# Forty-Fourth
# ANNUAL REPORT
# 1992

*Bangko Sentral ng Pilipinas*

MANILA
OFFICE OF THE GOVERNOR

March 27, 1993

His Excellency
The President of the Philippines
Malacanang Palace, Manila

Dear Sir:

I have the honor to submit the Forty-fourth Annual Report 1992 of the Central Bank of the Philippines pursuant to the provision of Section 37 of Republic Act No. 265, as amended.

The report contains a review of economic and financial developments in 1992, the major policies and measures adopted by the monetary authorities and highlights of the Bank's operations and other activities, including a statement on the Bank's financial position for the year.

Very respectifully yours,

**JOSE L. CUISIA, JR.**
Governor

## RESPONSIBILITIES AND OBJECTIVES OF THE CENTRAL BANK

"It shall be the responsibility of the Central Bank of the Philippines to administer the monetary, banking and credit system of the Republic.

"It shall be the duty of the Central Bank to use the powers granted to it under this Act to achieve the following objectives:

a) Primarily to maintain internal and external monetary stability in the Philippines, and to preserve the international value of the peso and convertibility of the peso into other freely convertible currencies; and

b) To foster monetary, credit and exchange conditions conducive to a balance and sustainable growth of the economy."

Section 2, Article I,
Republic Act No. 265, as amended

## CENTRAL BANK OF THE PHILIPPINES

### Monetary Board Members

**JOSE L. CUISIA, JR.**
*Chairman*
*Governor, Central Bank of the Philippines*

**RAMON R. DEL ROSARIO, JR.**[1]
*Secretary of Finance*

**RIZALINO S. NAVARRO**[2]
*Chairman, Board of Investment*

**SALVADOR M. ENRIQUEZ, JR.**[3]
*Secretary of Budget and Management*

**CIELITO F. HABITO**[4]
*Director-General, National Economic Development Authority*

**RENATO L. PARAS**[5]
*Private Sector Representative*

**JOSE P. PARDO**[6]
*Private Sector Representative*

### Principal Officers

**JOSE L. CUISIA, JR.**
*Governor*
*Central Bank of the Philippines*

**EDGARDO P. ZIALCITA**[7]
*Deputy Governor*
*Research Sector*

**ANDRE NAVATO**[8]
*Deputy Governor*
*Security Printing, Gold Refinery and Mint Operations Sector*

**FELICIANO L. MIRANDA, JR.**
*Deputy Governor*
*Supervision and Examination Sector*

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[1]Assumed position June 30, 1992 vice Jesus P. Estanislao
[2]Assumed position June 30, 1992 vice Lilia R. Bautista
[3]Assumed position February 12, 1992 vice Guillermo N. Carague
[4]Assumed position June 30, 1992 vice Cayetano W. Paderanga, Jr.
[5]Assumed position February 12, 1992 vice Jesus V. Ayala, Concurrently consultant to Chief Finance Officer of San Miguel, Corporation; Trustee, Insular Life Corporation and Credit Information Bureau, Inc.; and Director, FEU Realty Corporation
[6]Assumed position September 23, 1992. President, Philippine Chamber of Commerce and Industry; President, Land and Housing Development Corporation, Philippine Seven Properties Corporation, Wenphil Corporation, Philippine Seven Properties Corporation, and Asian Holdings Corporation
[7]Concurrently In-Charge, International Operations Sector and Domestic Operations Sector
[8]Concurrently In-Charge, Administrative Management Sector

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*Sources.* Statistics are derived from government bureaus and offices, financial institutions and private firms through direct communication with the entities concerned, from published statistical reports and bulletins and from the different departments of the Central Bank.

*Definitions.* The series are defined in general and specific terms in the "Notes on the Series Used" of the Statistical Bulletin, Volume II of the Annual Report. Changes made in each table are also explained briefly.

*Symbols.* The following symbols are used to convey the information in each case.

| Symbol | Information |
|---|---|
| .. | Data not available |
| - | Nil or zero |
| p | Preliminary (Set up as a superscript) |
| r | Revised (Set up as a superscript) |

*Rounding off of figures.* Any slight discrepancy that may be noticed between the sum of the constituent items and the total shown in some tables may be attributed to rounding off of figures.

# 1

# THE PHILIPPINE ECONOMY

THE YEAR 1992 was marked by important transitions in the country's move towards greater economic stability. Significant monetary and financial reforms, complemented by the peaceful holding of general elections in May, contributed substantially to a more open and competitive economic environment. Reflecting this deregulated atmosphere, the exchange rate remained generally stable and the official international reserves reached record levels during the year. Inflation slowed down to single-digit levels and interest rates considerably softened. Real Gross National Product (GNP), while posting a minimal improvement, showed strong foundations for a recovery as real investments turned around from a negative to a positive, though moderate, growth. Major economic and political bottlenecks, however, remained unresolved even as the country contemplated a shift to a higher growth path in the medium-term.

At the start of the year, the country embarked on a major program to liberalize the system of foreign exchange controls and restrictions in the economy. Essentially completed in August, the program initiated path-breaking regulations that, among others, totally lifted foreign exchange surrender requirements as well as quantitative purchase restrictions on current account transactions. This policy change was accompanied by trade and other foreign exchange reforms such as the grant of the privilege for the full retention of export proceeds and the liberalization of exporters' and producers' access to foreign currency deposit loans, all of which contributed to reduced financing and other transaction costs for exporters. Corresponding reforms in the foreign exchange market were also initiated, the most important of which was the establishment in April of the Philippine Dealing System (PDS) which allowed market participants to continuously trade with each other through an electronic screen-based network for eight hours daily from the previous thirty minutes prior to its operation. The advent of the PDS facilitated a 78 percent increase in the volume of trading in the market compared to the 1991 level.

In May, implementation of the 1992 Commercial Bank Financing Package was started. The package, covering a total of $4.5 billion commercial bank debt, was a voluntary, multi-option operation which included debt and debt service reduction options, as well as an option for further restructuring with commitment of new money. During the month, the buyback element of the package involving the repurchase of $1.263 billion public sector restructured debt was completed. The bond exchange element which involved the conversion of $3.2 billion eligible debt into long-term bonds was later concluded in December. In addition to this latter package, new money amounting to $138 million was also raised.

The implementation of various other debt reduction schemes was also continued during the year. The fifth auction under the Central Bank (CB) debt-to-equity conversion program was conducted in March and reduced debt outstanding by $130 million. However, other auctions scheduled for the year were temporarily suspended pending completion of the 1992 Commercial Bank Financing Package. As of end-1992, various schemes, including the debt-to-equity conversion program had reduced the country's external debt by a cumulative amount of about $3.3 billion.

Following the above major reforms, the external sector posted positive developments in terms of a generally stable exchange rate, sustained surplus in the overall balance of payments (BOP) and higher international reserves. The peso at end-1992 registered a 5.8 percent appreciation from its year-ago level at P25.096. It also strengthened significantly during the year against other major currencies, posting 11.2 percent and 7.8 percent appreciations in real effective terms against major trading partners and competing countries, respectively. The country's external transactions realized an overall surplus of $500 million; considerably lower than the $1,405 million recorded in 1991. This was due primarily to the debt buyback operations undertaken in May involving $1.263 billion in foreign debt and the purchase of collateral amounting to \$469 million required for the issuance of new Philippine bonds under the 1992 Commercial Bank Financing Package. However, despite the reduction in the overall BOP surplus, the current account deficit, as a percent of GNP, fell from 3.2 percent in 1991 to 1.9 percent in 1992. Meanwhile, the country's official international reserves reached an unprecedented level of \$5.5 billion on April 14, 1992 and stood at \$5.2 billion as of end-December 1992, \$747.8 million or 16.7 percent higher than its year-ago level. At this level, reserves were equivalent to 3.3 months of imports of goods and services. The higher level of international reserves allowed for the complete unwinding of the Central Bank's decade old dollar swap contracts with local commercial banks amounting to \$965 million, \$729 million of which were delivered in US dollars. The country's foreign exchange liabilities at end-November 1992 declined by 0.1 percent to \$29.988 billion from \$29.956 billion at end-December 1991.

In the domestic sector, focus was on the containment of liquidity growth arising mostly from transactions in the external sector. Open market operations, particularly borrowings under the reverse repurchase facility and issuance of CB bills were actively used. As a result, reserve money grew at an average annual rate of 14.0 percent during the year, lower than its average annual growth of 25.2 percent in 1991. Domestic liquidity likewise posted a lower average annual growth of 12.6 percent from 16.3 percent in 1991. The ratio of domestic liquidity to GNP (an indicator of financial deepening) rose from 27.5 percent in 1991 to 28.1 percent in 1992. The growth in domestic liquidity was traced mainly from the improvement in the net foreign asset position of the monetary system which was in turn due largely to the increase in net international reserves.

Prudence in monetary management paid off as the inflation rate averaged 8.9 percent during the year, a marked deceleration from the 18.7 percent recorded in 1991. The reduction in domestic fuel prices in April and October, the abolition of the import levy and the continued appreciation of the peso also contributed to favorable price developments.

With the slowdown in inflation, the appreciating value of the peso and the reduction in foreign interest rates, average nominal interest rates on borrowing and lending instruments generally dropped from the previous year's rates. In particular, Treasury bill rates dropped to an average of 17.0 percent for all maturities or by 5.5 percentage points. In real terms, however, all instruments yielded positive and higher returns than their comparable levels in 1991.

Following the general downtrend in nominal interest rates, real investments showed a substantial improvement by posting a 7.8 percent growth after registering a 14.0 percent decline in the previous year. However, due to production bottlenecks arising from the continuing power crisis and unfavorable climatic conditions, real GNP recorded a minimal growth of 0.6 percent from the 0.2 percent posted in 1991. The services sector mainly fuelled economic activity in 1992, as the agriculture and industrial sectors suffered production setbacks from the recurring energy crisis and natural calamities.

In the fiscal sector, cash operations of the National Government (NG) in 1992 resulted in a deficit of 16.0 billion, lower by 10.3 billion or 39.2 percent than the previous year's deficit of 26.3 billion.

To complement the major policy shift in the external sector, reforms to further deregulate and strengthen the financial system were likewise continued. On bank branching policies, additional incentives for establishing branches in lower class areas were approved last July by allowing a bank to open a branch in cities and other first class areas for every three branches opened in lower class areas. The prohibition on the establishment of new pawnshop offices in Manila was also lifted in November. Banks were likewise allowed to offer/undertake a wider range of services and operations including, among others, the inclusion of industrial projects and the development of industrial estates in the list of equity investments in non-allied undertakings allowed for unibanks, as well as the inclusion of foreign exchange dealership/brokering in the list of financial allied undertakings allowed for the same banks. Under CB Circular 1369 implementing the Rural Banks Act of 1992 (RA 7535) to further promote rural finance, additional incentives were incorporated to encourage rural banks to expand their operations and strengthen their financial conditions. Relatedly, to assist in the rehabilitation of distressed banks, guidelines to implement a special program which would permit holders of eligible CB credit to take equity positions in distressed unibanks, thrift banks or rural banks were promulgated in October under CB Circular 1361. Other measures to strengthen the supervision and regulation of the financial system included stricter regulations concerning compliance with legal reserve requirements; additional sanctions on deficiency in security deposits on trust functions; additional liquidity standards/ratios for dividend declaration and debt-to-equity compliance.

To increase the availability of credit, reserve requirements imposed on funds deposited for projects under special financing programs of the government and/or international financing institutions were abolished under CB Circular 1345. Complementary to the above, the single borrower's limit (SBL) was increased from 15 percent to 25 percent of the unimpaired capital and surplus of banks and quasi-banks under CB Circulars 1333 and 1371.

Following the above financial reforms, total resources of the financial system reached P1,033.0 billion as of November 1992, marking a 17.8 percent increase over the recorded level last year. All categories of financial institutions posted resource increases, with commercial banks accounting for 66.5 percent of the total expansion. As of end-December 1992, the number of financial institutions stood at 8,780 units with a total of 260 head offices and 659 branches of financial institutions opened during the year.

In addition to the implementation of monetary and financial reforms, CB's efforts in 1992 were geared to the early Congressional approval of the proposed legislation establishing a more independent and financially stronger Central Monetary Authority (CMA) to replace the present CB. The passage of the CMA bill is expected to pave the way for a more effective monetary management and supervision of the financial system. In anticipation of this move, the reorganization of the CB towards a leaner but more efficient organization has been started.

With substantial stabilization measures sown in 1992, and with government providing the political climate conducive to development, the economy has enough reasons to look forward to a positive harvest of economic growth in the medium-term.

## INTERNATIONAL SECTOR

REFLECTING the continued positive developments in the external sector in 1992 were the overall BOP surplus, the higher level of international reserves, and the stability of the exchange rate.

The country's external transactions in 1992 realized an overall surplus of $500 million, inclusive of rescheduling (Table 1). Without rescheduling, the overall BOP position would have reverted to a deficit of $1,195 million. The overall BOP surplus was, however, considerably lower than the $1,405 million recorded in 1991 as a result of the deterioration in the non-monetary capital account. Notwithstanding the wider merchandise trade gap and lower net transfers, the current account deficit contracted by 3.8 percent to $994 million on account of the strong performance of the services account. The current account deficit during the year was 1.9 percent of GNP. Meanwhile, gross international reserves rose further to $5.2 billion as of end-1992, representing 3.3 months of imports of goods and services while the peso-dollar exchange rate reflected an appreciation of 5.8 percent over a year earlier at P25.096 to one US dollar at year-end.

### CURRENT ACCOUNT DEVELOPMENTS

#### Merchandise Trade

The merchandise trade gap widened to $4,696 million, from $3,211 million in the previous year as imports grew at a rate nearly twice that of exports. The uptrend in aggregate exports continued, with shipments rising by 11.1 percent to $9,824 million (Table 2). The growth in exports, which was higher than the 8.0 percent growth posted in 1991 was spearheaded by electronics, garments, coconut oil, and machinery and transport equipment, earnings of which increased by $460 million, $279 million, $182 million, and $107 million, respectively, on account of higher demand for and/or prices of these commodities in the international market. Appreciable gains were also noted in the shipments of gold; baby carriages; toys, games, and sporting goods; desiccated coconut; and textile yarns/fabrics. These positive developments mitigated the shortfalls in the exports of fresh or preserved fish, particularly shrimps and prawns, copper concentrates, chemicals, and iron and steel. To some extent, the appreciable performance of the export sector can be attributed to the major trade policy reforms implemented by the CB during the year. Foremost among these measures were the grant of the privilege for the full retention of export proceeds and the improved access of exporters to low-priced loans by easing the rules on the availment of foreign currency denominated loans from the Foreign Currency Deposit Units (FCDUs).

The country's ten principal exports advanced by 18.2 percent to $4,127 million during the year under review (Table A-01). These major exports consisted of semi-conductor devices, consigned finished electronic and electrical machinery equipment and parts, coconut oil, consigned women's wear, electronic microcircuits, consigned children's and infants' wear, articles of apparel of textile fabrics, consigned men's wear, ignition wiring sets and copper metal. The share of these commodities to total exports at 42.0 percent was slightly higher than the 39.5 percent share of the top ten exports a year earlier.

Aggregate imports surged by 20.5 percent to $14,520 million in 1992 as all major categories of imports exhibited uptrends (Table 3). This year's import growth was in sharp

Table 1. **BALANCE OF PAYMENTS**[1]
**1991-1992**
(In Million US Dollars)

| Item | 1992 | 1991 |
|---|---|---|
| I. Current Transactions | | |
| A. Merchandise Trade | -4,696 | -3,211 |
| Exports | 9,824 | 8,840 |
| Imports | 14,520 | 12,051 |
| B. Non-Merchandise Trade | 2,884 | 1,351 |
| Receipts | 7,497 | 5,624 |
| Payments | 4,613 | 4,273 |
| C. Transfers | 818 | 827 |
| Receipts | 827 | 828 |
| Payments | 9 | 1 |
| Current Account, Total | -994 | -1,033 |
| II. Non-Monetary Capital | | |
| D. Long-Term Loans | 480 | 922 |
| Inflow | 4,222 | 3,613 |
| Outflow | 3,742 | 2,691 |
| E. Foreign Investments | 736 | 654 |
| Inflow | 1,363 | 798 |
| Outflow | 627 | 144 |
| F. Purchase of Collateral | -469 | 0 |
| G. Short-Term Capital, (Net) | 350 | 369 |
| H. Errors & Omissions | -260 | -151 |
| Non-Monetary Capital, Total | 837 | 1,794 |
| I. Monetization of Gold | 130 | 245 |
| J. Allocation of SDR | 0 | 0 |
| K. Revaluation Adjustments | 527 | 399 |
| of which: Debt Reduction | 696 | 264 |
| III. Overall BOP Position | 500 | 1,405 |

[1] With Rescheduling
[p] Preliminary

*Source* : Department of Economic Research-International

Figure 1. CURRENT ACCOUNT AND MERCHANDISE TRADE SURPLUS/DEFICIT 1978-1992

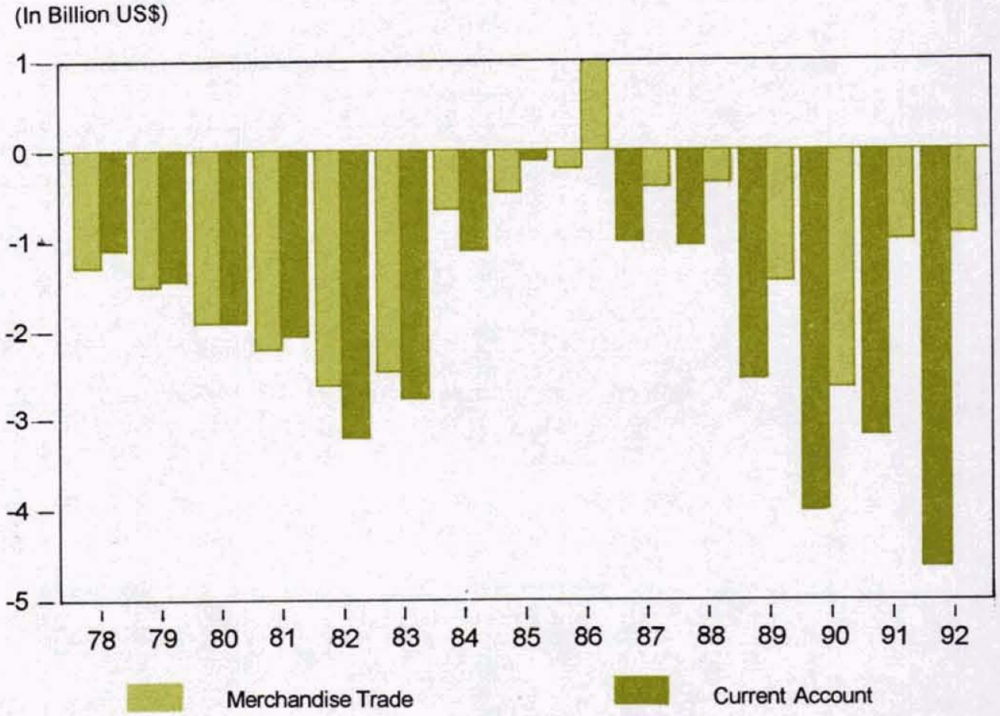
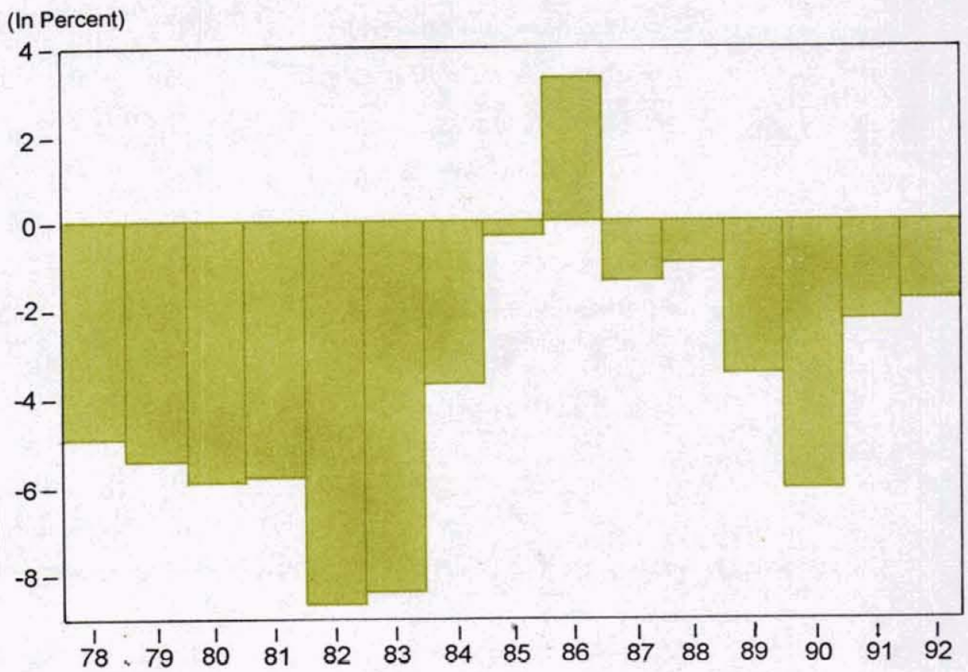



Figure 1A. RATIO OF CURRENT ACCOUNT BALANCE TO GNP 1978-1992



## Table 2. EXPORTS BY MAJOR COMMODITY GROUP
### January-December, 1991 and 1992
(Volume in 000 MT; Price in US$/MT; FOB Value in US$M)

| Commodities | 1992 Volume | 1992 Price | 1992 Value | 1991 Volume | 1991 Price | 1991 Value |
|---|---|---|---|---|---|---|
| COCONUT PRODUCTS | | | 643 | | | 447 |
| Copra | 34 | 328 | 11 | 81 | 230 | 19 |
| Coconut Oil | 882 | 545 | 481 | 840 | 356 | 299 |
| Desiccated Coconut | 85 | 1,030 | 88 | 81 | 820 | 66 |
| Copra Meal/Cake | 540 | 98 | 53 | 612 | 90 | 55 |
| Others | | | 10 | | | 8 |
| SUGAR & PRODUCTS | | | 110 | | | 136 |
| Centrifugal & Refined | 208 | 421 | 88 | 274 | 418 | 115 |
| Molasses | 327 | 66 | 21 | 317 | 65 | 21 |
| Others | | | 1 | | | 0 |
| FRUITS & VEGETABLES | | | 371 | | | 393 |
| Canned Pineapple | 198 | 487 | 96 | 194 | 490 | 95 |
| Pineapple Juice | 32 | 218 | 7 | 37 | 239 | 9 |
| Pineapple Concentrates | 38 | 627 | 24 | 43 | 628 | 27 |
| Bananas | 821 | 192 | 158 | 955 | 181 | 173 |
| Mangoes | 27 | 1,057 | 29 | 22 | 1,087 | 24 |
| Others | | | 57 | | | 65 |
| OTHER AGRO-BASED PRODUCTS | | | 432 | | | 504 |
| Fish, Fresh or Preserved | 53 | 5,493 | 290 | 61 | 5,726 | 353 |
| Of which: Shrimps & Prawns | 24 | 8,950 | 211 | 30 | 9,003 | 273 |
| Coffee, Raw not roasted | 1 | 1,024 | 1 | 5 | 1,013 | 5 |
| Abaca Fibers | 21 | 996 | 21 | 21 | 787 | 17 |
| Tobacco Unmanufactured | 19 | 1,786 | 34 | 24 | 1,750 | 43 |
| Natural Rubber | 19 | 502 | 9 | 24 | 541 | 13 |
| Ramie Fibers, Raw or Processed | 1 | 1,641 | 1 | 2 | 1,394 | 3 |
| Seaweeds, Dried | 21 | 904 | 19 | 27 | 791 | 21 |
| Rice | 35 | 243 | 9 | 10 | 234 | 2 |
| Others | | | 48 | | | 47 |
| FOREST PRODUCTS[1] | | | 57 | | | 73 |
| Logs | 0 | 0 | 0 | 2 | 61 | 0[a] |
| Lumber | 60 | 310 | 19 | 61 | 327 | 20 |
| Plywood | 85 | 369 | 31 | 118 | 369 | 44 |
| Veneer Sheets/Corestocks | 21 | 347 | 7 | 29 | 286 | 8 |
| Others | | | 0[a] | | | 1 |
| MINERAL PRODUCTS | | | 627 | | | 610 |
| Copper Concentrates | 350 | 399 | 140 | 397 | 439 | 174 |
| Copper Metal | 98 | 2,217 | 217 | 98 | 2,266 | 222 |
| Gold[2] | 461 | 338 | 156 | 183 | 353 | 65 |
| Iron Ore Agglomerates | 3,883 | 16 | 63 | 4,776 | 16 | 78 |
| Chromium Ore | 124 | 111 | 14 | 182 | 86 | 16 |
| Nickel | — | 3,556 | 0[a] | — | 2,718 | 1 |
| Others | | | 37 | | | 54 |
| PETROLEUM PRODUCTS | | | 150 | | | 175 |
| MANUFACTURES | | | 7,298 | | | 6,403 |
| Elect. & Elect. Eqpt./Parts & Telecom. | | | 2,753 | | | 2,293 |
| Garments | | | 2,140 | | | 1,861 |
| Textile Yarns/Fabrics | | | 121 | | | 100 |
| Footwear | | | 144 | | | 141 |
| Travel Goods & Handbags | | | 53 | | | 45 |

*Table 2. continued*

| ***Commodities*** | **1992 Value** | **1991 Value** |
|---|---|---|
| Wood Manufactures | 113 | 117 |
| Furniture & Fixtures | 181 | 177 |
| Chemicals | 268 | 304 |
| Non-metallic Mineral Mftrs. | 80 | 74 |
| *Machinery & Transport Eqpt.* | 288 | 181 |
| Processed Food & Beverages | 220 | 233 |
| Iron & Steel | 23 | 53 |
| Baby Carr., Toys, Games & Sporting Goods | 149 | 117 |
| Basketwork, Wickerwork & Other Articles of Plaiting Materials | 133 | 122 |
| Misc. Mftrd. Articles, n.e.s. | 163 | 146 |
| Others | 469 | 439 |
| Special Transactions | 40 | 17 |
| Re-Exports | 96 | 82 |
| **Total Exports** | 9,824 | 8,840 |

— Less than one thousand metric ton
* Less than one million US$
[1] Volume in 000 cubic meters; unit price in US$/cu.m.
[2] Volume in 000 ounces; unit price in US$/oz.

contrast to the 1.3 percent contraction recorded a year ago, reflecting the improvement in domestic economic activity and the lifting of the remaining 5 percent import levy during the year. Capital goods as well as raw materials and intermediate goods accounted for about four-fifths of the $2,469 million gain in imports. The rise in capital goods imports by $1,071 million was traced mainly to increased arrivals of power generating and specialized machines, telecommunication equipment and electrical machinery, and office and EDP machines; while that of raw materials and intermediate goods (by $908 million) was accounted for by higher imports of materials/accessories for the manufacture of electrical equipment, iron and steel, textile yarn, fabrics and made-up articles, non-metallic mineral manufactures and wheat. Similarly, imports of mineral fuels and lubricants reflected a gain of $266 million, triggered by higher purchases of petroleum crude. Arrivals of consumer goods, particularly passenger cars and motorized cycles, miscellaneous manufactures and dairy products, likewise rose by $252 million.

The top ten leading imports in 1992 were mineral fuels, lubricants and related materials; machinery other than electric; electrical machinery, apparatus and appliances; transport equipment; base metal; explosives and miscellaneous chemical materials and products; chemical elements and compounds; cereal and cereal preparations; textile fibers not manufactured into thread and yarn; and manufactures of metal (Table A-02). The value of these commodities, which grew by 24.9 percent during the review period, accounted for 60.8 percent of aggregate imports as compared with 58.6 percent in the previous year.

The geographical pattern of Philippine trade in 1992 closely resembled that of 1991 with the US, Japan, and the European Community (EC) as the country's leading trading partners. These countries accounted for more than three-fifths of total exports and imports in 1992. The US remained the top destination of Philippine-made goods (39.0 percent), with the EC a distant second (18.9 percent). In the case of imports, Japan replaced the U.S. as the primary source of imported goods (21.2 percent and 18.0 percent, respectively), while the EC and the Middle East countries occupied the third and fourth places (11.7 percent and 10.8 percent, respectively). The overall ranking of other ASEAN countries in 1992 approximated that of the previous year, i.e., fourth (5.3 percent) in terms of Philippine exports and fifth (9.3 percent) in terms of imports.

### Non-Merchandise Trade

The surplus in the non-merchandise trade account more than doubled to $2,884 million as the growth in receipts outpaced disbursements. Receipts from invisibles which totalled $7,497 million rose by 33.3 percent on account of higher earnings from workers' remittances (up by $573 million) as the number of deployed workers increased by 11.6 percent to 686,457; from withdrawals in pesos under Circular No. 343/547 accounts ($397 million); from travel ($373 million) as the number of tourist arrivals increased by 21.2 percent to 1,152,952; from other services ($316 million); and from operating expenses of multinationals in the country ($158 million). Meanwhile, invisible disbursements similarly advanced but at a slower pace of 8.0 percent to $4,613 million following increased outlays for other services (up by $348 million), freight and merchandise insurance ($137 million), and profits, earnings and dividends ($94 million). The rise in service disbursements was mitigated to some extent by the substantial reduction in interest expense on the country's foreign liabilities as interest rates in the world market plummeted.

### Transfers

Net inward transfers at $818 million were slightly lower than the net inflow of $827 million in 1991. This was traced to the combined effects of substantial cutbacks in aids and grants from both bilateral (except the US government) and multilateral sources as well as lower inflows from voluntary relief agencies and personal remittances. These more than offset the higher inward transfers from the US government.

## NON-MONETARY CAPITAL ACCOUNT

The non-monetary capital account recorded a net inflow of $837 million in 1992, less than half the level registered in the previous year as the improvement in the foreign investments account was negated mainly by the purchase of the $469 million collateral required for the issuance of new Philippine bonds under the 1992 Commercial Bank Financing Package. Likewise contributing to this development was the weakening of the medium- and long-term (MLT) loan and short-term capital accounts. The balance of the MLT loan account was almost halved to $480 million as the expansion in gross availments was accompanied by higher loan repayments. In particular, gross availments rose by 16.9 percent to $4,222 million following increased infusion of new money ($609 million) from multilateral and bilateral sources, notably the Japanese government, the World Bank, and the Asian Development Bank. Releases of loans in the pipeline to fund ongoing projects, however, fell by $86 million as availments from all major sources slowed down. Meanwhile, the amount of rescheduled debt

Table 3. **IMPORTS BY MAJOR COMMODITY GROUP**
**January-December, 1991 and 1992**
(Volume in 000MT; Price in US$/MT; FOB Value in US$M)

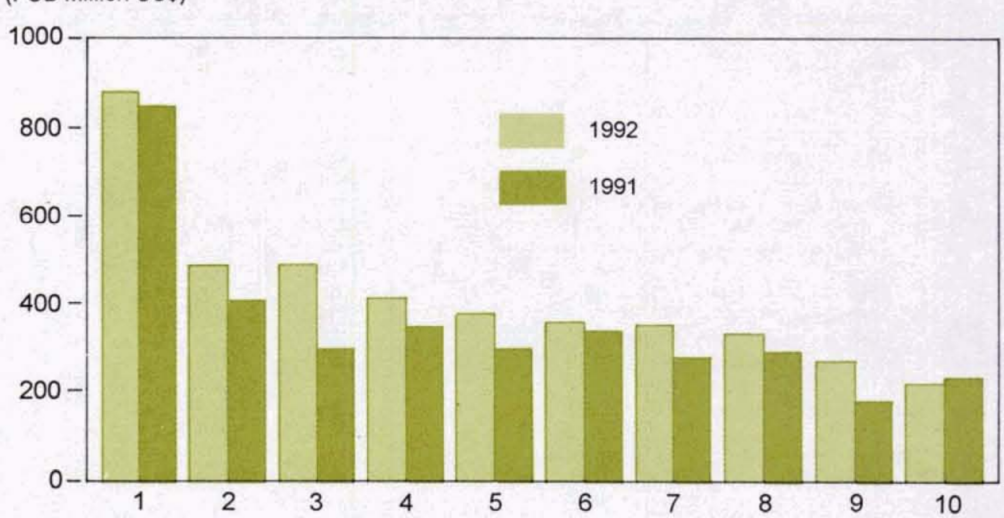
| Commodities | 1992 Volume | 1992 Price | 1992 Value | 1991 Volume | 1991 Price | 1991 Value |
|---|---|---|---|---|---|---|
| I. Capital Goods | | | 4,023 | | | 2,952 |
| Power Generating & Specialized Machines | | | 1,434 | | | 1,047 |
| Office & EDP Machines | | | 369 | | | 151 |
| Telecommunications Eqpt. & Elect. Mach. | | | 1,471 | | | 1,186 |
| Land Transport Eqpt excl. Passenger Cars & Motorized Cycle | | | 271 | | | 186 |
| Aircraft, Ships & Boats | | | 305 | | | 238 |
| Prof. Sci. & Cont. Instruments; Photographic Eqpt. & Optical Goods | | | 173 | | | 144 |
| II. Raw Materials & Intermediate Goods | | | 6,759 | | | 5,851 |
| Unprocessed Raw Materials | | | 947 | | | 841 |
| Wheat | 1,745 | 135 | 235 | 1,470 | 117 | 172 |
| Corn | 0 | 0 | 0 | 0 | 0 | 0 |
| Unmilled cereals excl. rice & corn | | | 7 | | | 1 |
| Crude materials, inedible | | | 612 | | | 597 |
| Pulp & waste paper | | | 47 | | | 48 |
| Cotton | 60 | 1,296 | 78 | 56 | 1,439 | 80 |
| Syn. fibers | 58 | 1,775 | 103 | 47 | 1,954 | 91 |
| Metalliferous ores | | | 192 | | | 211 |
| Others | | | 192 | | | 167 |
| Tobacco, unmanufactured | | | 93 | | | 71 |
| Semi-Processed Raw Materials | | | 5,812 | | | 5,040 |
| Feeding stuffs for animals | 801 | 232 | 186 | 691 | 221 | 153 |
| Animal & vegetable oils & fats | | | 34 | | | 22 |
| Chemical | | | 1,492 | | | 1,328 |
| Chemical compounds | | | 466 | | | 437 |
| Medicinal & pharmaceutical chem. | | | 171 | | | 142 |
| Urea | 529 | 141 | 75 | 410 | 145 | 59 |
| Fertilizer excl. urea | 543 | 129 | 70 | 664 | 108 | 72 |
| Artificial resins | | | 376 | | | 327 |
| Others | | | 334 | | | 291 |
| Manufactured goods | | | 2,139 | | | 1,714 |
| Paper & paper products | 265 | 587 | 155 | 197 | 636 | 125 |
| Textile yarn, fabrics & made-up articles | | | 642 | | | 539 |
| Non-metallic mineral manufactures | | | 126 | | | 63 |
| Iron & steel | 2,060 | 328 | 676 | 1,474 | 382 | 564 |
| Non-ferrous metals | | | 209 | | | 170 |
| Metal products | | | 176 | | | 146 |
| Others | | | 155 | | | 107 |
| Embroideries | | | 502 | | | 514 |
| Mat/Acc for the mftr. of elect eqpt. | | | 1,401 | | | 1,208 |
| Iron ore, not agglomerated | 3,324 | 17 | 58 | 4,265 | 17 | 71 |
| III. Mineral Fuels & Lubricant | | | 2,050 | | | 1,784 |
| Coal, Coke | 899 | 33 | 30 | 1,332 | 49 | 65 |
| Petroleum Crude[1] | 90.54 | 17.97 | 1,627 | 76.79 | 18.22 | 1,400 |
| Others[1] | 20.28 | 19.37 | 393 | 15.78 | 20.25 | 319 |

*Table 3. continued*

| Commodities | 1992 Volume | 1992 Price | 1992 Value | 1991 Volume | 1991 Price | 1991 Value |
|---|---|---|---|---|---|---|
| IV. Consumer Goods | | | 1,242 | | | 990 |
| Durable | | | 620 | | | 478 |
| Passenger cars & motorized cycle | | 334 | | | 256 | |
| Home appliances | | | 50 | | | 34 |
| Misc. manufactures | | | 236 | | | 188 |
| Non-Durable | | | 622 | | | 512 |
| Food & live animals chiefly for food | | 562 | | | 460 | |
| Dairy products | 167 | 1,509 | 253 | 154 | 1,370 | 211 |
| Fish & fish preparation | 148 | 411 | 61 | 151 | 412 | 62 |
| Rice | 0 | 0 | 0 | 0 | 0 | 0 |
| Fruits & vegetables | | | 54 | | | 37 |
| Others | | | 194 | | | 150 |
| Beverages & tobacco mfture. | | | 37 | | | 33 |
| Articles of apparel, access. | | | 23 | | | 19 |
| V. Special Transactions | | | 446 | | | 474 |
| Articles temporarily imported & exported | | | 179 | | | 198 |
| Others | | | 267 | | | 276 |
| **Total Imports** | | | **14,520** | | | 12,051 |

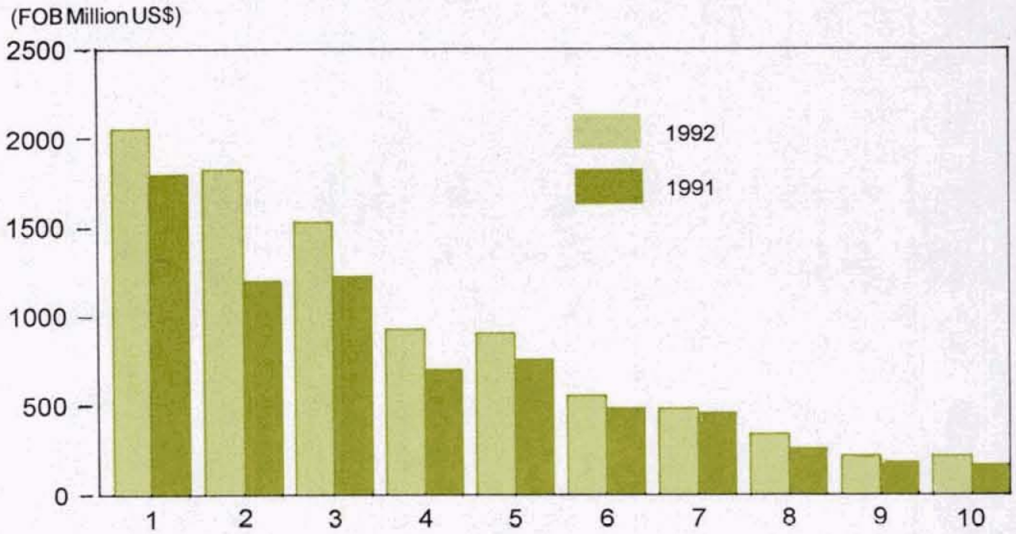
[1] Volume in million barrels; Price in US$/barrel

Figure 2. **TEN LEADING EXPORTS 1991-1992**



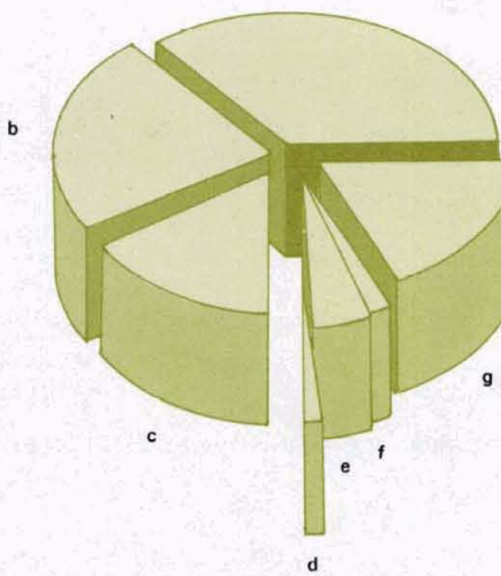

1. Semi-conductor devices
2. Consigned finished electronic and electrical mach. eqpt., & parts
3. Coconut oil (crude & refined)
4. Consigned women's wear
5. Electronic microcircuits
6. Consigned children's & infants' wear
7. Articles of apparel of textile fabrics
8. Consigned men's wear
9. Ignition wiring sets
10. Copper Metal

Figure 2A. **TEN LEADING IMPORTS 1991 - 1992**




1. Minerals, fuels, lubricants and related materials
2. Machinery other than electric
3. Electrical machinery, apparatus and appliances
4. Transport Equipment
5. Base metal
6. Explosives and miscellaneous chemical materials and products
7. Chemical elements and compounds
8. Cereal and cereal preparations
9. Textile fibers not manufactured into thread and yarn
10. Manufactures of metal

Figure 3. **DIRECTION OF EXPORTS BY AREA AND COUNTRY, 1992**




Legend:

a - UNITED STATES (39.0%)

b - JAPAN (17.7%)

c - EUROPEAN ECONOMIC COMMUNITY

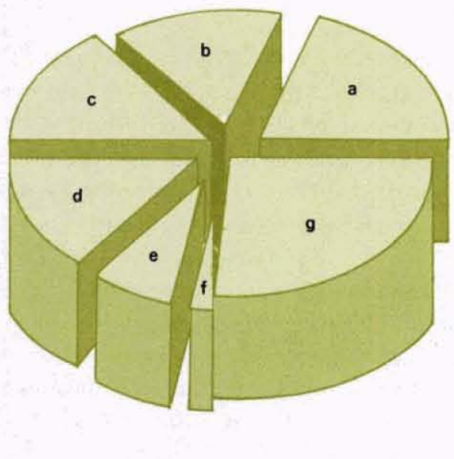
d - MIDDLE EAST COUNTRIES (2.12%)

e - ASEAN (5.3%)

f - SOCIALIST COUNTRIES (1.3%)

g - OTHER COUNTRIES (15.7%)

Figure 3A. **DIRECTION OF IMPORTS BY AREA AND COUNTRY, 1992**




Legend:

a - UNITED STATES (18.0%)

b - JAPAN (21.2%)

c - EUROPEAN ECONOMIC COMMUNITY (11.7%)

d - MIDDLE EAST COUNTRIES (10.8%)

e - ASEAN (9.3%)

f - SOCIALIST COUNTRIES (2.5%)

g - OTHER COUNTRIES (26.5%)

Table 4. **INDICES OF FOREIGN TRADE**
**1986-1992**
**(1985=100)**

| Period | Exports | | Imports | | Net Terms of Trade | Purchasing Power of Exports |
|---|---|---|---|---|---|---|
| | Volume | Prices[1] | Volume | Prices[2] | | |
| 1986 | 116.6 | 88.8 | 119.7 | 82.3 | 107.9 | 125.8 |
| 1987 | 124.2 | 97.7 | 158.0 | 82.7 | 118.1 | 146.7 |
| 1988 | 138.2 | 107.7 | 191.3 | 82.1 | 131.2 | 181.3 |
| 1989 | 155.0 | 105.7 | 229.3 | 87.2 | 121.2 | 187.9 |
| 1990 | 166.2 | 102.7 | 246.4 | 94.0 | 109.3 | 181.5 |
| 1991[p] | 171.8 | 104.7 | 250.6 | 90.0 | 116.4 | 199.8 |
| 1992[a] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

[1]Computed on F.O.B. basis
[2]Computed on C.I.F. basis
[p]Preliminary
n.a. - Not available
[a]Data unavailability may be traced to the 1991 backlog arising from the transformation of the 1977 Philippine Standard Commodity Classification (PSCC) to the 1989 revised PSCC which is aligned with the Harmonized System.

*Source:* National Statistics Office (NSO)

climbed by 5.1 percent to $1,695 million, 59.4 percent of which was owed to the Paris Club and the remainder, to foreign commercial banks. At the same time, repayments of MLT loans soared by 39.1 percent to $3,742 million as a result of the $1.263 billion debt buyback operation concluded in May 1992. In contrast, the foreign investments account strengthened by 12.5 percent to $736 million, on account of the substantial improvement in inflows arising from portfolio investments, bank inter-branch operations and new foreign investments in the country. This favorable development reflected renewed investors' confidence in the economy partly resulting from the foreign exchange liberalization program and the peaceful outcome of the national and local elections held last May. Triggered by lower advances for exports and availment of Documents Against Acceptance and Open Account Arrangements (D/As and O/As), the short-term capital account weakened, even as availments under the Trade Facility increased, reflecting a smaller net inflow of $350 million during the year in review compared with $369 million in the previous year.

Higher revaluation gains of $527 million were also posted in 1992, from $399 million in 1991, arising largely from the discounts earned under the debt buyback operation and other debt reduction schemes.

## INTERNATIONAL RESERVES

The country's official international reserves reached a historic high of $5,218 million at end-1992, 16.7 percent or $747.8 million higher than the level a year ago (Table 5). At this level, reserves were equivalent to 3.3 months imports of goods and services.

Mainly contributing to the increase in the reserves during the year were the substantial net foreign exchange purchases from Authorized Agent Banks (AABs) ($3,080 million); deposits by the Treasurer of the Philippines of program and project loans and grants from various multilateral and bilateral sources ($438 million); purchases from the NG consisting mainly of proceeds of loans from the Overseas Economic Cooperation Fund (OECF) ($450 million); release of new money from foreign commercial banks under the 1992 Commercial Bank Financing Package ($133 million); drawdowns under the International Monetary Fund (IMF) Stand-by Arrangement including accumulated set-asides ($215 million); investment income ($190 million); and purchases of US Treasury Warrants ($170 million) and of primary and panned gold ($130 million).

Table 5. **INTERNATIONAL RESERVES OF THE CENTRAL BANK**
**1991-1992**
(In Million US Dollars)

| End of Period | Total | Gold | SDRs | Foreign Investment | Foreign Exchange |
|---|---|---|---|---|---|
| 1991 Jan | 1,748.50 | 1,046.91 | 0.64 | 453.55 | 247.40 |
| Feb | 2,328.13 | 1,056.28 | 0.34 | 1,048.40 | 223.11 |
| Mar | 2,321.67 | 1,077.19 | 0.30 | 1,023.55 | 220.63 |
| Apr | 2,906.96 | 1,098.40 | 20.28 | 1,510.07 | 278.21 |
| May | 3,236.86 | 1,126.40 | 2.48 | 1,888.21 | 219.77 |
| Jun | 3,510.15 | 1,145.55 | 2.40 | 2,090.13 | 272.07 |
| Jul | 3,294.31 | 1,168.70 | 1.75 | 1,892.82 | 231.04 |
| Aug | 3,405.85 | 1,194.98 | 2.57 | 2,015.89 | 192.41 |
| Sep | 3,586.12 | 1,213.87 | 2.57 | 2,189.50 | 180.18 |
| Oct | 3,808.98 | 1,237.72 | 2.61 | 2,370.89 | 197.76 |
| Nov | 4,143.87 | 1,257.97 | 4.25 | 2,669.70 | 211.95 |
| Dec | 4,470.33 | 1,280.00 | 4.39 | 2,944.22 | 241.72 |
| 1992 Jan | 4,727.10 | 1,187.04 | 3.98 | 3,314.46 | 221.62 |
| Feb | 4,984.35 | 1,088.83 | 4.27 | 3,693.85 | 197.40 |
| Mar | 5,424.10 | 1,095.01 | 4.99 | 4,105.52 | 218.58 |
| Apr | 4,815.18 | 1,102.41 | 5.05 | 3,455.67 | 252.05 |
| May | 4,016.26 | 997.83 | 10.00 | 2,781.79 | 226.64 |
| Jun | 4,136.92 | 1,011.53 | 10.00 | 2,893.27 | 222.12 |
| Jul | 4,180.67 | 1,023.27 | 3.48 | 2,901.85 | 252.07 |
| Aug | 4,015.49 | 1,030.63 | 1.85 | 2,782.81 | 200.20 |
| Sep | 4,697.44 | 953.11 | 1.85 | 3,630.29 | 112.19 |
| Oct | 5,081.42 | 953.98 | 19.04 | 4,075.13 | 33.27 |
| Nov | 5,100.98 | 929.48 | 1.38 | 4,127.44 | 42.68 |
| Dec | 5,218.14 | 934.58 | 0.53 | 4,240.19 | 42.84 |

*Source:* Treasury, Central Bank of the Philippines

Partly offsetting these inflows were outflows arising from debt servicing requirements of both the NG ($1,450 million) and the CB ($967 million). These payments include the 52 percent of face value repurchase cost under the debt buyback done in May 1992. Other major outflows consisted of the settlement of outstanding peso-dollar swaps of AABs with the CB ($729 million); the establishment of the collateral requirement for the bond exchange under the Financing Package ($469 million); and net withdrawals under the Revolving Trade Facility ($382 million).

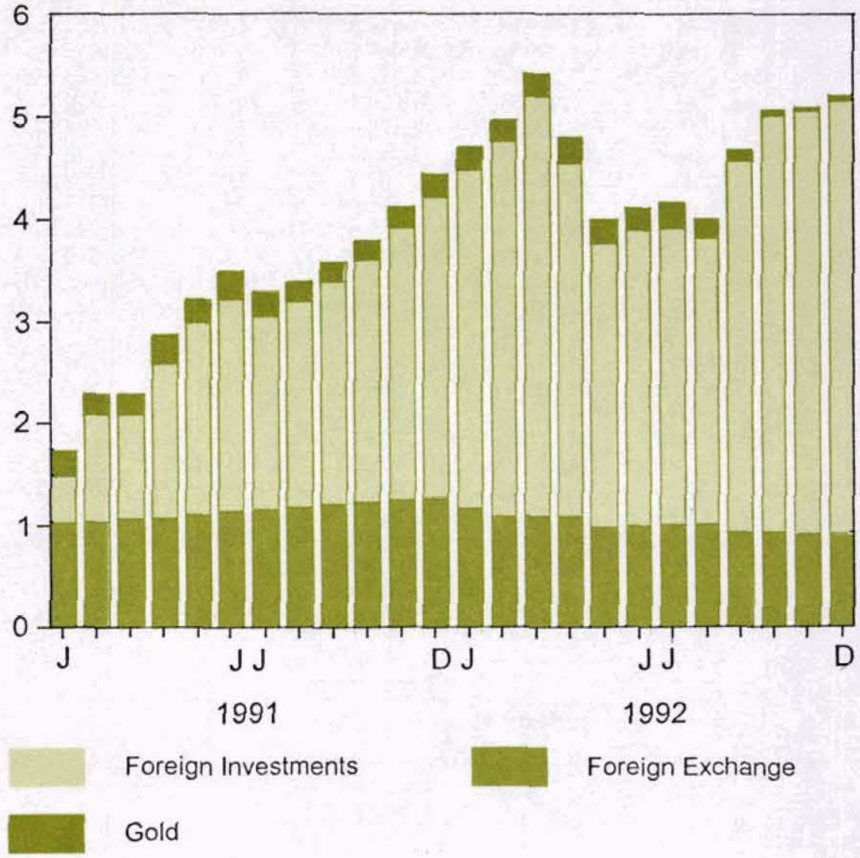
Gross international reserves at year-end consisted of gold (17.9 percent), foreign investments (81.3 percent) and foreign exchange holdings and special drawing rights (which together accounted for 0.8 percent).

## EXCHANGE RATE

During the first quarter of 1992, the exchange rate of the peso vis-a-vis the US dollar continued to appreciate, a trend observed since April 1991, moving from the end-January level of P26.53 to P25.38 by end-March (Table 6). The peso's strength during the first quarter was largely attributable to the ample supply of and weak demand for foreign exchange, with the latter influenced by the continued imposition of the import levy.

Figure 4. INTERNATIONAL RESERVES OF THE CENTRAL BANK

(In Billion US Dollars)



## Table 6. EXCHANGE RATES OF THE PESO
**1991 - 1992**
(Pesos Per Unit of Foreign Currency)

| End of Period | | US Dollar | Japanese Yen | Deutsche Mark | Pound Sterling | French Franc | Swiss Franc | HK Dollar | N. Taiwan Dollar | S.Korea Won | Singapore Dollar |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1991 | Jan | 28.0000 | 0.2135 | 18.8216 | 54.9864 | 5.5440 | 22.1844 | 3.5924 | 1.0514 | 0.039676 | 16.2204 |
| | Feb | 28.0000 | 0.2117 | 18.3988 | 53.7180 | 5.4096 | 21.2884 | 3.5924 | 1.0486 | 0.039368 | 16.2344 |
| | Mar | 28.0000 | 0.2018 | 16.5956 | 49.2520 | 4.8888 | 19.5384 | 3.5952 | 1.0343 | 0.039312 | 15.7276 |
| | Apr | 27.8420 | 0.2053 | 15.9033 | 47.2896 | 4.7136 | 18.9047 | 3.5716 | 1.0353 | 0.039145 | 15.6750 |
| | May | 27.8060 | 0.2018 | 16.1803 | 47.6594 | 4.7687 | 18.9970 | 3.5980 | 1.0329 | 0.039178 | 15.7715 |
| | Jun | 27.7500 | 0.2013 | 15.4623 | 45.3296 | 4.5565 | 17.9043 | 3.5838 | 1.0342 | 0.038877 | 15.7231 |
| | Jul | 27.7500 | 0.2011 | 15.8119 | 46.4951 | 4.6481 | 18.1124 | 3.5785 | 1.0420 | 0.038961 | 15.8785 |
| | Aug | 27.0000 | 0.1969 | 15.4872 | 45.4599 | 4.5630 | 17.7255 | 3.4805 | 1.0223 | 0.037530 | 15.6924 |
| | Sep | 27.0000 | 0.2027 | 16.1703 | 47.0745 | 4.7466 | 18.5868 | 3.4849 | 1.0262 | 0.037512 | 15.9516 |
| | Oct | 27.0000 | 0.2061 | 16.1622 | 47.0880 | 4.7304 | 18.4410 | 3.4757 | 1.0384 | 0.036669 | 15.9705 |
| | Nov | 26.7000 | 0.2055 | 16.5406 | 47.2323 | 4.8433 | 18.7300 | 3.4431 | 1.0470 | 0.036071 | 16.0253 |
| | Dec | 26.6500 | 0.2108 | 17.6769 | 50.2219 | 5.1670 | 19.8355 | 3.4302 | 1.0467 | 0.035790 | 16.3684 |
| 1992 | Jan | 26.5270 | 0.2109 | 16.4149 | 47.2843 | 4.8173 | 18.4840 | 3.4175 | 1.0732 | 0.035440 | 16.2769 |
| | Feb | 26.0450 | 0.2017 | 15.9291 | 45.9564 | 4.6854 | 17.5960 | 3.3558 | 1.0501 | 0.034587 | 15.8796 |
| | Mar | 25.3830 | 0.1909 | 15.4252 | 44.0775 | 4.5460 | 16.9203 | 3.2800 | 1.0044 | 0.033404 | 15.2856 |
| | Apr | 25.8040 | 0.1934 | 15.5727 | 45.7504 | 4.6189 | 16.9635 | 3.3271 | 1.0329 | 0.033751 | 15.5959 |
| | May | 26.2500 | 0.2027 | 16.1385 | 47.3943 | 4.8037 | 17.7765 | 3.3881 | 1.0644 | 0.034151 | 16.0492 |
| | Jun | 25.5840 | 0.2036 | 16.6654 | 48.4816 | 4.9581 | 18.5381 | 3.3094 | 1.0498 | 0.033131 | 15.8057 |
| | Jul | 24.9100 | 0.1953 | 16.8715 | 48.0015 | 4.9969 | 18.9340 | 3.2202 | 1.0093 | 0.032333 | 15.4317 |
| | Aug | 23.2940 | 0.1893 | 16.5317 | 46.2036 | 4.8544 | 18.4861 | 3.0142 | 0.9362 | 0.030258 | 14.5750 |
| | Sep | 25.1200 | 0.2107 | 17.7899 | 44.8894 | 5.2626 | 20.4753 | 3.2498 | 1.0076 | 0.032580 | 15.7376 |
| | Oct | 24.6360 | 0.1999 | 16.0232 | 38.7647 | 4.7251 | 17.9473 | 3.1872 | 0.9814 | 0.032174 | 15.2398 |
| | Nov | 25.4920 | 0.2061 | 16.0574 | 38.9390 | 4.7364 | 17.8698 | 3.2956 | 1.0123 | 0.033114 | 15.6291 |
| | Dec | 25.0960 | 0.2009 | 15.4892 | 37.6063 | 4.5448 | 17.1054 | 3.2432 | 0.9966 | 0.032499 | 15.3060 |

*Source:* Treasury, Central Bank of the Philippines

## Table 6A. EXCHANGE RATES OF THE PESO
**1991 - 1992**
(Units of Foreign Currency Per Peso)

| End of Period | | US Dollar | Japanese Yen | Deutsche Mark | Pound Sterling | French Franc | Swiss Franc | HK Dollar | N. Taiwa Dollar | S.Korean Won | Singapore Dollar |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1991 | Jan | 0.0357 | 4.6838 | 0.0531 | 0.0182 | 0.1804 | 0.0451 | 0.2784 | 0.9511 | 25.2042 | 0.0617 |
| | Feb | 0.0357 | 4.7237 | 0.0544 | 0.0186 | 0.1849 | 0.0470 | 0.2784 | 0.9537 | 25.4013 | 0.0616 |
| | Mar | 0.0357 | 4.9554 | 0.0603 | 0.0203 | 0.2045 | 0.0512 | 0.2781 | 0.9668 | 25.4375 | 0.0636 |
| | Apr | 0.0359 | 4.8709 | 0.0629 | 0.0211 | 0.2122 | 0.0529 | 0.2800 | 0.9659 | 25.5460 | 0.0638 |
| | May | 0.0360 | 4.9554 | 0.0618 | 0.0210 | 0.2097 | 0.0526 | 0.2779 | 0.9681 | 25.5245 | 0.0634 |
| | Jun | 0.0360 | 4.9677 | 0.0647 | 0.0221 | 0.2195 | 0.0559 | 0.2790 | 0.9669 | 25.7221 | 0.0636 |
| | Jul | 0.0360 | 4.9727 | 0.0632 | 0.0215 | 0.2151 | 0.0552 | 0.2794 | 0.9597 | 25.6667 | 0.0630 |
| | Aug | 0.0370 | 5.0787 | 0.0646 | 0.0220 | 0.2192 | 0.0564 | 0.2873 | 0.9782 | 26.6454 | 0.0637 |
| | Sep | 0.0370 | 4.9334 | 0.0618 | 0.0212 | 0.2107 | 0.0538 | 0.2870 | 0.9745 | 26.6581 | 0.0627 |
| | Oct | 0.0370 | 4.8520 | 0.0619 | 0.0212 | 0.2114 | 0.0542 | 0.2877 | 0.9630 | 27.2710 | 0.0626 |
| | Nov | 0.0375 | 4.8662 | 0.0605 | 0.0212 | 0.2065 | 0.0534 | 0.2904 | 0.9551 | 27.7231 | 0.0624 |
| | Dec | 0.0375 | 4.7438 | 0.0566 | 0.0199 | 0.1935 | 0.0504 | 0.2915 | 0.9554 | 27.9408 | 0.0611 |
| 1992 | Jan | 0.0377 | 4.7416 | 0.0609 | 0.0211 | 0.2076 | 0.0541 | 0.2926 | 0.9318 | 28.2167 | 0.0614 |
| | Feb | 0.0384 | 4.9579 | 0.0628 | 0.0218 | 0.2134 | 0.0568 | 0.2980 | 0.9523 | 28.9126 | 0.0630 |
| | Mar | 0.0394 | 5.2383 | 0.0648 | 0.0227 | 0.2200 | 0.0591 | 0.3049 | 0.9956 | 29.9365 | 0.0654 |
| | Apr | 0.0388 | 5.1706 | 0.0642 | 0.0219 | 0.2165 | 0.0590 | 0.3006 | 0.9681 | 29.6288 | 0.0641 |
| | May | 0.0381 | 4.9334 | 0.0620 | 0.0211 | 0.2082 | 0.0563 | 0.2952 | 0.9395 | 29.2817 | 0.0623 |
| | Jun | 0.0391 | 4.9116 | 0.0600 | 0.0206 | 0.2017 | 0.0539 | 0.3022 | 0.9526 | 30.1832 | 0.0633 |
| | Jul | 0.0401 | 5.1203 | 0.0593 | 0.0208 | 0.2001 | 0.0528 | 0.3105 | 0.9908 | 30.9282 | 0.0648 |
| | Aug | 0.0429 | 5.2826 | 0.0605 | 0.0216 | 0.2060 | 0.0541 | 0.3318 | 1.0681 | 33.0491 | 0.0686 |
| | Sep | 0.0398 | 4.7461 | 0.0562 | 0.0223 | 0.1900 | 0.0488 | 0.3077 | 0.9925 | 30.6937 | 0.0635 |
| | Oct | 0.0406 | 5.0025 | 0.0624 | 0.0258 | 0.2116 | 0.0557 | 0.3138 | 1.0190 | 31.0810 | 0.0656 |
| | Nov | 0.0392 | 4.8520 | 0.0623 | 0.0257 | 0.2111 | 0.0560 | 0.3034 | 0.9878 | 30.1987 | 0.0640 |
| | Dec | 0.0398 | 4.9776 | 0.0646 | 0.0266 | 0.2200 | 0.0585 | 0.3083 | 1.0034 | 30.7702 | 0.0653 |

*Source:* Treasury, Central Bank of the Philippines

However, during the months of April and May, the peso recorded slight depreciations primarily reflecting uncertainties caused by forthcoming national and local elections. Subsequently, the peso recovered in June-July and in fact had sharply appreciated by 6.5 percent to P23.29 at end-August. This would be the lowest rate for the year next only to the P23.21 rate recorded the next day.

In September, the peso-dollar rate displayed marked volatility with the rate ranging from a high P25.46 to a low P23.21 before substantially depreciating from the month earlier by 7.8 percent to P25.12 at month's end. Exchange rate developments during this period mainly reflected CB's efforts to slow down exchange rate appreciation.

The peso continued to show some volatility in the remaining months but eventually closed the year near the end-September level at P25.096 to a dollar. At this level, the peso had appreciated by 5.8 percent from its level a year earlier.

The liberalization moves in the exchange and payments system and the sustained economic stabilization measures by enhancing confidence primarily contributed to the strong performance of the local currency in 1992. Favorable economic developments were also enhanced by stabilization of political conditions with the satisfactory conclusion of national elections.

The active role of the CB in slowing the rapid appreciation of the peso was clearly manifested in its being a net purchaser of foreign exchange for the year. Of the total transactions volume of $ 3,857 million, 62.7 percent or $2,417 million was purchased by the CB.

Paralleling nominal movement against the US dollar, the local currency significantly strengthened during the year against the other major currencies recording appreciations as follows: 25.1 percent against the British pound; 13.8 percent against the Swiss franc; 12.4 percent against the Deutsche mark; 12.0 percent against the French franc; and 4.7 percent against the Japanese yen. Gains relative to currencies of newly industrializing economies were recorded as follows: 9.2 percent against the South Korean won; 6.5 percent against the Singapore dollar; 5.5 percent against the Hongkong dollar; and 4.8 percent against the New Taiwan dollar.

Based on a total trade-weighted basket of currencies of major industrial countries or its nominal effective exchange rate (NEER-MIC) index, the peso at end-1992 registered a 5.8 percent appreciation from its year-ago level. Relative to currencies of competing countries, the peso's NEER posted a 5.7 percent appreciation. Similarly, in real effective terms (REER) or the NEER adjusted for price differentials, the peso appreciated 11.2 percent and 7.8 percent against currencies of major trading partners and competing countries respectively, generally decreasing the peso's external competitive position over the year-ago level.

## FOREIGN EXCHANGE LIABILITIES

The country's foreign exchange liabilities at end-November 1992 were recorded at $29,988 million, $32 million or 0.1 percent higher than the end-December 1991 level (Table 7). The increase was mainly a result of the net availments of medium- and long-term loans of $1,395 million and short-term credits of $304 million; the latter included the availment of $112 million under the Revolving Trade Facility.

The slight rise in external debt was offset mainly by the $1,457 million reduction in debt stock arising from the implementation of various debt reduction schemes, principally the

Figure 5. **PESOS PER US DOLLAR 1991 - 1992 (End-of-Period)**

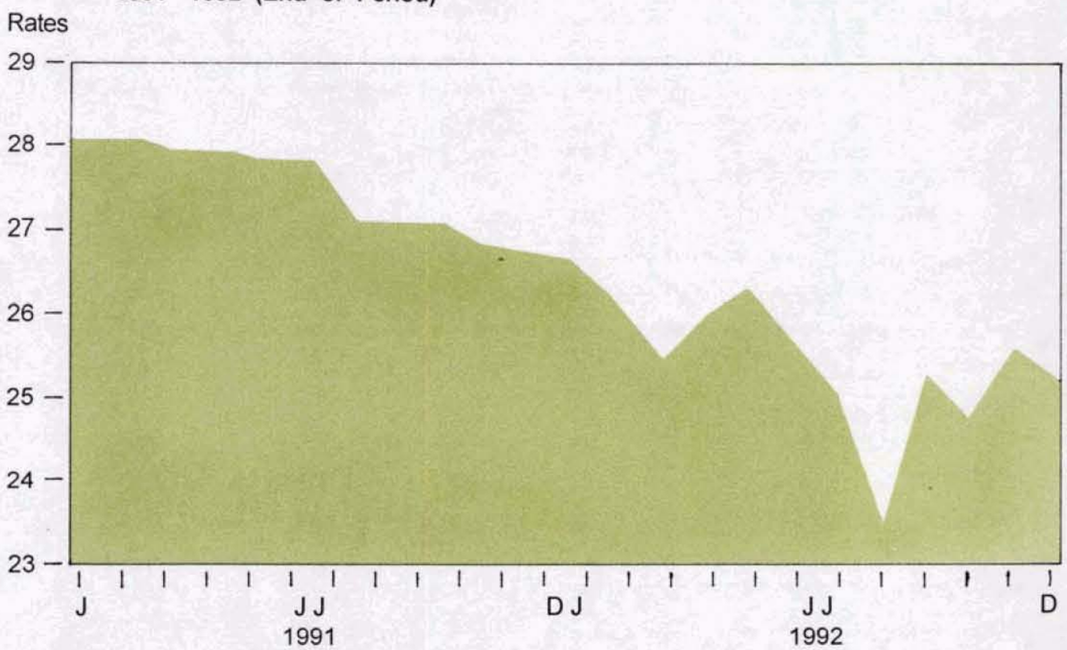



Figure 5A. **PESO EFFECTIVE EXCHANGE RATE INDICES (DEC. 1980=100), 1991-1992 MONTHLY AVERAGE**

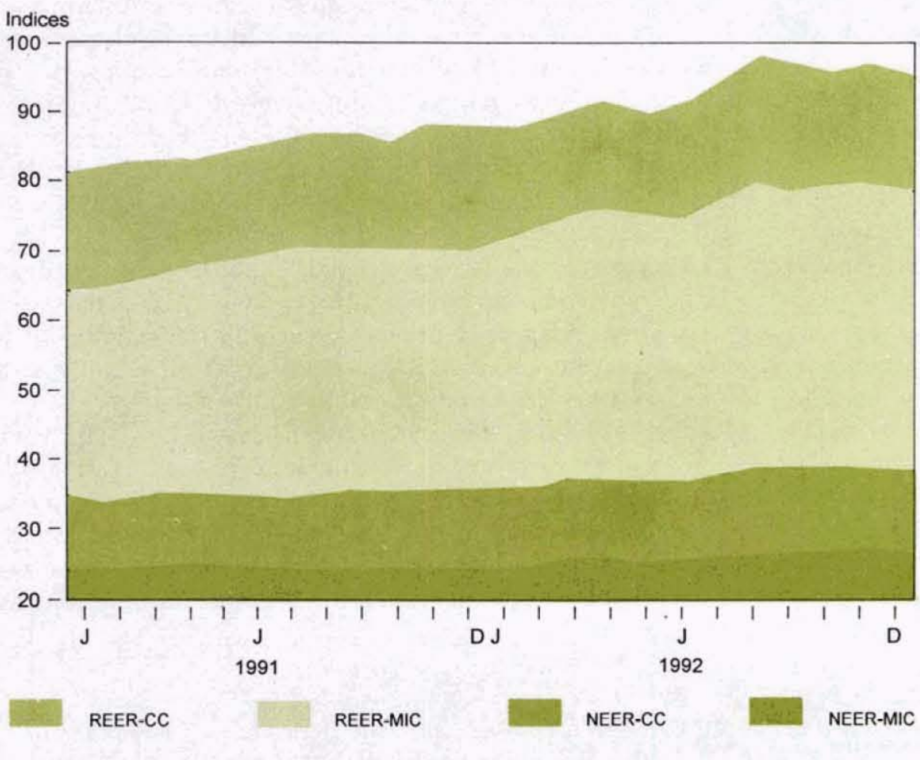


Table 7. **PHILIPPINE TOTAL FOREIGN EXCHANGE LIABILITIES**
**As of Dates Indicated**
(In Million US Dollars)

| Item | November 30, 1992 | | | | December 31, 1991 | | | |
|---|---|---|---|---|---|---|---|---|
| | Short-Term | | Medium and Long Term | Total | Short-Term | | Medium and Long Term | Total |
| | Trade | Non-Trade | | | Trade | Non-Trade | | |
| **Grand Total** | **4,778** | **351** | **24,859** | **29,988** | **4,589** | **238** | **25,129** | **29,956** |
| Commercial Banks and Central Bank | 1,847 | 331 | 4,167 | 6,345 | 1,865 | 217 | 5,383 | 7,465 |
| 1. Commercial Banks | 1,409 | 308 | 675 | 2,392 | 994 | 194 | 952 | 2,140 |
| Government | 187 | 216 | 108 | 511 | 139 | 124 | 75 | 338 |
| Private | 1,222 | 92 | 567 | 1,881 | 855 | 70 | 877 | 1,802 |
| Foreign Banks | 357 | 39 | 519 | 915 | 189 | 39 | 827 | 1,055 |
| Domestic Banks | 865 | 53 | 48 | 966 | 666 | 31 | 50 | 747 |
| 2. Central Bank of the Phils. | 438 | 23 | 3,492 | 3,953 | 871 | 23 | 4,431 | 5,325 |
| Public and Private | 1,972 | 20 | 20,692 | 22,684 | 1,817 | 21 | 19,746 | 21,584 |
| 1. Public | 278 | 3 | 18,895 | 19,176 | 312 | 3 | 18,138 | 18,453 |
| 2. Private | 1,694 | 17 | 1,797 | 3,508 | 1,505 | 18 | 1,608 | 3,131 |
| Red Clause Advances | 959 | 0 | 0 | 959 | 907 | 0 | 0 | 907 |
| 1. Public | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Private | 959 | 0 | 0 | 959 | 907 | 0 | 0 | 907 |

*Source:* Information Management Department, Central Bank of the Philippines

$1,243 million[1] debt buyback closed on May 14, 1992. In addition, the assignment of credits of foreign banks to locally-based FCDUs and various adjustments including those for foreign exchange fluctuations reduced the debt by $62 million and $148 million, respectively.

The bulk or 75.6 percent of total foreign exchange liabilities were debts of the non-banking sector, with a total of $19.2 billion and $3.5 billion owed by the public and private sector, respectively. Banking sector liabilities accounted for 21.2 percent, with $4.0 billion debt owed by the CB and $2.4 billion owed by commercial banks. The remaining 3.2 percent or $959 million consisted of export advances.

Classified by maturity, 82.9 percent of total foreign exchange liabilities were medium- and long-term debt while 17.1 percent were short-term obligations. This reflects a slight deterioration in maturity structure from that prevailing at end-December 1991 when medium- and long-term obligations comprised 83.9 percent of total outstanding debt and short-term obligations a lower 16.1 percent of total liabilities.

Classified by creditor, 31.3 percent of foreign exchange liabilities as of end-1992 were owed to foreign commercial banks and other financial institutions, 35.3 percent to bilateral creditors, 23.5 percent to multilateral sources, and 9.9 percent to other creditors. In contrast, as of end-1991, 36.7 percent of debt outstanding was owed to commercial banks and other financial institutions, while bilateral and multilateral creditors accounted for a lower 32.0 percent and 21.7 percent, respectively, of the total. This reflects a continuing shift away from

[1]Total debt buyback amounted to $1,263 million as reported in the BOP, which figure was revalued using exchange rates on May 14, 1992. The figure of $1,243 million, on the other hand, was revalued using exchange rates as of end-May 1992 (net of $10 million reclassified to rural bank rehabilitation).

the generally more expensive commercial bank debt to more concessional bilateral and multilateral loans.

As of end-1992, credits under the Trade Facility reached $2,900 million, $25 million higher than the commitment level of $2,875 million. Of the total actual level, $2,433 million consisted of direct trade credits while $467 million were in the form of deposits with the CB.

## DEBT REDUCTION PROGRAM

The country made further significant progress in its efforts to reduce the debt burden with the successful implementation of the 1992 Commercial Bank Financing Package. The package was a voluntary, multi-option operation which included debt and debt service reduction options as well as an option for further restructuring with commitment of new money.

A total of $4.5 billion in commercial bank debt was covered by the package. The buyback element of the package involving the repurchase of $1,263 million in public sector restructured debt owed to commercial bank creditors at an average price of 52 percent of face value was completed on May 14, 1992. The bond exchange element which involved the conversion of $3.2 billion in eligible debt into long-term bonds was concluded on December 1, 1992. In this latter transaction, a total of $757 million and $1.89 billion were exchanged at par for Temporary Interest Rate Reduction (TIRR) bonds and Principal Collateralized Interest Reduction (PCIR) bonds, respectively. In addition, new money amounting to $138 million was also raised in connection with the conversion of eligible debt amounting to $559 million into debt conversion bonds.

Apart from the comprehensive debt and debt service reduction package, the Central Bank continued the implementation of various other debt reduction schemes. On March 24, 1992, the CB conducted the fifth auction under the Debt-to-Equity Conversion Program as embodied under Circular No. 1267 dated December 20, 1990. However, the other three auctions originally scheduled for the year were temporarily suspended pending completion of the 1992 Commercial Bank Financing Package.

In this year's auction, 27 applications with an aggregate value of $209.9 million were received with bid prices ranging from 55.3 percent to 59.5 percent. Twenty tenders worth $75 million were closed and invested in preferred areas of investment which included investments in export-oriented, bank privatization/rehabilitation and energy-related activities.

On a cumulative basis, a total of 238 applications for debt-to-equity conversions with an aggregate value of $1,478.9 million had been received by the CB (Table 8). Out of the 107 applications approved for conversion, 106 applications amounting to $368.6 million were closed. All closed transactions, except for one, were channeled to preferred areas of investment. Classified by nationality of investors, 47.4 percent or $174.7 million were closed by Filipinos; 16.1 percent or $59.3 million by the Japanese; 10.9 percent or $40.1 million by Americans; 5.4 percent or $19.9 million by Koreans; 4.6 percent or $16.9 million by Bermudans; 4.3 percent or $15.9 million by Taiwanese, French, Hongkong, Dutch, German, Spanish and Luxembourg investors; and the remaining 11.3 percent or $41.7 million by joint ventures of Filipinos with Australian, Portuguese, Swiss, French, Hongkong, Japanese, Chinese, Singaporean and Taiwanese investor groups. (Table 8A).

As of end-1992, various schemes, including the debt-to-equity conversion program, reduced the country's external debt by about $3.3 billion (Table 8B). The total amount may be broken down as follows: registered debt-to-equity conversions, $1.3 billion; debt-for-debt

Table 8. **DEBT-TO-EQUITY CONVERSION PROGRAM [1]**
**SUMMARY OF AUCTION RESULTS[1]**
**For Period Indicated**
(Value in Million US Dollars)

| Item | As of December 31, 1992 Number | Value |
|---|---|---|
| I. Applications Received | 238 | 1,478.930 |
| By Investment Classification | | |
| Preferred (Schedule 2) | 210 | 1,365.190 |
| Less Preferred (Schedule 3) | 28 | 113.740 |
| II. Applications Prequalified | 200 | 1,203.100 |
| By Investment Classification | | |
| Preferred (Schedule 2) | 173 | 1,094.160 |
| Less Preferred (Schedule 3) | 27 | 108.940 |
| III. Applications Approved | 107 | 374.500 |
| By Investment Classification | | |
| Preferred (Schedule 2) | 106 | 374.038 |
| Less Preferred (Schedule 3) | 1 | 0.462 |
| IV. Applications Closed | 106 | 368.602 |
| By Investment Classification | | |
| Preferred (Schedule 2) | 105 | 368.140 |
| Less Preferred (Schedule 3) | 1 | 0.462 |

[1]Under CB Circular No. 1267

Note: Difference between the amount approved and amount closed represents forfeited bids.

*Source of Basic Data:* Debt Restructuring Department, Central Bank of the Philippines

## Table 8A. APPLICATIONS FOR DEBT-TO-EQUITY CONVERSIONS BY NATIONALITY OF INVESTORS[1]

**As of End-December 1992**

(In Million US Dollars)

| Nationality | Received | | | | | | | Accepted | | | | | | Closed | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | First Auction | Second Auction | Third Auction | Fourth Auction | Fifth Auction | Sixth Auction[2] | Total | First Auction | Second Auction | Third Auction | Fourth Auction | Fifth Auction | Total | First Auction | Second Auction | Third Auction | Fourth Auction | Fifth Auction | Total |
| Filipino | 287.39 | 127.51 | 55.45 | 171.10 | 168.62 | 141.18 | 951.25 | 24.43 | 43.80 | 27.00 | 38.99 | 43.90 | 178.12 | 21.45 | 43.80 | 27.00 | 38.59 | 43.89 | 174.72 |
| American | 28.60 | 16.50 | 20.50 | 0.90 | 10.90 | 14.90 | 92.30 | 19.74 | 4.00 | 13.50 | 0.90 | 2.00 | 40.14 | 19.74 | 4.00 | 13.50 | 0.90 | 2.00 | 40.14 |
| Korean | 15.00 | 19.00 | | 2.60 | | | 36.60 | 3.73 | 13.60 | | 2.60 | | 19.93 | 3.73 | 13.60 | | 2.60 | | 19.93 |
| Taiwanese | 10.00 | | 7.00 | 3.00 | | 3.70 | 23.70 | 0.00 | | 0.45 | 0.00 | | 0.45 | 0.00 | | 0.45 | | | 0.45 |
| French | 9.00 | | | | | | 9.00 | 5.00 | | | | | 5.00 | 5.00 | | | | | 5.00 |
| Bermudan | 5.40 | 5.50 | | | 15.00 | 12.50 | 38.40 | 5.40 | 5.50 | | | 6.00 | 16.90 | 5.40 | 5.50 | | | 6.00 | 16.90 |
| Hongkong | 5.00 | 8.00 | | | | 4.00 | 17.00 | 0.93 | 0.00 | | | | 0.93 | 0.93 | 0.00 | | | | 0.93 |
| Japanese | 0.80 | 9.00 | 23.00 | 23.38 | 9.40 | | 65.58 | 0.55 | 6.10 | 22.37 | 22.06 | 8.25 | 59.33 | 0.55 | 6.10 | 22.37 | 22.06 | 8.25 | 59.33 |
| British Virgin Is. | | 1.54 | | | | | 1.54 | | 0.00 | | | | 0.00 | | 0.00 | | | | 0.00 |
| Swede | | | 1.20 | | | | 1.20 | | | 0.00 | | | 0.00 | | | 0.00 | | | 0.00 |
| German | | | | 6.00 | | 3.00 | 9.00 | | | | 5.00 | | 5.00 | | | | 2.50 | | 2.50 |
| Dutch | | | | | 4.00 | 14.00 | 18.00 | | | | | 4.00 | 4.00 | | | | | 4.00 | 4.00 |
| South Korean | | | | | 1.50 | 2.00 | 3.50 | | | | | | 0.00 | | | | | | 0.00 |
| Swiss | | | | | | 15.00 | 15.00 | | | | | | 0.00 | | | | | | 0.00 |
| Spanish/Luxembourg | | | 3.00 | | | | 3.00 | | | 3.00 | | | 3.00 | | | 3.00 | | | 3.00 |
| Filipino/Portuguese/ | | | | | | | 0.00 | | | | | | 0.00 | | | | | | 0.00 |
| Swiss/Hongkong | | | 2.00 | | | | 2.00 | | | 2.00 | | | 2.00 | | | 2.00 | | | 2.00 |
| Filipino/Australian | 15.00 | | | | | | 15.00 | 10.00 | | | | | 10.00 | 10.00 | | | | | 10.00 |
| Filipino/French | 15.00 | 15.00 | 15.00 | 5.00 | | | 50.00 | 0.00 | 0.00 | 3.70 | 2.55 | | 6.25 | 0.00 | 0.00 | 3.70 | 2.55 | | 6.25 |
| Filipino/Hongkong | 14.00 | 5.00 | | | 8.00 | 35.00 | 62.00 | 1.25 | 2.00 | | | 6.85 | 10.10 | 1.25 | 2.00 | | | 6.85 | 10.10 |
| Filipino/Japanese | 9.50 | 9.69 | 2.21 | | 7.50 | 9.00 | 37.90 | 3.00 | 0.00 | 0.00 | | 4.00 | 7.00 | 3.00 | 0.00 | 0.00 | | 4.00 | 7.00 |
| Filipino/Liberian | 9.00 | | | | | | 9.00 | 0.00 | | | | | 0.00 | 0.00 | | | | | 0.00 |
| Filipino/Chinese | 3.14 | | | 1.00 | | 3.10 | 7.24 | 0.97 | | | 1.00 | | 1.97 | 0.97 | | | 1.00 | | 1.97 |
| Filipino/Singaporean | | | 0.60 | 1.40 | | | 2.00 | | | 0.48 | 1.40 | | 1.88 | | | 0.48 | 1.40 | | 1.88 |
| Filipino/Taiwanese | | | 3.00 | | | 0.45 | 3.45 | | | 2.50 | | | 2.50 | | | 2.50 | | | 2.50 |
| Chinese/Taiwanese | 5.27 | | | | | | 5.27 | 0.00 | | | | | 0.00 | 0.00 | | | | | 0.00 |
| Total | 432.10 | 216.74 | 132.96 | 214.38 | 224.92 | 257.83 | 1,478.93 | 75.00 | 75.00 | 75.00 | 74.50 | 75.00 | 374.50 | 72.02 | 75.00 | 75.00 | 71.60 | 74.99 | 368.60 |

[1]Under CB Circular No. 1267. In case of corporate stockholders, nationality is based on the country under whose laws such corporations are registered.
[2]Refers to the sixth auction which was held January 26, 1993.

*Source of Basic Data:* Debt Restructuring Department, Central Bank of the Philippines

Table 8B. **DEBT REDUCTION UNDER VARIOUS SCHEMES***
**1986-1992**
(In Million US Dollars)

| Scheme | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992[p] | Total |
|---|---|---|---|---|---|---|---|---|
| 1. Debt-to-Equity Conversion | 15 | 267 | 635 | 181 | 140 | 286 | 150 | **1,674** |
| a. Registered[a] | 15 | 267 | 456 | 105 | 115 | 239[c] | 130[c] | **1,327** |
| b. Excluded Investment[b] | | | 179 | 76 | 25 | 47 | 20 | **347** |
| 2. Debt-for-Asset-Swap[d] | | | 109 | 122 | 147 | 36 | - | **414** |
| 3. Debt-for-Debt Swap | | 3 | 12 | 87 | 82 | 119 | 112 | **415** |
| 4. Debt-for-Note-Swap | | | | 152 | 1 | 0 | 0 | **153** |
| 5. Other Debt Reduction Schemes (i.e., debt-for-nature swaps, peso prepayments, offsets, donations) | 66 | 180 | 175 | 88 | 8 | 48 | 92 | **657** |
| **Total** | **81** | **450** | **931** | **630** | **378** | **489** | **354** | **3,313** |

* Excludes debt buyback of $1.34 billion closed in January 1990, $100 million closed in December 1991 and $1,263 million in May 1992.
[a] Includes $64 million debt converted into equity under CB Circular No.1111 for which investment is temporarily placed in CB bills.
[b] Equity investments under Section 11 of CB Circular No.1111 which are not entitled to CB registration or to capital/ dividends repatriation anytime in the future.
[c] Based on closed bids under CB Circular No. 1267.
[d] Effective December 1991 and pursuant to RA No. 7181, sales of assets under the Asset Privatization Trust should be settled in cash or in Land Bank bonds.
[p] Preliminary

*Source of Basic Data:* Debt Restructuring Department, Central Bank of the Philippines

swaps, $415 million; debt-for-asset swaps, $414 million; excluded investments, i.e., equity investments which are not entitled to CB registration or to capital/ dividends repatriation anytime in the future, $347 million; debt-for-note swaps, $153 million; and other debt reduction schemes, $657 million. The total amount of debt reduction excludes the debt buyback of $1.3 billion closed in January 1990, $100 million closed in December 1991, and the $1.3 billion closed in May 1992.

In 1992, debt-to-equity conversions based on closed bids under the fifth auction reduced debt outstanding by $130 million.

On the other hand, debt reduction under other schemes during the same period was achieved as follows: $112 million under debt-for-debt swaps; $92 million under peso prepayments; and $20 million under excluded investments. No debt-for-note swap transaction was recorded for the year. Likewise, no debt-for-asset swap transaction was closed during the period as the settlement of assets under the Asset Privatization Trust (APT) using debt papers was stopped pursuant to the provisions of RA No. 7181. Under this act, sales of APT assets should be settled in cash or Land Bank bonds.

# DOMESTIC SECTOR

## MONEY, CREDIT AND INTEREST RATES

### Reserve Money

RESERVE MONEY (RM) amounted to P146.2 billion as of end-December 1992, an expansion of P16.8 billion or 13.0 percent from last year's level (Table 9). During 1992, RM grew at an annual average rate of 14.0 percent, lower than the average growth of 25.2 percent registered in 1991.

On the asset side of the CB balance sheet, the increase in RM during the period was brought about by the P106.7 billion improvement in the Bank's net foreign asset (NFA) position which compensated for the P89.8 billion contraction in the net domestic assets (NDA).

During the year, the NFA position improved from negative P68.5 billion to positive P38.2 billion or by 155.7 percent. This was due to the following transactions:

- the $747.8 million expansion in gross international reserves owing to the substantial net purchases by the CB of the excess foreign exchange holdings of commercial banks;
- the drop in short-term foreign liabilities by P24.3 billion on account of loan repayments under the Trade Facility Agreement;
- the P71.4 billion decrease in medium- and long-term foreign liabilities due largely to the conversion of $1.8 billion in CB debt into NG bonds pursuant to the 1992 commercial bank debt financing package; and
- payments of IMF credits.

It may be mentioned that the CB debt conversion into NG bonds had no effect on RM as the resulting decline in foreign liabilities was corresponded by an equivalent increase in CB borrowings from the NG.

CB-NDA dropped by an aggregate of P89.8 billion during the year. Apart from the increase in payables to the NG arising from the debt conversion, the contraction in CB-NDA was traced to: the build-up in NG deposits with CB totalling P59.2 billion or by 78.5 percent; the increase in CB's open market operations (P41.2 billion) through borrowings under the reverse RP facility and issuance of CB bills to neutralize the liquidity effects of the Bank's net purchases of foreign exchange; and the decrease in rediscounting credits by P3.6 billion.

When viewed from the liability side of the CB balance sheet, the growth in RM came from increases in both currency issue (net of cash in Treasury vault) and reserve balances of deposit money banks by P7.7 billion and P9.1 billion, respectively.

### Domestic Liquidity

The annual growth in domestic liquidity (M3) averaged 12.6 percent in 1992, lower than the 1991 average of 16.3 percent. M3's ratio to Gross National Product (GNP), an indicator of financial deepening, expanded from 27.5 percent in 1991 to 28.1 percent in 1992 following the increase in M3 from P347.1 billion in 1991 to P385.4 billion at end-1992 (Table 10).

The increase in M3 was traced to the 13.0 percent expansion in reserve money as the year's money multiplier (2.636) was slightly lower than in 1991 (2.683).

Viewed from the asset side of the balance sheet of the monetary system, the growth in M3 arose from the improvement in net foreign asset position of the monetary system with the increase in net international reserves and the conversion of certain foreign obligations of CB into NG debt pursuant to the 1992 Commercial Bank Debt Financing Package. It may be

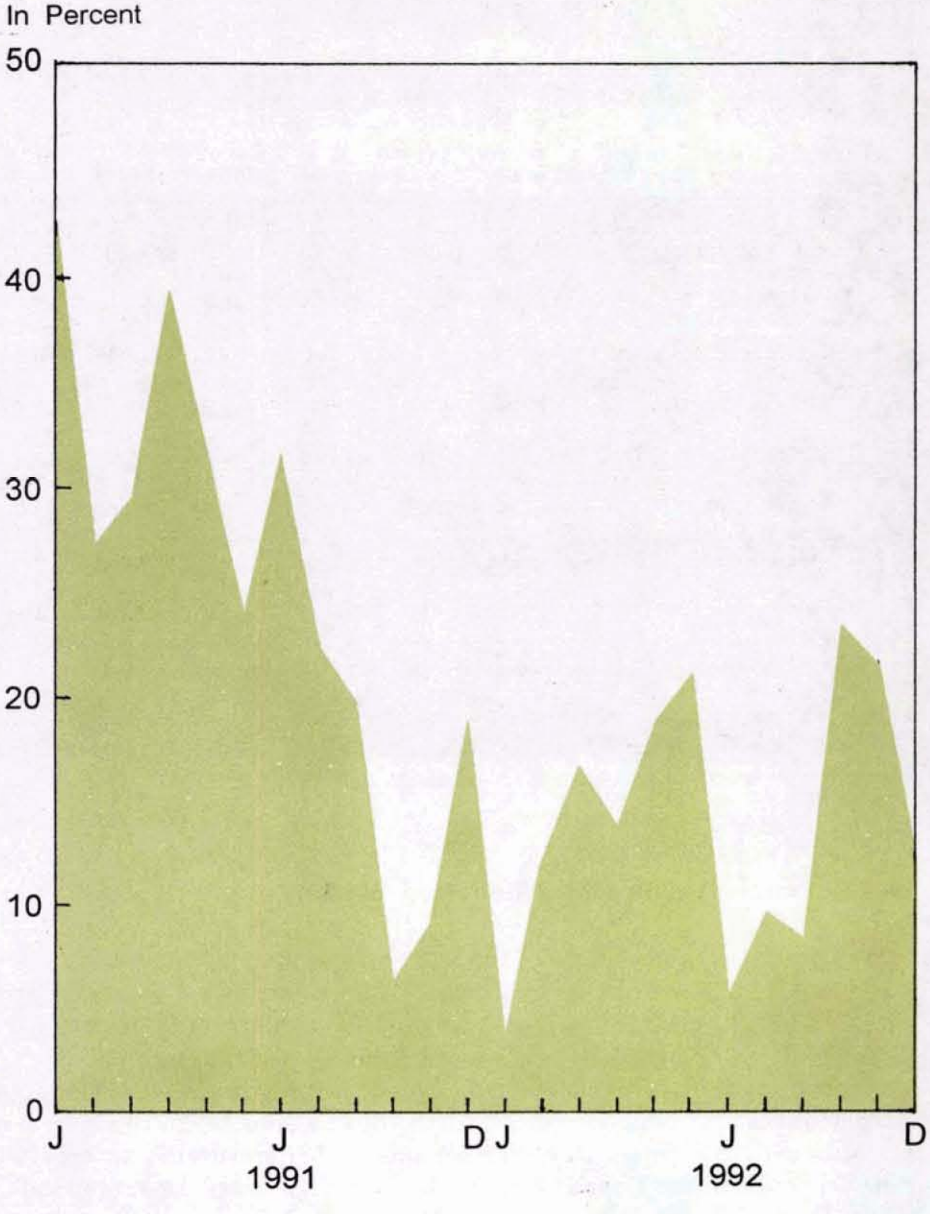
Table 9. **SOURCES OF RESERVE MONEY MOVEMENTS**
**As of End 1991-1992**
(In Million Pesos)

| Item | December 1992 | December 1991 | Percent Change |
|---|---|---|---|
| I. Reserve Money | 146,220 | 129,363 | 13.0 |
| 1.0 Currency Issued Net of Cash in Treasury Vault | 88,032 | 80,245 | 9.7 |
| 2.0 Bank Deposit Balances with the Central Bank | 58,188 | 49,118 | 18.5 |
| II. Net Foreign Assets - Monetary Authorities (MA) | 38,164 | -68,549 | 155.7 |
| 1.0 Net International Reserves - MA | 94,041 | 58,709 | 60.2 |
| 1.1 Gross International Reserves | 133,447 | 122,427 | 9.0 |
| 1.2 Less: Short-term Foreign Liabilities | 39,406 | 63,718 | -38.2 |
| 2.0 Less: Medium- and Long-Term Foreign Liabilities | 55,877 | 127,258 | -56.1 |
| III. Net Domestic Assets - MA | 108,056 | 197,912 | -45.4 |
| Of Which : | | | |
| 1.0 Net Credits to the National Government (MA) | -113,064 | -43,198 | 161.7 |
| of which : | | | |
| National Government Deposits | -134,499 | -75,334 | 78.5 |
| 2.0 Assistance to Financial Institutions | 13,862 | 14,201 | -2.4 |
| of which : | | | |
| Overdrafts | 13,862 | 12,739 | 8.8 |
| 3.0 Regular Rediscounting | 4,749 | 8,365 | -43.2 |
| 4.0 CB Bills/Reverse RPs | -90,777 | -49,543 | 83.2 |
| 5.0 Forward Cover Differential | 25,659 | 25,659 | 0.0 |
| Memo Items : | | | |
| Reserve -Eligible Government Securities | 4,500 | 4,500 | 0.0 |
| Base Money | 141,624 | 25,659 | 451.9 |

*Source* : Department of Economic Research - Domestic, Central Bank of the Philippines

mentioned that said debt conversion had no effect on liquidity as it was corresponded by an increase in CB borrowings from NG. The transaction contributed to the P35.1 billion decline in the NDA of the monetary system which amounted to P419.3 billion at year-end. Other contractionary factors on NDA were the build-up in NG deposits with CB and the increased issuance of CB bills for open market operations. On the other hand, credits to the private sector rose by P58.4 billion, a development which raised the ratio of private credits to GNP from 18.8 percent in 1991 to 21.6 percent in 1992.

Figure 6. **RESERVE MONEY**
**(Annual Growth Rate, Jan 1991 - Dec 1992)**




By component, the rise in M3 was reflected in the P27.1 billion increase in quasi-money (savings plus time deposits) which at end-December 1992 aggregated P269.8 billion or 70.0 percent of M3. Savings deposits grew by 16.5 percent while time deposits dropped by 6.7 percent. Preference for time deposits weakened due to the increase in rates offered on savings deposits and to the relatively higher yields on government issues during the period.

Money supply (currency in circulation and demand deposits) which accounted for 29.1 percent of M3 similarly expanded by P10.7 billion or 10.6 percent. Currency in circulation rose by 7.1 percent while demand deposits increased by 18.2 percent.

On the other hand, deposit substitutes which shared the remaining 0.9 percent of M3, rose by 16.2 percent to P3.5 billion.

Table 10. **DOMESTIC LIQUIDITY**
**As of End 1990-1992**
(In Million Pesos)

| Item | 1992 Level | 1992 Percent Share | 1991 Level | 1991 Percent Share | 1990 Level | 1990 Percent Share | Percent Change 1992-1991 | Percent Change 1991-1990 |
|---|---|---|---|---|---|---|---|---|
| Domestic Liquidity | 385,385 | 100.0 | 347,079 | 100.0 | 300,541 | 100.0 | 11.0 | 15.5 |
| Money Supply | 112,092 | 29.1 | 101,374 | 29.2 | 89,012 | 29.6 | 10.6 | 13.9 |
| Currency in Circulation | 74,298 | 19.3 | 69,394 | 20.0 | 61,921 | 20.6 | 7.1 | 12.1 |
| Demand Deposits | 37,794 | 9.8 | 31,980 | 9.2 | 27,091 | 9.0 | 18.2 | 18.0 |
| Quasi-Money | 269,781 | 70.0 | 242,683 | 69.9 | 208,295 | 69.3 | 11.2 | 16.5 |
| Savings deposits | 217,725 | 56.5 | 186,909 | 53.9 | 159,193 | 53.0 | 16.5 | 17.4 |
| Time Deposits | 52,056 | 13.5 | 55,774 | 16.1 | 49,102 | 22.1 | -6.7 | 13.6 |
| Deposit Substitutes | 3,512 | 0.9 | 3,022 | 0.9 | 3,234 | 1.1 | 16.2 | -6.6 |

*Source:* Department of Economic Research - Domestic, Central Bank of the Philippines

## Net Domestic Assets of the Monetary System

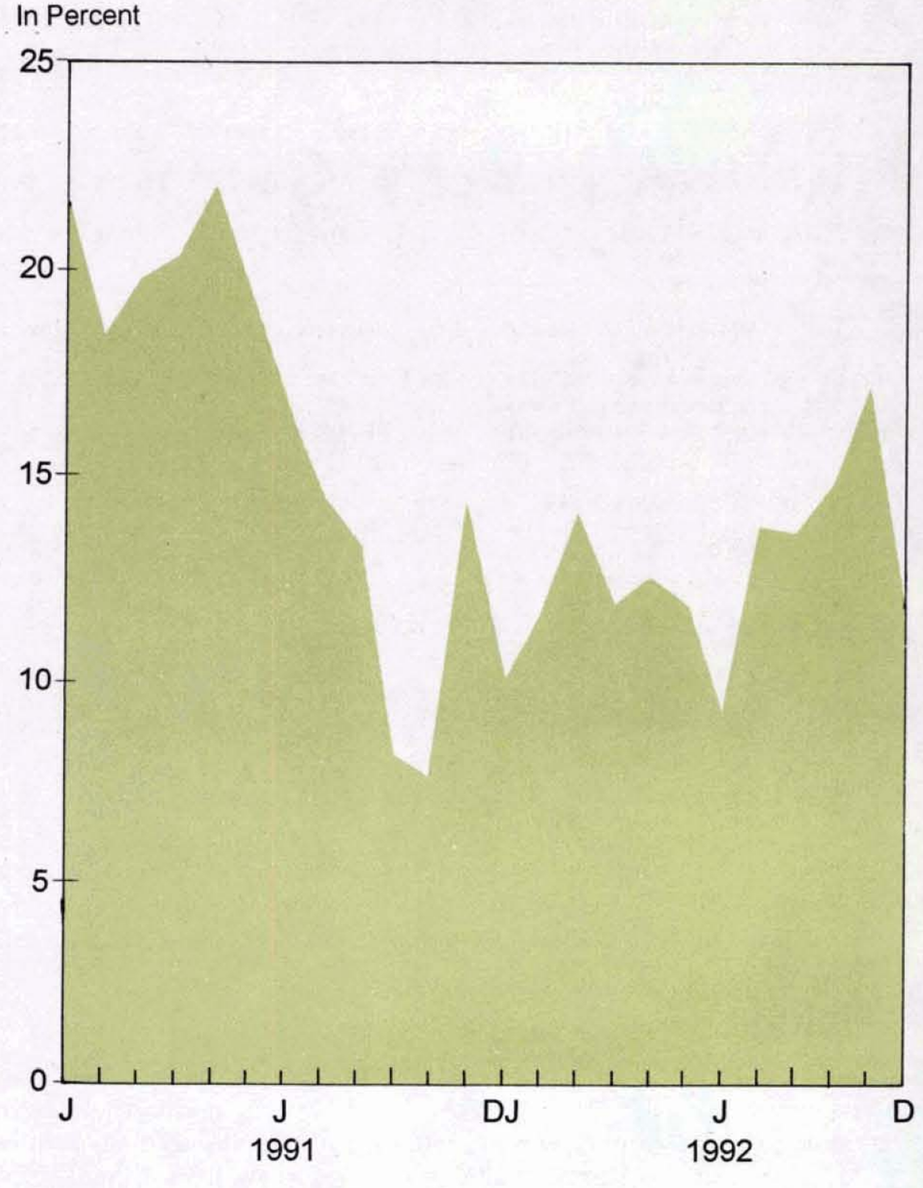
Net domestic assets (NDA) of the monetary system continued to trace a downtrend and stood at P419.3 billion at end-1992 despite higher net domestic credits during the year (Table 11). The P35.1 billion (7.7 percent) drop in NDA in 1992 could be primarily attributed to the significant decline in other assets (net) of the monetary system.

Accounting for 65.7 percent of NDA, net domestic credits of the monetary system grew by 2.3 percent or P6.3 billion to reach P275.3 billion at end-1992. The increment in net domestic credits emanated solely from deposit money banks (DMBs) as credits of the monetary authorities declined. Deposit money banks' credits, which amounted to P372.1 billion, went up by P73.6 billion (24.7 percent) and were mainly in the form of loans and advances extended mostly to the manufacturing, agriculture, trade and services sectors. Further contributing to the expansion in net domestic credits was the increase in DMBs' investments in domestic securities of P28.2 billion or 41.5 percent during the review period.

By end-user, NDA's expansion resulted from the increase in private sector availments of P58.4 billion or 24.6 percent as public sector credits markedly declined by 164.3 percent.

Meanwhile, net other assets, which comprised the remaining 34.3 percent of the monetary system's net domestic assets, dropped by 22.3 percent to P144.0 billion by end-1992. Two major developments which exerted contractionary effects on other assets (net) were the increased flotation of CB bills for open market operations amounting to P37.3 billion and the drop in the revaluation account by P4.1 billion resulting from the appreciation of the peso vis-a-vis the US dollar and other foreign currencies.

Figure 7. **DOMESTIC LIQUIDITY**
**(Annual Growth Rate, Jan 1991-Dec 1992)**




**Reserve Position of Commercial Banks**

The overall reserve position of commercial banks posted a slight average deficiency of P0.1 billion in 1992, an improvement of P0.1 billion when compared with the average deficiency of P0.2 billion in 1991 (Table 12). Expressed as a ratio of reservable deposit liabilities, required reserves and available reserves averaged 24.3 percent and 24.2 percent, respectively, or a reserve deficiency ratio of 0.04 percent. In 1991, the corresponding reserve deficiency ratio was 0.06 percent.

During the first half of the year, the monthly average available reserves generally exceeded required reserves. However, commercial banks steadily posted reserve deficien-

Table 11. **NET DOMESTIC ASSETS OF THE MONETARY SYSTEM**[1]
**As of End 1991-1992**
(In Million Pesos)

| Item | 1992 | 1991 | 1990 | Percent Change 1992 | 1991 |
|---|---|---|---|---|---|
| Net Domestic Assets | 419,319 | 454,462 | 474,495 | -7.7 | -4.2 |
| I. Net Domestic Credits | 275,311 | 269,049 | 267,510 | 2.3 | 0.6 |
| A. By Source | | | | | |
| 1. Monetary Authorities | -96,803 | -29,413 | -12,555 | 229.1 | -134.3 |
| Loans and Advances | 50,299 | 47,733 | 52,878 | 5.4 | -9.7 |
| Domestic Securities | 29,754 | -1,812 | 1,822 | 1,742.1 | -199.5 |
| Foreign Exchange Receivable | 6,887 | - | - | | |
| Less: Government Deposits | 137,810 | 75,334 | 67,255 | 82.9 | 12.0 |
| Less: Foreign Loans Payable | 45,933 | - | - | | |
| 2. Deposit Money Banks | 372,114 | 298,462 | 280,065 | 24.7 | 6.6 |
| Loans and Advances | 296,557 | 242,973 | 226,211 | 22.1 | 7.4 |
| Domestic Securities | 96,110 | 67,935 | 63,995 | 41.5 | 6.2 |
| Less : Government Deposits | 20,553 | 12,446 | 10,141 | 65.1 | 22.7 |
| B. By End-User | | | | | |
| 1. Public | -20,388 | 31,709 | 47,356 | -164.3 | -33.0 |
| 2. Private | 295,699 | 237,340 | 220,154 | 24.6 | 7.8 |
| II. Net Other Items | 144,008 | 185,413 | 206,985 | -22.3 | -10.4 |
| Of which: Revaluation | 163,234 | 167,305 | 170,406 | -2.4 | -1.8 |
| CB Bills | -64,052 | -26,780 | -1,869 | 139.2 | 1,332.9 |

[1] Data reflect the expanded coverage of Deposit Money Banks and other changes in the classification of accounts.

*Source:* Department of Economic Research-Domestic, Central Bank of the Philippines

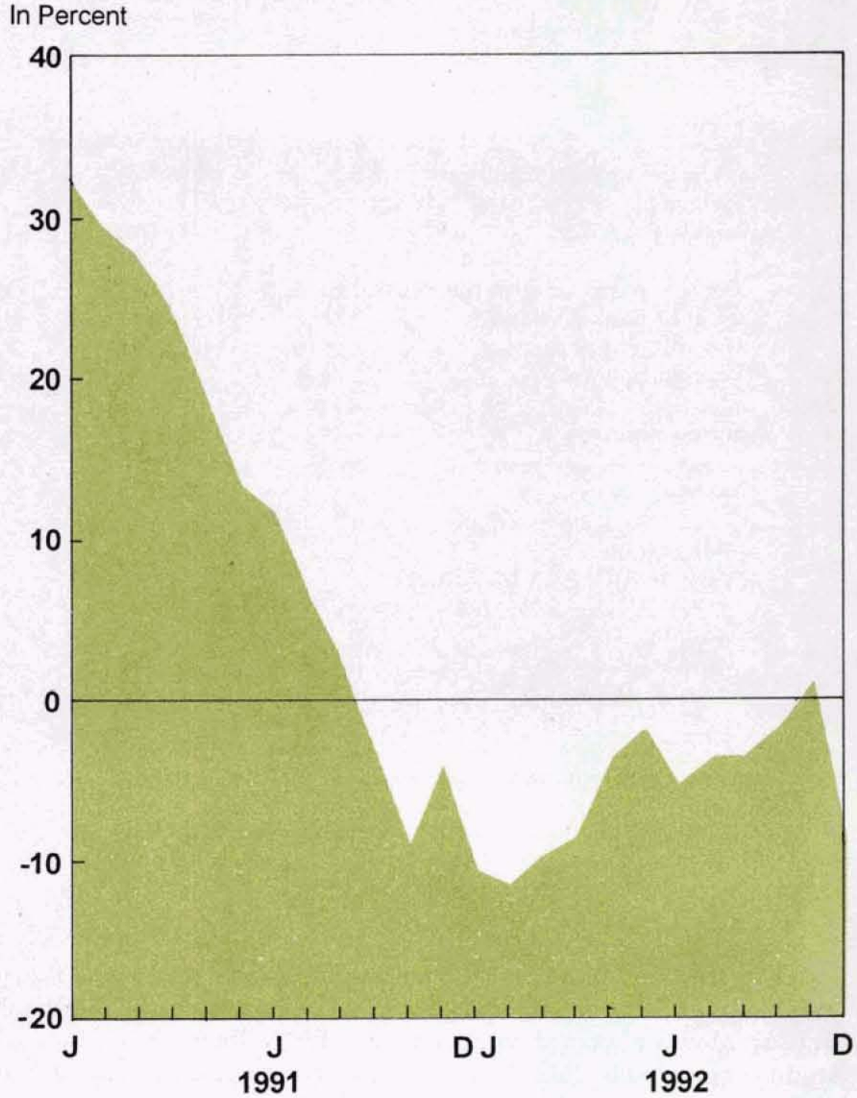
cies starting August up to year-end following an increase in their lending activities.

The composition of banks' available reserves showed that banks continued to prefer holding reserves in the form of deposits with CB. Of the P71.6 billion average available reserves of commercial banks in 1992, deposit balances with CB accounted for 80.8 percent; cash in banks' vault, 13.4 percent; reserve eligible government securities, 5.7 percent; and foreign balances, 0.1 percent.

### Outstanding Loans/Credits

*Central Bank.* The outstanding credit portfolio of the CB as of end-1992 amounted to P111.2 billion, 42.7 percent or 33.3 billion more than that recorded in the same period of the previous year (Table A-06). The increase in outstanding CB credits resulted from the rise in its holdings of government securities, particularly Treasury bills and Treasury notes.

Figure 8. **NET DOMESTIC ASSETS (Annual Growth Rate, Jan 1991 - Dec 1992)**




Accounting for 41.0 percent of aggregate CB credits, total outstanding government securities in the CB portfolio reached the level of P45.5 billion at year-end.

Outstanding CB loans and advances, which accounted for 59.0 percent of CB's credit portfolio, dropped by 6.1 percent to P65.6 billion following repayments by banks of their borrowings under the Consolidated Foreign Borrowings Program (CFBP), the rediscount and repurchase windows, and their availments under various debt restructuring schemes. On the other hand, CB's non-interest bearing loans to the NG for subscription payments to the International Monetary Fund IMF rose by P6.8 billion during the year.

Around 75 percent or P83.2 billion of total CB credits outstanding as of end-1992 went to the NG. Government financial institutions and other government entities shared an aggregate P3.9 billion or 3.5 percent of the total while the private sector accounted for the remaining 21.7 percent or P24.2 billion which were largely in the form of overdrafts and rediscounts.

Table 12. **AVERAGE RESERVE POSITION OF COMMERCIAL BANKS 1991-1992**
(In Million Pesos)

| Item | 1992 | 1991 | Percent Change |
|---|---|---|---|
| Total Reservable Deposits[1] | 295,620.3 | 265,417.4 | 11.4 |
| Available Reserves | 71,650.6 | 64,167.4 | 11.7 |
| Deposit Balances with the Central Bank | 57,867.1 | 50,908.8 | 13.7 |
| Cash in Banks' Vaults | 9,611.0 | 8,916.5 | 7.8 |
| Government Securities | 4,133.0 | 4,309.7 | -4.1 |
| Foreign Balances | 39.5 | 32.4 | 21.9 |
| Required Reserves | 71,780.9 | 64,336.1 | 11.6 |
| Excess/(-)Deficiency | -130.3 | -1,687 | 22.8 |
| Liquidity Ratio (In Percent of Deposit Liabilities) | | | |
| Available Reserves | 24.24 | 24.18 | |
| Required Reserves | 24.28 | 24.24 | |
| Excess/(-)Deficiency | -0.04 | -0.06 | |

[1]Consisting of deposits and deposit substitutes

*Source:* Department of Economic Research-Domestic, Central Bank of the Philippines

As in the preceding period, short-term credits comprised the bulk or 53.2 percent of outstanding CB credits and totalled P56.9 billion, up by P3.1 billion from the level recorded in 1991. Medium-term credits declined by P0.8 billion to P16.8 billion in 1992 while long-term credits expanded by P6.8 billion to P14.9 billion or 13.9 percent of the portfolio.

*Commercial Banks.* As of end-September 1992, total outstanding loans of commercial banks (KBs) amounted to P236.1 billion posting an increase of 15.7 percent from end-September 1991 (Table A-09). The expansion in commercial bank loans reflected the uptrend in credit demand principally to finance investment expenditures.

Loans to the manufacturing sector which accounted for the bulk of 38.3 percent of total loans outstanding rose by P4.3 billion to reach P90.5 billion at end-September 1992. Loans to wholesale and retail trade which comprised 20.0 percent of KBs' loan portfolio likewise grew by P27.6 percent to P47.3 billion; agriculture, fishery, and forestry which shared 9.8 percent of the total rose by 29.2 percent to P23.2 billion; while financing, insurance, and business services which accounted for 9.3 percent of bank credits grew by 42.5 percent to P21.9 billion. All other sectors, except mining and quarrying, similarly experienced increased loan availments.

On a regional basis, loans to the National Capital Region continued to share the bulk or 80.9 percent of total loans outstanding and registered a growth of 14.7 percent over the level of the comparable month a year ago to reach P190.9 billion. Notable increases in loans were likewise observed in other regions except Central Luzon (Table A-10).

*Thrift Banks.* At end-November 1992, the total loans outstanding of thrift banks (savings banks, private development banks, and stock savings and loan associations) stood at P31.9 billion, P5.3 billion or 20 percent higher than the previous year's level. Loans to agriculture, commerce, industry, real estate, and consumption increased while those to other sectors contracted. Real estate loans accounted for 27.3 percent of the total loans outstanding; commercial loans, 18.9 percent; consumption loans, 15.8 percent; industrial loans, 10.6 percent; agricultural loans, 7.2 percent; and other loans, 20.3 percent (Table A-11).

Savings banks accounted for the bulk of total loans outstanding of thrift banks with a share of 61.7 percent, followed by private development banks (23.8 percent), and stock savings and loan associations (14.5 percent).

By region, the biggest percentage of loans outstanding of savings banks and private development banks went to the National Capital Region.

*Specialized Government Banks.* As of end-June 1992, the total outstanding loans of specialized government banks stood at P19.0 billion, an increase of 58.4 percent from the end-June 1991 level. Industrial loans accounted for an aggregate share of 67.8 percent followed by agricultural loans (10.5 percent), real estate loans (9.0 percent), and all other loans (12.7 percent) (Table A-14).

*Rural Banks.* As of end-September 1992, total loans outstanding of rural banks expanded by 18.1 percent to P12.3 billion from the comparable period last year. Of this total, 61.6 percent was channeled to the agricultural sector in line with the rural banks' thrust of providing credits to rural communities where agriculture is a principal line of activity. This was followed by loans to the commercial, industrial, and other loans which accounted for much smaller shares of 13.4 percent, 4.1 percent, and 20.9 percent, respectively (Table A-15).

## Domestic Interest Rates

Average nominal interest rates on borrowing and lending instruments of banks in 1992 generally dropped from the previous year's levels reflecting the slowdown in the domestic inflation rate, the stability in the foreign exchange market and the reduction in foreign interest rates. In real terms, all instruments yielded positive and higher returns than their comparable levels in 1991.

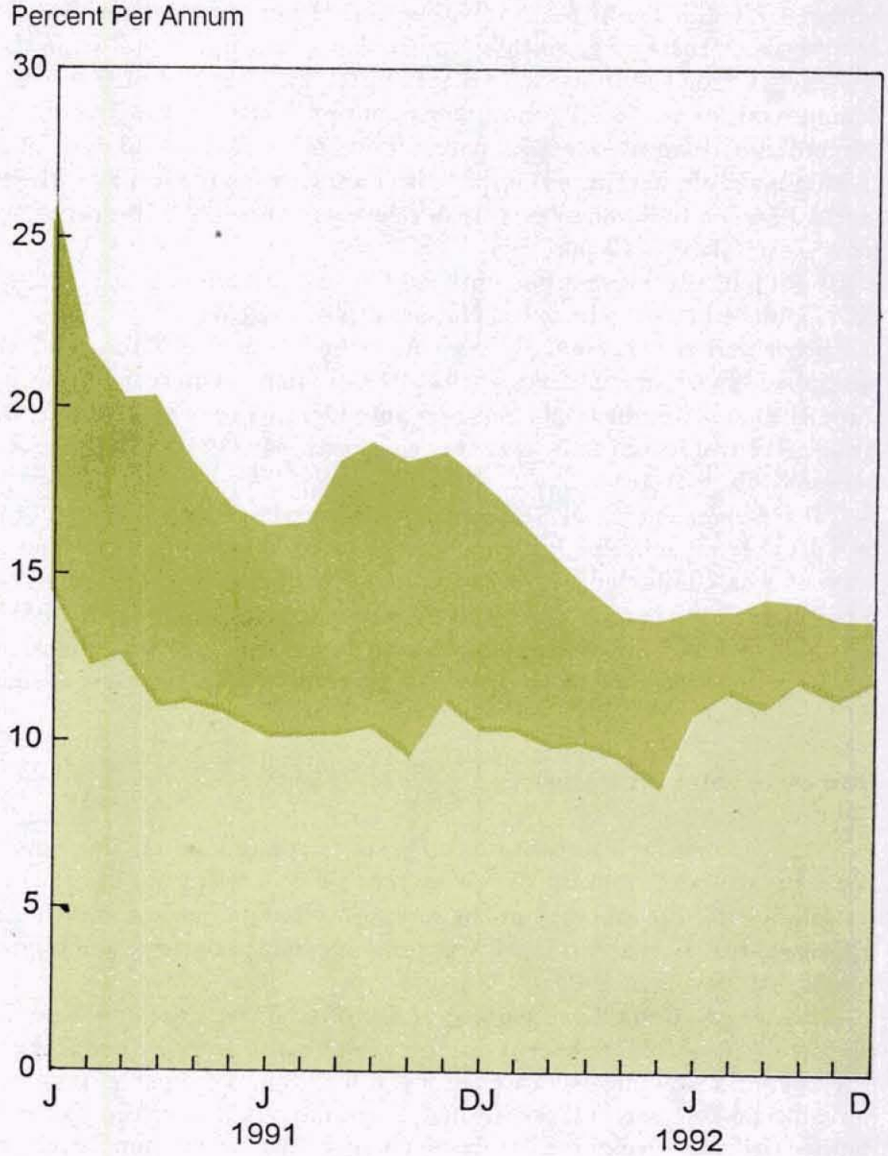
*Commercial Bank Borrowing and Lending Rates.* Nominal interest rates on banks' borrowing instruments except on interbank call loans declined from last year's averages. Savings and time deposit rates dropped by 1.3 and 4.5 percentage points to average 9.4 percent and 14.1 percent, respectively. Similarly, the new Manila Reference Rates (MRRs), defined as the weighted average rates on the combined transactions in short-term promissory notes and time deposits of sample banks, declined by an average of 4.0 percentage points each to reach 15.0 percent for the 60-day maturities and 14.2 percent for both the 90-day and 180-day maturities. Across all maturities, new MRRs averaged 14.8 percent, 3.0 percentage points lower than the previous year's 17.8 percent (Table A-16).

In contrast, the average nominal interbank call loan rate rose by 1.0 percentage point from last year to 16.7 percent.

Following the general downtrend in banks' borrowing rates, nominal interest rates on secured loans for all maturities averaged 18.3 percent, 4.1 percentage points lower than the previous year.

*Rates on Central Bank Bills/Treasury Bills.* During the year in review, the average nominal yield on CB bills for all maturities dropped to 14.8 percent or by 5.5 percentage points from last year. Likewise, Treasury bill rates dropped to an average of 17.0 percent for all maturities or by 5.5 percentage points. Across maturities, Treasury bill rates

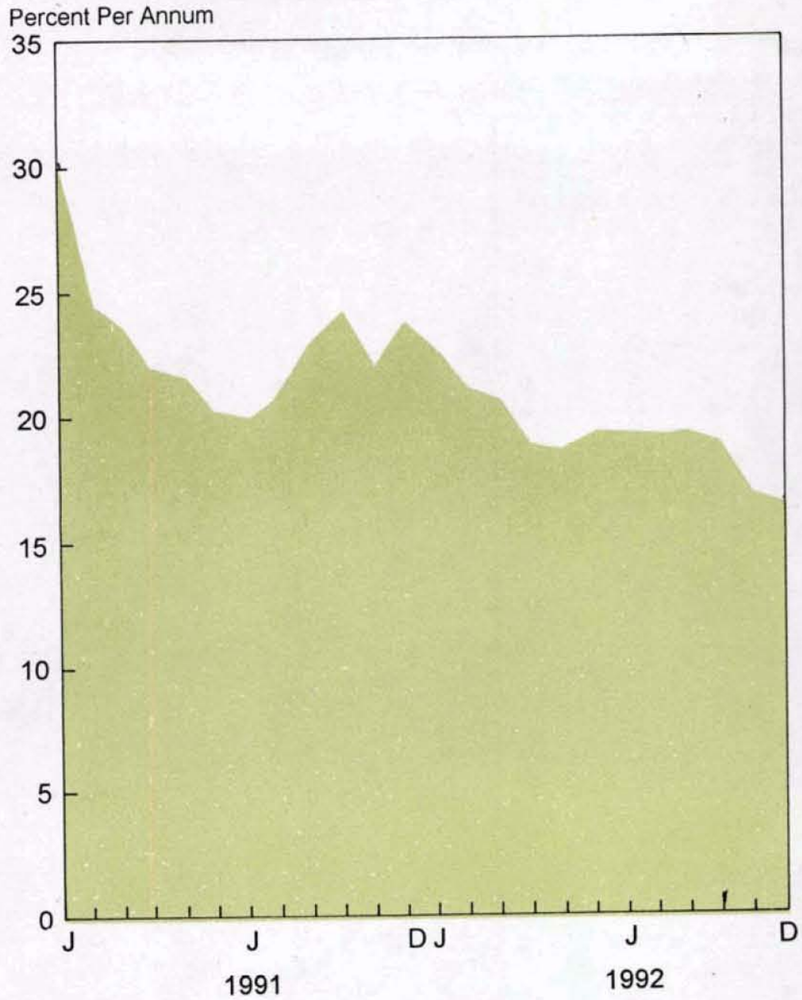
Figure 9. BORROWING RATES OF COMMERCIAL BANKS
January 1991 - December 1992




significantly declined from 1991: 91-day bills by 5.2 percentage points, 182-day bills by 5.5 percentage points, and 364-day bills by 5.9 percentage points to average 16.1 percent, 17.0 percent and 18.0 percent, respectively.

*Central Bank Lending Rates.* Following market rate movements, interest rates on most CB facilities declined. Average nominal interest rate on reverse repurchase agreements and overdrafts at 11.0 percent and 22.3 percent dropped from last year's averages by 2.7 percentage points and 0.1 percentage point, respectively. Similarly, nominal interest rates on emergency loans and advances averaged 18.6 percent, down by 5.4 percentage points on account of the drop in its base rate, the 91-day Treasury bill rate. On the other hand, the average interest rates on repurchase agreements and rediscounts rose by 7.3 and 1.2 percentage points to 19.2 percent and 15.2 percent, respectively.

Figure 10. **LENDING RATES (All Maturities)**
**January 1991 - December 1992**



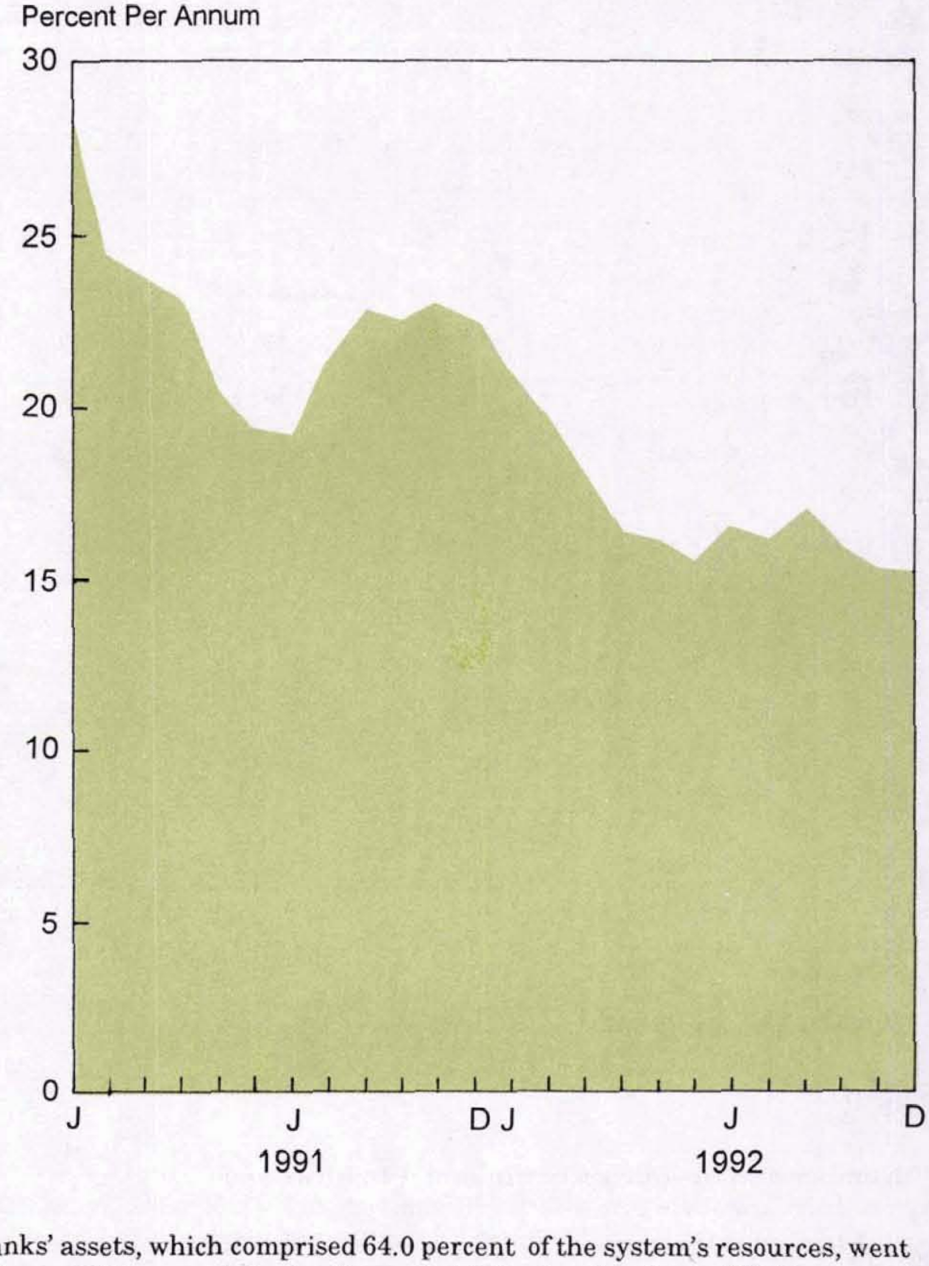

**FINANCIAL SYSTEM**

**Number and Resources of Financial Institutions**

A total of 260 head offices and 659 branches of financial institutions were opened during the period December 1991 to December 1992, as the liberalization policy on the establishment of new banks and branches continued. This raised the number of financial institutions to 8,780 units at end-December 1992. Of this total, 48.9 percent or 4,296 units were banks, mostly commercial banks and rural banks, while 51.1 percent or 4,484 units were non-banks (Table A-19).

As of November 30, 1992, the total resources of the financial system amounted to P1,033.0 billion, marking a 17.8 percent increment over the recorded level last year (Table 13). All categories of financial institutions posted resource increases with commercial banks accounting for the bulk or 66.5 percent of the total expansion, followed by thrift banks which contributed 8.5 percent.

Figure 11. **RATES ON TREASURY BILLS (All Maturities)**
**January 1991 - December 1992**




Commercial banks' assets, which comprised 64.0 percent of the system's resources, went up by P103.8 billion or 18.6 percent during the period following the rise in KBs' loans and discounts, investments and other assets. Resources of non-banks consisting of 24.7 percent of total resources expanded by P22.7 billion or 9.8 percent as a result of the expansion in credits and in other assets. The aggregate assets of specialized government banks likewise rose by P13.7 billion or 51.6 percent due to the rise in their lending activities.

Similarly, the consolidated resources of thrift banks expanded following the 43.5 percent build-up in the asset base of private development banks, coupled with the respective resource increments posted by savings banks (25.2 percent) and stock savings

Table 13. **TOTAL RESOURCES OF THE PHILIPPINE FINANCIAL SYSTEM**[1]
**As of End-November 1991-1992**
(In Million Pesos)

| Institution | 1992 | 1991 | Percent Change |
|---|---|---|---|
| **Total** | **1,033,007.9** | **876,939.5** | **17.8** |
| Commercial Banks[2] | 660,880.0 | 557,077.0 | 18.6 |
| Thrift Banks | 57,989.2 | 44,785.8 | 29.5 |
| Savings Banks | 34,686.6 | 27,699.3 | 25.2 |
| Private Development Banks | 17,041.2 | 11,878.3 | 43.5 |
| Stock Savings & Loan Associations | 6,261.4 | 5,208.2 | 20.2 |
| Specialized Government Banks | 40,147.3 | 26,482.7 | 51.6 |
| Rural Banks | 18,641.3 | 15,936.0 | 17.0 |
| Non-Bank Financial Institutions | 255,350.1 | 232,658.0 | 9.8 |

[1] Excluding Central Bank
[2] Data reflect the expanded coverage of commercial banks to include Land Bank of the Philippines.

*Sources:* Department of Economic Research-Domestic and Supervisory Reports and Corporate Analysis Department, Central Bank of the Philippines

and loan associations (20.2 percent), all of which were ascribed to increases in loans and discounts, and investments.

All groups of financial institutions registered higher net worths during the period following the increased capitalization requirements of the CB. Starting June 1992, the new minimum capital requirements for banks are as follows: expanded commercial banks, P1.5 billion; commercial banks, P750 million; new rural banks located in the National Capital Region (NCR), P20 million; and newly-established rural banks in the cities of Cebu and Davao, P10 million. Of the total capital required of new rural banks, at least 2 million should be private paid-in capital, and P1.0 million for existing rural banks. Similarly, new local cooperative banks are to abide by the P1.25 million minimum paid-in capital required by the CB.

The capitalization requirements of thrift banks applying for authority to accept demand deposits have been raised effective July 14, 1992, to P100 million for those located in Metro Manila, Cebu City and Davao City; P50 million for thrift banks in other cities and those in first to third class municipalities; and P25 million for those in all other areas. Thrift banks located in Metro Manila, Cebu and Davao cities with paid-in capital of less than P100 million, P50 million and P25 million which have been authorized earlier to accept demand deposits shall be required to build up their paid-in capital to P100 million, P50 million and P20 million over a period of one year.

In similar manner, all existing and newly-established investment houses are to comply with the new capitalization requirements of P50 million and P100 million, respectively.

A faster growth in bank deposit liabilities, particularly savings deposits was noted during the period. The increased preference for savings deposits was largely stimulated by the upswing in savings deposit rates and the rise in real interest rates brought about by the decline in inflation rates.

On the asset side of the aggregated balance sheet, gross domestic credits of financial institutions expanded by 28.4 percent. Contributing to this expansion were the increases in loans and investments of commercial banks (28.4 percent), specialized government banks (49.9 percent), deposit money banks (15.6 percent) and thrift banks (20.7 percent). Total credits of non-banks also expanded by 10.3 percent.

**Deposit Liabilities of the Banking System**

At P475.8 billion at end-November 1992, the total deposit liabilities of the banking system grew by P94.3 billion or 24.7 percent over the previous year's level (Table A-20). The deposits held by all types of banking institutions expanded.

Deposits in KBs which shared 87.1 percent of the banking system's aggregate deposit liabilities grew by 24.4 percent. Savings deposits which accounted for 60.0 percent of total deposit liabilities of KBs posted the highest increase of 32.1 percent, spurred by the rise in savings deposit rates. During the period, demand deposits and time deposits of KBs likewise expanded by 21.3 percent and 12.0 percent, respectively, to account for 10.5 percent and 29.4 percent of the total.

The deposit liabilities of specialized government banks rose sharply by 58.2 percent largely on account of the increases in time and demand deposits, even as savings deposits declined by P527.5 million or 15.0 percent.

At P37.9 billion, the consolidated deposits of thrift banks were P6.7 billion or 21.3 percent higher than the recorded level a year ago. All types of thrift banks registered annual increments in their deposit liabilities with private development banks exhibiting the fastest rate of growth of 23.4 percent. Meanwhile, outstanding deposits of rural banks, which accounted for only 2.1 percent of the total deposit liabilities of the banking system grew by 18.0 percent.

By type of deposit liability, savings deposits posted the highest increment of P64.9 billion or 29.9 percent during the period following the improvement in the savings deposit rate and the increase in automated teller machine accounts in off-site and on-site areas. Demand deposits and time deposits registered increments of 21.9 percent and 16.7 percent, respectively.

### Foreign Currency Deposit System

The Foreign Currency Deposit System, composed of 32 commercial banks and 14 thrift banks, posted a 28.1 percent increase in resources from end-1991 to $5,780 million as of end-1992 (Table A-21). The growth in resources was due to the expansion in the system's deposit liabilities to $4,372 million following the deregulation of foreign exchange transactions including the acceptance of foreign currency deposits from any source.

Of the total deposit liabilities of $4,372 million as of year-end, time deposits comprised 63 percent; savings deposits, 34 percent; and demand deposits, 3 percent. Combined deposit liabilities rose by 38.4 percent resulting in reduced interbank borrowings and borrowings from non-bank sectors (bills payable) by 45.2 percent to $313 million.

The total loan portfolio of the Foreign Currency Deposit Units (FCDUs) rose by 129.0 percent from the 1991 level to $1,697 million, allocated as credits to resident public and private sector borrowers.

Although the total resources of FCDUs already surpassed the recorded figure ten years ago, the system's total revenues declined by 26.5 percent to $280 million from last year's earnings principally due to the drop in international interest rates on offshore deposit placements. Total expenses likewise dropped by 32.6 percent to $213 million as interest payments similarly declined and as foreign exchange losses were minimized. For the year 1992, a net income (after tax) of $66 million was registered slightly higher by 1.5 percent than last year's profit.

### Offshore Banking System

As of end-December 1992, the total resources of the Offshore Banking Units (OBUs) stood at $2,047 million, up by 4.8 percent from the previous year (Table A-22). Loans and discounts to the non-bank sector increased by 8.5 percent to $839 million, allocated mainly to non-bank resident borrowers in the mining and agricultural industries. Similarly, the other asset accounts of the OBUs reflected a substantial increase of about five times the 1991 level to $280 million brought about by a hike in investments in bonds and other debt instruments.

Funds supplied by head offices/branches abroad continued to be the main source of funds of OBUs although the amount declined by 6.3 percent to $1,351 million. Deposits/placements of local banks increased from $384 million in 1991 to $537 million in 1992 while deposits from non-bank non-residents declined by 18.0 percent to settle at $67 million.

Notwithstanding the implementation of the initial phase of the country's foreign exchange liberalization program, gross revenues of the OBUs declined by 29.7 percent to $149 million in 1992 due to the reduction in the number of OBUs from 19 to 17. Operational expenses likewise dropped to $119 million in 1992 from $174 million in 1991. Nonetheless, net earnings fell by 18.9 percent to $30 million.

## MONEY AND CAPITAL MARKETS

### Money Market

Total volume of money market transactions in 1992 stood at P2,077.9 billion, higher by P423.8 billion or 25.6 percent from that of the previous year (Table 14). The growth in money market transactions this year, however, was lower than the 28.8 percent increment obtained in the previous year reflective of the general slowdown in market activity.

The trading of Treasury bills in the secondary market and interbank call loans constituted the bulk of money market transactions, accounting for a combined share of 83.8 percent of the total volume. In particular, the volume of Treasury bills transacted in the secondary market reached an aggregate of P851.8 billion while interbank call loans totalled P888.7 billion, representing annual increases of 56.5 and 4.5 percent, respectively. Repurchase agreements on private securities likewise grew by about 80 percent to post an aggregate of P18.9 billion in volume turnover. In the commercial paper (non-financial) market, the volume of transactions almost doubled its 1991 aggregate to reach P69.3 billion while trading of other government securities increased by 54.2 percent to reach P168.6 billion. Conversely, transactions involving repurchase agreements with government securities as collateral as well as those involving promissory notes respectively dropped by 80.2 and 6.5 percent.

Following the general downturn in market rates, the weighted average interest rate (WAIR) of all money market instruments dropped 1.9 percentage points from its year ago average to 15.7 percent. Nominal yield on Treasury issues in the secondary market averaged 15.4 percent, 4.7 percentage points lower than its average last year. Similarly posting substantial declines in yields were repurchase agreements (private), promissory notes, commercial papers (non-financial) and other government securities. In contrast, the WAIRs on interbank call loans and repurchase agreements (government) registered increases during the year.

Table 14. **MONEY MARKET TRANSACTIONS BY INSTRUMENT 1991-1992**
(Volume in Million Pesos/WAIR in Percent Per Annum)

| Item | 1992 Volume | 1992 WAIR | 1991r/ Volume | 1991r/ WAIR | Percent Change (Volume) |
|---|---|---|---|---|---|
| **Total** | **2,077,868** | **15.704** | **1,654,077** | **17.605** | **25.6** |
| Interbank Call Loans | 888,683 | 16.604 | 850,519 | 16.104 | 4.5 |
| Promissory Notes[1] | 75,867 | 14.698 | 81,123 | 19.557 | -6.5 |
| Repurchase Agreements (Private)[1] | 18,878 | 13.361 | 10,476 | 19.739 | 80.2 |
| Repurchase Agreements (Government)[1] | 4,467 | 15.229 | 22,508 | 8.685 | -80.2 |
| Certificate of Assignment (Private)[1] | 199 | 17.312 | - | - | - |
| Commercial Paper (Non-Financial) | 69,258 | 15.567 | 35,829 | 19.468 | 93.3 |
| Commercial Paper (Financial) | 19 | 15.835 | - | - | - |
| Treasury Bills | 851,847 | 15.421 | 544,262 | 20.130 | 56.5 |
| DBP Bonds | - | - | - | - | - |
| Other Government Securities | 168,650 | 13.172 | 109,360 | 16.278 | 54.2 |

[1]Including those with tax

*Source:* Department of Economic Research-Domestic, Central Bank of the Philippines

**Capital Investments**

Capital investments of newly-registered business organizations aggregated P12.1 billion for the period January to September 1992, an increase of 20 percent from the comparable period last year (Table A-23). The growth in investments may be traced to the improvement in the macroeconomic environment as indicated by the peaceful conduct of the elections, significant declines in interest rates, the moderation in inflation rate, and the appreciation of the peso which reduced speculation in the foreign exchange market.

Of the 45,536 newly-registered firms, corporations accounted for 15.5 percent while partnerships and single proprietorships comprised 84.5 percent. Corporations contributed 47.3 percent of the aggregate capital investments, while partnerships and single proprietorships accounted for 52.7 percent. Investments for each type of business organization registered annual increases: corporations by 12.6 percent; partnerships, 16.3 percent; and single proprietorships, 28.5 percent.

Filipinos remained the top investors, pouring in P10.5 billion or 86.7 percent of the total. The remaining 13.3 percent of investments came from non-residents, mainly from Americans, Chinese and Japanese.

By region, 70.5 percent of total capital investments were channelled to the National Capital Region, followed by Bicol Region (13.1 percent) and Central Luzon (3.5 percent).

Classified by industry, capital investments of newly-registered firms were mostly channelled to wholesale and retail trade (26.8 percent); and finance, insurance, real estate and business services (25.1 percent). In terms of growth, the highest increment was registered in the electricity, gas and water sector (269.2 percent), followed by the transportation, storage and communication sector (63.7 percent).

**Stock Market**

The peaceful transition of Government combined with other factors such as low interest rates on various financial instruments, the lower inflation rate and the appreciation of the peso, buoyed the market and triggered a buying spree during the first semester. Market activity, however, slowed down towards the end of the year due to the power shortages and bulletins on kidnappings. Nonetheless, trading at the stock market was generally bullish for the year 1992. The combined volume and value of transactions at the Manila and Makati Stock Exchanges increased by 192 percent and 176 percent to 816.1 billion shares valued at P108.9 billion from last year's 279.6 billion shares valued at P39.4 billion (Table A-24).

Despite the brownouts, commercial and industrial issues traded increased by 55 percent to 8.7 billion shares valued at P86 billion or a 167.5 percent increase from last year's transaction value. Said issues comprised 1 percent of total volume traded and 79 percent of the total value of transactions.

Mining issues traded, which took up 12 percent of the total volume, grew by 133.6 percent to 100 billion shares. Total value at P3.1 billion grew by 139.9 percent. Mining companies maintained a good performance despite generally depressed world prices of metals. Only world copper prices inched up towards the end of the year.

Oil issues accounted for 87 percent and 18 percent of the aggregate volume and value turnovers and posted the highest increments in both volume and value on account of the promising outcome of oil drillings in Palawan. Volume traded amounted to 707.4 billion shares while total value amounted to P19.9 billion, registering increases of 206 percent and 232.5 percent, respectively.

## PUBLIC FINANCE

### Cash Operations of the National Government

Preliminary data on the cash operations of the NG in 1992 showed a deficit of P16.0 billion, lower by P10.3 billion or 39.4 percent than the previous year's deficit of P26.3 billion (Table 15). The deficit however, exceeded the full year program for 1992 by P7.0 billion.

Total revenues during the year amounted to 242.7 billion, higher by 9.9 percent or P21.9 billion than the previous year's collections. The growth in total revenues was accounted for solely by the P26.4 billion increase in tax revenues to P208.6 billion, which more than made up for the decline of P4.4 billion or 11.6 percent in non-tax revenues to P34.1 billion.

Meanwhile, total expenditures amounted to P258.7 billion, an expansion of 4.7 percent or P11.6 billion from the previous year's level of P247.1 billion. The combined growth in the NG's allotment to local government units (LGUs), tax expenditures and interest payments, which more than offset the drop in net lending, equity and subsidy to government corporations accounted for the increase in total expenditures during the year.

The bulk or 90.0 percent of the deficit was financed from external borrowings, and the balance from domestic borrowings, primarily through the sale of Treasury bills.

**Table 15. NATIONAL GOVERNMENT CASH OPERATIONS**
**1991-1992**
(Million Pesos)

| Item | 1992 | 1991 |
|---|---|---|
| I. Revenues | 242,714 | 220,787 |
| Tax Revenues | 208,650 | 182,275 |
| Non-Tax Revenues | 34,064 | 38,512 |
| II. Expenditures<br>of which: | 258,680 | 247,136 |
| Interest Payments | 79,550 | 74,922 |
| Equity and Net Lending | -6,940 | 5,965 |
| III. Surplus/(Deficit) | -15,966 | -26,349 |
| IV. Financing | 15,966 | 26,349 |
| Net External Borrowing | 14,387 | 6,880 |
| Net Domestic Financing | 1,579 | 19,469 |

*Source:* Department of Economic Research-Domestic, Central Bank of the Philippines

Figure 12. **NATIONAL GOVERNMENT DEFICIT 1986 - 1992**

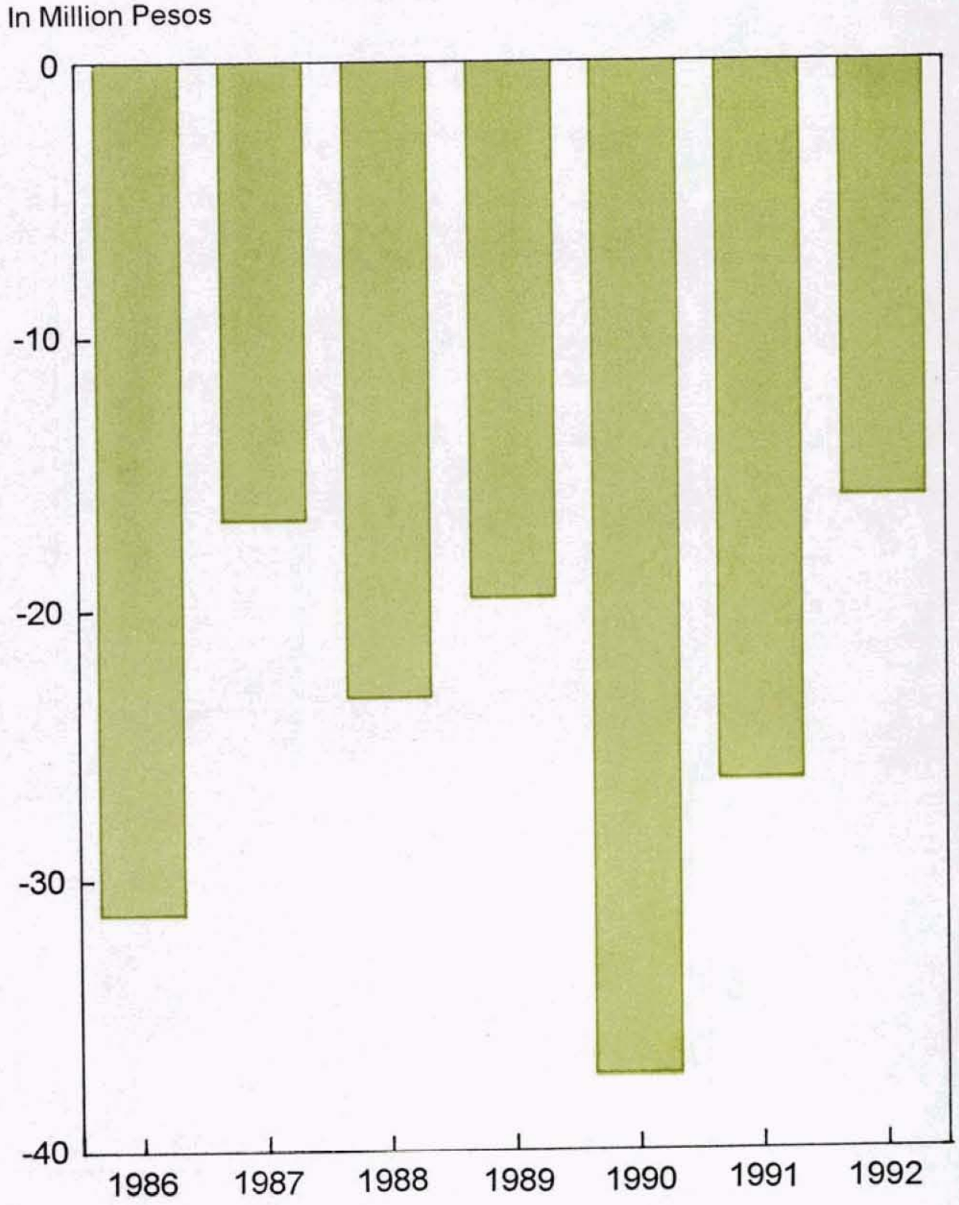


Figure 12A. **NATIONAL GOVERNMENT DEFICIT (As Percent of GNP, 1986-1992)**

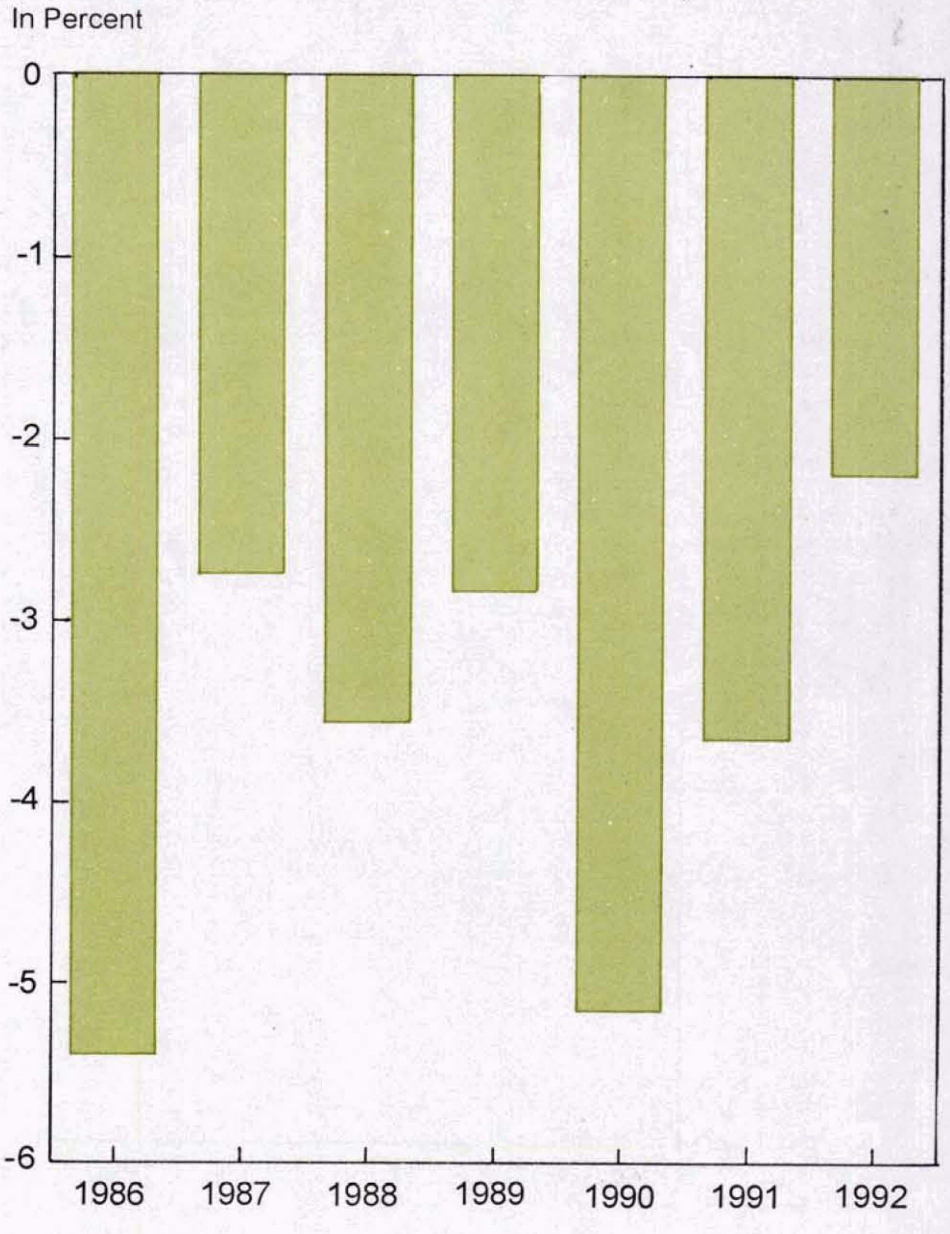


Figure 13. **TOTAL GOVERNMENT EXPENDITURES BY USE, 1992**

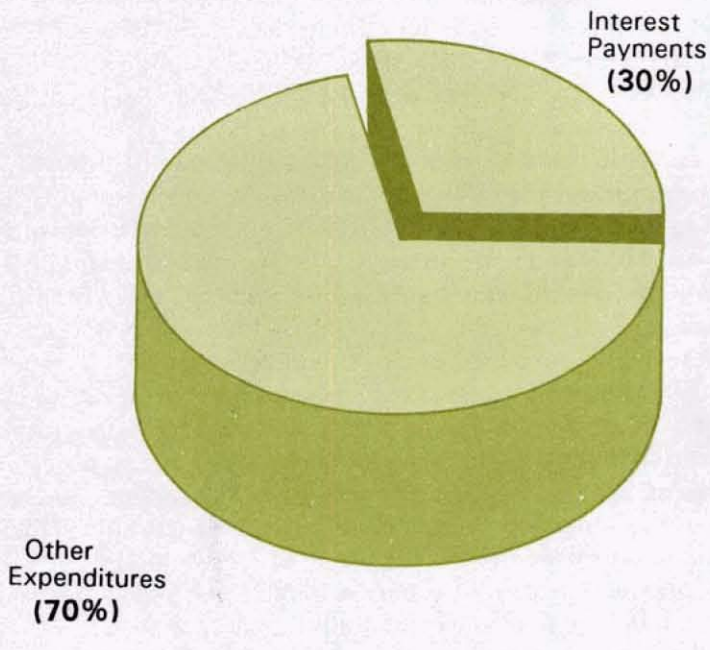
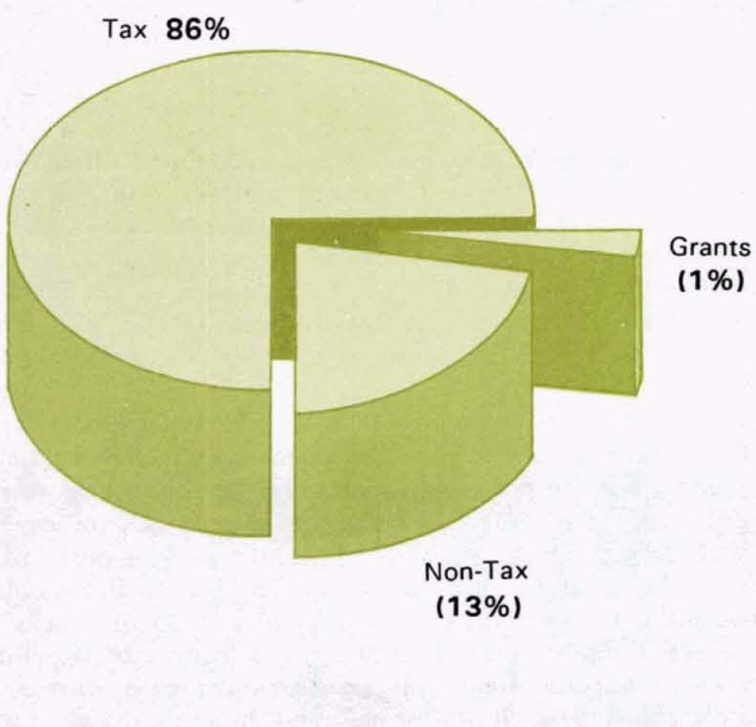



Figure 14. **TOTAL GOVERNMENT REVENUES BY SOURCE, 1992**



**Public Internal Debt**

Outstanding public internal debt, as of end-December 1992, aggregated P529.2 billion, a marked expansion of P188.4 billion or 55.3 percent from the previous year's level (Table A-25). This growth could be traced to the combined increases in the domestic borrowings of the NG (P159.0 billion), Monetary Authorities (P29.1 billion), and government corporations (P0.3 billion). As a percentage of GNP, the overall public internal debt ratio rose markedly to 38.6 percent from 27.0 percent in 1991.

The outstanding domestic borrowings of the NG at P445.6 billion grew by 55.5 percent during the year. The expansion may be explained by several factors: 1) the issuance of securities for financing its deficit and build-up NG's cash balances in banks; 2) the issuance of special series Treasury bills and notes to the CB for income support; and 3) the issuance of Treasury bills through the regular auction in excess of the NG's own funding requirement for open market operations. During the second half of 1992, the NG, confronted with the large volume of tenders in Treasury bills, accepted tenders in the regular auctions in excess of its requirement for liquidity mopping-up operations. The proceeds of said issuances were used to buy an equivalent amount of CB bills of the same interest rate and maturity. This operation had the effect of increasing the gross public internal debt as the NG's flotation of Treasury bills for open market support was matched by an equivalent increase in the Monetary Authorities issuance of CB bills. This was reflected in the expansion of domestic borrowings of the CB to P76.7 billion, an increase of 61.4 percent from 1991. Meanwhile, domestic borrowings of government corporations rose by 4.3 percent to P7.0 billion following the flotation of LBP and MWSS bonds.

The NG continued to account for the bulk or 84.2 percent of total outstanding public internal debt at end-1992, followed by monetary authorities (14.5 percent) and government corporations (1.3 percent).

## REAL SECTOR

**Production**

In 1992, the country's real Gross Domestic Product (GDP), at P712.3 billion, declined by 0.04 percent after posting a 0.7 percent contraction in 1991 (Tables A-26a and A-26b). This development was indicative of production setbacks in the agricultural, industry and export sectors due to the continuing power crisis and unfavorable climatic conditions such as drought. A notable 47.5 percent increase in net factor income from abroad resulted in a 0.6 percent growth in real GNP to a level of P727.1 billion. With an estimated population growth rate of 2.2 percent, real per capita GNP declined by 1.5 percent to P11,317 in 1992.

Accounting for 42.5 percent of real GDP, the service sector, which rose by 0.8 percent, mainly fuelled economic activity in 1992, as the industrial and agricultural sectors suffered declines of 0.5 and 0.9 percent, respectively. Except for government services, which decreased by 1.9 percent as a result of the continued adoption of economy measures, all other subsectors in the service sector exhibited positive performance during the year. Moderate growth in the trade, and transportation, communication and storage subsectors primarily boosted output in the service sector. Meanwhile, the 0.5 percent drop in industrial output emanated from the production shortfalls in the manufacturing (1.0 percent), and utilities (1.3 percent) subsectors. Inadequate power supply, which started in the early part of the year and continued to be felt in the remaining quarters, mainly caused the slack in overall industrial activity. Output gains in mining and quarrying, and in the construction subsectors at 5.1 and 1.0 percent, respectively, were nonetheless attained. Expansions were observed in metallic and non-metallic mining and in government construction especially on the rehabilitation of lahar-affected areas. Meanwhile, the downtrend in the agricultural sector at 0.9 percent was mainly traced to the significant decline in forestry production in view of the continued implementation of the logging ban; and the decrease in palay and corn production due to the adverse effects of the drought during the second quarter. Gains in poultry production were however recorded in 1992.

On the demand side, real investments recorded a substantial improvement. After registering a contraction of 14.0 percent in the previous year, real investments posted an uptrend of 7.8 percent in 1992, traced to increased outlays for durable equipment, mostly for transport and sugarmill, pulp and paper machinery. This development was likewise indicated by the 11.7 percent rise in imports, following the increased domestic demand for merchandise goods such as transport equipment, manufactured metals and machinery other than electrical machinery. Real exports, on the other hand, declined by 3.4 percent arising from lower monetization of gold, although merchandise items such as semiconductors and electronic microcircuits, garments and gold from copper ores posted uptrends.

Personal consumption expenditures, mostly on food and transportation/communication, recorded a 3.2 percent annual expansion while government expenditures declined by 4.3 percent, in view of the continued implementation of austerity measures. The notable rise in net factor income from abroad boosted overall demand.

Figure 15. **GROSS NATIONAL PRODUCT ANNUAL GROWTH RATES (1986 - 1992, At Constant 1985 Prices)**

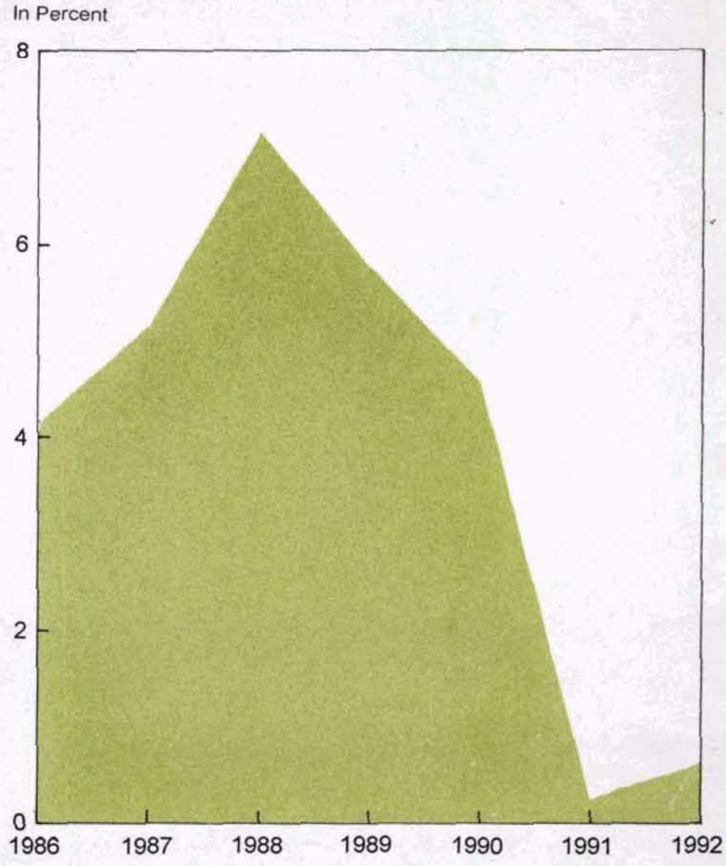


Figure 16. A. **GROSS NATIONAL PRODUCT BY INDUSTRIAL ORIGIN, 1991 - 1992 (Levels at Constant 1985 Prices)**

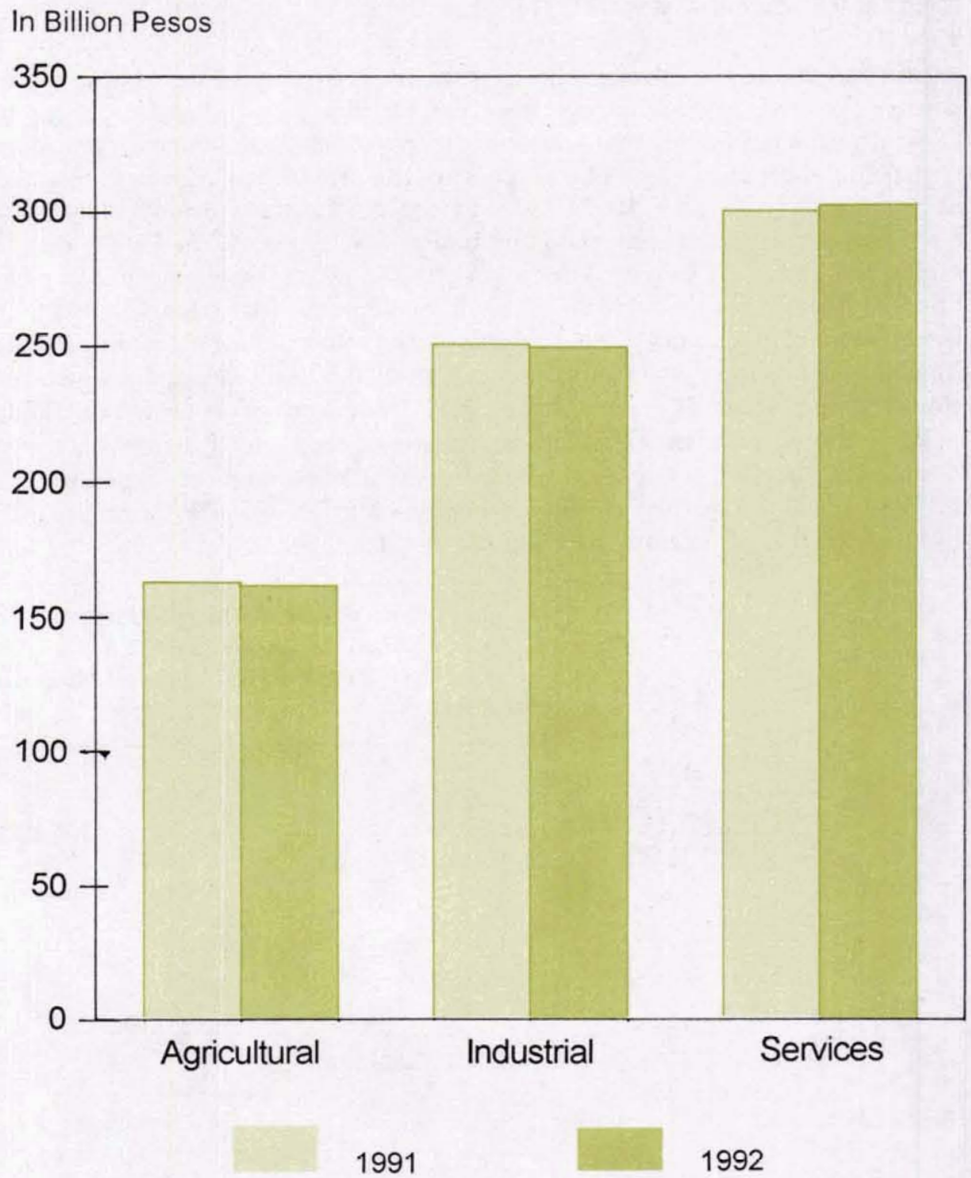
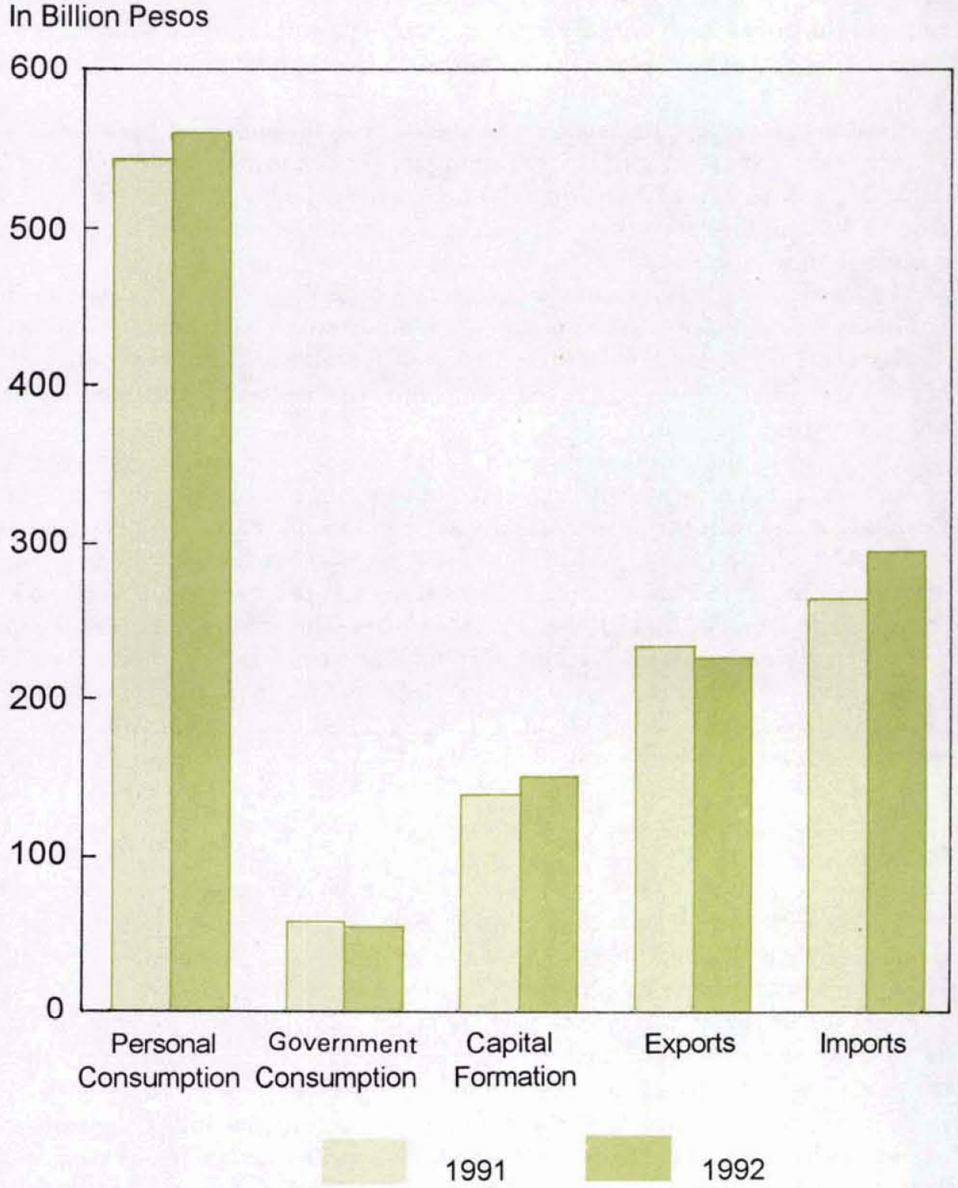


Figure 16.B. **GROSS NATIONAL PRODUCT BY EXPENDITURE SHARES, 1991 - 1992 (Levels at Constant 1985 Prices)**



## Employment and Wages

Preliminary data for 1992 from the Department of Labor and Employment showed a rise in the employment level, an upturn in overseas placement and a decline in strike incidences. The employment rate rose to 90.4 percent from 89.5 percent in 1991, and consequently reduced the unemployment rate to 9.6 in 1992. The employed workforce expanded at a faster pace of 3.6 percent relative to the 2.6 percent growth in labor supply during the year (Table A-27).

A mild recovery of the economy in 1992 owing to improved investments enhanced the country's capacity to absorb labor. During the first nine months of the year (latest available data), eight out of ten of the country's major industry groups increased employment ranging from 2.7 percent in services to 10.6 percent in mining. Meanwhile, the agricultural industry, a major employer, expanded its workforce by 6.3 percent.

The rebound in deployment of workers overseas similarly eased the unemployment situation. Contract workers placed abroad posted an 11.6 percent expansion to 686,457 workers in 1992 as demand from Saudi Arabia for land-based workers surged. This category of workers rose markedly by 12.3 percent, while the sea-based group sustained growth at 8.8 percent during the year.

With the prevailing industrial peace and the adoption of strategies responsive to the needs of workers, the number of declared strikes dropped to 115 cases in 1992 from 151 in 1991. Corollarily, the number of workers involved fell to 44,000 or by 12.0 percent this year.

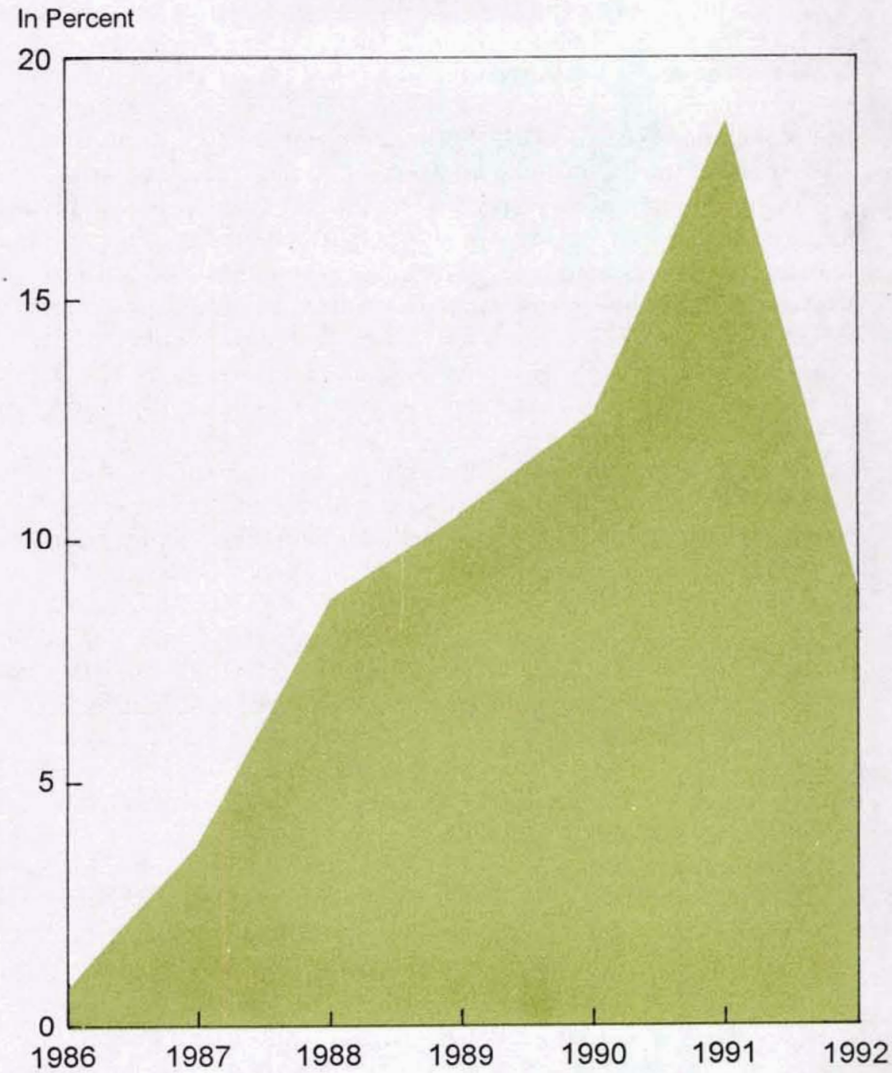
As set by respective Regional Tripartite Wage and Productivity Boards, the nominal daily wage rates in agricultural plantations rose slightly to a range of P85.58 to P121.33 in 1992 from P85.58-P118.77 in 1991, while those of non-plantation laborers together with non-agricultural workers in the National Capital Region and outlying areas remained at the 1991 level. The real wage rates per day at 1988 prices ranged from P33.82 to P84.08 for agricultural workers, and from P51.45 to P84.08 for non-agricultural workers. In the NCR the daily real wage rate averaged P75.11.

## Prices

The domestic inflation rate, as measured by the annual increase in the Philippine Consumer Price Index (1988=100), was registered at a single-digit level of 8.9 percent in 1992, a marked deceleration from 18.7 percent in 1991 (Table A-28). From 10.8 percent in January 1992, the inflation rate further slowed down to 8.1 percent in December due to downward adjustments in domestic fuel prices, the continued appreciation of the peso, and the maintenance of prudent fiscal and monetary policies.

By commodity group, the food-beverage-tobacco price index, which represented 58 percent of the consumer basket, posted a 6.9 percent average increase against 15.4 percent in 1991. Except for the price index for corn, which rose at an accelerated rate of 9.7 percent, almost all food indices recorded slower price increases such as rice (3.7 percent from 7.8 percent), fruits and vegetable (5.1 percent from 17.0 percent), fish (6.0 percent from 17.7 percent), and meat (10.5 percent from 19.5 percent). The annual increase in food prices was attributed to developments during the year (such as adverse weather conditions during the rainy season, the reduction in agricultural land area as a result of lahar mudflows in Central Luzon and drought in Mindanao, and the power crisis) which negatively affected food supply.

Figure 17. **ANNUAL AVERAGE INFLATION RATES, 1986 - 1992 (CPI, 1988 = 100)**




Price increases of non-food items likewise slowed down to an average rate of 11.6 percent from 23.4 percent last year. In particular, the average price increase in the fuel, light and water subgroup decelerated to 5.7 percent during the year from 27.3 percent last year, partly attributable to the downward adjustments in the Currency Exchange Rate (CERA) component of power rates (specifically MERALCO rates). The reduction in domestic oil prices in April and October influenced the decline in the transportation and communication price index by 0.5 percent which influenced the deceleration in the overall services price index of 7.1 percent from 32.5 percent in 1991. Likewise, the housing and repairs subgroup recorded a slower price increment of 17.5 percent against 20.2 percent last year following lower increases in the prices of construction materials, as well as lower hikes in rental fees. Other non-food subgroups registered price slowdowns namely, clothing (10.8 percent) and miscellaneous items (13.4 percent).

In the (NCR), the average inflation rate at 12.2 percent was higher than the 7.9 percent observed in the outlying regions as housing and repair costs remained higher in the NCR.

**Flow of Funds**

Preliminary data on the 1992 Flow of Funds accounts reflected gross domestic savings at P241.0 billion, 4.3 percent more than the savings generated in 1991 (Tables 16 and A-29). Real investments likewise grew but at a faster rate of 16.4 percent to a level of P292.8 billion, resulting in a net financial deficit of P20.3 billion (after adjusting for statistical discrepancy), or 1.5 percent of current GNP. Financing came mainly from the surplus domestic sectors (households/non-corporate business and financial intermediaries) and the foreign sector.

The *government sector* (*national and local governments and non-financial government corporations*) posted real investments of P105.8 billion, 12.8 percent higher than the previous year mainly due to increased government expenditures for the rehabilitation of calamity-stricken areas, as well as the construction of transport and power infrastructures. With gross savings way below the sector's investment requirements, the government incurred net financial liabilities of P67.1 billion, twice the level last year. The deficit was financed largely through the flotation of securities, principally Treasury Bills and loans from domestic and foreign sources.

Private non-financial corporations likewise raised their real investments to P109.0 billion or by 1.8 percent from the level last year due to higher inventories. But even as gross savings rose markedly by 189.0 percent to P42.2 billion (mainly in the form of capital consumption allowances) a net financial deficit of P66.7 billion was incurred, lower by 27.8 percent than the previous year's figure. Financing came from foreign and domestic loans and trade credits.

Meanwhile, real investments by the household and non-corporate business sector amounted to P65.0 billion, 60.1 percent or P24.4 billion higher than the previous year following increases in expenditures for the acquisition of fixed assets and consumer durables. The sector *registered a net financial surplus of P94.2 billion (inclusive of statistical* discrepancy), 16.2 percent lower than the P112.4 billion recorded in 1991. The surplus funds were used largely to build up the sector's demand, savings and time deposits in banks by a total of P118.7 billion.

As the economy barely moved in 1992, the total amount of funds raised by the financial intermediaries grew by only 2.3 percent during the year or by an aggregate of P178.3 billion. Similarly, total funds employed reached P197.6 billion, 1.4 percent higher than the amount registered in 1991. Funds were raised largely through increases in demand, savings and time deposit liabilities, while the bulk of funds employed by the financial intermediaries went to domestic loans, investments/securities and other foreign claims, mainly short-term foreign securities. Reflective of the moderate growth in resources, the net financial surplus of the financial system amounted to P19.3 billion in 1992, a 6.7 percent drop from the amount recorded during the previous year. Meanwhile, real investments of financial intermediaries rose by P13.0 billion mainly in the form of expenditures on real estate and fixed assets.

Table 16. **SAVINGS AND INVESTMENTS BY SECTOR 1991-1992**

| Item | 1992p (In Billion Pesos) | 1991r (In Billion Pesos) | 1992 (In Percent of GNP) | 1991 (In Percent of GNP) |
|---|---|---|---|---|
| I. Gross Domestic Savings | 241.0 | 231.1 | 17.6 | 18.3 |
| A. Households and Non-Corporate Business[1] | 127.8 | 126.4 | 9.3 | 10.0 |
| B. Private Corporations | 42.2 | 14.6 | 3.1 | 1.2 |
| C. Government[2] | 38.7 | 59.5 | 2.8 | 4.7 |
| D. Financial Intermediaries[3] | 32.3 | 30.6 | 2.4 | 2.4 |
| II. Less: Real Investment | | | | |
| A. Including Statistical Discrepancy | 292.8 | 251.5 | 21.4 | 19.9 |
| 1. Households and Non-Corporate Business[1] | 65.0 | 40.6 | 4.7 | 3.2 |
| 2. Private Corporations | 109.0 | 107.1 | 8.0 | 8.5 |
| 3. Government[2] | 105.8 | 93.8 | 7.7 | 7.4 |
| 4. Financial Intermediaries[3] | 13.0 | 10.0 | 0.9 | 0.8 |
| B. Excluding Statistical Discrepancy | 261.3 | 224.7 | 19.1 | 17.8 |
| III. Net Domestic Financial Investment (I-II-S.D.) | -20.3 | 6.4 | -1.5 | 0.5 |
| Total Financial Uses/Claims | 400.2 | 362.7 | 29.2 | 28.7 |
| Less: Total Financial Sources/Liabilities | 420.5 | 356.3 | 30.7 | 28.2 |
| A. Households and Non-Corporate Business[1] | 94.2 | 112.4 | 6.9 | 8.9 |
| 1. Financial Uses/Claims | 87.8 | 63.0 | 6.4 | 5.0 |
| of which: Statistical Discrepancy (S.D.) | -31.5 | -26.8 | -2.3 | -2.1 |
| 2. Less: Financial Sources/Liabilities | -6.4 | -49.4 | -0.5 | -3.9 |
| B. Private Corporations | -66.7 | -92.4 | -4.9 | -7.3 |
| 1. Financial Uses/Claims | 59.1 | 29.4 | 4.3 | 2.3 |
| 2. Less: Financial Sources/Liabilities | 125.8 | 121.8 | 9.2 | 9.7 |
| C. Government[2] | -67.1 | -34.3 | -4.9 | -2.7 |
| 1. Financial Uses/Claims | 55.7 | 75.4 | 4.1 | 6.0 |
| 2. Less: Financial Sources/Liabilities | 122.8 | 109.7 | 9.0 | 8.7 |
| D. Financial Itermediaries[3] | 19.3 | 20.7 | 1.4 | 1.6 |
| 1. Financial Uses/Claims | 197.6 | 194.9 | 14.4 | 15.4 |
| 2. Less: Financial Sources/Liabilities | 178.3 | 174.2 | 13.0 | 13.8 |
| IV. Rest of the World: Net Financial Investment | 20.3 | -6.4 | 1.5 | -0.5 |
| A. Financial Uses | 52.8 | 54.6 | 3.9 | 4.3 |
| B. Financial Sources | 32.5 | 61.0 | 2.4 | 4.8 |
| V. All Sectors | | | | |
| A. Sources: Gross Savings | 261.3 | 224.7 | 19.1 | 17.8 |
| 1. Gross Domestic Savings (II.B + III) | 241.0 | 231.1 | 17.6 | 18.3 |
| 2. Plus: Rest of the World | 20.3 | -6.4 | 1.5 | -0.5 |
| B. Uses: Gross Investments | 261.3 | 224.7 | 19.1 | 17.8 |
| 1. Gross Domestic Investments | 241.0 | 231.1 | 17.6 | 18.3 |
| 2. Plus: Rest of the World | 20.3 | -6.4 | 1.5 | -0.5 |

[1] Derived as residual
[2] National and local governments and government-owned and controlled corporations
[3] Including government financial institutions

*Sources:* Department of Economic Research-Domestic, Central Bank of the Philippines and National Statistical Coordination Board (NSCB).

WITH THE PEACEFUL transfer of political power and the substantial implementation of most stabilization measures in 1992, the economy in 1993 is expected to embark on a moderate recovery path that is hoped to eventually lead to a substantial and sustained growth in the medium-term. Towards this end, government will have to exert greater effort to preserve the gains already achieved in the past year, and address firmly the remaining blocks on the road to the country's permanent recovery and greater financial independence.

For 1993, government's bullish stance on the economy will be supported by an initial strategy of accelerated infrastructure expenditures in the first half of the year. At the same time, major bottlenecks on the growth path are expected to be sufficiently addressed within the year. Adequate revenue measures will have to be implemented early on to fund the government's accelerated expenditure programs. Identified solutions to the recurring energy problem will have to be carried out with greater resolve, and reinforced or adjusted as expediency requires. In the area of politics, Government will have to act with dispatch on the recent criminal activities, particularly kidnappings, to demonstrate that these are temporary in nature and will not materially affect the cost of doing business in the country.

In support of government's overall growth strategy, positive changes are also expected within the financial system as efforts are intensified to mobilize a bigger amount of domestic savings to help fund the government's investment projects, and prepare the economy for a greater volume of business and competition with its ASEAN neighbors and other major trading partners. These efforts include the continued formulation and/or implementation of measures to lower intermediation costs of banks through, among others, lower reserve requirements; liberalized bank branching; relaxation in the rules on entry of foreign banks; and strengthening of the capital market. The country is also expected to regain voluntary access to the international credit markets with the initial launching of Philippine Eurobond debt papers early in 1993, paving the way for the gradual independence of the economy from special international financing facilities.

On the part of the Central Bank, policy thrusts will continue to focus on the maintenance of price stability in support of sustainable economic growth. Towards this end, the following concerns remain to be the CB's major challenges in the near- and medium-terms:

- the CB deficits which continue to hamper the effectiveness of its monetary management operations;
- the possible resurgence in inflation in the light of government plans to accelerate expenditure disbursements in the first half of 1993; and
- the relatively high domestic interest rates compared to international rates which invite speculative foreign capital inflows that lead to a significant appreciation of the peso to the detriment of exports. Crucial to finding permanent solutions to the above concerns is the early passage in Congress this year of the bill establishing a more independent and financially stronger central monetary authority.

Beyond 1993, rare opportunities and crucial challenges lie ahead for the Philippine economy. Government will have to seize quickly these opportunities and meet these challenges head on, if it is to achieve its announced goal of joining the group of newly industrialized economies by the end of this century. One crucial and concrete step towards this direction is the formulation of a medium-term plan for the economy that will unify and give coherence to the various plans and programs of government. Relatedly, a successor program with the country's major international creditors will have to be negotiated, both to validate the viability of the government's plans and programs and to serve as a bridge in the economy's transition towards a more financially independent and sustained growth path. More importantly, it is hoped that in the process, a consensus as to the direction and goals of the economy will be arrived at between the public and private sectors. The resultant cooperative spirit will help accelerate the pace of economic growth and promote a more equitable distribution of the fruits of economic development.

2

# THE CENTRAL BANK OF THE PHILIPPINES

## MONETARY AND CREDIT POLICIES

AS IN THE PREVIOUS year, the main focus of monetary policy in 1992 was to keep the growth in monetary aggregates within the limits set under the economic stabilization program consistent with the objectives of price stability and economic growth. The major instruments used in conducting monetary policy were open market operations through the issuance of Central Bank bills and transactions under the repurchase and reverse repurchase facilities, supplemented by the build-up in National Government deposits with the CB. Measures to strengthen the financial system were also adopted to facilitate the flow of resources to vital sectors of the economy. At the same time, policies that favored financial deregulation, competition and market orientation were pursued to further improve financial intermediation.

### Reserve Requirement

The reserve requirement of 25 percent on deposits and deposit substitutes was maintained throughout 1992 (Table 17). However, funds deposited for projects under the special financing programs of the government and/or international financial institutions have been exempted from the legal reserve requirement to increase banks' loanable funds and lower the cost of credits.

Meanwhile, changes in the regulations pertaining to banks' compliance with the reserve requirements were also implemented during the year. Effective March 23, 1992 the term "chronic deficiency" has been redefined to mean reserve deficiency for two consecutive weeks only instead of four weeks previously. Likewise, effective April 20, 1992, the period for computing banks' reserve position and penalty on reserve deficiency has been extended to a seven-day week from the previous five days to include Saturdays, Sundays, public holidays and when there is no CB clearing (including special holidays). These twin measures were adopted mainly to prevent wide fluctuations in interbank rates and to enhance monetary management.

With the attainment of a more stable economic environment during the year, the monetary authorities decided in late 1992 to effect a gradual lowering of the reserve ratio by one percentage point every quarter starting January 1993 up to 22 percent by end-July 1993 for the purpose of reducing banks' intermediation costs.

### Open Market Operations

For 1992, open market operations continued to be a major instrument in the pursuit of CB's stabilization objective. Borrowings under the reverse repurchase facility (RRPs) were complemented by the issuances of CB bills to sterilize the liquidity effects of the CB's purchases of commercial banks' foreign exchange surpluses. To support open market operations, the NG continued to maintain substantial level of deposits with the CB.

### Rediscount Window

In keeping with a market-oriented interest rate policy, the rate on the CB rediscount facility was adjusted twice in 1992. The first was on January 3, 1992 when the rate was raised

Table 17. **REQUIRED RESERVES ON DEPOSIT AND DEPOSIT SUBSTITUTE LIABILITIES OF COMMERCIAL BANKS**
**1986 - 1992**
(In Percent)

| Circular No. Effectivity Date | Demand | Savings | NOW Accounts | Time Deposits Less than 730 days | Time Deposits More than 730 days | Deposit Substitutes Less than 730 days | Deposit Substitutes Morethan 730 days |
|---|---|---|---|---|---|---|---|
| Circular 1104 (May 26, 1986) | 22 | 22 | 22 | 22 | 6 | 22 | 6 |
| Circular 1112 (Aug. 4, 1986) | 21 | 21 | 21 | 21 | 6 | 21 | 6 |
| Circular 1122 (Nov. 28, 1989) | 21 | 21 | 21 | 21 | 5 | 21 | 5 |
| Circular 1204 (June 23, 1989) | 21 | 21 | 21 | 21 | 7 | 21 | 7 |
| Circular 1207 (Aug. 4, 1989) | 21 | 21 | 21 | 21 | 9 | 21 | 9 |
| Circular 1209 (Sept. 4, 1989) | 20.5 | 20.5 | 20.5 | 20.5 | 13 | 20.5 | 13 |
| Circular 1209 (Oct. 5, 1989) | 20 | 20 | 20 | 20 | 17 | 20 | 17 |
| Circular 1209 (Nov. 5, 1989) | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Circular 1233 (Mar. 26, 1990) | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| Circular 1261 (Nov. 15, 1990) | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| Circular 1261 (Nov. 30, 1990) | 23 | 23 | 23 | 23 | 23 | 23 | 23 |
| Circular 1269 (Dec. 28, 1990) | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| 1991 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| 1992 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |

*Source:* Department of Economic Research - Domestic, CBP

from 14.0 percent to 15.5 percent. With market rates tracing a downtrend thereafter, the rediscount rate was reduced by 1.2 percentage points to 14.3 percent on October 29.

The availability of other financing sources and the market-oriented CB rediscount rate effectively reduced borrowings under the rediscounting facility. The issuance of CB Circular No. 1353 on August 24, 1992 which, among others, further liberalized regulations governing loan availments under the FCDU facility increased reliance on this alternative financing source. Consequently, outstanding rediscounts dropped substantially by 43.2 percent from end-1991 to a level of P4.7 billion at end-1992 (net of emergency advances). Of this amount, the bulk or 66 percent was channelled to refinance export credits of commercial banks.

**Interest Rate Policy**

The thrust toward market orientation of interest rates and the elimination of credit subsidies continued to be pursued as interest rates charged on CB lending instruments were adjusted to follow market rate movements during the year. Nominal interest rates generally exhibited a downtrend on account of the slowdown in the inflation rate, appreciation of the peso, stable money supply growth and the softening of foreign interest rates.

**Financial Structure Policy**

The CB continued to implement measures that would further improve the efficiency of the financial system in mobilizing savings and allocating resources to viable sectors of the economy. New rules and regulations were issued during the year to strengthen banks' competitiveness and widen their capability to meet the increase in demand for their services while at the same time ensuring their continued stability. In this regard, thrift banks desiring to accept or create demand deposits were required to increase their paid-in capital to at least P100 million for those located in Metro Manila, Cebu and Davao cities; P50 million for those located in other cities and 1st to 3rd class municipalities; and P25 million in other areas. The Central Bank also approved the increase in the single borrower's loan limit (SBL) from 15 percent to 25 percent of unimpaired capital of expanded commercial banks, commercial banks, specialized government banks, thrift banks, rural banks, non-banks with quasi-banking functions (NBQBs) and non-stock savings and loan associations (NSSLAs).

In accordance with the Rural Banks Act of 1992 (RA 7353) and to strengthen the rural banking system, implementing guidelines were issued granting rural banks the authority to accept or create demand deposits subject to some requirements; invest in equities of allied undertakings; and act as official depository of municipal, city or provincial funds. Stockholders of rural banks were also exempted from the ownership ceiling for a period of 10 years. For rural banks experiencing financial difficulty, the CB formulated a conversion scheme and/or plan of payment program to give them ample time to consolidate their resources.

The allowable areas for equity investments of expanded commercial banks in both allied and non-allied financial undertakings were also widened to include foreign exchange dealership/brokering under its allied financial undertakings and industrial projects and/or industrial estate development under its non-allied undertakings.

As an incentive for banks to branch out in the countryside, a bank that has established three branches in 5th and lower class municipalities where there are less than four banks is now allowed to put up one branch in either the National Capital Region, Cebu, Davao or 1st class cities and municipalities of its choice without bidding provided the area is still open for additional branches.

To hasten the implementation of the on-going financial reforms and thus further strengthen the banking system, the CB issued guidelines governing the implementation of a special program designed to assist in the rehabilitation of distressed local commercial, thrift, specialized government banks and rural banks through the conversion of eligible CB credit into equity investments in said banks.

The liberalization move was also extended to non-bank financial institutions with the lifting of the prohibition on the establishment of new pawnshops in the City of Manila.

## FOREIGN EXCHANGE POLICIES

### Exchange Rate Policy

In 1992, the CB remained firmly committed to a market-determined floating exchange rate. This policy was further strengthened through implementation of significant foreign exchange market liberalization measures and enhancement of foreign exchange trading systems. Together, these reforms were aimed at letting the quoted exchange rate reflect more faithfully the true scarcity value of foreign exchange.

Liberalized rules and regulations were issued through CB Circular No. 1318 and CB Circular No. 1319 both issued January 3, 1992 and further amended by CB Circular No. 1353 dated August 24, 1992. These new regulations were path-breaking in totally lifting the mandatory surrender requirement and in removing all quantitative purchase restrictions on current account transactions. The fundamental policy change was also accompanied by the liberalization of access of exporters and producers to foreign currency deposit loans, thus providing an alternative source of lower cost financing. In addition, outward investments were liberalized. Other reforms were put in place to further reduce foreign trade transaction costs.

In terms of reforms in the exchange market mechanism, the most important initiative was the establishment of the Philippine Dealing System (PDS). Prior to April 28, all interbank purchases and sales of foreign exchange were limited to just 30 minutes (4:30 to 5:00 p.m.) of on-floor trading at the Bankers Association of the Philippines (BAP). This led to very thin market trading which gave CB disproportionate leverage in influencing market prices in its interventions. With the coming into full operation of the PDS, however, market participants can now trade continuously with each other for eight hours each day through an electronic screen-based network. Under the new system, the volume of foreign exchange trading in 1992 jumped by 78 percent to $3,857 million from the previous year.

In addition, the CB also liberalized its rules on domestic commercial banks' net foreign exchange position in the direction of allowing them some leeway, subject to well-defined limits related to unimpaired capital for prudential reasons, to take an open position or mismatch in total foreign exchange assets vis-a-vis foreign exchange liabilities. This should help make the exchange rate even more reflective of underlying market conditions.

The foreign exchange market reforms, as well as declining inflationary expectations, have nevertheless created an unexpected complication for exchange rate policy as personal remittance and capital inflows into the economy surged with the rebuilding of confidence. This has created a significant appreciation pressure on the nominal exchange rate to the detriment of exporters. The CB considered that part of this perceived short-term pressure should be absorbed and it acted accordingly through significant purchases in the foreign currency market which has steadied the rapid exchange rate appreciation. However, the strategic exchange market intervention has not been costless in view of the need to sterilize, in line with a pre-committed monetary program, at least some of the foreign exchange purchases through domestic open market operations. This has created upward pressure on domestic interest rates which inevitably had adverse effects on the fiscal budget and also created a second round effect of attracting still more capital inflows. As a way out of the dilemma, the monetary authorities have sought to work out some flexibility in the monetary program to accommodate the apparent upward shift in money demand without necessarily compromising inflation targets.

**External Debt Policy**

The management of the country's external debt continued to be geared towards the rescheduling of the present heavy debt burden and the elimination of the debt overhang, while working to rebuild and strengthen creditworthiness. An immediate objective is to regain access to the voluntary capital market. Meanwhile, the availment of credits presently available to the country is regulated with a view to preventing future debt servicing difficulties.

A key element of the debt strategy has been to maintain an IMF-supported economic program to reinforce the country's credibility with the international financial community. In line with this, the IMF Executive Board, during the year, agreed to extend the current 18-month Stand-By Arrangement (SBA) by a further three months to end-March 1993. It should be recalled that the SBA, which was approved in 1991, was originally due to expire in August 1992, but was earlier extended to end-December 1992.

During the year, building upon the improved outlook for the economy, the Philippine government and its commercial bank creditors concluded the final stage of the reorganization of public sector external debt owed to commercial banks. Under the Brady Plan-type agreement, eligible debt consisting of all credits covered under the various public sector restructuring agreements and all advances under the 1985 new money agreement were subjected to either debt stock reduction, debt service reduction, or further restructuring with commitment of new money.

The first phase of the operation was completed on May 14, 1992 with the buyback of $1.263 billion of eligible debt at an average price of 52 percent of face value. The second phase, which was concluded on December 1, 1992, involved the conversion of $3.2 billion of eligible debt into equivalent face value of long-term bonds consisting of Temporary Interest Rate Reduction (TIRR) bonds, Principal Collateralized Interest Reduction (PCIR) bonds, and Debt Conversion Bonds.

The TIRR bonds are 15-year bonds (inclusive of seven-year grace period) with reduced interest rate. The interest rate is fixed for the first six years: 4 percent the first and second years, 5 percent the third, fourth and fifth years, and 6 percent the sixth year. Thereafter, the interest rate will be based on LIBOR plus 13/16 percent. One year's interest payments, calculated at 6 percent annual interest rate, is collateralized on a rolling basis for the first six years by the Philippine government through the pledge of high-grade securities. Approximately US$757 million of commercial bank debt was exchanged for TIRR bonds.

The PCIR bonds are 25-year bonds with principal effectively fully prepaid and with interest rates reduced. The below market interest rates would gradually step up over time as follows: 4.25 percent the first year, 5.25 percent the second year, 5.75 percent the third year, 6.25 percent the fourth and fifth years, and 6.5 percent each year thereafter. The interest payments are collateralized in an amount equal to 14 months of interest payments calculated at 6.5 percent annual interest rate. The interest collateral is to be maintained on rolling basis for the full term of the PCIR bond. A total of US$1.89 billion of the eligible debt was exchanged under this option.

The Debt Conversion bonds are 17-year bonds with a five-year grace period and carries an interest rate of LIBOR plus 13/16 percent. Conversion into these longer maturity bonds carried an obligation by the creditor to provide new money through purchases of a new money bond to be issued by the Philippine government at a rate of one dollar of new money for every US$4 in face value of eligible claims converted. The New Money bonds carried terms identical to the Debt Conversion bonds. About $559 million of existing credits were converted and US$138 million new money was raised.

A total of about $1.1 billion in resources for the buyback and collateralization were required to carry out the entire operation. These were initially advanced from official reserves; however, a significant portion of these will be replenished as soon as requirements for financing from official sources are complied with. Consistent with this approach, in October 1992, reserves used in the May buyback were partly replenished with the release of already accumulated set-asides amounting to SDR52 million ($76 million), equivalent to 25 percent of each tranche that were earlier made available under the current Stand-By Arrangement (SBA) with the IMF.

Meanwhile, the government continued to implement the various debt reduction schemes that have been available since 1986. However, transactions under the debt-to-equity program were temporarily suspended, after the first quarterly auction for the year, pending completion of the Brady Plan phase of the 1992 Commercial Bank Financing Package. Likewise, transactions under the other debt reduction schemes involving conversion of foreign currency-denominated liabilities to substantially less than equal amount of peso-denominated obligations were temporarily stopped. With the successful conclusion of the package, transactions under these various schemes are scheduled to resume in 1993.

The various aspects of the country's debt management strategies pursued during the year had resulted in an improvement in the various debt ratios. The estimated debt-to-GNP ratio declined to 59.2 percent in 1992, from 65.2 percent the previous year and 75.9 percent in 1983. The ratio of debt-to-exports of goods and services similarly showed a significant decrease, from 305.2 percent in 1983; 207.1 percent in 1991, and 185.0 percent in 1992. Likewise, the ratio of debt service burden to exports of goods and services, or the debt service ratio, fell from 33.5 percent in 1983 to 18.1 percent in 1992.

## Import-Export Regulations

In 1992, the Central Bank took additional steps which made trade reforms clearer and more consistent.

Issued on July 28 and August 24, 1992 were Circular Nos. 1348 and 1353 liberalizing the CB rules governing imports. The major reforms contained in these circulars included the following:

- removal of all prior CB approval requirements for all types of commodity import transactions;
- expansion of the various modes of import arrangements to include not only letters of credit (L/C), but also Documents Against Acceptance (D/A), Open Account Arrangements (O/A), Documents against Payment (D/P), consignment, and self-funded arrangements;
- removal of the CB Release Certificate (CBRC) requirement for imports except those imported under OA/DA basis, and those involving regulated items;
- simplification of the different classifications of commodities by degree of restriction and discontinuation of the notion of commodity classification by degree of essentiality; and
- liberalization of gold imports.

Consistent with the country's objective of establishing an open trading system, quantitative restrictions on a total of 279 items were lifted with the issuance of Circular Nos. 1337, 1347, and 1356 dated April 27, July 27 and September 25, 1992, respectively. Liberalized items consisted mainly of consumer durables; finished consumer electronic products; raw material components of consumer electronic products; spare parts of cars, trucks, utility vehicles, motorcycles and diesel engines; antibiotics; fertilizers; corn; sugar; fish; animal and animal effects. However, pursuant to the request of local corn producers the lifting of restrictions on corn importation was deferred to March 1, 1993 as spelled out in CB Circular No. 1365, dated November 9, 1992. To date, there are 135 remaining import regular items, 69 of which will continue to be regulated for reasons of health, safety, and national security. While a decision has already been reached to liberalize the remaining 66 items, the timing for final liberalization will still be evaluated by the authorities.

Meanwhile, on January 28, 1992, the CB issued a Memorandum to All Commercial Banks and All Concerned setting on March 16, 1992, the effectivity date of the globalized inspection under the Comprehensive Import Supervision Scheme (CISS). Under this scheme, goods destined for importation into the Philippines from all countries shall be subject to inspection by the Societe Generale de Surveillance (SGS) as to quality, quantity price dutiable value, and tariff rate, among others.

Major reforms were likewise put in place to complement efforts of the government to encourage and accelerate the growth of exports. These reforms which can be found under CB Circular Nos. 1348 and 1353, included among others the following:

- the increase in the retention rate of export proceeds from 40 percent under Circular 1319 dated January 3, 1992 to 100 percent effective September 1, 1992;
- the lifting of restrictions on the use of export proceeds and removal of regulations on negotiation and liquidation of foreign exchange receipts;
- the abolition of the requirement on the mandatory inward remittance of export receipts;
- the expansion of the acceptable modes of export payment to include not only LCs, but also Documents Against Payment (DP), Documents Against Acceptance (DA), Open Account (OA), and Cash Against Deposits (CAD);
- raising of the amount of short-term Foreign Currency Deposit Unit (FCDU) loans from the US Dollar-based credit facility of local commercial banks from 70 percent (under Circular No. 1348) to 100 percent of the value of the letter of credit, purchase order or sales contract without need of prior approval, (Circular No. 1353); and
- the removal of all prior CB approval requirement for all types of commodity export transactions except gold from small-scale mining (panned gold) which is required to be sold to the Central Bank under RA 7076 dated June 27, 1991.

## Regulations on Invisibles

In 1992, the Central Bank effected the liberalization of foreign exchange regulations governing non-trade transactions in two phases.

The first phase of the liberalization move was implemented through Circular No. 1318 dated January 3, 1992. Pursuant to this circular, the full and immediate repatriation and remittance privileges for all types of investments, whether as direct equity or in listed shares/securities, was allowed to be directly serviced by Authorized Agent Banks (AABs) without prior CB approval, provided they have been registered with the CB. The circular likewise liberalized the mandatory surrender requirement of foreign exchange, except for 15 specified resident firms which obtain foreign exchange in the normal course of business, a departure from the previous rule which required all Philippine residents to sell their foreign exchange receipts to banks within three days. Relatedly, the amount required to be surrendered was liberalized to cover net of operational expenses in foreign exchange, in contrast with the previous regulation requiring surrender of the full value of the foreign exchange proceeds.

Another important provision of the circular was allowing the imports of foreign currency into the country by both residents and non-residents. The circular also liberalized the eligibility of deposits under the Foreign Currency Deposit System (FCDS) to be consistent with the basic policy change allowing non-surrenderable foreign exchange to be deposited in a foreign currency account.

The second phase of the liberalization move involves the full liberalization of foreign exchange regulations covering the current account which was effected on September

1, 1992 with the issuance of CB Circular No. 1353. As a result, the mandatory surrender requirement of foreign exchange earned by the 15 specified resident firms was abolished. Sales and purchases of foreign exchange outside the banking system was allowed. Moreover, foreign exchange receipts, acquisitions or earnings may now be deposited in foreign currency accounts, whether in the Philippines or abroad, or brought out of the country. However, in order that foreign loans and foreign investments can be serviced with foreign exchange purchased from the banking system, the proceeds of such foreign loans and foreign investments shall continue to be sold to AABs for pesos.

This circular likewise categorizes all banks duly licensed by the CB, with the exception of OBUs, as AABs. With this move, AABs are now allowed to sell foreign exchange, without need of prior CB approval as payment for any foreign exchange transaction provided these transactions are supported by documents attesting to the legitimacy of said transactions.

With regard to foreign investments, full and immediate capital repatriation/dividend/interest remittance privileges are extended provided the investments are duly registered with the CB or with a custodian bank duly designated by the foreign investor.

With these reforms, the remaining restrictions on foreign exchange transactions are those on foreign exchange payments sourced from the banking system that are related to foreign loans and investments and on outward investments amounting to $1 million or more. These shall continue to be governed by existing CB circulars which require prior CB approval for loans and investments. However, studies are now being undertaken by the CB to determine whether the remaining controls may be lifted as well as the timing for such a decision.

## SUPERVISION AND REGULATION OF FINANCIAL INSTITUTIONS

### Supervision of Banks

IN 1992, THE CENTRAL BANK conducted regular examinations on 729 head offices and 866 branches and other banking offices of expanded commercial banks, commercial banks, specialized government banks, thrift banks and rural banks. The bank also conducted 84 special examinations. Classified by type of examination, there were 1,595 regular examinations conducted (375 for commercial banks, 342 for expanded commercial banks, 38 for specialized government banks, 207 for thrift banks and 633 for rural banks) and 199 special examinations (3 for thrift banks and 196 for rural banks). Among others, regular examinations were done to ascertain the solvency, liquidity and profitability of banks; the quality of their management; and compliance with laws, rules and regulations. On the other hand, special examinations were undertaken to : 1) study and review selected banks' loan portfolios, deposit accounts, collections/sales, losses and capital accounts; 2) verify checks used for payments of questionable transactions; 3) verify the composition of the banks' original common stockholders; 4) examine common trust funds to ascertain compliance by trustees with pertinent laws, rules and regulations; 5) review EDP operations, system, procedure and controls; 6) trace checks payable to the Commission of Customs which were deposited to a personal account; 7) verify the composition of the banks' original common stockholders; 8) verify subscription of payments to the proposed increase in authorized capital stock; 9) verify "kiting" and other irregularities; and 10) verify in detail cash transactions of a head office and a branch.

Other supervisory-related functions performed during the year were the chartering/branching of banking offices (as in the case of Union Bank which was converted to an expanded commercial bank on July 20, 1992 under MB Res. No. 1017 dated September 30, 1991 and the reopening of the Philippine Veterans Bank head office on August 3, 1992); processing of various requests of banks to effect certain transactions needing prior CB authorization; verification of foreign exchange transactions; verification/evaluation of periodic reports; formulation of rules and regulations of the banking system; imposition of sanctions/collection of monetary penalty; and comptrollership, conservatorship and receivership/liquidation functions.

### Regulation of Non-Bank Financial Intermediaries (NBFIs)

As of end-December 1992, 4,485 non-bank financial intermediaries (NBFIs) were registered with the CB, of which 3,572 were head offices and 913 were branches. Authorized to engage in quasi-banking functions were 13 head offices and 40 branches, while those without quasi-banking licenses totalled 3,559 head offices and 873 branches. Out of the 154 examinations conducted, 73 or 47.4 percent were regular examinations and 81 or 52.6 percent were special examinations.

Special examination was conducted on 81 head offices to determine unauthorized quasi-banking functions; verify compliance with CB regulations/Monetary Board directives; appraise loan portfolio; and verify certain transactions and/or complaints against non-bank financial intermediaries.

## MANAGEMENT OF INTERNATIONAL OPERATIONS

### External Debt

External debt management operations during the year sought to ensure that new foreign borrowings obtained are directed to productive and priority projects, carry internationally competitive terms, and feature repayment schedules that are not likely to create undue pressures on future liquidity.

During the year, the government continued to account for the major portion of foreign borrowings contracted, as sources of credits were still largely limited to official sources. Of the total $3,006.7 million medium- and long-term loan approvals in 1992, $2,385.4 million consisted of public sector loans (56 accounts) while only $621.3 million were private sector loans (46 accounts). These public sector loans were contracted to finance scheduled projects/programs in various sectors such as energy, power and electrification sector; transportation sector; water resources sector and Mt. Pinatubo Damage Rehabilitation Program.

In addition, $459.5 million short-term foreign loans (74 accounts) from FCDUs, as well as from offshore sources, were authorized, of which 69.4 percent represent approvals for availment under the $3 billion Revolving Trade Credit Facility.

Moreover, as part of the overall debt management strategy, the rescheduling of private corporate sector debts under various schemes continued to be implemented. As of end-1992, a total of $224.6 million debt eligible under the repayment program embodied in CB Circular Nos. 1076 and 1178 remained outstanding, down from the end-1991 level of $263.7 million. The $39.1 million decline was due mainly to the following:

- assignment of six credits of $20.2 million to various investors who used the peso proceeds to fund excluded investments in several Philippine entities under Sec. 13 of CB Circular No. 1267, *i.e.,* without repatriation privilege;
- payments in pesos of two foreign credits of $13.1 million to local financial/non-financial institution creditors/assignees; and
- settlement in pesos via peso-acquired dollar instruments of one foreign credit of $5.6 million.

The outstanding enrolled accounts were distributed as follows: $69.5 million or 30.9 percent under Option 1; $154.9 million or 69.0 percent under Option 2; and $0.2 million or 0.1 percent under Option 4. On an industry classification, the outstanding enrolled debts were distributed as follows: $111.2 million or 49.5 percent for mining; $57.8 million or 25.7 percent for construction; $52.0 million or 23.1 percent for public utilities; $2.9 million or 1.3 percent for manufacturing; and $0.7 million or 0.3 percent for agri-business.

During the year under review, foreign loans of the private corporate debtors aggregating US$38.8 million were paid/settled by the borrowers outside of the Repayment Programs, thereby reducing the country's debt stock. These were done through peso payments to creditors and peso payment to creditors' assignees, with the latter investing the pesos in Philippine enterprises as approved equity investments under CB Circular No. 1267.

Meanwhile, the CB authorized deposit of the peso equivalent of maturities aggregating approximately $369.7 million covering Paris Club and commercial bank rescheduled debts. These blocking authorizations were issued pursuant to Circular No. 1138, as amended by Circular No. 1144 covering restructurable principal amortization on foreign loans (other than Paris Club accounts) due to foreign banks and financial institutions, and Circular No. 1298 covering obligations under the fourth round of Paris Club rescheduling.

Finally, in line with the government's commitment to remain current in its foreign obligations, the CB authorized the remittance of $1,714.1 million in principal, interest and other fees. These represented payments due on loans owed to multilateral, bilateral, commercial and other foreign creditors.

### Foreign Investments

The CB registered a total of $1,027.1 million in foreign investments, up by 41.0 percent from the previous year's level of $728.6 million. Of this total, $327.9 million were direct foreign equity investments in Philippine firms and the remaining $699.2 million were investments in government/listed Philippine securities.

Japan, the United States and Hongkong topped the list of registered foreign equity investors in the Philippines, accounting for more than three-fourths of total registered foreign equity investments. These investments were channelled mostly to the manufacturing (55.5 percent); services (21.2 percent) and financial (11.1 percent) sectors. Meanwhile, the CB issued 489 certifications to the Board of Investments for foreign exchange inward remittances converted to pesos by Special Investors Residence Visa (SIRV) applicants involving a total of $29.3 million. Against these inflows, remittances of previously approved outward investments totalled $14.1 million.

Total outward remittances arising from foreign equity investments reached $288.7 million in 1992, a $47.7 million or 19.8 percent increase over the 1991 level. Of the total, cash dividends accounted for $149.1 million or 51.6 percent while approved remittances of oil and geothermal exploration companies aggregated $68.1 million, or 23.6 percent. Branch profits remittances amounted to $53.3 million or 18.5 percent and the balance of $18.2 million or 6.3 percent covered remittances for royalties, share in head office expenses, and others. In addition, during the year, a total amount of $60.9 million was approved for lease payment rentals.

Total investments in government/listed Philippine securities more than doubled during the year to reach $699.2 million. United Kingdom was the lead country-investor, accounting for 28.0 percent of the total investment in securities. The commercial/industrial sector continued to be the top area of investment with a share of 47.2 percent of total. Reinvestments (i.e., purchases of other securities funded by proceeds of sales of CB-registered foreign investments) almost doubled to $29.9 million from the previous year's $15.3 million. Capital repatriation reached $284.0 million, reflecting a substantial increase of 106.8 percent from the level in 1991. Cash dividends declared for 1992 amounted to $8.9 million, 46.4 percent lower than the 1991 figure of $16.6 million.

## Foreign Exchange Operations

The CB's foreign exchange operations prior to the full liberalization of foreign exchange transactions were geared toward the maximization of inflows and the optimization of outlays, effected largely through the close monitoring of invisible transactions to ensure compliance with existing CB regulations.

To pursue this function, the CB evaluated various reports of 17 offshore banking units (OBUs), 31 FCDUs of commercial banks and 15 FCDUs of thrift banks. With respect to licensing and accreditation, the CB certified 109 resident firms as export-oriented invisible earners and granted them authorities to retain a portion of their foreign exchange earnings in a special foreign currency deposit account. It also evaluated and recommended for approval 123 applications/requests of airline companies and general sales agents to withdraw from their respective SDAs and outwardly remit foreign exchange revenues to their respective head offices and/or principals. In addition, it advised all airline companies that the currency declaration requirement was no longer needed starting January 20, 1992. Some 35 authorized foreign exchange agents (tourism-oriented firms) were also asked to surrender to CB their license to operate since this is no longer required under CB Circular No. 1318. The CB also coordinated with the National Bureau of Investigation and other regulatory government agencies on the implementation of CB rules and regulations covering foreign exchange transactions.

During the year, the CB processed and evaluated monthly reports on Foreign Exchange Cash Receipts and Cash Disbursements submitted by 1,205 foreign exchange earners (including banks and overseas contract workers), 1,007 AABs, and 2,317 service exporters. It also closed the FCD accounts of two foreign exchange earners found violating existing regulations (deposits were funded from invisible transactions) which resulted in the surrender for pesos to the banking system of US$45,666.36. Likewise, the CB was able to identify 50 new foreign exchange earners from available sources and through coordination with other government agencies such as the Philippine Overseas and Employment Administration, Department of Tourism and the Securities and Exchange Commission. . The CB examined the books of account of 88 foreign exchange earners which caused the surrender of $6.65 million to the banking system for pesos. The post verification of 55,280 applications for non-trade payments acted upon by AABs resulted in the return to the banking system of excess funds amounting to US$0.1 million.

Meanwhile, the CB evaluated and acted on 579 applications to purchase foreign exchange to cover non-trade transactions, 340 applications for registration of agreements/contract for rendition of consultancy/management/technical services, among others, and

454 applications for the release of imported movie/TV/video films from the custody of the Bureau of Customs. With the strict enforcement of the requisite tax and customs duties payments, a total of P23.8 million of taxes and customs duties were paid by local TV/film distributors.

The issuance of CB Circular No. 1353 on August 24, 1992, which effected the full liberalization of the country's foreign exchange regime, resulted in the refocusing of CB's foreign exchange operations, the main thrust of which was to monitor the impact of the liberalization program.

With regard to swap transactions, the Monetary Board, under Resolution No. 356 dated April 20, 1992, approved the delivery/settlement of outstanding Peso/Dollar Swaps with AABs and the release of the net peso differentials arising therefrom. Under the implementing Circular Letter dated April 14, 1992, swaps totalling US$965.2 million with net peso differentials of P11,932.5 million were unwound in April, June and July 1992. The remaining swap contracts aggregating US$0.631 million have been referred to the CB General Counsel for legal opinion due to conflicting claims over ownership.

Meanwhile, the CB continued to provide forward cover to foreign obligations of public sector obligors under CB Circular 1138, LOI 1442 and Memo-Circular dated December 5, 1983 with blocked peso deposits. Various issuances, specifically those eligible under the 1992 Philippine Debt Buyback Scheme and the refund of the peso equivalent amounting to US$0.9 million had reduced the outstanding level of foreign exchange contracts obligations to US$33.8 million as of end-October 1992, from US$61.7 million in May 1992. On December 29, 1992, the CB assumed various outstanding public sector restructured debts with blocked peso deposits totalling US$22.7 million which resulted to a net peso blocked amount of P235.7 million (US$12.5 million).

The CB likewise initiated changes in the operational procedures concerning foreign exchange transactions, which resulted in higher savings. Specifically, it discontinued the old practice of directly circularizing SWIFT messages to all AABs sent by foreign banks/institutions and instead coursed such messages through the bank associations and the payment of documentary stamp taxes arising from CB's execution/servicing of payment orders/instructions from the ADB, IBRD, IFC, OECF and other foreign financial institutions.

As the fiscal agent of the government, the CB administered the fiscal agency funds of the National Government, its instrumentalities and agencies. During the year, the CB processed and approved a total of 958 FAS applications filed by government agencies/units for the purchase of foreign exchange to cover various invisible payments which amounted to US$64.2 million. This amount, however, represented a 43.0 percent decrease relative to last year's level of US$112.8 million. Of the total amount of FAS applications processed by the CB, 61.9 percent represented remittances for contribution, membership fees, subscriptions, consultancy/professional fees and other miscellaneous invisibles while transactions for the maintenance of diplomatic offices and other agencies abroad represented 36.6 percent of the total. Travel funds and related travel allowances of government officials and personnel accounted for the remainder.

### International Trade Operations

In 1992, significant reforms were put in place to liberalize the country's foreign trade regime. This underscored the need to reorient the CB's international trade operations during the latter part of the year.

During the first half of the year, the CB focused on the review of the country's trade regulations with a view to simplifying and streamlining CB rules governing exports. This effort culminated in the issuance of landmark regulations liberalizing export rules as embodied in Circular Nos. 1348 and 1353 dated July 28 and August 24, 1992, respectively. As a result of these measures, the CB's export operations, which were primarily directed towards the maintenance of an effective monitoring system to ensure full remittance of foreign exchange receipts through banks, were redirected towards trade facilitation. As part of its trade facilitation objective, the CB conducted a wide dissemination program on the liberalized rules and regulations covering export transactions.

While awaiting the full implementation of the liberalized rules on exports, the CB continued to perform its functions of monitoring export transactions to ensure that export prices reflected the fair market value of commodities exported and that foreign exchange proceeds are remitted through the banking system. Relatedly, the CB pre-verified Reports of Foreign Sales (RFS)/Export Declarations (ED)/Applications for Export Permit with Foreign Exchange Proceeds of certain commodities requiring prior CB approval. The CB also pre-verified and approved Export Declarations (Without Foreign Exchange Proceeds) and Mark-Up Computation Reports (MCR), which is a pre-requirement for the issuance of the import authority on consigned raw materials to check possible undervaluation of the processing fees/export billings. The number of these types of transactions verified by the CB registered significant declines, following the liberalization of the export regulations during the second half of the year. Specifically, the number of Export Declarations with Foreign Exchange Proceeds monitored, dropped by 13 percent from 3,780 to 3,287 while that of Export Declaration without Foreign Exchange Proceeds registered a larger decline of 25 percent to 2,343 from 3,123. The number of MCR for consigned exports, pre-verified by the CB declined sharply, by 46 percent to 782 from 1,437.

On the import side, the thrust of operations was similarly towards the review of the CB's import regulations with a view to reducing the cost of effecting imports, and improving access of domestic and export producers to imported inputs. This effort was concluded by the issuance of CB Circular Nos. 1348 and 1353 on July 28 and August 24, 1992, respectively, liberalizing the Bank's import regulations. Likewise, the CB continued the implementation of the second phase of the Import Liberalization Program (ILP). In this regard, the CB took active part in the deliberations of the NEDA Board Committee on Tariff and Related Matters in identifying and preparing the list of items scheduled for liberalization and those that will remain regulated/ prohibited. It also coordinated with other agencies in the drafting of implementing guidelines related to the ILP for the Monetary Board's approval.

As one of the agencies mandated to implement the Global Comprehensive Import Supervision Scheme, the CB participated in the regular weekly meetings with the Bureau of Customs (BOC)-Societe Generale de Surveillance (SGS) Valuation and Classification Committee. This Committee resolves cases involving shipments not covered by SGS Clean Report of Findings (CRF) and importers' appeals on decisions regarding valuation classification. Moreover, the CB coordinated with the BOC in the formulation and issuance of implementing rules on the operation of the CISS.

Prior to the liberalization of import rules, the CB continued to perform its function of monitoring imports under all modes of payments and ascertaining banks'/importers' compliance with import rules through its import post-verification mechanism.

Relatedly, some 5,784 import/release certificate applications filed by AABs/firms and government agencies were evaluated and processed during the year. The CB processed 53 applications for imports under DA/OA arrangements of newly-qualified domestic producers under CB Circular Nos. 1348 and 1368, and acted on 1,130 letter-requests of the BOC for verification/certification of remittance/non-remittance of foreign exchange payments for imports relative to application.

### International Reserve Management

Total reserves of the CB reached a record peak of US$5.2 billion at the end of 1992, up by 16.7 percent from a year earlier. The increase in reserves was brought about primarily by substantial net spot purchases of US dollars from commercial banks and, to an important extent, also by inflows arising from proceeds of foreign grants and loans obtained by the National Government.

The management of the country's international reserves had been geared towards maintaining reserves at a level and mix that would allow the CB to meet any foreseeable demands for foreign exchange. Consistent with this objective, non-gold reserves were kept mainly in the form of short-dated deposits, foreign currency denominated securities, and other investments that could be easily mobilized to meet liquidity requirements while accessing the best possible yields in the market. On the other hand, gold holdings were also very liquid taking into account the active secondary market for gold. Thus, the percentage share of highly liquid foreign exchange assets would actually be over 99 percent of total.

The CB also took utmost care to minimize the country's exposure to exchange rate risk by matching the currency composition of its assets and liabilities. As of end-1992, assets and liabilities were denominated primarily in US dollars (67 percent and 68 percent, respectively) and in Japanese yen (31 percent and 14 percent).

Investments in high quality foreign securities, totalling $2,899 million, were the biggest single component of the CB's reserves during the year, accounting for more than half of the total. Holdings of these assets increased by 55.6 percent from the previous year's level due to higher profit opportunities perceived in fixed income instruments.

Fixed deposit investments were limited by the existing credit limits previously set by management for its foreign counterparties, with counterparties classified as poor credit risks delisted. Consequently, excess funds which could not be placed in time deposits due to credit exposure limits, as well as due to the generally low prevailing deposit rates during the year, were shifted to higher-yielding foreign securities.

Gold's share to total reserves declined to 17.9 percent, from 28.6 percent in 1991, as a result of the significant decline in gold purchases by the CB, with the implementation of Circular No. 1353 allowing primary gold producers to sell their output abroad. Meanwhile, the bearish environment for gold investments during the year--characterized by lack of volatility and general weakness in the spot-gold-market-translated to lower options premia which significantly reduced earnings from this source during the period. During the year, the CB also generated low-cost bridge funding for the collateral requirements under the 1992 Commercial Bank Financing Package through gold-backed loans with accredited counterparties.

Foreign currencies on hand also dropped from a total of US$180 million at the end of 1991 to only US$20 million by the end of 1992 or a decrease of 88.9 percent as a result of the revocation of the arrangement with the commercial banks for the swap of foreign currency notes for balances with foreign depository banks.

Gross income on foreign exchange transactions in 1992 amounted to $627 million, a 50.7 percent increase from the 1991 figure of $416 million. For the most part, this was brought about by the discount earned from the pretermination of CB obligations under the debt buyback program and the income realized from foreign securities. On a net basis, operating income from international operations during the year (exclusive of extraordinary items) amounted to $259 million, a reversal of the previous year's net operating loss of $245 million.

# CB OPERATIONS AS FISCAL AGENT OF THE GOVERNMENT

## Primary Sales of Government Securities

The total outstanding government securities administered by the CB grew by P182.6 billion or 55.0 percent from its year-ago level and amounted to P514.6 billion at end-1992. Of the total outstanding issues, NG securities accounted for the bulk or 84.6 percent (P435.5 billion), followed by CB issues, 14.9 percent (P76.7 billion) and government corporate issues, 0.5 percent (P2.3 billion).

Gross primary issuances aggregated P920.4 billion, up by P309.3 billion or 51.0 percent from the previous year's level of P611.1 billion. These comprised of Treasury bill issues for the regular auction, tap facility and special series sold over the counter to government-owned and -controlled corporations; new flotations of three-year floating rate Treasury Notes (FRTNs); MWSS Angat Bonds; and CB bills. Redemption of matured securities reached P737.8 billion, thus resulting in a net increase of P182.6 billion in outstanding securities during the year.

A series of refinements in the auction mechanism for Treasury bills were adopted during the year. Included in these refinements is the opening of the auction to small investors starting March 1992 through the reduction of the minimum amount/tender on a non-competitive bid from P5 million to P1 million.

Also during the year, the book entry system (BES) for government securities was further expanded to include thrift banks and non-banks performing quasi-banking functions. This raised the number of BES participants to 42 financial institutions. Established in 1991, this system was principally designed to do away with the issuance of physical certificates to buyers/sellers of Treasury issues and thus facilitate transactions involving government securities.

The implementation of the tap facility whereby CB accredited dealers can purchase Treasury bills at the low accepted rates of the preceding auction's offerings continued. Under this facility, the volume of Treasury bills offered was pegged at 50 percent of the preceding auctions's offerings. In 1992, tap availments of Treasury bills reached P47.2 billion.

On the whole, Treasury bill issuances aggregated P600.5 billion and maturities, P477.9 billion or a net increase in outstanding Treasury bills of P122.5 billion in 1992. Of this increase, some P29.2 billion were used to provide income support to CB while P44.8 billion were issued by the NG (through the regular auctions) to support CB's open market operations.

Meanwhile, total FRTNs issued for 1992 amounted to P23.7 billion compared with the P7.8 billion in 1991 or a total outstanding issue of P31.5 billion as of end-1992.

Some P230 million of MWSS Angat Bonds, which constituted the lone government corporate issues for 1992, were sold in April. The sale raised the total outstanding issues of the bonds to P1.4 billion.

New issuances of CB bills amounted to P283.6 billion while redemptions reached P206.9 billion during the year. These transactions raised the outstanding bills issued to the level of P76.7 billion or an increase of 61.4 percent. Note that P44.8 billion of these bills were issued to NG in payment for the Treasury bills which were issued for the CB's open market operations.

Classified by type of investor, banks absorbed 57.4 percent of the total outstanding government securities, public non-banks, 29.9 percent and private non-banks, 12.7 percent.

### Premyo Savings Bond Redemption Program (PSB)

The five-year redemption program for Premyo Savings Bonds (PSBs) which started in September 1988 was completed with the 5th and last scheduled redemption effected in September 1992 which covered PSBs worth P259.5 million. Total redemptions aggregated P1,378 million or 98.3 percent of the total issuance of P1,402 million, leaving some P23.3 million issues still outstanding and redeemable upon surrender of the certificates to the CB.

## OTHER ACTIVITIES

### Gold Refining and Minting

Purchases of gold and silver by the Central Bank Gold Refinery declined substantially in 1992 as a result of the CB decision to temporarily stop purchases of said precious metals. Under MB Resolution No. 136, direct export of primary gold production of Philippine mines and locally-smelted secondary gold/dore had been allowed since February 17, 1992 resulting in expanded outlets of producers. Consequently, raw bullion from primary gold producers, silver dore from the Philippine Associated Smelting and Refining Corporation (PASAR) and panned gold/silver sold to the CB decreased by 47.9 percent, 59.9 percent and 15.4 percent, respectively.

Following this development, refined gold output fell short of the annual target by 41.9 percent and from the 1991 output by 30 percent to 473.5 thousand troy ounces. Meanwhile, silver production reached 1,174.7 thousand troy ounces, exceeding the annual goal by 13.0 percent and previous year's output by 36.4 percent due to the substantial quantity of in-process material at the beginning of the year. The Refinery released to the CB Treasury Department 2,374 good delivery gold bars weighing 953.5 thousand troy ounces and 931 silver 'citybars' weighing 1,001.1 thousand troy ounces partly to beef up the country's international reserve.

In the same year, the Central Bank Mint turned out 505.9 million circulation coins, 1.0 percent higher than the order of 501 million coins from the Cash Department. Coins minted consisted mostly of the new coinage series including 10 million pieces of Special 1-*Piso* to commemorate the 50th anniversary of "Araw ng Kagitingan" and 1.5 million pieces of 2-*Piso* special series to mark the birth centennial of President Manuel A. Roxas. Other outputs of the Mint were 2,000 pieces *(5-Piso, 2-Piso, 1-Piso, 50-Sentimo, 25-Sentimo)* new coinage series of the 1991 Brilliant Uncirculated (BU) coins and 2,000 sets of BU coins of the 1992 series.

The CB Mint also produced the following in 1992: 2,668 pieces of silver medals for the 75th anniversary of the Department of Agriculture; 11,000 pieces of the 30th Chess Olympiad 5-*Piso* commemorative coin; 1,000 pieces of 2-*Piso* BU coins marking the Birth Centennial of President Manuel A. Roxas; and 1,000 pieces of silver medals commemorating the 25th anniversary of the Financial Executive Institute of the Philippines (FINEX).

Currency coins delivered to the Cash Department totalled 477.6 million pieces in various denominations ranging from *1-Sentimo* to *5-Piso* with a face value of P292.5 million.

**Notes and Security Printing**

The Central Bank Security Printing Department produced a total of 746.0 million pieces of banknotes in 1992, lower by 12.8 percent than the 1991 production. Of the 800 million pieces ordered by the Cash Department in 1992, about 98 percent was delivered. Deliveries of banknotes by denomination were distributed as follows: 34 percent in 100-*piso* denomination; 27 percent, 5-*piso*; 34 percent 10-20-50*piso;* and 5 percent in 500 and 1,000 *piso* denominations.

Meanwhile, combined production of regular and special checks to serve banking requirements together with non-check documents for various government agencies, inclusive of unfinished orders in the previous year, increased slightly by 0.2 percent to 134.8 million pieces. This was traced to increased production of regular checks as orders for special checks (consisting mainly of GSIS and SSS continuous form checks) and non-check documents (particularly BIR confirmation receipts and payment orders) declined.

Total production of booklets for passports, Seaman's Service Record Books and Overseas Fisherman's Book rose to 1.5 million pieces or by 36.3 percent from the 1991 level.

**Currency Issuance**

As of end-1992, the net outstanding liability of the Central Bank for currency notes and coins issued stood at P88.3 billion, higher by P7.8 billion or 9.6 percent from the end-1991 level. Average currency issued per month rose to P7.4 billion from P6.7 billion in 1991.

In 1992, a total of P916.6 million *Ang Bagong Lipunan* (ABL) notes were withdrawn from circulation pursuant to the demonetization order under Monetary Board Resolution No. 69 dated January 28, 1992 and implemented by Circular No. 1326. Of this amount, P899.6 million were withdrawn via bank deposits and exchange, while P17.0 million were retired in Honolulu, Hawaii.

On December 15, 1992, the Cash Department started issuing the new, small versions of the P2, P1, P0.50, and P0.25 coin series which still carry the design of the flora and fauna series. During the year, the Cash Department sold 51,471 pieces of commemorative gold, silver and nickel coins amounting to P3.2 million.

**Clearing Operations**

The Manila Clearing Operations Division and 23 regional units cleared in 1992 a total of 46.6 million local and out-of-town (including inter-regional) checks amounting to P806.8 billion. Indicative of the moderate rise in financial transactions, the volume and value of checks cleared increased by 2.2 percent and 7.2 percent, respectively, from the 1991 levels. Daily clearing sessions were participated in by 32 commercial banks, 11 thrift banks, 3 specialized banks, the CB and the NG (Treasurer of the Philippines and Bureau of Posts). Inter-regional clearing operations were likewise conducted in 19 clearing units.

**Loans and Credit Operations**

In 1992, loans granted by the CB including those granted through its regional offices aggregated P23.0 billion, down by P23.6 billion or 50.6 percent from the previous year. The marked decline in loan releases could be attributed principally to the greater market orientation of the rediscount rate, as well as the availability of credit facilities from banks' FCDUs as alternative sources of low-cost funds for exporters.

Classified by institutional borrowers, loans granted to commercial banks accounted for a share of P15.0 billion or 63.6 percent, most of which were allocated for export packing credits covering non-traditional products like manufactured articles and unmanufactured food items. Loans granted to rural banks, which increased by 9.3 percent to P734 million in 1992, financed primarily rice and coconut production. Six rural banks, adversely affected by the Mt. Pinatubo eruptions, availed themselves of emergency loans aggregating P24 million. Similarly, loans granted to thrift banks rose by 17.2 percent to P437 million, and were mainly utilized for agricultural production credits and grains quedan financing. Meanwhile, P6.8 billion of new non-interest bearing advances to the NG which were used to pay for the increase in the government's capital subscription with the IMF were granted towards year-end.

Outstanding loan balances of institutional borrowers with the CB recorded a 15.1 percent expansion to reach P18.1 billion at end-1992. Of this amount, P5.8 billion or 32.0 percent were absorbed by financial institutions, P9.5 billion or 52.5 percent by the NG and local government units, and P2.8 billion or 15.5 percent by the Philippine Deposit Insurance Corporation. Delinquent accounts were reduced to P3.4 billion, or 11.0 percent lower than the arrearages in 1991 due largely to the intensified collection efforts pursued by CB, the adoption of the Countryside Financial Institutions Enhancement Program (CFIEP) and the continued implementation of the rehabilitation program for rural banks. The CFIEP and the rehabilitation program for rural banks, both of which aim to address the arrearages problem of qualified financial institutions and eventually improve their viability, contributed to the reduction of the arrearages of these institutions through debt-equity conversion and restructuring schemes. As of end-1992, outstanding rediscounting arrearages of rural banks which have been converted into equity amounted to P260.8 million.

The CB's income from loans at P1.2 billion in 1992 dropped by 54.6 percent from the previous year due mainly to the low availment rate under the rediscount facility and the downward adjustment of the rediscount rate from 15.5 percent to 14.3 percent effective October 1992.

## Regional Operations

In 1992, the Central Bank through its four regional offices (Cebu, Davao, La Union and Tacloban) and 14 regional units (7 in Luzon, 4 in Visayas, 3 in Mindanao) continued to provide the increasing cash requirements of financial institutions and the general public in the regions. These regional offices/units also engaged in rediscounting, securities marketing and servicing, gold buying and clearing operations.

*Cash and Banking Operations.* Total cash receipts in 1992 amounted to P72.1 billion, higher by 24.9 percent than last year's level. Receipts (in the form of demand deposits from banks, proceeds from the sale of government securities and cash advances from the head office) came mainly from Cebu, Cotabato, Bacolod and Naga. Cash disbursements (cash withdrawals and outgoing cash shipments) likewise rose by 31.2 percent to P66.3 billion. The Cebu regional office accounted for 44.3 percent of the increment in cash disbursements.

Foreign currency receipts likewise expanded by 28.8 percent to P11.7 billion comprised mainly of receipts under the telegraphic transfer swap arrangement under MAAB 12 and foreign currency deposits of banks.

*Rediscounting Operations.* The Central Bank regional offices in Cebu, Davao and La Union granted a total of P1.5 billion of rediscount loans in 1992, down by 46.8 percent from

1991. Of this total, around 74 percent was channelled to the commercial banks. Outstanding loans as of end-1992 at P0.8 billion declined by 26.1 percent from the comparable level a year ago.

*Securities Marketing and Services.* Sales of Treasury bills in 1992 aggregated P24.3 million, down by 42.8 percent from the 1991 level, attributed mainly to the decrease in Treasury bill sales in the Cebu and Davao regional offices. Meanwhile, the repayment/redemption of Treasury bills and CBCIs amounted to P25.4 million.

*Gold Buying Operations.* In 1992, a total of 224.8 thousand troy ounces of gold (valued at P1,961.4 million) were purchased reflecting a 15.3 percent decline from the volume bought last year. Silver purchases, which aggregated 30.3 thousand troy ounces, (valued at P2.6 million) likewise dropped by 75.0 percent since direct export of primary gold production and locally-smelted secondary gold/dore had been allowed under Monetary Board Resolution No. 136.

*Clearing Operations.* A total of 27.9 million checks were cleared by the regional offices in 1992, lower by 17.5 percent last year. These checks valued at P555.6 billion correspondingly declined by 10.2 percent from the 1991 level. Of the total checks cleared, 60.2 percent were checks for local clearing, 35.2 percent for out-of-town clearing, and 4.6 percent for inter-regional clearing.

## International Economic Cooperation

In 1992, the CB continued to participate actively in the various activities of international associations and organizations.

As the year opened, the CB participated in the 27th Conference of Governors of Southeast Asian Central Banks (SEACEN) in Kuala lumpur, Malaysia, from January 17 to 19, 1992. In this meeting an overview of the economic performance of SEACEN economies in 1991 and prospects for 1992 was presented. It was noted that the SEACEN countries managed to post positive growth buoyed by sustained domestic and foreign demand despite the unfavorable external environment. However, the SEACEN Governors noted with deep concern the plight of countries in Eastern Europe and the Commonwealth of Independent States, but hoped that the preoccupation with these countries by developed countries and multilateral institutions would not be at the expense of other developing countries equally requiring assistance from the international community. At the 11th Meeting of the Board of Governors of the SEACEN Research and Training Centre which was held prior to the Governors' annual meeting, the Governors reviewed the progress of activities of the Centre and approved the proposed program of activities as well as the budget of the SEACEN Centre for the calendar year 1992-1993. Likewise, the CB participated in the seminars, training programs, and workshops held during the year, as part of the Bank's commitment to the SEACEN Centre.

In the area of international trade cooperation, the CB remains committed to supporting the ongoing Uruguay Round of Multilateral Trade Negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT). During the year, the CB, which is represented in the Philippine negotiating team, was actively involved in the bilateral negotiations on the liberalization of financial services under the General Agreement on Trade in Services (GATS). In consultation with other concerned government agencies, the CB was able to prepare and submit its offer of initial commitments on financial services, thereby, reaffirming its commitment to the progressive liberalization of trade in financial services. However, the offer list submitted by the CB remains conditional upon satisfactory outcome for the Philippines of the Uruguay Round of Negotiations, including the attainment of a balanced final text of the GATS and its annexes. The CB has made known that it reserves the right to modify, reduce or even withdraw its offer list prior to the conclusion of the negotiations on trade in services on the basis of the extent to which other parties provide mutually acceptable and satisfactory offer of initial commitments and nature of exemptions from the most-favored-nation obligations sought by other parties.

In the area of international monetary cooperation, the CB participated in the meetings and other activities organized by the IMF, the World Bank and its affiliates, and the Asian Development Bank (ADB). As member of these multilateral financial institutions, the Philippine Government, through the CB, was able to negotiate for the availment of credits from its different financing facilities. The CB similarly participated in some training programs, seminars and workshops organized/sponsored by these institutions.

In the ASEAN, the CB continued to provide crucial inputs toward the implementation of the Common Effective Preferential Tariff (CEPT) Arrangement, which was designed to serve as an instrument for the attainment of the ASEAN Free Trade Area (AFTA). Specifically, it supported efforts of the Inter-Agency Working Group on CEPT to identify the tariff lines to be included in the CEPT. In this connection, decision has been made after consultation with the private sector and other government agencies to include some 4,484 tariff lines in the CEPT, as the Philippines' contribution. This represented around 80 percent of the country's total tariff lines of 5,591 based on an eight-digit HS classification. Tariff on 916 items would be reduced to 0-5 percent under the fast track program of tariff reduction adopted by the AFTA Council, while 3,568 items would be covered under the normal track program. Cognizant of the adjustments that would have to be undertaken by domestic industries, the CB supported the move to exclude temporarily (for a maximum period of eight years) some 681 products deemed sensitive. Taken together, these products represent around 12 percent of the total tariff lines. Likewise, the Philippine Government has finalized the 15-year tariff reduction program, consistent with the guidelines formulated by the Philippine Council for ASEAN Cooperation, in which the CB was represented. By March 31, 1993, each ASEAN country is expected to submit and exchange schedule under the annual tariff reduction program of the CEPT.

The CB likewise participated in the Annual Meeting of the Governors of Southeast Asia, New Zealand, and Australia (SEANZA) Central Bank Association held in Japan on November 19 and 20, 1992. The main agenda discussed was the role and responsibility of SEANZA Central Banks in a changing world environment amid the historic events which have taken place such as the German unification, the collapse of the former Soviet Union, and the emerging trend towards market-oriented economies, integrated regional markets, and a deepening of intra-regional interdependence.

The CB was also involved in the Asia Pacific Rural and Agricultural Credit Association (APRACA) which seeks to stimulate agricultural development in the region through cooperation in such areas as credit and related training programs. During the ninth APRACA General Assembly held in Colombo, Sri Lanka in December 1992, the CB was cited for its role as the training arm of APRACA. In the same assembly, a resolution was passed establishing the APRACA Regional Fund with the participants consisting of countries which have already established their Country Fund namely, Malaysia, the Philippines, Sri Lanka, Indonesia, and India. During the meeting of the Executive Committee, the CB participated in the approval of the APRACA work program, appointment of new managing directors for the APRACA agencies, establishment of APRACA representative offices in member countries, scheduling of special events and executives' conferences.

**Training Programs/Technical Assistance**

In 1992, the Central Bank Institute conducted training programs on a wide range of topics covering subject matters such as career and employee development, technical and computer courses, supervisory and managerial competencies, attitudinal and skills enhancement for personnel of the CB and financial institutions under its supervision, as well as for participants from other countries. Informative briefings and seminars were likewise held to meet the immediate needs of the manpower complement of the CB and other sectors. During the year, the CB Institute conducted a total of 56 courses consisting of 186 offerings attended by 7,022 participants, 38 percent of which comprised CB personnel.

Courses on technical and computer subjects included basic and advanced computer audit, basic and intermediate courses on bank examination, accounting, monetary economics and central banking. Career and employee development courses encompassed personal leadership, supervisory and executive development programs and public relations, among others. Courses such as basic rural banking, basic cooperative banking and managerial development for regional office personnel were also offered. Mobile courses on administrative discipline, awareness of leave laws, and appointments preparation were also conducted by the Civil Service Commission for CB personnel.

Courses offered for personnel of banks under CB supervision totalled 16 with 119 offerings, attended by 4,383 participants. These covered basic courses on rural and cooperative banks, stock and non-stock savings and loan associations, as well as on managerial development. A total of 51 sessions on counterfeit detection were offered in Manila and in the regions, attended by 2,022 participants.

In line with efforts to generate foreign currencies through exports, seven offerings of the Expanded Export Financing Seminar were conducted and attended by 157 exporters and potential exporters. The Second ITC-SEACEN workshop on export credit finance, guarantees and insurance attended by local and foreign participants was also coordinated by the Central Bank Institute.

Seminars, symposia and conferences were conducted during the year on various topics such as the creation of a Central Monetary Authority, foreign exchange deregulation and communication and research. Economic briefings were also conducted for bankers, exporters and other interested parties.

Two international courses, namely *Designing and Financing Agribusiness and Promotion Activities for the Rural Sector and the Trainors Training Program,* both sponsored by the APRACA, were offered in Manila and coordinated by the Central Bank Institute. These courses were attended by 40 participants from seven ASEAN countries including the Philippines. Meanwhile, the Central Bank Institute continued its training assistance to other countries by conducting courses on discount operations, archives and records management, agricultural credit and rural banking, among others. Forty participants from foreign banks benefitted from these trainings.

The CB, through its Scholarship Program, extended assistance to 18 of its employees who pursued masteral/doctoral courses, 13 of whom were enrolled in local universities and five in foreign universities. Financial support was also given to 21 grantees under the National Scholarship for Development Program, 18 deserving children of CB employees, and 177 grantees of various non-degree programs sponsored by the government and the private sector. A total of 12 CB employees participated in the Foreign Language Program of the Foreign Service Institute, while 84 personnel attended specialized workshops and seminars outside the country.

## New Committees

In pursuit of its objectives and to cope more effectively with its increasing responsibilities under changing economic and financial developments, the CB reconstituted 15 task forces/committees and created 19 new ones during the year. The new committees and brief description of their functions follow:

1. *Ad-Hoc Committee to Review the Central Bank Regulations on Foreign Trade Transactions (Office Order No. 8, February 4, 1992).* This was created to review foreign trade regulations in the light of recent developments in international trade. After sixty days, the committee was expected to unify and codify the regulations that will henceforth govern all foreign trade transactions in the country.

2. *Ad-Hoc Committee to Formulate a Financial and Operational Restructuring Program for the Central Bank (Office Order No. 9, February 12, 1992).* This was constituted to draw up a plan of action for the financial and operational restructuring of the CB, and draft an enabling legislation to carry it out. It was also tasked to prepare the CB's financial projections for 1992-1996.

3. *Task Force to Allow the Banco Filipino Savings and Mortgage Bank (BF) to Operate (Office Order No. 12, February 24, 1992).* This was constituted to implement the final decision of the Supreme Court to reorganize and to evaluate the financial condition of BF before it is allowed to operate. Initially, it will be under the comptrollership of the CB and Monetary Board until it can continue in business with safety to its depositors, creditors and the general public.

4. *Foreign Exchange Sub-Committee to Clear the Foreign Exchange Position of Banks (Office Order No. 14, February 14, 1992).* This sub-committee was tasked to establish a clear definition of a uniform method of determining the foreign exchange position of banks in coordination with the Bankers Association of the Philippines (BAP).

5. *Inter-Department Study Group (Office Order No. 16, March 2, 1992).* This was organized to examine the merits of a proposed CB membership in the Asian Clearing Union in line with the government's thrust towards liberalization of trade and payment arrangements.

6. *Task Force for the 1992 Commercial Bank Financing Package (Office Order No. 17, March 2, 1992).* This was constituted to make the necessary preparations for the signing in Manila of the agreement with foreign creditor banks on Commercial Bank Financing Package scheduled in mid-April 1992.

7. *Regional Currency Retirement Committee (Office Order No. 19, March 9, 1992).* This was created in the Central Bank Regional Offices in Cebu, Davao and San Fernando, La Union with functions to witness the entire retirement process including the spot audit of mutilated-perforated currency notes up to their destruction and to submit a proper certification apart from the monthly report to the Governor on the mutilated-perforated currency notes destroyed. On the overall, the committee shall be administratively and pecuniarily responsible for any irregularity or infraction of duty resulting in losses or damages to the CB.

8. *Steering Committee on Reorganization and Productivity Improvement (Office Order No. 38, April 15, 1992).* This was formed to formulate policies and guidelines that shall provide overall direction to the study to be conducted by the W.D. Scott, Philippines and its CB counterpart group, on the reorganization and productivity improvement in the CB. The Committee shall report to the Governor its findings and recommendations, as well as guidelines for implementation.

9. *Committee for the Preparation of the Organizational Transition Report for the Central Bank (Office Order No. 40, April 15, 1992).* This was constituted pursuant to the requirement under the Transition Program of the Bank for the incoming administration, to be responsible for the preparation and submission of an Organizational Transition Report for the CB to the Office of the President by end-April 1992.

10. *Inter-Department Committee on the Export Development Fund (EDF) (Office Order No. 41, April 21, 1992).* This committee was organized in connection with the decision of the Monetary Board to approve the loan agreement with the World Bank for the creation of the EDF, which will channel recent financial incentives to direct exporters.

11. *CB Budget Committee (Office Order No. 44, April 22, 1992).* This was constituted to formulate policies/directives in the preparation and evaluation of the CB budget proposals of various departments/offices, and ultimately for submission of the annual CB budget to the Monetary Board.

12. *Ad-Hoc Committee on the Overall Government Securities (Office Order No. 65, June 4, 1992).* This committee was constituted to review and assess the adequacy of existing laws and regulations governing government securities and clarify those deemed outdated/redundant/inadequate in the light of recent developments in connection with the Capital Market Development Loan Fund.

13. *Ad-Hoc Central Bank Committee on Foreign Exchange Liberalization (Office Order No. 72, June 25, 1992).* This was organized to review the adopted policy to liberalize foreign exchange regulations after six months of approval of the revised Manual of Regulations governing non-trade foreign exchange transactions so as to determine whether further liberalization of the rules can be considered.

14. *Ad-Hoc Committee to Oversee and Ensure Orderly Transfer of Cases Handled by the Litigation Investigation Department and the Solicitor General to the Prosecutors Deputized by the Solicitor General (Office Order No. 80, July 13, 1992).* This Committee was constituted to effect close coordination between the Liquidation Investigation Department and the Office of the Solicitor General, and the deputized prosecutors.

15. *Task Force to Work on the Elimination of Float Items in the Books of the Regional Offices and Cash and Clearing Units Which Are Two Years or Over as of December 1991 (Office Order No. 81, July 14, 1992).* This Task Force which shall complete its work within a period of three months, was tasked to come up with a Reconciliation Statement and the appropriate closing entries and recommendations to eliminate the float items.

16. *Task Force to Review and Update the Accounting System in the Regional Offices and in the Various Cash and Clearing Units (Office Order No, 82, July 14, 1992).* This Task Force was created to come up with an updated Accounting Manual Chart of Accounts and Manual of Operations for regional offices and cash and clearing units within a period of 30 days.

17. *Ad-Hoc Group for the Establishment of a Nationwide Central Bank Radio Computer Communication Network (Office Order No. 91, August 10, 1992).* The group was organized to review the requirements as well as draw the criteria/specifications for the procurement and installation of a CB Radio-Computer Communication Network. The group was also tasked to submit recommendations on the procurement process in accordance with existing rules and regulations to the Disbursement Control Committee through the Administrative Department.

18. *Ad-Hoc Committee on Monetary and Foreign Exchange Policy (Office Order No. 99, August 31, 1992).* This committee was created to discuss market conditions and policy issues relating to monetary aggregates and foreign exchange.

19. *Task Force to Resolve Issues Affecting the Pacific Banking Corporation's (PaBC's) Accounts with the Central Bank (Office Order No. 100, September 1992).* This task force

was assigned to submit within 30 days of its constitution, a report of its findings/ recommendations regarding PaBC's account with the CB.

20. *Task Force to Validate the Inventory Listing as of August 15, 1991 of Furnitures and Fixtures Including Equipments Being Used at the Philippine International Convention Center (PICC) (Office Order No. 112, September 23, 1992).* This was created preparatory to the turnover of property accountabilities from the CB to the PICC General Manager. Within a period of 30 days from its constitution, the task force was expected to have completed the validation of the inventory listing of the furniture, fixtures and equipment in use at the PICC as of August 15, 1991.

21. *Technical Committee to Consolidate CB Circulars on Foreign Exchange Regulations (Office Order No. 127, November 17, 1992).* This was headed by the Director of the Foreign Exchange Regulations Department of the CB with the Directors of the other departments under the International Operations Sector as members. The committee was tasked to consolidate the CB circulars on foreign exchange regulations.

## FINANCIAL CONDITION OF THE CENTRAL BANK

THE CENTRAL BANK posted a 10.7 percent annual increase in total resources which amounted to P585.9 billion at end-December 1992 (Table 18). The rise in CB's resources resulted mainly from the P37.5 billion increase in CB holdings of government securities, particularly Treasury bills and Treasury notes and the rise in its international reserves by P9.6 billion or 7.9 percent during the year, sourced primarily from purchases of the excess foreign exchange holdings of commercial banks. In 1992, a portion of CB's international reserves was used to buy US securities which served as collateral to cover the 25-year principal collateralized interest reduction bonds which will have a bullet repayment at year 2017. The purchase of such collateral resulted in the reclassification of some international reserves, e.g., due from foreign banks to foreign exchange receivable. Meanwhile, the CB's Monetary Adjustment Account rose by P17.2 billion or 35.5 percent, reflecting deferred charges/expenses incurred in the printing of currency notes and minting of coins and in the issuance and servicing of CB securities and other domestic obligations.

On the other hand, the contraction in CB's other assets (P7.1 billion or 27.1 percent), which resulted from the drop in the CB's outstanding accounts receivable following the unwinding of its decade-old dollar swap contracts with local commercial banks, partly dampened the expansionary impact of the foregoing developments on CB's resource base. Loans and advances similarly declined by P4.2 billion or 6.1 percent, largely on account of the decrease in CB rediscount credits for exports and other activities due to the availability of other alternative financing schemes. The Revaluation of International Reserves account also dropped by 1.4 percent due to the appreciation of the peso vis-a-vis the dollar and other foreign currencies. Likewise, the Exchange Stabilization Adjustment Account contracted by 1.0 percent, reflecting the amortization of deferred charges lodged in this account in the form of interest expenses, commitment fees and other expenses arising from foreign loan negotiations and availments. The amortization of ESAA was made possible mainly by the income/discount earned by the CB from the various debt reduction schemes implemented during the year.

Outstanding liabilities of the CB rose by 10.7 percent to reach P583.7 billion by end-1992. The build-up in liabilities was primarily in the form of deposits maintained by the National Government, specialized banks and commercial banks with the CB. The increase in CB's contractionary open market operations, actively used during the year to contain the expansionary effect of the purchases of foreign exchange on reserve money, likewise contributed to the rise in CB liabilities recorded under the item "other liabilities". Total currency issued in 1992 rose to P88.3 billion, P7.7 billion or 9.6 percent higher than the total currency issued in the previous year.

Meanwhile, CB's loans payable dropped by P36.3 billion or 27.0 percent following the reduction in CB's medium and long-term foreign liabilities, largely due to the debt buyback operation conducted in May 1992. The Bank's Allocation of Special Drawing Rights (SDRs), generally referred to as international money or international reserve assets allocated to IMF member-countries, exhibited a slight decrease of P0.5 billion as a result of revaluation adjustment. Similarly, CB's Certificates of Indebtedness (CBCIs) dropped by P0.1 billion in 1992.

As of end-December 1992, CB's net worth aggregated P2.2 billion, up by P117.9 million or 5.6 percent from the preceding year's level. The annual growth stemmed from higher levels of undivided profits (9.6 percent), capital reserves (6.0 percent) and surplus (3.6 percent).

Table 18. **STATEMENT OF CONDITION OF THE CENTRAL BANK**
**As of End 1991-1992**
(In Million Pesos)

| Account | 1992 | 1991 | Changes Amount | Changes Percent |
|---|---|---|---|---|
| **Total Assets** | **585,934.0** | **529,161.1** | **56,772.9** | **10.7** |
| International Reserves | 130,159.3 | 120,597.4 | 9,561.9 | 7.9 |
| Foreign Exchange Receivable | 6,886.8 | - | - | - |
| Domestic Securities[1] | 45,539.5 | 8,029.1 | 37,510.4 | 467.2 |
| Loans and Advances | 65,648.4 | 69,900.5 | -4,252.1 | -6.1 |
| Revaluation of International Reserves | 163,977.5 | 166,289.0 | -2,311.5 | -1.4 |
| Monetary Adjustment Account | 65,691.0 | 48,471.6 | 17,219.4 | 35.5 |
| Bank Premises and Other Fixed Assets | 2,044.5 | 1,905.1 | 139.4 | 7.3 |
| Exchange Stabilization Adjustment Account | 86,893.7 | 87,784.2 | -890.5 | -1.0 |
| Other Assets | 19,093.3 | 26,184.2 | -7,090.9 | -27.1 |
| **Total Liabilities and Net Worth** | **585,934.0** | **529,161.1** | **56,772.9** | **10.7** |
| Total Liabilities | 583,713.5 | 527,058.5 | 56,655.0 | 10.7 |
| Currency Issued | 88,315.9 | 80,563.8 | 7,752.1 | 9.6 |
| Deposits | 294,109.8 | 240,002.0 | 54,107.8 | 22.5 |
| Loans Payable | 98,407.3 | 134,733.7 | -36,326.4 | -27.0 |
| Allocations of Special Drawing Rights | 4,008.0 | 4,499.3 | -491.3 | -10.9 |
| CB Certificate of Indebtedness | 2.2 | 2.3 | -0.1 | -4.3 |
| Other Liabilities | 98,870.3 | 67,257.4 | 31,612.9 | 47.0 |
| Total Net Worth | 2,220.5 | 2,102.6 | 117.9 | 5.6 |
| Capital | 10.0 | 10.0 | 0.0 | 0.0 |
| Surplus | 400.9 | 387.1 | 13.8 | 3.6 |
| Donated Surplus | 7.2 | 7.2 | 0.0 | 0.0 |
| Capital Reserves | 1,742.0 | 1,643.2 | 98.8 | 6.0 |
| Undivided Profits | 60.4 | 55.1 | 5.3 | 9.6 |

[1]Including Treasury Notes and Bonds issued against RP-Japan Commodity Loan Agreement

*Sources* : Accounting Department, Central Bank of the Philippines

# APPENDICES

Table A-01. **TEN PRINCIPAL EXPORTS**
**1991-1992**
(FOB Value in Million US Dollars)

| Commodity | 1992 Value | 1992 Percent Distribution | 1991 Value | 1991 Percent Distribution |
|---|---|---|---|---|
| **Total Exports** | **9,824** | **100.0** | **8,840** | **100.0** |
| 1. Semi-Conductor Devices | 874 | 8.9 | 848 | 9.6 |
| 2. Consigned Finished Electronic and Electrical Mach. Equipment & Parts | 485 | 4.9 | 407 | 4.6 |
| 3. Coconut Oil (Crude & Refined) | 481 | 4.9 | 299 | 3.4 |
| 4. Consigned Women's Wear | 404 | 4.1 | 350 | 4.0 |
| 5. Electronic Microcircuits | 374 | 3.8 | 292 | 3.3 |
| 6. Consigned Children's & Infants Wear | 360 | 3.7 | 337 | 3.8 |
| 7. Articles of Apparel of Textile Fabrics | 345 | 3.5 | 272 | 3.1 |
| 8. Consigned Men's Wear | 325 | 3.3 | 286 | 3.2 |
| 9. Ignition Wiring Sets | 262 | 2.7 | 178 | 2.0 |
| 10. Copper Metal | 217 | 2.2 | 222 | 2.5 |
| Total Ten Principal Exports | 4,127 | 42.0 | 3,491 | 39.5 |
| Others | 5,697 | 58.0 | 5,349 | 60.5 |

*Source:* National Statistics Office (NSO)

Table A-02. **TEN PRINCIPAL IMPORTS**
**1991-1992**
(FOB Value In Million US Dollars)

| Commodity | 1992 Value | 1992 Percent Distribution | 1991 Value | 1991 Percent Distribution |
|---|---|---|---|---|
| **Total Imports** | **14,520** | **100.0** | **12,051** | **100.0** |
| 1. Mineral Fuels, Lubricants & Related Materials | 2,050 | 14.1 | 1,784 | 14.8 |
| 2. Machinery Other Than Electric | 1,803 | 12.4 | 1,198 | 9.9 |
| 3. Electrical Machinery, Apparatus and Appliances | 1,521 | 10.5 | 1,221 | 10.1 |
| 4. Transport Equipment | 910 | 6.3 | 680 | 5.6 |
| 5. Base Metal | 885 | 6.1 | 734 | 6.1 |
| 6. Explosives & Miscellaneous Chemical Materials & Products | 529 | 3.6 | 467 | 3.9 |
| 7. Chemical Elementa & Compounds | 466 | 3.2 | 437 | 3.6 |
| 8. Cereal & Cereal Preparations | 301 | 2.1 | 226 | 1.9 |
| 9. Textile Fibers Not Manufactured into Thread and Yarn | 183 | 1.3 | 172 | 1.4 |
| 10. Manufactures of Metal | 176 | 1.2 | 146 | 1.2 |
| Total Ten Principal Imports | 8,824 | 60.8 | 7,065 | 58.6 |
| Others | 5,696 | 39.2 | 4,986 | 41.4 |

*Source:* National Statistics Office (NGO)

Table A-03. **MONTHLY VALUES OF EXPORTS AND IMPORTS 1991-1992**
(FOB Value in Million Dollars)

| Month | 1992 Exports | 1992 Imports | 1991 Exports | 1991 Imports |
|---|---|---|---|---|
| **Total** | **9,824** | **14,520** | **8,840** | **12,051** |
| January | 662 | 1,030 | 636 | 950 |
| February | 715 | 1,032 | 663 | 1,095 |
| March | 899 | 1,165 | 742 | 1,077 |
| April | 666 | 1,197 | 710 | 897 |
| May | 812 | 1,187 | 688 | 983 |
| June | 836 | 1,089 | 768 | 938 |
| July | 851 | 1,166 | 794 | 1,026 |
| August | 913 | 1,399 | 741 | 967 |
| September | 873 | 1,336 | 764 | 988 |
| October | 860 | 1,331 | 757 | 1,023 |
| November | 824 | 1,255 | 751 | 1,110 |
| December | 913 | 1,325 | 826 | 997 |

*Source:* National Statistics Office

Table A-04. **DIRECTION OF TRADE**
**1991-1992**
(FOB Value in Million US Dollars)

| Entries | 1992 Import | 1992 Percent Distribution | 1992 Export | 1992 Percent Distribution | 1991 Import | 1991 Percent Distribution | 1991 Export | 1991 Percent Distribution |
|---|---|---|---|---|---|---|---|---|
| **Total** | **14,520** | **100.0** | **9,824** | **100.0** | **12,051** | **100.0** | **8,840** | **100.0** |
| United States | 2,620 | 18.0 | 3,832 | 39.0 | 2,426 | 20.1 | 3,144 | 35.6 |
| Japan | 3,078 | 21.2 | 1,738 | 17.7 | 2,347 | 19.5 | 1,763 | 19.9 |
| European Economic Community | 1,703 | 11.7 | 1,859 | 18.9 | 1,247 | 10.3 | 1,642 | 18.6 |
| Middle East Countries | 1,567 | 10.8 | 208 | 2.1 | 1,240 | 10.3 | 149 | 1.7 |
| ASEAN | 1,349 | 9.3 | 521 | 5.3 | 1,104 | 9.2 | 617 | 7.0 |
| Socialist Countries | 358 | 2.5 | 127 | 1.3 | 328 | 2.7 | 152 | 1.7 |
| Other Countries | 3,845 | 26.5 | 1,544 | 15.7 | 3,359 | 27.9 | 1,373 | 15.5 |

*Source:* National Statistics Office (NSO)

Table A-05. **PURCHASES AND SALES OF FOREIGN EXCHANGE BY THE CENTRAL BANK 1990-1991**
(In Million US Dollars)

| Period | Total (2 to 4) (1) | Purchases From Commercial Banks Spot (2) | Swap (3) | Others[1] (4) | Total (6 to 8) | Sales To Commercial Banks Spot (6) | Swap (7) | Others[2] (8) | Net (1-5) (9) |
|---|---|---|---|---|---|---|---|---|---|
| **1991** | **5,326.41** | **5,245.60** | **0.00** | **80.81** | **2,787.45** | **2,769.36** | **0.00** | **18.09** | **2,538.96** |
| Jan | 226.23 | 212.62 | 0.00 | 13.61 | 300.61 | 294.92 | 0.00 | 5.69 | -74.38 |
| Feb | 244.34 | 237.27 | 0.00 | 7.07 | 273.64 | 273.28 | 0.00 | 0.36 | -29.30 |
| Mar | 293.22 | 282.99 | 0.00 | 10.23 | 224.80 | 224.48 | 0.00 | 0.32 | 68.42 |
| Apr | 828.29 | 816.70 | 0.00 | 11.58 | 287.93 | 287.01 | 0.00 | 0.92 | 540.35 |
| May | 726.37 | 723.49 | 0.00 | 2.88 | 270.34 | 270.30 | 0.00 | 0.04 | 456.03 |
| Jun | 440.37 | 431.47 | 0.00 | 8.90 | 233.71 | 228.83 | 0.00 | 4.88 | 206.66 |
| Jul | 304.24 | 301.18 | 0.00 | 3.06 | 235.83 | 229.95 | 0.00 | 5.88 | 68.41 |
| Aug | 266.52 | 261.27 | 0.00 | 5.25 | 209.23 | 209.23 | 0.00 | 0.00 | 57.29 |
| Sep | 385.62 | 381.38 | 0.00 | 4.24 | 161.52 | 161.52 | 0.00 | 0.00 | 224.10 |
| Oct | 470.13 | 468.49 | 0.00 | 1.64 | 226.52 | 226.52 | 0.00 | 0.00 | 243.61 |
| Nov | 543.28 | 539.53 | 0.00 | 3.75 | 166.98 | 166.98 | 0.00 | 0.00 | 376.30 |
| Dec | 597.81 | 589.21 | 0.00 | 8.60 | 196.34 | 196.34 | 0.00 | 0.00 | 401.47 |
| **1992** | **4,712.93** | **4,642.80** | **0.00** | **70.13** | **2,380.60** | **1,627.47** | **727.90** | **25.23** | **2,332.33** |
| Jan | 685.70 | 670.24 | 0.00 | 15.46 | 261.38 | 267.38 | 0.00 | 0.00 | 418.32 |
| Feb | 599.59 | 593.56 | 0.00 | 6.03 | 182.24 | 182.24 | 0.00 | 0.00 | 417.35 |
| Mar | 589.79 | 574.39 | 0.00 | 15.40 | 151.35 | 151.35 | 0.00 | 0.00 | 438.44 |
| Apr | 318.12 | 307.43 | 0.00 | 10.69 | 791.40 | 186.33 | 591.19 | 13.88 | -473.28 |
| May | 204.00 | 201.80 | 0.00 | 2.20 | 281.25 | 281.24 | 0.00 | 0.01 | -77.25 |
| Jun | 346.89 | 342.88 | 0.00 | 4.01 | 293.40 | 248.31 | 50.09 | 0.00 | 48.49 |
| Jul | 472.10 | 466.23 | 0.00 | 5.87 | 312.44 | 225.82 | 86.62 | 0.00 | 159.66 |
| Aug | 65.34 | 59.25 | 0.00 | 6.09 | 45.57 | 35.16 | 0.00 | 10.41 | 19.77 |
| Sep | 440.64 | 438.68 | 0.00 | 1.96 | 33.24 | 33.24 | 0.00 | 0.00 | 407.40 |
| Oct | 375.55 | 373.18 | 0.00 | 2.37 | 0.40 | 0.40 | 0.00 | 0.00 | 375.15 |
| Nov. | 244.83 | 244.83 | 0.00 | - | 16.93 | 16.00 | 0.00 | 0.93 | 227.90 |
| Dec. | 370.38 | 370.33 | 0.00 | 0.05 | 0.00 | - | 0.00 | 0.00 | 370.38 |

[1] Includes transactions relative to (a) Foreign Currency Deposits to Commercial Bank and (b) Exports of Secondary Gold per Circular No. 602
[2] Includes transactions relative to (a) Withdrawal from Foreign Currency Deposits of Commercial Banks; and (b) Deliveries of Forward Commitments (i.e., Oil, NSC, Circular No. 970, etc.)

*Source of Basic Data:* Central Bank of the Philippines

Table A-06. **CENTRAL BANK PORTFOLIO CREDITS OUTSTANDING**
**As of End 1991-1992**
(In Million Pesos)

| Item | 1992p | 1991 |
|---|---|---|
| **Total** | **111,187.9** | **77,929.6** |
| 1. Loans and Advances | 65,648.4 | 69,900.5 |
| A. Budgetary & Subscription Payment Loans | 8,180.1 | 1,401.6 |
| B. Rediscounting[1] | 7,143.4 | 11,544.0 |
| C. Repurchase Agreements | 150.2 | 200.2 |
| D. CFBP Loans[2] | 29,089.7 | 34,871.9 |
| E. APEX Loans | 323.4 | 429.8 |
| F. IBRD Loans[3] | 219.3 | 226.4 |
| G. Overdrafts[4] | 12,780.3 | 12,716.5 |
| H. Advances under various debt restructuring schemes | 4,978.2 | 5,714.2 |
| I. Others | 2,783.8 | 2,795.9 |
| 2. Domestic Securities[5] | 45,539.5 | 8,029.1 |
| A. PW and ED Bonds[6] | 3.7 | 3.7 |
| B. Treasury Notes | 15,504.1 | 3,044.7 |
| C. Treasury Bonds | 4,449.4 | 4,729.9 |
| D. Capital/Treasury Bonds | - | - |
| E. Premyo Savings/ | - | |
| Biglang Bahay Bonds | - | - |
| F. Capital/Treasury Notes | - | - |
| G. Treasury Capital Bonds | - | - |
| H. Treasury Bills | 25,364.6 | 14.9 |
| I. Others | 217.7 | 235.9 |

[1]Includes rediscount loans to PNB and DBP transferred to the National Government.
[2]Consolidated Foreign Borrowings Program
[3]International Bank for Reconstruction and Development
[4]Net of Special Account Balances
[5]Including Treasury Notes and Bonds issued against RP-Japan Commodity Loan Agreement
[6]Public Works and Economic Development Bonds

*Source:* Department of Economic Research-Domestic, Central Bank of the Philippines

Table A-07. **OUTSTANDING CENTRAL BANK REDISCOUNT LOANS AND EMERGENCY ADVANCES BY INSTITUTION**[1]
**As of End 1991-1992**
(In Million Pesos)

| Institution | 1992p | 1991 | Percent Distribution 1992p | Percent Distribution 1991 |
|---|---|---|---|---|
| **Total** | **5,802** | **9,827** | **100.0** | **100.0** |
| 1. Commercial Banks | 3,117 | 6,949 | 53.7 | 70.7 |
| 2. Specialized Banks | - | 1 | - | - |
| 3. Thrift banks | 282 | 331 | 4.9 | 3.4 |
| 4. Rural banks | 2,237 | 2,304 | 38.6 | 23.4 |
| 5. Non-Banks | 166 | 242 | 2.9 | 2.5 |

[1] Excluding loans to the National Government (budgetary loans), subscription payments to international financial institutions and loans to PNB and DBP which were transferred to the National Government.

*Source:* Department of Loans and Credit, Central Bank of the Philippines

Table A-08. **OUTSTANDING CENTRAL BANK REDISCOUNT LOANS TO COMMERCIAL & RURAL BANKS, BY CATEGORY**
**As of End 1991-1992**
(In Million Pesos)

| Institution | 1992p | 1991 | Percent Distribution 1992 | Percent Distribution 1991 |
|---|---|---|---|---|
| **Total** | **5,354** | **9,253** | **100.0** | **100.0** |
| 1. Commercial Banks | 3,117 | 6,949 | 58.2 | 75.1 |
| a. Rice and Corn | - | - | - | - |
| b. Exports | 1,905 | 4,955 | 35.6 | 53.6 |
| c. Emergency | 747 | 1,076 | 14.0 | 11.6 |
| d. Others | 465 | 918 | 8.7 | 9.9 |
| 2. Rural Banks | 2,237 | 2,304 | 41.8 | 24.9 |
| a. Masagana 99 | 229 | 236 | 4.3 | 2.6 |
| b. Supervised Credit | 715 | 783 | 13.4 | 8.5 |
| c. Non-Supervised Credit | 948 | 934 | 17.7 | 10.1 |
| d. Emergency | 6 | 6 | 0.1 | 0.1 |
| e. Others | 339 | 345 | 6.3 | 3.7 |

*Source:* Department of Loans and Credit, Central Bank of the Philippines

Table A-09. **SECTORAL DISTRIBUTION OF LOANS OUTSTANDING OF COMMERCIAL BANKS[1], BY INDUSTRY**
**As of End-September 1991-1992**
(In Million Pesos)

| Sector | 1992 | 1991 | Percent Distribution 1992 | 1991 |
|---|---|---|---|---|
| **Total** | **236,116.8** | **204,051.4** | **100.0** | **100.0** |
| Agriculture, Fishery and Forestry | 23,212.0 | 17,964.4 | 9.8 | 8.8 |
| Mining & Quarrying | 13,129.4 | 13,498.0 | 5.6 | 6.6 |
| Manufacturing | 90,524.0 | 86,178.7 | 38.3 | 42.2 |
| Electricity, Gas & Water | 1,567.2 | 1,532.1 | 0.7 | 0.8 |
| Construction | 6,027.1 | 4,588.8 | 2.6 | 2.2 |
| Trade | 47,284.8 | 37,057.6 | 20.0 | 18.2 |
| Transport, Storage & Communication | 9,252.1 | 8,892.5 | 3.9 | 4.4 |
| Financing, Insurance & Business Services | 21,900.8 | 15,370.4 | 9.3 | 7.5 |
| Real Estate | 8,787.4 | 7,787.6 | 3.7 | 3.8 |
| Community, Social & Personal Services | 14,432.0 | 11,181.3 | 6.1 | 5.5 |

[1] Data reflect the expanded coverage of commercial banks

*Source:* Department of Economic Research-Domestic, Central Bank of the Philippines

Table A-10. **REGIONAL DISTRIBUTION OF LOANS OUTSTANDING OF COMMERCIAL BANKS**[1]
**As of End-September 1991-1992**
(In Million Pesos)

| Region | | 1992 | 1991 | Percent Distribution 1992 | 1991 |
|---|---|---|---|---|---|
| **Total** | | **236,116.8** | **204,051.6** | **100.0** | **100.0** |
| National Capital Region | | 190,909.0 | 166,375.2 | 80.9 | 81.5 |
| I | Ilocos & Mountain Province | 2,486.5 | 2,292.0 | 1.1 | 1.1 |
| II | Cagayan Valley | 3,149.0 | 1,548.8 | 1.3 | 0.8 |
| III | Central Luzon | 5,811.0 | 5,858.1 | 2.5 | 2.9 |
| IV | Southern Tagalog | 5,825.7 | 3,562.0 | 2.5 | 1.7 |
| V | Bicol Region | 1,861.5 | 1,458.4 | 0.8 | 0.7 |
| VI | Western Visayas | 7,216.8 | 7,155.8 | 3.1 | 3.5 |
| VII | Central Visayas | 10,256.5 | 8,242.7 | 4.3 | 4.0 |
| VIII | Eastern Visayas | 717.6 | 651.7 | 0.3 | 0.3 |
| IX | Western Mindanao | 839.5 | 720.0 | 0.4 | 0.4 |
| X | Northern Mindanao | 2,570.6 | 2,514.2 | 1.1 | 1.2 |
| XI | Southern Mindanao | 3,815.3 | 3,034.6 | 1.6 | 1.5 |
| XII | Central Mindanao | 657.8 | 638.1 | 0.3 | 0.3 |

[1] Data reflect the expanded coverage of commercial banks

*Source:* Department of Economic Research-Domestic, Central Bank of the Philippines

Table A-11. **LOANS OUTSTANDING OF THRIFT BANKS, BY PURPOSE**
**As of End-November 1991-1992**
(In Million Pesos)

| Sector | 1992p | 1991 | Percent Distribution 1992 | 1991 |
|---|---|---|---|---|
| **Total** | **31,934.2** | **26,601.6** | **100.0** | **100.0** |
| Agricultural | 2,288.2 | 1,623.9 | 7.2 | 6.1 |
| Commercial | 6,024.8 | 4,175.5 | 18.9 | 15.7 |
| Industrial | 3,376.7 | 2,461.7 | 10.6 | 9.3 |
| Real Estate | 8,720.8 | 6,709.2 | 27.3 | 25.2 |
| Consumption | 5,036.9 | 4,581.2 | 15.8 | 17.2 |
| Others | 6,486.8 | 7,050.1 | 20.3 | 26.5 |

*Sources:* Department of Economic Research-Domestic and Supervisory Reports and Corporate Analysis Department, Central Bank of the Philippines.

Table A-12. **LOANS OUTSTANDING OF SAVINGS BANKS, BY REGION**
**As of End-June 1991-1992**
(In Million Pesos)

| Region | | 1992 | 1991 | Changes Amount | Changes Percent |
|---|---|---|---|---|---|
| **Total** | | **19,698.9** | **14,530.1** | **5,168.8** | **35.6** |
| National Capital Region | | 19,476.1 | 14,402.8 | 5,073.3 | 35.2 |
| I | Ilocos & Mt. Province | 0.3 | - | 0.3 | - |
| II | Cagayan Valley | 45.2 | 0.2 | 45.0 | 225.0 |
| III | Central Luzon | 12.6 | 4.7 | 7.9 | 168.1 |
| IV | Southern Tagalog | 104.2 | 27.6 | 76.6 | 277.5 |
| V | Bicol Region | - | - | - | - |
| VI | Western Visayas | - | - | - | - |
| VII | Central Visayas | 60.5 | 94.8 | -34.3 | -36.2 |
| VIII | Eastern Visayas | - | - | - | - |
| IX | Western Mindanao | - | - | - | - |
| X | Northern Mindanao | - | - | - | - |
| XI | Southern Mindanao | - | - | - | - |
| XII | Central Mindanao | - | - | - | - |

*Source:* Department of Economic Research-Domestic, Central Bank of the Philippines

Table A-13. **TOTAL LOANS OUTSTANDING OF PRIVATE DEVELOPMENT BANKS BY REGION**
As of End-June 1991-1992
(Amount In Million Pesos)

| Region | | 1992 Total | 1992 Percent Share | 1991 Total | 1991 Percent Share | Changes Amount | Changes Percent |
|---|---|---|---|---|---|---|---|
| **Total** | | **7,591.6** | **100.0** | **6,098.9** | **100.0** | **1,492.7** | **24.5** |
| National Capital Region | | 5,051.1 | 66.5 | 3,742.6 | 61.4 | 1,308.5 | 35.0 |
| I | Ilocos & Mt. Province | 27.6 | 0.4 | 24.9 | 0.4 | 2.7 | 10.8 |
| II | Cagayan Valley | - | - | - | - | - | - |
| III | Central Luzon | 283.3 | 3.7 | 273.4 | 4.5 | 9.9 | 3.6 |
| IV | Southern Tagalog | 1,414.3 | 18.6 | 1,498.2 | 24.6 | -83.9 | -5.6 |
| V | Bicol Region | 37.0 | 0.5 | 32.4 | 0.5 | 4.6 | 14.2 |
| VI | Western Visayas | 158.4 | 2.1 | 129.6 | 2.1 | 28.8 | 22.2 |
| VII | Central Visayas | 143.6 | 1.9 | 75.2 | 1.2 | 68.4 | 91.0 |
| VIII | Eastern Visayas | 8.4 | 0.1 | 3.0 | 0.0 | 5.4 | 180.0 |
| IX | Western Mindanao | - | - | - | - | - | - |
| X | Northern Mindanao | 340.9 | 4.5 | 253.9 | 4.2 | 87.0 | 34.3 |
| XI | Southern Mindanao | 127.0 | 1.7 | 65.7 | 1.1 | 61.3 | 93.3 |
| XII | Central Mindanao | - | - | - | - | - | - |

*Source:* Department of Economic Research-Domestic, Central Bank of the Philippines

Table A-14. **LOANS OUTSTANDING OF SPECIALIZED GOVERNMENT BANKS[1], BY PURPOSE**
**As of End-June 1991-1992**
(In Million Pesos)

| Item | 1992 | 1991 | Percent Distribution 1992 | 1991 |
|---|---|---|---|---|
| **Total** | **19,013.3** | **12,006.9** | **100.0** | **100.0** |
| Agricultural | 1,989.1 | 1,233.8 | 10.5 | 10.3 |
| Commercial | 43.3 | 26.4 | 0.2 | 0.2 |
| Industrial | 12,896.7 | 8,056.5[r] | 67.8 | 67.1 |
| Real Estate | 1,714.4 | 1,078.0[r] | 9.0 | 9.0 |
| Consumption | 0.4 | 0.6 | - | - |
| Others[2] | 2,369.4 | 1,611.6 | 12.5 | 13.4 |

[1]Consisting of the Development Bank of the Phil. and the Amanah Islamic Bank, Inc.
[2]Financing, insurance, business services and others
[a]After transfer of selected assets and liabilities of one specialized government bank to the National Government
[r]Revised to reflect DBP's correction on its real estate loans outstanding which was previously incorporated in industrial loans outstanding.

*Source:* Department of Economic Research-Domestic, Central Bank of the Philippines

Table A-15. **LOANS OUTSTANDING OF RURAL BANKS BY PURPOSE**
**As of End-September 1991-1992**
(In Million Pesos)

| Item | 1992 | 1991 | Percent Distribution 1992 | 1991 |
|---|---|---|---|---|
| **Total** | **12,259.5** | **10,376.5** | **100.0** | **100.0** |
| Agricultural | 7,555.0 | 6,632.7 | 61.6 | 63.9 |
| Commercial | 1,639.2 | 1,344.6 | 13.4 | 13.0 |
| Industrial | 497.0 | 376.3 | 4.1 | 3.6 |
| Others | 2,568.3 | 2,022.9 | 20.9 | 19.5 |

*Source:* Supervisory Reports and Corporate Analysis Department, Central Bank of the Philippines.

Table A-16. **WEIGHTED AVERAGE INTEREST RATES 1991-1992**
(In Percent Per Annum)

| Type | Nominal 1992 | Nominal 1991 | Real[6] 1992 | Real[6] 1991 |
|---|---|---|---|---|
| I. Borrowing Rates of Banks | | | | |
| a. WAIR on Interbank[1] | 16.693 | 15.659 | 7.793 | -3.041 |
| b. Savings Deposits[2] | 10.568 | 11.043 | 1.668 | -7.657 |
| c. Time Deposits (All Maturities) | 14.057 | 18.542 | 5.157 | -0.158 |
| d. Manila Reference Rate (MRR) | | | | |
| 60 Days | 15.000 | 19.125 | 6.100 | 0.425 |
| 90 Days | 14.250 | 18.250 | 5.350 | -0.450 |
| 180 Days | 14.250 | 18.250 | 5.350 | -0.450 |
| All Maturities | 14.812 | 17.812 | 5.912 | -0.888 |
| II. Lending Rates[3] (All Maturities) | 19.428 | 23.458 | 10.528 | 4.758 |
| III. Central Bank Rates | | | | |
| f. R/P (Term) | 19.155 | 11.893 | 10.255 | -6.807 |
| g. Reverse R/P (Term) | 10.944 | 13.652 | 2.044 | -5.048 |
| h. Overdrafts[4] | 22.289 | 22.346 | 13.389 | 3.646 |
| i. Emergency Loans and Advances[4] | 18.570 | 23.929 | 9.670 | 5.229 |
| j. Rediscounts[5] | 15.200 | 14.000 | 6.300 | -4.700 |
| IV. Central Bank Bills/Treasury Bills | | | | |
| k. CB Bills (All Maturities) | 14.811 | 20.271 | 5.911 | 1.571 |
| l. Treasury Bills (All Maturities) | 17.007 | 22.489 | 8.107 | 3.789 |

[1] Data furnished by CB Treasury Office
[2] Weighted average interest rates paid by sample commercial banks on all types of savings deposits including special interest rates paid on large-sized deposits.
[3] Weighted average interest rates of sample banks' interest incomes on their outstanding peso-denominated demand/time loans, bills discounted, mortgage contract receivables and restructured loans.
[4] Average prescribed rates
[5] Average rediscount rate for the year. The prescribed rediscount rate was raised from 14 percent to 15.5 percent in January 1992, and lowered to 14.3 percent in October 1992.
[6] Nominal rates less the average inflation rate for the year

*Sources:* Treasury Department and Department of Economic Research - Domestic Central Bank of the Philippines

Table A-17. **WEIGHTED AVERAGE INTEREST RATES ON DEPOSITS AND LOANS OF SAMPLE COMMERCIAL BANKS, 1991-1992**
(In Percent Per Annum)

| Period | | Savings Deposits[1] | Time Deposits | | | | Loans[2] |
|---|---|---|---|---|---|---|---|
| | | | 1 Year Below | > 1 Year to 2 Years | Over 2 Years | All Maturities | All Maturities |
| 1991 | Jan | 14.508 | 25.383 | 17.282 | 25.977 | 25.407 | 27.934 |
| | Feb | 12.328 | 21.086 | 8.802 | 21.294 | 21.104 | 25.440 |
| | Mar | 12.622 | 20.901 | 16.354 | 20.170 | 20.874 | 25.820 |
| | Apr | 10.984 | 19.888 | 14.319 | 19.901 | 19.884 | 24.825 |
| | May | 11.117 | 17.767 | 15.801 | 17.998 | 17.758 | 24.464 |
| | Jun | 10.788 | 16.930 | 13.585 | 16.185 | 16.890 | 21.321 |
| | Jul | 10.212 | 15.722 | 12.466 | 16.033 | 15.735 | 21.577 |
| | Aug | 10.234 | 16.375 | 10.921 | 16.417 | 16.376 | 20.771 |
| | Sep | 10.184 | 15.618 | 10.013 | 17.077 | 15.694 | 22.322 |
| | Oct | 10.399 | 18.105 | 17.437 | 18.012 | 18.099 | 22.287 |
| | Nov | 9.515 | 18.517 | 12.446 | 18.040 | 18.490 | 21.896 |
| | Dec | 11.221 | 18.897 | 14.054 | 18.019 | 18.856 | 23.006 |
| 1992 | Jan | 10.408 | 18.139 | 13.964 | 17.971 | 18.126 | 22.749 |
| | Feb | 10.314 | 16.874 | 15.334 | 17.026 | 16.882 | 20.558 |
| | Mar | 9.840 | 14.748 | 14.264 | 14.869 | 14.754 | 22.090 |
| | Apr | 9.871 | 13.953 | 12.684 | 13.898 | 13.944 | 19.652 |
| | May | 9.457 | 13.920 | 10.202 | 13.937 | 13.779 | 19.782 |
| | Jun | 8.574 | 12.861 | 12.068 | 12.957 | 12.866 | 18.936 |
| | Jul | 10.917 | 13.295 | 12.967 | 13.949 | 13.346 | 18.540 |
| | Aug | 11.526 | 13.034 | 14.697 | 12.734 | 13.008 | 18.158 |
| | Sep | 10.991 | 13.248 | 13.365 | 14.191 | 13.317 | 18.985 |
| | Oct | 11.826 | 13.144 | 13.321 | 13.662 | 13.173 | 18.723 |
| | Nov | 11.279 | 12.899 | 15.160 | 13.164 | 13.014 | 17.580 |
| | Dec | 11.741 | 12.939 | 13.492 | 12.942 | 12.941 | 18.167 |

[1] Weighted average interest rates (WAIR) refers to the annual percentage equivalent of the 10 sample commercial banks actual monthly interest expenses on peso-savings deposits to the total monthly average levels of outstanding peso savings deposits.

[2] WAIR refers to the annual percentage equivalent of the 10 sample commercial banks' actual monthly interest incomes on peso-denominated loans to the total monthly averages of outstanding peso-denominated demand/time loans, bills discounted, mortgage contract receivables and restructured loans.

*Source:* Department of Economic Research-Domestic, Central Bank of the Philippines

Table A-18. **REAL INTEREST RATES**[1]
**1992**
(In Percent Per Annum)

| Month | Lending Rates (All Maturities) | Savings Deposit Rates | Time Deposit Rates (All Maturities) |
|---|---|---|---|
| January | 11.949 | -0.392 | 7.326 |
| February | 11.658 | 1.414 | 7.982 |
| March | 13.290 | 1.040 | 5.954 |
| April | 10.952 | 1.171 | 5.244 |
| May | 10.582 | 0.257 | 4.579 |
| June | 9.736 | -0.626 | 3.666 |
| July | 9.340 | 1.717 | 4.146 |
| August | 9.258 | 2.626 | 4.108 |
| September | 10.485 | 2.491 | 4.817 |
| October | 10.023 | 3.126 | 4.473 |
| November | 9.080 | 2.779 | 4.514 |
| December | 10.067 | 3.641 | 4.841 |

[1] Real interest rates correspond to the difference between nominal interest rates (weighted average interest rates) and annual inflation rates.

*Sources:* Department of Economic Research-Domestic, Central Bank of the Philippines and National Statistics Office

Table A-19. **NUMBER OF FINANCIAL INSTITUTIONS**
**As of End-December 1991-1992**

| Institution | 1992 | | | 1991 | | |
|---|---|---|---|---|---|---|
| | Total | Head office | Branches | Total | Head office | Branches |
| **Total** | **8,780** | **4,498** | **4,282** | **7,861** | **4,238** | **3,623** |
| Commercial Banks | 2,361 | 33 | 2,328 | 1,989 | 32 | 1,957 |
| Thrift Banks | 718 | 98 | 620 | 663 | 101 | 562 |
| Specialized Government Banks | 77 | 2 | 75 | 76 | 2 | 74 |
| Rural Banks | 1,140 | 787 | 353 | 1,063 | 784 | 279 |
| Non-Bank Financial Institutions[1] | 4,484 | 3,578 | 906 | 4,070 | 3,319 | 751 |

[1]Includes non-stock savings and loan associations, mutual building and loan associations and private insurance companies.

*Source:* Supervisory Reports and Corporate Analysis Department, Central Bank of the Philippines

Table A-20. **OUTSTANDING DEPOSITS OF THE BANKING SYSTEM**
**As of End-November 1991-1992**
(In Million Pesos)

| Item | 1992p | | | | 1991 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Demand | Savings | Time | Total | Demand | Savings | Time |
| **By Institution** | **475,780.4** | **45,821.9** | **281,703.6** | **148,254.9** | **381,521.8** | **37,587.4** | **216,848.9** | **127,085.5** |
| 1. Commercial Banks* | 414,544.0 | 43,667.0 | 248,818.0 | 122,059.0 | 333,357.0 | 36,003.0 | 188,325.0 | 109,029.0 |
| 2. Thrift Banks | 37,934.1 | 672.2 | 23,792.5 | 13,469.4 | 31,265.5 | 638.3 | 19,525.0 | 11,102.2 |
| a. Savings Banks | 24,911.7 | 512.6 | 16,881.4 | 7,517.7 | 20,493.5 | 510.0 | 13,694.9 | 6,288.6 |
| b. Private Development Banks | 8,794.4[a] | 159.6 | 4,822.1 | 3,812.7 | 7,127.3 | 128.3 | 3,992.0 | 3,007.0 |
| c. Stock Savings and Loan Associations | 4,228.0[b] | - | 2,089.0 | 2,139.0 | 3,644.7 | - | 1,838.1 | 1,806.6 |
| 3. Specialized Government Banks** | 13,213.8 | 1,436.9 | 2,993.6 | 8,783.3 | 8,352.0 | 905.5 | 3,521.1 | 3,925.4 |
| 4. Rural Banks | 10,088.5[b] | 45.8 | 6,099.5 | 3,943.2 | 8,547.3 | 40.6 | 5,477.8 | 3,028.9 |

[a]As of October 1992
[b]As of September 1992
*Commercial banks - Including the Land Bank of the Philippines
**Spl. Govt. Banks - Consisting of DBP & AIB

*Sources:* Department of Economic Research-Domestic and Supervisory Reports and Corporate Analysis Department, Central Bank of the Philippines

Table A-21. **FOREIGN CURRENCY DEPOSIT SYSTEM FINANCIAL HIGHLIGHTS**
**End 1991-1992**
(In Million US Dollars)

| Item | 1992 | 1991 |
|---|---|---|
| **Assets** | **5,780** | **4,511** |
| Deposits with the Central Bank | 140 | 565 |
| Deposits with Banks | 1,675 | 1,397 |
| Interbank loans receivable | 533 | 690 |
| Loans and discounts (net) | 1,697 | 741 |
| Receivable from H.O./Branches/Agencies Abroad | 243 | 298 |
| Other Assets | 1,492 | 820 |
| **Liabilities** | **5,749** | **4,479** |
| Deposits | 4,372 | 3,159 |
| Bills Payable | 313 | 571 |
| Payable to H.O./Branches/Agencies Abroad | 636 | 319 |
| Payable to the Central Bank | 0 | 124 |
| Other Liabilities | 428 | 306 |
| **Net Worth** | **31** | **32** |
| Undivided profits | 31 | 28 |
| Surplus | 0 | 4 |
| Earnings and Expenses: | | |
| Gross Earnings | 280 | 381 |
| Expenses | 213 | 316 |
| Net Earnings (After Tax) | 66 | 65 |

*Source:* Foreign Exchange Operations and Investments Department, Central Bank of the Philippines

Table A-22. **PHILIPPINE OFFSHORE BANKING SYSTEM FINANCIAL HIGHLIGHTS 1991-1992**
(In Million US Dollars)

| Item | 1992 | 1991 |
|---|---|---|
| **Assets** | **2,047** | **1,954** |
| Deposit with Banks | 928 | 1,120 |
| Offshore | 431 | 302 |
| Onshore | 497 | 818 |
| Loans | 839 | 773 |
| Non-residents | 52 | 56 |
| Residents | 787 | 717 |
| Other Assets | 280 | 61 |
| **Liabilities** | **2,047** | **1,954** |
| Deposits of non-banks | 67 | 82 |
| Deposit with Banks | 1,888 | 1,826 |
| Offshore | 1,351 | 1,442 |
| Onshore | 537 | 384 |
| Other liabilities | 92 | 46 |
| Earnings and Expenses: | | |
| Gross Earnings | 149 | 212 |
| Expenses | 119 | 174 |
| Net Earnings (After Tax) | 30 | 38 |

*Source:* Foreign Exchange Regulations Department, Central Bank of the Philippines

Table A-23. **CAPITAL INVESTMENTS OF NEWLY-REGISTERED BUSINESS ORGANIZATIONS BY INDUSTRY January-September 1991-1992**
(In Million Pesos)

| Industry | 1992 | 1991 | Percent Change |
|---|---|---|---|
| Total | 12,117.0 | 10,096.0 | 20.0 |
| Agriculture, Fishery and Forestry | 183.0 | 133.0 | 37.6 |
| Mining & Quarrying | 71.0 | 72.0 | -1.4 |
| Manufacturing | 2,411.0 | 1,962.0 | 22.9 |
| Construction | 843.0 | 548.0 | 53.8 |
| Electricity, Gas & Water | 96.0 | 26.0 | 269.2 |
| Wholesale and Retail Trade | 3,250.0 | 2,845.0 | 14.2 |
| Financing, Insurance, Real Estate & Business Services | 3,046.0 | 2,625.0 | 16.0 |
| Transportation, Storage & Communication | 892.0 | 545.0 | 63.7 |
| Community, Social & Personal Services | 1,325.0 | 1,340.0 | -1.1 |

*Sources:* Securities and Exchange Commission and Department of Trade and Industry

Table A-24. **STOCK MARKET TRANSACTIONS**
**1991-1992**
(Volume in Million Shares/Value in Million Pesos)

| | 1992 | | 1991 | | Percent Changes | |
|---|---|---|---|---|---|---|
| | **Volume** | **Value** | **Volume** | **Value** | **Volume** | **Value** |
| **Total** | **816,112** | **108,945** | **279,582** | **39,405** | **191.9** | **176.5** |
| Commercial & Industrial | 8,692 | 85,958 | 5,608 | 32,131 | 55.0 | 167.5 |
| Mining | 99,973 | 3,102 | 42,802 | 1,293 | 133.6 | 139.9 |
| Oil | 707,447 | 19,885 | 231,172 | 5,981 | 206.0 | 232.5 |

*Sources:* Department of Economic Research-Domestic, Central Bank of the Philippines and Makati and Manila Stock Exchanges.

Table A-25. **PUBLIC INTERNAL DEBT OUTSTANDING[1]**
**As of End 1991-1992**
(In Million Pesos)

| Item | 1992$^{p}$ | 1991 | Percent Change |
|---|---|---|---|
| **Internal Debt (In Million Pesos)** | **529,225** | **340,801** | **55.3** |
| National Government | 445,569 | 286,591 | 55.5 |
| Local Governments | - | - | - |
| Government Corporations | 6,989 | 6,701 | 4.3 |
| Guaranteed | 3,886 | 3,503 | 10.9 |
| Non-Guaranteed | 3,103 | 3,198 | -3.0 |
| Monetary Authority | 76,667 | 47,509 | 61.4 |

[1]Excludes domestic debt of the Philippine National Bank and Development Bank of the Philippines transferred to the National Government

*Sources:* Government Securities Department, Department of Loans and Credit, Central Bank of the Philippines; Development Bank of the Philippines; Land Bank of the Philippines and the Bureau of Treasury, Department of Finance.

Table A-26a. **GROSS NATIONAL PRODUCT BY INDUSTRIAL ORIGIN 1990-1992**
(In Million Pesos, At Constant 1985 Prices)

| Item | 1992 | 1991 | 1990 | Percentage Change 1991-92 | Percentage Change 1990-91 |
|---|---|---|---|---|---|
| 1. Agriculture, Fishery & Forestry | 160,809 | 162,193 | 160,734 | -0.9 | 0.9 |
| 2. Industrial Sector | 249,060 | 250,190 | 258,078 | -0.5 | -3.1 |
| a. Mining & Quarrying | 11,322 | 10,770 | 11,091 | 5.1 | -2.9 |
| b. Manufacturing | 181,339 | 183,111 | 183,925 | -1.0 | -0.4 |
| c. Construction | 36,048 | 35,700 | 42,639 | 1.0 | -16.3 |
| d. Electricity, Gas & Water | 20,351 | 20,609 | 20,423 | -1.3 | 0.9 |
| 3. Services (Tertiary Sector) | 302,463 | 300,206 | 298,443 | 0.8 | 0.6 |
| a. Transportation, Communication & Storage | 42,141 | 41,407 | 41,217 | 1.8 | 0.5 |
| b. Trade | 104,461 | 102,877 | 101,354 | 1.5 | 1.5 |
| c. Finance & Housing | 69,756 | 69,356 | 70,114 | 0.6 | -1.1 |
| d. Other Services | 86,105 | 86,566 | 85,758 | -0.5 | 0.9 |
| Private | 49,531 | 49,273 | 49,353 | 0.5 | -0.2 |
| Government | 36,574 | 37,293 | 36,405 | -1.9 | 2.4 |
| Gross Domestic Product | 712,332 | 712,589 | 717,255 | -0.04 | -0.7 |
| Net Factor Income from Abroad | 14,783 | 10,020 | 3,700 | 47.5 | 170.8 |
| Gross National Product | 727,115 | 722,609 | 720,955 | 0.6 | 0.2 |

*Source:* Economic and Social Statistics Office, NSCB

Table A-26b. **GROSS NATIONAL PRODUCT BY EXPENDITURE 1990-1992**
(In Million Pesos, At Constant 1985 Prices)

| Item | 1992 | 1991 | 1990 | Percentage Change | |
|---|---|---|---|---|---|
| | | | | 1991-92 | 1990-91 |
| 1. Personal Consumption Expenditures | 560,824 | 543,637 | 531,772 | 3.2 | 2.2 |
| 2. Government Consumption | 54, 968 | 57,432 | 57,042 | -4.3 | 0.7 |
| 3. Capital Formation | 150,731 | 139,855 | 162,645 | 7.8 | -14.0 |
| a. Fixed Capital | 148,477 | 138,745 | 157,034 | 7.0 | -11.6 |
| Construction | 59,618 | 57,575 | 69,113 | 3.5 | -16.7 |
| Durable Equipment | 77,497 | 69,922 | 76,976 | 10.8 | -9.2 |
| b. Increase in Stocks | 2,254 | 1,110 | 5,611 | 103.1 | -80.2 |
| 4. Exports | 226,197 | 234,152 | 219,703 | -3.4 | 6.6 |
| 5. Less: Imports | 295,780 | 264,889 | 269,148 | 11.7 | -1.6 |
| 6. Statistical Discrepancy | 15,392 | 2,402 | 15,241 | 540.8 | -84.2 |
| Gross Domestic Product | 712,332 | 712,589 | 717,255 | -0.0 | -0.7 |
| Net Factor Income from Abroad | 14,783 | 10,020 | 3,700 | 47.5 | 170.8 |
| Gross National Product | 727,115 | 722,609 | 720,955 | 0.6 | 0.2 |

*Source:* Economic and Social Statistics Office, NSCB

Table A-27. **SELECTED LABOR, EMPLOYMENT AND WAGE INDICATORS[1] 1990-1992**

| | 1992 | 1991 | 1990 | Percent Change 1992/ 1991 | Percent Change 1991/ 1990 |
|---|---|---|---|---|---|
| Employment Status | | | | | |
| Labor Force (In Thousands) | 26,290 | 25,630 | 24,244 | 2.6 | 5.7 |
| Employed | 23,766 | 22,939 | 22,212 | 3.6 | 3.3 |
| Unemployed | 2,524 | 2,691 | 2,032 | -6.2 | 32.4 |
| Employment Rate | 90.4 | 89.5 | 91.6 | | |
| Unemployment Rate | 9.6 | 10.5 | 8.4 | | |
| Overseas Employment (deployed) | 686,457 | 615,019 | 446,095 | 11.6 | 37.9 |
| Land-based | 549,651 | 489,260 | 334,883 | 12.3 | 46.1 |
| Sea-based | 136,806 | 125,759 | 111,212 | 8.8 | 13.1 |
| Strikes | | | | | |
| Number of new strikes declared | 115 | 151 | 183 | -23.8 | -17.5 |
| Number of workers involved (In Thousands) | 44 | 50 | 68 | -12.0 | -26.5 |
| Legislated Daily Wage Rates in Nominal Terms | | | | | |
| Agricultural (In Pesos) | | | | | |
| Plantation | 85.58-121.33 | 85.58-118.77 | .. | | |
| Non-Plantation | 63.38-105.63 | 63.38-105.63 | .. | | |
| Non-Agricultural (In Pesos) | | | | | |
| National Capital Region (NCR) | 127.83 | 127.83 | .. | | |
| Areas Outside NCR | 96.42-122.42 | 96.42-122.42 | .. | | |
| Legislated Daily Wage Rates at 1988 Prices | | | | | |
| Agricultural (In Pesos) | | | | | |
| Plantation | 45.67-84.08 | .. | .. | | |
| Non-Plantation | 33.82-64.84 | .. | .. | | |
| Non-Agricultural (In Pesos) | | | | | |
| National Capital Region (NCR) | 75.11 | .. | .. | | |
| Areas Outside NCR | 51.45-84.08 | .. | .. | | |

[1] Preliminary annual average of quarter data as of the October 1992 Labor Force Survey of the National Statistics Office

*Source of Basic Data:* Department of Labor and Employment, Philippine Overseas Employment Administration and National Statistics Office

Table A-28. **CONSUMER PRICE INDEX IN THE PHILIPPINES, NATIONAL CAPITAL REGION (NCR) AND ALL AREAS OUTSIDE NCR 1991-1992**
(1988=100)

| | Philippines | | | National Capital Region | | | All Areas Outside NCR | | |
|---|---|---|---|---|---|---|---|---|---|
| **Commodity Group** | **1992** | **1991** | **Percent Change** | **1992** | **1991** | **Percent Change** | **1992** | **1991** | **Percent Change** |
| All Items | 165.6 | 152.0 | 8.9 | 172.3 | 153.6 | 12.2 | 163.5 | 151.5 | 7.9 |
| Food, Beverages & Tobacco | 157.3 | 147.2 | 6.9 | 154.8 | 144.6 | 7.1 | 157.9 | 147.9 | 6.8 |
| Non-Food | 177.3 | 158.9 | 11.6 | 188.8 | 162.2 | 16.4 | 172.2 | 157.4 | 9.4 |
| Clothing | 155.8 | 140.6 | 10.8 | 146.5 | 131.8 | 11.2 | 158.1 | 142.9 | 10.6 |
| Housing and Repairs | 187.6 | 159.6 | 17.5 | 213.1 | 168.0 | 26.8 | 170.2 | 143.8 | 18.4 |
| Fuel, Light & Water | 183.1 | 173.3 | 5.7 | 184.6 | 176.6 | 4.5 | 182.6 | 172.0 | 6.2 |
| Services | 183.6 | 171.4 | 7.1 | 176.7 | 166.4 | 6.2 | 186.6 | 173.6 | 7.5 |
| Miscellaneous | 158.8 | 140.0 | 13.4 | 156.9 | 136.2 | 15.2 | 159.3 | 141.0 | 13.0 |

*Source:* National Statistics Office (NSO)

Table A-29. **FLOW OF FUNDS SUMMARY MATRIX, BY SECTOR**
**1991[p]**
(In Million Pesos)

| Sectors / Transaction Categories | WHOLE ECONOMY — Domestic Economy — Households & Non-Corporate Business[1] Uses | Sources | Private Corporations Uses | Sources | Government[2] Uses | Sources | Financial Intermediaries[3] Uses | Sources | Total Uses | Sources | Rest of the World Uses | Sources | All Sectors Uses | Sources | National Saving & Investment Uses | Sources |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross Savings | | 127,824 | | 42,244 | | 38,680 | | 32,303 | | 241,051 | | 20,304 | | 261,355 | | 241,051 |
| Capital Consumption | | 66,183 | | 25,655 | | 13,395 | | 4,626 | | 109,859 | | | | 109,859 | | 109,859 |
| Net Savings | | 61,641 | | 16,589 | | 25,285 | | 27,677 | | 131,192 | | 20,304 | | 151,496 | | 131,192 |
| Gross Investment | 127,824 | | 42,244 | | 38,680 | | 32,303 | | 241,051 | | 20,304 | | 261,355 | | 241,051 | |
| Real Investment | 65,083 | | 108,961 | | 105,816 | | 13,028 | | 292,888 | | 0 | | 292,888 | | 292,888 | |
| Consumer Durables | 9,560 | | | | | | | | 9,560 | | | | 9,560 | | 9,560 | |
| Real Estate/Fixed Assets | 84,979 | | 87,786 | | 94,309 | | 13,210 | | 280,284 | | | | 280,284 | | 280,284 | |
| Inventory | -29,456 | | 21,175 | | 11,507 | | -182 | | 3,044 | | | | 3,044 | | 3,044 | |
| Net Financial Investment | 94,274 | | -66,717 | | -67,136 | | 19,275 | | -20,304 | | 20,304 | | 0 | | -20,304 | |
| Total Financial Uses | 87,836 | | 59,083 | | 55,687 | | 197,559 | | 400,165 | | 52,831 | 452,996 | | 400,165 | | |
| Total Financial Sources | | -6,438 | | 125,800 | | 122,823 | | 178,284 | | 420,469 | | 32,527 | 0 | 452,996 | 420,169 | |
| Gold & Foreign Exchange Holdings | | | | | | | -12,526 | | -12,526 | 0 | | -12,526 | -12,526 | -12,526 | -12,526 | 0 |
| Foreign Currency Deposits | | | | | | | -4,226 | 953 | -4,226 | 953 | 953 | -4,226 | -3,273 | -3,273 | -4,226 | 953 |
| Foreign Loans | | | | 37,073 | | 28,687 | 1,870 | -42,470 | 1,870 | 23,290 | 23,290 | 1,870 | 25,160 | 25,160 | 1,870 | 23,290 |
| Other Foreign Claims | | | | | | | 47,409 | 28,588 | 47,409 | 28,588 | 28,588 | 47,409 | 75,997 | 75,997 | 47,409 | 28,588 |
| Domestic Currency | -11,757 | | 8 | | 11,339 | | 7,660 | 7,250 | 7,250 | 7250 | | | 7,250 | 7,250 | 7,250 | 7,250 |
| Demand Deposits | 68,608 | | 308 | | 12,465 | | 10,932 | 92,313 | 92,313 | 92,313 | | | 92,313 | 92,313 | 92,313 | 92,313 |
| Savings & Time Deposits | 50,106 | | -156 | | 3,921 | | -2,298 | 51,573 | 51,573 | 51,573 | | | 51,573 | 51,573 | 51,573 | 51,573 |
| Deposit Substitutes | -8,611 | | 7,786 | | 709 | | | -116 | -116 | -116 | | | -116 | -116 | -116 | -116 |
| Domestic Loans | | 1,294 | 5,063 | 39,453 | 5,378 | 23,361 | 58,062 | 4,395 | 68,503 | 68,503 | | | 68,503 | 68,503 | 68,503 | 68,503 |
| Investment/Securities | -29,482 | | 26,855 | 15,932 | 12,363 | 58,933 | 77,383 | 12,254 | 87,119 | 87,119 | | | 87,119 | 87,119 | 87,119 | 87,119 |
| Insurance Reserves | 18,142 | | 240 | | | | -345 | 18,036 | 18,036 | 18,036 | | | 18,036 | 18,036 | 18,036 | 18,036 |
| Trust Funds | 830 | | -59 | | | | 2 | 773 | 773 | 773 | | | 773 | 773 | 773 | 773 |
| Trade Credits | | -2,594 | 7,789 | 26,181 | 7,530 | -7,840 | 1,561 | 1,133 | 16,880 | 16,880 | | | 16,880 | 16,880 | 16,880 | 16,880 |
| Taxes Payable | | | 944 | 920 | -3,298 | -247 | -1 | -3,028 | -2,355 | -2,355 | | | -2,355 | -2,355 | -2,355 | -2,355 |
| Inter-Financial Claims | | | | | | | -14,572 | -14,572 | -14,572 | -14,572 | | | -14,572 | -14,572 | -14,572 | -14,572 |
| Inter-Government Claims | | | | | 8,148 | 8,148 | | | 8,148 | 8,148 | | | 8,148 | 8,148 | 8,148 | 8,148 |
| Miscellaneous | | -5,138 | 10,305 | 6,241 | -2,868 | 11,781 | 26,649 | 21,202 | 34,086 | 34,086 | | | 34,086 | 34,086 | 34,086 | 34,086 |
| Statistical Discrepancy | -31,533 | | | | | | | | -31,533 | | | | -31,533 | 0 | -31,533 | |

[p]Preliminary
[1]Derived as residual
[2]National, Local & Owned or Controlled Corporations
[3]Includes Government Financial Institutions

Table A-29. **FLOW OF FUNDS SUMMARY MATRIX, BY SECTOR**
**1991**[r]
(In Million Pesos)

| Sectors / Transaction Categories | WHOLE ECONOMY — Domestic Economy — Households & Non-Corporate Business[1] Uses | Households & Non-Corporate Business[1] Sources | Private Corporations Uses | Private Corporations Sources | Government[2] Uses | Government[2] Sources | Financial Intermediaries[3] Uses | Financial Intermediaries[3] Sources | Total Uses | Total Sources | Rest of the World Uses | Rest of the World Sources | All Sectors Uses | All Sectors Sources | National Saving & Investment Uses | National Saving & Investment Sources |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross Savings | | 126,249 | | 14,645 | | 59,540 | | 30,639 | | 231,073 | | -6,352 | | 224,721 | | 231,073 |
| Capital Consumption | | 93,336 | | -10,467 | | 18,519 | | 1,116 | | 102,504 | | | | 102,504 | | 102,504 |
| Net Savings | | 32,913 | | 25,112 | | 41,021 | | 29,523 | | 128,569 | | -6,352 | | 122,217 | | 128,569 |
| Gross Investment | 126,249 | | 14,645 | | 59,540 | | 30,639 | | 231,073 | | -6,352 | | 224,721 | | 231,073 | |
| Real Investment | 40,642 | | 107,121 | | 93,841 | | 9,969 | | 251,573 | | 0 | | 251,573 | | 251,573 | |
| Consumer Durables | 4,812 | | | | | | | | 4,812 | | | | 4,812 | | 4,812 | |
| Real Estate/Fixed Assets | 52,199 | | 94,857 | | 88,039 | | 9,549 | | 244,644 | | | | 244,644 | | 244,644 | |
| Inventory | -16,369 | | 12,264 | | 5,802 | | 420 | | 2,117 | | | | 2,117 | | 2,117 | |
| Net Financial Investment | 112,459 | | -92,476 | | -34,301 | | 20,670 | | 6,352 | | -6,352 | | 0 | | 6,352 | |
| Total Financial Uses | 63,004 | | 29,409 | | 75,369 | | 194,933 | | 362,715 | | 54,637 | | 417,352 | | 362,715 | |
| Total Financial Sources | | -49,455 | | 121,885 | | 109,670 | | 174,263 | | 356,363 | | 60,989 | 0 | | 417,352 | 356,363 |
| Gold & Foreign Exchange Holdings | | | | | | | 3,985 | | 3,985 | 0 | | 3,985 | 3,985 | 3,985 | 3,985 | 0 |
| Foreign Currency Deposits | | | | | | | 14,181 | -4,579 | 14,181 | -4,579 | -4,579 | 14,181 | 9,602 | 9,602 | 14,181 | -4,579 |
| Foreign Loans | | | | 56,704 | | 19,994 | 4,948 | -13,720 | 4,948 | 62,978 | 62,978 | 4,948 | 67,926 | 67,926 | 4,948 | 62,978 |
| Other Foreign Claims | | | | | | | 37,875 | -3,762 | 37,875 | -3,762 | -3,762 | 37,875 | 34,113 | 34,113 | 37,875 | -3,762 |
| Domestic Currency | 4,976 | | 83 | | 14,041 | | -9,209 | 9,891 | 9,891 | 9,891 | | | 9,891 | 9,891 | 9,891 | 9,891 |
| Demand Deposits | 14,865 | | 4,945 | | 18,108 | | -78 | 37,340 | 37,340 | 37,340 | | | 37,340 | 37,340 | 37,340 | 37,340 |
| Savings & Time Deposits | 30,560 | | 11,694 | | 2,492 | | 1,040 | 45,786 | 45,786 | 45,786 | | | 45,786 | 45,786 | 45,786 | 45,786 |
| Deposit Substitutes | -6,475 | | -3,027 | | 6,619 | | | -2,883 | -2,883 | -2,883 | | | -2,883 | -2,883 | -2,883 | -2,883 |
| Domestic Loans | | 169,083 | -1,410 | 4,942 | 1,310 | -6,586 | 174,912 | 7,373 | 174,812 | 174,812 | | | 174,812 | 174,812 | 174,812 | 174,812 |
| Investment/Securities | 4,979 | | -7,611 | 30,994 | 16,162 | 52,832 | 120,223 | 49,927 | 133,753 | 133,753 | | | 133,753 | 133,753 | 133,753 | 133,753 |
| Insurance Reserves | 14,570 | | 2,214 | | | | -185 | 16,599 | 16,599 | 16,599 | | | 16,599 | 16,599 | 16,599 | 16,599 |
| Trust Funds | 29 | | -111 | | | | -1 | -83 | -83 | -83 | | | -83 | -83 | -83 | -83 |
| Trade Credits | | -25,724 | 18,784 | 21,407 | -4,294 | 18,678 | 378 | 507 | 14,868 | 14,868 | | | 14,868 | 14,868 | 14,868 | 14,868 |
| Taxes Payable | | | 759 | -373 | 2,273 | | -1 | 3,404 | 3,031 | 3,031 | | | 3,031 | 3,031 | 3,031 | 3,031 |
| Inter-Financial Claims | | | | | | | -185,320 | -185,320 | 185,320 | 185,320 | | | 185,320 | 185,320 | 185,320 | 185,320 |
| Inter-Government Claims | | | | 11,852 | 11,852 | | | | 11,852 | 11,852 | | | 11,852 | 11,852 | 11,852 | 11,852 |
| Miscellaneous | | -192,814 | 3,089 | 8,211 | 6,806 | 12,900 | 32,185 | 213,783 | 42,080 | 42,080 | | | 42,080 | 42,080 | 42,080 | 42,080 |
| Statistical Discrepancy | -26,852 | | | | | | | | 26,852 | | | | -26,852 | 0 | -26,852 | |

[r]Revised
[1]Derived as residual
[2]National, Local & Owned or Controlled Corporations

## TRADE

1. *Circular-Letter - January 8, 1992.* Reminds all Authorized Agent Banks (AABs) that importation of machinery/equipment and spare parts for the modernization, rehabilitation or rationalization of the pulp and paper, coconut, iron and steel, textile and cement industries as well as diesel engine manufacture no longer requires the prior approval of the Board of Investments.

2. *Circular-Letter - January 15, 1992.* Provides the implementing guidelines on export retention rules under Circular No. 1319 regarding the retention of foreign exchange authorized for deposit in Special Foreign Currency Deposit Accounts (SFCDA).

3. *Circular-Letter - January 27, 1992.* Reminds all authorized agent banks to comply with the provisions of Section 8 of CB Circular No. 1029 that the importation of fish and fish preparations listed in Annex 1 of MAAB No. 1 dated June 10, 1990, requires the prior clearance from the Bureau of Fish and Aquatic Resources.

4. *Memorandum - January 28, 1992.* Informs all commercial banks and all concerned that the effectivity date of the global Comprehensive Import Supervision Scheme (CISS) is March 16, 1992. It also amends the Clean Report of Findings (CRF) requirement clause in the letters of credit to be opened for goods subject to inspection.

5. *Circular-Letter - February 18, 1992.* Informs all authorized agent banks that they may issue release certificate covering importation of used trucks and other transport equipment regulated by the Inter-Agency Committee on Used Trucks and Engines without clearance from the IAC-UTE, Bureau of Import Services.

6. *Circular No. 1331 - March 9, 1992.* Abolishes the requirement from every exporter to submit the Report of Foreign Sales (RFS) in line with the policy liberalizing foreign exchange regulations. However, the circular clarifies that if under existing export regulations of the CB, an RFS covering traditional export products requires CB approval prior to shipment, Authorized Agent Banks (AABs) shall continue to refer to the CB the covering Export Declaration, instead of the RFS for such purpose.

7. *Circular No. 1334 - April 1, 1992.* Amends Circular No. 1319 dated January 3, 1992 to allow exporters to use their Special Foreign Currency Deposit Account (SFCDA) for any purpose, and to require authorized agent banks concerned to submit to the CB Export Department a monthly report on all SFCDA transactions.

8. *Circular No. 1337 - April 27, 1992.* Lists all the commodities for importation which no longer require the prior approval of the government agency concerned.

9. *Circular No. 1338 - April 28, 1992.* Establishes the following rules on export retention for service exporters: (a) Any service exporter may retain a maximum of 40 percent of his foreign exchange receipts from services rendered in a Special Foreign Currency Deposit Account (SFCDA) with any Authorized Agent Bank (AAB) in the Philippines; (b) the SFCDA may be used freely for any purpose by the service exporter concerned; (c) the AAB concerned shall submit to the CB Foreign Exchange Regulations Department a monthly report on all SFCDA opened and closed, as well as the aggregate outstanding balance of all SFCDAs maintained with said AAB as of the end of the report month, within 10 banking days after each report month; (d) a service exporter who opts to open an SFCDA under this Circular shall not be allowed to open a Special Deposit Account under Section 5 of CB Circular No. 1318 unless he closes the former account or vice-versa.

10. *Circular No. 1340 - May 22, 1992.* Puts into immediate effect the deletion of a Bureau of Customs Certificate of Short-Shipment covering the negotiation and payment through authorized agent banks (AABs) of export shipments which are less that indicated in the covering Export Declaration, provided that the Bill of Lading/Air Waybill and signed Commercial Invoice which shall continue to be required, shall be the basis for negotiation and payment through the AABs insofar as actual quantity shipped is concerned.

11. *Circular No. 1341 - May 25, 1992.* Amends Book I, II, and IV of the Manual of Regulations for banks and Other Financial Intermediaries specifically Section 1284 (Book I), Section 2284 (Book II) and Section 42840 Book (IV) in connection with the policy on the minimum trading lot. The Circular amends the rule on commingling of funds by stating that no bank performing quasi-banking functions shall issue deposit substitute instruments in the name of two or more persons or accounts except (a) husband and wife; (b) persons related within the second degree of consanguinity; and (c) "in trust for" (ITF) agreement - in which cases, commingling may be allowed.

12. *Memorandum to Authorized Agent Banks - June 29, 1992.* Enjoins Authorized Agent Banks not to entertain, until further notice, import or export applications to any entity in the Federal Republic of Yugoslavia (Servia and Montenegro).

13. *Circular No. 1347 - July 27, 1992.* Stipulates that the importation of certain commodities such as spare parts for cars, trucks, utility vehicles, motorcycles, brand new trucks and engines; raw materials; parts and components of consumer electronic products; animal and animal effects; used vehicles; antibiotics, among others, no longer require the prior approval of the concerned government agency.

14. *Circular No. 1348 - July 28, 1992.* Adopts and promulgates the revised rules and regulations governing foreign trade transactions. The highlights of the changes include the following:

a. In the case of imports, (1) streamlining of import classification; (2) liberalization of the modes of import payments; (3) removal of the requirement for prior CB approval for imports which are self-funded, or paid on consignment or under a no-dollar basis; (4) simplification of certain procedures and the delisting of specified transactions from the list which need prior CB approval.

b. In the case of exports, (1) liberalization of the modes of payments; (2) lengthening of the period for inward remittance of export proceeds from 90 days to 180 days; (3) increase in the ceilings on the value of samples/specimens and gifts/donations that may be exported/ brought out of the country without need for prior CB approval and other no-dollar exports such as tourist purchases and exhibit items; (4) grant to constructive exports similar treatment as that given to regular exports; and (5) simplification of procedural and reportorial requirements.

15. *Memorandum - July 29, 1992.* Exempts from the SGS preshipment inspection importations by member firms of the automotive wiring harness industry.

16. *Circular-Letter - August 13, 1992.* Informs all authorized agent banks that the Department of Foreign Affairs has delisted Bulgaria, Cambodia, Cuba, Romania and the New Independent States from the list of socialist and other centrally-planned countries. As such, exports to and import from said countries no longer require clearance from the Philippine International Trading Center (PITC).

17. *Memorandum - August 24, 1992.* Exempts all importations of semiconductors and allied enterprises from the SGS pre-shipment inspection.

18. *Circular-Letter - September 15, 1992.* Informs all concerned that the requirement that all importations by public and private sector borrowers funded by duly approved foreign loans be referred to the Central Bank for prior clearance is hereby waived. Such importations however shall be governed by Circular No. 1348 dated July 28, 1992, particularly the submission of the required permits/clearances from appropriate government agencies, wherever applicable.

19. *Circular-Letter - September 16, 1992.* Clarifies that the restriction placed on the import or export of Philippine currency under Section 7 of Central Bank Circular No. 1353

dated August 24, 1992 includes electronic transfers and other similar modes of transfers. The term " electronic transfer" as used shall mean a system where the authority to debit or credit an account (bank, business or individual) is provided by wire, without a source document being mailed to evidence the authority.

20. *Memorandum to Authorized Agent Banks No. 10. - September 18, 1992.* Amends Section 3 (No. 22) and section 34 (No. 22 of Appendix 14) of Circular No. 1348 dated July 28, 1992 such that imports from and exports to South Africa shall require only the prior approval of the Philippine International Trading Corporation.

21. *Circular-Letter - September 24, 1992.* Provides a list of Socialist and Centrally Planned Economy Countries (SOCPEC) countries (GATT and NON-GATT members) which are still within the jurisdiction of the Philippine International Trading Corporation.

22. *Circular No. 1356 - September 25, 1992.* Provides a list of commodities the importation of which no longer require the prior approval of concerned government agencies.

23. *Circular-Letter - September 25, 1992.* Instructs all authorized agent banks and all concerned to accomplish in full and legibly the Record of Goods Imported (RGIs) which form part of the attachment to IOS Form 1 Schedule 15 submitted to the CICCD as required under Section 48 of CB Circular 1348 dated July 28, 1992.

24. *Circular-Letter - September 28, 1992.* Provides a list of BOI-registered semiconductor and allied enterprises exempted from the SGS pre-shipment inspection under the Comprehensive Import Supervision Scheme.

25. *Circular No. 1365 - November 9, 1992.* Defers the liberalization of the import restriction on corn to March 1, 1993 as recommended by the NEDA Board Committee on Tariff and Related Matters.

26. *Circular No. 1368 - November 23, 1992.* Amends Section 8c(2) of CB Circular No. 1348 dated July 28, 1992. This circular issues the policy guidelines governing the grant of import authority under documents against acceptance (D/A) and open account (O/A) arrangements.

## FOREIGN EXCHANGE

1. *Circular No. 1318 - January 3, 1992.* Promulgates the revised rules and regulations governing non-trade foreign exchange (forex) transactions effective January 20, 1992 in line with the liberalization policy on forex regulations. The circular covers the rules and regulations on forex receipts and acquisitions, forex disbursements and transfers of local and foreign currencies, foreign investments in the Philippines, outward investments by Philippine residents, offshore banking system, representative offices of foreign banks, foreign currency deposit system, fiscal agency service and gold transactions.

2. *Circular No. 1319 - January 3, 1992.* Issues the rules on export retention in line with the policy of liberalizing forex transactions. The Circular allows any commodity exporter to retain a maximum of 40 percent (from only 2 percent previously) of his foreign exchange receipts from exports in a Special Foreign Currency Deposit Account (SFCDA) with any Authorized Agent Bank (AAB) in the Philippines. This deposit may be used to pay directly the trade-related forex obligations of the exporters concerned.

3. *Circular No.1322 - January 10, 1992.* Amends item 1 of Circular No. 1300 dated July 29, 1991 on the guidelines regarding the payment mechanism for incoming remittances of overseas workers under the Foreign Exchange Clearing and Settlement System. The new Circular allows incoming US$ remittances via Telegraphic Transfer (T/T) from US$1,000 or less to US$10,000 or less received by a Philippine bank from its correspondent banks abroad for credit/payment to beneficiaries' accounts maintained with other local banks.

4. *Circular-Letter - March 31, 1992.* Issues implementing guidelines on the computation of the net foreign exchange positions of authorized agent banks (AABs) pursuant to the provisions of Circular No. 1327 dated January 30, 1992, and on the reporting requirement under IOS Form 1, Revised 1992 (Consolidated FX Assets and Liabilities).

5. *Memorandum to Authorized Agent Banks - June 22, 1992.* Allows the remittance of foreign exchange payments for principal, interest, fees and related charges on foreign credits duly approved by, and registered with, the CB and not subject to/covered by rescheduling with foreign creditors as they fall due, without prior CB approval. The Memorandum states that the following foreign loan transactions shall continue to be subject to prior CB Approval through the Management of External Debt Department: a) prepayments/acceleration of payments on CB-approved and registered foreign credits; b) past due payments for foreign credits including penalties; c) payments for other fees/charges not explicitly approved/ specified in CB registration letter; d) foreign credits covered by rescheduling with foreign banks and financial institutions; and e) Paris Club rescheduled foreign credits.

The memorandum further requires that applications for the servicing of loan-related transactions are to be accompanied by the following relevant documents: a) CB foreign credit registration letter, b) foreign creditor billing and c) proof of compliance with BIR regulations. The memorandum also instructs borrowers with existing foreign loans to apply with CB, through MEDD, for a one-time authority to service their existing credits at least 30 days prior to next scheduled/registered payment date of the amount involved. Application shall be supported by relevant documents such as CB-registration letter covering the credit involved, loan status, schedule of payments, etc.

The memorandum also requires concerned banks to report on all payments under the provisions of this MAAB in IOS Form I Schedule 7. The servicing by AABs of foreign loans, which are not duly approved and registered are not allowed by CB. Banks violating this provision shall be subjected to sanctions provided under CB Circular 809.

In compliance with Sec. 12 Circular No. 1318 borrowers of foreign loans secured without prior approval by, and subsequent registration with, the CB shall be prevented from servicing said loans from foreign exchange purchases through the banking system. This effectively supersedes MAAB Nos. 41 and 18.

6. *Memorandum to Authorized Agent Banks No. 5 - July 8, 1992.* Instructs all banks to ship directly to their correspondent banks their foreign currency notes for credit to their accounts abroad without coursing the foreign currency notes through the Central Bank Cash Department and/or its extension units in the regions under the total amount of deposit if not withdrawn the following banking day as agreed/committed upon.

7. *Circular-Letter - July 17, 1992.* Clarifies Section 2 of Circular No. 1318 by reiterating that thrift banks and rural banks are allowed to engage in the buying and selling of foreign exchange over-the-counter.

8. *Memorandum to Authorized Agent Banks No. 8 - July 28, 1992.* Amends the effectivity date of Memorandum to Authorized Agent Banks No. 5 dated July 8, 1992 for Central Bank Regional Cash Units on the direct shipment of foreign currency notes abroad under the so-called swap arrangement from August 3, 1992 to September 1, 1992.

9. *Memorandum to Authorized Agent Banks No. 9 - July 30, 1992.* Informs all authorized agent banks that effective August 3, 1992, interbank foreign exchange transactions shall cease to be conducted on the Foreign Exchange Trading Floor of the Bankers of the Philippines and shall, instead, be conducted off-floor.

10. *Circular-Letter - July 30, 1992.* Prescribes that the peso-dollar rate published in the Central Bank daily Reference Exchange Rate Bulletin, which is the weighted average P/$ rate of all interbank transactions done the previous day, as the appropriate guide for computation of import duties and taxes as well as other official transactions for the day.

11. *Circular No. 1353 - August 24, 1992.* Amends, modifies and/or repeals the foreign exchange regulations on receipts and disbursements of residents arising from non-trade and trade transactions, pertinent provisions of CB Circular No. 1318 dated January 3, 1992, CB Circular No. 1338 dated April 28, 1992 on Foreign Exchange Transactions, and CB Circular No. 1348 dated July 28, 1992 on Foreign Trade Transactions.

In general, this circular further liberalizes foreign exchange transactions. The measures liberalized cover the removal of the requirement to sell to banks foreign exchange earnings of commodity and service exporters and other earners of foreign exchange, and the elimination of the requirement of prior CB approval for expenditures funded by foreign exchange obtained from the banking system. Specifically, these amendments are as follows:

a. On export receipts - the retention by exporters of 100 percent of their export proceeds and the free use of these receipts;

b. On FCDU loans - the raising of the amount of foreign currency loans that may be borrowed from the FCDU of local commercial banks, without need for prior CB approval, to 100 percent of their L/Cs, purchase orders and sales contracts in the case of merchandise exporters, and to 100 percent of their expected foreign exchange receipts in the case of service exporters;

c. On invisibles - the removal of the remaining restrictions on invisible transactions, *i.e.,* lifting of the mandatory surrender requirement of foreign exchange imposed on 15 types of business operations; allowing AABs to sell, without prior CB approval, foreign exchange to residents for invisible payments, subject to the requirement that these transactions must be supported by appropriate documents on the legitimacy of the obligations. In order that foreign loans can be serviced with foreign exchange purchased from the banking system, the loans must be approved by and registered with the CB and the loan proceeds sold to AABs; foreign exchange can be purchased from AABs for the repatriation of foreign investments and the remittance of profits, earnings and dividends if the investments have been registered with appropriate offices and the proceeds sold to the banking system; allowing departing non-residents to reconvert at ports of exit unspent pesos of up to a maximum of US$200 or its equivalent in any foreign currency without need of proof of previous sales, in addition to the foreign exchange earlier sold for pesos to AABs;

d. On gold transactions - the export of gold in any form except gold from small-scale mining (including panned gold) which is required to be sold to the CB (pursuant to R.A. No. 7076, June 27, 1991), and the removal of the requirement of prior CB approval for the importation of gold; and

e. On deposits abroad - the abolition of the prohibition against deposits abroad of residents, provided, however, that regulations, violations of which are the subject of pending actions or investigations, shall not be considered repealed insofar as such pending actions or investigations are concerned, in which case the regulations prevailing at the time the cause of action occurred shall govern.

12. *Circular No.1373 - December 23, 1992.* Includes the United Arab Emirates' dirham among the currencies convertible with the Central Bank acceptable for the settlement of the country's international accounts.

## FOREIGN CURRENCY DEPOSIT UNITS

1. *Circular-Letter - January 8, 1992.* Provides the guidelines for the grant of FCDU loans to exporters under Circular No. 1317 dated December 11, 1991 such as the applicable interest rate, term/renewal, penalties on violation and reporting requirements.

2. *Circular No. 1325 - January 29, 1992.* Provides that effective January 31, 1992, the applicable interest rate on foreign currency deposits of banks with CB under the Foreign Exchange Clearing and Settlement System, as provided under Circular No. 1300 dated July 29, 1991, is adjusted from 4 percent p.a. to 2-1/2 percent p.a.

3. *Circular No. 1336 - April 22, 1992.* Informs service exporters that they can avail themselves of Foreign Currency Deposit Unit(FCDU) loans from a US dollar-based credit facility for their peso requirements from the FCDU of a local commercial bank without prior approval of the CB.

Among others, the Circular allows service exporters to avail themselves of FCDU loans up to 70 percent of their expected foreign exchange receipts, due within 360 days from loan grant, under their service contract/agreements or their foreign exchange receipts arising from services rendered for the preceding 360 days as certified by local commercial banks. The Circular also stipulates that proceeds shall be availed of in pesos through the sale of foreign exchange proceeds to the lending commercial bank to pay local costs; that payment for the FCDU loan shall be directly deducted from the foreign exchange receipts due the service exporters under their service contracts or other agreements used as basis for the grant of the loan, provided that such receipts shall be coursed through the same banks which granted the loan; and that the FCDUs and the service exporters concerned shall comply with the weekly reporting requirements of the CB.

4. *Circular-Letter - April 30, 1992.* Amends the implementing guidelines for FCDU loans to exporters/service exporters under Circular Nos. 1317 and 1336 dated December 11, 1991 and April 22, 1992, respectively.

5. *Circular No. 1342 - June 25, 1992.* Revokes Circular No. 1164 and Circular-Letter dated January 20, 1992, in compliance with Section 76 (b) of Circular No. 1318 on the revised rules and regulations governing non-trade foreign exchange transactions. The circular states that prior CB approval of Philippine debt paper purchases by foreign currency deposit units of local banks authorized to operate under the expanded foreign currency deposit system is not required provided that foreign exchange used for such purchases is not sourced from the bank's regular accounts.

The circular also requires banks to submit weekly reports of their Philippine Debt Paper transactions to the CB's Foreign Exchange Regulations Department. Failure to comply with the requirement of the circular shall make the bank liable to administrative sanctions including penalties and/or revocation of authority to engage in foreign exchange transactions.

6. *Circular-Letter - July 16, 1992.* Stipulates that further to Circular-Letter dated January 8, 1992 regarding the guidelines for the grant of FCDU loans to exporters, and for purposes of implementing Section 2 of CB Circular No. 1317 dated December 11, 1991, proceeds of FCDU loans may likewise fund other foreign exchange costs of export projects without prior CB approval, in addition to import costs of machinery, spare parts or raw materials to be used in the production of commodities for export.

7. *Circular No. 1351 - August 21, 1992.* Revises the policy and guidelines governing short-term foreign currency loans obtained from FCDUs and from offshore sources.

8. *Circular-Letter - September 8, 1992.* Advises all authorized agent banks that effective October 1, 1992 US Treasury Warrants whether "lipsticked", *i.e.,* bearing the legend: "Payable Only in Pesos through Authorized Agent Bank of the Central Bank of the Philippines and Postal Offices" or "unlipsticked" may either be deposited in a foreign currency deposit unit of any AAB, encashed in foreign exchange, and/or converted into pesos at the option of the payee, without need of prior authorization from the CB. AABs shall use their own US correspondent collection arrangements in the clearing and settlement of these checks beginning aforesaid date.

9. *Circular-Letter - October 6, 1992.* Requests all authorized agent banks (AABs) to advise clients maintaining Special Deposit Accounts (SDAs) to have the existing balances in their SDAs either withdrawn or transferred to a foreign currency deposit account under Circular 343/547. AABs are further notified that the CB will no longer issue new SDA authority and/ or renew expiring or expired SDA authority to any person or entity earning foreign exchange. This regulation is in line with Circular No. 1353 which allowed all foreign exchange earners to have free disposition of their foreign exchange receipts and acquisitions.

**FOREIGN INVESTMENTS**

1. *Circular-Letter - March 25, 1992.* Issues guidelines covering the reconciliation of the balances of foreign investor stockholdings appearing in the records of stock brokers/custodian banks (SB/CB) and of the Central Bank. Moreover, it requires stock brokers and designated custodian banks to submit, on or before April 30, 1992, to the CB an inventory of all investors' account share balances under their custody as of February 28, 1992.

2. *Circular-Letter - June 4, 1992.* Prescribes guidelines to speed up the issuance of Central Bank Confirmation Documents (CBCDs) which are needed for the repatriation of foreign investments and remittance of dividends.

3. *Circular No. 1360 - October 22, 1992.* Deletes the second sentence of the first paragraph of Section 32 of Circular No. 1267 dated December 20, 1990, relative to revised guidelines on the government's debt-to-equity conversion program. The Circular abolishes the bidding requirement on prospective investors/ creditors for the right to convert their original Central Bank Convertible Debt into their own equity investments.

**EXTERNAL DEBT**

1. *Circular No. 1328 - January 30, 1992.* Amends the last paragraph of Section 32 of Circular No. 1267 containing revised guidelines on the program for the conversion of the Philippine External Debt into Equity Investments to the effect that unless otherwise prescribed by the Monetary Board, the redemption price shall be equivalent to the weighted average of the accepted bid prices in the immediately preceding auction plus 10 percentage points.

2. *Circular No. 1352 - August 21, 1992.* Amends Circular No. 1298 so as to extend the peso deposit requirements on eligible debts under the fourth round of the Paris Club (PC 4) rescheduling maturing from September 1 to December 31, 1992.

3. *Circular No. 1362 - October 23, 1992.* Presents the consolidated policies, rules and regulations governing medium and long-term loans to be obtained by residents from foreign creditors and FCDU units of local banks as well as guarantees and other financing schemes/ arrangements.

A. Foreign Loans

1. All public sector loan proposals from foreign creditors/ FCDUs of domestic commercial banks shall require prior approval of the CB through the Management of External Debt Department (MEDD) even before the start of actual negotiations of the loan. Public sector loans shall comprise loans of the National Government, its agencies and instrumentalities, loans of government-owned/controlled corporations and of government financial institutions except normal interbank borrowings.

2. Likewise, private sector loans guaranteed by government corporations and government financial institutions and loans covered by foreign exchange guarantees issued by private domestic banks and financial institutions shall also need CB approval.

3. To be eligible for servicing out of foreign exchange purchased from the banking system, private sector loans other than loans referred to in the foregoing, shall be submitted to CB for prior approval. Availments/loan withdrawals need also to be registered with CB through the MEDD.

The circular specifies that loans which have been drawn/ availed of prior to CB approval of the credit shall not be eligible for registration and subsequent servicing out of foreign exchange bought from banks.

B. Guarantees

The following guarantees shall be reported to the CB, through MEDD, for registration purposes to be eligible for servicing out of foreign exchange purchased from the banking system in the event of default by the principal obligor:

1. Guarantees obtained from domestic banks and financial institutions, and government-owned/controlled corporations in the nature of payment guarantees, such as bid bonds, performance bonds and advance payment bonds, and guarantees to secure foreign liabilities, which do not partake the nature of a foreign loan.

2. Guarantees obtained from foreign banking and financial institutions and other foreign entities to secure the peso and foreign obligations (which do not partake the nature of a foreign loan) of a local firm.

C. Other Financing Schemes/Arrangements

The circular clarifies that to be eligible to buy foreign exchange from the banking system required to service the financing agreements/schemes like the Build-Operate-Transfer, and Build and Transfer and similar arrangements requiring financial foreign exchange commitment in excess of US one million dollars, such transactions shall require prior CB approval through MEDD.

Finally, the circular requires that foreign loans and related transactions covered by this circular are to be reported to MEDD in the prescribed forms.

## BANK BRANCHING

1. *Circular No. 1349 - July 29, 1992.* Amends item no. 5 of Circular No. 1281, such that for every three branches that a bank has established in fifth and lower class municipalities where there are less than four banks, after the effectivity of this Circular, it may be allowed to establish one branch in either of the areas falling under first class cities and first class municipalities of its choice, without bidding, provided the area is still open for additional branches.

2. *Circular No. 1364 - October 30, 1992.* Allows a final and non-extendible extension of up to another six months the one-year period within which a bank may open and operate its franchise, thereby amending Section 1(e) of Circular No. 1308.

## BANK OPERATIONS

1. *Circular-Letter - January 15, 1992.* Advises all banks, accredited government securities dealers and non-bank financial intermediaries with existing custodianship agreement with the CB, that they may utilize their custodianship facility as an alternative to the current policy of the Insurance Commission requiring physical delivery of government securities purchased by insurance companies, subject to certain terms and conditions and prior to the formal approval of the Insurance Commission.

2. *Circular-Letter to All Commercial Banks - January 20, 1992.* Clarifies that CB Circular No. 1164 dated November 23, 1987 which is still enforced, shall govern the purchase in foreign exchange of Philippine Debt Papers by local banks.

3. *Circular No. 1323 - January 27, 1992.* Approves the inclusion of industrial projects and/or industrial estate developments in the list of non-allied undertakings eligible for equity investment by expanded commercial banks.

4. *Circular No. 1326 - January 30, 1992.* Issues the rules regarding the retirement of CB notes of the "Ang Bagong Lipunan" (ABL) series (consisting of 2-, 5-, 10-, 20-, 50-, and 100-peso denominations). The circular provides that CB notes of the ABL series shall be surrendered to CB or its authorized agent banks, commercial banks, thrift banks (savings banks, development banks and stock savings and loan associations) and rural banks, for replacement or exchange at par with CB New Design Series Notes/legal tender coins starting February 3, 1992. The ABL notes shall continue to be legal tender for a period of one year ending February 2, 1993. After this period, they shall cease to be legal tender but may be exchanged or replaced at par without charge with legal tender currency during the following three years ending February 2, 1996.

5. *Circular No. 1327 - January 30, 1992.* The circular, which takes effect on April 12, 1992, sets up the limits on commercial banks' allowable Open Foreign Exchange (FX) Position defined as the extent that the banks' FX assets not to match their FX liabilities. An open position may either be "positive", "long", or "overbought" (*i.e.,* FX assets exceed FX liabilities) or "negative", "short", or "oversold" (*i.e.,* FX liabilities exceed FX assets). Further, the Circular sets the limits to banks' long FX position to 25 percent of their unimpaired capital and their short FX position to 15 percent of said capital.

6. *Circular No. 1329 - February 5, 1992.* Amends item "a" of Section 4343Q of Book IV of the Manual of Regulations for Banks and Other Financial Intermediaries pertaining to interbank loan transactions of NBQBs.

The circular reiterates that interbank loan transactions of commercial banks, thrift banks and non-banks performing quasi-banking functions [NBQBs] (*i.e.,* call loan transactions, borrowings evidenced by deposit substitute instruments and purchases of receivable with recourse) are eligible for 1 percent reserve requirement provided that all interbank loan transactions are submitted to the CB Accounting Department in the form of interbank loan advice or repayment transfer tickets from 9:00 a.m. to 12:00 noon of the succeeding banking day, for value the prior banking day.

Likewise, Circular No. 1329 allows transactions or borrowings transacted outside Metro Manila (MM) by an NBQB whose head office is located outside MM to be eligible for 1 percent reserve even if documents (i.e., interbank loan advice or repayment transfer tickets) are not submitted to the CB Accounting Department in the manner so prescribed, provided, that such transactions or borrowings are used only to cover liquidity and/or reserve deficiencies and are covered by promissory notes which are non-negotiable, non-transferrable/non-assignable and not subject to repurchase agreements, Certificates of Participation/ Assignment with recourse and duly stamped as such by the NBQBs concerned.

The circular also clarifies that funds borrowed by banks and NBQBs from trust departments of banks and investment houses in the latter's capacity as trustee and/or fund manager shall be excluded from the herein definition of interbank loan transactions.

7. *Circular No. 1330 - February 28, 1992.* Amends subsection 1604.5 and section 1266 (Book I) and subsection 2604.4 and Section 2266 (Book II) of the Manual of Regulations for Banks and Other Financial Intermediaries by deleting the requirement of prior Central Bank approval before commercial banks, expanded commercial banks, specialized government banks and thrift banks can undertake deposit pick-up/payroll delivery services, provided the names of the client/company to be serviced are reported to the appropriate

supervising departments of the CB, adequate internal control measures are adopted, and the conditions/safeguards enumerated in paragraph b.3 of Sections 1266 (Book I) and 2266 (Book II) of the Manual are complied with.

8. *Circular-Letter - March 16, 1992.* Informs all AABs that the Governor, in line with the program to liberalize foreign exchange transactions has authorized branches of AABs to purchase foreign exchange from the public beyond the normal banking hours and days as follows:

| | |
|---|---|
| Banking days | 3:00 P.M. to 8:00 P.M. |
| Saturdays, Sundays and Holidays | 10:00 A.M. to 7:00 P.M. |

subject to the following conditions:

a. Foreign exchange purchases shall be the only transaction that will be carried out by the branches beyond the banking hours and days;

b. Foreign exchange purchases shall be covered on a per transaction basis, by the bank's own official receipt, as provided for under Section 8 of CB Circular No. 1318 dated January 3, 1992;

c. That the bank shall include the transactions in its report under Schedule 4 of IOS Form I [Consolidated Daily Summary of Foreign Exchange Assets and Liabilities] and submit the same to the Foreign Exchange Regulations Department (FERD) and;

d. The Director of the appropriate Supervision and Examination Department of the CB shall be informed by the bank as to the exact or final location where these services will be offered as well as the actual start or date when the proposed buying of foreign exchange beyond banking hours and days shall take place.

9. *Circular No. 1333 - March 25, 1992.* Informs AABs of Monetary Board Resolution Nos. 208 and 235 increasing the single borrower's loan limit (SBL) from 15 percent to 25 percent of the unimpaired capital and surplus of expanded commercial banks, commercial banks, the Land Bank of the Philippines and the Development Bank of the Philippines. The measure would place banks in a better position to meet the increased credit requirements of the economy and would also align the country's rule on the SBL with those of the other countries.

10. *Circular-Letter - April 14, 1992.* Issues the guidelines on the settlement of outstanding peso/dollar swaps of authorized agent banks with the CB as provided under MB Resolution No. 286 dated March 30, 1992.

11. *Circular-Letter - May 6, 1992.* Notifies all thrift banks of the adoption/implementation by July 1, 1992 of guidelines/regulations under the 1991 revised Manual of Accounts for Thrift Banks in compliance with Subsection 2161.16 of the Manual of Regulations for Banks and Other Financial Intermediaries requiring thrift banks to adopt a uniform system of accounts.

12. *Circular No. 1339 - May 18, 1992.* Amends Book II of the Manual of Regulations for Banks and Other Financial Intermediaries.

a. Subsection 2161.1 *Categories and signatories of bank reports* - the Circular classifies certain required reports into various categories according to designated signatories: Category A-1 reports are the quarterly published statements of condition of thrift banks (SES II Form 4) and A-2 reports are the consolidated monthly statements of condition (SES II Form 2) and the quarterly statements of condition by banking unit (SES II Form 3). Category B reports are those required to be submitted to CB which are not included in A-1 and A-2.

b. Subsec. 2161.3 *Submission of certain required information / documents* - requires all thrift banks to submit to the appropriate CB supervising and examining department certain information/documents on the business' name, location, officers, and other basic information on the organization and operating policies of the bank. Any revision in data is required tobe reported within 25 banking days from date of revision.

c. Subsec. 2161.6 delete Item b (2) and replaces it with Item b (3).

d. Subsec. 2161.7 *Reconciliation of head office and branch transactions* - requires the monthly preparation of reconciliation statements covering transactions between a thrift bank's head office and all its branches within 15 days after the end of each month and making these available to authorized bank examiners without the need of advance notice. Likewise, thrift banks are required to report semestrally, all items which are unresponded or outstanding for more than six months as of date of reconciliation statement in prescribed form with explanation to the appropriate supervising and examining department within 30 banking days from June 30 and December 31 of each year.

e. Subsec. 2161.8 *List of stockholders and their stockholdings* - requires the semestral submission in duplicate to the appropriate department a complete list of stockholders and stockholdings including pertinent data called for in SES II Form 7 within 12 days after semestral end.

f. Subsec. 2161.12 *Published Statement of condition* - requires the accomplishment of SES Form 4; its publication quarterly or on dates designated by proper authorities in general circulation newspapers in the city/province where the thrift bank has its head office or, in the absence of such newspapers in such city/province, in the city of Manila or in any other area in the region where the principal office is located. A copy of the published statement together with the publisher's certificate should be submitted to the supervising and examining department within 20 banking days from receipt of call.

g. Subsec. 2161.13 deletes the submission of stockholder/board of directors' resolution reports.

h. Subsec. 2337.3 *Submission of financing plans* - The circular requires the submission to CB for approval, of financing plans, amendments and modifications, within 30 days of the banks' board resolution.

i. *Appendices 8 & 9* - requires the submission of certain informational documents relative to the organizational/functional charts, principal officers, etc. of thrift banks in simplified form.

13. *Circular-Letter - June 23, 1992.* Amends the definition of "Deferred Charges" account in the Manual for Commercial and Thrift Banks, to refer to prepaid expenses the benefits of which are expected to be realized in a future period exceeding one year. Deferred charges include: a) pre-operating or start-up costs, b) premium paid on acquired shares in excess of book value, c) franchise payments for the right to operate closed or new bank branches and d) prepaid rent.

The circular letter clarifies that expenses under categories a) to c) may be charged in full to operations or amortized monthly over a period not to exceed five years while expenses listed under d) may be amortized monthly or according to prior agreement.

14. *Circular No. 1343 - June 26, 1992.* Amends Section 57 of Circular 1318 dated January 3, 1992 to allow Offshore Banking Units (OBUs) to open and maintain peso deposit accounts with domestic agent banks exclusively for: a) meeting administrative and other operating expenses, b) payment of the peso equivalent of foreign exchange sold by beneficiaries of inward remittances of Filipino overseas workers or of Filipino or multinational companies, coursed through the OBU's correspondent banks abroad and, c) payment of peso equivalent of foreign exchange sold by beneficiaries of export L/Cs negotiated with OBUs. These accounts shall be funded exclusively by inward remittances of foreign exchange eligible to

form part of Philippine international reserve. Likewise, OBUs are allowed to sell inward remittances of foreign exchange to the CB through the Treasury Department for credit to the demand deposit account of the designated commercial bank for account of the OBU.

15. *Memorandum to Authorized Agent Banks No. 6 - July 9, 1992.* Provides that all mixed/ unsorted (fit/unfit) currency notes presented for deposit by authorized agent banks (AABs) and accommodated by the Cash Department for overnight safekeeping only shall be charged a service fee of 0.1 percent per day based on the total amount of deposit if not withdrawn the following banking day as agreed/committed upon.

16. *Circular-Letter - July 10, 1992.* Imposes administrative sanctions on banks violating the net open foreign exchange position limits.

17. *Circular No. 1344 - July 10, 1992.* Issues guidelines for the approval of relending loans under the Central Bank Restructuring Agreement.

18. *Circular No. 1346 - July 14, 1992.* Authorizes the resumption by the CB of processing of applications of thrift banks to accept or create demand deposits.

19. *Circular-Letter - July 17, 1992.* Clarifies Section 2 of Circular No. 1318 by reiterating that thrift banks and rural banks are allowed to engage in the buying and selling of foreign exchange over-the-counter.

20. *Circular No. 1350 - August 18, 1992.* Adopts the generally accepted accounting principles which allows the inclusion of accrued interest as part of income for purposes of determining funds available for dividend declaration, provided that the banks meet the liquidity standards/ratios prescribed by the CB.

21. *Circular No. 1354 - September 11, 1992.* Approves the adoption of certain liquidity standards/ratios for banks for purposes of determining the funds available for dividend declaration.

22. *Circular No. 1357 - October 8, 1992.* Includes foreign exchange dealership/brokering in the financial allied undertakings of banks with expanded commercial banking authority. This circular amends Section 1377 of the Manual of Regulations for Banks and Other Financial Intermediaries.

23. *Circular No. 1358 - October 19, 1992.* Deletes Item II.1.c and II.2.a.iv from Appendix B and Item I.b.iii from Appendix C of Circular No. 1353 dated August 24, 1992.

The circular also allows the remittance/temporary deposit of cash dividends by AABs without requiring the presentation of a clearance to declare cash dividends from the Inter-Agency Committee on Domestic Borrowings of Foreign Firms as was formerly required of a foreign firm whose total subscribed capital stock is more than 40 percent foreign-owned, or certification by the appropriate officer of the remitting company that the remittance shall not be financed by domestic borrowings, if below 40 percent.

24. *Circular No. 1359 - October 19, 1992.* Amends Circular No. 572 incorporated in the second sentence of Item c of Subsections 1346.5 (Book I) and 2346.5 (Book II) and Item 5.3 of Appendix 21 of Book IV of the Manual of Regulations for Banks and Other Financial Intermediaries relative to the data monitoring requirements of the Inter-Agency Committee on Domestic Borrowings of Foreign Firms by amending the frequency of submission of financial statements and other data by the foreign firms to the Committee from quarterly to semestral basis.

25. *Circular No. 1361 - October 22, 1992.* Issues guidelines governing the implementation of a special program designed to assist in the rehabilitation of distressed local commercial, thrift and rural banks through the conversion of eligible CB credit into equity investments in said banks. The circular clarifies that holders of foreign debt covered by the CB Restructuring Agreement, Advances under the New Money Agreement, New Money Bonds, and other debt holdings as would be approved by the Monetary Board, are eligible to avail themselves of the special program.

The circular also stipulates that each applicant-holder of CB Convertible Debt wishing to engage in a Conversion Transaction shall submit an application letter and other supporting papers to the CB's Debt Restructuring Department for assessing the request prior to the approval of the Monetary Board. The holder of the CB Convertible Debt with an approval obtained under this circular is required to surrender its CB debt holdings to the Bank in exchange for the five-year non-negotiable and non-assignable peso-denominated CB Notes for the full peso equivalent of the CB debt surrendered. These notes may be used by the holder to acquire an equity investment in a distressed local bank. The circular also clarifies, among others, that the CB notes may be used by the local bank to pay current and past due borrowings with the CB if the distressed local bank has outstanding loans from the CB.

26. *Circular No. 1366 - November 16, 1992.* Approves the amendment of Section 1383 of the Manual of Regulations for Banks and Other Financial Intermediaries to include sanctions on equity investments made without prior Monetary Board approval.

For the first offense, a bank that makes an equity investment not allowed under existing regulations will be divested of such investment. The officer/director who recommended/approved the investment will be reprimanded.

For the subsequent offense, the bank will be divested of such investment. A monetary penalty per investment will be imposed on each officer/director, member of the Board and Executive Officer who recommended/approved the investment.

However, if the subsequent offense is an investment in a non-allied enterprise, each officer/director, members of the Board, and Executive Officer who recommended/approved the investment will be fined twice as much.

27. *Circular No. 1370 - November 26, 1992.* Amends Book IV of the Manual of Regulations for Banks and Other Financial Intermediaries by deleting the second paragraph of Section 4151P.6 thus lifting the prohibition on the establishment of new pawnshop offices in the city of Manila.

28. *Circular No. 1371 - December 17,1991.* Approves the increase of the single borrower's limit for (a) thrift banks, non-banks with quasi-banking functions and non-stock savings and loan associations from 15 percent to 25 percent of their unimpaired capital, and (b) rural banks from 15 percent to 25 percent of their unimpaired capital, net of capital arising from the conversion of arrearages with the CB under various rehabilitation programs.

## REDISCOUNTING

1. *Circular No. 1320 - January 3, 1992.* Amends the provision of Books I to III of the Manual of Regulations for Banks and Other Financial Intermediaries governing the rediscounting of eligible papers under the rediscount window. The circular raises the rediscount rate of eligible papers covering agricultural production, cottage and small industries credits, general purpose working capital financing and other short-term credits from 14 percent to 15.5 percent effective January 20, 1992.

The circular also clarifies that the lending rates which banks may charge on their rediscounted papers shall not be subject to any ceiling. However, the spreads made by banks shall be monitored periodically by the CB to ensure that these are consistent with prevailing market rates.

2. *Memorandum Circular to All Commercial and Thrift Banks - April 23, 1992.* Amends the guidelines governing the rediscounting of eligible papers of cottage/small and medium industries that have supply arrangements with direct exporters (indirect exporters) who are holders of an export letter of credit or a confirmed purchase order/sales contract from a foreign buyer.

3. *Circular No. 1363 - October 29, 1992.* Lowers the CB rediscount rate from 15.5 percent to 14.3 percent on eligible papers covering agricultural production, cottage and small industries credit, general purpose working capital financing and other short-term credits.

**RESERVE REQUIREMENT**

1. *Circular No. 1324 - January 29, 1992.* Announces that effective January 31, 1992, the applicable interest rate on foreign currency deposits of thrift banks, Development Bank of the Philippines and Associated Bank with the CB, in compliance with the 15 percent reserve requirement for foreign currency deposit liabilities as provided under Circular Letter dated August 28, 1990 is adjusted from 4 percent p.a. to 2-1/2 percent p.a.

2. *Circular No. 1332 - March 23, 1992.* Informs all banks and non-bank financial intermediaries with quasi-banking functions of Monetary Board Resolution Nos. 210 and 235 stating that:

a. Effective April 20, 1992, the reserve position of any bank or non-bank financial intermediary performing quasi-banking functions and penalty on reserve deficiency shall be computed based on a seven day week, instead of the present five days. The seven-day period would include Saturdays, Sundays, public holidays and days when there is no CBP clearing (including special holidays); and

b. Effective March 23, 1992, the term "chronic deficiency" shall be redefined to mean reserve deficiency for two consecutive weeks only instead of four weeks.

3. *Circular No. 1345 - July 14, 1992.* Amends the provisions of Sections 1291, 2291, 3291 and 4291Q of Books I to IV of the Manual of Regulations for Banks and Other Financial Intermediaries. The circular states that effective July 14, 1992, CB regulations subjecting or international financial institutions to the legal reserve requirements are repealed.

The circular also amends item b of subsections 1239.4, 2239.4, 3239.4 and 4291Q.3 also of Books I to IV by exempting from the liquidity floor requirements, funds deposited for projects under the special financing program of the government and/or international financial institutions.

4. *Circular No. 1355 - September 11, 1992.* Imposes a 25 percent reserve requirement on demand deposits of thrift banks which are authorized to accept or create such deposits. However, the 19 percent reserve requirement on other types of deposits shall be maintained and may be changed subject to the outcome of the review on reserve requirement.

5. *Circular No. 1367 - November 23, 1992.* Amends the basis for computing banks' compliance with legal reserve requirement on deposits and deposit substitutes under Circular No. 1332 from a Monday to Sunday week to a Friday to Thursday week, including Saturdays, Sundays, public holidays, and days when there is no clearing (including special holidays). The circular takes effect 10 weeks from the date of issuance.

6. *Circular No. 1372 - December 22, 1992.* Redefines the term "abuse" in the privilege of offsetting in reserves computation as defined in the Manual of Regulations (MOR) for Banks and Other Financial Intermediaries. As redefined, "Abuse" shall mean having reserve deficiencies occurring three or more times during any given week for two consecutive weeks (instead of four consecutive weeks as previously defined in the MOR), whether or not resulting in net weekly deficiencies.

## RURAL BANKS

1. *Circular No. 1369 - November 26, 1992.* Issues the following major guidelines in the implementation of the pertinent provisions in the Rural Banks Act of 1992:

a. Exemption from Ownership Ceiling (Section 4)

Stockholdings in a rural bank shall be exempt from any ownership ceiling for a period of 10 years effective as of April 2, 1992. However, the circular clarifies that any stock transfer and/or new subscriptions that will exceed the previous prescribed ceilings under Sections 12-D of RA 337, as amended, needs prior approval of the Monetary Board. After the lapse of the 10-year period, stockholdings in excess of the ceiling prescribed by law may be retained by the stockholders, provided that these stockholdings may not be increased further. Once reduced, the stockholdings cannot be increased beyond the prescribed limit, unless otherwise approved by the Monetary Board.

Stockholders of rural banks availing themselves of the conversion scheme of arrearages into government equity which has to be matched with private equity within a period of 15 years, are exempted from the regulations on equity ceiling for 15 years counted from the conversion of arrearages. Furthermore, rural banks availing of the conversion scheme are required to file their application to amend the bank's Articles of Incorporation and/or By-Laws to reflect such conversion. Stockholders of rural banks which have availed of previous CB circulars allowing the settlement of arrearages into LBP equity or a combination of both are also exempted from the equity ceiling for 15 years counted from the date of availment.

b. Settlement or Liquidation of Arrearages with the Central Bank Through a Conversion Scheme and/or Plan of Payment (Section 8)

This scheme is designed for rural banks experiencing financial difficulty, except those under receivership/liquidation.

The program shall convert part or all of the supervised and restructured supervised past due loans and up to 50 percent of non-supervised and restructured non-supervised past due loans of rural banks into preferred stocks in favor of any government-owned or -controlled financial institution.

However, the circular requires rural banks to present a program for matching government equity with private equity in equal annual installments over a period of 15 years, with a grace period of 3 years after the conversion date and to file their application with the Department of Loans and Credit, Central Bank not later than 60 days from date of this Circular.

c. Authority to Accept or Create Demand Deposits

Rural banks with net assets of at least P5 million may offer demand deposit facilities to all types of depositors. Rural banks desiring to apply for authority to accept or create demand deposits must have practiced safe and sound banking practices and must have had profitable operations, aside from being a member of the Philippine Deposit Insurance Corporation (PDIC).

d. Acceptance of Government Deposits (Section 12(c)

A rural bank may act as official depository of municipal, city or provincial funds where it is located provided that it meets the prerequisites set by the authorities. Government funds deposited with rural banks shall be limited to working balances or to any amount that may be prescribed by the Department of Finance in the future.

The circular requires rural banks authorized to accept government deposits to maintain a 75 percent liquidity floor with respect to such deposits, inclusive of the required reserves against said deposits.

e. Equity Investments in Allied Undertakings (Section 13)

Rural banks may invest in equities of allied undertakings as may be determined by the Monetary Board (MB) so long as conditions are met by investing rural banks. These undertakings include equity investments in banks, non-bank financial intermediaries; warehousing and other post harvest facilities; fertilizer and agricultural chemical and pesticides distribution; farm equipment distribution; trucking and transportation of agricultural products; marketing of agricultural products; leasing; and other undertakings as may be determined by the MB.

The circular further clarifies that subject to conditions set in item 5.c of the Circular, equity investment in a single enterprise is limited to 15 percent of the networth of the rural bank and less than 50 percent of the voting shares in that enterprise. Total equity investments is not to exceed 25 percent of the rural bank's networth.

The circular further states that prior approval of the MB is required for investments in equities of other banks and financial institutions and investments in excess of the 40 percent of the voting stock of non-financial allied undertakings.

f. Exemption from the 15 Percent Ceiling on Deposits Maintained with Depository Banks (Section 17)

The Circular exempts the following deposits of rural banks from the Single Borrower's Limit (SBL):

(1) Deposits with government-owned or -controlled institutions,

(2) Deposits with private banks located in cities/municipalities where there are no government banks,

(3) Outstanding balance of the deposit in a private bank being used by rural banks with authority to accept/create demand deposits and fund checks cleared through the said private bank even if there is a government bank in the area, and

(4) Funds representing proceeds of special time deposits and rediscounting deposited with any other bank.

The circular further clarifies that deposits in private banks located in other municipalities/cities where there are government banks shall be covered by the SBL.

## SMALL ENTERPRISE CREDIT

1. *Circular-Letter - January 23, 1992.* Informs all thrift banks and rural banks that the Small Business Guarantee and Finance Corporation (SBGFC) is now in operation. It also informs said banks of the issuance of non-negotiable Promissory Notes to be offered by the SBGFC to the lending institutions as an alternative means of compliance with the mandatory allocation of credit resources to small enterprises.

The Circular-Letter further informs all thrift banks and rural banks that the SBGFC has agreed to appoint the Philippine National Bank as Trustee/Agent to issue the promissory notes and invest the proceeds in the highest yielding government securities.

2. *Circular No. 1374 - December 29, 1992.* Amends Sections 1.c.1 and 3 of Circular No. 1288 dated June 4, 1991 which sets the rules on the mandatory allocation of credit resources to small enterprises as follows:

a. Item c.1 of Section 1 - redefines small enterprises to include enterprises whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated amounts to ten million pesos (P10,000,000) instead of five million pesos (P5,000,000).

2. Section 3 - Expands the kinds of economic activities wherein set aside funds shall be made available to include in addition to: (a) loans to small enterprises and (b) instruments as may be offered by Small Business Guarantee and Finance Corporation (SBGFC) (c) the purchase of small enterprises' promissory notes from lending institutions and/or non-government organizations (NGOs) and (d) equity investments by member-banks in and loans by member banks to the BAP Credit Guaranty Corporation (BCGC).

Furthermore, the circular clarifies that funds set aside which have not been invested in either of the above activities may be held in the form of Cash on Hand, Due from CB and/or Due from Local Banks; provided that these are free, unencumbered, and not hypothecated, not utilized or earmarked for other purposes, provided further that funds held in the form of Due from Local Banks will be allowed only up to the end of March 1993.

## TRUST OPERATION

1. *Circular No. 1321 - January 10, 1992.* Amends subsections 1410.5, 2410.5, 3410.5 and 4410.5 of Books I to IV, respectively, of the manual of Regulations for Banks and Other Financial Intermediaries on the "Disposition of Accounts and Limitations on Loans and Investments" by including interest earning deposits as part of the investment of a common trust fund to any one person, firm or corporation subject to a 15 percent ceiling.

2. Circular No. 1335 - April 22, 1992. Approves the imposition of sanctions for deficiency in security deposit for the performance of trust and fund management duties and deposit for liquidity purposes for common trust fund. On the part of a bank/investment house, penalty for the first offense is P5,000.00 per banking day to be reckoned from 30 banking days after the end of every calendar quarter. For the second and subsequent offenses, the penalty is the suspension of the bank/investment house's trust license. On the head of the Trust and Fund Management Department, the penalty for the first offense is a reprimand with a stern warning that subsequent violations will be subject to more severe sanctions while the penalty for subsequent offenses is suspension for 90 days without pay.

3. *Memorandum to all Banks and Other Financial Intermediaries - May 26, 1992.* Defines the basic characteristic of an agreement which constitute a trust, fiduciary, or investment management relationships. It also specifies what practices are construed as fixing or guaranteeing rates of interest or return of investments.