BUSINESS EXPECTATIONS SURVEY

1. What is the Business Expectations Survey?

The Business Expectations Survey (BES) 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. Moreover, 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. The BES variables are represented by business confidence indices (C.I.) 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. CIs are computed for the current and next quarters, in national/aggregate levels as well as in sub-categories: by region and by industry.

For 2018, the BES uses the stratified random sampling design covering corporations from the combined list of the Securities and Exchange Commission’s (SEC) Top 7,000 Corporations in 2010 and Business World’s Top 1,000 corporations in 2016 (ranked based on gross revenues) as sampling units. In particular, the top corporations are subdivided into 204 strata classified by region—NCR and Areas Outside NCR (the other 16 regions of the country)—and by 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: 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; and (d) Group IV: Wholesale and Retail Trade. Beginning Q1 2012, industry classification of companies shifted from the 1994 Philippine Standard Industrial Classification (PSIC) to the 2009 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 advance 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.

1 In the sampling design, Regions 4A and 4B were combined into one region.
3. **What are the uses of BES?**

The BES is used, among others, to:

- get advance 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.

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

In 1986, the 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. Initially, a sample size of 300 was drawn from the Securities and Exchange Commission’s (SEC’s) list of top 1,000 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 forward-looking and qualitative indicators on business sentiments (whether it is anticipating an “improving”, “unchanged”, or “deteriorating” business condition) instead of quantitative measures of projected business variables. The survey was enhanced to include 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 of data gathering was revised from semestral to quarterly and the sample size coverage in Metro Manila was extended to 510, from the initial 300 sample firms, across four major industry groups and 12 industry sub-groups which were drawn from the Securities and Exchange Commission’s list of Top 3,000 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. Meanwhile, beginning Q4 2006, the quarterly BES is conducted nationwide among 16 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 BES in NCR during the second quarter of 2001, the average nationwide response rate has improved to 82.4 percent in Q4 2018.

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 on family income and financial conditions as well as on economic condition of the country during the current quarter, for the next quarter and the year ahead. It also gathers outlook on buying conditions during the current quarter and buying intentions for the next twelve months. Similarly, it provides year-ahead outlook on key economic indicators such as inflation, interest rates, peso/dollar exchange rate and unemployment. The CES covers consumers in both the National Capital Region (NCR) and areas outside NCR (AONCR), and also includes information on the number of households with an Overseas Filipino Worker (OFW) as member and their utilization of OFW remittances. Beginning Q1 2013, the CES generates savings outlook of the households during the current quarter. These include households with outstanding savings, reasons for savings, where they kept their savings as well as percentage of their monthly gross family income that they could set aside for savings. In Q2 2018, the CES was further expanded to include variables for the current quarter on buying intention on house and/or lot, household experience in receiving money transferred by OFWs, and debt situation, which includes households with outstanding debt, types of loans availed, types of collaterals used for loan, loan providers, principal loan amount, monthly amortization, loan payment status and annual interest rate. Respondents’ debt situation outlook is also available for the next quarter and next 12 months.

The CES adopts the sampling design of the Labor Force Survey (LFS) of the Philippine Statistics Authority (PSA). The CES samples were drawn from the PSA Master Sample (MS) for household surveys, which is considered a representative sample of households nationwide. The sample households were generated using a stratified multi-stage probability sampling scheme.
About 5,000 sample households were covered in the quarterly CES equally allocated at approximately 2,500 households each for the NCR and for areas outside the NCR (AONCR). The average nationwide survey response rate in Q4 2018 is about 96.5 percent.

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 advance information on current and near-term along with the year ahead consumer tendencies on family income and financial conditions as well as on economic condition of the country and buying conditions/intentions of the households.

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

The CES is used, among others, to:

- obtain advance information on the short-term outlook of households (on the macroeconomy and their financial situation) including income and savings;
- provide basis for analyzing particular issues on consumer behavior across income groups, especially on those receiving remittances from Overseas Filipinos;
- serve as an indicator of inflation, as indicated by the households’ intention to purchase basic goods and services as well as big-ticket items; and
- serve as an indicator of exchange rate and interest rate movements.

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

The CES was part of the BSP’s project to establish a mechanism to get 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. Beginning in the first quarter of 2007, the CES scope was expanded to cover the whole country to include households from areas outside NCR (AONCR).