

Consumer Expectations Survey

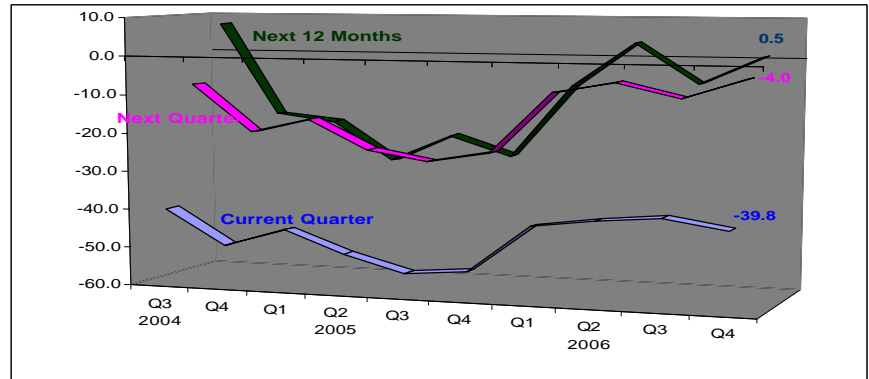
Fourth Quarter 2006

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CONSUMER CONFIDENCE DECLINES MODERATELY IN THE FOURTH QUARTER 2006 BUT IS MORE UPBEAT FOR 2007

Overall Consumer Outlook

Overall Consumer Outlook Index: Q3 2004-Q4 2006



Consumers are less confident about the macroeconomy and their own economic and financial conditions in the fourth quarter...

The consumer confidence index in the fourth quarter of 2006 declined moderately by 2.4 points to -39.8 percent due to weaker confidence on the country's general economic condition as well as on their family income and financial situation.¹ By income group, consumers belonging to the low-income groups (with monthly income of less than ₱30,000) were more bearish on the macroeconomy and on their own economic and financial situations in the fourth quarter.² By contrast, respondents from the higher income group (₱30,000 and up) were more optimistic, with their confidence indices in all three components improving.

but they expect that conditions will be better in the next quarter and in the near-term.

However, consumers in all income levels expected conditions will be better in 2007. The overall consumer confidence index for the first quarter of 2007, although still negative at -4.0 percent, was up by 5.4 points from the third quarter 2006 survey. This is the highest since the start of the Consumer Expectations Survey (CES) in the third quarter of 2004. Similarly, for the next 12 months, optimists outnumbered pessimists as the confidence index reverted to positive 0.5 percent from -6.4 percent in the last

¹ The confidence index or diffusion index is computed as the percentage share of respondents that answered in the positive less the percentage share of respondents that answered negative in a given indicator. A negative CI indicates that respondents with unfavorable view outnumber those with favorable view, except for unemployment and interest rate for borrowing money, where a negative CI indicates the opposite. Please note that all index figures are diffusion indices except for buying conditions and intentions.

² The family financial condition refers to the level of family income in cash and in kind, savings, outstanding debt, investments and assets.

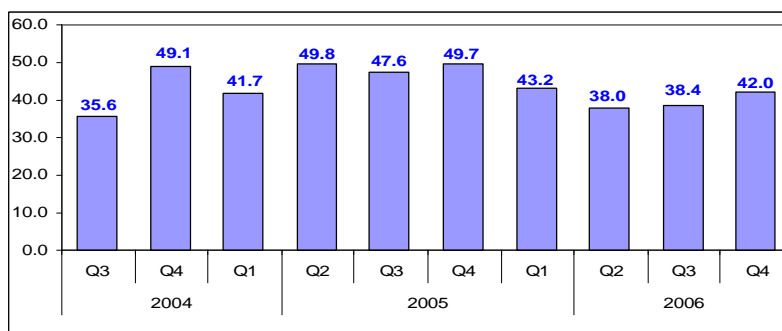
survey.

Results of the CES differ from the BES because of respondents profile.

Overall consumer confidence for the fourth quarter of 2006 differed from the upbeat sentiment of business (as evident in the Business Expectations Survey) for the same period. This could be partly due to the high proportion of respondents in the lower income group who tend to benefit from favorable business and economic developments with a lag.

Amount of Expenditures for Next 3 Months

Confidence Index on Amount of Expenditures for Next 3 Months



Expenditures on basic commodities will increase.

Meanwhile, respondents anticipated an increase in their household consumption in the first quarter of 2007 as the family expenditures index climbed to 42.0 percent from 38.4 percent in the previous survey. A large number of households expected to spend more, particularly on food, clothing and power consumption.

Buying Conditions

Buying conditions remain favorable.

More consumers were of the view that the fourth quarter of 2006 would be a good time to purchase consumer durables, vehicles or real properties compared to the third quarter. The composite buying conditions index increased to 53.8 percent from 48.6 percent in the previous quarter.³ For 2007, the number of those who intend to buy consumer durables and assets declined, suggesting that consumers' spending outlook for next year is relatively more cautious than in the previous quarter.

³ Buying condition refers to the assessment of consumers whether it is good time, fair time, or bad time to buy assets during the quarter.

It may be noted that the buying conditions index for the fourth quarter and the buying intentions index for the next 12 months do not conform to the weak overall consumer confidence index for the fourth quarter and the upbeat mood for 2007. This could be explained in part by the tendency of consumers to purchase big-ticket items during the holiday season, and for such purchases to taper off after.

Selected Economic Indicators

More consumers believe that selected macro indicators will continue to be strong.

More respondents expected selected macroeconomic indicators to remain strong over the next 12 months, with the indices for unemployment, interest rate, exchange rate and inflation rate pointing to improvements in macroeconomic conditions.

Expenditures of Overseas Filipino Workers

OFW remittances are used primarily for food and basic needs.

The fourth quarter 2006 survey showed that a significant number of households that received remittances from abroad spent the money on food and other household needs. Meanwhile, the number of those that allotted part of remittances for savings, purchase of appliances, and education declined compared to the previous quarter.

About the Survey

A total of 3,028 households in NCR are surveyed.

The fourth quarter 2006 CES was conducted during the period 2-7 October 2006 in the National Capital Region (NCR) with a sample size of 3,028 households. Over 51 percent of the respondents belonged to lower income group (with average monthly income of less than ₱10,000), 38.3 percent were from middle income group (₱ 10,000–₱ 29,999), and only 10.2 percent were from higher income group (₱ 30,000 and over). The households interviewed were drawn from the National Statistics Office's (NSO) Master Sample List of Households, which is considered as being a representative sample of 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 fourth quarter of 2006 is 93.3 percent, broadly unchanged from last quarter's response rate of 93.5 percent.

Consumer Expectations Survey
National Capital Region
Fourth Quarter 2006

	2004		2005				2006			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
5. Confidence Index on Amount of Expenditures: Next Quarter										
Average	35.6	49.1	41.7	49.8	47.6	49.7	43.2	38.0	38.4	42.0
Food	62.3	75.9	68.4	73.1	78.2	77.8	72.7	61.0	64.3	74.7
Clothing and Footwear	24.0	35.5	18.9	31.4	25.4	59.7	19.7	24.2	19.5	28.4
Fuel	47.8	60.4	45.1	67.9	62.9	68.8	66.3	37.4	55.0	45.6
Electricity	53.3	62.3	60.9	69.4	70.8	69.1	66.5	52.1	52.6	55.2
Water	37.8	46.9	42.0	54.5	48.0	49.6	52.8	40.8	42.7	40.4
House rent	16.2	15.1	9.8	14.9	9.9	12.1	6.6	10.2	6.8	5.6
Transportation	35.8	51.5	39.5	60.3	46.7	50.3	45.2	32.8	42.0	37.7
Communication	22.9	28.0	16.8	29.3	19.9	24.3	13.6	17.5	16.3	17.3
Education	26.9	28.5	21.0	42.1	22.1	23.4	12.1	28.2	17.0	16.8
Medical Care	28.8	37.2	33.6	45.5	37.8	33.9	32.6	27.8	23.1	18.9
Personal Care & Effects	35.5	44.0	35.6	43.3	39.7	45.4	39.2	29.3	30.4	27.2
Hotel & Restaurant	-	-	19.2	29.1	24.5	27.5	16.3	19.2	16.2	14.7
6. Buying Conditions Index: Current Quarter										
Buying Conditions Index	27.1	20.4	36.2	30.8	31.9	31.9	43.3	53.5	48.6	53.8
Consumer Durables	32.3	26.0	43.8	40.8	42.4	40.7	53.9	65.8	59.6	64.0
Motor Vehicle	18.5	12.8	27.0	21.7	21.3	21.6	32.6	42.2	37.0	40.9
House & Lot	30.6	22.3	37.7	30.0	31.9	33.5	43.3	52.6	49.3	56.4
7. Buying Intentions Index: Next 12 Months										
Buying Intentions Index	23.6	20.5	25.7	25.2	23.7	24.8	28.3	32.0	30.5	29.0
Consumer Durables	32.5	30.0	37.7	38.4	39.0	36.6	39.9	42.0	43.3	40.8
Motor Vehicle	16.3	13.3	17.4	16.7	13.9	16.6	19.6	24.0	21.2	20.4
House & Lot	22.1	18.3	22.1	20.4	18.1	21.1	25.5	30.1	27.0	25.9
8. Indices on Selected Economic Indicators: Next 12 Months										
Unemployment Rate Index	45.7	78.8	71.4	78.9	80.4	76.4	67.1	65.0	67.1	66.7
Interest Rate Index for Borrowing Money	54.5	62.4	53.9	55.7	54.4	50.1	45.6	49.4	51.9	50.8
Exchange Rate Index	-44.7	-56.3	-47.1	-42.5	-68.5	-61.8	-32.0	-11.7	-34.0	-10.4
Inflation Rate Index	66.0	71.1	67.2	71.0	74.3	72.0	67.8	61.4	63.5	59.6
9. Percentage of OFW Households by Type of Use of OFW Remittances										
Food	-	-	84.7	93.5	90.4	94.3	91.6	95.5	93.8	94.3
Savings	-	-	44.7	45.5	30.3	45.2	39.8	38.6	33.2	28.1
Appliances/Consumer Durables	-	-	22.6	26.7	20.7	28.1	27.7	21.8	26.9	23.7
Used in others	-	-	28.9	21.9	26.6	17.1	18.3	17.7	20.2	13.2
Education	-	-	24.4	13.3	15.4	10.5	12.0	10.9	13.0	4.8
Medical expenses	-	-	-	-	-	1.9	2.1	2.7	1.9	2.6
Others	-	-	4.5	8.6	11.2	3.3	4.0	3.9	5.3	5.7
Investment	-	-	4.2	4.7	2.7	4.8	4.7	10.9	3.8	7.5
House purchase	-	-	5.3	3.3	5.9	7.1	7.9	7.7	3.8	3.9
Car / motor vehicle purchase	-	-	2.6	3.4	3.2	6.7	5.2	4.1	4.8	3.5
10. Percentage of Respondents by Income Group										
Less than ₱10,000	-	-	53.0	51.0	51.3	49.6	51.2	51.4	54.0	51.5
₱10,000 – ₱29,999	-	-	38.6	38.7	39.2	40.0	38.4	38.2	37.2	38.3
₱30,000 – and over	-	-	8.4	10.4	9.3	10.3	10.4	10.4	8.8	10.2