Business and Consumer Expectations Surveys in the Philippines

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Outline of Presentation

Business Expectations Survey (BES)

Business Expectations Survey
Objectives

- To provide supplemental indicators for short-term planning, forecasting, risk management and surveillance activities for decision makers and other stakeholders

- To 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

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Business Expectations Survey

Uses

- 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

- Use as inputs by the BSP in its monetary policy settings

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Business Expectations Survey
Methodology

- Sampling Frame – Securities and Exchange Commission (SEC's) Top 7000 Corporations and Business World's Top 1000 Corporations

- Grouped according to industry sub-sector defined in the 2009 Philippine Standard Industrial Classification (PSIC)

- Stratified random sampling

- Sample Size: around 1,500 firms

- Frequency: Quarterly

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Business Expectations Survey
Data Collection

- Self-administered questionnaire

- Sent through email or fax to the contact person of the sample firms

- Sent every first week of the first month of the reference quarter

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Business Expectations Survey

Questionnaire

- 2-page questionnaire in Excel format containing at most 26 questions

- Has 4 types of questionnaires:

  - For Industry Sector (Manufacturing, Agriculture, Fishery and Forestry, Mining and Quarrying, and Electricity, Gas and Water)

  - For Construction Sector

  - For Services Sector (Business Activities, Community and Social Services, Hotels and Restaurants, Financial Intermediation, Real Estate and Renting Activities, and Transportation, Communications and Storage)

  - For Wholesale and Retail Trade Sector

  - Reference period:

  —previous quarter, current quarter, and the next quarter

Business Expectations Survey

Questionnaire

Comprise of 6 parts:

Part I.   Over- all Business Outlook

Part II.   Present Tendencies

Part III.   Limiting Factors

Part IV.   Future Tendencies

Part V.   Economic Indicators

Part VI.   Respondent Profile

Business Expectations Survey

Questionnaire

I. Overall Business Outlook – *refers to the expectations on how well the economy will perform in the current and next quarters of the reference year*

II. Present Tendencies

What is GENERALLY your company's experience with respect to the following variables compared with the previous quarter?

1. Volume of business activity/production
2. Volume of Total Order Book
3. Volume of Export Order Book
4. Volume of Import Order
5. Volume of Stocks
6. Capital Expenditures
7. Average Sellin Price
8. Net income
9. Business Conditions
10. Financial Conditions
11. Access to Credit
12. Capacity Utilization
13. Number of employees

Business Expectations Survey
Questionnaire

III. **Limiting Factors** – *these are the factors that limits the firm's ability to increase business activity. These are:*

a. high interest rate
b. financial problem
c. insufficient demand
d. access to credit
e. lack of equipment
f. lack of material input
g. unclear economic laws
h. competition (foreign and domestic)
i. labor problems

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Business Expectations Survey
Questionnaire

IV. Future Tendencies

What <u>CHANGES</u> in your company do you expect for the third quarter of reference year compared with the second quarter of the reference year, with respect to the following variables:

1. Volume of business activity
2. Volume of export/import order book
3. Business Conditions
4. Average selling price
5. Number of people employed
6. Expansion plans

Business Expectations Survey

Questionnaire

V. Economic Indicators

What are your company's expectations with respect to the following:

1. Average peso borrowing rate
2. Average (P/$) exchange rate
3. Inflation rate

VI. Respondent Profile

1. Type of business (importer, exporter, both importer/exporter, domestic oriented)
2. Company name
3. Product line
4. Company address
5. Name of respondent
6. Position
7. Telephone / fax number
8. E-mail address
9. Signature

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Business Expectations Survey
Analysis of Survey Results

- Confidence index (CI)
  - 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

Business Expectations Survey

Analysis of Survey Results

Indicators Generated
Overall business outlook index on the macroeconomy, by area, by type of business and by size of employment (current quarter and next quarter)
Business outlook index on the macroeconomy by sector (current quarter and next quarter)
Business outlook index on own operations (current quarter)
Volume of Business Activity Index
Volume of Total Order Book Index
Credit Access Index
Financial Conditions Index
Average Capacity Utilization
Business outlook index on own operations (next quarter)
Volume of Business Activity Index
Employment Outlook Index
Expansion Plans – Manufacturing (in % total respondents)

Business Expectations Survey
Analysis of Survey Results

Indicators Generated
Business constraints (in % to total respondents), current quarter
Business outlook index on the macroeconomy by sector (current quarter and next quarter)
Business expectations index on selected economic indicators (current quarter and next quarter)
P/$ exchange rate
Inflation rate
Peso borrowing rate
Inflation rate expectations (in %)

Business Expectations Survey
Dissemination of Survey Results

- Press conference

- Press release in major newspapers

- BSP website:

   http://www.bsp.gov.ph/publications/regular_business.asp

- Email to survey respondents

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Issues and Challenges

Issue

- No legal mandate that would compel non-financial corporations (NFCs) to submit the accomplished questionnaire to the BSP

Challenges

- Explore other avenues to pursue and encourage the participation of NFCs such as:

    – Develop BES online survey forms which can be easily accessed by the responding business firms via an internet connection using their computers or Android mobile phones

    – Conduct company visits

Consumer Expectations Survey (CES)

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Consumer Expectations Survey
Objectives

- To provide quick and regular assessment of the financial condition of consumers and economic condition of the country from the consumers' point of view

- To generate forecasts of the direction of the country's economic activity

- To provide quick and regular assessment of consumers' outlook in terms of their income and expenditures

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Consumer Expectations Survey
Uses

- To obtain advance information on short-term outlook of households and turning points in their spending patterns

- To provide basis for analyzing consumer behavior across income groups as well as those receiving remittances from Overseas Filipinos

- To serve as indicator of inflation, as indicated by the households' capacity to purchase goods and services

Consumer Expectations Survey

Methodology

- Sampling Design: Stratified Multi-Stage Random Sampling

- Sampling Frame: Philippine Statistics Authority (PSA) Master Sample List of Households

- Sample Size   : About 5,000 households

- Frequency   : Quarterly

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Consumer Expectations Survey

Data Collection

- Subcontracted to the Philippine Statistics Authority (PSA)

- Personal interview with the respondent households

- Every first month of the reference quarter

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Consumer Expectations Survey

Questionnaire

- 11-page questionnaire

- Comprise of 5 parts:

    A. Demographic and Economic Characteristics

    B. Economic and Financial Outlook

    C. Economic Indicators

    D. Buying Conditions

    E. Savings Outlook

    - Reference period:
        —current quarter, next quarter and the next 12 months

24

Consumer Expectations Survey

Questionnaire

A. Demographic and Economic Characteristics
   1. Respondent's characteristics
   2. Household characteristics

  B. Economic and Financial Outlook

  1. Financial situation

  2. Economic condition of the country

  3. Reasons for their outlook

  C. Economic Indicators

  1. Unemployment rate

  2. Peso borrowing rate

  3. P/$ exchange rate

  4. Changes in prices

  5. Inflation Rate

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Questionnaire

D. Buying Conditions
1. Family income
2. Buying conditions (house and lot, consumer durables, motor vehicle)
3. Households expenditures

E. Savings Outlook

Consumer Expectations Survey
Analysis of Survey Results

- ## Confidence index (CI)
  - the difference between the percentage of consumers with a "positive outlook" against those with a "negative outlook" on a given indicator

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Consumer Expectations Survey

Analysis of Survey Results

Indicators Generated

Overall Consumer outlook index – average of 3 indicators- family financial situation, family income, and economic condition of the country (current quarter, next quarter, and in the next twelve months)

Economic condition, family financial situation and family income indices by area and by income group (current quarter, next quarter, and in the next twelve months)

Expenditure index of basic goods and services by area (next quarter)

Buying conditions index for big-ticket items by area

Buying intentions index for big-ticket items by area

Indices on selected economic indicators by area

    P/$ exchange rate

    Inflation rate

    Peso borrowing rate

    Unemployment rate

Utilization of Overseas Filipino Workers (OFW) remittances by area (in % to total OFW households)

Consumer Expectations Survey
Analysis of Survey Results

Indicators Generated
Percentage of households with savings by area and by income group (current quarter)
Percentage of households with savings by type of savings institution and by income group (current quarter)
Percentage of households that could set aside savings by area and by income group (current quarter)
Percentage of income allocated to savings by area and by income group (current quarter)

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Consumer Expectations Survey
Dissemination of Survey Results

- Press conference

- Press release in the major newspapers

- Posted at BSP website:

     http://www.bsp.gov.ph/publications/regular_consumer.asp

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Consumer Expectations Survey

Challenge

- Sustain high response rate

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