

# BUSINESS ACTIVITY WILL REMAINS POSITIVE IN THE 3RD QUARTER OF 2006\*

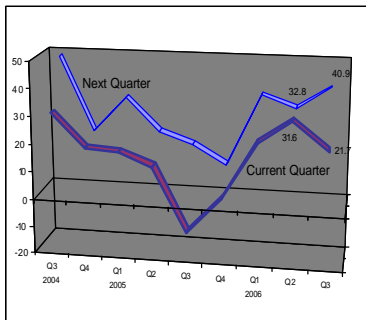
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## Overall Business Outlook

*Overall business outlook still positive.*

Results of the Business Expectations Survey (BES) for the third quarter of 2006 showed that the number of optimists still surpassed the pessimists as the confidence index (CI)<sup>1</sup> or diffusion index remained positive at 21.7 percent in the third quarter of 2006. All sectors showed positive indices. The third quarter index, however, was lower compared to 31.6 percent in the second quarter, indicating that business activity would continue to expand in the third quarter of 2006 but at a slower pace compared to the previous quarter (Table 1).

Overall Business Confidence  
Index: Q3 2004 – Q3 2006



Respondent firms attributed their lower optimism to the following: (1) continuing increase in oil prices arising from conflicts in the Middle East; (2) higher labor costs due to implementation of wage increases in both public and private sectors; and (3) seasonal factors such as the rainy season and typhoons.

*Business activity would step up in the fourth quarter of 2006.*

Firms also believed that business activity would be robust in the fourth quarter as the survey registered a higher confidence index of 40.9 percent (Table 1). Respondent firms said that sales, production, and export orders would likely pick up in the fourth quarter due to: (1) holiday and harvest seasons; (2) increased remittances from overseas Filipino workers (OFWs); (3) increase in infrastructure projects; (4) a boom in the mining sector; and (5) better government performance.

\* The Third Quarter 2006 BES was conducted from 12 July to 14 August 2006.

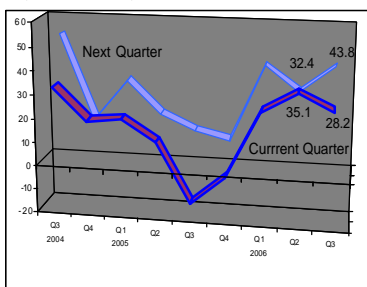
<sup>1</sup> The confidence index (CI) or diffusion index measures the net difference between firms saying business conditions are favorable and those saying they are unfavorable. It is computed as the percentage share of firms that answered in the affirmative less percentage share of firms that answered in the negative in a given indicator. A positive CI indicated a favorable view, except for the average inflation rate and the average peso-borrowing rate, where a positive CI indicates the opposite. Please note that all index figures are diffusion indices.



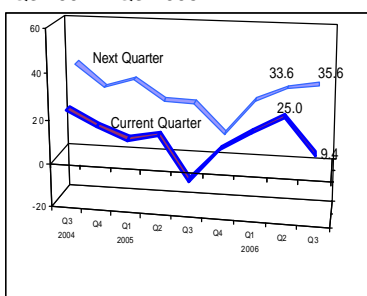
*Business activity in both the NCR and AONCR is positive and would be positive and further accelerate in the fourth quarter.*

NCR respondents anticipated that business will remain strong in the third quarter of 2006 but slower than quarter ago as its index settled at 28.2 percent from 35.1 percent in the previous quarter. NCR corporates, however, were more bullish about the fourth quarter business outlook with the CI at 43.8 percent or 15.6 points higher than the current quarter index (Table 1).

NCR Business Confidence Index  
Q3 2004 – Q3 2006



AONCR Business Confidence Index  
Q3 2004 – Q3 2006



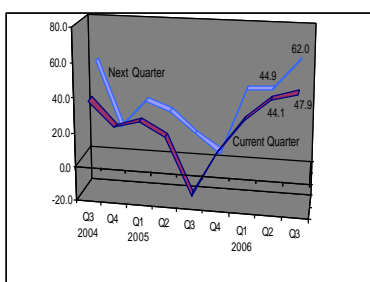
Similar outlook was expressed by the AONCR respondents who indicated that the growth rate in business activities in the third quarter of 2006 could slow down but would consolidate in the fourth quarter (Table 1).

## Sectoral Outlook

*All sectors express positive outlook in the third quarter of 2006. Services and construction sectors will continue to pick up.*

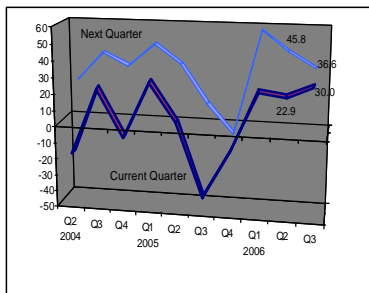
All sectors posted positive indices, indicating that more firms are generally confident about business conditions in the third quarter. Firms in the services and construction sectors were the most bullish as their indices rose quarter-on-quarter by 3.8 points (to 47.9 percent) and by 7.1 points (to 30.0 percent), respectively. On the other hand, firms in the industry and trade sectors remained positive about their sectors but see a slowdown in activity as their CIs declined by 16.7 points (to 14.0 percent) and by 15.0 points (to 7.8 percent), respectively, compared to the levels last quarter (Table 1).

Services Outlook Index  
Q3 2004 – Q3 2006



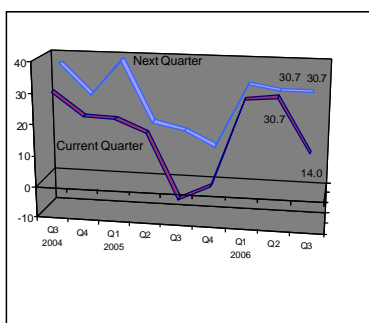
In the case of the services sector, firms expected that activity in renting and business would further improve in the third quarter as the index for this sub-sector showed the highest increment of 21.5 points (to 53.1 percent). Likewise, the hotels and restaurant sub-sector, and community and social services sub-sector registered

Construction Outlook Index  
Q3 2004 – Q3 2006



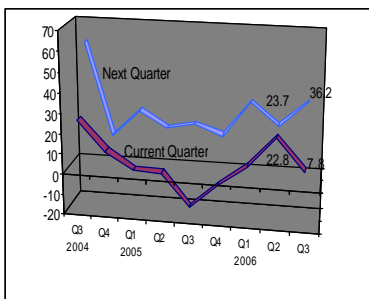
positive quarter-on-quarter increments of 19.7 points and 12.2 points, respectively. Meanwhile, the financial sub-sector while posting the highest confidence index of 64.7 percent was lower by 2.5 points relative to the previous quarter index, pointing to a slowdown in banking and financial activity (Table 1).

Industry Outlook Index  
Q3 2004 – Q3 2006



Respondents from all sectors believed that business outlook would strengthen in the fourth quarter as all indices recorded increases in the CIs across sectors compared to the third quarter levels (Table 1). Specifically, the CI of the trade sector, the most optimistic among the four sectors, was up by 28.4 points (to 36.2 percent), industry by 16.7 points (to 30.7 percent), services by 14.1 points (to 62.0 percent), and lastly, the construction sector by 6.6 points (to 36.6 percent) .

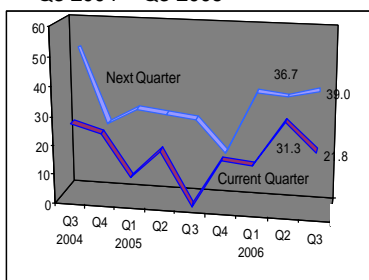
Trade Outlook Index  
Q3 2004 – Q3 2006



**Business-related Factors**

*Volume of business activity continues to expand.*

Volume of Business Activity Index  
Q3 2004 – Q3 2006



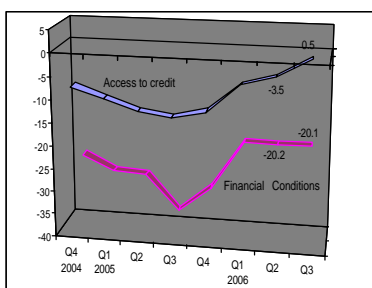
Consistent with the overall business outlook for the third quarter of 2006, respondents anticipated that the volume of business for the same quarter would expand but at a slower pace compared to the previous quarter. Overall CI decreased to 21.8 percent from 31.3 percent in the previous survey (Table 2).

Similarly, respondents anticipated that the volume of business activity would expand further by the fourth quarter of 2006 as the overall CI jumped quarter-on-quarter by 17.2 points to 39.0 percent. Respondents from the NCR and the AONCR are both bullish with indices climbing by 14.4 points (to 42.5 percent) and by 22.6 points (to 32.5 percent), respectively, from their comparative levels in the third quarter (Table 2).



*Credit access eases while financial conditions remain tight in the third quarter of 2006.*

Overall Access to Credit and Financial Conditions Indices  
Q4 2004 – Q3 2006



Meanwhile, more firms surveyed indicated that access to credit from financial institutions<sup>2</sup> eased in the third quarter of 2006 as the index turned around from -3.5 percent in the previous survey to 0.5 percent in the current quarter (Table 2). The turnaround of access to credit index was due mainly to the positive credit outlook of medium and large firms with CIs at 3.2 percent and 0.7 percent, respectively. Small firms, or those employing less than 100 workers, however, found credit to be tight with a CI of -4.5 percent (Table 2.a). More respondents from NCR were positive about credit access in contrast to firms from AONCR who believed that access to credit would be tight, though the number of pessimist declined from a quarter-ago.

It was noted that the bulk of the respondents or 61.0 percent indicated normal access to credit. About 10.0 percent of total respondents had an easy access to credit, 11.0 percent tight, while 18.0 percent had no reply. Respondents who indicated tight credit access cited high interest rates, lack of real estate collaterals, and rigid credit terms as the reasons for their pessimistic credit outlook (Table 2.a).

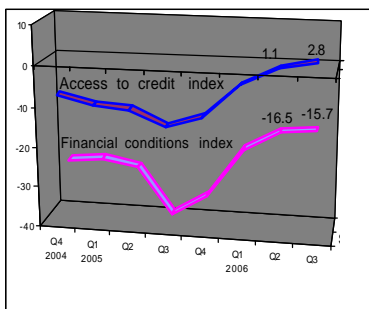
Respondents' financial conditions remained tight as the index held down at -20.1 percent for the third quarter of 2006 (Table 2).<sup>3</sup>

Respondents attributed the tight liquidity conditions to: 1) low sales; 2) high operating costs; 3) bigger capital expenditures; 4) difficulties in collecting receivables; and 5) loan amortizations.

<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. For the first time starting third quarter 2006, respondent firms were classified according to employment size in order to determine the conditions of each company with regard to access to credit.

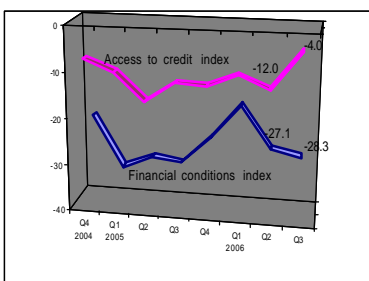
<sup>3</sup> The financial conditions index reflects the respondents' judgment on their general cash position, taking into account the level of cash and other cash items and repayment on loans.

NCR Access to Credit and Financial Conditions Indices Q4 2004 – Q3 2006



NCR respondents reported easier credit access in the third quarter of 2006 as the index rose quarter-on-quarter by 1.7 points to 2.8 percent from the previous quarter's 1.1 percent. On the other hand, their financial conditions while remaining negative during the current quarter improved slightly with the index rising by 0.8 points to -15.7 percent (Table 2).

AONCR Access to Credit and Financial Conditions Indices Q4 2004 – Q3 2006

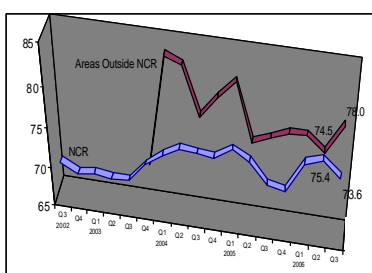


Credit access index of respondent firms in AONCR, although still negative, improved by 8.0 points in the third quarter of 2006, as the index settled at -4.0 percent compared to the previous quarter's -12.0 percent. Meanwhile, expectations of tight financial conditions continued with the index dropping by 1.2 points to -28.3 percent in the third quarter compared to -27.1 percent in the previous quarter (Table 2).

**Capacity Utilization**

*Average capacity utilization increases modestly in the third quarter of 2006.*

Average Capacity Utilization: Q3 2002 – Q3 2006



Respondents expected overall capacity utilization<sup>4</sup> in the industry sector would rise modestly at 75.8 percent in the third quarter from 75.0 percent a quarter ago. Average capacity utilization for NCR dropped slightly by 1.8 points (to 73.6 percent) in the current quarter from 75.4 percent in the previous quarter. This, however, will be compensated by the increase in the average capacity utilization for AONCR by 3.5 points to 78.0 percent from 74.5 percent in the previous quarter (Table 2).

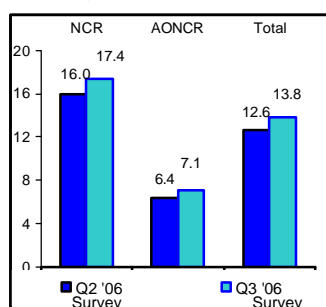
<sup>4</sup> The average capacity utilization of the BES is based on a survey of 284 sample firms from the industry sector in Metro Manila and the twelve selected regions. This differs from the average capacity utilization figures of the National Statistics Office (NSO) which were computed based on a sample of large manufacturing firms nationwide.



### Employment Outlook

*Employment outlook improves slightly and remains positive.*

Employment Outlook Index  
Next Quarter

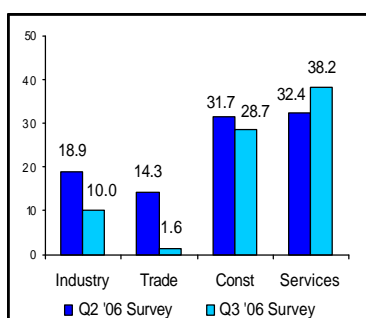


Firms indicated more employment/jobs would be created in the fourth quarter as the employment outlook index improved to 13.8 percent from the previous survey's 12.6 percent. Both the NCR's and AONCR's employment outlook indices followed the increasing national trend in the fourth quarter. NCR's employment outlook index is observed to be higher at 17.4 percent compared to 7.1 percent in AONCR, pointing to expectations of more new jobs created in the NCR compared to AONCR (Table 2). Expectations of more jobs in the NCR was supported by expansion plans indicated by more firms in the industry sector (41.1 percent) in the fourth quarter (Table 3).

### Confidence Indicators

*Business confidence remains positive but lower in the third quarter.*

Business Confidence Index  
Q2 2006 vs Q3 2006



Business confidence based on specified criteria<sup>5</sup> remained positive across sectors in the third quarter but was lower compared to the previous quarter except for the services sector.

Firms from the services sector were bullish that business turnout would further strengthen with its index rising by 5.8 points to 38.2 percent from the previous quarter's 32.4 percent. On the other hand, the other three sectors, i.e., trade, industry, and construction, while remaining positive, anticipated a slowdown in activity (Table 4).

### Business Constraints

*Insufficient demand, competition, and unclear economic laws are viewed as major risks to business in the third quarter of 2006.*

Major constraints identified by respondents which could hamper business expansion in the short term were as follows: insufficient market demand, stiff foreign and domestic competition, unclear economic laws particularly on taxation, liquidity problem and high interest rate (Table 5).

<sup>5</sup> Business confidence is assessed based on the following criteria: (a) for the Industry sector - total order, stock inventory, and volume of production; (b) for the Construction sector - total order and number of employees; (c) for the Trade sector - business conditions during the current and next quarters, and stock inventory; and (d) for the Services sector - business conditions during the current and next quarters, and number of employees.



**Expectations on Key Economic Indicators**

*A stronger peso, rising inflation, and higher interest rates are expected in the third and fourth quarters of 2006.* Survey respondents anticipated a stronger peso, and higher interest rates in the third and fourth quarters of 2006. While inflation is expected to rise in the third quarter, this is also expected to ease in the fourth quarter (Table 6).

TECHNICAL NOTES

To provide a regional dimension to business prospects, the BES coverage was expanded further in the third quarter of 2006 to include seven (7) new regions outside the NCR, namely: CAR, Regions V, VI, VIII, IX, X and XII. This is in addition to the six regions previously covered, i.e., NCR, Regions I, III, IV, VII and XI. Regions II, XIII (CARAGA), and ARMM were not covered in the current quarter but will be included in the next quarter survey.

The BES coverage consists of firms in SEC's Top 5000 Corporations in 2004 which are located in the NCR and the twelve selected regions. From each of these regions, a stratified random sample of 1,071 firms (460 in NCR and 611 in AONCR) was selected across four major economic groups and 12 sub-groups namely: (a) Group 1: Industry, which consists of manufacturing, mining and quarrying, electricity, gas and water and agriculture, fishery and forestry; (b) Group II: Construction; (c) Group III: Wholesale and Retail Trade; and (d) 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 69.8 percent: 82.4 percent for NCR and 60.1 percent for the selected regions outside NCR. It is worth noting that 34.2 percent of respondents belong to the small-firm category employing less than 100 workers. The distribution of sample size by region is shown below.

Number of Population																
INDUSTRY SECTOR	Total	Other Regions	NCR	Areas Outside NCR	Region 1 Ilocos Region	Region 3 CAR	Region 4 Central Luzon	Region 5 Southern Luzon	Region 6 Bicol Region	Region 7 Western Visayas	Region 8 Central Visayas	Region 9 Eastern Visayas	Region 10 Zamboanga Peninsula	Region 11 Northern Mindanao	Region 12 Davao Region	SOCCSKSARGEN
1. Agriculture, Fisheries and Forestry	109	3	36	70	0	0	6	9	0	4	7	0	3	2	30	9
2. Business Activities	299	0	247	52	0	0	12	15	3	2	15	0	1	0	2	2
3. Community, Social & Personal Services	144	1	101	42	3	3	7	10	0	4	10	0	0	0	4	1
4. Construction	195	1	140	54	2	1	12	15	3	0	16	0	2	1	1	1
5. Electricity, Gas and Water Supply	75	0	46	29	4	0	11	4	0	0	8	0	0	1	1	0
6. Financial Intermediation	322	1	295	26	0	0	6	6	1	1	9	0	0	1	1	1
7. Hotels and Restaurant	113	0	85	28	2	0	7	5	0	0	10	0	0	0	4	0
8. Manufacturing	1717	8	827	882	5	3	138	535	7	6	138	4	5	8	26	7
9. Mining and Quarrying	29	1	20	8	0	0	0	1	0	5	0	0	0	0	1	1
10. Real Estate	195	0	153	42	2	0	5	12	1	2	17	0	0	1	0	2
11. Transport, Storage & Communications	239	1	167	71	2	0	19	21	1	2	15	0	0	1	7	3
12. Wholesale and Retail Trade	1563	13	1019	531	33	0	139	134	22	11	110	10	6	1	52	13
<b>TOTAL NUMBER OF FIRMS</b>	<b>5000</b>	<b>29</b>	<b>3136</b>	<b>1835</b>	<b>53</b>	<b>7</b>	<b>362</b>	<b>766</b>	<b>39</b>	<b>32</b>	<b>360</b>	<b>14</b>	<b>17</b>	<b>16</b>	<b>129</b>	<b>40</b>
Number of Samples																
INDUSTRY SECTOR	Total	NCR	Areas Outside NCR	Region 1 Ilocos Region	Region 3 CAR	Region 4 Central Luzon	Region 5 Southern Luzon	Region 6 Bicol Region	Region 7 Western Visayas	Region 8 Central Visayas	Region 9 Eastern Visayas	Region 10 Zamboanga Peninsula	Region 11 Northern Mindanao	Region 12 Davao Region	SOCCSKSARGEN	
1. Agriculture, Fisheries and Forestry	36	4	32			2	2		1	2				14	8	
2. Business Activities	57	36	21			4	3	3	1	5		1	2	2	2	
3. Community, Social & Personal Services	37	17	20	2	3	2	2		4	3				3	1	
4. Construction	44	21	23	2	1	4	3	3		5		2	1	1	1	
5. Electricity, Gas and Water Supply	21	7	14	4		4	1			3			1	1		
6. Financial Intermediation	54	44	10			2	1	1		3			1		2	
7. Hotels and Restaurant	23	12	11	2		2	1			3				3		
8. Manufacturing	358	121	237	5	3	45	93	6	6	46	4	3	8	11	7	
9. Mining and Quarrying	7	3	4				0			2				1	1	
10. Real Estate	39	22	17	1		2	2	1	2	6			1		2	
11. Transport, Storage & Communications	54	24	30	2		6	4	1	2	5			1	6	3	
12. Wholesale and Retail Trade	341	149	192	27		45	23	16	8	36	7	2	1	17	10	
<b>TOTAL NUMBER OF FIRMS</b>	<b>1071</b>	<b>460</b>	<b>611</b>	<b>45</b>	<b>7</b>	<b>118</b>	<b>135</b>	<b>31</b>	<b>24</b>	<b>119</b>	<b>11</b>	<b>9</b>	<b>16</b>	<b>59</b>	<b>37</b>	

**Table 1. INDICES OF OVERALL BUSINESS OUTLOOK BY SECTOR**

3rd and 4th Quarters of 2006

In percent

28 August 2006

4:30pm

Sector (1)	Index Points				Differences		
	Q2 Survey		Q3 Survey		Q3 CQ vs. Q2 CQ (6) = (4) - (2)	Q3 CQ vs. Q2 NQ (7) = (4) - (3)	Q3 NQ vs. Q3 CQ (8) = (5) - (4)
	CQ (2)	NQ (3)	CQ (4)	NQ (5)			
<b>All Sectors</b>	<b>31.6</b>	<b>32.8</b>	<b>21.7</b>	<b>40.9</b>	<b>-9.9</b>	<b>-11.1</b>	<b>19.3</b>
<b>NCR</b>	<b>35.1</b>	<b>32.4</b>	<b>28.2</b>	<b>43.8</b>	<b>-6.9</b>	<b>-4.2</b>	<b>15.6</b>
<b>AONCR</b>	<b>25.0</b>	<b>33.6</b>	<b>9.4</b>	<b>35.6</b>	<b>-15.6</b>	<b>-24.2</b>	<b>26.2</b>
<b>Industry</b>	<b>30.7</b>	<b>30.7</b>	<b>14.0</b>	<b>30.7</b>	<b>-16.7</b>	<b>-16.7</b>	<b>16.7</b>
NCR	38.3	19.2	12.2	29.7	-26.1	-7.0	17.5
AONCR	23.0	42.3	15.8	31.6	-7.2	-26.5	15.8
of which:							
Manufacturing	31.9	31.9	14.9	29.4	-17.0	-17.0	14.5
NCR	40.4	19.2	13.0	27.2	-27.4	-6.2	14.1
AONCR	23.3	45.0	16.8	31.6	-6.5	-28.2	14.8
<b>Construction</b>	<b>22.9</b>	<b>45.8</b>	<b>30.0</b>	<b>36.6</b>	<b>7.1</b>	<b>-15.8</b>	<b>6.6</b>
NCR	18.8	37.5	26.7	26.7	7.9	-10.8	0.0
AONCR	33.3	66.7	38.5	61.5	5.2	-28.2	23.1
<b>Wholesale and Retail Trade</b>	<b>22.8</b>	<b>23.7</b>	<b>7.8</b>	<b>36.2</b>	<b>-15.0</b>	<b>-15.9</b>	<b>28.4</b>
NCR	24.6	27.2	20.0	36.0	-4.6	-7.2	16.0
AONCR	19.2	16.4	-17.9	36.6	-37.1	-34.3	54.5
<b>Services</b>	<b>44.1</b>	<b>44.9</b>	<b>47.9</b>	<b>62.0</b>	<b>3.8</b>	<b>3.0</b>	<b>14.1</b>
NCR	44.2	48.6	50.7	65.6	6.5	2.1	15.0
AONCR	43.8	27.5	34.9	44.9	-8.9	7.4	10.1
of which:							
Financial Intermediation	67.2	67.2	64.7	79.1	-2.5	-2.5	14.4
NCR	66.7	66.7	63.4	78.0	-3.3	-3.3	14.6
AONCR	71.4	71.4	75.0	87.5	3.6	3.6	12.5
Hotels and Restaurants	24.5	31.4	44.2	81.4	19.7	12.8	37.2
NCR	16.7	33.3	45.5	81.8	28.8	12.2	36.4
AONCR	50.0	25.0	40.0	80.0	-10.0	15.0	40.0
Renting & Business Activities	31.6	39.9	53.1	53.9	21.5	13.2	0.9
NCR	32.3	41.9	51.7	55.2	19.4	9.8	3.4
AONCR	27.3	27.3	61.5	46.2	34.2	34.2	-15.4
Community, Social Services	16.6	45.7	28.8	37.9	12.2	-16.9	9.1
NCR	11.8	58.8	35.3	47.1	23.5	-23.5	11.8
AONCR	33.3	0.0	6.3	6.3	-27.1	6.3	0.0

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

2nd and 3rd Quarters of 2006

INDICATORS (1)	Q2 Survey			Q3 Survey			Differences		
	PQ (2)	CQ (3)	NQ (4)	PQ (5)	CQ (6)	NQ (7)	Q3 CQ vs. Q2 CQ (8) = (6) - (3)	Q3 CQ vs. Q2 NQ (9) = (6) - (4)	Q3 NQ vs. Q3 CQ (10) = (7) - (6)
Volume of Business Activity Index	8.2	31.3	36.7	15.8	21.8	39.0	-9.5	-14.9	17.2
NCR	10.2	35.8	43.5	19.6	28.1	42.5	-7.7	-15.4	14.4
Outside NCR	4.4	23.1	24.0	8.7	9.9	32.5	-13.2	-14.1	22.6
Volume of Total Order Book Index	5.5	25.9		12.7	16.4		-9.5		
NCR	9.4	29.6		17.0	19.7		-9.9		
Outside NCR	-1.8	18.9		4.7	10.3		-8.6		
Credit Access Index		-3.5			0.5		4.0		
NCR		1.1			2.8		1.7		
Outside NCR		-12.0			-4.0		8.0		
Financial Conditions Index		-20.2			-20.1		0.1		
NCR		-16.5			-15.7		0.8		
Outside NCR		-27.1			-28.3		-1.2		
Average Capacity Utilization (Industry Sector)		75.0			75.8		0.8		
NCR		75.4			73.6		-1.8		
Outside NCR		74.5			78.0		3.5		
Employment Outlook Index			12.6			13.8			
NCR			16.0			17.4			
Outside NCR			6.4			7.1			

r/ Revised

**Table 2a. ACCESS TO CREDIT BY SIZE OF COMPANY**

Third Quarter 2006

SIZE OF COMPANY	NUMBER OF COMPANIES				
	Easy	Normal	Tight	No Response	Total
Small (<100)	34	195	50	81	360
Medium (100 - <500)	30	158	22	39	249
Large (500 & up)	11	103	10	15	139
Total	75	456	82	135	748

SIZE OF COMPANY	Credit Access Index*				
	Easy	Normal	Tight	No Response	Diffusion Index
Small (<100)	9.44	54.17	13.89	22.50	-4.45
Medium (100 - <500)	12.05	63.45	8.84	15.66	3.21
Large (500 & up)	7.91	74.10	7.20	10.79	0.71
Total	10.03	60.96	10.96	18.05	-0.93

\* figures are based on unweighted responses

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

4th Quarter 2006

Industry Group and Area (1)	Q2 Survey			Q3 Survey			Differences		
	With Expansion Plans (2)	No Expansion Plans (3)	No Answer (4)	With Expansion Plans (5)	No Expansion Plans (6)	No Answer (7)	Q3 vs Q2 With Expansion Plans (8) = (5) - (2)	Q3 vs Q2 No Expansion Plans (9) = (6) - (3)	No Answer (10) = (7) - (4)
<b>Industry Sector</b>	<b>29.9</b>	<b>50.1</b>	<b>19.9</b>	<b>29.6</b>	<b>63.3</b>	<b>7.1</b>	<b>-0.3</b>	<b>13.2</b>	<b>-12.8</b>
Mining and Quarrying	41.7	33.3	25.0	25.0	75.0	0.0	-16.7	41.7	-25.0
Manufacturing	24.0	68.6	7.4	22.7	71.3	6.0	-1.3	2.7	-1.4
Electricity, Gas and Water	25.4	56.7	18.0	47.2	30.6	22.3	21.8	-26.1	4.3
Agriculture, Fishery and Forestry	32.4	44.4	23.2	23.2	76.8	0.0	-9.2	32.4	-23.2
<b>NCR</b>	<b>27.6</b>	<b>49.5</b>	<b>22.9</b>	<b>41.1</b>	<b>54.4</b>	<b>4.5</b>	<b>13.5</b>	<b>4.9</b>	<b>-18.4</b>
Mining and Quarrying	33.3	33.3	33.3	33.3	66.7	0.0	0.0	33.4	-33.3
Manufacturing	23.2	75.8	1.0	19.6	76.1	4.3	-3.6	0.3	3.3
Electricity, Gas and Water	33.3	66.7	0.0	57.1	28.6	14.3	23.8	-38.1	14.3
Agriculture, Fishery and Forestry	25.0	25.0	50.0	50.0	50.0	0.0	25.0	25.0	-50.0
<b>Outside NCR</b>	<b>32.3</b>	<b>50.8</b>	<b>16.9</b>	<b>18.0</b>	<b>72.2</b>	<b>9.8</b>	<b>-14.3</b>	<b>21.4</b>	<b>-7.1</b>
Mining and Quarrying	66.7	33.3	0.0	0.0	100.0	0.0	-66.7	66.7	0.0
Manufacturing	24.8	61.2	14.0	25.8	66.5	7.7	1.0	5.3	-6.3
Electricity, Gas and Water	14.3	42.9	42.9	33.3	33.3	33.3	19.0	-9.6	-9.6
Agriculture, Fishery and Forestry	36.4	54.9	9.1	9.1	90.9	0.0	-27.3	36.0	-9.1

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

3rd Quarter 2006

In percent

SECTOR	Confidence Indicator						Differences		
	Q2 Survey			Q3 Survey			NCR	Outside NCR	Total
	NCR	Outside NCR	Total	NCR	Outside NCR	Total			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (5) - (2)	(9) = (6) - (3)	(10) = (7) - (4)
<b>1. Industry</b>	<b>26.7</b>	<b>11.0</b>	<b>18.9</b>	<b>7.8</b>	<b>12.2</b>	<b>10.0</b>	<b>-18.9</b>	<b>1.2</b>	<b>-8.9</b>
Volume of Total Order Book (Current Quarter)	41.1	18.0	29.6	10.8	18.0	14.4	-30.3	0.0	-15.2
Volume of Stocks of Finished Goods (Current Quarter)	-9.4	11.3	0.9	11.3	6.8	9.0	20.7	-4.5	8.1
Volume of Production (Next Quarter)	29.4	26.3	27.9	23.9	25.4	24.6	-5.5	-0.9	-3.3
<b>2. Construction</b>	<b>34.4</b>	<b>25.0</b>	<b>31.7</b>	<b>23.3</b>	<b>42.3</b>	<b>28.7</b>	<b>-11.1</b>	<b>17.3</b>	<b>-3.0</b>
Volume of Total Order Book (Current Quarter)	50.0	50.0	50.0	46.7	38.5	44.3	-3.3	-11.5	-5.7
Number of People Employed (Next Quarter)	18.8	0.0	13.4	0.0	46.2	13.1	-18.8	46.2	-0.3
<b>3. Wholesale and Retail Trade</b>	<b>17.5</b>	<b>7.3</b>	<b>14.3</b>	<b>6.7</b>	<b>-8.9</b>	<b>1.6</b>	<b>-10.8</b>	<b>-16.2</b>	<b>-12.7</b>
Volume of Stocks of Finished Goods (Current Quarter)	6.1	-5.5	2.4	21.6	22.3	21.8	15.5	27.8	19.4
Business Conditions (Current Quarter)	14.0	-2.7	8.6	5.6	-27.7	-5.1	-8.4	-25.0	-13.7
Business Conditions (Next Quarter)	44.7	19.2	36.5	36.0	23.2	31.9	-8.7	4.0	-4.6
<b>4. Services Sector</b>	<b>33.7</b>	<b>25.9</b>	<b>32.4</b>	<b>41.3</b>	<b>23.9</b>	<b>38.2</b>	<b>7.6</b>	<b>-2.0</b>	<b>5.8</b>
Business Conditions (Current Quarter)	26.5	44.6	29.6	33.7	15.9	30.6	7.2	-28.7	1.0
Business Conditions (Next Quarter)	47.7	21.0	43.0	60.8	39.9	57.1	13.1	18.9	14.1
Number of People Employed (Next Quarter)	27.0	12.3	24.5	29.3	15.9	26.9	2.3	3.6	2.4

**Table 5. FACTORS LIMITING PRODUCTION/BUSINESS ACTIVITY BY SECTOR**

3rd Quarter 2006

In percent

	High Interest Rate	Unclear Economic Laws	Lack of Equipment	Insufficient Demand	Access To Credit	Financial Problems	Competition	Labor Problems	Lack of Material-Input	Others	None
<b>All Sectors</b>	<b>29.1</b>	<b>34.3</b>	<b>19.4</b>	<b>58.7</b>	<b>24.8</b>	<b>29.4</b>	<b>37.1</b>	<b>20.9</b>	<b>22.1</b>	<b>19.4</b>	<b>4.7</b>
<b>NCR</b>	27.1	32.9	15.3	58.0	22.0	25.7	34.5	16.9	17.5	20.6	4.0
Industry of which:	22.9	30.3	16.0	59.5	16.6	22.9	46.9	16.2	22.8	23.3	6.6
Manufacturing	23.9	30.4	16.3	62.0	16.3	23.9	50.0	16.3	21.7	23.9	5.4
Construction	13.3	40.0	46.7	40.0	26.7	26.7	20.0	26.7	26.7	20.0	0.0
Wholesale and Retail Trade	40.0	38.4	12.0	66.4	28.8	32.8	32.0	20.0	16.0	17.6	2.4
Services of which:	20.2	29.1	14.3	50.6	19.7	21.3	27.4	13.4	13.3	21.1	3.7
Community & Social Services	29.4	35.3	17.6	47.1	5.9	35.3	5.9	11.8	17.6	17.6	0.0
Financial Intermediation	22.0	29.3	7.3	53.7	24.4	14.6	41.5	7.3	7.3	17.1	2.4
Renting and Business Activities	27.6	37.9	24.1	51.7	17.2	34.5	34.5	27.6	24.1	31.0	10.3
Hotels & Restaurants	22.2	16.7	16.7	44.4	33.3	22.2	22.2	11.1	16.7	27.8	5.6
<b>Outside NCR</b>	32.6	37.0	27.2	60.0	30.0	36.4	41.8	28.4	30.7	17.1	6.1
Industry of which:	31.4	33.7	30.5	59.6	28.6	33.9	51.6	27.0	35.9	17.7	7.3
Manufacturing	31.6	33.5	31.0	60.6	29.0	32.3	54.2	27.1	36.8	16.8	6.5
Construction	38.5	61.5	23.1	61.5	53.8	53.8	23.1	46.2	30.8	15.4	7.7
Wholesale and Retail Trade	36.6	43.8	25.0	66.1	36.6	46.4	35.7	33.9	27.7	13.4	2.7
Services of which:	27.9	31.0	18.9	48.7	16.9	21.8	18.0	18.7	15.2	22.8	8.0
Community & Social Services	12.5	37.5	25.0	31.3	18.8	43.8	6.3	12.5	6.3	25.0	0.0
Financial Intermediation	37.5	12.5	0.0	50.0	0.0	0.0	0.0	0.0	0.0	12.5	12.5
Renting and Business Activities	15.4	38.5	15.4	38.5	15.4	15.4	53.8	30.8	23.1	23.1	23.1
Hotels & Restaurants	41.7	25.0	8.3	66.7	16.7	25.0	8.3	33.3	8.3	0.0	0.0

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

3rd and 4th Quarters of 2006

In Index Points

Sector	Index Points				Differences		
	Q2 Survey		Q3 Survey		Q3 CQ vs. Q2 CQ	Q3 CQ vs. Q2 NQ	Q3 NQ vs. Q3 CQ
	Current	Next	Current	Next			
(1)	(2)	(3)	(4)	(5)	(6) = (4) - (2)	(7) = (4) - (3)	(8) = (5) - (4)
<b>Average Peso / US \$ Exchange Rate</b>	<b>11.8</b>	<b>5.7</b>	<b>7.5</b>	<b>18.0</b>	<b>-4.3</b>	<b>1.8</b>	<b>10.4</b>
NCR	12.2	5.1	12.7	21.1	0.5	7.6	8.4
Industry	-0.9	-3.8	18.2	22.5	19.1	22.0	4.3
Construction	6.3	-43.8	-6.7	6.7	-13.0	37.1	13.3
Wholesale & Retail Trade	17.5	8.8	8.8	13.6	-8.7	0.0	4.8
Services	19.3	14.7	13.7	28.7	-5.6	-1.0	14.9
Outside NCR	11.1	6.8	-2.2	12.1	-13.3	-9.0	14.3
Industry	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	33.3	0.0	-30.8	-7.7	-64.1	-30.8	23.1
Wholesale & Retail Trade	16.4	0.0	-5.4	10.7	-21.8	-5.4	16.1
Services	22.1	20.2	-2.6	11.5	-24.7	-22.8	14.1
<b>Average Inflation Rate</b>	<b>32.8</b>	<b>30.3</b>	<b>31.6</b>	<b>31.0</b>	<b>-1.2</b>	<b>1.3</b>	<b>-0.7</b>
NCR	40.4	37.2	33.6	30.0	-6.8	-3.6	-3.6
Industry	35.3	31.0	21.2	18.5	-14.1	-9.8	-2.7
Construction	31.3	31.3	6.7	26.7	-24.6	-24.6	20.0
Wholesale & Retail Trade	45.6	43.0	44.8	33.6	-0.8	1.8	-11.2
Services	41.0	36.9	36.8	37.2	-4.2	-0.1	0.4
Outside NCR	18.8	17.6	28.1	32.8	9.3	10.5	4.7
Industry	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	0.0	-33.3	-15.4	-15.4	-15.4	17.9	0.0
Wholesale & Retail Trade	21.9	11.0	31.3	38.4	9.4	20.3	7.1
Services	3.3	18.0	43.1	43.4	39.8	25.1	0.3
<b>Average Peso Borrowing Rate</b>	<b>10.8</b>	<b>17.6</b>	<b>17.3</b>	<b>18.3</b>	<b>6.5</b>	<b>-0.3</b>	<b>0.9</b>
NCR	10.7	20.4	17.0	19.4	6.3	-3.4	2.4
Industry	17.2	28.3	9.0	7.8	-8.2	-19.3	-1.3
Construction	31.3	37.5	26.7	26.7	-4.6	-10.8	0.0
Wholesale & Retail Trade	12.3	16.7	24.0	22.4	11.7	7.3	-1.6
Services	1.1	14.9	16.4	26.1	15.3	1.5	9.7
Outside NCR	11.0	12.5	17.9	16.2	6.9	5.4	-1.7
Industry	12.5	0.0	18.8	0.0	6.3	18.8	-18.8
Construction	33.3	-33.3	7.7	7.7	-25.6	41.0	0.0
Wholesale & Retail Trade	11.0	11.0	15.2	16.1	4.2	4.2	0.9
Services	0.4	9.5	22.0	16.8	21.6	12.5	-5.1

**Table 7. AVERAGE NUMBER OF EMPLOYEES BY SECTOR**  
3rd Quarter 2006

Sector	Current Number of Employees (in percent)				
	Small	Medium		Large	No Response
	<100	100-300	301-500	>500	
<b>Total</b>	<b>34.2</b>	<b>23.3</b>	<b>10.7</b>	<b>18.1</b>	<b>13.7</b>
<b>NCR</b>	<b>33.1</b>	<b>22.9</b>	<b>9.7</b>	<b>18.2</b>	<b>16.1</b>
Industry	20.0	32.2	13.8	23.2	10.7
Construction	0.0	25.0	0.0	25.0	50.0
Wholesale & Retail Trade	28.6	28.6	0.0	14.3	28.6
Services	20.7	32.6	15.2	22.8	8.7
<b>Outside NCR</b>	<b>36.3</b>	<b>23.5</b>	<b>12.4</b>	<b>17.9</b>	<b>9.3</b>
Industry	25.7	26.1	16.7	21.9	9.6
Construction	61.5	7.7	15.4	0.0	15.4
Wholesale & Retail Trade	52.7	20.5	7.1	8.0	11.6
Services	39.9	22.6	4.9	26.2	2.1

**Table 8. PROFILE OF RESPONDENTS**

Third Quarter 2006

Sector	Current Number of Respondents						Differences		
	Q2 Survey			Q3 Survey			NCR	Outside NCR	Total
	NCR	Outside NCR	Total	NCR	Outside NCR	Total			
<b>All Sectors</b>	<b>373</b>	<b>279</b>	<b>652</b>	<b>379</b>	<b>369</b>	<b>748</b>	<b>6</b>	<b>90</b>	<b>96</b>
Industry	112	150	262	106	178	284	-6	28	22
of which:									
Manufacturing	99	129	228	92	155	247	-7	26	19
Construction	16	6	22	15	13	28	-1	7	6
Wholesale & Retail Trade	114	73	187	125	112	237	11	39	50
Services	131	50	181	133	66	199	2	16	18
of which:									
Financial Intermediation	36	7	43	41	8	49	5	1	6
Hotels & Restaurants	12	8	20	11	5	16	-1	-3	-4
Renting & Business Activities	31	11	42	29	13	42	-2	2	0
Community, Social Services	17	9	26	17	16	33	0	7	7