The Philippines

AHK World Business Outlook Survey Results

Spring 2021

Deutsch-Philippinische Industrie- und Handelskammer
German-Philippine Chamber of Commerce and Industry

#PartnerInThePhilippines

Summary of Results

- **50%** of the participating firms consider their **current company situation** as satisfactory.
- The **12-month business development expectations** for the majority of companies appear to **stagnate (62%) and fewer companies envision a positive development (29%)** which is lower compared to the Fall 2020 survey (47%).
- Companies expressed worrisome views on **local medium-term economic development** where the majority of companies that see **no apparent changes (45%), lower improvement predictions (15%)**, and even almost a **half (40%) expect an economic degradation.**
- **42% of** participating firms say that their **local investments for the next 12 months** will have **little to no changes** with only **14% say it will be higher**.
- Only **15%** of respondents see necessary **employment growth** and **85% will not increase and even reduce the workforce**.
- No company expects a recovery in the first half of 2021 (0%). fewer participants see a recovery in the second half of 2021 (9%) and the **majority only see recovery by 2022 and beyond (91%)**

Top 3 risks for your company's economic development in the next twelve months:

1. Demand (64%)
2. Economic Policy Framework (55%)
3. Financing (44%)

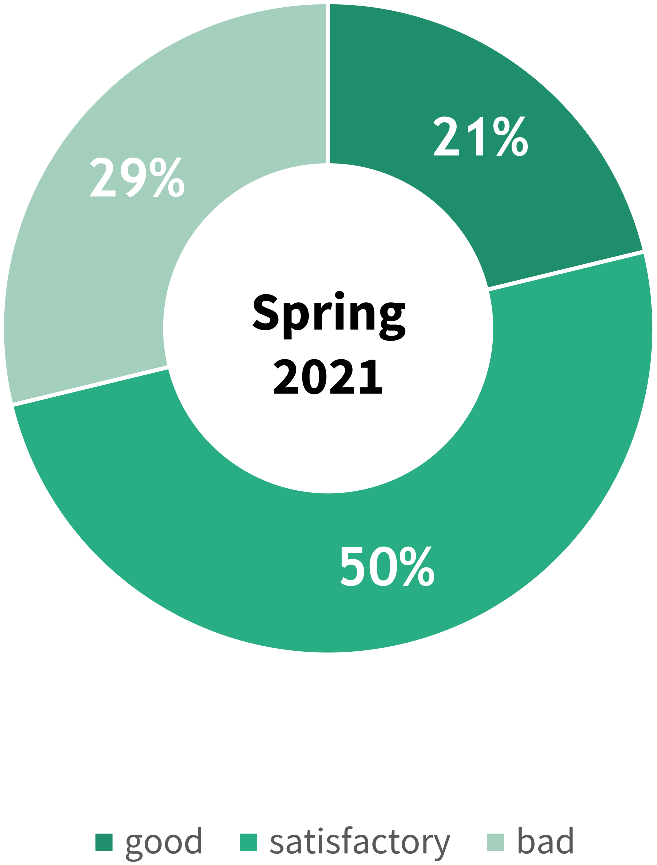
Top 3 negative effects from COVID-19 pandemic:

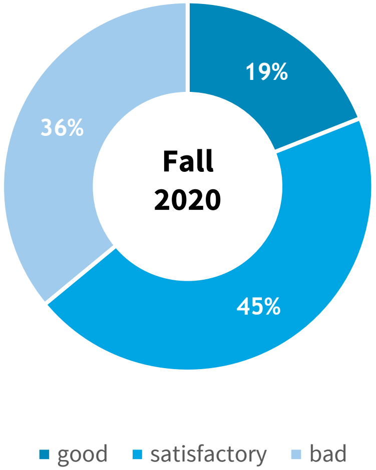
1. Travel Restrictions (83%)
2. Less demand for products and services (58%)
3. Postponed / cancelled investments (52%)

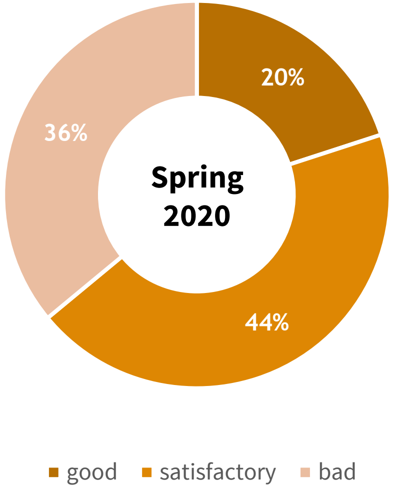
Economic recovery expectations:

1. 2022 (48%)
2. Will take longer time (41%)
3. Second half of 2021 (9%)

Q1: How do you assess the current situation of your company?



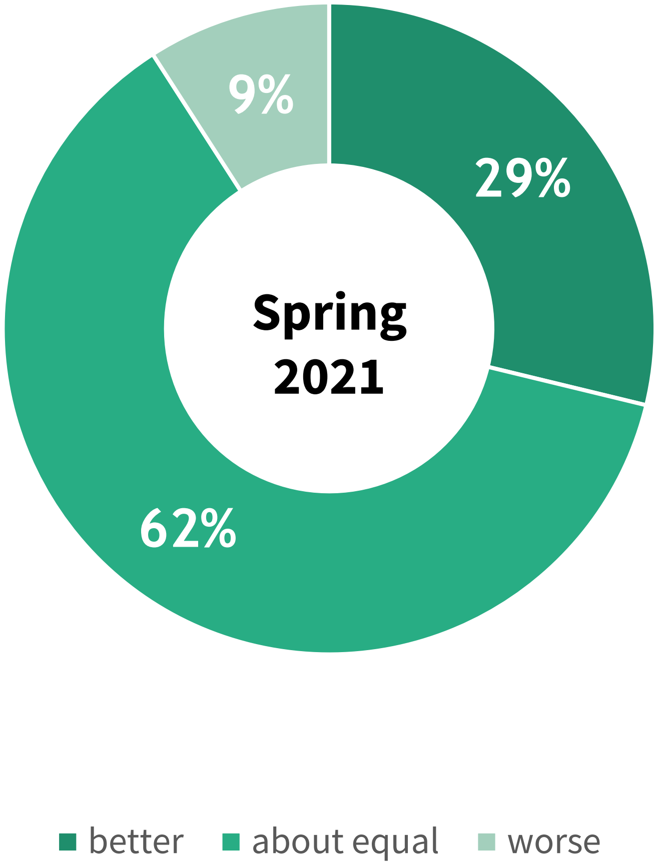


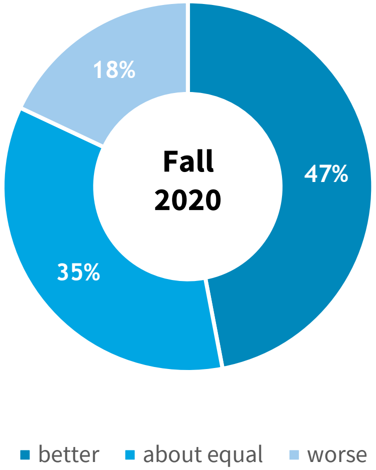


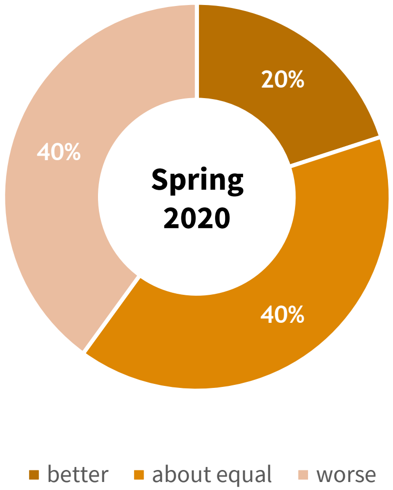
In assessing the current company situation, the figures show improving numbers compared to both 2020 Spring and Fall surveys. **Half (50%) of the participating firms consider their current company situation as satisfactory**.

The Spring 2021 survey also shows a notable reduction (7%) of **companies under a bad (29%) situation** which was constantly at 36% from the 2020 surveys.

Q2: What business development does your company expect for the next twelve months?

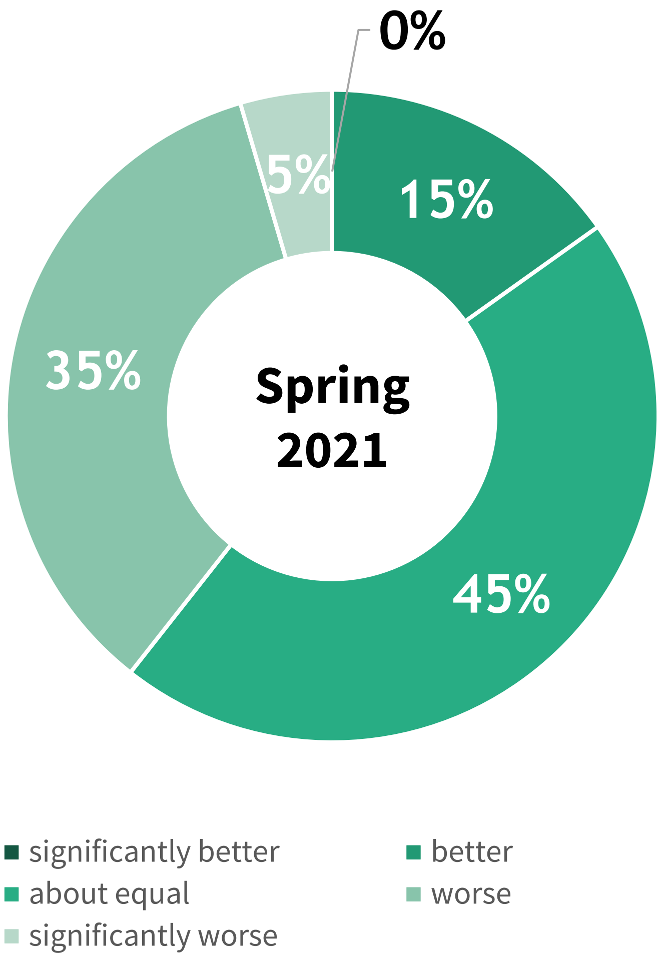


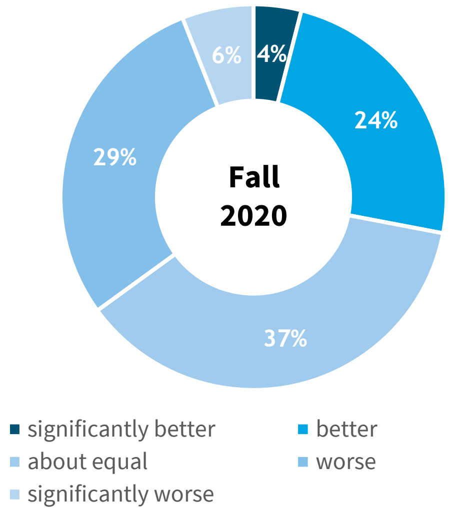


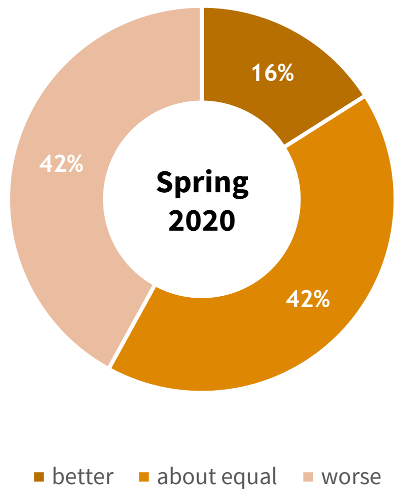


Business development expectations of companies for the next 12 months appear to stagnate and fewer companies envision a positive development from the Fall 2020 survey. The Spring 2021 survey shows a reduction by 18% that predicts **better (29%)** business developments. Moreover, **the majority (62%) of the participants** say that business development for the next 12 months shall **remain the same**.

Q3: How do you judge the local medium-term economic development?



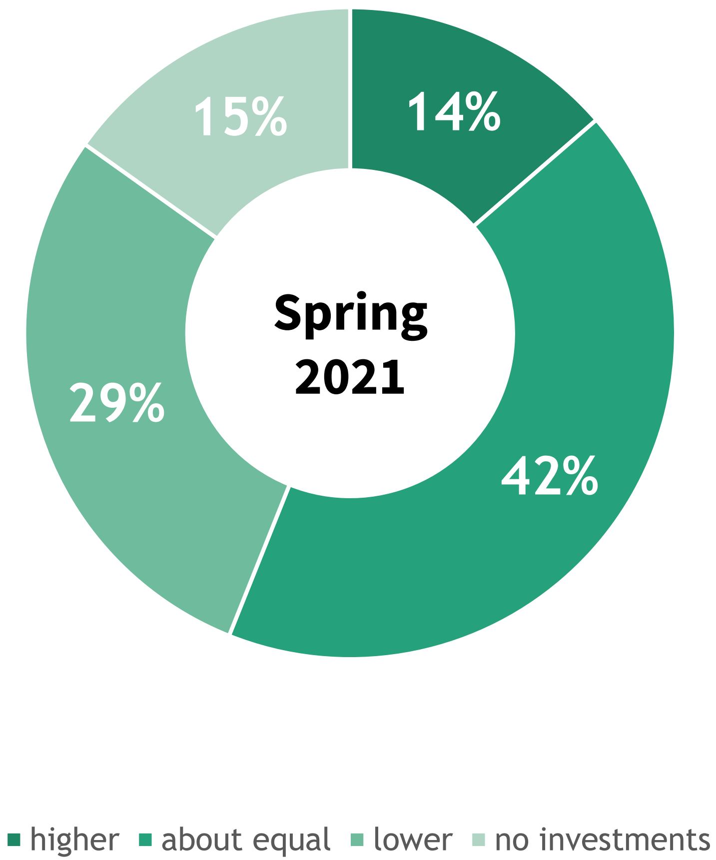


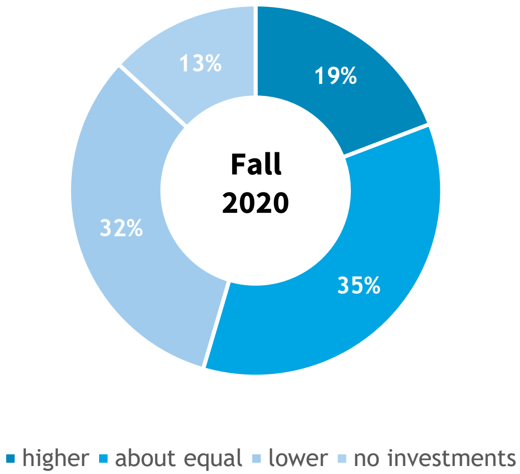


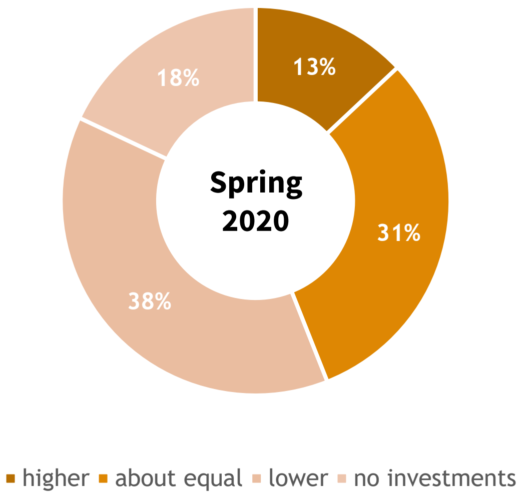
Discernments on the local medium-term economic development show worrisome signs in the Spring 2021 survey. **The majority of companies that see no apparent changes (45%)** and numbers increased by 8% from the Fall 2020 survey (37%).

However, as compared to both Spring and Fall 2020 surveys, the number of respondents who observe **improvement (significantly better: 0% and better: 15%)** reduced by 13% from the Fall 2020 survey and 1% from the Spring 2020 survey. Moreover, the number of companies who forecast a **deteriorating local economic development (35%)** grew by 6% with even **5% see that it will be significantly worse**.

Q4: How do you think local investments of your company are likely to develop in the next twelve months?

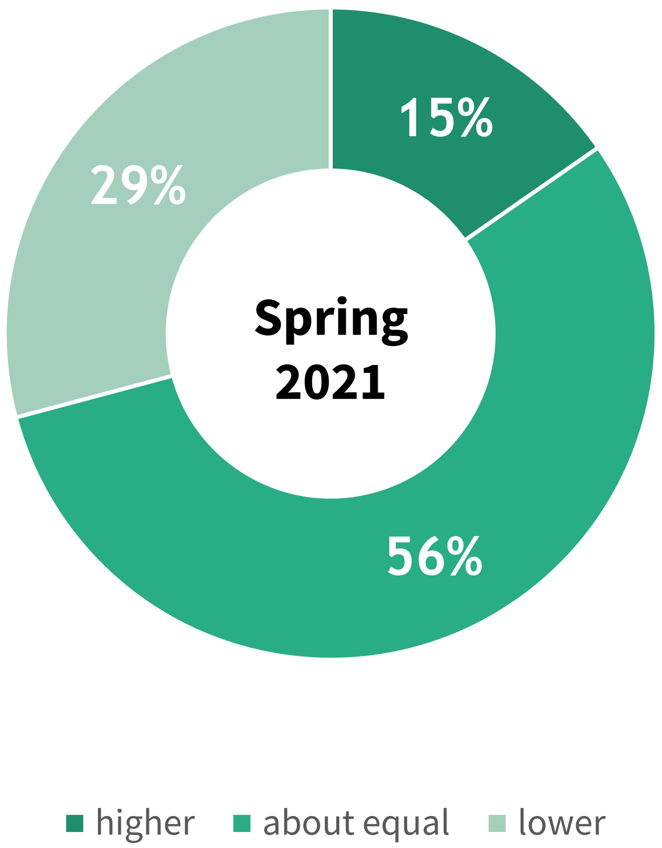


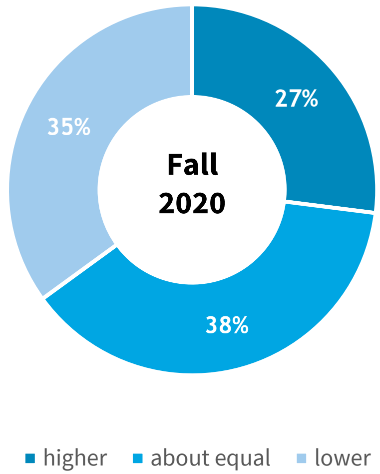


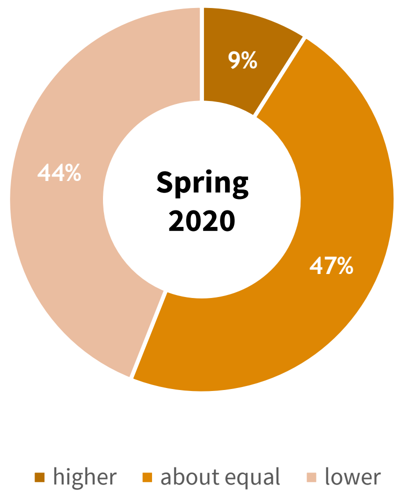


The majority of participating firms say that their local investments for the next 12 months will have **little to no changes (42%)**. Additionally, a notable reduction of 5% was also seen for **higher investments (14%)** and remains to be below 1/5 of the respondents.

Q5: How do you think local employment of your company is likely to develop in the next twelve months?



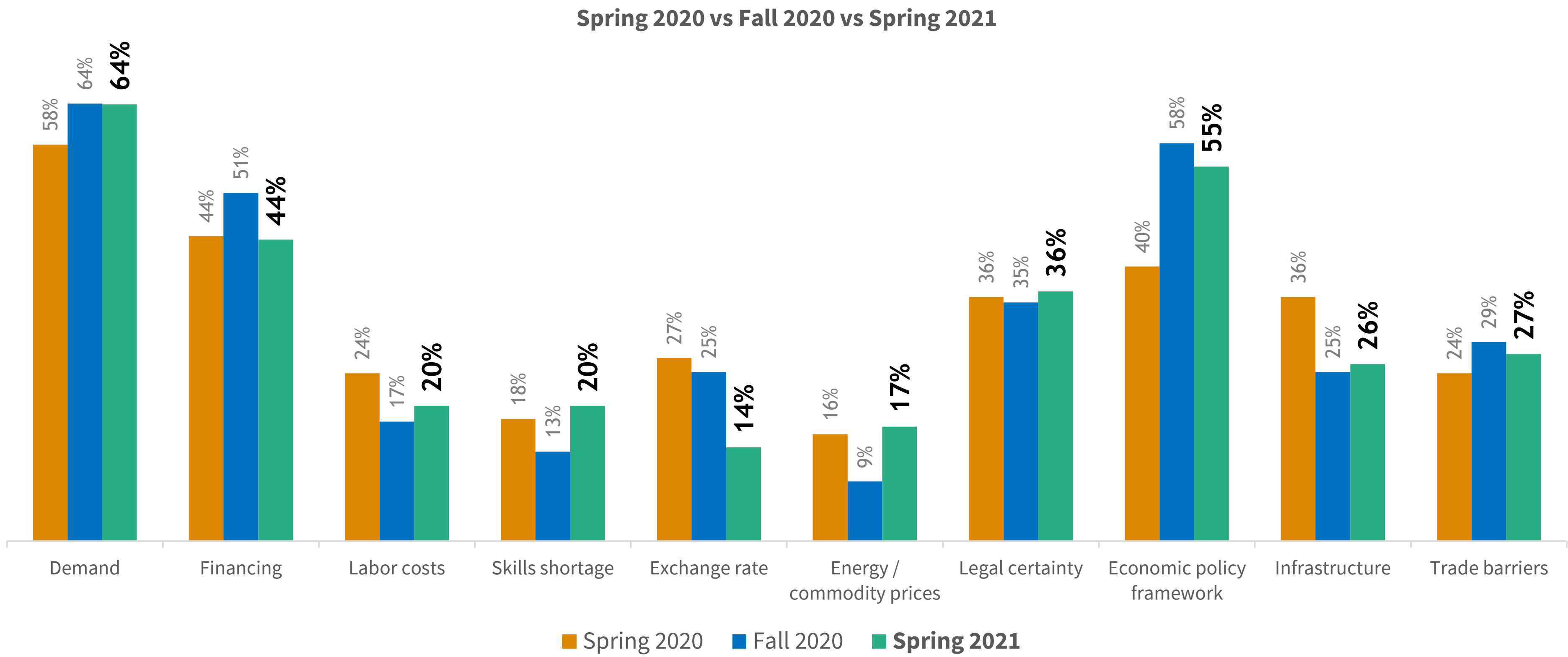




Local employment projections for the next 12 months show that **more than half (56%) of participating firms see no significant increase in their present workforce**. However, when compared to the Fall 2020 survey, **only 15% see necessary growth in the number of employees**.

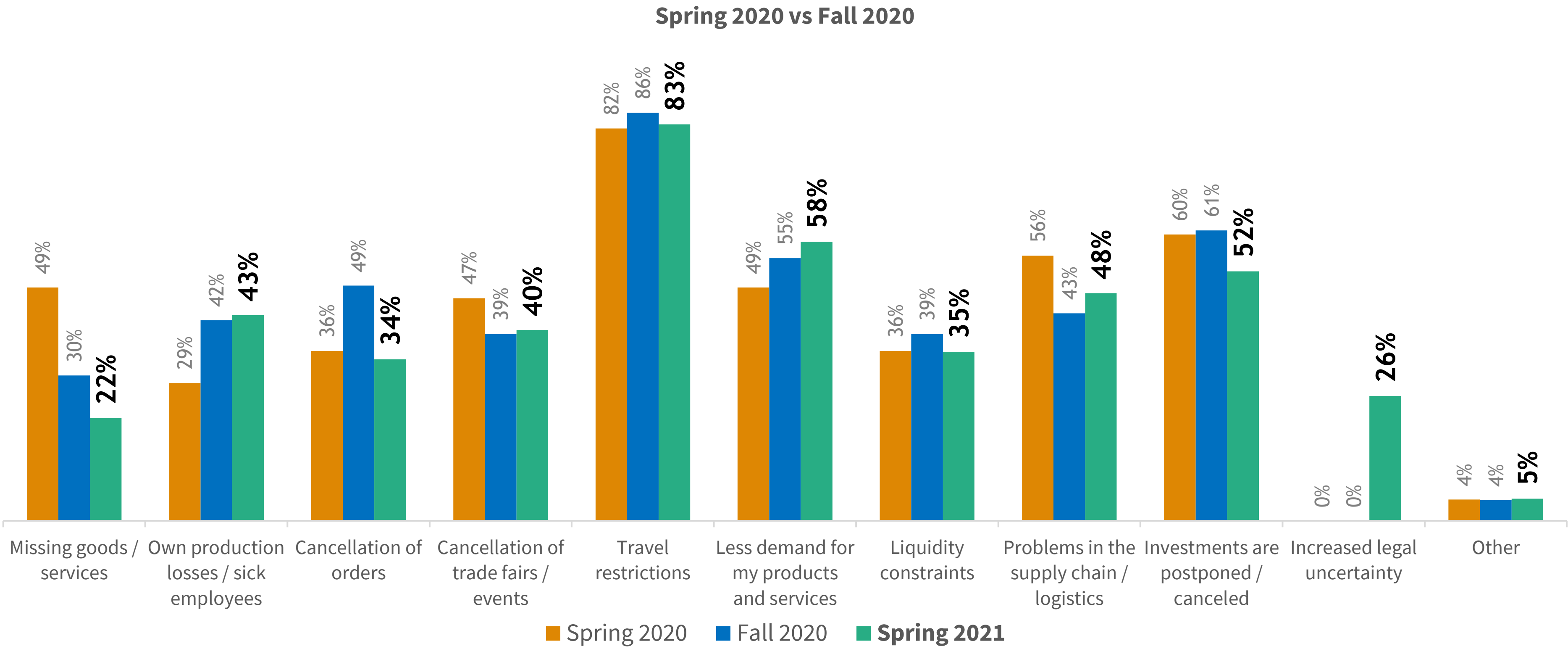
Conversely, companies who intend to reduce their workforce have significantly reduced from both the Fall and Spring 2020 surveys where it can be observed that there is a **15% decrease of companies who intend to reduce their employees in a span of 1 year (Spring 2020: 44%)** back when the strict COVID-19 related protocols started in the Philippines

Q6: What are the biggest risks for your company's economic development in the next twelve months?



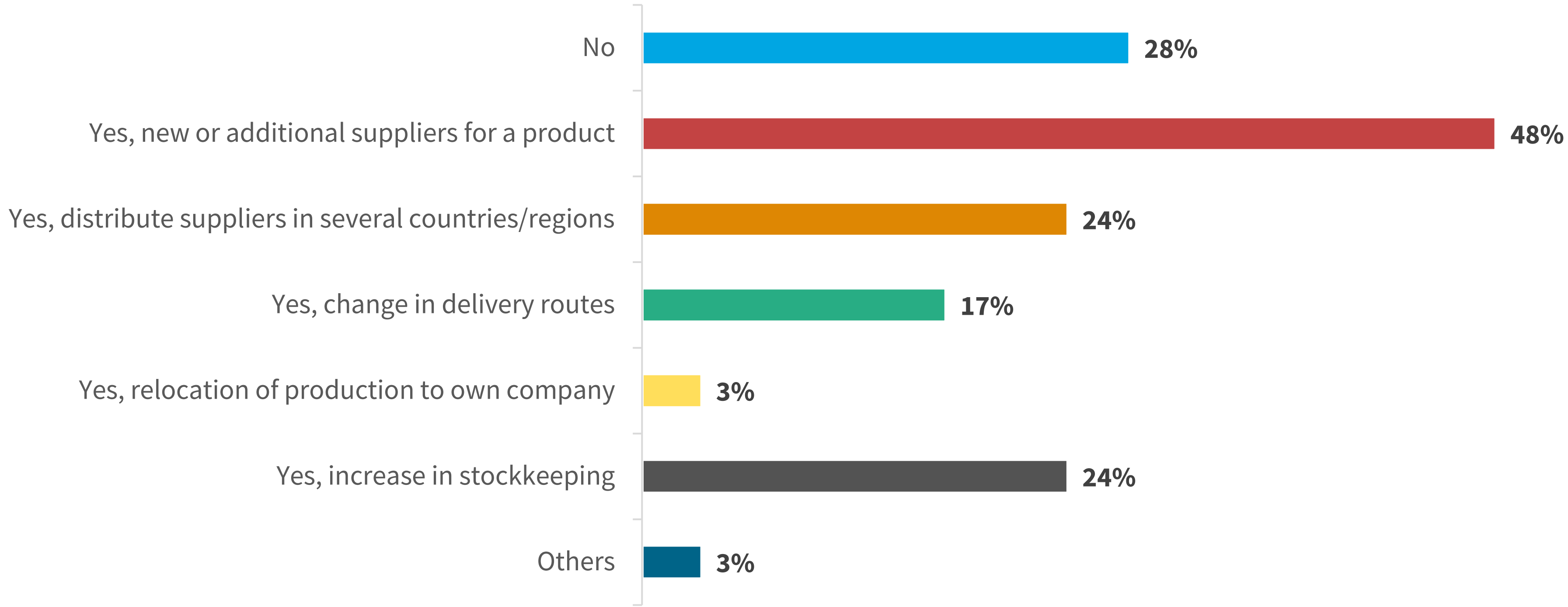
The top three risks for the companies' economic development in the next 12 months remain the same as in the Fall 2020 survey. Concerns about the **demand (64%)** remain to be the largest risk for businesses. Participants who are concerned about the country's **economic policy framework (55%)** still see it as one of the large risks even it is reduced by 3%. The number of companies that see **financing (44%)** as one of the major risks reduced by 7%, which was the same data from the Spring 2020 survey. Meanwhile, concerns regarding **labor costs (20%)**, **skills shortage (20%)**, and **energy/commodity prices (17%)** have notably increased from the Fall 2020 survey.

COVID19-1: What negative effects do you already experience from the coronavirus pandemic?



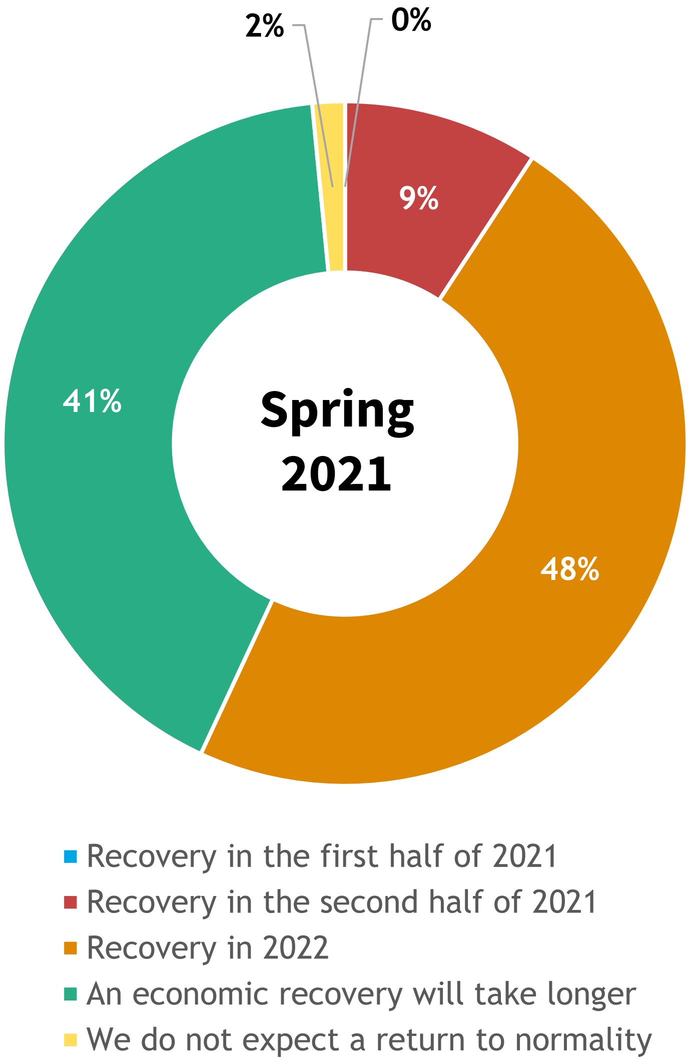
After more than a year of travel constraints, most companies still express **travel restrictions (86%)** as the most damaging impact brought by the pandemic. **Lesser demands for products and services (58%)** of participating firms have also been seen to be growing since the Spring 2020 survey and have placed second on the list. Meanwhile, **problems related to supply chain and logistics (48%)** have seen an increase by 5% from the Fall 2020 survey, while **postponed/cancelled investments (52%)** declined by 9%. Furthermore, the Spring 2021 survey also included an assessment of the country's **increase in legal uncertainty (26%)** that shall measure the view of businesses on the Philippine government's policies in addressing the problems brought about by the pandemic.

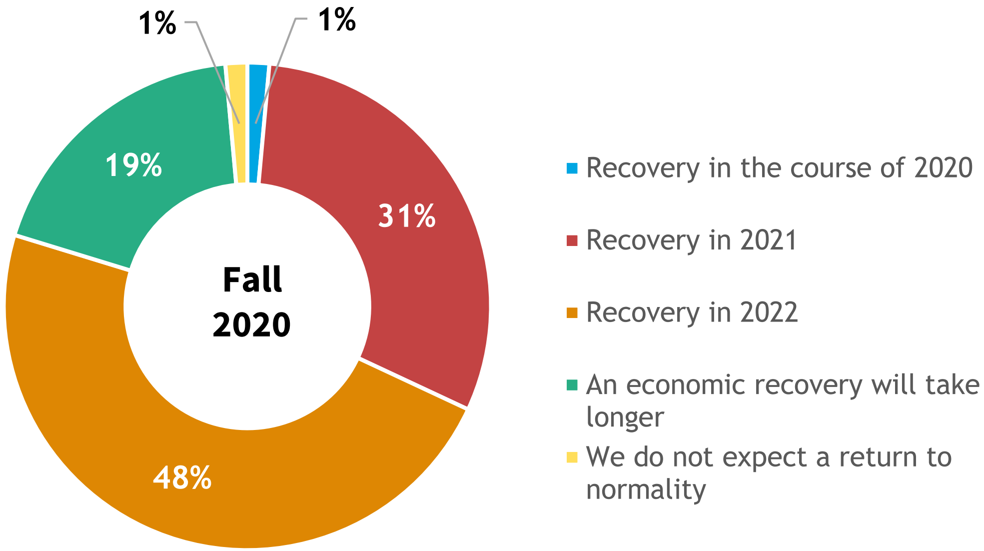
COVID19-2: Do you plan to diversify your supply chain or have you already made adjustments?



For the 29 companies that have indicated problems related to supply chain and logistics: 48% said that they are adding new suppliers for their products, 28% said that their supply chain will still the same, and 24% have equally voted on distributing suppliers in several countries/regions and increase in stockkeeping. It is also notable that 3% said that they have already relocated the production of their products to their respective companies.

COVID19-3: When do you expect a sustainable recovery of the economy in your country?





The participants of the Spring 2021 survey reflect an unenthusiastic view of the sustainable recovery of the Philippine economy. **No company expects an immediate recovery in the first half of this year (0%)**, **fewer participants see a recovery in the second half of 2021 (9%)** which is a 22% decrease from the Fall 2020 survey (31%). Still, **most companies expect recovery by 2022 (48%)** which is observed to be the same number in the Fall 2020 survey. Regrettably, the **number of companies who see a longer recovery period (41%)** grew a significant amount by 23% (Fall 2020: 19%).

Data Collection

The survey was sent out to companies which are involved in the German-Philippine Business relations.

The survey was conducted from **18 March 2021 to 09 April 2021** with a total of **66 responses** collected, with 20% coming from the manufacturing industry and construction, 29% from trade and 51% from services.

In terms of global workforce, 43% of the participants have less than 100 employees, 26% have 100 to 1000 employees, and 31% have more than 1000 employees.

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