*Scope and Classification*

Respondents are drawn from the combined list of the latest available Securities and Exchange Commission’s Top 7,000 Corporations and Business World’s Top 1000 Corporations, consisting of about 1,500 companies [about 40 percent of which is based in the National Capital Region (NCR) while about 60 percent of the firms are based in Areas Outside NCR (AONCR)] covering all 17 regions nationwide.

The BES uses the stratified random sampling design covering corporations from the combined list of SEC’s Top 7,000 Corporations and Business World’s Top 1000 Corporations (ranked based on gross revenues) as sampling units. The combined top corporations are subdivided into 192 strata classified by region⎯NCR and Areas Outside NCR (the other 15 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.

[Indices are generated for the following categories: Philippines, NCR and AONCR; By Sector—Industry, Construction, Wholesale and Retail Trade, Services (Financial Intermediation, Hotels and Restaurants, Business Activities, Real Estate, Community and Social Services, and Transportation); and Regions 1, 3, 4, 5, 6, 7, 9, 11 and 12]

**Business Expectation Survey**

*Sources of Data and Methodology*

Data are sourced from the survey responses of the BES respondents, which are selected via random sampling.

Beginning the second quarter of 2001, the BES questionnaire and methodology were harmonized based on the recommendations of the Asian Development Bank (ADB) regional technical assistance program (RETA 5938). Asian countries involved in the conduct of business tendency surveys were encouraged to adopt a core set of standard questions recommended by the Organization for Economic Co-operation and Development (OECD) to facilitate inter-country comparisons within the region.

BES variables are represented by confidence indices (CI) which are 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.

Generally, possible answers to the BES questionnaire are in qualitative mode of the threefold, multiple-choice type (i.e., “improving, no change, deteriorating;” “up, no change, down;” “easy, normal, tight;” “higher, no change, lower”). Open questions on the reasons underlying the respondents’ overall outlook and limiting factors were included to obtain more objective and comprehensive analysis. However, respondents are also asked to provide numerical estimates of certain variables (i.e., capacity utilization, present technical capacity, current number of employees, inflation rate).