

Philippines Economic Opportunity Report 2026

Methodology Note

AI's impact on innovation

In order to estimate the overall economic opportunity from AI, we:

- Draw on the US [O*Net occupation database](#), which contains information on 51 different types of work activity for around ~800 types of occupations
- Use a series of LLM categorisations to classify the extent to which each work activity is exposed to automation or augmentation by generative AI. This allows us to estimate the proportion of tasks in each occupation that are susceptible to automation.
- Aggregate these results into broader economic categories based on each occupation's share of the Philippines' employment and average wage bill, and create our own crosswalk to convert the results from each O*Net occupation to the corresponding occupation in ISCO-08.
- Aggregate by wagebill, occupation and sector to produce an estimate of the total possible improvement in labour productivity.
- Assume capital intensity remains constant, and convert this labour productivity improvement into an overall improvement in GVA.

We then use this model to estimate the ability of AI to augment R&D-relevant tasks and occupations in particular, aggregating up to a global and country-specific level by adjusting for the different R&D workforce composition in each country and existing levels of R&D activity.

For our global baseline, we draw on [WIPO's Global Innovation Index](#) estimate of total R&D spending and rebase it into constant 2025 USD using [BLS CPI-U data](#), projecting it forward to 2040 at a 2.5% real CAGR. We apply a 60% labour share to isolate the wage-bill component of R&D expenditure that is susceptible to AI-driven productivity gains, anchored to [OECD MSTI](#) and [NSF/NCSSES](#) estimates of the labour share of business and total R&D.

In order to convert R&D output, we accumulate additional R&D output into a knowledge stock with a five-year innovation lag and a 13.7% annual depreciation rate — both blended from separate values for business R&D (four-year lag, 15% depreciation) and public R&D (7.5-year lag, 10% depreciation) using [OECD GERD sector shares](#), drawing on [Hall, Mairesse & Mohnen \(2010\)](#) and [Pakes & Schankerman \(1984\)](#).

For the country decomposition, our modelled gains are re-weighted using each country's own R&D workforce composition, drawn from [OECD MSTI](#) for OECD members and [UNESCO UIS](#) for the rest, supplemented by national statistical sources for Taiwan, Hong Kong, Thailand and Malaysia. Each country's GDP-lens value is split into a domestic-return component, controlled by a retention rate tiered from 50% to 75% by trade openness (anchored to [Coe & Helpman \(1995\)](#), [Eaton & Kortum \(1999\)](#), and [Myers & Lanahan \(2022\)](#)), and an absorbed-spillover component.

Value from encouraging SMB adoption

We estimate the unrealised value from SMBs adopting AI at the same rate as large enterprises by starting with the total AI opportunity in each market from our AI opportunity model.

We allocate a share of this opportunity to SMBs using their structural share of GVA. We draw on national and regional sources for SMB value-added shares, including APEC data and national statistical or government sources.

We then estimate the current AI adoption gap between SMBs and large enterprises. Where available, we use country-level survey data on AI adoption by firm size from IMDA, IBM, and the OECD. For markets without direct country-level data, we apply peer-group benchmark gaps.

To reflect the greater potential upside in less digitally mature markets, we add a digital catch-up premium. This uses a digital intensity index built from country-level indicators including internet access, digital payments, e-commerce, small-firm digital operations, and mobile connectivity. The premium is calibrated using evidence from [Brynjolfsson et al. \(2025\)](#), which finds that lower-skilled workers gained disproportionately from AI adoption. We use this as indicative evidence that businesses and markets starting further behind may have greater catch-up potential from adopting AI, while bounding the premium to reflect institutional and infrastructural constraints.

Finally, we convert the unrealised economic value into labour equivalents by dividing by GVA per worker, drawing on ILO employment data and World Bank GDP data.

ROI from AI adoption

We estimate the return on AI investment for each sector by comparing the realisable productivity opportunity from AI with projected levels of AI spending.

On the opportunity side, we estimate the labour productivity uplift from our AI opportunity model, distributing these gains across sectors using a Eurostat staffing patterns crosswalk on the relationship between occupations and industries.

We convert this into a sector-level productivity opportunity by applying each sector's GVA and labour share. We use national statistics, UN, and OECD data to estimate sector GVA, and draw on national statistics, OECD, and World KLEMS data to estimate sector-specific labour shares. We then allow adoption to rise over time in our modelling, drawn on observed adoption rates over time from Eurostat and BCG industry adoption data.

On the spend side, we start with IDC's forecasts for APAC AI spending up to 2028, allocating it across markets using GDP and the IMF AI Preparedness Index score, and then across sectors based on their share of national GVA. Spending beyond 2028 is projected using historical patterns from previous technology waves, such as ecommerce and cloud computing.

Finally, cumulative ROI is calculated as the cumulative realisable AI opportunity between 2025 and 2035 minus cumulative AI spend, divided by cumulative AI spend.

New jobs from AI

We combine estimates for three sources of potential AI related employment:

- The first is the **core AI industry (software and services)**. For AI services and integration, we use [Gartner's](#) global AI Services market sizing, an APAC demand share calibrated to [IDC's APAC AI spending track](#), and revenue-per-employee benchmarks of around \$50–60K from major IT services firms ([TCS](#), [Infosys](#)), with an adjustment for India. For AI software and platform companies, we use Gartner's parallel AI Software market and a higher revenue-per-employee benchmark calibrated to APAC AI product firms([SenseTime](#), [iFlytek](#), [4Paradigm](#)).
- The second is **AI-related infrastructure spending in data centres and chips**. We estimate this through a stock-flow capex model grounded in TSMC and Samsung Device Solutions capex disclosures, [SEMI global semiconductor equipment billings](#), and jobs-per-\$B benchmarks from [TSMC's Arizona project](#) and [IMF Working Paper WP/21/131](#) on infrastructure employment multipliers.
- The third is **potential jobs at AI-enabled new businesses**. We extrapolate this from the ratio between core services / infrastructure jobs and product jobs in the mature internet economy, applying a multiplier to the core AI industry total drawn from the [IAB/Harvard Digital Economy](#)



[Study \(2025\)](#), which reports both direct and indirect digital economy jobs in the US, cross-checking this against [GSMA's APAC mobile economy](#) and [CompTIA's tech workforce](#) figures.

Our estimate is deliberately conservative. It does not include wider induced demand for other occupations in the economy, which is likely to be orders of magnitude larger.

Economic Impact of Google Products

We estimate the economic impact of Google's products and services as the direct economic activity generated for businesses, publishers, creators and developers through Google Search, Ads, AdSense, YouTube, Play, Cloud and Workspace.

We estimate the total impact by summing the impact of the following products.

Search and Ads. We multiply the size of the paid search advertising market by Google's share of the search engine market and by an estimated return on advertising spend. We draw on third-party estimates of paid search advertising market size from PwC's Global Entertainment, Media & Telecoms Outlook, Statista Market Insights, and eMarketer, and use StatCounter data for Google's search market share. We apply an 8x return on advertising spend, based on [Google's methodology](#).

Cloud and Workspace. We multiplied the total market size for cloud and workspace products by Google's share of the cloud market. We draw on Statista Market Insights for both the total cloud market size and Google Cloud's market share.

AdSense. We estimate publisher earnings from displaying Google-served ads on third-party websites and apps by taking Google Network revenues from Alphabet earnings reports and multiplying by the share paid to partner publishers through traffic acquisition costs. We then allocate this global publisher income to countries using each country's share of global display advertising spend, drawing on PwC's Global Entertainment, Media & Telecoms Outlook data.

YouTube. We estimate creator earnings from YouTube advertising by taking YouTube Ads revenue from Alphabet quarterly earnings reports and multiplying by YouTube's creator revenue share. We use a default creator share of 55%, based on [YouTube's creator economy documentation](#). We then allocate global creator earnings to countries using each country's share of global video advertising spend, drawing on PwC's Global Entertainment, Media & Telecoms Outlook data.

Google Play. We draw on Sensor Tower data for the app revenue earned by developers through the Play ecosystem.

Economic Impact of Google Products for SMBs

We multiply the economic impact of Google products in each market by an SMB share estimated by combining the economic contribution of SMBs to a market's economy with their digital intensity.



We draw on official national statistics from government or regional economic institutions for SMB contribution to national GVA. These include APEC Policy Support Unit data and OECD SME Policy Index in addition to SMB value-added shares cited by national labour ministries.

We also construct a digital intensity index for each market. This combines five country-level indicators: internet connectivity, broadband access, small-firm digital operations, digital payments usage, and mobile connectivity quality or affordability. We draw on World Bank WDI indicators for internet and broadband access, World Bank Enterprise Surveys for small-firm digital behaviour, Global Findex for digital payments, and the GSMA Mobile Connectivity Index for mobile connectivity.

Jobs from Google Products

We multiply the economic impact of Google products in each market by its labour share of income, drawing on Penn World Tables data to estimate the labour-attributable portion of this activity.

We then estimate GVA per worker in each market, drawing on World Bank and IMF World Economic Outlook data on GVA and GDP as well as ILO data on labour force.

Finally, we divide the labour-attributable impact by GVA per worker to estimate the number of jobs supported.

Exports from Google Products

We estimate the value of exports enabled by Google products by estimating the following export shares to multiply with the economic impact of the relevant Google products:

Search and Ads, Cloud and Workspace, AdSense. We define export share as commercial service exports divided by services GVA, drawn from World Bank data on service exports and services value added. This captures the share of a country's service economy that is outward-facing, and is used as a proxy for the share of Google-enabled activity likely to generate revenue from overseas customers.

We use this same service export ratio for Search and Ads, AdSense and Cloud because all three products primarily support digitally enabled service exporters, including e-commerce sellers, digital marketers, SaaS firms, IT outsourcers, publishers and cloud-enabled platforms. The products differ in the size of their activity base, but use the same export-intensity proxy.

YouTube. We draw on data from the YouTube API to estimate the share of a country's YouTube activity attributable to overseas viewers of domestically produced content, using this as a proxy for export share.

Play. We draw on Sensor Tower data for the proportion of app revenue earned by developers from consumers in other countries.

Consumer Surplus from Google Products

Following [Brynjolfsson et al \(2019\)](#), we used a ‘willingness to accept’ framing to model the current default hypothetical consumers face. As part of our polling, we asked participants a single discrete binary choice question of “Would you prefer to keep access to [product] or go without access to [product] for one month and get paid [price]” with the price offered randomised between set levels per country.

We regressed the results of this poll to derive a demand curve and used this to calculate total consumer surplus per user. We also scaled this estimate by third party estimates of Internet prevalence and polling information on product usage by country. In order to reduce noise, we regressed our country estimates against wider macroeconomic indicators like GDP per capita, and used this to produce our final smoothed per country estimate.

Economic value of generative media for the creative sector

We use our AI opportunity model to estimate the productivity impact of generative media tools, drawing on O*NET task data across 26 core creative occupations as well as creative tasks performed throughout the wider economy. We use a series of LLM classifications to assess both the potential for AI augmentation and constraining factors such as sensitivity, creativity requirements, or intrinsic human value, then aggregate up to sectors and occupations weighted by wagebill, mapping across to international ISCO-08 codes and applying an S-curve adoption model through to 2035. In the second stage, we layer in potential demand effects from new forms, improved distribution and wider economic growth, accounting for price effects, income elasticity, and viability effects as lower costs make marginal creative projects more feasible. We triangulate between historical analogues such as UGC and mobile gaming and a bottom-up estimate of new forms to give a conservative overall figure.

Impact of AI education on growth

We estimate how AI-enabled learning could raise student skills and, through a more skilled workforce, a market’s long-run growth. We estimate an AI uplift in student test scores relative to the mean as the conservative midpoint of six meta-analyses of AI and generative-AI tutoring ([Letourneau et al. 2025](#), [Kestin et al. 2025](#), [Han et al. 2025](#), [Ma and Zhong 2025](#), [Dong et al. 2025](#), [Liu et al. 2025](#)). We convert this into a skills uplift by benchmarking against Indonesia’s World Bank Harmonised Test Scores, so the same effect size translates into a larger percentage gain where baseline scores are lower.

We map the resulting skills gain to growth using the [Hanushek and Woessmann \(2012\)](#) framework, in which a one-standard-deviation rise in test scores is associated with around two percentage points of additional annual GDP-per-capita growth.

We then phase the effect over time, combining an AI-adoption path in schools (calibrated to UNESCO and OECD TALIS teacher-adoption data) with the gradual entry of AI-taught cohorts into the workforce over an entire working life. Compounding the annual uplift to 2050 gives the cumulative addition to GDP, which we express using World Bank / IMF GDP projections.

Sophistication of APAC AI usage compared globally

We built a segmentation of AI sophistication that classifies respondents into four groups — Non-users, Light users, Intermediate users and Super-users — based on what people actually do with AI, rather than how they describe themselves.

The classification draws on two batteries of survey questions:

- The first is a set of behavioural items asking respondents which specific practices are true for them — for example, whether they save frequently used prompts, include examples or formatting instructions to guide outputs, have built repeatable workflows or automations, ask AI to critique its own output, or compare results across different tools. Each practice a respondent reports counts towards a behavioural sophistication score.
- The second battery is a set of seven self-placement scales measuring confidence and fluency with AI — for example, whether respondents can translate what they want into effective prompts, refine outputs through back-and-forth interaction, or instinctively consider AI when facing a new task.

Respondents are assigned to segments using fixed rules applied identically in every market to ensure comparability internationally. In emerging markets, where online respondents are likely to be less representative of the population as a whole, we apply a per-country calibration based on other datasets of overall AI usage.

Saving time for teachers

We draw on our AI opportunity model to estimate the country-specific productivity uplift for primary and secondary school teachers from AI.

We then draw on Ministry of Manpower and ILO data on hours worked and employment in the education sector, isolating primary and secondary teacher hours using the share of education-sector employment accounted for by these professions.

We multiply these together and adjust by labour share of income using ILO data so the estimate captures the share of AI-enabled productivity gains that accrue as worker-side benefit rather than being captured as reduced costs or other capital-side gains. Finally, we convert aggregate freed hours into two outputs: total annual hours saved across teachers, and hours saved per teacher per week.

Potential for career transition

We estimate the share of workers at risk of substitution from AI who could transition into related occupations, and the expected wage change from doing so.

We first identify occupations at risk of displacement. Drawing on our AI opportunity model, we classify occupations as displaced, augmented or insulated based on the threshold proportion of their inherent tasks that are automatable. We draw on [Nedelkoska and Quintini \(2018\)](#) and [Frey and Osborne \(2013\)](#) used as supporting precedent for threshold-based automation-risk classification.

We then estimate the adaptive capacity of workers in displaced occupations. This uses a four-factor index based on [Manning et al. 's \(2026\)](#) Brookings / NBER framework: financial resources, age structure, skill transferability and geographic employment density. Financial resources are proxied using IMF national savings rates, adjusted by occupation-level wage quintiles using [Dynan, Skinner & Zeldes'](#) evidence on saving rates by income group. Age structure is drawn from ILO data on employment by age and occupation, with [Farber \(2017\)](#) used to support the link between older age and lower re-employment rates.

Skill transferability is estimated using O*NET skill vectors. For each occupation, we compare its skill profile with non-displaced occupations using cosine similarity, and weight opportunities by projected employment growth from BLS Employment Projections. Geographic employment density is proxied using ILO data on urban / rural occupational employment where available, and World Bank urbanisation rates as a fallback.

We standardise the four adaptability factors and combine them with equal weights, following the Manning et al. approach. Displaced workers in occupations with adaptability scores above the economy-wide employment-weighted mean are classified as having above-average transition potential.

Finally, we estimate the expected wage change for plausible career transitions. For each displaced occupation, we identify non-displaced destination occupations with sufficiently similar O*NET skill profiles. We weight destination wages by skill similarity and destination employment share, then compare the weighted destination wage with the original occupation wage. This gives the average wage change among workers likely to transition into a related field.

Potential impact of AI on cybersecurity

We proxy the impact of AI conservatively as equivalent to the reduction in overall cybersecurity breach risk from wide availability of a secure-by-default cloud platform, summing over two attack pathways: misconfiguration exploitation and unpatched-vulnerability exploitation. We first take the share of confirmed breaches attributable to each pathway from a single consistent dataset, the [Verizon Data Breach Investigations Report 2025](#). We then apply a separate control-effectiveness estimate to each, using the [Tenable Cloud Security Risk Report 2025](#) for misconfiguration (which a secure-by-default platform eliminates at provisioning) and the [Ponemon / ServiceNow](#) vulnerability-response evidence for unpatched vulnerabilities. We combine these into an overall breach-risk reduction and cross-validate against [IBM's Cost of a Data Breach 2025](#).

SMB opportunity from AI

We estimate the share of the total AI opportunity driven by small and medium-sized businesses as the product of the total national AI opportunity and an SMB-attributable share. We first derive the former

from our AI opportunity model, weighting by the Philippines' wagebill structure. We then construct the SMB share as the equal-weighted average of the SMB structural share of GVA (from national MSME statistics) and a digital-intensity composite built from five country-level indicators (internet penetration, fixed broadband, small-firm digital operations, digital-payments adoption and mobile penetration), each min-max normalised across an APAC peer set, following the [OECD/EC-JRC Handbook on Constructing Composite Indicators](#). We apply this share to the total opportunity to obtain the SMB-attributable value.

Boosting SMB exports

We estimate the additional export income AI could unlock for small and medium-sized businesses by 2040 by applying sector-level AI trade-uplift rates to a country-specific SMB export base. We first establish each market's SMB export base from the most direct primary source available (for example the [ADB Asia SME Monitor 2025](#) and national statistical offices), calibrating the SMB share to comparator advanced-economy shares where needed and reconciling to the [World Bank total exports series](#).

We then disaggregate each export base by industry using data from national statistics offices and map every industry to one of four trade sectors defined in the [WTO World Trade Report 2025](#). Finally, we apply uplift rates from the WTO's 'policy catch-up' scenario to each industry's SMB base and sum across industries, cross-checking against the WTO's headline trade-uplift findings.

Boosting productivity in business process outsourcing

We estimate the additional annual value AI-assisted customer-support and workflow tools could unlock for the BPO sector as the product of a sector productivity uplift and the sector's value-added base. We first apply our AI opportunity model to the set of BPO-relevant occupations, like customer services and select clerking roles. We then size the baseline sector as the full IT-BPM industry, drawing on [PSA Annual Survey of Philippine Business and Industry](#) data to do so. Finally, we multiply the uplift by the GVA base to give the headline, benchmarking the uplift against the literature on AI in customer support, principally [Brynjolfsson, Li & Raymond \(2023\)](#).

AI and creative exports

We estimate the additional creative exports that could be unlocked by AI-enabled creation and localisation. We start from the country's formal export base for creative services from [UNCTAD STAT](#), and adjust it upward for platform-mediated freelance activity that official trade data may under-count using an informal-economy multiplier proxy derived from banking penetration in the [World Bank Global Index](#). We then apply two AI uplift channels: a creation channel capturing production-side productivity gains from generative AI from [McKinsey \(2023\)](#), and a localisation channel capturing wider overseas market access when AI translation lowers language barriers from [Brynjolfsson, Hui & Liu \(2019\)](#). We apply the localisation uplift only to the formal base to avoid double-counting. We combine the two channels to give the additional annual creative exports, reported as a full-deployment potential.

Polling claims

Polling claims are derived from a survey of 1,004 online adults based in the Philippines across March to May 2026, conducted in English and Tagalog. All results are weighted using Iterative Proportional Fitting, or 'Raking'. The results are weighted by age group, gender, and education level to nationally representative proportions.

We used a range of different panel providers who contacted respondents on our behalf. In return for their participation in our survey, respondents were provided with a financial incentive.

Like all polling data, market research is susceptible to poor memory or consumers not answering truthfully. In order to reduce the risk of this, we completed a number of standard quality checks on the polling data to help ensure that respondents are paying attention:

- Excluding respondents who take too long to answer;
- Excluding respondents who 'straight-line', eg. always picking the top or left most option to every question;
- Excluding respondents who fail an attention check, eg in the middle of a longer question, we ask them to pick a particular option if they are reading;
- Excluding respondents whose answers all perfectly match another;
- Excluding respondents whose open text answers are incoherent or look like they have been generated by a computer bot.

