OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.

DISCLAIMER

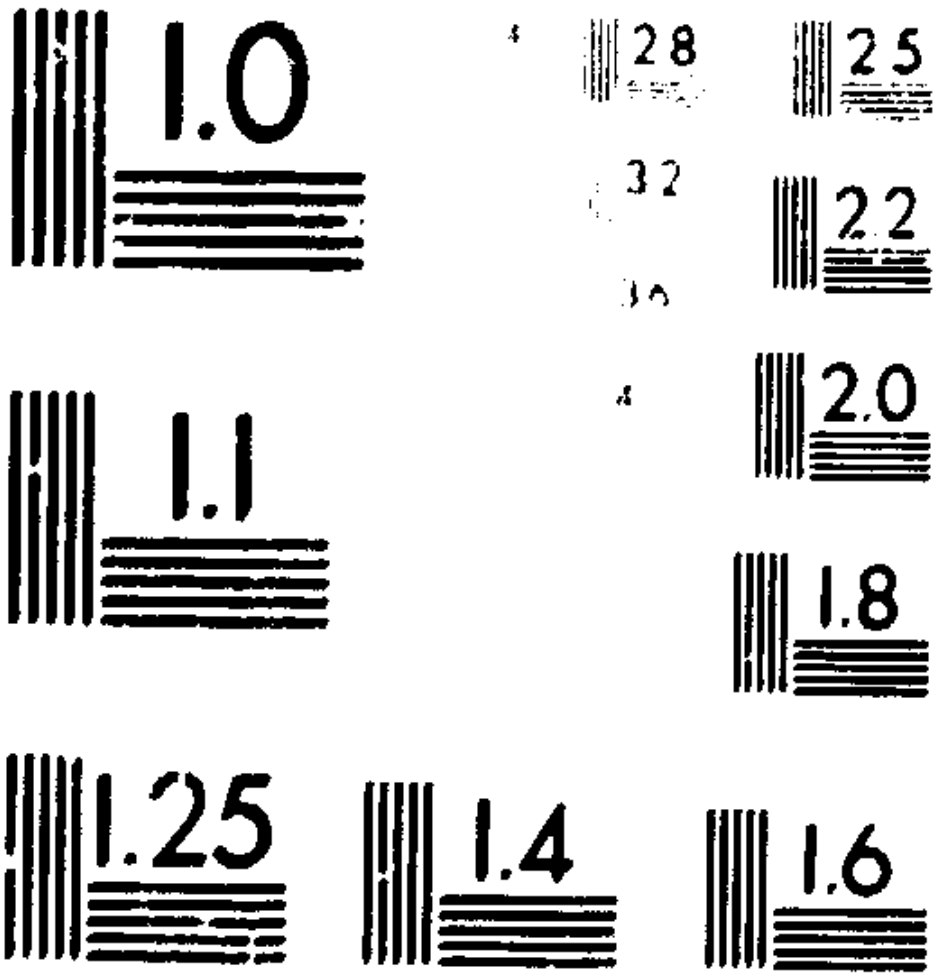
FAIR USE POLICY

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org



Distr.
LIMITED
UNIDO/IS.527
10 April 1985
ENGLISH

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

14599

INDUSTRIAL DEVELOPMENT REVIEW SERIES

THE PHILIPPINES

Prepared by the
Regional and Country Studies Branch
Division for Industrial Studies

V 85 24899

INDUSTRIAL DEVELOPMENT REVIEW SERIES

THE PHILIPPINES

Preface

Within the framework of UNIDO country surveys and studies, series of country industrial development reviews are prepared on developing countries by the Regional and Country Studies Branch of the Division for Industrial Studies.

The reviews aim at presenting a general survey and brief analysis of the country's industrial development, both as a service to those within UNIDO and other international agencies concerned with industrial policy, planning, project development, and implementation, and as a ready source of information for governments. It is hoped that the reviews will prove useful as well to financial and industrial enterprises, both public and private, research institutes and to aid agencies in developed countries. The reviews also aim at providing a basis for undertaking in-depth studies of specific aspects of industrial policies, strategies and programmes in the developing countries and at providing a basis for informed discussion and analyses of industrial development trends and policies.

The Industrial Development Review of the Philippines was prepared in late 1984 on the basis of information available at UNIDO Headquarters. It utilizes information provided by UNIDO data base, material available from national and international statistical publications, and other sources. In the preparation of the Review up-to-date national statistics have, however, not always been available in relation to all aspects of industrial development. The industrial development reviews will be updated periodically and efforts are being made to improve the data base and to monitor industrial progress and changes in industrial policy on a regular basis.

This Review is divided into two rather distinct parts. Chapters 1 and 2 are analytical in character, giving first a brief overview of the country's economy and its manufacturing sector and then a more detailed review of the structure and development of its manufacturing industries. Chapter 3 contains various kinds of reference material - which it is hoped, will be useful to readers - on national plans and policy statements relevant to industrial

development, on the country's natural, human and financial resources for industrial development and on the more important Government and other institutions involved in industrial development. The Review also contains relevant basic indicators and statistical series in appendix tables.

It should be noted that the reviews are not official statements of intentions or policies by governments or UNIDO, nor are they intended to represent an official assessment by UNIDO of industrial development in the countries concerned. Readers are invited to comment on the findings and analyses of the reviews and thereby assist UNIDO in improving and updating the reviews.

CONTENTS

LIST OF TABLES

LIST OF ANNEX TABLES

EXPLANATORY NOTES

Regional classifications, industrial classifications, trade classifications and symbols used in the statistical tables of this report, unless otherwise indicated, follow those adopted in the United Nations Statistical Yearbook.

Dates divided by a slash (1970/71) indicate a crop year or a financial year. Dates divided by a hyphen (1970-71) indicate the full period, including the beginning and end years.

References to dollars ($) are to United States dollars, unless otherwise stated.

In tables:

Three dots (...) indicate that data are not available or are not separately reported;

A dash (-) indicates that the amount is nil or negligible;

A blank indicates that the item is not applicable;

One dot (.) indicates that there is insufficient data from which to calculate the figure.

The following abbreviations and acronyms have been used in this document:

ADB	Asian Development Bank
ASEAN	Association of South East Asian Nations
BOI	Board of Investment
CMSI	Cottage, Small and Medium Industries
CSMI	Commission on Small and Medium Industries
DBP	Development Bank of the Philippines
EEC	European Economic Community
GDP	Gross Domestic Product
GNP	Gross National Product
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification
KKK	Kilusang Kabuhayan at Kaunlaran
KSS	Kilusang Sariling Sikap
MIP	Major Industrial Projects
MVA	Manufacturing Value Added
NACIDA	National Cottage Industry Development Authority
NEDA	National Economic and Development Authority
PEC	Philippines Export Council
SDR	Special Drawing Rights
SITC	Standard International Trade Classification
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization

BASIC INDICATORS 1

The economy

GDP (1981):	$39,850 million					
Population (mid 1983):	51.9 million					
Labour force (1981):	26.8 million					
GDP per capita (1983):	$659					
Annual growth rate of GDP (per cent):	1960-70	1970-80	1981	1982	1983	1984
	5.6	6.2	3.0	2.9	1.1	-5.5

GDP by sectors of origin (per cent):	1960	1972	1982
Agriculture	34.4	28.5	22.5
Industry	23.4	32.0	36.0
Manufacturing	17.5	24.8	24.4
Services	42.2	39.5	41.5

Inflation rate (per cent per year):	1960-70	1970-81	1984
	5.8	12.8	51.0

Currency exchange rate: (Peso equivalents to $1)	1976	January June 1983	June October 1984	October November 1984	January 1985
	7.5	9.4	18.0	20.0	19.7

BASIC INDICATORS 2

Resources and transport infrastructure

Resources	
Cash crops (leading products by value):	Rice, maize, (nearly self-sufficient), coconuts, sugar, bananas, abaca, copra
Livestock (total numbers in millions, 1981):	1.9 mn cattle, 2.8 mn buffaloes, 7.6 mn pigs, 56.3 mn chicken
Fisheries (total catch, 1981):	1.76 mn tons
Forestry	Lumber output 1.1 mn cu.m. (1982) Logs output 4.2 mn cu.m. (1982)
Mining (1983)	('000 kgs), Gold 24.9, silver 46.6, nickel, copper
Energy production (1982) Major source:	Oil, coal, geothermal; 3.5 mn tons of coal equivalent
Transport	
Roads:	23,660 km tarmac, 42,000 other
Railways:	1,167 km
Shipping:	5,493 vessels
Ports:	79; major ones: Manila, Cebu
Airports:	1 international airport - Manila, and 85 other airports throughout the country

BASIC INDICATORS 3
Foreign trade and balance of payments

In 1983:		
Exports	total value:	$5,097 mn
	main goods:	Sugar, garments, coconut, copper, and wood
	main destinations:	USA, Japan, Netherland and FRG
Imports	total value:	$7,844 mn
	main goods:	Mineral fuels, non-electric machinery, electric machinery and base metals
	main origins:	USA, Japan, Saudi Arabia, Kuwait, and FRG
Balance of Payments (current account)		$2.7 bn deficit
Gross reserves		$871 mn
Foreign Debt:	total:	$25.6 bn
	percentage of GNP:	23 per cent
Debt Service (1982):		$2 billion
	percentage of GDP:	2.6 per cent
	percentage of total exports:	12.8 per cent

BASIC INDICATORS 4
The manufacturing sector

Manufacturing value added:		$9.51 bn (1982)
MVA per capita:		$189 (1982)
Employment in manufacturing:		1,038,530 persons (1980)
as percentage of total labour force:		10.2 per cent
Sectoral composition of MVA: (per cent)	1972	1983
Mainly consumer goods:	50.8	53.4
Mainly intermediate goods:	33.2	29.7
Mainly durable and capital goods:	13.9	14.7
Other manufactures:	2.1	2.2
Trade in manufactures[a] (1982):		
Total value - Exports[b]:	$2,551 mn	
- Imports:	$4,871 mn	
Share of manufactures[a] [b] (1982):		
- in total exports:	22.9 per cent	
- in total imports:	40.6 per cent	

a/ SITC 5-8, less 67 + 68.
b/ Excluding export processing zones.

BASIC INDICATORS 5
Trade in manufactured goods

In 1982:

MANUFACTURED EXPORTS[a] Total value: $2,551 million

Principal manufactured exports[a] (per cent of total)		Destination (per cent)				
		Developing countries	Developed market economies			Centrally planned economies
			EEC	USA	Japan	
Clothing	12.0	18.58	32.24	35.92	3.78	1.31
Wood manufactures	5.2	21.84	29.54	32.71	8.78	0.00
Fruits, preserved	5.0	3.71	57.28	19.59	6.50	0.00
Wood, shaped	4.9	4.41	6.93	39.07	35.44	0.00
Elect. machinery	4.8	33.99	50.40	11.27	1.71	0.00

MANUFACTURED IMPORTS Total value: $4,871 million

Principal manufactured imports (per cent of total)		Origin (per cent)				
		Developing countries	Developed market economies			Centrally planned economies
			EEC	USA	Japan	
Non-elect. machinery	20.1	6.01	22.06	24.93	34.90	0.28
Electric machinery	10.3	5.79	9.83	19.86	63.96	0.52
Iron and steel	9.5	24.34	3.46	4.07	51.52	0.96
Transport equipment	6.6	1.84	9.83	19.86	63.96	0.52
Chemical elements and compounds	6.1	11.40	20.11	30.18	28.20	0.76

a/ Excluding export processing zones.

BASIC INDICATORS 6
Inter-country comparison of selected indicators

	Unit	Indonesia	Malaysia	Philippines	Singapore	Thailand	Middle Income countries Upper	Middle Income countries Lower
I. Demographic indicators								
Population (1982)	million	152.6	14.5	50.7	2.5	48.5		
Population growth (1970-82)	per cent per annum	2.3	2.5	2.7	1.5	2.4	2.3	2.5
Infant mortality (1982)	per 1000	102	29	51	11	51	58	89
Area	'000 Km^2	1,919	330	300	1	514		
Density (1982)	persons per km^2	87.9	83.9	169.0	2,500	94.4		
II. Economic indicators								
GDP (1981)	$ billion	90.2	25.9	39.9	14.7	36.8		
GDP (1982) per capita	$	580	1,860	820	5,910	790	2,490	840
GDP growth (1970-81)	per cent per annum	7.7	7.7	6.0	8.5	7.1	4.1	3.2
Agriculture (1982)	per cent of GDP	26	23	22	1	22	11	23
Industry (1982)	per cent of GDP	39	30	36	37	28	41	35
Manufacturing (1982)	per cent of GDP	13	18	24	26	19	22	17
Services (1982)	per cent of GDP	35	47	42	62	50	48	42
Exports (goods) (1982)	per cent of GDP	24.7	48.2	12.6	141.4	18.9		
Gross domestic investment (1982)	per cent of GDP	23	34	29	46	21	24	23
External public debt (1982)	per cent of GDP	21.1	30.5	22.5	10.0	17.4	23.2	27.2
III. Industrial indicators								
MVA (1981)	million $ at constant 1975 prices	6,615	2,726	5,831	2.772	4,922		
Share of MVA in GDP (1981)	per cent	12.9	18.4	25.6	27.6	20.8		
Growth of MVA (1973-81)	Average annual per cent	14.6	9.2	6.6	10.0	10.9		
Share in world manufacturing value added (1981)	per cent	0.29	0.13	0.28	0.13	0.23		
Share of manufactured a/ b/ exports in total exports (1982)	per cent	3.6	22.8	22.9	48.2	25.9		

a/ Excluding export processing zones.
b/ SITC 5-8 less (67 + 68).

Executive Summary

The Philippines belongs to the "lower middle-income" group of developing countries (in the World Bank's classification), with a per capita income near the average for these countries. Following three decades of sustained economic growth and industrial development, the contribution of manufacturing to GDP surpassed that of agriculture in 1982.

The Philippine economy is endowed with subtantial natural resources (but only small reserves of iron ore, coal or oil), and characterised by a relatively high rate of population growth, a somewhat uneven distribution of income and wealth and a quite sophisticated modern financial and commercial sector.

The Philippine economy has been exposed to a series of external shocks and internal adjustment problems resulting from slackening overseas demand for the country's major exports, excessive overseas borrowing, domestic developments and slowdown of economic activity. GDP is estimated to have declined by 5.5 per cent in 1984. Falling prices for export goods, increased oil prices and interest rates combined with structural weaknesses of the economy have contributed to the current economic crisis. The external financial crisis was alleviated by an IMF stand-by credit concluded towards the end of 1984 and rescheduling agreement with foreign banks.

Industrial development since independence has passed through three phases: import substitution, chiefly for consumer goods, in the 1950s and 1960s; a shift towards export-oriented development of labour-intensive industries, especially, textiles, garments and electronics, in the 1970s; and a heavy-industry programme, centered on eleven major projects, was launched in 1979 but financial constraints sharply curtailed the programme.

Value added in manufacturing grew at an average annual rate of 7 per cent during the 1970s, but the rate of growth of employment in manufacturing averaged only just over 3 per cent, barely above that of the labour force. The relatively capital-intensive character of much manufacturing development is highlighted by the fact that, over the period 1960-74, manufacturing employment merely kept up with the growth of GDP while the increase in the

share of manufacturing in GDP was wholly due to growth in labour productivity. Efforts to liberalise the tariff regime during the 1970s achieved some success, but the average rate of effective protection remained high, especially for consumer goods. The shift towards export orientation during the 1970s was successful in bringing about very rapid growth of exports of labour-intensive manufactures, but some of these industries proved vulnerable to overseas recession, protectionism and did little through linkages to contribute to general industrial development.

In response to low efficiency in the manufacturing sector, the Government introduced major industrial policy changes, beginning in 1980, with respect to promoting export, improving the efficiency of domestic-oriented industries and introducing reforms in the investment incentive system. The impact of these measures, however, was diluted by the effects of the recession which were felt particularly strongly in manufacturing and subsequently by several short-term stabilization measures.

As in most developing countries, Philippine manufacturing is dualistic in character. Besides the modern sector comprising large- and medium-scale enterprises, there is a large informal sector comprising small-scale firms and workshops which account for over 90 per cent of establishments, but only highly concentrated in and around the national capital, Metro Manila. Government policies have aimed at a better balance between formal and informal sectors and at arresting regional imbalance in industrial development.

In 1978, the National Economic and Development Authority framed a Ten-year Development Plan for the Philippines for the years 1978-87, as well as a long-term Plan for the year 2000. A Five-year Plan was created for the years 1983-87 and it was just beginning to take effect when international and domestic developments rendered its target quite unrealistic. In response, the Government immediately called for a review and an updating of the Plan, and in August 1984 a new and Updated Philippine Development Plan for 1984-1987 was launched. Until current domestic problems are resolved, however, the short and medium prospects for Philippine industrial development remain highly uncertain, and depend to a larger extent on a successful stabilization programme, efficient utilization of existing capital stock and restoration of confidence in the private sector. It seems likely, however, that the manufacturing sector will face leaner years in the future.

1. THE PHILIPPINE ECONOMY

1.1 Economic structure

The Philippines belongs to the World Bank's category of "lower middle-income" group of developing countries with a per capita income near the average for these countries, somewhat above those of Thailand and Indonesia but below that of Malaysia. Following three decades of sustained economic growth, at annual rates of 6-7 per cent, above the average of lower middle-income countries though below that of the other ASEAN countries, the Philippines had by 1982 reached a relatively high level of industrial development, with manufacturing making a larger contribution to GDP (24 per cent) than agriculture (22 per cent). But agriculture still employs nearly half the labour force. Income and wealth are believed to be less evenly distributed than in the other ASEAN countries, and unemployment and underemployment are serious in the rural and urban informal sector.

The Philippines continues to have one of the highest rates of population growth in Southeast Asia, although family planning has helped to bring down the annual rate of growth from 2.7 per cent in the 1970s to an estimated 2.4 per cent. But it is unlikely that total population will be less than 75 millions in the year 2000. The Philippines is more urbanized than any of the other ASEAN countries except Singapore; natural increase in population and heavy rural-urban migration having raised the population of urban to total population to 38 per cent.

The Philippines is well endowed with natural resources though relatively less than most other ASEAN countries. It is the leading copper producer in Asia and has substantial reserves of other metals, expecially nickel and chromite. But reserves of iron ore, coal and oil are small. During the 1970s, the Philippines became for a while self-sufficient in the two main staple foods, rice and maize, though in a few recent years some imports have again been necessary. The main cash crops are coconuts and sugar. The Philippines is the world's largest exporter of coconuts. Forestry resources have been ample but have been rapidly depleted in the past two decades.

The economy is to a large extent domestic-oriented, exports accounting for only 18 per cent of GDP on average over the years 1978-82, while imports

averaged 24 per cent. The structure of exports has changed greatly in the past two decades (1960-81) as the share of manufactured goods has risen from 4 to 45 per cent,[1/] while that of agricultural commodities has fallen from 86 to 39 per cent, minerals accounting for the balance. The large and growing trade deficit has been covered by heavy overseas borrowing which had by 1982 raised the debt ratio (external public debt to GDP) to 22.5 per cent, although the debt service ratio (debt service to exports of goods and services) was still moderate at 12.8 per cent.

Analysis of the Philippine gross domestic product by main economic sectors over the period 1950-1983 shows a remarkable increase in the relative importance of manufacturing during the 1950s, from 12.5 to 17.5 per cent, and again from 1965 to 1972 from 17.2 to 24.8 per cent of GDP. Since then, there has been no further relative growth in manufacturing up to 1983; a relative contraction is expected to have occurred in 1984. The share of the service sector has increased slightly at the expense of both manufacturing and agriculture. It is noteworthy, however, that the Philippines has, relative to its per capita income, become relatively highly industrialised.

The Philippines has a financial system relatively sophisticated in terms of modern capital market institutions; but partly perhaps for that reason its finance ratio[2/] is relatively low at 14 per cent. Throughout the past two decades the country has experienced consistently higher inflation rates than the average of lower middle-income countries and higher than the other ASEAN countries, except Indonesia.

1.2 Recent economic trends

The early 1980s have been a very difficult period for the Philippines, and it is not certain that the bottom has yet been reached. GDP, after maintaining an average annual rate of growth of over 6 per cent through the 1970s, rose by only 3 per cent in 1981 and 1982 and by 1.1 per cent in 1983. It is expected to have declined by 5.5 per cent in 1984 and will probably fall somewhat further in 1985. Both external and internal factors have contributed to this deceleration and decline.

1/ SITC 5-8, including 68.

2/ M_2 = Ratio of public's currency, demand deposits and time deposits to GDP.

From the late 1960s onwards, as the earlier strategy of import substitution was proving increasingly unsatisfactory, a range of measures was adopted to promote export-oriented industrial development. This export orientation benefited from buoyant international markets in the early 1970s - although the benefits in terms of the balance of payments were more than offset by the steep rise in the oil import bill - but slowed down with the international recession and renewed protectionism overseas in the last few years of the decade. One of the more important external developments was the very sharp decline in the country's terms of trade which declined by almost one-third from 1972 to 1984. In the past two years, some of the country's main exports, especially copper and sugar, have been hit by sharp falls in world prices; a third, coconuts, has suffered a 32 per cent fall in volume (although prices, partly in consequence have risen sharply). Natural disasters, a severe drought in 1983 and typhoons in 1984 have adversely affected agricultural production.

However, policy measures and domestic developments, have greatly aggravated the situation, particularly in the past year. Measures to promote export-oriented industrial development failed to subject the protected uncompetitive industries to sufficient pressure to adapt. Investment incentives tended to encourage capital-intensive industry and technology. Much of the proceeds of ever larger overseas borrowing was spent on unproductive projects or on extremely costly ones with long gestation periods. Non-economic factors came to play a dominant role in the allocation of resources.

Economic conditions, after some improvement in the first half of 1983, deteriorated. In the absence of reserves to draw on or new foreign credits, virtually all imports had to be covered by current export earnings. This required a cut in import spending by about one-third. Oil imports were given top priority, but industrial production, even for export, was drastically curtailed by shortage of imported inputs.

Political turmoil in August 1983 precipitated a run on the banks, panic among creditors and a flight of capital abroad. In October 1983, with the country's international reserves close to exhaustion, the Government devalued

the peso, imposed drastic import and exchange controls and sought a 3 months moratorium from its foreign bank creditors which was subsequently renewed three times. The $6 billion programme for major industrial projects was cut in half and the petrol price subsidy withdrawn. Negotiations began with the IMF for a standby loan of SDR 615 million ($627.5 million) which, once granted on conditions designed to ensure far-reaching domestic economic reforms, was expected to encourage foreign banks to make new credits available. The loan agreement was expected to be concluded in late 1984. It included provisions for an IMF standby loan of SDR 615 million, rescheduling of commercial bank debt of $5.8 billion maturing before the end of 1986 (agreed to in principle and to be negotiated shortly), as well as extension by international banks of $3 billion trade credits and a new loan of $0.9 billion (with a maturity of 9 years with a five year's grace period).

The economic reforms to which the Philippine authorities committed themselves in a letter of intent to the IMF included liberalisation of imports, comprehensive tax reform, a drastic cut in the expenditure of 13 major non-financial public corporations and review of their performance, tighter credit policy on three public financial institutions, reduction in reserve money and phasing out of pricing, marketing and other forms of administrative controls. It was hoped that these measures would reduce the external current-account deficit from 8.2 per cent of GDP in 1983 in stages to 2.3 per cent in 1986. The immediate economic significance of the agreement was that it averted outright default with consequent denial of access to new external finance and that it provided leeway for domestic adjustment to a lower level of imports.

Inflation, fuelled by large injections of money to support shaky banks and by steady depreciation of the peso, reached an annual rate of 50 per cent in the latter months of 1984. Declining real wages, and rising unemployment (as industrial activity slowed down) further depressed living standards in the cities, with potentially serious domestic consequences. In the short run, the economic reforms needed to restore a measure of external balance, among them a marked cutback in Government spending, were likely to add to these problems. In the longer run, they should enable the country to take advantage of recovery overseas and gradually turn the corner. But much depended on a

revival of business confidence which in turn hinged on a resolution of the country's domestic problems.

In late 1984 the World Bank[1/] proposed a policy agenda for medium-term adjustment and growth, which centered around four basic policy principles: first, improved utilisation of existing capital stock and completion of those on-going investment projects that have high future returns; second, careful selection of new public sector investments so as to focus on those having a high foreign exchange impact, high returns, or provide for the rehabilitation of existing infrastructure; third, establishment of a policy environment for the private sector that emphasizes efficient import substitution, export production, and increased employment opportunities; fourth, major resource mobilisation by the public sector through a reform of the tax system as well as through better self-financing by the public corporations.

1.3 Overview of the manufacturing sector

Industrialization in the Philippines began after independence in 1946 with an import substitution policy, reinforced, as in many developing countries, by import restraints for balance of payments reasons. Manufacturing production grew rapidly for a decade, but during the 1960s growth slowed down. It became apparent that the momentum of industrial development could not be sustained by production of consumer goods for the limited domestic market, protected by tariffs, an overvalued currency and other measures which minimised incentives to efficiency and flexibility while discouraging production for export markets. A shift of policy emphasis began in 1967 with legislation setting up a Board of Investments with powers to determine investment priorities and provide investment incentives. This was followed in 1970 by floating of the peso, further incentives to exports of manufactures, the creation of an export processing zone and some liberalisation of imports.

1/ World Bank, The Philippines: An Agenda for Adjustment and Growth, November 1984.

The policy was successful in its primary objective. Manufacturing growth accelerated in the early 1970s, assisted by booming overseas markets, and there was a rapid rise in "non-traditional" exports, especially of electronic products, garments and handicrafts, which was sustained through the decade. But the policy did little to raise the level of efficiency of the manufacturing sector as a whole or to contribute to alleviation of unemployment. With the onset of recession overseas, growth again slowed down, the terms of trade deteriorated and balance-of-payments problems re-emerged. In response to increasing inefficiency of manufacturing industry, a renewed effort was made to improve the international competitiveness of industry in 1980 by reducing effective rates of protection, promoting exports and improving the industrial incentive system. At the same time, the Government embarked on an ambitious programme of "major industrial projects" designed to give a new impetus to industrial development through the exploitation of the country's natural resources with massive injections of foreign capital and technology. Both these initiatives were overtaken by mounting domestic problems in the early 1980s.

The manufacturing sector of the Philippines, like that of most developing countries, consists of a modern and a traditional or informal sector. No information is available on the relative importance of small-scale industry and none on cottage industry (fewer than 5 employees) later than 1974/75 when it accounted for 95 per cent of establishments, 30 per cent of employment and 12 per cent of value added in manufacturing. Its relative importance has probably declined marginally since then. The modern sector is relatively capital intensive which explains why its rapid growth has done little to alleviate the employment problem.

Even more so than in most other developing countries, food processing dominates the statistics of Philippine manufacturing industries, accounting in 1983 for almost one-third of total value added, because in addition to processing of rice and other staple foods for the domestic market it is defined as including one of the most important export industries, sugar. In 1983, one-fifth was accounted for by relatively labour-intensive consumer goods industries, such as textiles, clothing, footwear, furniture, leather, printing, etc. But their share has declined in the past decades in favour of

UNIDO Aerogramme
This page to be returned to UNIDO

****

NOTE TO THE READER

****

To aid in the updating or revision of this Industrial Development Review, the staff of UNIDO's Regional and Country Studies Branch solicit the reader's comments and suggestions.

We would appreciate your response to the questions listed below and invite you to provide any further evaluation. Please return this pre-addressed form to UNIDO (as an aerogramme - no envelope needed).

Name of Respondent _____

Position _____

Organization _____

Industrial Development Review of the PHILIPPINES

Describe the usefulness of the Review to your work:

_____
_____
_____

Suggest additional topics to be covered:

_____
_____
_____

Recommend changes in format or organization of material:

_____
_____
_____

Criticism of analysis:

_____
_____
_____

Other comments:

_____
_____
_____

UNIDO Aerogramme

(Response continued)

Fold 1

Return Address:

S T A M P

Regional and Country Studies Branch
United Nations Industrial Development
Organization
P. O. Box 300
A-1400 Vienna
Austria

Fold 2

- Please close with staples -

heavier industries producing intermediate products, such as petroleum and metals and engineering industries producing or assembling chiefly vehicles and machinery.

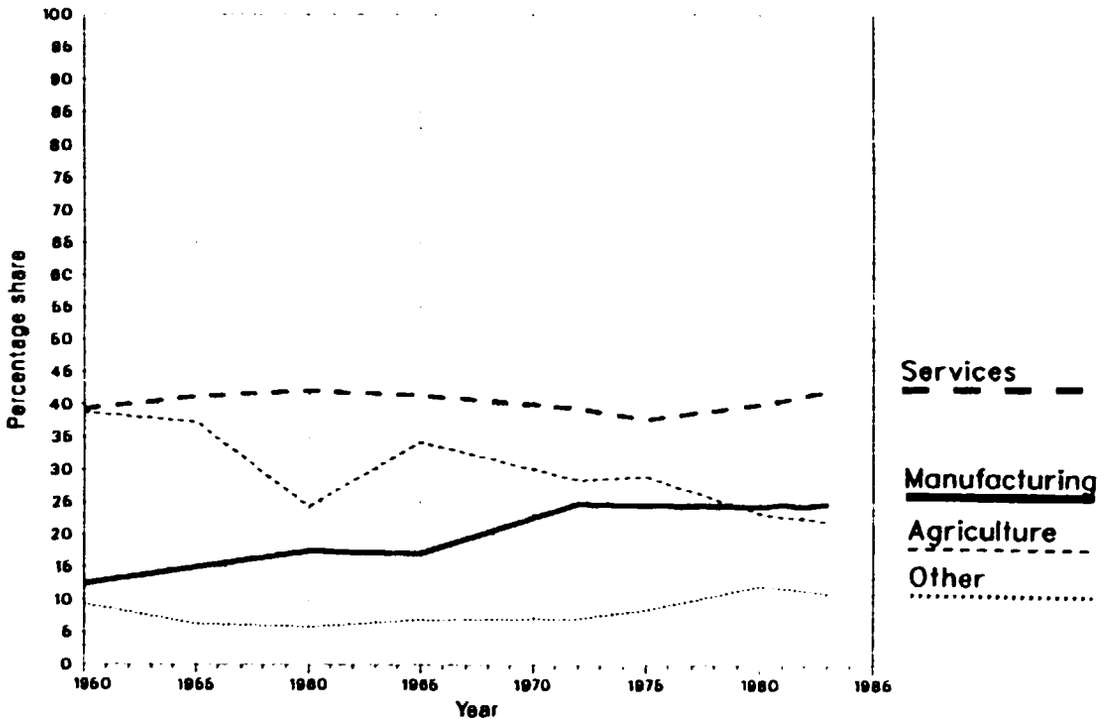
The Philippines is almost unique among developing countries in having virtually no public enterprises in its manufacturing sector, though the Government is financially involved in some of the large corporations, and though large budget outlays have been diverted to ailing firms in recent years. Foreign investment has been responsible for about half of the capital of Board of Investments projects, with US investment predominating, but foreign ownership still constitutes a relatively small part of the equity of Philippine manufacturing companies.

The Philippines, as a founding member of ASEAN, has participated in all ASEAN initiatives and co-operation relevant to member countries' industrial development, but these have not yet been greatly expedient to the Philippine manufacturing sector.

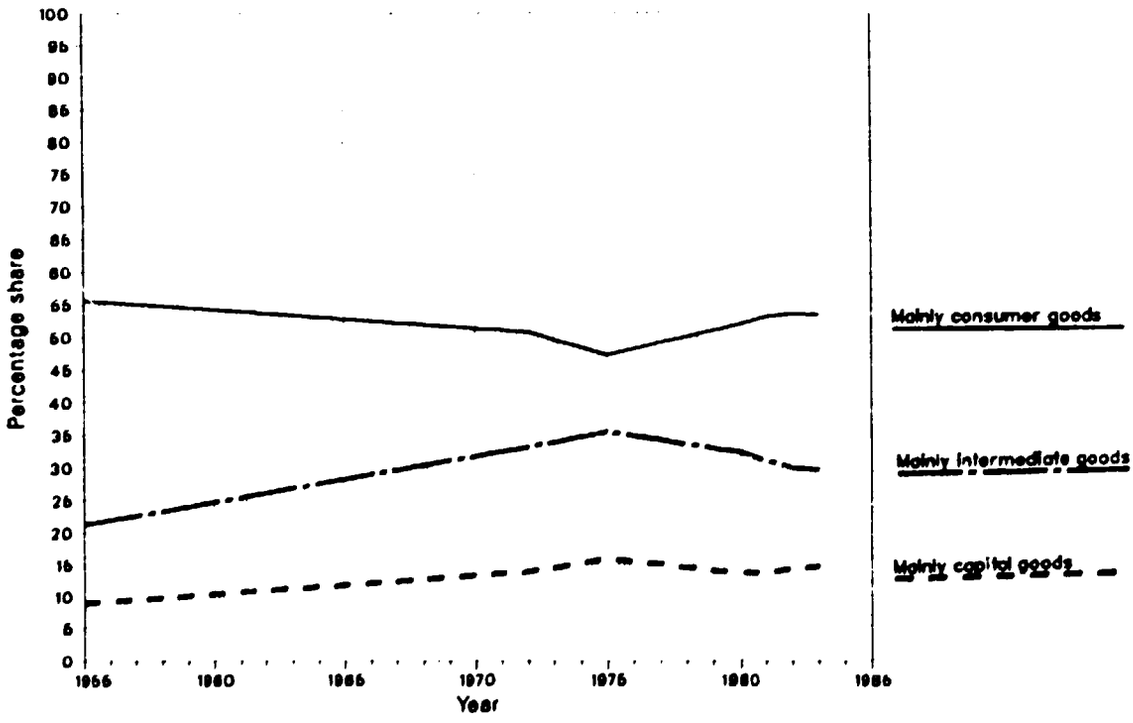
Intra-ASEAN trade liberalisation has affected Philippine rates of effective protection only quite marginally. The major ASEAN project allocated to the Philippines, initially a superphosphate plant, has not yet got off the ground. While the Philippine private sector has played a prominent role in promoting complementation arrangements (i.e. private sector co-operation in the production of complementary components), these have also yet to reach substantial fruition.

MANUFACTURING TRENDS

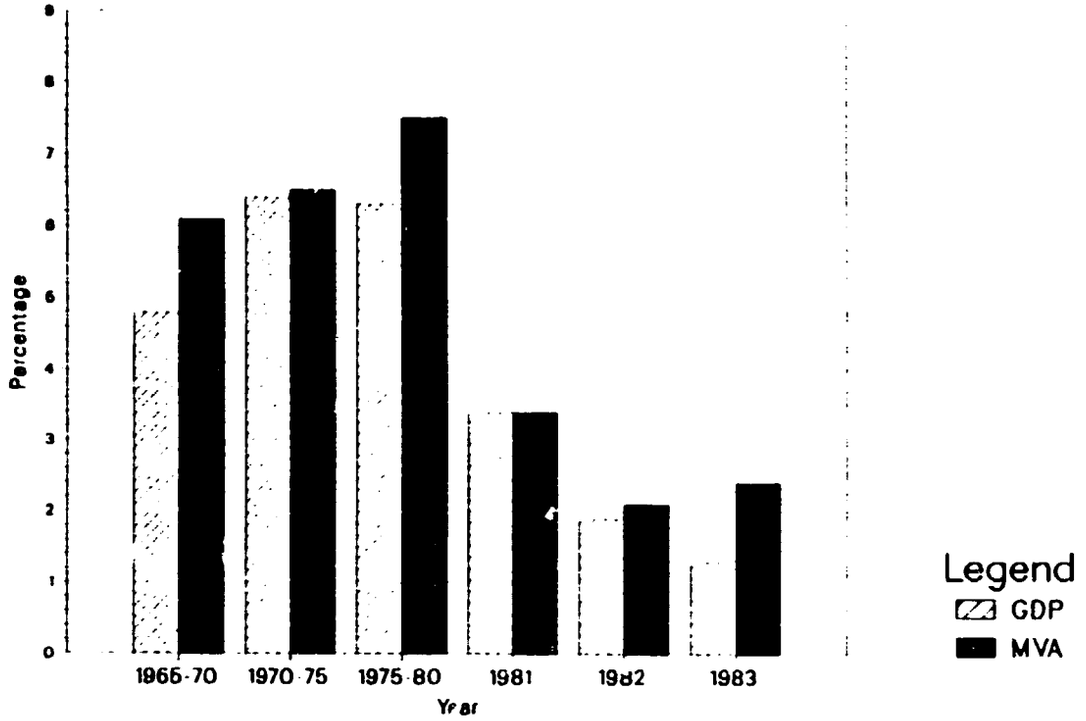
GDP BY ECONOMIC SECTOR, 1950 - 1983
PHILIPPINES



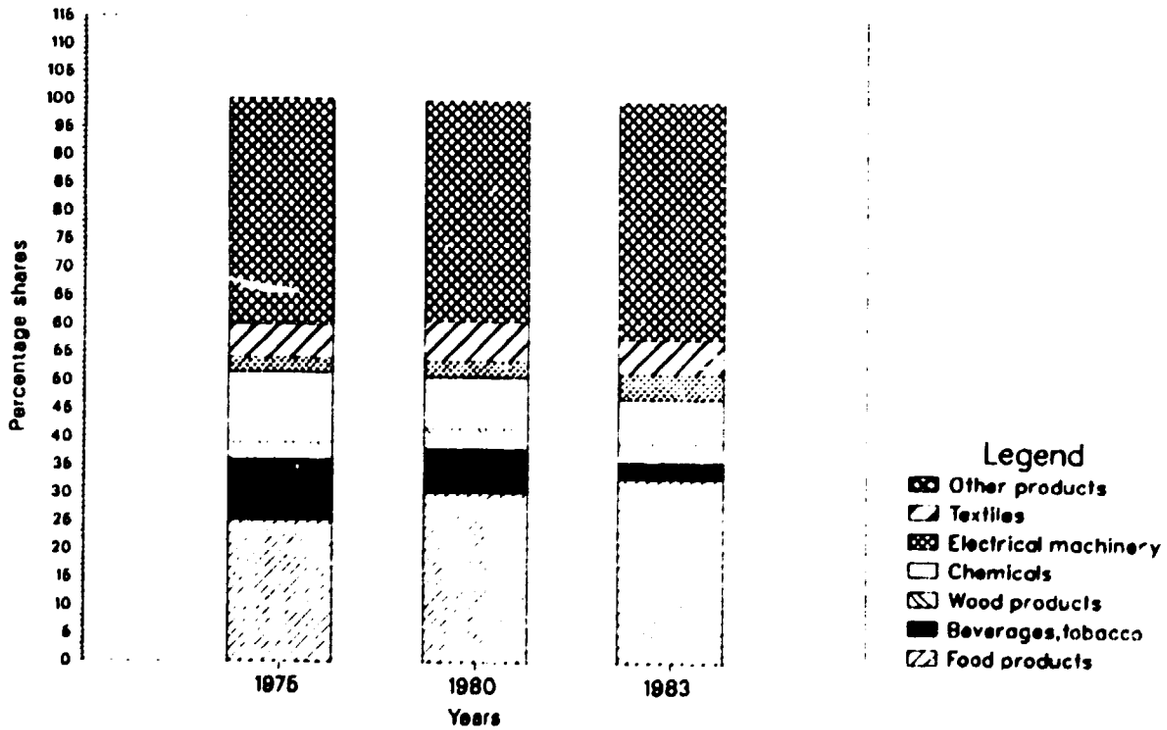
MANUFACTURING VALUE ADDED BY END USE, 1955-1983
PHILIPPINES



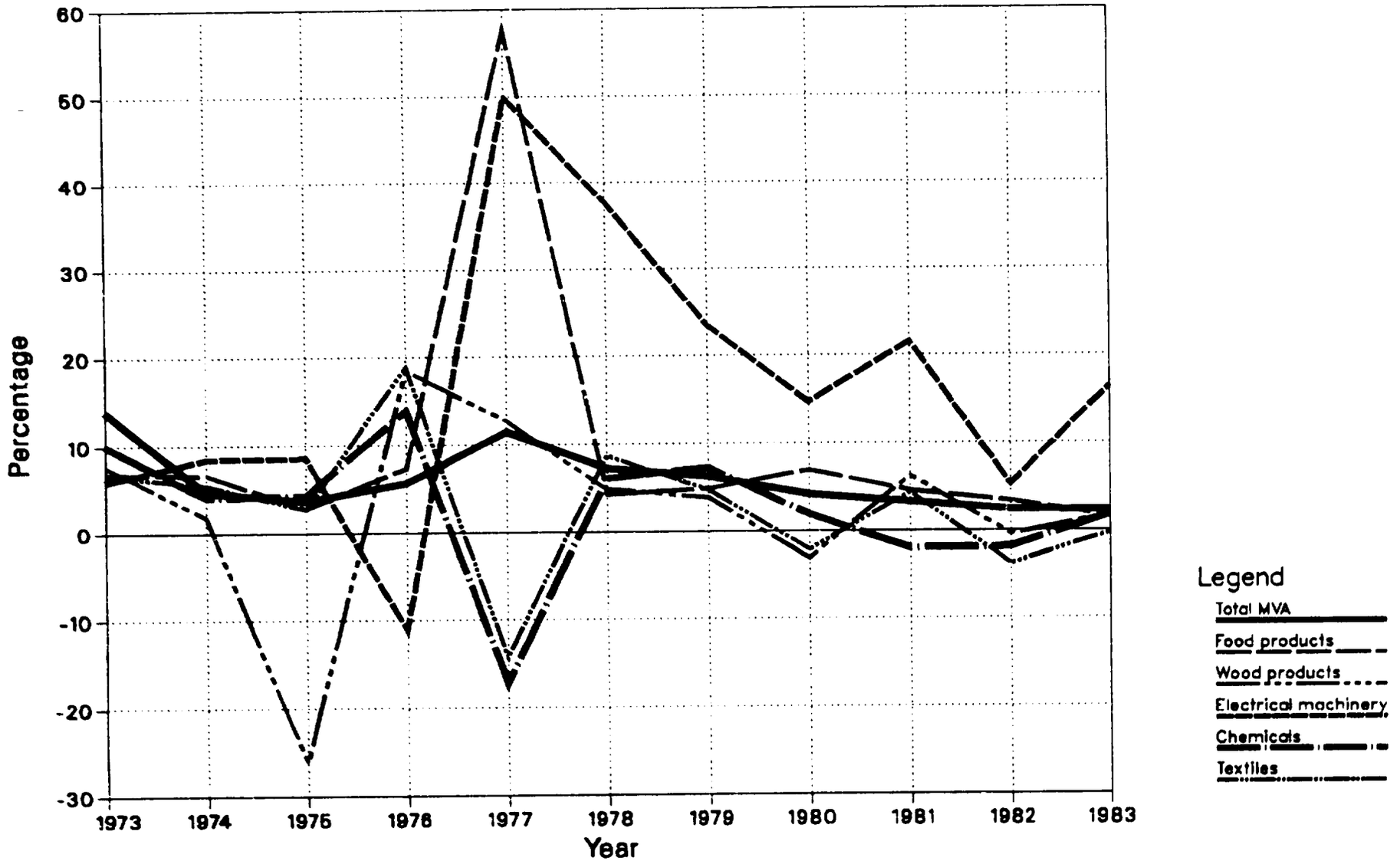
ANNUAL RATES OF GROWTH OF GDP AND MVA, 1965-1983
PHILIPPINES



COMPOSITION OF MVA BY MAIN BRANCHES, 1975,1980,1983
PHILIPPINES

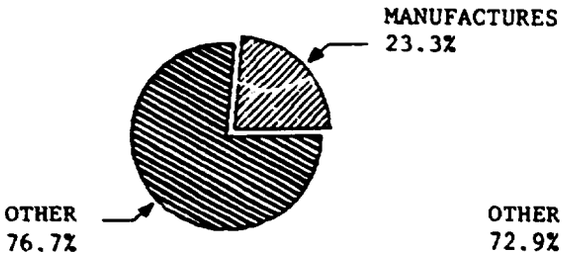


MVA GROWTH OVER PREVIOUS YEAR, BY MAIN BRANCHES, 1972-1983
PHILIPPINES

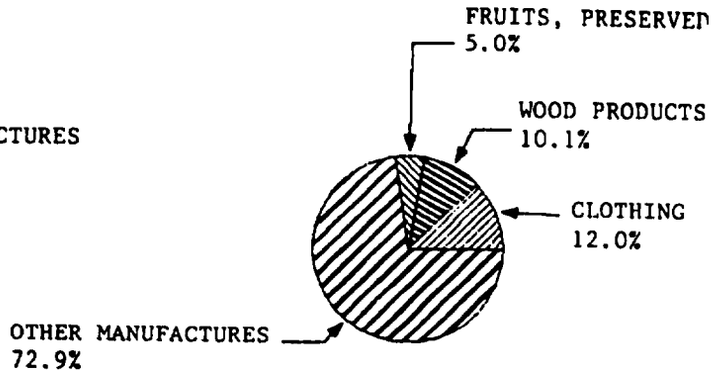


MANUFACTURED EXPORTS[1/] AND IMPORTS IN 1982
PHILIPPINES

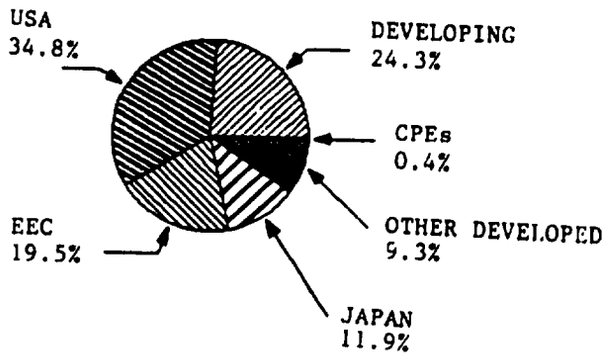
SHARE OF MANUFACTURES IN TOTAL EXPORTS



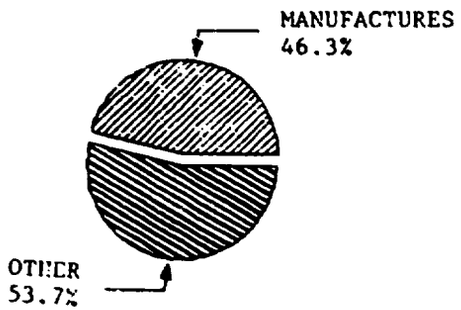
COMPOSITION OF MANUFACTURED EXPORTS



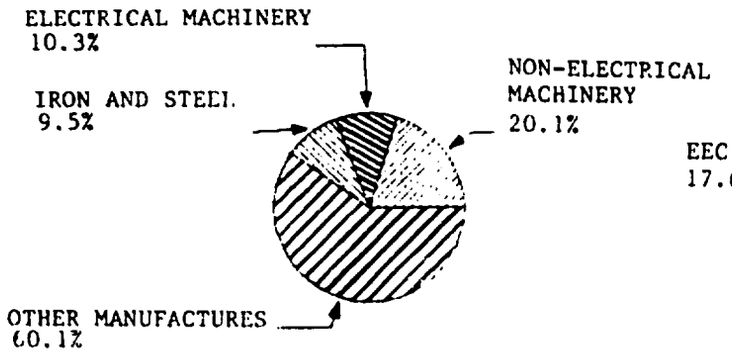
DESTINATION OF MANUFACTURED EXPORTS



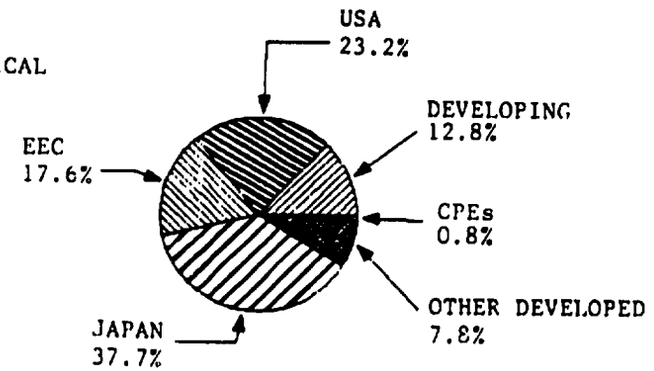
SHARE OF MANUFACTURES IN TOTAL IMPORTS



COMPOSITION OF MANUFACTURED IMPORTS



ORIGIN OF MANUFACTURED IMPORTS



1/ Excluding EPZ.

2. STRUCTURE AND PERFORMANCE OF THE MANUFACTURING SECTOR

2.1 Growth and structural change

As Table 1 shows, the share of manufacturing in GDP is well above the average of lower middle-income countries, higher than that in any other ASEAN country except Singapore and not far short of the latter. The health of the manufacturing sector has become very important to the health of the Philippine economy as a whole.

Table 1: Structure of production in the Philippines and selected developing countries, 1982 (per cent)

	Agriculture	Industry	Manufacturing	Services
Indonesia	26	39	13	35
Malaysia	23	30	18	47
Philippines	22	36	24	42
Singapore	1	37	26	62
Thailand	22	28	19	50
Lower middle-income countries	23	35	17	42
Upper middle-income countries	11	41	22	48

Source: World Bank, World Development Report, 1984.

Table 2 presents a broad picture of the changing structure of the Philippine manufacturing sector, in terms of gross value added of industry groups and major categories during 1956-83. Data on physical output of selected manufactures are given in Table 3 for the years 1976-80. More than one-half of manufacturing output consists of consumer goods. Their share fell between 1956 and 1975, but rose again slightly during the 1980s. Within the consumer goods sector, the share of food processing increased dramatically at the expense of beverages and tobacco. Since the former includes important export products, such as sugar and coconut, while the latter industries produce mainly for the home market, the change may indicate some shift towards exports, though price movements may have played a part. As in most other developing countries in the early stages of industrial development, the share

Table 2: Sectoral composition of manufacturing value added, 1956-1983
(Percentage share at current prices)

Industry group	1956a/	1972	1975	1980	1981	1982	1983
Mainly consumer goods	55.7	50.8	47.3	52.0	53.2	53.5	53.4
Food	27.0	27.1	25.3	30.3	31.5	32.7	32.9
Beverage, tobacco	16.8	12.5	10.9	7.9	7.4	7.3	7.1
Textiles, apparel, leather	8.8	9.3	8.9	12.8	13.2	12.6	12.4
Printing, pulishing	3.1	1.9	1.9	0.9	0.9	0.9	0.9
Mainly intermediate goods	21.3b/	33.2	35.5	32.4	31.1	30.0	29.7
Paper and products	1.7	2.5	2.9	1.4	1.3	1.1	1.2
Wood and cork products	5.0	4.3	3.1	3.7	3.8	3.6	3.6
Chemicals and rubber products	9.9	15.2	13.7	10.1	9.2	8.6	8.7
Petroleum and coal products	c/	7.8	12.3	14.4	14.1	13.9	13.6
Non-metalic mineral products	4.7	3.3	3.3	2.8	2.6	2.7	2.6
Mainly durable and capital goods	9.0	13.9	15.9	13.7	13.8	14.3	14.7
Basic metals and metal products	4.7	6.1	7.1	6.3	5.5	5.9	6.2
Machinery d/	2.1	4.0	3.7	5.1	6.0	6.2	6.8
Transport equipment	2.2	3.8	5.1	2.3	2.3	2.2	1.7
Other manufactures	11.2e/	2.1	1.3	1.9	1.9	2.2	2.2
TOTAL	100	100	100	100	100	100	100
Gross value added in manufacturing (in millions of pesos at current prices)	...	13,388	28,544	65,993	75,151	83,126	95,369

Source: 1956: Jurado et al, Trade Policy, Growth and Employment: A Study of the Philippines, World Employment Programme Working Paper, ILO, Geneva, 1983, p.47.
1972-1983: NEDA.

a/ Percentage shares pertaining to the year 1956 have been derived from value added in million pesos at constant 1972 prices.
b/ Excluding petroleum.
c/ Included in other manufactures.
d/ Including electrical machinery.
e/ Including petroleum.

of textiles, clothing and footwear increased though a contraction has occurred since 1981 due to declining exports following in the wake of the international

Table 3: Philippines: Production of selected manufactures, 1976-80

	Unit	Annual production[a] average 1976-80	1976	1980
Veneer	'000 sq. metre	63,403[b]	58,855	45,558[c]
Plywood	'000 sq. metre	94,976[b]	85,031	112,022[c]
Fuel oil, distillate	'000 barrels	15,728[b]	14,430	17,220[c]
Liquified petroleum gas	- do -	1,875[b]	1,976	1,844[c]
Motor gasoline	- do -	14,189	15,568	11,781
Kerosene	- do -	3,521	3,037	3,629
Acetylene gas (compressed)	'000 cylinders	492	474	589
Coconut oil (crude)	'000 tonnes	570	821	407
Copra meal & cake	'000 tonnes	1,968[d]	2,090[e]	2,115[f]
Desiccated coconut	'000 sq. metre	71	78	89
Hog feeds	'000 tonnes	150	136	204
Wheat flour	- do -	509	465	570
Vegetable cooking oil	- do -	147	179	26
Poultry feeds	- do -	392	455	466
Fabrics	- do -	17	19	18
Cotton yarns	- do -	34	33	38
Cotton fabrics	- do	187	204	166
Steel basic forms and shapes	- do -	1,086	747	1,371
Rubber tyres	'000 units	1,849	1,222	1,637
Passenger cars	- do -	46	34	73
Commercial vehicles	- do -	21	17	15

Sources: Statistical Yearbook 1984, NEDA; FAO, Yearbook of Production Statistics, 1983.

a/ Large establishments (more than 20 employees).
b/ 1976-1979.
c/ 1979.
d/ 1974-76.
e/ 1981.
f/ 1982.

recession. Since exports of garments rose substantially during the last decade, the figures suggest relatively slow growth in the domestic market, possibly associated with declining real wages.

The share in the total of intermediate products increased during 1956 - 1975, but declined steadily thereafter (if allowance is made for petroleum and products included in the miscellaneous category for 1956). The most significant trends over the last decade were a relative decline of chemicals, rubber, and paper products and a rise in petroleum. The share of wood products declined from 1956-1975, but increased from 1975-1980 and remained fairy stable thereafter.

The most significant change has been the increase in the relative importance of the durable and capital goods sector. During the period 1956-72, this was evenly shared by machinery and transport equipment. However, from 1975-83 the share of transport equipment declined, while that of machinery production rose markedly, from 3.7 to 6.8 per cent. At first sight, the shift towards durable and capital goods may suggest a move towards capital-intensive industry, contrary to the declared policy intention of favouring labour-intensive export-oriented industries. But it needs to be remembered that the "machinery" category includes the very labour-intensive electronics (semi conductor, etc.) assembly industry which expanded very rapidly during these years, almost entirely for export. There probably was a shift towards capital-intensive industry, but it was reflected in the basic metals and metal products, as much as in the machinery sectors, and in longer-term investment planning.

Table 4 summarizes the pattern of growth of manufacturing value added by branch of industry during the period 1972 to 1983 in decending order of growth. Total manufacturing value added grew at an annual rate of 7.1 per cent during 1972-80 and suffered a drastic fall to 2.7 per cent between 1980-83. At the branch level the highest growth rates during 1980-83 were recorded for electrical machinery (14.2 per cent), miscellaneous manufacturing (8.0 per cent), footwear, wearing apparel (7.0 per cent), publishing and printing (4.3 per cent), and basic metal industries (3.6 per cent). Negative growth rates during 1980-83 occurred in transport equipment (-5.7 per cent), leather and leather products (-1.0 per cent), chemicals and chemical products

(-0.7 per cent) and products of petroleum and coal (-0.5 per cent). All other branches registered growth rates betweeen zero and 3.2 per cent during 1980-83. The number of branches which registered negative growth rates increased from 1 in the 1970s to 7 in the early 1980s - of which 5 were heavy industries. The most striking feature is the persistent high growth rate of electrical machinery (mainly electronics for exports) both during the 1970s and the early 1980s, which was unaffected by the international recession and the slow-down of the Philippine economy.

Table 4. Annual growth of MVA by branch, 1972-80 and 1980-83
(Based on constant 1972 prices)
(Ranked according to growth rates 1980-83)

Branch	1972-80	1980-83	1981[a/]	1982[a/]	1983[a/]
Electrical machinery	15.9	14.2	21.5	5.3	16.4
Miscellaneous manufacturing	5.6	8.0	11.7	8.1	4.4
Footwear, wearing apparel	11.4	7.0	16.7	2.9	1.9
Publishing and printing	2.5	4.3	6.2	4.4	2.5
Basic metal industries	9.6	3.6	-7.3	8.2	10.6
Food manufactures	11.1	3.2	4.6	3.4	1.6
Machinery, except electrical	18.7	3.2	5.2	3.0	1.3
Wood and cork products	1.7	2.5	6.3	-0.4	1.7
Furniture and fixtures	5.5	2.5	5.3	0.7	1.4
Tobacco manufactures	1.2	2.4	5.9	1.3	0.3
Metal products	12.7	1.6	-6.1	7.7	3.7
Rubber products	4.0	1.5	3.0	4.2	-2.5
Beverage industries	0.1	1.4	-0.3	2.3	2.1
Paper and paper products	-7.1	0.9	-1.6	-8.5	14.0
Non-metallic mineral products	3.2	0.8	-5.9	5.4	3.2
Textile manufactures	3.5	0.03	4.4	-3.8	-0.3
Products of petroleum and coal	3.4	-0.5	-6.3	2.0	2.9
Chemicals and chemical products	3.4	-0.7	-2.0	-1.9	1.8
Leather and leather products	15.2	-1.0	2.9	1.4	-7.0
Transport equipment	7.0	-5.7	2.8	-3.0	-16.0
Total MVA	7.1	2.7	3.4	2.4	2.3

Source: NEDA (Appendix Table 5B).

a/ Percentage growth over previous year.

Table 5 shows that industries oriented towards the domestic market still dominate the manufacturing sector, accounting for about 86 per cent of gross value added in manufacturing in 1983. They are affected by low rates of efficiency, high import dependence of production and skewed investment towards capital-intensity. Their employment contribution has therefore been relatively low. Non-traditional manufactured exports have been growing rapidly since the early 1970s and increased their share in merchandise exports to 48 per cent in 1983. However, export production still accounted for only 14 per cent of MVA in 1983, because the products are still derived largely from assembly operations with few backward linkages to the domestic economy. Table 5 also shows that export-oriented industries have been growing at a high rate of 12 per cent per annum in 1979-83 while domestic-market oriented industries, which grew only at 2 per cent per annum, were far more affected by the recession.

Table 5: Manufacturing industry: Selected indicators of structure and performance, 1979-83

	Percentage share in manufacturing gross value added 1983	Average annual percentage change in output 1979-83	Percentage share of imports in raw material requirements a/
Export-oriented industries	14.0	12.3	
Garments	5.9	9.5	80
Electronics	3.4	49.1	100
Wood processing	3.5	0.7	3-15
Furniture	0.5	5.8	15-25
Other	0.7	15.1	...
Domestic-market oriented industries	86.0	2.0	
Food/beverage/tobacco	39.3	3.7	...
Petroleum and coal	14.7	-0.8	...
Metal	2.8	1.3	...
Textile	5.4	-1.6	...
Chemicals	5.5	-0.2	50-60
Automotive	3.0	-3.6	85
Pulp and paper	2.2	2.9	70
Cement	2.1	2.7	4
Drugs	1.8	-0.2	95
Appliances	1.5	4.4	60
Other	7.7	3.0	...

Source: NEDA and World Bank estimates.
a/ Estimates are based on 1973-83 data.

2.2 Performance and efficiency

Generating productive employment for the Philippines' rapidly growing labour force is one of the country's most serious problems, and the export-oriented industrial development policy of the 1970s was very much directed at this objective. The limited statistical evidence does not suggest that it was conspicuously successful.

The most comprehensive statistics, available only up to 1978 (Table 6), indicate that while employment in manufacturing grew faster than total employment (the average being pulled down by the agricultural sector) and accelerated in the latter half of the 1970s, it lagged behind other industry and service sectors and kept only a little ahead of growth of the labour force. The average annual rate of growth of employment in manufacturing as a whole during the 1970s of 3.20 per cent is also much below the corresponding rate of growth of manufacturing value added, of 7 per cent, implied in Annex Table 2. The implication is that growth of output owed more to growth of labour productivity (value added per person employed) than to growth of employment, presumably reflecting in part relatively capital-intensive industrial development. However, it should be noted that recent empirical evidence[1/] suggests high indirect employment linkages between manufacturing and other sectors, particularly agriculture, trade and transport, mining and services.

Table 6: Growth rates of employment by industry, 1957-1978

	1957-64	1964-71	1971-75	1975-78
All Industries	3.36	2.54	3.60	3.38
Agriculture, forestry hunting and fishing	3.00	.29	5.64	1.67
Industry	2.92	4.15	.70	6.09
Manufacturing	2.06	2.84	1.72	4.68
Services	4.70	5.92	1.88	4.74

Source: Jurado et al, Trade Policy, Growth and Employment: A Study of the Philippines, World Employment Programme Working Paper, ILO, Geneva, 1983, p. 52.

1/ Source: International Input-output Table for ASEAN Countries, 1975, Institute of Developing Economies, Tokyo, Japan, March 1982.

This conclusion derives some support from Annex Table 3 for the period up to 1976. It shows a much higher rate of growth of employment in large manufacturing enterprises (20 and more employees) than in small (5-19 employees) and cottage industries. There is no reason to believe that this trend was reversed in the late 1970s.

Annex Table 4 shows the distribution of employment by major sectors during 1957-78, while Annex Table 5 presents the sub-sectoral distribution of employment and value added in manufacturing for selected years during 1960-83. The most striking inference is that the share of manufacturing in total employment remained more or less constant over the whole period, while the contribution of manufacturing to GDP rose from 15 to 25 per cent. In other words, manufacturing employment merely kept up with the growth of GDP, while the increase in the share of manufacturing in GDP was wholly due to growth in labour productivity. Annex Table 5 suggests that the main change in the relative shares of employment during 1960-80 occurred within the consumer goods sector involving a relative decline in the food, beverage and tobacco industry concommittant with relative gains in textiles, footwear and weaving apparel. Growth of employment was particularly high in textiles from 1970-74 and in footwear and wearing apparel in 1974-80. No breakdown of manufacturing employment is available which would indicate the impact on employment of the rapid growth of non-traditional exports, especially electronics assembly, in the late 1970s.

Annex Table 6 suggests that manufacturing employment rose fairly rapidly, at nearly 5 per cent per annum, during the years 1976-79, but declined in 1980. No later breakdown by industry is available, but for the economy as a whole, according to official statistics, employment grew at an annual rate of 4 per cent during 1979-83 (Annex Table 7), with much the highest rate of growth in 1981 (9 per cent) followed by much lower rates (3 per cent) in 1982 and 1983. Recent official statistics indicate a general decline in manufacturing activity in the twelve months from August 1983 (Table 7), with real wages falling by 22 per cent, production by 16 per cent and employment by 6 per cent. Qualitative reports suggest an even sharper fall in activity and employment in the second half of 1984.

Table 7: Indexes of manufacturing, production, wages and employment, 1983-84
(August 1983=100)

	Production			Wages			Employment
	Nominal	Wholesale price	Real	Nominal	Consumer price	Real	
August 1983	100	100	100	100	100	100	100
August 1984	147	178	84	126	161	78	94

Source: NEDA, Industrial Trends, August 1984.

It is notoriously difficult to assess the economic efficiency of a country's whole manufacturing sector and the relative efficiency of various industry groups. Ideally, one would measure total factor (labour plus capital) productivity, in manufacturing as compared with other sectors of the economy or - an even more difficult exercise - internationally. No data are available to make such a study possible. A useful proxy for relative efficiency of a country's manufacturing industry and of its branches is the effective rate of protection they enjoy. For the Philippines, these have been estimated in a well-known study for 1965 and 1974 (Annex Table 8). It shows that in the latter year, manufacturing as a whole enjoyed a rate of effective protection of 44 per cent, as compared with only 9 per cent for agriculture and an overall average of 36 per cent. Within manufacturing, consumption goods enjoyed - and presumably needed - much the highest rate of protection, 77 per cent, as compared with only 23 per cent for intermediate and 18 per cent for capital goods.

No corresponding estimates for a more recent year are available but it is possible to say something about the extent to which the shift of policy towards more labour-intensive (and therefore, presumably more competitive) industries, less in need of protection, was achieved. Annex Table 9 uses the share of wages and salaries in value added as a proxy for labour-intensity in different branches of manufacturing in 1969, 1974 and 1978. It suggests that all branches (with sugar cane as the sole exception) became more capital intensive during 1969-74 and that, although this trend was reversed for the majority of branches during 1974-78, all but a few branches remained more capital intensive in 1978 than they had been a decade earlier. It would appear that the new export-oriented policy adopted in the early 1970s had some success but did not go far enough.

This conclusion is subject, however, to an important qualification. The share of wages and salaries is an inadequate proxy for the labour-capital ratio since a decline in that share may reflect a fall in real wages. There is a strong evidence that real wages in Philippine manufacturing did fall during the 1970s, though the precise degree is difficult to establish. Annex Table 10 presents series from three different sources. Since the second column represents "award wages" decreed by the National Wages Council, the upward trend after 1978 may be overstated if decreed wages were not actually granted by employers. On the other hand, the figures relate to all workers, in the case of the first two columns in Metropolitan Manila. On balance, wages in manufacturing may have been somewhat higher and better sustained than these statistics suggest. Allowing for some decline in real wages, the shift towards greater labour-intensity may have been somewhat more substantial than implied by Annex Table 9.

2.3 Exports and imports of manufactures

Until the 1970s, the Philippines had traditionally been an exporter of primary products, coconut products, sugar, bananas, timber and copper concentrates. Manufacturing industry still produces mainly for the highly protected domestic market. The adoption in the early 1970s of an export-oriented policy, based on export incentives, export processing zones and especially inducements to foreign companies to process duty-free imported materials for export, was on the face of it remarkably successful. Annex Table 11 shows the spectacular growth of "non-traditional" exports in the second half of the decade, at annual rates of around 40 per cent, led by electronic equipment and components (chiefly semi-conductors) and garments, but with useful gains also in exports of handicrafts, textiles, furniture and footwear. As a result, the share of non-traditional manufactures in total exports increased from 7 per cent in 1972 to 51 per cent in 1984. The most spectacular export performance was exhibited by the electrical equipment industry, which was practically non-existent in the early part of the 1970s, but grew rapidly and emerged as the single most important non-traditional manufactured export accounting for 43.9 per cent of all non-traditional manufacturing in 1984. It was also the only branch which was unaffected by the recession.

The success, however, was a qualified one. The new export-oriented industries were certainly very labour intensive and generated employment of low-wage labour. But value added to imported materials was small and there were few linkages through which the bond-processing enclaves stimulated more general industrial development. The bulk of garment production was based on sub-contracting to cottage-type producers in the rural areas. So high was the import content of electronics assembly that when the prices of imported components rose, the net effect of increased exports on foreign exchange earnings was liable to be negative.

Since the overseas processing companies produced for their own requirements, bond-processed exports were relatively immune to protectionist measures in overseas markets; indeed, with respect to garments and some other labour-intensive manufactures, the Philippines benefited from country-specific quota restrictions on the major exporters such as Hong Kong and the Republic of Korea. But in the early 1980s, the overseas recession hit both traditional and non-traditional Philippine exports, as shown in Annex Table 11. While the overall value of non-traditional exports stagnated in 1982 and 1983, some export items such as food products, textiles, chemicals and footwear declined significantly. In spite of constraints connected with domestic and balance-of-payments developments, chiefly shortage of foreign exchange for imported inputs, the results for 1984 were better than expected. Overall non-traditional exports of manufactures grew by 13.1 per cent in 1984 with substantial increase in electronics, garments and textiles.

Annex Table 12[1/] shows Philippine exports of manufactures by destination in 1982. Developed country markets accounted for three-quarters, with the USA (34 per cent), EEC (19 per cent) and Japan (12 per cent) as the three main markets. Developing countries took 24 per cent, the small balance going to centrally planned developed economies. The preponderance of developed market economies was particularly pronounced for clothing, footwear and furniture, less so for textiles and (rather surprisingly) for electrical machinery (chiefly electronics assembly). Developing country markets figured most prominently, among the more important export categories, as markets for

---

1/ This Table excludes exports of manufactures from export processing zones.

machinery and transport equipment, textiles, paper and wood products. Despite efforts at intra-ASEAN trade liberalisation, intra-ASEAN trade accounts for only about 5 per cent of Philippine exports and imports.

In contrast to exports, there was relatively little structural change in the pattern of Philippine imports during the 1970s. Annex Table 13 shows that there was some increase in the share of raw materials in total imports at the expense of consumer and capital goods, as might be expected during a period of industrialisation. But import dependence remained high for capital goods. No data on the share of imports in domestic demand for major categories of manufactures seem available; the data for 1974 shown in Annex Table 14, which indicate that imports accounted for about one-half of the domestic market for the products of basic metals and engineering industries, probably still hold good.

2.4 Ownership and investment patterns

The Philippines is unusual among developing countries in the almost complete absence of public enterprise not only in manufacturing but even in public utilities which are in most countries state or municipally owned. This is not to say that there is not a good deal of Government involvement, especially through financing, in large-scale industry, and budget outlays to ailing firms. The Government, for example, is a participant in the consortium in charge of the large copper smelter project and through its National Development Corporation in the planned integrated steel complex. But these are exceptions.

Foreign capital has played an increasing role in Philippine industrial development, particularly under the strategy adopted in the 1970s which provided a variety of incentives to foreign investors. Annex Table 15 shows that, between 1974 and 1980, about one-half of the capital subscribed under projects approved by the Board of Investments came from abroad. US investment still predominates, but in recent years Japanese investment has been substantial.

2.5 Size and regional distribution of manufacturing enterprises

The Philippine manufacturing sector, like that of most developing countries, is highly dualistic. It is characterised by a few large-scale firms which account for a very large proportion of value added and modern-sector employment, and by a large number of small units, besides cottage industry, which do not contribute much to value added but are important for the informal-sector employment they provide. Annex Table 16 gives a breakdown of modern manufacturing industry, defined as firms with 5 or more employees (i.e excluding cottage industry defined as firms with fewer than 5 employees). It shows that in 1974 small-scale industry accounted for 94 per cent of all establishments and 30 per cent of employment but for only 12 per cent of value added. The annual Survey of Manufactures for 1975 yielded rather different figures (73 per cent of establishments, 29 per cent of employment and 10 per cent of value added) but their size is broadly the same, nor is there any reason to believe that the orders of magnitude have greatly changed since then.

Table 8 gives industry groups in 1977 by average size. It shows that six groups were predominantly small-scale, with an average of fewer than 10 employees each: food, garments, footwear, furniture, pottery and fabricated metal products. Five groups averaged more than 100 employees per establishment: tobacco, petroleum refining, glass, iron and steel, and electrical machinery (mainly electronics assembly) with a sixth, industrial chemicals, close to 100.

There is also a Ministry of Industry estimate for cottage industry in 1977. According to this, cottage industry accounted for 59,000 or 75 per cent of all manufacturing establishments, employed around 900,000 workers (almost twice as many as all modern manufacturing industry, large, medium and small) but contributed only 2.5 per cent to gross value added. Cottage industries tend to operate in activities where they have an advantage in terms of location, near local markets, such as bakeries, furniture, garments and footwear.

As in most developing countries, manufacturing industry in the Philippines is highly concentrated in and around the national capital, Metro Manila.

Table 8: Structure of manufacturing industry,[a/] 1977

	Number of establishments	Total average employment ('000)	Average number of employees per establishment
Food	26,546	179.5	6.8
Beverages	1,106	25.1	22.7
Tobacco	39	20.9	535.9
Textiles	3,157	98.0	31.0
Wearing apparel (except footwear)	28,086	119.8	4.3
Leather products (except footwear)	219	2.9	13.2
Leather footwear	1,294	9.6	7.4
Wood & cork products (except furniture)	1,945	44.7	23.0
Furniture	2,475	19.4	7.8
Paper & paper products	199	15.1	75.9
Printing & publishing	1,131	17.6	15.6
Industrial chemicals	98	9.5	96.9
Other chemical products	282	23.5	83.3
Petroleum refining	4	1.1	27.50
Miscellaneous petrolum & coal products	11	0.3	27.3
Rubber products	265	11.6	43.8
Plastic products, n.e.s.	234	19.3	82.5
Pottery & china	639	4.4	6.9
Glass & glass products	42	7.2	171.4
Other non-metallic minerals	1,066	20.2	18.9
Iron & steel	119	12.1	101.7
Non-ferrous metal	28	2.4	85.7
Fabricated metal products (except machinery & equipment)	3,019	28.1	9.3
Non-electric machinery & equipment	821	16.7	20.3
Electrical machinery & apparatus	201	34.1	169.7
Transport equipment	635	25.6	40.3
Professional & scientific equipment	22	1.3	59.1
Total	73,683	770.0	10.5

Source: Statistical Yearbook of Philippines 1983.

a/ Establishments employing five or more workers.

Earnest efforts by successive Governments to encourage geographic dispersion, including a ban on the establishment of non-export-oriented plants within 50 km of Manila, have had little effect. The location of the first and largest

export processing zone on the Bataan peninsula, which got under way in 1972, had if anything accentuated the centripetal tendency. By late 1982, however, 12 industrial estates and export processing zones had been established in various regions covering 154 firms, providing 54,300 jobs and exporting $250.9 million worth of manufactured goods.

Table 9 shows the regional distribution of manufacturing in 1975, of industry in 1977, and of BOI-registered projects in 1980. In 1975, Manila and the two adjoining provinces of Central Luzon and Southern Tagalog accounted for 73 per cent of the country's manufacturing value added and 65 per cent of manufacturing employment. The concentration of the broad "industry" sector was, as might be expected, less pronounced, Manila and the two adjoining provinces accounting for only 53 per cent of gross value added. But concentration appears to have been enhanced by BOI-registered (domestic and foreign) investment, Manila alone accounting for 60 per cent of projects and 68 per cent of employment, and including the two adjoining provinces for as much as 83 per cent of projects and 89 per cent of employment.

Table 9: Regional distribution of manufacturing, 1975, 1977 and 1980
(per cent)

	1975		1977[a/]	1980[b/]	
	Value Added	Employment	Value Added	Number of projects	Employment
Metro Manila	51.2	45.3	42.2	60.0	67.5
Central Luzon	21.3	19.3	9.4	5.0	10.0
Southern Tagalog			13.5	18.0	11.0
Other	27.5	35.4	34.9	17.0	87.5
Total	100.0	100.0	100.0	100.0	100.0

Source: J. Daems, Industrial Locations in the Philippines, ESCAP/UNIDO, March 1983, pages 17, 21, 44.

a/ Figures refer to industry.
b/ Under BOI-registered projects.

The eleven major industrial projects (Annex Table 17), planning of which began in 1979, were intended to provide basic industrial infrastructure for more regionally balanced economic development. Seven of the eleven projects were to be located outside Luzon, the copper smelter and phosphate fertilizer plant in the Western Visayas, the alcogas and cement plants in the Eastern Visayas, and the integrated steel complex, the aluminium smelter and the pulp and paper mill in Mindanao. The future of the majority of these projects, however, is at present uncertain.

2.6 Recent development policies and prospects

In the most recent past, the manufacturing sector of the Philippine economy has been severely affected by three developments: the international recession; the breakdown of business confidence; and the emergency measures adopted to deal with the external debt and balance of payments situation.

The impact of the prolonged recession in the industrial countries was causing exports of Philippine manufactures to slow down from 1980 onwards, as was noted above. There were indeed signs of a revival in the first months of 1983, in response to the strong recovery in the United States and its spread effects to other parts of the world. But this incipient upturn was nipped in the bud, partly by the indirect effects on the Philippine economy of the slump in copper and sugar prices, but chiefly by the political and economic troubles of 1983-84. The immediate cause on the economic side was the threat of external insolvency arising from the accumulated debt burden which had reached $26 billion. The run on the banks, flight of capital abroad, near-collapse of major financial institutions and successive devaluations of the peso since August 1983 brought to a head a decline of confidence in the economy among both domestic business and foreign investors which had been building up for some time.

From 1983 onwards the Government took a series of economic stabilization measures to deal with the crisis. These included devaluation of the peso and tighter monetary policies, which both contributed to reducing the structural weaknesses which existed within the manufacturing sector, i.e. high capital-intensity and import content. However, the impact of the

stabilization programme was mitigated by rapid increase in domestic inflation and by diverging policy signals (particularly the introduction of an import surcharge and import restrictions) given to protected industries, which may retard adjustment of inefficient industries. The Government came to support several large companies which found themselves in financial difficulties. In July 1983, the Government announced a cutback by one-half in the $6 billion programme for major industrial projects.[1/] Four of the projects (paper and pulp, petrochemicals, alcogas and aluminium smelter) were deferred indefintely and the size of the ambitious steel complex was to be reconsidered. Three projects have been completed (copper smelter, diesel engine, and cement industry) while another three projects are in various stages of implementation (phosfatic fertilizer, heavy engineering and the coco-chemical plant). Given the financing constraints and the change in economic outlook, the viability of projects under implementation or deferred would need reassessment.

At the same time negotiations began with the IMF and the major overseas creditors. In October 1983, the Philippines formally sought a 3-month moratorium on its debt services, floated the peso and imposed severe import and exchange controls. During the last quarter of 1984, the Government has expanded and strengthened the stabilisation programme to restore stability of the economy. The programme seeks to control inflation by reducing credit, restore external balance, improve taxation and to eliminate the temporary foreign exchange controls. To support the stabilisation programme, negotiations with the IMF over the package of reform it required as the conditions for a SDR 615 million stand-by credit continued through 1984 and were expected to be formally concluded in late 1984.

The two most serious effects of the crisis on the manufacturing sector, apart from the probably wise cutback of overambitious programmes for major projects were a virtual cessation of new investment, both foreign and domestic, and a dramatic decline in output and employment, due partly to cuts in Government spending, rising costs and financial difficulties, but chiefly and increasingly to shortages of foreign exchange for raw materials and spare parts.

1/ A full list of the original 11 major industrial projects is given in Annex Table 17.

The Philippines, however, scored significant improvements in the balance of payments in 1984 which resulted in the first balance-of-payment surplus since 1977. The current account deficit fell from $2.7 billion in 1983 to $1.1 billion in 1984. The overall balance of payments showed a surplus of $286 million by year end compared to a deficit of $2.1 billion in 1983. The balance-of-payment improvement, however, resulted from the heavy cost of reduced economic activity, especially in the manufacturing sector.

Industry observers estimate that during 1984 some 300,000 persons may have become unemployed and 25-30 per cent of the domestic market-oriented firms would face temporary or permanent closure. Further, the manufacturing sector was estimated to contract by more than 10 per cent during 1984 and total manufacturing investment decrease by as much as 25 per cent. A total of 272 strikes were recorded in 1984. Given the need to cut back imports by 30 per cent or more, shortages of raw materials were expected to affect virtually all of the country's manufacturing industries.

The least affected was expected to be electronics assembly since it falls within the priority list of dollar allocation, and the majority of firms are multinationals or operate under sub-contracting agreements which assure supplies of raw materials and components. The garments industry also enjoys priority status and should benefit from recovery in overseas markets but has been severely affected by rising costs. These and other export industries should also derive some benefit from depreciation of the peso which was floated in October 1984. Most other industries are likely to experience declining output and low capacity utilisation well into 1985. One of the worst affected industries was motor car assembly. The Ford and Delta companies ceased operation, and the remaining three assemblers were having serious and increasing difficulties.

The main policy issues facing the Philippine manufacturing in the medium term relate to the need for reducing import dependence, increase the efficiency of existing investment and channelling new investments into areas that provide high net foreign exchange earnings. High priority needs to be given to restructuring the domestic manufacturing industries into viable, competitive industries. Continued protection of manufacturing would only

reduce the pace of sectoral adjustment and decrease its growth potential in the longer term. Adjustment policies are also necessary for existing export industries to maintain their international competitiveness and increase their net foreign exchange earnings. Key industries which will need to adjust are textiles (garments) and electronics, which, combined, accounted for 60 per cent of export earnings of non-traditional manufacturing during the last 5 years. The need to diversify export industries is also assuming increasing importance. The greatest potential seems to lie in the development of domestic resource-based processing industries with high export potential such as food processing (particularly fruit and fish), and wood-based industries (particularly plywood and furniture).

An important policy area is the formulation of subsector programmes to translate the broad industrial development objectives into a consistent policy framework at the industry branch level. Such subsector programmes are designed to rehabilitate, restructure and develop specific industrial sectors and to provide a basis for further industrial policy reform. Rehabilitaion programmes are being implemented for the textile and cement industries and programmes have been formulated for electronics and several food processing industries. A development programme is under preparation for the metal working sector which could potentially deepen the industrial structure. Other programmes are being developed for the leather, footwear, and furniture industry which have a high potential for efficient import substitution as well as exports. Assistance is also provided to export industries by the Government through identification of promising products and revision of related policies and regulations. It would appear, however, that institutional problems have delayed the implementation of subsector programmes for further structural reforms at the branch level.

The medium-term growth prospects of manufacturing will depend, to a large extent, on a successful stabilization programme, efficient utilization of the existing capital stock and on restoration of confidence in the private sector. Until the present crisis is resolved, it would be difficult to speculate about the short- and medium-term projects for industrial growth in

the Philippines. The World Bank,[1/] however, has illustratively examined the growth prospects for manufacturing under two alternative scenarios:

i) In the high-case scenario, which assumes continued implementation of the industrial adjustment programme as well as recovery of the financial sector, manufacturing is seen as averaging -1 per cent growth during 1984-86, reflecting the completion of the stabilisation process in the economy. During this period, growth of domestic-oriented industries would be negative, but export-oriented industries would compensate for most of that loss, with growth of non-traditional industries averaging 4 per cent per annum. Beginning in 1987 a manufacturing growth of 6 per cent may be feasible, reflecting sucessful restructuring of the domestic-oriented industries and high growth of non-traditional export industries of around 9 per cent per annum.

ii) If the implementation of industrial policies is less successful, inefficient production and high import dependence would increasingly constrain the growth of the manufacturing sector. In the low-case scenario, the structural problems would keep manufacturing as a net burden on the balance of payments and limit its contribution to employment. Growth during 1984-86 would be negative, but manufactured exports might still grow at about 5 per cent per annum. From 1987 onwards sectoral growth would be limited to 3 per cent per year, a rate which would depress overall economic growth.

1/ World Bank: The Philippines: An Agenda for Adjustment and Growth, November 30, 1984, page 46.

3. PLANS, RESOURCES AND INSTITUTIONS FOR INDUSTRIAL DEVELOPMENT

3.1 Industrial development plans and strategies

In 1978, the National Economic and Development Authority (NEDA) framed a Ten-year Development Plan for the Philippines for the years 1978-87, as well as a long-term Plan for the year 2000. A Five-year Plan was again created for the years 1983-87 and it was just beginning to take effect when developments in the domestic and external environments rendered its target quite unrealistic. In response, the Government immediately called for a review and an updating of the Plan, and in August 1984 a new and Updated Philippine Development Plan for 1984-1987 was launched.

The Updated Plan recognizes the basic flaw of the country's economic structures and proposed corrective measures that will be the foundation for a speedy economic recovery. Efforts remained to be focused on the attainment of sustainable economic growth, equitable distribution and total human development.

The country's current development plan is centered on mitigating the balance-of-payment deficits and in restoring economic stability and growth. Aside from the economic recovery programme already undertaken by the Government, a balanced agro-industrial strategy would be pursued to encourage the production of domestic raw materials and provide income generating opportunities in the rural areas. Emphasis would also be given to projects with high socio-economic impact and short gestation periods such as barangay roads, school buildings, small irrigation and power projects, and rural health units.

The industrial sector plan focuses on the establishment of world competitive industries with special emphasis on agro-based and labour-intensive industries. This programme would be pursued through the continuance of the export promotion programme currently being undertaken by the Government for its seven priority exports[1/] and the establishments of

---

1/ The seven priority exports are electronics, garments, furniture, fresh and processed foods, gifts and housewares, footwears and leather goods, and construction services.

cottage, small and medium industries (CMSI), especially in rural areas. Efforts would be geared towards meeting the needs of exporters through a more systematic trade assistance and information scheme, broadening of export financing facilities, extension of export guarantees and insurances and the strengthening of fiscal incentives to export-oriented industries.

For CMSIs, the Government would pursue a more liberal financing scheme through its policy of no collateral and risk-sharing ventures. Technological centres and other support facilities would be developed to assist CMSIs in procuring raw materials, improving production facilities and marketing their finished products.

Policies encouraging local industries to improve quality and cost competitiveness would be sustained. The floating exchange rate already implemented will be maintained to equalize incentives to import-dependent and export-oriented industries. Tariffs on raw and semi-processed materials would be adjusted to enable local industries to source these materials locally and, thus, remain competitive. Foreign investments would continue to be encouraged in preferred and pioneer economic activities.

Programmes to encourage the dispersal of industries in the countryside would be pursued. Productive activities, assisted by the Kilusang Kabuhayan at Kaunlaran (KKK) and the Kilusang Sariling Sikap (KSS) would be initiated to engage rural folks in self-reliant income generating projects. Emphasis would likewise be given to the establishment of regular industrial estates in areas with industrial potentials and adquate infrastructural facilities.

The implementation of a number of the major industrial projects (MIPs) including the petrochemical complex, aluminum smelter, pulp and paper plant, and the high-range horsepower diesel plant; have been deferred till better times. Nevertheless, concerted efforts would be undertaken to maintain the viability of existing MIPs as well as those under construction.

The private sector would continue to be the leading partner in national development, with the Government setting the necessary direction and basic

support. Direct involvement and control of the economy by the Government would be minimized. Expenditures of the public sector through the national budget and public corporations would be supportive of the development goals and private sector activities. Government spending would be countercyclical in times of low private economic activity and consistent with tolerable levels of prices, liquidity and the balance of payments. Government involvement in certain economic activities would be phased out to give way to private initiatives once their viability is assured. A participative approach in the formulation of policies affecting labour, employment and management issues would be pursed to ensure the maintenance of industrial peace consistent with economic growth.

While reiterating the basic goals of the original 1983-87 Development Plan and the commitment to its various economic and social programmes, the Updated Plan is based upon a five point recovery programme which includes:

(a) An economic stabilisation programme which aims at improving the balance of payments position, reducing the budget deficit and reducing inflation.

(b) An external financing programme which encompasses rescheduling of external debt maturities, falling due from October 17, 1983, to the end of 1985, new loans, and extensions of trade credit lines.

(c) A reorientation of economic priorities, in line with the stabilisation programme, to focus, inter alia, on balanced agro-industrial development strategy with particular emphasis upon productivity increases.

(d) A continuation of the ongoing structural adjustment programme to achieve sustainable economic growth in the medium term through improved resource allocation and increased efficiency in factor utilisation. Reforms in trade liberalisation, industrial development/restructuring programme, and in the investment incentive regime will be strengthened further.

(e) A continuation of programmes to achieve social equity, including improvements in health care, education and housing.

3.2 Resources for industrial development: natural, human and financial

Natural resources

The relevance of a country's natural resource endownment to industrial development is fourfold. Growth of primary production in agriculture, forestry, fisheries, mining, etc., generates income and purchasing power for manufactures. The requirements of agriculture, forestry, fisheries and mining for machinery and other industrial products provide a domestic market for manufacturing industries. Output of primary products requires, and presents opportunities for further processing and may give a comparative advantage to domestic processing industries. A country with a generous endownment with natural resources has scope for rapid growth of income, savings and foreign exchange earnings which can facilitate and stimulate industrial development.

Table 10 presents recent data and projections to 1987 for the Philippines' most important natural resources in agriculture and fishery. During the 1970s, the Philippines became for a while self-sufficient in the two main staple foods, rice and maize, though some imports have been necessary in a few recent years. The main commercial crops are coconuts and sugar. The Philippines is the world's largest exporter of coconuts. Philippines agricultural resources provide a good basis for diversification of the food processing industries, particularly based on fruit and fishery resources.

Table 11 provides recent data on forestry and mineral production and projections to 1987. Forestry resources have been ample but have been rapidly depleted in the past two decades. As a result, production of logs, timber, plywood and veneer fell during 1980-1983. Exports of forestry products were also lower in 1983 than in 1980, except for logs. Projections for 1987, however, suggest substantial expansion of production of logs, timber, plywood and veneer.

In mineral production, the Philippines is the leading copper producer in Asia and has substantial reserves of other metals, especially nickel and chromite. But reserves of iron ore and coal are small. Substantial expansion of production of copper, nickel, gold, coal and limestone is projected for 1987.

Table 10: Production of major agricultural crops/commodities, CY 1983-87

(Thousand metric tons)

	Actual	Projections			
	1983	1984	1985	1986	1987
TOTAL AGRICULTURAL CROPS					
Food crops					
Grains					
Palay	7,295	7,412	7,671	8,100	8,675
Corn	3,134	3,334	3,601	3,961	4,341
Other crops					
Cofee	88	89	98	103	110
Cacao	5	6	6	8	10
Sorghum	17	18	21	24	27
Beans, seeds and nuts	96	99	112	117	123
Fruits	7,038	6,321	6,396	6,614	6,815
Vegetables	858	886	914	939	968
Rootcrops	2,961	3,019	3,064	3,116	3,190
Commercial crops					
Sugar	2,000	2,200	2,056	1,848	1,861
Coconut	2,010	1,780	1,894	2,068	2,273
Tobacco	48	43	48	51	53
Rubber	75	76	81	82	83
Abaca	88	96	102	107	116
Cotton	12	13	16	21	32
Ramie	2	3	3	5	6
LIVESTOCK	1,033	1,068	1,117	1,173	1,232
POULTRY	238	248	263	282	302
FISHERY	1,533	1,656	1,745	1,843	1,948

Source: Updated Philippine Development Plan, 1984-87.

(Data as of 7 September 1984).

Table 11: Expected production levels of selected natural resources indicators, 1980-83 and 1987

Item	Actual								Projections
	1980		1981		1982		1983		1987
	Production	Export	Production	Export	Production	Export	Production	Export	Production
Forestry (million cubic meters)									
logs	6.35	0.72	5.40	0.71	4.51	0.75	4.43	0.79	6.00
timber	1.53	0.74	1.22	0.55	1.21	0.59	1.22	0.73	1.80
plywood	0.55	0.32	0.46	0.37	0.42	0.24	0.46	0.29	0.56
veneer	0.66	0.16	0.55	0.14	0.43	0.10	0.45	0.12	0.56
Selected mineral production									
copper metal (1,000, MT)	305		302		292		309		544
gold (1,000 kg)	20		24		26		25		31
nickel metal (1,000 MT)	47		29		11		19		63
coal (1,000 MT)	325		318		557		1,140		3,839
iron ore (1,000 DMT)	...		6		6		2		...
chromite ore (1,000 DMT)	496		439		321		284		...
limestone (1,000 MT)	10,100		9,180		10,008		10,911		15,249
silver (1,000 MT)	61		63		62		62		...

Source: Ministry of Natural Resources.

Annex Table 18 presents data on primary energy by source for the years 1978-1984. More than half of total energy requirements consisted of imported oil in 1984. Oil import dependence, however, has declined since 1978 mainly due to significant growth of indigenous energy production especially geothermal, hydro and coal as well as development of non-conventional energy sources such as bagasse and agri-industrial wastes. The energy consumption of the industrial sector has expanded rapidly from 52.1 per cent of the country's energy utilization in 1978 to 59.2 per cent in 1983.

Human resources

A country's human resources for industrial development cannot be captured in precise statistics. The Philippines is a lower middle-income developing country with the manpower characteristics typical of such a country in most respects, but an above average tertiary-educated and professional labour force, both in numbers and in quality. Annex Tables 19 and 20 present data on labour force and employment while Annex Tables 21 and 22 summarize plans for upgrading the country's labour force at various educational levels during the Plan period 1983-87.

The 1983-87 Development Plan emphasized the improvement of the general quality and efficiency of education, the alleviation of disparities in educational and employment opportunities and the reorientation of eduction and training towards manpower requirements for social and economic development. Education, manpower and labour would be more closely linked with other social and economic sectors. Employment generation and promotion would seek to respond to the manpower requirements of both local and overseas labour markets.

The Plan stressed that non-formal education would continue to complement and supplement formal education. Training would be geared towards the provision of skills and the development of entrepreneurship in support of manpower requirements of the production sectors with priority on small- and medium-scale export-oriented industries. Skill training responsibility would gradually be shifted to the private sector. This would be undertaken through the adoption of innovative schemes such as the training contract mechanism which gives incentives to employees who participate in the training process. The scope for trades and occupations, where apprentices are usually found, would be further expanded with a more intensive nationwide campaign for apprenticeship registration. A Bureau of Continuing Education will be organized to develop and undertake non-formal education programmes.

The Plan estimated that a total of about 1.5 million people would be equipped with basic, middle level and supervisory skills by the regional manpower training centres during the period from 1983 to 1987. Around 94,200

persons would be trained in the seven subsectors of manufacturing, namely, construction, metals and engineering, automotive, garment, shoes and leather goods, wood products, and hotel and restaurant industries. These subsectors would increasingly be given priority in the allocation of manpower, financial and other resources considering the labour demand for skilled manpower in these sectors. The 2,213 apprenticeship and traineeship programmes, on the other hand, would train about 53,457 people and graduate an estimated 22,821 participants in 1987. The absorption rate for apprentices would increase from 94.3 per cent in 1983 to 96.3 per cent in 1987. All trainees would be absorbed for employment. Local public employment offices would place an estimated 92,000 workers from 1983 to 1987. The overseas labour market would be increasingly expanded to accommodate about 416,000 workers in 1983 and exceed 1 million workers at the end of the Plan period (Annex Table 22).

Financial resources

Annex Table 23 presents data and projections for 1987 concerning the public sector cash budget, as they appeared in 1982, at the time of the formulation of the 1983-87 Development Plan. Annex Tables 23, 24, 25, 26 and 27 show recent data on the public sector budget; the monetary system; loans and investment; credit outstanding by commercial banks - by industry; as well as structure and growth of the financial sector during 1975-1983.

In developing the financial sector, the Philippine authorities followed a fairly eclectic approach to financial intermediation by creating a complex and fragmented structure of financial institutions.[1/] The most significant drawback of the system was, and continues to be, the relatively underdeveloped state of the long-term capital market and excessive reliance on short-term credit. In 1980, the Government undertook major financial sector reforms which moved in the direction of the universal banking concept, thereby facilitating a more flexible system to increase the flow of longer-term savings and loans.

1/ The Philippines: An Agenda for Adjustment and Growth, World Bank, November 30, 1984.

The financial sector has continued to grow rapidly in recent years. Financial assets grew by 9 per cent annually in real terms during 1979-83 whereas GNP grew at only 4 per cent and gross national savings decreased their share in GNP from 22.4 per cent in 1978 to 16.8 per cent in 1984. The formal financial sector has assumed a greater role; however, the sources of its growth have been international credit rather than domestic savings. The banking system, particularly commercial banks, dominate the financial sector, which also consists of "thrift banks", "unibanks", rural banks and non-bank financial intermediaries. The role of the capital market, has been marginal, but the money market has assumed greater importance in the financial sector. Public institutions and foreign banks have grown in importance in recent years. Government institutions have become increasingly involved in financing economic activity, both in the form of increased lending but also take-over of distressed private sector companies and financial institutions.

Resource mobilization in the financial system in terms of deposits grew by 4 per cent annually in real terms during 1979-83, with rising trend towards longer-term periods. The structure of credit allocation by industry has hardly changed during the past five years, except for an increase in loans to financial institutions concomittant with a declining share of loans for trading. The manufacturing sector continues to obtain almost one-third of toal credit while the share of agriculture remains at around 12 per cent.

In September 1983, the financial sector, still recovering from a crisis of 1981, suffered another serious setback, which resulted from a combination of ongoing portfolio deterioration with massive capital flight and deposit withdrawals. The crisis affected many financial intermediaries, most severely the smaller banks and finance companies. By end-1983, the Central Bank had provided about P 4.3 billion as emergency loans to 46 financial institutions. The crisis led to notable shifts of funds within the banking sector, particularly through a shifting of deposits to foreign banks. The largest commercial bank, the state-owned Philippine National Bank suffered, for the first time, a net loss (of $61 million) in 1984. The current financial policies, being pursued by the Government will continue to reflect the deflationary approach taken to stabilize the economy and imply that domestic credit will remain constrained and expensive at least in the short term.

3.3 Institutional infrastructure for industrial development

The 1983-87 Philippine Development Plan lists 140 agencies, institutions and organizations concerned with economic planning in the Philippines. The following are the more important of these which are directly concerned with industrial development.

The National Economic and Development Authority (NEDA)

NEDA was created in 1973 to replace previous institutions concerned with national economic planning. It is responsible for the formulation and updating of long- and short-term national development plans as well as for the identification and co-ordination of policies at the national and regional levels. The main functions of NEDA are:

(a) to formulate, in consultation with the private sector and other Government agencies, definite and consistent long-range and annual economic and social development plans and programmes;

(b) to co-ordinate the formulation and implementation of national policies in fiscal, budgetary, monetary, credit, tariff, investment, production, price, manpower, trade and other economic matters;

(c) to analyze, co-ordinate and initiate major development projects on Government funds;

(d) to co-ordinate the implementation of national, sectoral and regional plans;

(e) to co-ordinate and integrate foreign economic and technical assistance programmes and to maintain working relationships with international financial institutions;

(f) to review and recommend to the President the Investment Priorities Plan, Export Priorities Plan and Public Utilities Plan prepared by the Board of Investments.

The planning procedure is an iterative process of decision making between NEDA and other Governmental and private institutions. NEDA prepares the macroeconomic plan, setting the targets of sectoral value added, consumption, investment, employment, etc, and defining the resource constraints. Simultaneously, implementing agencies prepare sectoral plans which are subsequently channelled to NEDA for collation and co-ordination.

At the decentralized level, regional and local units also formulate plans according to the various sectors, which NEDA finally checks for consistency at the national level.

Although actual planning works less smoothly than the ideal set up described here, the process is designed as a simultaneous process of planning from above and from below and should guarantee decentralization and consistency.

The Board of Investment (BOI) was created with the enactment of the 1967 Investment Incentives Act to implement the investment incentive policy. Its main functions can be grouped under three headings:

(a) Investment promotion and evaluation - to identify and promote investment in preferred areas; to prepare project feasibility studies and the annual Investment Priorities Plan, Export Priorities Plan, Public Utilities Plan and Agro Business Priorities Plan, to evaluate and subsequently supervise the projects registered under the four priorities plans; to promote the authorization of foreign investment in industrial projects; to disseminate information on investment opportunities.

(b) Assistance to BOI-registered projects - to process and evaluate applications for incentives; to assist prospective investors and registered enterprises in the compliance of the requirements of other Government offices and financial institutions in order to facilitate joint ventures and the registration of foreign investment.

(c) Export promotion - to organise product adaptation missions; to spread information about non-traditional export products; to facilitate joint ventures between local and foreign entrepreneurs or subcontracting agreements in developing markets abroad and in acquiring technological assistance.

The BOI also administers the granting of incentives to firms that undertake projects in preferred areas of investment and enforces the Foreign Business Regulation Act which covers the entry of foreign investment in the country.

Development Bank of the Philippines (DBP) is a long-term financing institution originally created to provide credit facilities for the rehabilitation and development of agriculture and industry (including the reconstruction from war damages), and to promote the establishment of private development banks in the provinces and cities. Three of the operating department of DBP are responsible for the evaluation of projects and for providing financial assistance to industry, in the form of loans and guarantees to projects. It also makes equity investments in selected projects and provides financing to Government enterprises. The bank has specifically given priority to projects which are export oriented and labour intensive, and gives special attention to those which process agricultural produce and contribute to regional dispersal.

The National Cottage Industry Development Authority (NACIDA) was created in 1962. NACIDA is responsible for the overall planning, promotion and development of cottage industries. Cottage industries (defined as industries with total assets of less than 100,000 pesos) are deemed to be very important for employment generation. They need, however, special support on the technical side, financial assistance and marketing organizations. The tasks of NACIDA are to promote the establishment of cottage industries, to survey existing skills machinery and equipment and raw materials available, to promote standarization and marketing of cottage products, to give small loans to cottage industries and provide them with financial assistance, and to provide them with technical know-how and field assistance.

The Commission on Small and Medium Industries (CSMI) was created in 1974 in the Ministry of Industry to provide a co-ordinated, integrated and comprehensive multi-agency approach to the development of small and medium industries. It co-ordinates 12 agencies, each one with its own budget, all wholly or partly involved in the Government's small- and medium-scale industry development programme. Its task is to promote, assist and develop small- and medium-scale industries by co-ordinating the programmes of the member-agencies for technical, financial, marketing, purchasing and promotional assistance. It has recently emphasized the importance of establishing links with large industries to encourage subcontracting, transfer of technology and management skills.

The Philippine Export Council (PEC) was created in 1976 with the aim of contributing to the implementation of the export promotion policy. Its functions are to develop a national export strategy, to prepare short- and long-term programmes of developmental and promotional activities for export products, to study and recommend Government assistance measures that will encourage increased production and enable exportable commodities to become more competitive in international markets, to assist producers, exporters and Government agencies in the promotion of Philippine products, and to encourage the creation of co-operative trading organizations. The PEC is subdivided into 19 permanent committees for products or product groups, composed mainly of members from the private sector, which provide recommendations for the respective product group.

The National Science Development Board was set up to promote scientific and technological research both for the agricultural and the industrial sector. It supervises various research agencies, including, inter alia, the National Institute of Science and Technology which offers technical services in industrial R and D, engineering research, testing and standarization services, techno-economic evaluation services; the Philippine Inventions Commissions; the Philippine Textile Research Institute; the Metals Industry Development Centre. The Board also provides financial support for research and development and finances the training of adequate scientific and technological manpower. Among its recent specific goals are the search for new export products which could be produced by labour-intensive cottage

industries from indigenous raw materials, the search for alternative sources of energy, and development of new processes for the utilization of waste products from agriculture and industry.

The National Manpower and Youth Council was created in 1969. Its task is to develop human resources, establish training institutions and formulate plans to ensure efficiency in the allocation, development and utilization of the nation's manpower. It formulates plans on manpower development, maintains a manpower skills centre and regional training centres, supervises technical assistance programmes.

The Development Academy of the Philippines was established in 1973. It has various institutional tasks, some of which are directly related to industry: training programmes, for local management and professional expertise; technical assistance in setting up industrial projects integrated into the overall socio-economic development scheme; and feasibility studies on projects intended to pioneer new industries of Government undertakings aimed at accelerating the socio-economic growth of the country.

During the four years of the 1978-82 Plan period, a number of administrative reforms and innovations were instituted in support of the implementation of programmes and projects. Among these are:

Regional Government Centres in all regions to facilitate the co-ordination of Government activities in the regions as well as increase the accessibility of Government services to regional constituents.

The Philippine Institute for Development Studies established to provide direction to long-term and policy-oriented research on social and economic development.

The Philippine Statistical Development Program for 1978-82 which delineates the statistical functions and responsibilities among the agencies concerned with the development of an effective system and methodology for measuring and monitoring economic progress and social change.

The National Productivity Commission to report on the Philippines' productivity performance in all major sectors with a view more systematic and effective planning to upgrade the country's present condition.

The Philippine International Trading Corporation established to strengthen the organisational structure for export promotion and expansion.

3.4 Role of technical assistance to industry

Foreign aid has played an important role in the economic and social development of the Philippines. Aid increased significantly after the creation in 1981 of the Consultative Group for the Philippines, a group which co-ordinates external aid from bilateral and multilateral sources. Technical co-operation to all sectors increased from $64 million in 1978 to $215 million in 1982 but declined to $150 million in 1983. In the latter year the United Nations provided technical assistance valued at $16 million while bilateral programmes totalled $110 million with USA, Australia, Japan and Federal Republic of Germany in the lead.

The Philippine industrial sector received $15.3 million worth of technical assistance in 1983 or 10.2 per cent of the total technical assistance to the Philippines. UNDP and other multilateral agencies provided $2.25 million (14.6 per cent) while bilateral and other programmes amounted to $13.07 million (85.4 per cent), mainly from USA ($9.6 million), Federal Republic of Germany ($2.2 million) and Japan ($0.6 million). In addition, externally financed capital investment in industry amounted to $87.7 million almost evenly contributed by the Asian Development Bank (ADB) ($45.0 million) and bilateral sources ($42.7 million).

Considerable technical assistance has been provided to the Philippine industrial sector by UNIDO in the past decade. Current UNIDO technical co-operation projects include projects in the fields of institutional infrastructure, factory establishment and management, training, agro-industries and chemical industries (Annex Table 26). They provide support for: cottage industries, industrial energy management, quality control, food industries, small-scale industry, low-cost and prefabricated housing (from coconut wood), ramie industry, footwear and leather, energy

production, ethanol production, industrial chemicals and a pilot plant for production of alchohol.

The chief constraints on industrial development in the Philippines which future technical assistance could help alleviate relate to access to best-practice technology in major large-scale manufacturing and infrastructure projects, to deficiencies in production management in medium-scale enterprises and to a low level of skills in production and marketing in small-scale enterprise. All sectors would benefit from assistance and training in export promotion.

Multilateral and bilateral assistance could enhance the medium- and long-term growth prospects of the Philippine manufacturing sector, by supporting Government's efforts to restructure the manufacturing sector and increase its efficiency by developing programmes aimed at:

i) reducing the import dependence of manufacturing industry;
ii) increasing the efficiency of existing installed capacity in manufacturing;
iii) channelling new investment into areas that provide high net foreign exchange earnings;
iv) restructuring domestic manufacturing industries into viable, competitive industries;
v) formulating adjustment policies for existing export industries to ensure continued international competitiveness and increase net foreign exchange earnings particularly for garments and electronics-industries;
vi) continuing support for ongoing restructuring of the textile industry to facilitate an increase of domestic raw material utilisation and ensure international competitiveness and penetration on export markets; and
vii) formulating sub-sector development programmes to diversify manufactured exports and further development of domestic resource-based processing industries with high export potential particularly in the field of agro-industries such as food processing (especially fruit and fish/seafood) and wood industries (particularly plywood and furniture).

----- 000 -----

STATISTICAL APPENDIX

Annex Table 1: Domestic product by sector of origin, 1950-83
(in percent)

Industry	1950	1955	1960	1965	1972	1975	1980	1981	1982	1983 (P)a/
1. Agriculture, Fishery & Forestry	38.8	37.3	24.4	34.3	28.5	29.0	23.3	22.7	22.5	22.0
2. Industrial Sector	21.9	21.5	23.4	24.2	32.0	33.2	36.6	36.6	36.0	35.9
a. Mining & quarrying	1.0	1.2	1.3	1.2	2.3	1.7	3.1	2.2	1.8	1.8
b. Manufacturing	12.5	15.1	17.5	17.2	24.8	24.6	24.4	24.7	24.4	24.8
c. Construction	7.7	4.6	4.0	5.3	3.9	5.9	8.1	8.6	8.6	8.0
d. Electricity gas & water	0.7	0.6	0.6	0.5	0.9	1.0	1.1	1.1	1.2	1.3
3. Service Sector	39.3	41.3	42.2	41.5	39.5	37.8	40.1	40.7	41.5	42.1
a. Transport communication & storage	3.0	3.4	3.5	3.5	4.8	5.1	6.2	6.5	6.4	6.3
b. Commerce	23.5	24.0	24.3	23.6	13.3	13.7	15.9	16.3	16.5	17.2
c. Services	12.8	13.9	14.4	14.5	21.3	19.0	18.0	17.9	18.6	18.6
NET DOMESTIC PRODUCT	100.0	100.0	100.0	100.0						
GROSS DOMESTIC PRODUCT					100.0	100.0	100.0	100.0	100.0	100.0

Sources: 1950-65: C.M. Jurado et al, Trade Policy, Growth and Employment: A Study of the Philippines, World Employment Programme Working Paper, ILO, Geneva, 1983, p.43.
1950-65: Data are for net domestic product.
1972-83: Data are for gross domestic product.
1972-83: World Bank, The Philippines: An Agenda for Adjustment and Growth, November 1984 (current prices).
a/ Provisional.

Annex Table 2: Average annual growth rates of domestic product by industrial origin, 1950-83

Industry	Net Domestic Product					Gross Domestic Product			
	1950-55	1955-60	1960-65	1965-70	1970-75	1975-80	1981	1982	1983 (P)c/
1. Agriculture, Fishery & Forestry	7.10	2.96	4.80	3.54	3.69	5.41	3.7	3.1	- 2.1
2. Industrial Sector	7.62	6.54	5.54	4.95	7.97	8.34	4.5	2.1	0.7
a. Mining & quarrying	11.82	7.57	1.92	15.36	5.15	9.32	0.0	- 9.1	0.0
b. Manufacturing	12.16	7.74	4.52	6.12	6.48	7.52	3.4	2.1	2.4
c. Construction	1.83	2.52	11.25	(2.78)	18.01	11.43	9.9	3.8	- 4.9
d. Electricity, gas & water	3.37	5.41	2.24	6.29	6.23	8.72	11.1	10.0	9.1
3. Service Sector	8.99	5.06	4.50	5.03	4.79	5.13	3.4	3.5	3.7
a. Transport, communication & storage	10.86	5.14	5.02	5.37	6.36	8.19	4.2	4.0	1.9
b. Commerce	8.38	4.90	4.15	4.51	4.03	4.89	4.1	3.1	6.1
c. Services	9.75	5.32	4.95	5.15	5.55	4.45	- 1.4 a/ 5.6 b/	4.3 a/ 4.2 b/	6.8 a/ - 0.8 b/
Net Domestic Product	7.92	4.61	4.84	4.40	5.44				
Gross Domestic Product						6.38	3.9	2.9	1.1
Gross National Product	7.74	4.95	5.57	4.83	6.43	6.28	3.4	1.9	1.3

Sources: 1950-80: Jurado et al, Trade Policy, Growth and Employment: A Study of the Philippines, World Employment Programme Working Paper, ILO, Geneva, p.41.

1981-83: World Bank, The Philippines: An Agenda for Adjustment and Growth, November 1984.

a/ Finance and housing.

b/ Other services.

c/ Provisional.

Annex Table 3: Rates of employment growth in Philippine manufacturing, 1956-1976

Size (employment)	Employment 1956 '000	Employment 1956 Percentage	Employment 1976 '000	Employment 1976 Percentage	Annual growth 1956-76 (Percentage)	Incremental growth 1956-76 (Percentage)
Organised (factory)						
5-19	55	5.7	80	4.8	1.9	3.5
20+	151	15.7	550	32.7	6.7	55.6
Subtotal	(206)	(21.4)	(630)	(37.5)	(5.8)	(59.1)
Unorganised (cottage industries)						
1-4	756	78.6	1,050	62.5	1.7	40.9
Total	962	100.0	1,680	100.0	2.8	100.0

Source: NEDA.

Annex Table 4: Industry distribution of employment, 1957-1978
(in per cent)

	1957	1965	1971	1975	1976	1977	1978
All industries	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	59.7	58.2	50.5	54.0	52.8	51.6	51.3
Industry[a/]	18.9	18.3	20.5	18.2	18.9	19.7	19.8
Manufacturing	12.6	11.6	11.8	10.9	10.8	10.7	11.4
Transport	2.0	3.2	4.2	3.6	4.1	4.7	4.3
Services	21.3	23.5	29.7	27.7	28.3	28.7	28.9
Commerce	9.9	11.0	12.4	11.3	10.9	10.6	11.3
Government	4.8	5.9	9.7	9.0	10.2	11.5	11.3
Domestic	3.6	4.0	5.2	5.3	6.5	5.8	5.8
Personal Services	2.1	2.3	2.2	1.8	0.7	0.8	0.5

Source: National Census and Statistical Office.

a/ Employment in Mining and in Electricity is less than one-fourth of one per cent.

Annex Table 5: Employment and value added in manufacturing, 1960-83 (selected years)

A. Employment	Persons				Percentage shares				Growth rates		
	1960	1970	1974	1980	1960	1970	1974	1980	60-70	70-74	74-80
Food	61,463	85,046	111,693	215,594	25	22	23	22	3.3	7.1	11.6
Beverage and tobacco	22,444	37,798	40,856	52,841	9	10	8	5	5.3	2.0	4.4
Textiles	24,574	52,439	86,860	135,183	10	13	17	13	7.4	18.3	7.8
Footwear and wearing apparel	30,022	34,690	42,219	160,447	12	9	8	16	1.4	5.0	4.9
Leather	1,512	1,766	2,262	4,679	1	0.4	0.4	0.4	1.6	8.6	12.9
Wood and cork	19,371	38,876	42,686	77,981	8	10	8	8	7.2	2.4	10.6
Furniture	5,630	6,871	11,533	32,902	2	2	2	3	2.0	13.8	19.1
Paper and printing	16,708	24,985	26,715	42,881	7	6	5	4	4.1	1.7	8.2
Rubber	4,986	8,620	12,966	27,113	2	2	3	3	5.6	10.7	13.1
Petroleum and coal	0	1,526	1,292	1,665	0	0.4	0.2	0.2	.	-4.1	4.3
Chemicals	12,685	22,777	28,845	40,419	5	6	6	4	6.0	6.1	5.8
Non met. minerals	8,164	18,682	25,502	34,022	3	5	5	3	8.6	8.1	5.2
Basic metals	3,468	10,911	16,560	22,842	1	3	3	2	12.1	11.0	5.5
Metal products	14,454	16,191	17,709	42,003	6	4	3	4	1.1	2.3	15.5
Machinery	3,841	6,191	12,000	27,132	2	2	2	3	5.8	15.5	14.6
Electrical machinery	7,467	13,467	19,296	45,291	3	3	4	5	6.1	9.4	15.3
Transport equipment	7,210	13,507	15,260	39,129	3	3	3	4	6.5	3.1	17.0
Total	243,999	394,343	514,254	1,002,121					4.9	6.9	11.8

Annex Table 5 (continued)

B. Manufacturing value added	Value added					Percentage share					Growth rates				
	1972	1980	1981	1982	1983	1972	1980	1981	1982	1983	1972-80	1980-83	1981 a/	1982 a/	1983 a/
Food manufactures	3,623	8,419	8,803	9,099	9,246	27.06	36.32	36.74	37.09	36.82	11.12	3.17	4.56	3.36	1.61
Beverage industries	724	732	730	747	763	5.41	3.16	3.05	3.04	3.04	0.14	1.39	-0.27	2.32	2.14
Tobacco manufactures	950	1,039	1,100	1,114	1,117	7.09	4.48	4.59	4.54	4.45	1.23	2.44	5.87	1.27	0.26
Textiles manufactures	798	1,049	1,095	1,053	1,050	5.96	4.53	4.57	4.29	4.18	3.48	0.03	4.38	-3.83	-0.28
Footwear and wearing apparel	431	1,019	1,189	1,224	1,247	3.22	4.39	4.96	4.99	4.97	11.36	6.96	16.68	2.94	1.89
Wood and cork products	582	665	707	704	716	4.35	2.87	2.95	2.87	2.85	1.68	2.49	6.31	-0.42	1.70
Furniture and fixtures	86	132	139	140	142	0.64	0.57	0.58	0.57	0.57	5.50	2.46	5.30	0.71	1.42
Paper and paper products	345	191	188	172	196	2.58	0.82	0.78	0.70	0.78	-7.12	0.87	-1.57	-8.51	13.95
Publishing and printing	265	324	344	359	368	1.97	1.39	1.44	1.46	1.46	2.54	4.34	6.17	4.36	2.50
Leather and leather products	22	68	70	71	66	0.16	0.29	0.29	0.29	0.26	15.15	-0.99	2.94	1.42	-7.04
Rubber products	220	302	311	324	316	1.64	1.30	1.29	1.32	1.26	4.04	1.52	2.98	4.18	-2.46
Chemicals and chemical products	1,812	2,365	2,317	2,273	2,315	13.53	10.20	9.67	9.26	9.22	3.39	-0.71	-2.02	-1.89	1.84
Products of petroleum and coal	1,048	1,373	1,287	1,313	1,351	7.83	5.92	5.37	5.35	5.38	3.43	-0.54	-6.26	2.02	2.89
Non-metallic minerals products	445	574	540	569	587	3.32	2.48	2.25	2.32	2.34	3.23	0.75	-5.92	5.37	3.16
Basic metals industries	409	853	791	856	947	3.05	3.68	3.30	3.49	3.77	9.62	3.55	-7.26	8.21	10.63
Metal products	401	1,041	977	1,057	1,091	2.99	4.49	4.09	4.29	4.35	12.66	1.58	-6.14	7.67	3.70
Machinery except electrical	184	726	764	787	797	1.37	3.13	3.19	3.21	3.17	18.72	3.16	5.23	3.01	1.27
Electrical machinery	355	1,153	1,401	1,475	1,717	2.65	4.98	5.85	6.01	6.83	15.86	14.19	21.50	5.28	16.40
Transport equipment	516	885	910	883	742	3.85	3.82	3.79	3.59	2.96	6.98	-5.71	2.82	-2.96	-15.96
Miscellaneous manufactures	172	265	296	320	334	1.28	1.14	1.24	1.30	1.33	5.55	8.02	11.69	8.10	4.37
Gross value added in manufacturing	13,388	23,175	23,959	24,533	25,108	100	100	100	100	100	7.09	2.71	3.38	2.40	2.33

Source: A: Philippine Statistical Yearbook 1984, NEDA.
B: NEDA.

a/ Growth rates over previous year.

Annex Table 6: Index of employment, 1976-1980
(1972=100)

	1976	1977	1978	1979	1980
Agriculture, forestry & fishing	108.2	116.3	118.5	123.3	117.5
Minning & quarrying	109.1	122.8	113.7	119.8	132.6
Manufacturing	130.0	136.4	142.2	149.5	143.7
Construction	211.9	202.9	167.7	196.5	203.9
Public utilites	185.1	189.9	215.1	243.8	224.6
Commerce	115.6	123.5	129.7	138.6	144.6
Transport & Communications	100.9	102.2	110.0	111.5	130.9
Services (incl Government)	111.5	114.4	118.6	113.8	114.5
Total, incl other	120.8	126.2	129.0	138.0	138.2

Source: Central Bank Statistical Bulletin (EIU 1984 Annual Supplement).

Annex Table 7: Trend of employment and unemployment, 1979-1983
('000)

	1979[a/]	1980[a/]	1981[a/]	1982[a/]	1983[b/]
Employment	16,969	17,202	18,735	19,291	19,937
Growth rate (from preceeding year)	-	1.4	8.9	3.0	3.3
Unemployment	795	874	947	915	1,049
As per cent of labour force	4.5	4.8	5.1	4.7	5.3

Source: Philippine Economic Indicators.

a/ Average of 3 and 4 Qtr.
b/ Average of 1 and 3 Qtr.

Annex Table 8: Average rate of effective protection, 1965 and 1974

(per cent)

	1965	1974
Agriculture and primary		9
Manufacturing	51	44
Consumption goods	70	77
Intermediate goods	27	23
Inputs into construction	55	16
Capital goods	16	18
Export		4
Non-exportables		61
Overall average		36

Source: Jurado et al, Trade Policy, Growth and Employment: A Study of the Philippines, World Employment Programme Working Paper, ILO, Geneva, 1983, p. 21.
(1965: Power and Sicat, 1971.
1974: N.A. Tan, 1979).

Annex Table 9: Ratios of labour-intensity indices for selected sectors between different years

		1974/69	1978/74	1978/69
1.	Palay	.739	1.027	.759
2.	Corn	.924	1.027	.949
3.	Sugar cane	1.075	1.036	1.114
4.	Coconut and copra	.922	1.119	1.031
5.	Sugar milling and refining	.689	1.004	.691
6.	Other manufactured foods	.837	1.029	.861
7.	Textile manufacturing	.607	1.646	1.000
8.	Wearing apparel, made-up textile goods, and footwear	.852	1.501	1.280
9.	Other manufactures of wood and cork	.770	1.603	1.235
10.	Furniture and fixtures	.799	.814	.651
11.	Leather and leather products	.706	1.010	.713
12.	Basic industrial chemicals	.349	.982	.343
13.	Basic metals	.323	1.000	.323
14.	Metal products except machinery and transport equipment	.467	1.095	.511
15.	Machinery (except electrical)	.402	1.006	.404
16.	Electrical machinery	.579	.991	.574
17.	Motor vehicles			
18.	Other transport equipment			
19.	Miscellaneous manufactures	.638	.698	.445
20.	Construction	.735	1.000	.735

Source: Jurado et al, Trade Policy, Growth and Employment: A Study of the Philippines, World Employment Programme Working Paper, ILO, Geneva, 1983, p. 74.

Annex Table 10: Money and real wage indices for workers, metropolitan Manila, 1955-1981 (1972=100)

Year	Money	Real	Money	Real	Money	Real
1955	59.7	141.5				
1960	62.7	133.4				
1965	68.2	115.2				
1970	90.6	114.4				
1971	95.3	105.1				
1972	100.0	100.0	100.0	100.0		
1973	105.3	92.4	100.0	87.7	100.0	100.0
1974	115.1	75.6	116.0	76.4		
1975	119.7	72.7	124.3	75.9		
1976	124.4	71.2	151.3	86.5		
1977	137.5	72.9	181.2	96.1		
1978	154.4	76.1	194.7	96.0		
1979	170.1	70.8	281.2	116.7	203.2	96.3
1980	180.9	63.7	364.4	128.2		
1981			390.7	122.8		

Sources: Figures for the first and second columns from Central Bank of the Philippines, 1980 Statistical Bulletin; figures for third and fourth columns based on estimates of National Wages Council, Office of the President. Estimates represented mid-points of ranges calculated by NWC on the assumption that all decreed wage increases were implemented. Figures in fourth and fifth columns from UNIDO Statistics and Survey Unit current price data deflated by Manila CPI.

Annex Table 11: Exports of non-traditional manufactures, 1972-1984
(in million US$ at current prices)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	Est. 1984
Total exports	1,106	1,886	2,725	2,294	2,574	3,151	3,425	4,601	5,788	5,722	5,021	5,005	5,300
Total non-traditional manufactures:	77	212	328	367	546	711	1,045	1,474	2,005	2,374	2,376	2,387	2,700
Electrical equipment and components	2	11	27	47	85	124	253	412	671	838	1,000	1,053	1,185
Garments	2	58	94	100	185	250	327	405	502	618	541	545	630
Food products and beverages	11	15	17	14	20	31	41	46	92	154	150	127	120
Handicrafts	13	27	46	78	71	67	81	110	132	131	118	120	112
Chemicals	6	10	15	21	27	51	59	112	89	105	95	86	86
Furniture and parts	2	3	6	5	10	22	27	55	77	87	72	84	86
Footwear	1	2	4	3	5	10	32	51	67	73	62	55	56
Wood manufactures, excluding plywood, veneer and lumber	8	24	35	29	32	28	30	40	35	46	41	53	54
Machinery and transport equipment	3	3	6	10	16	26	37	47	47	47	48	35	30
Textile yarn, fabrics and other related products	9	24	20	22	39	34	44	55	74	69	56	44	34
Others	20	35	58	38	56	68	114	141	219	206	193	185	307
Share of non-traditional manufactures in total exports (percentage)	7.0	11.2	12.0	16.0	21.1	22.6	30.5	32.0	34.6	41.2	47.3	47.7	50.9

Source: Central Bank of the Philippines.

Annex Table 12: Destination of exports of manufactures by branches, 1982*

SITC	DESCRIPTION OF TRADE GOODS	WORLD TOTAL (1000 US$)	DEVELOPING COUNTRIES (PERCENT)	DEVELOPED MARKET ECONOMIES TOTAL (PERCENT)	USA (PERCENT)	EEC (PERCENT)	JAPAN (PERCENT)	CENTRALLY PLANNED DEVELOPED COUNTRIES (PERCENT)
5	Chemicals	115150	29.06	69.60	11.89	2.65	50.66	0.00
51	Chemicals elements and compounds	59693	5.17	93.59	4.22	0.86	82.44	0.00
52	Tar and chemicals from coal,petroleum,nat. gas	16491	62.65	37.35	37.35	0.00	0.00	0.00
53	Dyeing,tanning and colouring materials	804	45.88	54.12	24.59	17.44	9.31	0.00
54	Medicinal and pharmaceutical products	7138	79.97	14.51	3.85	1.11	9.10	0.00
55	Essential oils and perfume materials	2149	79.05	16.13	0.32	0.00	8.96	0.00
56	Fertilizers,manufactured	0	0.00	0.00	0.00	0.00	0.00	0.00
57	Explosives and pyrotechnic products	3668	38.14	61.86	28.81	25.04	0.00	0.00
58	Plastic materials,regenerated cellul. & resins	12297	71.02	28.35	6.50	8.15	8.55	0.00
59	Chemical materials and products n.e.s.	12410	14.67	83.47	20.06	3.19	57.64	0.00
6	Manufactured goods classified by material	334623	31.20	68.37	24.05	20.47	16.14	0.02
61	Leather manufactured n.e.s. & dressed fur skins	868	13.32	86.68	41.78	40.62	2.45	0.00
62	Rubber manufactures n.e.s.	901	66.94	31.94	0.06	1.83	0.22	0.00
63	Wood and cork manufactures(excl.furniture)	132905	21.84	77.91	32.71	29.54	8.78	0.00
64	Paper,paper board and manufactures thereof	4161	46.47	52.26	4.20	0.07	47.49	0.00
65	Textile yarn,fabrics,made-up articles	55842	40.64	58.58	30.74	7.08	8.02	0.11
66	Non-metallic mineral manufactures,n.e.s.	40400	73.45	25.72	12.25	1.89	5.58	0.00
67	Iron and steel	21931	8.36	91.61	3.08	0.00	86.03	0.00
68	Non-ferrous metals	58411	14.82	85.11	19.29	41.30	24.49	0.00
69	Manufactures of metal,n.e.s.	19204	51.35	47.43	12.46	0.19	3.33	0.00
7	Machinery and transport equipment	165786	37.23	60.54	40.35	12.87	3.92	0.00
71	Machinery,other than electric	22295	75.01	24.81	17.07	2.02	0.90	0.00
72	Electrical machinery,apparatus and appliances	122023	33.99	65.41	50.40	11.27	1.71	0.00
73	Transport equipment	21468	16.45	69.97	7.41	33.27	19.64	0.00
8	Miscellaneous manufactured articles	610373	14.90	84.19	41.25	25.84	5.56	0.67
81	Sanitary,plumbing,heating & lightning fixtures	2008	52.37	21.06	10.21	0.36	4.19	0.00
82	Furniture	71598	6.27	93.66	55.91	12.50	5.53	0.00
83	Travel goods,handbags and similar articles	9621	2.58	97.39	43.99	19.27	7.71	0.00
84	Clothing	305826	18.58	80.10	35.92	32.24	3.78	1.31
85	Footwear	62051	9.26	90.54	52.66	18.82	5.62	0.16
86	Professional,scient. & controll. instruments	19021	58.10	38.63	5.25	15.95	16.07	0.00
89	Miscellaneous manufactured articles,n.e.s.	140247	8.23	91.65	46.49	23.95	7.60	0.00
	TOTAL manufactures [a]	2551295	20.65	74.12	32.13	21.80	13.98	4.54
	TOTAL: SITC 5-8 LESS 68 [a] [b]	1167520	24.14	74.81	34.40	19.40	11.83	0.36
	TOTAL traded goods: SITC 0-9	5012030	20.44	76.04	31.65	16.95	22.92	2.39

Source: UNIDO data base; information supplied by the United Nations Statistical Office.
Note: Percentages may not add to 100.0 due to the fact that countries report trade to/from "unspecified areas".

Note: Data and SITC descriptions refer to SITC revision 1
*/ This table is based on the definition of trade in manufactures covering a list of 148 specifically identified SITC 3-digit or 4-digit codes comprising a wide range of processing stages of manufactured goods.

a Excluding exports of manufactures from export processing zones, which are reported under SITC 931.

b Definition of trade in manufactures SITC 5-8 less 68 is one of the most often found. It covers only items recognized as exclusively manufactured goods, i.e. with a high level of manufacturing content.

Annex Table 13: Imports by end-use, 1955-1983

	Consumer Goods Share (%)	Capital Goods Share (%)	Raw Materials Share (%)	Total Value (in million U.S. dollars)	Growth Rate (%)
1955	25.9	20.8	53.3	548	
1960	16.0	39.0	45.0	604	10.2
1965	22.1	37.2	40.6	806	33.8
1970	10.8	41.6	47.5	1090	34.9
1971	13.4	42.1	44.4	1186	8.8
1972	15.2	40.3	44.5	1230	3.7
1973	18.0	30.7	51.2	1597	29.8
1974	15.0	26.2	58.8	3143	96.8
1975	15.9	33.2	50.8	3459	10.0
1976	15.0	33.7	51.3	3633	5.0
1977	16.2	27.5	56.2	3915	7.7
1978	17.3	29.6	53.1	4732	20.8
1979	17.4	29.0	53.6	6141	29.8
1980	18.5	25.7	55.8	7727	25.8
1981	20.4	24.1	55.5	7,946	2.8
1982	22.3	23.3	54.4	7,667	3.5
1983	22.5	23.5	54.0	7,487	-2.3
Average					
1970-75	14.7	35.7	49.5	1950.8	30.7
1975-80	16.7	29.8	52.6	4934.5	16.5
1980-83	20.9	24.2	54.9	7,706.8	5.7

Sources: National Economic and Development Authority, 1982 Philippine Statistical Yearbook, Jurado et al, Trade Policy, Growth and Employment: A Study of the Philippines, World Employment Programme Working Paper, ILO, Geneva, 1983, p. 64.

Annex Table 14: Imports of manufactured goods, 1974
(in million pesos)

Sector	Gross output (1)	Im-a/ ports (2)	Ex-b/ ports (3)	Domestic demand (4) = (1+2-3)	Import ratio (2)/(4) (%)
Basic metal industries	1,448	1,596	-	3,044	52.4
Chemicals and oil products	8,508	2,856	224	11,140	25.6
Engineering	6,625	5,985	70	12,540	47.7
Food, beverages, tobacco	24,095	1,162	8,967	16,290	7.1
Non-metallic mineral products	1,152	140	154	1,138	12.3
Pulp and paper	1,158	399	49	1,508	26.5
Textiles and apparel	5,086	483	245	5,324	9.1
Wood processing	2,779	-	847	1,932	-
Other light industries c/	3,691	1,099	238	4,552	24.1
Total	54,542	13,720	10,794	57,468	23.9

Sources: Jurado et al, Trade Policy, Growth and Employment: A Study of the Philippines, World Employment Programme Working Paper, ILO, Geneva, 1983, p. 49; World Bank, Priorities and Prospects for Development, May 1976.

a/ Including finished and semi finished manufactures, but not raw materials used by industry.
b/ Estimate based on incomplete data.
c/ Printing and publishing, leather and rubber products, footwear, plastic products and miscellaneous industries.

Annex Table 15: Subscribed capital of projects approved by the Board of Investments (Export Incentives Act) and RA 5188 (Investment Incentives Act) with foreign equity, classified by industry and by nationality 1974-1980 (in thousand pesos)

	1974	1975	1976	1977	1978	1979	1980
RA 6135 (Export Incentive Act)							
Total	441 050	244 073	142 472	134 846	435 143	499 824	1 823 561
Agro-based sector	114 667	28 420	8 257	4 110	65 578	159 485	248 555
Mining and mineral processing sector	10 000	1 000	2 000	3 740	51 790	2 211	809 638
Metal-based sector	38 174	12 344	52 208	19 716	140 243	73 005	144 746
Chemical-based sector	275 489	195 583	44 041	106 290	168 871	202 002	455 941
Other sectors	2 720	7 726	35 966	990	8 661	63 121	164 679
Nationalities	441 050	244 073	142 472	134 846	435 143	499 824	1 823 561
Filippino	317 347	123 710	84 606	75 658	309 302	407 747	1 190 231
American	33 044	22 248	7 734	9 217	37 424	36 305	35 252
Chinese[a/]	18 778	33 953	5 636	17 117	5 299	8 517	12 571
Japanese	32 299	58 497	21 835	2 462	66 413	23 791	256 529
British	9 068	1 200	6 122	1 125	1 913	6 007	63 991
Australian	20 060	452	6 840	1 487	255	791	2 061
Others	10 454	3 839	9 699	27 780	14 537	16 666	26 926
RA 5166 (Investment Incentive Act)							
Capital	1 125 073	126 804	755 758	284 574	445 815	246 591	919 102
Agro-based sector	280 468	26 204	419 531	79 971	222 638	12 423	60 675
Mining and mineral processing sector	741 385	16 111	230 431	13 283	5 000	160 615	178 023
Metal-based sector	108 582	42 284	90 046	191 320	157 600	71 523	349 470
Chemical-based sector	94 638	42 205	10 650	0	26 264	330	15 067
Other sectors	0	0	5 100	0	34 313	1 800	315 667

Annex Table 15 (continued)

	1974	1975	1976	1977	1978	1979	1980
Nationalities	1 225 073	126 804	755 758	284 574	445 815	246 591	919 102
Fillipino	476 050	80 814	516 897	186 350	349 462	44 542	505 804
American	81 063	22 040	84 678	43 560	21 312	53 139	53 017
Spanish	18 787	0	0	13	73	4 898	3 982
Chinese[a/]	16 743	3 838	2 243	1 452	60	20 588	7 190
British	17 452	2 080	0	0	249	330	2 816
Japanese	495 372	240	62 739	51 004	15 000	46 526	83 067
Others	119 606	17 792	89 201	2 195	59 659	76 580	263 228

Source: Jurado et al, Trade Policy, Growth and Employment: A Study of the Philippines, World Employment Programme Working Paper, ILO, Geneva, 1983, p. 85, (National Economic and Development Authority, 1982 Philippine Statistical Yearbook)

a/ From Taiwan and from Philippine residents.

Annex Table 16: Number of manufacturing establishments, employment and value added by size, 1967,1972 and 1975 (1974)

	Establishments						Employment						Value added (million pesos)					
	1967		1972		1975		1968		1970		1974		1968		1970		1974	
	Number	Percentage share	Number	Percentage share	Number	Percentage share	Number (000)	Percentage share	Number (000)	Percentage share	Number (000)	Percentage share	Value added	Percentage share	Value added	Percentage share	Value added	Percentage share
Small-scale industries (5-99 workers)	9,400	93.4	11,900	94.2	15,900	93.6	138.6	35.2	131.1	32.5	160.8	30.2	792	17.7	924	14.8	1,886	12.0
Medium-scale industries (100-199 workers)	278	2.7	306	2.4	467	2.8	38.4	9.7	37.7	9.3	54.2	10.2	527	11.7	685	10.9	1,570	10.0
Large-scale industries (200 and above)	384	3.8	429	3.4	604	3.6	217.3	55.1	235.2	58.2	317.0	59.6	3,171	70.6	4,649	74.3	12,190	78.0
Total manufacturing	10,062	100.0	12,635	100.0	16,971	100.0	394.3	100.0	403.9	100.0	532.0	100.0	4,491	100.0	8,258	100.0	15,648	100.0
Annual growth rate[a/] (per cent)			1967-75				1968-74						1968-74					
SSI			6.7				2.5						15.6					
MSI			6.?				5.9						20.0					
LSI			5.8				6.5						25.2					
TOTAL			6.8				5.1						23.1					

Source: Lorna C. Cenzon, Profile of Philippines Small- and Medium-scale Industries, Small Industries Journal, Vol. 10, July-September 1977, p.17. Percentage share for the period 1968-1974.

Annex Table 17: The eleven major industrial projects
(as of February 1982)

Project	Description	Site	Cost	Production capacity	Implementing agency/ shareholders	Joint venture partners/ source of funds	Operational date
Copper smelter	Establishment of a copper smelting and refining facility designed to process locally manufactured copper concentrates into refined copper	Isabel, Leyte	$343M	138,000 MTPY copper cathodes; 442,000 MTPY sulfuric acid	Philippine Associated Smelting and Refining Corp.	National Development Company; Phil. Mining Co; Consortium of; Marubeni Corp. Sumitomo C. Itoh International Finance Corp.	Mid-1983
Phosphatic fertilizer	project that will utilize the sulfuric acid output of the copper smelter project, and produce ammonium sulfate, NP/NPK, MAP and DAP	Isabel, Leyte	$484M	153,000 MTPY ammonium sulfate; 253,000 MTPY of NP/NPK; 512,000 MTPY of DAP; 170,000 MTPY of MAP	Philippine Phosphatic Fertilizer Corporation	National Development Company; Republic of Nauru	Mid-1984
Aluminium smelter	Establishment of facilities to produce foundry ingots, slabs, and extrusion billets	Phividec Industrial Estate, Misamis Oriental	$515M	140,000 MTPY of foundry ingots	National Development Company	National Development Company	Under review
Integrated steel mill	Involves the establishment of an integrated steel works	Iligan Northern Mindanao	$765M	1.2M MTPY slabs 0.3M MTPY bloom (first stage) 2.0M MTPY slabs 1.0M MTPY bloom (second stage)	National Steel Corporation	N.A.[1]	1984-85 iron & steel making; 1985-86 expanded rolling facilities

Annex Table 17 (continued)

Project	Description	Site	Cost	Production capacity	Implementing agency/ shareholders	Joint venture partners/ source of funds	Operational date
Alcogas program	Intended to reduce the country's dependence on imported crude oil by displacing 20% of the projected demand for gasoline	Nationwide	$124M	234M litres of alcohol per year[2]	Philippine National Alcohol Commission; Philippine National Oil Co; Ministry of Energy	Private sector; Foreign joint venture	Under review
Heavy engineering industries	Involves the development of the country's capabilities in fabricating equipment and machineries required by the industrial plants	Bataan	$50M	12,000 MTPY steel structure 1,420 MTPY machined and precision assembled components to be expanded to 2,470 MTPY (1984) & 4,300 MTPY (1985)	Commission on Heavy Engineering Industries	National Development Company; Philippine private sectors; foreign partners	Mid-1983
Integrated pulp and paper	Expansion of existing PICOP plant from 450 TPD to 900 TPD pulp capacity	Bislig, Surigao del Sur	$199M	5,000 MTPY newsprint; 35,000 MTPY kraft; 70,000 MTPY fine papers		Existing shareholders; National Development Company; Foreign Partners	1985
Petrochemical complex	Establishment of two downstream petrochemical plants and an upstream naptha cracker plant	Limay, Bataan	$920M	100,000 MTPY low density polyethylene plant; 170,000 MTPY polypropylene plant	Philippine National Oil Company	Philippine government; Foreign government; Technical partners	Under review

Annex Table 17 (continued)

Project	Description	Site	Cost	Production capacity	Implementing agency/ shareholders	Joint venture partners/ source of funds	Operational date
Diesel engine manufacturing	Involves the manufacture of low range and high range horsepower diesel engines	Dasmariñas Cavite (LR)	$21M	-	-	100% Isuzu (Japan)	April 1982
		Metro Manila (HR)	$72M			100% M.A.N (German)	Under review
Cement industry expansion	It has 3 components conversion to coal firing;	Various	$36M	-	Philippine Cement Industry Authority	Krupp Polysius AG	1982
	rehabilitation of existing cement plants;	Various	$80M			Development Bank of the Philippines	1983-84
	1 million ton per year plant	Maricalum Negros Occidental	$128M	1M MTPY		Philippine private sector; Philipp Bros. (USA)	1985
Coconut industry rationalization (fatty alcohol)	Establishment of a coco-chemical plant to produce coco fatty alcohol (to replace imported petro-chemical as feedstocks for soaps and detergents)	Rosario Cavite	$75M	50,000 MTPY (1981-1983) and another 50,000 MTPY (1984-1985)	United Coconut Planters Bank	United Coconut Mills (UNICOM); Foreign groups	1984

1. The government intends to proceed without a joint venture partner for this project since this will be an expansion of the Iligan Steel Works of the National Steel Corporation, a 100 per cent Philippine government owned corporation.
2. Aggregrate distilling capacity.

Source: Ministry of Trade and Industry; Five-year Philippine Development Plan, 1983-87.

Annex Table 18: Primary energy by source, 1978-1984
(in million of barrels of fuel oil equivalent)

	1978	1979	1980	1981	1982	1983	1984 (est.)
Indigenous energy	11	19.2	18.8	26.2	30.5	35.3	38.4
Conventional	5.5	15.9	13.9	13.4	17	19.4	24.1
Oil		7.2	3.5	1.4	3	4.7	2.7
Coal	0.9	0.8	1	0.9	1.1	2.6	4.7
Hydro	4.6	4.8	5.9	6.4	6.7	5.1	9.3
Geothermal		1.1	3.5	4.7	6.2	7.0	7.4
Non-conventional	5.5	5.3	4.9	6.2	7.4	15.8	14.3
Bagasse	5.5	5.3	4.9	6.2	7.4	5.5	5.5
Agri-industrial wastes				6.3	6.1	9.1	8.7
Other				0.3	0.1	1.3	0.1
Imported energy	75.3	70.5	69.5	67.2	65.5	64.5	57.2
Oil	75.3	70.5	69.5	67.2	65.5	63.5	55.6
Coal						0.9	1.6
Total energy	86.4	89.7	88.2	93.4	96	99.6	95.5

Source: Ministry of Energy.

Annex Table 19: Labour force, employment and unemployment, 1970-84

Survey date	Working age population/a (in thousands)	Labor force participation rate (%)	Labor Force (in thousands) Total	Employed/b	Unemployed	Unemployment rate (%)
1970 - Census	20822	55.5	11566	10734	832	7.2
March 1971	20333	57.7	11732	11101	631	5.4
May 1971	20511	59.6	12223	11624	599	4.9
August 1971	20886	59.0	12324	11680	644	5.2
November 1971	21073	59.8	12607	11931	676	5.4
February 1972	21333	61.7	13172	12244	928	7.0
May 1972	21343	61.6	13140	12176	964	7.3
August 1972	21423	59.6	12778	11983	795	6.2
November 1972	21839	58.0	12659	11961	698	5.5
February 1973	21895	58.7	12843	12169	674	5.2
May 1973	22372	58.2	13016	12407	609	4.7
August 1973	22926	60.3	13835	13107	728	5.3
November 1973	23081	59.9	13824	13141	683	4.9
February 1974	23054	58.4	13466	12897	569	4.2
May 1974	23014	60.9	14024	13324	700	5.0
August 1974	22961	59.0	13545	12975	570	4.2
November 1974	22880	59.3	13564	13117	447	3.3
February 1975	23047	59.0	13598	13090	508	3.7
August 1975	23772	60.7	14434	13795	639	4.4
August 1976	24992	61.9	15460	14662	798	5.2
Third quarter 1976/b	24837	60.5	15017	14238	779	5.2
First quarter 1977	25251	63.3	15989	14985	1004	6.3
Third quarter 1977	25787	58.2	15002	14334	668	4.5
Fourth quarter 1977	26048	57.6	14994	14323	671	4.5
First quarter 1978	26307	58.5	15386	14588	798	5.2
Second quarter 1978	26587	63.0	16758	15699	1059	6.3
Third quarter 1978	26882	62.5	16792	16101	691	4.1
Fourth quarter 1978	27169	63.9	17363	16668	695	4.0
First quarter 1979	27466	61.6	16919	16124	795	4.7
Second quarter 1979	27770	63.2	17551	16744	807	4.6
Third quarter 1979	27598	61.4	16945	16267	678	4.0
Fourth quarter 1979	28369	65.0	18440	17795	645	3.5
Third quarter 1980	28835	61.4	17705	16749	956	5.4
Fourth quarter 1980	29027	64.2	18634	17825	809	4.3
Third quarter 1981	29847	61.7	18422	17452	970	5.3
Fourth quarter 1981	30079	62.6	18818	17810	1008	5.4
Third quarter 1982	30747	60.1	18474	17371	1102	6.0
Fourth quarter 1982	30978	63.6	19698	18614	1084	5.5
First quarter 1983	31211	62.2	19408	18254	1154	5.9
Third quarter 1983	31676	64.6	20465	19522	943	4.6
Fourth quarter 1983	31907	64.3	20521	19671	850	4.1
First quarter 1984	32141	62.2	19982	18724	1258	6.3

Source: National Census and Statistics Office. Quoted from World Bank, The Philippines: An Agenda for Adjustment and Growth, November 30, 1984.

/a Population 15 years and older.

/b Prior to and including the survey of August 1976, survey respondents were asked if they had worked during the week before the survey. Beginning with the third quarter of 1976, respondents were asked if they had worked during the previous quarter.

Annex Table 20: Employment by sector, 1970-84

(Thousands of persons)

	Agriculture, fishery and forestry	Mining	Manufacturing	Electricity, gas and water	Construction	Commerce	Transp., comm. and storage	Other services/a	Total employment
1970 - Census	5614	51	1324	33	437	815	496	1964	10734
March 1971	5287	49	1398	55	416	1358	526	2012	11101
May 1971	5686	55	1430	58	465	1459	517	1954	11624
August 1971	5575	66	1393	57	442	1536	499	2108	11680
November 1971	5874	58	1409	49	419	1515	526	2081	11931
February 1972	6294	57	1446	40	426	1525	489	1967	12244
May 1972	6351	56	1413	40	454	1580	477	1805	12176
August 1972	6330	54	1286	43	402	1458	502	1908	11983
November 1972	6378	55	1293	44	431	1450	464	1866	11961
February 1973	6397	72	1327	34	474	1469	480	1916	12169
May 1973	6357	61	1375	37	518	1602	503	1954	12407
August 1973	6990	59	1409	41	401	1513	538	2156	13107
November 1973	7183	51	1362	37	349	1499	499	2156	13141
February 1974	6893	52	1427	36	355	1497	503	2134	12897
May 1974	7260	43	1468	44	402	1550	511	2046	13324
August 1974	7005	42	1355	45	411	1512	518	2097	12975
November 1974	7107	46	1390	38	400	1518	489	2131	13117
February 1975	6962	44	1406	42	417	1537	525	2157	13090
August 1975	7190	54	1609	46	456	1591	488	2361	13795
August 1976	7538	56	1638	46	491	1812	542	2539	14662
Third quarter 1976	7659	81	1598	51	429	1864	550	2514	14238
First quarter 1977	7046	91	1837	72	593	1851	704	2791	14985
Third quarter 1977	7474	52	1515	42	484	1355	681	2731	14334
Fourth quarter 1977	7308	72	1561	56	492	1384	654	2796	14323
First quarter 1978	7315	72	1665	53	519	1458	692	2814	14588
Second quarter 1978	8054	80	1755	51	506	1660	658	2935	15699
Third quarter 1978	8403	61	1743	49	519	1626	696	3005	16101
Fourth quarter 1978	8702	67	1916	55	480	1745	681	3022	16668
					Non-agricultural employment				
First quarter 1979	7643				8481				16124
Second quarter 1979	7953				8791				16744
Third quarter 1979	7743				8801				16544
Fourth quarter 1979	8967				8828				17795
Third quarter 1980	8745				7912				16657
Fourth quarter 1980	9441				8305				17746
Third quarter 1981	8929				8523				17452
Fourth quarter 1981	9171				8639				17810
Third quarter 1982	8919				8452				17371
Fourth quarter 1982	9696				8918				18614
First quarter 1983	9139				9115				18254
Third quarter 1983	10187				9335				19522
Fourth quarter 1983	10250				9423				19671
First quarter 1984	9187				9537				18724

Source: National Census and Statistics Office. Quoted from World Bank, The Philippines: An Agenda for Adjustment and Growth, November 30, 1984.

/a Includes industry not reported.

Note: Integrated Quarterly Survey of Households was not conducted for the following quarters: 1976 - fourth; 1977 - second; 1980 - first and second.

Annex Table 21: Education, manpower and labour, 1980-88

Indicator	*SY 1980-81*	*SY 1981-82*	*SY 1982-83*	*SY 1983-84*	*SY 1987-88*
A. Literacy rate (in percent)	88.9	89.5	89.9	90.3	92.1
B. School enrolment ratios (in percent)					
Elementary	90.0	90.7	91.4	92.1	95.0
Secondary	58.0	57.7	59.2	62.6	80.1
Tertiary	14.9	15.1	15.3	15.6	17.4
C. Cohort survival rates (in percent)					
Grade I to Grade VI	68.2	69.9	71.5	73.2	79.8
Year I to Year IV	66.1	63.5	66.0	68.5	79.4
D. Transition rates (in percent)					
Elementary to secondary	78.4	79.1	79.8	80.6	83.5
E. Training output (in persons)					
Skills training	110,325	162,306	170,822	204,638	421,371
Apprenticeship	37,182	36,040	37,842	39,734	48,297
Learnership	8,239	3,417	4,043	4,245	5,160
F. Promotion of employment (in persons)					
Workers placed locally**	19,125	15,159	15,920	16,720	20,330
Workers placed overseas	213,214	266,243	332,800	416,000	1,015,620

Source: Five-year Philippine Development Plan, 1983-87.

*Estimates
**Includes only those workers placed by MOLE's regional public employment offices.

Annex Table 22: Education and manpower planning: programs and projects, 1983-87a/
(million pesos)

Sectoral objective	Program description	Coverage	National Budget	Foreign Loans/ Grants	Private	Total	Percent Share
		Grand Total	12,721	329	50	13,100	100.0
1. To provide broad general education	Aims to expand educational opportunities and upgrade the quality of education in the elementary secondary levels		3,722	2	10	3,734	28.5
		Elementary/	3,611	7	6	3,619	27.6
		Secondary	111	-	4	115	.9
2. To train manpower in areas critical to national development	Aims to meet the manpower requirements of the different production sectors by providing basic, middle level and technical managerial training through the regional manpower training centers, apprenticeship programs, and non-formal education	Vocational/	888	303	-	1,191	9.1
		Technical	62	150	-	217	1.6
		Non-formal	826	153	-	979	7.5
3. To develop the high level professions	Aims to democratize access to higher education through scholarships, grants, etc, raise quality standards through accreditation, align courses in accordance with the national development thrusts, and provide assistance to maintain viability of higher private learning institutions.		6,246	24	40	6,310	48.2
		Tertiary	6,246	24	40	6,310	48.2
4. To promote and regulate local and overseas employment	Aims to promote full employment through the expansion of the services of public employment offices and the widening of the overseas labor market		220	-	-	220	1.7
		Labor Force	220	-	-	220	1.7
5. To promote culture and develop sports	Aims to strengthen sense of nationhood, preserve and protect cultural heritage and and promote sports development		1,645	-	-	1,645	12.6
		Culture	455	-	-	455	3.5
		Sports	1,190	-	-	1,190	9.1

a/ Excluding current operating expenditures
Source: MEC, NMYC, MOLE, FAPE, cultural Agencies and MYSD

Annex Table 23: Public sector resource budget cash basis, 1980-1983 and 1987
(billion pesos)

Item	1980				1981				1982			
	National	Local	Government Corporations	Total	National	Local	Government Corporations	Total	National	Local	Government Corporations	Total
Receipts	34.7	3.2[1]/	13.4[2]/	51.3	35.9	3.2[1]/	17.7[2]/	56.8	38.6	3.4[1]/	22.9[2]/	64.9
Tax	30.5	1.5	-	32.0	31.4	1.6	-	33.0	34.1	1.8	-	35.9
Nontax	4.2	1.7	13.4	19.3	4.5	1.6	17.7	23.8	4.5	1.6	22.9	29.0
Current operating expenditures	24.5	2.0	12.3	38.8	26.4	2.1	16.8	45.3	30.8	2.2	21.5	54.5
Current surplus	10.2	1.2	1.1	12.5	9.5	1.1	0.9	11.5	7.8	1.2	1.4	10.4
Capital expenditures	13.6	1.0	5.4	20.0	20.8	1.1	8.9	30.8	17.8	1.1	12.0	30.9
Financing gap	(3.4)	0.2	(4.3)	(7.5)	(11.3)	-	(8.0)	(19.3)	(10.0)	0.1	(10.6)	(20.5)
Financing account												
Gross borrowings	5.6	-	6.0	11.6	16.5	-	10.0	26.5	12.9	-	12.2	25.1
Debt amortization	1.8	-	0.5	2.3	1.7	-	0.9	2.6	1.9	-	1.2	3.1
Net borrowings	3.8	-	5.5	9.3	14.8	-	9.1	23.9	11.0	-	11.0	22.0
Total expenditure and debt amortization	39.9	3.0[3]/	18.2[4]/	61.1	48.9	3.2[3]/	26.6[4]/	78.7	50.5	3.3[3]/	34.7[4]/	88.5
Ratio to GNP												
Recipts	13.1	1.2	5.1	19.4	11.8	1.0	5.8	18.6	10.9	1.0	6.5	18.4
Tax	11.5	0.6	-	12.1	10.3	0.5	-	10.8	9.7	0.5	-	10.2
Financing gap	1.3	0.1	1.6	2.8	3.7	-	2.6	6.3	2.8	0.03	3.0	5.8
Total expenditures & debt amortization	15.1	1.1	6.9	23.1	16.0	1.0	8.7	25.8	14.3	0.9	9.8	25.1

Annex Table 23 (continued)

Item	1983				1987				Growth rates			
	National	Local	Government Corporations	Total	National	Local	Government Corporations	Total	1980-81	1981-82	1982-83	1983-87
Receipts	44.3	4.3[1]	29.1[2]	77.7	78.9	8.5[1]	67.9[2]	155.3	10.7	14.3	19.7	18.9
Tax	39.1	2.3	-	41.4	69.5	4.8	-	74.3	3.1	8.8	15.3	15.7
Nontax	5.2	2.0	29.1	36.3	9.4	3.7	67.9	81.0	23.3	21.8	25.2	22.2
Current opening expenditures	34.6	2.9	26.8	64.3	53.4	6.1	49.3	108.8	16.8	20.3	18.0	14.1
Current surplus	9.7	1.4	2.3	13.4	25.5	2.4	18.6	46.5	(8.0)	(9.6)	28.8	36.5
Capital expenditure	18.4	1.2	16.6	36.2	29.6	2.2	29.9	61.7	54.0	0.3	17.2	14.2
Financing gap	(8.7)	0.2	(14.3)	(22.8)	(4.1)	0.2	(11.3)	(15.2)	157.3	6.2	11.2	(9.6)
Financing account												
Gross borrowings	11.1	-	15.6	26.6	9.5	-	18.7	28.2	128.4	(5.3)	6.0	1.5
Debt	2.4	-	1.3	3.7	3.4	-	3.9	7.3	13.0	19.2	16.1	19.3
Net borrowings	8.7	-	14.3	23.0	6.1	-	14.8	20.9	157.0	(7.9)	4.5	(2.4)
Total expenditure and debt amortization	55.4	4.1[3]	44.7[4]	104.2	86.4	8.3[3]	83.1[4]	177.8	28.8	12.4	17.7	14.3
Ratio to GNP												
Receipts	10.8	1.1	7.1	19.0	10.5	1.1	9.1	20.7				
Tax	9.6	0.6	-	10.1	9.3	0.6	-	9.9				
Financing gap	2.1	0.05	3.5	5.6	0.5	0.03	1.5	2.0				
Total expenditure and debt amortization	13.6	1.0	11.0	25.5	11.5	1.1	11.1	23.7				

Sources: PPS, OBM, NEDA.

1. Net of national governments revenue allotments.
2. Net of equity and subsidies from the national government.
3. Net of expenditures financed from national government revenue allotments.
4. Net of expenditures financed from equity, subsidies and loans by the national government.

Annex Table 24: The monetary system at year's end, 1974-83

(In billions of pesos)

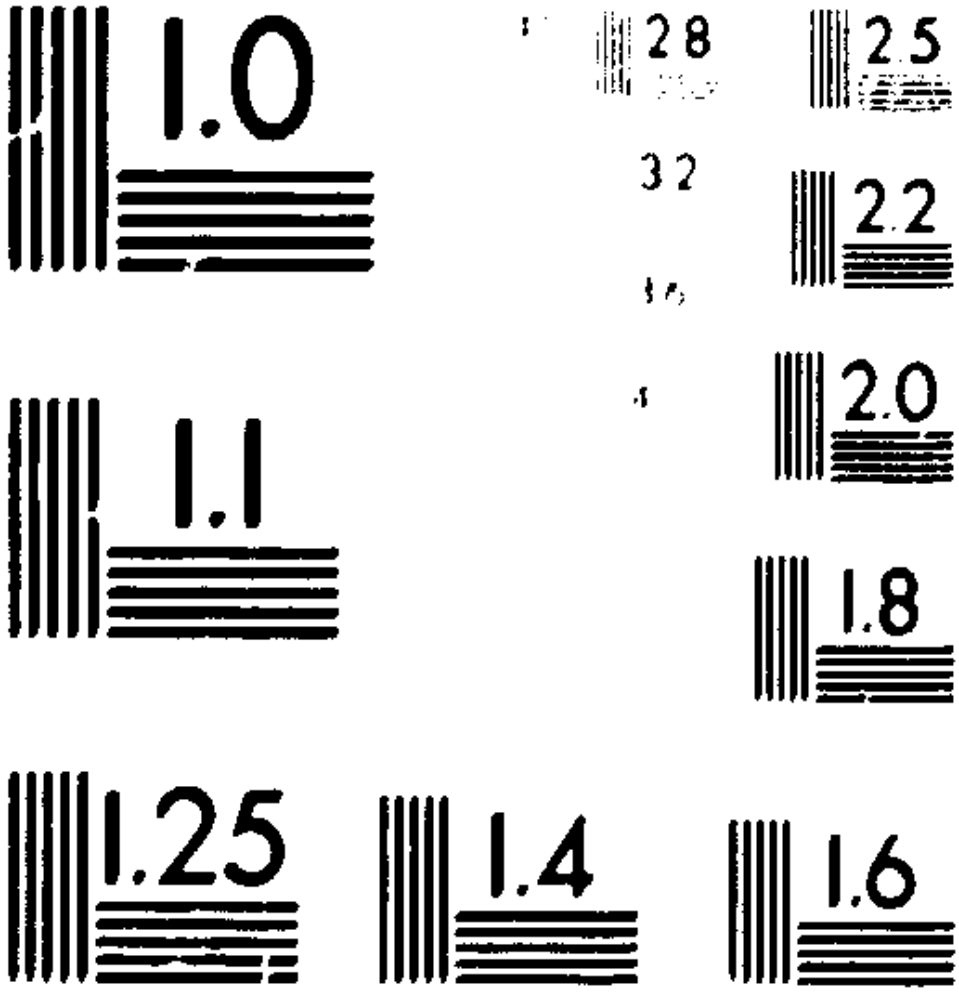
	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Net foreign assets	2.9	0.8	-0.4	-1.2	-2.2	-7.0	-17.3	-22.8	-41.6	-74.5
Domestic Credit, Net	26.3	34.8	42.7	50.8	63.1	79.5	93.8	115.5	139.4	166.0
Credit to Government	-1.6	-0.1	1.4	3.4	3.3	3.1	5.1	9.6	16.9	15.8
Credit to other public sector	1.8	4.8	6.1	6.0	4.9	5.5	2.7	2.3	4.8	8.8
Credit to private sector	26.1	30.1	35.2	41.4	54.9	70.9	86.0	103.6	117.7	141.4
Net unclassified assets	2.5	2.3	2.8	5.9	4.9	2.4	11.3	12.9	24.0	61.7
Total Assets = total liabilities	31.7	37.9	45.1	55.5	65.8	74.9	87.8	105.6	121.8	153.2
Total Liquidity	24.3	28.8	35.9	43.9	51.8	57.4	67.8	82.1	95.3	113.0
Money supply	9.0	10.3	12.1	14.9	16.9	18.8	22.5	23.5	23.5	32.5
Time and savings deposits	7.8	8.9	12.9	17.6	23.4	26.6	32.9	42.1	55.2	63.4
Deposit substitutes	7.5	9.6	10.9	11.4	11.5	12.0	12.4	16.5	16.6	17.1
Other liabilities and capital accounts	7.4	9.1	9.2	11.6	14.0	17.5	17.1	23.5	26.5	40.2

Source: Central Bank of the Philippines. Quoted from World Bank, The Philippines: An Agenda for Adjustment and Growth, November 30, 1984.

Annex Table 25: Financial sector: loans and investments outstanding by type of institution, 1974-83

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
	(In billions of pesos)									
Commercial banks	31.1	38.8	44.9	53.7	69.6	86.9	102.1	117.8	136.5	171.6
Development banks	5.3	7.3	10.5	13.1	15.0	18.5	23.5	33.9	40.7	51.0
Rural banks	1.8	2.4	2.7	2.8	3.5	4.3	4.8	5.6	6.9	8.0
Saving banks	1.0	1.2	1.7	2.4	3.3	4.2	5.5	5.3	4.6	5.7
Private nonbank financial institutions	10.4	13.9	17.0	16.6	19.9	24.4	29.2	27.5	27.9	27.4
Government nonbank financial institutions	5.6	6.8	8.8	10.5	11.9	14.5	17.2	22.0	26.9	42.5
Total	55.2	70.4	85.6	99.1	123.2	152.8	182.3	212.1	243.5	306.2
	(As percent of total)									
Commercial banks	56.3	55.1	52.5	54.2	56.5	56.9	56.0	55.5	56.1	56.0
Development banks	9.6	10.4	12.3	13.2	12.2	12.1	12.9	16.0	16.7	16.7
Rural banks	3.3	3.4	3.2	2.8	2.8	2.8	2.6	2.6	2.8	2.6
Saving banks	1.8	1.7	2.0	2.4	2.7	2.7	3.0	2.5	1.9	1.9
Private nonbank financial institutions	18.8	19.7	19.9	16.8	16.2	16.0	16.0	13.0	11.5	8.9
Government nonbank financial institutions	10.1	9.7	10.3	10.6	9.7	9.5	9.4	10.4	11.0	13.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of the Philippines. Quoted from World Bank, The Philippines: An Agenda for Adjustment and Growth, November 30, 1984.



Annex Table 26: Credits outstanding by commercial banks - by industry[/a], 1977-83

	1977	1978	1979	1980	1981	1982	1983
	(In millions of pesos)						
Agriculture	5448	5770	8120	12010	11120	12691	14790
Mining	1578	3610	5508	7334	7068	9745	13145
Manufacture	13126	17490	22105	27053	26348	29958	35410
Construction	887	1556	2044	2723	4050	5076	5818
Public utilities	115	315	764	645	976	1077	518
Trade	11831	14156	14046	11211	15561	16597	14573
Transport	798	1084	1746	1966	2786	3408	3886
Financial institutions	2576	3300	6141	7914	10620	10590	12886
Real estate	1811	2042	2620	2298	3808	4150	4145
Services	2005	4755	5171	4045	4169	4949	6217
Total	40175	54078	68265	77199	86506	98241	111388
	(As percent of total)						
Agriculture	13.6	10.7	11.9	15.6	12.9	12.9	13.3
Mining	3.9	6.7	8.1	9.5	8.2	9.9	11.8
Manufacture	32.7	32.3	32.4	35.0	30.5	30.5	31.8
Construction	2.2	2.9	3.0	3.5	4.7	5.2	5.2
Public utilities	0.3	0.6	1.1	0.8	1.1	1.1	0.5
Trade	29.4	26.2	20.6	14.5	18.0	16.9	13.1
Transport	2.0	2.0	2.6	2.5	3.2	3.5	3.5
Financial institutions	6.4	6.1	9.0	10.3	12.3	10.8	11.6
Real estate	4.5	3.8	3.8	3.0	4.4	4.2	3.7
Services	5.0	8.8	7.6	5.2	4.8	5.0	5.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of the Philippines. Quoted from the World Bank, The Philippines, An Agenda for Adjustment and Growth, November 30, 1984.

/a Data prior to 1977 not available.

Annex Table 27: Structure and growth of the financial system, 1975-83

	Assets (1983)		Real rates of growth p.a.	
	₱ billion	%	1975-79	1979-83
Central Bank	130.4	23.5	6.9	13.9
Banking system	331.5	59.8	10.2	8.7
Commercial banks	240.6	43.4	9.5	8.0
Thrift banks	16.1	2.9	24.3	8.5
Rural banks	9.5	1.7	4.1	5.7
Specialized government banks	65.3	11.8	11.6	12.0
Nonbank financial intermediaries	92.0	16.6	6.2	4.5
Total Financial System	553.9	100.0	8.7	9.0
(of which: public institutions)	(291.8)	(52.7)	(6.3)	(11.5)

Source: Central Bank of the Philippines.

Annex Table 28: The approved and/or operational technical co-operation projects of UNIDO

Republic of the Philippines

Backstopping Responsibility (Spec.Act.Code)	Project Number	Project Title
IO/INFR (31.3.L)	DP/PHI/83/008	Assistance in quality and productivity improvement for cottage industries
IO/FCTY (31.4.Z)	DP/PHI/82/002**	Industrial energy management consultancy and training (Associated Agency: UN/DTCD)
IO/AGRO (31.7.A)	SI/PHI/83/801	Demonstration of coconut wood utilization in low-cost housing
IO/AGRO (31.7.A)	SI/PHI/84/801	Demonstration of coconut wood utilization in prefabricated housing
IO/AGRO (31.7.B)	RP/PHI/84/003	Development of a programme for revitalizing the ramie industry in the Philippines (training)
IO/AGRO (31.7.C)	UC/PHI/84/180	Assistance to food industry development in the Southern Philippines
IO/AGRO (31.7.D)	US/PHI/79/109**	Footwear and leather goods training and demonstration centre
IO/CHEM (32.1.I)	DP/PHI/78/022*	Assistance to energy production from biomass waste materials
IO/CHEM (32.1.I)	DP/PHI/80/017	Production of ethanol from cellulosic materials (phase 1) - techno-economic and design studies for the establishment of a pilot plant, preparatory assistance
IO/CHEM (32.1.I)	ST/PHI/81/001*	Industrial chemicals from indigenous carbohydrate raw materials (sucro-based chemicals)
IO/CHEM (32.1.I)	US/PHI/81/051*	Establishment of a pilot plant for the production of alcohol from cellulosic raw materials in the Philippines (US/PHI/81/239 also refers)
IO/CHEM (32.1.I)	US/PHI/81/239	Establishment of a pilot plant for the production of alcohol from cellulosic raw materials in the Philippines (US/PHI/81/051 also refers)

* Large-scale project (= total allotment $150,000 or above)
** Total allotment $1 million or above

References

Central Bank Statistical Bulletin, various issues.

J. Daems, Industrial Locations in the Philippines, ESCAP/UNIDO, March 1983, mimeographed.

The Economist Intelligence Unit, Quarterly Economic Review, Philippines, Annual Supplement 1984.

C.M. Jurado et al, Trade Policy, Growth and Employment: A Study of the Philippines, World Employment Programme Working Paper, ILO, Geneva, 1983.

International Input-output Table for ASEAN Countries 1975, Institute of Developing Economies, Tokyo, Japan, March 1982.

Lorna C. Cenzen, Profile of Philippine Small- and Medium-scale industries, Small Industries Journal, Volume 10, July-September 1977.

NEDA, Five-year Philippine Development Plan, 1983-87, May 1982.

NEDA, Updated Philippine Development Plan, 1984-87, August 1984.

NEDA, Ten-year Development Plan for the Philippines, 1978-87.

NEDA, Statistical Yearbook of the Philippines 1984.

Philippine Economic Indicators, various issues.

Power J.H., Sicat G.P., The Philippine Industrialisation and Trade Policies, Oxford University, London, 1971.

Private Development Corporation Philippines (PDCP), Industry Digest, January-February 1984.

Private Development Corporation Philippines (PDCP), Industry Performance and Prospects, Manila, October 1982.

UNDP, The 1983 Development Cocperation Report for the Philippines, (UNDP, Manila), October 1984.

UNIDO, Country Industrial Development Profile of the Philippines, UNIDO/ICIS.175, 14 August 1980.

University of the Philippines, School of Economics, An analysis of the Philippines Economic Crisis: A Workshop Report, June 1984.

World Bank, The Philippines: An Agenda for Adjustment and Growth, November 30, 1984.

World Bank, The Philippines, Country Economic Memoranda, Report No. 1765-PH, 26 October 1977.

World Bank, Priorities and Prospects for Development, May 1978.

World Bank, World Development Report, 1984.

Previously issued in the Industrial Development Review Series:

Indonesia	UNIDO/IS.458	1984
Kenya	UNIDO/IS.459	1984
Argentina	UNIDO/IS.460	1984
Paraguay	UNIDO/IS.461	1984
Uruguay	UNIDO/IS.462	1984
Bangladesh	UNIDO/IS.510	1985
Swaziland	UNIDO/IS.516	1985
Zambia	UNIDO/IS.520	1985