

MBC EXECUTIVE OUTLOOK SURVEY FIRST SEMESTER 2013

Rising Tide of Expectations

HIGHLIGHTS

- Based on the findings of the MBC Executive Outlook Survey First Semester 2013, the business outlook on key economic indicators for 2013 remains positive, particularly on investments, where the mood is at its most bullish since 1995. Majority of the senior business executives surveyed likewise expect higher exports and imports and see the continued appreciation of the peso against the dollar. Headline inflation and the bellwether interest rate are projected to remain at 2012 levels.
- The positive outlook extends to the firm level as majority of the survey respondents expect higher gross revenues and net income in 2013. The same upbeat sentiment prevails regarding additional investments and hiring more workers.
- With regard to issues, awareness of the ASEAN Economic Community's establishment in 2015 is high among the business executives surveyed at close to 91% of respondents. There has also been a dramatic rise in business support for "Charter change" over the past 11 years. In July 2003, five out of ten respondents to the MBC Executive Outlook Survey said they were in favor of charter change. This has risen to nine out of ten respondents in the latest survey.

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Almost 66% of senior business executives polled by the Makati Business Club from 5 February to 6 March 2013 expect the country's economic growth this year to top the 6.6% GDP growth in 2012. Meanwhile, less than 27% of respondents of the MBC Executive Outlook Survey First Semester 2013 foresee that GDP growth will remain constant, while close to 8% of respondents project lower GDP growth for 2013.

With regard to the respondents' outlook on consumer prices, almost 47% of the businessmen polled expect the country's headline inflation this year to mirror last year's average rate of 3.2%. Over 42% of respondents, however, expect a faster pace of inflation, while close to 11% project a slower rate of movement in consumer prices this year.

Turning to their outlook on interest rates, over 56% of respondents expect the 91-day Treasury bill rate to remain at the same level as last year's weighted average of 1.583%. Just under 22% expect the 91-day T-bill rate to be lower in 2013, while over 17% see it moving higher.

When it comes to the yearend peso-dollar rate, more than 62% of respondents anticipate further appreciation of the local currency against the US greenback by an average of 4.3% from the P41.05/US\$ rate in end-2012. Business expectations for a stronger Philippine currency rose to a five-year high this year. On the other hand, over 28% of respondents expect the peso-dollar rate to remain at the same level by end-2013, and over 9% of respondents project the peso to depreciate against the dollar by 3.4%

Looking at investment pledges, the outlook from almost 83% of respondents is for approved investments to surpass last year's levels. As of the first three quarters of 2012, the National Statistical Coordination Board reported P397 billion in approved direct investment project costs. This very bullish sentiment for investments among senior business executives has never been observed in the past 19 years. On the other hand, just over 12% of respondents expect investments to remain the same as last year's levels. Less than 5%, meanwhile, foresee lower investments in 2013.

Finally, the business outlook on the country's merchandise trade with the rest of the world is likewise positive. Almost 69% of respondents expect exports to be higher in 2013 than in 2012, compared to 22% who believe that the level of exports of goods will remain about the same as last year's level of US\$52 billion and almost 8% who foresee exports to drop this year. Meanwhile, over 81% of respondents project imports to go up in 2013. Just over 14% think imports of goods will stay at around last year's level of US\$61.7 billion, and less than 2% anticipate imports to fall from its 2012 level.

CORPORATE OUTLOOK FOR 2013

In terms of expectations on corporate performance for 2013, almost 86% of respondents project their company's gross

revenues to rise above 2012 levels by an average of 13%. Close to 8% of respondents see no change in the level of gross revenues from 2012, while less than 2% of respondents expect lower gross sales this year by an average of 5%.

In terms of net income, three-quarters of respondents anticipate an average 13% rise in net income. Meanwhile, just over 14% of respondents project no change in the level of net income from the previous year and a little over 3% expect lower net income.

Over 59% of respondents said their companies will make additional investments this year, and the average amount of investments will reach P807 million. Compared to the February 2012 MBC Executive Outlook Survey, however, a higher proportion of respondents, over 63%, said they would pour in additional investments last year, and the average amount was also higher at P1.7 billion.

In terms of hiring practices, half of respondents' firms will expand their labor force by close to 10%, close to 44% of respondents' companies will retain their number of workers, and less than 2% of respondents' businesses plan to cut their workforce by 20%. In last year's survey, more than 61% of respondents said they would hire more workers, over a quarter of them planned to maintain the size of their workforce, and just over 2% would lay off workers.

ISSUES

MBC's senior business executives were asked three questions regarding the ASEAN Economic Community (AEC). More than 95% of respondents said they were aware of the ASEAN Community and the ASEAN Economic Community that will be established on 31 December 2015, while less than 2% said they were not aware. Over 64% of those surveyed believe that the Philippines is unprepared at present for regional integration under the AEC, while just slightly more than 34% think otherwise. When asked if their companies are already preparing to take the challenges posed by and opportunities offered by the AEC, more than 78% of respondents said *yes*, while over 17% said *no*.

On the issue of "Charter change," specifically the removal of foreign ownership restrictions under the 1987 Constitution to attract more foreign investments, close to 91% of respondents (three-quarters of whom are Filipinos and a quarter composed of foreigners) favor the initiation of amendments to economic provisions. More than 59% of those who are for amending the Constitution's economic provisions said it should be initiated within the next 12 months, and over 31% said this should be undertaken after the next 12 months. Meanwhile, over 6% do not favor Charter change at all.

In the January 2006 MBC Executive Outlook Survey, more than 52% of respondents were in favor of amending the 1987 Constitution; close to 31% did not favor Charter change; and over 17% of respondents were undecided. Going back further to the July 2003 survey, 50% of respondents were

MBC EXECUTIVE OUTLOOK SURVEY FIRST SEMESTER 2013

(In percent of respondents)

ECONOMIC OUTLOOK FOR 2013	FEBRUARY 2013	2012 DATA
GDP GROWTH		6.6%
Better than 2012	65.6	
Same as 2012	26.6	
Worse than 2012	7.8	
INFLATION RATE		3.2%
Higher than 2012	42.2	
Same as 2012	46.9	
Lower than 2012	10.9	
91-DAY T-BILL RATE		1.583%
Higher than 2012	17.2	
Same as 2012	56.2	
Lower than 2012	21.9	
PESO-DOLLAR RATE		P41.05/US\$
Appreciating	62.5	
<i>Rate of appreciation</i>	4.3	
Same as end-2012 rate	28.1	
Depreciating	9.4	
<i>Rate of depreciation</i>	3.4	
APPROVED INVESTMENTS		P397 billion
Higher than 2012	82.8	(Jan to Sep)
Same as 2012	12.5	
Lower than 2012	4.7	
EXPORTS		US\$52.0 billion
Higher than 2012	68.8	
Same as 2012	21.9	
Lower than 2012	7.8	
IMPORTS		US\$61.7 billion
Higher than 2012	81.2	
Same as 2012	14.1	
Lower than 2012	1.6	

CORPORATE OUTLOOK FOR 2013	FEBRUARY 2013
GROSS REVENUES	
Higher than 2012	85.9
<i>Average rate of increase in %</i>	13.2
No change	7.8
Lower than 2012	1.6
<i>Average rate of decrease in %</i>	5.0
NET INCOME	
Higher than 2012	75.0
<i>Average rate of increase in %</i>	12.7
No change	14.1
Lower than 2012	3.1
<i>Average rate of decrease in %</i>	<i>n.a.</i>
INVESTMENTS	
Will make additional investments	59.4
<i>Average amount (in million pesos)</i>	807.2
HIRING	
Will hire more workers	50.0
<i>% of workforce</i>	9.6
Will hold workforce size steady	43.8
Will lay off workers	1.6
<i>% of workforce</i>	20.0

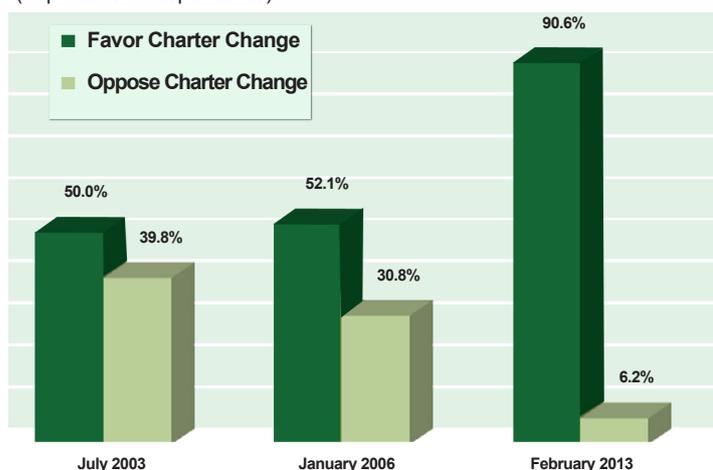
Number of respondent companies represented: 64 or 16.8% of 380 member companies (excluding foreign embassies and trade offices)

Survey period: 5 February to 6 March 2013

Note: Totals may not add up to 100% due to rounding off or no response.

FOR AND AGAINST CHARTER CHANGE

(In percent of respondents)



Source: MBC Executive Outlook Surveys

Note: The 2003 and 2006 surveys refer to Charter change in general. The 2013 survey particularly refers to amendments to economic provisions of the 1987 Constitution.

in favor; nearly 40% were against it; and over 10% were undecided. It must be noted, however, that in these two earlier surveys, respondents were asked whether they were in favor of Charter change in general at that juncture, unlike in this year's survey which was more specific in asking whether MBC members are in favor of amending the Constitution's economic provisions.

SURVEY RESPONDENTS

MBC's Executive Outlook Survey First Semester 2013 was conducted among MBC members from 5 February to 6 March 2013. Sixty-four members responded, representing 16.8% of 380 MBC member companies, excluding foreign embassies and trade offices. In terms of position, over 92% of respondents are in top management and under 8% are in middle management. By nationality, above 84% of respondents are Filipinos and close to 16% are foreigners.

Close to 66% of respondents' companies belong to the services sector. Around 14% belong to the manufacturing sector; over 9% are from diversified sectors and conglomerates; almost 5% from the agriculture and agribusiness sectors; and the balance of almost 5% from other economic sectors.

The size, in terms of revenues, of MBC member companies represented in the survey can be broken down as follows: over 34% of respondents' companies, P1 billion and above; close to 30%, P500 million to P999 million; nearly 11%, P100 million to P299 million; another close to 11%, less than P100 million; and over 9%, P300 million to P499 million.

In terms of the workforce size of member companies represented in the survey, more than 23% of respondents' firms have 500 to 999 employees; close to 22%, 100 to 299 employees; nearly 19%, over 1,000 employees; another close to 19%, less than 99 employees; and just over 14%, 300 to 499 employees. ■

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(In percent of respondents)

ISSUES

1. ASEAN Economic Community

Are you aware of the establishment on 31 December 2015 of the ASEAN Community and its component pillar, the ASEAN Economic Community that "will transform the region with free movement of goods, services, investment [and] skilled labor, and freer flow of capital"?

Yes 95.3
No 1.6

In your opinion, is the country prepared at present for regional integration under the AEC?

Yes 34.4
No 64.1

Is your company already preparing at present to take the challenges posed by and opportunities offered by the AEC?

Yes 78.1
No 17.2

2. Charter Change

There is a proposal to attract more foreign investments by removing foreign ownership restrictions under the 1987 Constitution. Do you favor initiating amendments to the Constitution's economic provisions?

Yes, within the next 12 months 59.4
Yes, after 12 months 31.2
Not at all 6.2

RESPONDENT DATA

POSITION

Top Management 92.2
Middle Management 7.8

NATIONALITY

Filipino 84.4
Foreigner 15.6

SECTOR

Agriculture/Agribusiness 4.7
Manufacturing 14.1
Services 65.6
Diversified/Conglomerate 9.4
Others 4.6

COMPANY SIZE (in annual revenues)

Less than P100M 10.9
P100M - P299 M 10.9
P300 M - P499 M 9.4
P500 M - P999 M 29.7
P1,000 M and up 34.4

COMPANY SIZE (in number of employees)

Less than 99 18.8
100 - 299 21.9
300 - 499 14.1
500 - 999 23.4
Over 1,000 18.8

Number of respondent companies represented: 64 or 16.8% of 380 member companies (excluding foreign embassies and trade offices)

Survey period: 5 February to 6 March 2013

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