

# Business Expectations Survey <sup>1</sup>

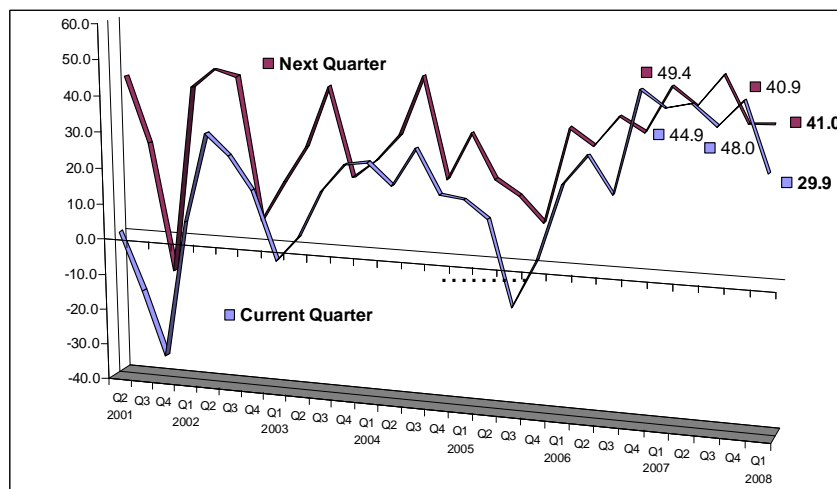
## First Quarter 2008

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### BUSINESS SENTIMENT REMAINS FAVORABLE IN Q1 2008

#### Overall Business Outlook

Overall Business Confidence Index  
Q2 2001 – Q1 2008



*Business sentiment remains positive in the first quarter.*

Business respondents with a positive outlook continued to outnumber those with a negative outlook as the overall confidence index (CI) <sup>2</sup> or diffusion index remained positive at 29.9 percent. This index, however, was lower compared to the levels in the previous quarter and a year ago by 18.1 index points and 15.0 index points, respectively. The lower index, indicating expectations of a slowdown in business activity, was attributed to the weakening in the outlook particularly of exporter firms. It is instructive to note that respondents engaged in export and/or export-related business comprised about 26 percent of total respondents. Expectations of weaker demand after the holiday season also contributed to the weaker business optimism.

Firms cited the following factors for their cautious outlook: 1) production slack in the first quarter due to seasonality; 2) concerns over a possible recession in the US economy; 3) reduced competitiveness of exports due to the peso appreciation; 4) unabated increase in crude oil prices;

<sup>1</sup> 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.

<sup>2</sup> 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.



and 5) local political noise.

Respondents are slightly more upbeat in the next quarter as the confidence index rose modestly to 41.0 percent from 40.9 percent during the previous quarter. This follows expectations of a pick-up in consumer expenditures during the summer season and the opening of the school year. Compared to last year, the CI for Q2 2008 was, however, lower by 8.4 index points.

More respondents from the NCR (National Capital Region) were optimistic on the economy than their counterparts from the AONCR (Areas Outside the NCR). The overall CI of NCR was higher than AONCR for Q1 2008 and Q2 2008 by 12.6 index points and 4.6 index points, respectively.

*Respondents from NCR are more optimistic than their counterparts in AONCR*

By type of respondent firms (i.e., importer, exporter or engaged in dual roles), results indicated that importing firms were the most optimistic on the economy (index at 36.8 percent in Q1 2008 and 50.4 percent in Q2 2008). Expectations of lower import costs in peso terms due to the stronger peso may have buoyed the importers' outlook.

*Importers are more upbeat than exporters.*

On the other hand, respondent firms engaged in the sale of commodities overseas—either solely as an exporter or both as importer and exporter—observed that they have been adversely affected by the appreciation of the peso. The business confidence in Q1 2008 of these firms, though remaining positive, weakened significantly in the case of exporters to 3.5 percent (from about 24.0 percent in Q4 2007 and Q1 2007) and 9.3 percent for those engaged in dual roles (from a range of 37-39 percent for the comparative quarters in 2007). However, as in the overall outlook, these firms are more optimistic in the next quarter with a higher index of 22.4 percent for exporters and 19.6 percent for exporters-and-importers.

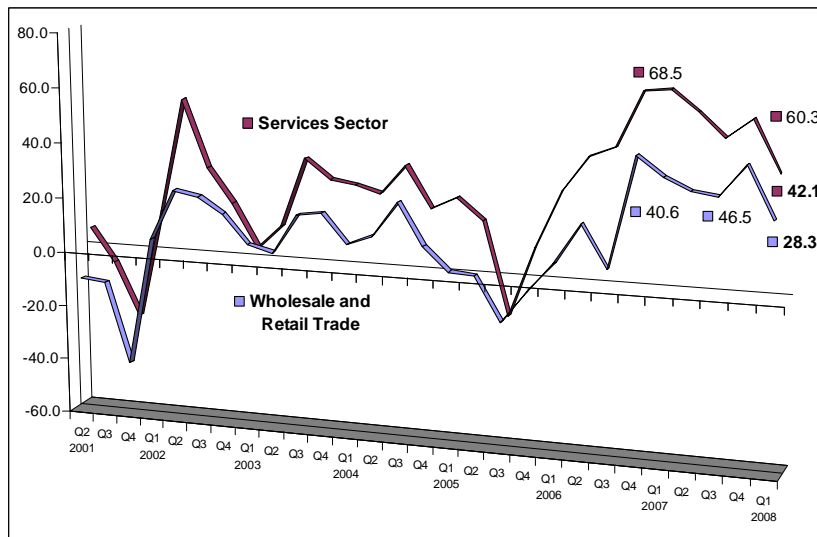
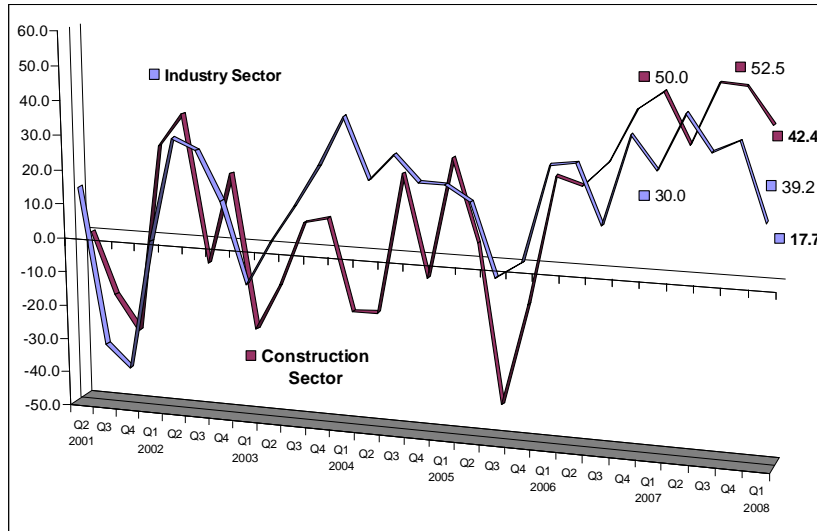
*Large firms are the most optimistic in the current and next quarters.*

By employment size, survey results showed that large-sized firms (with 500 and more employees) were the most upbeat about the economy, with the index at 30.9 percent in Q1 2008 and 46.0 percent in the next quarter. Indices of small-sized firms (less than 100 employees) were also positive at 29.2 percent and 39.9 percent, in the current and next quarters. Medium-sized firms (100 to 499 employees) were the least optimistic, posting indices of 22.0 percent and 39.2 percent for the current and next quarters, respectively. Though remaining positive, these figures were all lower compared to quarter-ago and year-ago levels.



Sectoral Outlook

**Business Outlook Index by Sector  
Current Quarter  
Q2 2001 – Q1 2008**



*The economic outlook of all sectors are positive in Q1 and Q2 of 2008.*

All sectors continued to post positive indices, indicating that the number of firms that were confident about business conditions in the first quarter outnumber those with a negative view. The construction and services sectors posted the highest indices at 42.4 percent and 42.1 percent, respectively. The positive outlook in construction reflected in part the continuing property boom in the market. Nevertheless, this level was lower by 7.6 index points year-on-year and 10.1 index points quarter-on-quarter. In the case of the services sector, finance, hotel, real estate, and community and social services sub-sectors posted the highest confidence levels.



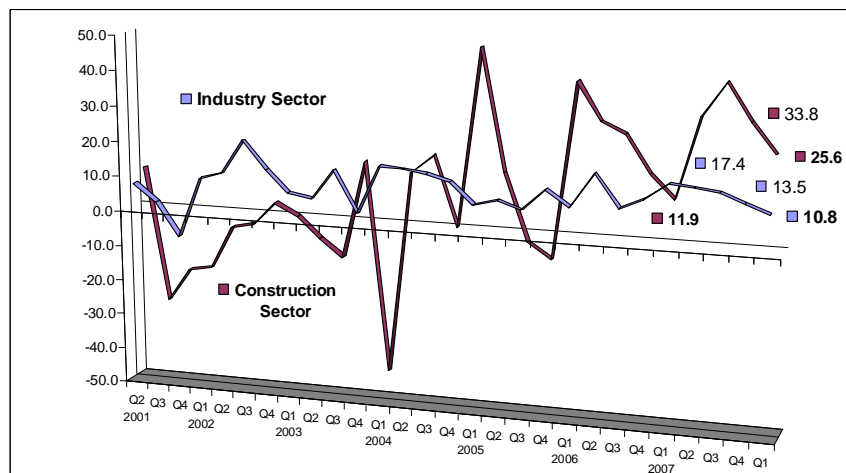
However, despite the relatively high CI (compared to other sectors), the services sector recorded the highest year-on-year and quarter-on-quarter decline (26.4 index points and 18.2 index points, respectively). The lower index quarter-on-quarter and year-on-year was noted across all services sub-sectors except for community and social services sub-sector, which showed an increase both quarter-on-quarter (by 17.4 index points) and year-on-year (by 3.2 index points). Businesses belonging to this category include schools and colleges, personal care services, hospitals, and insurance providers.

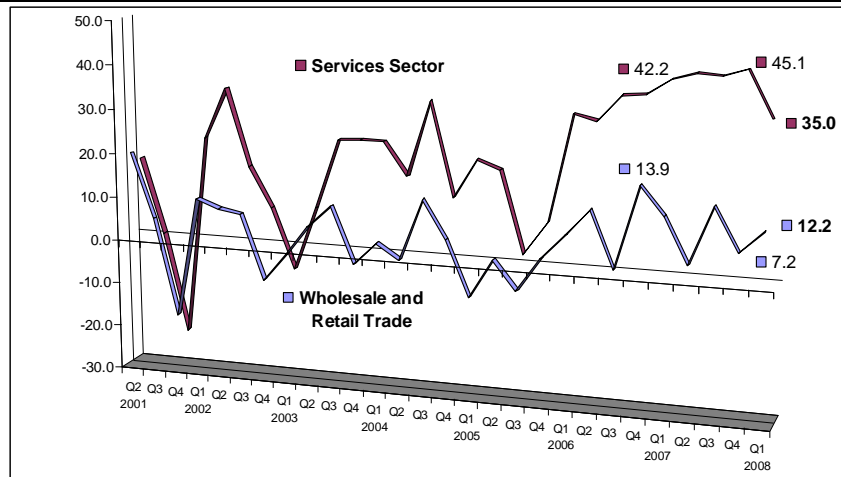
The business outlook of the wholesale and retail trade sector as well as the industry sector remained positive at 28.3 percent and 17.7 percent, respectively, but were lower year-on-year (both by about 12.0 index points) and quarter-on-quarter (by an average of 20.0 index points). The downswing in sentiment may be due in large part to the seasonal decline in consumer spending in the first quarter of the year.

By Q2 2008, the sectoral outlook improved with all indices on the uptrend. The construction sector was again the most bullish at 54.3 percent, up by 14.4 index points year-on-year, and by less than an index point quarter-on-quarter. The services sector came close at 54.2 percent, with the hotels and restaurants sub-sector posting both an increase quarter-on-quarter (by 35.8 index points) and year-on-year (by 7.2 index points), following anticipation of brisker business during summer.

**Business Confidence on Own Operations**

**Current Quarter Business Confidence Index by Sector  
Q2 2001 – Q1 2008**





*Respondents anticipate improvement in their operations.*

Respondents who anticipated an improvement in their Q1 2008 operations outnumbered those who indicated otherwise as the indices remained positive. Comparing against the last quarter's CI, respondents were expecting a slowdown in business operations, consistent with the findings of past surveys where a dip in business sentiment is observed right after the fourth quarter.

Compared to year-ago levels, firms were generally less confident about their own operations for Q1 2008 as indices were lower, except that of construction, which went up by 13.7 index points (at 25.6 percent). Services declined by 7.2 index points (at 35.0 percent), industry sector by 6.6 index points (at 10.8 percent), and trade by 1.7 index points (at 12.2 percent).

*Average capacity utilization is up.*

Average capacity utilization index during the quarter at 83.1 percent increased by 6.8 index points compared to last quarter's level while remaining steady relative to its year-ago level.

**Access to Credit and Financial Condition**

*Access to credit remains favorable while financial condition index declines.*

The access to credit index remained positive at 6.6 percent (from 10.1 percent a year-ago and 7.3 percent quarter-ago), indicating an improvement in the availability of lending facilities as perceived by respondents. This is the seventh consecutive quarter of a 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, which is an indicator of the internal liquidity situation of firms, has continued to be negative at 11.6 percent from -7.8 percent last quarter and -8.8 percent a year-ago. The index indicated that there are more respondents with unfavorable cash/liquidity positions compared to last quarter and a year-ago.



**Employment and Expansion Plans**

*Employment expectations remain favorable next quarter.* The employment index was recorded at 21.7 percent, suggesting that firms expected to increase hiring in Q2 2008. The employment outlook was particularly strong for the construction and services sectors (such as in hotels and restaurants, renting and business activities, transportation and financial intermediation sub-sectors), reflecting the positive outlook of these sectors in the next quarter (booming property market for the construction sector and upcoming summer vacation for the services sector).

*More industrial firms indicate expansion plans.* Meanwhile, the number of industrial firms with expansion plans rose to 37.8 percent (compared with 33.7 percent last quarter and 27.2 percent a year-ago), indicating that more industrial 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 the 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**

*Survey respondents have mixed expectations on key economic indicators.* Respondents anticipated that the peso would remain strong in Q1 2008 and Q2 2008. They expected inflation to accelerate in Q1 2008 and onto Q2 2008. Meanwhile, interest rates are expected to decline during the first semester of 2008.

**About the Survey**

*A total of 1,258 firms are surveyed.* The Q1 2008 BES was conducted from 7 January to 6 February 2008. A total of 1,258 firms nationwide were surveyed. Respondents were drawn from the Securities and Exchange Commission 2006 Top 7,000 Corporations as follows: 514 companies in NCR and 744 firms in AONCR, covering all 17 regions nationwide. The overall survey response rate for this quarter was 68.4 percent compared to 73.7 percent last quarter. For NCR, the response rate was 70.4 percent (80.3 percent last quarter); and for AONCR, the response rate was 66.9 percent (from 68.2 percent). A breakdown of responses received by type of business showed that 14.5 percent are importers, 16.2 percent are those with dual roles (both importer and exporter), and 9.8 percent are exporters. Fifty-nine percent of respondents indicated either “not applicable” or “no response” to this category.



**BUSINESS EXPECTATIONS SURVEY \*  
2001 - 2008**

	2001			2002				2003				2004				2005				2006				2007				2008	
	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	Q1	
<b>1. Overall Business Outlook on the Macroeconomy</b>																													
<b>Confidence Index: All Sectors</b>																													
<b>Current Quarter</b>	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	29.9	
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	34.0	
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	21.4	
<b>Next Quarter</b>	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	41.0	
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	42.2	
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	37.6	
<b>2. Business Outlook Index on the Macroeconomy by Sector: Current Quarter</b>																													
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	17.7	
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	42.4	
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	28.3	
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	42.1	
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	60.5	
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	50.1	
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	22.8	
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	48.1	
<b>3. Business Outlook Index on the Macroeconomy by Sector: Next Quarter</b>																													
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	32.5	
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	54.3	
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	35.2	
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	54.2	
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	57.0	
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	64.0	
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	49.4	
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	49.2	
<b>4. Business Confidence Index on Own Operations by Sector: Current Quarter</b>																													
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	10.8	
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	25.6	
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	12.2	
Services Sector	17.9	0.5	-21.9	23.4	35.0	17.5	8.3	-5.5	9.0	24.8	25.1	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	35.0	
<b>5. Business Outlook index on Own Operations: Current Quarter</b>																													
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	15.8	
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	8.0	
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	6.6	
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	-11.6	
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	83.1	
<b>6. Business Outlook Index on Own Operations: Next Quarter</b>																													
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	44.1	
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	21.7	

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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 - 2008**

	2001			2002				2003				2004				2005				2006				2007				2008
	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	Q1
<b>7. Companies with Expansion Plans (in percent): Next Quarter</b>																												
<b>All Industry Sector</b>	<b>5.9</b>	<b>20.7</b>	<b>20.6</b>	<b>13.0</b>	<b>20.3</b>	<b>10.7</b>	<b>18.7</b>	<b>24.3</b>	<b>22.6</b>	<b>19.9</b>	<b>20.0</b>	<b>21.5</b>	<b>15.9</b>	<b>24.3</b>	<b>27.5</b>	<b>27.0</b>	<b>22.0</b>	<b>16.0</b>	<b>20.8</b>	<b>25.9</b>	<b>25.8</b>	<b>23.0</b>	<b>23.0</b>	<b>27.2</b>	<b>31.1</b>	<b>28.7</b>	<b>33.7</b>	<b>37.8</b>
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	41.9
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	37.8
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	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	39.0	
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	35.0
<b>8. Business Constraints: Current Quarter</b>																												
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	22.1
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	25.9
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	16.3
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	44.1
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	16.9
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	26.4
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	57.9
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	19.4
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	19.7
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	20.8
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	7.4
<b>9. Business Expectations Index on Selected Economic Indicators: Current Quarter</b>																												
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	39.9
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	14.4
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	-15.9
<b>10. Business Expectations Index on Selected Economic Indicators: Next Quarter</b>																												
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	29.0
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	17.3
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	-8.3
<b>11. Percentage Distribution of Respondent Firms by Employment Size</b>																												
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	45.8
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	38.4
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	15.8
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	0.0
<b>12. Distribution of Respondent Firms by Sector</b>																												
<b>All Sectors</b>	<b>115</b>	<b>177</b>	<b>184</b>	<b>234</b>	<b>236</b>	<b>251</b>	<b>271</b>	<b>294</b>	<b>315</b>	<b>289</b>	<b>348</b>	<b>377</b>	<b>429</b>	<b>574</b>	<b>500</b>	<b>510</b>	<b>614</b>	<b>614</b>	<b>627</b>	<b>673</b>	<b>652</b>	<b>748</b>	<b>786</b>	<b>765</b>	<b>757</b>	<b>732</b>	<b>772</b>	<b>864</b>
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	327
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	33
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	279
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	225
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	51
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	18
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	44	45	38	34	41	52	
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	35





**Business Expectations Survey**  
**Business Outlook on the Macroeconomy**  
**by Type of Business**

	Current Quarter					Next Quarter				
	2007				2008	2007				2008
	Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4	Q1
Importer	39.5	49.4	47.5	45.1	36.8	40.7	44.8	59.6	43.2	50.4
Exporter	24.4	37.5	4.2	24.2	3.5	39.0	37.5	6.3	31.8	22.4
Both	38.9	50.0	41.5	36.8	9.3	51.1	44.2	42.5	37.6	19.6

Number of Respondents by Type of Business						Percent to Total				
	2007				2008	2007				2008
	Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4	Q1
Importer	81	87	99	111	125	10.6	11.5	13.5	14.4	14.5
Exporter	41	40	48	66	85	5.4	5.3	6.6	8.5	9.8
Both (Import and Exporter)	90	86	106	117	140	11.8	11.4	14.5	15.2	16.2
Not Applicable	194	209	245	228	328	25.4	27.6	33.5	29.5	38.0
No Response	359	335	234	250	186	46.9	44.3	32.0	32.4	21.5
<b>Total</b>	<b>765</b>	<b>757</b>	<b>732</b>	<b>772</b>	<b>864</b>	100.0	100.0	100.0	100.0	100.0

**Business Outlook on the Macroeconomy**  
**by Size of Employment**

	Current Quarter					Next Quarter				
	2007				2008	2007				2008
	Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4	Q1
Small (<100)	41.7	43.2	33.6	43.2	29.2	51.7	43.2	53.8	43.2	39.9
Medium (100-<500)	41.5	37.8	42.2	45.8	22.0	44.4	43.8	48.8	40.7	39.2
Large (500 & up)	42.3	54.4	39.5	53.0	30.9	50.0	43.4	55.1	44.4	46.0

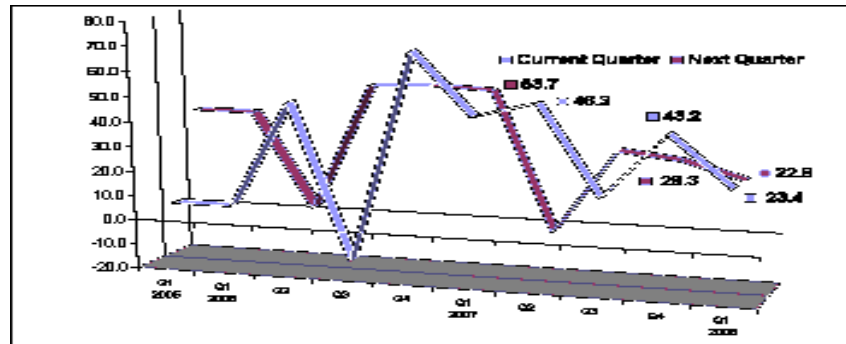
Number of Respondents by Size of Employment						Percent to Total				
	2007				2008	2007				2008
	Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4	Q1
Small (<100)	259	259	247	254	308	33.9	34.2	33.7	32.9	35.6
Medium (100-<500)	284	251	256	267	309	37.1	33.2	35.0	34.6	35.8
Large (500 & up)	130	136	147	151	139	17.0	18.0	20.1	19.6	16.1
No Response	92	111	82	100	108	12.0	14.7	11.2	13.0	12.5
<b>Total</b>	<b>765</b>	<b>757</b>	<b>732</b>	<b>772</b>	<b>864</b>	100.0	100.0	100.0	100.0	100.0

**Business Expectations Survey  
Fourth Quarter 2007  
Region I (Ilocos)**

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**Business Outlook Positive for Q1 2008**

Overall Business Confidence Index  
Q1 2006 – Q1 2008



There were more firms in Region I with a positive outlook about the economy than those with a negative view. The overall confidence index (CI) in the region in Q1 2008 remained positive at 23.4 percent. This, however, was lower by 19.8 index points quarter-on-quarter and by 22.9 index points year-on-year. The decline could be attributed to the anticipated increase in oil prices and expected effect of a downturn in the global economy.

Business sentiment in Q2 2008 while remaining positive (CI at 22.8 percent) was also weaker compared to the previous quarter and last year. The 6.5 index points reduction quarter-on-quarter was attributed largely to the weaker confidence of companies in the wholesale and retail trade due, in turn, to the expected influx of imported and cheaper products. However, this was moderated by the significant improvement in the outlook of those in the industry sector (CI at 28.6 percent from 7.7 percent in the previous quarter) due to expected seasonal-related increase in demand.

Companies in Region I also expected a corresponding weakening in their own operations in Q1 2008. Volume of business activity and total book orders declined quarter-on-quarter to 8.1 percent by 33.7 index points and to 10.3 percent by 26.2 index points, respectively. Factors cited included the anticipated lower volume of sales and consumer demand reflecting the traditional slowdown in business activity after the holiday season. The index for volume of business activity was also lower year-on-year, by 22.8 index points while that for total orders by 8.8 index points.

Respondents expected no change in credit access condition in Q1 2008. While financial condition index remained negative at 8.5 percent, this level was better by 4.3 index points compared to the same level a quarter-ago and by 10.8 index points a year-ago.

The employment index for Q2 2008 declined slightly to 21.0 percent from 22.6 percent in the previous quarter. This was consistent with the slight decline in the number of companies in the industry sector that indicated expansion plans for the next quarter (from 46.2 percent in Q4 2007 to 42.9 percent in Q1 2008). Competition among local and foreign firms, insufficient demand and high interest rates were the major risks to stronger business activity.

Survey respondents anticipated that the peso would appreciate, while inflation and borrowing rates would rise in Q1 and Q2 2008.

**BUSINESS EXPECTATIONS SURVEY \***
**Region I**

	2006				2007				2008
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>1. Overall Business Outlook on the Macroeconomy</b>									
<b>Confidence Index: All Sectors</b>									
Current Quarter	6.2	49.1	-13.3	70.8	46.3	52.7	17.4	43.2	23.4
Next Quarter	41.0	2.5	53.8	54.8	53.7	-1.9	31.9	29.3	22.8
<b>2. Business Outlook Index on the Macroeconomy by Sector: Current Quarter</b>									
Industry Sector	25.0	60.0	28.6	80.0	60.0	20.0	15.4	30.8	14.3
Construction Sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wholesale and Retail Trade	-15.0	42.1	-47.4	73.7	46.7	46.2	13.3	46.2	0.0
Services Sector	66.7	75.0	66.7	66.7	33.3	100.0	30.0	60.0	69.2
<b>3. Business Outlook Index on the Macroeconomy by Sector: Next Quarter</b>									
Industry Sector	50.0	40.0	57.1	60.0	40.0	20.0	23.1	7.7	28.6
Construction Sector	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	100.0
Wholesale and Retail Trade	25.0	0.0	52.6	47.4	53.3	-23.1	26.7	38.5	0.0
Services Sector	100.0	-25.0	66.7	66.7	66.7	40.0	60.0	50.0	46.2
<b>4. Business Confidence Index on Own Operations by Sector: Current Quarter</b>									
Industry Sector	16.7	6.7	9.5	-6.7	26.7	6.7	33.3	17.9	9.5
Construction Sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-50.0
Wholesale and Retail Trade	-20.0	-14.0	8.8	19.3	-4.4	-7.7	33.3	30.8	4.8
Services Sector	66.7	-25.0	44.4	66.7	33.3	46.7	43.3	20.0	43.6
<b>5. Business Outlook index on Own Operations: Current Quarter</b>									
Volume of Business Activity	12.5	29.2	-26.3	63.0	30.9	34.5	17.1	41.8	8.1
Volume of Total Order Book	16.7	18.3	-18.1	47.2	19.1	25.6	13.3	36.5	10.3
Credit Access	-21.2	-15.7	-9.8	-5.7	-4.2	-4.7	6.9	8.7	0.0
Financial Condition	-29.2	-36.6	-47.3	-15.7	-19.3	-9.8	-6.6	-12.8	-8.5
Average Capacity Utilization	53.0	81.5	83.0	81.7	100.0	100.0	79.5	84.4	84.0
<b>6. Business Outlook Index on Own Operations: Next Quarter</b>									
Volume of Business Activity	11.1	7.2	8.6	7.1	40.5	17.2	75.1	45.8	34.1
Employment Outlook	5.7	-29.2	22.7	12.2	6.5	-14.4	28.0	22.6	21.0
<b>7. Business Constraints: Current Quarter</b>									
Competition	34.2	35.3	36.7	90.9	76.8	76.4	66.1	66.5	67.6
Insufficient Demand	28.6	25.9	18.5	78.7	65.8	71.7	53.3	45.8	51.3
High Interest Rate	21.5	24.4	18.1	36.0	46.5	53.6	32.0	32.5	32.9
Financial Problems	19.8	23.3	20.4	46.6	46.3	54.1	41.2	35.4	38.5
Unclear Economic Laws	14.2	18.9	19.9	54.5	46.0	57.2	37.7	33.4	34.4
Lack of Materials Input	13.4	15.5	20.4	36.3	43.0	43.7	27.1	36.8	23.1
Lack of Equipment	12.5	19.0	18.1	26.3	38.8	47.9	38.3	33.4	24.9
Access to Credit	20.7	14.1	21.3	29.5	35.3	45.2	24.5	26.2	22.6
Labor Problems	11.6	16.5	18.1	35.8	35.3	44.7	23.9	27.3	31.7
None	64.1	63.0	63.3	9.1	11.4	8.3	29.2	35.5	9.6
Others	0.8	3.4	1.4	13.3	4.0	8.3	0.0	5.3	32.7
<b>8. Companies with Expansion Plans (in percent): Next Quarter</b>									
Industry Sector	50.0	0.0	14.3	20.0	40.0	40.0	61.5	46.2	42.9
<b>9. Business Expectations Index on Selected Economic Indicators: Current Quarter</b>									
P/\$ Exchange Rate	34.3	5.7	20.8	35.0	31.8	47.9	34.7	49.2	43.6
Inflation Rate	27.6	0.6	29.3	13.3	-13.0	12.0	-11.6	-10.6	7.2
Peso Borrowing Rate	30.3	-3.3	17.9	18.9	15.3	8.3	-12.4	-25.8	14.2
<b>10. Business Expectations Index on Selected Economic Indicators: Next Quarter</b>									
P/\$ Exchange Rate	3.8	4.7	29.8	28.5	19.1	15.8	49.1	23.9	53.1
Inflation Rate	29.1	-2.8	17.9	6.7	6.3	16.2	1.8	-9.7	7.3
Peso Borrowing Rate	29.2	1.4	12.0	12.5	14.7	10.2	-1.3	-20.2	15.2
<b>11. Percentage Distribution of Respondent Firms by Employment Size</b>									
Small (<100)	45.6	58.0	50.5	54.0	51.2	58.7	36.8	38.9	61.8
Medium (100-~500)	44.0	31.1	33.9	32.5	29.6	20.4	39.5	44.4	35.3
Large (500 & up)	3.1	0.0	3.3	3.3	0.0	8.4	15.8	16.7	2.9
<b>12. Distribution of Respondent Firms by Sector</b>									
<b>All Sectors</b>	<b>28</b>	<b>29</b>	<b>30</b>	<b>28</b>	<b>26</b>	<b>23</b>	<b>38</b>	<b>36</b>	<b>42</b>
Industry	4	5	7	5	5	5	13	13	7
Construction	1	1	1	1	0	0	0	0	1
Wholesale and Retail Trade	20	19	19	19	15	13	15	13	21
Services	3	4	3	3	6	5	10	10	13

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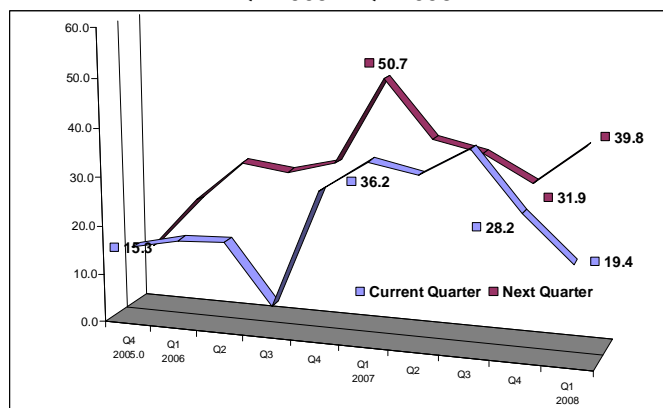
\* From 2001 to 2003, survey respondents came from a random sample of firms in SEC's Top 5000 Corporations in the Philippines which are located in the NCR. Beginning Q4 2003, the survey was expanded to include those areas which are located outside NCR specifically Regions I, VII & XI. Finally in Q4 2006,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

**Business Expectations Survey  
First Quarter 2008  
Region IV – Southern Tagalog**

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**Business in Southern Tagalog Region Remains Upbeat**

**Overall Business Confidence Index  
Q4 2005 – Q1 2008**



Business sentiment in the Southern Tagalog Region remained upbeat in Q1 and Q2 2008 as reflected by the positive confidence indices (CI) of 19.4 percent in Q1 2008 and 39.8 percent in Q2 2008. However, the lower level of CIs relative to the previous quarter and year-ago levels indicated expectations of a slowdown in Q1 2008. Respondents attributed the weaker outlook to stiffer competition that would limit the demand for their goods and services.

The weaker sentiment in Q1 2008 was more noticeable for the medium-sized businesses, which comprised more than half of the respondents. By contrast, the small-sized companies were the most optimistic during the quarter. By type of firm, importers were the most confident with CI at 30 percent. By sector, respondents from the services sector (CI at 46.2 percent) were the most confident among the four sectors in Q1 2008, followed by the industry sector (at 20.7 percent).

As in previous quarters' results, respondents were confident that business activity would pick up in Q2 2008 due to seasonal factors. However, the level of activity would be weaker compared to last year.

On their own operations, firms anticipated a modest increase (by one index point) in the volume of business activity in Q1 2008 relative to last year, but slightly lower than the level in the previous quarter. Executives anticipated better credit access in Q1 2008 but expected that financial liquidity conditions would be tighter compared to the previous quarters in 2007.

Firms anticipated stronger business conditions in Q2 2008, with the volume of business activity CI at 41.5 percent higher than that of the previous quarter, although this was slightly lower than last year's level. The employment index at 7.7 percent indicated expectations of increase hiring in Q2 2008. Twenty-two percent of industry respondents indicated plans to expand in Q2 2008.

Insufficient demand, stiff competition both from local and foreign firms and labor problems were cited as the major reasons limiting the productivity of the businesses in the region.

Most of the businesses surveyed expected a stronger peso, a lower inflation rate and a lower borrowing rate for the first two quarters of the year.

**BUSINESS EXPECTATIONS SURVEY \***  
**Region IV**

	2006				2007				2008
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>1. Overall Business Outlook on the Macroeconomy</b>									
<b>Confidence Index: All Sectors</b>									
Current Quarter	17.3	17.8	5.6	29.7	36.2	34.2	39.9	28.2	19.4
Next Quarter	23.4	31.9	30.7	33.1	50.7	39.2	37.1	31.9	39.8
<b>2. Business Outlook Index on the Macroeconomy by Sector: Current Quarter</b>									
Industry Sector	27.1	19.5	12.0	24.1	27.4	34.2	42.3	16.2	20.7
Construction Sector	-100.0	50.0	100.0	0.0	0.0	0.0	100.0	0.0	0.0
Wholesale and Retail Trade	-5.9	-4.8	-33.3	38.5	44.0	32.1	34.8	51.7	0.0
Services Sector	10.0	41.7	10.0	63.6	73.3	42.9	30.8	46.2	46.2
<b>3. Business Outlook Index on the Macroeconomy by Sector: Next Quarter</b>									
Industry Sector	28.6	39.0	34.9	32.9	47.9	44.7	29.5	27.0	31.7
Construction Sector	0.0	50.0	0.0	100.0	0.0	0.0	100.0	100.0	100.0
Wholesale and Retail Trade	11.8	4.8	22.2	15.4	56.0	32.1	52.2	34.5	41.7
Services Sector	10.0	25.0	20.0	54.5	60.0	28.6	38.5	46.2	61.5
<b>4. Business Confidence Index on Own Operations by Sector: Current Quarter</b>									
Industry Sector	3.3	6.1	6.4	8.9	21.9	17.1	17.9	5.4	18.3
Construction Sector	0.0	25.0	50.0	0.0	-100.0	0.0	100.0	100.0	75.0
Wholesale and Retail Trade	-11.8	-4.8	-5.6	12.8	25.3	7.1	15.9	14.9	15.3
Services Sector	20.0	27.8	20.0	48.5	37.8	11.9	30.8	38.5	10.3
<b>5. Business Outlook Index on Own Operations: Current Quarter</b>									
Volume of Business Activity	5.1	17.6	11.9	29.7	18.3	19.0	24.9	23.4	19.3
Volume of Total Order Book	3.9	16.9	15.2	28.8	14.0	23.4	21.4	21.8	20.2
Credit Access	-11.4	-13.3	-8.0	-3.6	5.2	4.5	8.9	6.0	6.5
Financial Condition	-23.3	-28.4	-26.1	-21.3	-10.3	-17.3	-14.6	-12.7	-21.7
Average Capacity Utilization	74.0	75.0	74.0	73.9	75.9	74.2	77.0	77.0	75.8
<b>6. Business Outlook Index on Own Operations: Next Quarter</b>									
Volume of Business Activity	7.9	7.3	4.3	5.4	46.2	34.0	41.9	25.9	41.5
Employment Outlook	9.9	4.3	2.9	-1.9	8.3	9.3	12.0	9.9	7.7
<b>7. Business Constraints: Current Quarter</b>									
Insufficient Demand	69.5	79.7	91.6	60.0	52.6	53.2	55.4	54.1	51.7
Competition	84.9	87.8	99.8	86.9	45.5	46.7	45.9	49.0	42.3
Unclear Economic Laws	44.5	36.8	67.2	33.2	30.3	28.6	27.3	26.4	24.3
Financial Problems	29.9	30.2	27.2	26.0	28.8	29.7	29.8	28.1	26.0
Labor Problems	36.1	24.0	25.6	26.0	28.5	28.2	25.4	29.8	28.8
High Interest Rate	36.7	35.8	51.8	28.8	26.1	26.7	27.9	23.0	21.2
Lack of Equipment	24.6	26.6	32.3	26.6	24.8	26.8	22.4	26.3	23.2
Lack of Materials Input	2.1	8.8	24.6	26.4	24.4	27.6	25.2	25.5	28.2
Access to Credit	28.8	36.2	26.1	25.1	22.7	23.7	23.3	24.7	22.8
Others	16.2	19.0	16.6	16.1	16.5	12.8	19.7	20.4	20.8
None	14.5	6.2	0.2	12.2	7.0	9.2	7.0	9.4	4.8
<b>8. Companies with Expansion Plans (in percent): Next Quarter</b>									
Industry Sector	28.6	24.7	24.1	21.5	27.4	26.3	25.6	24.3	22.2
<b>9. Business Expectations Index on Selected Economic Indicators: Current Quarter</b>									
P/\$ Exchange Rate	3.8	5.4	-3.1	18.1	26.5	18.1	37.3	27.3	23.4
Inflation Rate	2.2	14.0	18.9	-6.9	-6.1	-4.6	-5.8	0.9	-4.7
Peso Borrowing Rate	3.0	9.0	7.8	-11.3	-3.5	-12.2	1.1	0.0	-13.6
<b>10. Business Expectations Index on Selected Economic Indicators: Next Quarter</b>									
P/\$ Exchange Rate	-8.1	5.9	13.0	9.8	6.3	10.2	31.6	21.7	17.0
Inflation Rate	15.1	15.9	21.3	-5.0	6.3	0.7	3.0	3.8	-2.4
Peso Borrowing Rate	-21.0	-4.0	-5.5	-56.0	-7.8	-15.3	-13.2	-7.8	-36.7
<b>11. Percentage Distribution of Respondent Firms by Employment Size</b>									
Small (<100)	26.4	22.9	28.0	27.1	31.3	33.7	27.8	28.7	29.0
Medium (100-500)	31.1	43.9	36.9	36.1	42.5	46.0	40.9	48.1	51.4
Large (500 & up)	23.3	19.9	21.6	21.6	20.4	20.3	21.7	23.1	19.6
<b>12. Distribution of Respondent Firms by Sector</b>									
<b>All Sectors</b>	<b>98</b>	<b>112</b>	<b>112</b>	<b>105</b>	<b>114</b>	<b>119</b>	<b>115</b>	<b>117</b>	<b>121</b>
Industry	70	77	83	79	73	76	78	74	82
Construction	1	2	1	2	1	1	1	1	2
Wholesale and Retail Trade	17	21	18	13	25	28	23	29	24
Services	10	12	10	11	15	14	13	13	13

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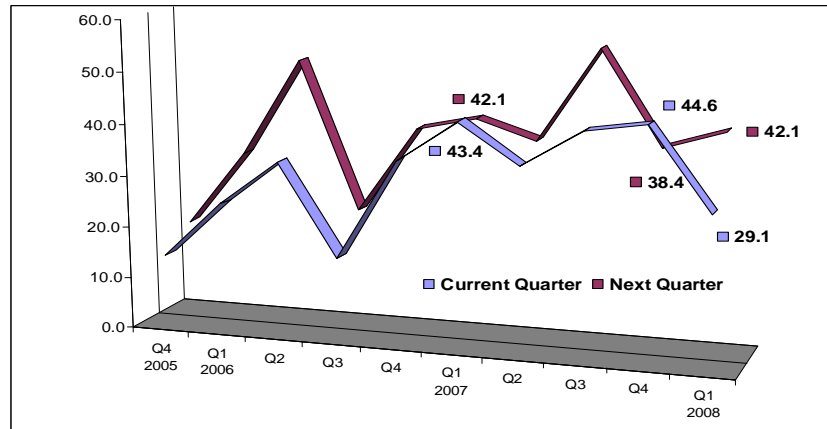
\* From 2001 to 2003, survey respondents came from a random sample of firms in SEC's Top 5000 Corporations in the Philippines which are located in the NCR. Beginning Q4 2003, the survey was expanded to include those areas which are located outside NCR specifically Regions I, VII & XI. Finally in Q4 2006,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

**Business Expectations Survey  
First Quarter 2008  
Region VII (Central Visayas)**

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**Business Remains Confident in Q1 2008**

Overall Business Confidence Index  
Q4 2005 – Q1 2008



Respondent firms in Region VII generally expected an improving business outlook in Q1 2008. However, as in the national level, firms anticipated that economic activity would be slower compared to last quarter and a year ago (the current index at 29.1 percent was lower than the levels in the comparable quarters). Firms, mostly exporters or those engaged in export-related business, cited the appreciation of the peso, weak global demand and increase in the price of petroleum as some reasons for the cautious outlook in Q1 2008. Executives, however, were confident that business activity would be more favorable in Q2 2008 as results registered a higher CI of 42.1 percent, up by 3.7 index points from the previous quarter's survey while remaining unchanged compared to the same period a year ago.

By sector, the construction sector held the most positive sentiment both on the macro economy and on its own operations. The confidence indices of construction firms in Q1 2008 and Q2 2008 were generally higher relative to the comparable quarters in 2007. Construction firms attributed their continuing optimism to strong demand for low cost housing. By type of firm, importers posted the highest confidence level. More executives from the small and medium-sized firms had an improved business outlook in Q1 2008 while respondents from large-sized firms expected that the business environment would be broadly unchanged.

Respondents anticipated easier access to credit in Q1 2008 than in the previous quarter, with the index up at 4.5 percent from only 1.5 percent in Q4 2007. The financial condition index of firms, while remaining negative at -17.7 percent, was anticipated to be better relative to last quarter (index at -18.0 percent). Meanwhile, average capacity utilization in Q1 2008 was expected to be lower quarter-on-quarter and year-on-year, consistent with expectations of a slowdown in business activity during the quarter. However, with the pick up in business activity in Q2 2008, firms anticipated increase in employment as indicated by higher employment outlook index for Q2 2008 at 21.4 percent (from 11.9 percent in Q4 2007 and 6.3 percent in Q1 2007).

Domestic competition and insufficient demand leading to low volume of sales were the most commonly identified major constraints to business.

Executives in Region VII anticipated a stronger peso, higher inflation rate and lower borrowing rate for Q1 2008 and Q2 2008.

**BUSINESS EXPECTATIONS SURVEY \*  
Region VII**

	2006				2007				2008
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>1. Overall Business Outlook on the Macroeconomy</b>									
<b>Confidence Index: All Sectors</b>									
Current Quarter	25.0	33.8	16.1	35.5	43.4	35.8	42.8	44.6	29.1
Next Quarter	32.9	51.6	23.1	39.5	42.1	38.4	56.3	38.4	42.1
<b>2. Business Outlook Index on the Macroeconomy by Sector: Current Quarter</b>									
Industry Sector	37.2	36.1	13.2	27.3	35.1	24.2	31.6	36.1	5.1
Construction Sector	0.0	50.0	0.0	0.0	66.7	0.0	50.0	0.0	100.0
Wholesale and Retail Trade	13.0	12.5	4.2	50.0	52.4	37.5	41.4	38.7	35.1
Services Sector	22.2	56.3	42.9	38.9	41.2	60.0	65.0	76.5	44.4
<b>3. Business Outlook Index on the Macroeconomy by Sector: Next Quarter</b>									
Industry Sector	32.6	50.0	10.5	52.3	40.5	48.5	36.8	36.1	30.8
Construction Sector	25.0	100.0	33.3	0.0	100.0	0.0	50.0	0.0	66.7
Wholesale and Retail Trade	30.4	43.8	29.2	27.3	23.8	25.0	58.6	35.5	27.0
Services Sector	38.9	56.3	38.1	38.9	64.7	46.7	90.0	52.9	74.1
<b>4. Business Confidence Index on Own Operations by Sector: Current Quarter</b>									
Industry Sector	7.0	2.8	5.3	3.0	23.4	23.2	24.6	20.4	7.7
Construction Sector	12.5	50.0	16.7	25.0	16.7	0.0	25.0	0.0	66.7
Wholesale and Retail Trade	15.9	2.1	6.9	12.1	11.1	-2.8	20.7	14.0	4.5
Services Sector	14.8	41.7	27.0	20.4	39.2	40.0	41.7	41.2	34.6
<b>5. Business Outlook Index on Own Operations: Current Quarter</b>									
Volume of Business Activity	15.0	24.8	11.2	20.2	17.9	14.6	33.8	42.7	22.8
Volume of Total Order Book	18.6	19.8	10.7	18.7	9.1	5.1	32.3	30.2	11.2
Credit Access	-6.3	-2.4	4.1	-0.3	10.6	21.7	7.8	1.5	4.5
Financial Condition	-23.9	-33.7	-16.7	-18.3	-10.4	-6.9	-5.9	-18.0	-17.7
Average Capacity Utilization	77.0	72.0	75.0	71.7	79.9	77.8	70.5	82.0	75.0
<b>6. Business Outlook Index on Own Operations: Next Quarter</b>									
Volume of Business Activity	8.4	2.4	5.7	8.9	43.3	40.7	49.9	42.3	39.6
Employment Outlook	9.6	25.5	12.8	14.8	6.3	13.2	17.8	11.9	21.4
<b>7. Business Constraints: Current Quarter</b>									
Competition	95.0	97.0	96.7	90.0	63.3	57.4	63.4	63.6	58.0
Insufficient Demand	49.9	36.9	55.7	45.0	48.1	45.9	45.9	39.6	41.4
Financial Problems	27.6	36.2	26.3	25.2	35.0	21.7	26.7	28.8	25.5
Unclear Economic Laws	45.4	44.5	34.8	33.8	27.5	26.6	31.5	32.2	25.4
Labor Problems	24.8	43.4	32.4	24.4	23.9	13.7	22.2	16.2	12.0
High Interest Rate	30.8	28.0	15.7	27.2	19.9	16.2	25.4	20.7	18.6
Lack of Materials Input	15.3	2.6	19.0	18.6	19.2	11.9	19.6	20.8	14.0
Lack of Equipment	25.8	7.9	19.3	19.3	16.4	14.5	19.7	21.0	10.2
Others	13.5	11.5	24.9	11.3	16.4	16.3	13.8	16.6	21.6
Access to Credit	15.9	25.4	10.5	16.2	14.2	12.3	18.5	19.4	10.2
None	4.9	0.2	3.3	9.1	5.1	6.8	6.4	9.7	6.6
<b>8. Companies with Expansion Plans (in percent): Next Quarter</b>									
Industry Sector	27.9	30.6	23.7	27.3	36.1	33.3	24.3	28.6	28.9
<b>9. Business Expectations Index on Selected Economic Indicators: Current Quarter</b>									
P/\$ Exchange Rate	8.2	23.8	-16.4	37.4	25.0	11.4	24.9	28.0	20.5
Inflation Rate	12.4	26.8	31.5	-3.7	-10.4	-18.9	-4.0	-4.6	10.5
Peso Borrowing Rate	2.2	23.8	27.1	-5.2	-24.0	-13.2	3.2	-3.9	-10.8
<b>10. Business Expectations Index on Selected Economic Indicators: Next Quarter</b>									
P/\$ Exchange Rate	-2.6	22.6	6.5	23.0	18.6	8.2	32.1	19.5	19.6
Inflation Rate	12.5	27.7	39.6	4.4	0.6	8.0	9.6	-0.6	17.1
Peso Borrowing Rate	5.4	29.3	22.1	-0.2	-14.5	2.5	1.1	-3.0	-4.0
<b>11. Percentage Distribution of Respondent Firms by Employment Size</b>									
Small (<100)	34.1	42.1	38.1	37.7	28.8	32.6	31.5	32.0	33.7
Medium (100-500)	33.7	33.4	34.2	36.8	39.2	39.3	31.5	38.7	44.6
Large (500 & up)	18.9	16.2	22.8	16.2	24.1	24.8	28.1	29.3	21.7
<b>12. Distribution of Respondent Firms by Sector</b>									
<b>All Sectors</b>	<b>88</b>	<b>70</b>	<b>86</b>	<b>88</b>	<b>78</b>	<b>72</b>	<b>89</b>	<b>85</b>	<b>106</b>
Industry	43	36	38	44	37	33	38	36	39
Construction	4	2	3	4	3	0	2	1	3
Wholesale and Retail Trade	23	16	24	22	21	24	29	31	37
Services	18	16	21	18	17	15	20	17	27

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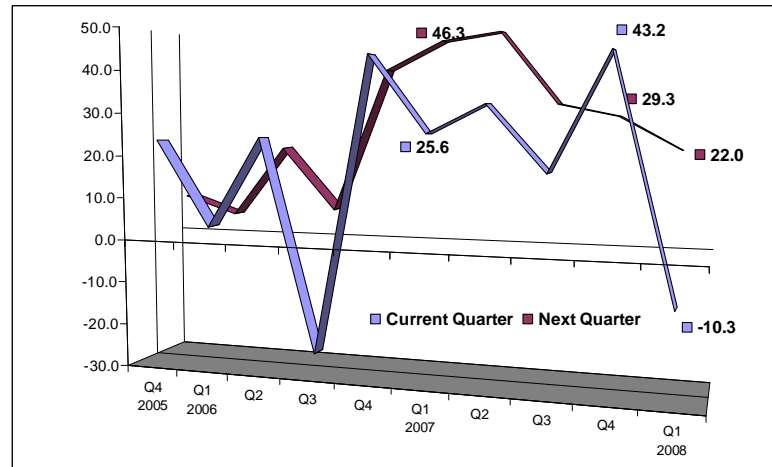
\* From 2001 to 2003, survey respondents came from a random sample of firms in SEC's Top 5000 Corporations in the Philippines which are located in the NCR. Beginning Q4 2003, the survey was expanded to include those areas which are located outside NCR specifically Regions I, VII & XI. Finally in Q4 2006,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

**Business Expectations Survey  
First Quarter 2008  
Region XI (Southern Mindanao)**

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**Business Sentiment Weakens**

Overall Business Confidence Index  
Q4 2005 – Q1 2008



Business confidence in Region XI deteriorated as the overall confidence index (CI) reversed to -10.3 percent in Q1 2008 from 43.2 percent in Q4 2007 and 25.6 percent in Q1 2007. The industry and services sectors posted negative confidence indices for the current quarter at -27.3 percent and -12.5 percent, respectively. The construction sector, on the other hand, recorded a steady CI both quarter-on-quarter and year-on-year. Only the trade sector recorded a positive CI at 5.9 percent, although it was lower than its quarter and year ago levels indicating expectations of a slowdown in economic activity. The outlook of respondents in the region, particularly exporters who comprised 30 percent of the respondents, weakened as the peso continued to strengthen.

Firms were more upbeat that business would be better in Q2 2008 as indicated by the positive CI at 22.0 percent. This level, however, was lower compared to Q4 2007 and Q1 2007. All sectors posted positive indices. Construction and services sectors registered the highest confidence levels.

The weaker sentiment about the economy was reflected in the companies' view of their operations. More companies indicated lower volume of business activity, resulting in a dropped in the CI to 4.6 percent, the lowest since Q4 2006. Similarly, the index on volume of total order book fell to 0.7 percent from 36.5 percent, reflecting the general sentiment of exporters in the region. Respondent firms indicated tighter financial conditions in Q1 2008 as the index declined further to -18.4 percent from -12.8 percent in Q4 2007.

Firms anticipated an increase in hiring in Q2 2008 as the employment outlook index remained positive at 18.5 percent. This was consistent with the expectations of higher volume of business activity in Q2 2008 at 32.4 percent and expansion plans of 23.8 percent of the industry respondents.

Respondents cited competition in both the local and foreign market, and lack of raw material inputs as challenges to their business operations.

Respondents anticipated that the peso would appreciate in the current and next quarters, while the inflation rate would increase. Interest rates were expected to decline in Q1 2008 but to increase slightly in Q2 2008.



**BUSINESS EXPECTATIONS SURVEY \***  
**Region XI**

	2006				2007				2008
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>1. Overall Business Outlook on the Macroeconomy</b>									
<b>Confidence Index: All Sectors</b>									
Current Quarter	3.4	24.3	-24.8	42.9	25.6	32.2	17.4	43.2	-10.3
Next Quarter	5.2	21.6	7.2	39.8	46.3	48.2	31.9	29.3	22.0
<b>2. Business Outlook Index on the Macroeconomy by Sector: Current Quarter</b>									
Industry Sector	13.3	17.6	0.0	38.5	21.4	10.0	15.4	30.8	-27.3
Construction Sector	0.0	0.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0
Wholesale and Retail Trade	-10.0	37.5	-75.0	50.0	21.4	38.5	13.3	46.2	5.9
Services Sector	10.0	9.1	33.3	33.3	42.9	60.0	30.0	60.0	-12.5
<b>3. Business Outlook Index on the Macroeconomy by Sector: Next Quarter</b>									
Industry Sector	6.7	29.4	14.3	38.5	28.6	30.0	23.1	7.7	13.6
Construction Sector	100.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	100.0
Wholesale and Retail Trade	0.0	12.5	0.0	50.0	50.0	53.8	26.7	38.5	17.6
Services Sector	10.0	18.2	0.0	11.1	71.4	70.0	60.0	50.0	37.5
<b>4. Business Confidence Index on Own Operations by Sector: Current Quarter</b>									
Industry Sector	-4.4	7.8	-4.8	2.6	-4.8	23.3	33.3	17.9	18.2
Construction Sector	50.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0
Wholesale and Retail Trade	-16.7	-4.2	8.3	4.2	11.9	28.2	33.3	30.8	13.7
Services Sector	23.3	6.1	33.3	18.5	42.9	43.3	43.3	20.0	20.8
<b>5. Business Outlook index on Own Operations: Current Quarter</b>									
Volume of Business Activity	0.2	16.1	-54.2	46.0	20.5	16.5	17.1	41.8	4.6
Volume of Total Order Book	-4.4	8.6	-44.1	19.3	11.5	24.6	13.3	36.5	0.7
Credit Access	-17.5	-21.8	-18.3	-5.4	-3.6	3.9	6.9	8.7	6.5
Financial Condition	-33.3	-41.1	-45.8	-23.9	-34.0	56.5	-6.6	-12.8	-18.4
Average Capacity Utilization	84.0	83.0	74.0	74.0	41.0	79.0	79.5	84.4	94.5
<b>6. Business Outlook Index on Own Operations: Next Quarter</b>									
Volume of Business Activity	2.8	6.6	0.0	0.0	30.4	49.6	75.1	45.8	32.4
Employment Outlook	28.6	-0.2	-7.4	10.8	15.4	17.3	28.0	22.6	18.5
<b>7. Business Constraints: Current Quarter</b>									
Competition	91.0	95.8	99.8	96.5	68.8	78.1	66.1	66.5	66.3
Insufficient Demand	69.8	28.9	66.2	59.8	60.2	47.8	53.3	45.8	45.2
High Interest Rate	17.6	19.5	51.0	36.3	40.8	35.1	32.0	32.5	36.9
Financial Problems	65.5	23.6	54.5	44.8	40.2	49.5	41.2	35.4	41.9
Labor Problems	59.3	66.2	43.8	26.2	32.1	29.8	37.7	33.4	33.8
Unclear Economic Laws	31.1	25.3	58.8	36.3	31.8	26.4	27.1	36.8	46.9
Access to Credit	59.4	13.7	50.9	27.8	31.7	30.1	38.3	33.4	27.8
Lack of Materials Input	53.9	56.4	43.9	31.3	31.7	30.1	24.5	26.2	38.8
Lack of Equipment	16.5	21.9	3.5	30.9	28.7	28.4	23.9	27.3	25.7
Others	10.5	10.1	15.0	10.0	22.8	13.9	29.2	35.5	24.6
None	9.0	4.2	0.1	3.5	11.5	5.3	0.0	5.3	4.0
<b>8. Companies with Expansion Plans (in percent): Next Quarter</b>									
Industry Sector	33.3	41.2	14.3	38.5	21.4	30.0	61.5	46.2	23.8
<b>9. Business Expectations Index on Selected Economic Indicators: Current Quarter</b>									
P/\$ Exchange Rate	1.2	-5.3	3.9	1.8	23.1	50.3	34.7	49.2	50.3
Inflation Rate	19.4	34.3	47.0	-3.0	9.3	-16.5	-11.6	-10.6	19.8
Peso Borrowing Rate	13.0	-1.9	38.8	-16.5	-10.4	-10.9	-12.4	-25.8	-2.9
<b>10. Business Expectations Index on Selected Economic Indicators: Next Quarter</b>									
P/\$ Exchange Rate	-13.4	-10.7	-16.5	4.6	15.8	30.0	49.1	23.9	20.1
Inflation Rate	39.1	22.7	58.8	12.4	14.0	3.0	1.8	-9.7	7.1
Peso Borrowing Rate	21.2	-11.4	31.1	-31.7	-2.6	10.2	-1.3	-20.2	0.1
<b>11. Percentage Distribution of Respondent Firms by Employment Size</b>									
Small (<100)	39.6	26.9	34.9	25.2	20.3	39.1	36.8	38.9	31.8
Medium (100-<500)	53.2	16.3	49.4	43.5	44.1	44.8	39.5	44.4	47.7
Large (500 & up)	7.2	8.3	9.3	13.1	16.9	16.1	15.8	16.7	20.5
<b>12. Distribution of Respondent Firms by Sector</b>									
<b>All Sectors</b>	<b>36</b>	<b>37</b>	<b>15</b>	<b>31</b>	<b>35</b>	<b>33</b>	<b>38</b>	<b>36</b>	<b>48</b>
Industry	15	17	7	13	14	10	13	13	22
Construction	1	1	1	1	0	0	0	0	1
Wholesale and Retail Trade	10	8	4	8	14	13	15	13	17
Services	10	11	3	9	7	10	10	10	8

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\* 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.