

2024 ECCP Business Sentiment Survey Report



2024 Key Findings

Current Business Environment & Outlook

- 85% of respondents expect their level of trade and investment in the Philippines to increase over the next four years.
- 81% of respondents expect their company to expand in the next four years.
- Growth opportunities, infrastructure improvements, and a focus on sustainability are the key drivers of business interest in Philippine expansion, reflecting confidence in the country's robust economic fundamentals, improving infrastructure, and alignment with global standards.

Ease of Doing Business

- 53% of respondents sees ease of doing business measures in the Philippines as improving.
- 75% of respondents say there are still significant amounts of barriers to investment, business activities, or overall ease of doing business in the country.
- 6% of respondents of companies involved in trade in goods see customs procedures as speedy and efficient.

European-Philippines Free Trade Agreement

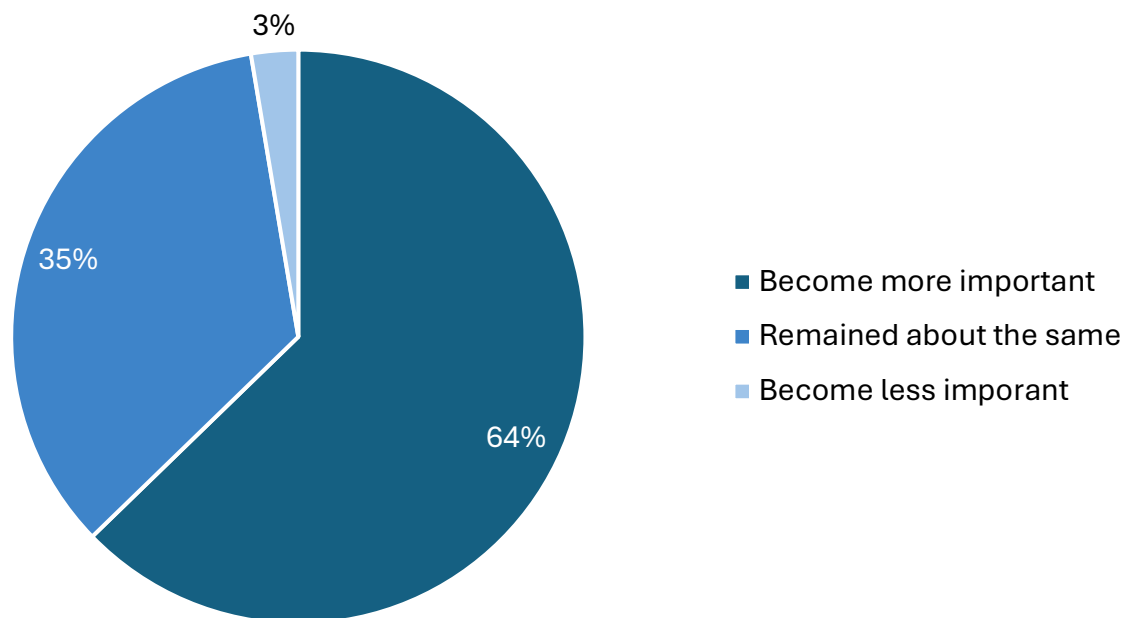
- 85% of respondents see the resumption of the EU-PH FTA negotiations as important for them and their business strategies.
- 24% of respondents says their main use for the FTA is trade in goods and services and, 21% will use the FTA for Trade in Services, while 20% will use the FTA for Investments.
- 24% of respondents sees Customs and Trade Facilitation as the most relevant chapter of an FTA, followed by Investments (16%), and Trade in Services (10%).

Current Business Environment & Outlook

Members of the European Chamber of Commerce of the Philippines (ECCP) participated in a survey to share their insights on the current economic outlook and overall business sentiment in the Philippines. The findings reaffirm the country's importance as a significant player both regionally and globally.

The Philippines' economic outlook appears promising, with notable GDP growth and increasing investment levels. Over 64% of member company respondents reported an increased importance of the Philippine market in its global revenues over the past two years, although 35% indicated no change or a decline.

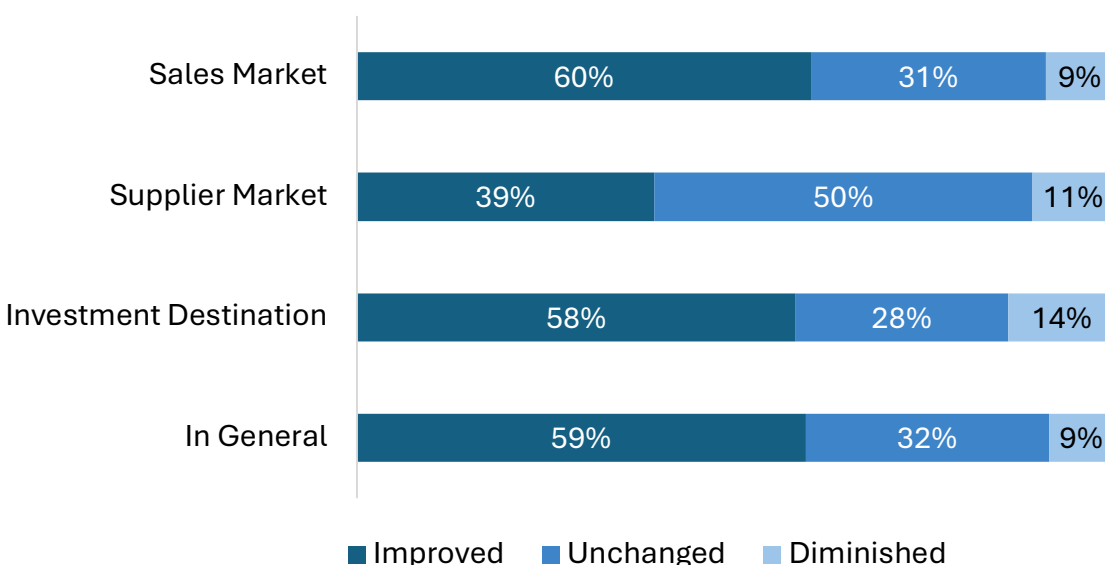
Figure 1. The Philippine market's share and importance in global revenues in the last 2 years



The survey also examined changes in the Philippines' attractiveness as an investment destination, supplier market, and sales market. A substantial 60% of respondents noted improvements in the country's appeal compared to other regional markets, with similar sentiments regarding its attractiveness as both an investment destination and sales market.

However, the majority observed no significant changes in the Philippines' position as a supplier market.

Figure 2. Is there a change in the Philippines' attractiveness in the following areas compared to other markets in the region over the last 2 years?



Looking ahead, respondents expressed positive expectations for the Philippines over the next four years. They anticipate continued economic growth driven by initiatives such as public-private partnerships (PPPs), robust private consumption, rising investment spending, a growing population, improved infrastructure, among other factors.

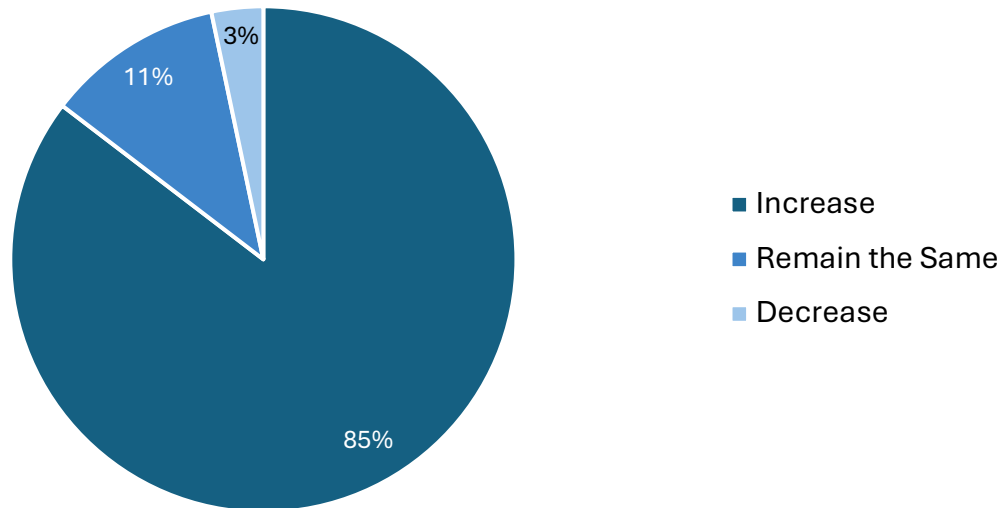
Respondents also expected foreign investments to come in with the passage of several economic liberalization laws such as the amendments to the Public Services Act, Retail Trade Liberalization Act, and the Foreign Investment Act.

Furthermore, respondents believe that the Philippines will enhance its infrastructure through strategic investments, tax incentives, job creation, and initiatives such as promoting smart cities and renewable energy. They hope that this increased focus on infrastructure development will lead to significant improvements in transportation, logistics, and tourism while attracting new businesses. Ultimately, these efforts are expected to contribute to a more competitive and dynamic Philippine economy.

However, respondents also emphasize the need for the government and policymakers to adopt a more proactive approach in addressing key challenges. These include combating corruption, accelerating digitalization, and streamlining regulations to create a more business-friendly environment. Reflecting this optimism, approximately 85% of

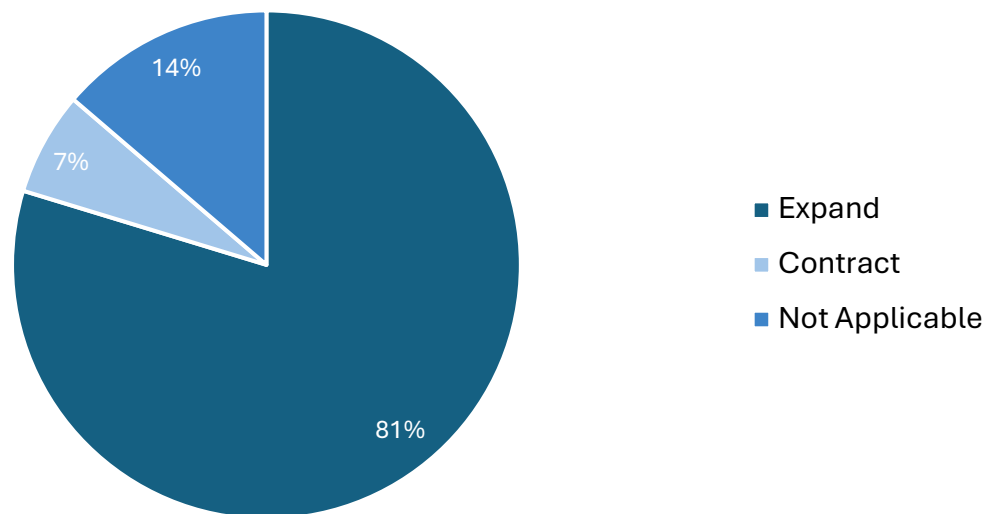
respondents plan to increase their level of trade and investment in the Philippines over the next four years.

Figure 3. In the next four years, you expect your level of trade and investment in the Philippines to:



On top of this, 81% of respondents said they plan to expand their company in the next four years, with around 7% saying they will contract, and 14% saying neither.

Figure 4. Does your company plan to expand or contract in the next four years?



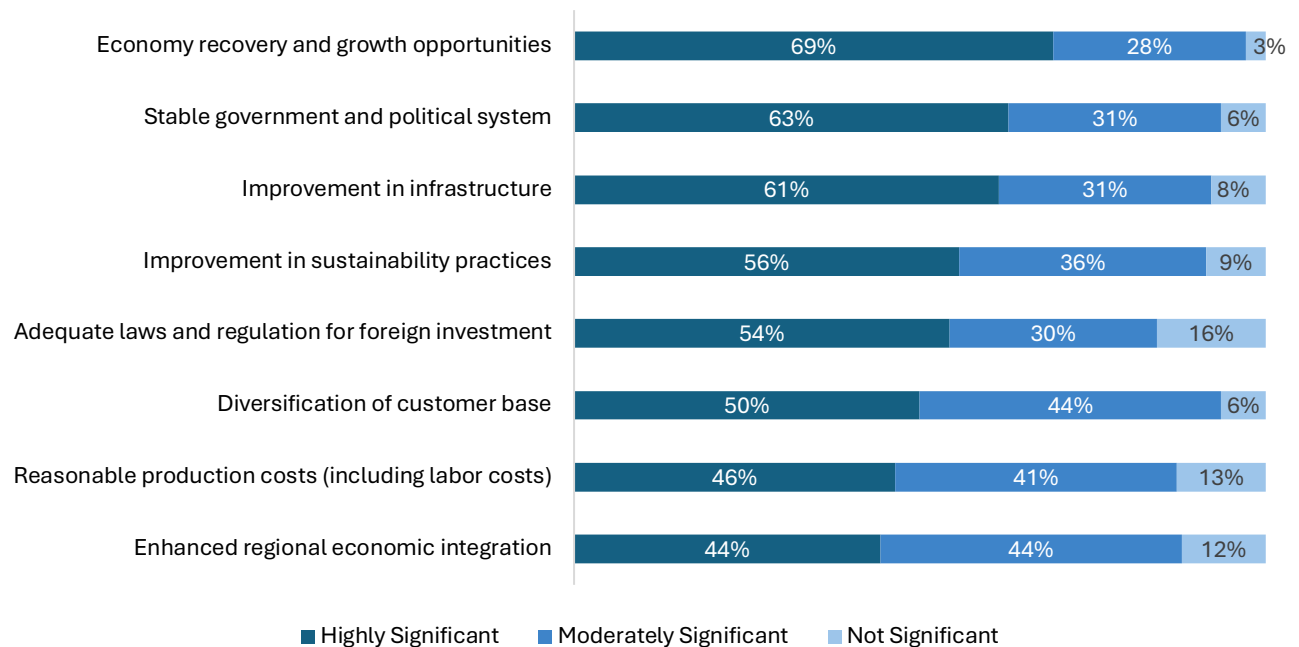
When asked about key factors driving business interest in Philippine expansion, 69% of respondents highlighted **economic recovery and growth opportunities** as highly significant. This optimism is supported by the country's strong economic fundamentals, including positive GDP growth in recent years and in the first three quarters of 2024.

A **stable government and political system**, cited by 63% of respondents as highly significant, is another crucial factor. A stable political environment fosters business confidence, attracts foreign direct investment, and ultimately reduces uncertainty.

Infrastructure improvements, emphasized by 61% of respondents are crucial for efficient logistics, transportation, and overall economic development. These investments can significantly reduce costs, improve productivity, and enhance the country's overall competitiveness.

Finally, a growing number of businesses, 56% of respondents, are **prioritizing sustainability practices**. This shift reflects not only an increasing global awareness of environmental and social issues, but also the increasing integration of the Philippine market with international standards. As global markets increasingly demand sustainable products and services, Philippine-based businesses recognize the need to adapt and adopt sustainable practices to remain locally, regionally, and globally competitive.

Figure 5. What are the key factors driving your interest in expanding your business to/in the Philippines?

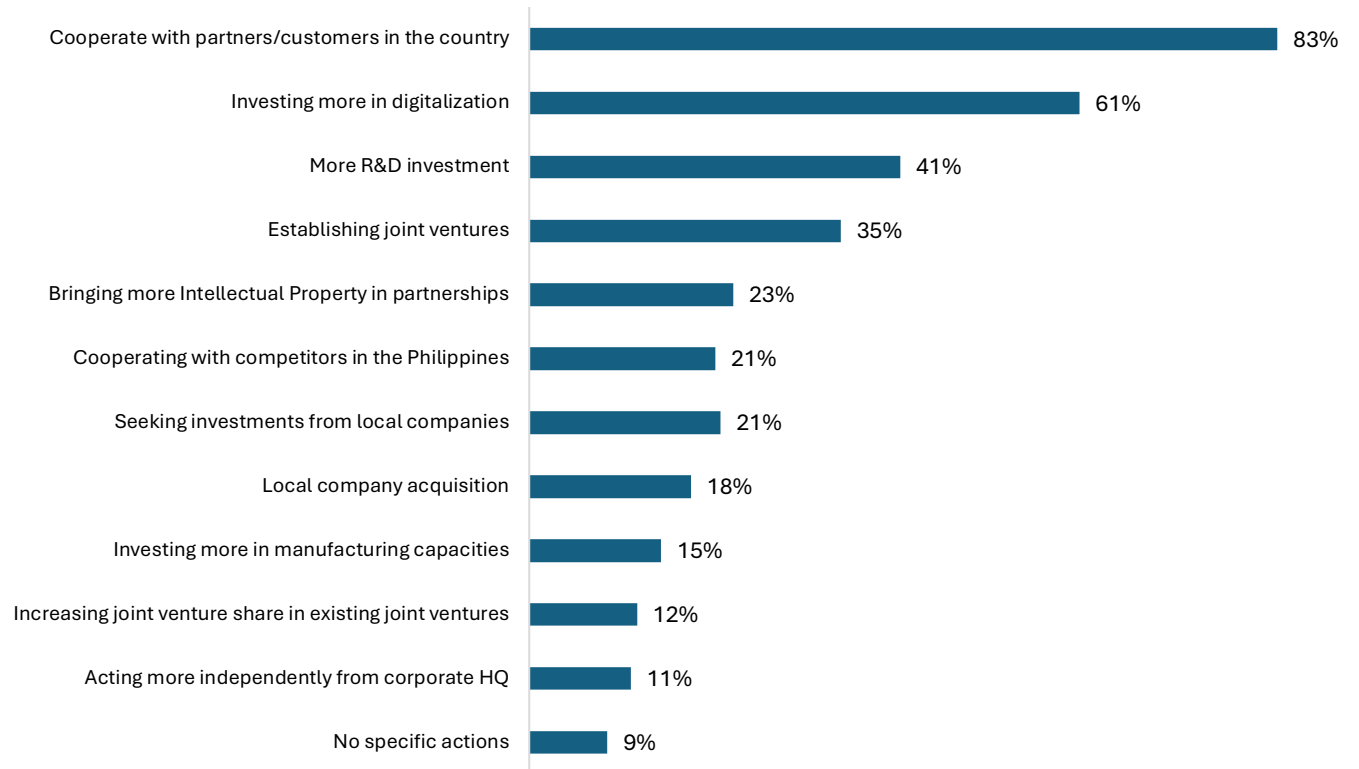


A significant 82% of respondents believe that **collaborating with partners and customers within the Philippines** is crucial for maintaining a competitive edge. This underscores the importance of strong local relationships and a deep understanding of the domestic market, especially for European companies coming into the country.

Digitalization emerged second, with 63% of respondents identifying it as a prerequisite for competitiveness. This reflects the increasing reliance on technology to streamline operations, enhance efficiency, and deliver innovative solutions.

Investing in research and development (R&D) is also considered essential by 42% of respondents. This commitment to innovation allows companies to develop high-demand products and services, adapt to changing market dynamics, gain a competitive advantage, and promote sustainability.

Figure 6. What do you do to stay competitive in the Philippines



Qualitative Responses on Internal Business/Organizational Activity

To position themselves strategically for the next four years, member companies are prioritizing **workforce development and digital transformation**. By investing in training and skilling their employees in AI, data analytics, and automation, companies aim to adapt to the evolving business landscape both domestically and internationally. These efforts, combined with market research, is seen to enable companies to redefine their approach and expand their reach. As the Philippines aims to become more open to foreign markets and investments, member companies in the country are developing comprehensive and strategic plans to align with global standards.

In terms of **digital transformation**, businesses are embracing technology to streamline operations, enhance customer experiences, and foster innovation. Strategic partnerships are also being formed to access new markets, technologies, and expertise. Part of this is also market research and adaptation, where companies formulate and implement market-driving strategies through data-driven and data-centric approaches. Innovation is also a key strategy in digital transformation as companies seek to keep up with advances in AI and other new technologies to become more cost effective and sustainable.

When asked about their current plans for operations staffing and resource allocation, most respondents indicated that they are actively seeking to hire and recruit more staff. This aligns with the earlier expressed optimism, as many businesses aim to expand their operations.

At the same time, **training and upskilling** as well as digital transformation remains a crucial aspect of their staffing and resource allocation strategies. Providing enhanced training programs that address modern technological needs is essential. Additionally, hybrid work setups are being implemented as a strategy to not only improve operational efficiency and reduce costs, but also enhance employee work-life balance. Respondents indicate that they are not only focused on attracting top talent, but also on retaining them through continued professional development and training.

The responses have also indicated a growing interest in **expanding outside Metro Manila**. Key cities such as Cebu, Clark, Davao, among others have been highlighted by respondents as promising areas for growth. This diversification strategy reflects a desire to tap into the potential of these markets, which offer a skilled workforce, relatively lower operating costs, and strategic geographic locations. By expanding into these areas, businesses can access new markets, reduce operational risks, and contribute to regional economic development.

Outlook Concerns

When considering the country's future over the next four years, many respondents identified **governance and political stability** as important factors. This sentiment was shared across

various industries. Respondents highlighted the significance of **policy continuity and predictability** in maintaining a stable political climate and effective governance. They believe that consistent and predictable policies create a conducive environment for businesses.

Furthermore, respondents heightened the need for **transparency and streamlining of regulations and policies across the sectors**. By reducing bureaucratic hurdles and promoting transparency, the government can foster a positive business climate, attract investments, and encourage economic growth.

Geopolitical risks and uncertainty in different parts of the world have emerged as significant concerns for respondents. These external factors can have ripple effects on the domestic economy, impacting trade, investment, and supply chains.

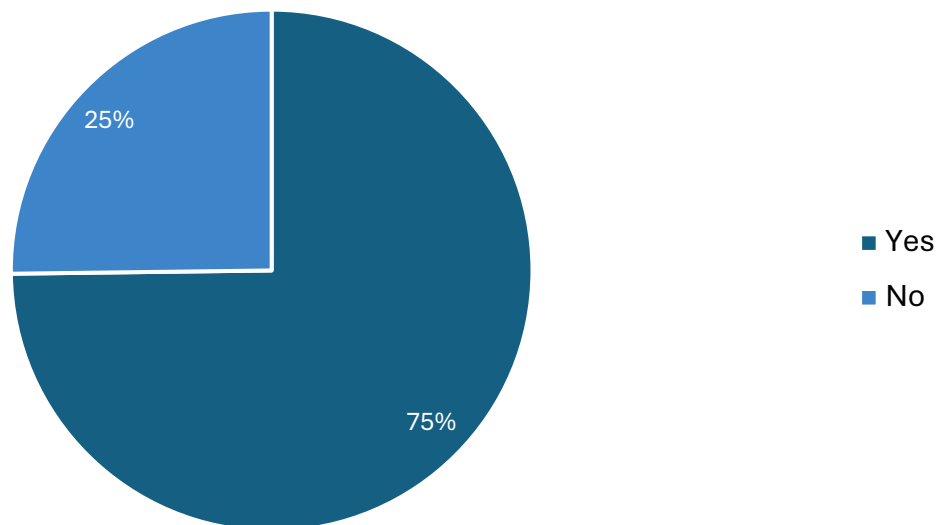
Additionally, respondents identified several domestic challenges that could impact the country's outlook. First, the **limited adoption of digital transformation** across businesses and government could restrict economic progress and competitiveness. Investing in digital infrastructure and promoting digital literacy is key. Second is **rising prices**, where inflation can negatively impact purchasing power and dampen consumer confidence. Lastly, respondents voiced the increasing frequency and intensity of **climate-related disasters** and how it poses significant risks to the economy and society.

Ease of Doing Business in the Philippines

Respondents expressed considerable optimism about the outlook and business sentiment in the Philippines. This positive outlook is evident in their growing confidence, as reflected in increased investments, expanded market presence, and expanded service offerings.

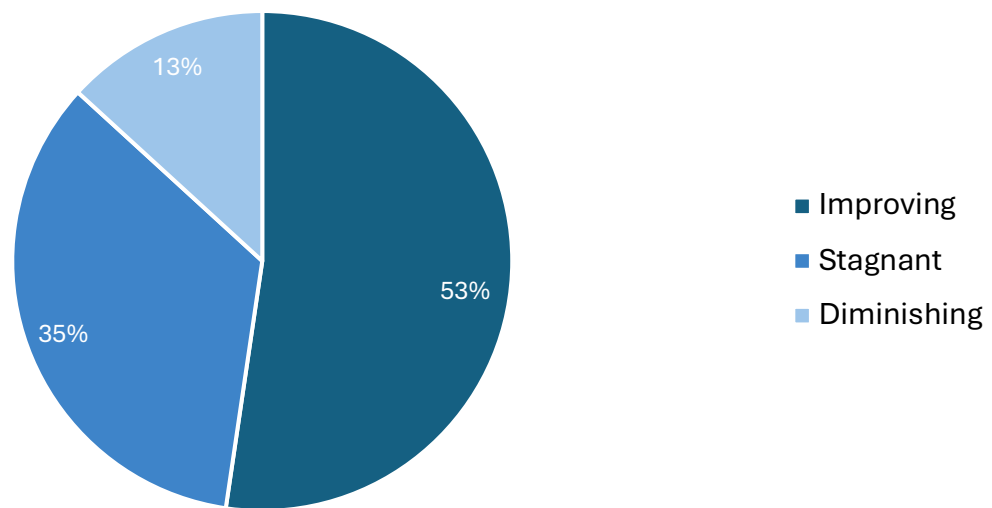
However, significant challenges persist. A substantial 75% of respondents answered **YES** when asked if there are significant barriers to investment, business activities, and overall ease of doing business in the Philippines. This suggests that addressing these obstacles is crucial for further economic growth and attracting foreign direct investment.

Figure 7. Are there significant amounts of barriers to investment, business activities, or overall ease of doing business in the country?



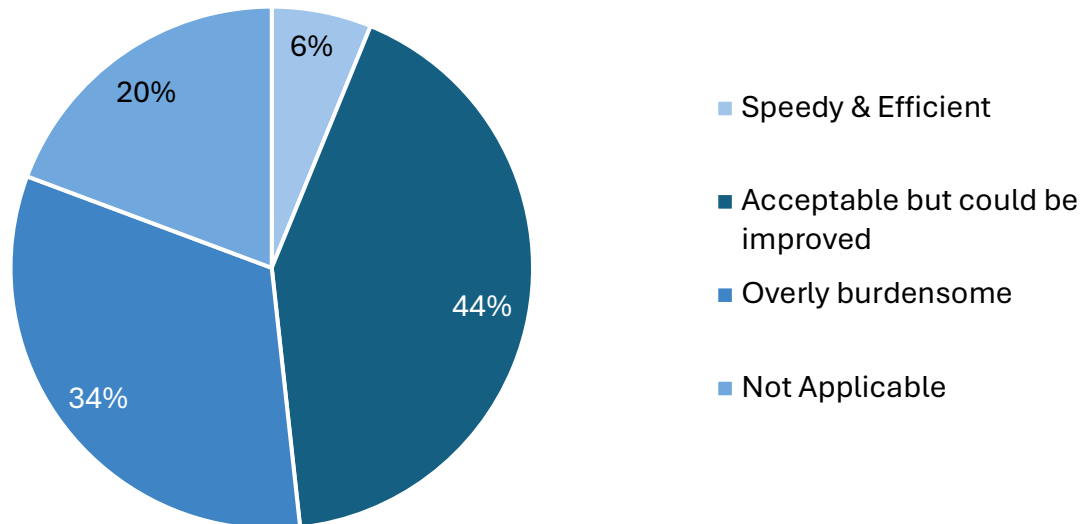
While a significant majority agree that significant barriers to doing business persist in the Philippines, a more optimistic outlook is evident regarding recent improvements. Over half of respondents (53%) believe that the ease of doing business measures in the Philippines has improved. However, 47% of the respondents feel that these measures have either stagnated or diminished. This divergence in perceptions highlights the need for continued efforts to address the underlying challenges and create a more friendly and conducive business climate.

Figure 8. How do you perceive "ease of doing business" measures in the Philippines?



For companies engaged in trade in goods, there was less variation in opinions regarding customs procedures. 44% of respondents found customs procedures in the Philippines to be acceptable but identified the need for further improvements. A significant 34% considered these procedures overly burdensome while 6% viewed customs procedures in the country as speedy and efficient. These findings highlight the need for further reforms and streamlining of customs processes to enhance efficiency, reduce unnecessary costs, and facilitate both trade and investment.

Figure 9. For companies involved in trade in goods, how would you rate the customs procedures in the Philippines?

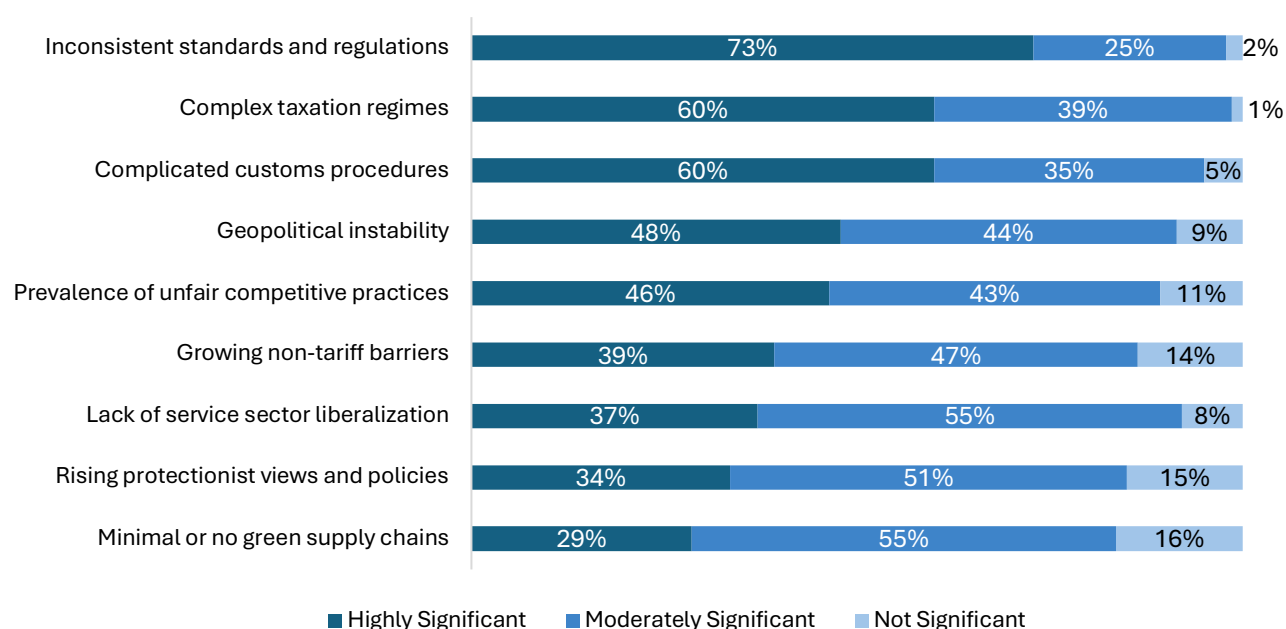


Delving deeper into specific challenges, the survey asked respondents about the most significant obstacles to investment, trade, and doing business in the Philippines. A substantial 73% of respondents cited the **lack of regulatory clarity and consistency** as a major hurdle as this can hinder business operations, increase compliance costs, create confusion, and discourage investment.

Moreover, 60% of respondents **identified complex taxation regimes and complicated customs procedures** as highly significant barriers. These issues can lead to shipment delays, increased logistics and taxation costs, and excessive bureaucracy, hindering efficient and transparent processes.

Geopolitical risks and uncertainties emerged as the fourth major concern, with 48% of respondents highlighting it as a significant concern for investment, trade, and/or doing business in the country. This reflects growing concerns among business about regional geopolitical tensions, which could potentially impact the investment climate in the Philippines. While geopolitical risks may not be the primary deterrent, they can add an additional layer of uncertainty for current and potential investors.

Figure 10. What are the most challenging aspects of investment, trade, and doing business in the Philippines?



Qualitative Responses on Key Bottlenecks and Recommendations in the Philippines

Respondents were asked for their opinion on key bottlenecks hampering economic growth, trade, and investments in the Philippines. Respondents identified political stability and good governance as a key bottleneck. The uncertainty stemming from shifting economic policies under different administrations can deter foreign investors and create confusion within the business community. Streamlining policies, requirements, and management processes is crucial to foster a more conducive business environment.

Beyond **political stability**, respondents identified infrastructure limitations as a key challenge. Gaps in transportation networks and energy supply can constrain economic activity and impede growth. Prioritizing infrastructure development is crucial to improving connectivity, reducing logistics costs, and attracting further investments.

To advance these efforts, respondents emphasized the importance of public-private partnerships (PPPs). They believe that PPPs can harness private sector expertise and funding to modernize roads, ports, public transportation, and energy grids. Investing in such critical projects can lower operational costs for businesses, boost productivity, and drive economic growth.

Administrative inefficiencies and regulatory complexities remain ongoing challenges for investors. Lengthy and onerous approval processes at the national and local levels can

discourage investment. Further strengthening collaboration with agencies like the Anti-Red Tape Authority (ARTA) is crucial to simplify regulations, improve transparency, and ultimately enhance the ease of doing business. Reducing bureaucratic hurdles and streamlining processes are essential in attracting domestic and foreign investment and promoting a conducive business climate.

Respondents **identified skill gaps and skilled labor shortages** as major concerns within the country's social and human capital. Respondents noted a degree of misalignment between skills acquired through education and the specific needs of industries. Despite having a young population, these skill gaps can hinder productivity and innovation in the country. Furthermore, respondents noted that the Philippines has significant room for improvement in research, innovation, and development. Respondents say that the government and companies should create strong training programs that is focused on upskilling and reskilling the labor force. Strengthening curriculum deficiency across all levels is essential.

Respondents also identified inflation and rising prices as significant bottlenecks. Rising costs of electricity, logistics, and other operational expenses can erode business profitability and ultimately, competitiveness. The high cost of electricity impacts manufacturing and industrial competitiveness, making it challenging for businesses to scale effectively.

The increasing frequency and intensity of climate-related disasters pose significant risks to the Philippines' economy and society. The Philippines is particularly vulnerable to typhoons, earthquakes, and volcanic activity which can cause widespread damage to infrastructure, disrupt economic activity, and displaced communities.

Respondents believe that a full transition to sustainable practices is essential to mitigate climate change and enhance the country's resilience. By supporting renewable energy sources like solar, wind, and hydro, the government can reduce reliance on fossil fuels, lower electricity costs, and improve energy security. Additionally, offering incentives to businesses that adopt eco-friendly policies and renewable energy sources can stimulate green innovation and promote sustainable economic growth.

Respondents believe that the country must fully transition to sustainable energy practices. These policies should support renewables, reduce electricity costs, and offer incentives for businesses that adopt eco-friendly policies and renewable energy sources.

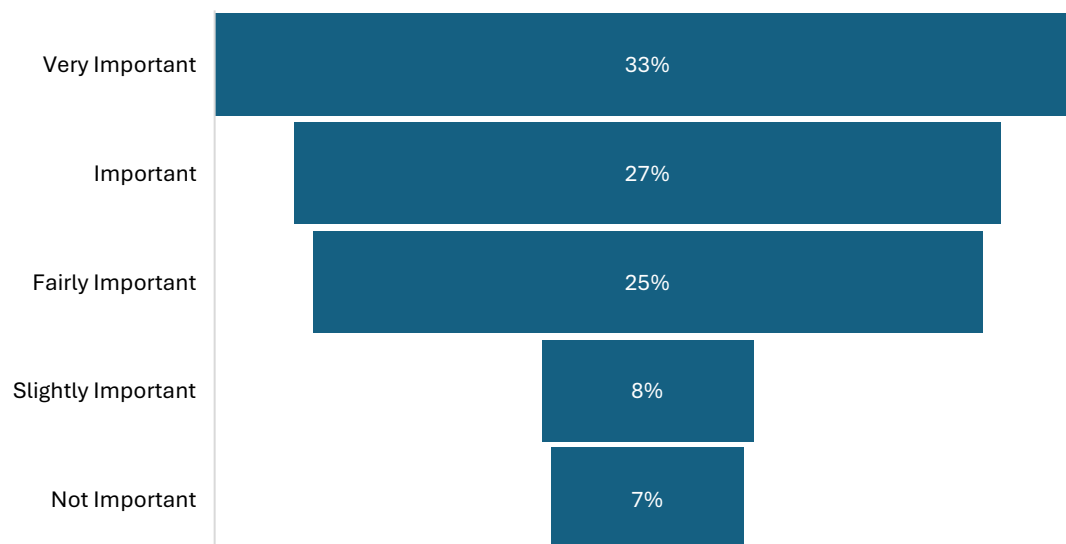
Views on the potential EU-PH Free Trade Agreement

The ECCP welcomes the positive developments surrounding the resumption of negotiations for the EU-Philippines Free Trade Agreement (FTA), which took place in October 2024 in Brussels, Belgium. The initial rounds of negotiations occurred in May 2016 and February 2017, and the renewed discussions mark a pivotal step forward in strengthening bilateral economic ties.

The EU-Philippines FTA presents a significant opportunity to enhance bilateral relations, ushering in a new chapter in their economic partnership. With the Department of Trade and Industry (DTI) targeting the conclusion of the agreement before the end of the current administration, the FTA is set to secure long-term preferential market access for the Philippines, bolstering its competitiveness as a trading partner for the EU. Notably, the European Commission has projected that the agreement could increase bilateral trade by up to €6 billion.

Furthermore, the FTA holds immense potential for key sectors in the Philippines, notably agriculture, garments, digital trade, and minerals. According to the Confederation of Wearable Exporters of the Philippines, the local garments industry could generate between 120,000 and 250,000 new jobs within the first two years of FTA implementation, alongside an estimated USD 600 million in additional export value over the first two to three years. Furthermore, the Philippines' USD 50-billion IT-BPO industry stands to benefit from improved access to EU markets, which could lead to significant expansion opportunities. The Philippines' vast reserves of critical raw materials, such as nickel, copper, and chromite, are likewise crucial for the EU's green and digital transitions.

Figure 11. How important is the resumption of the European Union-Philippines Free Trade Agreement (EU-PH FTA) negotiations for your company and its business strategies?

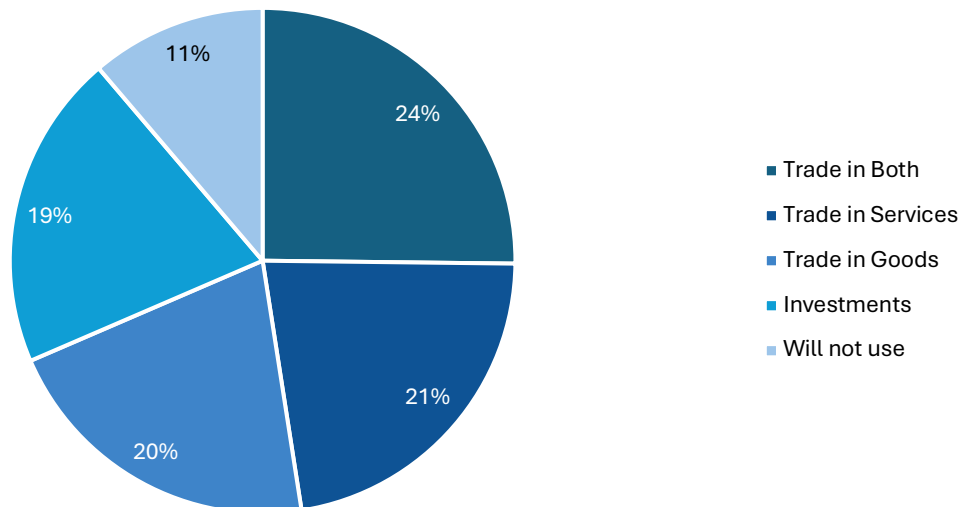


The survey results reveal strong support among ECCP member companies for the resumption of EU-PH FTA negotiations, with 59.4% of respondents rating it as either very important or important for their companies. A further 25.3% view it as fairly important, reflecting that most respondents believe the agreement holds at least moderate significance. Only a small portion of the respondents (15.3%) consider it slightly important or not important.

This indicates that the FTA is widely perceived as a crucial mechanism to unlock trade and investment opportunities between the EU and the Philippines. Businesses likely view the agreement as a means to enhance market access, reduce trade barriers, and improve the overall business climate.

These findings underscore the strategic importance of resuming FTA negotiations to cater to the needs of European and Philippine companies. It also reflects the growing awareness among businesses of the potential benefits of streamlined trade rules and improved market access.

Figure 12. If your company intends to use the EU-PH FTA, what will be your main area of use?

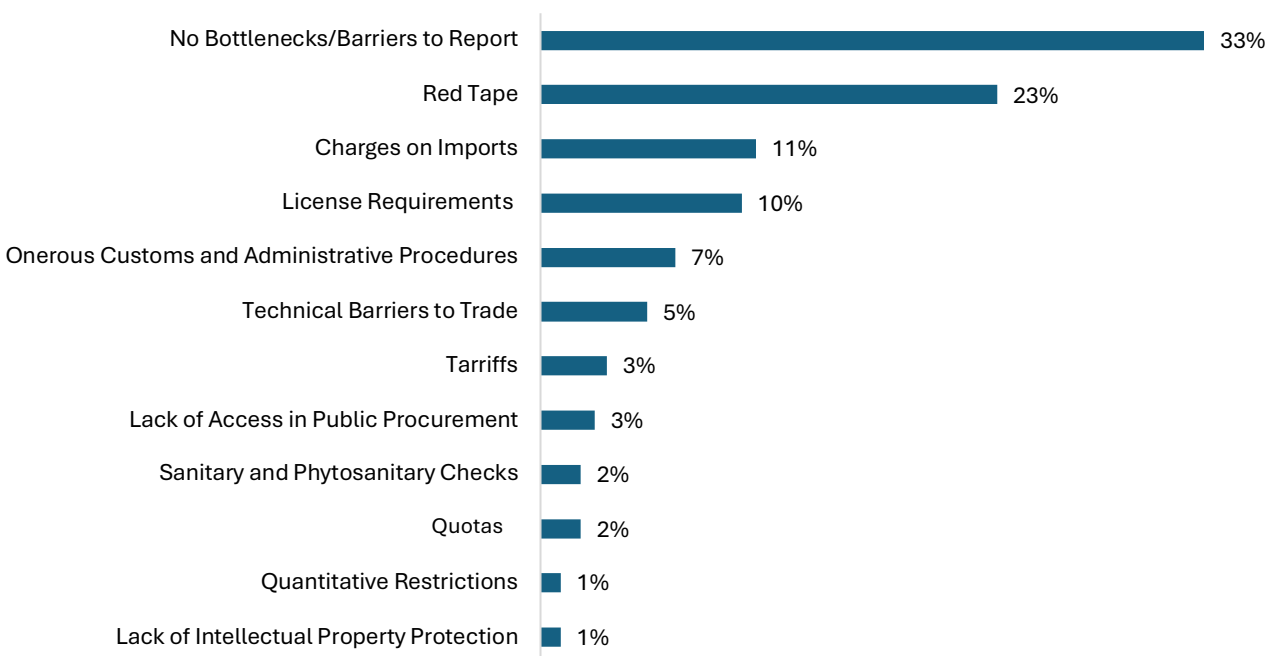


This illustrates the primary intended areas of use for the European Union-Philippines Free Trade Agreement (EU-PH FTA) among surveyed companies. The largest share of respondents (24%) expressed an intention to use the FTA for **trade in both goods and services**, indicating the agreement's potential to support diverse business operations. **Trade in services** follows closely at 21%, reflecting the importance of this sector for companies aiming to expand their

service offerings under the agreement. Meanwhile, **trade in goods** accounts for 20%, highlighting its significance in international trade.

Investments garnered 19% of responses, demonstrating the FTA's potential to enhance foreign direct investment opportunities. Interestingly, 11% of respondents indicated that they would not use the agreement, which could be attributed to lack of awareness, sectoral limitations, or other factors. The relatively even distribution of responses across the categories suggests the FTA's perceived versatility in meeting the varied needs of businesses, emphasizing the importance of designing a comprehensive agreement that supports multiple areas of trade and investment to maximize its benefits for both EU and Philippine stakeholders.

Figure 13. What issues/bottlenecks are you currently experiencing in trade between the EU and the Philippines?



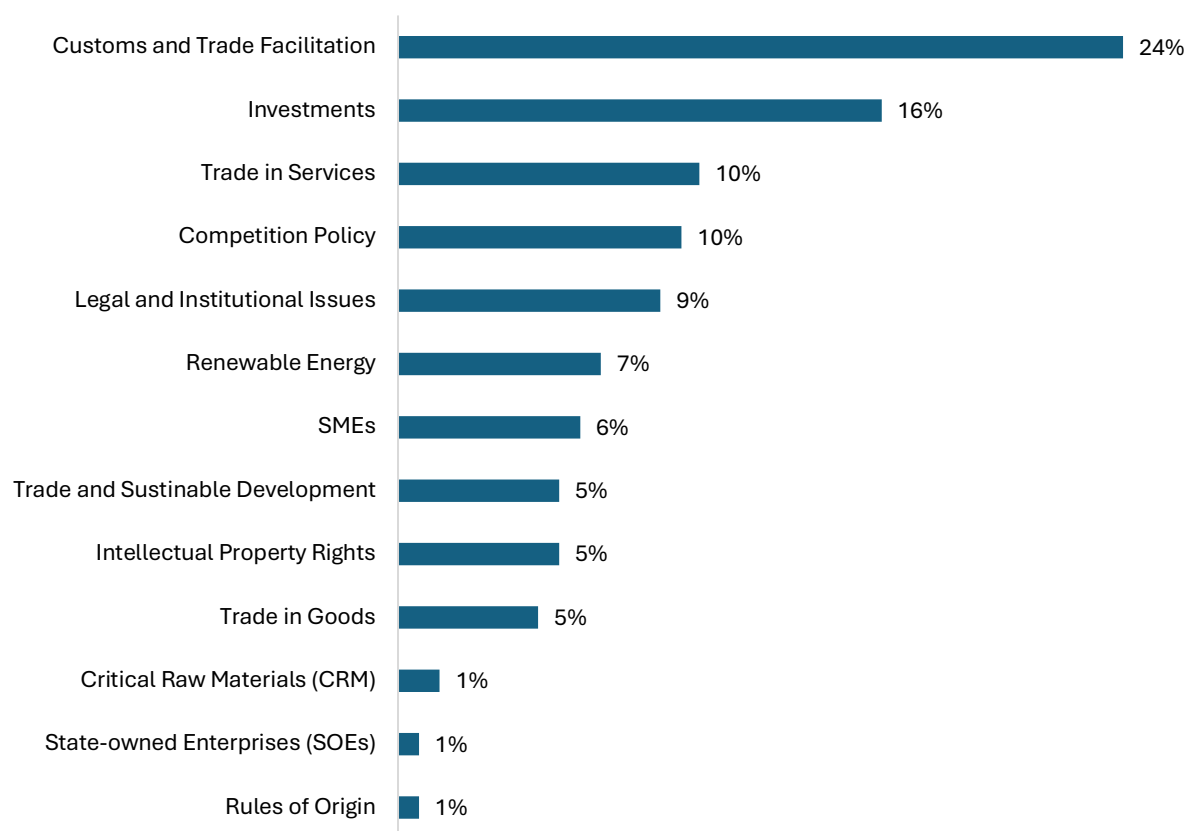
This identifies the key issues and bottlenecks experienced in trade between the EU and the Philippines. Notably, **33% of respondents reported no bottlenecks or barriers**, indicating that a significant portion of trade operates smoothly. To gain further insights, the ECCP has engaged with respondents for further clarification. These findings will be addressed and elaborated on in the Chamber's various sector committee papers.

However, among those who reported challenges, **red tape** emerged as the most significant issue, cited by 23% of respondents. This highlights the ongoing concerns about bureaucratic inefficiencies and procedural delays that impede trade flows.

Other prominent barriers include **charges on imports** (11%) and **license requirements** (10%), both of which indicate regulatory and cost-related obstacles that hamper trade competitiveness. Additional issues such as **onerous customs and administrative procedures** (7%) and **technical barriers to trade** (5%) further emphasize the need for streamlined and harmonized processes to facilitate smoother transactions. Lesser-reported issues include **lack of access in public procurement** and **sanitary and phytosanitary checks**. **Quantitative restrictions** and **intellectual property protection issues** were the least cited, with only 1% each, suggesting limited impact in these areas.

Overall, the figures highlight the importance of addressing administrative and regulatory inefficiencies, particularly red tape, to further boost trade, and create a more seamless environment for businesses operating between the EU and the Philippines.

Figure 14. What would be for you the most relevant chapters of an FTA?



This also outlines the most relevant chapters of a potential Philippines-European Union Free Trade Agreement (FTA), as identified by respondents. **Customs and trade facilitation** emerges as the top priority, with **24% of respondents** considering it the most critical aspect.

This indicates a strong emphasis on reducing bureaucratic hurdles, improving customs efficiency, and streamlining trade processes to enhance cross-border transactions.

Investments rank second, with **16%** prioritizing this chapter, reflecting the importance of fostering an environment conducive to bilateral investments. Chapters on **trade in services** and **competition policy** are equally relevant, each receiving **10%**, suggesting a desire to liberalize service sectors and ensure fair competition. **Legal and institutional issues** (9%) and **renewable energy** (7%) highlight the need for regulatory frameworks and sustainability-focused agreements.

Other areas, such as SMEs (6%), intellectual property rights, trade in goods, and trade and sustainable development (5% each), highlight more specialized yet essential aspects of interest. Meanwhile, topics like critical raw materials (CRM), state-owned enterprises (SOEs), and rules of origin garnered minimal attention, with only 1% each, suggesting limited concern in these areas.

Overall, the figures underscore the importance of trade facilitation and investment protection in shaping a successful FTA while also emphasizing a balanced approach to regulatory, service-oriented, and sustainability goals.

On ECCP initiatives on the EU-PH FTA

Through various initiatives, the ECCP has been at the forefront of advancing the EU-Philippines FTA. These initiatives include the publication of position papers, the establishment of an FTA advocacy committee in 2017 as well as the subsequent relaunch in October 2023, and engagement in high-level dialogues with local and European policymakers and business representatives. The ECCP also co-organized a high-level business event during the visit of European Commission President Ursula von der Leyen and participated in discussions on the resumption of the negotiations in March 2024. Additionally, the Chamber held a meeting with EU FTA Chief Negotiator in June of the same year.

The Chamber remains fully committed to engaging with both governments to help achieve a swift and favorable outcome to the FTA negotiations, recognizing the transformative impact this partnership will have on the Philippine economy.

Conclusion

The 2024 ECCP Business Sentiment Survey indicates a positive outlook for the Philippine business environment. This positive sentiment reflects a collective expectation of significant growth in both trade and investment activities in the Philippines.

The survey also highlights the need to address persistent challenges that could undermine the positive outlook. Streamlining bureaucratic processes, mitigating inflationary pressures, and ensuring political stability and policy continuity are crucial. Additionally, addressing climate change risks and navigating geopolitical tensions will be essential. Finally, reforming customs procedures to enhance efficiency and reduce costs is imperative to create a truly business-friendly environment.

The timely conclusion of the EU-Philippines Free Trade Agreement (FTA) is poised to deliver significant benefits to trade and investment. It will bolster competitiveness, unlock economic opportunities, and encourage the refinement of policies in areas such as e-commerce, digital transformation, intellectual property, and procurement. Such an agreement holds immense potential to spur trade diversification, enhance economic openness, generate quality employment, and drive innovation and technological advancements.

In summary, the 2024 ECCP Business Sentiment Survey captures the optimism of European businesses in the Philippines while acknowledging the hurdles that need to be addressed to drive growth. To fully harness the country's potential, robust public-private partnerships are essential. By addressing issues such as bureaucracy, infrastructure, and policy consistency, the Philippines can position itself as a more competitive and investor-friendly destination. The successful conclusion of the EU-Philippines FTA will further strengthen economic ties and unlock unprecedented opportunities for both parties.

About the ECCP Business Sentiment Survey

The European Chamber of Commerce of the Philippines (ECCP) continues to work closely with the Philippine government and key stakeholders to further enhance the country's business and investment climate. As part of this effort, the ECCP conducted the 2024 ECCP Business Sentiment Survey to gather members' insights on the general economic outlook and business sentiment in the Philippines.

The ECCP invited its members to participate in the survey and share their perspectives on priority areas that need to be addressed, as well as their suggestions for improving the ease of doing business in the country. The feedback from the survey will play a critical role in shaping ECCP's policy recommendations and setting priorities to foster a more favorable business landscape in the Philippines for the coming year.

Profile of the Respondents

Survey respondents submitted their responses either through online links from newsletters or via links provided by the European Chamber of Commerce of the Philippines.

Responses were collected from November 2024 to first week of December 2024. A total of 150 responses were collected online. Individual responses will remain private and will be reported in aggregate form only. Industry-wise, the top four industries represented in the survey include Consultancy (9%), Real Estate (9%), Manufacturing (8%), and Banking & Finance (6%).



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