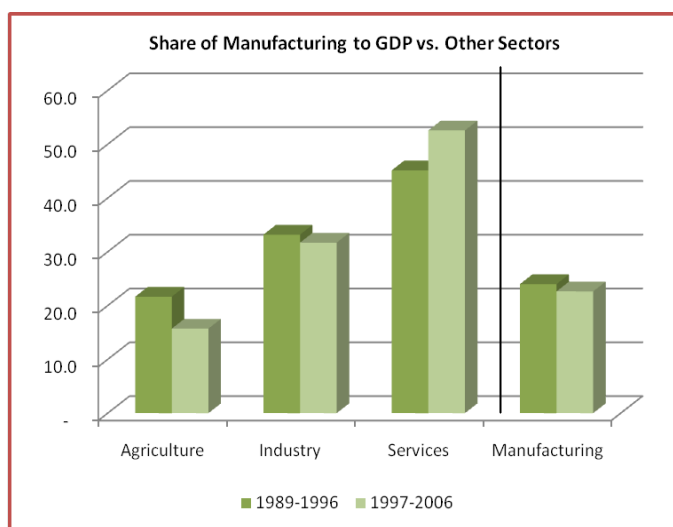


## PHILIPPINE MANUFACTURING SECTOR

Manufacturing accounts for roughly 71% on the average of industry output and 24.6% of gross domestic product (GDP) for the period 1986-2007. The share of manufacturing to GDP peaked at 29% in 1974 before eventually bottoming out to 23% in 2007. Further, the ratio of manufacturing to GDP is higher than that of the agriculture sector.



Source: ADB, SDBS Key Economic Indicators

Among selected Asian countries, the Philippine manufacturing share to GDP for the period 2000-2006 was one of the lowest, marginally higher than Vietnam and does not even come close to that of Indonesia. The country's manufacturing share to GDP stagnated at around 24% since 2000. Although Vietnam has consistently had the lowest manufacturing share to GDP, its ratio has been exhibiting an upward trend for the last seven years reaching 23.6% in 2007 from 18.8% in 2000. Meanwhile, China's economy relies heavily on manufacturing. Thailand follows closely averaging 38% for the period 2000-2006.

Share of Manufacturing to GDP, 1996-2006  
Cross Country Comparison

	2000	2001	2002	2003	2004	2005	2006
Indonesia	27.7	27.6	27.9	28.0	28.4	28.1	27.8
South Korea	26.1	25.7	25.9	26.5	28.1	28.9	29.8
Malaysia	30.9	29.4	29.0	30.0	30.7	30.8	31.1
Philippines	24.4	24.7	24.4	24.3	24.1	24.2	24.0
China	40.4	40.5	40.8	41.9	42.4	42.9	43.6
Singapore	-	-	24.3	24.2	25.3	26.0	26.9
Thailand	36.4	36.2	36.8	38.0	38.7	39.0	39.4
Vietnam	18.8	19.6	20.4	21.2	21.8	22.8	23.6

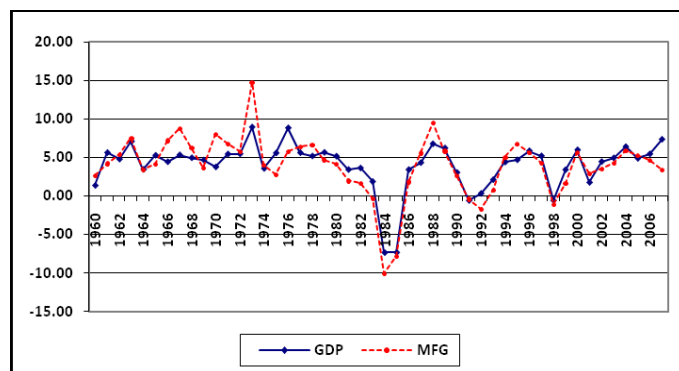
Source: ADBSDBS, Key Economic Indicator

# Facts in figures

Congressional Planning and Budget Department  
House of Representatives  
July 2008 (No. 8)

The growth of manufacturing gross value added (GVA) spiked at 5.8% in 2005. Thereafter, while growth in GDP has been on the upswing to a resurgent high of 7.2% in 2007, manufacturing was on a downslide to 3.4%, lower than its 3.5% growth posted in 2002.

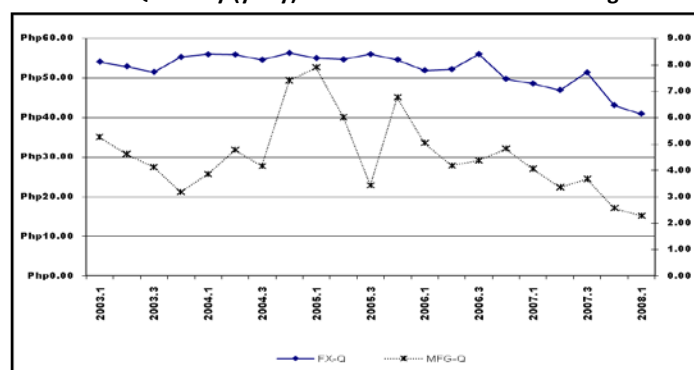
Growth of Gross Domestic Product and Manufacturing (%)



Source of basic data: NSCB – I-Stat online.

Manufacturing growth rates would seem to have trailed movements in the peso-dollar exchange rates by late 2005. Growth in manufacturing GVA—on a quarterly year-on-year basis— can be seen as being strongly and positively correlated to or associated with the foreign exchange rates.

Foreign Exchange Rates (Average Quarterly)  
vis-à-vis Quarterly (y-o-y) Growth Rates of Manufacturing GVA



Source of basic data: NSCB – I-Stat online.

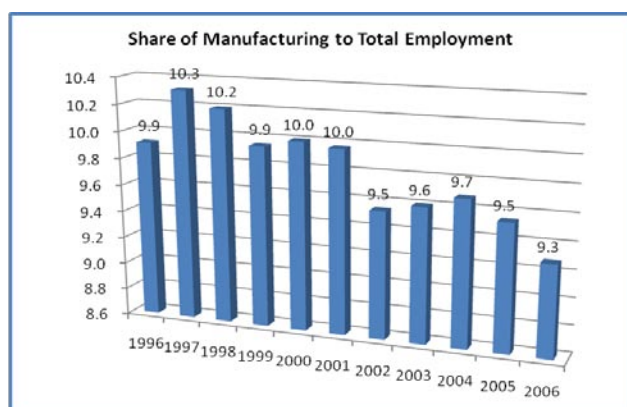
There has been a year-on-year decline in the outstanding loan portfolio to manufacturing. In December 2006 it declined by 8.4% and further went down by 0.6% in December 2007.

#### Outstanding Loan Portfolio Classified by Economic Activities (P Bil)

	LOANS OUTSTANDING			Growth Rate (%)	
	Dec-05	Dec-06	Dec-07	Dec-06	Dec-07
	TOTAL LOAN PORTFOLIO	2153.6	2426.6	2601.3	12.7
Agriculture, Hunting & Forestry	125.2	132.7	134.4	6.0	1.3
Fishery	9.2	9.2	10.1	0.3	10.5
Mining and Quarrying	11.8	10.1	11.1	-14.1	9.1
Manufacturing	430.0	394.0	391.6	-8.4	-0.6
Electricity, Gas & Water	71.2	73.4	123.9	3.2	68.7
Construction	34.4	33.8	35.9	-1.8	6.1
Wholesale & Retail Trade, Repair of Motor Vehicles	243.1	269.9	278.5	11.0	3.2
Transportation, Storage & Communication	76.6	84.0	98.0	9.7	16.6
Financial Intermediation (exclusive of IBL)	226.8	327.3	408.3	44.3	24.7
IBL	349.2	432.5	388.4	23.9	-10.2
Real Estate, Renting & Business Activities	258.3	291.4	290.3	12.8	-0.4
Public Adm. & Defense: Compulsory Social Securities	33.2	43.2	39.2	30.1	-9.4
Education	13.6	14.4	15.2	5.6	5.5
Health and Social Work	9.9	10.2	11.3	3.3	10.8
Other Community, Social & Personal Serv. Act.	164.8	182.1	172.8	10.5	-5.1
Private Households w/ Employed Persons	80.7	102.4	174.1	26.9	70.0
Extra Territorial Organizations and Bodies	0.1	0.1	0.0	18.0	-61.4
Hotels and Restaurants	15.7	15.8	18.2	1.1	14.8

Source of basic data: Bangko Sentral ng Pilipinas

Jobs generated in the manufacturing sector grew by 1.3% per annum on the average over the period 1996-2006. However, as a percentage of total employment, the share of manufacturing went down from 10.3% in 1997 to 9.3% in 2006.



Source: ADB, Statistical Database System (SDBS) Key Economic Indicators

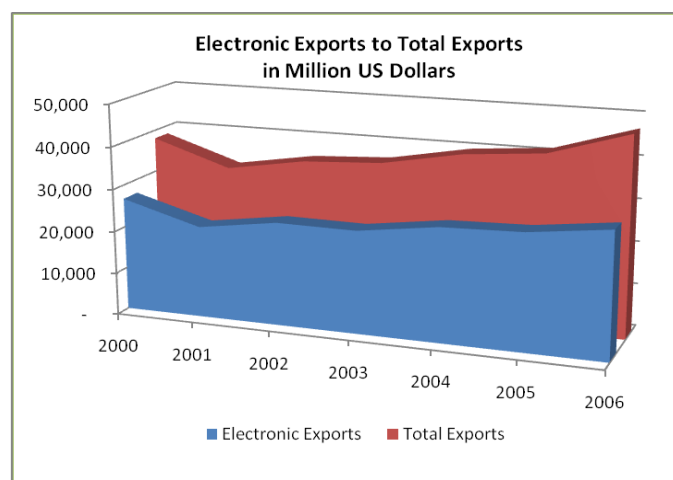
Except for Vietnam, the share of manufacturing employment to total employment of all comparator countries declined for the period 2000-2006. The Philippines consistently has one of the lowest shares. Moreover, job generation of the sector continued to decline from 10% in 2000 to 9.3% in 2006. In contrast, job creation in the manufacturing sector of Vietnam was on the uptrend from 9.3% in 2000 to 12.5% in 2006, although it has the lowest manufacturing share to GDP.

#### Share of Manufacturing to total employment, 1996-2006 Cross-country Comparison

Particulars	2000	2001	2002	2003	2004	2005	2006
Indonesia	13.0	13.3	13.2	12.4	11.8	12.7	12.2
South Korea	20.3	19.8	19.1	19.0	19.0	18.5	18.0
Malaysia	23.5	23.3	21.7	21.6	20.3	19.8	20.3
Philippines	10.0	10.0	9.5	9.6	9.7	9.5	9.3
China	11.2	11.1	11.3	12.0	-	-	-
Singapore	-	-	13.4	13.7	13.3	12.1	12.0
Thailand	14.9	15.3	15.3	15.7	15.8	15.9	15.3
Vietnam	9.3	10.1	10.6	11.3	11.8	12.0	12.5

Source: ADBSDBS, Key Economic Indicator

Almost 90% of total Philippine exports are manufactured goods highlighting the dependence of the country on manufactured good for exports. Philippine manufactured exports comprise only few products with high import content such as semiconductors and integrated circuits which represent 67% share to total exports. Other top export manufactures include garments, and coconut oil.



Source: ADB, SDBS Key Indicators

The manufacturing sector's value of production index (VAPI) and the volume of production index (VOPI) paint contrasting directions for the period 2002-2007. The VAPI increased on the average by 6%. Among the top performers in terms of value of production for the period 2002-2007 are publishing and printing, petroleum and chemical products, electrical machinery, food and beverages, metal and non-metallic mineral products, cement and paper and paper products etc.

#### Index of Value of Production of Key Manufacturing Enterprises Growth Rates

Particulars	2003	2004	2005	2006	2007
All Industries	8.1	8.7	12.9	2.5	(2.7)
Publishing and printing	10.1	21.3	(6.0)	(0.9)	12.8
Petroleum products	23.6	(0.6)	39.7	2.9	(0.8)
Chemical products	5.6	11.8	19.3	(2.6)	(2.1)
Electrical machinery	(5.3)	15.2	7.3	5.8	(10.5)
Beverage	1.7	13.1	3.2	1.8	10.6
Others	20.3	10.7	6.6	7.0	0.1

Source: National Statistical Coordination Board

VOPI on the other hand declined by 2.2% for the period 2002-2007. Among industries that showed significant decreases in terms of volume of production are cement, chemical products, electrical machinery etc.

#### Index of Volume of Production of Key Manufacturing Enterprises Growth Rates

Particulars	2003	2004	2005	2006	2007
All Industries	-	1.0	2.1	(9.9)	(4.2)
Publishing and printing	10.1	20.4	(18.1)	3.5	(6.4)
Beverage	(1.4)	19.5	1.2	(1.4)	7.2
Furniture and fixtures	1.8	28.7	53.8	1.9	10.2
Cement	(4.3)	(2.1)	0.7	(12.9)	2.2
Chemical products	(11.3)	3.0	7.4	(3.3)	(4.5)
Others	(2.6)	1.7	4.4	(7.3)	(2.9)

Source: National Statistical Coordination Board