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Opportunity is Here:

# Philippines Fastener Trade & Investment Climate

## 機會降臨：菲律賓扣件貿易趨勢與投資環境大解析

Philippines has had its new President in office since this May. Taipei Economic and Cultural Office in the Philippines stated in a press release that the economy team working with Ferdinand Marcos Jr. remains optimistic about the economic growth momentum for this year in the midst of a potential inflation rate increase to a pressuring 4.5% - 5.5%. The Development Budget Coordination Committee of Philippines announced the projected domestic GDP for 2022 were adjusted down from 7%-8% to 6.5%-7.5%. However, increased private investment, the industrial recovery, high employment, and the growing tourism enable Philippines to reopen its economy. The country began to see a positive growth of 8.3% in the first quarter this year. The second quarter will surpass the first one and this upward drive is expected to continue through the end of this year. The Philippine Secretary of Finance estimates the country's annual growth rate could reach 6.5%-8% from 2023 to 2028.

With the new Philippine regime on the front stage, this article analyzes Philippines' fastener trend and the status quo of local investment as a reference for fastener business owners to evaluate investment in this nation.

### Philippines' Fastener Export to Foreign Countries

Philippines exported USD 138 million worth of fasteners to the world in 2019. The number dropped to USD 107 million in 2020 and then bounced back to USD 142 million, which slightly surpassed the pre-pandemic level and reached USD 44.64 million in the first quarter this year. If the first-quarter growth momentum could last, there is a chance for the 12-month export value this year to surpass last year's. **A clear phenomenon is that the value of Philippines fastener export to Japan exceeded 60% of the total in 2021 and reached 70% in 2020, way past the U.S. which ranked second and accounted for just 10%. Clearly, Philippines highly relies on fastener purchase by Japan. Philippines is one of the important sources of low price fasteners for Japan.** Additionally, Philippines has a small portion of fasteners exported to some European countries (such as Germany, the Netherlands, Italy, Poland), as well as Taiwan and China.

**Table 1. Philippines' Fastener Export to the World 2019-Q1 2022 (In Descending Order by 2021 Value)**

Partners	2019			2020			2021			2022 Q1		
	Quantity (Kg)	Value (USD)	Share (%)	Quantity (Kg)	Value (USD)	Share (%)	Quantity (Kg)	Value (USD)	Share (%)	Quantity (Kg)	Value (USD)	Share (%)
<b>WORLD</b>	36,129,961	138,115,316	100	34,016,319	107,041,505	100	46,643,925	142,467,784	100	13,641,069	44,646,038	100
<b>1</b> Japan	23,367,600	98,246,433	71.2	23,618,090	75,300,195	70.4	32,429,115	90,176,410	63.4	9,716,149	28,991,779	69.1
<b>2</b> USA	4,795,340	13,200,346	9.6	4,372,729	9,322,081	8.7	5,726,535	14,326,120	10.1	1,271,953	3,744,200	8.9
<b>3</b> Germany	2,633,194	8,952,672	6.5	2,198,532	7,757,829	7.2	2,730,312	10,332,144	7.3	576,685	2,708,877	100
<b>4</b> South Korea	938,135	2,984,255	2.2	1,384,304	4,615,376	4.3	1,090,599	8,347,455	5.9	91,053	1,661,736	4.0
<b>5</b> Taiwan	1,121,284	3,277,946	2.4	482,271	1,271,219	1.2	2,068,938	5,581,337	3.9	540,171	1,689,881	4.0
<b>6</b> Netherlands	191,503	628,938	0.5	195,172	705,035	0.7	605,490	2,756,948	1.9	94,346	663,681	1.6
<b>7</b> Italy	1,372,861	4,166,490	3.0	701,800	2,449,484	2.3	743,257	2,415,917	1.7	75,728	411,007	1.0
<b>8</b> China	141,283	545,789	0.4	140,177	1,247,051	1.2	55,790	2,032,188	1.4	10,504	243,898	0.6
<b>9</b> Poland	136,977	396,380	0.3	89,070	306,939	0.3	190,747	669,538	0.5	41,113	199,634	0.5
<b>10</b> India	67,302	282,562	0.2	65,869	291,297	0.3	136,989	550,972	0.4	15,842	98,145	0.2
<b>11</b> Switzerland	86,425	283,951	0.2	44,826	165,822	0.2	128,298	548,571	0.4	99,965	518,644	1.2
<b>12</b> UK	202,229	1,114,071	0.8	117,473	628,988	0.6	43,115	536,845	0.4	3,652	85,018	0.2
<b>13</b> Malaysia	73,630	308,750	0.2	41,991	193,233	0.2	13,034	495,259	0.3	1,004	174,718	0.4
<b>14</b> Denmark	109,357	361,586	0.3	70,731	233,435	0.2	98,851	410,676	0.3	13,123	71,330	0.2
<b>15</b> Finland	145,010	373,241	0.3	46,333	114,855	0.1	87,791	361,962	0.3	28,361	176,342	0.4
<b>16</b> Hong Kong	102	30,873	0.0	275	252,496	0.2	354	346,746	0.2	25	137,771	0.3
<b>17</b> Thailand	42,277	438,364	0.3	34,883	386,256	0.4	33,004	320,906	0.2	6,685	193,319	0.5
<b>18</b> Austria	50,818	182,618	0.1	58,611	208,388	0.2	91,401	320,744	0.2	1,272	9,684	0.0
<b>19</b> Mexico	8,022	118,516	0.1	27,160	281,397	0.3	30,525	300,588	0.2	3,427	35,195	0.1
<b>20</b> Sweden	46,473	145,937	0.1	20,372	67,116	0.1	53,663	279,067	0.2	15,716	101,466	0.2

In terms of import, Philippines imported USD 142 million worth of fasteners from the world in 2019. The number dropped to USD 126 million in 2020 and then bounced back to USD 169 million, which surpassed the pre-pandemic level and reached USD 43.36 million in the first quarter this year. The import value is expected to surpass the level last year as well. **We can find that the two top sources of fastener import for Philippines are China (taking up 29.6%) and Japan (26.7%). In an opposite perspective, China and Japan are the top rivals to Taiwan and other countries selling fasteners to Philippines.** China's fastener price competitiveness and Japan's fastener quality are very attractive to Philippines, which is a warning sign for Taiwan in pursuit of price competitiveness and other advanced countries with high-end quality.



**Table 2. Philippines' Fastener Import from the World 2019-Q1 2022 (In Descending Order by 2021 Value)**

Partners	2019			2020			2021			2022 Q1		
	Quantity (Kg)	Value (USD)	Share (%)	Quantity (Kg)	Value (USD)	Share (%)	Quantity (Kg)	Value (USD)	Share (%)	Quantity (Kg)	Value (USD)	Share (%)
<b>WORLD</b>	49,760,359	142,452,085	100.0	40,508,093	126,521,902	100.0	52,679,672	169,471,285	100.0	12,146,338	43,362,303	100
1 China	35,118,703	42,531,255	29.9	29,440,414	34,611,995	27.4	40,259,565	50,181,602	29.6	8,911,578	11,944,660	27.6
2 Japan	3,657,426	36,134,117	25.4	2,864,478	33,731,577	26.7	3,726,370	45,237,468	26.7	999,038	12,702,490	29.3
3 Singapore	1,213,605	12,973,903	9.1	830,918	10,864,810	8.6	850,878	13,576,453	8.0	288,191	5,528,710	12.8
4 Taiwan	4,110,774	12,779,852	9.0	3,244,458	9,957,463	7.9	3,294,196	12,012,270	7.1	641,769	2,701,727	6.2
5 Malaysia	315,902	1,708,294	1.2	269,478	2,517,092	2.0	345,722	6,369,320	3.8	73,919	1,298,716	3.0
6 Thailand	665,113	5,308,554	3.7	845,592	4,717,497	3.7	706,184	6,031,059	3.6	155,883	1,429,286	3.3
7 USA	135,422	3,943,471	2.8	113,254	4,038,340	3.2	139,441	5,029,198	3.0	32,027	771,561	1.8
8 Germany	258,941	3,967,961	2.8	193,723	4,685,087	3.7	162,754	4,952,936	2.9	37,898	782,651	1.8
9 Vietnam	1,161,793	3,533,002	2.5	816,665	2,548,547	2.0	1,307,527	4,899,910	2.9	487,781	1,282,215	3.0
10 South Korea	1,077,976	3,773,438	2.6	736,068	3,443,050	2.7	684,965	4,234,884	2.5	236,395	1,181,975	2.7
11 Hong Kong	315,951	3,917,552	2.8	210,964	2,654,599	2.1	303,384	3,942,275	2.3	46,597	851,127	2.0
12 France	75,650	1,406,279	1.0	111,977	2,120,648	1.7	101,533	2,050,701	1.2	2,259	118,715	0.3
13 Finland	6,905	203,865	0.1	72,062	2,181,351	1.7	40,218	1,342,403	0.8	5,506	137,876	0.3
14 Indonesia	170,959	1,110,211	0.8	101,936	766,333	0.6	200,085	1,177,296	0.7	70,607	245,644	0.6
15 Italy	85,704	1,071,876	0.8	48,908	741,460	0.6	52,299	1,176,091	0.7	4,487	144,159	0.3
16 Belgium	13,916	389,960	0.3	17,049	230,433	0.2	15,496	1,033,075	0.6	6,127	328,268	0.8
17 Australia	407,736	1,380,250	1.0	56,299	1,407,196	1.1	49,281	892,297	0.5	14,020	191,660	0.4
18 UK	53,971	930,646	0.7	20,277	688,362	0.5	56,183	813,055	0.5	8,928	205,830	0.5
19 Netherlands	53,610	1,107,060	0.8	97,701	962,527	0.8	24,573	751,150	0.4	9,568	183,530	0.4
20 Sweden	34,733	1,080,743	0.8	71,890	977,973	0.8	21,656	741,296	0.4	14,181	520,841	1.2

## Taiwan's Fastener Export to Philippines

The total value of Taiwan's global fastener export already jumped back to USD 5.3 billion in 2021, up from USD 4.3 billion in 2019 before the pandemic. That value has reached USD 3.1 billion in the first half of this year with a chance to surpass last year's level. **Out of the total value, Taiwan's export to Philippines only represented 0.48% (USD 25.73 million) in 2021 and 0.34% (USD 10.9 million) in the first half of this year; therefore, Philippines is a large potential market for Taiwan fastener industry.**

Even so, there are several Taiwanese fastener companies already dedicated to developing the Philippine market. Long Pao Fasteners is a well-known Taiwanese fastener company in Philippines and its major product is self-drilling screws, having publicity and a high market share in local wholesaling and retailing endpoints. Multi-Tek Fasteners & Parts Manufacturer Corp produces socket set screws in Philippines and it has expanded production before. Lu Chu Shin Yee Works founded a plant manufacturing stainless steel fasteners in Philippines in 1988.

**Table 3. Taiwan Fastener Export to Philippines and the World (USD)**

Targets	2019	2020	2021	H1 2022
WORLD	4,316,380,032	3,969,114,428	5,319,669,018	3,185,158,250
Philippines	21,659,571	17,159,062	25,738,798	10,902,282

**Table 5. Taiwan Fastener Import from Philippines and the World (USD)**

Targets	2019	2020	2021	H1 2022
WORLD	159,937,426	154,202,514	204,201,927	108,229,405
Philippines	3,505,319	1,511,922	5,401,383	2,570,308

**Table 4. Taiwan Fastener Export to Philippines and the World (KG)**

Targets	2019	2020	2021	H1 2022
WORLD	1,479,292,223	1,363,249,857	1,610,686,052	845,091,029
Philippines	6,507,057	5,035,279	5,872,163	2,372,783

**Table 6. Taiwan Fastener Import from Philippines and the World (KG)**

Targets	2019	2020	2021	H1 2022
WORLD	18,374,272	16,575,015	20,187,206	10,419,161
Philippines	1,167,517	517,069	1,970,096	753,501

## Philippine Market Investment Intelligence

### Watch List for Global Companies

#### (1) Philippines lowers bar on foreign companies' investment

Philippines puts a lot of red tapes on investments from overseas. Local infrastructure is less than ideal and there is much instability in local policies. In recent years, the preferential duties and lower cost offered by neighboring countries have taken business opportunities away from Philippines. **To that, the former Philippine President approved foreign companies' investment in more industries via legislation. For the first time the former President allowed foreign companies to set up and completely own their small and medium businesses, letting them have 100% equity of currently operating businesses.**

Before the law amendment, foreign investors could only invest in small businesses and they were required to hire at least 50 Philippine employees. **After the amendment, they just have to hire at least 15 local labors and the minimal required amount of investment is halved to USD 100 thousand.**

#### (2) Philippines approved NTD 4.76 billion investment by foreign companies in Q1 2022

This value was 54.1% down from last year (NTD 10.34 billion). The supervisory authorities included Authority of the Freeport Area of Bataan, Board of Investments, Clark Development Corp., Cagayan Economic Zone Authority, Philippine Economic Zone Authority, and Subic Bay Metropolitan Authority.

Japan at NTD 1.85 billion was the largest source of foreign investment for Philippines in the first quarter, taking up 39.7%, followed by South Korea at NTD 880 billion (18.5%) and Singapore at NTD 886 million (18.2%). The foreign investment mostly came from the industrial sector accounting for NTD 2.7 billion (57.4%). The electricity industry was NTD 840 million (18.5%).

#### (3) Philippine construction market forecast

In 2019 before the pandemic, the Philippine construction market was the fastest-growing market in Asia Pacific with a growth rate of 9.1%. In 2020 the growth rate plunged 30.3%, and dropped 27.2% in Q1 2021 as a result of social distancing policies. Nevertheless, **Research and Markets forecast the growth rate of local construction industry would be 21.9% in 2021 and will rebound above the pre-pandemic level by 2023.** This research institute forecasts the growth will be 14.9% by 2022 and grow at an annual rate of 7.8% up to 2025.

The Philippine government has announced a plan to add USD 23.7 billion to aid main infrastructure including roads, bridges, transportation and harbors.

### Watch List for Taiwanese Companies

#### (1) Importers and Exporters Association of Taipei Signed MOU with PHILEXPORT

Philippines has a population of 100 million who are mostly at young age. The country has great demographic dividend. This MOU is expected to greatly increase civil collaboration between Taiwan and Philippines after the new Philippine regime takes office. Both countries will exchange on e-commerce, logistics and brands to upgrade bilateral relationship.

#### (2) Taiwan's investment in Philippines reaches USD 640 million

Taiwanese electronics industry's investment has created 40 thousand jobs in Philippines. Taipei Economic and Cultural Office in the Philippines has received a great deal of inquiries from Taiwanese companies seeking investment in Philippines. Furthermore, **Philippine Economic Zone Authority is lowering the investment bar for Taiwanese applicants. The new measure is to issue a two-year visa to foreign investors and their key employees. The administrative procedure for the visa is shortened from one month to ten days to improve local investment environment.**

## Revitalizing Trade & Lowering Trade Barriers

### Philippines is a Market of Potential Worth Considering

Philippines got out of the mire of the pandemic and is going full on trade and tourism. The attraction is lowering investment barriers for foreign investors. Given the positive prospect for future GDP growth, Philippines' fastener import and export is expected to exceed the pre-pandemic level, and on top of it is the government's additional investment in infrastructure. The prospect for the fastener demand in Philippines is positive. The new regime in office this year can provide a chance for business owners to assess investment and grab a ticket into the Philippine market. **□**

