

Business Expectations Survey ¹

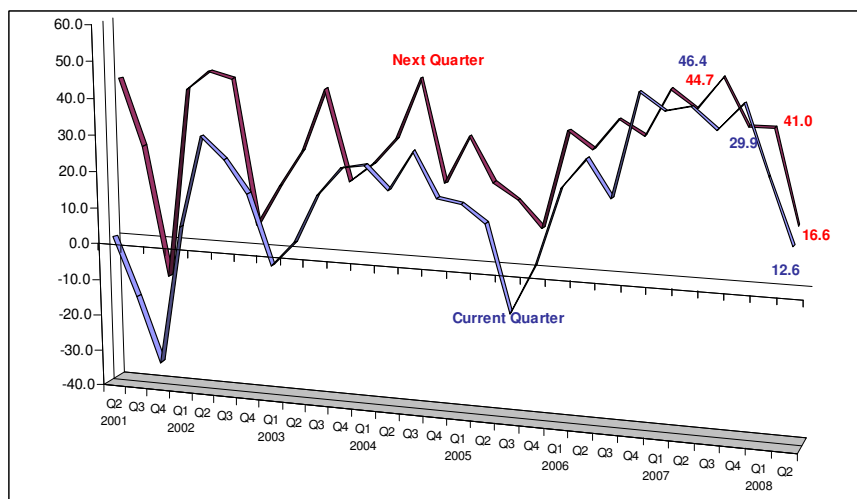
Second Quarter 2008

5/22/2008 5:30 PM

Business Sentiment Remains Positive but Turns More Cautious in Q2 2008

Overall Business Outlook

Overall Business Confidence Index
Q2 2001 – Q2 2008



Business sentiment remains positive in the second quarter, although lower than last quarter and year-ago.

Business sentiment in Q2 2008 remained positive as indicated by the overall confidence index (CI) ² of 12.6 percent. This means that the number of respondents with a positive outlook outnumbered those with a negative outlook. However, the number of respondents holding a positive view declined. This is the second consecutive quarter that the overall CI has declined quarter-on-quarter (by 17.3 index points) and year-on-year (by 33.8 index points). The lower index is consistent with the broadly more cautious sentiment of businesses and consumers in many developed economies.

Firms cited the following factors for their more cautious outlook: 1) concerns over a possible recession in the country's major trading partner, the US; 2) volatile and high crude oil prices; 3) rising prices of goods (including food and especially rice) and services (transportation and communication); 4) high input/raw materials costs; 5) petitions for wage hikes; and 6) local political noise. Expectations of increases in non-oil commodity prices in global markets also contributed to the weaker business outlook.

The business outlook for Q3 2008 at 16.6 percent was similarly lower

¹ The Business Expectations Survey (BES) is a quarterly survey of leading firms drawn from the Securities and Exchange Commission's 2006 Top 7000 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.

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

by 24.4 points and 28.1 points when compared to the levels posted last quarter and last year.

The confidence level of respondents from both the NCR (National Capital Region) and the AONCR (Areas Outside National Capital Region) at 11.4 percent and 15.2 percent, respectively, tracked the national trends as the CIs remained positive but at levels lower than those posted in the previous quarter and a year ago. Likewise, their outlook next quarter also went down to 12.4 percent for NCR and 24.7 percent for AONCR. AONCR respondents were more optimistic than their counterparts in the NCR in both their outlook for the current and next quarters.

Exporters' outlook improves in the next quarter.

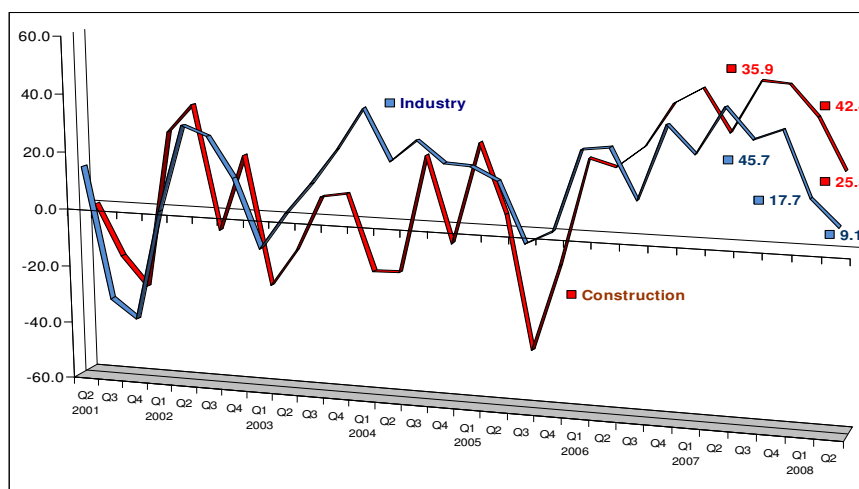
Responses of firms by type of business (i.e., importer, exporter or engaged in dual roles) revealed that importing firms were the most optimistic in the current quarter with CI at 15.6 percent. Expectations were reversed in the next quarter as exporters were the most optimistic with CI at 33.3 percent, while importers were the least optimistic at 9.8 percent. Importers cited the increase in commodity and fuel prices in the world market as the major factor behind their less upbeat outlook. On the other hand, exporters responded positively to signs of a strengthening US dollar.

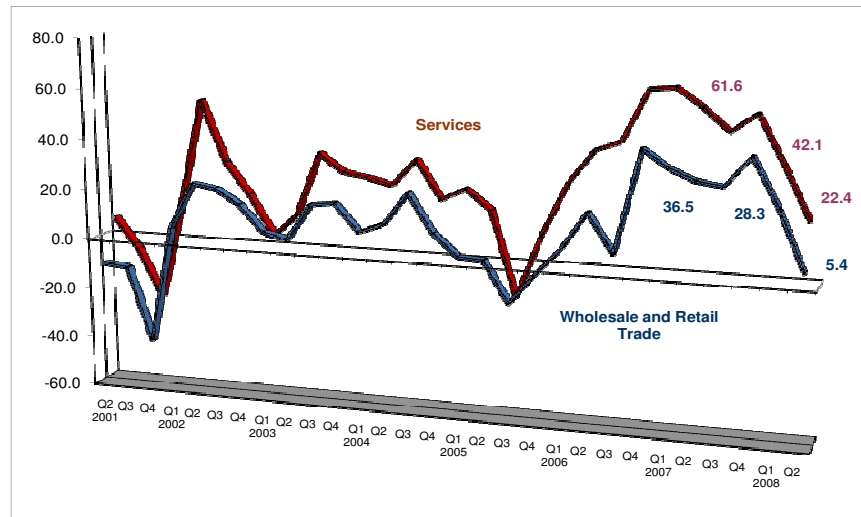
Outlook of medium-sized and large-sized firms are favorable in the current and next quarters, respectively.

A breakdown by employment size showed that the CI of medium-sized firms (with 100 to 499 employees) was the highest at 16.4 percent, followed closely by large-sized firms (500 and more employees) at 15.4 percent and small-sized firms (less than 100 employees) at 10.5 percent. In the next quarter, however, large firms were most optimistic at 29.2 percent. While remaining positive, the CIs were lower compared to quarter-ago and year-ago levels.

Sectoral Outlook

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





The economic outlook of all sectors is positive in Q2 and Q3 of 2008; although the decline in business optimism was evident across all sectors.

All sectors posted positive indices, indicating that the number of firms with positive views about business conditions in the second quarter outnumbered those with negative views. However, the decline in business sentiment was evident across sectors.

The CIs of the construction (at 25.5 percent) and services (22.4 percent) sectors—which posted the highest indices—were lower on average by about 18 index points quarter-on-quarter. Year-on-year, the indices went down by 10.4 index points for construction and by 39.2 index points for services.

The decline in the sentiment of construction firms may signal that demand is cooling in the property market. In the case of the services sector, the lower index quarter-on-quarter and year-on-year was noted across all sub-sectors, with the exception of renting and business activities (at 28.3 percent) which posted a 5.5 index point-increase quarter-on-quarter, on account of brisker business during the summer. Businesses belonging to this sub-sector include airline reservation centers, call centers, IT service providers, advertising agencies and staffing services.

The industry and wholesale and retail trade sectors were less optimistic, with CIs of 9.1 percent and 5.4 percent, respectively. Respondents engaged in wholesale and retail trade registered the highest quarter-on-quarter dip in confidence or a decline of almost 23 index points. Respondents from these two sectors cited the continued rise in input costs, particularly fuel, and the imminent threat of wage hikes as factors that adversely affected their outlook.

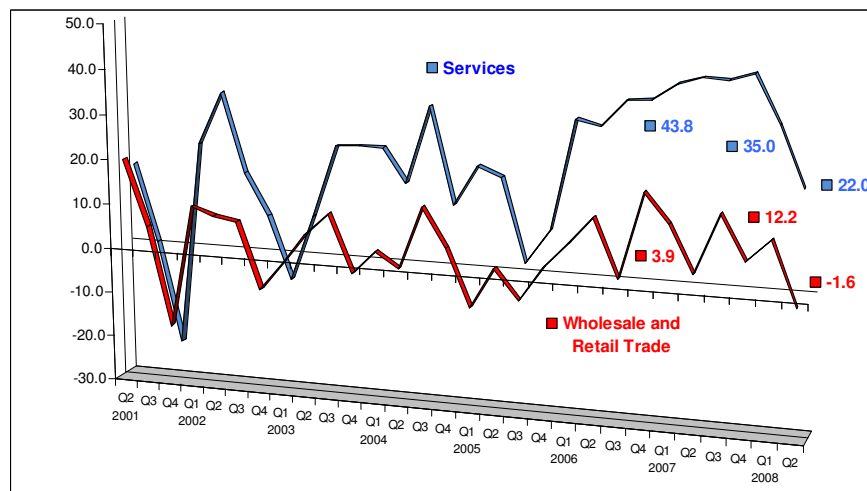
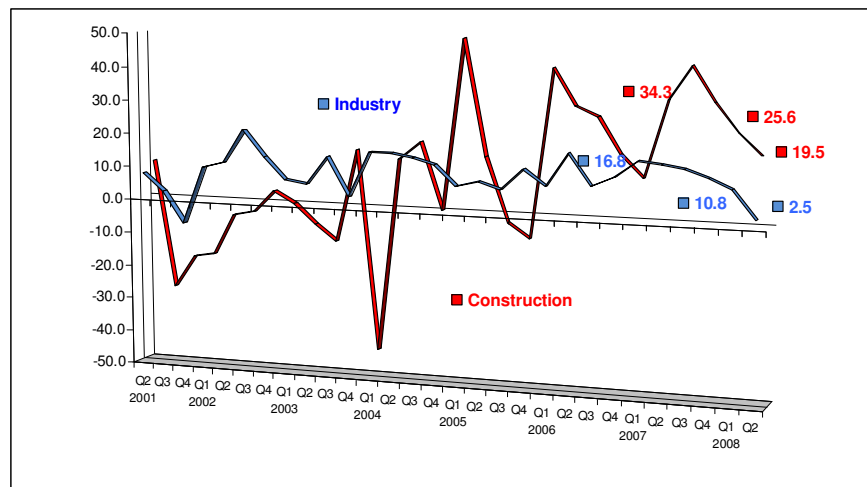
All sectors continued to have a positive outlook for the next quarter. However, all sectoral indices slid down relative to their comparative levels last quarter and last year. The construction sector outlook, at 30.6 percent, dropped by 23.7 index points quarter-on-quarter and by



28.4 index points year-on-year. The CI of the services sector, though remaining positive at 23.6 percent, was also lower by 30.6 index points from last quarter and by 37.1 index points from last year. Least confident were the respondents from the trade sector, with the confidence level at 8.4 percent from 35.2 percent in Q1 2008 and 35.7 percent in Q2 2007.

Business Confidence on Own Operations

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



Respondents look forward to broadly favorable operations.

Majority of the respondents looked forward to broadly favorable operations for Q2 2008 as the indices for all sectors—except for wholesale and retail trade sector—remained positive. Nonetheless, the trends in business confidence on own operations were consistent with the downswing observed in the national level. The confidence index of the trade sector reversed to negative (at -1.6 percent), the lowest since



Q4 2005. This may be attributed to respondents' expectations of an increase in the prices of basic commodities, which could curtail demand.

Average capacity utilization is down. Average capacity utilization in Q2 2008 was at 79.5 percent. This level was lower by 3.6 percentage points compared to the level in the previous quarter and 3.9 percentage points relative to its year-ago level.

Access to Credit and Financial Condition

Access to credit, while remaining positive, was perceived to be tighter while financial condition index drops. The credit access index, though remaining positive, declined to 3.0 percent from 6.6 percent a quarter-ago and 9.0 percent a year-ago. This was the lowest quarterly index since Q1 2007. The lower index indicated that respondents perceived access to available lending facilities could be tighter compared to the previous quarters.

The financial condition index, which is an indicator of the internal liquidity situation of firms, continued to decline to -17.8 percent from -11.6 percent last quarter and -11.0 percent a year-ago. The drop in the index could be partly attributed to expectations of less favorable financing conditions in Q2 and Q3 2008 compared to previous quarters which could adversely affect the cash position of respondents.

Employment and Expansion Plans

Employment expectations remain positive in the next quarter. The employment index at 11.4 percent, although lower by 10.3 index points quarter-on-quarter and 5.9 index points year-on-year, indicated an anticipated continued hiring of additional employees in Q3 2008. The employment outlook continued to be favorable for the construction and services sectors (specifically hotels and restaurants, renting and business activities, transportation and financial intermediation sub-sectors), consistent with their more positive macroeconomic outlook in Q3 2008 relative to the current quarter. The two sectors posted the highest CIs on the economy for the next quarter.

More industrial firms indicate no expansion plans. Meanwhile, only 23.1 percent of the industry firms surveyed indicated plans to expand in Q3 2008. This was lower by 14.7 percentage points quarter-on-quarter and 8.0 percentage points year-on-year.

Business Constraints

Competition and insufficient demand are the major risks to business operations. Firms considered the high level of competition, both from domestic and foreign firms, and insufficient demand leading to low volume of sales as the key risks to business activity in Q2 2008.

Expectations on Key Economic Indicators

Inflation and interest rates are expected to be higher. Respondent firms anticipated that the peso would remain strong in Q2 2008 but would weaken in Q3 2008. The inflation rate is expected to accelerate in Q2 2008 onto Q3 2008. Moreover, they expected interest rates to rise both in Q2 and Q3 2008.

About the Survey

A total of 1,258 firms are surveyed. The Q2 2008 BES was conducted from 7 April to 6 May 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 71.4 percent compared to 68.4 percent last quarter. For NCR, the response rate was 73.7 percent (70.4 percent last quarter); and for AONCR, the response rate was 69.8 percent (from 66.9 percent). A breakdown of responses received by type of business showed that 13.7 percent were importers, 9.1 percent were exporters, and 15.8 percent were of dual roles (both importer and exporter). Sixty-one percent of respondents were neither importer nor exporter.



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	Q2
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	29.9	12.6
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	11.4
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	15.2
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	41.0	16.6
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	12.4
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	24.7
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	17.7	9.1
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	25.5
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	28.3	5.4
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	22.4
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	-6.5
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	29.9
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	28.3
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	48.1	16.3
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	32.5	16.8
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	30.6
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	8.4
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	23.6
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	14.4
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	1.9
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	31.7
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	22.0
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	10.8	2.5
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	25.6	19.5
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	-1.6
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	2.2	9.6	33.7	32.4	38.2	38.7	42.2	43.8	43.5	45.1	35.0	22.0	
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	15.8	16.2
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	13.7
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	3.0
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	-17.8
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	83.1	79.5
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	44.1	25.3
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	11.4
A quarterly survey conducted by the Department of Economic Statistics May 22, 2008 5:04:48 PM															Bangko Sentral ng Pilipinas Manila, Philippines www.bsp.gov.ph														

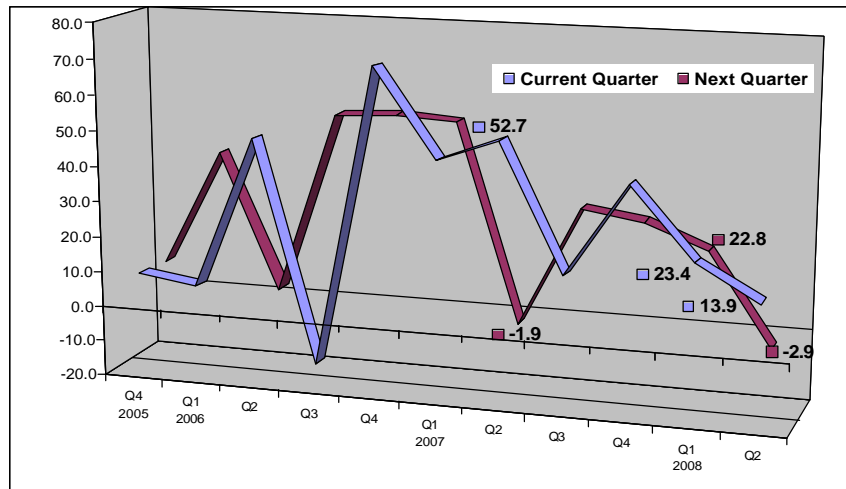
* From 2001 to 2003, survey respondents came from a random sample of firms in SEC's Top 5000 Corporations in the Philippines which are located in the NCR. Beginning Q4 2003, the survey was expanded to include those areas which are located outside NCR specifically Regions I, VII & XI. Finally in Q4 2006,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

**BUSINESS EXPECTATIONS SURVEY
2001 - 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	Q2
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	27.2	31.1	28.7	33.7	37.8	23.1	
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	26.2
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	22.3
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	35.9	25.4	47.2	44.3	48.5	54.0	42.8	33.5	39.0	45.4	
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	21.3
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	22.1	23.7
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	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	16.3	16.0
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	46.7
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	17.0
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	23.4
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	60.4
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	19.3
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	19.4
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	20.4
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	5.8
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	39.9	0.9
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	47.9
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	13.5
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	29.0	-0.3
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	42.3
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	15.9
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	45.8	44.8
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	38.7
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	16.5
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	0.0
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	864	891
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	321
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	40
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	297
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	233
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	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	18	19
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	52	55
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	37
A quarterly survey conducted by the Department of Economic Statistics May 22, 2008 5:05:54 PM															Bangko Sentral ng Pilipinas Manila, Philippines www.bsp.gov.ph														

Business Expectations Survey Second Quarter 2008 Region I (Ilocos)

**Overall Business Confidence Index
Q4 2005 – Q2 2008**



Business firms from Region I continued to be optimistic on the economy in Q2 2008. The overall confidence index (CI) in the region remained positive at 13.9 percent. This, however, was lower by 9.5 index points quarter-on-quarter and by 38.8 index points year-on-year. A sharp decline from 69.2 percent to 7.1 percent quarter-on-quarter was posted mainly by the services sector which could be attributed to the anticipated increase in the prices of basic commodities and continuing rise in oil prices. Private schools, which are under the services sector, expected enrollment to decline due to higher tuition fees. However, this was moderated by the positive outlook of those in the industry sector and construction sector with CIs at 42.9 percent and 100 percent, respectively.

Respondents' outlook declined in Q3 2008 as there were more firms in Region 1 with a negative outlook than those with positive view about the economy. The CI weakened to -2.9 percent from 22.8 percent in the previous quarter and from -1.9 percent during the same period last year. The 25.7 index points reduction quarter-on-quarter was attributed largely to the weaker confidence of companies in the services and construction sectors due to the traditional slowdown in business activity during the rainy season.

Respondent firms in Region I expected their own operations to weaken in Q2 2008. The volume of business activity and total order book indices declined quarter-on-quarter by 8.1 index points and 8.4 index points, respectively. The volume of business activity CI was also lower year-on-year by 34.5 index points, while that for total orders declined by 23.7 index points. Reasons cited for the decline were high costs of raw materials and freight problems. Similarly, the volume of business activity index in Q3 2008 was anticipated to decline by 30.3 index points quarter-on-quarter and by 13.4 index points year-on-year due to the onset of the rainy season.

The access to credit index improved slightly in Q2 2008 at 10.3 percent, while the financial condition index remained negative at 18.6 percent. This could indicate that more firms anticipated tighter liquidity conditions.

The employment index for Q2 2008 dropped to -8.8 percent from 21.0 percent in the previous quarter. This was consistent with the decline in the number of companies in the industry sector that indicated expansion plans in Q3 2008 (from 42.9 percent in Q1 2008 survey to 14.3 percent in Q2 2008 survey). Firms also cited low seasonal demand as the reason for the limited hiring of employees during the period. Competition among local and foreign firms, insufficient demand, and high interest rates were the major risks to business activity.

Survey respondents anticipated that the peso would appreciate in Q2 2008 but would depreciate in Q3 2008. Similarly, borrowing rates are expected to increase in the current quarter but decline in the next quarter. Meanwhile, inflation is anticipated to rise in Q2 and Q3 2008.

BUSINESS EXPECTATIONS SURVEY *
Region I

	2006				2007				2008	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1. Overall Business Outlook on the Macroeconomy										
Confidence Index: All Sectors										
Current Quarter	6.2	49.1	-13.3	70.8	46.3	52.7	17.4	43.2	23.4	13.9
Next Quarter	41.0	2.5	53.8	54.8	53.7	-1.9	31.9	29.3	22.8	-2.9
2. Business Outlook Index on the Macroeconomy by Sector: Current Quarter										
Industry Sector	25.0	60.0	28.6	80.0	60.0	20.0	15.4	30.8	14.3	42.9
Construction Sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Wholesale and Retail Trade	-15.0	42.1	-47.4	73.7	46.7	46.2	13.3	46.2	0.0	0.0
Services Sector	66.7	75.0	66.7	66.7	33.3	100.0	30.0	60.0	69.2	7.1
3. Business Outlook Index on the Macroeconomy by Sector: Next Quarter										
Industry Sector	50.0	40.0	57.1	60.0	40.0	20.0	23.1	7.7	28.6	14.3
Construction Sector	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	100.0	-100.0
Wholesale and Retail Trade	25.0	0.0	52.6	47.4	53.3	-23.1	26.7	38.5	0.0	0.0
Services Sector	100.0	-25.0	66.7	66.7	66.7	40.0	60.0	50.0	46.2	-7.1
4. Business Confidence Index on Own Operations by Sector: Current Quarter										
Industry Sector	16.7	6.7	9.5	-6.7	26.7	6.7	33.3	17.9	9.5	0.0
Construction Sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-50.0	100.0
Wholesale and Retail Trade	-20.0	-14.0	8.8	19.3	-4.4	-7.7	33.3	30.8	4.8	-10.5
Services Sector	66.7	-25.0	44.4	66.7	33.3	46.7	43.3	20.0	43.6	-11.9
5. Business Outlook index on Own Operations: Current Quarter										
Volume of Business Activity	12.5	29.2	-26.3	63.0	30.9	34.5	17.1	41.8	8.1	0.0
Volume of Total Order Book	16.7	18.3	-18.1	47.2	19.1	25.6	13.3	36.5	10.3	1.9
Credit Access	-21.2	-15.7	-9.8	-5.7	-4.2	-4.7	6.9	8.7	0.0	10.3
Financial Condition	-29.2	-36.6	-47.3	-15.7	-19.3	-9.8	-6.6	-12.8	-8.5	-18.6
Average Capacity Utilization	53.0	81.5	83.0	81.7	100.0	100.0	79.5	84.4	84.0	72.5
6. Business Outlook Index on Own Operations: Next Quarter										
Volume of Business Activity	11.1	7.2	8.6	7.1	40.5	17.2	75.1	45.8	34.1	3.8
Employment Outlook	5.7	-29.2	22.7	12.2	6.5	-14.4	28.0	22.6	21.0	-8.8
7. Business Constraints: Current Quarter										
Competition	34.2	35.3	36.7	90.9	76.8	76.4	66.1	66.5	67.6	76.7
Insufficient Demand	28.6	25.9	18.5	78.7	65.8	71.7	53.3	45.8	51.3	54.3
High Interest Rate	21.5	24.4	18.1	36.0	46.5	53.6	32.0	32.5	32.9	30.2
Financial Problems	19.8	23.3	20.4	46.6	46.3	54.1	41.2	35.4	38.5	35.2
Unclear Economic Laws	14.2	18.9	19.9	54.5	46.0	57.2	37.7	33.4	34.4	35.2
Lack of Materials Input	13.4	15.5	20.4	36.3	43.0	43.7	27.1	36.8	23.1	30.6
Lack of Equipment	12.5	19.0	18.1	26.3	38.8	47.9	38.3	33.4	24.9	35.5
Access to Credit	20.7	14.1	21.3	29.5	35.3	45.2	24.5	26.2	22.6	23.8
Labor Problems	11.6	16.5	18.1	35.8	35.3	44.7	23.9	27.3	31.7	35.9
None	64.1	63.0	63.3	9.1	11.4	8.3	29.2	35.5	9.6	12.9
Others	0.8	3.4	1.4	13.3	4.0	8.3	0.0	5.3	32.7	21.9
8. Companies with Expansion Plans (in percent): Next Quarter										
Industry Sector	50.0	0.0	14.3	20.0	40.0	40.0	61.5	46.2	42.9	14.3
9. Business Expectations Index on Selected Economic Indicators: Current Quarter										
P/\$ Exchange Rate	34.3	5.7	20.8	35.0	31.8	47.9	34.7	49.2	43.6	4.5
Inflation Rate	27.6	0.6	29.3	13.3	-13.0	12.0	-11.6	-10.6	7.2	27.9
Peso Borrowing Rate	30.3	-3.3	17.9	18.9	15.3	8.3	-12.4	-25.8	14.2	4.2
10. Business Expectations Index on Selected Economic Indicators: Next Quarter										
P/\$ Exchange Rate	3.8	4.7	29.8	28.5	19.1	15.8	49.1	23.9	53.1	-0.6
Inflation Rate	29.1	-2.8	17.9	6.7	6.3	16.2	1.8	-9.7	7.3	20.1
Peso Borrowing Rate	29.2	1.4	12.0	12.5	14.7	10.2	-1.3	-20.2	15.2	-1.9
11. Percentage Distribution of Respondent Firms by Employment Size										
Small (<100)	45.6	58.0	50.5	54.0	51.2	58.7	36.8	38.9	61.8	59.0
Medium (100-<500)	44.0	31.1	33.9	32.5	29.6	20.4	39.5	44.4	35.3	38.5
Large (500 & up)	3.1	0.0	3.3	3.3	0.0	8.4	15.8	16.7	2.9	2.6
12. Distribution of Respondent Firms by Sector										
All Sectors	28	29	30	28	26	23	38	36	42	41
Industry	4	5	7	5	5	5	13	13	7	7
Construction	1	1	1	1	0	0	0	0	1	1
Wholesale and Retail Trade	20	19	19	19	15	13	15	13	21	19
Services	3	4	3	3	6	5	10	10	13	14

A quarterly survey conducted by the
Department of Economic Statistics
May 22, 2008 5:07 PM

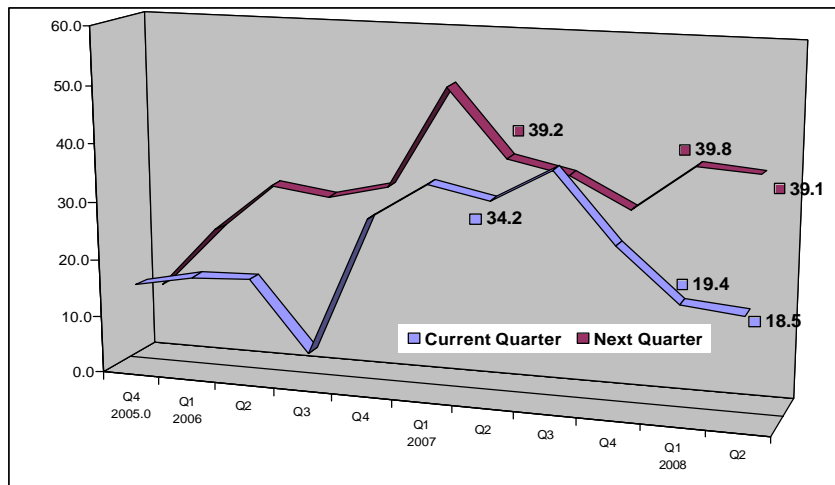
Bangko Sentral ng Pilipinas
Manila, Philippines
www.bsp.gov.ph



* 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 Second Quarter 2008 Region IV – Southern Tagalog

Overall Business Confidence Index
Q4 2005 – Q2 2008



Business sentiment in the Southern Tagalog Region remained upbeat as reflected in the positive confidence indices (CI) of 18.5 percent in Q2 2008 and 39.1 percent in Q3 2008. However, compared to the last quarter and last year, respondents were less confident as the CI posted declines. Respondents attributed the weaker outlook to uncertainties brought about by increasing prices of oil and basic commodities, which could reduce the demand for their goods and services.

The weaker sentiment in Q2 2008 was more noticeable for the medium-sized businesses— which comprised 45.6 percent of the respondents in the region—with CI at 10.6 percent. By contrast, the small-sized companies were the most optimistic during the quarter with CI at 28.6 percent. By type of firm, exporters were the most confident (CI at 26.7 percent), following the strengthening of the US dollar. Meanwhile, respondents from the construction sector (CI at 50.0 percent) were the most confident among the four sectors, followed by the services sector (at 36.4 percent).

On their own operations, firms anticipated a moderate increase in the volume of business activity and total orders in Q2 2008 (with CIs at 22.4 percent and 24.3 percent, respectively), relative to the previous quarter and a year earlier. Moreover, executives anticipated easier credit access and improved financial liquidity conditions compared to the previous quarter and a year ago.

Over 21 percent of firms in the industry sector expressed plans to expand their businesses. This could translate to a modest increase in hiring of workers during the period as reflected in the employment index of 6.4 percent. This level, however, was lower quarter-on-quarter and year-on-year.

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

Most of the businesses surveyed anticipated that the peso would remain firm in Q2 2008 onto Q3 2008, although the number of firms with this view declined compared to the level in the previous quarter. Respondents expected inflation to accelerate and the borrowing rate to moderately increase in Q2 and Q3.

BUSINESS EXPECTATIONS SURVEY *
Region IV

	2006				2007				2008	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1. Overall Business Outlook on the Macroeconomy										
Confidence Index: All Sectors										
Current Quarter	17.3	17.8	5.6	29.7	36.2	34.2	39.9	28.2	19.4	18.5
Next Quarter	23.4	31.9	30.7	33.1	50.7	39.2	37.1	31.9	39.8	39.1
2. Business Outlook Index on the Macroeconomy by Sector: Current Quarter										
Industry Sector	27.1	19.5	12.0	24.1	27.4	34.2	42.3	16.2	20.7	10.1
Construction Sector	-100.0	50.0	100.0	0.0	0.0	0.0	100.0	0.0	0.0	50.0
Wholesale and Retail Trade	-5.9	-4.8	-33.3	38.5	44.0	32.1	34.8	51.7	0.0	28.0
Services Sector	10.0	41.7	10.0	63.6	73.3	42.9	30.8	46.2	46.2	36.4
3. Business Outlook Index on the Macroeconomy by Sector: Next Quarter										
Industry Sector	28.6	39.0	34.9	32.9	47.9	44.7	29.5	27.0	31.7	38.0
Construction Sector	0.0	50.0	0.0	100.0	0.0	0.0	100.0	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	36.0
Services Sector	10.0	25.0	20.0	54.5	60.0	28.6	38.5	46.2	61.5	36.4
4. Business Confidence Index on Own Operations by Sector: Current Quarter										
Industry Sector	3.3	6.1	6.4	8.9	21.9	17.1	17.9	5.4	18.3	17.7
Construction Sector	0.0	25.0	50.0	0.0	-100.0	0.0	100.0	100.0	75.0	100.0
Wholesale and Retail Trade	-11.8	-4.8	-5.6	12.8	25.3	7.1	15.9	14.9	15.3	-2.7
Services Sector	20.0	27.8	20.0	48.5	37.8	11.9	30.8	38.5	10.3	12.1
5. Business Outlook index on Own Operations: Current Quarter										
Volume of Business Activity	5.1	17.6	11.9	29.7	18.3	19.0	24.9	23.4	19.3	22.4
Volume of Total Order Book	3.9	16.9	15.2	28.8	14.0	23.4	21.4	21.8	20.2	24.3
Credit Access	-11.4	-13.3	-8.0	-3.6	5.2	4.5	8.9	6.0	6.5	7.6
Financial Condition	-23.3	-28.4	-26.1	-21.3	-10.3	-17.3	-14.6	-12.7	-21.7	-13.9
Average Capacity Utilization	74.0	75.0	74.0	73.9	75.9	74.2	77.0	77.0	75.8	85.2
6. Business Outlook Index on Own Operations: Next Quarter										
Volume of Business Activity	7.9	7.3	4.3	5.4	46.2	34.0	41.9	25.9	41.5	35.1
Employment Outlook	9.9	4.3	2.9	-1.9	8.3	9.3	12.0	9.9	7.7	6.4
7. Business Constraints: Current Quarter										
Insufficient Demand	69.5	79.7	91.6	60.0	52.6	53.2	55.4	54.1	51.7	53.0
Competition	84.9	87.8	99.8	86.9	45.5	46.7	45.9	49.0	42.3	41.3
Unclear Economic Laws	44.5	36.8	67.2	33.2	30.3	28.6	27.3	26.4	24.3	24.6
Financial Problems	29.9	30.2	27.2	26.0	28.8	29.7	29.8	28.1	26.0	19.3
Labor Problems	36.1	24.0	25.6	26.0	28.5	28.2	25.4	29.8	28.8	24.5
High Interest Rate	36.7	35.8	51.8	28.8	26.1	26.7	27.9	23.0	21.2	20.4
Lack of Equipment	24.6	26.6	32.3	26.6	24.8	26.8	22.4	26.3	23.2	22.5
Lack of Materials Input	2.1	8.8	24.6	26.4	24.4	27.6	25.2	25.5	28.2	22.9
Access to Credit	28.8	36.2	26.1	25.1	22.7	23.7	23.3	24.7	22.8	18.5
Others	16.2	19.0	16.6	16.1	16.5	12.8	19.7	20.4	20.8	18.5
None	14.5	6.2	0.2	12.2	7.0	9.2	7.0	9.4	4.8	8.5
8. Companies with Expansion Plans (in percent): Next Quarter										
Industry Sector	28.6	24.7	24.1	21.5	27.4	26.3	25.6	24.3	22.2	21.5
9. Business Expectations Index on Selected Economic Indicators: Current Quarter										
P/\$ Exchange Rate	3.8	5.4	-3.1	18.1	26.5	18.1	37.3	27.3	23.4	11.3
Inflation Rate	2.2	14.0	18.9	-6.9	-6.1	-4.6	-5.8	0.9	-4.7	26.6
Peso Borrowing Rate	3.0	9.0	7.8	-11.3	-3.5	-12.2	1.1	0.0	-13.6	5.2
10. Business Expectations Index on Selected Economic Indicators: Next Quarter										
P/\$ Exchange Rate	-8.1	5.9	13.0	9.8	6.3	10.2	31.6	21.7	17.0	8.1
Inflation Rate	15.1	15.9	21.3	-5.0	6.3	0.7	3.0	3.8	-2.4	26.7
Peso Borrowing Rate	-21.0	-4.0	-5.5	-56.0	-7.8	-15.3	-13.2	-7.8	-36.7	2.5
11. Percentage Distribution of Respondent Firms by Employment Size										
Small (<100)	26.4	22.9	28.0	27.1	31.3	33.7	27.8	28.7	29.0	34.0
Medium (100-500)	31.1	43.9	36.9	36.1	42.5	46.0	40.9	48.1	51.4	45.6
Large (500 & up)	23.3	19.9	21.6	21.6	20.4	20.3	21.7	23.1	19.6	20.4
12. Distribution of Respondent Firms by Sector										
All Sectors	98	112	112	105	114	119	115	117	121	117
Industry	70	77	83	79	73	76	78	74	82	79
Construction	1	2	1	2	1	1	1	1	2	2
Wholesale and Retail Trade	17	21	18	13	25	28	23	29	24	25
Services	10	12	10	11	15	14	13	13	13	11

A quarterly survey conducted by the
Department of Economic Statistics
May 22, 2008 5:08 PM

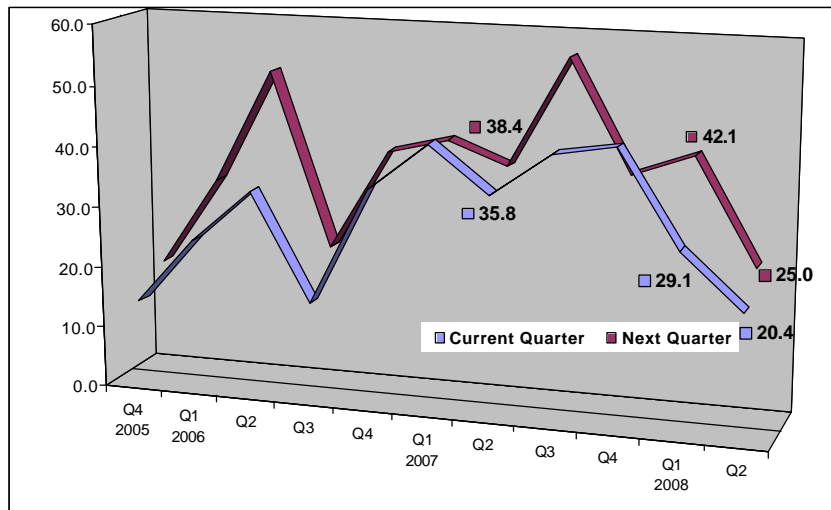
Bangko Sentral ng Pilipinas
Manila, Philippines
www.bsp.gov.ph



* 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
Second Quarter 2008
Region VII (Central Visayas)**

**Overall Business Confidence Index
Q4 2005 – Q2 2008**



Respondent firms from Region VII with a positive outlook about the economy continued to outnumber those with a negative outlook. The overall confidence index (CI) in the region in Q2 2008 remained positive at 20.4 percent. This, however, was lower by 8.7 index points quarter-on-quarter and by 15.4 index points year-on-year. Firms that responded negatively, mostly exporters or those engaged in export-related business, cited the firm peso, weak global demand, and concerns over a possible recession in the US economy as some reasons for the cautious outlook in Q2 2008.

Business sentiment in Q3 2008, while remaining positive (CI at 25.0 percent), was also weaker compared to the previous quarter and last year. The 17.1 index points reduction quarter-on-quarter was attributed largely to the weaker confidence of firms in the hotels and restaurants sub-sector due to the expected drop in tourism-related activities, following the end of the school break and the onset of the rainy season in June.

Companies in Region VII also expected a slowdown in their own operations in Q2 2008. Volume of business activity and total book orders declined quarter-on-quarter by 5.4 index points to 17.4 percent, and by 0.5 index points to 10.7 percent, respectively, reflecting the general sentiment of exporters in the region. The index for the volume of business activity was, however, higher year-on-year by 2.8 index points, while that for total orders rose by 5.6 index points.

Respondents anticipated easier access to credit in Q2 2008 than in the previous quarter, with the index up at 8.0 percent from 4.5 percent in Q1 2008. Meanwhile, financial conditions were expected to be tighter as the index dropped to -27.0 percent from -17.7 percent in the previous quarter. The employment outlook index, which reflects the firms' plans to hire additional employees in the next quarter, remained positive at 11.1 percent, although lower than the 21.4 percent in the previous quarter, as firms in the industry sector continued to express plans to expand their businesses.

As in the previous quarter, constraints to business cited by the respondents in Region VII were competition in both local and foreign markets and insufficient demand leading to low volume of sales.

Executives in Region VII anticipated a firmer peso, higher inflation, and higher borrowing rates for Q2 and Q3 2008.

BUSINESS EXPECTATIONS SURVEY *
Region VII

	2006				2007				2008	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1. Overall Business Outlook on the Macroeconomy										
Confidence Index: All Sectors										
Current Quarter	25.0	33.8	16.1	35.5	43.4	35.8	42.8	44.6	29.1	20.4
Next Quarter	32.9	51.6	23.1	39.5	42.1	38.4	56.3	38.4	42.1	25.0
2. Business Outlook Index on the Macroeconomy by Sector: Current Quarter										
Industry Sector	37.2	36.1	13.2	27.3	35.1	24.2	31.6	36.1	5.1	5.0
Construction Sector	0.0	50.0	0.0	0.0	66.7	0.0	50.0	0.0	100.0	66.7
Wholesale and Retail Trade	13.0	12.5	4.2	50.0	52.4	37.5	41.4	38.7	35.1	21.1
Services Sector	22.2	56.3	42.9	38.9	41.2	60.0	65.0	76.5	44.4	34.5
3. Business Outlook Index on the Macroeconomy by Sector: Next Quarter										
Industry Sector	32.6	50.0	10.5	52.3	40.5	48.5	36.8	36.1	30.8	12.5
Construction Sector	25.0	100.0	33.3	0.0	100.0	0.0	50.0	0.0	66.7	66.7
Wholesale and Retail Trade	30.4	43.8	29.2	27.3	23.8	25.0	58.6	35.5	27.0	26.3
Services Sector	38.9	56.3	38.1	38.9	64.7	46.7	90.0	52.9	74.1	34.5
4. Business Confidence Index on Own Operations by Sector: Current Quarter										
Industry Sector	7.0	2.8	5.3	3.0	23.4	23.2	24.6	20.4	7.7	10.0
Construction Sector	12.5	50.0	16.7	25.0	16.7	0.0	25.0	0.0	66.7	50.0
Wholesale and Retail Trade	15.9	2.1	6.9	12.1	11.1	-2.8	20.7	14.0	4.5	-0.9
Services Sector	14.8	41.7	27.0	20.4	39.2	40.0	41.7	41.2	34.6	8.0
5. Business Outlook index on Own Operations: Current Quarter										
Volume of Business Activity	15.0	24.8	11.2	20.2	17.9	14.6	33.8	42.7	22.8	17.4
Volume of Total Order Book	18.6	19.8	10.7	18.7	9.1	5.1	32.3	30.2	11.2	10.7
Credit Access	-6.3	-2.4	4.1	-0.3	10.6	21.7	7.8	1.5	4.5	8.0
Financial Condition	-23.9	-33.7	-16.7	-18.3	-10.4	-6.9	-5.9	-18.0	-17.7	-27.0
Average Capacity Utilization	77.0	72.0	75.0	71.7	79.9	77.8	70.5	82.0	75.0	74.0
6. Business Outlook Index on Own Operations: Next Quarter										
Volume of Business Activity	8.4	2.4	5.7	8.9	43.3	40.7	49.9	42.3	39.6	25.2
Employment Outlook	9.6	25.5	12.8	14.8	6.3	13.2	17.8	11.9	21.4	11.1
7. Business Constraints: Current Quarter										
Competition	95.0	97.0	96.7	90.0	63.3	57.4	63.4	63.6	58.0	57.7
Insufficient Demand	49.9	36.9	55.7	45.0	48.1	45.9	45.9	39.6	41.4	49.7
Financial Problems	27.6	36.2	26.3	25.2	35.0	21.7	26.7	28.8	25.5	27.4
Unclear Economic Laws	45.4	44.5	34.8	33.8	27.5	26.6	31.5	32.2	25.4	24.7
Labor Problems	24.8	43.4	32.4	24.4	23.9	13.7	22.2	16.2	12.0	16.2
High Interest Rate	30.8	28.0	15.7	27.2	19.9	16.2	25.4	20.7	18.6	19.7
Lack of Materials Input	15.3	2.6	19.0	18.6	19.2	11.9	19.6	20.8	14.0	17.2
Lack of Equipment	25.8	7.9	19.3	19.3	16.4	14.5	19.7	21.0	10.2	14.4
Others	13.5	11.5	24.9	11.3	16.4	16.3	13.8	16.6	21.6	23.3
Access to Credit	15.9	25.4	10.5	16.2	14.2	12.3	18.5	19.4	10.2	14.3
None	4.9	0.2	3.3	9.1	5.1	6.8	6.4	9.7	6.6	6.2
8. Companies with Expansion Plans (in percent): Next Quarter										
Industry Sector	27.9	30.6	23.7	27.3	36.1	33.3	24.3	28.6	28.9	37.5
9. Business Expectations Index on Selected Economic Indicators: Current Quarter										
P/\$ Exchange Rate	8.2	23.8	-16.4	37.4	25.0	11.4	24.9	28.0	20.5	19.8
Inflation Rate	12.4	26.8	31.5	-3.7	-10.4	-18.9	-4.0	-4.6	10.5	49.6
Peso Borrowing Rate	2.2	23.8	27.1	-5.2	-24.0	-13.2	3.2	-3.9	-10.8	13.9
10. Business Expectations Index on Selected Economic Indicators: Next Quarter										
P/\$ Exchange Rate	-2.6	22.6	6.5	23.0	18.6	8.2	32.1	19.5	19.6	17.9
Inflation Rate	12.5	27.7	39.6	4.4	0.6	8.0	9.6	-0.6	17.1	45.0
Peso Borrowing Rate	5.4	29.3	22.1	-0.2	-14.5	2.5	1.1	-3.0	-4.0	20.6
11. Percentage Distribution of Respondent Firms by Employment Size										
Small (<100)	34.1	42.1	38.1	37.7	28.8	32.6	31.5	32.0	33.7	32.1
Medium (100-499)	33.7	33.4	34.2	36.8	39.2	39.3	31.5	38.7	44.6	48.7
Large (500 & up)	18.9	16.2	22.8	16.2	24.1	24.8	28.1	29.3	21.7	19.2
12. Distribution of Respondent Firms by Sector										
All Sectors	88	70	86	88	78	72	89	85	106	110
Industry	43	36	38	44	37	33	38	36	39	40
Construction	4	2	3	4	3	0	2	1	3	3
Wholesale and Retail Trade	23	16	24	22	21	24	29	31	37	38
Services	18	16	21	18	17	15	20	17	27	29

A quarterly survey conducted by the
Department of Economic Statistics
May 22, 2008 5:08 PM

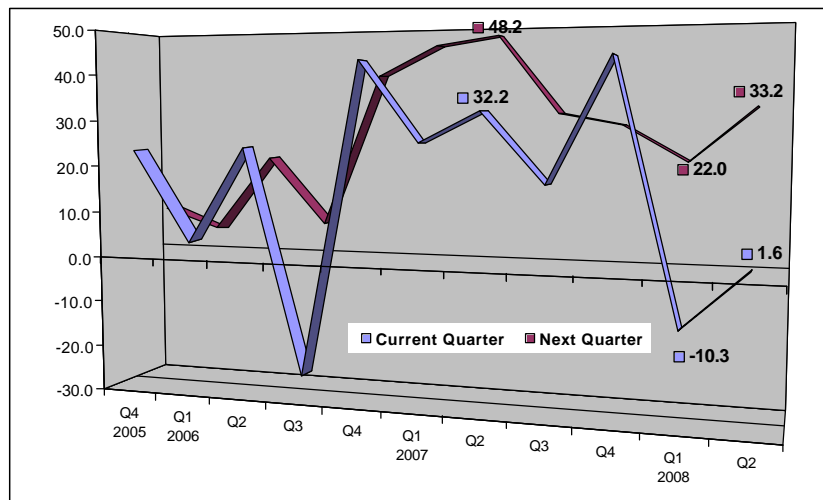
Bangko Sentral ng Pilipinas
Manila, Philippines
www.bsp.gov.ph



* 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
Second Quarter 2008
Region XI (Southern Mindanao)**

**Overall Business Confidence Index
Q4 2005 – Q2 2008**



Unlike the three other regions, business confidence in Region XI improved as the overall confidence index (CI) reversed to 1.6 percent in Q2 2008 from -10.3 percent in Q1 2008. This was, however, lower than the 32.2 percent CI posted in Q2 2007. The construction and trade sectors registered the highest confidence levels. The optimistic outlook of respondents in the region can be attributed to better production, favorable price movements, and improved market conditions.

For Q3 2008, the outlook of respondent firms remained positive with CI at 33.2 percent, up by 11.2 index points quarter-on-quarter, but lower by 15.0 index points year-on-year. All sectors posted positive indices. By sector, the construction sector posted the highest confidence index at 100.0 percent quarter-on-quarter and year-on-year, followed by the wholesale and retail trade sector at 40.0 percent.

The positive sentiment about the economy was reflected in the companies' view of their own operations. More companies indicated a higher volume of business activity with the index at 9.9 percent, an increase of 5.3 index points quarter-on-quarter. Similarly, the index on volume of total order book rose to 9.5 percent from 0.7 percent, reflecting the optimism of exporters in the region as sales volume increased and the peso weakened slightly. Respondent firms registered a positive access-to-credit index, but expectations of tighter financial conditions in Q2 2008 were evident as the index declined further to -25.6 percent compared to the previous quarter level of -18.4 percent.

Employment outlook index for Q3 2008 tended downward at 5.1 percent from 18.5 percent in Q1 2008 and 17.3 percent in Q2 2007. Moreover, only 15 percent of industry respondents indicated expansion plans for next quarter.

Respondents cited the continued increase in the cost of fuel and other petroleum products and rising prices of commodities as challenges to their business operations.

Respondents anticipated that the peso would be firm in the Q2 and Q3 2008. Inflation and interest rates were both expected to increase during the same two quarters.

BUSINESS EXPECTATIONS SURVEY *
Region XI

	2006				2007				2008	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1. Overall Business Outlook on the Macroeconomy										
Confidence Index: All Sectors										
Current Quarter	3.4	24.3	-24.8	42.9	25.6	32.2	17.4	43.2	-10.3	1.6
Next Quarter	5.2	21.6	7.2	39.8	46.3	48.2	31.9	29.3	22.0	33.2
2. Business Outlook Index on the Macroeconomy by Sector: Current Quarter										
Industry Sector	13.3	17.6	0.0	38.5	21.4	10.0	15.4	30.8	-27.3	-10.0
Construction Sector	0.0	0.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	100.0
Wholesale and Retail Trade	-10.0	37.5	-75.0	50.0	21.4	38.5	13.3	46.2	5.9	20.0
Services Sector	10.0	9.1	33.3	33.3	42.9	60.0	30.0	60.0	-12.5	-22.2
3. Business Outlook Index on the Macroeconomy by Sector: Next Quarter										
Industry Sector	6.7	29.4	14.3	38.5	28.6	30.0	23.1	7.7	13.6	35.0
Construction Sector	100.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	100.0	100.0
Wholesale and Retail Trade	0.0	12.5	0.0	50.0	50.0	53.8	26.7	38.5	17.6	40.0
Services Sector	10.0	18.2	0.0	11.1	71.4	70.0	60.0	50.0	37.5	11.1
4. Business Confidence Index on Own Operations by Sector: Current Quarter										
Industry Sector	-4.4	7.8	-4.8	2.6	-4.8	23.3	33.3	17.9	18.2	10.0
Construction Sector	50.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	50.0
Wholesale and Retail Trade	-16.7	-4.2	8.3	4.2	11.9	28.2	33.3	30.8	13.7	20.0
Services Sector	23.3	6.1	33.3	18.5	42.9	43.3	43.3	20.0	20.8	7.4
5. Business Outlook Index on Own Operations: Current Quarter										
Volume of Business Activity	0.2	16.1	-54.2	46.0	20.5	16.5	17.1	41.8	4.6	9.9
Volume of Total Order Book	-4.4	8.6	-44.1	19.3	11.5	24.6	13.3	36.5	0.7	9.5
Credit Access	-17.5	-21.8	-18.3	-5.4	-3.6	3.9	6.9	8.7	6.5	3.9
Financial Condition	-33.3	-41.1	-45.8	-23.9	-34.0	56.5	-6.6	-12.8	-18.4	-25.6
Average Capacity Utilization	84.0	83.0	74.0	74.0	41.0	79.0	79.5	84.4	94.5	71.3
6. Business Outlook Index on Own Operations: Next Quarter										
Volume of Business Activity	2.8	6.6	0.0	0.0	30.4	49.6	75.1	45.8	32.4	29.9
Employment Outlook	28.6	-0.2	-7.4	10.8	15.4	17.3	28.0	22.6	18.5	5.1
7. Business Constraints: Current Quarter										
Competition	91.0	95.8	99.8	96.5	68.8	78.1	66.1	66.5	66.3	47.8
Insufficient Demand	69.8	28.9	66.2	59.8	60.2	47.8	53.3	45.8	45.2	37.6
High Interest Rate	17.6	19.5	51.0	36.3	40.8	35.1	32.0	32.5	36.9	26.6
Financial Problems	65.5	23.6	54.5	44.8	40.2	49.5	41.2	35.4	41.9	35.2
Labor Problems	59.3	66.2	43.8	26.2	32.1	29.8	37.7	33.4	33.8	19.7
Unclear Economic Laws	31.1	25.3	58.8	36.3	31.8	26.4	27.1	36.8	46.9	24.4
Access to Credit	59.4	13.7	50.9	27.8	31.7	30.1	38.3	33.4	27.8	25.2
Lack of Materials Input	53.9	56.4	43.9	31.3	31.7	30.1	24.5	26.2	38.8	27.2
Lack of Equipment	16.5	21.9	3.5	30.9	28.7	28.4	23.9	27.3	25.7	12.5
Others	10.5	10.1	15.0	10.0	22.8	13.9	29.2	35.5	24.6	32.5
None	9.0	4.2	0.1	3.5	11.5	5.3	0.0	5.3	4.0	4.7
8. Companies with Expansion Plans (in percent): Next Quarter										
Industry Sector	33.3	41.2	14.3	38.5	21.4	30.0	61.5	46.2	23.8	15.0
9. Business Expectations Index on Selected Economic Indicators: Current Quarter										
P/\$ Exchange Rate	1.2	-5.3	3.9	1.8	23.1	50.3	34.7	49.2	50.3	8.7
Inflation Rate	19.4	34.3	47.0	-3.0	9.3	-16.5	-11.6	-10.6	19.8	35.1
Peso Borrowing Rate	13.0	-1.9	38.8	-16.5	-10.4	-10.9	-12.4	-25.8	-2.9	16.2
10. Business Expectations Index on Selected Economic Indicators: Next Quarter										
P/\$ Exchange Rate	-13.4	-10.7	-16.5	4.6	15.8	30.0	49.1	23.9	20.1	4.1
Inflation Rate	39.1	22.7	58.8	12.4	14.0	3.0	1.8	-9.7	7.1	38.6
Peso Borrowing Rate	21.2	-11.4	31.1	-31.7	-2.6	10.2	-1.3	-20.2	0.1	11.5
11. Percentage Distribution of Respondent Firms by Employment Size										
Small (<100)	39.6	26.9	34.9	25.2	20.3	39.1	36.8	38.9	31.8	33.3
Medium (100-<500)	53.2	16.3	49.4	43.5	44.1	44.8	39.5	44.4	47.7	57.1
Large (500 & up)	7.2	8.3	9.3	13.1	16.9	16.1	15.8	16.7	20.5	9.5
12. Distribution of Respondent Firms by Sector										
All Sectors	36	37	15	31	35	33	38	36	48	45
Industry	15	17	7	13	14	10	13	13	22	20
Construction	1	1	1	1	0	0	0	0	1	1
Wholesale and Retail Trade	10	8	4	8	14	13	15	13	17	15
Services	10	11	3	9	7	10	10	10	8	9

A quarterly survey conducted by the
Department of Economic Statistics
May 22, 2008 5:08 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.