

Philippines



The Grant Thornton International Business Report (IBR) 2007 examines the attitudes, plans and trends of 7,200 businesses in 32 countries across six continents. IBR builds on data collected in previous surveys* and boasts 15-year trend data for EU countries and 5-year trend data for international participants.

This year's survey reveals that businesses in most countries remain optimistic about economic prospects for the year ahead. For the fourth consecutive year, India tops the league table as the most optimistic country with an optimism/pessimism balance** of +97%, whilst Japan is at the bottom this year with a balance of -5%. Meanwhile, businesses in the UK are significantly more optimistic about 2007 (+43%) than they were about 2006 (+8%).

Businesses in East Asia*** are more optimistic than in any other global region, and although levels of optimism do vary throughout the East Asian countries/territories, overall optimism has risen significantly. This year over half of all East Asian businesses are positive about their country's economy (+54%) compared to a balance of +42% in 2006. East Asia continues to present a very mixed picture however, with optimism/pessimism balances ranging from +88% in the Philippines to -5% in Japan.

The Philippine economy maintained its steady pace of expansion in 2006, with GDP growth at 5.4%. But if it had not been for typhoon-related damage in the fourth quarter, which depressed agricultural output, the year's GDP outturn would have been even stronger. Growth during the year was fuelled by a strong service sector benefiting from robust consumer demand and from an exceptional external performance, featuring a 15% increase in exports.

* the European Business Survey (EBS) charted the views and trends of privately held businesses in Europe between 1993 and 2002. This was followed by the International Business Owners Survey (IBOS) which ran from 2003 to 2006.

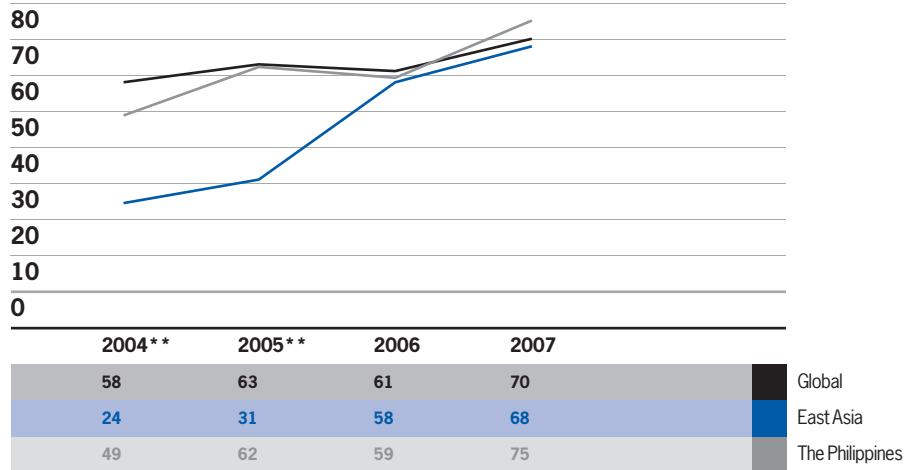
** the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

*** for the purposes of IBR, the term 'East Asia' refers to those East Asian economies covered by IBR – mainland China, Hong Kong, Japan, Malaysia, the Philippines, Singapore, Taiwan and Thailand.

Business expectations/turnover

- Businesses in the Philippines are more optimistic about turnover (revenue) prospects (+75%) than they were in 2006 (+59%).
- Their levels of optimism regarding turnover performance are higher than both the East Asian average (+68%) and the global average (70%).
- Philippine businesses are also more optimistic regarding profitability (65%) over the coming year than businesses globally (+52%).

Turnover expectations (% balance *)



* the balance is the proportion of companies reporting that they are optimistic less those reporting that they are pessimistic

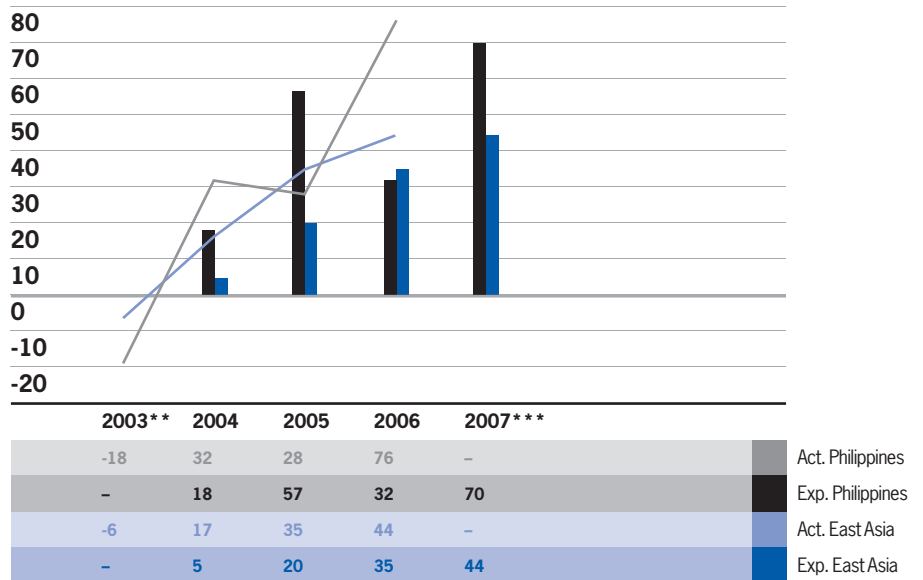
** East Asia and global figures exclude mainland China for these years

Source: Grant Thornton International Business Report 2007

Employment

- 70% of Philippine businesses expect employment to increase next year, 38% more businesses than in 2006 (+32%).
- Only India has a higher proportion of businesses (+74%) expecting employment growth globally.
- 48% more businesses in the Philippines reported an increase in employment in the last year, rising from +28% in 2005 to +76% in 2006.
- More businesses reported an increase in employment last year in the Philippines than any other country world wide.

Employment history (% balance *)



* the balance is the difference between the proportion of businesses indicating an increase and those indicating a decrease

** 2002 expected data not available

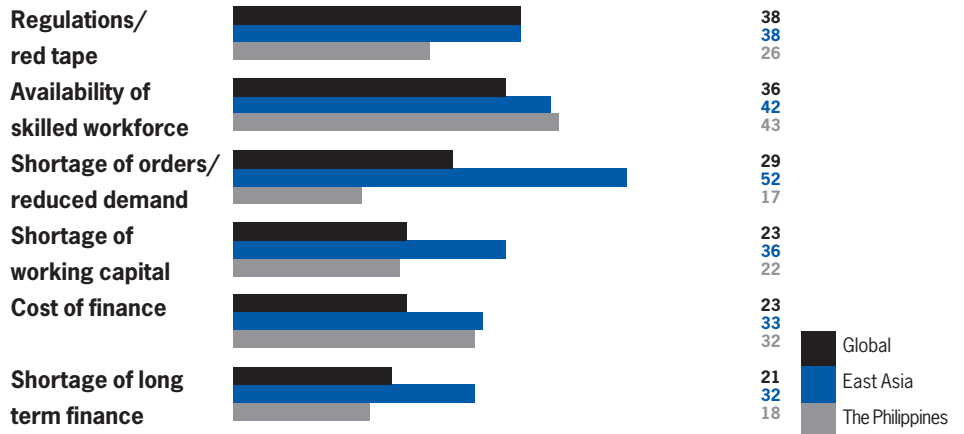
*** 2007 actual data will be documented in IBR 2008

Source: Grant Thornton International Business Report 2007

Constraints

- Lack of availability of a skilled workforce is the most restricting constraint on expansion for businesses in the Philippines (43%).
- Philippine businesses are not restricted by these factors as much as other countries within the East Asian region .
- Shortage of orders/reduced demand (17%) in particular is well below both the East Asia average (52%) and global average (29%).

Constraints (%*)



* % companies rating constraint 4 or 5 on a scale of 1 to 5, when 1 is not a constraint and 5 is a major constraint

Source: Grant Thornton International Business Report 2007

Stress levels

- This year, the proportion of business owners in the Philippines reporting an increase in stress levels is 12% lower than in 2006.
- 64% report that they have experienced a rise in stress levels, less than East Asian average of 73%, but still higher than the overall global average (56%).
- In order to gain insight into how business owners manage stress, we also asked about how many hours they work a week. On average, business owners in the Philippines work 49 hours per week, less than the global average of 53 hours.

Rise in stress levels (%*)



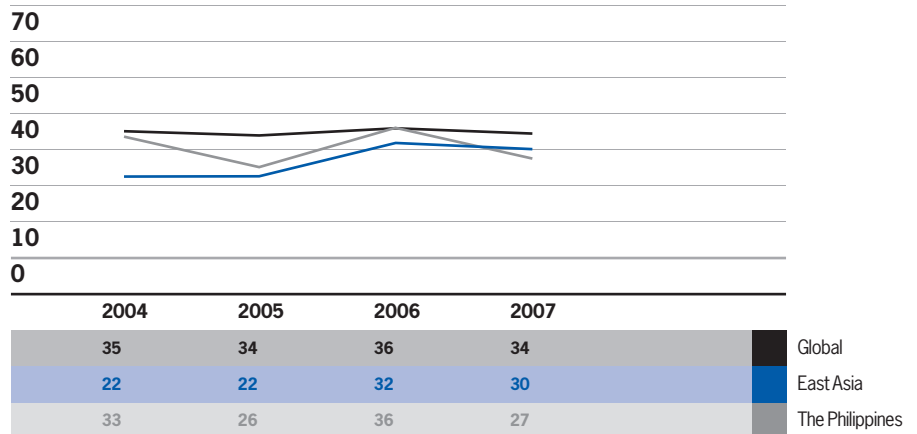
* % of respondents indicating that stress levels had increased or increased significantly over the past year

Source: Grant Thornton International Business Report 2007

International trade

- The proportion of Philippine companies exporting has decreased in the last year.
- 27% of Philippine businesses now export, 9% less than last year.
- This is now below both the proportion of businesses exporting across East Asia (30%) and globally (34%).

Proportion of businesses exporting (%)



Source: Grant Thornton International Business Report 2007

Globalisation

- Philippine businesses are much more likely to see globalisation as an opportunity than a threat to their business.
- 70% of businesses view globalisation as an opportunity and just 18% view it as a threat.
- Businesses in the Philippines as a whole are slightly less likely to see globalisation as a threat (15%) compared to businesses in East Asia, and globally.
- Businesses globally are also much less likely to see globalisation as an opportunity (55%) compared to businesses in the Philippines.

Impact of Globalisation (%)

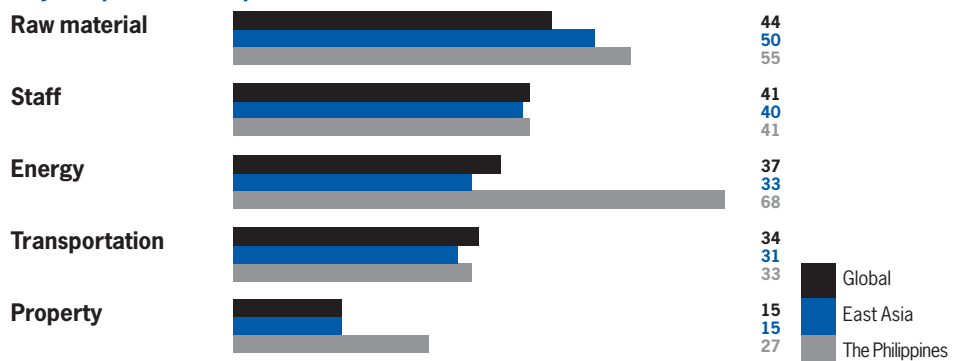


Source: Grant Thornton International Business Report 2007

Impact on cost pressures

- More businesses in the Philippines (68%) cited energy costs as having a major impact on cost pressures than anywhere else worldwide.
- Cost pressures are similar to the East Asian and global average in all other areas except for property costs, that was cited by 27% of businesses.
- The majority of business owners in the Philippines (55%) also cited raw material costs as having a major impact on cost pressures.

Major impacts on cost pressures



Source: Grant Thornton International Business Report 2007

The **Philippine** economy enjoyed its highest annual growth in 17 years in the first quarter of 2007, thanks to healthy consumption and an expansion in back-office services which boosted total service sector expansion to 9% annualised and GDP growth to 6.9%. With inflation under control, the central bank has been able to leave interest rates unchanged in recent months to support growth. This favourable backdrop has lifted expectations for GDP expansion this year to almost 6%.

To find out more about the Grant Thornton International Business Report (IBR) and to obtain copies of topical supplements, including focuses on emerging markets, energy and environmental issues and European business, please visit www.internationalbusinessreport.com.

Summaries are also available for each of the 32 participating countries, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against those of businesses around the world.

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Participating countries/territories

Argentina	Ireland	Russia
Armenia	Italy	Singapore
Australia	Japan	South Africa
Botswana	Luxembourg	Spain
Brazil	Mainland China	Sweden
Canada	Malaysia	Taiwan
France	Mexico	Thailand
Germany	The Netherlands	Turkey
Greece	New Zealand	UK
Hong Kong	Philippines	US
India	Poland	

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