

2. Foreign Exchange Situation

The balance of payments performance in 1983 suffered from a capital outflow that largely commenced in the third quarter and contributed to more than a US\$1 billion increase in the balance of payments deficit which reached \$2.59 billion in 1983. The trade deficit declined by \$276 million with a small reduction in exports and a somewhat larger fall in imports.

Total outstanding debt at the end of 1983 was estimated at \$24.6 billion consisting of \$9.9 billion in short-term debts and \$14.7 billion in medium and long-term obligations. Of the total debts, \$14.99 billion is owed by the public sector.

The country's large deficit on balance of payments and maturing foreign debt has created a scarcity of foreign exchange for normal trading activities. This problem has led the government to allow only vital items such as food and agricultural inputs to be imported under a priority system.

1983 average foreign exchange rate was estimated at P11.1127 to US\$1, an increase of 30.1% from last year's P8.5401. Currently, the rate is at P18.001.

3. Fertilizer Situation

The current shortage of foreign exchange has led to a severe reduction in import financing. As a result, there is a serious and worsening shortage of essential agricultural inputs particularly fertilizer and pesticides which are vital in the agricultural sector.

The Philippine Phosphate Fertilizer Corp (PHILPHOS) will start commercial operations of ammonium sulfate by August 1984. Three other plants which produce sulfuric acid, phosphoric acid, and granulates will be in full operation by the second quarter of 1985. This fertilizer complex joint venture with Nauru costing US\$336 million will be the largest in Southeast Asia. The ammonium sulfate plant will have a 520 tonne capacity per day, with projected exports of US\$21.8 million in 1984. By August 1984, the Philippines are not expected to be significant importers of fertilizers.

The rice harvest for the second semester of 1984 is expected to be low due to reduced usage by farmers of fertilizer and pesticides. To assure no shortage of rice, the National Food Authority had contracted to import from Thailand and the Peoples Republic of China 150,000 tonnes of rice.

The Asian Development Bank and World Bank have extended long-term loans totalling \$280 million for agricultural inputs, of which US\$175 million was allocated to fertilizer and pesticides requirements.