

# Global Connections:

## Connecting the Philippines and the world

September 2023

# Philippines

## General positioning

The Philippines is a key target for businesses seeking to enter new Southeast Asian markets. 19% of those already with operations in the Philippines said they planned to prioritise expanding their operations there over the next two years. (Figure 1) 21% of those without a current Philippine presence reported plans to enter the market over the next two years, making it one of the top new markets for expansion. (Figure 2)

## Opportunities and attractions

With a young, English-speaking workforce and a growing consumer sector, the Philippines appeals to international businesses on both the supply and demand side. Competitive wage prices and the opportunity to develop and test new products and solutions ranked equally as the key drivers for business expansion, with 28% of firms with operations in the Philippines selecting each attribute.

Labour costs in the Philippines are particularly attractive to companies based in India and the GCC, with 36% of respondents in each country selecting this. Chinese and US companies, meanwhile, are especially interested in the ability to test new products, as highlighted by 33% of each group. (Figure 3)

International businesses prioritising the Philippines for expansion of their existing operations

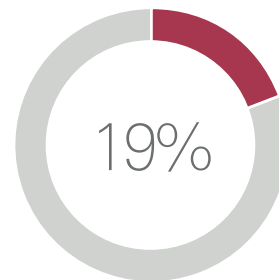


Figure 1

International businesses planning to establish a presence in the Philippines in the next 2 years

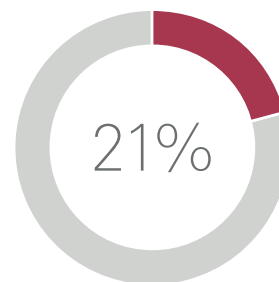


Figure 2

### Top 5 reasons why the Philippines is attractive for business expansion



Figure 3

# Philippines

## Challenges

Macro-economic challenges and the impact of cultural differences are tied as the top challenges reported by multinational firms conducting business in the Philippines, with 31% of decision makers respectively identifying each of these as a particular problem faced by their business.

Macro-economic challenges such as inflation and interest rates are particularly acute for companies head quartered in the GCC and US, with 42% of GCC decision makers and 34% of those from the US citing it as particularly challenging factor for their Philippines operations.

Cultural issues – including language and ways of doing business – are also a major concern. This is the leading challenge identified by Australian respondents, of whom 38% see this as an issue. UK and Chinese companies too rank cultural problems among the top challenges for their local operations: 36% of Chinese companies and 29% of UK companies see this as particularly challenging.

## Digitisation

26% of international businesses operating in the Philippines recognise the growing digital economy as particularly attractive. However, expectations regarding its onward technological development are measured: a comparatively low 29% of foreign companies with exposure to this market expect

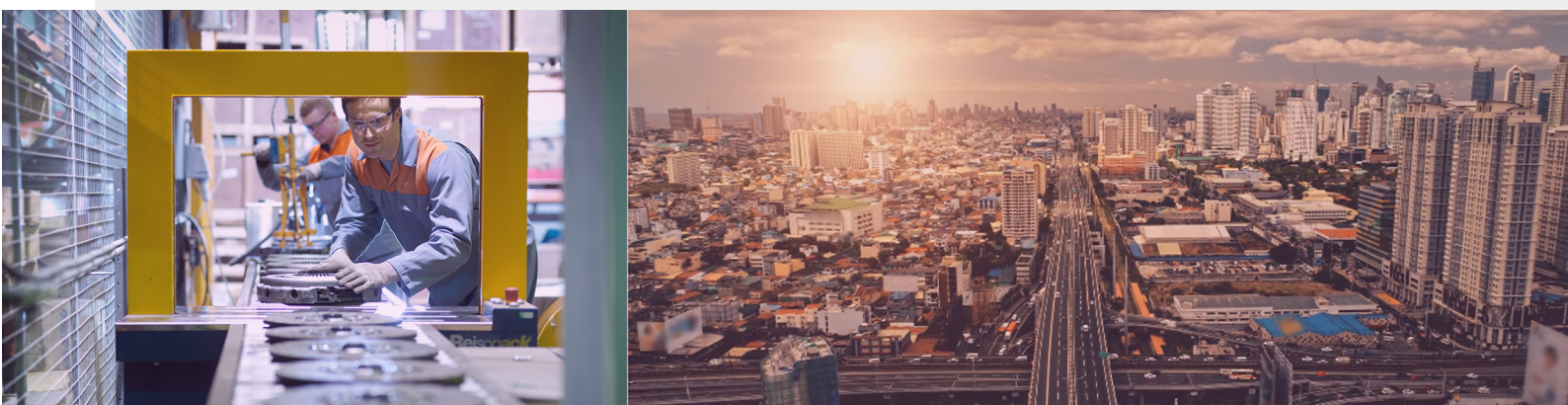
substantially increased economic growth through technology in the coming 10 years. In common with other markets, a lack of skilled personnel to drive implementation is the biggest barrier to digitisation, highlighted by 43% of respondents.

## Sustainability considerations

The top sustainability concerns for businesses operating in the Philippines remain unchanged from our 2022 survey, with 40% selecting tackling climate change and improving human rights as the most important issues to address.

Repeating the regional findings, 45% of businesses with operations in the Philippines are reviewing the sustainability credentials of their suppliers making this the top priority on the sustainability agenda. With biodiversity concerns coming to the fore, nature-positive supply chains are a focus for 43% of respondents, ranking equally with reviewing the use of energy, plastic and water resources.

International businesses in the Philippines are worried about the impact of policy settings on their sustainability ambitions. 27% cite a lack of subsidies or government support as a challenge, while 28% say new regulations on carbon reduction could impact their business.



# Conclusion

Our survey demonstrates that international businesses are accelerating their growth in the ASEAN region. To do so, they are embracing M&A activity, expanding into new markets, and investing heavily in technological innovation. The Philippines appeals to international businesses on both the supply and demand side making it one of the top new destinations in the region for those planning market expansion.

With a high emphasis placed on human capital, labour costs, and labour relations, international business perceptions of ASEAN markets remain dominated by its role within production-related and operational segments of corporate value chains - but with personal affluence continuing to grow, regional markets offer increasingly large opportunities for consumer-facing businesses.

## Methodology

Online survey conducted from 25th July to 2nd August 2023 with n=3,509 businesses with turnover from USD5 million giving us a global sum of over USD3 trillion across 9 markets (China, India, UK, France, Germany, USA, Australia, Hong Kong, and GCC countries (UAE, KSA, Bahrain, Qatar, Oman or Kuwait)). Results were weighted to ensure an equal representation and by company size to ensure

comparability for trended countries. The languages used were English, German, French, Arabic, and Chinese (Simplified). Survey respondents were key decision-makers from companies already doing business in Southeast Asia or those considering doing so. Please note percentages have been rounded and as a consequence may not add up to 100%.



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