

Huge deficit in trade earnings seen unless economies of RP's main export markets pick up

Barring unforeseen circumstances, Philippine trade in 1975 is projected to suffer a deficit of \$876.0 million. Mainly responsible for this huge setback is the declining demand for Philippine export products as a result of the general slowdown in the economic activities of almost all the trading partners of the Philippines.

Trade

As a result of the slump in demand for the country's traditional export products, total trade earnings for 1975 are projected to reach \$2,318.8 million, less by 14.9 per cent than last year's receipts of \$2,725.0 million.

The first semester export performance was lower by 12.1 per cent compared to the same period in 1974. January's export level was at a low \$174.2 million. Trade peaked to \$234.2 million in March, but a downswing started the following month until a record of \$158.9 million was posted in June.

Total exports for the remaining six months are projected to be about \$1,127.8 million, 17.6 per cent lower than the export revenue in the equivalent period last year.

Top exports

The country's traditional top ten exports contributed 74.8 per cent to the total export earnings of \$1,191.3 million in the first semester of 1975.

Declining earnings of logs and lumber, copper ore and concentrates, and coconut oil are expected to continue in the remaining months of the year although a recovery is possible as the economies of the country's major trading partners start to pick up as predicted towards the final quarter.

Sugar

Projections of Business Day Research indicate that in spite of the erratic price movements of sugar, this top-earning commodity will contribute some \$893.7 million, or 38.5 per cent, of the total expected earnings during the year. This assures sugar the number one position in the list of the country's top foreign exchange earners for 1975.

While last year's spot price for sugar in New York traced an upward pattern and even exceeded 65 cents per pound at one time, the 1975 price trend was more erratic, bobbing up and down and finally settling at a low 17.10 cents per pound last August 29.

A rise in the price of raw sugar may be possible during the later part of the year as Brazil's production for the 1975/1976 export season is expected to decline as a result of the bad weather in that country. Prices may likewise be affected favorably by the recent report of frost damage to Argentina's crop and drought conditions affecting Europe's sugar beet crop.

To fill the gap left with the loss of the United States as the top market for sugar the search for more sugar markets is going on.

Romania recently informed the Philippines of its desire to purchase 50,000 tons of domestic sugar for delivery from September 1975 to January 1976. Also, the Philippine International Trading Corp. has scheduled exportation of sugar to the People's Republic of China.

Copper concentrates

Drastic declines in its foreign exchange earnings, this year will dislodge copper concentrates from its usual second-place position among the country's top ten exports and rank it a notch or two lower.

The export value of copper concentrates will likely decline by 63.7 per cent as earnings moved from \$393.2 million in 1974 to a projected \$142 million in 1975.

As demand for copper remains at low levels, copper's share of the country's total exports is projected to decline from 14.4 per cent last year to 6.1 per cent this year.

However, uptrends in copper prices have lately sparked optimistic hopes in the mining sector. Spot prices of copper are currently around the \$0.60 per pound level which is 13.06 per cent higher than the \$0.5307 per pound level last June. If the trend continues, mining may not be as depressed a sector, after all.

Coconut oil

Coconut oil is projected to take over as second highest dollar earner in 1975. Like most of the other export commodities, crude coconut oil is likewise projected to have less export earnings — by 58.9 per cent than last year's \$380.7 million. The estimated coconut oil export receipts of \$156.4 million for 1975 is 6.7 per cent of the total projected export earnings of the country for 1975.

Logs and lumber

Low world demand and the phasing out of the exportation of logs and lumber by January 1976 has contributed immensely to the low export revenues of this commodity area. The projected foreign exchange receipts of \$148.3 million from logs and lumber in 1975 is a drop of 39.8 per cent from the previous year's tally of \$246.4 million.

Copra

While copra exports are projected to increase in volume, depressed prices, however, will deplete earnings for 1975. Export prices of copra are expected to average at 16 to 17 cents per pound during the year.

Total copra earnings for 1975 are projected at \$137.6 million, which indicates only a slight decline of 1.6 per cent from actual earnings of \$139.8 million in 1974.

Imports

Increased production, import restrictions and import substitutions coupled with the expected economic upturn in the Philippines' traditional export markets will necessarily dampen imports this year. For calendar

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The performance of the country's traditional export products will depend on whether or not the OPEC will raise crude prices next month

PHILIPPINE TRADE WITH COMMUNIST COUNTRIES JANUARY TO JUNE 1975 (F.O.B. Value)

Country	RP Exports to Communist	RP Imports from	Trade
	Countries	Communist Countries	Balance
USSR	\$8,177,617	\$ 46,850	\$ 8,130,767
People's Republic of China	6,382,203	27,263,304	- 20,871,101
Yugoslavia	50,942	4,726,794	- 4,675,852
Poland	48,229	11,873	36,356
Romania	14,583	4,597,922	- 4,583,339
North Korea	-	1,148,066	- 1,148,066
Czechoslovakia	-	506,614	- 506,614
Hungary	-	61,169	- 61,169
TOTAL	\$14,673,574	\$38,352,592	\$23,679,018

Source: NCSO

year 1975, imports dollar outflows for imports are projected to go up by only 2.6 per cent to \$3,194.8 million.

Importations so far in the first half of 1975 grew by 14.9 per cent compared to the same period last year.

The single biggest factor which would determine actual disbursements for imports is the possible increase next month of crude oil prices. Since the biggest importations are of mineral fuels, lubricants and related products, an increase in oil prices will definitely push importations to high levels.

However, if there are no oil price hikes during the second half of 1975, lower increments and possibly even record declines in monthly import values can be expected.

Mineral fuels, lubricants and related materials are projected to account for 24.5 per cent of the total projected import payments for 1975, assuming that there is no oil price increase. However, if the October increase in the price of OPEC oil materializes, projected import disbursements of \$783.5

million for 1975 will surely move upwards.

Non-electric machineries

Continuing efforts to increase food production, and construction activities blueprinted for the rest of the year will influence the demand for non-electric machineries such that importation of this item in 1975 may increase by 48 per cent from last year's \$423.3 million to a projected \$627.1 million.

On the other hand, a decline in local demand for base metals may reduce import payments for this commodity to \$106.3 million, or about 64 per cent from last year's tally of \$295.7 million.

Trading partners

As in the past years, the major destination of Philippine exports this year are: Japan, the United States, the Netherlands, the United Kingdom, West Germany, Iran/Persia, Morocco, Singapore, Hong Kong, and the Republic of Korea.

Some 45.13 per cent, or \$537.7 million of RP exports, went to Japan in the first six months of 1975. Of total exports to that country, sugar made up about 53.4 per cent; logs, about 10.2 per cent; and ores of non-ferrous metals, 18.3 per cent.

The United States bought \$270.9 million worth of commodities from the Philippines in the first half of 1975, with sugar comprising 19.6 per cent of the total.

On the import side, the Philippines' major trading partners are: Japan; the United States; Saudi Arabia; West Germany; the United Kingdom; Kuwait; Australia; Canada; the Republic of Korea; and France.

At present, the government is focusing its attention on the communist countries. In the first six months of

1975 the Philippines rang up a deficit of \$23.7 million in its trade with communist countries. Total exports stood at \$14.7 million while imports amounted to \$38.4 million. China, the top trading partner of the Philippines among the communist bloc, accounted for 71 per cent of Philippine importation and absorbed 44 per cent of total Philippine exports.

Crude and partly refined petroleum products formed the bulk of Chinese exports to the Philippines during the first semester of 1975. This amounted to \$15.1 million and makes up 56 per cent of total Chinese exports of \$27.3 million to the Philippines. Rice exportations of \$11.5 million and dairy products of \$75,451 made up the rest.

Vegetable oils formed the bulk of Philippine exports to the Republic of China in the first half of 1975. This amounted to \$4.4 million, or 68 per cent, of total Philippine exports to People's China.

On the other hand, trade with Russia during the first half of 1975 resulted in a trade surplus of \$8.1 million dollars for the Philippines. Exports during this period amounted to \$8.2 million against Russian imports of only \$46,850.

The Philippines also registered a surplus of \$36,356 in its trade with Poland for the same period. Trade deficits suffered by the Philippines in addition to that of People's China, were with: Yugoslavia (\$4.7 million), Romania (\$4.5 million), Czechoslovakia (\$506,614), Hungary (\$61,169) and North Korea (\$1.1 million).

A much bigger volume of trade with communist countries can be expected for the rest of the year considering the government's increased efforts to forge closer trade ties with the communist/socialist bloc.

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EXTERNAL TRADE 1973 - 1975 (F.O.B. value in million U.S. dollars)

	Imports	Exports	Balance of Trade
1973	1,596.6	1,886.3	289.7
January	84.9	93.6	8.7
February	94.2	125.2	31.0
March	105.8	162.0	56.2
April	112.3	168.6	56.3
May	120.2	159.9	39.7
June	144.1	172.3	28.2
July	138.6	179.8	41.2
August	160.9	167.0	6.1
September	151.2	135.1	(16.1)
October	158.2	177.0	18.8
November	158.6	157.5	(1.1)
December	164.5	139.2	(25.3)
1974	3,114.0	2,725.0	(389.0)
January	193.7	173.2	(20.5)
February	204.7	218.4	13.7
March	225.5	210.4	(15.1)
April	274.5	260.2	(14.3)
May	280.9	275.2	(5.7)
June	251.0	228.3	(22.7)
July	338.8	215.9	(122.9)
August	308.5	206.2	(100.3)
September	256.2	209.6	(46.6)
October	277.2	257.5	(19.7)
November	286.0	231.1	(54.9)
December	209.9	249.0	39.1
1975	3,194.8	2,318.8	(876.0)
January	307.4	174.2	(133.2)
February	230.0	189.0	(41.0)
March	265.7	234.2	(31.5)
April	290.7	222.7	(68.0)
May	285.4	212.3	(73.1)
June	275.4	158.9	(116.5)
July *	262.1	194.6	(67.5)
August *	260.1	191.9	(68.2)
September *	257.8	189.3	(68.5)
October *	255.6	186.6	(69.0)
November *	253.4	183.9	(69.5)
December *	251.2	181.2	(70.0)

Source: NCSO
* projections

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