

## **BUSINESS EXPECTATIONS SURVEY**

### **1. *What is the Business Expectations Survey?***

The Business Expectations Survey is one of the quarterly surveys conducted by the Bangko Sentral ng Pilipinas (BSP) particularly the Department of Economic Statistics (DES). The survey is a statistical tool that makes use of opinion-testing techniques to collect facts from entrepreneurs about business conditions in their own companies. It is likewise a means of obtaining information about entrepreneurs' views on the general business situation in their own industry and on the national economy.

The Business Expectations Survey (BES) uses a stratified random sampling design using corporations from the SEC's Top 7000 Corporations (ranked based on gross revenues) as sampling units. It covers National Capital Region (NCR) and Areas Outside NCR (the other 15 regions of the country) and 12 industry sub-groups namely: (a) Group I: 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 Sector, which consists of financial intermediation, real estate, renting and business activities, hotels and restaurants, transport, storage and communications and community, social and personal services, using the 1994 Philippine Standard Industrial Classification (PSIC).

### **2. *What are the objectives of BES?***

Given its forward-looking nature, data generated from the survey are intended to provide decision makers and other stakeholders with supplemental indicators for short-term planning, forecasting, risk management and surveillance activities. In the case of the BSP, results of the BES provide monetary authorities with advanced information on the current and near-term economic and business conditions, and other indicators of aggregate demand that are useful inputs for the formulation of monetary policy. The BES presents the perception of different groups on current and near-term business condition including levels of production and economic activity as well as factors that could influence the movement of key economic variables namely, Gross Domestic Product (GDP), interest rate, peso/dollar exchange rate and inflation rate.

### **3. *What are the uses of BES?***

The BES is used, among others, to:

- get advanced information on the short-term outlook and on turning points in the business cycle;
- serve as basis for forecasting short-term business cycles;
- complement quantitative economic indicators;

- generate business expectations on key statistical indicators namely: exchange rate, inflation and peso borrowing rates; and
- use as inputs by the BSP in its monetary policy settings specifically in the inflation expectations of the businesses.

#### **4. How did the BES evolve?**

In 1986, the Bangko Sentral ng Pilipinas (BSP) initiated the conduct of a semestral Survey of Business Expectations to respond to the growing need to feel the pulse of the business industry. The survey was intended primarily to provide the Monetary Board with indicators on the current and prospective outlook of the business sector. The survey was designed to generate quantitative measures of projected semi-annual percentage changes in selected business variables (net sales/revenues, cost of production/sales, current assets/liabilities, among others) that can be used as indicators of general business conditions and tendencies. The survey covered three half-year periods: previous, current and next semesters and was conducted in Metro Manila only. A sample size of 300 was drawn from the Securities and Exchange Commission's (SEC's) list of top 1000 corporations in the Philippines.

Beginning in the second quarter of 2001, the BSP, funded by technical assistance from the Asian Development Bank (ADB), enhanced and strengthened the BES to harmonize it with other tendency surveys conducted in selected Asian countries thereby facilitating inter-country comparison. As a result, the questionnaire was revised to incorporate a core set of standard questions, and the methodology was changed to make it consistent with those of other countries in the region. The core questions were revised to provide qualitative indicators of the expected performance of the business sector that would indicate whether it is anticipating an "improving", "unchanged", or "worsening" business condition. In addition, the survey sought to get the perceptions of the businesses regarding the short-term prospects of the economy as well as the movements of key economic indicators. Moreover, the frequency and reference periods were revised from semestral to quarterly to make the survey more useful as a leading indicator. The harmonized BES was conducted in Metro Manila using a stratified random sampling of 510 sample firms across four major industry groups and 12 industry sub-groups drawn from the Securities and Exchange Commission's list of Top 3000 Corporations published in 2000.

Starting in the fourth quarter of 2003, the BES coverage was expanded to include regions outside the National Capital Region (NCR), namely Regions I, VII and XI. Beginning in the third quarter of 2004, two more regions were included in the survey, i.e, Regions III and IV. To date, the quarterly BES is conducted nationwide among 17 regions in the country with around 1,600 sample firms drawn from SEC's list of Top 7,000 corporations. From a 31 percent response rate at the start of the harmonized BES in NCR during the second quarter of 2001, the average nationwide response rate has improved to 73 percent.

## CONSUMER EXPECTATIONS SURVEY

### 1. *What is the Consumer Expectations Survey?*

The Consumer Expectations Survey (CES) is a statistical tool that makes use of opinion-testing techniques to collect information from households about consumer sentiments, including consumer views on buying and financial conditions, as well as the performance of the national economy.

### 2. *What are the objectives of CES?*

Given its forward-looking nature, data generated from the survey are intended to provide decision makers and other stakeholders with supplemental indicators for short-term planning, forecasting, risk management and surveillance activities. In the case of the BSP, the results of the CES provide monetary authorities with advanced information on current and near-term consumer tendencies on consumer financial and buying conditions, as well as other economic information that could influence the movement of key economic indicators such as GDP, interest rate, peso/dollar exchange rate and inflation rate. The CES results also include information on the number of households with an Overseas Filipino Worker (OFW) as member and the utilization of OFW remittances.

### 3. *What are the uses of CES?*

The CES is used, among others, to:

- obtain advanced information on the short-term outlook of households and turning points in their spending patterns;
- provide basis for analyzing particular issues on the consumer behavior across income groups, especially on those receiving remittances from Overseas Filipinos;
- serve as an indicator of inflation, as indicated by the households' capacity to purchase goods and services.

### 4. *How did the CES evolve?*

The CES was part of the BSP's project to establish a mechanism to set the pulse of the consuming public. It was intended to complement the BES. Thus, in April 2004, the BSP, in cooperation with the National Statistics Office (NSO) and with technical expertise provided by the UFJ Institute, held a technical workshop on the CES to formulate the questions that shall be used in the survey. Utilizing the National Capital Region (NCR) sample respondents from the NSO, the pilot CES was conducted during the third quarter of 2004. After adjustments had been made in the pilot survey, the first official conduct of the CES was done in the fourth quarter of 2004.

Starting in the first quarter of 2007, the CES was expanded nationwide with additional samples drawn from areas outside NCR (AONCR). The design of the CES used the 2003 National Statistics Office's Master Sample (MS) for households, thus, the stratified multi-stage sampling design of the MS applies. The households interviewed were drawn from the MS, which is considered a representative sample of households nationwide. The nationwide sample size is about 5,000 households allocated at approximately 2,500 households each for the NCR and the AONCR. The average nationwide survey response rate is 96.0 percent.