

Consumer Expectations Survey¹

Second Quarter 2016

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Consumer Confidence is Broadly Steady for Q2 2016

Nationwide Consumer Outlook

Overall Consumer Outlook Index
Philippines



Consumer sentiment is largely unchanged for Q2 2016...

Consumer outlook was broadly steady for Q2 2016, even as the confidence index (CI)² showed a marginal decline to -6.4 percent from -5.7 percent for Q1 2016. The current quarter consumer confidence, while remaining negative, was the second³ highest reading since the nationwide survey started in Q1 2007. This indicates that the pessimists continued to outnumber the optimists, but the margin, while increasing slightly, remained narrow. Respondents attributed their sustained outlook during the current quarter to the following reasons: (a) increase in the number of employed family members, (b) increasing family income due to higher salary and stronger business activity, (c) lower household expenses as well as debt payments, and (d) improvements in the peace and order situation. The other factors cited by respondents that helped maintain their confidence for the current quarter were assistance from government such as the Pantawid Pamilyang Pilipino Program (4Ps), and the coming change of administration as well as election of new government officials. Their positive sentiments were however counterbalanced by the adverse effects of El Niño on crop production which resulted in poor harvest. The outlook of consumers in the Philippines mirrored the steady sentiment of consumers in Austria, Belgium, Netherlands and Czech Republic but was in

¹ The Consumer Expectations Survey (CES) is a quarterly survey of a random sample of about 5,000 households in the Philippines. Results of the CES provide advance indication of consumer sentiments for the current and the next quarters and the year ahead as reflected in the overall CI, as well as in selected economic indicators.

² The CI is computed as the percentage of households that answered in the affirmative less the percentage of households 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, the peso-borrowing rate, unemployment and change in prices, where a positive CI indicates the opposite. The overall consumer CI measures the average direction of change in three indicators - overall condition of the economy, household finances, and household income. (See Technical Notes for the definition of terms.)

³ The highest CI of 5.7 percent was recorded in both Q2 2013 and Q1 2016 CES.

contrast to the less favorable sentiment of consumers in Indonesia, Japan, South Korea, Taiwan, Thailand and United States and to the improved views of those in Australia, Canada, China, Euro Area and United Kingdom for Q2 2016.⁴

... declines for the next quarter but rises for the year ahead.

For the next quarter (Q3 2016), consumer sentiment turned less optimistic as the CI declined to 5.6 percent (from 9.1 percent in the previous quarter's survey), but improved for the year ahead to 26.6 percent (from 25.4 percent for Q1 2016). According to respondents, their less sanguine outlook for the next quarter stemmed from expectations of lower harvests, slower business activities during the rainy season and expectations of higher expenses for their children's education (i.e., tuition fees, school supplies, and student allowances). For the year ahead, consumers attributed their more optimistic outlook to the change in administration as well as the election of new government officials, expected improvements in the peace and order situation, and availability of more jobs (both local and abroad).

Consumer confidence weakens on the economic condition of the country but improves on family finances and income.

Consumer confidence is measured across three component indicators, namely, the country's economic condition, family financial situation and family income. For Q2 2016, consumer outlook on the country's economic condition weakened. However, this was offset by the improved sentiment on family finances and income which registered all-time high CIs at -4.4 percent and 0.9 percent, respectively, since Q1 2007. Consumers cited additional income, more working family members and brisker business as reasons for their optimism.

Conversely, the next quarter (Q3 2016) consumer confidence on family financial situation and family income turned less favorable but that on the economic condition of the country improved. For the year ahead, optimism prevailed among consumers as their outlook on the economic condition of the country turned more buoyant (CI at 28.6 percent) while their positive sentiments on family finances and income registered record highs at 24.9 percent and 26.3 percent, respectively, since the start of the nationwide survey in Q1 2007.

Consumer outlook across income groups is mixed for the current quarter and the year ahead.

Consumer outlook was mixed across income groups for the current quarter and the year ahead.⁵ The low- and middle-income groups both registered a weaker outlook for the current quarter while that of the high-income group remained steady. For the year ahead, the sentiment of the low-income group was more optimistic while the middle- and high-income groups' view was less sanguine. For the next quarter, however, consumer confidence was lower across all income groups.

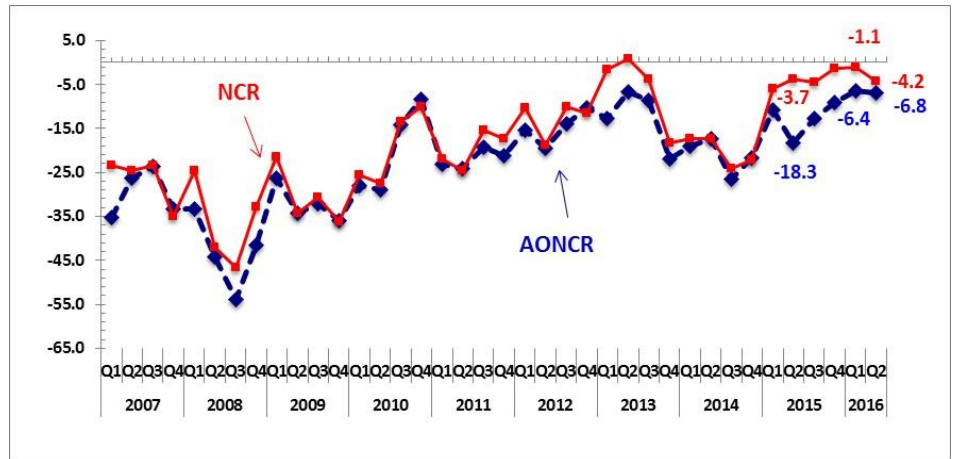
⁴ <https://www.conference-board.org/data/consumerconfidence.cfm>, <http://www.roymorgan.com/morganpoll/consumer-confidence>, <http://www.tradingeconomics.com/>, and http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm

⁵ Low-income group refers to households with monthly family income of less than ₱10,000; middle-income group, ₱10,000 – ₱29,999; and high-income group, ₱30,000 and over.



NCR and AONCR Consumer Outlook

Current Quarter Consumer Outlook Index for NCR and AONCR



Consumer sentiment in AONCR is broadly steady but weakens in NCR.

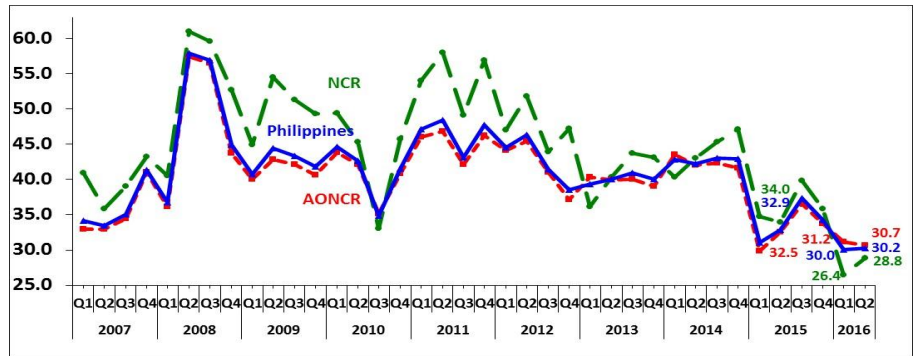
Consumer sentiment in the NCR declined for the current quarter. The less buoyant outlook of consumers on the country’s economic condition pulled down the broadly steady outlook on family financial situation and income for the same period. For the succeeding quarters, consumer outlook followed the national trend—less favorable for the next quarter but improving for the year ahead.

Consumer confidence in areas outside NCR (AONCR) was broadly steady for the current quarter but declined for the next quarter, similar to the national trend. The broadly steady outlook of consumers for the current quarter is due largely to the improved outlook of consumers on family finances and income even as sentiment on economic condition of the country declined. For the next quarter, the less sanguine outlook on family finances and income outweighed the more optimistic view on the economic condition of the country. The steady outlook of consumers on family finances and income prevailed over the more optimistic outlook on the country’s economic condition for the year ahead.



Expenditures on Basic Goods and Services

Confidence Index: Expenditures Next Quarter



The positive spending outlook on basic goods and services remains steady for Q3 2016.

The spending outlook index of households on basic goods and services held steady at 30.2 percent for Q3 2016. This indicates that respondents who expect to spend more on goods and services outnumbered those who said otherwise, but the number that said so remained nearly unchanged compared to the previous quarter’s survey.

Across commodity groups, more respondents expected an increase in expenditures on transportation; fuel; water; education, recreation and culture; electricity; clothing and footwear; and personal care and effects while fewer respondents anticipated an increase in expenditures on medical care, food, and restaurant and cafes. Meanwhile, the spending outlook was broadly steady for house rent and communication.

By area, consumer spending is expected to increase in NCR but to remain steady in AONCR.

Expenditures on big-ticket items: consumer durables, motor vehicles, and housing

Buying condition for big-ticket items remains steady for Q2 2016 ...

Respondents considered the current quarter as a favorable time to buy big-ticket items but the number that said so was broadly steady at 28.9 percent. The outlook on buying conditions was almost unchanged for consumer durables and motor vehicles, but weakened for real estate.

By geographical area, the outlook on buying conditions for big-ticket items in NCR was less favorable as respondents prioritized their spending on basic goods and services over expenditures on big-ticket items. Meanwhile, the buying condition sentiment in AONCR remained steady.

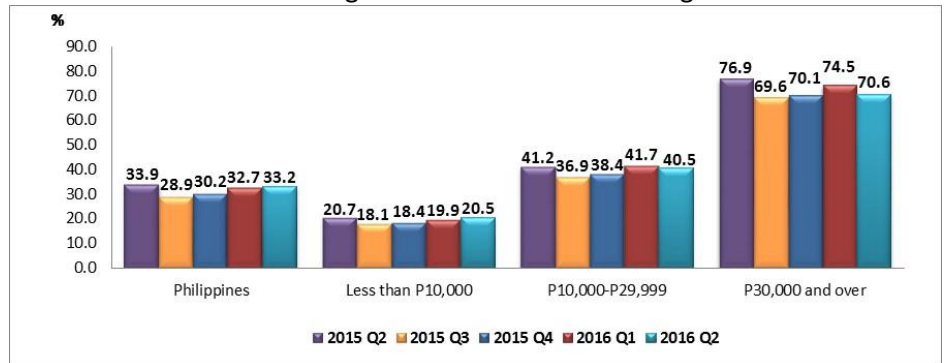


...while buying intentions decline for the next 12 months.

Buying intentions of respondents for the year ahead declined across the three big-ticket items compared to the previous quarter’s survey results. By area, buying intentions of respondents in NCR declined for consumer durables, increased for motor vehicles and was broadly steady for real estate while those in the AONCR mirrored the national trend.

Savings Behavior⁶

Percentage of Households with Savings



The percentage of households with savings slightly increases for Q2 2016.

For Q2 2016, the percentage of households with savings slightly increased to 33.2 percent (from 32.7 percent a quarter ago). Households with savings increased among the low-income group but decreased for both the middle- and high-income groups. According to respondents, they save money for the following reasons: (a) emergencies, (b) retirement, (c) health and hospitalization, (d) education, and (e) business capital and investment.

Nearly two-thirds (65.9 percent) of household savers had bank deposit accounts while 47 percent kept their savings at home and 26.4 percent put their money in cooperatives, *paluwagan*, other credit/loan associations,⁷ SSS, and as investment (e.g., insurance).

The percentage of respondents who reported that they could set aside money for savings during the current quarter slightly improved to 39.3 percent (from 38.9 percent in Q1 2016). However, the proportion of those that could set aside 10 percent or more of their monthly gross family income declined to 36.9 percent (from 38.9 percent for Q1 2016).

⁶ Beginning Q2 2013, questions on family savings were added to provide additional information on households’ financial assets and their access to financial institutions.

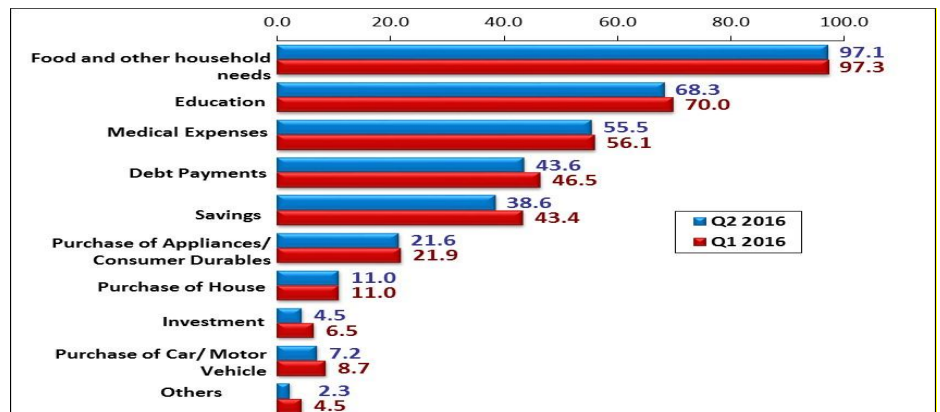
⁷ *Cooperatives* are duly registered associations of at least fifteen (15) persons with a common bond of interest who voluntarily join together to achieve a lawful common social and economic end. *Associations* are organizations of people with a common purpose and having a formal structure. *Paluwagan* refers to an organization that pools the participants’ money, by means of daily, weekly, or monthly collections to be collected by a leader. The participants will cast lots to determine the order by which each of the members will receive the pooled money.

Selected Economic Indicators

Consumers expect inflation to slightly increase, interest rates to go up and the exchange rate to appreciate in the year ahead.

Respondents anticipated inflation to slightly increase to 3.4 percent from 3.3 percent a quarter ago. This means that consumers expected that the rate of increase in commodity prices will be modest over the next 12 months and that inflation expectations are likely to remain well anchored to the inflation target. Respondents are also of the view that the peso would appreciate against the US dollar over the next 12 months. Meanwhile, more respondents (than those who said otherwise) expected interest rates to increase but the number that said so declined, with the interest rate index reaching its lowest level (at 21.2 percent since Q1 2007). Similarly, the unemployment index was lower at 22.6 percent from 31.1 percent in the last quarter’s survey. Notably, the unemployment index for Q2 2016 registered the second lowest reading since the nationwide survey in Q1 2007, which could indicate improving labor conditions.

Expenditures of Overseas Filipino Workers (OFWs)



OFW households that utilize their remittances for savings and investment decrease for Q2 2016.

Of the 555 households included in the survey that received OFW remittances for Q2 2016, 97.1 percent used the remittances that they received to purchase food and other household needs. The proportion of OFW households that said so as well as those that allotted part of their remittances for medical expenses (55.5 percent), purchase of consumer durables (21.6 percent), and purchase of house (11 percent) remained steady but decreased for education (68.3 percent), debt payments (43.6 percent), savings (38.6 percent), investment (4.5 percent), purchase of motor vehicles (7.2 percent) and other miscellaneous expenses (2.3 percent). The decline in the percentage of households that allotted remittances for savings could be due to their expected increase in expenditures on basic goods and services.

By geographical area, a bigger percentage of OFW households in NCR used their remittances for medical expenses, debt payments, savings, purchase of consumer durables and house compared to their counterparts in AONCR.

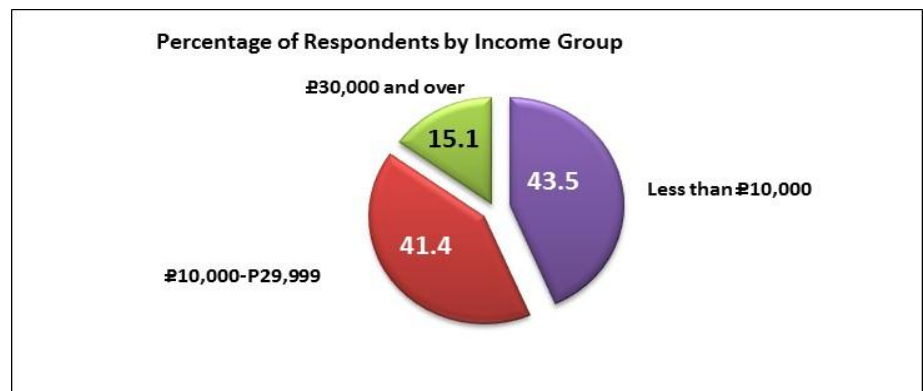


About the Survey

A total of 5,754 households nationwide participated in the survey. The Consumer Expectations Survey (CES) started in Q3 2004 covering the NCR only. Beginning Q1 2007, the BSP expanded the survey’s scope to cover the whole country.

The Q2 2016 CES was conducted during the period 4 – 16 April 2016. The CES samples were drawn from the Philippine Statistics Authority (PSA) 2003 and 2013 Master Sample List of Households, which is considered a representative sample of households nationwide. The CES sample households were generated using a stratified multi-stage probability sampling scheme. It has a sample size of 5,961 households, of which 3,081 (51.7 percent) were from NCR and 2,880 (48.3 percent) from AONCR.

Of the sample size, 5,754 households responded to the survey, equivalent to a response rate of 96.5 percent (from 97.7 percent in the last quarter’s survey). The respondents consist of 2,987 households in NCR (with 96.9 percent response rate) and 2,767 households in AONCR (with 96.1 percent response rate). About 43.5 percent of the respondents were from the low-income group, 41.4 percent from the middle-income group, and 15.1 percent from the high-income group.



TECHNICAL NOTES

The overall consumer confidence index is computed as the average of the three indices, namely:

1. Economic Condition refers to the perception of the respondent regarding the general economic condition of the country.
2. Family Financial Situation refers to the level of household income in cash as well as in kind, savings, outstanding debts, investments and assets.
3. Family Income includes primary income and receipts from other sources received by all family members as participants in any economic activity or as recipients of transfers, pensions, grants, and the like.

