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Floating Peso Cheers Manila

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About the Archive

MANILA—Despite the dev astation of the typhoon that struck the Philippines in November, hopes remained high that 1970 marked an important forward step in the economic development of the country.

The effective devaluation of the peso, brought about by the introduction of a floating rate that hovers about 6.40 to the dollar, instead of 3.90, has resulted in a rise in exports of 18 to 19 per cent over 1969.

The Secretary of Finance, Cesar Virata, said in an inter view that the 1969 export total was equaled in the first 10 months of 1970.

For the current fiscal year, the Philippines is operating on a balanced budget. This has been achieved largely through stringent curtailment of construction projects. The last fiscal year, which ended June 30, brought a budget surplus of some

$9.5-million.

This surplus continues, but in view of the typhoon dam age, it appears threatened. Repair costs are estimated at more than $12-million, about half devoted to schools. In addition, nearly $6-million has been made available from funds originally allocated to other purposes for seed and fertilizer to hasten replanting after the storm.

Flood Control Needed

Although figures for the total damage to crops have not yet been assembled, the typhoon showed one of the fundamental needs of Philip pine development; effective flood control.

By the end of September, 1970, Mr. Virata said, exports amounted to $859-million, compared with $714-million for the same period of 1969. Even more significantly, in a country that has historically imported far more than it has sold abroad, the import-ex port gap has been narrowed. Imports for the first nine months of 1970 stood at $871-million, and in October, exports slightly exceeded imports.

In another major develop ment of what Mr. Virata con siders a year of stabilization rather than growth, the Philip pines negotiated a six-year repayment of $200-million in loans to the Philippine Cen tral Bank from commercial banks in the United States.

With a balanced budget, the beginnings of a favorable balance of payments, a damp ening of the import demands, Philippine officials hope that the stage has been set for major advances in stimulating exports and a sharp growth in domestic and foreign capi tal investment. Devaluation led to a drop of 8 to 9 per cent in the production of con sumer durables, traceable to an increase in prices.

With a population growth rate of about 3.5 per cent a year, one of the world's high est, the Philippine principal development problem is to provide work for the esti mated total of one million people who join the labor force every year.

Eight per cent of the Philip pine work force is unem ployed and 12 per cent is able to find only occasional work. Devaluation, by raising prices of goods, has put some more money into the pockets of workers in the agricultural sector but has somewhat in creased urban unemployment by cutting production.