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SM/82/55
Supplement 1

CONTAINS CONFIDENTIAL
INFORMATION

April 28, 1982

To: Members of the Executive Board
From: The Secretary
Subject: Philippines - Staff Report for the 1982 Article IV Consultation

The attached supplement to the staff report for the 1982 Article IV consultation with the Philippines has been prepared on the basis of additional information.

This subject has been scheduled for discussion on Friday, April 30, 1982.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

PHILIPPINES

1982 Article IV Consultation--Supplementary Information

Approved by P.R. Narvekar and Manuel Guitian

April 28, 1982

This paper presents information that has become available since the Staff Report for the 1982 Article IV Consultation with the Philippines (SM/82/55, 3/23/82) and the report on Recent Economic Developments (SM/82/66, 4/9/82) were issued. The information was obtained by a staff mission that recently visited Manila for preliminary discussions on possible future use of Fund resources by the Philippines.^{1/} Table 1 presents the latest data and estimates and indicates the revisions to the estimates for 1981 and the projections for 1982 (see Charts 1, 2 and 3). The staff believes that the appraisal contained in the Staff Report remains broadly appropriate in light of the new information.

1. Economic growth

The Staff Report (SM/82/55, 3/23/82) and the report on Recent Economic Developments (SM/82/66, 4/9/82) reported that in January 1982 the preliminary official estimate of real GNP growth in 1981 was set at 4.9 per cent. The extremely limited primary data on domestic production and expenditure available for the preparation of this estimate attested to its highly tentative nature. The staff found it difficult to reconcile the preliminary estimate with other official data available which suggested a lower growth rate. The January growth estimate has now been superseded with the release in April 1982 of a revised set of national accounts data for 1979-81. According to the new estimates, the growth of real GNP in 1980 and 1981 was 4.4 per cent and 3.8 per cent, respectively, the latter still being a preliminary figure.^{2/} The main differences between the January and April GNP estimates for 1980 and 1981 are summarized in Table 2 and Appendix Table 1.^{3/}

^{1/} The staff team, consisting of Messrs. Salgado, Healy, Kincaid (all ASD), Lipsky (ETR), and Pettersen (FAD), and Miss Allen (ASD, secretary), visited Manila during April 11-22.

^{2/} In this report, all ratios to GNP are calculated in terms of the revised official estimates of GNP for 1979-81, and the revised official projection of GNP for 1982, unless otherwise indicated.

^{3/} The revised data on government construction indicate a sharp decline in 1980, whereas the earlier estimate had shown a moderate growth; estimates of growth in private and government construction in 1981 were substantially revised upward. Estimates of growth in manufacturing were revised downward by similar margins in 1980 and 1981. The growth of

Table 1. Philippines: Selected Economic Indicators, 1979-82

	1979	1980	1981		1982	
			Actuals or estimates		Official projections	
			Original <u>1/</u>	Revised <u>2/</u>	Original <u>1/</u>	Revised <u>2/</u>
(Changes in per cent)						
Real GNP	6.8	4.4	2.5 <u>3/</u>	3.8	5.1	4.1
Consumer prices <u>4/</u> (annual average)	18.8	17.8	11.8	11.8	10.0	11.0
Exports, f.o.b.	34.3	25.8	2.1	-1.1	10.8	11.0
Imports, c.i.f.	29.8	25.8	8.7	2.9	7.1	8.1
Total liquidity	10.7	18.2	15.8	15.8	18.0	15.5
Net domestic assets <u>5/</u>	20.4	24.1	22.2	22.2	23.2	22.6
Net credit to the public sector <u>5/</u>	8.3	3.4	8.2	8.2	7.0	6.7
Velocity	7.5	4.7	-0.9	-1.4	0.9	-0.1
(In per cent of GNP)						
National Government revenue	13.5	13.1	11.7	11.7	11.5	10.9
National Government expenditure	13.6	14.4	15.6	15.7	14.5	13.7
Current budget surplus	4.1	3.8	3.0	3.1	2.9	2.7
Overall budget deficit (-)	-0.1	-1.3	-3.9	-4.0	-3.0	-2
Foreign financing	1.4	0.8	1.9	2.0	1.5	1.4
Domestic financing	-1.3	0.5	2.0	2.0	1.5	1.4
Of which: Banking system	-0.1	0.5	1.8	1.8	1.3	1.3
(In millions of U.S. dollars)						
Current account	-1,576	-2,051	-2,412	-2,303	-2,660	-2,330
(As per cent of GNP)	(-5.3)	(-5.8)	(-6.2)	(-6.0)	(-6.5) <u>6/</u>	(-5.4) <u>6/</u>
Overall balance of payments	-579	-352	-486	-486	-500	-550
Gross official reserves	2,423	3,155	2,697	2,707	...	...
Debt service, including IMF	1,120	1,259	1,652	1,664	2,313	2,040
(As per cent of exports of goods and nonfactor services)	(20.4)	(18.2)	(22.6)	(22.7)	(28.4)	(25.3)
Disbursed medium- and long-term external debt outstanding	7,137	8,554	10,054	10,028	...	...
(As per cent of GNP)	(24.0)	(24.1)	(26.0)	(25.9)	...	...

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

1/ Actuals or latest estimates for 1981 and projections for 1982 as provided by the authorities in January 1982; ratios to GNP are calculated on the basis of tentative staff estimate of real GNP growth rate for 1981.

2/ As provided by the authorities in April 1982; ratios to GNP are calculated on the basis of April 1982 estimates of GNP.

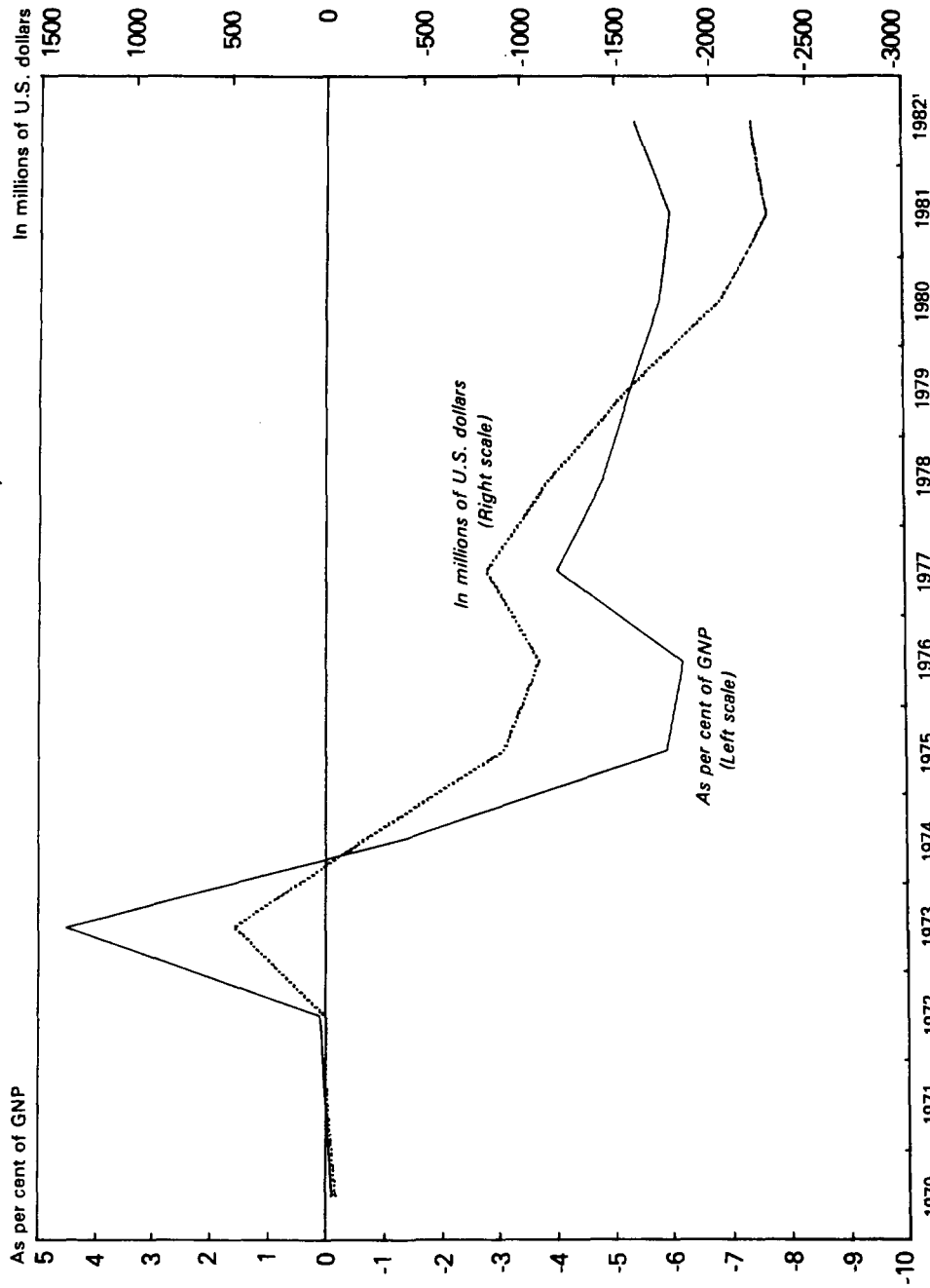
3/ Tentative staff estimate as of January 1982.

4/ Metropolitan Manila.

5/ As per cent of the stock of liquidity at beginning of period.

6/ Based on an appropriate exchange rate assumption.

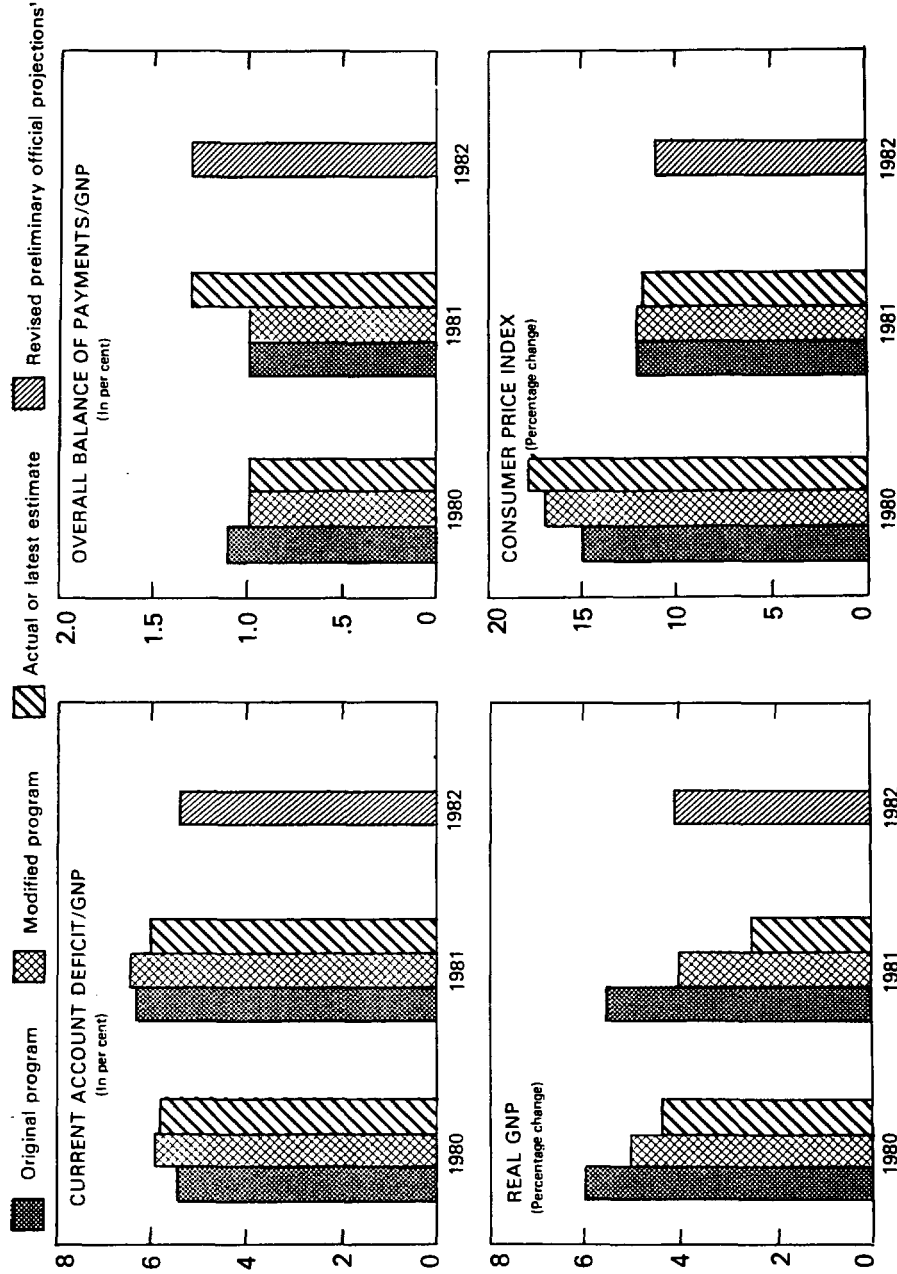
CHART 1
PHILIPPINES
CURRENT ACCOUNT BALANCE, 1970-82



Source: Data provided by the Philippine authorities.
1 Preliminary as of April 1982.

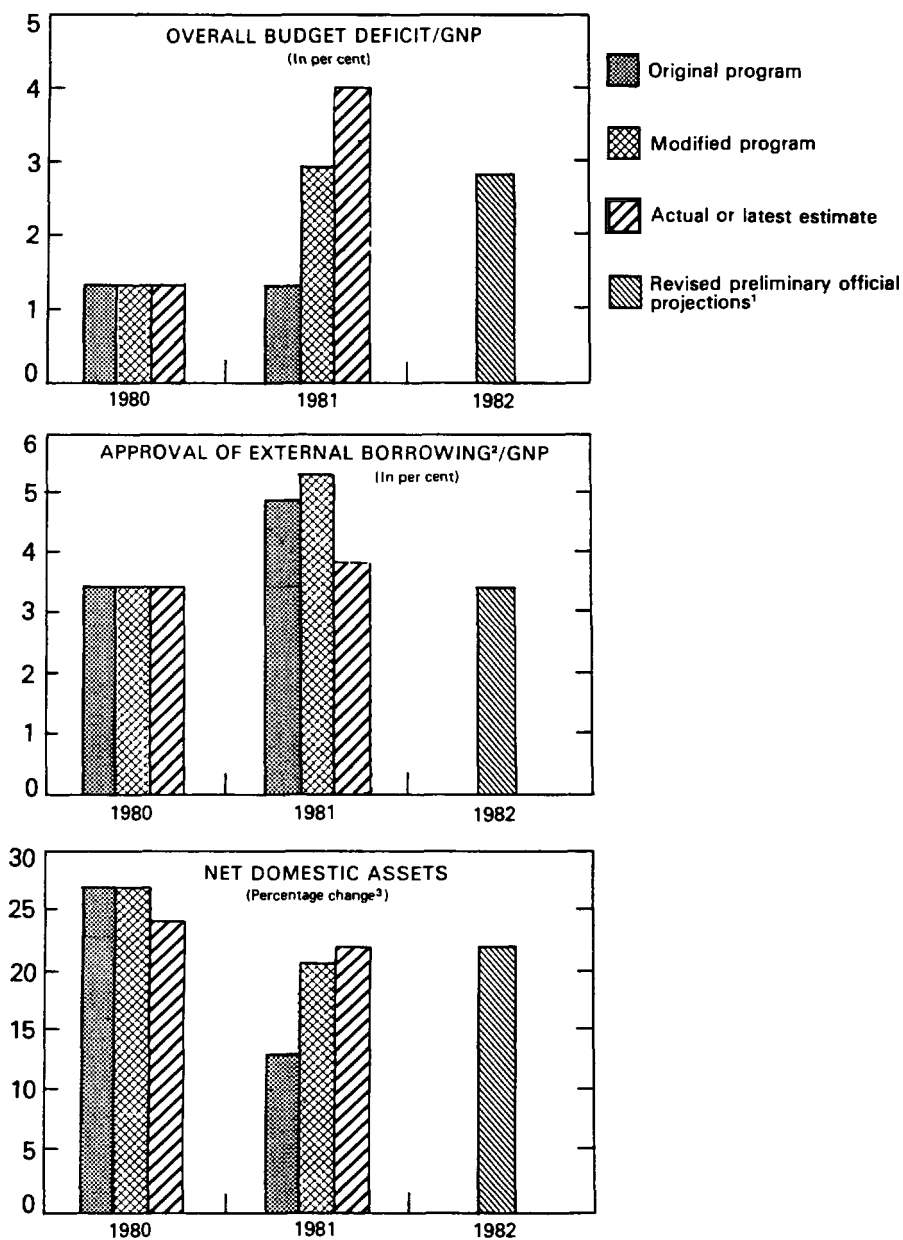
CHART 2
PHILIPPINES

PROGRAM TARGETS AND ESTIMATED OUTTURN, 1980-82



Source: Data supplied by the Philippine authorities and Fund staff estimates.
 Note on GNP data used: (a) in pesos; 1980 is official data, 1981 is revised preliminary official estimate; (b) in dollars; 1980-81 is peso data converted at an actual average exchange rate; 1982 is peso data converted at exchange rate assumed by Fund staff.
 *Projections as of April 1982.

CHART 3
PHILIPPINES
SELECTED POLICY INDICATORS--TARGETS
AND OUTTURN, 1980-82



Source: Data supplied by the Philippine authorities and Fund staff estimates.
Note on GNP data used: (a) in pesos; 1980 is official data, 1981 is revised preliminary official estimate;
(b) in dollars: 1980-81 is peso data converted at an actual average exchange rate;
1982 is peso data converted at exchange rate assumed by Fund staff.
¹Projections as of April 1982.
²More than one year up to and including twelve years.
³As per cent of liquidity at beginning of period

Table 2. Philippines: Aggregate Demand and Supply, 1980-81

(Growth rates at constant 1972 prices)

	1980		1981	
	Original <u>1/</u>	Revised <u>2/</u>	Original <u>1/</u>	Revised <u>2/</u>
Consumption	4.8	4.8	4.7	4.0
Private	4.8	4.8	4.7	4.0
Government	4.8	4.8	4.7	4.1
Gross domestic capital formation	6.0	1.0	2.4	2.3
Fixed capital formation	8.9	2.8	3.6	3.5
Construction	9.6	0.2	4.5	8.3
Private	13.2	13.2	4.1	8.6
Government	5.0	-12.8	5.1	7.9
Machinery and equipment	8.3	5.5	2.8	-1.0
Exports of goods and nonfactor services	15.5	16.0	-3.4	1.6
Imports of goods and nonfactor services	5.5	5.4	-6.1	-2.9
Gross domestic product	5.8	4.9	4.8	3.8
Of which:				
Agriculture, fishery, and forestry	4.9	5.0	4.3	3.6
Manufacturing	5.9	4.2	5.1	3.4
Construction	9.7	0.3	5.8	9.7
Commerce	5.5	7.0	5.0	1.8
Gross national product	5.4	4.4	4.9	3.8
<u>Memorandum items:</u>				
GNP at current prices in billions of pesos	264.3	265.0	313.6	305.5
(Growth rate)	(21.1)	(20.0)	(18.7)	(15.3)
GNP at constant 1972 prices in billions of pesos	92.9	92.6	97.4	96.1

Source: Data provided by the National Economic and Development Authority.

1/ As provided by the authorities in January 1982.

2/ As provided by the authorities in April 1982.

The revised estimates show a sharp deceleration in the rate of real GNP growth from 6.8 per cent in 1979 to 3.8 per cent in 1981, its lowest level in over a decade. To a large extent, the deceleration in growth reflected weak investment activity. The revised data indicate that real gross domestic capital formation grew at an annual compound rate of only about 1.6 per cent during the period, reflecting stagnant construction activity in 1980 followed by a decline in the demand for durable equipment in 1981. Real exports of goods and nonfactor services, which expanded by 16 per cent in 1980, increased by less than 2 per cent in 1981. Real imports of goods and nonfactor services, which increased by 5 per cent in 1980, declined by 3 per cent in 1981.

Reflecting the weak demand conditions during 1980-81, most sectors of the economy experienced depressed growth rates (Appendix Table II). Growth in manufacturing output, which increased by over 5 per cent in real terms in 1979, decelerated in the following two years. Growth in mining and quarrying output was also sluggish. Real value-added in commerce is estimated to have risen by less than 2 per cent in 1981, reflecting a substantial slowdown in wholesale and retail trade and a decline in value-added in financial services due to the banking crisis. Agricultural output in 1981 was adversely affected by unfavorable weather, including a severe typhoon in the latter part of the year.

At the time of the Article IV consultation discussions, the authorities presented preliminary projections for 1982 that included a 5.1 per cent growth in real GNP and a 10 per cent increase in the CPI. The difficult international and domestic conditions confronting the Philippines led the staff to suggest a more moderate growth target of 4 per cent in 1982. In April, the authorities revised the official growth projection for 1982 downward to 4.1 per cent. The projected rate of increase in the CPI in 1982 was revised to 11 per cent to take account of price movements in the first quarter of the year and to allow for a proposed upward adjustment in mid-1982 of the prices of several items, including food staples and electricity, subject to price controls.

2. Government finance

According to preliminary outturns made available in April 1982, the overall budget deficit of the National Government amounted to P 12.1 billion (4.0 per cent of GNP) in 1981, slightly higher than the estimate of P 11.9 billion (3.9 per cent of GNP) provided by the authorities in

(Continued from p. 1) value-added in commerce was adjusted upward for 1980 but revised downward for 1981 to take account of recent information regarding the effects of the financial crisis on banking activity. The trade data show a smaller decline in the real growth of imports of goods and nonfactor services in 1981 than had previously been indicated. The estimate of the volume of exports of goods and nonfactor services, which had previously shown a decline in 1981, now shows a small increase.

January 1982 (Table 3). Both revenue and expenditure conformed quite closely to the January estimates. Total revenue exceeded the estimate by P 0.2 billion, with higher receipts from nontax sources offsetting a small shortfall in tax revenue, while total expenditure exceeded the estimate by P 0.4 billion on account of higher capital expenditure.

Substantial revisions have been made to the budgetary estimates for 1982. The revised budget provides for an overall deficit of P 10.0 billion (2.8 per cent of GNP) down from P 10.5 billion (3.0 per cent of GNP). The projected growth in revenue has been lowered from 14.0 per cent to 7.5 per cent, with the scaling down affecting all major revenue categories (Appendix Tables III and IV). Tax revenue is projected to increase by 8.6 per cent which would result in a further decline in the tax ratio to GNP from 10.2 per cent in 1981 to 9.6 per cent in 1982. The implementation in early April of tax increases on liquors is estimated to contribute P 180 million to revenue, but no additional tax measures are expected to be introduced in 1982.^{1/} The authorities plan to raise various administrative fees and charges in the near future, but the estimated revenue gain of P 100 million is expected to be offset by lower investment income, with no increase in nontax revenue in 1982.

To contain the deficit in 1982 at the targeted level, the budgeted increase in total expenditure has been reduced from 7.6 per cent to 1.1 per cent. Expenditure estimates have been lowered for all major components, except for interest payments and infrastructural investment (Appendix Table V). Current expenditure will increase by 9.9 per cent over the previous year's level with more than three fourths of this increase accounted for by higher interest payments and allotments to local governments. Expenditure on personal services will increase by only 5.0 per cent, while there is no increase in maintenance and other operating expenditures, in part reflecting further cutbacks in fertilizer subsidies. Capital expenditure declines by 9.6 per cent from the high 1981 level, with equity contribution and infrastructural investment declining by 22.2 per cent and 10.0 per cent, respectively. Other capital outlays will increase by 7.4 per cent, while onlending from the first IBRD structural adjustment loan accounts for a sharp increase in net lending of 66.6 per cent.

Preliminary data for the first two months of 1982 indicate continued weakness in revenue and a high rate of expenditure, reflecting, in part, a substantial carryover of expenditure from 1981. While the net use of credit from the banking system was P 2.1 billion during the first two months, the budget estimate of P 4.5 billion for the whole of 1982 has not been revised upward. The authorities have recently imposed ceilings on the build-up of deposits with the Development Bank of the Philippines and

^{1/} An export tax on copra was reinstated in January 1982 with the objective of promoting export of processed products with higher value-added, such as coconut oil, dessicated coconut, copra cake, etc., but the revenue effect of this measure was small.

Table 3. Philippines: National Government Cash Budget, 1979-82

(In billions of Philippine pesos)

	1979	1980	1981		1982	
			Original 1/	Revised 2/	Official projections Original 1/	Revised 2/
Revenue						
Tax revenue	29.5	34.7	35.7	35.9	40.7	38.6
Nontax revenue 3/	25.9	30.5	31.7	31.4	36.0	34.1
	3.6	4.2	4.0	4.5	4.7	4.5
Expenditure						
Current expenditure	29.8	38.1	47.6	48.0	51.2	48.6
Capital expenditure 4/	20.6	24.5	26.5	26.4	30.4	29.0
	9.2	13.6	21.1	21.6	20.8	19.6
Overall surplus/deficit (-)	-0.3	-3.4	-11.9	-12.1	-10.5	-10.0
Financing						
Foreign borrowing (net)	0.3	3.4	11.9	12.1	10.5	10.0
Gross borrowing	3.2	2.0	5.9	6.0	5.3	4.8
Amortization	(3.7)	(2.9)	(7.0)	(6.7)	(6.3)	(5.8)
Domestic borrowing (net)	(-0.5)	(-0.9)	(-1.1)	(-0.7)	(-1.0)	(-1.0)
Banking system	-2.9	1.4	6.0	6.1	5.2	5.2
DBP and LBP 5/	(-0.2)	(1.2)	(5.5)	(5.5)	(4.5)	(4.5)
Other 6/	(-1.0)	(-1.4)	(-2.0)	(-2.0)	(...)	(...)
	(-1.7)	(1.6)	(2.5)	(2.6)	(...)	(...)

Memorandum item:

Overall surplus/deficit (-)
as a percentage of GNP -0.1 -1.3 -3.9 -4.0 -3.0 -2.8

Source: Data provided by the Ministry of Finance and the Central Bank of the Philippines.

1/ Originals refer to latest estimates for 1981 and projections for 1982 as provided in January 1982; calculation of overall surplus/deficit as a percentage of GNP is based on tentative staff estimate of real GNP growth rate for 1981.

2/ Revised figures refer to preliminary actuals for 1981 and revised projections for 1982 as provided in April 1982.

3/ Includes minor amounts of grants.

4/ Includes government equity contribution and net lending.

5/ provided in April 1982.

6/ The DRP and LRP are not part of the consolidated banking system, as presented in the

the Land Bank of the Philippines and plan to contain bank financing at the budgeted level by issuing Treasury notes at competitive interest rates.

3. Monetary developments in 1982

During the first two months of 1982, the principal monetary aggregates exhibited the same broad trends as at the end of 1981 (Table 4). The 12-month growth of total liquidity was 15.1 per cent in February 1982 compared with 15.8 per cent in December 1981. With higher interest rates for time and savings deposits, the shift from demand deposits into time and savings deposits that began in 1981 has continued into 1982, with demand deposits declining by 3.3 per cent and time and savings deposits rising by 24.6 per cent. The movement into deposit substitutes has slowed markedly from 28.7 per cent in December 1981 to 10.9 per cent in February 1982, reflecting a return to the trend existing prior to the confidence crisis.

In relation to the stock of total liquidity at the beginning of the period, net domestic assets expanded by 23.3 per cent in the 12 months to February 1982 compared with 22.2 per cent in the 12 months to December 1981. Over the same period, net credit to the public sector rose by 65.3 per cent by February 1982, compared with 52.8 per cent by December 1981, under the impetus of a continued rapid increase in net credit to the National Government. In contrast, credit to the private sector rose by 15.5 per cent in February 1982, compared with 12.6 per cent in December 1981, but still below the 1980 rate of increase.

From December 1981 to February 1982, deposit money banks (DMBs) have concentrated their asset accumulation in foreign currency. DMBs improved their net foreign asset position by P 1,081 million even when the balance of payments deficit caused overall net foreign assets to decline by P 3,128 million. Thus, the Central Bank financed both the external deficits and the DMBs' preference for foreign assets. The behavior of the DMBs has been attributed, in part, to the relatively higher rate of return, taking into account depreciation of the peso, available on foreign placements in U.S. dollars. In an effort to counter the foreign asset accumulation of DMBs, the Central Bank in March 1982 closed its rediscount windows to banks with "excess" foreign exchange holdings.

Developments during the first two months of 1982 led the authorities to revise their projections for the monetary accounts made at the time of the Article IV consultation discussions. The growth rate for total liquidity has been lowered from 18.0 per cent to 15.5 per cent, a rate of increase similar to that in 1981 and only slightly above the 12-month growth rate experienced in February 1982. The revised expansion in net domestic assets, in relation to the stock of liquidity at the beginning of the period, is virtually unchanged at 23 per cent, despite the lower

Table 4. Philippines: Monetary Survey, 1979-82

(In millions of Philippine pesos)

	Dec. 1979	Dec. 1980	Dec. 1981 1/	Dec. 1981 2/	Feb. 1982 2/	December 1982 2/ Official Projections Original 3/ Revised 4/	
(In millions of Philippine pesos)							
Net foreign assets	-7,164	-10,536	-14,876	-14,876	-18,004	-18,980	-20,366
Central Bank	5,646	3,389	-2,330	-2,330	-6,539	...	...
Deposit money banks	-12,810	-13,925	-12,546	-12,546	-11,465	...	...
Net domestic assets	64,524	78,339	93,415	96,967	100,299	115,876 5/	115,181
Total domestic credit	79,551	95,269	111,148	115,805	120,145	...	...
Net credit to public sector 6/	8,637	10,573	16,152	16,399	18,877	21,899	21,899
Of which: National Government, net (3,098)	(4,336)	(9,613)	(9,793)	(11,922)	(14,293)	(14,293)	(14,293)
Credit to private sector	70,914	84,696	94,996	99,406	101,268	} 93,977	} 93,282
Other items, net	-15,027	-16,930	-17,733	-18,838	-19,846		
Total liquidity	57,360	67,803	78,539	82,091	82,295	96,896 5/	94,815
Narrow money	18,844	22,537	23,332	23,524	21,721	...	...
Time and savings deposits	26,565	32,894	39,284	42,115	43,119	...	...
Deposit substitutes	11,951	12,372	15,923	16,452	17,455	...	...
(Annual percentage changes) 7/ 8/							
Net domestic assets	20.4	24.1	22.2	...	23.3	23.0	22.2
Total liquidity	10.7	18.2	15.8	...	15.1	18.0	15.5
(Annual percentage changes) 8/							
Net credit to public sector 6/	5.3	22.4	52.8	...	65.3	33.5	33.5
Net credit to National Government	-5.3	40.0	121.7	...	121.9	46.0	46.0
Credit to private sector	29.2	19.4	12.6	...	15.5	...	...

Source: Data provided by the Central Bank of the Philippines.

1/ Excludes mergers of nonbank financial institutions into banking system.

2/ Includes mergers of nonbank financial institutions into banking system.

3/ As provided by the authorities in January 1982.

4/ As provided by the authorities in April 1982.

5/ Levels differ from those given in SM/82/55, because data in supplement includes mergers whereas data in SM/82/55 excluded effects of mergers.

6/ Defined as net credit to National Government plus gross credit extended to selected public sector entities.

7/ In relation to liquidity stock at beginning of the period.

8/ Because of mergers into the banking system, annual percentage changes for December 1981 are not comparable to other periods.

liquidity growth, because of the larger balance of payments deficit envisaged. The projected increases in net credit to the public sector and to the National Government of P 5.5 billion and P 4.5 billion, respectively, have not been modified.

4. Balance of payments

Revised balance of payments data (Table 5) show the current account deficit in 1981 was \$2.3 billion (6.0 per cent of GNP), compared to the earlier estimate of \$2.4 billion (6.2 per cent of GNP). Exports totaled \$5.7 billion, declining by 1.1 per cent from the 1980 level, as primary-product exports declined by 12.7 per cent (Appendix Table VII). The revised export total is \$0.2 billion below the earlier figure, and reflects reductions in all export categories except nontraditional exports. Total export volume declined by 0.5 per cent. Imports totaled \$8.0 billion, increasing by 2.9 per cent; import volume declined by 5.5 per cent. The earlier import estimate of \$8.4 billion had included substantial over-estimates of imports of petroleum and capital goods (Appendix Table VIII). The revised deficit in investment income has corrected an earlier under-estimate of interest payments on short-term debt. The estimate of net long-term capital inflow has been revised to \$1.7 billion from the earlier figure of \$1.6 billion. The revisions in the current account and in long-term capital inflow have resulted in a substantially higher outflow under "short-term capital and errors and omissions."

Projections for 1982 have been substantially modified, a current account deficit of \$2.2 billion (5.5 per cent of GNP) is now expected, compared to the earlier estimate of \$2.7 billion (6.5 per cent of GNP). Much of the reduction in the projected current deficit is due to a decline in the trade deficit, as exports are now projected to grow by 11.0 per cent and imports by 8.1 per cent. As the projected overall 1982 balance of payments deficit has increased to \$550 million, the projected lower current deficit has been offset by a lower short- and long-term capital inflow.

Tentative balance of payments estimates now available for the first quarter of 1982 indicate that export performance has continued at the relatively low level of the last quarter of 1981 and that the current account deficit was virtually unchanged. However, because of a much lower net capital inflow, the current deficit has been mainly financed by a \$525 million drawdown of net international reserves.

As a result of the data revisions, the 1981 debt service ratio (including payments to the Fund, and using exports of goods and nonfactor services as the denominator), has increased slightly to 22.7 per cent

Table 5. Philippines: Summary Balance of Payments, 1978-82

(In millions of U.S. dollars)

			1981		1982	
	1979	1980	Original 1/	Revised 2/	Official projections Original 1/	Revised 2/
Goods, services, and transfers	-1,576	-2,051	-2,412	-2,303	-2,660	-2,230
Trade balance	-1,541	-1,939	-2,490	-2,230	-2,450	-2,250
Exports, f.o.b.	4,601	5,788	5,910	5,722	6,550	6,350
Imports, f.o.b.	-6,142	-7,727	-8,400	-7,952	-9,000	-8,600
Of which: Petroleum	(-1,371)	(-2,226)	(-2,713)	(-2,439)	(-2,440)	(-2,432)
Services and transfers	-35	-112	78	-73	-210	20
Investment income (net)	-527	-732	-958	-1,130	-1,332	-1,353
Other services (net)	137	186	566	585	596	840
Transfers (net)	355	434	470	472	526	533
Capital movements	997	1,699	1,926	1,817	2,160	1,680
Long-term capital (net)	1,121	1,096	1,592	1,739	1,910	1,623
Direct investment (net)	99	45	392	407	542	451
Borrowing (net)	1,022	1,051	1,200	1,332	1,368	1,172
Short-term capital and errors and omissions	-165	475	-66	-322	118	-75
Monetization of gold	41	128	400	400	132	132
Changes in net international reserves of the banking system	-579	-352	-486	-486	-500	-550
(In millions of U.S. dollars; end of period)						
Memorandum items:						
Gross official reserves	2,423	3,155	2,707	2,707	...	...
Total external debt	7,137	8,554	10,054	10,028	...	...
Public external debt	5,066	6,099	7,073	7,168	...	...
(In per cent of GNP)						
Current account deficit	5.3	5.8	6.2	6.0	6.5	5.4
Merchandise exports	15.5	16.3	15.3	14.8	16.0	15.5
Petroleum imports	4.6	6.3	7.0	6.3	5.9	5.9
Nonpetroleum imports	16.1	15.5	14.7	14.3	16.0	15.0
Debt service	3.5	3.0	4.0	4.3	5.7	5.0
Interest	(1.6)	(1.7)	(2.2)	(2.3)	(3.2)	(2.7)
Amortization	(1.8)	(1.3)	(1.8)	(2.0)	(2.5)	(2.3)

Source: Data provided by the Central Bank of the Philippines.

1/ Originals refer to estimates for 1981 and preliminary projections for 1982 as provided in January 1982.

2/ Revised figures refer to preliminary actuals for 1981 and revised projections for 1982 as provided in April 1982.

from the earlier figure of 22.6 per cent.^{1/} Based on the revised 1982 balance of payments projection which embodies a lower international interest rate (e.g., LIBOR and SIBOR), the 1982 ratio is expected to reach 25.3 per cent rather than the original projection of 28.4 per cent.

Final data indicate that the peso depreciated on a December to December basis in 1981 by 0.8 per cent in nominal effective terms, and appreciated by 4.0 per cent in real effective terms. The peso has continued to depreciate against the U.S. dollar thus far in 1982 at a rate similar to the 8 per cent annual rate of 1981. However, the strengthening of the dollar against major currencies meant that the peso appreciated by 3.7 per cent in nominal effective terms during the first quarter of 1982, and probably appreciated by at least this amount in real effective terms.

^{1/} In Fund documents relating to the 1980-81 stand-by arrangement, the debt service ratio was calculated using total current account receipts as the denominator. On this basis, the debt service ratio was 15.1 per cent in 1980, increasing to 19.0 per cent in 1981. Using the debt service payments assumed for 1982 in Appendix I of SM/82/55 (3/23/82) and the new 1982 balance of payments projection presented here, the 1982 ratio would be 23.5 per cent.

Table I. Philippines: Growth Rates of Expenditure on Gross
National Product at Constant 1972 Prices, 1977-81 1/

(In per cent per annum)

	1977	1978	1979	1980	1981 <u>2/</u>
Consumption	7.3	5.1	4.4	4.8	4.0
Private	7.4	5.2	4.5	4.8	4.0
Government	-1.5	4.5	2.6	4.8	4.1
Gross domestic capital formation	3.0	10.9	14.1	1.0	2.3
Fixed capital formation	4.9	11.9	15.5	2.8	3.5
Construction	10.6	4.7	19.7	0.2	8.3
Private	6.4	-3.3	10.0	13.2	8.6
Government	17.2	16.0	31.0	-12.8	7.9
Machinery and equipment	-0.7	19.6	11.7	5.5	-1.0
Exports of goods and services	18.7	-1.3	12.0	16.0	1.6
Imports of goods and services	3.1	16.0	12.8	5.4	-2.9
Expenditure on gross national product	7.0	6.8	6.8	4.4	3.8
<u>Memorandum item:</u>					
Growth rates of GNP at current prices	16.3	22.6	21.1	20.0	15.3

Source: Data provided by the National Economic Development Authority.

1/ The figures in the table differ from the figures in Appendix Table I in the report on Recent Economic Developments (SM/82/66) due to revisions in the data for the 1976-81 period.

2/ Revised preliminary official estimate provided in April 1982.

Table II. Philippines: Growth Rates of Gross Domestic Product
by Industrial Origin at Constant 1972 Prices, 1977-81 1/

(In per cent per annum)

	1977	1978	1979	1980	1981 <u>2/</u>
Agriculture, fishery, and forestry	5.0	4.7	4.5	5.0	3.6
Mining and quarrying	16.8	3.8	18.0	4.8	1.7
Manufacturing	11.7	8.1	5.4	4.2	3.4
Construction	6.0	6.2	20.4	0.3	9.7
Electricity, gas, and water	5.0	7.9	10.5	8.5	7.8
Transportation, communications, and storage	9.3	6.3	2.5	4.6	4.4
Commerce	5.6	6.5	7.3	7.0	1.8
Services	2.1	5.1	4.8	5.8	4.3
GDP at market prices	6.9	6.2	6.7	4.9	3.8

Source: Data provided by the National Economic Development Authority.

1/ The figures in the table differ from the figures in Appendix Table III in the report on Recent Economic Developments (SM/82/66) due to revisions in the data for the 1976-81 period.

2/ Revised preliminary official estimate provided in April 1982.

Table III. Philippines: National Government Budgetary Revenue and Expenditure--Growth Rates and Ratios to GNP, 1979-82

	1981		1982			
	1979	1980	Original 1/		Official projections	
			Revised 2/	Original 1/	Revised 2/	
<u>(Annual growth rates in per cent)</u>						
Revenue	22.9	17.6	2.9	3.5	14.0	7.5
Tax revenue	26.3	17.8	3.9	2.9	13.6	8.6
Nontax revenue	2.9	16.7	-4.8	7.4	17.5	--
Expenditure	13.7	27.9	24.9	26.1	7.6	1.1
Current expenditure	7.3	18.9	8.2	7.6	14.7	9.9
Capital expenditure	31.4	47.8	55.1	59.5	-1.4	-9.6
<u>(Ratios as a percentage of GNP)</u>						
Revenue	13.5	13.1	11.7	11.7	11.5	10.9
Tax revenue	11.9	11.5	10.4	10.3	10.2	9.6
Nontax revenue	1.6	1.6	1.3	1.4	1.3	1.3
Expenditure	13.6	14.4	15.6	15.7	14.5	13.7
Current expenditure	9.4	9.3	8.7	8.6	8.6	8.2
Capital expenditure	4.2	5.1	6.9	7.1	5.9	5.5

Source: Data provided by the Ministry of Finance.

1/ Originals refer to latest estimates for 1981 and projections for 1982 as provided in January 1982; ratios to GNP are calculated on the basis of tentative staff estimate of real GNP growth rate for 1981.

2/ Revised figures refer to preliminary actuals for 1981 and revised projections for 1982 as provided in April 1982.

Table IV. Philippines: National Government Budgetary Revenue, 1979-82
(In billions of Philippine pesos)

	1981			1982		
	1979		1980	1981		1982
	25.9	30.5		Original 1/	Revised 2/	Official projections Original 1/ Revised 2/
Tax revenue	25.9	30.5		31.7	31.4	36.0
Domestic based taxes	16.5	18.9		20.7	20.2	23.8
Taxes on income and profits	(6.8)	(8.7)		(9.6)	(9.8)	(11.0)
Excise duties	(5.5)	(5.6)		(6.3)	(6.2)	(7.2)
Sales and business tax	(3.5)	(3.7)		(3.8)	(3.7)	(4.5)
Other 3/	(0.7)	(0.9)		(1.0)	(0.6)	(1.1)
Taxes on international trade and transactions	9.4	11.6		11.0	11.2	12.2
Import duties 4/	(8.7)	(11.2)		(10.7)	(10.9)	(11.9)
Export duties	(0.7)	(0.4)		(0.3)	(0.3)	(0.3)
Nontax revenue 5/	3.6	4.2		4.0	4.5	4.7
Total revenue	29.5	34.7		35.7	35.9	40.7
						38.6

Source: Data provided by the Ministry of Finance.

- 1/ Originals refer to latest estimates for 1981 and projections for 1982 as provided in January 1982.
 2/ Revised figures refer to preliminary actuals for 1981 and revised projections for 1982 as provided in April 1982.
 3/ Includes property tax, documentary and stamp taxes, and unclassified tax revenue.
 4/ Consists of customs duties and import taxes.
 5/ Includes administrative fees and charges, property income, and minor amounts of grants.

Table V. Philippines: National Government Budgetary Expenditure, 1979-82
(In billions of Philippine pesos)

	1979		1980		1981		1982	
					Original 1/	Revised 2/	Official projections Original 1/ Revised 2/	
Current expenditure	20.6	24.5	26.5	26.4	26.5	26.4	30.4	29.0
Personal services	8.4	9.3	10.0	10.1	10.0	10.1	11.4	10.6
Maintenance and other operating expenditure	9.2	11.4	12.0	12.4	12.0	12.4	13.5	12.4
Allotments to local governments	1.2	1.5	1.7	1.5	1.7	1.5	2.2	2.2
Interest payments	1.8	2.3	2.8	2.4	2.8	2.4	3.3	3.8
Capital expenditure	9.2	13.6	21.1	21.6	21.1	21.6	20.8	19.6
Infrastructure	4.3	7.3	9.5	9.9	9.5	9.9	8.4	8.9
Other capital outlays	0.7	1.1	2.7	2.7	2.7	2.7	3.6	2.9
Equity contribution	3.4	4.5	7.9	8.1	7.9	8.1	6.6	6.3
Net lending	0.8	0.7	1.0	0.9	1.0	0.9	2.2	1.5
Total expenditure	29.8	38.1	47.6	48.0	47.6	48.0	51.2	48.6

Source: Data provided by the Ministry of Finance.

1/ Originals refer to latest estimates for 1981 and projections for 1982 as provided in January 1982.

2/ Revised figures refer to preliminary actuals for 1981 and revised projections for 1982 as provided in April 1982.

3/ Includes P 0.5 billion of contribution to the Industrial Rehabilitation Fund.

Table VI. Philippines: Central Bank of the Philippines--Reserve Money,
December 1978-March 1982

(In millions of Philippine pesos)

	1978 Dec.	1979 Dec.	1980 Dec.	1981		1982 March
				March	Dec.	
Net foreign assets	5,716	5,646	3,389	-546	-2,330	-9,237
Assets	(14,106)	(18,146)	(23,609)	(21,433)	(20,983)	(20,980)
Liabilities	(-8,390)	(-12,500)	(-20,220)	(-21,979)	(-23,313)	(-30,217)
Net claims on National Government	3,097	4,025	4,630	5,670	8,868	10,726
Claims	(5,727)	(6,324)	(6,965)	(7,438)	(11,328)	(13,159)
Deposits	(-2,630)	(-2,299)	(-2,335)	(-1,768)	(-2,460)	(-2,433)
Claims on other official entities	741	681	555	537	460	442
Claims on commercial banks	3,645	6,743	10,206	9,555	12,473	14,261
Claims on other financial institutions	3,267	4,131	4,860	6,479	6,909	6,732
Bonds (CBCIs)	-9,907	-11,941	-11,439	-11,597	-10,061	-9,713
Other items, net	5,534	5,344	3,991	3,506	1,366	2,616
Reserve money	12,093	14,629	16,192	13,604	17,685	15,827
(12-month percentage change)	(23.2)	(21.0)	(10.7)	(-2.4)	(9.2)	(16.3)

Source: Data provided by the Central Bank of the Philippines.

Table VII. Philippines: Increases in Exports by Category, 1971-81
(In millions of U.S. dollars)

	Compound Annual Growth Rate	Percentage Change Over Preceding Year				1981 Preliminary Revised	
		1981					
		1971-81	1979	1980	Preliminary Revised		
Principal primary exports	9.6	29.0	14.8	-8.2	-12.7	2,318	2,203
Coconut products	11.8	13.1	-20.3	-1.5	-7.8	808	756
Sugar products	10.0	11.1	175.0	-8.5	-7.6	603	609
Forestry products	5.5	49.4	2.0	-8.6	-18.2	457	409
Copper concentrates	10.9	76.0	23.9	-17.4	-21.3	450	429
Nontraditional exports	36.2	41.4	29.0	14.2	15.0	2,510	2,527
Manufactured	35.8	41.8	31.7	18.3	19.9	2,272	2,302
Primary 1/	41.5	39.0	13.0	-14.4	-19.1	238	225
Other 2/	17.9	35.3	52.6	1.6	-6.9	1,082	992
Total	17.1	34.3	25.8	2.1	-1.1	5,910	5,722

Source: Data provided by the Central Bank of the Philippines.

1/ Mainly comprises coffee, rice, and iron ore agglomerates.

2/ Mainly comprises fruits and vegetables, gold, nickel, marine products, unmanufactured tobacco, petroleum products, and abaca fibers.

Table VIII. Philippines: Increases in Imports by Category, 1971-81
(In millions of U.S. dollars)

	Compound Annual Growth Rate	Percentage Change Over Preceding Year				1981 Preliminary Revised	
		1981					
		1979	1980	Preliminary Revised			
Non-oil imports	18.3	28.9	15.3	3.4	-0.1	5,666	5,494
Capital goods	15.5	27.4	11.3	2.4	-2.9	2,034	1,929
Raw materials and intermediate goods	21.3	32.1	15.6	0.6	0.3	2,871	2,886
Consumer goods	20.0	19.2	28.4	19.3	6.4	761	679
Petroleum and petroleum products	33.1	33.1	62.4	21.6	10.4	2,734	2,458
Total	20.9	29.8	25.8	8.7	2.9	8,400	7,952

Source: Data provided by the Central Bank of the Philippines.

1/ Mainly comprises coffee, rice, and iron ore agglomerates.

2/ Mainly comprises fruits and vegetables, gold, nickel, marine products, unmanufactured tobacco, petroleum products, and abaca fibers.

PhilippinesBasic Data

Population (1981)	49.5 million
Population growth per annum (1981)	2.5 per cent
Real GNP growth per annum (1971-81)	6.1 per cent
GNP per capita (1981)	US\$781

	1978	1979	1980	1981 1/
<u>Selected aggregates as per cent of GNP</u>				
Gross domestic investment	29.0	31.2	30.6	30.5
Gross domestic savings	22.9	26.8	25.5	25.8
Agricultural production	26.6	25.1	23.3	22.7
Manufacturing production	24.9	24.4	24.9	24.6
National Government revenue	13.5	13.5	13.1	11.7
National Government expenditure	14.7	13.6	14.4	15.7
Current budget surplus	2.7	4.1	3.8	3.1
Overall budget surplus/deficit (-)	-1.3	-0.1	-1.3	-4.0
Foreign financing	1.1	1.4	0.8	2.0
Domestic financing	0.2	-1.3	0.5	2.0
Of which: Banking system	--	-0.1	0.5	1.8
Total liquidity 2/ 3/	29.1	26.3	25.6	25.7
Quasi-money 2/ 3/	19.6	17.4	17.1	18.1
Narrow money 2/	9.5	8.5	8.5	7.6
Exports of goods and services	20.0	20.6	22.3	21.4
Imports of goods and services	26.2	27.1	29.3	28.6
Current account deficit	4.8	5.3	5.8	6.0
Total disbursed external debt 2/ 4/	28.3	26.5	27.3	29.1
External debt service 5/	3.4	3.7	3.6	4.3

Annual percentage changes in selected economic indicators

Gross national product (1972 prices)	6.8	6.8	4.4	3.8
Gross national product (current prices)	22.6	24.0	20.0	15.3
Consumer price index	7.6	18.8	17.8	11.8
National Government revenue	20.0	22.9	17.6	3.5
National Government expenditure	14.9	13.7	27.9	26.1
Total liquidity	18.0	10.7	18.2	15.8
Quasi-money	20.3	10.4	17.5	22.0
Narrow money	13.4	11.2	19.6	3.5
Merchandise exports, f.o.b.	8.7	34.3	25.8	-1.1
Merchandise imports, f.o.b.	20.9	29.8	25.8	2.9

(In millions of U.S. dollars)

Balance of payments

Merchandise exports, f.o.b.	3,425	4,601	5,788	5,722
Merchandise imports, f.o.b.	-4,732	-6,142	-7,727	-7,952
Oil imports	(-1,015)	(-1,371)	(-2,226)	(-2,439)
Non-oil imports	(-3,717)	(-4,771)	(-5,501)	(-5,513)
Current account deficit	-1,172	-1,576	-2,051	-2,303
Overall balance	-90	-579	-352	-486

International reserves 2/

Gross official reserves	1,883	2,423	3,155	2,707
(In months of imports)	(4.8)	(4.7)	(4.9)	(4.1)
Net international reserves of the banking system	153	-426	-778	-1,265

1/ Actual or latest estimate.

2/ End-of-year.

3/ Includes deposit substitutes.

4/ Excludes loans of maturities of one year or less but includes IMF.

5/ On debts with maturities of over one year and including IMF.