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The Philippines Country Economic Memorandum

October 26, 1977

Country Programs Department
East Asia and Pacific Regional Office

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CURRENCY EQUIVALENTS

Currency Unit	=	Pesos (₱)
US\$1.00	=	₱ 7.4
₱ 1.00	=	US\$0.135
US\$1 million	=	₱ 7,400,000
₱ 1 million	=	US\$135,000

FISCAL YEAR

Through 1976	-	July 1 to June 30
Beginning 1977	-	January 1 to December 31

ABBREVIATIONS AND ACRONYMS

BER	-	Basic Economic Report of the World Bank
BIR	-	Bureau of Internal Revenue
BOI	-	Board of Investments
CB	-	Central Bank
DBP	-	Development Bank of the Philippines
EIA	-	Export Incentives Act
EPZA	-	Export Processing Zone Authority
FIRB	-	Fiscal Incentives Review Board
IIA	-	Investment Incentives Act
LOI	-	Letter of Instruction
LWUA	-	Local Water Utilities Administration
MWSS	-	Metropolitan Waterworks and Sewerage System
NEA	-	National Electrification Administration
NEDA	-	National Economic and Development Authority
NIA	-	National Irrigation Authority
NPC	-	National Power Corporation
PD	-	Presidential Decree
PHILEXCO	-	Philippine Exchange Company
PNB	-	Philippine National Bank
PNR	-	Philippine National Railways

This economic memorandum was written by a World Bank mission that visited the Philippines from July 18 to August 3, 1977. The mission consisted of Messrs. L. Hinkle (Chief of Mission), B. Jones, S. Khan, and Ms. D. Hill and E. Schaengold, all of whom are Bank staff economists.

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PHILIPPINES

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COUNTRY DATA - PHILIPPINES

<u>AREA</u>	<u>POPULATION</u>	<u>DENSITY</u>
300,000 sq km	41.8 million (mid-1975)	139.3 per sq km
	Rate of Growth: 2.7 (from 1970 to 1975)	

<u>POPULATION CHARACTERISTICS (1975)</u>		<u>HEALTH (1974)</u>	
Crude Birth Rate (per 1,000)	37.4	Population per physician	1,157
Crude Death Rate (per 1,000)	10.1	Population per hospital bed	875
<u>INCOME DISTRIBUTION (1975)</u>		<u>DISTRIBUTION OF LAND OWNERSHIP (1971)</u>	
% of national income, highest 20%	53.3	% owned by top 10% of owners	18
lowest 20%	5.5	% owned by smallest 10% of owners	2
<u>ACCESS TO PIPED WATER (1975)</u>		<u>ACCESS TO ELECTRICITY (1975)</u>	
Occupied dwellings without piped water (%)	57	% of population - total	31
		- rural	10 ^e
<u>NUTRITION (1974)</u>		<u>EDUCATION (1974)</u>	
Calorie intake as % of requirement	97	Adult literacy rate (%)	87
Per capita protein intake (grams/day)	56.6	Primary school enrollment (%)	104

GNP PER CAPITA IN 1976 /a: US\$410

<u>GROSS NATIONAL PRODUCT IN 1976</u>		<u>ANNUAL RATE OF GROWTH (% constant prices)</u>			
	<u>US\$ million</u>	<u>%</u>	<u>1966-71</u>	<u>1971-76</u>	<u>1976</u>
GNP at Market Prices	17,631	100.0	5.1	6.6	6.4
Gross Domestic Investment	5,519	31.3	5.9	12.5	6.3
Gross National Saving	4,413	25.0	2.4	10.8	6.6
Current Account Balance	-1,106	-6.3	.	.	.
Exports of Goods, NFS	3,115	17.7	-0.5	5.6	18.0
Imports of Goods, NFS	4,270	24.2	4.1	6.5	1.5

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1976

	<u>Value Added</u>		<u>Labor Force</u>		<u>V. A. per worker</u>	
	<u>US\$ million</u>	<u>%</u>	<u>Million</u>	<u>%</u>	<u>US\$</u>	<u>%</u>
Agriculture	5,156	29.0	8.1	52.6	637	55.2
Industry	6,029	33.9	2.3	14.9	2,621	226.9
Services	6,607	37.1	5.0	32.5	1,321	114.4
Total/Average	17,792	100.0	15.4	100.0	1,155	100.0

GOVERNMENT FINANCE

	<u>General Government</u>			<u>Central Government</u>		
	<u>(P billion)</u>	<u>% of GDP</u>		<u>(P billion)</u>	<u>% of GDP</u>	
	<u>1976</u>	<u>1976</u>	<u>1971</u>	<u>1976</u>	<u>1976</u>	<u>1971</u>
Current Receipts	20.9	.15.8	11.3	18.3	13.8	9.2
Current Expenditure	18.2	.13.7	10.1	16.1	12.2	7.6
Current Surplus	2.7	. 2.0	.. 1.2	2.2	1.7	1.6
Capital Expenditures	4.9	..3.8	.. 1.6	4.5	3.4	1.3

/a The Per Capita GNP estimate calculated by the conversion technique used for the World Bank Atlas. All other conversions to dollars in this table are at the average exchange rate prevailing during the period covered.
not applicable

estimated

COUNTRY DATA - PHILIPPINES

MONEY, CREDIT AND PRICES

	1972	1973	1974	1975	1976	August 1977
	(P million outstanding end period)					
Money Supply	6,500	7,300	9,000	10,300	12,100	12,800
Bank Credit to Public Sector	3,900	2,400	2,000	5,800	8,900	9,200
Bank Credit to Private Sector	12,600	16,200	24,200	28,500	23,600	34,900

(Percentage or Index Numbers)

Money as % of GDP	11.5	10.1	9.0	8.9	9.2	.
General Price Index (1972 = 100)	100.0	117.6	154.4	166.8	180.1	.
Annual percentage changes in:						
General Price Index	8.2	12.2	39.8	7.4	5.5	.
Bank Credit to Public Sector	-2.1	-38.5	-16.7	190.0	53.4	.
Bank Credit to Private Sector	21.7	28.6	49.4	17.8	17.9	.

BALANCE OF PAYMENTS

	1974	1975	1976
	(US\$ million)		
Exports of Goods, NFS	3,431	3,076	3,330
Imports of Goods, NFS	3,784	4,116	4,383
Resource Gap (deficit = -)	-353	-1,040	-1,053
Interest Payments (net)	26	-53	-185
Other Factor Payments (net)	-154	-149	-138
Net Transfers	276	318	269
Balance on Current Account	-205	-924	-1,107

MERCHANDISE EXPORTS (AVERAGE 1974-76)

	US\$ million	%
Coconut Products	539	21.4
Sugar Products	613	24.3
Forest Products	298	11.8
Mineral Products	437	17.3
Fruits & Other Agric. Products	178	7.1
Other Manufactures	456	18.1
Total	2,521	100.0

Direct Foreign Investment	28	125	144
Net MLT Borrowing			
Disbursements	456	677	1,407
Amortization	312	318	368
Subtotal	144	359	1,039
Other Capital (net) /a	143	-80	-236
Increase in Reserves (+)	110	-521	-160
Gross Reserves (end year) /b	1,978	2,079	2,205
Petroleum Imports	573	710	801

EXTERNAL DEBT, DECEMBER 31, 1976 /c

	US\$ million
Public Debt, including Guaranteed	2,216
NonGuaranteed Private Debt	1,812
Total Outstanding and Disbursed	4,028

DEBT SERVICE RATIO FOR 1976 /d

	%
Public Debt, including Guaranteed	7.2
NonGuaranteed Private Debt	10.5
Total Outstanding and Disbursed	17.7

IBRD/IDA LENDING, December 31, 1976 (US\$ million)

RATE OF EXCHANGE

	Annual Averages			End Period	Outstanding and Disbursed	IBRD	IDA
	1975	1976	Jan-Aug 1977	Aug 1977			
US\$1.00 = P	7.275	7.447	7.418	7.403	Outstanding and Disbursed	408.3	26.9
P 1.00 = US\$	0.138	0.134	0.135	0.135	Undisbursed	501.7	5.3
					Outstanding, incl. Undisbursed	910.0	32.2

/a Includes SDRs, short-term private loans, Central Bank liabilities, use of IMF credit, and errors and omissions.

/b Gross reserves of the Central Bank.

/c Excludes short-term debt and IMF standby credit and is on a disbursement basis.

/d Ratio of Debt-Service to Exports of Goods and Nonfactor Services.

WORLD BANK REPORTS ON THE PHILIPPINES, 1976-77

Appraisal of Second Livestock Development Project
No. 1070-PH, February 20, 1976

Chico River Irrigation Project: Stage I Appraisal Report
No. 1009a-PH, March 9, 1976

Transport Planning in the Philippines
No 1017a-PH, May 4, 1976

Staff Project Report - Manila Urban Development Project
No. 1032a-PH, May 5, 1976

Priorities and Prospects for Development - Basic Economic Report (3 volumes)
No. 1095a-PH, May 5, 1976; subsequently published as The Philippines:
Priorities and Prospects for Development, The World Bank, Washington, D. C.,
June 1976.

Appraisal of Second Fisheries Project
No. 1101b-PH, May 7, 1976

Appraisal of Second Grain Processing Project
No. 1045b-PH, May 11, 1976

Appraisal of a Third Highway Project
No. 1297a-PH, December 10, 1976

Appraisal of the Jalaur Irrigation Project
No. 1311a-PH, January 5, 1977

Staff Project Report: Fourth Education Project in the Republic of the
Philippines
No. 1207c-PH, February 10, 1977

Appraisal of Fourth Rural Credit Project
No. 1415-PH, March 7, 1977

Appraisal of the National Irrigation Systems Improvement Project: I
No. 1488a-PH, April 12, 1977

The Provincial Cities Water Supply Project
No. 1434-PH, April 14, 1977

Appraisal of Rural Development (Land Settlement) Project (Rural Development II)
No. 1441a-PH, April 28, 1977

Staff Project Report - The Seventh Power Project in the Philippines
No. 1552-PH, May 27, 1977

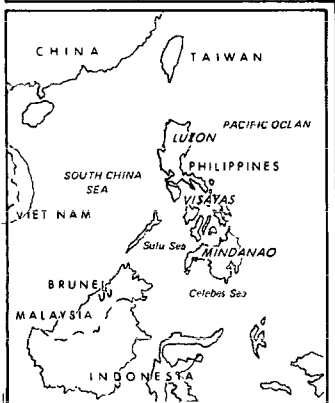
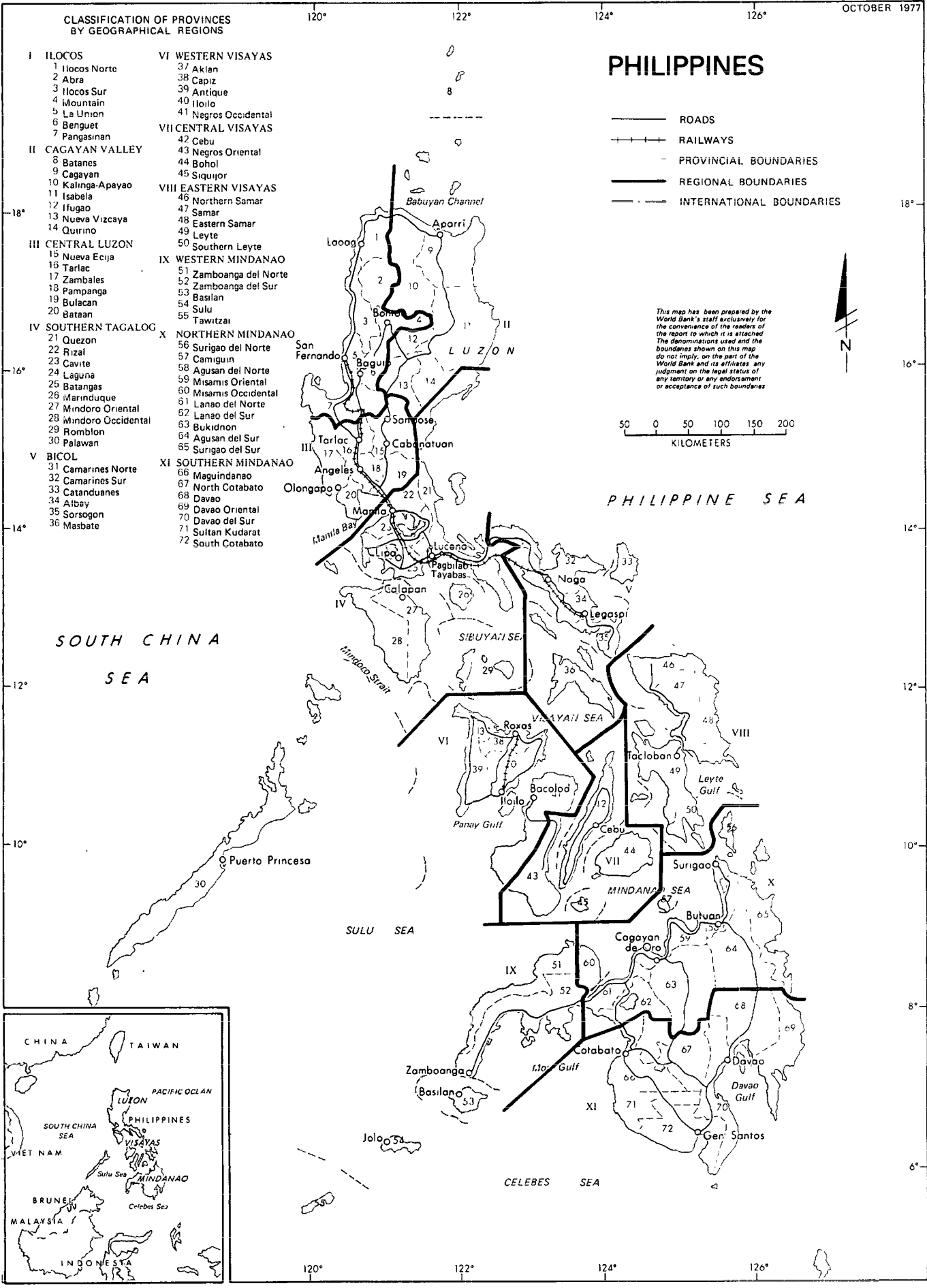
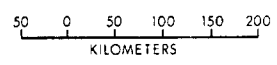
CLASSIFICATION OF PROVINCES
BY GEOGRAPHICAL REGIONS

- | | |
|----------------------------|-----------------------------|
| I ILOCOS | VI WESTERN VISAYAS |
| 1 Ilocos Norte | 37 Aklan |
| 2 Abra | 38 Capiz |
| 3 Ilocos Sur | 39 Antique |
| 4 Mountain | 40 Iloilo |
| 5 La Union | 41 Negros Occidental |
| 6 Benguet | VII CENTRAL VISAYAS |
| 7 Pangasinan | 42 Cebu |
| II CAGAYAN VALLEY | 43 Negros Oriental |
| 8 Batanes | 44 Bohol |
| 9 Cagayan | 45 Siquijor |
| 10 Kalinga-Apayao | VIII EASTERN VISAYAS |
| 11 Isabela | 46 Northern Samar |
| 12 Ifugao | 47 Samar |
| 13 Nueva Vizcaya | 48 Eastern Samar |
| 14 Quirino | 49 Leyte |
| III CENTRAL LUZON | 50 Southern Leyte |
| 15 Nueva Ecija | IX WESTERN MINDANAO |
| 16 Tarlac | 51 Zamboanga del Norte |
| 17 Zambales | 52 Zamboanga del Sur |
| 18 Pampanga | 53 Basilan |
| 19 Bulacan | 54 Sulu |
| 20 Bataan | 55 Tawitzae |
| IV SOUTHERN TAGALOG | X NORTHERN MINDANAO |
| 21 Quezon | 56 Surigao del Norte |
| 22 Rizal | 57 Camiguin |
| 23 Cavite | 58 Agusan del Norte |
| 24 Laguna | 59 Misamis Oriental |
| 25 Batangas | 60 Misamis Occidental |
| 26 Marinduque | 61 Lanao del Norte |
| 27 Mindoro Oriental | 62 Lanao del Sur |
| 28 Mindoro Occidental | 63 Bukidnon |
| 29 Romblon | 64 Agusan del Sur |
| 30 Palawan | 65 Surigao del Sur |
| V BICOL | XI SOUTHERN MINDANAO |
| 31 Camarines Norte | 66 Maguindanao |
| 32 Camarines Sur | 67 North Cotabato |
| 33 Catanduanes | 68 Davao |
| 34 Albay | 69 Davao Oriental |
| 35 Sorsogon | 70 Davao del Sur |
| 36 Masbate | 71 Sultan Kudarat |
| | 72 South Cotabato |

PHILIPPINES

- ROADS
- +—+—+— RAILWAYS
- - - - - PROVINCIAL BOUNDARIES
- REGIONAL BOUNDARIES
- - - - - INTERNATIONAL BOUNDARIES

This map has been prepared by the World Bank's staff exclusively for the convenience of the readers of the report to which it is attached. The denominations used and the boundaries shown on this map do not imply, on the part of the World Bank and its affiliates, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries.



PHILIPPINES

COUNTRY ECONOMIC MEMORANDUM

INTRODUCTION AND OVERVIEW

i. This economic memorandum on the Philippines follows a basic economic report, entitled The Philippines: Priorities and Prospects for Development, published in June 1976. The basic report analyzed the Philippine economy in depth and recommended a strategy for its development in the decade 1975-85. The economic events of 1970-75 and the basic report's projections for the future are briefly reviewed below to provide the background to this memorandum.

ii. The Philippine economy grew at an annual rate of 6% during 1970-75, a slight acceleration over the 5-1/2% growth rate of the 1960s. Fluctuations, however, were significant. In the period 1970-72, when the effects of a balance of payments stabilization program initiated in 1970 were being felt, the economy grew less rapidly at 5% per year, exports and imports of goods and services were roughly equal, and public and private fixed investment were stable at about 2% and 14% of GNP, respectively. Economic performance was exceptional in 1973 when real GNP grew by almost 10% and the current account registered a substantial surplus as sharply higher prices for traditional export commodities stimulated demand and agricultural production rebounded strongly from the natural disasters of the previous year. The export-led income boom of 1973 was followed by a private investment boom in 1974-75, as private investment reached 20% of GNP in the latter year. In addition, with growth in revenue from international trade taxes and improvements in tax administration and project implementation capacity, public investment was raised to 4% of GNP in 1975. The high investment rate and favorable export prices for sugar temporarily sheltered the economy from the impact of the oil price increase in late 1973 and from the following world recession. The growth of real GNP was sustained at 6% in 1974-75. However, the collapse of sugar prices in late 1975, following earlier declines in the prices of other major export commodities, changed the external situation dramatically. The terms of trade dropped by 23% in 1975; and the current account deficit, which had been moderate in 1974, widened to \$900 million, or 6% of GNP, in 1975.

iii. Thus, at the time of the basic economic mission in 1975, while both the growth and investment rates had increased, the need to progressively restore balance to the external accounts had been superimposed on the Government's longer term objectives of faster economic growth and a better distribution of its benefits. Nevertheless, the basic economic report concluded that further acceleration of the growth rate to 7% was both feasible, taking into account the Philippines' natural and human resources and the likely external environment, and desirable to generate employment opportunities for a labor force expanding by 3% per year and to move significant numbers of people out of poverty. The strategy recommended to achieve these objectives included a further increase in public investment to 5% of GNP in 1980; an increase in tax revenues from the average of 12% of GNP in 1970-74 to 17% in 1980 to finance higher current and capital expenditures; tax reform to raise the needed revenues equitably and efficiently; greater availability of credit for agriculture, rural areas, and small and medium scale industry together with a reduction of distortions in financial markets; acceleration and reorientation of industrial

growth toward more labor intensive and export oriented manufacturing for both employment and balance of payments reasons; agrarian reform and intensification of land use to raise agricultural production and rural incomes; more balanced regional development; and broadening of access to education and health services.

iv. This memorandum updates the basic economic report's macroeconomic perspective in light of recent economic developments and data that have become available since 1975. It also analyzes progress in dealing with two of the most important and immediate issues identified by the basic report: (a) domestic resource mobilization and tax reform; and (b) the acceleration of export growth and the structural adjustment in the balance of payments. A summary of the memorandum's conclusions follows.

v. In 1976-77, the economy continued to grow at 6% per year despite the disruption caused by the sharp deterioration in the terms of trade. Employment, particularly in manufacturing, has grown more rapidly than in the early 1970s. Agricultural performance has been good, partly because of favorable weather, and virtual self-sufficiency in major food grains has been achieved. Inflation has slowed markedly; the 18% improvement in agriculture's terms of trade in the early 1970s has been maintained; and the apparent increase in relative rural incomes noted last year has been confirmed by recently available data. Investment has increased more rapidly than visualized in the basic report, and effort now needs to focus on improving its efficiency. It is still feasible to accelerate the growth rate to 7% as the terms of trade stabilize, but more rapid expansion of manufacturing is necessary in order to do so.

vi. The Government has been able to increase the level of public investment considerably faster than projected last year and has made an impressive tax effort to finance this increase. However, further increases in the tax ratio may be more difficult to achieve. Moreover, too narrow a concern with tax effort per se could frustrate the achievement of fundamental reforms needed (a) to rationalize fiscal and tariff incentives to help accelerate industrial growth along more labor intensive and export oriented lines and (b) to reform the direct tax system to achieve a more equitable sharing of the costs of development. Equity and efficiency considerations would, on the other hand, reinforce the case for greater resource mobilization by government corporations and credit programs.

vii. The balance of payments position has strengthened significantly in 1976-77 as the current account deficit has been reduced from 6% to 4% of GNP and the overall payments deficit has been eliminated. Export volume has grown rapidly, with the performance of manufactured exports being particularly strong. However, to achieve a 7% growth rate in real GNP, imports will have to grow faster than they have recently; and an annual net capital inflow of at least \$1 billion, recommended last year, should still be aimed at. In order to provide the necessary long-term capital transfer without an excessive build up of debt service payments, commitments of multilateral and bilateral loans should be on the order of \$750 million per year.

viii. This memorandum is in three sections. The first reviews economic and social developments in 1976-77, which are analyzed at greater length in an IMF report entitled "Philippines - Recent Economic Developments," dated September 6, 1977, and briefly discusses medium-term prospects. The second analyzes the mobilization of the domestic resources to finance the expanding public investment program. The third reviews the progress in making the required structural adjustment in the balance of payments. Nontraditional exports are analyzed in detail in Annex A, and a statistical appendix is provided in Annex B.

I. RECENT ECONOMIC AND SOCIAL DEVELOPMENTS

1.01 The first part of this chapter discusses recent economic developments. The middle sections review selected social developments, particularly in the rural sector. The final section discusses the medium-term prospects and the draft five-year plan for the period 1978-82.

Macroeconomic Performance, 1976-77

1.02 Demand. The real gross national product of the Philippines grew by 6.4% in 1976 and by an estimated 6% in 1977. The recent growth of demand has been led by exports and construction. After stagnating in real terms and declining in nominal terms because of depressed demand in 1975, exports (GNFS) increased by 19% in real terms in 1976 and are estimated to rise by 11% in 1977. Significant volume increases have been recorded in all of the major export subsectors: coconut products; sugar; forest products; minerals; and nontraditional manufactured exports. The latter group has performed exceptionally well with growth rates of 45% (current prices) in 1976 and an expected 30% in 1977.

1.03 Unfortunately, until 1977 the stimulus of the expansion in export volume was largely offset by deterioration in the terms of trade. In 1976 export prices continued the decline begun in the previous year, falling to a level 30% lower than the peak achieved in 1974. The price picture was dominated by sugar, for which the unit price in 1976 was only half of that in 1975. With a modest rise in import prices, the merchandise terms of trade in 1976 were 32% lower than their 1974 peak. Hence, although export volume was nearly 20% higher, exports measured in terms of capacity to import were no greater in 1976 than in 1972.^{/1} Because of the deterioration in the terms of trade, real gross national income grew by only 4% per year during 1975-76, while production rose by 6% annually. In 1977, however, since the terms of trade have stabilized, production and real incomes are both expected to grow by about 6%.

1.04 The growth of government expenditures has been less rapid in the last two years than during the period 1972-75, partly because of slow revenue growth. While nominal GNP expanded by 15% in 1976, total government revenues rose by only 8%, as revenue gains from new tax measures and improved tax administration were offset by a sharp decline (62%) in the yield from export taxes as international commodity prices, particularly for sugar, dropped, slow growth in revenues from import duties as merchandise imports stagnated, and a small decline in nontax revenues. Faced with the slow growth of revenues, a large current account deficit, and the need to divert about P 1.5 billion in new credit resources to Philexco to finance sugar inventories, the Government limited the growth in total expenditures to 12% in 1976. However, half of the increase was devoted to capital expenditures, which rose by nearly one third. The overall deficit was held to a modest P 2.4 billion (1.8% of GNP), about half of which was offset by revenues accruing to the social security system.

^{/1} Statistical Appendix Table 2.2. "Exports as capacity to import" is exports (GNFS) in current prices divided by the import price index.

Table 1.1: NATIONAL ACCOUNTS SUMMARY

	1970-75	1975	1976	1977 Estimate
<u>Expenditure on GNP: growth rates at 1972 constant prices</u>				
Personal consumption	4.4	4.0	3.7	6
Government consumption	10.2	9.0	5.3	4
Fixed capital formation	11.4	32.1	8.5	2
Construction	13.4	53.7	30.2	10
Durable equipment	10.1	20.4	-6.5	-5
Exports (GNFS)	4.6	-0.3	18.9	11
Exports (GNFS) as capacity to import	2.7	-12.4	1.0	16
Imports (GNFS)	5.4	4.8	1.3	4
Gross national product	6.4	5.9	6.4	6
Gross national income	6.2	3.7	3.8	6
<u>Expenditure on GNP: percentage distribution at current prices</u>				
Personal consumption	69.3	66.0	65.7	66
Government consumption	9.0	10.0	10.1	10
Fixed capital formation	17.8	24.3	24.9	24
Increase in stocks	6.0	6.9	6.3	5
Exports (GNFS)	19.8	18.6	17.7	19
Imports (GNFS)	-21.2	-25.4	-24.2	-24
<u>Industrial origin of GDP: growth rates at 1972 constant prices</u>				
Agriculture	4.4	4.3	6.8	4-5
Industry <u>/a</u>	8.3	9.6	8.9	7
Manufacturing	7.2	3.5	5.8	6
Construction	15.5	49.4	24.8	10
Services	5.4	5.8	5.5	6
<u>Industrial origin of GDP: percentage distribution at current prices</u>				
Agriculture	28.9	28.8	29.0	29
Industry <u>/a</u>	31.7	33.7	33.9	34
Manufacturing	23.9	24.9	24.6	25
Construction	4.3	6.2	7.1	7
Services	39.4	37.5	37.1	37

/a Industry includes: mining; manufacturing; construction; and electricity, gas, and water.

Note: Growth rates for 1970-75 are based on three-year averages 1969-71 and 1974-76.

Sources: Statistical Appendix Tables 2.1a, 2.2a, 2.4a, 2.5a; mission estimates for 1977.

1.05 In 1977 revenues are likely to expand strongly, by an estimated 19%, because of a partial recovery in export duties, implementation of new tax measures, further improvements in the tax administration, and a very buoyant response of income and profits tax collections to nominal GNP growth. However, in early 1977 the Government held back the commitment of funds for starting new infrastructure projects because it was concerned about a possible renewal of inflation as wholesale prices were then rising at an annual rate of 11%, disbursements for ongoing projects were rising very rapidly, and implementation of the 1977 tax package had been deferred. Since enactment of the tax package, the Government is accelerating infrastructure expenditures in the second half of the year, partly to offset the stagnation in private investment. Consequently, for the year as a whole, total expenditures are expected to rise by about 25% to P 30 billion. Capital expenditures, which accounted for three quarters of the increase, will almost double from P 4.5 billion to P 8.7 billion. The cash deficit is likely to expand moderately to P 4.2 billion (2.8% of GNP), but most of it will be financed by social security revenues, other domestic nonbank borrowings, and increased foreign borrowing.

1.06 Fixed investment grew by 9% in 1976 but is estimated to grow more slowly in 1977 and account for 24% of GNP. The most notable feature of investment has been the growth of construction expenditure and the resulting shift in the composition of investment. In 1976 construction expenditure reached an unprecedented 12% of GNP in 1976, in contrast to the 6% that was typical before 1974. This increase was due partly to the expansion of relatively construction-intensive public investment, which rose from 4% of GNP in 1975 to 5% in 1976 and to an estimated 6.5% in 1977.^{/1} Private construction activity also expanded rapidly in 1975-76 with large tourism investments in the Manila area. The construction industry, which had grown at an average rate of 8% in the early 1970s, expanded by 50% in 1975 and another 30% in 1976 in response to the strong demand pull. However, the growth of construction activity is expected to level off in 1977, with the increase in public investment being partly offset by a decline in private construction.

1.07 Real expenditures on durable equipment, on the other hand, fell by 7% in 1976 and, on the basis of capital goods imports in the first half of the year, are expected to stagnate in 1977. The private investment rate is somewhat down from the 1975 peak of 20% of GNP to perhaps 18% in 1977 because of the slower growth of demand in the last two years. Nonetheless, it remains well above the 14% average of the early 1970s and is only slightly below the projected level required in 1980. However, the high incremental capital-output ratio, the relatively modest growth of manufacturing output and employment, and the structural underutilization of capacity in some industries suggest that the efficiency of investment still needs to be improved.

^{/1} There are no official estimates of public investment. The above figures are staff estimates, taking national government investment from cash spending on infrastructure (Statistical Appendix Table 5.1), and government corporation investment from the NEDA infrastructure program (Statistical Appendix Table 5.5).

1.08 After a cyclical upsurge in 1974-75, imports have grown relatively slowly because of the modest growth of purchasing power and the stagnation of durable equipment investment. In 1976 imports (GNFS) increased by only 2% in real terms, and are estimated to rise by 4% in 1977. The current account deficit, which had widened to 6% of GNP in 1975, remained at that level in 1976 but is likely to be reduced to about 4% in 1977.

1.09 In 1976-77 domestic savings have maintained the level of 25% of GNP achieved in 1975 and financed about 80% of total investment (including stock accumulation), with the balance coming from foreign savings.^{/1} In order to improve the efficiency of financial markets in intermediating between savers and investors, the Government took a number of steps to restructure interest rates in 1976-77. These had the desired effect of encouraging a greater flow of financial savings into time and savings deposits relative to short-term deposit substitutes. Together with the deceleration of inflation, the measures also restored positive interest rates.

1.10 Production. Agriculture's performance was exceptionally strong in 1976 as production increased by 7% in contrast to the trend growth rate of 4-1/2%. Coconut production reached a record level because of good weather and high prices, which caused a large number of nuts to be harvested. Sugarcane production expanded because of increases in both area and yield in response to relatively high procurement prices, which were not aligned with the lower world price until December 1976. Rice and corn production were both at record levels, reflecting irrigation development and good weather.

1.11 The manufacturing sector has continued to grow at the modest historical rate of about 7%, with production rising by 6% in 1976 and an estimated 7% in 1977. There is a variety of explanations for this slow growth. Real national income and domestic demand, adjusted for changes in the terms of trade, increased by only 4% annually during 1975 and 1976. Some industries catering to the domestic market may have overexpanded capacity during the 1974-75 investment boom. Other import substituting industries (e.g. cement) may face fundamental structural problems. Some traditional export-oriented (commodity processing) industries such as forest products were affected by recession in the industrialized countries. On the other hand, industries producing nontraditional exports have expanded rapidly, and their performance may not be fully reflected in the output data.

1.12 Employment. Employment increased by about 4.6% annually during 1973-76, an improvement over the historical growth rate of 2.4%, and was able to keep pace with the rapid growth of the labor force. Particularly noteworthy is the growth of employment in manufacturing, which essentially stagnated during 1970-74 but grew by 100,000 persons a year, or at an annual rate of 8%, during 1974-76. This expansion was probably resulted in part from the growth of labor-intensive production for export. However, because manufacturing's

^{/1} The estimated rate of stock accumulation in the 1970s seems unusually high; and domestic savings, which are calculated as a residual, may be overstated as a result.

share of total employment (11%) is small, agriculture and services have continued to function as residual sources of employment and accounted for most of the growth in total employment.

Price Movements and Agriculture's Terms of Trade

1.13 Since 1974, when consumer prices increased by 40% in the wake of externally generated inflationary pressures, inflation has moderated. In 1975 consumer prices rose by 7%, and in 1976 by only 6%. A major factor in this deceleration was a slow increase in food prices as a consequence of good harvests. In the first half of 1977, wholesale prices rose at an annual rate of 11% because of upward adjustments in regulated prices early in the year and improved export prices. A lower rate of inflation is expected in the second half, and a consumer price increase of about 7% is projected for the year as a whole.

1.14 Agriculture's terms of trade improved by 18% during the period 1970-74, declined slightly in 1975, and then returned to the 1974 level in 1976. Domestic rice, corn, and sugar prices are largely determined by the Government through an official support price for rice and corn and an administered price for sugar now set by the Philippine Sugar Commission, while coconut prices tend to fluctuate with the world price. For rice, in particular, government policy intervention was able to cushion the impact on consumers of the 1972-73 crop damage and the extreme peak in the international price during 1973-74, while at the same time allowing the relative domestic price for paddy to rise with the trend in the international price. As a result of price adjustments made in the last two years, domestic prices for major crops are presently in line with international prices.

Income Distribution

1.15 Preliminary data recently available from the 1975 Family Income and Expenditures Survey show that the share of income received by the poorest 40% of families increased from 12% in 1971 to 15% in 1975, in contrast to the 1961-71 period when the share of the poorest 40% remained essentially constant. The income share of the top 20% of families remained about the same as in 1971, while that of middle-income families decreased somewhat. The ratio of the average rural income to the average urban income rose from 48% in 1971 to 57% in 1975. These data reflect the improvement in agriculture's terms of trade between 1971 and 1975, the growth of agricultural production, and the decline in urban real wages following the devaluation in 1970, and the stagnation of employment in the industrial sector until 1975. Real per capita consumption increased by about 2% annually in 1971-75. Hence, after allowance for price increases, real incomes in rural areas, where most of the poor live, have probably increased somewhat, while real urban incomes have remained about the same. Although the data paint a consistent picture showing a likely small reduction in the extent of poverty, the conclusion remains highly tentative, and better data are needed to analyze more accurately progress in improving the distribution of development benefits.

Rice and Corn Self-sufficiency

1.16 Achieving self-sufficiency in rice and corn has long been a major objective of the Government's agricultural development strategy. Aside from strengthening the balance of payments, self-sufficiency would raise the incomes of rice and corn farmers through increased productivity. After experiencing substantial deficits in the early 1970s, the Philippines was able to provide for consumption solely from domestic production during crop years 1975-77. The good performance of the past three years has been due mainly to a recovery in yields caused by favorable weather and irrigation development and an increase in the area planted. With the continued growth of population and incomes, the demand for rice will rise by about 3.5% annually. If rice production is to increase at a rate sufficient to maintain self-sufficiency on average, a continued emphasis on irrigation development and improved technology will be required. Rice yields, particularly in irrigated areas, are still below what could reasonably be achieved. In order to realize the full benefits from the substantial investment in irrigation that has been made in recent years, greater effort will be necessary to improve supporting services, particularly extension.

1.17 Corn production has increased by almost 10% annually during the last three years because of good weather and an increase in the harvested area. Yields, however, have remained low. The Philippines has essentially achieved self-sufficiency in corn as a food grain, but imports have continued at about 100,000 metric tons a year because of the demand for corn as a feed grain. Since further scope for increasing the harvested area is limited, increases in land productivity will be needed to meet the feed grain demand, which is expected to grow fairly rapidly.

Agrarian Reform

1.18 During the five years in which the land transfer program has been in operation, it has progressed more slowly than the ambitious pace originally set for it. The program initially proceeded quite rapidly when larger land holdings were concentrated on, but progress has been slower in recent years because of the greater difficulties inherent in dealing with a large number of medium-sized, often middle-class (e.g., retired civil servants), landowners. These problems and a shortage of trained manpower have led to delays in identifying tenanted parcels, determining the land values, and providing documents required to transfer the titles. As of June 1977, an estimated 120,000 tenants, or 30% of the total tenants under operation land transfer,^{/1} had received Certificates of Land Transfer which established their claim to the land; of these, 38,000 tenants have signed an agreement to make amortization payments to the Land Bank of the Philippines over a 15-year period. About 275,000 tenants remain who have not yet received Certificates of Land Transfer.

^{/1} The total land reform covers 1.40 million hectares, 915,000 tenants and 410,000 landowners. Operation land transfer covers about 45% of the tenants, 55% of the area and 10% of the landowners; the remaining tenants are being placed under a leasehold system.

1.19 The Government adopted revised procedures to expedite field operations in April 1977. The main innovative features of these procedures are that instead of dealing with each parcel separately, the reform will be carried out simultaneously for an entire barangay (village), and that the manner of determining the value of the land has been changed. Instead of the Landlord-Tenant Production Agreements, which require landowner cooperation, land valuations will be determined by Barangay Committees on Land Production which will establish the average gross production for the entire barangay according to separate land categories. The revised procedures could help to increase the pace of the field operations and the barangay surveys could add as much as another 800,000 hectares (60%) to the total land reform area. Although the reform has encountered a number of difficulties in the process of implementation, it remains an important part of the Government's rural development strategy and worth the substantial effort that will be required to complete it.

Population Growth

1.20 The 1975 census has estimated the population at 41.8 million and the average population growth rate at 2.7% during 1970-75, as compared with 3.0% during the 1960s. The figures confirmed generally prevailing expectations about the demographic situation. The family planning program registered 643,000 new acceptors in 1976, as compared with 740,000 new acceptors in 1975; this is the first time that the number of new acceptors has declined. However, the estimated proportion of married women of reproductive age practicing family planning has increased from 20% in 1974 to 25% in 1977.

The Outlook for 1978 and the Five-Year Plan

1.21 In 1978, both exports and government expenditure should give increased stimulus to the economy. With incomes once again rising as fast as production due to the stabilization of the terms of trade, consumption demand should also revive. The result should be increased manufacturing output followed by a revival of private investment. The continued growth of the public infrastructure program should offset the modest private construction demand and accelerate growth in that sector. Assuming average growth in agricultural production, the economy should be able to improve on the 1977 performance and grow at around 7%.

1.22 The Government's objectives and policies for the period 1978-82 have recently been set out in the draft five-year plan. Briefly, the objectives of the plan are economic growth accelerating from 7% to 8% in the course of the plan; expansion of more productive employment opportunities at a rate of 3.6% per year; reduction in income disparities; greater self-sufficiency in food and energy; strengthening of the balance of payments position; and increased development in rural areas. In general, the strategies outlined in the plan represent an elaboration of the policy directions pursued by the Government in recent years. They are also broadly consistent with those in the basic economic report, although the plan projects a higher investment ratio and a somewhat more rapid growth of manufacturing and exports. An important and novel feature of the plan is that it includes strategies for development in each of the Philippines' 13 regions, and a large-scale regional planning effort has been under way in 1975-77.

II. PUBLIC FINANCE: RESOURCE MOBILIZATION AND FINANCIAL MANAGEMENT
FOR RAPIDLY EXPANDING PUBLIC INVESTMENT AND CREDIT PROGRAMS

Introduction

2.01 Public expenditures and revenues have historically claimed a much smaller share of national resources in the Philippines than in many other developing countries. In the early 1970s, general government expenditure averaged only 12% of GNP, public investment was strikingly low at about 2% of GNP, and general government tax revenues stood at 11% of GNP. Government expenditures were dominated by general administration and social services, particularly education. This situation had resulted from a variety of factors including difficulties in raising tax revenue, weak implementation capacity in the public sector, and the private sector's playing the major role in some sectors, such as power, that are often a public responsibility elsewhere. In the early 1970s, the Government started to raise both the overall level of expenditures and the share going to economic services and public investment. By 1975 government expenditures had reached 17% of GNP and public investment 4%. Total tax revenues had also been raised to 13-1/2% of GNP, in large part by new revenues from export duties levied on major commodities and improvements in tax administration. However, the revenue system remained highly dependent on taxes on international trade and still contained numerous features that either distorted economic incentives or were incompatible with the Government's equity objectives.

2.02 This chapter reviews developments in public finance since 1975. It first analyzes progress in raising revenue and reforming the tax system and then reviews government expenditures, the investment programs of nonfinancial government enterprises, and public sector credit programs. At the end, the implications of the five earlier sections are drawn together in an overview of public sector resource mobilization and financial management.

Revenue Effort and Tax Reform

2.03 Recognizing that a large increase in tax revenues would be required to finance further expansion of the public investment program, the Government has undertaken a comprehensive program of tax reform to raise the needed revenues equitably and efficiently. It has adopted a two-staged strategy. In the short term, needed revenues are to be raised through revisions in indirect taxes that can be implemented quickly. In the long term, structural changes are to be made to raise the built-in elasticity of the tax system, to reduce distortions in economic incentives and dependence on cyclically volatile taxes on international trade, and to improve equity by increasing the proportion of revenues coming from direct taxes. The Government set an ambitious target of increasing the ratio of total tax revenues /1 to GNP, from 13% in 1973 to 16% in 1978 through administrative improvements and the introduction of annual tax reform packages.

/1 Unless otherwise stated, "total tax revenues" include both local tax revenues and social security contributions.

2.04 Revenue Growth and Structural Change, 1976-77. The Government has increased the ratio of domestic taxes (including social security contributions) to GNP rose by an impressive 1-1/2 percentage points from 9.1% of GNP in 1975 to 9.9% in 1976 to an estimated 10.7% in 1977. New tax measures generating ₱ 780 million in 1976 and ₱ 550 million in 1977 provided about one fourth of the increase in tax revenues. The other three fourths resulted from the growth of revenues with increases in nominal incomes and expenditures and vigorous efforts to improve taxpayer compliance and collection performance, particularly as regards income and local property taxes.

2.05 Domestic excise and sales taxes accounted for 46% of the total tax revenue increase in 1976-77 and for 68% of the revenue generated by new measures. Their share of total tax revenues correspondingly rose from 28% in 1975 to 33% in 1977. Higher excise tax rates imposed on petroleum products, alcoholic beverages, and cigarettes contributed one half of the growth in revenues from domestic sales and excise taxes in 1976. The excise tax rate on petroleum products was increased again in 1977, but general sales tax collections also rose significantly, partly because of improved administration. The general revision of the sales tax rates planned for 1977 was, however, delayed to avoid aggravating inflation, resulting in a loss of a potential ₱ 327 million.

2.06 Direct taxes accounted for slightly less than 40% of the growth in tax revenues in 1976-77 as income and profits tax revenues rose at an average rate of 24% per year, and property tax revenues by 30%, while nominal GNP was rising by only 15% per year. Much of the growth resulted from improvements in income and property tax administration, taxpayer compliance, and collection efficiency. New measures imposing withholding tax on interest earnings and corporate development taxes provided ₱ 155 million and ₱ 40 million, respectively, in 1977 and accounted for 12% of incremental income tax revenues.

2.07 Much of the Government's success in mobilizing revenue from domestic sources, however, has been offset by cyclical fluctuations in revenues from taxes on international trade in the last two years. In 1976, collections of export taxes fell sharply as prices for traditional exports (primarily sugar) weakened. Although export tax receipts are expected to recover in 1977, they would still be only 64% of the 1975 level. Revenues from import duties also rose slowly, declining from 25% to 21% of total tax revenue as nominal merchandise imports grew at less than half the rate of GNP in 1976-77. As a result, despite the impressive increase in domestic revenues, total tax revenues increased by only one half of a percentage point from 13.6% of GNP in 1975 to an estimated 14.1% in 1977.

2.08 Rationalization of Fiscal Incentives. In the past, fiscal incentives - principally in the form of exemptions from corporate income tax and import duties - and tariffs were widely used in the Philippines to encourage investment in a broad range of preferred activities. Many of the existing incentives were granted by a variety of government agencies over a period of time without an overall plan to ensure their consistency with development priorities; without, in many cases, a provision for their

Table 2.1: TAX REVENUES OF NATIONAL AND LOCAL GOVERNMENTS, CASH BASIS
(P million)

	<u>CY75</u> Actual	<u>CY76</u> Actual	<u>CY77</u> Estimate	<u>CY78</u> Forecast	% of total revenue increase CY75-77
<u>NATIONAL GOVERNMENT</u>					
Taxes on net income & profits	<u>3,071</u>	<u>3,648</u>	<u>4,750</u>	<u>5,900</u>	<u>32.3</u>
Taxes on goods & services					
General sales tax	2,146	2,392	2,890	3,350	14.3
Excise taxes	1,889	2,788	3,540	4,450	31.8
Subtotal	<u>4,035</u>	<u>5,180</u>	<u>6,430</u>	<u>7,800</u>	<u>46.1</u>
Taxes on international trade					
Import duties	3,695	3,883	4,130	4,550	8.4
Export duties	1,471	563	940	1,000	-10.2
Subtotal	<u>5,166</u>	<u>4,446</u>	<u>5,070</u>	<u>5,550</u>	<u>-1.8</u>
Other taxes	<u>1,481</u>	<u>2,011</u>	<u>2,350</u>	<u>2,700</u>	<u>16.7</u>
<u>Total</u>	<u>13,753</u>	<u>15,285</u>	<u>18,600</u>	<u>21,950</u>	<u>93.3</u>
<u>LOCAL GOVERNMENTS</u>					
Property taxes	382	497	646	n.a.	5.1
Other taxes	440	470	526	n.a.	1.7
<u>Total</u>	<u>822</u>	<u>967</u>	<u>1,172</u>	<u>1,350</u>	<u>6.7</u>
<u>NATIONAL AND LOCAL GOVERNMENTS</u>	<u>14,575</u>	<u>16,252</u>	<u>19,772</u>	<u>23,300</u>	<u>100.0</u>
of which: New measures <u>/a</u>	n.a.	782	552	800	25.7

/a Estimates for CY77 includes only new measures enacted as of August 1.

n.a. = not available.

Source: Department of Finance.

expiration at a fixed date; and without a mechanism for their future review as circumstances changed. Because of their proliferation in past years, investment incentives granted through the corporation income tax have both become ineffective in directing resources into desired areas and have substantially eroded the tax base. The tariff system is generally biased against exporting in favor of capital intensive production and import substitution. The the recent expansion of nontraditional manufactured exports has essentially relied on measures enabling exporters to circumvent the existing tariff and trade regime. To ensure that, over the long run, continued growth of manufactured exports has a significant impact on domestic industry and employment through strong backward linkages, it would be necessary to rationalize the industrial structure by a substantial reduction in protective tariffs and import restrictions (see Annex A).

2.09 The Government is reviewing the fiscal and tariff incentive system to rationalize it to conform to current development goals and to provide effective machinery for its continued evaluation and adaptation in the future. A Fiscal Incentives Review Board has been established to review all new tax proposals affecting the fiscal incentive system. NEDA is investigating the pricing policies of highly protected industries and has commissioned a comprehensive study to quantify the effects of tariff and other tax incentives. Because of its implications for efficient resource allocation and the rate of industrial growth, reform of the tariff and fiscal incentive system is a high priority objective.

2.10 The current highly differentiated structure of tariff rates has remained basically unchanged since 1973. In the near term, needed tariff reforms would aim at a reduction of excessive protective rates. In the long term nominal tariffs would be leveled at an average rate of 20-30%, with any higher protective rates justified by development plans for specific industries that include timetables for eventually phasing out protection, and equal fiscal incentives would be created for exports. The Government has started correcting tariff distortions by simultaneously reducing the number of items subject to the highest protective rates of 70% and 100% and also limiting the granting of tariff exemptions. The Tariff Commission is holding hearings on reducing high tariffs that protect about 300 industries, and in 1976 a tax deferral for tariff duties on imported capital equipment was substituted for the exemption previously granted as an export incentive. Thus far, however, progress in tariff reform has been slow because some measures have been delayed pending the outcome of slow moving international trade negotiations, procedures for protection against dumping need to be improved, and affected industries have strongly resisted proposed changes.

2.11 Most of the growth in revenues from corporate income taxes in the past two years has come from improvements in enforcement. Further reform of the corporate income tax would concentrate on broadening its base through reducing the extensive deductions, exemptions, and exclusions that are presently allowed. In 1977 new 5% "development" taxes were levied on closely held corporations and those whose net income exceeded 10% of their net worth. The purpose of the taxes, in addition to generating revenues, is to provide an incentive for closely held corporations to "go public" and for all corporations to report their net worth accurately. However, measures to broaden the base of the tax will be necessary if it is to generate substantial new revenues as planned.

2.12 Personal Income Tax Reform. At present revenues from personal income tax amount to only 1% of GNP. Revenues have been low for three reasons. First, the base of the tax is very narrow because the extensive deductions, exemptions, and exclusions now granted have meant that taxable income is a small percentage of gross income. Second, tax rates on the lower brackets of taxable income, which start out at 3% on the first 2,000 pesos, are among the lowest in Asia. Marginal tax rates, although eventually reaching 70%, rise very slowly with taxable income so that the average (effective) tax rate also rises slowly with taxable income and even more slowly with gross income. And, third, a large amount of non-wage income goes unreported and escapes effective taxation.

2.13 Administration and enforcement of personal income taxation has been substantially improved in recent years. In addition, a major reform was enacted in mid-1977 when withholding tax was extended to dividend payments to individuals and to interest income from bank deposits and money market placements. The withholding rates (15% on bank deposits and 35% on money market placements) are based on the tax rates of the average taxpayer receiving that type of income. The tax on money market placements alone is expected to generate P 50 million per month at the end of 1977. These measures should bring into the tax net a large amount of income, accruing primarily to the relatively wealthy, that previously went unreported.

2.14 As the only tax that can explicitly take into account the ability to pay of different taxpayers, the individual income tax offers the potentially fairest and most equitable means of sharing the cost of development. Reform of the tax is essential to the shaping of a more equitable and elastic tax system. Priority lines of reform are:

- (a) broadening the tax base by reducing discretionary deductions, exclusions, and exemptions, particularly those that favor tax payers with above average incomes;
- (b) extending withholding tax to types of income not currently covered and improving its enforcement; and
- (c) simplifying the rate structure and raising the rates on income in the lower brackets, while simultaneously raising the standard exemptions to cover minimum subsistence requirements.

Several proposals embodying these reforms are under consideration for enactment in 1978.

Government Expenditures

2.15 To make increasing amounts available for capital expenditures, the Government held the growth of current expenditures to an average of 7% per year in 1976-77, despite making a needed adjustment in government salaries in 1977. With revenues growing more rapidly than GNP, the current surplus available for financing capital expenditures more than doubled. Central

Table 2.2: GOVERNMENT CASH OPERATIONS
(₱ billion)

	<u>CY75</u> Actual	<u>CY76</u> Actual	<u>CY77</u> Estimate	<u>CY78</u> Forecast
<u>NATIONAL GOVERNMENT</u>				
Revenue	<u>17.2</u>	<u>18.3</u>	<u>21.7</u>	<u>25.7</u>
Tax	<u>13.8</u>	<u>15.3</u>	<u>18.6</u>	<u>22.0</u>
Nontax	<u>3.4</u>	<u>3.0</u>	<u>3.1</u>	<u>3.7</u>
Current expenditure <u>/a</u>	<u>15.1</u>	<u>16.1</u>	<u>17.4</u>	<u>20.0</u>
Current surplus	+2.1	+2.2	+4.3	+5.7
Capital expenditures	<u>3.4</u>	<u>4.5</u>	<u>8.5</u>	<u>10.3</u>
Infrastructure & other capital outlays <u>/b</u>	<u>2.1</u>	<u>2.7</u>	<u>5.4</u>	<u>7.1</u>
Capitalization of government enterprises	<u>1.3</u>	<u>1.8</u>	<u>3.1</u>	<u>3.2</u>
Cash deficit = Net financing	<u>-1.4</u>	<u>-2.4</u>	<u>-4.2</u>	<u>-4.6</u>
Foreign borrowing, net	<u>0.3</u>	<u>0.1</u>	<u>0.9</u>	<u>1.6</u>
Domestic borrowing, net	<u>1.2</u>	<u>1.5</u>	<u>2.6</u>	<u>2.9</u>
Use of cash balances	<u>-0.1</u>	<u>0.8</u>	<u>0.7</u>	<u>0.1</u>
<u>SOCIAL SECURITY CONTRIBUTIONS /c</u>	<u>1.0</u>	<u>1.2</u>	<u>1.5</u>	<u>1.9</u>
<u>LOCAL GOVERNMENTS</u>				
Revenue	<u>2.1</u>	<u>2.4</u>	<u>2.8</u>	<u>3.0</u>
Tax revenue	<u>0.8</u>	<u>1.0</u>	<u>1.2</u>	<u>1.4</u>
Internal revenue allotments	<u>0.6</u>	<u>0.7</u>	<u>0.8</u>	<u>0.7</u>
Special aids from national govt.	<u>0.2</u>	<u>0.2</u>	<u>0.3</u>	<u>0.3</u>
Nontax revenue	<u>0.4</u>	<u>0.5</u>	<u>0.6</u>	<u>0.6</u>
Expenditures	<u>2.1</u>	<u>2.4</u>	<u>2.8</u>	<u>3.0</u>
Current	<u>1.8</u>	<u>2.0</u>	<u>2.3</u>	<u>2.7</u>
Capital	<u>0.3</u>	<u>0.4</u>	<u>0.5</u>	<u>0.3</u>

/a Includes net extra-budgetary deficit of ₱ 0.2 billion in CY75-76 and ₱ 0.3 billion in CY76, and transfers to local governments.

/b Includes transfers to local governments.

/c At present, social security contributions far exceed benefit payments with the surplus being invested in financial assets.

Note: Components may not add up to totals because of rounding.

Sources: Statistical Appendix, Tables 5.1 and 5.2 for national and local governments; IMF Report, The Philippines - Recent Economic Developments, 1977 for social security contributions.

government capital expenditures rose rapidly from ₱ 3.4 billion in 1975 to ₱ 8.7 billion in 1977 as infrastructure investment rose from 1.8% of GNP in 1975 to 3.6% in 1977 and transfers of equity capital to government enterprises from 1.1% to 2.0%. Nearly 80% of the increase in capital expenditures was accounted for by quickly rising infrastructure investment by the Department of Highways and the Department of Public Works, Transportation, and Communication. Of the capital transfers, about three quarters went to non-financial corporations to help finance infrastructure investments in power generation and distribution, irrigation development, and geothermal and oil exploration. The remaining one fourth of the capital transfers was allocated to government financial institutions for strengthening the equity base of the Philippine National Bank, the Development Bank of the Philippines, and the Land Bank. Local government expenditures also grew with the greater availability of revenues from the property tax. Dependence on transfers from the national government - in the form of internal revenue allotments, specific tax allotments, and special aids - was correspondingly held down in line with the policy of increasing the financial autonomy of provinces, cities, and municipalities.

Government Corporations

2.16 Investment by government corporations has risen from a level of less than 1% of GNP in the early 1970s to 3% at present, and the draft five-year plan projects it to rise further to an average of around 5% of GNP by 1980. The investment expenditures of government corporations are expected to amount to ₱ 4.3 billion in 1977 and now account for 55% of the NEDA infrastructure program. Although there are more than 40 non-financial government corporations, 9 large ones /1 account for 90% of their combined assets and for a similar share of total investment. About 60% of total planned investment is to go for the rapidly expanding power program.

2.17 At present government corporations depend heavily on the central government budget and borrowings for financing their investment programs. Government equity contributions and operating subsidies have averaged about ₱ 2 billion in 1976-77. The National Power Corporation, the National Irrigation Administration, the Philippine National Oil Company, and the National Electrification Administration received particularly large capital transfers from the central government in 1975-77. Most of the remainder of the corporations' investment program has been financed by government guaranteed foreign borrowings. Internal cash generation has been quite low, averaging only ₱ 0.2-0.3 billion recently, because of low tariffs. Furthermore, most government corporations do not pay income taxes, and in many cases they do not pay indirect taxes on inputs, particularly imported ones.

/1 The nine are the National Power Corporation (NPC), the National Electrification Administration (NEA), the National Irrigation Administration (NIA), the Metropolitan Waterworks and Sewerage System (MWSS), the Local Water Utilities Administration (LWUA), the Philippine National Railways (PNR), the Export Processing Zone Authority (EPZA), the Philippine National Oil Company (PNOC), and the National Housing Authority (NHA).

2.18 If present financing patterns continue, the large investments planned by the corporations would make heavy demands on the central government budget and the credit resources available to the public sector. Since some of the corporations could significantly improve their earnings by raising tariffs, increased self-financing, the burden of which is borne by the beneficiaries rather than the public at large, offers an alternative to tax financed equity contributions. Two corporations in particular - the National Power Corporation (NPC) and the Metropolitan Waterworks and Sewerage System (MWSS) - have such large investment programs that improved financial performance would have significant macro impact.

2.19 The National Power Corporation's investment program is expected to absorb an average of about P 6 billion per year (2.7% of GNP) during the 1978-82 plan period. Although power rates have been raised significantly as costs have increased, NPC earned a rate of return of only 5-6% in 1976 and 1977, and its internal cash generation, after allowing for necessary additions to working capital, finances only 3% of its investment program. Government equity contributions to NPC would, unless NPC's rates are raised further, have to average about P 2.5 billion per year during the plan. Each improvement by one percentage point in NPC's rate of return would save the Government P 150 million annually in equity contributions, and an increase of 4% in NPC's average rate of return over the plan period would save P 3 billion. Efficiency and equity considerations reinforce the case for higher power rates. Marginal cost pricing with the charges for capital and foreign exchange reflecting their scarcity value would imply significantly higher rates. Since there is no evidence to suggest that residential consumers of electricity, or producers and purchasers of electricity-intensive goods and services, are poorer than the general population, subsidizing power consumption in general through low rates is not likely to have a favorable distributional effect.

2.20 Resource mobilization, equity, and efficiency considerations would similarly point towards higher rates for the Metropolitan Waterworks and Sewerage System. MWSS's large-scale water supply program, which will be followed by further large investments in sewerage around 1980, is expected to cost about P 4 billion during the plan period. However, like NPC, MWSS's profitability is low because of its rates. It earned a rate of return of only 4% in 1976, although it plans to raise this to 8% by 1979. In view of the relative prosperity of the Manila area compared with the rest of the country, MWSS should aim both for a substantial rate of return and for contributions from the Manila Metropolitan Area that would hold down the demands of its large investment program on the national government's budget and borrowed funds. The needs of poorer residents of the Manila area could be met by cross subsidy within MWSS's rate structure.

Government Financial Institutions and Credit Programs

2.21 Government financial institutions and credit programs have played a major role in the Philippines development effort in the 1970s. Government financial institutions account for 42% of the assets of the banking system, and the government sponsored but privately owned rural banking system for another 4%. Various government programs have been designed to meet the credit

needs of the economy that were not being satisfied by the private sector - in particular, provision of long term capital for industry, creation of a special fund to serve the needs of medium and small-scale industry, and expansion of lending to the credit short agricultural sector and rural areas. Government credit programs have expanded rapidly and are expected to continue to play a major role during the next five-year plan.

2.22 The Development Bank of the Philippines (DBP) is the largest financial institution engaged in term lending. Most of its lending is to the industrial sector, but about one third is for agricultural activities, and the remainder is for transportation and real estate. Nearly all of DBP's resources come either from public funds or are raised with government support. Its securities carry relatively low interest rates that would make them unattractive in the absence of special features such as exemption from taxation and eligibility for reserve requirements. Moreover, DBP's financial performance has been significantly affected by arrears, which are serious in all sectors in which it lends. In 1976 DBP's collections were actually slightly lower than in 1975, and the low rate of collections has reinforced DBP's dependence on public finance. It may also have adverse efficiency and equity effects by lowering the effective cost of capital to relatively well off borrowers.

2.23 Development of the rural banking system to meet the credit needs of rural areas has been a long-standing government objective. Recently rural banks have been encouraged to lend to smaller farmers as well as those satisfying traditional creditworthiness criteria. In recent years the rural banks have become heavily dependent on Central Bank funding, and, at the end of 1976, 58% of their resources consisted of liabilities to the Central Bank in the form of special time deposits and rediscounted notes. Approximately 90% of the loans made by rural banks are for agricultural production credit, and the banks account for over half of the lending under the Government's supervised grain production credit programs, Masagana 99 for rice farming and Masaganang Maisan for corn. The Philippine National Bank (PNB), a government owned commercial bank which is the country's largest financial institution other than the Central Bank, accounts for most of the remainder. Since their inception, the agricultural credit programs have steadily contracted while loan recovery rates have deteriorated from reasonable to unacceptable levels. The number of borrowers under Masagana 99 dropped from 640,000 in crop year 1973/74 to 210,000 in 1976/77 while the collection rate fell from 93% to 50%. Similarly, as the number of borrowers under Masaganang Maisan dropped from 285,000 in 1974/75 to 23,000 in 1976/77, the collection rate fell from over 80% to under 30%. Since collection rates did not improve as defaulting farmers became ineligible for further participation, the programs may have developed a reputation for being weak on loan recovery, thus discouraging increasing proportions of borrowers from repaying. Both the rural banks and PNB have been affected by arrears under the programs. PNB has also experienced low rates of loan recovery from sugar farmers and millers as sugar prices have fallen.

2.24 Thus, in the last few years arrears have mounted rapidly both in major industrial and agricultural credit programs as rate of disbursements of funds has exceeded the capacity of the programs to ensure that the funds

are used effectively and repaid on time. The growth of arrears has been caused by a combination of excessively rapid expansion of lending, inadequate loan appraisal, ineffective loan supervision, and adverse economic circumstances affecting particular sectors. Although cases of willful default are probably a minority, the low rate of loan recovery has led to a general weakening of financial discipline. Poor loan recovery has also caused varying degrees of actual or incipient illiquidity in the participating financial institutions. Because of the low level of internal cash generation resulting from the growth of arrears, the government financial institutions have been heavily dependent on outside sources of funds to expand lending: government equity contributions have exceeded ₦ 500 million per year and borrowings from the Central Bank and the social security system have risen sharply.

2.25 The growth of arrears has created a difficult policy dilemma for the Government. On the one hand, the programs have become a costly means of achieving their objectives, and arrears threaten both the financial viability of the institutions involved and the overall efficiency of resource mobilization and allocation. On the other hand, the programs do redress imbalances in the availability of credit and support the growth of production so that arrears have to be reduced without closing necessary credit channels. The Government is devoting increased attention to the problem of loan recovery. A National Commission on Countryside Credit and Collection was established in 1976, prosecutors and courts have been directed to give top priority to Masagana collection cases, and defaulting private banks are being disqualified from further participation in agricultural and industrial credit programs. PNB is restraining new lending in order to improve its liquidity, and DBP is concentrating staff effort on improving loan supervision. However, the situation cannot be corrected quickly or easily, and serious, sustained effort will be necessary to strengthen the capacity of the institutions involved and improve collections under the programs so that they can achieve their objectives at a reasonable cost without burdening the public finances.

Financing and Managing the Public Sector as a Whole

2.26 Last year's economic report projected public investment to rise from 3% of GNP in 1974-75 to 5% in 1980. However, current data show a substantially more rapid acceleration: the projected 1980 investment level is likely to be exceeded by 1-1/2 percentage points in 1977 as government infrastructure investment reaches an estimated 3-1/2% of GNP and government corporations invest another 3%. An aggregation of the draft five-year plan's sectoral investment programs shows total public investment rising further to 9% of GNP in 1980, and the 1978 budget shows the Government's revenues being increased from 14-1/2% of GNP in 1977 to 16-1/2% in 1980 to finance the growth of expenditures. Substantial resources, not yet quantified, would also be absorbed by government credit programs if they expand at a rate similar to that of the recent past. While these projections may be overly ambitious and consequently revised downwards as a result of future reviews, questions of efficient resource mobilization and allocation are likely to become more critical as public sector programs expand further.

2.27 Despite impressive improvements in tax administration and new tax measures, it has been difficult to raise the tax ratio as rapidly as was originally contemplated. While further improvements in administration will certainly generate new revenue gains, these may be smaller, in relative terms, than in the past as the revenue base expands and the more tractable problems are solved. Hence, further increases in the tax ratio may be more difficult to achieve. Moreover, the objectives of increased equity and reduction in tax created distortions in economic incentives are as important objectives as tax effort per se. Too narrow a concern with resource mobilization could frustrate the achievement of fundamental tax reforms needed (a) to rationalize fiscal and tariff incentives to help accelerate industrial growth along more labor intensive and export oriented lines and (b) to reform the direct tax system to achieve a more equitable sharing of the costs of development.

2.28 Equity and efficiency considerations would, on the other hand, seem to reinforce the case for greater resource mobilization by government corporations and credit programs. There are trade-offs between resource mobilization by government corporations and by the Government itself - e.g., government equity contributions to underwrite the cash deficits of financial institutions have absorbed an amount nearly equal to all the revenues from new tax measures in the last two years. Furthermore, while the Government's own borrowings have been quite modest in comparison to its revenues, those of government corporations and credit programs have not. Borrowed funds and credit resources - including those generated by monetary growth and contractual savings through the social security system - need to be allocated and utilized as efficiently as tax revenues.

2.29 Budgetary and Planning Procedures. The acceleration of public investment, the growing role of government corporations and financial institutions, and efforts to decentralize some expenditure decisions have led to significant structural changes in the public finances. To deal with these structural changes, central government budgetary procedures have been improved and the role of the Budget Commission strengthened. Obsolete special funds have been consolidated, unused appropriations of previous years cancelled, and obligational authority is now terminated at the end of the fiscal year. A "comprehensive fund release" system has been adopted to speed cash releases to line agencies after budget approval. Complementary steps, including strengthening the role of the Commission on Audit, are planned to ensure that funds are then spent for approved purposes. A special office has also been established in the Budget Commission to work with NEDA to assure the availability of counterpart funds for foreign-assisted projects. Finally, regional budgeting, initiated in 1976, is expected to complement the emerging regional planning system. When fully developed, this system of budgeting would enable the government to consider explicitly the regional as well as the sectoral distribution of expenditures.

2.30 The Government is just beginning to develop mechanisms for managing the financial operations of the public sector as a whole; and general financial policy, fiscal, and tariff guidelines have not yet been formulated for government corporations. The "Total Resource Budgeting" concept was

introduced in 1976 in order to consider the budgets of local governments and government corporations in determining the national budget. An office has also been established in the Budget Commission to assemble financial data on government corporations. However, timely, accurate, and consistent data are not yet available, and the absence of these makes overall financial planning and control difficult. Further upgrading of public finance statistics is urgently needed if planning and budgetary control are to be improved. Since the three largest financial and nine largest non-financial corporations account for over 90% of the financial resources of government corporations, initial efforts should be focused on these rather than on thorough coverage of all the smaller corporations. Furthermore, the preparation and review of meaningful annual financial programs for the large government corporations will have to become an integral part of the budget process if "total resource budgeting" is to successfully coordinate the financial activities of government corporations with the budget strategy.

III. THE BALANCE OF PAYMENTS

Background

3.01 The current account of the Philippines was roughly in balance during 1970-72 and registered a surplus of half a billion dollars with the improvement in commodity prices in 1973. It then deteriorated sharply over the next two years reaching a deficit of \$900 million, or 6% of GNP, in 1975. Merchandise imports more than doubled in value in 1974-75 as a result of the sharp rise in oil prices and increased capital goods imports. Export earnings, on the other hand, dropped in 1975 as the prices of major export commodities, other than sugar, plunged downwards. The terms of trade fell by fully 23% in 1975. The debt service ratio had been progressively reduced from a peak of 30% in 1970 to 15% in 1974 by nominal export growth and restructuring of the external debt. However, the drop in export earnings in 1975 raised it to 19%.

3.02 To meet the immediate payments deficit in 1975, the Government drew down the net international reserves that had been accumulated over the previous four years. It also adopted, at the time of obtaining a loan under the IMF's extended facility, a two-stage strategy to make the necessary structural adjustment. In the near term, net capital inflows were raised to \$1 billion to finance the current account deficit caused partly by the import of raw materials and capital goods required to increase the current output and future capacity of the economy. In the longer term, export growth was to be accelerated both to hold the current account deficit constant, while it declined relative to GNP, and to meet the debt service payments on the higher level of external borrowing. This chapter reviews the Philippines' progress in making the structural adjustment in its balance of payments in 1976-77 and then updates the prospects for the future in light of this progress.

Balance of Payments Developments, 1976-77

3.03 Although somewhat larger than in 1975 at \$1,100 million, the current account deficit stabilized at 6% of GNP in 1976. In spite of a further 11% decline in the terms of trade caused largely by a drop in sugar prices, a substantial increase in export volume and slow growth of imports narrowed the trade deficit slightly and partly offset the higher net interest payments caused by the drawdown of reserves and the heavy short-term borrowing in the previous two years. Estimates for 1977 show a further substantial expansion in export volume, continued slow growth in import volume, and stable, or slightly improved, terms of trade. With no major changes in services or transfers, the current account deficit is expected to be slightly smaller than in 1976 and to decline to 4% of GNP. Net capital inflow is also expected to be slightly smaller but still sufficient to finance the entire deficit. Hence, on the whole, the balance of payments position has strengthened significantly in the last two years as the current account deficit has been reduced relative to GNP and the overall payments deficit eliminated.

Table 3.1: BALANCE OF PAYMENTS
(US\$ million)

	1970	1974	1975	1976	1977 ^e	1978 ^P
<u>Current account</u>						
Trade (net)	-7	-449	-1,196	-1,117	-950	-920
Exports	1,083	2,694	2,263	2,516	3,100	3,680
Imports	1,090	3,143	3,459	3,633	4,050	4,600
Nonfactor services (net)	-11	22	80	-6	50	95
Receipts	248	663	737	744	870	935
Payments	259	641	657	750	820	840
Investment Income	-130	-54	-126	-253	-220	-245
Receipts	10	171	170	127	170	170
Payments	140	225	296	380	390	415
Private transfers (net)	93	201	252	237	248	255
Receipts	95	202	255	239	250	252
Payments	2	1	3	2	2	3
Official transfers (net)	26	75	66	32	32	35
Receipts	29	82	74	41	40	44
Payments	3	7	8	9	8	9
<u>Current account balance</u>	<u>-29</u>	<u>-205</u>	<u>-924</u>	<u>-1107</u>	<u>-840</u>	<u>-780</u>
<u>Capital account</u>						
Direct investment (net)	-28	28	125	144	131	140
Private MLT loan capital (net)	92	32	126	336	221	180
Disbursements	294	276	331	538	493	455
Repayments	202	244	205	202	272	275
Public MLT loan capital (net)	39	112	233	703	447	580
Disbursements	106	180	346	869	605	845
Repayments	67	68	113	166	158	223
Short-term capital (net)	76	231	102	-96	41	-
Inflows	280	1,138	1,283	1,381	1,745	1,586
Outflows	204	907	1,181	1,477/ ^a	1,704	1,586
<u>Capital account balance</u>	<u>179</u>	<u>403</u>	<u>586</u>	<u>1,087</u>	<u>840/b</u>	<u>900/b</u>
Errors & omissions	-146	-88	-183	-140	-	-
Allocation of SDRs	19	-	-	-	-	-
Overall balance	23	110	-521	-160	-	120

^{/a} Includes \$432 million short-term public sector capital outflow on account of Nuclear Power Project.

^{/b} Includes errors and omissions.

^e Estimated.

^P Projected.

Sources: Statistical Appendix, Tables 3.1, 3.2 and mission estimates.

3.04 Exports. After dropping by 15% in 1975, merchandise exports recovered to \$2.5 billion in 1976 but were still slightly below the record 1974 level (see Table 3.2). Although export volume rose by 30% in 1976, the export price index, which had fallen by 20% in 1975, declined by another 10% as high sugar prices - which had partly cushioned the balance of payments in the previous year - dropped by one half. In 1977, with improvement in both export prices and volume, merchandise export earnings are expected to rise to \$3.1 billion. Export volume in 1977 is expected to be about 12% higher than in 1976 and has grown at a significantly higher rate in 1976-77 than the trend growth of 7% in the early 1970s.

3.05 Recent fluctuations in commodity export earnings have been dominated by sugar. The Philippines was unable to capitalize on the booming sugar prices in 1975 as export volume dropped by one third from the 1973-74 level of 1.5 million tons and large stocks were accumulated in anticipation of continued high prices. Hence, the total value of sugar exports declined from the peak of \$765 million achieved in 1974 to \$617 million in 1975. With the sharp drop in world prices in 1976, sugar exports declined further to \$455 million although export volume recovered to 1.4 million tons. With a drawdown of high stock levels and greater domestic production resulting from an expansion in the area planted, export volume is expected to reach a record 2.4 million tons in 1977. Although the unit price of sugar has dropped further from the 1976 level, the large volume increase should still raise sugar earnings back to about \$550 million. Among the other traditional commodities, exports of coconut products and copper concentrates have increased during 1976-77 after experiencing sharp price declines in 1975. Coconut exports showed some volume increase in 1976 and both price and volume increases in 1977. The price of copper concentrates has also recovered slightly, and volume growth has been substantial.

3.06 Nontraditional manufactured exports increased by 45% in 1976, thus maintaining the high rate of growth achieved in the early 1970s, and are estimated to rise by another 30% in 1977. They have become the largest major export category, accounting for 23% of total merchandise exports. Nontraditional agricultural and mineral exports have shown similar growth rates. The most rapidly growing exports among these have been garments, handicrafts, electronics, nickel, and coffee. Nontraditional exports are analyzed in detail in Annex A.

3.07 Imports. After more than doubling in 1974-75, the value of imports increased at an average rate of about 8% per year in 1976-77, with import volume rising at an average rate of about 5% in line with the trend growth rate of the first half of the 1970s. The commodity composition of imports, however, has changed somewhat. After rising sharply during the private investment boom of 1974-75, capital goods imports declined slightly in 1976 and apparently somewhat more in 1977 with the lower rate of investment in durable equipment. However, growth of output in the construction, manufacturing, and the nontraditional export sector (some products of which have a high import content such as garments and electronics) raised imports of raw materials and intermediate goods (including fuels and lubricants) by an estimated 7-12%

Table 3.2: EXPORTS BY MAJOR COMMODITY GROUPS, 1974-78
(f.o.b. value in US\$ million at current prices)

Commodity Group	1974/ <u>a</u>	1975/ <u>b</u>	1976/ <u>b</u>	1977/ <u>e</u>	1978/ <u>p</u>
Coconut products	609	466	540	673	791
Sugar and products	766	617	456	554	544
Forest products	281	225	270	276	363
Other agricultural products	156	173	188	222	264
Mineral products	519	362	431	505	634
Petroleum products	17	37	34	35	40
Marine products	)	17	27	38	45
)				
Nontraditional manufactures	) 346	374	546	705	890
)				
Nontraditional nonmanufactures and miscellaneous	)	21	79	90	116
Re-exports and adjustments		-29	-55	2	3
<u>Total exports</u>	<u>2,694</u>	<u>2,263</u>	<u>2,516</u>	<u>3,100</u>	<u>3,680</u>
Volume index (1972 = 100)	96	102	130	145	161
Price index (1972 = 100)	242	193	169	183	195

/a A comparable series was not available for the year 1974. As such, some adjustments in commodity groups have been made and a residual shown against nontraditional and marine products.

/b Data for some of the commodity groups do not exactly match those given in Table 3.3 of the Statistical Appendix because nontraditional exports have been excluded from them.

/e Estimate.

/p Projection.

Sources: National Census and Statistics Office and mission estimates.

per year in real terms in 1976-77. Imports of consumer goods, after dropping in 1976, are expected to pick up moderately in 1977 with the faster growth in real incomes due to the stabilization in the terms of trade.

Table 3.3: IMPORTS BY END-USE
(f.o.b. value in US\$ million at current prices)

Commodity group	1974	1975	1976	1977/ <u>e</u>	1978 <u>/p</u>
Capital goods	825	1,149	1,126	996	1,225
Raw materials & inter- mediate goods	1,343	1,166	1,272	1,525	1,750
Mineral fuels & lubricants	653	770	890	1,025	1,175
Consumer goods	322	374	345	425	450
<u>Total imports</u>	<u>3,143</u>	<u>3,459</u>	<u>3,633</u>	<u>4,050</u>	<u>4,600</u>
Volume index (1972 = 100)	110	116	123	129	137
Price index (1972 = 100)	212	220	217	231	249
Net terms of trade	114	88	78	79	79

/e Estimate.

/p Projection.

Sources: National Census and Statistics Office and mission estimates.

3.08 Capital Flows and External Debt. Net capital inflows, which had risen from \$100-200 million in the early 1970s to about \$600 million in 1975, were nearly doubled in 1976 to \$1.1 billion to cover the current account deficit of the same size. Most of the inflow was in the form of medium- and long-term loans, two thirds of which were public loans, reflecting in part increased disbursements from official sources. During 1977, the net capital inflow is likely to be about the same as in 1976, after allowing for errors and omissions, which has traditionally been a negative item, with little change in the shares of public and private medium- and long-term loans. Net direct investment is expected to remain in the \$125-145 million range of the last two years. The large external borrowings in 1975 and 1976 have raised the medium- and long-term debt outstanding by 65% in the two years to a level of \$3.8 billion. Although increased interest and amortization on the recent borrowings are expected to raise debt service payments by 25% in 1977, growth in export earnings will keep the debt service ratio at a manageable level of 19%.

Table 3.4: EXTERNAL DEBT

	1974	1975	1976	1977e	1978p
Debt outstanding <u>/a</u>	2,264	2,726	3,765	4,400	5,100
Debt service <u>/a</u>	512	577	588	740	860
Exports of goods and nonfactor services	3,431	3,076	3,330	3,929	4,600
Debt service ratio <u>/b</u>	15	19	18	19	19

/a Medium- and long-term debt.

/b Debt service payments on medium- and long-term loans divided by receipts from exports of goods and nonfactor services.

e Estimated.

p Projected.

Sources: IMF and mission estimates.

Balance of Payments Prospects

3.09 The balance of payments is likely to strengthen further in 1978. Assuming moderate growth in industrialized countries, the Philippines' exports are projected to increase by about 20%. The main leaders would be manufactured exports, minerals, and forest products, which are likely to show gains in both volume and prices. The value of coconut exports is also expected to rise, as higher prices should more than offset a decline in volume caused by poor rainfall. Sugar exports, however, are likely to decline slightly on account of expected small reductions in domestic production and export volume from the record 1977 level, and only a marginal increase in prices. Import payments are projected to be about 14% higher with higher payments for capital goods, raw materials, and oil reflecting increased investment and manufacturing activity. With no sizable change expected in the service and transfer accounts, the current account deficit would be about \$800 million, a slight decrease from 1977. Assuming a 15% increase in nominal GNP, this deficit would amount to a little less than 3.5% of GNP - a marked improvement over the deficits of 6% of GNP in 1975 and 1976. With a projected inflow of medium- and long-term loans of \$800 million, net capital inflows would amount to \$920 million, and the overall balance might be slightly in surplus. The total debt service ratio is likely to remain at about 19%, and the public debt service ratio at 7%.

3.10 Last year's basic economic report (BER) underlined the longer term implications of the widening of the deficit on current account in 1975. In the BER, it was estimated that in order to achieve a 7% real growth in GNP, imports

would have to grow at the same rate in real terms and at 14-15% per annum in current terms for the remainder of the decade. To finance the required imports, exports would have to grow by 19% per year with nontraditional exports rising more rapidly at 26%. This export growth would maintain the current account deficit at a manageable average of \$1 billion per year. As the economy expanded, the deficit would, however, decline in relative terms to 4% of GNP in 1980 and 2% in 1985. Two thirds of the public capital inflows required to finance the projected deficit would have to come from official sources to keep the debt service burden from becoming too heavy.

3.11 The balance of payments outlook is still broadly in line with what was foreseen last year. Export prices, particularly for sugar, dropped lower than was projected, thus causing earnings to be somewhat lower. However, this was more than offset by lower-than-assumed import prices and slow growth in import volume. Hence, the current account deficit, after reaching the \$1.1 billion mark in 1976, is expected to drop to about \$800 million during 1977-78. However, to achieve a 7% growth rate in real GNP, durable equipment investment and imports will have to grow faster than they have recently. Hence, continued growth of exports at the rate of 20% per year projected for 1977-78 remains crucial for avoiding future balance of payments constraints. Nontraditional exports have, in particular, performed better than earlier projected, but maintenance of this momentum would require the measures suggested in Annex A and access to markets in the industrialized countries.

3.12 The slightly lower current account deficit, together with projected capital inflows in 1977-78, will at best provide only a small cushion for possible future fluctuations in commodity prices. Therefore, the annual net capital inflow of at least \$1 billion recommended last year is still needed. Achieving this capital inflow would require gross disbursements of medium- and long-term loans of about \$1,200 million per year, with public loans accounting for 60% of the total. In order to provide the necessary long-term capital transfers without an excessive build up of debt service obligations, commitments of multilateral and bilateral loans should be of the order of \$750 million per year.

PHILIPPINES

COUNTRY ECONOMIC MEMORANDUM

ANNEX A: NONTRADITIONAL EXPORTS

October 26, 1977

East Asia and Pacific Regional Office

NONTRADITIONAL EXPORTS

Background

1. Historically, exports of primary goods have been the main source of foreign exchange earnings for the Philippines. The products that are now classified as nontraditional manufactures accounted for less than 5% of total exports during the 1950s. This share did not increase appreciably up to the mid-1960s, a period in which the growth of total exports was also slow. The performance of manufactured exports improved somewhat beginning in the late 1960s.
2. The reasons for the slow growth of manufactured exports, as of the total exports, are well documented. During the 1950s and 1960s, the Philippines followed an industrialization strategy based upon import substitution under highly protectionist policies. At the same time, the peso remained overvalued for long periods of time. The result was that exporters were not only discouraged but even penalized - they had to pay more for their intermediate goods and earned less domestic currency for their exports. The system provided little incentive for export production compared to production of domestic consumer goods, especially those catering to the urban markets. The burden of earning foreign exchange to meet import requirements remained on the traditional exports, but these failed to expand sufficiently to meet the growing need for the import of raw materials for the consumer goods industry and of machinery for relatively capital-intensive investment.
3. There was, therefore, a growing realization that exports in general, and nontraditional exports in particular, needed to be encouraged to relieve what was becoming a serious balance of payments constraint on growth. Consequently, a series of ameliorative actions were taken. Fiscal incentives were provided for investment and exports under the Investment Incentives Act (1967) and Export Incentives Act (1970). The peso was devalued in 1962 and a unified exchange rate established in 1965. The peso was devalued again in 1970 and subsequently allowed to float with market forces. Import duty rebates were granted to the exporters. An Export Processing Zone was established to facilitate access to imported materials. Except devaluation, these steps were basically designed to let export industries circumvent existing import restrictions and thus reduce the bias towards production for the domestic market. The impact of these measures was positive, as shown by a better performance of nontraditional exports during 1968-72, but was still not large because the level of protection remained the same or even increased in certain cases. Nevertheless, the measures at least compensated for some of the bias in favor of protected industry and set the stage for better performance later.

Rapid Expansion, 1973-76

4. Exports of nontraditional manufactured goods grew dramatically during the period 1973-76. Their value in current terms doubled in 1973 alone and increased almost fivefold in the four-year period. The three leading product lines in this expansion were garments, handicrafts, and electrical and electronic components (see Table 1), although some of the other minor commodity groups also showed high growth rates. In 1972 garments, electronics and handicrafts accounted for 45% of the total exports of non-traditional manufactures and by 1976 their share had jumped to 67%. Since the prices of these products increased considerably (some of them doubled), the increase in volume was less dramatic than in current value terms but was still quite large. Some upgrading of product quality has also occurred.

5. A number of factors contributed to the remarkable performance of the nontraditional manufactured exports during the period 1973-76. As mentioned above, the ameliorative measures adopted earlier had had a positive effect on export incentives, and the full impact of some of them was probably felt during this period. In particular, the response to the devaluation of 1970 and flexible exchange rate materialized in full during this period. The export promotion measures and procedural improvements initiated through the Board of Investment in the late 1960s had also encompassed a large number of firms, and these firms accounted for 73% of the increase in the exports of nontraditional manufactures during the period 1971-75. Tariff drawbacks had become more widely known and used. The Export Processing Zone, which had barely started production in 1972, accounted for about 5% of nontraditional manufactured exports in 1976. The use of bonded warehouses, available since 1974, provided exporters with a convenient mechanism for processing imported raw materials without having to take the cumbersome route of tariff drawbacks or to shift physically to the Export Processing Zone. In addition, the strong demand pull exerted by the international boom in 1972-73 probably played an important role in the initial export take-off and in establishing marketing contacts.

6. The following sections give a detailed analysis of nontraditional exports. Major manufactured exports are examined first. A separate section then deals with the performance of nontraditional agricultural exports. This is followed by a discussion of the prospects for 1978. The last two sections are devoted to linkages of the major exports to the domestic economy and conclusions.

Garments

7. Garments, the largest category of the nontraditional manufactures, comprise a number of articles ranging from embroidered cloth to gloves to ready made apparel. In 1970, gloves and mittens (nonleather), infants' wear, and brassieres accounted for a major share of garment exports. By 1975, childrens' and adults' wear, leather gloves and mittens, and clothing had also become major exports. The highest growth rate during the 1970s was exhibited by clothing and childrens' and adults' wear, exports of which more than quadrupled between 1970 and 1975. Exports of leather gloves and mittens jumped from a negligible amount in 1974 to \$8 million in 1975. Exports of infants' wear, the single biggest category among garment exports in 1975, more than doubled during this period.

Table 1: EXPORTS OF NONTRADITIONAL MANUFACTURES, 1970-78
(US\$ million)

	1970	1971	1972	1973	1974	1975	1976	1977e	1978P
1. Garments	36	36	39	58	94	107	185	281	320
2. Handicrafts	7	9	13	27	46	78	95	85	102
3. Electrical and electronics equipment and components	-	-	-	11	27	47	84	118	171
4. Nonmetallic mineral manufactures, particularly cement	3	11	10	25	36	32	27	32	36
5. Chemicals	5	7	6	11	16	22	28	43	65
6. Wood manufactures, excluding plywood, veneer and lumber	4	6	8	17	25	17	24	28	34
7. Food products and beverages	8	9	11	15	18	15	20	32	50
8. Machinery and transport equipment	1	2	2	3	5	10	15	16	19
9. Textile yarn, fabrics & other related products	3	5	4	17	7	9	15	18	21
10. Cordage, cable, ropes & twines	2	2	3	5	10	8	10	14	21
11. Others	25	20	20	37	43	30	42	38	51
<u>Total</u>	<u>94</u>	<u>107</u>	<u>116</u>	<u>226</u>	<u>327</u>	<u>375</u>	<u>545</u>	<u>705</u>	<u>890</u>

e Estimate.

P Projection.

Sources: Board of Investment and mission estimates.

8. The major markets for garment exports from the Philippines have been the US, West Germany, and the UK. In 1976, their shares in garment exports were 60%, 8%, and 6% respectively. The share of the US has declined from 79% in 1974 to about 60% in 1976 and the shares of the remaining countries have increased. Scope for some further market diversification still seems to exist.

9. The garment industry is labor intensive, requiring a relatively low investment per worker. The export oriented firms are heavily dependent on imported raw material and fabrics, and the domestic value added per unit of output is not very high. However, the import intensity of garment exports will probably have to continue unless the highly protected domestic textile industry becomes much more competitive.

10. Data on the size distribution of firms in the industry are not readily available. From impressionistic information, firms appear to range over the whole size scale. The firms registered with the Embroidery Board are older and perhaps larger. Those registered with the Board of Investment are both large and medium sized and usually operate with bonded warehouses. Remaining firms are relatively small, cannot use the facilities provided under the Embroidery Law and the Investment and Export Incentive Acts, and, not having access to various incentives, account for only a small share of exports. Ownership of the industry is largely in the hands of Filipinos and naturalized Chinese. Many of the firms are family controlled, the owners being either traditional manufacturers or traders/importers who have recently switched over to manufacturing. The industry appears to be well organized with sufficiently dynamic entrepreneurs. Having gone through a period of rapid expansion of output and exports, which necessarily entailed a valuable learning experience and labor training, the industry should be able to maintain its growth momentum.

11. The garment industry, however, does face a few problems. In the past, expansion of output was hampered by constraints on working capital. The Central Bank has now provided a facility for the rediscounting of credit instruments of export oriented industries, which should provide some relief. Firms that are not located in the Export Processing Zone or that do not own bonded warehouses have to take the more circuitous and expensive route of depositing import duties and then claiming rebates. Importation of some of the intermediate goods is still restricted and licenses have to be secured from the Central Bank to import them. Smaller and less well organized firms, therefore, may be discouraged from entering the export market.

12. The short-term prospects for garment exports, nevertheless, appear to be reasonably good. Skilled labor is available, and the industry has surplus capacity or it can easily be expanded. Quantitative restrictions

Table 2: SELECTED MANUFACTURED EXPORTS BY COUNTRY OF DESTINATION
(Percentage of total exports of a commodity group)

Country	1973	1974	1975	1976
<u>Garments</u>				
United States	n.a.	n.a.	74	60
West Germany	"	"	3	8
Australia	"	"	4	4
Canada	"	"	4	4
Japan	"	"	3	4
Others	"	"	12	20
<u>Chemical Elements and Compounds</u>				
Japan	32	13	44	78
Australia	11	6	5	10
Others	57	81	51	12
<u>Explosives and Miscellaneous Chemical Materials and Products</u>				
Japan	27	25	19	24
Others	73	75	81	76
<u>Furniture and Fixtures</u>				
USA	35	35	45	47
Australia	8	14	15	18
Others	57	51	40	35
<u>Travel Goods, Handbags and Similar Articles</u>				
USA	26	35	58	64
Germany	3	21	13	10
Japan	52	20	9	6
Others	19	24	20	20
<u>Footwear</u>				
USA	50	37	33	32
Australia	21	31	20	22
Others	29	32	47	46
<u>Miscellaneous Manufactured Articles, n.e.s</u>				
USA	n.a.	37	63	53
Germany	n.a.	15	10	12
Japan	n.a.	12	5	7
Australia	n.a.	8	4	6
Others	n.a.	28	18	22

n.a. = not available.

Source: Central Bank of the Philippines.

by the importing countries may cause some problems, however. Australia, France, and Canada already have global quotas on garment imports which work against a fresh entrant like the Philippines because the existing exporters with established contacts in the market use up most of the quota. The quota agreement with the UK has already been exceeded for the current year. These restrictions may dampen growth of Philippine garment exports to an extent. But the US, West Germany, and some other European countries should be able to sustain further growth in garment exports. In addition, country specific quota restrictions on some major exporters such as Hong Kong and Korea may in fact benefit the Philippines. After taking all these elements and recent developments into consideration, garment exports are predicted to increase at 50% per annum during the years 1977-78. This increase compares with ones of 14% in 1975 (when the international garment trade was depressed), 72% in 1976, and 52% in the first quarter of 1977 over the first quarter of 1976.

Handicrafts

13. Handicraft exports consist of a large number of articles mostly made from local raw materials. Being typical Filipino goods, these have always enjoyed some popularity in foreign markets. Rapid growth started in 1973 when exports doubled and then tripled again in the next three years. Additional sales, not reflected in the export statistics, have been made to the growing numbers of tourists. The main handicraft exports have been household and carved articles of wood, and purses, shellcraft, bags and baskets, plaiting materials, and articles of basketware and wickerwork. Exports of all of these products have expanded in recent years except for a drop in exports of shellcraft in 1976.

14. At present, there are clear signs of a slow down in the growth of handicraft exports. Having doubled for two consecutive years in 1973-74, exports increased by 70% in 1975 but rose by only 21% in 1976 and dropped by 22% in the first quarter of 1977. With the success of exports since 1972, small producers and traders have proliferated, causing stiff competition and possibly quality deterioration. Competition from China and other East Asian countries has increased and major export markets (US, Australia, West Germany) may also be reaching a saturation point for the more common handicrafts. There is evidence of a shift in demand from decorative to utility items. Hence, handicraft exports are unlikely to grow at a high rate during 1977-78. Awareness of the industry's problems, emergence of some large traders, design changes, and greater emphasis on exports to Europe should at least arrest the decline of exports in 1977 and may generate moderate growth in 1978.

15. The current difficulties of the handicraft industry are indicative of some long-term structural problems. By its nature, the handicraft sector has an atomistic structure comprising a large number of small producers who have to work with limited finances. These producers lack marketing organizations, export market information, and designing skills. Up to a point, traditional handicrafts could easily be exported and necessary supply expansion managed. But after the rapid expansion of the mid-1970s, handicrafts may have entered a stage where both supply and demand constraints limit their future growth. By common standards, the size of exports is not large (\$95 million in 1976), but these are not standardized, mass-produced items which benefit from

normal growth of consumer demand; they are more or less specialized items whose appeal partially lies in their novelty. Therefore, constant feedback of changes in consumer tastes and commensurate changes in designs are necessary. More stable market links with wholesalers and major retail chains have to be established. To enable small producers to meet the demands of bulk importers, large trading houses need to be promoted. Such houses could also provide the working capital needed by small producers, but other credit facilities also need to be expanded.

Electronic and Electrical Equipment and Components

16. Electronic and electrical components are the third largest non-traditional export. Electronic components, and within that, semiconductors, are the main export item. The major markets are the US and Japan, where the exporters have subcontracts with manufacturers of finished or intermediate goods. The industry is mainly Filipino owned and is dominated by two or three companies which produce and export about two thirds of its total output. The industry operates with bonded warehouses, and imports almost 100% of its raw materials and semiprocessed goods.

17. The export boom in electronics and electrical components started in 1973 when their value jumped from a negligible amount to over \$10 million. The exports quadrupled in the next two years and almost doubled again in 1976. The high rate of growth has largely been a response to strong demand in the US and Japan. On the basis of the performance in the first quarter of the year, exports are estimated to increase by about 40% in 1977. With at least moderate economic growth in the main markets in 1978, exports should rise by another 45%. The long-term prospects will depend on the ability of the industry to respond to changes in demand, access to technical expertise, and establishment of stronger tie-ups with manufacturers in industrialized countries.

Wood Products

18. The Philippines has a comparative advantage in the wood industry, which is based on a natural resource, and has been able to significantly increase exports of both traditional and nontraditional processed products. The domestic linkages between the basic raw material, semiprocessed, and manufactured products are much closer than in many other nontraditional export industries. Competitive production of the more highly processed products depends in part on the efficiency of early stages of processing. Also, the industry is relatively large and labor intensive, employing 150,000 workers or 10% of the industrial labor force. Its products and exports currently span the whole range of processing from logs through the simple traditional intermediate goods (lumber, veneer, plywood) to more highly processed nontraditional items (doors, fixtures, furniture). Exports of traditional processed wood products tripled in value between 1970 and 1976, increasing from 20% to 50% of total forest exports while the share of logs declined. The export of manufactured nontraditional wood products, while starting from a small base in 1970, increased by 35% annually, reaching \$24 million in 1976.

19. The potential for continued growth in both the traditional and nontraditional wood processing industry is good. However, realization of this potential will require steps to make the most effective use of a limited supply of raw materials /1 through further rationalization of the industry's structure. Given raw material constraints, future growth in the export of nontraditional manufactured wood products could come from increasing the level of processing in existing plants as well as the establishment of new ones. Furthermore, existing plants are operating well below their rated capacity due to supply problems and technical inefficiencies./2 The Government is attempting to restructure the industry through the establishment of new plants, the expansion of existing plants, and the phasing out of uneconomic areas. However, a forest industry development study is needed to formulate a detailed national investment plan. The study should cover the long-term availability of raw material resources, employment, transport, domestic and export marketing prospects, and the vertical development of the industry towards higher valued processed goods.

20. To encourage the expansion of local processing capacity, a quota equal to 25% of the allowable cut was imposed on log exports at the end of 1975. The quota was intended as a temporary measure, substituting for a ban on log exports which was to have been imposed on January 1, 1976, but was not implemented for fear of adverse short-term effects on the balance of payments, employment, and the "stability" of the industry. Although the Government has not officially stated its policy on the future of the ban, the quota would have to be progressively reduced in order to gradually eliminate all log exports. An alternative policy to achieve the same objective would be to place an export tax on logs. The export tax could be increased gradually and, hence, would act as a disincentive to log exporters, many of whom are also engaged in some form of wood processing. The export tax would have two important advantages over the present quota: it would be more flexible on an annual basis by allowing log exports to fluctuate with international demand, and it would provide an additional source of revenue for the Government rather than of profits for established exporters.

/1 The present rapid depletion of forest reserves could have serious long-term implications for the entire wood processing industry. The unreliability of official data on forest resources makes it difficult to determine the precise dimensions of the problem, but the condition of the forestry sector appears to be serious. The Government has recently undertaken a major reforestation program to replant 750,000 ha over the next five years. Given past performance in reforestation, this target is unlikely to be achieved, particularly in view of the lack of cooperation by many private companies both in the reforestation effort and in the use of selective logging practices.

/2 As of December 1976, the actual capacity utilization of existing plants was 36% for sawmills, 42% for plywood plants and 64% for veneer mills.

Other Nontraditional Manufactures

21. The share of other nontraditional manufactures has declined from 50% in 1972 to about 30% in 1976, reflecting the higher growth rate of the major exports discussed above. However, chemicals and food products have shown a marked rate of growth and by 1976 had reached a significant level. Machinery, transport equipment and cordage have also shown high rates of growth but their shares are still relatively small. Some of these exports may be of a residual character: surplus production in any given year is exported but the industry as such is not export oriented. For this reason the exports may fluctuate up and down. For example, exports of nonmetallic mineral manufactures have been uneven; they increased up to 1974 and then declined for the next two years, mainly because of a drop in cement exports.

Nontraditional Agricultural and Food Product Exports

22. Nontraditional agricultural exports include fruits, vegetables, marine products, sugar confectioneries, unroasted coffee, and processed animal feed. As a whole, nontraditional agricultural exports more than quadrupled in value between 1970 and 1976, with most of this growth coming from bananas, fish, and coffee. The share of nontraditional agricultural exports in total exports doubled from about 4% in 1970 to 8% in 1976. Part of the increase in 1976 was the result of the sudden rise in the value of coffee exports reflecting the boom in international coffee prices, although fish, fruit, and vegetable exports also contributed to the increase. Pineapple and pineapple products, although traditional exports, are similar processed food items that have also expanded rapidly in the mid-1970s.

23. Exports of nontraditional agricultural products are likely to grow at 25-30% per year during 1977 and 1978, a rate similar to the historic growth rate for the 1970s. While the Philippines may have considerable potential for further developing these exports in the long term, the problems involved in coordinating the agricultural and industrial aspects of the food processing industry require the active support of the Government. At present the Government's policy is to promote the expansion of the industry, but a comprehensive production and marketing program to support this policy needs to be formulated./1

/1 RP/UNDP Export Promotion Project, "The Export Potential Evaluation Procedure (ep)² and its Application to Philippine Products," July 1976 (processed), p. 21.

Table 3: NONTRADITIONAL FOOD AND AGRICULTURAL EXPORTS
(US\$ million)

	1970	1971	1972	1973	1974	1975	1976
Fruit and vegetables	27	32	27	25	39	45	61
Bananas	6	15	25	28	46	73	76
Fish	2	7	11	19	17	16	26
Coffee (unroasted)	-	2	-	1	-	3	25
Food and beverages (nontraditional manufactures)	8	9	11	15	18	15	20
<u>Total</u>	<u>43</u>	<u>65</u>	<u>74</u>	<u>88</u>	<u>120</u>	<u>152</u>	<u>208</u>

Source: Board of Investment.

Prospects for 1977-78

24. The short-term prospects for nontraditional exports are good. Based primarily on an analysis of the performance of individual products during the first quarter, nontraditional exports are estimated to increase by about 30% in 1977. Growth in 1978 would depend upon both economic conditions in the importing countries and the ability to expand output in the Philippines. The supply issues for major exports have already been discussed in the foregoing sections. According to the current World Bank forecast, the real growth in OECD countries is likely to be 5% in 1978. In the absence of additional import restrictions by the major importing countries, nontraditional exports should increase by about 26% in 1978.

Linkages of Nontraditional Manufactured Exports

25. The performance of manufactured exports has so far been examined mainly in the context of its balance of payments effects. This section covers input, employment, investment, marketing and entrepreneurial linkages of manufactured exports. Strengthening of these economic linkages would increase the impact of export growth on the domestic economy. Due to limitations of time and data, however, it has not been possible to quantify most of the linkages but only to identify the more important ones and describe their rough dimensions.

26. Input Linkages. The garment industry uses some domestic textile products but depends mainly on imported materials. In fact, the high rate

of growth of garment exports is attributable largely to the availability of duty-free imported materials through various mechanisms. If the backward linkage of this industry with textiles is to be expanded, the textile industry will first have to improve the quality of its products and increase its price competitiveness. That would involve removal of protection on textile products and probably modernization of the plants. The electronics industry also imports almost all of its intermediate goods, and it is unlikely that the situation will change in the near future.

27. Some other manufactured exports have stronger domestic input linkages. For example, handicrafts are almost wholly based on local raw material such as wood, seashells, and fibers. But, since the raw materials do not require much preprocessing and the quantities involved are not large, the linkages are not likely to stimulate much new development. Wood manufactures have a strong backward linkage as discussed in detail above. The Philippines has only recently taken steps to increase fruit and vegetable processing. Processed exports of banana and pineapple hold good promise if a coordinated attack can be mounted on the agricultural and industrial constraints.

28. Employment and Investment. Only limited data on employment and investment linkages of manufactured exports are available. From data on the firms registered with the Board of Investment (BOI), rough estimates of the relative labor intensity of exporting and nonexporting industries can be derived. The BOI data cover the capital expenditure and employment in the projects proposed by two sets of firms: those registered under the Investment Incentives Act (hereafter called IIA firms) and those registered under the Export Incentives Act (hereafter called EIA firms). As incentives given under EIA are larger and relate to exports, the data pertaining to the EIA firms provide at least a rough indication of the situation in modern larger scale export industries.

29. For the period 1968-75, the IIA firms were to employ 94,000 workers and their investment was to be ₱ 16,400 million.^{/1} Their capital expenditure per worker was, therefore, to be about ₱ 175,000. On the other hand, the EIA firms were to employ 36,000 workers with an investment of ₱ 1,485 million at a capital expenditure of ₱ 41,000 per worker. The export firms were, therefore, clearly more labor intensive than the nonexporting firms. At the sub-sectoral level, the EIA firms also had consistently and significantly lower capital-labor ratios. The ratios for some of the products were as follows: wood products, ₱18,000 (EIA) versus ₱ 80,000 (IIA); electrical products, ₱ 16,600 (EIA) versus ₱ 73,000 (IIA); textiles, ₱ 59,000 (EIA) versus ₱ 227,000 (IIA). Separate data for garments for IIA firms were not available. However, the EIA capital-labor ratio for garments was ₱13,000. Given the

^{/1} All the values are given in current terms and refer to project proposals rather than actual investment. Employment figures are also taken from project proposals. Therefore, the figures are at best a rough indication of relative magnitudes.

large differences in the two sets of data, exporting industries were on the average undoubtedly more labor intensive than the others. Furthermore, of the exporting industries, the major nontraditional exports (viz. garments, electronic and electrical components and handicrafts) were particularly labor intensive. Continued rapid growth of investment in nontraditional manufactured exports could, therefore, have a strong positive impact on future employment.

30. The share of the manufacturing sector in total employment is still only about 11%. Manufacturing employment, which had on the average grown less than 1% per year between 1970 and 1974, increased by 8% per year in 1975 and 1976. According to a rough estimate, the share of nontraditional manufactured exports in the gross value of total manufactured output is only about 6%. As such, the share of exporting industries in total manufacturing employment cannot yet be very large. But, being labor intensive and having grown at a very rapid rate, the contribution of the manufactured exports to incremental employment (which was about 100,000 workers per year in 1975 and 1976) may have been significant in recent years.

31. Marketing. The growth of manufactured exports has required establishment of new marketing links inside and outside the country. Some exporters have been producers themselves, for example those in electronics and garments, and have not needed trading intermediaries to collect goods inside the country. These exporters have also developed more direct contact with the major traders or producers outside. Other exporters, especially in handicrafts, have relied on local intermediaries or small producers to supply them with the requisite quantities of goods. Over the period, foreign marketing channels must have been expanded and strengthened, and success in exporting may have both raised the skills of local entrepreneurs and increased their awareness of the possibilities offered by foreign markets.

Conclusion

32. As discussed above, a number of measures adopted earlier have been responsible for the impressive growth of nontraditional exports, especially manufactured goods. To maintain the recent momentum, further institutional support is necessary at this stage in such areas as feedback from foreign markets, simpler export procedures, larger credit resources, and the establishment of trading houses. A number of steps have already been taken: a Philippine Export Council comprising both public and private representatives has been established to study and make recommendations on various aspects of export promotion; a study for the establishment of large trading houses on the pattern of South Korea and Japan is under preparation; the Government has established a public sector trading corporation for trade with the socialist countries; various credit agencies are making an effort to expand credit to the export oriented industry; and a Presidential Decree has been issued to simplify export procedures. Implementation of these proposals should help maintain a 25-30% annual growth rate in nontraditional exports at least in the near term. Equally, if not more important, however, is access to markets in industrialized countries on favorable terms.

33. Most of the export promotion measures adopted so far have at best only compensated for the existing bias towards import substitution. Differential rates of protection combined with selective export incentives to various industries are probably still producing less than optimal overall industrial and export growth and could lead to development of a dualistic industrial structure that might not be viable in the longer term. Therefore, to rationalize the industrial structure and to provide a solid domestic base for future growth of industry and exports, it is necessary to move toward a freer trade regime by removing import restrictions and reducing tariffs. Such a regime would especially help the smaller and less organized firms which have not fully benefited from the facilities of bonded warehouses and tax and tariff incentives.

PHILIPPINES

COUNTRY ECONOMIC MEMORANDUM

ANNEX B: STATISTICAL APPENDIX

October 26, 1977

East Asia and Pacific Regional Office

STATISTICAL APPENDIX

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Table 1.1: POPULATION ESTIMATES OF POST-INDEPENDENCE CENSUSES

Census year	Population (millions)	Intercensal growth rate (%)
1948	19.2	
1960	27.1	3.1
1970	36.7	3.0
1975	41.8 <u>/a</u>	2.7

/a Preliminary.

Source: National Census and Statistics Office.

Table 1.2: LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT

Date	Working age population - million -	Labor force participation		Labor force ----- million	Employment million	Unemployed -----	Unemployment rate %
		rate %					
1970 (census)	25.1	49.4		12.4	11.4	0.9	7.6
1971	Feb.	25.3	48.6	12.3	11.6	0.7	5.4
	May	25.5	51.8	13.2	12.6	0.6	4.8
	Aug.	26.1	49.5	12.9	12.2	0.7	5.2
	Nov.	26.4	50.2	13.2	12.5	0.7	5.3
1972	Feb.	26.7	52.1	13.9	12.9	1.0	6.9
	May	26.7	53.1	14.2	13.2	1.0	6.9
	Aug.	27.0	49.7	13.4	12.6	0.8	6.1
	Nov.	27.5	48.4	13.3	12.6	0.7	5.4
1973	Feb.	27.5	49.0	13.5	12.8	0.7	5.2
	May	28.2	49.3	13.9	13.3	0.6	4.5
	Aug.	28.8	50.8	14.6	13.9	0.7	5.1
	Nov.	28.9	50.4	14.6	13.9	0.7	4.8
1974	Feb.	28.9	48.9	14.1	13.6	0.6	4.1
	May	28.8	52.9	15.2	14.5	0.7	4.8
	Aug.	28.8	49.4	14.2	13.6	0.6	4.1
	Nov.	28.8	49.7	14.3	13.8	0.5	3.2
1975	Feb./a	29.0	49.3	14.3	13.8	0.5	3.6
	Aug.	29.8	51.0	15.2	14.5	0.6	4.2
1976	Aug./b	31.4	51.8	16.2	15.4	0.8	5.0

/a In 1975 only two labor force surveys were carried out because of the 1975 census.

/b Only one labor force survey was conducted in 1976.

Source: National Census and Statistics Office, 1970 census and annual labor force surveys.

Table 1.3: EMPLOYMENT BY SECTOR

	1970	1971	1972	1973	1974	1975	1976
	<u>Thousands of persons /a</u>						
Agriculture, fishery & forestry	6,260	6,090	6,910	7,310	7,730	7,630	8,130
Mining & quarrying	60	60	40	60	50	50	60
Manufacturing	1,380	1,440	1,400	1,410	1,440	1,550	1,680
Electricity, gas & water	30	60	40	40	40	40	50
Construction	390	440	430	440	390	440	490
Commerce	1,120	1,520	1,560	1,570	1,560	1,560	1,860
Transportation, communication & storage	500	520	490	510	510	510	550
Other services	1,690	2,120	1,960	2,130	2,170	2,330	2,610
<u>Total employment</u>	<u>11,430</u>	<u>12,250</u>	<u>12,830</u>	<u>13,470</u>	<u>13,890</u>	<u>14,110</u>	<u>15,430</u>
	<u>Distribution (percent)</u>						
Agriculture, fishery & forestry	54.7	50.8	53.8	54.3	55.6	54.0	52.7
Mining & quarrying	0.5	0.5	0.3	0.4	0.3	0.3	0.4
Manufacturing	12.1	11.8	10.9	10.5	10.4	10.9	10.9
Electricity, gas & water	0.3	0.4	0.3	0.3	0.3	0.3	0.3
Construction	3.4	3.6	3.3	3.3	2.8	3.1	3.2
Commerce	9.8	12.4	12.1	11.6	11.2	11.3	12.1
Transportation, communication & storage	4.4	4.2	3.8	3.8	3.7	3.6	3.6
Other services	14.8	16.3	15.3	15.8	15.6	16.5	16.9
<u>Total employment</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

/a NCSO estimates have been rounded off to the nearest 10,000. Figures for 1970 are from the census; figures for 1971-74 are the average of four quarterly labor force surveys; figures for 1975 are the average of two semiannual surveys and figures for 1976 are from the August labor force survey.

Source: National Census and Statistics Office.

Table 2.1: EXPENDITURE ON GROSS NATIONAL PRODUCT AT CURRENT PRICES
(billion pesos)

	1970	1971	1972	1973	1974 ^f	1975 ^r	1976 ^p
Personal consumption	29.6	35.6	39.9	48.2	67.2	76.2	86.2
General government consumption	3.5	4.3	5.3	6.2	9.0	11.4	13.2
Gross domestic capital formation							
Fixed capital formation							
Construction							
Government	0.4	0.6	1.0	1.4	2.9	4.4	6.4
Private	2.2	2.3	2.5	3.0	4.7	7.3	10.0
Total construction	2.6	2.9	3.6	4.4	7.6	11.7	16.5
Durable equipment	4.1	5.3	5.3	6.6	11.1	16.1	16.3
Total fixed capital formation	6.7	8.2	8.8	11.0	18.6	27.8	32.8
Increase in stocks	2.3	2.3	2.7	4.4	8.2	7.9	8.3
Total capital formation	9.0	10.4	11.6	15.4	26.8	35.7	41.1
Exports of goods and nonfactor services	8.1	9.3	9.9	15.9	22.3	21.3	23.2
Imports of goods and nonfactor services	-8.2	-9.6	-10.3	-13.4	-25.4	-29.1	-31.8
Expenditure on gross domestic product	41.9	49.9	56.3	72.5	99.9	115.5	131.9
Net factor income from the rest of the world	-0.7	-0.5	-0.5	-0.2	0.3	-0.3	-1.2
Statistical discrepancy	0.5	0.2	-0.2	-0.7	-0.3	-0.8	0.6
Expenditure on gross national product	41.8	49.6	55.5	71.6	99.9	114.4	131.3

f: final
r: revised
p: preliminary

Source: National Accounts Staff, NEDA, estimates as of May 1977.

Table 2.1a: PERCENT DISTRIBUTION OF EXPENDITURE ON GROSS
NATIONAL PRODUCT AT CURRENT PRICES

	1970	1971	1972	1973	1974 ^f	1975 ^r	1976 ^p
Personal consumption	70.8	71.7	71.9	67.4	67.2	66.6	65.7
General government consumption	8.4	8.6	9.5	8.7	9.0	10.0	10.1
Gross domestic capital formation							
Fixed capital formation							
Construction							
Government	1.0	1.2	1.9	2.0	2.9	3.8	4.9
Private	5.2	4.6	4.6	4.2	4.7	6.4	7.6
Total construction	6.2	5.8	6.4	6.2	7.6	10.2	12.5
Durable equipment	9.8	10.7	9.5	9.3	11.1	14.1	12.4
Total fixed capital	16.0	16.4	15.9	15.4	18.7	24.3	24.9
Increase in stocks	5.5	4.6	4.9	6.1	8.2	6.9	6.3
Total capital formation	21.5	21.1	20.8	21.6	26.8	31.2	31.3
Exports of goods and nonfactor services	19.4	18.7	17.8	22.2	22.3	18.6	17.7
Imports of goods and nonfactor services	-19.7	-19.5	-18.6	-18.7	-25.4	-25.4	-24.2
Expenditure on gross domestic product	100.4	100.6	101.4	101.2	99.9	101.0	100.4
Net factor income from the rest of the world	-1.7	-1.1	-1.0	-0.2	0.3	-0.3	-0.9
Statistical discrepancy	1.3	0.4	-0.4	-0.9	-0.3	-0.7	0.5
Expenditure on gross national product	100.0	100.0	100.0	100.0	100.0	100.0	100.0

f: final
r: revised
p: preliminary

Source: National Accounts Staff, NEDA, estimates as of May 1977.

Table 2.2: EXPENDITURE ON GROSS NATIONAL PRODUCT AT CONSTANT 1972 PRICES
(billion pesos)

	1970	1971	1972	1973	1974 ^f	1975 ^r	1976 ^p
Personal consumption expenditures	37.1	38.5	39.9	42.3	44.4	46.2	47.9
General government consumption expenditures	4.2	4.6	5.3	5.8	6.7	7.3	7.6
Gross domestic capital formation							
Fixed capital formation							
Construction							
Government	0.5	0.6	1.0	1.2	1.5	2.3	3.1
Private	2.6	2.4	2.5	2.5	2.5	3.9	4.9
Total construction	3.1	3.1	3.6	3.7	4.0	6.2	8.0
Durable equipment	4.8	5.6	5.3	5.4	7.4	8.9	8.3
Total fixed capital	7.9	8.7	8.8	9.1	11.4	15.0	16.3
Increase in stocks	2.9	2.5	2.7	3.5	4.3	3.9	3.9
Total capital formation	10.8	11.2	11.6	12.5	15.7	19.0	20.2
Exports of goods and nonfactor services	8.7	9.0	9.9	11.3	10.0	10.0	11.8
Imports of goods and nonfactor services	-10.0	-10.0	-10.3	-10.8	-12.9	-13.5	-13.7
Expenditure on gross domestic product	50.9	53.3	56.3	61.2	63.8	68.8	73.9
Net factor income from the rest of the world	-1.0	-0.6	-0.5	-0.1	0.6	0.2	-0.2
Statistical discrepancy	0.1	0.3	-0.2	-0.3	0.3	-0.5	-0.7
Expenditure on gross national product	50.0	52.9	55.5	60.9	64.7	68.5	72.9
Exports of GNFS as capacity to import	9.8	9.6	9.9	12.8	11.3	9.9	10.0
Terms of trade adjustment /a	1.1	0.6	-	1.5	1.3	-0.1	-1.8
Gross national income	51.1	53.5	55.5	62.4	66.0	68.4	71.1

f: final
r: revised
p: preliminary

/a The difference between exports of goods and nonfactor services (GNFS) in constant prices and exports of GNFS measured as capacity to import (i.e., exports of GNFS in current prices deflated by the implicit price index for imports of GNFS).

Source: National Accounts Staff, NEDA, estimates as of May 1977.

**Table 2.2a: GROWTH RATES OF EXPENDITURE ON GROSS NATIONAL PRODUCT
AT CONSTANT 1972 PRICES**

	1971	1972	1973	1974 ^f	1975 ^r	1976 ^p
Personal consumption expenditures	3.8	3.7	6.0	5.0	4.0	3.7
General government consumption expenditures	7.7	15.5	10.9	15.5	9.0	5.3
Gross domestic capital formation						
Fixed capital formation						
Construction						
Government	26.6	64.6	14.4	25.0	52.1	36.4
Private	-5.7	3.5	-0.8	-0.6	54.7	26.6
Total construction	-0.5	16.0	3.6	8.1	53.7	30.2
Durable equipment	16.3	-6.2	2.4	37.0	20.4	-6.5
Total fixed capital	9.7	1.6	2.9	25.3	32.1	8.5
Increase in stocks	-13.0	8.1	26.0	22.9	-7.5	-0.8
Total capital formation	3.6	3.1	8.4	25.6	21.3	6.6
Exports of goods and nonfactor services	2.9	9.8	14.5	-11.8	-0.3	18.9
Imports of goods and nonfactor services	0.3	3.2	4.5	19.3	4.8	1.3
Expenditure on gross domestic product	4.6	5.7	8.7	4.2	7.9	7.3
Expenditure on gross national product	5.8	4.9	9.6	6.3	5.9	6.4
Exports of GNFS as capacity to import	-2.1	2.8	30.1	-12.1	-12.4	1.0
Gross national income	4.7	3.7	12.4	5.8	3.7	3.8

f: final
r: revised
p: preliminary

Source: National Accounts Staff, NEDA, estimates as of May 1977.

Table 2.3: IMPLICIT PRICE INDEXES FOR EXPENDITURE ON GROSS NATIONAL PRODUCT
(1972 = 100)

	1970	1971	1972	1973	1974	1975 ^r	1976 ^p
Personal consumption	79.7	92.4	100.0	114.0	151.4	165.0	180.1
General government consumption	83.1	93.8	100.0	106.8	135.1	157.2	173.2
Gross domestic capital formation							
Fixed capital formation							
Construction							
Government	84.1	93.2	100.0	118.2	189.3	190.4	205.5
Private	84.2	93.4	100.0	120.2	189.3	190.4	205.5
Total construction	84.1	93.4	100.0	119.5	189.3	190.4	205.5
Durable equipment	84.9	94.1	100.0	123.1	150.0	181.0	196.2
Total fixed capital formation	84.6	93.8	100.0	121.6	163.8	184.9	200.8
Increase in stocks	78.6	90.7	100.0	127.2	191.8	200.3	212.0
Total capital formation	83.0	93.1	100.0	123.2	171.4	188.1	202.9
Exports of goods and nonfactor services	92.6	102.9	100.0	140.8	223.1	213.8	196.5
Imports of goods and nonfactor services	82.4	96.3	100.0	124.0	197.2	215.2	232.8
Expenditure on gross domestic product	82.3	93.7	100.0	118.4	156.6	167.8	178.5
Expenditure on gross national product	83.4	93.7	100.0	117.6	154.4	166.8	180.1

f: final
r: revised
p: preliminary

Source: National Accounts Staff, NEDA, estimates as of May 1977.

Table 2.4: GDP BY INDUSTRIAL ORIGIN, GNP, AND NNP AT CURRENT PRICES
(In billion pesos)

	1970	1971	1972	1973	1974 ^f	1975 ^r	1976 ^p
Agriculture, fishery & forestry	11.8	14.8	16.0	21.1	29.4	33.0	38.4
Industrial sector							
Mining & quarrying	1.2	1.2	1.3	2.4	3.1	2.0	1.8
Manufacturing	9.6	11.4	13.4	17.7	24.6	28.5	32.5
Construction	1.5	1.8	2.2	2.7	4.7	7.1	9.4
Electricity, gas & water	0.3	0.4	0.5	0.6	0.9	1.1	1.2
Total industry	12.6	14.8	17.4	23.4	33.3	38.7	44.9
Service sector							
Transport, communi- cation & storage	1.8	2.2	2.4	2.9	3.7	4.8	5.6
Commerce	10.5	11.6	12.7	15.8	22.4	25.4	28.7
Other services	5.8	6.8	7.5	8.6	10.8	12.8	14.9
Total services	18.1	20.6	22.6	27.3	36.9	43.0	49.2
GDP at market prices	42.5	50.2	56.0	71.8	99.6	114.7	132.5
Net factor income from the rest of the world	-0.7	-0.5	-0.5	-0.2	0.3	-0.3	-1.2
GNP at market prices	41.8	49.7	55.5	71.6	99.9	114.4	131.3
Indirect taxes less subsidies	3.2	4.0	4.4	6.4	10.4	11.8	12.2
Capital consumption allowance	3.7	4.7	5.3	6.5	8.5	11.1	12.9
Net national product	34.9	41.0	45.8	58.7	81.0	91.5	106.2

f: final
r: revised
p: preliminary

Source: National Accounts Staff, NEDA, estimates as of May 1977.

Table 2.4a: PERCENT DISTRIBUTION OF GDP BY INDUSTRIAL ORIGIN
AT CURRENT PRICES

	1970	1971	1972	1973	1974 ^f	1975 ^r	1976 ^p
Agriculture, fishery, & forestry	27.8	29.5	28.6	29.4	29.5	28.8	29.0
Industrial sector							
Mining and quarrying	2.8	2.4	2.4	3.4	3.1	1.8	1.4
Manufacturing	22.6	22.8	23.9	24.7	24.7	24.9	24.6
Construction	3.6	3.6	4.0	3.8	4.7	6.2	7.1
Electricity, gas and water	0.7	0.7	0.8	0.8	0.9	0.9	0.9
Total industry	29.6	29.4	31.1	32.7	33.5	33.7	33.9
Service sector							
Transportation, communication & storage	4.2	4.3	4.3	4.1	3.7	4.2	4.2
Commerce	24.8	23.2	22.6	22.0	22.5	22.2	21.6
Other services	13.6	13.5	13.4	11.9	10.8	11.2	11.2
Total services	42.6	41.1	40.3	38.0	37.0	37.5	37.1
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0

f: final
r: revised
p: preliminary

Source: National Accounts Staff, NEDA, estimates as of May 1977.

Table 2.5: GDP BY INDUSTRIAL ORIGIN, GNP, AND NNP AT CONSTANT 1972 PRICES
(In billion pesos)

	1970	1971	1972	1973	1974 ^f	1975 ^r	1976 ^p
Agriculture, fishery & forestry	14.7	15.5	16.0	17.0	17.5	18.2	19.5
Industrial sector							
Mining & quarrying	1.1	1.3	1.3	1.4	1.4	1.4	1.4
Manufacturing	11.8	12.6	13.4	15.3	16.0	16.6	17.5
Construction	1.8	1.9	2.2	2.4	2.7	4.1	5.1
Electricity, gas & water	0.4	0.4	0.5	0.5	0.6	0.6	0.7
Total industry	15.1	16.2	17.4	19.6	20.7	22.7	24.7
Service sector							
Transport, communi- cation & storage	2.0	2.2	2.4	2.6	2.9	3.3	3.6
Commerce	12.3	12.5	12.7	13.6	14.3	15.1	15.9
Other services	6.9	7.1	7.5	8.1	8.7	9.1	9.5
Total services	21.2	21.8	22.6	24.3	25.9	27.5	29.0
GDP at market prices	51.0	53.5	56.0	60.9	64.1	68.4	73.2
Net factor income from the rest of the world	-1.0	-0.6	-0.5	-0.1	0.6	0.1	-0.3
GNP at market prices	50.0	52.9	55.5	60.8	64.7	68.5	72.9
Indirect taxes less subsidies	3.7	4.2	4.4	5.5	6.6	7.1	6.8
Capital consumption allowance	4.7	5.0	5.3	5.5	5.8	6.2	6.8
Net national product	41.6	43.7	45.8	49.8	52.3	55.2	59.3

f: final
r: revised
p: preliminary

Source: National Accounts Staff, NEDA, estimates as of May 1977.

Table 2.5a: GROWTH RATES OF GDP BY INDUSTRIAL ORIGIN
AT CONSTANT 1972 PRICES
(Percent)

	1971	1972	1973	1974 ^f	1975 ^r	1976 ^p
Agriculture, fishery, & forestry	4.9	3.8	6.1	2.6	4.3	6.8
Industrial sector						
Mining and quarrying	17.3	5.0	4.0	0.2	2.3	0.3
Manufacturing	6.7	6.2	13.9	4.8	3.5	5.8
Construction	8.7	18.6	8.6	12.8	49.4	24.8
Electricity, gas and water	11.7	6.4	7.1	16.0	6.4	5.7
Total industry	7.8	7.5	12.3	5.7	9.6	8.9
Service sector						
Transportation, communication & storage	6.2	10.7	9.9	10.4	11.7	8.6
Commerce	1.5	1.6	7.1	5.6	5.0	5.8
Other services	4.3	4.3	7.8	7.5	5.1	4.1
Total services	2.9	3.4	7.6	6.8	5.8	5.5
GDP at market prices	4.9	4.8	8.7	5.3	6.6	7.0
GNP at market prices	5.8	4.9	9.6	6.3	5.9	6.4
Indirect taxes less subsidies	15.2	3.7	25.1	20.9	6.9	-4.4
Capital consumption allowance	6.5	6.7	3.4	5.7	6.6	9.9
Net national product	4.8	4.8	8.9	4.8	5.7	7.4

f: final
r: revised
p: preliminary

Source: National Accounts Staff, NEDA, estimates as of May 1977.

**Table 2.6: IMPLICIT PRICE INDEXES FOR GDP BY INDUSTRIAL ORIGIN, GNP AND NNP
(1972 = 100)**

	1970	1971	1972	1973	1974	1975 ^f	1976 ^p
Agriculture, fishery and forestry	80.0	95.6	100.0	123.8	168.3	181.1	197.5
Industrial sector							
Mining & quarrying	108.1	92.6	100.0	171.9	220.7	140.2	124.5
Manufacturing	81.0	90.5	100.0	116.1	154.0	172.6	165.9
Construction	87.2	94.3	100.0	113.2	171.5	172.2	182.9
Electricity, gas & water	78.9	85.2	100.0	112.6	161.1	171.0	191.1
Total industry	83.6	91.0	100.0	119.7	161.0	170.4	181.9
Service sector							
Transport, communication & storage	86.7	99.5	100.0	109.6	124.9	145.6	156.9
Commerce	85.5	93.2	100.0	116.1	156.5	168.8	180.0
Other services	84.1	94.4	100.0	106.2	124.2	140.6	156.7
Total services	85.2	94.2	100.0	112.1	142.1	156.7	169.5
GDP at market prices	83.2	93.6	100.0	117.8	155.3	167.7	181.1
GNP at market prices	83.4	93.7	100.0	117.6	154.4	166.8	180.1
Indirect taxes less subsidies	87.0	94.4	100.0	117.1	156.3	166.7	180.4
Capital consumption allowance	78.8	92.7	100.0	116.8	146.2	178.7	188.0
Net national product	83.7	93.8	100.0	117.8	155.1	165.5	179.1

f: final
r: revised
p: preliminary

Source: National Accounts Staff, NEDA, estimates as at May 1977.

Table 2.7: SOURCE AND DISPOSITION OF PERSONAL INCOME
(In billion pesos at current prices)

	1970	1971	1972	1973	1974 ^f	1975 ^r	1976 ^p
Compensation of employees	} 32.9	16.8	18.6	22.6	30.5	36.5	44.5
Entrepreneurial & property income of persons		22.4	25.3	31.9	45.4	49.9	55.8
Social security benefits	0.2	0.2	0.2	0.3	0.4	0.4	0.5
Other current transfers from general government	0.4	0.5	0.6	0.7	0.9	1.1	1.2
Current transfers from the rest of the world	0.5	0.7	1.0	1.2	1.3	1.8	1.8
<u>Total sources</u>	<u>34.0</u>	<u>40.6</u>	<u>45.7</u>	<u>56.7</u>	<u>78.5</u>	<u>89.7</u>	<u>103.8</u>
Personal consumption expenditures	29.6	35.6	39.9	48.2	67.2	76.2	86.2
Personal direct taxes	0.5	0.8	0.9	1.3	1.1	1.4	1.8
Social security contributions	0.4	0.5	0.5	0.7	0.9	0.9	1.1
Current transfers to the rest of the world	-	-	-	-	-	-	-
Statistical discrepancy	0.6	0.1	-0.1	-0.5	-0.3	-0.8	0.6
Personal savings	2.9	3.6	4.5	7.0	9.6	12.0	14.1
<u>Total uses</u>	<u>34.0</u>	<u>40.6</u>	<u>45.7</u>	<u>56.7</u>	<u>78.5</u>	<u>89.7</u>	<u>103.8</u>

f: final
r: revised
p: preliminary

(-) = Insignificant.

Source: National Accounts Staff, NEDA, estimates as of May 1977.

Table 3.1: BALANCE OF PAYMENTS SUMMARY
(millions of US\$)

	1970	1971	1972	1973	1974	1975	1976
Current Account							
Merchandise trade (net)	-7	-37	-122	274	-449	-1,196	-1,117
Exports /a	1,083	1,149	1,108	1,871	2,694	2,263	2,516
Imports	1,090	1,186	1,230	1,597	3,143	3,459	3,633
Services (net)	-141	-87	-55	-	-32	-46	-259
Receipts	258	265	347	639	834	907	871
Payments	399	352	402	639	866	953	1,130
Private transfers (net)	93	102	152	169	201	252	237
Receipts	95	106	158	172	202	255	239
Payments	2	4	6	3	1	3	2
Official transfers (net)	26	32	36	77	75	66	32
Receipts	29	38	40	84	82	74	41
Payments	3	6	4	7	7	8	9
<u>Current account balance</u>	<u>-29</u>	<u>10</u>	<u>11</u>	<u>520</u>	<u>-205</u>	<u>-924</u>	<u>-1,107</u>
Capital Account							
Direct investment (net)	-28	-4	-22	64	28	125	144
Private MLT loan capital (net)	92	-34	-17	-5	32	126	336
Disbursements	294	165	137	196	276	331	538
Repayments	202	199	154	201	244	205	202
Public MLT loan capital (net)	39	70	157	76	112	233	703
Disbursements	106	120	235	184	180	346	869
Repayments	67	50	78	108	68	113	166
Private short-term capital (net) /b	76	92	56	74	231	102	-96 /c
Inflows	280	453	579	657	1,138	1,283	1,381
Outflows	204	361	523	583	907	1,181	1,477 /c
<u>Capital account balance</u>	<u>179</u>	<u>124</u>	<u>174</u>	<u>209</u>	<u>403</u>	<u>586</u>	<u>1,087</u>
Errors and omissions	-146	-145	-107	-65	-88	-183	-140
Allocation of SDRs	19	17	16	-	-	-	-
<u>OVERALL BALANCE</u>	<u>23</u>	<u>6</u>	<u>94</u>	<u>664</u>	<u>110</u>	<u>-521</u>	<u>-160</u>

/a Export figures for 1975 and 1976 have been made consistent with Table 3.3 and necessary adjustments made in "errors and omissions."

/b Original maturity less than one year.

/c Includes a public sector outflow of \$432 million on account of Nuclear Power Project.

Source: Central Bank of the Philippines.

Table 3.2: GOODS AND SERVICES ACCOUNT
(In millions of US\$)

Item	1970	1971	1972	1973	1974	1975	1976
Receipts							
Merchandise (f.o.b.)	1,062	1,130	1,079	1,768	2,620	2,218	2,504
Nonmonetary gold	21	19	29	103	74	76	65
Freight and insurance	29	20	14	20	24	23	32
Other transportation	8	24	21	30	47	67	67
Travel	95	66	122	77	58	110	93
Investment income	10	16	23	65	171	170	127
Government (n.i.e.)	68	83	116	185	157	181	204
Military services	31	36	41	42	48	50	53
Other	37	47	75	143	109	131	151
Other services	48	56	51	262	377	356	348
Total	1,341	1,414	1,455	2,510	3,528	3,201	3,445
Payments							
Merchandise (f.o.b.)	1,090	1,186	1,230	1,597	3,143	3,459	3,633
Freight and insurance	107	102	109	193	324	324	320
Other transportation	21	19	13	11	17	30	37
Travel	27	28	24	16	17	27	29
Investment income	140	117	148	179	225	296	380
On direct investment	25	26	33	60	80	73	68
Other interest	115	91	115	119	145	223	312
Government (n.i.e.)	16	27	32	47	62	76	80
Other services	88	59	76	193	221	200	284
Total	1,489	1,538	1,632	2,236	4,009	4,412	4,763
Goods and services account surplus/deficit	-148	-124	-177	+274	-481	-1,211	-1,318

Source: Central Bank of the Philippines.

Table 3.3: EXPORTS BY COMMODITY GROUPS
(f.o.b. value in millions of US\$ at current prices)

Commodity group	1960	1965	1970	1971	1972	1973	1974	1975	1976
<u>Coconut products</u>	<u>179</u>	<u>270</u>	<u>209</u>	<u>254</u>	<u>228</u>	<u>372</u>	<u>609</u>	<u>467</u>	<u>542</u>
Copra	139	170	80	114	110	166	140	172	150
Coconut oil	16	68	96	103	84	151	381	230	299
Desiccated coconut	19	20	19	21	18	32	60	30	37
Copra meal or cake	5	12	14	16	16	23	28	33	54
Other	...	...	...	...	...	...	...	2	2
<u>Sugar and products</u>	<u>143</u>	<u>147</u>	<u>196</u>	<u>220</u>	<u>218</u>	<u>295</u>	<u>766</u>	<u>617</u>	<u>456</u>
Centrifugal and refined	133	132	188	212	211	275	737	581	429
Molasses	5	10	8	8	6	19	28	34	24
Other	5	5	...	...	1	1	1	2	3
<u>Forest products</u>	<u>102</u>	<u>195</u>	<u>295</u>	<u>264</u>	<u>235</u>	<u>444</u>	<u>333</u>	<u>252</u>	<u>309</u>
Logs	85	155	237	215	164	304	216	167	135
Lumber	7	8	13	11	10	35	30	27	68
Plywood	6	18	20	24	34	58	27	21	43
Other	4	14	25	14	27	47	60	37	63
<u>Mineral products</u>	<u>61</u>	<u>77</u>	<u>224</u>	<u>223</u>	<u>239</u>	<u>422</u>	<u>519</u>	<u>362</u>	<u>431</u>
Copper concentrates	30	47	185	185	191	275	397	212	266
Gold	...	...	...	7	27	103	74	76	65
Nickel	...	...	...	...	...	...	...	30	60
Iron ore	9	7	3	2	1	1	...	...	-
Iron concentrates	...	2	10	11	8	17	12	12	7
Chromite ore	17	11	9	6	5	9	13	13	15
Other	5	10	17	12	7	17	27	19	18
<u>Fruits and vegetables</u>	<u>10</u>	<u>15</u>	<u>34</u>	<u>41</u>	<u>52</u>	<u>58</u>	<u>91</u>	<u>124</u>	<u>142</u>
Pineapple products	8	12	22	20	21	23	35	41	52
Bananas	...	...	5	15	24	28	45	73	76
Other	2	3	7	6	7	7	11	10	14
Abaca and products	45	26	17	15	17	23	35	22	28
Tobacco and products	7	16	15	15	18	27	30	35	28
Mineral fuels and lubricants	...	6	17	24	19	167	17	37	23
Chemicals	2	2	5	6	6	10	15	21	26
Textiles and clothing	3	6	5	8	11	26	20	55	100
Miscellaneous manufactures	8	7	41	52	90	176	256	300	486
Re-exports and adjustments	1	2	5	8	4	2	3	-29	-55
<u>Total</u>	<u>560</u>	<u>769</u>	<u>1,062</u>	<u>1,130</u>	<u>1,136</u>	<u>1,871</u>	<u>2,694</u>	<u>2,263</u>	<u>2,516</u>

Source: Central Bank of the Philippines.

Table 3.4: VOLUME AND UNIT VALUE OF PRINCIPAL EXPORTS

Category	1960	1965	1970	1971	1972	1973	1974	1975	1976
<u>Volume</u> ('000 mt)									
Copra	804	883	445	692	926	734	522	761	823
Coconut oil	60	236	339	398	446	427	416	614	862
Desiccated coconut	59	68	67	73	76	78	64	66	81
Copra meal or cake	81	182	231	288	352	263	271	303	498
Sugar, centrifugal	1,090	1,094	1,228	1,345	1,210	1,474	1,542	972	1,446
Abaca, unmanufactured	101	89	55	49	50	54	53	27	41
Logs <u>/a</u>	1,455	2,963	3,926	3,578	3,021	3,291	1,993	1,948	987
Lumber <u>/a</u>	60	50	93	67	77	181	120	108	209
Copper concentrates	227	279	632	815	824	764	830	799	942
Iron ore and iron concentrates	1,008	838	363	186	163	136	121	1,285	836
Chromite ore	746	592	442	275	238	478	532	407	295
Pineapple, canned	45	44	100	101	108	91	125	116	138
Pineapple, juice <u>/b</u>	12	17	14	12	11	11	13	18	8
<u>Unit Value</u> (US\$ per mt)									
Copra	173	192	180	165	119	226	268	226	182
Coconut oil	267	289	283	259	181	354	916	375	346
Desiccated coconut	322	302	284	288	231	416	943	459	463
Copra meal or cake	62	65	61	56	46	87	103	110	109
Sugar, centrifugal	122	130	153	159	172	186	478	597	297
Abaca, unmanufactured	416	271	273	265	263	362	461	546	450
Logs <u>/c</u>	58	52	59	60	54	92	108	86	137
Lumber <u>/c</u>	117	143	140	164	136	194	250	253	326
Copper concentrates	130	167	293	227	232	360	473	265	282
Iron ore	9	8	8	8	8	9	10	9	9
Chromite ore	23	19	20	22	23	19	74	31	50
Pineapple, canned	165	197	210	198	181	217	244	298	338
Pineapple, juice <u>/d</u>	500	432	359	312	337	783	1,085	149	175

/a In millions of board feet.

/b In millions of liters. In thousand mt, for 1975 and 1976.

/c Per thousand board feet.

/d Per thousand liters. Per metric ton, for 1975 and 1976.

Source: Central Bank of the Philippines.

Table 3.5: PRINCIPAL EXPORT MARKETS

	1970	1971	1972	1973	1974	1975	1976
----- Millions of US\$ -----							
Japan	418	391	358	680	932	865	621
United States	433	453	434	687	1,133	664	924
Netherlands	26	77	76	91	158	176	212
United Kingdom	10	14	25	35	56	82	72
Germany	25	32	41	64	68	66	105
Iran	-	-	-	1	1	40	15
Australia	5	5	8	17	30	32	45
China, Republic of	17	19	18	44	27	28	44
Hong Kong	13	15	14	38	32	27	39
France	4	3	5	21	17	23	59
Other	111	113	126	171	217	291	438
<u>Total</u>	<u>1,062</u>	<u>1,122</u>	<u>1,105</u>	<u>1,849</u>	<u>2,671</u>	<u>2,294</u>	<u>2,574</u>
----- Percent of total -----							
Japan	39.3	34.8	32.4	36.8	34.9	37.7	24.1
United States	40.8	40.4	39.3	37.1	42.4	28.9	35.9
Netherlands	2.5	6.9	6.9	4.9	5.9	7.7	8.2
United Kingdom	0.9	1.2	2.3	1.9	2.1	3.6	2.8
Germany	2.4	2.9	3.7	3.4	2.6	2.9	4.1
Iran	-	-	-	0.1	0.1	1.7	0.6
Australia	0.4	0.4	0.7	0.9	1.1	1.4	1.8
China, Republic of	1.6	1.7	1.6	2.4	1.0	1.2	1.7
Hong Kong	1.2	1.3	1.3	2.1	1.2	1.2	1.5
France	0.4	0.3	0.4	1.1	0.6	1.0	2.3
Other	10.5	10.1	11.4	9.3	8.1	12.7	17.0
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: Central Bank of the Philippines.

Table 3.6: IMPORTS BY SITC
(f.o.b. in millions of US\$)

SITC class	Commodity group	1970	1971	1972	1973	1974	1975	1976
0	Food & Food Preparations	<u>104</u>	<u>146</u>	<u>175</u>	<u>202</u>	<u>310</u>	<u>322</u>	<u>299</u>
02	Dairy products	33	39	46	45	74	62	55
03	Fish & fish preparations	17	21	20	20	32	33	30
041	Wheat	26	27	34	49	39	95	113
042	Rice	...	28	34	45	79	37	12
	Others	28	31	41	43	86	95	89
1	Beverages & Tobacco	<u>9</u>	<u>6</u>	<u>9</u>	<u>10</u>	<u>17</u>	<u>23</u>	<u>35</u>
2	Crude Materials, Inedible	<u>60</u>	<u>67</u>	<u>70</u>	<u>90</u>	<u>145</u>	<u>128</u>	<u>133</u>
263	Cotton	19	20	19	30	34	36	37
266	Synthetic & artificial fibers	21	29	27	29	53	41	43
	Others	20	18	24	31	58	51	53
3	Mineral Fuels & Lubricants	<u>199</u>	<u>141</u>	<u>149</u>	<u>188</u>	<u>653</u>	<u>770</u>	<u>891</u>
321	Petroleum crude	103	127	134	166	573	710	801
	Others	16	14	15	22	80	60	90
4	Animal & Vegetable Oils & Fats	<u>6</u>	<u>6</u>	<u>4</u>	<u>7</u>	<u>12</u>	<u>7</u>	<u>7</u>
5	Chemicals	<u>126</u>	<u>144</u>	<u>148</u>	<u>218</u>	<u>491</u>	<u>380</u>	<u>352</u>
51	Chemical compounds	37	40	48	75	216	108	132
54	Medicinal & pharmaceutical chemicals	17	18	16	21	36	34	39
	Urea	...	...	...	...	...	46	10
	Fertilizer, excluding urea	...	...	...	...	...	43	11
	Others	...	...	...	...	...	149	160
6	Manufactures	<u>236</u>	<u>195</u>	<u>214</u>	<u>306</u>	<u>530</u>	<u>457</u>	<u>460</u>
64	Paper & paper products	29	34	35	34	57	31	29
65	Textile yarn, fabrics & made-up articles	24	23	25	47	69	66	50
681	Iron & steel	114	65	87	115	228	176	194
69	Metal products	22	26	23	48	60	93	81
	Others	47	47	44	62	116	91	106
7	Machinery & Transport Equipment	<u>401</u>	<u>444</u>	<u>418</u>	<u>469</u>	<u>795</u>	<u>1,149</u>	<u>1,088</u>
71	Nonelectrical machinery	235	255	240	296	424	655	625
72	Electrical machinery	59	66	54	71	106	157	187
73	Transport equipment	106	122	124	102	265	337	276
8	Miscellaneous Manufactures	<u>27</u>	<u>31</u>	<u>34</u>	<u>45</u>	<u>61</u>	<u>99</u>	<u>122</u>
9	Miscellaneous	<u>5</u>	<u>6</u>	<u>9</u>	<u>62</u>	<u>129</u>	<u>124</u>	<u>288</u>
	<u>Total imports</u>	<u>1,090</u>	<u>1,186</u>	<u>1,230</u>	<u>1,597</u>	<u>3,143</u>	<u>3,459</u>	<u>3,633</u>

Source: Central Bank of the Philippines.

Table 3.7: IMPORTS (F.O.B.) BY END-USE
(Value in millions of US\$)

Commodity Group	1975	1976
CAPITAL GOODS		
Nonelectrical machinery	655	625
Electrical machinery	157	187
Transport equipment	223	171
Aircraft, ships & boats	78	106
Professional, scientific and controlling instruments	36	37
<u>Total</u>	<u>1,149</u>	<u>1,126</u>
RAW MATERIALS AND INTERMEDIATE GOODS		
Wheat	95	113
Crude materials, inedible	<u>128</u>	<u>133</u>
Cotton	36	37
Synthetic and artificial fibers	41	43
Others	51	53
Animal and vegetable oils and fats	7	7
Chemicals	<u>380</u>	<u>352</u>
Chemical compound	108	132
Medicinal and pharm. chemicals	34	39
Urea	46	10
Fertilizer, excl. urea	43	11
Others	149	160
Manufactures	<u>457</u>	<u>461</u>
Paper and paper products	31	29
Textile yarn, fabrics and made-up articles	66	50
Iron and steel	176	194
Metal products	93	81
Others	91	107
Embroideries	58	115
Materials and accessories for the manufacture of electrical equipment	41	91
<u>Total</u>	<u>1,166</u>	<u>1,272</u>
MINERAL FUELS AND LUBRICANTS		
Coal, coke and briquettes	2	2
Petroleum, crude	710	801
Others	58	87
<u>Total</u>	<u>770</u>	<u>890</u>
CONSUMER GOODS		
Food and food preparations	<u>227</u>	<u>185</u>
Dairy products	62	55
Fish and fish preparations	33	30
Rice	37	12
Corn	16	12
Others	79	76
Beverages and tobacco	23	35
Miscellaneous, excl. professional, scientific and controlling instruments	39	44
Miscellaneous, n.e.s.	<u>85</u>	<u>81</u>
Live animals not for food	1	1
Articles temporarily imported or exported	67	58
Others	17	22
<u>Total</u>	<u>374</u>	<u>345</u>
TOTAL IMPORTS	<u>3,459</u>	<u>3,633</u>

Source: National Census & Statistics Office.

Table 3.8: PRINCIPAL IMPORT MARKETS

	1970	1971	1972	1973	1974	1975	1976
----- Millions of US\$ -----							
Japan	369	390	424	561	924	966	976
United States	355	331	352	507	829	754	802
Saudi Arabia	13	19	68	113	370	369	289
Kuwait	28	36	25	57	161	142	221
Australia	56	54	67	76	152	126	118
Germany	65	94	66	83	135	132	126
United Kingdom	47	72	52	77	138	125	126
China, Republic of	15	24	16	27	81	80	74
Canada	20	36	29	23	50	65	43
France	19	12	31	22	48	62	89
Other	223	262	236	227	580	638	769
<u>Total</u>	<u>1,210</u>	<u>1,330</u>	<u>1,366</u>	<u>1,773</u>	<u>3,468</u>	<u>3,459</u>	<u>3,633</u>
----- Percent of total -----							
Japan	30.5	29.3	31.0	31.7	26.7	27.9	26.9
United States	29.3	24.9	25.8	28.6	23.9	21.8	22.1
Saudi Arabia	1.1	1.4	5.0	6.4	10.7	10.7	7.9
Kuwait	2.3	2.7	1.8	3.2	4.6	4.1	6.1
Australia	4.6	4.1	4.9	4.3	4.4	3.7	3.2
Germany	5.4	7.1	4.8	4.7	3.9	3.8	3.5
United Kingdom	3.9	5.4	3.8	4.3	4.0	3.6	3.5
China, Republic of	1.2	1.8	1.2	1.5	2.3	2.3	2.0
Canada	1.7	2.7	2.1	1.3	1.4	1.9	1.2
France	1.6	0.9	2.3	1.2	1.4	1.8	2.4
Other	18.4	19.7	17.3	12.8	16.7	18.4	21.2
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: Direction of Trade.

Table 3.9: TRADE INDEXES
(1972 = 100)

Year	Quantum index		Price index		Value index /a		Net terms of trade
	Imports	Exports	Imports	Exports	Imports	Exports	
1960	66.0	50.0	69.1	101.2	45.6	50.6	146.4
1961	67.8	48.3	70.1	93.1	47.5	45.0	132.8
1962	64.1	53.0	71.4	94.1	45.8	49.9	131.8
1963	63.1	65.8	76.2	99.1	48.1	65.2	130.0
1964	78.0	67.4	76.8	98.3	59.9	66.3	128.0
1965	80.3	69.2	78.1	100.0	62.7	69.2	128.0
1966	85.4	73.5	79.4	100.9	67.8	74.2	127.1
1967	101.7	70.9	81.2	102.7	82.6	72.8	126.5
1968	101.2	75.4	88.6	109.1	89.7	82.3	123.1
1969	99.1	76.9	90.2	109.5	89.4	84.2	121.4
1970	92.6	88.0	93.5	111.1	86.6	97.8	118.8
1971	99.1	96.4	95.5	105.6	94.6	101.8	110.6
1972	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1973	93.6	107.7	128.8	145.9	120.5	157.2	113.3
1974	110.3	96.2	211.6	242.3	233.5	233.2	114.5
1975	115.8	101.9	219.6	192.8	254.2	196.4	87.8
1976	122.6	130.5	217.2	168.8	266.2	220.3	77.7

/a Unit value of imports are based on c.i.f. value, while those for exports are based on f.o.b. value.

Source: Central Bank of the Philippines.

Table 3.10: FOREIGN EXCHANGE RESERVES
(Millions of US\$, at year end)

Year	Gross Reserves		Foreign Exchange Liabilities		Net Reserves		International Reserves /c
	Central Bank /a	Commercial Banks	Central Bank /b	Commercial Banks	Central Bank	Commercial Banks		Total
1960	120.0	76.0	5.0	4.0	115.0	72.0	187.5
1961	44.1	63.7	61.0	4.6	16.9	59.2	42.3
1962	75.0	76.3	43.0	10.5	32.0	65.8	97.8
1963	109.5	88.3	10.7	50.3	98.8	38.0	136.3
1964/d	123.3	74.3	29.8	159.1	93.5	84.8	8.7
1965/d	188.5	91.7	109.5	188.6	79.0	96.9	17.9
1966	166.1	114.2	128.1	135.4	38.0	21.3	16.7
1967	170.8	139.6	234.6	105.4	-54.8	34.2	20.6
1968	161.4	145.7	120.1	119.5	41.3	26.2	67.5
1969	120.7	129.0	196.4	131.2	-75.7	-2.3	-78.0
1970	251.0	125.3	259.6	163.0	-8.6	-37.7	-46.3
1971	375.5	148.5	174.1	279.8	201.4	-131.3	70.1
1972	548.8	185.9	144.4	452.8	404.4	-266.9	137.5
1973	1,037.1	378.6	83.2	539.7	953.9	-161.1	792.8
1974	1,502.5	475.4	231.2	812.5	1,271.3	-337.1	934.2
1975	1,360.7	718.5	527.4	990.0	833.3	-271.5	561.8
1976	1,641.7	563.7	566.0	1,081.5	1,075.7	-517.8	557.9

/a Includes IMF gold tranche position and excludes foreign balances of the Money Order Fund and the Fiscal Agency Fund.

/b Consists of short-term loans from US commercial banks, the Export-Import Bank, and the Federal Reserve Bank of New York.

/c As defined by the Philippines authorities, i.e., gross reserves of the Central Bank plus net reserves of commercial banks.

/d Revised as of November 22, 1966 to include deferred payments and liabilities previously unreported by commercial banks.

Source: Central Bank of the Philippines.

Table 4.1: EXTERNAL MEDIUM- AND LONG-TERM DEBT TRANSACTIONS
CLASSIFIED BY TYPE OF BORROWER /a
(In millions of US\$)

Year	New loans		Debt service			Debt outstanding at end of period		
	Committed	Disbursed	Amortization	Interest	Total	Committed	Disbursed	Adjustments
Public /b								
1965	n.a.	135	36	8	44	n.a.	286	
1966	n.a.	42	50	15	65	353	269	
1967	104	92	81	14	95	377	281	
1968	213	219	67	17	84	523	433	
1969	124	90	43	16	59	604	480	
1970	149	174	80	27	107	839	738	165
1971	296	147	117	39	156	1,008	768	-9
1972	455	264	125	37	162	1,334	907	-5
1973	369	91	198	61	259	1,552	964	+27
1974	739	182	186	58	244	2,131	1,179	+81
1975	803	253	182	77	259	2,844	1,554	-15
1976	1,709	689	178	75	253	4,522	2,572	+71
Private								
1965	n.a.	41	55	n.a.	n.a.	n.a.	190	
1966	n.a.	66	46	n.a.	n.a.	293	209	
1967	362	285	50	n.a.	n.a.	605	445	
1968	425	327	73	n.a.	n.a.	957	698	
1969	439	400	139	n.a.	n.a.	1,258	959	
1970	231	276	186	n.a.	n.a.	1,303	1,049	
1971	281	164	199	33	232	1,351	980	-34
1972	130	180	155	46	201	1,304	983	-22
1973	128	n.a.	200	56	256	1,299	1,041	+66
1974	306	195	178	54	232	1,456	1,213	+74
1975	283	144	134	65	199	1,676	1,411	+25
1976	472	194	190	77	267	2,295	1,812	+53
Total								
1965	n.a.	176	91	n.a.	n.a.	n.a.	475	
1966	n.a.	107	105	n.a.	n.a.	646	478	
1967	466	378	130	n.a.	n.a.	982	725	
1968	639	546	140	n.a.	n.a.	1,480	1,130	
1969	564	490	182	n.a.	n.a.	1,862	1,439	
1970	381	449	266	n.a.	n.a.	2,141	1,788	165
1971	577	310	316	73	389	2,359	1,748	-44
1972	505	444	280	83	363	2,638	1,890	-27
1973	477	n.a.	398	116	514	2,851	2,025	+93
1974	1,045	376	364	112	476	3,586	2,392	+155
1975	1,086	397	316	142	458	4,520	2,965	+10
1976	2,181	883	368	152	520	6,817	4,384	+124

/a Excludes revolving credits and credits with maturities under one year.

/b Includes transactions with IMF under the standby agreement.

Source: Management of External Debt and Investment Accounts Department, Central Bank of the Philippines.

Table 4.2: EXTERNAL DEBT OUTSTANDING BY MATURITY AND BORROWER
(In millions of US dollars at end of period)

	1965	1970	1973	1974	1975	1976
<u>Short-term /a</u>						
Public sector	73	63	-	186	425	565
Central Bank	73	63	-	186	396	418
Others	-	-	-	-	29	147
Private sector	51	287	281	331	409	568
Commercial banks	48	55	24	47	-	-
Others	3	232	257	234	409	568
<u>Total short-term</u>	<u>125</u>	<u>350</u>	<u>281</u>	<u>517</u>	<u>834</u>	<u>1,133</u>
<u>Medium-term /b</u>						
Public sector	136	248	224	217	234	295
Central Bank	52	172	142	128	-	-
Others /c	84	77	82	88	234	295
Private sector	100	369	174	138	164	161
<u>Total medium-term</u>	<u>236</u>	<u>617</u>	<u>398</u>	<u>355</u>	<u>398</u>	<u>457</u>
<u>Long-term /d</u>						
Public sector	150	490	760	963	1,320	1,921
Central Bank	-	205	277	315	352	350
Others /e	150	285	483	647	968	1,571
Private sector	89	680	867	1,075	1,248	1,651
<u>Total long-term</u>	<u>239</u>	<u>1,170</u>	<u>1,627</u>	<u>2,037</u>	<u>2,567</u>	<u>3,572</u>
<u>TOTAL ALL MATURITIES</u>	<u>600</u>	<u>2,137</u>	<u>2,306</u>	<u>2,909</u>	<u>3,799</u>	<u>5,161</u> /e
(of which IMF drawings)	(n.a.)	(108)	(139)	(131)	(238)	(450)

/a Original maturity of up to one year, includes revolving loans.

/b Original maturity of 1-5 years

/c Includes IMF drawings.

/d Original maturity exceeding 5 years.

/e Excludes undrawn portion of the National Power Corporation's bond issue.

Note: Totals may not add up due to rounding.

Source: IMF.

Table 5.1: CASH OPERATIONS OF THE NATIONAL GOVERNMENT
(In billion pesos)

	<u>Actual</u>		<u>Estimate</u>	
	1975	1976	1977	1978
BUDGETARY OPERATIONS				
REVENUE				
Tax revenue				
Taxes on net income & profits	3.1	3.6	4.8	5.9
Individual	1.1	1.5	1.9	n.a.
Corporate	2.0	2.1	2.9	n.a.
Taxes on domestic goods & services	4.0	5.2	6.4	7.8
License and business taxes	2.1	2.4	2.9	3.3
Excise taxes	1.9	2.8	3.5	4.4
Taxes on international trade	5.2	4.4	5.1	5.6
Import duties	3.7	3.9	4.1	4.6
Export duties	1.5	0.6	0.9	1.0
Other taxes	1.5	2.0	2.4	2.7
<u>Total taxes</u>	<u>13.8</u>	<u>15.3</u>	<u>18.6</u>	<u>22.0</u>
Nontax revenue /a	3.4	3.0	3.1	3.7
<u>Total revenue</u>	<u>17.2</u>	<u>18.3</u>	<u>21.7</u>	<u>25.7</u>
CURRENT EXPENDITURES				
Operating expenditures /b	13.4	14.4	15.0	17.5
Allotments to local governments	0.7	0.7	0.8	0.9
Interest payments	0.6	0.7	1.2	1.5
Other	0.1	0.1	0.1	0.1
<u>Total current expenditures</u>	<u>14.9</u>	<u>15.9</u>	<u>17.1</u>	<u>20.0</u>
CURRENT CASH SURPLUS	<u>2.3</u>	<u>2.4</u>	<u>4.6</u>	<u>5.7</u>
CAPITAL EXPENDITURES				
Infrastructure & other capital outlays /b	2.1	2.7	5.4	7.1
Capitalization /c	1.3	1.8	3.1	3.2
<u>Total capital expenditures</u>	<u>3.4</u>	<u>4.5</u>	<u>8.5</u>	<u>10.3</u>
BUDGETARY CASH SURPLUS/DEFICIT (-)	<u>-1.1</u>	<u>-2.1</u>	<u>-3.9</u>	<u>-4.6</u>
EXTRABUDGETARY OPERATIONS: CASH SURPLUS/DEFICIT (-) /d				
TOTAL CASH SURPLUS/DEFICIT (-) REQUIRING TREASURY FINANCING	<u>-1.4</u>	<u>-2.4</u>	<u>-4.2</u>	<u>-4.6</u>
BORROWINGS				
Foreign borrowing, net	0.3	0.1	0.9	1.6
Receipts	0.4	0.2	1.4	2.2
Repayments	-0.1	-0.1	-0.5	-0.6
Domestic borrowing, net	1.2	1.5	2.6	2.8
Receipts	1.4	1.7	2.9	3.4
Repayments	-0.2	-0.2	-0.3	-0.5
<u>Total net borrowing</u>	<u>1.5</u>	<u>1.5</u>	<u>3.5</u>	<u>4.5</u>
CHANGE IN CASH BALANCE	<u>0.1</u>	<u>-0.8</u>	<u>-0.7</u>	<u>-0.1</u>

Notes: See next page.

- /a Includes grants and unclassified credit advices.
- /b Includes prior years' accounts payable and outstanding treasury warrants paid.
- /c Equity contributions to government corporations, government financial institutions and other entities.
- /d Net securities purchased outside of normal public debt operations.

Note: Totals may not add up exactly due to rounding.

Source: Department of Finance, September 1977.

Table 5.2: CONSOLIDATED REVENUES AND EXPENDITURES OF
LOCAL GOVERNMENTS, CASH BASIS
(In million pesos)

	1975 Actual	1976 Tentative	1977 Estimate	1978 Estimate
Revenue				
Tax revenue				
Business taxes	370	395	442	n.a.
Property taxes	382	497	646	n.a.
Other taxes	70	75	84	n.a.
<u>Total taxes</u>	<u>822</u>	<u>967</u>	<u>1,172</u>	<u>1,353</u>
Nontax revenue	438	496	587	589
Internal revenue allotments	638	698	774	708
Special aids from National Government	205	246	295	330
<u>Total revenue</u>	<u>2,103</u>	<u>2,407</u>	<u>2,828</u>	<u>2,980</u>
Expenditure				
Current expenditure	1,790	2,000	2,300	2,694
Capital outlays	296	400	520	281
<u>Total</u>	<u>2,086</u>	<u>2,400</u>	<u>2,820</u>	<u>2,975</u>
Surplus/(deficit)	17	7	8	5

Source: Department of Finance, September 1977.

Table 5.3: GOVERNMENT EXPENDITURES AND REVENUES
AS PERCENT OF GNP, CASH BASIS

	1975	1976	1977	1978
	----- (percentages) -----			
<u>EXPENDITURES</u>				
National Government				
Current expenditures	13.2	12.3	11.5	11.5
Capital expenditures	<u>3.0</u>	<u>3.5</u>	<u>5.6</u>	<u>5.9</u>
Infrastructure	1.8	2.1	3.6	4.0
Capitalization	1.2	1.4	2.0	1.8
<u>Total gross expenditures</u>	<u>16.2</u>	<u>15.7</u>	<u>17.2</u>	<u>17.3</u>
Allotments to local governments	-0.6	-0.5	-0.5	-0.5
Net expenditure	<u>15.6</u>	<u>15.2</u>	<u>16.7</u>	<u>16.8</u>
Local governments	1.8	1.8	1.9	1.7
<u>Total national and local governments</u>	<u>17.4</u>	<u>17.0</u>	<u>18.6</u>	<u>18.5</u>
<u>TAX REVENUES</u>				
National Government	<u>12.0</u>	<u>11.6</u>	<u>12.3</u>	<u>12.6</u>
Domestic	7.5	8.3	9.0	9.4
International	4.5	3.4	3.4	3.2
Social security contributions	<u>0.9</u>	<u>0.9</u>	<u>1.0</u>	1.1
Local governments	<u>0.7</u>	<u>0.7</u>	<u>0.8</u>	<u>0.8</u>
<u>Total national and local governments</u>	<u>13.6</u>	<u>13.3</u>	<u>14.1</u>	<u>14.5</u>
(excl. international trade taxes)	(9.1)	(9.9)	(10.7)	(11.3)
<u>NONTAX REVENUES</u>				
National Government	3.0	2.3	2.1	2.1
Local governments	0.3	0.4	0.4	0.3
<u>Total national and local governments</u>	<u>3.4</u>	<u>2.6</u>	<u>2.4</u>	<u>2.5</u>
GNP, billion pesos	<u>114.4</u>	<u>131.3</u>	<u>151.0</u>	<u>174.6</u>

Notes: Data for the National Government are actuals for 1975/76, estimates for 1977 and forecasts for 1978. Data for the local governments are actuals for 1975 only. Totals may not add exactly due to rounding.

Source: Statistical Appendix, Tables 5.1 and 5.2

Table 5.4: REVENUE GENERATED FROM NEW TAX MEASURES IN 1976 AND 1977
(In million pesos)

Type of Tax	Tax Measure /a	Revenue		% of Total
		1976 Actual	1977 Estimate	
Income taxes	Corporate development taxes	-	40	3.0
	Withholding tax on money instruments	-	125	9.4
	Withholding tax on bank deposits	-	30	2.2
	Subtotal	-	<u>195</u>	<u>14.6</u>
Excise taxes	Increased excise rate on petroleum products	319	319	47.8
	Revision of specific tax on alcoholic beverages	60	27	6.5
	Revision of specific tax on cigarettes	185	-	13.9
	Subtotal	<u>564</u>	<u>346</u>	<u>68.2</u>
Business and License Taxes	Gambling and sweepstakes tax	-	11	0.8
Import duties	Reduction of import exemptions	144	-	10.8
	Changes in import duties (net)	30	-	2.2
	Subtotal	<u>174</u>	-	<u>13.0</u>
Other taxes	Increased motor vehicle fees and energy taxes	44	-	3.3
	<u>Total</u>	<u>782</u>	<u>552</u> /b	<u>100.0</u>

/a Only tax measures enacted as of August 1, 1977 are listed.

/b The 1977 tax measures were enacted in June. Estimates of their full year impact are for a revenue gain of ₱ 810 - 860 million in 1978.

Source: Department of Finance.

Table 5.5: NEDA INFRASTRUCTURE PROGRAM BY SECTOR, DISBURSEMENT BASIS
(In million pesos)

	1975 Actual	1976 Actual	1977 Estimate	1978 Fore- cast	1978-82 Projected average
<u>Transportation and Communication</u>	<u>1,888</u>	<u>2,204</u>	<u>1,907</u>	<u>3,982</u>	<u>7,530</u>
Highways	1,601	1,880	1,433	2,725	5,520
Railways (PNR)	96	111	146	228	510
Airports	55	57	160	494	490
Ports	124	129	125	370	780
Telecommunications	12	27	43	165	250
<u>Water Resources</u>	<u>1,189</u>	<u>1,480</u>	<u>1,849</u>	<u>3,890</u>	<u>4,940</u>
Irrigation (NIA)	790	583	998	1,963	3,080
MWSS	52	49	227	866	820
LWUA	14	148	71	291	440
Other water supply	16	22	74	770	60
Flood control and drainage	317	677	479		550
<u>Power and Electrification</u>	<u>1,014</u>	<u>2,065</u>	<u>2,767</u>	<u>6,147</u>	<u>6,520</u>
Power (NPC)	801	1,669	2,414	5,891	6,120
Rural electrification (NEA)	213	396	353	256	400
<u>Social Infrastructure</u>	<u>197</u>	<u>480</u>	<u>747</u>	<u>1,382</u>	<u>1,730</u>
School buildings	133	267	213	457	n.a.
Education development projects (EDPITAF)	13	26	40	224	n.a.
National buildings	-	-	160	464	n.a.
Hospitals and rural health units	51	122	230	162	n.a.
Manila Urban Development Project	-	64	104	75	n.a.
<u>Other Infrastructure</u>	<u>337</u>	<u>352</u>	<u>630</u>	<u>1,238</u>	<u>860</u>
Export Processing Zone Authority (EPZA)	202	161	131	237	n.a.
Other	135	191	499	1,001	n.a.
<u>Total</u>	<u>4,625</u>	<u>6,581</u>	<u>7,900</u>	<u>16,639</u>	<u>21,600</u>
Of which: National Government	2,457	3,464	3,560	6,907	10,200
Of which: Government corporations	2,168	3,117	4,340	9,732	11,400
Memorandum items: NEDA Infrastructure program as percentage of GNP	4.0	5.0	5.2	9.4	9.1
Of which: National Government	2.1	2.6	2.4	3.9	4.3
Of which: Government corporations	1.9	2.4	2.9	5.5	4.8

/a Estimated as sum of infrastructure expenditures of PNR, NIA, MWSS, LWUA, NPC, NEA, and EPZA. Since some additional infrastructure expenditures in some subsectors may be expenditures of government corporations (e.g., that part of the Manila Urban Project implemented by the National Housing Authority), this would be a minimum estimate.

Source: Figures for 1975-1978 supplied by NEDA. Figures for 1978-82 are from the draft five-year plan or are mission calculations based on the plan. Data in the plan for transportation, telecommunications, irrigation, and flood control, which were identified as being in 1976 prices, were converted into current prices on the assumption of an inflation rate of 7% a year. Data in the plan for MWSS, LWUA, and NPC, which are not identified as being in 1976 prices, are used directly above. The figures for NEA are based on NEA's expected volume of operations. The plan lacks data on social or other infrastructure. On the basis of historical experience, it is assumed that 88% of the infrastructure program will be devoted to the three major sectors: transportation/communication, water resources, and power/electrification. It is assumed that social infrastructure will claim 8% of the program and other infrastructure, 4%.

Note: Totals may not add exactly due to rounding.

n.a. = not available

Table 5.6: NEDA INFRASTRUCTURE PROGRAM, SUMMARY BY SOURCE OF FUNDS, DISBURSEMENT BASIS /a
(In million pesos)

	1975 Actual	1976 Actual	1977 Estimate	1978 Forecast
Foreign Loans & Grants				
To National Government	n.a.	291	762	1,889
To government corporations	n.a.	1,457	1,929	5,323
<u>Subtotal</u>	<u>801</u>	<u>1,748</u>	<u>2,691</u>	<u>7,212</u>
Direct Financing by Government Corporations				
Corporate bonds	64	60	46	57
Corporate earnings	250	121	27	-
<u>Subtotal</u>	<u>314</u>	<u>181</u>	<u>73</u>	<u>57</u>
National Government Contributions				
Equity contributions to government corporations	319	1,073	1,455	2,167
Other general revenues	3,191	3,577	3,592	7,204
<u>Subtotal</u>	<u>3,510</u>	<u>4,650</u>	<u>5,047</u>	<u>9,371</u>
<u>TOTAL FINANCING</u>	<u>4,625</u>	<u>6,579</u>	<u>7,812</u>	<u>16,640</u>

n.a. = not available.

/a Noncash and cash contributions are included.

Source: NEDA.

Table 5.7: NATIONAL GOVERNMENT EQUITY CONTRIBUTIONS TO GOVERNMENT
FINANCIAL INSTITUTIONS AND CORPORATIONS
(In million pesos)

	1975 Actual	1976 Actual	1977 Estimate	1978 Estimate
Government financial institutions:				
PNB	300	-	150	50
DBP	100	375	115	125
LBP	150	90	215	140
Subtotal	<u>550</u>	<u>465</u>	<u>480</u>	<u>315</u>
Government corporations:				
NPC	163	597	1,500	1,440
NEA	140	141	199	150
MWSS	-	1	150	200
LWUA	-	96	55	70
NIA	57	161	78	105
NHA	-	11	150	100
PNOC	100	-	150	200
EPZA	65	71	-	20
PNR	92	60	40	70
Others	174	243	666	1,007
Subtotal	<u>791</u>	<u>1,381</u>	<u>2,988</u>	<u>3,362</u>
<u>Total</u>	<u>1,341</u>	<u>1,846</u>	<u>3,468</u>	<u>3,677</u>

Source: Figures for 1975 and 1976 are from the Department of Finance. Figures for 1977 and 1978 are from projected financial statements of government corporations and therefore do not necessarily agree with figures given in Table 5.1.

Table 5.8: GOVERNMENT CORPORATION INVESTMENT AND ITS FINANCING
(in million pesos)

	<u>Actual</u>		<u>Estimate</u>	
	1975	1976	1977	1978
<u>Investment</u>				
National Power Corporation (NPC)	801	1,669	2,414	5,891
National Electrification Administration (NEA)	213	396	353	256
National Irrigation Administration (NIA)	790	583	1,998	1,963
Metropolitan Waterworks and Sewerage System (MWSS)	52	49	227	866
Local Water Utilities Administration (LWUA)	14	148	71	291
Philippine National Railways (PNR)	96	111	146	228
Export Processing Zone Authority (EPZA)	202	161	131	237
<u>Total</u>	<u>2,168</u>	<u>3,117</u>	<u>4,340</u>	<u>9,732</u>
<u>Financing</u>				
Internal cash generation	228	204	315	130
Government contributions				
Equity contributions	517	1,127	2,022	2,055
Non-equity contribution to NIA	578	842	661	n.a.
<u>Subtotal</u>	<u>1,095</u>	<u>1,969</u>	<u>2,683</u>	n.a.
Net borrowing and use of cash balances	845	944	1,342	n.a.

n.a. = not available.

Note: The Philippine National Oil Company is omitted because it is not included in the infrastructure program and most of its capital expenditures have been for acquisitions. The National Housing Authority, which was recently organized, is excluded due to lack of financial data.

Source: Investment is from Table 5.5. Internal cash generation is from data supplied by the corporations. Government equity contributions are from Table 5.7. Data on nonequity government contribution to NIA, was supplied by NIA. "Net borrowing and use of cash balances" has been computed as a residual.

Table 6.1: THE MONETARY SYSTEM AT YEAR'S END
(In billions of pesos)

	1970	1971	1972	1973	1974	1975	1976
Net foreign assets	-0.6	-0.5	-0.8	3.0	3.6	-0.3	-1.6
Domestic credit, net							
Net claims on government	1.8	1.9	1.4	0.5	-0.9	1.2	2.7
Claims on other public sector	2.0	1.8	1.8	1.3	1.5	3.7	3.8
Claims on private sector	9.3	10.7	12.8	16.3	24.6	29.8	36.4
<u>Total domestic credit</u>	<u>13.1</u>	<u>14.1</u>	<u>16.0</u>	<u>18.1</u>	<u>25.2</u>	<u>34.7</u>	<u>42.9</u>
Net unclassified assets	-0.5	-0.3	0.6	2.7	2.9	4.2	5.4
Total assets = total liabilities	<u>12.0</u>	<u>13.6</u>	<u>15.8</u>	<u>23.8</u>	<u>31.7</u>	<u>38.6</u>	<u>46.7</u>
Total liquidity							
Money supply	4.7	5.2	6.5	7.3	9.0	10.3	12.1
Time & savings deposits	4.7	5.3	5.4	6.8	7.8	8.9	12.9
Deposit substitutes	-	-	-	4.0	7.4	9.7	10.9
<u>Total liquidity</u>	<u>9.4</u>	<u>10.5</u>	<u>11.9</u>	<u>18.1</u>	<u>24.2</u>	<u>28.9</u>	<u>35.9</u>
Other liabilities & capital accounts	2.6	3.1	3.9	5.7	7.5	9.7	10.8

Source: Central Bank of the Philippines.

Table 6.2: RESERVE MONEY AT YEAR'S END
(In millions of pesos)

	1975	1976
Net foreign assets		
Assets	10,205	12,538
Liabilities	- 8,435	-10,323
<u>Total</u>	<u>1,770</u>	<u>2,215</u>
Net claims on government		
Claims on government	3,651	4,227
Government deposits	-1,264	- 968
<u>Total</u>	<u>2,387</u>	<u>3,259</u>
Claims on official entities	347	715
Claims on commercial banks	6,273	4,279
Claims on other financial institutions	1,524	2,270
Bonds (CBCIs)	-6,007	-6,657
Other items (net)	710	1,867
<u>Total reserve money</u>	<u>7,004</u>	<u>7,948</u>

Source: Central Bank of the Philippines.

Table 6.3: TOTAL LOANS AND INVESTMENTS OUTSTANDING BY INSTITUTION

	1970	1971	1972	1973	1974	1975	1976
(In billions of pesos)							
Commercial banks	11.0	12.5	14.8	21.0	31.1	38.8	44.9
Development banks	2.9	3.6	4.4	4.9	5.3	7.3	10.5
Rural banks	0.5	0.6	0.8	1.1	1.8	2.4	2.7
Savings banks	0.6	0.7	0.7	0.8	1.0	1.2	1.7
Private nonbank financial institutions	0.2	0.3	0.4	0.6	0.8	0.9	1.2
Government nonbank financial institutions	2.4	2.8	3.7	4.8	4.3	5.3	6.8
Total	<u>17.6</u>	<u>20.5</u>	<u>24.8</u>	<u>33.2</u>	<u>44.3</u>	<u>55.9</u>	<u>67.8</u>
(As percent of total)							
Commercial banks	62.3	61.0	59.7	63.2	70.2	69.4	66.3
Development banks	16.7	17.4	17.6	14.6	12.0	13.1	15.4
Rural banks	3.1	3.2	3.3	3.3	4.1	4.3	3.9
Savings banks	3.2	3.3	2.7	2.5	2.2	2.1	2.6
Private nonbank financial institutions	1.3	1.6	1.7	1.8	1.8	1.6	1.7
Government nonbank financial institutions	13.4	13.5	15.0	14.6	9.7	9.5	10.1
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: Central Bank of the Philippines.

Table 6.4: TOTAL ASSETS OF THE FINANCIAL SYSTEM
(In billions of pesos)

	1970	1971	1972	1973	1974	1975	1976
CENTRAL BANK	6.0	6.9	11.1	14.9	21.4	26.1	29.0
BANKING SYSTEM							
Commercial banks	<u>14.1</u>	<u>16.0</u>	<u>20.0</u>	<u>29.6</u>	<u>42.4</u>	<u>53.2</u>	<u>58.7</u>
Private	<u>9.4</u>	<u>11.7</u>	<u>15.3</u>	<u>22.2</u>	<u>29.9</u>	<u>35.1</u>	<u>40.2</u>
Government	4.7	4.3	4.7	7.4	12.5	18.1	18.5
Thrift banks	<u>1.0</u>	<u>1.2</u>	<u>1.2</u>	<u>1.4</u>	<u>1.7</u>	<u>2.1</u>	<u>3.0</u>
Savings	<u>0.8</u>	<u>0.9</u>	<u>0.9</u>	<u>1.0</u>	<u>1.2</u>	<u>1.4</u>	<u>2.0</u>
Private development	0.2	0.2	0.2	0.3	0.3	0.4	0.5
Savings and loan associations	-	0.1	0.1	0.1	0.2	0.3	0.5
Rural banks	0.7	0.8	1.0	1.4	2.1	2.7	3.0
Other banks	<u>3.1</u>	<u>3.8</u>	<u>4.7</u>	<u>5.8</u>	<u>7.9</u>	<u>11.8</u>	<u>15.2</u>
Development Bank of the Philippines	3.1	3.8	4.6	5.1	6.7	9.6	12.7
Land Bank	-	-	0.1	0.7	1.2	2.1	2.4
Philippine Amanah Bank	-	-	-	-	-	0.1	0.1
<u>Total banking system</u>	<u>18.9</u>	<u>21.8</u>	<u>27.0</u>	<u>38.3</u>	<u>54.5</u>	<u>69.8</u>	<u>80.0</u>
NONBANK FINANCIAL INTERMEDIARIES							
Insurance companies	<u>5.7</u>	<u>6.5</u>	<u>7.6</u>	<u>8.4</u>	<u>10.0</u>	<u>11.8</u>	<u>20.8</u>
Government /a	<u>3.9</u>	<u>4.3</u>	<u>5.1</u>	<u>6.0</u>	<u>6.5</u>	<u>7.7</u>	<u>10.0</u>
Private	1.8	2.2	2.5	2.4	3.5	4.1	10.8
Investment institutions	<u>2.3</u>	<u>1.3</u>	<u>2.5</u>	<u>4.7</u>	<u>6.9</u>	<u>10.3</u>	<u>13.2</u>
Finance companies	1.4	n.a.	1.0	1.4	2.3	3.5	4.6
Investment companies	-	n.a.	n.a.	0.6	0.7	2.0	3.8
Others	0.9	1.3	1.5	2.7	3.9	4.8	4.8
Trust operations	0.5	n.a.	0.5	1.1	2.0	2.6	3.3
Other financial intermediaries	<u>0.4</u>	<u>0.2</u>	<u>0.5</u>	<u>1.0</u>	<u>1.5</u>	<u>2.0</u>	<u>2.1</u>
Mutual building and loan associations	-	-	-	-	-	-	-
Credit unions	-	-	-	n.a.	n.a.	n.a.	n.a.
Security dealers and brokers	0.2	n.a.	0.2	0.7	n.a.	1.1	1.1
Nonbank savings and loan associations	-	-	-	0.1	0.1	0.1	0.1
Agricultural credit administration	0.1	0.1	0.1	0.1	0.5	0.7	0.7
Pawnbrokers	n.a.	n.a.	0.1	0.1	0.1	0.1	0.2
<u>Total nonbank intermediaries</u>	<u>9.0</u>	<u>8.0</u>	<u>11.1</u>	<u>13.3</u>	<u>20.3</u>	<u>26.7</u>	<u>39.4</u>

/a Includes Government Service Insurance Systems (GSIS) and Social Security Systems (SSS).

(-) insignificant

Note: Totals may not add up due to rounding.

Source: Central Bank of the Philippines.

Table 6.5: SELECTED INTEREST RATES
(By quarter, in percent)

	<u>Deposit rates of commercial banks</u>				<u>Lending rates</u>		
	<u>Savings deposits</u>	<u>Deposit Subst.</u>	<u>Time deposits</u>		<u>Basic rediscount rate, weighted average /a</u>	<u>Inter-bank call rate</u>	<u>Commercial bank loans for investment /b</u>
			1-year	2-year			
1975							
I	6	17	9.5	11	6.0	9.7	12-14
II	6	10	9.5	11	7.1	7.7	12-14
III	6	15	9.5	11	6.2	13.1	12-14
IV	6	18	9.5	11	6.0	13.9	12-14
1976							
I	7	17	10	12	6.0	12.0	12-19
II	7	17	10	12	6.0	9.4	12-19
III	7	17	10	12	6.0	10.0	12-19
IV	7	17	10	12	6.0	14.1	12-19
1977							
I	7	17	10	12	6.2	12.9	12-19

/a Central Bank outstanding loans to commercial banks.

/b Minimum and maximum rates as set by the Central Bank.

Source: Central Bank of the Philippines.

Table 7.1: COCONUTS: AREA, PRODUCTION, YIELD AND DISPOSITION
(Thousand metric tons)

Calendar year	Area		Coproa production ('000 mt)	Yield of harvested area /d (mt/ha)	Exports /a			Domestic disappearance /b			
	Planted	Harvested /c (thousand ha)			Copra ('000 mt in copra equivalents)	Coconut oil	Desiccated coconut	Total	Coconut oil	Other	Total
1970	1,884	1,434	1,356	0.95	423	539	74	1,036	269	51	320
1971	2,048	1,590	1,756	1.10	711	654	91	1,456	262	38	300
1972	2,126	1,791	2,174	1.21	968	757	95	1,820	313	41	354
1973	2,133	1,633	1,871	1.15	728	691	95	1,514	319	38	357
1974	2,206	1,750	1,424	0.81	309	699	77	1,085	296	43	339
1975	2,283	1,828	2,217	1.21	833	954	80	1,867	306	44	350
1976 /f	2,521	1,985	2,742	1.38	867	1,373	98	2,338	354	50	404

/a These export data are from the United Coconut Association of the Philippines (UCAP) and are based on information provided by its members; the export data used for the balance of payments table are provided by the Central Bank and are based on customs reports.

/b Domestic disappearance is calculated as a residual - i.e., total production minus exports - and is equal to consumption plus stock change.

/c The harvested area has been computed by dividing the number of bearing trees (as reported by UCAP by 150, which is the approximate planting density per hectare.

/d Yield is calculated from copra production and harvested area.

/e The conversion factors used in the Philippines are as follows: coconut oil, 62% of copra equivalents and desiccated coconut, 83%.

/f Preliminary.

Source: United Coconut Association of the Philippines.

Table 7.2: SUGAR: AREA, YIELD, EXTRACTION RATE, PRODUCTION AND EXPORTS

Crop year /a	Area Planted ('000 ha)	Yield		Extraction rate /b (%)	Sugar production ('000 mt)	Exports /c		
		Cane (mt/ha)	Sugar (mt/ha)			US ----- ('000 mt)	World free market ----- ('000 mt)	Total -----
1970	377	56.9	5.1	9.0	1,927	1,178	-	1,178
1971	473	49.2	4.3	8.8	2,056	1,444	-	1,444
1972	420	46.3	4.3	9.3	1,816	1,299	-	1,299
1973	435	52.1	5.2	9.9	2,245	1,295	64	1,359
1974	468	55.7	5.2	9.4	2,446	1,309	278	1,587
1975	514	52.2	4.7	9.7	2,394	420	645	1,065
1976	530	55.9	5.2	9.8	2,875	961	505	1,466

/a The crop year for sugar begins September 1 and ends August 31.

/b The extraction rate used is the ratio of sugar to sugarcane.

/c Export data is provided by the Sugar Quota Administration and is by crop year. The export data used for the balance of payments tables are for calendar years as reported by the customs department.

Source: Philippine Sugar Institute.

Table 7.3: RICE PRODUCTION AND CONSUMPTION
(Thousand metric tons)

Crop year <u>/a</u>	Paddy production	Paddy to be milled <u>/b</u>	Milled rice output <u>/c</u>	Net imports	Domestic consumption <u>/d</u>	Change in commercial stocks <u>/e</u>	Per capita consumption (kilograms)
<u>Actual</u>							
1965	3,992	3,848	2,374	482	2,802	54	89.5
1966	4,073	3,926	2,423	327	2,767	-17	85.8
1967	4,094	3,947	2,435	215	2,575	-75	76.0
1968	4,561	4,397	2,713	119	2,596	236	75.9
1969	4,445	4,285	2,644	...	2,704	-87	76.7
1970	5,233	5,045	3,113	...	3,227	-115	87.7
1971	5,343	5,151	3,178	18	3,272	-76	86.4
1972	5,100	4,916	3,033	620	3,660	-7	93.9
1973	4,415	4,256	2,626	239	2,839	26	70.8
1974	5,594	5,393	3,327	317	3,527	117	85.4
1975 <u>/f</u>	5,660	5,456	3,366	168	3,606	-72	84.3
1976 <u>/f</u>	6,432	6,200	3,825	55	3,680	200	85.0

/a Crop year begins on July 1 and ends June 30.

/b Assumed to be 96.4% of production due to seed requirements and post-harvest losses.

/c Milling rate assumed to be 61.7%.

/d Includes changes in household stocks. Calculated as residual from changes in stocks and production except for 1976 when consumption estimated from assumed per capita consumption figure.

/e Changes in stocks held for sale on commercial market, except for 1976 (see footnote d).

/f Bank estimate.

Source: National Grains Authority.

Table 7.4: DOMESTIC PRODUCTION AND IMPORTS OF CEREALS

Calendar year	Milled rice			Shelled corn			Wheat Net imports '000 m ton
	Domestic production '000 m ton	Net imports '000 m ton	Import dependence %	Domestic production '000 m ton	Net imports '000 m ton	Import dependence %	
1965	2,690	569	17.5	1,346	6	...	506
1966	2,747	108	3.8	1,407	2	...	495
1967	2,844	237	7.7	1,481	50	3.3	476
1968	3,289	-41	1.3	1,537	3	...	525
1969	3,264	...	...	1,870	29	1.5	505
1970	3,582	...	...	2,007	...	...	449
1971	3,496	370	9.6	2,002	83	4.0	485
1972	3,149	451	12.5	1,920	168	8.0	490
1973	2,870	310	9.7	1,830	100	5.2	504
1974	3,412	168	4.9	2,081	100	4.8	471
1975	3,453	152	4.4	2,335	121	5.2	450
1976	3,923	55	1.4	2,681	96	3.6	660

Source: National Grains Authority.

Table 7.5: MINOR CROPS: HARVESTED AREA, PRODUCTION AND YIELD

Crop year /a	1970	1971	1972	1973	1974	1975	1976
Area Harvested ('000 ha)							
Abaca	173	155	145	163	170	180	244
Bananas	235	227	244	248	212	233	n.a.
Coffee	54	54	55	61	65	65	77
Cotton	...	...	...	...	...	0.30	0.40
Mango	46	41	41	40	44	47	n.a.
Pineapple	29	28	30	28	28	31	n.a.
Rootcrops	252	246	259	266	314	351	356
Tobacco	87	76	78	84	87	85	88
Vegetables	63	59	66	66	69	75	73
Production ('000 mt)							
Abaca	122	105	110	119	126	134	137
Bananas	896	1,040	980	1,010	1,240	1,690	n.a.
Coffee	49	50	52	51	53	62	80
Cotton	...	...	...	...	...	...	0.10
Mango	152	138	139	188	192	239	n.a.
Pineapple	233	234	282	293	338	424	n.a.
Rootcrops	1,320	1,220	1,220	1,220	1,410	1,800	1,540
Tobacco	61	56	57	65	64	57	60
Vegetables	310	304	306	333	400	447	428
Yield (mt/ha)							
Abaca	0.71	0.68	0.76	0.73	0.74	0.74	0.56
Bananas	3.81	4.56	4.02	4.07	5.85	7.25	n.a.
Coffee	0.91	0.93	0.95	0.84	0.82	0.95	1.04
Cotton	...	...	...	...	...	...	0.25
Mango	3.30	3.37	3.39	4.70	4.36	5.09	n.a.
Pineapple	8.03	8.36	9.40	10.50	12.10	13.70	n.a.
Rootcrops	5.22	4.96	4.71	4.59	4.49	5.13	4.33
Tobacco	0.70	0.74	0.73	0.77	0.74	0.67	0.68
Vegetables	4.92	5.15	4.64	5.05	5.80	5.96	5.86

/a Crop year is July through June.

Source: Bureau of Agricultural Economics.

Table 7.6: PRODUCTION OF SELECTED LIVESTOCK AND FISHERY PRODUCTS

Calendar year	1970	1971	1972	1973	1974	1975	1976
<u>Livestock Population</u> <u>(millions of heads)</u>							
Chickens	57.00	56.50	50.10	50.00	57.40	n.a.	n.a.
Hogs	6.46	7.05	7.74	8.62	11.70/a	n.a.	n.a.
Cattle	1.68	1.80	1.93	2.10	2.24/a	n.a.	n.a.
Carabao	4.43	4.56	4.71	4.94	5.23/a	n.a.	n.a.
<u>Fisheries ('000 mt)</u>							
Commercial (marine)	382	382	425	465	471	499	509
Municipal (coastal)	510	543	599	640	684	732	773
Fishponds	97	98	99	100	113	106	113

/a Preliminary.

Source: Bureau of Agricultural Economics, Bureau of Fisheries and Aquatic Resources.

Table 7.7: FORESTRY PRODUCTS: PRODUCTION AND EXPORTS
(Millions of units)

Production year /a	Production				Exports /b			
	Logs (cu m)	Lumber (bd ft)	Plywood (sq ft)	Veneer (sq ft)	Logs (cu m)	Lumber (bd ft)	Plywood (sq ft)	Veneer (sq ft)
1970	11.00	568	573	305	8.62	93	242	288
1971	10.70	365	1,110	820	8.44	67	999	432
1972	8.42	598	1,060	793	7.02	77	955	429
1973	10.40	449	1,240	719	6.95	181	1,170	362
1974	10.20	472	1,194	584	5.43	120	598	604
1975	7.33	663	464	369	4.58	103	244	307
1976	8.57	611	717	921	n.a.	n.a.	n.a.	n.a.

/a July to June.

/b These export data are based on data provided by the Bureau of Forest Development and are for a July-June year; the export data used in the balance of payments tables are from the Central Bank and are for calendar years.

Source: Bureau of Forest Development.

Table 7.8: GROSS VALUE ADDED IN AGRICULTURE, FISHERY AND FORESTRY BY SUBSECTOR IN CURRENT PRICES
(In billion pesos)

	1967	1968	1969	1970	1971	1972	1973	1974 ^f	1975 ^r	1976 ^p
Agricultural crops										
Paddy	1.6	1.7	1.7	1.9	2.6	2.7	3.8	4.7	5.6	6.3
Corn	0.3	0.4	0.4	0.6	0.8	1.0	1.2	1.8	2.0	2.3
Coconut, including copra	0.7	0.8	0.7	1.0	1.2	1.2	2.2	3.0	2.8	3.5
Sugarcane	0.4	0.4	0.5	0.7	1.1	1.1	1.2	2.0	2.6	2.8
Banana	0.1	0.3	0.5	0.7	0.7	0.6	0.7	1.0	1.9	2.2
Other crops	0.7	0.9	1.1	1.5	1.7	2.3	3.2	4.3	5.6	7.2
Total crops	3.7	4.4	4.9	6.5	8.1	8.9	12.4	16.8	20.6	24.3
Livestock	1.1	1.2	1.3	1.3	1.6	1.8	2.2	3.2	2.7	2.9
Poultry	0.4	0.4	0.5	0.4	0.7	0.7	0.8	1.1	1.3	1.5
Fishery	1.0	1.5	1.6	1.9	2.5	2.7	3.1	5.1	5.6	6.5
Forestry	1.3	1.5	1.7	1.6	1.9	2.0	2.6	3.3	2.8	3.3
Gross value added in agriculture, fishery and forestry	7.5	9.0	10.1	11.8	14.8	16.0	12.1	29.4	33.0	38.4

f: final
r: revised
p: preliminary

Note: Totals may not add up due to rounding.

Source: National Accounts Staff, NEDA, estimates as of May 1977.

Table 7.9: GROSS VALUE ADDED IN AGRICULTURE, FISHERY AND FORESTRY BY SUBSECTOR AT 1972 CONSTANT PRICES
(In billion pesos)

	1967	1968	1969	1970	1971	1972	1973	1974 ^f	1975 ^r	1976 ^p
Agricultural crops										
Paddy	2.4	2.7	2.7	2.8	2.8	2.7	2.8	3.1	3.4	3.4
Corn	0.7	0.8	0.9	0.9	0.8	1.0	0.9	1.1	1.2	1.2
Coconut, including copra	0.8	0.8	0.7	0.8	1.0	1.2	1.0	0.8	1.1	1.4
Sugarcane	0.8	0.8	0.8	1.0	1.2	1.1	1.1	1.4	1.4	1.7
Banana	0.6	0.6	0.7	0.7	0.7	0.6	0.7	0.9	1.3	1.4
Other crops	1.5	1.5	1.6	1.6	1.7	2.3	2.4	2.7	2.9	2.9
Total crops	6.9	7.2	7.3	7.8	8.2	8.9	9.0	9.9	11.2	12.1
Livestock	1.8	1.7	1.8	1.8	1.9	1.8	2.0	2.1	1.7	1.7
Poultry	0.6	0.6	0.7	0.6	0.7	0.7	0.8	0.8	0.9	0.9
Fishery	1.9	2.4	2.5	2.6	2.7	2.7	2.9	3.0	3.1	3.3
Forestry	1.9	2.0	2.2	2.0	1.9	2.0	2.4	1.8	1.3	1.4
Gross value added in agriculture, fishery and forestry	13.1	14.0	14.4	14.7	15.5	16.0	17.0	17.5	18.2	19.5

f: final
r: revised
p: preliminary

Note: Totals may not add up due to rounding.

Source: National Accounts Staff, NEDA, estimates as of May 1977.

7.0 6.9 / 5.10
483
270

Table 8.1: GROSS VALUE ADDED IN MANUFACTURING BY INDUSTRY GROUP AT CURRENT PRICES
(In millions of pesos)

Industry group	1970	1971	1972	1973	1974 /a	1975 /b	1976 /c
Food manufactures	2,660	3,237	3,623	4,787	6,626	7,231	8,241
Beverage industries	516	609	724	796	1,111	1,264	1,429
Tobacco manufactures	714	714	950	1,434	1,723	1,875	2,084
Textile manufactures	553	673	798	1,047	1,470	1,687	2,154
Footwear, wearing apparel	395	476	431	541	723	834	982
Wood and cork products	460	510	582	776	1,078	871	1,148
Furniture and fixtures	77	93	86	99	140	131	156
Paper and paper products	261	266	345	442	729	826	1,009
Publishing and printing	202	241	265	355	473	557	608
Leather and leather products	17	20	22	26	36	42	50
Rubber products	124	195	220	267	369	400	398
Chemicals and chemical products	813	1,237	1,812	2,223	3,054	3,530	4,254
Products of petroleum and coal	738	919	1,048	1,713	2,723	3,526	3,625
Nonmetallic mineral products	388	414	445	632	762	954	1,087
Basic metal industries	465	368	409	649	883	1,373	1,629
Metal products	305	360	401	476	656	678	719
Machinery except electrical	154	155	184	219	279	303	336
Electrical machinery	269	349	355	431	653	751	727
Transport equipment	349	451	516	595	864	1,447	1,586
Miscellaneous manufactures	114	130	172	207	265	264	313
Gross value added in manufacturing	9,574	11,417	13,388	17,715	24,608	28,544	32,535

/a Final.

/b Revised.

/c Preliminary.

Source: NEDA Statistical Coordination Office.

Table 8.2: GROSS VALUE ADDED IN MANUFACTURING BY INDUSTRY GROUP AT CONSTANT 1972 PRICES
(In millions of pesos)

Industry group	1970	1971	1972	1973	1974 /a	1975 /b	1976 /c
Food manufactures	3,552	3,688	3,623	3,871	4,129	4,245	4,558
Beverage industries	609	662	724	758	787	808	859
Tobacco manufactures	784	818	950	1,291	1,457	1,542	1,556
Textile manufactures	695	751	798	852	899	923	1,097
Footwear, wearing apparel	447	491	431	533	544	591	628
Wood and cork products	497	568	582	627	638	471	558
Furniture and fixtures	88	98	86	90	88	74	79
Paper and paper products	341	290	345	420	480	486	538
Publishing and printing	262	258	265	339	430	447	455
Leather and leather products	30	24	22	25	26	30	31
Rubber products	161	209	220	238	257	263	232
Chemicals and chemical products	935	1,356	1,812	1,994	2,075	2,165	2,462
Products of petroleum and coal	858	939	1,048	1,358	1,219	1,230	1,134
Nonmetallic mineral products	495	455	445	597	541	597	613
Basic metal industries	500	391	409	526	505	587	651
Metal products	372	393	401	414	424	398	389
Machinery except electrical	178	169	184	206	193	190	195
Electrical machinery	359	369	355	376	408	443	394
Transport equipment	492	518	516	561	688	842	854
Miscellaneous manufactures	168	164	172	176	193	205	218
Gross value added in manufacturing	11,823	12,611	13,388	15,252	15,981	16,537	17,501

/a Final.

/b Revised.

/c Preliminary.

Source: NEDA Statistical Coordination Office.

Table 8.3: INDEXES OF PHYSICAL VOLUME OF MANUFACTURING PRODUCTION
(1972 = 100)

Industry	1974	1975	1976 /a	Percent change	
				1975	1976
<u>Food, beverages and tobacco</u>	<u>104.5</u>	<u>100.2</u>	<u>112.4</u>	<u>-4.1</u>	<u>12.2</u>
Food	107.4	98.5	113.6	-8.3	15.3
Beverages	102.8	109.1	125.5	6.2	15.0
Tobacco	89.4	100.8	88.6	12.8	-12.1
<u>Textile, wearing apparel and leather</u>	<u>109.9</u>	<u>122.1</u>	<u>127.9</u>	<u>11.1</u>	<u>4.8</u>
Textiles	104.7	108.2	106.8	3.3	1.3
Wearing apparel, except footwear	117.4	131.4	163.6	11.9	24.5
Leather, leather substitutes and fur, except footwear and wearing apparel	77.9	90.7	86.2	16.4	-5.0
Footwear, except vulcanized or moulded rubber or plastic footwear	129.8	187.8	162.8	44.7	-13.3
<u>Wood & wood products, including furniture</u>	<u>112.3</u>	<u>107.1</u>	<u>109.8</u>	<u>-4.6</u>	<u>2.5</u>
Wood & wood and cork products, etc.	86.2	85.6	90.3	-0.7	5.5
Furniture & wood products, fixtures, exc. primarily of metal	171.6	156.0	154.1	-9.1	-1.2
<u>Paper & paper products, printing & publishing</u>	<u>130.1</u>	<u>107.6</u>	<u>119.0</u>	<u>-17.3</u>	<u>10.6</u>
Paper and paper products	107.6	90.3	113.8	-16.1	26.0
Printing, publishing and allied industries	158.0	123.6	124.0	-21.7	0.3
<u>Chemicals and chemical, petroleum, coal, rubber and plastic products</u>	<u>122.0</u>	<u>93.0</u>	<u>94.7</u>	<u>-23.8</u>	<u>1.8</u>
Industrial chemicals	176.7	124.0	99.7	-29.8	-19.6
Other chemical products	155.5	94.1	91.9	-39.5	-2.3
Petroleum refining	69.7	88.6	106.1	27.1	19.8
Miscellaneous products of petroleum & coal	40.6	37.0	40.4	-8.9	9.2
Rubber products	89.7	87.1	96.6	-2.9	10.9
Plastic products not elsewhere classified	82.9	64.0	65.6	-22.8	2.5
<u>Nonmetallic mineral products</u>	<u>109.0</u>	<u>96.1</u>	<u>107.3</u>	<u>-11.8</u>	<u>11.7</u>
Pottery, chinaware & earthenware	100.0	199.7	273.9	99.7	37.2
Manufacture of glass & glass products	82.9	79.3	86.6	4.4	9.2
Other nonmetallic mineral products	122.7	106.3	118.2	-13.4	11.1
<u>Basic metal industries</u>	<u>166.2</u>	<u>184.5</u>	<u>188.4</u>	<u>11.0</u>	<u>2.1</u>
<u>Fabricated metal products, machinery & equipment</u>	<u>132.2</u>	<u>139.6</u>	<u>136.0</u>	<u>5.6</u>	<u>-2.6</u>
Fabricated metal products, excluding machinery & equipment	132.6	132.7	137.5	0.1	3.6
Machinery, except electrical	150.6	165.2	132.4	9.7	-19.9
Electrical machinery, apparatus, appliances and supplies	114.9	139.8	122.0	13.0	6.0
Transport equipment	136.3	143.3	147.7	5.1	3.1
Professional and scientific and measuring and controlling equipment not elsewhere classified and photographic and optical goods	178.3	67.2	156.9	-62.3	133.5
<u>Other manufacturing industries</u>	<u>114.0</u>	<u>81.9</u>	<u>75.2</u>	<u>-28.3</u>	<u>-8.2</u>
<u>ALL MANUFACTURING</u>	<u>114.7</u>	<u>111.1</u>	<u>116.4</u>	<u>-3.1</u>	<u>4.8</u>

/a Preliminary.

Source of basic data: Sample establishments.

Table 8.4: MINING PRODUCTION, VALUE IN CURRENT PRICES
(In million pesos)

	1970	1971	1972	1973	1974	1975	1976
<u>Precious Metals</u>							
Gold	130	152	225	360	554	575	435
Silver	16	18	18	28	51	50	46
Platinum and palladium	-	-	3	3	3	1	n.p.
<u>Total</u>	<u>146</u>	<u>171</u>	<u>246</u>	<u>391</u>	<u>608</u>	<u>626</u>	<u>481</u>
<u>Base Metals</u>							
Chromite	64	53	48	75	79	118	104
Copper	1,113	1,234	1,360	2,296	2,794	1,640	1,909
Iron ore	83	102	105	111	82	91	39
Lead	-	n.a.	n.a.	n.a.	n.a.	7	11
Manganese ore	1	1	-	1	-	n.a.	n.a.
Molybdenum	1	-	n.a.	n.a.	n.a.	1	n.p.
Nickel	2	3	5	5	7	263	598
Pyrite cinders ore	2	3	3	3	2	2	2
Quick silver	11	9	4	4	2	1	n.a.
Zinc	4	6	6	8	22	32	39
Gypsum	1	3	6	7	32	13	-
Coal	1	2	2	2	8	13	16
<u>Total</u>	<u>1,283</u>	<u>1,416</u>	<u>1,539</u>	<u>2,512</u>	<u>3,028</u>	<u>2,181</u>	<u>2,718</u>
<u>Nonmetallics</u>							
Sand and gravel	25	29	38	40	43	104	131
Salt	27	33	30	30	39	68	68
Silica sand	9	5	7	7	11	10	-
Other nonmetallics	55	73	74	80	185	90	85
<u>Total</u>	<u>116</u>	<u>140</u>	<u>149</u>	<u>157</u>	<u>278</u>	<u>272</u>	<u>284</u>
<u>Grand Total</u>	<u>1,542</u>	<u>1,723</u>	<u>1,935</u>	<u>3,061</u>	<u>3,914</u>	<u>3,961</u>	<u>4,579</u>

n.a. = Not available.
n.p. = No production.
(-) = Insignificant.

Note: Totals may not add up due to rounding and unavailable data.

Source: Bureau of Mines.

Table 8.5: MINING PRODUCTION, VOLUME OF MAJOR PRODUCTS

	Gold metal (mt)	Silver metal (mt)	Copper ore (['] 000 mt)	Chromite ore (['] 000 mt)	Iron ore (['] 000 mt)	Nickel metal (mt)
1965	13.6	29.1	63	555	1,438	n.a.
1966	14.1	36.2	74	560	1,475	n.a.
1967	15.5	43.1	86	420	1,478	n.a.
1968	16.4	49.0	110	439	1,353	n.a.
1969	17.8	48.6	131	469	1,562	n.a.
1970	18.7	52.9	160	566	1,870	0.1
1971	19.8	60.3	198	430	2,250	0.2
1972	18.9	57.5	214	350	2,205	0.4
1973	17.8	58.8	221	580	2,255	0.4
1974	16.7	53.1	226	530	1,608	0.3
1975	15.6	50.4	226	520	1,351	9.4
1976	15.5	46.1	n.a.	n.a.	571	n.a.

n.a. - not available.

Source: 1977 Philippine Statistical Yearbook.

**Table 8.6: ELECTRICITY GENERATION OF THE MANILA ELECTRIC COMPANY AND
THE NATIONAL POWER CORPORATION
(In million kilowatt hours)**

Calendar year	Total	National Power Corporation	Meralco
1970	6,794	2,023	4,771
1971	7,382	2,450	4,932
1972	7,931	2,660	5,271
1973	8,718	2,305	6,413
1974	8,833	2,690	6,143
1975	9,616	2,680	6,936
1976			
January	793	201	592
February	783	198	584
March	888	201	687
April	845	189	656
May	834	221	613
June	869	320	549
July	911	371	540
August	882	327	555
September	889	307	582
October	942	295	647

Source: 1977 Philippine Statistical Yearbook.

**Table 9.1: VISITOR ARRIVALS
(thousands)**

Year	American	Japanese	Other Asians	Australians	UK & W. Europe	Other	Total foreign visitors	Overseas Filipinos	Total visitors <u>/a</u>
1970	69	16	12	12	25	10	144	n.a.	n.a.
1971	65	24	13	12	23	7	144	n.a.	n.a.
1972	63	26	14	13	27	8	150	16	166
1973	63	58	29	14	34	8	206	37	243
1974	54	165	41	20	47	11	339	71	410
1975	64	192	54	32	62	16	419	83	502
1976	96	161	74	36	80	32	479	136	615

/a Filipinos resident outside the Philippines were recorded in the statistics on visitors beginning in 1972.

Source: Department of Tourism.

Table 9.2: ESTIMATED TOURIST RECEIPTS

Year	Visitors (thousands)	Average stay (days)	Average daily expenditure (US\$)	Tourist receipts (US\$ million)
1970	144 <u>/a</u>	7.3	30.5	32
1971	144 <u>/a</u>	7.3	30.5	32
1972	166	7.3	31.5	38
1973	243	7.8	35.8	68
1974	410	7.8	33.5	124
1975	502	7.8	34.8	155
1976	615	8.1	34.4	171

/a Does not include Filipinos resident outside the Philippines.

Source: Department of Tourism.

Table 10.1: CONSUMER PRICE INDEX FOR THE PHILIPPINES
(1965 = 100)

	1970	1971	1972	1973	1974	1975	1976
<u>Consumer Price Index for the Philippines</u>							
Food	134.0	173.2	189.1	213.7	305.5	320.2	333.6
Clothing	140.9	165.6	189.0	227.6	328.2	375.3	407.9
Housing & repairs	116.0	121.7	126.9	133.5	146.2	149.6	155.5
Fuel, light & water	127.7	152.8	156.5	173.2	312.8	343.9	368.6
Miscellaneous	129.3	143.1	150.9	164.2	214.2	244.4	265.1
All items	131.5	160.2	173.4	194.5	271.9	292.1	308.3
<u>Annual Percentage Change /a</u>							
Food	14.7	29.2	9.2	13.0	43.0	4.8	4.2
Clothing	18.7	17.5	14.1	20.4	44.2	14.3	8.7
Housing & repairs	5.7	4.9	4.3	5.2	9.5	2.3	3.9
Fuel, light & water	22.4	19.7	2.4	10.7	80.6	9.9	7.2
Miscellaneous	15.8	10.7	5.4	8.8	30.4	14.1	8.5
All items	14.8	21.8	8.2	12.2	39.8	7.4	5.5

/a Percentage change from previous year.

Source: Central Bank of the Philippines.

Table 10.2: WAGE RATES INDEX OF LABORERS IN INDUSTRIAL ESTABLISHMENT
IN MANILA AND SUBURBS
(1972 = 100)

Period	Money wage rates		Real wage rates /a	
	Skilled laborers (1)	Unskilled laborers (2)	Skilled laborers (3)	Unskilled laborers (4)
1970	90.6	88.4	114.4	111.6
1971	95.3	94.4	105.1	104.1
1972	100.0	100.0	100.0	100.0
1973	105.3	102.6	92.4	90.0
1974	115.1	110.8	75.6	72.8
1975	110.7	120.1	72.7	72.9
1976	124.4	126.2	71.2	72.3

/a Money wage rate index deflated by the consumer price index (1972 = 100) in Manila.

Source: Central Bank of the Philippines.

Table 10.3: WHOLESAL PRICE INDICES FOR MANILA, 1970-76
(1965 = 100)

	1970	1971	1972	1973	1974	1975	1976
	----- Indices -----						
General index	137.7	159.3	175.4	218.4	337.5	347.2	372.4
Index of imported products	136.3	155.0	166.4	212.9	300.4	354.6	374.6
Index of domestic products	137.9	160.2	177.0	219.4	344.4	345.9	372.0
Index of home consumption <u>/a</u>	136.1	159.7	178.0	213.2	320.0	354.8	383.0
Agricultural products	141.2	181.1	208.5	235.1	303.2	366.4	388.3
Nonagricultural products	132.6	147.2	162.0	201.6	318.3	347.1	382.6
Index of export products	146.9	157.5	161.2	248.1	437.8	304.0	311.7
Agricultural products	153.5	170.9	177.5	269.5	481.8	339.2	336.6
Nonagricultural products	130.0	124.9	119.1	196.0	330.7	218.6	251.3
	----- Annual % change <u>/b</u> -----						
General index	23.6	15.7	10.1	24.5	54.5	2.9	7.3
Index of imported products	31.4	13.7	7.4	27.9	41.1	18.0	5.6
Index of domestic products	22.3	16.2	10.5	24.0	57.0	0.4	7.5
Index of home consumption	23.6	17.3	11.5	19.8	50.1	10.9	7.9
Agricultural products	19.6	28.3	15.1	12.8	29.0	20.8	6.0
Nonagricultural products	23.6	11.0	10.1	24.4	57.9	9.0	10.2
Index of export products	24.2	7.2	2.3	53.9	76.5	-30.6	2.5
Agricultural products	26.3	11.3	3.9	51.8	78.8	-29.6	-0.8
Nonagricultural products	17.6	-3.9	-4.6	64.6	68.7	-33.9	15.0

/a Includes imported and locally produced items.

/b Based on change from previous year.

Source: Central Bank of the Philippines.