

the REPUBLIC

THE PHILIPPINE JOURNAL OF EVENTS

NO. 19

28 JULY 1973

MANILA

A BRIGHT FUTURE

Challenge, opportunity for domestic industries

Domestic industries today are faced with a challenge. Besides giving them all the incentives and opportunities for growth, government has placed industries high in the list of priorities for development.

"In some respects," observes Gerardo P. Sicat, director general of the National Economic Development Authority (NEDA), "domestic industry is really the most important component of our economy. The expected expansion and progress of our economy at a rate reasonable enough to sustain development would come only from the development of domestic industry. This statement, of course, has to be connected with the fact that domestic industry, to be successful, must be related to the major sectoral

Mr. Sicat made the observation during the 20th National Convention of Manufacturers and Producers in Manila recently under the sponsorship of the Philippine Chamber of Industries. The general theme was "Industry and the New Society: An Opportunity and a Challenge."

The industrial sector, which covers mining, manufacturing and construction, has contributed a substantial share in the overall economic growth last year. To date, despite inauspicious developments during the four-year period FY 1969 to FY 1972, capped by the devastating July-August floods of 1972, domestic industries, particularly manufacturing, have performed quite satisfactorily.

In FY 1972, the industrial sector contributed P7,344 million to the Net Domestic Product, some 25.6 percent of the total. In terms of growth rates, the sector registered an increase of 9.2 percent, an improvement over the FY

1971 growth rate of 6.7 percent. For the four-year period FY 1969-FY 1972, the annual growth rate reached 7.1 percent, way above those posted by the major sectors of the economy.

For the manufacturing sector alone, the Seventh Survey of the Manufacturing Outlook conducted by the Private Development Corporation of the Philippines (PDCP) revealed that the majority — 71.4 percent of the participating firms — revealed higher peso sales in 1972 over 1971. About three-eighths of the firms posted increases ranging from 5 percent to 19 percent. Almost one-fifth reported increases in sales of 20 percent to 40 percent.

In addition to higher sales, the year 1972 saw a higher capacity utilization of manufacturing firms over the previous year. In particular, some 63.1 percent of the respondents reported greater utilization for 1972; most firms reported increases within the 5 percent to 19 percent range while a few others disclosed a more than 40 percent increase.

Despite these, however, most firms reported a decline in net profit. Last year's profit figures fell short of 1971 for 48 out of the 84 firms which participated in the survey.

The unfavorable outcome was effected largely by the series of typhoons and floods during the midyear period of 1972. Of the 84 respondent firms, 71.4 percent suffered physical damage to plant, equipment and property, lowered efficiency in operation and substantial losses in manhours as a result of transportation breakdown. During the July-August floods alone, the average loss was 17,031 manhours per firm.

To offset this, the government has offered various incentives to industry and a well-considered industrial development plan. Expectations for the coming years are rather bright. Industrial output is projected to increase at 9.8 percent for FY 1973 and thereafter to accelerate and maintain an annual average growth rate of 10.3 percent for the period FY 1974-77.

Under these projections, the share of industrial output in the expected total Net Domestic Product will increase to 26.8 percent in FY 1973 and 31.1 percent by FY 1977. Construction growth will accelerate from a low 3.8 percent in FY 1972 to 41.6 percent in FY 1973. Mining will improve its growth rate from 10.8 percent in FY 1972 to 14.3 percent in

FY 1973 and thereon at a rate of 18 percent per year up to FY 1977. Manufacturing growth is expected to increase by 5 percent in FY 1973, 9 percent in FY 1974 and 10 percent per year following up to FY 1977.

But there are still some problems besetting industry. In his speech before the 20th Convention of Manufacturers and Producers, Mr. Sicat pointed out some of the "structural problems" of domestic industries.

One major problem is the lack of greater linkages between the various industries of the economy. Sicat points out that in any economy nowadays, there is an increasing interrelation between the different components.

The Four-Year Development Plan provides for the growth of linkage industries related to agriculture, mineral resources and engineering talents. In particular, the development of agro-based industries is being pursued.

For instance, agroindustrial development may include cotton for textile manufacturing, wheat for flour milling, feed grains and rice for grain mill products and corn and leather industries for shoe-making. Among the most important programs for the agro-based industries are the rationalization of the sugar industry and the development of the coconut oil industry.

The second problem Mr. Sicat points out, is the pronounced domestic market orientation of Philippine industries. He notes that "three years of development will show that the progress in the expansion and redirection of industries is still insignificant in relation to the strengthening of our export trade through manufacturing."

The Four-Year Development Plan seeks to correct this by accorded export-oriented industries one of the highest priorities. During the past few months, the government has also offered considerable incentives to export-oriented industries. For the Plan period, (FY 1974 to FY 1977) the government will adopt a more integrated approach to developing and intensifying exports, especially of manufactured products. The approach includes picking out specific products, selecting particular export firms and identifying the right long-term buyers in promising international markets.

"Another important problem," Sicat notes, "involves the question of employment creation as well as an efficient configuration of domestic



Local industries: More incentives industries."

The promotion of medium- and small-scale industries answers the problems. Medium- and small-scale industries contribute to the decentralization and regional dispersal of industries and aid greatly in the creation of immediate and permanent employment opportunities. The Four-Year Development Plan provides for these industries the following activities: surveys and studies pinpointing techno-economic possibilities for small-scale industries in specific areas, the preparation of a sub-contracting program both on the national and international level, the creation of a multi-purpose institute of technology for small-scale industries, the enlargement of the supply of institutional credit through a reorientation of government and commercial bank lending, the formation of specific organizations to look after the interest of small and medium units, the development of economically advantageous ancillary units and an intensive campaign for regional development.

The basic strategy of the industrial development plan is to answer the "structural problems" that have been besetting domestic industries.

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