

CHAPTER 9A

Expanding Economic Opportunities in Industry

The pandemic has caused major disruptions in the domestic and global economy, hampering the growth of the industry sector on account of supply chain disruptions and subdued demand. On the upside, the utilities sector has remained resilient, while the manufacturing sector has already returned to its pre-pandemic levels as of Q4 2021, with easing quarantine restrictions spurring economic activities and boosting consumption.

Moving forward, sustained growth of the sector will depend on calibrated policies to further open the economy including the effective management of COVID-19 risks. The Inclusive Innovation and Industrial Strategy (i3s) will continue to be at the core of the government's initiatives to boost capacity of local enterprises, adopt inclusive business models, and strengthen micro, small and medium enterprises (MSMEs) and the startup ecosystem. In the near-term, strategies will focus on bridging the gaps in innovation and entrepreneurship by strengthening backward and forward linkages of domestic firms, maximizing opportunities in global value chains (GVCs), accelerating digital transformation, and promoting sustainable production and investments.

ASSESSMENT

The industry sector is poised for a broad-based recovery in 2022 led by growth in manufacturing and construction activities. The safe reopening of the economy with better risk management contributed to the achievement of the annual Plan targets in several core industry-related indicators.

EXPANDING ECONOMIC OPPORTUNITIES IN INDUSTRY ACROSS REGIONS INCLUDING DIGITAL ECONOMY

Industry grew by 8.5 percent in 2021 although below the Plan target. Overall industry growth was primarily driven by the partial recovery of manufacturing and construction, which posted 8.8 percent and 10.0 percent, respectively. Mining and quarrying, and utilities also posted positive growth at 5.0 percent and 4.5 percent, respectively, a turnaround from their recorded contractions in 2020.

Despite an overall improvement in the industry sector, its output in 2021 remained below its pre-pandemic level, growing by 8.5 percent compared to the Plan target of 9.8 to 10.8 percent. For most of the year, the country remained under varying levels of community quarantine/alert levels which resulted in below target growth performance.

Manufacturing GVA as a proportion of GDP increased to 19.2 percent, surpassing the annual Plan target of 16.7 percent. The rebound in manufacturing was supported by the resumption of economic activities domestically and abroad. All manufacturing sub-sectors registered positive growth, with the exception of tobacco products, leather and related products, and transport equipment, which still recorded declines.

Industrial employment generated exceeded the target but manufacturing employment as a proportion of total employment decreased to 7.9 percent. The construction (625,000) and manufacturing (270,000) sectors accounted for the bulk of industry total employment generated in 2021. The shift from large-area community quarantines and blanket restrictions to alert level systems and granular lockdowns contributed to increased mobility, particularly in the greater Manila area where several infrastructure projects are being implemented and where most of the manufacturing firms are located.

Around 75 percent of Filipino consumers are aware of their basic consumer rights, down from 81 percent in 2020.¹ Despite the challenges, the government continued the implementation of comprehensive consumer education and advocacy programs.² It also pursued initiatives to ensure establishments' compliance with product safety and standards, and fast-track resolution of consumer complaints, resulting in improved consumer perception of quality products and services, and complaints resolution rate.³

¹ As of the third quarter of 2021.

² These include Consumer Care Webinar Series, Konsyumer Atbp., Diskwento Caravan and Konsyumer Assembly sa Barangay and Business Education Activities, among others.

³ The DTI's Consumer Protection Group (CPG) doubled its efforts in strengthening consumer protection amidst the pandemic. To address consumer queries and ensure their safety while implementing a community quarantine, the DTI-CPG developed a total of 16 policies in 2020 and implemented them accordingly. In October 2021, the DTI also initiated consumer protection reforms through the first ASEAN Peer Review on Consumer Protection. The External Peer Review Report discussed and evaluated the country's legal and institutional framework for the implementation of consumer protection actions across different sectors, the stakeholder landscape and effectiveness of relevant entities in charge of consumer protection, the extent of compliance within the private sector, and consumer awareness, assertiveness, and access to redress.

IN FOCUS: NICO BAUTISTA, MEAT DISTRIBUTOR



Nico Bautista is an owner of an agri-business specializing in the distribution of meat in major cities. His business has been hit hard by the African swine fever (ASF) outbreak and subsequently by the COVID-19 pandemic.

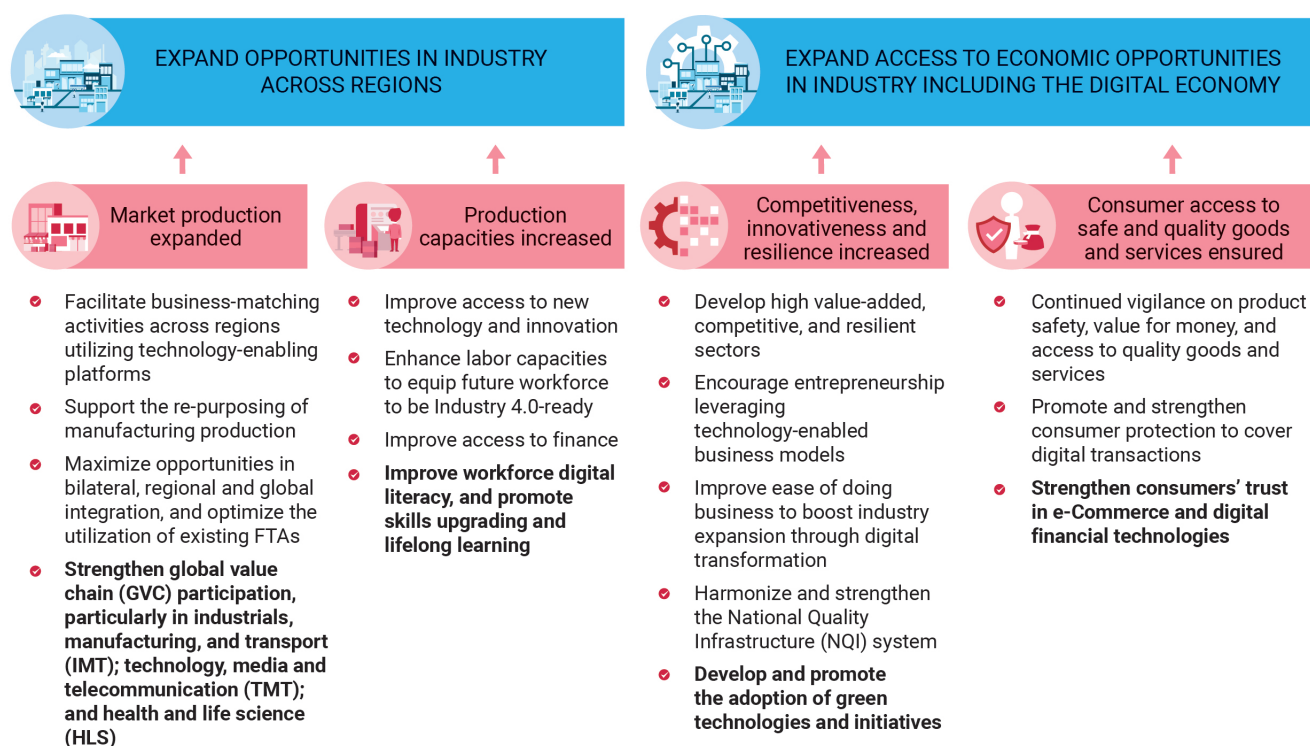
Prior to the ASF outbreak and COVID-19 pandemic, he dreamt of scaling up his operations.

Nico's business is heavily burdened by the prevalence of shipping delays and higher prices of meat from primary suppliers. His business faces weak demand and high operation expenses, exacerbated by supply chain constraints and community lockdowns. He acknowledges that increasing his presence in e-commerce is key to the survival of his business. However, he also knows that many consumers still lack trust in e-commerce and digital financial technologies. Moreover, their area does not have access to a stable and affordable internet connection.

STRATEGIC FRAMEWORK

The strategies for the industry sector are presented in the context of addressing the challenges and constraints faced by our representative stakeholder, Mr. Nico Bautista. To help achieve his goals, strategies will focus on: (a) strengthening backward and forward linkages of domestic firms to attract value-creating investments; (b) strengthening GVC participation to address supply chain constraints; (c) scaling up business matching initiatives by promoting business-to-business (B2B) policies; (d) providing access to and promoting adoption of digital technologies to reduce digital and production divide; (e) implementing digital skills upgrading to increase digital literacy among workers; (f) promoting green technologies and investments to reduce material footprint and encourage sustainable business practices; and (g) strengthening consumer protection in e-commerce and digital payments to build trust in the security and efficacy of digital services.

Figure 9.1 Strategic Framework to Expand Economic Opportunities in Industry



Note: Text in bold are revised/new strategies to address the challenges identified in the sector.

STRATEGIES

TO EXPAND MARKET PRODUCTION

Strengthen backward and forward linkages of domestic firms. The Inclusive Innovation and Industrial Strategy or i3S will continue to be implemented to integrate production systems across agriculture, industry and services sectors and address production supply and value chain gaps. This will entail addressing the gaps in innovation and entrepreneurship through enhanced coordination among stakeholders and the adoption of appropriate technologies. In line with the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, the Strategic Investment Priority Plan (SIPP) will be promoted to attract significant value-creating investments and increase the sophistication of products and services that are locally produced.

Strengthen global value chain GVC participation, particularly in industrials, manufacturing, and transport (IMT); technology, media and telecommunication (TMT); and health and life science (HLS).⁴ Infrastructure, institutional, and policy reforms to foster GVC participation in IMT, TMT and HLS clusters will be pursued.⁵ The government will also leverage the country's advantage in electronics to develop the electric vehicles industry, particularly on assembly, component manufacture and charging infrastructure. The transition of information technology – business process management (IT-BPM) services from cost saving to value adding will also be fast-tracked (See [Chapter 9B](#)). Meanwhile, the life sciences and biotechnology ecosystem will be developed not only to capitalize on the growth of the biopharmaceutical sector but also to build resilience for future pandemics (See [Chapter 14](#)).

Scale up B2B matching activities that will link startups and MSMEs to cooperatives and large enterprises. Taking off from the best practices of other countries, an effective B2B (including customer-to-customer) policy framework will be established and implemented (see [Chapter 9C](#)). Existing business matching initiatives will also be monitored, redesigned as needed, and scaled-up to be responsive to the needs of businesses. This will utilize digital technologies, including one stop shop or online portals, to link relevant suppliers and investors both locally and overseas.

TO INCREASE PRODUCTION CAPACITIES

Provide access to and promote the adoption of advanced digital production (ADP) technologies.⁶ As digitally advanced firms are more robust to the impact of the pandemic, initiatives will be pursued to bridge digital and production divides to support firms' access to and adoption of ADP technologies.⁷ The Artificial Intelligence (AI) Roadmap will also be implemented, with emphasis on: (a) improving internet

⁴ Upcoming World Bank report in collaboration with the Department of Trade and Industry.

⁵ These include, among others, the implementation of the amended Retail Trade Liberalization Act, Foreign Investments Act, and Public Service Act; continued implementation of the common tower policy to increase private investments in ICT; effective promotion and implementation of the CREATE Strategic Investment Priority Plan (SIPP); continued access of firms to new technologies, digital platforms, R&D facilities and innovation financing; and upskilling and reskilling of the labor force.

⁶ ADP technologies include: industrial internet of things, machine learning, big data analytics, cloud computing, advanced robotics and cobots, artificial intelligence, computer-aided design and computer-aided manufacturing, and additive manufacturing.

⁷ UNIDO. 2021. "Industrial Development Report 2022. The Future of Industrialization in a Post-Pandemic World." Vienna.

quality, affordability, accessibility, reliability and security; (b) strengthening academic-industry partnerships; and (c) incentivizing investors and venture capitalists to support promising AI startups.

Improve workforce digital literacy and promote skills upgrading and lifelong learning. Under the Department of Education (DepEd) Digital Rise Program, digital literacy skills will be integrated in the K-12 curriculum (See [Chapter 10](#)).⁸ To create a future-ready workforce, the Philippine Skills Framework Initiative will also be implemented, particularly in the following priority sectors: construction, creatives, food (agriculture and fishery); health and wellness; IT-BPM; manufacturing; and tourism.⁹

TO INCREASE COMPETITIVENESS, INNOVATIVENESS, AND RESILIENCE

Develop and promote the adoption of green technologies and initiatives. This could significantly improve the cost efficiency of firms and reduce the material footprint across industries (See [Chapter 20](#)). Financing for innovative and green investments will be continued and expanded to support the Philippines' commitments to the Sustainable Development Goals (SDGs) and contribute to the development of the country's sustainable financial market. The Sustainable Finance Framework (SFF) will also be implemented and promoted to support the country's sustainability commitments and contribute to the development of the Sustainable Financing market domestically.

TO INCREASE CONSUMER ACCESS TO SAFE AND QUALITY GOODS AND SERVICES

Strengthen consumers' trust in e-Commerce and digital financial technologies. The e-Commerce Philippines 2022 Roadmap will be implemented, particularly by promoting cashless transactions and increasing uptake of digital payments, increasing B2B e-commerce transactions, and supporting funding for e-commerce innovation and technology investments. Capacity-building programs on the use of e-commerce and e-payment systems and other available digital platforms will also be implemented to increase consumers' confidence in using digital platforms.

⁸ A holistic framework that will address the infrastructure, software, and capacity building requirements in four major components: (1) Delivery of digital literacy skills required under the K-12 curriculum. These skills are productivity tools (grade 4-6), basic programming (grade 7), multimedia skills (grade 8-10), vocational skills (grade 11-12); (2) ICT assisted teaching that will allow teachers to make use of technology by providing them with skills and equipment needed to access over 6 million open educational resources; (3) ICT assisted learning that will enable learners to take quizzes and exams digitally and immediately get feedback on the e-learning resources they need to review subjects where they encounter difficulties; and (4) Automation of financial and administrative processes which involve the implementation of the DepEd enterprise resource planning system.

⁹ The Philippine Skills Framework (PSF) Initiative is an inter-agency effort to build the skills and competencies of our human capital and better prepare our country's workforce for the future economy. This involves the development of sector-specific skills frameworks that will guide the country's workers in enhancing their skills for particular job roles. The PSF will benefit from the experience of Singapore through their SkillsFuture Singapore (SSG) agency. Singapore's skills framework approach offers a reference for the Philippines on how to develop its own frameworks. This also takes into consideration the circumstances of our local industries and the current skills and competencies of our workers in these sectors.

RESULTS MATRIX

Table 9.1 Results Matrix

INDICATOR	BASELINE (YEAR)	TARGETS			ACTUAL		
		2020	2021	2022	2019	2020	2021
Sector Outcome: Economic opportunities in industry across regions including the digital economy expanded							
Gross Value Added (GVA) growth rate in the industry sector improved (%) ^a	8.2 ^b (2016)	8.0-9.0	9.8-10.8	6.3-7.3	6.0	-13.2	8.5
Subsector Outcome 1.1: Market production expanded							
Manufacturing GVA as a proportion of GDP increased (%) ^c	19.1 (2016)	24.7-25.3	16.6-16.7	16.8-17.0	18.6	18.6	19.2
Subsector Outcome 1.2: Production capacities increased							
Employment generated by the industry sector increased ('000s) ^d	180 (2015)	440	400-500	200	267	-901	892
Manufacturing employment as a proportion to total employment increased (%) ^e	8.3 (2016)	10.9	8.0-8.6	8.3-8.6	8.7	8.1	7.9
Subsector Outcome 1.4: Consumer access to safe and quality goods and services ensured							
Level of consumer awareness of basic consumer rights increased (%) ^f	74 (2016)	78	75	78	72	81	75 ^g

^a GVA at constant 2018 prices. GVA growth rate in Industry for 2019 and 2020 are based on the original Development Budget Coordination Committee (DBCC) targets as of July 2019. Note that Industry GVA growth rate for 2021 and 2022/EOP are consistent with the DBCC-revised figures as of July 2020.

^b National Income Accounts as of August 2020.

^c Note that baseline (2016) and targets (2021 and 2022/EOP) are in line with the revised DBCC-approved GDP estimates (see Chapter 15) in the same period and rebased at constant 2018 prices. These are also within the DTI-BOI proposed targets (16.4- 19.8% in 2021 and 16.9%-20.2% in 2022/EOP).

^d Employment generated refers to additional employment generated from the preceding year. Annualized employment generation for 2014 and 2015 refer to the average of estimates for April, July and October survey rounds which excluded data of Leyte province. Further note that revision of target employment generation in Industry for 2021 and 2022 is consistent with the revision of target total employment generation (see Chapter 4) and revision of labor productivity in Industry (see Chapter 10) in the same period.

^e Note that revised manufacturing employment as a proportion of total employment for 2021 and 2022 is in line with the revised labor productivity in Industry (see Chapter 10) in the same period. These are also somewhat within the DTI-BOI proposed targets of 8.0% in 2021 and 8.4% in 2022/EOP.

^f Revised downward targets in 2021 to 2022/EOP is due to operational constraints faced by the DTI-Consumer Protection and Advocacy Bureau (CPAB) in carrying out consumer advocacy efforts.

^g As of Q3 2021

