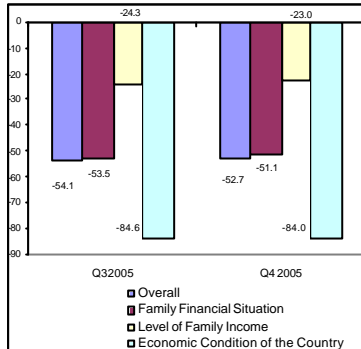


CONSUMER OUTLOOK IMPROVES IN THE FOURTH QUARTER OF 2005 AND ONTO THE FIRST QUARTER OF 2006

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Overall Consumer Outlook

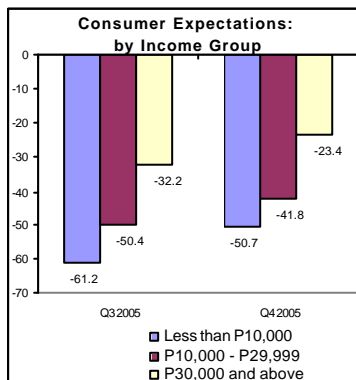
Consumer outlook for the fourth quarter of 2005 improves.



Consumers' outlook improved in the fourth quarter of 2005 as reflected in the increase in the average diffusion index¹ (DI) of -52.7 percent from -54.1 percent in the previous quarter. The overall index, while remaining negative in the fourth quarter was better compared to the index in the third quarter. All the three component indices showed slight improvements from the previous survey. Family financial situation index improved to -51.1 percent from -53.5 percent, level of family income index increased to -23.0 percent from -24.3 percent, and the index of the economic condition of the country was steady at -84.0 percent from -84.6 percent (Table 1).

Respondents cited expectations of: 1) additional income; 2) more jobs available; 3) sound government policies; and 4) overseas jobs as reasons for their optimism.

All income groups register better outlook for the fourth quarter of 2005.



Outlook of respondents belonging to major income groups improved for the current quarter. Respondents belonging to the lowest income group (i.e. household monthly income of less than ₱10,000) improved to -50.7 percent from -61.2 percent in the previous survey. This group comprised 49.6 percent of the Consumer Expectations Survey (CES) sample. (Table 1a).

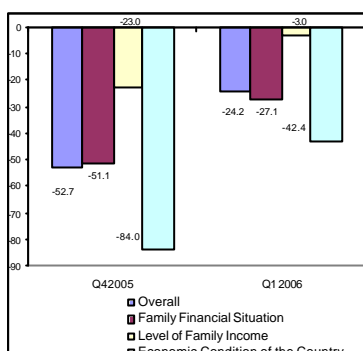
Likewise, the economic outlook of respondents with a household monthly income from ₱10,000 to less than ₱30,000 improved with its DI at -41.8 percent from -50.4 percent in the previous survey. Respondents for the middle income group comprised 40 percent of the CES sample.

Respondents with the highest household monthly income of ₱30,000 and over, which comprise 10.4 percent of the CES sample, similarly improved at -23.4 percent from -32.2 percent in the previous quarter.

¹ The diffusion Index (DI) is computed as the percentage share of respondents that answered in the affirmative less the percentage share of respondents that answered negative in a given indicator. A positive DI indicates a favorable view, except for unemployment and interest rate for borrowing money, where a positive DI indicates the opposite. Please note that all index figures are diffusion indices except for buying conditions and intentions.

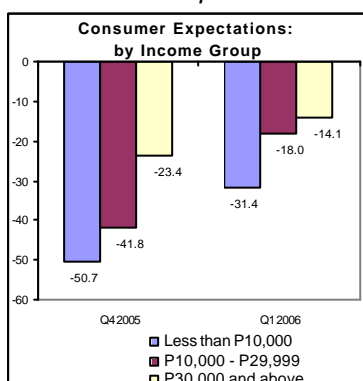


Consumer sentiment further improves in the first quarter of 2006.



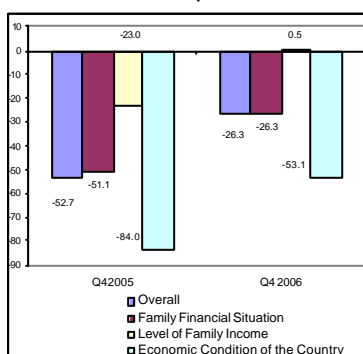
The consumer expectations for the first quarter of 2006 improved further to -24.2 percent, supported by better outlook in the level of family income, family financial situation, and economic condition of the country (Table 2).

Consumers from all income groups are optimistic in the first quarter of 2006.



All major income groups anticipated better outlook one quarter from now. By income level, their DI improved to -31.4 percent (from -50.7 percent in fourth quarter of 2005) for respondents in the lowest income group; -18.0 percent (from -41.8 percent) for the middle-income level; and -14.1 percent (from -23.4 percent) for the highest income group (Table 2a).

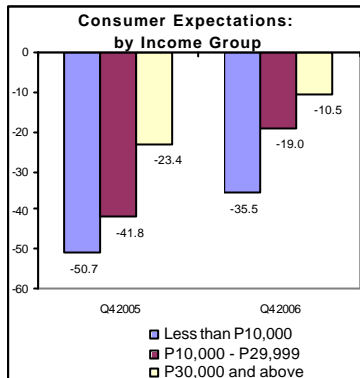
Consumer optimism persists for the fourth quarter of 2006.



The improvement in consumer sentiment persisted one year ahead as the overall index went up to -26.3 percent from -52.7 percent for the fourth quarter of 2005. The uptrend in the index of all three components of the overall index supported this view. The improvement in the overall outlook index may be attributed to expectations for better macroeconomic fundamentals next year (Table 3).



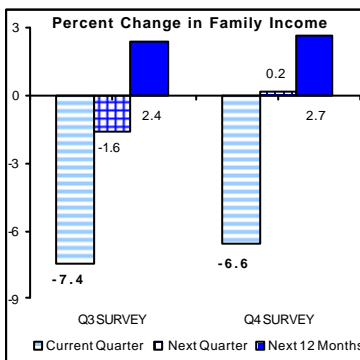
All income groups expect the economy to be stronger in the fourth quarter of 2006.



By income level, respondents in the lowest income group expected a much improved economic outlook 12 months from now, with a DI of -35.5 percent (from -50.7 percent in the fourth quarter of 2005, an increase of 15.2 index points). Likewise, the DI in the middle-income group and the highest income group continued to increase to -19.0 percent, and -10.5 percent, up by 22.8 index points and 12.9 index points, respectively from the comparative indices for the fourth quarter of 2005 (Table 3a).

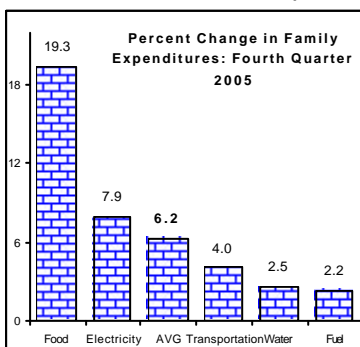
Changes in Family Income and Expenditures

Respondents expect the average family income to increase next year.



Respondents expected that the contraction in the average family income would ease to -6.6 percent in the fourth quarter compared to -7.4 percent in the previous quarter. By 2006, consumers anticipated that their family income would improve by 0.2 percent in the first quarter of 2006 and further rise by 2.7 percent one year ahead (Table 4).

Respondents expect increased expenditures on food, transportation and fuel in the fourth quarter.

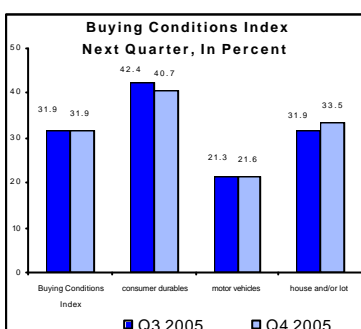


In general, more consumers believed that the amount of expenditures for both goods and services in the first quarter 2006 would increase by an average of 2.4 percent (Table 5). Moreover, consistent with the anticipated increase in family income, respondents expected their family expenditures on basic commodities to rise by an average of 6.2 percent in the first quarter of 2006. They expected higher expenses on basic commodities such as food, electricity, fuel, water and transportation, clothing and footwear, and lower expenditures on house rent, education, communication, hotels and restaurants, medical care, and personal care and effects (Table 6).



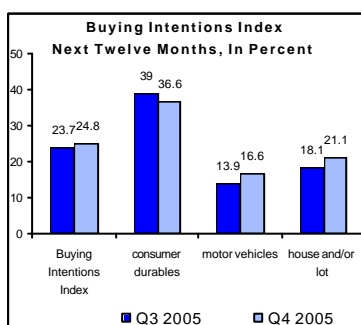
Changes in Buying Conditions and Buying Intentions

Consumer sentiment on buying conditions remained the same.



The buying conditions index for the current quarter remained steady at 31.9 percent. Results of the survey show that buying conditions for house and lot, and motor vehicles improved while buying conditions for consumer durables declined in the fourth quarter of 2005 (Table 7).

Consumers' buying intentions are higher in the next twelve months.



More consumers also expressed that they intend to buy assets in the next 12 months as indicated by the DI of 24.8 percent. This was higher compared to the 23.7 percent in the previous quarter's survey. Except for consumer durables, consumer intentions to purchase house and lot as well as motor vehicles were on the uptrend (Table 8).

Affordability, easy installment terms, investment for housing and motor vehicles as factor in production are factors affecting the improved buying intentions for next year.

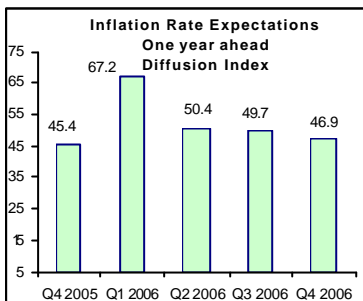
Factors cited by households that would encourage them to buy within the next 12 months included affordability, easy installment terms, investment (in the case of housing) and usefulness in business (in the case of motor vehicle). On the other hand, majority of the respondents who indicated not to buy in the next 12 months cited high prices, low/insufficient income and higher priority for food and other basic needs (Table 8).



Expectations on Selected Economic Indicators

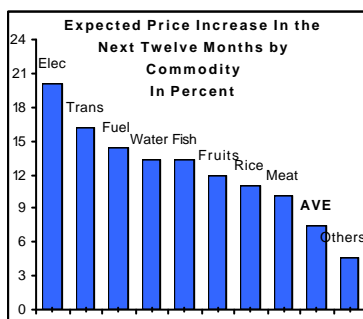
Respondents anticipate lower inflation rate, higher interest rate and a weaker peso in the next twelve months.

Respondents indicated that while unemployment rate, interest rate and inflation rate would increase, the outlook was better compared to that in the third quarter of 2005 (Table 9).



Specifically, respondents viewed that inflation for the next 12 months would slow down to 7.4 percent, compared to 7.6 percent in the previous quarter's survey (Tables 10-11). Households anticipated the highest price increases in utilities, transportation, fuel and food.

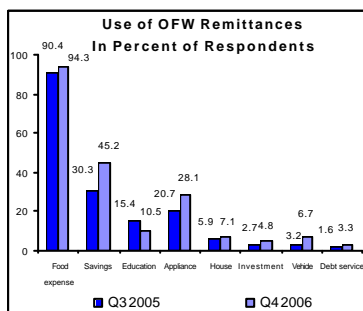
Meanwhile, respondents anticipated that the peso would depreciate in the last quarter of 2005 to the end of 2006.



Focus on Overseas Filipino Workers

OFW remittances are used to fund food, purchase of appliances, bank savings and children's education.

Among the 2299 survey respondents, 223 or 9.7 percent have at least one OFW in their household (Table 12). About 94.2 percent of the OFWs remitted money to their families during the last 12 months (Table 13).



A large number of respondents (198 households) expressed that OFW remittances were spent for food and other household needs. Remittances were also channeled to savings, purchase of appliances and house, financing of education, business investments and others such as medicine and debt payment (Table 14).



TECHNICAL NOTES

In July 2004, the BSP launched the Consumer Expectations survey (CES), which aimed to capture the economic outlook of consumers as an indication of the country's future economic conditions. The CES was envisioned to complement the Business Expectations Survey (BES) to determine both business and household economic prospects. The fourth quarter 2005 CES conducted in 1-7 October 2005, has a sample size of 2427 households in the National Capital Region (NCR). Its sample households constitute half of the NSO's master sample of households in the NCR, which is representative of all households coming from the low, middle and upper income brackets. The said master sample was generated using a stratified multi-stage probability sampling scheme. The survey response rate for the fourth quarter of 2005 is 94.73 percent or 2299 households. Based on the above sampling scheme, the percent distribution of the sample households by income class is as follows :

Income class	Percent of sample
Less than ₱10,000	49.6
₱10,000 - ₱19,999	30.6
₱20,000 - ₱29,999	9.4
₱30,000 - ₱39,999	4.5
₱40,000 - ₱49,999	2.0
₱50,000 - ₱69,999	2.0
₱70,000 and over	1.8

The CES has 17 output tables consisting of the following:

Tables 1-3. Consumer expectations Indices for the current quarter, next quarter and 12 months ahead. The consumer expectations index is the average diffusion index of three variables: family financial situation, level of family income and economic condition of the country;

Tables 1a-3a. Consumer expectations Indices by income group for the current quarter, next quarter and 12 months ahead;

Table 4. Expectations on the average percent change in family income compared to previous year, next three months, and twelve months from now;

Tables 5. and 6. Diffusion indices and percent changes in the amount of family expenditures for basic goods and services in the next three months;

Tables 7. and 8. Indices on buying conditions and intentions of households in the current quarter and in the next twelve months;

Table 9. Indices on selected economic indicators: unemployment, interest rate for borrowing money, exchange rate, and inflation rate in the next twelve months;

Tables 10 and 11. Diffusion Indices and percent changes on the prices of commodities in the next twelve months;

Tables 12-14. Proportion of respondents with an OFW in their household and uses of OFW remittances.

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CONSUMER EXPECTATIONS SURVEY, FOURTH QUARTER 2005

Table 1. Consumer Expectations Current Quarter (Fourth Quarter 2005)				
In Percent				
	Better	Same	Worse	Diffusion index*
Consumer Expectations	7.7	31.9	60.4	-52.7 (-54.1)
Family Financial Situation	9.0	30.9	60.1	-51.1 (-53.5)
Level of Family Income	12.9	51.2	35.9	-23.0 (-24.3)
Economic Condition of the Country	1.2	13.6	85.2	-84.0 (-84.6)

* Figures in parenthesis refer to the Q3 2005 CES diffusion indices

Table 1a. Consumer Expectations Current Quarter (Fourth Quarter 2005) by Household Income Level				
In Percent				
	Financial condition	Level of family income	Economic condition	Diffusion index*
Less than ₱10,000	-67.5	-36.6	-48.0	-50.7 (-61.2)
₱10,000 - ₱29,999	-40.3	-13.9	-71.2	-41.8 (-50.4)
₱10,000 - ₱19,999	-43.1	-15.6	-83.4	-47.4 (-51.6)
₱20,000 - ₱29,999	-31.1	-8.4	-31.4	-23.6 (-46.2)
₱30,000 and over	-14.6	5.4	-60.9	-23.4 (-32.2)
₱30,000 - ₱39,999	-20.1	0.4	-32	-17.2 (-34.1)
₱40,000 - ₱49,999	-17.6	17.5	-92.5	-30.9 (-28.6)
₱50,000 - ₱69,999	-13.8	11.8	-81.2	-27.7 (-40.7)
₱70,000 and over	1.5	-2.8	-75.6	-25.6 (-23.3)

* Figures in parenthesis refer to the Q3 2005 CES diffusion indices

Table 2. Consumer Expectations Next Quarter (First Quarter 2006)				
In Percent				
	Better	Same	Worse	Diffusion index
Consumer Expectations	6.2	63.5	30.3	-24.2
Family Financial Situation	7.2	58.5	34.3	-27.1
Level of Family Income	9.7	77.6	12.7	-3.0
Economic Condition of the Country	1.6	54.4	44.0	-42.4

Table 2a. Consumer Expectations for the next 3 months by household income level				
In Percent				
	Financial condition	Level of family income	Economic condition	Diffusion index
Less than ₱10,000	-39.1	-7.2	-48.0	-31.4
₱10,000 - ₱29,999	-16.8	0.4	-37.6	-18.0
₱10,000 - ₱19,999	-18.0	0.3	-39.5	-19.1
₱20,000 - ₱29,999	-12.7	0.8	-31.4	-14.4
₱30,000 and over	-7.7	3.2	-37.8	-14.1
₱30,000 - ₱39,999	-6.3	3.1	-32.0	-11.7
₱40,000 - ₱49,999	-24.3	3.1	-49.5	-23.6
₱50,000 - ₱69,999	-10.2	4.7	-28.4	-11.3
₱70,000 and over	10.1	1.7	-49.5	-12.6

Table 3. Consumer Expectations 12 Months From Now (Fourth Quarter 2006)				
In Percent				
	Better	Same	Worse	Diffusion index
Consumer Expectations	14.6	44.4	40.9	-26.3
Family Financial Situation	16.7	40.3	43.0	-26.3
Level of Family Income	19.4	61.7	18.9	0.5
Economic Condition of the Country	7.8	31.3	60.9	-53.1

Table 3a. Consumer Expectations for the next 12 months by household income level In Percent				
	Financial condition	Level of family income	Economic condition	Diffusion index
Less than ₱10,000	-41.5	-7.4	-57.6	-35.5
₱10,000 - ₱29,999	-14.3	6.9	-49.4	-19.0
₱10,000 - ₱19,999	-17.5	4.0	-51.5	-21.7
₱20,000 - ₱29,999	-3.9	16.2	-42.7	-10.1
₱30,000 and over	-1.1	15.3	-45.8	-10.5
₱30,000 - ₱39,999	1.3	12.9	-40.8	-8.9
₱40,000 - ₱49,999	-11.1	16.3	-52.4	-15.7
₱50,000 - ₱69,999	-6.6	25.7	-46.9	-9.3
₱70,000 and over	10.1	8.4	-49.5	-10.3

Table 4. Expectations on the Average Percent Change in Family Income and Expenditure In Percent				
	Better	Same	Worse	Average*
Fourth Quarter 2005 Average income percent change compared to a year ago	12.9	0.0	-23.0	-6.6 (-7.4)
First Quarter 2006 Average income percent change in the next quarter	9.7	0.0	-3.0	0.2 (-1.6)
One year from now (Fourth Quarter 2006) Average income percent change twelve months from now	19.4	0.0	0.5	2.7 (2.4)

* Figures in parenthesis refer to the Q3 2005 CES average income percent change

Table 5. Diffusion Index on the Amount of Expenditures for Basic Goods and Services Next 3 Months
Fourth Quarter 2005 - First Quarter 2006
In Percent

	Up	No Change	Down	Diffusion Index*	
Average	47.7	0.8	45.2	2.4	(-2.2)
Food	79.1	1.3	19.6	59.5	(58.1)
Clothing and Footwear	61.6	1.9	36.4	25.2	(-43.7)
Fuel	71.7	2.9	25.4	46.3	(28.2)
Electricity	70.3	1.2	28.5	41.8	(44.8)
Water	50.7	1.1	48.2	2.5	(-1.6)
House rent	12.2	0.1	87.7	-75.5	(-80.2)
Transportation	50.6	0.3	49.1	1.5	(-6.0)
Communication	25.1	0.8	74.1	-49.0	(-57.2)
Education	23.8	0.4	75.8	-52.0	(-55.3)
Medical Care	35.9	2.0	62.1	-26.2	(-21.7)
Personal Care & Effects	46.5	1.1	52.4	-5.9	(-16.7)
Hotel & restaurant**	30.4	2.9	66.7	-36.3	(-40.5)

* Figures in parenthesis refer to the Q3 2005 CES diffusion indices

** included beginning Q1 2005

Table 6. Percent Change in the Amount of Expenditures for Basic Goods and Services Next 3 Months
Fourth Quarter 2005 - First Quarter 2006
In Percent

	Percent change*	
Average	6.2	(4.6)
Food	19.3	(17.6)
Clothing and Footwear	0.3	(-12.1)
Fuel	2.2	(3.1)
Electricity	7.9	(5.9)
Water	2.5	(-0.9)
House rent	-3.4	(1.0)
Transportation	4.0	(0.4)
Communication	-8.9	(-15.3)
Education	-9.5	(-26.8)
Medical Care	-4.2	(-5.7)
Personal Care & Effects	-4.5	(-5.5)
Hotel & restaurant**	-7.3	(-8.0)

* Figures in parenthesis refer to the Q3 2005 CES percent changes

** included beginning Q1 2005

Table 7. Buying Conditions at this Time Fourth Quarter 2005 In Percent				
	Good Time	Fair Time	Bad Time	Index (100 - % Bad Time)*
Buying Conditions Index	5.7	26.2	68.1	31.9 (31.9)
Buying consumer durables	5.1	35.6	59.3	40.7 (42.4)
Buying a motor vehicle	4.2	17.4	78.4	21.6 (21.3)
Buying a house and/or lot	7.9	25.6	66.5	33.5 (31.9)

* Figures in parenthesis refer to the Q3 2005 CES result

Table 8. Buying Intentions in the Next 12 Months (Fourth Quarter 2005 - Fourth Quarter 2006) In Percent				
	Yes	Not Sure	No	Index (100 - % No)
Buying Intentions Index	5.7	19.0	75.2	24.8 (23.7)
Buying consumer durables	8.2	28.4	63.4	36.6 (39.0)
Buying a motor vehicle	3.7	12.9	83.4	16.6 (13.9)
Buying a house and/or lot	5.3	15.8	78.9	21.1 (18.1)

* Figures in parenthesis refer to the Q3 2005 CES result

Table 9. Indices on Selected Economic Indicators in the Next 12 Months Fourth Quarter 2005 - Fourth Quarter 2006 In Percent				
	Increase	Same as this period	Decrease	Diffusion Index*
Unemployment	83.3	9.8	6.9	76.4 (80.4)
Interest rate for borrowing money	53.1	43.9	3.0	50.1 (54.4)
Exchange rate <i>(Increase means</i>	9.2	19.8	71.0	-61.8 (-68.5)
Inflation rate	73.0	0.9	26.1	46.9 (49.7)

* Figures in parenthesis refer to the Q3 2005 CES diffusion indices

10. Fourth Quarter 2005 - Fourth Quarter 2006 In Percent					
	Up	No Change	Down	Diffusion Index*	
Average	73.0	0.9	26.1	46.9	(49.7)
Rice	93.3	0.9	5.8	87.5	(87.7)
Meat	90.8	1.3	7.9	82.9	(85.4)
Fish and seafood	86.5	1.1	12.4	74.1	(71.8)
Fruits and vegetables	77.6	1.1	21.3	56.3	(53.4)
Clothing	57.9	2.2	39.9	18.0	(19.7)
House rent	49.7	0.8	49.5	0.2	(8.3)
Fuel	94.0	1.0	5.0	89.0	(88.9)
Electricity	91.3	1.0	7.6	83.7	(86.7)
Water	81.9	0.7	17.4	64.5	(61.5)
Education	64.9	0.5	34.6	30.3	(39.2)
Medical care	69.3	0.9	29.8	39.5	(46.4)
Transportation	82.9	0.7	16.4	66.5	(62.8)
Communication	54.3	0.5	45.1	9.2	(12.1)
Personal care	74.3	0.7	25.0	49.3	(52.0)

* Figures in parenthesis refer to the Q3 2005 CES diffusion indices

Table 11. Percent Change In Prices of Basic Goods and Services in the Next 12 Months (Fourth Quarter 2005 - Fourth Quarter 2006)		
	Percent Change*	
Average	7.4	(7.6)
Rice	11.1	(10.5)
Meat	10.1	(10.7)
Fish and Seafood	13.3	(11.1)
Fruits and vegetables	12.0	(8.6)
Clothing	-1.7	(-0.3)
House rent	-0.5	(3.9)
Fuel	14.4	(11.3)
Electricity	20.1	(17.7)
Water	13.4	(11.7)
Education	1.5	(4.4)
Medical Care	7.1	(6.7)
Transportation	16.1	(11.5)
Communication	1.4	(0.2)
Personal Care	7.0	(5.5)

* Figures in parenthesis refer to the Q3 2005 CES diffusion indices

Table 12. Distribution of Household Respondents by Number of OFWS (Overseas Filipino Workers)

Number of OFW	Number of respondents
0	2,076
1	200
2	19
3 and over	4
Total	2,299

Table 13. OFW Households Who Received Remittances from any of its OFW Members in the last 12 months

	Number	Percent
Received remittances	210	94.2
Did not receive remittances	13	5.8
Total	223	100.0

Table 14. Household Utilization of OFW Remittances in the last 12 months

Type of use	Number	Percent*
Buy food and/or used in other household expenditures	198	94.3
Save in banks, cooperatives and/or other depository institutions	95	45.2
Used in others	36	17.1
Education	22	10.5
Debt payment	7	3.3
Medicine	4	1.9
Buy appliances	59	28.1
Buy a house	15	7.1
Business capital and/or invested in stocks	10	4.8
Buy car / motor vehicle	14	6.7

* Represents ratio to total household which received remittances.

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