

Business Expectations Survey ¹

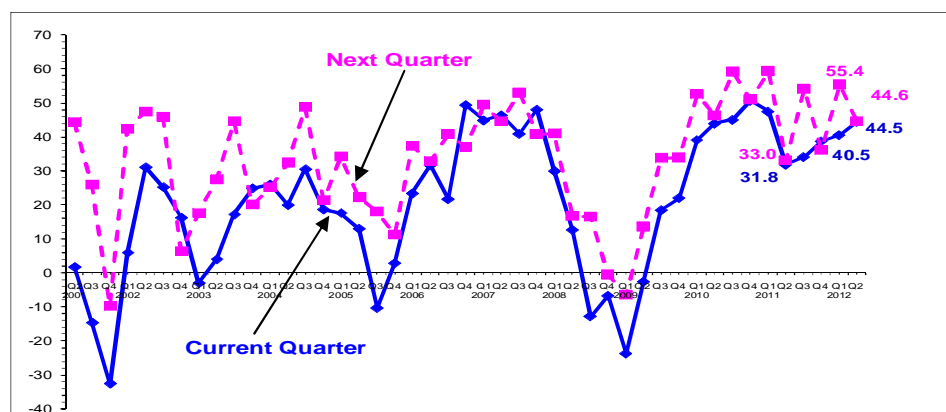
Second Quarter 2012

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Business Confidence is Higher in Q2 2012

Overall Business Outlook on the Macroeconomy

Overall Business Confidence Index
Q2 2001 – Q2 2012



Business sentiment is stronger in Q2 2012.

Businesses' outlook on the economy continued to improve in Q2 2012, with the overall confidence index (CI)² rising for the fourth consecutive quarter to 44.5 percent compared to 40.5 percent in Q1 2012 and 31.8 percent in Q2 2011. The increased confidence of businesses suggest that a faster pace of economic expansion could be expected in Q2 2012. Respondents cited the following factors for their continued optimism: (a) increase in orders and new contracts/projects leading to higher volume of production; (b) expansion of businesses and new product lines; (c) increased government spending; and (d) seasonal uptick in demand during summer and the enrollment and harvest seasons. Also contributing to businesses' improved sentiment were the prevailing favorable macroeconomic conditions such as lower interest rates and manageable inflation as well as the steady growth of overseas Filipinos' (OFs) remittances that contributes to a healthy external payments position. The sentiment of businesses in the Philippines mirrored the improved business outlook globally, particularly in the US, Germany, Australia, New Zealand, Hong Kong, Korea and Singapore.

Businesses anticipate economic expansion to continue in Q3 2012, although growth could be slower as the next quarter CI remained positive but declined to 44.6 percent

¹ The Business Expectations Survey (BES) is a quarterly survey of firms drawn at random from the Securities and Exchange Commission's Top 7000 Corporations. Results of the BES provide advance indication of the direction of the change in the overall business activity in the economy and in the various measures of companies' 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 with respect to their views on a given indicator. A positive CI indicates a favorable view, except for the inflation rate and the peso-borrowing rate, where a positive CI indicates the opposite.



from 55.4 percent in the previous quarter. This is due in part to expectations of slower demand and slack in business activity during the rainy season in the industry, wholesale and retail trade and services sectors.

Outlook turns more buoyant in both NCR and AONCR in Q2 2012.

Tracking the national trend, the sentiment of businesses in both the National Capital Region (NCR) and Areas Outside the NCR (AONCR) improved for the current quarter but turned less sanguine for Q3 2012. For both the current and next quarters, NCR respondents remained more optimistic in their outlook on the economy than those from AONCR. This indicated firms' expectations that economic conditions would be more favorable in NCR than in AONCR.

A more detailed analysis of responses of firms in AONCR³ showed a mixed outlook in Q2 2012. The outlook of firms in Regions I, IV, XI and XII were broadly in line with the overall trend of stronger optimism in Q2 2012 due to higher demand, increased business activity during the harvest season and brighter domestic tourism prospects during summer. Meanwhile, the sentiment of respondent firms in Regions III, V, VI, VII and IX remained positive but turned less upbeat during the current quarter.

For Q3 2012, sentiment was less optimistic across all regions, suggesting sustained but lower economic growth across the country for the quarter ahead.

Firms engaged in international commodity trading are more optimistic.

Firms engaged in international commodity trading were more optimistic in their outlook in Q2 2012. Importers were the most bullish while exporters manifested the biggest improvement in sentiment largely due to continued high metal prices and stronger production volumes. The optimism of dual-activity firms likewise increased in Q2 2012.

For Q3 2012, even as the overall business outlook was less optimistic, the outlook of exporting firms improved compared to a quarter ago while those of the importers and dual-activity firms declined, similar to the national trend.

Outlook of large-sized firms is most upbeat.

Firms' sentiments across employment size were more favorable in Q2 2012.⁴ Large-sized firms' business confidence was the most buoyant, followed by the medium- and small-sized firms. However, for Q3 2012, the outlook of firms across employment size turned less upbeat.

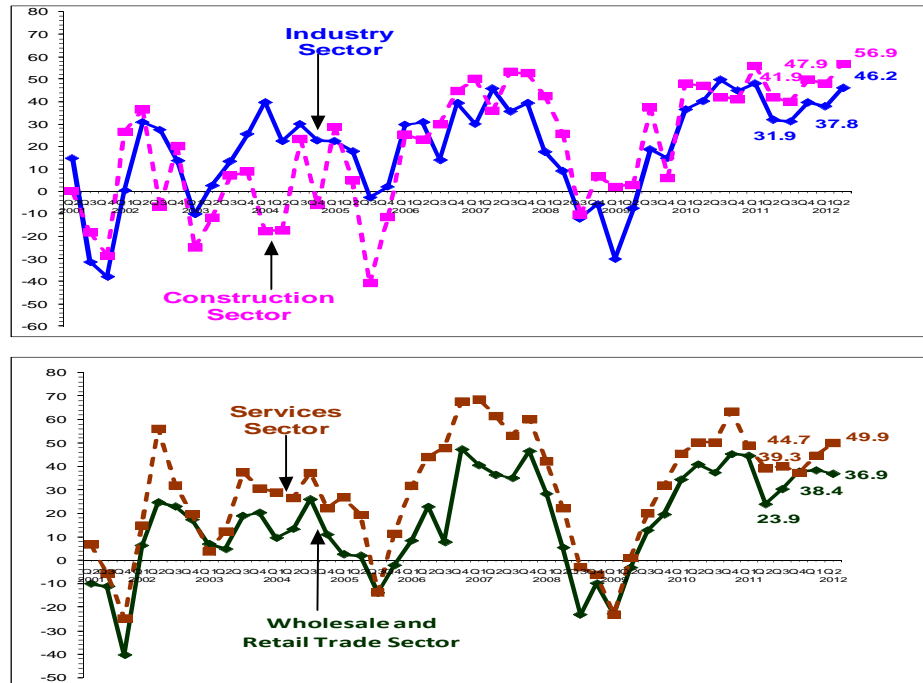
³ While the survey covered all 17 regions of the Philippines, the bulk (93.3 percent) of the respondents were from NCR and nine regions outside NCR, namely: Regions I, III, IV, V, VI, VII, IX, XI and XII. (For the list of regions and the distribution of top 7000 corporations by region, please see Annexes A and B).

⁴ Small firms have less than 100 employees; medium firms, 100-499 employees; large firms have over 500 employees.



Sectoral Outlook

Current Quarter Business Outlook Index by Sector
Q2 2001 – Q2 2012



Business outlook across sectors broadly improves in Q2 2012.

Across sectors, the business outlook in Q2 2012 was broadly more bullish. Firms in the construction sector were the most optimistic, followed by the services and industry sectors.

The construction sector showed heightened optimism among all sectors, registering an all-time high CI of 56.9 percent. Respondents attributed their buoyant outlook to brisker business in anticipation of the stronger implementation of the planned Public-Private Partnership (PPP) projects this year. Businesses also expected other public infrastructure projects and expansion plans of the private sector to be on stream during this quarter.

The sentiment of the services sector continued to improve in the current quarter due to the more buoyant sentiment of the business activities, community and transport sub-sectors. Favorable business conditions, an upsurge in investment (both public and private), and robust consumer demand, owing in part to seasonal factors such as enrollment and tourism, were behind the more positive outlook of the sector.

The industry sector attributed its more upbeat outlook to higher demand from both the domestic and overseas markets, planned business expansion, increased government infrastructure spending, stable prices of basic commodities, and the brighter growth prospects of the economy.

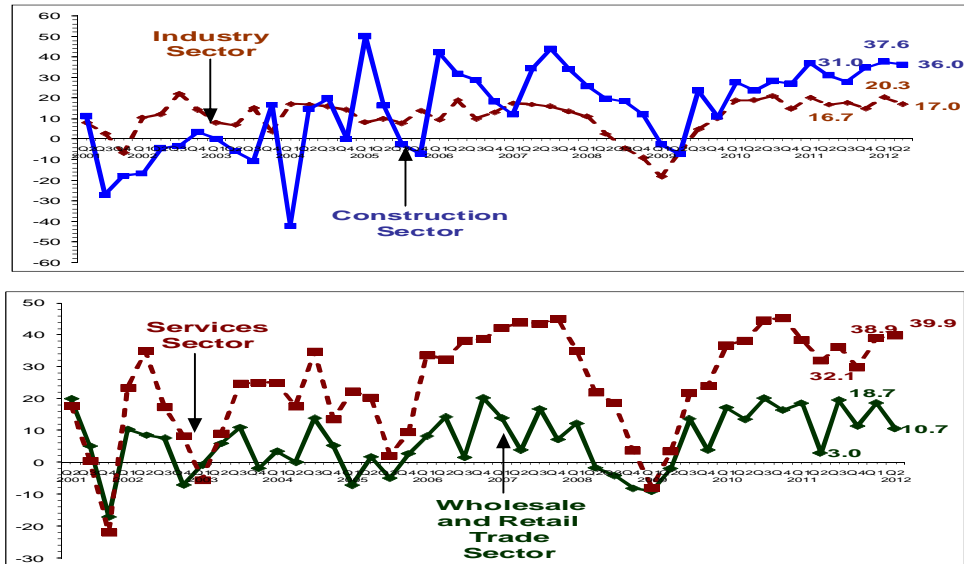
Meanwhile, the outlook of wholesale and retail trade firms declined slightly as business prospects of some firms were constrained by high electricity costs and stiff domestic competition.



For the next quarter (Q3 2012), except for the steady outlook of the construction sector, sentiments of firms across sectors, while remaining positive, turned less favorable.

Business Confidence on Own Operations

Current Quarter Business Outlook Index by Sector
Q2 2001 – Q2 2012



Businesses' outlook about their own operations is mixed. With respect to the outlook about their own operations, businesses were more optimistic about the volume of business activity for the current quarter but less optimistic for the next. On account of this mixed outlook for Q2 and Q3 2012, firms' confidence about their own operations across sectors did not show an improvement. Expectations of firms in the services and construction sectors remained broadly steady while those in the industry and wholesale and retail trade sectors declined.

Average capacity utilization edges up. Consistent with the more optimistic outlook in Q2 2012, the average capacity utilization for the current quarter rose to 76.2 percent, the highest reading since Q3 2008. This is consistent with the results of the Monthly Integrated Survey of Selected Industries (MISSI) of the National Statistics Office (NSO), which showed increasing capacity utilization.

Access to Credit and Financial Conditions⁵

More firms expect easier access to credit and less tight financial conditions. Financial conditions continued to improve for the fourth consecutive quarter, with the index reaching a record high level but staying within the negative territory in Q2 2012. This means that although more firms expected easy financial conditions compared to the previous quarter, they continued to be outnumbered by those that said otherwise. However, firms are of the view that their liquidity requirements could be met through available credit as more respondents continued to report easier access

⁵ *Financial conditions* refer to the firm's general cash position, taking into account the level of cash and other cash items and repayments terms on loans. On the other hand, *access to credit* refers to the environment external to the firm, such as the availability of credit from the banking system and other financial institutions.



to credit relative to those who said otherwise compared to a quarter ago. This is validated by the results of the Senior Loan Officers' Survey which showed that most banks had generally unchanged credit standards for the 12th consecutive quarter. This suggests ample supply of credit for businesses' needs.

Volume of Business Activity

The outlook for volume of business activity and total orders improves in Q2 2012. Providing support to the more upbeat overall business confidence were the improved outlook for both the volume of business activity and total orders in Q2 2012 compared to the previous quarter. Looking ahead to Q3 2012, the outlook for the volume of business activity remained positive but was weaker compared to a quarter ago, consistent with the expected slack in demand after the summer and enrollment seasons.

Employment and Expansion Plans

Employment outlook remains positive. Another indicator supporting expectations of sustained growth in 2012 was the employment outlook index for the next quarter, which remained positive although lower at 22.1 percent. This indicated that although the number of firms with hiring intentions in Q3 2012 declined, they continued to outnumber those that said otherwise. By sector, firms in the construction and services sectors, particularly business activities, were the most optimistic in their employment outlook.

Firms with expansion plans increase. About three in every ten respondent firms in the industry sector (29.1 percent) indicated expansion plans for Q3 2012. Expansion plans were noted across sub-sectors. Mining and quarrying continued to record the highest expansion plans, followed by agriculture; electricity gas and water; and manufacturing sub-sectors.

Business Constraints

Competition, weak demand, and unclear economic laws are the major risks to business... The top three business constraints identified by respondents in Q2 2012 were: competition, insufficient demand (leading to low sales volume), and unclear economic laws (such as inconsistent applications of tax laws, red tape, delays in approval of government licenses, unclear PPP financing guidelines, and unclear laws on fishing).

...but these risks appear to be moderating. Overall, the percentage of businesses that identified the above-mentioned business constraints showed a decreasing trend. Moreover, the percentage of respondents citing other constraints such as high interest rates, lack of equipment, access to credit, financial problems, and labor problems also declined. The easing of business constraints indicates that business conditions are improving. Respondents also observed that operational risks are being mitigated by enhancements in governance and internal business processes.



Expectations on Key Economic Indicators⁶

A stronger peso as well as higher inflation and interest rates are expected in Q2 and Q3 2012. Respondents that expected inflation to go up continued to outnumber those with the opposite view, but the number that said so declined in Q2 2012. This indicates that inflation expectations remained well anchored, even against expectations of strengthening prospects for domestic economic activity. For Q3 2012, the number of respondents that anticipated higher inflation increased due to expectations of higher oil prices given concerns of continuing tensions in the Middle East and pending petitions for electricity rate adjustments.

On the other hand, more respondents expected the peso to appreciate in Q2 and Q3 2012. Expectations of the peso's sustained appreciation could be due to anticipated strong inflows of overseas Filipinos' remittances, business process outsourcing (BPO) receipts, and foreign investments as well as the recovery of export demand. Meanwhile, interest rates were expected to remain broadly steady in Q2 2012 but to rise in Q3 2012.

About the Survey

Survey response rate is 79.6 percent. The Q2 2012 BES was conducted during the period 2 April–11 May 2012. There were 1,587 firms surveyed nationwide. Respondents were drawn from the Securities and Exchange Commission's Top 7,000 Corporations, as follows: 607 companies in NCR and 980 firms in AONCR, covering all 17 regions nationwide. The survey response rate for this quarter was higher at 79.6 percent (from 78.6 percent in the previous quarter). The response rates were higher for NCR at 79.6 percent (from 75.5 percent in the previous quarter) but lower for AONCR at 79.7 percent (from 80.6 percent in Q1 2012).

A breakdown of responses by type of business showed that 16.7 percent were importers, 7.4 percent were exporters, and 16 percent were both importers and exporters. About 59.9 percent of the respondents were neither importers nor exporters, or did not specify their firm type.

The Business Expectations Survey (BES) uses the stratified random sampling design covering corporations from the SEC's Top 7000 Corporations (ranked based on gross revenues) as sampling units. The top 7000 corporations are subdivided into 192 strata classified by region—NCR and Areas Outside NCR (the other 15 regions of the country)⁷—and by industry sub-groups, namely: (a) Group 1: Industry, which consists of manufacturing, mining and quarrying, electricity, gas and water, and agriculture, fishery and forestry; (b) Group II: Construction; (c) Group III: Wholesale and Retail Trade; and (d) Group IV: Services, which consists of financial intermediation, real estate, renting and business activities, hotels and restaurants, transport, storage and communications and community, social and personal services. Beginning Q1 2012, industry classification of companies shifted from the 1994 Philippine Standard Industrial Classification (PSIC) to the 2000 PSIC.

⁶ The expectations on key economic indicators are expressed in terms of confidence indices (CIs), which are computed as the percentage of firms that answered "up" less the percentage of firms that answered "down" with respect to their views on a given economic key indicator. A positive CI indicates a favorable view, except for the inflation rate and the peso-borrowing rate, where a positive CI indicates the opposite.

⁷ In the sampling design, Regions 4A and 4B were combined into one region.



Annexes: Business Expectations Survey (BES) Report Q2 2012

Annex A. Distribution of Top 7000 Corporations by Region: 2010^a

Population

SECTOR/SUB-SECTOR	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7	Region 8	Region 9	Region 10	Region 11	Region 12	CARAGA	ARMM	CAR	NCR
Agriculture	0	0	5	8	1	6	4	0	5	5	36	11	1	0	0	34
Business	1	6	21	34	1	2	22	0	1	0	8	3	0	0	0	487
Community	6	4	14	27	0	10	8	0	1	2	5	2	0	1	0	152
Construction	0	1	22	32	9	4	24	3	2	0	4	1	1	0	0	211
EGW	4	1	18	11	0	3	16	0	0	0	2	0	0	0	1	41
Finance	0	2	7	11	1	4	17	0	1	1	16	2	2	0	0	363
Hotels	6	0	11	8	3	7	13	1	0	0	8	0	0	0	0	134
Manufacturing	4	3	163	573	7	12	108	9	4	7	40	9	0	3	3	869
Mining	0	0	0	4	0	0	3	0	0	0	2	0	1	0	0	40
Real Estate	0	1	11	39	1	3	15	0	1	1	7	2	0	0	0	233
Trade	19	15	206	265	43	62	137	16	22	13	96	19	0	1	0	1539
Transportation	1	0	22	28	1	2	15	0	3		16	2	0	0	0	251
Services Sector	14	13	86	147	7	28	90	1	7	4	60	11	2	1	0	1620
Industry Sector	8	4	186	596	8	21	131	9	9	12	80	20	2	3	4	984
Grand Total	41	33	500	1040	67	115	382	29	40	29	240	49	5	5	4	4354

Number of Samples

SECTOR/SUB-SECTOR	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7	Region 8	Region 9	Region 10	Region 11	Region 12	CARAGA	ARMM	CAR	NCR
Agriculture	0	0	2	5	1	6	3	0	5	5	16	10	1	0	0	9
Business	1	6	5	5	1	2	8	0	1	0	4	3	0	0	0	52
Community	6	4	3	5	0	10	4	0	1	2	2	1	0	1	0	31
Construction	0	1	8	6	9	4	7	3	2	0	2	1	1	0	0	69
EGW	4	1	4	4	0	3	3	0	0	0	2	0	0	0	1	22
Finance	0	2	2	2	1	4	5	0	2	1	5	2	2	0	0	66
Hotels	6	0	4	2	3	7	5	1	0	0	3	0	0	0	0	28
Manufacturing	4	3	37	101	7	12	46	9	4	7	18	8	0	3	3	76
Mining	0	0	0	2	0	0	2	0	0	0	1	0	1	0	0	18
Real Estate	0	1	3	4	1	3	7	0	0	1	2	2	0	0	0	57
Trade	19	15	60	50	43	62	48	16	22	13	28	2	0	1	0	130
Transportation	1	0	7	6	1	2	8		3	0	7	20	0	0	0	49
Services Sector	14	13	24	24	7	28	37	1	7	4	23	28	2	1	0	283
Industry Sector	8	4	43	112	8	21	54	9	9	12	37	18	2	3	4	125
GRAND TOTAL	41	33	135	192	67	115	146	29	40	29	90	49	5	5	4	607

^a The latest available listing from the Securities and Exchange Commission

Annexes: Business Expectations Survey (BES) Report Q2 2012

Annex B. Regions and Provinces of the Philippines

Regions	Provinces
I-Ilocos	Ilocos Norte, Ilocos Sur, La Union and Pangasinan
II-Cagayan Valley	Batanes, Cagayan, Isabela, Nueva Vizcaya, Quirino
III-Central Luzon	Aurora, Bataan, Bulacan, Nueva Ecija, Pampanga, Tarlac and Zambales
IV-Southern Tagalog	Cavite, Laguna, Batangas, Marinduque, Occidental Mindoro, Oriental , Mindoro, Palawan, Quezon, Rizal and Romblon
V-Bicol	Albay, Camarines Norte, Camarines Sur, Catanduanes, Masbate and Sorsogon
VI-Western Visayas	Aklan, Antique, Capiz, Guimaras, Iloilo and Negros Occidental
VII-Central Visayas	Cebu, Bohol, Negros Oriental and Siquijor
VIII-Eastern Visayas	Biliran, Eastern Samar, Leyte, Northern Samar, Samar and Southern Leyte
IX-Zamboanga Peninsula	Zamboanga del Norte, Zamboanga del Sur, Zamboanga Sibugay, Isabela City and Zamboanga City
X-Northern Mindanao	Bukidnon, Camiguin, Lanao del Norte, Misamis Occidental, Misamis Oriental,
XI-Davao	Compostela Valley, Davao del Norte, Davao del Sur and Davao Oriental
XII-SOCCSKARGEN	Cotabato, Sultan Kudarat, South Cotabato and Sarangani
Cordillera Administrative Region (CAR)	Abra, Apayao, Benguet, Ifugao, Kalinga, and Mountain Province
Autonomous Region of Muslim Mindanao (ARMM)	Basilan (excluding Isabela City), Lanao del Sur, Maguindanao, Sulu and Tawi-Tawi
Caraga	Agusan del Norte, Agusan Del Sur, Dinagat Islands, Surigao del Norte, Surigao del Sur

**BUSINESS EXPECTATIONS SURVEY*
2001 - 2012**

	2007				2008				2009				2010				2011				2012	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Confidence Index: All Sectors																						
1. Overall Business Outlook on the Macroeconomy																						
Current Quarter	44.9	46.4	40.9	48.0	29.9	12.6	-12.9	-6.8	-23.9	-2.6	18.4	22.0	39.1	43.9	45.0	50.6	47.5	31.8	34.1	38.7	40.5	44.5
NCR	53.0	53.1	44.9	55.1	34.0	11.4	-16.1	-9.6	-25.4	-3.6	20.3	24.2	42.4	50.1	51.6	55.7	54.4	35.2	38.4	38.5	46.1	49.3
AONCR	30.6	34.6	34.0	35.6	21.4	15.2	-6.2	-1.0	-21.1	-0.9	15.0	18.0	33.8	34.0	34.2	42.4	35.7	26.1	26.6	39.1	31.1	36.4
Next Quarter	49.4	44.7	53.0	40.9	41.0	16.6	16.6	-0.5	-6.5	13.7	33.7	34.0	52.6	46.3	59.2	51.0	59.4	33.0	53.9	36.1	55.4	44.6
NCR	53.3	48.2	57.1	44.6	42.2	12.4	17.6	-4.7	-9.6	14.7	35.0	37.3	57.2	51.4	63.1	54.9	62.3	35.6	55.0	37.5	59.0	48.1
AONCR	42.2	37.2	44.8	33.7	37.6	24.7	14.8	8.1	-0.7	11.9	30.9	27.7	44.6	37.2	52.0	44.4	53.6	28.1	51.4	32.9	48.1	37.9
2. Business Outlook Index on the Macroeconomy by Sector: Current Quarter																						
Industry Sector	30.0	45.7	35.6	39.2	17.7	9.1	-11.9	-5.8	-30.1	-7.6	18.8	14.7	36.4	40.1	49.6	44.9	48.1	31.9	31.1	39.6	37.8	46.2
Construction Sector	50.0	35.9	53.1	52.5	42.4	25.5	-10.5	6.6	2.2	3.0	37.3	6.1	48.0	46.9	41.9	41.0	55.8	41.9	39.7	49.7	47.9	56.9
Wholesale and Retail Trade	40.6	36.5	35.1	46.5	28.3	5.4	-23.2	-9.8	-22.8	-3.1	12.8	19.5	34.4	40.9	37.4	45.3	44.6	23.9	30.4	37.8	38.4	36.9
Services Sector	68.5	61.6	53.3	60.3	42.1	22.4	-2.8	-6.3	-23.2	1.0	20.2	31.9	45.5	50.3	50.3	63.4	48.9	39.3	40.2	37.3	44.7	49.9
of which:																						
Financial Intermediation	90.8	74.3	61.3	71.0	60.5	-6.5	-28.9	-46.6	-44.1	-6.2	29.7	47.7	68.2	72.2	77.1	83.6	74.5	45.0	51.7	32.0	58.8	56.7
Hotels and Restaurants	86.4	39.7	59.7	92.2	50.1	29.9	9.8	40.2	-18.5	14.1	23.0	49.9	35.6	45.7	41.7	62.3	57.2	37.9	33.3	66.4	47.7	45.8
Business Activities	60.8	53.8	54.1	59.3	22.8	28.3	2.2	-10.2	-39.3	-9.0	11.9	16.3	47.5	49.2	47.7	72.8	41.0	42.8	40.3	33.8	35.6	55.0
Real Estate	59.0	76.2	54.8	69.4	46.5	36.1	6.7	5.3	-14.2	-18.1	-4.7	10.3	43.6	44.7	51.9	53.1	44.9	36.2	36.1	38.3	54.0	45.0
Community and Social Services	44.9	37.4	54.3	30.7	48.1	16.3	0.2	-21.3	9.8	7.0	27.7	31.4	40.9	44.6	40.7	46.5	41.1	34.7	45.3	21.6	35.5	43.4
Transportation	67.0	69.6	38.1	46.7	42.5	30.1	-1.6	14.7	-13.8	16.0	30.5	41.2	27.4	39.4	34.8	46.5	35.9	32.9	29.4	43.2	38.5	43.7
3. Business Outlook Index on the Macroeconomy by Sector: Next Quarter																						
Industry Sector	46.5	39.3	41.4	32.3	32.5	16.8	6.6	-1.3	-10.4	10.4	27.1	26.3	50.5	44.8	55.5	51.3	57.9	34.9	47.9	26.1	52.8	41.0
Construction Sector	39.9	59.0	63.8	54.0	54.3	30.6	29.5	9.1	2.8	20.0	27.7	43.0	47.9	44.4	51.3	54.1	65.2	38.7	55.2	48.3	55.1	55.6
Wholesale and Retail Trade	43.6	35.7	51.6	36.1	35.2	8.4	16.4	-5.1	-10.0	10.3	32.4	32.3	50.9	41.8	57.3	44.3	58.4	24.1	54.0	42.2	56.0	44.0
Services Sector	62.1	60.7	68.1	55.8	54.2	23.6	25.2	3.9	-1.8	18.2	41.0	40.3	57.3	53.0	65.9	58.2	60.8	40.6	59.2	36.3	57.2	47.3
of which:																						
Financial Intermediation	75.4	73.0	79.5	73.3	57.0	14.4	7.9	-22.1	-22.0	19.6	52.8	70.9	71.8	74.9	88.3	76.8	72.8	46.5	68.8	45.3	57.8	61.8
Hotels and Restaurants	56.8	28.5	81.2	28.2	64.0	1.9	73.6	20.6	12.5	17.9	51.3	62.6	56.8	41.7	72.0	62.3	62.9	24.8	77.1	29.3	53.1	31.9
Business Activities	68.6	67.7	64.9	63.8	49.4	31.7	25.0	4.0	-11.4	6.0	30.6	36.6	66.7	57.6	66.9	52.7	63.1	39.1	53.7	29.0	64.9	43.5
Real Estate	55.1	73.8	71.6	67.4	49.2	31.7	15.8	11.8	-11.3	8.9	8.7	33.9	43.6	50.0	50.5	56.3	49.3	47.7	55.7	43.7	65.9	51.8
Community and Social Services	52.0	42.9	54.3	32.3	58.4	27.4	10.1	2.8	3.3	19.9	21.1	21.2	50.6	45.2	53.6	45.0	58.1	42.9	41.3	23.5	43.3	49.6
Transportation	52.4	52.2	58.8	42.6	55.1	22.0	32.7	14.7	15.0	31.0	60.1	29.8	42.5	35.1	58.8	55.2	53.5	37.0	64.1	44.5	46.7	38.6
4. Business Confidence Index on Own Operations by Sector																						
Industry Sector	17.4	16.8	15.9	13.5	10.8	2.5	-4.4	-9.3	-18.3	-6.1	4.9	10.3	18.7	18.8	20.9	14.7	20.1	16.7	17.6	14.9	20.3	17.0
Construction Sector	11.9	34.3	43.8	33.8	25.6	19.5	18.4	12.0	-2.6	-7.4	23.4	10.9	27.6	23.5	28.2	26.8	36.9	31.0	27.8	34.6	37.6	36.0
Wholesale and Retail Trade	13.9	3.9	16.8	7.2	12.2	-1.6	-4.1	-8.1	-9.0	-1.9	13.7	3.9	17.2	13.5	20.1	16.5	18.6	3.0	19.6	11.5	18.7	10.7
Services Sector	42.2	43.8	43.5	45.1	35.0	22.0	18.8	3.9	-8.0	3.7	21.8	24.0	36.8	38.2	44.6	45.3	38.3	32.1	36.2	29.7	38.9	39.9
Financial Intermediation	53.3	56.3	53.5	59.9	46.4	40.3	8.9	-14.1	-6.0	14.3	31.5	48.9	59.4	59.7	63.6	65.2	55.1	48.1	56.4	40.8	53.4	48.3
Hotels and Restaurants	34.8	40.5	35.1	52.9	38.9	23.1	46.6	32.7	-0.2	19.9	33.8	37.0	29.2	25.0	43.9	39.4	37.8	18.4	41.0	35.4	36.3	25.9
Business Activities	47.1	48.3	54.7	46.0	31.2	15.5	16.7	0.5	-26.0	-5.4	18.2	18.8	34.0	43.5	49.0	49.8	39.8	36.6	33.8	35.6	39.5	47.8
Real Estate	28.2	49.7	49.7	41.2	29.9	34.8	22.1	3.3	-4.0	-3.3	12.4	17.2	32.1	31.6	39.9	40.3	29.1	30.3	31.5	30.6	35.1	37.7
Community and Social Services	36.4	34.2	31.8	35.7	31.5	14.1	11.1	-1.6	-6.8	-12.1	17.5	4.1	30.4	26.0	29.5	31.4	20.1	25.2	17.3	11.9	23.0	32.0
Transportation	41.4	25.9	23.8	32.3	33.2	19.5	17.6	15.1	1.6	8.6	21.7	20.6	29.4	27.3	31.0	32.8	36.7	18.8	29.4	14.2	35.1	31.2
5. Business Outlook Index on Own Operations: Current Quarter																						
Volume of Business Activity Index	22.6	35.7	27.3	39.3	15.8	16.2	-1.5	-0.3	-26.3	1.7	15.9	22.0	24.6	35.6	34.9	42.8	23.8	24.1	29.5	37.1	22.5	36.7
Volume of Total Order Book Index	17.1	27.7	22.9	31.2	8.0	13.7	-3.1	-1.4	-27.3	-1.2	14.5	16.8	19.5	30.5	30.2	37.7	19.3	21.5	25.8	33.1	17.6	31.4
Credit Access Index	10.1	9.0	10.4	7.3	6.6	3.0	-1.6	-7.4	-12.8	-7.2	-0.8	0.1	5.4	9.2	10.1	10.0	11.3	6.1	10.3	8.9	9.6	13.4
Financial Condition	-8.8	-11.0	-5.1	-7.8	-11.6	-17.8	-29.1	-29.9	-32.9	-26.8	-17.4	-15.5	-7.9	-5.0	-2.6	-1.1	-3.6	####	-6.9	-6.8	-2.9	-0.9
Average Capacity Utilization (in percent)	73.7	75.5	76.1	75.4	76.2	76.5	74.8	72.8	71.5	69.2	68.8	69.8	72.0	74.1	74.7	74.1	75.3	75.1	76.1	74.5	74.8	76.2
6. Business Outlook Index on Own Operations: Next Quarter																						
Volume of Business Activity Index	48.1	40.4	49.5	34.0	44.1	25.3	24.8	1.6	2.1	14.2	36.2	27.9	54.3	46.6	59.2	45.8	53.5	33.6	51.6	32.5	54.7	46.1
Employment Outlook Index	16.6	17.3	21.1	16.6	21.7	11.4	8.3	-1.4	-8.2	-6.4	9.4	8.7	22.0	19.9	24.0	21.1	23.0	14.5	23.2	16.8	24.0	22.1

A quarterly survey conducted by the
Department of Economic Statistics

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.

Note: Unless otherwise stated, all numbers are in diffusion indices, i.e., Confidence Index (CI) is computed as the percentage of firms that answered in affirmative less the percentage of firms that answered in the negative with respect to their views on a given indicator.

**BUSINESS EXPECTATIONS SURVEY
2001 - 2012**

	2007				2008				2009				2010				2011				2012	
	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 of total respondents): Next Quarter																						
All Industry Sector	27.2	31.1	28.7	33.7	37.8	23.1	25.0	30.4	17.8	16.0	17.4	23.7	19.9	25.0	27.0	25.7	33.9	24.7	26.6	27.0	28.8	29.1
Mining Quarrying	66.7	42.9	42.9	52.4	41.9	26.2	45.1	27.0	31.6	9.2	13.0	38.5	33.2	36.7	45.0	34.7	47.3	41.8	62.6	41.1	47.3	35.2
Manufacturing	23.7	28.1	27.1	32.0	37.8	22.3	23.7	29.5	15.7	14.6	15.3	20.3	18.8	24.1	25.4	24.7	32.5	24.2	24.9	24.9	27.9	28.6
Electricity, Gas and Water	48.5	54.0	42.8	33.5	39.0	45.4	37.0	59.2	34.6	30.5	36.6	44.3	10.5	16.7	28.2	20.4	38.5	23.8	34.4	41.0	32.2	31.3
Agriculture, Fishery and Forestry	62.2	64.0	42.4	59.6	35.0	21.3	30.6	28.0	32.5	30.0	37.4	54.6	37.4	39.7	43.4	41.6	45.3	24.3	31.7	41.9	31.5	31.7
8. Business Constraints (in percent to total respondents): Current Quarter																						
High Interest Rate	23.0	23.6	23.7	21.3	22.1	23.7	29.8	29.5	26.9	24.1	24.4	20.5	21.2	20.5	20.9	17.4	19.8	19.9	20.1	19.8	14.6	13.8
Unclear Economic Laws	27.6	27.2	24.5	27.1	25.9	27.1	27.1	25.7	25.1	23.3	21.7	14.2	13.0	13.0	20.9	18.7	21.2	21.6	21.9	24.2	18.5	17.8
Lack of Equipment	17.1	17.9	16.0	19.4	16.3	16.0	15.6	17.7	16.6	15.5	17.5	15.5	16.4	17.5	17.9	15.1	16.1	16.0	17.3	16.7	10.9	10.2
Insufficient Demand	51.6	49.8	46.8	46.3	44.1	46.7	49.6	51.9	54.8	59.0	54.2	53.4	46.1	44.4	43.6	39.2	42.2	44.0	43.7	44.4	36.5	36.5
Access to Credit	19.1	19.6	18.9	20.1	16.9	17.0	17.5	20.5	20.9	19.3	19.3	19.2	18.5	16.6	17.7	16.7	17.8	18.4	18.6	18.6	11.7	10.5
Financial Problems	27.2	26.0	24.7	23.6	26.4	23.4	25.3	27.9	30.1	29.9	26.4	26.8	28.1	25.8	27.3	22.9	22.6	24.4	21.7	22.9	16.9	15.9
Competition	62.6	66.0	62.2	63.0	57.9	60.4	58.6	61.1	59.4	62.0	61.8	63.4	64.4	64.5	65.8	66.6	68.8	65.5	68.1	66.4	60.6	62.9
Labor Problems	20.3	18.6	19.7	20.1	19.4	19.3	20.8	20.2	20.6	18.8	19.0	17.6	18.1	19.4	18.9	17.0	19.3	21.6	20.4	18.5	13.4	12.5
Lack of Materials Input	22.3	20.1	19.0	20.6	19.7	19.4	19.8	19.6	18.5	16.5	18.5	18.1	16.7	18.8	18.9	15.9	18.4	19.1	19.0	18.4	12.4	12.5
Others	17.4	16.8	17.5	20.7	20.8	20.4	19.9	23.5	20.4	18.6	18.8	24.2	18.6	19.2	18.0	19.0	21.1	23.6	22.2	25.7	23.0	25.3
None	5.4	6.9	7.9	6.5	7.4	5.8	5.4	4.9	5.7	5.4	6.5	6.7	6.0	5.9	8.2	8.6	6.0	7.9	5.7	7.5	8.0	7.6
9. Business Expectations Index on Selected Economic Indicators: Current Quarter																						
P/\$ Exchange Rate	31.1	34.3	35.0	44.8	39.9	0.9	-19.0	-21.5	-12.0	-10.2	-4.2	18.7	6.4	14.6	14.2	35.3	15.0	19.4	29.3	14.9	11.7	19.3
Inflation Rate	-13.9	-5.1	-2.3	6.3	14.4	47.9	61.5	43.0	14.0	14.1	4.4	28.2	23.3	20.9	9.5	2.4	21.3	38.7	32.1	28.3	16.8	15.4
Peso Borrowing Rate	-23.5	-15.4	-3.2	-9.6	-15.9	13.5	37.8	29.7	6.9	1.9	-2.7	2.6	5.5	3.1	4.4	-5.4	4.0	13.9	11.1	5.7	-2.1	1.1
10. Business Expectations Index on Selected Economic Indicators: Next Quarter																						
P/\$ Exchange Rate	11.2	21.9	37.9	34.8	29.0	-0.3	-3.4	-19.5	-13.2	-11.6	4.1	4.2	4.7	6.7	24.7	20.8	14.1	16.3	31.5	9.8	12.8	16.0
Inflation Rate	4.1	5.5	9.5	3.0	17.3	42.3	48.8	25.2	12.2	15.0	15.7	25.1	22.6	18.6	12.3	6.5	23.5	34.8	29.2	18.2	14.1	18.3
Peso Borrowing Rate	-4.9	-2.3	3.2	-3.2	-8.3	15.9	32.3	23.0	7.3	4.6	5.8	12.8	15.5	10.2	8.8	2.3	11.7	16.5	12.8	7.0	1.1	4.8
11. Percentage Distribution of Respondent Firms by Employment Size																						
Small (<100)	33.9	34.2	33.7	32.9	35.6	36.4	35.9	36.2	41.6	41.6	39.9	39.9	41.2	40.8	40.2	40.8	39.2	40.0	39.3	37.0	36.1	34.2
Medium (100-<500)	37.1	33.2	35.0	34.6	35.8	34.9	32.7	32.9	33.5	33.3	32.9	34.5	34.7	35.6	34.9	34.2	34.8	35.1	36.4	36.2	35.8	37.4
Large (500 & up)	17.0	18.0	20.1	19.6	16.1	14.6	16.8	17.7	13.6	13.7	13.9	14.1	13.2	13.6	14.4	14.9	15.1	13.8	13.5	15.0	15.5	16.1
No Response	12.0	14.7	11.2	13.0	12.5	14.1	14.7	13.1	11.3	11.4	13.3	11.6	11.0	10.0	10.4	10.1	10.8	11.0	10.8	11.8	12.7	12.3
12. Distribution of Respondent Firms by Sector																						
All Sectors	765	757	732	772	864	891	928	936	1062	1094	1059	1046	1215	1225	1219	1225	1275	1307	1244	1235	1248	1264
Industry	287	279	292	281	327	321	344	327	323	338	321	325	325	341	335	348	376	378	366	359	384	375
Construction	22	20	20	22	33	40	37	50	53	58	51	53	61	73	65	70	75	88	71	79	74	86
Wholesale and Retail Trade	265	262	237	270	279	297	317	323	374	377	377	358	428	416	424	415	428	429	405	388	421	415
Services	191	196	183	199	225	233	230	236	312	321	310	401	395	395	392	396	396	412	402	409	369	388
Financial Intermediation	48	48	46	50	51	50	52	54	64	62	59	62	69	81	77	81	76	84	85	84	80	81
Hotels and Restaurants	17	16	13	15	18	19	21	19	32	32	35	30	50	53	51	54	62	63	59	62	48	47
Renting and Business Activities	45	38	34	41	52	55	54	55	65	69	76	69	83	79	78	76	69	75	69	68	75	78
Real Estate and Renting	29	30	29	28	35	37	33	34	43	45	35	42	70	60	62	61	64	62	61	70	51	60
Community and Social Services	24	26	24	25	32	32	32	29	34	35	30	32	60	56	64	60	60	62	63	61	54	55
Transportation	28	38	37	40	37	40	38	45	74	78	75	75	69	66	63	60	65	66	65	64	61	67



Business Expectations Survey

Business Outlook Index on the Macroconomy

by Type of Business

	Current Quarter																				Next Quarter																											
	2007				2008				2009				2010				2011				2012				2007				2008				2009				2010				2011				2012			
	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	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Importer	39.5	49.4	47.5	45.1	36.8	15.6	-17.4	0.7	-26.1	-6.7	10.9	15.2	43.2	37.4	38.7	53.2	50.3	36.5	39.8	47.8	44.0	47.9	40.7	44.8	59.6	43.2	50.4	9.8	26.6	0.0	-9.2	16.8	43.6	31.4	50.0	46.3	55.3	49.4	62.4	39.2	55.0	42.7	56.0	46.9				
Exporter	24.4	37.5	4.2	24.2	3.5	8.6	-6.8	3.3	-39.8	-6.1	7.2	13.6	33.7	46.6	43.2	24.2	45.3	36.0	26.1	17.1	19.1	37.2	39.0	37.5	6.3	31.8	22.4	33.3	6.8	8.7	-10.8	6.1	6.0	19.8	57.3	60.2	44.3	31.6	55.8	48.8	34.8	27.6	42.6	44.7				
Both (Import and Exporter)	38.9	50.0	41.5	36.8	9.3	0.7	-9.4	-4.1	-24.7	-8.4	21.8	20.8	37.1	52.4	48.8	40.7	42.5	35.3	32.0	24.8	30.8	39.1	51.1	44.2	42.5	37.6	19.6	13.7	14.5	10.1	-7.4	9.0	33.3	35.2	50.3	54.8	60.1	49.7	62.0	36.3	50.9	32.9	54.9	45.5				

Number of Respondents

	Current Quarter																				Next Quarter																											
	2007				2008				2009				2010				2011				2012				2007				2008				2009				2010				2011				2012			
	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	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Importer	81	87	99	111	125	122	109	138	119	119	110	105	162	147	150	156	181	189	169	157	218	211	106	11.5	13.5	14.4	14.5	13.7	11.7	14.7	11.2	10.9	10.4	10.0	13.3	13.3	12.3	12.7	14.2	14.5	13.6	12.7	17.5	16.7				
Exporter	41	40	48	66	81	88	92	83	82	83	81	89	89	95	86	96	69	76	69	94	5.4	5.3	6.6	8.5	9.8	9.1	9.5	9.8	7.6	7.5	7.8	7.7	7.3	7.3	7.2	7.8	6.7	6.6	5.5	6.2	5.4	7.4						
Both (Import and Exporter)	90	86	106	117	140	141	147	145	162	178	156	159	175	166	188	177	179	171	175	161	206	202	11.8	11.4	14.5	15.2	16.2	15.8	15.8	15.5	15.3	16.3	14.7	15.2	14.4	14.4	13.8	14.4	14.0	13.1	14.1	13.0	16.5	16.0				
Neither Importer nor Exporter	194	209	245	228	328	329	340	316	451	413	387	379	595	584	612	553	592	644	584	552	534	589	25.4	27.6	33.5	29.5	36.0	36.9	36.6	33.8	42.5	37.8	36.5	36.2	49.0	49.0	50.2	45.1	46.4	49.3	46.8	44.7	42.8	46.6				
Not Specified	359	335	234	250	186	219	244	245	247	302	323	322	194	240	201	244	237	217	247	269	222	168	46.9	44.3	32.0	32.4	21.5	24.5	26.3	25.2	23.3	27.6	30.5	30.8	15.0	15.0	16.5	19.9	18.6	16.6	19.9	23.4	17.8	13.3				
Total	795	757	732	772	864	891	928	936	1062	1094	1059	1046	1215	1225	1219	1225	1275	1307	1244	1235	1248	1264	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0				

Business Outlook Index on the Macroconomy

	Current Quarter																				Next Quarter																											
	2007				2008				2009				2010				2011				2012				2007				2008				2009				2010				2011				2012			
	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	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Small (<100)	41.7	43.2	33.6	43.2	29.2	10.5	-19.2	-5.9	-19.0	-4.8	16.8	16.3	32.8	31.7	34.5	43.4	37.8	27.5	30.4	33.0	32.7	38.4	51.7	43.2	53.8	43.2	39.9	17.3	14.1	-2.1	1.6	19.1	34.3	30.5	46.4	40.5	55.3	50.4	53.0	29.8	53.3	39.4	46.9	39.3				
Medium (100-500)	41.5	37.8	42.2	45.8	22.0	16.4	-3.6	6.8	-19.9	3.8	19.5	23.8	40.3	45.3	41.8	55.6	44.6	29.2	29.0	38.7	37.1	44.4	44.4	43.8	48.8	40.7	39.2	24.1	15.2	8.8	-7.9	14.3	37.9	32.4	51.4	44.6	57.0	53.2	58.8	31.4	56.5	40.5	53.7	41.8				
Large (500 & up)	42.3	54.4	39.5	53.0	30.9	15.4	-5.1	-20.5	-29.2	2.0	29.4	32.7	50.6	53.3	59.1	61.0	56.0	43.1	46.5	39.5	47.2	53.6	50.0	43.4	55.1	44.4	46.0	29.2	18.6	-3.0	-4.2	5.3	32.7	40.8	57.5	56.3	69.9	50.0	69.4	41.4	56.5	38.4	59.1	53.6				

Number of Respondents

	Current Quarter																				Next Quarter																											
	2007				2008				2009				2010				2011				2012				2007				2008				2009				2010				2011				2012			
	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	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Small (<100)	259	259	247	254	308	324	333	339	442	455	423	417	500	499	490	500	500	523	484	457	450	427	33.9	34.2	33.7	32.9	35.6	36.4	35.9	36.2	41.6	41.6	39.9	39.9	41.2	41.2	40.2	40.8	39.2	40.0	38.9	37.0	36.1	33.8				
Medium (100-500)	284	251	256	267	309	311	303	308	356	364	348	361	420	437	426	419	444	459	451	447	447	455	37.1	33.2	35.0	34.6	36.8	34.9	32.7	32.9	33.5	33.3	32.9	34.5	34.6	34.6	34.9	34.2	34.8	36.1	36.3	36.2	35.8	36.0				
Large (500 & up)	130	136	147	151	159	130	156	166	144	150	147	147	163	167	176	182	193	181	188	185	193	196	17.0	18.0	20.1	19.6	16.1	14.6	16.8	17.7	13.6	13.7	13.9	14.1	13.2	13.2	14.4	14.9	15.1	13.8	13.5	15.0	15.5	15.5				
Not Specified	92	111	82	100	108	126	136	123	120	125	141	121	135	122	127	124	138	144	141	146	158	186	12.0	14.7	11.2	13.0	12.5	14.1	14.7	13.1	11.3	11.4	13.3	11.6	11.1	11.1	10.4	10.1	10.8	11.0	11.3	11.8	12.7	14.7				
Total	785	757	732	772	864	891	928	936	1062	1094	1059	1046	1215	1225	1219	1225	1275	1307	1244	1235	1248	1264	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0				