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DOF Economic Bulletin on Investment Pledges, FDI, and Capital Formation

- Approved foreign investments by five investment promotion agencies (IPAs) totaled PHP192.34 billion in 2021, up by 71.55% from their cumulative 2020 level but half the pre-pandemic investment pledges of PHP390.11 billion. In contrast, net FDI inflows for the first 11 months of 2021 amounted to \$9.24 billion, surpassing the full-year pre-pandemic FDI of \$8.67 billion.

DOF View

- Since 2014, net foreign direct investments (FDI) have been surpassing investment pledges, suggesting that, currently, the larger portion of foreign investments do not actually ask for fiscal incentives. Indeed, IPAs are not the only foreign investment channels. Following the further liberalization of the banking sector in 2014, foreign banks sought to establish presence in the Philippines. Japan's MUFG, for instance, bought 20% stake in Security Bank in 2016.
- As percent to GDP, investment pledges have been trending lower since the onset of the Global Financial Crisis (GFC). FDI also fell, hitting only 0.50% of GDP in 2010 but, in contrast to investment pledges, has since recovered and trended higher, eventually making a record high of as much as 3.09% of GDP in 2017, at a time when investment pledges amounted to only 0.64% of GDP. (In 2017, Japan Tobacco acquired the assets of an errant local tobacco company for the latter to settle its tax obligations while a foreign consortium bought close to 32% stake in Energy Development Corporation (EDC).)
- Capital formation (in % to GDP) has also risen in conjunction with the increase in FDI. Note that FDIs are actual transactions in contrast to “approved foreign investments” which are investment commitments or pledges that may

materialize in subsequent periods. Note further that, unlike FDI, investment pledges include those with foreign ownership of less than 10% of a company's ordinary shares.

Figure 1 Investment Indicators (in % of GDP), 2005-2021

Notes: * - FDI for 2021 pertains to first 11 months; ** - AFAB, BOI-BARMM, and CEZA data inclusion since 2010

Sources of Basic Data: BSP; PSA

Table 1 Investment Indicators, 2005-2021

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Level (Billions)																	
FDI (USD)	1.7	2.7	2.9	1.3	2.1	1.1	2.0	3.2	3.7	5.7	5.6	8.3	10.3	9.9	8.7	6.6	9.2*
Approved Foreign Investments* (PHP) in % to GDP	95.8	165.9	214.1	182.7	121.8	196.1	258.2	289.5	274.0	187.0	245.2	219.	105.7	183.3	390.1	112.1	192.3
Capital Formation	18.57	16.02	16.13	18.97	17.43	20.44	20.74	19.56	20.64	20.92	21.34	24.62	25.56	27.15	26.40	17.38	21.12
FDI	1.49	2.03	1.68	0.79	1.14	0.50	0.87	1.20	1.38	1.94	1.91	2.73	3.09	2.87	2.25	1.76	2.42
Approved Foreign Investments	1.62	2.53	2.97	2.27	1.45	2.09	2.55	2.62	2.27	1.42	1.76	1.45	0.64	1.00	2.00	0.63	0.99

Notes: * - January to November cumulative FDI; ** - AFAB, BOI-BARMM, and CEZA data inclusion since 2010
Sources of Basic Data: BSP; PSA

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