

Business Expectations Survey ¹

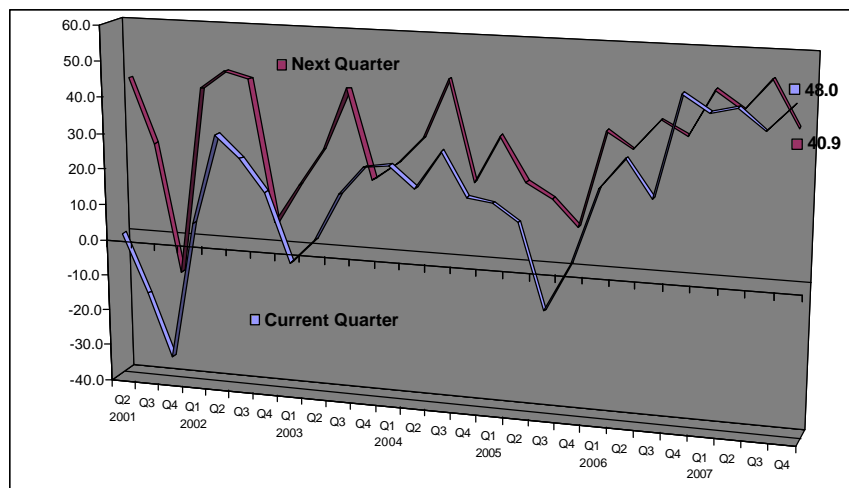
Fourth Quarter 2007

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BUSINESS CONFIDENCE REMAINS HIGH; ECONOMY EXPECTED TO IMPROVE IN Q4 2007 AND ONTO Q1 2008

Overall Business Outlook

Overall Business Confidence Index
Q2 2001 – Q4 2007



Business sentiment remains strong in the fourth quarter. Optimism emanates from stable macroeconomic conditions and the expected seasonal rise in consumer demand.

Respondent firms expressed strong confidence that the economy would continue to improve in the fourth quarter as the confidence index (CI) rose quarter-on-quarter by more than seven index points to settle at 48.0 percent. Respondents attributed their optimism to the following factors: 1) a generally stable macroeconomic environment (as evidenced by low inflation, stable interest rates and appreciating peso); 2) pick-up in demand with the approach of the Yuletide holidays; 3) higher OFW remittances; 4) harvest season; 5) increase in foreign investments; and 6) new and enhanced business strategies.

However, year-on-year, the CI was slightly lower by 1.4 index points as the number of respondents who indicated “no change” in sentiment has increased. Nonetheless, the current level is the second highest level since it breached the 40.0 percent-mark in Q4 2006.² The respondents’ slightly less optimistic outlook on a year-on-year basis may have been influenced by recent events in the local and global forefronts such as: 1) concerns over a possible slowdown in the US economy due to

¹ The Business Expectations Survey (BES) is a quarterly survey of leading firms drawn from the Securities and Exchange Commission’s 2005 Top 5000 Corporations. Results of the BES provide advance indication of the direction of change in the overall business activity in the economy and in the various measures of activity at the companies’ own operations as well as in selected economic indicators.

² The CI is computed as the percentage of firms that answered in the affirmative less the percentage of firms that answered in the negative in a given indicator. A positive CI indicates a favorable view, except for the average inflation rate and the average peso-borrowing rate, where a positive CI indicates the opposite.

problems in the housing market; 2) unabated increase in crude oil prices; and 3) local political noise.

By contrast, the economic outlook for Q1 2008 was favorable compared to the same period a year ago as the index at 40.9 percent was up by 3.8 index points year-on-year. As expected, the quarter-on-quarter CI declined by 12.2 index points due to expectation that business will slacken after the Yuletide season.

Respondents from NCR are more positive than their counterparts in AONCR

During this quarter's survey, more respondents from the NCR (National Capital Region) were bullish on the economy than their counterparts from the AONCR (Areas Outside the NCR) as the overall CI of the former was higher at 55.1 percent compared to 35.6 percent for the latter. This trend persisted onto the next quarter as the index for the NCR at 44.6 percent was higher compared to that of AONCR at 33.7 percent.

Importers' outlook is more upbeat than exporters.

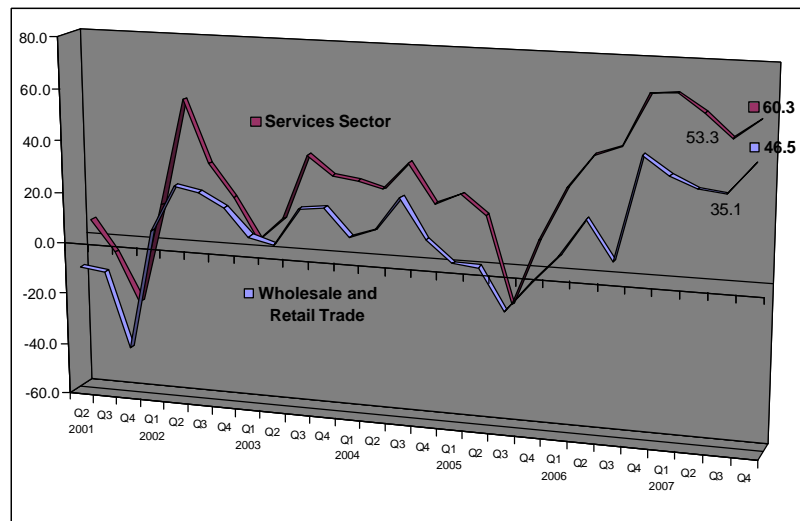
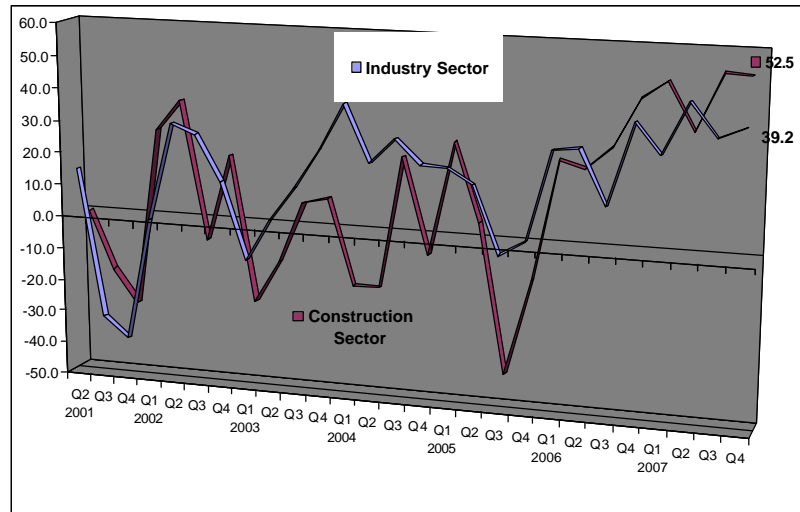
Classifying respondent firms according to type of business (i.e., importer, exporter or engaged in dual roles), results indicated that importing firms were the most bullish on the economy (index at 45.0 percent in Q4 2007 and 43.2 percent in Q1 2008) while exporters were the least optimistic. Exporters, while posting the lowest index of the three, showed a much improved business outlook at 24.2 percent in the current quarter and 31.8 percent in the next quarter (compared to 4.2 percent and 6.3 percent during the third quarter survey). The upbeat outlook of the importers may be attributed in part to the stronger peso that reduces the cost of their imports in peso terms.

Large firms are the most optimistic in the current and next quarters.

A breakdown of respondents by employment size revealed that large-sized firms (with 500 and more employees) were the most optimistic on the economy, with the index at 53.0 percent in Q4 2007 and 44.4 percent in the next quarter. Medium-sized firms (100-499 employees) and small-sized firms (less than 100 employees) were also optimistic, with indices above 40 percent level for both quarters.

Sectoral Outlook

**Business Outlook Index by Sector
Current Quarter
Q2 2001 – Q4 2007**



The economic outlook of all sectors improves in the fourth and in the next quarters.

The different sectoral economic outlooks in the fourth quarter were consistent with the national view, with the sectoral sentiments generally positive quarter-on-quarter but slightly lower compared to their levels last year.

The fourth quarter indices of all major sectors went up quarter-on-quarter, except that of construction although its index remained as one of the highest among the four major sectors. The highest confidence level was posted by the services sector at 60.3 percent (up quarter-on-quarter by 7.0 index points), due mainly to the brisk business outlook of the hotels and restaurants sub-sector as they expect greater business



opportunities during the holidays. Sentiments across other service sub-sectors were also up or unchanged, with the exception of the community and social services sub-sector.

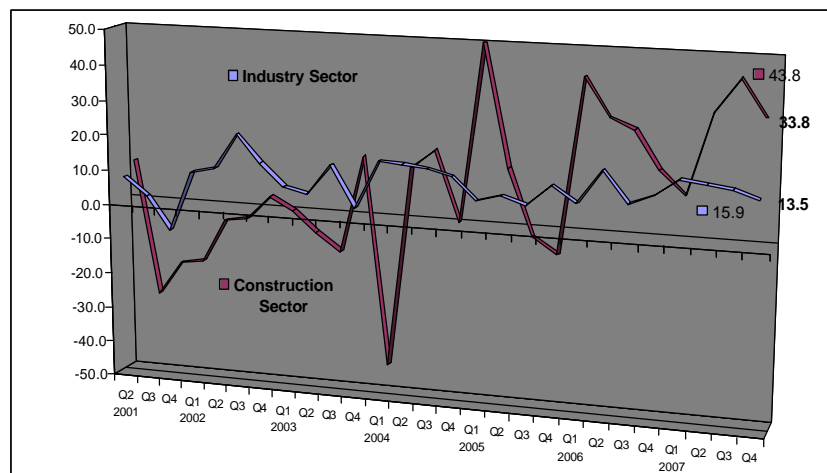
The construction sector at 52.5 percent, meanwhile, registered the highest year-on-year increase of 7.8 index points, reflecting the current property boom in the market. Quarter-on-quarter, the index fell by less than an index point after peaking at an all-time high in the third quarter at 53.1 percent.

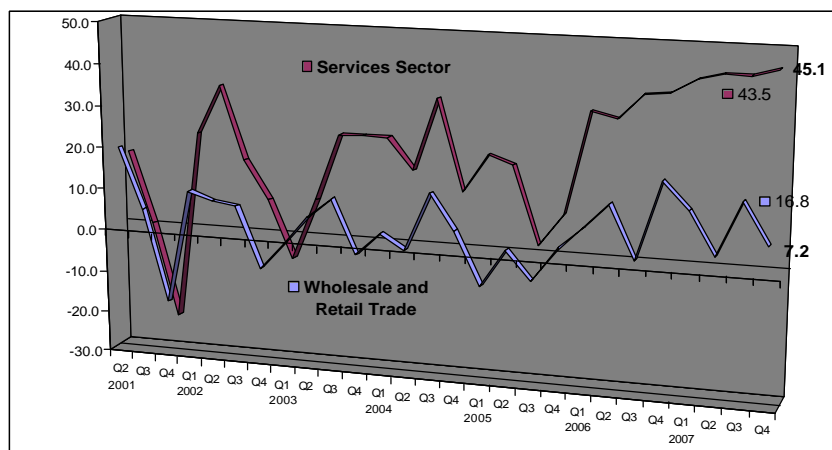
As expected, the business outlook of the wholesale and retail trade sector as well as the industry sector at 46.5 percent and 39.2 percent, respectively, were higher quarter-on-quarter (by 11.4 index points for trade and 3.6 index points for industry), while remaining almost unchanged compared to their year-ago levels. This could be due in large part to greater business operations of firms in anticipation of the heightened consumer demand during the Christmas season.

By Q1 2008, sectors anticipated slower business economic activity compared to the previous quarter as consumers typically adjust their spending behavior after the holidays. Notwithstanding this, firms from the industry (CI up by 5.6 index points to 32.3 percent), construction (up by 8.5 index points to 54.0 percent) and services (up by 4.8 index points to 55.8 percent) sectors were upbeat that economic activity would be moderately stronger than in Q1 2007.

Business Confidence on Own Operations

**Current Quarter Business Confidence Index by Sector
Q2 2001 – Q4 2007**





Respondents anticipate improvement in their operations.

Respondents who anticipated an improvement in their fourth quarter operations outnumber those who indicated otherwise as the indices remained positive. Respondents were broadly anticipating better business operations this quarter relative to a year ago but were expecting a slowdown compared to the last quarter.

By sector, and on a year-on-year basis, firms' outlook on own operations for the fourth quarter were upbeat, as indices went up, except that of trade, although it remained positive at 7.2 percent. The construction sector was up by 15.5 index points (at 33.8 percent), services by 6.4 index points (at 45.1 percent) and industry by almost an index point (at 13.5 percent).

The lower business production in Q4 2007 for orders in Q1 2008 could be dragging down the outlook on business operations for Q4 2007 relative to Q3 2007.³ In particular, firms from the industry and trade sectors expected that their business operations during the current quarter would decline compared to the third quarter due mainly to lower volume of production for the next quarter in anticipation of lower consumer spending after Christmas. Likewise, the construction sector declined quarter-on-quarter.

Average capacity utilization index during the quarter at 76.3 percent was up by almost an index point compared to year-ago level but lower compared to last quarter by 2.3 index points.

³ Business confidence index on own operations for the current quarter is computed based on three variables, namely, current quarter volume of total order book, current inventory level, and next quarter volume of business activity or next quarter number of employees.



Access to Credit and Financial Condition

Access to credit and financial condition remain favorable. The access to credit index remained positive at 7.3 percent (from 2.8 percent year-ago and 10.4 percent quarter-ago), indicating an improvement in the availability of lending facilities as perceived by respondents. This is the sixth consecutive quarter of positive index for the measure on credit access. This trend was consistent with data on outstanding loans granted by banks, which has been on the uptrend since July 2006.

The financial condition index has continued to be negative at 7.8 percent, although the index indicated that the number of respondents with unfavorable cash positions has been reduced from last year's level of -14.1 percent.

Employment and Expansion Plans

Employment expectations are favorable next quarter. Firms indicated that the number of people employed in Q1 2008 would go up, with the employment index at 16.6 percent. This suggests that firms expected increased hiring next quarter. The employment outlook was particularly strong for the construction and services sectors (e.g., the financial intermediation, renting and business activities, and hotels and restaurants sub-sectors), reflecting the positive outlook of these sectors in the next quarter.

More industrial firms indicate expansion plans. Meanwhile, the number of industry firms with expansion plans posted a record-level of 33.7 percent (compared with 28.7 percent in the previous quarter), indicating that more industry firms would expand operations in the next quarter. This augurs well for the economy as it points to renewed investor confidence in the country.

Business Constraints

Competition and insufficient demand are the major impediments to stronger business activity. Although business outlook was seen to be generally improving, respondents cited competition, particularly emanating from local firms, and insufficient demand leading to low volume of sales as major risks to their business operations.

Expectations on Key Economic Indicators

The peso will appreciate and interest rate will decline in the fourth and the next quarters. Inflation will increase but will slow down in the next quarter.

Majority of the respondents anticipated that the peso would remain strong in Q4 2007 and Q1 2008. They expected inflation to accelerate in Q4 2007 but to slow down in Q1 2008. Meanwhile, respondents expected interest rates to decline in Q4 2007 and Q1 2008.

About the Survey

A total of 1,048 firms are surveyed.

The Q4 2007 BES was conducted from 8 October to 9 November 2007. A total of 1,048 firms nationwide were surveyed. They were drawn from the Securities and Exchange Commission 2005 Top 5,000 Corporations as follows: 472 companies in NCR and 576 firms in AONCR, covering all 17 regions nationwide. The overall survey response rate for this quarter is 73.7 percent (68.9 percent last quarter). For NCR, the response rate was 80.3 percent (66.9 percent last quarter); and for AONCR, the response rate was 68.2 percent (from 70.5 percent). A breakdown of responses received by type of business showed that 14.4 percent are importers, 15.2 percent are those with dual roles (both importer and exporter), and 8.5 percent are exporters. Sixty-two percent of respondents indicated either “not applicable” or “no response” to this category.



BUSINESS EXPECTATIONS SURVEY *
2001 - 2007

| | 2001 | | | 2002 | | | | 2003 | | | | 2004 | | | | 2005 | | | | 2006 | | | | 2007 | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|-------|-------|-------|-------|-------|-------|-------|-------|------|-------|------|------|--|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| 1. Overall Business Outlook on the Macroeconomy | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Confidence Index: All Sectors | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current Quarter | 1.7 | -14.7 | -32.6 | 5.9 | 31.0 | 25.2 | 16.2 | -3.0 | 4.0 | 17.2 | 24.9 | 26.0 | 19.9 | 30.5 | 18.6 | 17.6 | 12.9 | -10.4 | 2.8 | 23.4 | 31.6 | 21.7 | 49.4 | 44.9 | 46.4 | 40.9 | 48.0 | |
| NCR | 1.7 | -14.7 | -32.6 | 5.9 | 31.0 | 25.2 | 16.2 | -3.0 | 4.0 | 17.2 | 24.6 | 15.1 | 15.7 | 33.6 | 19.8 | 21.1 | 12.3 | -13.0 | -0.8 | 26.9 | 35.1 | 28.2 | 58.7 | 53.0 | 53.1 | 44.9 | 55.1 | |
| AONCR | | | | | | | | | | | 26.8 | 50.5 | 29.5 | 23.6 | 16.0 | 11.1 | 14.0 | -5.6 | 9.3 | 17.3 | 25.0 | 9.4 | 32.1 | 30.6 | 34.6 | 34.0 | 35.6 | |
| Next Quarter | 44.3 | 26.0 | -9.8 | 42.3 | 47.5 | 45.8 | 6.3 | 17.5 | 27.6 | 44.5 | 20.1 | 25.2 | 32.4 | 48.7 | 21.3 | 34.2 | 22.3 | 18.1 | 11.3 | 37.2 | 32.8 | 40.9 | 37.1 | 49.4 | 44.7 | 53.0 | 40.9 | |
| NCR | 44.3 | 26.0 | -9.8 | 42.3 | 47.5 | 45.8 | 6.3 | 17.5 | 27.6 | 44.5 | 20.4 | 15.7 | 32.8 | 52.5 | 17.3 | 34.2 | 20.7 | 14.3 | 11.0 | 43.0 | 32.4 | 43.8 | 38.7 | 53.3 | 48.2 | 57.1 | 44.6 | |
| AONCR | | | | | | | | | | | 18.4 | 46.6 | 31.6 | 40.2 | 30.1 | 34.2 | 25.4 | 25.1 | 11.7 | 27.5 | 33.6 | 35.6 | 34.0 | 42.2 | 37.2 | 44.8 | 33.7 | |
| 2. Business Outlook Index on the Macroeconomy by Sector: Current Quarter | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Industry Sector | 14.7 | -31.5 | -38.0 | 0.3 | 30.7 | 27.5 | 13.6 | -10.1 | 2.7 | 13.3 | 25.4 | 39.7 | 22.3 | 29.9 | 22.6 | 22.3 | 17.9 | -2.7 | 2.0 | 29.6 | 30.7 | 14.0 | 39.2 | 30.0 | 45.7 | 35.6 | 39.2 | |
| Construction Sector | 0.0 | -18.2 | -28.6 | 26.7 | 36.4 | -6.7 | 20.0 | -25.0 | -11.8 | 7.1 | 8.8 | -17.6 | -17.4 | 23.2 | -6.1 | 28.6 | 4.8 | -40.9 | -11.4 | 25.3 | 22.9 | 30.0 | 44.7 | 50.0 | 35.9 | 53.1 | 52.5 | |
| Wholesale and Retail Trade | -10.0 | -11.1 | -40.4 | 6.3 | 24.7 | 23.0 | 17.3 | 7.0 | 4.8 | 19.0 | 20.3 | 9.6 | 13.3 | 26.0 | 11.0 | 2.6 | 2.0 | -13.9 | -2.1 | 8.4 | 22.8 | 7.8 | 47.3 | 40.6 | 36.5 | 35.1 | 46.5 | |
| Services Sector | 6.8 | -5.5 | -24.7 | 14.7 | 56.1 | 32.0 | 19.5 | 3.8 | 12.5 | 37.5 | 30.6 | 29.1 | 26.7 | 37.3 | 22.3 | 26.8 | 19.4 | -13.8 | 11.3 | 31.6 | 44.1 | 47.9 | 67.6 | 68.5 | 61.6 | 53.3 | 60.3 | |
| of which: | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Financial Intermediation | -11.8 | -41.4 | 33.3 | 20.6 | 64.7 | 40.0 | 14.3 | 3.8 | 22.6 | 46.7 | 36.1 | 28.8 | 18.0 | 37.3 | 26.1 | 31.1 | 37.5 | -19.7 | 11.1 | 53.0 | 67.2 | 64.7 | 92.2 | 90.8 | 74.3 | 61.3 | 71.0 | |
| Hotels and Restaurants | 0.0 | 77.8 | -9.1 | 50.0 | 33.3 | 0.0 | 71.4 | 10.0 | -7.7 | 8.3 | 62.5 | 40.0 | 40.0 | 36.7 | 45.8 | 36.8 | 35.3 | 17.6 | 31.8 | 50.0 | 24.5 | 44.2 | 93.3 | 86.4 | 39.7 | 59.7 | 92.2 | |
| Renting and Business Activities | 20 | 0.0 | -41.7 | 7.7 | 53.8 | 20.0 | 30.0 | 0.0 | 22.2 | 38.9 | 24.4 | 49.5 | 45.6 | 46.9 | 40.4 | 11.8 | 19.6 | 5.2 | 15.6 | 32.7 | 31.6 | 53.1 | 53.3 | 60.8 | 53.8 | 54.1 | 59.3 | |
| Community and Social Services | 0.0 | 0.0 | -40.0 | -10.0 | 30.0 | 20.0 | 15.4 | 30.8 | -14.3 | 21.4 | 19.6 | 17.7 | 19.2 | 43.7 | 2.7 | 23.6 | 25.7 | 5.2 | 6.7 | 20.6 | 16.6 | 28.8 | 58.7 | 44.9 | 37.4 | 54.3 | 30.7 | |
| 3. Business Outlook Index on the Macroeconomy by Sector: Next Quarter | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Industry Sector | 35.3 | 10.4 | -10.0 | 26.7 | 38.6 | 46.8 | 4.6 | 12.6 | 26.2 | 41.2 | 20.9 | 38.4 | 30.6 | 37.1 | 27.1 | 38.7 | 19.0 | 16.6 | 12.0 | 32.6 | 30.7 | 30.7 | 26.7 | 46.5 | 39.3 | 41.4 | 32.3 | |
| Construction Sector | 55.6 | 36.4 | -14.3 | 46.7 | 45.5 | 26.7 | 33.3 | 18.8 | 29.4 | 7.1 | 32.3 | -9.4 | 23.9 | 41.0 | 33.5 | 47.7 | 36.1 | 12.2 | -5.7 | 57.7 | 45.8 | 36.6 | 45.5 | 39.9 | 59.0 | 63.8 | 54.0 | |
| Wholesale and Retail Trade | 46.7 | 22.2 | -17.0 | 51.2 | 48.1 | 43.7 | 3.7 | 25.6 | 28.9 | 49.4 | 13.3 | 18.0 | 30.5 | 60.2 | 14.3 | 27.1 | 19.5 | 22.3 | 17.1 | 34.8 | 23.7 | 36.2 | 37.2 | 43.6 | 35.7 | 51.6 | 36.1 | |
| Services Sector | 47.6 | 37.0 | -4.1 | 42.8 | 67.6 | 53.4 | 16.6 | 14.0 | 33.6 | 50.2 | 24.2 | 17.4 | 39.6 | 55.8 | 17.4 | 34.0 | 28.7 | 16.1 | 5.6 | 43.9 | 44.9 | 62.0 | 51.0 | 62.1 | 60.7 | 68.1 | 55.8 | |
| of which: | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Financial Intermediation | 29.4 | 31.0 | -7.4 | 50.0 | 73.5 | 57.5 | 0.8 | 19.2 | 41.9 | 53.3 | 36.1 | 15.7 | 34.0 | 58.6 | 20.8 | 28.9 | 39.2 | 6.4 | 20.0 | 51.8 | 67.2 | 79.1 | 83.3 | 75.4 | 73.0 | 79.5 | 73.3 | |
| Hotels and Restaurants | 50.0 | 77.8 | 0.0 | 50.0 | 44.4 | 70.0 | 14.3 | 40.0 | 30.8 | 58.3 | 58.6 | 25.2 | 26.1 | 71.0 | 21.3 | 62.7 | 35.3 | 54.9 | 16.5 | 50.1 | 31.4 | 81.4 | 55.4 | 56.8 | 28.5 | 81.2 | 28.2 | |
| Renting and Business Activities | 60.0 | 41.7 | -8.3 | 38.5 | 61.5 | 46.7 | 25.0 | 47.6 | 44.4 | 55.6 | 12.2 | 45.4 | 71.0 | 53.0 | 38.6 | 44.7 | 21.6 | 26.8 | 25.2 | 45.1 | 39.9 | 53.9 | 23.6 | 68.6 | 67.7 | 64.9 | 63.8 | |
| Community and Social Services | 42.9 | 0.0 | 0.0 | 30.0 | 60.0 | 10.0 | 0.0 | 0.0 | 21.4 | 21.4 | -4.3 | 12.3 | 36.9 | 46.1 | 14.3 | 25.7 | 25.7 | 23.4 | -20.4 | 29.6 | 45.7 | 37.9 | 60.0 | 55.1 | 73.8 | 71.6 | 67.4 | |
| 4. Business Confidence Index on Own Operations by Sector: Current Quarter | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Industry Sector | 7.8 | 2.8 | -6.7 | 10.4 | 12.2 | 22.0 | 14.2 | 8.0 | 6.8 | 15.2 | 3.6 | 17.1 | 16.8 | 15.8 | 14.2 | 8.1 | 9.9 | 7.7 | 13.8 | 9.3 | 18.9 | 10.0 | 12.9 | 17.4 | 16.8 | 15.9 | 13.5 | |
| Construction Sector | 11.1 | -27.3 | -17.9 | -16.7 | -4.5 | -3.3 | 3.3 | 0.0 | -5.9 | -10.7 | 16.6 | -42.4 | 14.5 | 19.7 | 0.0 | 50.0 | 16.3 | -2.6 | -7.0 | 42.2 | 31.7 | 28.7 | 18.3 | 11.9 | 34.3 | 43.8 | 33.8 | |
| Wholesale and Retail Trade | 20.0 | 5.2 | -17.0 | 10.4 | 8.6 | 7.7 | -7.0 | -0.8 | 6.0 | 11.0 | -1.8 | 3.5 | 0.1 | 13.9 | 5.3 | -7.1 | 1.8 | -4.9 | 2.8 | 8.3 | 14.3 | 1.6 | 20.3 | 13.9 | 3.9 | 16.8 | 7.2 | |
| Services Sector | 17.9 | 0.5 | -21.9 | 23.4 | 35.0 | 17.5 | 8.3 | -5.5 | 9.0 | 24.8 | 25.1 | 17.7 | 34.7 | 13.6 | 22.4 | 20.4 | 2.2 | 9.6 | 33.7 | 32.4 | 38.2 | 38.7 | 42.2 | 43.8 | 43.5 | 45.1 | | |
| 5. Business Outlook index on Own Operations: Current Quarter | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Volume of Business Activity Index | 7.8 | 0.0 | -14.7 | -5.1 | 23.6 | 20.9 | 22.1 | -8.1 | 13.2 | 21.1 | 31.1 | 6.5 | 25.4 | 26.9 | 23.7 | 9.3 | 19.2 | 0.7 | 17.0 | 16.0 | 31.3 | 21.8 | 42.4 | 22.6 | 35.7 | 27.3 | 39.3 | |
| Volume of Total Order Book Index | -0.9 | -3.4 | -19.6 | -5.7 | 22.7 | 20.9 | 20.4 | -8.7 | 10.2 | 19.8 | 25.6 | 3.8 | 18.0 | 19.5 | 20.0 | 7.4 | 14.8 | -0.5 | 15.5 | 14.5 | 25.9 | 16.4 | 34.2 | 17.1 | 27.7 | 22.9 | 31.2 | |
| Credit Access Index | -18.3 | -19.8 | -26.1 | -27.6 | -20.0 | -14.9 | -15.0 | -17.9 | -12.5 | -5.9 | -12.7 | -13.4 | -14.6 | -7.3 | -7.5 | -9.8 | -12.2 | -13.2 | -11.5 | -5.5 | -3.5 | 0.5 | 2.8 | 10.1 | 9.0 | 10.4 | 7.3 | |
| Financial Condition | -47.0 | -40.7 | -48.9 | -46.6 | -30.6 | -30.8 | -35.6 | -46.4 | -34.8 | -26.6 | -27.5 | -32.8 | -31.4 | -25.7 | -25.0 | -28.3 | -28.6 | -36.5 | -30.9 | -20.0 | -20.2 | -20.1 | -14.1 | -8.8 | -11.0 | -5.1 | -7.8 | |
| Average Capacity Utilization | 67.0 | 66.2 | 68.8 | 62.7 | 66.2 | 70.3 | 69.1 | 69.4 | 69.1 | 69.2 | 71.3 | 76.2 | 76.7 | 74.8 | 75.4 | 78.2 | 74.2 | 73.3 | 73.5 | 75.5 | 75.0 | 75.8 | 75.6 | 83.1 | 83.4 | 78.6 | 76.3 | |
| 6. Business Outlook Index on Own Operations: Next Quarter | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Volume of Business Activity Index | 41.7 | 24.9 | 0.0 | 35.2 | 32.9 | 42.7 | 2.7 | 28.8 | 31.0 | 43.4 | 20.0 | 30.6 | 36.4 | 50.2 | 24.2 | 29.7 | 28.5 | 27.5 | 16.2 | 37.7 | 36.7 | 39.0 | 35.3 | 48.1 | 40.4 | 49.5 | 34.0 | |
| Employment Outlook Index | 3.5 | -1.1 | -19.6 | -8.8 | -8.6 | 0.3 | -5.5 | -4.6 | -6.3 | 2.0 | -2.0 | -2.8 | 4.9 | 16.8 | 7.5 | 11.6 | 6.5 | 7.3 | -0.5 | 14.4 | 12.6 | 13.8 | 8.9 | 16.6 | 17.3 | 21.1 | 16.6 | |
| A quarterly survey conducted by the Department of Economic Statistics Nov 23, 2007 3:20:43 PM | | | | | | | | | | | | | | | Bangko Sentral ng Pilipinas Manila, Philippines www.bsp.gov.ph | | | | | | | | | | | | | |



* From 2001 to 2003, survey respondents came from a random sample of firms in SEC's Top 5000 Corporations in the Philippines which are located in the NCR. Beginning Q4 2003, the survey was expanded to include those areas which are located outside NCR specifically Regions I, VII & XI. Finally in Q4 2006, the BES was further expanded to become a nationwide survey of firms in the top 5000 corporations.

**BUSINESS EXPECTATIONS SURVEY
2001 - 2007**

| | 2001 | | | 2002 | | | | 2003 | | | | 2004 | | | | 2005 | | | | 2006 | | | | 2007 | | | |
|--|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| 7. Companies with Expansion Plans (in percent): Next Quarter | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| All Industry Sector | 5.9 | 20.7 | 20.6 | 13.0 | 20.3 | 10.7 | 18.7 | 24.3 | 22.6 | 19.9 | 20.0 | 21.5 | 15.9 | 24.3 | 27.5 | 27.0 | 22.0 | 16.0 | 20.8 | 25.9 | 25.8 | 23.0 | 23.0 | 27.2 | 31.1 | 28.7 | 33.7 |
| Mining Quarrying | 0.0 | 0.0 | 0.0 | 25.0 | 25.0 | 33.3 | 0.0 | 0.0 | 50.0 | 50.0 | 100.0 | 39.1 | 39.1 | 78.3 | 78.3 | 50.0 | 0.0 | 0.0 | 8.3 | 33.3 | 41.7 | 25.0 | 83.3 | 66.7 | 42.9 | 42.9 | 52.4 |
| Manufacturing | 19.4 | 21.0 | 7.3 | 0.0 | 0.0 | 8.5 | 21.2 | 23.5 | 23.0 | 19.0 | 17.5 | 31.7 | 15.2 | 22.9 | 25.7 | 28.9 | 21.3 | 16.9 | 20.3 | 25.3 | 24.0 | 22.7 | 20.8 | 23.7 | 28.1 | 27.1 | 32.0 |
| Electricity, Gas and Water | 0.0 | 25.0 | 25.0 | 13.3 | 20.4 | 33.3 | 0.0 | 20.0 | 0.0 | 16.7 | 0.0 | 0.0 | 0.0 | 0.0 | 16.0 | 6.0 | 11.6 | 11.6 | 11.6 | 35.9 | 25.4 | 47.2 | 44.3 | 48.5 | 54.0 | 42.8 | 33.5 |
| Agriculture, Fishery and Forestry | 100.0 | 0.0 | 0.0 | 0.0 | 33.3 | 0.0 | 0.0 | 50.0 | 25.0 | 33.3 | 52.6 | 19.6 | 25.0 | 32.5 | 37.5 | 13.1 | 39.1 | 8.2 | 40.4 | 28.3 | 32.4 | 23.2 | 35.4 | 62.2 | 64.0 | 42.4 | 59.6 |
| 8. Business Constraints: Current Quarter | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| High Interest Rate | 49.6 | 46.9 | 38.0 | 46.0 | 35.9 | 28.2 | 24.2 | 31.5 | 32.9 | 28.6 | 34.2 | 33.0 | 33.1 | 38.4 | 39.8 | 37.0 | 34.7 | 35.9 | 36.2 | 32.4 | 30.0 | 29.1 | 27.6 | 23.0 | 23.6 | 23.7 | 21.3 |
| Unclear Economic Laws | 36.5 | 37.9 | 29.9 | 37.8 | 31.1 | 30.3 | 31.0 | 34.0 | 33.5 | 35.9 | 41.2 | 34.7 | 35.2 | 37.0 | 38.2 | 37.6 | 38.0 | 45.9 | 48.7 | 40.3 | 41.4 | 34.3 | 33.1 | 27.6 | 27.2 | 24.5 | 27.1 |
| Lack of Equipment | 27.8 | 17.5 | 15.8 | 21.8 | 20.6 | 19.6 | 19.4 | 18.8 | 20.0 | 22.0 | 24.2 | 19.8 | 21.5 | 22.0 | 20.8 | 24.4 | 22.6 | 23.8 | 24.6 | 21.2 | 19.5 | 19.4 | 17.9 | 17.1 | 17.9 | 16.0 | 19.4 |
| Insufficient Demand | 67.8 | 65.0 | 75.5 | 76.3 | 72.4 | 77.2 | 67.5 | 67.2 | 70.9 | 69.7 | 63.7 | 56.4 | 57.2 | 58.7 | 61.1 | 61.3 | 60.9 | 64.3 | 65.4 | 58.7 | 60.6 | 58.7 | 55.3 | 51.6 | 49.8 | 46.8 | 46.3 |
| Access to Credit | 40.0 | 32.8 | 31.0 | 42.1 | 35.5 | 34.5 | 30.0 | 24.5 | 25.2 | 26.8 | 29.0 | 30.7 | 25.4 | 27.9 | 27.3 | 31.1 | 30.3 | 30.4 | 31.8 | 29.2 | 30.8 | 24.8 | 23.4 | 19.1 | 19.6 | 18.9 | 20.1 |
| Financial Problems | 34.8 | 33.3 | 32.1 | 39.4 | 30.8 | 33.4 | 30.8 | 31.4 | 30.2 | 30.8 | 34.2 | 31.9 | 31.1 | 33.5 | 33.6 | 36.2 | 36.1 | 37.6 | 37.6 | 31.1 | 30.5 | 29.4 | 27.5 | 27.2 | 26.0 | 24.7 | 23.6 |
| Competition | 73.9 | 71.8 | 77.7 | 77.9 | 76.8 | 78.4 | 73.8 | 70.7 | 73.3 | 77.3 | 73.0 | 62.5 | 68.8 | 70.3 | 73.1 | 74.0 | 73.4 | 74.2 | 74.4 | 74.1 | 75.3 | 37.1 | 38.7 | 62.6 | 66.0 | 62.2 | 63.0 |
| Labor Problems | 22.6 | 23.2 | 22.3 | 24.1 | 20.0 | 28.6 | 32.3 | 25.9 | 23.0 | 21.3 | 23.5 | 18.5 | 20.8 | 22.8 | 23.5 | 27.7 | 26.8 | 26.5 | 25.3 | 23.0 | 22.9 | 20.9 | 21.7 | 20.3 | 18.6 | 19.7 | 20.1 |
| Lack of Materials Input | 22.6 | 18.1 | 17.4 | 21.7 | 18.3 | 18.3 | 18.6 | 23.4 | 23.2 | 22.9 | 24.6 | 19.4 | 24.2 | 23.6 | 28.3 | 26.8 | 24.7 | 24.4 | 25.7 | 21.8 | 21.6 | 22.1 | 21.2 | 22.3 | 20.1 | 19.0 | 20.6 |
| Others | 26.1 | 27.7 | 22.8 | 25.0 | 19.6 | 19.4 | 20.7 | 20.9 | 18.3 | 17.3 | 16.2 | 16.4 | 19.0 | 13.2 | 15.8 | 16.7 | 17.1 | 21.0 | 20.0 | 16.5 | 15.9 | 19.4 | 18.7 | 17.4 | 16.8 | 17.5 | 20.7 |
| None | 3.5 | 3.4 | 7.6 | 2.1 | 2.5 | 6.4 | 1.7 | 3.5 | 5.0 | 5.0 | 6.3 | 6.5 | 6.2 | 6.3 | 5.7 | 5.1 | 4.6 | 3.0 | 3.4 | 5.5 | 4.2 | 4.7 | 3.6 | 5.4 | 6.9 | 7.9 | 6.5 |
| 9. Business Expectations Index on Selected Economic Indicators: Current Quarter | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| P/\$ Exchange Rate | 19.1 | 36.7 | 20.1 | -0.1 | 7.5 | -8.0 | 4.3 | 11.2 | 6.9 | 7.5 | 0.5 | -15.9 | -1.5 | -2.5 | -8.3 | 10.8 | 7.2 | -11.9 | 10.1 | 7.5 | 11.8 | 7.5 | 39.5 | 31.1 | 34.3 | 35.0 | 44.8 |
| Inflation Rate | 37.4 | 65.0 | 46.2 | -8.4 | 1.4 | 3.9 | 32.4 | 36.8 | 25.8 | 27.9 | 42.1 | 45.8 | 52.0 | 51.0 | 61.9 | 30.3 | 51.0 | 61.4 | 53.6 | 22.9 | 32.8 | 31.6 | -3.1 | -13.9 | -5.1 | -2.3 | 6.3 |
| Peso Borrowing Rate | 6.1 | 22.6 | 23.4 | -37.2 | -32.9 | -6.7 | 11.4 | 16.0 | 26.5 | 9.5 | 27.2 | 33.7 | 38.7 | 39.8 | 43.2 | 21.7 | 28.3 | 41.9 | 37.1 | 6.8 | 10.8 | 17.3 | -5.8 | -23.5 | -15.4 | -3.2 | -9.6 |
| 10. Business Expectations Index on Selected Economic Indicators: Next Quarter | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| P/\$ Exchange Rate | 11.3 | 10.7 | 22.3 | 11.7 | 4.9 | -8.9 | 6.3 | 9.4 | 11.3 | 5.5 | -11.5 | -15.6 | 0.2 | 4.6 | -7.3 | 3.4 | 0.9 | -5.0 | -0.9 | -3.6 | 5.7 | 18.0 | 23.3 | 11.2 | 21.9 | 37.9 | 34.8 |
| Inflation Rate | 23.5 | 46.9 | 44.0 | -0.4 | 15.7 | 16.6 | 26.0 | 43.2 | 28.6 | 31.6 | 33.4 | 52.9 | 42.2 | 41.6 | 53.3 | 29.7 | 44.4 | 55.1 | 45.7 | 27.8 | 30.3 | 31.0 | -0.6 | 4.1 | 5.5 | 9.5 | 3.0 |
| Peso Borrowing Rate | 4.4 | 19.8 | 20.7 | -21.8 | 1.8 | 4.8 | 10.0 | 29.3 | 25.3 | 15.1 | 22.0 | 32.6 | 31.8 | 32.0 | 42.5 | 25.5 | 29.8 | 39.4 | 31.4 | 16.5 | 17.6 | 18.3 | -2.6 | -4.9 | -2.3 | 3.2 | -3.2 |
| 11. Percentage Distribution of Respondent Firms by Employment Size | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Small (<100) | 41.7 | 44.6 | 42.4 | 41.9 | 38.1 | 41.4 | 43.5 | 41.8 | 38.4 | 36.3 | 35.5 | 33.7 | 31.8 | 36.1 | 36.2 | 35.0 | 34.4 | 31.8 | 33.6 | 32.1 | 31.5 | 34.2 | 33.2 | 33.9 | 33.9 | 38.3 | 37.8 |
| Medium (100-<500) | 36.5 | 31.1 | 31.0 | 32.1 | 35.6 | 34.3 | 32.1 | 27.6 | 31.7 | 30.8 | 29.6 | 35.1 | 36.1 | 33.8 | 31.4 | 36.2 | 36.9 | 37.6 | 33.7 | 35.8 | 32.8 | 33.8 | 35.7 | 36.0 | 32.4 | 32.6 | 30.1 |
| Large (500 & up) | 14.8 | 13.0 | 12.0 | 13.2 | 14.4 | 14.3 | 16.6 | 13.3 | 14.0 | 17.3 | 14.9 | 15.3 | 15.6 | 15.0 | 17.0 | 16.1 | 14.8 | 14.6 | 16.0 | 17.2 | 15.8 | 18.1 | 16.2 | 17.4 | 17.8 | 15.6 | 16.2 |
| No Response | 7.0 | 11.3 | 14.7 | 12.8 | 11.9 | 10.0 | 7.8 | 17.3 | 15.9 | 15.6 | 20.0 | 15.9 | 16.5 | 15.1 | 15.4 | 12.7 | 13.9 | 16.0 | 16.7 | 14.9 | 19.9 | 13.9 | 14.9 | 12.7 | 15.9 | 13.6 | 15.9 |
| 12. Distribution of Respondent Firms by Sector | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| All Sectors | 115 | 177 | 184 | 234 | 236 | 251 | 271 | 294 | 315 | 289 | 348 | 377 | 429 | 574 | 500 | 510 | 614 | 614 | 627 | 673 | 652 | 748 | 786 | 765 | 757 | 732 | 772 |
| Industry | 34 | 48 | 50 | 54 | 59 | 56 | 75 | 109 | 119 | 104 | 141 | 135 | 137 | 208 | 174 | 169 | 223 | 219 | 218 | 270 | 262 | 284 | 311 | 287 | 279 | 292 | 281 |
| Construction | 9 | 11 | 14 | 15 | 11 | 15 | 15 | 16 | 17 | 14 | 20 | 11 | 15 | 21 | 19 | 17 | 20 | 18 | 20 | 25 | 22 | 28 | 32 | 22 | 20 | 20 | 22 |
| Wholesale and Retail Trade | 30 | 45 | 47 | 80 | 81 | 87 | 81 | 86 | 83 | 79 | 96 | 93 | 118 | 153 | 132 | 165 | 187 | 187 | 196 | 195 | 187 | 237 | 238 | 265 | 262 | 237 | 270 |
| Services | 42 | 73 | 73 | 85 | 85 | 93 | 100 | 83 | 96 | 92 | 91 | 138 | 159 | 192 | 175 | 159 | 184 | 190 | 193 | 183 | 181 | 199 | 205 | 191 | 196 | 183 | 199 |
| Financial Intermediation | 17 | 29 | 27 | 34 | 34 | 40 | 42 | 26 | 31 | 30 | 28 | 45 | 50 | 57 | 53 | 45 | 52 | 50 | 48 | 45 | 43 | 49 | 50 | 48 | 48 | 46 | 50 |
| Hotels and Restaurants | 4 | 9 | 11 | 9 | 9 | 10 | 7 | 10 | 13 | 12 | 15 | 20 | 20 | 23 | 21 | 16 | 23 | 19 | 23 | 20 | 20 | 16 | 18 | 17 | 16 | 13 | 15 |
| Renting and Business Activities | 5 | 12 | 12 | 13 | 13 | 15 | 20 | 16 | 18 | 18 | 16 | 24 | 26 | 33 | 27 | 29 | 35 | 40 | 41 | 41 | 42 | 42 | 44 | 45 | 38 | 34 | 41 |
| Community and Social Services | 7 | 8 | 5 | 10 | 10 | 10 | 13 | 13 | 14 | 14 | 13 | 17 | 22 | 29 | 26 | 26 | 23 | 27 | 27 | 27 | 26 | 33 | 31 | 29 | 30 | 29 | 28 |

