# UNLOCKING THE PHILIPPINES'
# AI POTENTIAL 2025

## Introduction

Across the Philippines, businesses are embracing artificial intelligence[1] at an extraordinary rate. In the past year alone, 80,000 businesses in the Philippines began using AI — averaging more than nine every hour in 2024. This brings the total percentage of AI-adopting firms to **21%**, up from **14%** a year ago, representing a growth rate of **50%**. This growth rate is high across the economy, at:



**40%** for startups that already report high levels of adoption
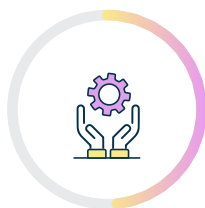


**49%** for small and medium-sized businesses



**48%** for large enterprises

Today, over 250,000[2] businesses in the Philippines — representing over a fifth of all businesses in the country — are actively and consistently using AI.

The impact of AI is already being felt. Among the businesses that have adopted AI, **64%** report revenue growth, with an average increase of **18%**. Additionally, **70%** have experienced notable improvements in productivity. These advances are allowing companies to refocus their efforts; especially in improving customer service and engagement (**34%**), automating routine tasks (**29%**), and sales and marketing automation (**28%**).

Looking ahead, optimism remains strong:



**81%** of those who have adopted AI say the technology is likely to increase their growth in the next year.



**66%** expect cost savings thanks to AI, at an average of **22%** savings.

However, while over a quarter of businesses in the Philippines have taken the crucial first step in their AI journey of initial adoption, across the business landscape, integration remains in the early stages for **78%** of businesses.

In May 2025, the President of the Philippines approved the National AI Strategy, led by the Department of Science and Technology (DOST). This builds on previous efforts, including in July 2024, when the Department of Trade and Industry (DTI), with support from the Asian Development Bank, unveiled the National AI Strategy Roadmap 2.0 (NAISR 2.0) and the Centre for AI Research (CAIR). These initiatives aim to shape an AI-powered future by bolstering economic development and improving the quality of life through strategic AI adoption. NAIS-PH is a comprehensive plan designed to drive inclusive AI innovation, strengthen governance, and boost globally competitive industries. Guided by the Philippine AI Programme Framework through 2028, the strategy targets sectors such as agriculture, education, smart cities, creative industries and national security.

The NAIS-PH complements other digitalization plans and programs, including: Philippines Development Plan (PDP) for 2023 which prioritized digital transformation; the Philippine Digital Transformation Strategy which outlined key pillars for a successful transition to an 'e-government' system. This includes GovNet to provide safe and secure internet services to government offices, and the National Broadband Program, to boost connectivity including in unserved and underserved regions. Together, these efforts aim to sustain and scale the country's digital transformation and AI integration across both public and private sectors.

With AI adoption rapidly gaining ground and government-led strategies laying the groundwork for deeper integration, the Philippines stands at the threshold of significant transformation. The momentum is clear, but the challenge now lies in moving from early adoption to widespread and transformative implementation. Through sustained momentum behind AI, the Philippines can unlock new levels of productivity, innovation, and growth in the years to come.

## Key findings from this study:

- AI adoption among businesses in the Philippines is growing rapidly – with a growth rate of **50%**.

- Now, over 250,000 businesses in the Philippines are using AI.

- **82%** of businesses believe that AI will transform their industry in the next five years.

- A lack of digital skills is – by far – the highest reported barrier impacting businesses, with well over half (**57%**) saying it is restricting their AI adoption and expansion.

- **64%** of businesses have seen an increase in revenue from AI, reporting an average **18%** revenue growth. **70%** of AI adopters say they have already seen significant productivity improvements.

- Among AI-adopting businesses, only **8%** of businesses have reached the most transformative stage of AI integration.

# The growing digital divide

A critical divide in AI adoption is emerging. While AI is increasingly being widely used across businesses in the Philippines, only a small segment of organisations is harnessing the technology for its most transformative potential. The report identifies three stages of AI use:

**Exploring AI:**
Businesses at this stage of AI adoption are focused on small incremental improvements or one-off applications, rather than broader and deeper transformation across their organisation. Over three-quarters (**78%**) of AI-adopting businesses are at this stage, where they are using AI to drive efficiencies and streamlining processes, rather than to innovate new products or create new businesses models. These businesses are using publicly available chatbots for routine tasks, such as scheduling assistants and purchasing ready-made AI solutions.

**Integrating AI:**
At this stage, businesses are beginning to move beyond implementing one-off AI applications and are integrating the technology into broader business functions (such as delivering personalised recommendations via websites or creating personalised features in apps) to enhance efficiencies and improve customer engagement in their operations and services. **11%** have advanced to the intermediate stage of AI adoption.

**Transforming with AI:**
At the most advanced stage of AI adoption, businesses are using AI not only to improve efficiencies, but also as a fundamental pillar of their strategy. These organisations are combining multiple AI tools or models for complex tasks and creating custom AI systems, which are transforming their operations comprehensively. Only **8%** of businesses in the Philippines have reached this stage of AI integration, where they are using AI for its most advanced purposes.

To fully realise AI's promise, more businesses will need to move beyond experimentation and efficiency gains, and toward deeper integration and innovation.

# Startups are leading with AI's most advanced uses

Startups[3] are emerging as leaders in AI innovation, finding new ways to integrate AI into the core of their business proposition. **45%** of startups say they are leveraging AI in some way throughout their business. Among these startups that have adopted AI, a further **47%** are at the most basic stage of AI use, while **33%** are leveraging AI for its most advanced uses.
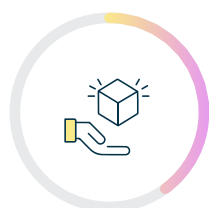
**40%** of startups are developing new AI-driven products and services.

**38%** of startups employ AI-specific talent, indicating a strong commitment to building and nurturing in-house AI expertise, ensuring startups can develop, deploy, and refine AI-driven strategies.
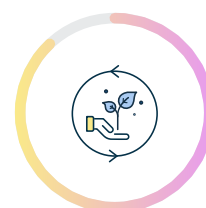
**87%** of startups believe AI will transform their industry in the next five years, making the Philippines' fast-moving startups key to innovation and competitiveness on the continent.

These figures point to a powerful movement: a dynamic segment of the Philippine startups is not only embracing AI but redefining what's possible with it. Their success underscores the transformative potential of AI when combined with the agility and innovation typical of startups. With the right support in talent development, infrastructure, and investment, these forward-looking businesses could lead the Philippines into a new era of tech-driven growth.

## Case Study: FirstLight is accelerating educational content development with AI

FirstLight, a leading educational content management platform in the Philippines, is collaborating with Amazon Web Services (AWS) to accelerate its educational content production through generative AI capabilities. As the first company in Southeast Asia to implement Amazon Nova Reel, FirstLight is transforming how educational content is created and delivered to over 30,000 learners and 1,500 learning institutions across 80 countries.

FirstLight utilises AWS's generative AI services to produce high-quality, interactive learning content, including documentaries, dynamic graphics, and structured lessons. This integration has reduced documentary production time from two years to three months, while enabling the creation of short-form educational content within days.

The implementation of AWS's cloud infrastructure and AI capabilities has significantly improved FirstLight's content scalability and operational efficiency, while enhancing the learning experience through personalised, multimedia-rich educational materials. FirstLight's goal is to engineer a future where every student has access to high-quality learning — bringing hope to every corner of our country and the world.

## Large businesses prioritise efficiency ahead of innovation

While **41%** of large enterprises[4] have adopted AI technologies, almost double the national average (**21%**), most remain in the early stages of AI use. Unlike startups that are exploring more advanced and transformative applications, most large enterprises are yet to harness AI's full potential, resulting in an emerging 'two-tier' AI economy.
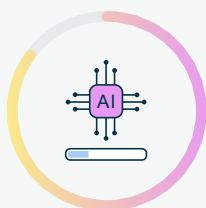
For **85%** of large enterprises, their AI adoption remains at basic levels, where they are focused on incremental gains, such as driving efficiencies and streamlining processes.
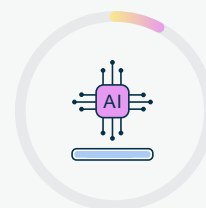
Only **7%** have progressed to the most transformative stage of AI use, significantly outpaced by the one-third of startups (**33%**) who are doing so. While large enterprises are quick to enable localised productivity and efficiency gains, their younger, more agile startup counterparts are surging ahead with implementing AI's most sophisticated and transformational uses.
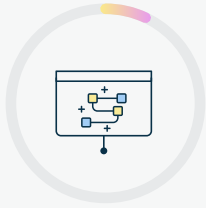
Only **6%** of the Philippines' large enterprises have a comprehensive AI strategy, a roadmap that outlines how an organisation will leverage AI.



**25%** of AI-adopting large enterprises are delivering a new AI-driven product or service by harnessing AI's deeper potential.

If not addressed, this 'two-tier' AI economy — with tech-driven startups moving ahead in advanced AI innovation while larger, established enterprises remain in the early stages — could slow the Philippines' AI-driven growth and innovation in the years to come.

## Case Study: Smart Communications is revolutionising the customer experience



Smart Communications, Inc. (Smart), the wireless subsidiary of the Philippines' largest integrated telco network PLDT Inc. (PLDT), and AWS are working together to ramp up Smart's data and AI transformation. With petabytes of data at its disposal, Smart aims to enhance customer experiences through AI-powered applications. Smart will use AWS's services to unify Smart's data platform, enabling advanced analytics and machine learning (ML) for personalised services. Transitioning to a cloud-based platform using AWS and Databricks will accelerate Smart's time-to-market and improve operational efficiency.

## Case Study: UnionBank is transforming operations with AI

UnionBank, one of the Philippines' major banks, is leveraging AWS as part of its comprehensive AI transformation strategy. The bank is using AWS's capabilities to develop a unified AI platform that powers various aspects of its operations, including real-time transaction monitoring, call center operations, collections, and risk modeling. This integration helps prevent system fragmentation while enabling the bank to automate backend controls and implement AI-driven decisioning systems. UnionBank's collaboration with AWS supports its digital transformation goals, particularly in achieving straight-through processing for over **80%** of its credit card and loan approvals.

# Building the momentum: Barriers to AI integration

To ensure all businesses can confidently adopt AI and capitalise on its full potential, the Philippines must address key obstacles:

## The skills gap:

- Businesses across the Philippines identify that the skills gap is a crucial challenge to their AI adoption. A lack of digital skills was the highest reported barrier, with **57%** of businesses saying it prevents them from adopting or expanding their AI use. As a result of the skills gap, businesses say they would be willing to increase a salary offer by **34%** to a candidate with strong AI skills.

- Businesses expect that AI literacy will be important for **61%** of jobs in the next three years, but only **26%** of businesses feel prepared with their current skillset.

- Despite this skills gap, one-in-five (**20%**) of employees have participated in digital training or upskilling in the past year.

## Perceived costs:

- Over four-in-ten (**41%**) of the Philippines' businesses cite perceived upfront costs as a key barrier to AI adoption.

- **36%** of businesses say they need a clearer understanding of AI's return on investment. However, AI-adopting businesses are seeing returns: **64%** of the Philippines businesses have seen an increase in revenue from AI, reporting an average **18%** revenue growth.

- **48%** of startups report that facilitated access to venture capital and funding pathways is crucial to their ability to scale.

## Regulatory uncertainty:

- Across the world, businesses are facing growing regulatory uncertainty as new rules are considered for emerging technologies like AI.

- When considering the positive impact new regulation might have on their business, the number one reported hope was to democratise access to AI technologies (**51%**), followed by ensuring AI is used responsibly (**40%**), and protecting user privacy (**38%**).

- Similarly, regarding concerns around the introduction of new regulation, businesses express worries about slowing down AI innovation and adoption (**42%**), an increase in compliance costs (**40%**), and a lack of enforcement of new AI regulations (**35%**). This demonstrates the critical importance of taking a pro-innovation approach and providing regulatory certainty to businesses as they consider these next technologies.

## Compliance cost:

- The Philippines' businesses are facing increasing compliance costs, estimating that $19 out of every $100 they spend on tech goes towards compliance-related costs.

- Although the Philippines has a relatively low cost of compliance, **72%** of the Philippines' businesses expect these compliance costs to increase further in the next three years.

These barriers risk acting as a brake on the pace of digital transformation across the Philippines. Addressing them will be essential to establishing the Philippines's leadership in AI adoption and innovation.

## AWS is committed to supporting the Philippines' digital and AI transformation

AWS has been at the forefront of the Philippines' digital transformation journey since establishing its local presence in 2016. Through strategic infrastructure investments including Amazon CloudFront (2014), AWS Outposts (2021), Amazon IVS Points of Presence (2022), and the AWS Local Zone in Manila (2023), AWS has built a robust foundation for ultra-low latency workloads across the country. Demonstrating its commitment to innovation, AWS pledged US$230 million globally in 2024 to nurture startups, including Philippine teams developing cutting-edge generative AI solutions, while adding US$100 million to expand its AWS Generative AI Innovation Center. The company's dedication to developing local talent is evident in its successful upskilling of over 100,000 Filipinos in cloud technologies through programs like AWS Skill Builder, AWS Academy, and AWS re/Start since 2017. Today, AWS powers the digital transformation of leading Philippine organizations, including PLDT, Smart, GCash, Firstlight, and UnionBank, enabling them to modernize operations, harness AI capabilities, and drive sustainable growth.



## Unlocking the full potential of AI through four crucial actions

The Philippines has the right tools and the ambition to lead in AI, not only in a more diffuse adoption of technology, but also in development. AWS urges policymakers and industry leaders to take action to unlock AI's full potential across both startups and larger enterprises:

### 1. Accelerate private sector digital adoption through boosted skills efforts

Foster a digitally-skilled workforce through building industry-specific digital skills programs
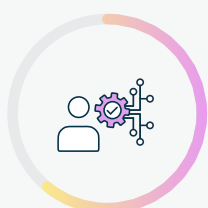
**61%** see AI literacy as crucial

only **26%** feel prepared

This mismatch highlights the need for the government to prioritize targeted upskilling and reskilling initiatives, including partnerships between government, industry, and educational institutions. Closing this gap is key to unlocking the Philippines' next wave of innovation, productivity, and growth.

## 2. Foster confident investment in AI

Accelerate AI-driven innovation by maintaining a clear and streamlined regulatory environment. Regulations should also be proportionate to the risk and tailored to different stages of the AI lifecycle, avoiding overly prescriptive regulations that could increase compliance costs and stifle innovation. Businesses in the Philippines expect compliance costs to increase

They currently spend **19%** of
their tech spend on compliance

Yet **72%** anticipate
this figure to rise

This may limit their confident investment and uptake of AI, risking missing out on key opportunities for growth and innovation throughout the Philippines.

## 3. Ensure that the Philippines has full access to cutting-edge digital technologies and data sets required for AI development

The ability to access and process large datasets to feed into AI and machine learning models, for example, is crucial for innovations in AI. AI development requires data scientists to have access to significant compute power (for example, by moving workloads to the public cloud) and a large variety of datasets, from multiple jurisdictions. This means that it is essential to allow data to flow across borders to enable AI innovations to flourish in-country.

## 4. Increase public sector adoption of AI

Prioritise digital transformation in healthcare and education to drive innovation, and create test-beds and cross-border exploratory projects using AI to deliver new services.

**52%** of businesses say they are more likely
to adopt and expand their AI use when the
public sector leads.

**68%** of startups say that public sector adoption
is crucial to their ability to scale, attesting that
the public sector adoption of new technologies is
crucial to increasing trust in these technologies.

## Conclusion

The Philippines stands at a decisive point in its AI journey. AI adoption is already underway – and rapidly accelerating – with businesses across the country reporting tangible benefits, from increased revenue to improved productivity. While a gap is emerging between basic adoption and transformative use, startups are at the forefront, driving innovation, while larger enterprises risk falling behind. Various barriers, from skills shortages to regulatory uncertainty, continue to slow progress. To fully realise AI's potential, both government and industry must work together to ensure that businesses of all sizes and sectors can scale their capabilities. With strong foundations in place, bold policy support, and strategic investments in talent and infrastructure, the Philippines has a unique opportunity to lead the region in building AI-powered growth and innovation.

# Appendix

## Methodology

The fieldwork for this study was undertaken by Strand Partners' research team for AWS. This research has followed the guidance set forth by the UK Market Research Society and ESOMAR. For the purposes of this study, business leaders are defined as founders, CEOs, or members of the C-suite in organisations.

'Citizens' are nationally representative members of the public based on the latest available census.

For inquiries regarding our methodology, please direct your questions to: polling@strandpartners.com.

### In the Philippines:

- We conducted a survey targeting 1,000 nationally representative members of the public, ensured representation based on age, gender, and region.

- Additionally, we surveyed 1,000 business leaders, representative by their business size, sector, and region.

### Sampling:

Our sampling process used a mix of online panels that are recognised for their validity and reliability. These panels are carefully curated to ensure diverse representation across various demographics. For the business leaders, the panels are selected with a consideration for organisational size, sector, and position within the company. Our objective with the sampling strategy is to achieve an optimal mix that mirrors the actual distribution of our target populations in the respective markets.

### Weighting Techniques:

Post-data collection, we applied iterative proportional weight to correct any discrepancies or over-representations in the sample.

### Survey:

- Usage Patterns: This survey gauges the evolving patterns of digital technology usage. We are particularly interested in examining the adoption and implementation levels of technologies, focusing on cloud computing and artificial intelligence.

- Perceptions and Attitudes: The survey seeks to unearth the prevailing perceptions and attitudes towards digital technologies, understanding the perceived benefits, challenges, and potential ramifications of both present and emerging tech solutions.

- Barriers and Opportunities: The survey scrutinises the predicted challenges and potential avenues that both businesses and individuals anticipate on their digital trajectory. This involves pinpointing challenges, from skill deficits to regulatory complications, and recognising opportunities for growth, innovation, and market development.

- 'Size of the Prize': The survey shed light on the economic repercussions and growth prospects linked with digital transformation. By elucidating the 'size of the prize', we aspire to stress the importance of digital transformation and foster further investments and technology adoption.

## References

1. "Adopted AI" or "consistently use AI": a business that consistently uses at least one AI tool. This would not include businesses that experimented with AI once or twice, or ran a temporary pilot programme, for instance.
2. Calculated based on a recent approximation of businesses in the Philippines, which is over 1.2 million: https://www.dti.gov.ph/resources/msme-statistics/
3. A startup is a business founded in the last 2 years which provides a new product/service or innovation and is aiming for rapid growth in terms of employees and turnover.
4. A large enterprise is a business with 500 or more employees, founded 10 years ago or more.