Fidel's Failed Economy

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In 1992, a newly-elected president confidently predicted Asia's newest tiger by term's end. President Ramos promised the people high growth, a per capita income of at least $1000, a level playing field, a more efficient and less corrupt bureaucracy and an end to both IMF tutelege and the "boom-bust" growth cycle. None of these took place and Malacañang was very willing to blame the Asian crisis for the Ramos economy's shortcomings. The more realistic view, according to the author, was that the Ramos economy, because of its dependence on foreign funds and the value of the dollar, stood on shaky ground from the very beginning. Since it did not integrate poverty alleviation in the strategy for economic growth it was not designed to address poverty and social inequality. Being anything but sustainable, the Ramos plan for Asian entigerment sputtered before the president could end his term of office.

When Fidel V. Ramos assumed the presidency in 1992, he pledged to bring the country into the fold of Asia's tiger economies. The former general offered a simple battle cry: Philippines 2000. [1] He was confident that this was a "war" he could win. His confidence was enough to get his plan going. But six years later, confidence proved insufficient to pull the economy out of the boom-bust growth cycle in which it was locked.

By the time Ramos completed his term of office at the end of June 1998, he left behind a bag of empty promises of economic "entigerment" and a confidence game whose trick have all been exposed. Worse, the economy is back in recession after what turned out to be just three boom years. The government coffers are not only empty; they were in the red.

This assessment of the economy under President Ramos is an attempt to analyze what went wrong especially in 1997, one year before his administration ended. While Ramos and his economic advisers would probably say that "everything was going well until the Asian currency crisis," or words to that effect, such an analysis is too simplistic as well as inaccurate. Furthermore, it gives the Ramos administration an excuse for leaving the economy in a mess. With more data and hindsight, however, even Ramos will have to admit that what brought the economy down was not the "Asian flu." Rather, it was the Ramos economic project.

This paper discusses the Ramos economic project – what it promised, what it failed to deliver, and why. In the end, its anti-people bias made the project unsustainable. It stood primarily on foreign legs that quivered easily and fled quickly as soon as confidence began to crumble.

Standing on shaky ground, the Ramos economic project succeeded in shifting crucial aspects of the economy. For a brief period, this resulted in record high growth rates particularly in the gross national product (GNP). But something else was happening to the economy. Hidden behind high growth rates was the deteriorating state of the country's agriculture which continued to suffer from neglect. And a systematic weakening of the industrial sector was taking place. As the GNP growth rate climbed in 1995 and 1996, that of the manufacturing sector began a downhill trend. By the time the foreign and local money disappeared and the currency crisis struck, what was left behind was a domestic economy with an agricultural sector that had been abandoned to the vagaries of nature,[2] and an industrial sector that was barely performing.

The Ramos economic project has had several disastrous consequences. For one, the president propagated the illusion that the economy could become a "tiger" solely on the basis of image-building. The image, by itself, would generate inflows of foreign money. While that strategy worked for a few years, the Asian currency crisis exposed its mythical nature, hopefully shattering it once and for all. For another, the domestic economy will need much support and effort to recover under a framework in which it has been significantly weakened by the uncontrolled entry and exit of foreign markets and foreign finance capital. How small producers and small entrepreneurs can protect themselves in a world where competition for trade and investments is unequal, seldom fair and hardly free, will continue to be a challenge. This is especially so because the option of closing the economy to the world is neither possible or viable.

Finally, when disaster strikes, the hardest hit are always those who are worst off. When the economy is up, the poor were at best largely ignored and at worst the victims of displacement in the name of "development." When the economy is down, they are not only neglected but are at the risk of losing their jobs (if they have any), of making do with a higher cost of living on a lower income, of having less and less access to rapidly disappearing social safety nets. Had it succeeded, the Ramos economic project could triggered the trickling down of benefits to the latter. But having failed, what was supposed to trickle down now barely constitutes a drip. Worse, the poor are once again told to tighten their belts as talks shift from growth to stabilization. As they were neither the focal point, subjectively and objectively, of the Ramos economic project, they had little to benefit from its success and had plenty to lose by its failure.

The Record: Broken Promises

The Ramos economic project promised, among others, high growth, a leveling of the playing field (the market), a leaner, cleaner and more efficient bureaucracy, an exit from IMF tutelage, and an end to the boom-bust growth cycle. Let us examine how President Ramos fared with each of these pledges.

High growth

No doubt the Ramos administration will point out that between 1994 and 1997, economic growth was above five percent, and that except for 1997 that growth rate was increasing year after year. As Table 1 shows, the real GNP[3] grew to a peak of 6.6% in 1996 from a low level of 1.6% in 1992. By 1997, however, it slowed down to 5.3%, not aided at all by the peso devaluation in July and the subsequent months, and the related surge in interest rates. By the first quarter of 1998, signs that the economy was in recession were evident in the meager growth of 2.5% posted during the quarter. In other words, by the end of his term, President Ramos had come full circle and economic growth, while averaging a modest 4.4% during his term, had returned to the level at the start of his presidency. This is a far cry from the growth targets of his administration which were an annual average of 7.5%during the 1993-1998 period, accelerating from 4.5% in 1993 to 10% in 1998. (See Table 1)

Furthermore, a closer examination of the real output of the various sectors of the economy (agriculture, industry, services and each of their subsections) shows a general weakening of most of these sectors even before the currency crisis began. In particular, the manufacturing sector was registering falling growth rates year after year since 1994, as shown in Chart 1, which also plots the trade deficit and the 91-day Treasury bill rate over the same period. As the chart shows, manufacturing output fell between 1989 and 1992 at a time when the interest rate was above 15%. Growth in manufacturing became positive between 1992 and 1995 with falling interest rates. The latter year was a peak year for manufacturing growth, and also the bottom year for interest rates. Thereafter, interest rates began to climb up again; subsequently the rate of growth in manufacturing continuously fell. Furthermore, when the trade deficit rose sharply in 1996 manufacturing production was negatively affected. This indicates that while manufacturing is highly import-dependent, such that increases in manufacturing output would be associated with increases in imports and, subsequently, trade deficit, domestic manufacturers are nevertheless unable to compete with excessive imports. This is especially so given the Ramos policy of maintaining a relatively fixed exchange rate, resulting in an overvalued peso.

It is also important to point out that the source of the high growth was primarily foreign money and not an increasingly productive domestic economy. Table 2 estimates the contribution to growth[4] of the various productive sectors of the economy between 1994 and 1997. As shown in the table, by the first quarter of 1998 the domestic economy contributed just 65.6% of the meager growth during that period, while net factor income from the rest of the world contributed over a third (34.4%). The contribution of the agriculture sector is at best erratic, clearly a result of the sector's being neglected by the government's economic strategy. By the first quarter of 1998 the agricultural sector's contribution was a negative 30.4%.

The contribution of the manufacturing sector is best described as pathetic, falling steadily from 29.8% in 1995, to 20.7% in 1996, 19.3% in 1997 and to a dismal 11.8% in the first quarter of 1998. In stark contrast, the service sector has been making an increasing contribution to growth, from 37.5% in 1995, to 40.8% in 1996, to 42.8% in 1997, and a dramatically high 79.4% in the first quarter of 1998.

Per capita GNP of $1000

The Ramos slogan "Philippines 2000" calls for attaining a per capita GNP of at least $1000 by the year 1998. As shown in Table 3, the Ramos government reached this goal three years ahead of schedule in 1995, with per capita GNP of $1081. What helped him achieve this was the *de facto* peg of the peso to the dollar[5] and the inflows of portfolio capital. The latter not only resulted in a higher growth rate of real GNP in 1995, but also led to a slight appreciation of the peso vis-à-vis the US dollar in 1994 and

1995. A higher per capita GNP (in dollar terms, at current prices) is the logical outcome under these circumstances.

The current recession, however, stands in the way of this level being maintained by the year 2000. By 1997, in fact, per capita GNP was equivalent to $1021, already lower than the 1995 level. With the economy in recession and the peso continuing to fall against the dollar, the likelihood is greater that per capita GNP will fall below $1000 at the turn of the century. In fact, at constant 1985 prices and peso-dollar rate per capita GNP in 1997 was $653 – not only below $1000 but also below the level of $684 attained 15 years earlier in 1982.

President Ramos probably figured that, for as long his gameplan worked, his goal of Philippines 2000 could be fast tracked. But subsequent event, particularly the waves of peso devaluation that began in July 1997, put an end to his gameplan, thereby undermining his rallying cry and reversing the gains made in 1995 and 1996.

Level playing field

By promising to level the playing field, President Ramos was acknowledging the existence of monopolies that rendered free markets non-existent in the Philippines. Such was the rationale for opening up the local airline industry, telecommunications, banking and oil industry. In the case of the oil industry, opening up the market to other players was accompanied by full deregulation – that is, no more price setting by the government of petroleum products in addition to liberalized entry.[6] The Ramos government undertook these various actions in the name of free market. The effects have been mixed. To a certain extent the entry of the new players in the domestic airline industry has created a competitive environment, and the air-riding public (by and large a privileged lot) has somehow benefited from lower fares. The entry of Bayantel and cellular phone companies has compelled the Philippine Long Distance Co., which enjoys the sole monopoly over the nationwide telecommunications grid, to speed up overcoming its backlog of telephone line applications. Yet PLDT still enjoys some monopoly rights over its competitors and the telecommunications playing field remains uneven.

In the case of the banking sector, liberalization results are even less impressive. Interest rate spreads enjoyed by banks – their profit margins

– have not fallen as a result of competition generated by the limited entry of foreign banks. Competition may also have contributed to the banks' relaxing of their credit standards in extending loans to the private sector, contributing to the rise in non-performing loans. At any rate, the bank cartel is alive and well, and liberalization barely challenged it.

Of all its attempts to liberalize and deregulate, the Ramos government's record with the oil industry raises the most number of doubts about the true intent of the presidential promise "to level the playing field." Because the Philippine market is relatively small and the capital requirements to engage in petroleum refining are big, the retail market for gasoline and diesel oil is not expected to attract many new players. Of all the petroleum products, it is liquified petroleum gas (LPG) where there has been an influx of new players. The reason for this is that LPG is easy to transport and does not require heavy investments in retail outlets. Retailing gasoline and diesel oil, however, requires depot facilities, which new players must locate outside Manila,[7] thereby rendering them already at a disadvantage vis-à-vis the three major oil companies– Petron, Shell and Caltex – all of whom have depots in Manila. Two of the three, in fact, have depots outside Manila with pipeline facilities to Manila, so new players are already several steps behind their main competitors. Furthermore, retailing gasoline and diesel oil requires setting up gasoline stations, which entails land acquisition and construction costs, not cheap at today's prices. For all these reasons the three oil majors are expected to retain a dominant hold over the industry.

What makes the Ramos administration's true intentions suspect when it comes to the oil industry is the full price of deregulation that has accompanied the market entry liberalization. By giving the companies free rein over price setting even before new players can establish themselves, the Ramos administration is in effect turning over to the three oil majors all powers to set prices. This is being done in the context of the three oil majors maintaining their dominant hold over the petroleum market in the Philippines, which is clearly not free or competitive.

Furthermore, if the Ramos administration were truly serious about leveling the playing field then it would have worked to complete land distribution under the existing agrarian reform law. Not only did it fail to do this; the Office of the President has in several known cases reversed the decision of the Department of Agrarian Reform, in favor of the landowning elite. Peasant leaders also cite the higher retention limits being allowed landowners, further weakening the spirit of agrarian reform.

As a final note on the Ramos government's efforts "to level the playing field," the latest Income and Expenditures Survey (FIES) of the National Statistics Office conducted in 1997 shows that inequality has in fact worsened between 1994 and 1997, the boom years of the Ramos regime. According to the survey, while average family income of all households has grown, the gap between the rich and the poor has widened. Of all the income groups, only that of the richest 10% enjoyed a higher income share. The rest of the households had a smaller income share. Moreover, the income share of the poorest 10%, from a comparative ratio of 18.7 times in 1994. (See Table 4)

While the average family income of the poorest 10% has increased, that of the richest 10% has grown even faster. As shown in Table 5, between 1988 and 1997, the average annual family income of the poorest 10% of all households grew from P8,160 to P20,621. The magnitude of the income growth for the richest 10% is much bigger: from an average annual family income of P144,80 in 1988 to P491,658 in 1997.

The high growth of the 1994-1996 period has certainly resulted in improved incomes for all Filipino families. But most of the benefits of such growth have clearly gone to the rich. During his presidency, Ramos promised to "level the playing field." But as the result of the 1997 FIES show, the gap between the rich and poor widened during the Ramos administration.

For all his talk of leveling the playing field, President Ramos has shown a clear bias and support for big business.

Leaner, cleaner bureaucracy

A leaner bureaucracy under President Ramos has meant that even such basic services as the provision of water was being turned over to big business groups in joint venture with multinational firms. Privatization was another catchword of the Ramos administration. The Manila Waterworks and Sewage System (MWSS) was the first water district up for sale, those in the provinces are scheduled to follow. The National Power Corporation is another government corporation that is being privatized, although its gargantuan debts will remain in the books of national government even as its assets are sold off. The Ramos government also planned to privatize the Philippine National Railway and other transport facilities. In no case is there an assurance that the service will be better in private hands. The Ramos government has also tended to absorb the risks to the private sector of undertaking what was a government-run business. In these cases, privatization is reduced to simply privatizing the gains, while the risks remain in government hands. This renders privatization pointless.

Although President Ramos promised a cleaner bureaucracy, scandal after scandal has erupted during his term, especially in the latter part. The scandals involve all branches of the Ramos administration at all levels, especially at the top. As President Ramos leaves Malacañang, he will be remembered for the Amari deals, for all the scandals involving the men and women he put in government: the tax scam involving government employees' tax contributions that were diverted to private bank accounts of tax administrators, the corruption of the judiciary and the like.

End to IMF tutelege

Even as the Ramos government kept extending the date of its "graduation" from the IMF exit program, it ran to the IMF for a standby loan before the exit program was concluded. Thus, at the end of March 1998, the IMF executive board gave a simultaneous nod to a new stabilization program for the Philippines and the completion of the "exit" program. The end of the IMF tutelage in nowhere in sight.

End to the boom-bust growth cycle

The improved growth of 1994 to 1996 turned out to be three boom years followed by the current bust that many hope will not last more than three years. As he hands over the reins to his successor, President Ramos turns over an economy in recession.

Why The Ramos Project Failed

So much for the failed outcomes. Let us now examine why the Ramos economic project failed.

For one, its success depended to a large extent on the remittances of overseas Filipino workers and footloose foreign capital – portfolio money that was highly mobile and highly sensitive to “sentimental – confidence-draining factors rather than economic fundamentals.”[8] As shown in Table 6, overseas workers' remittances constituted over 5% of gross domestic production (GDP) from 1995 to 1997. By 1997, these had reached 7% of GDP. Portfolio capital inflows were a meager 1% of GDP in the first year of the Ramos administration. But by 1995 these constituted 5% of GDP, moving up to 8% in 1996 and 1997. Net protfolio capital flows (net of outflows) reached a peak of 2.54% of GDP in 1996, the year that the economy registered its highest growth in the 1990s. With the crisis hitting Thailand and the peso taking a nosedive beginning July 1997, the sentimentals took over and the capital vanished. The World Bank estimates the volume of capital flight as being equivalent to 12% of gross domestic product (GDP).[9] A drain of this magnitude is by itself enough to cause the current recession.

For another, the policies that were required to attract footloose foreign capital were policies that also served to discourage domestic production. The Ramos government maintained a *de facto* peg of the peso to the dollar. To support this peg, it kept interest rates high and undertook sterilization measures,[10] which further reinforced the high interest rate regime. (See Chart 2 and Table 7) The de facto peg resulted in an overvalued peso, which created twin effects: rendering Philippine exports uncompetitive and rendering imported goods cheaper than locally made substitutes. High interest rates tended to discourage investments in productive ventures, in favor of financial paper investments where the profits were bigger and more secure. The victims of these policies were largely the industrial sector, particularly manufacturing and exports.

As foreign money poured into the economy between 1994 and 1996, stock market prices and land value rose. Real property development and financial service provision became the lucrative business of the day. (See Table 8) As land value rose, the incentive of property holders to retain ownership of their land was strengthened. This served to weaken the already wavering support for agrarian reform and land redistribution.

Because he relied on the elite to get his gameplan going. President Ramos’ commitment to ending poverty was little more than an image-building project that lacked real substance. This was the other serious flaw of the Ramos economic project: its failure to integrate poverty alleviation in the strategy for economic growth. At best it treated its social reform program as an afterthought to growth. As such it could not resolutely alter existing inequalities in income and the distribution of the benefits of growth. Because it failed to address poverty and social inequality, the Ramos economic project was not sustainable. It collapsed before the general-turned-president could bid farewell to Malacañang.

An Empty Legacy

As he prepared for the celebrations to mark 100 years of the Republic, President Ramos left behind an economy in crisis, a bigger debt, a bankrupt and corrupt government, more Filipinos in poverty, greater poverty. With the Ramos economic project this is as good as it gets. ❁

Endnotes

1 Basically, this calls for a level of at least $1000 in the per capita GNP (at current prices) by 1998, an average growth of 7.5% between 1993 and 1998, and a reduction in the poverty incidence from 40% to 30% over the same period (Fidel V. Ramos, "Finish the Job: See the Dawn of a New Day," Ulat sa Bayan, Manila, July 1996).

2 This is further aggravated by an environment that has been extensively destroyed by “modern” science and greed.

3 Gross national product valued at constant 1985 prices.

4 This is defined as the percent share of a given sector’s increase/decrease in real output between two given time periods, to the increase in real GNP over the same period.

5 Officially, the BSP’s exchange rate policy is that of a floating exchange rate. By this is meant that the peso-dollar rate is determined by the demand for and supply of foreign exchange. In practice, however, the BSP has intervened to keep the peso relatively stable at P26:$1. Intervention has been both ways, that is, against a peso appreciation as well as a peso devaluation. Since July 1997, however, after drawing down over $2 billion of international reserves in a futile attempt to defend the peso from falling against the US dollar, the BSP’s ability to intervene has been severely weakened.

6 While the energy regulatory board remains, its only function in relation to the oil industry is to regulate the price of piped gas. (Republic Act 8749, “The Donwn-stream Oil Industry Deregulation Act of 1998,” Section 20, Chapter 6)

7 For environmental reasons no new depots can be located in Manila. Because the market for petroleum products is heavily concentrated in Manila, new entrants, if they are to find a niche must penetrate the Manila market.

8 The “fundamentals” generally refer to trade and current account deficits, government budget deficits, price stability, savings and tax effort, international reserve level, financial stability and the like.

9 World Bank, *World Development Finance 1997*, Vol. 1.

10 To support the peg and stop the peso from appreciating, the Philippine government began to undertake what are called “sterilization” measures. The government began buying up dollars from the system. This had the effect of keeping the peso-dollar rate relatively stable. Moreover, the country’s gross international reserves

grew by the amount of dollars being purchased by the government. So until the bubble burst last July 1997, the Philippines could chalk up record trade and current account deficits while nevertheless experiencing the strengthening of the peso in the international markets and a significant accumulation of foreign reserves. Sterilization also involved siphoning off the pesos entering into the economy as a result of the dollar inflows. By doing so, the government could keep inflation down as well as restrict the growth of money supply to the levels it promised the IMF it could maintain. To do this the government began borrowing pesos and issuing IOUs in exchange for the pesos. This had the effect of raising interest rates, or at the very least, keeping them high.

Table 1. Real GNP and Real GNP Growth
(at constant 1985 prices and in percent per annum)

	Real GNP (P million)	Growth Rate (% p.a.)	MTPDP Targets (% p.a.)
1992	731,395	1.6	0.6
1993	746,921	2.1	4.5
1994	786,218	5.3	6.5
1995	829,486	5.5	7.5
1996	884,226	6.6	8.0
1997	931,118	5.3	8.5
1st sem 1998	451,717	0.8	10.0
Average, 1993 to mid-1998		4.7	7.5

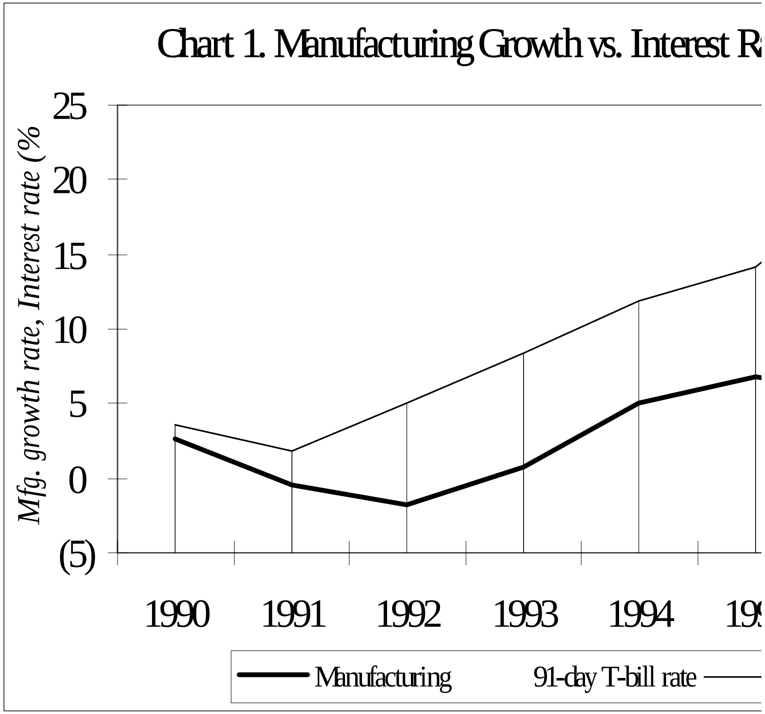
Note: MTPDP – Medium Term Philippine Development Plan for 1993-1998

Sources of basic data: National Statistical Coordination Board (NSCB); Republic of the Philippines, Medium Term Philippine Development Plan for 1993-1998, Manila, February 1993.

Table 2. Contribution to real growth by sector
(in percent of real increase in GNP)

	1992	1993	1994	1995	1996	1997	1998
Agriculture, fishery forestry	5.7	22.4	11.2	3.5	11.8	11.2	(190.6)
Industry sector	(11.9)	26.2	36.9	44.5	30.9	39.6	29.2
–of which Manufacturing	(28.3)	8.6	23.1	29.8	20.7	19.3	15.0
Service sector	27.9	49.3	34.0	37.5	40.8	42.8	210.1
GDP	21.6	98.0	82.2	85.5	83.4	93.6	48.8
Net factor income from ROW	78.4	2.0	17.8	14.5	16.6	6.4	51.2
GNP	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: 1998 – first semester
Source of basic data: National Statistical Coordination Board (NSCB)



Sources of basic data: National Statistical Coordination Board (NSCB) and Bangko Sentral ng Pilipinas (BSP)

Table 3. Per Capita GNP (in US dollars)

	At Current Prices	At Constant 1985 Prices		At Current Prices	At Constant 1985 Prices	MTPDP Target*
1980	670.4	676.8	1993	836.4	606.7	871
1981	716.8	681.5	1994	966.5	622.6	922
1982	723.1	683.8	1995	1,080.5	629.0	989
1983	628.1	676.6	1996	1,199.7	660.8	1,065
1984	570.7	602.6	1997	1,166.1	680.4	1,154
1985	546.5	546.5	1998	907.5	666.1	1,270
1986	522.2	555.7				
1987	568.5	567.5				
1988	639.2	597.2				
1989	698.0	616.2				
1990	724.3	633.1				
1991	732.9	621.2				
1992	831.2	606.2				

Note: MTPDP – Medium Term Philippine Development Plan for 1993-1998.
Per capita GNP targets are at constant 1985 prices.

Sources of basic data: National Statistical Coordination Board (NSCB); Bangko Sentral ng Pilipinas (BSP); Republic of the Philippines, Medium Term Philippine Development Plan for 1993-1998, Manila, February 1993.

Table 4. Income Decile Distribution of Families in the Philippines: 1988, 1991, 1994 and 1997
(in percent)

	1988	1991	1994	1997 p/
Decile Group				
First Decile	2.0	1.8	1.9	1.7
Second	3.2	2.9	3.0	2.7
Third	4.1	3.8	3.9	3.4
Fourth	5.0	4.7	4.9	4.3
Fifth	6.0	5.7	6.0	5.3
Sixth	7.3	7.0	7.4	6.7
Seventh	9.0	8.8	9.1	8.6
Eighth	11.6	11.4	11.8	11.4
Ninth	16.0	16.1	16.4	16.1
Tenth	35.8	37.8	35.5	39.7

p/ - preliminary results

Source: Family Income and Expenditures Survey, Income and Employment Statistics Division, Household Statistics Department, National Statistics Office, Republic of the Philippines

Table 5. Average Family Income of the Richest and Poorest 10%, and All Families: 1988, 1991, 1994 and 1997 (in pesos per year)

	Poorest 10%	Richest 10%	All Families
1988	8,160	144,805	40,408
1991	11,937	246,363	65,186
1994	15,622	295,542	83,161
1997 p/	20,621	491,658	123,881

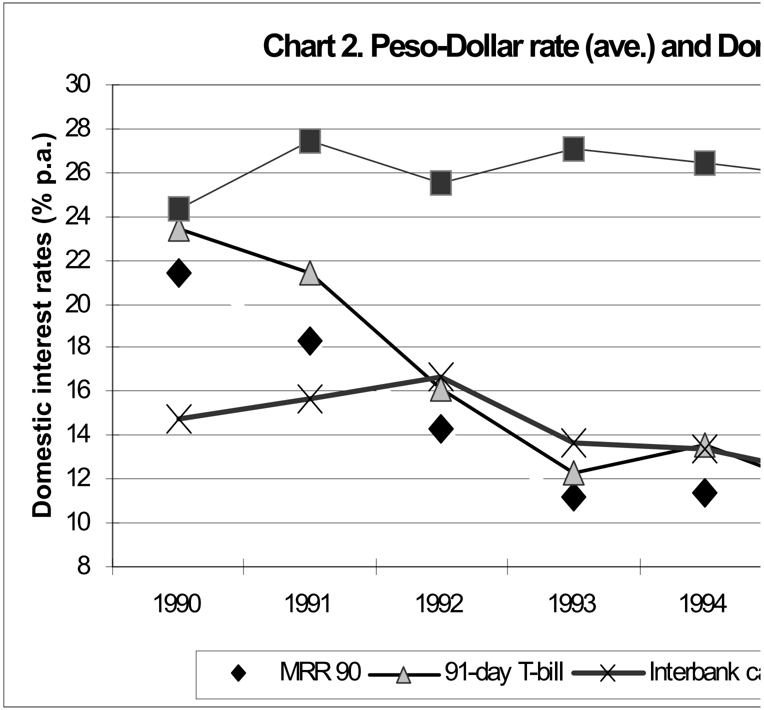
p/ - preliminary results

Source: Family Income and Expenditures Survey, Income and Employment Statistics Division, Household Statistics Department, National Statistics Office, Republic of the Philippines

Table 6. Portfolio Capital Flows and Overseas Workers' Remittances, 1990 to 1997
(in million US dollars unless otherwise indicated)

	1990	1991	1992	1993	1994	1995	1996	1997
Personal Income of Overseas Contract Workers	1,203	1,649	2,222	2,276	3,008	4,928	4,307	5,742
Portfolio Investments of Non-Residents								
Inflows (Placements)	152	227	566	2,257	2,979	3,861	6,687	6,947
Outflows (Withdrawals)	204	102	411	1,360	2,078	2,376	4,586	7,353
Net flows	(52)	125	155	897	901	1,485	2,101	(406)
As % of GDP:								
Remittances	2.71	3.63	4.19	4.19	4.69	6.65	5.20	6.98
Portfolio capital inflows	0.34	0.50	1.07	4.15	4.65	5.21	8.07	8.45
Net portfolio capital flows	(0.12)	0.28	0.29	1.65	1.41	2.00	2.54	(0.49)

Sources of basic data: Bangko Sentral ng Pilipinas (BSP); National Statistical Coordination Board (NSCB)



Source of basic data: Bangko Sentral ng Pilipinas (BSP)

Table 7. Interest Rate Differential (in percent per annum)

	91-day T-bill rate	US Prime rate	6-month Libor	Interest Rate Differential US Prime rate	Interest Rate Differential 6-month Libor
1990	23.4	10.000	8.316	13.40	15.08
1991	21.4	8.424	6.080	12.98	15.32
1992	16.1	6.252	3.929	9.85	12.17
1993	12.3	5.978	3.415	6.32	8.89
1994	13.6	7.141	5.067	6.46	8.53
1995	11.3	8.828	6.097	2.47	5.20
1996	12.4	8.273	5.587	4.13	6.81
1997	13.1	8.439	5.840	4.66	7.26

Source of basic data: Bangko Sentral ng Pilipinas (BSP)

Table 8. Net portfolio capital flows of non-residents vs. real growth in finance, real estate and construction (in percent)

	Net Portfolio Flows		Real Growth Rates			
	Amount	As % of GDP	Finance	Real Estate	Construction	GDP
1990	(52)	(0.12)	9.93	4.11	4.97	3.04
1991	125	0.28	(2.85)	(0.38)	(15.70)	(0.58)
1992	155	0.29	0.35	1.53	2.77	0.34
1993	897	1.65	2.37	2.55	5.74	2.12
1994	901	1.41	5.47	3.80	10.81	4.40
1995	1,485	2.00	7.31	5.89	6.51	4.83
1996	2,101	2.54	13.77	10.65	10.89	5.68
1997	(406)	(0.49)	12.97	6.65	16.18	5.17

Source of basic data: Bangko Sentral ng Pilipinas (BSP)