

11.2 Index Adjustment

- Change of the list of key establishments causes gaps in index. Gaps should be treated as shown in Figure 7. In some cases gaps should be adjusted, and in others there is no need to adjust.

(a) Newborn establishments: Figure 7 – (a)

- Newborn establishments mean expansion of the market. There will be an upward gap in index. No adjustment is required.

(b) New establishments found in Updated Mater List of Establishment: Figure 7 – (b)

- If the new establishments are not key producers of the commodity, their production data will be considered for the index computation when they are included in the key establishments. Upward index gap as a result does not represent the actual trend of the market. The gap, therefore, has to be adjusted using the following coefficient.

$$\begin{aligned} \text{Coefficient for adjustment (C)} &= \frac{\text{Absolute figure without new establishments}}{\text{Absolute figure with new establishments}} \\ &= \frac{\text{Index no. without new establishments}}{\text{Index no. with new establishments}} \end{aligned}$$

* C is calculated for the month when the adjustment starts.

$$\text{Index after adjustment} = \text{Index no. with new establishments} \times C \times 100$$

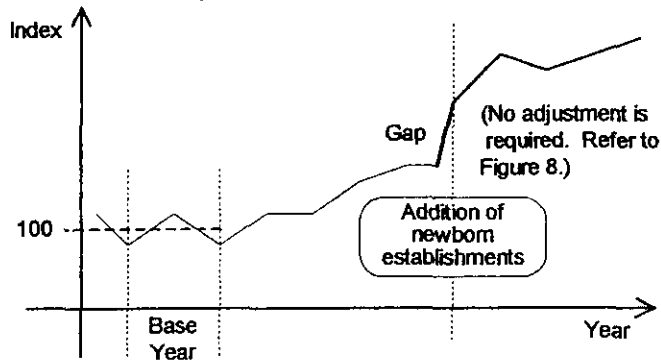
- If the new establishment is a key producer of the commodity, its production data during the base period shall be added to the base figures. And new index time series need to be calculated since the base period and disseminated as revision with explanatory notes.

(c) Bankrupt establishments: Figure 7 – (c)

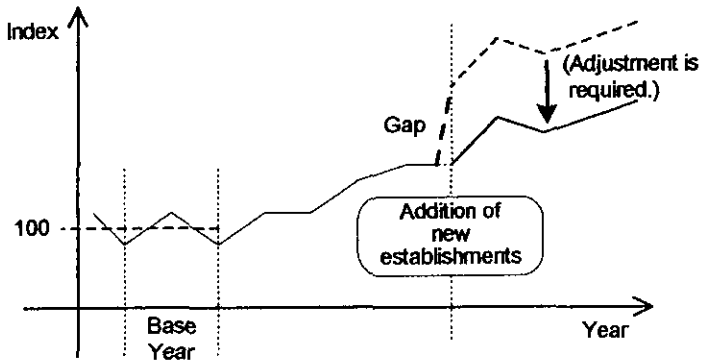
- Deletion of bankrupt establishments means shrink of the market. There will be a downward gap in index. No adjustment is required.

Figure 7: Adjustment of Index Time Series

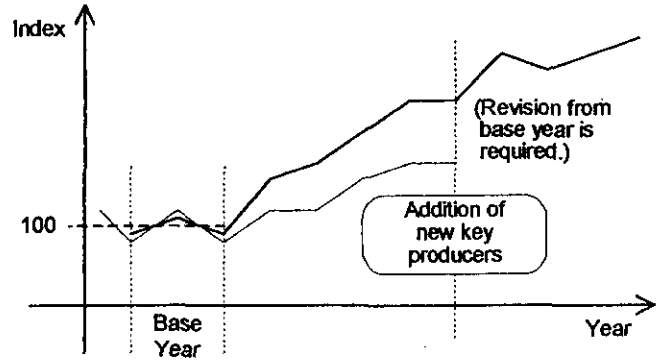
(a) Newborn establishments



(b)-1 New establishments : Other than key producers



(b)-2 New establishments : Key producers



(c) Bankrupt establishments

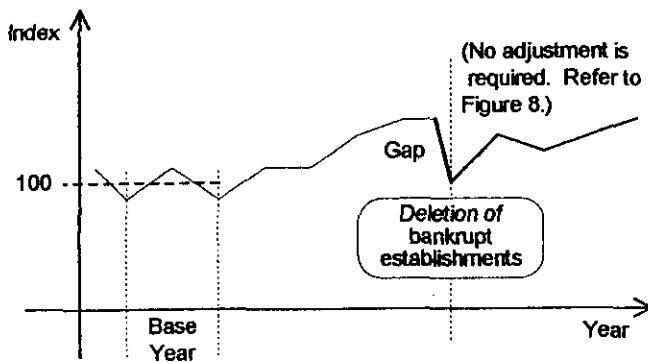


Figure 8: Example of Index Gap

Commodity YYY of Sector XXX	Year 2002 (Base Period)							2003 April	2003 September	
	January	February	March	April	May	June	Monthly Average			
* Establishment-A	60	70	50	60	70	50	60	70	Bankrupt	
* Establishment-B	30	20	40	40	30	20	30	35	25	
* Establishment-C	10	20	30	30	20	10	20	30	20	
Establishment-D										
* Establishment-E	50	40	30	30	40	50	40	50	60	
* Establishment-F	25	30	35	30	30	30	30	25	20	
Establishment-G										
Establishment-H										
** Establishment-I	---	---	---	---	---	---	---	Newborn 75	60	
Monthly Base Figure								180		
Monthly Commodity Index	$175/180 \times 100$	$180/180 \times 100$	$185/180 \times 100$	$190/180 \times 100$	$190/180 \times 100$	$160/180 \times 100$		$285/180 \times 100$	$185/180 \times 100$	
	97.22	100.00	102.78	105.56	105.56	88.89		158.33	102.78	
Average Commodity Index	100.00									

* Key Establishment

** Newly-added Key Establishment (born in April 2003)

--- Not existing

Estimated data

Establishment not selected for "Key Establishments" because of non-response or discontinuous responses during the base period.

Figure 8-2: Example of Index Adjustment

Commodity YYY of Sector XXX	Year 2002 (Base Period)						
	January	February	March	April	May	June	Monthly Average
* Establishment-A	60	70	50	60	70	50	60
* Establishment-B	30	20	40	40	30	20	30
* Establishment-C	10	20	30	30	20	10	20
Establishment-D							
* Establishment-E	50	40	30	30	40	50	40
* Establishment-F	25	30	35	30	30	30	30
Establishment-G							
Establishment-H							
** Establishment-I							?

Monthly Base Figure							180
Monthly Commodity Index	$175/180 \times 100$	$180/180 \times 100$	$185/180 \times 100$	$190/180 \times 100$	$190/180 \times 100$	$160/180 \times 100$	
	97.22	100.00	102.78	105.56	105.56	88.89	
Average Commodity Index	100.00						

* Key Establishment
 Estimated data
 ** Establishment which was operating in the base period and found in January 2005

Added to Key Establishments in May 2005 after confirmation of cooperative responses during three months (February to April 2005).

2005	2005	2005
May	Jun	July
70	75	80
35	25	25
30	20	25
50	60	55
25	20	30
Newly found 40	45	50

Index without newly-found establishment

Index with newly-found establishment

Coefficient for adjustment

Index after adjustment for dissemination

$210/180 \times 100$		
116.67		
$250/180 \times 100$	$245/180 \times 100$	$265/180 \times 100$
138.89	136.11	147.22
$116.67/138.89$		
0.84	0.84	0.84
138.89×0.84	136.11×0.84	147.22×0.84
116.67	114.33	123.66

12 Regular Dissemination

- For regular dissemination of absolute figures and industrial indices for every reference month, the New MISSI shall have 3 opportunities to release/revise the statistics, as summarized in Table 16.

Table 16: Dissemination Media and Cycle

Media (*1)	Target Cycle	Minimum collection Rate (Based on Key Establishments)
Preliminary Report	On the 45 th day after the end of a reference month	70%
Revision Report	On the 75 th day after the end of a reference month	90%
Annual Revision Report (*2)	By the end of March of every year	100%

(*1) Internet shall also be included in dissemination media.

(*2) Annual revision report provides with finally fixed absolute figures and index numbers from January to December of the previous year. Figures and numbers cannot be revised thereafter.

- Dissemination of absolute figures by commodity shall always be annotated with the following information regarding the counting basis.

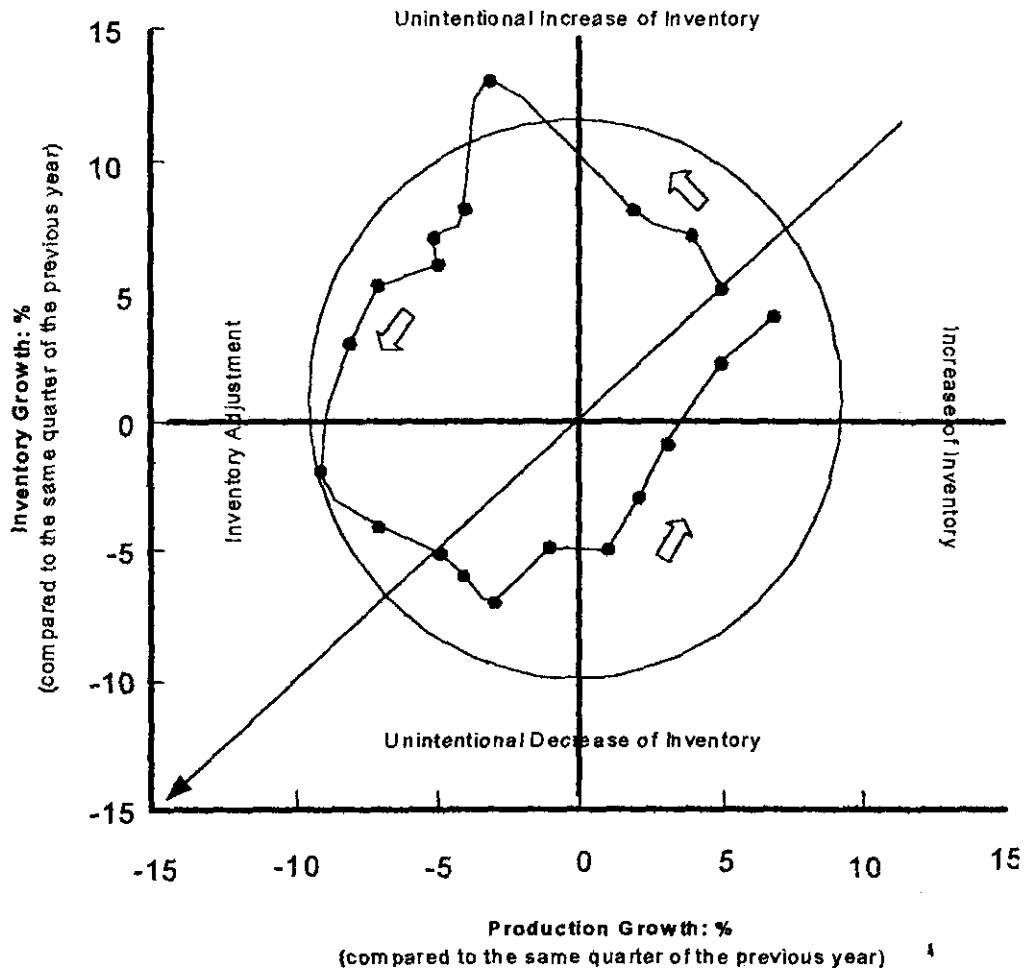
- 1) Designated ATE cut-off lines
- 2) Number of key establishments providing with absolute figures

- In case the number of key establishments providing with absolute figures for a commodity is less than 3, absolute figure of the commodity should not be disseminated without establishments' consent.
- If a sector index or major sector index is calculated with an insufficient coverage, an annotation such as the following should be provided to statistical users: The index for "(major) sector XXX" is computed based on a relatively low coverage. It is recommended that users pay attention to the direction (+ or -) of the index trend, rather than its growth ratio.

13 Index Analysis

- Activities of the manufacturing industry govern the macro-economy, mainly because it provides a variety of materials, tools and equipment to the other industrial sectors. The industrial indices are sensitive to the general business climate and are therefore essential in grasping a general picture of the macroeconomic trends.
- Under the new MISSI scheme, a full set of industrial indices, not only of production but also of sales and inventory, will be computed. It means that various tools that can widen the extent of commentaries by the NSO released with the monthly indices will be available.
- “Inventory Cycle” is an example of future subjects of the commentaries, when the inventory index is available under a stable survey operation. Figure 9 is a conceptual chart of inventory cycle that is known as an analytical measure for short-term business forecast. In general, the inventory cycle consists of four phases: “intentional increase of inventory”, “unintentional increase of inventory”, “inventory adjustment” and, “unintentional decrease of inventory (completion of inventory adjustment)”.

Figure 9: Inventory Cycle



Note: Production and inventory are compared to the same quarter of the previous year in order to avoid the seasonal factor.

14 Outstanding Issues for Start-up of New MISSI

14.1 Questionnaire Design

- Even after the institutionalization of the new MISSI, the current MISSI questionnaire form can be used for the sectors to which in-direct method is applied.
- A question item of "Employment/Compensation" is included in the current MISSI questionnaire but not in the MSP questionnaire. "Employment/Compensation" data is really required on a monthly basis?
- MISSI asks "Capacity utilization" of overall establishment. On the other hand capacity utilization of only a part of target commodities can be obtained from the MSP. If users require an indicator of capacity utilization by sector and of total manufacturing, a question item "Capacity Utilization" of overall establishment needs to be added to the MSP questionnaire.

14.2 Target Establishment Frame

- MSP is a complete survey as far as ATE is above cut-off line. In order to keep the consistency of the survey frame of the new MISSI, it is advisable to apply this to the sectors by in-direct method.

14.3 VaPI and PPI

- MSP does not generate Value of Production Index (VaPI) and does not need PPI. Under the new MISSI scheme, PPI will be needed only for the sectors to which in-direct method is applied.

14.4 Utilization of Data of Other Government Agencies

- Utilization of production data collected by other government agencies unburdens the new MISSI operation and helps achieve timely dissemination.
- Investigation if any other government agencies collect and keep the data required for the new MISSI may be rewarding.

15 New MISSI Computer System

- New MISSI computer system is developed by FoxPro for field work control, data encoding, verification, and imputation, and Excel VBA for index computation and tabulation.
- Operation of the new MISSI using the computer system is shown on Attachment-4. For details of the system operation, please see the operation manual.
- Regarding computation of the total manufacturing index, the system has the following functions.

- For "Production"

To compute a total manufacturing production index composed of 11 direct-method major sectors and a maximum of 9 indirect-method major sectors

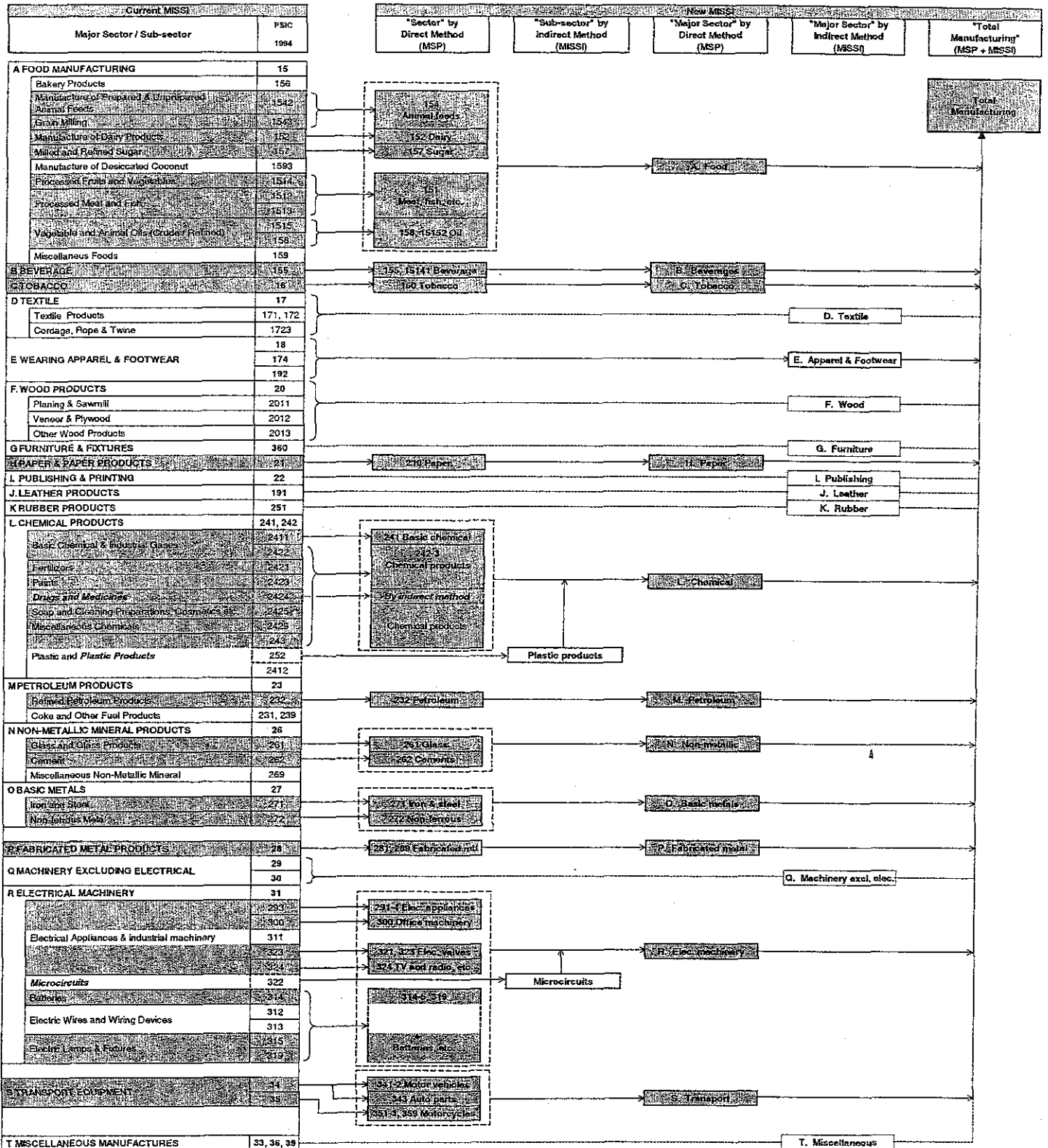
Indirect-method major sector indices need to be keyed-in manually.

- For "Sales" and "Inventory"

To compute a total manufacturing sales/inventory index composed of 11 direct-method major sectors and a maximum of 9 indirect-method major sectors

Indirect-method major sector indices of sales/inventory need to be calculated outside the system and keyed-in manually.

[Attachment-1] Composition of Industrial Indices under New MISSI Scheme



<NOTE>

□ denotes major sectors which are proposed to be excluded from the New MISSI scheme.

PHILIPPINE TOBACCO SITUATION AND MARKET TRENDS

BACKGROUND: THE TOBACCO, THEN AND NOW

The tobacco, as far back as the second millennium before Christ, has been used in various parts of the world as a religious, medicinal or simply recreational drug. History books reveal that India, during these periods used tobacco for inhalation and medicinal purposes. But later, the tobacco, prior to the nineteenth (19th) century was consumed as pipe tobacco, snuff and later, as cigars. The major development affecting cigars has been the mechanization of the manufacturing process, although today, the mild or extra mild and aromatic cigars are still in vogue and has become a status symbol for the affluent and the more civilized countries. However, of more importance, is the birth of the small cigar, literally called the cigarette, which is the more convenient tobacco product and this was introduced by Europe. Today, the cigarette as a tobacco product, constitutes 90 % of the tobacco industry, because it proved cheaper and easier to manufacture in the age of the machine. So, during the 1870s most factories were manufacturing cigarettes, and the US came out with a unique American Blend, which catered to the sweeter taste of the Americans, (partly replacing the chewing, pipe tobacco and snuff), and this consisted of flue-cured Virginia tobacco, air-cured Burley and Turkish/ Oriental tobacco. Soon, the Big Five in the USA, were all blended and came out with cigarette brands like, Camel, Chesterfield, Lucky Strike, Old Gold and Philip Morris. These famous brands live up to this day plus other spin-off brands, which the Philippines, has generally adopted, franchised and imitated. However, the fast pace and growth of the tobacco industry worldwide, has caught the ire of health groups and some governments, despite the hefty income generated by the government from tobacco taxes. So, today, with the advent of the very vocal anti-tobacco groups, the Philippine government through the NTA, will initiate the development of the other uses of tobacco, studies of which have been shelved years back due to lack of funds, and will now focus on the centuries-old uses of the tobacco, such as medicinal, food, paper, etc., without sacrificing our thrust to produce quality tobacco for cigars and cigarettes, thereby, further increasing the income of the tobacco farmer.

difference is supplied by the importation of an average 23 million kilos, which likewise comes into two (2) classifications, the unmanufactured and manufactured tobacco imports. Annual average tobacco importation, within the same period as above-stated, is twenty-three (23) million kilos, **twenty-one (21) million kilos** represent the unmanufactured tobacco, while the remaining **two (2) million kilos** represent the manufactured imported cigarettes, cigars and other finished tobacco products. Thus, the foregoing data is hereby presented in **Table 8**.

MARKET TRENDS: CIGAR/CIGARETTE PRODUCTION REQUIREMENTS/ANALYSIS

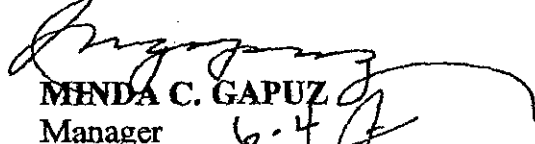
The Philippines is predominantly manufacturing American-blend cigarettes at the rate of an average production of seventy-five (75) billion sticks for the last five years. Given a ten percent (10%) allowance for unrecorded cigarette production, a production of 82.5 billion sticks is a safe consumable figure. If converted to an equivalent volume of tobacco requirements, based on the American-blend type of cigarettes, the average composition should be as follows: (Source: Euromonitor Publications Ltd.)

Flue-cured Virginia type	43.5%
Burley Air-Cured	23.5%
Turkish (Oriental) - Imported	16.8%
Homogenized blending leaf-Imported	14.1%
US Maryland tobacco	<u>2.1%</u>
Total	<u>100.0%</u>

If we are to adopt the above average composition of Philippine cigarettes, 33.0% (Turkish, Homogenized blend, US Maryland) represents imported tobacco and the 67.0% (virginia & burley) could be supplied locally. With the statistical conversions, therefore, annual cigarette production should be 82.5 billion sticks requiring a tobacco composition of 81,414,473.0 kilos of all the above types of tobacco. Therefore, we will need the following volume of tobacco for our local cigarette production of American-blend or bright tobacco cigarettes.

3. **Develop Wrapper Tobacco** for the manufacture of dark cigar tobacco. The Province of La Union could be piloted for the project. An initial **1,000 hectares is viable**.
4. Develop **marginal areas** for the production of **other uses** of tobacco and set up an **appropriate marketing system** for these products.
5. Provide **full support and assistance** to all tobacco farmers in order to attain the **maximum market demand**.

Respectfully Submitted:


MINDA C. GAPUZ
Manager 6-4
Market Development & Regulation Department

Filename: D:\May\Tobacco Marketing trends

MDRD-Marketing Trends

DEMAND AND SUPPLY OF PETROLEUM PRODUCTS
FULL YEAR 2000
in Thousand Barrels (MB)

PRODUCTS	DEMAND		EXPORTS		PRODUCTION		IMPORTATION	
	MB	MBCD*	MB	MBCD*	MB	MBCD*	MB	MBCD*
Premium Leaded	6,296	17.2	45.6	0.1	5,090	13.9	180	0.5
Premium Unleaded	10,973	30.0			7,080	19.3	4,855	13.3
Regular Gasoline	5,555	15.2	25.6	0.1	5,118	14.0	49	0.1
Avturbo (Jet A-1)	6,690	18.3	42	0.1	5,318	14.5	1,219	3.3
Kerosene	4,569	12.5			4,191	11.5	372	1.0
Diesel Fuel Oil/Gas Oil	42,014	114.8	644	1.8	34,942	95.5	7,426	20.3
Industrial Fuel Oil	30,047	82.1	6,304	17.2	36,639	100.1	2,830	7.9
LPG	12,288	33.6	68	0.2	4,712	12.9	7,552	20.6
Aviation Gasoline	28	0.1			0	0.0	38	0.1
Asphalts	509	1.4	9	0.0	454	1.2	45	0.1
Solvents	227	0.6			151	0.4	83	0.2
Naphtha/Reformate	462	1.3	6,266	17.1	6,463	17.7	462	1.3
Condensate	820						820	
Mixed Xylene			247	0.7	324	0.9		
HCUB/LSVGO/VGO/LSCFS								0.0
TOTAL	120,478	329.2	13,650	37.3	110,483	301.9	25,980	71.0
<i>In-Process/Intermediate</i>					0			
<i>Refinery Fuel & Loss</i>					5,742			
TOTAL CRUDE RUN					117,015			
<i>- MBCD</i>					320			
% UTILIZATION					72.5			
Oil Majors	108,199	295.6	13,650	37.3	110,483	301.9	15,687	42.9
New Players	9,722	26.6					10,260	28.0
End-User (Direct Imports)	2,557	7.0						

* in thousand barrels per calendar day

** includes direct imports by end-user

ERSAD FILE

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Table 1. Petrochemical Plants Currently Operating in the Philippines

PRODUCT	NAME OF COMPANY	CAPACITY (1,000 MTPY)	PLANT LOCATION	BRAND NAME
PP/	Petrochemicals Corp. of Asia-Pacific	225	Bataan	Petrolene
	JG Summit Petrochemical Corporation	180	Batangas City	Evalene
PE/	JG Summit Petrochemical Corporation	175	Batangas City	Evalene
PVC/	Mabuhay Vinyl Corporation	20	Iligan City	Filvinyl
	Phil. Vinyl Consortium	10	Cavite	103EP 105EP 102EP
	Phil. Resins Industries, Inc.	70	Bataan	
PS/	D & L Industries, Inc.	18	Quezon City	Hi-Flo Hi-Flex
	Phil. Petrochemical Products, Inc. (PPPI)	14	Cavite	Styrophil Styropearl
Alkylbenzene	LMG Chemicals Corporation	25	Batangas	
Phthalic Anhydride	RI Chemical Corporation (formerly Resins, Inc.)	14	Pasig City	
Formaldehyde	Borden International Phils., Inc.	28		
	RI Chemical Corporation (formerly Resins, Inc.)	40	Pasig City	
Emulsion Polymers	Borden International Phils., Inc.	25		Polyco
	D & L Industries, Inc.		Quezon City	Acrybond Acrylite
	Kemwerke, Inc.		Pasay City	
	Pacific Products, Inc.		Cavite	Adocryl
	Polymer Chemicals		Taguig	
Polyester (unsaturated)	D & L	10		Polycol
	RI Chemical Corporation			
	PPPI		Cavite	Polyset
	Kemwerke		Pasay City	
	Pacific Products		Cavite	Adopol
Polyamide	Pacific Products	1		Adomid Wolfamid
Nylon 6 Fibers	Fibertex	14	Taytay	

New Petrochemical Projects

From 1991 to 1999, the BOI has registered 17 pioneering petrochemical projects for the production of monomers and intermediates (Table 2), five (5) of which have already started commercial operations. A total of 3,117 workforce is estimated to be employed by these new projects.

CEMENT INDUSTRY

IN THE

PHILIPPINES

2000

STATISTICS

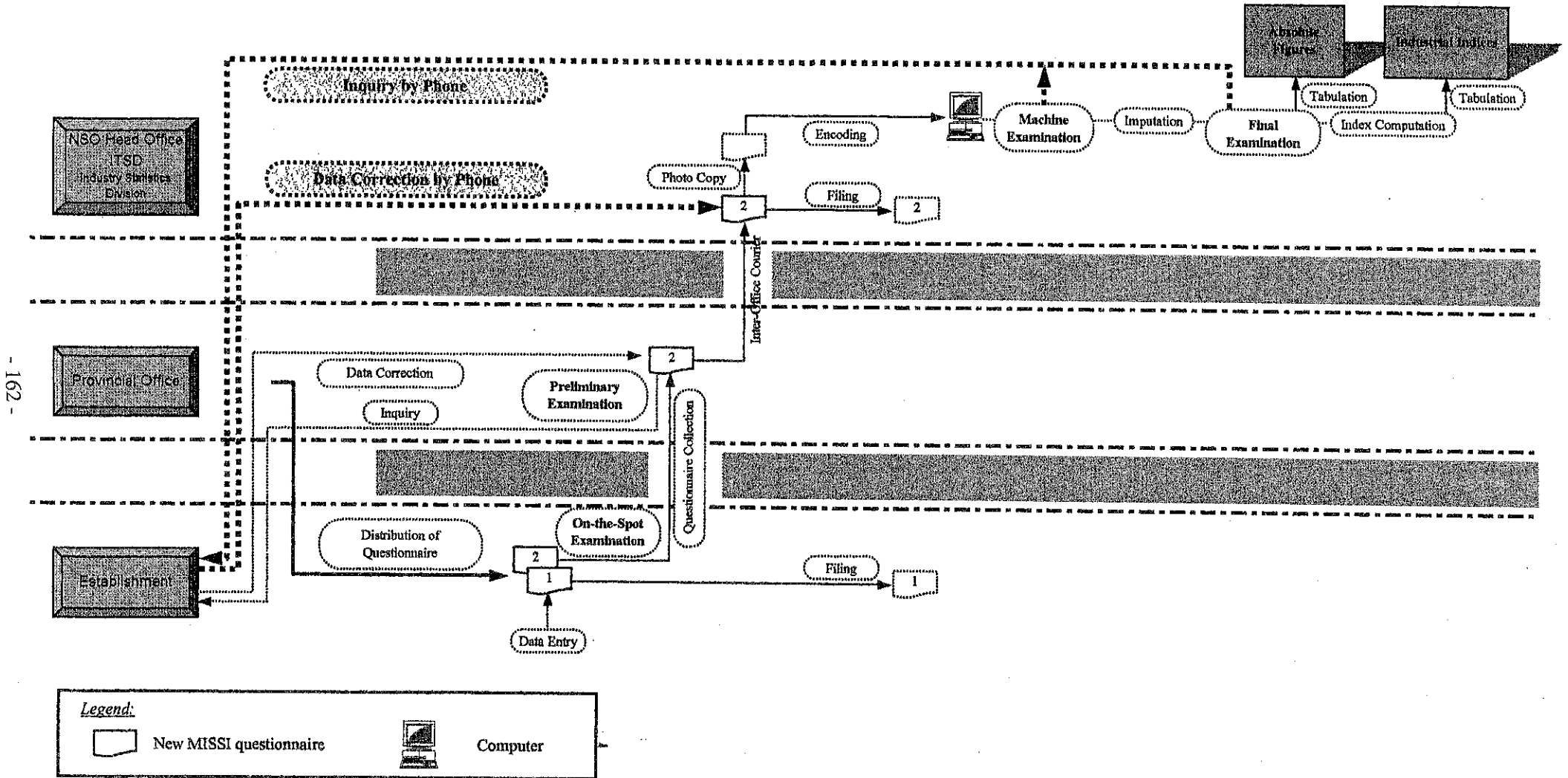
KEY ECONOMIC INDICATORS-PHILIPPINES, 2000

POPULATION	: 76.5 M
PER CAPITA GDP	: P12,465.00
ANNUAL GDP	: P953.6B
ANNUAL GDP GROWTH RATE	: 3.9%
CONSTRUCTION SECTOR GDP	: P93.6 B
GROWTH IN CONSTRUCTION SECTOR	: -6.0%
INFLATION RATE	: 4.4%

KEY DATA OF CEMENT INDUSTRY, 2000

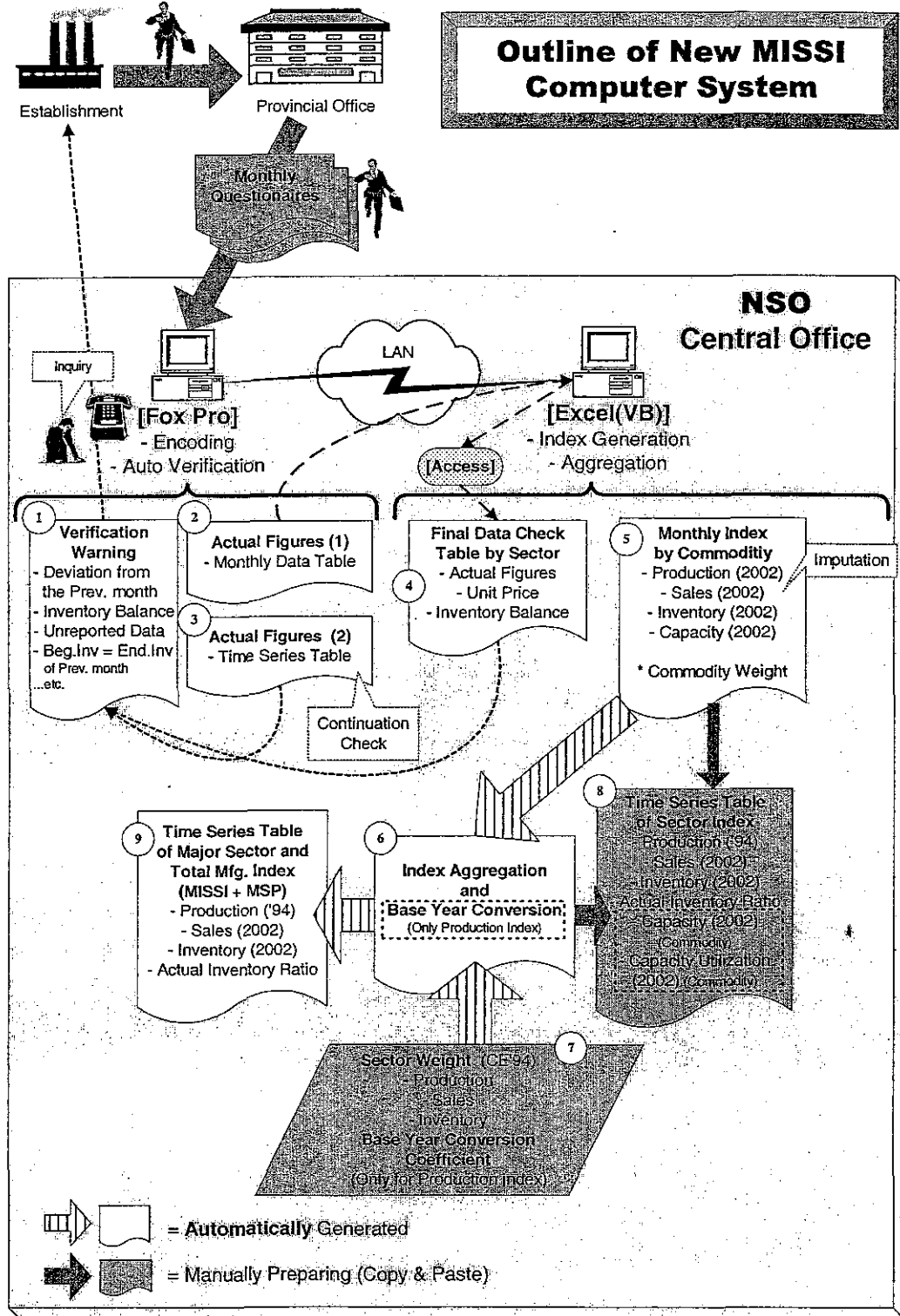
NUMBER OF MANUFACTURERS	: 18
NUMBER OF KILNS	: 43
ANNUAL CAPACITY OF KILNS	: 22.318 Million Tonnes
NUMBER OF CEMENT MILLS	: 42
ANNUAL CAPACITY OF MILLS	: 26.782 Million Tonnes
TOTAL CLINKER PRODUCTION	: 11.160 Million Tonnes
TOTAL CEMENT PRODUCTION	: 11.959 Million Tonnes
TOTAL DOMESTIC CEMENT SALES (By Manufacturers Only)	: 10.478 Million Tonnes
CLINKER IMPORTS	: None
CLINKER EXPORTS	: None
CEMENT IMPORTS	
1) By Manufacturers	: None
2) By Traders	: 1.579 Million Tonnes
CEMENT EXPORTS	: 1.343 Million Tonnes
AVERAGE EX-PLANT PORTLAND CEMENT PRICE (Ending Dec.' 00)	: P2,900.00 per Tonne : P116.00 per 40-Kg. Bag
PER CAPITA CEMENT CONSUMPTION	: 157.6 kgs.

[Attachment-3] Recommended Operation Flow of New MISSI



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[Attachment-4] Outline of New MISSI Computer System



JICA