

CONSUMER EXPECTATIONS

I. BACKGROUND

Filipinos have different spending or buying patterns. Normally, differences and changes in these patterns are largely affected by their perception of several factors such as the economic condition of the country, the consumers' family financial situation and family income. Statistical information as to how extensive has these factors influenced the spending tendencies of Filipino consumers is made available based on the results of the Consumer Expectations Survey (CES) conducted quarterly by the Bangko Sentral ng Pilipinas (BSP).

Definition. Consumer Expectations Survey (CES) is defined as 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.

Objectives. The survey is intended to provide decision makers and other stakeholders with supplemental indicators for short-term planning, forecasting, risk management and surveillance activities.

With BSP, the results of the CES provide monetary authorities with advanced information on current and near-term

conconsumer 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.

Purpose. The CES is used for the following specific purposes: a) to obtain advanced information on the short-term outlook of households and turning points in their spending patterns; b) to provide basis for analyzing particular issues on the consumer behavior across income groups, especially on those receiving remittances from Overseas Filipino; and c) to serve as an indicator of inflation, as indicated by the households' capacity to purchase goods and services.

Evolution. As part of BSP's project to establish a mechanism to set the pulse of the consuming public, the CES was intended to complement the Business Expectations Survey (BES). In April 2004, the BSP together with the NSO and with consultations provided by the UFJ Institute, held a technical workshop on the CES to formulate the questions that shall be used in the survey. Using the 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 to cover as well areas outside NCR (AONCR). Respondents were drawn from the National Statistics Office's Master Sample List of Households. This master list was generated using a stratified multi-stage probability sampling scheme.

II. THE FOURTH QUARTER 2009 CONSUMER EXPECTATIONS SURVEY

The Fourth Quarter CES was conducted by the BSP on October 1-27, 2009. Its national coverage of 5,496 households samples elicited a response rate of 95.5% or 5,250 respondents. As shown below, respondents were categorized into three income groups as follows: 2,945 from the low-income groups (less than Php 10,000.00); 1,806 from the middle-income group (Php 10,000.00 – Php 29,999.00); and only 499 from the high-income group (Php 30,000.00 and over).

Number of Respondents by Income Group	
Income Group	Respondents
Total	5,250
Less than Php 10,000	2,945
Php 10,000 – Php 29,999	1,806
Php 30,000 and over	499

Note: Income refers to monthly family income.

Survey Highlights. Consumer sentiment weakened in current quarter (Q4 2009) as most respondents foresee increases in the prices of commodities and in the number of unemployed due to the damages caused by typhoons Ondoy and Pepeng¹. This overall consumer outlook is affirmed as the current quarter consumer confidence index (CI) or composite index slid to -36.0% in Q4 2009 from -31.9% in Q3 2009^a. (Table 1)

The same sentiment is expressed for the next quarter (Q1 2010) as consumer confidence index dropped to -10.5% from -3.7% in Q3 2009.

Looking forward to the year ahead (CY 2010), consumer sentiment for the next 12 months slightly rebounded as CI improved to -0.8% from -0.9% in Q3 2009. This indicated that consumers view the effects of the recent natural calamities as temporary and the recovery of the economy over the short term. Thus, they expect that the rise in the unemployment rate will not persist, stabilization of prices of goods and increase in family income in the year ahead.

TABLE 1. Overall Consumer Outlook: Composite Index, Philippines: 3rd and 4th Quarters 2009 (in percent)

Reference Period	2009	
	Q3	Q4
Current Quarter (Q4 2009)	-31.9	-36.0
Next 3 Months (Q1 2010)	-3.7	-10.5
Next 12 Months (CY 2010)	-0.9	-0.8

¹Typhoons Ondoy and Pepeng which visited the country on 26 September 2009 and 4 October 2009, respectively, caused severe floods that devastated parts of Metro Manila and some areas in Northern and Southern Luzon.

^aThe overall consumer confidence index/composite index is determined by the average of three measures, namely: the outlook on macroeconomic conditions; family financial situation and family income. Please refer to the Technical Notes for definition of terms.

As to the three indicator indices which were averaged to determine the overall consumer confidence index, consumers expected the worsening of these indicators ---- 1) economic condition of the country, 2) family financial situation and 3) family income – in Q4 2009. This consumer sentiment is manifested in the following decreases noted in the consumer confidence indices on these indicators.

Consumer confidence indices (CIs) on economic condition of the country declined to -63.6% (from -54.4% in Q3) for current period (Q4 2009), then to -28.1% (from -18.0% in Q3) for next quarter (Q1 2010) and to -16.1% (from -15.5% in Q3) for the next 12 months. (Table 2)

On family financial situation, CIs dropped to -29.5% from previous -28.6% for the current quarter outlook, then to -6.5% from -0.9% in Q3 for the next quarter (Q1 2010) and to 0.7% from 1.2% in Q3 for the next 12 months.

On family income, CIs slid to -15.0% (over -12.7% in Q3) for current period and then 3.0% (over 7.7% in Q3) for next quarter (Q1 2010). In contrast, consumers perceived that their family income will slightly improve (from 11.6% in Q3 to 12.9% in Q4) for 2010.

TABLE 2. Consumer Outlook Indices, Philippines: 3rd and 4th Quarters 2009
(in percent)

Indicator	Current (Q4 2009)		Next Quarter (Q1 2010)		Next 12 Months (CY 2010)	
	Q3	Q4	Q3	Q4	Q3	Q4
Economic Condition	-54.4	-63.6	-18.0	-28.1	-15.5	-16.1
Family Financial Situation	-28.6	-29.5	-0.9	-6.5	1.2	0.7
Family Income	-12.7	-15.0	7.7	3.0	11.6	12.9

In the past two decades, the infusion of the remittances of Overseas Filipino Workers (OFWs) into the country's financial economy has critically contributed to the overall growth of our national economy (GNP). Of particular interesting item of enquiry in this survey is the utilization of these remittances by Filipino households with OFWs.

For Q4 2009 survey round, 562 out of 5,250 sample respondents nationwide or 10.7% were households with OFWs. Most of them at around 93.2% or 524 households received remittances from their OFW family members.

The largest percentage (95.2%) of OFW households used their remittances on food and other household needs in Q4 2009. Some OFW households spent their remittances for education expenses (65.8%) and for medical expenses (62.2%). In the previous quarter, those households that used their remittances on food expenditures were slightly lower at 93.4% while those using remittances for education and medical expenses stood a little higher at 71.8% and 63.2%, respectively. (Table 3)

TABLE 3. Percentage of OFW Households by Type of Use of OFW Remittances, Philippines: 3rd and 4th Quarters 2009

(in percent)

Type of Use	2009	
	Q3	Q4
Food	93.4	95.2
Education	71.8	65.8
Medical expenses	63.2	62.2
Debt payments	50.0	49.2
Savings	39.9	44.8
Purchase of appliances/consumer durables	26.5	26.0
Purchase of house/rentals	12.1	10.5
Investment	7.6	7.1
Purchase of car/motor vehicle	6.8	6.7
Others	6.6	6.5

OFW households that allocated portion of their remittances for amortization or full payment for houses dropped to 10.5% in the 4th quarter from 12.1% in the 3rd quarter. Inversely, those that apportioned part of remittances to savings upped to 44.8% in Q4 over 39.9% in Q3.

Meanwhile, the percentages of households that received and used their OFWs remittances for the following expenditures almost remained unchanged during both quarters reviewed: debit payments (from 50.0% to 49.2%), purchase of appliances/consumer durables (from 26.5% to 26.0%), investment (from 7.6% to 7.1%) and purchase of car/motor vehicle (from 6.8% to 6.7%).

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 responded 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.

The confidence index or diffusion index is computed as the percentage share of respondents that answered in the affirmative less the percentage share of respondents that answered negative in a given indicator. A positive CI indicates that respondents with a favorable view outnumber those with an unfavorable view, except for unemployment, change in prices and interest rate for borrowing money, where a positive CI indicates the opposite.

REFERENCES:

Bangko Sentral ng Pilipinas, Department of Economic Statistics, Expectations Surveys: Business and Consumer, September 2009 and Consumer Expectations Survey Fourth Quarter 2009.

FOR INQUIRIES:

Regarding this report, contact **TECHNICAL SERVICES DIVISION** at 527-3000 loc 317
 Regarding other statistics and technical services contact **BLES DATABANK** at TELEFAX: 527-9311
 Or Write to BLES c/o Databank, 3/F DOLE Bldg. Gen. Luna St., Intramuros, Manila, 1002
 E-mail: bles_tsd@yahoo.com Website: <http://www.bles.dole.gov.ph>
