

Philippines

Potential 2035 economic impact of the metaverse

US\$10-19_B per year

Philippines

With an internationally-oriented English-speaking population, the metaverse could extend the Philippines' lead as a destination for Business Process Outsourcing (BPO).¹ If fully leveraged, the metaverse could add up to US\$19 billion to the economy in 2035, with new employment opportunities for Filipinos in building and enriching the metaverse.

This is provided the country is able to overcome gaps in its digital infrastructure. Internet speeds are slow and unstable, although gradually improving. The Government has embarked on efforts to develop its digital infrastructure, including a Free Wifi for All program and deployment of fiber optic cables and wireless technology through public-private partnerships.

This includes a US\$2.1 billion investment by Globe Telecom to deploy 1 million fiber optics cables across the Philippines.² PLDT is also investing an additional US\$80 million in collaboration with Meta and Google in a new Asia Pacific subsea cable project called Apricot.

The mobile-savvy Filipino population experienced its first taste of the new income-earning prospects of the metaverse during the COVID-19 pandemic. With unemployment soaring to 17.7%,³ many Filipinos picked up blockchain game Axie Infinity to supplement their income, with one source estimating that as much as 2% of the 2021 GDP for Philippines was directly correlated to play-to-earn games.⁴ Players in the Philippines made up as much as 40% of the game's

user base at one point. Enterprising start-ups created guilds to sponsor players and share in their earnings. However, a hacking incident and a plunge in the underlying cryptocurrency's value impacted players' earnings severely, sowing doubts over the sustainability of such earnings models.⁵ Ensuring the necessary guardrails are in place to protect workers and consumers will be critical to sustain social acceptance of metaverse applications in the Philippines.

“The metaverse will be an important market where we can promote original Filipino content and creations.”

Bureau of Copyright and Related Rights Director Emerson G. Cuyo, Intellectual Property Office of the Philippines⁴

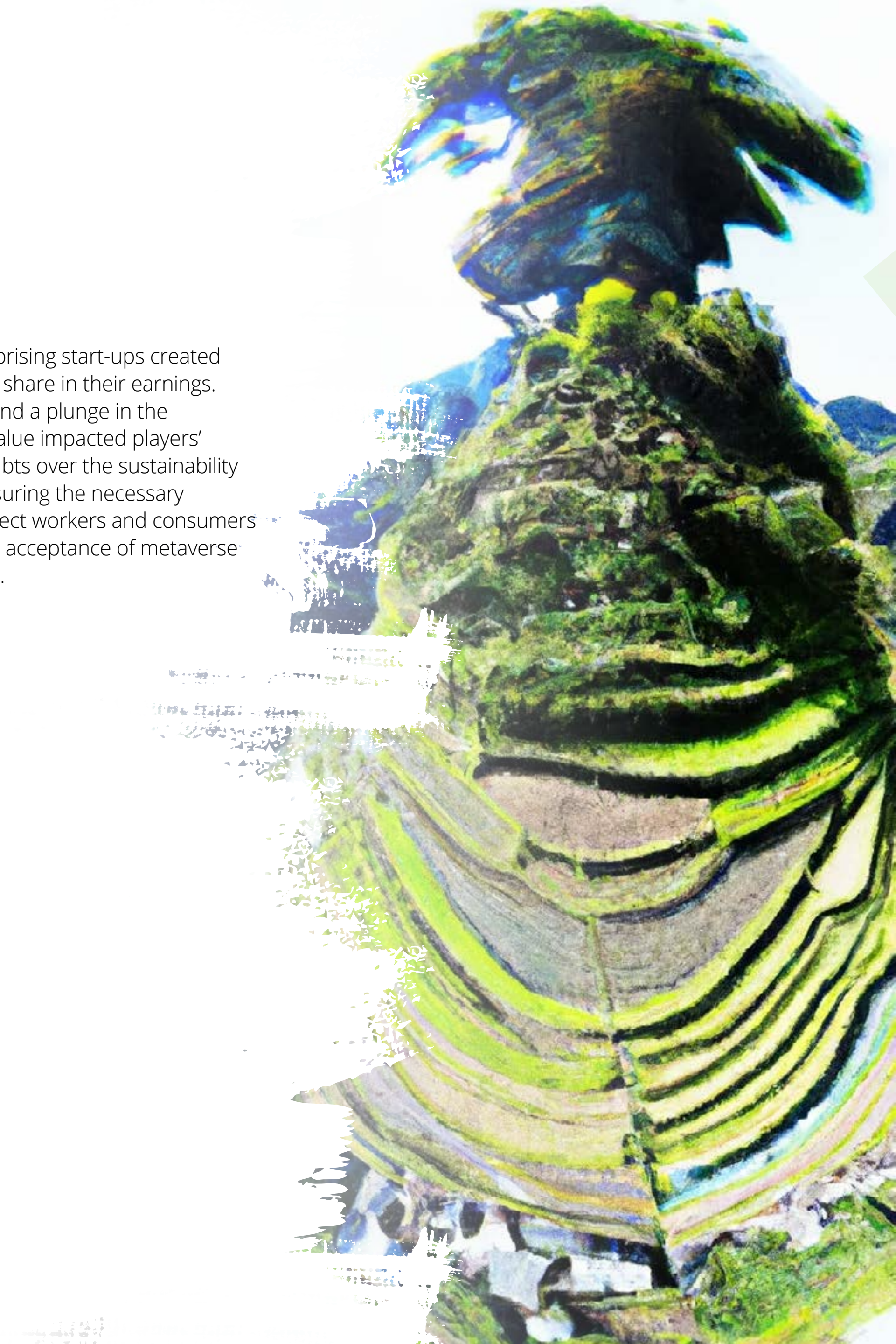
1. Outsource Accelerator, "[Pandemic pushes offices toward the metaverse](#)," accessed October 19, 2022.

2. Manila Bulletin Technews, "[The Globe Group commits push for PH digital readiness](#)," Manila Bulletin, October 19, 2021.

3. Raul Dancel, "[Coronavirus: Unemployment in the Philippines reaches record high of 17.7%](#)," Straits Times, June 5, 2020.

4. Antler, "[The New Creator Economy: Unpacking Web 3.0 Gaming](#)," accessed October 5, 2022.

5. Arjun Kharpal and Ryan Browne, "[Hackers return nearly half of the \\$600 million they stole in one of the biggest crypto heists](#)," CNBC, October 19, 2022.



Macroeconomic Determinants

- The Philippines overall is a service-based economy (55.1% of GVA).The three largest sectors contributing to Philippines's economy are wholesale and retail trade (18.5% of GVA), followed by manufacturing (17.7%), and agriculture, forestry and fishing (10.2%). The retail and manufacturing sectors are expected to be impacted by the metaverse in the near term.
- Philippines is ranked 59th in the world, based on the Global Innovation Index 2022, suggesting a lower propensity for innovation. One possible reason is a lack of resources and funding,⁶ limiting the rate of metaverse development in the country.
- Philippines's GDP per capita is in the lower-middle income range, suggesting that affordability of required immersive hardware on average may be a limiting factor on the economic impact of the metaverse.
- The country has a high unemployment rate, at 7.2% in July 2021. Developing the metaverse presents employment opportunities for Filipinos, with the IT outsourcing industry already actively recruiting positions for building digital environments in the metaverse.⁷

PHILIPPINES IN NUMBERS

Potential 2035 economic impact of the metaverse:

US\$10-19_B per year, 1.3-2.4% of GDP

2020 GDP:

US\$358_B

Per capita
(Constant 2017 US\$):

US\$7,958
(lower middle income)

Key sectors:



ICT sector:

Population:

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14% urban

51% below 25

6% with basic digital skills

49% unbanked

Global innovation index:

#59_{/132}

ElU business environment ranking:

#49_{/99}

Digital readiness index:

#81_{/141}

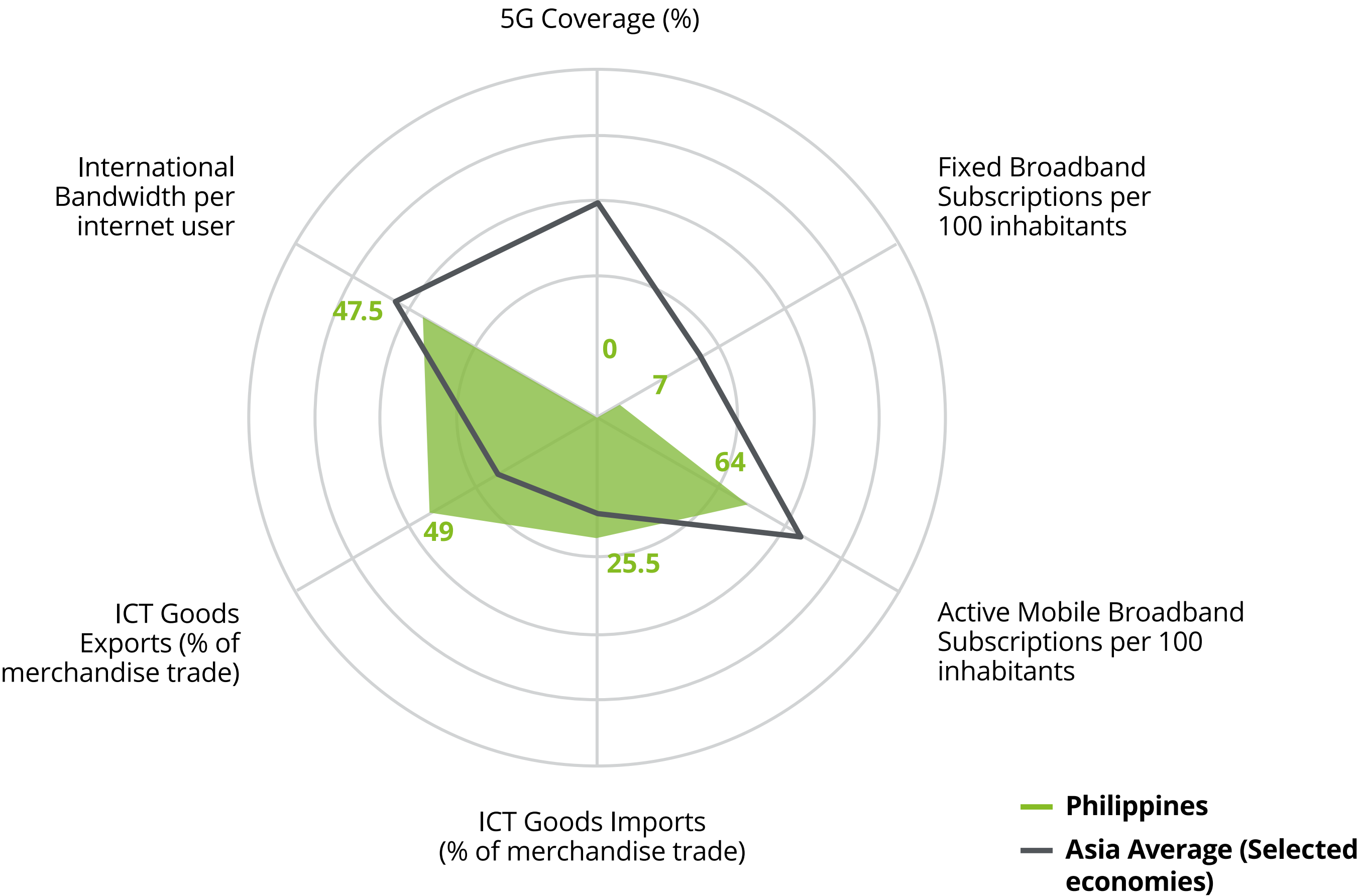
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7. Outsourced.ph, "How technology companies can leverage the metaverse?" accessed September 29, 2022.

Sources: World Bank World Development Indicators 2020, Our World in Data 2017, ITU Digital Development Dataset 2019, World Bank Global Findex, UN Data

Technology Fundamentals

- The Philippines lags behind the region in connectivity, in terms of international bandwidth per user, 5G coverage, active mobile broadband subscription, and fixed broadband subscriptions. This represents a significant barrier to partake in the envisioned metaverse's real-time interactions and transactions.
- Smartphone device ownership among internet users aged 16-64 jumped from 65% of internet users aged 16-64 in 2019⁸ to 98.5% in 2021,⁹ and internet penetration rose by 6.1% to 67% from 2020 to 2021.¹⁰
- Both the public and private sectors are working to expand the country's digital infrastructure, closing the gap between the Philippines and the region's average. In 2021, Globe Telecom invested US\$2.1 billion in 1 million fiber lines to establish 4G for mobile data and 5G coverage in accordance with government targets.¹¹ PLDT, in collaboration with Meta and Google, has also invested in various submarine cables in the Philippines such as Jupiter and the newly announced Apricot, and these cables are anticipated to increase the number of internet users in the Philippines by 8.3 million by 2025.¹²
- The Philippines is the top digital payments adopter in the Southeast Asian region, with digital payments and e-cash anticipated to account for 50% of transactions by 2023.¹³ Even in rural areas, an increasing number of Filipinos are paying for their groceries and medicines using e-wallet GCash.¹⁴ This signals that the Philippines could quickly adapt to performing transactions on the metaverse.

8. Simon Kemp, [Digital 2019: The Philippines](#), Datareportal, 2019.
9. Simon Kemp, [Digital 2021: The Philippines](#), Datareportal, 2021.
10. Ibid.
11. Philippine Long Distance Telephone Company (PLDT), "[Broadbanding the Future](#)," accessed October 19, 2022.
12. Analysis Mason, [Economic and Social Impact of Meta's Submarine Cable Investments in APAC](#), December 2021, p. 30.
13. Asia one, "[The Philippines' payments, e-commerce & banking leaders to gather live online in this September to chart the future of commerce](#)," accessed September 29, 2022.
14. Jay Hilotin, "[Philippines: 1 trillion pesos in e-cash transactions](#)," Gulf News, January 10, 2021.



Sources: 'GSMA Mobile Connectivity Index 2021, ITU Digital Development Dashboard 2020, UNCTADStat 2019'

Ecosystem Enablers

Digital Skills

With only 6% of the population with basic digital skills according to ITU, there is a significant gap to close.¹⁵ The Philippines established the Inter-agency Council for Development and Competitiveness of Philippines Digital Workforce in 2022, with the purpose of raising digital skills and competencies to the global standard. The long-term goal is to usher Filipino workers into digital careers in technologies that are related with the foundation of the metaverse like artificial intelligence.¹⁶ Globe Telecom is establishing an IT academy.¹⁷ The Google-supported non-profit Go Digital ASEAN is teaching digital skills to up to 25,000 job seeker and entrepreneurs, boosting the population's digital literacy.¹⁸ One start up, I AM Cardboard Philippines (IAC PH), aims to familiarize a generation of Filipinos with metaverse technologies by bringing VR technology into classrooms, museums, and training programs in Manila.¹⁹

Social Acceptance

During the peak of the popularity of play-to-earn blockchain-based games, people from all walks of life were participating in it, from tricycle drivers to elderly shop keepers in rural areas in the Philippines. Nevertheless, some were inadvertently burnt by the experience when the value of their holdings fell.²⁰

Both authorities and companies must work together swiftly to build a safe and trustworthy metaverse. In one example of such a collaborative approach between regulator and game developer, the Intellectual Property Office of the Philippines (IPOPHL) signed a memorandum of understanding with Singapore-based metaverse virtual world platform Stardust Digital Private Ltd.²¹ The Stardust platform aims to connect creators in the entertainment world to a global audience. This tie-up will look into the protection of intellectual property developed in the country, making the nascent platform safer and more appealing to Filipino creatives.²²

Accessibility

Beyond the capital city of Manila, the internet becomes much slower and more unreliable. Only 47% of adults in the agrarian southern island of Mindanao have access to the internet compared to 84% in Manila.²³

The government's Department of Information and Communications Technology (DICT) is moving swiftly to tackle the nation's outstanding problems with internet accessibility. The Free Wifi for All Program launched in 2020 to provide ample Wifi coverage in public spaces, beginning with provinces that most urgently need coverage.²⁴ From the private sector, Telco giants PLDT and Globe also announced intentions to upgrade their services to provide bandwidth and coverage in line with the government's targets.²⁵ These investments into digital infrastructure will enable more Filipinos to access new opportunities that emerge from the metaverse.

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16. Jovee Marie de la Cruz, "[Inter-agency body to upskill Filipinos' digital skills eyed](#)," BusinessMirror, September 13, 2022.

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18. The Asia Foundation, "[Go Digital ASEAN: Free Digital Skills Training Now Open to 25,000 Filipinos through The Asia Foundation with Support from Google.org](#)," press release, May 6, 2021.

19. I AM Cardboard Philippines, "[What We're Doing](#)," accessed September 29, 2022.

20. Dale Bashir, "[Axie Infinity Leaves Filipino Players Penniless and Defeated](#)," IGN, August 19, 2022.

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23. Statista, "[Share of adult population with access to the internet in the Philippines as of September 2021, by region](#)," accessed September 29, 2022.

24. Government of Philippine, "[Free Public Wifi](#)," accessed October 19, 2022.

25. Department of Information and Communications Technology, "[PH to Improve Telco Services to Meet "New Normal" Demands](#)," accessed September 29, 2022.

Sectors to Watch

Gaming and Entertainment

The billion-dollar gaming industry in the Philippines²⁶—the second largest in Southeast Asia behind Vietnam—is receiving a boost from venture capitalists, with the Media & Entertainment sector emerging as the second most funded sector for startups in 2021 (US\$142.5 million).²⁷

One of the most prominent transactions was by blockchain gaming company Yield Guild Games, which raised \$17 million in 2021.²⁸ The company’s business model allows users to pool together and form guilds, buying game assets across blockchain games like Axie Infinity and leasing them to players so that they can play without initial capital, in return for a share of the player’s earnings. These ‘scholarships’ reimagine what employment could be like in the metaverse, where players report to guilds. Other startups involved in blockchain gaming from the Philippines include Ark of Dreams, MetaverseGo, and Blockchain Go. The former collaborated with Union Bank to co-create a banking experiences in the game, marking the very first entrance of a Filipino bank into the metaverse.²⁹

Business Process Outsourcing

The Philippines is a popular destination for companies to outsource aspects of their business processes, with a highly literate labor force that ranked 2nd in the region in the 2020 English Proficiency Index, behind Singapore.³⁰

The BPO industry currently employs 1.2 million workers (often in customer support call centers), contributing US\$27 million or 9% of GDP.³¹ However, the advent of the metaverse could generate more roles that can be outsourced. Outsourced.ph forecasts that more tech specialists will be needed to manage, create, research, and troubleshoot digital environments in the metaverse, with roles like ecosystem developer, world builder, and metaverse stylist forecasted to be in high demand.³²

Recruitday is the Philippines’ first metaverse-based recruitment platform, where users can participate in a virtual job-fair at any time of day.³³ It also offers courses to upskill workers, familiarizing users with metaverse technologies and preparing them for roles in the BPO industry.

26. Statista, “[Video games market revenue in Southeast Asia from 2018 to 2027, by country](#),” accessed September 29, 2022.

27. Foxmont Capital Partners and Boston Consulting Group, [Philippine Venture Capital Report 2022](#), March 11, 2022, p. 4.

28. Ibid.

29. The Manila Times, “[Union Bank of the Philippines enters the Metaverse with the Ark of Dreams](#),” accessed September 29, 2022.

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31. Microsourcing, [2022 Philippines outsourcing industry report](#), accessed September 30, 2022.

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