The manufacturing sector will turn out a checkered performance: profit declines for majority of the firms will however be offset by gains in other areas to push growth rate up 5.7% over 1974 levels

The manufacturing sector in 1975 is projected to contribute a share of 21 per cent to the total Net Domestic Product at factor cost.

Although worldwide inflation and recession affecting most of the trading partners of the Philippines are expected to affect the performance of some subsectors of manufacturing, gains in other subsectors will however push the growth rate to 5.7 per cent over the 1974 level of P6,755 million.

PDCP survey

A recent survey conducted by the Private Development Corporation of the Philippines (PDCP) indicates positive growth in sales value for the manufacturing sector in 1975.

This, the survey notes, despite the accelerating prices of imported goods and raw materials, tightness in credit, fluctuations in exchange rates, the socialized pricing program of the government, decline in demand for Philippine products both on the domestic and international markets, and tax burdens.

Notwithstanding foreseen economic difficulties encountered by the manufacturing sector in the first half of 1975, 95 leading manufacturing firms in 20 different industries ended the semester creditably and even projects more positive sales figures in the remaining months of 1975. Growth in sales value over 1974 is projected to be 35 per cent higher on the average for 81 per cent of the reporting firms, or 77 out of the 95.

Top gainer in terms of 1975 sales value so far is the sugar manufacturing sector with an impressive growth of 55 per cent, and of basic chemicals with a 52 per cent increment in sales over 1974 figures.

However, eighteen companies, or 19 per cent of the reporting firms, expect a decline in the value of sales by an average of 12 per cent from 1974 values.

Projected to suffer major setbacks this year is the container sector which estimates a drop in sales by about eight per cent.

Plans

To boost sales in 1975, 60 out of the 93 respondents have plans to launch a more intensified sales campaign this year.

With the expected growth in sales, 57 companies, or 61 per cent of total respondents, disclose possibilities of increased production by an average of 30 per cent. Of the manufacturing firms, the cement and basic chemicals industries are very optimistic.

On the other hand, 33 companies, or 35 per cent, expect a slump in production volume by about 18 per cent.

About 54 per cent of the responding firms project an improvement in capacity utilization by an average 20 per cent; about 36 per cent expect an 18 per cent decline; and seven per cent foresee no change from their present capacities.

Increase in earnings is seen at an average of 77 per cent by 50 firms. Those in the sugar milling industry particularly, project a possible profit hike of as high as 760 per cent. Half of the sugar group sees the increment in profits at a minimum rate of 400 per cent; the other half settle for an average of about 50 per cent.

Automotive sector

Growth in the volume of sales has been projected for 1975 at an average 40 per cent with increase in profits ranging from six per cent to 700 per cent over 1974 levels.

Production volume is estimated to grow at an ave-

(Continued on page 28)

Optimism runs high in the sugar sector which has this early already posted an impressive growth of 55 per cent in sales value over the 1974 figures.

rage of 50 per cent, and capacity utilization by 20 per cent. Inventory level increments will average at 65 per cent.

Half of the responding firms in the automotive industry reveal an increment of about five per cent in employment while the other half is estimated to register an average decline of ten per cent from last year's level.

A total amount of P21 million was allocated by half of the responding firms for new projects and modernization of facilities in 1975. This amount would be obtained from issuance of new equity, returns on operations, and borrowings. On the other hand, the remaining half has no plans for investment in 1975 either because of sharp rises in productions costs or because those whose mother firms are US-based are still awaiting receovery of the economy "back home." Profits expectations are high from firms in the beverage industry, with three-fifths anticipating an average increment of a modest ten per cent, and the rest, no less than 60 per cent.

On the other hand, about 36 per cent of the reporting firms anticipate a decline in profits by an average of 45 per cent. Adversely affected by the impact of recession are the petroleum and paper products sectors which project declines in earnings this year.

Inventories

On the inventory side, 51 per cent of the 85 respondents estimate a 36 per cent average hike in inventory volume this year. About 14 per cent expect inventory volume to remain at 1974 levels while the remaining 35 per cent project a decline of about 26 per cent.

About 62 per cent of 79 respondents plan to increase their work force by 1n average of 15 per cent. On the other hand 15 per cent project possible cutbacks in work force by an average of 15 per cent. The remaining 23 per cent opt for a status quo.

Investment

Additional inestments will continue to strengthen the manufacturing sector in 1975. Of total expected investments of over $964 million and P604 million in the manufacturing sector, 40 per cent will come from operations, 31 per cent from long-term borrowings, 21 per cent from short-term borrowings, and eight per cent from additional equity.

Distribution of investment is scheduled as follows: first quarter, with 20 per cent; second quarter, 29 per cent; third quarter, 30 per cent; and fourth quarter, 21 per cent.

On the other hand, 43 companies will be unable to pour in additional investment for 1975. Reasons cited are lags in sales volume; uncertainty of future business performance; rising cost of production; decreasing competitiveness of the product; and inadequacy of present facilites.

To counteract increasing market setbacks measures have been initiated, such as: cultivation of new markets; development of new products; slowdown in production activity; postponement of expansion plans; and decrease in work force.

Food Processing

In general 1975 could be a relatively good year for the food processing industry. An over-all increment in sales value by 16 per cent, and in volume by as much as 36 per cent, is projected by the industry.

However, like other branches of the manufacturing sector, the earning potential of the industry is expected to lose muscle slightly in the profit picture.

Investment-wise, majority of the food manufacturing firms believe that it would be impractical to invest at present in view of the rather steep rise in production costs and the current uncertainty in business conditions.

Problems that have been bugging the industry like price upswings of imported commodities and raw materials and the tightness of credit remain the principal

Firms engaged in beverage manufacture predict that 1975 profits will exceed the year-before performance.

sources of concern — which is true for the other industries as well.

Textiles

In terms of total sales revenues, the 1975 business year in the textile industry is expected to register a five per cent downtrend based. There is general complaint about a significant increase in prices of raw materials, credit tightness, and rise in operating costs which can be passed on to the enduser only on a limited scale.

Despite a projected increase in production, the industry believes that profits would be depressed fourfold.

Employment on the other hand will increase by an average of seven per cent for the year 1975.

Wood

For the wood industry, 1975 will not be recorded as a particularly successful year. Worldwide competition which started to bug the industry as early as 1970, the current global economic recession, price hikes and credit tightness, and the impending experts phase-out by January 1976 all point to a distressing year for this sector.

Inventory levels are still uncomfortably high according to one industry official. Other problems include too great dependence on a very few foreign markets for exports, a cramped domestic market, exorbitant freight rates, and the Muslim conflict in the South.

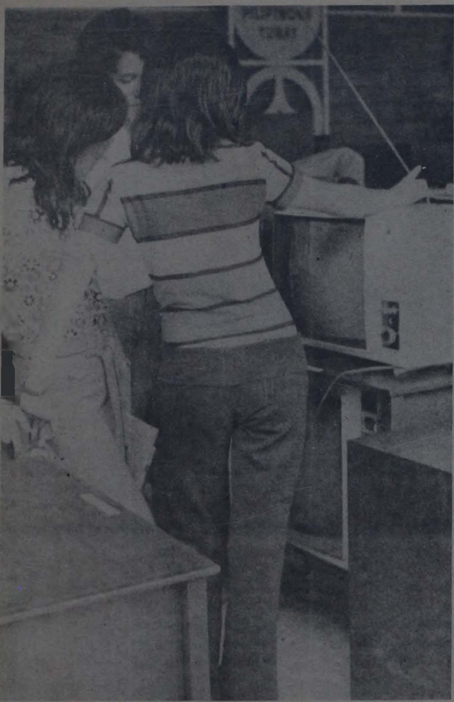
According to Benjamin Sanvictores, vice-president for plywood and veneer of the Philippine Lumber and Plywood Manufacturer's Association, the industry today is more distressed than at yearend 1974. He adds that many wood processing plants have stopped operations since 1974, among them six PLPMA members.

His short range view of the industry is that its situation is not too promising. However, long term prospects "are rather bright."

Household appliances

The situation in the household appliance industry

(Continued on page 30)



Countrywide electrification projects and redistribution of credit to the rural areas have boosted sales of household appliances and the trend is expected to continue accelerating until the Christmas season when it peaks.

for 1975 is anticipated to be comparatively better than that of last year. There seems to be a steady increase in demand for both electrical and gas-operated appliances because of the rural electrification program of the government and the rechannelling of credit to the rural areas.

The industry looks forward to an increase in sales value by a minimum of ten per cent and a maximum of 131per cent. This range in sales value is backed up by sales volume increases ranging from a low of eight per cent to a maximum of 89 per cent.

At the same time, profits is expected to go up by a minimum of ten per cent.

Flour milling

The flour milling industry forecasts a decline in production volume by an average of 11 per cent accompanied by an average reduction in capacity utilization by eight per cent. Because of the slashdown in production volume, it is also projected that sales volumes would consequently go down.

Also, profits are expected to dwindle down to low levels. The high costs of production and the recession in most of the developed countries supplying the Philippines with wheat and other raw materials are cited as the causes of the possible slowdown in profit margins.

The industry is nevertheless optimistic on the whole and even foresees economic recovery by the end of 1975.

Beverages

An average growth of 20 per cent in sales value over 1974 is forecast by all the respondent firms in the beverage industry. Similarly, all companies predict that profits for 1975 will exceed last year's figures. Three-fifths of the firms estimate profits to rise by ten per cent. Doubled profits are expected by two-fifths of the responding firms.

Volume of sales, production, and capacity utilization are estimated to expand by an average of nine per cent, 14 per cent, and 11 per cent respectively.

An expected increase in production volumes in 1975 will be accompanied by an average expansion of six per cent in the sector's work force over 1974 levels.

Cement

The cement industry sees 1975 as a favorable year with sales volume and value expanding by 35 per cent over last year's figures.

Profit expectations of the responding firms in the cement industry vary. Three-sevenths of the responding firms project 1975 profits to be as much as that recorded in 1974. Two-sevenths see a possible profit decline by an average 22 per cent, while one-seventh estimate profits to increase by 10 per cent. Other firms believe that 1975 operations will just break even.

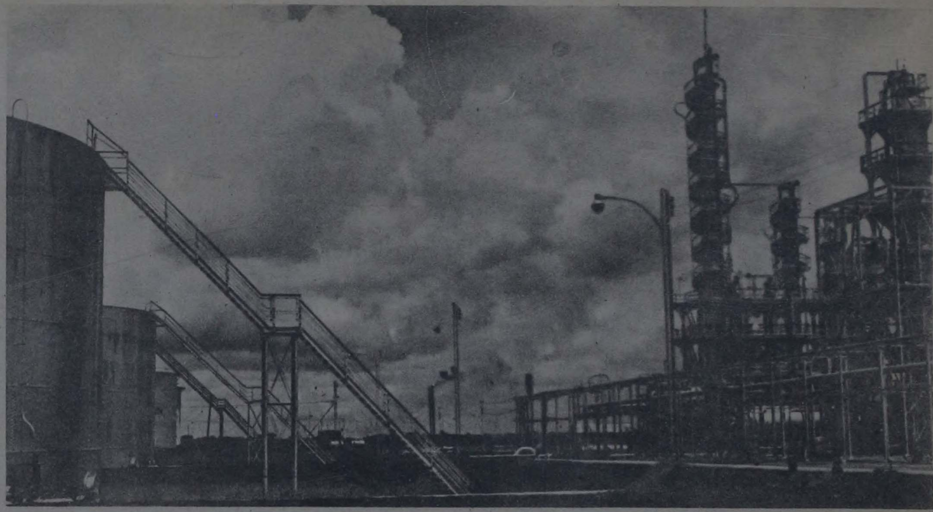
No change in inventory levels is seen by three-sevenths of the surveyed firms. On the other hand, two-sevenths project bigger inventory levels ranging from two per cent to 61 per cent. The rest of the companies reveal a projected average decline of 26 per cent.

Further investments this year will be discouraged by lags in sales, high production costs and current excess capacities. However, one firm has programmed additional investments of around $431 thousand and about P3.1 million to finance its P3.1 million to finance its blueprinted projects.

Construction materials

An average rise of about 55 per cent in peso sales for 1975 is projected by four-fifths of responding firms while the rest expect a drop

In contrast, the petroleum and paper sectors will continue experiencing depressed conditions.



of about 25 per cent.

Three-fifths of the firms predict an average expansion in sales volume of 58 per cent over last year's levels with the remaining firms projecting a possible decline ranging eight per cent and 80 per cent.

About four-fifths expect an average rise of 57 per cent while the rest anticipate a slump of 50 per cent from the 1974 production levels.

Capacity utilization of three-fifths of the firms will average at an increment of 88 per cent. However, cuts ranging from two per cent and 60 per cent in capacity utilization are predicted by two-fifths of the respondents.

The profit picture for this sector will not be bad at all. Three-fifths of the responding firms project an average improvement of 119 per cent over 1974. Other firms point to a possible drop of 40 per cent in profits.

Inventory levels of three-fourths of the responding firms are expected to increase by 39 per cent with only one-fourth of the firms projecting an inventory cutback of 60 per cent.

Employment levels of three-fouths of the surveyed firms are projected to increase by about 25 per cent. The remaining companies foresee a decline by about 50 per cent.

Investment estimates are placed at $500 thousand and P10.3 million in 1975.

Container other than paper

Although sales volumes of the firms representing this sector are projected to drop by about 18 per cent, values will go the opposite direction, increasing by an average of eight per cent over the 1974 levels. Accumulated inventories from 1974 output will force a decline in production levels by an average of 23 per cent. Capacity utilization will likewise decline by a loss of five per cent to a high of 49 per cent.

Profits for half of the firms might be lower by 10 per cent; the other half expect to incur losses in 1975. As a result, inventory may go down by 53 per cent, and work force may similarly drop by five per cent.

Drugs and pharmaceuticals

Peso sales of drug and pharmaceutical companies are expected to rise by an average of 23 per cent and sales vvolume by an average of 13 per cent over last year. Production volume will likewise be up by 11 per cent.

Earnings are anticipated to rise by an average of 25 per cent; work force by seven per cent. Inventory for 1975 will be 24 per cent higher than last year. Capacity utilization of firms is anticipated to improve by about 11 per cent.

Reinvested earnings amounting to an estimated $250,000 and P2.4 million would be utilized to finance new investment operations particularly in the field of research.

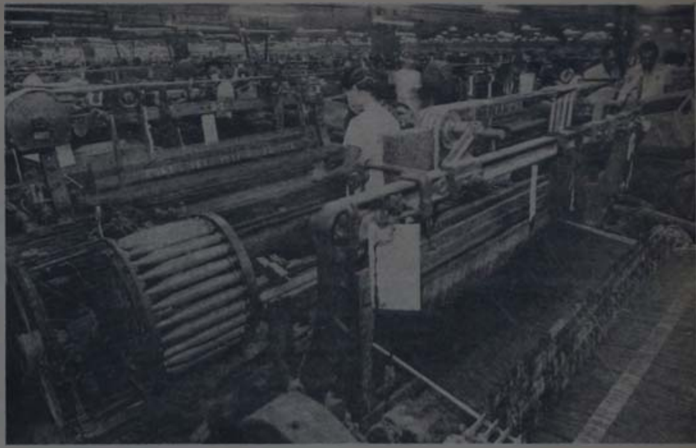
Basic industrial chemicals

Basic chemical industries see 1975 as a "much better

(Continued on page 32)

GROSS SALES AND/OR RECEIPTS INDEX BY INDUSTRY DIVISION
1973 – 1975

Period	All Items	Manufacturing	Electricity Gas & H_20	Commerce	Transport Storage & Communication	Services
1973						
January	271.5	334.7	288.8	264.5	140.7	143.0
February	296.3	374.4	289.0	265.9	171.4	150.1
March	312.5	390.0	312.4	283.1	180.1	184.9
April	283.7	356.0	300.6	259.4	151.0	171.4
May	342.0	437.4	311.2	326.7	142.5	188.1
June	341.6	454.1	335.5	294.4	142.7	199.2
July	332.2	422.0	325.3	313.5	154.6	176.9
August	368.7	486.5	320.3	337.5	146.9	175.1
September	348.6	459.7	312.5	321.1	129.4	182.8
October	372.0	493.6	319.6	323.9	154.4	220.9
November	364.5	472.9	318.5	334.2	160.4	194.5
December	371.6	462.6	319.5	366.8	154.8	244.4
1974						
January	433.5	580.1	419.4	385.5	168.5	197.5
February	454.3	610.1	552.1	406.7	167.8	179.0
March	500.7	635.6	587.1	489.5	193.5	274.5
April	488.9	658.1	657.0	440.3	161.6	205.4
May	568.4	734.3	838.9	561.5	182.5	245.8
June	529.5	655.2	589.7	567.5	171.3	281.2
July	497.7	621.6	730.8	513.0	174.8	244.1
August	458.7	555.7	791.8	485.6	175.6	240.2
September	465.6	536.6	629.3	477.7	241.3	235.0
October	475.2	583.7	657.2	478.1	201.2	286.8
November	464.0	583.9	697.7	445.5	199.4	251.1
December	477.3	604.9	585.4	456.9	198.0	255.7
1975						
January	519.1	701.7	729.3	449.1	195.4	214.3
February	512.2	684.3	781.8	450.0	198.1	215.4
March	505.5	752.2	806.8	501.8	217.9	245.8



Gloomy prospects are projected for the areas of textiles, cement and wood products.

(Continued from page 31)

year" for sales which are estimated to outgrow last year's figures by an average of 52 per cent for value and 13 per cent for volume.

Similarly, production for 1975 is projected to post an average increment of 12 per cent over last year. Capacity utilization is expected to expand by an average of nine per cent for majority of the firms.

Earnings from operations of three-fifths of the responding firms in this sector are projected to expand by an average of 67 per cent. However, the remaining two-fifths disclose an estimated cutback in profits by an average of 29 per cent.

To cope with projected increases in production volumes, employment would have to be increased by an average of eight per cent from last year's employment level.

Following the same trend, inventory volumes are predicted by two-fifths of the responding firms to expand at an average of 46 per cent. The remaining two-fifths project either no change in inventory, or a slump by 13 per cent from 1974. One-fifth foresee an increment of more than 200 per cent over last year's inventory volume.

While present economic difficulties have discouraged half of the firms to plan additional investments, the other half project total additional capital of at least $8 million and P53 million.

Batteries

An average increment of 22 per cent in sales value over 1974 is expected by two-thirds of the responding firms engaged in battery manufacture. The other third see a decline of five per cent.

Sales volume is expected by two-thirds of those surveyed to rise by 12 per cent. One-third anticipated a decline of four percent in sales volume for 1975 from 1974 levels.

Two-thirds predict profits to rise at an average of 12 per cent; the remaining third fear a 20 per cent contraction.

Capacity utilization is projected by two-thirds to expand by nine per cent; the remaining third foresee no change.

While the majority project an average growth in inventory levels of about 17 per cent, the rest predict a drop of 10 per cent on the average in 1975 from 1974 levels.

With operational funds as the primary source of additonal investments for 1975, a total of $8.2 million and $58.1 million are earmarked for productive ventures.