

5055941

1761

29.29442
G 721

001632

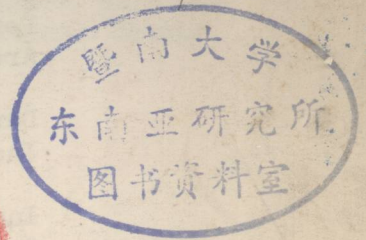
The National Income of the Philippines and its Distribution

Prepared for the Government of the Philippines

by an Expert

*Appointed by the
Technical Assistance Administration of the United Nations*

707



F

F134.1
E604

EXPLANATION OF SYMBOLS

The following symbols have been used in the tables:

- Two dots (..) indicate that data are not available
- Dash (-) indicates that the amount is nil or negligible
- Slash (/) indicates fiscal or crop year, e.g., 1950/51

Components may not add to totals because of rounding.

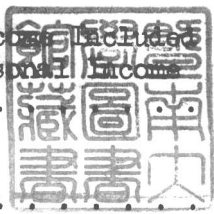
TABLE OF CONTENTS

	<u>Page</u>
Section I. Introduction	1
Section II. National Income and its Distribution, 1946-1951.	4
Summary of Findings	4
Total Available Means: Sources and Disposition (Table I)	5
The National Accounts of the Philippines (Table II)	6
National Income and Product Account	6
Private Appropriation Account	7
Government Appropriation Account	8
Combined Capital Account	9
Rest of the World Account	10
National Income by Industrial Origin (Table III)	11
Personal Income by Major Geographical Areas (Table IV)	12
Derivation of Private Income and National Income from Personal Income (Table V)	13
Income Originating in Agriculture by Category of Production (Table VI)	14
Agricultural Crops by Type: Volume of Production, Gross Value, and Income Originating (Table VII)	15
Gross Domestic Investment by Major Categories (Table VIII)	17
Durable Equipment by Type (Table IX)	18
Distribution of Reported Personal Income and Recipients by Size of Income (Table X)	20

F134-1
E604

TABLE OF CONTENTS
(Cont'd.)

	<u>Page</u>
Section II. National Income and its Distribution, 1946-1951 (Cont'd.)	
Employment and Earnings from Usual Occupation by Major Population Groups (Table XI)	21
Persons Ten Years of Age and Over Reporting Gainful Occupation (Table XII) . . .	22
Assessment of Reliability of Estimates . . .	23
Technical Appendix	24
A. General Considerations	24
B. The National Accounts: Explanation of Entries	27
C. The Industrial Distribution of National Income	32
Derivation of National Income by Industrial Origin from Reported Personal Income (Table XIII)	35
Unreported Non-Cash Income Included in Corrected Total Personal Income (Table XIV)	36
Section III. Recommendations	37
A. General	37
B. Proposals for a United Nations Statistical Training Centre	38
C. National Income Estimates: Responsibilities and Future Work Program	41
D. Summary of Recommendations	43



I. INTRODUCTION

1. The national income estimates presented for the first time in this report are completely new estimates, not revisions or extrapolations of earlier figures, and are intended to replace existing information in this field. The unsatisfactory nature of the older series, based on fragmentary data and doubtful procedures, and the availability of the results of the population, agricultural and economic censuses of 1948, suggested that the time had arrived for a fresh beginning to be made. In addition, the ever greater reliance that is coming to be placed on statistics of national income in the Philippines for descriptive, analytical and policy purposes made the inadequacy of the information hitherto available painfully obvious to all who had occasion to make serious use of it. In the circumstances, it was felt that an attempt to assemble anew an integrated body of economic information along modern lines and drawing on all potential sources of data was to be preferred to patching up and continuing the series already in existence.

2. The point of view is taken here that for a country whose leaders are genuinely concerned with the functioning and orderly development of the economic system, as is certainly true of the Philippines, statistics of national income may be made to play an important role in the understanding and management of affairs. For this reason, national income statistics are herein regarded as constituting a comprehensive framework of significant economic data arranged in such a way as to reveal the essential pattern of economic activities, and from which national income and its variants can be obtained directly through the combination of appropriate elements. The main objective of the older approach was the measurement of total national income and a few important components, a much more limited goal. Only the broader approach, one based on a system of national economic accounts, can provide the integrated body of statistical information considered desirable by present-day standards.

3. It may be objected that the dearth and generally low reliability of statistical information for the Philippines would preclude setting out the elaborate body of consistent and interrelated economic statistics required for use in the national economic accounts. In fact, however, the reverse is true. Provided the accounts are appropriate to the economic system which they seek to describe, their application enables the best possible use to be made of whatever data are available, facilitates the evaluation of the data, ensures consistency in the treatment of economic transactions, and makes it possible to derive new information indirectly. Furthermore, the use of a system of accounts gives a much needed sense of direction to the process of statistical development in a country like the Philippines, where the provision of current economic statistics is just beginning to be taken seriously. These advantages, of course, are in addition to the usefulness of the accounting entries themselves.

4. The compilation of reliable and up-to-date national income statistics in this sense requires the effective co-operation of many different official agencies. In this co-operation, specialists in such seemingly diverse fields as census procedures, agricultural statistics, manpower statistics, balance of payments statistics, public finance, production, prices, and taxation to

enumerate but a few; all have their place. Such co-operation takes various forms, of which the most important are the standardization of concepts and procedures and the development of new information to fill statistical gaps. Without co-operation of this kind, the improvement of the more basic statistics on which national income estimates are built, is needlessly delayed. A national income programme, therefore, can and should be a unifying influence among the statistical agencies of the various government departments, and may well be the best antidote that can be prescribed for the present haphazard state of Philippine statistics in many fields. It is felt that the groundwork for effective co-operation has been laid; the improvement of statistics in the national income field depends on its continuance.

5. But the successful prosecution of a national income programme in the Philippines requires more than co-operation; it requires the sympathetic support budget-wise of the Congress and the Budgetary Commission, and the removal of pressures that result in political appointments to key statistical positions in the government. The tendency to put political considerations above merit in the appointment of personnel is depriving statistical agencies of the leadership they require and is destroying morale. Given the present acute shortage of competent statistical personnel, and considering the important contributions that they can make in so many different fields, including the advancement of the economic rehabilitation and development programme, it is important that the most judicious use possible be made of this pool of scarce talent. The recommendations that are found in Section III of this report deal with these and related matters.

6. Section II presents the new estimates that have been prepared. No attempt is made to interpret the economic significance of the findings, except in a general way; that is left to the agencies whose functions include analysis and the determination of official policy in the economic field. It is hoped that all such agencies will make appropriate use of the statistics, and that suggestions for the improvement and extension of the information here provided will be forthcoming from all who are engaged in such tasks.

7. Neither is any attempt made to provide a systematic exposition of concepts or procedures in the national income field. No useful purpose would be served by including such a discussion considering that the literature of this subject is so extensive. To the extent, however, that the structure and institutional arrangements of the Philippine economy pose special problems not generally dealt with in the literature, or make departures from generally accepted national income accounting conventions desirable, these are briefly discussed in a Technical Appendix to Section II. Furthermore, for the sake of formal completeness each entry in the system of national accounts used is defined in the Appendix. Since national income and all its variants are derived by combination of these entries (each representing a significant and fairly homogenous set of economic transactions), precise definitions of the former are implicitly provided.

8. The national income estimates presented have been prepared in the Central Bank under the direction of the National Income Adviser. In the course of their preparation, close liaison was maintained with the Bureau of the Census and Statistics, the bureaus of the Department of Agriculture and National Resources, the Office of Economic Co-ordination, and other government agencies. To all

these agencies, and especially to the Bureau of the Census and Statistics, thanks are due for the co-operative spirit shown in this joint undertaking.

9. A word of caution is in order. The development of national income estimates of sufficient reliability to serve useful ends in economic analysis and the determination of policy is, of course, a long-run matter, and at best only the basis of such sound estimates can be laid in the space of a few months. While it is believed that the statistics presented here represent a considerable advance in reliability over the older series, they are nevertheless presented with misgivings. Irrespective of the techniques used in their preparation, statistics of national income cannot be superior in quality to the general level of reliability of the basic statistical information available in a country. They are made public at this time only because of the pressing need for even highly tentative information along these lines, and because it is unlikely that delay in publication of a few months or even a year would result in any substantial improvement.

10. In preparing the estimates, account was taken of the recommendations of the Statistical Office of the United Nations regarding national income statistics and the industrial classification of economic activities.

1/ See page 23 for an assessment of the reliability of the estimates.

II. NATIONAL INCOME AND ITS DISTRIBUTION, 1946-1951^{1/}

Summary of Findings

1. The national income of the Philippines reached a level in 1951 of P7.6 billion, the highest figure since the liberation and 20 per cent above the level of the preceding year. As compared with the year 1946, the 1951 figure represents an increase of approximately 75 per cent. In real terms, that is, taking into account the increased purchasing power of the peso in 1951 as compared with 1946, the national income in 1951 was roughly two-and-a-half to three times the 1946 figure.
2. Gross national product in 1951 amounted to P8.4 billion. This figure represents the value of the goods and services produced within the year, after allowance for double-counting but before deduction of depreciation. In 1951, as in most years, however, the value of the goods and services actually available for consumption and investment within the country (designated total available means) exceeded significantly the amount of the gross national product. This was possible since net borrowing from abroad (or the reduction in international assets) and especially United States aid permitted a sizeable import surplus to be maintained. Of the total available means in 1951, 87 per cent was consumed by households, 7 per cent was absorbed by government, and the remainder, 6 per cent, was privately invested.
3. The dominant position of agriculture in the national economy is reflected in the fact that 40 per cent of the national income originates in farming, forestry and fishing. Trade and manufacturing account for about 13 and 12 per cent, respectively. Other significant sectors are government (5 per cent, not including public corporations), personal services (4 per cent), and transportation and communication (4 per cent).
4. Total personal income in 1951 stood at P7.6 billion, the same figure as national income. Of this amount, residents of Luzon received P4.4 billion, residents of the Visayas and Mindanao, P2.1 and P1.1 billion, respectively.
5. Information relating to the distribution of incomes by size for the year 1948 indicates that the poorest 40 per cent of all income recipients received in the aggregate about 15 per cent of total personal income, while the richest 10 to 11 per cent of income recipients received 32 per cent. For the poorest 40 per cent, the average income was only about P350 for the year. Of all major population groups, farm labourers fare worst. Farmers' incomes average roughly 60 per cent above earnings of farm labourers. Non-agricultural employees appear to be slightly better off than farmers as a whole, although it is possible that if all income in kind of farmers were taken into account, the positions of these two groups would be reversed. Best off are entrepreneurs and self-employed persons; in 1948 this group received incomes which were, on the average, between two and two-and-a-half times farm labourers' earnings.

^{1/} Editors note: As this final text is being prepared (November 1952) it is learned that the Central Bank of the Philippines has just completed versions of the 1951 estimates based on more recent information.

TABLE I. TOTAL AVAILABLE MEANS: SOURCES AND DISPOSITION, 1946-1951

	S o u r c e s			Total available means	D i s p o s i t i o n		
	Gross national product	Net borrowing from abroad	Net contributions from abroad		Domestic consumption	Gross domestic investment	
					Private	Private	Government
1946	4,788	105	74	4,967	4,236	359	13
1947	6,128	184	255	6,567	5,479	630	53
1948	6,369	-103	372	6,638	5,510	616	110
1949	6,317	137	551	7,005	5,962	448	141
1950	6,934	-417	404	6,921	5,855	465	128
1951	8,373	62	133	8,568	7,481	489	105
(₹ millions)							
(Percentages)							
1946	96.4	2.1	1.5	100.0	85.3	7.2	0.3
1947	93.3	2.8	3.9	100.0	83.4	9.6	0.8
1948	95.9	-1.5	5.6	100.0	83.0	9.3	1.7
1949	90.2	1.9	7.9	100.0	85.1	6.5	2.0
1950	100.2	-6.0	5.8	100.0	84.6	6.7	1.9
1951	97.7	0.7	1.6	100.0	87.3	5.7	1.2

TABLE II. THE NATIONAL ACCOUNTS OF THE PHILIPPINES, 1946-1951

1. National Income and Product Account

(P millions)

	1946	1947	1948	1949	1950	1951
(1) Compensation of employees (15)						
(a) Agricultural	1,879	2,383	2,440	2,424	2,681	3,265
(i) Cash	562	683	665	643	702	857
(ii) In kind	450	546	532	514	562	686
(b) Other	112	137	133	129	140	171
(2) Entrepreneurial and property income of persons (16)	1,317	1,700	1,775	1,781	1,979	2,408
(a) Agricultural	2,391	3,034	3,105	3,084	3,413	4,156
(i) Cash	1,444	1,757	1,711	1,655	1,805	2,202
(ii) In kind	1,083	1,318	1,284	1,241	1,354	1,652
(b) Other	361	439	427	414	451	550
(3) Other private income (20)	947	1,277	1,394	1,429	1,608	1,954
(4) Property income of government (26)	68	130	146	118	100	117
(5) Total: NATIONAL INCOME AT FACTOR COST	12	21	22	20	34	48
(6) Depreciation (32)	4,350	5,568	5,713	5,646	6,228	7,586
(7) Indirect taxes less subsidies (24)	265	290	315	325	335	370
	173	270	341	346	371	417
Total: GROSS NATIONAL PRODUCT AT MARKET PRICES	4,788	6,128	6,369	6,317	6,934	8,373
(8) Private consumption (12)						
(9) Government current expenditure (21)	4,236	5,479	5,510	5,962	5,855	7,481
(10) Gross domestic investment (28)	359	405	402	448	473	493
(a) Private	372	683	726	595	593	594
(b) Government	359	630	616	454	465	489
(11) Net exports and investment income (-35)	13	53	110	141	128	105
	-179	-439	-269	-688	13	-195
Total: GROSS NATIONAL EXPENDITURE AT MARKET PRICES	4,788	6,128	6,369	6,317	6,934	8,373

TABLE II. THE NATIONAL ACCOUNTS OF THE PHILIPPINES, 1946-1951 (continued)

2. Private Appropriation Account

(₱ millions)

	1946	1947	1948	1949	1950	1951
(12) Private consumption (8)	4,236	5,479	5,510	5,962	5,855	7,481
(13) Direct taxes (25)	23	45	65	75	99	121
(a) Personal	18	35	50	60	81	100
(b) Corporate	5	10	15	15	18	21
(14) Private saving (30)	101	121	431	88	603	81
Total: PRIVATE OUTLAY	4,360	5,645	6,006	6,125	6,557	7,683
<hr/>						
	1946	1947	1948	1949	1950	1951
(15) Compensation of employees (1)	1,879	2,383	2,440	2,424	2,681	3,265
(16) Entrepreneurial and property income of persons (2)	2,391	3,034	3,105	3,084	3,413	4,156
(17) Transfer payments (22)	21	19	26	30	34	37
(18) Net donations from abroad (33b)	1	79	289	469	329	108
(19) Total: PERSONAL INCOME	4,292	5,515	5,860	6,007	6,457	7,566
(20) Other private income (3)	68	130	146	118	100	117
Total: PRIVATE INCOME	4,360	5,645	6,006	6,125	6,557	7,683

TABLE II. THE NATIONAL ACCOUNTS OF THE PHILIPPINES, 1946-1951 (continued)

3. Government Appropriation Account

	(P millions)				
	1946	1947	1948	1949	1950
(21) Government current expenditure (9)	359	405	402	448	473
(22) Transfer payments (17)	21	19	26	30	34
(23) Government saving (31)	-99	88	83	45	72
Total	281	512	511	523	579
	1946	1947	1948	1949	1950
(24) Indirect taxes less subsidies (7)	173	270	341	346	371
(25) Direct taxes (13)	23	45	65	75	99
(26) Property income of government (4)	12	21	22	20	34
(27) Net donations from abroad (33a)	73	176	83	82	75
Total	281	512	511	523	579
	1946	1947	1948	1949	1950
(21) Government current expenditure (9)	359	405	402	448	473
(22) Transfer payments (17)	21	19	26	30	34
(23) Government saving (31)	-99	88	83	45	72
Total	281	512	511	523	579
	1946	1947	1948	1949	1950
(24) Indirect taxes less subsidies (7)	173	270	341	346	371
(25) Direct taxes (13)	23	45	65	75	99
(26) Property income of government (4)	12	21	22	20	34
(27) Net donations from abroad (33a)	73	176	83	82	75
Total	281	512	511	523	579

TABLE II. THE NATIONAL ACCOUNTS OF THE PHILIPPINES, 1946-1951 (continued)

4. Combined Capital Account

(P millions)

	1946	1947	1948	1949	1950	1951
(28) Gross domestic investment (10)	372	683	726	595	593	594
(29) Net lending abroad (-34)	-105	-184	103	-137	417	-62
Total	267	499	829	458	1,010	532

φ

	1946	1947	1948	1949	1950	1951
(30) Private saving (14)	101	121	431	88	603	81
(31) Government saving (23)	-99	88	83	45	72	81
(32) Depreciation (6)	265	290	315	325	335	370
Total	267	499	829	458	1,010	532

TABLE II. THE NATIONAL ACCOUNTS OF THE PHILIPPINES, 1946-1951 (continued)

5. Rest of the World Account

(₱ millions)

	1946	1947	1948	1949	1950	1951
(33) Net donations to Philippines	74	255	372	551	404	133
(a) To government (27)	73	176	83	82	75	25
(b) To private sector (18)	1	79	289	469	329	108
(34) Net lending to Philippines (-29)	105	184	-103	137	-417	62
Total	179	439	269	688	-13	195

	1946	1947	1948	1949	1950	1951
(35) Net exports to and investment income from Philippines (-11)	179	439	269	688	-13	195
(a) Net exports of goods and services	176	399	215	628	-43	152
(b) Net investment income	3	40	54	60	30	43
Total	179	439	269	688	-13	195

TABLE III. NATIONAL INCOME BY INDUSTRIAL ORIGIN, 1946-1951

(£ millions)

	1946	1947	1948	1949	1950	1951
Agriculture	2,006	2,440	2,376	2,298	2,507	3,059
Mining	3	11	21	32	46	65
Manufacturing	492	636	656	656	748	938
Construction	141	258	307	252	212	212
Trade	536	694	716	715	815	1,022
Transportation and communication	146	189	195	195	222	279
Government	185	252	321	377	400	408
Personal services	180	233	240	240	274	343
All other	661	855	881	881	1,004	1,260
National income at factor cost	4,350	5,568	5,713	5,646	6,228	7,586

5055341



TABLE IV. PERSONAL INCOME BY MAJOR GEOGRAPHICAL AREAS, 1946-1951^{1/}

(₱ millions)

	1946	1947	1948	1949	1950	1951
Luzon	2,515	3,232	3,434	3,520	3,784	4,434
Visayas	1,163	1,494	1,588	1,628	1,750	2,050
Mindanao	614	789	838	859	923	1,082
Personal income	4,292	5,515	5,860	6,007	6,457	7,566

^{1/} Figures for all years are based on the actual percentage distribution of 1948.

TABLE V. DERIVATION OF PRIVATE INCOME AND NATIONAL INCOME FROM PERSONAL INCOME
(P millions)

	1946	1947	1948	1949	1950	1951
Personal income	4,292	5,515	5,860	5,007	6,457	7,566
Plus:						
Other private income						
Undistributed corporate profits)	68	130	146	118	100	117
Corporate profits taxes)						
Equals: Private income	4,360	5,645	5,006	6,125	6,557	7,683
Plus:						
Property income of government	12	21	22	20	34	48
Less:						
Transfer payments by government	21	19	26	30	34	37
Net donations from abroad	1	79	289	469	323	108
Equals: National income at factor cost	4,350	5,568	5,713	5,646	6,223	7,586

