

CHEMICAL INDUSTRY ROADMAP

VISION AND GOALS

▪ The Vision Statement

“The Philippine chemical industry, shall engage in transforming the nation’s basic resources into a wide range of higher value products that serve domestic as well as global market needs with the best customer value. It is committed to attracting, developing and retaining the best talents who will be at the forefront of product and process innovations while adhering to sustainability and Responsible Care principles. By relentlessly improving products and processes, it will achieve sustainable growth and thus, contribute to the nation’s inclusive growth and socio-economic development.”

▪ Goals

The goals of the Philippine chemical industry address its strategic priorities, namely:

- Value Creation
- Capacity-building to satisfy domestic and international demand
- Workforce productivity
- Product and process innovation
- Environmental management
- Socio-economic contribution

These goals, when realized, can lead to three scenarios for its short-term, medium term and long-term timelines: “Strong Philippines (2016)”, “Enter the ASEAN+4 Door (2022)”, and “Global Market Capture (2030)”. 2016 ushers in a chemical industry that is a major player in the region. By 2022, it should have established itself as a leading exporter and by 2030; it should have developed a strong foothold in the global market.

KEY FEATURES

- The **3rd Largest Manufacturing Sub-sector** with revenues reaching PHP 330 billion in 2009
- The combined chemical imports and the domestic production of the chemical industry is approximately US\$ 14 billion, equivalent to **6.7%** of Philippine GDP

- Chemical Trade Growth



Rapidly growing chemical trade imports growing 13% per annum and exports at 17% per annum

- There are **1,400** registered chemical manufacturing firms employing more than **93,000** personnel directly.
- Domestic production of chemicals, chemical products, plastic and rubber products have been growing an average of **7% per annum** in terms of revenues.
- Active Government & Private Sector Dialogue**
Active dialogue between the governments's **Board of Investments, Environmental Management Bureau** and the industry ensures effective coordination in areas of environment, health, safety, investment and long term sustainable growth.
- Chemical Professionals**
There are **32,000** chemical professionals and over **360,000** engineering students enrolled every year, with **60,000** graduates.
- Schools for Chemical Education**
There are 33 universities and colleges offering Chemical Engineering and 50 school offering chemistry education in the Philippines.
- The Philippine chemical industry consists of two major industries under the manufacturing sector:
 - Chemical and chemical products
 - Rubber and plastics products
- Represented by the **Samahan sa Pilipinas ng mga Industriyang Kimika (SPIK)** or the Chemical Industry Association of the Philippines with **69** company members representing the different chemical sub-sectors namely: agrochemicals and fertilizers; coatings, ink and adhesives; industrial gases; inorganic chemicals; oleochemicals and surfactants; plastic products; petrochemicals; petroleum; specialty chemicals; chemical traders and distributors; chemical storage and transport logistics; and chemical disposal and recycling.

INDUSTRY PERFORMANCE

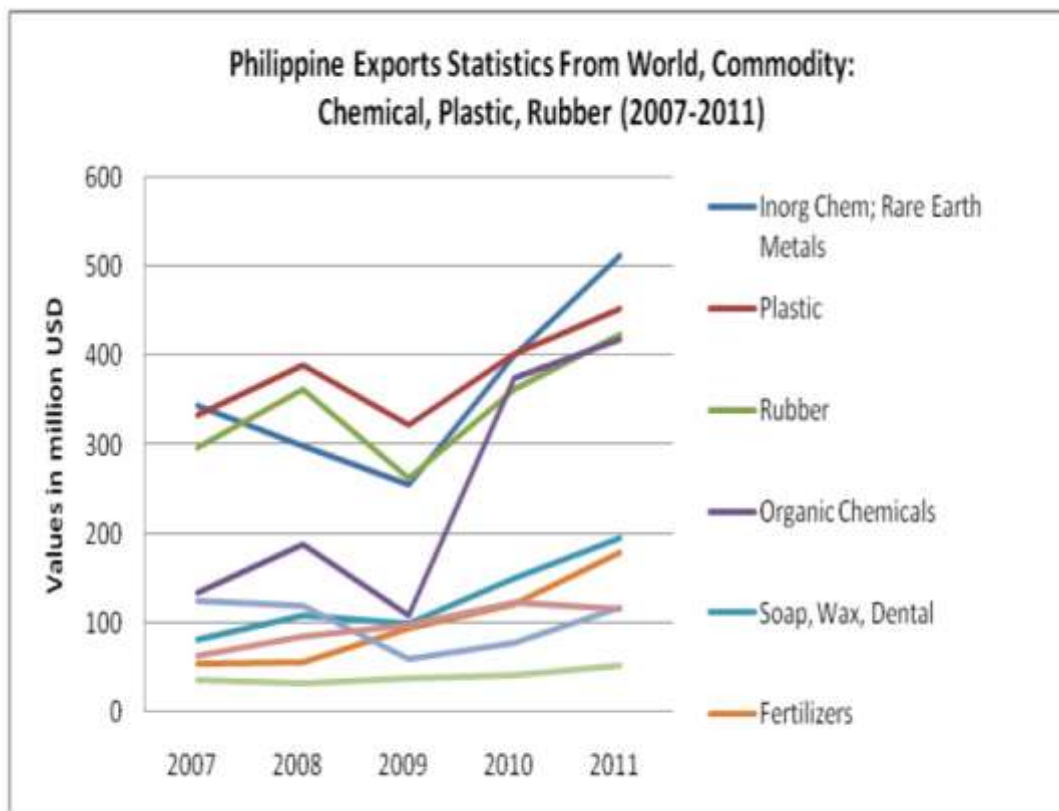
- There are a total of **1,405 establishments** engaged in the manufacture and trade of chemical products, **43.56%** are engaged in plastic products

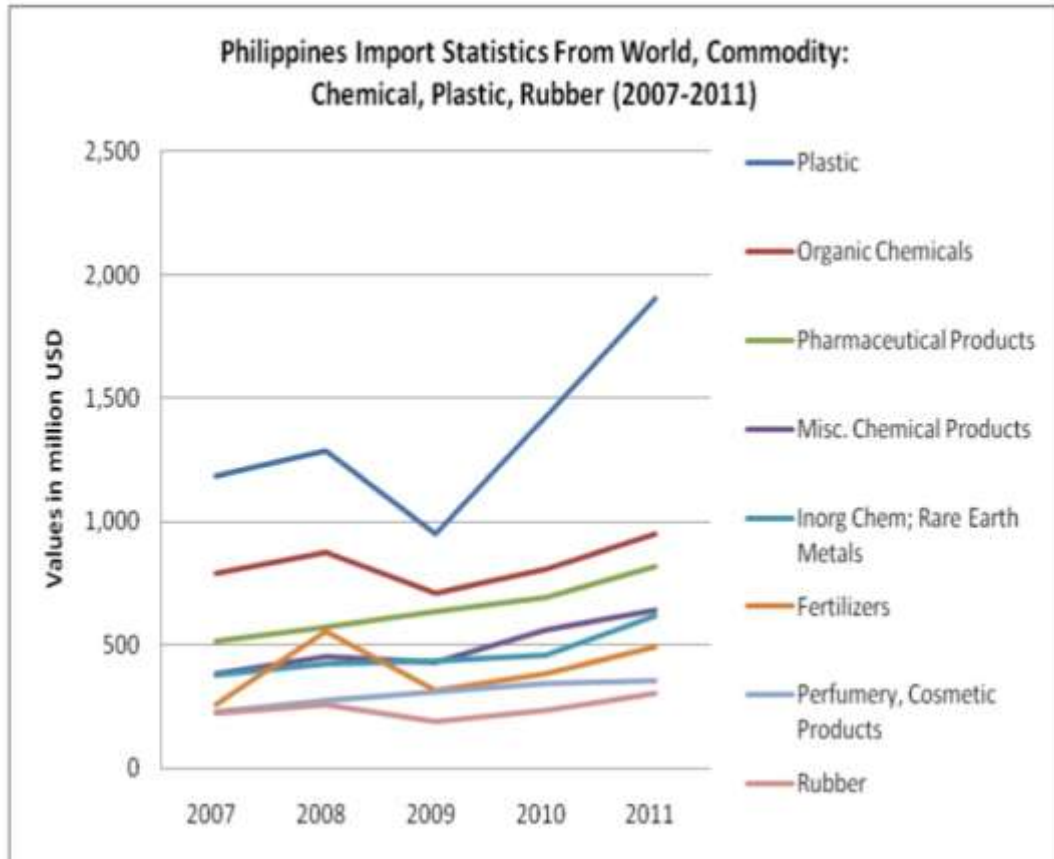
CHEMICAL INDUSTRY PERFORMANCE AS OF 2009

Descripti on (PSIC Code)	No. of Firms	Reven ue (in PhP billion)	Net Income/ Revenue (%)	No. of Worke rs	Compen sation (in Php billion)	Annua l Pay/ Worke r (PhP '000)
Basic Chemical	224	48.3	18.40 %	7,862	2.00	225
Other Chemical	433	187.5	20.40 %	34,219	13.75	402
Rubber	136	16.8	18.91 %	9,330	1.62	173
Plastic	612	83.56	23.17 %	42,127	6.81	162
Total	1,405	336.16		93,538	24.18	

Source: ASPBI

• Chemical Trade Growth





INDUSTRY VALUE CHAIN



STRENGTHS AND OPPORTUNITIES

Strengths

- Market coverage and development (e.g. after sales support, significant contract volumes)
- Manufacturing competence (in terms of facilities and processes)
- Marketing skills
- Logistics
- Product Quality
- Manpower Competence
- Access to good technology
- Network capability for advocacies
- Compliance with environmental regulations
- Customer responsiveness
- Production capacity
- Research and Development
- Applied R&D capabilities

Opportunities

- Emerging markets (local and international)
- Shifts in consumer preferences for natural products, health and wellness and environmentally-friendly products
- Strong Philippine economy

SUPPORT TO INDUSTRY DEVELOPMENT

- The Government supports the industry through the following:
 - Technology support through the research and development program of DOST
 - Establishment of science high schools to encourage more students to take on career in science and technology
- Firms can also register with the **Board of Investments** if their products are for export. Under Book I of the Omnibus Investments Code, BOI-registered enterprises are given a number of incentives in the form of tax exemptions and concessions. These are:

Fiscal Incentives

- Income Tax Holiday (ITH)
 - Six (6) years – new projects with pioneer status
 - Four (4) years – new projects with non-pioneer status
 - Three (3) years – expansion/ modernization projects
 - Six (6) years – new or expansion projects in less developed areas or 30 poorest provinces in the Philippines.
 - Duty Exemption on Imported Capital Equipment Spare parts and accessories

- Exemption on Wharfage Dues, Export Tax, Duty, Impost and Fees
- Tax Exemption on Breeding Stocks and Genetic Materials
- Tax credits (for export producers only)
- Tax credit on tax/duty portion of domestic breeding stocks and genetic materials
- Tax credit on raw materials and supplies
- Additional Deductions from Taxable Income
- Additional deduction for labor expense
- Additional deduction for necessary and major infrastructure works

Non-Fiscal Incentives

- Employment of foreign nationals
 - Simplification of customs procedures
 - Tax and Duty-free Importation of Consigned Equipment for a period of ten (10) years
 - Privilege to operate a Bonded Manufacturing warehouse
- Also, **PEZA** provides the following fiscal incentives for PEZA-registered enterprises.
- Income Tax Holiday (ITH)
 - Four (4) years ITH for Non-pioneer Project
 - Six (6) years ITH for Pioneer Project
 - Three (3) years ITH for Expansion project (ITH applies to incremental sales)
 - Upon expiry of the Income Tax Holiday, a 5% special tax on Gross Income and exemption from all national and local taxes
 - Tax and duty free importation of production equipment and machineries, breeding stocks, farm implements including spare parts and supplies of the equipment and machineries
 - Exemption from export taxes, wharfage dues, impost and fees
 - VAT Zero Rating on local purchases of goods and services, including land- based telecommunications, electric power, and water bills



CONTACTS

BOARD OF INVESTMENTS (BOI)

Dir. Evariste M. Cagatan- Sectoral Champion

Industry and Investments Building

385 Senator Gil Puyat Avenue,

Makati City, Philippines

Tel. No. :(632) 895-83-22

Email: bossac@boi.gov.ph

SAMAHAN SA PILIPINAS NG MGA INDUSTRIYANG KIMIKA (SPIK)

Mr. Oscar S. Melencio – Executive Director

Unit 2201 Cityland 10 Tower I 6815

Ayala Avenue North 1226. Makati City, Philippines

Tel. No (632)753-1752

Telefax (632) 814-0970

E-mail : spik.secretariat@gmail.com