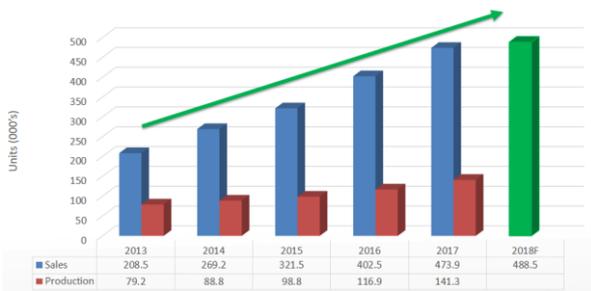




INDUSTRY PERFORMANCE

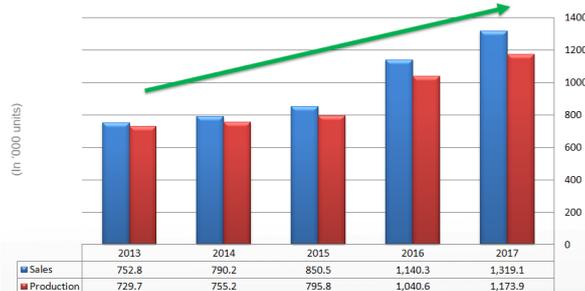
The Philippine Automotive Industry has maintained its upward trend over the past few years, with automotive and motorcycle sales growing by 18% and 9% (CAGR), respectively. This is expected to continue despite the initial lull in motor vehicle sales this year as result of the restructuring of excise tax for motor vehicles. Industry growth will be driven by the growth of the middle income households (with more than USD 10,000 disposable annual income) which is expected to grow from 30.5% in 2014 to 47.6% in 2019.

Figure 1. Automotive Sales and Production



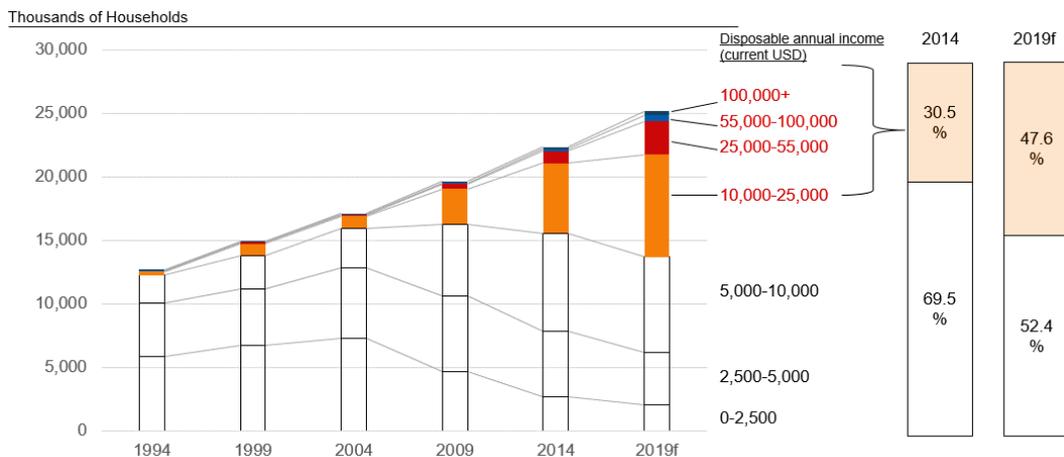
Sources: Chamber of Automotive Manufacturers of the Philippines, Inc.(CAMPI), Truck Manufacturers Association, Inc. (TMA)

Figure 2. Motorcycle Sales and Production



Source: Motorcycle Development Program Participants Association Inc. (MDPPA)

Figure 3. Households by disposable annual income tiers (current USD)



Source: Euromonitor

INDUSTRY PLAYERS

The Philippines manufactures and assembles passenger cars, commercial vehicles, motorcycles and electric vehicles, including its parts and components.



Major Manufacturers

- Toyota Motor Philippines Corp. (TMPC)
- Mitsubishi Motor Philippines Corp. (MMPC)
- Honda Cars Philippines, Inc. (HCPI)
- Nissan Motor Philippines, Inc. (NMPI)
- Hyundai Asia Resources Inc. (HARI)



Major Manufacturers

- Isuzu Philippines, Inc. (IPC)
- Hino Motors Philippines Corp. (Hino)
- Columbian Motors Corp. (Nissan Diesel)



Major Manufacturers

- Yazaki-Torres Manufacturing Corp.
- International Wiring Systems Philippines, Inc.
- Asian Transmission Corp.
- Toyota Autoparts Philippines
- Integrated Micro-electronics, Inc

Categories	No. of Companies	Employment
Automobile Manufacturers ¹	21	7,800
Motorcycle Manufacturers	24	4,300
Parts Manufacturers	3,852	~50,000
Direct Importers	27	5,000
Total	3,924	~67,100

POLICIES, PROGRAMS AND PROJECTS FOR THE AUTO INDUSTRY

Recognizing the importance of having a growing automotive industry in the development of a strong manufacturing sector, specific policies and programs have been crafted to support the Philippine Automotive Industry. These include:

Table 1: Laws in Support of the Development of the Philippine Automotive Industry

Law	Incentives
Executive Order (EO) 226 - Omnibus Investments Code – 2017-2019 Investment Priorities Plan	Grants fiscal and non-fiscal incentives to enterprises registered under the Investments Priorities Plan (IPP). The 2017-2019 IPP lists the manufacturing of industrial products, including motor vehicles and its parts and components among the preferred activities for investments.
EO 156 - Motor Vehicle Development Program	Reduced import duty rates of 0% or 1% for parts and components to be used in the assembly of motor vehicles
EO 290 - Implementing the Natural Gas Vehicle (NGV) Program for Public Transport	Reduced import duty rates to 1% for imported NGVs, NGV engines & other NGV industry-related parts & components as certified by the Department of Energy (DOE)
EO 396 - Reducing the Tariff Rates of import Duty on Compressed Natural Gas Motor Vehicles and Natural Gas Industry – Related Equipment, Parts & Components under Sec.	Duty-free importation of compressed NGV, industry-related equipment, parts and components

¹ Includes PC and CV manufacturers; 5 of which are both PC and CV manufacturers

² Various sources. Includes PEZA registered companies

Law	Incentives
104 of the Tariff and Customs code of 1978, as amended	
EO 182 - Comprehensive Automotive Resurgence Strategy (CARS) Program	Fiscal support of PHP 27 billion spread over 6 years for three (3) car models (PHP 9 billion each model).

IN FOCUS: THE CARS PROGRAM

The implementation of the CARS Program signals government's vigorous support and focus on industry development. The CARS program was developed to kick-start car development industry in the country under the Comprehensive National Industrial Strategy (CNIS).

As a response to the rapidly changing global environment brought about by digital technology and innovations in production, the CNIS has evolved to the Inclusive Innovation Industrial Strategy (I³S). This new Strategy puts innovation at the front and center of the industrialization strategy providing industries a better position to face competition in both domestic and export markets.

With this, a new Program which proposes a two-pronged strategy is being considered:

STRATEGY 1: One Million Units Production Strategy: The government will provide incentives according to production volume and according to an increase in the number of manufacturing models and body types.

STRATEGY 2: Strategies for enhancing global competitiveness which includes the complementation strategy with the ASEAN Auto Industry; attraction strategy for focused car electronics; and accumulation strategy of labor-intensive industries.

Strategy 2 focuses on the parts where the Philippines has manufacturing expertise like machining products and upgrade the function of these products. It also explores the manufacturing of high-value added electronics including conducting research and development. Incentives will also be provided for the manufacturing of e-vehicle related parts in the country.

Strategy 2 also leverages the Philippines comparative advantage in manufacturing products with a good balance between semi-automation and labor-intensive products.

The transportation and infrastructure programs of the government will also complement auto-related policies and programs, and provide further opportunities for the development of the industry.

Program	Description
PUBLIC UTILITY VEHICLE (PUV) PUV MODERNIZATION PROGRAM of the Department of Transportation (DOTr)	The Program aims to replace over 200,000 units of PUVs over the next few years
ROADS LEVERAGING LINKAGES OF INDUSTRY AND TRADE (ROLL IT) PROGRAM of the Department of Public Works and Highways (DPWH) in collaboration with the Department of Trade and Industry (DTI)	The Program seeks to provide better road connectivity for various industries around the country.
NATIONAL MOTOR VEHICLE INSPECTION AND MAINTENANCE PROGRAM	The Program aims to ensure compliance of motor vehicles to the existing mandatory regulations and standards for vehicle safety and emissions.

The Philippines is also working with foreign partners to ensure the sustainable growth of the automotive industry.

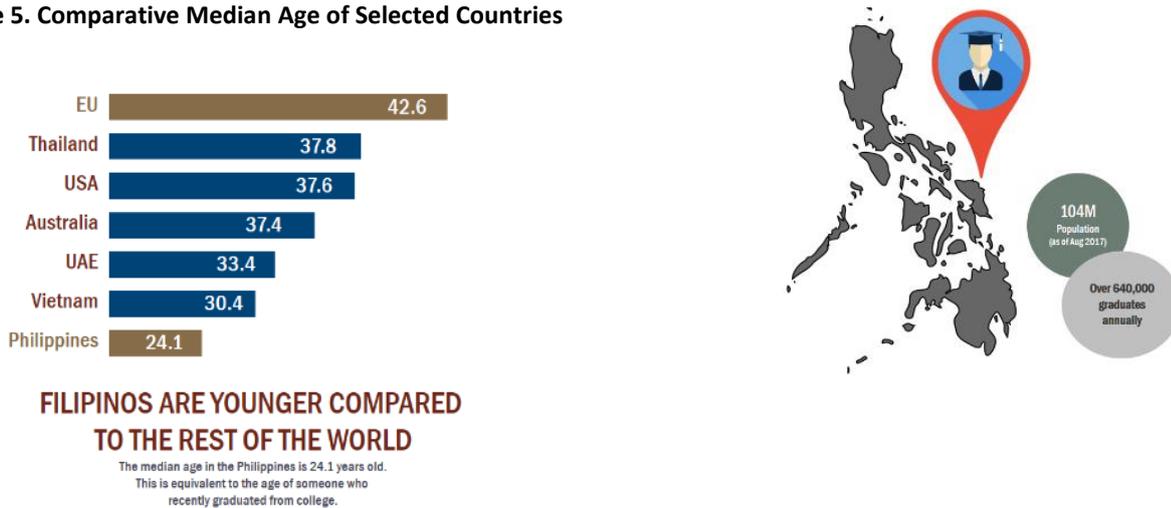
Project	BOI Partner	Description
PROJECT FOR ELABORATION OF INDUSTRIAL PROMOTION PLANS USING VALUE CHAIN ANALYSIS	Japan International Cooperation Agency	<p>The Project aims to formulate an industrial promotion plan for the industry.</p> <p>Activities under the project includes:</p> <ol style="list-style-type: none"> Local Suppliers Database was developed under the program providing basic information on the local auto parts manufacturers in the country, to be made available in the BOI website (www.boi.gov.ph) as reference for investors and other stakeholders Onsite Kaizen Consultation (Jan – Apr 2018) conducted for select local automotive parts manufacturers

Project	BOI Partner	Description
		iii. Philippine-Auto Industry Academe Linkage (PAAL) Conference which will provide a venue for networking opportunity between industry coordinators from the academia and HR personnel from auto companies, as well as between students and HR staff.
MOBILITY AS A SYSTEM (MAAS) PROJECT	National Energy and Industrial Technology Department (NEDO)	Pilots Japanese technology developed by Softbank Corp. to track the performance of locally produced e-tricycles and provide solutions for easy charging and remote monitoring to ensure efficient operation of the system.

HUMAN RESOURCE

The Philippines has a population of more than 100 million people with a median age of 24. The country's demographic dividend is expected to last until the year 2062 (Japan: ended in 2005; China: end in 2034; Thailand: end in 2031; Indonesia: end in 2044).

Figure 5. Comparative Median Age of Selected Countries



With a labor force equivalent to 41.3 million people, the Philippines provides a large pool of skilled workforce that can meet the demands of a growing industry, in particular as the Philippine automotive industry targets to generate approximately 270,000³ new jobs by 2020, in addition to the 70,000 people currently working in the industry.

³ Target of 70,000 and 150,000 new jobs under the automotive and auto-parts roadmap, respectively.