

PHILIPPINE CENTRAL BANK REPORT ON ECONOMIC PERFORMANCE.By **Chaitanya Kalbag**, Reuters

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MANILA, July 21 - The Philippines' foreign debt was 28.58 billion dollars at the end of March, up from 28.25 billion at the end of 1986 and 26.35 billion a year earlier, Central Bank Governor Jose Fernandez said.

In a report to President Corazon Aquino on the economy's performance during the first quarter, Fernandez said the Central Bank's gross international reserves were 2.48 billion dollars at end-March, up slightly from 2.45 billion at end-1986, but double the 1.24 billion a year earlier. The reserves would fund 3-1/2 months' worth of imports, he said.

Fernandez said the economy had entered its third straight quarter of recovery at the end of March, with gross domestic product (gdp) growing by 5.78 pct to 24 billion pesos and the gross national product (gnp) growing by 5.53 pct to 23.51 billion pesos from first quarter 1986 levels.

He said the country's balance of payments reflected a surplus of 81 million dollars, 66 pct lower than the year-ago level of 239 million dollars and sharply lower than the fourth quarter 1986 level of 527 million dollars. The current account, affected by a contraction in service receipts and higher imports, shrank to a 100 million dollar deficit in the first quarter.

The current account showed surpluses of 83 million dollars in the first quarter of 1986 and 215 million dollars in fourth quarter 1986.

Fernandez said earnings from services, totalling 800 million dollars in the first quarter, were 10.3 pct lower than last year's level despite a 21.8 pct rise in tourist arrivals.

He said the merchandise trade deficit rose to 182 million dollars, 16.7 pct higher than the 156 million dollar deficit in first quarter 1986 and compared to the 34 million dollar deficit in fourth quarter 1986. Imports rose to 1.39 billion dollars in the quarter, up 10.9 pct from a year earlier, indicating an upturn in domestic economic activity.

Fernandez said capital goods imports grew 50.3 pct and raw material imports 18.3 pct during the quarter from a year earlier. The trade imbalance widened, although exports grew to 1.21 billion dollars, up from the first quarter 1986 level of 1.1 billion dollars.

Lower earnings from coconut oil and copper exports were offset by higher revenue from garments, semiconductors and fish.

The non-monetary capital account had a first quarter surplus of 158 million dollars, up from 150 million a year earlier but down from 178 million in the fourth quarter of 1986.

Fernandez said domestic reserve money, defined as currency issued less cash in treasury plus the reserves of commercial banks with the Central Bank, dropped to 48.1 billion pesos at end-March from 50 billion at end-1986, but was up from 40.44 billion at end-March 1986.

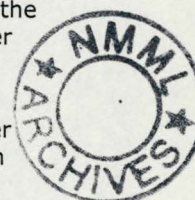
As a result, domestic liquidity eased to 140.9 billion pesos from the end-1986 level of 141.1 billion pesos.

Domestic nominal borrowing and lending rates continued to decline during the first quarter. Interbank call loan rates fell to 9.74 pct from 15.28 pct a year earlier, while treasury bill rates fell to 11.62 pct from 21.98.

Fernandez said preliminary data indicated the government's budget deficit stood at 7.4 billion pesos for the first quarter, lower than the year-earlier deficit of 10.1 billion and the 15.2 billion deficit in fourth quarter 1986.

Government expenditure amounted to 28.6 billion pesos, 10.9 pct higher than 25.8 billion in first quarter 1986, while revenues totalled 21.2 billion pesos, 35 pct higher than the year-earlier figure of 15.7 billion pesos.

Fernandez said the gnp growth during the quarter, the first significant improvement since the fourth quarter of



1983, was fuelled mainly by the industrial sector.

Industry grew at 9.86 pct during the quarter, compared with a 7.81 pct decline in the same 1986 period, Fernandez said. Mining and quarrying, boosted by favourable world gold prices, put in the strongest performance, growing 14.51 pct.

The manufacturing sector grew by 9.64 pct from year-ago levels, while construction activity advanced by 10.32 pct.

Agriculture grew only 1.81 pct as a drought hurt corn, coconut and sugarcane output.

The country's labour force was estimated at 22.2 million at the end of March, while the unemployment rate dropped to 11.2 pct from 12 pct a year earlier.

Fernandez said the turnabout in the economy, which started in the third quarter of 1986, appeared to have gained momentum this year. Ratification in February of the country's new constitution helped curb speculation, and the private sector was responding to resurgent domestic demand.

"The great steps taken towards enhanced political and economic stability still leave the country faced with many urgent issues such as land reform and the insurgency movement," Fernandez said. "It is therefore essential that the climate for (economic) growth be nurtured with an appropriate mix of monetary, fiscal and credit policies."

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