

Peso value will continue to be under slight stress

Prices of commodities in 1975 will continue to be relatively higher than in 1974.

Business Day projections for 1975 indicate that the consumer price index for the Philippines (1965=100), the barometer that measures the movement of prices based on the basket of goods and services, will average out at 291.8 index points. The inflation rate is projected at 7.3 per cent this year. Last year it was 39.8 per cent.

Prices of goods from January to June 1975 recorded an average monthly decline of 0.4 per cent. The only increment in the price level was registered in May. From 288.5 index points in April, prices pushed the CPI for the Philippines to a new high of 289.2 index points (1965=100), indicating an increment of 0.2 per cent. Partly responsible for the positive growth in the CPI (Philippines) was the increase in prices of oil products and sugar effective last May 16.

To reduce the impact of the price increase on sugar and oil products, the President issued in May Letter of Instructions No. 280 allowing price discounts on oil products to jeepney operators; fishing operators using boats below three gross tons; and rice and corn haulers duly registered with the National Grains Authority as of May 15. This move, extended recently to end of September, softened the pressure on prices, and re-

sulted in a slight decline of the CPI in June.

Lower food prices

Food prices mainly toned down the movement of prices during the first six months of 1975. Starting the year at 329.3 index points (1965=100), the CPI Philippines for food dropped to 315.7 in June, a decline by 4.0 per cent. In July, the CPI for food was at a higher 316.0 index points.

On an annual basis, food prices in June posted an increment of 3.5 per cent, still comparatively much lower than the 50.6 per cent upswing in food prices last June 1974 over June 1973.

With the present worldwide food shortage, government planners are giving full attention to the expansion of the country's food supply. Credit support from the Philippine National Bank, rural banks and the Agricultural Credit Administration continued to push the Masagana 99 rice production program now in its fifth phase. Phase V involves some P1 billion worth of loans to farmers under the supervised credit scheme. This is expected to benefit some provinces with a command area of 1.1 million hectares. Total rice production is projected at 88 million cavans of rice (based on conservative estimate of 80 cavans per hectare).

(Continued on page 10)



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PURCHASING POWER OF THE PESO IN THE PHILIPPINES (1965 = P.1.00)

	1973	1974	1975
	.5141	.3679	.3425*
January	.5917	.4049	.3394
February	.5882	.4000	.3432
March	.5780	.3894	.3455
April	.5656	.3848	.3466
May	.5473	.3786	.3458
June	.5339	.3672	.3467
July	.5141	.3662	.3423
August	.4826	.3504	.3416*
September	.4600	.3514	.3409*
October	.4693	.3529	.3400*
November	.4696	.3481	.3396*
December	.4434	.3436	.3388*

Source: CB
* projections

CONSUMER PRICE INDEX FOR THE PHILIPPINES (1965 = 100)

	1973	1974	1975
	194.5	271.9	291.8
January	169.0	247.0	294.6
February	170.0	250.2	291.4
March	173.0	256.8	289.4
April	176.8	259.9	288.5
May	182.7	264.1	289.2
June	187.3	272.3	288.4
July	194.5	280.7	290.5
August	207.2	285.4	292.7
Sept.	217.4	284.8	293.3
October	213.1	283.4	293.9
November	217.6	287.3	294.5
December	225.5	291.1	295.1

Source: CB
August-December 1975 are projections



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Intensified activity in all production areas is expected to hold prices within reasonable limits

A further boost to rice production is the 25 per cent slash in fertilizer prices for food crops and 10 per cent for export crops as well as strict government control on fertilizer distribution.

Credit assistance

Credit assistance to the food producing sector has been provided by Presidential Decree No. 717

which requires all banks to make available at least 25 per cent of their loanable funds to agriculture. Of the 25 per cent, 10 per cent is to be loaned out to land reform beneficiaries while the remaining 15 per cent may be made available for agricultural credit in general.

Roots, vegetables and fruits posted the biggest decline of 23.9 per cent —

from the January index level of 420.1 (1965=100) to 319.6 index points in July.

Fish came second with a seven per cent decline from 369.1 index points in January to 342.3 in July.

For the same period, cereals and eggs likewise posted price decreases — by 0.9 and 5.9 per cent respectively.

Dairy products and mis-

cellaneous food items, however, registered an uptrend at 14.3 and 2.2 per cent respectively.

The price index level for clothing posted an increase of only 2.4 per cent from January level of 366.1 index points to 375.1 in July. During the same period last year, clothing expanded by 15.4 per cent. The decline in demand for garments abroad have forced local garment manufacturers to sell on the domestic market. This partly explains the slow growth of clothing prices in the first seven months of 1975. The prices are expected to remain depressed for the remainder of the year.

The housing index grew at 1.7 per cent, from 148.7 index points in January to 150.4 in July.

Impressive declines in price growth levels were also recorded by fuel, light and water. From a growth of 39.3 per cent during the January to July 1974 period, the increase this year was lower by 2.1 per cent. Moderate increases in price levels are forecast for the rest of the year, although the expected move of the Organization of Oil Exporting Countries (OPEC) to increase crude oil prices in the latter part of the year would once again throw all favorable projections awry.

Peso value

With prices of goods increasing at a slower pace than that of last year, the purchasing power of the peso this year will decline also at a slackened pace.

Based on the 1965 rate, the Philippine peso this year is projected by Business Day, Research to average out at P0.3425. This reflects a decline of 6.9 per cent from last year's average purchasing power of P0.3678.

Although a further decline in the value of the peso is expected this year, the decline is projected to be at a lower 6.9 per cent compared to last year's 28.4 per cent. From P0.3394 in January, 1975, the peso's value may contract to P0.3388 in December.

The government's all out campaign to stimulate intensified activity in all production areas is expected to hold down prices of prime commodities to reasonable levels, and moderate the decline of the peso's purchasing power.

Rigid enforcement of the price ceilings on essential consumer commodities will further aid in the steady erosion of the inflation rate. These price ceilings are reviewed periodically for possible revisions based on the price changes in raw materials imports.

For instance, the ceilings for filled and reconstituted milk and domestic sugar were lowered this year, after it was determined that there were justifying reasons for doing so.

The purchasing power of the peso can be further affected by tax exemptions and subsidies extended to the private sector. With such government assistance, manufacturing firms especially are able to control if not altogether deflate operational costs and price their products to the purchasing capabilities of the bigger number of consumers.

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