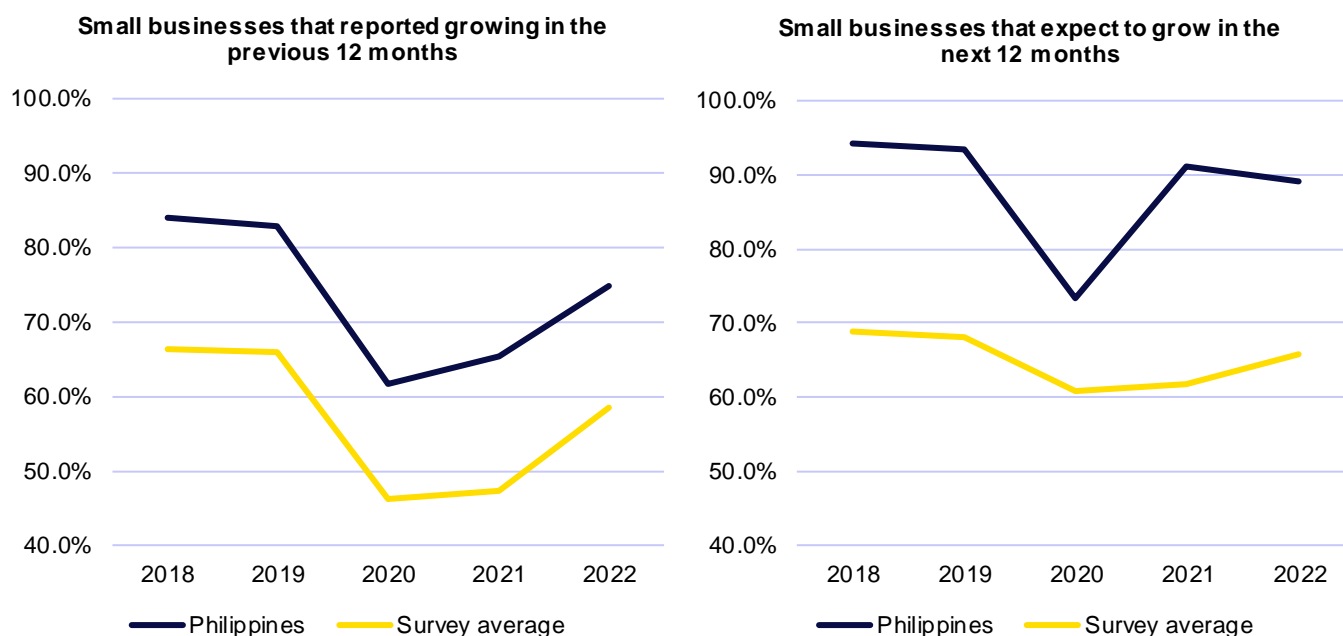


CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2022-2023

Philippines market summary

Philippines

Business and economic conditions



	Philippines 2022	Survey average 2022	Rank 2022	Philippines 2021	Rank 2021	Philippines 2020	Philippines 2019	Philippines 2018
Businesses that grew in the last 12 months	74.8%	58.6%	3/11	65.2%	2/11	61.7%	83.0%	84.0%
Businesses that expect to grow in the next 12 months	89.2%	65.7%	1/11	91.1%	1/11	73.3%	93.4%	94.2%
Businesses that expect the local economy to grow in the next 12 months	78.1%	62.5%	2/11	85.8%	1/11	66.7%	83.3%	81.8%
Satisfied or very satisfied with the financial return of the business ¹	71.9%	68.9%	6/11	N/A	N/A	N/A	N/A	N/A

¹ Limited to the owner, director, CEO/managing director or principal.

2022 was a strong year for Filipino small businesses. 74.8 per cent said that they grew last year, up from the 65.2 per cent in 2021. The result is the third highest in the survey, behind Vietnam and Indonesia. The high level of satisfaction Filipino small business owners have with the financial returns they received from their businesses in 2022 mirrors this result.

Highlighting what a good year 2022 was for the Philippines' small business sector, 23.2 per cent said that their growth was very strong – the second highest result of the markets surveyed. In comparison, only 3.6 per cent of Mainland China's small businesses recorded very strong growth in 2022.

2023 is expected to be a particularly good year for Filipino small businesses. 89.2 per cent expect to grow, the highest result of all the markets surveyed.

There are many positive aspects of the results from the Philippines. Many Filipino small businesses focus on characteristics strongly associated with growth, especially:

- technology
- e-commerce
- improving business strategy
- improving customer satisfaction
- innovation
- exports.

This strong focus on drivers of business growth is likely to help several Filipino small businesses evolve into large, successful global businesses in the next few years.

Use of technology

	Philippines 2022	Survey average 2022	Rank 2022	Philippines 2021	Rank 2021	Philippines 2020	Philippines 2019	Philippines 2018
More than 10 per cent of revenue came from online sales	57.8%	67.9%	8/11	50.3%	7/11	62.0%	49.8%	52.0%
Did not use social media for business purposes	9.8%	15.4%	9/11	11.6%	7/11	9.3%	14.1%	10.2%
Investment in technology by the business over the past 12 months has improved profitability	69.9%	55.2%	2/11	69.9%	4/11	55.7%	67.5%	76.4%
Technology the business invested in most heavily over the past 12 months	Mobile apps	Computer equipment	N/A	Computer equipment	N/A	Computer equipment	Computer equipment	Computer equipment
Consider the business likely to be cyberattacked in next 12 months	26.8%	47.2%	10/11	36.4%	7/11	29.0%	33.1%	28.9%
Reviewed the business' cybersecurity protections in past six months	47.7%	46.0%	5/11	49.7%	4/11	38.7%	34.8%	40.0%

More than 10 per cent of sales is received through digital payment options such as PayPal, Dragonpay, GCash, PayMaya, PayMongo	69.9%	73.7%	7/11	51.4%	8/11	61.3%	47.2%	43.1%
Sought advice from IT consultants / specialists	22.9%	28.6%	6/11	16.9%	11/11	12.7%	N/A	N/A
Business operation is frequently or very frequently affected by internet connectivity issues	23.9%	30.5%	6/11	N/A	N/A	N/A	N/A	N/A

One factor driving the growth of the Philippines small business sector is their relatively strong use of technology. Most Filipino small businesses sell online. 57.8 per cent received more than 10 per cent of their revenue from online sales. This is up from 50.3 per cent in 2021, but below the survey average of 67.9 per cent.

Related to e-commerce, most Filipino small businesses offer customers the choice of paying by new digital and mobile payment technologies such as PayPal, GCash and Dragonpay. 69.9 per cent received more than 10 per cent of their sales through such technologies in 2022. This is up from 51.4 per cent in 2021, but below the survey average (73.7 per cent).

Cash, however, is still important to Filipino small businesses. They were the most likely to receive 50 per cent or more of their sales in cash last year (79.1 per cent). Given the broad cross-section of industries represented in the Philippines survey sample, it is assumed that many business-to-business transactions were conducted in cash.

An overwhelming majority of Filipino small businesses use social media. Only 9.8 per cent do not use social media in their businesses. 65 per cent used social media to promote their business to potential customers.

Most Filipino small businesses don't expect to be cyberattacked this year. Only 26.8 per cent expect such an attack compared with the survey average of 47.2 per cent. Despite this 47.7 per cent reviewed their cybersecurity measures in the past six months, slightly above the survey average.

Helping to drive this relatively strong focus on technology are the good returns such investments are generating. 69.9 per cent of Filipino small businesses that invested in technology in 2022 reported such investments were already profitable, beating the survey average of 55.2 per cent.

Business activity over the past 12 months

	Philippines 2022	Survey average 2022	Rank 2022	Philippines 2021	Rank 2021	Philippines 2020	Philippines 2019	Philippines 2018
Increased employee numbers	32.0%	35.0%	3/11	41.4%	2/11	27.7%	39.0%	38.2%
Improved customer satisfaction had a major positive impact on the business	35.3%	27.0%	3/11	30.5%	3/11	28.7%	40.7%	51.6%
Improved business management had a major positive impact on the business	28.8%	22.0%	2/11	24.2%	2/11	18.7%	19.7%	36.4%
Increasing costs had a major negative impact on the business	39.9%	31.1%	1/11	30.5%	5/11	26.0%	34.1%	50.2%
Required funds from an external source	62.4%	62.5%	5/11	66.2%	5/11	64.0%	58.0%	62.7%
Sought external funds for business growth	59.2%	52.1%	4/11	45.5%	5/11	43.2%	54.8%	57.4%
Sought external funds for business survival	35.1%	44.3%	8/11	41.0%	8/11	32.3%	20.9%	21.3%
Found it easy or very easy to access external finance	24.6%	45.9%	11/11	38.0%	5/11	13.0%	18.6%	24.8%
A bank was the business' main source of external finance	22.0%	38.2%	10/11	13.0%	11/11	14.6%	28.8%	30.5%
Did not spend any time and resources on ESG practices	12.1%	21.4%	8/11	N/A	N/A	N/A	N/A	N/A

Impacts of COVID-19

	Philippines 2022	Survey average 2022	Rank 2022	Philippines 2021	Rank 2021	Philippines 2020
COVID-19 had a major negative impact on the business in the past 12 months	42.5%	36.7%	3/11	56.0%	6/11	58.3%
My business' major reaction to COVID-19 was to begin or increase its focus on online sales	29.4%	24.8%	3/11	33.1%	4/11	26.7%
My business' major reaction to COVID-19 was to increase investment in technology	19.3%	19.1%	6/11	15.6%	7/11	15.7%

Planned business activity over the next 12 months

	Philippines 2023	Survey average 2023	Rank 2023	Philippines 2022	Rank 2022	Philippines 2021	Philippines 2020	Philippines 2019
Expect to increase employee numbers	57.8%	44.9%	3/11	61.9%	2/11	52.3%	54.1%	61.8%
Will introduce a new product, service or process unique to their market or the world	35.3%	34.4%	4/11	45.4%	2/11	31.3%	32.5%	35.6%
Expect revenue from overseas markets to grow strongly	26.5%	23.7%	4/11	39.1%	2/11	22.0%	27.5%	28.0%
Will seek external funds	22.5%	33.6%	10/11	33.4%	3/11	19.7%	18.7%	26.7%
Expect easy to very easy access to finance	22.7%	42.3%	10/11	37.8%	5/11	16.3%	14.5%	23.9%

COVID-19

As in 2021, Filipino small businesses considered COVID-19 their biggest challenge in 2022. 42.5 per cent said that COVID-19 had a major negative impact on their business last year. This is down from 56 per cent in 2021 and 58.3 per cent in 2020.

29.4 per cent of Filipino small businesses began or increased their focus on online sales in 2022 in response to COVID-19. This is higher than the survey average of 24.8 per cent. With the survey results showing a positive relationship between online sales and business growth, this growing focus on e-commerce will help Filipino small businesses expand at an even faster pace.

Employment

32 per cent of Filipino small businesses added to their employee numbers last year, down from 41.4 per cent in 2021. Strong growth expectations for 2023 is reflected in the high number of Filipino small businesses that expect to add to their employee numbers this year (57.8 per cent).

Innovation

The Philippines' small business sector is innovative. 35.3 per cent will introduce a new product, process or service to the country or the world in 2023. This focus on innovation should support long-term growth and improve the competitiveness of the Philippines' small business sector.

Access to finance

62.4 per cent of Filipino small businesses needed external finance last year, down slightly from 66.2 per cent in 2021. However, reflecting a stronger business environment in 2022, 59.2 per cent sought that finance for growth up from 45.5 per cent in 2021.

Despite improving business conditions, respondents from the Philippines found accessing external finance slightly more difficult last year than in 2021. 37.7 per cent found accessing finance in 2022 was "difficult" or "very difficult", up from 36.5 per cent in 2021. They were the second-least likely to have sourced funds from a bank. Instead, many sourced finance from family or friends or from their own personal resources.

Exports

26.5 per cent of Filipino small businesses expect to increase revenue from exporting in 2023, slightly higher than the survey average of 23.7 per cent. Seeking alternative markets is one way of growing business and diversifying revenue streams. It also exposes the businesses to new competition and ideas, which will benefit such businesses eventually. The survey results show that businesses that expect to grow their revenue from exporting perform better than those that do not expect to grow exports.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Filipino small business in 2022	Top four factors that had a positive influence Filipino on small business in 2021	Top four factors that had a positive influence on Filipino small business in 2020
Customer loyalty	Customer loyalty	Customer loyalty
Improved business strategy	Improved customer satisfaction	Improved customer satisfaction
Improved customer satisfaction	Good staff	Good staff
Good staff	Improved business strategy	Improved business strategy

Top four factors that had a negative impact on Filipino small business in 2022	Top four factors that had a negative impact on Filipino small business in 2021	Top four factors that had a negative impact on Filipino small business in 2020
COVID-19	COVID-19	COVID-19
Increasing costs	Increasing costs	Increasing costs
Increasing competition	Increasing competition	Increasing competition
Tax	Cash flow difficulties	Cash flow difficulties

Filipino small businesses placed a greater focus on “improved business strategy” and “improved business management” in 2022. This shift is likely to have contributed to that year being a better year for the country’s small businesses. The survey results show those factors are more strongly associated with high growth businesses than most others.

Small businesses in the Philippines found “increasing costs” and “increasing competition” the second and third largest barriers to growth. Increasing competition could have positive long-term implications, as it encourages innovation and expansion into new markets – essential elements of growth.

Demographics

	Philippines 2022	Survey average 2022	Rank 2022	Philippines 2021	Rank 2021	Philippines 2020	Philippines 2019	Philippines 2018
Respondent aged under 40	56.5%	47.6%	4/11	57.3%	4/11	69.3%	64.9%	65.3%
Business established for less than 11 years	82.7%	61.1%	3/11	88.1%	1/11	82.0%	82.6%	83.1%
Respondent is the business owner	69.0%	36.9%	2/11	61.9%	3/11	66.3%	69.5%	64.9%
Business has 10 to 19 employees	19.0%	37.1%	9/11	31.8%	4/11	17.0%	22.0%	26.7%

Policy suggestions

Policymakers should consider how to make it easier for Filipino small businesses to access external finance and reduce their reliance on cash sales.