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EBD/84/165
Supplement 1

June 12, 1984

To: Members of the Executive Board
From: The Acting Secretary
Subject: Philippines - Exchange Arrangements

There is attached for the information of the Executive Directors, a paper on the recent changes in the exchange arrangements of the Philippines.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Philippines--Exchange Arrangements

Prepared by the Asian Department and Exchange and Trade
Relations Department

Approved by Hubert Neiss and Manuel Guitian

June 11, 1984

The Executive Director for the Philippines has notified the Fund of recent changes in the guiding rate for the Philippine peso and in the Philippine exchange arrangements as described in EBD/84/165 (6/7/84).

On June 6, 1984, the guiding rate of the Philippine peso was set at P 18.002 = US\$1, compared with a guiding exchange rate of P 14.002 = US\$1 on June 5, 1984, resulting in a depreciation of 22.2 percent in terms of U.S. dollar. The buying and selling rates were set as follows:

Buying	
Minimum	P 17.822 = US\$1
Maximum	P 17.912 = US\$1

Selling	
Minimum	P 18.138 = US\$1
Maximum	P 18.317 = US\$1

This action follows depreciations of the peso from P 10.20 = US\$1 to P 11.0015 = US\$1 on June 23, 1983 (7.29 percent) and from P 11.0015 = US\$1 to P 14.002 = US\$1 on October 5, 1983 (21.42 percent). ^{1/} The evolution of the real effective exchange rate of the Philippine peso for the period through February 1984 was described in "Philippines - Real Effective Exchange Rate Information Notice," EBS/84/51, 3/9/84.

Also on June 6, 1984, the authorities introduced several tax measures affecting the Philippine trade and exchange arrangements. These comprise the following: (a) a 10 percent excise tax on foreign exchange sold by the Central Bank of the Philippines and the authorized agent banks except for payment of merchandise imports; (b) an economic stabilization tax on the difference between the gross f.o.b. value of export shipments using current guiding rates and the gross f.o.b. value of shipments using the rate of P 14 = US\$1 (the tax rate was set at

^{1/} "Philippines - Exchange Arrangements," EBS/83/220, October 5, 1983.

30 percent until 9/30/84, 25 percent until 12/31/84, 20 percent until 3/31/85, 15 percent until 6/30/85, 10 percent until 9/30/85 and 5 percent until 12/31/85); and, (c) an increase in the import duty surcharge from 8 percent to 10 percent.

At the same time the authorities reduced the foreign exchange surrender requirement to the Central Bank imposed on the authorized export banks from 100 percent to 80 percent while maintaining the allocation scheme for foreign exchange on the basis of officially set priorities.

Additional taxes on fuel, further controls on foreign and domestic borrowing by public corporations, and budgetary expenditure cuts were also imposed.

A staff report for the 1984 Article IV Consultation (EBS/84/117) has been issued on May 29, 1984 and it is scheduled for discussion at the Executive Board on June 29, 1984. The staff expects to issue a report with supplementary information before the Board meeting. This report will contain a detailed description of the measures taken and of other developments since the issuance of the staff report and their appraisal by the staff. In the meantime, no action is required by the Executive Board.