

SPECIAL REPORT

# BD projects GNP growth but at slower rate of 5.1%

Worldwide economic difficulties will force a slump in the growth rate of the Philippine's Gross National Product (sum total of goods and services) in 1975.

Business Day projects that GNP growth rate at 1967 prices for 1975 will be at 5.1 per cent over the value of goods and services produced by the economy during calendar year 1974. This is

lower than the increment of 5.8 per cent posted by the economy in 1974 over the equivalent period in 1973.

Utilizing past data on the national income accounts as reported by the National Economic Development Authority (NEDA), Business Day Research forecasts that the sum total of goods and services produced by the economy in 1975

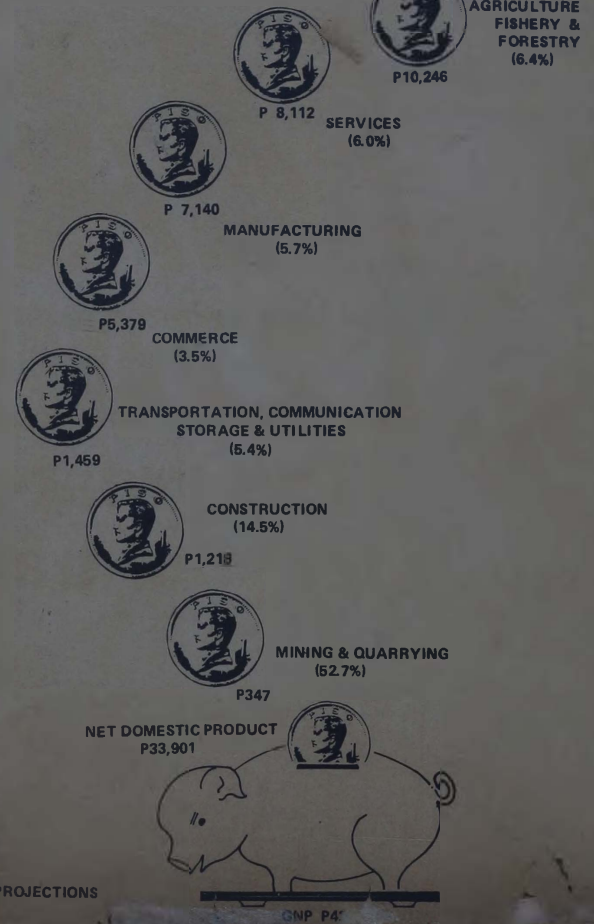
may reach P42,742 million at 1967 prices. This is higher by 5.1 per cent over the GNP output of P40,655 million in 1974.

By sector

Projected growth levels for the different sectors of the economy are: agriculture, 6.4 per cent; mining and quarrying, -52.7 per cent; manufacturing, . . .

(Continued in page 4)

NET DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN  
(At 1967 prices in million pesos)  
Calendar Year 1975\*



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**Construction, as in previous years, will be a major growth area; agriculture will remain the biggest contributor to the net domestic product.**



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per cent; construction, 14.5 per cent; transportation, communication, storage and utilities, 5.4 per cent; commerce, 3.5 per cent; and services, 6 per cent.

These projections are based on the premise that there will be a significant economic recovery, especially in external trade, during the last quarter of 1975. Consequently, if the expected recovery does not come about, then the GNP growth rate for the year would be lower.

Deteriorating demand for the country's major export products, as well as a decline in their values combine with an increasing balance of payments deficits to place the economy in a bind. There is further threat of another increase in the prices of crude oil by about 10-35 per cent come October.

On the other hand, the government's policy of expanding production levels and its continued emphasis on the generation of more economic activities to counteract the growth slowdown in some sectors will go a long way in sustaining the economy's growth throughout the rest of the year.

**Construction**

As in previous years, construction will once again be a major growth area together with agriculture and services.

BD projections place the growth of the construction sector at 14.5 per cent in real terms as compared to last year's P1,064 million, for the highest sector increment.

Acceleration in both government and private construction will lift the sector's contribution to the net domestic product from 1974's 3.3 per cent to about 3.6 per cent in 1975.

The government's public works program for the four-year period ending fiscal year 1979 is allocated P38.78 billion. For FY 1976, total allocations amount to P7.93 billion; for FY 1977, P8.77 billion; for FY 1978, P9.25 billion; and for FY 1979, P11.8 billion.

The infrastructure program has a total funding of about P23.26 billion or \$2.07 billion on foreign exchange (P7.50 to US\$1.00)

**Agriculture**

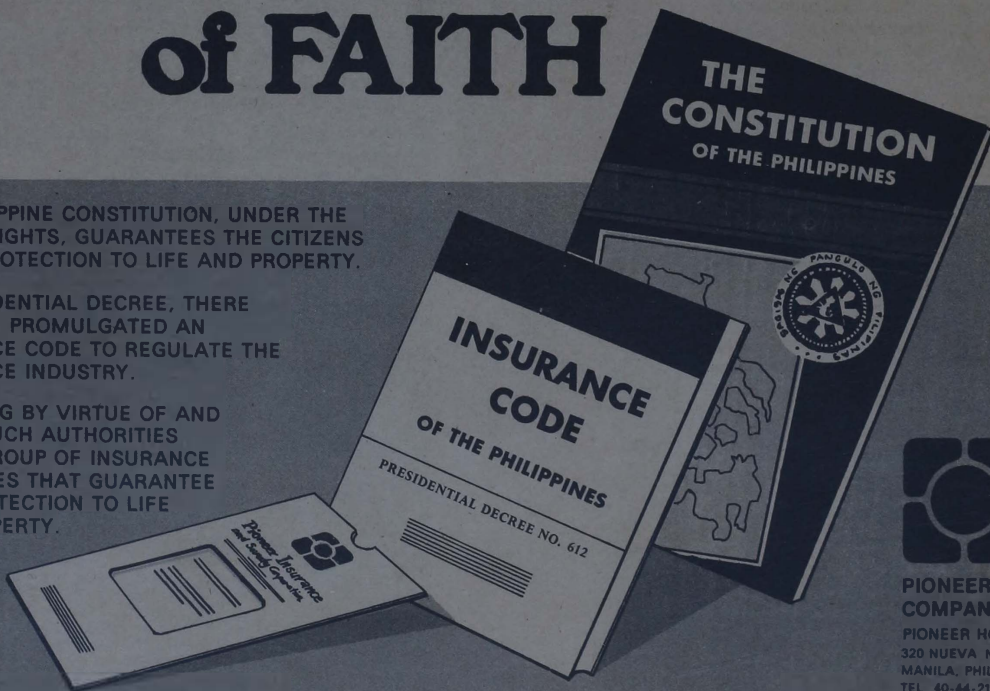
Projected net value added of the comb...

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GROSS NATIONAL PRODUCT, NATIONAL INCOME AND NET DOMESTIC PRODUCT  
BY INDUSTRIAL ORIGIN: CY 1970 - 1975\*  
(At 1967 prices in million pesos)

Industry/Item	1975*	1974	1973	1972	1971	1970	Growth Rates (%)				
							1970-71	1971-72	1972-73	1973-74	1974-75*
1. Agriculture fishery and forestry	10,246	9,626	9,306	8,948	8,934	8,962	(0.3)	0.2	4.0	3.4	6.4
2. Mining & quarrying	347	734	730	686	650	558	16.5	5.5	6.4	0.5	(52.7)
3. Manufacturing	7,140	6,755	6,527	5,828	5,497	5,108	7.6	6.0	12.0	3.5	5.7
4. Construction	1,218	1,064	925	1,014	771	689	11.9	31.5	( 8.8)	15.0	14.5
5. Transportation Communication Storage and Utilities	1,459	1,384	1,298	1,217	1,154	1,063	8.6	5.5	6.6	6.6	5.4
6. Commerce	5,379	5,197	4,972	4,594	4,357	4,149	5.0	5.4	8.2	4.5	3.5
7. Services	8,112	7,653	7,145	6,735	6,424	6,196	3.7	4.8	6.1	7.1	6.0
NET DOMESTIC PRODUCT at factor cost	33,901	32,413	30,903	29,022	27,787	26,725	4.0	4.4	6.5	4.9	4.5
8. Net Factor income from abroad	115	86	(200)	(382)	(310)	(480)	35.4	(23.2)	47.6	143.0	33.72
NET NATIONAL PRODUCT or NATIONAL INCOME	34,016	32,499	30,703	28,640	27,477	26,245	4.7	4.2	7.2	5.8	4.6
8. Indirect taxes net of subsidies	3,787	3,617	3,367	2,974	3,057	2,697	13.3	( 2.7)	13.2)	7.4	4.7
10. Capital consumption allowance	4,837	4,539	4,345	3,999	3,666	3,247	12.5	9.4	8.6	4.6	8.8
GROSS NATIONAL PRODUCT	42,742	40,655	38,414	35,613	34,190	32,191	6.2	4.2	7.9	5.8	5.1

\* BD projections  
Source: NEDA

agriculture, fishery and forestry sector is at P10,246 million, a growth of 6.4 per cent over 1974's P9,626 million.

Agriculture will maintain its position as the biggest contributor to the net domestic product.

From a share of 29.7 per cent to the total net domestic product, agriculture is projected to increase its share to about 30.2 per cent in 1975.

Agriculture's performance will come about as a result of government's intensified technical and financial assistance in the production of palay, corn, sugarcane, bananas and even abaca.

Phase V of Masagana 99 which was launched last May will involve more than P1 billion worth of clean production loans under the supervised credit scheme. This program will mean a total 88 million cavans of palay assuming that the program yields 80 cavans per hectare.

Contributing further to the growth of the sector is the fertilizer subsidy which would entail an estimated amount of P350 million and is aimed at reducing fertilizer prices by 25 per cent.

**Mining**

Most severely affected by depressed world demand and lower export value for its products is the mining sector.

This is most pronounced in the case of copper. The country's major trading partners early this year announced cutbacks in their purchases of the product which alone

contributes about two-thirds of the net value added in mining and quarrying.

The first semester of 1975 saw the export value of copper concentrate declining by \$141.3 million, or 59 per cent, from export value of \$237.7 million during the same period last year.

Net value added of the mining sector is projected to decline by 52.7 per cent. The sector's total produce worth P734 in 1974 will nose-dive to an approximate P347 million this year.

Last year the mining sector posted a meager 0.5 per cent increment over 1973, a breath away from a negative mark.

**Transportation, Communications**

The transportation, communication, storage and utilities sector is projected to expand to P1,459 million in 1975. This reflects a growth of 5.4 per cent from the 1974 level of P1,384.

The increased pace of investment in the communication and utility areas will be mainly responsible for this growth. However, the anticipated increase in fuel prices during the later part of the year will hit this sector more adversely than the rest.

**Commerce**

Commerce is projected to improve on its performance last year by 3.5 per cent. Total value added of the sector may hit P5,379 million in 1975.

Retail and wholesale increments, hand in hand with tourism gains will be the sector's prime movers. Increased infrastructure activities will further push the

business turnover of the real estate subsector, contributing further to the growth of the commerce sector. However, rising costs of land development will also affect

the growth of the real estate subsector.

**Services**

Net value added in services is projected to

hit P8,112 million in 1975, an improvement of six per cent from last year's P7,653 million.

The expanding requirements of the tourism industry will in turn

push the growth of the services sector.

A major indication of this complementary growth in services is the increase in hotel projects throughout the country.


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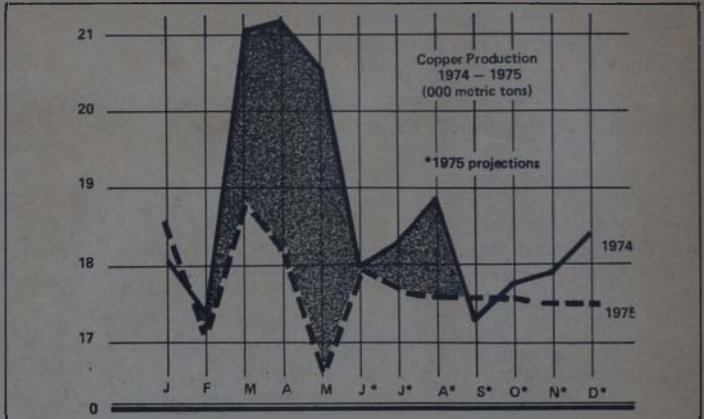
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**METALLIC MINERAL PRODUCTION  
1974 - 1975**

Period	Metallic Mineral Production (P000)	Copper		Gold Volume (kg.)
		Volume (metric tons)	Value (P000)	
<b>1974</b>				
Total	3,597,815	225,485	2,793,714	16,682
January	285,703	18,169	228,371	1,409
February	285,644	17,411	225,406	1,249
March	394,925	21,117	313,653	1,689
April	453,147	21,221	371,845	1,761
May	417,896	20,687	340,167	1,643
June	333,157	17,999	272,354	1,352
July	296,458	18,388	232,903	1,414
August	269,634	18,914	207,855	1,338
September	216,097	17,304	158,305	1,178
October	212,824	17,805	151,416	1,212
November	214,851	17,998	148,148	1,194
December	217,479	18,482	143,290	1,243
<b>1975</b>				
Total	2,208,993	213,391	1,088,879	14,010
January	207,725	18,693	129,869	1,310
February	202,622	17,238	124,577	1,193
March	233,195	18,887	138,603	1,321
April	222,767	18,287	135,582	1,258
May	204,435	16,538	119,485	1,179
June *	184,606	18,004	93,138	1,161
July *	177,273	17,724	83,082	1,143
August *	169,940	17,684	73,026	1,125
September *	162,607	17,644	62,970	1,107
October *	155,274	17,604	52,914	1,089
November *	147,941	17,564	42,858	1,071
December *	140,608	17,524	32,803	1,053

Source: Bureau of Mines

\* Projections



**METAL PRODUCTION  
JANUARY - MAY  
1975 - 1974**

	Unit	1975	1974	% increase/Decrease
Copper	MT	39,643	98,595	( 9.1)
Gold	kg	6,292.9	7,460	(15.6)
Silver	kg	19,386	23,894	(18.9)
Platinum	kg	9	16	(43.7)
Zinc	MT	5,186.94	2,818	84.1
Nickel (metal)	MT	1,998	162	1,133
Iron ore	DMT	577,701	786,855	(26.6)

Source: Bureau of Mines

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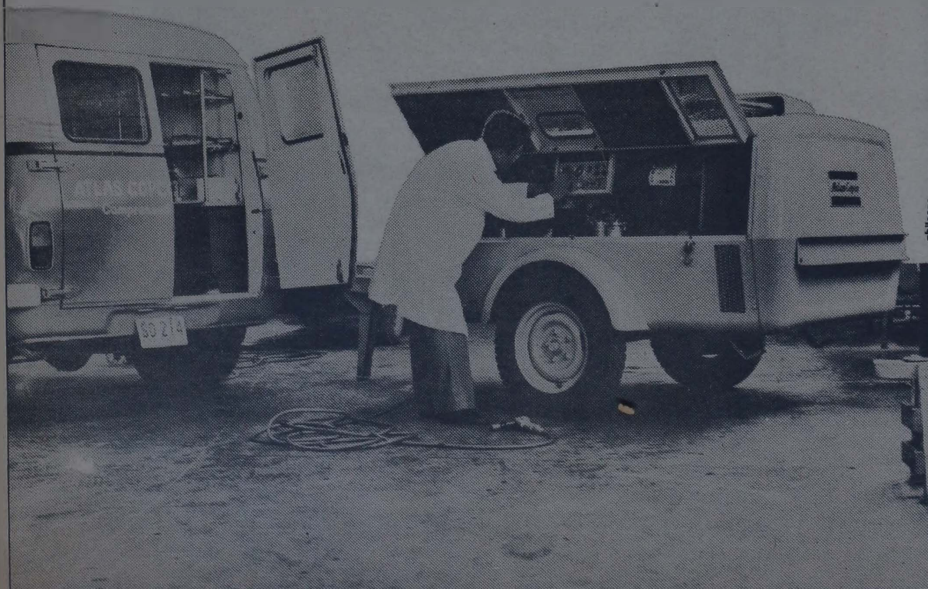
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With current world copper prices slashed to almost one-half of the 1974 values, and local production for the first five months falling short of usual levels by nine per cent, the contribution to the Gross National Product this year of the mining industry is projected to decline by 52.7 per cent.

Business Day Research projects this share at P347 million (at 1967 prices), a 52.7 per cent reduction from its actual contribution of P734 million in 1974, which, in turn, was a mere .5 per cent increase over the P730 million contribution in 1973.

Aside from depressed world copper prices, which caused cutbacks in production, (Consolidated Mines completely stopped copper production as of January this year), mining companies have been groaning under increased production costs.

At yearend, total production of copper is estimated to be 213 thousand metric tons, or some 5.36 per cent, less than the actual production of 225.5 thousand metric tons in 1974.

Statistics culled from the Bureau of Mines show that in the first five months of 1975, copper production of 89.6 thousand metric tons is a drop of nine per cent from last year's level of 98.6 thousand metric tons.

In 1974, some 98.6 thousand metric tons of copper produced in the first five months fetched a price of P2.79 million. This year's January to May output of 89.6 thousand metric tons was valued at only P1.09 million. This means that in 1974 the average price of one metric ton of copper was P28,345. At present the same quantity is worth only P12,147, indicating a drastic price cut of 57.15 per cent.

World copper prices for the first eight months of 1975 have averaged \$0.57 per pound compared with the 1974 average of \$1.04, a drop of 43.70 per cent.

The lowest monthly average so far was at \$0.52 a pound posted in January this year.

As of July, copper prices have been showing signs of recovery. Quotations have inched up to \$0.59 per pound from the January figures. Last month copper prices averaged \$0.60 per pound in New York.

The August, 1975 price level is only 22.25 per cent (the lowest percentage drop) lower than the 1974 August price of \$0.77 per pound. And the August average is a 2.38 per cent improvement over the month before average of \$0.57.

Value-wise, the declining pattern is even more pronounced. But as of September 1, 1975, warehouse stocks in

# Setbacks in copper production and prices will diminish the mining sector's share in the GNP

the London Metal Exchange had reached 378,300 metric tons.

LME stocks have been continuously rising for the past six months. In the last week of August alone, 14,500 metric tons — the second-largest rise in the market's history — were added and more are expected.

Current stocks of 378 thousand tons are more than double the March stock level when the rise began "in earnest," and seven times the tonnage in store a year ago.

Zambia, one of the world's major producers of copper (650,000 tons produced in 1974) has serious transport problems and delays in shipment. This has triggered speculations on a price increase. However, LME's warehouse stocks situation is enough to douse old water on such hopes.

### New markets

Cutbacks in copper imports by Japan have also dampened copper production considerably, but new markets have also been tapped with some success.

For instance, Philex Mining Corporation sold 4,000 tons of copper concentrates to China at \$0.598 a pound last August 27. The company is set to ship another 4,000 tons sometime this month.

Philex said its copper sales to China are expected to make up for their loss in revenue resulting from the 15 per cent unilateral cutbacks on Japanese copper requirements.

### Lower earnings

Mid-semester earnings of five mining companies have been reported to have dropped drastically from their 1974 levels. Atlas, Philex, Lepanto, Marinduque, and Marcopper have reported sales decreases by an average of 35.01 per cent. Likewise, their incomes were severely slashed by an average 75.86 per cent and earnings per share dropped by another 79 per cent.

The factors responsible for the mining sector's weak performance in the first semester will be the same factors responsible for the year's decrease in its GNP contribution.

### Production cost

Another factor is the higher cost of production. Lepanto Consolidated spent P157.88 million or 67.02 per cent more than the 1974 first semester expenses of P94.53 million. Lepanto's

(Continued on page 8)

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# The IMF decision to sell one-sixth of its gold holdings have sent gold prices on an expected nosedive.

copper production dropped by 29 per cent, gold by 33 per cent, silver by 28 per cent, and lime by three per cent.

Production cutbacks were forced on Lepanto by the high level of concentrate inventory resulting from ASARCO's (American Smelting & Refining) low smelting rate for Lepanto.

Marcopper Mining spent some 16.66 per cent more than its 1974 operational cost during the first semester this year, although its total production and exports of copper concentrates were 36 per cent lower than last year.

Atlas Consolidated increased its operating expenses by 11.35 per cent from P309.35 million in 1974 to P344.47 million this year.

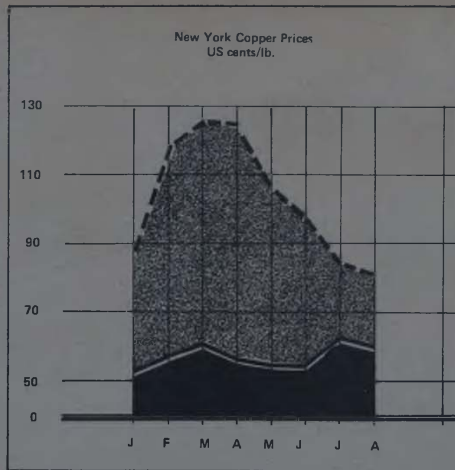
Burdened by such a situation the mining industry pins its hope on the possible increase in the price of copper.

### Export performance

Mining exports in the first semester were worth only \$96.4 million. This is 59.44 per cent lower than last year's six-month value of \$237.7 million.

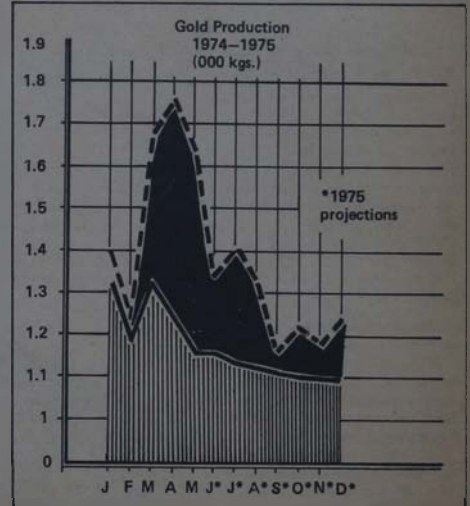
BD Research projects total export earnings from copper this year at only \$142.6 million, or 67.73 per cent less than total receipts of \$393.2 million in 1974.

Should demand for copper remain at depressed levels, its share in the total export pie will consequently decline from 14.4 per cent in 1974 to only 6.1 per cent this year.



Month	1975	1974	% Increase/Decrease
January	51.70	87.10	40.64
February	57.40	119.10	51.80
March	60.70	126.50	52.02
April	56.80	125.00	56.34
May	54.50	108.00	49.54
June	54.30	99.00	45.15
July	58.70	86.20	31.90
August	60.10	77.30	22.25
Average:	56.78	103.52	43.70

Month	Lower limit	Upper limit
January	177.5	179
February	183.5	185
March	176.25	177.25
April	167.75	168.75
May	170.5	171.5
June	164	165
July	167	168
August	160.75	161.75



World market prices of gold have fluctuated from February's peak of \$185 per ounce to last month's quoted average of \$161 per ounce.

Despite expectations generated by the December 1974 all time high of \$198.25 an ounce for the yellow metal, all excitement for gold died down when the expected "gold rush" by Americans failed to reach even fever pitch. By law Americans were allowed to buy and sell gold once again on the market as of end of December. Since 1944 they were barred from doing so.

World prices for gold average \$172 an ounce in the last eight months of 1975. But last month the price dropped to \$160 per ounce.

The sharp decline followed reports from Washington that the International Monetary Fund had decided to sell one-sixth of its gold holdings of 150 million ounces. Profits are to go to poor developing countries; the IMF is to return another one-sixth to donor countries.

However, London Metal Exchange traders are of the opinion that although the compromise between the Americans and the Europeans on bullion within the monetary system seem to rule out new impetus for gold in the near future, national and international monetary authorities are to see to it that gold prices do not sink below the present market price of \$150 per ounce.

The official IMF price is \$42.22 per ounce.

Another reason is the reluctance of some European countries to return to a system of fixed exchange rates as part of the proposed reform of the world monetary system. What these countries want instead is the strengthening of the International Monetary Fund rules on floating of currencies.

Floating currencies are those whose relative values

change from day to day as dictated by supply and demand. Fixed parities or fixed exchange rates refer to the pegging of one or more currencies to the value of gold or to one particular currency with a fixed value. Only slight variations are allowed.

Because of this, the gold bullion price on the London Metal Exchange collapsed to its lowest point of \$148.75 an ounce last September 8.

Nevertheless, gold prices this year are higher by 14.32 per cent over the 1974 levels. One kilo of the yellow metal averaged P8,372 in 1974; this year one kilo is valued at P8,872, or P500 more.

### Gold production

It seems that local gold producers have "guarded optimism" as to the prospects of gold this year.

Gold output so far in the first five months reflect restraints on production.

Gold production has gone down by 15.6 per cent from last year's level. From January to May, 1974 gold production reached 7,460 kilos valued at P251.6 million. This year gold mined was only 6,292.9 kilos worth P243.7 million.

Benguet Consolidated, the country's premier gold producer, had a total output of 1,935 kilos worth P75.1 million. Philex mined 1,780 kilos of gold worth P67.6 million.

For the whole of 1975, total gold production is estimated at 14,010 kilos, a decrease of 16.02 per cent from the actual gold production of 16,682 kilos last year.

### Other metals

Production of silver, platinum and iron ore also declined in the first five months this year compared with last year: silver by 18.9 per cent, platinum by 43.7 per cent, and iron ore by 26.6 per cent.

Only zinc and nickel production posted increases, zinc by 84.1 per cent and nickel by 1,133 per cent.

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