YELLOW PAPER II
BEYOND EDSA: THE POST-ERAP REFORM AGENDA

BEHEST LOANS, NON-PERFORMING ASSETS, LOW GROWTH - DEJA VU

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The 1983-85 economic crisis had its main root in the grave misuse of financial institutions by Marcos and his cronies. We see a repeat of corruption of some financial institutions in recent years. In the 1970s and 1980s, the GFIs, particularly the Development Bank of the Philippines, the Philippine National Bank, the Philippine Veterans Bank and the Government Service Insurance System, were used to funnel funds to crony hands ostensibly for investment. The practice was to front-end the loans, i.e., propose a project with little or no collateral, pocket the loan proceeds and invest a small fraction for show. The funds financed capital flight and other investments. Cronies raided their own banks. At the time the Central Bank was heavily involved in development financing allowing it to supply loanable funds to banks and GFIs. The 1970s was also a time for large scale foreign borrowing and the Central Bank used this source to add to the funds that Marcos and his cronies could appropriate. The practice created the terms behest loans and front-ending.

The 1983-85 economic crisis that ended with the ouster of Marcos was largely caused by the financial abuses that resulted in large scale wastes of investment resources. The financial abuses have documented consequences. So many crony projects were left uncompleted or bankrupt, all the GFIs excepting for the Social Security System were left with a large stock of non-performing assets. The Philippine Veteran Bank was bankrupted and had to close down and the DBP, PNB and GSIS became insolvent and left with high NPL ratios of 65%, 35% and 50%, respectively. The Cory government was faced the choice of closing down the GFIs or restructuring their portfolios to their present worth. The latter was chosen with a proviso that they had to mobilize their own funds and no longer rely on central bank loans. The Asset Privatization Trust was created to manage the NPAs of the GFIs. The bad assets of DBP and PNB were taken over by the Trust, which meant reducing their resource level. The private banks including numerous small unit rural banks and some crony banks that became insolvent were allowed to close down.

The 1997-1998 crisis in Korea, Indonesia, Thailand and even Japan was also caused by so-called connected banking (the equivalent of our behest loans) and inadequate prudential rules and practices. It was only after the crisis that the Basle-IMF financial architecture containing fundamental practices and laws like international accounting and auditing standards, disclosure rules and the legal rights and obligations of financial contracting parties were adopted. Like the Philippines during the Marcos regime, banks and other financial institutions (FI) were subjugated by those in power, in Korea by the chaebols, in Indonesia by the Suharto family and cronies, in Thailand by big business. In these countries and in Japan banks and other FI's were conglomerated with non-financial enterprises. Most had privileged access to their affiliated FI's loanable funds. Credit got heavily directed to favored borrowers. That they were not the best credit risk is reflected in the ensuing high incidents of non-performing loans. The non-performing loans to total loan ratio or NPL is reported at 39.8% of Indonesia, 20.7% in Korea and 38.1% in Thailand. The Philippine NPL rate is 16.5% as of Feb. 2001. (BSP Sept. 2000) Other East Asian economies such as Singapore, Taiwan and Hong Kong which exercised more prudent banking did not experience a financial crisis. Their economies slowed down but escaped recession.

The 1983-85 crisis inspired major reforms including those in the financial sector. Foremost was the abandonment of the development role of the Central Bank and its focus on stabilization policy, liberalization of the foreign currency and capital market and the relaxation of foreign bank entry. The Central Bank was made independent of the executive and its lending window could no longer be used for supplying loanable funds, it was to be used more as a tool of stabilization policy. The state banks were not to rely on the Central Bank as a source of loanable funds though it was to remain the bank of last recourse. The bad assets of DBP and PNB were taken over by the Asset Privatization Trust and they were made to mobilize their own funds through deposits and other means of intermediation. The reforms had many positive impact: entry of a fairly large number of foreign banks and branches, an acceleration in intermediation activities as reflected in a rapid rise in Deposits/GNP ratio, reduction in deposit-loan margins and introduction of modern technology in bank services such as ATM, credit card, e-payment. The financial sector appeared to be progressing well. There were no news of government intrusion until 1999. The NPL was minimal at 2.8% in 1996 and the capital/asset ratio of 16% exceeded the Basle benchmark of 8%. Then the Asian financial hit and forced into the open a return to bad banking. The currency crisis which led to large depreciation from of P26.2/$1 in 1996 to P40.0/$1 in 1997 caused large losses for enterprises and FIs that borrowed abroad. The BSP followed the IMF prescription of tightening credit to raise interest rate. As the supply of credit was being cut by the tight monetary policy and the capital outflow, demand for peso loans to pay for the foreign currency loans increased, thus raising interest rates. Those with foreign liabilities therefore suffered a double whammy of high interest rate and liability inflation. A vicious circle of foreign currency losses was exacerbated by high interest rate caused NPL and credit squeeze, low investment and economic downturn, more NPL, higher cost of intermediation and interest rate. The vicious circle could have been minimized of BSP followed an accommodating monetary policy. This would have lowered the pressure on interest rate, reduced business losses and sustain investment optimism. Note that the rise in interest rate failed to reverse the capital outflow in 1997-1998. Additionally the vicious circle would have also been mitigated if all the banks followed prudent lending rules.

The financial scandals reported in the major papers like Business World (BW) and the Philippine Daily Inquirer (PDI) reveal that connected banking as practiced in a number of private commercial bank and in GFIs. The bad loans would have been revealed in time but the crisis advanced its revelation and worsened their effects. The NPL ratio of the banking system as a whole rose from 2.8% in 1996 to 4.7% in 1997, 10.4% in 1998, 12.3% in 1999. (Table 1) It continued to rise reaching 16.5% in February 2001. Note that the NPL ratio differed across banks. **Panel A** groups the bank into extended commercial bank or EKB (large banks with power to engage in investment activities, NEKB are smaller commercial banks, GFI, government banks and FXB, foreign banks. In 1996, government banks had the highest NPL ratio with EKB having only 2.4% NPL ratio. The latest figures (Feb.2001) give 18.1% for both large and small banks, 15.7% for government and 3.7% for foreign banks. Panel B shows that in January 2001 the NPL ratio of individual bank ranged from 6.3% for the Bank of the Philippine Islands and 3.8% for Banco de Oro to 33.0% for the Philippine National Bank, a troubled government controlled bank. Its NPL is now 50%. The Land Bank of the Philippines, a wholly government bank has NPL ratio of 25% in January 2001.

High NPL ratio is a drag on the economy. NPL reflect bad investments. A non-performing loan and asset means zero turnover of funds and a financial cost to the bank. The high NPL and the corruption scandals have pulled down the recovery. There were signs in 1998 that the Philippines would recover more quickly from the Asian crisis precisely because of the apparent strength of its financial system. The exchange rate stabilized at P40/$1 for two years from 1998 to 1999, capital started flowing back in the first quarter of 1999, and GDP growth accelerated from .4% to 3.7% in 1997-1998 and 1998-1999. The stock market and the banking system remain bearish despite reported high liquidity of the economy. The political upheavals that followed the impeachment of Estrada worsened the impact of the financial problems. Growth is stagnating at about 4.0% since 1998-1999.

We describe below the bad banking practices that led to the insolvency and high NPL ratios of the known troubled financial institutions. They reveal the vulnerability of the financial system to political pressure and personalized banking. There were cases involving abuse of political power to extract funds for the President and his cronies. There were also cases of simple bad banking practice where the owners/controlling interest of private banks appropriated their bank's funds for their own uses or to help affiliate companies or favored clients. Apparently the bank officials believed that they would not be penalized for their wrong decisions either because of some implicit guarantee of protection by the political powers or by the central bank. Some banks might have assumed BSP to be subject to political and other influences and bail them out when the recovering comes. Indeed recent rescue decisions of BSP support the assumption. BSP provided emergency loans to banks that clearly violated prudential rules. The following anecdotes which were culled from reports in major newspapers illustrate the bad practices in the troubled institutions. The cases reported are definitely not inclusive; they account for a fraction of the bad loans of the troubled banks and GFIs.

1. PNB is the second largest commercial bank. It is the oldest bank having been founded in 1906 as a state bank. The present problem is the second bout of insolvency of the PNB, the first during Marcos time when it had to be restructured because of non-performing assets. Its current NPL of 50% (PDI May 25, 2001) exceeds the 35% NPL in 1986. A Pricewaterhouse Cooper audit estimates the current value of its shares at P50 though the government foolishly tried to sell it at P69 and over. (Batino, PDI May 25, 2001)

1. PNB's current difficulties surfaced when it was partially privatized with Lucio Tan, a close Estrada crony, as the principal buyer of the bank's equities. The market price of PNB shares just before the crisis was P500. The crisis brought down the price of all registered companies and PNB price dropped to about P199 in July 1999, the time of planned purchase by Tan. There were no report of trouble accounts at this time. In fact PNB's NPL in 1992 was reported at only 2.0%. Reports of the need for Tan to infuse P10 Billion capital created uncertainty about its financial health. Its price started to fall. There are confusing reports on how much exactly Lucio Tan invested in the bank though some machinations let him take control of the bank. With the President's help, Tan obtained an assignment of the PNB Retirement Fund's 15.2% holding of PNB shares. Estrada's appointed board members were placed under Tan's power. Torrijos of the Philippine Daily Inquirer (May 25,2001) said his actual holding is only 10%. Edgardo Espiritu, a former president of the bank questioned the purchase by Tan of PNB since he was heavily indebted to the bank. A loan of P600 Million to Tan's foundering Philippine Airline was reported.

PNB went into very aggressive lending. Torrijos (PDI May 25, 2001) reported loans rose from P30 Billion in 1992 to P70 Billion in 1995 to P140 Billion in 1997.

PNB obtained emergency loans of P15 Billion from BSP and P10 Billion from PDIC. There is a current debate on how it is to be repaid. The government and BSP are planning to swap the loans with equity. Cabacungan (PDI May 25,2001) brought out the issue of the valuation of shares for this will determine government's future gain or losses on the swap. The government will lose if the share is overvalued and gain if it is undervalued. The government negotiators are silent as to whether it will use the Pricewaterhouse Cooper audited valuation of P50. In any case the government bears the market risk of PNB shares. Swaps like this were used to bail out losing companies and banks during the Marcos regime. They are an easy way out of escaping obligations from bad loans. The share valuation can be manipulated to favor insolvent borrower.

2. Three private commercial banks were declared in difficulty - The Orient Bank, the Westmont Bank and the Urban Bank. BSP placed the Orient Bank under receivership of the Philippine Deposit Insurance Corporation (PDIC) after it found it to have reported investments in fictitious companies. It was alleged that it made DOSRI loans that turned sour. It has been closed with the case on appeal at the court. Westmont Bank made heavy investments in its sister investment company, Westmont Investment Corporation. Which concentrated lending to property. Westmont has been sold to Singapore Union Overseas Bank after it obtained emergency loans from BSP. The Urban Bank case is more complex as it involved behest investments in property that failed.

3. Urban Bank's trouble began when it bailed out its affiliate, Urbancorp by buying more than P4.5Billion of its loan receivables which BSP later considered to be `garbage' receivables. Urbancorp used its deposits with Urban Bank to invest in property without informing the depositors of the investment. It also bought some P4.5 Billion debt instruments of other companies and securitized them, i.e., sold them in smaller units to investing public at rates higher than deposit rates. Their property investments include Urban Bank Plaza, high-rise buildings in Fort Bonifacio, and Puerto Azul, a resort that was already insolvent at the time of purchase. Apparently Urban Bank had special relationship with the GFIs. Land Bank's Provident Fund kept P400 Million deposits in Urban Bank and lent it P600, half of it when Urban Bank was already in difficulty. The SSS Retirement Plan had P171 Million exposure to UB and owns 15% of

its equity. The GSIS originally financed the Panlilio Group that invested in Puerto Azul. The loan reached P14 Billion (C. Batino Business World May 5, 2000.) Note UB gave Puerto Azul P450 Million loan a day before UB declared a bank holiday. President Ramos and President Estrada were reported to be depository clients of UB who were allowed to withdraw their deposits a few days before the bank holiday. And now comes BSP, which gave it an emergency loan of P30 Billion for the ostensible purpose of preventing a bank run on the system.

4. The SSS and the GSIS problems appear to have been caused by behest investments of President Estrada. The SSS investment to Belle Corporation, the developer of Tagaytay Highlands, is illustrative of how SSS funds were misused to favor cronies and the President. SSS was pressed to invest P745 Million in shares of stock of Belle Corporation. SSS recorded purchase price higher than the prevailing market price with the difference given to the President. In December 1998, SSS bought 149 Million shares at P3.10 when it was trading at P2.10. On March 20, 2000, SSS held 476 Million shares at average acquisition cost of P.69 but with closing price of P.59. The acquisition-market price differential in the two transactions amounted to P150 Million and P47.6 Million or a total of P197.6 Million. This was the reported commission that went to the President. Moreover, SSS was pressed to extend P375 Million loan to the company. In 1999, SSS reported losses for the first time in its 44 year history. It had to borrow from the Land Bank, the Philippine Health Insurance and First Metro Investment Corporation, the first two being government institutions. SSS admitted in April it lost P813 Million in its P50 Billion investments in publicly listed stocks. In 2000, 28% of the investments were still locked in 24 corporations awaiting better prices. In the meantime they earn zero or minimal returns and entail large paper losses.

5. The GSIS and SSS are the largest pension funds in the country and hold a sizeable portfolio of liquid assets. Marcos made generous inroads into the GSIS funds to finance dubious projects. When he was toppled the new GSIS President (Belmonte) revalued GSIS assets at 50% of its book value. There is as yet no report on the NPL rate of GSIS & SSS though it could be as bad as in the 1980s. Both GSIS and SSS were pressured to provide funds to Equitable Bank to help it acquire Philippine Commercial and Industrial Bank. Note that both Equitable and PCI were fairly strong banks that survived and grew during the Marcos regime. The purchase was irregular for Equitable took over a bank that was much larger than itself. With GSIS and SSS's help, Equitable could do it. The assistance appears to be in exchange for the services of the merged Equitable-

PCI to act as conduit of Estrada's loot from jueting and other sources, as (evidence in the impeachment proceedings). Now comes report of BSP emergency loan of P30 Billion to Equitable-PCI.

6. There were cases of laxed lending by some banks. There were large loans to projects of questionable social value. The Mondragon Leisure Resorts Corp. obtained a loan for P4.5Billion for a gaming resort project in the abandoned Clark Airbase. The airbase was badly damaged by the Pinatubo Volcano and its surrounding area is still covered by dust. Its only attractive feature is the presence of an unutilized US airport infrastructure. Pampanga has no natural scenic resources and the volcano is still active and can erupt again anytime. But four banks provided Mondragon with a collosal loan -Far East Bank, Asian Banking Corp., United Coconut Planters Bank and Metropolitan Band and Trust Company. Three of these banks - FEBT, UCPB and Metro - are important banks in size and reputation. It appears that the company had intended to front-end the loan, i.e., immediately appropriate the loan proceeds and make token investment in the loan project. The company did not even pay the rental of the land and the gaming share to the government. According to the Clark Development Corp. President Rufo Colayco, Mondragon spent only about P2.0 Billion of the loan proceeds. (G. Cabacungan, PDI, Jan. 8,1999) There were rumors the money was invested abroad. Another case that got to the papers was a P7. Billion loan to Uniwide Retail Store. Important banks provided large loans - Equitable for P1.73 Billion, RCBC for P1.34 Billion, UCPB P995 Million, PNB P611 Million and Land Bank P588 Million. Six other banks gave the balance. We have no report on how large property developments such as the Rockwell, the Fort Bonifacio, the Enrile Enterprises, the Villar Metropolis and the Amari were financed. They must have absorbed a large fraction of domestic credit and account for a large share of the banking system's non-performing assets.

The cases as described in news reports raise several financial issues relating to a) prudential rules on disclosure and examinations that set prompt signals of anomalous transactions, b) moral hazard fostered by BSP bailouts c) personal responsibility of bank officials for their portfolio decisions, and d) rationale for GFIs. The anomalous transactions described above definitely reflect weaknesses of prudential rules and BSP-PDIC monitoring. It appears that both the rules and their enforcement are weak. The anomalous transactions that reached billions escaped BSP supervision. BSP appears not to have taken note of the giant loans and other giant transactions. It did not question the large deposits that were flowing into selected and known crony banks. It did not question the giant loans that were being concentrated in property development, gaming and shopping centers.

BSP has not instituted an electronics monitoring system, which would allow it to promptly track irregular transactions. Its supervision procedure is medieval; it looks into end of the year financial reports, which can be beautified. Little can be read of annual reports since they do not reflect irregular transactions.

The BSP has no definite stand on bailouts. This fosters moral hazard on the less prudent of the banks. By law, BSP has been made independent of the executive. Yet its governors have acted subordinate to the President. It appears to have been responsive to his pressure as they tolerated the numerous violations of prudent banking practices. The allegation of money laundering in the Philippines is another result of supervisory lapses. Moreover, BSP has not been perfectly fair in its bailout. While it condemned the so-called garbage loans of Orient Bank and Urban Bank it was silent about the garbage loans of PNB and Land Bank.

There is no clear accountability by bank officials for their portfolio decisions, particularly extraordinary loans and investments. Federico Pascual of GSIS and Renato Arellano of SSS pointed to the pressure from Estrada to provide loans to his cronies. Note they were entrusted with the pension funds of employees and they are fully responsible for husbanding them. The officers of PNB and Land Bank should be held responsible for their banks' high NPL. Narvasa was PNB board chair when many of its NPL were granted. His closeness to the President is reflected in his lingering for him in the impeachment trial.

Finally there is the question of the economic value of having GFIs as well as the partial privatization of PNB. The GFIs have no unique role in the financial system. The GSIS and SSS do not provide better service than private insurance. Their pension funds earn below market interest rate partly because of the low rate of return on their investments and high administrative cost. The Land Bank functions like any large private commercial bank. It has an advantage over private banks by having a near monopoly access to government deposits. It has invested heavily in property development and appears to have neglected its original mandate of assisting agrarian reform beneficiaries and small agricultural borrowers. PNB has been treated as a private bank though the government holds controlling interest in it. There is really no reason for partial privatization except to allow government officials appointed to the corporation to enjoy its perks.

The malpractices committed in the banking system and the GFIs have seriously damaged the financial system. The non-performing loans amounted to almost P200 Billion, the acquired or repossessed assets at another P150 Billion or a total of bad loans and investments of about P350 Billion. As stated earlier non-performing loans mean poor or zero turnovers of loanable funds. In a normal deposit-lending process, deposits are loaned out. In next round,loans are repaid and form part of new loanable funds. NPLs stop the return flow of funds, reduce profits and cut the overall supply of loanable funds. Interest rate tends to increase. NPLs also create uncertainty about bank assets and so discourage deposit flows. Note that deposits are the most popular financial assets in developing economies for they have not yet developed other segments of the financial markets such as the equity and bond markets.

The difficulties being experienced by the banking system and the GFIs may further discourage saving. Definitely the uncertainty created by the NPLs will not encourage the placement of saving in banks. We badly need to increase saving. We suggest the following reforms:

1. A clear stance by the BSP not to rescue any bank that is guilty of imprudent and anomalous lending and investment. BSP's excuse of preventing a bank run is not valid considering that the failing banks form but a segment of the whole system. Depositors usually choose banks that have proved themselves to be prudent. The majority of Philippine banks are quite stable. Data show that in time of bank instability, deposits flow away from banks with negative reputation to sound banks. There were large variations in deposit growth ranging from negative to positive during the uncertain years of 1997 to 2000. Bank of the Philippine Islands is an example of drawing funds from troubled banks.

2. The methods and infrastructure for monitoring and supervising banks by BSP should be modernized. The General Banking Law does not provide for the brass tacks requirement of effective monitoring. In the US, large transactions are automatically reported to the Fed.(its central bank). All bank transactions could be computerized and hooked up into one computerized system. This should provide virtual time monitoring of all transactions with a program to tick off abnormal ones.

3. Bank officials and owners should be personally accountable for their loan and investment decisions. A law must be passed to provide for this accountability. In Taiwan bank officials are personally liable for the quality of the loans they grant. The penalty for imprudence is imprisonment and fine. This practice possibly explains the stability of Taiwan's banking system. It did not go into recession during the Asian crisis.

4. All government ownership, whether full or partial, of all commercial banks must be relinquished. Government ownership simply permits political and other forms of inefficient/fraudulent intrusion into banking decisions. It also fosters moral hazard for government presence may be interpreted as a guarantee of BSP rescue. The SSS and GSIS are more difficult to privatize. Allowing the members the choice of private insurance/pension would likely force these GFIs to function efficiently. SSS and GSIS must be made to render more detailed report of their transactions and portfolios. No such reports are made available to the public. Even their annual reports do not circulate widely, not that they are very useful in judging the quality of the institutions' portfolios.

5. SSS and GSIS if efficiently run could work toward increasing the saving rate. There is a dearth of attractive financial assets. Saving deposits give low interest rates that are oftentimes negative when inflation rate is high. The rate of return on GSIS pension scheme is minimal (I will have to calculate this). The attempt of the government to issue low-denomination bonds (P5, 000) was inconsequential; the amount issued was small and the issuance discontinued.

There is an unmet demand for financial assets. There was an excess demand by the members for the Petron and Meralco IPOs that GSIS and SSS brokered for their memebers. The action was a one-shot deal. We have not really made concerted and continuing effort to mobilize savings. Developing a small denomination bond market, offering varied GSIS and SSS pension packages, encouraging the development of mutual funds and foremost, reducing corruption and imprudent practices in the financial market may do a lot in increasing saving and improving its allocation through efficient intermediation.

B. The National Saving Rate

The country's saving rate is dismally low when compared with all its Eastern neighbors. Moreover, the rate showed a declining trend since 1980. Slow and gyrating economic growth over the past two decades evidently explains some of the variation in saving rate. (Tanhueco, 1994) Also seen to explain the general low average growth is the high population rate that resulted in high dependency ratio and relatively large demand for government current expenditures on social services like education and health. But population rate has been steadily high barely moving from the 2.3-2.5% annual level. We argue here that the upheavals in the financial system and the unattractiveness of financial assets may have discouraged saving. On the other hand, the government has not been a big saver and a large part of its capital outlay has been financed by ODA.

The first half of the 1980s shows fixed capital formation (GFCF) averaging 26.2% of GDP. The net addition to capital (GFCF - depreciation) was 18.9% of GDP. Household saving was then the main source of finance for GFCF, 14.6% of GDP or 55.3% of GFCF. Current account financed 17.6% (4.6%/26.2%) of GFCF. It is surprising to see that both private corporate saving and net capital flow were unimportant sources of financing GFCF then. The post Marcos years were turbulent times with recessions happening three times. The table shows that both the rates of GFCF and saving fell with each downturn, 1984-86, 1990-1991 and 1997-1998. GFCF fell from the 28.8% in 1983 to 23.4% in 1984, 17.5% in 1985 and bottomed at 16.9% in 1986. It gradually recovered reaching 23.8 in 1990, then dropped to 20.4% in 1991, recovered again beginning 1992 averaging 23.5% over the 1992-1998 period. The Asian crisis pushed it down from 26.0% in 1997 to 23.0% in 1998 and then to 21.9% in 1999. The saving rate followed the movement of GFCF. Fairly large drops in household saving are noticeable. The average household saving averaged 14.5% in 1980-1984 but only 8.5% in 1986-1992 and 2.2% in 1992-1998. The saving rate fell to negative rates of 0.4% and 2.4% in 1993 and 1994. It has recovered to positive but low rates of 6.0% in 1997 and 6.5% in 1998. These are less than half of the 1980-1984 14.5% average. During the Cory Administration, government saving was seriously eaten up by the losses of government corporation and its net saving averaged only 1.6% of GDP (2.7% gross - 1.1% depreciation). This was the time when the numerous government corporations that were established during the Marcos regime were privatized. The Ramos period shows government saving rising and compensated the drop in household saving. Both general government and government corporations generated positive average saving rates of 3.4% and 2.7%, respectively. Are the figures credible? Statistical discrepancy loomed large, in 1980-1984, the discrepancy to GFCF ratio averaged 18.7%, in 1986-1992, 3.1% and in 1992-1998, 9%. The discrepancies in the post-Marcos years could explain the large drops personal saving.

The saving data call for drastic action by the government. A serious and consistent saving campaign complemented by financial reforms that will help create low-risk, high returns financial assets is essential to achieving growth. Financial reforms, enhance the productivity of capital and the higher rate of return in turn will prod higher rates of saving especially by business. On the government side, an austerity program to reallocate government resources toward productive capital outlays especially in infrastructure and human capital will raise the rate of GFCF and provide the private sector with complemental capital. It is known that foreign capital is attracted to countries with high saving rate since this means high level of complimentary private and government capital.

Table 1
NON-PERFORMING LOAN RATES OF INDIVIDUAL BANKS AND BY BANK TYPE
1997 - 2000

Panel A	**Total**	**EKB**	**NEKB**	**Govt.**	**FXB**
1996	2.8	2.4	3.7	4.4	3.3
1997	4.7	4.2	7.2	6.1	4.4
1998	10.4	10.4	13.6	10.1	7.9
Dec. 1999	12.3	13	16.4	12.6	3.5
Dec. 2000	15.1	16.8	17.6	15.1	3.8
Jan. 2001	16	18.1	18.1	15.7	3.7

Panel B	**1998(1)**	**1999(1)**	**2000(1)**	**2001**
1. Allied		14.5	18.1	20.6(2000/4)
2. BPI		5.6	6.3	
3. China bank		14.8	13	
4. Equitable bank		9.3	13.7	
5. FEBTC		6.9	12.7	
6. LBP		14.7	19.1	25.0(1)
7. Metro bank		9.1	11.7	
8. PB Communication		13.2	15.5	
9. Phil. Banking Corp		12.4	20.3	
10.Phil. Com. Bank		13.2		
11.PNB		21	33	39.0(2000/4)
12.Phil. Trust		4	10.9	39.0(2000/4)
13.Prudential		19.2	22.8	40.0(March)
14.RCBC		11	13.3	
15.Security		7.9	8.8	
16.Solid bank		14.6	15.4	
17.Union bank		15.8	14.9	
18.Urban bank		8.9	19.4	
UCPB			17.7	
Banco de Oro			6.8	
Bank of commerce				26.5(2000/4)

Source: BSP

Table 2

Consolidated Accounts: Gross Capital Formation 1986-1998

(Ratio of Values Deflated by Price Indices of Capital Formation to Real GDP)

TRANSACTION ITEMS	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Average '86-'92	Average '92-'98
1) Gross Fixed Capital Formation	0.169	0.17	0.181	0.209	0.238	0.204	0.222	0.225	0.232	0.233	0.242	0.26	0.23	0.199	0.235
2) Changes in stocks	-0.01	0.01	0.008	0.011	0.008	0.002	0.003	0.002	0.004	0	0.006	0.004	-0.01	0.005	0.002
GROSS CAPITAL FORMATION	0.161	0.18	0.189	0.22	0.246	0.206	0.225	0.227	0.236	0.233	0.248	0.263	0.221	0.204	0.236
3) Institutional Savings, net	0.073	0.111	0.133	0.127	0.11	0.096	0.09	0.072	0.097	0.131	0.108	0.129	0.106	0.106	0.105
a. Private Corporation	-0.02	-0.01	0.02	0.008	0.01	0.011	0.001	0.038	0.069	0.066	0.024	0.021	0.017	0.004	0.034
b. Government Corporation	-0.03	-0.02	-0.01	-0	-0	-0.01	-0	0	0.002	0.001	0.006	0.007	0.006	-0.011	0.003
c. General Government	0.014	0.029	0.015	0.032	0.009	0.039	0.05	0.038	0.05	0.047	0.043	0.036	0.023	0.027	0.041
d. Households and unincorporated enterprises	0.103	0.105	0.106	0.09	0.091	0.059	0.042	-0	-0.02	0.017	0.036	0.065	0.06	0.085	0.027
4) Depreciation	0.099	0.094	0.086	0.078	0.076	0.08	0.082	0.084	0.088	0.082	0.09	0.091	0.097	0.085	0.088
5) Current account deficit	-0.03	-0	-0.01	0.015	0.046	-0.01	0.016	0.053	0.023	0.013	0.042	0.038	-0.03	0.004	0.022
6) Capital transfers from the rest of the world	0.01	0.005	0	0.005	0.003	0.001	0.001	0	0	0	0	0	0	0.004	0
7) Statistical discrepancy	-0.01	0.028	0.017	0.005	-0.01	-0.04	-0.04	-0.02	-0.03	-0.01	-0.01	-0.01	-0.05	-0.006	-0.021
FINANCE OF GROSS CAPITAL FORMATION	0.161	0.18	0.189	0.22	0.246	0.206	0.225	0.227	0.236	0.233	0.248	0.263	0.221	0.204	0.236

Source: Economic and Social Statistics Office, National Statistical Coordination Board.

Table 3
Selected Interest Rates, 1985-2000

Year	TB	TD	SD	Lending	Lending-Deposit Margin	Inflation	SD-Inflation
1985	27	21.8	10.8	28.2	17.4	23.4	-12.6
1986	16	14.8	8	17.3	9.3	-0.4	8.4
1987	12.9	9.8	4.5	13.3	8.8	3	1.5
1988	15.5	13.4	4.1	16	11.9	8.9	-4.8
1989	19.7	17	6.2	19.5	13.3	11.5	-5.3
1990	24.1	20.2	10.9	24.3	13.4	13.2	-2.3
1991	22.5	18.5	11	23.5	12.5	18.5	-7.5
1992	17	14.1	10.6	19.4	8.8	8.6	2
1993	13.1	11	8.3	14.6	6.3	7	1.3
1994	13.8	12	8	15	7	8.3	-0.3
1995	12.5	10.7	8	14.6	6.6	8	0
1996	13	9.9	8	14.8	6.8	9.1	-1.1
1997	13.3	11.4	9.1	16.2	7.1	5.9	3.2
1998	16.3	13.2	11	18.4	7.4	9.7	1.3
1999	11	12.8	7.3	11.8	4.5	6.7	0.6
2000	10.9	10.5	7.4	10.9	3.5	4.4	3

Source: BSP Selected Economic Indicators, 2000
BSP Annual Statistical
Bulletin, 1998