

HSBC Navigator: Philippines in Focus



HSBC

Opening up a world of opportunity

Philippines

General positioning

The Philippines is seen as a strong market for future growth. 1 in 5 companies (21%) planned to expand here, in the next 2 years, making the Philippines a close second as the most preferred destination for investment.

On average, 1 in 4 of international companies we surveyed currently have operations in this market; US and Chinese firms lead by a small margin, at 35% and 32% respectively.

Among companies with current operations in the Philippines, those from the USA are the most likely to be planning further expansion here in the next 2 years, with over a quarter (28%) stating they were doing so.

Opportunities/attractions

International businesses are particularly attracted to the Philippines on the basis of its competitive wage prices; 1 in 3 selected this as attractive, making it the most selected feature in the market. The Philippines was also highly rated as a market in which to develop and test new product/solutions, with 29% of international companies selecting this (Figure 1).

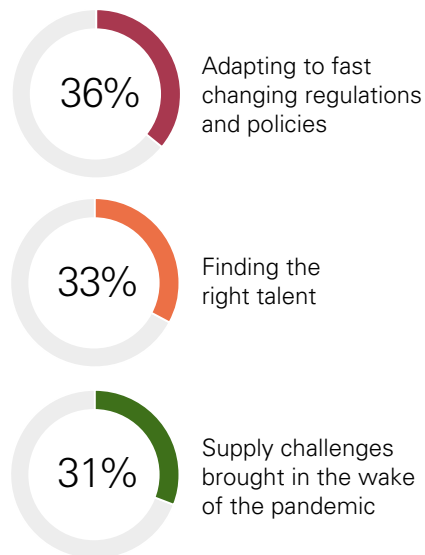
Figure 1.

What makes Philippines particularly attractive for business expansion?



Of the environmental issues they saw before them, improving energy efficiency and tackling climate change were identified as the top sustainability concerns.

Figure 2.
Challenges faced by international companies operating in the Philippines



Challenges

The problem of adapting to fast changing regulations and policies was most likely to be seen as a 'particular challenge' by international companies operating in the Philippines, with 36% of respondents selecting this. A further third (33%) highlighted the issue of finding the right talent, while 31% highlighted the supply challenges brought in the wake of the pandemic (Figure 2).

Chinese companies were particularly concerned with sustainability related issues; 48% felt that the Philippines lagged behind other countries in ESG (environmental, social, and governance) credentials, and a further 48% worried that new carbon reduction regulations there could impact their business.

Sustainability considerations

Over a quarter of international firms with operations in the Philippines were planning to allocate 10% or more of their operating profit to sustainability in the next 12 months – an impressive figure.

Of the environmental issues they saw before them, improving energy efficiency and tackling climate change were identified as the top sustainability concerns, with 43% and 42% of companies selecting these respectively.

The main barriers they identified were lack of government support, and issues hiring staff with sustainability expertise; both of these were selected by 35% of respondents with Philippine operations.

Conclusion

With an expected YoY GDP growth rate of 5.7 and 5.3% respectively for 2022 and 2023¹, the economy of the Philippines is expanding rapidly. Known for its competitive price of labour, the Philippines will continue to attract investment in the years ahead, with US companies playing a leading role. Presuming neither geopolitics nor a resurgent COVID-19 health crisis serve as a source of disruption, the future is bright for this market.

¹ Bracing for Impact, Asian Economics Quarterly, HSBC Research, April 2022

Overall Conclusion

Despite the shadows cast by the global pandemic and other market uncertainties, international companies view the coming years as a period of great promise for Southeast Asia. A market of more than 600 million people, increasingly affluent and increasingly educated, with a startup scene that rivals any other in the world, Southeast Asia is indeed brimming with potential. To convert these opportunities, businesses need to invest to improve their sustainability and better harness the power of technology – not to mention better understand the intricacies and benefits free trade agreements have to offer in the region.

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Methodology for the Report:

Survey with n=1,596 businesses with turnover of \$5M USD or more from 6 markets globally including China, India, UK, France, Germany, USA, conducted 11-15 March 2022. 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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