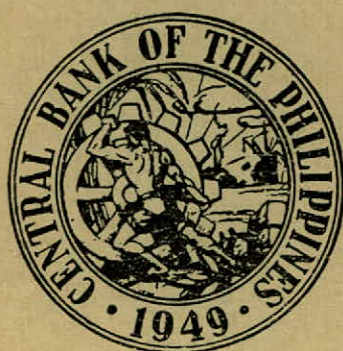


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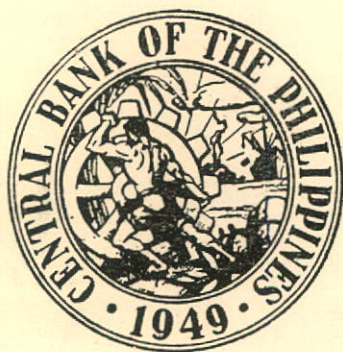
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MANILA
1959

RESPONSIBILITIES AND OBJECTIVES OF THE CENTRAL BANK

-----O-----

"It shall be the responsibility of the Central Bank of the Philippines to administer the monetary and banking system of the Republic.

"It shall be the duty of the Central Bank to use the powers granted to it under this Act to achieve the following objectives:

"(a) To maintain monetary stability in the Philippines;

"(b) To preserve the international value of the peso and the convertibility of the peso into other freely convertible currencies; and

"(c) To promote a rising level of production, employment and real income in the Philippines." — Section 2, Article I, Republic Act No. 265.

Central Bank of the Philippines

MANILA

Office of the Governor

March 31, 1959

President Carlos P. Garcia
Malacañang, Manila

Dear Mr. President:

Pursuant to the provision of Section 37 of Republic Act 265 and the instructions of the Monetary Board, I have the honor to submit herewith the Tenth Annual Report (1958) of the Central Bank of the Philippines.

Very respectfully,



M. CUADERNO, Sr.
Governor

Central Bank of the Philippines

MANILA

Office of the Governor

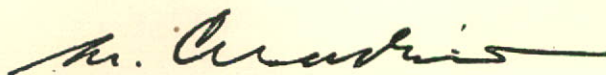
March 31, 1959

The Honorable
The President of the Senate
Congress of the Philippines
Manila

Sir:

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Very respectfully,



M. CUADERNO, Sr.
Governor

Central Bank of the Philippines

MANILA

Office of the Governor

March 31, 1959

The Honorable
The Speaker of the House of
Representatives
Congress of the Philippines
Manila

Sir:

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Very respectfully,



M. CUADERNO, Sr.
Governor

CENTRAL BANK OF THE PHILIPPINES

—o0o—

THE MONETARY BOARD MEMBERS

HON. JAIME HERNANDEZ, Presiding Officer
Secretary of Finance

HON. M. CUADERNO, Sr.
Governor, Central Bank of the Philippines

HON. EDUARDO Z. ROMUALDEZ
President, Philippine National Bank

HON. GREGORIO S. LICAROS
*Chairman, Board of Governors
Development Bank of the Philippines*

HON. JAIME C. VELASQUEZ

HON. ROBERTO T. VILLANUEVA

HON. GAUDENCIO E. ANTONINO

—o0o—

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Governor

HON. ANDRES V. CASTILLO
Deputy Governor

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*In-Charge
Department of
Economic Research*

R. MARINO CORPUS
*In-Charge
Export Department*

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Augusto F. Espiritu, Director

FOREIGN EXCHANGE DEPARTMENT
Gonzalo Rialp, Director

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ADMINISTRATIVE SERVICES
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ACCOUNTING DEPARTMENT
Jose Carmona, Chief Accountant

AUDITING DEPARTMENT
Ismael Mathay, Auditor

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Felix Lazo, Director

EXCHANGE CONTROL DEPARTMENT
Amado R. Briñas, Director

EXECUTIVE ASSISTANT TO THE
DEPUTY GOVERNOR
Honesto G. Nicandro

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SOURCES AND SYMBOLS

SOURCES.—Statistics are derived mainly from government bureaus and offices through direct communications with the entities concerned and from published statistical reports and bulletins.

Data on money and banking are derived from the reports of the former Bureau of Banking, Consolidated Statements of Condition of Other Banks (commercial banks, savings banks and rural banks) and other information supplied by other departments of the Central Bank.

UNITS.—The word "thousand" is used to mean 10 hundred units; "million," 1,000 thousand units; and "billion," 1,000 million units.

In conformity with the recommendations of the Statistical Office of the United Nations, index numbers are recomputed about every five years on an up-to-date base.

Gregorian calendar years and months are used. Data for fiscal years ending June 30 are properly noted whenever used. Owing to the rounding of numbers, totals do not always tally with their component parts.

DEFINITIONS.—The series used are defined in general terms in the "Notes on the Series Used" section. Footnotes are used for further description or clarification and for drawing attention to specific differences between the data presented and the general terms used in the "Notes on the Series Used" section.

SYMBOLS.—The following symbols are used to convey the information in each case.

Symbol	Information
..	Data not available.
...	Data not applicable or appropriate.
—	Nil or zero.
--	Data too small to be expressed.
p	(Set up as a superior index) Preliminary.
r	(Set up as a superior index) Revised.
e	(Set up as a superior index) Estimate.
n.e.c.	Not elsewhere classified.

CHAPTER I

OVER-ALL ECONOMIC REVIEW

A. PHILIPPINE ECONOMIC DEVELOPMENTS

The Philippine economy continued to show further progress in 1958 though at a slower rate. The slackening in the rate of over-all production growth in 1958 was due mainly to the reduced rate of expansion in agricultural industry as a result of adverse weather conditions, especially drought, and plant infestations. Mining output declined because of the world recession which hit this industry the hardest. The uptrend in manufacturing production was maintained at a relatively high level with the continued government aid and support.

The poor harvest of rice and corn, the main staple crops, made necessary considerable importation of cereals and foodstuffs in 1958 which increased the strain placed on the limited foreign exchange resources by the continuing development projects and growing domestic industries. This, together with continued development spending, tended to intensify the inflationary pressures in the country which led to a further tightening of restrictions on imports and the strengthening of disinflationary measures. Credit controls adopted towards the end of 1957 were maintained in modified form in 1958. The planned investment program of the government for economic development was scaled down though not to the desired extent as most of the projects were already under way, and their stoppage would have resulted in the dissipation of already invested resources. These policies together with the unexpectedly high export earnings improved the foreign exchange position of the country by the end of the year. Notwithstanding, however, the monetary and fiscal restraint observed during the year which dampened the adverse effects of the resultant pressures on the economy, effective demand inside the economy remained in excess of the supply of goods and services. The resultant inflationary pressures were reflected in a general rise in prices and a continued pressure on the international reserve.

The gross national product rose from ₱10,033 million in 1957 to ₱10,464 million in 1958, an increase of 4.3 per cent compared to 5.3 per cent during the previous year. The national income likewise went up from ₱8,818 million in 1957 to ₱9,232 million in 1958, or an increase of 4.7 per cent. Much of the increase was due to price rises, although the increase in

the physical volume of production was also contributory to this growth in national income.

Agricultural production increased further in crop year 1958, although at a reduced rate of 2 per cent, as compared with 4 per cent in 1957. This lower rate of growth was due mainly to adverse weather conditions and plant infestations. The production of a number of important food crops increased in 1958 but there were declines of 4.3 per cent in the output of rice and 4.8 per cent in corn.

The drought which affected most of the country hit the rice-growing sections of the Visayan region with special severity, rice output in the Western Visayas falling by 10.5 per cent and in the Eastern Visayas by 15.1 per cent during crop year 1958. The only regions showing increases in rice production were the Central Cagayan Valley and Southern Mindanao, with 0.5 per cent and 1.1 per cent, respectively. In corn production, a sizable 10 per cent increase was also registered in the Cagayan Valley, all other regions in the country showing declines of between 2.7 per cent and 23.5 per cent. This was attributable mainly to the fact that some regions were spared the natural calamities which befell other areas, as well as to the effects of irrigation projects previously put into operation such as the Magat river irrigation project.

Damage caused by adverse weather conditions was more pronounced in export crops. There were declines in the 1958 outputs of all export crops except sugar. Copra and coconut oil production in 1958 fell by 2 per cent and 31.4 per cent, respectively, as compared to the gains of 16 per cent and 30 per cent in 1957. Production in 1958 of abaca declined by 3 per cent, and that of tobacco by 2 per cent; in 1957, output of these items had risen by 8 per cent and 34 per cent, respectively. In addition to the drought, such factors as smaller area planted and plant diseases were responsible for the lower outputs of these four export crops. Centrifugal sugar production registered an increase of 21 per cent in 1958, after having declined in both 1957 and 1956. The recovery of sugar production in 1958 resulted from an expansion in the area planted; in the two earlier years, successive reductions in the area under cane in response to cuts in marketing quotas caused production to fall. Due to a recession in the world market for metals, mining production declined by 1 per cent, the decrease being held to this smaller magnitude only because of the rise in gold under the impact of permitted purchases from blocked funds.

Manufacturing registered a favorable rate of growth under the impact of public policies tending to favor production. The index of manufacturing production rose to 134.6 per cent (1955 = 100) from 125.0 the previous year or an increase of 7.7 per cent. Income originating in

manufacturing rose by 14.1 per cent, compared to 8.1 per cent in 1957 over 1956. While total imports for producers goods went down, imports of unprocessed raw materials for the use of established industries went up, in contrast to a slight decline in imports of machinery due to retrenchment policies which curtailed the establishment of new industries. The pattern of raw material importation has also registered an improvement since unprocessed raw materials received a relatively larger share of the total imports while the share of semi-processed raw materials declined. Also tending to favor productive enterprise was the rise in electric power output, with the Manila Electric Company alone generating an increase of 166 million kwh or 14.9 per cent higher than its previous year production. Thus, public policy with regard to both production and foreign exchange helped to propel the economy forward despite unfavorable circumstances.

However, on the demand side, notwithstanding the adjustments made in 1957 which were maintained in 1958, fiscal and monetary operations continued to sustain a high level of excess aggregate demand which still remained the economy's main problem at the end of the period under review. Despite measures of monetary restraint, money supply moved up at a faster rate than in the previous year, and attained a new peak of ₱1,737.8 million. The growth in money supply was fostered by the improvement in the country's foreign exchange position as well as by credit developments. Despite the fact that the banking system built up its reserve position very strongly by conservative lending policies during the first semester, there appeared a resurgence of private credit starting about the middle of the year. Domestic credits of the banking system reached an all-time high of ₱2,807.9 million, an increase of ₱286.2 million or 11.3 per cent over the previous year. Thus, during the current year, the rate of increase of money supply was 8.8 per cent, compared to 6.6 per cent in the previous year. Furthermore, the annual turnover rate or velocity of circulation of peso demand deposits intensified from 19.4 in 1957 to 20.8 in 1958.

An over-all reduction in government expenditures characterized the fiscal sector, including a reduction in economic development outlays to levels more commensurate with available resources. Expected revenue measures were not enacted and revenues fell short of expenditures, resulting in a budget deficit of ₱159.9 million. The public debt therefore continued to mount to a new record of ₱1,995.01 million or 20.2 per cent above the previous year's level, financed largely by bank credits except for a brief period in the latter part of the year when a suspension of Central Bank support of the par value of government bonds was enforced. The major part of the rise in the public debt during the period under

review was due to the increase in acknowledgments of backpay obligations to pre-war government employees.

The rise in demand and the encouragement of production were reflected in a sizable increase in over-all employment. However, employment and underemployment also rose due to the great increase in the labor force. In the non-agricultural sector particularly, wages and earnings rose faster than employment, whose growth was held down by the slack in mining activity.

As a result of these developments, price levels went up, with wholesale and consumer prices increasing by 3.3 per cent each and retail prices by 4.5 per cent. Much of the rise in wholesale prices was due to agricultural exports, whose prices registered the largest increases of all.

Concurrently, there was a strengthening of the country's foreign exchange position. The international reserve at \$145.3 million was 3.8 per cent above the previous year-end level, and was less encumbered with short-term liabilities which had been partly paid off in the course of the year. Due to tighter controls, imports went down by 9 per cent from ₱1,229.2 million in 1957 to ₱1,124.2 million in 1958, but still stood at the second highest level since 1949. More important, export shipments reached a record high, rising from ₱858.5 million in 1957 to ₱982.3 million in 1958, or a 14.4 per cent expansion. The underlying strength of the economy was evidenced by the fact that this was achieved in a year of climatic drought, plant infestation and world economic recession. Several factors contributed to this achievement, such as the increased diversification of the export trade, the administrative restoration of marketing quotas in the sugar industry, the high prices commanded by copra due to the copra shortage in the world market, and the recovery of log exports over the previous year.

At the end of the year, physical production prospects improved for the agricultural sector due to better climatic conditions and the continued encouragement given by such measures as the rice and corn program and the operation of irrigation projects. World market conditions were also beginning to brighten for the mining industry. The higher level of foreign exchange receipts augured well for at least the maintenance, if not the increase, of foreign exchange allocations in support of manufacturing activity.

As in previous years, the main problems continued to be the high level of internal effective demand and the resultant balance of payments difficulties. The realization that credit-financed deficit spending cannot continue indefinitely and has probably reached or overshot its limit in the present circumstances is expected to influence the legislative program for the coming year. Likewise, the extremely liquid reserve position of

the banking system indicates the need for further strong monetary measures. With the damping of demand that might ensue from expected corrective measures in these fields, and with the continued increases in production in some areas together with the resumption of growth in others, the Philippines may face brighter economic prospects for the coming year.

B. RECOMMENDATIONS

Like any underdeveloped country going through the process of economic development, the problem that faces the Philippines today lies in maintaining an adequate rate of growth without unduly endangering the internal and external stability of the currency. While some measures have been adopted towards this end, conditions now prevailing point to the need of an over-all coordinated stabilization program if the growth momentum is to be sustained. For this purpose, the following recommendations are made:

1. Stabilize fiscal operations.

In the light of the prevailing inflationary situation in which government budgetary deficit is a crucial generating factor, it is of the utmost importance that such deficits be eliminated.

It will be impossible to maintain a relative stability that will enable the economy to continue its development without too great a cost on the masses unless necessary measures are taken to stabilize the government's fiscal position. As recommended in previous Central Bank Annual Reports, the government's fiscal position could be stabilized by increasing its revenue through a more equitable tax program based on ability to pay and by enforcing a more efficient and effective collective system. With this in mind, the President of the Philippines has recommended various tax measures to Congress.

2. Promote expansion and diversification of exports.

In view of their crucial significance to the country's rate of development, exports should be given every encouragement to expand, and any policy tending to retard export growth and diversification should be amended. For example, the remission of the 3% tax on cordage upon proof of exportation for dollars will help to encourage a trend towards increased processing of domestic raw materials.

Efforts must also be made to build up export industries to their fullest productive capacities and efficiency. Increased processing of Philippine products, instead of exporting them in their raw or semi-raw form, would not only increase the foreign exchange earnings derivable from a given quantity of raw materials but also create new jobs for the unem-

ployed, giving them new sources of income and opportunities to gain technological skills. For example, barter of domestic raw materials should not be permitted.

3. Intensify research studies for export production.

Reiterating the recommendations in previous Central Bank Annual Reports, the establishment of an organization for applied research should be implemented with particular emphasis on research on export industries. Aside from studies on how to improve the competitive position of Philippine exports in world markets by reducing costs of production, standardizing products and developing more by-products, technical research on plant infestation should be intensified. An all-out effort must be exerted to eradicate mosaic, *kadang-kadang* and other plant diseases ravaging the country's major exports.

4. Coordinate economic policies.

The approval of an over-all economic development program has become imperative at this stage. This will not only prevent the wastage of valuable resources, but will tend to minimize friction arising from divergent views and interests of different sectors of the economy.

In the field of credit control, while the Central Bank has implemented restrictive measures on credit, the government should call on all financial institutions outside the control of the Central Bank to adopt coordinated policies so as to prevent the further liberalization of consumption credit. The GSIS and similar financial institutions should be persuaded to keep their lending policies in line with those which have been adopted by the Central Bank.

5. Revise price supports.

Reiterating the recommendations in last year's Annual Report, price supports should be revised so as to exclude low-grade products or those of sub-standard quality. The need for this revision has been clearly demonstrated by the price support given to tobacco under R. A. No. 1194. Only standard quality or high grade products should be eligible for price support at realistic market prices. To encourage the production of low-grade and sub-standard products is economically disastrous and self-defeating.

6. Establish commodity exchange.

One way of helping smooth out seasonal price and supply fluctuations is by establishing commodity exchanges for spot and future transactions. Studies should be made by the national planning agency on how best to encourage the establishment of such exchanges.

C. INTERNATIONAL ECONOMIC DEVELOPMENTS

Recession threatened the economies of the world in 1958. Total world production was lower than that of the previous year while unemployment was higher. The recession, one of the sharpest that the United States had encountered since the end of World War II threatened to spread to Western Europe and produced balance of payments difficulties in less developed areas. To counteract the recession, the monetary authorities of West Germany, Holland, Britain, Belgium and other Western European countries relied on monetary and credit measures, primarily the use of bank discount rates, while less developed countries hard-hit by the recession intensified import restrictions.

The recession brought about a decrease in the demand for exports which had a depressing influence on export prices. In the face of slightly greater volume of production, this reduction was mostly absorbed by exports of primary products by a fall in their prices to the extent of 6 per cent, resulting in a drop of 5 per cent in the export receipts of primary producing countries. On the other hand, the export prices of manufactured articles were relatively maintained. This was true for the finished exports, particularly capital goods, of such countries as the United States, Canada, United Kingdom, Western Europe and Japan. The favorable terms of trade derived by industrial countries due to the deterioration in the price of primary products improved their balance of payments position—a factor which combined with other major developments to pave the way for the convertibility of Western European currencies as well as the liberalization of commercial policies in this region. On the other hand, the unfavorable terms of trade for primary producing countries in the face of heavy foreign exchange outlays for development and social projects contributed to the growth of trade deficits in the areas which compelled an intensification of trade restrictions and heavy reliance on foreign loans.

The recession in the U.S. was reflected by the gross national product which dropped from an average of \$440.3 billion in 1957 to \$437.7 billion in 1958. The index of industrial production (1953 = 100) dropped from 107 in 1957 to 100 in 1958, while the employment index (1953 = 100) dropped 3 points from 105 in 1957 to 102 in 1958. Exports fell by \$3.2 billion while imports dropped by \$178 million in 1958 compared to that of 1957. As regards the exports, however, it must be pointed out that the 1957 figures were abnormal owing to the Suez Canal Crisis which forced Europe to buy in the United States. As a corrective measure the Federal Reserve System eased its tight-money policy in force since April, 1955. On November 15, 1957, the rediscount rate was reduced. Since that time the discount rate and reserve requirements for member banks were reduced on at least three occasions and margin on stock market credit

curtailed. The American recession was as short as it was sharp and the period of recovery again set in towards the end of the year. The drop in American business activities was not substantially offset, however, by spot increases in the volume of production outside the United States so that the year 1958 actually reflected a drop in total world production.

The recession had its usual impact on total Latin-American exports which comprised 29% of total American imports, although this was relatively minor compared to the effects of previous business recessions in the United States. Nevertheless, Latin-American exports to the United States dropped by 5.6 per cent from \$2.8 billion to \$2.6 billion. This was attributable to the drop in the export of coffee, wool, base metals and petroleum & related products. Like most primary producing countries, Latin-America also experienced a deterioration in its terms of trade.

In Europe, the adverse effects of the American recession were cushioned somewhat by the consistency of American demand for European products coupled by corrective measures taken in the beginning of the year to counteract the recession. There was, however, a slight decrease in the volume of industrial production, the first since 1952. This dip in Western European index of industrial production largely reflected widespread monetary liquidation together with a decline in business demand for plant and equipment in some countries. Favorable terms of trade brought about by a deterioration in the prices of primary products in the face of a sustained demand for European products resulted in the improvement in the balance of payments position of Western Europe as a whole, boosting her gold and foreign exchange holdings. This enabled a greater transferability and convertibility of her currencies and the adoption of some liberal commercial policies at the end of the year.

The ECAFE region was hard-hit by the recession which accelerated the declining value of primary products. Apart from rice and copra which registered increases in price due to a drop in world supply, agricultural products of the region, as a whole, suffered a decline in value. Adverse weather conditions brought about a drop in the index of agricultural production which was much lower than that of the previous year. Industrial production in India and Japan slackened in 1958 due to the scarcity of foreign exchange although a number of countries with smaller industrial output registered gains over 1957 figures despite the recessionary trends. Almost all the countries in the ECAFE region, with the exception of Japan which adopted retrenchment policies and cut heavily on imports, suffered balance of payments difficulties which led to an intensification of import restrictions.

CHAPTER II

DOMESTIC ECONOMIC SURVEY

A. PRODUCTION

Over-all agricultural and manufacturing production continued to expand in 1958, registering increases of 1.8 per cent and 7.7 per cent, respectively, over the 1957 level, reflecting the impact of sustained economic and liberal credit policies of the government for agricultural and industrial development and of tighter trade restraint measures which stimulated demand for locally manufactured products. As a result of the extensive drought which reduced the area under cultivation by 2.4 per cent and the havoc wrought by rats, locusts and other plant pests and diseases, a slackening was noted in this year's rate of growth of agricultural production when compared to the previous year's 3.9 per cent. Likewise, a slightly slower pace than the 1957 expansion of 8.0 per cent in manufacturing production was observed. This was principally due to a fall in the rate of growth of durable goods. Mining activity suffered a slight setback, registering a decline of 1.0 per cent in contrast with the increment of 11.6 per cent in 1957. The cutback in base metals production reflecting the industrial recession abroad was the main cause in the decline of mining production. Gold output, however, expanded by 11.2 per cent as blocked funds were permitted to be used for the purchase of this metal.

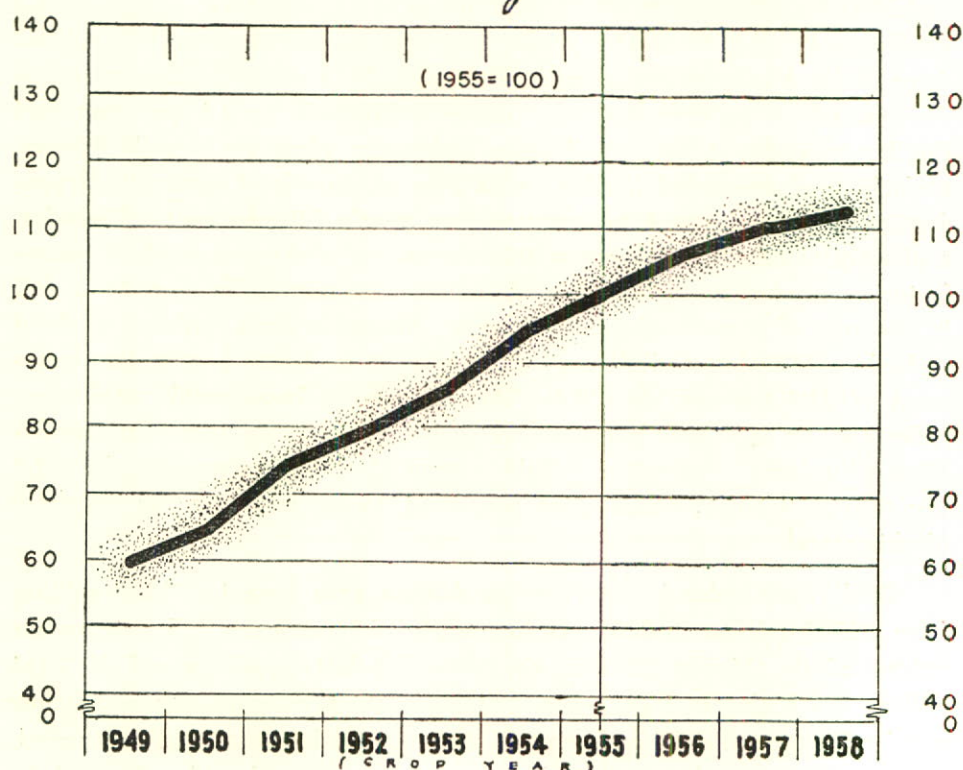
Real estate sales in the Greater Manila area rose to P163.8 million from P152.0 million in 1957, an increase of 7.8 per cent. Electric power output of the Manila Electric Co. exceeded last year's record of 1,114 million k.w.h. by 14.9 per cent. Transportation activities by water, air and land except freight and express movement, also continued to expand. On the other hand, new construction activity considerably declined in Manila and chartered cities but improved slightly in Manila suburbs.

1. Agricultural Production

Agricultural output during 1958 continued to grow as both food and export crop production advanced, although at a much slower pace than in previous years. The over-all physical volume index (1955 = 100) moved

to 112.2 from 110.2 in 1957, an increase of 1.8 per cent. In 1957 the expansion was 3.9 per cent while the average growth of the 1953-56 period was 9.0 per cent. Unfavorable factors that greatly hampered production were the prolonged drought which caused a 2.4 per cent reduction in the area cultivated to both food and commercial crops, and plant infestation which heavily depressed the yield of export crops. Despite these disturbances, however, crops for domestic consumption exceeded 1957 levels by 2.6 per cent while commercial crops improved somewhat by 0.1 per cent.

INDEX OF THE PHYSICAL VOLUME OF *Agricultural* PRODUCTION



a. Domestic Food Products

Production of food crops in 1958 was characterized by a decline in the main staples—palay (rough), rice and corn. The drop in the palay harvest was 4.3 per cent while corn was 4.8 per cent below the preceding year's level. In Central Luzon, the rice granary of the nation, palay

output decreased by 4.8 per cent while in the Western Visayas which comprised about 19.2 per cent of total acreage planted to palay during the last three years, production was off by 10.5 per cent. On the other hand, bigger yields of beans and vegetables, coffee & cocoa, fruits & nuts, root crops, meat & poultry and fish products were realized during the period, thus placing the index (1955 = 100) at 110.2 compared to 107.4 in 1957, an increase of 2.6 per cent. Despite the dry and infested condition of farm lands during the last three years and the occurrence of typhoons, the increment in 1958 was still bigger when compared to the growth of 1.8 per cent in 1957. For crop year 1959, total palay production is estimated to rise by over 10 per cent and corn, by about 13 per cent. In the Eastern Visayas, the principal corn region, corn output was 5.6 per cent lower than the 1957 level. Meat & poultry products continued to expand to meet the increasing requirements arising from the curtailment of imported meat preparations. The rise in the fish catch during 1958 was made possible by increased activity in commercial fishing as well as by the expanded acreage of fishponds. Moreover, the government's intensified campaign against illegal fishing, particularly the use of explosives and other destructive devices, has boosted the marine and aquatic resources of the country.

PRODUCTION OF FOOD CROPS, CROP YEARS 1957-1958

(Thousand metric tons)

P r o d u c t	1958 p	1957	Per cent Change
Rice (rough)	3,203	3,346	— 4.3
Corn (shelled)	852	895	— 4.8
Beans and vegetables	242	231	4.8
Coffee and cacao	11	10	10.0
Fruits and nuts	715	673	6.2
Peanuts (unshelled)	19	18	5.6
Root crops	1,330	1,292	2.9
Meat and poultry products	287	277	3.6
Fish ^a	396	386	2.6

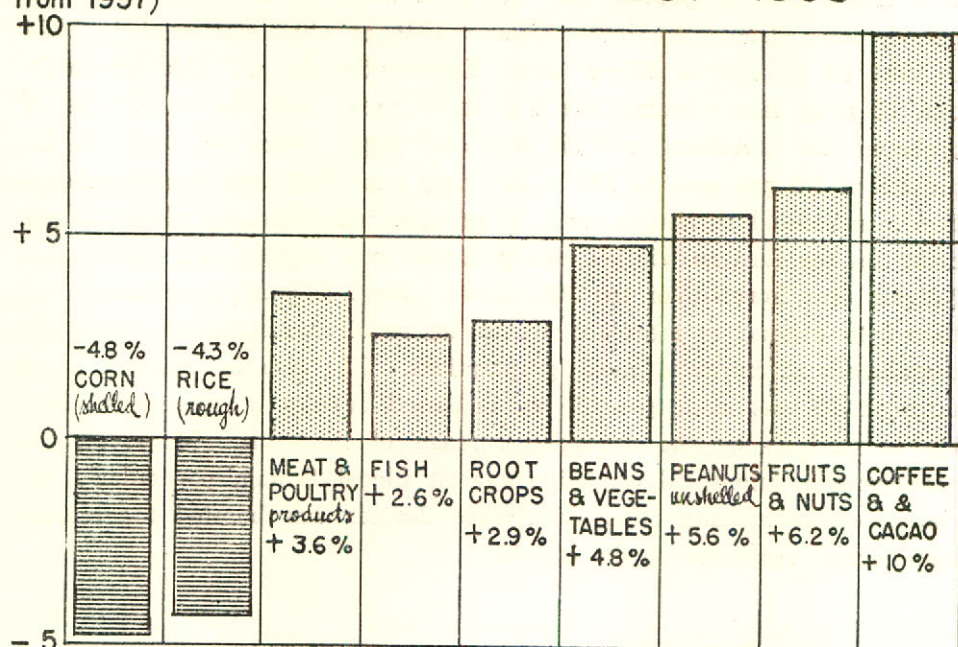
SOURCES OF BASIC DATA: Department of Agriculture and Natural Resources.
Bureau of Fisheries.

^a Calendar year figure.

PER CENT CHANGE IN THE PRODUCTION OF *Food Crops*

(Per cent change from 1957)

CROP YEARS 1957-1958



b. Major export products

With the exception of centrifugal sugar, desiccated coconut and lumber, production of all other major agricultural products for export dropped in 1958. Adverse weather conditions and plant pests—"kadang-kadang" for coconuts and mosaic for abaca—over the years have contributed heavily to the poor harvest of commercial crops. The low yield of such principal export products as copra, coconut oil, abaca and leaf tobacco during the period was, however, covered by the substantial output of sugar which marked its second postwar peak performance since the record year 1953-54, reflecting the administrative restoration of sugar production quotas which were slashed after that time. Sugar milled during 1958 amounted to 1,267,500 m. tons, nearly 15 per cent more than the preceding year's level. While this harvest on the whole was smaller than the 1953-54 bumper crop, a bigger yield per hectare was realized from the 1957-58 crop.

A slump in copra output of 2.0 per cent occurred along with coconut oil which dropped more than 31 per cent. Desiccated coconut, however,

was up 3.7 per cent. The increasing production of animal fats and vegetable oils in the U. S. and the relative profitability of exporting coconut products in copra form have greatly influenced the downtrend in the local output of coconut oil.

The yield of leaf tobacco in 1958 fell off by 2.0 per cent as the demand for native or filler tobacco eased with the presence in European markets of lower-priced leaf products from Java and South and Central America. The Virginia type, however, went up by 1.3 per cent.

Lumber production rose about 5 per cent from the 1957 level notwithstanding the slightly smaller output of logs during the year under review. The uncontrolled mosaic disease which has afflicted postwar abaca plantations has led many producers to neglect these farms despite the high price of abaca and shift to other crops such as tobacco and coffee. During 1958 the area planted to abaca was 5.6 per cent less than the year previous with output correspondingly declining by 3.1 per cent.

PRODUCTION OF MAJOR EXPORT CROPS

Crop Years 1957-1958

(Thousand metric tons)

P r o d u c t	1958 p	1957	Per cent Change
Copra	1,293	1,319	— 2.0
Coconut oil ^a	229	334	—31.4
Desiccated coconut	56	54	3.7
Copra meal or cake ^a	99	116	—14.7
Sugar, centrifugal	1,250	1,037	20.5
Abaca, unmanufactured	125	129	— 3.1
Cordage	8	9	—11.1
Tobacco leaf	50	51	— 2.0
Logs (Million-bd. ft.)	1,945	1,966	— 1.1
Lumber (Million bd. ft.)	511	487	4.9

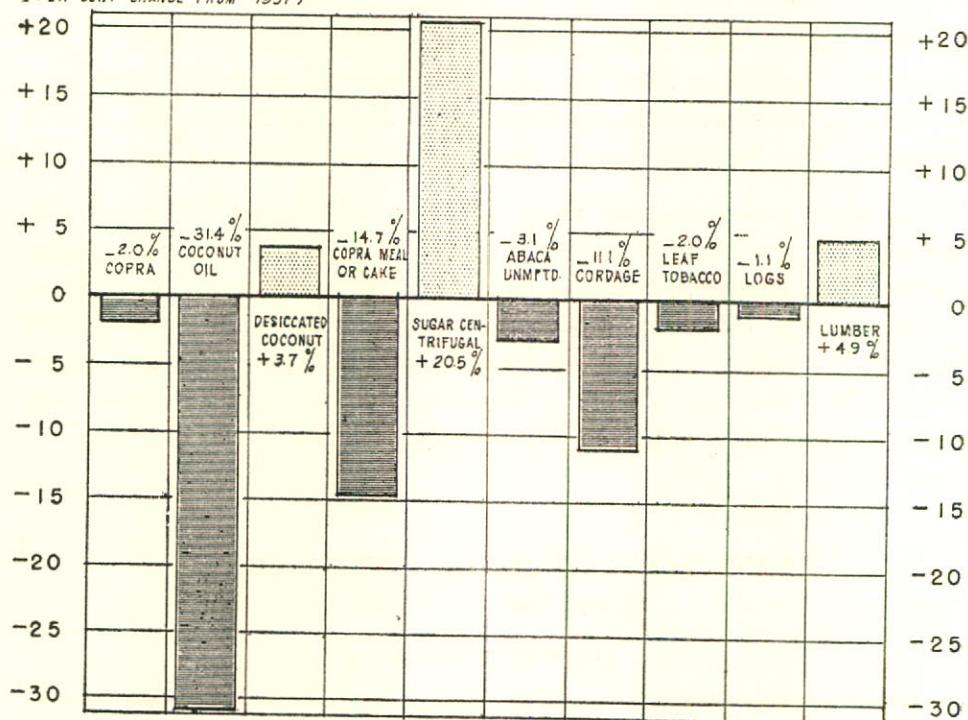
SOURCES OF BASIC DATA: Department of Agriculture and Natural Resources, Bureau of Forestry, Sugar Quota Administration, Philippine Coconut Administration, Central Bank of the Philippines.

^a Calendar year figure.

PER CENT CHANGE IN THE PRODUCTION OF *Major Export Crops*

(PER CENT CHANGE FROM 1957)

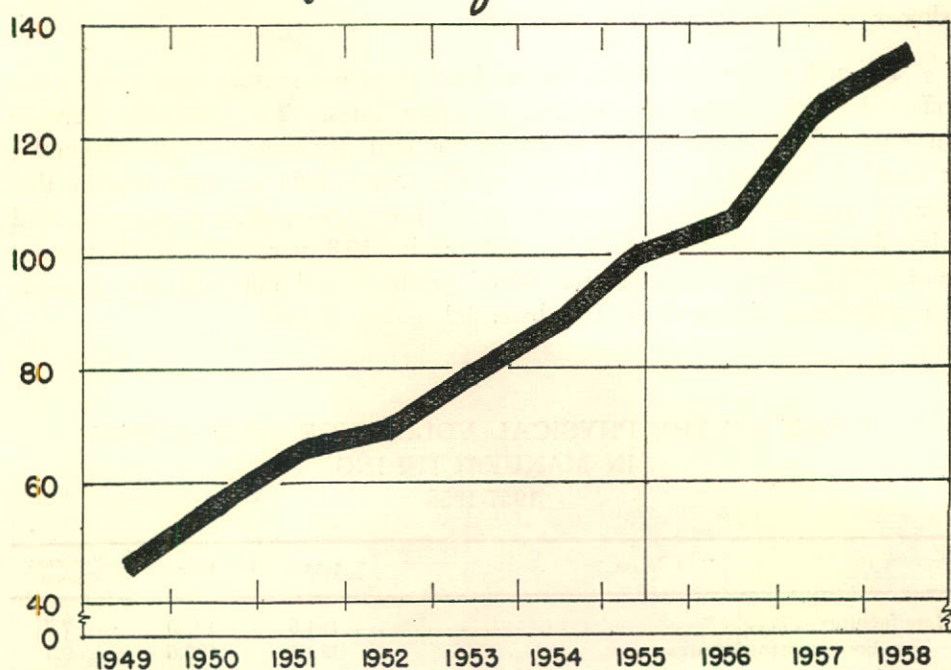
CROP YEARS 1957 - 1958



2. Manufacturing Production

Manufacturing production in 1958 continued its upward trend, as the index rose to 134.6 (1955 = 100) from 125.0, the previous year or an increase of 7.7 per cent. The improvement in output was due to the sustained support policies of the government for industrial development such as tax exemptions, liberal credit policies, import controls and the continued banning of a number of imported commodities. This year's rate of growth, however, was slightly slower than the previous year's 8.0 per cent, due to a fall in the rate of growth of durable manufactures.

INDEX OF THE PHYSICAL VOLUME OF *Manufacturing Production* (1955 = 100)



a. Non-durable Manufactures

The production of non-durables was 9.1 per cent above the level of 1957 as the index reached 133.7 compared to 122.6 in 1957. This 9.1 per cent improvement in non-durable manufactures was the main stimulant to the 7.7 per cent increase in the over-all manufacturing index. All major industrial groups except food and leather products showed appreciable gains. The 1957-1958 increases ranged from 3.4 per cent for rubber products to 24.3 per cent for textiles. A bigger local output of yarn, coupled with reduced imports of cotton textiles from P82.3 million in 1957 to P54.2 million in 1958 boosted textile production to an all-time high of P172.4 million. The substantial improvement in output of beverages, tobacco products, textiles, footwear & wearing apparel, paper products, rubber and chemical manufactures, miscellaneous products of petroleum and coal and miscellaneous non-durable manufactures were more than sufficient to offset the cutbacks in production of food products, except beverages (4.1 per cent) and leather products except footwear (20.8 per cent).

b. Durable Manufactures

Output of durable items increased by 1.8 per cent as the index rose from 136.6 in 1957 to 139.1 in 1958, but was considerably lower than that registered for non-durable manufactures. This rate of growth was also slower than the previous year's 10.5 per cent.

By and large the production cutback in some sectors was more than offset by the increasing strength in other lines. The heaviest increase in output was noted in non-metallic mineral products, which registered a gain of 19.0 per cent. A key to the appreciable upsurge within this sector was the increased production of limestone products, cement, and clay & cement products which went up by 59.8 per cent, 26.5 per cent and 22.6 per cent, respectively. Metal products and miscellaneous durable manufactures also exhibited substantial gains.

INDEX OF THE PHYSICAL VOLUME OF PRODUCTION IN MANUFACTURING 1957-1958

I t e m	1958 p	1957 r	Per cent Change
Manufactures	134.6	125.0	7.7
Non-durable manufactures	133.7	122.6	9.1
Manufactures food products, except beverages ...	121.2	126.4	— 4.1
Slaughtering, preparation & preserving of meat .	110.6	90.6	22.1
Dairy products	136.2	125.7	8.4
Processed fruits and vegetables	114.8	156.2	—26.5
Processed fish products	137.7	142.4	— 3.3
Bakery products	98.1	105.9	— 7.4
Cocoa, chocolate, coffee, sugar & confectionery .	122.3	109.6	11.6
Miscellaneous food preparations	124.8	132.5	— 5.8
Beverages	124.3	117.0	6.2
Distilled spirits	100.9	97.8	3.2
Wine	137.9	90.6	52.2
Beer	146.9	131.0	12.1
Soft drinks	113.1	113.1	—
Tobacco products	116.1	102.9	12.8
Textiles ^a	207.7	167.1	24.3
Footwear, wearing apparel, and other			
made-up textile goods	67.6	64.9	4.2
Footwear, except rubber	100.7	91.0	10.7
Wearing apparel	51.9	52.4	— 1.0
Other made-up textile goods	152.6	132.3	15.3
Paper products	136.7	121.6	12.4
Pulp paper and paper board	147.9	127.5	15.0
Manufactured articles of paper and paper board	132.7	119.5	11.0
Printing, publishing and allied industries	121.8	109.5	11.2
Leather products, except footwear	177.0	223.6	—20.8
Rubber products ^b	166.3	160.0	3.4
Chemicals ^c	134.3	127.3	5.5
Manufacture of miscellaneous products			
of petroleum and coal	170.3	140.0	21.6
Miscellaneous non-durable manufactures	105.9	101.5	4.3

I t e m	1958 p	1957 r	Per cent Change
Durable manufactures	139.1	136.6	1.8
Wood and cork manufactures, except furniture and fixtures	138.1	145.6	— 5.2
Furniture and fixtures	106.9	128.6	—16.9
Non-metallic mineral products	154.8	130.1	19.0
Clay and cement products	252.5	205.9	22.6
Concrete products	288.5	271.9	6.1
Glasswares and glass containers	121.6	108.9	11.7
Plate and sheet glass products	54.1	67.4	—19.7
Cement	158.1	125.0	26.5
Asbestos products	108.1	165.6	—34.7
Limestone products	112.8	70.6	59.8
Metal products, except machinery	169.2	154.9	9.2
Manufacture of machinery, except electrical machinery	107.8	118.2	— 8.8
Electrical machinery, apparatus, appliances and supplies	162.2	164.8	— 1.6
Manufacture of transport equipment	85.4	114.3	—25.3
Miscellaneous durable manufactures	134.3	123.5	8.7

SOURCES OF BASIC DATA: Cooperating government agencies and private firms.

a Includes floor coverings.

b Includes rubber shoes.

c Includes fertilizers.

MANUFACTURING PRODUCTION, a 1953-1958 p

(Thousand pesos)

(Details do not always add up to the totals because of rounding)

PERIOD	M a n u f a c t u r i n g									
	N o n - d u r a b l e m a n u f a c t u r e s									
	F o o d m a n u f a c t u r e s, e x c e p t b e v e r a g e s									
	TOTAL	TOTAL	TOTAL	Slaughtering, preparation and preserving of meat	Dairy Products	Processed fruits and vegetables	Processed fish products	Bakery Products	Cocoa, chocolate, coffee sugar & confectionery	Miscellaneous food preparations, n.e.s.
1953	826,445	721,897	155,743	662	5,583	25,724	452	27,196	28,247	67,878
1954	881,895	753,721	164,048	1,176	7,373	13,250	515	26,714	36,491	78,528
1955	1,169,098	980,505	181,172	2,052	7,949	17,038	1,230	27,754	40,147	85,002
1956	1,379,440	1,143,262	213,785	2,155	9,105	24,982	1,447	32,056	51,485	92,554
1957	1,580,074	1,275,648	232,764	2,001	10,044	22,572	1,375	27,522	50,412	118,837
1958	1,948,324	1,590,214	277,524	3,844	26,471	22,213	1,600	25,738	69,604	128,054

PERIOD	B e v e r a g e s							F o o t w e a r, w e a r i n g a p p a r e l a n d m a d e - u p t e x t i l e g o o d s			
	Total	Distilled spirits, wines & malt liquor	Soft Drinks	Tobacco products	Textiles	Total	Footwear except Rubber	Wearing Apparel	Made-up textile goods		
1953	124,901	51,863	73,038	167,302	56,335	50,395	14,055	35,548	792		
1954	125,930	53,692	72,237	152,137	55,623	54,992	12,680	40,169	2,143		
1955	129,885	63,069	66,816	187,528	68,794	58,367	13,309	42,799	2,260		
1956	141,546	70,724	70,822	195,232	93,764	51,756	15,462	33,327	2,966		
1957	149,187	78,829	70,357	213,869	121,908	41,834	11,824	27,748	2,262		
1958	164,110	90,131	73,979	265,267	178,798	44,301	15,157	25,871	3,274		

Period	P a p e r P r o d u c t s				Printing, publishing, and allied industries	Leather products, except footwear	Rubber products	Chemicals	Miscellaneous non-durable manufactures ^b
	Total	Pulp paper, paper board and wall board	Manufactured articles of paper and paper board						
1953	25,535	7,228	18,306		7,152	1,421	7,274	122,317	3,524
1954	26,778	7,274	19,504		6,049	2,541	12,460	128,058	25,105
1955	34,529	8,804	25,725		7,668	3,125	12,869	187,890	108,678
1956	44,707	9,574	35,133		11,936	4,370	16,633	229,539	139,994
1957	48,751	17,150	31,601		12,780	4,673	43,987	249,618	156,278
1958	60,582	22,988	37,594		17,870	4,037	69,112	319,618	188,993

Period	D u r a b l e m a n u f a c t u r e s							
	Total	Wood and cork except furniture and fixtures	Furniture and fixtures	Non-metallic mineral products, except products of petroleum and coal				
				Total	Clay and cement products	Concrete and stone products	Glassware and glass containers	Plate and sheet glass products
1953	104,548	7,383	5,887	50,019	1,560	2,143	17,790	801
1954	128,174	14,998	8,098	51,308	2,160	4,714	14,739	490
1955	188,593	16,807	7,495	52,795	2,137	2,415	13,179	535
1956	236,178	21,198	8,764	60,697	3,559	3,193	13,541	540
1957	304,425	24,103	10,654	74,560	6,230	5,785	14,388	560
1958	358,111	29,744	8,530	90,445	5,088	7,531	18,432	529

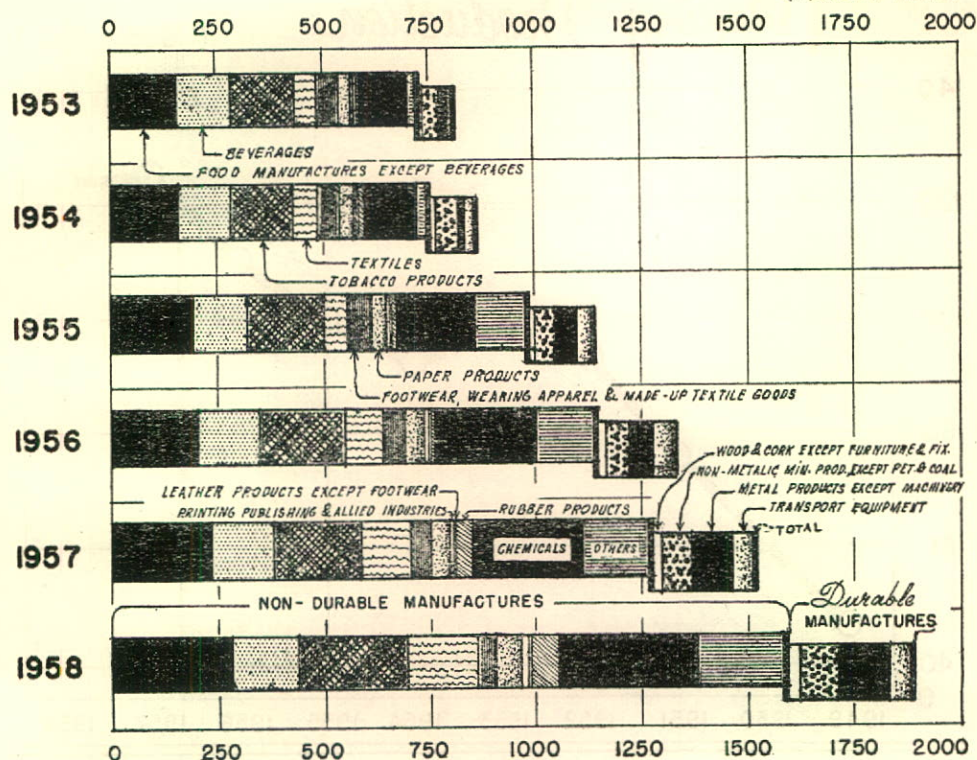
Period	Non-metallic mineral products, except products of petroleum and coal (Cont'd)		Metal products, except machinery	Machinery, except electrical machinery	Electrical machinery, apparatus, appliances and supplies	Transport equipment	Miscellaneous durable manufactures
	Limestone products	Non-metallic mineral products, n.e.s. c					
1953	d	3,945	18,407	322	4,871	14,394	3,266
1954	76	3,849	19,277	379	6,307	23,993	3,814
1955	78	1,857	43,978	298	14,634	44,310	8,276
1956	140	4,135	64,750	318	20,580	51,348	8,523
1957	152	6,694	99,641	447	28,341	56,700	9,979
1958	1,220	6,883	124,207	555	35,340	56,327	12,963

SOURCES OF BASIC DATA: Cooperating government agencies and private firms.

- a Reported production of 954 firms for years 1953 and 1954; for 1955, 1,035 firms; for 1956 and 1957, 1,068 firms; for 1958, 1,131 firms.
b Includes miscellaneous products of petroleum and coal.
c Includes asbestos products.
d Included in non-metallic mineral products, n.e.s.

MANUFACTURING PRODUCTION, 1953—1958

(THOUSAND PESOS)

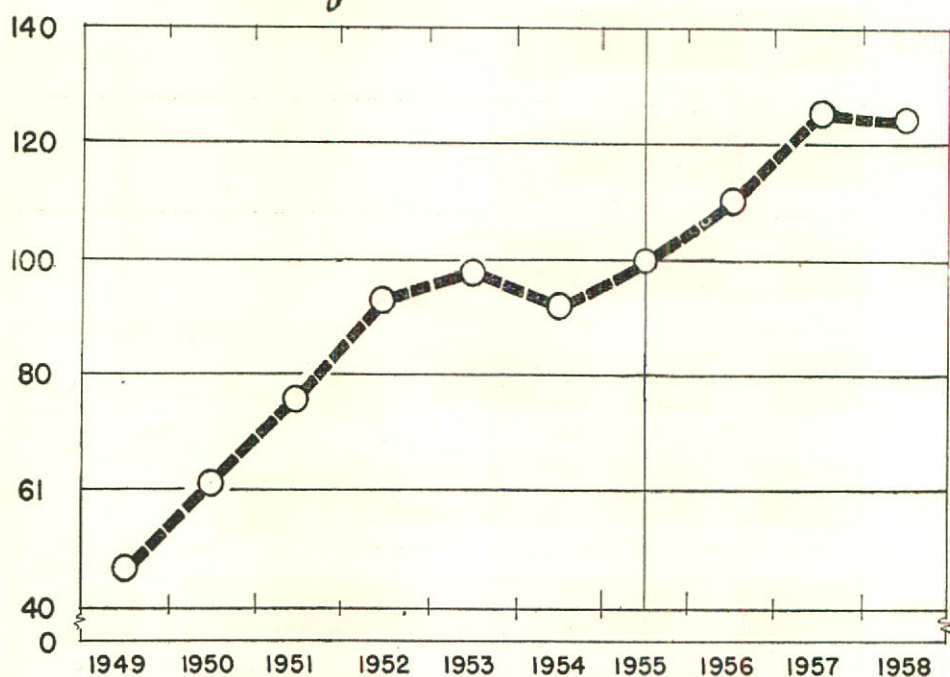


3. Mining

Mining activity slowed down during 1958 despite a spurt in gold production due to the decline in world demand for metals. The over-all index (1955 = 100) was 122.5 in 1958 compared to 123.7 in 1957 and 110.8 in 1956 — thus constituting a drop of 1.0 per cent in the performance of 1958 in contrast with the increment of 11.6 per cent in 1957. The application of blocked funds for gold purchases gave rise to the 11.2 per cent expansion in gold output which could, however, not offset the 6.9 per cent curtailment in base metal production. With the exception of copper which was 16.5 per cent above the 1957 level, all other base metals particularly chromite, manganese and iron suffered substantial declines during the period. The outturn of chromite was off by 42.6 per cent following the slack in demand and prices abroad for both metallurgical and refractory chrome. Iron which was 18.4 per cent below last year's output is now sharing the Japanese market with new competitors — Malaya and India.

INDEX OF THE PHYSICAL VOLUME OF (Mining Production)

(1955 = 100)



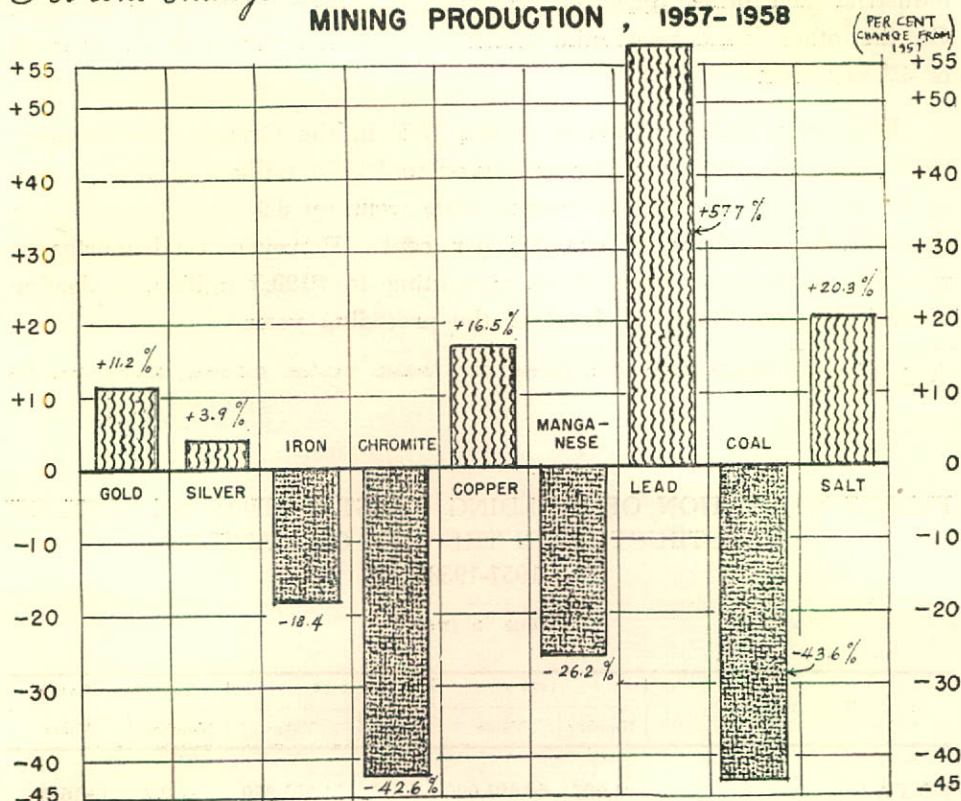
MINING PRODUCTION, 1957-1958

I t e m	Unit of Weight	Quantity		Per Cent Change
		1958 p	1957 r	
Gold	F. ounces	422,833	379,982	11.2
Silver	" "	497,987	479,215	3.9
Base Metals—				
Iron	M. tons	1,098,732	1,346,363	— 18.4
Chromite	" "	416,310	725,516	— 42.6
Copper	" "	47,030	40,382	16.5
Manganese	" "	22,308	30,231	— 26.2
Lead	" "	1,284	814	57.7
Zinc	" "	—	302	—100.0
Quicksilver	Flks.	3,321	3,363	— 1.2
Non-Metallics—				
Coal	M. tons	107,780	191,151	— 43.6
Rock asphalt	" "	2,484	1,098	126.2
Sand and gravel	Cu. m.	1,640,839	3,403,376	— 51.8
Salt	Cavanes	2,792,754	2,322,387	20.3
Silica	M. tons	15,830	26,880	— 41.1

SOURCE OF BASIC DATA: Bureau of Mines.

Per Cent Change in

MINING PRODUCTION, 1957-1958



4. Construction

New construction activity which amounted to ₱128.0 million in 1958 slackened considerably in Manila and other chartered cities but improved slightly in Manila's suburbs. Valued, the decrease from last year's level was 16.8 per cent in contrast with the growth of 29.8 per cent in the 1956-57 period. The decline was primarily caused by the reduction of housing credit as evidenced by the 42.2 per cent decrease in real estate loans extended by the GSIS, Development Bank of the Philippines, and private insurance companies. In 1958 these lending institutions accommodated loans aggregating ₱77,985 thousand compared to ₱134,851 thousand in 1957. Coincident with credit curtailment was the tightness in the supply of essential building materials which partly caused the slack in construction work during the period.

The total permit valuation recorded for Manila in the City Engineer's Office amounted to ₱60.4 million, a drop of 16.0 per cent from the preceding year's level. There was a slump of 29.8 per cent in non-residential

building and 9.1 per cent in addition, alteration and repair. Commercial, industrial and other types of construction likewise registered declines. On the other hand, residential construction picked up with an increase of 4.3 per cent.

Real estate sales registered during 1958 in the Greater Manila area^a were valued at ₱163.8 million compared to ₱152.0 million in 1957, a rise of 7.8 per cent. In Manila proper, sales went up 6.9 per cent while in the suburbs the increase was 8.3 per cent. However, total mortgages recorded represented transactions amounting to ₱199.5 million, a decline of 10.5 per cent from the level of the preceding year.

^a Inclusive of Manila, Pasay City, Quezon City, Makati, Malabon, Caloocan, Mandaluyong, Parañaque and San Juan.

PERMIT VALUATION OF BUILDING CONSTRUCTION BY TYPE OF CONSTRUCTION IN THE CITY OF MANILA 1957-1958

(Value in pesos)

T y p e	1958		1957		Per Cent Change	
	Number	Value	Number	Value	Number	Value
TOTAL	4,907	60,403,090	5,017	71,903,880	— 2.2	—16.0
Residential	1,277	21,684,500	1,253	20,787,150	1.9	4.3
Non-Residential	577	26,312,940	549	37,462,430	5.1	—29.8
Commercial	282	15,297,600	211	24,616,000	33.6	—37.9
Industrial & Public Utility ^a	114	2,701,750	80	4,776,700	42.5	—43.4
Institutional ^b	32	7,269,600	47	6,771,500	—31.9	7.4
Other ^c	149	1,043,990	211	1,298,230	—29.4	—19.6
Addition, Alteration & Repair	3,053	12,405,650	3,215	13,654,300	— 5.0	— 9.1

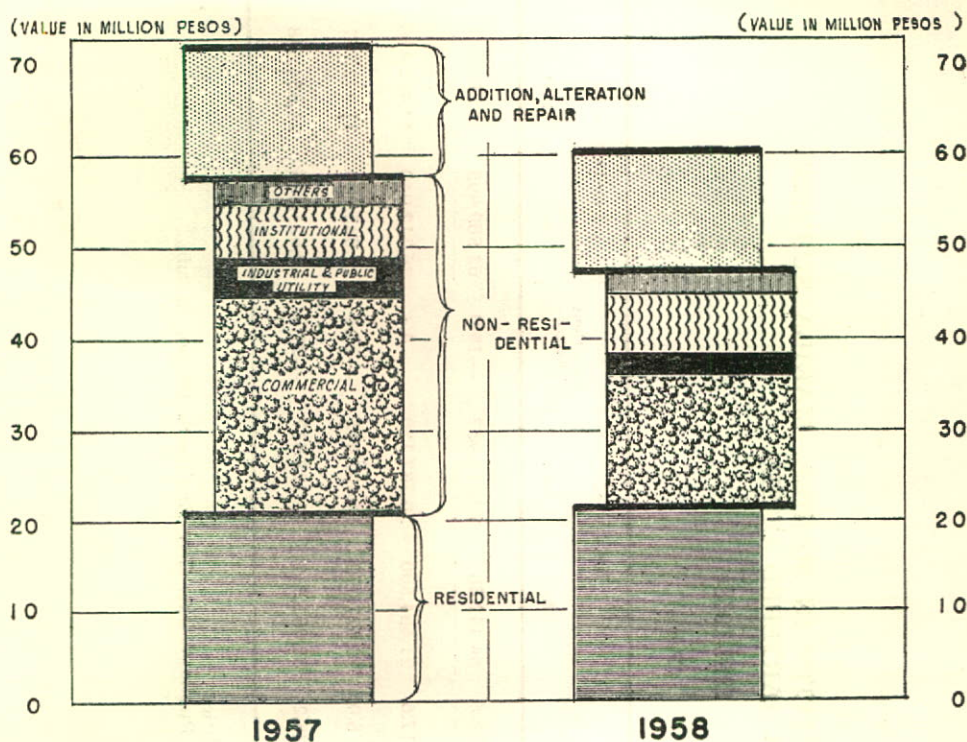
SOURCE OF BASIC DATA: Department of Engineering and Public Works, City Engineer's Office, Manila.

^a Inclusive of factories, warehouses and plants.

^b Inclusive of recreational, social, educational, charitable, religious, hospitals, and other similar institutions.

^c Inclusive of buildings not classified elsewhere.

PERMIT VALUATION OF BUILDING CONSTRUCTION
By Type of **CONSTRUCTION IN THE CITY OF MANILA**
1957 - 1958



5. Public Utilities

a. Electricity

The 1958 output of electric power by the Manila Electric Company exceeded last year's record of 1,114 million k.w.h. by 14.9 per cent. During the period, the Meralco generated 1,280 million k.w.h. reflecting the continued expansion occurring in the industrial sector as well as the widespread use of privately-operated electrical appliances, particularly air-conditioning units and television sets. In 1958, the number of customers increased by 6.0 per cent while the number of kilowatt hours sold rose by 16.3 per cent.

NEW CONSTRUCTION ACTIVITY IN MANILA, MANILA SUBURBS AND CHARTERED CITIES

1957-1958^a

(Pesos)

Location	Total a		Per Cent Change	Residential		Per Cent Change	Non-Residential		Per Cent Change
	1958	1957		1958	1957		1958	1957	
TOTAL	128,012,856	153,823,551	-16.8	64,442,861	79,513,932	-19.0	63,569,995	74,309,619	-14.5
Manila	47,997,440	58,249,580	-17.6	21,684,500	20,787,150	4.3	26,312,940	37,462,430	-29.8
Manila Suburbs	28,312,280	26,490,696	6.9	10,677,050	14,497,945	-26.4	17,635,230	11,992,751	47.0
Chartered Cities	51,703,136	69,083,275	-25.2	32,081,311	44,228,837	-27.5	19,621,825	24,854,438	-21.1

SOURCES OF BASIC DATA: Bureau of the Census and Statistics
Department of Engineering and Public Works, City Engineer's Office, Manila.

^a Excludes additions, alterations and repairs.

b. Transportation

The Philippine Air Lines continued to expand its domestic and international flight operations. During 1958, passengers rose by 12.4 per cent over both routes although the increase in domestic bookings was larger. Total cargo handled and air mail, however, declined by 4.4 per cent and 5.3 per cent, respectively. Meanwhile, PAL has improved its landing stations network all over the country.

Shipping movement was brisk in 1958 as a greater number and a correspondingly bigger net tonnage for both incoming and outgoing vessels was recorded during the period. The number of inward ships went up by 3.6 per cent while their net tonnage registered an increase of 2.8 per cent. Likewise, the number of departures rose by 4.7 per cent accompanied by a tonnage rise of 2.4 per cent.

Mixed trends characterized railway activity during the period under review as the number for both first and third class accommodations increased 4.3 per cent from 1957 levels. However, freight and express movement slackened during the year following the smaller volume of freight handled.

The expansion in automotive transportation was noted in the number of motor vehicles registered during the period which was placed at 160,000 units, or 1.9 per cent above the number of cars, trucks and motorcycles in 1957.

ACTUAL AREA UNDER CULTIVATION FOR PRINCIPAL CROPS 1940; 1951-1958

(Thousand hectares)

Crop	1940	1951	1952	1953	1954	1955	1956	1957	1958 p
TOTAL	5,173	5,261	5,667	6,063	6,140	6,439	6,848	7,002	6,834
Food crops:	3,528	3,733	4,142	4,524	4,584	4,895	5,276	5,448	5,289
Rice (rough)	2,080	2,252	2,466	2,655	2,645 ^b	2,656 ^b	2,743 ^b	2,768 ^b	2,972 ^b
Corn (shelled)	913	953	1,070	1,101	1,120	1,394	1,675	1,786	1,381
Beans and vegetables	109	76	107	151	161	166	168	176	184
Coffee (dry beans)	7	10	12	15	17	19	20	21	23
Cacao (dry beans)	5	4	6	7	7	7	6	7	7
Fruits and nuts ^a	235	248	269	333	364	378	382	396	419
Root crops	178	189	211	260	268	273	280	292	300
Other food crops	1	0.6	0.6	2	2	2	2	2	3
Export crops:	1,645	1,528	1,525	1,539	1,556	1,544	1,572	1,554	1,545
Abaca	292	305	275	272	239	217	217	231	219
Tobacco	58	51	46	39	48	53	75	81	85
Sugar cane	230	169	201	225	265	268	271	235	230
Coconut	1,051	987	989	990	990	990	992	992	996
Kapok	3	3	3	3	3	3	3	3	3
Magney	8	7	4	4	4	3	3	3	2
Ramie	0.4	0.4	0.4	0.7	1	3	3	1	2
Rubber	3	5	5	5	5	5	5	5	5
Other export crops ^c	—	0.8	0.8	0.8	1	2	3	3	3

SOURCE OF BASIC DATA: Department of Agriculture and Natural Resources.

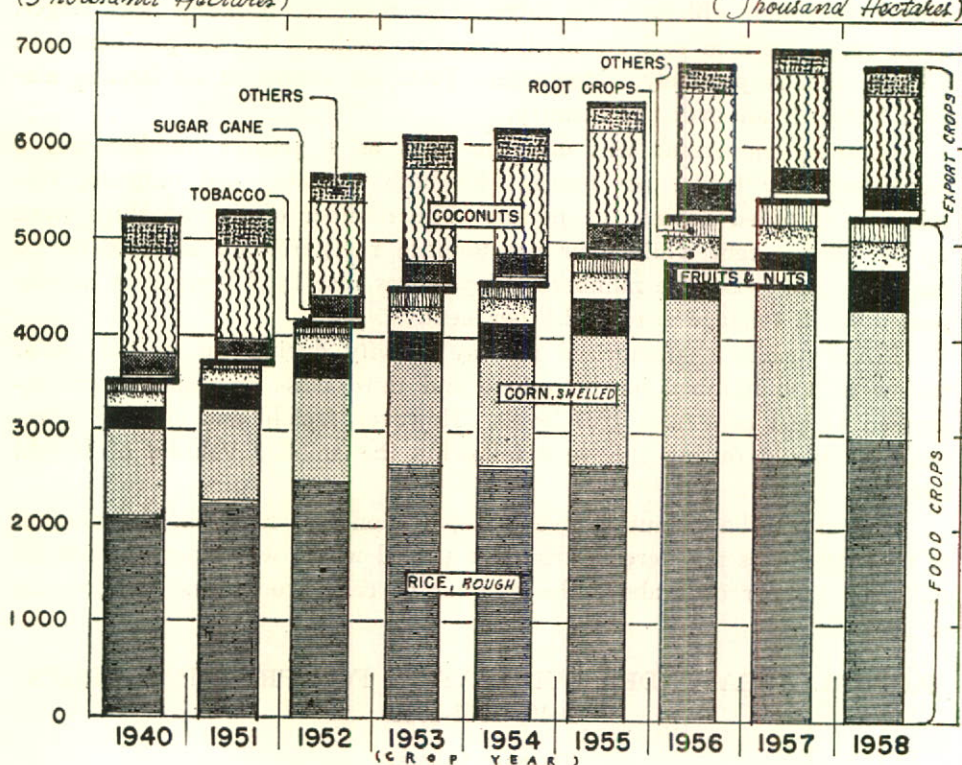
a Inclusive of peanuts.

b Area harvested only.

c Cotton area.

ACTUAL AREA UNDER CULTIVATION FOR PRINCIPAL CROPS

Crop Years 1940; 1951 - 1958
(Thousand Hectares)



PRODUCTION OF SELECTED COMMODITIES

1940; 1951-1958

(Thousand metric tons)

Commodity	1940	1951	1952	1953	1954	1955	1956	1957	1958 p
Food products:									
Rice (rough)	2,363	2,616	2,830	3,144	3,182	3,203	3,273	3,346	3,203
Corn (shelled)	572	603	762	710	780	770	907	895	852
Beans and vegetables	116	115	168	208	216	223	228	231	242
Coffee (dry beans)	2	5	5	6	6	7	7	8	10
Cacao (dry beans)	0.5	0.8	1	1	1	2	2	2	2
Fruits and nuts	372	392	424	556	600	626	648	673	715
Peanuts (unshelled)	7	16	15	17	18	18	18	18	19
Root crops	615	699	732	1,135	1,180	1,200	1,261	1,292	1,330
Meat and poultry products	237	233	248	263	235	258	270	277	287
Fish ^a	170	296	313	306	344	363	393	386	396
Other food crops	2	1	1	4	5	5	5	5	5

Commodity	1940	1951	1952	1953	1954	1955	1956	1957	1958 p
Exports products:									
Abaca	172	130	115	119	106	105	120	129	125
Tobacco	32	30	27	22	28	30	38	51	50
Coconuts products									
Copra	739	1,072	954	856	942	1,103	1,140	1,319	1,293
Desiccated coconuts	41	66	52	61	44	40	42	54	56
Coconut oil	213 ^b	136	145	141	147	161 ^a	259 ^a	334 ^a	229 ^a
Copra meal or cake	—	75	81	74	78	82 ^a	112 ^a	116 ^a	99 ^a
Sugar cane products									
Sugar, centrifugal..	947	848	976	1,028	1,301	1,244	1,105	1,037	1,250
Muscovado and panocha	50	37	42	57	54	60	58	66	50
Kapok	3	1	2	2	3	3	3	3	3
Maguay	7	3	1	1	1	0.2	0.2	3	2
Ramie	0.9	—	0.1	0.1	1	2	1	2	2
Rubber	0.9	2	2	2	1	1	2	3	3
Other export crops ^c	119	196	259	236	238	242	250	245	277

SOURCES OF BASIC DATA: Department of Agriculture and Natural Resources.
Bureau of Fisheries.
Sugar Quota Administration.
Philippine Economic Survey Mission Report.
Philippine Coconut Administration.

a Calendar year figure.

b 1937 figure.

c Includes cotton and molasses.

CENTRIFUGAL SUGAR PRODUCTION BY DISTRICT 1940; 1946-1958

(Production in metric tons)

Crop year	Total		Luzon District		Visayan District	
	No. of Centrals	Production	No. of Centrals	Production	No. of Centrals	Production
1940	..	947,067	..	..	..	..
1946	5	11,715	5	11,715	..	..
1947	17	76,755	9	38,542	8	38,213
1948	23	361,162	10	77,602	13	283,560
1949	28	661,826	11	119,287	17	542,539
1950	28	621,119	11	117,257	17	503,862
1951	27	828,399	10	167,744	17	660,655
1952	27	976,487	10	273,961	17	702,526
1953	25	1,028,447	9	259,763	16	768,684
1954	25	1,301,158	9	344,980	16	956,178
1955	25	1,244,119	9	350,781	16	893,338
1956	25	1,105,388	9	313,360	16	792,028
1957	25	1,036,627	9	313,504	16	723,123
1958 ^r	25	1,250,177	9	350,012	16	900,165

SOURCE OF BASIC DATA: Sugar Quota Administration.

B. LABOR FORCE, WAGE RATES AND EARNINGS

1. Introduction

Over-all employment in 1958 in both agricultural and non-agricultural pursuits (as derived from household survey figures) showed notable gains of 7.8 per cent and 7.7 per cent, respectively, but an exceptionally large increase in the labor force to an all-time high also sent up the number of unemployed and underemployed.

Labor developments in the non-agricultural sector in 1958, according to establishment reports received by the Central Bank, were characterized by greater gains in money wage rates and in average monthly earnings than in the previous year, but a slower advance in over-all non-agricultural employment. The money wage rates of skilled laborers and the average monthly earnings of salaried employees showed the biggest increases, while the money wage rates of unskilled laborers regained part of their losses of the previous year. The average monthly earnings of wage earners advanced more slowly than in the previous year and also more slowly than the earnings of salaried employees. Agricultural wage rates rose by about the same proportion as in the previous year.

All non-agricultural industry divisions registered a rise in employment except mining and quarrying and recreational services. The largest increases were noted in personal services, construction and utilities.

2. Over-all Employment, Unemployment and Underemployment

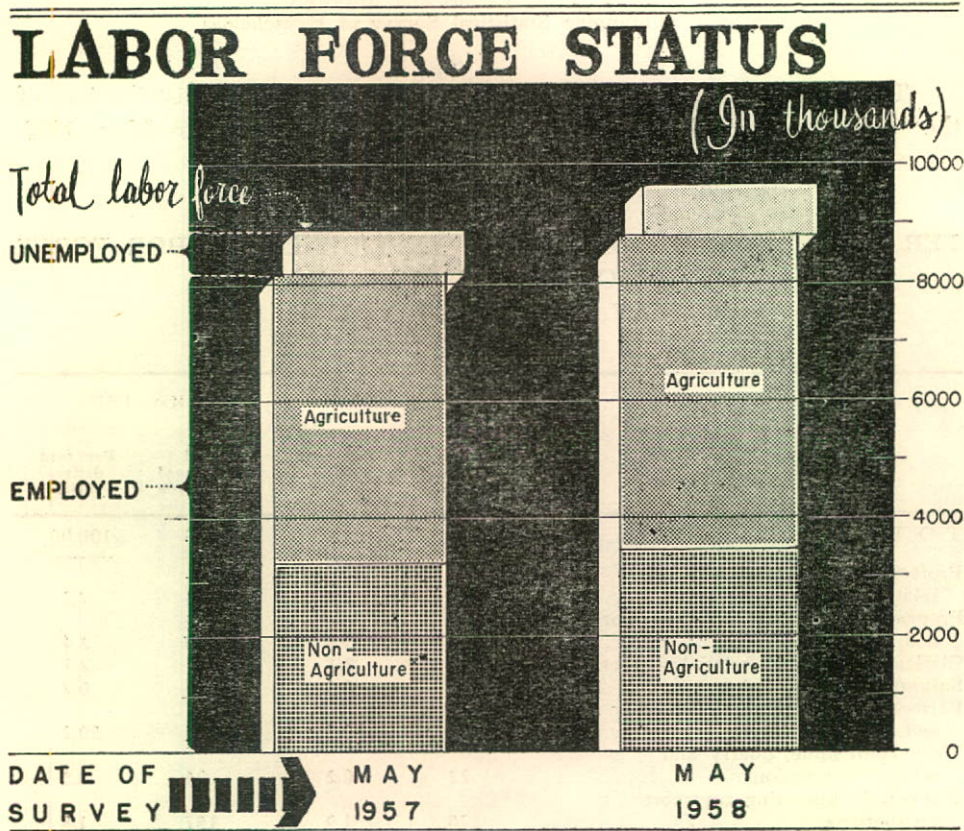
The latest sample survey conducted by the Philippine Statistical Survey of Households, embracing approximately 6,000 representative households throughout the Philippines, showed that employment increased by 633,000 from 8.149 million in May, 1957 to 8.782 million in May, 1958. During the same period, unemployment also increased by 105,000 from 773,000 to 878,000. With this gain in both employment and unemployment, the total labor force stood at an all-time high of 9.659 million, an expansion of 737,000 or 8.3 per cent over the May, 1957 level of 8.922 million. Because of this comparatively bigger labor force, the ratio of employment to the total labor force, which had steadily increased from 1948 to 1957, dipped slightly in May, 1958 by 0.4 per cent as compared to May, 1957. This variation in the size of the labor force reflected the seasonal labor force participation of persons 10 years old and over. The labor force status of persons 10 years old and over is shown below:

**LABOR FORCE STATUS OF PERSONS 10 YEARS OLD AND OVER,
FOR THE PHILIPPINES: MAY, 1957 AND MAY, 1958**

(In thousands)

Date of survey	Labor force status						
	Total labor force	Employed				Unemployed	
		Number			Percentage of labor force	Number	Percentage of labor force
		Total	Agriculture	Non-agriculture			
May, 1957	8,922	8,149	4,938	3,211	91.3	773	8.7
May, 1958	9,659	8,782	5,325	3,457	90.9	878	9.1

SOURCE OF BASIC DATA: Bureau of the Census and Statistics
(Philippine Statistical Survey of Households).



The survey further confirmed that in the Philippines as in other underdeveloped countries, the problem of underemployment approaches in magnitude that of unemployment. Considering those who worked less than 30 hours a week but actually wanted additional work as visibly

underemployed, the visibly underemployed in May, 1958 numbered 686,000 compared to 530,000 in May, 1957. The following table shows the totally unemployed and underemployed based on 30 hours work per week.

TOTALLY UNEMPLOYED AND UNDEREMPLOYED MAY, 1957 AND MAY, 1958

(In thousands)

Date of survey	Totally unemployed	Underemployed persons wanting additional work and worked less than 30 hours	Totally unemployed and underemployed based on 30 hours work per week
May, 1957	773	530	1,303
May, 1958	878	686	1,564

SOURCE OF BASIC DATA: Bureau of the Census and Statistics
(Philippine Statistical Survey of Households).

There were only slight changes in the occupational distribution of the total experienced labor force in May, 1958 compared to May, 1957, as may be seen in the following table:

PER CENT DISTRIBUTION OF THE EXPERIENCED LABOR FORCE BY MAJOR OCCUPATION GROUP, MAY, 1957 AND MAY, 1958

(In thousands)

Major occupation group	May, 1958		May, 1957	
	Total experienced labor force	Per cent distribution	Total experienced labor force	Per cent distribution
T O T A L	9,237	100.00	8,626	100.00
Professional, technical and related workers	218	2.4	194	2.2
Proprietors, managers, administrators and officials	301	3.3	294	3.4
Clerical, office and related workers ...	196	2.1	184	2.1
Salesmen and related workers	594	6.4	535	6.2
Farmers, farm laborers, fishermen and related workers	5,525	59.8	5,103	59.2
Workers in mine, quarry and related occupations	22	0.2	24	0.3
Workers in operating transport occupations	176	1.9	157	1.8
Craftsmen, factory operatives and workers in related occupations	1,315	14.2	1,174	13.6
Manual workers and laborers, n.e.c. ..	209	2.3	215	2.5
Service and related workers	642	7.0	546	6.4
Occupation not reported	40	0.4	200	2.3

SOURCE OF BASIC DATA: Bureau of the Census and Statistics
(Philippine Statistical Survey of Households).

3. Non-Agricultural Employment

The non-agricultural employment index, covering firms already existing in the base year, improved further in 1958 as reports received from a sample of 1,289 cooperating non-agricultural establishments indicated increased hiring in most of the industry divisions covered. The employment index stood at 112.9 (1955 = 100), an average increase of 1.7 per cent over its corresponding level of 111.0 in 1957, compared to the previous year's rate of increase of 5.7 per cent.

The construction sector contributed heavily to the upturn in employment, registering an increment of 11.3 per cent. It appears that the construction boom which started in 1956 apparently extended into 1958 with the construction employment index rising to a new high of 171.4 for the month of June, the year closing with a monthly average of 151.1. Similarly, personal services under the services sector substantially expanded, adding 14.6 per cent more workers to their payroll. Other industries which turned in their share of increases were: electricity, gas and heat, water and sanitary services (6.0 per cent); transport and communication (3.7 per cent); services (3.5 per cent); commerce (2.7 per cent); and manufacturing (0.3 per cent).

Mining and quarrying suffered a cut-back of 7.0 per cent. It is noteworthy, however, that employment in this sector gradually picked up during the latter part of the year. Recreation services, likewise, reduced their personnel by 2.1 per cent. These two set-backs slowed the rate of advance of over-all non-agricultural employment in established firms.

EMPLOYMENT INDEX IN NON-AGRICULTURAL ESTABLISHMENTS IN THE PHILIPPINES BY INDUSTRY DIVISION, 1957-1958

(1955 = 100)

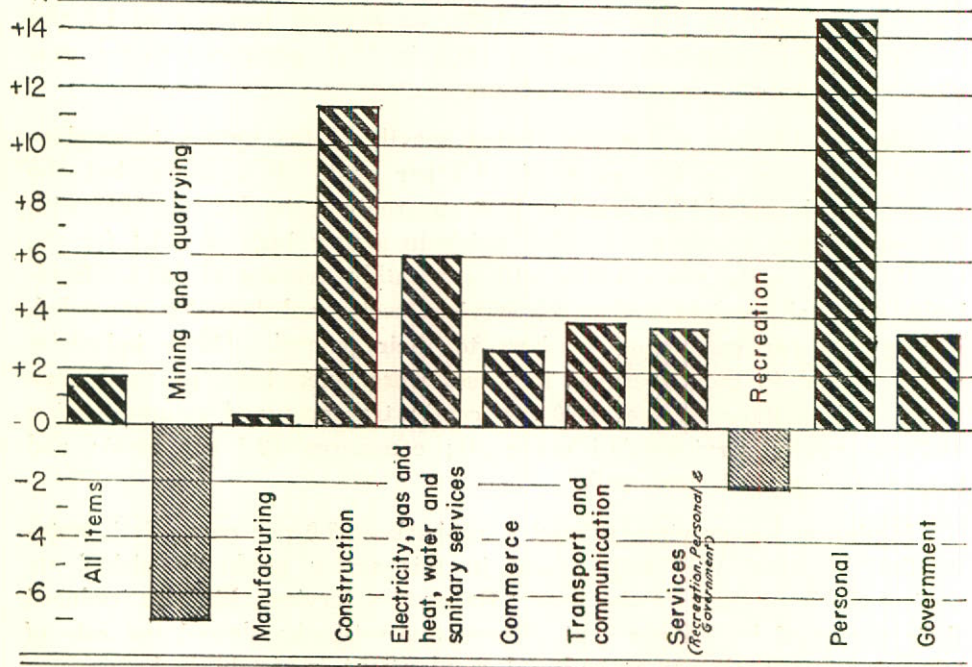
Industry division	1958	1957	Per cent change
All items	112.9	111.0	+ 1.7
Mining and quarrying	88.0	94.6	- 7.0
Manufacturing	106.5	106.2	+ 0.3
Construction	151.1	135.8	+11.3
Electricity, gas and heat, water and sanitary services	132.6	125.1	+ 6.0
Commerce	122.3	119.1	+ 2.7
Transport and communication	116.2	112.1	+ 3.7
Services	121.1	117.0	+ 3.5
Recreation ^a	107.5	109.8	- 2.1
Personal	116.3	101.5	+14.6
Government ^b	121.8	117.8	+ 3.4

SOURCE OF BASIC DATA: 1,289 cooperating establishments.

^a Actors, actresses and other players in motion picture studios are not included.

^b Covering 74 bureaus and offices.

Per Cent Change in Employment Index in
NON-AGRICULTURAL ESTABLISHMENTS IN THE PHILIPPINES
(Per Cent change) *from 1957* *by* **INDUSTRY DIVISION, 1957-1958**



4. Wage Rates

a. Non-Agricultural

Reports submitted by 102 industrial establishments in Manila and suburbs indicated a substantial improvement in the average money wage rate of skilled laborers for 1958 as its index rose to 103.5 (1955 = 100) from an average level of 100.0 in 1957, an increase of 3.5 per cent. Unskilled laborers, likewise, hiked their money wage by 0.6 per cent, its index standing at 101.0 as compared to 100.4 the year previous.

However, the real income of skilled as well as of unskilled workers reflected decreases in 1958 of 0.2 per cent and 3.0 per cent, respectively, because of comparatively higher prices. The real wage rate index of skilled laborers dipped from 95.5 in 1957 to 95.3 and that of unskilled laborers from 95.9 to 93.0.

PER CENT CHANGE IN WAGE RATE OF NON-AGRICULTURAL LABORERS IN MANILA AND SUBURBS, 1957-1958

(1955 = 100)

Wage rates	1958	1957	Per cent change
Money wage rates:			
Skilled laborers	103.5	100.0	+ 3.5
Unskilled laborers	101.0	100.4	+ 0.6
Real wage rates: ^a			
Skilled laborers	95.3	95.5	- 0.2
Unskilled laborers	93.0	95.9	- 3.0

SOURCE OF BASIC DATA: Private firms.

^a Real wage rate index is obtained by deflating money wage rate index by the consumer price index (1955 = 100) for a wage earner's family in Manila.

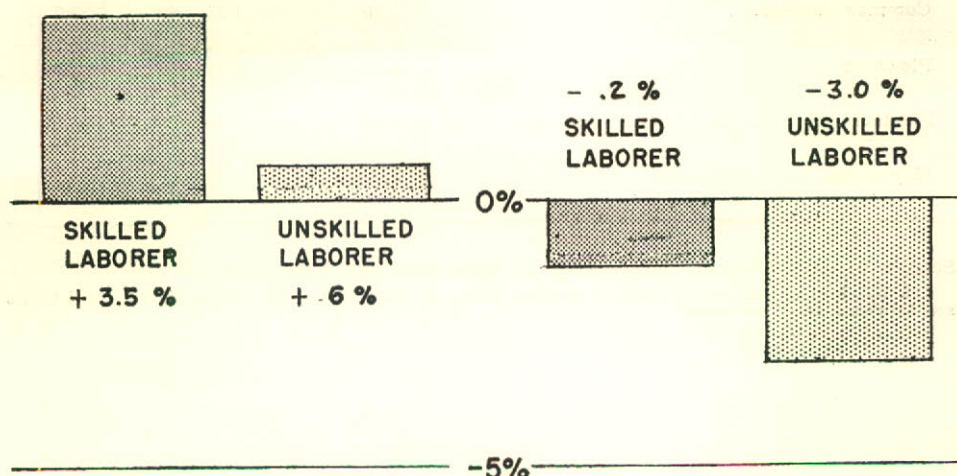
PER CENT change in the *Daily Wage Rates* OF INDUSTRIAL LABORERS 1957 & 1958

MONEY WAGE RATES

REAL WAGE RATES

(PER CENT CHANGE FROM 1957)

+ 5 %



b. *Agricultural*

The daily wage rate of agricultural laborers in the Philippines for 1958 stood at ₱1.92 as compared to ₱1.91 in 1957, an average gain of 0.5 per cent or about the same as in the previous year.

Three out of the four classes of agricultural laborers hiked their daily wage rates over their 1957 level: planters (4.6 per cent); harvesters (1.5 per cent); and common laborers (0.6 per cent). Plowmen, however, suffered a decrease in their daily wage of 2.7 per cent.

The highest paid agricultural laborers were those from the Southern Tagalog region, with a daily wage of ₱2.46 in 1958, while those from the Eastern Visayas received the least with ₱1.47.

WAGE RATES OF AGRICULTURAL LABORERS IN THE PHILIPPINES BY CLASS OF WORKER, 1957-1958

(Pesos)

Agricultural wage rates	1958 p	1957 r	Per cent change
PHILIPPINES	1.92 ^a	1.91 ^a	+ 0.5
Common laborers	1.56	1.55	+ 0.6
Plowmen	2.52	2.59	- 2.7
Planters	1.60	1.53	+ 4.6
Harvesters	2.01	1.98	+ 1.5

SOURCE OF BASIC DATA: Department of Agriculture and Natural Resources.

^a Weighted average of different farm wage rates. In addition to wages paid, agricultural laborers are furnished two free meals.

**WAGE RATES OF AGRICULTURAL LABORERS IN THE PHILIPPINES
BY CLASS OF WORKER^a AND BY REGION, 1957-1958**

(Pesos)

R e g i o n	1 9 5 7 r				1 9 5 8 p					
	Average	(1)	(2)	(3)	(4)	Average	(1)	(2)	(3)	(4)
PHILIPPINES	1.91 ^b	1.55	2.59	1.53	1.98	1.92 ^b	1.56	2.52	1.60	2.01
Ilocos	2.04	1.65	2.95	1.67	1.90	2.16	1.96	3.09	1.90	1.70
Cagayan Valley	2.08	1.70	2.94	1.67	2.01	2.03	1.62	2.94	1.48	2.06
Central Luzon	2.20	1.77	3.14	1.72	2.15	2.33	1.81	3.15	2.01	2.33
Southern Tagalog	2.54	2.01	3.33	2.09	2.71	2.46	2.00	2.99	2.20	2.64
Bicol	1.58	1.32	2.11	1.06	1.82	1.70	1.33	2.19	1.16	2.12
Eastern Visayas	1.47	1.17	2.02	1.18	1.49	1.47	1.16	1.95	1.19	1.59
Western Visayas	1.58	1.39	2.04	1.29	1.60	1.64	1.43	2.06	1.36	1.72
Northern & Eastern Mindanao	1.90	1.50	2.48	1.66	1.97	1.70	1.37	2.12	1.44	1.86
Southern & Western Mindanao	2.13	1.66	2.82	1.78	2.27	2.18	1.72	2.75	1.87	2.38

SOURCE OF BASIC DATA: Department of Agriculture and Natural Resources.

^a Column headings refer to (1) Common hired labor, (2) Plowman, (3) Planter, (4) Harvester.

^b Weighted average of different farm wage rates. In addition to wages paid, agricultural laborers are furnished two free meals.

5. Earnings

The average monthly earnings of wage earners and salaried employees, based on reports received from 787 leading business establishments, went up in 1958, registering increments of 1.0 per cent and 5.4 per cent, respectively, over their corresponding levels in 1957. The increase in earnings was due not only to the increase in the wage rates of wage and salaried workers but also to more overtime work and full-time work. This was made possible because of greater business activities particularly in the manufacturing and transportation sectors.

The monthly earnings index of wage earners stood at 105.9 (1955 = 100) for the period under review as compared to 104.9 for the same period the previous year. Production workers in the manufacturing sector substantially hiked their take-home pay by 5.3 per cent, followed by mining and quarrying with 4.9 per cent, and transport and communication with 1.1 per cent. Commerce and electricity, gas and heat, water and sanitary services, however, suffered cuts in the earnings of their wage earners of 4.6 per cent and 0.5 per cent, respectively.

Similarly, the monthly earnings of salaried employees considerably improved, their index rising to 109.0 (1955 = 100) from an average level of 103.4 in 1957. It is noteworthy that salaried employees in all industry divisions swelled their take-home pay.

PER CENT CHANGE IN THE AVERAGE MONTHLY EARNINGS^a OF SALARIED EMPLOYEES^b AND WAGE EARNERS IN SELECTED NON-AGRICULTURAL INDUSTRIES IN THE PHILIPPINES, BY INDUSTRY DIVISION, 1957-1958 (1955 = 100)

Industry division	1958	1957	Per cent change
All Workers			
Salaried employees	109.0	103.4	+ 5.4
Wage earners	105.9	104.9	+ 1.0
Mining and quarrying			
Salaried employees	103.9	94.2	+10.3
Wage earners	114.2	108.9	+ 4.9
Manufacturing			
Salaried employees	107.9	105.0	+ 2.8
Wage earners	107.0	101.6	+ 5.3
Electricity, gas and heat, water and sanitary services			
Salaried employees	103.0	101.6	+ 1.4
Wage earners	104.1	104.6	- 0.5
Commerce			
Salaried employees	111.8	107.4	+ 4.1
Wage earners	100.3	105.1	- 4.6
Transport and communication			
Salaried employees	121.9	112.9	+ 8.0
Wage earners	104.9	103.8	+ 1.1

SOURCE OF BASIC DATA: 787 cooperating establishments.

^a Does not include privileges such as food ration, lodging, recreation, etc. Includes only money wage, overtime pay and pay for sick leave, holidays and vacations taken during pay period reported, before taxes.

^b Salaried employees include executives and supervisors.

C. PRICES

1. Prices of Goods and Services in Manila

With a tightened import policy and improved export prices, continued inflationary pressures resulted in rising prices in 1958. Shortage of supply of foodstuffs due to adverse weather conditions and the reduction of imports hiked prices of domestic and imported items. A large portion of the increment, however, could be traced to substantial price improvements in export products, especially agricultural exports which registered the highest rate of increase.

On the other hand, prices in the securities market experienced a sharp decline.

PRICE INDICES IN MANILA, 1954-1958

(1955 = 100)

Index	1954	1955	1956	1957	1958	Per cent change of 1958 over:			
						1954	1955	1956	1957
1. General wholesale									
price index	102.7	100.0	103.1	107.6	111.2	+ 8.3	+11.2	+ 7.9	+ 3.3
Domestic	102.2	100.0	102.2	106.4	109.9	+ 7.5	+ 9.9	+ 7.5	+ 3.3
Home consumed ..	101.4	100.0	102.0	106.1	108.5	+ 7.0	+ 8.5	+ 6.4	+ 2.3
Export	108.5	100.0	104.3	109.2	120.8	+11.3	+20.8	+15.8	+10.6
Imported	105.2	100.0	108.8	114.6	119.2	+13.3	+19.2	+ 9.6	+ 4.0
2. Retail price index ..	102.5	100.0	104.6	107.6	112.4	+ 9.7	+12.4	+ 7.5	+ 4.5
Domestic	102.1	100.0	103.3	106.2	111.0	+ 8.7	+11.0	+ 7.5	+ 4.5
Imported	103.7	100.0	109.0	112.6	117.6	+13.4	+17.6	+ 7.9	+ 4.4
3. Consumer price index	101.0	100.0	102.7	104.5	108.0	+ 6.9	+ 8.0	+ 5.2	+ 3.3
Domestic	100.3	100.0	101.9	103.4	106.8	+ 6.5	+ 6.8	+ 4.8	+ 3.3
Imported	106.5	100.0	111.5	116.1	121.7	+14.3	+21.7	+ 9.1	+ 4.8
4. Stock price index ..	79.7	100.0	174.0	133.2	81.1	+ 1.8	-18.9	-53.4	-39.1

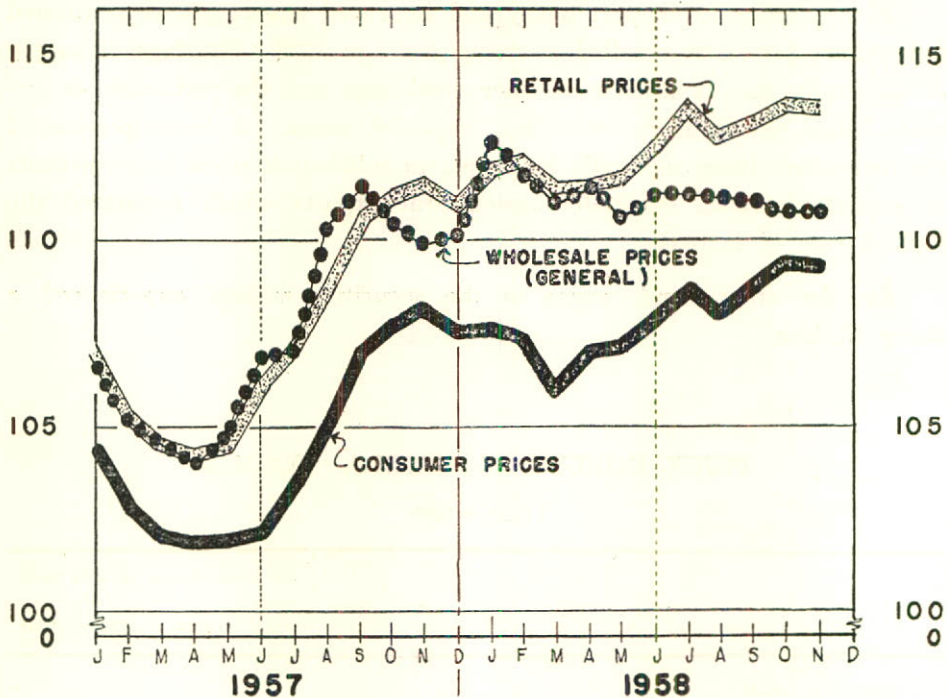
SOURCES OF BASIC DATA: Bureau of Commerce, Bureau of Fisheries, Bureau of Customs, Private firms, Public markets, Residential houses, Manila Stock Exchange.

PRICE INDICES

1957-1958

(1955=100)

(1955=100)



a. Wholesale Prices

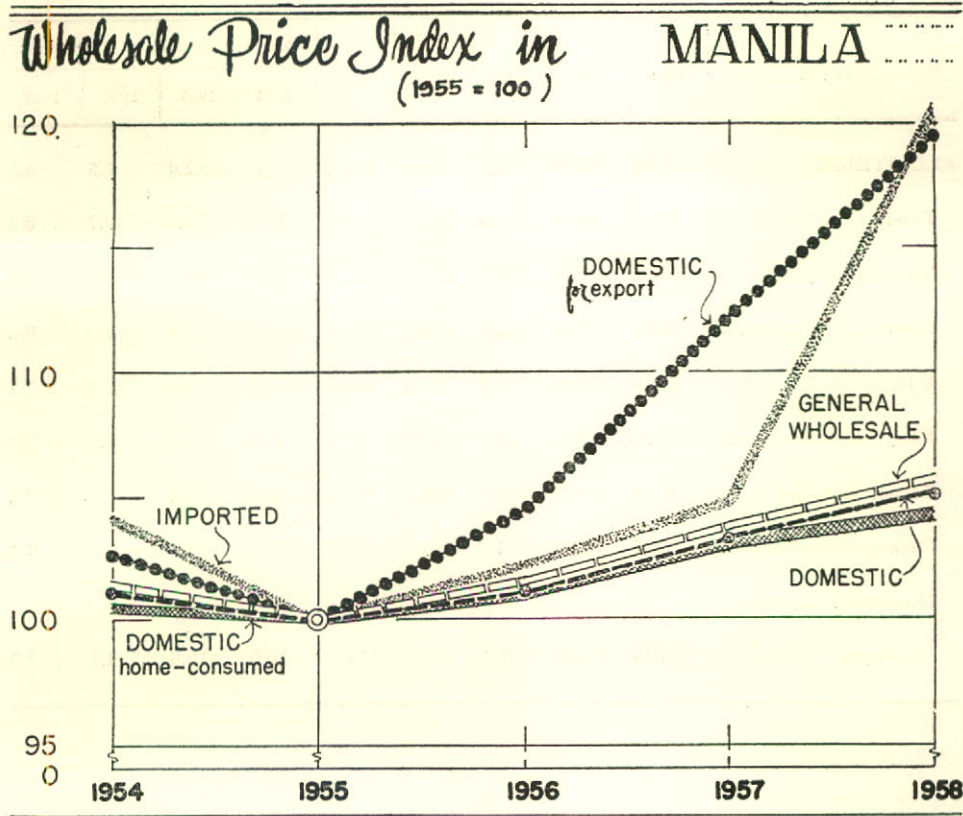
Wholesale prices in Manila reached higher levels in 1958 with the general index at 111.2 (1955=100), or an increase of 3.3 per cent over the previous year's figure.

A noticeable portion of the increment was attributable to price improvements in export products which rose by 10.6 per cent in 1958. Imports, affected by hiked tariff levies and a constantly increasing demand for producer goods (against a limited dollar reserve), also moved upward by 4.0 per cent. These price increases in exports and imports were reinforced further by an advance of 2.3 per cent in domestic products for home consumption.

The general monthly behaviour of wholesale prices throughout the year, however, was more or less stable except for the sudden rise to a record peak in January. As of December 1958, the over-all level had retreated by 1.4 per cent since the start of the year, but it was still 0.9 per cent over that of December 1957.

CHANGES IN WHOLESALE PRICE INDICES IN MANILA, 1954-1958
(1955 = 100)

Item	1954	1955	1956	1957	1958	Per cent change of 1958 over:			
						1954	1955	1956	1957
GENERAL	102.7	100.0	103.1	107.6	111.2	+ 8.3	+11.2	+ 7.9	+ 3.3
Food	101.9	100.0	101.4	107.5	110.6	+ 8.5	+10.6	+ 9.1	+ 2.9
Beverages & tobacco .	101.1	100.0	104.4	105.7	106.4	+ 5.2	+ 6.4	+ 1.9	+ 0.7
Crude materials	103.9	100.0	106.7	109.2	117.4	+13.0	+17.4	+10.0	+ 7.5
Mineral fuels	101.5	100.0	102.1	110.4	110.5	+ 8.9	+10.5	+ 8.2	+ 0.1
Animal & veg. oils & fats	..	100.0	94.2	99.2	134.6	..	+34.6	+42.9	+35.7
Chemicals	108.6	100.0	100.3	105.5	109.7	+ 1.0	+ 9.7	+ 9.4	+ 4.0
Manufactured goods .	104.6	100.0	108.8	112.8	112.9	+ 7.9	+12.9	+ 3.8	+ 0.1
Machinery & transp. equip.	103.3	100.0	102.4	106.7	115.4	+11.7	+15.4	+12.7	+ 8.2
Misc. manufactures, n.e.s.	104.3	100.0	102.3	101.8	103.9	- 0.4	+ 3.9	+ 1.6	+ 2.1
DOMESTIC	102.2	100.0	102.2	106.4	109.9	+ 7.5	+ 9.9	+ 7.5	+ 3.3
HOME-CONSUMED ...	101.4	100.0	102.0	106.1	108.5	+ 7.0	+ 8.5	+ 6.4	+ 2.3
Agricultural	100.2	100.0	101.7	107.9	111.2	+11.0	+11.2	+ 9.3	+ 3.1
Non-agricultural .	102.8	100.0	102.3	104.3	105.9	+ 3.0	+ 5.9	+ 3.5	+ 1.5
EXPORTS	108.5	100.0	104.3	109.2	120.8	+11.3	+20.8	+15.8	+10.6
Agricultural	110.9	100.0	104.6	111.9	125.0	+12.7	+25.0	+19.5	+11.7
Non-agricultural .	106.2	100.0	102.8	98.1	104.0	- 2.1	+ 4.0	+ 1.2	+ 6.0
IMPORTED	105.2	100.0	108.8	114.6	119.2	+13.3	+19.2	+ 9.6	+ 4.0



b. Retail Prices

In consonance with price developments in the wholesale sector, increases in the domestic and imported components of the retail price index of selected commodities in Manila in 1958, pushed the over-all level for the year to 112.4 (1955 = 100), reflecting an increase of 4.5 per cent over 1957.

Price hikes were recorded in all commodity groups ranging from 0.1 to 7.7 per cent, with the exception of construction materials which were 0.6 per cent lower than a year ago.

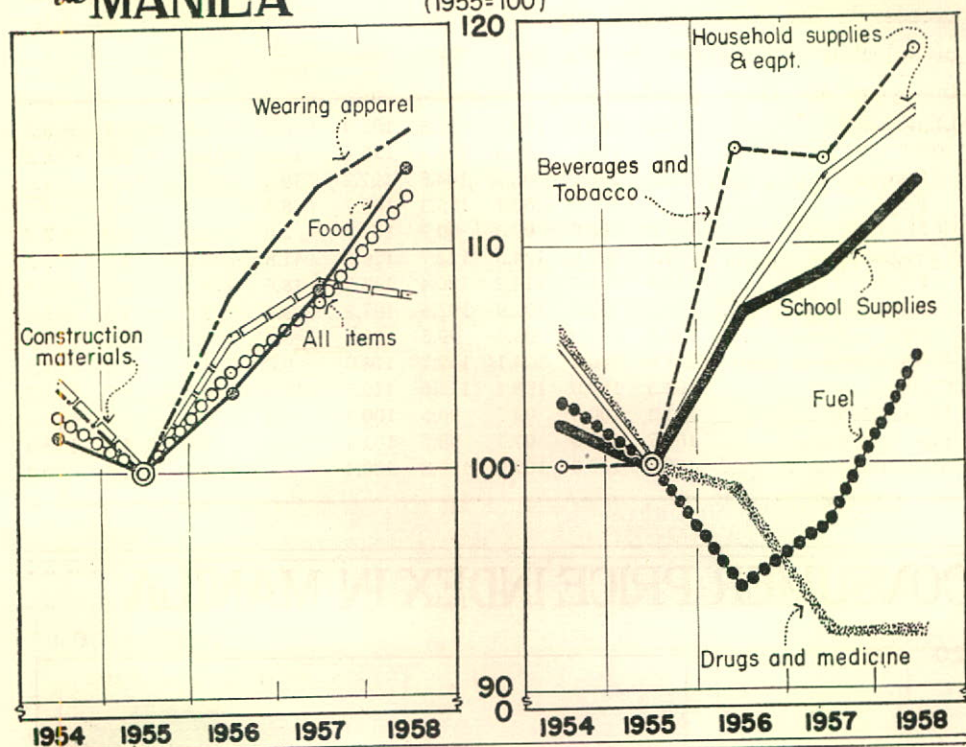
The yearly movement of prices indicated that the over-all level has been steadily and significantly rising since 1956.

CHANGES IN THE RETAIL PRICE INDEX OF SELECTED COMMODITIES IN MANILA, 1954-1958

(1955 = 100)

Item	1954	1955	1956	1957	1958	Per cent change of 1958 over:			
						1954	1955	1956	1957
ALL ITEMS	102.5	100.0	104.6	107.6	112.4	+ 9.7	+12.4	+ 7.5	+ 4.5
Food	101.7	100.0	103.6	107.1	113.7	+11.8	+13.7	+ 9.7	+ 6.2
Wearing apparel	103.7	100.0	108.0	113.0	115.3	+11.2	+15.3	+ 6.8	+ 2.0
Construction materials	104.1	100.0	106.1	108.6	107.9	+ 3.7	+ 7.9	+ 1.7	- 0.6
Fuel	102.9	100.0	94.5	97.3	104.8	+ 1.8	+ 4.8	+10.9	+ 7.7
Drugs and medicine .	106.0	100.0	98.7	92.5	92.6	-12.6	- 7.4	- 6.2	+ 0.1
School supplies	101.8	100.0	106.7	108.7	112.3	+10.3	+12.3	+ 5.2	+ 3.3
Beverages and tobacco	100.0	100.0	114.2	113.7	118.7	+18.7	+18.7	+ 3.9	+ 4.4
Household supplies & eqpt.	105.5	100.0	107.1	113.0	116.0	+10.0	+16.0	+ 8.3	+ 2.7

Retail Price Index of **SELECTED COMMODITIES** in **MANILA** 1954 - 1958 (1955=100)



c. Consumer Prices

Average consumer prices in Manila advanced 3.3 per cent in 1958 from the level in 1957. Both the domestic and imported components contributed to the over-all rise.

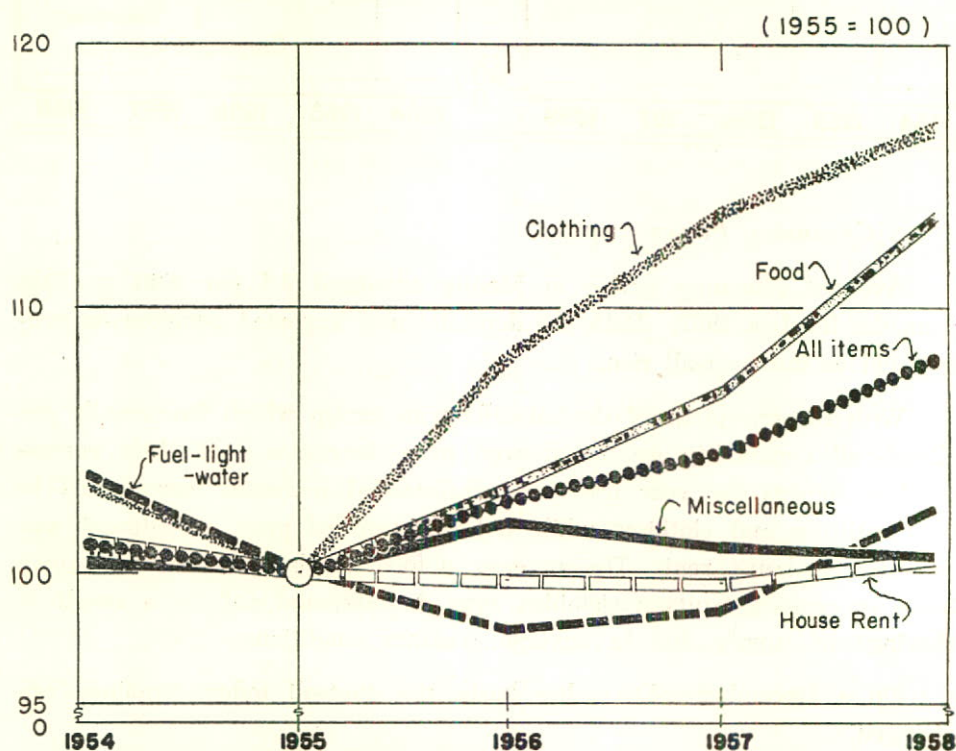
With the exception of the miscellaneous group which fractionally declined, all commodity groups showed price increases over their corresponding figures the year previous. Substantial increases were noted in food, utilities and clothing, while a slight upward price adjustment was recorded for house rent. The increase in food was brought about by price hikes in cereals, fruits, vegetables, eggs & milk, and fish as a result of shortage in supply due to adverse weather conditions.

On a December-to-December basis, the over-all index remained unchanged.

CHANGES IN THE CONSUMER PRICE INDEX IN MANILA, 1954-1958
(1955 = 100)

Item	1954	1955	1956	1957	1958	Per cent change of 1958 over:			
						1954	1955	1956	1957
ALL ITEMS	101.0	100.0	102.7	104.5	108.0	+ 6.9	+ 8.0	+ 5.2	+ 3.3
Food	100.8	100.0	103.3	106.8	113.4	+12.5	+13.4	+ 9.8	+ 6.2
Cereals	98.1	100.0	98.8	104.8	117.2	+19.5	+17.2	+18.6	+11.8
Fish	101.2	100.0	102.7	105.3	109.7	+ 8.4	+ 9.7	+ 6.8	+ 4.2
Meat	104.4	100.0	99.3	99.2	102.3	- 2.0	+ 2.3	+ 3.0	+ 3.1
Vegetables	91.1	100.0	124.3	122.7	129.2	+41.8	+29.2	+ 3.9	+ 5.3
Fruits	112.4	100.0	114.2	120.4	133.3	+18.6	+33.3	+16.7	+10.7
Eggs and milk	104.2	100.0	102.9	102.5	107.7	+ 3.4	+ 7.7	+ 4.7	+ 5.1
Fats and oils	103.4	100.0	98.9	99.5	98.0	- 5.2	- 2.0	- 0.9	- 1.5
Miscellaneous food .	103.8	100.0	104.1	112.7	114.0	+ 9.8	+14.0	+ 9.5	+ 1.2
Clothing	103.5	100.0	108.1	113.6	116.7	+12.8	+16.7	+ 8.0	+ 2.7
House Rent	101.2	100.0	99.7	99.6	100.4	- 0.8	+ 0.4	+ 0.7	+ 0.8
Fuel-light-water	103.7	100.0	97.7	98.6	102.4	- 1.3	+ 2.4	+ 4.8	+ 3.9
Miscellaneous	100.4	100.0	102.0	100.8	100.4	--	+ 0.4	- 1.6	- 0.4

CONSUMER PRICE INDEX IN MANILA



2. Retail Prices in the Provinces

Compared to 1957, prevailing retail prices of selected commodities in the provinces during 1958 were generally higher, but the rate of increase was lower compared to that of Manila. The consumer price index (1957 = 100) in the provinces stood at 102.1, or an increase of 2.1 per cent, while in Manila, it was 103.3, an increase of 3.3 per cent. Lower prices were mostly evident in foodstuffs, and fuel, light & water, and clothing. On the other hand, the commodity group "Miscellaneous" which consists of school, household, and medical supplies, beverages & tobacco, transportation and recreation services registered an increase during the year, while in Manila, a decrease was recorded.

Similar trends were exhibited by the different regions of the Philippines. It has been observed that the degree of increase of the region's consumer price index was in close correlation with their supply of rice. The Ilocos, Southern Tagalog, and Bicol regions, for example, which are all deficient in rice production, recorded the highest increases over the 1957 level, the first two by 3.1 per cent and the third by 3.0 per cent. The regions with a surplus of the main staple product, namely, Central Luzon, Cagayan Valley, Southern & Western Mindanao, and Northern & Eastern Mindanao, registered increases by 2.8 per cent, 2.4 per cent, 2.2 per cent, and 1.6 per cent, respectively. West Visayas, which is a self-sufficient region, and the only place which enjoyed a decline in the price of foodstuffs increased only by 0.3 per cent. Clothing, fuel, light & water, and miscellaneous items, too, augmented the increase in the regional consumer price index.

Price movements for the first six months for both 1957 and 1958 indicated similar fluctuations. From the high level of January, the regional consumer price index gradually declined up to May. In June it picked up again. During the second half, however, the trends of the two years were opposite. While prices were on a continuous uptrend in 1957, it was on a consistent downtrend during the current year.

This is mainly attributable to the favorable weather and bumper crop reported by most provinces which together with the importation of rice and corn by the NARIC brought down the price of rice below normal levels. The improved distribution system of the NAMARCO also contributed to a certain extent in keeping prices of some essential commodities especially canned goods at a low level. Favorable weather pulled down the prices of some vegetables, fish and fruits.

CONSUMER PRICE INDEX IN MANILA AND ALL OTHER TRADING CENTERS OF THE PHILIPPINES, 1957-1958

(1957 = 100)

Period	All Items			Food			Clothing		
	All regions	Manila	All regions excl. Manila	All regions	Manila	All regions excl. Manila	All regions	Manila	All regions excl. Manila
1957	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
January	98.1	99.9	98.0	95.7	98.5	95.5	101.1	100.0	101.2
February	97.7	98.4	97.7	95.4	95.2	95.6	100.9	100.1	101.0
March	97.7	97.6	97.7	95.4	93.7	95.6	99.6	99.6	99.6
April	98.0	97.4	98.0	96.0	93.4	96.2	99.7	98.9	99.8
May	98.1	97.5	98.1	96.0	93.4	96.3	101.1	99.0	101.3
June	99.2	97.8	99.3	98.6	96.7	98.9	100.5	99.7	100.6
July	100.3	98.9	100.4	100.9	99.1	101.0	100.1	100.0	100.1
August	101.1	100.6	101.1	102.3	102.1	102.3	99.0	100.0	98.9
September	102.1	102.3	102.1	104.2	105.6	104.1	99.5	99.8	99.5
October	102.9	103.1	102.9	105.9	107.4	105.8	99.2	100.9	99.0
November	102.4	103.5	102.3	105.0	108.0	104.8	99.0	101.1	98.8
December	102.3	102.9	102.3	104.6	106.6	104.5	100.3	101.1	100.3
1958	102.2	103.3	102.1	103.6	106.2	103.4	102.6	102.7	102.6
January	103.0	103.0	103.0	105.8	106.1	105.8	101.5	102.7	101.4
February	102.9	102.8	102.9	105.1	105.2	105.1	101.8	103.9	101.4
March	102.4	101.3	102.5	103.9	102.5	104.1	102.0	101.8	102.2
April	101.7	102.4	101.6	102.6	104.5	102.5	102.3	101.9	102.4
May	102.1	102.6	102.2	103.5	104.4	103.4	102.3	101.9	102.4
June	102.5	103.2	102.4	104.2	105.5	104.1	103.3	102.8	103.7
July	103.1	104.0	103.0	105.4	107.7	105.2	103.3	102.6	103.3
August	102.5	103.4	102.4	104.3	106.7	104.1	102.9	102.7	102.9
September	102.2	104.0	102.1	103.4	107.8	103.0	102.6	103.3	102.4
October	102.0	104.7	101.8	103.7	109.0	102.5	103.3	103.3	103.3
November	100.9	104.7	100.6	101.1	108.1	100.5	102.4	102.7	102.4
December	101.0	104.2	100.7	100.4	106.6	99.9	103.9	103.7	104.0

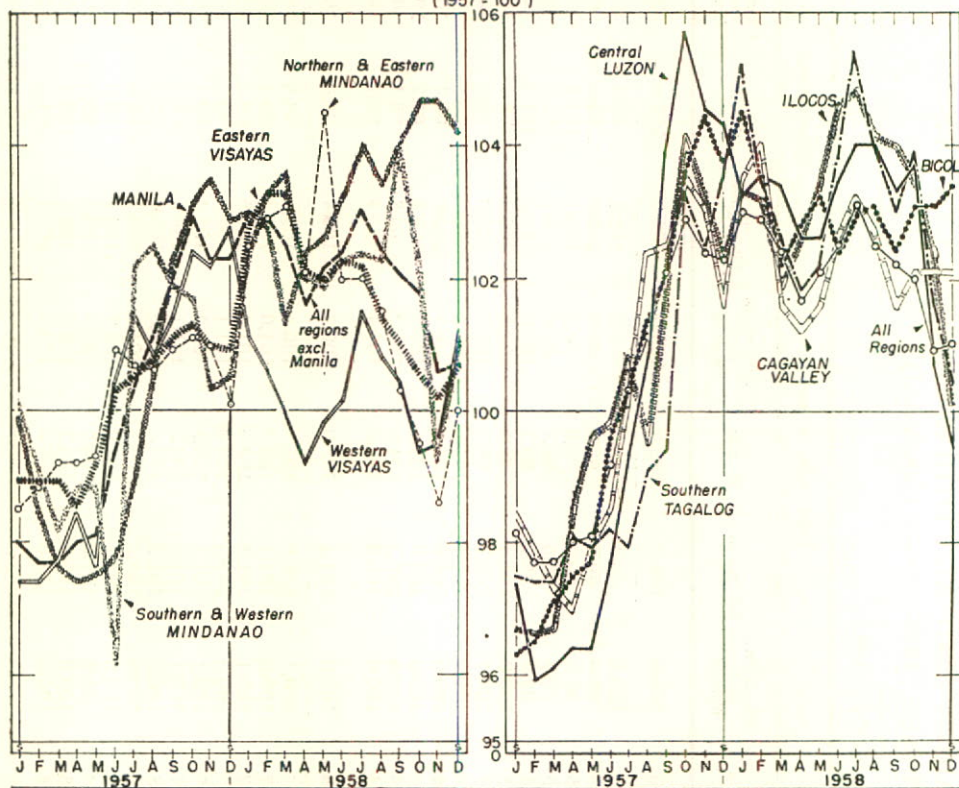
CONSUMER PRICE INDEX IN MANILA AND ALL OTHER TRADING CENTERS
OF THE PHILIPPINES, 1957-1958 — (Concluded)

(1957 = 100)

Period	Rent			Fuel, light & water			Miscellaneous		
	All regions	Manila	All regions excl. Manila	All regions	Manila	All regions excl. Manila	All regions	Manila	All regions excl. Manila
1957	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
January	99.9	99.5	100.0	99.4	98.4	99.5	100.2	102.5	100.0
February	99.9	99.5	99.9	99.2	98.5	99.2	100.0	102.6	99.8
March	99.9	99.5	99.9	99.3	99.0	99.3	100.1	102.7	99.9
April	99.9	99.5	99.9	99.6	99.1	99.6	100.1	102.8	99.9
May	99.9	99.5	99.9	99.9	99.1	100.0	99.9	102.9	99.7
June	100.0	99.5	100.0	100.4	99.1	100.5	100.3	98.2	100.5
July	100.1	100.4	100.1	100.2	99.1	100.3	100.0	98.0	100.2
August	100.1	100.4	100.1	100.4	101.6	100.3	99.0	98.1	99.1
September	100.0	100.4	100.0	100.0	101.6	99.9	100.0	98.1	100.2
October	100.1	100.4	100.0	100.8	101.6	100.8	99.8	97.7	100.0
November	100.0	100.4	100.0	100.3	101.6	100.2	99.8	98.1	99.9
December	100.1	100.4	100.0	100.5	101.6	100.4	99.9	98.2	100.0
1958	100.1	100.8	100.0	101.1	103.9	100.9	100.4	99.6	100.5
January	100.2	100.7	100.1	100.5	101.8	100.4	100.0	98.8	100.1
February	100.0	100.7	100.1	101.1	102.3	101.0	100.4	99.2	100.5
March	100.1	100.7	100.1	101.5	102.6	101.4	100.5	99.2	100.6
April	100.1	100.7	100.0	101.3	103.9	101.1	99.9	99.3	100.4
May	100.1	100.7	100.1	101.2	104.3	100.9	100.4	100.1	100.4
June	100.2	100.7	100.1	101.3	104.2	101.1	100.4	100.1	100.4
July	100.1	100.8	100.0	101.2	104.2	101.0	100.4	99.4	100.5
August	100.1	100.8	100.0	101.2	103.7	101.0	100.3	98.9	100.4
September	100.1	100.8	100.0	101.2	103.9	100.9	100.4	98.9	100.5
October	100.1	100.8	99.9	101.0	104.2	100.8	100.3	99.2	100.4
November	100.1	100.8	100.0	100.9	105.3	100.5	100.3	100.4	100.3
December	100.0	100.8	100.0	101.3	105.9	100.9	101.1	101.2	101.1

CONSUMER PRICE INDEX IN MANILA AND ALL OTHER TRADING CENTERS OF THE PHILIPPINES

(1957 = 100)



NOTES ON THE CALCULATION OF THE CONSUMER PRICE INDEX IN THE TRADING CENTERS OF THE PHILIPPINES

Base period: The base period which relates to prices is 1957.

Composition: The number of items and the corresponding relative importance of each group of expenditures in the consumers' budget for each trading region are as follows:

COMPOSITION OF THE CONSUMERS' PRICE INDEX IN THE TRADING CENTERS OF THE PHILIPPINES

Commodity	No. of items	Percentage Weights ¹				
		Manila	Ilocos	Cagayan Valley	Central Luzon	Southern Luzon (Tagalog)
ALL ITEMS	156	100.00	100.00	100.00	100.00	100.00
Food	60	47.50	51.92	46.50	52.21	48.30
Cereals	7	14.71	25.27	21.07	19.20	20.44
Fish	9	8.50	4.49	5.25	8.70	7.43
Meat	7	6.90	9.83	7.65	9.83	5.04
Vegetables	12	4.13	2.19	3.04	3.24	2.79
Fruits and nuts	5	1.57	1.38	0.57	1.53	1.38
Eggs and milk	6	4.03	3.30	2.13	4.03	1.84
Fats and oils	3	1.63	1.25	2.06	1.42	0.88
Miscellaneous foods ..	11	6.03	4.21	4.75	4.27	8.51
Clothing	25	8.32	7.29	8.65	8.41	7.85
Men's wearing apparel	9	4.35	3.11	4.27	4.33	4.14
Women's wearing apparel	7	3.43	2.74	3.16	2.91	2.79
Children's wearing apparel	4	0.44	0.92	0.76	0.93	0.75
Textiles, sewing accessories for repairs & alterations	5	0.10	0.52	0.46	0.24	0.17
Rent and repairs	7	7.81	6.54	3.85	4.62	6.09
House rent	1	7.81	6.43	3.77	4.59	5.77
Repairs	6		0.11	0.08	0.03	0.32
Fuel, light & water ...	6	5.23	3.16	4.57	3.16	4.67
Miscellaneous	58	31.14	31.09	36.43	31.60	33.09
House furnishings	15	2.42	1.26	5.23	2.48	1.54
Household operations ..	3	4.43	2.32	4.30	2.60	2.96
Personal care	9	2.82	3.86	4.78	3.30	3.99
Education	7	5.93	3.62	2.06	4.40	4.40
Medical care	14	2.32	6.46	6.01	5.47	5.91
Transportation	1	4.89	3.43	2.32	3.86	3.37
Beverages & tobacco ..	6	4.87	6.48	6.77	4.16	5.46
Recreation	1	3.26	3.57	4.34	6.16	5.23
Taxes	2	0.20	0.09	0.63	0.33	0.24

COMPOSITION OF THE CONSUMERS' PRICE INDEX IN THE TRADING CENTERS OF THE PHILIPPINES (Concluded)

Commodity	Percentage Weights ¹					
	No. of items	Bicol	West Visayas	Visayas	Southern & Western Mindanao	Northern & Eastern Mindanao
ALL ITEMS	156	100.00	100.00	100.00	100.00	100.00
Food ..	60	57.26	45.03	45.45	49.58	52.71
Cereals	7	24.48	17.53	22.20	23.68	25.30
Fish	9	12.59	10.19	9.14	8.86	9.15
Meat	7	4.15	3.90	5.26	8.87	6.24
Vegetables	12	2.02	3.02	2.55	1.69	2.63
Fruits and nuts	5	1.24	1.20	1.48	1.14	1.22
Eggs and milk	6	3.79	2.92	2.63	2.85	2.32
Fats and oils	3	1.76	1.04	0.75	0.99	0.86
Miscellaneous foods ..	11	7.24	5.24	3.43	4.50	4.99
Clothing	25	6.45	8.13	7.45	8.17	8.97
Men's wearing apparel	9	3.36	4.02	3.85	3.67	4.70
Women's wearing apparel	7	2.28	2.77	2.67	2.78	2.70
Children's wearing apparel	4	0.56	1.06	0.65	1.11	1.12
Textiles, sewing accessories for repairs & alterations	5	0.25	0.28	0.28	0.62	0.45
Rent and repairs	7	2.94	5.61	5.74	4.41	4.07
House rent	5	2.77	5.43	5.38	3.82	3.98
Repairs	6	0.17	0.18	0.36	0.59	0.09
Fuel, light & water	6	4.86	5.64	4.81	5.86	4.86
Miscellaneous	58	28.49	35.59	34.57	31.98	29.39
House furnishings	15	2.22	2.00	2.71	3.06	5.15
Household operations .	3	2.07	3.89	2.96	3.97	3.91
Personal care	9	3.02	3.50	3.57	4.87	4.65
Education	7	3.81	2.67	3.80	1.57	0.98
Medical care	14	5.98	4.04	4.54	3.91	4.04
Transportation	1	1.75	3.19	4.37	3.97	1.61
Beverages & tobacco .	6	4.59	7.08	5.29	6.31	4.87
Recreation	1	4.62	7.57	7.17	4.18	3.44
Taxes	2	0.43	1.65	0.18	0.15	0.38

¹ Except for the weights for Manila, those for all other regions are based on the Philippine Statistical Survey of Households conducted by the National Economic Council in May 1956.

Price Data: Prices are collected from retail stores and public markets in forty-four (44) trading centers outside Manila. The program for this expanded coverage of price statistics as initiated and prepared by the Department of Economic Research and approved by the Monetary Board, Central Bank of the Philippines, was achieved with the assistance of the Office of the Statistical Coordination and Standards of the National Economic Council and various government agencies.¹

The selection of the trading areas was based on the findings of the NEC-ICA Transportation Survey (see Appendix 1). Prices are compiled by the fieldmen every Wednesday of the week and every mid-month from four to five outlets for each item. The outlets are chosen on the basis of the gross sales of the stores in the area. Average weekly prices, however, are observed to be practically the same as those for the mid-month. In view of this, mid-month prices are used in the calculation of the index. Rent data refers mostly to imputed rent of owner-occupied houses (which were compiled from the Philippine Statistical Survey of Households, May 1956) and partly to prices of some construction materials for repairs.

Computation: The index is a base weighted arithmetic average of price relatives. Prices from each trading center are averaged for each region. After price relatives are computed, a regional index is calculated by using the consumption expenditure pattern for each region as weights. These weights are based on the Philippine Statistical Survey of Households conducted by the National Economic Council in May, 1956. The regional indexes are then combined into a countrywide (including Manila) average, weighted by the household population for each region distributed as follows:

<u>Region</u>	<u>No. of Households a</u>
Cagayan Valley	172,500
Ilocos	233,000
Central Luzon	572,500
Southern Luzon (Tagalog)	513,750
Bicol	223,000
Western Visayas	602,500
Eastern Visayas	828,500
Southern & Western Mindanao	283,500
Northern & Eastern Mindanao	288,500
Manila	307,001
All Regions	<u>4,024,751</u>

¹ International Cooperation Administration; Philippine National Bank; Statistical Training Center; Rehabilitation Finance Corporation; National Marketing Corporation; Bureau of Commerce; Bureau of the Census & Statistics; Department of Labor; Office of National Planning—Trade & Commerce (NEC).

a Based on the Philippine Statistical Survey of Households in May and October, 1956.

LIST OF TRADING CENTERS BY REGION

- | | |
|---|--|
| <p>I Ilocos Region</p> <ol style="list-style-type: none"> 1. Laoag 2. Vigan 3. San Fernando, La Union 4. Baguio City | <p>V Bicol Region</p> <ol style="list-style-type: none"> 1. Legaspi 2. Naga City |
| <p>II Cagayan Valley</p> <ol style="list-style-type: none"> 1. Aparri 2. Tuguegarao 3. Ilagan 4. Santiago 5. Solano 6. Bayombong | <p>VI Western Visayas</p> <ol style="list-style-type: none"> 1. Roxas City 2. Iloilo City 3. Bacolod City |
| <p>III Central Luzon</p> <ol style="list-style-type: none"> 1. Dagupan City 2. Urdaneta 3. San Jose, Nueva Ecija 4. Cabanatuan City 5. Tarlac 6. San Fernando, Pampanga 7. Malolos 8. Balanga 9. Olongapo | <p>VII Eastern Visayas</p> <ol style="list-style-type: none"> 1. Cebu City 2. Dumaguete City 3. Tacloban City 4. Catbalogan 5. Calbayog 6. Tagbilaran |
| <p>IV Southern Luzon (Tagalog)</p> <ol style="list-style-type: none"> 1. Batangas 2. Lipa City 3. Lucena 4. San Pablo City | <p>VIII Southern & Western Mindanao</p> <ol style="list-style-type: none"> 1. Dipolog 2. Zamboanga 3. Cotabato |
| | <p>IX Northern & Eastern Mindanao</p> <ol style="list-style-type: none"> 1. Iligan City 2. Cagayan de Oro City 3. Butuan City 4. Surigao 5. Ozamis City 6. Oroquieta 7. Davao City |

3. Stock Prices

Prices in the securities market in 1958 experienced a sharp decline in spite of the substantial rallies by all sectors during the last quarter of the period in review. The average index for all establishments during the year stood at 81.1 (1955 = 100) — a loss of 39.1 per cent compared to the figure a year previous. This level, however, was higher by 1.8 per cent than in 1954.

The weakening of world copper quotations and the lack of demand for chrome from foreign buyers due to recessionary tendencies in the United States developed a relatively bearish market in the mining sector during the earlier part of the year. This was followed by mild recoveries generated by new oil issues which drew favorable market reactions. The noticeable spurt was noted in mines during the last quarter on account of the renewed firmness of world copper prices, the improvement in the prices of gold in the local market, and the issuance of Central Bank Circular No. 90. The average index of 73.7 was, nevertheless, still 45.6 per cent below the figure last year.

On the other hand, Commercial & Industrial, Banks and Sugar established new average peaks of 131.7, 140.1 and 128.6, thus increasing their previous levels by 11.0 per cent, 10.8 per cent and 27.6 per cent, respectively. However, these increases failed to offset losses posted by Mines and Insurance.

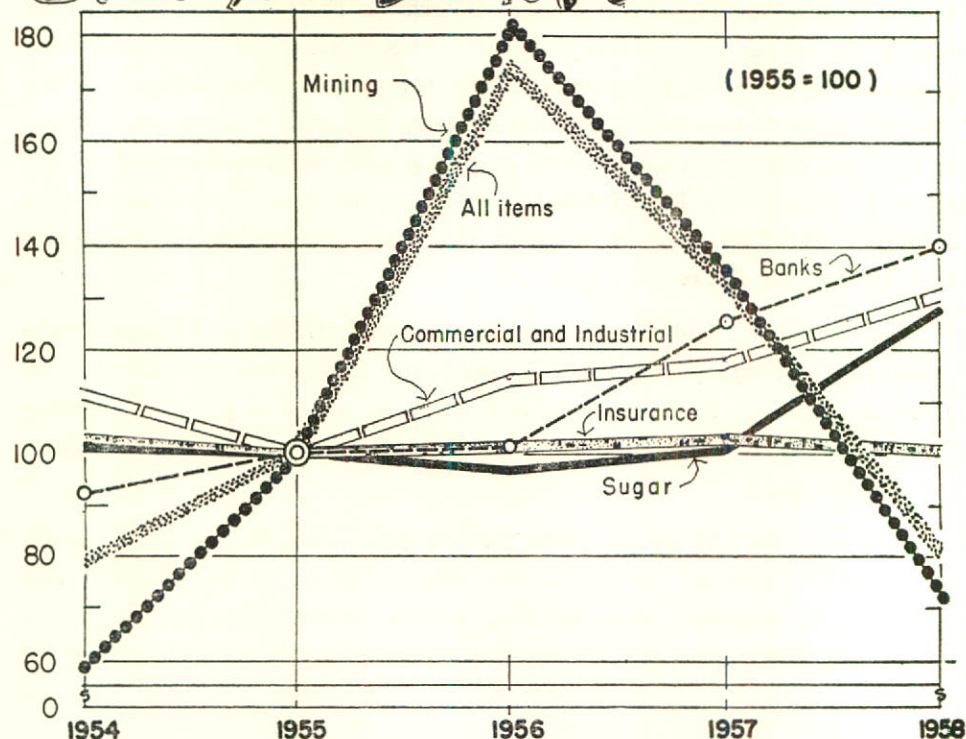
Turnover for the period under review was 4,369,041,267 shares worth P244,528,353 compared to 468,928,657 shares valued at P109,732,820 last year. These increases were ascribed to the concentration of trading in the mining sector since the appearance of speculatively promising new oil issues.

CHANGES IN THE STOCK PRICE INDEX IN MANILA, 1954-1958

(1955 = 100)

I t e m	1954	1955	1956	1957	1958	Per cent change of 1958 over:			
						1954	1955	1956	1957
ALL ESTABLISH- MENTS	79.7	100.0	174.0	133.2	81.1	+ 1.8	-18.9	-53.4	-39.1
Banks	92.0	100.0	101.2	126.4	140.1	+52.3	+40.1	+38.4	+10.8
Insurance	102.7	100.0	101.2	103.0	101.3	- 1.4	+ 1.3	+ 0.1	- 1.7
Commercial and Industrial	111.5	100.0	114.9	118.6	131.7	+18.1	+31.7	+14.6	+11.0
Mining	59.3	100.0	182.8	135.5	73.7	+24.3	-26.3	-59.7	-45.6
Sugar	101.0	100.0	97.9	100.8	128.6	+27.3	+28.6	+31.4	+27.6

Stock Price Index for MANILA



CHAPTER III

THE BALANCE OF PAYMENTS

A. OVER-ALL POSITION

The balance of payments position of the Philippines, which in 1957 experienced a sharp deterioration, improved considerably in 1958. Notwithstanding the relative dullness in world economic activities, adverse climatic factors and the sustained stepped-up development of the domestic economy, current transactions for 1958 showed a smaller deficit—\$96.4 million against the previous year's \$214.5 million. The trade gap narrowed down from \$187.1 million to \$88.0 million, resulting from an all-time high in export shipments and a substantial reduction in imports as a result of tighter import policies adopted during the year in an effort to curb the drain on the country's foreign exchange resources. In spite of smaller net borrowings from external sources, and reduced aids and grants from the United States Government and other international organizations, the country was able to finance the current movement of goods and services without having to draw down its international reserves as shown in the table below:

INTERNATIONAL FINANCIAL TRANSACTIONS ^a 1955-1958

(Million U. S. Dollars)

I t e m	1955	1956	1957 r	1958 p
A. Goods and Services ^b				
Exports, f.o.b.	389.7	437.7	429.4	482.6
Imports, f.o.b.	-550.8	-508.7	-616.5	-570.6
Trade Balance	-161.1	-71.0	-187.1	-88.0
U.S. Gov't Expenditures	126.4	113.3	108.3	92.8
Net Invisible Movement	-125.7	-112.3	-135.7	-101.2
Surplus or Deficit (—)	-160.4	-70.0	-214.5	-96.4
B. Means of Financing ^c				
International Reserve Movement	63.5	-15.5	84.7	-5.3
Loans (official & private)	9.9	11.8	59.3	25.1
Donations:				
Private	7.8	5.5	8.7	17.6
Official:				
U.S. Gov't. Grants	24.1	33.4	25.8	19.2
U.N. Agencies	—	—	.6	.6
Reparations from Japan	—	—	26.4	11.8
Other Public & Private Capital Movement	59.1	58.7	38.8	19.6
C. Errors and Omissions	-4.0	-23.9	-29.8 ^d	7.8
T o t a l	160.4	70.0	214.5	96.4

a No sign indicates credit; minus sign, debit.

b A debit entry refers to a net disbursements; a credit entry, a net receipt.

c A debit entry indicates an increase in net assets; a credit entry, a decrease in net assets.

d A large portion of the error and omissions for 1957 may be due to the recording lag in arrivals of goods under the deferred payment plan, reparations agreement and forward exchange commitments.

B. FOREIGN TRADE

1. Over-All Trade

The year under review marked a significant improvement in the country's foreign trade, with total trade reaching an unprecedented level of ₱2,110.8 million, surpassing even the preceding year's all time high of ₱2,092.3 million despite world economic dullness, drought, and the existence of trade malpractices. An important factor in this development was the marked expansion in exports, reaching an all-time record of ₱986.6 million.¹ This represented a gain of 14 per cent over the previous year, brought about by better prices and stepped-up production of some export products, particularly sugar. Moreover, imports declined by 9 per cent due to retrenchment, from ₱1,229.2 million to ₱1,124.2 million, in contrast to an increase of 21 per cent from 1956 to 1957. As a result, the trade deficit amounted to only ₱137.6 million,² as compared to a trade deficit of ₱366.1 million in 1957.

There were no significant changes in the direction of trade, with the United States and Japan continuing to be our major trading partners.

¹ Inclusive of re-exports.

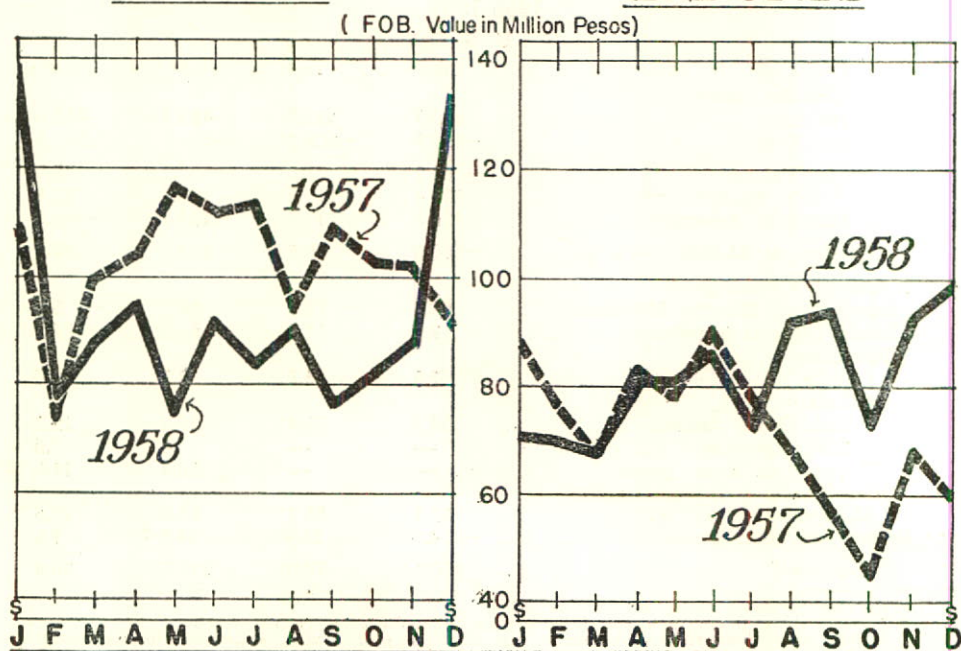
² Based on actual shipments and arrivals of goods. This differs from the balance of payments figures due to adjustments such as personal effects, concentrates containing gold exported for processing, and imports of exposed and developed films ownership of which does not change.

FOREIGN TRADE OF THE Philippines

1957 & 1958

IMPORTS

EXPORTS



2. Exports

The pattern of exports by commodity group remained basically the same as in previous years. Inedible crude materials (particularly oil seeds, oil nuts & oil kernels, and wood, lumber & cork) comprised 60 per cent of total exports. The other major commodity group was food which garnered 30 per cent, mainly because of large exports of sugar & sugar preparations. Each of the other groups accounted for less than 5 per cent. The largest percentage gains in value were made by manufactured goods, particularly rubber¹ and wood & cork manufactures² which rose by 86 per cent, non-electrical machinery & transport equipment (79 per cent) and beverages & tobacco (60 per cent). The gain in the latter group was due to an increase in tobacco exports of 65 per cent. On an absolute basis, however, the greatest increases in export value were registered by food (P62.1 million) and inedible crude materials (except fuels) amounting to P39.7 million.

Exports increased steadily on a quarterly basis. This trend was divergent from that of the quarterly average from 1954 to 1957 when, during the last two quarters, export values declined. In the third quarter of 1958, exports increased by P10.0 million in sharp contrast to a decrease of P27.3 million during the corresponding period of the 1954-57 average. During the last quarter, exports gained by another P5.0 million, while exports during the comparable period of the 1954-57 average declined by P5.6 million.

Most of the ten principal exports retained their ranking in 1958. However, desiccated coconut replaced chromite ore for 6th place while copper concentrates climbed from 8th to 7th place. Chromite ore, on the other hand, dropped from 6th to 8th place. Canned pineapple replaced pineapple juice in 10th place. The ten leading exports accounted for 88 per cent of total domestic exports for 1958, equal to the previous year. Copra and centrifugal sugar getting the largest shares with 28 per cent and 24 per cent, respectively.

Export values of some products decreased but were more than offset by increments in other commodities. The largest percentage gains in value were experienced by logs & lumber, sugar, and copper concentrates. These commodities all attained historic peaks in value. Export values of copra, coconut oil and desiccated coconut exports also increased, with the first two reaching levels only second to those attained during the abnormal Korean War boom. On the other hand, unmanufactured abaca, chromite ore, and iron ore suffered substantial reductions.

¹ Consisting mainly of auto and truck tires and tubes and manufactures of soft and hard rubber.

² Composed largely of plywood and veneer.

TEN PRINCIPAL EXPORTS, 1957-1958

(F.O.B. Value in Thousand Pesos)

(Quantity in Thousand Kilograms)

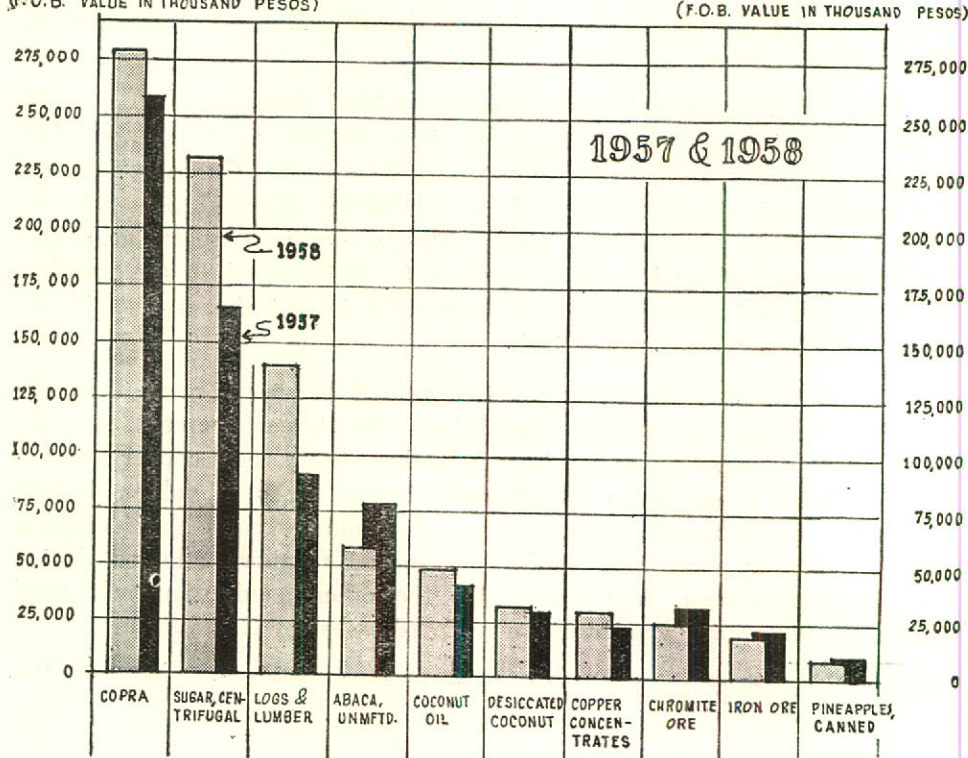
Commodity	1958		1957		Per cent change	
	Quantity	Value	Quantity	Value	Quantity	Value
Total Domestic Exports ..		982,364		858,570		+14.4
Total Ten Principal Exports		869,056		759,518		+14.4
Copra	811,878	278,158	943,011	263,917	-13.9	+ 5.4
Sugar (<i>centrifugal</i>)	969,599	231,066	709,112	165,604	+36.7	+39.5
Logs & lumber ¹	1,369,953	139,322	854,721	90,117	+60.3	+54.6
Abaca, <i>unmanufactured</i> ..	92,800	57,630	115,804	77,977	-19.9	-26.1
Coconut oil	86,596	48,183	97,646	42,711	-11.3	+12.8
Desiccated coconut	51,631	32,819	54,935	30,307	- 6.0	+ 8.3
Copper concentrates	160,816	29,556	110,771	24,872	+45.2	+18.8
Chromite ore	605,600	25,213	732,949	32,742	-17.4	-23.0
Iron ore	1,048,817	18,301	1,307,150	22,160	-19.8	-17.4
Pineapple, <i>canned</i>	21,330	8,808	21,535	9,111	- 1.0	- 3.3

¹ Quantity in thousand board feet.

TEN PRINCIPAL EXPORTS

(F.O.B. VALUE IN THOUSAND PESOS)

(F.O.B. VALUE IN THOUSAND PESOS)



Exports of sugar (volume as well as value) were the highest so far recorded since 1949, and established a new record in value. This was brought about by increased production in response to the restoration of domestic production quotas, the largest post-war harvest since the 1953-54 bumper crop, and firm demand abroad due to the political unrest in Cuba. Although prices increased only slightly, the substantial gain in volume of 37 per cent resulted in an increase in value of 40 per cent, reaching a total of ₱231.1 million. As has been the practice in previous years, the bulk of sugar shipments was made to the United States.

For the first time in the history of the logs & lumber industry, exports reached the one-billion-board-feet mark. The total value of ₱139.3 million (an increment of 55 per cent) was also the highest on record. Prices, however, were slightly lower than last year. The bulk of exports was shipped to Japan (77 per cent), and to a lesser extent, the United States. The stepped-up purchase of logs & lumber by Japan in 1958 (+64 per cent) was precipitated by a sharp decline in inventory, which in 1957 was quite large. Shipments to other countries like Korea, China and the Union of South Africa were minimal.

Similarly, exports of copper concentrates reached an all-time high of ₱29.6 million, representing an increase of 19 per cent, made possible in spite of a substantial price deterioration because of a much greater volume increase of 45 per cent. All exports of this commodity in the year under review went to Japan while the previous year 22 per cent went to other countries.

On the other hand, coconut oil, desiccated coconut and copra registered appreciable increases in value despite a decrease in export quantum due to a significant improvement of prices, ranging from 15 to 27 per cent. Production of these products deteriorated because of adverse weather conditions and *kadang-kadang* disease. Moreover, in the case of copra, the continued smuggling of copra by barter to Borneo through the port of Jolo adversely affected export volume.¹ In spite of a decline in volume of coconut oil exports, the value still represented the highest since 1949 with the exception of 1951. About 95 per cent of total exports of both desiccated coconut and coconut oil were shipped to the United States; for copra, 39 per cent were exported to the United States and 31 per cent to the Netherlands.

Unmanufactured abaca suffered a reduction of 26 per cent in value resulting from a deterioration in both quantity and price. Unfavorable weather conditions coupled with mosaic disease vitally affected the production of this export product. As has been the pattern in past years, abaca exports were made principally to the United States, Japan and the United Kingdom.

¹ For example, recorded Philippine exports to North Borneo of "crude materials inedible" (ECAFE classification, in this case, largely copra) in 1957 were \$23,100 while North Borneo figures showed imports of the same commodity group from the Philippines valued at \$3,579,626.

The export value of canned pineapple declined slightly, with both the quantum and price going down as a result of stronger competition abroad. The figure for the year under review, which was P8.8 million, was the lowest since 1949. A drastic decline took place in 1954 caused by a labor strike and an over-supply of this commodity in world markets and from which exportation in succeeding years has not fully recovered. More than 80 per cent of Philippine exports of canned pineapples were made to the United States.

Chromite ore exports were lower than in both 1956 and 1957, but still higher than any year from 1949 to 1955. The percentage share of shipments to Japan decreased, while at the same time that to the United States increased appreciably. The volume decrement amounted to 17 per cent, which, coupled with a small reduction in price, resulted in a decline in value of 23 per cent.

At the same time, iron ore declined in value by 17 per cent, with a reduction in quantity and no improvement in prices. Practically all exports of iron ore went to Japan. During the previous year, the Philippines monopolized the Japanese market, but in the year under review, shared it with India and Malaya.

3. Imports

Total imports in 1958 dropped by P105.0 million or 9 per cent compared to the previous year. This decline was due mainly to a 10 per cent reduction in the importation of capital goods. Importation of consumption goods mostly comprising rice, corn and wheat flour increased slightly by 1 per cent to avert anticipated rice and corn shortages due to poor yields the preceding year. This partly offset the substantial decline in imports of capital goods. This great change in the import picture was due to (a) the retrenchment policy of the Central Bank, as manifested in a substantially reduced import budget and a stringent foreign exchange policy on the establishment of new industries, and (b) the temporary suspension of barter transactions under R. A. 1410 towards the end of the year.

In spite of the appreciable reduction in the importation of capital goods, the relative share of capital goods to total imports remained about the same. There was, however, a marked improvement in the composition of capital goods. Importation of semi-processed raw materials and supplies both decreased by 16 per cent while that of unprocessed raw materials increased by 37 per cent. Importation of machinery and equipment, on the other hand, decreased slightly. Despite the improved pattern of importation, semi-processed raw materials still account for 48 per cent of total imports as compared to 8 per cent for unprocessed raw materials, 13 per cent for supplies and 12 per cent for machinery and

equipment. Under the classification of consumption goods, durable items such as cars and home appliances dropped by 22 per cent while non-durable goods which include perishable items like food, particularly rice, medicine and clothing, rose by 2 per cent.

TOTAL IMPORTS CLASSIFIED ACCORDING TO END USE 1957 and 1958

(F.O.B. value in thousand pesos)

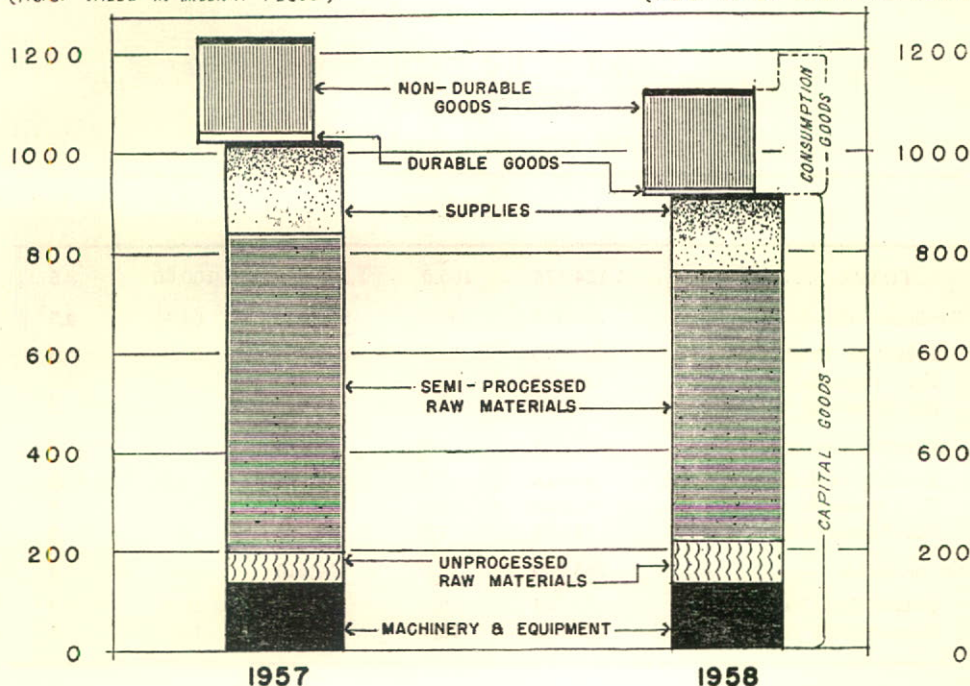
Item	1957	Per Cent Distribution	1957	Per Cent Distribution
TOTAL	1,124,178	100.0	1,229,200	100.0
Capital Goods	917,962	81.7	1,024,746	83.4
Machinery & Equipment	135,489	12.1	137,468	11.2
Unprocessed Raw Materials	88,978	7.9	65,008	5.3
Semi-processed Raw Materials ..	543,081	48.3	642,811	52.3
Supplies	150,414	13.4	179,459	14.6
Consumption Goods	206,216	18.3	204,454	16.6
Durable Goods	9,165	0.8	11,800	1.0
Non-durable Goods	197,051	17.5	192,654	15.6

IMPORTS

Classified as to End Use
1957 & 1958

(F.O.B. VALUE IN MILLION PESOS)

(F.O.B. VALUE IN MILLION PESOS)



Classified according to essentiality, importation of all categories decreased with the exception of essential consumer goods and decontrolled items which expanded by 45 per cent and 7 per cent, respectively. The largest reductions were experienced by semi-essential consumer goods (65 per cent), non-essential consumer goods (63 per cent), and semi-essential producer goods (24 per cent). An improvement in the percentage distribution by category was noticeable: there was an increase in the percentage share of essential producer goods, essential consumer goods and decontrolled items, and a decline in the percentage share of the other commodities, with the exception of non-essential producer goods which was about the same as the preceding year.

According to commodity group, manufactured goods (classified by materials) comprised the largest proportion of total imports (28 per cent), followed by machinery and transport equipment (23 per cent) and food (21 per cent). The largest percentage increases, however, were in beverages & tobacco (82 per cent), with tobacco & tobacco manufactures increasing by 284 per cent, inedible crude materials except fuels by 26 per cent and miscellaneous imports composed of live animals not for food by 52 per cent. Other commodity groups which showed an uptrend were food, mineral fuels, lubricants & related products, and animal & vegetable oils & fats. On the other hand, manufactured goods registered a decline of 24 per cent, miscellaneous manufactured articles of 12 per cent, machinery & transport equipment of 11 per cent, and chemicals of 10 per cent.

IMPORTS BY CATEGORY

1957 and 1958

(F.O.B. value in thousand pesos)

Category	1958	Per Cent Distribution	1957	Per Cent Distribution	Per Cent Change
TOTAL	1,124,178	100.0	1,229,200	100.00	- 8.5
Producer Goods	759,963	67.6	840,146	68.3	- 9.5
Essential Producer	593,978	52.8	635,264	51.7	- 6.5
Semi-Essential Producer ..	120,818	10.8	159,504	13.0	-24.3
Non-Essential Producer ..	45,167	4.0	45,378	3.6	- 0.5
Consumer Goods	77,309	6.9	89,536	7.3	-13.7
Essential Consumer	59,518	5.3	40,996	3.3	+45.2
Semi-Essential Consumer ..	2,819	0.3	8,157	0.7	-65.4
Non-Essential Consumer ..	14,972	1.3	40,383	3.3	-62.9
Other Items	286,906	25.5	299,518	24.4	- 4.2
Unclassified Items	102,024	9.1	127,302	10.4	-19.9
Decontrolled Items	184,882	16.4	172,216	14.0	+ 7.4

Practically no change took place in the percentage distribution of the ten principal imports. The ten leading imports comprised 73 per cent of total imports, the same as the year before. With the exception of cereals & cereal preparations (39 per cent), mineral fuels, lubricants & related materials (5 per cent) and manufactures of metals (1 per cent), the principal imports showed a downward trend. The largest percentage declines were exhibited by textile yarns, fabrics & made-up articles (28 per cent), base metals (22 per cent), electric machinery, apparatus & appliances (20 per cent), and paper, paperboard & manufactures (16 per cent). On an absolute basis, the greatest decrements were exhibited by textile yarns, fabrics & made-up articles (P43.1 million), base metals (P28.6 million) and non-electrical machinery (P10.7 million).

A shifting in the ranking of the ten principal imports was evident. Non-electrical machinery retained first position while mineral fuels, lubricants & related materials, previously in fourth place, took over second place from textile yarns, fabrics and made-up articles which was relegated to third position. Most of the other products either moved up or down by one position.

TEN PRINCIPAL IMPORTS, 1957-1958

(F.O.B. Value in Thousand Pesos)

Commodity Group	1958	1957	Per cent change
Total Imports	1,124,178	1,229,200	- 8.5
Total Ten Principal Imports	823,986	901,106	- 8.6
Non-Electrical Machinery	155,275	165,928	- 5.4
Mineral Fuels, Lubricants and Related Materials	121,975	115,720	+ 5.4
Textile Yarns, Fabrics and Made-up Articles	113,931	157,041	-27.5
Cereal and Cereal Preparations	104,176	75,098	+38.7
Base Metals	100,508	129,147	-22.2
Dairy Products	58,404	63,025	- 7.3
Transport Equipment	57,209	66,692	-14.2
Electrical Machinery, Apparatus and Appliances	40,525	50,330	-19.5
Manufactures of Metal	37,882	37,399	+ 1.3
Paper, Paperboard & Manufactures	34,101	40,726	-16.3

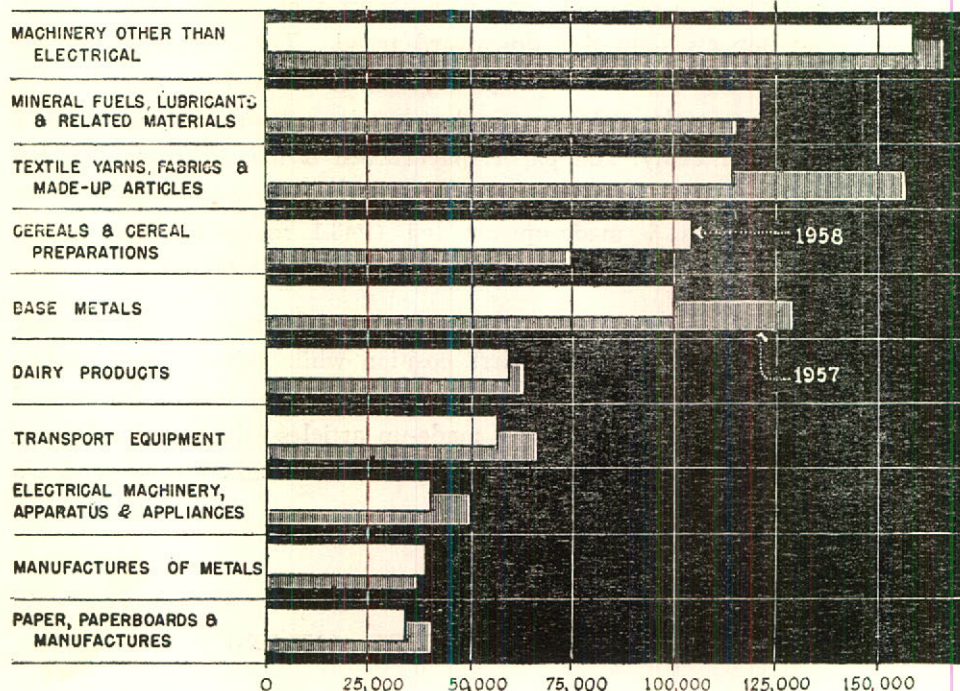
TEN PRINCIPAL IMPORTS

by Commodity Group

1957 & 1958

(F.O.B. VALUE IN THOUSAND PESOS)

(F.O.B. VALUE IN THOUSAND PESOS)



4. Direction of Trade

The general trend toward greater diversification of Philippine trade manifested slight improvement in 1958. During the year, the combined relative share of trade with Asian countries and Northwestern Europe advanced slightly over the previous year mainly as a result of increased trade with Japan and Indonesia. The United States remained our principal trading partner. Although trade with this country slightly increased, her share in the country's total foreign trade this year, which stood at 54 per cent, remained the same compared to last year. The United States continued to be the leading supplier of each of the ten leading imports, except mineral fuels, lubricants and related materials. Concurrently, she purchased over 90 per cent of our exports of sugar, desiccated coconut and coconut oil, over 60 per cent of our canned pineapple and chromite ore exports, and more than one-third of copra and abaca shipments. In contrast to a decline in exports last year, exports to the United States this year increased by 21 per cent due to increased shipments and favorable prices of centrifugal sugar, copra and coconut oil. Imports from

the United States this year, on the other hand, decreased by 13 per cent because of drastically reduced importation of textile yarns, fabrics & made-up articles, non-electrical machinery, base metals and transport equipment. This resulted in narrowing our traditional trade deficit with this country from ₱221.4 million in 1957 to only ₱35.6 million in 1958.

Compared to 1957, the relative share of other Asian countries to the country's total foreign trade increased from 23 per cent to 25 per cent in 1958. Japan, with a share of 17 per cent of Philippine total trade, still trailed second as a trading partner. However, trade with this country has been steadily increasing since 1949, so that her share of Philippine imports as well as exports has been appreciable in the year under review. She has been specially active as a source of textile yarn, fabrics & made-up articles, base metals and transport equipment. As a supplier of non-electrical machinery, however, Germany showed signs of equalling her. Japan absorbed practically all our exports of iron ore and copper concentrates, more than three fourths of logs & lumber, and a good portion of our abaca exports. Our trade balance with Japan in the past few years has been favorable. This year, however, our trade surplus registered an enormous increase equivalent to about 4 times of that last year, despite the inclusion of reparations items on the import side of the balance. Indonesia, improving a little from her position last year, garnered 4 per cent of total trade, thus displacing Germany as the fourth ranking trading country. Exports to this country were practically nil, but she was the source of 63 per cent of Philippine importation of mineral fuels, lubricants and related materials.

Due to a drastic decline in imports (19 per cent) during the year, there was a slight decline in total foreign trade with Northwestern Europe. The Benelux countries, third most important trade partner, accounted for 11 per cent of total exports and 3 per cent of imports or 7 per cent of total trade as compared to 8 per cent the previous year. Exports to these countries increased slightly but imports decreased by 38 per cent. The largest reductions were in base metals, manufactures of metal and dairy products. Consequently, our trade surplus of ₱53.7 million last year went up to ₱74.9 million in 1958. On the other hand, Germany's relative share remained the same. Exports to that country increased considerably, specially copra and copra meal, and imports decreased, although by a lesser degree. Thus, the trade deficit of ₱35.0 million in 1957 was narrowed down to ₱29.5 million in 1958.

The percentage share of total trade with all the other regions remained practically the same.

5. Terms of Trade

Reversing the downward movement of the terms of trade which started in 1954, the year's figure stood at 99.9 (1955 = 100.0), as compared to 98.5 in 1957. Although the import price index went up, the export price index rose by a greater magnitude, almost singly due to coconut products which accounted for the favorable development. The considerable improvement in the terms of trade with Belgium, the Netherlands, Germany and the United States were partly offset by deteriorations in terms of trade with the United Kingdom and Japan.

TERMS OF TRADE

1957-1958

(1955 = 100)

Trading Partner	1958			1957			Per Cent Change In Net Terms of Trade
	Price Index		Net Terms of Trade	Price Index		Net Terms of Trade	
	Imports	Exports		Imports	Exports		
All Countries ...	107.0	106.9	99.9	104.6	103.0	98.5	+ 1.4
1. United States	99.8	109.9	110.1	99.2	104.1	104.9	+ 5.0
2. Japan	100.9	87.2	86.4	107.6	93.8	87.2	- 0.9
3. Germany	97.8	107.2	109.6	98.5	98.4	99.9	+ 9.7
4. United Kingdom ...	103.7	118.5	114.3	100.2	135.2	134.9	-15.3
5. Netherlands	97.5	114.4	117.3	100.4	94.6	94.2	+24.5
6. Belgium	113.8	117.6	103.3	126.3	101.2	80.1	+29.0

The greatest improvement in terms of trade was with Belgium, from 80.1 in 1957 to 103.3 in 1958. The preceding year's figure was the lowest recorded since 1950, with the exception of the year 1952. The higher export price index, mainly due to a considerable rise in prices for copra, was reinforced by a downward shift of the import price index because of lower prices for base metals, particularly iron and steel products. Likewise, terms of trade with the Netherlands went up, from 94.2 to 117.3, the highest level since 1952. This was made possible by a favorable trend in both import and export price indices. Markedly better prices were obtained for copra, 31 per cent of which were exported to this country, and also for copra meal and desiccated coconut. At the same time, prices for dairy products, 19 per cent of which come from the Netherlands, declined appreciably. Terms of trade with Germany rose from 99.9 in 1957, the lowest since 1950, to 109.6 in 1958. The export

price index went up mainly due to higher prices for copra, copra meal and desiccated coconut; the import price index did not change significantly. Terms of trade with the United States also improved, from 104.9 to 110.1 with the export price index rising by 6 per cent mainly because of better prices for copra, coconut oil and desiccated coconut. The import price index remained about the same.

The severest decline was in the terms of trade with the United Kingdom which went down from 134.9 to 114.3 or 15 per cent, in sharp contrast to the 18 per cent improvement registered in 1957. The year's figure, however, is still higher than terms of trade for the period 1952-1956. This unfavorable development resulted from a decrease in the export price index of 12 per cent, aggravated by a rise in the import price index of 3 per cent. The price decline was registered mainly in chromite ore, abaca and copal, and the rise in import prices occurred in electrical machinery. Terms of trade with Japan declined from 87.2 in 1957, the lowest since 1950, to a new low of 86.4. Although the import price index declined considerably, it was not enough to offset the deterioration of export prices. Mainly responsible for the decline in export prices were molasses, chromite ore, abaca and copper concentrates. The decline in import prices was registered by textile yarns & thread, base metals (iron and steel) and fish & fish products.

6. Barter Transactions

By the end of December 31, 1958, total barter exports amounted to \$96.3 million, while collateral imports reached \$91.3 million, reflecting a lag of \$5.0 million.

For the year under review, commodities actually imported under barter as well as those on a no-dollar remittance basis were considerably lower than in the previous year. During the year, total barter transactions aggregated \$58.4 million, a drop of 37 per cent from the preceding period.

SUMMARY OF BARTER TRANSACTIONS UNDER R. A. 1410¹ 1955-1958

(Value in U.S. Dollars)

P e r i o d	Actual Exports ²	Actual Imports ³
TOTAL	96,274,390.43	91,297,927.04
1955 ^a	744,821.00	45,533.27
1956	26,191,967.78	9,737,447.58
1957	42,508,746.27	49,922,793.92
1958	26,828,855.38	31,592,152.27

¹ Figures are subject to change by the No-Dollar Import Office in case of adjustment.

² Based on bills of lading.

³ Based on NDIO Certificates.

^a From October 10 to December 31 only.

On December 31, 1957, Circulars 22 and 23 expired. In their place, the previous rules and regulations under Circular 3 were revived. Subsequently, the temporary ban on barter transactions by the Cabinet was lifted on January 20, 1959, except for exports of sawlogs and a few other major export items.

Pending the approval of the revised rules and regulations, the President, on July 18, 1958, directed the suspension of the opening of letters of credit through barter. About a month later, the Cabinet approved the new rules and regulations, effective September 1, 1958.

The revised rules defined major products as those whose aggregate export receipts "exceeded the average of ₱1,000,000.00 (F.O.B. value), net Philippine port, during the five years immediately preceding the filing of the barter application," in contrast to Circular 3, which had defined a major export as those whose aggregate receipts "exceeded ₱1,000,000.00 net F.O.B. value" in any year. As a result, several products previously classified as major exports were relegated to the category of minor products, such as lead & chrome concentrates, maguey (unmanufactured), ramie (unmanufactured), crude rubber, rice and peanuts. In effect then, these products could now be bartered up to the extent of 30 per cent of the total exported during the preceding calendar year instead of the 15 per cent allowed under Circular No. 3. Likewise, barter with countries without exchange controls was now permitted. Under these new regulations, collateral imports are divided as follows: 70 per cent for machinery, equipment and/or essential goods; 20 per cent semi-essential products and 10 per cent non-essential items. Banned items are specifically prohibited as collateral imports under barter.

On December 10, 1958, a cash deposit of 100 per cent was required for the opening of letters of credit covering the importation of non-essential consumer items through barter, compared to the previous requirement of 200 per cent.

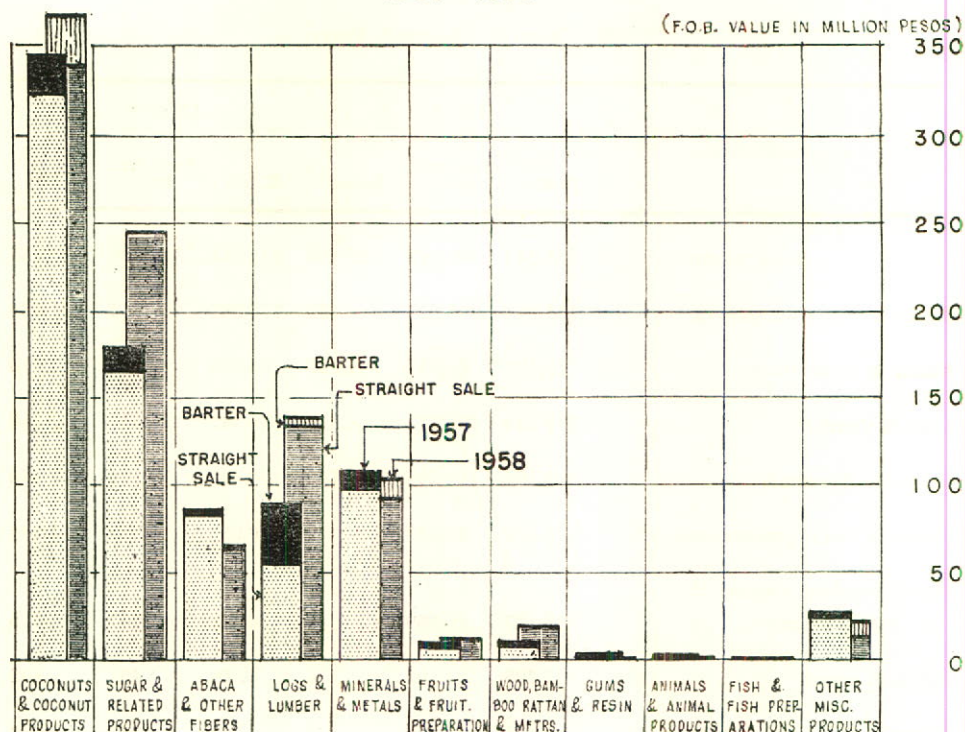
Barter exports comprised 5 per cent of total exports in 1958 compared to 10 per cent in 1957. The decline in barter exports from the previous year was distributed over a number of commodities, particularly noticeable in sugar & related products (₱11.6 million), abaca & other fibers (₱1.1 million), and logs & lumber (₱27.7 million). Decreasing barter was associated with an increase in exports.

SUMMARY OF EXPORTS BY COMMODITY GROUP
THROUGH STRAIGHT SALE AND UNDER REPUBLIC ACT 1410
1957-1958

(F.O.B. Value in Thousand Pesos)

Commodity Group	1958			1957 r		
	Total	Straight Sale	Barter	Total	Straight Sale	Barter
Coconut & coconut products	368,244	340,808	27,436	345,906	322,858	23,048
Sugar & related products	245,584	245,504	80	178,687	167,013	11,674
Abaca & other fibers	65,197	63,917	1,280	85,501	83,085	2,416
Logs & lumber	139,321	134,773	4,548	90,117	57,887	32,230
Minerals & metals	105,306	93,546	11,760	109,692	99,196	10,496
Fruits & fruit preparations	13,609	13,537	72	10,053	8,369	1,684
Wood, bamboo, rattan & manufactures	19,377	19,369	8	9,588	8,992	596
Gums & resin	1,708	1,392	316	1,104	481	623
Animals & animal products	184	176	8	219	173	46
Fish & fish preparations	100	100	—	131	124	7
Other miscellaneous products . . .	<u>23,734</u>	<u>15,584</u>	<u>8,150</u>	<u>27,572</u>	<u>25,374</u>	<u>2,198</u>
GRAND TOTAL	<u>982,364</u>	<u>928,706</u>	<u>53,658</u>	<u>858,570</u>	<u>773,552</u>	<u>85,018</u>
Per Cent Distribution	100.00	94.54	5.46	100.00	90.10	9.90

EXPORTS *by Commodity Group*
THROUGH STRAIGHT SALE AND UNDER REPUBLIC ACT 1410
1957- 1958



Collateral barter imports likewise declined by 37 per cent from the preceding year. There was a slight shifting among the categories of imports. Essential producer and consumer items rose from 51 per cent in 1957 to 55 per cent in 1958. Conversely, imports of non-essential goods experienced a drop of about 4 per cent.

Commodities imported on a no-dollar remittance basis during 1958 aggregated \$22.3 million or \$5.4 million less compared to the preceding year. While imports of capital goods and items for personal use increased by \$3.7 million and \$0.5 million, respectively, embroidery imports decreased by \$9.6 million. As of December 31, 1958, total imports under no-dollar arrangements aggregated \$67.1 million.

SUMMARY OF ACTUAL BARTER IMPORTS UNDER R. A. 1410,¹ BY CATEGORY 1955-1958

(Value in U.S. Dollars)

Category	1955 a		1956		1957		1958		Total	
	Value	Per Cent	Value	Per Cent	Value	Per Cent	Value	Per Cent	Value	Per Cent
T O T A L	45,533.27	100.00	9,737,447.58	100.00	49,922,793.92	100.00	31,592,152.27	100.00	91,297,927.04	100.00
Essential Consumer . . .			875,406.50	8.99	8,940,250.14	17.91	338,467.71	1.07	10,154,124.35	11.12
Essential Producer			2,520,998.55	25.89	16,366,220.34	32.78	16,897,240.20	53.49	35,784,459.09	39.20
Non-Essential Consumer	45,533.27	100.00	5,436,157.55	55.83	9,495,322.60	19.02	2,126,072.42	6.73	17,103,085.84	18.73
Non-Essential Producer			904,884.98	9.29	15,121,000.84	30.29	12,230,371.94	38.71	28,256,257.76	30.95

¹ Figures include NAMARCO imports. Under the Revised Rules and Regulations of August 20, 1958, NAMARCO can no longer requisition. Figures are subject to change by the No-Dollar Import Office in case of adjustments.
a From October 10 to December 31, only.

SUMMARY OF NO-DOLLAR IMPORTS UNDER REPUBLIC ACT 1410 ^a
1955-1958

(Value in U. S. Dollars)

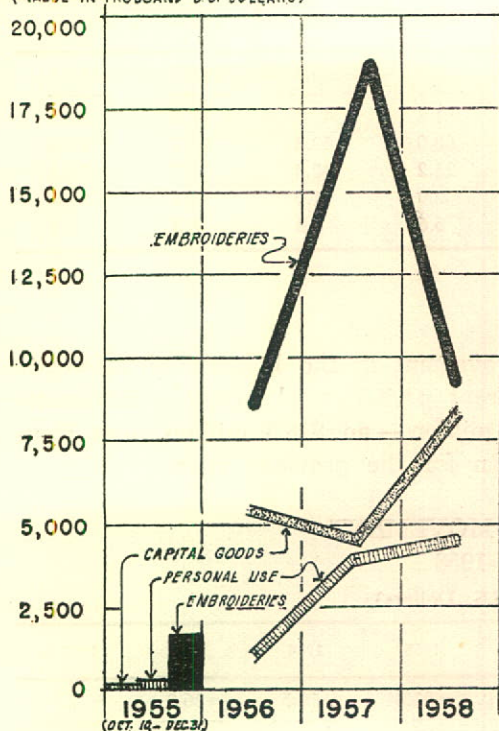
Category	1955 a		1956		1957		1958		Total	
	Value	Per Cent	Value	Per Cent	Value	Per Cent	Value	Per Cent	Value	Per Cent
TOTAL ...	1,940,830.24	100.00	15,170,831.92	100.00	27,692,111.17	100.00	22,323,486.92	100.00	67,127,260.25	100.00
Capital Goods	75,556.70	3.89	5,400,746.97	35.60	4,576,465.00	16.52	8,294,241.70	37.16	18,347,010.37	27.33
Personal Use	234,193.22	12.07	1,169,970.25	7.71	4,089,428.83	14.77	4,617,009.11	20.68	10,110,601.41	15.06
Embroideries	1,631,080.32	84.04	8,600,114.70	56.69	19,026,217.34	68.71	9,412,236.11	42.16	28,669,548.47	57.61

^a Commodities imported on a no-dollar remittance basis.

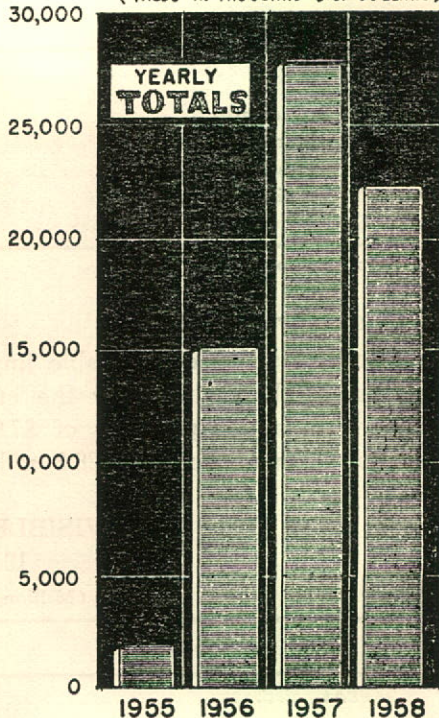
^b From October 10 to December 31 only.

NO-DOLLAR IMPORTS UNDER REPUBLIC ACT 1410 1955-1958

(VALUE IN THOUSAND U.S. DOLLARS)



(VALUE IN THOUSAND U.S. DOLLARS)



C. U. S. GOVERNMENT EXPENDITURES

Various United States government expenditures provided the Philippines with \$112.1 million of goods and services, or approximately 17 per cent of total current foreign exchange receipts. This represented a decline of \$22.3 million, or 17 per cent below the level of the preceding year. Military expenditures, which in 1957 accounted for almost 28 per cent of total receipts from the U. S. government, represented only 19 per cent or a drop of \$16.2 million. Veterans Administration disbursements amounted to \$62.0 million, indicating a slight decrease of \$0.7 million. Non-military receipts in the form of United States Overseas Mission grants also reflected declines, with commodity arrivals totalling only \$7.7 million compared to \$13.6 million during 1957. However, expenditures of other U. S. government agencies reflected an over-all increase of \$1.1 million.

U. S. GOVERNMENT EXPENDITURES ¹

1955-1958

(Million U.S. Dollars)

I t e m	1955	1956	1957 r	1958 p
TOTAL	150.5	146.7	134.4	112.1
Military Expenditures	51.8	42.2	37.6	21.4
Veterans Administration	68.0	62.8	62.7	62.0
MSA/FOA/ICA/USOM	21.2	32.4	25.7	19.3
Veteran's Hospital Project Fund	2.9	1.0	0.1	—
Other U. S. Government Agencies	6.6	8.3	8.3	9.4

¹ Inclusive of official grants.

D. OTHER INVISIBLE ITEMS

Reflecting the considerable improvement in the balance of payments position of the country for the current period, total invisible movement resulted in a net payment of \$7.9 million—an \$18.3 million drop from the net disbursement of \$26.2 million for the previous year.

INVISIBLE MOVEMENT

1955-1958

(Million U.S. Dollars)

I t e m	1955	1956	1957	1958 p
TOTAL	-61.3	-50.5	-26.2	- 7.9
Non-Monetary Gold Movement	14.7	14.2	13.3	14.8
Foreign Travel	-14.3	-11.8	-19.8	-10.8
Insurance	- 4.9	- 5.8	- 5.0	- 4.9
Investment Income	-66.6	-65.4	-63.8	-53.8
Government, n.e.s.	- 3.6	- 4.0	- 5.2	- 0.7
Donations	7.8	5.5	35.7 ^a	30.0 ^a
Miscellaneous	5.6	16.8	18.6	17.5

^a Inclusive of Reparations goods and services.

Lower levels were registered for almost all items, except for non-monetary gold movement which rose by \$1.5 million due to increased gold production. Net disbursements for travel were reduced by \$9.0 million, indicating the effect of the 36 per cent cut in the foreign exchange budget for travel and the 36 per cent reduction in allocations for studies abroad. Likewise, remittances of earnings, profits and dividends tapered off by \$10.0 million. It should be mentioned that during the year, allowable remittances out of 1957 and 1958 profits were reduced by 25 per cent.

Goods and services received from Japan under the Reparations Agreement during 1958 totalled \$11.84 million (f.o.b. value) most of which were allotted to the government sector. Most of the capital goods in

the form of industrial machinery, structural materials, and railway locomotives and passenger cars were for the Department of Public Works and Communications, the Manila Railroad Co., the Reparations Commission and the Interim Reparations Committee. The private sector received \$.05 million worth of fertilizers given to the Planters' Association out of the \$10.70 million in commodity arrivals. Services provided by the Japanese government totalled \$1.14 million during the year, compared to \$6.79 million received in 1957.

REPARATIONS GOODS AND SERVICES FROM JAPAN 1957-1958

(Million U. S. Dollars)

I t e m	1957	1958
TOTAL	24.14	11.84
Capital Goods (f.o.b.)	17.35	10.70
Public	17.35	10.65
Reparations Commission	—	1.66
Philippine Air Force	—	.97
Dept. of Public Works & Communications	8.14	2.54
Manila Railroad Company	2.33	1.27
War Veterans Enterprises, Inc.	—	.55
Interim Reparations Committee	—	2.11
National Power Corporation	1.19	.06
Department of Education	.61	.26
National Civil Defense Administration	1.35	.66
NAMARCO	.59	.57
NAWASA	1.36	—
Various Offices	1.78	—
Private	—	.05
Planters' Association	—	.05
Services	6.79	1.14
Expenses of the Mission in Tokyo	.25	.26
Survey & Salvage of Sunken Vessels	6.54	.15
Training of Filipino Technicians in Japan	—	.09
Survey of Marikina Project	—	.25
Purchase of Philippine Embassy Building, Tokyo	—	.39

Aids and grants received from various foreign organizations showed an increase of \$4.85 million, with voluntary relief agencies from the United States more than doubling their assistance to the Philippines. Notable was the increase in the assistance given by the Cooperative for American Remittances to Everywhere, Inc. (CARE) amounting to \$3.9 million, largely in the form of skimmed milk powder. In 1957, this organization donated only \$1,584 in books and journals. Religious organizations like the Catholic Relief Services furnished the country with \$3.2 million in food and clothing, while the Union Mission of Seventh Day Adventists contributed

\$.05 million in educational aids. Net receipts from personal and institutional remittances amounted to \$13.5 million.

Net receipts from miscellaneous invisibles declined by \$1.1 million, with substantial reductions in payments from abroad for services rendered by local residents.

E. CAPITAL MOVEMENT

The unprecedented drain in the net asset holdings of the country during 1957 abated considerably during 1958, with total capital movement indicating a slower rate of decrease. The net decrease in assets amounted to only \$39.4 million compared to \$182.8 million for the previous year. The smaller deficit in current transactions, which was the result of increased export shipments and tighter restrictions on foreign exchange payments during the year, was responsible for the substantial narrowing down of the decrease in net short-term assets to \$1.0 million from \$139.4 million for the preceding year.

BALANCE OF PAYMENTS 1955-1958

(Million U. S. Dollars)

I t e m	1955	1956	1957 r	1958 p
A. Current Transactions ^a				
Imports (c.i.f.)	-607.3	-564.8	-690.8	-634.2
Exports (c.i.f.)	389.7	438.0	429.7	482.9
Trade Balance	-217.6	-126.8	-261.1	-151.3
U.S. Gov't Expenditures	150.5	146.7	134.3	112.0
Invisible Net	- 61.4	- 50.5	- 26.2	- 7.9
T o t a l	-128.5	- 30.6	-153.0	- 47.2
B. Capital Movements ^b				
Short-term				
1. Private	- 0.2	1.5	0.9	1.3
2. Official	38.5	- 16.4	138.5	- .3
Total	38.3	- 14.9	139.4	1.0
Long-term				
1. Private	59.1	59.3	55.7	28.7
2. Official	41.2	16.2	- 28.2	13.9
Total	100.3	75.5	27.5	42.6
C. Monetary Gold Movement	- 6.1	- 6.0	15.9	- 4.2
	132.5	54.6	182.8	39.4
D. Errors and Omissions	- 4.0	- 24.0	- 29.8	7.8
	128.5	30.6	153.0	47.2

^a No sign indicates credit; minus sign, debit.

^b A debit entry indicates an increase in net assets (e.g. foreign investment abroad, withdrawals of foreign investments); a credit entry indicates a decrease in net assets (e.g. foreign investments coming in, obligations increased).

Private short-term capital movement indicated a decrease in net assets of \$1.3 million brought about by the increase in receipts arising from settlement of obligations. Official short-term capital movements, on the other hand, registered a \$0.3 million increase in net assets, compared to the unusually heavy capital outflow of \$138.5 million experienced during the previous year. For this year, short-term liabilities of other banking institutions decreased by \$4.4 million. Other short-term liabilities registered a net increase of \$3.1 million. This was brought about by the additional credits secured from U.S. banks aggregating \$35.0 million during the latter part of the year, and the utilization of \$13.1 million in short-term suppliers' credit. Offsetting these were the \$40.0 million loan repayments and the \$5.0 million decrease in local currency liabilities representing proceeds of the sale of surplus agricultural commodities under U. S. Public Law 480. Other short-term capital movements were the \$3.3 million decrease in foreign exchange holdings of the Central Bank and other banking institutions, which were neutralized partly by the \$2.3 increase in the money order and Fiscal Agency Funds.

Official long-term capital movements resulted in a net increase in liabilities of \$13.9 million. Industrial loans under Section 402 of the U.S. Mutual Security Act increased by \$9.1 million. Additional Import-Export Bank credits of \$5.2 million and \$7.5 million for the development of the Biñga Hydroelectric Project were also availed of during the year. Partly offsetting these were amortization payments of \$7.8 million of which \$6.0 million were on the loan from the U.S. RFC, \$1.0 million on the National Power Corporation loan from the EXIMBANK, \$0.7 million on the MRR loan from the General Electric Co. and \$.08 million on the General Services Administration loan.

Private long-term capital movements indicated a net increase in liabilities of \$28.7 million. During the year, estimated unremitted profits amounted to \$41.5 million which were presumed to be reinvested in the Philippines. In addition, new foreign investments in the Philippines totalled \$1.0 million. Additional drawings of \$8.1 million from the EXIMBANK under the deferred payments plan were made during the year. Repatriation of capital through purchases of gold by blocked peso account holders under Circular No. 73 were \$20.8 million and capital withdrawn from the Philippines by foreign investors amounted to \$1.0 million. There was also a net withdrawal of Philippine assets from abroad of \$.04 million.

TABLE I. BALANCE OF PAYMENTS SUMMARY

A. CURRENT TRANSACTIONS

(Million U. S. Dollars)

Reporting Country — Philippines
 Currency — Peso Unit — Peso
 Period Covered — 1958 P
 Exchange Rate: U.S. \$.50 per ₱1

	Credit (Receipts)	Debit (Payments)	Net Credit or Debit (—)
1. Merchandise (1.1 plus 1.2)	482.57	570.64	— 88.07
1.1 Exports and imports (both f.o.b.)	482.57	570.64	— 88.07
1.2 Other			
2. Non-Monetary gold movement (net)	14.80		14.80
3. Foreign travel	1.66	12.41	— 10.75
4. Transportation (4.1 plus 4.2)	.26	62.20	— 61.94
4.1 Gross freight	.26	62.20	— 61.94
4.2 Other			
5. Insurance	1.25	7.46	— 6.21
6. Investment income (6.1 through 6.3)	4.89	58.72	— 53.83
6.1 Direct investment		52.27	— 52.27
6.2 Other interest	2.18	1.46	.72
6.3 Other equity	2.71	4.99	— 2.28
7. Government, not included elsewhere (7.1 plus 7.2)	94.02	1.94	92.08
7.1 Military expenditures and surplus property	83.39	—	83.39
7.2 Other	10.63	1.94	8.69
8. Miscellaneous	29.35	11.87	17.48
Total goods and services (1 through 8)	628.80	725.24	— 96.44
9. Donations (9.1 through 9.4)	50.31	1.07	49.24
9.1 Personal and institutional remittances	14.46	1.01	13.45
9.2 Other private transfers	4.24	.06	4.18
9.3 Reparations	11.84		11.84
9.4 Official Grants	19.77		19.77
10. Total current transactions (1 through 9) ..	679.11	726.31	— 47.20
ERRORS AND OMISSIONS (16 minus 10)			7.76

TABLE I. BALANCE OF PAYMENTS SUMMARY

B. MOVEMENT OF CAPITAL AND MONETARY GOLD

(Million U. S. Dollars)

Reporting country — Philippines
Currency — Peso Unit — PesoPeriod covered — 1958 P
Exchange Rate: U.S. \$0.50 per ₱1.00

I t e m	Net Movement Increasing (+) or Decreasing (—)		
	Assets	Liabilities	Net Assets
PRIVATE (excluding banking institutions)			
11. Long-term capital (11.1 through 11.6)	— .04	+ 28.70	— 28.74
11.1 Direct investment	— .04	+ 20.58	— 20.62
11.2 Portfolio securities: bonds			
11.3 Portfolio securities: shares			
11.4 Amortization			
11.5 Other contractual repayments			
11.6 Other		+ 8.12	— 8.12
12. Short-term capital (12.1 plus 12.2)	8.14	— 6.84	— 1.30
12.1 Currency, deposits, government obligations	.04		— .04
12.2 Other	8.10	— 6.84	— 1.26
OFFICIAL AND BANKING INSTITUTIONS			
13. Long-term capital (13.1 through 13.6)		+ 13.93	— 13.93
13.1 Official loans		+ 9.08	— 9.08
13.2 Bank loans		+ 12.68	— 12.68
13.3 Portfolio securities			
13.4 Amortization		— 7.83	+ 7.83
13.5 Other contractual repayments			
13.6 Other			
14. Short-term capital (14.1 through 14.4)	— .96	— 1.29	+ .33
14.1 Payments and clearing agreements			
14.2 Liabilities to IMF and IBRD			
14.3 Other liabilities to official and banking institutions		— 4.36	+ 4.36
14.4 Other	— .96	+ 3.07	— 4.03
15. Monetary gold	+4.20		+ 4.20
16. Total movement of capital and monetary gold (11 through 15)	—4.94	+ 34.50	— 39.44

NOTES TO TABLE I
1958

The data cover preliminary estimates of the balance of payments of the Philippines for 1958.

Values are expressed throughout in U. S. dollars. For conversion into U. S. dollars, the rate of U. S. \$0.50 per ₱1.00 (par value) has been used.

Current Transactions:

1. *Merchandise*

Both exports (credit) and imports (debit) are f.o.b. and are based on customs manifests.

2. *Non-monetary Gold Movement*

The entry represents gold production of 422,893 fine ounces for the period valued at the official rate of \$35 per fine ounce.

3. *Foreign Travel*

The credit entry represents purchases of dollars from incoming tourists, while the debit entry covers sales of foreign exchange to residents for foreign travel, education, subsistence and other similar expenses abroad.

4. *Transportation*

The credit entry covers freight on exports paid to domestic carriers, while the debit entry covers freight on imports paid to carriers of foreign registry.

5. *Insurance*

Entries cover insurance on merchandise per customs manifests and receipts and payments of insurance premia per exchange records.

6. *Investment Income*

6.1 Entry represents remittances of earnings, profits and dividends.

6.2 Credit entry shows interest earnings on time deposits of the Central Bank. Debit entry shows interest payments on outstanding government obligations.

6.3 The entries represent other investment remittances per exchange records.

7. *Government, not included elsewhere*

7.1 The entry shows U. S. military expenditures in the Philippines during the period.

7.2 The credit entry represents disbursements made in the Philippines by other U. S. Government agencies and other foreign governments. The debit entry shows Philippine government expenditures abroad other than amortization of government obligations and interest payments.

8. *Miscellaneous*

The entries cover remittances for services and miscellaneous items based on foreign exchange records.

9. *Donations*

9.1 & 9.2 The entries represent personal and institutional remittances including other private transfers taken from foreign exchange records and customs manifests.

9.3 The entry shows reparations received from Japan during the period under the P.I.-Japan Reparations Agreement.

9.4 The figure represents official grants under USOM, ICA, MSA, etc. as well as aids and grants received from U. N. agencies.

Movement of Capital and Monetary Gold:

11. *Private: Long-term Capital*

11.1 *Assets:* The figure shows the net decrease in assets due to the repatriation of Philippine investment abroad per exchange records.

Liabilities: The figure represents the net increase in foreign investments in the Philippines.

11.6 The entry represents increase in liabilities arising from deferred payment obligations.

12. *Private: Short-term Capital*

12.1 *Assets:* This shows the net decrease in the balance of the Yen Escrow Account with Japan.

12.2 *Assets:* This shows the receipts from the settlement of export obligations as taken from exchange records.

Liabilities: This represents payments of import obligations per exchange records.

Official and Banking Institutions:

13. *Long-term Capital*

13.1 The entry shows the increase in liabilities arising from industrial loans extended by ICA under Philippine Special Account. (Sec. 402)

13.2 The entry shows the increase in liabilities arising from drawings from IBRD and EXIMBANK.

13.4 This represents the installment payments of principal on U.S.-RFC, EXIMBANK, WAA, International General Electric, U. S. A., and Niigata-Daiichi Kisaimoto loans.

14. *Short-term Capital*

Assets:

14.4 The entry represents the decrease in the foreign exchange holdings of the Central Bank and other banks and is inclusive of the changes in the balances of the Money Order Fund and the Fiscal Agency Fund.

Liabilities:

14.3 This entry covers the net decrease in the foreign exchange liabilities of the banking system.

14.4 This entry represents the net increase in the liabilities of the Central Bank.

CHAPTER IV

PUBLIC FINANCE AND FISCAL POLICY

A. THE FIVE-YEAR FISCAL PLAN, 1959-1963

The continued upsurge of inflationary pressures and the concomitant tightness of foreign exchange reserves prompted revisions and adjustments in the current five-year fiscal program.

These problems were compounded as many of the assumptions on which were based the previous five-year fiscal program (FY 1958-62) failed to materialize. Tax revenues from existing sources were substantially below their estimated levels. Tax proposals were left unacted upon by Congress. In FY 1957-58, the enactment of a Tax Census and Tax Amnesty Law, which in combination with the revised Tariff Code was estimated to yield ₱45 million in additional revenues, failed to get congressional approval. The following year, FY 1958-59, only the Tax Census Law was approved which was estimated to yield less than ₱15 million compared to the required sum of ₱159 million from the enactment of several tax measures certified by the President as urgent. Reparations proceeds were much less than anticipated. The sale of R.A. No. 1000 bonds in the United States was not realized.

Retrenchment steps to offset these unfavorable developments were undertaken. As a result, the current five-year fiscal program (FY 1959-1963) provided for a lower rate of increase in outlays from the revised estimates of ₱1,059 million in FY 1958-59 to ₱1,425 million in FY 1962-63, or an increase of 35 per cent compared to the previous estimated increment of 40 per cent in a five-year period under the FY 1958-62 plan. Program emphasis has been directed at economic development. Appreciable increments were to be made for economic and social development outlays at 40 per cent and 35 per cent, respectively, during the FY 1959-63 period. In terms of percentage share of aggregate expenditures from FY 1959 to FY 1963, economic and social development expenditures will account for ₱4,452.8 million, or more than two-thirds of the five-year total. Expenditures for debt service were expected to increase by 105 per cent from ₱53.8 million to ₱110.1 million. But beginning FY 1960-61, these expenditures will show a declining trend. In contrast, moderate increases were scheduled for general government and national defense expenditures

and were estimated to level off by FY 1962-63. However, over the full five-year period total public investment outlays and current operating expenditures were expected to average 12 per cent of the national income.

On the financing side, new sources of revenue will be required to finance the projected levels of expenditures. The present revenue structure, at present levels of enforcement, is no longer capable of supporting a sustained development program and the increasing demand of a rapidly growing population for more services. Revenue estimates from existing sources for the General Fund are expected to yield P739 million in FY 1958-59 and increase to P761.9 million in FY 1962-63. With allowance for the required additional revenues, the estimated collections in FY 1962-63 will increase to P1,294.5 million, or 10.8 per cent of the estimated national income.

The magnitude of public borrowings was likewise scaled down. Bond-financed outlays were reduced to levels that include projects under construction or those that contribute heavily to agricultural and industrial productivity. The level was estimated to taper off from P105.7 million in FY 1958-59 (inclusive of foreign borrowings) to P85.3 million in FY 1962-63. Furthermore, non-inflationary sources of financing such as the savings tapped by insurance companies will be increasingly relied upon to finance a greater proportion of the bond-fund expenditures. Foreign exchange requirements of projects under the integrated bond financing plan were shifted from current foreign exchange receipts and the international reserve to foreign credit resources. Reparations payments and technical services will be greatly utilized to relieve pressure on the international reserve.

B. FISCAL OPERATIONS, 1957-58

The budgetary deficit of the National Government for all funds in FY 1957-58 was P159.9 million compared to P251.9 million in the previous year. Government outlays almost approximated the preceding year's total while appreciable increments in revenues were realized.

Total expenditures at P1,100.7 million, inclusive of bond disbursements of government corporations, were P67.1 million less than the comparable figure for the preceding year. Outlays for economic development and debt service were reduced by 22.3 per cent and 26.1 per cent, respectively. However, economic development expenditures at P379.2 million still comprised slightly more than one-third of the total expenditures. The reduction in debt service expenditures was effected by deferring the repayment of, and the provision of sinking funds for, some of the outstanding obligations. Obligatory increments in social services, particularly education, public health, and labor and welfare, increased the outlays in social develop-

ment by P20 million, or 5.8 per cent, to P365.4 million. Expenditures for general government purposes rose sharply by P22 million from P84.6 million in FY 1956-57. An increase of P24.1 million was likewise made for national defense, the amount moving up to P181.1 million in FY 1957-58.

Although total revenues increased by P24.9 million to P940.8 million in FY 1957-58, tax revenues decreased by P22.4 million to P736.8 million largely on account of the drop in import duties of P33.9 million or 16.8 per cent. Several factors may have contributed to the short-fall: (1) a decline in import arrivals; (2) the increased volume of importation by tax-exempt public and private firms; (3) the decrease in the share of highly taxable non-essential items in the total imports; and (4) lower rates provided for in the new Tariff Law. Other decrements were recorded in the collection of license and business taxes, notably compensating and advance sales taxes, which dropped sharply by P23.7 million to P169.1 million. Offsetting factors, however, were increased collections of income tax (P8.1 million) and excise taxes (P31.6 million). In non-tax receipts, the increment in Earnings and Other Credits of P48.8 million was largely responsible for the expansion.

Public borrowings supplemented the financial resources of the government. The net issue of new bonds and securities during the fiscal year amounted to P249.9 million. This included the P75 million borrowing from the Central Bank which was liquidated in the first quarter of the current fiscal year. In December 1958, an equivalent amount in 5-year 2% Treasury Notes was floated to offset the repayment of the obligation to the Central Bank.

C. FISCAL OPERATIONS, 1958-59 AND 1959-60

The proposed budget for FY 1958-59 submitted to Congress in February 1958 envisaged a deficit of P197 million. Total expenditures were estimated at P1,347 million and aggregate revenues at P1,150 million which included P159 million in additional revenues from new tax proposals. The continued upsurge of inflationary pressures and the short-falls in revenue collections forced a scaling down and readjustment in the aggregate outlays of the government. Certain economy measures were adopted towards the end of the first half of the current fiscal year, which included: (1) non-release of established appropriation reserves, except in meritorious cases; (2) freezing of vacancies except when this policy would result in disrupting or impairing highly essential public services; (3) suspending the services of dispensable temporary employees; (4) non-incurrence of further obligations for public works projects unless absolutely necessary to complete projects already started which could not be left unfinished without incurring heavy economic loss or without jeopardiz-

ing the health, safety, and welfare of the people; (5) reducing disbursements from proceeds of public borrowings; and (6) encouraging the shifting of investment from the public to the private sector.

Because of the retrenchment in expenditures, the deficit for the current fiscal year is expected to narrow down to ₱112 million. Expenditures were cut by 21.4 per cent to ₱1,059 million. Outlays for economic development were reduced by one-third, and for debt service, by almost one-half. Bond-financed investment outlays were pared down from the programmed limit of ₱198 million to the approved ceiling of ₱110 million. Planned domestic expenditures were cut, the level being scaled down from ₱146 million to ₱84 million.

For FY 1959-60, the programmed outlays are estimated to be larger than the revised estimates of the previous year. At ₱1,280 million, they are ₱221 million above the preceding year's level. Revenues are expected to rise to ₱1,152 million as compared with ₱947 million in FY 1958-59. This sharp increase is premised on the passage of new tax measures which are expected to yield ₱242 million in additional revenues.

The Fiscal 1960 Plan devotes ₱449.2 million or 35 per cent of total expenditures to economic development and ₱397.9 million or 31 per cent to social development. Cash disbursements of the proceeds of public borrowings have been limited to ₱126.2 million. It is contemplated that less inflationary sources of financing will provide the larger portion of the disbursements.

A novel method in fiscal budgeting was introduced in FY 1959-60. The over-all program of the National Government was divided into two budgets—"A" and "B", which do not include bond disbursements of government corporations. The "A" Budget consists of the expenditures to be financed from existing sources of revenue. The "B" Budget is dependent on the passage of the recommended tax measures. This procedure was adopted due to the unfortunate experience of previous years whereby appropriations for the fiscal year in consideration were approved without the compensating revenues and new tax proposals to back up the approved expenditures.

The "A" Budget has aggregate expenditures of ₱1,014.8 million as against income of ₱1,024.2 million. Total expenditures in the "B" Budget of ₱241.6 million will be financed by the proposed tax measures. Thus, the programmed amount in this budget will be approved or reduced to the extent of availability of funds for them.

CONSOLIDATED FISCAL OPERATIONS OF THE NATIONAL GOVERNMENT Fiscal Years 1957-1960

(Million pesos)

	FY 1956-1957		FY 1957-1958		FY 1958-1959		FY 1959-1960
	Programmed	Actual	Programmed	Actual	Programmed	Rev. Est.	
A. Expenditure	1,348	1,168 ^a	1,313	1,101	1,347	1,059	1,280
General Government							
National Defense	107	85	95	107	99	98	111
Economic Development	137	157	176	181	195	180	185
Social Development	641	488	550	379	553	363	449
Debt Service	342	345	391	365	397	364	398
Revenue	121 ^b	93	102	69	103	54	137
B. Revenue	959	916	1,033	941	1,150	947	1,152
Tax Receipts	836 ^c	759	872 ^c	737	961 ^c	763 ^d	987 ^d
Other Revenue	123	157	161 ^e	204	189 ^e	184 ^f	165 ^f
C. Surplus or Deficit (-)	-389	-252	-280	-160	-197	-112	-128
D. Lag in Cash Disbursement (+)	+ 17	+ 130	- 6	- 45	+ 116	- 46	+ 82
E. Cash Deficit	-372	-122	-286	-205	- 81	-158	- 46
Financing	372	122	286	205	81	158	46
F. Total Borrowing (+)¹	362	62	214	220	26	163	52
National Government — Domestic	282	- 11	138	150	- 36	167	- 52
Foreign	- 19	4	16	10	- 16	- 47	- 30
Government Corporations — Domestic	101	72	50	55	57	25	57
Foreign	- 2	- 3	10	5	21	18	77
G. Reduction in National Government Cash Resources (+)	10	60	72	- 15	55	- 5	- 6

SOURCES: Budget Messages and Budgets for 1955-56, 1956-57, 1957-58, 1958-59, 1959-60.

¹ Exclusive of provincial, municipal and city governments.

^a Including P14 million for Budgetary Reserve.

^b Including P50 million in FY 1956-57; P45 million in FY 1957-58; P159 million in FY 1958-59.

^c Including P55 million in FY 1958-59; P242 million in FY 1959-60.

^d Including P24.6 million reparations proceeds in FY 1957-58; P18 million in FY 1958-59.

^e Including P10.4 million reparations proceeds in FY 1958-59; P2.1 million in FY 1959-60.

D. PUBLIC DEBT

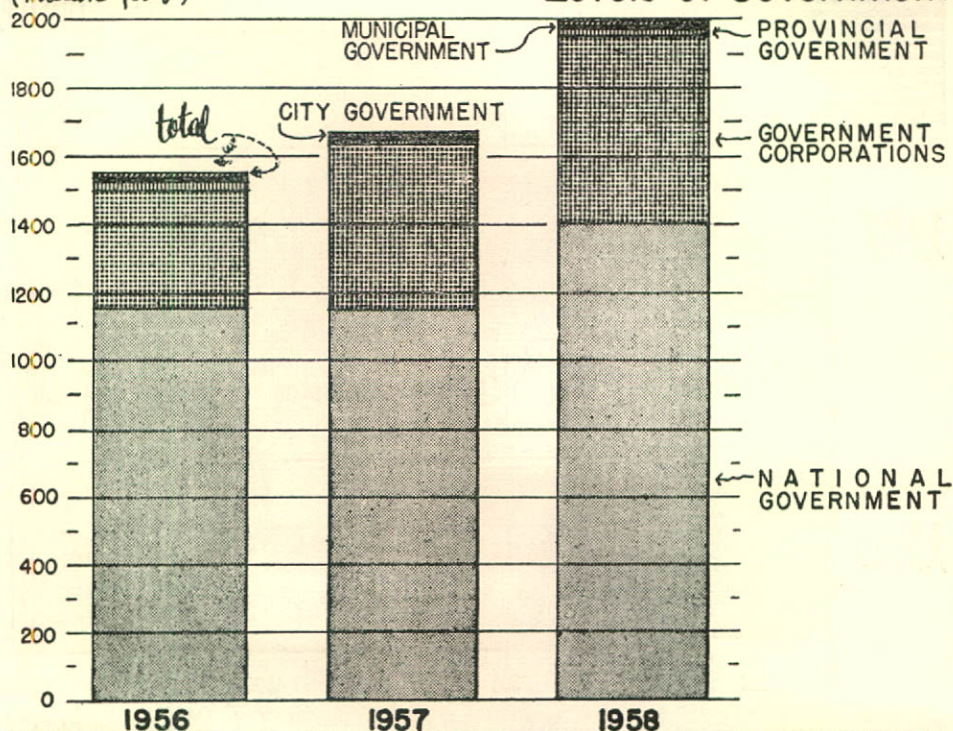
The growth of the public debt in 1958 was almost three times that posted in 1957, when restraint in public borrowing had to be exercised in order to avoid generating further inflationary pressures in the economy. Debt repayments and redemption of securities and bonds amounting to ₱195.33 million were made during the year, but new issues of government securities as well as the incurrence of other obligations in the aggregate amount of ₱530.93 million resulted in a net increment of ₱335.60 million, or 20.2 per cent. This pushed the public debt up to a record end-1958 level of ₱1,995.01 million.

The increment of ₱335.60 million in the public debt was largely due to the increased acknowledgments of backpay obligations of ₱186.64 million. Of this amount, ₱149.65 million were entered into the accounts of the National Government in mid-1958. The balance of ₱36.99 million was proportionately distributed among the accounts of the National Government, Provincial and Local Governments, and government corporations beginning July, as per advices from the Department of Finance. But for the increased acknowledgments, the public debt expansion in 1958 would have been held to ₱148.96 million.

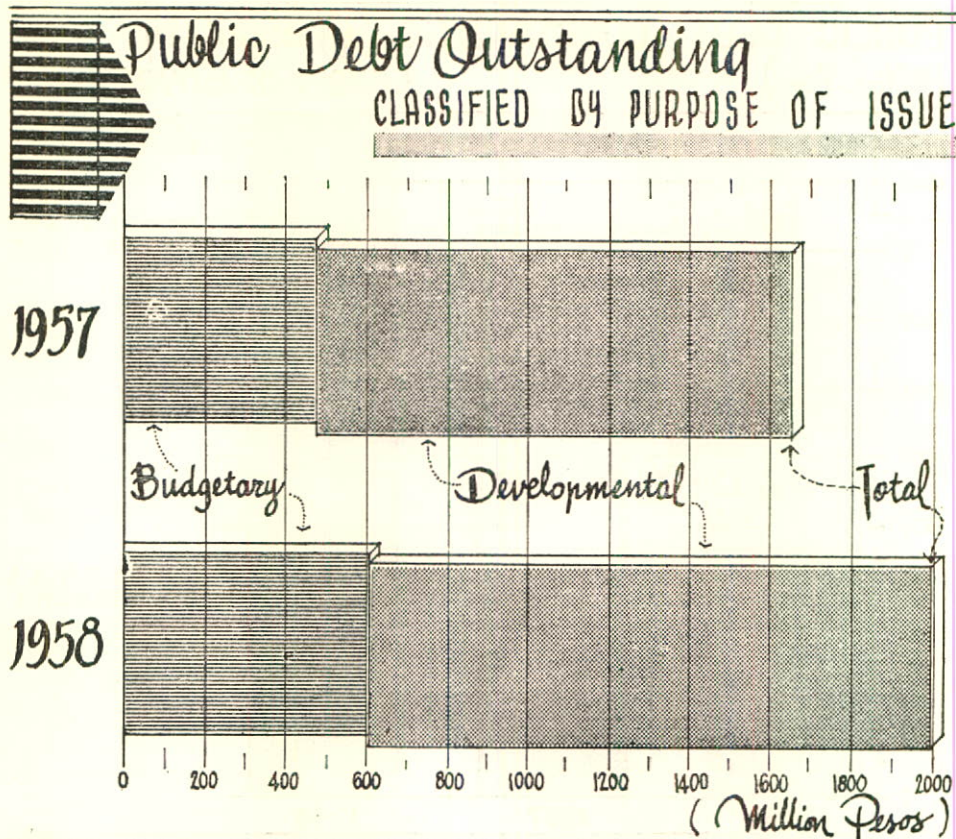
The National Government accounted for almost three-fourths, and government corporations, one-fifth, of the 1958 increment in the public debt. Largely on account of the increased acknowledgment of the backpay obligations, additional release of PW & ED bonds, and the flotation of Treasury Notes, the obligations of the National Government increased by ₱250.61 million to ₱1,405.99 million. Treasury Notes worth ₱75 million were floated in December to offset an equivalent amount deducted by the Central Bank in September from the government's deposit accounts with the Bank to pay for the overdraft line used in June. Installment repayments on the various foreign loans slowed the rise in National Government indebtedness.

Government corporation outstanding obligations rose by ₱68.13 million to ₱542.76 million at the end of 1958. Increments were largely provided by: (1) the National Power Corporation, with issuance of its bonds (₱15.90 million) and the further availment of the credit line from the IBRD for the Biñga Project (₱14.96 million); (2) the ACCFA, with a net issue of its securities (₱23 million); and (3) the increased share of government corporations in the additional acknowledgment of backpay obligations (₱10.15 million). Periodic repayments of foreign indebtedness somewhat checked the expansion in government corporation obligations.

PUBLIC DEBT OUTSTANDING *Classified by* *(Million Pesos)* **Levels of Government**



With increased indebtedness from backpay obligations, public debt for budgetary purposes moved up by ₱129.35 million to ₱605.69 million. This was 30.4 per cent of the total outstanding compared to the previous end-of-the-year ratio of 28.7 per cent. Developmental debt continued to expand as sustained development coupled with inadequate revenues forced resort to additional public borrowing. Treasury Notes of ₱75 million and PW & ED bonds of ₱67.69 million, in addition to the government corporate bonds and securities in the net amount of ₱57.98 million, upped the level to ₱1,389.32 million, ₱206.26 million over the figure at the start of the year. This comprised 69.6 per cent of the total public debt at the end of 1958.

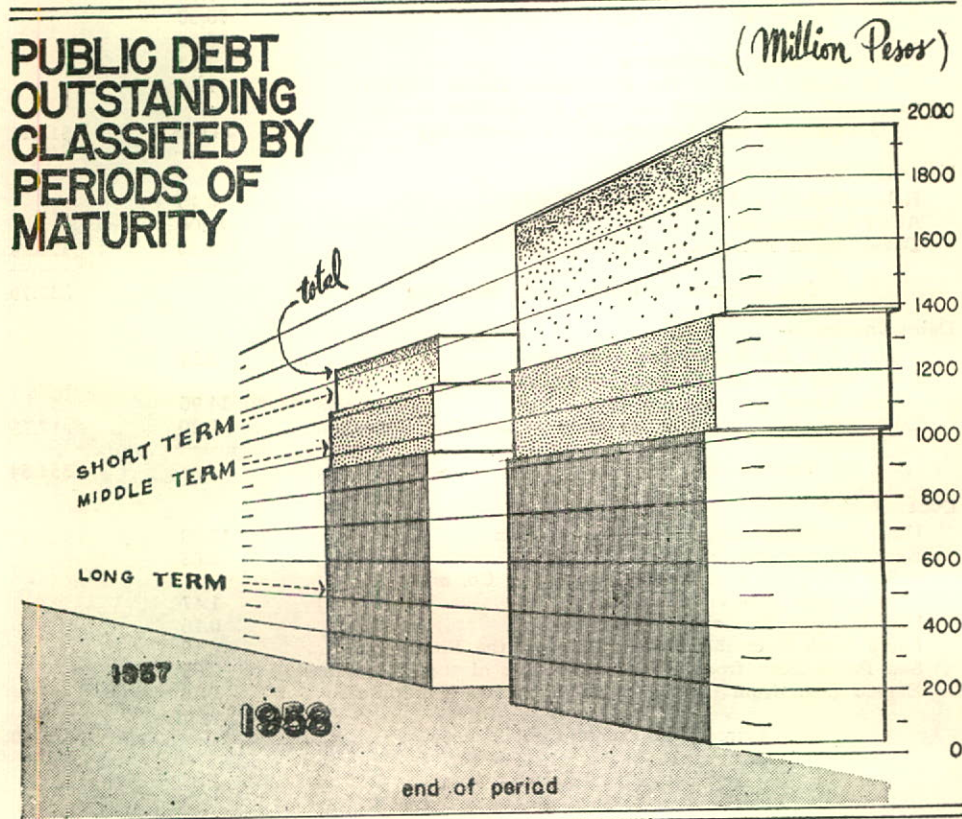


Both bonded and non-bonded debt showed increases; the former by ₱90.75 million because of further releases of PW & ED bonds and NPC bonds, and the latter by ₱244.85 million as more backpay obligations were acknowledged. Bonded debt stood at ₱907.33 million while non-bonded debt reached ₱1,087.68 million at the end of 1958.

The 1957 domestic obligations' year-end level of ₱1,476.21 million went up to ₱1,809.93 million by the end of 1958. The combined increments in National Government and government corporation obligations caused the substantial increase in internal debt. On the other hand, the periodic availment of the loan from the IBRD by the National Power Corporation pushed the foreign debt level to ₱185.00 million. Installment repayment remittances on the NPC loan from the Export-Import Bank, the loan from the U.S. RFC, and the MRR loan from different companies held the increment to ₱1.88 million during the year.

A pronounced shift in the maturity pattern of the public debt was noted during 1958. With backpay obligations to pre-war government employees becoming due on June 18, 1958, short-term debt jumped by 112.4

per cent to ₱480.30 million to account for almost one-fourth of the total indebtedness. As the greater portion of the ₱200 million issue of Rehabilitation and Development Bonds will mature within the next three years, middle-term debt rose sharply to ₱486.35 million compared to ₱304.09 million at the end of 1957. Although there was a drop of ₱100.88 million in long-term obligations, these still comprised slightly more than one-half of the total outstanding debt.



INCREASE IN PUBLIC DEBT 1958

(Million pesos)

Public Debt Outstanding, 1958		1,995.01
Public Debt Outstanding, 1957		1,659.41
Net Increase		<u>335.60</u>
Securities Issued—		
Public Works and Economic Development Bonds	67.69	
National Power Corporation Bonds	15.90	
National Waterworks and Sewerage Authority Bonds	1.70	
ACCFA Securities	70.00	
Treasury Notes	75.00	
Negotiable Land Certificates	3.62	
Development Bank of the Philippines Bonds (RFC)	137.84	
Increased Acknowledged Backpay Obligations (Local Government and Government Corporations)	141.43	513.18
Securities Redeemed—		
Rehabilitation and Development Bonds	0.46	
ACCFA Securities	47.00	
Development Bank of the Philippines Bonds	131.93	179.39
Net Increase in Government Securities		<u>333.79</u>
Debts Incurred—		
Loan from the Export-Import Banks	2.59	
Loan from the International Bank for Reconstruction and Development	14.96	
Leyte Loan from the Central Bank of the Philippines	0.20	17.75
Increase in Public Debt		<u>351.54</u>
Debts Paid—		
U.S. Reconstruction Finance Corporation	12.00	
Export-Import Bank	2.03	
MRR Co. Loan from the General Elec. Co. and Japanese Firms	1.47	
U.S. General Service Administration	0.16	
Leyte Loan from the Central Bank of the Philippines ...	0.10	
San Pablo Loan from the Central Bank of the Philippines	0.05	
Baguio Loan from the Central Bank of the Philippines ..	0.13	15.94
Net Increase in Public Debt		<u>335.60</u>

CHAPTER V

MONETARY AND CREDIT POLICY

A. MONEY SUPPLY

1. Movement

Despite the selective monetary measures instituted early in 1957 and the strong quantitative measures initiated toward the end of that year, money supply in 1958 recorded a persistent rise, which was moderate in the first seven months but showed an accelerated trend towards the close of the year. From a level of ₱1,597.9 million at the end of 1957, money supply moved down in January, then slowly rose under the impact of policy relaxations till April, after which it intermittently fell and rose in the next three months. By July, money supply was at ₱1,628.9 million, ₱31.0 million or 1.9 per cent more than the previous year-end level. Thereafter, its rate of increase gradually accelerated, reaching a new all-time high of ₱1,737.8 million in December.

Over the period considered, money supply exhibited an upward movement faster than in the previous year, but slower than in 1956. The 1958 year-end level showed an increase of ₱139.9 million or 8.8 per cent over the previous year as compared to the recorded increases of ₱99.0 million or 6.6 per cent in 1957 and to ₱162.8 million or 12.2 per cent in 1956. The year's expansion was at a monthly average rate of 0.73 per cent as against 0.55 per cent during 1957.

YEARLY CHANGES IN MONEY SUPPLY

1957-1958

(Million pesos)

End of month	1958	Annual changes during 1958		Annual changes during 1957	
		Amount	Per cent	Amount	Per cent
January	1,564.4	51.0	3.4	166.6	12.4
February	1,581.0	37.2	2.4	190.9	14.1
March	1,610.9	44.5	2.8	184.7	13.4
April	1,621.4	32.5	2.0	192.3	13.8
May	1,602.3	41.2	2.6	178.0	12.9
June	1,638.0	72.7	4.6	148.8	10.5
July	1,628.9	67.5	4.3	142.0	10.0
August	1,645.7	105.9	6.9	104.6	7.3
September	1,655.2	109.5	7.1	97.9	6.8
October	1,678.0	105.3	6.7	112.0	7.7
November	1,696.3	105.0	6.6	112.4	7.6
December	1,737.8	139.9	8.8	99.0	6.6

2. Composition

Money in the form of deposits remained the major component of money supply. At the end of 1958, deposits were 53 per cent of the total. Last year, they constituted 51 per cent and two years ago, 52 per cent. The increasing portion of checking deposits as media of exchange indicates the intensification of financial activities on a large scale as well as the growing dependence of business upon banking facilities.

MONEY SUPPLY AND ITS COMPONENTS

1957-1958

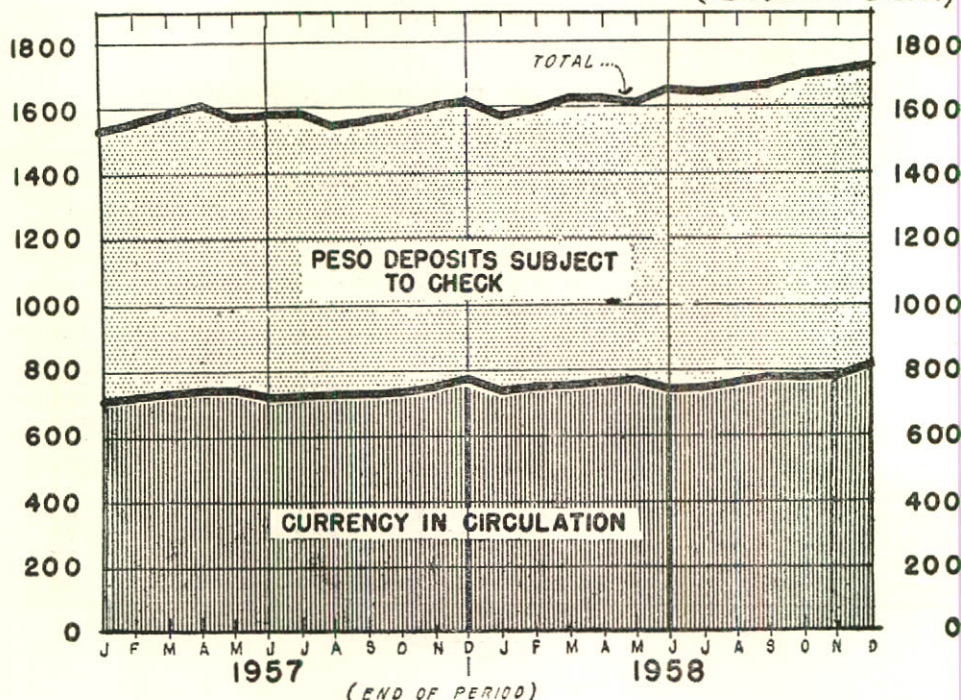
(Amount in million pesos)

Period	Total	Currency in Circulation		Peso Demand Deposits	
		Amount	Per cent of total	Amount	Per cent of total
1957					
Beginning	1,498.9	718.5	47.9	780.4	52.1
Middle	1,565.3	725.0	46.3	840.3	53.7
End	1,597.9	781.0	48.9	816.9	51.1
1958					
End of January	1,564.4	748.9	47.9	815.5	52.1
Middle	1,638.0	747.0	45.6	891.0	54.4
End	1,737.8	818.3	47.1	919.5	52.9

MONEY SUPPLY AND ITS COMPOSITION

1957-1958

(Million Pesos)



a. Currency in Circulation

Currency in circulation expanded by ₱37.3 million or 4.8 per cent during the year. The expansion was relatively smaller than in the previous year. The factors that caused the issuance of more currency were increased loan accommodations and the purchase of more bonds which were augmented further by foreign exchange transactions. However, the expanded deposit liabilities and other transactions of the Central Bank exerted counteracting pressures. As a result, currency issued increased by only ₱47.5 million. Moreover, Other Banks kept in their vaults more inactive cash and at the close of 1958, currency in the hands of the public was higher by ₱37.3 million than the year before.

FACTORS THAT INFLUENCED CHANGES^a IN CURRENCY IN CIRCULATION, 1958

(Million pesos)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Net Effect
I. CENTRAL BANK OPERATIONS	- 20.1	- 15.0	+ 30.4	+ 52.3	+ 47.6
1. Foreign Exchange Transactions	+ 23.7	- 26.4	+ 16.2	+ 28.0	+ 41.5
2. Credit and Open Market Operations	+ 46.1	+108.8	- 69.4	+130.3	+215.8
3. Deposit Liabilities	- 87.7	-119.5	+ 84.9	- 62.4	-184.7
4. Other Transactions	- 2.2	+ 22.1	- 1.3	- 43.6	- 25.0
II. INACTIVE CASH HOLDINGS	+ 4.4	- 3.3	+ 8.6	- 20.0	- 10.3
1. Other Banks' Vaults	+ 1.9	+ 2.9	+ 2.5	- 17.8	- 10.5
2. Treasury Vaults	+ 2.5	- 6.2	+ 6.1	- 2.2	+ 0.2
III. NET CHANGE IN CURRENCY IN CIRCULATION	- 15.7	- 18.3	+ 39.0	+ 32.3	+ 37.3

a Plus sign (+) indicates an increase and minus sign (-) a decrease in currency in circulation.

b. Peso Demand Deposits

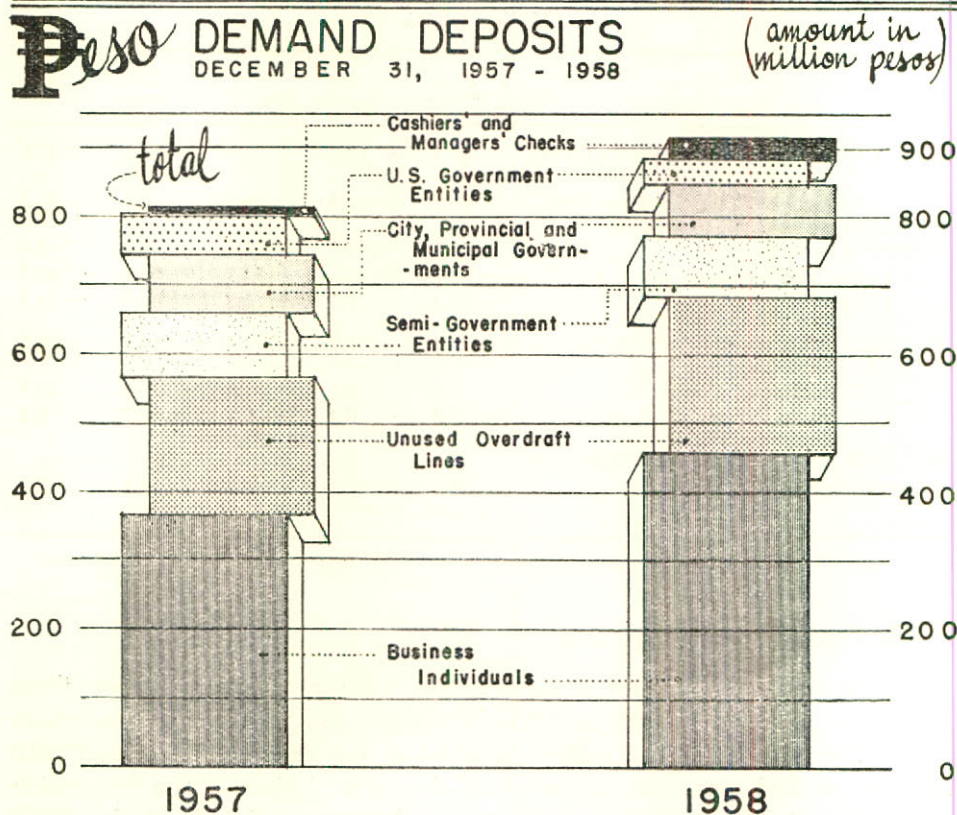
Peso demand deposits increased this year at a rate almost three times the recorded growth in 1957, but much less than the expansion in 1956. The total of ₱919.5 million reached at the end of 1958, was ₱102.6 million or 12.6 per cent more than the year before. The expansion occurred mainly in the accounts of private business and individuals (₱93.0 million), unused overdraft lines, (₱31.6 million), and certified checks outstanding, (₱15.9 million). On the other hand, deposits of U.S. Government entities and of local and semi-government entities dropped by ₱21.3 million and ₱16.6 million, respectively.

PESO DEMAND DEPOSITS

December 31, 1957-58

(Amount in million pesos)

Item	Amount		Increase or Decrease (-)	
	1958	1957	Amount	Per cent
TOTAL	919.5	816.9	102.6	12.6
Business Individuals	459.2	366.2	93.0	25.4
Semi-Government Entities	86.8	94.8	— 8.0	— 8.4
City, Provincial and Municipal Governments	77.8	86.4	— 8.6	—10.0
U.S. Government Entities	40.5	61.8	—21.3	—34.5
Unused Overdraft Lines	228.3	196.7	31.6	16.1
Cashiers' and Managers' Checks	26.9	11.0	15.9	144.5



The velocity of checking deposits likewise intensified during the year. The annual turnover was recorded at 20.8 in comparison to 19.4 in 1957 and 19.1 in 1956.

TURNOVER RATE OF PESO DEMAND DEPOSITS
As of Dates Indicated
(Million pesos)

Period	Total Debits (1)	Average Peso Demand Deposits (2)	Turnover Rate (1 over 2)
1957—December	1,452.9	826.4	1.76
1958—January	1,707.3	816.2	2.09
February	1,427.4	818.9	1.74
March	1,477.8	834.0	1.77
April	1,458.4	846.1	1.72
May	1,510.1	834.7	1.81
June	1,560.3	856.9	1.82
July	1,516.0	884.9	1.71
August	1,351.6	880.2	1.54
September	1,436.7	875.5	1.64
October	1,431.7	880.4	1.63
November	1,319.9	900.4	1.47
December	1,701.4	914.4	1.86
1958—Monthly Average	1,491.6	861.9	1.73
1951—Monthly Average	682.2	548.5	1.24

3. Factors Responsible for Money Supply Movement

Factors responsible for continued money supply expansion originated from both internal and external operations. Internal activities showed that additional bond issues found their way into the Central Bank, increased financial assistance was extended to the ACCFA, and more loans were extended by commercial banks to semi-government entities. These transactions brought about the creation of new money. They were, however, partly mitigated by the sustained growth of non-monetary balances such as government's current and time deposits and other transactions. Over the year, the public activities generated ₱53.2 million into the money stream.

The inflationary influence of public borrowings was reenforced by similar activities in the private sector. Private businesses increased their borrowings from banks. Bank loans, discounts and overdrafts (including unused overdrafts) to the private segment of the economy were ₱118.8 million more in 1958 than the previous year. Acceptance credits, however, were reduced by ₱44.7 million due to the reduced level of imports. On balance, the private sector generated an addition of ₱21.5 million to the money supply.

The combined effect of both public and private sector transactions on the expansion of money supply (₱74.7 million) this year was much less in comparison to 1957. As in that year, the public sector was more dominant in its positive effect.

The foreign sector which tended to decrease money supply during 1957 this year exerted an additive influence. International reserves improved slightly and taking into account National Government expenditures

and net bank payments abroad which had no effect on money supply, some ₱65.2 million were added to the monetary supply.

Institutionally, the Central Bank operations wholly accounted for the money supply expansion, while Other Banks and fiscal operations caused negative effects.

FACTORS RESPONSIBLE FOR MONEY SUPPLY MOVEMENT (Operational Origin)

December 31, 1957-1958

(Million pesos)

I t e m	1 9 5 8	1 9 5 7	Increase or Decrease (—)	Net effect on money supply a
I. MONEY OF INTERNAL ORIGIN				
A. Public Sector ^b				
1. Credit operations				
a. Gov't securities held by Central Bank	932.7	784.7	148.0	+148.0
b. Gov't securities held by Other Banks	115.0	123.9	- 8.9	- 8.9
c. Other credits of the Central Bank	116.5	56.6	59.9	+ 59.9
d. Loans, discounts, overdrafts and customers' liability acceptances	56.1	43.6	12.5	+ 12.5
Less:				
2. National Government balances .	223.7	166.4	57.3	- 87.1 ^c
3. Savings and time deposits	60.4	44.6	15.8	- 15.8
4. Net miscellaneous accounts of CB and PNB	164.4	119.0	45.4	- 55.4 ^d
T o t a l	<u>771.8</u>	<u>678.8</u>	<u>93.0</u>	<u>+ 53.2</u>
B. Private Sector				
1. Credit operations				
a. Loans, discounts, overdrafts ^e and customers' liability acceptances	1,584.0	1,509.9	74.1	+ 74.1
b. Corporate securities	3.6	3.0	0.6	+ 0.6
Less:				
2. Savings, time and other deposits	765.7	716.8	48.9	- 48.9
3. Net miscellaneous accounts of private banks	164.4	159.7	4.7	- 4.3 ^f
T o t a l	<u>657.5</u>	<u>636.4</u>	<u>21.1</u>	<u>+ 21.5</u>
C. Total Public and Private Sectors .	<u>1,429.3</u>	<u>1,315.2</u>	<u>114.1</u>	<u>+ 74.7</u>
II. MONEY OF EXTERNAL ORIGIN				
A. International Reserve	<u>290.6</u>	<u>280.1</u>	<u>10.5</u>	<u>+ 65.2 ^c</u>
III. MONEY SUPPLY	<u>1,737.8</u>	<u>1,597.9</u>	<u>139.9</u>	<u>+139.9</u>

a Plus sign (+) indicates an increase and minus sign (—) a decrease in money supply.

b Consisting of the National Government, local governments and semi-government entities.

c Fiscal operations actually exerted a negative effect of ₱87.1 million on money supply due to the inclusion of ₱29.8 million representing National Government expenditures abroad which did not generate money supply. Likewise, this amount (₱29.8 million) together with the net payment of ₱10.0 million (\$5.0 million) to banks abroad which had no effect on money supply, was excluded from the international reserve; thus, money of external origin actually caused an expansion of ₱65.2 million in money supply. Net receipts during the period amounted to ₱25.4 million (\$12.7 million) thereby reflecting a lag of ₱14.9 million in the international reserve.

d Adjustment was made to include a net payment of ₱10.0 million (\$5.0 million) to banks abroad.

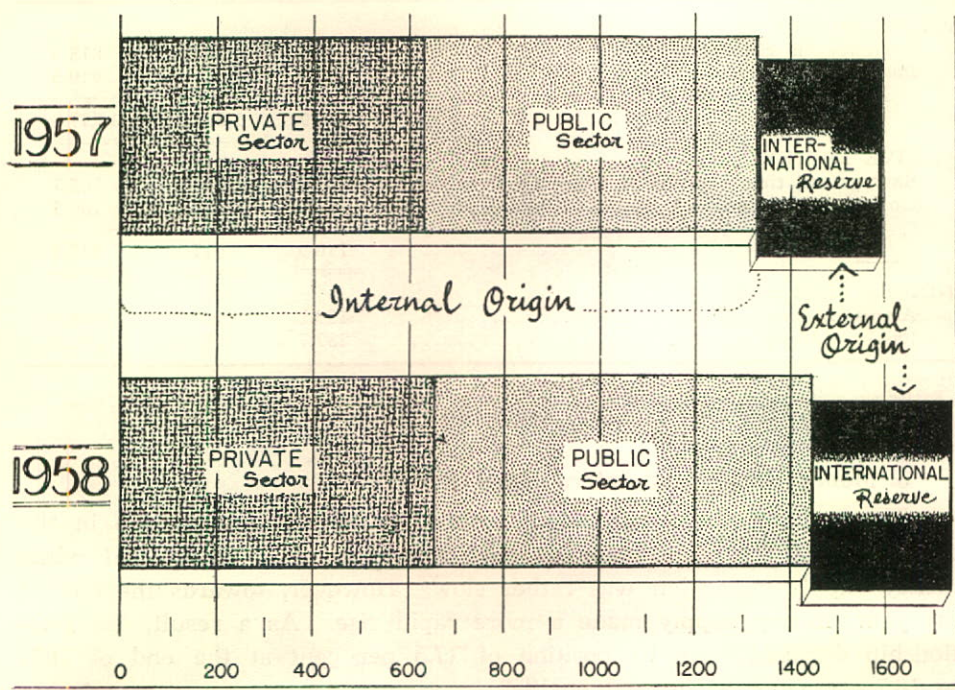
e Including unused overdraft lines.

f Including recording lag of ₱0.4 million.

Money Supply by ORIGIN and SECTOR

(million pesos)

December 31, 1957 & 1958



4. Passive and Active Money

Passive money continued to expand at a more rapid rate than active money. In 1958, savings and time deposits increased with the same vigor as in 1957 and moreover, non-bank investors in government securities mounted. As a result, passive money showed a rise of ₱117.9 million or 14.4 per cent as compared to 8.8 per cent in active money. The appreciable rise of passive money was one of the factors that broadened the credit base of banks.

ACTIVE AND PASSIVE MONEY

December 31, 1956-1958

(Amount in million pesos)

I t e m	1956	1957	1958
ACTIVE MONEY			
Currency in circulation	718.5	781.0	818.3
Peso demand deposits	780.4	816.9	919.5
T o t a l	1,498.9	1,597.9	1,737.8
PASSIVE MONEY			
Savings and time deposits of Other Banks ^a	564.2	663.6	765.7
Government securities ^b	146.7	153.7	169.5
T o t a l	710.9	817.3	935.2
INDICES (1951 = 100)			
Active Money	129.2	137.7	149.8
Passive Money	237.7	273.3	312.7

^a Consisting of commercial, savings and rural banks.

^b Excluding government securities held by the Central Bank, Other Banks, Bond Sinking Fund, Industrial Guarantee and Loan Fund, and Securities Stabilization Fund.

5. Money Supply and International Reserve

The ratio of the international reserve to money supply rose in the early part of the year when it showed a moderate improvement while money supply expansion was rather slow. However, towards the end of the year, money supply made a more rapid rise. As a result, the relationship declined from its position of 17.5 per cent at the end of 1957 to 16.7 per cent at the end of 1958.

RATIO OF INTERNATIONAL RESERVE TO MONEY SUPPLY AND CURRENCY ISSUE, 1957-1958

(Amount in million pesos)

End of Period	International Reserve	Money Supply	Currency Issue	Ratio (per cent) of International Reserve to:	
				Money Supply	Currency Issue
1957	280.1	1,597.9	832.5	17.5	33.6
1958—January	286.9	1,564.4	795.3	18.3	36.1
February	300.6	1,581.0	802.9	19.0	37.4
March	301.4	1,610.9	812.4	18.7	37.1
April	275.5	1,621.4	820.4	17.0	33.6
May	291.2	1,602.3	823.3	18.2	35.4
June	271.7	1,638.0	797.4	16.6	34.1
July	271.9	1,628.9	788.0	16.7	34.5
August	288.4	1,645.7	806.7	17.5	35.8
September	294.9	1,655.2	827.8	17.8	35.6
October	267.5	1,678.0	827.7	15.9	32.3
November	256.6	1,696.3	828.1	15.1	31.0
December	290.6	1,737.8	880.0	16.7	33.0

1. Summary of Credit Policies and Measures

The credit measures of restraint formulated in 1957 remained formally in force during 1958, but they underwent certain modifications which tended to ease the restrictions. No new credit measures were adopted. The Central Bank rediscount rate with commercial banks which was raised to 4½ per cent in September, 1957 was maintained while loans to government and rural banks were still favored with rates of 2 per cent and ½ per cent, respectively. The bulk of Central Bank loans made to commercial banks were for productive purposes, consistent with the announced policy of a more productive use of credits.

Designed to minimize the inflationary pressures generated by Central Bank purchases of bonds, the Central Bank in July withdrew its support of government securities. This withdrawal applied only to the new bond series of 6 per cent and did not extend to those old issues earning 4 per cent and below. Nevertheless, security holdings of the Central Bank portfolio continued to increase, primarily as an off-shoot of the high rediscount rate which led some commercial banks to convert their government securities into more liquid reserves. Another factor contributing to the increase in portfolio security investments was the intensified purchase of definitive R & D bonds in accordance with the Monetary Board policy to reacquire these bonds prior to their maturity in June, 1959.

Meanwhile, a note of relaxation crept into the credit policy as a result of several major exemptions from Circular No. 79. Whereas at the beginning of the year the Circular required margin deposits ranging from 25 per cent to 200 per cent against letters of credit for all types of allowable imports, by the end of the period the Circular covered only certain classes of imported goods with lower margin requirements of 25 per cent to 100 per cent.

The credit policy, however, took on a more positive aspect with the promotion of credit and banking facilities, particularly in rural areas. In addition to financial assistance, the Institute of Rural Banking in the Central Bank also provided free training for both executive and clerical personnel of rural banks.

The effectiveness of the policy of credit restraint showed in a notable drop of 22.7 per cent in commercial bank borrowings from the Central Bank. Exclusive of borrowings under the Eximbank program, eleven commercial banks borrowed ₱242.9 million in 1958 as compared with twelve commercial banks availing of ₱314.2 million the previous year. Around 51.0 per cent of the loans were secured with production and other papers of high economic priority while only 29.5 per cent were secured with government securities. Last year, the corresponding breakdown was 33.8 per cent and 65.5 per cent, respectively. Other Banks sold ₱308.8 million

worth of government securities to the Central Bank portfolio while their purchases amounted to only P156.0 million. Meanwhile, loans to rural banks in 1958 totalled P14.2 million or almost double the P7.6 million granted in 1957. Budgetary loans to both national and local governments amounted to P75.3 million against only P0.4 million, and the ACCFA was loaned a total of P65 million as against P35 million in the previous year.

Marginal deposits required under Circular No. 79 reached their peak of P97.6 million in February but because of the major exemptions gradually went down until they amounted to only P24.3 million at the end of the year. The attempt to encourage the purchase of more government securities by allowing one-half of these deposits to be in the form of government bonds did not prove very effective as only a maximum of P0.9 million of bonds were utilized by the importers. By the end of 1958, only P2,000 worth of marginal deposits were in bonds.

The commercial banking system expanded with the establishment of three more branches and agencies while savings banks added one more branch in 1958. The number of rural banks increased by 14, for a total of 120. Financial assistance to the rural banks totalled P15.3 million, P14.2 million in the form of loans and rediscounts and the balance, capital assistance. The number of trainees who underwent special training in the Institute of Rural Banking totalled 180.

**TOTAL DOMESTIC CREDITS OF CENTRAL BANK, OTHER BANKS
AND SELECTED FINANCIAL INSTITUTIONS
CLASSIFIED BY PUBLIC AND PRIVATE SECTORS
December 31, 1957-1958
(Amount in million pesos)**

I t e m	Dec. 31, 1958	Dec. 31, 1957	Increase or Decrease (—)	
			Amount	Per Cent
T O T A L	3,998.7	3,647.4	351.3	9.6
Public Sector	1,382.7	1,204.3	178.4	14.8
Private Sector	2,616.0	2,443.1	172.9	7.1
1. Central Bank^a	1,150.7	922.3	228.4	24.8
Public Sector ^b	1,118.8	899.3	219.5	24.4
Private Sector ^c	31.9	23.0	8.9	38.7
2. Other Banks^d	1,758.7	1,680.4	78.3	4.7
Public Sector	171.1	167.5	3.6	2.1
Private Sector	1,587.6	1,512.9	74.7	4.9
3. Selected Financial Institutions^e	1,089.3	1,044.7	44.6	4.3
Public Sector	92.8	137.5	—44.7	—32.5
Private Sector	996.5	907.2	89.3	9.8

^a Including loans to commercial banks.

^b Including loans to PNB.

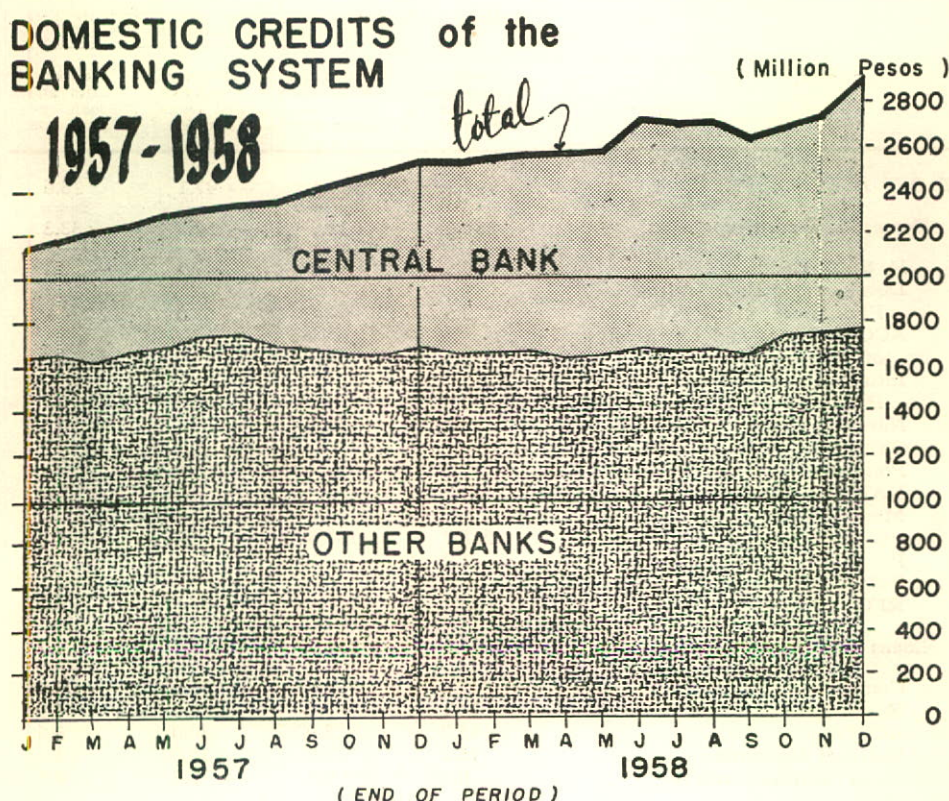
^c Consisting of loans to rural banks and private commercial banks.

^d Consisting of commercial, savings and rural banks.

^e Consisting of the DBP, GSIS, ACCFA, PSE, building and loan associations and private insurance companies.

2. Domestic Credits of the Banking System

The effects of the policy of restraint were most apparent in the domestic credits of the banking system. Although total domestic credits reached an all-time high of ₱2,807.9 million at the end of 1958, the rate of expansion was much slower than in 1957. The increase amounted to only ₱286.2 million or 11.3 per cent versus ₱439.2 million or 21.1 per cent the previous year. Furthermore, most of the expansion was traceable to the Central Bank whose share of the credits went up from ₱841.3 million to ₱1,049.2 million (excluding loans to Other Banks). Other Banks credits moved up by only ₱78.3 million. Significantly, Other Banks credit extensions to the private sector went up by only 4.9 per cent, in contrast to 20.6 per cent last year due in large part to the reduction in import financing concomitant with a lower over-all level of imports. On the whole, the increase in credit accommodations of the banking system favored strongly the public (government) sector. Public credits accounted for 43.5 per cent of the total while the balance of 56.5 per cent went to the private segment of the economy. In 1957, the corresponding breakdown was 40.0 per cent and 60.0 per cent, respectively.



a. Central Bank Credit Operations

The Central Bank portfolio totalled ₱1,150.7 million at the end of 1958, representing an expansion of 24.8 per cent as compared with the 62.3 per cent recorded in 1957. This reflected to some extent the growing effectiveness of the high rediscount rate and other measures of credit restraint imposed by the Central Bank on the banking system. Portfolio loans to commercial banks declined sizably from ₱314.2 million in 1957 to ₱242.9 million in 1958 (exclusive of ₱15.0 million borrowed under Ex-imbank financing), a drop of 22.7 per cent. Similarly, portfolio open market operations reflected the liquidity needs of the commercial banks. Other Banks sold ₱308.8 million worth of government securities to obtain additional reserves, while purchasing only ₱156.0 million from the Central Bank portfolio.

CREDIT OPERATIONS OF THE CENTRAL BANK

During the year 1958

(Million pesos)

Type of credit	January to December, 1958		Increase or decrease (—) over the year 1957	
	Security purchases and loans granted	Security sales and loan repayments	Security purchases and loans granted	Security sales and loan repayments
T O T A L	792.8	564.4	— 97.1	28.6
Domestic Securities	380.4	232.4	—152.3	33.3
R & D Bonds	20.5	0.8	7.1	— 8.1
Development Bank of the Philippines (DBP) Bonds	3.5	—	3.5	—
ACCFA Notes and Certificates of Indebtedness	9.0	35.0	— 58.0	— 11.1
Insular, Provincial and Municipal Bonds	5.3	—	5.3	—
National Power Corporation Bonds	21.2	12.1	— 83.5	— 39.5
Philippine Treasury Bills	—	—	— 0.1	— 12.0
Philippine Treasury Notes	75.0	—	69.8	—
NAWASA Bonds	1.7	—	— 4.2	—
Manila Water District Bonds	—	—	— 2.0	—
PW & ED Bonds	218.7	184.5	—115.4	104.0
PW & ED Coupon Bonds	1.0	—	1.0	—
PW & ED Registered Bonds	—	—	— 0.3	—
RFC Bonds	24.5	—	24.5	—
Loans and Advances	412.4	332.0	55.2	— 4.7
Commercial Banks	257.9	242.2	— 56.3	— 89.6
Rural Banks	14.2	9.4	6.6	4.8
ACCFA	65.0	5.0	30.0	5.0
National Government	75.0	75.0	75.0	75.0
Local Governments	0.3	0.4	— 0.1	0.1

(1) Lending Operations

Loans and advances of the Central Bank totalled ₱412.4 million during the period. Of the total, commercial banks borrowed ₱257.9 million or 62.5 per cent; the National Government, ₱75.0 million or 18.2 per cent; ACCFA, ₱65.0 million or 15.8 per cent; rural banks, ₱14.2 million or 3.4 per cent and local governments, ₱0.3 million or 0.1 per cent. Repayments amounted to ₱332.0 million leaving a net increase of ₱80.4 million in outstanding loans and advances. Thus, the level of loans and advances outstanding totalled ₱196.7 million or 17.1 per cent of the portfolio, about half of which represented advances to the ACCFA under R.A. 1194 (the Virginia Leaf Tobacco Law).

(2) Open Market Operations

Purchases of government securities during the year were much smaller than the volume of the previous year. Purchases grossed ₱380.4 million as compared with ₱532.7 million in 1957. With sales amounting to ₱232.4 million, the portfolio ended with a net acquisition of ₱148.0 million to bring its security holdings to ₱932.7 million or 81.1 per cent of the aggregate. Purchases would have been much smaller, however, had it not been for the policy of reacquiring the R & D bonds before maturity and the accommodation extended to commercial banks which wanted to convert some of their securities into more liquid reserves.

b. Other Banks Credits

Although Other Banks' credits expanded at a rate (4.7 per cent) slightly more rapid than in the previous year (4.4 per cent), the expansion was in favor of the public sector. Whereas Other Banks' credits to the government declined by 52.9 per cent in 1957, this year they appreciated by 2.1 per cent. On the other hand, private credits which expanded by 20.6 per cent a year before moved up by only 4.9 per cent in 1958 due mainly to the reduction in customers' liability acceptances.

DOMESTIC CREDITS OF OTHER BANKS

As of December 31, 1957-1958

(Amount in million pesos)

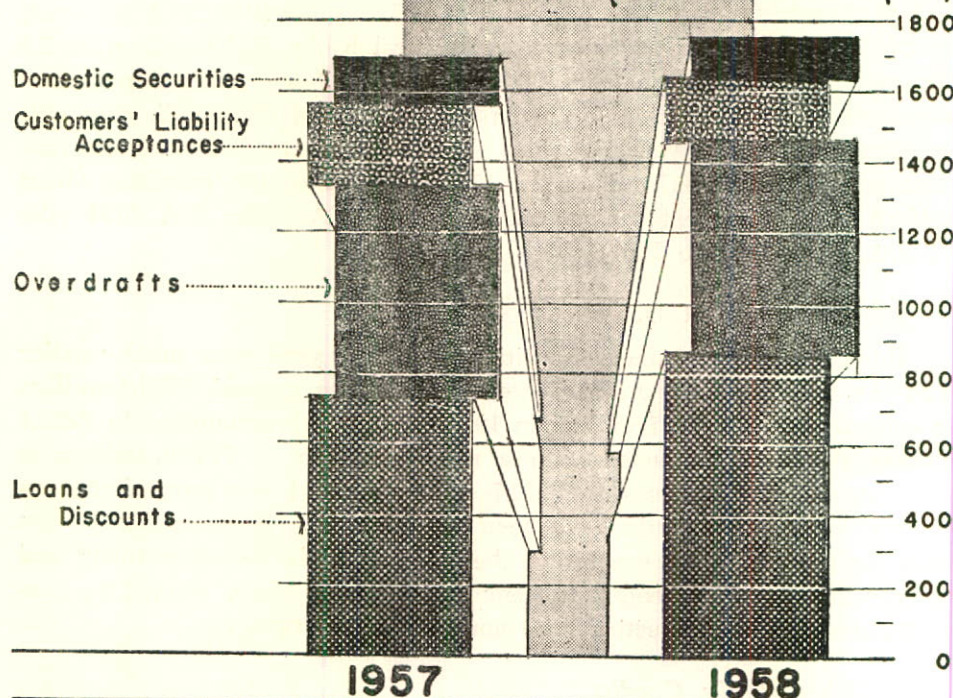
Type of Credit	1958	1957	Increase or Decrease (-)	
			Amount	Per cent
TOTAL	1,758.7	1,680.4	78.3	4.7
Loans and Discounts	861.5	738.9	122.6	16.6
Overdrafts ^a	605.5	592.5	13.0	2.2
Domestic Securities	118.6	126.9	— 8.3	— 6.5
Customers' Liability Acceptances ...	173.1	222.1	—49.0	—22.1

^a Including unused overdraft lines.

DOMESTIC CREDITS OF

AS OF DECEMBER 31, 1957 - 1958

Other Banks
(amount in million pesos)



(1) Investments in Securities

Security investments of Other Banks again went down as unloading continued in 1958. The decline, however, which amounted to only ₱8.3 million or 6.5 per cent was far below the ₱217.1 million disinvestment in 1957. Thus, at the end of 1958, security holdings of Other Banks totalled ₱118.6 million.

DOMESTIC SECURITY HOLDINGS OF OTHER BANKS

December 31, 1956-1958

(Amount in million pesos)

Type of Security	1956	1957	1958	Per Cent Distribution		
				1956	1957	1958
TOTAL	<u>343.7</u>	<u>125.6</u>	<u>118.6</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
National Government	<u>281.6</u>	<u>105.8</u>	<u>101.0</u>	<u>81.9</u>	<u>84.2</u>	<u>85.2</u>
PW & ED Bonds	202.7	34.2	33.8	59.0	27.2	28.5
R & D Bonds	36.6	32.2	27.1	10.6	25.7	22.8
Certificates of Indebtedness	38.1	38.1	39.1	11.1	30.3	33.0
Treasury Bills and Notes	4.2	0.4	0.9	1.2	0.3	0.8
Pre-War Bonds	—	0.9	—	—	0.7	—
P. I. Bonds	—	—	0.1	—	—	0.1
Semi-Government Entities	<u>56.1</u>	<u>14.1</u>	<u>11.2</u>	<u>16.3</u>	<u>11.2</u>	<u>9.4</u>
RFC Bonds	9.1	4.2	5.2	2.6	3.3	4.4
National Power Corp. Bonds	40.1	7.9	4.4	11.7	6.3	3.6
ACCFA Notes and Certificates of Indebtedness	2.5	—	—	0.7	—	—
NAWASA Bonds	1.9	—	0.5	0.6	—	0.4
MWD Bonds	2.5	0.5	0.9	0.7	0.4	0.8
MRR Bonds	—	1.5	—	—	1.2	—
Cebu Portland Works Bonds	—	—	0.2	—	—	0.2
Local Government	<u>3.0</u>	<u>2.7</u>	<u>2.8</u>	<u>0.9</u>	<u>2.2</u>	<u>2.4</u>
Private Issues	<u>3.0</u>	<u>3.0</u>	<u>3.6</u>	<u>0.9</u>	<u>2.4</u>	<u>3.0</u>

(2) Loans, Discounts and Overdrafts

The level of loans, discounts and overdrafts increased further by 10.2 per cent from ₱1,331.4 million in 1957 to ₱1,467.0 million this year. The rate of expansion, however, was slower than the 22.8 per cent increase in 1957 over 1956. Nevertheless, percentagewise, this type of credit made the largest expansion in 1958 compared to other types of credit.

Due to the current revision of banking statistics which will result in the presentation of new statistical information on banking activities, the sections dealing on (1) loans, discounts and overdrafts granted; (2) security requirements; and (3) interest rates cannot be presented this year.

(3) Customers' Liability Acceptances

The marked reduction in foreign exchange allocations for imports in 1958 was reflected in a drop of ₱49.0 million or 22.1 per cent in outstanding customers' liability acceptances at the end of the year. Based on the monthly balances, however, the decline for the period averaged ₱37.4 million or 18.4 per cent. In contrast, 1957 featured an expansion of ₱40.5 million or 22.3 per cent over 1956. The average monthly expansion was ₱32.2 million or 18.8 per cent.

OUTSTANDING CUSTOMERS' LIABILITY ACCEPTANCES OF OTHER BANKS,^a 1957-1958

(Amount in million pesos)

End of Period	1958	1957	Increase or Decrease (—)	
			Amount	Per cent
Average for the Year	166.3	203.7	—37.4	—18.4
January	215.1	166.0	49.1	29.6
February	195.2	180.7	14.5	8.0
March	176.5	189.0	—12.5	—6.6
April	162.3	203.8	—41.5	—20.4
May	150.3	210.0	—59.7	—28.4
June	156.8	204.8	—48.0	—23.4
July	152.9	213.2	—60.3	—28.3
August	141.1	212.2	—71.1	—33.5
September	142.1	210.2	—68.1	—32.4
October	159.1	215.4	—56.3	—26.1
November	171.5	216.4	—44.9	—20.7
December	173.1	222.1	—49.0	—22.1

^a Per consolidated statement of condition of commercial, savings and rural banks.

(4) New Statistical Series

A preview of the forthcoming new statistical series on banking operations is presented in the following sections covering only the first six months of 1958.

(a) Total credits granted—loans, discounts, overdrafts, customers' liability acceptances, export bills, domestic bills purchased—in the first semester of 1958 amounted to ₱1,675.1 million. Classified as to purpose, commercial credits accounted for 54.5 per cent; production credits, 38.5 per cent; consumption credits, 4.1 per cent; capital investments, 2.2 per cent; and transfer of assets, 0.7 per cent.

TOTAL CREDITS GRANTED BY OTHER BANKS CLASSIFIED BY PURPOSE, 1958

(Million pesos)

Purpose	Total	January	February	March	April	May	June
TOTAL	1,675.1	301.1	251.8	278.6	286.1	283.6	277.9
Consumption	68.3	7.9	5.5	11.6	12.5	12.8	18.0
Commercial	912.7	169.4	139.4	152.7	147.9	151.9	151.4
Production	644.3	113.6	99.5	104.0	112.8	112.4	102.0
Capital Investment	37.4	8.4	6.1	8.5	6.6	3.3	4.5
Transfer of Assets	12.4	1.8	1.3	1.8	2.3	3.2	2.0

(b) Around 48.3 per cent of the credits were granted on a basis of ₱100,001 and over while only 3.6 per cent of the total were granted in amounts of ₱1,000 and below. Credits on a basis of ₱1,001 to ₱50,000 amounted to 37.7 per cent of the total and the balance of 10.4 per cent was in amounts of ₱50,001 to ₱100,000. The most common rate of interest charged by Other Banks was 6 per cent per annum. Around 70.5 per cent of the total credits carried this rate. This was followed by credits bearing 8 per cent per annum which accounted for 7.2 per cent of the total. Classified as to maturity, over 78.2 per cent of the total credits were of short-term duration (1 year or less).

(c) Of the total loans, discounts and overdrafts granted during the six-month period, 77.1 per cent were secured with collateral while the balance was unsecured. Real estate remained the most frequently used asset as collateral, accounting for 38.0 per cent of total secured loans, discounts and overdrafts, with merchandise following with 21.6 per cent.

LOANS, DISCOUNTS AND OVERDRAFTS GRANTED BY OTHER BANKS CLASSIFIED BY TYPE OF SECURITY, 1958

(Million pesos)

Type of Security	Total	January	February	March	April	May	June
T O T A L	838.8	136.6	136.3	138.3	147.3	142.6	137.7
Unsecured	192.0	27.1	31.9	40.2	37.6	29.1	26.1
Single name paper	53.0	6.0	7.3	10.3	10.6	9.8	9.0
Two or more name paper	139.0	21.1	24.6	29.9	27.0	19.3	17.1
Secured	646.8	109.5	104.4	98.1	109.7	113.5	111.6
Merchandise	139.8	26.4	20.0	19.5	24.3	22.1	27.5
Plant and equipment	56.5	5.0	2.4	10.0	15.2	17.4	6.5
Real estate	245.8	48.0	45.0	23.8	39.2	44.4	45.4
Stocks and bonds	38.7	3.1	3.9	5.1	8.1	9.8	8.7
Current, savings and time deposits	24.7	3.5	2.9	3.5	3.6	5.2	6.0
Jewelry and other personal property	26.8	3.9	4.0	5.1	6.9	3.7	3.2
Other collateral	114.5	19.6	26.2	31.1	12.4	10.9	14.3

(d) Filipino borrowers formed the bulk (69.6 per cent) of recipients of credits granted. They were followed by borrowers of Chinese nationality, 12.4 per cent, and of American nationality, 9.9 per cent. Corporations accounted for an overwhelming share (66.5 per cent) of total credits. Individual borrowers trailed with 23.9 per cent of the total. Classified as to industry, the flow of credits was largest in commerce (54.4 per cent); followed by manufacturing, 22.1 per cent, and agriculture, 15.0 per cent.

TOTAL CREDITS GRANTED BY OTHER BANKS CLASSIFIED BY INDUSTRY, 1958

(Million pesos)

Industry	Total	January	February	March	April	May	June
T O T A L	1,675.1	301.1	251.8	278.6	282.1	283.6	277.9
Agriculture, Fisheries and Forestry	251.8	47.9	41.9	49.2	35.3	37.1	40.4
Mining and Quarrying ..	20.0	4.0	4.4	2.3	3.3	2.7	3.3
Manufacturing	370.1	59.7	54.0	58.9	70.0	68.9	58.6
Contract Construction ...	14.6	3.4	1.6	2.2	1.8	2.5	3.1
Commerce	911.8	171.9	136.6	148.1	153.4	152.6	149.2
Real Estate	29.1	3.3	3.7	4.7	5.2	6.6	5.6
Public Utilities	25.2	5.1	3.3	5.6	2.7	4.8	3.7
Services	18.4	1.8	1.7	2.7	5.3	3.5	3.4
Government	8.9	1.5	2.5	1.1	0.4	0.4	3.0
Personal	25.2	2.6	2.0	3.8	4.6	4.6	7.6

3. Banking Operations and Structure

A total of three commercial bank branches and agencies, one savings bank branch and 14 rural banks were added to the banking system in 1958. The Postal Savings Bank opened four more postal stations while, on the other hand, building and loan associations remained seven in number.

The significant development in the banking scene in 1958 was the conversion of the Rehabilitation Finance Corporation into the Development Bank of the Philippines by virtue of R.A. No. 2081 with an increase in the authorized capital of ₱200 million. Moreover, it has been assigned the function of assisting in the establishment of private developmental banks.

Resources of Other Banks made a substantial leap of ₱148.4 million from the ₱1,963.2 million level in 1957 in spite of the fact that there were no new commercial banks established during the period. The increase was notable in the liquid assets (16.5 per cent), particularly due from banks. Earning assets also went up with an expansion of 3.9 per cent due solely to loans and discounts. Other assets similarly increased by 51.9 per cent. On the whole, the 1958 expansion was bigger than in 1957.

On the other hand, current liabilities expanded by 9.4 per cent as a result of uptrends in demand deposits and in cashiers' & managers' checks. Other liabilities went down by 2.9 per cent. The increase in net worth, therefore, amounted to 10.3 per cent which was lower than the 16.9 per cent rate recorded in 1957.

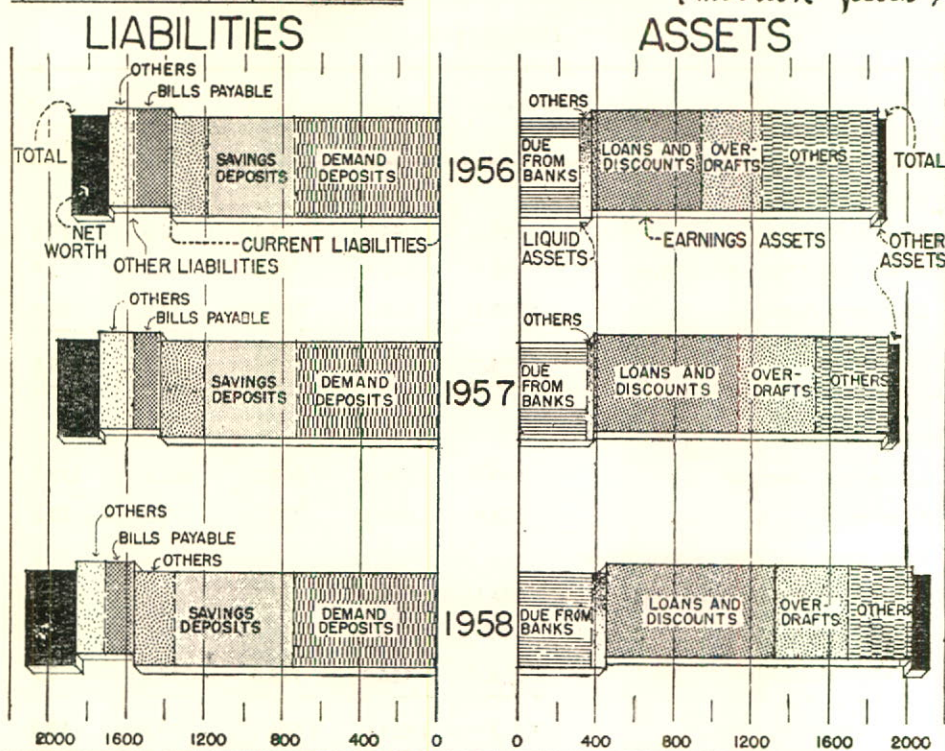
ASSETS AND LIABILITIES OF OTHER BANKS

December 31, 1956-1958

(Million pesos)

I t e m	1956	1957	1958	Change from Preceding Period	
				1957	1958
Liquid Assets:					
Cash	42.2	44.8	55.3	2.6	10.5
Check and Other Cash Items	12.8	17.5	19.5	4.7	2.0
Due from Banks	319.7	333.7	386.7	14.0	53.0
	<u>374.7</u>	<u>396.0</u>	<u>461.5</u>	<u>21.3</u>	<u>65.5</u>
Earnings Assets:					
Loans and Discounts	578.0	738.8	861.5	160.8	122.7
Overdrafts	318.9	396.1	377.3	77.2	— 18.8
Customers' Liability Acceptances and Unmatured Export Bills	233.1	259.3	222.5	26.2	— 36.8
Investments in Stocks, Bonds and Other Securities	344.0	126.8	118.6	—217.2	— 8.2
	<u>1,474.0</u>	<u>1,521.0</u>	<u>1,579.9</u>	<u>47.0</u>	<u>58.9</u>
Other Assets:					
Banking House, Furniture and Fixtures	23.0	28.9	35.9	5.9	7.0
Other Real and Chattel Property .	2.8	2.9	4.4	0.1	1.5
Miscellaneous Assets	14.1	14.4	29.9	0.3	15.5
	<u>39.9</u>	<u>46.2</u>	<u>70.2</u>	<u>6.3</u>	<u>24.0</u>
Total Assets	<u>1,888.6</u>	<u>1,963.2</u>	<u>2,111.6</u>	<u>74.6</u>	<u>148.4</u>
Current Liabilities:					
Demand Deposits	739.4	709.7	741.0	— 29.7	31.3
Savings Deposits	462.1	542.7	619.8	80.6	77.1
Time Deposits	102.1	120.9	145.9	18.8	25.0
Due to Banks	52.5	37.1	21.7	— 15.4	— 15.4
Cashiers' and Managers' Checks ..	15.0	11.0	26.9	— 4.0	15.9
	<u>1,371.1</u>	<u>1,421.4</u>	<u>1,555.3</u>	<u>50.3</u>	<u>133.9</u>

Assets and Liabilities of OTHER BANKS DECEMBER 31, 1956-1958 (million pesos)



ASSETS AND LIABILITIES OF OTHER BANKS (Continued)

December 31, 1956-1958

(Million pesos)

Item	1956	1957	1958	Change from Preceding Period	
				1957	1958
Other Liabilities:					
Dividends Payable	0.2	0.2	0.3	—	0.1
Bills Payable	203.1	126.9	135.4	76.2	8.5
Guarantee Accounts	59.3	103.8	67.9	44.5	35.9
Miscellaneous Liabilities	60.5	83.5	101.9	23.0	18.4
	<u>323.1</u>	<u>314.4</u>	<u>305.5</u>	<u>8.7</u>	<u>8.9</u>
Net Worth:					
Capital Stock Paid In	87.3	107.5	116.8	20.2	9.3
Surplus	48.9	60.5	74.3	11.6	13.8
Reserves	44.3	44.2	45.1	0.1	0.9
Undivided Profits	13.9	15.2	14.6	1.3	0.6
	<u>194.4</u>	<u>227.4</u>	<u>250.8</u>	<u>33.0</u>	<u>23.4</u>
Total Liabilities and Net Worth ..	<u>1,888.6</u>	<u>1,963.2</u>	<u>2,111.6</u>	<u>74.6</u>	<u>148.4</u>

a. Liquidity Position

In view of the higher cost of borrowing (the high rediscount rate of the Central Bank and rates of interest payable on deposits) and the obvious necessity of further monetary measures, Other Banks maintained a very liquid position. Their cash in vaults increased by 23.4 per cent, checks and other cash items by 11.4 per cent, and due from banks which included reserve deposits with the Central Bank by 15.9 per cent. Emphasizing this development was the decrease of 6.5 per cent in their security holdings.

b. Bank Reserves

Similarly, the credit-restraining policy of the Central Bank impelled Other Banks to strengthen their reserve position during 1958. From a level of ₱41.9 million in 1957, excess reserves were built up to ₱155.3 million. This was accomplished by partially drawing down their potential reserves (which went down from ₱176.5 million to ₱123.1 million), by increasing their indebtedness, and by the sale of their gold and foreign exchange assets to the Central Bank. The factors that supplied reserves during the year, therefore, were principally Central Bank credits and its purchase of gold and foreign exchange assets. This was partly helped by a smaller increase in currency in circulation, thus absorbing less bank reserves than in 1957, and the decline in local government deposits with the Central Bank which ultimately found their way into bank reserves.

FACTORS TENDING TO SUPPLY AND ABSORB BANK RESERVES

December 31, 1957-1958

(Million pesos)

Item	1958	1957	Increase or decrease
A. Factors tending to Supply Reserves^a			
1. Central Bank credits			
a. Government securities	932.7	784.7	148.0
b. Loans & advances ^b	101.5	81.0	20.5
c. Other credits	116.5	56.6	59.9
Sub total	1,150.7	922.3	228.4
2. Central Bank loans to local banks for the account of U.S. Banks	32.0	44.6	— 12.6
3. Gold and foreign exchange assets	183.2	141.7	41.5
4. Eligible government securities and/or foreign balances utilized as part of available reserves ^c	69.6	65.6	4.0
Total	1,435.5	1,174.2	261.3
B. Factors Tending to Absorb Reserves^d			
5. Currency in circulation	818.2	781.0	37.2
6. Inactive cash holdings ^e	61.8	51.5	10.3
7. National Government operations	146.5	47.0	99.5
8. Local Government operations	0.2	16.8	— 16.6
9. Net Central Bank Accounts	79.3	72.3	7.0
Total	1,106.0	968.6	137.4
C. Available Reserves (A—B)	329.5	205.6	123.9
D. Required reserves	174.2	163.7	10.5
E. Excess reserves	155.3	41.9	113.4
F. Potential reserves^f	123.1	176.5	— 53.4

^a Increases in these factors tend to increase bank reserves.

^b Outstanding Central Bank loans to commercial banks.

^c As provided in Section 100, R.A. 265 and Central Bank Circular No. 2.

^d Increases in these factors tend to decrease bank reserves.

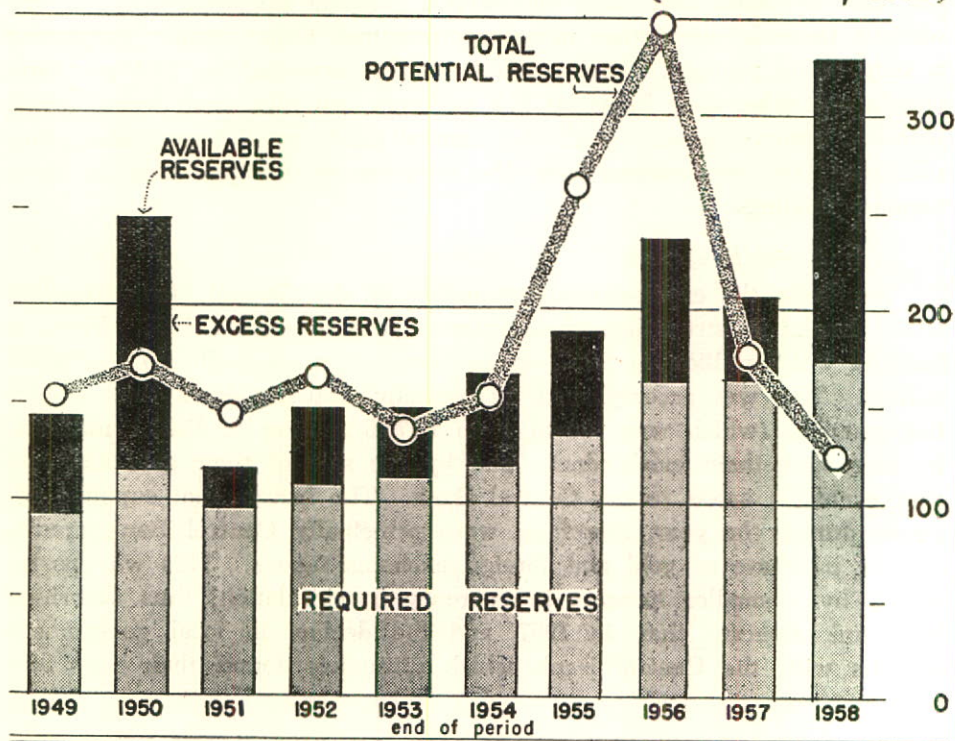
^e Consisting of cash held in Treasury and other banks' vaults.

^f Consisting of cash in banks' vaults, eligible foreign exchange, Philippine and U.S. securities not utilized as available reserves.

REQUIRED, EXCESS & AVAILABLE Bank Reserves

December 31, 1957 - 1958

(million pesos)



c. Deposit Liabilities

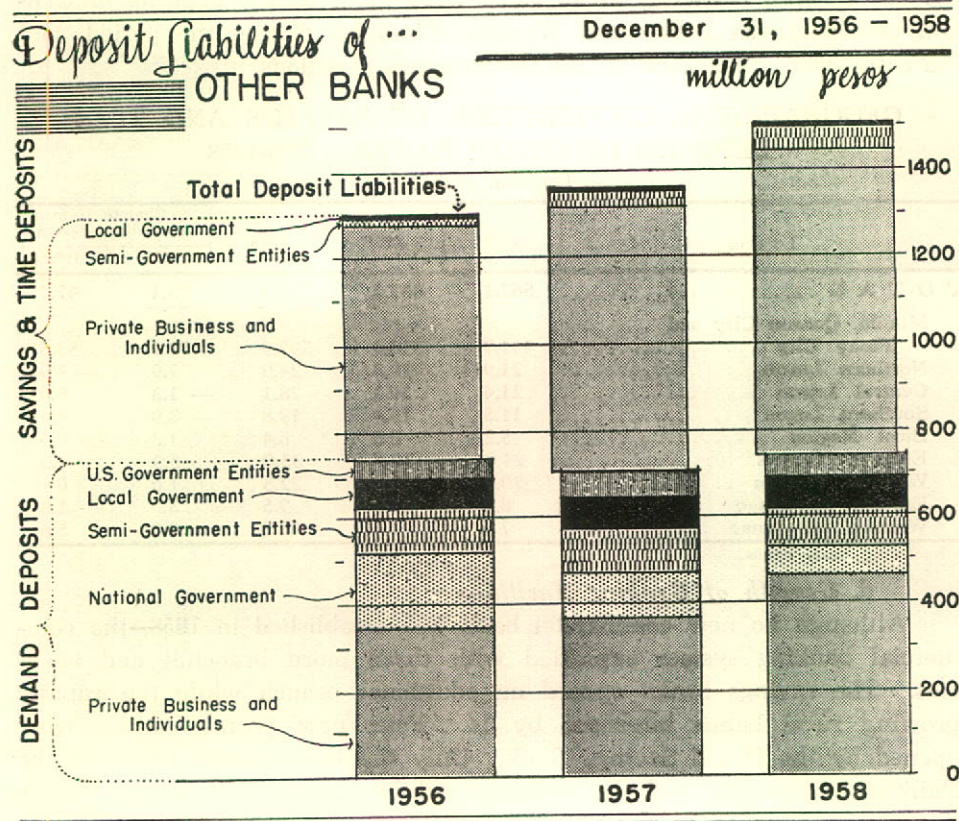
In 1958, Other Banks were favored with a sustained uptrend of deposits. Their deposit liabilities totalling ₱1,506.7 million expanded by ₱133.4 million or 9.7 per cent, outstripping the pace of 5.3 per cent last year. The largest increases were registered in demand and savings and time deposits of private businesses and individuals which were absolutely and relatively larger than the previous year's and which testified, in a year of greater monetary stringency, to the success of raising interest rates payable on deposits and of spreading banking facilities over a wide geographical area. National Government deposits declined for the second consecutive year although its deposits with the Central Bank increased by more than the difference. Local and semi-governmental deposits increased but at a reduced rate while U.S. Government deposits declined. As a whole, demand deposits rose by 4.4 per cent while savings and time deposits went up by 15.4 per cent. On the other hand, in 1957 demand deposits were down by 4.0 per cent while savings and time deposits moved up by 17.6 per cent.

DEPOSIT LIABILITIES OF OTHER BANKS

December 31, 1956-1958

(Million pesos)

Item	1956	1957	1958	Change from Preceding Period	
				1957	1958
Total Deposit Liabilities	1,303.6	1,373.3	1,506.7	69.7	133.4
Demand Deposits	739.4	709.7	741.0	-29.7	31.3
National Government	168.5	112.7	70.8	-55.8	-41.9
Local Governments	67.3	69.6	77.6	2.3	8.0
Semi-Government Entities	101.3	94.8	86.8	-6.5	-8.0
Private Businesses and Individuals	354.4	368.1	461.0	13.7	92.9
U.S. Government Entities	47.9	64.5	44.8	16.6	-19.7
Savings and Time Deposits	564.2	663.6	765.7	99.4	102.1
Local Governments	9.4	8.1	8.4	-1.3	0.3
Semi-Government Entities	17.3	36.5	51.9	19.2	15.4
Private Businesses and Individuals	537.5	619.0	705.4	81.5	86.4



The number of depositors kept pace with the increase in bank deposits. From 717,778 in 1957, the number of depositors in commercial and savings banks totalled 820,362 in 1958, a gain of 14.3 per cent. The increase was most notable in savings depositors which went up by 14.8 per cent.

NUMBER OF DEPOSITORS¹

December 31, 1957-58

Type of deposits	1958	1957	Increase or decrease (-) during 1958
T O T A L	820,362	717,778	102,584
Demand	64,638	59,341	5,297
Savings	752,867	655,641	97,226
Time	2,857	2,796	61

¹ Excluding depositors of rural banks.

Regionally, the Greater Manila area which is composed of the cities of Manila, Quezon and Pasay held 79.2 per cent of total savings and time deposits of the commercial and savings banks. Last year, this same area accounted for 78.3 per cent. Reductions were noted in deposits located in Northern Luzon, Eastern Mindanao and the Bicol region. On the other hand, relatively large gains were made in the deposits of Central and Southern Luzon and Western Mindanao during the period, and increases were registered in all the remaining regions.

GEOGRAPHICAL DISTRIBUTION OF SAVINGS AND TIME DEPOSITS OF OTHER BANKS,¹ 1956-1958

(Million pesos)

I t e m	1956	1957	1958	Change from preceding period	
				1957	1958
T O T A L	562.1	657.2	754.9	95.1	97.7
Manila, Quezon City and Pasay City	441.7	514.4	597.9	72.7	83.5
Northern Luzon	21.9	29.8	24.9	7.9	— 4.9
Central Luzon	21.4	20.1	28.1	— 1.3	8.0
Southern Luzon	11.5	15.4	19.8	3.9	4.4
Bicol Region	5.2	6.5	6.4	1.3	— 0.1
Eastern Visayas	24.8	30.7	33.0	5.9	2.3
Western Visayas	20.0	21.6	22.3	1.6	0.7
Eastern Mindanao	8.0	11.3	9.5	3.3	— 1.8
Western Mindanao	7.6	7.4	13.0	— 0.2	5.6

¹ Excluding rural banks.

d. Growth of Banking Facilities

Although no new commercial bank was established in 1958, the commercial banking system expanded with three more branches and agencies. The savings banks opened an additional branch while the rapidly growing rural banks increased by 14. Four new postal stations were opened by the Postal Savings Bank. Only the Development Bank of the Philippines branches and the building and loan associations remained the same in number as in the previous year.

NUMBER OF BANKING INSTITUTIONS¹
As of December 31, 1957-1958

Geographical Location	T O T A L		Commercial Banks		Savings Banks		Rural Banks		Postal Savings Banks		D B P		Bldg. and Loan Associations	
	1958	1957	1958	1957	1958	1957	1958	1957	1958	1957	1958	1957	1958	1957
TOTAL	1,560	1,538	133	130	40	39	120	106	1,239	1,235	21	21	7	7
Manila, Quezon City and														
Pasay City	70	67	35	34	17	16	3	3	10	9	1	1	4	4
Northern Luzon	218	217	13	13	1	1	9	8	191	191	4	4	—	—
Central Luzon	230	228	17	17	8	8	31	29	171	171	3	3	—	—
Southern Luzon	264	257	16	14	12	12	37	33	199	198	—	—	—	—
Bicol Region	105	102	5	5	1	1	6	5	90	88	3	3	—	—
Eastern Visayas	237	237	11	11	1	1	4	4	218	218	2	2	1	1
Western Visayas	215	213	16	16	—	—	13	11	183	183	3	3	—	—
Eastern Mindanao	117	116	6	6	—	—	7	7	101	100	2	2	1	1
Western Mindanao	103	100	13	13	—	—	10	6	76	77	3	3	1	1
New York, N. Y.	1	1	1	1	—	—	—	—	—	—	—	—	—	—

¹ Including branches and agencies.

e. Bank Earnings and Expenses

Commercial and savings banks closed the year with net earnings of ₱26.4 million. On a comparative basis, this represented lower profits of ₱5.1 million or 16.2 per cent from last year and the smallest level of profits recorded in three years. Responsible for this was the sharp rise in expenses in comparison with gross earnings. Expenses went up by 8.1 per cent while gross earnings edged up by only 1.4 per cent. Last year, the increases were 14.5 per cent and 15.2 per cent, respectively. Lending operations continued to provide the major part of the banks' earnings while on the expenditure side, the main items which cut heavily into their profits were interest paid on savings deposits and salaries and wages.

EARNINGS AND EXPENSES OF OTHER BANKS¹ 1956-1958

(Million pesos)

I t e m	1956	1957	1958	Change from Preceding Period	
				1957	1958
GROSS EARNINGS:	98.8	113.8	115.4	15.0	1.6
Interest and discount on loans	56.3	66.3	77.7	10.0	11.4
Interest and dividends on investments	10.7	12.7	4.6	2.0	-8.1
Interest on balances with Other Banks ...	0.7	1.4	1.3	0.7	-0.1
Domestic Exchange and Collection Charges	2.6	2.3	2.2	-0.3	-0.1
Income on Foreign Exchange	8.3	8.8	9.6	0.5	0.8
Commissions	12.1	14.0	12.0	1.9	-2.0
Trust Department Earnings	0.9	0.9	1.1	—	0.2
Profits on Assets Sold or Exchanged	1.0	0.1	0.2	-0.9	0.1
Recoveries on Charged-Off Assets	2.5	2.4	2.0	-0.1	-0.4
Other Earnings	3.7	4.9	4.7	1.2	-0.2
EXPENSES:	71.9	82.3	89.0	10.4	6.7
Salaries and Wages	20.9	22.6	25.0	1.7	2.4
Interest on Savings Deposits	7.6	10.2	15.5	2.6	5.3
Interest on Time Certificate of Deposits...	3.4	3.1	4.5	-0.3	1.4
Interest on Deposits of Other Banks	0.3	0.4	0.4	0.1	—
Interest and Discount on Money Borrowed.	1.6	1.8	2.8	0.2	1.0
Taxes	13.5	14.7	14.2	1.2	-0.5
Insurance	0.9	0.4	0.5	-0.5	0.1
Depreciation and Losses on Banking					
Houses, Furniture and Fixtures	2.2	2.3	2.4	0.1	0.1
Losses and Charge-Offs on Loans, Discounts					
and Other Assets	3.4	0.4	2.2	-3.0	1.8
Provision for Bad Debts	3.1	10.5	2.5	7.4	-8.0
Other Expenses	15.0	15.9	19.0	0.9	3.1
NET EARNINGS	26.9	31.5	26.4	4.6	-5.1

¹ Excluding Rural Banks.

4. Selected Financial Institutions

Loans granted by selected financial institutions went down in 1958 as the three government-owned institutions, the Development Bank of the Philippines, Agricultural Credit and Cooperative Financing Administration and Government Service Insurance System, curtailed their lending activities in pursuance of the credit control policy of the government. Total loans granted reached only ₱316.0 million as compared with ₱383.9 million last year, or a decline of 17.7 per cent. In contrast, the loan volume of 1957 exceeded 1956 by 25.8 per cent.

The retrenchment was most marked in the lending operations of the ACCFA as its loans granted receded by over one-half (51.1 per cent). The DBP was next with a reduction of 46.3 per cent in its loan extensions. The GSIS came third with a decline of 15.6 per cent. Meanwhile, private insurance companies granted 19.6 per cent more loans than in 1957, while pawnshops followed closely with a gain of 19.3 per cent. The policy of credit restraint did not apply to these two latter institutions.

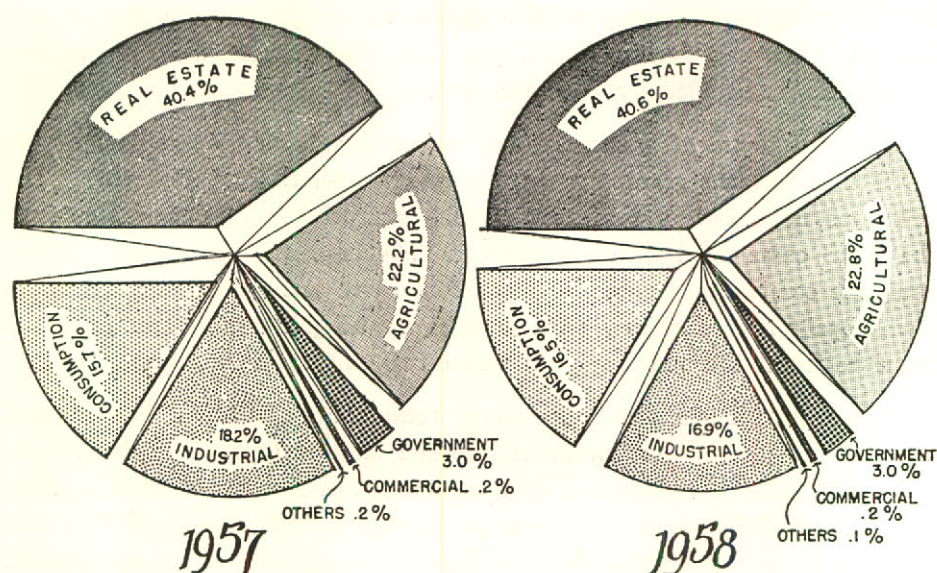
Real estate loans suffered a sharp reduction of ₱56.8 million or 42.1 per cent in view of the limitation imposed on this type of credit by the DBP and GSIS. Percentagewise, government loans experienced the greatest loss with 63.6 per cent but this represented only a decline of ₱2.1 million in amount. The cut-back in ACCFA loan operations was responsible for a ₱25.4 million or 34.0 per cent decrease in agricultural loans. Similarly, the DBP by cutting down on its loans resulted in a ₱7.6 million or 24.9 per cent drop in industrial loans. The only gainers were consumption and commercial loans which expanded by 17.5 per cent and 5.4 per cent, respectively, due principally to the activities of private insurance companies and pawnshops.

Notwithstanding the decrease in loans granted, outstanding loans of selected financial institutions went up by 9.3 per cent as compared with 17.7 per cent a year before.

The distribution of outstanding credits showed slightly modified changes. Real estate loans edged up from 40.4 per cent of the total in 1957 to 40.6 per cent in 1958. Agricultural loans also moved up from 22.2 per cent to 22.8 per cent while consumption credits gained from 15.7 per cent to 16.5 per cent. On the other hand, the share of industrial loans went down from 18.2 per cent to 16.9 per cent at the end of 1958.

Per Cent DISTRIBUTION of LOANS OUTSTANDING of Selected Financial Institution

C L A S S I F I E D B Y P U R P O S E



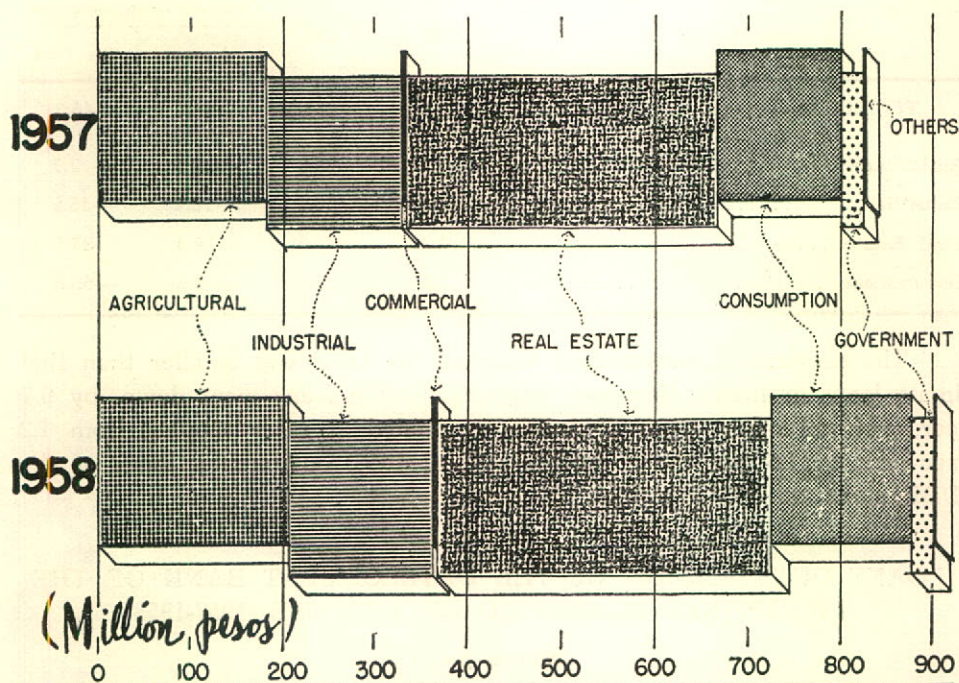
LOANS OUTSTANDING OF SELECTED FINANCIAL INSTITUTIONS CLASSIFIED BY PURPOSE, 1957-1958

(Million pesos)

Classification	1958 p	1957	Increase or decrease (—)	
			Amount	Per Cent
T O T A L	903.0	825.8	77.2	9.3
Agricultural	206.1	183.4	22.7	12.4
Industrial	153.0	150.3	2.7	1.8
Commercial	3.0	2.2	0.8	36.4
Real Estate	366.8	334.0	32.8	9.8
Consumption	147.9	130.1	17.8	13.4
Government	24.9	24.5	0.4	1.6
Others	1.3	1.3	—	—

LOANS OUTSTANDING of Selected Financial Institutions

CLASSIFIED BY
PURPOSE
1957 - 1958



a. Development Bank of the Philippines

Keeping a tight rein on its lending operations while at the same time intensifying its collection of payments, the levels of both loans granted and outstanding of the DBP moved down in 1958. Although the institution granted a reduced volume for all types of credit, real estate suffered the biggest reduction both absolutely and relatively, and agricultural loans suffered the least reduction, the decrease being only nominal. Palay received 37.6 per cent of total agricultural loans granted as compared with 33.7 per cent in 1957. Next in line was livestock, poultry and dairy financing which accounted for 14.3 per cent as against 16.9 per cent last year. Loans for orchard projects followed with a share of 12.7 per cent of the total as against 10.4 per cent in 1957, while fishpond financing amounted to 10.5 per cent of the total in contrast to 12.1 per cent last year. The relative shares of other agricultural products registered only nominal changes.

LOANS GRANTED BY THE DEVELOPMENT BANK OF THE PHILIPPINES CLASSIFIED BY PURPOSE, 1957-1958

(Million pesos)

Classification	1958	1957	Increase or decrease (—)	
			Amount	Per Cent
TOTAL	49.9	93.0	—43.1	—46.3
Agricultural	25.1	25.8	— 0.7	— 2.7
Industrial	19.4	30.3	—10.9	—35.9
Real Estate	4.2	33.6	—29.4	—87.5
Government	1.2	3.3	— 2.1	—63.6

The decrease in outstanding loans of the DBP was smaller than that in its loans granted. However, only real estate loans went down, by 9.7 per cent; all other types of credits expanded at rates ranging from 1.2 per cent to 7.6 per cent. At the end of 1958, outstanding loans of the DBP stood at P463.2 million.

LOANS OUTSTANDING OF THE DEVELOPMENT BANK OF THE PHILIPPINES CLASSIFIED BY PURPOSE, 1957-1958

(Million pesos)

Classification	1958	1957	Increase or decrease (—)	
			Amount	Per Cent
TOTAL	463.2	469.7	— 6.5	— 1.4
Agricultural	120.1	111.6	8.5	7.6
Industrial	152.3	149.8	2.5	1.7
Real Estate	166.0	183.8	—17.8	— 9.7
Government	24.8	24.5	0.3	1.2

Meanwhile, resources of the DBP went down by 6.4 per cent, from P590.9 million in 1957 to P553.1 million in 1958. The loss, however, was mainly in the trust funds. The resources of the corporation proper moved up from P374.3 million to P383.8 million.

b. Postal Savings Bank

With the opening of four more postal stations, the number of these postal savings units reached 1,239 in 1958. Total deposits during the year amounted to P26.9 million compared to P26.4 million in 1957. This

was accompanied by an increase in the number of depositors from 390,284 to 391,223. With the withdrawals totalling ₱27.4 million as against ₱24.3 million last year and after other adjustments, outstanding deposits at the end of 1958 amounted to ₱42.0 million.

Meanwhile, the trust fund assets of the Postal Savings Bank under the administration of the DBP continued to grow from ₱44.0 million in 1957 to ₱45.7 million in 1958. On the other hand, liabilities decreased so that the increase in net worth was larger than the growth in assets.

POSTAL SAVINGS BANK TRUST FUNDS UNDER THE ADMINISTRATION OF THE DEVELOPMENT BANK OF THE PHILIPPINES

(Million pesos)

I t e m	1958	1957	Increase or decrease (—)	
			Amount	Per Cent
Assets	45.7	44.0	1.7	3.9
Liabilities	0.6	1.2	— 0.6	—50.0
Net Worth	45.1	42.8	2.3	5.4

c. Building and Loan Associations

Resources of the seven building and loan associations moved up from ₱12.2 million to ₱13.1 million in 1958, an expansion of 7.4 per cent which bettered the 5.2 per cent growth in 1957. Their real estate loan mortgages increased from ₱8.2 million to ₱9.2 million while stock loans edged up from ₱0.6 million to ₱0.7 million. On the whole, their loans outstanding rose by ₱1.1 million or 12.5 per cent.

d. Agricultural Credit & Cooperative Financing Administration

Thirty-five more FACOMAS were established in 1958 as against 51 in 1957 to bring the total to 502. Although there were less new FACOMAS organized this year, the increase in paid-up capital amounted to ₱6.1 million, up by ₱0.6 million from ₱5.5 million in 1957, while the increase in 1957 over the preceding year was only ₱0.3 million. Membership in these organizations went up by 17,817 from the 271,304 members at the close of 1957.

The geographical distribution of these FACOMAS was as follows: Central Luzon, 113; Northern Luzon, 108; Southern Luzon, 71; Western Visayas, 67; Eastern Visayas, 38; Eastern Mindanao, 38; Western Mindanao, 37; Bicol Region, 27; and Manila, 3.

Loans granted by the ACCFA attained barely one-half the volume granted in 1957. Against a total of ₱48.9 million granted in 1957, the ACCFA extended only ₱23.9 million in 1958. The decline was reflected in all types of loans with the exception of commodity loans which went up by 66.5 per cent. Farm improvement loans went down by 87.5 per cent; facility loans by 84.5 per cent; merchandising and tobacco loans by 68.9 per cent; and crop loans by 42.8 per cent.

On the other hand, loans outstanding of the ACCFA continued moving up (signifying, in conjunction with the reduced level of lending, a low level of repayments) from ₱71.3 million to ₱85.5 million in 1958, representing an increase of ₱14.2 million or 19.9 per cent. All the types of loans with the exception of farm improvement loans registered expansions during the period.

**LOANS OUTSTANDING OF ACCFA
CLASSIFIED BY PURPOSE
1957-1958**

(Million pesos)

Classification	1958	1957	Increase or decrease (—)	
			Amount	Per Cent
T O T A L	85.5	71.3	14.2	19.9
Crop	23.0	22.1	0.9	4.1
Farm Improvements	14.0	14.6	— 0.6	— 4.1
Commodity	5.4	4.3	1.1	25.6
Facility	21.7	20.1	1.6	8.0
Others	21.4	10.2	11.2	109.8

Similarly, resources of the ACCFA went up from ₱187.0 million to ₱226.4 million. However, the increase was in its trust funds rather than in the assets of the corporation proper, which went down for the period.

e. Government Service Insurance System

In contrast to the decrease in real estate loans granted by the GSIS, its salary and policy loans expanded during 1958. Since these latter types of credit are confined only to members of the System, this showed that the GSIS pursued a selective policy which restricted credit principally to non-members but favored members with liberal accommodations.

Resources of the GSIS made a substantial expansion of 20.3 per cent from ₱349.2 million to ₱420.2 million in 1958. The increase was reflected primarily in additional premiums receivable and investments in real estate mortgages. Total investments of the GSIS amounted to ₱349.2 million as compared with ₱304.8 million a year before.

LOANS GRANTED BY G.S.I.S.
CLASSIFIED BY PURPOSE
1957-1958

(Million pesos)

Classification	1958	1957	Increase or decrease (—)	
			Amount	Per Cent
TOTAL	112.9	133.8	—20.9	—15.6
Salary	39.1	35.3	3.8	10.8
Policy	12.6	10.1	2.5	24.7
Real Estate	61.2	88.4	—27.2	—30.8

f. Other Insurance Companies

From a total of 108 operating companies in 1957, insurance companies increased to 121 in 1958. Domestic companies numbered 71 while the rest were of foreign ownership. Non-life insurance companies made up the majority (105) of the total.

Their total investments amounted to ₱242.2 million, up by 13.4 per cent as compared with 15.0 per cent last year. Loans outstanding increased at the same rate as last year but investments in bonds and other securities expanded by only 2.7 per cent which was smaller than the 14.8 per cent recorded in 1957.

INVESTMENTS OUTSTANDING OF PRIVATE
INSURANCE COMPANIES¹
1957-1958

(Million pesos)

I t e m	1958	1957	Increase or decrease (—)	
			Amount	Per Cent
TOTAL	242.2	213.5	28.7	13.4
Loans	97.4	85.6	11.8	13.8
Bonds & securities	70.9	69.0	1.9	2.7
Fixed deposits	11.8	10.8	1.0	9.2
Others	62.1	48.1	14.0	29.1

¹ Data cover only 108 reporting companies.

g. Pawnshops

With the establishment of four more pawnshops in the Manila and suburbs area, the number of pawnshops reached 76 at the end of the year. Their total loans granted, although increasing by ₱6.8 million or 19.3 per cent from the ₱35.2 million extended in 1957, did not however come up to the growth of 34.4 per cent recorded last year. Of the total loans granted of ₱42.0 million, ₱18.9 million were in amounts of ₱100 and below, ₱14.8 million were from ₱101 to ₱500, and only ₱8.3 million were in loans of over ₱500. Net of repayments and foreclosures, the outstanding balance of their loans totalled ₱15.1 million as compared with ₱13.0 million a year before.

C. EXCHANGE POLICY AND MANAGEMENT OF THE INTERNATIONAL RESERVE

1. Summary

The serious balance of payments difficulties experienced in 1957 compelled the authorities to intensify restrictions in 1958 mainly through the reduction in the exchange allocations for imports and to a slight extent through a retrenchment in the disbursements for invisible items. This was supplemented by Central Bank Circular No. 79 which imposed advanced deposit requirements on certain imports.

Notwithstanding the over-all decrease of 17.9 per cent in the 1958 total allocations for imports, the foreign exchange allocations for the import requirements of domestic industrial plants were maintained at substantially the same levels as in 1957. Allocations for the imports of consumer goods, however, were drastically curtailed. During the course of the year, Circular No. 79 was modified to ease the tight credit situation for the producers and the low-income group consumers.

The regular budget for invisible items suffered a cut of 18 per cent in 1958 as compared to that of 1957. A system of priorities in granting dollar allocations for new students and a set of rules governing remittance of non-life and reinsurance premiums were also set up during 1958. Investment remittances for the account of 1957 and 1958 profits were correspondingly reduced by 25 per cent. The policy on investment remittances was applied only up to September 1958 with a remittance of profits held in abeyance thereafter.

In 1958 the use to which the blocked pesos of non-residents could be put, was extended. Under the new regulations, general permission was given for use of fiduciary accounts for the purchase of locally produced gold for resale to the Central Bank, for the purchase of shares of certain mining companies, for local cost of producing motion pictures, for the purchase of government bonds and for local expenditures of non-

residents. After prior approvals, funds could also be drawn from this said account for investment in dollar saving activities such as production of rice, cotton and corn and for other highly essential dollar-saving industries.

During the year, barter was considerably liberalized which widened the scope of products allowable for barter and permitted barter with countries having no exchange controls. However, beginning December 10, 1958, a cash deposit of 100 per cent was required on letters of credit opened for the importation of non-essential commodities through barter.

2. International Reserve

a. Movement

The international reserve stood at \$145.30 million by the end of the year, an improvement of \$5.27 million over the level at which it stood last year when the government initiated a series of monetary and fiscal measures to check inflationary pressures and to alleviate payments difficulties. During the period, the reserve experienced divergent trends mainly on account of repayments on loans to U. S. banks aggregating \$40 million. An uptrend was evident during the first quarter, with the international reserve reaching \$150.70 million in March, the highest for the period under review. This was offset temporarily in April mainly because of a repayment made on a loan with a U. S. bank. A temporary recovery was made in May, followed by a downturn in June and July. Marked gains made during the third quarter were, however, totally wiped out in October and November. By December, the international reserve indicated a \$17.01 million gain from the previous month's level due to an additional \$35 million credit from U. S. banks.

INTERNATIONAL RESERVE

1949-1958

(Million U. S. Dollars)

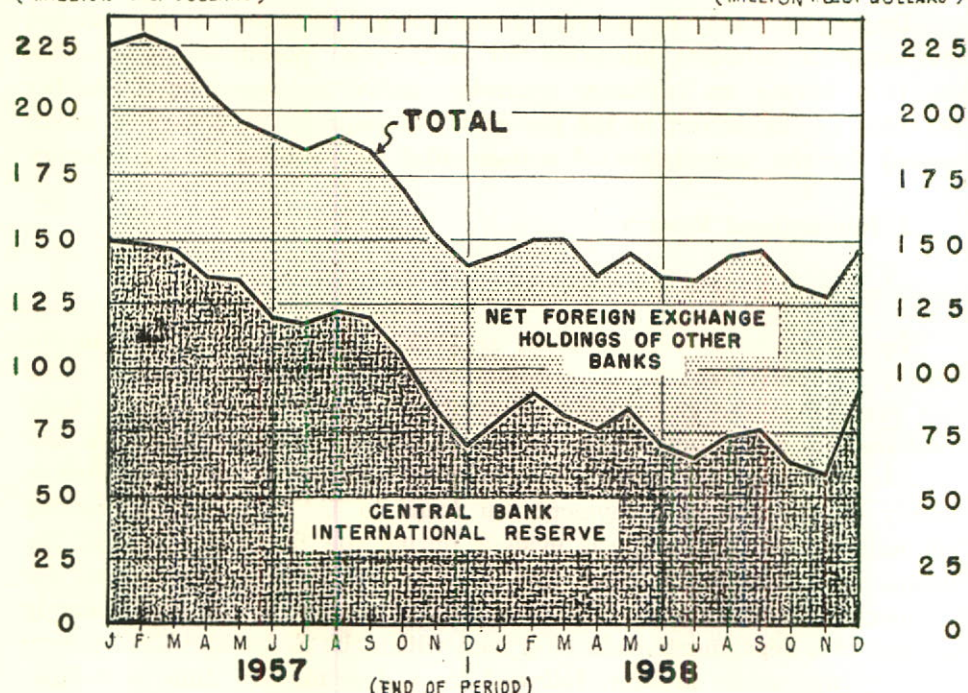
End of Period	International reserve of the Central Bank	Net foreign ex- change holdings of other banks	T o t a l
1949—December 8	225.76	24.86	250.62
December 31	230.70	29.39	260.09
1950	295.61	60.30	355.91
1951	244.42	59.45	303.87
1952	236.06	69.82	305.88
1953	240.38	55.60	295.98
1954	207.49	65.20	272.69
1955	154.91	54.30	209.21
1956	161.01	63.68	224.69
1957	70.86	69.17	140.03
1958	91.60	53.70	145.30

INTERNATIONAL RESERVE

1957-1958

(MILLION U.S. DOLLARS)

(MILLION U.S. DOLLARS)



b. Composition

Central Bank foreign exchange holdings improved by \$20.74 million in 1958. Compared to last year, almost all items registered increases with the exception of time deposits which were reduced by \$15.50 million and the minor decreases in accrued interest on time deposits of \$.24 million and the balance due from Japan-Open account of \$0.01 million. Demand deposits increased by \$22.26 million; U. S. government securities, \$9.93 million; gold holdings, \$4.20 million; and foreign currency, \$0.10 million. Tighter selective policies on foreign exchange coupled with additional credits from U. S. banks were responsible for the increment in the reserve of the Central Bank. Conversely, net foreign exchange holdings of other banks dropped by \$15.47 million from 1957. Gross holdings of these banks declined from \$79.36 million to \$59.53 million, which was however partially offset by the \$4.36 million decrease in liabilities of other banks.

3. Trade and Exchange Policies

a. On Imports

Total foreign exchange allocations for imports amounted to \$493.99 million, which was 17.9 per cent below the previous year's \$601.37 million level. Allocations for producer goods were slightly reduced by 5.1 per cent while those for consumer goods were drastically slashed by 72.5 per cent, as austerity measures went into effect to conserve the international reserve and improve the balance of payments position while sustaining the momentum of domestic industry.

FOREIGN EXCHANGE ALLOCATION FOR IMPORTS 1956-1958

(Million U. S. Dollars)

Category	1958	1957	1956
Total	493.99	601.37	549.82
Highly Essential Items	—	17	1.00
Producer Goods	341.36	359.52	333.62
Essential	273.00	298.22	291.37
Semi-Essential	49.21	31.44 ^a	—
Non-Essential	19.15	29.86	42.25
Consumer Goods	14.80	53.81	52.55
Essential	11.37	36.58	31.38
Semi-Essential	1.43	1.92 ^a	—
Non-Essential	2.00	15.31	21.17
Unclassified Items ¹	28.72	42.81	11.69
Non-Restricted Quota ²	6.53	22.83	60.89
Decontrolled Items ³	99.95	103.27	90.07
Various ⁴	2.63	18.96	—

^a Represents second semester only due to basic change in category classification of commodities which took effect on July 1, 1957.

¹ As a general rule, no foreign exchange is allocated for commodities listed under the Unclassified Items Category. However, the Monetary Board approves special non-recurring grants to producers and importers to import certain "UI" goods like grey cloth, jute bags, cotton grey fabrics and onions and garlic, in order not to disrupt operations of producers and to combat price increases due to insufficiency of supply to meet effective demand. The NAMARCO is designated by law as the sole importer of banned items like onions and garlic when supply shortages of these commodities threaten to occur.

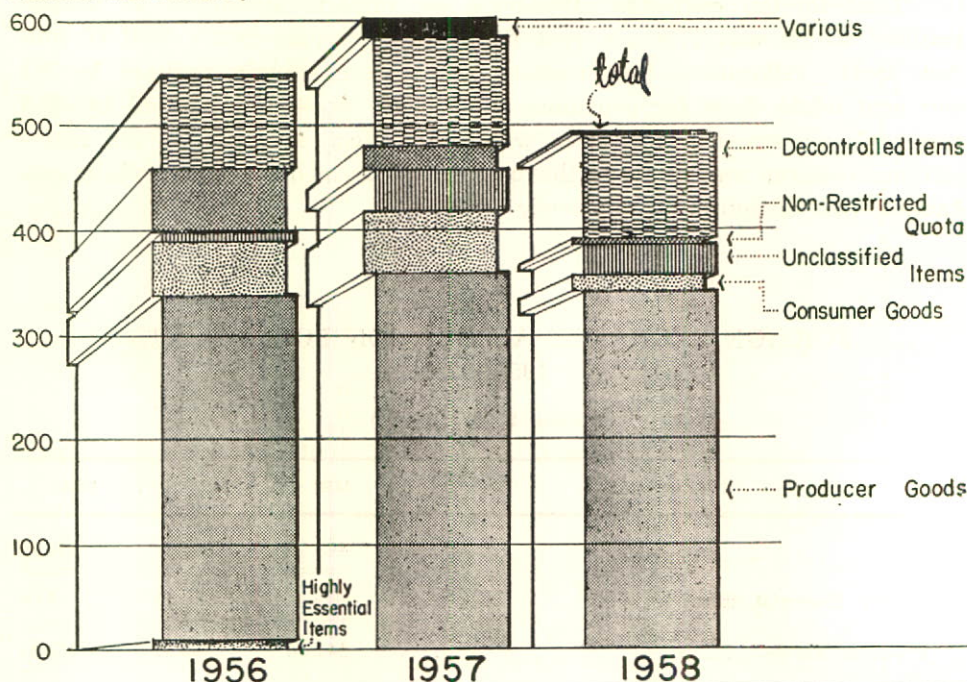
² Quotas allocated with no specific commodities indicated.

³ Based on Letters of Credit opened. No formal allocations are made for decontrolled items, since no limit is placed on their importation.

⁴ Lump sum grant for raw materials.

Foreign Exchange Allocation for IMPORTS 1956 - 1958

(Million U.S. Dollars)



Allocations were cut down for Essential Producer goods by 8.4 per cent; for Non-Essential Producer goods by 35.9 per cent; for Essential Consumer goods by 68.9 per cent; for Semi-Essential Consumer goods by 25.5 per cent; for Non-Essential Consumer goods by 86.9 per cent; for Unclassified Items by 32.9 per cent; and for Decontrolled Items by 3.2 per cent. On the other hand, allocations for Semi-Essential Producer goods were increased by 56.5 per cent.

Non-Restricted Items reflected a drop of 71.4 per cent due to the revision accomplished beginning the second semester of 1957 when all allocations were given definite categories except those for mining companies.

A number of commodities were shifted from one category to another under the statistical classification of commodities adopted on July 1, 1957, for the purpose of improving and updating the groupings in line with the country's changing economic needs. One-hundred-fifty-six (156) new items were included in the statistical classification while thirteen (13) items were deleted.

Twenty-nine (29) items were reclassified from lower to higher categories, including cocoa beans, certain organic chemicals, alcohol, and fire-

fighting equipment. Such reclassifications are generally made in order to allow adequate importation of certain goods to meet expanding essential requirements. In certain cases, however, changes are made merely to correct previous mis-classifications of items arising from a change in the use of the commodity; as in the case of "bicycle parts" which was formerly classified as a semi-essential consumer good, but which has been reclassified as an essential producer good since the bulk of it is now utilized in the local production of bicycles.

Reclassifications from higher to lower categories totalled fifty-nine (59), including fifty-two (52) items added to the unclassified category and banned for importation such as cocoa powder, cotton cord, cotton and rayon remnants, and non-electrical lamps, n.e.s. The general purpose of such reclassifications is to afford protection to local industries. Whenever the domestic production of certain products becomes sufficient to meet local requirements, they are placed in the Unclassified category. In cases where local production is still insufficient to meet domestic requirements, but where there is need for reducing importation to encourage local production, the items are shifted from a higher to a lower category, i.e., from SEP to NEP.

During the period under review, applications for the establishment of 74 dollar-earning and essential dollar-saving industries were approved by the Import-Export Committee and the Monetary Board, and 108 applications for EXIMBANK loans under various credit lines were processed.

In response to the exigencies of the situation, several Circulars and Memoranda were issued during the year, amending pertinent provisions of Circular No. 79 issued on December 9, 1957, which prohibited opening of letters of credit for importation of non-essential consumer goods, and required specified cash deposits against the opening of all other letters of credit and authorities to purchase in foreign currencies, as well as remittances against import quotas or counterpart barter imports.

The important Circulars and Memoranda amending Circular No. 79 are as follows:

Circulars

a. Circular No. 81 dated January 23, 1958 requiring release certificates for imports to be validated by authorized representatives of the Central Bank.

b. Circular No. 82 dated February 18, 1958 lifting marginal requirements on new letters of credit opened by essential and semi-essential producers.

c. Circular No. 83 dated February 21, 1958 lifting deposit requirements on the opening of letters of credit covering importation of decontrolled goods.

d. Circular No. 86 dated July 9, 1958 providing a schedule of penalties as a uniform basis in the disposition of cases involving import control violations such as misdeclaration or misclassification; over-valuation or under-shipment; under-valuation or over-shipment, etc., without prejudice to the application of the penal provisions of Section 34, Republic Act No. 265.

Memoranda to Authorized Agent Banks

a. MAAB dated February 25, 1958 exempting producers manufacturing essential or semi-essential goods from the marginal cash deposit requirements.

b. MAAB dated March 21, 1958, clarifying Circular No. 82 regarding exemption of industries whose raw material imports fall under the essential or semi-essential categories from the marginal cash deposit requirements, regardless of the category of their products under the Statistical Classification of Commodities.

c. MAAB dated October 25, 1958 reducing from 200 per cent to 100 per cent the cash deposit requirements on the opening of all letters of credit covering the importation of semi-essential consumer goods and non-essential producer goods.

d. MAAB dated December 10, 1958 imposing a cash deposit requirement of 100 per cent on the opening of letters of credit covering the importation of non-essential consumer items through barter.

b. On Exports

No major policy changes were effected on exports during the period under review. However, conferences and interviews with exporters, as well as authorized agent banks, private individuals and other government entities were conducted for the purpose of threshing out export problems and facilitating export procedures.

Operations were directed along the following lines:

1. Further improvement of the export licensing system;
2. thorough analysis of proposed export prices;
3. exhaustive scrutiny and examination of export documents, including post-audit;
4. vigorous investigation of suspected cases of violations of export regulations;
5. extension of assistance to producer-exporters in the procurement of machinery, equipment and supplies to meet requirements of existing plants and/or expanding productive capacity of such plants;
6. adoption of more effective measures to prevent or at least minimize dollar leakage arising from undervaluation and/or over-shipment of export products and other questionable export practices.

c. On Invisibles

During 1958, remittances for invisibles were authorized in the total amount of \$50.58 million, which was 18.1 per cent lower than 1957 charges of \$61.73 million. Licenses for all invisible items were cut down, except for services which gained a minimal 0.2 per cent increase.

FOREIGN EXCHANGE ALLOCATION FOR INVISIBLES 1957-1958

(Million U. S. Dollars)

Item	1958	1957	Per Cent Increase or (Decrease)
Total	50.58	61.73	(18.1)
Regular Budget	45.28	54.68	(17.2)
Travel ¹	2.48	3.86	(35.8)
Education	3.76	5.87	(35.9)
Maintenance and Living Expenses ²	3.82	4.39	(13.0)
Investment Remittances	14.98	19.04	(21.3)
Insurance Premia	5.40	5.98	(9.7)
Services ³	13.00	12.97	.2
Miscellaneous	1.84 ^a	2.57 ^b	(28.4)
Expenditures Authorized by the Monetary Board	5.30	7.05 ^c	(24.8)

¹ Includes initial funds only, exclusive of subsequent allowances.

² Includes living expenses of dependents abroad of resident aliens and additional funds for maintenance, medical and other expenses of Philippine residents traveling abroad.

³ Excludes payment of film rentals which were charged against a special appropriation.

^a Excludes payment of income and other tax liabilities for the 3rd and 4th quarters which were treated as special authorizations.

^b Includes payment of income and other tax liabilities.

^c Excludes Working Fund Replenishment, PNB Agency, New York, amounting to \$12.20 million.

The following major changes were effected in exchange control policies covering invisible items during the period under review:

Education

On January 13, 1958, the Monetary Board amended the regulations governing monthly allowances for students in the United States, Canada and South America, and reduced the existing scale twenty per cent (20%), with a minimum allowance of \$100 provided for each student.

A Memorandum to Authorized Agent Banks dated July 15, 1958 established a system of priorities in the granting of dollar allocations for new students desiring to study abroad, which considered, among others, (a) Fields of study; and (b) Academic background and capacity to benefit from advanced instruction.

Insurance Premia

A set of rules governing remittance of non-life insurance and re-insurance premia was established on March 18, 1958, and implemented by a Memorandum to Authorized Agent Banks dated June 23, 1958.

Accordingly, remittances of net (of commission, claims, and other expenses) premium collections on direct insurance of foreign non-life insurance companies licensed to do business in the Philippines, to their head offices abroad, were limited for specified periods to only twenty per cent (20%) of such net, with the remainder to be treated as blocked peso accounts. The previous percentage allowable had been fifty per cent (50%) of such net amounts.

Minimum requirements were imposed in the percentage reciprocity for the various kinds of non-life re-insurance treaties between local companies and foreign re-insurers.

Regarding Non-Peso Life Insurance Policies, no foreign exchange would be granted for premium payments on policies issued after December 9, 1949 except upon approval by the Monetary Board.

Investment Remittances

The existing policy on profit remittances was amended, as a temporary measure, on January 13, 1958 and July 18, 1958, so that allowable remittances out of 1957 and 1958 profits respectively, were reduced by twenty-five per cent (25%).

On September 19, 1958 the Monetary Board decided that the existing policy on investment remittances would apply only to profits earned up to September 30, 1958. Thereafter, remittances of profits would be held in abeyance pending reexamination and review of the existing schedule.

Blocked Peso Accounts

In line with the current policy to encourage the flow of blocked pesos and new foreign investments into domestic economic activities, the use of blocked peso funds of non-residents was further liberalized during 1958.

On May 29, 1958 the Monetary Board authorized a non-resident corporation to utilize its blocked peso funds, deposited with a local bank, to cover "the capitalization and initial expenses" of a managing corporation which it intended to organize in the Philippines; provided that one-half ($\frac{1}{2}$) of such expenses would be paid from funds derived from dollars remitted to the Philippines and the other half from funds to be withdrawn from the blocked peso account, which funds then become free pesos.

On June 10, 1958, an amendment to the above resolution deleted the phrase "initial expenses" from the ruling. On August 28, 1958, a further amendment provided that the utilization of blocked peso funds should not in any manner increase the foreign exchange liability of the Central Bank in the form of dividend remittances or repatriation of capital; nor constitute a basis for investment remittances. It was further specified that re-

lease of the amount withdrawn from the blocked peso funds from time to time would be made only upon certification from the local depository bank that an amount in U. S. dollars equivalent to the amount to be withdrawn from the blocked peso account has been deposited by the said corporation.

Circular No. 90 dated October 22, 1958 authorized the opening of special blocked fiduciary accounts with commercial banks in the names of non-resident owners either singly or in groups prior to December 15, 1958 (later extended to January 16, 1959), as a pre-condition to remittability. It was further stipulated that all credits and debits to such accounts would be made only upon prior authorization by the Central Bank, and that depository banks report such accounts separately and provide a maximum legal reserve of seventy-five per cent (75%) for the reported account and a one-hundred per cent (100%) reserve for all funds deposited in excess of such amount. Should any commercial bank refuse to accept blocked peso funds for deposit in special fiduciary accounts in view of the high reserve requirements, the holders of such funds may take them to a government depository. Withdrawals from the special blocked fiduciary accounts would be authorized for the following purposes:

- a) for local expenditures of the owner of the account;
- b) for the purchase of gold;
- c) for financing the local production of motion pictures by paying for local services out of the blocked peso funds, but without making any direct or indirect demands on the foreign exchange reserves;
- d) for the purchase of government bonds;
- e) for the purchase of shares of stocks in companies engaged in extractive mineral industries that did not declare dividends during the last five years or since the date of organization;
- f) Subject to the prior approval of the Monetary Board, for promoting the production of heavy dollar-saving items requiring local development such as rice, cotton, and corn; for investment in new dollar-earning industries; for expansion of existing highly essential dollar-saving industries utilizing 90 per cent local raw materials and capitalized by non-residents; and for such other purposes as may be authorized by the Board on a case-to-case basis.

Gold purchases by the Central Bank from non-resident blocked peso holders under Circular No. 73 during 1958 aggregated 329,460.9 fine ounces valued at ₱23.06 millions, as compared to 54,995.2 fine ounces valued at ₱3.85 million in 1957. These transactions were largely for the purpose of remitting profits, dividends and earnings, and film rentals.

The share of Central Bank purchases of gold under Circular No. 73 to total gold output, which averaged forty-three per cent (43%) during the period 1955-1957, increased to eighty per cent (80%) in 1958.

CHAPTER VI

THE CENTRAL BANK AS FISCAL AGENT AND BANKER OF THE GOVERNMENT

Among the important functions undertaken by the Central Bank as fiscal agent and banker of the government are the marketing of government securities, servicing of the public debt, depository and administration of various government funds, and fiscal agency services. It also serves as the financial advisor of the government and represents the latter in all its negotiations with international financial institutions.

A. MARKETING AND SERVICING OF GOVERNMENT OBLIGATIONS

The public debt rose by ₱185.9 million during 1958 and stood at ₱1,995.0 million at the end of the year. The increase was mainly due to more bond issues by the national government and government corporations and were used for purposes of economic development. Of the outstanding public debt, ₱1,204.1 million was serviced by the Central Bank—the Securities Market Department servicing ₱1,094.5 million while the Fiscal Agency Department accounted for ₱109.6 million.

PUBLIC DEBT SERVICED BY THE CENTRAL BANK 1957-1958

(Million pesos)

I t e m	Balance on Dec. 31, 1957	1958 Operations		Balance on Dec. 31, 1958
		Sales	Redemptions	
T O T A L	1,033.3	233.9	63.1	1,204.1 ^a
BONDED	620.7	88.9	0.5	709.1
National Government	513.2	67.7	0.5	580.4
National Public Improvement Bonds	2.5	—	—	2.5
Rehabilitation & Development Bonds	200.0	—	0.5	199.5
Public Works and Economic Development Bonds	310.7	67.7	—	378.4
Provincial Government	0.7	—	—	0.7
Occidental Negros Public Improvement Bonds	0.2	—	—	0.2
Cebu Public Improvement Bonds	0.5	—	—	0.5
City Government	4.3	—	—	4.3
Manila Public Improvement Bonds	3.0	—	—	3.0
Iloilo Public Improvement Bonds	0.4	—	—	0.4
Bacolod Sewer & Waterworks Bonds	0.1	—	—	0.1
Cebu Sewer & Waterworks Bonds	0.4	—	—	0.4
Davao Sewer & Waterworks Bonds	0.4	—	—	0.4

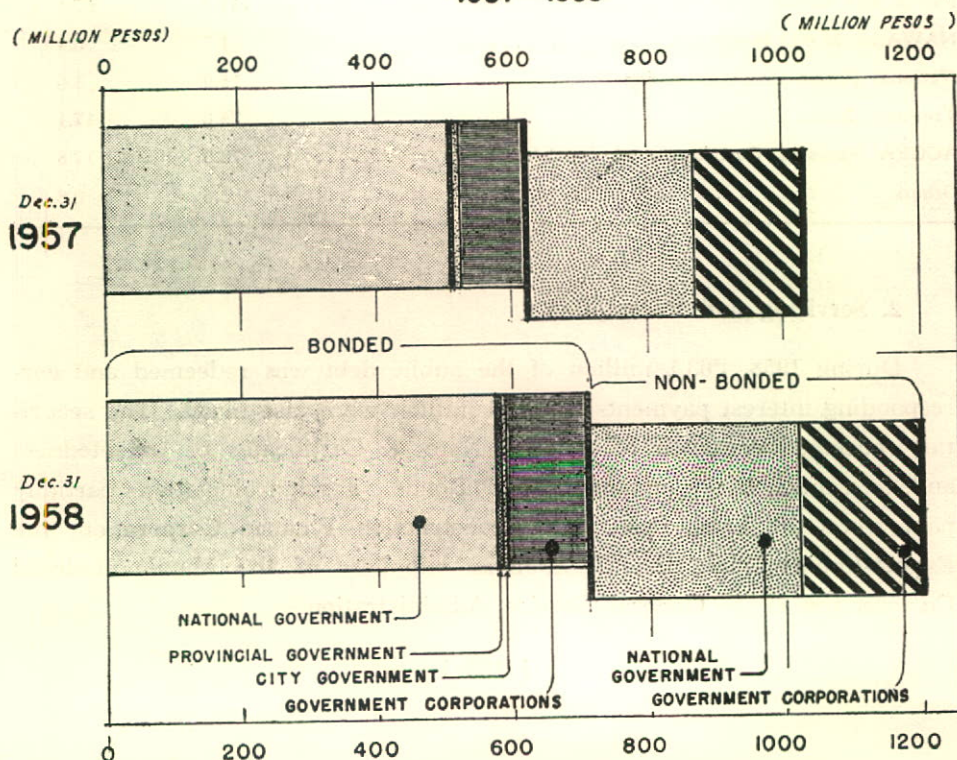
PUBLIC DEBT SERVICED BY THE CENTRAL BANK
1957-1958 (Concluded)
(Million pesos)

Item	Balance on Dec. 31, 1957	1958 Operations		Balance on Dec. 31, 1958
		Sales	Redemptions	
Government Corporations	102.5	21.2	—	123.7
MWD and NAWASA Bonds	16.5	1.7	—	18.2
NPC Bonds	82.3	15.9	—	98.2
Negotiable Land Certificates	3.7	3.6	—	7.3
NON-BONDED	412.6	145.0	62.6	495.0
National Government	244.5	75.0	12.1	307.4
Loan from U.S. Government	38.9	—	—	38.9
Loan from U. S. RFC	42.0	—	12.0 ^b	30.0
Loan from U.S. Gen. Service Adm. .	0.8	—	0.1 ^b	0.7
Treasury Notes	162.8	75.0	—	237.8
Government Corporations	168.1	70.0	50.5	187.6
MRR Loan from Suppliers in U.S. and Japan	7.9	—	1.5 ^b	6.4
NPC Loan from Eximbank	35.6	—	2.0 ^b	33.6
ACCFA Notes	82.6	70.0	5.0	147.6
ACCFA One-Year Certificates of Indebtedness	14.0	—	14.0	—
ACCFA Two-Year Certificates of Indebtedness	28.0	—	28.0	—

^a Including the loan of the MRR from suppliers in U. S. and Japan which was serviced by the Central Bank starting 1957.

^b These are installments paid on principal.

PUBLIC DEBT SERVICED BY THE CENTRAL BANK
1957 - 1958



1. Sales and New Issues

Sales of government securities by the Central Bank during 1958 totalled ₱438.0 million, of which ₱233.9 million were new issues; ₱193.1 million were sales from the Central Bank portfolio; while ₱11.0 million were sales for account of the Bond Sinking Fund. Of the total sales from the Central Bank portfolio and from new issues, commercial banks purchased ₱303.35 million or 71.1 per cent; the Development Bank of the Philippines absorbed ₱65.0 million or 15.2 per cent; private insurance companies accounted for ₱32.8 million or 7.7 per cent; private entities, individuals and trust funds shared ₱17.9 million or 4.1 per cent; and the ACCFA bought ₱8.0 million or 1.9 per cent.

GOVERNMENT SECURITIES SOLD BY THE CENTRAL BANK FOR THE YEAR 1958

(Million pesos)

Type of Issue	Amount	Per Cent Distribution
T O T A L	438.0	100.0
R & D Bonds	11.6	2.7
PW & ED Bonds	252.2	57.6
NAWASA/MWD Bonds	1.7	0.4
National Power Corporation Bonds	15.9	3.6
Treasury Notes	75.0	17.1
ACCFA Notes & Certificates of Indebtedness	78.0	17.8
Others	3.6	0.8

2. Servicing and Redemption

During 1958, ₱63.1 million of the public debt was redeemed and corresponding interest payments of ₱35.4 million were also made. The securities redeemed consisted of ACCFA Notes & Certificates of Indebtedness and, to a much lesser amount, R & D Bonds. Foreign obligations partially paid were the loans from the Reconstruction Finance Corporation, the Export-Import Bank, the U. S.-Japan suppliers of the Manila Railroad Co. and the U. S. General Service Administration.

SERVICING AND REDEMPTION OF GOVERNMENT OBLIGATIONS
1957-1958
(Million pesos)

I t e m	1 9 5 8		1 9 5 7	
	Redemption	Interests Payments	Redemption	Interests Payments
T O T A L	63.1	35.4	54.4	29.8
Government Securities ^a	47.5	32.6	38.8	26.6
R & D Bonds	0.5	8.0	—	8.0
PW & ED Bonds	—	13.8	—	10.0
ACCFA Notes and Certificates of Indebtedness	47.0	2.7	23.1	1.8
Treasury Bills	—	—	15.0	—
Treasury Notes	—	3.3	—	3.2
Negotiable Land Certificates	—	—	0.7	—
Other Peso Bonds	—	4.7	—	3.5
Dollar Bonds	—	0.1	—	0.1
Loans from U. S. Institutions ^b	15.6 ^c	2.8	15.6	3.2
Loan from RFC	12.0	1.0	12.0	1.3
Loan from General Service Administration ..	0.1	—	0.2	—
NPC Loan from Export-Import Bank	2.0	1.4	2.0	1.5
MRR Suppliers from U.S.-Japan	1.5	0.4	1.4	0.4

^a Serviced by Securities Market Department.

^b Serviced by Fiscal Agency Department.

^c These are installments paid on principal.

3. Promotion and Publicity

In order to reach potential savers in remote communities, channel the bond sales to the private sector of the economy, and acquaint the people with the various features of government bonds as well as indoctrinate them in bond investments, a nation-wide campaign was initiated for the first time by the Central Bank early in the year. The Payroll Savings Plan was the main line of approach, particularly in major cities of the country, where it was given great emphasis. Teams of promotion agents also went to various localities in the provinces to give the drive greater coverage. Hand in hand with these promotional efforts were the publicity and advertising media prepared especially to suit peculiar conditions obtaining in the various localities of the country.

The campaign resulted in greater participation in the Payroll Savings Plan making membership increase to the total of 29,896 during the year as against 14,020 for the corresponding period the preceding year. In addition, the number of offices that adopted the Plan increased by 917 during the period under review. Bond sales to private non-bank investors amounted to ₱12.2 million, exceeding by ₱2.2 million the ₱10.0 million goal set this year. Moreover, the educational aspect of the drive is presumed to have helped to some extent in establishing an incipient bond market in the Philippines.

The cost of the campaign this year entailed only the amount of ₱72,934.65, the lowest during the five-year period 1954-1958, as compared to ₱102,345.99 in the previous year.

B. FISCAL AGENCY SERVICES

1. Domestic Operations

A total number of 2,179 applications were handled by the Central Bank for fiscal agency services in 1958, but only 2,035 were approved and released during the year.

STATUS OF FISCAL AGENCY APPLICATIONS 1957-1958

	1958 Number	1957 Number	Increase (Decrease)
<u>FAS Applications</u>			
Pending at the beginning of the year	52	39	13
Received during the year	2,127	1,976	151
Total for consideration	<u>2,179</u>	<u>2,015</u>	<u>164</u>
<u>Action Taken</u>			
Approved and released during the year	2,035	1,925	110
Disapproved, cancelled, withdrawn or returned	42	38	4
Total acted upon	<u>2,077</u>	<u>1,963</u>	<u>114</u>
Pending at the end of the year	<u>102</u>	<u>52</u>	<u>50</u>

Of the approved applications which involved the total amount of \$15.92 million and which were granted to various government bureaus and offices, government-owned and controlled corporations, provinces, cities and municipalities, \$13.46 million were licensed by the Exchange Control Department; \$0.44 million by the Import Department; and \$2.02 million by the Fiscal Agency Department as authorized by various Monetary Board resolutions.

Releases for government imports numbered 219 and had a value of \$0.44 million.

2. Foreign Operations

Foreign remittances covering installment payments of principal and interest due the United States on non-bonded indebtedness of the Philippine Government and its subdivisions were effected through fiscal agency services. A total of \$9.0 million was remitted during 1958 as against \$9.2 million remitted the year before. Non-bonded payments through authorized domestic agent banks were also settled by the Fiscal Agency De-

partment during the same period under review for account of the Manila Railroad Co. to three Japanese engineering companies in Tokyo totalling \$0.2 million.

C. ADMINISTRATION OF VARIOUS FUNDS

1. Industrial Guarantee and Loan Fund

This Fund was set up since 1952 for the purpose of enabling businessmen to obtain capital from local financial institutions for expanding existing industrial enterprises or starting new enterprises that are important to the country's economic development even with limited collateral. Under its guarantee, the Fund protects lending banks up to 80 per cent of any loss of principal or interest that may be incurred in connection with such loans, the risk taken by the lending bank being limited to the remainder. In order for a loan to be eligible for such a guarantee, it must conform to certain stipulations of the Central Bank which acts on loan applications submitted to it through its Advisory Committee. During 1958, only one industrial loan for ₱1.4 million guaranteed up to 80 per cent was approved under the Fund. Total authorized industrial loans with 80 per cent and 50 per cent guarantee approved as of the close of 1958 aggregated ₱9.2 million and ₱0.6 million, respectively. By a supplemental agreement on the disposition of the Industrial Guarantee and Loan Fund, special time deposits were authorized with which local banks could extend medium and long-term loans to industrial enterprises. As of the end of the year under review, time deposits were authorized for a total amount of ₱21.8 million of which ₱20.7 million have been released. Repayments in accordance with schedules of amortization totalled ₱2.2 million.

STATUS OF THE INDUSTRIAL GUARANTEE AND LOAN FUND

As of December 31, 1958

(Million pesos)

I t e m	Debit	Credit
Investments—PW & ED Bonds	3.0	
Special Time Deposits with Local Banks	18.5	
Due from the Central Bank	.3	
Due to Trust-Industrial Guarantee and Loan Fund		17.0
Due to Trust-Industrial Guarantee and Loan Fund, Reserve Account		3.0
Net Profits		1.8
T o t a l	21.8	21.8

1. (a) Industrial Guarantee and Loan Fund, Sub-Account I

Under a revised deposit loan program authorized originally for ₱13.4 million of the counterpart fund, ₱12.5 million was transferred to the Cen-

tral Bank to be made available to commercial banks to provide funds for industrial investments other than working capital. Time deposits in the aggregate amount of ₱11.0 million have been approved by the Monetary Board of which ₱6.5 million were released. Repayments against these time deposits totalled ₱0.3 million.

STATUS OF THE INDUSTRIAL GUARANTEE AND LOAN FUND, SUB-ACCOUNT I

As of December 31, 1958

(Million pesos)

I t e m	Debit	Credit
Special Time Deposit with Local Banks	6.2	
Due from the Central Bank of the Philippines	6.4	
Due to Trust-Industrial Guarantee and Loan Fund, Sub-Account I		12.5
Net Profits		0.1
T o t a l	12.6	12.6

2. Securities Stabilization Fund

The Securities Stabilization Fund, administered by the Central Bank for the account of the government to stabilize the price of government securities, increased its total resources by ₱12.8 million, of which ₱10.7 million came from the profits of the Central Bank, while the balance represented interest earnings from investments. Government securities acquired during the year amounted to ₱13.0 million, ₱9.3 million of which were in PW & ED Bonds, ₱3.6 million in R & D Bonds, and ₱0.1 million in NAWASA and other bonds. The bulk of the purchases came from insurance companies and, to a lesser extent, private entities and individuals. No sales, however, were registered from the Fund during the year.

STATUS OF THE SECURITIES STABILIZATION FUND

As of December 31, 1958

(Million pesos)

I t e m	Debit	Credit
Due from the Central Bank	1.50	
Investments:		
R & D Bonds	51.87	
Other Bonds	10.36	62.23
Accrued Interest Purchased		.05
Accrued Interest Receivable		.24
Interest Income		2.15
Due to Trust—Republic of the Philippines		61.87
T o t a l	64.02	64.02

The Securities Stabilization Fund has helped in the gradual formation of a market for government securities. Its present resources, however, are still insufficient to be of decisive influence in the marketing of said government obligations.

3. Bond Sinking Fund

All sinking funds for the retirement of bonds issued by the government and its subdivisions are accounted for in the Bond Sinking Fund account which has been in the custody of the Central Bank since 1952. Total amortizations credited to the Fund during the year aggregated ₱13.85 million while net earnings realized from investments amounted to ₱1.24 million. Investment in government securities as of December 29, 1958 reached ₱37.0 million.

STATUS OF THE BOND SINKING FUND

As of December 31, 1958

(Million pesos)

I t e m	Debit	Credit
Investment in Government Bonds	36.97	
Due from the Central Bank	10.75	
Accrued Interest Purchased	.02	
Interest Income from Investments		1.24
Due to Trust—Republic of the Philippines		46.50
T o t a l	47.74	47.74

D. DEPOSITORY OF NEC-ICA COUNTERPART FUNDS

Total receipts of the NEC-ICA Counterpart Fund amounted to ₱200.0 million in 1958, an increase of ₱8.2 million over that of the previous year. The rise was due to increases in the contributions of both the Treasurer of the Philippines by ₱5.3 million and the proceeds from Sub-Authorizations by ₱2.9 million. Disbursements, which totalled ₱192.3 million for the same year, were ₱9.7 million more than that of the year previous, thus bringing the balance of the Fund with the Central Bank to ₱7.7 million at the end of 1958, ₱1.5 million less than that of 1957.

STATUS OF THE NEC-ICA COUNTERPART FUND
December 31, 1958

(Million pesos)

I t e m	1958	Changes From Preceding Year	
		1958	1957
RECEIPTS			
Treasurer of the Philippines	141.8	5.3	16.5
Sales from Fertilizer Administration	6.5	—	0.3
Proceeds from Sub-Authorization	51.5	2.9	4.6
Deposits by NEC	0.2	—	—
	<u>200.0</u>	<u>8.2</u>	<u>21.4</u>
DISBURSEMENTS			
Counterpart Projects	149.2	5.7	18.5
Technical Assistance	18.4	2.7	3.0
Administrative Expenses of U.S. Government	10.6	1.3	0.8
Joint U. S. Military Group (JUSMAG)	14.1	—	—
	<u>192.3</u>	<u>9.7</u>	<u>22.3</u>
Balance with the Central Bank	<u>7.7</u>	<u>—1.5</u>	<u>—0.9</u>

CHAPTER VII

FINANCIAL CONDITION AND RESULTS OF OPERATION

A. HIGHLIGHTS OF OPERATION

The growth of the Central Bank has been steady and gradual. In its tenth year of existence, its financial condition continued to expand at a relatively higher rate than that attained in 1957. Highlights of its operation during 1958 are shown hereunder:

1. The resources of the Bank, aggregating ₱1,546,347,661.23 at the end of the year, revealed an expansion of 20.3 per cent or ₱260,532,168.85 over the previous year's total of ₱1,285,815,492.38.

2. Additional investment of ₱148,011,751.90 in domestic securities brought the Bank's outstanding holdings to ₱932,714,544.90, a new peak as compared to ₱784,702,793.00 a year before.

3. The international reserve of the Bank showed an improvement of 29.3 per cent or ₱41,484,078.85 over the level of ₱141,729,991.46 at the end of the previous year.

4. Loans and advances amounted to ₱196,662,555.61, exceeding the balance a year before by 69.1 per cent or ₱80,350,005.76.

5. A total payment of ₱12,605,157.34 further reduced the balance outstanding of the account Due From U.S. Depositories—Special Account No. II to ₱31,986,196.27.

6. Total liabilities increased from ₱1,240,169,465.70 at the start of the year to ₱1,491,248,717.15 at the close of the year showing an increment of 20.2 per cent. The increase was mostly reflected in the currency issue and demand deposits which rose by 5.7 per cent and 76.6 per cent, respectively, over their previous end-of-year balances. The assumption of new types of liability, namely, acceptance credit and notes payable—foreign (EXIMBANK loans) totalling ₱38,421,667.30 also contributed to the rise in liabilities.

7. Foreign exchange commitments under forward exchange arrangements registered a decrease of ₱2,124,793.50 from the previous year's total of ₱31,850,994.26 while loans from U.S. banks stood at ₱70,000,000.00 at the end of the year, a decline of ₱10,000,000.00.

8. The net profit for the year amounted to ₱21,441,405.46. This amount exceeded the previous year's gain by 34.7 per cent or ₱5,523,421.38.

STATEMENT OF CONDITION OF THE CENTRAL BANK
December 31, 1957 and 1958

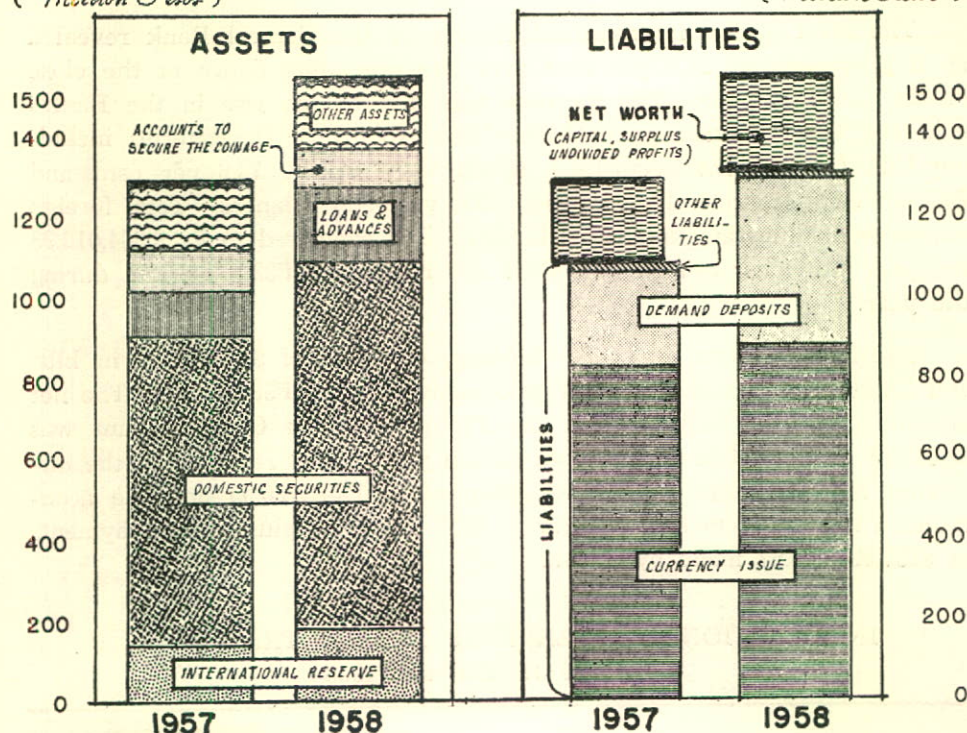
Item	1958	1957	Increase or decrease (—)
A s s e t s			
International Reserve	P 183,214,070.31	P 141,729,991.46	P 41,484,078.85
Due from U.S. Depositories (Special Account II)	31,986,196.27	44,591,353.61	(12,605,157.34)
Contribution to the International Monetary Fund	30,000,000.00	30,000,000.00	—
Domestic Securities	932,714,544.90	784,702,793.00	148,011,751.90
Loans and Advances	196,662,555.61	116,312,549.85	80,350,005.76
Account to Secure the Coinage	106,929,184.73	106,929,729.51	(544.78)
Bank Premises, Furniture and Fixtures	532,503.00	431,496.00	101,007.00
Accounts Receivable—Foreign Exchange Sales	29,726,200.76	31,850,994.26	(2,124,793.50)
Other Assets	34,582,405.65	29,266,584.69	5,315,820.96
	<u>P1,546,347,661.23</u>	<u>P1,285,815,492.38</u>	<u>P260,532,168.85</u>
Liabilities			
Currency Issue	P 880,019,080.33	P 832,461,635.01	P 47,557,445.32
Demand Deposits	425,851,919.61	241,199,846.44	184,652,073.17
International Monetary Fund	30,492,729.74	30,495,916.74	(3,187.00)
International Bank for Recon- struction and Development	2,360,469.25	2,361,841.95	(1,372.70)
Loans Payable—Foreign	70,000,000.00	80,000,000.00	(10,000,000.00)
Notes Payable—Foreign	12,290,532.28	—	12,290,532.28
Acceptances—Dollar Credit Financing	26,131,135.02	—	26,131,135.02
Securities Stabilization Fund	1,502,189.90	2,720,755.15	(1,218,565.25)
Foreign Exchange Commitments— Sales	29,726,200.76	31,850,994.26	(2,124,793.50)
Other Liabilities	12,585,432.19	19,078,476.15	(6,493,043.96)
Reserve for Currency Insurance ..	289,028.07	—	289,028.07
Capital	10,000,000.00	10,000,000.00	—
Surplus	23,657,538.62	19,728,042.60	3,929,496.02
Undivided Profits	21,441,405.46	15,917,984.08	5,523,421.38
	<u>P1,546,347,661.23</u>	<u>P1,285,815,492.38</u>	<u>P260,532,168.85</u>

FINANCIAL CONDITION OF THE CENTRAL BANK

DEC. 31, 1957 & 1958

(Million Pesos)

(Million Pesos)



Changes in capital, surplus and undivided profits during the year are presented below:

NET WORTH OF THE CENTRAL BANK

As of December 31, 1958

Capital		P10,000,000.00	
Surplus:			
Balance—January 1, 1958		P19,728,042.60	
25% of Net Profit in 1957 transferred to Surplus		3,929,496.02	23,657,538.62
Undivided Profits:			
Balance—January 1, 1958		P15,717,984.08	
Distribution:			
25% to Surplus	P 3,929,496.02		
Credited to Securities Stabilization Fund	10,671,374.92		
To reduce Monetary Adjustment Account	1,117,113.14	15,717,984.08	
Balance			
Net Profit in 1958			21,441,405.46
Total Net Worth			P55,098,944.08

B. SELECTED ASSETS AND LIABILITIES

1. International Reserve

The level of the international reserve of the Central Bank revealed an improvement of 29.3 per cent over the prevailing figure at the close of the previous year. The increase was due to the rise in the Bank's gold and foreign exchange holdings (Due from U.S. Depositories including U.S. Government Securities) which went up by 73.6 per cent and 25.3 per cent, respectively, over their 1957 year-end balances. Total foreign exchange holdings amounted to ₱162,683,315.70 compared to ₱129,304,012.38 the year previous, reflecting a total net receipt of ₱33,379,303.32 during the year.

The foreign currency (U.S.) holdings consisted of \$236,639.00 in bills and \$56,963.47 in coins or a total peso equivalence of ₱587,204.94. The net amount due from Japan under the Philippine-Japan Open account was \$8,685.78 or ₱17,371.56 at the close of the year. This represented the difference between total exports to Japan of \$391,741,126.05 and the accumulated imports from that country of \$253,736,593.60 plus partial payments of \$137,995,846.67 made by Japan.

INTERNATIONAL RESERVE OF THE CENTRAL BANK December 31, 1957 and 1958

Item	1958	1957	Increase or Decrease (—)	Per Cent
TOTAL	₱183,214,070.31	₱141,729,991.46	₱41,484,078.85	29.3
Gold	19,792,564.83	11,399,456.46	8,393,108.37	73.6
Due from U.S. Depositories ¹	142,951,141.20	129,909,325.74	13,041,815.46	10.0
U. S. Government Securities	19,865,787.78	—	19,865,787.78	
Foreign Currency (U.S.) ...	587,204.94	375,716.34	211,488.60	56.3
Philippines-Japan Open Account	17,371.56	45,492.92	(28,121.36)	(61.8)

¹ Including accrued interest earned on time deposits.

During the year, the Bank acquired a total of 329,460.977 ounces of fine gold bullion worth ₱23,062,268.41 in accordance with the prescribed procedures for the use of blocked peso deposits of non-residents. Other acquisitions amounting to ₱212,872.18 were made from the Federal Reserve Bank of New York. On the other hand, the Central Bank sold gold bars in the amount of ₱14,063,312.32 and made a total gold payment of ₱818,719.90 to the International Monetary Fund and other entities for service charges, thereby bringing the outstanding balance of its gold holdings to ₱19,792,564.83 at the end of the year. The depositories of this amount of gold are shown in the following table:

GOLD HOLDINGS OF THE CENTRAL BANK

December 31, 1958

I t e m	Weight (In fine ounces)	Value (at ₱70 per ounce 0.999 fine)
TOTAL	282,750.927	₱19,792,564.83
Central Bank Vault	87,034.523	6,092,416.56
Federal Reserve Bank of New York	469.849	32,889.42
Federal Reserve Bank of San Francisco	195,241.612	13,666,912.85
International Monetary Fund	4,943	346.00

Foreign exchange receipts which exceeded foreign exchange disbursements during the year considerably bolstered the demand deposits of the Central Bank with foreign depositories. Demand deposits rose from \$10,902,006.19 at the start of the year to \$33,158,763.96 at the year's end. However, the Bank's time deposits dropped by 28.8 per cent from \$53,750,000.00 to \$38,250,000.00 resulting in a net increase of only \$6,756,757.77 in total due from U. S. depositories which stood at \$71,408,763.96 at the end of 1958. This amount was deposited in the following U. S. banks:

U. S. DOLLAR TIME & DEMAND DEPOSITS OF THE CENTRAL BANK

December 31, 1958

Depository	Amount	Interest rate (%)	Term
TOTAL	\$71,408,763.96		
Time Deposits	38,250,000.00		
American Security & Trust Co., Wash., D. C. . .	1,000,000.00	2	180 days
Bankers Trust Co., New York, N. Y.	500,000.00	2½	90 days
Bank of America, NT&SA, San Francisco	7,000,000.00	2½	90 days
Bank of California, N.A., San Francisco	1,750,000.00	2½	90 days
Bishop National Bank of Hawaii, Honolulu	500,000.00	2½	90 days
Chase Manhattan Bank, New York, N. Y.	8,000,000.00	2½	90 days
Chemical Corn Exchange Bank, New York, N. Y.	4,500,000.00	2½	90 days
Colonial Trust Co., New York, N. Y.	500,000.00	2½	90 days
Crocker-Anglo National Bank, San Francisco ..	1,500,000.00	2½	90 days
First National Bank of Chicago, Chicago, Ill. . .	500,000.00	2½	90 days
First National City Bank of New York, N. Y. . .	5,000,000.00	2½	90 days
Guaranty Trust Co. of New York, N. Y.	1,500,000.00	2½	90 days
Hanover Bank, New York, N.Y.	500,000.00	2½	90 days
Irving Trust Co., New York, N. Y.	1,000,000.00	2½	90 days
Manufacturers Trust Co., New York, N. Y.	2,500,000.00	2½	90 days
National Bank of Commerce of Seattle, Seattle	500,000.00	2½	90 days
Seattle-First National Bank, Seattle, Wash. ...	1,000,000.00	2½	90 days
Wells Fargo Bank, San Francisco, California	500,000.00	2½	90 days

U.S. DOLLAR TIME & DEMAND DEPOSITS OF THE CENTRAL BANK
December 31, 1958 (Concluded)

Depository	Amount	Interest rate (%)	Term
Demand Deposits	\$33,158,763.96		
American Security & Trust Co., Wash., D. C. ..	558,326.71	—	—
Bankers Trust Co., New York, N. Y.	78,505.16	—	—
Bank of America, New York N.Y.	2,598.09	—	—
Bank of America, NT&SA, San Francisco	4,303,586.58	—	—
Bank of California, N.A., San Francisco	139,574.13	—	—
Bishop National Bank of Hawaii, Honolulu	23,551.07	—	—
Chase Manhattan Bank, New York, N. Y.	21,129,654.79	—	—
Chemical Corn Exchange Bank, New York, N. Y.	522,518.72	—	—
Colonial Trust Co., New York	17,053.70	—	—
Crocker-Anglo National Bank, San Francisco ...	1,853,102.21	—	—
Federal Reserve Bank of New York, New York	230,671.36	—	—
First National Bank of Chicago, Chicago, Illinois	23,924.45	—	—
First National City Bank of New York, N. Y. ..	3,488,928.88	—	—
Guaranty Trust Co. of New York, New York ..	42,339.67	—	—
Hanover Bank, New York, N.Y.	36,284.35	—	—
Irving Trust Co., New York, N.Y.	551,550.16	—	—
Manufacturers Trust Co., New York, N.Y.	85,856.94	—	—
National Bank of Commerce of Seattle, Seattle ..	36,616.47	—	—
Seattle-First National Bank, Seattle, Wash.	25,436.20	—	—
Wells Fargo Banks, San Francisco, California .	8,684.32	—	—

2. Due from U.S. Depositories — Special Account II

As no further loans were approved under this financing arrangement by the Monetary Board during the year under review, the balance outstanding of P44,591,353.00 on December 31, 1957 dipped further down to P31,986,196.00 at the end of 1958 reflecting a substantial repayment of P12,605,157.00. The dollar proceeds from this type of credit financing are not included in the computation of the international reserve as they are not covered by export bills maturing within 12 months. The dollars are credited to the Special Account No. II of the Central Bank which makes them available to local borrowing banks in pesos.

3. Domestic Securities

In connection with its open market operations, the Central Bank purchased securities totalling P380,426,942.00 for account of its portfolio during the year. On the other hand, the Bank made a total sale of P231,954,140.00 and redeemed securities amounting to P461,050.10, thereby resulting in an expansion of P148,011,751.90 in its security holdings which stood at P932,714,544.90 at the end of the year. Of this amount, 68.0 per cent represented National Government obligations 31.4 per cent semi-government securities and the balance were those that were purchased from provincial, municipal and city governments.

SECURITY HOLDINGS OF THE CENTRAL BANK

December 31, 1958

	Direct Advances Under Sec. 137 ¹	Evidence of Indebtedness Acquired			Total
		Under Sec. 97 (a) ¹	Under Sec. 97 (b) ¹		
R & D Interim Bonds (4% Loans of 1949), (due 1959), 1950 (due 1960), and 1951, (due 1961)	P199,538,949.90				P199,538,949.90
Deduct: R & D Bonds Sold and/or Reacquired by Central Bank					
(a) Sold and Held by Others:					
Registered	P38,069,140				
Coupon	1,236,880				
	P39,306,020				
(b) Held by Central Bank for account of Securities Stabilization Fund:					
Registered	P41,011,170				
Coupon	10,860,300				
	P51,871,470				
(c) Reacquired by Central Bank:					
Registered	P 216,520				
Coupon	82,330				
		298,850.00			91,177,490.00
Total Deductions: (a), (b), (c)	91,476,340.00				
	108,062,609.90	298,850.00			108,361,459.90
PW & ED Interim Bonds		52,850.00			52,850.00
PW & ED Interim Bonds 1955/65, 2nd series, 3rd release		4,497,010.00			4,497,010.00
PW & ED Bonds		283,219,965.00			283,219,965.00
PW & ED Registered Bonds Reacquired		330,000.00			330,000.00
PW & ED Coupon Bonds		1,000,000.00			1,000,000.00
Insular, Municipal and Provincial Gov't. Bonds		5,320,750.00			5,320,750.00
Philippine Treasury Notes		236,989,000.00			236,989,000.00
R. F. C. Rehabilitation Bonds			161,672,000.00		161,672,000.00
Development Bank of the Philippines Bonds			3,505,000.00		3,505,000.00
National Power Corporation Bonds			63,226,510.00		63,226,510.00
ACCFA Notes			49,940,000.00		49,940,000.00
NAWASA Bonds			12,600,000.00		12,600,000.00
M. W. D. Bonds			2,000,000.00		2,000,000.00
TOTAL	P108,062,609.90	P531,708,425.00	P292,943,510.00		P932,714,544.90

¹ Republic Act No. 265.

4. Loans and Advances

The Central Bank granted total loans of ₦412,464,575.32 during the year, of which 97.0 per cent represent loans extended to banks and the government including its entities, under the provisions of Sections 87 and 95 of Republic Act No. 265 and under Section 1-C of Republic Act No. 1194. It will be noted that over half of the amount outstanding (excluding Eximbank financing) was given to the ACCFA under the terms of R. A. 1194 (the Virginia Leaf Tobacco Law). The balance of 3.0 per cent were those granted to local banks under the Export-Import Bank financing arrangement. Repayments totalled ₦332,114,569.56 leaving an outstanding balance of ₦196,662,555.61 at the close of the year broken down as follows:

LOANS AND ADVANCES OUTSTANDING As of December 31, 1958

T y p e	A m o u n t
TOTAL	<u>₦196,662,555.61</u>
Loans and advances granted under the provisions of Sections 87 and 95 of Republic Act No. 265 and under Section 1-C of Republic Act No. 1194	<u>181,677,180.29</u>
Bills discounted	24,130,000.00
Advances to commercial banks	52,400,000.00
Advances to rural banks	9,947,180.29 ^a
Advances to government	200,000.00
Advances to ACCFA	95,000,000.00
Notes receivable from local banks under Export-Import Bank financing	<u>14,985,375.32</u>

a Of this amount, ₦487,331.32 represents past due loans of rural banks.

5. Currency Issue

As of December 31, 1958, the total currency issued by the Bank amounted to ₦995,147,932.72 of which 11.6 per cent or ₦115,128,852.39 are being held by the Bank, thus reducing the liability on currency issue to a net amount of ₦880,019,080.33. This amount is 43.1 per cent less than the total assets and therefore meets the requirement of Section 53 of Republic Act No. 265.

The cash disbursements and cash receipts of the Bank which increase and decrease, respectively, the currency in circulation during the year are summarized below:

CHANGES IN THE CURRENCY ISSUE, 1958

Cash Disbursements on Account of:

Withdrawals from Demand Deposits		P543,820,451.27
Withdrawals from Notes Held with Agencies		30,612,738.01
Central Bank payments for—		
CB Expenses checks cashed	P9,773,861.03	
Expenses	1,037,476.09	
Accounts Payable	6,186,038.49	
Building account	71,997.43	
Lunchroom account—wages	4,742.85	
Cash advances	92,924.00	
Expenses for salvaging coins	1,099.60	17,168,139.49
MacArthur Coins sold—		
Central Bank	397.50	
PNB, New York Agency	681.00	1,078.50
Treasury Coins sold by PNB, New York Agency		703.80
U.S. Currency exchanged with pesos		759,162.20
Foreign Exchange Department		5,196.00
Discretionary Fund		300.00
Tellers' shortages		50.00
Refund of meal tickets		11.60
Special Tellers' working fund		169,000.00
		P592,536,830.87

Cash Receipts on Account of:

Demand Deposits		P508,599,138.18
Notes held with agencies		29,370,795.13
Central Bank receipts for—		
Credits to Accounts Payable	P3,488,407.32	
Accounts Receivable	1,970.87	
Refund to cash advances	49,114.97	
Refund to expenses	2,055.79	
Lunchroom account—Sales	52,335.15	
Sales of MacArthur coins	1,017.50	
Tellers' Overages	205.45	
Income tax withheld	12.50	
Gasoline coupons—Sales	1,800.00	
Gasoline stock—Sales	9,617.44	
Miscellaneous receipts	10,414.60	3,616,951.59
Salvage Coins		913.00
Uncollected salaries		150,658.35
Collection of 17% special excise tax		181,487.18
U.S. currency sold		1,527,573.00
U.S. currency refunded		20,095.60
Proceeds from sales of bonds		1,350,908.30
Payment for fiscal agency services		16,211.44
Government Note & Treasury Certificates		15,010.00
Foreign Exchange Department		109.48
Special Tellers' Working Fund		129,000.00
Demonetized coins received for safekeeping		529.30
		P544,979,385.55
NET INCREASE		P 47,557,445.32

The composition of the Bank's liability on currency issue which increased by 5.7 per cent during the year is shown below:

COMPOSITION OF CURRENCY ISSUE

December 31, 1957-1958

Item	1958	1957	Increase or Decrease (—)
COINS:—			
Silver pesos	P 7,030,512.00	P 7,033,983.00	(P 3,471.00)
Silver half pesos	21,542,383.00	21,338,918.50	203,464.50
Subsidiary coins	50,598,179.50	47,843,582.30	2,754,597.20
Minor coins	11,798,138.21	10,747,757.06	1,050,381.15
Central Bank coins	1.82	—	1.82
T o t a l	P 90,969,214.53	P 86,964,240.86	P 4,004,973.67
NOTES:—			
One peso denomination and above	P767,767,602.00	P725,483,767.00	P42,283,835.00
Small denominations	21,282,263.80	20,013,627.15	1,268,636.65
T o t a l	P789,049,865.80	P745,497,394.15	P43,552,471.65
TOTAL CURRENCY ISSUE .	P880,019,080.33	P832,461,635.01	P47,557,445.32

C. RESULTS OF OPERATION

1. Income, Expenses and Net Profit

The gross income of the Central Bank for the year just ended amounted to P38,986,563.10 against total expenses of P17,545,157.64 thereby realizing a net profit of P21,441,405.46. Compared to the previous year's figures, this year's income and expenses are both higher by 26.5 per cent and 17.7 per cent, respectively. The increase in income was principally attributed to the total interest of P29,311,708.36 earned on domestic securities and loans and advances which exceeded the total interest earned on these two items last year by P12,296,638.89. However, a total decrease of P4,506,740.67 in interest earned on time deposits with U.S. depositories, foreign exchange income and service charge on imports was registered during the period. The decrease in interest earnings on time deposits was due to the considerable drop in their balances abroad and to the reduction in interest rates there.

The increase in expenses was due largely to the payment of P2,690,838.27 as interest on the Bank's foreign loan with the Chase Manhattan Bank and Bank of America, N.T. & S.A. Increase in expenses could also be attributed to the expansion in the number of personnel of the Bank.

2. Distribution of Net Profit

The net profit of P21,441,405.46 realized by the Bank for 1958 was distributed as follows: (a) to increase the resources of the Securities

Stabilization Fund, 12.3 per cent or ₦2,269,136.67; (b) to reduce the Monetary Adjustment Account, 10.7 per cent or ₦2,301,917.43; (c) to reduce the Account to Secure Coinage, 4.7 per cent or ₦1,000,000.00; and (d) transferred to the Surplus Account, 24.8 per cent or ₦5,310,351.36. The balance of 47.5 per cent was transferred to the General Fund of the National Government (₦10,000,000.00) and utilized to increase the reserve for currency insurance (₦200,000.00).

The annual distribution of the net profit of the Bank since 1949 is shown in the following table:

DISTRIBUTION OF NET PROFITS OF THE CENTRAL BANK 1949-1958

Period	Total	Surplus Account	Monetary Adjustment Account	Securities Stabilization Fund	Account to Secure Coinage
TOTAL	₦105,871,559.94	₦28,967,889.98	₦12,264,387.52	₦57,902,896.50	₦6,736,385.94
1949	6,464,183.34	1,616,045.83	—	4,848,137.51	—
1950	8,293,553.92	2,073,388.48	483,779.50	—	5,736,385.94
1951	13,769,851.29	3,442,462.82	4,942,078.98	5,385,309.49	—
1952	12,004,937.10	3,001,234.28	692,073.15	8,311,629.67	—
1953	12,540,379.92	3,135,094.98	—	9,405,284.94	—
1954	8,671,029.98	2,167,757.50	205,364.80	6,297,907.68	—
1955	8,502,968.52	2,125,742.13	986,106.87	5,391,119.52	—
1956	8,665,266.33	2,166,316.58	1,535,953.65	4,962,996.10	—
1957	15,717,984.08 ^a	3,929,496.02	1,117,113.14	10,671,374.92	—
1958 ^b	11,241,405.46 ^c	5,310,351.36	2,301,917.43	2,629,136.67	1,000,000.00

^a Exclusive of ₦200,000.00 which was set aside as Reserve for Currency Insurance.

^b Approved per Monetary Board Resolution No. 85 dated January 20, 1959.

^c Exclusive of ₦10 million paid into the General Fund of the National Government and ₦200,000.00 set aside to increase the Reserve for Currency Insurance.

D. INTER-BANK CLEARING

A total of 9,382,839 checks worth ₦10,984,621,749.57 were cleared through the Central Bank during 1958. This represented an increase of 5.1 per cent in number and 4.5 per cent in value over those cleared during the preceding year. The monthly number and value of clearing transactions during 1957 and 1958 are shown in the table hereunder:

INTER-BANK CLEARINGS, 1957-1958

Period	1958		1957		Increase or decrease (—)	
	Number	Amount	Number	Amount	Number	Amount
TOTAL	9,382,839	₦10,984,621,749.57	8,931,093	₦10,510,992,118.08	451,746	₦473,629,631.49
January	926,788	1,001,170,061.14	711,526	808,359,245.81	215,262	192,810,815.33
February	731,652	855,078,671.71	692,938	814,693,945.24	38,714	40,384,726.47
March	786,501	950,783,702.34	762,395	862,800,840.58	24,106	87,982,861.76
April	724,671	896,811,704.52	706,461	925,334,872.52	18,210	(28,523,168.00)
May	741,242	911,941,601.09	677,875	851,151,402.24	63,367	60,790,198.85
June	748,917	933,612,843.24	794,449	955,660,812.41	(45,532)	(22,047,969.17)
July	784,288	957,337,750.49	708,623	886,147,769.62	75,665	71,189,980.87
August	733,435	900,487,367.56	761,912	857,293,151.52	(28,477)	43,194,216.04
September	812,755	892,939,258.00	788,106	934,764,212.67	24,649	(41,824,954.67)
October	811,807	878,595,203.72	669,259	820,660,559.91	142,548	57,934,643.81
November	714,790	816,316,773.61	800,057	871,360,384.42	(85,267)	(55,043,610.81)
December	865,993	989,546,812.15	857,492	922,764,921.14	8,501	66,781,891.01

[REPUBLIC ACT NO. 2052]

AN ACT AUTHORIZING THE PRESIDENT OF THE PHILIPPINES TO INCREASE THE PARTICIPATION OF THE REPUBLIC OF THE PHILIPPINES IN THE INTERNATIONAL MONETARY FUND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, AND PROVIDING FOR THE PROCEDURE TO MEET THE FINANCIAL REQUIREMENTS THEREFOR.

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. The President of the Philippines is hereby authorized to negotiate for the increase of the subscription of the Republic of the Philippines to the capital stock of the International Bank for Reconstruction and Development from fifteen million to fifty million United States dollars, and its quota in the International Monetary Fund from fifteen million to fifty million United States dollars.

SEC. 2 (a) To cover the initial payments on the increase in quota in the Fund and the subscription to the capital stock of the Bank as required under the Articles of Agreements of the International Monetary Fund and the International Bank for Reconstruction and Development, the Secretary of Finance is authorized to secure, for and in behalf of the Republic of the Philippines, advances from the Central Bank of the Philippines, the necessary funds against which he shall issue five-year non-interest bearing and non-negotiable promissory notes of the Republic of the Philippines: *Provided, however,* That said promissory notes may be renewed for another period of five years.

(b) For the balance of the increase in quota and subscription payable to the Fund and the Bank, the Secretary of Finance is likewise authorized to issue special notes of the Republic of the Philippines at par which shall be non-interest bearing, and non-negotiable and shall be payable on demand by the Fund and the Bank. In the event such demand is made by the Fund or the Bank, including any call for payment on the remaining eighty per cent of the subscription to the Bank, the Central Bank of the Philippines shall advance the necessary amount, under the same arrangements provided for in paragraph (a) of this section.

SEC. 3. Congress shall provide the necessary appropriations from time to time to reimburse the Central Bank of the Philippines for all advances that may have been made by it pursuant to section two of this Act.

SEC. 4. All Acts or parts of Acts inconsistent herewith are hereby amended accordingly.

SEC. 5. This Act shall take effect upon its approval.

Approved, May 21, 1958.

(REPUBLIC ACT NO. 2070)

AN ACT TO PROVIDE FOR NATIONAL TAX CENSUS

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Every resident of the Philippines over eighteen years of age, every guardian of minors and executor or administrator of estates and every corporation, joint stock company, partnership, joint account or association, whether domestic or resident foreign, shall within one hundred days from the effective date of this Act, and during the month of January of each succeeding year, file with the city or municipal treasurer in such form as the Commissioner of Internal Revenue, with the approval of the Secretary of Finance shall prescribe, without charge to such resident, corporation, joint stock company, partnership, joint account or association, a statement under oath showing: in the case of a corporation, joint stock company, partnership, joint account or association: (1) the name of the business or businesses engaged in, (2) form of organization, (3) name and nationality of President, (4) name and nationality of manager thereof and (5) list of stockholders, partners or members of associations with their respective holdings; in the case of individuals: (1) name, (2) age, (3) sex, (4) nationality (if alien, the number of the Alien Registration Certificate), and aliases used, or authorized to be used, if any, (5) address, (6) occupation, (7) place of business, (8) wife's or husband's name, age, sex, occupation and place of business, and (9) the members of his family, age and sex; and in both cases: (1) real property owned, stating the nature thereof, location and assessed value thereof, and the annual gross income therefrom during the preceding year, (2) property held under lease stating also the nature, location and assessed value thereof and the annual income during the preceding year, (3) businesses subject to tax giving the nature and location thereof and the annual gross receipts or earnings during the preceding year, (4) stocks in corporation or shares in partnerships or associations, (5) professions or occupations, stating the kind and location thereof and the annual salaries or gross receipts or earnings during the preceding year, and (6) such other information as may be necessary to determine his or its tax liability. This statement shall be prepared in quadruplicate. One copy shall be retained by the city or municipal treasurer who shall transmit the original and two copies to the Regional Director concerned, who shall send the original to the Commissioner of Internal Revenue and a copy to the Director of the Census and Statistics.

The Commissioner of Internal Revenue may, in meritorious cases, grant a reasonable extension of thirty days for filing the statement required in this Act.

SEC. 2. Each city or municipal treasurer and Regional Director shall keep and maintain an appropriate national tax register of the persons residing in his jurisdiction based upon the data and information given in the statement required in section one hereof. The register should also show at any time the taxes due and taxes paid by the taxpayer concerned. The national tax register shall be revised and kept up to date as verification, investigation or additional information may disclose or require. It shall be available for use by any internal revenue or other tax collecting officer as aid in the collection of taxes.

SEC. 3. The Regional Directors are hereby authorized to require the assistance of city and municipal treasurers, public school officials, teachers and other employees assigned in the cities and municipalities within their jurisdiction and it shall be the duty of said treasurers, public school officials, teachers and other employees to render assistance to the Regional Directors in the preparation and periodic revision of the national tax registers. For the preparation or revision of the national tax registers, they shall receive additional compensation at the rate of five centavos per register form accomplished. They shall also be entitled to the payment of ordinary traveling expenses upon the proper presentation of reimbursement receipts.

SEC. 4. The statements furnished the Commissioner of Internal Revenue shall be consolidated by the Bureau of Internal Revenue into a tax census, copies of which shall be transmitted to the Secretary of Finance for statistical purposes, with the end in view of formulating tax policies and recommending reforms in the tax system and in revenue administration to achieve efficiency and honesty in the collection of taxes. The Secretary of Finance shall submit to Congress within thirty days from the opening of each regular session a report on said tax census and the extent to which such census has been compiled, tabulated and analyzed in relation to actual revenue collections.

SEC. 5. Any person who fails to file the statement required in this Act, or who intentionally gives false or fraudulent information therein, shall, upon conviction, be punished by a fine of not more than five hundred pesos or by imprisonment for not more than six months, or both in the discretion of the court. Any responsible officer of any corporation, joint stock company, partnership, joint account or association, required by this Act to make and file such statement, who refuses or neglects to make or file such statement within the time prescribed in this Act or who makes any false or fraudulent statement, shall be punished by a fine of not exceeding four thousand pesos or by imprisonment for not exceeding six months, or both, in the discretion of the court. In case the offender is an alien, said offender, upon conviction, shall be deported immediately without the necessity of further proceedings in the Deportation Board.

SEC. 6. No information secured from the statement required in section one hereof shall be published, except in the form of tabulations or summaries having no reference to individuals: *Provided*, That any court of record by order or *subpoena duces tecum* may require the presentation of documents or information herein provided for when such documents or information are necessary for the adjudication of the case at issue. Any such officer or employee who shall divulge to any unauthorized person information regarding the business, income, or inheritance of any taxpayer, the secrets, operation, style of work, or apparatus of any manufacturer or producer, or confidential information, knowledge of which was acquired by him in the discharge of his official duties under the provisions of this Act, shall be fined in a sum not exceeding two thousand pesos or imprisoned for a term of not less than six months nor more than five years, or both, in the discretion of the Court, except in such instances where the information regarding the business, income, or inheritance of any taxpayer, the secrets, operation, style of work, or apparatus of any manufacturer or producer, or confidential information, constitutes *prima facie* evidence of the commission of a crime, or constitutes in itself a crime, in which case the obligation to reveal same to any duly constituted investigating body shall exempt the officer or employee from any liability. Nothing contained in this section shall be construed to prevent courts of justice or the Congress or any legislative committee to require the production of any statement referred to herein when relevant to the issues or matters subject of judicial or legislative investigation.

SEC. 7. The Commissioner of Internal Revenue, with the approval of the Secretary of Finance, shall promulgate rules and regulations to carry out the provisions of this Act.

SEC. 8. There is hereby created a new Division in the Bureau of Internal Revenue to be known as the Tax Census Division, hereinafter referred to as the Division.

SEC. 9. The Division shall have the following personnel who shall receive the compensation hereinbelow indicated:

One Chief of Division	P 6,000.00
One Assistant Chief of Division	5,400.00
Ten Supervisors at P3,600 each	36,000.00
Four stenographers at P2,400 each	9,600.00
Ten typists at P1,800 each	18,000.00
One hundred twenty census takers at P1,800 each	216,000.00
Ten Senior clerks at P2,400 each	24,000.00
Ten clerks at P1,800 each	18,000.00
One messenger	1,440.00

SEC. 10. The sum of six hundred thousand pesos or so much thereof as may be necessary to carry out the provisions of this Act is hereby appropriated, out of any funds in the National Treasury not otherwise appropriated, for the salaries and the purchase of supplies and equipment necessary to carry out the provisions of this Act. Thereafter, the funds necessary shall be included in the regular Appropriation Act.

SEC. 11. This Act shall take effect upon its approval.

Approved, June 13, 1958.

REPUBLIC ACT NO. 2080

AN ACT APPROPRIATING FUNDS FOR THE OPERATION OF THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES DURING THE PERIOD FROM JULY FIRST, NINETEEN HUNDRED AND FIFTY-EIGHT TO JUNE THIRTIETH, NINETEEN HUNDRED AND FIFTY-NINE, AND FOR OTHER PURPOSES.

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Appropriation of Funds.*—The following sums, or so much thereof as may be necessary, are appropriated out of any funds in the Philippine Treasury not otherwise appropriated for the operation of the Government of the Republic of the Philippines during the period from July first, nineteen hundred and fifty-eight to June thirtieth, nineteen hundred and fifty-nine, except where otherwise specifically provided:

(Itemized items omitted due to lack of space.)

GENERAL PROVISIONS

SEC. 2. *Authority to pay salaries not in conformity with the prescribed grades or rates of compensation.*—Payment to incumbent employees of salaries the rates of which are not in conformity with the schedule of grades or rates of compensation provided in section three of Commonwealth Act Numbered Four hundred and two, as amended, is hereby authorized: *Provided*, That new appointments, whether original or promotional, to positions not carrying the salary rates prescribed in Commonwealth Act Numbered Four hundred and two, as amended, shall be made only at the rates authorized in the said Act.

SEC. 3. *Personnel in the classified Civil Service not to be affected by the adoption of the Performance Budget.*—The adoption of the budgetary system based on functions, activities and projects in terms of expected results shall neither result in any manner in the laying off of personnel in the classified Civil Service except for cause as provided by law nor in the reduction of actual salaries of incumbents or demotion in rank or change of status.

SEC. 4. *Authority to use savings in appropriations to cover deficits.*—Except as otherwise provided in this Act, any savings in the regular appropriations authorized in this Act for any Executive Department for "personal services," for "maintenance and other operating expenses," and for "furniture and equipment" of the bureaus and offices under the same Department may, with the approval of the President, be used to cover a deficit in any other item of the regular appropriations except for per-

sonal services, under the same Department: *Provided*, That whenever authorized positions are transferred from one program to another within the same Department the corresponding amounts appropriated for personal services are also deemed transferred, without increasing the total outlay for personal services of the Department concerned. In no case, however, shall any item of appropriations be augmented, pursuant to the authority granted in this section, by more than thirty per centum of the original appropriation provided in this Act for such item.

SEC. 5. *Quarterly report to Congress on transfers of appropriations and accomplishments of bureaus and offices.*—The Auditor General and the Commissioner of the Budget shall submit separately to the Congress a quarterly report of any transfer of appropriation made to cover a deficit, the report to specify the items and the amounts involved and shall furnish copies to each member of Congress in his office. The heads of bureaus or offices whose appropriations are based on the Performance Budget shall likewise submit separately to each member of the Congress a quarterly report of their accomplishments.

SEC. 6. *Authority to use savings for other purposes.*—The President of the Philippines is authorized to use any savings in the appropriations provided in this Act for the Executive Departments for the settlement of the following obligations incurred during the current fiscal year and/or previous fiscal years, the limitation in section 7-I(27) of Commonwealth Act Numbered Two hundred forty-six, as amended, notwithstanding: (1) claims under section 699 of the Revised Administrative Code and the Workmen's Compensation Act, whichever is applicable, of officers, employees and laborers who died or were injured in line of duty; (2) commutation of the money value of the additional leave, extended leave and accrued leave earned by American and deceased Filipino officers and employees, or by Filipino officers and employees separated from the service except for cause, for service rendered prior to November twenty-ninth, nineteen hundred and thirty-six; (3) purchase of furniture and equipment to replace those that may be lost through accident, fire or other calamity, or may have been damaged through the same cause, the disposal of which is deemed reasonable and necessary, if it would be more expensive to have them repaired, and purchase, with the approval of the President, of furniture and equipment to replace unserviceable ones condemned by the Auditor General; (4) payment of salaries of suspended employees who have subsequently been exonerated; (5) payment of the share of the National Government in the salaries of national officials in newly created cities and provinces where no appropriation has been provided therefor; (6) three per cent contribution of the Government to the Government Service Insurance System for the employees' insurance premiums corresponding to the period from December thirty-first nineteen hundred and

forty-one to February twenty-eight, nineteen hundred and forty-five, pursuant to section four of Republic Act Numbered One hundred thirty-two, the provisions of section 7(c) of Commonwealth Act Numbered One hundred eighty-six, as amended, to the contrary notwithstanding; (7) commutation of vacation and sick leave of employees who may be retired under existing laws; (8) additional compensation to government nurses assigned to public health nursing at ₱50 a month in lieu of quarters, subsistence and laundry allowances as provided under section three of Republic Act Numbered Six hundred forty-nine; (9) purchase or rental of accounting machines to carry out the plan of mechanizing the accounting system of the Government; (10) obligation of the National Government under the provisions of subsection (a) of section 2553 of the Revised Administrative Code; (11) cash commutation of the accumulated vacation and sick leave of employees who voluntarily resign or are separated from the service thru no fault of their own, in accordance with the provisions of Republic Act Numbered Six hundred eleven, as amended by Republic Act Numbered One Thousand eighty-one; (12) printing of briefs in cases appealed by the Government; (13) improvement of food rations in government hospitals and leprosaria; (14) rural improvement; (15) payment of premiums for the insurance of government properties; (16) payment of gratuities of employees who are laid off as a result of the elimination of their positions in this Act and the government reorganization under Republic Act No. 997, as amended, at a rate equivalent to one month salary for every year of continuous satisfactory service rendered but not exceeding twelve months, on the basis of the last salary received: *Provided*, That if said employees are entitled to gratuity or pension under any retirement law, they shall select either such gratuity or pension or the gratuity herein provided; (17) unpaid claims for commutation of maternity leave of absence due women employees under the provisions of Republic Act No. 1564; (18) opening of additional primary classes; (19) adjustment of salaries of national officials and employees resulting from the reclassification of provinces and municipalities, (20) payment of duly registered and recognized pre-war obligations of the different offices of the government in favor of private individuals and/or entities; and (21) adjustment of salaries of employees resulting from reorganization pursuant to Republic Act No. 1890.

SEC. 7. *Suspension of expenditures of appropriations.*—Except as otherwise provided in this Act and whenever in his judgment the public interest so requires, the President is authorized to suspend or otherwise stop the expenditure of any amount herein appropriated in any item or items for the Executive Departments for any purpose, except amounts for salaries of positions with incumbents, and thereupon the funds affected by such action shall become available for any other expenditures authorized in

this Act for the Executive Departments as the President may determine, except for personal services: *Provided*, That whenever authorized positions are transferred from one program to another, the corresponding amounts appropriated for personal services are also deemed transferred, without increasing the total outlay for personal services of the office concerned. In no case, however, shall any item of appropriation be augmented, pursuant to the authority granted in this section, by more than thirty per centum of the original appropriation provided in this Act for such item. The Auditor General and the Commissioner of the Budget shall report separately to the Congress within a period of thirty days any suspension or transfer of funds made by the President during the previous quarter and shall furnish copies to each member of Congress in his office.

SEC. 8. *Failure on the part of the Auditor General and the Commissioner of the Budget to make report.*—Failure on the part of the Auditor General and the Commissioner of the Budget to make the report herein required within the period specified therein shall automatically cause the suspension of the payment of their salaries until they shall have complied therewith.

SEC. 9. *Provision for "excess of actual salary."*—Appropriations provided in this Act may be used for payment of excess of actual salaries to the incumbent of a position to which said "excess" pertains who is actually receiving the same "excess" as part of the salary granted to him upon his appointment to the said position before the reduction of the basic pay thereof to the amount provided: *Provided, however*, That if the position be vacated and the successor to its previous incumbent shall have previously received an equal salary plus the "excess of actual salary" in the same or any other branch of the government service, such excess shall be allowable to him.

SEC. 10. *Purchase of locally manufactured furniture, equipment, parts, accessories, supplies, and materials.*—All appropriations for the purchase of furniture, equipment, supplies and materials authorized in this Act shall be available only for locally manufactured furniture, equipment, parts, accessories, supplies and materials, except when none is available in the market, or when the prices of the locally manufactured article exceed those determined by the Flag Law by ten per cent.

SEC. 11. *Renting of automobiles, jitneys or trucks for a continuous period exceeding fifteen days prohibited.*—No appropriation provided in this Act for the Executive Departments shall be used for renting automobiles, jitneys or trucks on the monthly basis nor on the daily basis for a continuous period exceeding fifteen days.

SEC. 12. *Authority to purchase motor vehicles.*—No appropriation authorized in this Act shall be used for the purchase of automobiles,

jitneys, jeeps, station wagons, motorcycles and other motor vehicles unless otherwise specifically provided in this Act.

SEC. 13. *Officials entitled to government motor transportation.*—The following officials are entitled to use government motor transportation chargeable against the appropriations authorized in this Act:

- (1) The President of the Philippines,
- (2) The Vice-President of the Philippines,
- (3) The President of the Senate,
- (4) The Speaker of the House of Representatives,
- (5) The President Pro-Tempore of the Senate,
- (6) The Majority Floor Leader of the Senate,
- (7) The Chairman, Committee on Finance of the Senate,
- (8) The Chairman, Committee on Accounts of the Senate,
- (9) The Chairman, Committee on Foreign Relations of the Senate,
- (10) The Chairman, Committee on Public Works of the Senate,
- (11) The Minority Floor Leader of the Senate,
- (12) The Secretary of the Senate,
- (13) The Speaker Pro-Tempore of the House of Representatives,
- (14) The Majority Floor Leader and the Assistant Majority Floor Leader of the House of Representatives,
- (15) The Chairman, Committee on Appropriations of the House of Representatives,
- (16) The Chairman, Committee on Accounts of the House of Representatives,
- (17) The Chairman, Committee on Ways and Means of the House of Representatives,
- (18) The Chairman, Committee on Foreign Affairs of the House of Representatives,
- (19) The Chairman, Committee on Public Works of the House of Representatives,
- (20) The Minority Floor Leader of the House of Representatives,
- (21) The Secretary of the House of Representatives,
- (22) The Chief Justice of the Supreme Court,
- (23) The Presiding Justice of the Court of Appeals,
- (24) The Auditor General,
- (25) The Ambassadors, Ministers Plenipotentiary and Consuls in charge of consulates while in their respective stations abroad, and
- (26) The Chief of Staff and the Vice-Chief of Staff and the Commanding Officers of the other Major Services of the Armed Forces of the Philippines.

SEC. 14. *Officials entitled to transportation allowance.*—The Department Heads, including the Administrator of Economic Coordination, the Commissioner of the Budget, the Press Secretary, the Chairman of the Presidential Complaints and Action Committee, the Technical Assistant on Local Governments and Civil Affairs, the Chairman, National Economic Council, the Chairman of the Commission on Elections, the Social Welfare Administrator, and the Chairman of the House Electoral Tribunal, are hereby granted a commutable transportation allowance of two hundred fifty pesos each per month; the Undersecretaries of Departments and officials with the same rank, the Executive Judge of the Court of Agrarian Relations, the Legislative Secretary, the Legislative Liaison Officer, the Presiding Judge of the Court of Industrial Relations, the Presiding Judge of the Court of Tax Appeals, the Commissioner, Land Registration Commission, the Public Service Commissioner, the Presiding Judge of the Juvenile and Domestic Relations Court, the Chairman of the Land Tenure Administration, the Judicial Superintendent and the Chief Prosecuting Attorney, Office of the Secretary of Justice, the Commissioner of Immigration, the Administrator of Social Security System, the Director of Labor Standards, as ex-officio Chairman of the Labor Standards Commission, the Director of Workmen's Compensation, as ex-officio Chairman of the Workmen's Compensation Commission, the Tariff Commissioner, the Agricultural Tenancy Commissioner, the Director of Classification and Compensation, the Chief, Budget Operations Service, and the Chief, Motor Vehicles Office, two hundred pesos each per month; and the following officials, directors or chiefs of bureaus and offices, and the Sergeant-at-Arms of the House of Representatives, one hundred pesos each per month chargeable against the appropriations authorized in this Act for their respective offices:

- (1) The Director of Printing,
- (2) The Director, National Media Production Center,
- (3) The Assistant Tariff Commissioner,
- (4) The Commissioner of Civil Service,
- (5) The Civil Defense Administrator,
- (6) The Manager, UNICEF Child Feeding Program,
- (7) The Commissioner of Customs,
- (8) The Commissioner of Internal Revenue,
- (9) The Treasurer of the Philippines,
- (10) The Purchasing Agent, Bureau of Supply,
- (11) The Insurance Commissioner,
- (12) The two Associate Commissioners, Public Service Commission,
- (13) The Members, Land Tenure Administration,
- (14) The two Associate Judges, Court of Tax Appeals,
- (15) The four Associate Judges of the Court of Industrial Relations,
- (16) The Director, National Bureau of Investigation,

- (17) The Director of Prisons,
- (18) The Chairman, Code Commission,
- (19) The Director of Plant Industry,
- (20) The Director of Animal Industry,
- (21) The Director of Forestry,
- (22) The Director of Lands,
- (23) The Director of Mines,
- (24) The Director of Fisheries,
- (25) The Director of Soils,
- (26) The Director of Agricultural Extension,
- (27) The Director of Parks and Wildlife,
- (28) The Manager, Fiber Inspection Service,
- (29) The Director of Public Works,
- (30) The Postmaster General,
- (31) The Director of Telecommunications,
- (32) The Commissioner of Public Highways,
- (33) The Director of Public Schools,
- (35) The Director of Public Libraries,
- (35) The Director, Institute of National Language,
- (36) The Director of National Museum,
- (37) The Director of Private Schools,
- (38) The Director of Labor Relations,
- (39) The two Associate Commissioners, Workmen's Compensation Commission,
- (40) The two Associate Commissioners, Labor Standards Commission,
- (41) The Assistant to the Secretary and Administrative Officer, Department of Labor,
- (42) The Director of Field Operations, Department of Labor,
- (43) The Director of Coast and Geodetic Survey,
- (44) The Chairman, Philippine Veterans Board,
- (45) The Chairman, Board on Pensions for Veterans,
- (46) The Director, Veterans Memorial Hospital,
- (47) The Director of Quarantine,
- (48) The Director of Hospitals,
- (49) The Director of Health,
- (50) The Director of Public Health Research Laboratories,
- (51) The Director of Nutrition,
- (52) The Director of Commerce,
- (53) The Administrator, Sugar Quota Administration,
- (54) The Director, Philippines Patent Office,
- (55) The Commissioner, Securities and Exchange Commission,

- (56) The Administrator, Civil Aeronautics Administration,
- (57) The Director, Weather Bureau,
- (58) The Director of the Census and Statistics,
- (59) The Administrator, Cooperatives Administration Office,
- (60) The Administrator, No-Dollar Import Office,
- (61) The Director, Institute of Science and Technology,
- (62) The Director, Philippine General Hospital,
- (63) The Ministers who are assigned in the Home Office and the Counselors who are assigned as heads of offices in the Department of Foreign Affairs,
- (64) The Chief, Irrigation Service Unit,
- (65) The Clerk of Court of the House Electoral Tribunal,
- (66) The Director of Forest Products Research Institute,
- (67) The Finance and Rate Regulation Officer, the Chief Hearing Officer, the Chief Utilities Regulation Engineer, and the Transportation Regulation Chief of the Public Service Commission, and
- (68) The Chief, Management Service, Budget Commission.

SEC. 15. *Bureaus and offices entitled to use, operate and maintain government motor vehicles and launches.*—No bureau or office shall use, operate or maintain from the appropriations authorized in this Act government service cars, jeeps, station wagons, vans, service trucks, pickup trucks, launches, speedboats, motorcycles, etc., except the following:

- (1) The House of Representatives, for general service purposes;
- (2) The Senate, for general service purposes;
- (3) Malacañang, for general service purposes;
- (4) The National Intelligence Coordinating Agency, in the coordination of the national intelligence activities and in carrying out its functions in the interest of national security;
- (5) The Civil Defense Administration, for general service purposes in connection with the establishment and administration of the national civil defense program;
- (6) The Philippine Broadcasting Service for covering special events for delayed broadcasts, servicing of sponsored programs, contacting artists, fetching "sign on" personnel and conducting home those "signing off";
- (7) The National Media Production Center, for delivery of different media of mass communications, such as press releases, handbills, pamphlets, posters, motion pictures, filmstrips, etc., and for motion picture and photo-essay coverage of different projects of the government;

- (8) The UNICEF Programmes of the Philippines, for use in connection with the supervision and inspection of feeding agencies in the cities and rural areas;
- (9) The Social Welfare Administration, for ministering relief, during military actions against dissidents, to evacuees, the injured and incapacitated and to the victims of typhoons, earthquakes, fires, floods, tidal waves and volcanic eruptions; and for conducting the inmates of Welfareville to and from the Courts, hospitals and other offices, procuring materials and food supplies for their subsistence, and delivering food to the various units within the Welfareville compound, including collection and disposal of garbage;
- (10) The Budget Commission, for gathering from the various government offices and instrumentalities of such data and information as are essentially material or pertinent to the exercise of authority over budget operations and control, for the performance of duties connected with the preparation of the National Budget, and for wage and position classification survey;
- (11) The Department of Foreign Affairs, for carrying out protocol duties, including those connected with the arrival or visit in the Philippines of high dignitaries and officials or accredited representatives of foreign governments, and for general service purposes particularly in relation to the delivery of diplomatic pouches to and from points of embarkation or shipment;
- (12) The Bureau of Customs, for use as the Collector of Customs may recommend and the Commissioner of Customs may approve;
- (13) The Bureau of Internal Revenue, including its Regional Offices, for strict enforcement of the internal revenue laws and regulations and detection of violations thereof;
- (14) The Bureau of the Treasury, for transportation of cash from the Central Bank of the Philippines to the Bureau of the Treasury, and vice versa;
- (15) The Office of the Insurance Commissioner, for examination of the financial condition and methods of doing business of insurance companies and for the inspection of buildings in the different blocks of Manila and its neighboring cities and municipalities and other risks in connection with the supervision of said office over the fixing of premium rates on non-life insurance;
- (16) The National Bureau of Investigation, for detection and investigation of crimes and criminals and other law violations;

- (17) The Bureau of Immigration for the enforcement of immigration laws;
- (18) The Court of Tax Appeals, for transportation of its personnel whenever the Court hold its hearing outside of the City of Manila pursuant to Section 6 of Republic Act No. 1125;
- (19) The Land Tenure Administration and the Court of Agrarian Relations, for transportation of their personnel whenever they go out to hear cases or take evidence in places other than their headquarters, or make settlement pursuant to the decisions of the court;
- (20) The Bureau of Prisons, for conducting prisoners to and from the Bureau of Prisons, inspection of prison institutions and stations, procuring food supplies and materials, and delivering products and/or manufactures of the Prison Industries in Muntinlupa and in the penal colonies;
- (21) The Juvenile and Domestic Relations Court, for conducting to and from the court, dependent or neglected children or juvenile delinquents committed to the care of persons or institutions and for inspection and supervision thereof;
- (22) The Office of the Secretary of Agriculture and Natural Resources, for gathering agricultural statistics for researches and analysis in agriculture, for distribution of agricultural information materials for guidance of farmers in improving their farming methods, and for conducting inspection trips to coordinate agricultural programs;
- (23) The Agricultural Tenancy Commission, for the administration and implementation of Republic Act No. 1199, particularly mediation and legal aid activities, distribution of information materials, conducting rallies, researches, and farm management investigations in the different regions of the country;
- (24) The Bureau of Plant Industry, for the control of abaca mosaic and other plant pests and diseases, and for supervision of agricultural experiment stations and seed farms;
- (25) The Bureau of Animal Industry, for the distribution of animal products and transportation of animals and feeds, including insemination work;
- (26) The Bureau of Forestry, for forest protection, reforestation, land classification, research and general administration, including transportation of cinchona barks, equipment, and supplies and materials;
- (27) The Bureau of Lands, for the survey and subdivision of public agricultural lands and land management;

- (28) The Bureau of Mines, for the transportation of mineral samples to and from the office for the geological, mineralogical and mineral land survey parties operating in the different parts of the Philippines;
- (29) The Bureau of Fisheries, for the collection of marine specimens, inspection of experimental fish farms and distribution of seedlings;
- (30) The Bureau of Soils, for carrying out soil survey and conservation work in the different regions of the country;
- (31) The Bureau of Agricultural Extension, for carrying out its extension work and diffusing among the people, particularly those in rural areas, useful and practical information on agriculture, soil conservation, livestock, fisheries, forest conservation, public lands and natural resources laws, home economics and rural life by means of field demonstrations, lectures, conferences, publications and other means of disseminating information;
- (32) The Parks and Wildlife Office, for the supervision of parks and recreational centers, and enforcement of regulations to conserve wildlife, game, fish, etc.;
- (33) The Fiber Inspection Service for carrying out its work of inspection and supervision of fiber grading-baling establishments, fiber improvement and demonstration work;
- (34) The Department of Public Works and Communications, for gathering from its bureaus, offices and agencies, including those of other government offices and instrumentalities, of such data and information as are essentially material or pertinent to the formulation of long-range public works programs and in evaluation and checking of accomplishments and expenditures against duly approved programs of work;
- (35) The Bureau of Public Works, for undertaking the construction of public works projects, inspection and supervision thereof, and for the procurement of construction supplies and materials;
- (36) The Bureau of Public Highways, for carrying out its functions of construction and maintenance of roads and bridges and those activities connected therewith, inspection and supervision of highway and bridge construction and maintenance projects, and for the procurement of construction supplies and materials;
- (37) The Bureau of Posts, for the operation of the postal service;

- (38) The Bureau of Telecommunications, for the construction, repair, transfer and maintenance of telegraph, telephone and radio stations and circuits and the delivery of telegrams and radio-grams;
- (39) The Motor Vehicles Office, for the enforcement of the provision of the Motor Vehicle Law and for general service purposes;
- (40) The Office of the Secretary of Education, for the inspection of public and private schools, public libraries, investigation of cases which require immediate attention, and performance of its supervisory functions;
- (41) Trade and industrial, agricultural, rural and farms schools and other vocational schools, for instructional purposes requiring the use, demonstration and/or operation of motor or other powered vehicles and for transporting and marketing their finished products for public consumption;
- (42) The Bureau of Private Schools, for the inspection of private schools that are out-of-the-way places, and for undertaking rush investigation of complaints from various sources;
- (43) The Department of Labor, for the use of field personnel in the enforcement of labor laws throughout the Philippines and for the use of its headquarters entities in making field inspections, special investigations and economic surveys necessary for the administration of labor laws;
- (44) The Bureau of Coast and Geodetic Survey, for carrying out field reconnaissance, triangulations, precise leveling and magnetic and gravity measurements, ship servicing, canvass, procurement and delivery of supplies, and delivery or receipt of official publications, documents and shipments;
- (45) The Armed Forces of the Philippines, when on military operations or on active duty in the restoration and maintenance of peace and order;
- (46) The Department of Health, for the use of the Division of Tuberculosis in BCG Vaccination and Traveling X-ray Examination Units, the Division of Health Education and Information in exhibiting health films and dissemination of health information in rural areas, the Public Health Research Laboratories in connection with health research including the distribution of vaccines, sera and other biological preparations;
- (47) The Bureau of Hospitals and government hospitals, for ambulance service and procuring food supplies and materials for the subsistence of patients and personnel entitled thereto;

- (48) The Bureau of Health, for health, sanitation and prevention and control of epidemics;
- (49) The Bureau of Quarantine, whenever used by quarantine officers exclusively for quarantine work;
- (50) The Office of the Secretary of Commerce and Industry, for the promotion of retail trade;
- (51) The Civil Aeronautics Administration, for the operation and maintenance of its landing fields including supervision and reconstruction or repair of signaling equipment located thereat;
- (52) The Weather Bureau, for the maintenance, operation and inspection of its meteorological stations, including the Manila International Airport Forecasting Center and the Diliman Geophysical and Astronomical Station, and delivery of supplies thereto;
- (53) The Office of Economic Coordination, for use in inspecting projects being undertaken by government corporations, including private industrial establishments applying for tax exemption under Republic Act Numbered Thirty-five, and in gathering and transmitting data and information necessary for the efficient supervision and coordination of the activities of the said corporations;
- (54) The Institute of Science and Technology, for visit and inspection of factories, for the collection of forest, plant, animal and marine by-products and agricultural wastes for use in research and laboratory investigations, including survey of sources of raw materials in different regions;
- (55) The General Auditing Office, for the inspection of the delivery of equipment and supplies and materials to the various bureaus and offices of the Government, as well as to sites of public works construction, and for surprise examinations of disbursing officers;
- (56) The Commission on Volcanology, for inspecting and observing volcanoes and warning people in danger areas;
- (57) The National Economic Council, including the Office of the Chairman, Office of National Planning, Office of Foreign Aid Coordination, and Office of Statistical Coordination and Standards, for use in the follow up and execution of certain phases of the national program of economic and social development and the gathering of data and information for studies and research work being undertaken for the formulation of economic policies, including tariff structure and international commercial relations; for use in inspecting projects being undertaken by the Government jointly with the International Co-

operation Administration and in gathering and transmitting data necessary for the efficient supervision and coordination of the activities of projects; for use in conducting surveys of statistical services of the Government with a view to reviewing, appraising and allotting activities among the statistical agencies; and for use by the ranking officials of the National Economic Council in attending conferences, and for gathering and compiling of data for the preparation of the agenda of the Council meetings and the distribution of notices of meetings to the different council members;

(58) The Bureau of Printing, for the delivery and/or shipment of printed matters, books and/or forms to various offices;

(59) The Forest Products Research Institute, for the transportation of logs, timber, lumber and other forest products as materials for research as well as supplies, materials, machinery, equipment and personnel necessary for research.

SEC. 16. *Authority to pay representation allowance out of savings.*—Heads of Departments and other members of the Cabinet, the Auditor General and the Secretary of the House of Representatives are hereby granted representation allowance at the rate of not exceeding two hundred and fifty pesos per month commutable monthly; and the Undersecretaries of Departments and officials with the same rank including the Chairman, Land Tenure Administration and the Judicial Superintendent of the Department of Justice at the rate of not exceeding two hundred pesos per month also commutable monthly: *Provided*, That the said allowance shall be paid out of the savings in the appropriations provided in this Act for the respective departments and offices of the officials concerned.

SEC. 17. *Proper use of government motor vehicles.*—The use of government motor vehicles by bureaus and offices for the purposes enumerated in section fifteen hereof shall be authorized only through the issuance for each trip of a serially numbered ticket, duly signed by the chief or the administrative officer of the bureau or office concerned. These motor vehicles shall be used strictly for official business, bear government plates only and after office hours kept in the garage provided therefor by the bureau or office to which they belong, except when in use for strictly official business outside office hours.

SEC. 18. *Use of more than one motor vehicle prohibited.*—With the exception of the President, no government official or employee authorized to use any vehicle operated and maintained from the funds appropriated in this Act shall be allowed to use more than one such motor vehicle: *Provided, however*, That the Vice-President and the Speaker of the House of Representatives may be allowed to use two motor vehicles each: *Pro-*

vided, further, That no official who has been furnished motor transportation allowance by any government corporation or any other official shall be allowed to use motor vehicle transportation operated and maintained from funds appropriated in this Act. The Auditor General is hereby empowered to issue rules and regulations for the proper implementation and enforcement of the provisions of this section and sections 14, 15 and 17.

SEC. 19. *Disposition of motor vehicles not used by a bureau or office.*—All motor vehicles owned by or assigned to the different departments, bureaus, offices and branches of the National Government not needed by the officials and for the purposes enumerated in sections thirteen and fifteen of this Act shall be disposed of to the highest bidder at public auction sales announced in newspaper of general circulation at least ten days before the sale: *Provided*, That the former user thereof shall be given preference if he offers and pays a price equal to that of the highest bid by others.

SEC. 20. *Prohibition against the use of appropriation for the payment of salaries and wages of officers or employees engaged in a strike against the Government.*—Subject to existing civil service rules and regulations and the proper administrative proceedings, no part of the funds of, or available for expenditures by, any agency included in this Act shall be used to pay the salary or wages of any officer or employee who engages in a strike against the Government of the Republic of the Philippines or who is a member of an organization of government employees that asserts the right to strike against the Government of the Republic of the Philippines, or who advocates, or is a member of an organization that advocates, the overthrow of the Government of the Republic of the Philippines by force or violence: *Provided*, That for the purposes hereof an affidavit shall be considered sufficient evidence that the person making the affidavit has not, contrary to the provisions of this section, engaged in a strike against the Government of the Republic of the Philippines, is not a member of any organization of government employees that asserts the right to strike against the Government of the Republic of the Philippines, or that such person does not advocate, and is not a member of an organization that advocates, the overthrow of the Government of the Republic of the Philippines by force or violence.

SEC. 21. *Per diems outside of the Philippines.*—No per diems in excess of fifty pesos shall be paid to any official or employee traveling outside of the Philippines.

SEC. 22. *No transfer of salary savings to the Government Service Insurance System.*—The provisions of Republic Act No. 660 to the contrary notwithstanding, no savings from personal services under the general fund and the special, revolving, trust, depository and other funds shall be transferred to the Government Service Insurance System.

SEC. 23. *Reinsurance of government buildings to be equitably distributed among private insurance companies in the Philippines.*—In all cases where appropriations are provided in this Act for payment of premiums covering the insurance of government buildings with the Property Insurance Fund, reinsurance shall be equitably distributed among private insurance companies doing business in the Philippines at least sixty per cent of the capital stock of which are owned by citizens of the Philippines on uniform terms, conditions and rates of premiums.

SEC. 24. *Authority to harmonize the appropriation structure with new terminology of classification of accounts.*—The Commissioner of the Budget is hereby authorized to harmonize the appropriation structure with the new terminology of classification of accounts that may be prescribed by law or regulations: *Provided*, That such reclassification shall not increase or decrease the aggregate sum appropriated in this Act for the various objects affected under each Department, bureau, or office: *Provided, further*, That the Commissioner of the Budget shall submit to the Congress before the beginning of each session a report of such action.

SEC. 25. *The Committee on Finance of the Senate and the Committee on Appropriations of the House of Representatives authorized to look into all matters relating to public expenditures.*—The Committee on Finance of the Senate and the Committee on Appropriations of the House of Representatives are hereby authorized to look at any time into all matters relating to funds for the expenditures of the National Government and for the payment of public indebtedness; auditing of accounts and expenditures of the National Government including government-owned or controlled Corporations; claims against the Government; and in general all matters relating to public expenditures. The authority herein granted shall be without prejudice to the right of any member of the Congress to request the Committee on Finance of the Senate or the Committee on Appropriations of the House as the case may be to look at any time into the matters referred to in this section either as member of the aforementioned committees or as a member of the Congress.

SEC. 26. *Expenditure and disbursement of special funds.*—No expenditure shall be incurred, nor any disbursement made, out of the appropriations authorized in this Act from special, revolving and trust funds and from receipts automatically appropriated which will exceed at any one time either the fund itself or the cash in the National Treasury pertaining to such fund, except when, in the opinion of the President, such expenditure or disbursement is required by the exigency of the service, and sufficient income or receipts are expected to accrue to such funds to cover said expenditures or disbursement, in which case the necessary amount may be advanced from the general fund.

SEC. 27. *Appropriations chargeable against the Philippine Charity Sweepstakes Fund.*—The appropriations provided in this Act for carrying out the activities heretofore financed from the receipts of the Philippine Charity Sweepstakes Fund shall continue to be charged against the said Fund, and the Board of Directors of the Philippine Charity Sweepstakes shall allot the amounts thereof in the distribution of the Philippine Charity Sweepstakes Fund.

SEC. 28. *Immediate payment of accounts.*—In order to insure the immediate collection of income due any bureau or office for services rendered or sale of any commodity or article produced or manufactured by the same, no such service shall be rendered or sale made except on cash basis. Any official or employee who allows such service to be rendered or sale to be made on account shall be held personally liable therefor and such act shall be considered sufficient ground for his removal from office: *Provided*, That the provisions of this section shall apply only to transactions of the Government with private parties: *And provided*, further, That government-owned or controlled corporations, and officials and employees of the Government holding regular positions shall not be considered as private parties.

SEC. 29. *Remittance of premiums for life and retirement insurance with the Government Service Insurance System.*—The provisions of Republic Act Numbered Six hundred sixty, as amended to the contrary notwithstanding, the premiums of life and retirement insurance of the employees of the National Government and its instrumentalities shall be remitted monthly to the Government Service Insurance System as they are due and collected.

SEC. 30. *Maximum number of permanent positions in a bureau or office.*—Except as otherwise provided by law the maximum number of permanent positions in a bureau or office shall not exceed the number of permanent positions included in the schedules for the said bureau or office in the budget document.

SEC. 31. *Authority to change designations of positions and assignments of personnel.*—The heads or chiefs of bureaus and offices are hereby authorized to change the designations of positions and to make changes in the assignments of personnel as the exigencies of the service may require: *Provided*, however, That such changes shall not affect the tenure of office of incumbents of positions, shall not constitute a demotion, either in rank or salary, nor result in a change of status, and shall in all cases be subject to the approval of the Commissioner of Civil Service.

SEC. 32. *Adjustment of appropriations for reorganized agencies and salaries of personnel thereof.*—The appropriations herein provided for agencies to be reorganized in accordance with the approved reorganization plans

are deemed appropriated for the agencies as reorganized in case the Reorganization Implementation Reports are approved and promulgated by the President. The Commissioner of the Budget is hereby authorized to make necessary adjustments in the appropriations to carry out the foregoing provisions of this section. Furthermore, the department head concerned, with the approval of the Commissioner of the Budget, is hereby authorized to make necessary salary adjustments resulting from final selection of personnel to fill the positions in the staffing patterns of reorganized agencies in order that no incumbent receives a reduction in salary, to make necessary salary adjustments resulting from new appointments, promotions or salary increases made in the interim, and to make necessary salary adjustments resulting from changes in the staffing patterns authorized by the Commissioner of the Budget to correct mistakes, discriminations or injustices that may, in his opinion, have been committed in the preparation thereof.

No provision of this Act shall be construed as repealing or modifying in any way the approved reorganization plans under Republic Act No. 997, as amended.

SEC. 33. *Change of designation of any position by WAPCO classification.*—The change of designation of any position authorized in this Act due to the classification of such position in accordance with the WAPCO Plan shall not affect the tenure of office of the incumbent, shall not constitute a demotion either in rank or salary nor result in a change of status or assignment and the incumbent shall in all cases be deemed to have been appointed in that position and class.

SEC. 34. *Priority for permanent civilian employment to officers and men who may resign their commission or active tour of duty or enlistment from the Armed Forces of the Philippines.*—The President of the Philippines shall give priority for permanent civilian employment to officers and men who may resign their commission or active tour of duty or enlistment from the Armed Forces of the Philippines, to positions commensurate to their qualifications and background, the provisions of the Civil Service Law to the contrary notwithstanding.

SEC. 35. *Effective date.*—This Act shall take effect on July first, nineteen hundred and fifty-eight, except where otherwise provided.

Approved, June 14, 1958, except the following items and provisions:

B. OFFICE OF THE PRESIDENT

(1) Executive Office

(f) Philippine Broadcasting Service

VI. Special Provisions

Paragraph 2, page 71.

D. DEPARTMENT OF FOREIGN AFFAIRS

VI. Special Provisions

Paragraph 11, page 281.

E. DEPARTMENT OF FINANCE

(3) Bureau of Internal Revenue

VI. Special Provisions

Paragraph 7, page 320.

F. DEPARTMENT OF JUSTICE

(5) Public Service Commission

VI. Special Provisions

Paragraph 1, all provisos, page 492.

(6) Land Registration Commission

I. Personal Services

Items 4, 11 and 21, page 494; items 73, 78, 79, 80, 82, and 84, page 496; items 90, 93, 99, 109 and 111, page 497; item 139, page 498; items 157 and 160, page 499; items 199 and 207, page 500; items 237 and 238, page 501; items 312, 315 and 326, page 504; item 352, page 505; items 407, 410, 411, 419, 429, 434 and 436, page 507; items 446, 447, 448, 454, 455, 458 and 459, page 508; item 482, page 509; items 560, 562 and 563, page 512; item 590, page 513; and item 652, page 515.

I. DEPARTMENT OF EDUCATION

(6) Bureau of Private Schools

VI. Special Provisions

Paragraph 5, page 1379.

REPUBLIC ACT NO. 2081

AN ACT TO AMEND REPUBLIC ACT NUMBERED EIGHTY-FIVE AND OTHER PERTINENT LAWS, TO PROVIDE FACILITIES FOR INTERMEDIATE AND LONG-TERM CREDIT BY CONVERTING THE REHABILITATION FINANCE CORPORATION INTO THE DEVELOPMENT BANK OF THE PHILIPPINES, AUTHORIZING THE SAID BANK TO AID IN THE ESTABLISHMENT OF PROVINCIAL AND CITY PRIVATE DEVELOPMENT BANKS, AND FOR OTHER PURPOSES.

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Sections one, two and three of Republic Act Numbered Eighty-five are amended to read as follows:

"SECTION 1. *Purposes, Name and Domicile.*—To provide credit facilities for the rehabilitation and development and expansion of agriculture and industry, the reconstruction of property damaged by war and the broadening and diversification of the national economy, and to promote the establishment of private development banks in provinces and cities, there is hereby created a body corporate to be known as the development bank of the Philippines, hereinafter called the Bank, which shall have its principal place of business in the City of Manila and shall exist for a period of fifty years.

"SEC. 2. *Corporate powers.*—The Development Bank of the Philippines shall have the power:

"(a) To grant loans for home building or home financing projects and for the rehabilitation, the establishment or development of any agricultural and/or industrial enterprise, including public utilities, mining, livestock industry and fishing, whether offshore or inland;

"(b) To purchase preferred redeemable shares of stock, securities other than shares of stock, and obligations of, and to grant loans to, any agricultural and industrial enterprises mentioned in paragraph (a), to finance their fixed and operating capital requirements. All purchases of preferred redeemable shares, securities and obligations and all loans shall be of such sound value or so secured, as reasonably to assure retirement of such shares, securities or obligations or repayment of the loan; and shall be granted only under such terms, conditions and restrictions as the said board shall determine: *Provided*, That no loan shall have a maturity period longer than ten years except that any loan granted for the purpose of constructing industrial facilities may have a maturity of ten years plus such additional period as may be necessary not only to complete such construction, but also to repay the loans in accordance with the released regulations to be determined by the board;

"(c) To grant loans to provincial, city and municipal governments for the rehabilitation, construction or reconstruction of public markets, waterworks, toll bridges, slaughterhouses, for cadastral surveys and other self-liquidating or income-producing services, including the purchase and acquisition of municipal electric power plants and to agencies and corporations owned or controlled by the Government of the Republic of the Philippines for the production and distribution of electrical power, for the purchase and subdivision of rural and urban estates, for housing projects, for irrigation and waterworks systems, and for other essential industrial and agricultural enterprises;

"(d) To grant loans to cooperative associations to facilitate production, the marketing of crops, and the acquisition of essential commodities;

"(e) To grant loans to employees in a Government-owned or controlled corporation or private corporation engaged in the development and/or expansion of agriculture or industry, for the purpose of buying shares of stock in such corporations: *Provided*, That the yearly amortization of such loans shall not exceed ten per cent of the total annual salaries and wages of the employees: *Provided, further*, That such loans shall be payable in full within a period of not exceeding ten years;

"(f) To underwrite, purchase, own, sell, mortgage or otherwise dispose of stocks, bonds, debentures, securities and other evidences of indebtedness issued for or in connection with any project or enterprise referred to in the preceding paragraphs;

"(g) To issue bonds, debentures, securities, collaterals, and other obligations upon recommendation of the Secretary of Finance and with the approval of the President, but in no case to exceed at any one time an aggregate amount equivalent to one hundred *per centum* of its subscribed capital and surplus. These bonds and other obligations shall be redeemable at the option of the Bank at or before maturity and in such manner as may be stipulated therein and shall bear such rate of interest as may be fixed by the Bank. Such obligations shall be secured by the assets of the bank including the stocks, bonds, debentures and other securities underwritten, purchased or held by it under the provisions of this Act. The bank shall provide for appropriate reserves for the redemption or retirement of said obligations. Such obligations may be issued and offered for sale at such price or prices as the Bank may determine, and shall be exempt from taxation both as to principal and interest. The said obligations shall be and are hereby fully and unconditionally guaranteed both as to principal and interest by the Government of the Republic of the Philippines and such guaranty shall be expressed on the face thereof.

"In the event that the Bank shall be unable to pay debentures, bonds, collaterals, notes or other such obligations issued by it, the Secretary of Finance shall pay the amount thereof, which is hereby appropriated out of any moneys in the National Treasury not otherwise appropriated, and thereupon, to the extent of the amounts so paid, the Government of the Republic of the Philippines shall succeed to all the rights of the holders of such bonds, notes, debentures, collaterals, or other obligations.

"Subject to the above provisions, the Bank is also authorized to issue 'Rehabilitation and development bonds' in denominations of not less than fifty pesos nor more than one thousand pesos redeemable by the Bank on demand at the option of the holder of said bonds, which may be of the following types: (1) rehabilitation and development bonds at progressive staggered interest with cumulative face value; and (2) rehabilitation and development bonds bearing interests as may be determined by the Board of Governors with the advice and consent of the Secretary of Finance and upon approval by the Monetary Board, said interest to become due and payable semi-annually and payment thereof to be annotated on the back of each bond certificate. Maturity of both types of bonds shall be fixed by the Board of Governors but in no case to exceed ten years.

"The Board of Governors shall have the power to prescribe rules and regulations for the registration of the bonds issued by the bank at the request of the holders of such bonds.

"(h) To adopt, alter, and use a corporate seal which shall be judicially noticed; to make contracts; to borrow money; to issue or own real and personal property; and to sell, mortgage or otherwise dispose of the same; to sue and be sued; to employ such officers and personnel as may be necessary to carry out the business of the Bank; and otherwise to do and perform any and all things that may be necessary or proper to carry out the purposes of the Bank.

"(i) To subscribe out of its funds to the capital stock of private provincial and city development banks created pursuant to the provisions of this Act: *Provided*, That the aggregate of such subscription shall not exceed twenty-five million pesos.

"(j) To rediscount intermediate and long term notes, loans and/or mortgages of the Philippine National Bank.

"SEC. 3. *Capital Stock*.—The capital stock of the Bank shall be five hundred million pesos divided into five hundred thousand shares having a par value of one thousand pesos each. The said capital stock shall be fully subscribed by the Government of the Republic of the Philippines.

"The provisions of section three of Republic Act Numbered Seventeen hundred eighty-nine to the contrary notwithstanding, an amount equiva-

lent to fifty per cent of the proceeds from the sale of reparations goods and services for fifteen years following the approval of this Act, is hereby appropriated to cover the payment of the unpaid subscription of the government to the capital stock of the Bank: *Provided*, That seventy-five million pesos of such amount shall be set aside as a trust fund for the purpose of aiding the establishment of private provincial and city development banks as provided in this Act.

SEC. 2. The same Act is amended by adding after section three thereof the following new sections:

SEC. 4. *Loans.*—The Bank may grant loans against security of real estate and/or other acceptable assets including, subject to the provision of existing laws, leasehold rights and permits from the government: *Provided*, That not more than forty-five per cent of its authorized capital stock shall be available for industrial loans, not more than thirty-five per cent of such capital stock shall be available for agricultural loans and not more than twenty per cent of such capital stock shall be available for miscellaneous loans including loans for home building or home financing projects: *Provided, further*, That the same proportion hereinabove stated shall be observed in the grant of loans for industrial, agricultural and miscellaneous purposes: *Provided, further*, That of the amount available for agricultural loans, not more than twenty per cent thereof shall be made available for any agricultural crop and that of the latter amount not more than five per cent thereof shall be loaned to any individual, association or corporation: *Provided, further*, That no person shall be granted a loan for home building in excess of thirty thousand pesos: *Provided, further*, That any provision of law to the contrary notwithstanding the Bank is authorized to grant loans on the security of real estate without torrens title if the said real estate has been declared for purposes of taxation continuously for at least ten years and the applicant for loan and his predecessors in interest have been in continuous and uninterrupted possession thereof in the concept of owner for at least ten years, such possession to be established by affidavits of the owners of all the properties adjoining such real estate and other evidences that the board of governors may deem necessary: *Provided, further*, That the Bank shall set aside twenty-five per cent of its loanable funds for each quarter for the purchase of such mortgage bonds as the Philippine National Bank shall issue for the grant of medium and long-term development loans: *Provided, finally*, That such bonds sold by the Philippine National Bank to the Bank shall be guaranteed by the government both as to principal and interest.

“SEC. 5. The provision of any law to the contrary notwithstanding, twenty-five per cent of the investible funds of the Government Service Insurance System and the Social Security System accumulating monthly shall be invested by the said systems in bonds issued by the Bank.

"SEC. 6. The establishment of private development banks in provinces and cities shall be encouraged and shall be given preference and assistance by the government as herein below provided.

"SEC. 7. There shall be three classes or categories of private development banks, namely: class A, class B, and class C.

Class A private development banks shall have a paid-up capital of at least four million pesos; class B shall have a paid-up capital of at least two million pesos; and class C shall have a paid-up capital of at least one million pesos.

"SEC. 8. A private development bank shall be incorporated under the provisions of the General Banking Act for mortgage banks and shall exercise all the powers and shall assume all the obligations of a mortgage bank as defined in the said Act, except as otherwise provided herein: *Provided*, That no private development bank shall be operated without a certificate of authority from the monetary board of the Central Bank which shall be issued upon compliance with the provisions of this law.

"Any existing domestic bank may be converted into a private development bank in the province or city in which it is located: *Provided*, That it complies with the requirements prescribed in this Act: *Provided, further*, That at least sixty per cent of its capital stock is owned by citizens of the Philippines.

"SEC. 9. A private development bank shall be organized in the form of a stock corporation and its paid-up capital stock shall not be less than four million pesos for class A, two million pesos for class B, and one million pesos for class C: *Provided*, That at least sixty per cent of the capital stock subscribed by the private sector shall be owned and held by citizens of the Philippines: *Provided, further*, That if said subscription of private shareholders to the capital stock of a private development bank cannot be secured or is not available, the Bank on representation of the said private shareholders and with the approval of its Board of Governors shall, within thirty days from date of said approval by the Board of Governors, subscribe to the capital stock of such development banks, which shall be paid in full at the time of subscription out of the trust fund hereinabove mentioned, in an amount equal to the fully paid subscribed capital of the private stockholders: *Provided, further*, That the Board of Governors shall act on the representation made by the private shareholders within thirty days from the date it is filled: *Provided, further*, That such shares of stock subscribed by the bank shall be preferred shares entitled to cumulative dividends at a rate of one per cent during the first five years, two per cent during the following five years, and three per cent thereafter, shall be preferred as against common and other preferred stockholders in the distribution of assets in the event of liquidation, and shall be entitled

to voting privileges: *Provided, finally,* That such preferred shares of the bank may be sold at any time at par to private individuals who are citizens of the Philippines, and in the sale thereof the qualified registered stockholders shall have the right of preemption within one year from the date of offer in proportion to their respective holdings, but in the absence of such buyers, preference shall be given to residents of the province or city where the development bank is located. All members of the board of directors of the private development banks shall be citizens of the Philippines.

"SEC. 10. Private development banks organized under this Act shall be known by the name of the province or city it is to operate followed by the words "Development Bank". Should there be in a province or city more than one such private development bank, the name of the banks organized subsequently shall be preceded by the word *second* or *third* and so on following the order of their authorization.

"In the implementation of the provisions of this Act, the Central Bank and the bank shall see to it that, before a second or subsequent private development bank is organized in a particular province or city, ample provision be made to provide for capital assistance in the organization of private development banks in other provinces and cities still without such banks.

"SEC. 11. The Central Bank shall advance, within thirty days from the date of the organization and authorization of the first provincial or city private development bank, sums of money not to exceed at any one time ten million pesos for the trust fund payment of the same to be guaranteed by the reparations payments prescribed above.

The loanable funds of the private development bank shall be invested in medium and long-term loans for economic development purpose and in no case shall the bank invest more than twenty-five *per cent* of such loanable funds in short-term loans.

"SEC. 12. The trust fund shall be used by the Bank in assisting private development banks as follows:

"(a) To pay for its subscription to preferred shares of stock in said private development banks in the manner and subject to the terms and conditions prescribed in section nine hereof;

"(b) To rediscount promissory notes and other credit instruments held by the private development bank under the following conditions and limitations:

"(1) It charges such rediscount or interest rates as it may determine taking into account that the main objective of the private de-

velopment banks is to engage in medium and long-term loans for economic development. The determination of such rediscount or interest rates acceptable to the bank for purposes of this provision shall be made by the said bank upon or immediately after the commencement of operations of a private development bank;

“(2) Funds so acquired shall be used only to finance the establishment and operation of projects within the development program of the National Economic Council or along such projects and activities as the National Economic Council may, from time to time, approve.

“SEC. 13. The provisions of Republic Act Numbered Three hundred and thirty-seven, insofar as they are applicable and not in conflict with any provision of this Act, are hereby made applicable to private development banks.

SEC. 3. Sections four to seventeen of the same Act are hereby redesignated as Sections fourteen to twenty-seven, respectively.

SEC. 4. After section seventeen of the same Act, herein redesignated as section twenty-seven, the following new sections are added:

“SEC. 28. Whenever the phrase “Rehabilitation Finance Corporation” and the word ‘corporation’ appear in Republic Act Numbered Eighty-five or in any other Act or Executive Order, the same shall mean and refer to the ‘Development Bank of the Philippines’ and the ‘Bank’, respectively.

“Upon the approval of this Act, all the assets and liabilities as well as the personnel of the Rehabilitation Finance Corporation are hereby transferred to the Bank.

“SEC. 29. Nothing in this Act shall authorize the Bank to layoff or separate from the service any official or employee of the Rehabilitation Finance Corporation by reason of the approval of this Act.

“SEC. 30. In the event that any provision of this Act or the applicability of such provision to any person or circumstance is declared invalid, the remainder of the Act or the application of said provision to other persons or circumstances shall not be affected by such declaration.

SEC. 5. This Act shall take effect upon its approval.

Approved, June 14, 1958.

FOREIGN EXCHANGE DEPARTMENT

LIST OF THE LEGAL PARITIES AND/OR EXCHANGE RATES, AS OF AUGUST, 1958, OF THE VARIOUS FOREIGN CURRENCIES IN TERMS OF THE U. S. DOLLAR AND THE PHILIPPINE PESO.

Member Countries of the International Monetary Fund, with Par Values

Member Countries (Currencies with Par Values)	Unit	Equivalent in U. S. Currency	Equivalent Currency in Phil.
Argentina	Peso	\$.05556	P.11112
Australia	Pound	2.24000	4.48000
Austria	Schiling	.03846	.07692
Belgium	Franc	.02000	.04000
Bolivia	Boliviano	.00526	.01052
Brazil	Cruzeiro	.05405	.10810
Burma	Kyat	.21000	.42000
Ceylon	Rupee	.21000	.42000
Chile	Peso	.00909	.01818
Colombia	Peso	.51283	1.02566
Costa Rica	Colon	.17809	.35618
Cuba	Peso	1.00000	2.00000
Denmark	Krone	.14478	.28956
Dominican Republic	Peso	1.00000	2.00000
Ecuador	Sucre	.06667	.13334
Egypt	Pound	2.87156	5.74312
El Salyador	Colon	.40000	.80000
Ethiopia	Dollar	.40250	.80500
Finland	Markka	.00313	.00626
Germany, Fed. Rep. of	Deutsche Mark.	.23810	.47620
Guatemala	Quetzal	1.00000	2.00000
Haiti	Gourde	.20000	.40000
Honduras	Lempira	.50000	1.00000
Iceland	Krona	.06140	.12280
India	Rupee	.21000	.42000
Iran	Rial	.01320	.02640
Iraq	Dinar	2.80000	5.60000
Ireland	Pound	2.80000	5.60000
Israel	Pound	.55556	1.11112
Japan	Yen	.00278	.00556
Jordan	Dinar	2.80000	5.60000
Lebanon	Pound	.45631	.91262
Luxembourg	Franc	.02000	.04000
Mexico	Peso	.08000	.16000
Netherlands	Guilder	.26316	.52632
Nicaragua	Cordoba	.14286	.28572
Norway	Krone	.14000	.28000
Pakistan	Rupee	.21000	.42000
Panama	Balboa	1.00000	2.00000
Paraguay	Guarani	.01667	.03334
Sweden	Krona	.19330	.38660
Syria	Pound	.45631	.91262
Turkey	Lira	.35714	.71428
Union of South Africa	Pound	2.80000	5.60000
United Kingdom	Pound	2.80000	5.60000
United States	Dollar	1.00000	2.00000
Venezuela	Bolivar	.29851	.59702
Yugoslavia	Dinar	.00333	.00666

SOURCE OF DATA: International Financial Statistics, August, 1958.

Member Countries without Par Values

Member Countries (Currencies without par values)	Unit	Equivalent in U. S. Currency	Equivalent in Phil. Currency
Afghanistan	Afghani	—	—
Canada	Dollar	\$1.04275	₱2.08550
China	Yuan	—	—
Principal Selling Rates		(.04036)	(.08072)
		(.02749)	(.05498)
Principal Buying Rate		.04068	.08136
Other Export Rate		.02772	.05544
France	Franc	.00238	.00476
Ghana	Pound	—	—
Greece	Drachma	.0333	.0666
Indonesia	Rupiah	—	—
Principal Export Rate		.03300	.06600
Principal Import Rates		(.02639)	(.05278)
		(.01761)	(.03522)
Other Import Rates		(.01319)	(.02638)
		(.00960)	(.01920)
Ireland	Pound	—	—
Selling Rate		2.8025	5.6050
Buying Rate		2.8038	5.6076
Italy	Lira	.00160	.00320
Korea	Hwan	.00200	.00400
Malaya	Dollar	.32680	.65360
Morocco	Franc	—	—
Peru	Sol	—	—
Principal Rate		.04219	.08438
Others		.04189	.08378
Saudi Arabia	Riyal	—	—
Sudan	Pound	—	—
Thailand	Baht	—	—
Selling Rate		.04778	.09556
Buying Rate		.04822	.09644
Tunisia	Franc	—	—
Uruguay	Peso	—	—
Principal Export Rate		.46296	.92592
Other Export Rates		(.66667)	(1.33334)
		(.24390)	(.48780)
Principal Import Rate		.47619	.095238
Other Import Rates		(.24331)	(.48662)
		(.16367)	(.32734)
Free Rate		.14164	.28328
Vietnam	Piastre	—	—
Principal Rate		.02857	.05714
Invisibles Rate		.01418	.02836

NON-MEMBER COUNTRIES

Non-Member Countries (Currencies w/o par values)	Unit	Equivalent in U. S. Currency	Equivalent in Phil. Currency
New Zealand	Pound	\$2.7795	₱5.5590
Selling Rate		2.8113	5.6226
Buying Rate		.03478	.06956
Portugal	Escudo	—	—
Spain	Peseta	—	—
Principal Export Rate		.02381	.04762
Other Export Rates		(.03226)	(.06452)
		(.02222)	(.04444)
Principal Import Rate		.02366	.04732
Switzerland	Franc	.23343	.46686
Non-Metropolitan Areas		—	—
Hongkong	Dollar	.17500	.35000
British North Borneo		—	—
Brunei, Singapore, Sarawak	Dollar	.32667	.65334

SOURCE OF DATA: International Financial Statistics, August, 1958.

It will be noted that for some member countries without par values and for non-member countries there are several rates quoted, depending on the type of exchange market existing in the country.

G. L. RIALP
Director

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CENTRAL BANK OF THE PHILIPPINES
Manila

Office of the Governor

CIRCULAR NO. 81

Amendment to Circular No. 44

Effective immediately, Paragraph 14 of Circular No. 44, entitled "Guiding Principles Governing the Licensing Of Foreign Exchange for the Payment of Imports", dated June 12, 1953, is hereby amended to read as follows:

"14. No item of import shall be released by the Bureau of Customs without the presentation of a release certificate issued by the Central Bank or any Authorized Agent Bank in a form prescribed by the Monetary Board, duly authenticated and countersigned by the authorized representative of the Import Department, Central Bank of the Philippines, in the Bureau of Customs, after examination of the shipment involved."

(Sgd.) M. CUADERNO, SR.
Governor

January 23, 1958

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CENTRAL BANK OF THE PHILIPPINES
Manila

CIRCULAR NO. 82

Subject: Amendment to Circular No. 79

Effective immediately, the marginal requirements as provided in Circular No. 79 dated December 9, 1957 are hereby lifted with regard to new letters of credit to be opened by essential and semi-essential producers only.

FOR THE MONETARY BOARD:
(Sgd.) M. CUADERNO, SR.
Governor

February 18, 1958

CENTRAL BANK OF THE PHILIPPINES
Manila

CIRCULAR NO. 83

Subject: **Amendment to Circular No. 79**

Effective immediately, the marginal requirements as provided in Circular No. 79 dated December 9, 1957, are hereby lifted with regard to new letters of credit to be opened for the importation of decontrolled goods in accordance with the provisions of Memoranda to Authorized Agent Banks No. 1071 dated February 11, 1958 and No. 1072 dated February 14, 1958.

(Sgd.) M. CUADERNO, SR.
Governor

February 21, 1958

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CENTRAL BANK OF THE PHILIPPINES
Manila

CIRCULAR NO. 84

Amendment to Circular No. 77

1. Central Bank Circular No. 77, dated October 23, 1957, is hereby amended to read as follows:

"1. In making payment for gold purchased under the terms of Central Bank Circular No. 73, dated March 4, 1957, the Central Bank shall deduct a handling charge of 3/10 of 1%, based on the dollar value of the gold purchased, computed at the rate of \$35 per ounce of fine gold. The provisions of Circular No. 73 are hereby amended accordingly."

2. The handling charge of 3/10 of 1% shall be collected on transactions authorized by the Central Bank after the date of this Circular.

(Sgd.) ANDRES V. CASTILLO
Acting Governor

June 5, 1958

CENTRAL BANK OF THE PHILIPPINES
Manila

CIRCULAR NO. 85
Series of 1958

AMENDMENT TO CIRCULAR NO. 8, AS AMENDED

Section 1, as amended, of Central Bank Circular No. 8 dated February 7, 1949, is hereby further amended to read as follows:

SECTION 1. *Buying and Selling Rates of the Central Bank.*—

The Central Bank will continue to buy United States dollar exchange from the banks at the following rates:

- | | |
|------------------------------|----------------------|
| (1) telegraphic transfers | P200.75 per \$100.00 |
| (2) sight drafts on New York | P200.70 " " |

The rates quoted in the preceding paragraph apply only to purchases of \$500.00 (five hundred dollars) or more. A rate of P200.00 (two hundred pesos) will apply to purchases of less than this amount.

The Central Bank will henceforth sell United States dollar exchange to the banks at the following rates:

- | | |
|------------------------------|----------------------|
| (1) telegraphic transfers | P200.81 per \$100.00 |
| (2) sight drafts on New York | P200.80 " " |

For U.S. currency notes and coins, the Central Bank rates shall be as follows:

- | | |
|---------|----------------------|
| Buying | P200.00 per \$100.00 |
| Selling | P201.50 " " |

This amendment takes effect as of May 14, 1958.

(Sgd.) ANDRES V. CASTILLO
Acting Governor

June 26, 1958

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CENTRAL BANK OF THE PHILIPPINES
Manila

CIRCULAR NO. 86

SUBJECT: **Schedule of Penalties**

For the effective implementation of Circular No. 81, dated January 23, 1958, pertinent portion of which reads:

"14. No item of import shall be released by the Bureau of Customs without the presentation of a release certificate issued

by the Central Bank or any Authorized Agent Bank in a form prescribed by the Monetary Board, duly authenticated and countersigned by the authorized representative of the Import Department, Central Bank of the Philippines, in the Bureau of Customs, after examination of the shipment involved."

and to provide a uniform basis in the disposition of cases involving import control violations, the Monetary Board, under Resolution No. 1097, adopted on June 24, 1958, approved the following Schedule of Penalties which shall take effect immediately:

I. MISDECLARATION OR MISCLASSIFICATION:

A. For Importers

1. If the misdeclaration or misclassification involves two commodity code numbers belonging to the same category or a switching from a lower to a higher category, the penalty to be imposed shall be a written warning against the recommission of the offense, provided that the commodity imported is within the line of business of the importer; otherwise, 10% of the value of the misdeclared shipment shall be charged against the importer's quota in the category to which the misdeclared shipment belongs.

2. If the misdeclaration or misclassification, in effect, involves switching from a higher to a lower category, the penalty shall be charging anew against importer's quota in the category to which the imported commodity actually belongs, a percentage of the value of the misdeclared shipment, in accordance with the following schedule:

- a) If the difference in category involves one degree, the charge shall be 25%, provided, that the commodity imported is within the line of business of the importer, otherwise, the charge shall be 50%;
- b) If the difference in category involves two degrees, the charge shall be 50%, provided, that the commodity imported is within the line of business of the importer, otherwise, the charge shall be 75%;
- c) If the difference in category involves three degrees, the charge shall be 75%, provided, that the commodity imported is within the line of business of the importer, otherwise, the charge shall be 100%;
- d) If the misdeclaration involves UI or NEC* items and regardless of the number of degrees involved, the charge shall be 100%, provided, that the commodity imported is within the line of business of the importer, otherwise, the charge shall be 150%.

* While CB Circular No. 79, dated December 9, 1957 is in force.

In case the importer has no quota in the category to which the misdeclared commodity actually belongs, or the former is not sufficient to cover the penalty, then the penalty or balance thereof shall be charged against the importer's quota in the following order:

- 1) Quota belonging to the succeeding lower categories;
- 2) Quota belonging to the succeeding higher categories; and
- 3) Forthcoming quotas in the manner outlined above until the penalty is fully satisfied.

For the purpose of imposing the penalties proposed above, the degree of misdeclaration shall follow the schedule hereunder:

a) Misdeclaration of one degree:

EP to EC	EP to SEP	EC to SEC	SEP to NEP
SEC to NEC	SEP to SEC	NEP to NEC	NEC to UI

b) Misdeclaration of two degrees:

EP to SEC	EP to NEP	EC to NEC
SEC to UI	SEP to NEC	NEP to UI
	EC to NEP	

c) Misdeclaration of three degrees:

SEP to UI	EC to UI	EP to NEC
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d) Misdeclaration of four degrees:

EP to UI

B. For Producers

1. Release Certificates covering misdeclared or misclassified shipments consigned to producer-quota-holders may be amended upon representation in affidavit form by the owner or manager of the importing firm that the commodity in question shall be used in the production of finished goods they are authorized to manufacture and will not be disposed of in its original form. Validation of release certificate in this case shall be without prejudice to follow thru investigation to determine end-use of imported items and/or veracity of the representations contained in the affidavit.

2. If it is found that the imported item(s) in question is not used in the production of finished goods the producer concerned is authorized to manufacture, or had been disposed of in its original form, the penalty shall be permanent reduction of quota allocation by an amount equivalent to one-half the value of the questioned shipment or the goods illegally disposed of.

II. OVER-VALUATION OR UNDER-SHIPMENT:

1. If the over-pricing is 10% or below the value of the shipment in question, the same may be considered to be within the allowances for fluctuations in prices pursuant to MAAB No. 511 dated June 4, 1956, and as such, no penalty is prescribed therefor;

2. If the over-pricing is more than 10% of the value of the shipment, the penalty shall be permanent reduction of subject's quota allocation equivalent to the difference between the declared value and the total cost of the shipment.

III. UNDER-VALUATION OR OVER-SHIPMENT:

The penalty for this offense shall be charging anew against the quota allocation of the importer or producer concerned an amount equivalent to the difference between the declared value and the true cost of the shipment involved.

IV. MISDECLARATION CONSTITUTING OVER-VALUATION OR UNDER-VALUATION:

In cases where the shipment is found to have been *misdeclared and over-valued or under-valued*, the heavier of the penalties prescribed for the two offenses shall be imposed.

V. REPETITION OF OFFENSES:

1. If the second offense committed is misdeclaration, the penalty to be imposed shall be one degree higher than that provided for said offense. If the second offense committed is penalized under 3(d) of Roman No. I, (A) — misdeclaration involving UI or NEC items — the penalty shall be charging anew against quota of importer concerned an amount equivalent to 150% of the value of the shipment involved, provided, that the item in question is within the line of business of the importer; otherwise, the charge shall be 200%.

2. If the second offense committed is over-pricing or under-shipment, the penalty shall be permanent reduction of subject's quota allocation by an amount equivalent to double the difference between the declared value and the true cost of the shipment involved.

3. If the second offense committed is under-valuation or over-shipment, the penalty shall be charging anew against the quota allocation of importer or producer concerned an amount equivalent to double the difference between the true cost and the declared value of the shipment involved.

4. If the second offense committed is illegal disposition of raw material imports (sale of raw material imports in the original form) the penalty shall be permanent reduction of quota allocation equivalent to 50% of the quota allocation of the producer or double the amount of the value of the raw materials illegally disposed, whichever is higher.

5. If the importer or producer has been found guilty of any of the offenses enumerated above a third time within six months from the commission of the first violation penalized, he shall be considered as a habitual violator, in which case the penalty shall be total and permanent cancellation of quota allocation.

VI. CASES INVOLVING NO-DOLLAR IMPORTS (*Republic Act No. 1410*):

Cases of misdeclaration, over-valuation or under-valuation committed by importers under the No-Dollar Import Law shall be penalized as follows:

1. If the party importing holds a quota allocation with the Central Bank, the matter shall be referred to the CB Export Department, the Commissioner of Customs and to the No-Dollar Import Office for appropriate action, and a penalty corresponding to the offense committed as described above shall be imposed against his quota allocation.

2. If the party importing is not a quotaholder of the Central Bank, the matter shall also be referred to the CB Export Department, the Commissioner of Customs and to the No-Dollar Import Office, for appropriate action. In addition, agent banks shall be advised to refer to the CB Import Department all applications to open letters of credit for the payment of imports filed or which may be filed by the party concerned, (watch-listing).

VII. GENERAL PROVISIONS:

1. In all cases where the penalty to be imposed is permanent reduction or cancellation of quota allocations, a covering memorandum-report shall be submitted to the IEC for confirmation of the proposed penalty. All cases for reconsideration of penalties imposed pursuant to the foregoing, shall likewise be submitted with appropriate recommendation to the IEC for confirmation.

2. Violations committed by holders of non-recurring quotas shall likewise be governed by the foregoing penalties. The penalty corresponding to the offense committed shall be charged against whatever amount of non-recurring quota is left unutilized. In addition, such cases shall be referred to the Import-Export Committee for notation and appropriate action.

The above prescribed penalties shall be without prejudice to the application of the penal provisions of Sec. 34, Republic Act No. 265.

VIII. DEFINITION OF TERMS:

As used in this schedule of penalties:

- 1) "Misdeclaration" refers to an importation of a commodity under a specific classification but which upon verification was found to be a different commodity belonging to the same or different category.

Illustration:

a) An importer declared his importation as cotton denims under the EP category. Verification of shipment disclosed that the same consists of cotton and rayon mixture (fancy denims) properly classified under the UI category.

b) An importer declared his importation as plain galvanized sheets under EP 681-07.02. Verification of shipment disclosed that the same consists of corrugated roofing sheets, properly classified under EP 681-07.01.

- 2) "Misclassification" refers to an importation under a specific commodity classification but which upon verification was found to be the same commodity as declared, but properly belonging to a different category.

Illustration:

An importer imported rubberized cotton fabrics and declared the same under the EP category. Verification of shipment disclosed that the same is rubberized fabrics which should be classified under the SEP category.

- 3) "Over-valuation" refers to an importation, the description, commodity classification and quantity of which are found as declared but the value per shipping documents is more than the verified actual value of the shipment.

Illustration:

An importer imported 100 cases of sardines classified under the DC category valued at \$10.00 per case or \$1,000 for the whole shipment. Verification disclosed that the shipment really consisted of 100 cases of sardines under the DC category but the verified cost per case is only \$8.00 and not \$10.00 as declared.

- 4) "Under-valuation" refers to an importation, commodity classification and the quantity of which are found as declared but the value per shipping documents is less than the verified value of the shipment.

Illustration:

An importer imported 100 cases of sardines classified under the DC category valued at \$10.00 per case or \$1,000 for the whole shipment. Verification disclosed that the shipment really consisted of 100 cases of sardines under the DC category but the verified unit cost per case is \$12.00 and not \$10.00 as declared.

- 5) "Over-shipment" refers to an importation, the classification and unit cost of which are found as declared but the quantity that actually arrived is more than what was declared in the shipping documents.
- 6) "Under-shipment" refers to an importation, the commodity classification and unit cost of which are found as declared but the quantity that actually arrived is less than what was declared in the shipping documents.
- 7) "Illegal disposition of raw material imports" refers to raw material imports of producers which are diverted without authority from the Central Bank to purposes other than the production of commodities they are authorized to manufacture.

(Sgd.) ANDRES V. CASTILLO
Acting Governor

July 9, 1958

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CENTRAL BANK OF THE PHILIPPINES
Manila

CIRCULAR NO. 87
Series of 1958

SUBJECT: Retirement of pre-war treasury certificates

Pursuant to Section 59 of Republic Act No. 265, otherwise known as the Central Bank Act, treasury certificates of the pre-war series shall be surrendered to the Central Bank of the Philippines or to its authorized agent banks, or to provincial, city and municipal treasurers, for replacement or exchange with Central Bank notes. These treasury certificates of the pre-war series bear the seal of the former Government of the Com-

monwealth of the Philippines in red color, as distinguished from the Victory series which bear the Commonwealth seal in blue and which shall continue in circulation as heretofore.

The said pre-war treasury certificates which ceased to be legal tender after December 31, 1948, in accordance with Republic Act No. 199, approved March 29, 1948, may be exchanged or replaced, at par and without charge, with legal tender currency during the following three (3) years ending August 5, 1961.

After August 5, 1961, the pre-war treasury certificates which have not been exchanged shall cease to be a liability of the Central Bank of the Philippines and shall be demonetized.

(Sgd.) ANDRES V. CASTILLO
Acting Governor

August 5, 1958

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CENTRAL BANK OF THE PHILIPPINES
Manila

CIRCULAR NO 88
October 3, 1958

SECTION I

Section 4(b) of Circular No. 42, dated May 21, 1953, as amended by Circular No. 55, dated July 6, 1954, is hereby further amended to read as follows:

“(b) Philippine residents leaving the Philippines for abroad shall upon departure declare all Philippine currency, foreign exchange and securities of whatever nature carried by them on E.C. Form No. 304-A. This form shall be accomplished in triplicate and the original and duplicate thereof, together with the exchange license granted to the traveler by the Central Bank representative at the pier or airport of departure. The triplicate of the form shall be retained by the traveler. If the departing resident is not carrying foreign exchange, he shall submit to the Central Bank Agent at the pier or terminal of departure his copy of his exemption certificate from the requirement to hold foreign exchange license prior to issuance of passport or travel ticket.”

SECTION 2

This circular shall take effect upon its approval.

For the Monetary Board:
(Sgd.) ANDRES V. CASTILLO
Deputy Governor

CENTRAL BANK OF THE PHILIPPINES
Manila

CIRCULAR NO. 89

SUBJECT: IMPORT AND EXPORT OF PHILIPPINE COINS AND NOTES INCLUDING BUT NOT LIMITED TO DRAFTS, CHECKS AND/OR OTHER BILLS OF EXCHANGE IN PHILIPPINE PESOS DRAWN ON BANKS OPERATING IN THE PHILIPPINES.

Pursuant to Section 14 of Republic Act No. 265, the Monetary Board hereby further amends Circular No. 37, as amended by Circular No. 60 dated May 12, 1955, so that hereafter the same shall read as follows:

SECTION 1. The import and export of Philippine coins and notes including but not limited to drafts, checks, money orders and/or other bills of exchange in Philippine pesos drawn on banks operating in the Philippines, or any order for payment in Philippine pesos, is prohibited without the necessary license issued by the Central Bank of the Philippines, except in the following cases:

(a) Returning Philippine residents and transient visitors entering the Philippines may bring in Philippine coins and notes in an amount not exceeding twenty pesos (P20.00) each, provided the coins do not exceed ten pesos (P10.00) in the case of incoming third-class passengers.

(b) Outgoing Philippine residents and transient visitors leaving the Philippines may take with them Philippine coins and notes in an amount not exceeding twenty pesos (P20.00) each, provided the coins do not exceed five pesos (P5.00).

(c) Peso checks or peso drafts, in any amount, drawn on local banks by their correspondents, or on foreign banks' branches in the Philippines by their head offices, remitted directly by mail or otherwise, which are funded in U. S. dollars and duly reported to the Central Bank.

SECTION 2. The following shall also be held liable within the meaning of this Circular:

(a) Any outgoing passenger already booked and ready to leave the country found having in his person or among his luggage, at the airports or piers, any note, draft, check, money order, bill of exchange, or any order for payment in Philippine pesos, in any amount, or Philippine currency in excess of twenty pesos (P20.00) or Philippine coins in excess of five pesos (P5.00).

(b) The sender of any mail matter, envelope or package, addressed or intended for delivery abroad, already deposited in the mails or manifested or put on board an outgoing international carrier, found to contain Philippine coins and/or notes, drafts, checks, money orders, other bills of exchange, or order for payment drawable on peso accounts with banks in the Philippines, in any amount, when no license therefor has been previously obtained.

SECTION 3. All circulars, notifications or regulations previously promulgated by the Monetary Board inconsistent herewith are hereby repealed.

SECTION 4. Violation of any of the provisions hereof shall subject the offender to the penal provisions of *Section 34 of said Act*.

FOR THE MONETARY BOARD:

(Sgd.) ANDRES V. CASTILLO
Acting Governor

October 21, 1958

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CENTRAL BANK OF THE PHILIPPINES
Manila

CIRCULAR NO. 90
Oct. 22, 1958

SUBJECT: Blocked Pesos of Non-residents; Deposit
Remittability and Uses of

1. All blocked peso funds of non-residents, except peso bank accounts of non-resident commercial banks which are funded with U. S. dollars, shall be deposited in special blocked fiduciary accounts in the names of the non-resident owners either singly or in groups with commercial banks prior to December 15, 1958, as a pre-condition to remittability, and all credits and debits to such accounts may be made only upon prior authorization of the Central Bank.

2. Blocked peso funds deposited in special blocked fiduciary accounts of non-residents with domestic banks shall be separately reported by said banks, which shall be required to provide a maximum legal reserve of 75 per cent; provided, however, that this reserve requirement shall start at 18 per cent and shall be regularly increased by 4 per cent every thirty

(30) days from the date of this circular until the maximum legal reserve of 75 per cent is reached. Additions to the blocked accounts deposited in any given bank over the total amount so reported on the date of this circular shall require a legal reserve of 100 per cent. If no commercial banks will accept blocked peso funds for deposit in special fiduciary accounts of the non-resident owners of said funds in view of the high reserve requirements, the holder of such funds may take them to a government depository.

3. Blocked peso funds of non-residents deposited in special blocked fiduciary accounts in the names of the non-resident owners with commercial banks or with a government depository may be utilized upon application to and approval by the Exchange Control Department for the following purposes:

- (a) Withdrawals for local expenditures of the owner of the account;
- (b) Withdrawals for the purchase of gold;
- (c) Withdrawals by foreign motion picture companies from their blocked peso accounts to finance local production of motion picture films by paying for local services out of the blocked peso funds but without making any direct or indirect demand on the foreign exchange reserves;
- (d) Withdrawals for the purchase of government bonds. The remittance of interest on such bonds shall be subject to such policy as may be adopted by the Central Bank;
- (e) Withdrawals for purchase of shares of stock in companies engaged in extractive mineral industries that did not declare any dividends during the last five years or since the date of their organization. Such shares of stock may be transferred abroad to the non-resident owners, provided that the dividends which may subsequently be earned thereon which are subject to remittance, shall not exceed the actual net dollar savings of such companies.

4. Subject to the prior approval of the Monetary Board, blocked peso funds of non-residents deposited in special blocked fiduciary accounts of the non-resident owners with commercial banks or with a government depository may be withdrawn and utilized for the following purposes.

- (a) For developing the production of such heavy dollar saving items requiring local development such as rice, cotton and corn, provided that the remittable profits thereon shall not exceed the actual net dollar savings on such enterprises;
- (b) For investment in new dollar-earning industries. Blocked funds may be invested, with prior authorization of the Monetary Board in new dollar-earning industries or firms, and dividends derived

therefrom may be remitted to the owners in accordance with existing regulations, and the blocked funds originally used may be repatriated in stated annual amounts (for example, 20% a year starting after the fifth year) provided the total amount remittable shall not exceed the net dollar earnings of the industry or firm derived from such investments. By net dollar earnings are meant dollar receipts minus their direct dollar expenses. Expansion of present dollar-earning firms may also be permitted with blocked funds, provided the remittance of earnings does not exceed the increment in the net dollar earnings of such firms. Care should be taken that a mere reshuffling from old dollar-earning firms to new dollar-earning firms does not take place in order to take advantage of this remittability privilege;

- (c) For expansion of existing highly essential dollar-saving industries utilizing 90 per cent local raw materials and capitalized by non-residents, subject to the following conditions:

(1) For every blocked peso used as operating cost, such highly essential dollar-saving company will have to bring an equal amount in fresh dollars as counterpart investment. For example, if the peso requirement of a firm desiring to expand is ₱10 million, ₱5 million may be withdrawn from any blocked peso funds and its counterpart of \$2.5 million shall be brought in as additional investment.

(2) The fresh dollars brought in as counterpart may then be counted as foreign investment subject to repatriation and investment remittances under the Central Bank rules, but the use of blocked funds wipes out the foreign exchange liability of the Central Bank with respect thereto.

- (d) For such other purposes as may be authorized by the Monetary Board on a case-to-case basis.

5. Blocked funds withdrawn or utilized without the prior approval of the Central Bank or not deposited in banks prior to December 15, 1958 as provided in the preceding paragraphs lose all their remittability rights and the privileges of blocked funds.

6. This Circular shall take effect immediately.

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

October 22, 1958

CENTRAL BANK OF THE PHILIPPINES
Manila

CIRCULAR NO. 91

1. Section 4, paragraph (c) of Circular No. 42 dated May 21, 1953, of the Central Bank, as amended by Circular No. 55 dated July 6, 1954, is hereby further amended to read as follows:

"(c) Visitors entering the Philippines shall upon entering the country, execute a currency declaration on E. C. Form No. 305, Revised September, 1958. This currency declaration shall be presented at the pier or airport of entry by the visitor to Agents of the Central Bank who shall stamp and return it to the visitor.

"The visitor shall keep his currency declaration until his departure. He may carry with him the foreign exchange and other currency declared by him in his currency declaration, but to meet his local currency needs he shall sell U. S. dollars only to special tellers of the Central Bank assigned at the piers and airport and to Authorized Agents of the Central Bank. At the time of his departure, the visitor shall surrender his currency declaration to the Agents of the Central Bank at the pier or airport of departure, accompanied by the official receipts issued by special tellers of the Central Bank and/or Authorized Agents of the Central Bank covering conversion of U. S. dollars into peso currency during the visitor's stay in the country."

2. This Circular shall take effect immediately.

FOR THE MONETARY BOARD
(Sgd.) ANDRES V. CASTILLO
Deputy Governor

November 17, 1958

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E. C. Form No. 305
(Revised Sept. 1958)

(To be accomplished by
every visitor entering
the Philippines)

CENTRAL BANK OF THE PHILIPPINES
Manila

EXCHANGE CONTROL DEPARTMENT
CURRENCY DECLARATION OF VISITORS ENTERING
THE PHILIPPINES

Name Citizenship
(In Print)

Date & Place of Arrival Name of Carrier

DECLARATION

I hereby declare that I brought with me to the Philippines the following U. S. and other currency:

U. S. Currency

- (a) Notes and Coins \$.....
(b) Others (Specify) \$.....
Total \$.....

Other Currency

- (a)
(b)
Total

Date

.....
(Signature of Declarant)

N. B.—PLEASE OBSERVE CAREFULLY THE INSTRUCTIONS
PRINTED AT THE BACK OF THIS DECLARATION TO
AVOID INCONVENIENCE OR DELAY IN YOUR DE-
PARTURE.

INSTRUCTIONS

1. This Currency Declaration shall be accomplished by every temporary visitor entering the Philippines and shall be presented by him at the pier or airport of arrival to the Central Bank Agent who shall stamp and return it to the declarant.
2. The temporary visitor shall keep this Currency Declaration during his stay in the Philippines.
8. Temporary visitors shall exchange U. S. dollars only with:
 - a) Special Tellers of the Central Bank assigned at the piers and airport; and
 - b) Authorized Agents of the Central Bank of the Philippines listed below.
4. Upon his departure, the temporary visitor shall surrender this Currency Declaration to the Central Bank Agent at the pier or airport of departure, accompanied by the official receipts issued by Central Bank special tellers and/or Authorized Agents of the Central Bank covering conversion of U. S. dollars into pesos during his stay in the country.

LIST OF AUTHORIZED AGENTS OF THE CENTRAL BANK

- | | |
|---|---------------------------------------|
| 1. Bank of America, NT&SA | 12. Philippine Bank of Communications |
| 2. Bank of the Philippine Islands | 13. Philippine Trust Company |
| 3. China Banking Corporation | 14. Philippine National Bank |
| 4. The Chartered Bank | 15. Prudential Bank & Trust Co. |
| 5. Commercial Bank & Trust Co. | 16. Security Bank & Trust Co. |
| 6. Equitable Banking Corporation | 17. Philippine Banking Corporation |
| 7. The First National City Bank of New York | 18. Manufacturers Bank & Trust Co. |
| 8. The Hongkong & Shanghai Banking Corp. | 19. The American Express Co. |
| 9. Pacific Banking Corporation | 20. Manila Hotel |
| 10. Peoples Bank & Trust Co. | 21. Bay View Hotel |
| 11. Philippine Bank of Commerce | 22. Shellborne Hotel |
| | 23. Filipinas Hotel |

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CENTRAL BANK OF THE PHILIPPINES Manila

CIRCULAR NO. 92

SUBJECT: Period during which blocked funds of non-residents may be deposited in special blocked fiduciary accounts without losing their remittability rights; extension of —

The last day on which blocked peso funds of nonresidents, except peso bank accounts of nonresident commercial banks which are funded with U. S. dollars, may be deposited in special blocked fiduciary accounts with commercial banks or government depository, without losing their remittability rights under the provisions of Central Bank Circular No. 90 dated October 22, 1958, is hereby extended from December 12, 1958 to January 16, 1959.

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

December 11, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1053

The following amendment to the Statistical Classification of Commodities (Revised July 1, 1957), implementing Central Bank Circular No. 44, shall take effect immediately:

For Reclassification:

Cocoa

NEC 072-02.00 — Cocoa powder, includes "Quick-mix"

to read:

UI 072-02.00 — Cocoa powder, includes "quick-mix"

Quota reductions as a result hereof shall be advised to agent banks of importers affected.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

January 2, 1958

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1055

Effective immediately, all firm offers covering proposed importation of flour under the terms of Memorandum to Authorized Agent Banks No. 159, irrespective of the price quotations thereof, should be forwarded to the Central Bank for confirmation in pursuance of Memorandum to Authorized Agent Banks No. 215.

This revokes our Memoranda to Authorized Agent Banks Nos. 1023 and 1030 dated October 10 and 15, 1957, respectively.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

January 13, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1057

Subject: Utilization of Unreverted "UI" Quotas by Producers

Agent Banks are hereby advised that, in accordance with a resolution of the Monetary Board, producers not falling under industry groups considered "essential" within the contemplation of paragraph 4 of Circular No. 79 as enumerated in Memorandum to Authorized Agent Banks No. 1056 dated January 15, 1958 shall be allowed to retain and utilize

their quotas for raw material requirements classified as non-essential consumer (NEC) goods and their unreverted raw material quotas for items under the unclassified (UI) category. Corresponding letters of credit covering said items shall be subject to a marginal deposit requirement of two hundred percent (200%).

Please be guided accordingly.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

January 15, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1059

Subject: **Special Excise Tax Clearance**

Agent Banks are hereby advised that, in accordance with a resolution of the Monetary Board, each quotaholder, producer or importer, shall first be requested to present special excise tax clearance from the Office of the Auditor, Central Bank of the Philippines, before he may be allowed to open letters of credit for payment of imports.

The foregoing procedure shall take effect immediately.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

January 22, 1958

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1060

Pursuant to Resolution No. 1864 adopted by the Monetary Board on December 13, 1957, and the amendment of Paragraph 14 of Circular No. 44, entitled "Guiding Principles Governing The Licensing of Foreign Exchange For The Payment Of Imports", as per Circular No. 81 of even date, Revised CBP Form No. 5 (Release Certificate) in accordance with the attached sample shall, effective immediately, be used by Authorized Agent Banks to cover releases from the Customs of shipments of imports.

In case of discrepancy in any shipment, the procedure provided in Memoranda to Authorized Agent Banks Nos. 510 and 511, both dated June 4, 1956, shall be observed, except that any reference therein to the Special Investigation Division shall now refer to the Examination Division, Import Department.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

January 23, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1062

Agent Banks are hereby advised that, in accordance with a decision of the Import-Export Committee, the following industry groups, in addition to those enumerated in Memorandum to Authorized Agent Banks No. 1056 dated January 15, 1958, shall be considered "essential" within the contemplation of Paragraph 4 of Circular No. 79, dated December 9, 1957:

1. Bakeries
2. Furniture and fixtures
3. Fire extinguishers
4. Printers and publishers of school textbooks or government publications, newspapers and magazines
5. Truck assembly plants
6. Tablewares
7. Construction
8. Towels
9. Handkerchiefs
10. Pharmaceutical supplies
11. Repair of motor vehicles
12. School supplies

Accordingly, applications of producers under these industry groups to open letters of credit covering raw materials, spare parts and operating supplies requirement, are subject to the marginal deposit of not less than 50% required by Paragraph 4 of the aforesaid Circular, regardless of the commodity classification of the items sought to be imported, including those under the unclassified (UI) category, and whether these items are covered by regular quotas or by non-recurring allocations.

Please be guided accordingly.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

January 28, 1958

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1063

In view of representations made by the Chairman, Bankers' Committee, Memorandum to Authorized Agent Banks No. 1060, dated January 23, 1958, shall be implemented, as follows:

1) Effective January 23, 1958, no item of import shall be released from the Customs without presentation of a release certificate duly authenticated and countersigned by the authorized representative of the Import Department, Central Bank of the Philippines, in the Bureau of Customs, after examination of the shipment involved, pursuant to the provisions of Circular No. 81 issued on that date by the Governor of the Central Bank.

2) Pending the printing of Revised CBP Form No. 5, with appropriate identifying symbol and numbering prescribed by each Authorized Agent Bank, the present form of release certificate may be used up to January 31, 1958, for shipments requiring early release from Customs. However, Authorized Agent Banks shall advise their clients to have said release certificates validated by authorized representatives of the Central Bank at the port of discharge. Said release certificates shall, upon presentation for validation, be stamped with the following:

VALIDATED PURSUANT TO CB CIRCULAR
NO. 81 AND MAAB NO. 1060

Release Certificate Validated

by
(Authorized CB Representative)

Date:, 19.....

3) Effective February 3, 1958, Authorized Agent Banks shall only use Revised CBP Form No. 5 (Release Certificate), as required in MAAB 1060, dated January 23, 1958.

4) In case discrepancy is noted in any shipment for which a release certificate has been issued, the provisions of MAABs 510 and 511, both dated June 4, 1956, shall be observed.

5) To facilitate the examination of shipments, Authorized Agent Banks shall require their clients, when applying for issuance of release certificates, to submit the original and duplicate copies of

the commercial invoice and the Packing List covering the shipments, which shall be attached to the Release Certificates when presented for validation by the authorized representative of the Central Bank in the Bureau of Customs.

Please be guided accordingly.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

January 28, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1065

Effective immediately, the opening of letters of credit for the importation of decontrolled (DC) items shall be subject to the following conditions:

- 1) Letters of credit shall be opened within fifteen (15) days from receipt of confirmation of price quotations by the Central Bank; confirmations shall be considered revoked at the end of this period.
- 2) Shipment or delivery of the proposed importations must be effected within forty-five (45) days from the date of the opening of letters of credit. No extension of expiry date of the letters of credit shall be allowed.
- 3) Commissions and/or rebates earned by the local indentors and/or importers under these importations shall be remitted to the Philippines in accordance with the existing Central Bank exchange control regulations.

Any Memorandum inconsistent herewith is hereby revoked or modified accordingly.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

January 28, 1958

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1068

Agent Banks are hereby advised that the textile swatches required under MAAB 921 dated May 15, 1957, shall be at least six inches (6") square.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

February 3, 1958

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1069

Effective immediately, Agent Banks are hereby advised to refer to the Import Department, Central Bank of the Philippines all applications to open letters of credit for empty bottles listed under UI 665-01.05.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

February 5, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1071

Effective immediately, Authorized Agent Banks are hereby authorized to give due course to applications for the opening of letters of credit for the importation of decontrolled items, subject to the provisions of the following Memoranda to Authorized Agent Banks:

- No. 49, dated June 25, 1954;
- No. 155, dated February 7, 1955;
- No. 159, dated February 18, 1955;
- No. 163, dated February 22, 1955;
- No. 170, dated March 9, 1955; and/or
- No. 803, dated November 16, 1956

A separate weekly report on letters of credit opened for the importation of decontrolled items shall be submitted to the Importers' Division, Import Department, as per CB Form No. 7-A.

The following items, which have been reclassified to the "UI" category, shall be considered deleted from the list of decontrolled commodities, to wit:

<u>Category</u>		<u>Code No.</u>	<u>Nomenclature</u>
<u>Previous</u>	<u>Present</u>		
DC	UI	011-05.00	Liver, kidney, tongue and heart
DC	UI	012-02.00	Smoked, dried or salted beef and veal
DC	UI	013-02.02	Sausages of all kinds (except Bilbao type)
DC	UI	013-02.07	Beef in air-tight containers
DC	UI	013-02.12	Meat Pastes and spreads (devilled meat)

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

February 11, 1958

—o0o—

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1072

Agent Banks are hereby further advised that the nomenclature of the items covered by Memorandum to Authorized Agent Banks No. 1071, dated February 11, 1958, should correctly read as follows:

<u>Category</u>		<u>Code No.</u>	<u>Nomenclature</u>
<u>Previous</u>	<u>Present</u>		
DC	UI	011-05.00	Liver, kidney, tongue and heart, of beef and veal
DC	UI	012-02.00	Beef or veal
DC	UI	013-02.02	Other sausages, n.e.s.
DC	UI	013-02.07	Other beef, n.e.s.
DC	UI	013-02.12	Meat pastes and spreads

Please be guided accordingly.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

February 14, 1958

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1074

The following amendments to the Statistical Classification of Commodities (Revised July 1, 1957), implementing Circular No. 44, shall take effect immediately:

For Amendment:

Tractors, other than steam

- 1) EP 713-01.03 — Parts and accessories, tractor (except the following Caterpillar tractor parts: carriers, final drive seals, end collers /inner and outer/, brass bushings, capscrews, locks, top roller shafts, roller seals, roller shells, roller shafts, wear plates, idler shafts, cork gaskets, and grease fittings)

to read:

- EP 713-01.03 — Parts and accessories, tractor (except parts for tracklaying tractors as specified in Code No. UI 713-01.04)

- 2) UI 713-01.04 — Caterpillar tractor parts: Carriers, final drive seals, end collers /inner and outer/ brass bushings, capscrews, locks, top roller shafts, roller seals, roller shells, roller shafts, wear plates, idler shafts, cork gaskets, and grease fittings

to read:

- UI 713-01.04 — Following parts for tracklaying tractors:
- Final drive seals
 - Idler shafts
 - Carrier rollers and carrier roller shells
 - Track rollers and carrier roller shells
 - End collers /inner and outer/ for carrier and track rollers
 - Brass bushings for carrier and track rollers
 - Capscrews for carrier and track rollers
 - Locks for carrier and track rollers
 - Shafts for carrier and track rollers
 - Seals for carrier and track rollers
 - Wear plates for carrier and track rollers
 - Cork gaskets for carrier and track rollers

All applications for opening letters of credit for tractor parts embraced in the nomenclature of Code No. UI 713-01.04, as amended, shall be referred to the Import Department, Central Bank of the Philippines.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

February 21, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1075

As an exception to the provisions of Memorandum to Authorized Agent Banks No. 1071 dated February 11, 1958, Agent Banks are requested to refer to the Central Bank all applications to open letters of credit for the importation of live cattle, either for slaughter or breeding.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

February 19, 1958

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MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1078

Subject: Consular Invoices Covering Shipments to the Philippines

Further to our Memorandum to Authorized Agent Banks No. 975, dated July 31, 1957, regarding the provisions of Section 1309 of Republic Act No. 1937, otherwise known as the "Tariff and Customs Code of the Philippines", the term "responsible officials of the country of exportation" shall be understood to include:

- a) Notaries public in the countries where there are no Philippine consuls; and
- b) Notaries public in the Netherlands who are appointed by the Crown,

pursuant to a letter of the Commissioner of Customs, dated December 19, 1957, and the 1st Indorsement thereon of the Secretary of Finance, dated January 6, 1958.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

February 25, 1958

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1081

The following amendment to the Statistical Classification of Commodities (Revised July 1, 1957), implementing Central Bank Circular No. 44, shall take effect immediately:

For Reclassification:

Paper and paperboard
SEP 641-03.03 — Kraft and Manila paper

to read:

NEP 641-03.03 — Kraft and Manila paper

The above item shall be deleted from the list of items importable by importers.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

March 6, 1958

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1082

The following amendments to the Statistical Classification of Commodities (Revised July 1, 1957), implementing Central Bank Circular No. 44, shall take effect immediately:

For Reclassification:

Cotton fabrics of standard type (not including narrow and special fabrics)
SEP 652-02.11 — Cotton remnants, n.e.s. (not more than 10 yards in length)

to read:

UI 652-02.11 — Cotton remnants (in assorted colors, not more than 5 meters in length)

Other textile fabrics of standard type (not including narrow and special fabrics)
NEP 653-05.03 — Remnants, rayon (not more than 10 yards in length)

NEP 653-05.04 — Remnants, rayon (seconds and factory rejects)

to read:

UI 653-05.03 — Rayon remnants (in assorted colors, not more than 5 meters in length)

UI 653-05.04 — Rayon remnants (seconds and factory rejects)

Foreign exchange allocations for the above items presently held by producers shall be maintained but all applications for opening letters of credit against said quotas shall be referred to the Import Department, Central Bank of the Philippines.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

March 10, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1085

Agent Banks are hereby authorized to give due course to Letters of Credit applications, filed by producers and importers alike, to cover importation of Cotton remnants (in assorted colors, not more than 5 meters in length) — UI 652-02.11, and Rayon remnants (in assorted colors, not more than 5 meters in length) — UI 653-05.03 under the provisions of MAAB No. 1083 without previously submitting said applications to the Import Department, Central Bank of the Philippines.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

March 14, 1958

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MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1087

It has been noted that importations of textile fabrics consisting of 50%: acetate and 50% rayon have been made under Code No. NEP 653-08.05 — "Mixtures of other fabrics, n.e.s." in view of a previous letter from this Office classifying this type of fabrics under the above category and code number.

Agent Banks are hereby advised that henceforth, fabrics of a composition stated above shall be classified correctly under UI 653-05.02 — "Rayon cloth".

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

March 18, 1958

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1088

In relation to the provision of Memorandum to Authorized Agent Banks No. 1071, dated February 11, 1958, which reads:

"A separate weekly report on letters of credit opened for the importation of decontrolled items shall be submitted to the Importers Division, Import Department, as per CB Form No. 7-A.", the Monetary Board adopted in the enforcement of the aforementioned provision, the following rule:

"any Authorized Agent Bank that fails to submit every Monday the weekly report required under Memorandum to Authorized Agent Banks No. 1071 dated February 11, 1958, covering letters of credit opened for decontrolled items during the preceding week, shall not open letters of credit for decontrolled items in the following week until it shall have submitted the required report, duly receipted for by the Import Department of the Central Bank."

Please be guided accordingly.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

March 19, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1090

Agent Banks are hereby advised that, in accordance with a decision of the Import-Export Committee, the "soy sauce (toyo) manufacturing industry" shall be considered "essential" within the contemplation of Paragraph 4 of Circular No. 79, dated December 9, 1957, in addition to those enumerated in Memorandum to Authorized Agent Banks Nos. 1056 and 1062, dated January 15, 1958, respectively and shall be treated in accordance with the provisions of said MAABs 1056 and 1062.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

March 24, 1958

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1096

Subject: **Tax Clearance**

Further to Memorandum to Authorized Agent Banks No. 971, dated July 24, 1957, Agent Banks are hereby advised that the local tax clearance required before quotaholders are allowed to open letters of credit for their imports refers to tax clearances obtained from the City or Municipal Treasurer where their factories are located in the case of producers, and where they conduct or operate their business, in the case of importers.

Please be guided accordingly.

(Sgd.) G. S. LICAROS

Special Assistant to the Governor

April 23, 1958

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1098

The provisions of MAAB No. 949, dated July 3, 1957, notwithstanding, no switching of quota allocations under Line 14 — "Fertilizer Importers", shall be allowed.

(Sgd.) G. S. LICAROS

Special Assistant to the Governor

April 25, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1099

Agent Banks are hereby advised to delete the following grouping from page 1 of the Central Bank "List of Decontrolled Items" revised as of February 24, 1958 which was inadvertently included therein:

"Meat: Dried or salted smoked or cooked,
not in airtight containers

DC 012-02.00

Beef and veal

Spiced beef

Jerked beef

Smoked beef

Plate beef

Dried beef

Family beef

Beef brisket

Roulade beef

Beef navels"

The above item was reclassified to the "UI" category pursuant to MAAB Nos. 1071 and 1072 dated February 11 and 14, 1958, respectively.

(Sgd.) G. S. LICAROS

Special Assistant to the Governor

April 25, 1958

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1103

Further to MAAB 914 dated May 3, 1957, MAAB 921 dated May 15, 1957, and MAAB 1068 dated February 3, 1958, agent banks are hereby advised to require submission of sample swatches of all "UI" textile items (except remnants) to accompany L/C applications filed by producers and to specify the percentage in the composition of textiles of mixture fabrics to be imported.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

May 6, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1104

The following amendments to the Statistical Classification of Commodities (Revised July 1, 1957), implementing Central Bank Circular No. 44, shall take effect immediately:

For Amendment:

	<u>Special textile fabrics and related products</u>	
EP 655-06.05 — Twines and cords, cotton		Kilo
<i>to read:</i>		
EP 655-06.05 — Cords, cotton		Kilo

For Inclusion:

	<u>Special Textile fabrics and related products</u>	
UI 655-06.07 — Twines, cotton		Kilo

All foreign exchange allocations presently held by producers specifically for "Cotton Twines" shall be cancelled and reverted to the Central Bank in accordance with MAAB No. 288, dated November 22, 1955.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

May 7, 1958

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1111

Pursuant to a resolution of the Monetary Board at its meeting on June 13, 1958, the following rules and regulations in connection with certifications, transfers and consolidations of quota allocations of Importers and Producers shall be observed, effective immediately:

I. CERTIFICATION OF SEMESTRAL QUOTAS

1. Effective the second semester of 1958, quota allocations of Importers and/or Producers shall be certified to Authorized Agent Banks, designated by said Importers and/or Producers, in accordance with the provisions of this Memorandum, subject to the following schedule:

<u>Semestral Quotas</u>	<u>Certification</u>
of \$5,000 or less	: To be certified through only one (1) Agent Bank;
of 5,001 to \$10,000	: May be certified through two (2) Agent Banks;
of 10,001 to 20,000	: May be certified through three (3) Agent Banks;
of 20,001 or more	: May be certified through not more than four (4) Agent Banks.

2. To facilitate implementation of above schedule in the certification of quotas for the second semester of 1958, all Importers and Producers are hereby required to advise, *not later than June 20, 1958*, the Import Department, Central Bank, as to which banks they wish their quotas to be certified in accordance with aforesaid schedule.

Authorized Agent Banks are requested to circularize their clients accordingly.

II. PERMANENT TRANSFERS

1. Requests for permanent transfer of quota allocations shall be made on CBP Form No. 6-A (Request for Permanent Transfer), as per sample attached, which shall be accomplished in quintuplicate and filed directly with the Import Department, Central Bank, at least 30 days before the beginning of the semester.

2. Permanent transfers of quota allocation shall be allowed only once every semester.

3. No Importer with a semestral quota of \$5,000.00 or more shall be allowed to maintain any portion of said quota in an amount less than \$1,000.00, in any one (1) bank.

4. When the transfer involves a semestral quota of \$5,000.00 or less, of an Importer recorded in only one line of business, the transfer shall cover all the categories of said quota; when the quota involved is more than \$5,000.00, any category of said quota allocation may be transferred to another bank or banks, provided that the quota of the category to be transferred in each case is not less than \$1,000.00.

5. In cases of Importers recorded under Line 53-Multiple, the transfer shall be considered by line of business; the transfer of the quota of one line of business shall cover all categories in said line of business as shall be warranted under the above schedule. Importers recorded under Line 53-Multiple, with an aggregate semestral quota of \$5,000.00 or less, for all their lines of business, shall be maintained in one bank.

6. Non-shiftable quotas for specific items of Importers may be transferred only in their entirety, except in cases where the aggregate quota of an Importer seeking a partial transfer, warrants splitting of said quota between one or more banks under the above schedule.

III. TEMPORARY TRANSFERS

1. Temporary transfers during a semester of quota allocations of Importers and/or Producers from one bank to another may be effected by quota-holding Banks, upon request, only within fifteen (15) days after the release of said quotas.

2. Requests for temporary transfer shall be made on CBP Form No. 6 (Transfer Certificate) which shall be accomplished in quintuplicate.

3. Upon receipt of a duly accomplished Transfer Certificate, the quota-holding bank shall stamp the date and time of receipt thereon, and forward the duplicate so stamped to the transferee bank.

4. The quota-holding bank shall immediately deduct from the customer's quota ledger the amount of quota being transferred and the Transfer Certificate signed by a duly authorized officer of the quota-holding bank. The original of the Transfer Certificate shall be sent to the transferee bank; the triplicate to the Central Bank; the quadruplicate to the Bankers' Committee; and the quintuplicate to be retained by the quota-holding bank for its file.

5. The original copy of the Transfer Certificate duly accomplished as provided for in the preceding paragraph shall be forwarded to the transferee bank within twenty-four (24) hours from receipt thereof by the quota-holding bank; Provided, however, that if the 24-hour period should expire on a bank holiday then it shall be deemed to expire on the next following business day. If the transfer cannot be accomplished within that same period, the transferee bank shall be notified in writing by the quota-holding bank of the reason or reasons therefor.

6. If the original of the Transfer Certificate or the written advice mentioned in the preceding paragraph is not received by the transferee bank after the lapse of 24 hours from receipt of the request by the quota-holding bank, then the quota covered by the Transfer Certificate shall be automatically transferred to the transferee bank. In such cases, the transferee bank may set up the quota in its books and allow utilization thereof, giving written notice to the quota-holding bank that it had set the quota in its books; and it shall be the duty and responsibility of the quota-holding bank to deduct the quota thus transferred from its ledger.

IV. REPEALING CLAUSE

All Circulars, Regulations and Memorandum to Authorized Agent Banks inconsistent herewith are hereby revoked or modified accordingly.

(Sgd.) G. S. LICAROS

Special Assistant to the Governor

June 13, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1112

Pursuant to Circular No. 81 dated January 23, 1958 and a Resolution adopted by the Monetary Board on June 13, 1958, the following portions of CBP Form No. 5 (Release Certificate) are hereby amended to read, effective immediately, as follows:

(1)

"Validation of Release Certificate"

This Release Certificate is hereby validated and release of goods herein described may be effected, without prejudice to such action the Bureau of Customs may take thereon in accordance with law."

(2)

"INSTRUCTIONS"

1. x x x
2. x x x
3. x x x
4. x x x
5. x x x

6. In case any discrepancy is noted in the shipment covered by this certificate, the provisions of Memoranda to Authorized Agent Banks Nos. 510 and 511, both dated June 4, 1956, shall be observed; Provided, however, that release certificate covering perish-

able goods and/or shipments suspected of undervaluation or misclassification but not involving banned items may be validated without prejudice to whatever action the Central Bank may take thereon."

The foregoing amendments may be effected by super-imposing the same rubber stamp on your present stock of printed release certificates (CBP Form No. 5, revised 1/23/58).

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

June 13, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1113

Paragraph 1 of Title III — TEMPORARY TRANSFERS, of Memorandum to Authorized Agent Banks No. 1111, dated June 13, 1958, is hereby amended to read as follows:

"1. Temporary transfers during a semester of quota allocations of Importers and/or Producers from one bank to another may be effected by quota-holding Banks, upon request, after fifteen (15) days from the release of said quotas."

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

June 18, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1114

Further to this Office's Release No. 274, dated June 4, 1958, reclassifying cotton cords from the "EP" to the "UI" category, Agent Banks are hereby advised that all foreign exchange allocations specifically assigned to said item shall be cancelled and shall not be certified as of July 1, 1958, in accordance with MAAB No. 288, dated November 22, 1955.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

June 20, 1958

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1115

Effective immediately, Authorized Agent Banks shall refer all applications for the opening of letters of credit for the importation of Decontrolled Commodities (DC), to the Import Department, Central Bank, duly supported by firm offers wherein the quantity, brand, unit price, total value, date of shipment and other pertinent details shall be clearly specified. The authority granted Authorized Agent Banks to act upon said applications under Memorandum to Authorized Agent Banks No. 1071, dated February 11, 1958, is hereby revoked.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

June 20, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1116

Please be advised that importers and producers may utilize their first semester 1958 regular quota allocation up to and including June 30, 1958.

Applications to open letters of credit and/or request to remit by M/T, T/T, or D/D in payment for imports against first semester regular quota allocations must be received by Agent Banks not later than 5:00 o'clock P.M. on June 30, 1958. Such applications, which should be supported by all documents required by the regulations in each case, should be stamped with the date and time they are received duly acknowledged by a responsible official of the Bank.

Agent Banks are hereby authorized to permit:

- a) Utilization within thirty (30) days from receipt of advice of non-recurring and non-shiftable quotas granted by the Central Bank to importers and producers in June, 1958; and
- b) Utilization within thirty (30) days from receipt of advice of action taken by the Central Bank on requests for switching of first semester quota allocations which were received by the Central Bank on or before June 30, 1958.

The provisions of this memorandum shall be subject to existing Central Bank rules and regulations and those that may be issued by the Monetary Board from time to time.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

June 24, 1958

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1117

The following amendment to the Statistical Classification of Commodities (Revised July 1, 1957), implementing Central Bank Circular No. 44, shall take effect immediately:

For Inclusion:

Electric machinery, apparatus and appliances

SEP 721-01.10 — Electric motors, open protected type or drip proof type—1/100 to 3/4 h.p., 1 phase to 3 phase, 4 poles, 60 cycles, voltage range of 110-220, speed range between 1680 to 1800 RPM, 1150 RPM and 3600 RPM No.

All applications for opening letters of credit for the importation of the above item shall be previously referred to this Office for approval.

The above restriction shall likewise apply to those of 1 to 5 horsepower, reclassification of which has been implemented per this Office's Release No. 279, dated June 10, 1958.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

June 26, 1598

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1118

In relation to Memorandum to Authorized Agent Banks No. 1115 dated June 20, 1958, Authorized Agent Banks shall:

(1) Submit to the Importers Division, Import Department, separate report as per CB Form No. 7-A (Revised) on letters of credit opened for the importation of Decontrolled (DC) Items, pursuant to the second paragraph of Memorandum to Authorized Agent Banks No. 1071 dated February 11, 1958, and subject to the rule provided for in Memorandum to Authorized Agent Banks No. 1088, dated March 19, 1958;

(2) Observe strictly the provisions of Memorandum to Authorized Agent Banks No. 1065, dated January 28, 1958, in the opening of letters of credit for the importation of Decontrolled (DC) Items; and

(3) Not extend the period of letters of credit opened for the importation of Decontrolled (DC) Items upon expiration thereof, except for negotiation purposes, where shipment has been effected during the validity of the corresponding letter of credit in accordance with existing regulations.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

June 27, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1120

Effective immediately, sub-paragraphs "b" and "c", par. 3 of Memorandum to Authorized Agent Banks No. 511, dated June 4, 1956, which authorize agent banks to issue amended release certificates for shipments found with discrepancies, are hereby amended to read as follows:

"b. Where the discrepancy involves only commodity classification of the importation and does not constitute misdeclaration, over-valuation or undervaluation, provided, that the amendment of classification is in accordance with the existing Central Bank rules and regulations on 'switching';

"c. Where the discrepancy is misdeclaration, over-valuation, or under-valuation, i.e., the landed shipment, as verified at the Bureau of Customs, is other than the declared merchandise or that its quantity and/or actual value is other than that indicated in the Release Certificates, the authority to issue amended Release Certificates covering such cases shall be exercised only by the Import Department of the Central Bank."

For purposes of clarification, the distinction between misdeclaration and misclassification of imports is illustrated hereunder:

MISDECLARATION:

An importer declared his importation as *cotton denims* under the *EP* category. Verification of the shipment disclosed that the same consists of *cotton and rayon mixture fabrics or fancy denims*, properly classified under *UI* category.

MISCLASSIFICATION:

An importer imports *rubberized cotton fabrics* and declared the same under *EP category*. Verification of the shipment disclosed that the same is *rubberized cotton fabrics* but should properly be classified under *SEP category*.

Please be guided accordingly.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

June 27, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1122

The following amendments to the Statistical Classification of Commodities (Revised July 1, 1957), implementing Central Bank Circular No. 44, shall take effect immediately:

For Amendment:

- | | |
|--------------|--|
| | <u>Copper</u> |
| EP 682-02.04 | — Wire, bars |
| to read: | |
| EP 682-02.04 | — Bare wire, gauge #20 and finer, solid or stranded |
| EP 682-02.05 | — Wire, uninsulated |
| to read: | |
| EP 682-02.05 | — Bare copperweld wire, tinned wire and other composite wires, solid or stranded |
| | <u>Manufactures of metal, n.e.s.</u> |
| EP 699-04.01 | — Copper wire rope and cables |
| to read: | |
| EP 699-04.01 | — Bare copper wire rope and cables, gauge #20 and finer, solid or stranded |

For Inclusion:

- | | |
|--------------|--|
| | <u>Manufactures of metal, n.e.s.</u> |
| EP 699-04.03 | — Bare wire rope and cables of copperweld wire, tinned wire and other composite wires, solid or stranded |
| UI 699-04.04 | — Copper wire rope and cables, n.e.s. (excluding bare copper wire rope and cables, gauge #20 and finer, solid or stranded, and bare wire rope and cables of copperweld wire, tinned wire and other composite wires, solid or stranded) |

Copper

- UI 682-02.07 — Bare wire, n.e.s. (excluding bare copper wire, gauge #20 and finer, solid or stranded, and bare copper-weld wire, tinned wire and other composite wires, solid or stranded)

For Amendment:

Electric machinery, apparatus and appliances

- EP 721-13.00 — Insulated cables and wire for electricity

to read:

- EP 721-13.00 — Insulated cables and wires for electricity, n.e.s. (excluding insulated copper wires and cables, 19 strands or less)

For Inclusion:

Electric machinery, apparatus and appliances

- UI 721-13.01 — Insulated copper wires and cables for electricity, 19 strands or less

Quotas held by Producers for said banned items and those ordinarily utilized therefor by importers in Lines of Business 7, 11 and 21 (in the case of bare copper wires and cables) and Lines of Business 2, 11 and 40 (in the case of insulated wires and cables for electricity) shall be maintained until September 30, 1958. Said allocations shall be cancelled and reverted to the Central Bank effective the fourth quarter of 1958.

Please advise your clients accordingly.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

July 7, 1958

—o0o—

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1126

In accordance with the directive of the President of the Philippines, Agent Banks are hereby advised not to open letter of credit covering any barter permit issued under the provisions of Republic Act No. 1410 until further advice and pending approval of the proposed Revised Rules and Regulations on Barter now under consideration by the Cabinet.

(Sgd.) ANDRES V. CASTILLO
Acting Governor

July 18, 1958

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1127

Agent Banks are hereby advised that henceforth anti-diabetic preparations other than "Insulin," such as "Rastinon," "Tolbutamide," "Glucofren," etc., shall be classified under Code No. EC 541-09.39 — "Other medicinal and pharmaceutical products, n.e.s." instead of under Code No. DC 541-09.01 — "Insulin in all forms."

Please be guided accordingly.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

July 21, 1958

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MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1132

Agent Banks may open import letters of credit against barter permits approved prior to July 1, 1958 in accordance with the Supplementary Rules and Regulations, approved by the Cabinet on August 14, 1957 and may give due course to transactions in connection with said barter permits, subject to the provisions of our Memorandum to Authorized Agent Banks No. 1003 dated September 11, 1957.

In no case however, shall import letters of credit against barter permits issued under the consolidated (revised) rules and regulations implementing Republic Act No. 1410 as approved by the Secretary of Commerce and Industry to take effect on July 1, 1958, be opened, pending final resolution by the Cabinet on said consolidated (revised) rules and regulations.

This modifies our Memorandum to Authorized Agent Banks No. 1126 dated July 18, 1958.

(Sgd.) ANDRES V. CASTILLO
Acting Governor

August 1, 1958

—o0o—

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1133

Pending corrections being effected on the Central Bank Statistical Classification of Commodities (Revised July 8, 1958), Agent Banks are hereby advised that its effectivity is suspended until further notice. During the period of suspension, the old edition of same (Revised July 1, 1957) shall be applicable.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

August 5, 1958

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1134

To minimize cases of misdeclaration and/or misclassification resulting from generalized description of import items in firm offers, authorized agent banks are hereby requested not to accept any firm offer as basis for opening letter of credit unless it contains a clear-cut and/or specific description of the items sought to be imported, which description must, at least, contain information on the quality, measurement, brand, commercial or technical name and unit price thereof. Whenever feasible, the firm offer must be accompanied with samples or labels of the commodity to be imported. Furthermore, in those cases where there is doubt as to the correct classification of the items intended to be imported, the opinion of the Special Studies Division of the Import Department on the matter should first be obtained before giving due course to the corresponding application to open letter of credit.

(Sgd.) G. S. LICAROS

Special Assistant to the Governor

August 6, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1137

Agent Banks are hereby advised that pursuant to a resolution adopted by the Monetary Board on August 1, 1958:

1) The following general item groups are hereby decontrolled:

- a) Agricultural insecticides
- b) Fungicides
- c) Herbicides
- d) Fumigants, soil and grain

2) The following amendments to the Central Bank Statistical Classification of Commodities are hereby adopted:

For Deletion:

Miscellaneous chemical materials and
products

EP 599-02.02 — Insecticides and rodenticides

Kilo

For Inclusion:

Miscellaneous chemical materials and
products

DC 599-02.03	— Agricultural insecticides and insecticides formulations	Kilo
EP 599-02.06	— Insecticides, rodenticides and pesticides, household and industrial, n.e.s.	Kilo
DC 599-02.05	— Fumigants, soil and grain	Kilo

For Reclassification:

	Miscellaneous chemical materials and products	
SEP 599-02.02	— Fungicides, other than medicinal	Kilo
SEP 599-02.09	— Herbicides and other similar preparations, n.e.s.	Kilo

to read:

DC 599-02.02	— Fungicides, other than medicinal	Kilo
DC 599-02.09	— Herbicides	Kilo

3) An itemized list of items showing the commodities that fall under each general group stated in 1) above is attached marked Appendices "A" "B", "C" and "D" and shall form part of the Central Bank Statistical Classification of Commodities;

4) Only qualified importers whose lines of business include pesticides, insecticides and similar items, rodenticides, fungicides, herbicides, and fumigants shall be allowed to import said items;

5) Applications to qualify as importer of the items decontrolled under this memorandum shall be forwarded to the Import Department for approval, the following to be the bases for qualification:

- a) Reliability — The firm must be reliable.
- b) The applicant must be a representative of reliable manufacturers of trademarked pesticides or whose specific formulations have been tested and proven satisfactory for Philippine usage.
- c) The firm must have competent technical staff for handling poisonous chemical materials and for demonstrating and training the farmers in the proper handling and use of chemical materials.
- d) The firm must have adequate distribution facilities to serve farmers.
- e) The firm must have proper storage and display facilities to avoid contamination of foodstuffs.

Applications to qualify shall be accomplished in accordance with the attached Form CB-ID No. 18.

6) Importers who shall have qualified as provided in 5) above shall be provided with the necessary foreign exchange to cover their requirements for spraying and dusting equipment equivalent to their 1957 quotas for the same.

This memorandum shall take effect immediately.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

August 18, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1140

Effective immediately, the following amendment to the Central Bank Statistical Classification of Commodities shall be effected:

Tobacco: Unmanufactured

From: NEP 121-01.03 Leaf tobacco, except wrappers

To : NEP 121-01.03 Leaf tobacco, except wrappers¹

Please be guided accordingly.

(Sgd.) G. S. LICAROS
Special Assistant to the Governor

September 1, 1958

¹ Importation of this item is subject to the provisions of Republic Act No. 1194, otherwise known as the Virginia Tobacco Law.

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1152

Pursuant to a resolution of the Monetary Board at its meeting held on September 30, 1948, a levy of 1.20% service charge shall, effective immediately, be collected on all letters of credit opened or remittances made by M/T, T/T or D/D for payment of imports (including imports under Barter, FOA, P/L 480 and others). The amount so collected shall be remitted to the Central Bank every Monday of each week.

This supersedes Memorandum to Authorized Agent Banks Nos. 519 and 1150 dated June 11, 1956 and October 10, 1958, respectively.

(Sgd.) VIRGINIA YAPTINCHAY
Special Assistant to the Governor

October 15, 1958

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1151

Subject: **Importation of Evaporated Milk Under Section 402,
Mutual Security Act of 1954**

With reference to Memorandum to Authorized Agent Banks dated September 19, 1958, FLIO No. 19, please be advised that ICA Procurement Authorization for \$845,000.00 should read:

Authorization No. 92-0901-00-K2-8156

All letters of credit opened under this authorization should, therefore, be amended accordingly.

(Sgd.) VIRGINIA YAPTINCHAY
Special Assistant to the Governor

October 15, 1958

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1154

Pursuant to a resolution of the Monetary Board adopted at its meeting held on October 14, 1958, Authorized Agent Banks shall continue the existing procedure of referring to the Import Department of the Central Bank for prior approval, all applications to open import letters of credit under barter permits issued by the No-Dollar Import Office, giving the usual information required to be submitted, and duly supported by the following:

1. True copy of the corresponding Authority to Import issued by the No-Dollar Import Office;
2. Relative firm offer/s of foreign supplier/s, which should be properly signed.
3. For textile and paper items, samples thereof; and
4. For machinery, equipment and spare parts, catalog/s or brochure/s thereof.

It was further decided that the period from date of receipt of the applications by the Central Bank until their return to the agent banks shall not be considered in the determination of the time limit set by the existing rules on barter.

(Sgd.) VIRGINIA YAPTINCHAY
Special Assistant to the Governor

October 24, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1157

When applying for "Permit to Negotiate under Acceptance Credit Financing" in behalf of their clients corresponding to their regular quota for the 4th quarter of 1958, Agent Banks are advised to conform strictly to the commodity breakdown as certified during the third quarter with regards to commodity, category and code number and amount, in order to avoid delay in the processing of the aforesated applications. However, should any commodity switching be indicated, the pertinent authority of the Import-Export Committee or Bankers' Committee for such switching should be attached to the application.

Likewise, transfer certificates covering temporary transfers from one bank to another, of quotas of clients subject to the above financing arrangements should accompany the application, in cases where such transfers have been effected.

Please be guided accordingly.

(Sgd.) VIRGINIA YAPTINCHAY
Special Assistant to the Governor

October 31, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1158

In connection with Memorandum to Authorized Agent Banks No. 1152 dated October 15, 1958 which requires the remittance every Monday of each week of all collections of service charge on letters of credit opened and remittances by M/T, T/T and D/D for payment of imports, Agent Banks are requested to submit the abstract thereof in ac-

cordance with the attached form. The levy of 1.2% should be shown separately from that of 0.5% which was authorized for letters of credit opened and foreign exchange purchase during the four quarter chargeable against unutilized import quotas for the previous quarter, as well as for the importation of books for personal use and individual subscriptions to foreign magazines, periodicals and pamphlets.

Please be guided accordingly.

(Sgd.) VIRGINIA YAPTINCHAY
Special Assistant to the Governor

November 4, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1159

Please be advised that with reference to the \$75 million EXIMBANK line of credit authorized for the Philippines on July 10, 1958, the Export-Import Bank of Washington, with the concurrence of the U.S. Maritime Administration, has authorized vessels of Philippine registry, as available, to participate up to 50% of the total movement of freight financed under loans established under said credit line. If at any time it appears that neither Philippine nor U. S. vessels are available, the Maritime Administration is prepared to approve utilization of other vessels as required.

Beneficiaries of such loans will be required to make arrangements to report all shipments to the U.S. Maritime Administration as a record of flag distribution. These reports will show names of ships, dates and ocean freight revenue when the ocean shipment consists of materials and equipment on liner vessels.

Freight financed under existing credit lines of Philippine commercial banks with the Export-Import Bank of Washington is not included in this authorization.

(Sgd.) VIRGINIA YAPTINCHAY
Special Assistant to the Governor

November 5, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1160

In clarification of Memorandum to Authorized Agent Banks No. 1158 dated November 4, 1958, requesting the submission of an abstract of the weekly service charge collections on letters of credit opened and remit-

tances made by M/T's, T/T's and D/D's for payments of imports, Agent Banks are hereby informed that, in accordance with the letter of the undersigned dated October 16, 1958 to the Bankers' Committee, the collection of service charge may be waived on letters of credit, T/T's or D/D's for books for personal use and individual subscriptions to foreign magazines, periodicals, and pamphlets in amounts not exceeding \$25.00 per applicant per calendar month. However, where the amount exceeds \$25.00 per applicant per calendar month the service charge of 1.2% shall be collected.

The abstract form prescribed by the abovesaid MAAB No. 1158 should therefore be modified and accomplished accordingly.

(Sgd.) VIRGINIA YAPTINCHAY
Special Assistant to the Governor

November 7, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1161

Subject: Acceptance Credit Financing

In connection with the procedure governing acceptance credit financing, the Agent Banks concerned, upon tendering peso payments to the Central Bank on each acceptance, should present, aside from copies of the letter of credit and a complete set of the corresponding shipping documents, a *certified* statement in four (4) copies of the discount charges and the acceptance commission of the correspondent bank, plus the Agent Bank's commission of $\frac{1}{8}$ of 1% per month on the life of the acceptance, showing the following details:

1. Name and address of the correspondent bank;
2. Central Bank license number, date issued, and amount covered;
3. Letter of Credit number and the amount covered;
4. Name of the client for whose account the letter of credit was opened;
5. Maturity date of acceptance;
6. Acceptance number, if any;
7. A breakdown of the discount charges and acceptance commission of the correspondent bank, indicating the rate at which the amounts were computed, and supported by a certified true copy of the statement of claim by the correspondent bank; and
8. Computation of the $\frac{1}{8}$ of 1% commission of the local bank.

The Central Bank, upon receipt and verification of the foregoing, shall reimburse the Agent Bank concerned the amount in pesos necessary for the purchase of the required foreign exchange to cover the discount charges and the correspondent's acceptance commission, such purchases to be reported under "sundry sales." Reimbursement of the Agent Bank's commission on the life of the acceptance shall be computed on the face dollar value of the acceptance and converted into pesos at the rate of ₱2.00 to every \$1.00.

Four (4) banking days before the maturity date of the acceptances, the Agent Bank should formally request the Foreign Exchange Dept. of the Central Bank for remittance of the required foreign exchange, submitting details thereof in accordance with CB-ID Form No. 19-B, attached. The form should be accomplished in quintuplicate and submitted to the following departments of the Central Bank:

Foreign Exchange Department	Original copy
Import Department	Two (2) copies
Accounting Department	One (1) copy
Cash Department	One (1) copy

In submitting applications to the Foreign Exchange Department for exchange cover for imports and other outward remittances, the total amount of letters of credit opened for importations under acceptance financing should be segregated.

Please be guided accordingly.

(Sgd.) VIRGINIA YAPTINCHAY
Special Assistant to the Governor

November 15, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1168

Effective immediately, agent banks are hereby requested to advise quota-holding producer clients to put up appropriate signboards showing distinctly their firm names and addresses at conspicuous places before their establishments in order to facilitate location and identity of the same. The signboards should at least be one meter long and one-half meter wide. Non-compliance with this requirement may lead to suspension of the quota allocation of the quotaholder concerned.

Please be guided accordingly.

(Sgd.) VIRGINIA YAPTINCHAY
Special Assistant to the Governor

December 4, 1958

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1170

Re: Closing of Procurement and Purchase Authorizations
under Section 402, Mutual Security Act of 1954 and
U.S. Public Law 480

For the proper determination of the final amounts paid under the Letters of Commitment issued in favor of U.S. Banking Institutions, please furnish this Department with a complete statement showing total negotiations against the sub-authorizations issued under the following expired procurement and purchase authorizations:

Procurement Authorization No.	92-99-39-E701
"	" No. 92-99-39-E702
"	" No. 92-1701-00-NI-8151
"	" No. 92-1701-00-NI-8153

Purchase Authorization No.	42-01
"	" No. 42-02
"	" No. 42-03
"	" No. 42-04
"	" No. 42-05
"	" No. 42-06

It will be appreciated if you could give this matter your immediate attention.

(Sgd.) VIRGINIA YAP'TINCHAY
Special Assistant to the Governor

December 18, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1173

The following amendment to the Statistical Classification of Commodities (Revised December 1, 1958), implementing Central Bank Circular No. 44, shall take effect immediately.

For Inclusion:

Miscellaneous chemical materials and products

EP 599-02.07 — Wood preservatives

Kilo

Likewise, the items "Wolman wood preservatives" and "Wood preservatives" are hereby deleted from Appendix "C" — "Breakdown of Fun-

gicides, Other Than Medicinal" of MAAB No. 1137 dated August 18, 1958.

Please be guided accordingly.

(Sgd.) VIRGINIA YAPTINCHAY
Special Assistant to the Governor

December 22, 1958

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IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1175

Please be advised that importers and producers may utilize their second semester 1958 regular quota allocation up to and including December 29, 1958.

Applications to open letters of credit and/or requests to remit by M/T, T/T, or D/D in payment for imports against second semester regular quota allocations must be received by Agent Banks not later than 5:00 o'clock P.M. on December 29, 1958. Such applications, which should be supported by all documents required by the regulations in each case, should be stamped with the date and time they are received duly acknowledged by a responsible official of the Bank.

Agent Banks are hereby authorized to permit:

- a) Utilization within thirty (30) days from receipt of advice of non-recurring and non-shiftable quotas granted by the Central Bank to importers and producers in December, 1958; and
- b) Utilization within thirty (30) days from receipt of advice of action taken by the Central Bank on requests for switching of second semester quota allocations which were received by the Central Bank on or before December 29, 1958.

The provisions of this memorandum shall be subject to existing Central Bank rules and regulations and those that may be issued by the Monetary Board from time to time.

(Sgd.) VIRGINIA YAPTINCHAY
Special Assistant to the Governor

December 22, 1958

IMPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 1177

Further to Memorandum to Authorized Agent Banks No. 1175 dated December 22, 1958, please be advised that letters of credit may be allowed to be opened in payment for imports under acceptance credit financing within fifteen (15) days from the date of issuance of the corresponding licenses, provided the license application is received in the Import Department, Central Bank of the Philippines, not later than 5:00 o'clock P.M., December 29, 1958.

Please inform your clients concerned accordingly.

(Sgd.) VIRGINIA YAPTINCHAY
Special Assistant to the Governor

December 26, 1958

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MEMORANDUM TO AUTHORIZED AGENT BANKS

In connection with Central Bank Circular No. 79, dated December 9, 1957, the following instructions are hereby issued for the compliance of all authorized agent banks:

1. All letters of credit and/or authorities to purchase subject to the provisions of Circular No. 79 of December 9, 1957 shall be carried in a separate controlling account denominated "Unused Letters of Credit Subject to Circular No. 79," which should be distinct from the accounts controlling letters of credit not subject to the provisions of said Circular. This account shall further be provided with the following sub-controls:

- a) Sub-control "A" — Letters of credit subject to 100% cash deposit requirement
- b) Sub-control "B" — Letters of credit subject to 200% cash deposit requirement
- c) Sub-control "C" — Letters of credit subject to 50% cash deposit requirement
- d) Sub-control "D" — Letters of credit subject to "down payment plus 25%" cash deposit requirement

2. In addition to the regular entry recording the receipt of the down payment referred to in paragraph 5 of Circular No. 79, a corollary memorandum entry in the same amount shall also be made for the purpose

of controlling the outstanding amounts of said down payments, by debiting an account which shall be denominated "Down Payments Subject to Circular No. 79."

3. Upon the sale of T.T.'s, M.T.'s or D.D.'s subject to Circular No. 79, the Bank, in addition to the regular entry recording such transactions, shall also make a corollary memorandum entry in the same amount for the purpose of controlling the outstanding amounts of such T.T.'s, M.T.'s and D.D.'s, by debiting an account which shall be denominated "T.T., M.T. and D.D. Remittances Subject to Circular No. 79," which controlling account shall also be provided with the following sub-controls:

- a) Sub-control "A" — T.T.'s, M.T.'s and D.D.'s subject to 100% cash deposit requirement
- b) Sub-control "B" — T.T.'s, M.T.'s and D.D.'s subject to 200% cash deposit requirement

4. The deposit balance of each bank with the Central Bank of the Philippines plus the amount of government bonds used as margin cover shall at all times be sufficient to cover the sum of the following:

- a) 100% of the outstanding letters of credit, authorities to purchase, T.T.'s M.T.'s and D.D.'s subject to the 100% cash deposit requirement under Circular No. 79, as reflected in Sub-Control "A" of the account "Unused Letter of Credit Subject to Circular No. 79" and Sub-Control "A" of the memorandum account "T.T., M.T. and D.D. Remittances Subject to Circular No. 79."
- b) 200% of the outstanding letters of credit, authorities to purchase, T.T.'s, M.T.'s and D.D.'s subject to the 200% cash deposit requirement under Circular No. 79, as reflected in Sub-control "B" of the account "Unused Letters of Credit Subject to Circular No. 79," and Sub-control "B" of the memorandum account "T.T., M.T. and D.D. Remittances Subject to Circular No. 79."
- c) 50% of the outstanding letters of credit and authorities to purchase subject to 50% cash deposit requirement under Circular No. 79, as reflected in Sub-control "C" of the account "Unused Letters of Credit Subject to Circular No. 79."
- d) 125% of the outstanding amount of down payments on imports referred to in paragraph 5 of Circular No. 79, as reflected in the memorandum account "Down Payment Subject to Circular No. 79,"

The resulting excess deposit balance with the Central Bank shall be available as reserves against deposit liabilities.

5. The accounts "Unused Letters of Credit Subject to Circular No. 79," "Down Payments Subject to Circular No. 79," and "T.T., M.T. and D.D. Remittances Subject to Circular No. 79," shall be reversed, whether in whole or in part, only upon presentation of the Release Certificate with the certification of the Bureau of Customs duly countersigned by the Central Bank representative that the goods have been inspected and released to the consignee, or upon the cancellation, in whole or in part, of the credit or the remittance.

6. For the purpose of Circular No. 79, DSE Form No. 1-A, sample copy attached, shall be accomplished daily and the original and one (1) copy submitted to the Department of Supervision and Examination, and one (1) copy to the Accounting Department of the Central Bank of the Philippines not later than 12:00 o'clock noon of the following working day. The reporting on this form shall be effective on January 8, 1958.

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

Atts.: As stated.
January 8, 1958

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DSE Form No. 1-A

DAILY CONSOLIDATED REPORT OF REQUIRED AND AVAILABLE
BALANCE WITH THE CENTRAL BANK UNDER THE
PROVISIONS OF CIRCULAR NO. 79

For, 19.....

OUTSTANDING BALANCE			
	L/C (1)	T.T. M.T. & D.D. (2)	Total (3)
1. Outstanding balances of:			
a. "Unused Letters of Credit Subject to Circular No. 79" and "T.T, M.T. and D.D. Remittances Subject to Circular No. 79" accounts:			
1) Subject to 100% deposit requirement P			
2) Subject to 200% deposit requirement P			
3) Subject to 50% deposit requirement P			
4.. Subject to "down payment plus 25%" deposit requirement P			
Total P			

	Outstanding Balance
b. "Down Payment Subject to Circular No. 79" account ..	P
2. Required balance which should be maintained with the Central Bank:	
a) 100% of amount in column 3 of item 1-a-1 above	P
b) 200% of amount in column 3 of item 1-a-2 above	
c) 50% of amount in column 3 of item 1-a-3 above	
d) 125% of amount under the heading "Outstanding Balance" of item 1-b above	
Total Required Balance	P
3. a) Due from the Central Bank of the Philippines	P
b) Government bonds used to cover margin requirement (not to exceed 50% of the marginal cover required of the importer depositing the bonds)	
c) Total	P
4. Excess balance available as reserve against deposit liabilities (item 3-c less item 2-e)	P
(Authorized Officer)	(Designation)

INSTRUCTIONS

1. The amounts shown in Column 1 (Outstanding balances of L/C's subject to Circular No. 79) should agree with the balances of the corresponding sub-control accounts of the controlling account "Unused Letters of Credit Subject to Circular No. 79." The total of column 1 should, of course, agree with the balance of the controlling account "Unused Letters of Credit Subject to Circular No. 79."

2. The amounts shown in Column 2 (Outstanding balances of T.T., M.T. & D.D.) should agree with the balances of the corresponding sub-control accounts of the controlling memorandum account "T.T., M.T. and D.D. Remittances Subject to Circular No. 79." The total of column 2 should, of course, agree with the balance of the controlling account.

3. The amount shown as the outstanding balance of item 1-b should agree with the balance of the memorandum account "Down Payment Subject to Circular No. 79."

4. The amount shown in item 4 above (Excess balance available as reserve against deposit liabilities) is the amount to be shown in item 3-a, Deposit with the Central Bank, in DSE Form No. 1.

5. Accomplish Form No. 1-A, daily and subject original and one (1) copy to the Department of Supervision and Examination and one (1) copy to the Accounting Department of the Central Bank of the Philippines not later than 12:00 o'clock noon of the following working day.

MEMORANDUM TO AUTHORIZED AGENT BANKS

Pursuant to a Monetary Board Resolution dated January 8, 1958, agent banks are hereby advised that effective this date marginal deposits required under Central Bank Circular No. 79 dated December 9, 1957 may be in government bonds in an amount not exceeding 50 per cent of such deposits. These bonds shall be in the name of importers themselves and shall be deposited with the Central Bank.

(Sgd.) M. CUADERNO, Sr.
Governor

January 15, 1958
/agc.

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MEMORANDUM TO AUTHORIZED AGENT BANKS

In connection with Central Bank Circular No. 79, dated December 9, 1957, particularly paragraph 7 thereof, the following instructions are hereby issued for the compliance of all authorized agent banks:

1. All letters of credit and/or authorities to purchase subject to the provisions of Circular No. 79 of December 9, 1957 shall be carried in a separate controlling account denominated "Unused Letters of Credit Subject to Circular No. 79," which should be distinct from the accounts controlling letters of credit not subject to the provisions of said Circular. This account shall further be provided with the following sub-controls:

- a) Sub-control "A" — Letters of credit subject to 100% cash deposit requirement
- b) Sub-control "B" — Letters of credit subject to 200% cash deposit requirement
- c) Sub-control "C" — Letters of credit subject to 50% cash deposit requirement
- d) Sub-control "D" — Letters of credit subject to "down payment plus 25%" cash deposit requirement.

2. In addition to the regular entry recording of the receipt of the down payment referred to in paragraph 5 of Circular No. 79, a corollary memorandum entry in the same amount shall also be made for the purpose of controlling the outstanding amounts of said down payments, by debiting an account which shall be denominated "Down Payment Subject to Circular No. 79."

3. Upon the sale of T.T.'s, M.T.'s or D.D.'s subject to Circular No. 79, the Bank, in addition to the regular entry recording such transac-

tions, shall also make a corollary memorandum entry in the same amount for the purpose of controlling the outstanding amounts of such T.T.'s, M.T.'s and D.D.'s, by debiting an account which shall be denominated "T.T., M.T. and D.D. Remittances Subject to Circular No. 79" which controlling account shall also be provided with the following sub-controls:

- a) Sub-control "A" — T.T.'s, M.T.'s and D.D.'s subject to 100% cash deposit requirement
- b) Sub-control "B" — T.T.'s, M.T.'s and D.D.'s subject to 200% cash deposit requirement

4. The excess reserves against deposit liabilities of each bank with the Central Bank of the Philippines as reported in item 4 of DSE Form No. 1 plus the amount of government bonds used as margin cover under Circular No. 79, shall at all times be sufficient to cover the sum of the following:

- a) 100% of the outstanding letters of credit, authorities to purchase, T.T.'s, M.T.'s and D.D.'s subject to the 100% cash deposit requirement under Circular No. 79, as reflected in Sub-Control "A" of the account "Unused Letter of Credit Subject to Circular No. 79" and Sub-control "A" of the memorandum account "T.T., M.T. and D.D. Remittances Subject to Circular No. 79."
- b) 200% of the outstanding letters of credit, authorities to purchase, T.T.'s, M.T.'s and D.D.'s subject to the 200% cash deposit requirement under Circular No. 79, as reflected in Sub-control "B" of the account "Unused Letters of Credit Subject to Circular No. 79," and Sub-control "B" of the memorandum account "T.T., M.T. and D.D. Remittances Subject to Circular No. 79."
- c) 50% of the outstanding letters of credit and authorities to purchase subject to 50% cash deposit requirement under Circular No. 79, as reflected in Sub-control "C" of the account "Unused Letters of Credit Subject to Circular No. 79."
- d) 125% of the outstanding amount of down payments on imports referred to in paragraph 5 of Circular No. 79, as reflected in the memorandum account "Down Payment Subject to Circular No. 79."

5. The accounts "Unused Letter of Credit Subject to Circular No. 79," "Down Payments Subject to Circular No. 79," and "T.T. and D.D. Remittances Subject to Circular No. 79," shall be reversed only upon execution by the importer of a commitment in writing authorizing the Central Bank acting in its behalf or acting through its agent-bank to

recover from the exporter and/or importer with the assistance of both the local agent bank and the foreign correspondent bank concerned whatever discrepancy there might be in dollars due to misdeclaration, overpricing or similar reasons which brought about the shipment of goods not in accordance with the documents presented.

6. For the purpose of Circular No. 79, DSE Form No. 1-A, sample copy attached, and DSE Form No. 1, Report of Required and Available Reserves, shall be accomplished daily and the original and one (1) copy of each submitted to the Department of Supervision and Examination, and one (1) copy each to the Accounting Department of the Central Bank of the Philippines not later than 12:00 o'clock noon of the following working day. The reporting on DSE Form No. 1-A shall be effective on January 17, 1958.

7. This Memorandum to Authorized Agent Banks supersedes the Memorandum to Authorized Agent Banks dated January 8, 1958.

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

Atts.: As stated.
January 17, 1958.

—o0o—

DSE Form No. 1-A
(January 17, 1958)

(Bank)

DAILY CONSOLIDATED REPORT OF REQUIRED AND AVAILABLE
BALANCE WITH THE CENTRAL BANK UNDER THE
PROVISIONS OF CIRCULAR NO. 79

For, 19.....

		OUTSTANDING BALANCE		
		L/C (1)	T.T. M.T. & D.D. (2)	Total (3)
1. Outstanding balances of:				
a. "Unused Letters of Credit Subject to Circular No. 79" and "T.T., M.T. and D.D. Remittances Subject to Circular No. 79" accounts:				
1) Subject to 100% deposit requirement	P			
2) Subject to 200% deposit requirement				
3) Subject to 50% deposit requirement				
4) Subject to "down payment plus 25%" deposit requirement				
Total	P	P	P	

	Outstanding Balance
b. "Down Payment Subject to Circular No. 79" account ..	P
1. Required balance which should be maintained with the Central Bank:	
a) 100% of amount in column 3 of item 1-a-1 above	P
b) 200% of amount in column 3 of item 1-a-2 above	
c) 50% of amount in column 3 of item 1-a-3 above	
d) 125% of amount under the heading "Outstanding Balance" of item 1-b above	
e) Total Required Balance	P
3. a) Excess reserves against deposit liabilities (as shown in item 4 of DSE Form No. 1)	P
b) Government bonds used to cover margin requirement (not to exceed 50% of the margin cover required of the importer depositing the bonds) ..	
c) Total	P
4. Excess (or Deficiency) balance under Circular No. 79 (item 3-c less item 2-e)	P

.....
Authorized Officer

.....
(Designation)

INSTRUCTIONS

1. The amounts shown in Column 1 (Outstanding balances of L/C's subject to Circular No. 79) should agree with the balances of the corresponding sub-control accounts of the controlling account "Unused Letters of Credit Subject to Circular No. 79." The total of column 1 should, of course, agree with the balance of the controlling account "Unused Letters of Credit Subject to Circular No. 79."

2. The amount shown in Column 2 (Outstanding balances of T.T., M.T., & D.D.) should agree with the balances of the corresponding sub-control accounts of the controlling memorandum account "T.T., M.T. and D.D. Remittances Subject to Circular No. 79." The total of column 2 should, of course, agree with the balance of the controlling account.

3. The amount shown as the outstanding balance of item 1-b should agree with the balance of the memorandum account "Down Payment Subject to Circular No. 79."

4. If the excess reserves against deposit liabilities as shown in item 4 of DSE Form No. 1 is negative (i.e. deficiency reserves) do not enter any figure in item 3-a above.

5. Accomplish both DSE Form No. 1 and 1-A, daily and submit original and one (1) copy of each to the Department of Supervision and Examination and one (1) copy each to the Accounting Department of the Central Bank of the Philippines not later than 12:00 o'clock noon of the following working day.

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MEMORANDUM TO ALL AUTHORIZED AGENTS

All Authorized Agents are informed that, in view of the reduction of the foreign exchange budget for invisibles, the Monetary Board has approved the following modifications of existing exchange control regulations and policies:

- (a) On Education—The present scale of monthly living allowances for students in the United States, Canada and South America shall be reduced by 20%, provided that the minimum for each student shall be \$100;
- (b) On investment remittances—As a temporary measure, the allowable remittance out of 1957 profits shall be reduced by 25%.

In view of this decision of the Monetary Board, effective immediately, the foreign exchange allocation for the maintenance and living expenses of Philippine residents attending foreign colleges and universities in the United States, Canada, and South America, are reduced to the following rates:

- (1) \$200 monthly for those attending foreign colleges and universities in the United States and Canada;
- (2) \$120 monthly for those attending foreign colleges and universities in South America.

Any scholarship assistance or allowances received abroad by the students concerned shall be deducted from the allocation to be allowed at the above-stated rates.

In the case of children of alien residents who are being sent by their parents temporarily to the United States, Canada and South America to study in their home country, remittances for their maintenance and living expenses shall not exceed the following schedule:

Students of college 1	United States and Canada	South America
Students of college level	\$200 monthly	\$120 monthly
Students of high school level	\$160 "	\$100 "
Students of grade school level	\$120 "	\$100 "

Exchange licenses already lodged with Authorized Agents authorizing remittances for February, 1958, onward, for the maintenance and living expenses of Philippine residents studying in the United States, Canada and South America, including children of aliens who were sent by their parents to study in their home country, in excess of the reduced schedules indicated above, are hereby amended accordingly. In case of doubt as to the amount which may be remitted for the maintenance expenses of any student studying abroad, the Authorized Agent shall consult with the Exchange Control Department before effecting the remittance.

With respect to profit and dividend remittances already effected against 1957 net earnings, all the adjustments needed will be made by the Exchange Control Department in future remittance for the same purpose.

Authorized Agents are requested to transmit this information to all their clients.

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

January 27, 1958

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MEMORANDUM TO ALL AUTHORIZED AGENTS

1. Authorized agents are hereby informed that in the meantime, the Exchange Control Department will not consider any new applications for the remittance of living expenses of dependents abroad of residents of the Philippines, except applications which are filed to continue monthly allocations for the same purpose which have been approved corresponding to January, 1958 or for a prior period, by the Exchange Control Department or by the Authorized Agents in behalf of the Exchange Control Department, under the provisions of Notification to Authorized Agents No. 22 dated February 8, 1950, as amended.

2. Effective February 1, 1958, monthly allocations for necessary living expenses of dependents abroad of residents of the Philippines for whom remittances for the same purpose have been allowed for January, 1958 or for a prior period, shall be reduced by 20%, provided the minimum remittance shall not be less than \$50 per family per month when warranted by the annual income of the applicant-remitter, and provided, further, that allocations approved by the Exchange Control Department or by the Authorized Agents, in behalf of the Exchange Control Depart-

ment, for necessary living expenses of dependents abroad of residents of the Philippines, in amounts not exceeding \$20 per month without regard to the annual income of the applicant-remitter, shall not be reduced.

3. All exchange licenses already lodged with the Authorized Agents authorizing remittances for February, 1958, onward, for living expenses of dependents abroad of residents of the Philippines under the provisions of Notification to Authorized Agents No. 22, as amended, are hereby amended accordingly. No remittance against the said licenses shall be effected in excess of the reduced amount.

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

January 28, 1958

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MEMORANDUM TO AUTHORIZED AGENT BANKS

Effective February 3, 1958, the daily foreign exchange transactions of all Authorized Agent Banks, including the American Express Company, must be accomplished on the attached form No. FED-10 captioned "Daily Summary of Foreign Exchange Transactions". This form supersedes E. C. Form No. 5.

Authorized Agent Banks, including the American Express Company, are requested to submit their reports to the Foreign Exchange Department of the Central Bank not later than 5:00 o'clock P.M. of the next business day, together with the following supporting schedules:

1. Daily Foreign Exchange Acquisitions (Form No. FED-10A)
2. Daily Foreign Exchange Dispositions (Form No. FED-10B)
3. Foreign Exchange Acquisitions from Exports (FED-10A-1)
4. Schedule of Receipts Listed Under Items 4 to 10 of Form No. FED-10A (Form No. FED-10A-2)
5. Foreign Exchange Sold in Payment of Imports (Form No. FED-10B-1)
6. Schedule of Payments Listed Under Items 4 to 10 of Form No. FED-10B (Form No. FED-10B-2)

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

January 28, 1958
Encl.

(Name of Bank)

DAILY SUMMARY OF FOREIGN EXCHANGE TRANSACTIONS
AS OF
(In U.S. Dollars)

	<u>Debit</u>	<u>Credit</u>	<u>Balance at Close of Business</u>
A. FOREIGN EXCHANGE HOLDINGS			
1. Due From Banks abroad			
a) Regular	_____	_____	_____
b) Barter	_____	_____	_____
2. Due from H.O., branches and agencies abroad			
a) Regular	_____	_____	_____
b) Barter	_____	_____	_____
3. Export bills purchased			
a) Sight	_____	_____	_____
b) Usance	_____	_____	_____
4. Drafts bought and other items in transit	_____	_____	_____
5. Loans and advances in foreign currency	_____	_____	_____
6. Investment in foreign securities	_____	_____	_____
7. Foreign currencies on hand			
a) U.S. Currency	_____	_____	_____
b) Other foreign currency	_____	_____	_____
8. Other foreign currency assets (itemized)	_____	_____	_____
T o t a l	_____	_____	_____
B. FOREIGN EXCHANGE LIABILITIES ¹			
1. Due to Banks abroad			
a) Foreign currency liabilities ..	_____	_____	_____
b) Peso liabilities	_____	_____	_____
2. Due to H.O., branches and agencies abroad			
a) Foreign currency liabilities ..	_____	_____	_____
b) Peso liabilities	_____	_____	_____
3. Special foreign currency accounts licensed by the Exchange Control Dept.	_____	_____	_____
4. Drafts issued outstanding	_____	_____	_____
5. U.S. Government dollar deposits ..	_____	_____	_____
6. Other foreign currency liabilities ²			
a) Payable within 90 days	_____	_____	_____
b) Payable after 90 days	_____	_____	_____
T o t a l	_____	_____	_____
C. A minus B			_____

¹ All liabilities not yet licensed by the Central Bank for remittance should be itemized separately.
² Exclude liabilities incurred under special special U.S. loans.

D. ADDITIONAL INFORMATION:

(or OTHER FOREIGN CURRENCY DATA)

1. Commercial L/C's and A/P's outstanding
- a. Regular
 - (1) U. S. Banks
 - (2) Foreign Banks
- b. Under special financing arrangement with U.S. Government (I.C.A., I.M.G., U.S. Public Law 480, etc.)
- c. No-dollar imports
- d. Export-Import Bank
2. Travelers L/C's outstanding
3. Import bills received for collection
4. Outward bills taken for collection
5. Non-resident peso blocked accounts
6. Future exchange sold outstanding
7. Future exchange purchased outstanding
8. Foreign currency accounts (excluding item B 2 above)
9. Liabilities under special U.S. loans

Signature of Authorized Officer

(Name of Bank)

DAILY FOREIGN EXCHANGE ACQUISITIONS

On

(In U.S. Dollars)

1. MERCHANDISE EXPORTS:	
a) To the United States	_____
b) To other countries	_____
2. OVERSEAS FREIGHT ON EXPORTS:	
a) Paid to Philippine companies	_____
b) Paid to Foreign companies	_____
3. INSURANCE ON EXPORTS	_____
4. SERVICE	_____
5. TOURISM & PERSONAL EXPENSES OF TRANSIENTS	_____
6. UNITED STATES GOVERNMENT EXPENDITURES:	
a) Peso purchases	_____
b) Treasury warrants	_____
7. OTHER FOREIGN GOVERNMENT EXPENDITURES:	
a) Diplomatic and Consular expenditures	_____
b) Others	_____
8. INWARD INVESTMENT REMITTANCES:	
a) Capital for investment in the Philippines	_____
b) Withdrawal of Philippine investments abroad	_____
c) Earnings, profits and dividends	_____
d) Others	_____
9. DONATIONS AND CONTRIBUTIONS:	
a) Personal remittances	_____
b) Remittances of non-government institutions	_____
c) Other private transfers	_____
10. MISCELLANEOUS SOURCES:	
a) Settlement of obligations	_____
b) Insurance benefits and premiums	_____
c) Cancellation and refund	_____
d) Unclassified	_____
e) Adjustments	_____
11. SUB-TOTAL (Items 1 thru 10)	_____
12. FOREIGN EXCHANGE ACQUIRED WITH PESOS FROM BANKS:	
a) Purchases from Central Bank	_____
b) Purchases from other local banks	_____
13. CONTRA FOREIGN EXCHANGE ENTRIES:	
a)	_____
b)	_____
c)	_____
TOTAL DEBIT ENTRIES (Items 11, 12 and 13)	_____

Signature of Authorized Officer

(Name of Bank)

DAILY FOREIGN EXCHANGE DISPOSITIONS

On

(In U.S. Dollars)

1. **MERCHANDISE IMPORTS:**
 - a) From the United States
 - b) From other countries
 2. **OVERSEAS FREIGHT ON IMPORTS:**
 - a) Paid to Philippine companies
 - b) Paid to Foreign companies
 3. **INSURANCE ON IMPORTS**
 4. **SERVICES:**
 - a) Rent on imported films
 - b) Communications
 - c) Others
 - d) Interbranch operations
 5. **TRAVEL:**
 - a) Business
 - b) Others
 6. **EDUC., SUBSISTENCE & SIMILAR EXPENSES ABROAD:**
 - a) Students
 - b) Others
 7. **PHILIPPINE GOVERNMENT EXPENDITURES ABROAD:**
 - a) Diplomatic and Consular expenditures
 - b) Official travel expenditures
 - c) Other (excluding payment for merchandise)
 8. **INVESTMENT REMITTANCES:**
 - a) Capital for investment abroad
 - b) Withdrawal of investments in the Philippines
 - c) Earnings and profits
 - d) Others
 9. **DONATIONS AND CONTRIBUTIONS:**
 - a) Personal and institutional
 - b) Other private transfers
 10. **MISCELLANEOUS PURPOSES:**
 - a) Settlement of obligations
 - b) Insurance Premia
 - c) Cancellation and refund
 - d) Sundry items
 - e) Adjustments
 11. **SUB-TOTAL (ITEMS 1 thru 10)**
 12. **FOREIGN EXCHANGE SOLD FOR PESOS TO BANKS:**
 - a) Sales to Central Bank
 - b) Sales to other banks
 13. **CONTRA FOREIGN EXCHANGE ENTRIES:**
 - a)
 - b)
 - c)
- CREDIT ENTRIES (Items 11, 12 and 13)**

Signature of Authorized Officer

FOREIGN EXCHANGE ACQUISITIONS FROM EXPORTS
(SCHEDULE TO ITEMS 1 AND 2 FORM NO. FED-10A)

On

Name of Exporters	Merchandise Exported	Country of Destination	License No	Date of Shipment	Method of Payment *	COSTS OF EXPORTS (U.S. \$ Equivalent)		
						F. O. B.	Freight & Insurance	C.I.F.

TOTAL

* Indicate currency if not denominated in U.S. Dollars.

FOREIGN EXCHANGE SOLD IN PAYMENT OF IMPORTS
(Schedule to Items 1 and 2 Form No. FED-10B)

Import License No.	Name of Importer	Merchandise Imported	Commodity Code	Country of Origin	\$ Amount Approved (Indicate Currency)	Method of Remit- tance	\$ C O S T O F I M P O R T S (U.S. Dollar Equivalent)		
							\$ F. O. B.	\$ Freight & Insurance	\$ C. I. F.

MEMORANDUM TO AUTHORIZED AGENT BANKS

Pursuant to Monetary Board Resolution No. 162 dated January 28, 1958, please be informed that effective immediately, all imports of machinery and equipment for essential industries approved by the Monetary Board and ordered directly by end-users shall be exempted from the marginal deposit requirements of Circular No. 79 dated December 9, 1957.

(Sgd.) M. CUADERNO, Sr.
Governor

January 31, 1958

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MEMORANDUM TO AUTHORIZED AGENT BANKS

In view of the issuance of Circular No. 79 on December 9, 1957, the following clarifications are hereby issued in connection with the preparation of the monthly reports of banks on DSE Form No. 11, "Consolidated Report of Available Reserves for Outstanding Import Letters of Credit:"

1. The amount to be reported in item 5, "Excess Reserves," appearing on DSE Form No. 11, "Consolidated Report of Available Reserves for Outstanding Import Letters of Credit," shall be the amount of excess reserves against deposit liabilities, as shown in item 4, "Excess (Deficiency) Reserves" appearing on DSE Form No. 1, "Report of Required and Available Reserves" *plus*: (a) the amount of government bonds used to cover margin requirement, as shown in item 3-b, "Government Bonds used to cover margin requirement," appearing on DSE Form No. 1-A; and *minus*: (b) the amount of margin cover required under Circular No. 79, as shown in item 2-e, "Total Required Balance," appearing on DSE Form No. 1-A, "Daily Consolidated Report of Required and Available Balance with the Central Bank under the Provisions of Circular No. 79."

2. Item 9, "Import Letters of Credit Outstanding (excluding ICA and PI-Japan Account)," appearing on DSE Form No. 11, shall also include letters of credit subject to the provisions of Circular No. 79.

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

February 6, 1958

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MEMORANDUM TO AUTHORIZED AGENT BANKS

In connection with Central Bank Circular No. 82 dated February 18, 1958 amending Circular No. 79, the following clarification is hereby issued for the information and guidance of all concerned:

Producers manufacturing essential or semi-essential goods shall be allowed to use their import quotas without the marginal cash deposit requirement provided under Circular No. 79 dated December 9, 1957.

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

February 25, 1958

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MEMORANDUM TO AUTHORIZED AGENT BANKS

Beginning with the second quarter of 1958, the following changes in the procedure of issuing the 17% special excise tax clearance, required in MAAB No. 1059, dated January 22, 1958, shall be observed in order to facilitate the issuance of such clearance:

1. Attached hereto and made part of this memorandum is a list of importers, producers and quota-holders whose tax liabilities with the Central Bank of the Philippines, as fiscal agent of the Government, have not been definitely settled. These firms shall procure a clearance from the Office of the Auditor, Central Bank of the Philippines. For this purpose, importers shall file their applications either on the form prescribed therefor or by letter, making reference in either case to the number and date of the clearance previously issued to them. All others, not appearing in this master list, are not required to get the said clearance.

2. Because the audit of the 17% special excise tax account is still in progress, Agent Banks will be requested from time to time to transmit to their clients letters of demand from the Office of the Auditor, Central Bank of the Philippines. The receipt of such letter by authorized agent banks shall have the following effects:

(a) The firm's name is automatically added to the Master List attached hereto;

(b) It shall automatically cancel any tax clearance previously issued to the said firm.

3. The Office of the Auditor, Central Bank of the Philippines shall, at least once a month, summarize these additions to the Master List, to be identified as Supplementary A, B, C, etc., which shall be furnished the Agent Banks.

In case of doubt, Agent Banks are enjoined to invariably require importers to obtain clearance from the Office of the Auditor.

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

March 22, 1958

CENTRAL BANK OF THE PHILIPPINES
Manila

MEMORANDUM TO AUTHORIZED AGENT BANKS

Please be advised that the Monetary Board, at its meeting held on October 16, 1958, decided to reduce from 200% to 100% the cash deposit requirement under Circular No. 79 dated December 9, 1957 for all letters of credit in foreign currencies, authorities to purchase in foreign currencies and all T/T or M/T remittances against import quotas including counterpart imports under barter licenses, for the importation of semi-essential consumer goods and non-essential producer goods as classified under the revised list of importable commodities, except as stated in paragraphs 4 and 5 of the aforesaid circular.

All other provisions of Circular 79, as clarified by MAAB dated December 17, 1957 and amended by Circular No. 83, shall remain in force.

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

October 23, 1958

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EXPORT DEPARTMENT

EXPORT DEPT. MEMORANDUM TO AUTHORIZED
AGENT BANKS NO. 30

**SUBJECT: Documents Required in the Processing
and Verification of Export Papers**

For the information and guidance of those to whom this may concern:

Attached hereto is a summary list of the documents required by the CB Export Department—before and after issuance of the export license—in the course of processing and verifying export papers related to an export shipment.

This summary information consists of the following parts:

- A. SUPPORTING PAPERS TO REPORTS OF FOREIGN SALES (CB:IED Form 101);
- B. SUPPORTING DOCUMENTS TO NEGOTIATED COPIES OF EXPORT LICENSE (CB:IED Form 102);
- C. ACCOUNTING FOR UNDRAWN PROCEEDS;
- D. NO DEDUCTIONS WITHOUT AUTHORIZATION;
- E. MISCELLANEOUS PROVISIONS; and
- F. APPENDIX — EXPLANATORY NOTES
— SHIPPING AND SHIPMENT INFORMATION FORM.

In case of hesitancy or doubt, the agent bank should request for illumination on the manner and method of accomplishing the documents referred to herein and required by the Central Bank Export Department. This will obviate return or disapproval of the sales report or applications for export license due to improper accomplishment thereof.

R. MARINO CORPUS
Special Assistant to the Governor

February 11, 1958

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A. *SUPPORTING PAPERS TO REPORTS OF FOREIGN SALES**
(CB:IED Form 101)

The report of foreign sales must be submitted twenty-four (24) hours of confirmation of the offer. The date of sale will be determined on the basis of such confirmation. In support of it, the exporter must submit the following:

1. Sales offer and confirmation or purchase offer and confirmation, either by cable or letter;
2. The formal contract evidencing the sale and specifying the full terms and conditions of the sales contract;
3. Shipping and shipment information (in supplementary sheet, form attached);
4. AAB certified true copy of covering letter of credit which must be presented to the CB Export Department for "Notation" before issuance of export license; however, the CB Export Department reserves the right to demand the letter of credit during the processing of the sales report whenever necessary to illuminate the terms of sale**;
5. AAB certification in case of payment made in advance by the importer;
6. Notarized Deed of Assignment, if letter of credit has been assigned;
7. Export Permit (Issued by the Office of the President) for banned items under the Export Control Law; and
8. Bureau of Forestry permit to export under-grade logs (below 75% sound).

(NOTE: Failure of the exporter to submit the supporting papers required above may delay release of the sales report.)

* See APPENDEX for more details about the supporting papers to the Report of Foreign Sales.

** This will cancel requirements of Export Department Memorandum to Authorized Agent Banks No. 15 re submission of copy of Letter of Credit with advance copy of export license.

B. SUPPORTING DOCUMENTS TO NEGOTIATED COPIES
OF EXPORT LICENSE
(CB:IED Form 102)

The following documents must be attached to the negotiated copies of the export license when surrendering them to the CB Export Department:

- (a) Copy of original of commercial invoice;
- (b) Copy of non-negotiable bill of lading;
- (c) Proof of insurance coverage; for C & I or C.I.F. basis;
- (d) Copy of Peso-Freight License whenever freight is prepaid in the Philippines
- (e) Copy of original of export entry bearing Customs approval stamp;
- (f) A set of specification tally sheets (Log Invoice);
- (g) AAB certified true copy of letter of credit duly noted by the CB Export Department;
- (h) Original copy of covering Report of Foreign Sales (CB:IED Form 101) in case of final shipment;
- (i) Copy of the written statement submitted by the exporter to the Customs explaining reason for short shipment, duly acknowledged by Customs official at the loading port or a certification from the master of the vessel or its agents in case short shipment is due to "shut out";
- (j) Copy of letter of undertaking to account for the undrawn proceeds within the prescribed period; and
- (k) Government Certificate of Identification:
 - (1) Bureau of Forestry Inspection Certificate for logs and lumber
 - (2) Fiber Inspection Service Certificate for fibers
 - (3) PHILCOA Certification of Inspection for copra and coconut oil
 - (4) BIR Inspection Certificate for leaf tobacco
 - (5) Bureau of Commerce Inspection Certificate for shells, gum copal and rattan poles
 - (6) Bureau of Fisheries Certificate for marine products
 - (7) Bureau of Mines Assay Report for ores.

If the export license is not utilized, the original copy shall be surrendered to the Central Bank for cancellation with a letter explaining reason for non-shipment of goods.

Additional Papers — After Unloading

Within thirty (30) days after unloading at port of discharge, the exporter shall forward to the Export Department, Central Bank, through its agent bank, the following papers:

(1) A copy of the Customs import entry stamped "Received" at and bearing the seal of the Customs at the port of destination and a signed copy of the Custom's Weigher's, Inspector's, Examiner's, or Appraiser's report. This shall be required of all shipments other than those with initial drawing. (For those with initial drawings see Item C).

(2) In lieu of requirement (1), a Delivery Verification Report issued by the Bureau of Customs at the port of discharge may be submitted.

(3) For shipment of logs, a copy of the re-measurement list certified by scaling association or independent surveyor at the port of destination.

C. ACCOUNTING FOR UNDRAWN PROCEEDS

The residual balance of export proceeds against which initial drawing of less than the full invoice value have been authorized must be surrendered to the Central Bank within a period of one hundred and twenty (120) days from the date of shipment, except such proceeds flowing out of shipments to European countries which may be made within a period of one hundred and fifty (150) days from date of shipment.

Accounting for such undrawn proceeds must be reported to the Central Bank Export Department through the agent bank, in a Liquidation Statement supported by:

- (a) Certificate of weight or analysis issued by a public weigh-master or a reputable superintendence firm at the port of destination properly confirmed by the buyer.
- (b) A copy of the Customs import entry stamped "Received" at and bearing the seal of the Customs at the port of destination and a signed copy of the Customs Weigher's, Examiner's, Inspector's or Appraiser's report.
- (c) In lieu of requirement (b), a Delivery Verification Report issued by the Bureau of Customs at the port of discharge may be submitted.
- (d) Copy original of the final invoice to the *ultimate consignee or end-user*, if the export shipment is made through broker or agent claiming commission.
- (e) Copy original of the bill of expenses such as sampling charge, weighing and taring charge, surveying fee, freight and insurance, etc.
- (f) Copy original of accounting evidence that "commission" had been paid to and received by consignee as declared by the exporter.

In the case of *copra*, in addition to the documents enumerated above, submit also a copy of the certificate of analysis for FFA (Free Fatty Acids) and moisture content issued by independent chemists.

In the case of *sugar*, in addition to the above documents, a copy of the summary of Polarization.

In the case of *ores*, submit together with the documents listed above, a copy of the certificate of analysis issued by independent analysts at port of destination.

Shipped Weight Final

In case of drawings based on "shipped weight final", the exporter shall likewise be required to render an accounting for proceeds and submit necessary documents to support any deduction made therefrom.

D. NO DEDUCTIONS WITHOUT AUTHORIZATION

Sales Reports containing items of deductions may be released only subject to the following conditions:

1. That no retentions of export proceeds in the form of deductions shall be made without the prior advice of and consent of the Central Bank;
2. That such retentions by deductions if resorted to must be supported by satisfactory proof that such practice is the custom and usage of the trade. The satisfactory proof must be from a third and independent party and not in a self-serving declaration by the Importer or Exporter; and
3. That "retentions" of export proceeds for so-called deductions must be accounted for item for item and amount for amount in which such disbursements or payments must be supported by the proper vouchers, receipts, statements, etc.

E. MISCELLANEOUS PROVISIONS

In cases where payments has been received in advance by any means other than the letter of credit, a bank certification to this effect will suffice.

Irrevocable letter of credit which provides for drawing at sight is required to cover the following:

1. Export shipments of copra and coconut oil
2. Export shipments to Guam, Hongkong, Taiwan, Indonesia and Japan

3. Export shipments of watchlisted firms
4. Export shipments of scrap metals
5. Export shipments under Private Barter Permit issued by the Monetary Board.

F. APPENDIX — EXPLANATORY NOTES

SUBJECT: Supporting Papers to Reports of Foreign Sales (CB:IED Form 101)

To facilitate and expedite the processing of Reports of Foreign Sales (CB:IED Form 101), complete and essential information must be furnished to the Export Department with the following supporting papers:

1. The Offer and Confirmation
2. The Formal Contract
3. Covering Letter of Credit or Bank Certification of Advance Payment, if any
4. Charter Party or confirmed Booking Note (if required)

* * * * *

I. CONFIRMATION OF OFFER

For our purposes, the preliminary and tentative quotations furnished by a Philippine exporter to a prospective buyer abroad or an order dispatched by an overseas buyer to a Philippine exporter when accepted (confirmed) by either party is the Offer and Confirmation referred to here. While the *Offer and Confirmation* constitutes the basis of a valid (private) contract or agreement, the price quotation and other conditions are subject to the exchange control regulations. In the consideration of the offer and confirmation, credence will be given only to offer and confirmation in writing (letter or cable).

The importance of the confirmed offer is to pinpoint at the outset in the Report of Foreign Sales (CB:IED Form 101) the date of sale as a basis for determining the current market quotation on such a date for such a commodity. Export regulation requires that the declared export price must reflect the current market quotations.

To be submitted will be the letters and/or cables, exchanged between the parties, leading to the closure of sale. These should be submitted with the Report of Foreign Sales (CB:IED Form 101), twenty-four (24) hours of closing of sale in order to comply with Monetary Board Regula-

tion No. 5. Copy original of the cable/letter offer (to sell or to buy) must be submitted with the copy original of the cable/letter confirmation of such sale *plus* two (2) copies certified by an officer authorized to bind the firm or corporation. Copy original of the offer and confirmation will be returned to the exporter after verification against the duplicates which shall be retained by the Central Bank for its file. For easy and expeditious processing, the confirmation offer should contain enough information to disclose the specific commodity grade or classification, the unit price and terms of sale (i.e., FOB, CIF or C&I basis) the quantity involved, packing, the party contracting the vessel, date of shipment, method of payment, etc.

II. THE FORMAL SALES CONTRACT

This is the document which formalizes the terms and conditions and specifications of the sale as initially forged by the confirmed offer. Copy original of this contract will have to be submitted not necessarily within twenty-four (24) hours of confirmation of offer but necessarily prior to release by the CB Export Department of the approved Report of Foreign Sales. Where signatures appear, the signing parties must be authorized to bind the firm or corporation. The formal contract evidencing the export sale may take various forms and various names; thus, it may be the purchase note/order or confirmed purchase note/order or contract of sale/agreement, etc. Whatever the term used, the formal sales contract involving the exportation of Philippine product should contain as minimum information the following:

1. Full name and address of the parties to the contract;
2. Status of the named buyer in the Report of Foreign Sales, i.e., whether named buyer is an agent/broker and for whom OR whether named buyer is importing the Philippine product for his own account as distributor;
3. Unit price and quantity of each grade and aggregate value on FOB, C&I or CIF basis. The amount involved must be sufficient to pay for the cost of the exportation according to terms of delivery and price quotation. The terms of sale OR terms of delivery must be definite; i.e., FOB named vessel OR FOB named port of loading, CIF port of destination, etc.;
4. Nature of credit, whether irrevocable, assignable, etc.;
5. Name of issuing (opening) bank;
6. Latest date for establishing letter of credit;
7. Documents which must be in accordance with the documents required by the Central Bank depending on the commodity involved. (A summary list of required documents will be furnished on request.);

8. Ocean freights whether freight prepaid or freight collect as the case may be;
9. Partial shipment, indicating whether partial shipments permitted or not as the case may be;
10. Expiry date for negotiation or payment. The latest date for shipment may also be indicated; and
11. Reference to covering sales report by CB Reference Number.

III. COVERING LETTER OF CREDIT

The text and terms embodied in the letter of credit must substantially conform with the terms of the formal sales contract and of export regulations. Accordingly, the letter of credit should provide for the following:

1. Drawing at sight for full invoice cost, except in cases where initial drawings of less than the full invoice value have been authorized by the Central Bank of the Philippines;
2. The specific classification or grade of the commodity;*
3. Unit price and quantity of each grade and aggregate value on FOB, C&I, C&F or CIF basis (indicating all these at the back of the L/C if not sufficient to report on face of L/C);
4. Ports of loading and destination;
5. Whether partial shipment is allowed or not; and whether freight is prepaid or freight collect;
6. Expiry date for negotiation or payment and latest date for shipment;
7. Party effecting insurance and payment of freight charges;
8. Reference to relative sales contracts or purchase orders;
9. Buyer's import license number, issue and expiry dates (when shipments are destined to countries where import license is required); and
10. An undertaking that the amount represents the full sales/purchase price and that no deduction have been or will be made without specific authorization from the Central Bank of the Philippines.

* Should the Letter of Credit cover the value of *several* shipments, the shipper should present a copy (typewritten or photostat copy) whereby the information relating to grade, quantity and value will have to be itemized on the back thereof; and for the other separate and individual shipments, the same procedure will have to be followed-- submit copy of letter of credit and the itemization of the shipment at the back thereof.

Preferably, letters of credit should be opened directly in favor of the exporter who appears as a contracting party in the contract of sale. In case of assignable letter of credit, a deed of assignment together with a written statement from the exporter explaining why an assignment of letter of credit is being made should accompany the letter of credit.

In case the letter of credit embraces two or more commodities, mention must be made of the quantity and value for one and for the other commodity. Any subsequent modification must be evidenced by an amendment to the letter of credit. The face amount of the letter of credit shall not be less than the full invoice cost.

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EXPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 31

Subject: **Weighers & Samplers**

This is a supplement to the Import-Export Dept. Memorandum to Authorized Agent Banks No. 184, dated May 12, 1955, regarding the licensed samplers and weighers whose certifications are acceptable to the Central Bank of the Philippines.

Philippine exporters may now avail of the services of Kruthoffer & Doll, P.O. Box 656, Rotterdam, Holland, as samplers and weighers for copra and coconut oil discharged at the ports of Rotterdam, Amsterdam and Antwerp.

R. MARINO CORPUS

Special Assistant to the Governor

February 17, 1958

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EXPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 32

Subject: **Receiving and Releasing of Export Papers**

Effective immediately, the hours for the receiving and releasing of export papers across the counter of the Receiving & Releasing window of the Export Department shall be as follows:

Monday to Friday — 9:00 AM to 5:00 PM (no break)

This memorandum revokes Export Department Memorandum to Authorized Agent Banks No. 3 dated April 16, 1956, insofar as the hours of receiving and releasing of export papers are concerned.

MARIO P. MARCOS

(Assistant to the Governor)

Acting Director

March 21, 1958

EXPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 35

Subject: **Submission of Reports of Foreign Sales**
(CB:ED Form 101)

Export Regulation No. 5 dated May 21, 1952, as amended requires the submission to the Central Bank of the Reports of Foreign Sales of the exporters within 24 hours after the closing of the relative sales contracts.

Accordingly, agent banks are hereby requested to transmit to this office the Reports of Foreign Sales of their exporter-clients as early as possible, preferably on the same day that these Reports of Foreign Sales are filed with them by their exporter-clients.

(Sgd.) MARIO P. MARCOS
(Assistant to the Governor)
Acting Director

May 30, 1958

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EXPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 36

Subject: **Expiry Dates of Export Licenses Issued**
by Authorized Agent Banks

Effective immediately, the following rules shall be observed in connection with the expiry dates of export licenses (CB:IED Form 102) issued by authorized agent banks against duly approved Reports of Foreign Sales (CB:IED Form 101):

1. The expiry date of an export license covering a shipment financed by a letter of credit wherein a delivery period is specified shall not go beyond such delivery period or the expiry date of the corresponding report of foreign sales or fifteen (15) days from the issuance of the export license, whichever is earlier.
2. The expiry date of an export license covering a shipment financed by a letter of credit wherein no delivery period is specified, shall not go beyond the period indicated in the letter of credit for the negotiation of the relative shipping documents or the expiry date of the corresponding report of foreign sales or 15 days from the issuance of the export license, whichever is earlier.

3. The expiry date of an export license covering a shipment financed by other methods of payment shall not go beyond the expiry date of the corresponding report of foreign sales or fifteen (15) days from the date of issuance of the export license, whichever is earlier.
4. An export license with an expiry date extending beyond the expiry date of the corresponding report of foreign sales may be issued by an authorized agent bank only upon prior authorization by the Central Bank Export Department.
5. Requests for extension of the original expiry dates indicated in export licenses issued by the authorized agent banks may be granted by the issuing banks subject to the following conditions:
 - a. If the shipment involved is covered by a letter of credit wherein a specific delivery period is stipulated, the extended expiry date shall not go beyond such delivery period or the expiry date of the corresponding report of foreign sales or fifteen (15) days from the original expiry date of the export license, whichever is earlier.
 - b. If the shipment involved is covered by a letter of credit wherein no specific delivery period is indicated, the extended expiry date shall not go beyond the period specified in the letter of credit for the negotiation of the relative shipping documents or the expiry date of the corresponding report of foreign sales or fifteen (15) days from the original expiry date of the export license, whichever is earlier.
 - c. If the shipment involved is financed by other methods of payment, the extended expiry date shall not go beyond the expiry date of the corresponding report of foreign sales or fifteen (15) days from the original expiry date of the export license, whichever is earlier.

Requests to extend the original expiry dates of export licenses issued by the authorized agent banks beyond the expiry dates of the corresponding reports of foreign sales shall be forwarded to the Central Bank Export Department for final action.

The expiry date of an export license shall be understood as the last day within which the articles, goods and/or commodities proposed for export may be shipped.

(Sgd.) MARIO P. MARCOS
(Assistant to the Governor)
Acting Director

May 30, 1958

EXPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 38

August 18, 1958

**SUBJECT: Re-export of Raw Cotton and Cotton Waste
Imported Under the Mutual Security Program**

In accordance with an official advice from the Director, International Cooperation Administration, United States of America Operations Mission to the Philippines, Manila, all Authorized Agent Banks are hereby informed that cotton waste remaining after the processing of Philippine imported raw cotton being financed under Section 402 of the Mutual Security Program are covered by United States laws. They are, therefore, subject to the provision prohibiting their disposition to the Soviet Bloc, Communist China, North Korea, Macao, Hongkong, or Communist controlled areas of Viet Nam, and Laos, unless otherwise authorized by the United States Government.

The cotton waste from such importations is considered by the United States Government as a semi-manufacture and still identifiable as of U.S. origin and, therefore, subject to the same re-export restrictions as cotton.

(Sgd.) MARIO P. MARCOS
(Assistant to the Governor)
Acting Director

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EXPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 39

December 2, 1958

**SUBJECT: Amendment to Memorandum to Authorized Agent
Banks Nos. 6, 15, and 22**

For the information and guidance of all concerned, we are enumerating hereunder certain changes in the handling of export papers and in licensing procedure which are, in effect, amendments to our Memorandum to Authorized Agent Banks Nos. 6, 15, and 22, dated May 17, July 23, and November 19, 1956, respectively:

1. *Re: Memorandum to Authorized Agent Banks No. 6*

The copies of the peso freight licenses issued by authorized agent banks for export shipments with dollar payments shall be submitted to the Export Department together with the cor-

responding negotiated export licenses as prescribed in Export Department Memorandum to Authorized Agent Banks No. 30 dated February 11, 1958. This revokes the previous requirement that copies of such peso freight licenses be submitted to the Export Department within 24 hours after issuance.

The copies of peso freight license issued by authorized agent banks for export shipments without dollar payments need not be submitted to the Export Department anymore.

2. *Re: Memorandum to Authorized Agent Banks No. 15*

The copies of export licenses for shipments to Japan and Guam will be distributed in the same manner as export licenses for shipments to the United States and other countries, to wit:

Original	to the Bureau of Customs
Duplicate	to be forwarded to the Export Department with the required supporting documents within two days after negotiation.
Triplicate	to be forwarded to the Export Department upon receipt of the corresponding foreign exchange payments.

Extra copies of such export licenses, which were previously required to be submitted on or before 10:00 of the day following the date of issuance, need not be submitted anymore.

Provincial branches of agent banks may now issue export licenses (CB:IED Form 102) for all export shipments originating from ports outside Manila, including those destined for Japan and Guam.

Applications for Registration to Trade with Japan (CB:ED Form 105) are no longer required of exporters desiring to trade with that country.

3. *Re: Memorandum to Authorized Agent Banks No. 22*

Paragraph 2(1) of this memorandum which reads

"On or before 10:00 of the morning following the day the license was issued, authorized agent bank will furnish the Export Department with copy of the issued Export License, to which is attached the export invoice."

is hereby revoked.

This memorandum shall take effect immediately.

(Sgd.) MARIO P. MARCOS
(Assistant to the Governor)
Acting Director

EXPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 77

June 2, 1958

SUBJECT: Indorsements of Liquidation Statements and
Triplicate Copies of Negotiated Licenses

Hereafter, it is requested that liquidation statements submitted to the Export Department be stamped with a certification of payment at the back thereof in the form illustrated below, for the net proceeds received:

We hereby certify that payment of the net amount indicated on this Liquidation Statement has been received.	
Date Payment Received:	
A m o u n t	:
Export License Number:	
..... (Name of Authorized Agent Bank)	
..... (Signature of Authorized Official)	
..... (Position of Signing Official)	

Triplicate copies of negotiated export licenses surrendered to the Export Department, likewise, should bear a certification of payment at the back, as follows:

We hereby certify that payment of this shipment has been received.	
Date Payment Received:	
A m o u n t	:
..... (Name of Authorized Agent Bank)	
..... (Signature of Authorized Official)	
..... (Position of Signing Official)	

The cooperation of all Agent Banks on this matter will be highly appreciated.

(Sgd.) MARIO P. MARCOS
(Assistant to the Governor)
Acting Director

EXCHANGE CONTROL DEPARTMENT
MEMORANDUM TO AUTHORIZED AGENTS

Effective immediately all applications for foreign exchange covering travel for the purpose of studying abroad in a college or university shall, in addition to the usual supporting documents, be accompanied by EC Form No. 103-1(S) (Additional Information Required of Students). No application for travel for the aforementioned purpose will be accepted unless the said form, properly accomplished, is submitted.

(Sgd.) AMADO R. BRIÑAS
Acting Director

January 3, 1958
/agc.

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EXCHANGE CONTROL DEPARTMENT
MEMORANDUM TO AUTHORIZED AGENTS

Subject: Remittance of Maintenance Allowances for February and March, 1958, of Students Attending Educational Institutions Abroad

1. Authorized Agents are requested to defer the sale to their clients of foreign exchange for maintenance allowances corresponding to the month of February, 1958, of students enrolled in foreign educational institutions who are dependents of Filipinos as well as alien Philippine residents, unless they can present evidences that the request contained in our Memorandum to Authorized Agents and in a Central Bank press release of December 4, 1957, relative to the submission of required information about said students, has been complied with. The desired data on students was due in the Exchange Statistics Division of the Exchange Control Department on December 20, 1957.

2. Authorized Agents are further requested to direct their clients to submit to the Exchange Control Department, not later than February 28, 1958, the following:

a) A certified transcript of grades for subjects or courses completed by the student during the semester or term ending in January, 1958; and

b) A certificate of enrollment covering the spring term (February-June, 1958), indicating the course/s of study being pursued, the degree to be obtained, and the period of time still required to complete the course/s being pursued.

Maintenance allowance for the month of March, 1958, shall not be remitted unless the foregoing have been complied with.

(Sgd.) AMADO R. BRIÑAS
Acting Director

January 27, 1958

EXCHANGE CONTROL DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENTS

With respect to our Memorandum to Authorized Agents dated January 27, 1958 and in view of a cable received from the Philippine Ambassador to Spain, maintenance of students in Spain may be remitted notwithstanding non-submittal of the certified transcript of grades for subjects or courses completed during the semester or term ending in January, 1958, required under paragraph 2, sub-section (a).

The abovementioned transcript of grades should, however, be submitted at the end of the school term in June, 1958.

(Sgd.) AMADO R. BRIÑAS
Acting Director

February 26, 1958

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EXCHANGE CONTROL DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENTS

In attention to a number of queries received on the matter, Authorized Agents are hereby informed that in lieu of the transcript of grades required under Memorandum to Authorized Agents dated January 27, 1958, a certificate from the school, college or university, that the grades are to be issued at a future date, shall in the meantime be sufficient for purposes of giving due course to applications for monthly maintenance allowances and other authorized remittances to students abroad.

(Sgd.) AMADO R. BRIÑAS
Acting Director

March 3, 1958

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MEMORANDUM TO AUTHORIZED AGENTS

For the information and guidance of all concerned, the Central Bank has proved the following measures to reduce and minimize the outflow of foreign exchange for non-life insurance and reinsurance premiums:

- A. *On remittances of premium collections on direct insurance by local agents or branch offices of foreign non-life insurance companies licensed to do business in the Philippines—*

1. Remittances of net (of commissions, claims and other expenses) premium collections on direct insurance of foreign non-life insurance companies licensed to do business in the Philippines to their head offices abroad shall be limited to only twenty per cent (20%) of such net (of commissions, claims and other expenses) premium collections effective with the premiums on insurance for periods subsequent to March 31, 1958, the remittance of the said 20% to be permitted for a period of one year, or up to March 31, 1959. Thereafter, remittances of this nature shall be the subject of further review.
 2. The remaining 50% of the net premium collections on insurance for periods up to March 31, 1958, which has not been licensed by the Exchange Control Department for remittance abroad shall be treated as "blocked accounts".
- B. *On remittances in payment of premiums under reinsurance treaties between local companies and foreign reinsurers —*
1. Local direct-writing companies which have reinsurance treaties with foreign reinsurers will be given until January 1, 1959 within which to conclude, if they have not already done so, treaties providing for reciprocal reinsurance or treaties wherein they (the local companies) will be the reinsurers. Such treaties should, within a reasonable period of time, be expected to match in foreign exchange, as much as possible, receipts in the form of reinsurance premiums, the foreign exchange disbursements for reinsurance premiums. The overseas business ceded to the local companies should, as much as possible, match the business ceded abroad by the local companies not only as to premium income but also as to profitability.
 2. The following shall be the minimum requirements in the percentage reciprocity for the various kinds of non-life reinsurance treaties:

I. FIRE

a. *First Surplus*

55% reciprocity by January 1, 1959

70% reciprocity by January 1, 1960; and

80% reciprocity by January 1, 1963.

b. *Second Surplus*

40% reciprocity by January 1, 1959
45% reciprocity by January 1, 1960; and
50% reciprocity by January 1, 1963.

c. *Retrocession*

30% reciprocity by January 1, 1959
40% reciprocity by January 1, 1960 and
50% reciprocity by January 1, 1963.

d. *Excess of Loss*

Each case to be studied by the Central Bank on its own merits.

NOTE: The inward foreign treaties to be acceptable to the Central Bank should be expected to give the following results:

<i>In Exchange for</i>	<i>Expected Profitability</i>
a. First Surplus	at least 10%
b. Second Surplus & Retrocession	at least 6%

In order that the Central Bank can determine this, the statistics of the foreign treaties showing premium income, losses incurred, expenses, net profit or loss for the past three years, should be furnished the Central Bank. The Central Bank may accord interim approval of all treaties negotiated to take effect as of 1 January 1958; provided the local company concerned duly certifies that the foreign treaties under consideration are accepted as reciprocity for the outward treaties and that they are expected to fulfill the requirements of the Central Bank with regard to the percentage of reciprocity and to profitability.

II. MARINE

Foreign reinsurance shall be allowed; provided no less than 25% is retained in the country either as retention of the writing company or as reinsurance to another domestic company with no further retrocession to any foreign company.

III. MOTOR CAR

Not more than 25% quota share shall be allowed to be reinsured abroad, this being intended only to enable the local company to obtain an Excess of Loss Cover. For companies without an Excess of Loss Cover, no foreign reinsurance shall be allowed. Exception, however, shall be given to those companies which cannot obtain reinsurance facilities in the local market. These companies after showing satisfactory proof that there is no local market for their business, shall be allowed to reinsure abroad.

IV. WORKMEN'S COMPENSATION

The same rule as in Motor Car Reinsurance shall apply.

V. PERSONAL ACCIDENT AND OTHER TYPES INCLUDING EXCESS OF LOSS

Each case shall be taken up by the Central Bank on its own merits.

VI. LARGE INDUSTRIAL RISKS

Foreign exchange for facultative or special reinsurance arrangements abroad shall be made available for large industrial risks only when the total amount of coverage exceeds ₱2,000,000; provided that at least 20% of the surplus remaining after the retention of the writing company and the cessions to its automatic reinsurance facilities is reinsured locally with domestic companies.

3. Should it be ascertained that portions of outgoing reinsurance cessions may be absorbed without retroceding by domestic reinsurance companies or reinsurance pools that may be formed and financed from local capital, the pertinent reinsurance treaties may be the subject of further review in the future with the end in view of availing, as much as possible, of the underwriting capacities of such domestic reinsurance companies or reinsurance pools.

- C. *On insurance of physical property and other non-life risks directly with foreign insurers abroad—*

The privilege presently being accorded to certain local firms of placing insurance on their physical property and other non-life risks directly with foreign insurers abroad because of the low premium rates involved shall be discontinued as soon as practicable in view of assurances that the said foreign premium rates can now be matched or approximated by local insurance companies.

It is understood that all provisions of existing Central Bank notifications, memoranda, and other communications inconsistent herewith are repealed, amended or modified accordingly.

(Sgd.) ANDRES V. CASTILLO
Acting Governor

June 23, 1958.

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MEMORANDUM TO AUTHORIZED AGENTS

**SUBJECT: Revised Rules on Educational Remittances for Students
Who Were Licensed to Study Abroad Prior to July 7, 1958**

For the information and guidance of all concerned, the Monetary Board has approved the following rules governing the licensing of students' applications for studies abroad:

- I. *For students (citizens of the Philippines or aliens) who were licensed to study abroad prior to March 8, 1956:*
 - a) Maintenance allowances for students who were licensed to study abroad to pursue high school or elementary courses shall not extend beyond August 31, 1958.
 - b) Where the student was licensed to pursue an undergraduate course (collegiate level) and is still pursuing an undergraduate course, his maintenance allowances shall not extend beyond August 31, 1958, unless he has been abroad for less than four years as of August 31, 1958, in which case he may be allowed maintenance allowances for a total period of four years.
 - c) Where the student was licensed to pursue an undergraduate course (collegiate level) and had shifted on or after March 8, 1956 to another undergraduate course (collegiate level) which is not highly technical in nature and is still pursuing such course, his maintenance allowances shall not extend beyond August 31, 1958.

- d) Where the student was licensed to pursue an undergraduate course (collegiate level) and had shifted after March 8, 1956 to another undergraduate course which is highly technical in nature, his maintenance allowances may be continued up to the school term ending in January, 1959. Further continuance of maintenance allowances after January, 1959 shall be considered on a case-to-case basis depending upon the particular merits of the student concerned and the importance of the technical course being pursued.
- e) Where the student was licensed to pursue an undergraduate course (collegiate level) and upon completion of such course had enrolled in a postgraduate course leading to a master's degree, his maintenance allowances shall terminate after the expiration of two years from the date he began pursuing the said postgraduate course; however, if the said two-year period has already elapsed, maintenance allowances shall not extend beyond August 31, 1958. If the student is currently pursuing a course leading to a doctorate degree (having obtained a master's degree), his maintenance allowances may be continued until the expiration of two years from the date he began pursuing the said course; however, if the said two-year period has already elapsed, maintenance allowances shall not extend beyond August 31, 1958.
- f) Where a student was licensed to pursue a postgraduate course whether or not leading to a master's degree, his maintenance allowances shall terminate after the expiration of two years from the date he began pursuing such postgraduate course; however, if the said two-year period has already elapsed, maintenance allowances shall not extend beyond August 31, 1958. Where the student is currently enrolled in a course leading to a doctorate degree, his maintenance allowances shall terminate after the expiration of two years from the date he began pursuing such course; however, if the said two-year period has already elapsed, maintenance allowances shall not extend beyond August 31, 1958.
- g) Where a student was licensed to pursue a postgraduate course leading to a doctorate degree, his maintenance allowances shall terminate after the expiration of three years from the date he began pursuing such postgraduate course; however, if the said three-year period has already elapsed, maintenance allowances shall not extend beyond August 31, 1958.

II. *For students (citizens of the Philippines or aliens) who were licensed to study abroad on or after March 8, 1956, but prior to July 7, 1958:*

- a) Maintenance allowances of students who were licensed to pursue a postgraduate course leading to a master's degree shall terminate after the expiration of two years from the date he began pursuing the said postgraduate course. However, if the said two-year period has already elapsed, maintenance allowances shall not extend beyond August 31, 1958.
- b) If the student is currently pursuing a doctorate degree, his maintenance allowances shall terminate at the close of the three-year period from the date he commenced his study abroad.

(Sgd.) ANDRES V. CASTILLO
Acting Governor

July 15, 1958

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MEMORANDUM TO AUTHORIZED AGENTS

SUBJECT: **Revised Rules on Licensing of new students for study abroad.**

For the information and guidance of all concerned, the Monetary Board has approved the following rules governing the licensing of students' applications for studies abroad:

For new students desiring to study abroad:—

In the allocation of dollars for new students desiring to study abroad, a system of priorities has been established. For this system of priorities, the following shall serve as bases: (a) Fields of Study, and (b) Academic Background and Capacity to Benefit from Advance Instruction.

A. To serve as such basis, the fields of study hereunder enumerated are given corresponding points as follows:

1. Engineering (Graduate level) 100 points
 - a. Industrial
 - b. Metallurgical
 - c. Ceramic engineering
 - d. Chemical
 - e. Electrical (electronics)

2. Physics (Graduate level)	95 points
a. General and/or theoretical	
3. Geology (petrology, minerology, geophysics oil, etc.) (Graduate level)	90 points
4. Chemistry (Graduate level)	85 points
a. Synthetic (plastics, etc.)	
b. Pulp and paper	
5. Economics (Graduate level)	80 points
a. Money and Banking	
b. General and theoretical	
6. Biology or Basic Medical Sciences (Graduate level)	75 points
a. Physiology	
b. Anatomy	
c. Biochemistry	
d. Biophysics	
e. Human genetics	
f. Nuclear medicine	
7. Agriculture (Graduate level)	70 points
a. Agricultural economics	
b. Agricultural engineering	
c. Biological (genetics, botany, agronomy, soils, plant pathology, entymology, etc.)	
8. Fisheries (Graduate and undergraduate levels) ..	65 points
a. Deep-sea fishing and oceanography	
b. Fish culture	
9. Forestry (Graduate and undergraduate levels) ..	60 points
a. Wood technology	
b. Forest products utilization	
c. Conservation and reforestation	
10. Mathematics (Graduate level)	55 points
a. Actuarial	
b. Pure and applied	
11. Sociology and Anthropology (Graduate level) ..	50 points
a. Rural development	
b. Demography	
c. Archeology	
12. Law (Graduate level)	45 points
a. Jurisprudence	

- | | |
|---|-----------|
| 13. Psychology (Graduate level) | 40 points |
| a. Psychiatry | |
| b. Mental health | |
| 14. Humanities (Graduate level) | 35 points |
| 15. All other graduate studies | 25 points |
| 16. All other undergraduate studies | 20 points |
- B. To serve as such basis, the academic background and capacity to benefit from advance instruction are classified and given corresponding points as follows:
- | | |
|--|-----------|
| 1. School from which applicant had graduated | |
| a. University of the Philippines | 30 points |
| b. All others | 25 points |
| 2. Scholastic record of applicant | |
| a. Average of 93 or over | 30 points |
| b. Average of 88 to 92 | 25 points |
| c. Average of 80 to 87 | 20 points |
| d. Average of 75 to 79 | 15 points |
| e. Below 75 strictly prohibited to go on study | |
| f. In lieu of the foregoing, where applicant obtained one of the first three places in a government board examination with at least fifty examinees, or one of the first six places in a field of at least one hundred examinees | 30 points |
| 3. Age | |
| a. 20-25 years | 30 points |
| b. 26-30 " | 25 points |
| c. 31-35 " | 20 points |
| d. 36-40 " | 15 points |
| e. 41-45 " | 10 points |
| f. Above 45 years | 0 point |
| 4. School in which applicant intends to enroll | |
| a. Class A (Ivy League Big Ten, etc.) | 30 points |
| b. Class B | 20 points |
| c. Class C | 15 points |
| d. Class D All others | 5 points |
| 5. If applicable and for purposes of breaking a tie | |
| Additional points for having passed a Government Board Examination | 10 points |
| Having failed or not having taken the Exam .. | 0 point |

- C. To determine the priority points of each applicant, he is given a certain number of points in accordance with Basis A and a sub-total number of points under Basis B. The sum of points under A and B is the priority points of the said applicant.
- D. The rules for granting dollar requests are as follows:
1. An applicant must be a Philippine citizen.
 2. All applicants must be assigned priority points.
 3. The applicant receiving the highest priority points shall be given the highest priority; the one receiving the second highest shall be given the second priority; etc.
 4. Each grant must be for a period of one year, without prejudice to further renewals provided each renewal must not be for more than a year, depending upon creditable performance towards the achievement of the original purpose of the grant or for other good reasons.
 5. Any applicant who, after having been granted a priority corresponding to a field of study, changes his field of study shall forfeit the original priority and shall be assigned the priority corresponding to the new field of study to the extent that he becomes liable to lose his dollar allocation.
 6. Every grantee of dollar allocation shall make a report of his enrollment and a progress report at least three months before the expiration of his yearly grant. Both reports must be certified by competent university authority.
- E. The following students shall not be subject to the foregoing rules:
1. Government pensionados selected through competitive examination.
 2. Students whose foreign exchange requirements for tuition, board, and lodging, will be provided from abroad.

For the school term beginning September, 1958, the Board authorized the allocation of foreign exchange to meet the requirements of seventy (70) students who shall be chosen, in accordance with the aforementioned rules governing the licensing of new students desiring to study abroad, from among those who have filed, or who shall file, applications with the Exchange Control Department not later than July 31, 1958.

Interested parties are, therefore, advised to file their applications with the Exchange Control Department of this Bank not later than July 31, 1958, under E. C. Forms Nos. 103-1 and 103-1(S), accompanied by duly certified or authenticated documents embodying the necessary information and data as set forth in the foregoing rules.

(Sgd.) ANDRES V. CASTILLO
Acting Governor

July 15, 1958

EXCHANGE CONTROL DEPARTMENT

MEMORANDUM TO ALL AUTHORIZED AGENTS

All Authorized Agents are informed that in a resolution adopted on September 19, 1958, the Monetary Board decided that the existing policy on investment remittances shall be made to apply only to profits earned up to September 30, 1958. The remittance of profits earned thereafter shall be held in abeyance pending re-examination and review of the existing schedule.

Authorized Agents are requested to transmit this decision of the Monetary Board to all their clients.

(Sgd.) AMADO R. BRIÑAS
Acting Director

October 3, 1958

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CENTRAL BANK OF THE PHILIPPINES Manila

EXCHANGE CONTROL DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENTS AND AIRLINE AND SHIPPING COMPANIES

Authorized Agents and airlines and shipping companies are reminded that under Central Bank Circular No. 89 dated October 21, 1958, the amount of Philippine notes and coins which may be carried by travellers coming to or leaving the Philippines has been reduced from ₱100 to ₱20 each, provided the coins do not exceed ₱10 in the case of incoming third-class passengers and ₱5 in the case of outgoing travellers.

It is also advised that the Monetary Board has approved under Central Bank Circular No. 91 dated November 17, 1958, the use of a simplified currency declaration form for visitors entering the Philippines on E. C. Form No. 305, Revised. This revised currency declaration form is required to be accomplished by incoming temporary visitors entering the Philippines in one copy only. The incoming visitor shall present the accomplished currency declaration form at the pier or airport of entry to Central Bank Agents who shall stamp and return it to the visitor. The visitor shall keep his currency declaration until his departure and he may carry with him the foreign exchange and Philippine currency declared by him in said form. To meet his local needs he shall sell U. S. dollars

only to special tellers of the Central Bank at the pier or airport or to Authorized Agents of the Central Bank. At the time of his departure, the visitor shall surrender his currency declaration to Central Bank Agents at the pier or airport of departure, accompanied by the official receipts issued by the Central Bank special tellers and/or Authorized Agents of the Central Bank covering conversion of his U. S. dollars into Philippine currency during the visitor's stay in the country.

Authorized Agents and airline and shipping companies are requested to give utmost publicity to the foregoing changes in the regulations to all travellers availing of their facilities in order that the travellers may not suffer undue delay or inconvenience. They may also be informed that violations of the provisions of Central Bank Circulars are subject to the penal sanctions of the Central Bank Act.

Copies of E. C. Form No. 303, Revised (Currency Declaration of Philippine Residents Entering the Philippines), E. C. Form No. 304, Revised (Currency Declaration of Complement of Philippine Flag Carriers Leaving Philippine Ports and Airports for Places Abroad) and E. C. Form No. 305, Revised September, 1958 (Currency Declaration of Visitors Entering the Philippines) to meet their needs.

(Sgd.) AMADO R. BRIÑAS
Acting Director

November 17, 1958
Att.

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E. C. Form No. 303
(Revised November, 1958)

(To be accomplished in triplicate by every Philippine resident entering the Philippines)

CENTRAL BANK OF THE PHILIPPINES
Manila

EXCHANGE CONTROL DEPARTMENT

CURRENCY DECLARATION OF PHILIPPINE RESIDENTS
ENTERING THE PHILIPPINES

Name Sex Civil Status
Address in the Philippines
Passport No. Place & Date of Issue
Date of Arrival Name of Carrier

DECLARATION

I hereby declare that I brought with me into the Philippines the following foreign exchange and other currency:

U. S. Dollars

(a) Notes and Coins \$.....
(b) Others (Specify) \$.....
TOTAL \$.....

Other Currency (Specify)

(a)
(b)
TOTAL

I hereby further declare that I have read and understood the foregoing declaration, including the instructions at the back hereof and that all the statements made in said declaration are true and correct.

Date
..... (Signature of Declarant)

Verified by:

.....
(Central Bank Agent)

Official Receipt No.

Issued by

INSTRUCTIONS

1. This form shall be accomplished in triplicate. The original and duplicate shall be submitted to the Central Bank Agent at the point of entry and the triplicate retained by the person reporting.
2. Under Philippine exchange control regulations, a resident of the Philippines entering the Philippines from abroad must, at the time of entry, surrender and/or deposit with the representative of the Central Bank of the Philippines at the port or terminal of entry all foreign exchange carried by him or her. In places where there are no representatives of the Central Bank, the incoming Philippine resident shall sell all foreign exchange brought by him in whatever form to an Authorized Agent of the Central Bank within one (1) business day after arrival.
3. No person shall, without specific license from the Central Bank of the Philippines, bring into the Philippines, Philippine currency in excess of ₱20, of which the coins shall not exceed ₱10 if he/she is

an incoming third-class passenger. Plane travellers are considered first-class passengers.

4. Any violation of the foregoing will subject the offender to the penal provisions of Section 34 of Republic Act No. 265, which in part provides as follows:

"Whenever any person or entity wilfully violates this Act or any order, instruction, rule or regulation legally issued by the Monetary Board, the person or persons responsible for such violation shall be punished by a fine of not more than twenty thousand pesos and by imprisonment of not more than five years."

—o0o—

E. C. Form No. 304
(Revised November, 1958)

(To be executed in duplicate by every officer, crew or attendant of Philippine flag carriers leaving the Philippines for abroad)

CENTRAL BANK OF THE PHILIPPINES
Manila

EXCHANGE CONTROL DEPARTMENT

CURRENCY DECLARATION OF COMPLEMENT OF PHILIPPINE
FLAG CARRIERS LEAVING PHILIPPINE PORTS
OR AIRPORTS FOR PLACES ABROAD

Name Rank/Position
Name of Carrier Owner or Operator
Date of Departure Point of Departure
Destination
Length of Voyage or Trip

DECLARATION

I hereby declare that I am bringing with me the following foreign exchange and/or Philippine currency for which permission has been granted me by the Central Bank of the Philippines under License No. dated, 195.....:

Foreign Exchange

(a) Foreign notes and coins
(b) Travellers checks
(c) Drafts
(d)
TOTAL

Philippine Currency

(a) Notes P.....
(b) Coins P.....
(c) P.....
TOTAL P.....

I hereby further declare that I have read and/or understood the foregoing declaration, including the instructions at the back hereof and all the statements made in said declaration are true and correct.

Date
(Signature of Declarant)

Verified By:

Print Name
(Central Bank Agent)

INSTRUCTIONS

1. This form shall be accomplished in duplicate by every officer, crew or attendant on a Philippine flag carrier leaving the Philippines for a foreign port or airport. The original of the accomplished form, together with the license, if any granted by the Central Bank to the person reporting to take with him foreign exchange and/or Philippine currency shall be surrendered to the Central Bank representative at the pier or airport of departure and the duplicate retained by the declarant.
2. Under Philippine exchange control regulations, a resident of the Philippines desiring to leave the Philippines taking with him foreign exchange in whatever form and/or Philippine currency in excess of P20, of which the coins shall not exceed P5.00, must obtain a license from the Exchange Control Department.
3. Any violation of the foregoing shall subject the offender to the penal provisions of Section 34 of Republic Act No. 265 which in part reads as follows:

"Whenever any person or entity wilfully violates this Act or any order, instruction, rule or regulation legally issued by the Monetary Board, the person or persons responsible for such violation shall be punished by a fine of not more than twenty thousand pesos and by imprisonment of not more than five years."

CENTRAL BANK OF THE PHILIPPINES
Manila

EXCHANGE CONTROL DEPARTMENT

CURRENCY DECLARATION OF VISITORS ENTERING
THE PHILIPPINES

Name Citizenship
(In Print)

Date & Place Name of
of Arrival Carrier

DECLARATION

I hereby declare that I brought with me to the Philippines the following U. S. and other currency:

U. S. Currency

(a) Notes and Coins \$.....
(b) Others (Specify) \$.....
TOTAL \$.....

Other Currency

(a)
(b)
TOTAL

Date

.....
(Signature of Declarant)

N.B. — PLEASE OBSERVE CAREFULLY THE INSTRUCTIONS
PRINTED AT THE BACK OF THIS DECLARATION TO
AVOID INCONVENIENCE OR DELAY IN YOUR DE-
PARTURE.

INSTRUCTIONS

1. This Currency Declaration shall be accomplished by every temporary visitor entering the Philippines and shall be presented by him at the pier or airport of arrival to the Central Bank Agent who shall stamp and return it to the declarant.
2. The temporary visitor shall keep this Currency Declaration during his stay in the Philippines.
3. Temporary visitors shall exchange U. S. dollars only with:
 - a) Special Tellers of the Central Bank assigned at the piers and airport; and
 - b) Authorized Agents of the Central Bank of the Philippines listed below.
4. Upon his departure, the temporary visitor shall surrender this Currency Declaration to the Central Bank Agent at the pier or airport of departure, accompanied by the official receipts issued by Central Bank special tellers and/or Authorized Agents of the Central Bank covering conversion of U. S. dollars into pesos during his stay in the country.
5. Temporary visitors coming to the Philippines may not bring Philippine notes and coins in excess of ₱20 each, of which the coins shall not exceed ₱10 in the case of incoming third-class passengers. Departing temporary visitors may not bring out of the country Philippine notes and coins in excess of ₱20 each, of which the coins shall not exceed ₱5.00.

LIST OF AUTHORIZED AGENTS OF THE CENTRAL BANK

- | | |
|---|---------------------------------------|
| 1. Bank of America, NT&SA | 12. Philippine Bank of Communications |
| 2. Bank of the Philippine Islands | 13. Philippine Trust Company |
| 3. China Banking Corporation | 14. Philippine National Bank |
| 4. The Chartered Bank | 15. Prudential Bank & Trust Co. |
| 5. Commercial Bank & Trust Co. | 16. Security Bank & Trust Co. |
| 6. Equitable Banking Corporation | 17. Philippine Banking Corporation |
| 7. The First National City Bank of New York | 18. Manufacturers Bank & Trust Co. |
| 8. The Hongkong & Shanghai Banking Corp. | 19. The American Express Co. |
| 9. Pacific Banking Corporation | 20. Manila Hotel |
| 10. Peoples Bank & Trust Co. | 21. Bay View Hotel |
| 11. Philippine Bank of Commerce | 22. Shellborne Hotel |
| | 23. Filipinas Hotel |

MEMORANDUM TO ALL AUTHORIZED AGENTS

For the information and guidance of all Authorized Agents, the following answers to queries relating to blocked pesos of nonresidents which are required to be deposited in special blocked fiduciary accounts as a pre-condition to remittability, under the provisions of Central Bank Circular No. 90 dated October 22, 1958, are transcribed below:

- "1. Q. Whether or not peso accounts or credits in the books of accounts of residents in favor of nonresidents which are not deposited in special blocked fiduciary accounts under the provisions of Central Bank Circular No. 90 prior to December 15, 1958, may be invested in the Philippines without further licensing but with no right of remittance of capital or earnings thereof.
- A. Nonresident peso accounts or credits in the books of accounts of residents not deposited in special blocked fiduciary accounts under the provisions of Central Bank Circular No. 90 may be invested in the Philippines without further licensing but with no right of remittance, directly or indirectly, of capital or earnings. However, the funds involved shall not be used or invested in behalf of or for the account of another nonresident, or for any purpose in which peso funds belonging to residents may not be used under existing regulations.
- "2. Q. Whether or not a nonresident depositor in a special blocked fiduciary account, who is willing to forego all remittability and the privileges accorded to blocked peso funds, can withdraw in part or in whole for payment to a resident individual, resident legal entity, nonresident transient or to his or her ownself, from the blocked peso funds without the prior approval of the Exchange Control Department.
- A. A nonresident depositor in a special blocked fiduciary account who is willing to forego all remittability rights and the privileges accorded to blocked peso funds, can withdraw in whole or in part for payment to a resident individual or resident legal entity, except that such payment shall not be used to settle a debt, liability or obligation of a nonresident to the resident individual or legal entity which require payment in foreign exchange acceptable to the Central Bank under existing regulations. Payment may not be made to a nonresident transient, although it may be made to the depositor himself if he should come to the Philippines.
- "3. Q. Whether or not a nonresident who owns blocked funds deposited in a special blocked fiduciary account in a commercial bank, who

withdraws the funds from the special blocked fiduciary account with the understanding that he waives all remittability privileges, may be permitted to deposit the same funds in another account in the same or another bank on a resident basis.

- A. Blocked funds withdrawn by a nonresident from a special blocked fiduciary account with the understanding that all remittability privileges are waived, may be redeposited in the same or another bank in another account to be operated on a resident basis but credits to the resident account shall not be used to settle liabilities which are properly chargeable to the blocked fiduciary account.
- "4. Q. Whether or not proceeds of sale of properties of nonresidents, including Philippine domestic securities, may be allowed to be deposited in special blocked fiduciary accounts under the provisions of Central Bank Circular No. 90 and later used to buy gold under Central Bank Circular No. 73, as amended, or in any of the other permissible purposes under the same circular.
- A. Proceeds of sale of properties, including Philippine domestic securities belonging to nonresidents, may be deposited in a blocked fiduciary account under the provisions of Central Bank Circular No. 90, provided that the property involved was acquired in accordance with the exchange control regulations and the sale thereof was likewise in accordance with the regulations."

Authorized Agents are requested to transmit the contents of this memorandum to all their clients and to give the matter as much publicity as possible.

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

December 5, 1958

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MEMORANDUM TO ALL AUTHORIZED AGENTS

Authorized Agents are informed that for purposes of Central Bank Circular No. 90 dated October 22, 1958, the following amounts belonging to nonresidents need not be deposited in a special blocked fiduciary account on or before December 12, 1958:

1. Funds authorized to be remitted to nonresidents under unexpired exchange licenses issued by the Exchange Control Department;
2. Funds belonging to nonresidents which are remittable under existing exchange control regulations and for the remittance

of which applications have already been filed with the Exchange Control Department.

Authorized Agents are requested to transmit the contents of this memorandum to all their clients.

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

December 10, 1958

—o0o—

MEMORANDUM

DEPARTMENT OF LOANS AND CREDIT AND RURAL BANKS ADMINISTRATION

February 18, 1958

CB:RB MEMORANDUM CIRCULAR NO. 6
Series of 1958

TO : All Rural Banks

SUBJECT: Accounting for Interest on Bond Investment

For the information and guidance of all rural banks, the following procedure in the handling of interest on bond investment is hereby issued:

Before accounting for interest on bond investment can be made, it would be necessary to study the special features of the kind of bond currently being issued by the Government through the Central Bank of the Philippines.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT BOND

The Public Works and Economic Development bond is being issued by the Government through the Central Bank of the Philippines at an interest rate of 4% per annum, payable semi-annually, on February 16th and August 16th of each year, until maturity (1964). When a bond is purchased through the Central Bank, the purchaser will have to pay the holder thereof (Central Bank) the face value of the bond plus interest accrued from the last interest date to the date of acquisition or purchase. The purchaser, however, will be entitled to receive the full amount of interest for the six (6)

months' interest period which will be due on the next interest date following the date of purchase.

Example:

Assume that the rural bank purchased PW & ED bond for ₱1,000.00 on May 16, 1957. The Central Bank, the original holder of the bond, is entitled to interest for the period from February 16, 1957, last interest date, to May 16, 1957, date of sale, or equivalent to three (3) months' interest. Since the interest on bond investment is payable only to holders thereof at the interest date, the purchaser or the rural bank has to pay the original holder (Central Bank) the accrued interest in addition to the face value of the bond. Upon receipt of the Central Bank's "DEBIT MEMO" charging the rural bank's demand deposit for the purchase of the bond, the purchaser (rural bank) should take up the following entry:

Dr. Bond Investment	₱1,000.00	
Dr. Accrued Interest Receivable	10.00	
Cr. Due from Central Bank		₱1,010.00

On August 16, 1957, upon receipt of the check covering the interest earned on bond investment, the following entry should be made:

Dr. Checks and Other Cash Items ..	₱ 20.00	
Cr. Accrued Interest Receivable		₱ 10.00
Cr. Income (Interest on Bond Investment)		10.00

Adjustment as of December 31, 1957:

The interest earned on the above-cited bond investment from August 16, 1957 to December 31, 1957 at 4% per annum based on the face value of the bond should be taken up at the end of the year by making the following entry:

Dr. Accrued Interest Receivable —		
(Bond Investment)	₱ 15.00	
Cr. Income (Interest on Bond Investment)		₱ 15.00

Recording of Subsequent Receipts of Interest Payments:

On February 16, 1958, upon receipt of the check covering interest earned on bond investment from August 16, 1957, the following entry should be made:

Dr. Checks and Other Cash Items ..	P	20.00
Cr. Accrued Interest Receivable	P	15.00
Cr. Income (Interest on Bond Investment)		5.00

On August 16, 1958, the following should be the entry in taking up the interest on bond investment upon receipt of the check:

Dr. Checks and Other Cash Items ..	P	20.00
Cr. Income (Interest on Bond Investment)	P	20.00

OTHER KINDS OF BONDS HAVING SIMILAR FEATURES PURCHASED BY THE RURAL BANKS SHALL BE TAKEN UP IN THE SAME MANNER HEREIN PROVIDED.

AUGUSTO F. ESPIRITU
Director

—o0o—

DEPARTMENT OF LOANS AND CREDIT
AND RURAL BANKS ADMINISTRATION

March 19, 1958

CB:RB MEMORANDUM CIRCULAR NO. 7
Series of 1958

TO : All Rural Banks

Effective immediately, Rural Banks' remittance of payments to the Central Bank should be made in Philippine National Bank drafts. Demand drafts purchased from any Philippine National Bank branch or agency shall be charged a commission of not more than $1/32$ of 1%, minimum ₱1.00, by the Philippine National Bank for each draft purchased, in accordance with an agreement made with that Office.

This instruction shall not apply to Rural Banks making direct cash payments to the Central Bank or those which are maintaining any regular deposit (checking) account with any bank in Manila.

Above circular is being issued at the request of the Philippine National Bank to facilitate clearance of payments made by Rural Banks to the Central Bank.

AUGUSTO F. ESPIRITU
Director

DEPARTMENT OF LOANS AND CREDIT
AND RURAL BANKS ADMINISTRATION

May 13, 1958

CB:RB Memorandum Circular No. 8
Series of 1958

TO : All Rural Banks
SUBJECT: Remittance of Payments

It has been observed that our Memorandum Circular No. 7, Series of 1958, dated March 19, 1958, is not being strictly followed by some Rural Banks. Your attention is, therefore, being called to the provisions of said Circular for compliance.

To facilitate remittances of payment of account to the Central Bank, Rural Banks may also utilize reserve deposits with the Central Bank for such payment, provided:

1. That the Central Bank is duly advised in writing or a draft is drawn in favor of the Central Bank against said deposit.
2. That the balance of said reserve deposit, after deducting the payment, is more than sufficient to cover up the required legal reserve.

Drafts drawn against said account *for payment to third parties* will not be honored by the Central Bank.

Please be guided accordingly.

AUGUSTO F. ESPIRITU
Director

—o0o—

DEPARTMENT OF LOANS AND CREDIT
AND RURAL BANKS ADMINISTRATION

June 30, 1958

UNNUMBERED CIRCULAR
TO ALL RURAL BANKS

SUBJECT: COMPULSORY COVERAGE IN THE SOCIAL
SECURITY SYSTEM OF RURAL BANKS

For your information and guidance, we are quoting hereunder the dispositive portion of the opinion of the Central Bank's Legal Counsel regarding the above subject:

"... rural banks which have been in operation for at least two years and have, during the first year of the operation—September 1, 1957 to September 1, 1958—of the Social Security Commission at least fifty employees and rural banks which after September 1, 1958 have at least six employees are covered by the compulsory coverage clause of the "Social Security Act of 1954" as amended."

Rural Banks embraced under the above-quoted opinion should make it a point to register with the Social Security System in order to avoid any penalties for non-observance of the law.

AUGUSTO F. ESPIRITU
Director

—o0o—

DEPARTMENT OF LOANS AND CREDIT
AND RURAL BANKS ADMINISTRATION

March 13, 1958

MEMORANDUM
TO RURAL BANKS

SUBJECT: ENCASHMENT OF BONDS

For information and guidance of all rural banks concerned, hereunder is a set of instructions which should be followed in case they intend to encash their bonds which are in the custody of the Cashier, Central Bank of the Philippines, as part of their deposit reserves:

1. A board resolution must be adopted authorizing the President or any officer of the rural bank to assign the bonds to the Central Bank of the Philippines for payment and for such authorized officer to accept the proceeds thereof.

The resolution should set forth the name of the officer authorized as well as his official title and the name of the rural bank, as for instance, x x x x x x x x x x , President, Rural Bank of x x x x x x x x x x x x , Inc. x x x x x x x x x , Rizal. Copies of the resolution must bear the corporate seal certified by the secretary or custodian of the corporate records.

2. If the Board of Directors of the rural bank deems it wise, for reasons of expediency, to authorize persons other than its officers, say, the DIRECTOR, DEPARTMENT OF LOANS AND CREDIT AND RURAL BANKS ADMINISTRATION, then it should, by resolution, authorize an officer of the rural

bank to execute a power of attorney appointing the DIRECTOR, DEPARTMENT OF LOANS AND CREDIT AND RURAL BANKS ADMINISTRATION as the *attorney-in-fact* of the rural bank for the purpose.

THE ORIGINAL AND TWO (2) COPIES OF THE POWER OF ATTORNEY, DULY ACCOMPLISHED, MUST IN ALL CASES BE FILED WITH THIS OFFICE.

At least four (4) copies of the resolutions, as stated under Nos. 1 and 2, should likewise be submitted to this office.

Please be guided accordingly.

AUGUSTO F. ESPIRITU
Director

—o0o—

MEMORANDUM:

TO : All Rural Banks

SUBJECT: Remittance of Payment to the Central Bank of the Philippines,
Manila.

DATE : August 14, 1958

We have noted that some rural banks remit payments of their obligation with the Central Bank of the Philippines in checks drawn against their depository banks in the provinces, which is in complete disregard of the provisions of CB-RB Memorandum Circular Nos. 7 and 8, series 1958, dated March 19th and May 13th, respectively, on the subject "Remittance of Payments."

This practice cause much inconvenience in clearing the check because "Out-Of-Town Checks" have to be sent first to the depository bank in the provinces for collection before the proceeds thereof are applied to the respective rural banks' obligations.

Compliance of the aforementioned circulars is, therefore, enjoined.

Henceforth, this Office will be constrained to return to sender rural banks checks issued in payment of obligation with the Central Bank drawn against their provincial depositories.

AUGUSTO F. ESPIRITU
Director

August 21, 1958

Subject: Unpaid Capital Stock Subscriptions

Gentlemen:

We have noted that some rural banks have in their books unpaid subscriptions, long outstanding, but no effort has been made by members of their Board of Directors to make calls for these unpaid subscriptions, although they are in dire need of working funds.

In order that rural banks may be able to preserve its good credit standing, goodwill, trust and confidence of the people of the community, they should, at all times, have sufficient funds for their normal operation. Rediscounting of notes is one source of loanable funds. However, rural banks should not always depend on it as a permanent source. It should rather be considered as a means of meeting seasonal or temporary requirements for credit operation.

May we suggest, therefore, that other avenues to secure these much needed funds be tapped by making the subscribers feel conscious of their obligations to the corporation. Your wholehearted cooperation for calls on unpaid subscriptions is, therefore, enjoined.

AUGUSTO F. ESPIRITU

Director

—o0o—

M E M O R A N D U M

TO : All Rural Banks

FROM : The Director, Department of Loans and Credit
and Rural Banks Administration

SUBJECT: Financing Farmers under the Rice and Corn Production Program as Provided in Republic Act 2080 Appropriating P20 Million for the Purpose

DATE : September 9, 1958

We are bringing to your attention the RICE AND CORN PRODUCTION PROGRAM under Republic Act 2080, conceived and dedicated by the Congress of the Philippines to accelerate the progress of rural development affecting millions of rice and corn farmers in the country.

Under this four years (1959-1962) Program for which P20,000,000.00 was appropriated, Action Teams at the barrio level will provide assistance

to participants. A list of participants selected by the Head of the Program will be sent to rural banks concerned as fast as possible. An Action Team is composed of one soil technologist of the local Soils Bureau to analyze the soil and recommend fertilizers needed, one agricultural extension worker of the local Extension Bureau to supervise approved farm practices, one plant pest control officer of the local Bureau of Plant Industry to control pests and diseases and one ACCFA man of the local FACOMA to procure and distribute fertilizers. Suitable rice or corn certified seeds, fertilizers and farm chemicals will be purchased from the Program's fund and made available to participants at cost. We believe that you will realize profitable operations under this Program.

We would like to justify the importance of this Program to your customers, your community, your bank and our Country:

1. With closely supervised credit by rural banks tailored to the factors of production recommended by technologists, farmers will produce more, increase their income and standard of living, effect orderly repayment, increase their savings, and consequently increase the volume of business and profitability of rural banks, arrest inflation and attain a high level of production, real income and full employment.

2. Borrowers will shy away from usurious lenders due to the readiness of rural banks to accommodate legitimate and deserving customers.

3. Public opinion will wield tremendous influence on Congress, urging legislations fortifying rural banks' financial strength.

We would like also to recommend credit policies covering loan accommodations to participants of the Program:

1. All participants are eligible for credit so long as they fall within the purview of the Central Bank rules and regulations affecting rural banks.

2. Loans should be entertained only on their individual merits, and should be appraised and analyzed in the light of sound credit principles based on the standards of income and capital.

3. Loan requests from farmers indebted to FACOMAS should be scrutinized for possible overborrowing in relation to their income, impairing repayment capabilities.

4. To effect the utmost profitable use of borrowed funds, loans should be granted only to farmer-owner operators and farmer-leasee operators and that loans should only be for the following essential needs of the farm: a) cost of recommended certified

seeds, fertilizers, and farm chemicals; b) irrigation fees (if any); and c) a reasonable living expense of the farm family to tide them over the production period.

5. Loans should be limited to the cost of the above-mentioned essential needs but in no case shall it exceed 50 per cent of the farmer's value of rice or corn share of the preceding season. Obviously other debts should be taken into consideration so as not to grant a loan amount much too high for income.

6. Loan requests should coincide with, and loan term should correspond to, the production period of rice or corn whichever is being financed; loan proceeds disbursements should be made at the exact time and amount needed; repayment program should be definitely due when crop being financed is sold and that all loans must be properly secured for protection.

7. Study price level and govern loan commitments by likely trends in prices of rice and corn crops.

For further particulars, please contact the Director, Bureau of Plant Industry as the Chairman and Coordinator of the Rice and Corn Production Coordinating Council, San Andres, Manila or the Director, Department of Loans and Credit and Rural Banks Administration, Central Bank of the Philippines, Manila.

AUGUSTO F. ESPIRITU
Director

—o0o—

DEPARTMENT OF LOANS AND CREDIT
AND RURAL BANKS ADMINISTRATION

Date October 8, 1958

UNNUMBERED MEMORANDUM ORDER
TO ALL DIRECTORS OF RURAL BANKS

SUBJECT: DUTIES AND RESPONSIBILITIES OF MEMBERS
OF THE BOARD OF DIRECTORS OF RURAL BANKS

To be chosen to serve as a bank director is an honor in one's community; but more than that, it is a responsibility. It is for this reason that there are listed hereunder the following reminders intended to assure the efficient discharge of the manifold and serious responsibilities attached to this position:

1. A bank director must actively participate in the administration and supervision of the bank and see to it that it is manned by competent and efficient officers and employees, preferably those educated, trained, and experienced in banking.

2. A bank director must not be negligent in his duties, for he is the trustee of the interests of the shareholders, depositors, borrowers, bank employees, and the community.

3. A bank director must exercise at least ordinary care in the administration of the affairs of the rural bank, meaning that degree of care which an ordinary prudent and diligent man would exercise under stated circumstances.

4. A bank director must see to it that the rural bank's operations are in conformity with all legal requirements and never permit or allow himself to be a party to some illegal transactions of the bank.

5. A bank director's actuations must be aboveboard, and he must not take undue advantage of his position for personal gains.

6. A bank director must familiarize himself with his statutory responsibilities so as to avoid any possible liability arising from infractions thereof.

7. A bank director may be held personally liable for losses suffered by the rural bank due to failure:

a. To examine, or cause to be examined, the rural bank regularly.

b. To take reasonable effort to collect low-quality loans and investments.

c. To require the rural bank officers and employees to be bonded adequately.

d. To follow instructions of the supervisory authority.

8. A bank director may be held criminally liable upon commission of the following acts:

a. To receive deposits or pay out funds or transfer property of the rural bank after the rural bank has become insolvent.

b. To borrow money directly or indirectly for himself or to act as representative or agent of others in any transaction with the bank .

c. To appear and sign as guarantor, indorser, or surety for loans granted by the rural bank.

d. To accept gifts, fees, or commission or any other form of remuneration in connection with the approval of a loan from said rural bank.

e. To overvalue or aid in overvaluing any security for the purpose of influencing in any way the action of the rural bank on any loan.

f. To make false entries in any bank report or statement, thereby affecting the financial interest of, or causing damage to, the rural bank or any person.

g. Without order of a court of competent jurisdiction, to disclose any information relative to the funds or properties in the custody of the rural bank belonging to private individuals, corporations, or any other entity.

h. To willfully violate any order, instruction, rule, or regulation legally issued by the Monetary Board.
Please be guided accordingly.

AUGUSTO F. ESPIRITU
Director

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DEPARTMENT OF LOANS AND CREDIT
AND RURAL BANKS ADMINISTRATION

December 17, 1958

UNNUMBERED CIRCULAR
TO RURAL BANKS

SUBJECT: INVESTMENT IN 6% INTEREST PW & ED BONDS

For the information of all concerned, the Central Bank is now issuing PW & ED bonds at 6% interest. These are, however, *redeemable only after 25 years from date of issue*, that is, on November 10, 1953.

Rural banks may be allowed to invest in these bond issues as part of the deposit reserves, together with the other government bonds bearing 4% interest.

Should you desire to invest in this type of bond, a board resolution authorizing the Director, Department of Loans and Credit and Rural Banks Administration, to make the necessary investment must be submitted to this Office.

AUGUSTO F. ESPIRITU
Director

FOREIGN LOANS & INVESTMENT OFFICE

MEMORANDUM TO AUTHORIZED AGENT BANKS

The attention of all Authorized Agent Banks is invited to Monetary Board Resolution No. 53 dated January 9, 1958 which we quote hereunder:

"In view of the fact that importations under U.S. Public Law 480 do not involve any foreign exchange outlay from the Philippines' international reserves, the Board, after due deliberation and by unanimous vote, decided to exempt dry edible beans (Purchase Authorization No. 42-05) from Central Bank Circular No. 79 dated December 9, 1957 with respect to Paragraph 3 thereof, provided, however, that all letters of credit opened against sub-authorizations issued shall be subject to the 200% cash deposit requirement."

Please be guided accordingly.

(Sgd.) VIRGINIA YAPTINCHAY
Coordinator of Investments

January 20, 1958
FLIO — 6

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FOREIGN LOANS & INVESTMENT OFFICE

MEMORANDUM TO AUTHORIZED AGENT BANKS

The attention of all Authorized Agent Banks is invited to Monetary Board Resolution No. 41 dated January 8, 1958 in which it was decided that as in the importation of ICA (FOA) financed goods the ₱2.00 to US\$1.00 rate of exchange should be followed and applied in the negotiations of letters of credit opened under U. S. Public Law 480.

(Sgd.) VIRGINIA YAPTINCHAY
Coordinator of Investments

January 23, 1958
FLIO — 7

FOREIGN LOANS & INVESTMENT OFFICE

MEMORANDUM TO AUTHORIZED AGENT BANKS

SUBJECT: **Importation of raw cotton under Section 402
Mutual Security Act of 1954**

Please be advised that the Central Bank of the Philippines received another ICA Procurement Authorization in the amount of \$3,000,000 for the importation of raw cotton, described as follows:

Authorization No. 92-1701-00-NI-8151
Commodity Code No. 1701
Contracting Period From : February 7, 1958
Ending : May 31, 1958
Delivery Period From : February 7, 1958
Ending : June 15, 1958
Area of Source : United States

All applications for sub-authorization and issuance of letters of commitment shall be submitted to this Office, subject to the provisions of ICA Regulation No. 1 as amended and the conditions set forth in the procurement authorization.

(Sgd.) VIRGINIA YAPTINCHAY
Coordinator of Investments

February 17, 1958
FLIO No. 9

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FOREIGN LOANS & INVESTMENT OFFICE

MEMORANDUM TO AUTHORIZED AGENT BANKS

SUBJECT: **Importation of Evaporated Milk under Section 402
Mutual Security Act of 1954**

Please be advised that the Central Bank of the Philippines received another ICA Procurement Authorization in the amount of \$55,771.00 for the importation of evaporated milk, described as follows:

Authorization No. : 92-0901-00-K2-8152
Commodity Code No. : 0901
Contracting Period From : February 24, 1958
Ending : May 31, 1958
Delivery Period From : February 24, 1958
Ending : September 30, 1958
Designated Banking
Institution : The First National City Bank of
New York, New York 15, New
York
Area of Source : United States

All applications for sub-authorization and issuance of letters of commitment shall be submitted to this Office, subject to the provisions of ICA Regulation No. 1 as amended and the conditions set forth in the procurement authorization.

(Sgd.) VIRGINIA YAPTINCHAY
Coordinator of Investments

March 7, 1958
FLIO No. 10

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FOREIGN LOANS & INVESTMENT OFFICE

MEMORANDUM TO AUTHORIZED AGENT BANKS

SUBJECT: Designation of U. S. Banking Institutions for Importation under Section 402, Mutual Security Act of 1954

With reference to ICA Procurement Authorization No. 92-1701-00-NI-8151 in the amount of \$3,000,000.00 for the importation of raw cotton, please be advised that the following U. S. Banking Institutions have been favored with letters of commitment in the amounts indicated:

Irving Trust Company, New York	\$ 200,000.00
Guaranty Trust Company, New York	400,000.00
First National City Bank of New York, N.Y.	1,200,000.00
Manufacturers Trust Company, New York	500,000.00
Chemical Corn Exchange Bank, New York	200,000.00
Chase Manhattan Bank, New York	200,000.00
Security-First National Bank, Los Angeles	300,000.00
Total	<u>\$3,000,000.00</u>

In accomplishing Form 102 (Application for Issuance of ICA Letter of Commitment), please leave blank the space provided for the name and address of the correspondent bank for us to fill up. Each time we approve applications for sub-authorizations and issuance of letters of commitment from your Bank, we shall inform the designated U. S. Banking Institutions that you are authorized to open the corresponding letter of credit.

(Sgd.) VIRGINIA YAPTINCHAY
Coordinator of Investments

March 26, 1958
FLIO No. 11

FOREIGN LOANS & INVESTMENT OFFICE
MEMORANDUM TO AUTHORIZED AGENT BANKS

SUBJECT: **Importation of Raw Cotton under Section 402,
Mutual Security Act of 1954**

Please be advised that the Central Bank of the Philippines received another ICA Procurement Authorization in the amount of \$6,000,000.00 for the importation of raw cotton, described as follows:

Authorization No.	:	92-1701-00-NI-8153	
Commodity Code No.	:	1701	
Contracting Period From	:	March 7, 1958	
	Ending	:	May 31, 1958
Delivery Period From	:	March 7, 1958	
	Ending	:	June 15, 1958
U. S. Banking Institutions	:	Crocker-Anglo National Bank	\$ 500,000
	:	Guaranty Trust Co. of New	
	:	York	134,000
	:	The Chase Manhattan Bank ..	334,000
	:	Chemical Corn Exchange	
	:	Bank	467,000
	:	Manufacturers Trust	
	:	Company	833,000
	:	The First National City Bank	
	:	of New York	1,100,000
	:	Irving Trust Company	2,632,000
		Total	<u>\$6,000,000</u>

All applications for sub-authorization and issuance of letters of commitment shall be submitted to this Office, subject to the provisions of ICA Regulation No. 1 as amended and the conditions set forth in the procurement authorization.

(Sgd.) VIRGINIA YAPTINCHAY
Coordinator of Investments

May 8, 1958
FLIO No. 12

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CENTRAL BANK OF THE PHILIPPINES
Manila

MEMORANDUM TO AUTHORIZED SECURITY DEALERS

In its Resolution No. 715 dated May 6, 1958, the Monetary Board decided to revise the general policy on switch transactions involving securities for the account of nonresidents, as follows:

That switch transactions in Philippine domestic securities including the export of securities from a nonresident to another nonresident are allowed only after the following conditions are satisfied:

- (1) That the purchase of the original securities by the nonresident of any alien holder and the dollar remittance of the dividends earned have been authorized by the Central Bank;
- (2) That the switch transaction is from stocks with larger earnings and higher remittable dividends to stocks with smaller earnings and lower remittable dividends or to stocks of highly speculative character, such as those of oil exploration companies; and
- (3) That in no case, however, shall the investment remittances of the dividends in the new stocks as a result of switch transactions exceed the amount of dividends allowed to be remitted of the original stocks.

In view of this decision of the Monetary Board, effective May 30, 1958, all applications on E. C. Form X for switch transactions involving Philippine domestic securities belonging to nonresidents, shall be forwarded to the Exchange Control Department of the Central Bank for action, together with the following:

- (1) A certification that the owner of the securities to be sold is a nonresident;
- (2) A certification that the said securities have been acquired under license issued by or in behalf of the Central Bank, copy of which license shall be submitted; and that dollar dividends thereon have been authorized to be remitted by the Central Bank;
- (3) A statement indicating the price at which the said securities will be sold and the portion of the proceeds of the sale which will be reinvested in other Philippine domestic securities;
- (4) A statement indicating the Philippine domestic securities which will be purchased out of such proceeds.

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

May 30, 1958

CENTRAL BANK OF THE PHILIPPINES
Manila

NOTIFICATION TO AUTHORIZED SECURITY DEALERS NO. 6

Switch transactions in Philippine domestic securities for account of nonresidents are allowed subject to the following conditions:

1. *Nature of Philippine domestic securities belonging to nonresidents which are eligible for switch transactions*—The following Philippine domestic securities belonging to nonresidents are eligible for exchange with other Philippine domestic securities in switch transactions for account of the same nonresidents:

- a. Philippine domestic securities which have been held continuously by the same nonresident owner since or before December 9, 1949;
- b. Philippine domestic securities acquired in the Philippines by nonresidents since December 9, 1949, under license issued by the Exchange Control Department or by an Authorized Security Dealer in behalf of the Exchange Control Department;
- c. Philippine domestic securities issued by a Philippine company with a transfer agent abroad which were acquired abroad by the present nonresident holder from another nonresident, and the transfer was duly registered with the transfer agent abroad and duly reported to the resident transfer agent;
- d. The stock involved must be one listed and normally traded in the Manila Stock Exchange.

2. *To whom Philippine domestic securities of a nonresident may be sold in a switch transaction*—Philippine domestic securities belonging to a nonresident which meet the qualifications prescribed in Paragraph No. 1 above may be sold in a switch transaction for account of the nonresident owner only to a resident of the Philippines; *provided, that*, they may be sold to the account of another nonresident if payment is made in foreign currency acceptable to the Central Bank and the foreign exchange is surrendered to an Authorized Agent of the Central Bank within twenty-four (24) hours from the receipt thereof.

3. *Philippine domestic securities which may be purchased for account of a nonresident in a switch transaction*—Only Philippine domestic securities with an annual average smaller earning and lower allocation for dividend remittance during the two-year period preceding the switch, computed in accordance with the policy governing investment remittances, than the stock for which it is to be exchanged, or shares of stock of a highly speculative character, such as those of oil companies, may be purchased for account of a nonresident in a switch transaction; *provided*,

that, non-dividend paying stock may be exchanged for other non-dividend paying stock. In the determination of the allocation for dividend remittance of Philippine domestic securities for the purpose of switch transactions, it is not necessary that the company involved remitted a cash dividend during the two-year period mentioned, but it shall be sufficient that had the company applied for the remittance, it would have been allowed the said allocation.

4. *Prices in the sale and purchase of Philippine domestic securities involved in a switch transaction for account of a nonresident*—In the sale and purchase of Philippine domestic securities in a switch transaction for account of a nonresident, the price of the stock shall not be more than the fair value in the case of the sale and not less than the fair value in the case of the purchase.

5. *Switch transactions for account of nonresidents which may be licensed by Authorized Security Dealers in behalf of the Exchange Control Department*—Authorized Security Dealers may, in behalf of the Exchange Control Department issue licenses covering switch transactions in Philippine domestic securities for account of nonresidents under the following conditions:

- a. Both the sale and the purchase are to be effected thru the Authorized Security Dealer involved in the transaction;
- b. The Philippine domestic securities to be sold for account of the nonresident meet the qualifications set forth in Paragraph No. 1 above, and paid during the preceding two-year period at least one cash or stock dividend; and the sale conforms to the conditions laid down in Paragraph No. 2 above;
- c. The Philippine domestic securities to be purchased for account of a nonresident shall be shares of stock of a Philippine company engaged in an extractive industry which has not declared a cash or stock dividend since December 9, 1949, or highly speculative stock, such as those of oil companies;
- d. The amount reinvested shall not be less than 90% of the proceeds of the sale or ₱500, whichever is greater;
- e. The reinvestment of the proceeds of the sale of the original stock in the other stock shall be made not later than 15 days from the date of the sale.

The sale of the original stock in behalf of the nonresident owner should be covered by a license on E. C. Form Y, unless an application on E. C. Form X is approved with respect to the sale by a resident of the securities purchased for account of the nonresident and describes both the securities purchased and sold.

Authorized Security Dealers issuing under this paragraph licenses covering switch transactions in Philippine domestic securities for account of nonresidents are held responsible for faithful compliance with the requirements of these regulations in every particular.

6. *Licensing of other switch transactions in Philippine domestic securities for account of nonresidents*—All switch transactions in Philippine domestic securities for account of nonresidents outside of the cases which Authorized Security Dealers are authorized to license under Paragraph No. 5 above, shall be acted upon by the Exchange Control Department. In forwarding applications for switch transactions to the Exchange Control Department for action under this paragraph, Authorized Security Dealer shall certify that the stock to be sold belongs to nonresidents and that said stock meets the qualifications set forth in Paragraph No. 1 above.

7. *Export of Philippine domestic securities purchased for account of nonresidents in approved switch transactions*—Philippine domestic securities purchased for account of nonresidents in switch transactions licensed by an Authorized Security Dealer, in behalf of the Exchange Control Department, on E. C. Form X, may be exported abroad under the same license, provided the exportation is made within thirty days from the date of the purchase. Philippine domestic securities acquired in a switch transaction licensed by the Exchange Control Department may be exported abroad under the terms to be stated in the license issued by the said Department.

8. *Reports*—Authorized Security Dealers shall submit daily to the Exchange Control Department reports of switch transactions in Philippine domestic securities for account of nonresidents for which they issued licenses in behalf of the Exchange Control Department during the preceding business day. These reports shall be accompanied by two signed and duly numbered copies of each license issued. Authorized Security Dealers shall, furthermore, register weekly with the Exchange Control Department Philippine domestic securities purchased for account of nonresidents in switch transactions handled by them both under their own licenses and under license issued by the Exchange Control Department. This registration shall set forth the name and address of the nonresident purchaser, a description of the securities purchased, including the serial or identifying numbers of the stock certificate, the par value and number of the shares, the price paid per unit, the peso value of the securities at the date of purchase, the date on which the purchase was made, the number and date of the covering license, and whether or not the securities have been exported.

9. *Revocation of other regulations*—Notification to Authorized Security Dealers No. 4 dated July 28, 1955, and all other regulations govern-

ing switch transactions in Philippine domestic securities for account of nonresidents heretofore issued which are in conflict with the foregoing, are hereby revoked.

For the Monetary Board:
(Sgd.) ANDRES V. CASTILLO
Acting Governor

July 16, 1958

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CENTRAL BANK OF THE PHILIPPINES
Manila

NOTIFICATION TO AUTHORIZED AGENTS NO. 58

SUBJECT: Special Blocked Fiduciary Accounts of Nonresidents

1. This notification supersedes Notification to Authorized Agents No. 19 dated February 6, 1950 entitled "Peso Bank Accounts of Nonresidents Other Than Banks" in so far as peso bank accounts of nonresidents other than banks are concerned.

2. Peso bank accounts existing as of October 22, 1958, belonging to any person, firm, partnership, association, branch office, agency, company, or other unincorporated body or entity not residing or located in the Philippines, irrespective of whether such accounts are operated by persons in the Philippines or by the nonresident owner, shall be treated as special blocked fiduciary accounts of the nonresident owners, and debits and credits thereto shall be as provided in this notification. All licenses heretofore granted by the Exchange Control Department to operate peso bank accounts of nonresidents as resident accounts are hereby cancelled, except licenses authorizing the operation as resident accounts of peso bank accounts of nonresidents which are funded exclusively by inward dollar remittance and solely for local disbursements of the owner of the account.

3. From and after the date of this notification and up to December 12, 1958, Agent Banks may accept new special blocked fiduciary accounts of nonresident persons, firms, partnerships, associations, branch offices, agencies, companies, or other unincorporated bodies or entities not residing or located in the Philippines, either singly or in groups, upon application of the resident individuals and/or companies holding the funds for account of the said nonresidents. The application to open the account must be filed on E. C. Form 108, Revised, copy of which is attached, and must include information as to the source of the funds to be deposited to the

account. If the special blocked fiduciary account is to be opened for two or more nonresident individuals, firms, partnerships, associations, branch offices, agencies, companies or other unincorporated bodies or entities, the application shall, in addition, be supported by a list of such nonresidents in whose behalf the account is to be opened and maintained. Until the sources of the amounts deposited to these accounts shall have been verified by the Exchange Control Department, no debits thereto shall be allowed, except as provided in paragraph numbered 6 of this notification.

4. From and after December 15, 1958, no special blocked fiduciary account of a nonresident person, firm, partnership, association, branch office, agency, company, or other unincorporated body or entity not residing or located in the Philippines may be opened with a commercial bank without the prior approval of the Exchange Control Department. The applications to open such an account must also be filed on E. C. Form No. 108 (Revised), and must include information as to the sources of the funds to maintain the account and the amount to be initially deposited. If the account is to be opened in behalf of two or more nonresidents, it shall furthermore be accompanied by a list of said nonresidents together with a statement of the amounts to be initially deposited to the credit of each said nonresident.

5. The following credits to the existing peso bank accounts of nonresidents other than banks which shall be treated as special blocked fiduciary accounts of the nonresident owners, and to new special blocked fiduciary accounts of nonresidents other than banks which are opened after October 22, 1958, are permitted without the prior approval of the Exchange Control Department:

- (a) Transfers from the account of a nonresident bank.
- (b) Profits, dividends and interests on approved investments owned by the nonresident owner or owners of the account, provided the relative amounts are covered by checks issued by the companies paying the profits, dividends or interests.
- (c) Proceeds of sale of inward dollar remittances, irrespective of amount.
- (d) Balances of an approved switch transaction for account of the nonresident owner of the account, authorized under E. C. Form X, and proceeds of sale of securities belonging to said nonresident, authorized under E. C. Form Y, provided that said securities were acquired in accordance with the exchange control regulations.

6. The following debits to the blocked fiduciary accounts of nonresidents are permitted without the prior approval of the Exchange Control Department:

- (a) Purchase of foreign exchange authorized under exchange licenses issued by the Exchange Control Department or by Authorized Agents in behalf of the Exchange Control Department, in which the nonresident owner of the account is the beneficiary.
- (b) Local payments in respect of postal and telegraph charges, stamp fees, storage and safe custody charges, bank charges, payments to servants, insurance premia, allowances to relatives, minor repairs to houses, and other local payments, provided the aggregate payments in any calendar month do not exceed P2,000, and no single payment exceeds P200.
- (c) Payment of real property taxes on real property belonging to the nonresident owner of the account, and internal revenue taxes due from the same nonresident, provided such payments are made direct to the provincial, city or municipal treasurer concerned in the case of real property taxes, and to the Commissioner of Internal Revenue in the case of internal revenue taxes. A certified true copy or photostat of the official receipt evidencing such payment shall later on be submitted to the Exchange Control Department.

7. Authorized Agents shall render weekly reports of all special blocked fiduciary accounts maintained with them under the provisions of this notification and shall state the closing balances each week. In the case of debits or credits to said accounts maintained in behalf of groups of individuals and firms, the report shall furthermore be supported by a list of the nonresidents in whose behalf the debits or credits are made and the relative amounts. This list shall be required by the Authorized Agent concerned from the person operating the account.

8. Credits to special blocked fiduciary accounts other than those described in paragraph 5 of this notification shall require the prior approval of the Exchange Control Department. Amounts withdrawn from the said special blocked fiduciary accounts without the approval of the Exchange Control Department shall lose all remittability rights and the privileges of blocked funds.

(Sgd.) ANDRES V. CASTILLO
Deputy Governor

October 27, 1958

CENTRAL BANK OF THE PHILIPPINES
Manila

EXCHANGE CONTROL DEPARTMENT

APPLICATION FOR LICENSE TO OPEN A SPECIAL BLOCKED
FIDUCIARY BANK ACCOUNT OF NONRESIDENTS

Date

1. Name of Applicant (the applicant shall be the nonresident himself or his authorized representative in the Philippines)
Address
Nature of Business
2. Person(s) in whose name(s) the account will be opened and maintained:
Address(es)
3. Name(s) of nonresident(s) for whom the account will be opened and maintained:
Address(es)
4. Name of Authorized Agent in which the account is to be opened and maintained:
5. Name of representative in the Philippines authorized to operate the account if operation is to be made other than by the nonresident himself:
Address of representative
Relationship to nonresident owner of the account
6. Sources of the funds to maintain the account
7. Amount to be initially deposited to the account and sources thereof. If the account is to be opened for two or more nonresidents, the amount to be initially deposited to the account for each nonresident shall be

stated. If space provided on the form is insufficient, the statement shall be submitted in a separate sheet to be attached to the application.

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I hereby certify to the truthfulness of the information I have supplied above and undertake that I will not make available to any person or firm in the Philippines any foreign exchange against reimbursements in pesos without having first obtained the permission of the Exchange Control Department. I further agree that any transactions on the account, except those for which advance approval is granted by the Exchange Control Department, will be subject to specific prior approval by the said Department, otherwise, the amount involved will lose all remittability rights and the privileges of blocked funds.

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Signature of Applicant

Application No.

License No.

Date Received

Date Approved

