Google TEMASEK BAIN & COMPANY

e-Conomy SEA 2024

Profits on the rise, harnessing SEA's advantage

Philippines

Country overview

Strong growth to continue on top of a recovery in domestic consumption

The Philippines is poised for continued strong growth, underpinned by robust domestic consumption, a revitalised services sector, and increased remittances from overseas workers. Stabilising inflation and declining unemployment rates will further stimulate private consumption, driving increased demand for digital services.

Digital payments become widespread

The increase in digital payment volumes is compelling service providers to maintain competitive fees while enhancing security and service reliability. As the digital payments landscape matures and adoption becomes more widespread, e-wallet providers are increasing merchant discount rates. Super-apps are expected to maintain their prominent role in digital payments, with their comprehensive offering.

Increased oversight over digital businesses

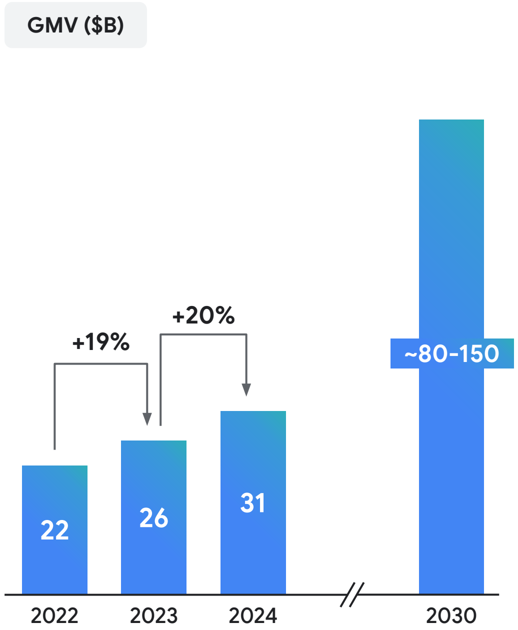
The government's enactment of the Internet Transactions Act, requiring all online businesses to register with the Department of Trade and Industry, aims to enhance safety in e-commerce. These regulations also impose compliance obligations on e-marketplaces and e-merchants alike. Additionally, a 12% value-added tax on non-resident digital service providers seeks to level the playing field between local and international digital businesses.

Expansion of digital infrastructure to reach last-mile communities

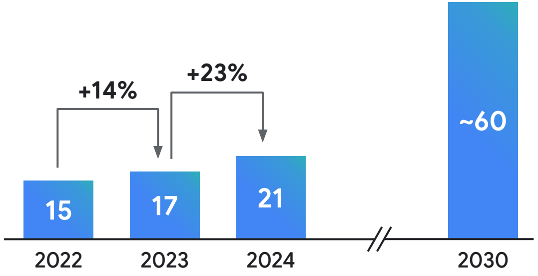
The Philippines is strategically prioritising infrastructure development with an emphasis on improving digital access in rural communities. A prime example is the recently approved $288M Philippine Digital Infrastructure Project. This initiative aims to bolster broadband connectivity nationwide, particularly in remote areas of the country.

Philippines continues its double-digit growth across all core sectors, driven by e-commerce

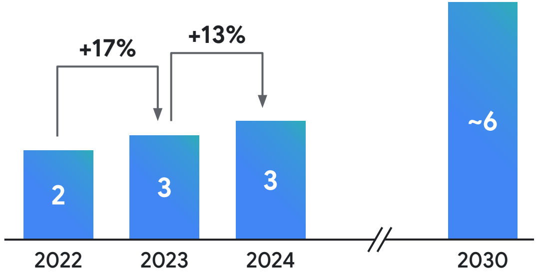
Overall digital economy



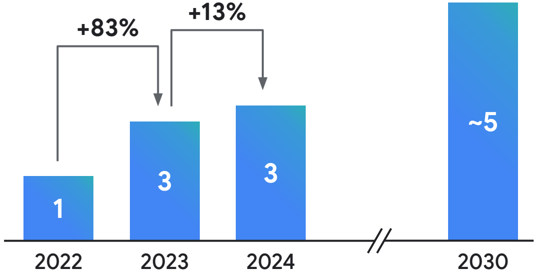
E-commerce



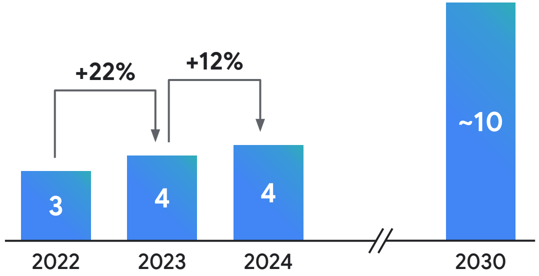
Transport and food



Online travel

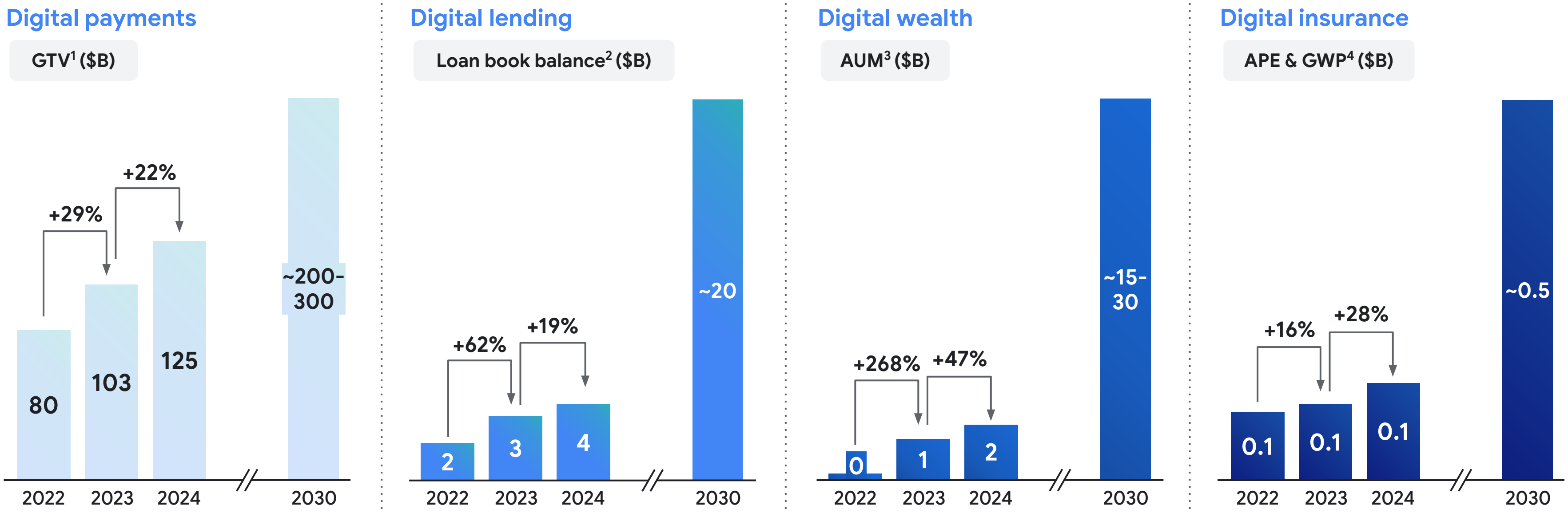


Online media



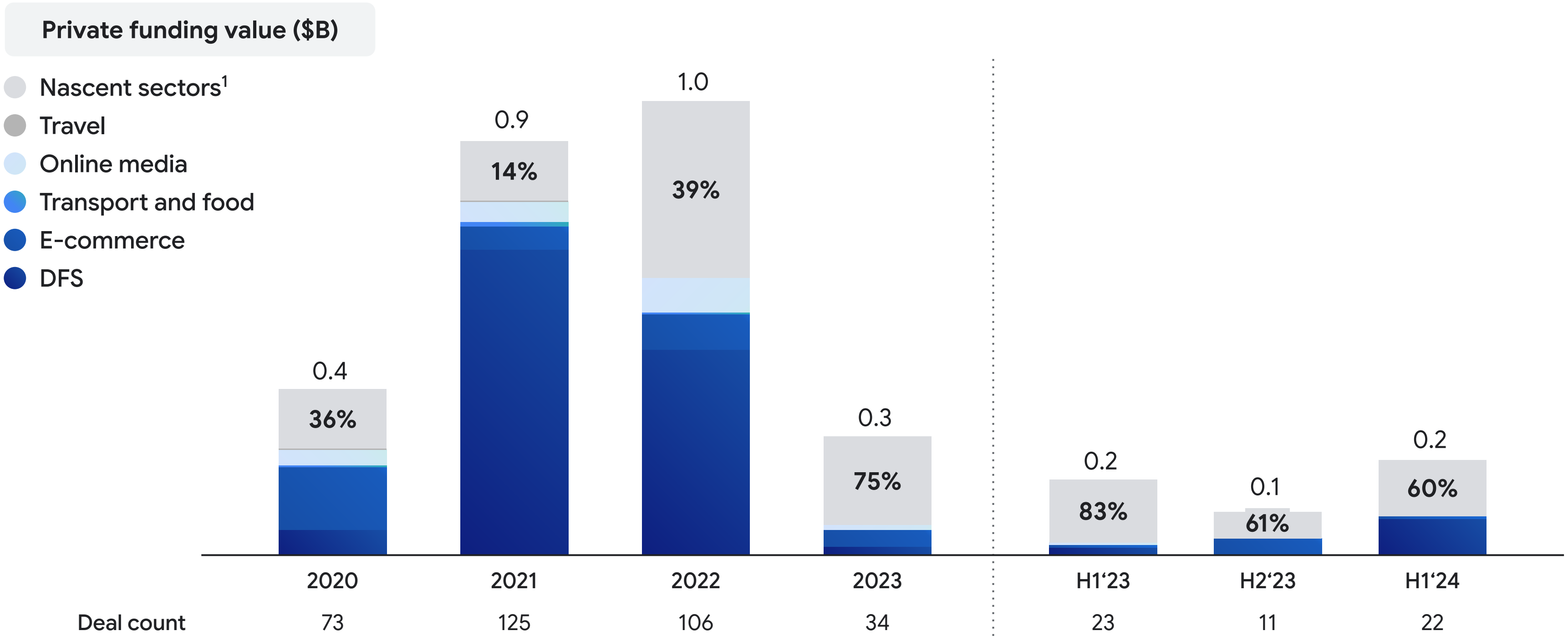
Note: Only OTAs are included in “Travel”.
Source: Bain analysis

Digital payments and wealth are poised to drive DFS expansion



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 small/medium enterprise (SME) loans. 3) Assets under management (AUM) for digital wealth includes end-of-year mutual fund AUM balance. 4) Annual premium equivalent (APE) and gross written premium (GWP) for digital insurance includes APE for life insurance and health under life insurance policies and GWP for non-life insurance.
Source: Bain analysis

Investments show signs of recovery in early 2024



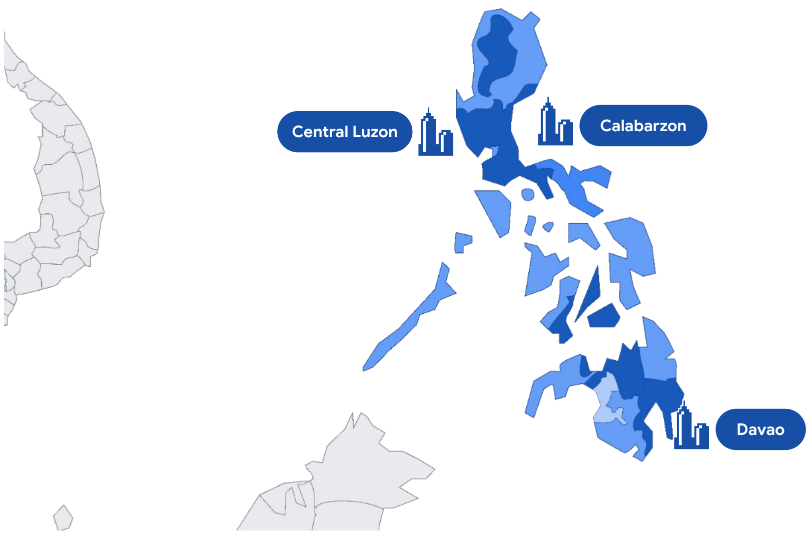
Note: 1) Nascent sectors include new, emerging sectors such as software and services, sustainability technology, Web3, and others.
Source: Bain analysis

Calabarzon, Central Luzon, and Davao lead in AI interest and demand

AI: Interest and demand[1]

Indexed AI interest per internet capita

0 1



Top industries driving AI search interest[2]

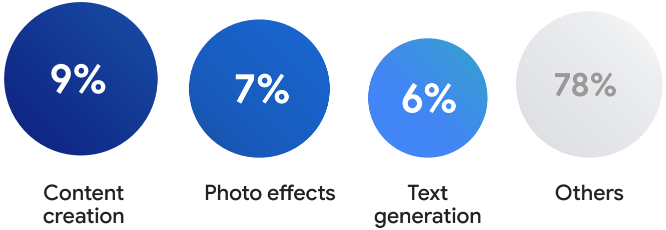
#1 Education

#2 Marketing

#3 Gaming

Mobile app download share by AI feature

Not to scale

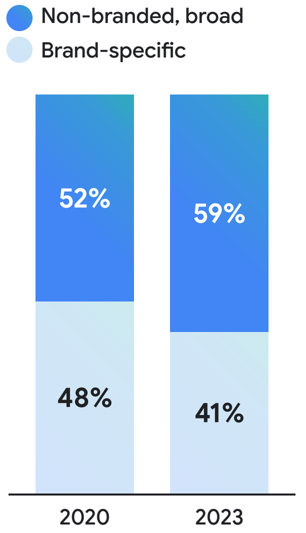


Notes: 1) The AI interest index indicates the level of interest in and demand for AI, calculated based on AI-related search volume, indexed to the relative internet population across the respective markets. Areas that do not meet the minimum search interest thresholds are not included in the analysis. Simplified illustrative maps are not representative of administrative borders and territories for which data is not available. 2) Indexed interest per capita. Top industries driving AI search interest refers to AI-related search topics that are relevant to the respective industries.
Sources: Google internal data, PH, 01-08/2024; Euromonitor, Internet Users by Country, PH, 01-08/2024; data.ai, PH, 01-08/2024

A healthy creator ecosystem is evident across categories and creator types

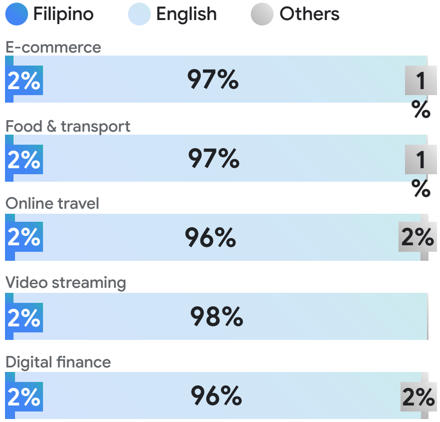
Consumer trends[1]

Category exploration[2]



Local language usage[3]

2%



Creator economy[4]

Brand creators[5]

+5%

2Y CAGR of the number of brands with video channels in consumer categories

Video influencers[6]

+8%

2Y CAGR of the number of video influencers focusing on consumer categories

Uploads

+9%

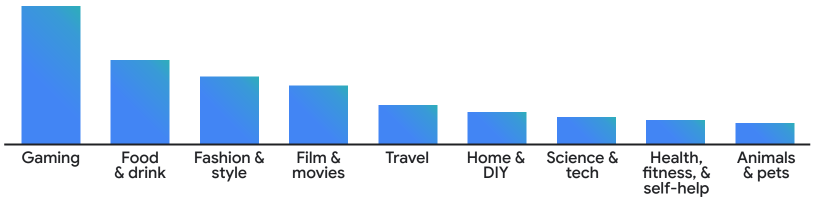
2Y CAGR of the number of video uploads

Language[7]

21%

of video creators create content primarily in Filipino

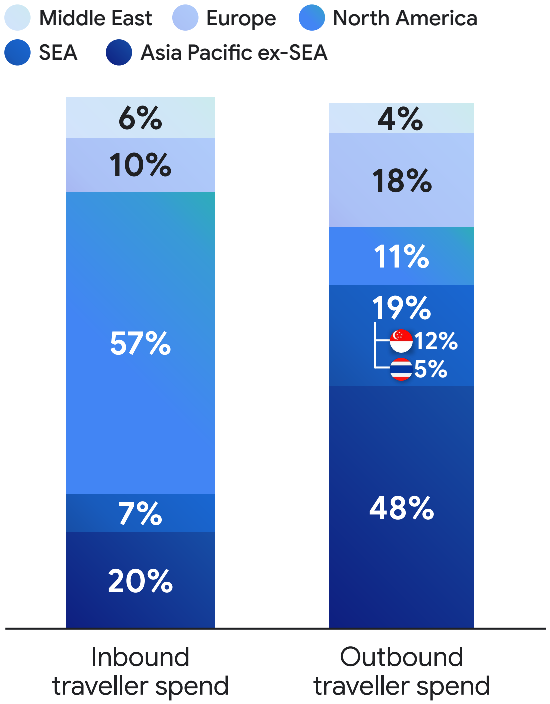
Number of creators by consumer category[7] (Indexed)



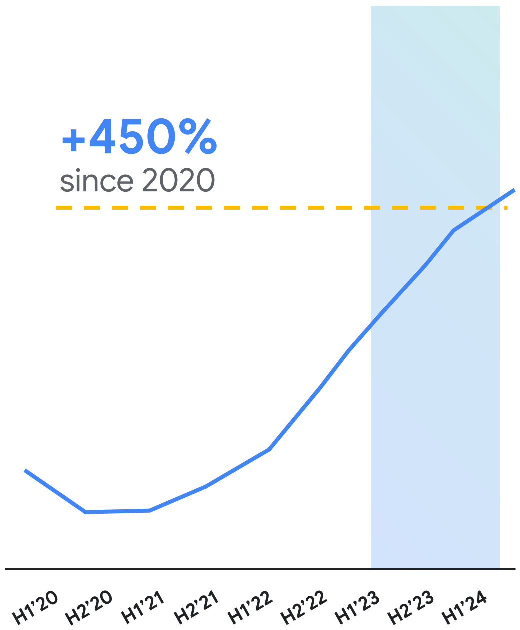
Notes: 1) All data reflect searches across PH, and across digital economy sectors unless otherwise stated. 2) "Category exploration" refers to non-branded searches using broad terms vs brand specific searches, expressed as a percentage of all searches. Data from 01/2020 to 12/2023. 3) "Local language usage" refers to searches in the national language(s), expressed as a percentage of all searches. Data from 01/2023 to 12/2023. 4) Comparisons are between Q2'22 and Q2'24, for video creators in PH with more than 10,000 followers. 5) Brand creators are organisations whose primary line of business is not related to media. 6) Video influencers are video creators who are persons and public figures with significant social presence. 7) As of Q2'24.
Source: 1) Google internal data, PH, 01/2020-12/2023. 4) Tubular, PH, Q2'22 vs Q2'24

The Philippines has seen the fastest post-pandemic travel spend growth in SEA

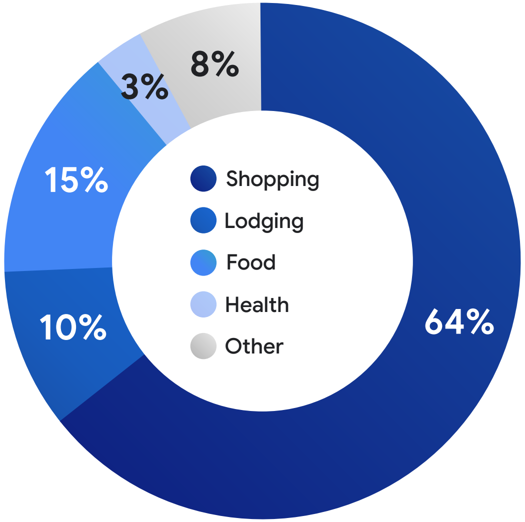
Traveller spend



Outbound traveller spend



Top outbound travel spend categories



Source: Visa, Global, H2'20-H1'24. On this slide, SEA includes KH, BN, and MM in addition to ID, MY, PH, SG, TH, and VN. World regions with low traveller spend have been excluded.

Pilipinas

Overview ng Bansa

Magpapatuloy ang malakas na paglago dahil sa pag-recover ng domestic na pagkonsumo

Nakaposisyon ang Pilipinas para sa tuloy-tuloy na malakas na paglago dahil sa masiglang domestic na pagkonsumo, na-renew na sektor ng serbisyo, at tumaas na remittances mula sa mga OFW. Ang pag-stabilize ng inflation at pagbaba ng rate ng kawalan ng trabaho ay mas mag-uudyok pa sa pagkonsumo ng sambahayan, na magdudulot ng pagtaas ng demand sa mga digital na serbisyo.

Pinaigting na pangangasiwa sa mga digital na negosyo

Ang pagsasabatas ng gobyerno sa Internet Transactions Act, na nangangailangan ng lahat ng online na negosyo na magparehistro na magparehistro sa Department of Trade and Industry, ay naglalayong matiyak na ligtas ang pamimili ng publiko online. Nagtatakda rin ang mga regulasyong ito ng mga obligasyon sa pagsunod para sa e-marketplaces at e-merchants. Bukod dito, may 12% value-added tax sa non-resident service providers para siguraduhing patas ang kompetisyon sa pagitan ng mga lokal at internasyonal na digital na negosyo.

Mas laganap na ang paggamit ng digital payments

Ang pagtaas ng bilang ng mga digital payments ay nagtutulak sa service providers na magkaroon ng competitive fees habang pinapahusay ang seguridad at pagkamapagtitiwalaan ng serbisyo. Habang patuloy na umuunlad at lumalawak ang paggamit ng mga digital payments, itinataas ng mga e-wallet provider ang mga merchant discount rate. Dahil sa komprehensibong serbisyong iniaalok, inaasahang patuloy na magiging pangunahing plataporma ang mga super-app para sa digital payments.

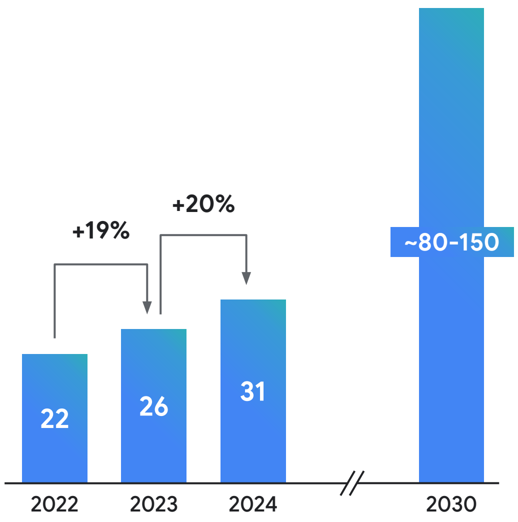
Pagpapalawig ng digital na imprastraktura upang maabot ang mga malalayong komunidad

Pina-prioritize ng Pilipinas ang pag-develop ng imprastraktura na may focus sa pagpapahusay ng digital access sa kanayunan. Isang magandang halimbawa ay ang kamakailang inaprubahang $288M Philippine Digital Infrastructure Project. Layunin ng inisyatibang ito na palakasin ang broadband connectivity sa buong bansa, lalo na sa mga lugar na dating mahirap maabot.

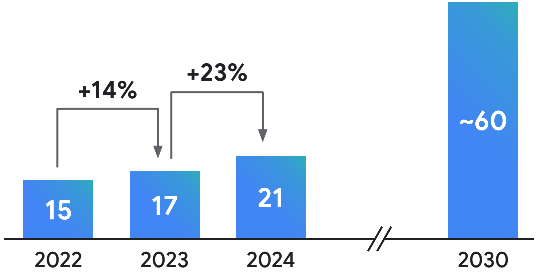
Dahil sa e-commerce, patuloy ang double-digit na paglago ng Pilipinas sa lahat ng pangunahing sektor

Pangkalahatang digital economy

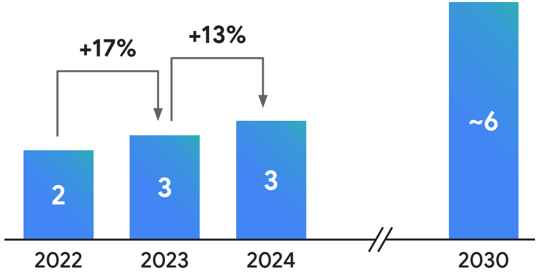
GMV ($B)



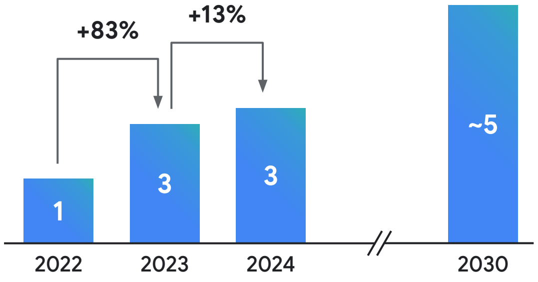
E-commerce



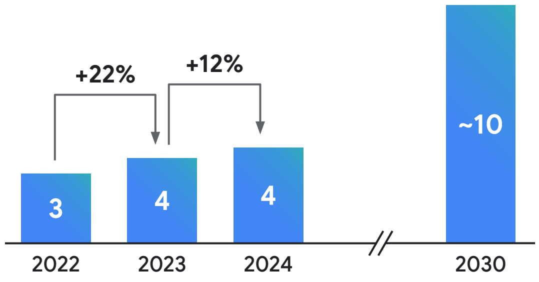
Transportasyon at pagkain



Online travel

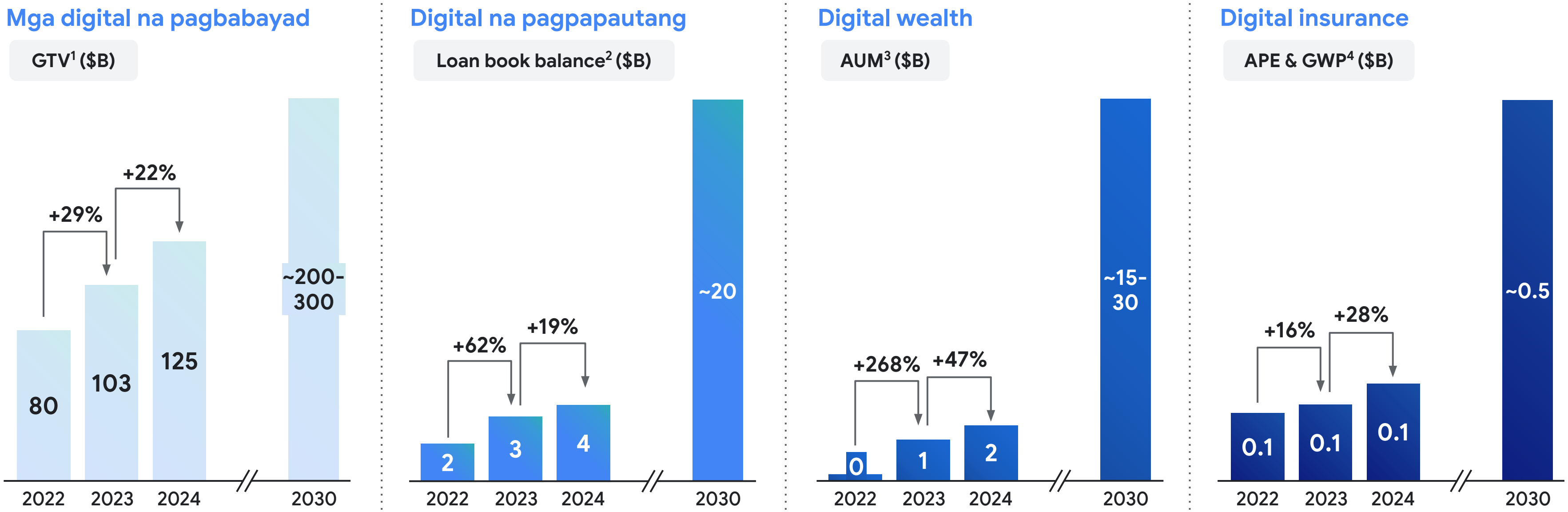


Online media



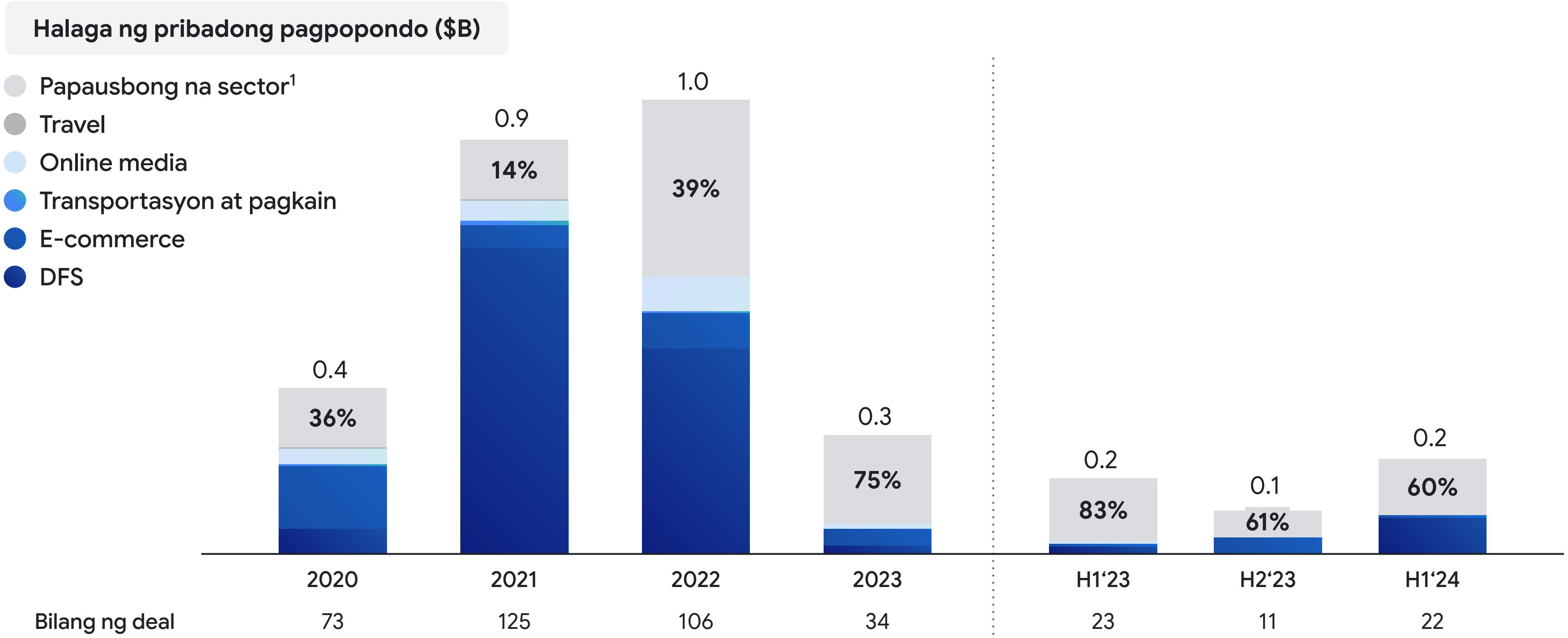
Note: OTAs lang ang kasama sa "Travel".
Source: Analysis ng Bain

Ang paglago ng DFS ay inaasahang pabibilisin ng digital payments at wealth



Notes: 1) Kabilang sa gross transaction value (GTV) para sa mga digital na pagbabayad ang halaga ng mga transaksyon sa credit, debit, prepaid card, account-to-account (A2A), at e-wallet. 2) Kabilang sa balanse sa libro ng pautang para sa digital na pagpapautang ang end-of-year balance para sa consumer loans (hindi kasama ang credit card at mortgage) at small/medium enterprise (SME) loans. 3) Kabilang sa assets under management (AUM) para sa digital wealth ang end-of-year mutual fund AUM balance. 4) Kabilang sa annual premium equivalent (APE) at gross written premium (GWP) para sa digital insurance ang APE para sa life insurance at health under life insurance policies at GWP para sa non-life insurance.
Source: Analysis ng Bain

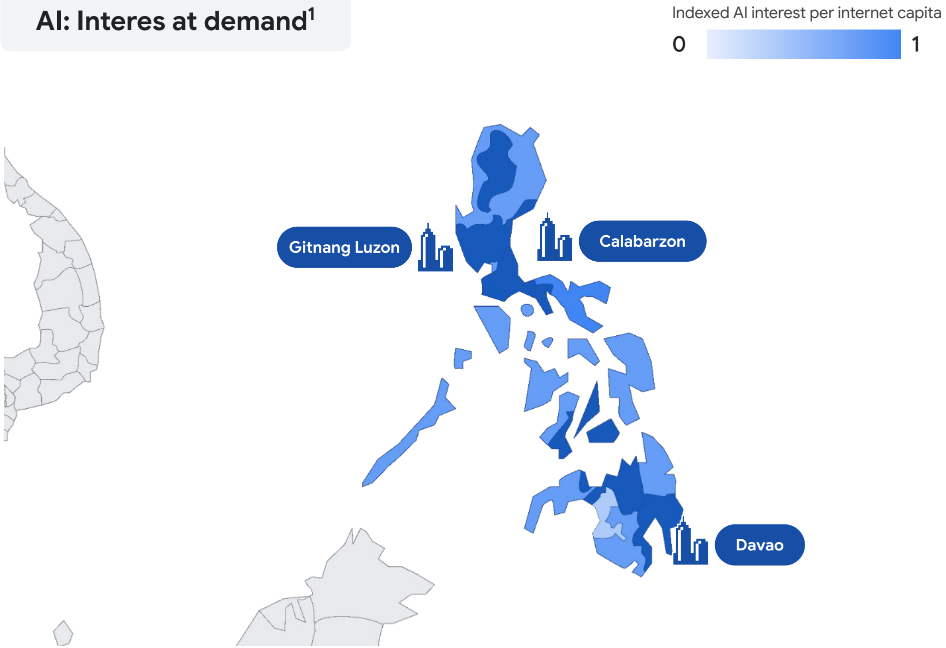
Nagpapakita ng mga palatandaan ng pagbangon ang mga pamumuhunan sa unang bahagi ng 2024



Note: (1) Kabilang sa papausbong na sector ang mga bago at umuusbong na sektor tulad ng software at services, sustainable technology, Web3, at iba pa.
Source: Analysis ng Bain

Nangunguna ang Calabarzon, Gitnang Luzon, at Davao sa interes at demand sa AI

AI: Interes at demand[1]



Mga pangunahing industriya na nagpapasigla sa interes sa AI[2]

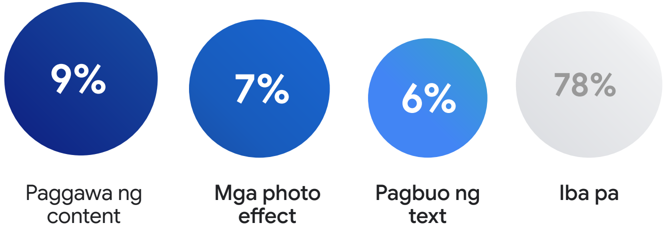
#1 Edukasyon

#2 Marketing

#3 Gaming

Share sa pag-download ng mobile app ayon sa AI feature

Hindi naka-scale

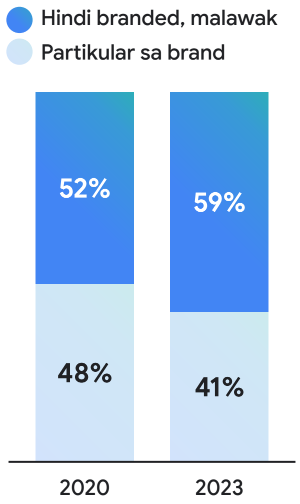


Notes: 1) Ang AI interest index ay nagpapakita ng antas ng interes at demand para sa AI, kinakalkula batay sa dami ng online search na may kaugnayan sa AI, at ini-index ayon sa relatibong populasyon ng internet. Hindi isinama sa pagsusuri ang mga lugar na hindi umabot sa minimum na level ng interes sa online searches. Hindi kumakatawan ang mga pinasimpleng illustrative maps sa mga administratibong hangganan at teritoryo kung saan hindi available ang data. 2) Indexed AI interest per internet capita. Ang mga nangungunang industriyang nagda-drive ng interes sa AI search ay nagre-refer sa mga paksa ng online searches na may kaugnayan sa AI na mahalaga sa kani-kanilang industriya.
Sources: Internal data ng Google, PH, 01-08/2024; Euromonitor Population; data.ai, PH, 01-08/2024

Malusog ang creator ecosystem ng Pilipinas sa iba't ibang kategorya

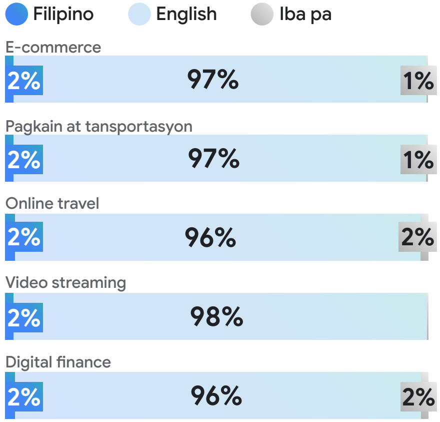
Mga trend ng consumer[1]

Pag-explore ng kategorya[2]



Paggamit ng lokal na wika[3]

2%



Creator economy[4]

Mga brand creator[5]

+5%

2Y CAGR ng bilang ng brands na may video channels sa consumer categories

Mga video influencer[6]

+8%

2Y CAGR ng bilang ng influencers na nakatuon sa consumer categories

Mga upload

+9%

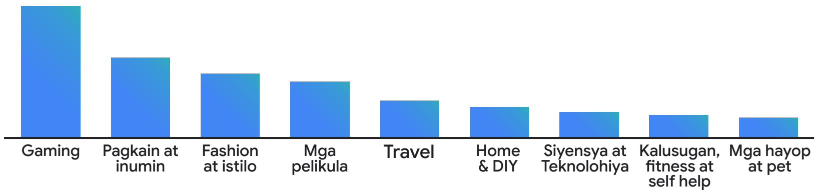
2Y CARG ng bilang ng video uploads

Wika[7]

21%

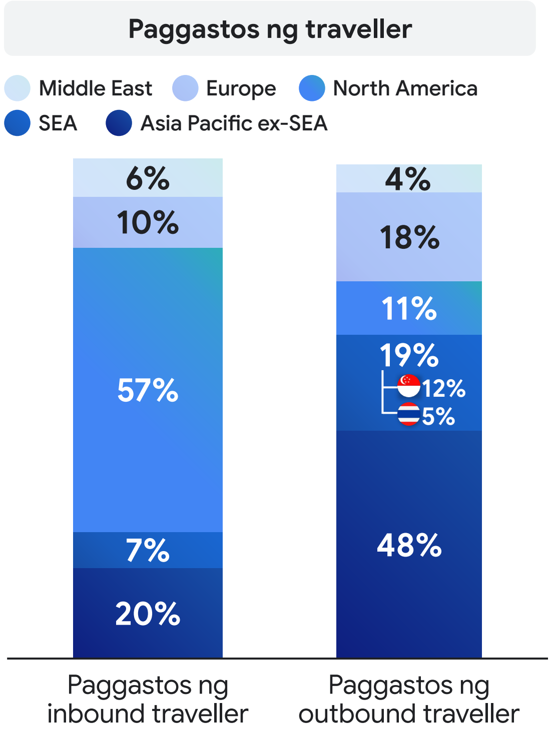
ng video creators ang gumagawa ng content sa Filipino

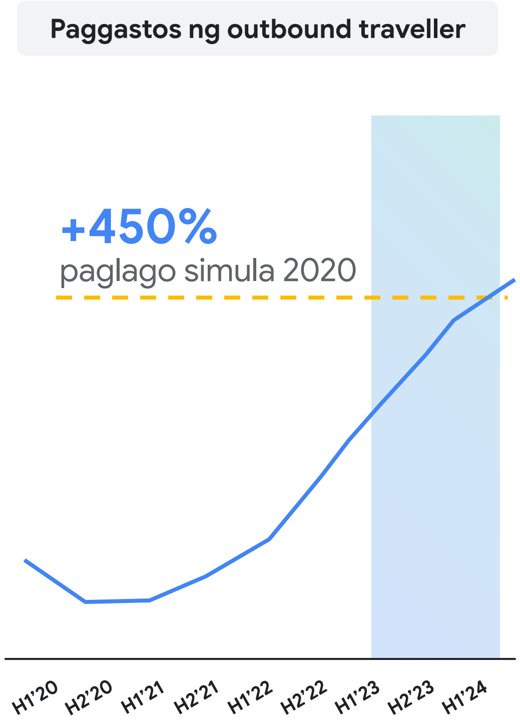
Bilang ng creators ayon sa consumer category[7] (Naka-index)

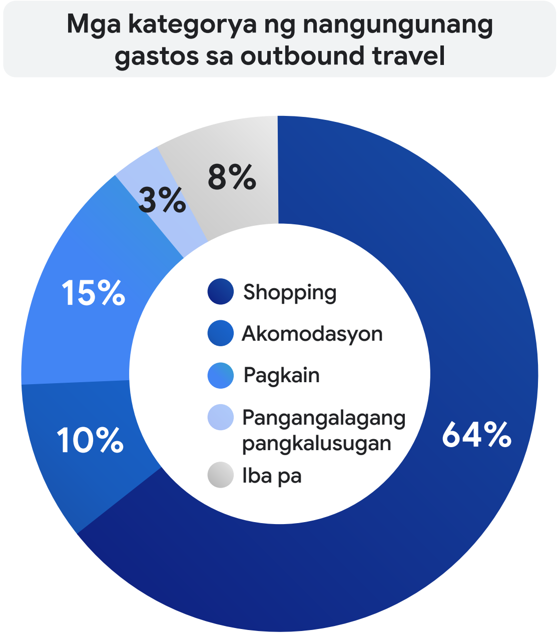


Notes: 1) Maliban kung nakasaad, ang lahat ng datos ay nagpapakita ng mga online searches sa buong Pilipinas at sa iba't ibang sektor ng digital economy. 2) Ang "pag-explore ng kategorya" ay tumutukoy sa mga non-branded searches na gumamit ng malawak na termino kumpara sa paghahanap ng partikular na brand. Ito ay ipinapahayag bilang porsyento ng lahat ng online searches. Data from 01/2020 to 12/2023. 3) Ang "paggamit ng mga lokal na wika" ay tumutukoy sa mga paghahanap gamit ang pambansang wika, na ipinapakita bilang porsyento ng lahat ng online searches. Data from 01/2023 to 12/2023.4) Ang mga paghahambing ay sa pagitan ng Q2'22 at Q2'24, para sa creators o influencers na may higit sa 10,000 followers. 5) Ang brand creators ay mga organisasyon na ang pangunahing negosyo ay hindi nauugnay sa media. 6) Ang video influencer ay mga tao at pampublikong personalidad na may malawak na presensya sa social media. 7) Batay sa datos ng Q2'24.
Source: Google internal data, Pilipinas, 01/2020-12/2023. 2 Tubular, Pilipinas, Q2 2022 vs Q2 2024

Ang Pilipinas ay ang may pinakamabilis na paglago sa paggastos sa travel pagkatapos ng pandemya sa SEA







Source: Visa, Global, H2'20-H1'24. Sa slide na ito, kabilang sa SEA ang KH, BN, at MM bilang karagdagan sa ID, MY, PH, SG, TH, at VN. Ang mga rehiyon ng mundo na may mababang paggastos ng traveller ay hindi isinama.