

## TRADE AND INVESTMENT PROSPECTS IN CEBU

### Top-performing industries in Cebu in 2011:

- Manufacturing Exports
- ICT-BPO
- Real Estate / Property Development
- Tourism (considered the “star” economic driver)
- Retail sector

### Growth prospects and investment opportunities also seen in:

- Exporting to countries where the Philippines has Free Trade Agreements
- Software Development and Knowledge Process Outsourcing (KPO)
- Creative Industries (products & services for both international & domestic markets)
- Cebu as 2<sup>nd</sup> Home destination (attractive retirement destination for non-Cebuanos)
- Sports Tourism in Cebu (hosting this year’s Xterra Triathlon & Trail Series on March 18 at Lilo-an, Cebu, and the Ironman 70.3 event on Aug. 05 at Shangri-la Mactan)
- Medical & Wellness Tourism (promoting Cebu’s medical & wellness packages abroad)
- Education & Training Services (academic center in VisMin and ESL choice)
- Retail trade (malls, hypermarts, strip malls & entertainment centers, commercial centers)
- Telecommunications
- Infrastructure (maximize on being a transport hub in VisMin; upgrading of airport & seaports)
- Utilities (water, power, energy)

There are 262 foreign direct investments locating in major economic zones in Cebu registering total export sales of \$3.63 billion. About 126 outsourcing companies are now here in Cebu with a total of 65,000 employees and \$1.25 billion in export sales.

### Some insights/quotes from key industry leaders & experts on Cebu’s economy:

*Although the Philippines still has to catch up in competing with other attractive investment destinations in manufacturing such as Vietnam, we still have an edge over other countries. The good business environment and the streamlining of business processes, which makes it easy for businessmen to transact business in the Philippines, are just among the few advantages that the Philippines has.*

*We have included in the PEDP the plan to move up the value chain by capturing the market for higher value processes in the global supply chain. We also plan to develop more product linkages for organic, natural and certification enabled products.*

*DTI would continue to encourage exporters to maximize the existing free trade agreements we have with other countries like China, Japan, South Korea and Australia. We are also currently looking at other prospects like BRICA (Brazil, Russia, India, China and ASEAN).*

*We also plan to do more inbound fairs and trade missions that will be linked with tourism efforts as well as come up with a unified branding for the industry. We plan to partner with HRRAC (Hotel Resort and Restaurant Association of Cebu) to promote our local products in their establishments. **This is part of our effort to link trade and tourism.***

[Source: Cebu economy in 2012: Business sees brighter picture - The Freeman, 02 January 2012, Ehda Dago-oc; and DTI puts in place plan to help export industry, Cebu Daily News, 02 December 2011, Aileen Garcia-Yap]

Asteria C. Caberte  
Regional Director, DTI-Region VII

*Because of the sustained growth not only for the manufacturing sector and IT-BPO investments, but also in tourism, and other sectors, the real estate industry has benefited in this development.*

*Property industry has also grown from only about 5,000 hotel rooms in 1992 to 11,169 hotel rooms now. Cebu's available office space totaled 428,075 square meters. Condominium units available for residential occupancy have reached 4,551, while hotel rooms in all category types now at 11,169. About 1,317 residential condominiums will be added within this year and another 1,961 units in 2013.*

*This number is expected to grow in the next few months, or years, while developers are building more commercial and residential condominium, as well as hotel rooms, as Cebu is considered as the fastest growing economy in the Philippines.*

*We have demonstrated our capability of getting non-Cebuanos to invest in capital expenses like factories, office space, commercial establishments and resorts to spend for operating expenses here.*

*We will continue to do so and we should now also develop a program focused on getting non-Cebuanos to invest in second homes in Cebu and pay living expenses here.*

[Source: The Freeman, 07 March 2012, Ehda Dago-oc; and Cebu Daily News, 20 February 2012, Aileen Garcia-Yap]

Joel Mari S. Yu  
Managing Director, Cebu Investment Promotions Center  
during the 2012 Cebu Annual Economic Briefing and Investment Forum, Quest Hotel Cebu

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*The city's growth as a thriving business center has also banked on tourism, perhaps Cebu's biggest draw. Marketing its educated workforce and upgrading its airport to international status has also done wonders for the Cebu economy.*

*[The strategy's] message was that it was more fun to do business in Cebu. Tourism is a low-hanging fruit that has a huge impact on both the local and national economies. The strategy worked, and Cebu boomed almost overnight.*

*Several industries—real estate, business process outsourcing, shipping, furniture, light manufacturing, and knowledge process outsourcing—have since found a home in perhaps the Philippines' fastest-growing metropolis. The city must continue to focus on these industries.*

[Source: BusinessWorld, 16 February 2012, ANNA PATRICIA G. VALERIO, Special Features Writer]

Gordon Alan (Dondi) Joseph  
President, Cebu Business Club

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*IT-BPO is one of two fast-growing sectors in Cebu, with export sales increasing from barely \$200 million in 2005 to \$1.5 billion in 2011 based on CIPC estimate.*

*Records from the Philippine Export Zone Authority (PEZA) said Cebu currently has 126 foreign direct locators, which employ around 65,000 workers according to CIPC.*

*The IT-BPO firms are distributed over the following locations: 72 in Asiatown IT Park and eight in Cebu Business Park in Cebu City, one in HVG IT Park in Mandaue City, and 45 in various other buildings.*

*The bulk of service providers and employees, however, is concentrated on the BPO sub-group, which is the lowest level in the sector and deals with routinary call center work, at 72%.*

*KPO has a 13.5% share while IT outsourcing (ITO) has 14.5%.*

[Source: BusinessWorld, 20 February 2012, Marlen D. Limpag]

Joel Mari S. Yu  
Managing Director, Cebu Investment Promotions Center  
during the 2012 Cebu Annual Economic Forum and Investment Briefing  
initiated by the Cebu Business Club and the University of San Carlos (USC) Economics Department

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### *Selling points of Cebu as Second Home Destination*

*Cebu's location, geography and climate are selling points, being a tropical island with a lot of coastline and mostly storm-free, which makes it ideal for swimming, golfing and other leisure activities. International airports and seaports assure easy access while a relatively safe peace and order situation adds to the appeal. English is widely-spoken in Cebu and there are a number of education and medical facilities. Cebu has enough modern facilities while enjoying a cost of living 30 percent lower than that of Manila.*

*Most rich people in Manila have second homes in Tagaytay. With airfares dropping quickly, they could easily be encouraged to buy second homes in Cebu and have a wide range of leisure activities to choose from when they spend their time here. Other rich people from the Visayas and Mindanao will find Cebu an ideal place to live in and send their children to school.*

*Another sector that supports the development of more homes are the overseas Filipino workers. Many OFWs are buyers of condominiums that are currently being built. After working overseas, OFWs want to be sure the savings they earn are spent well. Rather than build big homes in their provinces where the value of their investment does not appreciate, the more viable investment would be to buy a home in Cebu.*

*[Source: SunStar Cebu, 19 February 2012, Mia Abellana]*

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Managing Director, Cebu Investment Promotions Center  
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*Cebu will gain further economic momentum in 2012 largely fueled by BPO, tourism, manufacturing, agri-business, creative industries, logistics, and others.*

*Cebu is very lucky because it has a good mix of sunrise industries.*

*Likewise, Cebu is seen to leverage on its **four "Fs" strength – food, fashion, furniture and fun** – which is closely linked with tourism and entertainment.*

*Exports, which used to be one of the region's "bread-winners" is still going to face challenging future - at least in the first few months in 2012.*

*Exports will be very difficult, that is why most exporters are now shifting or diversifying into real estate.*

*Despite this bright outlook for Cebu, the threat that the province faces that could hamper its drive to achieve unprecedented growth in 2012. The threat of power shortage should be addressed immediately and given utmost attention.*

*The reality now is a lot of companies and businesses are going out from Metro Manila, and considering transferring elsewhere. One of the most attractive sites is Cebu.*

*[Source: Cebu economy in 2012: Business sees brighter picture - The Freeman, 02 January 2012, Ehda Dago-oc]*

Economist Bernardo M. Villegas  
University of Asia & the Pacific (UA&P)

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### **Retail sector logs 'robust growth'**

SunStar Cebu, 27 December 2011

CEBU's retail industry saw robust growth in 2011 on the back of high consumer optimism and a strong local economy.

Retailers said despite external factors such as the economic problems in the US and Europe, the sector managed to grow, as shown by the expansion of retail businesses here.

"Aside from the innovation, which is one key factor for businesses to grow, retailers this year invested heavily on expansion. We see Manila retailers expanding their business in Cebu and Cebuano retailers expanding in neighboring islands," said **Philippine Retailers Association (PRA) Cebu president Melanie Ng.**

In November, SM Cebu opened Forever 21, an American-owned fashion chain franchised by SM for the Philippine market to cater to the middle-upper market.

Ayala Center Cebu, on the other hand, is currently building a new phase that will house luxury brands for the Cebuano market.

### **Informed buyers**

Ng said the sector saw growing demand for products and services from consumer, whom she described as “informed buyers”.

Food, clothing/apparel and gadgets are considered top performers in the Cebu retail industry this year.

Ng attributed the performance of the sector to the increased purchasing power of Cebuanos with the presence of business process outsourcing and information technology companies.

“The food sector is growing with the entry of culinary schools here. We see a lot of people getting interested learning culinary arts,” said chef Raki Urbina of Café Laguna.

Urbina said half of culinary graduates stay in the country and open food businesses here. Urbina said Cebu now has growing chef-based restaurants.

Sumosam, a Manila-based Japanese restaurant, also expanded in Cebu by opening its first franchised restaurant in Visayas here. Owners of the restaurant said they were encouraged by Cebu’s thriving economy.

Meanwhile, Jun Yap, owner of Junrex Cellphones & Accessories Inc., reported that sales of mobile devices, particularly smartphones, grew faster last year. because sales were driven by election spending.

“But despite the projected slow growth this year, the market is still good as new models will be released to the market. Consumers now are looking forward to more mobile devices like smartphones and tablets that have data handling capabilities,” Yap said.

### **Competition**

He said social networking sites like Twitter and Facebook have prompted mobile phone manufacturers to come up with products that are data-centric. Just this month, Apple released to the Philippine market, through Globe Telecom and Smart Communications, the iPhone 4s.

While retailers see brighter prospects ahead for the industry, Bernie Liu, PRA chairman and president and chief executive officer of Golden ABC, the mother company of fashion and lifestyle brand Penshoppe, cautioned them about tighter competition in the market.

He said while retailers should take advantage of the improved economy, they should not forget the essentials of doing and sustaining business.

“Asia is the new West. The region now is dominated by emerging markets such as China and India...and the Philippines is in the middle of this new emerging markets. But this will be both a challenge and a curse for us,” Liu said.

He said the Philippines is in the middle of these new emerging markets and the country should take advantage of the opportunity.

### **Level up**

“We need to know our market better. We are not the only country that is looking at Asia. The West, for instance, is looking at Asia and as they come in, competition will intensify. The local brands need to level up,” he said.

Liu said Filipino retailers need to improve because consumers now are more aware of global standards.

Although the coming of foreign brands is good for consumers, Liu said there would be some degree of difficulty for retailers and “margins will be a bit of a challenge.”

Liu advised retailers to re-study their market. “At these times, you can no longer be everything to anyone anymore. Businesses need to innovate and do product differentiation,” he said.

“But Cebu, in particular, is a robust market. We are generally optimistic with 2012, despite the challenges ahead,” Liu said.

*[Source: SunStar Cebu, 27 December 2011, Katlene O. Cacho Published in the Sun.Star Cebu newspaper on December 28, 2011]*