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RP'S ECONOMIC RECOVERY

The view from without

It began with muscle spasms toward the end of last year. Then, the Philippine economy, a patient etherized upon the table since last year's July-August floods, began to stir, to breathe easier. The patient has been recovering rapidly since.

It was a recovery that stood up to the exacting and dispassionate appraisal of foreign authorities. Just recently, for example, the Chase Manhattan Bank in its bi-weekly publication "International Finance" predicted enthusiastically that the Philippine Gross National Product this year would approximate the 6.5 percent gain posted in 1971. Among other things, the Bank cited easier credit conditions, increased public investment, and improved prices for [illegible] exports as the major [illegible] perking up the economy.

Similarly, acknowledging the vastly improved economic conditions here in the past months, a consortium of US banks agreed last June 5 to renew a one-year $50 million revolving credit line with The Central Bank of the Philippines. The group made the decision "because the external reserves position of the Philippines is at a 25-year high, there was a trade surplus in the first quarter of 1973 and government tax collections are breaking records."

The consultative group for the Philippines headed by the World Bank which met recently was particularly satisfied with the country's economic recovery. During the meeting, the atmosphere, a report noted, was a "strong contrast to the skepticism which overshadowed the December 1970 formative meeting, particularly on the part of the Europeans. This time around, the Philippines can point to significant real progress on their part even though the consensus of groups there are still many difficulties to overcome."

The group, which met May 29-30 in Paris, included representatives from Australia, Canada, France, West Germany, India, Japan, New Zealand, Spain, Switzerland, United Kingdom, the United States, and some international financial institutions.

Initially, the consultative group noted the marked disparity between last year's economic performance and that of the first months of this year. By contrast, last year's performance, particularly during the first three quarters, appeared rather anemic.

On the whole, GNP growth rate at the end of calendar year 1972 registered 4.3 percent, a steep decline from 1971's 6.5 percent. A number of causes were responsible for this: the severe floods in August and July 1972, the unsatisfactory performance of trade, and the effects of inflation as a result of the combined forces of the floating rate, imported inflation, and shortfalls in domestic food production.

The floods last year not only caused extensive damage on infrastructure which needed to be rebuilt but also seriously affected the growth of food — particularly rice — production.

The year 1972 ended with a sizeable balance of trade deficit.

But the increased flow of official assistance plus improvements in invisible trade receipts (particularly tourism and private transfers) managed to offset the balance of trade deficit and bring about $198 million in the balance of payments for 1972.

The first few months of 1973 were a contrast. Vicente Paterno, chairman of the Board of Investments and head of the Philippine delegation to the meeting, noted that during this time, the balance of trade registered surpluses month by month. This was accomplished mainly through the drastic reduction of imports and the increase in prices of some of the country's exports.

As a result, the balance of payments for the months of January to April yielded a comfortable surplus of $260 million.

Already, the Central Bank has made a net payment of $39.7 million of its foreign obligations.

Gains have similarly been made in recent months on the domestic front. The level of government expenditures for infrastructure bounced from P760 million in FY1971-1972 to P1,020 million during the first nine months of FY1972-1973 alone. Expenses for development are expected to be twice that of the preceding year.

San Juanico Bridge linking Leyte, Samar: quicker pace in infrastructure program

And yet these have been accomplished without resort to inflationary spending. Increased revenues account for this. As a result of the proclamation of amnesty from past tax liabilities, an impressive P5.6 billion has been collected for FY1973, a 28 percent increase over the preceding year.

The Paris meeting acknowledged the "impressive rehabilitation program" following the floods. It was noted, however, that rice production was "still inadequate to meet domestic demand."

The Philippine panel readily admitted the fact that agriculture had been an Achilles' heel in the country's development. In this light, Arturo Tanco, Jr., the secretary of the Department of Agriculture and Natural Resources, informed the group that the Philippine government was sparing nothing to improve agricultural production.

Under the "Masagana 99" rice production campaign, the Philippines plans to expand the use of fertilizers on 500,000 hectares of irrigated land and to expose 100,000 hectares of rain-fed lands to high-yielding varieties.

The government also recently provided P77.5 million for agricultural credit which should enable the lending of P420 million for 600,000 hectares. The Philippine National Bank established 90 mobile banks staffed credit teams to go into rural areas where banking facilities are not available.

The Central Bank, in addition, has provided P300 million to the National Grains Authority for price support operations at harvest. The NGA has increased rice price support by 10 percent, P30 per 50 kilos.

In addition to emphasis on agricultural development, the group recommended that the Philippines aim to raise its growth rate by 6-8 percent per year. Such a growth rate would provide food for the population, increase the standard of public services, and absorb the rapidly expanding labor force.

To achieve this growth rate, the Philippines has embarked on programs to increase production. The 6.5 percent growth rate for 1973 predicted by the Chase Manhattan Bank speaks well of the efforts being taken by local authoriti[illegible]

Corollary measures are being undertaken in addition to increasing production. During the group meeting, BOI Chairman Paterno particularly took note of two such measures: support for private foreign investment and family planning.

Mr. Paterno informed the group that since martial law considerable incentives had been passed to improve foreign investment. The more important ones were the revision of the export and investment incentive laws (copies of which Mr. Paterno distributed to group members), and the liberalization of policies on the repatriation of profits and capital.

Through family planning, the government plans to reduce population growth rate to 2.5 percent at the end of the next five years compared with the present rate of about 3.2 percent.

The meeting ended on a very positive note for the Philippine economy. Although there was no mention of specific loans and aid grants for the coming year, an estimate of partial pledges made indicates the possible achievement of the $250 million development loan target. The group's next meeting will be held in October next year, probably in Paris.

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