



Location Spotlight – The Philippines

Locations Insider™ (LI)

Market Report – March 2019: Complimentary Abstract / Table of Contents

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- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

This report provides perspectives on key aspects of the global sourcing market in Singapore

The Philippines | At a glance



Largest BPS market globally with attractive cost-talent proposition, especially for voice-service delivery

KEY FACTOIDS

700,000-710,000 annual tertiary graduates

80-85% savings in annual operating cost per FTE over Dallas

Current overview

- Mature location for offshore services delivery primarily leveraged for voice-/non-voice BPS
 - Majority (~93%) of 1,300,000+ FTEs engaged in global services deliver voice-/ non-voice BPS
 - Within BPS, English language contact center services dominate the landscape
 - Multiple instances of scaled (>2,000 FTEs) operations delivering a wide range of contact center services
 - Several players also support niche business process services (e.g., healthcare BP)
 - Increasing instances of players supporting IT
- Leading global companies, such as Accenture, IBM, HP, American Express, Citi and JP Morgan Chase have large-scale operations

Key drivers

- Attractive talent-cost proposition owing to large and high-quality entry-level and experienced talent pools
- Large English-speaking talent pool with neutral accent; also offers multi-lingual skills, specifically for Asian languages
- Strong government support for IT-BPS sector with multiple fiscal and non-fiscal incentives
- High maturity for supporting wide range of voice and non-voice BPS

Key challenges

- High competitive intensity in tier 1 cities (e.g., Metro Manila) given presence of multiple players with scaled operations
- Some concerns around high attrition rates affecting talent management
- High concentration risk since majority of the players have set base in Metro Manila
- Concerns around troubled political relations with the U.S. and China
- Prone to natural disasters such as earthquakes, cyclones, and floods may cause disruption to business

KEY PLAYERS:



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The Philippines | Risk profile (page 1 of 2)

Some geo-political risk notwithstanding, the Philippines provides a favorable and improving investment climate and infrastructure

■ Highly favorable ■ Favorable, some concerns ■ Least favorable

Parameter	Everest Group rating	Comments
Geopolitical	■	<ul style="list-style-type: none"> • Concerns exist around political stability given President Rodrigo Duterte's aggressive and polarizing policies • Impeachment risks exist against the President; however, he has survived all previous impeachment motions • The Martial Law in the Philippines mandates suspension of civil rights and imposition of military <ul style="list-style-type: none"> – Mindanao region was put under martial law post ethnic clashes in May 2017 – The civil unrest led to death of ~1,100 and displacement of hundreds of thousands of people – The martial law is expected to continue in 2019 • Concerns exist around bilateral strains with China and the U.S. due to the President's aggressive foreign policy and unparliamentary comments about the heads of states of these countries <ul style="list-style-type: none"> – After a phase of non-cordial relationship with them, the Philippines is seeking bilateral cooperation with them to achieve a balance in its dependencies on them
Macroeconomic	■	<ul style="list-style-type: none"> • Driven by robust public investment, the Philippine economy is expected to perform strongly in 2019 with a projected growth rate of 6.7% <ul style="list-style-type: none"> – Some slowdown in GDP growth expected due to high inflation (it hit a nine-year high in 2019) – Rating agencies Moody's and S&P have maintained a stable future outlook • The economy is isolated from global economic volatility due to strong domestic demand and remittance levels <ul style="list-style-type: none"> – In terms remittance, it is the third largest in the world • The currency has been depreciating over last few years (~10% depreciation in last two years) and hit a 13 year low in 2018
Infrastructure	■	<ul style="list-style-type: none"> • Concerns exist about the overall quality of infrastructure, however, the current government has undertaken multiple initiatives to bring improvements. These initiatives include: <ul style="list-style-type: none"> – New contracts to improve airports and railways – "Build, Build, Build" program to improve infrastructure through 75 flagship projects worth US\$160 billion – Subway worth US\$3.7 billion in Makati is scheduled for completion in 2025 • The Global Competitiveness Report of the World Economic Forum ranked the Philippines 92nd out of 140 countries for the quality of its infrastructure • Government has implemented TRAIN¹, a transparent way of funding investments <ul style="list-style-type: none"> – This is likely to enable the government to fund its priority infrastructure development programs

¹ Tax Reform for Acceleration and Inclusion (TRAIN)
Source: Everest Group (2019); EIU, World Bank, WEF, Moody's; interviews with market participants



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Research calendar – Locations Insider™

Published
 Planned
 Current release

Flagship Locations Insider™ reports

Release date

Location Spotlight – The Philippines	February 2019
"Next-wave" Location Profile – Barcelona, Spain	Q1 2019
"Next-wave" Location Profile – Tampa, US	Q1 2019
Location Spotlight – India	Q1 2019
Global Locations Annual Report 2019	Q2 2019
Location Spotlight – Guadalajara, Mexico	Q2 2019
Location Spotlight – San Jose, Costa Rica	Q2 2019
Location Spotlight – Hyderabad, India	Q2 2019

Thematic Locations Insider™ reports

Regional Handbook: Focus on Digital Services Talent in Europe	Q1 2019
Talent Hotspots for Risk Analytics In BFSI	Q1 2019
Global Handbook – Focus on Language Skills Availability Across the World	Q2 2019
Changing Fortunes of Delivery Locations – How Macroeconomic Factors Impact Delivery Locations?	Q3 2019
Global Handbook – Focus on Next-Gen Skills Across the World	Q3 2019
What is the Role of Global Delivery Model in an Agile Construct?	Q4 2019
Regional Handbook – Focus on FinTech Talent in the U.S	Q4 2019

Note: For a list of all of our Locations Insider™ reports, please visit the [Locations Insider™](#)

Additional research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details or complementary content that may be of interest:

1. **Global Locations Annual Report 2018: Service Delivery Portfolios in a Disrupted World** ([EGR-2018-37-R-2646](#)); 2018. The Global Locations Annual Report 2018 is a unique and comprehensive guide to understanding the nuances of the global services locations landscape and interpreting locations-related developments and trends to frame locations strategy. This report has three tenets – key trends shaping the landscape, risk watch, and locations PEAK Matrix. It presents insights into the size and growth of the global services market, update of locations activity, changes in risk profiles of locations, and an analysis of the relative maturity, arbitrage, and potential of locations for multiple functions
2. **IT Services Delivery from APAC** ([EGR-2017-2-R-2137](#)); 2017. While IT services delivery in the Asia Pacific region has traditionally been centered predominantly in India, companies have shown increased interest in exploring alternative locations such as the Philippines, China, Malaysia, Singapore, and even destinations such as Sri Lanka and Vietnam. In addition to offering lower cost than onshore United States and Europe, each of these locations has a unique value proposition, making them attractive choices for setting up alternative delivery centers / regional hubs for IT operations. This report provides a detailed assessment of location options within the Asia Pacific region for global IT service delivery
3. **“Next-wave” Location Profile – Bangalore, India** ([EGR-2018-37-R-2725](#)); 2018. This report analyses Bangalore and offers perspectives on global sourcing profile of Guangzhou, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environment risks
4. **“Next-wave” Location Profile – Iloilo, Philippines** ([EGR-2017-2-LP-2332](#)); 2017. This report analyses Iloilo and offers perspectives on global sourcing profile of Iloilo, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environment risks

For more information on this and other research published by Everest Group, please contact us:

Parul Jain, Senior Analyst – Global Sourcing:

Parul.Jain@everestgrp.com

Akshay Pandita, Senior Analyst – Global Sourcing:

Akshay.Pandita@everestgrp.com

Abhi Pandey, Analyst – Global Sourcing:

Abhi.Pandey@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com



About Everest Group

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Dallas (Headquarters)

info@everestgrp.com
+1-214-451-3000

Bangalore

india@everestgrp.com
+91-80-61463500

Delhi

india@everestgrp.com
+91-124-496-1000

London

unitedkingdom@everestgrp.com
+44-207-129-1318

New York

info@everestgrp.com
+1-646-805-4000

Toronto

canada@everestgrp.com
+1-416-388-6765

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