Bangko Sentral ng Pilipinas

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Part One : THE PHILIPPINE ECONOMY

Overview

In 1996, the economy sustained a higher growth path fueled largely by the strong performance of investments and exports. This was achieved amidst fears of possible overheating in most economies in the Asian region and a general slowdown in electronics exports.

While output growth accelerated, inflation was brought down to single-digit rates. A combination of prudent monetary policy, a healthy fiscal position and a rebound in agriculture which helped restore rice supply to normal levels, contributed to the low inflation environment. In the process, interest rates continued to soften.

In the external front, the overall balance of payments remained in surplus as sustained investor confidence kept substantial foreign capital and investments flowing in, and exports maintained their strong performance. This contributed to a stable peso-dollar rate and a rising level of gross international reserves, at the same time that the current account deficit was kept at manageable levels.

With continued financial liberalization and faster growth in output, the financial system expanded further in resources and in number. This contributed to increased savings mobilization and more credits to the productive sectors of the economy.

In the stock market, 1996 marked a generally bullish year as the Philippine Stock Exchange (PSE) composite index breached the 3,000 resistance level.

The year was capped by the successful completion of the second and third reviews of the country's economic program under a three-year Extended Fund Facility with the International Monetary Fund (IMF). This placed the country closer to full exit, expected in mid-1997, from IMF conditional lending.

Higher Output Growth. Gross National Product (GNP) growth accelerated to 6.8 percent from 5 percent in 1995, driven largely by exports and investments. Exports expanded by 23.9 percent mainly as non-factor services grew by 54.5 percent. Investments surged to a two-digit growth of 16.4 percent, fueled principally by private construction which expanded by 24.5 percent.

Higher Employment Rate. The strong performance of the economy translated into better opportunities for workers as the employment rate climbed to 91.4 percent from 90.5 percent in 1995.

Marked Decline in Inflation. Prudent monetary management, a healthy fiscal position and a rebound in agriculture contributed to the successful reduction in inflation from a high 11.6 percent in February to 5.1 percent in December. Although higher than the previous year's 8.1 percent, the average inflation rate of 8.4 percent for 1996 was within the programmed range of 7.5 - 8.5 percent.

Adequate Fiscal Surplus. The cash operations of the National Government (NG) resulted in a P6.3 billion surplus in 1996, P11.2 billion below the programmed level due mainly to lower privatization proceeds.

Prudent Monetary Stance. Monetary developments in 1996 pointed to sustained prudence in monetary policy as monetary aggregates were kept below their programmed levels. This reflected BSP's commitment to maintain stable prices, a requisite to a sustainable high output growth.

Stronger and Expanding Financial System. Responding to opportunities spawned by a more liberalized environment and the continuing strong performance of the economy, the total resources of the financial system rose to P2.6 trillion from P2 trillion in 1995. The number of financial institutions likewise expanded to 14,632 units from 12,438 in 1995. These contributed to the expansion of banks' deposit base by 26.2 percent to P1.3 trillion and the rise in loans outstanding of commercial banks by 51.9 percent to P1.1 trillion.

Bullish Stock Market. Stock market activity was generally bullish in 1996 as the PSE composite index breached the 3,000 resistance level. Equities trading gained momentum particularly in the first half as the economy performed strongly, the US Federal Funds rate declined and several initial public offerings were listed.

Strong Overall External Position. The country's balance of payments (BOP) surplus reached $4,107 million as against $631 million in 1995. This contributed to substantially higher gross international reserves of $11.7 billion, 1.5 times the previous year's $7.8 billion. At the same time, the current account deficit (CAD) was kept at a manageable level of $3.6 billion from $3.3 billion a year ago. This reflected an improved CAD to GNP ratio of 4.1 percent compared to 4.3 percent in 1995.

Stable Exchange Rate. During the year, the peso remained generally stable, depreciating moderately by 1.9 percent to P26.2157 per US dollar, amidst the continued inflow of foreign capital and temporary blips in the market. The BSP purchased a net amount of $4.6 billion from the Philippine Dealing System (PDS) during the year.

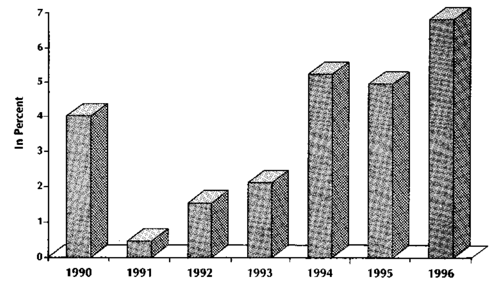
Successful Completion of IMF Program Reviews. In 1996, the second and third reviews of the country's economic program implemented in conjunction with a three-year IMF Extended Fund Facility were successfully completed. These placed the country closer to full exit, expected in mid-1997, from IMF conditional lending.

Continued Profitable BSP Operations. Preliminary data indicated that the BSP operations in 1996 resulted in a net income of P6.5 billion, P3.5 billion lower than the P10 billion earnings in 1995. The decline in the BSP income was due primarily to higher interest expenses for open market operations as the BSP continued to siphon off excess liquidity resulting from its substantial purchases of foreign exchange in the market.

Real Sector

The Philippine economy remained on a vigorous growth path in 1996, nurturing a steady expansion in the last five years and attaining a growth rate consistent with the target of 6 to 7 percent. In 1996, Gross Domestic Product (GDP) rose by 5.5 percent while GNP expanded by 6.8 percent from the previous year's respective growth of 4.8 percent and 5.0 percent (Table 1).

REAL GNP
Annual Growth Rates

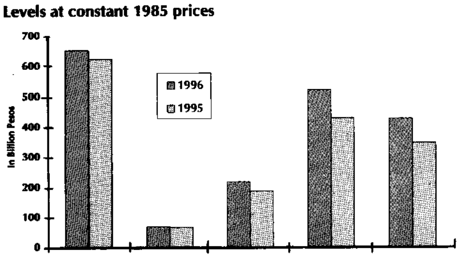


Aggregate demand was fueled largely by investment expenditures and exports. Meanwhile, domestic output expansion was influenced largely by flourishing business activities in services and industry and the strong recovery of agriculture. Net factor income from abroad, which grew by 55.6 percent from the previous year, provided a potent boost to GNP growth.

Aggregate Demand

On the demand side, the growth of the economy continued to be export- and investment-driven with private consumption expenditures gradually gathering momentum.

GNP BY EXPENDITURE SHARES
Levels at constant 1985 prices



Exports expanded by 23.9 percent in 1996 compared to 12.0 percent in 1995, propelled mainly by exports of non-factor services which grew by 54.5 percent. In contrast, merchandise export growth slowed down to 8.5 percent, from the 16.2 percent growth posted in 1995 on account mainly of the weak performance of garments, crude coconut oil, and shrimps and prawns. Meanwhile, imports of goods and services jumped by 21.2 percent from 16.0 percent in 1995 to provide for the input requirements of a growing economy. Merchandise imports increased by 14.7 percent, consisting principally of investment/capital goods and raw materials and intermediate goods.

Despite the improved performance of exports, the country's trade deficit for the combined merchandise and non-factor services accounts was 56.9 percent higher than that recorded in 1995. This was due primarily to the significant growth of imports as well as the deterioration in the terms of trade in 1996, as import prices outpaced those of exports.

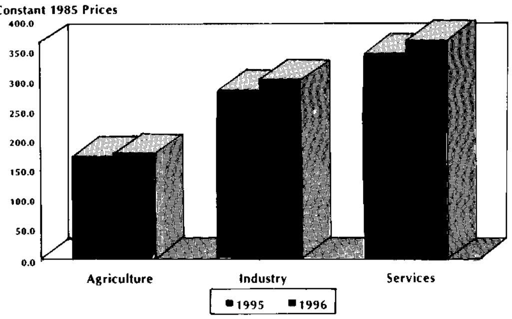
Investments surged to a two-digit growth of 16.4 percent in 1996 from 3.0 percent in the previous year. The increased demand for additional infrastructure facilities and the intensive government efforts to promote investments expanded fixed capital formation by 12.3 percent. Such level of capital investment expenditures was mainly influenced by the 15.9 percent growth in construction, a large component of which was private construction, with a value-added expansion of 24.5 percent Similarly, there was a remarkable 10.2 percent growth in durable equipment compared with 2.2 percent in 1995, owing to increased expenditures for industrial machines/equipment, air transport equipment and office machines/data processing equipment.

Private consumption expenditures increased by 4.6 percent during the year, reflective of the steady growth of expenditures on food, household operations, transportation and communications and utilities. On the other hand, the rise in government consumption expenditures decelerated to 2.9 percent from 5.4 percent in the previous year due to the cost-saving measures introduced by the government and the non-realization of expected receipts from privatization.

Sectoral Developments

On the production side, output expansion by major sectors was influenced largely by the recovery of agriculture, fishery and forestry which grew by 3.1 percent in 1996 compared to a marginal increase of 0.8 percent in the previous year. This was complemented by wide-ranging improvements in services which rose steadily by 6.0 percent from 5.0 percent during the same period. Industrial growth, however, decelerated to 6.3 percent from 7.0 percent in the previous year, due to some setbacks in the mining sector and slowdown in certain manufacturing industries (Table 1a).

GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN,
In Billion Pesos
At Constant 1985 Prices



The significant improvement in agriculture, fishery and forestry arose mainly from good palay harvests, the rebound of the sugarcane industry and healthy livestock and poultry production.

In industry, mining further contracted by 1.5 percent during the year due to the closure of two of the country's biggest mining firms which encountered technical, geological and environment-related problems. Manufacturing growth was also dampened by the decline in the export-related production of footwear and wearing apparel. Despite the slowdown in these two subsectors, the growth of the industry sector remained positive, propelled mainly by the rapid growth of the construction subsector which expanded by 10.9 percent. Private construction accounted for the biggest share of this sector.

The electricity, gas and water utilities subsector grew at a slower rate of 7.4 percent during the period, compared to the 13.0 percent growth last year due to the shutdown of power plants scheduled for maintenance and rehabilitation in the third and last quarters.

The strong performance of services reflected the benefits of dramatic changes and extensive improvements following deregulation and liberalization, particularly in the communications and finance sectors. In particular, communications grew steadily by 13.4 percent during the year from 11.2

percent a year ago. Finance also expanded by 13.8 percent, led mainly by the acceleration of banking which surged by 16.2 percent from 7.6 during the same period. Real estate growth at 10.7 percent was indicative of the ongoing expansion of the property market. As a result, the combined finance and housing services grew by 8.3 percent. Meanwhile, trade maintained its momentum at 5.5 percent. Other service subsectors reflected a steady improvement of 4.2 percent during the period, with the private sector accounting for the larger share of the growth.

Savings and Investments

Sustained growth of the country's domestic economy coupled with a stronger and more stable financial system led to an increase in the country's gross domestic savings rate, computed as the ratio of gross domestic savings to GNP, from 19.3 percent in 1995 to 22.9 percent in 1996 (Table 2). Both public and private sector savings contributed to the improvement in the country's savings performance. The Government's exercise of fiscal prudence and its commitment to realize a surplus in the consolidated public sector financial position were reflected in the rise in the country's public savings rate from 6.1 percent in 1995 to 6.4 percent in 1996. Meanwhile, the private savings rate also improved from 13.2 percent in 1995 to 16.5 percent in 1996 due partly to rising incomes and the public's greater access to savings instruments as a result of the liberalization of the banking sector.

Likewise, the country's total investments as a ratio to GNP went up from 21.6 percent in 1995 to 23.9 percent in 1996 due largely to the positive economic outlook generated by the country's strong economic fundamentals such as the maintenance of price stability, low and stable interest rates, and a stable foreign exchange rate, together with the government's commitment to economic and structural reforms aimed at leveling the playing field for fair competition. The holding of the 1996 Asia Pacific Economic Cooperation (APEC) Summit also helped boost domestic investments in 1996. The increase in investments was private sector-led as private investments rose from 14.2 percent in 1995 to 16.3 percent in 1996. Public sector investments as a percentage of GNP improved slightly from 7.4 percent in 1995 to 7.6 percent in 1996 notwithstanding the government's privatization efforts and its thrust to increase the role of the private sector in key infrastructure projects formerly undertaken by the public sector through BOT and similar schemes. In all these, political stability was a significant factor setting apart the past four years and a half of the current Government from previous ones.

Several reforms were instituted in 1996 to further enhance the capability of the country's financial system to mobilize domestic resources and to strengthen standards to ensure the system's integrity amidst a more deregulated and globally-integrated environment. Among the policies instituted were BSP Circular No. 103 which provided guidelines on the issuance of expanded commercial banking authority to local branches of foreign banks operating in the country, BSP Circular No. 105 outlining the implementing rules and regulations to govern the operations of the Islamic Bank, and BSP Circular No. 110 which provided the guidelines to implement the various legal provisions governing the acceptance by banks of deposits of the Government. Measures geared towards the further development of the capital market were also implemented such as the Bureau of the Treasury's (BTr) introduction of 10-year Treasury bonds and BSP's easing of the rules on trust operations by lifting the mandatory six-month profitability test period previously imposed on banks and financial institutions seeking to engage in trust operations.

With the improvement in the country's gross domestic savings rate and the reform measures undertaken to provide the environment for greater resource mobilization, the savings-investment gap as a percentage of GNP narrowed to 1.0 percent in 1996 from 2.3 percent in 1995 as growth in savings overtook the increase in investments. The savings-investment gap was also reflected in the country's persistent current account deficit. However, the country's CAD-to-GNP ratio barely moved from -4.3 percent in 1995 to -4.1 percent in 1996, which showed that the country still relied on foreign saving. This indicates that more aggressive and direct measures should be undertaken to accelerate the increase in the country's domestic savings so that more resources could be mobilized to meet the growing demand for funds that would continue to fuel economic growth and at the same time reduce the country's reliance on foreign resources. The creation of the National Commission on Savings last August 1996 is one of the government's strategies to hasten the process of savings mobilization. The Commission's primary mandate is to undertake measures that will promote savings and capital formation on a nationwide scale. One of the measures that the Commission is reviewing is the possible creation of a National Provident Fund by merging the country's two social security institutions. A Provident Fund system has been successful in mobilizing domestic savings in other ASEAN countries such as Malaysia and Singapore. Moreover, measures geared at the further development of the capital market, particularly those which aim to encourage small savers such as mutual funds and pension funds, were lined up for possible implementation.

Labor, Employment and Wages

The strong performance of the economy in 1996 influenced the significant improvement in labor conditions. Better opportunities to workers were notable as the employment rate climbed to 91.4 percent, one percentage point higher than the previous year's 90.5 percent. Unemployment rate, on the other hand, dipped to 8.6 percent (the lowest since 1991) from last year's 9.5 percent. The underemployment rate likewise declined from 21.4 percent in 1995 to 20.9 percent in 1996.

During the year, overseas employment expanded by 0.9 percent to 660.1 thousand from the previous year's 654.0 thousand. This development was due largely to the 6.1 percent rise in sea-based employment over the year alongside a 0.8 percent drop in land-based employment. The rise in the number of overseas Filipino workers contributed to the growth in their remittances which reached $4.2 billion in 1996 compared to $3.9 billion in 1995. The labor force in the local and global markets continued to contribute significantly to the country's sustained economic growth. In terms of real GNP, the share of OFW's compensation (a component of the Net Factor Income from abroad) declined to 1.93 percent of total GNP in 1996 from the previous year's 2.0 percent . This reflected an improvement in the economy's capacity to absorb domestic labor supply.

In 1996, the agriculture sector employed the biggest number of people followed by services and industry, garnering 42.8 percent, 40.8 percent and 16.3 percent of total, respectively. Agriculture's share in the employment pie has been declining in recent years, while employment in the services and industry sectors has been growing. Manufacturing cut the largest share (60.9 percent) in the industry sector in 1996, but has been declining gradually along with mining and electricity, gas and water utilities. Construction employment, on the other hand, has been progressively increasing its share in recent years capturing 34 percent of the industry sector's share in 1996. In the services sector, the community, social and personal services subsector reflected the biggest employment share at 43.7 percent, followed by wholesale and retail trade (36.1 percent), transportation, storage and communication (14.7 percent) and financing, insurance, real estate and business services (5.5 percent).

Owing to the agriculture, fishery and forestry sector's remarkable turnaround in 1996 and the positive performance of the other sectors, overall employment increased by 5.9 percent in 1996 from 2.6 percent in 1995. Agriculture, fishery and forestry recovered from a decline in employment of 1.2 percent to 4.5 percent growth. Employment in the industry and services sectors also improved during the year.

Based on a study published on 18 September 1996 by the Hong Kong-based Political and Economic Risk Consultancy (PERC), the Philippines ranked reasonably well in almost all the labor attributes such as cost, quality, availability and stability. The Philippines ranked fourth, following India, Australia and Britain but topped the more advanced Asian countries like Japan, Singapore, South Korea, Hong Kong, Malaysia, Australia and Indonesia. In another survey conducted by the Geneva-based Corporate Resources Group, the corporate and government personnel in the Philippines received relatively higher salaries than their counterparts in China, Vietnam and India. This shows that the Philippine attraction is no longer cheap labor but a higher technical skill and literacy level. A similar finding was also made in an earlier survey done in 1995 by the Hong Kong-based Watson Wyatt, (a human resources consultancy) which showed the Philippines' real wage growth to be the second fastest in Asia at 6.9 percent. The growth of wages in Asia is a manifestation of the growing competition among Asian economies which could erode the region's cost advantage over western countries.

Meanwhile, the number of new strikes declared in the Philippines dropped by 16 percent to 79[p/] in 1996 compared to 94 for the whole year 1995. Similarly, the number of workers involved fell by 58.2 percent to 23,000[p/] during the same period vis-à-vis 55,000 in the previous year.

The nominal daily wage rates in the non-agricultural sector in the National Capital Region (NCR) increased by 11.6 percent to P175.3 from the previous year's P157.1. In regions outside NCR, an increase in wages at the high end was observed but wages at the lower end dipped slightly. In the agricultural sector, wages rose by 30.6 percent in the plantation (P91.87-P164.45) and by 12.4 percent in the non-plantation (P77.46-P153.08) subsectors.

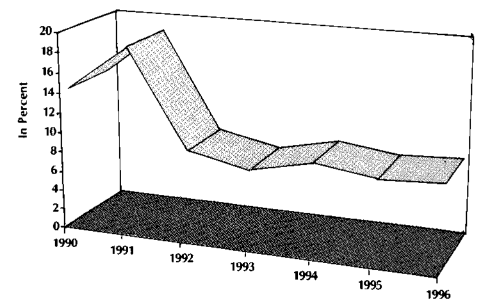
From negative real wages in 1995, wage rates in non-agricultural and agricultural sectors picked up both in the NCR and areas outside NCR. This was realized as inflation slowed down during the later months of 1996. However, real wages at the lower end of the non-agricultural and agricultural (plantation) subsectors somewhat declined.

[p/] Preliminary

Prices

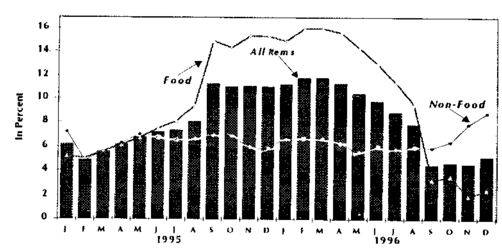
Prudent monetary management, a healthy fiscal position and the rebound in the agricultural sector contributed in successfully stabilizing prices in 1996. Although higher than the previous year's 8.1 percent, the average inflation rate for 1996 of 8.4 percent was well within the programmed range of 7.5-8.5 percent, an upscaling of the previous target on account of the rice crisis in late 1995. From a high 11.8 percent in February and March 1996, inflation dropped to 4.5 percent in September and to 5.1 percent in December.

ANNUAL INFLATION RATES
1988 = 100



All major commodity groups, except miscellaneous items, posted price increases from 1995 . In particular, food prices went up by 9.9 percent in 1996 from 9.5 percent last year. Increases in the prices of fish, dairy products and fruits and vegetables were moderated by stable prices of rice and corn during the year. Prices of rice and corn, which rose significantly in 1995 due to supply shortages finally stabilized in 1996. Price decelerations were observed starting March, and even reflected negative growth rates by September following the favorable agricultural harvest, supplemented by ample importation.

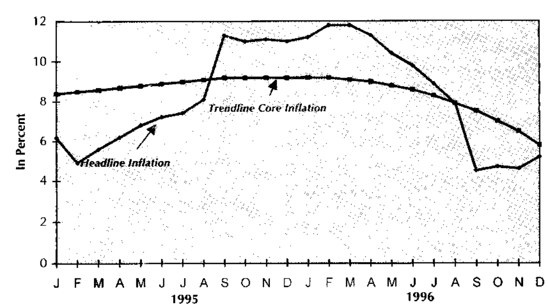
ANNUAL INFLATION RATES



Non-food prices, on the other hand, increased by 6.6 percent from 6.4 percent last year. Both housing and repairs and services posted the highest inflation of 9.5 percent, followed by fuel-light-and-water which posted an increment of 6.6 percent. The partial deregulation of the oil industry starting August which coincided with the winter stockpiling of petroleum products resulted in domestic oil price hikes. The spillover effects of such oil price hikes caused increases in water and power rates, and subsequently, transport fares. In particular, diesel oil and premium gas prices increased to P8.07 per liter and P10.76 per liter in December 1996 from their respective levels in 1995 of P7.00 per liter and P9.00 per liter. Meanwhile, the minimum transport fare for jeepneys and buses was raised from P1.50 to P2.00 in November.

Inflation rate in both the NCR and in the outlying areas was recorded at 8.4 percent. Food prices were cheaper in the metropolis while housing and repairs costs were higher in the provinces.

HEADLINE VS. CORE INFLATION

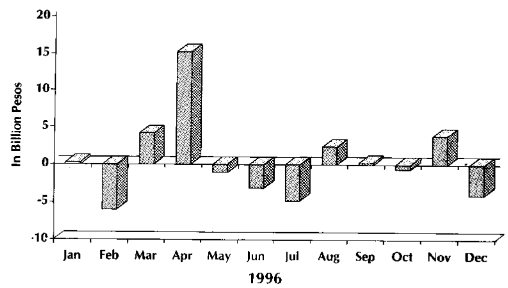


Meanwhile, based on computations by the BSP-Department of Economic Research, preliminary estimates of the trendline core inflation showed more stability at single-digit levels compared to the headline inflation which rose from single-digit to double-digit rates (September 1995 to March 1996) and fell back from double-digit to single-digit rates (April 1996 to December 1996). This stability of the trendline core inflation was established as short-run fluctuations (such as those in food during the rice crisis) were smoothened out in the estimation process.

When compared with ASEAN neighbors, the Philippine inflation rate of 8.4 percent for the year continued to inch closer to that of Indonesia at 7.9 percent, and Thailand, 5.8 percent. Singapore posted the lowest inflation rate of 1.4 percent while Malaysia, 3.5 percent.

Cash Operations of the National Government

NG CASH SURPLUS/(DEFICIT)



The cash operations of the NG resulted in a P6.3 billion surplus in 1996, P11.2 billion short of the programmed P17.5 billion. This year's surplus was likewise lower than the previous year's P11.1 billion as revenues grew by only 13.6 percent vis-a-vis the 15.4 percent growth in expenditures.

Aggregate revenues amounted to P410.4 billion, 89.6 percent of which represented tax collections while the remaining 10.4 percent came from non-tax sources. Improved collections by the Bureau of Internal Revenue (BIR), the government's major collecting agency, and the Bureau of Customs (BOC) contributed to the P57.4 billion hike in tax revenues. Meanwhile, the slowdown in earnings from the government's privatization program caused largely the P8.1 billion decline in non-tax revenues. This was traced mainly to the deferment in the sale of government shares in the Manila Electric Company (MERALCO) and the Food Terminal, Inc. (FTI), among others.

Public Internal Debt

Outstanding public internal debt at end-1996 aggregated P715.8 billion, an expansion of 5.6 percent from the previous year's level. As a percentage of GNP, however, the public internal debt ratio declined to 31.4 percent from 34.6 percent in 1995.

Accounting mainly for the growth in public internal debt was the build-up in NG debt of 5.7 percent in 1996. During the year, the NG stepped up its flotation of medium- and long-term debt issues in the form of fixed-rate Treasury notes and bonds. From a level of P79.3 billion in 1995, fixed rate Treasury notes and bonds rose to P183.3 billion, an increase of P104.0 billion or 131.2 percent from the previous year's level. The level of outstanding Treasury bills, meanwhile, declined from P391.3 billion in 1995 to P391.1 billion in 1996. At P708.2 billion, NG debt continued to be the biggest component of the total public domestic debt at 98.9 percent.

By far, securities remained to be the major form of debt instruments (98.6 percent).

The maturity structure of total outstanding internal public debt remained skewed towards short-term maturities although at a lower percentage share. From 70.9 percent in 1995, debt with short-term maturities declined to 63.6 percent of total in 1996 on account largely of NG's flotation of medium- and long-term Treasury securities, consistent with its policy of shifting to longer term indebtedness.

Monetary Conditions

Monetary developments in 1996 reflected sustained prudence on the part of the monetary authorities in managing the overall liquidity condition in support of price stability conducive to sustained high economic growth.

A number of structural reforms particularly foreign exchange deregulation and financial liberalization, including the entry of foreign banks, continued to affect the demand for money and the transmission of monetary policy. The reforms have altered the landscape of financial intermediation as competition has increased with the growing number of players in the system and with the globalization of financial markets. By enhancing the market orientation of financial instruments and facilitating financial transactions, they have led to significant financial deepening in the economy.

Against this background, the authorities have modified their monetary policy approach placing greater emphasis on the price objective and less on the intermediate monetary target. This framework that was introduced in the second half of 1995 has apparently worked well and has provided the monetary authorities greater flexibility in responding to financial market developments in their pursuit of the inflation objective. In 1996, under this framework, the authorities continued to implement monetary policy on the side of caution by keeping monetary aggregates substantially below program levels agreed with the IMF. As a consequence, average inflation at 8.4 percent was kept within the target range of 7.5 - 8.5 percent.

To achieve program targets, BSP borrowings under the reverse repurchase facility were stepped up especially to sterilize the monetary impact of the large foreign exchange purchases by BSP from the market. The BSP rediscount budget was also maintained. The healthy cash position of the NG whose withdrawals from its deposit balances with BSP were kept within program limits, helped ensure effective monetary management .

During the year, average base money (BM, unadjusted for BSP-Net International Reserves overperformance) during the test period was P15.1 billion or 9.4 percent below the ceilings. Reserve money (RM), a major component of BM, was P15.8 billion or 7.2 percent below the ceilings. In a similar manner, domestic liquidity or M3 was P45.9 billion or 5.4 percent below the indicative target for the year.

Growth of monetary aggregates also generally stabilized compared with the previous year's rates. BM's average year-on-year growth in 1996 slowed down to 13.2 percent from the previous year's 14.0 percent. The increase in RM, likewise decelerated to 13.2 percent in 1996 from the 1995 average of 14.0 percent. Domestic liquidity (M3) growth also decelerated from an average of 33.0 percent to 20.1 percent during the same period (Tables 8 and 9).

An uptrend in the BM multiplier was noted in 1996. With the drop in the average currency-to-deposit (CD) ratio to 14.4 percent from 15.9 percent in the previous year, the average BM multiplier inched up to 3.623 from 3.425 during the period. The slowdown in the CD ratio reflected the continued financial deepening of the economy following the expansion and the growing sophistication of the banking industry.

Viewed from the asset side, the expansion in M3 emanated from the growth in credits of the monetary system. Strong economic fundamentals and continued stability of the country's financial system led to the significant growth in credits. Total net domestic credits of the monetary system reached P1,507.7 billion as of end-December 1996, with about 91 percent coming from deposit money banks (DMBs). Of the DMBs' total credits, the bulk or 82.3 percent went to the private sector. Such lendings expanded by 51.4 percent in December 1996 from a year ago.

Credits extended by DMBs have been traditionally funded by peso deposits. As of end-December 1996, peso deposits (demand, savings, time deposits and deposit substitutes) of DMBs grew by 16.6 percent from the previous year and accounted for 24.2 percent of the total credit increment. However, financial liberalization has caused a shift in the funding sources of banks to finance their lending operations from peso deposits to foreign currency denominated liabilities as evidenced by the rapid growth in foreign currency deposits (FCDs) and foreign exchange liabilities.

From P206.7 billion in December 1995, FCDs of commercial banks (KBs) expanded by 53.6 percent in December 1996 and accounted for 30.9 percent of the total credit increment during the year. Commercial banks' borrowings from abroad also contributed to credit growth as of December 1996, with commercial banks' bills payable accounting for 24.3 percent of the total credit increment. The balance in credit growth was atrributable to the growth in banks' capital accounts and other domestic liabilities.

While domestic credits have been rapidly increasing in recent years, the credit to GNP ratio in the Philippines continued to be modest at 49.0 percent at end-December 1996, compared with higher ratios in Malaysia (98 percent) and Thailand (93 percent), indicating the large absorptive capacity of the Philippine economy.

The recent trend in credits to the private sector also reflected the sustained financial deepening. By the end of 1996, M3, when viewed as a percentage of GNP remained stable at 39.0 percent.

Financial System

Strong Growth of Resources. The financial system continued to respond strongly to the opportunities spawned by the more liberalized environment and the strong overall economic performance of the country.

Aggregate resources of the financial system rose to P2,552 billion[p/] as of December 1996. High deposit levels and the expansion of financial institutions' capital base underpinned the growth in resources. Consequently, the ratio of assets of the financial system relative to GNP rose from 102.2 percent in 1995 to 112 percent in 1996.

Commercial banks accounted for 73.5 per cent of the resource base of the financial system. Assets of commercial banks soared by 39.3 percent, faster than the 27.3 percent increase recorded last year. The anticipated brisk economic activity in view of the higher growth target for 1996 and the desire by local banks to secure their respective market shares prompted banks to boost their assets in 1996.

Thrift banks, the second largest banking group, also turned in an impressive performance as shown by the 25.8 percent growth in assets. Enjoying the advantage

[p/] preliminary

of a lower reserve requirement compared to commercial banks and being exempted from the gross receipts tax, thrift banks continued to operate on a more competitive position.

Meanwhile, the resources of rural banks grew by 12.3 percent to P41.2 billion as of end-June 1996. The uptrend in assets reflected the increased availability of fresh funds for countryside development. Non-bank financial institutions also registered a modest 11.5 percent increase in their assets to P454.1 billion as of end-1996.

Expansion of Operating Network. The number of bank and non-bank financial institution offices expanded to 14,632 units in 1996, consisting of 8,302 non-banking and 6,330 banking offices. Of the banking offices, 961 were head offices. The growth essentially reflected the efforts of banks and non-banks to establish their presence in strategic growth areas in the country in the face of increasing competition. The larger network of banking offices improved the bank density ratio nationwide from 12,193 persons per bank in 1995 to 11,442 persons per bank in 1996.

By institution, commercial banks led the growth in the number of financial institutions, adding 443 more offices to the financial system. Thrift banks contributed 246 units, rural banks added 168 and non-banks another 1,433.

On a regional basis, the distribution of banks remained largely concentrated in the NCR and nearby regions where industrial centers and more developed infrastructure facilities are located. These regions include Metro Manila which hosted 34.4 percent of total banking offices nationwide followed by the Southern Tagalog Region, 16.8 percent and Central Luzon, 10.2 percent.

Robust Rise in Deposit Liabilities of Banks. As banks expanded their geographical reach and widened their array of financial services, the banking system's total deposit base grew by 26.2 percent to P1,262 billion as of December 1996. Commercial banks maintained their dominant position, accounting for 88.7 percent of deposits. Thrift banks followed with 9.2 percent of the total while specialized government banks and rural banks accounted for the remaining 2.1 percent.

Sustained confidence in the economy and the continued downtrend in inflation enhanced savings generation by the banking system resulting in the growth of all types of deposits. Savings, which comprised the bulk or 63.2 percent of total, registered a 17.7 percent upturn. Time deposits recorded the fastest rise of 50.9 percent, resulting in the expansion of its share from 23.5 percent in 1995 to 28.1 percent in 1996. The spike in time deposits showed a growing preference for longer-term placements with increased optimism about the soundness of the banking system and the economy as a whole. Demand deposits likewise grew at a brisk pace of 24.9 percent to a proportion of 8.7 percent of the total.

Increased Credit Availability and Improvement in Loan Quality. Loans outstanding of commercial banks to all industries rose by 51.9 percent as of end-1996, an acceleration from the 35.8 percent rise recorded in the previous year. The bulk of these loans went to the manufacturing (32.3 percent), financial institutions, real estate and business services (21.8 percent) and wholesale and retail trade (16.1 percent) sectors.

Credit exposure across sectors increased by over 35 percent except in agriculture and mining which registered growth rates below 10 percent. Leading the expansion was the financial institutions, real estate and business services sector which attained a robust 97.2 percent increase. Electricity, gas and water followed with a 90.6 percent expansion. Bolstered by the growth of the property sector, loans outstanding to construction soared by 74.2 percent.

Despite the rise in loans outstanding, the loan quality of the banking system improved as shown by the drop in the ratio of past due loans to total loans from 4.03 percent in 1995 to 3.89 percent as of September 1996.

Improved Solvency of Banks. Meanwhile, the net worth to risk assets ratio of banks stood at 17.7 percent, way above the statutory ratio of 10 percent. This ratio is an indicator of the solvency of banks - - the higher the ratio, the more solvent the banks. Net worth to risk assets ratio of banks was buoyed by the build-up in the capital base in compliance with the increase in the minimum capital requirements mandated by the BSP in 1995.

Foreign Currency Deposit System. The resource base of the foreign currency deposit (FCD) system surged by 60.5 percent to $19,782 million due primarily to the more open capital markets which allowed banks to play a more active role in intermediating foreign capital flows. Also contributory to the increase was the grant of FCDU licenses to eleven (11) more banks in 1996.

The growth in resources was accounted mainly by the substantial increases in the two major accounts namely: loans and discounts and due from head office/ branches abroad. Loans and discounts to residents, the largest asset account of the system increased by 103.1 percent and were mainly granted to the manufacturing sector, financial institutions, real estate and business services and the wholesale and retail industries.

The due from head office account posted a dramatic rise of over 200 percent to $1,065 million from only $313 million in 1995. The unprecedented surge was a result of the the upswing in the due from head office account of local branches of foreign banks.

Meanwhile, the growth in the liabilities of the system was accounted mainly by the substantial increases in deposit liabilities and due to head offices/branches/ agencies abroad. The rise in export receipts and overseas workers remittances drove up deposit liabilities by 59.3 percent. The more than doubling in the due to head office account was attributable largely to the operations of foreign banks in the country.

Offshore Banking System. The combined assets of 15 operating offshore banking units (OBUs) totaled $2,301 million at end-1996, up by 6.2 percent from the previous year's level. Aggregate resources were buoyed by the rise in loans and discounts and due from banks, the largest account of OBUs.

Loans and discounts rose by 7.8 percent to $883 million, with the bulk going to the manufacturing (63.6), mining (16.4 percent) and transportation and communication (12.1 percent) sectors. Preliminary estimates of the maturity profile of total loans extended revealed about 97 percent were short-term and lent mostly to non-bank residents.

Consisting largely of placements by Philippine resident banks, the due from banks account increased from $ 1,253 million at end- 1995 to $1,296 million, or a 3.4 percent increase.

On the liabilities side, due to banks representing funds sourced mostly from bank borrowings and placements, accounted for 95.3 percent of total liabilities. The expansion in the time deposits of a major financial institution raised the level of the due to banks account from $2,092 million in 1995 to $2,193 million in 1996.

As of end-1996, there were 16 OBUs authorized to operate, 15 of which were operational. During the year, four foreign banks were given licenses to operate: Societe Generale, Bank Dagang Nasional Indonesia, Kredietbank, N.V. and Chase Manhattan International Finance, Ltd.

Capital Market Developments

Money Market. High liquidity arising from sustained foreign exchange inflows led to a slowdown in money market trading from 14.9 percent in 1995 to 8 percent in 1996. Aggregate volume of transactions reached P4,366 billion with 63.2 percent of instruments traded consisting of interbank call loans. Intermittent tightening of the market due to the monetary authorities' mopping up operations prompted cash-short banks to borrow from liquid banks to cover their reserve deficiencies. Consequently, interbank call loan (IBCL) trading went up by 20.3 percent. Brisk turnover of non-financial commercial papers was also noted as shown by the 50.1 percent expansion in the volume traded. Spurred by the strong gains of the economy, public enterprises, commercial, industrial and agricultural enterprises sourced their working capital and other funding requirements through commercial paper issuances.

Conversely, trading in several other money market instruments suffered noticeable declines. Treasury bills, which accounted for the second largest volume of transactions or 16.6 percent of the total, registered a 10.4 percent drop. Trading of Treasury bills fell due to the surplus position of the government and the shift towards longer maturities. Repurchase agreements of the government and the private sector slid by 99 percent and 64.5 percent, respectively.

Efforts to rein in the growth of monetary aggregates to dampen inflationary pressures drove up the weighted average interest rate (WAIR) from 11.634 percent to 12.460 percent or an increase of 82.6 basis points. The uptrend in rates was traced to the rise in the cost of interbank borrowings and the yield on Treasury bills, the two largest components of money market transactions.

Stock Market Developments. The year 1996 marked a generally bullish year for the stock market as the PSE composite index rose by 18.2 percent. From 2,592 index points in 1995, the PSE index increased to 3,065 index points. Equities trading gained momentum in the first half of the year but slowed down in the second semester. The bullish performance of the market during the first half of the year was on account of the combined effects of positive developments in the domestic economy, the decline in the US Federal funds rate and renewed foreign investor confidence in emerging economies. The issuance of more initial public offerings (IPOs) also perked up the growth of equities transactions. Among the IPOs listed in 1996 were Asian Terminal Inc., Fortune Cement, Urban Corp. Realty Developers and Alsons Cement Corp. In the second semester, however, trading weakened due to the decline in the value of shares of commercial-industrial firms, which comprised more than two-thirds of volume turnover. The slowdown in the market was brought about by the two-week slump in the Dow-Jones Industrial and the speculation of a possible increase in US interest rates which prompted investors to shy away from the local equities market. Heightened uncertainties over a possible "bubble burst" in the domestic property market triggered sell-offs of property shares in the fourth quarter, contributing to the sluggish trading in the second half of the year.

Total volume of transactions surged by 125.9 percent to 2,273.8 billion in 1996. The increase represented almost a three-fold expansion from the 42.1 percent growth achieved in 1995. Meanwhile, the overall value of transactions rose substantially by 71.6 percent to P668.9 billion, a turnaround from the previous year's 2.5 percent decline.

The property sector posted a dramatic rise in volume traded, reflecting the brisk activity in the real estate market. The commercial-industrial and oil sectors likewise recorded rapid increases. A corresponding rise in the value of shares of these sectors was likewise noted as the oil, property and commercial-industrial sectors grew by 201.1 percent, 107 percent and 58.9 percent, respectively.

To reflect more accurately the general market trend, the stock composition of the composite index was revised in November 1996. Moreover, the Securities and Exchange Commission (SEC) granted the PSE Self-Regulatory Organization status. The Philippine Central Depository, Inc. was also given its temporary license to operate by the SEC in December. These changes are expected to enhance the development and attractiveness of the capital market.

Balance of Payments

Current Account. Notwithstanding the rise in the current account deficit to $3,560 million from $3,297 million a year ago, the current account deficit (CAD)-to-GNP ratio improved to 4.1 percent from 4.3 percent in 1995. Such favorable development was traced mainly to decelerating imports and the substantial surplus in net services.

Aggregate merchandise exports advanced by 17.7 percent to $20,543 million or by $3,096 million, while aggregate imports at $31,756 million grew more slowly during the year at 20.3 percent versus 23.7 percent in 1995. However, the larger magnitude of the increase in the latter at $5,365 million resulted in a wider trade-in-goods deficit of $11,213 million or 12.9 percent of GNP compared to the previous year's deficit of $8,944 million or 11.7 percent of GNP.

The slowdown in the global demand for semiconductors - a phenomenon which hit most emerging economies in the region - weakened Philippine exports, but not to the same extent as in neighboring countries. Philippine export performance turned out to be the highest in the region in 1996. Growth in sales of electronic goods slowed down but to a still brisk 34.8 percent from 48.7 percent in the previous year. Garments, however, suffered a decline of $147 million to reach aggregate sales of $2,423 million. The downtrend was due to the intensifying foreign competition coming from lower wage countries such as Vietnam and Bangladesh. Manufactures constituted 83.3 percent of total exports. Other major export items whose sales levels dropped included coconut (26.2 percent drop), other agro-based (12 percent drop) and mineral (13.5 percent drop) products. In contrast, exports of sugar and related products, fruits and vegetables, forest and petroleum products advanced.

The slower growth of imports owed mainly to a moderation in the growth of raw materials and intermediate goods (which made up 44.1 percent of the country's import bill) from 26.7 percent in 1995 to 15.1 percent in 1996. Similarly, consumer goods exhibited a slower growth (19.0 percent) compared with that of the previous year (32.0 percent). Only capital goods recorded a surge in growth from 16.9 percent to 29.7 percent along with mineral fuels & lubricants (22.0 percent in 1996 vs. 20.6 percent in 1995). The bulk of the $2,385 million increase in capital goods was accounted for by purchases of telecommunications equipment and electrical machines as well as by power-generating and specialized machineries, indicating the continued demand of the growing economy for these imported technology.

In the non-merchandise or services trade account, a bigger surplus of $7,016 million was realized, representing a 47.2 percent hike over 1995 as a result primarily of substantial increases in earnings from other services, peso conversion of foreign currency deposits (FCDs) and investment income. Higher travel earnings and remittances of overseas Filipino workers (OFWs) also added to the surplus in services. However, these earnings were tempered by outlays for other services, construction activity and travel.

Summing up trade in goods and services, a total trade deficit of $4,197 million was posted in 1996 which, as a percentage of GNP, was lower at 4.8 percent compared to 5.5 percent in 1995.

Net inward transfers during the year fell to $637 million as against $882 million in the preceding period. The doubling to $548 million of private outward transfers dampened the increase in gross inflows from private and central government sources.

Capital Flows and International Reserves

Capital Flows. Net capital flows more than doubled from the 1995 level of $4,138 million to reach $8,974 million in 1996 (Table 18). Mainly behind this development were the net availments of medium- and long-term loans, increases in net short-term capital inflows and the substantial positive change in the commercial banks' net foreign assets. These mitigated the effects of lower net foreign investment inflows during the period.

Net availments of medium- and long-term loans reached $2,690 million in 1996 or 110.8 percent higher than the previous year's $1,276 million. Gross inflows were recorded at $6,329 million or 61.2 percent higher than the 1995 level. Almost half or $3,160 million of these inflows came from bond flotations, which grew by

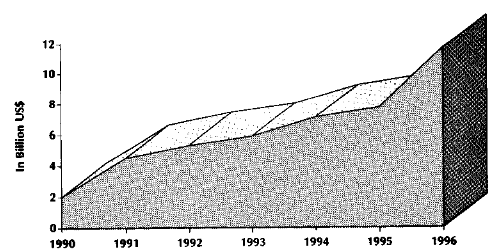
165.5 percent from the previous year's $1,190 million. Meanwhile, the other half represented proceeds of loans from multilateral, bilateral and other international financing institutions.

The country's net foreign investments reached $1,055 million in 1996 or $554 million below the 1995 level of $1,609 million. Net foreign direct investments of $1,226 million was partly offset by net outflows of portfolio investments amounting to $171 million. Despite a 110.5 percent increase in Philippine residents' withdrawal of foreign investments abroad, net portfolio investments of residents recorded a net outflow of $2,271 million in 1996. On the other hand, net portfolio investments of non-residents grew to $2,100 million from the 1995 level of $1,485 million.

In the short-term capital account, the balance reversed to a net availment of $512 million in 1996 from a net repayment of $56 million in 1995. Meanwhile, the change in commercial banks' net foreign assets rose by $3,408 million to reach $4,717 million in 1996 due in part to banks increasing their offshore borrowings to finance their domestic lending operations.

Gross International Reserves. The substantial surplus in the country's external transactions helped increase BSP's total foreign assets or gross international reserves (GIR), including its reserve position in the IMF in 1996.

INTERNATIONAL RESERVES OF THE BSP



The level of international reserves reached $11,745 million at the end of 1996 or 51 percent higher than the end-1995 level of $7,762 million (Table 19). At this level, the BSP-GIR was equivalent to 3.1 months' worth of imports of goods and services, including interest payments.

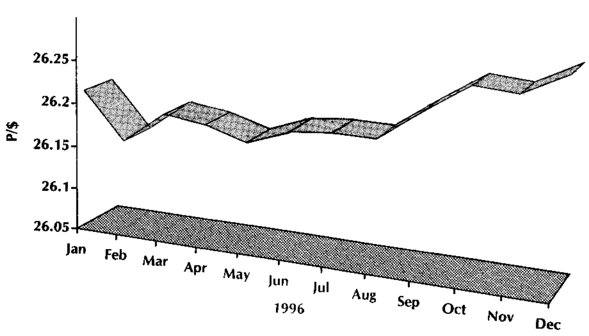
Accounting mainly for the increase in GIR were the $5,012 million net foreign exchange purchases by BSP from Authorized Agent Banks (AABs), including those in the Philippine Dealing System (PDS) which amounted to $4,642 million. At the same time, the large net foreign exchange deposits of the NG ($784 million) and the National Power Corporation ($218 million) with the BSP, a large part of which represented the proceeds of their offshore bond flotations also contributed to the higher GIR. Other major sources of foreign exchange inflows during the period were investment income ($476 million), gold-backed loans ($200 million), purchases of primary and panned gold ($198 million) and payment orders ($109 million). However, the positive impact of these inflows on the GIR were partially offset by the $2,200 million net FX sale to the NG to service its debts and some $594 million of principal and interest payments on the BSP's foreign liabilities.

The composition of the BSP-GIR in 1996 was essentially unchanged from that in the previous year: foreign investments (83.2 percent), gold (14.6 percent), reserve position in the IMF (1.1 percent), foreign exchange (1.1 percent) and holdings of Special Drawing Rights (SDRs) (0.02 percent). The higher level of foreign exchange assets of the BSP during the year translated to net international reserves amounting to $10,035 million at end-1996, substantially up from $5,928 million the year before.

Exchange Rate

The Philippine peso was relatively stable in 1996. Trading within a relatively narrow band of 20 centavos during the year, it depreciated by only 1.9 percent.. While the relative stability in the exchange rate reflected the sound underlying macroeconomic fundamentals, it was facilitated by BSP's swift response to discourage speculative activities in the market.

PESO-DOLLAR EXCHANGE RATE



The peso was stable at the beginning of 1996, but this was broken following an isolated bombing incident in Makati on 14 February that created sudden and irregular demand for foreign exchange . In response, the BSP immediately sold foreign exchange in the market and raised its overnight borrowing rate to contain speculative moves against the peso. This proved very temporary and the peso thereafter again experienced pressure to appreciate as a result of steady capital inflows and overseas workers' remittances. As in the past, the BSP participated in the PDS as a buyer of foreign exchange in order to moderate the appreciation of the peso and at the same time build up its reserves to targeted levels. It also cut its borrowing and lending rates a number of times in order to reduce the interest rate differential that attracted foreign capital inflows.

From June to August, the average exchange rate was almost unchanged, moving within a very narrow band of 4 centavos during the three-month period. However, beginning September, expectations of a possible adjustment in US interest rates and the easing in domestic interest rates, the strengthening of the US dollar and the slowdown in stock market activity led to some speculation in the foreign exchange market. Higher requirements for oil import payments also increased the demand for dollars. The BSP sold dollars to ease supply and raised its borrowing and lending rates. As a result, the movement of the peso was contained within a 10.3-centavo band.

For 1996, the BSP remained a net buyer of foreign exchange, purchasing a total of $6,642 million from the PDS while selling $2,000 million or a net purchase of $4,642 million.

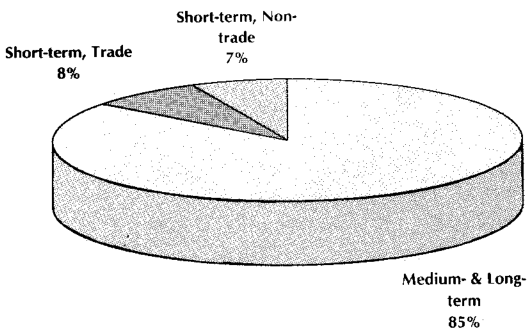
Against currencies of major industrial countries (MICs), the external competitiveness of the peso as indicated by the real effective exchange rate (REER-MIC) declined moderately by 8.4 percent due mainly to higher inflation in the Philippines vis-à-vis MICs. However, the peso appreciation against currencies of a broad number of competitor countries in real terms was lower at 4.1 percent due to lower inflation differential relative to these countries.

Foreign Exchange Liabilities

The country's total foreign exchange liabilities stood at US$40,269 million as of end-September 1996, reflecting an increase of US$2,491 million or 6.6 percent over the end-1995 level. The rise in the outstanding external debt was accounted for mainly by the net loan availments of the non-monetary sector and the increase in reported monetary liabilities of commercial banks. However, the adjustments due to revaluation gains offset partly the increase in the debt stock.

Net loan availments of the non-monetary sector consisted of short-term trade credits (US$455 million) and medium- and long-term loans (US$1,784 million) to finance development projects for transportation and communications, power generation and energy development, relending programs, construction of low-cost housing and manufacturing. On the other hand, the increase in reported liabilities of the commercial banks (US$1,418 million) was attributed mainly to higher flotations of certificates of deposits. Meanwhile, revaluation gains (US$1,008 million) arising mainly from the depreciation of the Japanese yen to the US dollar reduced partly the country's external debt.

FOREIGN EXCHANGE LIABILITIES



By maturity structure, the bulk of the outstanding debt remained medium and long-term (85.5 percent). Debts owed to bilateral creditors, mainly Japan and the US, comprised most of the total external debt at 34.7 percent followed by multilateral sources at 19.7 percent. Even as bilateral and multilateral creditors remained the major sources of credits, their share to total debt stock declined in 1996 as borrowers gained access to alternative sources of credits particularly through bonds/notes issuances. In terms of currency mix, the bulk of the country's external debt continued to be denominated in US dollars and Japanese yen.

Despite the steady expansion in the country's external liabilities during the year, the economy experienced an improvement in its debt- servicing capability. In terms of its ratio to total exports of goods and services and to current account receipts, the debt service burden declined to 11.9 percent and 11.6 percent, respectively, from 15.8 percent and 15.3 percent at end-1995. The continuing growth in goods exports and the strong services inflows together with the lower debt service repayments eased the debt service ratio, attesting to the continued improvement of the country's ability to service its debt.

Outlook for 1997

The higher growth path achieved in 1996 reflected a structurally stronger economy capable of adjusting to shocks while keeping the growth momentum. This was demonstrated clearly by the reduction in inflation to programmed levels without the economy deviating from its accelerating growth trend. Moreover, the strong economic performance was achieved amidst an ever growing democracy, a combination that is considered unique in the Asian region.

Behind the favorable economic performance was the Government's maintenance of prudent monetary and fiscal policies. Structural reforms that promoted competition, made available more resources efficiently and provided an investor-friendly environment, also contributed significantly to the further strengthening of the Philippine economy.

As the country moves closer to its centennial independence, prospects for a more competitive and progressive economy are becoming better. In 1997, GNP is expected to stay on a higher growth path of 7-8 percent as government continues its mix of reform-oriented and prudent macroeconomic policies. Consistent with this GNP growth, inflation is anticipated to stabilize at 6-7 percent. On the external front, further strengthening of the external position, build-up in international reserves and stabilization of the current account deficit are also expected.

At the same time, to realize these objectives, it is important for government to complete the current economic reform program. In particular, the remaining components of the comprehensive tax reform package will have to be finalized and implemented to provide for sustained viability of the fiscal position. This should be complemented by the sustained implementation of prudent macroeconomic policies. Moreover, to meet the expanding requirements of the economy, more infrastructure facilities will have to be built and existing ones will have to be upgraded to world standards. This should be complemented with policies that would help increase domestic savings to generate more funds for the purpose.

On the part of the BSP, the maintenance of price stability and the promotion of a healthy financial system will be the main goals. These it plans to achieve by maintaining its prudent monetary policy, continuously improving its supervisory capability and working for a wider capital base. In particular, the BSP will support legislative initiatives that will amend the General Banking Act to incorporate current banking practices and technology as well as provide additional safeguards for new risks and challenges in the banking system.

In the light of the fast-paced globalization and integration of capital markets together with the country's more liberal financial system, the BSP will continue to face the growing challenge of closely monitoring banks' activities and their risk exposures without necessarily stifling the development of the banking sector. Closer attention will need to be given to financial developments in other emerging markets as a precautionary measure to alert monetary authorities on potential destabilizing factors in the former that may impact on the country's financial institutions as major intermediaries of savings and investments.

To ensure greater effectiveness and independence in its monetary management consistent with its primary objective of maintaining price stability, the BSP will continue to support Congressional moves to implement its full capitalization to P50 billion that is provided under R.A. No. 7653 or the New Central Bank Act.

Part Two : THE BANGKO SENTRAL NG PILIPINAS

Key Policies During the Year

Monetary and Credit Policies

RESERVE REQUIREMENT OF COMMERCIAL BANKS		
Effectivity	Rate (In %)	
December 28, 1990	25.0	
January 29, 1993	24.0	
April 30, 1993	23.0	
July 30, 1993	20.0	*/
August 15, 1994	17.0	*/
May 31, 1995	15.0	*/
January 3, 1997	14.0	*/
July 4, 1997	13.0	*/

*/ Exclusive of 2% investment allowed in the form of market-yielding government securities

Reserve Requirement. The reserve requirement against peso deposits and deposit substitutes of commercial banks (KBs) remained at 15 percent in 1996 as provided by Circular 73 issued on 31 May 1995. Based on the total deposit and deposit substitute liabilities of KBs which averaged P785.8 billion in December 1996, required reserves totaled P126.2 billion. With available reserves of P128.9 billion, commercial banks registered excess reserves of P2.7 billion, higher than the previous year's P1.3 billion. The available reserves were mainly in the form of reserve balances (demand deposits) with the BSP.

The continued downtrend in the inflation rate in 1996 paved the way for the reduction in the reserve requirement against peso deposit and deposit substitute liabilities in 1997. As approved by the Monetary Board, Circular No. 119 was issued on 31 December 1996, providing for the reduction in the reserve requirement by two percentage points across the board to be implemented as follows: one percentage point reduction effective 3 January 1997 and another one percentage point reduction on 4 July 1997. The reduction in the reserve requirement would help lower banks' intermediation costs and interest rates to bring domestic cost of funds closer to Asian levels.

The reserve requirement against peso deposit and deposit substitute liabilities of commercial banks and non-banks with quasi-banking functions (NBQBs) would effectively be reduced to 13 percent from 15 percent, excluding the two percent liquidity reserve. Thrift banks and rural banks still enjoy a differential of two percent and eight percent, respectively, vis-à-vis the required reserve ratios against savings and time deposits of commercial banks.

Likewise, required reserves against peso-denominated common trust funds (CTFs) of banks and non-banks were reduced by two percentage points effective on the same dates as for regular deposits.

With the growth of other off-balance sheet accounts such as trust and other fiduciary accounts (TOFA) and investment management accounts (which were not formerly subject to reserve requirements), a 10 percent reserve requirement on TOFA-Others plus three percent liquidity reserves were prescribed similar to that imposed on CTFs. This newly imposed reserve requirement on TOFA-Others will be done on a gradual basis.

Along with the reduction in reserve requirements, the proportion of banks' required reserve balances with the BSP, which are eligible to earn an interest of four percent, was lowered to 25 percent from 40 percent of required reserves, also effective January 1997.

Rediscount Window BSP's credit policies are used to influence the volume of credit consistent with the objective of price stability.

Under its normal credit operations, the BSP may regularly provide short term commercial and production credits to banking institutions.

For 1996, the rediscount budget under the monetary program was set at P6.5 billion. Outstanding regular discounts of financial institutions, however, amounted to only P4.8 billion, or 73 percent of the budget. In the previous year, the comparable figure was P4.9 billion or 75 percent of the P6.5 billion budget.

An additional facility known as the Exporters Dollar Facility (EDF) was provided to exporters by the Monetary Board in December 1994, and was first availed by participating banks on 19 January 1995. The facility is another support measure for the export sector. The dollar rediscounting loans to commercial banks under the EDF almost doubled from $150 million in 1995 to $274 million in 1996.

Rediscount rates reflected the relative liquidity prevailing in the market. The rediscount rate for peso loans is fixed monthly at one percentage point below the 91-day T-bill rate at the last auction of the preceding month. The interest rate on EDF loans is adjusted every three (3) months, based on the prevailing 3-month LIBID rate.

Open-Market Operations. Open market operations (OMO) continued to constitute one of the major instruments under the BSP's monetary management program. Undertaken through the Treasury Department, the objective behind OMO is to achieve monetary targets set under the country's financial program which are consistent with price and growth objectives for the year. Specific instruments used in OMO include (1) reverse repurchase agreements; (2) repurchase agreements; and (3) BSP's holdings of government securities.

During the year, the RRP window was used rather extensively to mop up excess liquidity brought about by BSP's substantial dollar purchases. The BSP sold $2.0 billion and bought $6.6 billion at the PDS to help alleviate pressures for a peso appreciation and increase the gross international reserves.

Interest Rate Policy

The BSP's interest rate policy remained supportive of the macroeconomic objective to promote low inflation and a stable exchange rate environment conducive to economic growth. In line with this thrust, the BSP adjusted the rates of its repurchase (RP) and reverse repurchase (RRP) instruments in an effort to keep monetary aggregates within target levels, quell speculative moves against the peso and reduce incentives for arbitrage.

In particular, the BSP gradually raised its borrowing rates in February, September and November to moderate inflationary pressures and thwart speculative play on the peso brought about by unfavorable developments (i.e. power and water rate adjustments, pending hike in transportation fares, bombing in Makati, speculation over increase in US interest rate, and bearish mood in the stock market). On the other hand, the BSP moved to cut its borrowing rates gradually as inflation eased, reducing the differential between domestic and foreign interest rates.

Financial Structure Policy

During the year, financial reforms were instituted by the BSP to foster greater financial strength in response to increased competition and financial market integration. In particular, the BSP issued Circular No. 117 (dated 24 December 1996) which raised the minimum capital requirements of expanded commercial banks from P2.5 billion to P4.5 billion, commercial banks from P1.25 billion to P2.0 billion and thrift banks (with head offices in Metro Manila), from P150 million to P250 million.

Moreover, the BSP set the individual ceilings for credit accommodation to DOSRI (Directors, Officers, Stockholders and Related Interests) of cooperative banks equivalent to their outstanding deposits and the book value of their paid-in capital in the lending bank. DOSRI aggregate ceiling, direct or indirect, was likewise, limited to 15 percent of the total loan portfolio of a bank or 100 percent of its combined capital accounts (net of deferred income tax, unbooked valuation reserves and other capital adjustments required by the BSP), whichever is lower. This move was intended to help discourage the possible abuse in the use of bank resources by bank officials. Meanwhile, the rules governing BSP's grant of emergency loans and advances to banking institutions were also amended in order to promote prudent bank management.

Foreign Exchange Policies

Exchange Rate Policy. The BSP continued to pursue a market-determined exchange rate policy consistent with the Government's commitment to market-oriented reforms and outward-looking strategies with interventions aimed only at maintaining order in the foreign exchange market.

For most of the year, the BSP purchased foreign exchange to moderate pressures for an appreciation of the peso as inflows of foreign funds persisted. Moreover, the BSP reduced its borrowing and lending rates twenty-one times during the year in order to reduce the interest rate differential (between domestic and foreign rates) that continued to attract foreign capital into the country. Meanwhile, during three episodes of speculative attacks on the peso (i.e., on 14 February and in September and October), the BSP sold foreign exchange to ease the abnormal tightness of dollar supply and increased its borrowing and lending rates to cool down the market.

As a result, BSP net purchases during the year totaled $4.6 billion representing 16.7 percent of the total volume of transactions in the PDS. Such purchases accounted largely for the substantial build-up in the level of BSP's gross international reserves to $11.7 billion as of end-1996.

In 1996, the BSP also finalized bilateral repurchase agreements with several monetary authorities in Asia to reinforce the availability of foreign exchange in case of a speculative attack on the peso. Bilateral repurchase agreements were concluded with Bank of Thailand, Bank Negara Malaysia, Bank Indonesia, Monetary Authority of Singapore and Bank of Japan. A repurchase agreement was signed with the Hong Kong Monetary Authority in December 1995. Under these agreements, a participating central bank can draw US dollars from its counterpart against its holdings of US government securities in case of a speculative attack on its currency.

Trade Regulations. To speed up the restructuring of the economy and improve its current position in foreign markets, the Philippines continued to implement economic reforms geared to deepen trade with the rest of the world, promote domestic competition to ensure efficient allocation of resources and facilitate integration with the global economy. The crucial reform measures implemented included, among others, the elimination of some of the remaining quantitative restrictions on imports of essential agricultural commodities and petroleum products and their replacement with tariffs, the shift in customs valuation to transactions value closer to the prevailing world standard and the simplification of administrative procedures/forms governing trade.

A total of 78 items of agricultural products were delisted effective 1 May 1996 from the remaining list of regulated/prohibited imported commodities under Circular No. 109 dated 16 May 1996. This was pursuant to Republic Act No. 8178, otherwise known as "The Agricultural Tarrification Act", dated 28 March 1996. Aside from complying with commitments under the World Trade Organization

(WTO), the lifting of the quantitative restrictions on certain agricultural products would allow vital access to essential agricultural products in the international market during times of critical shortage in domestic supply.

With the passage of Republic Act No. 8180, otherwise known as the "Downstream Oil Industry Deregulation Act of 1996", Circular No. 112 was issued on 2 August 1996 waiving the prior import clearance requirement from the Department of Energy or the Energy Regulatory Board for the importation/exportation of 17 oil and petroleum products. Besides liberalizing the trade of refined petroleum products, the deregulation of the downstream oil industry also allowed the entry of new players in the domestic operation of petroleum refineries/and other oil facilities to encourage competitive pricing in the industry, restructured the duty on crude and refined petroleum products to maintain adequate incentives to domestic processors and mandated the adoption of the interim automatic pricing mechanism (APM).

Along with the above liberalization measures, import restrictions on 16 items of precursor substances/chemicals which require prior import clearance from the Dangerous Drugs Board were reimposed in accordance with the country's commitment under the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. This was implemented under MAAB dated 13 June 1996.

Executive Order No. 388, issued on 27 December 1996, further modified the nomenclature and rates of import duty on certain imported articles under Section 104 of the Tariff and Customs Code of 1978 and listed those that shall have Most-Favored-Nation rates and those that shall be subject to the ASEAN Common Effective Preferential Tariff (CEPT).

Along similar lines, a change in the basis of taxation of imports from home consumption value to transaction value was mandated under Republic Act No. 8181 dated 28 March 1996. BSP Circular-Letter dated 10 May 1996 disseminated to all banks this shift in the basis for valuation of imports. The shift in customs valuation is a step closer toward integration into the global economy which is necessary not only to deepen trade with the rest of the world but also to eventually help ease the domestic prices following the resulting lower valuation of imported goods.

Measures were likewise implemented during the year to simplify and streamline administrative procedures to expedite the flow of trade transactions.

Pursuant to Circular No. 107 dated 30 April 1996 and Circular-Letters dated 5 June and 13 September 1996, the simplification of Export Declaration (ED) forms and procedures was undertaken, eliminating the requirement for the issuance and registration of the same by Authorized Agent Banks (AABs)/Offshore Banking Units (OBUs). In the same vein, procedures governing the implementation of the country's Comprehensive Import Supervision Scheme (CISS) were revised, pursuant to Circular-Letter dated 10 May 1996, to phase out the non-LC processing operation by the BSP and transfer the same to Societe Generale Surveillance (SGS) Manila Liaison Office.

Regulations on Invisibles. The BSP continued to simplify and rationalize the rules and regulations governing foreign exchange transactions consistent with the policy of deregulation. Circular No. 108 dated 3 May 1996 was issued to improve the report on the consolidated foreign exchange assets and liabilities required of expanded commercial banks, commercial banks and specialized government banks and mandate their electronic transmittal to the BSP. Similarly, Memorandum Circulars to all AABs dated 15 February and 26 July 1996, rationalized the system of reporting on the sources and uses of funds in Foreign Currency Deposit Units (FCDUs) and directed the transmittal of the same report through existing electronic communication lines.

Circular No. 120, dated 31 December 1996, lifted the cap on peso borrowings of foreign companies in the Philippines, as prescribed under CB Circular No. 572 (Series of 1977). The latter circular was designed to ensure that foreign companies bring into the country adequate capital to keep their peso borrowings at reasonable levels. With a more open and stronger economy, the regulation became unnecessary since the economy has gained adequate capability to finance its requirements and alternative and cheaper sources of funds other than peso borrowings are now available following the liberalization of the country's foreign exchange regime.

The simplification of procedures and the elimination of most documentary requirements relative to the registration of inward foreign investments under CB Circular No. 1389 and the registration of Document against Acceptance /Open Account (DA/OA) transactions were likewise pursued.

To implement the guidelines governing the implementation of Circular No. 102, which pertains to the rules and regulations on financial derivatives activities of banks, NBQBs and/or their subsidiaries/affiliates engaged in financial allied activities, Circular Letter dated 20 May 1996 was issued. For the purpose of processing applications of financial institutions to engage in financial derivatives activities, the BSP can issue two types of approvals:, one for currency swaps and forwards (the regular type) and the other for all other kinds of derivatives transactions (the expanded type).

Supervision and Regulation of Financial Institutions

Supervision of Banks During the year, the BSP, through its Supervision and Examination Sector, conducted regular examinations on 789 head offices along with 1,591 branches and other offices of expanded commercial banks (EKBs), commercial banks (KBs), thrift banks (TBs), rural banks (RBs) and a specialized government bank. These annual examinations sought to assess the solvency, liquidity and profitability of banks, the quality of their management and their general compliance with regulations. In addition to its regular examination work, the BSP reviewed the EDP operations, systems, procedures and controls of 12 EKBs.

The BSP's regular on-site examination was complemented by off-site surveillance activities. The latter involved in-depth analysis and verification of bank reports to monitor any abnormal movements in key accounts. Surveillance work enables the BSP to put in place the necessary supervisory actions to correct at the earliest time the weaknesses noted in the financial condition of the banks. The off-site surveillance activities are also undertaken to determine bank's compliance with specific provisions of laws, rules and regulations.

During the period, the BSP received and processed 1,962 applications for the establishment of different types of banking offices, including branches, transfer of bank sites and the conversion of banks to other types of banks. Among the approved bank conversions from regular commercial banks to expanded commercial banks were ING Bank, Banco de Oro, and Asian Bank. The Development Bank of the Philippines was also allowed to operate as an EKB. In line with its move to promote bank consolidations and mergers, the BSP approved the request for the merger of Citytrust Banking Corp. and Bank of the Philippine Islands (BPI), with BPI as the surviving bank.

Regulation of Non-Bank Financial Intermediaries (NBFIs). The BSP continued to exercise regulatory responsibilities over 8,330 financing companies and other non-bank financial institutions as the procedures for a smooth transfer of said responsibilities to the Securities and Exchange Commission (SEC) as provided for in

Republic Act No. 7653 were still being worked out. In this connection, the Monetary Board decided that the supervisory authority over pawnshops would be retained by the BSP.

During the year, the BSP examined 58 head offices and two branches of non-bank financial institutions. Of the total, 7 were quasi-banks; 41, non-stock savings and loan associations; 5, non-quasi-bank investment houses with trust activities; and 5, other non-bank entities.

Management of International Operations

Foreign Exchange Operations. With the continued liberalization of foreign exchange transactions in the Philippines, the BSP kept a close watch over the foreign exchange (FX) operations of the financial system to ensure continued order and stability in the market.

In line with this, the BSP monitored banks' compliance with various reporting requirements pertaining to trade, services, loans and investments, derivatives and other FX transactions. In particular, the consolidated FX assets and liabilities of 50 commercial banks, the various reports of 16 OBUs, 47 KB-based FCDUs and 23 thrift bank-based FCDUs were monitored and evaluated to determine their compliance with existing prudential regulations.

The BSP also instituted several improvements in its monitoring system to facilitate bank reporting, notably (1) the transmission of required bank reports on FX transactions through electronic mail system; and (2) the standardization and simplification of required bank reports.

Consistent with the effort to further liberalize the international trade and payments system, the BSP issued circulars that simplified the Export Declaration form and procedure, and eliminated the registration requirement for the same by banks; liberalized 95 commodities regulated under Circular 1389; simplified registration procedures of DA/OA; eliminated most documentary requirements relative to the registration of inward foreign investments under Circular No. 1389; and issued rules on derivatives activities of financial institutions subject to banks' conformity with the Risk Management Guideline issued by the BSP.

During the year, the BSP approved the applications of 12 foreign banks to establish OBUs and representative offices in the Philippines, as well as four (4) local commercial banks and 7 thrift banks to operate FCDUs. In addition, four banks were given authority to engage in expanded or exotic derivatives activities.

The BSP also registered inward foreign portfolio investments from January to September amounting to US$6,239 million, about 96 percent higher compared to the 1995 level. Leading industry sector beneficiaries were the financial, real estate and manufacturing sectors. The top three sources of portfolio investments were the United Kingdom, the U.S. and Hong Kong. Meanwhile, BSP-registered inward foreign direct equity investments in 1996 totaled US$1,281.39 million or an increase of 57 percent from the 1995 level. The major foreign direct equity investors were Japan, the U.S. and British Virgin Islands while the primary industry beneficiaries were manufacturing, financial institutions and public utility.

International Trade Operations. The BSP intensified further its efforts toward the simplification of trade procedures, in coordination with other government agencies, to achieve the goal of establishing a more efficient and investor-friendly trade regime.

Through Circular No. 107 issued on 30 April 1996, the BSP simplified the Export Declaration (ED) form and procedure by eliminating the requirement for the issuance and registration of the same by AABs/OBUs. In 1996, the BSP continued to conduct and coordinate out-of-town export financing seminars in support to the government's vigorous export promotion activities. Likewise, the BSP finalized the publication of the 1995 Directory of Philippine Exporters.

To boost the country's exports, the BSP continued to provide exporters ready access to credit facilities through the rediscount window (P5,121.4 million) and Exporters Dollar Facility ($274.2 million) in 1996. The rediscount window is a credit facility made available by BSP to support priority sectors such as exports at an interest rate of one percentage point below the 91-day Treasury Bill rate during the last auction of the previous month.

To ensure smooth implementation of newly enacted laws on importations, the BSP issued various implementing circulars including Circular Nos. 109 and 112 dated 16 May and 2 August 1996, liberalizing a total of 95 commodities delisted from the remaining list of regulated import commodities under CB Circular 1389, pursuant to RA 8178 and 8180 and the implementing guidelines of RA 8181 which changed the basis of taxation of imports from home consumption value to transaction value. Other major policy and procedural changes instituted in 1996 were (1) the reimposition of import restrictions on 16 items of precursor substances/chemicals which require prior import clearance from the Dangerous Drugs Board in accordance with the country's commitment to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances; and (2) revision of procedures implementing the country's Comprehensive Import Supervision Scheme (CISS) which will phase out the non-LC processing operation by the BSP and transfer the same to SGS.

In 1996, bank reports showed that imports effected through letters of credit (LCs) totaled $11,812 million reflecting an increase of 4.9 percent from the previous year's level of $11,256 million. On the other hand, export negotiations made through commercial banks and OBUs declined by 14.32 percent from the 1995 level of $6,194 million to reach $5,307 million by end-1996. During the period under review, the BSP extended loans totaling $274.2 million under the of Exporters Dollar Facility or 82.4 percent higher than the previous year's $150.3 million.

Foreign Investments. Consistent with the objective of improving and streamlining foreign investment registration procedures and the monitoring of investment flows, the BSP computerized the registration documents of inward portfolio investments in 1996. At the same time, simplification of procedures and elimination of most documentary requirements relative to inward foreign investments were instituted.

The $554 million decline in the country's net foreign investments in 1996 was attributed largely to the decline in portfolio investments which was further exacerbated by a decrease in direct equity investments. The decline in portfolio investments was accounted for largely by the net outflow of portfolio investments by residents while net inflow of portfolio investments of non-residents remained substantial. Portfolio investments in 1996 yielded a net outflow of $171 million, a reversal from the previous year's net inflow of $ 248 million. Likewise, net direct foreign equity investments during the period under review reached $1,226 million or a reduction by $135 million or 9.9 percent from the 1995 level of $1,361 million. This developed as inflows from new direct foreign investments into the country slid by 26.2 percent from $1,300 million in 1995 to $960 million in 1996 while residents investments abroad climbed by 85.7 percent in 1996 to reach $182 million from $98 million in 1995.

Meanwhile, preliminary data for January to September 1996 showed that total BSP-registered foreign investments at $973.4 million increased by 19.4 percent from $815 million during the previous year. The increase was a marked improvement over the 7.6 percent decline registered in 1995 relative to the 1994 level of $881.89 million.

Classified by major country of origin, BSP-registered foreign equity investments in January-September 1996 came primarily from Japan ($ 361.06 million), the United States ($156.31 million) and British Virgin Islands ($105.74 million). Meanwhile, leading sectors that benefited from these investments were manufacturing ($357.49 million), banks and other financial institutions ($344.57 million) and, public utility ($ 120.46 million).

External Debt. The basic thrust of external debt management operations of the BSP focused on ensuring that new foreign borrowings are kept within manageable levels, carry internationally competitive terms and are obtained in accordance with existing laws, rules and regulations.

In 1996, the continuing improvement in the country's credit rating allowed Philippine borrowers to continue to tap foreign sources of funds at increased amounts and improved terms. As a result, total medium- and long-term loans approved during the year amounted to US$8,048 million, a 29 percent (US$1.6 billion) increase from the previous year's level of US$6,234 million. Over 50 percent of these approvals were public sector loans as a number of landmark transactions were undertaken by the Government in 1996 including the Samurai Bond issue (US$348 million), 20-year non-collateralized bonds issued during the Brady Bond Exchange (US$139 million) and the Yankee Bond issue by the National Power Corporation (US$360 million). A substantial portion of the public sector loans approved were for power and energy development and transportation and infrastructure.

Loan approvals for the private sector also increased from the previous year's level and were largely for the communications and manufacturing sectors.

The BSP also approved total FCDU loans amounting to US$703 million, or a 122 percent increase from previous year's approvals which reached US$316 million. Of these, private sector FCDU loans aggregated to US$431 million, all of which were medium- and long-term in maturity. The bulk of these private sector loan was used to finance Stage 1 of Citra Metro Manila Tollways Corporation Skyway Project.

During the year an aggregate amount of US$1,570 million in Certificates of Deposit (CDs) issued mostly by banks were noted by the BSP, of which US$1,370 million carried floating rates of interest (FRCDs). Almost 95 percent of the CDs issued in 1996 were medium-term in nature. The significant increase from the previous year's $300 million could be attributed to the increased demand for medium-term financing as a result of the growth in economic activity as well as the lower cost of borrowing abroad. The FRCDs issued in 1996 had maturities of up to five years.

Meanwhile, some 28 projects under the Build-Operate-Transfer Scheme were registered involving an aggregate project cost of US$6,800 million. This included the BOT arrangement covering the 50 MW Leyte Geothermal Power Plant costing US$70.0 million.

To remain current in the country's external obligations, the BSP authorized the remittance of US$89 million for the servicing of private sector loans and of US$1,143 million for the payment of public sector loan principal, interest and other fees. In addition, it also issued a one-time authority to service Government-Owned or -Controlled Corporations (GOCC) accounts amounting to US$1,250 million.

BSP Operations as Fiscal Agent of the Government

In 1996, the BSP continued to service the Government's outstanding obligations and provide backroom support for primary Government security issues while pursuing further the phaseout of its fiscal agency functions as mandated by the New Central Bank Act. The gradual phaseout was continued through an orderly and coordinated program of transfer to the Department of Finance/Bureau of the Treasury (DOF/BTr).

Total outstanding government securities directly serviced by the BSP as of December 31, 1996, reached P702.0 billion, reflecting an increase of P37.3 billion or 5.6 percent compared to the end-1995 level. The composite weighted yield rate averaged 13.00 percent, slightly higher by 39.30 basis points compared to the year-ago level. The outstanding balance consisted of issues of the NG (P700.2 billion), GOCCs (P1.5 billion), and the BSP, (P0.2 billion).

In line with the Government's thrust for the longer-term transformation of the domestic debt and the provision of a wider array of debt instruments to investors, 7- and 10-year Fixed Rate Treasury Notes (FXTNs) were issued by NG during the year, amounting to P 19.6 billion and P 2.0 billion, respectively. Likewise, 2- and 5-year FXTNs aggregating P107.7 billion continued to be floated during the year, bringing the total of FXTN flotations to P129.3 billion, or 139.4 percent higher than the previous year's P54.0 billion.

As of end-1996 the turnover of fiscal agency functions saw the transfer of approximately 40-45 percent of said functions to DOF/BTr. These included: (1) administration of Bond Sinking Funds and Securities Stabilization Funds; (2) auction of government securities; (3) accreditation and evaluation of Accredited Government Securities Dealers (AGSDs); (4) over-the-counter transactions of GOCCs and tax-exempt institutions; (5) administration of the Book Entry System for primary sales of government securities starting 4 November 1996; and (6) conversion of certificates held under custodianship into book entry arrangements.

The remaining functions to be transferred to DOF/BTr are: (1) administration of the Book Entry System for primary sales effected prior to 4 November 1996; (2) debt servicing; and (3) winding-up activities, which include reconciliation of accounts, audit/listing of Premyo Savings Bonds, inventory of securities and destruction/ incineration of paid/redeemed securities and interest coupons.

Other Activities

Gold Refinery. In 1996, gold purchased by the BSP from gold panners/traders totaled 519.9 thousand troy ounces, worth P5.0 billion. The quantity purchased was 10 percent higher than the previous year's gold purchases and was the highest since the panned gold buying program started in 1983.

Meanwhile, the year's refined gold production consisted of 1,355 "good delivery" gold bars containing 539.3 thousand troy ounces of fine gold. The production of refined gold exceeded the annual target of 350 thousand troy ounces by 54 percent.

Refined gold released to the BSP Treasury Department for delivery to foreign counterparties totaled 1,485 "good delivery" gold bars with a weight of 601.6 thousand troy ounces. In addition, 34.9 thousand grams of gold grain/sheets were sold to local jewelers.

The BSP Mint produced a total of 664.4 million circulation coins of the new series. It also coordinated the 1996 APEC Conference gold coin project and completed various medals/tokens projects undertaken for various offices.

Total coins delivered to the Cash Department amounted to 1,572.4 million pieces of 1995 and 1996 series coins with a face value of P774.8 million.

Currency Issuance. At end-1996, currency issue amounted to P150.3 billion consisting of P145.2 billion notes and P5.1 billion coins. This represented a 14.9 percent increase from the P130.8 billion in circulation in 1995.

Relatedly, the BSP supplied P119.7 billion in new and re-issued notes to the banking system, an increase of 8.0 percent from the 1995 issuances of P110.8 billion. There was no deficiency in the supply of new 1000-piso and 500-piso notes in 1996 as was experienced in 1995. On the other hand, P504.5 million or 754.9 million pieces of the new BSP coins were issued during the period to replace initially old CB coins in circulation being demonetized pursuant to BSP Circular No. 81, series of 1995. As of year end, a total of 1.3 billion pieces BSP coins were already in circulation. Earlier on 2 February 1995, the BSP completed the demonetization of the "Ang Bagong Lipunan" (ABL) note series.

In November, the BSP issued the 2000-piso APEC commemorative gold coins on the occasion of the APEC Forum hosted by the Philippines. As of December 31, 1996, a total of 1,198 pieces had been issued.

Clearing Operations. In 1996, a total of 46.5 million checks with an aggregate amount of P1.6 trillion were cleared through the BSP clearing facilities compared to 41.6 million checks amounting to P1.3 trillion in 1995.

During the year, two additional regional clearing units were established in Roxas City and Tagbilaran increasing the total number of BSP clearing centers to twenty-six (26). Moreover, inter-regional clearing operations in Northern and Northeastern Luzon were expanded to stimulate further the business climate in the areas.

Clearing fees collected in 1996 amounted to P79.9 million which were debited to the Demand Deposit accounts of participating banks in Manila and regional branches.

Loans and Credit Operations. In 1996, the BSP extended a total of P8.8 billion in loans and advances to financial institutions, a 36.7 percent decline from the previous year's level of P13.9 billion.

Of the total loans released, commercial banks absorbed the biggest share of 64.8 percent or P5.7 billion. The decline in the commercial banks' peso borrowings was attributed mainly to the shift to the dollar-denominated loans under the Exporters Dollar Facility (EDF). There were no loans granted to the NG during the period. The bulk of the rediscounting availments went to export financing (58 percent) and agricultural production (32 percent).

Small- and medium-sized exporter-borrowers (SMEs) who benefited from the rediscounting facility totaled 298, compared to 69 large enterprises-borrowers. However, of the total export rediscounts, 70 percent or P3.5 billion was absorbed by large enterprises.

Meanwhile, total availments under the Exporters Dollar Facility amounted to $274.2 million, an 82.4 percent increase from $150.3 million posted in 1995.

Total collections on loan principal amounted to P15.4 billion, a 14.9 percent decrease from the year ago level as a result of the reduced rediscounting availments during the year.

Total rediscounting arrearages during the period reached P1.6 billion, 3.9 percent lower than the 1995 level. Rural banks comprised 79 percent of total past due accounts. The total income generated from regular rediscounting operations stood at P452.5 million, while income realized under the EDF, ALF and APEX programs reached P659.4 million.

Regional Operations. In 1996, the BSP maintained three (3) regional offices (ROs) in the cities of Cebu and Davao and in the capital town of San Fernando, La Union. These offices exercised direct supervision and functional control over fifteen (15) BSP regional units and administrative supervision over twenty six (26) clearing units nationwide.

Cash and Banking Operations. Developments in 1996 reflected some changes in the performance of the regional offices. Total cash receipts dropped slightly to P93.4 billion or 1.3 percent lower than the 1995 level of P94.6 billion, while cash disbursements of P97.5 billion increased by 8.7 percent compared to the previous year's level of P89.7 billion. Cash deposits of the 850 bank branches serviced by the regional offices/units remained at P75.9 billion, the same level in 1995. Cash withdrawals by banks amounted to P54.9 billion, a 5.2 percent decline from the comparable level of P57.9 billion a year ago.

Loan and Rediscounting Operations. The BSP regional offices in Cebu, Davao and La Union and the Department of Loans and Credit (DLC) extension unit in Bacolod City granted P1.3 billion in rediscount loans in 1996, a sizeable 33.8 percent decrease from the 1995 level of P2.0 billion. Of the total loans granted in 1996, 25.8 percent was channeled to commercial banks, 61.4 percent to rural banks, 11.8 percent to thrift banks and the rest to specialized banks. Loan repayments aggregating P1.2 billion registered a marked 39.3 percent decline from the previous year's collection of P2.0 billion.

Domestic Treasury Operations. Sale of Treasury Bills in 1996 in the three (3) BSROs totaled P98.0 million, up by 105 percent from the year ago's sale of P47.8 million.

Gold Buying Operations. Total gold purchases in the three (3) Gold Buying Stations in Davao, Baguio and Zamboanga rose slightly to 419.5 thousand troy ounces valued at P4.1 billion, or 5.5 percent higher than the 1995 purchases of 397.8 thousand troy ounces valued at P3.7 billion.

Bank Supervision and Examination. Of the 602 commercial and specialized bank branches assigned to the Department of Commercial Banks II units in Cebu, Davao and La Union, regular examinations of 276 branches were completed , a slight decline of 8.9 percent from the previous year's 303 regular examinations.

Clearing Operations. A total of 42.5 million checks and other documents payable on demand valued at P1,397.2 billion were presented for clearing in the twenty six (26) regional clearing units in 1996. Of the checks cleared, 51.6 percent were local checks, 38.4 percent were "On - Manila " checks and 10 percent were checks for inter-regional clearing.

Miscellaneous Income. The BSP's Branch Operations contributed some P71.1 million to the income of the Bank in 1996. The amount, which represented a 25.3 percent improvement from 1995, consisted of interest income from loans granted, building rentals, handling fees on FX receipts, penalties/fines collected and other miscellaneous income receipts, and excluded clearing fees collected by the Accounting Department for participating banks in regional clearing units.

International Economic Cooperation. The BSP participated actively in various activities and programs of international associations and organizations in response to the need for a growing regional and international cooperation among its neighboring and trading partners.

The attendance to the Conference of the Governors of South East Asian Central Banks (SEACEN) by the BSP Governor in Singapore on 8-9 May 1996 served as an effective forum for the exchange of information and expertise on financial supervision and the conduct of monetary policy with member banks. Delegates were also sent to the various SEACEN courses organized during the year, one of which was the Course on Macroeconomic and External Sector Policies hosted by the BSP on 9-20 December 1996.

The BSP Governor also attended the First Executives' Meeting of East Asia and Pacific Central Banks (EMEAP) for Governors in Tokyo, Japan on 19 July 1996. EMEAP hopes to achieve closer central bank cooperation in Asia in the light of the increasing integration of capital markets in the region. In this meeting, three working groups were established in the areas of banking supervision, central banking operations and financial market development.

In support of regional initiatives for the liberalization of trade on financial services, the BSP participated in the meetings of the ASEAN Coordinating Committee on Services (CCS) and the ASEAN Negotiating Group on Financial Services. These negotiations aimed primarily at encouraging member-economies to provide GATS-plus commitments that would enhance market access of ASEAN financial service providers and promote intra-ASEAN trade in financial services. These meetings were in accordance with the Framework Agreement on Cooperation in Services signed in Bangkok, Thailand in December 1995 during the Bangkok Summit.

The BSP likewise sent delegates to various meetings, seminars and other activities organized by the IMF, the World Bank and its affiliates and the Asian Development Bank during the year.

New Committees. The BSP reconstituted nineteen (19) task forces/ committees and created new ones in 1996. The new major committees are as follows:

1. Study Group for Revaluation of International Reserves (IR) (Office Order No. 24 dated February 16, 1996) This was created to formulate the policies and procedures for the determination and recording of profits and losses arising from the revaluation of the foreign assets and liabilities of the Bangko Sentral.

2. Task Force for the BSP Internet Firewall Plan (Office Order No. 48 dated March 26, 1996) This was created to determine the appropriate policies, procedures and related security measures for the Internet Firewall Plan for BSP.

3. Ad-Hoc Committee on Islamic Banks (Office Order No. 196 dated November 6, 1996) This was created to formulate the rules and regulations that will govern the establishment and operations of privately-owned Islamic banks in the country.

Part Three : FINANCIAL CONDITION OF THE BSP

BSP Balance Sheet

In 1996, the BSP financial condition remained strong as its net worth grew by 1.8 percent.

Assets rose by 23.3 percent to P618.9 billion on account mainly of the expansion in the gross international reserves. As the BSP continued its purchases of foreign exchange in the market, gross international reserves went up by 52.6 percent to P305.5 billion, accounting for almost half of its total assets at year-end.

To counteract the expansion in liquidity created by its substantial foreign exchange purchases, the BSP stepped up its borrowings from the market. BSP debt instruments, mainly in the form of borrowings under the reverse repurchase facility, increased by P68.3 billion or by an unprecended 292.4 percent.

Likewise, the build-up in NG deposits with the BSP by P33.1 billion, or 45.1 percent, helped reduce liquidity to programmed levels. The increase in NG deposits principally represented proceeds of NG's flotation of medium- and long-term Treasury securities during the year. As a result, currency issue and reserve deposits of deposit money banks grew only by P19.5 billion and P11.0 billion, respectively, during the period.

BSP Income Statement

Based on preliminary data, the BSP's operations in 1996 yielded a net income of P6.5 billion, P3.5 billion lower than the P10.0 billion income generated in 1995.

During the period, revenues reached P44.4 billion while total expenses amounted to P36.0 billion. Interest income, which comprised 89.7 percent of total revenues, turned out P4.8 billion higher than the year-ago level following the substantial build-up in international reserves and domestic securities holdings.

Meanwhile, the P8.5 billion increase in total expenses was traced to higher interest payments following the build-up in NG deposit balances with the BSP and increased borrowings under the reverse repurchase facility to mop up excess liquidity arising from the BSP's FX purchases. The substantial rise in NG deposits and RRP borrowings facilitated the maintenance of liquidity within programmed levels.

STATISTICAL TABLES

1 GROSS NATIONAL PRODUCT BY INDUSTRIAL ORIGIN
for the periods indicated
in million pesos, at constant 1985 prices

	1994	1995	1996	Percent Change 1994-95	Percent Change 1995-96
Personal Consumption Expenditures	600,106	622,985	651,790	3.8	4.6
Government Consumption Expenditures	62,343	65,680	67,591	5.4	2.9
Gross Domestic Capital Formation	180,797	186,151	216,723	3.0	16.4
Fixed Capital Formation	176,388	184,667	207,426	4.7	12.3
Construction	72,858	78,627	91,115	7.9	15.9
Durable Equipment	91,658	93,701	103,226	2.2	10.2
Breeding Stock & Orchard Development	11,872	12,339	13,085	3.9	6.0
Increase in Stocks	4,409	1,484	9,297	(66.3)	526.5
Exports	307,205	344,181	426,311	12.0	23.9
Less: Imports	369,325	428,475	519,423	(183.6)	(68.3)
Statistical Discrepancy	(14,758)	12,344	3,909	(183.6)	(68.3)
Gross Domestic Product	**766,368**	**802,866**	**846,901**	**4.8**	**5.5**
Net Factor Income From Abroad	19,768	22,298	34,691	12.8	55.6
Gross National Product	**786,136**	**825,164**	**881,592**	**5.0**	**6.8**

Source: Economic and Social Statistics Office, National Statistical Coordination Board (NSCB)

1a GROSS NATIONAL PRODUCT BY INDUSTRIAL ORIGIN
for the periods indicated
in million pesos, at constant 1985 prices

	1994	1995	1996	Percent Change	
				1994-95	1995-96
Agriculture, Fishery and Forestry	171,390	172,844	178,143	0.8	3.1
Industrial Sector	265,972	284,504	302,398	7.0	6.3
Mining and Quarrying	10,763	10,681	10,522	(0.8)	(1.5)
Manufacturing	190,374	203,271	214,538	6.8	5.5
Construction	41,774	44,492	49,339	6.5	10.9
Electricity, Gas and Water	23,061	26,060	27,999	13.0	7.4
Services (Tertiary Sector)	329,006	345,518	366,360	5.0	6.0
Transportation, Communication & Storage	44,764	47,366	50,878	5.8	7.4
Trade	116,923	123,430	130,247	5.6	5.5
Finance & Housing	74,019	77,617	84,087	4.9	8.3
Other Services	93,300	97,105	101,148	4.1	4.2
Private	53,159	55,461	58,249	4.3	5.0
Government	40,141	41,644	42,899	3.7	3.0
Gross Domestic Product	**766,368**	**802,866**	**846,901**	**4.8**	**5.5**
Net Factor Income From Abroad	19,768	22,298	34,691	12.8	55.6
Gross National Product	**786,136**	**825,164**	**881,592**	**5.0**	**6.8**

Source: Economic and Social Statistics Office, National Statistical Coordination Board (NSCB)

2 SAVINGS AND INVESTMENTS
for the periods indicated
in billion pesos

			As Percent of GNP	
	1995	1996	1995	1996
Gross Domestic Savings	**378.0**	**521.5**	**19.3**	**22.9**
Public Savings	118.6	145.5	6.1	6.4
Private Savings	259.4	376.0	13.2	16.5
Total Investment	**423.6**	**544.9**	**21.6**	**23.9**
Public Investments	145.0	172.5	7.4	7.6
Private Investment	278.6	372.4	14.2	16.3
Savings-Investment Gap	**(45.6)**	**(23.4)**	**(2.3)**	**(1.0)**
Public Surplus/Deficit[1]	(26.4)	(27.0)	(1.3)	(1.2)
Private Surplus/Deficit	(19.2)	3.6	(1.0)	0.2
MEMO ITEM:				
Nominal GNP	**1,958.9**	**2,278.5**		

[1]Includes that of the national government, 14 major non-financial corporations, government financial institutions, local government units, government security systems and the BSP.

Source: National Statistical Coordination Board (NSCB)

3 SELECTED LABOR, EMPLOYMENT AND WAGE INDICATORS 1993-1996

	January-October				Percent Change	
	1996	1995	1995	1994	1995-96	1994-95
Employment Status						
Labor Force (in Thousand)	29,733		28,380		4.8	2.6
Employed	27,187		25,676		5.9	2.6
Unemployed	2,546		2,704		-5.8	3.1
Employment Rate (%)	91.4		90.5		1.0	0.0
Unemployment Rate (%)	8.6		9.5		-9.5	0.0
Overseas Employment (Deployed)	660,122		654,022		0.9	-9.1
Land-Based	484,653		488,621		-0.8	-13.6
Sea-Based	175,469		165,401		6.1	7.1
Strikes	January-October				January-October	
Number of new strikes declared	79	87	94		-9.2	1.1
No. of workers involved (In Thousands)	23	54	55		-57.4	12.2
Legislated Wage Rates[1]						
In Nominal Terms						
Non-Agricultural						
National Capital Region (NCR)	175.28	157.08	154.37	11.59	1.76	
Regions Outside NCR (ONCR)	98.00-164.45	100.49-149.50	100.39-149.50	96.78-140.56	35.58	12.17
Agricultural						
Plantation	91.87-164.45	90.69-146.25	89.31-146.25	86.30-143.54	30.63	-0.52
Non-Plantation	77.46-153.08	67.58-134.88	67.53-134.88	63.74-132.17	12.36	-1.58
In Real Terms (at 1988 prices)						
Non-Agricultural						
National Capital Region (NCR)	71.68	69.72	69.24	73.57	2.81	-5.89
Regions Outside NCR (ONCR)	41.88-75.48	46.51-72.96	46.21-72.34	50.48-81.27	27.03	-15.13
Agricultural						
Plantation	39.04-67.25	42.02-64.91	41.16-64.47	45.00-68.41	23.24	-0.43
Non-Plantation	33.12-62.59	31.28-59.86	31.08-59.45	33.24-62.99	3.11	-4.64

[1]Includes basic minimum wage, cost of living allowance (COLA) and daily equivalent of 13th month pay.

Sources: Bureau of Labor and Employment Statistics (BLES) and Philippine overseas Employment Administration (POEA)

4 CONSUMER PRICE INDEX IN THE PHILIPPINES, NATIONAL CAPITAL REGION (NCR) AND ALL AREAS OUTSIDE NCR 1995-1996 1988=100

	Philippines			National Capital Region			All Areas Outside NCR		
Commodity Group	1996	1995	Percent Change	1996	1995	Percent Change	1996	1995	Percent Change
All Items	**227.7**	**210.0**	**8.4**	**245.7**	**226.8**	**8.4**	**221.8**	**204.6**	**8.4**
Food,Beverages & Tobacco	217.4	197.9	9.9	206.1	190.8	8.0	220.3	199.7	10.3
Non-Food	242.1	227.2	6.6	283.1	261.1	8.4	224.3	212.4	5.6
Clothing	187.6	181.2	3.6	178.9	173.2	3.3	189.8	183.1	3.6
Housing & Repairs	289.6	264.4	9.5	361.7	325.6	11.1	240.3	222.5	8.0
Fuel,Light & Water	231.3	217.0	6.6	227.9	210.5	8.3	232.6	219.4	6.0
Services	251.3	229.4	9.5	252.5	232.3	8.7	250.7	228.1	9.9
Miscellaneous	184.7	192.1	-3.8	183.3	190.6	-3.8	185.1	192.4	-3.8

Source: National Statistics Office (NSO)

5 SELECTED DOMESTIC INTEREST RATES
for the periods indicated
in percent per annum

	Nominal Interest Rates		Real Interest Rates[5]	
	1996	1995	1996	1995
Borrowing Rates of Banks				
Interbank Call Loans	12.616	12.064	4.216	3.964
Savings Deposits*	7.954	7.992	-0.446	-0.108
Time Deposits* (All Maturities)	11.489	9.308	3.089	1.208
Manila Reference Rates[1] (All Maturities)	11.728	9.308	3.328	1.887
Lending Rates				
All Maturities*[2]	11.750	10.000	3.350	1.900
Bangko Sentral Rates				
R/P (Overnight)[3]	14.362	14.455	5.962	6.355
R/P (Term)[3]	N.T.	N.T.		
RR/P (Overnight)[3]	12.879	11.150	4.479	3.050
RR/P (Term)[3]	12.225	13.300	3.825	5.200
Overdrafts[4]	21.000	21.824	12.600	13.724
Rediscounting	11.395	10.242	2.995	2.142
CB/BSP Bills (All Maturities)	11.319	10.908	2.919	2.808
Rate on Government Securities				
Treasury Bills (All Maturities)	13.014	12.457	4.614	4.357
91-Days	12.393	11.345	3.993	3.245
182-Days	12.908	12.474	4.508	4.374
364-Days	13.409	13.402	5.009	5.302

*Of sample commercial banks.
[1]Refers to the New MRR based on combined transactions on time and promissory notes of sample banks all maturities.
[2]Refers to the weighted average interest rate of sample commercial banks' interest incomes on their outstanding peso-denominated loans.
[3]Weighted average of transacted rates.
[4]As prescribed by the Bangko Sentral.
[5]Nominal interest rate less inflation rate.

6 CASH OPERATIONS OF THE NATIONAL GOVERNMENT
for the periods indicated
in million pesos

	1996[p]	1995[r]	Percent Change
Revenues	**410,449**	**361,220**	**13.63**
Tax Revenues	367,894	310,517	18.48
Non-tax Revenues	42,555	50,703	(16.07)
Expenditures	**404,193**	**350,146**	**15.44**
of which:			
Interest Payments	76,522	72,658	5.32
Equity and Net Lending	3,176	8,420	(62.28)
Surplus/(Deficit)	**6,256**	**11,074**	**(43.51)**
Financing	**(6,256)**	**(11,074)**	**(43.51)**
External Financing	(5,908)	(13,346)	(55.73)
Domestic Financing	(348)	2,272	(115.32)

[p]Preliminary; based on the Bureau of the Treasury's (BTr) Cash Operations Report as of January 22, 1997.
[R]Revised
Source: BTr

7 PUBLIC INTERNAL DEBT
as of periods indicated
in million pesos

	1996ᵖ	1995	Percent Change
Total	**715,807**	**677,854**	**5.6**
National Government[1]	708,168	669,886	5.7
Government Corporations	7,394	7,335	0.8
Guaranteed	5,239	5,219	0.4
Non-Guaranteed	2,155	2,116	1.8
Monetary Institution	245	634	-61.4

[1]As compiled by the Bangko Sentral ng Pilipinas (BSP), outstanding debt of the National Government consists of its security issuances and its outstanding borrowings in the form of loans excluding, however, assumed liabilities from the Philippine National Bank (PNB) and the Development Bank of the Philippines (DBP), loans evidenced by promissory notes issued to different international financial organizationsand loans availed of under the Consolidated Foreign Borrowings Program (CFBP). Debt of government corporations consists of security uances ofgovernment-owned/or controlled corporations issued thru the BSP, security issuances of the Land Bank of the Philippines (LBP) and loans by the BSP to the Philippine Deposit Insurance Corporation(PDIC). Debt of the monetary institution consists of security issuances of the BSP.
[p]Preliminary
Sources: LBP, BTr

7a PUBLIC INTERNAL DEBT CLASSIFIED BY MATURITY
as of periods indicated
in million pesos

	1996[p]	1995	Percent Change
Total	**715,807**	**677,854**	**5.6**
Short-term	455,025	480,858	-5.4
Medium-term	124,279	100,230	24.0
Long-term	136,503	96,766	41.1

[p]Preliminary
Sources: LBP, BTr

8 MONETARY DEVELOPMENTS
1995 - 1996
levels in billion pesos, changes in percent

	1995	1996p											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Reserve Money (RM), 10-day average													
Actual n.s.a.	203.0	189.5	190.4	198.2	197.3	198.5	196.4	193.0	194.5	196.6	200.5	207.6	226.3
(12-month % change)	12.6	13.0	9.6	10.6	6.1	12.9	18.3	17.8	15.7	15.9	14.2	13.7	11.5
Base Money (BM),10-day average													
Actual n.s.a.	221.3	207.8	208.2	216.6	216.5	216.8	214.4	211.5	213.3	214.6	219.0	226.1	247.7
(12-month % change)	13.7	13.0	9.9	10.6	6.4	13.6	18.1	17.6	15.7	15.4	14.0	12.7	11.9
Actual n.s.a.	761.4	762.1	754.1	769.1	767.7	765.4	776.7	778.6	776.4	799.5	806.5	825.3	881.4
(12-month % change)	25.3	25.8	20.3	20.5	16.9	20.4	23.4	21.4	17.6	22.0	17.2	16.7	15.8

pPreliminary

9 MONETARY SURVEY
in million pesos

	Levels			Flows	
	DEC 96ᴾ	NOV 96	DEC 95	DEC	DEC-DEC
NET FOREIGN ASSETS	**(247,655)**	**(243,830)**	**(88,791)**	**(3,825)**	**(158,864)**
Net International Reserves	(194,048)	(186,806)	(34,167)	(7,242)	(159,881)
Bangko Sentral ng Pilipinas	263,806	253,949	155,503	9,857	108,303
Foreign Assets	308,754	300,604	203,602	8,150	105,152
Foreign Liabilities	(44,948)	(46,655)	(48,099)	1,707	3,151
Deposit Money Banks	(457,854)	(440,755)	(189,670)	(17,099)	(268,184)
Foreign Assets	204,523	184,229	159,884	20,294	44,639
Foreign Liabilities	(662,377)	(624,984)	(349,554)	(37,393)	(312,823)
Medium and Long-Term-Foreign Liab.	(31,464)	(32,882)	(37,147)	1,418	5,683
Net Non-Monetary Foreign Liab.	(22,143)	(24,142)	(17,477)	1,999	(4,666)
Non-Monetary Foreign Assets	10,633	10,559	7,949	74	2,684
Non-Monetary Foreign Liabilities	(32,776)	(34,701)	(25,426)	1,925	(7,350)
NET DOMESTIC ASSETS	**1,161,558**	**1,102,328**	**875,204**	**59,230**	**286,354**
Net Domestic Credits	1,507,732	1,445,527	1,084,007	62,205	423,725
Public Sector	377,193	358,953	335,324	18,240	41,869
National Government	322,822	304,175	283,901	18,647	38,921
Credits	455,670	447,406	384,924	8,264	70,746
Foreign Exchange Receivable	10,318	9,797	9,168	521	1,150
T-IMF Accounts	(17,437)	(17,437)	(19,356)	0	1,919
Deposits	(125,729)	(135,591)	(90,835)	9,862	(34,894)
Local Gov't & Others	25,136	24,681	21,397	455	3,739
Claims on CB-BOL	29,235	30,097	30,026	(862)	(791)
Private Sector	1,130,539	1,086,574	748,683	43,965	381,856
Other Financial Institutions	76,338	75,137	47,682	1,201	28,656
Other	1,054,201	1,011,437	701,001	42,764	353,200
Net Other Items	(346,174)	(343,199)	(208,803)	(2,975)	(137,371)
Revaluation	4,189	3,824	2,636	365	1,553
Capital and Reserves	(273,269)	(267,606)	(214,344)	(5,663)	(58,925)
Other Assets/Liabilities	(77,094)	(79,417)	2,905	2,323	(79,999)
TOTAL LIQUIDITY913,903	**858,498**	**786,413**	**55,405**	**127,490**	
M3	881,404	825,294	761,430	56,110	119,974
Narrow Money	221,957	198,916	184,931	23,041	37,026
Quasi-Money	652,806	619,948	570,260	32,858	82,546
Deposit Substitutes	6,641	6,430	6,239	211	402
Other Liabilities	32,499	33,204	24,983	(705)	7,516
Bills Payable	29,511	30,035	21,434	(524)	8,077
Marginal Deposits	2,988	3,169	3,549	(181)	(561)
Narrow Money	**221,957**	**198,916**	**184,931**	**23,041**	**37,026**
Currency in Circulation	122,954	102,714	110,892	20,240	12,062
Demand Deposits	99,003	96,202	74,039	2,801	24,964
Quasi-Money	**652,806**	**619,948**	**570,260**	**32,858**	**82,546**
Savings Deposits	609,239	576,456	527,977	32,783	81,262
Time Deposits	43,567	43,492	42,283	75	1,284

ᴾPreliminary

10 SOURCES OF RESERVE MONEY MOVEMENTS
in billion pesos

	End-December Levels		Average Levels		Flows[p]	
	1996[p]	1995	1996[p]	1995	End-Dec.	Average
Reserve Money	**243.3**	**212.7**	**202.5**	**177.8**	**30.6**	**24.7**
Net Foreign Assets	**232.4**	**118.3**	**186.9**	**103.2**	**114.1**	**83.7**
Net International Reserves	263.8	155.5	221.6	143.2	108.3	78.4
Medium and Long-term Foreign Liabilities	-31.4	-37.2	-34.7	-40.0	5.8	5.3
Net Domestic Assets	**10.9**	**94.4**	**15.6**	**74.6**	**-83.5**	**-59.0**
Net Credits to the National Government (NG)	133.7	151.8	133.3	137.8	-18.1	-4.5
of which: BSP Holdings of Treasury bills	139.8	137.2	138.5	117.9	2.6	20.6
NG Deposits	-106.5	-73.4	-105.1	-76.1	-33.1	-29.0
Regular Rediscounting	4.5	4.7	4.4	5.2	-0.2	-0.8
BSP Debt Instruments	-92.0	-23.3	-85.7	-27.5	-68.7	-58.2
BSP/CB Bills	-0.6	-0.6	-0.6	-0.6	0.0	0.0
Reverse RPs	-91.4	-22.7	-85.1	-26.9	-68.7	-58.2
Fixed-term Deposits of GOCCs	-7.7	-19.7	16.7	-31.2	12.0	47.9
Other Items	-27.6	-19.1	-19.7	-9.7	-8.5	-10.0

[p]Preliminary
. . Not available
- nil or zero

11 NUMBER OF FINANCIAL INSTITUTIONS
as of periods indicated

Institutions	1996	1995	Percent Change
TOTAL	14,632[p]	12,438	17.6
Commercial Banks[1]	3,644	3,221	13.1
Thrift Banks	1,171	925	26.6
Savings and Mortgage Banks	426	367	16.1
Private Development Banks	432	310	39.4
Stock Savings and Loan Associations	313	248	26.2
Specialized Government Banks[2]	1	77	(98.7)
Rural Banks	1,514	1,346	12.5
Non-Bank Financial Institutions[3]	8,302	6,869	20.9

[1]With Land Bank of the Philippines, Development Bank of the Philippines (as of February 1996).
[2]Without Land Bank of the Philippines.
[3]Consisting of investment houses, finance companies, investment companies, securities dealers/brokers, pawnshops, lending investors, non-stock savings and loan associations, mutual building and loan associations, private insurance companies, government non-banks and venture capital corporations.
[p]Preliminary.

11a TOTAL RESOURCES OF THE FINANCIAL SYSTEM[1]
as of periods indicated
in million pesos

Institutions	1996	1995	Percent Change
TOTAL	**2,551,960.5[p]**	**2,002,834.7[p]**	**27.4**
Commercial Banks	1,876,217.0	1,347,362.0	39.3
Thrift Banks	180,282.2[p]	143,306.1[p]	25.8
Savings Banks	100,680.5	88,391.9	13.9
Private Development Banks	61,825.0[a]	42,376.4	45.9
Stock Savings and Loan Associations	17,776.7[a]	12,537.8[p]	41.8
Specialized Government Banks[2]	241.7	68,161.0	(99.6)
Rural Banks	41,147.9[b]	36,652.9	12.3
Non-Bank Financial Institutions[3]	454,071.7[p]	407,352.7[p]	11.5

[1]Excluding Bangko Sentral ng Pilipinas.
[2]Consisting of Al-Almanah Islamic Investment Bank of the Philippines (AAIIBP) only starting February 1996.
[3]Consisting of government non-banks (GSIS, SSS and other government non-banks) and private non-banks and other private non-banks which include investment houses without quasi-banking functions, finance companies (mutual building and loan associations, non-stock savings and loan associations, non-banks with quasi-wit banking functions and other and other private non-banks which include investment houses without quasi-banking functions, investment companies, securities dealers/brokers, lending investors, venture banking functions and other private non-banks which include investment houses without quasi-banking capital corporations, pawnshops and private insurance companies). functions, finance companies without quasi-banking functions, investment companies, securities dealers/ brokers, lending investors, venture capital corporations, pawnshops and private insurance companies).
[a]As of September 1996
[b]As of June 1996

12 OUTSTANDING DEPOSITS OF THE BANKING SYSTEM
as of periods indicated
in million pesos

Institutions	1995 TOTAL	1995 Demand	1995 Savings	1995 Time	1996 TOTAL	1996 Demand	1996 Savings	1996 Time	Percent Change TOTAL	Percent Change Demand	Percent Change Savings	Percent Change Time
TOTAL	**1,261,978.7[p]**	**109,463.8**	**797,343.5**	**355,171.4**	**999,967.7[p]**	**87,205.5**	**677,468.2**	**235,294.0**	**26.2**	**25.5**	**17.7**	**50.9**
Commercial Banks	1,119,560.0	105,440.0	687,356.0	326,764.0	873,830.0	80,989.0	583,598.0	209,243.0	28.1	30.2	17.8	56.2
Thrift Banks	116,074.9[p]	3,716.0	96,379.9	15,979.0	91,124.7[p]	2,323.1	76,127.0	12,674.6	27.4	60.0	26.6	26.1
Savings Banks	62,372.6	1,898.3	51,970.3	8,504.0	56,774.0	1,420.7	49,136.4	6,216.9	9.9	33.6	5.8	36.8
Private Dev.t Banks	41,020.1[a]	1,652.9	34,705.9	4,661.3	25,562.6	857.0	20,660.6	4,045.0	60.5	92.9	68.0	15.2
Stock Savings and Loan Associations	12,682.2[a]	164.8	9,703.7	2,813.7	8,788.1[p]	45.4	6,330.0	2,412.7	44.3	263.0	53.3	16.6
Specialized Gov't Banks	234.1	19.9	47.4	166.8	11,665.7	3,570.9	5,341.7	2,753.1	(98.0)	(99.4)	(99.1)	(93.9)
Rural Banks	26,109.7[b]	287.9	13,560.2	12,261.6	23,347.3	322.5	12,401.5	10,623.3	11.8	(10.7)	9.3	15.4

[a]As of September 1996
[b]As of June 1996
[p]Preliminary

13 FOREIGN CURRENCY DEPOSIT SYSTEM FINANCIAL HIGHLIGHTS
as of periods indicated
in million U.S. dollars

	December 1996	December 1995	Percent Change
Assets	**19,782**	**12,329**	**60.5**
Due from Central Bank	76	58	31.0
Due from Other Bank	3,421	2,644	29.4
Due from Head Off/Brs/Ags Abroad	1,065	313	240.3
Interbank Loans Receivable	1,443	1,188	21.5
Loans and Discounts/Res. Loans	10,811	5,323	103.1
Investments	1,749	1,763	-0.8
Export Bills Purchased	118	70	-
Real and Other Property Owned or Acquired	0	1	-
Other Assets	1,099	969	13.4
Liabilities and Capital Accounts			
Deposit Liabilities	14,524	9,116	59.3
Bills Payable	2,144	1,560	37.4
Due to Head Off/Brs/Ags Abroad	2,328	1,135	105.1
Due to Local Banks	232	133	-
Payment Orders Payable	26	21	-
Accrued Taxes & Other Exp. Payable	114	54	-
Other Liabilities	279	222	25.7
Total Liabilities	**19,647**	**12,241**	**60.5**
Undivided profits	135	88	53.4
Surplus	0	0	0.0
Total Liabilities & Capital Accts	**19,782**	**12,329**	**60.5**

14 PHILIPPINE OFFSHORE BANKING SYSTEM FINANCIAL HIGHLIGHTS

as of periods indicated
in million U.S. Dollars

	December 1996	December 1995	Growth Rate (%)
Assets			
Notes and Coins on Hand	1	2	-50.00
Due from Banks	1,296	1,253	3.43
Loans and Discounts to Customers	883	818	7.95
Bills Discounted/Purchased	0	0	0.00
Investments in Bonds and Other Securities	42	55	-23.64
All Other Assets	82	41	100.00
Total Assets	**2,304**	**2,169**	**6.23**
Less: Allowance for Probable Losses	3	3	0.00
Total Assets After Allowance for Losses	**2,301**	**2,166**	**6.23**
Liabilities			
Deposit of Non-residents Other than Banks	41	37	10.81
Due to Banks	2193	2092	4.83
Other Liabilities	67	37	81.08
Total Liabilities	**2,301**	**2,166**	**6.23**

15 MONEY MARKET TRANSACTIONS, BY INSTRUMENT

volume in million pesos , WAIR in percent per annum

	1996		1995		%Change
	Volume	WAIR	Volume	WAIR	Volume
TOTAL	4,366,324	12.460	4, 044,765	11.634	8.0
Interbank Call Loans	2,761,461	12.746	2,295,228	12.061	20.3
Promissory Notes1	51,222	11.300	77,271	11.577	-33.7
Repurchase Agreements (Private)[1]	100	12.500	10,240	20.538	-99.0
Repurchase Agreements (Government)[1]	3,808	14.936	10,730	13.665	-64.5
Certificate of Assignment (Private)[1]	-	-	1,000	27.563	-
Certificate of Participation (Private)[1]	-	-	-	-	-
Commercial Paper (Non-Financial)	375,357	12.525	250,120	11.579	50.1
Commercial Paper (Financial)	-	-	13	12.695	-
CBCI'S	-	-	-	-	-
Treasury Bills	722,906	11.733	807,171	10.829	-10.4
DBP Bonds	-	-	-	-	-
Other Government Securities	451,470	11.934	592,992	10.891	-23.9

[1]Including those with tax.

16 CAPITAL INVESTMENTS OF NEWLY REGISTERED BUSINESS ORGANIZATION BY INDUSTRY[1]

1995-96
In million pesos

	January-April		Percent
	1996	1995	Change
Total	**48,488.4**	**29,213.3**	**65.8**
Agriculture, Fishery and Forestry	451.8	327.5	37.9
Mining and Quarrying	177.8	107.2	65.9
Manufacturing	8,738.9	12,761.1	-31.5
Construction	2869.7	1142.6	151.2
Electricity, Gas and Water	42.6	41.5	2.6
Wholesale and Retail Trade	3,437.5	3,686.6	-6.8
Financing, Insurance, Real Estate & Business Services	7,396.0	1,810.6	308.5
Transportation, Storage & Communication	7,396.0	1,810.6	308.5
Community, Socail & Personal Service	4,597.8	1,662.3	176.6

[1]Includes capital investments of corporations, partnerships and single proprietorships.
Sources: Securities and Exchange Commission (SEC), Department of Trade and Industry (DTI)

17 STOCK MARKET TRANSACTIONS[1]
for the periods indicated
volume in million shares, value in million pesos

	1996		1995		Percent Change	
	Volume	Value	Volume	Value	Volume	Value
Total	**2,273,835**	**668,866**	**1,006,224**	**378,983**	**126.0**	**76.5**
Banking & Fin Serv[1]	308	18,666	-	-	-	-
Commercial and Industrial	119,166	452,513	34,507	284,857	245.3	58.9
Mining	228,987	8,098	225,800	7,506	1.4	7.9
Oil	1,642,051	32,807	733,012	10,896	124.0	201.1
Property[2]	283,323	156,782	12,905	75,724	2,095.4	107.0
Composite Index	3,065		2,592		18.2	

[1]Based on the expanded composition of share price index to include banks & financial services effective Nov. 15, 1996
[2] Included starting October 4, 1994
Source: Philippine Stock Exchange (PSE)

18 BALANCE OF PAYMENTS
for the periods indicated in million US dollars

Item	1996[a]	1995r
Current Account Transactions		
Trade, Net	**(4,197)**	**(4,179)**
(As percent of GNP)	**(4.8)**	**(5.5)**
Goods, Net	**(11,213)**	**(8,944)**
(As percent of GNP)	**-12.9**	**-11.7**
Exports	20,543	17,447
Imports	31,756[b]	26,391
Services, Net	**7,016**	**4,765**
Receipts	20,546	14,374
Payments	13,530	9,609
Transfers	**637**	**882**
Inflow	1,185	1,147
Outflow	548	265
Current Account, Net	**(3,560)**	**(3,297)**
(As percent of GNP)	**(4.1)**	**(4.3)**
Capital and Financial Account		
Medium and Long-Term Loans, Net	**2,690**	**1,276**
Inflow	6,329	3,927
Outflow	3,639	2,651
Foreign Investments, Net	**1,055**	**1,609**
Inflow	9,414	5,947
Outflow	8,359	4,338
Short-Term Capital, Net	**512**	**(56)**
Change in Commercial Banks' NFA	**4,717**	**1,309**
Capital and Financial Account, Net	**8,974**	**4,138**
Others		
Monetization of Gold	**198**	**177**
Revaluation Adjustments	**(203)**	**(96)**
Net Unclassified Items	**(1,302)**	**(291)**
Overall BOP Position	**4,107**	**631**
(As percent of GNP)	**4.7**	**0.8**

[a] Based on the new methodology for computing peso conversion of FCDs Revised as of January 16, 1996 to reflect adjustments in FED-1 report on receipts and disbursements.

[b] Adjusted NSO data to exclude the US$573 million worth of aircraftunder operational lease.

[r] Revised to reflect data updates.

18a EXPORTS BY MAJOR COMMODITY GROUP

1995-1996
volume in 000 metric tons; unit price in U.S.$/m.t.,
FOB value in million US dollars

Commodity Group	1996[p] Volume	1996[p] Price	1996[p] Value	1995 Volume	1995 Price	1995 Value	Percent Change (Value only)
Coconut Products			**730**			**989**	**-26.2**
Copra	4	392	1	34	382	13	-92.3
Coconut Oil	792	720	571	1,340	616	826	-30.9
Dessicated Coconut	69	1,220	85	73	933	68	25.0
Copra Meal Cake	474	119	56	756	88	67	-16.4
Others			17			15	13.3
Sugar and Products			**140**			**74**	**89.2**
Centrifugal & Refined	318	429	136	153	430	66	106.1
Molasses	33	99	3[a]	93	80	8	-62.5
Others			1			0	0.0
Fruits and vegetables			**486**			**458**	**6.1**
Canned Pineapple	203	458	93	192	422	81	14.8
Pineapple Juice	51	215	11	53	192	10	10.0
Pineapple Concentrates	39	709	27	40	605	24	12.5
Bananas	1,260	188	237	1,213	184	224	5.8
Mangoes	41	988	40	44	984	43	-7.0
Others			78			76	2.6
Other Agro-Based Products			**506**			**575**	**-12.0**
Fish, Fresh or Preserved	62	4,784	296	70	5,358	378	-21.7
Of which: Shrimps & Prawns	13	11,404	149	18	12,034	215	-30.7
Coffee, Raw, not Roasted	-	2,636	1	2	2,952	7	-85.7
Abaca Fibers	18	1,217	21	20	1,136	23	-8.7
Tobacco, Unmanufactured	18	1,600	29	12	1,662	21	38.1
Natural Rubber	33	1,006	33	25	1,112	28	17.9
Ramie Fibers, Raw or Processed	-	2,472	0[a]	-	2,057	0[a]	0.0
Seaweeds, Dried	27	1,590	42	29	1,352	39	7.7
Rice	0	0	0	0	0	0	0
Others			84			79	6.3
Forest Products[1]			**42**			**38**	**10.5**
Logs	0	0	0	0	0	0	0.0
Lumber	147	171	25	87	209	18	38.9
Plywood	13	362	5	17	341	6	-16.7
Veneer Sheets/Corestoccks	27	488	12	33	419	14	-14.3
Others			0			0	0.0
Mineral Products			**772**			**893**	**-13.5**
Copper Concentrates	159	329	52	282	476	134	-61.2
Copper Metal	126	2,351	297	120	2,843	341	-12.9

(continuation)

Commodity Group	1996p Volume	1996p Price	1996p Value	1995 Volume	1995 Price	1995 Value	Percent Change (Value only)
Gold[2]	202	270	55	169	370	62	-11.3
Iron Ore Agglomerates	4,434	16	70	4,692	16	74	-5.4
Chromium Ore	63	131	8	88	144	12	-33.3
Nickel	0	0	0	0	0	0	0.0
Others			290			270	7.4
Petroleum Products			**273**			**171**	**59.6**
Manufactures			**17,105**			**13,868**	**23.3**
Elec & Elec Eqpt/Parts & Telecom			9,990			7,413	34.8
Garments			2,423			2,570	-5.7
Textile Yarns/Fabrics			253			208	21.6
Footwear			171			207	-17.4
Travel Goods and Handbags			121			110	10.0
Wood Manufactures			151			134	12.7
Furnitures & Fixtures			293			276	6.2
Chemicals			353			343	2.9
Non-Metallic Mineral Manufactures			95			108	-12.0
Machinery & Transport Equipment			1,296			741	74.9
Processed Food and Beverages			334			292	14.4
Iron & Steel			80			56	42.9
Baby Carr., Toys, Games & Sporting Goods			224			231	-3.0
Basketwork, Wickerwork, & Other Articles of Plaiting Materials			101			125	-19.2
Misc. Manufactured Articles, n.e.s.			220			200	10.0
Others			1,000			854	17.1
Special Transactions			**157**			**108**	**45.4**
Re-exports			**332**			**273**	**21.6**
Total Exports			**20,543**			**17,447**	**17.7**

— Less than one thousand metric tons
[a]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.
[p]Preliminary

Source of basic data : National Statistics Office (NSO)

18b IMPORTS BY MAJOR COMMODITY GROUP

1995 & 1996

volume in 000 metric tons; unit price in US$/mt; fob value in million US$

Commodities	1996p			1995			Growth Rates in %		
	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value
I. Capital Goods			**10414**			**8029**			**29.7**
Power Generating & Specialized Machines			3632			2874			26.4
Office & EDP Machines			867			525			65.1
Telecommunication Eqpt. & Elect. Mach.			4207			3211			31.0
Land Transport Eqpt. excl. Passenger Cars & Motorized Cycle			820			602			36.2
Aircraft, Ships & Boats			428			459			-6.8
Prof. Sci. & Cont. Inst.; Photographic Eqpt. & Optical Goods			460			358			28.5
II. Raw Materials & Intermediate Goods			**14012**			**12174**			**15.1**
Unprocessed Raw Materials			1684			1562			7.8
Wheat	1874	197	370	2102	166	349	-10.8	18.7	6.0
Corn	402	214	86	208	161	33	93.3	32.9	160.6
Unmilled cereals excl. rice & corn			2			2			0.0
Crude materials, inedible			1164			1090			6.8
Pulp & waste paper			88			114			-22.8
Cotton	77	1649	127	62	1784	110	24.2	-7.6	15.5
Syn. fibers	69	1696	117	53	2224	118	30.2	-23.7	-0.8
Metalliferous ores			354			395			-10.4
Others			478			353			35.4
Tobacco, unmanufactured			62			88			-29.5
Semi-Processed Raw Materials			12328			10612			16.2
Feeding stuffs for animals	592	333	197	1094	240	263	-45.9	38.8	-25.1
Animal & vegetable oils & fats			57			38			50.0
Chemical			2564			2406			6.6
Chemical compounds			653			651			0.3
Medicinal & pharmaceutical chem.			318			293			8.5
Urea	674	156	105	631	174	110	6.8	-10.3	-4.5
Fertilizer excl. urea	578	138	80	637	134	85	-9.3	3.0	-5.9
Artificial resins			801			707			13.3
Others			607			560			8.4
Manufactured goods			3947			3572			10.5
Paper & paper products	422	735	310	374	828	310	12.8	-11.2	0.0
Textile yarn, fabrics & made-up articles			824			872			-5.5
Non-metallic mineral manufactures			274			186			47.3
Iron & steel	4008	359	1438	3807	345	1312	5.3	4.1	9.6
Non-ferrous metals			347			335			3.6
Metal products			404			297			36.0
Others			350			260			34.6
Embroideries			350			472			-25.8
Mat/Acc for the mftr. of elect. eqpt.			5130			3772			36.0
Iron ore, not agglomerated	4117	20	83	3857	23	89	6.7	-13.0	-6.7

(continuation)

Commodities	1996[p]			1995			Growth Rates in %		
	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value
III. Mineral Fuels & Lubricant			**3002**			**2461**			**22.0**
Coal, Coke	2984	26	77	1702	35	59	75.3	-25.7	30.5
Petroleum Crude[1]	129.82	18.93	2458	116.84	16.53	1931	11.1	14.5	27.3
Others[1]	15.97	29.24	467	18.69	25.18	471	-14.6	16.1	-0.8
IV. Consumer Goods			**3313**			**2785**			**19.0**
Durable			1648			1459			13.0
Passenger cars & motorized cycle			928			801			15.9
Home appliances			123			152			-19.1
Misc. manufactures			597			506			18.0
Non-Durable			1665			1326			25.6
Food & live animals chiefly for food			1566			1205			30.0
Dairy products	208	1861	387	228	1795	410	-8.8	3.7	-5.6
Fish & fish preparation	170	406	69	142	415	59	19.7	-2.2	16.9
Rice	862	341	294	263	287	76	227.8	18.8	286.8
Fruits & vegetables			123			97			26.8
Others			693			563			23.1
Beverages & tobacco mfture.			45			72			-37.5
Articles of apparel, access.			54			49			10.2
V. Special Transactions			**1015**			**942**			**7.7**
Articles temporarily imported & exported			704			529			33.1
Others			311			413			-24.7
TOTAL IMPORTS			**31756***			**26391****			**20.3**

[1]Volume in million barrels; unit price in US$ /barrel
*Adjusted to exclude the value of aircraft amounting to US$573 million procured under operational lease arrangement
**Adjusted to exclude the value of aircraft amounting to US$147 million procured under operational lease arrangement
[p]Preliminary

19 INTERNATIONAL RESERVES OF THE BANGKO SENTRAL NG PILIPINAS
as of periods indicated
in million US dollars

		Total Assets (2) + (3)	Reserve Position in the Fund	Gross Reserves				
				Total (4 to 7)	Gold	SDRs	Foreign Investments	Foreign Exchange
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1995	Jan	7,153.88	128.41	7,025.47	1,106.06	20.25	5,765.77	133.39
	Feb	6,804.54	130.29	6,674.25	1,116.94	3.14	5,451.68	102.49
	Mar	6,721.58	135.59	6,585.99	1,153.22	52.37	5,297.08	83.32
	Apr	6,942.23	137.58	6,804.65	1,171.29	53.14	5,472.11	108.11
	May	7,111.50	137.24	6,974.26	1,179.75	68.73	5,606.97	118.81
	Jun	7,488.18	136.42	7,351.76	1,312.32	25.51	5,930.53	83.40
	Jul	8,326.03	135.43	8,190.60	1,311.00	25.32	6,784.37	69.91
	Aug	8,266.76	129.24	8,137.52	1,324.38	19.19	6,726.29	67.66
	Sep	8,024.62	130.91	7,893.71	1,343.83	3.48	6,459.01	87.39
	Oct	7,591.43	130.45	7,460.98	1,359.52	3.46	6,027.03	70.97
	Nov	7,513.11	129.80	7,383.31	1,390.30	5.56	5,910.15	77.30
	Dec	7,762.17	129.55	7,632.62	1,389.35	7.96	6,128.86	106.45
1996	Jan	8,246.31	126.66	8,119.65	1,600.92	13.90	6,402.73	102.10
	Feb	8,551.00	128.34	8,422.66	1,598.96	1.39	6,772.07	50.24
	Mar	8,648.27	127.00	8,521.27	1,641.49	0.55	6,765.38	113.85
	Apr	9,170.33	126.60	9,043.73	1,627.60	2.30	7,327.17	86.66
	May	9,689.20	125.99	9,563.21	1,645.43	2.08	7,793.73	121.97
	Jun	10,084.50	125.67	9,958.83	1,641.08	0.48	8,201.45	115.82
	Jul	10,676.12	127.28	10,548.84	1,668.28	12.50	8,739.00	129.06
	Aug	11,679.06	127.10	11,551.96	1,702.08	5.02	9,735.17	109.69
	Sep	11,467.39	125.64	11,341.75	1,690.43	0.78	9,432.09	218.45
	Oct	11,332.58	125.78	11,206.80	1,697.86	12.63	9,420.06	76.25
	Nov	11,435.46	126.14	11,309.32	1,689.07	71.21	9,421.88	127.16
	Dec	11,745.08	125.04	11,620.04	1,715.39	2.40	9,774.78	127.47

[1] Based on the revised balance of payments accounting methodology consistent with the treatment of IMF accounts in the monetary survey published in the IMF's Internationalinancial Statistics, BSP's total foreign assets shall be composed of BSP Gross International Reserves (BSP-GIR) and Reserve Position in the Fund (RPF).

20 EXCHANGE RATES OF THE PESO

period averages
in pesos per unit of foreign currency

	US Dollar	Japanese Yen	Deutsche Mark	Pound Sterling	French Franc	Swiss Franc	Hongkong Dollar	New Taiwan Dollar	South Korean Won	Singapore Dollar
1995 Ave	**25.7144**	**0.2752**	**17.9758**	**40.6134**	**5.1615**	**21.8090**	**3.3245**	**0.9812**	**0.0333**	**18.1477**
Jan	24.6223	0.2471	16.0757	38.7732	4.6493	19.1310	3.1800	0.9464	0.0311	16.9472
Feb	25.0282	0.2548	16.6728	39.3846	4.7944	19.6987	3.2374	0.9607	0.0316	17.2143
Mar	25.8590	0.2847	18.3677	41.3714	5.1885	22.0440	3.3447	0.9981	0.0331	18.1583
Apr	26.0077	0.3108	18.8916	41.9025	5.3793	22.9479	3.3634	1.0306	0.0339	18.5870
May	25.8493	0.3042	18.3499	41.0867	5.1867	22.1293	3.3420	1.0220	0.0339	18.5417
Jun	25.6742	0.3037	18.3419	40.9916	5.2252	22.1968	3.3193	1.0067	0.0337	18.4095
Jul	25.5140	0.2932	18.3946	40.7315	5.2813	22.1053	3.2974	0.9838	0.0337	18.2531
Aug	25.7109	0.2728	17.8349	40.3458	5.1842	21.5458	3.3215	0.9567	0.0334	18.2416
Sep	25.9692	0.2588	17.7704	40.4771	5.1559	21.8518	3.3566	0.9554	0.0336	18.1397
Oct	25.9654	0.2579	18.3214	40.9756	5.2511	22.6119	3.3584	0.9750	0.0338	18.2368
Nov	26.1671	0.2568	18.4957	40.9441	5.3575	22.9279	3.3849	0.9702	0.0340	18.5089
Dec	26.2060	0.2576	18.1933	40.3770	5.2849	22.5176	3.3884	0.9687	0.0339	18.5346
1996 Ave	**26.2157**	**0.2412**	**17.4284**	**40.9377**	**5.1254**	**21.2312**	**3.3897**	**0.9641**	**0.0326**	**18.5983**
Jan	26.2116	0.2484	17.9553	40.1591	5.2426	22.2561	3.3900	0.9662	0.0333	18.4495
Feb	26.1588	0.2475	17.8524	40.2310	5.1917	21.8936	3.3833	0.9610	0.0335	18.5317
Mar	26.1957	0.2475	17.7404	40.0450	5.1811	21.9174	3.3882	0.9655	0.0335	18.5958
Apr	26.1897	0.2439	17.3951	39.7017	5.1247	21.4603	3.3863	0.9726	0.0335	18.5981
May	26.1759	0.2460	17.0671	39.6526	5.0434	20.8530	3.3838	0.9680	0.0335	18.5976
Jun	26.1942	0.2408	17.1527	40.4142	5.0609	20.8409	3.3844	0.9558	0.0328	18.5964
Jul	26.1995	0.2390	17.3419	40.7030	5.1240	21.1099	3.3855	0.9591	0.0322	18.5097
Aug	26.1994	0.2433	17.6709	40.5470	5.1788	21.7519	3.3874	0.9617	0.0320	18.5401
Sep	26.2356	0.2391	17.4418	40.9324	5.1206	21.3288	3.3931	0.9667	0.0319	18.6361
Oct	26.2693	0.2339	17.1918	41.5915	5.0839	20.8866	3.3978	0.9639	0.0317	18.6083
Nov	26.2658	0.2338	17.3852	43.5942	5.1400	20.6262	3.3973	0.9640	0.0318	18.7340
Dec	26.2925	0.2312	16.9461	43.6807	5.0135	19.8497	3.3995	0.9649	0.0314	18.7823

21 TOTAL FOREIGN EXCHANGE LIABILITIES[1]
as of periods indicated
in million US dollars

	September 30, 1996[a]				December 31, 1995			
	Short-term		Medium-Long Term	Total	Short-term		Medium-Long Term	Total
	Trade	Non-Trade			Trade	Non-Trade		
Grand Total	**3,114[g]**	**2,730**	**34,425[g]**	**40,269**	**2,674**	**2,605[g]**	**32,499[b]**	**37,778[cg]**
Banking System	**735[g]**	**2,727**	**2,525**	**5,989**	**322**	**2,583**	**1,282**	**4,187**
Commercial Banks	736	1,424	2,415	4,576	322	1,478	1,175	2,975
Government	7	8	403	418	10	345	620	975
Private	729	1,416[g]	2,012[f]	4,158	312	1,133	555[f]	2,000
Foreign Banks	1	112	249	362	1	35	224	259[g]
Domestic Banks	728	1,305	1,763	3,796	311	1,098	331	1,741[g]
Bangko Sentral ng Pilipinas		1,303	110	1,413		1,105	107	1,212[d]
Public and Private Non-Banks	**2,377[g]**	**3**	**31,899**	**34,280**	**2,352**	**23**	**31,217**	**33,591**
Public	23	3	25,557	25,584[g]	67	3	26,270[g]	26,340
Public (NG & Others)	23	3	24,291[b]	24,317	67	3	24,817[b]	24,887
Central Bank-BOL	0	0	1,266	1,266	0	0	1,454	1,454[e]
Private	2,354	0	6,342	8,696	2,285	20	4,947	7,251[a]

[1] As adjusted; excludes "Due to Head Office/Branches Abroad" accounts amounting to $2,088 million for September 1996 and $861 million for December 1995.

[a] Covers BSP-approved/registered debt owed to non-residents, with classification by borrower based on primary obligor per covering loan/rescheduling agreement/document. BSP-registered contracts under BOT and similar financingschemes for projects with estimated cost aggregating $6,816 million which do not partake the nature of foreign loan are not part of external debt figures.

[b] Excludes foreign exchange revaluation of World Bank and Asian Development Bank loans of $579 million and $478 million, respectively for September 1996 and $900 and $689 million, respectively for December 1995.

[c] Excludes amounts owed to FCDUs.

[d] Excludes the following credits booked as RP Obligations:

a. IMF Credits .	1,139
b. Rescheduled Accounts with Peso Blocking for which CB provides forward cover under enabling Circulars (1139,1202,1298,1352 and 1375)	1,396
TOTAL	2,535

[e] Excludes Brady Bonds booked as RP obligations (US$1,525 million) but includes rescheduled accounts with peso blocking which were assumed by the old CB.

[f] Includes accounts restructured under CB Circular 1179 amounting to US$208 million for September 1996 and $226 million for December 1995.

[g] Details may not add up to totals due to rounding.

22 BALANCE SHEET OF THE BANGKO SENTRAL NG PILIPINAS
as of periods indicated
in million pesos

	1996[p]	1995	Percent Change
Assets	**618,926.7**	**501,914.0**	**23.3**
FA International Reserves	305,466.9	200,201.9	52.6
Foreign Exchange Receivable → claim to NG	10,317.8	9,168.3	12.5
Domestic Securities	215,623.3	201,539.9	7.0
Loans and Advances	44,178.2	48,301.3	(8.5)
DA Bank Premises and Other Fixed Assets	10,353.5	9,530.7	8.6
Revaluation of International Reserves	4,230.3	3,426.1	23.5
BSP Advances to CB-BOL	0.0	2,309.6	(100.0)
Other Assets	28,756.7	27,436.2	4.8
Liabilities	**593,243.1**	**476,685.9**	**24.5**
① Currency Issue	150,328.7	130,786.9	14.9
Deposits	272,155.0	243,833.3	11.6
Reserve Deposits of Banks & Other FIs	106,691.8	93,644.3	13.9
× of which:			
② DMBs	92,929.6	81,948.1	13.4
Other Deposits of Banks & Other FIs			
14587.3 - DL Treasurer of the Philippines[1] – DL → Domestic Liabl	106,541.0	73,431.7	45.1
Other Foreign Currency Deposits	16,454.4	11,687.7	40.8
Foreign Financial Institutions DL / FL → Foreign Liabs	24,860.7	35,879.7	(30.7)
Other Deposits[2] → DL	10,192.0	21,789.3	(53.2)
Foreign Loans Payable → Foreign Liabs	63,575.1	63,932.7	(0.6)
Allocation of SDRs → DL (Cap. like)	4,407.3	4,407.3	
BSP Debt Instruments → DL	91,617.6	23,349.6	292.4
Other Liabilities → DL	11,159.4	10,376.1	7.5
29.9-DL **Net Worth**	**25,683.6**	**25,228.1**	**1.8**
Capital } DL	10,000.0	10,000.0	0.0
Surplus/Reserves } DL	15,683.6	15,228.1	3.0

[1] Includes foreign currency deposits.
[2] Mostly GOCC deposits.
[p] Preliminary; unaudited
- nil or zero

MB = ① + ②

NDA = DA - DL

NFA = FA - FL

23 INCOME POSITION OF THE BANGKO SENTRAL NG PILIPINAS
for the periods indicated
in billion pesos

	1996[p]	1995	Percent Change
Revenues	**44.41**	**38.81**	**14.44**
Interest Income	39.82	34.99	13.81
International Reserves		8.58	
Domestic Securities	..	23.46	..
Loans and Advances	..	2.96	..
Miscellaneous Income	4.59[a]	3.81	20.15
Net Income from Branches		0.01	
Expenses	**36.03**	**27.53**	**30.85**
Interest Expenses	31.00	23.02	34.65
Legal Reserve Deposits of Banks	..	2.09	..
National Government Deposits	..	10.53	..
BSP Debt Instruments	..	3.45	..
Loans Payables and Other Foreign Currency Deposits	..	5.90	..
Other Liabilities	..	1.05	..
Cost of Minting	..	0.62	..
Other Expenses[1]	5.03[b]	3.89	11.46
Net Income Before Gain/(Loss) on FXR Fluctuations	**8.38**	**11.27**	**-25.65**
Gain/Loss(-) on FXR Fluctuations	-1.86	-1.24	49.56
Net Income/Loss (-)	**6.53**	**10.03**	**-34.95**

[1]Includes reserve for contingency of P1.6 billion and P1.75 billion in 1996 and 1995, respectively
[a]Includes net income from branches
[b]Includes cost of minting
[p]Preliminary; unaudited
.. Data not available

REGULATIONS ISSUED IN 1996

FINANCIAL SYSTEM

Circular No. 103, January 24, 1996. Provides guidelines for the issuance of expanded commercial banking authority to branches and foreign banks operating in the Philippines. Under this circular, foreign banks authorized to operate under an expanded banking authority are required to have a minimum capital of P2.5 billion and a "net due to head office" that shall not exceed the equivalent of three times the amount of the permanently assigned capital. Other requirements include: submission of a project feasibility study on the organization/ management of the bank department to handle investment banking functions; bank's corporate strategy and financial projections; and compliance with existing banking laws and regulations issued by the Monetary Board.

Circular No. 104, April 22, 1996. Amends the rules for non-stock savings and loan associations (NSSLAs) in Book IV of the Manual of Regulations for Banks and Other Financial Intermediaries regarding a uniform system of accounts. Specifically, the Circular prescribes the use of the voucher system, ticket system, or other accounting systems acceptable to the BSP as well as the chart of accounts to be used by non-stock savings and loan associations.

Circular No. 105, April 23, 1996. Prescribes the rules and regulations implementing Republic Act No. 6848, otherwise known as the "The Charter of the Al-Amanah Islamic Investment Bank of the Philippines." The Islamic Bank is mandated to promote and accelerate the socio-economic development of the Autonomous Region of Muslim Mindanao by performing banking, financing and investment operations and participating in agricultural, commercial and industrial ventures based on the Islamic concept of banking.

Memorandum to All Banks and Other Financial Intermediaries Performing Trust, Other Fiduciary Business and Investment Management Activities, April 25, 1996. Amends Subsection --404.1 of the Rules and Regulations on Trust, Other Fiduciary Business and Investment Management Activities (Trust Rules). A bank or investment house, before it may engage in trust and other fiduciary business, must meet the prescribed minimum combined capital accounts.

Circular No. 106, April 26, 1996. Amends the rules on credit accommodations to directors, officers and shareholders of cooperative banks both in terms of individual and aggregate ceilings.

Circular No. 108, May 9, 1996. Amends the provisions of Circular No. 29 dated 24 June 1996 regarding the preparation of reports required from expanded commercial banks, commercial banks and specialized government banks. Specific amendments include:

a. electronic transmittal of reports to be submitted in diskette media, effective 3 June 1996;

b. adoption of the updated Manual of Accounts for commercial banks effective 1 January 1997; and,

c. partial implementation of the General Ledger - Subsidiary Ledger form of reporting embodied in the Manual of Unified Reports and as justified in the Usage and Frequency Matrix, effective 1 January 1998. Migration should be completed by 31 December 1998.

Circular No. 110, June 14, 1996. Prescribes guidelines to implement various legal provisions governing banks regarding its acceptance of deposits of the Government, its political subdivisions and instrumentalities, as well as government-owned or controlled corporations.

Memorandum to All Banks and Other Financial Intermediaries Performing Trust, Other Fiduciary Business and Investment Management Activities, July 5, 1996. Re-issues guidelines with respect to the implementation of Subsection 4404.1(5) (a) of the trust rules, in so far as investment houses not authorized to engage in quasi-banking functions applying for trust/investment management authority are concerned.

Circular No. 111, July 6, 1996. Allows a rural/cooperative bank to adopt a corporate name without indicating the name of the municipality where its head office is located provided that the word "Rural" or "Cooperative" shall always be a part of such corporate name.

Circular No. 111-A, August 1, 1996. Revises the basis in computing the annual fees to be collected from banks and quasi-banks for the second semester of 1993 and succeeding years up to 1996.

Circular-Letter, August 6, 1996. Provides clarifications regarding Section 8 of R.A. No. 7906, otherwise known as the Thrift Banks Act of 1995, including: 1) coverage of the 10-year moratorium period; 2) foreign holdings; and 3) prior clearance from the Bangko Sentral on the acquisition of stocks in thrift banks.

Circular No. 113, August 13, 1996. Amends the Manual of Regulations for Banks and Other Financial Intermediaries, CB Circular No. 1369, dated 26 November 1992, and BSP Circular Nos. 102 and 110, dated 29 December 1995 and 14 June 1996, respectively. Specifically, the test period on profitable operations required for approval of certain authorities requested by banks, from six months to three years, is deleted.

Circular No. 114, September 5, 1996. Amends/clarifies the guidelines governing the grant of emergency loans and advances to banking institutions under CB Circular No. 984 dated 7 December 1983 and BSP Circular No. 35 dated 25 July 1994. These includes: a. The imposition of liquidated damages; b. repricing of the interest rate charged on said loans; and c. modification of rates on interest and liquidated damages in connection with the rehabilitation of closed banks.

Circular No. 115, October 11, 1996. Provides for the inclusion of a holding company as a financial allied undertaking of expanded commercial banks.

Circular No. 117, December 24, 1996. Raises the minimum capital requirement of banks, as follows:

	From	To
EKBs	P2.5 billion	P4.5 billion
KBs	P1.25 billion	P2.0 billion
TBs		

w/ HO in M.M.	P150 million	P250 million
w/ HO out. M.M.	P 40 million	P 40 million

Further provides that banks already existing or with applications pending with the BSP are allowed to implement said hike in two phases, as follows:

	1st Phase (12 months from Circ. Effectivity)	2nd Phase (12 months from anniversary date)
EKBs	P3.5 billion	P4.5 billion
KBs	P1.625 billion	P2.0 billion

Thrift banks existing or with applications pending with the BSP, with HO in Metro Manila, are allowed the following time frame within which to meet the banks minimum capital requirements:

P150 million - on or before 21 February 1997
P200 million - within the first twelve months from 22 February 1997
P250 million - within the next 12 months after 22 February 1998

Circular No. 118, December 26, 1996. Amends the Manual of Regulations for Rural/Cooperative Banks (Book III), incorporating an additional section pertaining to regulations on Deposit Pick-up Services.

Circular No. 120, December 31, 1996. Discontinues the implementation of CB Circular No. 572 which prescribes rules and regulations for foreign companies in the Philippines who may avail themselves of peso borrowings, effective 1 January 1997. Violations of this law, which are still subject to pending actions or investigations, shall be governed by the regulations existing at the time the action was taken.

FOREIGN EXCHANGE OPERATIONS

Memorandum-Circular, February 15, 1996. Amends Item 1 of the Memorandum-Circular to all agent banks on monitoring of data on sources and uses of funds in foreign currency deposits, dated December 26, 1995, using the existing CC:Mail Mobile Software.

Memorandum Circular, February 22, 1996. Issues guidelines to all authorized agent banks to ensure uniform reporting of foreign exchange (FX) transactions under the Philippine Domestic Dollar Transfer System (PDDTS) by member banks and Citibank, Manila as the exclusive provider of domestic interbank US dollar funds transfer services.

Circular No. 107, April 30, 1996. Withdraws the delegated authority of commercial banks and offshore banking units to issue and register Export Declarations with the authority to issue transferred from the Bangko Sentral to the Department of Trade and Industry. The new declaration form prescribed by the Export Development Council (EDC) shall be used to cover export shipment with or without foreign exchange proceeds.

Circular-Letter, May 30, 1996. Provides additional guidelines regarding the implementation of Circular No. 102 dated 29 December 1995 on the Rules and Regulations on Financial Derivatives, including issuance of two types of approval/authority and pre-qualification requirements.

Memorandum-Circular, July 26, 1996. Provides the prescribed form for reporting the sources and uses of residents' and non-residents' foreign currency deposits with Foreign Currency Deposit Units (FCDUs) which shall be transmitted thru CC:Mail using the revised form effective 1 August 1996.

LIQUIDITY MANAGEMENT

Circular-Letter, January 16, 1996. Clarifies that Circular No. 100 setting the liquidity floor on National Government deposits to 50 percent dated December 28, 1995 also amends Subsection 3239.3 of Book III of the Manual of Regulations for Banks and Other Financial Intermediaries pursuant to Monetary Board Resolution No. 1378 dated December 6, 1995.

Memorandum to all Banks and Non-Bank Financial Intermediaries with Quasi-Banking Functions (NBQBs), February 12, 1996. Amends Memorandum to All Banks and Non-Bank Financial Intermediaries with Quasi-Banking Functions dated November 10, 1995 on reserve requirements against peso deposits and deposit substitute liabilities of financial intermediaries. A minimum proportion of 25% of the required reserve for each type of deposit is required in the form of balances with BSP. Not more than 2% of the combined deposit liabilities and deposit substitutes of banks/NBQBs may be maintained in the form of market yielding government securities purchased directly from BSP.

Circular No. 116, October 18, 1996. Reduces the reserve fund requirement against deposit liabilities of non-stock savings and loan associations from 8.0 percent to 6.0 percent of their savings and time deposits.

Circular No. 119, December 31, 1996. Reduces the reserve requirement on all types of deposits and deposit substitutes of banks, as follows:

	From	To
EKBs/KBs:		
- all deposits and deposit substitutes	15%	14% eff. 3 Jan. 1997 13% eff. 4 July 1997
TBs:		
- demand deposits, NOW accounts and deposit substitutes	15%	14% eff. 3 Jan. 1997 13% eff. 4 July 1997

- time and savings deposits	13%	12% eff. 3 Jan. 1997 11% eff. 4 July 1997
RBs:		
- demand deposits and NOW accounts	15%	14% eff. 3 Jan. 1997 13% eff. 4 July 1997
- time and savings deposits	7%	6% eff. 3 Jan. 1997 5% eff. 4 July 1997
NBFIs:		
- deposit substitutes 13% eff. 4 July 1997	15%	14% eff. 3 Jan. 1997

On top of these regular reserve requirement, an additional two (2) percentage point required reserves is imposed, which may be maintained in the form of short-term market-yielding government securities. Further, the circular allows for the payment of interest of four (4) percent per annum on deposits maintained by banks/ NBQBs with the BSP up to 25 percent of the reserve requirement (excluding the two percent maintained in the form of short-term government securities).

Memorandum to all Banks and Other Financial Intermediaries Performing Trust, Other Fiduciary Business and Investment Management Activities, December 31, 1996. Amends the Rules and Regulations on Trust, Other Fiduciary Business and Investment Management Activities (Trust Rules). Specifically, the required reserves against peso-denominated common trust funds and such other managed peso funds which partake the nature of collective investment of peso-denominated common trust funds of all financial intermediaries authorized to engage in trust and other fiduciary business shall be reduced from fifteen percent (15%) to fourteen percent (15%) effective January 3, 1997, and to thirteen percent (13%) effective July 4, 1997. Such phased reduction shall be in reserves allowed to be held in the form of short-term market-yielding government securities purchased directly from the BSP-Treasury Department.

TRADE AND NON-TRADE ACTIVITIES

Circular No. 109, May 16, 1996. Amends Circular No. 1389 and Circular Letter dated 19 October 1995, pursuant to R.A. No. 8178, otherwise known as the "Agricultural Tarrification Act" dated 28 March 1996, deleting several agricultural products from the list of prohibited/ regulated commodities.

Circular No. 112, August 2, 1996. Amends CB Circular No. 1389 (Series of 1993) pursuant to R.A. No. 8180 dated 28 March 1996 otherwise known as the "Downstream Oil Industry Deregulation Act of 1996." Effective 16 June 1996, the requirement for prior clearance from the Department of Energy (DOE) or the Energy Regulatory Board is lifted for the following activities: 1) importation of refined petroleum products; and 2) exportation of oil and petroleum products.

Memorandum, September 13, 1996. Attaches a copy of Dangerous Drugs Board (DDB) Resolution No. 3, Series of 1996 entitled "Control Mechanisms for Precursors and Essential Chemicals" requiring importers to secure prior import permit on 22 precursor substances and chemicals pursuant to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotrophic Substances ratified by the Philippine Senate on February 26, 1996. Accordingly, Appendix 1 (1) of CB Circular No. 1389, is amended so as to include the said 22 substances and chemicals in the list of commodities the importation of which requires clearance/permits from appropriate government agencies.

Circular-Letter, September 13, 1996. Attaches the following Bureau of Customs (BOC) Memorandum Orders signed by Commissioner Guillermo L. Parayno, Jr. both dated August 22, 1996:

a. Customs Memorandum Order No. 26-96 on "Electronic Declaration and Clearance Procedure of Export Shipments Under the Export Tracking and Monitoring System (ETMS); and

b. Customs Memorandum Order No. 27-96 on "New Export Declaration (ED) Form and Export Documentation Procedure".

SMALL AND MEDIUM-SCALE ENTERPRISES

Circular-Letter, July 15, 1996. Attaches a copy of Resolution No. 1 dated June 6, 1996, of the Small and Medium Enterprise Development (SMED) Council, on the implementing guidelines on committed credit lines to be allowed as alternative compliance to the mandatory allocation provision of R.A. No. 6977, otherwise known as the Magna Carta for Small and Medium Enterprises.