

# BUSINESS OPTIMISM LOWER IN THE THIRD QUARTER OF 2005\*

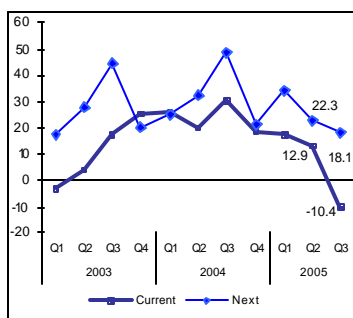
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## Overall Business Outlook

*Business optimism is down in the third quarter due to political noise, continued rise in oil prices, and seasonal factors but is expected to improve by the fourth quarter.*

Business optimism in the third quarter of 2005 dropped to a low of -10.4 percent diffusion index (DI) from 12.9 percent in the previous quarter.<sup>1</sup> Respondents attributed the decline in business optimism to the political noise, continued rise in oil prices and low seasonal demand. The third quarter DI is the lowest since the first quarter of 2003 when the DI fell to -3.0 percent following tension in the Persian Gulf. It is also the first negative DI in a span of two-and-a-half years (Table 1).

Overall Business Outlook Diffusion Index: Q3 2004 – Q3 2005

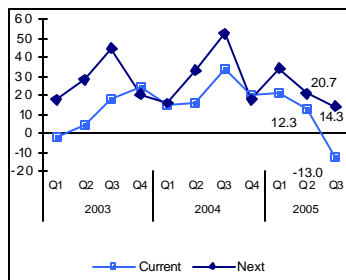


Survey respondents, however, were optimistic that the business conditions would improve by the fourth quarter as indicated by the positive DI of 18.1 percent. Respondent firms expected that the volume of sales and production would pick up by the last quarter due to Christmas-related demand, the harvest season, increased remittances from overseas Filipino workers (OFWs), and expectations of a better political climate (Table 1).

*NCR respondents are more pessimistic compared to those in areas outside NCR (AONCR).*

NCR respondents expected slower business conditions as the overall DI in the third quarter of 2005 fell to -13.0 percent from 12.3 percent in the previous survey. However, NCR respondents indicated renewed business optimism in the fourth quarter as shown by a turnaround in the DI at 14.3 percent albeit below the 20.7 percent level in the previous survey (Table 2).

NCR Business Outlook Current and Next Quarters

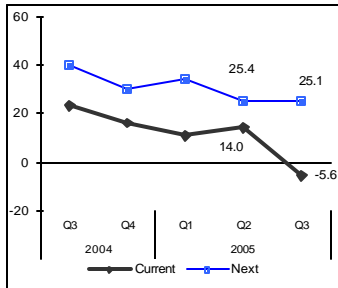


\* Results of the Third Quarter 2005 BES conducted from 1 July to 5 August 2005.

<sup>1</sup> The diffusion index (DI) is computed as the percentage share of firms that answered in the affirmative less percentage share of firms that answered negative in a given indicator. A positive DI indicates a favorable view, except for the average inflation rate and the average peso-borrowing rate, where a positive DI indicates the opposite. Please note that all index figures are diffusion indices.



AONCR Business Outlook  
Current and Next Quarters



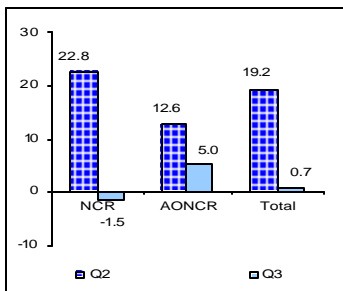
Unlike their counterparts from the NCR, AONCR respondents were less pessimistic on the business outlook in the third quarter with its DI higher than that of NCR, although still negative at -5.6 percent. However, like the NCR, respondents from AONCR believed that outlook for the fourth quarter would be better as the DI settled at 25.1 percent (Table 2).

### Business-related Factors

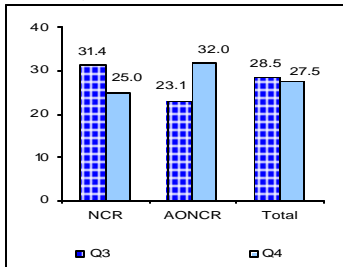
*Volume of business activity slows down in the third quarter but to recover in the fourth quarter.*

Underpinning the decline in the business outlook for the third quarter is the expected slowdown in the volume of business activities that posted an index of 0.7 percent from 19.2 percent in the previous survey. The slowdown in business activity was expected more in the NCR as its index shrank to -1.5 percent from 22.8 percent in the previous survey. On the other hand, volume of business activity in AONCR also declined but remained positive at 5.0 percent from 12.6 percent in the previous survey (Table 2).

Volume of Business Activity  
Current Quarter



Volume of Business Activity  
Next Quarter

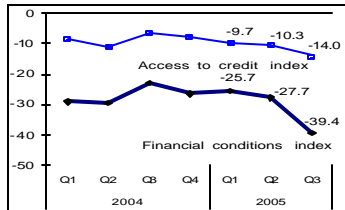


Business outlook for the fourth quarter of 2005 remained positive as indicated by a robust index at 27.5 percent, slightly lower than the 28.5 percent DI from the previous survey. The index for NCR remained high at 25.0 percent in the current survey though lower compared to 31.4 percent in the previous survey. The corresponding index for AONCR expanded to 32.0 percent from 23.1 percent in the same period (Table 2).



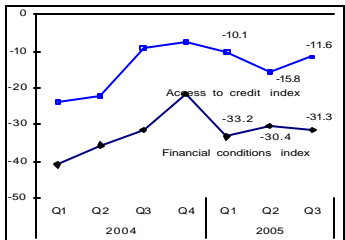
*Credit access is tighter while financial conditions weaker in the third quarter.*

NCR access to credit and financial conditions



Overall, credit access is expected to be tighter in the third quarter with a DI of -13.2 percent from -12.2 percent in the previous survey.<sup>2</sup> Respondents from NCR anticipated tighter credit while those from AONCR expected easier credit access. The credit access index for NCR respondents in this quarter's survey decreased further to -14.0 percent from -10.3 percent in the previous survey. On the other hand, respondents in the AONCR expected better credit access at -11.6 percent from -15.8 percent DI for the same period. (Table 2).

AONCR access to credit and financial conditions

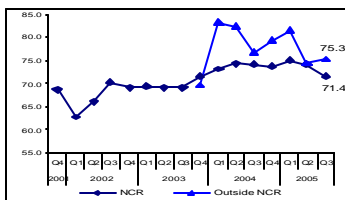


The financial conditions index for NCR respondents weakened to -39.4 percent in the current quarter from -27.7 percent in the previous survey. The same index for AONCR also declined to -31.3 percent from -30.4 percent for the same period. This brought the overall index on financial conditions significantly weaker at -36.5 percent in this quarter compared to -28.6 percent a quarter ago (Table 2).

### Capacity Utilization

*Average capacity utilization is lower in the third quarter of 2005. The index is lower in NCR than in AONCR.*

Capacity Utilization: Q3 2005



Capacity utilization index declined in the third quarter to 73.3 percent from 74.2 percent in the previous survey. Respondent firms in the NCR expect an average capacity utilization index of 71.4 percent in the current quarter, a decline from last quarter's 74.0 percent. However, firms outside NCR registered an improvement in capacity utilization of 75.3 percent compared to last quarter's 74.5 percent. (Table 2).<sup>3</sup>

<sup>2</sup> The access to credit index refers to the environment external to the firm, particularly the availability of credit from the banking system and other financial institutions. The financial conditions index reflects the respondents' judgment on their general cash position, taking into account the level of cash and other cash items and repayment terms on loans.

<sup>3</sup> The average capacity utilization of the BES is based on a survey of 219 sample firms from the industry sector in Metro Manila and the five selected regions. This differs from the average capacity utilization figures of the National Statistics Office (NSO), which were computed based on a sample of large manufacturing firms nationwide.

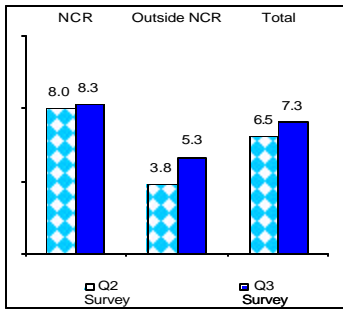


**Employment Outlook**

*Employment outlook for both the NCR and AONCR improves.*

With the anticipated pick up in economic activity during the fourth quarter, the employment outlook index increased slightly to 7.3 percent from the previous survey's 6.5 percent. Employment outlook index of respondents from both the NCR and AONCR increased to 8.3 percent (from 8.0 percent) and 5.3 percent (from 3.8 percent), respectively. Proportion of respondents which indicated no expansion plans for the fourth quarter remained largely steady, from last quarter's 68.4 percent to 69.2 percent (Tables 2 and 3).

Employment outlook Q3 2005



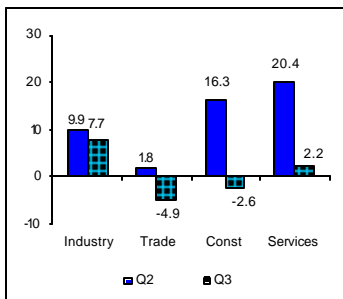
The positive employment index indicated creation of new jobs in the fourth quarter of 2005. The quarter-on-quarter slight improvement implies that hiring of additional employees would increase marginally in the fourth quarter.

**Confidence Indicators**

*Business confidence is low in the third quarter.*

The weaker business outlook for the third quarter of 2005 was reflected in the decline in business confidence for all the four major sectors. From the previous quarter's confidence index of 9.9 percent, the industry sector's confidence level declined to 7.7 percent in the third quarter of 2005; the services sector from 20.4 percent to 2.2 percent; the construction sector from 16.3 percent to -2.6 percent; and the trade sector from 1.8 percent to -4.9 percent.

Business Confidence Q3 2005



NCR respondent firms registered positive confidence levels for the services and industry sectors but negative for the trade and construction sectors. Meanwhile, AONCR firms indicated a positive confidence level for the industry sector; zero for construction and trade; and a negative confidence level for the services sector (Table 4).



**Sectoral Outlook**

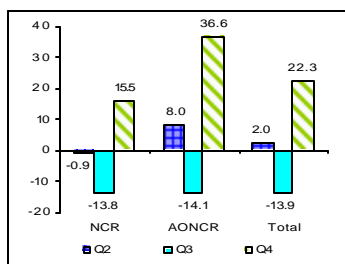
*Business outlook in all sectors is weaker in the third quarter but remains strong in the fourth quarter.*

The current political noise and surge in oil prices negatively affected the business outlook for all sectors as their DIs were lower and in the negative territory for the third quarter of 2005. The industry sector, which recorded the least pessimistic outlook, posted a DI of -2.7 percent down from 17.9 percent in the second quarter. Likewise, the services sector DI was down at -13.8 percent from 19.4 percent, and trade at -13.9 percent from 2.0 percent. The DI of the construction sector dropped significantly to -40.9 percent from 4.8 percent in the previous survey following the onset of the rainy season that was expected to slowdown construction activities in the third quarter.

*Outlook in trade and industry sectors is lower in the third quarter but improves in the fourth quarter.*

However, positive factors such as increase in the volume of sales and OFW remittances during the holiday season, and the harvest season kept the business optimism in all sectors of the economy in the fourth quarter of 2005. The trade sector was the most optimistic with a DI of 22.3 percent, up from 19.5 percent in the previous survey. The industry and services sectors, remained positive at 16.6 percent and 16.1 percent, respectively, albeit down from the previous survey's 19.0 percent and 28.7 percent. On the other hand, the DI of the construction sector dropped considerably to 12.2 percent from 36.1 percent (Table1).

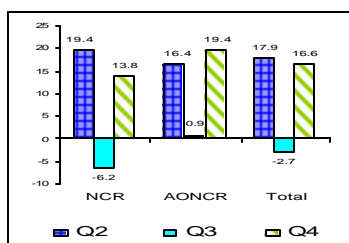
Trade Outlook  
Q2- Q4 2005



Respondents in both NCR and AONCR expect lower economic activity in the trade sector in the third quarter. The trade DI in the NCR decreased further to -13.8 percent from -0.9 percent in the previous quarter. Meanwhile, the DI in AONCR dropped significantly to -14.1 percent from 8.0 percent in the previous quarter.

However, better outlook is anticipated in the fourth quarter as the DI in the NCR remained positive at 15.5 percent while that in AONCR stood at 36.6 percent (Table1).

Industry Outlook  
Q2 – Q4 2005

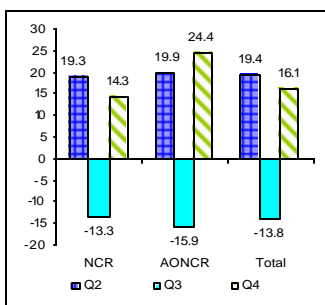


Similarly, the industry sector DI in the NCR went down to -6.2 percent in the third quarter of 2005 from 19.4 percent a quarter ago, and in AONCR to 0.9 percent from 16.4 percent. The industry outlook, however, improved in the fourth quarter as the index in the NCR reversed to a positive 13.8 percent and to 19.4 in AONCR.



*The services sector weakens in the third quarter but recovers in the fourth quarter.*

Services Outlook  
Q2-Q4 2005

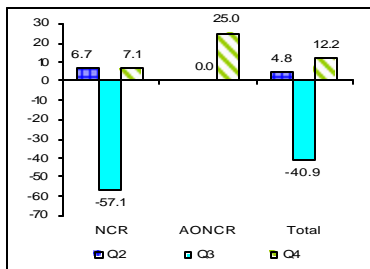


The overall services sector outlook in the third quarter for the NCR and AONCR posted DIs of -13.3 percent and -15.9 percent, respectively. In the NCR, the negative DI of the financial intermediation sub-sector weighed down the positive DIs of the hotels and restaurant, renting and business activities and the community and social services sectors. Similarly, in AONCR, the financial intermediation sub-sector contributed to the negative DI of the services sector since the other three sub-sectors registered zero DIs during the quarter. These bring the overall DI for the services sector to -13.8 percent (Table 1).

However, the NCR and AONCR respondents are more bullish in the fourth quarter, with the indices rising to positive levels. Prospects for all sub-sectors remained positive particularly for hotels and restaurants, followed by renting and business activities, community and social services and lastly by the financial intermediation sub-sectors (Table 1).

*The business outlook in the construction sector regains optimism in the fourth quarter after a decline in the third quarter.*

Construction outlook  
Q2-Q4 2005



The business outlook index of the construction sector decreased in the third quarter of 2005 to -40.9 percent from 4.8 percent a quarter ago. The DI of the NCR respondent firms dropped to -57.1 percent from 6.7 percent in the previous survey. The AONCR respondents were however evenly divided in their views with the DI settling at 0.0 percent, similar to the previous survey.

The next quarter index is positive in both NCR and AONCR. The construction DI increased to 7.1 percent in the NCR while the DI in AONCR improved significantly compared to that in NCR at 25.0 percent (Table 1).

### Business Constraints

*The political uncertainty, surge in oil prices and the fiscal deficit are the major risks to business.*

Respondents cited that the biggest risks which could hamper business expansion in the country are political uncertainty, continued rise in oil prices, and the fiscal deficit.



*Competition and insufficient demand are among the other constraints to business in the third quarter.*

In addition to the macroeconomic risks, stiff competition and slack in demand are other major factors seen by most respondents that could constrain business operations in the third quarter of 2005. Unclear economic laws particularly on taxation, financial problems and high interest rates may also limit business activities during the quarter (Table 5).

### Expectations on Key Economic Indicators

*Higher interest rates, rising inflation and a weaker peso are anticipated in the third and fourth quarters of 2005.*

Survey respondents expected the following to ensue in the current and in the next quarter: higher peso-borrowing rate, rising inflation rate, and a weaker peso (Table 6).

### TECHNICAL NOTES

To provide a regional dimension to business prospects, the BES coverage was expanded to include regions outside the NCR particularly Regions I, III, IV, VII and XI.

The BES coverage consists of firms in SEC's Top 5000 Corporations in 2003 which are based in the NCR and the five selected regions. From each of these regions, a stratified random sample of 893 firms (460 in NCR and 433 in AONCR) was selected across four major economic groups and 12 sub-groups namely: Group 1: Industry, which consists of manufacturing, mining and quarrying, electricity, gas and water and agriculture, fishery and forestry; Group II: Construction; Group III: Wholesale and Retail Trade and Group IV: Services Sector, which consists of financial intermediation, real estate, renting and business activities, hotels and restaurants, transport, storage and communications and community, social and personal services.

The combined survey response rate for this quarter is 68.8 percent: 83.0 percent for NCR and 53.6 percent for the selected regions outside NCR. It is worth noting that 31.8 percent of respondents belong to the small-firm category employing less than 100 workers. The distribution of sample size by region is shown below.

SECTOR	Number of Population										Number of Samples						
	Total	Other Regions	NCR	Areas Outside NCR	Region 1 Ilocos Region	Region 3 Central Luzon	Region 4 Southern Luzon	Region 7 Central Visayas	Region 11 Southern Mindanao	Total	NCR	Areas Outside NCR	Region 1 Ilocos Region	Region 3 Central Luzon	Region 4 Southern Luzon	Region 7 Central Visayas	Region 11 Southern Mindanao
Agriculture, Fisheries and Forestry	90	11	31	48	0	4	6	7	31	25	4	21	0	2	2	3	14
Business Activities	276	3	238	35	0	7	13	12	3	47	34	13	0	3	3	5	2
Community, Social & Personal Services	152	8	118	26	1	4	12	6	3	31	17	14	1	3	4	3	3
Construction	169	5	121	43	2	15	10	12	4	34	17	17	2	4	3	5	3
Electricity, Gas and Water Supply	74	7	43	24	2	10	5	6	1	18	6	12	2	4	3	3	0
Financial Intermediation	346	5	308	33	0	8	8	14	3	68	44	14	0	5	2	6	2
Hotels and Restaurant	123	6	94	23	3	6	4	6	4	28	13	15	3	5	2	3	2
Manufacturing	1767	51	893	823	4	138	525	133	23	279	126	153	3	40	65	35	10
Mining and Quarrying	20	1	15	4	0	0	1	2	1	5	2	3	0	0	1	1	1
Real Estate	189	3	156	30	3	6	8	12	1	36	22	14	3	2	4	4	1
Transport, Storage & Communications	246	8	185	53	0	16	12	15	10	47	26	21	0	5	4	6	6
Wholesale and Retail Trade	1548	83	1050	415	35	121	103	92	64	285	149	136	22	35	30	32	17
TOTAL NUMBER OF FIRMS	5000	191	3252	1557	50	335	707	317	148	893	460	433	36	108	123	105	61

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**Table 1. INDICES OF OVERALL BUSINESS OUTLOOK BY SECTOR <sup>1/</sup>**  
3rd and 4th Quarters of 2005

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Sectors	Number of Respondents			Index Points					
				Current Quarter Jul - Sep			Next Quarter Oct - Dec		
	NCR	Outside NCR	Total	NCR	Outside NCR	Total	NCR	Outside NCR	Total
<b>All Sectors</b>	<b>382</b>	<b>232</b>	<b>614</b>	<b>-13.0</b>	<b>-5.6</b>	<b>-10.4</b>	<b>14.3</b>	<b>25.1</b>	<b>18.1</b>
Industry of which:	<b>112</b>	<b>107</b>	<b>219</b>	<b>-6.2</b>	<b>0.9</b>	<b>-2.7</b>	<b>13.8</b>	<b>19.4</b>	<b>16.6</b>
Manufacturing	<b>104</b>	<b>92</b>	<b>196</b>	<b>-7.7</b>	<b>3.3</b>	<b>-2.3</b>	<b>14.4</b>	<b>18.7</b>	<b>16.5</b>
Construction	<b>14</b>	<b>4</b>	<b>18</b>	<b>-57.1</b>	<b>0.0</b>	<b>-40.9</b>	<b>7.1</b>	<b>25.0</b>	<b>12.2</b>
Wholesale & Retail Trade	<b>116</b>	<b>71</b>	<b>187</b>	<b>-13.8</b>	<b>-14.1</b>	<b>-13.9</b>	<b>15.5</b>	<b>36.6</b>	<b>22.3</b>
Services of which:	<b>140</b>	<b>50</b>	<b>190</b>	<b>-13.3</b>	<b>-15.9</b>	<b>-13.8</b>	<b>14.3</b>	<b>24.4</b>	<b>16.1</b>
Financial Intermediation	<b>42</b>	<b>8</b>	<b>50</b>	<b>-19.0</b>	<b>-25.0</b>	<b>-19.7</b>	<b>7.1</b>	<b>0.0</b>	<b>6.4</b>
Hotels & Restaurants	<b>13</b>	<b>6</b>	<b>19</b>	<b>23.1</b>	<b>0.0</b>	<b>17.6</b>	<b>61.5</b>	<b>33.3</b>	<b>54.9</b>
Renting & Business Activities	<b>33</b>	<b>7</b>	<b>40</b>	<b>6.1</b>	<b>0.0</b>	<b>5.2</b>	<b>24.2</b>	<b>42.9</b>	<b>26.8</b>
Community, Social Services	<b>15</b>	<b>12</b>	<b>27</b>	<b>6.7</b>	<b>0.0</b>	<b>5.2</b>	<b>13.3</b>	<b>58.3</b>	<b>23.4</b>

1/ The diffusion index is weighted based on the distribution of the 2003 Top 5000 Corporations across: (a) the twelve economic sectors grouped as follows: Industry-manufacturing, electricity, gas and water, agriculture, fishery and forestry, and mining and quarrying; Construction, Wholesale and Retail Trade and Other Services Sector- finance, real estate, transport, storage and communication, hotels and restaurant, renting and business activities and community, social and personal services; and (b) beginning 4th Quarter 2003, between those firms based in the National Capital Region (NCR) and those based outside NCR, particularly Regions I, VII and XI and including Regions III and IV starting 3rd quarter 2004.



**Table 2. SELECTED INDICATORS OF BUSINESS EXPECTATIONS**

2nd and 3rd Quarters of 2005

INDICATORS	2nd Quarter 2005 (Previous)			3rd Quarter 2005 (Current)		
	NCR	Outside NCR	TOTAL	NCR	Outside NCR	TOTAL
Business Outlook Index						
Current Quarter	12.3	14.0	12.9	-13.0	-5.6	-10.4
Next Quarter	20.7	25.4	22.3	14.3	25.1	18.1
Volume of Business Activity Index						
Previous Quarter	10.3	-6.9	4.3	2.7	12.7	6.2
Current Quarter	22.8	12.6	19.2	-1.5	5.0	0.7
Next Quarter	31.4	23.1	28.5	25.0	32.0	27.5
Volume of Total Order Book Index						
Previous Quarter	3.1	-10.5	-1.6	-1.1	12.2	3.6
Current Quarter	16.2	12.1	14.8	-3.1	4.3	-0.5
Credit Access Index						
Current Quarter	-10.3	-15.8	-12.2	-14.0	-11.6	-13.2
Financial Conditions Index						
Current Quarter	-27.7	-30.4	-28.6	-39.4	-31.3	-36.5
Ave. Capacity Utilization (Industry Sector)						
Current Quarter	74.0	74.5	74.2	71.4	75.3	73.3
Employment Outlook Index						
Next Quarter	8.0	3.8	6.5	8.3	5.3	7.3

**Table 3. DISTRIBUTION OF COMPANIES WITH AND WITHOUT EXPANSION PLANS  
FOR THE INDUSTRY SECTOR**  
4th Quarter 2005

Industry Group	Number of Respondents			Percent Share								
				With Expansion Plans			No Expansion Plans			No Answer		
	NCR	Outside NCR	Total	NCR	Outside NCR	Total	NCR	Outside NCR	Total	NCR	Outside NCR	Total
<b>Industry Sector</b>	112	107	219	9.3	9.0	9.2	71.6	66.7	69.2	19.1	24.3	21.6
Mining & Quarrying	1	2	3	0.0	0.0	0.0	100.0	50.0	87.5	0.0	50.0	12.5
Manufacturing	104	92	196	17.3	16.5	16.9	78.8	69.2	74.1	3.8	14.3	9.0
Electricity, Gas & Water	5	5	10	20.0	0.0	11.6	80.0	100.0	88.4	0.0	0.0	0.0
Agriculture, Fishery & Forestry	2	8	10	0.0	12.5	8.2	50.0	50.0	50.0	50.0	37.5	41.8

**Table 4. CONFIDENCE INDICATORS AND DIFFUSION INDICES**

3rd Quarter 2005

In percent

SECTORS	Confidence Indicator <sup>1/</sup>			Diffusion Index		
	NCR	Outside NCR	Total	NCR	Outside NCR	Total
1. Industry	2.7	12.7	7.7			
Volume of Total Order Book ( Current Quarter)				0.9	13.6	7.2
Volume of Stocks of Finished Goods (Current Quarter)				16.6	4.4	10.5
Volume of Production (Next Quarter)				23.9	28.9	26.4
2. Construction	-3.6	0.0	-2.6			
Volume of Total Order Book ( Current Quarter)				-14.3	-25.0	-17.3
Number of People Employed (Next Quarter)				7.1	25.0	12.2
3. Wholesale and Retail Trade	-7.2	0.0	-4.9			
Volume of Stocks of Finished Goods (Current Quarter)				9.5	9.9	9.6
Business Conditions (Current Quarter)				-26.7	-25.4	-26.3
Business Conditions (Next Quarter)				14.7	35.2	21.3
4. Services Sector	3.3	-3.3	2.2			
Business Conditions (Current Quarter)				-17.3	-25.1	-18.6
Business Conditions (Next Quarter)				15.6	11.1	14.8
Number of People Employed (Next Quarter)				11.6	4.0	10.3

1/ The confidence indicators were computed as the averages of the diffusion indices of the variables in each sector. However, volume of stocks of finished goods were inverted (subtracted) rather than added.

**Table 5. FACTORS LIMITING PRODUCTION/BUSINESS ACTIVITY BY SECTOR**  
3rd Quarter 2005

Sector	No. of Respondents	Percent Share										
		High Interest Rate	Unclear economic	Lack of equipment	Insufficient demand	Access to credit	Financial Problems	Competition	Labor problems	Lack of material-input	Others	None
<b>All Sectors</b>	<b>614</b>	<b>35.9</b>	<b>45.9</b>	<b>23.8</b>	<b>64.3</b>	<b>30.4</b>	<b>37.6</b>	<b>74.2</b>	<b>26.5</b>	<b>24.4</b>	<b>21.0</b>	<b>3.0</b>
NCR	382	33.9	43.8	16.8	58.8	27.0	32.7	72.1	21.5	18.1	21.8	2.0
Industry of which:	112	31.3	48.8	19.2	68.7	25.7	30.0	77.5	25.0	24.5	20.1	3.5
Manufacturing	104	31.7	48.1	20.2	68.3	20.2	26.0	78.8	23.1	26.0	22.1	3.8
Construction	14	21.4	21.4	14.3	64.3	35.7	28.6	64.3	21.4	21.4	7.1	0.0
Wholesale & Retail Trade	116	41.4	44.0	14.7	62.1	32.8	37.9	73.3	19.8	14.7	22.4	0.0
Services of which:	140	30.4	41.8	17.0	46.3	21.8	30.7	66.9	20.0	15.2	24.4	2.8
Community & Social Services	15	40.0	33.3	0.0	33.3	13.3	53.3	66.7	13.3	6.7	13.3	6.7
Financial Intermediation	42	28.6	52.4	14.3	54.8	19.0	23.8	71.4	14.3	11.9	16.7	0.0
Renting & Business Activities	33	24.2	54.5	21.2	42.4	30.3	36.4	66.7	33.3	24.2	27.3	6.1
Hotels & Restaurants	13	38.5	38.5	46.2	46.2	30.8	53.8	92.3	46.2	38.5	15.4	0.0
Outside NCR	232	39.8	49.7	36.8	74.5	36.8	46.7	78.2	35.9	36.2	19.5	5.0
Industry of which:	107	38.5	46.0	40.4	74.2	36.6	43.9	75.8	39.9	44.4	15.3	5.6
Manufacturing	92	38.5	46.2	40.7	76.9	37.4	42.9	78.0	41.8	48.4	14.3	5.5
Construction	4	0.0	25.0	0.0	50.0	50.0	50.0	50.0	0.0	0.0	0.0	25.0
Wholesale & Retail Trade	71	52.1	62.0	36.6	84.5	42.3	62.0	91.5	36.6	32.4	25.4	1.4
Services of which:	50	27.2	43.8	29.7	59.2	23.4	25.2	65.7	24.9	18.1	28.8	6.2
Community & Social Services	12	33.3	58.3	50.0	50.0	41.7	50.0	66.7	33.3	33.3	25.0	0.0
Financial Intermediation	8	25.0	50.0	25.0	62.5	25.0	25.0	87.5	25.0	25.0	25.0	25.0
Renting & Business Activities	7	28.6	42.9	28.6	42.9	28.6	28.6	57.1	28.6	14.3	14.3	0.0
Hotels & Restaurants	6	33.3	66.7	33.3	50.0	50.0	16.7	50.0	33.3	16.7	16.7	16.7

**Table 6. INDICES OF EXPECTATIONS ON ECONOMIC INDICATORS BY SECTOR**

3rd and 4th Quarters of 2005

In Index Points

Sectors	Current Quarter (Jul - Sep)			Next Quarter (Oct - Dec)		
	Average Peso Borrowing Rate	Average Inflation Rate	Average Peso / US \$ Exchange	Average Peso Borrowing Rate	Average Inflation Rate	Average Peso / US \$ Exchange
<b>Total</b>	<b>41.9</b>	<b>61.4</b>	<b>-11.9</b>	<b>39.4</b>	<b>55.1</b>	<b>-5.0</b>
NCR	42.2	60.3	-10.0	40.9	54.3	-3.37
Industry	42.6	54.9	-1.8	42.5	49.7	3.2
Construction	42.9	78.6	7.1	7.1	57.1	-7.1
Wholesale & Retail Trade	32.8	62.9	-15.5	38.8	55.2	-6.0
Services	50.9	60.8	-14.0	45.2	57.4	-6.2
Outside NCR	41.1	63.3	-15.5	36.6	56.6	-8.1
Industry	41.1	0.0	0.0	0.0	0.0	0.0
Construction	0.0	75.0	25.0	-25.0	50.0	0.0
Wholesale & Retail Trade	43.7	52.1	-18.3	45.1	56.3	-9.9
Services	44.3	82.5	-15.7	32.1	56.1	-13.2

**Table 7. AVERAGE NUMBER OF EMPLOYEES BY SECTOR**  
3rd Quarter 2005

Sector	No. of Respondents	Current No. of Employees (in percent)				
		Small	Medium		Large	No Response
		<100	100-300	301-500	>500	
<b>Total</b>	<b>614</b>	<b>31.8</b>	<b>28.6</b>	<b>9.0</b>	<b>14.6</b>	<b>16.1</b>
NCR	382	35.0	26.0	7.2	13.8	18.0
Industry	112	27.1	33.8	8.7	19.0	11.4
Construction	14	28.6	28.6	0.0	14.3	28.6
Wholesale & Retail Trade	116	50.9	23.3	5.2	3.4	17.2
Services	140	27.5	21.4	8.7	18.9	23.6
Outside NCR	232	25.9	33.4	12.2	16.2	12.4
Industry	107	14.3	35.5	16.5	22.7	11.0
Construction	4	0.0	100.0	0.0	0.0	0.0
Wholesale & Retail Trade	71	53.5	25.4	5.6	4.2	11.3
Services	50	20.4	27.7	10.8	18.1	23.0