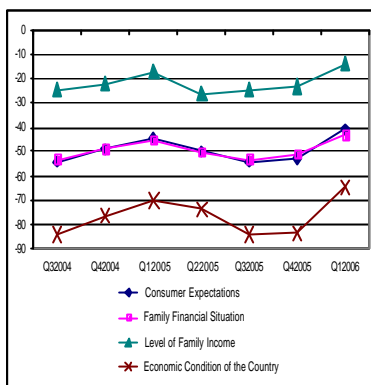


SURVEY RESULTS SHOW CONSUMERS' OPTIMISM HIGHEST IN SEVEN-QUARTER PERIOD

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Overall Consumer Outlook

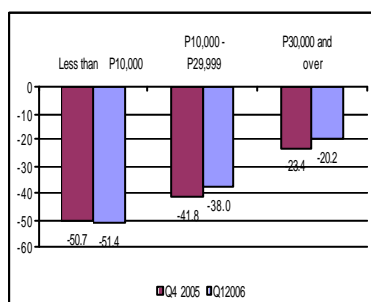
Consumers' outlook is highest since 2004.



Overall outlook of consumers in the first quarter of 2006 improved as the average diffusion index¹ (DI) moved up by 12 percentage points to -40.7 from -52.7 percent in the fourth quarter of 2005. While the average DI for the current quarter remained negative, the index is the highest since the start of the Consumer Expectations Survey (CES) in the third quarter of 2004. All three components of the average DI increased significantly from the previous quarter indices. The index of consumers' outlook on economic condition registered the highest increase at -64.9 percent from -84.0 percent a quarter ago. Family financial situation index was up from -51.1 percent to -43.3 percent while the level of family income index increased from -23.0 percent to -13.8 percent (Table 1).

Among the reasons cited by respondents for their better economic and financial outlook for the current quarter are: 1) expected increase in income arising from better business condition and expectations of more family members working; 2) savings in the family; 3) effective government policies; and 4) possible job opportunities abroad.

Middle and upper income groups are optimistic in the first quarter of 2006.

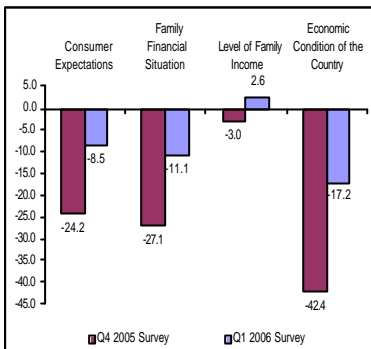


Households with monthly income of ₱10,000 and over anticipated that overall economic and financial outlook would be better in the first quarter compared to the previous quarter. On the other hand, the outlook index of respondents with household monthly income of below ₱10,000 remained steady at -51.0 percent (Table 1a).

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.

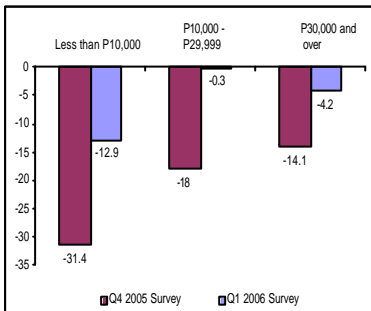


Improving consumer sentiment continues in the second quarter of 2006.



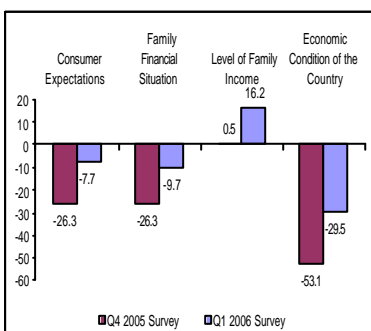
Similarly, respondents viewed that both their financial conditions and the country's state of economy in the second quarter of 2006 would be better than the previous quarter as overall index improved significantly to -8.5 percent from -24.2 percent in the previous quarter survey. Respondents were most optimistic about the short-term outlook on the level of family income with the index reversing to a positive 2.6 percent from the previous -3.0 percent. Though short-term outlook on family financial situation and economic conditions of the country remained negative, the indices have increased significantly by 16.0 and 25.2 percentage points, respectively. (Table 2).

Consumers' outlook from all income groups is bullish in the second quarter of 2006.



The overall improving sentiment in the second quarter of 2006 is shared among consumers from all major income groups. By income level, results of the survey indicated that the index for respondents from the lowest income group improved to -12.9 percent from -31.4 percent in the previous survey; -0.3 percent from -18.0 percent for the middle-income group level; and -4.2 from -14.1 for the highest income group. (Table 2a).

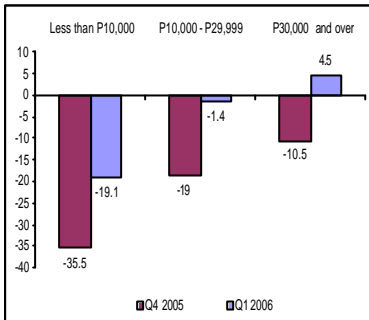
Consumers are more confident for the first quarter of 2007.



Consumers viewed that the improving economic outlook would continue over the next 12 months as the index improved to -7.7 percent, the highest level recorded since the start of the CES in 2004. More respondents are expecting increases in the level of family income in the next 12 months with a DI expanding to 16.2 percent from 0.5 percent in the previous survey. Indices on family financial situation and economic conditions over the next twelve-month period, although still negative, showed significant improvements compared to the previous quarter.



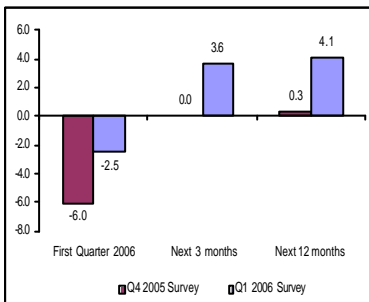
All income groups expect the economy to be stronger in the first quarter of 2007.



All income levels were optimistic on the economic and financial conditions over the next twelve-month period. The outlook index of respondents from the highest income group reversed to 4.5 percent from -10.5 percent in the fourth quarter of 2005, or an increase of 20.3 index points. Likewise, the indices of the lowest and the middle income groups improved to -19.1 percent, and -1.4 percent, up by 16.4 index points and 15.6 index points, respectively. (Table 3a).

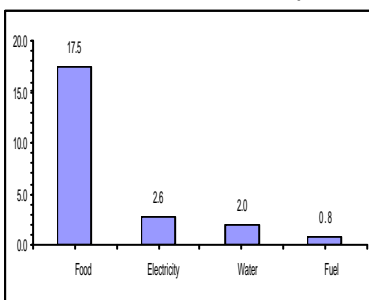
Changes in Family Income and Expenditures

Respondents expect increases in their average income in the first quarter of 2006 and onto the next 12 months.



Respondents indicated that their average family income would be better this quarter as the index eased to -2.5 percent for the first quarter of 2006 from -6.0 percent in the previous quarter. By next quarter, respondents anticipated their average family income to increase by 3.6 percent and further rise by 4.1 percent one year ahead. (Table 4).

Respondents expect increased expenditures on food, electricity, water, and fuel in the first quarter.

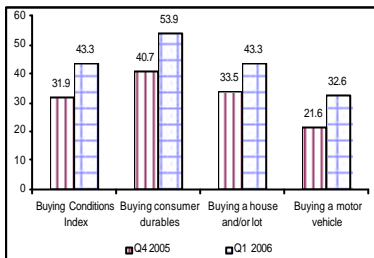


Respondents anticipated that their family expenditures for basic commodities would rise by an average of 1.5 percent in the second quarter of 2006. This is lower compared to the average increase indicated by respondents in the fourth quarter 2005 survey at 6.2 percent. Respondents expected food and electric and water bills would dominate the increase in their household expenditures. They expected that expenditures in all other basic goods and services, namely; clothing and footwear, transportation, communication, education, medical care, personal care and effects, and hotel and restaurant would decline relative to the previous quarter as they balance the expected increases in expenditure for food and utilities (Tables 5-6).



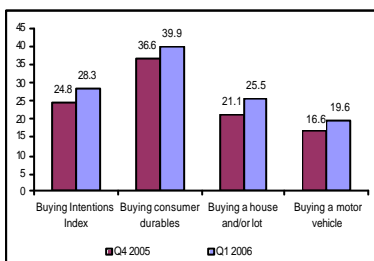
Changes in Buying Conditions and Buying Intentions

Consumers perceive better buying conditions in the first quarter of 2006.



Given expectations of better financial conditions ahead, respondents believed that consumers' buying conditions in the quarters ahead would be more favorable as indicated by the improvement in the buying condition indices for the current quarter and for the next twelve-month period, in contrast with the comparable levels in the previous quarter. Survey results indicated that conditions would favor purchase of consumer durables, house and/or lot and motor vehicle in quarters ahead (Table 7-8).

More consumers intend to buy assets in the next 12 months.

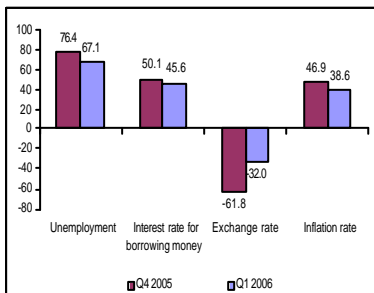


Affordability, easy installment terms, investment for housing and motor vehicles are factors contributing to the improved buying intentions in the next twelve months.

Households cited increase in income, easy installment terms, form of investment (in the case of housing), usefulness in business and convenience to family members (in the case of motor vehicle) as factors that would encourage them to buy assets. 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.

Expectations on Selected Economic Indicators

Respondents anticipate improvements in unemployment, inflation, interest rates, and exchange rate in the next twelve months



Respondents expected employment conditions would improve while the peso depreciation and increases in interest rates would slow down over the next 12 months (Table 9).

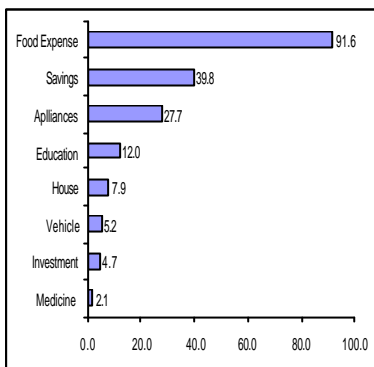
Inflation rate for the next 12 months is expected to slow down to 6.5 percent compared to 7.4 percent in the previous quarter's survey (Tables 10-11). Households anticipated that the highest price increases would be in utilities, transportation, fuel and food.



Focus on Overseas Filipino Workers

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

Among the 2353 survey respondents, 208 or 8.8 percent have indicated at least one OFW in the household (Table 12). About 92 percent of these respondents received remittances during the last 12 months (Table 13).



The survey showed that 91.6 percent of households with OFWs indicated that remittances were spent primarily on food and other household needs. About 39.8 percent of these households expressed that they allot part of remittances for savings. Other uses of OFW remittances were for the purchase of appliances (27.7% of relevant households), house and lot (7.9%), motor vehicle (5.2%), and the rest went to various types of expenses. (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 first quarter 2006 CES conducted in 20-26 January 2006, has a sample size of 2494 households in the National Capital Region (NCR). The household interviewed were drawn from National Statistics Office's (NSO) Master Sample List of Households considered as representative samples of private households in all districts of NCR. The said master sample was generated using a stratified multi-stage probability sampling scheme. The survey response rate for the first quarter of 2006 is 94.35 percent or 2353 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	51.2
₱10,000 – ₱29,999	38.4
₱10,000 - ₱19,999	29.2
₱20,000 - ₱29,999	9.2
₱30,000 – and over	10.4
₱30,000 – ₱39,999	4.0
₱40,000 – ₱49,999	1.9
₱50,000 – ₱69,999	3.1
₱70,000 and over	1.4

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, FIRST QUARTER 2006

Table 1. Consumer Expectations Current Quarter (First Quarter 2006)				
In Percent				
	Better	Same	Worse	Diffusion index*
Consumer Expectations	9.8	39.7	50.5	-40.7 (-52.7)
Family Financial Situation	9.6	37.6	52.8	-43.3 (-51.1)
Level of Family Income	16.1	54.0	29.9	-13.8 (-23.0)
Economic Condition of the Country	3.8	27.5	68.7	-64.9 (-84.0)

* Figures in parenthesis refer to the Q4 2005 CES diffusion indices

Table 1a. Consumer Expectations Current Quarter (First Quarter 2006) by Household Income Level				
In Percent				
	Financial condition	Level of family income	Economic condition	Diffusion index*
Less than ₱10,000	-56.1	-31.6	-66.5	-51.4 (-50.7)
₱10,000 - ₱29,999	-33.2	-14.6	-66.1	-38.0 (-41.8)
₱10,000 - ₱19,999	-36.3	-18.7	-67.9	-40.9 (-47.4)
₱20,000 - ₱29,999	-24.0	-2.2	-60.7	-29.0 (-23.6)
₱30,000 and over	-12.9	3.3	-50.9	-20.2 (-23.4)
₱30,000 - ₱39,999	-17.6	12.4	-54.4	-19.9 (-17.2)
₱40,000 - ₱49,999	-16.4	0.3	-41.5	-19.2 (-30.9)
₱50,000 - ₱69,999	-18.6	-20.7	-63.0	-34.1 (-27.7)
₱70,000 and over	12.6	7.7	-38.5	-6.0 (-25.6)

* Figures in parenthesis refer to the Q4 2005 CES diffusion indices

Table 2. Consumer Expectations Next Quarter (Second Quarter 2006)				
In Percent				
	Better	Same	Worse	Diffusion index
Consumer Expectations	6.3	78.8	14.9	-8.5
Family Financial Situation	6.2	76.5	17.3	-11.1
Level of Family Income	10.0	82.6	7.4	2.6
Economic Condition of the Country	2.8	77.3	19.9	-17.2

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	-15.9	-4.9	-18.0	-12.9
₱10,000 - ₱29,999	-6.4	0.6	-15.9	-7.2
₱10,000 - ₱19,999	-8.7	1.2	-15.0	-7.5
₱20,000 - ₱29,999	0.6	-1.3	-18.6	-6.4
₱30,000 and over	-3.6	10.5	-17.7	-3.6
₱30,000 - ₱39,999	-11.2	3.1	-22.9	-10.3
₱40,000 - ₱49,999	1.2	14.6	-6.4	3.2
₱50,000 - ₱69,999	0.0	10.0	-27.1	-5.7
₱70,000 and over	8.8	28.1	-6.0	10.3

Table 3. Consumer Expectations 12 Months From Now (First Quarter 2007)				
In Percent				
	Better	Same	Worse	Diffusion index
Consumer Expectations	19.6	53.2	27.2	-7.7
Family Financial Situation	19.0	52.4	28.7	-9.7
Level of Family Income	28.1	59.9	11.9	16.2
Economic Condition of the Country	11.6	47.3	41.1	-29.5

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	-20.4	-1.5	-35.5	-19.1
₱10,000 - ₱29,999	-0.3	15.5	-25.5	-1.4
₱10,000 - ₱19,999	-3.1	13.7	-25.5	-4.9
₱20,000 - ₱29,999	8.2	20.9	-25.8	1.1
₱30,000 and over	10.7	30.8	-12.1	4.5
₱30,000 - ₱39,999	14.8	30.0	-10.5	11.4
₱40,000 - ₱49,999	7.0	32.9	-11.0	9.6
₱50,000 - ₱69,999	7.2	30.7	-22.0	5.3
₱70,000 and over	7.4	30.8	-6.9	10.5

Table 4. Expectations on the Average Percent Change in Family Income and Expenditure In Percent				
	Better	Same	Worse	Average*
First Quarter 2006 Average income percent change compared to a year ago	20.0	0.0	19.0	-2.5 (-6.0)
Second Quarter 2006 Average income percent change in the next quarter	19.0	0.0	15.0	3.6 0
One year from now (First Quarter 2007) Average income percent change twelve months from now	23.0	0.0	20.0	4.1 (0.3)

* Figures in parenthesis refer to the Q4 2005 CES average income percent change

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

	Up	No Change	Down	Diffusion Index*	
Average	41.7	1.0	51.0	-9.3	(2.4)
Food	74.1	1.4	24.5	49.6	(59.5)
Clothing and Footwear	21.1	1.4	77.5	-56.4	(25.2)
Fuel	67.4	1.1	31.4	36.0	(46.3)
Electricity	67.9	1.4	30.7	37.2	(41.8)
Water	54.2	1.4	44.4	9.8	(2.5)
House rent	6.7	0.1	93.2	-86.5	(-75.5)
Transportation	46.8	1.6	51.6	-4.8	(1.5)
Communication	14.7	1.1	84.2	-69.5	(-49.0)
Education	14.1	2.0	83.9	-69.8	(-52.0)
Medical Care	33.8	1.2	65.0	-31.2	(-26.2)
Personal Care & Effects	39.8	0.6	59.5	-19.7	(-5.9)
Hotel & restaurant**	18.2	1.9	79.9	-61.7	(-36.3)

* Figures in parenthesis refer to the Q4 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
First Quarter 2006 - Second Quarter 2006
In Percent

	Percent change*	
Average	1.5	(6.2)
Food	17.5	(19.3)
Clothing and Footwear	-12.9	(0.3)
Fuel	0.8	(2.2)
Electricity	2.6	(7.9)
Water	2.0	(2.5)
House rent	-9.6	(-3.4)
Transportation	-2.3	(4.0)
Communication	-17.9	(-8.9)
Education	-25.8	(-9.5)
Medical Care	-5.1	(-4.2)
Personal Care & Effects	-5.3	(-4.5)
Hotel & restaurant**	-14.5	(-7.3)

* Figures in parenthesis refer to the Q4 2005 CES percent changes

** included beginning Q1 2005

Table 7. Buying Conditions at this Time First Quarter 2006 In Percent				
	Good Time	Fair Time	Bad Time	Index (100 - % Bad Time)*
Buying Conditions Index	6.4	36.8	56.7	43.3 (31.9)
Buying consumer durables	5.3	48.6	46.1	53.9 (40.7)
Buying a motor vehicle	5.1	27.5	67.4	32.6 (21.6)
Buying a house and/or lot	8.8	34.4	56.7	43.3 (33.5)

* Figures in parenthesis refer to the Q4 2005 CES result

Table 8. Buying Intentions in the Next 12 Months (First Quarter 2006 - First Quarter 2007) In Percent				
	Yes	Not Sure	No	Index (100 - % No)
Buying Intentions Index	4.4	23.9	71.7	28.3 (24.8)
Buying consumer durables	6.6	33.3	60.1	39.9 (36.6)
Buying a motor vehicle	2.8	16.8	80.4	19.6 (16.6)
Buying a house and/or lot	3.9	21.5	74.5	25.5 (21.1)

* Figures in parenthesis refer to the Q4 2005 CES result

Table 9. Indices on Selected Economic Indicators in the Next 12 Months First Quarter 2006 - First Quarter 2007 In Percent				
	Increase	Same as this period	Decrease	Diffusion Index*
Unemployment	75.5	16.0	8.4	67.1 (76.4)
Interest rate for borrowing money	48.5	48.6	2.9	45.6 (50.1)
Exchange rate <i>(Increase means appreciation while decrease means depreciation of the peso)</i>	22.1	23.8	54.1	-32.0 (-61.8)
Inflation rate	68.8	1.0	30.2	38.6 (46.9)

* Figures in parenthesis refer to the Q4 2005 CES result

Table 10. Indices of Change in Prices of Basic Goods and Services in the Next 12 Months First Quarter 2006 - First Quarter 2007 In Percent					
	Up	No Change	Down	Diffusion Index*	
Average	68.8	1.0	30.2	38.6	(46.9)
Rice	91.2	1.2	7.6	83.6	(87.5)
Meat	89.5	1.5	9.1	80.4	(82.9)
Fish and seafood	83.9	1.5	14.6	69.3	(74.1)
Fruits and vegetables	72.6	1.5	25.8	46.8	(56.3)
Clothing	49.9	1.8	48.2	1.7	(18.0)
House rent	45.3	0.4	54.3	-9.0	(0.2)
Fuel	91.7	1.3	7.1	84.6	(89.0)
Electricity	91.4	1.3	7.3	84.0	(83.7)
Water	82.4	1.0	16.6	65.8	(64.5)
Education	54.0	0.5	45.5	8.5	(30.3)
Medical care	62.9	1.0	36.2	26.7	(39.5)
Transportation	84.9	0.7	14.5	70.4	(66.5)
Communication	41.0	1.2	57.8	-16.7	(9.2)
Personal care	67.4	1.0	31.6	35.8	(49.3)

* Figures in parenthesis refer to the Q4 2005 CES diffusion indices

Table 11. Percent Change In Prices of Basic Goods and Services in the Next 12 Months (First Quarter 2006 - First Quarter 2007)		
	Percent Change*	
Average	6.5	(7.4)
Rice	10.1	(11.1)
Meat	9.8	(10.1)
Fish and Seafood	12.6	(13.3)
Fruits and vegetables	12.5	(12.0)
Clothing	2.2	(-1.7)
House rent	-1.3	(-0.5)
Fuel	10.4	(14.4)
Electricity	18.2	(20.1)
Water	15.7	(13.4)
Education	-2.3	(1.5)
Medical Care	6.4	(7.1)
Transportation	17.3	(16.1)
Communication	-5.4	(1.4)
Personal Care	6.7	(7.0)

* Figures in parenthesis refer to the Q4 2005 CES diffusion indices

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

Number of OFW	Number of respondents
0	2,145
1	180
2	24
3 and over	4
Total	2,353

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

	Number	Percent
Received remittances	191	91.8
Did not receive remittances	17	8.2
Total	208	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	175	91.6
Save in banks, cooperatives and/or other depository institutions	76	39.8
Used in others	35	18.3
Education	23	12.0
Debt payment	3	1.6
Medicine	4	2.1
Others	5	2.4
Buy appliances	53	27.7
Buy a house	15	7.9
Business capital and/or invested in stocks	9	4.7
Buy car / motor vehicle	10	5.2

* Represents ratio to total household which received remittances.

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