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Philippines-Recent Economic Developments

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INTERNATIONAL MONETARY FUND

PHILIPPINES

Recent Economic Developments

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Approved by the Southeast Asia and Pacific Department

September 18, 1995

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Philippines: Basic Data

Demographic and other data:

Area: 300,000 square kilometers
Population (1994): 67.09 million
Labor force (1994): 27.65 million
GNP per capita (1994): \$US 1032

	1990	1991	1992	1993	1994
GNP and prices (percentage change)					
Real GNP	4.5	0.7	1.7	2.2	5.1
CPI (year average)	14.2	18.7	8.9	7.6	9.1
CPI (end of period)	16.2	13.1	8.2	8.4	7.1
Public finances (percent of GNP)					
National government balance	-3.4	-2.1	-1.1	-1.4	-0.3
Total revenue	16.8	17.5	17.6	17.1	19.5
Total expenditure	20.2	19.6	18.8	18.6	19.8
Consolidated public sector balance	-4.7	-2.1	-1.9	-2.0	-1.0
Underlying consolidated public sector balance 1/	-5.1	-2.3	-3.0	-2.2	-2.5
Monetary sector					
Broad money (percentage change, end-period)	18.4	15.5	11.0	24.6	26.5
Base money (percentage change, end-period) 2/	26.3	14.3	9.2	14.5	19.7
Interest rate (91-day Treasury bill)	26.8	21.5	16.0	12.3	13.6
Balance of payments					
Export value (percentage change)	4.5	8.0	11.1	15.8	18.5
Import value (percentage change)	6.8	-1.3	20.5	21.2	21.2
Current account (percent of GNP)	-5.8	-1.9	-1.6	-5.3	-4.3
Capital account (US\$ billions)	0.8	1.4	0.7	2.0	4.0
Foreign direct investment (\$US billions)	0.5	0.7	0.7	0.6	1.4
o/w privatization (\$US billions)	0.0	0.0	0.0	0.0	0.6
Other (\$US billions)	0.3	0.7	0.0	1.4	2.6
Overall balance (\$US billions)	-1.8	0.5	-0.2	-1.0	1.1
External debt (percent of GNP)	64.1	65.0	57.0	61.2	56.9
Debt service ratio 3/	36.8	32.6	25.2	22.2	19.6
Reserves, adjusted (months of imports) 4/	1.5	3.4	3.3	2.5	2.7
Exchange rate					
Exchange rate (pesos per U.S. dollar)	24.3	27.5	25.5	27.1	25.7 /5
Nominal effective exchange rate (1980=100)	29.1	25.1	26.4	24.8	24.7 /6
Real effective exchange rate (1980=100)	71.3	70.4	78.3	76.6	81.2 /6

Sources: Data provided by the Philippine authorities; IMF, International Financial Statistics; IMF, Information Notice System; and staff estimates.

1/ With all privatization receipts below the line.

2/ For 1994, adjusted for change in reserve requirements.

3/ Before rescheduling, as a percentage of exports of goods and services.

4/ Gross reserves less short term gold-and security-backed liabilities.

5/ Data for August 1995.

6/ Data for May 1995.

I. Introduction

Since the Philippines succumbed to the debt crisis in late 1983, the authorities have been trying to place the economy onto a path of sustained growth. Twice during the past decade it has seemed as if they might have succeeded. The first time was in 1986-89, when the economy expanded by 5 percent per year. The second time is the present.

The first dawn proved to be a false one, for two main reasons. First, the economic structure that had caused the country's 1983 default remained unchanged. Sheltered by protectionist barriers, firms--especially in the industrial sector--continued to orient their production toward the domestic market, using capital- and import-intensive methods. Consequently, when the economy began to recover, higher demand touched off a surge in imports, unmatched by a similar increase in export earnings. The current account balance plunged by 9 percentage points of GNP into a large deficit; without access to the international capital markets and without much foreign investment, this quickly translated into large overall balance of payments deficits.

Second, financial policies exhibited wide swings, while the underlying fiscal position remained weak and vulnerable to exogenous developments. In 1989-90, the fiscal stance turned expansionary, putting additional demand pressure on an economic capacity that was constrained by several years of very low investment. Then a series of shocks hit the country--an attempted coup, a sharp rise in world oil prices, and several large natural disasters--all of which shook the fragile confidence of investors. When the authorities were unable to muster a prompt policy response, confidence collapsed, and with it went the economy. During 1990, interest rates reached 30 percent, swelling government interest payments to 6 1/2 percent of GNP and pushing the budget into a large deficit. At the end of the year, the exchange rate plummeted and year-on-year inflation surged, reaching 20 percent early the following year. In 1991, growth came to a virtual halt.

The authorities responded to this renewed crisis by attacking the two problems head on. The strategy of encouraging export-oriented growth, adopted in 1986, was pursued with renewed vigor. To open up the economy, quantitative import restrictions were cut drastically and most tariff rates reduced; in 1994-95, a program was adopted that will bring tariffs down further. In 1991, a new Foreign Investment Act (FIA) was introduced, which simplified the approval process and, with limited exceptions, opened the economy to 100 percent foreign ownership. In 1992, these measures were reinforced by a sweeping liberalization of the foreign exchange system, which removed virtually all current and capital account restrictions.

The second line of attack has been on the macroeconomic front. Financial policies were tightened considerably, with noticeable effect on the macroeconomic balances. The consolidated public sector deficit (CPSD) was reduced to 2 percent of GNP in 1991, from 4 3/4 percent of GNP in 1990, while the rate of growth of base money was cut nearly in half. This financial restraint was maintained in the following year, and the economy quickly righted

itself: in 1992, the current account deficit narrowed to under 2 percent of GNP, while by end-year inflation abated to 8 percent. Still, there was almost no growth, partly because years of low investment by the National Power Corporation (NPC) led to serious electricity outages, which constrained industrial production. Again, however, the authorities responded with determined action: a new Administration threw open electricity generation to the private sector, allowing them to build new, fast-track, plants.

Meanwhile, as a result of the authorities' measures, the economic structure slowly began to strengthen. From 1986 to 1992, the external debt-to-GNP ratio fell by almost half and the debt-service burden shrank from an unmanageable 50 percent of exports of goods and services to a more comfortable 23 percent. Reflecting this progress, and following the completion of a comprehensive commercial bank debt operation in December 1992, the country regained access to international capital markets.

As the external position improved, and political and macroeconomic stability were restored, confidence in the country's prospects began to grow. During 1993, real investment increased by 11 percent and confidence further improved when, at the end of the year, the central bank was financially restructured, putting it in a strong position to implement monetary policy. Finally, power generating capacity was fully restored.

Consequently, by 1994, all the elements for a strong recovery had finally fallen into place. GNP growth accelerated to 5 percent, fueled by a strong performance of investment and export-oriented manufacturing. Based on this favorable composition of growth, and a near 50 percent increase in remittances, the balance of payments improved. In stark contrast to the earlier recovery, the current account deficit narrowed by 1 percentage point to 4 1/2 percent of GNP, while large amounts of foreign investment swung the overall balance into surplus, raising reserve coverage to about 2 3/4 months of imports. Meanwhile, inflation fell to 7 percent by end-year, as a rapid rise in money supply was matched by an increase in demand—reversing a decade of financial disintermediation. Finally, helped by a large dose of privatization receipts, the CPSD narrowed to 1 percent of GNP.

These favorable trends continued through the middle of 1995. Growth remained steady, while inflation accelerated somewhat. Most strikingly, though, year-on-year export growth leapt to 31 percent, arresting the deterioration in the trade deficit.

Looking ahead, the question is whether, this time, growth can be sustained. Although most obstacles have been removed, a large one still remains: the weak state of the public finances. Government debt remains equivalent to 70 percent of GNP, while debt service still absorbs one-third of the budget, constraining public saving and investment to inadequate levels, and leaving the external position still vulnerable to shocks. To remedy this situation, the authorities have adopted a medium-term reform program, which schedules for the forthcoming year two key measures—an ambitious overhaul of the tax system and a comprehensive streamlining of government expenditure.

II. Real Sector Developments

A. Overview and Background

The economic recovery is now on firm ground. Real GNP growth has steadily picked up from less than 1 percent in 1991 to over 5 percent during 1994 and the first half of 1995. Moreover, growth has been well balanced, driven by the production of industrial goods for domestic investment and overseas export. Private saving has been strong, and inflation, until recent months, was on the decline.

The current recovery is distinguished from previous upturns by favorable starting conditions and the healthy composition of growth. At the onset of the last upswing in 1986-89, investment--limited by low domestic savings and almost no foreign investment--was only 15 ½ percent of GNP, while firms' decisions were distorted by a range of trade and other restrictions. In addition, growth was driven by domestic demand, producing a surge in imports unmatched by an increase in export earnings. Inevitably, capacity and balance of payments and pressures emerged, and the recovery was cut short.

In contrast, investment at the beginning of the current recovery was equivalent to 23 ½ of GNP, important steps have been taken to liberalize the economy, domestic saving is on the rise, and export-oriented foreign investment is increasing rapidly. Consequently, net exports are a major engine of growth. These conditions augur well for the sustainability of the current recovery.

B. Gross National Product and Expenditure

On the production side, the current recovery has been led by industry (Appendix Tables 1 and 2 and Chart 1). Industrial output surged at the start of 1994 following the full alleviation of power shortages, which had held back production during 1992 and much of 1993. Manufacturing growth has been especially strong, driven by food processing, which accounts for more than 40 percent of total manufacturing, and production of electrical machinery, much of which is exported (Appendix Table 3). Construction activity has been robust, particularly in Manila, owing to burgeoning demand. Utility sector output has expanded rapidly, not only immediately after capacity was restored, but also into 1995, as demand from the manufacturing sector has risen strongly.

The service sector--which accounts for about two-fifths of GNP--has expanded steadily during the current recovery. Deregulation and the very low number of telephones in the Philippines have spurred a rapid expansion of telecommunications. Similarly, financial sector growth has been motivated by the prospect of increased competition after the lifting of barriers to foreign entry. The pace of trade and transport activity has quickened with the upswing in the industrial and export sectors.

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Selected Indicators of Macroeconomic Developments, 1990-94

Sources: Data provided by the Philippine authorities; and staff estimates.

1/ In constant prices.

2/ In current prices.

The agricultural sector--which accounts for about one-fifth of GNP--has lagged behind the rest of the economy (Appendix Table 4). Output expanded by only 2 ½ percent during 1994, and rose by only 1 percent during the first half of 1995, due to bad weather in key rice producing regions.

On the expenditure side, growth has been led by investment and exports, and to a lesser extent, private consumption. The rapid rate of investment is explained by a variety of factors (Appendix Table 5). Historically, the capital base in the Philippines has been very low compared to other ASEAN countries, and, therefore, potential rates of return are high. Yet actual investment was held back for most of the past decade until the economy was opened up and liberalized, and political stability restored. Plant expansion was further delayed during 1992-93 until the power shortages were resolved and the new Administration (that took office in 1992) demonstrated a firm commitment to economic reform. Finally, by mid-1993, all the necessary elements fell into place, and investment growth accelerated to the 8-12 percent range. Over 1993-95, investment has been split between construction and durable equipment purchases, with the latter concentrated in telecommunications and power equipment, much of it imported.

The increase in investment has been matched by a rise in private savings equivalent to 2 percent of GNP during 1994. This performance reflects the benefits of financial reforms, as well as a surge in remittances of overseas nationals, attracted by the improved economic outlook.

Net exports have made a positive contribution to growth, in contrast to previous upswings. Real imports, primarily of capital goods and raw materials, surged by 16 1/2 percent during 1994 and 17 percent during the first half of 1995. However, export growth has been equally strong, at 20 percent during 1994 and 17 percent during the first half of 1995. Most of the export growth is attributable to nontraditional exports, including garments, semiconductors, and other electrical equipment; nonfactor services have also expanded rapidly.

Meanwhile, private consumption has been growing at about 4 percent, based largely on outlays for food and nondurable goods.

C. Inflation

Traditionally, both the level and variability of inflation in the Philippines have exceeded that of other ASEAN countries, owing to policy swings; the impact of unexpected developments on prices, especially food prices, which make up 59 percent of the consumer basket; and fluctuations in the (floating) exchange rate, which feed through quickly into domestic prices. During 1991-93, however, strong macroeconomic stabilization efforts succeeded in bringing inflation down into the single digit range (Appendix Table 6 and Chart 2). During 1994, there was some temporary slippage, as the average increase in the

CHART 2
 PHILIPPINES
 Inflation, 1980-95 1/
 (Twelve-month percentage change in CPI)

Sources: Data provided by the Philippines authorities, and staff estimates.

1/ During 1984, inflation peaked at 65 percent.

CPI rose to 9 percent, but by the first eight months of 1995, inflation had abated to 6 percent, even lower than in previous years.

Annual inflation exceeded 10 percent during the first half of 1994 owing to high liquidity growth and the depreciation of the currency in late 1993, as well as bad weather. During the balance of the year, however, these influences were reversed: price performance benefitted from the lagged effects of monetary restraint, bountiful harvests during the middle two quarters of 1994, and the appreciation of the peso, which contained fuel prices and other import costs. These developments reduced monthly CPI inflation to nearly zero during the last four months of 1994, allowing the year-on-year rate to fall to 7 percent; the favorable inflation performance continued into early 1995.

More recently, inflation has been on the upswing, with the year-on-year rate reaching 8 1/2 percent in August. The pickup reflects the very high rates of liquidity growth and depreciation of the peso during the first quarter of 1995, as well as poor rice harvests.

D. Labor Market Developments

In contrast to the trend in other ASEAN countries, workers in the Philippines have not shifted toward the industrial sector. Only 16 percent of the labor force works in industry, while nearly half remains in agriculture (Appendix Table 7). Moreover, the industrial share has remained unchanged for 20 years—the legacy of past policies that favored import- and capital-intensive manufacturing, as well as the post-debt crisis decade of slow growth.

It is too early to tell if the current recovery has brought about a marked improvement in labor market conditions. So far, unemployment has not declined, and, at least during 1994, the share of workers employed in manufacturing has not increased. Instead, growth is being driven by productivity gains of existing workers, as is normal in the early stages of a recovery. Labor productivity, as measured by the annual change in quarterly GDP per employed worker, increased steadily from about zero during mid-1993 to 3 percent in early 1995 (Appendix Table 8).

In December 1993, the nationwide minimum wage standard was replaced by decentralized norms set by the Regional Tripartite Wage and Productivity Boards. Under the new system, wages in the National Capital Region (metropolitan Manila) were raised by 20 percent, in two stages. However, survey results indicate that many establishments did not comply with the new regulations.

E. Energy Sector

The performance of the energy sector has been mixed. On the positive side, the power shortages that had crippled industrial growth during the second half of 1992 and most of 1993 were quickly addressed by opening up power generation to independent power producers (IPPs). The rapid turnaround can be seen in the jump in the annual growth of value added of

the electricity and gas sectors, from zero during the first three quarters of 1993 to 11-15 percent thereafter, and by the elimination of power shortages, which averaged 9 hours per day during the summer of 1992.

However, the energy sector is still bridled by heavy government involvement in two areas. First, the regulation of domestic petroleum prices through the Oil Price Stabilization Fund (OPSF) has imposed significant economic costs. The OPSF was established in 1984 to reduce uncertainties faced by energy consumers by smoothing the feedthrough of world crude oil prices and exchange rate fluctuations into domestic prices (Appendix Table 9). This arrangement has resulted in two economic distortions. First, while the frequency of retail price adjustments has been minimized, their magnitude has been amplified. This has resulted in large price increases, which at times have been difficult to implement; for example, price increases in February 1994 had to be rolled back owing to political pressures. Looking ahead, a price adjustment may be needed to replenish the OPSF, which turned negative beginning in June 1995, owing to the rise in oil prices and the depreciation of the peso early in the year. Second, cross-subsidization among petroleum products (through both the OPSF and differential taxation), has created further distortions, including mismatches between user demand and refining capacity. For example, liquefied petroleum gas and fuel oil, used by the National Power Corporation (NPC) for power generation, are now heavily subsidized, as is diesel oil.

Aware of these problems, the Government has announced its intention to fully deregulate the oil sector by January 1997 and abolish the OPSF. Already, an administrative order was implemented in September 1995 that lifted restrictions on: (i) the entry of new firms into the oil sector; (ii) the importation of refined oil products; and (iii) the establishment of new petroleum refineries, oil depots, and gas stations.

Power generation by the NPC is the second area of the energy sector that has demonstrated a need for reform. The problems of the NPC stem from large external borrowing during the 1970s and early 1980s, which crippled the corporation's financial health. As a result, the NPC has had to obtain sizable financial transfers from the National Government, and, at times, from the OPSF. Moreover, maintenance and capital expenditures were squeezed during the 1980s when large debt payments began to fall due. The resulting deterioration of generation capacity ultimately resulted in damaging power shortages, beginning in 1992. Although these were eliminated by opening up of the electricity sector to IPPs, the costs of buying energy from these new sources is quite high, further aggravating the corporation's financial problems. During 1994, the financing gap was closed only by subsidies equivalent to 0.7 percent of GNP and commercial borrowing.

The problems of the NPC are being addressed with a new price adjustment formula, and a long-term restructuring plan. An automatic tariff adjustment scheme was introduced in April 1994 to shore up the operating margin of the NPC. The mechanism was designed to ensure that variations in fuel prices, the cost of energy purchased from IPPs, and foreign debt service would be passed on to energy users. However, the mechanism has not raised tariffs--which are already much higher than in neighboring countries--by enough to restore

profitability, partly because the adjustment formula does not fully reflect increases in the cost of purchased power from IPPs. In July 1995, the NPC filed for a change in the tariff adjustment formula that would allow the incremental cost of purchased power to be fully passed on to consumers. In addition, a comprehensive restructuring plan will soon be initiated, under which most of NPC's privatization facilities will be privatized, thereby limiting the NPC's activities mainly to power transmission. As a first step, in early 1995, the NPC's exclusive right to purchase from IPPs was removed and private sector firms have been brought in to manage several of the company's power plants.

F. Poverty and the Environment

The incidence of poverty in the Philippines has shown some signs of improvement in recent years. The poverty rate declined by about 10 percent from 1971 to 1991, but is still high, at 40 percent. In addition, income distribution is heavily skewed; in 1994, the upper income decile accounted for 36 percent of total income, a slight decline from earlier years, but about 20 times the share of the lowest decile.

Poverty in the Philippines is concentrated in the countryside. Over half of the rural population falls under the poverty line, constituting about two-thirds of the total number of poor. Rural poverty, in turn, is rooted in problems related to the agricultural sector. Most agricultural land is controlled by a small number of owners, who operate capital-intensive plantation farms that consume products purchased from cities or from abroad. An ambitious land reform program, the Comprehensive Agrarian Reform Program (CARP), was introduced in 1987. However, only about 31 percent of the targeted distribution of land during 1987-98 had been completed by 1994.

The Government is also directing a growing share of budgetary outlays to poverty reduction programs. Under the Social Reform Agenda (SRG), initiated in 1994, rural poverty will be addressed by allocating budgetary resources to 20 high-priority provinces, and specific programs will be developed in cooperation with community groups.

The increasing concentration of a rapidly growing population in urban areas, together with overexploitation of natural resources, has resulted in critical environmental problems. Urban pollution is worsening, owing to weak enforcement of environmental laws, a lack of fiscal incentives to reduce pollution, and limited information made available to corporations on how to minimize practices harmful to the environment. In addition, serious water shortage and sanitation problems are emerging. In response, the Government is strengthening the Metropolitan Waterworks and Sewerage System (MWSS) and the National Water Resource Board (NWRB), and is considering tougher environmental laws, fiscal incentives to reduce pollution, and better ways to disseminate information on pollution abatement.

In rural areas, depletion of forestry, upland agriculture, and fishery resources are exacting high costs to growth and the quality of life. Government initiatives to reverse

resource depletion include the promotion of sustainable upland farm systems and logging through community action with the assistance of the IBRD.

III. Public Finance

A. Introduction

The CPSD has declined sharply during the 1990s (Appendix Table 10 and Chart 3). Although receipts from the sale of public assets have played an important role in this process, there has also been a more fundamental improvement—reflected in the underlying CPSD, which excludes these receipts. Perhaps most striking is the turnaround in the position of the central bank, from a position of large losses, averaging 1 1/2 percent of GNP, to significant surpluses, following a financial restructuring in late 1993. Moreover, even though much of the financial burden of this operation was assumed by the NG, its position has improved, as well.¹

Nevertheless, by 1994, significant fiscal problems still remained. National Government debt amounted to 70 percent of GNP, about half of which constituted domestic debt, which

Fiscal Balances
(In percent of GNP)

	1990	1991	1992	1993	1994	1995 Proj.
Consolidated public sector deficit (CPSD)	-4.7	-2.1	-1.9	-2.0	-1.0	-0.3
Underlying CPSD	-5.1	-2.3	-3.0	-2.2	-2.5	-2.0
Monitored PSBR	-4.1	-1.3	-1.5	-3.0	-0.9	-1.3
National Government	-3.4	-2.1	-1.2	-1.4	-0.3	0.0
Government corporations	-1.8	-0.6	-0.8	-1.7	-0.7	-1.1
Remaining public sector	-0.6	-0.8	-0.4	1.0	-0.1	1.0
Central Bank/BSP	-2.0	-1.7	-1.6	-1.1	0.3	0.1

¹By contrast, the deficit of the Government corporations has shown little trend. The deficit increased in 1993 after a much-needed acceleration of infrastructure investment by the NPC. In 1994, the deficit narrowed again, on account of privatization receipts, largely from the Philippine National Oil Company's sale of Petron.

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Public Sector Balances, 1990-94
(In percent of GNP)

Source: Data provided by the Philippine authorities.

1/ Excluding privatization revenues.

was short-term and carried high real interest rates. Public savings was low, and even though public investment was limited to 5 1/2 percent of GNP, the underlying CPSP still amounted to 2 1/2 percent of GNP.

The narrowing of the NG deficit during the 1990s reflects a considerable policy effort, aimed at stabilizing the economy following the large macroeconomic imbalances that emerged at the start of the decade (Appendix Table 11). Since tax collections have not been responsive to economic growth, reflecting difficulties in administration, the authorities have had to rely on repeated discretionary measures to increase revenues (Appendix Table 12). The tax-to-GNP ratio increased by 1 1/2 percentage points, as oil taxes were increased, and as measures were taken to improve VAT and income tax receipts; customs collections, however, weakened. Nontax revenues also increased by about 1 1/2 percentage points of GNP, largely reflecting privatization, but also because fees and charges have been raised rapidly.

Expenditures, meanwhile, have been reduced by about 1/2 percentage point of GNP during the 1990s. This moderate decline, however, masks important shifts in the composition of spending, which have greatly reduced discretionary expenditure (Appendix Table 13). Personnel, maintenance, infrastructure and other capital outlays have all been squeezed. At the same time, allotments and transfers to Local Government Units (LGUs) have increased very rapidly to 14 percent of the budget, fueled by a formula which earmarks 40 percent of internal revenues for this purpose.² Although interest payments are lower than at the beginning of the decade, they still account for about 31 percent of total expenditures. Consequently, just two items—both of which are beyond the control of the Government—account for about half of the budget, rendering it inflexible and unable to respond quickly to economic shocks. Moreover, in 1994, Congress enacted a second Salary Standardization Law,³ which mandates that wages (which account for another quarter of the budget) of most civil servants must be doubled over a four-year period.

B. Structure of the Public Sector

The public sector is comprised of two parts: a monitored public sector and the "remaining public sector." The monitored public sector includes the NG, 14 government corporations, the OPSF, and the Central Bank-Board of Liquidators (CB-BOL). The remaining elements of the consolidated public sector encompass government financial

²This formula does not bode well for the budget. In the coming years, a tariff reduction program will reduce customs revenues, forcing the Government to rely more heavily on internal taxes. Yet 40 percent of any increases in internal taxes will need to be transferred to the LGUs. Consequently, if other types of spending are not to be squeezed, the NG will need to devolve further activities to local governments, commensurate with their growing resources.

³The first Salary Standardization Law was passed in 1989.

institutions,⁴ local government units, social security institutions,⁵ and the Central Bank of the Philippines (CBP)--superseded in 1993 by the BSP.

The restructuring of the central bank has profoundly affected the fiscal accounts. In June 1993, the old CBP was divided into two entities: a monetary authority, the BSP, and the CB-BOL. Then, in December 1993, most nonperforming assets (and external liabilities) of the old CPB were shifted to the CB-BOL and replaced by P 220 billion in government securities bearing interest at market rates. This operation provided the BSP with a strong balance sheet, enabling it to undertake a more autonomous monetary policy as well as remain profitable with lower levels of reserve requirements. As a consequence, however, was that the NG now bears a heavy additional interest burden. While the NG receives profits from the BSP, this is more than offset by payment of interest on the restructuring securities, and on additional securities issued to finance the cash needs of the CB-BOL.

C. Developments in 1994

1. Consolidated public sector

During 1994, the CPSD fell from 2 to 1 percent of GNP, reflecting large sales of state assets, including the National Oil Company, Petron. The NG debt ratio also improved, falling from 14 percentage points to 70 percent of GNP, as (i) the Government retired domestic debt by drawing down its deposits at the BSP; (ii) the peso appreciated strongly against the U.S. dollar, reducing foreign debt; and (iii) nominal GNP increased substantially. However, the underlying CPSD deteriorated somewhat, to 2.5 percent of GNP from 2.2 percent in 1993.⁶

The monitored public sector borrowing requirement declined by about 2 percentage points to 0.9 percent of GNP, reflecting a considerably lower NG deficit and smaller losses at the monitored corporations--both as a result of privatization receipts. The balance of the OPSF also improved, as the stronger peso and lower world oil prices generated a surplus of P 2 1/2 billion. The deficit of the CB-BOL was P 8 billion.

⁴The government financial institutions are the Philippines National Bank, Development Bank of the Philippines, Philguarantee Corporation, and the Land Bank of the Philippines.

⁵The social security institutions are the Social Security System (SSS) and the Government Service Insurance System (GSIS).

⁶The 1994 figure excludes all privatization receipts recorded as revenue, including P 26 billion (P 23 billion directly from the sale of assets and P 3 billion from the associated capital gains tax) by the NG, P 8 billion by the corporations, and P 2 1/2 billion by the social security institutions. Total privatization receipts, some of which were recorded as financing, amounted to P 46 billion, equivalent to nearly 2 1/2 percent of GNP.

A shift in investment by the social security institutions meant that the remaining public sector incurred a small deficit. The social security organizations purchased P 13 billion--equivalent to 0.8 percent of GNP--in shares of Meralco (the Manila Electric Company) from the NG, financed by sales of government securities.⁷ Since the NG counted these receipts as revenue, the purchase was recorded as social security expenditure, causing these institutions' balance to swing from a surplus of P 12 billion in 1993 to an equal-sized deficit in 1994 (Appendix Table 14).⁸

The BSP earned a net profit of P 5 billion in its first full calendar year of operations, as the clean balance sheet and a rapid increase in base money generated large gains from seignorage. Government financial institutions recorded a surplus of P 3 billion, somewhat lower than in 1993, reflecting growth in capital expenditure associated with computerization. The surplus of the LGUs increased somewhat, as capital programs were delayed while negotiations continued to establish a mechanism under which the NG would guarantee their borrowing from aid donors (Appendix Table 15).

2. National Government

Developments in the NG deficit during 1994 reflected two main factors: privatization receipts and interest payments. Revenues increased very substantially, by 2.4 percentage points of GNP, owing mainly to privatization receipts of 1.5 percent of GNP. However, this was partially offset by higher interest payments, amounting to 1.2 percentage points of GNP, incurred on account of the central bank restructuring. On balance, the NG deficit declined by just over 1 percentage point to 0.3 percent of GNP.

The financing of the deficit relied exclusively on domestic sources, as foreign loan disbursements declined, causing net external financing to turn negative. The Government made extensive use of its cash deposits--which fell by P 36 1/2 billion, more than 2 percent of GNP--as well as P 6 1/2 billion of privatization receipts that were recorded as a financing item. These funds were used partly to reduce the level of NG debt, and the ratio of NG debt to GNP fell to 70 percent of GNP.

⁷The social security institutions are committed to sell 30 percent of their Meralco holdings to members within a three-year period and 50 percent within five years. The first of these commitments has already been met.

⁸Treating the purchase as expenditure is necessary to ensure that this intra-public sector transaction did not affect the overall CPSD, which measures the balance of transactions between the public and the private sector.

National Government Debt, 1990-1994⁹

(In billions of pesos)

	1990	1991	1992	1993	1994
Total NG debt	<u>701.1</u>	<u>768.5</u>	<u>977.8</u>	<u>1,281.0</u>	<u>1,227.5</u>
In percent of GNP	65.1	60.8	71.0	84.3	70.1
Domestic debt	304.9	342.6	501.3	682.1	670.6
National Government	252.3	295.7	453.8	638.7	621.8
Assumed liabilities	46.1	42.2	42.5	38.2	43.2
Contingent	4.4	4.7	5.0	5.2	5.6
Foreign debt	396.3	425.9	476.5	598.8	556.9
National Government	226.5	238.0	259.1	333.2	318.5
Assumed liabilities	73.3	96.9	36.3	31.3	23.5
Bond converted loans	0.0	0.0	80.6	96.8	74.1
Contingent	96.5	91.0	100.6	137.7	140.7

(i) Revenue

The revenue-to-GNP ratio increased by about 2 1/2 percent of GNP to 19.5 percent of GNP in 1994. Although the bulk of the increase came from privatization receipts, tax revenues also made a significant contribution, increasing by 18 percent, which raised the tax effort ratio by 0.4 percentage point to 15.5 percent of GNP. This increase was driven entirely by internal taxes—on income and domestic goods and services—which burgeoned as the economy flourished. Meanwhile, nontax revenue, excluding privatization, increased by 0.5 percentage points of GNP, propelled by receipts from the BSP, as well as two significant new measures: documentary stamp tax rates were increased, yielding P 5 billion; and fees and charges were raised sharply, in an effort to improve cost recovery, generating P 6 billion.¹⁰

⁹In 1993, the public debt was boosted by the issuance of P 220 billion in securities to the BSP; although this debt is not owed to the private sector, it is nonetheless included as a proxy for the external debt of the CB-BOL, which for legal reasons is not included in official figures.

¹⁰The total increase in fees and charges was P 12 billion.

Two substantive measures were taken to increase tax revenues, but their yield was negligible. Congress approved an extension of the VAT to cover most excluded services, which was expected to raise P 8 billion, but implementation has been blocked while the Supreme Court considers a challenge to the law's legality.¹¹ Similarly, a three percent minimum import duty was imposed, but this did not apply to imports for projects that were registered with the Board of Investments before January 1995, nor to the export processing zones, nor to the export assembly industries. Consequently, the proportion of imports benefiting from duty exemptions actually increased and customs revenue remained flat in nominal terms, despite strong import growth.¹²

Some smaller tax measures did succeed in raising modest amounts for the budget. The stock transaction tax was doubled to 0.5 percent of transaction value (and increased again in mid-1995 to 0.75 percent), earning P 1 billion. Cigarette excise taxes were raised and a floor price introduced, garnering P 1 billion over half a year. Also, the withholding of VAT on government contracts (6 percent on supplies and 3 percent on services) yielded P 2 billion in its first full year of implementation.

(ii) Expenditure

NG expenditures increased by more than 1 percent of GNP, driven by the interest costs of the securities issued to the new central bank. Excluding these payments, total expenditure and net lending actually declined by 1/2 percentage point of GNP.

Three items recorded significant declines. Other interest payments declined by 0.5 percentage point of GNP reflecting the stronger peso, lower interest rates, and--particularly late in the year--use of the government's cash balances to repay debt. Outlays on operations and maintenance, as well as equity and net lending, declined in relation to GNP by 0.2 and 0.3 percentage point of GNP, respectively.

At the same time, three other items recorded large increases. Personnel services rose by a sharp 18 1/2 percent, reflecting the impact of the 1994 Salary Standardization Law, which increased salaries across the board by P 700-800 per month. Current allotments to LGUs

¹¹The law extended the tax base to telecommunications; road freight and other transportation; lease and sale of real property; restaurants and caterers; hotels and motels; books, newspapers, and broadcasting; and other sectors. This left utilities, passenger transportation, and professional services as the only major sectors still exempt from the tax. However, the law provided that the VAT could be extended, by Executive Order, to this last group within the next two years.

¹²Also, on January 1, 1995 duties were reduced to zero on some 300 capital goods, as well as on imports of machinery, equipment, and accompanying spare parts used in the manufacture of export products. However, these two exemptions are scheduled to expire after three years.

increased by 36 percent to 2.2 percent of GNP, as the revenue sharing formula was fully phased-in, increasing the share of internal taxes transferred to 40 percent. Also, conversion of interest arrears of the NPC (P 1/2 billion) and the National Food Authority (P 1 1/2 billion) resulted in a rise in subsidies. These outlays enabled the NG to record an offsetting interest receipt from these corporations..

Capital expenditures remained constant in relation to GNP at 3 percent, while the infrastructure and other capital component remained at 2.5 percent of GNP. Nevertheless, some improvement in project execution was evident, spurred by the new Presidential Committee on Flagship Projects, which resulted in more effective management of major projects. Major increases in infrastructure outlays were recorded in the highway, power, and social infrastructure sectors (Appendix Table 16).

3. Government corporations

Monitored corporations improved their financial position substantially, recording a deficit of P 12.5 billion (0.7 percent of GNP) in 1994, half the level of the year before. However, adjusting for privatization receipts, the underlying improvement was rather small.

The privatization of Petron--an oil refining and distribution company that was owned by the Philippine National Oil Company (PNOC)--dominated developments the monitored corporations' accounts (Appendix Tables 17 and 18). This sale, for P 25 billion, explains the increase in "other receipts", which rose from to P 35 billion from P 10 billion in 1993. As about one-half of the sale amount was transferred to the NG, it also explains the rise in dividend payments to P 11 billion from P 1/2 billion in 1993. The sharp decline in sales receipts and other operating expenditures, as well as the decline in gross foreign borrowing, also reflects the effects of transferring Petron to the private sector.

After all these adjustments, the monitored corporations' deficit recorded only a slight improvement in 1994. The underlying deficit narrowed marginally to 1.5 percent of GNP, reflecting a small decline in capital outlays relative to GNP. The rate of increase in NPC's capital outlays finally began to level off (at nearly 2 percent of GNP), following a rapid increase in response to the power shortages of the early 1990s, while that of the other corporations fell.¹³

D. Developments in 1995

1. Consolidated public sector

The authorities have targeted a further reduction of the CPSD in 1995, as part of their efforts to increase public saving, promote private sector growth, and reduce the level of public

¹³A detailed discussion of the major government corporation, NPC, is found in Section II.

debt. In particular, they aim to reduce the "headline" CPSD to 0.3 percent of GNP and the underlying CPSD to 2 percent of GNP. Preliminary data for the first half of 1995 suggest that they are well on track toward this objective: the consolidated public sector actually recorded a surplus of 0.5 percent of GNP. Most notable, the monitored public sector borrowing requirement of 1.1 percent of GNP was half that anticipated, mainly because the monitored corporations recorded a large shortfall in their capital outlays.

2. National Government

The NG is projected to record a surplus of P 0.6 billion in 1995, representing a further improvement over 1994. Excluding privatization, the deficit is projected to improve by 0.3 percentage point of GNP to 1.5 percentage points of GNP. The revenue-to-GNP ratio is projected to decline by 0.1 percentage point of GNP--largely on account of lower nontax revenues--but this decline is expected to be more than offset by the 0.4 percentage point decrease in the projected expenditure-to-GNP ratio, owing to a further decline in interest payments.

Revenues are about the same, in relation to GNP, as in 1994. There are no major expected tax measures, and consequently only a small increase in the tax ratio is expected--on account of stronger imports. As regards nontax receipts, a new measure mandates government departments to increase fees so as to fully recover costs. To provide an incentive, departments are permitted to retain 20 percent of the difference between fee revenues in the present year and the average of the preceding two years. There is also a penalty: departments failing to raise fees adequately may have their budgetary allocations delayed. Still, non-tax revenues are expected to fall slightly in relation to GNP, partly because NG bank deposits are much smaller, generating lower interest receipts.

Total expenditures are expected to decline marginally to 19.4 percent of GNP, mainly because last year's debt reduction should allow a significant fall in interest payments. Meanwhile, civil service salaries are budgeted to rise by P 1,000 per month--about a 20 percent average increase--as the second step in the policy of increasing the real value of civil service salaries under the Salary Standardization Law. In line with policy objectives to improve infrastructure, there is an increased allowance for maintenance of infrastructure, from P 3.1 billion in 1994 to P 5.8 billion in 1995.

During the first half of the year, the NG recorded a small deficit of P 2 1/2 billion. On the revenue side, the budget benefited from the receipt of P 18 1/2 billion (nearly 1 percent of GNP) from the first of two equal payments for the sale of Fort Bonifacio--a former military camp located in a prime real estate area of Manila. Excluding privatization, however, the revenue performance has been weak. The most important single factor underlying the shortfall is the Congressional decision to refund tax withheld on the 13th month bonus pay of 1994, which reduced revenues by about P 2 billion at the beginning of the year. Nontax receipts--excluding privatization--are also lower than originally anticipated, owing to shortfalls

in fees and charges, interest from corporations, and interest on deposits--which were further reduced in early 1995, to minimal working levels.

Meanwhile, expenditure during the first half of the year was slightly lower than anticipated levels. Capital outlays appear to have been reined in during recent months, particularly after the May election. Meanwhile, interest expenditures exceeded expectations, due largely to the lengthening of the maturity structure of the treasury bills issued to the BSP as part of the central bank restructuring.

The lower-than-programmed outlays has occurred despite the increase in expenditures tied to the sale of Fort Bonifacio. The legislation governing this transaction earmarks the receipts for a number of specific uses; much of this spending is expected to occur well after the revenues are received in 1995 and 1996.

National Government Cash Budget, January - June 1995 1/

(In billions of pesos)

	Budget	Actual
Revenue and grants	<u>178.0</u>	<u>185.6</u>
Tax	151.3	148.5
Nontax	26.7	37.1
Privatization	3.9	20.8
Other	22.8	16.3
Expenditure and net lending	<u>188.3</u>	<u>188.3</u>
Balance	<u>-10.3</u>	<u>-2.7</u>
Excluding central bank restructuring	-1.5	8.9
Net foreign financing	-2.7	-6.9
Net domestic financing	13.0	9.6

1/ Preliminary estimates.

3. Government corporations

The balance of the monitored corporations is projected to weaken to 1.1 percent of GNP in 1995, but adjusting for a decline in privatization receipts, an underlying improvement is

expected. The increased deficit reflects additional capital expenditure on the part of a number of corporations, particularly the Light Rail Transit Authority, MWSS, and the port development project of the Philippines Port Authority (PPA). During the first half of 1995, the outturn for the monitored corporations was in line with expectations—except for capital spending, which was P 8 billion lower than expected, mainly at NPC, for reasons that are not yet clear.

**Statement of the Financial Operations of Monitored
Corporations, January - June 1995 1/**

(In billions of pesos)

	Budget	Actual
Total receipts	<u>43.3</u>	<u>43.3</u>
Operating	37.6	35.5
Other	5.7	7.8
Current expenditure	<u>35.5</u>	<u>35.9</u>
Capital expenditure	<u>17.9</u>	<u>9.6</u>
Balance	-10.2	-2.3
Net external financing	6.1	0.4
Net domestic financing	4.1	1.9

1/ Preliminary estimates.

E. Social Expenditures

The Social Reform Agenda takes a basic needs approach to target public expenditures to the poor (Appendix Tables 19 and 20). A series of specific "minimum basic needs" indicators have been specified by a government administrative order. These minimum basic needs are in three general categories: basic services—such as health and education; economic access—such as income and livelihood; and institutional capacity development—participation in community development and family care. Indicators measuring various aspects of these basic needs have already been derived for 20 regions. This approach is supplemented by the Basic Sectors Agenda which covers the areas of agrarian reform, aquatic reform, ancestral domain, urban reform, rehabilitation, and basic services.

Public expenditure programs, adopted in cooperation with local jurisdictions and non-government organizations, are prioritized to enhance development in the areas identified by the minimum basic needs indicators. Social expenditures are expected to increase by 26 percent to P 105 billion in 1995 and to P 132 billion in 1996. Also, specific social indicators will be used to monitor the effectiveness of the expenditure programs.

F. Military Expenditure

Military expenditures remained at about 1.3 percent of GNP over the 1990-94 period, a low level by international standards (Appendix Table 20). However, this amount does not take into account all capital outlays, many of which are financed by grants and concessional loans, recorded in off-budget accounts. Military spending constituted 7 percent of budgetary outlays in 1994.

IV. Monetary Developments

A. Background and Overview ¹⁴

The last two years have been a watershed for the monetary sector in the Philippines. After a decade of disintermediation, bank credit growth surged to historical highs, driven by economic liberalization and recovery, as well as an expansionary monetary policy. Similarly, after a decade of dependence on the NG, the central bank began to implement a more autonomous monetary policy, following its financial restructuring in late 1993.

A rebuilding of the banking sector was needed after the sharp contraction during the previous decade (Chart 4). Following the foreign debt servicing crisis of 1983, bank activity was constricted in a number of ways. External credit was cut off, and the Government indirectly squeezed bank balance sheets by issuing large amounts of securities directly to the public. Private saving fell sharply, as domestic political uncertainties and swings in policy undermined confidence. Financial activity was also dampened by large explicit and implicit taxes on financial intermediation. Consequently, by the early 1990s, bank activity in the Philippines had fallen to a level well short of that in neighboring countries (Chart 5).

The stage for a rebound was set by the program of economic liberalization initiated during the late 1980s and the economic recovery that began in 1993. Comprehensive reforms helped strengthen the external position and bring about a comprehensive commercial bank debt restructuring in December 1992, renewing access to international capital markets. Macroeconomic stabilization efforts reduced the budget deficit, allowing the Government to issue fewer securities. The restructuring of the central bank in 1993 facilitated financial sector reforms, including lower reserve requirements. Perhaps most important, the resumption of

¹⁴ The recent history of the financial sector, shifts in money demand, and monetary targeting are reviewed in the background paper accompanying this report.

PHILIPPINES
Indicators of Financial Intermediation, 1981-95 1/

Source: Data provided by the Philippine authorities.

1/ Staff estimates for June 1995.

CHART 5
PHILIPPINES
Inverse Velocity, Selected Asian Countries, 1980-94 1/

Source: IMF, International Financial Statistics.

1/ Ratio of money plus quasi-money to GNP.

economic growth and decline in inflation greatly improved confidence, causing residents to repatriate funds from abroad and deposit them in the domestic banking system.

Another important development during the past two years was the increase in the autonomy of the central bank. Even after the financial restructuring, the authorities still relied on primary issues of treasury bills as the main instrument for controlling liquidity, but gradually open market operations by the BSP began to take on more importance, especially after the central bank exchanged its stock of 91-day treasury bills for a portfolio of varying maturities.

As a result of these structural changes, financial intermediation began to expand again, and at an accelerating pace. By mid-1995, intermediation had surpassed the pre-debt crisis levels, as measured by a variety of indicators. The ratio of liquidity¹⁵ to GNP stood at 36 percent in June 1995, above its 1983 peak of 32 percent. Stock market capitalization is now equivalent to more than three-fourths of GNP, more than ten times the 1986 ratio. In addition, commercial paper and bond markets are for the first time beginning to serve as a source of funds for large corporations.

B. Monetary Policy Developments

Monetary policy has been marked by: (i) an expansionary stance beginning in mid-1994, and (ii) important shifts in monetary targets (Chart 6).

During the first half of 1994, the authorities maintained a firm policy stance (Appendix Table 22-24 and Chart 7). Annual liquidity growth fell from 15 percent in December 1993 to 10 percent in June 1994. The tight policy was aimed at reversing the rise in inflation, which had breached the 10 percent threshold for the first time in two years, and rebuilding reserve coverage, which had shrunk to 2 1/2 months of imports.

Firm control over liquidity was maintained despite a surge in capital inflows, prompted by domestic interest rates of 15 percentage points, and the trend appreciation of the peso. In order to preserve this policy stance, the authorities sterilized their purchases of foreign exchange by stepping up the Government's issue of securities (Appendix Tables 25). As the proceeds from these issues were deposited at the BSP, central bank net domestic assets fell sharply, offsetting the rise in foreign assets. This strategy, however, created two problems. First, sterilization maintained interest rates at high levels (Appendix Table 26), attracting further capital inflows. Second, despite the heavy foreign exchange market intervention, the peso continued to strengthen, causing competitiveness worries to mount.

¹⁵ Liquidity refers to the sum of broad money and common trust accounts, which are deposit substitutes. Broad money figures for 1993 and 1994 are somewhat misleading, because bank deposits appear to have increased sharply when reserve requirements were imposed on (off balance sheet) common trust accounts at the end of 1993.

CHART 6
PHILIPPINES
BSP Balance Sheet, December 93 - June 1995
(Adjusted for seasonality and reserves requirements)

Source: Data provided by the Philippine authorities.

PHILIPPINES

Liquidity Growth and Interest Rates

Sources: IMF, Information Notice System, International Financial Statistics, and the Philippine authorities.

1/ Annual growth of broad money plus common trust accounts.

Consequently, during the second half of 1994, the authorities switched to an exchange rate-based policy aimed at stemming the appreciation of the currency (Chart 8). The issuance of new treasury bills was scaled back, and maturing obligations were repaid instead, by withdrawing government deposits (which in April had reached 90 percent of base money). This expansionary policy pushed up base money growth to historical highs, even as a surge in bank deposits was increasing the money multiplier much more rapidly than expected (Appendix Tables 27). Taken together, these factors raised liquidity growth to 23 percent in December, well above the 13-15 percent rates recorded in 1992-93. Meanwhile, the 91-day treasury bill auction rate tumbled by 5 ½ percentage points from mid-July to mid-September, and real after-tax interest rates fell below zero. Nevertheless, the peso continued to appreciate for much of this period against the U.S. dollar, stabilizing only toward the end of the year.

During the first quarter of 1995, it became clear that the easy policy stance was unsustainable. Reserves had already started to decline during the second half of 1994, and by November interest rates had begun to rise. These trends accelerated after the Mexico crisis, which caused financial confidence to falter and funds to flow out of the country. Initially, the authorities responded by selling foreign exchange, allowing some depreciation of the peso (7 percent from December to March), and raising very short-term interest rates. However, they resisted a rise in the bellwether 91-day rate by further cutting back the amount of treasury bills issued. As a result, liquidity growth accelerated further, reaching 36 percent by March, while reserve coverage fell to a minimal two months worth of imports.

These developments caused the authorities to change tack. During the second quarter of 1995, the BSP signaled its determination to restore financial stability by increasing the size of the weekly treasury bill auction, causing the 91-day rate to rise to 15 percent in April and the level of base money¹⁶ to fall steadily from April to June. This forceful stance, together with the May Congressional election, the results of which were viewed favorably by financial markets, restored financial confidence. Capital inflows revived, prompting the exchange rate to stabilize and the stock market to rise, and allowing interest rates to decline again.

By June, the firm control of base money and a leveling off of the money multiplier around the time of the election succeeded in slowing liquidity growth to an estimated 27 percent.¹⁷ Bank credit growth during the 12 months ending in June 1995 was 36 percent, still high, but down from the first quarter.

¹⁶ Adjusted for seasonality and changes in reserve requirements.

¹⁷ Electoral spending normally causes the currency-deposit ratio to increase sharply for several months.

CHART 8
PHILIPPINES
Foreign Exchange Market Developments
January 1994 - June 1995

Source: Data provided by the Philippine authorities.

C. Shifts in Money Demand¹⁸

There is evidence that much of the increase in money supply in 1994 was matched by an upward shift in money demand, reflecting macroeconomic developments and structural reforms. First, econometric evidence indicates that real liquidity growth far exceeded the portion that would be explained by GNP growth and the fall in interest rates. Second, despite this liquidity expansion, inflation declined during 1994 to 7 percent by year-end. Third, the trend increase in the money multiplier accelerated, with the decline in the currency/deposit ratio (Chart 9). This apparent shift in money demand appears to have been driven by an improvement in confidence and the beneficial effects of banking sector reforms.

D. Banking Sector Reform

There have been a number of significant financial sector reforms over the past two years, each of which has stimulated intermediation and the demand for money. First, approval was granted for the establishment of branches by ten new foreign banks under Republic Act No. 7721, which was passed by Congress in May 1994.¹⁹ The new banks were chosen from 20 applicants based on criteria including size, home country (to facilitate trade ties), and reciprocity rights. All of the approved banks are expected to begin operations in the Philippines by end-1995. In addition, one foreign bank received approval to set up a majority-owned subsidiary. Although the new foreign banks are expected to focus primarily on financing trade and foreign investment, their imminent arrival has already galvanized domestic banks to improve efficiency and introduce new financial products.

Second, reserve requirements were lowered, reducing intermediation costs. In August 1994, the share of deposits to be held in reserves at the central bank was lowered to 17 percent from 20 percent. In May 1995, these reserve requirements were further reduced to 15 percent, while reserve requirements against common trust accounts were increased from 10 percent to 15 percent. However, the potential savings from the May 1995 measure was partially offset by a reduction in the remuneration on bank reserves held at the BSP.

Third, several other developments have encouraged a rapid growth in bank deposits. Regulations that had stymied the opening of new bank branches—including restrictions on location and requirements that bank capital be increased for each branch—were lifted beginning in 1993,²⁰ sparking a 24 percent increase in the number of branches during 1993 and 1994. In

¹⁸ This subject is discussed in detail in the accompanying background paper.

¹⁹ Each new foreign bank will be allowed to open four branches; each of the four foreign banks already operating in the Philippines will be allowed to expand their branches to six.

²⁰ These changes were initiated by Monetary Board Resolution 349 in April 1993, and have been subsequently extended by a series of central bank circulars.

CHART 9
PHILIPPINES
Currency-Deposit Ratio, December 1988 - June 1995 1/

Source: Data provided by the Philippines authorities.

1/ Not adjusted for upward shifts around the time of the May 1992 and May 1995 elections.

addition, the number of automatic teller machines rose by more than one-third during 1993 and 1994, owing to the lifting of restrictions on off-bank site locations, and the linking of ATMs into a single commercial network.

E. Monetary Policy Reforms

The December 1993 restructuring of the central bank enhanced the flexibility of monetary policy. The balance sheet of the new central bank was fortified by new capital, treasury bills for open market operations, and a large amount of NG deposits. However, during 1994, the main instrument of monetary policy continued to be the primary issuance of treasury bills, largely because the BSP's portfolio, though large, consisted exclusively of 91-day bills with a single maturity date. This circumscribed the scope for open market operations, especially because the bills became increasingly difficult to sell as they approached maturity.²¹ However, starting in early 1995, this problem was resolved as the bills were transformed into a variety of tenors, making them more attractive, and allowing the BSP to begin more active open market operations. Nevertheless, the BSP continued to coordinate its activities closely with the Treasury, to ensure that consistent signals were being sent to the market, especially about the direction of interest rates.

As before, day-to-day money management is conducted through repurchase and reverse repurchase agreements. The BSP also uses the overnight borrowing rate as a signal to markets. The two reductions in reserve requirements during 1994 and 1995 were aimed at reducing the costs of financial intermediation, rather than influencing liquidity conditions.

F. Capital Market Developments

The stock market dominated the expansion of nonbank financial activity during 1994 and the first half of 1995. The nonbank share of total private depository institution assets declined from 37 percent in 1993 to 34 percent in 1994. In contrast, stock market activity surged. Although the stock market index has shown no real trend since the boom year of 1993, market capitalization rose to \$61 billion in June 1995 from \$40 billion at end-1993. The deepening of the stock market reflected an acceleration in the number of initial public offerings (IPOs), which doubled during 1994, and according to market reports further increased during 1995. IPO shares bought by foreign investors totaled \$955 million during 1994 (mainly for privatization). Market trading was smoothed by the unification in March 1994 of the two bourses, the Makati and Manila Stock Exchanges, into the new Philippine Stock Exchange.

Over the past year, several steps have been taken to promote the development of the securities market. First, the Government introduced two-year fixed-rate treasury notes and three-year floating rate securities. Second, the Bureau of Treasury took over the management

²¹The main problem is that the secondary market is not well-established, so that interest rates on sales of irregular maturities need to be negotiated on a transaction-by-transaction basis.

of government security auctions. Third, the Philippine Central Depository Corporation (CDC) was established by market participants to automate securities transaction settlements.

Finally, the insurance sector is being deregulated. From October 1994, well-established foreign insurers or other intermediaries were allowed to enter the domestic market either by purchasing stock in an existing or new insurance company, or establishing a branch. In addition, modernization of the Insurance Code is underway.

V. Balance of Payments and External Debt in 1994-95 ²²

A. Background and Overview

The Philippines has become an increasingly open economy in recent years, with rapidly rising shares of trade in national income. Its export base has also been progressively diversified, both geographically and by product. Approximately, one third of its exports are now to Asian countries, another one third to the United States, and about one fifth to Europe and the Middle East (Appendix Table 28). The country's traditional reliance on agricultural and raw material exports has diminished substantially. The share of manufactures now approaches 80 percent of total exports, having risen by more than 12 percentage points in the last five years alone. More than half of the import bill is accounted for by fuel, raw materials and intermediate goods, and almost one third by imports of capital goods. Large trade deficits have been financed to a significant extent by remittances, which in 1994 are estimated at almost 9 percent of GNP.

By most measures, the Philippines' external position strengthened markedly during 1994 and into the first half of 1995 (Appendix Tables 29 and 30). Although the trade deficit widened in 1994, the deterioration was modest in light of the sharp acceleration in economic growth. Moreover, it was concentrated in the early part of the year; the balance improved during the second half, even in nominal dollar terms, and continued to strengthen relative to GNP in the first half of 1995. This trend, together with a strengthening exchange rate (the peso appreciated by more than 6 1/2 percent in real effective terms in 1994), has been due in large part to rapid export growth, which was running at an annual rate of 30 percent during the first half of 1995.

At the same time, mounting confidence in the economy contributed to a surge in remittances and private transfers, which together financed more than 80 percent of the trade deficit in 1994. As a result, the current account deficit, which had widened substantially as the economy began to pick up in 1993, declined by 1 percentage point to 4.3 percent of GNP. Likewise, capital inflows intensified in 1994. Direct investment more than doubled on the strength of major foreign purchases of privatized assets; net portfolio flows turned positive for the first time since the capital account liberalization of 1992; and there were sizable net inflows

²²A number of methodological changes have been made to the balance of payments data included in this report, involving revisions to both current and financial accounts. These changes are described in the Annex to this Section.

through the banking system and in the form of short-term trade finance.²³ These factors turned the overall balance around, from a deficit of almost \$1 billion in 1993 to a surplus of more than \$1.1 billion in 1994, permitting the central bank to raise reserve coverage to 2.7 months of imports.²⁴

Strong economic growth, booming exports and some prepayments of both official and private borrowing helped to bring down external debt and debt service ratios further in 1994--the latter to levels not seen since the late 1970s. This favorable picture encouraged the authorities to approach official creditors in late 1994 with a view to canceling the Philippines' July 1994 Paris Club rescheduling agreement. The accord was duly canceled in January 1995, and all resulting arrears were cleared by March 1995.

Like other economies in the region, the Philippines suffered some ill effects from the Mexico crisis during the early months of 1995, but these appear to have been short lived. By the end of the second quarter, foreign exchange inflows had resumed, the central bank's reserve losses had been more than recouped, and the peso was again tending to appreciate in real terms.

B. Balance of Payments in 1994

The merchandise trade deficit increased by \$1.6 billion (0.7 percent of GNP) in 1994, despite a 2.3 percent improvement in the terms of trade. Manufactured export growth accelerated to almost 22 percent in U.S. dollar terms (18 percent in volume) from under 20 percent in the previous year. This implied a gain in aggregate market share of more than 4 percent. The electronics industry consolidated its position as the country's leading exporter, with shipments of almost \$5 billion (37 percent of all exports), up more than 40 percent on 1993. By comparison, exports of the more mature garments sector remained sluggish (up less than 5 percent in value), while nonmanufactured exports were flat in volume terms, reflecting the trough in the coconut cycle (Appendix Table 31).

On the imports side, non-oil import volume growth slowed from almost 24 percent in 1993 to under 20 percent in 1994, despite an acceleration in overall economic activity (Appendix Table 32). The aggregate elasticity of non-oil imports (measured with respect to real GNP growth) dropped from almost 11 in 1993 to under 4. Imports of consumer goods, though they continued to account for less than 10 percent of the total, grew relatively rapidly in U.S. dollar terms (up 32 percent on 1993, compared to increases of 22 percent each for capital goods and raw materials). There was a marked slowdown in import growth during the year, from 27 percent in the first semester of 1994 to less than 17 percent in the second. This reflected,

²³See the forthcoming background paper for a discussion of the Philippines' experience with capital inflows.

²⁴Reserve coverage is defined as gross international reserves adjusted for gold- and security-backed short-term borrowing, expressed in months of imports of goods and services.

however, the timing of large one-off purchases of commercial aircraft (in January 1994) and barge-mounted power generators (in June); excluding erratic items (aircraft, ships, boats and fuel), year-on-year import growth was fairly steady, at 20-25 percent, in each quarter of 1993 and 1994.

There was a marked improvement in the services balance in 1994 to a surplus of over \$4 billion, from \$2.5 billion the previous year (Appendix Table 33). This was accounted for entirely by a 48 percent increase in remittances, to \$5.9 billion, generated by an upswing in confidence and positive interest differentials, especially during the first half of the year. There is some question as to whether the data on remittances may be picking up some capital rather than current inflows, since they are based partly on the volume of transactions through foreign currency accounts at domestic banks, the nature of which is not identified in the current reporting system. As noted in the Annex to this Section, it is hoped that a new bank reporting system will soon be providing better information on both services and financial flows.

The transfers balance also improved in 1994, by \$237 million, due in roughly equal part to higher personal transfers and to transfers from the Japan International Cooperation Agency (JICA), some of which had been delayed from the previous year. Together with the increased surplus on services, this led to a decline in the current account deficit from \$3 billion in 1993 (5.3 percent of GNP) to \$2.8 billion (4.3 percent of GNP) in 1994.

Recorded inflows of foreign direct investment were lower than had been expected in 1994. Although the total more than doubled to almost \$800 million, \$566 million of this was accounted for by privatization,²⁵ implying a decline in the underlying figure. This is at odds with anecdotal evidence as well as with indications of investment intentions registered with the Board of Investments (BOI). It is possible that the data, which depend entirely on the reports of domestic banks, do not pick up all direct investment inflows, particularly those channeled from foreign parent companies to their affiliates or subsidiaries in the Philippines.

Aggregate portfolio transactions showed a net inflow of just over \$200 million in 1994, compared to a modest net outflow in the previous year. Net portfolio inflows from nonresidents were broadly unchanged from their 1993 level of about \$900 million. Meanwhile, residents' investments abroad declined, from over \$1 billion in 1993 to less than \$700 million in 1994. This was not unexpected, however, as the surge in outflows in 1993 had been ascribed in large part to the liberalization of exchange regulations in August 1992, and therefore was thought to include a significant element of stock adjustment.

Net medium- and long-term borrowing dropped off sharply in 1994, to less than \$700 million from almost \$1.4 billion in 1993. On the disbursements side, gross inflows

²⁵The state sold stakes in three companies to foreign interests during 1994: Petron, a shipbuilding company (\$34 million); and the Paper Industries Corporation of the Philippines (\$30 million).

declined to \$3.7 billion from over \$4 billion in the previous year, as the public sector cut back on its availing of external financing in part because of the strong budgetary position but also with a view to offsetting some of the pressure on the peso caused by strong private inflows. For similar reasons, the Government also elected to prepay outstanding foreign debt totaling \$130 million during the year; and the private sector is understood to have prepaid some of its long-term bank credits. These factors explain the rise in total amortization payments to almost \$3 billion in 1994, from \$2.7 billion in 1993. Eurobond issues during 1994 totaled \$869 million, almost exactly the same as the previous year's figure: of these, \$100 million was raised by the public sector (NPC) and the rest by private borrowers.

There was a sharp increase in short-term trade financing in 1994, from a small net outflow in 1993 to a net inflow of almost \$1 billion. Borrowing was concentrated in the second half of 1994, and amounted to more than \$0.5 billion in the last quarter alone. This coincided with a period of marked strengthening in the peso vis-a-vis the U.S. dollar, and the timing points to the possibility that both importers and exporters in the Philippines may have been going short in dollars partly for speculative reasons.

The net foreign assets of domestic banks fell by almost \$0.5 billion owing to a rundown of FCDUs to help fund increased foreign currency lending to resident exporters. Much of this borrowing may be linked to the rapid expansion in the electronics sector, which is heavily dependent on imported inputs; it also reflected deliberate steps by the authorities to enhance exporters' access to such financing as a way of easing the burden of an appreciating exchange rate on their cash flow.

The combination of a declining current account deficit and rising capital inflows turned the overall balance of payments around from a deficit of almost \$1 billion in 1993 to a surplus of more than \$1.1 billion in 1994. In addition, the official reserve position benefitted from a total of \$656 million in rescheduling, comprising \$478 million pursuant to the 1992 commercial bank debt restructuring agreement and \$178 million from the July 1994 Paris Club accord with official creditors (Appendix Table 34).²⁶ Thus, the central bank's net international reserves increased during 1994 by \$1.8 billion, and its gross reserves (excluding gold and securities pledged as collateral for short-term borrowing) rose from \$1.65 billion to \$6.4 billion at end-1994, equivalent to 2.7 months of imports of goods and services.

C. Balance of Payments in the First Half of 1995

The improvement in trade performance in 1994 continued into the early months of 1995. Comparing the first half of 1995 with the same period a year earlier, export growth accelerated to 31 percent in U.S. dollar terms, while import growth was steady at around 27 percent if adjusted for erratic items (see above), and down to 20 percent on an unadjusted basis. The

²⁶The latter sum was technically in arrears once the Paris Club accord was canceled in January 1995.

trade deficit of \$4.3 billion for the first semester was approximately 11.8 percent of estimated GNP (annualized), unchanged from its average level in 1994.

Market nervousness during the first quarter of 1995--in the wake of the Mexico crisis--affected both the services and capital accounts. In the services account, the residual category "other services," which covers mainly over-the-counter foreign exchange transactions, showed a net outflow of almost \$1 billion during the first quarter. This is more than three times the comparable average quarterly figure for 1994, and is thought to have reflected, at least in part, capital flight by small investors.²⁷ In the capital account itself, the main impact was seen in residents' net portfolio investments abroad, which increased from an average \$155 million per quarter in 1994 to more than \$500 million in the first quarter of 1995; there was no perceptible effect on net portfolio inflows from nonresidents. Preliminary data for April and May indicate that these departures from trend were reversed during the second quarter.

The capital and quasi-capital outflows of February and March 1995 were accommodated initially by sales of foreign exchange by the central bank.²⁸ When combined with the clearing technical arrears to official creditors carried over from 1994 (\$178 million), this led to a drop in gross adjusted reserves during the first quarter of \$652 million, to \$5.7 billion. A tightening of monetary policy in March-April brought the outflows to a halt, however, and by the end of the second quarter the central bank had rebuilt gross adjusted reserves to \$6.5 billion, some \$200 million above their end-1994 level.

D. External Debt and Debt Service

Total external debt increased by \$3.4 billion in 1994 to \$37.7 billion, due partly to revaluation effects associated with appreciation of the Japanese yen, but declined in relation to GNP from 61.2 percent at end-1993 to 56.9 percent at end-1994 (Appendix Table 35). The stock of borrowing from commercial banks and other private financial institutions was virtually unchanged during the year, and total debt to multilateral lenders was up by less than \$300 million (Appendix Table 36). Roughly half the increase in total external debt was accounted for by bilateral debt to the Japanese Government, most of the remainder being bond issues and suppliers' credits. The proportion of short-term debt in the total was just over 15 percent at end-1994, in line with the average ratio for the past five years. Roughly 60 percent of Philippine external debt is denominated in U.S. dollars, and one third in Japanese yen.

The composition of external debt has been affected over the past three years by a number of factors. First, commercial bank debt was restructured and partly securitized under a 1992

²⁷Surprisingly, however, there was no evidence of a speculative slowdown in remittances during the first quarter.

²⁸Net sales during these two months totaled \$429 million, following net purchases in January of \$151 million.

agreement, the terms and effects of which were described in detail in the papers for the March 1993 augmentation of the Fund arrangement.²⁹ Largely as a consequence of this agreement, by end-1993 the stock of Philippine debt on the books of foreign commercial banks had been reduced by more than 45 percent from the position at end-1991, while debt held abroad in the form of bonds increased from less than \$100 million to \$4.5 billion over the same period. Second, in May 1993 the central bank completed the repayment of deposits related to the \$3 billion trade facility that had been established in the wake of the 1983 debt crisis. The facility was abolished the following month. Finally, as described in last year's paper, the bulk of the remaining foreign liabilities of the central bank were transferred during 1993 to a new institution, the Central Bank Board of Liquidators.³⁰

In April and May 1995, two international credit rating agencies upgraded their assessment of the Philippines' external debt. Moody's Investor Service raised their rating for sovereign long-term foreign currency debt from Ba2 to Ba3, while Standard and Poor's raised theirs from BB- to BB (two notches below investment grade in both cases). In the market for Brady bonds, the Philippines' debt has had one of the lowest discounts of any issue: although the par bond's price (adjusted for collateral) dipped sharply at the time of the Mexico crisis, reaching a low of 50 cents per dollar in early March, it rebounded within a matter of weeks and in early July 1995 was trading once more at above 80 cents.³¹

The Philippines' external debt service burden has been declining steadily since 1990 (Appendix Table 37). The ratio of debt service (before rescheduling and excluding IMF) to exports of goods and services fell from 36 percent in 1990 to 22.2 percent in 1993, and further to 19.6 percent in 1994. It would have fallen further still in 1994 had it not been for the voluntary prepayment debt, as noted above, which boosted amortization outlays. Interest payments in 1994 were flat at their 1993 level of \$1.5 billion, reflecting the lagged benefits of the drop in U.S. dollar interest rates during 1991-93. In the first half of 1995, however, the effects of more recent increases in world interest rates and the strengthening of the Japanese yen against the U.S. dollar made themselves felt, and interest payments rose by about 15 percent over the same period a year earlier.

²⁹See Annex VI of EBS/92/153 (September 16, 1992) and Annex II of EBS/93/36 (March 9, 1993).

³⁰See SM/94/149 (June 14, 1994), Section IV.5.

³¹Since these bonds carry fixed interest rates, the discount reflects not only default risk but also changes in world interest rates since the bonds were issued.

Methodological Changes in the Philippines' Balance of Payments Data

The Philippines' central bank is currently engaged in a project, with technical assistance from the Fund, to improve the nation's balance of payments statistics. This work is motivated partly by the need to address various statistical anomalies that have arisen following the liberalization of the exchange system in 1992-93. It is also intended to bring the Philippines' statistics into line with the Fund's Fifth Edition of the Balance of Payments Manual.

Two principal changes have been made, as an initial step, and are incorporated in the data presented in this report. The first is to rectify the balance of payments treatment of various transactions relating to the FCDUs, to remove those that are purely between residents. Such transactions, even if denominated in foreign currency, should be regarded as domestic and not recorded (as they were previously) in the balance of payments. Specifically:

(i) interest receipts and payments by residents on their deposits with or loans from FCDUs have been removed from the current account balance. The net effect of this adjustment was to improve the current account balance for recent years (for example, the current account deficit in 1994 was reduced by about \$200 million);

and,

(ii) the FCDUs' deposit liabilities to residents have been recorded as domestic rather than foreign liabilities. The previous methodology understated the Philippine banks' aggregate net foreign asset position by more than \$5 billion at the end of 1994.³²

The second major change relates to the definition of the "overall balance" in the balance of payments. Changes in the Philippine banks' net foreign asset position were hitherto considered--along with changes in the central bank's net foreign assets--as financing the country's overall balance of payments position, rather than increasing or reducing the overall balance itself. Now that the foreign exchange system has been liberalized, it is no longer considered appropriate to aggregate the central and commercial banks' foreign assets in this way, as if all were under the direct control of the authorities. Instead, changes in commercial banks' net foreign assets are to be recorded "above the line" as a financial account transaction. Further improvements are envisaged for the future. The next step will be to enhance the data collection system. The

³²A related change was to remove the accounting entry for FCDU loans to residents from the short-term capital account. Previously, the extension of such loans was treated as a short-term outflow, corresponding to the associated reduction in banks' foreign assets. This treatment would have led to errors to the extent that loan proceeds in fact flowed back to the banks (e.g., to pay for imports); it also failed to adjust for the subsequent repayment of the loans. The result is believed to have been a substantial understatement of net short-term capital inflows under the old methodology.

commercial banks are currently cooperating with the central bank to produce a new reporting system that will allow a more accurate classification of external transactions. It is intended that each electronic transaction with nonresidents will be classified by the banks according to the source or use of funds. Paper transactions--which now account for less than 20 percent of the total, by value--will be classified on the basis of the transactor's predesignation (e.g., all net foreign receipts of a tourism operator will be treated as tourism earnings). It is hoped that, among other things, the improvements to the reporting system will render unnecessary the current use of peso withdrawals from FCDU accounts as a proxy for miscellaneous services earnings.³³

³³This item has traditionally been interpreted as reflecting mainly remittances of overseas workers, since this was the original function of the FCDU system. Since liberalization, however, it is possible that an increasing volume of capital transactions have been channeled through the FCDUs.

In addition, a project is underway--with assistance from the U.S. Census Bureau and funding from USAID--to establish a survey-based system for recording foreign direct investment (FDI). Data on all capital flows are currently drawn from bank reports, and the resulting estimates of FDI are believed to be particularly poor. The surveys should allow more effective recording not only of FDI flows but also of the resulting stocks, income and reinvested earnings.

VI. Exchange and Trade System

A. Exchange Rate Developments

Since October 15, 1984, the value of the peso has been determined in the interbank foreign exchange market. Although the exchange rate is freely determined, the central bank has intervened frequently to prevent excessive fluctuations.³⁴ To further liberalize the exchange system and encourage greater competition in transactions, off-floor trading was reintroduced using a computerized dealing system in April 1992. Over the past three years (beginning with a major reform in August 1992), the authorities have eliminated all restrictions on current account transactions and removed surrender requirements. Most restrictions on capital transactions have also been abolished.

The peso appreciated during 1994 by more than 10 1/2 percent in nominal effective terms and 15 percent in real terms (December-on-December). To some extent, this represented a recovery from the depreciation of the previous year, during most of which the authorities were cutting interest rates in an effort to stimulate a sluggish economy. At the end of 1993, monetary policy was tightened in the face of rising inflation and a loss of official reserves, and the direction of exchange rate pressures was immediately reversed. During the first half of 1994, the central bank purchased foreign exchange to limit the peso's rise and recoup the reserves lost in 1993. Difficulties in sterilizing this intervention, however, caused the authorities to change tack in mid-year. Intervention ceased and the appreciation of the exchange rate accelerated, despite a substantial cut in domestic interest rates.

This phase was brought to a halt by the Mexico crisis. Between December 1994 and March 1995, the peso depreciated by 7 percent against the U.S. dollar, notwithstanding the market sale of more than \$400 million by the central bank. This brought the real effective

³⁴In November 1994, the Philippines Dealing System introduced a "circuit breaker" on trading to limit undue volatility in the exchange rate. If the peso-U.S. dollar exchange rate changes by more than 1.5 percent from the average rate on the previous day's trades, trading is halted for two hours. At the end of that period, trading resumes and will be interrupted again only if the exchange rate diverges by more than 1.5 percent from the average rate struck in the same day's session prior to the interruption. The circuit breaker has been activated several times since its inception.

exchange rate back to the level prevailing at the end of 1992 (i.e., prior to the pump-priming episode of 1993). The exchange rate stabilized in April, however, once domestic interest rates had been raised sharply, and traded in a narrow range around P 25.5 per dollar for the remainder of the first semester and into the third quarter, implying the resumption of a longer-term trend toward real appreciation.

B. Exchange and trade system developments ³⁵

1. Exchange system

Following a series of reforms over the past three years, the Philippines now maintains an exchange system that is free of all restrictions on current international payments and transfers, and imposes very limited restrictions on capital transactions. Immediately prior to the last Article IV consultation two exceptions had been identified relating to current transactions. First, the repatriation of dividend payments on investments in "less preferred" sectors under the debt-equity conversion scheme was prohibited for the first four years of the investment. This restriction was abolished on June 21, 1994.

Second, foreign exchange could be purchased from the banking system for servicing loans or investments only if the original loan or investment was registered with the central bank.³⁶ A potential restriction arose when the authorities issued circulars, in August 1992 and April 1993, permitting private sector loans and investments without prior approval and registration at the central bank on condition that these were not serviced with foreign exchange purchased from the banking system. It has subsequently been determined, however, that since transactions in the nonbank market through which unregistered loans and investments can be serviced are legitimate and take place at exchange rates that are within 2 percent of those in the interbank market, this regulation is in fact unrestrictive.³⁷

A multiple currency practice associated with the forward exchange cover scheme for participants in the OPSF continues in effect. However, the authorities announced in November 1994 that this scheme would be eliminated by December 1996 at the latest, and began phasing down the cover period from an initial 180 days. As of August 1995, cover was being offered only for 90 days.

³⁵For a detailed description of the exchange and trade system, see the *Annual Report on Exchange Arrangements and Exchange Restrictions, 1994*.

³⁶A precondition for registration was that the proceeds must have been converted into pesos.

³⁷Arbitrage between the interbank and parallel ("authorized broker") markets is possible on the supply side, insofar as the absence of surrender requirements permits holders of foreign exchange to choose freely in which market to sell. This limits the scope for divergence in exchange rates between the two markets.

Since July 1994, forward purchases of foreign exchange from nonresidents have been subject to prior approval by the central bank. This measure was intended to block speculative interest arbitrage transactions, which were perceived as aggravating the influx of foreign exchange at that time. Such transactions have since dropped off, but it is not clear whether this is a result of central bank screening or because the arbitrage opportunities have diminished.

As far as the capital account is concerned, inward foreign investment is free except in banking and specific sectors defined in the Foreign Investment Act of 1991.³⁸ Outward investment is subject to prior approval by the central bank only if it exceeds \$6 million per investor per year and is funded by purchases of foreign exchange from the banking system. (This limit was set at \$1 million in the 1992 regulations, was raised subsequently to \$3 million, and then to \$6 million on November 21, 1994.) As explained above, foreign borrowing by the private sector is now possible without central bank approval.

A list of the main changes to the foreign exchange regulations since September 1992 is given in the Annex to this Section.³⁹

2. Trade system

The two main instruments of the authorities' trade strategy in recent years have been the Tariff Reform Program (TRP) of 1991 (implemented by Executive Order No. 470) and the Import Liberalization Program (ILP), under which quantitative import restrictions (QRs) were to be progressively eliminated. Progress in both areas during the early 1990s, though fitful, was significant, as summarized in the papers for the 1994 Article IV consultation.⁴⁰ During late 1994 and early 1995, trade reform was given renewed impetus by the launching of a new tariff reduction program and by the Philippines' ratification of the WTO agreement.

The final two rounds of tariff reductions under the 1991 TRP were implemented on July 1, 1994 and 1995, respectively. As a result, the maximum tariff rate (for goods other than those liberalized in the context of the ILP) was reduced from 80 percent to 50 percent, and the number of principal tariff rates was halved from 12 to 6 (3, 5, 10, 20, 30 and 50 percent). The average nominal tariff rate as of July 1, 1995 was 19 percent, down from almost 28 percent at the beginning of the TRP.

³⁸The Act contains three "negative lists." However, applications for inclusion in List C, which in principle covers industries that are "adequately served" by domestic producers, had to be submitted by August 1993. In the event, no applications were submitted.

³⁹For changes through September 1992, see 1992 Article IV Consultation: **Recent Economic Developments (SM/92/186)**, pages 16-17.

⁴⁰**Recent Economic Developments (SM/94/149)**, pages 19-20.

The new tariff strategy is to replace this structure with one that has initially only four standard tariff bands: 3, 10, 20 and 30 percent. Tariff rates on products in the higher bands will be phased down gradually, so that by 2003 virtually all products will be subject to one of two rates: 3 percent for raw materials and 10 percent for finished products. More than 85 percent of products will reach this stage by 2000. From 2004, a uniform tariff of 5 percent will be applied.

Exceptions to the initial structure will be as follows:

- (i) the applicable standard rate may be increased by as much as a factor of two for final products of basic industries registered with "pioneer" status at the BOI;
- (ii) tariffs of up to double the standard rate (or up to negotiated bindings, in the case of agricultural products being liberalized under the WTO agreement) may be imposed on products for which quantitative restrictions are being removed;
- (iii) tariffs on goods that were liberalized under Executive Order No. 8 will follow the prespecified phasing until 1996, and will thereafter be brought down in accordance with the standard schedule;⁴¹
- (iv) imported capital goods may be duty-exempt for firms registered with the BOI prior to January 1, 1995, or if subject to the provisions of two existing laws: RA 7369 and RA 7844, the Export Development Act.

By 2003, all these exceptions will have been eliminated except for agricultural products liberalized under the WTO agreement, which by then will have tariff rates of 30-40 percent, to be phased down further over a longer period.

Three of the four Executive Orders that will begin putting this strategy into effect have already been implemented. The first (EO 189, issued July 1994) reduced tariff rates on imported capital goods from 10-20 percent to 3 and 10 percent, the former rate applying to goods not produced domestically. The second (EO 204, issued September 1994) set tariff rates for the textile and garments sector at a maximum of 30 percent for final products (down from 50 percent) and 3 percent for inputs (down from 10-20 percent). The third order (EO 264, issued July 1995) set out the tariff reduction program for all other industrial products for the period 1995-2000, and put in place the initial four-tier tariff structure described above.⁴² A

⁴¹As of August 1995, however, the latest tariff reductions on some of these products (pork and poultry) were the subject of a temporary restraining order in the courts. The Government planned to seek legislation to push ahead with the tariff cuts.

⁴²On the issuance of this EO, the average nominal tariff rate on industrial goods--i.e., excluding agricultural products (Chapters 1-24 of the tariff code)--declined immediately to 16

fourth EO will be issued to set tariff rates on agricultural products once legislation has been obtained to remove quantitative restrictions in this sector (see below); these rates will be determined in part through the standard process of public consultations, which were held during August 1995.

The latest phase of the ILP began in June 1988, with the ambition of abolishing in stages all **quantitative restrictions**--which at that time numbered about 770--except those needed for health, safety and security reasons. Solid progress was made through end-1992, at which point only 64 QRs of those slated for abolition remained. In February 1993, however, a new law known as the Magna Carta for Small Farmers came into effect, prohibiting importation of agricultural goods deemed to be produced in "sufficient quantity" in the Philippines. Accordingly, from April 1993, 51 additional QRs were imposed (46 reinstatements, 5 new restrictions) on corn, corn substitutes, poultry, pork and other meat, beef excepted. A further six QRs were added on health, safety and security grounds in 1993. Since then no additional QRs have been imposed.

The next key step in this area will be taken pursuant to the WTO agreement, which was ratified by the Philippines' Senate in December 1994. Under the agreement, the Philippines committed to remove QRs on all agricultural products except rice by July 1, 1995. The necessary legislation was delayed due to Congressional elections in May 1995, but was finally submitted to Congress in late-August 1995.

In addition, as of August 1995, it was expected that a central bank circular would shortly be issued that would eliminate quantitative restrictions on new motor vehicles (cars, motorcycles and trucks of six tons or below).

In December 1994, Congress passed the EDA (RA 7844). This legislation, which was in part a response to exporters' increasing concerns about the strength of the exchange rate in late 1994, aims to stimulate export performance in several ways. Among other things, the act:

- Allows exporters to import machinery and spare parts duty-free through 1997, and gives tax credits for other imported inputs for a period of 3-5 years;⁴³

percent from 18.6 percent as of end-June 1995. By January 1, 2000, when the last of the scheduled tariff reductions under EO 264 takes place, the average tariff on industrial goods will have dropped to 10.4 percent.

⁴³An "exporter," for the purposes of the Act, is any entity engaged directly or indirectly in the production or trade of goods or services that earns at least 50 percent of its normal operating revenues from sales abroad for foreign currency.

- offers tax credits for improved export performance, amounting to a rising fraction of the increase in export revenues over the previous year's level;⁴⁴
- strengthens the role of the Export Development Council (EDC) in identifying constraints on exports (infrastructure, bureaucracy, finance) and proposing measures to ease such constraints; and
- institutes a feasibility study for a Philippine export-import bank, and in the interim seeks (within one year) the establishment of preferential long-term credit facilities for exporters at government financial institutions.

⁴⁴The Department of Finance is still studying ways to implement this provision that would not create opportunities for tax evasion.

Principal Changes in the Exchange System, 1993-95

CB Circular 1389 (April 13, 1993):

Consolidated all existing foreign exchange regulations. It also:

- allowed importers of raw materials to use open accounts and documents against acceptance as modes of payment;
- allowed Offshore Banking Units to accept foreign exchange deposits from nonresidents without limit;
- allowed FCDUs to grant loans to the private sector without prior BSP approval, provided such loans are not serviced with foreign exchange purchased from the banking system.

BSP Circular 5 (September 15, 1993):

Required that applications for approval of outward investments be accompanied by (a) documentation explaining the nature of the investment and (b) an undertaking to remit (within 15 days) and sell for pesos (within 3 days) any proceeds generated by the investment.

BSP Circular 28 (June 21, 1994):

Abolished the requirement that proceeds from investments in "less preferred" sectors under the debt-equity conversion scheme not be repatriated for the first four years of the investment.

BSP Circular 36 (July 28, 1994):

Required BSP approval for forward purchases of foreign exchange from nonresidents.

BSP Circular 53 (November 5, 1994):

Abolished the requirement that the proceeds from foreign investments be converted into pesos; repatriation is still required but funds can be deposited in FCDUs.

BSP Circular 54 (November 11, 1994):

Reduced the maximum allowable oversold (short) foreign exchange position of commercial banks from 15 to 5 percent of unimpaired capital.

BSP Circular 55 (November 21, 1994):

Increased the limit on outward investments without prior BSP approval from \$3 million to \$6 million per investor per year.

BSP Circular 56 (November 23, 1994):

Abolished the requirement that local branches of foreign banks count their capital as a foreign liability for the purposes of computing their net foreign exchange positions.

BSP Circular 57 (December 9, 1994):

Established an Exporters' Dollar Facility at the central bank, allowing banks to discount eligible dollar-denominated loans to exporters.

BSP Circular 63 (February 23, 1995):

Raised the maximum allowable oversold foreign exchange position of commercial banks from 5 to 10 percent of unimpaired capital, and reduced the maximum overbought position from 25 to 20 percent.

BSP Circular 78 (June 6, 1995):

Abolished the requirement that foreign exchange earnings from export transactions negotiated through OBUs be surrendered to domestic banks.

Table 1. Philippines: Gross National Product by Expenditure and Industrial Origin at Constant 1985 Prices, 1990-95

(Annual percentage changes)

	1990	1991	1992	1993	1994	1995 First half
<u>GNP by expenditure</u>						
Consumption	<u>5.5</u>	<u>1.8</u>	<u>2.9</u>	<u>3.3</u>	<u>3.4</u>	<u>4.1</u>
Private	5.4	2.3	3.3	3.0	3.7	4.1
Government	6.8	-2.1	-0.9	6.2	-0.1	4.2
Gross domestic investment	<u>15.3</u>	<u>-18.9</u>	<u>7.8</u>	<u>11.1</u>	<u>9.6</u>	<u>13.7</u>
Fixed investment	15.7	-16.8	6.4	12.0	8.4	12.0
Construction	16.4	-26.5	4.6	10.6	10.2	13.2
Durable equipment	17.1	-9.2	8.8	14.7	7.8	12.3
Other	2.5	2.8	1.0	1.9	2.6	3.0
Change in stocks 1/	0.0	-0.7	0.3	-0.1	0.3	0.1
Domestic demand	<u>7.6</u>	<u>-2.9</u>	<u>3.8</u>	<u>4.9</u>	<u>4.7</u>	<u>6.3</u>
Net exports 2/	-3.2	2.1	-1.5	-3.1	0.2	0.1
Exports of goods and nonfactor services	1.3	5.4	4.3	6.2	20.3	16.4
Imports of goods and nonfactor services	10.0	-1.1	7.8	13.3	16.4	17.0
<u>GNP by industrial origin</u>						
Agriculture, fishery, and forestry	<u>0.5</u>	<u>1.4</u>	<u>0.4</u>	<u>2.1</u>	<u>2.5</u>	<u>0.4</u>
Industry	<u>2.6</u>	<u>-2.7</u>	<u>-0.5</u>	<u>1.6</u>	<u>6.1</u>	<u>7.9</u>
Mining and quarrying	-2.6	-2.9	6.7	0.7	-4.9	2.8
Manufacturing	2.7	-0.4	-1.7	0.7	5.0	7.5
Construction	5.0	-15.7	2.8	5.7	11.3	9.3
Electricity, gas, and water	-0.4	4.7	0.7	2.9	12.6	11.8
Services	<u>4.0</u>	<u>1.0</u>	<u>1.0</u>	<u>2.5</u>	<u>3.8</u>	<u>4.7</u>
Transportation, communication, and storage	2.1	0.4	1.4	2.9	4.5	5.7
Trade	2.0	3.0	1.6	2.5	4.0	5.6
Financing and housing	5.7	-1.1	0.6	2.0	5.5	4.0
Other services	5.9	0.5	0.4	2.8	2.9	3.5
Gross domestic product	<u>2.7</u>	<u>-0.2</u>	<u>0.3</u>	<u>2.1</u>	<u>4.3</u>	<u>4.0</u>
Net factor income from abroad 2/	1.8	0.9	1.4	0.2	1.0	1.0
Gross national product	<u>4.5</u>	<u>0.7</u>	<u>1.7</u>	<u>2.3</u>	<u>5.1</u>	<u>5.2</u>

Source: Data provided by the Philippine authorities.

1/ Refers to breeding stock and orchard development.

2/ Contribution to real GNP growth.

Table 2. Philippines: Gross National Product by Expenditure and Industrial Origin at Current Market Prices, 1990-95

(In billions of pesos)

	1990	1991	1992	1993	1994	1995 First half
GNP by expenditure						
Consumption	<u>876</u>	<u>1,040</u>	<u>1,150</u>	<u>1,272</u>	<u>1,427</u>	<u>747</u>
Private	<u>767</u>	<u>916</u>	<u>1,019</u>	<u>1,123</u>	<u>1,259</u>	<u>654</u>
Government	<u>109</u>	<u>124</u>	<u>131</u>	<u>149</u>	<u>168</u>	<u>93</u>
Gross domestic investment	<u>266</u>	<u>252</u>	<u>288</u>	<u>361</u>	<u>426</u>	<u>229</u>
Fixed investment	<u>258</u>	<u>250</u>	<u>283</u>	<u>358</u>	<u>419</u>	<u>224</u>
Construction	<u>139</u>	<u>120</u>	<u>132</u>	<u>149</u>	<u>175</u>	<u>98</u>
Durable equipment	<u>102</u>	<u>110</u>	<u>126</u>	<u>185</u>	<u>216</u>	<u>112</u>
Breeding stock and orchard development	<u>17</u>	<u>21</u>	<u>24</u>	<u>25</u>	<u>27</u>	<u>15</u>
Change in stocks	<u>8</u>	<u>2</u>	<u>6</u>	<u>3</u>	<u>7</u>	<u>6</u>
Domestic demand	<u>1,142</u>	<u>1,293</u>	<u>1,438</u>	<u>1,633</u>	<u>1,853</u>	<u>977</u>
Net exports	-59	-37	-61	-132	-130	-83
Export of goods and nonfactor services	299	369	394	462	572	327
Imports of goods and nonfactor services	359	407	455	594	702	409
Statistical discrepancy	-9	-7	-25	-27	-36	-9
Gross domestic product	<u>1,073</u>	<u>1,248</u>	<u>1,352</u>	<u>1,474</u>	<u>1,688</u>	<u>885</u>
Net factor income from abroad	5	18	38	45	64	25
Gross national product	<u>1,078</u>	<u>1,266</u>	<u>1,390</u>	<u>1,519</u>	<u>1,752</u>	<u>910</u>
GNP by industrial origin						
Agriculture, fishery, and forestry	<u>236</u>	<u>263</u>	<u>297</u>	<u>319</u>	<u>373</u>	<u>193</u>
Industry	<u>371</u>	<u>426</u>	<u>445</u>	<u>482</u>	<u>552</u>	<u>285</u>
Mining and quarrying	<u>17</u>	<u>18</u>	<u>16</u>	<u>17</u>	<u>17</u>	<u>9</u>
Manufacturing	<u>267</u>	<u>316</u>	<u>328</u>	<u>350</u>	<u>394</u>	<u>199</u>
Construction	<u>65</u>	<u>62</u>	<u>69</u>	<u>79</u>	<u>97</u>	<u>53</u>
Electricity, gas, and water	<u>22</u>	<u>31</u>	<u>33</u>	<u>36</u>	<u>45</u>	<u>24</u>
Services	<u>466</u>	<u>559</u>	<u>610</u>	<u>674</u>	<u>763</u>	<u>407</u>
Transportation, communication, and storage	<u>53</u>	<u>74</u>	<u>77</u>	<u>78</u>	<u>83</u>	<u>44</u>
Trade	<u>150</u>	<u>175</u>	<u>190</u>	<u>208</u>	<u>231</u>	<u>116</u>
Financing and housing	<u>104</u>	<u>122</u>	<u>139</u>	<u>157</u>	<u>182</u>	<u>101</u>
Other	<u>158</u>	<u>187</u>	<u>204</u>	<u>231</u>	<u>268</u>	<u>146</u>
Gross domestic product	<u>1,073</u>	<u>1,248</u>	<u>1,352</u>	<u>1,474</u>	<u>1,688</u>	<u>885</u>
Net factor income from abroad	5	18	38	45	64	25
Gross national product	<u>1,078</u>	<u>1,266</u>	<u>1,390</u>	<u>1,519</u>	<u>1,752</u>	<u>910</u>

Source: Data provided by the Philippine authorities.

Table 3. Philippines: Gross Value Added in Manufacturing by Industry Group, 1990-95

Industry Group	1990	1991	1992	1993	1994	1995 First Half	1990	1991	1992	1993	1994	1995 First Half
	(In billions of pesos at current prices)						(Percent change at 1985 constant prices)					
Food	111.8	125.2	133.3	140.7	164.2	81.1	0.0	-1.5	-2.9	-1.6	5.5	4.0
Beverage	12.4	14.7	15.8	15.7	17.2	7.9	3.3	0.8	-2.3	-6.7	6.0	7.6
Tobacco	7.9	8.7	9.4	9.1	10.1	1.8	0.1	-1.4	1.1	-3.6	2.1	-3.5
Textiles	9.2	10.4	10.1	10.5	10.0	4.8	-11.6	-2.9	-12.0	-0.7	-7.4	6.0
Footwear and clothing	6.8	20.5	22.1	25.2	27.1	10.1	5.5	7.0	0.6	7.1	5.5	0.4
Wood and cork products	5.6	6.3	5.9	6.8	5.6	3.1	7.8	-3.6	-17.9	6.7	-13.4	1.6
Furniture and fixtures	4.4	4.8	4.8	5.2	5.9	3.1	7.6	-5.2	-11.2	-3.8	6.9	6.4
Paper and paper products	2.9	3.2	3.0	2.9	3.2	1.3	-3.7	0.8	-11.7	-8.1	4.3	25.6
Publishing and printing	3.3	3.9	4.3	4.5	3.0	2.4	10.3	-0.2	-0.4	-6.2	-4.6	10.6
Leather and leather products	0.2	0.2	0.2	0.2	0.2	0.2	9.6	6.6	-5.7	-2.7	1.4	21.5
Rubber products	3.5	4.1	4.2	3.6	3.8	2.1	5.0	0.5	-5.4	-13.7	-4.2	3.5
Chemicals and chemical products	20.4	25.1	25.4	28.9	31.2	15.7	4.4	5.8	-8.3	3.1	1.3	12.2
Petroleum and coal products	26.1	37.4	35.5	33.9	34.5	16.2	4.4	-3.8	11.5	-0.7	4.7	9.2
Nonmetallic mineral products	7.5	10.0	10.2	11.7	14.1	7.0	-9.2	9.9	-5.7	5.8	10.7	7.2
Basic metals	8.5	9.6	8.1	9.2	10.0	7.3	-10.2	0.9	-20.8	7.2	3.9	33.0
Metal products	6.4	7.0	8.0	8.7	9.0	4.9	3.4	-2.4	5.0	1.6	-1.1	1.0
Machinery (except electrical)	2.6	3.1	3.5	3.9	4.3	2.7	2.7	0.1	5.0	4.0	8.7	30.3
Electrical machinery	9.8	12.1	13.2	16.0	22.7	11.1	7.0	3.4	3.6	14.9	22.7	13.8
Transportation equipment	2.9	3.2	3.9	5.1	6.1	3.1	5.0	-7.9	15.2	21.6	7.8	27.3
Miscellaneous manufactures	5.1	6.5	5.9	7.3	8.9	3.8	1.1	6.2	-19.2	8.9	13.3	-5.8
Gross value added in manufacturing	<u>267.5</u>	<u>315.9</u>	<u>326.8</u>	<u>349.6</u>	<u>393.8</u>	<u>198.6</u>	<u>2.7</u>	<u>-0.4</u>	<u>-1.7</u>	<u>0.7</u>	<u>5.0</u>	<u>7.1</u>

Source: Data provided by the Philippine authorities.

Table 4. Philippines: Production by Major Crops, 1990-95

(Area in thousands of hectares; yield in metric tons per hectare; and production in thousands of metric tons)

	1990	1991	1992	1993	1994	1995 1/ First half
Palay rice						
Area under cultivation	3,319	3,425	3,198	3,282	3,652	1,501
Yield	2.81	2.83	2.85	2.87	2.89	2.88
Production	9,319	9,673	9,129	9,434	10,538	4,817
Wholesale price (per 50 kg.) 2/	438.5	455.0	474.0	639.0	519.0	849.4
Corn						
Area under cultivation	3,820	3,580	3,381	3,149	6,006	1,016
Yield	1.27	1.30	1.38	1.52	1.50	1.56
Production	4,854	4,655	4,619	4,795	4,519	1,583
Wholesale price (per 50 kg.) 3/	288	216	280	266	304	355
Fruit and nuts						
Production	8,322	8,312	8,428	8,468	4,862	...
Coconut products						
Area under cultivation	3,112	3,093	3,077	3,075	...	...
Yield	6.00	6.10	7.60	6.80	...	...
Wholesale price on copra (per 100 kg.)	378	596	760	608	845	...
Production (copra equivalent)	2,653	2,590	2,584	2,514	2,501	...
Domestic use	1,707	2,147	2,067	1,545	1,699	...
Export	945	1,002	900	969	802	...
Of which: Copra	97	81	34	27	24	...
Coconut oil	774	840	789	649	703	...
Desiccated coconut	75	81	85	93	75	...
Centrifugal sugar						
Area under cultivation	235	272	267	374	...	...
Farmgate price (per kg.)	9.15	9.85	9.02	7.74	...	...

Source: Data provided by the Philippine authorities.

1/ Preliminary.

2/ Average wholesale price of special rice.

3/ Average wholesale price of yellow and white corn grain.

Table 5. Philippines: Investment and Savings, 1990-94

(In percent of GNP)

	1990	1991	1992	1993	1994
Gross domestic investment	<u>24.7</u>	<u>19.9</u>	<u>20.8</u>	<u>23.8</u>	<u>24.3</u>
Public	5.4	4.8	5.5	5.8	5.6
Private	19.2	15.1	15.3	18.0	18.8
Gross national savings	<u>18.6</u>	<u>17.7</u>	<u>18.9</u>	<u>18.5</u>	<u>20.0</u>
Public	-1.1	3.3	2.9	3.5	3.1
Private	19.7	14.4	16.1	14.9	16.9
Foreign savings	<u>6.1</u>	<u>2.2</u>	<u>1.8</u>	<u>5.3</u>	<u>4.3</u>
Public investment-savings gap	-6.6	-1.6	-2.6	-2.2	-2.5
Public investment-savings gap	0.5	-0.7	0.8	-3.1	-1.8

Sources: Data provided by the Philippine authorities; and staff estimates.

Table 6. Philippines: Price Developments, 1990-94

(Annual percentage changes)

	Weights	1990	1991	1992	1993	1994
Consumer prices <u>1/</u>						
End of period (all items)	...	16.2	13.1	8.2	8.4	7.1
Period average (all items)	100.0	14.2	18.7	8.9	7.6	9.0
Food, beverages, and tobacco	58.5	11.9	15.4	6.9	6.1	8.3
Clothing	4.4	10.0	16.9	10.7	7.5	4.8
Housing and repairs	13.3	16.9	20.2	17.5	12.6	13.1
Fuel, light, and water	5.4	23.7	27.4	6.0	7.3	6.9
Services	10.8	22.0	32.6	7.1	7.8	8.6
Miscellaneous	7.6	11.7	16.2	13.0	8.4	11.0
Wholesale prices <u>2/</u>	...	10.2	13.4	4.5	-1.1	8.2
GNP deflator <u>3/</u>	...	13.4	16.5	9.3	6.9	9.7

Source: Data provided by the Philippine authorities.

1/ For the Philippines as a whole.

2/ Period averages for Metro Manila.

3/ Period averages.

Table 7. Philippines: Labor Market Developments, 1990-94

	1990	1991	1992	1993	1994
(In thousands of persons)					
Population	61,480	62,868	64,339	66,982	68,624
Total labor force	24,244	25,631	26,290	26,879	27,654
Unemployed	2,032	2,716	2,594	2,497	2,622
Unemployment rate (percent)	8.4	10.6	9.9	9.3	9.5
Total employed	<u>22,212</u>	<u>22,914</u>	<u>23,696</u>	<u>24,382</u>	<u>25,032</u>
Agriculture	9,981	10,290	10,726	11,139	11,286
Industry	3,422	3,631	3,823	3,804	3,949
Mining and quarrying	129	140	147	135	111
Manufacturing	2,236	2,374	2,523	2,457	2,638
Construction	968	1,018	1,062	1,110	1,187
Utilities	89	99	91	102	112
Services	8,809	8,993	9,127	9,437	9,789
Transportation and communications	1,096	1,142	1,204	1,291	1,393
Trade	3,156	3,218	3,276	3,389	3,520
Finance	435	465	444	503	490
Government services	4,107	4,158	4,203	4,244	4,386
Other	15	10	19	13	10
(Percentage share)					
Total employed	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Agriculture	44.9	44.9	45.3	45.7	45.1
Industry	15.4	15.8	16.2	15.7	15.7
Mining and quarrying	0.6	0.6	0.6	0.6	0.4
Manufacturing	10.1	10.4	10.7	10.1	10.1
Construction	4.4	4.4	4.5	4.6	4.7
Utilities	0.4	0.4	0.4	0.4	0.5
Services	39.7	39.2	38.5	38.6	39.2
Transportation and communications	4.9	5.0	5.1	5.3	5.6
Trade	14.2	14.0	13.8	13.9	14.1
Finance	2.0	2.0	1.9	2.0	2.0
Government services	18.5	18.1	17.7	17.4	17.5
Other	0.1	0.0	0.1	0.1	--

Source: Data provided by the Philippine authorities.

Table 8. Philippines: Wages and Productivity, 1990-94

	1990	1991	1992	1993	1994
(Pesos per day, annual average)					
Minimum wages					
Agriculture					
Plantation	86.18	85.58	85.58	85.58	135.00 1/
Nonplantation	63.97	63.38	63.38	63.38	124.50 1/
Nonagriculture					
National Capital Region	99.49	127.83	127.83	127.83	145.00
Outside National Capital Region	97.01	96.42	96.42	96.42	...
(Annual percentage change)					
Minimum wages					
Agriculture					
Plantation	19.6	-0.7	0.0	0.0	...
Nonplantation	15.8	-0.9	0.0	0.0	...
Nonagriculture					
National Capital Region	20.0	28.5	0.0	0.0	13.4
Outside National Capital Region	17.04	-0.6	0.0	0.0	...
(Annual percentage change)					
Productivity (real)					
All sectors	1.3	-3.3	-3.0	-0.8	1.6
Agriculture	-4.2	2.3	3.7	-1.7	1.2
Industry	4.6	-10.2	-5.5	2.2	2.2
Of which: Manufacturing	5.7	-9.3	-7.5	3.4	1.7
Services	4.5	-4.8	-0.6	-0.8	0.0

Source: Data provided by the Philippine authorities.

1/ Figure for 1994 is for National Capital Region only.

Table 9. Philippines: Domestic Retail Prices of Petroleum Products, 1990-94

(In pesos per liter: end of period)

	1990	1991	1992	1993	1994
Regular gasoline	15.00	11.50	9.50	9.50	8.50
Premium gasoline	15.95	12.00	10.00	10.00	9.00
Diesel Oil	7.75	7.30	7.00	7.00	7.00
Kerosene	7.75	7.30	7.00	7.00	7.00
Aviation Fuel	15.39	13.39	13.39	13.39	13.39
LPG	5.61	5.26	5.26	5.26	5.26
Fuel Oil	5.16	3.45	2.66	2.65	2.65
Weighted Average	7.61	6.30	5.37	5.66	5.42

Source: Department of Energy.

Table 10. Philippines: Consolidated Public Sector Balance, 1990-94

	1990	1991	1992	1993	1994
(In billions of pesos)					
Consolidated public sector balance	<u>-51.0</u>	<u>-26.0</u>	<u>-25.9</u>	<u>-30.1</u>	<u>-18.3</u>
Monitored public sector					
borrowing requirement (PSBR)	-44.5	-16.7	-20.4	-45.2	-16.6
National Government balance	-37.2	-26.3	-16.0	-21.9	-4.6
CB-BOL net income	...	...	...	...	-8.1
Monitored corporations' balance	-19.1	-7.4	-10.7	-25.6	-12.5
OPSF balance	-1.5	10.1	5.4	-7.9	2.6
Adjustments for intra-PSBR transfers	13.3	6.9	0.9	10.2	6.0
Borrowing requirement of remaining public sector	-6.5	-9.3	-5.5	15.1	-1.7
Surplus of government financial institutions (GFIs)	3.1	2.4	3.8	6.1	3.1
Net income of the Central Bank of the Philippines	-21.9	-21.1	-21.8	-16.1	...
Net income of BSP	...	...	...	...	5.2
Local government	1.7	1.3	1.2	5.9	4.3
Social security	10.4	8.1	8.2	11.7	-12.0
Adjustment for transfers within the public sector	0.2	0.1	3.1	7.5	-2.3
(In percent of GNP)					
Consolidated public sector balance	<u>-4.7</u>	<u>-2.1</u>	<u>-1.9</u>	<u>-2.0</u>	<u>-1.0</u>
Monitored-public sector borrowing requirement (PSBR)	-4.1	-1.3	-1.5	-3.0	-0.9
National Government balance	-3.4	-2.1	-1.2	-1.4	-0.3
Monitored corporations' balance	-1.8	-0.6	-0.8	-1.7	-0.7
Underlying consolidated public sector balance	<u>-5.1</u>	<u>-2.3</u>	<u>-3.0</u>	<u>-2.2</u>	<u>-2.5</u>

Sources: Data provided by the Philippine authorities; and staff estimates.

Table 11. Philippines: Operations of the National Government, 1990-94

(In billions of pesos)

	1990	1991	1992	1993	1994
Revenue and grants	<u>180.9</u>	<u>220.8</u>	<u>242.6</u>	<u>260.4</u>	<u>341.5</u>
Tax revenue	151.7	182.3	208.6	230.2	271.5
Domestic	105.1	117.3	135.1	147.5	189.3
Income and profits	49.4	61.1	70.1	74.8	94.1
Excise	28.9	25.4	27.6	30.3	36.0
Sales tax/license 1/	21.9	25.7	29.7	35.7	44.0
Other	5.0	5.1	7.7	6.7	15.3
International trade taxes	46.6	65.0	73.6	82.7	82.1
Import duties and taxes 2/	45.9	64.4	72.9	82.7	82.1
Other 3/	0.6	0.6	0.7	0.7	0.7
Nontax revenue	29.2	38.5	34.1	30.2	70.0
Domestic	24.8	33.8	30.1	28.2	69.3
Other offices	15.1	22.9	19.2	21.1	25.6
Sequestered assets	0.8	0.7	0.2	0.1	0.0
Sales of assets	3.4	3.4	1.7	1.6	23.3
Interest on central bank deposits	4.4	5.2	7.5	4.8	5.5
Transfers from central bank	...	...	...	...	12.7
Interest from nonfinancial government government corporations	1.1	1.5	1.5	0.6	2.1
ESAF	2.0	1.7	1.7	0.5	0.0
Foreign grants	2.3	3.0	1.7	1.5	0.7
Domestic grants	0.1	0.1	0.4	0.0	0.0
Total expenditure and net lending	<u>218.1</u>	<u>247.1</u>	<u>258.7</u>	<u>282.3</u>	<u>346.1</u>
Current expenditure	178.0	196.5	214.9	226.6	286.9
Personnel services	62.2	72.4	74.4	78.7	93.2
Maintenance and operations	30.2	36.2	33.7	34.6	36.7
Interest payments	71.2	74.9	79.5	76.5	108.0
Domestic	53.3	56.3	63.1	56.2	88.8
Of which: CB restructuring	...	...	...	...	29.0
External	17.8	18.6	16.4	20.3	19.2
Subsidies	9.8 4/	6.3	11.2	9.1	11.3
Of which: tax expenditure	...	1.9	7.7	3.9	4.4
Allotments to FGU	4.7	6.7	16.1	27.8	37.8
Capital expenditure and net lending	40.1	50.7	43.8	55.7	59.2
Capital expenditure	31.8	40.7	50.2	44.8	51.9
Infrastructure and other capital outlays	29.2	37.6	46.1	37.9	42.5
Transfers to local government units	2.6	3.1	4.1	6.9	9.4
Equity and net lending	6.8	7.7	-6.9	9.4	7.2
CARP land acquisition and credit	1.5	2.3	0.5	1.5	0.1
Balance	<u>-37.2</u>	<u>-26.3</u>	<u>-16.0</u>	<u>-21.9</u>	<u>-4.6</u>
Excluding CB restructuring	...	...	...	...	11.6
Total financing	37.2	26.4	16.0	21.9	4.6
Net foreign financing	4.1	6.9	14.4	12.9	-13.7
Net domestic financing	33.1	19.5	1.6	9.0	18.3

Sources: Data provided by the Philippine authorities; and staff estimates.

1/ Including VAT and motor vehicle tax.

2/ Including VAT on imports.

3/ Including travel tax.

4/ Including transfer to the OPSF.

Table 12. Philippines: National Government Revenues and Grants, 1990-94

	1990	1991	1992	1993	1994
(In billions of pesos)					
Total revenue and grants	<u>180.9</u>	<u>220.8</u>	<u>242.7</u>	<u>260.4</u>	<u>341.5</u>
Tax revenue	151.7	182.3	208.6	230.2	271.5
Taxes on net income and profits	49.4	61.1	70.1	74.8	94.1
Taxes on domestic production and consumption	49.1	49.6	55.4	62.7	76.8
Sales and business taxes					
Of which: VAT	20.3	24.2	27.8	22.8	26.2
Excises 1/	28.9	25.4	27.6	30.3	36.0
Of which: Tobacco products	7.1	8.0	8.8	10.3	11.7
Alcoholic beverages	5.6	7.8	8.2	8.2	9.8
Petroleum products	13.5	7.2	8.0	8.7	11.3
Taxes on international trade and transactions	46.5	65.0	73.6	82.7	82.1
Import duties and import taxes	45.9	64.4	72.9	82.0	81.4
Other domestic taxes 2/	6.6	6.6	9.6	10.0	18.5
Nontax revenue 3/	29.2	38.5	34.1	30.2	70.0
(In percent of total revenue)					
Tax revenue	<u>83.9</u>	<u>82.6</u>	<u>86.0</u>	<u>88.4</u>	<u>79.5</u>
Taxes on net income and profits	27.3	27.7	28.9	28.7	27.6
Taxes on domestic production and consumption	27.2	22.5	22.8	24.1	22.5
Sales and business taxes					
Of which: VAT	11.2	11.0	11.5	8.8	7.7
Excises 1/	16.0	11.5	11.4	11.6	10.5
Of which: Tobacco products	3.9	3.6	3.6	4.0	3.4
Alcoholic beverages	3.1	3.5	3.4	3.1	2.9
Petroleum products	7.5	3.3	3.3	3.3	3.3
Taxes on international trade and transactions	25.7	29.4	30.3	31.8	24.0
Import duties and import taxes	25.4	29.2	30.0	31.5	23.8
Other	0.3	0.3	0.3	0.3	0.2
Other domestic taxes 2/	3.6	3.0	4.0	3.8	5.4
Nontax revenue 3/	16.1	17.4	14.1	11.6	20.5
(In percent of GNP)					
Total revenue and grants	<u>16.8</u>	<u>17.5</u>	<u>17.6</u>	<u>17.1</u>	<u>19.5</u>
Tax revenue	14.1	14.4	15.1	15.1	15.5
Taxes on net income and profits	4.6	4.8	5.1	4.9	5.4
Taxes on domestic production and consumption	4.6	3.9	4.0	4.1	4.4
Sales and business taxes					
Of which: VAT	1.9	1.9	2.0	1.5	1.5
Excises 1/					
Of which: Tobacco products	0.7	0.6	0.6	0.7	0.7
Alcoholic beverages	0.5	0.6	0.6	0.5	0.6
Petroleum products	1.3	0.6	0.6	0.6	0.6
Taxes on international trade and transactions	4.3	5.1	5.3	5.4	4.6
Import duties and import taxes	4.3	5.1	5.3	5.4	4.6
Other	0.1	0.0	0.1	0.0	0.0
Other domestic taxes 2/	0.6	0.5	0.7	0.7	1.1
Nontax revenue 3/	2.7	3.0	2.5	2.0	4.0

Source: Data provided by the Philippine authorities.

1/ Data on the components of excises are based on Bureau of Internal Revenue collections.

2/ Including property taxes.

3/ Including grants.

Table 13. Philippines: National Government Expenditures and Net Lending, 1990-94

	1990	1991	1992	1993	1994
(In billions of pesos)					
Total expenditure and net lending	<u>218.1</u>	<u>247.1</u>	<u>258.7</u>	<u>282.3</u>	<u>346.1</u>
Current expenditure	178.0	196.5	214.9	226.6	286.9
Personnel services	62.2	72.4	74.4	78.7	93.2
Maintenance and other operational expenses	30.2	36.2	33.7	34.6	36.7
Interest payments	71.1	74.9	79.5	76.5	108.0
Allotments to local government units	4.7	6.7	16.1	27.8	37.8
Subsidies 1/	9.8	6.3	11.2	9.1	11.3
Capital expenditure	31.8	40.7	50.2	44.8	51.9
Infrastructure and other capital outlays	29.2	37.6	46.1	37.9	42.5
Transfers to LGUs	2.6	3.1	4.1	6.9	9.4
Equity and net lending	8.3	9.9	-6.4	10.9	7.3
Equity	3.0	1.9	-9.1 2/	6.8	3.1
Loans less repayments 3/	5.3	8.0	2.7	4.2	4.1
(In percent of total expenditure and net lending)					
Current expenditure	81.6	79.5	83.1	80.3	82.9
Personnel services	28.5	29.3	28.8	27.9	26.9
Maintenance and other operational expenses	13.8	14.6	13.0	12.3	10.6
Interest payments	32.6	30.3	30.7	27.1	31.2
Allotments to local government units	2.2	2.7	6.2	9.8	10.9
Subsidies 1/	4.5	2.5	4.3	3.2	3.3
Capital expenditure	14.6	16.5	19.4	15.9	15.0
Infrastructure and other capital outlays	13.4	15.2	17.8	13.4	12.3
Transfers to LGUs	1.2	1.3	1.6	2.4	2.7
Equity and net lending	3.8	4.0	-2.5	3.9	2.1
Equity	1.4	0.8	-3.5 2/	2.4	0.9
Loans less repayments 3/	2.4	3.2	1.0	1.5	1.2
(In percent of GNP)					
Total expenditure and net lending	<u>20.2</u>	<u>19.6</u>	<u>18.8</u>	<u>18.6</u>	<u>19.8</u>
Current expenditure	16.5	15.6	15.6	14.9	16.4
Personnel services	5.8	5.7	5.4	5.2	5.3
Maintenance and other operational expenses	2.8	2.9	2.4	2.3	2.1
Interest payments	6.6	5.9	5.8	5.0	6.2
Allotments to local government units	0.4	0.5	1.2	1.8	2.2
Subsidies 1/	0.9	0.5	0.8	0.6	0.6
Capital expenditure	2.9	3.2	3.6	2.9	3.0
Infrastructure and other capital outlays	2.7	3.0	3.3	2.5	2.4
Transfers to LGUs	0.2	0.2	0.3	0.5	0.5
Equity and net lending	0.8	0.8	-0.5	0.7	0.4
Equity	0.3	0.2	-0.7 2/	0.4	0.2
Loans less repayments 3/	0.5	0.6	0.2	0.3	0.2

Source: Data provided by the Philippine authorities.

1/ Including transfers to the OPSF and tax expenditure.

2/ Includes a P 10 billion reduction in equity from the sale of government-owned shares of PAL and PNB.

3/ Including CARP land acquisition and credit.

Table 14. Philippines: Operations of Social Security Institutions, 1990-94 1/

(In billions of pesos)

	1990	1991	1992	1993	1994
Revenues	<u>25.4</u>	<u>33.6</u>	<u>36.6</u>	<u>43.7</u>	<u>45.8</u>
Contributions 2/	14.4	18.9	17.7	23.7	26.5
Of which: From National Government 3/	4.0	4.4	3.7	4.6	4.4
Other revenues	11.0	14.7	18.9	20.1	19.2
Of which: National Government securities	8.9	10.7	12.1	12.2	11.8
Expenditures	<u>26.4</u>	<u>33.4</u>	<u>34.0</u>	<u>39.2</u>	<u>50.5</u>
Social security benefits	9.3	13.2	16.3	21.3	24.5
Operating and other expenditures	1.9	2.6	3.5	3.6	6.8
Net lending	15.2	17.6	14.2	14.3	19.2
Of which: to National Government 4/	11.3	7.9	5.5	7.1	-7.2
Surplus/deficit	<u>-0.9</u>	<u>0.2</u>	<u>2.6</u>	<u>4.5</u>	<u>-4.8</u>
Surplus/deficit before net lending to National Government	10.3	8.1	8.2	11.7	-12.0

Source: Data provided by the Philippine authorities.

1/ Social Security System (SSS) and Government Service Insurance System (GSIS).

2/ By employees and employers.

3/ National Government's contribution, as employer, to the GSIS.

4/ Mainly net lending operations of the SSS.

Table 15. Philippines: Local Governments Budgetary Operations, 1990-94

(In billions of pesos)

	1990	1991	1992	1993	1994
Revenue	<u>16.8</u>	<u>24.0</u>	<u>27.6</u>	<u>45.8</u>	<u>58.5</u>
Local source revenue	10.2	13.4	11.8	16.4	21.1
Property taxes	3.0	3.7	3.9	4.9	5.4
Business taxes	2.2	2.8	3.5	5.3	7.0
Nontax revenue ^{1/}	5.0	7.0	4.4	6.1	8.7
 Grants and aid	6.6	10.5	15.8	29.4	37.4
Statutory allotments	6.1	9.8	15.4	28.9	37.4
Special aid from National Government	0.5	0.8	0.4	0.5	0.0
 Expenditure	<u>15.1</u>	<u>22.7</u>	<u>26.5</u>	<u>39.9</u>	<u>54.2</u>
Current	13.7	20.5	22.6	35.5	47.3
O/w economic development	2.0	3.0	3.6	5.3	7.4
Capital outlays	1.4	2.2	3.9	4.4	6.9
 Surplus/deficit	<u>1.7</u>	<u>1.3</u>	<u>1.2</u>	<u>5.9</u>	<u>4.3</u>

Source: Data provided by Philippine authorities

1/ Comprises receipts of the LGUs from the operations of their economic enterprises, collections of fees and charges, sale of assets, borrowing and other receipts that include retained earnings (surplus) of the LGUs from their previous years' operations.

Table 16. Philippines: Public Sector Infrastructure Program, 1990-94

(In billions of pesos)

	1990	1991	1992	1993	1994
Transportation	<u>7.7</u>	<u>8.0</u>	<u>12.4</u>	<u>10.3</u>	<u>14.7</u>
Highways	6.0	5.8	9.1	7.4	10.0
Railways	0.3	0.3	0.8	0.2	0.3
Airports and airways	0.6	0.6	0.9	1.1	1.9
Ports/shore protection/lighthouses	0.7	1.0	1.1	1.6	2.2
Mass transit	0.1	0.4	0.5	0.1	0.3
Communications	<u>0.6</u>	<u>2.5</u>	<u>1.8</u>	<u>1.0</u>	<u>1.3</u>
Water resources	<u>5.9</u>	<u>5.5</u>	<u>6.4</u>	<u>5.4</u>	<u>5.8</u>
Irrigation	1.9	1.5	2.0	2.4	2.6
Water supply	2.8	3.2	3.3	2.0	1.8
Food control and drainage	1.1	0.9	1.1	1.0	1.4
Power and rural electrification	<u>18.1</u>	<u>11.1</u>	<u>17.4</u>	<u>33.0</u>	<u>38.9</u>
Power	11.3	9.7	16.3	26.4	36.3
Rural electrification	0.7	1.4	1.1	0.6	0.1
Other	6.0	--	--	4.0	3.6
Social infrastructure	<u>1.3</u>	<u>1.6</u>	<u>1.9</u>	<u>2.7</u>	<u>6.3</u>
School buildings	1.1	0.8	0.8	1.0	2.3
Related infrastructure	0.2	0.8	1.1	0.8	4.0
Total	<u>33.5</u>	<u>28.8</u>	<u>39.9</u>	<u>51.4</u>	<u>67.0</u>

Source: Data provided by the Philippine authorities.

Table 17. Philippines: Statement of Financial Operations of
14 Major Monitored Public Corporations, 1990-94

(In billions of pesos)

	1990	1991	1992	1993	1994
Total receipts	<u>76.7</u>	<u>99.1</u>	<u>104.1</u>	<u>112.3</u>	<u>104.3</u>
Operating receipts	71.1	90.8	96.2	102.4	69.1
Sales of goods and services	68.9	87.5	93.9	97.9	64.2
Current subsidies	2.2	3.3	2.3	4.5	4.9
Other	5.6	8.3	7.9	9.9	35.2
Current expenditures	<u>69.0</u>	<u>86.1</u>	<u>88.8</u>	<u>96.4</u>	<u>74.8</u>
Operating expenditures	54.3	68.9	70.7	73.0	37.2
Of which: Wages and salaries	4.0	4.2	4.3	4.8	5.5
Other current expenditures	14.7	17.2	18.2	23.3	37.7
Of which:					
Interest payments	7.5	8.7	8.3	11.1	12.1
Tax payments to the national government	0.8	1.4	3.5	8.6	11.1
Interest on national government advances	1.4	0.8	0.9	0.5	0.6
Dividend payments	0.2	0.1	0.2	0.6	11.1
Capital expenditures	<u>26.8</u>	<u>20.5</u>	<u>26.1</u>	<u>41.6</u>	<u>42.0</u>
Acquisition of fixed capital assets	16.3	14.7	21.2	33.9	39.5
Change in inventories	7.9	1.8	0.3	1.1	1.5
Other	2.5	4.1	4.6	6.6	1.0
Internal cash generation	<u>7.7</u>	<u>13.1</u>	<u>15.4</u>	<u>16.0</u>	<u>32.3</u>
Financing requirement	<u>-19.1</u>	<u>-7.4</u>	<u>-10.7</u>	<u>-25.6</u>	<u>-12.5</u>
External financing (net)	<u>6.3</u>	<u>0.2</u>	<u>6.7</u>	<u>21.9</u>	<u>15.4</u>
Domestic financing (net)	<u>12.9</u>	<u>7.2</u>	<u>4.0</u>	<u>3.8</u>	<u>-2.9</u>
National government equity 1/	3.3	2.1	0.6	5.6	1.5
National government net lending 1/	2.2	4.6	1.3	1.5	1.9
Domestic bank credits (net)	7.5	-3.7	3.7	1.4	0.8
Other domestic financing (net)	--	4.2	-1.7	-4.8	-7.1

Source: Data provided by the Philippine authorities.

1/ Taken from corporations' accounts; may differ from national government accounts.

Table 18. Philippines: Cash Flows of Fourteen Major Public Corporations, 1990-94

(In billions of pesos)

	1990	1991	1992	1993	1994
Internal cash generation	<u>7.7</u>	<u>13.1</u>	<u>15.4</u>	<u>16.0</u>	<u>29.5</u>
National Power Corporation	3.5	3.4	10.5	7.7	14.5
Philippine National Oil Corporation	1.8	7.5	4.1	0.9	11.1
Metropolitan Water and Sewerage System	0.7	0.9	1.0	1.2	1.2
National Irrigation Administration	--	0.1	-0.1	-0.0	-0.1
National Development Company	-0.1	0.1	-0.1	1.8	-0.1
Light Rail Transit Authority	-0.1	0.1	0.2	0.2	0.3
National Electrification Authority	-0.2	0.3	-0.3	0.4	0.1
National Housing Authority	0.1	0.5	1.0	0.8	0.7
National Food Authority	0.7	-0.9	-1.9	1.6	0.1
Other	1.3	1.1	1.0	1.3	1.7
Capital expenditure	<u>26.7</u>	<u>20.4</u>	<u>25.8</u>	<u>41.6</u>	<u>42.0</u>
National Power Corporation	10.9	10.2	17.9	28.4	35.0
Philippine National Oil Corporation	6.0	0.8	3.1	5.9	4.1
Metropolitan Water and Sewerage System	1.4	1.9	1.6	1.2	0.9
National Irrigation Administration	0.8	0.2	0.1	0.0	0.0
Light Rail Transit Authority	0.1	0.3	0.1	0.1	0.2
National Electrification Authority	0.7	1.5	1.1	0.7	0.1
National Housing Authority	0.3	0.8	0.8	0.6	0.5
National Food Authority	4.0	1.5	-3.4	-1.9	-0.5
Other	1.8	2.1	2.2	1.8	1.7
Balance (financing requirement)	<u>-19.1</u>	<u>-7.1</u>	<u>-10.7</u>	<u>-27.4</u>	<u>-12.5</u>
National Power Corporation	-7.4	-6.8	-7.5	-20.7	-20.5
Philippine National Oil Corporation	-4.2	6.6	1.0	-5.0	7.0
Metropolitan Water and Sewerage System	-0.7	-1.0	-0.6	-0.0	0.2
National Irrigation Administration	-0.8	-0.1	-0.2	-0.0	-0.1
National Development Company	-0.7	-1.0	-2.3	-2.9	-0.1
Light Rail Transit Authority	-0.2	-0.2	--	0.1	0.1
National Electrification Authority	-1.0	-1.2	-1.4	0.7	0.0
National Housing Authority	-0.2	-0.3	0.2	0.6	0.2
National Food Authority	-3.3	-2.2	1.5	-1.9	0.6
Other	-0.6	-0.9	-1.4	1.8	0.1
Total financing	<u>19.1</u>	<u>7.4</u>	<u>10.7</u>	<u>25.6</u>	<u>12.5</u>
(Percent of GNP)	1.8	0.6	0.8	1.7	0.7
Net external financing	6.3	0.2	6.7	21.9	15.4
Net domestic financing	12.9	7.2	4.0	3.8	-2.9
National government transfers	3.8	6.1	1.8	7.2	3.4

Source: Data provided by the Philippine authorities.

Table 19. Philippines: Public Sector Operating and Maintenance
Expenditures by Function, 1990-94 1/

(In millions of pesos)

	1990	1991	1992	1993	1994
<u>National Government</u>					
Economic services	10,431	10,601	6,404	6,997	9,524
Agriculture and agrarian	4,854	4,190	3,051	2,312	2,797
National resources	1,003	1,248	905	700	1,162
Trade and industry	325	367	320	353	729
Tourism	111	161	95	70	133
Power and energy	398	434	410	266	315
Water, transportation and communications	3,000	3,742	3,294	2,968	3,712
Others	765	440	361	321	680
Social services	9,790	12,937	10,407	8,255	10,190
Education, culture, and manpower development	5,533	7,061	5,571	4,783	5,432
Health	3,050	4,517	4,137	2,846	3,256
Social security, labor and housing	547	1,224	759	526	1,196
Others	660	144	20	102	306
Other services 2/	9,960	12,042	14,947	13,748	10,317
Reserve control account	0.0	21	0.0	0.0	0.0
Total	<u>30,215</u>	<u>30,200</u>	<u>33,696</u>	<u>29,000</u>	<u>30,031</u>
Of which: Economic and social services	20,229	23,545	19,015	15,255	19,714
(In percent of GNP)	1.9	1.9	1.4	1.0	1.1
<u>Major public corporations</u>					
Metropolitan Water and Sewerage System	351	434	504	520	644
Philippine National Oil Corporation	157	153	175	82	4,264 3/
National Irrigation Administration	195	220	220	137	200
National Food Authority	647	774	1,010	406	732

Source: Data provided by the Philippine authorities.

1/ Derived by applying the functional classification of obligation expenditures to cash disbursements.

2/ Defense and general public services.

3/ Includes expenses related to the privatization of Petron Corporation.

Table 20. Philippines: Functional Classification of National Government Expenditure, 1990-94 1/

	1990	1991	1992	1993	1994
(In billions of pesos)					
General public services	<u>22.7</u>	<u>96.2</u>	<u>36.0</u>	<u>40.4</u>	<u>57.3</u>
Defense	<u>21.9</u>	<u>24.7</u>	<u>25.5</u>	<u>20.4</u>	<u>22.1</u>
Economic services	<u>50.8</u>	<u>63.7</u>	<u>69.8</u>	<u>66.7</u>	<u>86.1</u>
Agriculture and agrarian reform	10.6	16.0	12.1	12.6	16.7
Natural resources	5.9	4.4	2.4	3.4	4.1
Trade and industry	1.3	2.8	1.4	2.5	5.0
Power and energy	6.5	2.0	2.0	6.6	6.0
Water recourse development and flood control	3.7	2.8	4.0	9.6	9.4
Transportation and communications	18.8	26.6	27.6	23.2	34.1
Others	8.0	9.5	9.1	18.0	17.3
Social services	<u>48.0</u>	<u>54.8</u>	<u>63.0</u>	<u>66.0</u>	<u>73.7</u>
Education, culture, and manpower development	32.3	33.2	40.3	39.9	43.2
Health, nutrition, population control	7.7	5.1	10.8	7.2	7.6
Social security, labor and employment	2.1	8.8	8.5	8.4	4.7
Housing and community development	0.7	1.1	0.2	1.4	1.2
Other	5.2	4.7	8.1	14.1	17.9
Total	<u>149.1</u>	<u>166.5</u>	<u>187.3</u>	<u>201.4</u>	<u>239.2</u>
(In percent of GNP)					
General public services	2.1	2.1	2.6	3.3	3.3
Defense	2.0	2.0	2.1	1.4	1.3
Economic services	4.7	5.0	4.3	4.4	4.9
Social services	4.5	4.1	4.6	4.4	4.2
(In percent of total)					
General public services	15.0	15.3	19.2	20.1	24.0
Defense	15.0	14.0	13.6	10.1	9.2
Economic services	35.8	35.0	37.3	33.1	36.0
Social services	33.6	31.1	33.6	32.8	30.8

Source: Data provided by the Philippine authorities.

1/ Net of interest payments and net lending.

Table 21. Philippines: Military Expenditure of the National Government, 1990-94 1/

	1990	1991	1992	1993	1994
(In millions of pesos)					
Total military expenditure	<u>14,625</u>	<u>15,899</u>	<u>17,462</u>	<u>21,132</u>	<u>23,245</u>
By economic category:					
Personnel services	9,909	10,918	11,703	13,310	15,014
Maintenance and other operating expenses	3,993	4,559	5,514	6,609	6,673
Capital outlays	723	422	245	1,213	1,558
By function:					
Defense	14,241	18,668	17,072	19,619	22,643
Health	166	161	189	286	291
Education	218	190	201	228	311
(In percent of GNP)					
Total military expenditures	1.4	1.3	1.3	1.4	1.3
Personnel services	0.9	0.9	0.8	0.9	0.9
Maintenance and other operating expenses	0.4	0.4	0.4	0.4	0.4
Capital outlays	0.1	0.0	0.0	0.1	0.1
(As a percentage of total expenditure)					
Total	7.0	6.7	6.6	7.8	6.9
Personnel services	4.7	4.6	4.4	4.9	4.4
Maintenance and other operating expenses	1.9	1.9	2.1	2.4	2.0
Capital outlays	0.3	0.2	0.1	0.4	0.5
Defense	6.8	7.9	6.4	7.2	6.7
Health	0.1	0.1	0.1	0.0	0.1
Education	0.0	0.0	0.0	0.0	0.1

Source: Data provided by the Philippine authorities.

1/ Excludes Philippine National Police which is under the Department of the Interior and Local Government.

Table 22. Philippines: Factors Affecting Base Money, 1990-95 1/

(In billions of pesos)

	1990	1991	1992	1993	1994				1995	
	Dec.	Dec.	Dec.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
Base Money 2/ (12-month percentage change)	<u>123.0</u> (26.3)	<u>140.6</u> (14.3)	<u>153.6</u> (9.2)	<u>175.8</u> (14.5)	<u>168.9</u> (16.6)	<u>164.5</u> (9.7)	<u>165.0</u> (3.4)	<u>196.1</u> (11.6)	<u>195.6</u> (15.8)	<u>181.5</u> (10.3)
Stock of reserve eligible securities outstanding	4.5	4.4	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Reserve deficiency	9.8	6.8	4.7	0.0	0.9	3.9	0.0	0.0	1.1	1.5
Government securities	...	...	...	...	7.5	8.0	8.6	9.6	10.3	10.1
Reserve Money 3/ Currency issue	<u>108.7</u>	<u>129.4</u>	<u>144.8</u>	<u>171.7</u>	<u>157.3</u>	<u>148.5</u>	<u>152.3</u>	<u>182.5</u>	<u>180.1</u>	<u>165.8</u>
Cash in treasury vault	70.8	80.6	88.3	98.0	88.2	87.2	87.0	111.5	102.4	102.3
Reserve balance of banks	-0.4	-0.3	-0.3	-0.2	0.0	-0.1	-0.1	-0.2	0.0	0.0
Net foreign assets	<u>-140.5</u>	<u>-68.5</u>	<u>38.1</u>	<u>56.7</u>	<u>77.5</u>	<u>99.9</u>	<u>102.7</u>	<u>91.9</u>	<u>78.1</u>	<u>99.5</u>
Net international reserves	1.9	58.7	91.5	99.6	121.2	143.3	143.7	129.3	120.5	141.5
Gross international reserves	57.6	122.4	133.4	164.0	185.4	206.1	200.2	173.8	174.1	191.7
Short-term foreign liabilities	-55.7	-63.7	-41.9	-64.4	-64.2	-62.8	-56.5	-44.5	-53.6	-50.2
Medium-and long-term foreign liabilities	-142.4	-127.2	-53.4	-42.9	-43.7	-43.4	-41.0	-37.5	-42.3	-42.0
Net domestic assets	<u>249.2</u>	<u>197.9</u>	<u>106.7</u>	<u>115.0</u>	<u>79.8</u>	<u>48.6</u>	<u>49.6</u>	<u>90.6</u>	<u>102.0</u>	<u>66.3</u>
Net credit to public sector	21.2	-37.2	104.0	182.0	156.5	136.4	114.1	151.3	158.0	131.0
Of which: Net credit to National Government	-27.4	-43.2	107.5	-166.2	134.0	117.5	100.4	139.2	145.9	118.9
Holding of treasury bills 4/	0.1	0.0	27.4	171.6	144.0	142.5	135.8	120.6	127.3	100.3
Deposits	-67.3	-75.3	-137.8	-113.8	-118.0	-132.6	-141.6	-84.5	-70.6	-71.5
Net credits to 14 corporations	1.1	0.8	0.5	0.4	0.4	0.4	0.3	0.2	0.2	0.2
Assistance to financial institutions	14.8	14.2	13.9	4.2	4.0	5.5	4.3	4.0	4.0	3.0
Regular rediscounting	8.1	8.4	4.7	7.3	6.7	6.3	5.5	5.3	6.3	6.9
Rps, CBCIs, CB bills, Reverse Rps, Special Reverse RPs 5/	-6.0	-56.2	-90.8	-48.7	-46.6	-55.9	-35.1	-31.5	-23.1	-17.7
Other items, net	253.5	268.7	282.9	-29.8	-40.8	-43.7	-39.2	-38.5	-58.4	-56.9
Of which: Swap differential	18.5	16.3	14.3	...	...	...	...	...	...	...
Forward cover differential	25.5	25.7	25.8	...	...	...	...	...	...	...
Stock revaluation	126.4	125.3	123.1	-2.5	-3.2	-0.7	5.4	14.5	6.3	...
Blocked differential	-15.6	-16.3	0.0	...	...	...	...	...	...	...
Blocked peso deposits 6/	-14.7	-21.5	-30.6	...	...	...	...	...	...	...
Net unclassified assets	123.0	145.8	163.1	20.7	18.6	19.6	20.2	18.7	22.8	...
Of which: Monetary Adjustment Account	40.5	48.5	65.7	...	...	...	...	...	...	...
Exchange Stabilization Adjustment Account	76.2	87.8	86.9	...	...	...	...	...	...	...

Source: Data provided by the Philippine authorities.

1/ Foreign assets and liabilities converted into pesos at current exchange rates.

2/ Growth rates refer to end period data; therefore they differ from program targets which refer to 10 day test periods.

3/ Starting October 4, 1993, deposit balances are exclusive of deposits for Common Trust Funds (CTFs); reserve balances against CTFs are included in other items, net.

4/ Starting December 1992, excluding Agricultural Loan Fund investments in treasury bills.

5/ RPs refer to repurchase agreements and CBCIs to central bank certificates of indebtedness.

6/ Starting July 3, 1993, blocked peso deposit liabilities included in medium- and long-term liabilities.

Table 23. Philippines: Summary of Monetary Accounts, 1990-95 1/

(In billions of pesos)

	1990 Dec.	1991 Dec.	1992 Dec.	1993 Dec.	1994				1995	
					Mar.	June	Sept.	Dec.	Mar.	June
Bangko Sentral ng Pilipinas										
Reserve Money	<u>108.7</u>	<u>129.4</u>	<u>144.8</u>	<u>171.7</u>	<u>157.3</u>	<u>148.5</u>	<u>152.3</u>	<u>182.5</u>	<u>180.1</u>	<u>165.8</u>
Net foreign assets	<u>-140.5</u>	<u>-68.5</u>	<u>38.1</u>	<u>56.7</u>	<u>77.5</u>	<u>99.9</u>	<u>102.7</u>	<u>91.9</u>	<u>78.1</u>	<u>99.5</u>
Net domestic assets	<u>249.2</u>	<u>197.9</u>	<u>106.7</u>	<u>115.0</u>	<u>79.8</u>	<u>48.6</u>	<u>49.6</u>	<u>90.6</u>	<u>102.0</u>	<u>66.3</u>
Credit to public sector	<u>-21.2</u>	<u>-37.2</u>	<u>-104.0</u>	<u>182.0</u>	<u>156.5</u>	<u>136.4</u>	<u>114.1</u>	<u>158.0</u>	<u>173.1</u>	<u>131.0</u>
Of which: National Government	<u>-27.4</u>	<u>-43.2</u>	<u>-107.5</u>	<u>166.2</u>	<u>134.0</u>	<u>117.5</u>	<u>100.4</u>	<u>139.2</u>	<u>145.9</u>	<u>118.9</u>
Assistance to financial institutions	<u>14.8</u>	<u>14.2</u>	<u>13.9</u>	<u>4.2</u>	<u>4.0</u>	<u>5.5</u>	<u>4.3</u>	<u>4.0</u>	<u>4.0</u>	<u>3.0</u>
Regular rediscounting	<u>8.1</u>	<u>8.4</u>	<u>4.7</u>	<u>7.3</u>	<u>6.7</u>	<u>6.3</u>	<u>5.5</u>	<u>5.3</u>	<u>6.3</u>	<u>6.9</u>
Rps, CBCIs, central bank bills, etc.	<u>-6.0</u>	<u>-56.2</u>	<u>-90.8</u>	<u>-48.7</u>	<u>-46.6</u>	<u>-55.9</u>	<u>-35.1</u>	<u>-31.5</u>	<u>-23.1</u>	<u>-17.7</u>
Other items net	<u>253.5</u>	<u>268.7</u>	<u>282.9</u>	<u>-29.8</u>	<u>-40.8</u>	<u>-43.7</u>	<u>-39.2</u>	<u>-38.5</u>	<u>-58.4</u>	<u>-56.9</u>
Monetary Survey										
Net foreign assets	<u>-99.1</u>	<u>-20.6</u>	<u>75.9</u>	<u>100.8</u>	<u>113.2</u>	<u>113.5</u>	<u>124.9</u>	<u>123.6</u>	<u>119.2</u>	<u>136.6</u>
Net domestic assets	<u>416.2</u>	<u>381.6</u>	<u>325.1</u>	<u>398.7</u>	<u>359.1</u>	<u>386.8</u>	<u>415.7</u>	<u>507.2</u>	<u>541.3</u>	<u>520.3</u>
Domestic credit	<u>267.5</u>	<u>269.0</u>	<u>277.1</u>	<u>682.1</u>	<u>655.9</u>	<u>691.4</u>	<u>712.3</u>	<u>821.6</u>	<u>904.5</u>	<u>890.2</u>
Public	<u>47.4</u>	<u>31.7</u>	<u>-18.6</u>	<u>274.1</u>	<u>248.2</u>	<u>259.7</u>	<u>258.6</u>	<u>299.8</u>	<u>330.2</u>	<u>301.8</u>
Of which: National Government, net	<u>20.4</u>	<u>5.3</u>	<u>-43.9</u>	<u>216.2</u>	<u>183.9</u>	<u>194.7</u>	<u>200.6</u>	<u>243.5</u>	<u>265.3</u>	<u>237.9</u>
Private	<u>220.1</u>	<u>237.3</u>	<u>295.7</u>	<u>406.9</u>	<u>407.7</u>	<u>431.7</u>	<u>453.7</u>	<u>521.7</u>	<u>574.3</u>	<u>588.4</u>
Resident FCDUs 2/	<u>-58.5</u>	<u>-72.2</u>	<u>-93.9</u>	<u>-132.3</u>	<u>-133.4</u>	<u>-133.8</u>	<u>-140.3</u>	<u>-158.8</u>	<u>-180.2</u>	<u>-181.4</u>
Net other items	<u>207.0</u>	<u>184.8</u>	<u>142.0</u>	<u>-151.1</u>	<u>-163.5</u>	<u>-170.8</u>	<u>-156.4</u>	<u>-155.6</u>	<u>-183.0</u>	<u>-188.5</u>
Total liquidity	<u>316.9</u>	<u>361.0</u>	<u>401.1</u>	<u>499.5</u>	<u>472.3</u>	<u>500.3</u>	<u>540.0</u>	<u>630.8</u>	<u>660.5</u>	<u>656.9</u>
M3	<u>300.6</u>	<u>347.1</u>	<u>385.4</u>	<u>480.3</u>	<u>453.0</u>	<u>478.9</u>	<u>518.9</u>	<u>607.6</u>	<u>638.4</u>	<u>629.8</u>
Narrow Money	<u>89.0</u>	<u>101.4</u>	<u>112.1</u>	<u>133.9</u>	<u>123.4</u>	<u>128.2</u>	<u>130.3</u>	<u>152.0</u>	<u>152.0</u>	<u>151.8</u>
Quasi-money	<u>208.3</u>	<u>242.7</u>	<u>269.8</u>	<u>341.8</u>	<u>325.3</u>	<u>346.8</u>	<u>384.1</u>	<u>451.0</u>	<u>482.3</u>	<u>473.0</u>
Deposit substitutes	<u>3.3</u>	<u>3.0</u>	<u>3.5</u>	<u>4.6</u>	<u>4.3</u>	<u>3.9</u>	<u>4.5</u>	<u>4.6</u>	<u>4.1</u>	<u>5.1</u>
Other liabilities	<u>16.3</u>	<u>13.9</u>	<u>15.7</u>	<u>19.2</u>	<u>19.3</u>	<u>21.4</u>	<u>21.1</u>	<u>23.2</u>	<u>22.1</u>	<u>27.1</u>

Source: Data provided by the Philippine authorities.

1/ After the transfer of various liabilities of the Philippine National Bank (PNB) and the Development Bank of the Philippines (DBP) to the National Government as part of the financial restructuring of PNB and DBP, and at current exchange rates.

2/ Foreign currency deposit units.

Table 24. Philippines: Reserve Position of Commercial Banks, 1990-95 1/ 2/

(In billions of pesos)

	1990 Dec.	1991 Dec.	1992 Dec.	1993 Dec.	1994				1995 Mar.
					Mar.	June	Sept.	Dec.	
(End period)									
Required reserves	<u>60.6</u>	<u>70.6</u>	<u>80.3</u>	<u>89.7</u>	<u>88.3</u>	<u>89.7</u>	<u>85.3</u>	<u>99.3</u>	<u>104.9</u>
Available reserves 3/	<u>49.8</u>	<u>64.2</u>	<u>73.0</u>	<u>91.1</u>	<u>90.5</u>	<u>85.2</u>	<u>87.8</u>	<u>101.1</u>	<u>103.2</u>
Cash on hand	<u>8.2</u>	<u>10.4</u>	<u>13.5</u>	<u>14.2</u>	<u>10.6</u>	<u>11.9</u>	<u>10.6</u>	<u>15.5</u>	<u>11.9</u>
Reserve balances with the Central Bank 4/	<u>37.7</u>	<u>49.9</u>	<u>56.0</u>	<u>72.8</u>	<u>68.3</u>	<u>61.2</u>	<u>64.5</u>	<u>71.9</u>	<u>76.9</u>
Reserve-eligible securities	<u>3.9</u>	<u>3.9</u>	<u>3.5</u>	<u>4.1</u>	<u>4.1</u>	<u>4.1</u>	<u>4.1</u>	<u>4.1</u>	<u>4.1</u>
Gov't Securities	...	...	...	...	<u>7.5</u>	<u>8.0</u>	<u>8.6</u>	<u>9.6</u>	<u>10.3</u>
Excess (Deficiency)	<u>-10.8</u>	<u>-6.4</u>	<u>-7.3</u>	<u>1.4</u>	<u>2.2</u>	<u>-4.5</u>	<u>2.5</u>	<u>1.8</u>	<u>-1.7</u>
(Period average)									
Required reserves	<u>56.2</u>	<u>66.8</u>	<u>78.8</u>	<u>86.5</u>	<u>87.7</u>	<u>90.0</u>	<u>93.4</u>	<u>95.3</u>	<u>104.4</u>
Available reserves 3/	<u>54.5</u>	<u>65.6</u>	<u>78.3</u>	<u>88.9</u>	<u>89.8</u>	<u>91.9</u>	<u>94.4</u>	<u>96.8</u>	<u>105.3</u>
Cash on hand	<u>9.0</u>	<u>10.2</u>	<u>11.3</u>	<u>12.9</u>	<u>11.2</u>	<u>12.6</u>	<u>12.2</u>	<u>15.5</u>	<u>13.7</u>
Reserve balances with the Central Bank 4/	<u>41.1</u>	<u>51.2</u>	<u>63.0</u>	<u>71.9</u>	<u>66.9</u>	<u>67.3</u>	<u>69.6</u>	<u>69.1</u>	<u>77.5</u>
Reserve-eligible securities	<u>4.4</u>	<u>4.2</u>	<u>4.0</u>	<u>4.1</u>	<u>4.1</u>	<u>4.1</u>	<u>4.1</u>	<u>4.1</u>	<u>4.1</u>
Gov't Securities	...	...	...	...	<u>7.6</u>	<u>7.8</u>	<u>8.5</u>	<u>8.1</u>	<u>10.0</u>
Excess (Deficiency)	<u>-1.7</u>	<u>-1.2</u>	<u>0.5</u>	<u>2.4</u>	<u>2.1</u>	<u>1.9</u>	<u>1.0</u>	<u>1.5</u>	<u>0.8</u>

Source: Data provided by the Philippine authorities; and staff estimates.

1/ Against deposits and deposit substitutes.

2/ Includes the Land Bank of the Philippines.

3/ Excludes cash and reserve-eligible securities in excess of 75 percent of required reserves.

4/ Includes central bank-supported securities, CBCIs, Premyo Savings Bonds, foreign exchange due from banks, and government securities purchased under resale agreements.

Table 25. Philippines: Public Sector Securities Outstanding, 1990-95

(In billions of pesos)

	1990	1991	1992	1993	-----1994-----				-----1995-----	
	Dec.	Dec.	Dec.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
National Government securities	<u>221.5</u>	<u>267.1</u>	<u>420.9</u>	<u>561.7</u>	<u>574.8</u>	<u>591.3</u>	<u>590.9</u>	<u>543.5</u>	<u>540.6</u>	<u>552.0</u>
Treasury bills	<u>192.6</u>	<u>213.5</u>	<u>336.0</u>	<u>413.3</u>	<u>415.7</u>	<u>414.2</u>	<u>417.8</u>	<u>368.2</u>	<u>367.7</u>	<u>384.8</u>
Auctioned	<u>185.3</u>	<u>170.8</u>	<u>247.1</u>	<u>186.4</u>	<u>192.7</u>	<u>195.0</u>	<u>192.1</u>	<u>172.8</u>	<u>146.9</u>	<u>145.6</u>
Special series 1/	<u>7.3</u>	<u>23.6</u>	<u>61.0</u>	<u>209.4</u>	<u>216.2</u>	<u>215.6</u>	<u>225.7</u>	<u>195.4</u>	<u>216.8</u>	<u>239.2</u>
Tap series	<u>...</u>	<u>19.1</u>	<u>27.8</u>	<u>17.5</u>	<u>6.6</u>	<u>9.4</u>	<u>0.0</u>	<u>0.0</u>	<u>4.0</u>	<u>0.0</u>
Treasury notes	<u>28.9</u>	<u>53.6</u>	<u>84.9</u>	<u>148.4</u>	<u>158.9</u>	<u>177.1</u>	<u>173.1</u>	<u>175.3</u>	<u>172.9</u>	<u>167.2</u>
Central bank securities	<u>6.0</u>	<u>56.2</u>	<u>90.8</u>	<u>40.7</u>	<u>41.4</u>	<u>62.2</u>	<u>36.9</u>	<u>31.5</u>	<u>23.1</u>	<u>19.5</u>
Regular short-term bills	<u>1.9</u>	<u>38.3</u>	<u>20.9</u>	<u>16.8</u>	<u>16.2</u>	<u>14.9</u>	<u>12.0</u>	<u>4.6</u>	<u>0.6</u>	<u>0.6</u>
Special series	<u>...</u>	<u>2.3</u>	<u>46.6</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Long-term notes and bonds 2/	<u>2.1</u>	<u>6.7</u>	<u>1.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Reverse repurchase agreements	<u>2.0</u>	<u>8.9</u>	<u>22.1</u>	<u>23.9</u>	<u>25.2</u>	<u>37.3</u>	<u>24.9</u>	<u>26.9</u>	<u>22.5</u>	<u>18.9</u>
Public corporations	<u>1.9</u>	<u>2.2</u>	<u>2.4</u>	<u>2.3</u>	<u>2.2</u>	<u>2.2</u>	<u>2.2</u>	<u>2.2</u>	<u>2.2</u>	<u>2.2</u>
Total securities outstanding	<u>229.4</u>	<u>325.5</u>	<u>514.1</u>	<u>604.7</u>	<u>618.2</u>	<u>645.7</u>	<u>630.0</u>	<u>577.2</u>	<u>565.9</u>	<u>573.7</u>

Sources: Data provided by the Philippine authorities; and staff estimates.

1/ Starting end-December 1993, includes Treasury bills issued to the central bank as part of restructuring.

2/ Mainly converted from blocked peso accounts.

Table 26. Philippines: Selected Interest Rates, 1990-95 1/

(In percent)

	1990	1991	1992	1993	1994				1995	
					March	June	Sept.	Dec.	Mar.	June
(End of period)										
Manila reference rates										
MRR 60	23.0	19.2	13.8	14.8	13.3	13.2	8.7	9.9	10.7	12.7
MRR 90	23.8	17.2	13.9	15.0	13.1	13.1	9.1	8.9	9.4	11.3
MRR 180	20.8	17.1	12.6	14.1	13.1	12.8	8.3	9.1	9.8	10.4
Average of all maturities	22.8	18.7	13.7	14.7	13.3	13.1	8.7	9.6	10.4	12.1
Average lending rate	26.8	23.0	18.2	16.4	16.3	15.7	13.7	13.4	15.3	16.2
91-day treasury bill rate	30.2	20.5	14.7	16.2	14.7	14.6	8.8	10.3	13.8	13.4
Reverse RP (term)	0.0	0.0	0.0	0.0	0.0	24.4	8.6	15.5	15.9	12.5
Interbank call loan rate	63.5	17.7	18.1	16.6	13.2	11.7	8.1	12.7	13.0	9.5
(Period average)										
Manila reference rates										
MRR 60	21.3	18.9	15.0	9.9	13.6	13.2	11.1	8.6	9.9	12.4
MRR 90	21.4	17.7	14.2	13.2	13.3	13.1	10.6	8.9	9.1	11.5
MRR 180	20.9	17.7	14.2	12.2	12.9	12.7	10.3	8.4	9.1	10.7
Average of all maturities	21.3	18.6	14.8	12.9	13.4	13.1	10.9	8.6	9.6	12.0
Average lending rate	27.0	22.4	18.2	14.8	16.0	15.9	15.0	13.4	14.0	16.5
91-day treasury bill rate	26.8	21.4	14.8	14.4	15.0	14.7	11.5	9.6	11.2	14.0
Reverse RP (term) rate	12.7	13.7	14.1	0.0	15.6	21.7	19.0	10.4	16.8	13.1
Interbank call loan rate	14.8	15.7	17.7	19.2	16.1	18.8	10.6	10.4	14.3	13.3

Source: Data provided by the philippine authorities.

1/ End-period data refer to the average for the last week of each period.

Table 27. Philippines: Monetary Survey, 1990-95 1/

	1990	1991	1992	1993	1994	—1995— Mar. June
(In billions of pesos; end of period)						
Total liquidity	316.9	361.0	401.1	499.5	630.8	660.5 656.9
M3	300.6	347.1	385.4	480.3	607.6	638.4 629.8
Narrow money	89.0	101.4	112.1	133.9	152.0	152.0 151.8
Quasi-money	208.3	242.7	269.8	341.8	451.0	482.3 473.0
Deposit substitutes	3.3	3.0	3.5	4.6	4.6	4.1 5.1
Other liabilities	16.3	13.9	15.7	19.2	23.2	22.1 27.1
Net foreign assets	-99.1	-20.6	75.9	100.8	123.6	119.2 136.6
Net domestic assets	416.2	381.6	325.1	398.7	507.2	541.3 520.3
Domestic credit	267.5	269.0	277.1	682.1	821.6	904.5 890.2
Public	47.4	31.7	-18.6	274.1	299.8	330.2 301.8
National Government	20.4	5.3	-43.9	216.2 1/	243.5	265.3 237.9
Other	27.0	26.4	25.3	57.9	56.3	65.0 63.9
Private	220.1	237.3	295.7	406.9	521.7	574.3 588.4
Resident FCDUs 2/	-58.5	-72.2	-93.9	-132.3	-158.8	-180.2 -181.4
Net other items	207.0	184.8	142.0	-151.1 1/	-155.6	-183.0 -188.5
(12-month change, in percent)						
M3	18.4	15.5	11.0	24.6	26.5	40.9 31.5
Net domestic assets	25.7	-8.3	-14.8	22.6	27.2	50.8 34.5
Private sector credit	28.1	7.8	24.6	37.6	28.2	40.4 36.3
(Percent of GNP)						
M3	27.8	27.4	27.8	31.6	34.7	32.0 31.6
Currency	5.7	5.5	5.4	5.5	5.5	4.6 4.5
Net foreign assets	-9.2	-1.6	5.1	6.6	7.1	6.0 6.9
Net domestic assets	38.6	30.2	21.7	26.2	28.9	27.2 26.1
Private sector credit	20.3	18.7	21.2	26.8	29.8	28.8 29.5
Memorandum item:						
Currency-deposit ratio	0.259	0.250	0.240	0.212	0.187	0.166 0.154

Source: Data provided by the Philippine authorities.

1/ For 1993, these entries are not comparable owing to the exclusion of the CB-BOL beginning in July 1993: net public sector credit excludes NG deposits with the CB-BOL, and net other items excludes accumulated central bank losses.

2/ Foreign currency deposit units.

Table 28. Philippines: Direction of Trade, 1990-94

(In percent)

	Exports, f.o.b					Imports, f.o.b				
	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994
United States	37.8	35.6	39.0	38.4	38.1	19.4	20.1	18.0	20.0	18.5
Japan	19.7	20.0	17.7	16.0	15.0	18.3	19.5	21.2	22.9	24.3
European Union	17.7	18.6	18.9	17.3	17.1	11.2	10.3	11.7	10.1	10.3
Of which:										
Germany 1/	4.8	5.7	5.3	5.2	4.9	4.4	3.9	4.6	3.5	3.6
Netherlands	4.4	3.8	4.1	3.2	3.8	1.4	1.2	1.2	1.4	1.3
United Kingdom	4.3	4.2	4.8	4.8	4.7	2.0	1.8	2.1	2.2	1.8
France	1.8	1.9	1.8	1.8	1.4	1.2	1.2	1.5	1.1	1.1
Middle East	1.6	1.7	2.1	2.3	1.8	12.0	10.3	10.8	8.4	7.4
Of which:										
Saudi Arabia	0.8	0.7	0.6	0.6	0.4	4.5	5.3	6.0	4.2	4.4
Kuwait	0.1	0.0	0.1	0.1	0.1	1.6	0.0	0.6	1.1	0.4
Iraq	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0
ASEAN 2/	7.2	7.0	5.3	6.7	10.2	9.7	9.2	9.3	10.8	11.6
Of which:										
Indonesia	0.8	0.5	0.4	0.4	0.5	1.5	1.3	1.2	2.0	1.7
Malaysia	1.6	1.4	1.3	1.4	1.6	2.2	2.5	2.7	2.0	2.0
Singapore	2.9	2.6	2.6	3.3	5.3	4.0	3.8	3.8	5.6	6.8
Australia	1.2	1.2	1.1	1.0	1.0	3.0	3.2	2.8	2.7	2.8
Hong Kong 3/	4.0	4.4	4.7	4.8	4.8	4.6	5.0	5.0	5.0	5.2
Korea	2.8	2.6	1.8	1.9	2.2	3.9	5.0	4.8	5.1	5.2
U.S.S.R. (former)	0.2	0.2	0.1	0.1	0.1	0.2	0.3	0.6	0.5	0.9
China	0.8	1.4	1.2	1.5	1.2	1.3	1.9	1.3	1.0	1.4
Other	7.0	7.3	8.1	10.0	8.5	16.4	15.2	14.5	13.5	12.4
All countries	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Data provided by the Philippine authorities.

1/ Data through 1990 refer to the (former) Federal Republic of Germany.

2/ Association of South-East Asian Nations.

3/ See page 1, footnote 1.

Table 29. Philippines: External Indicators, 1990-94

	1990	1991	1992	1993	1994
(In millions of U.S. dollars; end of period)					
Gross official reserves 1/ (In months of imports of goods and services)	2,048 (1.5)	4,526 (3.3)	5,238 (3.3)	4,720 (2.5)	6,372 (2.7)
Net international reserves of the central bank	-16	2,169	3,661	3,495	5,297
(In percent of GNP)					
Exports	18.5	19.4	18.1	20.3	20.3
Imports	27.5	26.4	26.8	31.4	32.2
Trade balance	-9.0	-7.0	-8.7	-11.1	-11.8
Current account	-6.1	-2.3	-1.6	-5.3	-4.3
(Annual percentage change) 2/					
Export volume	5.6	6.0	6.4	17.7	13.4
Export unit value	-0.9	1.9	4.5	-1.6	4.6
Import volume	11.7	-1.7	19.4	20.4	18.7
Import unit value	4.9	0.5	0.9	0.7	2.2
Terms of trade	-5.5	1.4	3.6	-2.3	2.3
Memorandum item:					
Peso/dollar exchange rate					
Annual average	24.310	27.479	25.513	27.120	26.417
End-of-period	28.000	26.650	25.096	27.699	24.418

Sources: Data provided by the Philippine authorities; and staff estimates.

1/ Adjusted for gold- and security-backed borrowing.

2/ Based on customs clearance data; base year is 1985.

Table 30. Philippines: Balance of Payments, 1990-94
(In millions of U.S. dollars)

	1990	1991	1992	1993	1994
Trade balance	<u>-4,020</u>	<u>-3,211</u>	<u>-4,695</u>	<u>-6,222</u>	<u>-7,850</u>
Exports, f.o.b.	8,186	8,840	9,824	11,375	13,483
Imports, f.o.b.	-12,206	-12,051	-14,519	-17,597	-21,333
Services (net)	<u>739</u>	<u>1,515</u>	<u>3,020</u>	<u>2,540</u>	<u>4,074</u>
Receipts	4,842	5,624	7,443	7,497	10,550
Of which: Remittances 1/	(1,846)	(2,515)	(3,485)	(3,956)	(5,824)
Payments	-4,103	-4,109	-4,618	-4,957	-6,476
Of which: Interest	-2,026	(-1,993)	(-1,703)	(-1,485)	(-1,469)
Transfers (net)	<u>714</u>	<u>827</u>	<u>817</u>	<u>699</u>	<u>936</u>
Current account	<u>-2,567</u>	<u>-869</u>	<u>-858</u>	<u>-2,983</u>	<u>-2,840</u>
(As percent of GNP)	(-5.8)	(-1.9)	(-1.6)	(-5.3)	(-4.3)
Financial account (net)	<u>785</u>	<u>1,359</u>	<u>655</u>	<u>1,999</u>	<u>3,986</u>
Direct and portfolio investment (net)	480	654	737	599	1,424
Privatization	--	--	--	--	566
Other direct	171	130	234	334	230
Portfolio and other	309	524	503	265	628
Medium- and long-term loans (net)	-540	-508	-803	1,384	633
Inflows	2,556	1,919	2,161	4,035	3,676
Outflows	-3,096	-2,427	-2,964 2/	-2,651	-3,043
Short-term capital (net)	19	349	660	-148	1,002
Trade facility	-140	-22	173	-1,459	--
Other short-term	121	371	487	1,311	1,002
Commercial bank's net foreign assets (- increase)	61	55	280	-547	465
Monetization of gold, and valuation adjustments	199	380	-38	447	260
Errors and omissions	481	348	-181	264	202
Overall balance	<u>-1,782</u>	<u>490</u>	<u>-203</u>	<u>-984</u>	<u>1,146</u>
Rescheduling	<u>1,765</u>	<u>1,694</u>	<u>1,695</u>	<u>818</u>	<u>478</u>
Paris Club	610	807	1,007	211	--
Commercial banks	1,155	887	688	607	478
Change in arrears	--	--	--	--	<u>178</u>
Change in net international reserves of the central bank (- increase)	<u>99</u>	<u>-2,103</u>	<u>-1,492</u>	<u>166</u>	<u>-1,802</u>
Assets (- increase)	328	-2,478	-812	-584	-1,200
Use of Fund credit (net)	-336	180	61	112	-219
Purchases	--	474	215	176	53
Repurchases	-336	-294	-154	-64	-272
Other liabilities	107	195	-741	638	-383
Memorandum items:					
Reserves, adjusted (months of imports) 3/	1.5	3.4	3.3	2.5	2.7

Sources: Data provided by the Philippine authorities; and staff estimates.

1/ Personal income; and peso withdrawals from 343/547 deposits.

2/ Includes \$469 million in purchased collateral.

3/ Gross reserves less gold and securities pledged as collateral against short-term liabilities.

Table 31. Philippines: Volume, Unit Prices, and Values of Principal Exports, 1990-94

(Unless otherwise indicated, volume in thousands of metric tons,
unit prices in U.S. dollars per ton, and values in millions of U.S. dollars)

	1990	1991	1992	1993	1994
Coconut oil					
Volume	1,135	840	882	859	849
Price	318	356	545	416	560
Value	361	299	481	358	475
Desiccated coconut					
Volume	75	81	85	93	75
Price	805	820	1,030	897	934
Value	61	66	88	84	70
Copra meal/cake					
Volume	644	612	540	488	574
Price	84	90	98	93	92
Value	54	55	53	45	53
Sugar					
Volume	247	274	208	324	182
Price	451	418	421	314	333
Value	111	115	88	102	61
Lumber					
Volume (000 cu. m)	77	61	60	89	41
Price (US\$/cu. m)	254	327	310	292	236
Value	20	20	19	26	10
Plywood					
Volume (000 cu. m)	174	118	85	40	10
Price (US\$/cu. m)	341	369	369	435	437
Value	59	44	31	17	4
Copper concentrates					
Volume	421	397	350	334	293
Price	492	439	399	327	385
Value	207	174	140	109	113
Copper metal					
Volume	110	98	98	137	137
Price	2,558	2,266	2,217	1,933	1,963
Value	281	222	217	264	270
Gold					
Volume (troy oz.)	242	183	382	151	176
Price (US\$/troy oz.)	372	353	335	339	370
Value	90	65	128	51	65
Iron ore					
Volume	4,741	4,776	3,883	3,919	4,666
Price	17	16	16	16	16
Value	81	78	63	62	74
Bananas					
Volume	840	955	821	1,153	1,155
Price	178	181	192	196	186
Value	149	173	158	226	215
Fish, fresh or preserved (value)	294	353	290	343	379
Other nonmanufactured (value)	598	674	640	756	824
Garments (value)	1,776	1,861	2,140	2,272	2,375
Electronics (value)	1,964	2,293	2,753	3,551	4,984
Other manufactured (value)	1,966	2,249	2,405	2,906	3,256
Special transactions and re-exports (value)	114	99	130	203	255
Total exports	<u>8,186</u>	<u>8,840</u>	<u>9,824</u>	<u>11,375</u>	<u>13,483</u>

Source: Data provided by the Philippine authorities.

Table 32. Philippines: Composition of Imports, 1990-94

	1990	1991	1992	1993	1994
(In millions of U.S. dollars)					
Mineral fuels and lubricants	1,842	1,784	2,050	2,016	2,040
Of which:					
Oil	1,583	1,400	1,627	1,316	1,308
Volume (mn. bbls.)	(78.2)	(76.8)	(90.5)	(82.8)	(86.0)
Price (\$/bbl.)	(20.2)	(18.2)	(18.0)	(15.9)	(15.2)
Non-fuel imports	10,364	10,267	12,469	15,581	19,293
Capital goods	3,122	2,952	4,023	5,610	6,868
Raw materials and intermediate goods	5,808	5,851	6,759	7,855	9,606
Consumer goods	1,061	990	1,241	1,587	2,109
Special transactions	373	474	446	529	710
Total	<u>12,206</u>	<u>12,051</u>	<u>14,519</u>	<u>17,597</u>	<u>21,333</u>
(In percent)					
Mineral fuels and lubricants	15.1	14.8	14.1	11.5	9.6
Non-fuel imports	84.9	85.2	85.9	88.6	90.4
Capital goods	25.6	24.5	27.7	31.9	32.2
Raw materials and intermediate goods	47.6	48.5	46.6	44.9	45.0
Consumer goods	8.7	8.2	8.5	9.0	9.9
Special transactions	3.1	3.9	3.1	3.0	3.3
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: Data provided by the Philippine authorities.

Table 33. Philippines: Nonmerchandise Trade, 1990-94

(In millions of U.S. dollars)

Item	1990	1991	1992	1993	1994
Non-merchandise trade, net	<u>611</u>	<u>1,351</u>	<u>2,879</u>	<u>2,234</u>	<u>3,864</u>
Earnings	<u>4,842</u>	<u>5,624</u>	<u>7,497</u>	<u>7,528</u>	<u>10,612</u>
Freight and merchandise insurance	170	166	153	156	185
Other transportation	83	82	128	71	54
Travel	466	571	944	1,178	973
Investment income	395	448	533	579	835
Profits, earnings, and dividends	17	50	110	70	116
Interest income	378	398	423	509	719
Central bank	60	110	191	219	322
Commercial banking system	318	288	232	290	397
Government	347	341	247	56	19
Of which: ESF	(79)	(56)	(70)	(0)	(0)
Non-merchandise insurance	7	14	15	12	4
Personal income	1,203	1,649	2,222	2,276	3,009
Peso conversions of FCDs	643	866	1,263	1,680	2,815
Commissions and fees	245	223	252	173	207
Construction activity	3	2	4	10	6
Operating expenses	684	737	895	476	695
Other services	596	525	841	861	1,810
Payments	<u>4,231</u>	<u>4,273</u>	<u>4,618</u>	<u>5,294</u>	<u>6,748</u>
Freight and merchandise insurance	836	805	942	1,176	1,300
Other transportation	180	279	283	278	181
Travel	111	62	102	130	196
Investment expense	2,465	2,460	2,303	2,191	2,081
Profits, earnings, and dividends	283	269	363	326	311
Reinvested earnings	28	34	42	43	29
Interest expenses	2,154	2,157	1,898	1,822	1,741
Government	40	21	3	18	15
Nonmerchandise insurance	23	24	48	64	77
Personal income	5	9	7	13	13
Commissions and fees	135	157	124	150	275
Construction activity	5	28	25	23	23
Other services	431	428	781	1,251	2,587

Source: Data provided by the Philippine authorities.

Table 34. Philippines: International Reserves of the Banking System, 1990-94

(In millions of U.S. dollars; end of period)

	1990	1991	1992	1993	1994
1. Monetary authorities (net)	<u>66</u>	<u>2,170</u>	<u>3,662</u>	<u>3,496</u>	<u>5,297</u>
Assets	2,048	4,526	5,338	5,922	7,122
Liabilities	1,982	2,356	1,676	2,426	1,825
Of which: IMF	(912)	(1,087)	(1,100)	(1,219)	(1,064)
2. Commercial banks (net) 1/	<u>1,484</u>	<u>1,430</u>	<u>1,149</u>	<u>1,696</u>	<u>1,231</u>
Assets	3,876	3,706	4,472	4,792	6,021
Liabilities	2,392	2,276	3,323	3,096	4,790
3. Banking system	<u>1,550</u>	<u>3,600</u>	<u>4,811</u>	<u>5,192</u>	<u>6,528</u>
Assets	5,924	8,232	9,810	10,714	13,143
Liabilities	4,374	4,632	4,999	5,522	6,615

Source: Data provided by the Philippine authorities.

1/ Monetary claims on, and liabilities to, nonresidents.

Table 35. Philippines: Total External Debt, 1990-94

	1990	1991	1992	1993	1994
(In millions of U.S. dollars; end of period)					
Total	<u>28,549</u>	<u>29,956</u>	<u>30,934</u>	<u>34,282</u>	<u>37,698</u>
Medium- and long-term 1/	23,261	24,043	24,578	28,037	30,918
IMF	912	1,086	1,100	1,210	1,064
Short term	4,376	4,827	5,256	5,035	5,716
Nonmonetary	2,345	2,745	3,339	3,444	3,285
Central bank	695	894	495	1,208	756
Commercial banks	1,336	1,188	1,422	383	1,674
(In percent of GNP)					
Total	<u>64.1</u>	<u>65.0</u>	<u>57.0</u>	<u>61.2</u>	<u>56.9</u>
Medium- and long-term	52.2	52.3	45.3	50.0	46.6
IMF	2.1	2.4	2.0	2.2	1.6
Short term	9.8	10.5	9.7	9.0	8.6
Nonmonetary	5.3	6.0	6.2	6.2	5.0
Central bank	1.6	1.9	0.9	2.2	1.1
Commercial banks	3.0	2.6	2.6	0.7	2.5
Short term (in percent of total)	15.3	16.1	17.0	14.7	15.2
Memorandum item:					
GNP (current, in millions of U.S. dollars)	44,530	46,075	54,309	56,041	66,301

Source: Data provided by the Philippine authorities.

1/ Including central bank borrowings on-lent to the public and private sector.

Table 36. Philippines: Total External Debt by Type of Debt and Creditor, 1990-94

(In millions of U.S. dollars)

	1990			1991			1992			1993			1994		
	Medium- and Long- Term	Short- Term	Total	Medium- and Long- Term	Short- Term	Total	Medium- and Long- Term	Short- Term	Total	Medium- and Long- Term	Short- Term	Total	Medium- and Long- Term	Short- Term	Total
By type of debt	24,173	4,376	28,549	25,129	4,827	29,956	25,678	5,526	30,934	29,247	5,035	34,282	31,982	5,716	37,698
Nonmonetary 1/	18,399	2,345	20,744	19,746	2,745	22,491	23,381	3,339	26,720	28,435	3,444	31,879	30,867	3,285	34,152
Public 2/	16,444	514	16,958	18,138	315	18,453	21,410	335	21,745	26,194	389	26,583	27,102	91	27,193
Private	1,955	1,831	3,786	1,608	2,430	4,038	1,971	3,004	4,975	2,241	3,055	5,296	3,765	3,194	6,959
Banking system	5,774	2,031	7,805	5,383	2,082	7,465	2,297	1,917	4,214	812	1,591	2,403	1,115	2,430	3,545
Central bank	4,786	695	5,481	4,431	894	5,325	1,808	495	2,303	80	1,208	1,288	99	756	855
Commercial banks	988	1,336	2,324	952	1,188	2,140	489	1,422	1,911	732	383	1,115	1,016	1,674	2,690
By creditor	24,173	4,376	28,549	25,129	4,827	29,956	25,678	5,526	30,934	29,247	5,035	34,282	31,982	5,716	37,698
Commercial banks	7,928	3,054	10,982	7,445	3,006	10,451	5,884	3,199	9,083	2,984	2,698	5,682	2,766	3,275	6,040 3/
Other financial institutions	455	54	509	463	93	556	224	100	324	201	102	303	...	0.0	...
Suppliers' credits	1,045	1,267	2,312	1,074	1,728	2,802	1,006	1,957	2,963	950	2,235	3,185	1,134	2,415	3,549
Multilateral	6,005	0.0	6,005	6,499	0.0	6,499	7,168	0.0	7,168	7,830	0.0	7,830	8,216	9	8,149
Of which:															
World Bank	3,322	0.0	3,322	3,445	0.0	3,445	3,473	0.0	3,473	3,936	0.0	3,936	3,985	0.0	3,985
AsDB	1,686	0.0	1,686	1,889	0.0	1,889	2,113	0.0	2,113	2,300	0.0	2,300	2,558	0.0	2,558
IMF	912	0.0	912	1,086	0.0	1,086	1,100	0.0	1,100	1,210	0.0	1,210	1,064	0.0	1,064
Export credit agencies	3,689	0.0	3,689	3,659	0.0	3,659	3,351	0.0	3,351	3,997	0.0	3,997	...	0.0	...
Of which:															
Japan	1,116	0.0	1,116	1,553	0.0	1,553	1,773	0.0	1,773	2,544	0.0	2,544	...	0.0	...
United States	860	0.0	860	870	0.0	870	952	0.0	952	854	0.0	854	...	0.0	...
Other bilateral	4,857	0.0	4,858	5,913	0.0	5,913	7,977	0.0	7,977	9,372	0.0	9,372	15,033	0.0	15,033
Of which:															
Japan	3,560	0.0	3,560	4,378	0.0	4,378	6,176	0.0	6,176	7,577	0.0	7,577	...	0.0	...
United States	712	0.0	712	733	0.0	733	702	0.0	702	684	0.0	684	...	0.0	...
Other	279	0.0	279	155	0.0	155	151	0.0	151	3,896	0.0	3,896	4,910	1.7	4,910

Source: Data provided by the Philippine authorities.

1/ Includes prefinancing of exports.

2/ For 1993, includes Central Bank - Board of Liquidators.

3/ Includes other financial institutions.

Table 37. Philippines: External Debt Service, 1990-94

	1990	1991	1992	1993	1994
(In millions of U.S. dollars)					
Debt service before rescheduling and accumulation of arrears	4,559	4,391	3,981	3,951	4,899
Principal (excluding IMF)	<u>2,197</u>	<u>2,104</u>	<u>2,124</u>	<u>2,401</u>	<u>2,980</u>
Multilateral	378	389	428	473	566
Bilateral	505	736	822	957	1,252
Banks and financial institutions 1/	1,074	806	688	801	837
Other	241	173	186	171	325
IMF repurchase	<u>336</u>	<u>294</u>	<u>154</u>	<u>64</u>	<u>272</u>
Interest	<u>2,026</u>	<u>1,993</u>	<u>1,703</u>	<u>1,485</u>	<u>1,469</u>
Multilateral	563	613	594	634	654
Bilateral	500	621	570	577	695
Banks and financial institutions	904	703	499	191	30
Other	59	56	43	83	90
Rescheduling	<u>1,765</u>	<u>1,694</u>	<u>1,695</u>	<u>817</u>	<u>478</u>
Paris Club	610	807	1,007	211	—
Commercial banks	1,155	887	688	607	478
Change in arrears	—	—	—	—	178
Debt service after rescheduling and changes in arrears	<u>2,794</u>	<u>2,697</u>	<u>2,286</u>	<u>3,133</u>	<u>4,243</u>
(In percent of exports of goods and services)					
Debt-service ratio (including IMF)					
Before rescheduling	35.0	30.4	23.1	20.9	20.4
After rescheduling and changes in arrears	21.5	18.6	13.2	16.6	17.7
Ratio of interest payments (before rescheduling) to GNP	4.5	4.3	3.1	2.6	2.2

Sources: Data provided by the Philippine authorities; and staff estimates.

1/ Excluding monetary liabilities and debt conversions.