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# THE MARKETS OF ASIA/PACIFIC

# THE PHILIPPINES

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# ***THE MARKETS OF ASIA/PACIFIC***

# **THE PHILIPPINES**

***The Asia Pacific Centre***



**Facts On File, Inc.**

**460 Park Avenue South,  
New York, N.Y. 10016**



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## Foreword

### **'THE MARKETS OF ASIA PACIFIC' SERIES**

The series of books under the title 'The Markets of Asia Pacific' is designed to provide an overview of some of the fastest growing and most dynamic markets in the world. The series will be periodically updated; for most countries, every two years.

An important feature of the series is the release for the first time of the banks of market data owned by the Survey Research Group of Companies (SRG). SRG is the largest group of market research companies operating in the Asia Pacific region and heavy investment in syndicated research of their own has led to a considerable amount of new market research information becoming available. Almost all the SRG information published in this series cannot be found in any other published source.

Where SRG information exists, it has considerable depth but it covers by no means all the markets of interest. It has therefore been supplemented by key published statistics from elsewhere. The selection of published statistics has been derived from a search of existing data sources. While it is clearly beyond the scope of the series to quote from all sources found, a listing of titles and locations is included as an important feature in each country book.

In setting a style for the series, emphasis has been put on the provision of hard information rather than interpretative discussion. Wherever possible, however, key points of market development are described in the text. In effect, this is designed as a reference series which should provide mostly numeric answers to a range of marketing questions. To facilitate reference a detailed index is provided at the back of the book.

The broad format of each country book is similar but there is some variation in specific content. This is determined by the particular market characteristics of

the country and the data that happens to be available.

## PHILIPPINES

This volume draws heavily on surveys conducted by the Pulse Group of Companies\* in the past 2 years. This is the first occasion on which most of this information has been released for general publication and it provides an overview of the main media and consumer markets. We acknowledge the data provided by Consumer, Dealer and Media Pulse and their help in identifying key market trends and characteristics.

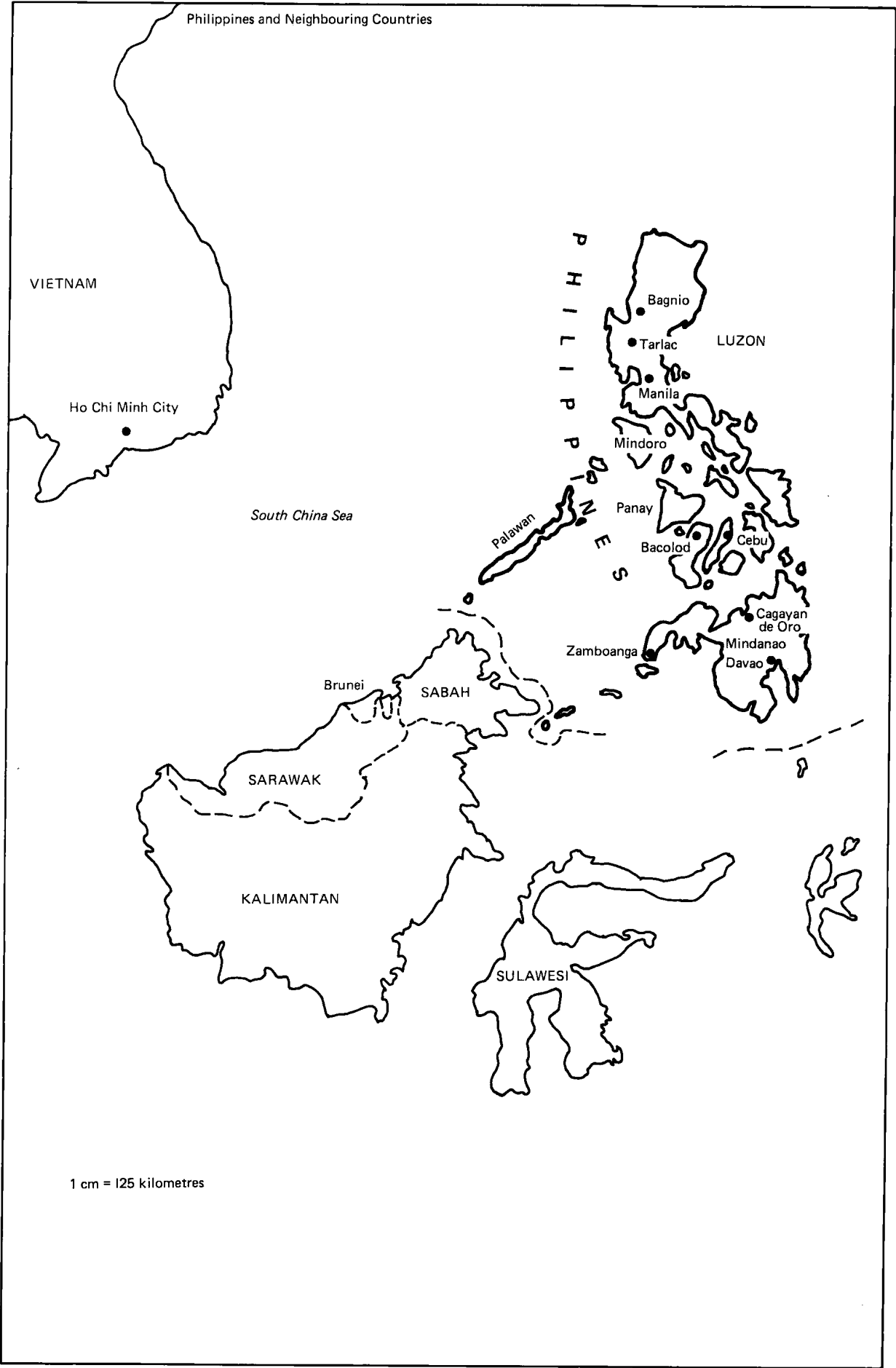
Most of the other information in this book has been drawn from Government sources and from the reports of the Central Bank of the Philippines. Our use of statistics from these sources is gratefully acknowledged.

Individual sources are referenced in the appropriate chapter.

In producing this book our intention has been to provide hard statistical information across a range of markets and where possible to include information of our own.

We propose to update this volume on a two-yearly basis. For the interim, the statistics selected should provide the reader with at least a good indication of the main parameters of the markets. Where the latest figures are essential the reader is invited to refer to the Asia Pacific Centre Ltd. who will either provide them or indicate the best source.

\* Member of the Survey Research Group



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# 1 Economic and Political Background

## ECONOMIC BACKGROUND

Of all the non-communist countries in Southeast and East Asia, the Philippines has achieved the lowest economic growth rates throughout the last decade. It fell to 4%-5% in 1980, compared with 6%-8 in most of the other ASEAN countries, and the 10% average of Hong Kong.

The economy is heavily dependent on a small number of primary commodities, whose world prices fluctuate severely, notably coconut and sugar. The country has to import most of its energy, and the price increase for oil in 1974 caused a doubling of the import bill in that year. The result has been a widening trade deficit which reached US\$1.9 billion in 1980. There are plans to develop alternative energy sources, particularly coal, geothermal and alcohol from sugar cane, but it will be some years before the effect of this will be reflected significantly in the economy.

**Table 1 - GDP growth rate**

	1975	1976	1977	1978	1979	1980
% annual growth	5.9	6.1	6.1	6.3	5.8	4.7

Source: National Economic and Development Authority

The Philippines was the first country in Southeast Asia to begin industrialisation, which started in 1950 with generous assistance from the US. It has not however been particularly successful, and the manufacturing share of GDP has stagnated at about 24% for the last five years. There has been a shortage of direct foreign investment, which is crucial in industrial development, as much for the importation of technology and management skills as for the money. Political uncertainty, both at a central level and a local industrial level, has been a major factor in this.



The government is making sustained efforts to remedy this situation, and a number of new laws and presidential decrees have been enacted in the last few years.

**Table 2 - GDP by Industrial origin**

	1970	1975	1977	1979
	%	%	%	%
<b>Agriculture, fisheries and forestry</b>	<b>27.8</b>	<b>28.8</b>	<b>27.4</b>	<b>24.2</b>
<b>Industrial Sector</b>	<b>29.6</b>	<b>33.8</b>	<b>34.2</b>	<b>35.2</b>
Mining & quarrying	2.8	1.8	1.7	2.6
Manufacturing	22.6	24.9	24.3	24.3
Construction	3.6	6.2	7.3	7.3
Electricity, gas & water	0.6	0.9	0.9	1.0
<b>Service Sector</b>	<b>42.6</b>	<b>37.4</b>	<b>38.4</b>	<b>40.6</b>
Transport, communication & storage	4.2	4.1	5.4	6.6
Commerce	24.8	22.1	21.9	23.3
Services	13.6	11.2	11.1	10.7

Source: National Economic and Development Authority

The major two primary commodities on which the Philippines has relied, and still does are coconuts and sugar. Unfortunately, not only do prices fluctuate on the world market, but the Philippines is dependent on a small number of importing countries. The government is pursuing an aggressive development and promotion policy for exports and diversification of markets is an important objective.

The export promotion programme has had a significant effect in increasing exports away from the traditional products, and despite the stagnation of industrial development, exports of manufactured items have increased substantially.

**Table 3 - Exports by category**

	1975	1979	1980+
(% of value)	%	%	%
<b>Traditional</b>	<b>79.2</b>	<b>55.9</b>	<b>53.9</b>
Coconut products	20.3	21.0	13.6
Sugar products	26.9	5.2	11.6
Forest products	11.3	10.5	7.2
Mineral products	11.2	12.3	14.2
Fruit & vegetables	5.4	4.9	4.9
Abaca products	1.0	0.5	0.5
Tobacco	1.5	0.7	0.5
Petroleum lubricants	1.6	0.8	1.4
<b>Non-traditional manufacture and non-manufacture</b>	<b>19.7</b>	<b>43.1</b>	<b>45.3</b>
<b>Others</b>	<b>1.1</b>	<b>1.0</b>	<b>0.8</b>

Source: National Economic Development Authority (+ Estimate)

Table 3 demonstrates the vulnerability of dependence on too few primary commodities. A drastic fall in the international sugar price reduced its export share of value from 26.9% in 1975 to 5.2% in 1979, but it rose again to 11.6% in 1980.

A serious problem in the Philippines is the increasing rate of inflation in the last two years which has reached annual rates of about 20%. This has not been accompanied by increases in wages, with the result that real incomes have dropped. Real incomes of unskilled labourers in 1980 were 52.5% of the 1972 level, compared with 63.2% among skilled labour.

**Table 4 - Consumer price indices (1972 = 100)**

	1976	1977	1978	1979	1980	1981
<b>All items</b>	<b>182.3</b>	<b>200.4</b>	<b>215.0</b>	<b>249.2</b>	<b>292.2</b>	<b>319.3</b>
Food, alcoholic beverages and tobacco	178.5	195.6	207.9	239.0	271.8	297.9
Clothing	195.2	215.5	235.6	272.1	336.6	365.6
Housing & repair	181.2	205.2	225.0	256.5	300.4	334.6
Fuel, light & water	189.2	205.2	230.5	287.7	388.2	445.9
Services	175.4	196.9	214.1	258.5	326.3	346.0
Miscellaneous	210.3	223.7	238.4	275.3	326.4	345.8

Source: National Census and Statistics Office

(Note: Figures for 1976, 1977 and 1978 are annual averages, 1979 and 1980 are figures for June, 1981 for February)

The real income decline is even less among the higher socio-economic groups, thus increasing the disparity between rich and poor in the Philippines, which was

already considered to be the widest in Asia. The implications in business and political terms are serious. On top of this, poverty and malnutrition remain endemic problems in the Philippines.

## **POLITICAL BACKGROUND**

In all Asian countries political factors are of crucial importance, and in no case is this more important than in the Philippines. The political problems of the Philippines are possibly more severe than in neighbouring countries. It is not the intention of this book to attempt a detailed analysis nor to make forecasts, but three points of substance should be considered.

'Martial' law was declared in 1972, and re-presented as an 'emergency' law in 1981. There does seem to be greater stability under President Marcos's regime, but most observers question how long this will last as opposition becomes more vocal. It is relevant that prior to martial law the Philippines probably had the most open and uninhibited political environment in Asia, very much founded on the American style. The long term stability of government is something about which observers ask questions.

Aggravating the problems of central government and the economy is the continuing drain of fighting a war in the South, with no apparent solution in sight. The gravity of this war, its drain on resources and its hampering effect on the President are almost certainly more serious than is generally appreciated outside the Philippines.

The serious decline in real incomes, and the widening of an already large gap between rich and poor, town and village add fuel to this unstable situation. A major part of the population is classified as living in poverty, and the Philippines has one of the highest PCM (protein caloric malnutrition) rates in Asia, and it has increased in the last decade.

The political problems of the Philippines are not helped by the economic problems, and vice versa. However, it must be cautioned that whatever may be the economic and political difficulties of the country, there are many companies conducting successful businesses in the Philippines, and it is necessary to distinguish individual market prospects from the macro-economic.