



Creative Cebu



*Doing business
and investing
in Cebu*

2018



www.pwc.com/ph/cebu

Cebu

Brilliance. Growth. Age.

Cebu has the distinction of being the oldest city in the Philippines. Far from inactivity, however, the city has continued to reinvent itself over the years to adapt to the times.

That sensibility of being able to recreate lies at the heart of the latest developments in the modernization of Cebu. Infrastructure plays a major role – aside from the redevelopment of the Mactan-Cebu International Airport, other projects like the Bus Rapid Transit, and the Cebu-Cordova Bridge promise to stimulate the local economy and improve the quality of life for all Cebuanos.

In its origin story, Cebu evolved into a trading hub where its land could not support agriculture, thus becoming a crossroads for merchants from all over the ASEAN and China. This explains how Cebuanos manage to create something out of nothing. Both their can-do attitude and indomitable spirit still prevail today.

Other areas which highlight the strength of Cebuanos are the growing BPO and IT industries. Combined, these industries employ about 100,000 people, with the city targeting a 20% market share of all BPO services coming from the Philippines. These industries benefit from homegrown talent coming from Cebu's educational institutions, such as the University of San Carlos — one of the oldest in Asia, and one of the finest in the Philippines. The Philippines' greatest asset is its people, and Cebu contributes to this in a major way.

At the onset of the 21st century, Cebu remains at the forefront of regional economic development. Capitalizing on its trading heritage and its traditional role as a crossroads city, with its revitalized infrastructure and “can-do” spirit, Cebu brings together tourists and investors to catalyze growth for many years to come.

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PwC has taken the liberty of selecting Philippine cities of the Visayas and Mindanao to showcase their culture, progress and real potential as a place for investments. PwC has endeavored to package current local knowledge for prospective local and foreign investors.

This investment guide is part of the PwC Reimagining VisMin Collection — observed, analyzed, written by our own people, and published in the hopes of making a difference and reimagining the possible.

Alex B. Cabrera
PwC Philippines

Cebu: **The city that can**



One may call Cebu the cradle of the Philippines, as this is where Portuguese explorer, Ferdinand Magellan, under the Spanish flag, first landed in 1521. Close to 500 years later, the province and the city have developed into a major economic hub, contributing much to the growth of the Philippines.

Cebu—competitive and economically dynamic

The City of Cebu is the 13th most competitive highly urbanized city in the Philippines. Outside of Metro Manila, Cebu ranked as the fourth most competitive city after Davao, Cagayan de Oro and Baguio. Cebu's competitive local ranking in economic dynamism is

due to its vibrant IT and BPO industry. In terms of global competitiveness, this same industry places Cebu in the seventh spot in the world. Tholons calls the Philippines one of the top destinations in its annual rankings. Only Metro Manila ranks higher than Cebu as a BPO destination of choice.

Cebu drives economic growth outside Metro Manila

Central Visayas, where Cebu province is the major economic player, contributed PHP966.9bn to the country's GDP in 2016, representing 6.7% of the total PHP14.5 trillion GDP. The region's GDP is the fourth-largest in the country after the National Capital Region, Central Luzon, and CALABARZON. With Cebu



accounting for the bulk of the economic activity in Central Visayas, the region's Gross Regional Domestic Product (GRDP) grew by 8.75% in 2016, faster than the Philippine GDP growth rate of 6.9%.

The new K+12 initiative of the Department of Education adds two more years of senior high school to the secondary level curriculum. Under the K+12 program, graduates from senior high school who have chosen the vocational/technical track are already able to transition to the workforce.

The Technical Education and Skills Development Authority (TESDA) in Cebu reports that the most popular programs that have graduated the most students include English as a second

language, computer hardware, consumer electronics, cookery, food and beverage services, welding, and housekeeping.

According to the Commission on Higher Education, Cebu produced 201,634 graduates from tertiary education in 2015. Of these, more than 73% graduated from private institutions. These graduates, in addition to the vocational/technical graduates, are the labor force on which the Cebu economy depends for continued growth.

The people of Cebu

Cebu has a dynamic and young population

As of the 2015 Census, the province had 4.6m people. Of this, 0.9m lived in Cebu City alone. From 2010 to 2015, the Cebu City population grew 1.3% per year. The provincial population, excluding the cities of Cebu, Lapu-Lapu, and Mandaue, grew by 2.2% per year over the same period.

About 52.8% are aged 24 years or below. This phenomenon is a welcome development for both employers and businesses alike. This means that businesses can employ a young and growing labor force that will be able to grow as the economy grows.

Also, the same population base is the future customers and clients of business in the province. Businesses will look favorably at the fact that each younger age group of the population is larger than the next older group. This means that the provincial population is growing steadily.

The population of Cebu is young and growing

52.8% are 24 years old and below



Cebu City
0.9m
Grew by **1.3%** per year (2010-2015)

4.6m Cebu province
Grew by **2.2%** per year (2010-2015)

Fair weather all year round (2016)

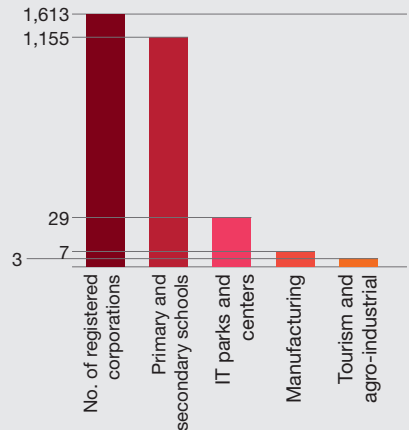


24°C (January) ~
33°C (May)



50 mm (April) ~
170 mm (September)

Operating Economic Zones



Top Export Products (2016)

1. Transport
2. Electronics and Electricals
3. Machinery
4. Minerals
5. Furniture/Fixtures

Top Export Markets (2016)

1. Japan
2. USA
3. Hong Kong
4. China
5. Thailand

Majority of the population speak

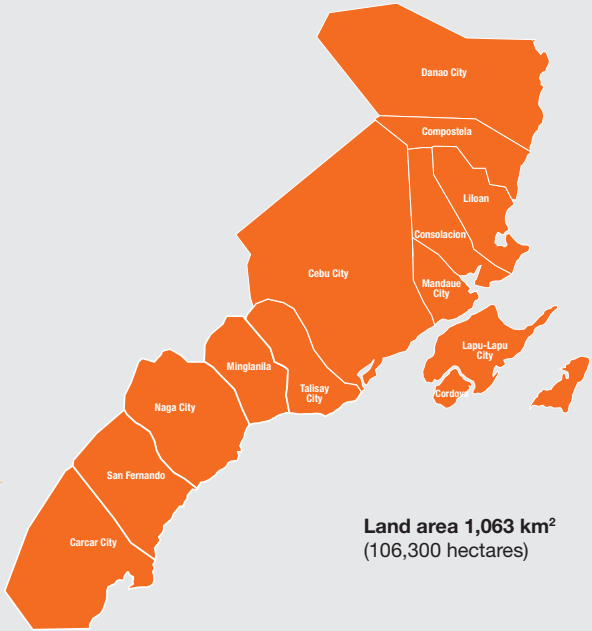
Bisaya



80% Philippine inter-island shipping capacity



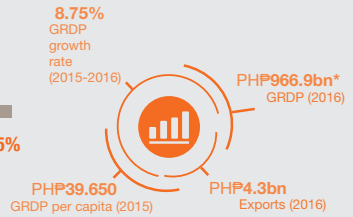
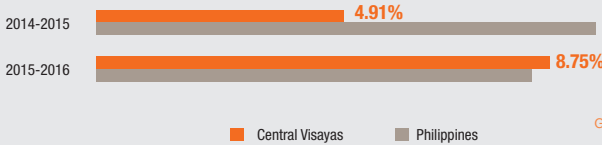
571 kms
Distance from Manila
(Flight hours 1h 20min)



Land area 1,063 km²
(106,300 hectares)

Central Visayas' GRDP growth rate in 2016

GRDP growth rate, Central Visayas vs Philippines (2014-2016)

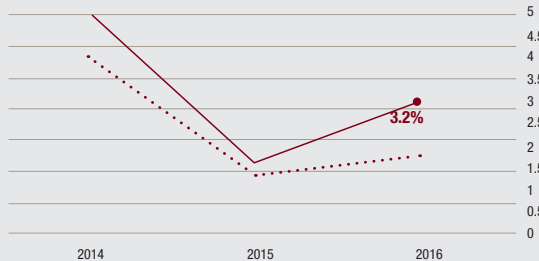


* Central Visayas

Central Visayas' inflation rate from 2014 to 2016

Inflation rate, Central Visayas vs Philippines (2014-2016)

— Inflation rate, Central Visayas
- - - Inflation rate, Philippines



GRDP - Gross Regional Domestic Product

The IT and BPO industry provides heavy economic activity

Information technology and business process outsourcing

The Philippines' IT-BPO sector has been growing significantly since the early 2000s. The sector's revenues grew from US\$1.5bn in 2004 to US\$19bn in 2014, and is targeted to reach US\$40bn by the end of 2022. Of the total revenues, Cebu contributes around 10% annually while providing jobs to over 120,000 people.

With its adequate infrastructure, large pool of college graduates, and reasonable cost of doing business, Cebu City, where most IT parks are located, ranked 12th in Tholons' 2017 *Tholons Services Globalization Country Index*.

At present, Cebu has at least 200 outsourcing companies, and is still expected to grow in the succeeding years. The growth in the number of locators resulted in a manageable average vacancy rate of 8.2% in the second quarter of 2017. With the increasing presence of Filipino and multinational companies in Cebu, the office market is also expected to grow with 439,592 sq m of spaces in the pipeline. Projects in the pipeline include Philam Life Center Cebu, Central Bloc BPO Towers, GT Time Square, and Cebu Exchange.

BPO firms present in Cebu include Accenture Philippines, FPT Software, Medcor, Synchrony, Google, JP Morgan, Fluor Daniel, and Dash Engineering.

Cebu has a vibrant shipbuilding industry

Shipbuilding

The Philippines still relies on water transport, having 21 ports operated by the Philippine Ports Authority, and eight by the Cebu Port Authority. With its strategic location at the center of the Philippines, Cebu has the biggest seaport by tonnage. The Cebu port system is composed of Cebu Baseport, Mandaue Subport, Argao Subport, Toledo Subport, Sta. Fe Subport, and Danao Subport, and services mostly Visayas and Mindanao.

With the robust economic activity across the country, Cebu's cargo traffic grew from 32.2m metric tonnes (MT) in 2015 to 36.2m MT in 2016. The country's total port container throughput in 2017 is expected to reach 4.5m twenty-foot equivalent units (TEUs) from 4.0m TEU in 2016, with the Cebu and Manila ports as the main contributors.

As a center of trade even before the Spaniards arrived, Cebu is home to some of the country's top shipping players such as Gothong Southern Shipping Lines, Cokaliong Shipping Lines, and Trans-Asia Shipping Lines.



Top five largest shipbuilding nations based on completions in gross tonnage (2015)

<https://www.statista.com>

Real estate and property development is a major industry

Real estate and property development

The strong business activities in Cebu helped drive the growth of the real estate sector. Since the early 2000s, the condominium market has been growing with projects by developers such as Primary Properties, Fuente Triangle, Ayala Land, Filinvest, 8990 Holdings, and Aboitiz Land. Over 17,000 condominium units are also expected to be completed in the next two to three years, with around 70% to be located in Cebu City, and within the business centers.

Similarly, Cebu's retail industry has been growing since its early years because the Cebuanos relied on trading to make up for their limited natural resources. Top retailers and mall developers who started in Cebu include the Gaisano, Gokongwei, and Gotianun families. As of the second quarter of 2017, Cebu has over 1m sq m of retail spaces with malls such as SM Seaside City Cebu, SM City Cebu, Ayala Center Cebu, and Robinson's Galleria Cebu. Retail vacancy rates in Cebu also improved from 14.7% in 2015 to 6.1% in the second quarter of 2017.

New retail projects in the pipeline include Filinvest's Il Corso Mall, Ayala Mall at Central Bloc, and CityMall. The strong local economy as well as the entry of new businesses will drive consumer spending in Cebu, and will further boost the retail sector.

Tourism also drives progress in Cebu

Tourism

The city hosts the Sinulog Festival, which is among the most popular festivals in the Philippines. The festival commemorates the Santo Niño on the third Sunday of January, attracting up to two million participants annually. Beyond this, the province and the city offer many interesting places to visit that add value and excitement to the experience of every visitor.

With Cebu's offerings and strategic location, Cebu accounts for most of the tourist arrivals in Central Visayas. In 2016, there were 3.7m tourists, composed of 1.98m domestic tourists and 1.77m international tourists. A significant portion of the international tourists came from Korea, the United States of America, and China.

The new Mactan-Cebu International Terminal 2, which is targeted to open in June 2018, is expected to grow the number of international arrivals. Megawide Corporation and India's GMR Group formed a consortium to manage and develop the Mactan Cebu International Airport in the next 25 years. The new terminal will allow new routes or direct flights between Cebu and other destinations in Southeast Asia, Australia, and Europe. The Mactan-Cebu International Airport currently hosts flights from China, Hong Kong, Japan, Malaysia, Singapore, South Korea, Taiwan, and the United Arab Emirates. With the new airport terminal, the annual passenger capacity is expected to grow to 12.5m from 6m. Terminal 2 is 70.23% complete as of August 2017.

You know you're in Cebu...



1

...when you see **Magellan's Cross**. The cross was planted by Ferdinand Magellan and his party when they landed in Cebu on 15 March 1521. The cross is now displayed in a chapel near the Basílica Minore del Santo Niño on Magallanes Street. The actual cross itself is now housed inside the wooden cross seen in the photo.



2

...when you see the street parade of the **Sinulog-Santo Niño Festival**, which is held every year on the third Sunday of January. The festival venerates the child Jesus (Santo Niño), and cries of "Pit Señor!" can be heard throughout the weekend festivities. The statue of the Santo Niño is one of the oldest religious artifacts in the Philippines.



3

...when you're in one of the prime locations for **Special Economic Zones (SEZs)**, which cater to locators that manufacture goods or provide services for export. Six SEZs host more than 270 locators, which have generated about PHP14bn in new investments, and export sales of about US\$4bn. On top of that, the city hosts BPO and IT companies in Philippine Economic Zone Authority (PEZA) approved IT parks & buildings that have generated about 100,000 jobs.



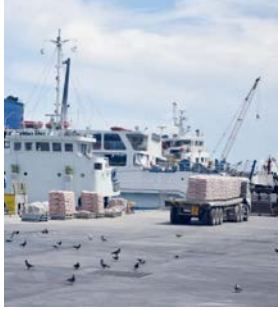
4

...when you are eating **lechon!** Cebu lays claim to the country's most savory way of preparing roasted pig (lechon).



5

...when you find yourself in the new **Mactan-Cebu International Airport**, enjoying the renovated facilities! The renovated MCIA will be able to handle more flights and more passenger arrivals, and provide more amenities to domestic and international travelers. Recently, the proponent for the PPP project submitted an unsolicited PPH208bn bid to engage in the long-term development of the airport.



6

...when you see the **shipyards** where they engage in heavy industry to build ships! The Cebu shipyards contribute to the Philippines being one of the top shipbuilding countries in the world.



7

...when you see the campus of the **University of San Carlos**. One of the oldest educational institutions in Asia, USC has produced top quality graduates in medicine, engineering, accountancy, and law. It has carved out a reputation for itself by producing toppers in the board exams for professionals in several fields.



8

...when you see the **whale sharks in Oslob**. This is a major tourist attraction, which features whale sharks that can be observed up close. This attraction generates a lot of interest and revenues for the local economy.



9

...when you experience the pristine beaches of **Bantayan Island**. These beaches offer white, sugary sand, and a unique way to connect to nature not otherwise available to the adventurous traveler.

Make Cebu yours



Sky View, Crown Regency, Cebu City

Cebu tourism is an absolute treat, because the island province offers something for everyone.

History

Those tourists who are history aficionados can choose many destinations that illuminate the rich heritage of the province and the city. Magellan's Cross at the Basilica Minore of the Santo Niño is a piece of living history that highlights the opening of the Philippines to the West. Fort San Pedro, located near the pier of Cebu City, is the oldest fort in the country. And who can forget the largest festival in the Philippines, the Sinulog Festival? Celebrated on the third Sunday of January, the festival honors the city's devotion to the child Jesus and attracts more than a million tourists over the weekend. More than 3.2m attended the event in 2016.



Fort San Pedro



Magellan's Cross



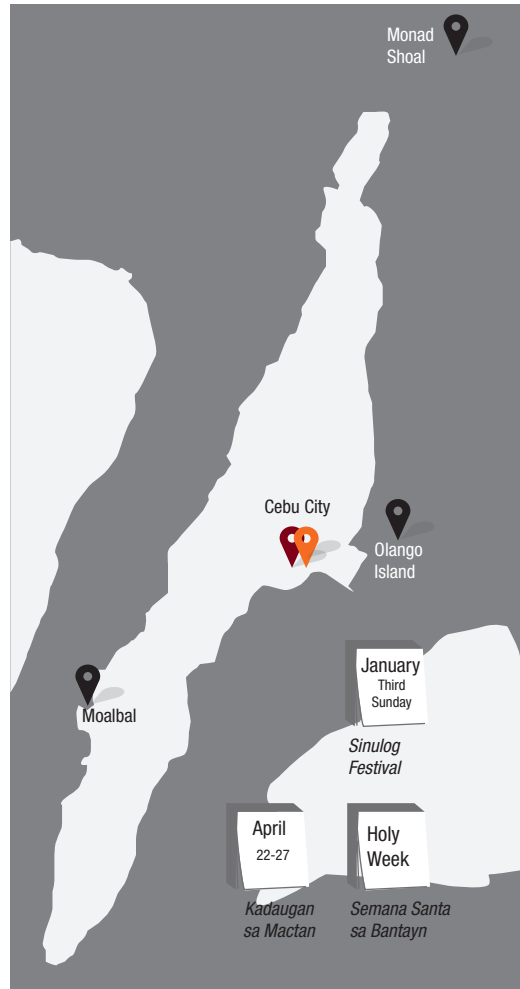
Adventure

For the more adventure-inclined, the Monad Shoal northeast of Cebu calls. The destination has become famous for its thresher sharks. Getting close is a once in a lifetime experience, but divers are asked to keep a safe distance. The sharks congregate at the Monad Shoal to clean their gills.

Wildlife

Tourists who prefer bird watching can go to Olango Island, east of Cebu City. Olango Island is home to the world — famous bird sanctuary. The Olango Island Wildlife Sanctuary offers a warm seasonal climate for birds who migrate annually from Siberia, China, and Japan. About 50% of the 97 species of birds found on the island are migratory and give opportunities for bird watchers to enjoy their hobby.

Cebu offers other attractions for tourists interested in a more casual and laid — back vibe. Kawasan Falls in Badian, the southwestern part of Cebu, is famous for its crystal-blue waters. Groups go canyoneering, culminating in a rewarding dip in the cool waters of the basin.



★★★★★
The best pig ever
~ Anthony Bourdain
★★★★★

One cannot make the trip to Cebu without sampling the famous *lechon* (suckling pig). *Lechon* is served when milestones are achieved, and visiting Cebu for the first time—a milestone in itself—is enough reason to savor *lechon*!



Why Cebu?

Business-friendly

Registration and permits

#7

ease of starting a business

1-week

processing time for business permits

Fiscal incentives (for Cebu province)

- One-year exemption from local business taxes imposed under the Local Government Code.
- Exemption from the share of the province in the real property tax for six to ten years.

Non-fiscal incentives (for Cebu province)

- Consistent support for industrial peace and security.
- Assistance in:
 - securing direct source of power and water
 - site selection and right of way negotiation
 - labor recruitment and arbitration

Efficient public utilities

Communication network



15
Television
stations



52
Radio
stations

Telecommunications



3
Telephone
companies



3
Mobile phone
companies



15
Internet service
providers

868

Cellular sites

Competitive cost of doing business

Estimated land rates per sq m

Residential

Buy: PHP65,000~
PHP156,000

Agricultural

Buy: PHP1,000~
PHP10,000

Commercial

Buy: PHP20,000~
PHP40,000

Commercial space rentals (average per sq m)

Office space
PHP350 ~ PHP750

Warehouse
PHP80

Shopping malls
PHP400 ~ PHP1,500

Daily minimum wages per sector

PHP353 Non-agriculture/Industrial/Commercial and Retail/Service employing more than ten workers

PHP335 Non-sugar

PHP303 Sugar

Competitiveness

Based on the 2017 National Competitiveness Council (NCC) ranking of Cities and Municipalities Competitiveness Index (CMCI), among 33 highly urbanized cities in the Philippines, Cebu stands as follows:



- 13th in Most Competitive City
- 13th in Economic dynamism
- 30th in Government efficiency
- 6th in Infrastructure
- 6th in Resiliency

Labor force



95%

employment rate (Region VII)

66.7%

labor force participation rate (Region VII)



Reimagining Cebu

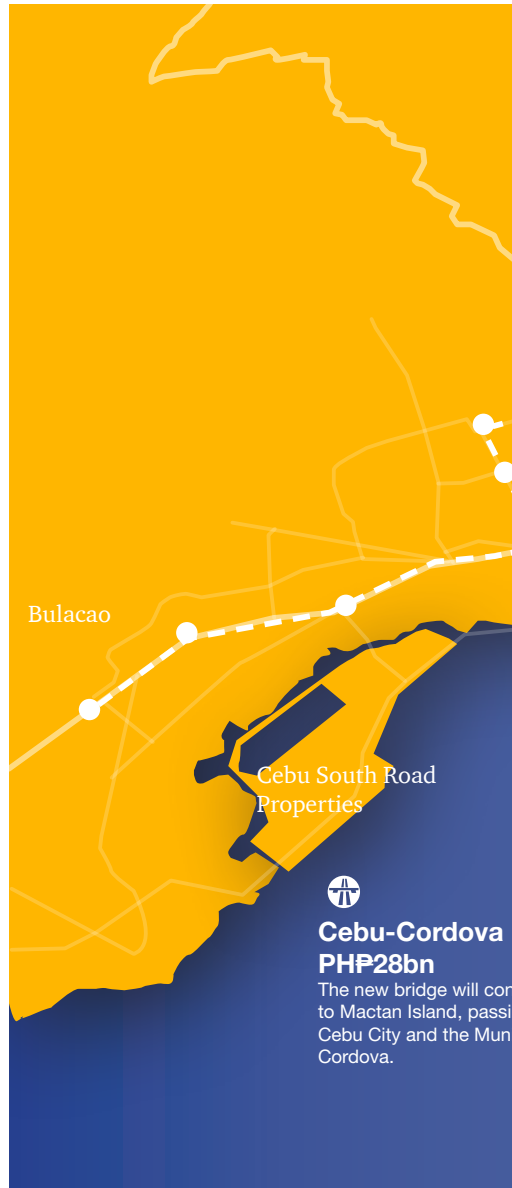
The Cebu of the future is a clean, green, connected city with first-class infrastructure connected to all parts of the Philippines and to the rest of the world.

The force behind this future development may come from the creation of the Mega Cebu project. In 2011, the Metro Cebu Development and Coordinating Board was created to make and implement the master plan for coordinating Cebu's future development across the province and its 13 local government units. Looking ahead, Mega Cebu identified several major initiatives designed to bring the province and its cities into the forefront of the 21st century. These initiatives include increasing Cebu's competitiveness, improving highway and public transport infrastructure, and coordinating urban structure and land usage.

The city already has the telecommunications infrastructure to facilitate virtual connections. With the renovated and expanded airport, it will become closer to many parts of the world as more routes to other countries are established.

Also, the Cebu Cordova Bridge and the BRT promise to improve the flow of goods, raw materials, and people while increasing productivity across the entire local economy.

The end result is an open, flexible, and connected economy. This is the Cebu we reimagine.





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