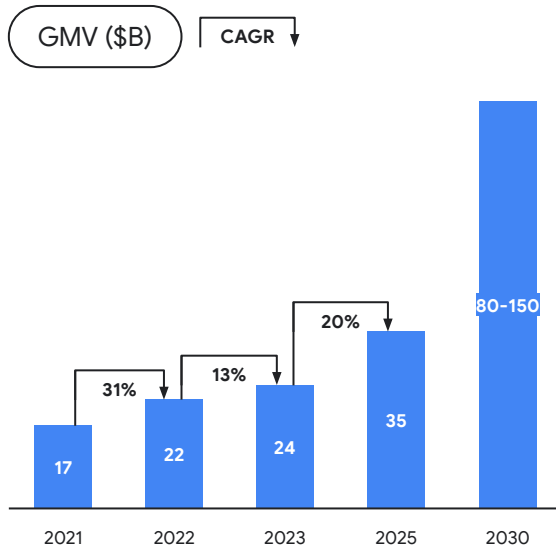
As digital payments gain traction, e-wallet and A2A payment rails will see the fastest growth due to lower costs to merchants. Informal A2A payments, in particular, are expected to grow in merchant adoption as they look to sidestep formally registration of business accounts with digital payments providers.

Philippines

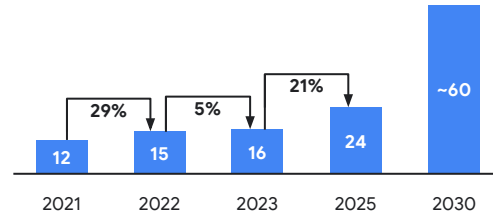


Philippines is expected to continue its double-digit climb towards ~\$35B by 2025, largely fueled by e-commerce

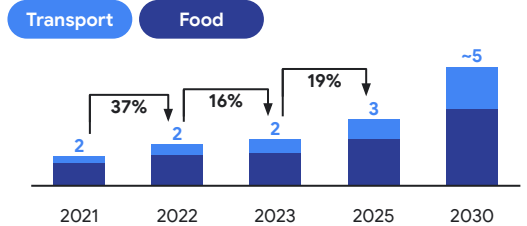
Overall digital economy



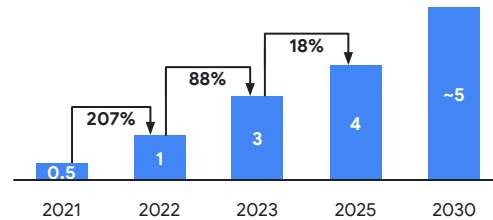
E-commerce



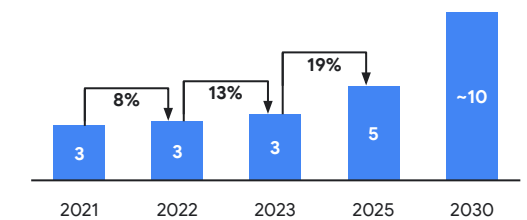
Transport & food



Online travel



Online media





Metro Manila leads in digital participation; gap widens beyond capital

E-commerce: Demand¹

2023 indexed search interest per capita

Low retail demand  High retail demand



E-commerce: Supply²

2023, drop-off points per capita

Low drop-off density  High drop-off density

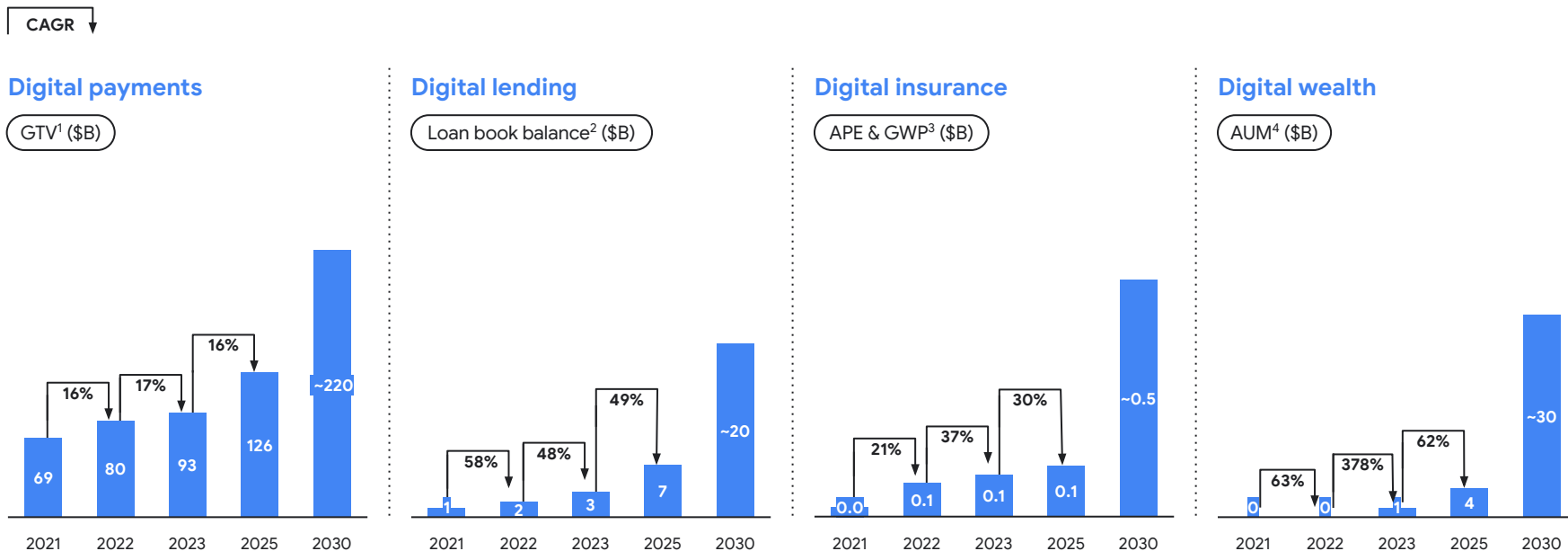


Notes: (1) An indication of how much e-commerce demand there is, calculated based on the e-commerce-related search interest indexed to census population per province, indexed at the country level; (2) An indication of the e-commerce fulfillment coverage, calculated based on the concentration of courier, delivery, freight forwarding, mailing, and shipping services within provinces, indexed at country level. (3) Areas that have not met the minimum supply (search interest) and demand (drop off points) thresholds have not been included in the analysis. Simplified illustrative maps are not representative of administrative borders and territories for which data is not available

Source: Google internal data, PH, Jan-Jul 2022 vs Jan-Jul 2023; Province GDP & Population; Google Maps data, PH, as of September 2023; WorldPop & Landsat Population; Bain Analysis



Steep DFS growth projected to continue from a low base



Notes: (1) Gross transaction value (GTV) for digital payments includes the value of credit, debit, prepaid card, account-to-account (A2A), and e-wallet transactions; (2) Loan book balance for digital lending includes end-of-year balance for consumer loans (excluding credit card and mortgage) and SME loans; (3) APE & GWP for digital insurance includes APE for life insurance and health under life insurance policies and GWP for non-life insurance; (4) Assets under management (AUM) for digital wealth includes end-of-year mutual fund AUM balance. Source: Bain analysis



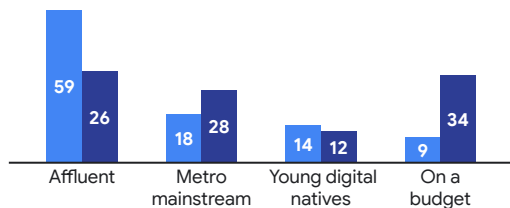
HVUs spend 6.3X vs non-HVUs; transport is a key differentiator

HVU

Non-HVU

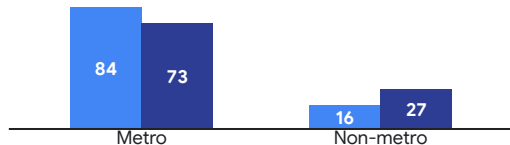
HVU composition¹ by demographic² (%)

Based on total online spend³ per user



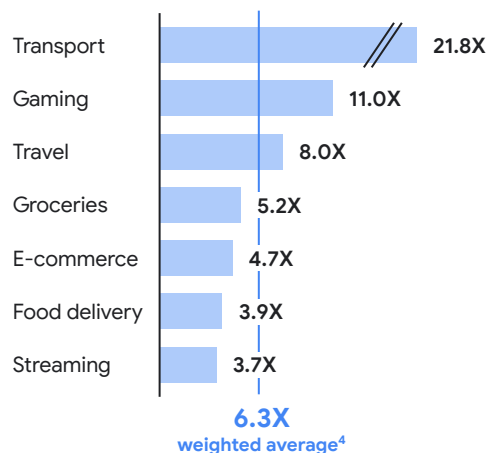
HVU composition¹ by geography (%)

Based on total online spend³ per user



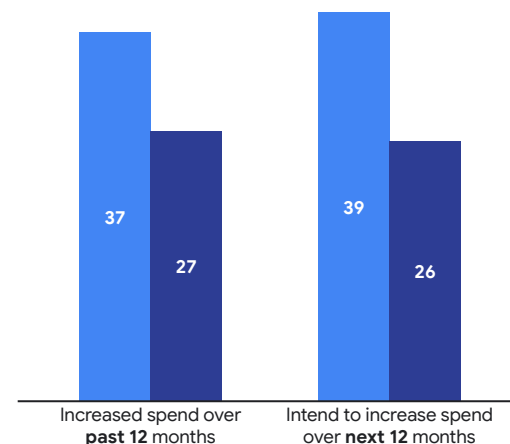
HVU vs non-HVU online spend

Based on average online vertical spend per user



Change in spend (%)

Averaged across verticals³ per user



Notes: HVU = high value users. (1) Average composition across SEA; (2) Affluent = High income; Metro mainstream = Age 30 and above & medium income; Young digital natives = Age 18-29 & medium income; On budget = low income; (3) Excludes digital financial services (DFS). (4) Based on aggregate HVU user spend / aggregate non-HVU user spend, across all 7 categories.

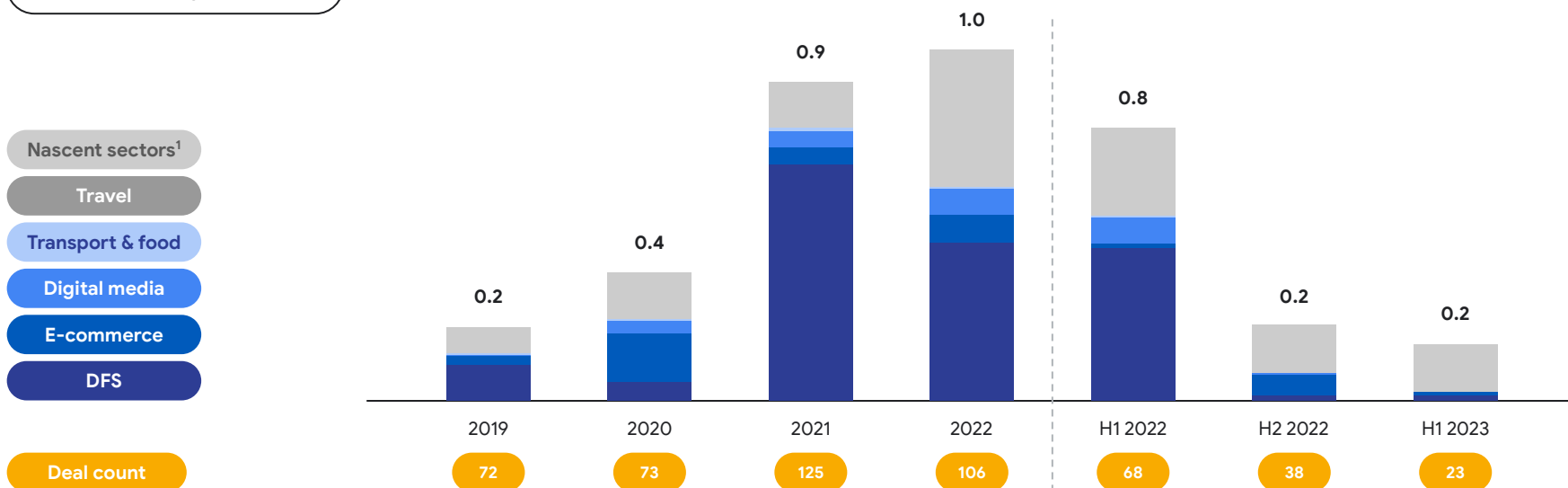
Source: Google-commissioned Kantar e-Conomy SEA consumer survey, ID, MY, PH, SG, TH, VN, 2023, online survey among 18-64 internet users and digital economy spenders, 10/08/2023 - 01/09/2023 (n=1,302 Philippines) Question S7, S3, A2, A5, A7: "Which of the following best describes your regular monthly household income situation before tax?" "In what region / area do you live?" "Please estimate how much you think you spend online in an average month across the below digital activities." "Comparing this year to the previous year, how has your spend for the following digital behaviours changed?" "Thinking about the upcoming year, how do you think your spend for the following digital behaviours will change?"

Philippines



Funding dropped substantially from pandemic highs, including previous heavyweight DFS

Private funding value (\$B)



Note: (1) Nascent sectors include categories that are still relatively nascent in SEA such as enterprise, healthtech, edtech, deeptech/AI, Web3/crypto, property, automotive, etc.

Source: Bain analysis



Bansang nasa spotlight: Pilipinas



Overview ng bansa

Magpapatuloy ang maayos na expansion

Bukod sa tumataas na domestic demand, ang recovery sa services sector (kabilang ang services exports) ay magtutulak sa pag-unlad sa medium at long-term period. Samantala, tataas din ang pribadong pagkonsumo sa pagbaba ng unemployment rate at sa muling pagdaloy ng mga perang padala o remittance mula sa mga manggagawa sa ibang bansa. Inaasahang maaabot ng bansa ang upper-middle income na estado sa 2025, na mas magtutulak sa masiglang pag-unlad ng ekonomiya.

Nakikini-kinitang mataas na paglago dahil sa kasalukuyang mababang digital penetration

Nananatiling mababa ang digital penetration sa maraming sector sa Pilipinas sa kabila ng mataas na penetration rates ng internet at mobile. Senyales ito na may malaki-laking oportunidad para sa digital economic growth sa medium hanggang long term period habang tumataas ang mga kita o income.

Transport growth labas ng mga siyudad dahil sa investment sa imprastraktura

Nag-e-expand ang domestic at regional na transport providers sa labas ng mga siyudad para sa long-term na pagpapaulad. Para ma-capture ang mga segment na ito, nagsisimula nang magparami ang mga negosyo ng kanilang two-wheeler offerings bilang mas abot-kayang alternatibo. Inaasahan ang mga patuloy na investment sa imprastraktura na makasuporta rito sa pamamagitan ng pagiging mas efficient at accessible ng transport sa mga rehiyong ito.

E-wallet at account-to-account (A2A) ang may pinakamalaking bahagi sa pag-unlad

Habang mas ginagamit na ang digital na pagbabayad, ang e-wallet at A2A payment rails ang makakakita ng pinakamabilis na paglago dahil sa mas mababang gastos para sa merchants. Inaasahang dadami pa ang gagamit lalo na ng informal A2A payments partikular na sa merchants na gustong umiwas sa proseso ng pormal na pagrehistro ng business accounts sa mga provider ng digital na pagbabayad.

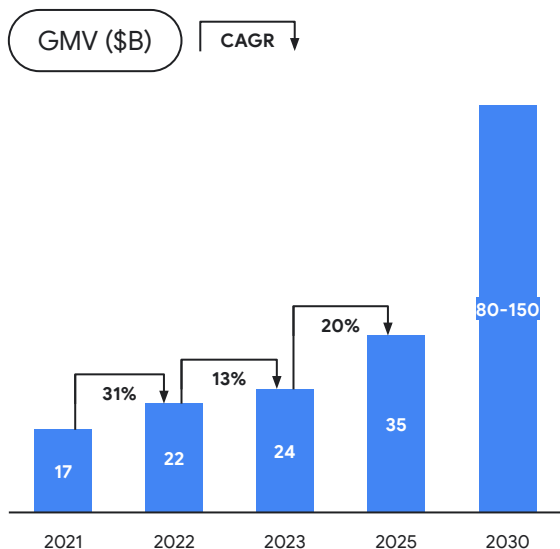


Pilipinas

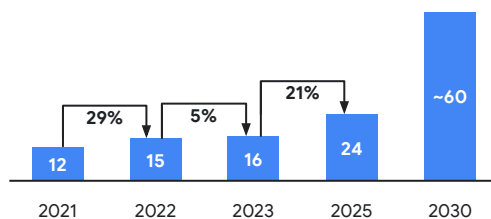


Inaasahang magtutuloy-tuloy ang Pilipinas sa double-digit climb nito papuntang ~\$35B pagdating ng 2025, at malaking bahagi nito ay dahil sa e-commerce

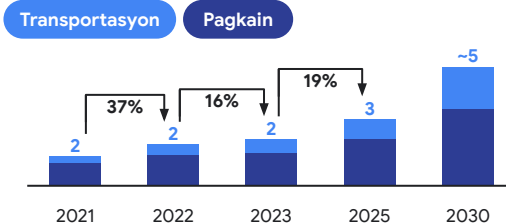
Pangkalahatang digital economy



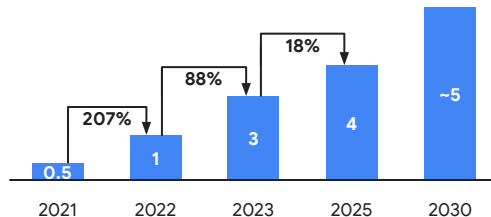
E-commerce



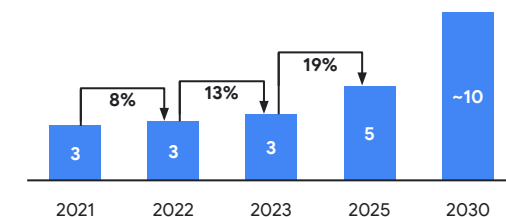
Transportasyon at pagkain



Online travel



Online media





Nangunguna ang Metro Manila sa digital participation, lumalaki naman ang gap sa labas ng capital

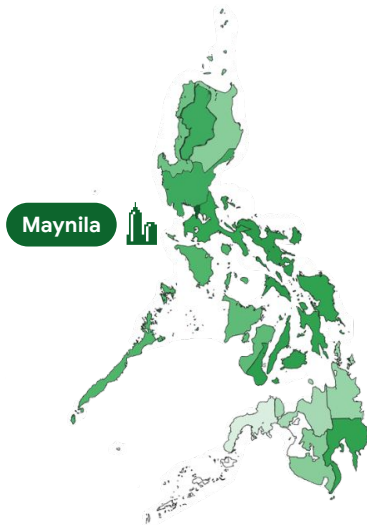
E-commerce: Demand¹

(2023, naka-index na search interest bawat capita)

Mababang demand sa retail



Mataas na demand sa retail



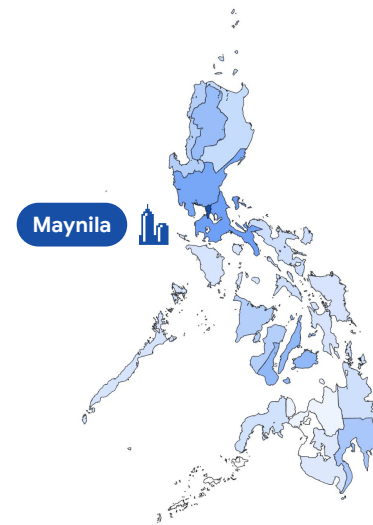
E-commerce: Supply²

(2023, drop-off points bawat capita)

Mababang density ng drop-off



Mataas na density ng drop-off



Tala: (1) Indikasyon kung gaano kalaki ang demand sa e-commerce, at kinalkula ayon sa volume ng paghahanap na kaugnay sa e-commerce na naka-index sa census population ng bawat probinsya, na naka-index sa country level; (2) Indikasyon ng fulfillment coverage ng e-commerce, at kinalkula ayon sa based concentration ng courier, delivery, freight forwarding, mailing at shipping services sa mga probinsya, na naka-index sa country level.(3) Ang mga lugar na hindi nakamit ang minimum na supply (interes sa paghahanap) at demand (drop off point) na mga limitasyon ay hindi kasama sa pagsusuri. Ang mga pinasimpleng ilustratibong mapa ay hindi kumakatawan sa mga administratibong hangganan at teritoryo kung saan hindi available ang data.

Sources: Internal data ng Google, Google Maps data; Bain analysis

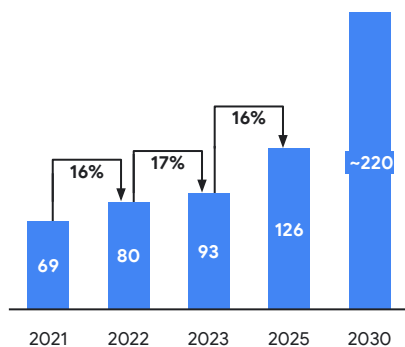


Tinatayang magtutuloy-tuloy ang labis na paglago ng digital financial services dahil sa malaking oportunidad mula sa low base

CAGR ↓

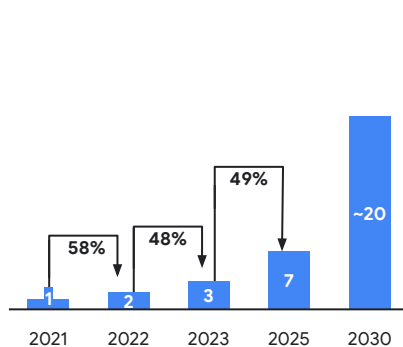
Digital na pagbabayad

GTV (\$B)



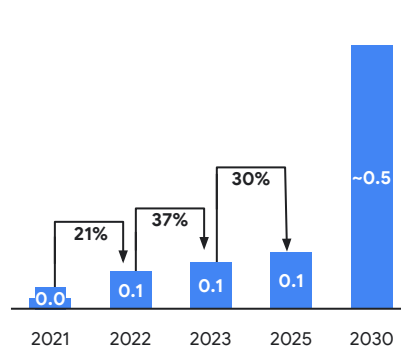
Digital na pagpapautang

Book balance sa pautang¹ (\$B)



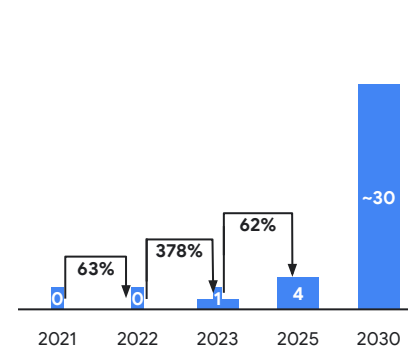
Digital insurance

APE & GWP (\$B)



Digital wealth

AUM (\$B)



Tala: (1) Hindi kasama ang credit card at sangla o mortgage. GTV, APE & GWP, AUM). (2) Iba-ibang sukatan o metrics ang tinutukoy ng kita o revenue, depende sa DFS sectors. Pagpapautang: average na umiiral na interest rates kasama ang servicing fees; Pagbabayad: merchant fee (mula sa discount rates ng merchant); Insurance: taunang premium equivalent para sa life insurance at gross written premium para sa non-life insurance; Wealth: taunang bayad sa pamamahala at bayad sa platform. Source: Bain analysis



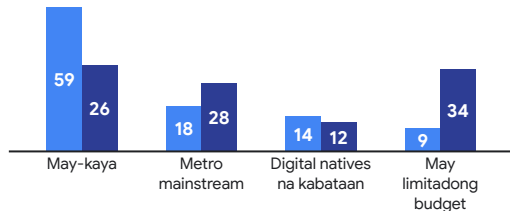
Gumagastos ang high-value users ng 6.3X kumpara sa non-HVUs; mahalagang sector ang transportasyon

HVU

Non-HVU

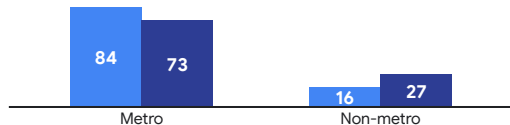
Komposisyon¹ ng HVU ayon sa demograpiko² (%)

Batay sa kabuuang online na paggastos³ bawat user



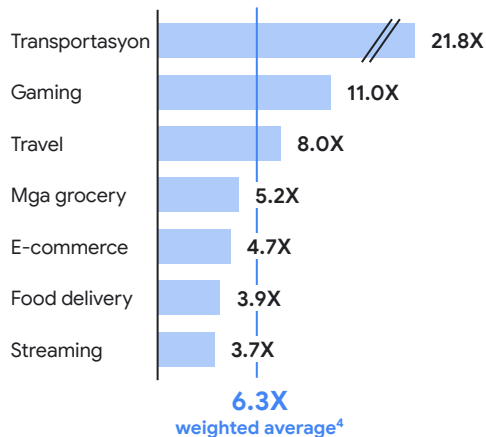
Komposisyon¹ ng HVU ayon sa heograpiya (%)

Batay sa kabuuang online na paggastos³ bawat user



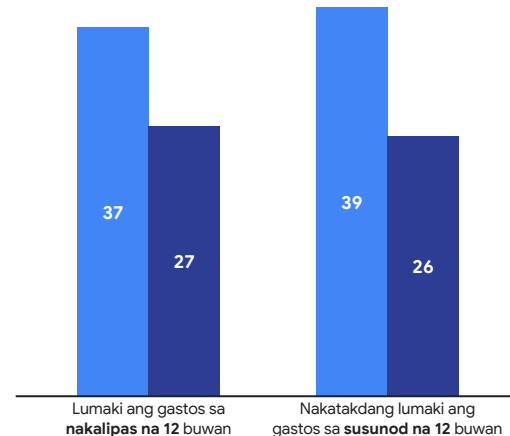
Online na paggastos: HVU / non-HVU na paggastos

Batay sa average online vertical na pagastos bawat user



Pagbabago sa paggastos (%)

Average ng verticals³ bawat user



Notes: HVU = high value users. (1) Average na komposisyon sa SEA; (2) May-kaya = May malaking kita; Metro mainstream = Edad 30 at pataas at may katamtamang kita; Digital natives na kabataan = Edad 18-29 at may katamtamang kita; May limitadong budget = may mababang kita; (3) Hindi kasama ang digital financial services (DFS). (4) Batay sa pinagsama-samang paggastos ng HVU user / pinagsama-samang paggastos ng non-HVU user, sa 7 kategorya.

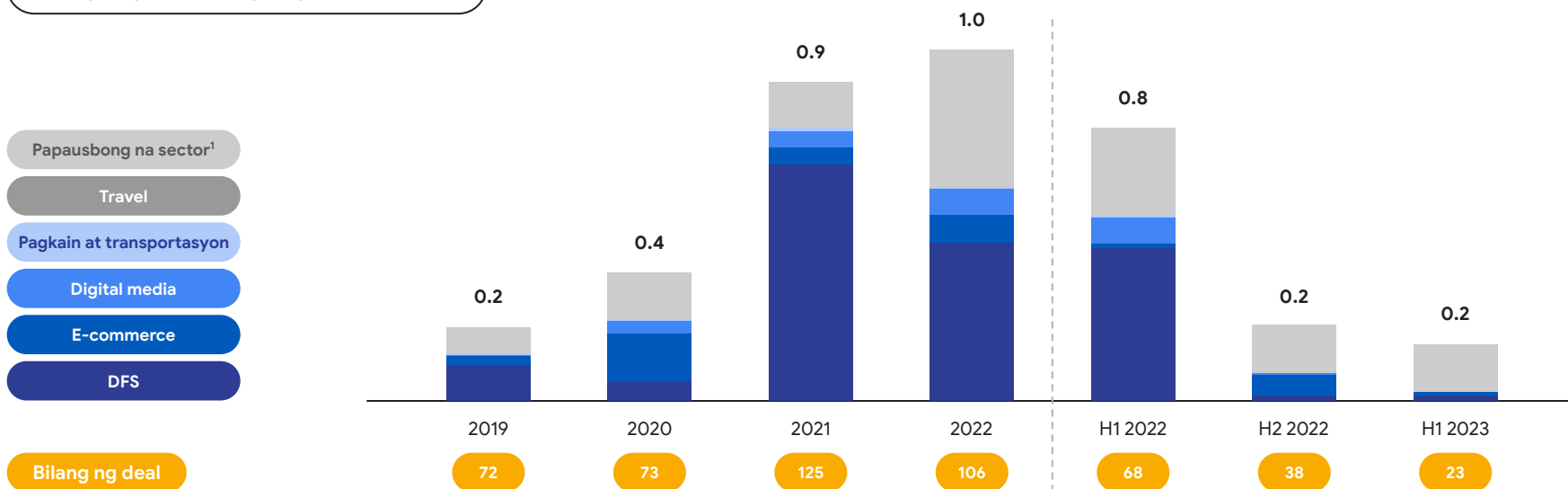
Source: Google-commissioned Kantar e-Conomy SEA consumer survey 2023. Tanong # S7, S3, A2, A5, A7: Alin sa mga sumusunod ang pinaka-naglalarawan ng buwanang kita ng iyong household bago ang buwis? Saang rehiyon / area ka nakatira? Paki-estimate kung magkano ang tingin mong ginagastos mo online sa isang average na buwan sa sumusunod na digital activities sa ibaba. Kung ikukumpara ang taong ito sa nakaraang taon, paano nagbago ang iyong paggastos para sa sumusunod na digital behaviors? Kung iiipin ang paparating na taon, sa tingin mo, paano magbabago ang paggastos mo para sa sumusunod na digital behaviors? Base: Mga internet user sa Pilipinas edad 18-64, n = 1,302

Pilipinas



Nananatiling halos consistent ang mga investment sa nakalipas na anim na buwan

Halaga ng pribadong pagpopondo (\$B)



Note: (1) Kabilang sa mga papausbong na sector ang mga kategoriyang sumisibol pa lang sa SEA tulad ng enterprise, healthtech, edtech, deeptech/AI, Web3/crypto, property, automotive, atbp.

Source: Bain analysis