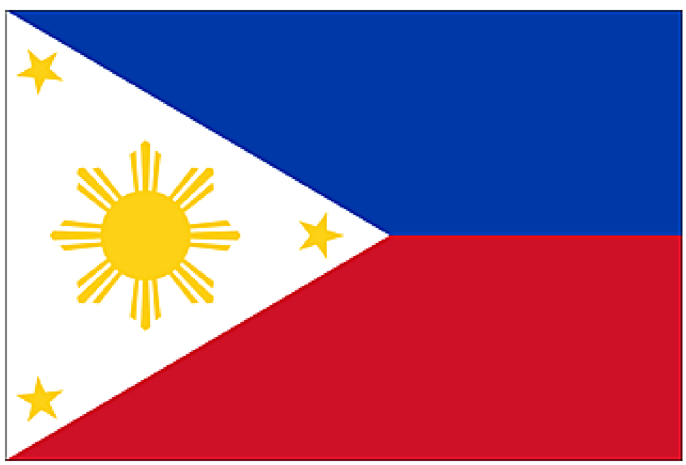
THE ASEAN BUSINESS OUTLOOK SURVEY 2011

THE PHILIPPINES REPORT



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INTRODUCTION

Research Background & Objectives

The American Chamber of Commerce in Singapore (AmCham Singapore), in cooperation with other AmChams in the ASEAN region, conducted a study among U.S. companies based in seven Southeast Asian countries: Cambodia, Indonesia, Malaysia, Singapore, the Philippines, Thailand and Vietnam.

This study is now in its 10th year. The purpose of the study is to understand members' outlook on business growth in Southeast Asia and their perceptions about a series of local factors. The members surveyed were senior executives, working with a company held by or with an American majority interest. AmCham Singapore developed a survey design using a web-based instrument.

This report presents the feedback received from executives of U.S. companies in the **Philippines**.

Survey Methodology

Table 1.1

Survey Scope:	Senior Executives of U.S. Companies based in the Philippines
Sample Size:	A list of **271** AmCham members with e-mail contacts was provided by AmCham Philippines. Response rate was about 18% (48) at the end of the data collection period.
Data Collection Method:	Web-based, self-administered survey. No enforcement on participation.
Data Collection Period:	May 18 to June 8, 2011

Note: Percentages may not add up to 100 in graphs due to respondents selecting "I don't know" or "Not applicable."

Sample Profile

(See Appendix D)

- 72% of respondents in the Philippines are responsible for less than 500 employees. The majority (53%) manage between 50 and 500 employees.
- 50% of respondents' companies had 2010 turnovers between $1 and $50 million USD.
- 84% of respondents stated that their 2010 turnover in the Philippines was less than 25% of their companies' global turnover. The majority (63%) stated that the 2010 turnover in the Philippines was below 5% of the 2010 global turnover of their companies.
- The largest percentage (42%) found their 2010 turnover in the Philippines to be somewhere between 5 and 25% of the total ASEAN turnover of their companies.
- The highest rate of respondents in the Philippines (36%) reported that Thailand is the ASEAN country that holds the next largest turnover for their companies.
- Most respondents in the Philippines (66%) are responsible for multiple countries.
- More respondents' companies are involved with the services sector (44%) than the manufacturing sector. However, the manufacturing sector increased from 26% of respondents in 2009 to 34% in 2010 to 42% in 2011. 12% of respondents chose "other" as their primary activity.

BRIEF SUMMARY

BUSINESS OUTLOOK

World Economic Outlook:

- 46% predict a better or much better performing economy in 2011 than in 2010. 74% of respondents predicted a better or much better economy in 2010 than in 2009.

Current Business Climate:

- Respondents facing significant financing constraints decreased from 39% in 2009 to 10% in 2010, but increased to 24% this year.
- Respondents facing higher costs of borrowing decreased from 29% in 2009 to 8% in 2010, and rebounded to 24% in 2011.

Importance of ASEAN Markets in Global Business:

- 57% of respondents feel that ASEAN markets have increased in importance to their companies in the past two years.
- 69% of respondents expect ASEAN's importance to increase in the next two years.

Effectiveness of ASEAN:

- 62% of respondents find ASEAN integration important to helping their companies do business in the region.
- 94% of respondents use the ASEAN FTA.
- 68% of respondents use the ASEAN-China agreement.

Business Direction and Movement in ASEAN:

- 62% of respondents' companies expanded in ASEAN in the past two years. 85% plan to expand in ASEAN in the next two years.
- The largest rate of respondents (32%) plan to expand in the Philippines.

Profit Outlook:

- 61% expect a profit increase in 2011.
- 70% expect a profit increase in 2012.

Workforce Expansion:

- The rate of respondents expecting a workforce increase in the coming year rose from 39% in 2009 to 51% in 2010 to 71% in 2011.

Figure 1: World Economic Outlook in 2011 in Comparison With 2010 Economy

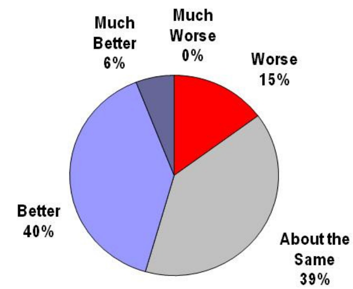


Figure 2: Growth of ASEAN Importance over Next Two Years

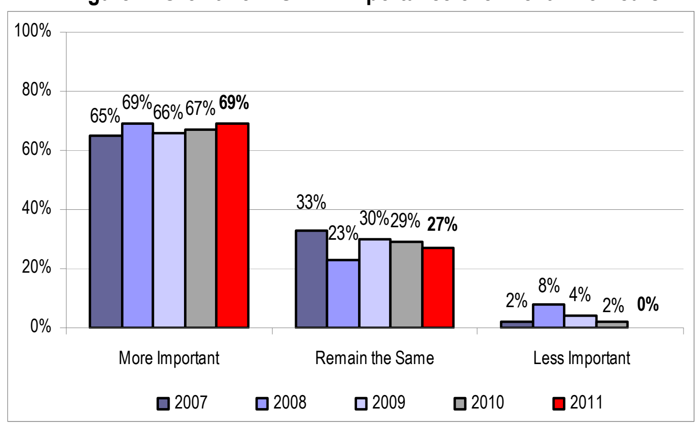


Figure 3: Profit Outlook 2011

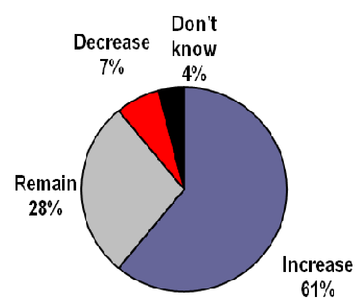
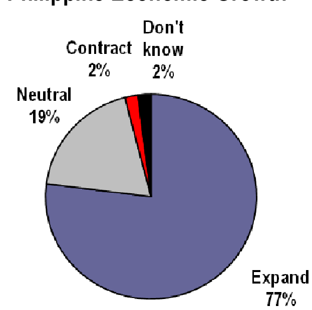


Figure 4: Expectations of Expansion of Philippine Economic Growth



FACTORS IMPACTING BUSINESS IN THE PHILIPPINES

Economic Conditions:

- 77% expect overall Philippine economic growth to expand.
- 85% expect an increase in cost of living.
- 75% expect an increase in housing cost.
- 62% expect the Philippine peso to appreciate against the U.S. Dollar.
- 35% expect an increase in the interest rate.

Major Strengths (% Satisfied)	Major Concerns (% dissatisfied)
Sentiment towards the U.S. (76%)	Corruption (79%)
Availability of trained personnel (66%)	Laws and regulations (62%)
Availability of low cost labor (62%)	Infrastructure (51%)
Office lease costs (56%)	
Housing costs (49%)	

2. BUSINESS OUTLOOK

2.1 World Economic Outlook

Figure 2.1.1: Expectations for performance of world economy compared with 2010

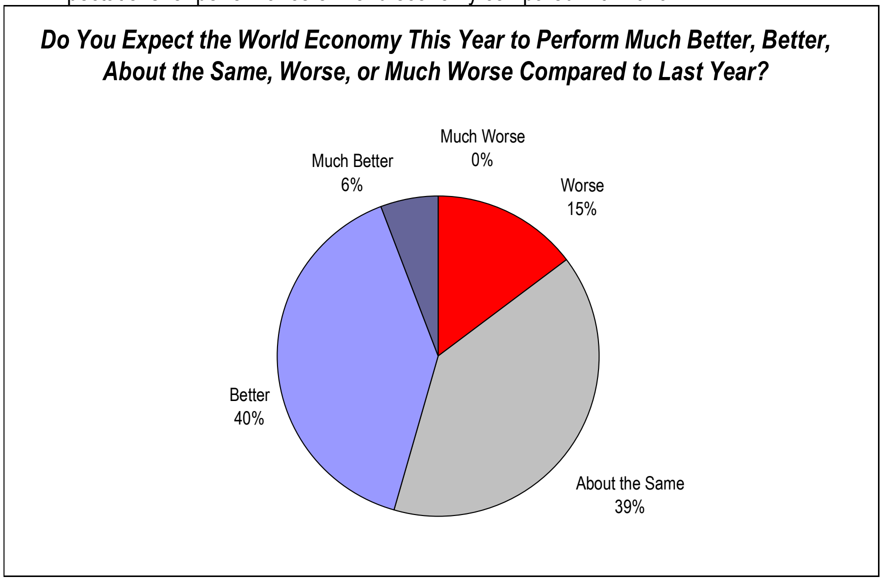
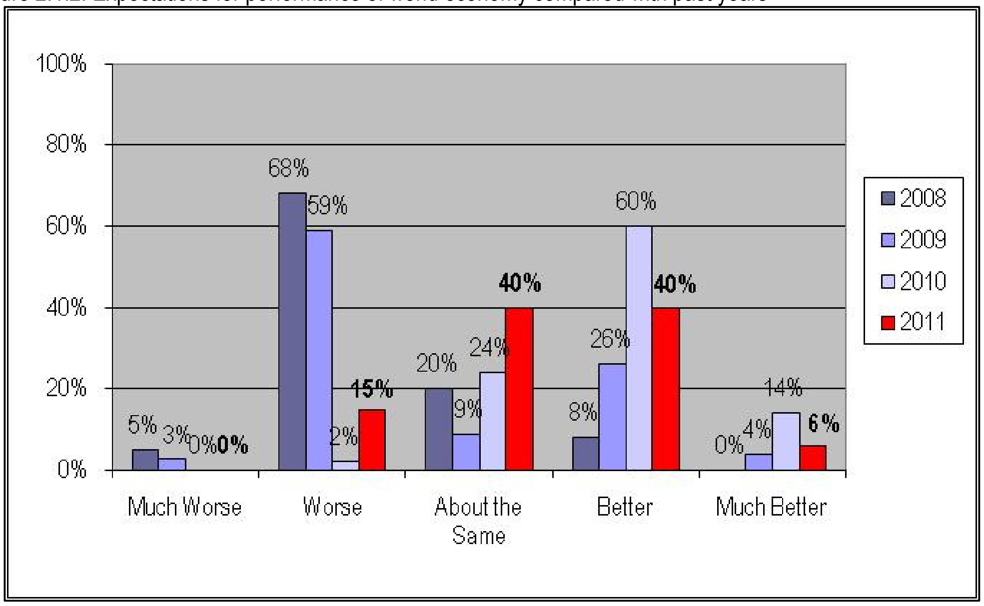


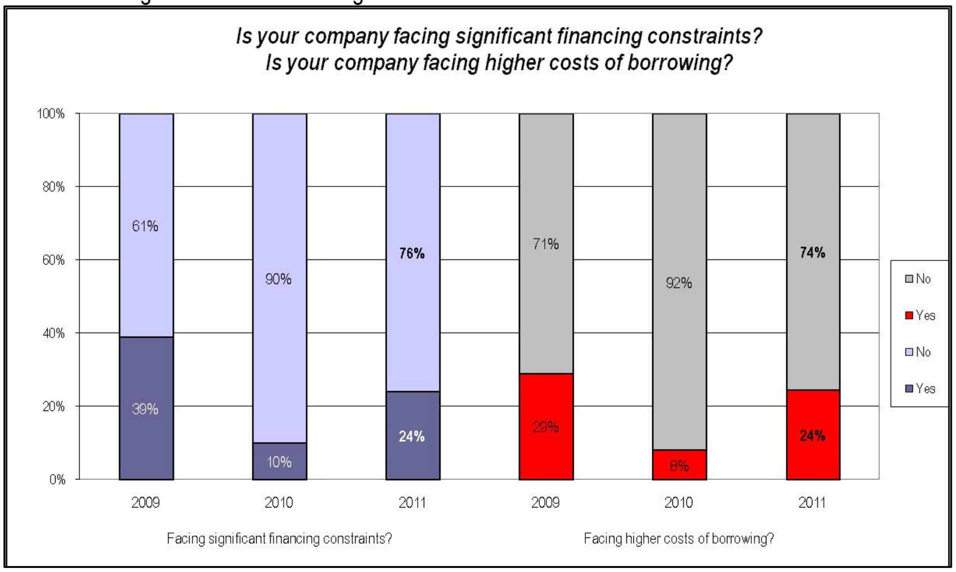
Figure 2.1.2: Expectations for performance of world economy compared with past years



- Economic outlook is positive in 2011, with 46% of respondents expecting a better or much better performance of the world economy this year than last year, and none expecting a much worse performance of the world economy compared to last year.
- The outlook is less optimistic than 2010, when 74% of respondents expected a better or much better performance than the previous year, and only 2% expected a worse performance, compared to 15% in 2011.

2.2 Business Climate

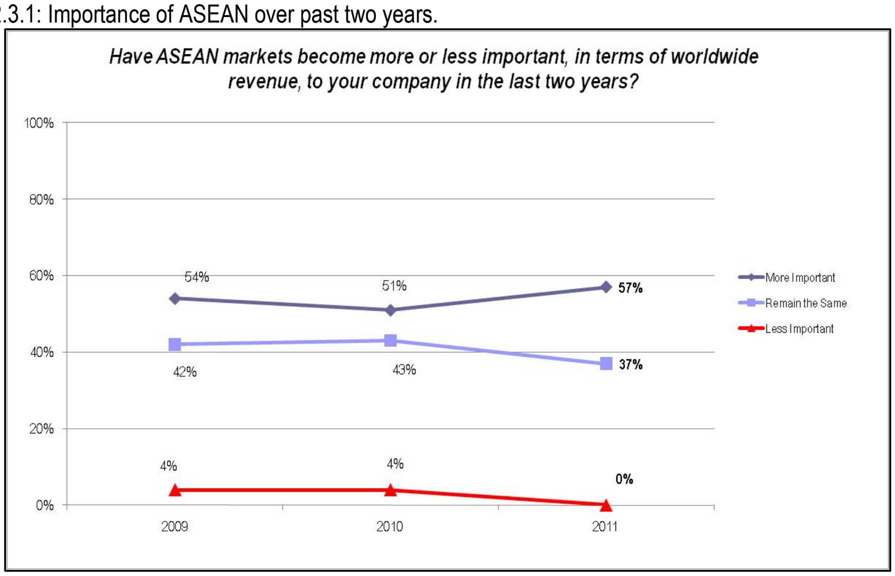
Figure 2.2: Financing and costs of borrowing



- In 2011, there are more companies facing significant financing constraints (24%) and higher costs of borrowing (24%) than there were in 2010 (10% and 8%, respectively). The percentage of companies facing higher costs of borrowing tripled within the year.
- The 2011 figures are still lower than those of 2009, in which 39% of companies faced significant financing constraints and 29% faced higher costs of borrowing.

2.3 Importance of ASEAN Markets in Global Business

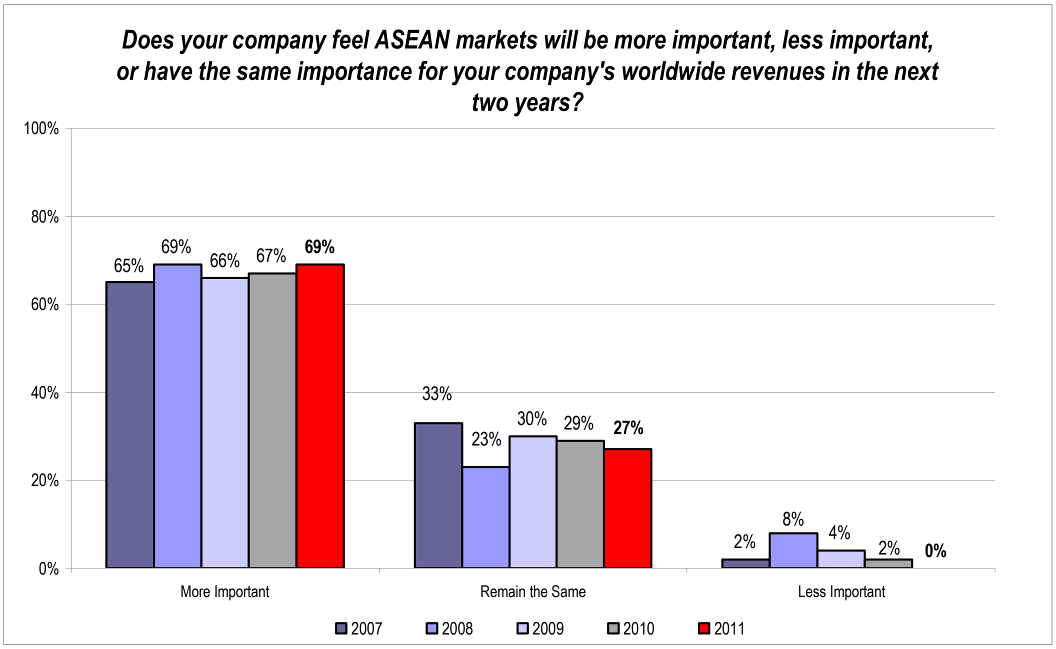
Figure 2.3.1: Importance of ASEAN over past two years.



- The majority of respondents (57%) stated that ASEAN markets have become more important to their company in the last two years in terms of worldwide revenue, an increase from last year's 51%.
- No respondents believe that ASEAN markets have become less important in the last two years, a decrease from the 4% who believed so in 2010.

Importance of ASEAN over Next Two Years

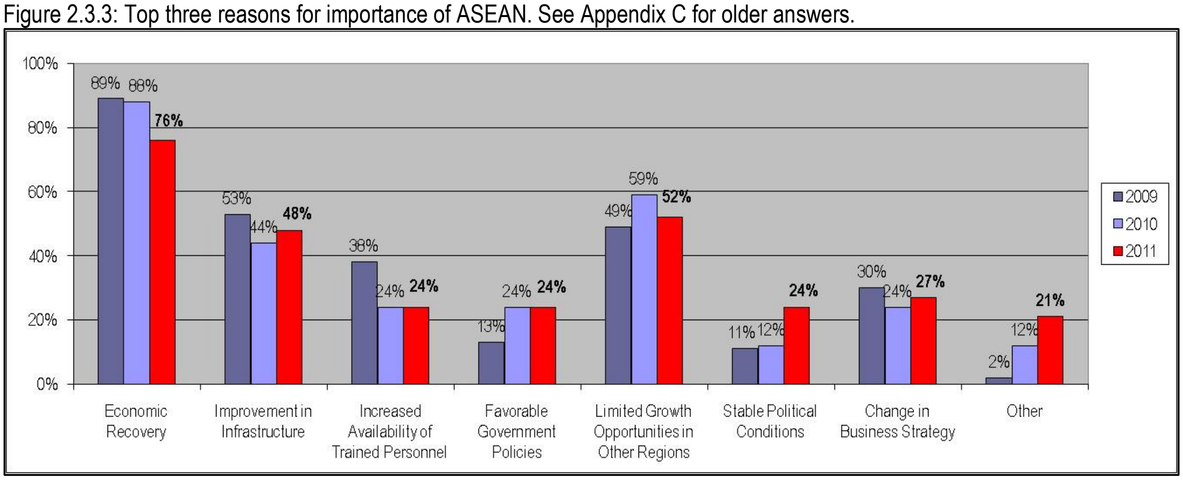
Figure 2.3.2: Importance of ASEAN over next two years



- Most respondents (69%) feel that ASEAN markets will be more important for their company's worldwide revenues in the next two years, consistent with the 67% who felt so in 2010.
- No respondents believe that ASEAN markets will be less important in the next two years, continuing the steady decline from 2008's 8% of respondents who believed so.

Top Three Reasons for Importance of ASEAN

Figure 2.3.3: Top three reasons for importance of ASEAN. See Appendix C for older answers.



- "Economic recovery" continues to be a top reason for believing that ASEAN markets will be more important than the next two years at 76%, though this is a decrease from 89% in 2010.
- Stable political conditions doubled in 2011 in popularity as a top reason for the importance of ASEAN, from 12% to 24%.
- Other percentages overall remains consistent with the 2010 data.

What does your company view as the most significant barrier to conducting business within ASEAN?

This was an open-ended response; selected responses are listed.

"Lack of unified regulations and tariffs across the region"

"Corruption and poor infrastructure"

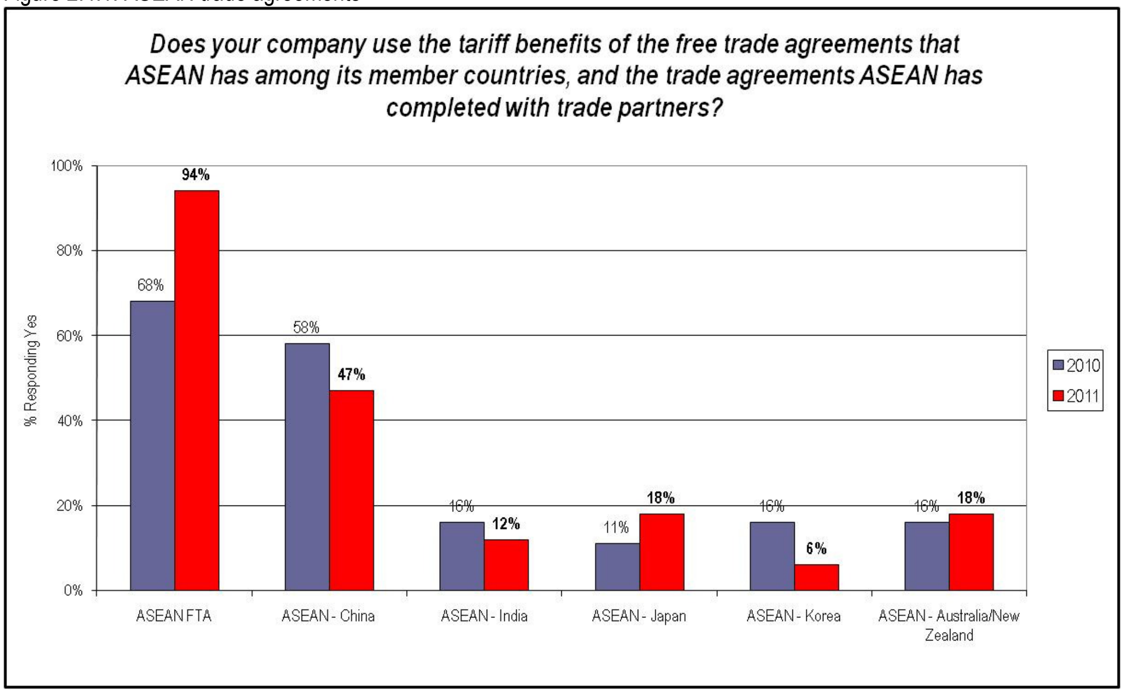
"Difficulty of setting up a business entity in the target country"

"Corruption at the local government levels continues to be an irritant. National government agencies have improved dramatically and have helped us address local government issues"

"Political Instability"

2.4 Effectiveness of ASEAN

Figure 2.4.1: ASEAN trade agreements



- The percentage of respondents who use the ASEAN Free Trade Agreement increased significantly from 68% in 2010 to 94% in 2011.
- The next most used agreement is the ASEAN-China FTA. 47% of respondents stated that they used it in 2011, compared to 58% in 2010.
- The percentages of respondents using the ASEAN-Japan FTA grew from 11% in 2010 to 18% in 2011, and those using the ASEAN-Korea FTA decreased from 18% in 2010 to 8% in 2011.

What hinders your business in using these trade agreements?

This was an open-ended response; selected responses are listed.

"They have little pertinence to our practice"

"Implementing guidelines and unclear process"

"Bribery & corruption"

"Perhaps lack of information"

Importance of ASEAN Integration

Figure 2.4.2: Importance of ASEAN integration

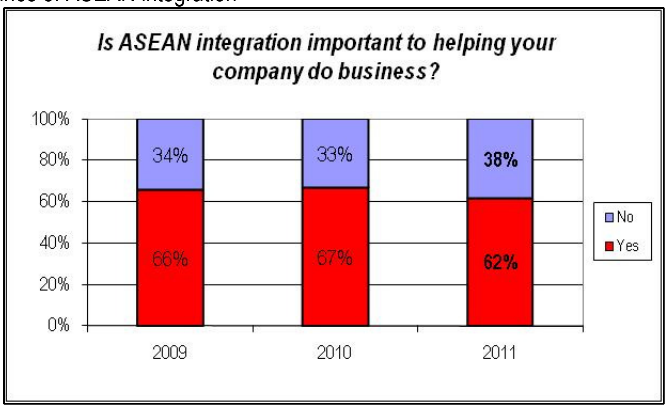
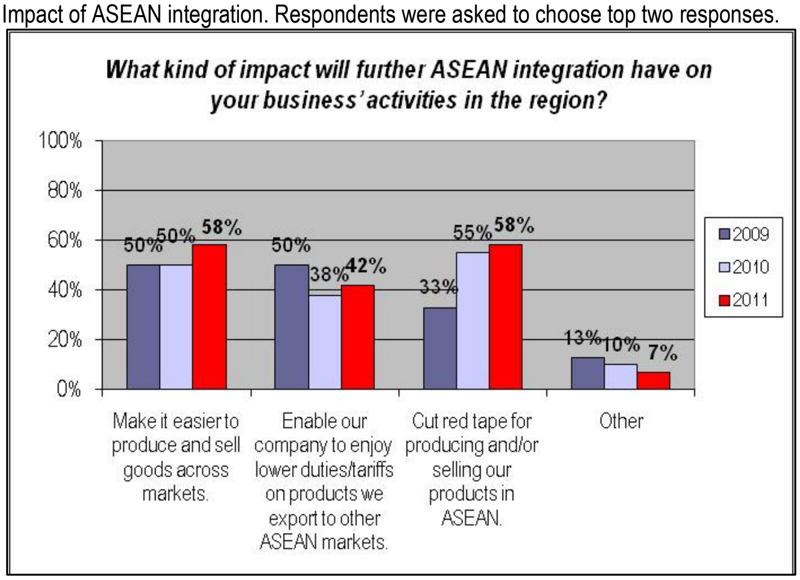


Figure 2.4.3: Impact of ASEAN integration. Respondents were asked to choose top two responses.



- ASEAN integration continues to be important in 2011, with 62% of respondents believing it to be important to helping their companies do business.
- The majority of respondents believe that further ASEAN integration will "make it easier to produce and sell goods across markets" (58%) and "cut red tape for producing and/or selling our products in ASEAN" (58%). These percentages are slight increases from the 2010 figures of 50% and 55%, respectively.

2.5 Business Direction and Movement in ASEAN

Figure 2.5.1: Past ASEAN expansion

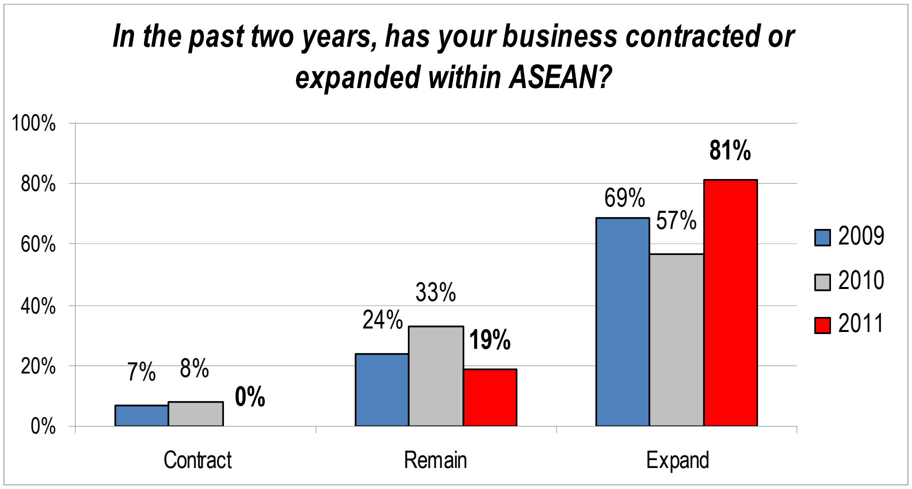
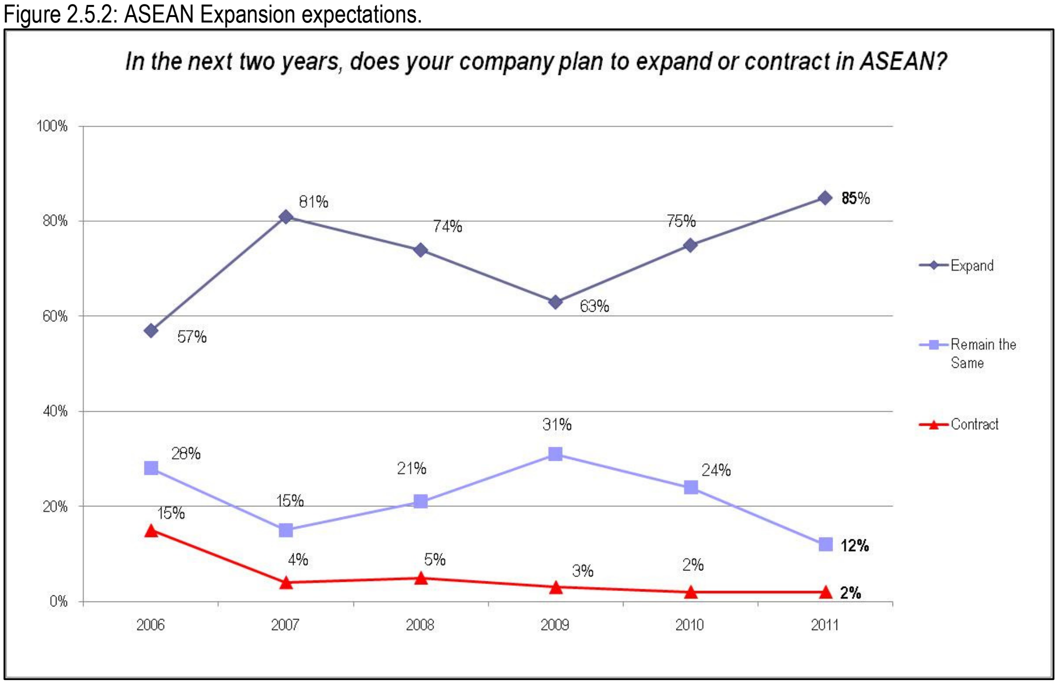


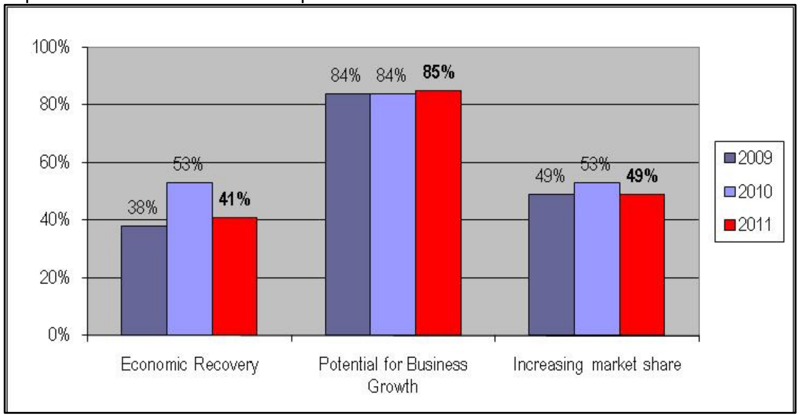
Figure 2.5.2: ASEAN Expansion expectations.



- During the past two years, 81% of respondents increased or significantly increased their business in ASEAN, an increase from 57% in 2010, and none decreased their business in ASEAN.
- Most respondents (85%) plan to expand in ASEAN over the next two years, an increase from the 2010 figure of 75%.
- 2% of respondents plan to contract their companies in ASEAN over the next two years.

Top Three Reasons for ASEAN Expansion

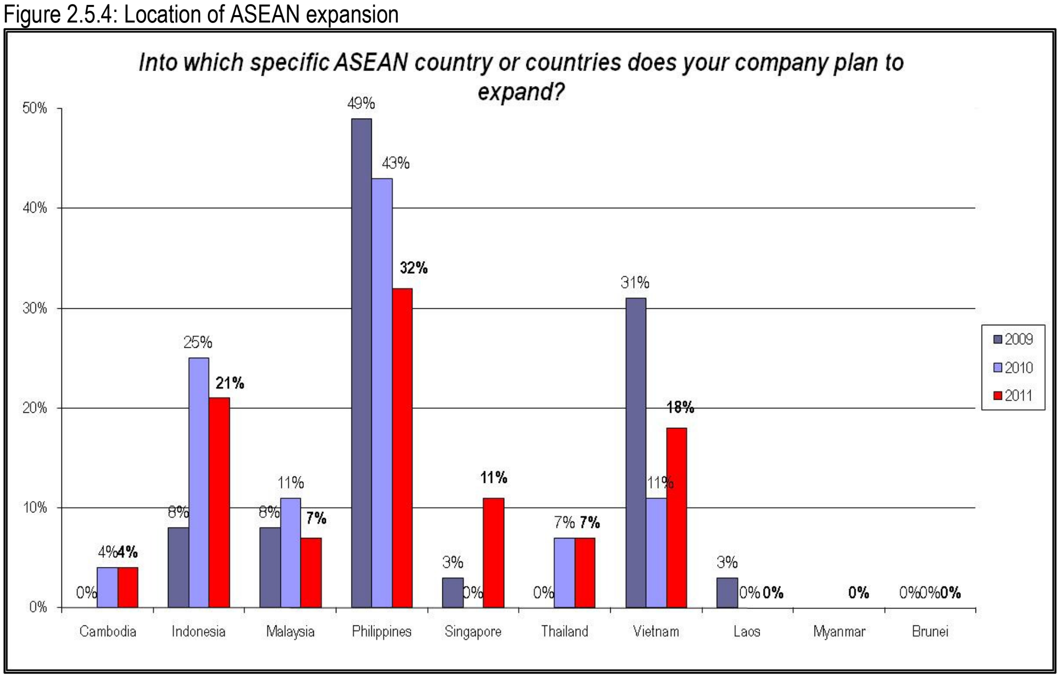
Figure 2.5.3: Top three reasons for ASEAN expansion



- "Economic recovery" decreased as a reason for ASEAN expansion, from 53% of respondents in 2010 citing it as a top reason to 41% in 2011.
- "Potential for business growth" maintained its position as the top reason for ASEAN expansion at 85% in 2011. See Appendix B for more reasons.

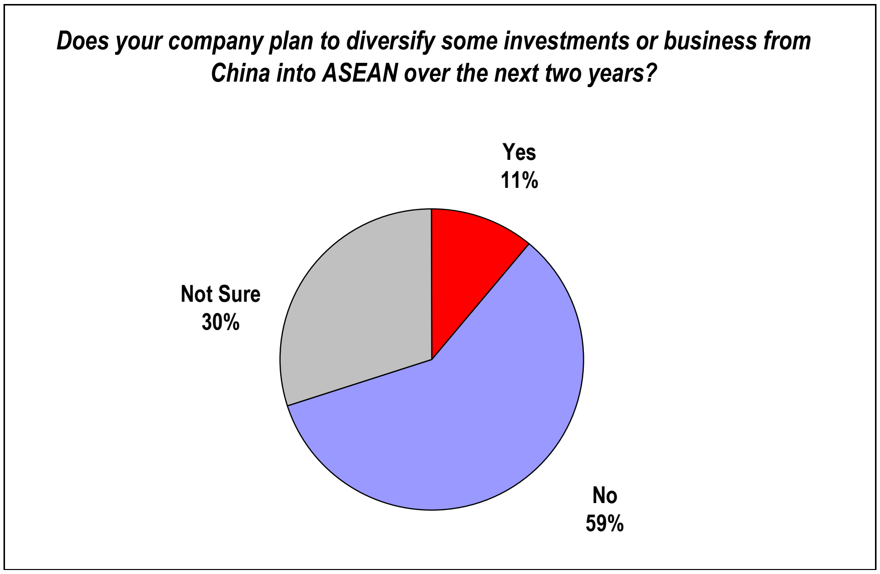
Location of ASEAN Expansion

Figure 2.5.4: Location of ASEAN expansion



- The Philippines is the most popular country for expansion, though the percentage of respondents citing it as the country in which the company plans to expand decreased from 43% in 2009 to 32% in 2011.
- Indonesia is the second most commonly cited country for ASEAN expansion at 21%.
- 18% chose Vietnam as a country for ASEAN expansion, an increase from 11% in 2010.
- Singapore grew from 0% in 2010 to 11% in 2011.
- See Appendix E for reasons behind choice.

Figure 2.5.5: Diversification from China into ASEAN



- Only 11% of respondents stated that their companies plan to diversify some investments or business from China into ASEAN over the next two years.

2.6 Profit Outlook

Compared to this past year, do you expect your profits in ASEAN in the current and coming years to increase, decrease, or remain the same?

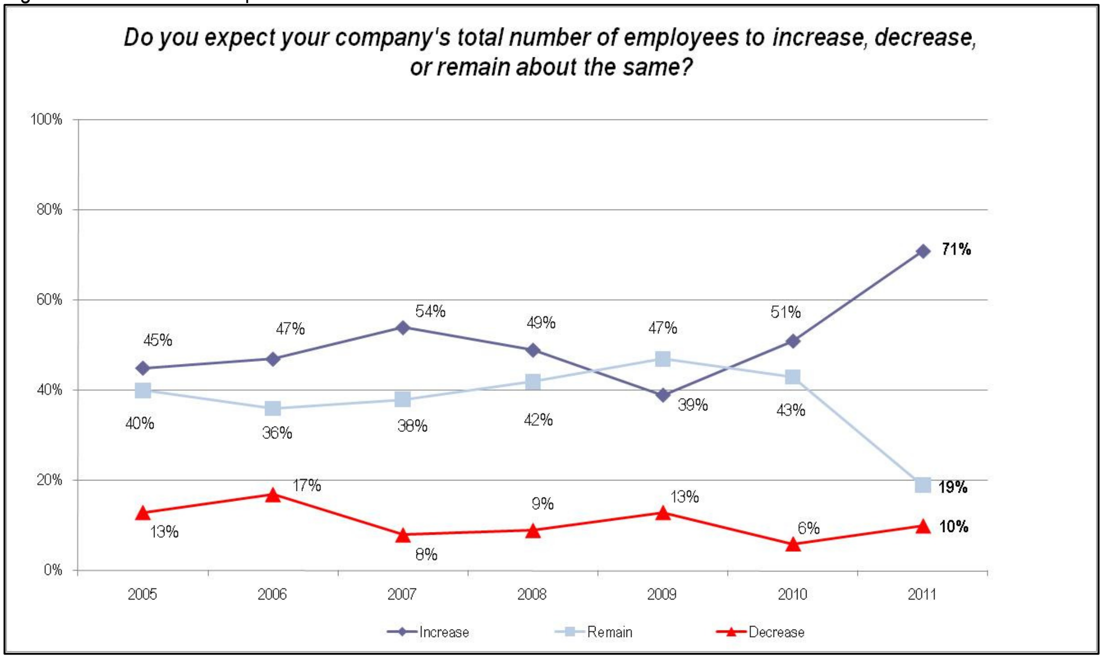
Figure 2.6: ASEAN profit outlook

Year of Survey			2006	2007	2008	2009	2010	2011
Profit Expectation	Current Year	Increase	64%	75%	57%	42%	72%	61%
		Remain	22%	20%	28%	36%	26%	28%
		Decrease	13%	5%	15%	21%	0%	7%
	Coming Year	Increase	74%	87%	75%	59%	76%	70%
		Remain	17%	10%	18%	30%	20%	26%
		Decrease	9%	3%	7%	10%	2%	0%

- Profit outlook remains positive, with the majority of respondents (61%) expecting profits to increase in 2011, and 70% expecting profits to increase in 2012.
- Expectations are slightly lower this year than in 2010, in which 72% of respondents believed profits would increase in the current year.

2.7 Workforce Expansion

Figure 2.7.1: Workforce expansion



By what percentage will the number of employees increase?

Table 2.7.1: Percentage of employee increase

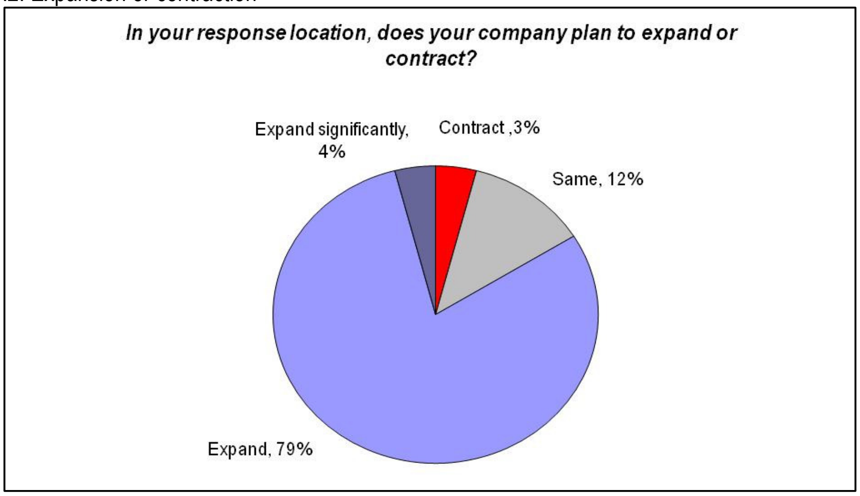
<table>
<tr><th colspan="2">Year of Survey</th><th>2003</th><th>2004</th><th>2005</th><th>2006</th><th>2007</th><th>2008</th><th>2009</th><th>2010</th><th>2011</th></tr>
<tr><td rowspan="7">Workplace Expansion</td><td>0 to less than 5%</td><td rowspan="2">31%</td><td rowspan="2">38%</td><td rowspan="2">36%</td><td rowspan="2">28%</td><td rowspan="2">30%</td><td rowspan="2">38%</td><td rowspan="2">54%</td><td rowspan="2">39%</td><td>6%</td></tr>
<tr><td>5 to less than 10%</td><td>41%</td></tr>
<tr><td>10 to less than 15%</td><td rowspan="2">31%</td><td rowspan="2">43%</td><td rowspan="2">29%</td><td rowspan="2">40%</td><td rowspan="2">36%</td><td rowspan="2">27%</td><td rowspan="2">25%</td><td rowspan="2">35%</td><td>26%</td></tr>
<tr><td>15 to less than 20%</td><td>21%</td></tr>
<tr><td>20 to less than 50%</td><td>23%</td><td>10%</td><td>18%</td><td>16%</td><td>15%</td><td>24%</td><td>29%</td><td>15%</td><td>6%</td></tr>
<tr><td>>50%</td><td>15%</td><td>10%</td><td>18%</td><td>12%</td><td>21%</td><td>10%</td><td>4%</td><td>12%</td><td>0%</td></tr>
</table>

In 2011, for the first time 0-10% was further split into 0-5% and 5-10%, and 10-20% was split into 10-15% and 15-20%.

- Most respondents (71%) expect the number of employees to increase, a significant change from the 51% who thought so in 2010. Out of these respondents, 6% expect an increase of 5% to 10%, and 41% expect an increase of 10% to 15%.
- Out of the respondents who expect the number of employees to decrease (10%), 40% expect a decrease of less than 5%, and 40% expect a decrease of 10% to 15%. The remaining 20% expect a decrease of 70% to 100%.

Future Expansion

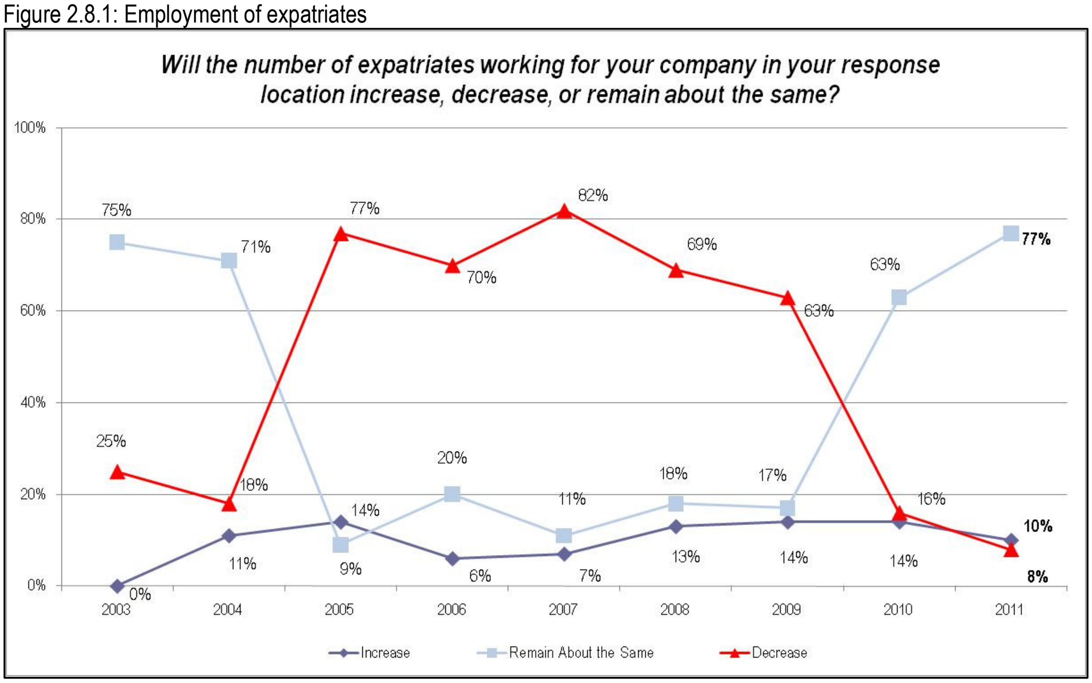
Figure 2.7.2: Expansion or contraction



- ♦ Most (83%) companies plan to expand or expand significantly in the Philippines.
- ♦ None expect to contract significantly.
- ♦ When asked their top three reasons for expansion, respondents most often chose “potential for business growth” (87%), “increasing market share” (54%), and “reasonable production costs” (36%). Another popular reason is availability of trained personnel/ efficient manpower (31%). Full results are not shown in this report.

2.8 Employment of Expatriates

Figure 2.8.1: Employment of expatriates



What are the TOP THREE reasons the number of expatriates working for your company will INCREASE?

Table 2.8.1: Reasons for increased employment of expatriates

Year of Survey	2009	2010	2011
Policy decision by head office	20%	29%	0%
Lack of skilled manpower in the local market	60%	71%	40%
Business expansion	60%	86%	40%
Improved security conditions for expatriates	10%	14%	0%
Other	30%	29%	40%

- In 2011 there is a significant drop in the percentage of respondents who expect a decrease in the number of expatriates employed by their company, from 16% in 2010 to 8% this year. This continues the downward trend from 63% in 2009 and 82% in 2007.
- There is also a slight decrease in the percentage of respondents who expect an increase in the number of expatriates employed by their company, 10% this year compared to 14% last year.
- "Lack of skilled manpower in the local market," "business expansion," and "other" are tied as the most popular reasons the number of expatriate employees will increase at 40%.
- Of those citing a decrease in expatriates, the most popular responses are "availability of skilled manpower in the local market" (100%) and "reduce costs" (75%). Respondents were asked for their top three reasons.

Table 2.8.2: Expatriate satisfaction

Year of Survey	2009	2010	2011
Does your company regularly receive requests from employees based in other locations to work in your response location?			
Yes	24%	15%	21%
No	**76%**	**85%**	**79%**
Are your expatriate employees generally satisfied with their assignments in your response location?			
Yes	**85%**	**86%**	**93%**
No	15%	14%	7%
Do your expatriate employees attempt to extend their time in your response location?			
Yes	**66%**	**70%**	**77%**
No	34%	30%	23%

- Overall expatriate employee satisfaction remains high at 93%, an increase from 86% satisfaction in 2010.
- Most respondents (79%) stated that their companies do not regularly receive requests from employees in other locations to work in the Philippines.
- 77% of respondents stated that expatriate employees attempt to extend their time in the Philippines, a slight increase from 70% in 2010.

3. FACTORS IMPACTING BUSINESS IN THE PHILIPPINES

Respondents were asked to rate their satisfaction with a series of local factors that could affect their business. The percentage of respondents who are satisfied or extremely satisfied with a given factor can be used to identify factors of strength. Conversely, the percentage of respondents dissatisfied or extremely dissatisfied with a particular factor can be used to identify areas held as concerns.

3.1 Local Business Environment Factors

Major Strengths

(Responded "Satisfied" or "Extremely Satisfied" at a combined rate of 59% or above in the 2011 survey)

Table 3.1.1: Time Comparison of satisfaction with major strengths

Factors	2003	2004	2005	2006	2007	2008	2009	2010	2011
Availability of trained personnel	**74%**	**73%**	63%	67%	57%	**62%**	**77%**	70%	66%
Sentiment towards the U.S.					**69%**	**62%**	73%	70%	**76%**
Office lease costs				59%		60%	57%	63%	56%
Availability of low cost labor	65%			**71%**		**62%**	67%	**76%**	62%

*See Appendix, Table A -1 for responses on all listed factors). *Empty boxes indicate areas that were neither strengths nor concerns for the year indicated. Responses bolded represent that year's response with the highest rate of satisfaction.*

- ♦ Satisfaction with "sentiment towards the U.S." is at its highest point (76%) since this survey began.
- ♦ Satisfaction decreased slightly in the rest of the categories: "availability of low cost labor" (from 76% in 2010 to 62% in 2011), "office lease costs" (from 6% to 56%), and "availability of trained personnel" (from 70% to 66%).

Major Concerns

(Responded "Dissatisfied" or "Extremely Dissatisfied" at a considerable rate)

Table 3.1.2: Time Comparison of satisfaction with major concerns

Factors	2003	2004	2005	2006	2007	2008	2009	2010	2011
Corruption	**91%**	**91%**	**88%**	**77%**	**72%**	**84%**	**88%**	**84%**	**79%**
Infrastructure	69%	69%	68%	50%	55%	54%	49%	46%	51%
Laws and regulations						47%	48%		62%
Tax structure						42%	41%	42%	43%
Local protectionism						45%	43%		41%

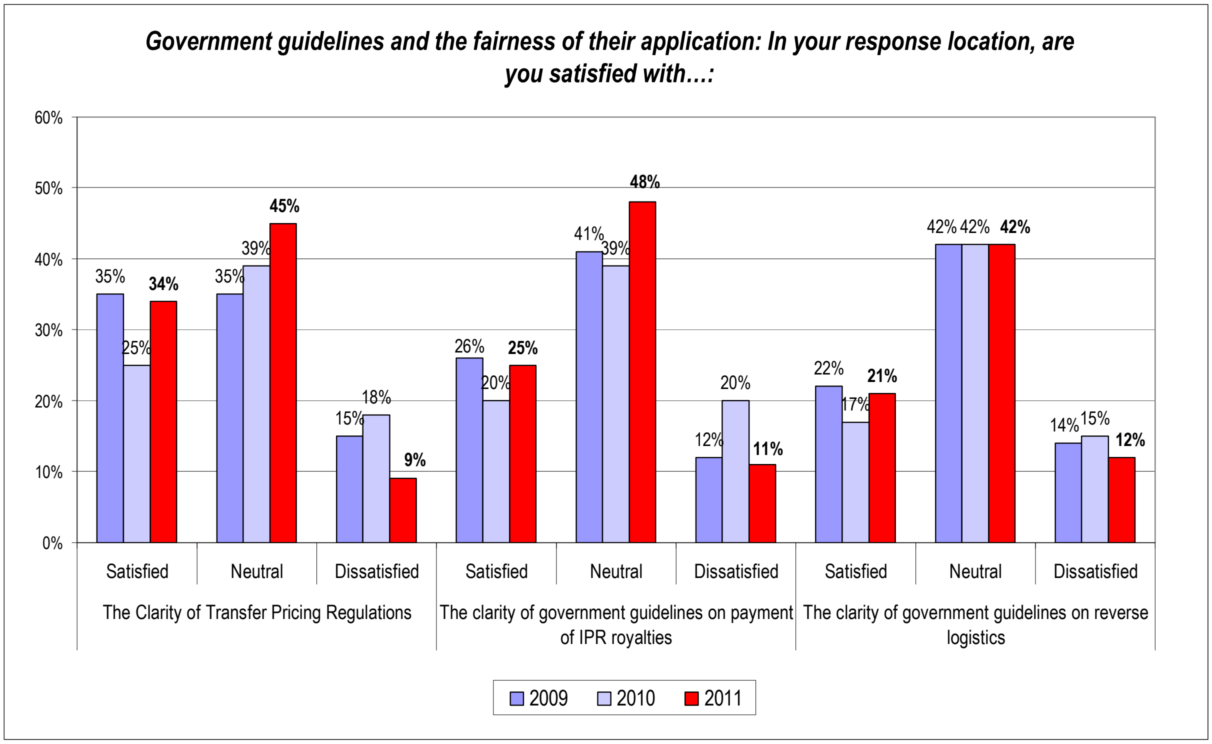
*(See Appendix, Table A-1 for responses on all listed factors). *Empty boxes indicate areas that are neither strengths nor concerns. Responses bolded represent that year's response with the highest rate of dissatisfaction.*

- ♦ "Laws and regulations" became a much greater concern for respondents in 2011, with a 62% rate of dissatisfaction.
- ♦ Dissatisfaction with "infrastructure" increased slightly, with a majority of respondents (51%) selecting dissatisfied or extremely dissatisfied, compared with 46% in 2010.
- ♦ Dissatisfaction with "corruption" decreased slightly from 84% in 2010 to 79% this year, though it remains the leading concern.

3.2 Other Local Business Factors

Government Guidelines and the Fairness of their Application

Figure 3.2.1: Government guidelines



- Dissatisfaction decreased for all three categories compared to 2010.
- The percentage of respondents who are satisfied with the government guidelines and the fairness of their application increased this year, almost reaching 2009 levels.
- Satisfaction with "the clarity of transfer pricing regulations" increased in 2011 to 34% from 25% in 2010. Satisfaction for "the clarity of government guidelines on payment of IPR royalties increased to 25% from 20%. Lastly, satisfaction with "the clarity of government guidelines on reverse logistics" increased to 21% from 17%.

Government Institutions

- With regards to local government institutions, respondents are most satisfied with the "central bank" (48%) and the "ministry of finance" (46%).
- The institutions with the highest dissatisfaction rates are "customs" (51%) and "taxation/revenue" (37%). See appendix Table A-2 for more details.

3.3 Economic Conditions

Over this year, 2011, what do you think will happen in your response location regarding…?

Table 3.3: Expectations about local factors

	Total Appreciate /Increase	Appreciate/ increase Significantly	Appreciate/ increase	**Neutral**	Depreciate/ decrease	Depreciate /decrease Significantly	**Total Depreciate /Decrease**
Local currency vs. U.S. dollar	**62%**	0%	62%	28%	9%	0%	**9%**
Housing cost	**75%**	6%	69%	27%	0%	0%	**0%**
Living cost	**85%**	2%	83%	8%	0%	0%	**0%**
Interest rate	**35%**	0%	35%	57%	4%	0%	**4%**
Overall economic growth	**77%**	0%	77%	19%	2%	0%	**2%**

- Outlook among respondents is positive overall, with the majority (77%) believing that there will be an expansion in economic growth, and only 2% expecting an economic contraction.
- Most respondents expect an increase in the living cost (85%) and the housing cost (75%), and none expect a decrease in either.
- The majority (57%) believe that the interest rate will remain neutral in 2011.

*The U.S. Taxation, International Schools, and Corporate Social Responsibility sections were optional questions on the 2010 and 2011 surveys, and thus have a significantly smaller sample size. Of the 48 respondents that took the 2011 survey, 19 answered the optional questions. Results may have been affected by this change.

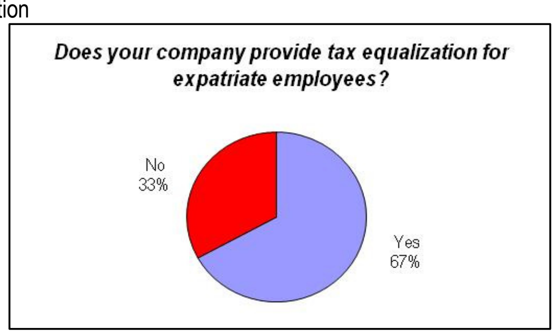
3.4 Taxation

Table 3.4: U.S taxation

Year of Survey	2009	2010	2011
Have you experienced a significant increase in the amount you must pay toward U.S. income tax on your foreign earned income since the recent legislative changes in 2006?			
Yes	37%	48%	**62%**
No	**63%**	**52%**	38%

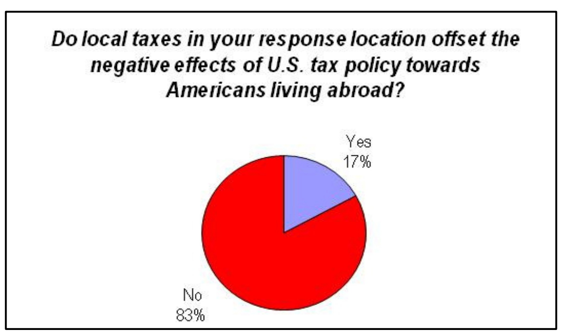
- A majority of respondents (62%) cited that they have experienced a significant increase in the amount they must pay toward U.S. income tax on their foreign earned income. This figure increased from the 2010 response of 48%.

Figure 3.4.1: Tax equalization



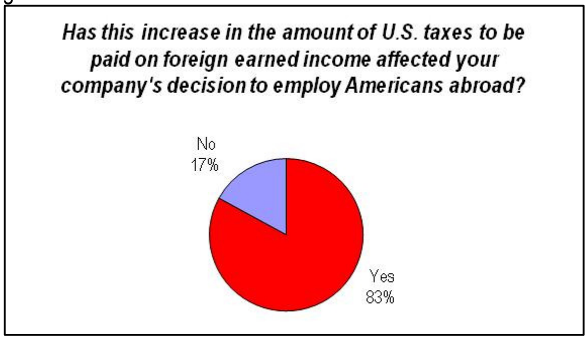
- Most respondents' companies (67%) provide tax equalization for their expatriate employees.

Figure 3.4.2: Local taxes



- Most of the respondents (83%) cited that local taxes in the Philippines do not offset the negative effects of U.S. tax policy towards Americans living abroad.

Figure 3.4.3: Tax on foreign earned income



♦ Most respondents (83%) believe that this increase in the amount of U.S. taxes on foreign earned income has affected their companies' decision to employ Americans abroad.

Selected Comments on Taxation

"The increase in taxation is very severe"

"Americans are the most expensive expatriate[s]. Although we accept applications, there is a strong disincentive to employ them"

"My taxes have gone up 30% on the same income"

"Tax on housing has been impacted significantly"

3.5 International Schools

Table 3.5: International schools

Year of survey	2009	2010	2011
Will the ability to find adequate space at international educational institutions in your response location be a significant problem in the next 1-3 years?			
Yes	17%	48%	42%
No	**84%**	**52%**	**58%**
Do you feel that the government of your response location is actively pursuing solutions to correct the space constraint at international educational institutions?			
Yes	8%	10%	25%
No	**92%**	**90%**	**75%**
Will the lack of adequate space at international educational institutions at your response location affect your company's decision to hire more local employees over foreign employees?			
Yes	**58%**	40%	25%
No	42%	**60%**	**75%**

♦ The majority of respondents (58%) do not believe that the ability to find adequate space at international educational institutions in the Philippines will be a significant problem in the next 1-3 years, similar to last year's 52%.

- Most respondents (75%) do not feel that the government in the Philippines is actively pursuing solutions to correct the space constraint at international educational institutions, although this is a decrease from the 90% who thought so in 2010.
- Most respondents (75%) do not believe that the lack of adequate space at international educational institutions in the Philippines will affect their company's decision to hire more local employees over foreign employees.

Selected Comments on International Schools

"Space is tight but not a constraint to assignments"

"Schools [are] expanding"

3.6 Corporate Social Responsibility

Table 3.6: Corporate Social Responsibility

Year of Survey	2009	2010	2011
Is your company involved in CSR efforts?			
Yes	**82%**	**83%**	**95%**
No	19%	17%	5%
Do you expect your company's CSR efforts to increase or decrease in 2011 compared with 2010?			
Increase	22%	45%	**56%**
Remain the Same	**57%**	**56%**	44%
Decrease	16%	0%	0%
How frequent are your company's CSR efforts?			
Ongoing	**54%**	**58%**	**61%**
Monthly	2%	0%	0%
Multiple times per year	38%	37%	33%
Yearly	9%	5%	6%
What form does your company's CSR efforts take? (check all that apply)			
Fundraising	43%	50%	61%
Employee volunteering	**74%**	**89%**	**94%**
Cash donations	67%	72%	78%

- Nearly all respondents stated that their companies are involved in CSR efforts (95%), an increase from 83% who did in 2010. The majority (56%) expect CSR efforts to increase in 2011 compared with 2010. None expect CSR efforts to decrease in 201.
- The majority of respondents stated that their company's CSR efforts are ongoing (61%), consistent with last year's 58% who said so. The next most popular response is "multiple times per year," with one third of respondents selecting that as their answer.
- "Employee volunteering" is the most popular form of CSR effort, with 94% of respondents stating that their company engages in it. "Cash donations" is the second most popular form of CSR effort at 78%.

4. CONCLUSION

Outlook

On a global scale, the expectations of the world economy have levelled off since last year. Though last year, 74% of respondents predicted a better or much better performance of the world economy, less than half gave the same response this year. In the location, expectations are higher, with most believing that Philippine economic growth will increase in 2011. Respondents also have a positive view of their own company. Most expect both company expansion in the Philippines as well as a workforce increase in the coming year, due to the potential for business growth in the area, the increasing market share, and reasonable production costs.

ASEAN

ASEAN markets continue to grow in importance for most respondents because of the economic recovery, limited growth in other markets, and the improvements in infrastructure in the region. 84% of respondents report that their business uses the benefits of the ASEAN free trade agreement, and the majority believes that ASEAN integration is important because it makes it easier to produce and sell goods across markets. Most businesses are expanding in ASEAN within the next two years due to what they see as great potential for business growth as well as ASEAN's increasing market share. A third of this expansion will take place in the Philippines.

Location Specific

The business climate of the Philippines has gotten tougher this year, with nearly a quarter of respondents facing significant financing constraints and higher costs of borrowing. Additionally, three quarters of respondents expect that living costs will increase, and 85% predict that the same will occur with housing costs. This may impact the high satisfaction that respondents currently feel towards the reasonable housing office lease, and labor costs. Corruption and concerns about the infrastructure continue to be issues to businesses in the Philippines, and this year, the laws and regulations of the nation have also become a problem. However, satisfaction with government guidelines and the fairness of their application has increased in 2011 compared with the previous year. Though most companies do not receive assignments requests in the Philippines, 93% report overall expatriate satisfaction, and most state that expatriate employees attempt to extend their time in the location.

APPENDICES

(A) Local Factors Impacting Business

How Satisfied Are You With These Local Factors?

Table A: Satisfaction with factors

	Total Satisfied	*Extremely Satisfied*	*Satisfied*	Neutral	*Dissatisfied*	*Extremely Dissatisfied*	Total Dissatisfied
Infrastructure	**27%**	4%	23%	27%	47%	4%	**51%**
Availability of raw materials	**41%**	0%	41%	24%	13%	2%	**15%**
Availability of low cost labor	**62%**	13%	49%	23%	11%	2%	**13%**
Availability of trained personnel	**66%**	17%	49%	15%	17%	2%	**19%**
Office lease costs	**56%**	9%	47%	30%	13%	2%	**15%**
Housing costs	**49%**	4%	45%	32%	15%	2%	**17%**
Laws & regulations	**17%**	0%	17%	21%	49%	13%	**62%**
Corruption	**2%**	0%	2%	19%	47%	32%	**79%**
Local protectionism	**13%**	0%	13%	45%	30%	11%	**41%**
Tax structure	**26%**	2%	24%	30%	39%	4%	**43%**
Personal security	**42%**	9%	33%	22%	35%	2%	**37%**
Stable government and political system	**44%**	2%	42%	42%	11%	2%	**13%**
New business incentives by government	**41%**	11%	30%	36%	9%	9%	**18%**
Sentiment towards the U.S.	**76%**	36%	40%	23%	0%	0%	**0%**
Free movement of goods within the region	**42%**	2%	40%	34%	15%	2%	**17%**
Ease of moving products through customs	**28%**	4%	24%	28%	30%	7%	**37%**

How Satisfied are You with Local Government Institutions?

Table A-2: Satisfaction with local government institutions

	Total Satisfied	*Extremely Satisfied*	*Satisfied*	Neutral	*Dissatisfied*	*Extremely Dissatisfied*	Total Dissatisfied
Agency to promote/develop investment	**41%**	13%	28%	37%	9%	7%	**16%**
Customs	**17%**	2%	15%	27%	34%	17%	**51%**
Immigration	**37%**	4%	33%	25%	25%	8%	**33%**
Taxation/Revenue	**19%**	0%	19%	44%	29%	8%	**37%**
Central Bank	**48%**	10%	38%	31%	8%	0%	**8%**
Ministry of Finance	**46%**	6%	40%	26%	17%	0%	**17%**

(B) Reasons for Business Expansion in ASEAN over the Next Two Years

Table B: Top 3 Reasons for ASEAN Expansion

Year of Survey	2007	2008	2009	2010	2011
Reasons for Expansion					
Economic recovery	**61%**	52%	38%	53%	41%
Potential for business growth	**61%**	52%	**84%**	**84%**	**85%**
Increasing market share	57%	**75%**	49%	53%	49%
Reasonable production cost	39%	39%	27%	26%	20%
Diversity of customer base	34%	41%	18%	21%	27%
Lack of growth in current market/countries	9%	7%	7%	5%	10%
Availability of trained personnel/efficient manpower	48%	39%	40%	26%	20%
Availability of raw materials				3%	10%
High level of personal security				0%	0%
Low level of corruption				0%	2%
Adequate laws and regulations to protect business				3%	0%
Adequate laws and regulations to encourage foreign investment				5%	7%
Stable government and political system				8%	10%
Low level of local protectionism				0%	2%
Weak competition in market/countries				0%	5%
Other				5%	5%

Empty boxes indicate that no comparative data is available for those years.

(C) Importance of ASEAN Markets over the Next Two Years

Table C: Top Reasons for ASEAN Importance over Next Two Years.

Year of Survey	2007	2008	2009	2010	2011
Reason					
Economic recovery	**80%**	49%	**89%**	**88%**	**76%**
Limited growth opportunities in other regions	33%	53%	49%	59%	52%
Improvement in infrastructure	48%	**60%**	53%	44%	48%
Increased availability of trained personnel	38%	42%	38%	24%	24%
Favorable government policies	10%	23%	13%	24%	24%
Stable political conditions	13%	14%	11%	12%	24%
Change in business strategy		23%	30%	24%	27%
Other					21%

Empty boxes indicate that no comparative data is available for those years.

(D) Sample Profile

Table D: Workforce and Turnover

Year of Survey		2003	2004	2005	2006	2007	2008	2009	2010	2011
Scope of responsibility	One country	38%	37%	43%	**55%**	42%	42%	**52%**	**51%**	**66%**
	Multiple countries	**62%**	**63%**	**57%**	45%	**58%**	**58%**	48%	49%	34%
Size of Current Workforce in Region	Below 50 employees	38%	**43%**	**36%**	38%	38%	32%	28%	26%	19%
	50 to <500 employees	**43%**	39%	33%	**42%**	**39%**	**40%**	**46%**	**52%**	**53%**
	500 to <1000 employees	7%	9%	18%	13%	10%	16%	13%	8%	9%
	1000 to <1500 employees	5%	4%	7%	6%	3%	6%	2%	0%	2%
	1500 to <2000 employees	5%	2%	2%	0%	3%	2%	2%	2%	0%
	2000 employees or above	2%	4%	5%	2%	7%	3%	7%	12%	17%
Company's Past Year Turnover in the Philippines (USD)	Below $1 million	14%	24%	11%	15%	12%	12%	6%	8%	9%
	$1 to <$50 million	**62%**	**55%**	**60%**	**53%**	**53%**	**60%**	**49%**	**52%**	**50%**
	$50 to <$100 million	12%	10%	11%	11%	24%	10%	17%	17%	11%
	$100 to <$500 million	9%	8%	16%	13%	9%	15%	10%	15%	14%
	$500 to <$1 billion	2%	2%	4%	2%	3%	2%	7%	4%	7%
	$1 billion or above	2%	2%	0%	2%	0%	2%	0%	2%	5%
Past Year's Turnover As Percentage of Company's Global Turnover	Below 5%	**67%**						**72%**	**51%**	**63%**
	5 to <25% (Before 2006: 5 to <20%)	22%						15%	28%	21%
	25 to <50% (Before 2006: 20- <50%)	3%						3%	9%	7%
	50 to <75% (Before 2006: 50% or above)	7%						0%	4%	0%
	75 to <100%							5%	2%	2%
	100%							5%	6%	7%

Empty boxes indicate that no comparative data is available for those years.

		2009	2010	2011
Past Year's Turnover as Percentage of Company's Total ASEAN Turnover	Below 5%	22%	17%	26%
	5 to less than 25%	**53%**	**46%**	**42%**
	25 to less than 50%	7%	15%	9%
	50 to less than 75%	2%	4%	2%
	75 to less than 100%	7%	4%	7%
	100%	10%	13%	14%
ASEAN Country That Holds the Next Largest Turnover for Company	Vietnam	3%	0%	3%
	Cambodia	0%	0%	0%
	Indonesia	12%	10%	8%
	Laos			0%
	Malaysia	9%	12%	8%
	Thailand	24%	**29%**	**36%**
	Philippines	22%	27%	19%
	Singapore	**29%**	22%	25%

Table D-2: Primary Responsibility

Primary Activity		2009	2010	2011
Services	Accounting	0%	0%	0%
	Architecture and Engineering Services	4%	0%	2%
	Banking	4%	2%	2%
	Consulting	3%	4%	2%
	Education	1%	0%	0%
	Healthcare	0%	2%	4%
	HR Services	4%	2%	2%
	Insurance Brokers	3%	2%	0%
	Legal	0%	0%	0%
	Marketing & Communications Services	1%	0%	6%
	Other Financial Services	6%	2%	0%
	Software, IT, Telecommunications Services	7%	6%	8%
	Transportation & Logistics	3%	2%	4%
	Wholesale & Retail	4%	4%	4%
	Business Process Outsourcing/ Shares Services		10%	6%
	Other	3%	4%	4%
	Total Services	**43%**	**40%**	**44%**
Manufacturing	Consumer Goods	9%	10%	15%
	Electronics	0%	4%	4%
	Food & Food Products	3%	6%	4%
	Oil & Petrochemical	1%	4%	4%
	Pharmaceuticals/Medical	1%	4%	0%
	Machinery & Equipment	0%	0%	0%
	Other	12%	6%	15%
	Total Manufacturing	**26%**	**34%**	**42%**
Other		28%	27%	12%

E) Reasons behind the choice of ASEAN country for business expansion

Table E: ASEAN Expansion

Year of Survey	2009	2010	2011
Reasonable production costs	30%	17%	30%
Availability of raw materials	10%	10%	0%
Availability of trained personnel/efficient manpower	42%	33%	30%
Increasing market share	**50%**	**53%**	**56%**
Diversification of customer base	12%	17%	22%
High level of personal security	0%	0%	0%
Low level of corruption	0%	0%	0%
Adequate laws and regulations to protect business	2%	3%	11%
Adequate laws and regulations to encourage foreign investment	5%	0%	7%
Stable government and political system	12%	10%	26%
Low level of local protectionism	2%	0%	4%
Weak competition in the market/country	12%	7%	15%
Other	18%	23%	26%