

CENTRAL BANK OF THE PHILIPPINES

JAN 31 1974



BANGKO SENTRAL NG PILIPINAS



BSPBK0009498

FIFTEENTH ANNUAL REPORT 1963

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RESPONSIBILITIES AND OBJECTIVES OF THE CENTRAL BANK

"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

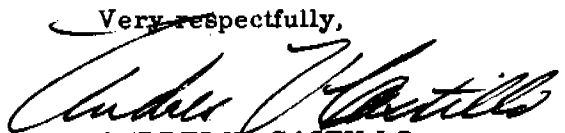
March 31, 1964

President Diosdado Macapagal
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 Fifteenth Annual
Report (1963) of the Central Bank of the Philippines.

Very respectfully,

A handwritten signature in dark ink, appearing to read 'Andres V. Castillo', written in a cursive style.

ANDRES V. CASTILLO
Governor

Central Bank of the Philippines

MANILA

OFFICE OF THE GOVERNOR

March 31, 1964

The Honorable
The President of the Senate
Congress of the Philippines
M a n i l a

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Very respectfully,



ANDRES V. CASTILLO

CENTRAL BANK OF THE PHILIPPINES

THE MONETARY BOARD MEMBERS

HON. RODRIGO D. PEREZ, JR.

Presiding Officer

Acting Secretary of Finance

HON. ANDRES V. CASTILLO

Governor, Central Bank of the Philippines

HON. RAFAEL S. RECTO

President, Philippine National Bank

HON. PABLO LORENZO

Chairman, Board of Governors

Development Bank of the Philippines

HON. MARIANO B. PEÑAFLORIDA

HON. ERNESTO V. SANTOS

PRINCIPAL OFFICERS

HON. ANDRES V. CASTILLO

Governor

HON. AMADO R. BRIÑAS

Acting Deputy Governor

TABLE OF CONTENTS

| | <i>Page</i> |
|---|-------------|
| I. OVER-ALL ECONOMIC REVIEW | 1 |
| A. Over-all Position | 1 |
| B. Aggregate Demand and Supply | 2 |
| C. Money and Credit | 3 |
| D. Government Fiscal Operations | 3 |
| E. Foreign Exchange Transactions and International Reserves | 4 |
| F. Internal Prices | 5 |
| G. Labor, Employment and Income | 5 |
| H. Monetary Measures | 5 |
| I. Institutional Changes | 6 |
| J. Summary | 7 |
| II. MONETARY DEVELOPMENTS | 8 |
| A. Over-all Monetary Developments | 8 |
| 1. Raising of the discount rate for rural banks | 8 |
| 2. Raising of interest rates payable on savings and time deposits | 9 |
| 3. Increase in reserve requirements against peso savings and time deposits | 9 |
| 4. Revision of the rediscount quotas of commercial banks .. | 9 |
| B. Money Supply | 10 |
| C. Credit Operations of the Banking System | 17 |
| 1. Central Bank Credits | 17 |
| 2. Commercial Bank Credit | 19 |
| D. Rural Banks | 22 |
| E. Development Banking | 24 |
| 1. Development Bank of the Philippines | 24 |
| 2. Private Development Banks | 25 |
| 3. The Private Development Corporation of the Philippines .. | 26 |
| 4. National Investment and Development Corporation | 26 |

| | |
|---|----|
| F. Savings Banks and Postal Savings Bank | 27 |
| G. Non-Bank Financial Institutions | 27 |
| 1. Government Non-Bank Financial Institutions | 28 |
| 2. Private Non-Bank Financial Institutions | 28 |
| III. PUBLIC FINANCE | 29 |
| A. Over-all Fiscal Developments | 29 |
| B. Cash Operations: 1963 | 29 |
| C. Fiscal Operations, FY 1962-1963 | 33 |
| D. Fiscal Operations, FY 1963-1964 | 35 |
| E. Public Debt | 35 |
| F. Movement (And Holders) of Government Securities | 39 |
| G. Central Bank Operations as Fiscal Agent of the Government | 43 |
| 1. Administration of Various Funds | 44 |
| IV. PRODUCTION | 45 |
| A. Over-all | 45 |
| B. Agricultural Production | 47 |
| 1. Domestic Food Crops | 47 |
| 2. Major Export Crops | 48 |
| C. Manufacturing | 50 |
| D. Mining | 53 |
| E. Construction | 54 |
| F. Real Estate | 57 |
| G. Public Utilities | 57 |
| 1. Electricity | 57 |
| 2. Transportation | 58 |
| V. MANAGEMENT OF THE INTERNATIONAL RESERVE AND FOREIGN EXCHANGE POLICIES | 68 |
| A. Over-all Review | 68 |

| | |
|---|----|
| B. International Reserves and Foreign Exchange Transactions | 68 |
| C. Exchange Rates | 79 |
| 1. Structure | 72 |
| 2. Behavior | 73 |
| a. Spot Exchange Rates | 73 |
| b. Forward Exchange Rates | 73 |
| 3. Central Bank Intervention | 73 |
| 4. The Peso in the Hongkong Market | 74 |
| D. Exchange Policies | 74 |
| 1. On Imports | 74 |
| 2. On Exports | 75 |
| 3. On Invisibles | 75 |
| VI. BALANCE OF PAYMENTS | 76 |
| A. Over-all Position | 76 |
| B. Merchandise External Trade | 77 |
| 1. Exports | 79 |
| 2. Imports | 82 |
| 3. Direction of Trade | 86 |
| C. Non-Merchandise Transactions | 89 |
| 1. U. S. Government Expenditures | 89 |
| 2. Miscellaneous Services | 89 |
| D. Capital Transactions | 91 |
| E. Donations | 92 |
| VII. PRICES | 93 |
| A. Price Developments in 1963 | 93 |
| B. Consumer Prices: Philippines | 93 |
| C. Manila Retail Prices | 95 |
| D. Manila Wholesale Prices | 96 |
| E. Manila Stock Prices | 98 |

| | |
|--|-----|
| VIII. EMPLOYMENT AND WAGES | 100 |
| IX. CENTRAL BANK FINANCIAL CONDITION AND OPERATIONS | 107 |
| A. Financial Condition | 107 |
| B. Results of Operations | 110 |



C H A R T S

| | |
|---|-----|
| 1. Money Supply, 1962 & 1963 | 12 |
| 2. Domestic Credits Outstanding of the Banking System, 1962 & 1963 | 18 |
| 3. Loans Granted by Rural Banks, 1961-1963 | 23 |
| 4. Public Debt, 1962 & 1963 | 38 |
| 5. Per Cent Changes in the Physical Volume of Production, 1962-1963 | 46 |
| 6. Per Cent Changes in the Production of Major Export Crops, Crop Years 1962-1963 | 50 |
| 7. International Reserve, 1949-1963 | 69 |
| 8. Foreign Exchange Receipts and Disbursements, 1962-1963 | 71 |
| 9. External Trade, 1962-1963 | 78 |
| 10. Per Cent Changes in the Production and Shipments of the Ten Principal Exports, 1962-1963 | 82 |
| 11. Imports Classified according to End-Use, 1962-1963 | 83 |
| 12. Ten Principal Imports of the Philippines, 1962-1963 | 86 |
| 13. Direction of External Trade, 1962-1963 | 88 |
| 14. Per Cent Changes in Prices, 1962-1963 | 98 |
| 15. Labor Force and Employment, 1961-1963 | 101 |
| 16. Per Cent Changes in Non-Agricultural Employment, 1962-1963 | 102 |
| 17. Per Cent Changes in Wage Rates, 1962-1963 | 103 |
| 18. Financial Condition of the Central Bank, 1962-1963 | 109 |

APPENDIX A

ANALYSIS OF THE NATIONAL INCOME OF THE PHILIPPINES FOR CY 1961 to 1963

THE NATIONAL ACCOUNTS OF THE PHILIPPINES AND SUPPORTING TABLES, CY 1961 to 1963

| | | |
|-------------------|---|------------|
| Table I | THE NATIONAL ACCOUNTS, CY 1961-1963 | |
| | Account 1 — National Income and Product Account | 114 |
| | Account 2 — Private Appropriation Account, CY 1961-1963 | 115 |
| | Account 3 — Government Appropriation Account " " " | 115 |
| | Account 4 — Combined Capital Account, " " " | 116 |
| | Account 5 — Rest of the World Account " " " | 116 |
| Table II | NATIONAL INCOME BY INDUSTRIAL ORIGIN, CY 1961-1963 | 117 |
| Table III | PRINCIPAL AGGREGATES AND THEIR INTER- RELATIONSHIPS, CY 1961-1963 | 118 |
| Table IIIa | PER CAPITA: GROSS NATIONAL PRODUCT, NATIONAL INCOME, PERSONAL INCOME, DISPOSABLE PERSONAL INCOME, AND PRIVATE CONSUMPTION EXPENDITURES, CY 1961-1963 | 119 |
| Table IV | VALUE ADDED IN AGRICULTURE BY CATEGORY OF PRODUCTION, CY 1961-1963 | 119 |
| Table V | VALUE ADDED IN AGRICULTURAL CROPS, CY 1961-1963 | 120 |
| Table VI | GROSS DOMESTIC INVESTMENT, CY 1961-1963 | 121 |
| Table VII | GROSS DOMESTIC INVESTMENT IN DURABLE EQUIPMENT BY TYPE, CY 1961-1963 | 122 |
| Table VIII | NATIONAL INCOME BY INDUSTRIAL ORI- GIN IN CONSTANT PESOS, CY 1961-1963 | 124 |

| | | |
|-----------------|---|------------|
| Table IX | IMPLICIT PRICE DEFLATORS FOR NATIONAL INCOME BY INDUSTRIAL ORIGIN, CY 1961-1963 | 124 |
| Table X | GROSS NATIONAL PRODUCT EXPENDITURES IN CONSTANT PESOS, CY 1961-1963 | 125 |
| Table XI | IMPLICIT PRICE DEFLATORS FOR GROSS NATIONAL (PRODUCT) EXPENDITURES, CY 1961-1963 | 126 |

APPENDIX B

MAJOR LEGAL AND ADMINISTRATIVE MEASURES OF ECONOMIC SIGNIFICANCE ADOPTED BY THE GOVERNMENT AND THE MONETARY BOARD DURING 1963

| | |
|--|------------|
| Executive Order No. 36—Creating the Loans and Investments Council | 127 |
| Executive Order No. 45—Amending Executive Order No. 36, series of 1963, creating the Loans and Investments Council | 129 |
| Proclamation No. 115—Endorsing “Operation Respect the Centavo”, a joint project of the Central Bank of the Philippines and other Philippine Industries | 130 |
| Republic Act No. 3517—Amending Sections 2(c) and (g), 3 and 14 of Republic act No. 85, as amended (Corporate Powers of the Development Bank of the Philippines) | 132 |
| Republic Act No. 3518—Creating the Philippine Veterans Banks | 135 |
| Republic Act No. 3519—Authorizing the President, for and in behalf of the Government of the Philippines, to guarantee such loans as maybe granted by the Export-Import Bank, etc., for the establishment of an integrated steel mill in Iligan City | 146 |
| Republic Act No. 3524—To prohibit barter in international trade providing penalties for violation thereof, repealing for this purpose R. A. No. 2261 | 147 |
| Republic Act No. 3591—Establishing the Philippine Deposit Insurance Corporation, Defining its powers and duties and for other purposes | 150 |
| List of Legal Parities and/or exchange rates as of December 1962, of various foreign currencies in terms of the U. S. dollar and Philippine Peso | 165 |

| | |
|---|-----|
| List of Legal Parities and/or exchange rates as of June 1963, of various foreign currencies in terms of the U. S. dollar and the Philippine Peso | 168 |
| Establishment by the International Monetary Fund of the initial par value of the Currency of Thailand in relation to the U. S. dollar and the Philippine Peso | 171 |
| Trade Agreement between the Republic of Indonesia and the Republic of the Philippines | 172 |
| Circular No. 146, January 24, 1963; Amendment to Central Bank Circular No. 143 all imports must be covered by letters of credit except small transactions involving not more than \$100 | 192 |
| Circular No. 147, February 12, 1963; Amendment to Section 3 of Circular No. 9 regarding items for Clearing | 194 |
| Circular No. 148, March 13, 1963; Central Bank-supported bonds maybe accepted in lieu of cash to cover foreign exchange margin | 194 |
| Circular No. 149, March 27, 1963; Interest Rates for Savings and Time Deposits | 196 |
| Circular No. 150, March 27, 1963; Policies and regulations that govern existing and/or proposed schemes to attract savings and time deposits | 197 |
| Circular No. 152, April 19, 1963; Further amendment to Central Bank Cir. No. 133 | 198 |
| Circular No. 153, May 23, 1963; Further amendment to Central Bank Circular No. 2, enjoining all banks to avoid overdrawing their deposit account with the Central Bank | 198 |
| Circular No. 154, June 13, 1963; Fineness of gold acceptable to the Central Bank | 199 |
| Circular No. 155, July 26, 1963; Amendment to Circular No. 2, Reserve against savings and time deposits in local currency | 199 |
| ✓ Circular No. 156, July 30, 1963; Retirement of Treasury Certificates ... | 200 |
| Circular No. 157, September 23, 1963; Basic Rules and Regulations for Savings and Loan Associations | 200 |
| Circular No. 158, October 29, 1963; Rules and Regulations Implementing R. A. No. 3765 otherwise known as the Truth in Lending Act | 219 |

| | |
|--|-----|
| Circular No. 159, November 13, 1963; Amendment to Circular No. 157, Requiring prior approval by the Monetary Board of Articles of Incorporation and By-Laws or Amendments thereto | 223 |
| Circular No. 160, November 26, 1963; Further amendment to Central Bank Circular No. 2; Interest at 12% per annum shall be collected unless an overdraft is covered not later than two hours before the next clearing | 224 |
| Circular No. 161, December 9, 1963, Amendment to the schedule of interest rates on time deposits as prescribed under par. (3) of Central Bank Circular No. 149 | 224 |
| Circular No. 162, December 26, 1963, Period within which to present for payment checks issued by the Central Bank | 225 |
| Memorandum to Authorized Agent Banks—ED-90; May 7, 1963 | 226 |
| Memorandum To Authorized Agent Banks—ED-91; May 8, 1963 | 226 |
| Memorandum To Authorized Agent Banks—ED-92; May 20, 1963 | 227 |
| Memorandum To Authorized Agent Banks—ED-93; June 24, 1963 | 227 |
| Memorandum To Authorized Agent Banks—ED-96; September 10, 1963 | 228 |
| Memorandum To Authorized Agent Banks—ED-98; October 29, 1963.. | 228 |
| Memorandum To Authorized Agent Banks—ED-99; October 29, 1963.. | 229 |
| Memorandum To Authorized Agent Banks—FED-33; July 26, 1963 ... | 229 |
| Memorandum To Authorized Agent Banks—FLID-25; January 9, 1963 .. | 231 |
| Memorandum To Authorized Agent Banks—FLID-26; January 14, 1963 | 231 |
| Memorandum To Authorized Agent Banks—FLID-27; January 16, 1963 | 232 |
| Memorandum To Authorized Agent Banks—FLID-28; January 30, 1963 | 233 |
| Memorandum To Authorized Agent Banks—FLID-30; February 18, 1963 | 233 |
| Memorandum To Authorized Agent Banks—FLID-31; April 3, 1963 .. | 234 |
| Memorandum To Authorized Agent Banks—FLID-32; April 16, 1963 .. | 235 |
| Memorandum To Authorized Agent Banks—FLID-33; April 19, 1963 .. | 235 |
| Memorandum To Authorized Agent Banks—FLID-35; July 8, 1963 ... | 236 |
| Memorandum To Authorized Agent Banks—FLID-36; August 15, 1963 | 236 |
| Memorandum To Authorized Agent Banks—FLID-37; August 15, 1963 | 238 |
| Memorandum To Authorized Agent Banks—FLID-38; August 21 1963 | 239 |

| | |
|--|-----|
| Memorandum To Authorized Agent Banks—FLID-39; November 5, 1963 | 239 |
| Memorandum To Authorized Agent Banks—FLID-40; December 3, 1963 | 240 |
| Memorandum To Authorized Agent Banks—July 12, 1963 | 241 |
| Memorandum To Authorized Agent Banks—September 11, 1963 | 242 |
| Memorandum Circular To Rural Banks—DLC-2; January 15, 1963 ... | 242 |
| Memorandum Circular To Rural Banks—DLC-3; January 29, 1963 ... | 245 |
| Memorandum Circular To Rural Banks—DLC-4; February 18, 1963 .. | 246 |
| Memorandum Circular To All Rural Banks—DRB-63-2; January 31, 1963 | 246 |
| Memorandum Circular To All Rural Banks—DRB-63-3; March 12, 1963 | 247 |
| Memorandum Circular To All Rural Banks—DRB-63-5; April 1, 1963 .. | 250 |
| Memorandum Circular To All Rural Banks—DRB-63-6; April 4, 1963 .. | 252 |
| Memorandum Circular To All Rural Banks—DRB-63-7; May 15, 1963 .. | 253 |
| Memorandum Circular To All Rural Banks—DRB-63-10; June 25, 1963 . | 255 |
| Memorandum Circular To All Rural Banks—DRB-63-12; July 24, 1963 . | 256 |
| Memorandum Circular To All Rural Banks—DRB-63-13; August 12, 1963 | 256 |
| Memorandum Circular To All Rural Banks—DRB-63-17; October 1, 1963 | 257 |
| Memorandum Circular To All Rural Banks—DRB-63-18; December 12, 1963 | 259 |
| Memorandum Circular No. 43—Requiring the submission to the Central Bank of the Philippines of the List of Savings and Loan Association | 259 |



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.

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. |

I. OVER-ALL ECONOMIC REVIEW

A. OVER-ALL POSITION

The expansionary pressures that emerged towards the end of 1962 assumed more serious dimensions during 1963. The inflationary pressure originated from all sectors of the economy, the boom in export earnings accompanied by aggregated consumption and investment expenditures increasing at a rate thrice as much as the expansion in the supply of domestic goods and services. The much larger increase in demand relative to supply was reflected in the transactions of the financial system, which registered an unprecedented expansion in commercial bank credit to the private sector and extensions of credit by the banking system to help finance government current and subsidy operations. The increase in investments, moreover, had been largely in the form of building construction which did not add to the capacity of the economy to produce physical goods. This qualitative deficiency of the additional investments stemmed from a failure to acquire and mobilize the resources needed to carry out the social overhead projects called for by the Socio-Economic Program.

The price effects of the demand-pull inflation were augmented by acute shortages in the supply of two key commodities—rice and cement—the rise in world prices of the country's export products, notably those of sugar, and a disruption in the flow of imports due to the protracted labor strike at the waterfront. The resurgence of internal prices in 1963 was moreover characterized by the larger increase in prices of domestic goods compared to the rise in prices of imported goods. A sustained reduction in the price differential could lead to a sizable expansion in imports despite the upward adjustment in the exchange rate, and to nullify the anticipated production and investment effect of the higher rate.

The unabated pressure of domestic demand spilled over into the country's international transactions, bringing about an expansion in payments for merchandise imports larger than the growth in output despite the pier strike which affected import arrivals during the first half of 1963. More seriously in terms of magnitude, the excessive liquidity in the economy brought about the incurrence of a large deficit in non-trade transactions (exclusive of stabilization loans) as opposed to a surplus during the preceding year. The export boom, however, provided adequate foreign exchange to service these increases

in demand, without disturbing the rate, and even to add a little to international reserves.

The effects of the expansion in aggregate demand on production were reflected in the large increase in output of durable manufactures. The growth in output of non-durable manufactures, however, was smaller than in any of the preceding five years. In the case of agricultural production, the increase in the output of food crops again fell short of the population growth. The incomplete information available suggests that there was no significant improvement of a permanent nature in the employment situation. In 1962, unemployment was in the order of about one-tenth of the labor force.

B. AGGREGATE DEMAND AND SUPPLY

Aggregate demand as expressed in the market in the form of expenditures for goods and services expanded by ₦2.0 billion or over 13 per cent between 1962 and 1963. Of this increase in demand, expenditures for private consumption and government current operations accounted for nearly 80 per cent. Gross domestic investment accounted for 16.7 per cent of the increment, with the proportionate shares of construction and inventories increasing while the share of durable equipment declined.

Aggregate output of goods and services, on the other hand, increased by 4.8 per cent or only a third as much as the expansion in demand. The interplay of supply and demand in the market resulted in a marked deviation in the distribution of the incremental output among the different sectors of the economy from the preceding year's pattern of utilization of total output. The sectors that acquired a proportionately larger share of the incremental output were exports, construction and inventories. These gains were made at the expense of private and government consumption and investments in durable equipment.

These changes were reflected in the physical volume of production in the economy. In the case of the manufacturing industry, production of non-durable goods expanded by 3.2 per cent or only a third as much as the increase in output of durable goods. The larger increase in the output of durable goods was due largely to the sizable expansion in output of construction materials, electrical appliances and transportation equipment. In the case of agricultural production, on the other hand, output of food crops expanded by only 2.1 per cent whereas the production of export crops increased by 11.4 per cent. Significantly, in the context of the price situation that developed in 1963, production of the basic cereals rice and corn increased by 1.5 per cent and 0.6 per cent, respectively, a rate of increase smaller than the growth in population. Consequently, it became necessary for the country to

import rice to supplement the 1963 harvest. The small increase in production of food crops was due to the prolonged drought in several regions and the shift in the use of agricultural resources to export crops.

C. MONEY AND CREDIT

The developments in the market for goods and services were reflected in the financial market. Commercial bank credits to the private sector increased by 31 per cent of ₦938 million, a magnitude that was as large as the cumulated increase during the six years 1955-60. This increase also came on top of the 61 per cent expansion in commercial bank credit to the private sector during the preceding two years. In addition to the high level of expenditures for goods and services, the large increase in private demand was also generated by the disruptions and dislocations in the flow of imports which were financed to a large extent by the commercial banks, the heavy purchases of foreign exchange for non-trade purposes, and large transactions involved in the transfer of assets.

The increase in private credit was accompanied by an 11 per cent growth in credit extended by the banking system to Government. The rise in government credit was brought about by a deficit in current operations, due in part to the revenue effect of the pier strike, and by the subsidies provided for the production of tobacco and the consumption of essential commodities. The credit transactions of the private sector and Government with the banking system during 1963 generated additional money supply in an amount equivalent to 20 per cent of the volume of money at the beginning of the year. Part of the money generated by these credit transactions was siphoned off by the foreign exchange operations of the Central Bank so that money supply increased by a slightly smaller 18 per cent during 1963. In addition to the increase in money supply, the overall liquidity in the economy was also augmented by the 29 per cent expansion in private savings and time deposits with the commercial banks.

D. GOVERNMENT FISCAL OPERATIONS

The fiscal operations of the National Government in money terms, excluding debt repayments, changed from a surplus position in 1962 to a substantial deficit position during 1963. Cash transactions of the National Treasury gave rise to a deficit of ₦272 million in 1963 compared to a surplus of ₦21 million in the preceding year. The change in the fiscal position of the Government was due mainly to the big increase in current expenditures for education, emergency employment and subsidy operations. In addition, an improvement in the government administrative machinery gave rise to the liquidation of a substantial volume of accounts payable during the year. These factors expanded cash outlays beyond revenue collections despite the 19 per cent increase in revenues.

E. FOREIGN EXCHANGE TRANSACTIONS AND INTERNATIONAL RESERVES

The expansionary pressure engendered by the high levels of expenditures and the excessive liquidity in the economy spilled over into the international payments in the form of a 14.1 per cent increase in import payments and a large deficit in non-trade transactions. These movements reversed those of 1962 when import payments declined by 14.6 per cent and a surplus was realized in non-trade transactions.

Besides the growth in aggregate payments for imports, the increase in imports was largely made up of consumer goods, which expanded by 49 per cent, whereas producer goods importations grew by only 8 per cent. The expansion in consumer goods imports was due to a large extent to the rice imported by the government for price stabilization purposes. On the other hand, non-trade transactions, net of those pertaining to stabilization loans, resulted in a deficit of \$82.5 million in 1963 compared to the \$15.9 million surplus realized in the preceding year. This was brought about by the expansion in payments for non-merchandise imports by an amount equal to the increase in export earnings and twice as much the increase in import payments.

In the face of the heavy demand engendered by internal developments, the international payments position of the country was saved by a boom in exports which propelled earnings to a record \$699 million. Export earnings in 1963 were \$155 million or 28 per cent larger than in the preceding year owing to the combination of favorable developments in world price of the country's major export products and the substantial increase in the volume of these goods available for exports. As a result, the heavy demand for foreign exchange was met at the prevailing exchange rate and international reserves increased by \$7 million. In addition, net repayments of \$32 million were made on stabilization loans obtained by the Central Bank in the preceding two years. However, pressure on the international payments position due to the heavy demand for foreign exchange remained strong towards the end of the year.

The protracted strike at the waterfront affected the movement of goods through the customs area and, as a consequence, import volume during the first half of the year was 13 per cent below imports during the corresponding 1962 period. By the second half of 1963, imports expanded to a volume more than 10 per cent greater than the volume of imports during the second semester of 1962. Part of the expansion, however, was due to the rice imported by the Government for price stabilization purposes. However, on a yearly basis, import volume for 1963 declined by 1 per cent compared to 1962. The country's net terms of trade remained constant with the increase in prices of imports being offset by a corresponding increase in world prices of exports.

F. INTERNAL PRICES

While the international payments position of the economy was able to weather the coincident pressure exerted by the inflation, internal prices were not able to hold the line against the pull of demand. The resulting rise in prices was reinforced by acute shortages in the supply of rice and cement, the rise in world prices of the country's export products and disruptions in the flow of imported goods brought about by the protracted pier strike. These factors brought about increases in regional consumer prices ranging from 5.6 per cent in Manila to 8 per cent for the country as a whole between 1962 and 1963. Food prices were particularly disturbed with an increased of 13.6 per cent despite the rice imported by the Government was sold at subsidized prices. Prices of the other categories of consumer products rose by less than 2.2 per cent, on the average. During the year (between December 1962—December 1963), retail prices of imported consumer goods in Manila rose by only 5 per cent while retail prices of domestic goods rose by 7 per cent. At the wholesale level, prices of export goods rose by 20 per cent while those of products for home-use went up by 8 per cent. In the latter case, prices of imported products and domestic goods increased by 6 per cent and 8.8 per cent, respectively.

G. LABOR, EMPLOYMENT AND INCOME

Non-farm employment increased as a result of the growth in production and, in a temporary manner, due to the emergency employment operations of the Government. As in the past, the number of employed persons increased less than proportionately to the growth in non-farm production. Those without jobs and the equivalent for those underemployed constitute a tenth of the labor force. The small gains in money income realized by employed labor during 1963 were not sufficient to offset the loss in real income brought about by rising prices.

H. MONETARY MEASURES

The Central Bank adopted two positive measures early in the year to forestall the build-up in inflationary pressures: It raised the maximum interest rates which the banks can pay to depositors in March in order to attract a larger volume of savings into the banking system and thus enable the banks to meet the credit needs of the community in a non-inflationary manner. Also early in the year, the monetary and fiscal authorities issued government securities at a competitive rate of interest. This measure was designed to stop the practice of using the monetary institutions for the financing of bonded indebtedness, a method which adds to inflationary pressure.

As the monetary expansion continued unabated, the Central Bank switched the nature of its monetary policies to one of mild restraint, a signal for the commercial banks that credit was expanding too rapidly in relation to the

growth in output: (1) the transfer of part of National Government time deposits from commercial banks to the Central Bank as they matured was started in May; (2) reserves required against peso savings and time deposits were raised from 5 per cent to 6 per cent on August 5th; and (3) the amount which commercial banks taken together can borrow at any given time from the Central Bank was reduced from more than P510 million to around P295 million on September 30th, although actually only P187 million was utilized out of the original amount.

1. INSTITUTIONAL CHANGES

Agricultural production is likely to undergo significant changes in the future as a result of the passage into law of the Agricultural Land Reform Code in 1963. The Code established as national policy the establishment of "owner-cultivatorship and the economy family size farm as the basis of Philippine agriculture x x x." This is to be accomplished by the abolition of agricultural share tenancy; in its place, leasehold tenancy will become operative. The Code also provided for the eventual transfer of ownership to the leaseholders and for the institutions required to facilitate such transfer of ownership. From an economic point of view, the Land Reform Code was enacted as a means of providing the incentive necessary for increasing productivity and farm income by making any incremental income accrue fully to the cultivator. However, several kinds of lands in terms of their uses are exempted from the operations of the Land Reform Code. Thus, operation of this reform could accelerate the shift of resources from food to export crops, from rice to sugar.

Several changes in the institutional framework of the financial system were also made in 1963 which are likely to exert an important influence on the development program: Firstly, the Loans and Investment Council was formally constituted to coordinate the credit and investment activities of government financial institutions. Secondly, the Private Development Corporation of the Philippines, a private development banking institution, was established in August 1963 with investments and assistance originating from foreign financial institutions. The Philippine National Bank also established a subsidiary corporation to engage in medium and long-term credit and investment activities. In addition, three other private development banks were established and the total resources of this group of banks expanded by 29 per cent.

In the case of the money market, eight new commercial banks were established during the year bringing the total number to thirty-six. The total resources of the commercial banking system increased by P1.0 billion or 28 per cent during the year. This was supplemented by the continued expansion of the rural banking system with the establishment of eighteen new banks, bringing the total membership to 242 banks. Credits granted by the rural banks expanded by 37 per cent during 1963.

J. SUMMARY

The economy is thus characterized by excessive expenditures and liquidity, on the one hand, and severe unemployment of labor on the other hand. It is thus necessary to reduce domestic expenditures to the level of output, mop up the excess liquidity, and induce a reallocation of real resources towards investments.

To dampen the severe expansionary pressure, inflationary methods of financing expenditures should be avoided by all elements in the economy: Government, business concerns and households. This will require the curtailment of commercial bank credit operations to present levels and the attainment of an overall balance in the cash budget of Government.

To regain the momentum towards economic development for the solution of the unemployment problem, it appears necessary that the Government seize the initiative by allocating a significant proportion of its expenditures within a balanced budget for social overhead projects. To accomplish this objective, it is likely to be necessary to increase government revenues in view of the magnitude of outlays required for essential public services such as education. Thus, collections under the present tax structure should be intensified, smuggling must be curbed effectively, and new tax measures may have to be enacted.

Moreover, the Government should induce a more efficient utilization of economic resources by rationalizing its subsidy operations. Such rationalization would lead to a shift in the use of resources from the production of commodities which are neither needed nor wanted into critically needed food crops. Towards the same end, a better observance of selective credit policies by the banking system can go a long way in channeling private resources out of speculative activities and into productive investments. Finally, the resources of government financial institutions should be used more aggressively as a fulcrum for moving private entrepreneurial activities towards priority investment projects.

II. MONETARY DEVELOPMENT

A. OVER-ALL MONETARY DEVELOPMENTS

Monetary and credit developments during 1963 continued to reflect the expansionary pressures that emerged during the last quarter of 1962. As it became increasingly evident that the expansionary trend in money would continue in 1963, the Central Bank moved to counter this development by shifting to a policy of mild restraint during the first nine months and a further tightening of credit towards the end of the year. The movement of money supply mirrored these changes in monetary policies. From 13 per cent in 1962, the annual rate of growth of money supply reached 20 per cent in March 1963, 24 per cent in May, and 26 per cent in August before money supply went down to the December level of ₦2,954 million which was 18 per cent over the figure in December of last year.

The expansion in money supply during the year originated primarily from bank credits extended to the private sector. This was helped, however, by the contribution of government deposits to the credit base of commercial banks. Thus, while the public sector was expansionary (₦137 million) to a lesser extent than the private sector (₦301 million), indirectly public deposits with commercial banks also contributed to the expansionary pressures generated by bank credit to the private sector. Money of external origin increased money supply only by a slight ₦11 million as compared with ₦140 million last year.

The measures which the Central Bank adopted during the year were the following:

1. Raising of the discount rate for rural banks

Rural banks which enjoyed a low preferential rate of $\frac{1}{2}$ of 1 per cent since 1957 were subjected to a rise in the rediscount rate on January 29, 1963. Effective April 1, 1963, their rediscount rates were graduated as follows:

- a. For rural banks in operation for not more than three (3) years, the rediscount rate shall be $\frac{1}{2}$ of 1 per cent.
- b. For rural banks in operation for more than three (3) years but not more than five (5) years, the rediscount rate shall be $1\frac{1}{2}$ per cent
- c. For rural banks in operation for more than five (5) years, the rediscount rate shall be $2\frac{1}{2}$ per cent.
- d. Newly-established rural banks shall be charged the same rate applicable to the existing rural banks in the locality where the new rural bank is established.

Despite these increases in rediscount rates, however, Central Bank loans to the rural banking system increased by ₱22 million in 1963 from the ₱46 million granted to them in 1962 or by 48 per cent.

2. Raising of interest rates payable on savings and time deposits

Also effective April 1, 1963, the Monetary Board raised the maximum interest rates payable on savings and time deposits of commercial banks, to wit:

- a. Commercial banks may pay a maximum of 3-1/2 per cent interest on savings deposits.
- b. Savings, rural, and development banks may pay a maximum of 4 per cent interest on savings deposits.
- c. All banks may pay a maximum interest on time deposits as follows:

| | |
|----------------|--------|
| 90 days | 3-3/4% |
| 180 days | 4% |
| 270 days | 4-1/4% |
| 360 days | 4-1/2% |

However, towards the end of the year, interest rates payable on time deposits of rural, savings and development banks were further amended to allow them to pay a maximum of 4-1/4 per cent on time deposits for at least 90 days but not exceeding 180 days and 4-1/2 per cent interest on time deposits exceeding 180 days.

The raising of interest rates on savings and time deposits to a level which was more competitive with prevailing market rates helped to increase private savings and time deposits of commercial banks by ₱363 million or 30 per cent in 1963 as compared with ₱218 million or 22 per cent in the previous year.

3. Increase in reserve requirements against peso savings and time deposits

Effective August 5, 1963, the Central Bank raised reserve requirements against peso savings and time deposits from 5 to 6 per cent. This was the first time since 1949 the Central Bank had changed the reserve requirements against peso savings and time deposits.

4. Revision of the rediscount quotas of commercial banks

The rediscount quota which was re-established in January, 1962 and amended in June, 1962 was again revised on September 11, 1963, to wit:

- a. For domestic commercial banks, the quota was revised from the level of net worth as of June 30, 1962 to one-half of the level of its net worth as of March 31, 1963.

- b. For branches of foreign commercial banks, the quota was reduced from the level of their "Net Due to Head Office and Branches Outside the Philippines Account" to one-half at the date of the application. Rediscounting shall be done on a case-to-case basis.
- c. For newly-established banks, the quota shall equal one-half of their initial paid-in capital.
- d. Moreover, the quota shall include those loans granted under the preferential rate of 3 per cent.

The revision of the rediscount quotas resulted in a lowering of the total rediscount quotas from ₱514 million to ₱309 million. The new ceiling still exceeded the aggregate outstanding credits at the time the measure was passed. Several banks whose outstanding balances were in excess of the new quotas were given up to the end of the year to liquidate their excess borrowings although in certain cases two-thirds could be renewed for 120 days provided that they pay a penalty rate of 7 per cent. Subsequently, in December the penalty rate was revised to 8 per cent.

B. MONEY SUPPLY

Money supply increased at an average monthly rate of 1.4 per cent in 1963 versus 1.1 per cent in 1962. The level of money supply declined during five of the twelve months of 1962 while in 1963 it declined only twice (July and November) showing a more consistent and stronger uptrend.

The factors that influenced the expansion of money during 1963 originated from all sectors of the economy with the private sector accounting for the largest contribution. These developments were partly a reversal of the trend a year ago when the public segment assumed a strong disinflationary character.

In the domestic sector, the primary source of monetary expansion was the significant gain in credits amounting to ₱1,160 million. This increase was equal to the magnitude registered between mid-1961 to the end of 1962. Of the incremental credits in 1963, ₱938 million were extended to the private sector while the balance of ₱222 million went to the government. Of the private credits, ₱771 million were in the form of loans, discounts and overdrafts; ₱163 million in acceptance credits and only ₱3 million in investments in long term domestic securities.

The expansion in bank credits to the private sector was substantially larger by ₱434 million or 86 per cent over the previous year. An increase in credit of such magnitude was made possible largely by significant increases in private savings and time deposits, amounting to ₱403 million versus ₱260 million in 1962. Moreover, new commercial banks also made a large contribution to the loanable funds of the banking system together with the increase in surplus of the existing banks. Likewise, the public sector supplied

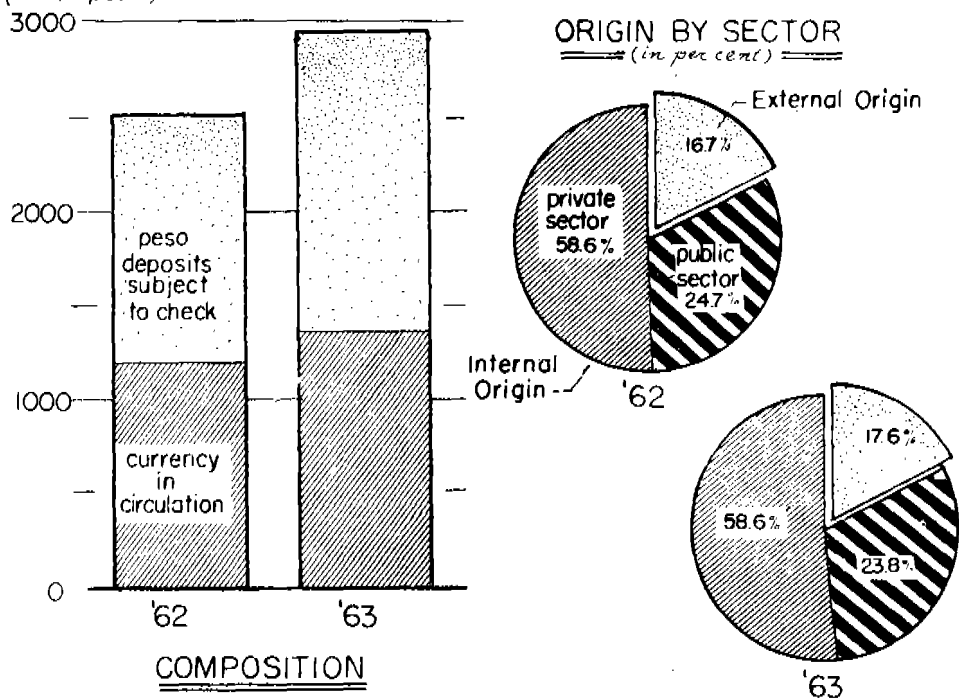
MONEY SUPPLY AND ITS COMPOSITION 1961 - 1963

(Amount in Million Pesos)

| End of period | Money Supply | Currency in Circulation | | Peso Demand Deposits | |
|---------------------|--------------|-------------------------|-------------------|----------------------|-------------------|
| | | Amount | % of Money Supply | Amount | % of Money Supply |
| 1961—December | 2,219.3 | 1,049.6 | 47.3 | 1,169.7 | 52.7 |
| 1962—March | 2,154.7 | 1,016.7 | 47.2 | 1,138.0 | 52.8 |
| June | 2,198.6 | 1,005.9 | 45.8 | 1,192.7 | 54.2 |
| September | 2,255.4 | 1,058.4 | 46.9 | 1,197.0 | 53.1 |
| December | 2,504.7 | 1,172.9 | 46.8 | 1,331.8 | 53.2 |
| 1963—January | 2,523.0 | 1,147.1 | 45.5 | 1,375.9 | 54.5 |
| February | 2,555.6 | 1,155.0 | 45.2 | 1,400.6 | 54.8 |
| March | 2,590.3 | 1,189.2 | 45.9 | 1,401.1 | 54.1 |
| April | 2,653.7 | 1,201.7 | 45.3 | 1,452.0 | 54.7 |
| May | 2,661.4 | 1,216.4 | 45.7 | 1,445.0 | 54.3 |
| June | 2,704.8 | 1,195.8 | 44.2 | 1,509.0 | 55.8 |
| July | 2,686.7 | 1,203.7 | 44.8 | 1,483.0 | 55.2 |
| August | 2,755.5 | 1,217.7 | 44.2 | 1,537.8 | 55.8 |
| September | 2,780.9 | 1,235.8 | 44.4 | 1,545.1 | 55.6 |
| October | 2,826.0 | 1,287.3 | 45.6 | 1,538.7 | 54.4 |
| November | 2,781.2 | 1,285.7 | 46.2 | 1,495.6 | 53.8 |
| December | 2,954.3 | 1,363.4 | 46.1 | 1,590.9 | 53.9 |

MONEY SUPPLY, 1962 & 1963

(million pesos)



additional loanable funds when their savings and time deposits gained by ₱75 million while the credits extended by the Central Bank to commercial banks were up by ₱17 million. The total expansionary effect of the private sector during the year came to ₱301 million.

The public sector as a whole exerted an expansionary impulse of ₱137 million in contrast to the contractionary role it played last year. National Government transactions with the banking system for the first three quarters of the period under review were contractionary. Due to seasonal patterns in revenue as well as the substantial decline in collections resulting mainly from the waterfront strike, the National Government had to resort to inflationary financing in the last quarter. A ₱191 million loan was extended to the National Government by the Central Bank. The over-all expansive effects of the National Government operations amounted to ₱60 million compared to the contraction of ₱122 million last year.

Local and semi-government entities' operations with the banking system also expanded money supply by ₱66 million. For the first three quarters of the year, the activities of these institutions increased money supply by ₱97

million but this was partly offset by the contraction of ₱31 million in the last quarter. On the whole, forces in the internal economy, both public and private added some ₱438 million to the monetary stream compared with ₱145 million last year.

In the external economy, foreign exchange transactions brought about a net receipt amounting to \$8.02 million principally as a result of the 28 per cent increase in export receipts and despite the payments of special loans from U.S. commercial banks abroad in the amount of \$36 million. However, after taking into account the adjustments made for profits realized by the Central Bank from foreign exchange transactions as entered into the Revaluation Account, the external sector contributed only some ₱11 million more to money supply.

These developments reflected a change in the composition of money supply emphasizing the role of bank credit as the most significant factor accounting for the monetary expansion during the year. Demand deposits expanded at a faster rate than currency in circulation and accounted for the larger share of money supply at the close of the year, rising from 53 per cent in the beginning to 54 per cent at the end. Likewise, the annual turnover rate of peso demand deposit continued to accelerate increasing from 30 times in 1962 to 33 in 1963.

FACTORS RESPONSIBLE FOR MONEY SUPPLY MOVEMENT

(Million pesos)

| I t e m | 1963 December | 1963 September | 1962 December | Increase or Decrease (—) | | | Net Effect on Money Supply ^a | | |
|---|------------------|-------------------|------------------|--------------------------------|---------------------------------|---------------------------------|---|---------------------------------|---------------------------------|
| | | | | Dec. 1963 over Dec. 1962 | Dec. 1963 over Sept. 1963 | Sept. 1963 over Dec. 1962 | Dec. 1963 over Dec. 1962 | Dec. 1963 over Sept. 1963 | Sept. 1963 over Dec. 1962 |
| I. Money of Internal Origin | | | | | | | | | |
| A. Public Sector ^b | | | | | | | | | |
| 1. National Government | | | | | | | | | |
| a. Securities held by Central Bank | 477.8 | 530.5 | 583.6 | —105.8 | — 52.7 | — 53.1 | —105.8 | — 52.7 | — 53.1 |
| b. Securities held by commercial banks | 382.0 | 434.3 | 325.8 | 56.2 | — 52.3 | +108.5 | + 56.2 | — 52.3 | +108.5 |
| c. Central Bank loans ... | 333.6 | 162.5 | 242.8 | 90.8 | 171.1 | — 80.3 | + 90.8 | +171.1 | — 80.3 |
| d. Commercial banks' loans | 40.5 | 49.5 | — | 40.5 | — 9.0 | + 49.5 | + 40.5 | — 9.0 | + 49.5 |
| Less: | | | | | | | | | |
| e. Demand deposits | 252.8 | 324.5 | 270.4 | — 17.6 | — 71.7 | + 54.1 | — 38.1 ^c | + 53.1 ^c | —110.7 ^c |
| f. Savings & time deposits | 327.1 | 337.8 | 290.1 | 37.0 | — 10.7 | + 47.7 | — 37.0 | + 10.7 | — 47.7 |
| g. Reserve for Retirement of Debt | 14.0 | 67.4 | 67.4 | — 53.4 | — 53.4 | — | + 53.4 | + 53.4 | — |
| T o t a l | 640.0 | 447.1 | 524.3 | 115.7 | 192.9 | — 77.2 | + 60.0 | +176.3 | —133.8 |

FACTORS RESPONSIBLE FOR MONEY SUPPLY MOVEMENT (Continued)

| I t e m | 1963 December | 1963 September | 1962 December | Increase or Decrease (—) | | | Net Effect on Money Supply* | | |
|--|------------------|-------------------|------------------|--------------------------------|--------------------------------|---------------------------------|--------------------------------|---------------------------------|---------------------------------|
| | | | | Dec. 1963 over Dec. 1962 | Dec. 1963 over Dec. 1963 | Sept. 1963 over Dec. 1962 | Dec. 1963 over Dec. 1962 | Dec. 1963 over Sept. 1963 | Sept. 1963 over Dec. 1962 |
| 2. Local Gov't & Semi-Gov't Entities | | | | | | | | | |
| a. Securities held by Central Bank | 343.5 | 351.5 | 357.5 | — 14.0 | — 8.0 | — 6.0 | — 14.0 | — 8.0 | — 6.0 |
| b. Securities held by commercial banks | 79.5 | 38.9 | 41.0 | 38.5 | 40.6 | — 2.1 | + 38.5 | + 40.6 | — 2.1 |
| c. Central Bank loans ... | 406.3 | 392.0 | 344.7 | 61.6 | 14.3 | + 47.3 | + 61.6 | + 14.3 | + 47.3 |
| d. Commercial banks' loans | 107.5 | 100.5 | 53.3 | 54.2 | 7.0 | + 47.2 | + 54.2 | + 7.0 | + 47.2 |
| Less: | | | | | | | | | |
| e. Savings & time deposits | 390.3 | 382.8 | 352.5 | 37.8 | 7.5 | + 30.3 | — 37.8 | — 7.5 | — 30.3 |
| f. Net Miscellaneous Trading Accounts of CB & PNB | 207.0 | 140.9 | 181.7 | 25.3 | 66.1 | — 40.8 | — 25.3 | — 66.1 | + 40.8 |
| T o t a l | 339.5 | 359.2 | 262.3 | 77.2 | — 19.7 | + 96.9 | + 77.2 | — 19.7 | + 96.9 |
| Total Public Sector | 979.5 | 806.3 | 786.6 | 192.9 | 173.2 | + 19.7 | +137.2 | +156.6 | — 36.9 |
| B. Private Sector | | | | | | | | | |
| a. Commercial banks' loans, discounts, overdrafts ^d & customers' liability acceptances | 3,937.5 | 3,611.9 | 3,003.3 | 934.2 | 325.6 | + 608.6 | + 934.2 | + 325.6 | + 608.6 |

FACTORS RESPONSIBLE FOR MONEY SUPPLY MOVEMENT (Concluded)

| I t e m | 1963 December | 1963 September | 1962 December | Increase or Decrease (—) | | | Net Effect on Money Supply ^a | | |
|--|------------------|-------------------|------------------|--------------------------------|---------------------------------|---------------------------------|---|---------------------------------|---------------------------------|
| | | | | Dec. 1963 over Dec. 1962 | Dec. 1963 over Sept. 1963 | Sept. 1963 over Dec. 1962 | Dec. 1963 over Dec. 1962 | Dec. 1963 over Sept. 1963 | Sept. 1963 over Dec. 1962 |
| b. Securities held by commercial banks | 7.2 | 3.5 | 3.8 | 3.4 | 3.7 | — 0.3 | + 3.4 | + 3.7 | — 0.3 |
| Less: | | | | | | | | | |
| c. Savings, time & other deposits | 1,770.2 | 1,683.3 | 1,367.1 | 403.1 | 86.9 | + 316.2 | —403.1 | — 86.9 | —316.2 |
| d. Net Miscellaneous Accounts ^e of private commercial banks | 442.7 | 216.1 | 209.5 | 233.2 | 226.6 | + 6.6 | —233.2 | —226.6 | — 6.6 |
| Total Private Sector | 1,731.8 | 1,716.0 | 1,430.5 | 301.3 | 15.8 | + 285.5 | + 301.3 | + 15.8 | + 285.5 |
| C. Total Public and Private Sectors | 2,711.3 | 2,522.3 | 2,217.1 | 494.2 | 189.0 | + 305.2 | + 438.5 | + 172.4 | + 248.6 |
| II. Money of External Origin | | | | | | | | | |
| a. International Reserves . | 519.5 | 428.7 | 418.3 | 101.2 | 90.8 | + 10.4 | + 156.9 ^c | + 107.4 ^c | + 67.0 ^c |
| b. Revaluation of International Reserves . | 188.7 | —113.5 | 81.3 | —270.0 | — 75.2 | —194.8 | —270.0 | — 75.2 | —194.8 |
| Less: | | | | | | | | | |
| c. Special Loans & Advances Abroad | 87.8 | 56.6 | 212.0 | —124.2 | 31.2 | —155.4 | + 124.2 | — 31.2 | + 155.4 |
| Total Money of External Origin | 243.0 | 258.6 | 287.6 | — 44.6 | — 15.6 | — 29.0 | 11.1 | 1.0 | + 27.6 |
| III. Money Supply | 2,954.3 | 2,780.9 | 2,504.7 | 449.6 | 173.4 | 276.2 | 449.6 | 173.4 | 276.2 |

^a Plus sign (+) indicates the magnitude of the increase and minus sign (—), the decrease in money supply.

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

^c Adjusted to include National Government expenditures abroad amounting to ₱16.6 million.

^d Including unused overdraft lines.

^e Including inter-bank transactions.

C. CREDIT OPERATIONS OF THE BANKING SYSTEM

Notwithstanding the adoption of credit restraint measures in 1963, the rate of growth of bank credit was greater (20 per cent) than in 1962 (11 per cent). Central Bank credits net of loan repayments of commercial banks went up by ₦33 million or 2 per cent while the commercial banking system credits went up by ₦1,127 million or 33 per cent. The public sector shared ₦222 million or 19 per cent of the total increment in bank credit amounting to ₦1,160 million while private sector received the bulk of ₦938 million or 81 per cent.

1. Central Bank Credits

The credit portfolio of the Central Bank, including loans extended to commercial banks, expanded by ₦33 million during the year in contrast to a decrease of ₦38 million in 1962. The effects of the policy of credit restraint could not be clearly discerned as fiscal considerations governed the transactions of the portfolio, particularly during the last quarter of the year.

The credit portfolio contracted by ₦57 million during the first nine months mainly due to the repayment of government loans and net sales of government securities. However, this reduction was more than offset by a gain of ₦90 million in the last quarter as budgetary loans increased and heavy purchases of Treasury Notes were made.

Over-all transactions of the portfolio for the year aggregated ₦4,437 million. This was ₦1,089 million or 32 per cent more than in 1962. Security tradings totalled ₦821 million and resulted in net sales of ₦120 million, while lending transactions totalled ₦916 million and resulted in net extensions of ₦163 million. Accordingly, the relative position of security investments in the total portfolio went down from 55 per cent to 47.0 per cent while outstanding loans and advances moved up from 44 per cent to 52 per cent. Public credits totalled ₦1,531 million or 88 per cent of the portfolio and the balance of ₦218 million or 12 per cent went to private commercial and rural banks. Their corresponding shares last year were 89 per cent and 11 per cent, respectively.

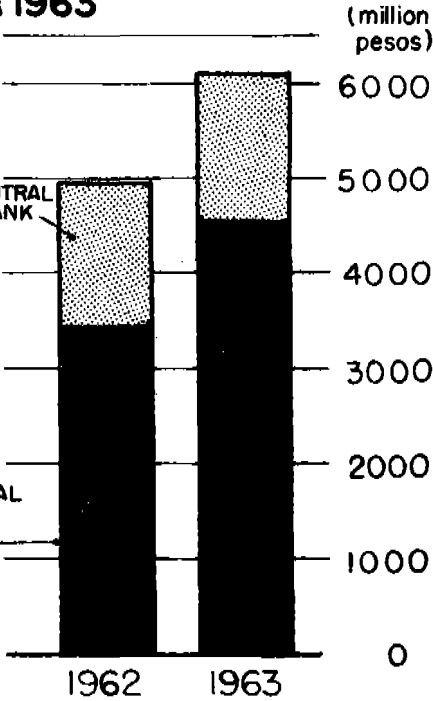
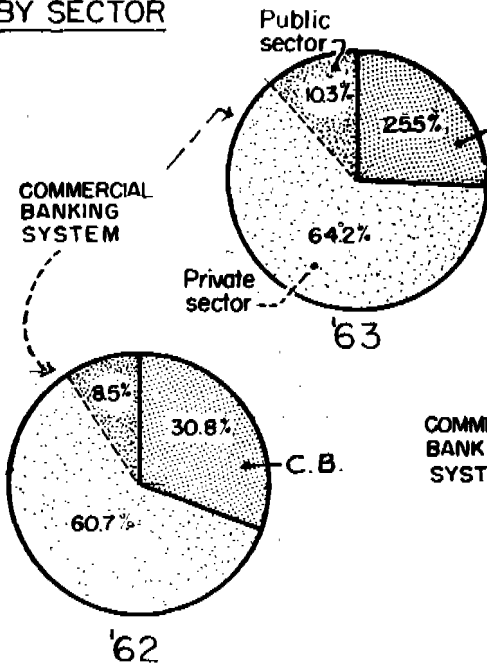
Loans and advances granted during the year totalled ₦1,156 million, ₦395 million or 52 per cent more than in 1962. Increases were registered in loans to the National Government, the PVTA and the commercial banks. The National Government which had an outstanding budgetary loan of ₦120 million at the start of 1963 obtained an additional loan of ₦251 million. However, by the end of the year, it had paid ₦180 million, leaving an outstanding balance of ₦191 million. The loan of ₦102 million obtained by the National Government in 1962 and used to pay capital subscriptions to the IMF, IBRD and IDA remained outstanding also at the end of the year. The PVTA increased its outstanding loans by ₦51 million as it borrowed ₦73 million and paid only ₦22 million. Commercial banks' borrowings this year were 50 per cent greater than in 1962, although they tapered off towards the last quarter.

Borrowings this year totalled ₱740 million as against ₱496 million in 1962, broken down as follows: ₱101 million at 3 per cent interest, ₱609 million at 6 per cent, ₱21 million at 7 per cent, ₱7 million at 8 per cent, and ₱2 million represented Eximbank loans with interest rates at 1½ per cent to 3-3/4 per cent. Despite the reduction of their rediscount quotas, the commercial banks had unutilized credits of ₱154 million, of which the PNB share was ₱110 million. On the other hand, no loans were extended to the ACCFA during the year and its ₱142 million outstanding loans from the Central Bank were all past due. As a whole, outstanding loans and advances of the Central Bank stood at ₱916 million at the close of 1963, ₱163 million or 22 per cent more than the level at the end of 1962.

During 1963, open market operations were heavier than in 1962. Security sales for the year totalled ₱1,110 million and were sold to the following: private commercial banks, ₱644 million; PNB, ₱332 million; other government entities, ₱110 million; and private investors, ₱24 million. Moreover, some ₱75 million of Treasury and ₱14 million of ACCFA Notes were redeemed. On the other hand, security purchases aggregated ₱1,079 million and these were purchased from the following: private commercial banks, ₱594 million; PNB, ₱377 million; and various government and private entities, ₱108 million.

DOMESTIC CREDITS OUTSTANDING OF THE BANKING SYSTEM, 1962 & 1963

BY SECTOR



BY INSTITUTION

2. Commercial Bank Credit

Commercial banks were able to expand their credit operations in 1963 in the face of a policy of credit restraint. This was made possible largely by the continued increase in their loanable funds from: (1) private savings and time deposits which increased by ₱363 million versus ₱218 million in 1962; (2) government savings and time deposits which increased by ₱75 million versus ₱257 million in 1962; (3) the establishment of new commercial banks bringing new capital amounting to ₱61 million and the increase in the net worth of the old banks amounting to ₱87 million; and (4) Central Bank loans to commercial banks amounting to ₱17 million versus a net repayment of ₱152 million in 1962. In addition, commercial banks made use of their excess and potential reserves by drawing down to levels of ₱28 million and ₱13 million less than their totals a year before.

The total resources of the banks registered an unprecedented expansion of ₱1.0 billion or 30 per cent, bringing the total assets to an all time high of ₱5.0 billion at the end of the year. Last year, total resources increased by only ₱665 million or 19 per cent. In addition to the contribution made by eight new commercial banks to this increase in resources, another main causative factor was a portfolio shift from liquid to earning assets by commercial banks. By reducing the increase in their liquid assets to only ₱128 million or 19 per cent, as compared with ₱206 million or 44 per cent last year, the banks were able to increase their earning assets by ₱1,018 million or 32 per cent versus ₱454 million or 16 per cent in 1962.

Classified as to types of credit, loans, discounts and overdrafts of commercial banks recorded a substantial increase of ₱738 million or 32 per cent, compared with the ₱379 million or 20 per cent in 1962. Likewise, commercial banks' financing of imports in the form of customers' liability acceptances expanded by ₱183 million compared with ₱142 million last year. Investments in domestic securities featured an improvement, increasing by ₱97 million or 26 per cent, in contrast to a decline of ₱67 million or 15 per cent in 1962. However, ₱60 million of the increase this year were investments of the Philippine National Bank.

The weighted average rate of interest for loans, discount and overdrafts granted went down slightly from 8.387 per cent in 1962 to 8.378 per cent this year.

The tremendous expansion in the assets of commercial banks was also reflected in the increase of their liabilities. Their total liabilities expanded by ₱1.0 billion or 30 per cent compared with ₱665 million or 19 per cent in 1962. Principally responsible for the growth was the increase in savings and time deposits amounting to ₱438 million or 24 per cent, although the increase was slightly smaller compared with the ₱475 million or 34 per cent increase in 1962. Also accountable for the increase in liabilities were their borrowings

from the Central Bank as well as "Due to Banks" liabilities which were up by ₦205 million and ₦59 million, respectively.

The reserve position of the commercial banks weakened considerably during the year. Central Bank's credit operations supplied reserves to commercial banks directly and indirectly: directly, through loans extended to them as well as through purchases of their government securities and indirectly, through credits to the government which supplied reserves to commercial banks via the flow of government and private deposits.

Similarly, the purchase of gold and foreign exchange assets by the Central Bank provided commercial banks with available reserve. The increase in their total deposits, however, as a result of their credit operations plus the increase in reserve requirements against savings and time deposits brought about a larger increase in their required reserves than in their available reserves. Excess reserves therefore dropped by ₦28 million during the year to a level of ₦63 million. Similarly, potential reserves went down by ₦13 million to a level of ₦295 million.

The net worth of commercial banks as well as the number of commercial banking units played an increasingly important role in expanding the credit operations of the banking system. Many commercial banks were found to be close to full capacity operation based on the statutory ceiling of 15 per cent of net worth to risk assets; hence, the importance of new banks. Two domestic banks were observed to have reached this statutory ceiling and thirteen others were very near this limit, thus acting as a restraint on their credit operations.

ASSETS AND LIABILITIES OF COMMERCIAL BANKS

December 1, 1961 - 63

(Million pesos)

| | 1961 | 1962 | 1963 | Changes from preceding period | |
|--|----------------|----------------|----------------|-------------------------------|----------------|
| | | | | 1962 | 1963 |
| Total Assets | <u>3,412.0</u> | <u>4,076.6</u> | <u>5,321.7</u> | <u>664.6</u> | <u>1,245.1</u> |
| Liquid Assets | <u>468.7</u> | <u>674.8</u> | <u>802.9</u> | <u>206.1</u> | <u>128.1</u> |
| Cash | 54.6 | 72.9 | 89.9 | 18.3 | 17.0 |
| Checks and other cash items | 38.6 | 94.6 | 129.6 | 56.0 | 35.0 |
| Due from the Central Bank | 169.5 | 230.6 | 236.6 | 61.1 | 6.0 |
| Due from other banks | 206.0 | 276.7 | 346.8 | 70.7 | 70.1 |
| Earning Assets | <u>2,762.8</u> | <u>3,216.8</u> | <u>4,234.9</u> | <u>454.0</u> | <u>1,018.1</u> |
| Loans and discounts | 1,235.3 | 1,530.6 | 2,081.1 | 295.3 | 550.5 |
| Overdrafts | 662.6 | 746.1 | 933.4 | 83.5 | 187.3 |
| Customers Liability | | | | | |
| Acceptances and unmatured export bills | 430.8 | 572.8 | 756.0 | 142.0 | 183.2 |
| Investment in stocks, bonds and other securities | 434.1 | 367.3 | 464.4 | -66.8 | 97.1 |
| Other Assets | <u>180.5</u> | <u>185.0</u> | <u>283.9</u> | <u>4.5</u> | <u>98.9</u> |
| Banking house, furniture and fixtures | 58.5 | 71.7 | 93.5 | 13.2 | 21.8 |
| Other real and chattel properties owned | 13.7 | 13.0 | 14.4 | - 0.7 | 1.4 |
| Miscellaneous assets | 108.6 | 100.3 | 176.0 | - 8.0 | 75.7 |
| Total Liabilities and Net Worth | <u>3,412.0</u> | <u>4,076.6</u> | <u>5,321.7</u> | <u>664.6</u> | <u>1,245.1</u> |
| Current Liabilities | <u>2,447.7</u> | <u>3,119.6</u> | <u>3,804.8</u> | <u>671.9</u> | <u>685.2</u> |
| Demand deposits | 972.8 | 1,152.2 | 1,357.7 | 179.4 | 205.5 |
| Savings deposits | 895.2 | 988.6 | 1,164.5 | 93.4 | 175.9 |
| Time deposits | 481.3 | 863.1 | 1,125.2 | 381.8 | 262.1 |
| Due to banks | 59.4 | 45.6 | 104.6 | -13.8 | 59.0 |
| Cashiers' and Managers' checks | 39.0 | 70.1 | 52.8 | 31.1 | -17.3 |
| Other Liabilities | <u>591.0</u> | <u>495.7</u> | <u>905.7</u> | <u>-95.3</u> | <u>410.0</u> |
| Dividends payable | 0.4 | 2.9 | 1.2 | 2.5 | - 1.7 |
| Bills payable | 275.6 | 117.5 | 322.7 | -158.1 | 205.2 |
| Guarantee accounts | 107.5 | 145.0 | 178.1 | 37.5 | 33.1 |
| Miscellaneous liabilities | 207.5 | 230.3 | 403.7 | 22.8 | 173.4 |
| Net Worth | <u>373.3</u> | <u>461.3</u> | <u>611.2</u> | <u>88.0</u> | <u>149.9</u> |
| Capital stock paid-in | 172.7 | 207.1 | 312.1 | 34.4 | 105.0 |
| Surplus | 118.4 | 145.6 | 159.3 | 27.2 | 13.7 |
| Reserves | 57.4 | 75.7 | 92.6 | 18.3 | 16.9 |
| Undivided profits | 24.8 | 32.9 | 47.2 | 8.1 | 14.3 |

D. RURAL BANKS

Rural banking facilities continued to expand with the establishment of 18 new rural banks in 1963 bringing the total units in operation to 252. In addition, rural banks initiated this year a program of providing their clients with various forms of technical assistance chiefly in connection with the optimum use of credits. Loans granted by these banks expanded by ₱48 million or 37 per cent during the period compared to the increase of ₱31 million or 31 per cent last year. Loans granted amounting to ₱179 million were given to 285,711 borrowers, with an average value of ₱625 per borrower compared to last year's average of ₱582. Total loans outstanding aggregated ₱146 million with agricultural credits increasing to almost three-fourths of the total.

The Central Bank, in addition to its annual appropriation of ₱7 million for the increase in the capitalization of rural banks, continued to provide technical training and supervision to the banks. Moreover, Central Bank's credits to rural banks increased by ₱19 million despite the hike of the rediscount rate in April, 1963.

LOANS GRANTED BY RURAL BANKS

Classified by Purpose, 1961-63

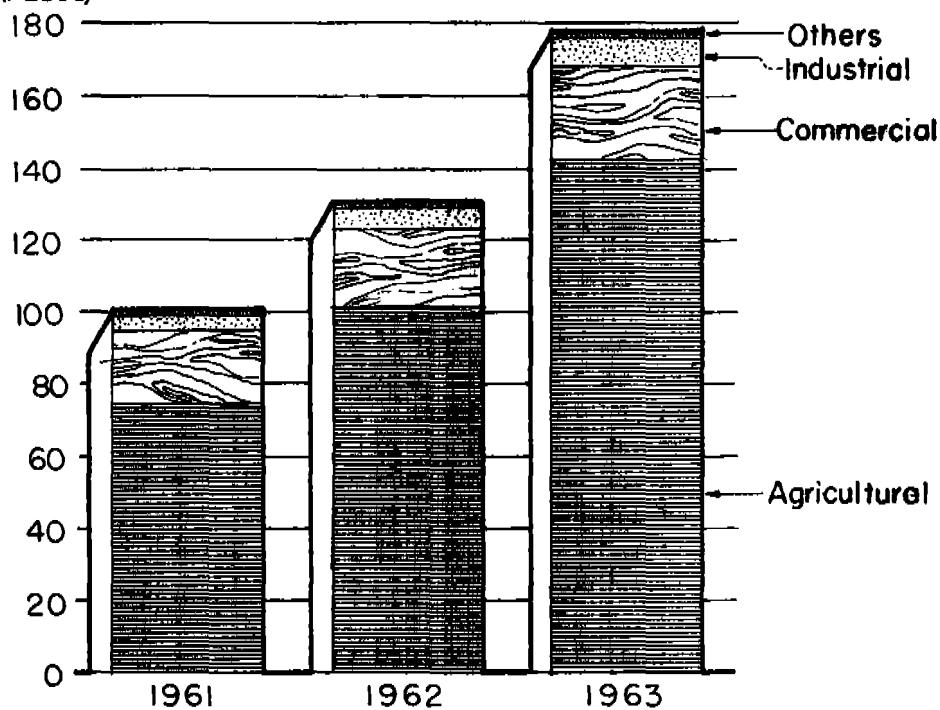
(Amount in million pesos)

| Type of Loan | Amount | | | Per Cent Change | | |
|--------------------|--------|-------|-------|-----------------|------|------|
| | 1961 | 1962 | 1963 | 1961 | 1962 | 1963 |
| Total | 100.3 | 130.9 | 178.8 | 40.9 | 30.5 | 36.6 |
| Agricultural | 74.0 | 101.4 | 143.0 | 45.7 | 37.0 | 41.0 |
| Commercial | 20.3 | 22.3 | 26.8 | 23.8 | 9.8 | 20.2 |
| Industrial | 4.2 | 5.5 | 7.3 | 55.6 | 31.0 | 32.7 |
| Others | 1.8 | 1.7 | 1.7 | 38.5 | -5.6 | -- |

LOANS GRANTED BY RURAL BANKS

...Classified by Purpose

(MILLION
PESOS)



E. DEVELOPMENT BANKING

During 1963, significant changes occurred in the development banking system. The Charter of the Development Bank of the Philippines was amended by Congress on July 7, 1963, authorizing the increase in the authorized capital stock from P500 million to P2 billion. An additional branch of the DBP and three (3) new private development banks were also established bringing the total number of development banking units to 59. However, the largest development bank was converted into a commercial bank in January 1963.

1. Development Bank of the Philippines

The Development Bank of the Philippines expanded its credit operations during 1963 in contrast to a marked decline in 1962. Loans granted amounted to P274.8 million, an increase of P61.7 million or 29 per cent more than the previous year. Classified as to the purpose of the loans, the industrial sector received the biggest share, amounting to P214 million or 78 per cent of the total loans. The agricultural sector obtained P44 million or 16 per cent, while those for real estate purposes shared P11 million or 4 per cent and the rest went to the government, amounting to P6 million or 2 per cent. As a result, total resources increased by P106 million or 12 per cent to reach P1,076 million at the end of the period compared to last year's increment of P76 million or 9 per cent. Of the total resources, 87 per cent represented the funds of DBP proper, while the trust funds represented 13 per cent.

The largest borrower from the industrial sector was food manufacturing, accounting for P40 million or 23 per cent of total loans granted, followed by textile manufacturing with P38 million or 22 per cent. Last year, the largest industrial borrowers were food manufacturing and metal industries, which accounted for 45 per cent and 28 per cent, respectively. Agricultural loans (84 per cent of the total), on the other hand, were more widely distributed among the different types of agricultural commodities. Palay obtained 28 per cent, followed by poultry (20 per cent), coconut (17 per cent), sugar (13 per cent), and fishpond (8 per cent). Last year, the main recipients had been palay (29 per cent), coconut (19 per cent), and poultry (16 per cent). Thus, at the end of December 1963, loans outstanding of the DBP rose to P982 million, an increase of P177 million or 22 per cent compared to the increase of P104 million or 15 per cent a year ago.

LOANS GRANTED BY DEVELOPMENT BANK OF THE PHILIPPINES
Classified by Purpose
1962 - 1963

(Amount in million pesos)

| Purpose | 1963 | 1962 | Increase or Decrease (—) | |
|--------------------|--------------|--------------|--------------------------|-------------|
| | | | Amount | Per Cent |
| Total | 274.8 | 213.1 | 61.7 | 29.0 |
| Agricultural | 43.7 | 37.3 | 6.4 | 17.2 |
| Industrial | 214.4 | 165.2 | 49.2 | 29.8 |
| Real Estate | 10.7 | 8.1 | 2.6 | 32.1 |
| Government | 6.0 | 2.5 | 3.5 | 140.0 |

2. Private Development Banks

Despite the conversion of the largest private development bank into a commercial bank, total resources continued to rise, reaching ₱50 million at the end of December, 1963 compared to last year's total of ₱38 million. This increment was brought about by the establishment of three (3) new private development banks during the period, coupled with an increase in savings and time deposits amounting to ₱11 million during the year. Of the total resources, ₱37 million were in the form of loans, of which ₱22 million represented agricultural loans and ₱15 million, industrial loans. The balance of ₱13 million was reflected in Bond investments amounting to ₱3 million and ₱10 million in the form of cash reserves and other miscellaneous assets.

LOANS OUTSTANDING OF ALL DEVELOPMENT BANKS
Classified by Purpose
December 31, 1962 - 1963

(Amount in million pesos)

| Purpose | 1963 | 1962 | Increase or Decrease (—) | |
|--------------------|--------------|--------------|--------------------------|-------------|
| | | | Amount | Per Cent |
| Total | 919.4 | 832.3 | 87.1 | 10.5 |
| Agricultural | 228.0 | 211.7 | 16.3 | 7.8 |
| Industrial | 578.2 | 494.6 | 83.6 | 16.9 |
| Real Estate | 79.2 | 92.2 | —13.0 | —14.1 |
| Government | 34.0 | 33.8 | 0.2 | 0.6 |

3. The Private Development Corporation of the Philippines

The Private Development Corporation of the Philippines (PDCP) was organized in February 1963 for the following purposes: (a) to assist in the development of private productive enterprises by providing medium to long-term equity and debt financing; (b) to assist in the development of a wider distribution of ownership in business enterprises; and (c) to provide its clients with various kinds of technical assistance as well as managerial services.

The total resources of the PDCP at the start of its operation in August, 1963 amounted to ₱112.5 million. Of this amount, ₱25 million represented equity capital while the balance of ₱87.5 million in loan capital.

The credit and investment operations of the PDCP include the extension of credits to privately-controlled industrial, agricultural, mining, commercial and other productive enterprises which would help contribute to the economic growth of the country. These credits are granted for long-term, medium-term and short-term maturities.

During the initial five-month operation in 1963, the total credits granted amounted to ₱36.0 million. This consisted of two medium-term loans for the purpose of expanding the facilities of a sugar central and the establishment of a deep-sea fishing concern in the Visayas. It has also approved loan applications for the expansion of a ceramic plant and a chemical conversion plant. However, the proceeds of these credits have not yet been released pending the disbursement of the dollar loan from the IBRD.

During the initial period of operation, the PDCP has invested its idle funds in bank acceptances, tax-exempt government bonds, notes of finance companies and in commercial papers of industrial and public utility companies.

At the close of the year, the corporation's total assets aggregated ₱46 million, of which ₱8 million or 5 per cent was invested in private and government securities.

4. National Investment and Development Corporation

The National Investment and Development Corporation (NIDC) was inaugurated in July 1963 as a subsidiary of the Philippine National Bank with the principal purpose of extending financing to industries which will help contribute to the economic growth of the country. With an initial capital of ₱10 million, this institution is especially geared to serve socially feasible ventures that cannot at present turn to commercial banks for adequate financing or to other development banks whose resources may be short of the amount required.

The investment and credit operations of the NIDC will include the extension of loans and investment to commercial and industrial businesses engaged in: (a) basic industries, like steel mills; (b) the production of new types

of export products or for the expansion of minor export goods; (c) the production of goods that will produce "wage-goods", such as the manufacture of low-cost housing materials, etc.; and (d) projects with high-labor costs in relation to investment like cottage industries geared for exports.

This institution will extend its credits in the form of medium-term and long-term loans with profit-sharing features and its investment will take the form of stocks and bonds.

At the end of the year, the NIDC had not yet released any of its investible funds.

F. SAVINGS BANKS AND POSTAL SAVINGS BANK

The number of savings banks in operation at the close of the year increased to 6 with the opening of the Provident Savings Bank in December, 1963. The existing banks also established three new branches bringing the total number of branches to 6 at the end of the year. It must be pointed out, however, that one of the additional branches was a conversion of an agency to a branch. The growth in the number of banking units, coupled with the increase in their deposits, increased their resources by ₱26 million or 37 per cent.

The Postal Savings Bank has a total of 1,343 postal stations in the country at the close of 1963. This represented an increase of thirteen (13) new postal stations opened during the year which was smaller compared with the 32 new postal stations established during the corresponding period a year ago. Total assets of the bank reached ₱75 million showing an expansion of only ₱3 million or 4 per cent compared to the increment of ₱11 million or 18 per cent a year ago. Its Trust Fund assets under the trusteeship of the DBP recorded an increment of ₱7 million or 11 per cent to reach ₱67 million as of the end of 1963.

G. NON-BANK FINANCIAL INSTITUTIONS

The restraint on credit operations was extended to government non-bank financial institutions throughout the first ten months of the year resulting in the slowing-down of the rate of growth of non-bank financial institutions. Their loan operations recorded an increase of 7.4 per cent compared with 9.9 per cent in 1962. Total loans granted during the year amounted to ₱428 million, of which 66 per cent were channelled to consumption purposes. Real estate loans amounted to 29 per cent, an increase of ₱26 million and the balance was distributed between agricultural and commercial loans. As a result, total loans outstanding reached a level of ₱792 million at the end of the period with real estate loans amounting to 55 per cent of the total, followed by consumption loans, 34 per cent; agricultural loans, 10 per cent; and the balance consisted of industrial, commercial, and unclassified loans.

1. Government Non-Bank Financial Institutions

Loans granted by government non-bank financial institutions totalled ₱232 million, recording a slight increase of ₱25 million or 12 per cent over last year's credit operation. Of these loans granted, ₱12 million were extended to consumption loans, which was less by ₱1 million when compared to last year's volume. Real estate loans amounted to ₱103 million, ₱25 million over last year's availment, and agricultural loans totalled ₱8 million, ₱1 million more over last year. Institutionally, the pace of the loaning operations of the Government Service Insurance System declined from 4.7 per cent last year to 1.4 per cent this year. On the other hand, the Social Security System and the Agricultural Credit and Cooperative Financing Administration (converted to Agricultural Credit Administration under the Agricultural Land Reform Code) have maintained their growth rate of 15 per cent recorded last year. Classified as to purpose, real estate loans increased from 55.8 per cent to 58.6 per cent of total outstanding loans. On the other hand, agricultural loans and consumption loans showed declines from 14.9 per cent to 13.2 per cent and from 29.3 per cent to 28.2 per cent, respectively. Total resources of the government non-bank financial institutions increased by ₱202 million to ₱1,746 million. Likewise, their net worth went up by ₱119 million, totalling ₱1,352 million at the end of the year.

2. Private Non-Bank Financial Institutions

Credit operations of the private non-bank financial institutions recorded a significant decline in the rate of growth from 9.1 per cent last year to 2.2 per cent in 1963. Total loans granted amounted to ₱196 million, an increase of ₱20 million compared to last year's increase of ₱16 million. The bulk of the loans were for consumption amounting to ₱164 million which were ₱3 million more than last year's. Real estate loans accounted for ₱23 million and the balance were for agricultural, industrial and commercial uses.

III. PUBLIC FINANCE

A. OVER-ALL FISCAL DEVELOPMENTS

The implementation of the socio-economic program and price stabilization program of the administration brought about certain significant changes in the position of the government accounts in 1963.

Fiscal operations during 1963 was characterized by a reversal of the surplus position attained in the preceding year. Compared to the ₱16 million surplus of 1962, cash transactions of the Treasury resulted in a deficit of ₱468 million in 1963. Excluding debt repayments of ₱196 million, the current cash deficit of the Treasury amounted to ₱272 million during the year. This deficit was brought about by an upward bias in revenue estimates which were used as the basis of programming expenditure levels. Another contributory factor was the large settlement of accounts payable during the year.

The deficit in the current year was financed largely by credit from the banking system. The Government attempted to tap the capital market for financing part of its expenditures by floating ₱50 million of non-supported bonds at 7 per cent. This experiment met with limited success as the major portion of the ₱35 million securities sold by the end of the year was purchased by commercial banks. The deterioration of the fiscal position at a time when other inflationary pressures were emerging in the economy prompted fiscal authorities to retrench on their expenditure plans and adopt austerity as a formal policy for government operations.

Government fiscal operations during FY 1962-1963 showed an actual deficit of ₱101 million compared to the ₱58 million deficit incurred in FY 1961-1962. The increased deficit was brought about largely by the expansion in government operations and subsidies to temper the price effect of the decontrol program. For FY 1963-1964, expenditures were programmed at a level 18 per cent above the preceding year's expenditure level. In view of changes in expected revenues, the programmed expenditures were anticipated to give rise to a deficit of ₱257 million.

B. CASH OPERATIONS: 1963

With disbursements outpacing receipts, the cash position of the Treasury contracted by ₱55 million in 1963 compared to an expansion of ₱44 million in 1962. The drawing down of the cash balance was needed to finance partly the substantial deficit of ₱468 million incurred during the year, and about

four-fifths of which was covered by budgetary loans (P251 million) and bond issue (P162 million). Significantly, last year's borrowings amounted to only P20 million while bond issues were limited to only P8 million.

Monthly Treasury cash disbursements showed a faster average increase as against monthly operating receipts. In October, a contribution of P118 million to the Sinking Fund and repayment of debt amounting to P112 million were effected, resulting in the largest monthly cash deficit of P203 million or 43 per cent of the total deficit incurred. On the other hand, the seasonal peak collection of taxes in April and July accounted for the only cash surpluses of P87 million and P26 million recorded for the entire year.

CASH RECEIPTS AND DISBURSEMENTS OF THE NATIONAL GOVERNMENT CY 1962 and 1963

(Million Pesos)

| I t e m | 1963 | 1962 |
|--------------------------------------|----------|----------|
| 1. Disbursements | 2,971.89 | 2,228.67 |
| Current Operating | 2,731.78 | 2,182.38 |
| Financial Transactions | 240.11 | 46.29 |
| Sinking Fund Payment | — | .89 |
| Interest Payment | 44.11 | 40.40 |
| Debt Repayment | 196.00 | 5.00 |
| 2. Operating Receipts | 2,621.81 | 2,271.16 |
| 3. Transfers and Adjustments | —117.89 | —26.20 |
| 4. Cash Surplus or Deficit (—) | —467.97 | 16.29 |
| 5. Financing Sources | 467.97 | —16.29 |
| Long-Term (Bonds) Borrowings | 161.85 | 7.50 |
| Central Bank Overdraft Line | 251.00 | 20.00 |
| Reduction of Cash Balances | 55.11 | 43.79 |
| 6. Status of Cash Balances | | |
| Beginning | 402.53 | 358.74 |
| Ending | 347.41 | 402.53 |

SOURCE OF BASIC DATA: Bureau of the Treasury

The magnitude of the inflationary impulse set off by fiscal transactions during the latter part of 1963 was reflected with greater clarity in the changing cash position of the three major funds. In the General Fund, operating receipts of P1,928 million were 4 per cent less than disbursements of P2 billion, while financial transactions went up to P240 million as against last year's P77 million. These required the availment of additional cash resources through Central Bank overdrafts aggregating P251 million, of which P191 million were obtained during the fourth quarter, and the issuance of P100 million in Treasury notes in October. Total borrowings of P351 million thus exceeded the 1962 figure by seventeen-fold.

Operating disbursements of the Bond Fund exceeded receipts by 93 per cent. Thus, bond issues rose from ₱8 million in 1962 to ₱45 million this year. However, ₱35 million were in socio-economic bonds carrying a 7 per cent interest rate and were not supported by the Central Bank to attract financing from non-inflationary sources. A reduction of ₱39 million in the cash balance was also used to finance the large deficit accruing to the Bond Fund.

Net cash transactions of the Special Fund showed a small increase in the cash balance of ₱4 million though this was only 5 per cent of the increment recorded in 1962. The surplus of ₱22 million provided by the Special Fund partially offset the combined deficit of ₱133 million in the other two major funds.

The National Government continued to maintain the major portion of its cash balances in the form of savings and time deposits with commercial banks. These government deposits acted as a stimulus for the growth of domestic credits in the private sector. Towards May, however, the heavy credit-generating effect of such a policy influenced authorities to lower the balances maintained with these institutions. The year-end level of ₱156 million held with private commercial banks constituted only 45 per cent of total government cash balances compared to 56 per cent in 1962. There was a corresponding upward shift from 24 to 47 per cent in balances held with the Philippine National Bank. Thus, there was in effect a relocation of government deposits from commercial banks and the Central Bank to the Philippine National Bank.

CASH OPERATIONS OF THE NATIONAL GOVERNMENT
BY MAJOR FUNDS

Calendar Years 1963 and 1962

(Million Pesos)

| I t e m | General Fund | | Special Fund | | Bond Fund | |
|---|--------------|----------|--------------|--------|-----------|-------|
| | 1963 | 1962 | 1963 | 1962 | 1963 | 1962 |
| A. Current Transactions | | | | | | |
| Operating Receipts | 1,927.9 | 1,705.7 | 342.2 | 266.1 | 58.4 | 21.9 |
| Operating Disbursements | —2,006.2 | —1,503.5 | —320.0 | —240.8 | —113.0 | —53.4 |
| Surplus or Deficit (—) | — 78.3 | 122.2 | 22.2 | 25.3 | — 54.6 | —31.5 |
| B. Financial Transactions | — 240.1 | — 76.7 | — | — | — | — |
| Interest Payments | 50.3 | 45.6 | — | — | — | — |
| Sinking Fund Payments | 23.8 | 26.1 | — | — | — | — |
| Repayment of Notes Payable | 116.0 | 5.0 | — | — | — | — |
| Repayment of Overdraft-Central Bank | 50.0 | — | — | — | — | — |
| C. Public Borrowings | 351.0 | 20.0 | — | — | 45.4 | 7.5 |
| Treasury Notes | 100.0 | — | — | — | — | — |
| Long-term (Bonds) Borrowings | — | — | — | — | 45.4 | 7.5 |
| Central Bank Overdraft Line | 251.0 | 20.0 | — | — | — | — |
| D. Adjustment and Transfers | — 38.5 | — 47.2 | — 18.6 | 41.3 | — 30.1 | —20.1 |
| E. Net Cash Transactions | — 5.9 | 18.4 | 3.6 | 66.6 | — 39.3 | —44.1 |
| F. Status of Cash Balance | | | | | | |
| Beginning, January 1 | 22.2 | 3.8 | 231.8 | 165.2 | 52.1 | 96.3 |
| Ending, December 31 | 16.3 | 22.2 | 235.4 | 231.8 | 12.8 | 52.2 |
| Changes in Status | — 5.9 | 18.4 | 3.6 | 66.6 | — 39.3 | —44.1 |

CASH BALANCES OF THE NATIONAL GOVERNMENT BY LOCATION
As of Dates Indicated
(Million Pesos)

| I t e m | 1962 Dec. | 1 9 6 3 | | | |
|-----------------------------|--------------|---------|-------|-------|-------|
| | | Mar. | June | Sept. | Dec. |
| T O T A L | 402.5 | 403.1 | 435.3 | 373.2 | 347.4 |
| National Treasury | 11.8 | 7.1 | 21.5 | 8.6 | 1.9 |
| Central Bank | 70.2 | 44.5 | 74.8 | 32.0 | 26.8 |
| P N B | 97.1 | 154.9 | 154.9 | 145.0 | 163.0 |
| Commercial Banks | 223.4 | 196.6 | 184.1 | 187.7 | 155.6 |

C. FISCAL OPERATIONS, FY 1962-1963

The slowing down in government disbursements during the second half of FY 1963 served to narrow the budgetary deficit. Thus, at the end of the fiscal year, the National Government incurred an actual net expenditure of ₱101 million—smaller than the revised estimate of ₱139 million but greater than the original budget proposal of ₱90 million.

In the aggregate, both expenditures and revenues for FY 1963 went up by approximately 26 per cent over the corresponding totals for FY 1962. The mounting government expenditures were due essentially to “subsidies”¹ of ₱118 million which were four times the amount spent in 1962 for this item. A total of ₱80 million for rice importations and ₱3 million for NAMARCO importations were disbursed to stabilize the prices of prime commodities. In addition, ₱9 million were spent for the procurement and distribution of fertilizers and certified seeds, ₱4 million more than the amount disbursed in FY 1962.

¹The term “subsidies” includes financial resources for the cost of operation of government agencies which engage in subsidy work, aside from the actual cost of the subsidies.

RESOURCES AND EXPENDITURES OF THE
NATIONAL GOVERNMENT
Fiscal Years 1963 - 1964

(Million Pesos)

| I t e m | FY 1961-62 Actual | FY 1962-63 Actual | FY 1963-64 Estimate |
|--|----------------------|----------------------|------------------------|
| I. Expenditures (A & B) | 1,482.5 | 1,879.2 | 2,224.0 |
| A. National Government | 1,469.1 | 1,852.1 | 2,154.1 |
| Acquisition of Goods and Services | 1,186.9 | 1,478.7 | 1,727.9 |
| Current Expenditures | 508.1 | 628.3 | 772.3 |
| Development Services | 501.1 | 595.2 | 686.3 |
| Gross Capital Formation | 177.7 | 255.2 | 269.3 |
| Transfers | 282.5 | 373.4 | 426.2 |
| Current | 120.8 | 102.9 | 100.1 |
| Capital | 59.1 | 79.2 | 111.5 |
| Subsidies | 29.5 | 117.5 | 119.8 |
| Debt Interest | 44.7 | 49.4 | 57.2 |
| Direct Lending | 28.4 | 24.1 | 37.6 |
| B. Government Corporate Securities | 13.1 | 27.1 | 69.9 |
| Power Projects (NPC Bonds) | 9.5 | 20.5 | 27.9 |
| Waterworks (NAWASA Bonds) | 3.0 | 6.0 | 42.0 |
| Landed Estates (NLC) | 0.6 | 0.6 | — |
| II. Resources | 1,424.1 | 1,777.8 | 1,967.2 |
| Tax Revenue | 1,101.8 | 1,362.8 | 1,715.8 |
| Non-Tax Revenue | 221.4 | 314.9 | 233.6 |
| Operating and Service Income | 151.2 | 176.4 | 177.4 |
| Miscellaneous Income | 50.7 | 121.1 | 32.9 |
| Others | 7.2 | 9.6 | 3.4 |
| Repayment of Advances | 12.3 | 7.8 | 19.9 |
| Profits from Central Bank | 11.5 | 17.0 | 17.8 |
| General Fund | 4.5 | 10.0 | 10.8 |
| Rural Bank Revolving Fund | 7.0 | 7.0 | 7.0 |
| Margin Fee | 89.4 | 83.1 | — |
| III. Net Expenditures | 58.1 | 101.4 | 256.8 |

Expenditures for gross capital formation of ₱255 million advanced by 44 per cent compared to last year as infrastructure expenditures were increased. In current operating expenditures, an outlay of ₱100 million for the Emergency Employment Administration to provide maximum employment accounted largely for the increment.

Government corporate spending of ₱27 million represented twice the amount utilized last year for new projects of the National Power Corporation and NAWASA.

Notwithstanding the protracted labor problem in the pier area and the reduction of the special import levy to 5.1 per cent, tax receipts were augmented by ₱261 million. Net income from customs collections went up by ₱112 million to ₱587 million. The biggest increase in revenues was achieved for miscellaneous income which rose by ₱70 million to ₱121 million. The share of the General Fund in Central Bank profits also increased by ₱6 million to ₱10 million; while repayment of advances decreased by ₱5 million and margin fee proceeds by ₱6 million.

D. FISCAL OPERATIONS, FY 1963 - 1964

A large deficit for FY 1964 loomed by the end of the second fiscal quarter due to the acceleration in government expenditures and the non-realization of optimum revenue estimates which fell short by ₱154 million. This required a sharp revision in budget expenditure estimates which were lopped off by ₱117 million. New programmed expenditures of approximately ₱300 million were also frozen and subsidies for rice and NAMARCO were reduced from the original estimate of ₱137 million to ₱120 million. This retrenchment considerably pared the revised estimated deficit to ₱257 million.

Revised expenditures for FY 1964 were 18 per cent more than the actual outlays for FY 1963, the biggest increment of ₱144 million being earmarked for current operating expenditures on goods and services. Outlay for developmental services increased also by ₱91 million to ₱686 million.

Capital transfers showed a large increment of ₱32 million over that of the prior fiscal year. This covered a portion of the total ₱60 million appropriated for the initial capitalization of the Land Bank to be organized under the agricultural land reform program.

In the aggregate, total revenues increased by 26 per cent over FY 1963. While tax revenues improved by ₱353 million to ₱1,716 million, non-tax receipts decreased by ₱81 million. The suspension of margin fee collections eliminated a good source of government revenue for the current fiscal year.

E. PUBLIC DEBT

At the end of 1963, internal public debt increased by ₱216 million to ₱2,942 million over the end-1962 figure. This represented an annual growth three times that of the prior year. The outstanding domestic indebtedness of the National Government rose to ₱1,892 million from the 1962 level of ₱1,763 million or an increase of 7 per cent. More than half of the increment was accounted for by borrowings from the Central Bank which reached a peak of ₱191 million; one-fourth came from new issues of socio-economic bonds totalling ₱35 million and one-fifth from Treasury Notes which stood at ₱411 million at the end of the year. Net issues of PW & ED bonds constituted seven-tenths of the increase.

The inflationary implication of this year's governmental operations could be measured by the net borrowings of the National Government: Treasury Notes of ₱25 million, PW & ED bonds of ₱10 million, and Central Bank overdraft of ₱71 million. On the other hand, out of the government issues of ₱50 million of socio-economic bonds, ₱19 million were absorbed by commercial banks and the balance of ₱16 million government entities, individuals, and private insurance companies.

Borrowings of local government and semi-government entities, particularly government corporations, increased significantly by ₱86 million to ₱1,044 million stemming principally from increments of ₱51 million in PVTAs loans, ₱23 million in additional issues of DBP bonds, ₱21 million of NPC bonds, and ₱6 million of NAWASA bonds. The ACCFA liquidated ₱15 million of its notes and certificates of indebtedness. The monetization of a major portion, if not all, of these bond issues added to the liquidity of the economy during the period.

Compared to 1962, the government showed a much improved net external debt position. Of a gross foreign debt outstanding of \$250 million at the end of 1962, a net liquidation of \$28 million was effected in the current year. The National Government incurred a net increase of \$4 million of foreign obligations principally from the EXIMBANK (\$3 million) and the IBRD (\$1 million). During the year, the loan from Union Metal Manufacturing Co. was completely repaid.

Although there was an increase of \$43 million in foreign debts, a larger repayment of \$71 million of claims against government corporations was effected. The Central Bank, among these government corporations, settled the largest amount of \$45 million consisting of claims from various U.S. commercial banks. The NPC incurred a net increase of \$7 million in its loan from the IBRD and the DBP loan from various U.S. commercial banks went up by \$6 million. Both the MRRCO and the NDC repaid their foreign debts totaling almost \$7 million.

INCREASE IN PUBLIC DEBT (INTERNAL)

1963

(Million Pesos)

| | | |
|--|----------------|-------|
| Public Debt Outstanding (Internal), End of Current Year | 2,941.7 | |
| Public Debt Outstanding (Internal), End of Previous Year | <u>2,726.1</u> | |
| Net Increase | | 215.6 |

Securities Issued:

| | | |
|------------------------------------|-------------|-------|
| Treasury Notes | 100.0 | |
| PW & ED Bonds | 9.9 | |
| Socio-Economic Bonds | 35.0 | |
| Negotiable Land Certificates | 0.3 | |
| NAWASA Bonds | 6.0 | |
| NPC Bonds | 20.5 | |
| DBP Bonds | <u>23.6</u> | |
| | | 195.3 |

Securities Paid:

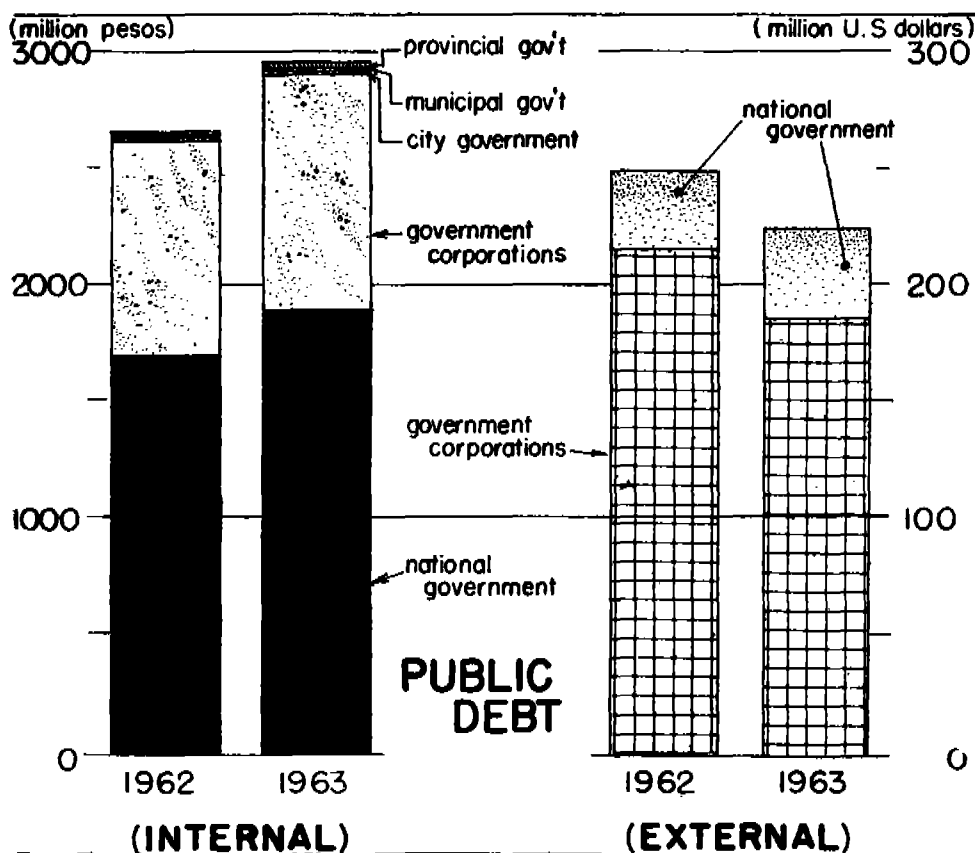
| | | |
|-------------------------|-------------|-------|
| DBP Bonds | 1.0 | |
| Treasury Notes | 75.0 | |
| ACCFA Notes & C.I. | <u>14.7</u> | |
| | 90.7 | 104.6 |

Debts Incurred

| | | |
|---|------------|-------|
| Subscription to the International Development | 0.1 | |
| Loan from CBP | 201.0 | |
| P V T A | 62.4 | |
| Backpay Obligations to Pre-War Government | | |
| Employees (additional acknowledged backpay) | 9.5 | |
| Loan from CBP (Local Government) | <u>3.3</u> | |
| | | 276.3 |

Debts Paid

| | | |
|---|-------------|--------------|
| Loan from CBP | 130.0 | |
| Loans from CBP (Local Government) | 2.2 | |
| Backpay Obligations to Pre-War Government Employees | 7.5 | |
| Backpay Obligations to Veterans of World War II | 14.6 | |
| P V T A | <u>11.1</u> | |
| | 165.4 | 110.9 |
| NET INCREASE | | <u>215.6</u> |



**INCREASE OR DECREASE IN PUBLIC DEBT (EXTERNAL)
1963**

(Million U.S. Dollars)

| | |
|--|--------------|
| Public Debt Outstanding (External) End of Current Year | 222.2 |
| Public Debt Outstanding (External) of Previous Year | <u>250.0</u> |
| Net Increase or (Decrease) | (27.8) |

Debts Incurred:

| | |
|---|-------------|
| National Government loan from Eximbank (Loan No. 1440) MIA Project | 2.1 |
| National Government loan from Eximbank (Loan No. 1022N) Manila Harbor | 1.6 |
| National Government loan from IBRD Dredging Equipment | 1.7 |
| National Government loan from U.S. AID (DLF) | 1.2 |
| NPC loan from IBRD (Loan No. 297 PH) Angat Project | 7.8 |
| NPC loan from IBRD (Loan No. 325 PH) Maria Cristina No. 3 | 0.2 |
| CBP loan from AID (DLF) | 0.6 |
| DBP loan from various U.S. Commercial Banks | 18.0 |
| CBP loan from various U.S. Commercial Banks | <u>10.0</u> |
| | 43.2 |

INCREASE OR DECREASE IN PUBLIC DEBT (EXTERNAL) 1963 (Concluded)

(Million U.S. Dollars)

Debts Paid:

| | | |
|--|------|---------------|
| National Government loan from Eximbank (ECAX-92-1) | a | |
| National Government loan from Eximbank (ECAX-92-2) | 0.1 | |
| National Government loan from Eximbank (ECAX-92-3) | a | |
| National Government loan from U.S. Aid (DLF) | 2.5 | |
| National Government loan from Union Metal Co. | 0.2 | |
| NPC loan from Eximbank (Loan No. 515) | 1.0 | |
| NPC loan from IBRD (Loan No. 183 PH) | 0.7 | |
| CBP loan from Agency for Int'l Development (DLF) | 0.1 | |
| CBP loan from Eximbank (credit line) | 2.6 | |
| CBP loan and overdraft from U.S. Comm'l Banks | 45.0 | |
| DBP loan from various U.S. Comm'l Banks | 12.0 | |
| NDC loan from Japanese shipbuilders | 5.2 | |
| MRRCo. loan from Japanese suppliers | 0.5 | |
| MRRCo. loan from U.S. suppliers | 0.8 | |
| MRRCo. loan from Union Siderurgique, Lorrain, Paris, France .. | 0.1 | 71.0 |
| NET INCREASE OR (DECREASE) | | <u>(27.8)</u> |

^aLess than \$0.1

F. MOVEMENT (AND HOLDERS) OF GOVERNMENT SECURITIES

There was heavy trading in government securities in 1963. Aggregate transactions of the Central Bank amounted to ₱3,016 million compared to ₱1,965 million in the preceding year. The increase in security market activities reflected the substantial liquidity of the economy particularly in the government financial institutions and the private sector.

In 1963, the Central Bank traded ₱274 million worth of securities for the National Government and another ₱2,629 million worth for its own account. These amounts exceeded their respective levels for the same transactions in the preceding year as follows: by ₱225 million for securities traded for the National Government, and by ₱772 million for securities traded for the Central Bank's own account. In relation to the aggregate value of all types of securities transacted during the entire year, amounting to ₱3,016 million, the value of securities traded for the account of the Central Bank represented 87 per cent while that for the National Government only 9 per cent.

CENTRAL BANK TRANSACTIONS ON GOVERNMENT SECURITIES 1 9 6 3

(Million Pesos)

| | National Government | | Central Bank | |
|---|---------------------|-----------|--------------|-----------|
| | Sales | Purchases | Sales | Purchases |
| ALL TRANSACTIONS | 177.8 | 95.8 | 1,355.9 | 1,272.8 |
| I. Non-Central Bank | 177.8 | 6.1 | 1,266.2 | 1,272.8 |
| A. Banks other than the Central Bank .. | 87.6 | — | 1,132.0 | 1,144.5 |
| Philippine National Bank | 56.9 | — | 377.0 | 403.0 |
| Other Banks | 30.7 | — | 755.0 | 741.5 |
| B. Financial Institutions | 15.0 | — | 84.3 | 92.5 |
| C. Trust Fund | — | — | — | — |
| D. Insurance Companies | 62.7 | — | 10.9 | 17.3 |
| G S I S | 34.0 | — | 10.0 | 15.0 |
| S S S | 25.0 | — | — | — |
| Private | 3.7 | — | .9 | 2.3 |
| E. Local & Semi-Gov't Entities | 5.0 | — | 16.7 | 3.0 |
| F. Private Entities & Individuals | 5.9 | 6.1 | 22.2 | 15.5 |
| G. Undistributed | 1.6 | — | — | — |
| II. Central Bank | — | 89.7 | — | — |
| A. Bond Sinking Fund | — | — | — | — |
| B. Central Bank Portfolio | — | 89.7 | — | — |
| C. Securities Stabilization Fund | — | — | — | — |
| III. National Government | — | — | 89.7 | — |

CENTRAL BANK TRANSACTIONS OF GOVERNMENT SECURITIES

1 9 6 3

(Million Pesos)

| Holder of Securities | Value of Securities Held on Jan. 1, 1963 (1) | Central Bank Sales | | | Central Bank Purchases | | | Value of Securities Held on Dec. 31, 1963 | |
|--|---|------------------------|---------------------------|------------------|------------------------|-----------------------|------------------|---|-------------------------------------|
| | | Original Issues (2) | Non-Original Issue (3) | Total (4)=2+3 | Redemption (5) | Non-Redemption (6) | Total (7)=5+6 | Amount (8) = (1) + (4) - (7) | Increment Decrement (9) — (1) |
| TOTAL | 1,513.9 | 177.8 | 2,595.9 | 2,773.5 | 95.8 | 2,596.0 | 2,691.8 | 1,595.6 | 81.7 |
| I. Outside of the Central Bank ... | 489.7 | 177.8 | 1,266.1 | 1,443.7 | 6.1 | 1,272.8 | 1,278.9 | 654.5 | 164.8 |
| A. Banks other than the Central Bank | 339.8 | 87.6 | 1,132.0 | 1,219.6 | — | 1,144.5 | 1,144.5 | 414.9 | 75.1 |
| 1. Philippine National Bank . | 113.5 | 56.9 | 377.0 | 433.9 | — | 403.0 | 403.0 | 144.4 | 30.9 |
| 2. Other Banks | 226.3 | 30.7 | 755.0 | 785.7 | — | 741.5 | 741.5 | 270.5 | 44.2 |
| B. Financial Institutions | 33.0 | 15.0 | 84.3 | 99.3 | — | 92.5 | 92.5 | 39.8 | 6.8 |
| 1. Development Bank of the Philippines | 33.0 | 15.0 | 84.3 | 99.3 | — | 92.5 | 92.5 | 39.8 | 6.8 |
| C. Trust Funds: IGLF | 3.0 | — | — | — | — | — | — | — | — |
| D. Insurance Companies | 83.1 | 62.7 | 10.9 | 73.6 | — | 17.3 | 17.3 | 139.4 | 56.3 |
| 1. GSIS | 58.2 | 34.0 | 10.0 | 44.0 | — | 15.0 | 15.0 | 87.2 | 29.0 |
| 2. SSS | 19.7 | 25.0 | — | 25.0 | — | — | — | 44.7 | 25.0 |
| 3. Private | 5.2 | 3.7 | .9 | 4.6 | — | 2.3 | 2.3 | 7.5 | 2.3 |
| E. Local and Semi-Government Entities | 7.2 | 5.0 | 16.7 | 21.5 | — | 3.0 | 3.0 | 25.7 | 18.5 |

of \$13 million in foreign exchange allocations to various bureaus, offices, and instrumentalities of the government. This included remittances of \$0.03 million at the preferred rate of the final backpay redemption to American citizens residing in the United States, and interest payments of \$0.01 million to foreign bondholders of PW&ED bonds. In addition, this Department serviced the settlement of foreign obligations of the government which totalled \$3 million, inclusive of \$1.4 million in interest and commitment charges.

1. Administration of Various Funds

a. Industrial Guarantee and Loan Fund—Guarantee loans of ₱41 million were granted by the Foreign Loans and Investment Department under Sub-Account "A" to assist manufacturing firms in covering their capital-outlay requirements for 1963. Of this amount, ₱39 million were released. During this year, ₱21 million of outstanding loans were repaid; and ₱18 million held as special time deposits with local commercial banks.

Approved loans under Sub-Account "1" aggregated ₱25 million out of which ₱22 million were released, while ₱20 million were approved under Sub-Account "2" which were practically released in toto but for a negligible ₱0.5 million. Repayments of ₱20 million were made for these two accounts. Compared to the 1962 figure of ₱39 million there was a decline of 43 per cent in the combined balance of ₱22 million which were availed of by the private commercial banks as special time deposits (₱10 million by 17 commercial banks under Sub-Account "1", and ₱12 million by 21 commercial banks under Sub-Account "2").

b. The Securities Stabilization Fund (SSF) and Bond Sinking Fund (BSF)—Out of a total sale of ₱218 million consisting wholly of PW&ED bonds, the Central Bank purchased ₱204 million in various government securities for account of the Securities Stabilization Fund or a net sale of ₱14 million. This was a reversal of last year's net purchases of ₱9 million. This Fund's share in Central Bank profits during this year was approximately ₱4 million, increasing resources to ₱111 million or ₱5 million more than the end-1962 figure.

The improvement in the resources of the Bond Sinking Fund was attributable to a ₱30 million increase in the government's contributions to the Sinking Fund Reserve which rose to ₱136 million at the end of the year. This Fund also earned ₱6 million in interest income on investments aside from a total amortization of ₱25 million of bonds outstanding. At the end of the period under review, its total resources stood at ₱168 million.

c. Depository of NEC-ICA Counterpart Fund—Total collections of ₱4 million from the National Economic Council resulted in the increase of receipts of this Fund to ₱64 million against last year's ₱60 million. Inclusive of the outstanding receipts of ₱191 million from the Treasurer of the Philippines, the Fund's total resources recorded for 1963 was ₱255 million.

IV. PRODUCTION

A. OVER-ALL

The broad sectors of the economy achieved higher levels of output in 1963 although at lower rates of growth than in 1962. In agriculture, the over-all index of physical volume of production for crop year 1962-1963 rose 5 per cent as against the increase of 7.6 percent between crop years 1961-1962. The slower pace was influenced mainly by the lower rate of output of crops for home consumption due to reduced hectarage and adverse weather conditions that prevailed during the middle part of the crop year 1962-1963. In the mining sector, the production index moved upward by 1.0 per cent during 1963 as compared to the 1.7 per cent increment in the preceding year. Sharp reductions were noted in output of gold and principal base metals. Similarly, the performance of manufacturing industries improved during the first three quarters of 1963, although at a smaller rate of 4.3 per cent than in the comparable period of 1962.

Improvements were observed in other sectors of the economy during the period under review. In the construction industry, total permit valuation increased markedly after the slackening in 1962. A similar trend was registered in real estate and mortgage transactions. Except for international shipping movements, activities in the public utility group were on the uptrend during 1963.

While the over-all performance of the economy improved in 1963, production activity was not as brisk as in the preceding year. Among the factors that might have strongly accounted for the sluggish rate of growth were prolonged labor problems that affected mining, manufacturing and transport industries during the period. In view, however, of indications for more effective implementation of recent economic measures and policies designed to accelerate production, the prospects in the coming year may be one of renewed strength in over-all production.

INDEX OF THE PHYSICAL VOLUME OF PRODUCTION
1962 — 1963
(1955 = 100)

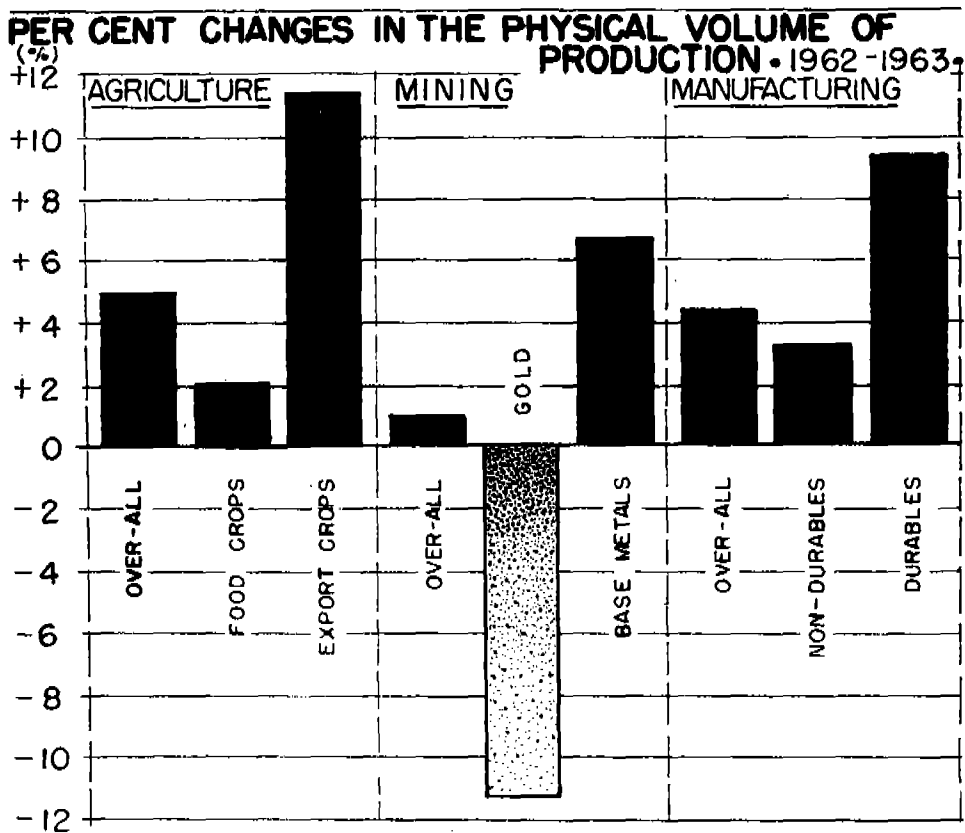
| | 1963 P | 1962 | Per cent change |
|----------------------------------|--------------------|--------------------|-----------------|
| Agriculture ^a | 136.3 | 129.8 | 5.0 |
| Food crops | 128.0 | 125.4 | 2.1 |
| Export crops | 156.7 | 140.7 | 11.4 |
| Mining ^b | 138.0 | 136.6 | 1.0 |
| Gold | 89.7 | 101.0 | -11.2 |
| Base metals | 175.8 | 164.7 | 6.7 |
| Manufacturing ^b | 177.9 ^c | 170.5 ^c | 4.3 |
| Non-durables | 172.2 | 166.8 | 3.2 |
| Durables | 205.6 | 187.9 | 9.4 |

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

^a Crop year ending June 30.

^b Calendar year.

^c First nine months only.



B. AGRICULTURAL PRODUCTION

Agricultural output was higher during crop year 1963 as the over-all volume index rose to 136.3 (1955=100), an increase of 5 per cent above the 1962 level. Compared to the growth rate in 1962, however, the production increment in 1963 was only two-thirds of the preceding year. The total harvest area expanded by over 16,000 hectares, an increase of 0.2 per cent against the 1.1 per cent in 1962. In the food crop division, production increased but due to reduced hectarage and heavy typhoons which adversely affected rice (paddy) and corn crops in particular, the over-all gain in 1963 was only 2.1 per cent compared to 6.5 per cent in 1962. Following a 6 per cent expansion in area harvested, output of major export crops increased by over 11 per cent, surpassing the growth rate obtained in 1962.

1. Domestic Food Crops

The production index of food crops went up to 128.0 (1955=100) in crop year 1963 and was 2.1 per cent above the preceding year's level. This was, however, only about a third of the increment in 1962. The crop area reaching 5,978 thousand hectares was smaller by 1.5 per cent, thus raising the average yield per hectare. With the exception of beans and vegetables and coffee, the production of all home crops rose during the period.

The harvest of palay (rough rice) reached 3,967 thousand metric tons, an increase of 1.5 per cent as against 5.5 per cent gain in 1962. Corn production at 1,273 thousand metric tons also increased by about 1 per cent in 1963 as compared to the 5 per cent increase in the previous year. The damage from heavy typhoons that occurred during the middle part of the crop year accounted partly for the sluggish growth in output of these staple and other food products. In the case of palay, the decrease might also have been brought about by the recent conversion of some rice lands into more profitable crop farms. Fruits and nuts production increased by more than 7 per cent while root crops gained 2 per cent after recovering from the 8 per cent fall in 1962. Peanuts likewise advanced by about 2 per cent after declining in previous years. On the other hand, the combined output of coffee and cacao dropped 22 per cent in 1963. Production of coffee, the hectarage of which was 16 per cent smaller than that of the preceding year, went down by 23 per cent. This was in contrast to the large gains registered in 1962. The inclement weather cut the production of beans and vegetables in 1963 by 7 per cent below the preceding year's level.

The estimated output of meat and poultry rose to about 300 thousand metric tons or an increase of 3.5 per cent. The expansion in fish ponds area of 2 per cent over the 1962 area of 129 thousand hectares, as well as the increased number of deep-sea fishing vessels, resulted in higher fish production totalling 500 thousand metric tons.

PRODUCTION OF FOOD CROPS

Crop years 1962-63

(Thousand metric tons)

| Product | 1963 | 1962 | Per Cent Change |
|---------------------------------|------------------|------------------|-----------------|
| Rice (rough) | 3,967 | 3,910 | 1.5 |
| Corn (shelled) | 1,273 | 1,266 | 0.6 |
| Beans and vegetables | 214 | 230 | — 7.0 |
| Coffee and cacao | 36 | 46 | —21.7 |
| Fruits and nuts | 1,068 | 996 | 7.2 |
| Peanuts (unshelled) | 11.1 | 10.9 | 1.8 |
| Root crops | 1,360 | 1,334 | 1.9 |
| Meat and poultry products | 297 ^e | 287 ^r | 3.5 |
| Fish ^a | 493 ^p | 484 ^r | 1.9 |

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

^a Calendar year figure.

2. Major Export Crops

In the commercial crop division, the volume index shot up to a record high, 156.7 (1955=100) in crop year 1963. This meant an 11.4 per cent increase in the production of major export crops, surpassing the 10 per cent growth rate in 1962, an unprecedented gain achieved in almost a decade. Hectarage continued to expand well above the annual increase observed since 1961—a year after decontrol. In 1963, hectarage devoted to major export crops was 6 per cent higher than in the previous year. Favored by a generally strong foreign market and a steady exchange rate, output of major export crops with the exception of leaf tobacco and cordage registered outstanding gains during the period under review.

The log industry continued to respond to the strong market for Philippine logs in Japan and Korea. Output was estimated at 3,324 million bd. ft. in 1963, 16 per cent more than in 1962. A higher increase was registered by lumber mills as output reached 526 million bd. ft., rising more than 30 per cent after the 10 per cent decline observed in 1962. The lack of cement in recent years might have further stimulated local demand for lumber as a substitute construction material.

Abaca production rose by 10 per cent above the 1962 output in response to better prices abroad and rapidly increasing local consumption. Likewise, new uses of abaca fiber for manufacturing industries raised the demand for the fiber which was eventually exported in the form of manufactured textile products. The coconut industry registered over-all gains in production during 1963 with copra and desiccated coconut increasing 10 per cent and 6 per

cent, respectively. Coconut oil output which in an earlier estimate showed a remarkable advance between 1962 and 1963 was later estimated to have increased by only 2 per cent. Apparently, the coconut oil producers were awaiting the start of the proposed negotiations to revise the Laurel-Langley Agreement for the elimination of the proviso on duty-free quotas; the export quota on coconut oil was filled up for the first time in 1963. Output of centrifugal sugar reached an all-time high of 1,555 thousand metric tons in 1963, a further increase of 6 per cent over the preceding year; this enabled the industry to meet the sugar commitments of the country during the period. Aside from the favorable exchange rate, other factors that boosted the sugar industry during the period were continued and larger financing facilities, hiked prices in the foreign market resulting from the reduced output of sugar beet in the world market and the sustained increase in sugar quota for the Philippines brought about by the American embargo on Cuban sugar.

The aggregate output of leaf tobacco amounted to 67,700 metric tons in crop year 1963, or a decline of 3 per cent below the preceding year output. Production of Virginia tobacco dropped by 13 per cent following a sharp reduction in hectareage. On the other hand, output of native tobacco continued to expand although not as rapidly as in the preceding year. The Cuban situation, likewise, continued to provide the stimulus for hiked production of native tobacco in the past three years.

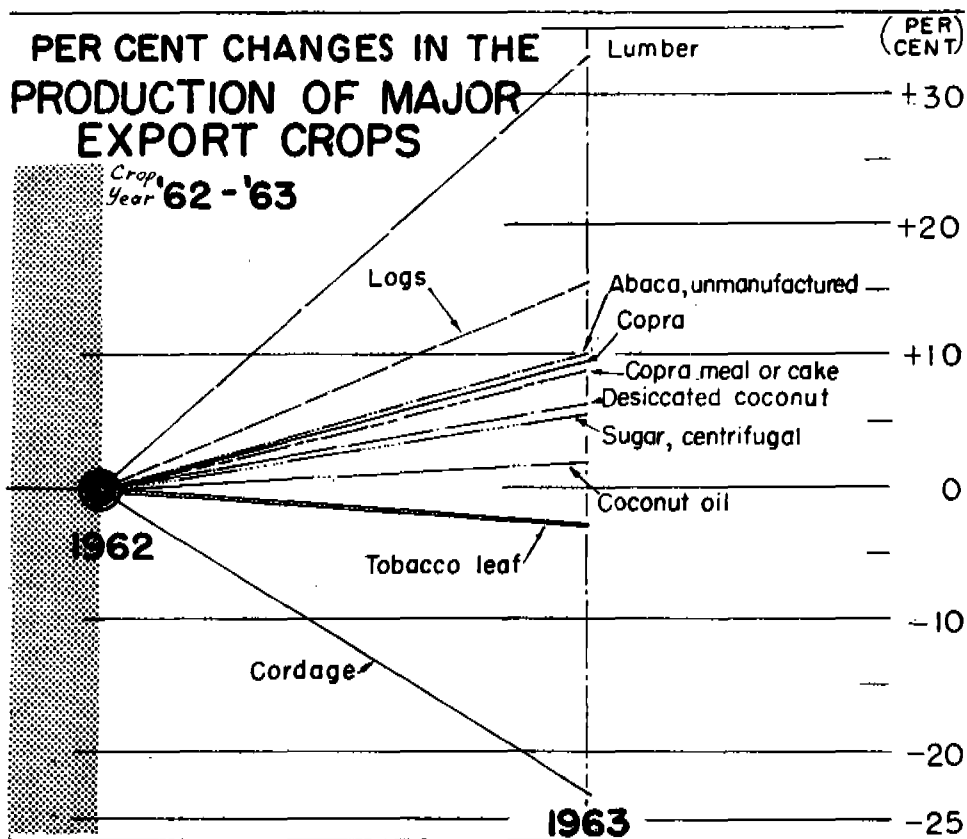
PRODUCTION OF MAJOR EXPORT CROPS Crop Years 1962 - 63

(Thousand metric tons)

| Product | 1963 | 1962 | Per Cent Change |
|---------------------------------------|------------------|------------------|-----------------|
| Copra | 1,489 | 1,356 | 9.8 |
| Coconut oil ^a | 224 ^e | 220 ^r | 1.8 |
| Desiccated coconut | 67 | 63 | 6.3 |
| Copra meal or cake ^a | 170 ^e | 156 ^r | 9.0 |
| Sugar, centrifugal | 1,555 | 1,468 | 5.9 |
| Abaca, unmanufactured | 128 | 116 | 10.3 |
| Cordage | 10 | 13 | —23.1 |
| Tobacco, leaf | 68 | 70 | — 2.9 |
| Logs (million bd. ft.) | 3,324 | 2,871 | 15.8 |
| Lumber (million bd. ft.) | 526 | 396 | 32.8 |

SOURCES OF BASIC DATA: Department of Agriculture and Natural Resources
Bureau of Forestry
Philippine Coconut Administration
Sugar Quota Administration

^a Calendar year figure.



C. MANUFACTURING

Manufacturing production expanded anew in the first nine months of 1963 as the physical volume index moved up to 177.9 (1955=100), a gain of 4.3 per cent above the level reached in the comparable months of 1962. Non-durables were up 3.2 per cent while durable manufactures rose thrice as much. The financing of manufacturing industries continued to improve during the period and also the difficulties of adjusting to new costs arising from the higher exchange rate appeared to have been cushioned by the rapidly increasing demand for local manufactured goods. However, delays in the availability of raw materials as a result of the five-month waterfront dispute in the Port of Manila might have caused the slow-down in over-all production during the first three quarters of 1963 when compared to the 5.9 per cent gain in the same period of 1962.

Production of non-durable manufactures during the first three quarters of 1963 was estimated to have increased by 3.2 per cent, rising to 172.2. While appreciable gains were noted in the production of beverage, textile, paper and chemical products, all other soft goods industries either suffered setbacks or had smaller gains compared to the expansion rates in 1962.

The food index rose by 2.4 per cent as against the 7.5 per cent registered in 1962. The slower growth in the food component might be attributed to the sizable decline of 14.4 per cent in the processed fruit and vegetable group, particularly in the production of canned pineapple. Likewise, in miscellaneous food preparations, shortening contracted by (14.3 per cent) poultry feeds (4.4 per cent) and edible oil (0.1 per cent) in contrast to the big increase obtained in 1962.

Pronounced increases in distilled spirits and beer substantially raised the output of beverages by a higher 16.7 per cent. The 10.8 per cent increment garnered in paper products, although smaller than in the previous year, stemmed from the remarkable expansion (50.9 per cent) in output of pulp and paper board. Production of chemicals rose by 6.2 per cent, following significant gains in basic industrial chemicals as well as in all other items in this group. The slower inflow of imported textile goods stimulated upturns in cotton piece goods and knitted fabrics. Cordage and jute bags also went up to boost aggregate output of textiles by 5.3 per cent, twice the gain in the same period last year.

After the downturn of 12.2 per cent experienced during the January-September period in 1962, rubber products picked up by 1.1 per cent in the identical period of 1963. Larger output of tires was observed following the drop of importation of truck tires. The index for petroleum products showed a sharp decline of 12.2 per cent in contrast to the modest gain of about 1 per cent in 1962. This could be attributed, however, to production adjustments made by the establishments covered in the index as a result of the operations of three other non-covered establishments. The production of tobacco products eased off by 1.3 per cent as against the 3.8 per cent gain in 1962 due largely to the reduced output of Virginia-type cigarettes. The reportedly heavy smuggling of imported cigarettes in the country could have influenced the decline. The printing industry deteriorated further in 1963 as production of printing matter dropped 17 per cent below the 1962 level following labor problems in the industry — forcing one of the largest local magazine printers to cease operations up to the present. In the leather products group, the volume index continued to move downward following large reductions in output of upper leather and leather lining. The temporary stoppage in the operation of four leading establishments during the January-September period of 1963 accounted largely for the 44 per cent loss in production of miscellaneous non-durables. The decline of 1.9 per cent shown in the footwear and wearing apparel group originated entirely from the big slash in output of other made-up textile goods.

Production of hard goods industries achieved a higher rate of growth than the non-durables in the first nine months of 1963 as the volume index (1955=100) advanced beyond the 200 mark to 205.6 or 9.4 per cent above the preceding year level. Marked improvements were observed in the more heavily-

weighted durable industries such as transport equipment, electrical appliances, non-metallic mineral products and wood and cork manufactures. The biggest expansion (43 per cent) was registered in output of transport equipment following brisker activity in car assembly plants. Stimulated largely by a strong market, output of plywood and veneer increased more than 30 per cent in the first nine months of 1963. This contributed to the over-all production of wood and cork products at a rate nearly twice that obtained in 1962. In the electrical machinery and appliances group, the production index jumped 23 per cent reflecting, largely, the faster pace of activity in the assembly line of appliances and apparatus items such as refrigerators, air-conditioning units and dry cell batteries. The observed deceleration in the imported counter-parts of these commodities and the rapidly increasing inflow of materials for local assembly seem to indicate an appreciable degree of import substitution within this industry. Production of non-metallic mineral products rose 4 per cent following strong upturns in output of cement and limestone product which, however, still appear to fall short of consumption requirements.

Noticeable contractions were observed in some durable industry groups. Metal products, a high index component suffered a loss of 2.5 per cent, as against the 10 per cent gain registered in the first nine months last year. A breakdown of this group revealed decreased production in aluminum sheets and foils, metal containers, machine bolts and nuts and nails and miscellaneous manufacture of metal products. The furniture industry dropped 4.1 per cent in the first three quarters of 1963 in contrast to substantial increase observed in the comparable period of 1962. Cutbacks in production of rice mills and ramie decorticating machines resulted in the 14.7 per cent drop in non-electrical machinery. Output of miscellaneous durable goods eased off further during the period.

INDEX OF THE PHYSICAL VOLUME OF PRODUCTION IN MANUFACTURING

January — September, 1962 - 1963

(1955=100)

| I t e m | January-September | | Per Cent change |
|--|-------------------|--------|--------------------|
| | 1963 p | 1962 r | |
| Manufactures | 177.9 | 170.5 | 4.3 |
| Non-durable manufactures | 172.2 | 166.8 | 3.2 |
| Manufactured food products, except beverages | 175.6 | 171.4 | 2.4 |
| Beverages | 198.0 | 169.6 | 16.7 |
| Tobacco products | 122.0 | 123.6 | — 1.3 |
| Textiles " | 320.8 | 304.6 | 5.3 |

INDEX OF THE PHYSICAL VOLUME OF
PRODUCTION IN MANUFACTURING (*Concluded*)
January — September, 1962-1963
(1955=100)

| I t e m | January-September | | Per Cent change |
|--|-------------------|-------------------|--------------------|
| | 1963 ^a | 1962 ^a | |
| Footwear, wearing apparel and other made-up textile goods | 51.0 | 52.0 | — 1.9 |
| Paper products | 247.7 | 223.5 | 10.8 |
| Printing, publishing and allied industries | 85.7 | 103.2 | —17.0 |
| Leather products, except footwear | 146.8 | 158.9 | — 7.6 |
| Rubber products ^b | 232.3 | 229.7 | 1.1 |
| Chemicals ^c | 165.6 | 155.9 | 6.2 |
| Miscellaneous petroleum and coal products . | 163.3 | 185.9 | —12.2 |
| Miscellaneous non-durable manufactures | 77.3 | 137.6 | —43.8 |
| Durable manufactures | 205.6 | 187.9 | 9.4 |
| Wood and cork manufactures, except furniture and fixtures | 174.5 | 132.9 | 31.3 |
| Furniture and fixtures | 115.8 | 120.8 | — 4.1 |
| Non-metallic mineral products | 206.5 | 198.5 | 4.0 |
| Metal products, except machinery | 268.6 | 275.6 | — 2.5 |
| Machinery, except electrical machinery | 106.6 | 124.9 | —14.7 |
| Electrical machinery, equipment and supplies . | 319.2 | 259.5 | 23.0 |
| Transport equipment | 139.7 | 97.4 | 43.4 |
| Miscellaneous durable manufactures | 88.0 | 117.4 | —25.0 |

SOURCES OF BASIC DATA: Cooperating government agencies
Private firms

^a Includes floor covering.

^b Includes rubber shoes.

^c Includes fertilizers.

LIBRARY

D. MINING

CENTRAL BANK OF THE PHILIPPINES

The mining index for gold and principal base metals picked up in the third quarter of 1963 and reached 138.0 (1955=100) for the whole year—rising slightly by 1 per cent as against the 1.7 per cent registered in the previous year. Gold production dropped 11.2 per cent from the 1962 level to 376 thousand fine ounces in 1963 following the prolonged strike last summer in the largest gold mining company in the country. Other factors that contributed to the downtrend in gold output in the past two years were the decreasing quality of gold ore reserves and the shift by two primary companies from gold to copper production.

In the base metal category, the production index for copper, chromite, manganese and iron moved up to 175.8 (1955=100) in 1963 advancing 6.7 per cent above the 1962 level. Except for copper, outputs of all base metals were

substantially lower during the period. Nonetheless, the 17 per cent increase in copper production reaching 64,000 metric tons in 1963 more than offset the decline experienced by other items in the group.

The competitive position of Philippine base metals in the world market, particularly, in Japan appeared to have weakened in the past two years. In 1963, iron production totalling 1,270 thousand metric tons fell off 8.4 per cent from the previous year level while chromite at 501 thousand metric tons continued the downtrend observed since 1961. The largest setback was experienced by manganese as output which had been declining since 1960 was 78 per cent less than the 1962 output. Moreover, there was no recorded production of this base metal during the last half of 1963. Contractions were also observed in the outputs of non-index items in the base metal group, namely, lead (-22%), zinc (-4.4%) and quicksilver (-8.0%).

In the non-metallic division, the only available data for the period under review were for coal and rock asphalt; the former increased by 3.5 per cent above the 163 thousand metric tons produced in 1962 while the latter decreased by 25 per cent to 5.2 thousand metric tons in 1963.

MINING PRODUCTION 1962 - 63

| Item | Unit | 1963 | 1962 | Per cent change |
|---------------------------|-------------|-----------|-----------|-----------------|
| Gold | fine ounce | 376,036 | 423,394 | -11.2 |
| Silver | " " | 774,917 | 675,570 | 14.7 |
| Base metals: | | | | |
| Iron ore | metric ton | 1,269,848 | 1,386,959 | - 8.4 |
| Chromite ore | " " | 501,542 | 531,224 | - 5.6 |
| Copper (metal) | " " | 64,049 | 54,728 | 17.0 |
| Manganese ore | " " | 2,601 | 11,939 | -78.2 |
| Lead (metal) | " " | 64 | 82 | -22.0 |
| Zinc (metal) | " " | 4,265 | 4,460 | - 4.4 |
| Quicksilver (metal) | Flask | 2,545 | 2,767 | - 8.0 |
| Non-metallics: | | | | |
| Coal | metric ton | 168,740 | 162,978 | 3.5 |
| Rock asphalt | " " | 5,186 | 6,933 | -25.2 |
| Sand and gravel | cubic meter | .. | 1,072,565 | .. |
| Salt | Cavan | .. | 1,913,320 | .. |
| Silica | metric ton | .. | 116,909 | .. |

SOURCE OF BASIC DATA: Bureau of Mines.

E. CONSTRUCTION

After the big slump observed in 1962, building activity in Manila picked up strongly during 1963. The total value of permits awarded by the City Engineer's Office aggregated ₱91 million, an increase of ₱19 million or 26 per

cent above the previous year level. Volume wise, however, construction in the City of Manila totalling 4,479 units was 10 per cent lower than in 1962. This originated largely from the 15 per cent decline in the number of additions, alterations and repairs, the corresponding value of which nonetheless was twice higher in 1963, thus, contributing largely to the building expansion during the period. The residential sector rose by 14 per cent with hardly any increase in the number of permits granted. In the non-residential division, construction value representing 41 per cent of the over-all valuation rose 6 per cent against a 2 per cent contraction in number of units put in place. The trend in building activity in the City of Manila during the period appeared to be toward the expansion of already existing units as indicated by the sizable increase registered by the addition, alteration and repair group. The construction of large area units, particularly in the non-residential sector was also observed.

New construction activity in areas outside Manila was, considerably, brisker in 1963 as compared to 1962. In the Manila suburbs, the value of residential and non-residential buildings aggregated ₱69 million—against the ₱64 million for the City of Manila—and was about 3-½ times the 1962 level. The chartered cities representing nearly half of the over-all value of building starts rose nearly 40 per cent in 1963 following big expansions, particularly, in the non-residential group.

The relaxation of credit in the third quarter of 1962 might have largely contributed to the significant upturns in new building activity during 1963.

PERMIT VALUATION OF PRIVATE BUILDING CONSTRUCTION BY TYPE OF CONSTRUCTION IN THE CITY OF MANILA 1962 - 63

(Value in Pesos)

| Type of Construction | 1 9 6 3 | | 1 9 6 2 | | Per Cent Change | |
|----------------------------------|---------|------------|---------|------------|-----------------|-------|
| | Number | Value | Number | Value | Number | Value |
| TOTAL | 4,479 | 91,387,184 | 4,977 | 72,376,044 | -10.0 | 26.3 |
| Residential | 1,110 | 26,396,039 | 1,105 | 23,231,000 | 0.5 | 13.6 |
| Non-Residential | 570 | 37,485,400 | 581 | 35,413,080 | -1.9 | 5.9 |
| Commercial | 179 | 29,415,800 | 178 | 28,789,200 | 0.6 | 2.2 |
| Industrial and Public | | | | | | |
| Utility ^a | 29 | 2,309,000 | 24 | 2,233,000 | 20.8 | 3.4 |
| Institutional ^b | 20 | 3,380,000 | 17 | 2,001,000 | 17.6 | 68.9 |
| Others ^c | 342 | 2,380,600 | 362 | 2,389,880 | -5.5 | -0.4 |
| Addition, Alteration and | | | | | | |
| Repair | 2,799 | 27,505,745 | 3,291 | 13,731,964 | -15.0 | 100.3 |

SOURCES 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, medical and other similar institutions.

^c Inclusive of buildings not classified elsewhere.

NEW CONSTRUCTION ACTIVITY IN MANILA, MANILA SUBURBS AND CHARTERED CITIES 1962 - 1963

(Value in pesos)

| Location | T o t a l ^a | | Per Cent Change | Residential | | Per Cent change | Non-Residential | | Per Cent change |
|----------------------------|------------------------|-------------|--------------------|-------------|------------|--------------------|-----------------|------------|--------------------|
| | 1963 | 1962 | | 1963 | 1962 | | 1963 | 1962 | |
| T O T A L | 255,529,633 | 166,061,480 | 53.9 | 132,538,452 | 83,164,100 | 59.4 | 122,991,181 | 82,897,380 | 48.4 |
| Manila | 63,881,439 | 58,644,080 | 8.9 | 26,396,039 | 23,231,000 | 13.6 | 37,485,400 | 35,413,080 | 5.9 |
| Manila Suburbs | 69,495,564 | 19,467,011 | 257.0 | 47,539,758 | 11,099,405 | 328.3 | 21,955,806 | 8,367,606 | 162.3 |
| Chartered Cities | 122,152,630 | 87,950,389 | 38.9 | 58,602,655 | 48,833,695 | 20.0 | 63,549,975 | 39,116,694 | 62.5 |

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

^a Excludes additions, alternations and repairs.

F. REAL ESTATE

Real estate activities manifested bigger improvements in 1963. Total sales involving about 9,000 transactions and amounting to over ₱250 million rose further by 28 per cent, valuewise, above the preceding year level. Mortgage deals totalling 11,471 were valued at ₱550 million, increasing 36 per cent as against the 14 per cent decline registered in 1962. In the Manila area, sale climbed to ₱84 million rising by more than 50 per cent as against the small 2 per cent increase registered in 1962. Sales in Pasay City and suburbs were higher at ₱87 million and increased about 25 per cent, in contrast to the 3 per cent decline obtained in the preceding year. In Quezon City, transactions in 1963 were relatively less as sales totalling ₱79 million rose by 12 per cent and was less than half the increase obtained between 1961 and 1962.

Mortgage transactions in Manila aggregated ₱185 million in 1963, rising 17 per cent above the previous year level, or twice as much as the rate of increase registered between 1961 and 1962. Similarly, transactions in the Pasay area were bigger than in Manila, amounting to about ₱200 million, an increase of 44 per cent in sharp contrast to the 26 percent setback noted in 1962. In Quezon City, mortgage transactions were recorded at ₱163 million or a 55 per cent gain as against the 20 per cent decrease obtained in 1962 over 1961.

G. PUBLIC UTILITIES

1. Electricity

In 1963, the Manila Electric Company generated 2,482 million k.w.h. of electric power, exceeding the previous year level by almost 259 million k.w.h. or an increase of 11.6 per cent. This was, however, less than the 15 per cent growth rate achieved between 1961 and 1962. The operation of an additional generating unit at Rockwell Station some time in October, 1963 boosted the company's present facilities by 66,000 k.w. bringing its total thermal generating capability to 369,500 k.w. This addition was in response to the continued growth of industry and the unabated demand for electricity by household, commercial, industrial and other consumers.

The residential sector consumed more than 600 million k.w.h. during 1963 or 11 per cent more than in 1962. Sales to commercial establishments aggregated 415 million k.w.h., rising at a higher growth rate of 13 per cent as compared to that of the earlier period. The electricity demand by industries was highest at 850 million k.w.h., increasing by 14 per cent as against the 19 per cent expansion experienced in 1962. Purchases by other consumers amounted to 271 million k.w.h., a gain of 8 per cent which was, however, only half the increment obtained between 1961 and 1962.

2. Transportation

International shipping movement in the Port of Manila slowed down further in 1963. Incoming merchant vessels numbering 1,802 and the corresponding net tonnage of more than 7,521 thousand metric tons registered a decline of 3.3 per cent and 3.9 per cent, respectively. Complete data on outgoing vessels for 1963 are not yet available. However, during the first ten months of the year the number of departures totalling 1,390 dropped 7.8 per cent from the level of the comparable period in 1962, while the corresponding net tonnage amounting to 5,918 thousand metric tons, likewise dipped by 6.2 per cent. The strike in the south harbor of Manila that occurred in April through September greatly hampered foreign shipping activity and was largely responsible for the downturn experienced during 1963.

The flight operations of the Philippine Air Lines, Inc. indicated divergent trends during the first nine months of 1963 as compared to the same period in the preceding year. The number of passengers flown totalled 843 thousand, an increase of 17.5 per cent. The international and domestic routes increased by 22 per cent and 17 per cent, respectively. However, the over-all expansion was relatively small as compared to the near 30 per cent gain obtained between 1961 and 1962. The aggregate cargo handled and the mail carried with corresponding weights of approximately 7,695 thousand kilograms and 441 thousand kilograms were lower by 7.8 per cent and 2.2 per cent, respectively, reversing the uptrend noted in the like period of 1962. The two-week strike in April 1962 partly contributed to this decline as well as the comparatively slower performance of the air transport industry during the period.

Railway movements of the Manila Railroad Company recorded advances in the first nine months of 1963. The number of passenger accommodations with the corresponding receipts increased by 1.7 per cent and 5.9 per cent, respectively, almost sustaining the growth experienced in the same period between 1962 and 1961. Similarly, the total net tonnage for freight and express handled reached 939 thousand metric tons, an increase of 2.8 per cent above the comparable period in the earlier year in contrast to the 3.1 per cent fall noted in 1962. The corresponding gross receipts which aggregated to ₱7.5 million, also inched upward by 5.1 per cent from the year before, opposing the previous year's downtrend of 3.3 per cent for the same period.

In the first half of 1963, the number of motor vehicles registered throughout the country reached 156,988 or 21.5 per cent above that of the comparable period in 1962—an unparalleled growth in more than a decade. This was accompanied by a significant advance in the assembly operations of the local automotive industry.

PRODUCTION OF SELECTED COMMODITIES

1940; 1954-1963

(Thousand metric tons)

| Commodity | 1940 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------------------|
| Food products: | | | | | | | | | | | |
| Rice (rough) | 2,363 | 3,182 | 3,203 | 3,273 | 3,346 | 3,204 | 3,685 | 3,740 | 3,705 | 3,910 | 3,967 |
| Corn (shelled) | 572 | 781 | 770 | 907 | 895 | 852 | 1,016 | 1,165 | 1,210 | 1,266 | 1,273 |
| Beans and vegetables | 116 | 216 | 223 | 228 | 231 | 243 | 239 | 228 | 208 | 230 | 214 |
| Coffee (dry beans) | 2 | 6 | 7 | 7 | 8 | 10 | 11 | 26 | 32 | 43 | 33 |
| Cacao (dry beans) | 0.5 | 1 | 2 | 2 | 2 | 2 | 2 | 3 | 4 | 3 | 3 |
| Fruits and nuts | 372 | 590 | 627 | 648 | 673 | 714 | 692 | 719 | 755 | 996 | 1,068 |
| Peanuts (unshelled) | 7 | 18 | 18 | 18 | 18 | 19 | 16 | 15 | 13 | 11 | 11 |
| Root crops | 615 | 1,180 | 1,200 | 1,261 | 1,292 | 1,330 | 1,340 | 1,412 | 1,445 | 1,334 | 1,360 |
| Meat and poultry products . | 237 | 235 | 245 | 270 | 277 | 293 | 299 | 314 | 330 | 346 | 297 " |
| Fish ^a | 170 | 344 | 363 | 393 | 386 | 427 | 436 | 455 | 455 | 464 | 493 ^r |
| Other food crops | 2 | 5 | 5 | 5 | 5 | 5 | 8 | 8 | 30 | 37 | 45 |
| Export products. | | | | | | | | | | | |
| Abaca | 172 | 106 | 105 | 120 | 129 | 125 | 111 | 95 | 115 | 116 | 128 |
| Tobacco | 32 | 27 | 30 | 38 | 51 | 50 | 52 | 64 | 60 | 70 | 68 |

PRODUCTION OF SELECTED COMMODITIES
1940; 1954-1963 (*Concluded*)
(Thousand metric tons)

| Commodity | 1940 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 |
|---------------------------------------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|------------------|------------------|
| Coconut products — | | | | | | | | | | | |
| Copra | 739 | 942 | 1,103 | 1,140 | 1,319 | 1,293 | 1,072 | 1,075 | 1,071 | 1,356 | 1,489 |
| Desiccated coconut | 41 | 43 | 40 | 42 | 54 | 56 | 50 | 42 | 59 | 63 | 67 |
| Coconut oil ^d | 213 ^b | 147 | 184 | 226 | 217 | 225 | 194 | 221 | 190 | 220 ^r | 224 ^e |
| Copra meal or cake ^d ... | — | 78 | 82 | 112 | 116 | 99 | 95 | 89 | 98 | 156 ^r | 170 ^e |
| Sugar cane products — | | | | | | | | | | | |
| Sugar, centrifugal | 947 | 1,301 | 1,244 | 1,106 | 1,037 | 1,250 | 1,372 | 1,387 | 1,317 | 1,468 | 1,555 |
| Muscovado and panocha . | 50 | 51 | 60 | 57 | 66 | 68 | 71 | 58 | 37 | 38 | 46 |
| Kapok | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 1 |
| Maguey | 7 | 1 | 0.2 | 0.2 | 3 | 2 | 3 | 2 | 2 | 2 | 2 |
| Ramie | 0.9 | 1 | 2 | 1 | 2 | 2 | 3 | 2 | 2 | 4 | 6 |
| Rubber | 0.9 | 2 | 2 | 2 | 2 | 3 | 2 | 3 | 4 | 5 | 5 |
| Other export crops ^c | 119 | 238 | 242 | 250 | 245 | 277 | 366 | 371 | 356 | 397 | 430 |

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 figures.

^c Inclusive of cotton and molasses.

^d 1955 to-date are calendar year figures.

ACTUAL AREA * UNDER CULTIVATION FOR PRINCIPAL CROPS

1940; 1954 - 1963

(Thousand hectares)

| C r o p | 1940 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 |
|---------------------------------------|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| TOTAL | 5,173 | 6,141 | 6,434 | 6,817 | 7,004 | 6,989 | 7,910 | 7,597 | 7,835 | 7,919 | 7,935 |
| Food Crops | 3 528 | 4,585 | 4,891 | 5,276 | 5,449 | 5,470 | 6,351 | 6,010 | 6,119 | 6,072 | 5,978 |
| Rice (rough) | 2,080 ^b | 2,645 | 2,656 | 2,743 | 2,768 | 3,154 | 3,329 | 3,307 | 3,198 | 3,179 | 3,161 |
| Corn (shelled) | 913 | 1,120 | 1,388 | 1,675 | 1,787 | 1,381 | 2,107 | 1,846 | 2,046 | 2,016 | 1,950 |
| Beans and vegetables | 109 | 161 | 166 | 168 | 176 | 184 | 181 | 159 | 124 | 131 | 124 |
| Coffee (dry beans) | 7 | 17 | 19 | 20 | 22 | 23 | 26 | 31 | 39 | 50 | 42 |
| Cacao (dry beans) | 5 | 7 | 7 | 6 | 7 | 7 | 7 | 7 | 10 | 9 | 10 |
| Fruits and nuts ^c | 235 | 364 | 381 | 382 | 396 | 418 | 398 | 367 | 408 | 415 | 415 |
| Root Crops | 178 | 268 | 273 | 280 | 292 | 300 | 300 | 289 | 283 | 261 | 264 |
| Other food crops | 1 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 11 | 11 | 12 |
| Export Crops | 1,645 | 1,556 | 1,544 | 1,541 | 1,555 | 1,519 | 1,559 | 1,587 | 1,716 | 1,847 | 1,957 |
| Abaca | 292 | 259 | 217 | 217 | 232 | 193 | 193 | 175 | 175 | 183 | 182 |
| Tobacco | 58 | 48 | 53 | 75 | 81 | 85 | 91 | 96 | 91 | 101 | 97 |
| Sugar cane | 230 | 265 | 268 | 240 | 235 | 231 | 252 | 242 | 232 | 255 | 250 |
| Coconut | 1,051 | 990 | 990 | 992 | 992 | 996 | 1,006 | 1,059 | 1,200 | 1,284 | 1,392 |
| Kapok | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 3 | 3 |
| Maguay | 8 | 4 | 3 | 3 | 3 | 2 | 4 | 3 | 3 | 3 | 3 |
| Ramie | 0.4 | 1 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 3 | 3 |
| Rubber | 3 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 10 | 14 | 18 |
| Other export crops ^d | — | 1 | 3 | 3 | 3 | 3 | 4 | 2 | 0.6 | 0.8 | 0.1 |

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

* Crop area harvested.

^b Crop area planted.

^c Inclusive of peanuts.

^d Cotton area.

VALUE OF MANUFACTURING PRODUCTION,^a 1954 - 1963
(Thousand Pesos)

(Details do not always add up to totals due to rounding)

| Period | M A N U F A C T U R E S | | | | | | | | | |
|-------------------------|---|-----------|---------|---|-------------------|---------------------------------------|-------------------------------|--------------------|--|--|
| | 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 preserv- ing of meat | Dairy products | Processed fruits and vegetables | Processed fish products | Bakery products | Cocoa, choco- late, coffee, sugar and confectionery | Miscellaneous food prepa- rations, n.e.s. |
| 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 |
| 1959 | 2,303,778 | 1,874,069 | 355,355 | 6,016 | 38,980 | 27,985 | 1,631 | 24,216 | 69,456 | 187,072 |
| 1960 | 2,545,487 | 2,078,952 | 417,184 | 6,755 | 46,404 | 35,928 | 2,060 | 29,987 | 74,929 | 221,226 |
| 1961 | 3,151,152 | 2,487,188 | 501,045 | 8,904 | 51,347 | 50,106 | 2,131 | 34,830 | 72,065 | 281,663 |
| 1962 | 3,437,706 | 2,680,315 | 605,026 | 10,238 | 70,477 | 60,410 | 2,138 | 33,745 | 82,108 | 345,910 |
| 1963 ^d | 2,992,307 | 2,314,138 | 557,375 | 9,887 | 62,985 | 49,120 | 1,897 | 28,206 | 87,089 | 318,091 |

VALUE OF MANUFACTURING PRODUCTION,^a 1954 - 1963 (Continued)

| Period | B e v e r a g e s | | | Tobacco Products | Textiles | Footwear, wearing apparel and made-up textile goods | | | |
|-------------------------|-------------------|--|----------------|---------------------|----------|--|------------------------------|--------------------|-----------------------------|
| | Total | Distilled spirits, wines & malt liquors | Soft drinks | | | Total | Footwear except rubber | Wearing apparel | Made-up textile goods |
| 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 |
| 1959 | 179,871 | 98,225 | 81,646 | 261,423 | 234,215 | 40,498 | 12,713 | 23,493 | 4,292 |
| 1960 | 200,107 | 109,098 | 91,009 | 258,605 | 293,477 | 40,816 | 13,114 | 23,547 | 4,155 |
| 1961 | 213,256 | 120,010 | 93,246 | 303,003 | 295,516 | 37,712 | 12,231 | 21,430 | 4,001 |
| 1962 | 244,054 | 150,963 | 93,091 | 287,106 | 352,238 | 40,222 | 11,255 | 20,242 | 8,724 |
| 1963 ^d | 208,651 | 138,149 | 70,502 | 200,892 | 288,480 | 34,284 | 14,101 | 15,895 | 4,288 |

VALUE OF MANUFACTURING PRODUCTION,^a 1954-1963 (*Continued*)

| P e r i o d | Paper Products | | | 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 | | | | | |
| 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 |
| 1959 | 83,324 | 34,928 | 48,296 | 14,934 | 5,841 | 90,366 | 411,917 | 196,424 |
| 1960 | 103,522 | 35,329 | 68,193 | 12,890 | 5,733 | 107,975 | 423,729 | 214,914 |
| 1961 | 98,035 | 39,305 | 58,730 | 16,024 | 5,408 | 131,472 | 487,582 | 398,134 |
| 1962 | 112,027 | 46,018 | 66,008 | 14,358 | 5,764 | 127,949 | 528,919 | 362,650 |
| 1963 ^d | 94,476 | 50,354 | 44,122 | 8,686 | 4,793 | 115,497 | 426,065 | 374,939 |

VALUE OF MANUFACTURING PRODUCTION,^a 1954-1963 (*Continued*)

| Period | Durable manufactures | | | | | | | | |
|-------------------------|----------------------|--|-------------------------|--|--------------------------------|---------------------------------|------------------------------------|--------------------------------------|--------|
| | Total | Wood & cork except furniture & fixtures | Furniture & Fixtures | Non-metallic mineral products, except products of petroleum & coal | | | | | |
| | | | | Total | Clay and cement products | Concrete & stone products | Glassware & glass containers | Plate and sheet glass products | Cement |
| 1954 | 128,174 | 14,998 | 8,098 | 51,308 | 2,160 | 4,714 | 14,739 | 490 | 25,280 |
| 1955 | 188,593 | 16,807 | 7,495 | 52,795 | 2,137 | 2,415 | 13,179 | 535 | 32,595 |
| 1956 | 236,178 | 21,198 | 8,764 | 60,697 | 3,559 | 3,193 | 13,541 | 540 | 35,588 |
| 1957 | 304,425 | 24,103 | 10,654 | 74,560 | 6,230 | 5,785 | 14,388 | 560 | 40,751 |
| 1958 | 358,111 | 29,744 | 8,530 | 90,445 | 5,088 | 7,531 | 18,432 | 529 | 50,763 |
| 1959 | 429,709 | 43,994 | 9,734 | 95,161 | 4,978 | 7,584 | 17,336 | 816 | 55,346 |
| 1960 | 466,535 | 39,594 | 12,562 | 98,880 | 5,021 | 7,333 | 23,352 | 2,822 | 53,348 |
| 1961 | 663,964 | 41,936 | 12,935 | 127,344 | 8,654 | 8,676 | 31,443 | 5,327 | 65,383 |
| 1962 | 757,390 | 60,735 | 12,267 | 143,096 | 12,250 | 10,926 | 38,292 | 8,806 | 66,824 |
| 1963 ^d | 678,170 | 50,410 | 9,715 | 122,575 | 10,512 | 11,042 | 26,709 | 8,043 | 59,739 |

VALUE OF MANUFACTURING PRODUCTION,^a 1954-1963 (*Concluded*)

| Period | Non-metallic mineral products, except products of petroleum & coal (Cont'd) | | Metal products, except machinery | Machinery except electrical machinery | Electrical machinery, apparatus, appliances & supplies | Transport equipment | Miscellaneous durable manufactures |
|-------------------------|---|---------------------------------------|----------------------------------|---------------------------------------|--|---------------------|------------------------------------|
| | Limestone products | Non-metallic mineral products, n.e.s. | | | | | |
| 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 |
| 1959 | 1,190 | 7,910 | 155,078 | 1,939 | 45,999 | 67,008 | 10,796 |
| 1960 | 786 | 6,218 | 165,784 | 3,612 | 62,119 | 73,580 | 10,404 |
| 1961 | 1,180 | 6,681 | 246,602 | 20,950 | 90,854 | 112,244 | 11,082 |
| 1962 | 1,206 | 4,790 | 277,169 | 23,080 | 96,996 | 130,786 | 13,261 |
| 1963 ^d | 1,385 | 5,145 | 216,640 | 25,819 | 87,247 | 156,336 | 9,428 |

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

^a Reported production of 954 firms for year 1954; for 1955, 1,035 firms; for 1956 and 1957, 1,068 firms; for 1958, 1,131 firms; for 1959, 1,116 firms, for 1960, 1,130 firms; for 1961 and 1962, 1,131 firms; for 1963, 1,122 firms.

^b Includes miscellaneous products of petroleum and coal.

^c Includes asbestos products.

^d January to September.

CENTRIFUGAL SUGAR PRODUCTION BY DISTRICT 1940; 1949 - 1963

(Production in metric tons)

| Crop year | T o t a l | | Luzon District | | Visayan District | |
|------------|--------------------|------------|--------------------|------------|--------------------|------------|
| | No. of Centrals | Production | No. of Centrals | Production | No. of Centrals | Production |
| 1940 | .. | 947,067 | .. | .. | .. | .. |
| 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 | 1,105,512 | 9 | 313,242 | 16 | 792,270 |
| 1957 | 25 | 1,036,870 | 9 | 313,503 | 16 | 723,367 |
| 1958 | 25 | 1,249,955 | 9 | 350,012 | 16 | 899,943 |
| 1959 | 25 | 1,371,820 | 9 | 332,115 | 16 | 1,039,705 |
| 1960 | 24 | 1,386,942 | 8 | 372,976 | 16 | 1,013,966 |
| 1961 | 24 | 1,316,737 | 8 | 314,422 | 16 | 1,002,315 |
| 1962 | 26 | 1,468,186 | 9 | 357,471 | 17 | 1,110,715 |
| 1963 | 25 | 1,554,830 | 9 | 427,792 | 16 | 1,127,038 |

SOURCE OF BASIC DATA: Sugar Quota Administration

V. MANAGEMENT OF THE INTERNATIONAL RESERVE AND FOREIGN EXCHANGE POLICIES

A. OVER-ALL REVIEW

The external financial position of the Philippines in 1963 showed further improvements, which were however, much less than those experienced last year. The international reserves rose to \$147 million as of December 31, 1963 from the \$141 million level registered at the beginning of the year. However, on a net basis, there was a greater improvement in the reserve position, on account of the heavy repayments made during the year on foreign commitments.

The foreign exchange market was characterized by continued stability with the exchange rates remaining steady at ₱3.89 (buying) and ₱3.91 (selling) per U.S. dollar for 1963 and the spread narrowing down from almost three centavos at the beginning to only ₱0.008 at the end of the year.

The stability of the exchange rate was to a certain extent due to the intervention of the Philippine National Bank in behalf of the Central Bank. Growing confidence in the exchange system was further reflected in the forward exchange market, which was fairly active during 1963. The volume of transactions more than doubled the level of the previous year, with the forward premium generally steady at 1 centavo per month for the first 60 days and 1.5 centavos per month from 61 — 120 days.

B. INTERNATIONAL RESERVES AND FOREIGN EXCHANGE TRANSACTIONS

The international reserve, which stood at \$141 million at the beginning of the year rose to \$147 million as of December 31, 1963, an increase of \$6 million, mainly as a result of the continued improvement in the external financial transactions of the country.

INTERNATIONAL RESERVES

1949 - 1963

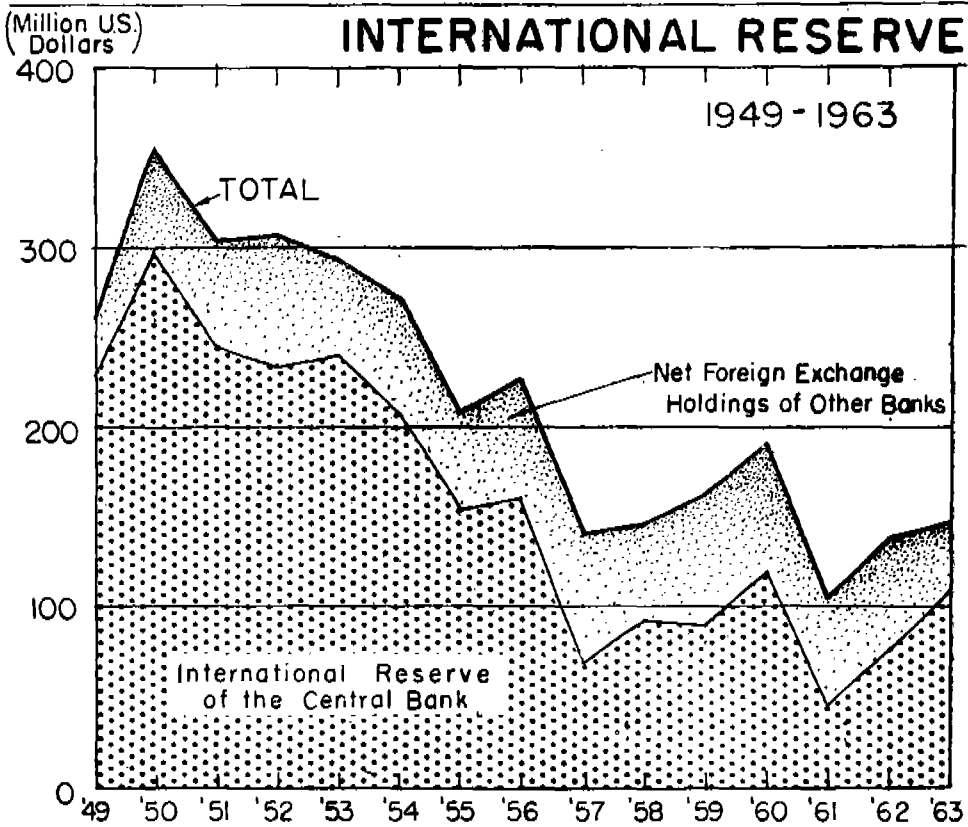
(Million U. S. Dollars)

| Year | International reserve of the Central Bank | Net foreign exchange holdings of Commercial Banks | Total ¹ |
|-----------------------|---|---|--------------------|
| 1949—December 9 | 225.76 | 24.96 | 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 |

INTERNATIONAL RESERVES
1949 - 1963 (Concluded)
(Million U.S. Dollars)

| Year | International reserve of the Central Bank | Net foreign exchange holdings of Commercial Banks | Total ¹ |
|------------|---|---|--------------------|
| 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 |
| 1959 | 89.99 | 72.91 | 162.90 |
| 1960 | 120.05 | 72.01 | 192.06 |
| 1961 | 44.07 | 59.27 | 103.34 |
| 1962 | 75.00 | 65.84 | 140.84 |
| 1963 | 109.46 | 38.00 | 147.46 |

¹ Inclusive of Central Bank foreign exchange liabilities.



Divergent trends characterized the reserve movement for the year. Reserves hit a low of \$137 million in February and a high of \$162 million in August, the highest in fact since the imposition of full decontrol. In September, it dropped abruptly to \$146 million, under pressure of the heavy importation of rice by the government. The level recovered appreciably in October, rising to \$161 million, as proceeds of the \$12 million loan of the Development Bank of the Philippines were sold to the Central Bank. Lower levels were, however, registered for the last two months of the year in spite of the \$8 million short-term loans from U.S. commercial banks and additional utilization by DBP of \$6 million credits extended also by U.S. commercial banks.

Foreign exchange holdings of the Central Bank registered a general up-trend except for temporary dips in September and November. Starting the year at \$75 million gross, the Central Bank's international reserves rose to \$109 million, representing an increase of 46 per cent. With the settlement of about 60 per cent of its foreign obligations, the Central Bank's foreign liabilities went down from \$43 million to \$17 million, leaving net Central Bank reserves at \$93 million for 1963 compared to \$32 million for the previous year. Foreign exchange holdings of commercial banks, on the other hand, exhibited mixed trends. Gross foreign exchange assets which stood at \$76 million at the beginning of the year, advanced by \$12 million at year's end. Concurrently, liabilities of commercial banks registered an unprecedented increase of \$40 million, leaving net foreign exchange holdings of only \$38 million as against \$66 million in 1962. Thus, the net international reserves¹ of the country amounted to \$131 million as against \$98 million for the end of 1962.

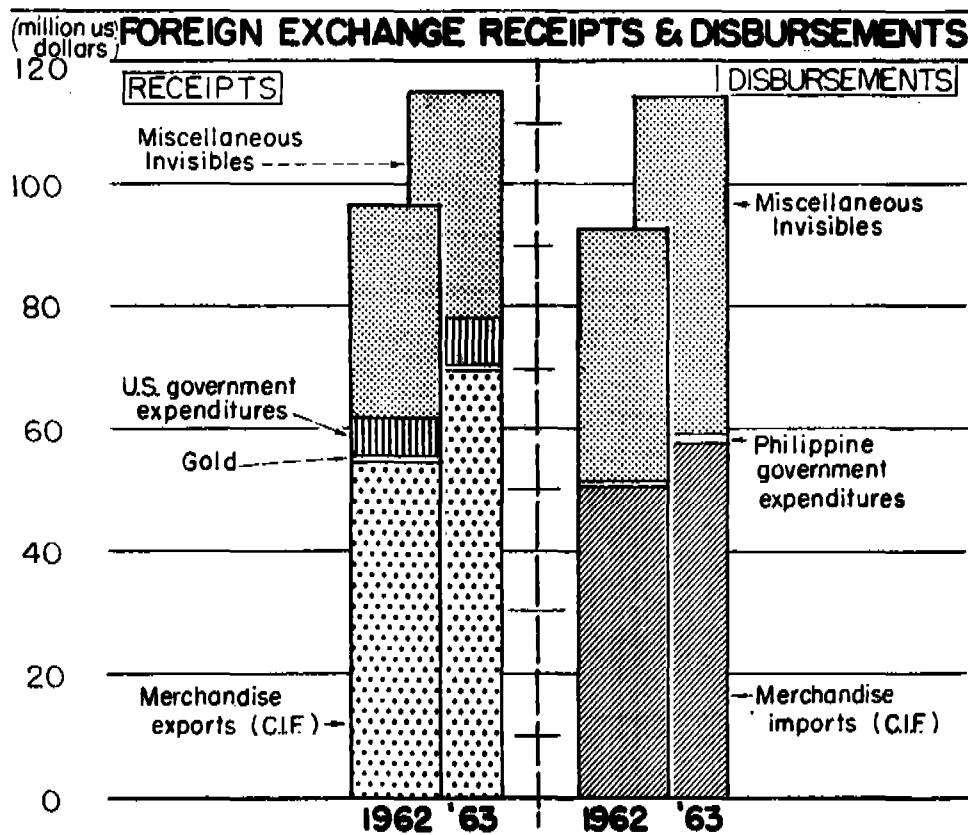
The improvement in the country's external position which was quite substantial last year continued into 1963 but to a lesser extent. Against a net receipt of \$40 million last year, this year's net receipt amounted to only \$8 million. Although both receipts and disbursements reached unprecedented levels, hitting the \$1 billion mark, the greater increase on the disbursement side, particularly for miscellaneous invisible items, accounted for the narrowing of the surplus for 1963.

¹ International reserves less Central Bank short-term liabilities.

FOREIGN EXCHANGE RECEIPTS AND DISBURSEMENTS 1962 - 1963

(Million U. S. Dollars)

| Item | 1963 | 1962 |
|---|-----------------|---------------|
| RECEIPTS: | | |
| Merchandise exports, c.i.f. | 698.85 | 544.11 |
| Gold | 12.67 | 13.31 |
| U. S. Government expenditures | 75.22 | 63.92 |
| Miscellaneous invisibles | 369.79 | 345.40 |
| T o t a l | 1,156.53 | 966.74 |
| DISBURSEMENTS: | | |
| Merchandise imports, c.i.f. | 576.29 | 504.93 |
| Philippine Government expenditures | 13.31 | 9.33 |
| Miscellaneous Invisibles | 558.91 | 412.38 |
| T o t a l | 1,148.51 | 926.64 |
| NET RECEIPTS (DISBURSEMENTS) | 8.02 | 40.10 |



A trade surplus of \$123 million, the biggest so far recorded was reflected in 1963, as the merchandise account showed considerable strengthening. Export receipts rose to \$699 million or 28 per cent over \$544 million for 1962. The increase in import payments, on the other hand, was of a smaller magnitude as it rose by 14 per cent from \$505 million in 1962 to \$576 million. The improvement in the trade sector was almost totally offset by a \$115 million deficit in non-trade transactions.

C. EXCHANGE RATES

1. Structure

Since January 21, 1962, a floating rate has been used in all foreign exchange transactions with the exception of 20 per cent of the proceeds of merchandise exports to which the official rate of ₱2.00 to \$1.00 continues to apply. Outstanding foreign exchange commitments of the Central Bank, however, are still amortized at rates of ₱2.00, ₱3.00 and ₱3.20 (plus the margin fee whenever applicable), depending on the terms of Monetary Board approval. The structure of effective buying and selling rates for 1963 is as follows:

RATES OF EXCHANGE January — December, 1963

(Pesos per U. S. Dollar)

| Buying | Selling |
|--|--|
| 2.00 (Official Rate) No Transactions. | 2.00 (Official Rate) No Transactions. |
| 3.51 ^a (20 per cent Official Rate, 80 per cent Floating Rate) All exports other than gold. | 3.91 ^b (Floating Rate) All foreign exchange pay- ments not covered by pre-decontrol contracts. |
| 3.89 ^b (Floating Rate) All inward foreign exchange remittances, other than exports. | |

^a Average composite rate for 1963.

^b Arithmetic mean of monthly weighted average of exchange rates for 1963.

2. Behavior

a. Spot Exchange Rates

Largely determined by the interplay of market forces, the exchange rate was maintained at averages of ₱3.89 and ₱3.91, buying and selling, in 1963. It has held steady at these levels since the latter part of 1962, with temporary fluctuations held in check by timely intervention of the Central Bank.

The weighted averages of buying and selling rates which were at ₱3.885 and ₱3.913, respectively, on the first day of the year moved to ₱3.896 and ₱3.904 at the end of December, 1963. During the year, movements in these rates tended to bring the two rates closer, the "spread" narrowing down from almost three centavos (₱.028) in January to ₱.008 by the end of the year. With the buying rate holding steady at ₱3.89 during the year, the effective export rate (20 per cent at the official rate and 80 per cent at the floating rate) averaged ₱3.51 during the year, showing an improvement of ₱.09 from the average of ₱3.42 in 1962 and maintaining the level found during the last two months of 1962.

b. Forward Exchange Rates

The forward premium generally remained at 1 centavo above the spot rate per month for the first 60 days and 1.5 centavos per month from 61 — 120 days. Towards the end of the year, however, and following devaluation rumors, there was a temporary flurry of buying of forward cover which sharply pushed up the forward premium to 2 and 3 centavos for 60-day and 90-day covers, respectively, or an increase from 2 to 6 per cent. The 118 per cent expansion in the volume of forward exchange transactions in 1963, however, indicated a growing level of confidence in the exchange system.

3. Central Bank Intervention

The stability of the foreign exchange rate during the preceding year has been greatly aided by Central Bank support. This official intervention in the exchange market by the Philippine National Bank in behalf of the Central Bank is intended to prevent excessive short-run fluctuations and is kept, whenever possible, at a moderate scale.

In 1963, Central Bank support was heaviest during May, November and December. The heavy intervention during the last few months of the year was due to the large seasonal demand for foreign exchange and to the violent fluctuations in the forward exchange rate in December caused by heavy speculation against the peso. These fluctuations were kept at a minimum by the Central Bank's intervention in the spot market so that the weighted aver-

ages of spot rates did not even reflect this temporary aberration. Central Bank support during December accounted for a third of the second semester's sales.

During the first half of the year, some speculative activity also gave rise to the Central Bank's entrance into the market around May when exporters were inclined to hedge against anticipated increases in the world price of sugar. Compared to Central Bank intervention during 1962, the extent of intervention in 1963 was considerably greater. It should be mentioned, however, that up until the last few months of 1962, the commercial banking system tended to maintain "long" spot positions, a tendency that soon reversed itself in the months that followed.

Until July 1963, the Central Bank's intervention in the exchange market was limited to U.S. dollars. In August 1963, the Central Bank sold for the first time small amounts of convertible exchange other than dollars namely, pound sterling, swiss franc, canadian dollar, deutsch mark, french franc, dutch guilder and italian lira for the purpose of maintaining orderly cross-rates. Buying and selling rates for these foreign currencies were based on the New Year buying and selling rates for the respective currencies, plus a very small margin. However, total sales of foreign currencies other than U.S. dollars in 1963 accounted for only a very small portion of total Central Bank exchange transactions.

4. The Peso in the Hongkong Market

The peso in Hongkong rose from HK\$1.45 at the beginning of the year to HK\$1.46 at the end of December. Generally, the movements were caused by Hongkong banks' arbitrage activities in the Hongkong dollar—U.S. dollar and pound sterling cross-rates rather than by fluctuations in the Philippine peso itself which ranged between HK\$1.45 and HK\$1.48 during the year. The Hongkong telegraphic transfer U.S. dollar-Philippine peso cross-rate moved down from an average of ₱3.92 in January to ₱3.91 in December. Although it hit a peak of ₱3.94 in April, the Hongkong T.T. cross-rate generally reflected a downtrend during the year, reaching its lowest of ₱3.905 in November and very nearly approximating the Manila spot selling rates.

D. EXCHANGE POLICIES

1. On Imports

As a means of relieving local industries from the short-term strain of financing imports as well as of guaranteeing the continuous and adequate supply of raw materials, a general relaxation of the methods of financing imports for this type of commodity was effected with the issuance of Circular No. 152, dated April 19, 1963.

Under this circular, financing of importation of raw material requirements of local industries may be effected through an open account arrangement payable by D/D, T/T or M/T within one hundred twenty (120) days instead of ninety (90) days, after the issuance of a release certificate by Authorized Agent Bank concerned.

Similarly, imports of producers which are not subject to special time deposits may be financed by means of documents against payments or documents against acceptances not exceeding one hundred twenty (120) days. However, financing of importation by importers under the same arrangements shall be allowed only for a period not exceeding ninety (90) days.

2. On Exports

With the exception of a few isolated cases where exports of coconut oil were authorized on a sight draft basis without the covering letters of credit, subject to certain specific conditions, there was basically no change in the existing exchange policies on exports.

3. On Invisibles

Policies governing the purchase and sale of foreign exchange for invisibles in 1962 continued to prevail in 1963.

VI. BALANCE OF PAYMENTS

A. OVER-ALL POSITION

The favorable effects of the foreign exchange reform instituted in early 1962, which were reflected in the balance of payments position for that year, were even more evident in 1963. Last year's \$18 million deficit on current account turned into a \$144 million surplus this year. Mainly responsible for this development was the tremendous improvement in the trade account which registered a surplus of \$109 million in marked contrast to a deficit of \$31 million the previous year. This was, however, offset by a net disbursement of \$40 million in miscellaneous invisible transactions which was \$24 million less than the \$64 million net disbursement incurred last year.

The favorable balance in current transactions for 1963 spilled over into the capital account as international reserves rose by \$7 million, and a net payment of \$37 million was made on official and private loans. Other capital movements, however, registered a net decrease in assets as the inflow of short-term funds exceeded outflow during the year. Donations, likewise, contributed substantially to the improvement in the country's external position as \$37 million worth of goods and services were received from official and private sources during the year.

INTERNATIONAL TRANSACTIONS ¹

1962 - 1963

(Million U. S. Dollars)

| I t e m | 1962 ^r | 1963 ^p |
|---|-------------------|-------------------|
| A. GOODS AND SERVICES ² | | |
| Exports (f.o.b.) | 556.0 | 727.1 |
| Imports (f.o.b.) | — 586.7 | — 618.2 |
| Trade Balance | — 30.7 | 108.9 |
| U. S. Government Expenditures | 76.7 | 75.4 |
| Net Invisible Movement | — 63.7 | — 40.0 |
| Surplus or Deficit (—) | — 17.7 | 144.3 |
| B. MEANS OF FINANCING | | |
| Capital Transactions ³ | — 46.4 | — 21.6 |
| International Reserves | — 37.5 | — 6.6 |

INTERNATIONAL TRANSACTIONS ¹

1962 - 1963 (Concluded)

(Million U. S. Dollars)

| I t e m | 1962 * | 1963 ² |
|--|--------|---------------------|
| Loans (Official & Private) | — 9.5 | — 36.9 |
| Other Official and Private capital movements ... | .6 | 21.9 |
| Donations | 45.8 ✓ | 36.7 |
| Private | 32.8 | 22.5 |
| Official | 13.0 | 14.2 |
| U.S. Gov't Grants | 3.2 | 2.7 |
| Other Agencies | 1.6 | 2.4 |
| Reparations | 8.2 | 9.1 |
| C. ERRORS AND OMISSIONS | 18.3 | —159.4 ³ |
| T O T A L | 17.7 | —144.3 |

¹ No sign indicates credit, minus sign, debit.

² A debit entry refers to a net disbursement; a credit entry, a net receipt.

³ A debit entry indicates an increase in net assets; a credit entry a decrease.

⁴ The sharp rise in errors and omissions is due largely to a large number of transactions which cannot be properly classified.

B. MERCHANDISE EXTERNAL TRADE ¹

The over-all trade position of the Philippines improved remarkably in 1963, with a surplus of \$109 million in contrast to a deficit of \$31 million the previous year. The improvement was due to an expansion in exports to the \$727 million level representing a gain of \$171 million or 31 per cent. This level surpassed the previous record (1960) by 30 per cent.

The rise in exports was in response to the favorable rate of exchange, improved world prices of export products and increased domestic production. Thus, export quantum increased by 24 per cent and world prices by 5 per cent. All ten principal export commodities registered increments, notably copra, logs and lumber, coconut oil, copper concentrates, copra meal or cake, and plywood. Individually, these commodities rose to levels never attained before.

Notwithstanding the prolonged strike at the Manila piers, Executive Order No. 31 and measures of monetary restraint, imports rose to \$618 million, exceeding the previous year's level by \$31 million or 5 per cent. However, the expansion in imports was mainly due to rice importations from Burma, Thailand and South Vietnam, estimated at \$28 million for the year. Net of rice imports, total imports would have risen by only \$3 million or less than 1 per cent.

Thus, total trade for the year, which aggregated \$1,345 million, exceeded the previous year's level by \$202 million or 18 per cent, and the 1960 peak level by 16 per cent.

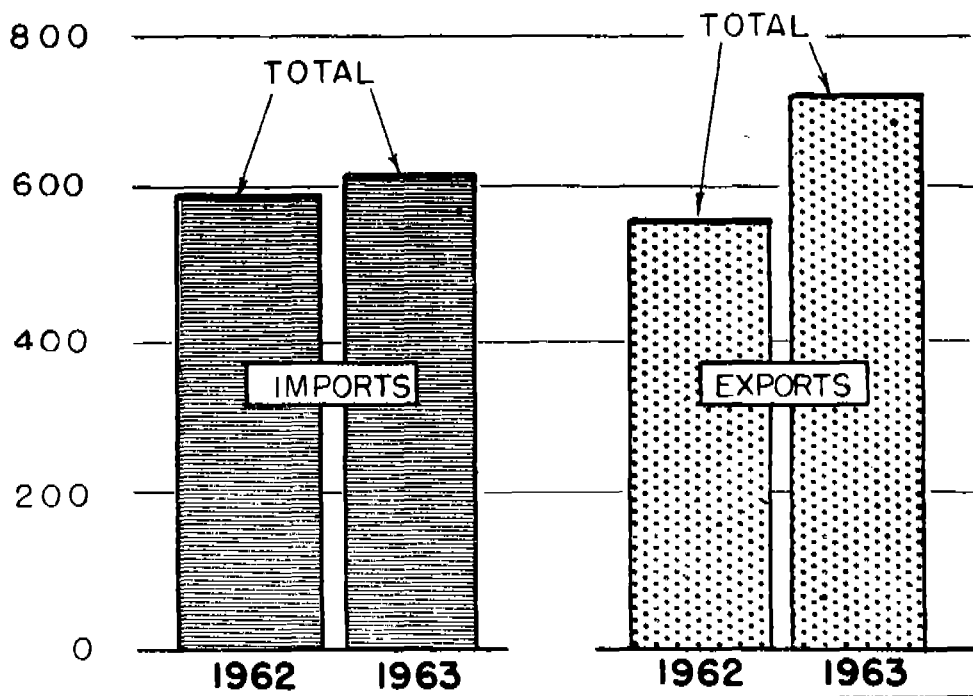
¹ Based on customs entries except for the estimated \$28 million rice importation which was computed on the basis of letters of credit opened.

Net terms of trade remained at 92 (1955=100) since the increases in both export and import prices were about the same. However, the capacity to import (income terms of trade) rose from 128 to 149 on account of a 24 per cent rise in export volume.

The prevailing tendency to diversify markets was manifested in the continued decline of the relative share of the United States in both exports and imports in favor of countries in Asia and North Western Europe. However, in absolute terms, trade with the United States expanded by 11 per cent. Likewise, trade with the European Common Market as well as with Japan expanded by 37 per cent and 26 per cent, respectively. Trade with ASA countries went up by 300 per cent, due primarily to rice imports from Thailand.

EXTERNAL TRADE, 1962 - 1963

(F.O.B. VALUE IN MILLION U.S. DOLLARS)



1. Exports

Total domestic exports this year expanded by 31 per cent over the previous year's level of \$553 million to an unprecedented level of \$724 million.

The aggregate value of the ten principal exports (\$634 million) rose by 36 per cent and accounted for 88 per cent of total domestic exports. Increases were registered in all principal export commodities ranging from \$2 million in iron ore to \$55 million in copra.

Copra emerged as the country's premier export commodity in lieu of centrifugal sugar. Total shipments this year amounted to \$168 million or 49 per cent higher than the previous year's level. The Netherlands accounted for \$61 million or 37 per cent of total shipments, while the United States (\$45 million) and Germany (\$41 million) accounted for 27 per cent and 24 per cent, respectively. This remarkable improvement in copra was due to (1) stock piling in Europe to replenish supplies, (2) Malaysian difficulties in getting adequate quantities of copra for processing into oil, and (3) expansion of existing markets in Europe because of increased consumption in new outlets behind the Iron Curtain.

From \$113 million last year, exports of logs and lumber rose to \$153 million, an increase of 36 per cent. Logs and lumber now occupy second position. The increased demand for logs by Japanese plywood manufacturers due to expanded operation was responsible for this development. Shipments to Japan amounted to \$124 million and reflected an increase of 40 per cent. Exports to Taiwan (\$10 million) and the United States (\$5 million) likewise rose by 77 per cent and 8 per cent, respectively. On the other hand, exports to Korea, second biggest market last year, declined from \$11 million to \$6 million or by 48 per cent probably due to a heavy demand for logs and lumber in Japan which induced log exporters to divert shipments originally intended for Korea to Japan.

Although exports of centrifugal sugar rose by 20 per cent to \$147 million, it came down from its premier position last year to third this year. Shipped solely to the United States, the volume of shipments expanded by 7 per cent to 1,027 thousand metric tons (1,132 thousand short tons) and exceeded the basic quota (1,050 thousand short tons) by 8 per cent. However, this quantity represented only about 91 per cent of the 1,247.6 thousand short tons quota actually allocated to the Philippines by the United States for 1962-1963. The high prices of sugar during the year was due to the recent hurricane that destroyed a major portion of Cuba's sugar plantation coupled with reported low production in many sugar producing countries.

Shipments of coconut oil, likewise, expanded to a new height (\$47 million) surpassing the previous year's peak by 48 per cent. For the first time the Philippines was able to fill up the U.S. quota on coconut oil (160,000 long

tons or 162,568 metric tons in 1963) set forth by the Laurel-Langely Agreement. The United States accounted for 86 per cent of shipments valued at \$40 million, increasing by 32 per cent. Among the reasons that accounted for this increase were (1) deficient fish harvest in Peru, depleting the source of this big and cheaper competitor of coconut oil in the margarine field, and (2) increased uses of coconut oil derivatives like fatty alcohols and fatty acids in the chemical and technical industries in the United States.

Reversing last year's trend, export earnings from abaca rose by 28 per cent from \$25 million to \$32 million. Japan accounted for \$9 million and almost replaced the United States as the principal market. Responsible for this improvement was the shift of sisal users (particularly Japan) to abaca on account of the prevailing high prices of sisal due to shortages of this commodity during the year. Furthermore, competition from synthetic fibers has relaxed on account of high cost of production.

Exports of copper concentrates (\$32 million) and iron ore (\$11 million), whose shipments depend on the Japanese market, rose by 72 per cent and 17 per cent, respectively. The higher level of industrial activity in Japan and the higher rate of exchange accounted for these favorable trends. In the case of copper concentrates, the increase in production might have contributed to the rise in exportation. Despite the decline in production, shipments of iron ore increased owing mainly to a large inventory carried over from last year.

Similarly, shipments of desiccated coconut (\$18 million) and copra meal or cake (\$11 million) increased by 22 per cent and 25 per cent, respectively. The United States absorbed 85 per cent of desiccated coconut while Germany and the Netherlands accounted for almost three quarters of total copra meal exports.

The continued acceptance by American consumers of Philippine plywood manifested itself in an increase of export earnings despite a decline in prices. Total shipments for this commodity which amounted to \$16 million rose by 43 per cent and were practically absorbed by the United States.

Canned pineapples, 8th ranking commodity export last year, failed to hold on to its former position and was subsequently eased out of the list of ten principal exports by copra meal or cake. Shipments of this commodity, which stood at \$11 million the previous year, declined by 36 per cent to \$7 million due to lower production as a result of poor crops during the year.

Chromite ore, likewise, failed to regain what it lost in 1962. Although the volume of shipments expanded by 9 per cent, its value remained at \$9 million mainly on account of lower prices.

TEN PRINCIPAL EXPORTS 1962-1963

(F.O.B. value in thousand U.S. dollars)
(Quantity in thousand kilograms)

| I t e m | 1 9 6 3 | | 1 9 6 2 | |
|-----------------------------------|-----------|---------|-----------|---------|
| | Quantity | Value | Quantity | Value |
| Total Domestic Exports | | 724,183 | | 553,201 |
| Total Ten Principal Exports | | 634,461 | | 467,227 |
| Copra | 1,032,660 | 168,259 | 779,441 | 112,955 |
| Logs & lumber ¹ | 2,352,616 | 152,882 | 1,815,388 | 112,791 |
| Sugar, centrifugal | 1,026,556 | 146,510 | 960,569 | 121,977 |
| Coconut oil | 195,321 | 46,714 | 147,603 | 31,570 |
| Abaca, unmanufactured | 112,800 | 31,615 | 92,441 | 24,704 |
| Copper concentrates | 285,255 | 31,703 | 158,428 | 18,482 |
| Desiccated coconut | 70,297 | 18,405 | 62,584 | 15,070 |
| Plywood ² | 277,160 | 15,963 | 189,111 | 11,171 |
| Copra meal or cake | 161,937 | 11,361 | 144,058 | 9,098 |
| Iron ore | 1,333,145 | 11,049 | 1,009,145 | 9,409 |
| Other exports | | 89,722 | | 85,974 |

¹ Quantity in thousand board feet.

² Quantity in thousand square feet.

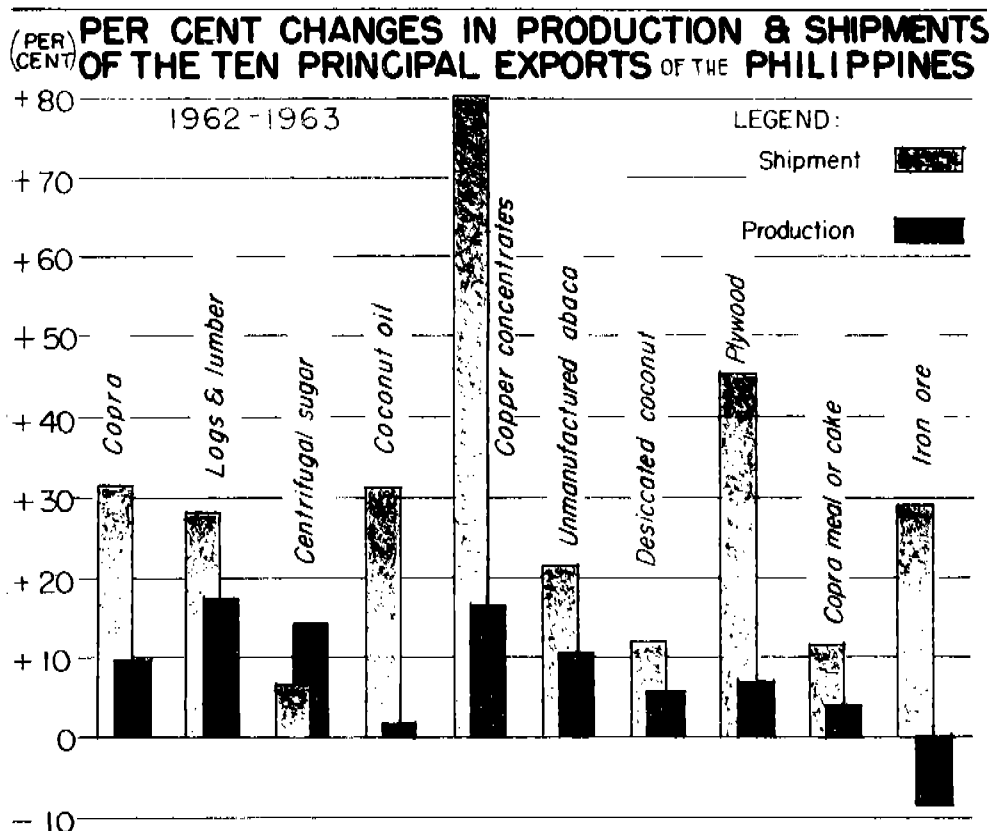
PER CENT CHANGES IN PRODUCTION AND SHIPMENTS OF TEN PRINCIPAL EXPORTS OF THE PHILIPPINES 1962-1963

| I t e m | Domestic Exports | | | Produc- tion Quantity ¹ |
|----------------------------|------------------|----------|-----------------|--|
| | F.O.B. Price | Quantity | F.O.B. Value | |
| Copra | +12.4 | +32.1 | +48.5 | + 9.8 |
| Logs & lumber | + 4.8 | +28.6 | +34.6 | +17.8 |
| Centrifugal sugar | +12.6 | + 6.9 | +20.1 | +14.9 |
| Coconut oil | +11.7 | +31.9 | +47.5 | + 1.8 |
| Copper concentrates | - 5.1 | +80.1 | +71.5 | +16.4 ^a |
| Unmanufactured abaca | + 4.9 | +22.0 | +28.0 | +10.3 |
| Desiccated coconut | + 8.7 | +12.3 | +22.1 | + 5.9 ^b |
| Plywood | - 1.7 | +45.9 | +42.3 | + 7.0 ^b |
| Copra meal or cake | +11.1 | +11.7 | +24.2 | + 4.0 ^b |
| Iron ore | -10.8 | +29.3 | +15.0 | - 8.4 |

¹ Preliminary data and on a calendar year basis, except for copra, centrifugal sugar, logs & lumber and unmanufactured abaca which are on a crop year basis.

^a Refer to copper metal.

^b January to September.



2. Imports

Import arrivals in 1963 expanded by 5 per cent or \$31 million to \$618 million in spite of the monetary policy of restraint, the prolonged strike at the Manila piers and the issuance of Executive Order No. 31 raising the tariff rates on selected commodities.

Classified as to end-use, producer goods which constituted the bulk of import arrivals rose to \$524 million or by 4 per cent and accounted for 85 per cent of total imports. Increases were recorded in machinery and equipment (8 per cent) semi-processed raw materials (9 per cent) and unprocessed raw materials (4 per cent). These increments were, however, partly offset by the contraction in supplies (35 per cent). Consumer goods, likewise, rose from \$83 million to \$94 million or by 13 per cent. Largely, responsible for this development was the rice importation from Burma, Thailand and South Vietnam estimated at \$28 million.

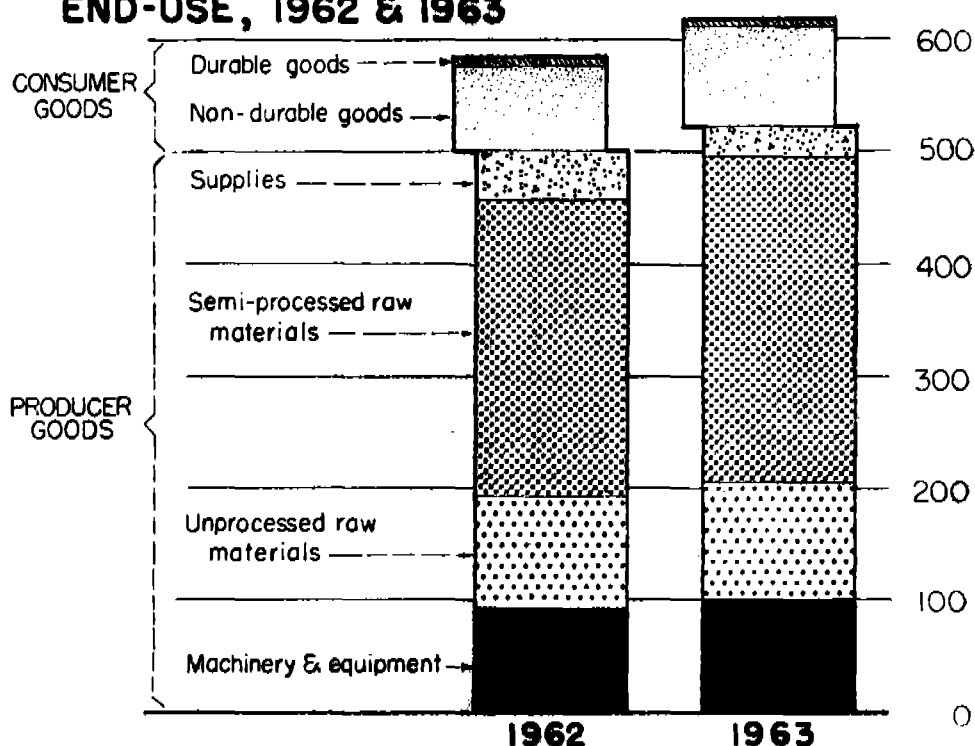
IMPORTS CLASSIFIED ACCORDING TO END-USE 1962 and 1963

(F.O.B. value in thousand U.S. dollars)

| I t e m | 1963 | | 1962 | | Cent Per Change |
|---------------------------------|---------|---------------------|---------|----------------|-----------------------|
| | Value | % Distri- bution | Value | % Distribution | |
| TOTAL | 618,190 | 100.0 | 586,738 | 100.0 | + 5.4 |
| Producer Goods | 524,042 | 84.8 | 503,389 | 85.8 | + 4.1 |
| Machinery & equipment | 100,968 | 16.3 | 93,445 | 16.0 | + 7.9 |
| Unprocessed raw materials | 105,645 | 17.1 | 101,527 | 17.3 | + 4.0 |
| Semi-processed raw materials .. | 288,711 | 46.7 | 264,709 | 45.1 | + 9.1 |
| Supplies | 28,688 | 4.7 | 43,708 | 7.5 | -34.7 |
| Consumer Goods | 94,148 | 15.2 | 83,347 | 14.2 | +13.1 |
| Durable goods | 5,111 | 0.8 | 5,097 | 0.8 | + 4.1 |
| Non-durable goods | 89,037 | 14.4 | 78,250 | 13.4 | +13.7 |

IMPORTS CLASSIFIED ACCORDING TO END-USE, 1962 & 1963

(F.O.B. VALUE IN
MILLION U.S. DOLLARS)



The total value of the ten principal imports aggregated \$467 million and reflected an increase of 8 per cent over the previous year's level of \$433 million. Of the ten principal commodity groups, increases were registered in cereal and cereal preparations (\$31 million), non-electrical machinery (\$8 million), electrical machinery, apparatus and appliances (\$7 million), mineral fuels, lubricant and related materials (\$2 million), transport equipment (4 million), explosives and miscellaneous chemical materials (\$0.5 million) and base metals (\$3 million). Conversely, the commodity groups that declined were dairy products (\$12 million), textile yarns, fabrics and made-up articles (\$6 million) and textile fibers not manufactured into yarn (\$3 million). The increase in cereal and cereal preparations was a result of the rice importation and of the expansion of the importation of wheat grains coming mostly from Canada and the United States. The increment in mineral fuels, lubricant and related materials was mainly due to importation of crude oil which accompanied the contractions recorded in imports of petroleum products.

On the other hand, the reductions in importation of dairy products (particularly evaporated milk) and textile yarn fabrics and made-up articles were due to the availability of more local substitutes. The decline in imports of textile fibers not manufactured into yarns was accounted for by the reduction in arrivals of raw cotton through Public Law 480.

There was no change in the composition of the ten principal commodity groups but their relative rankings underwent some changes. Cereal and cereal preparations, formerly in the 7th position climbed up, dislodging base metals from 4th to 5th position. From 5th position, dairy products went down to 10th while textile fibers not manufactured into yarns was pushed from 6th to 7th. Electrical machinery apparatus and appliances advanced from 9th to 6th. Similarly, explosives and miscellaneous chemical materials went up by one step from 10th to 9th position.

To a certain extent, imports were restrained as a result of Executive Order No. 31 issued on January 25, 1963. This was a continuation of the revision of Tariff rates which was started in January 1962, as a companion measure to the decontrol program. Executive Order No. 31, which sought to modify tariff duties on 30 additional items, was promulgated for the purpose of encouraging the growth of new manufacturing industries by limiting competition from foreign products and, to a lesser extent, of facilitating the inflow of goods not produced in sufficient quantities in the domestic economy. Tariff duties for 26 commodities were upgraded while those for the other 4 commodities were reduced. Among the imported commodities affected by the hiked tariff rates were: butter, bread, monosodium glutamate, ship's biscuits and ordinary bakers' products, pastry, biscuits, cakes and other fine bakers' products, gelatine, coated (including surface colored decorated or printed) or impregnated paper, writing blocks, other paper, box files and storage boxes, bars and rods, railroad track spikes, pins, spoons, base metal

fittings and mountings, refrigerators and refrigerating equipment, electro-chemical domestic appliances, wheeled toys, vacuum flasks and others. On the other hand, tariff rates were reduced on cereal groats and cereal meal, oil seeds and oleaginous fruits, plants and parts of plants, seeds and fruits (articles of kind used primarily in perfumery and pharmacy) and yarn of continuous synthetic or artificial textiles not put up for retail sale.

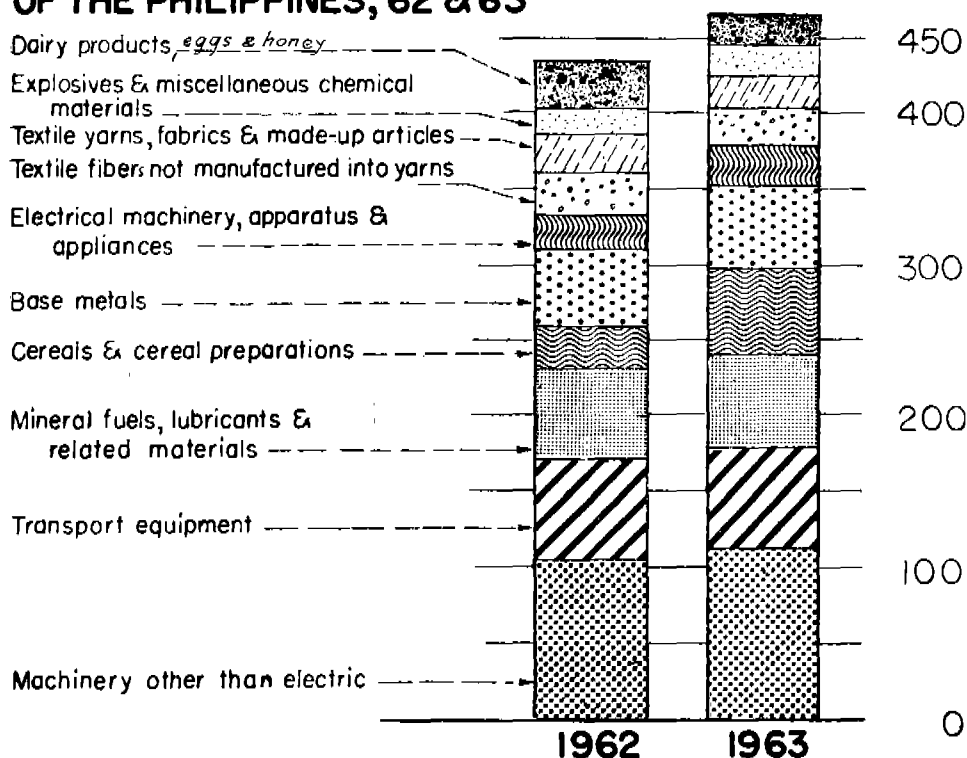
TEN PRINCIPAL IMPORTS OF THE PHILIPPINES 1962 — 1963

(F.O.B. value in thousand U.S. dollars)

| C o m m o d i t y | 1963 | 1962 | Per Cent Change |
|--|----------------|----------------|--------------------|
| TOTAL IMPORTS | <u>618,190</u> | <u>586,738</u> | + 5.4 |
| Total Ten Principal Imports | <u>467,085</u> | <u>433,095</u> | + 7.8 |
| Machinery other than electric | 113,622 | 105,344 | + 7.9 |
| Transport equipment | 66,714 | 62,872 | + 6.1 |
| Mineral fuels lubricants & related materials | 61,776 | 59,771 | + 3.4 |
| Cereals and cereal preparations | 58,869 | 28,063 | +109.8 |
| Base metals | 53,377 | 50,279 | + 6.2 |
| Electrical machinery, apparatus, & appliances ... | 28,655 | 21,532 | + 33.1 |
| Textile fiber not manufactured into yarns | 25,611 | 29,151 | — 12.1 |
| Textile yarns, fabrics and made-up articles | 20,833 | 26,531 | — 21.5 |
| Explosives and miscellaneous chemical materials . | 18,909 | 18,422 | + 2.6 |
| Dairy products | 18,719 | 31,130 | — 39.9 |
| Other Imports | <u>151,105</u> | <u>153,643</u> | — 1.7 |

TEN PRINCIPAL IMPORTS OF THE PHILIPPINES, '62 & '63

(FOB Value in
Million U.S. Dollars)



3. Direction of Trade

The directional pattern of trade was the same. Philippine external trade continued to be conducted mainly with countries of North America, Asia and North Western Europe. The United States remained the leading trading partner followed by Japan, Germany, the Netherlands, the United Kingdom, Indonesia, Canada, Australia, China and Italy in the order of their importance.

Exports to the United States went up by 18 per cent from \$281 million to \$331 million. These consisted mostly of centrifugal sugar (\$147 million), copra (\$45 million), coconut oil (\$40 million), desiccated coconut (\$16 million) and plywood (\$16 million). At the same time, imports from this country rose slightly by (0.4 per cent to \$254 million from \$253 million. Consequently, the favorable balance of trade improved by \$28 million to \$76 million. On the other hand, imports from Canada consisting mainly of wheat grains, newsprint and pulp rose from \$15 million to \$17 million while exports remained at \$1 million resulting in a trade deficit of \$16 million.

Exports to Japan, representing 27 per cent of total exports, reached an unprecedented level of \$198 million, an increase of 45 per cent over the previous year's level. Logs and lumber, copper concentrates, iron ore and unmanufactured abaca accounted for almost nine tenths of total exports to this country. Imports from Japan, representing 17 per cent of total imports, amounted to \$105 million, a decline of 1 per cent. Among the principal commodity imports were base metals (\$29 million), non-electrical machinery (\$16 million), transport equipment (\$9 million) and textile yarns, fabrics and made-up articles (\$8 million). These developments further improved the Philippine trade surplus with Japan by more three fold to \$93 million.

Exports to Germany increased by 75 per cent to \$53 million. Similarly, imports expanded by 4 per cent to \$34 million. As a result of the relatively higher increase in exports, a reversal in the balance of trade took place from a \$2 million deficit the previous year to a \$19 million surplus this year. The principal exports to Germany were copra (\$40 million) and copra meal or cake (\$6 million) while the principal imports were transport equipment (\$11 million), non-electrical machinery (\$10 million) and base metals (\$3 million).

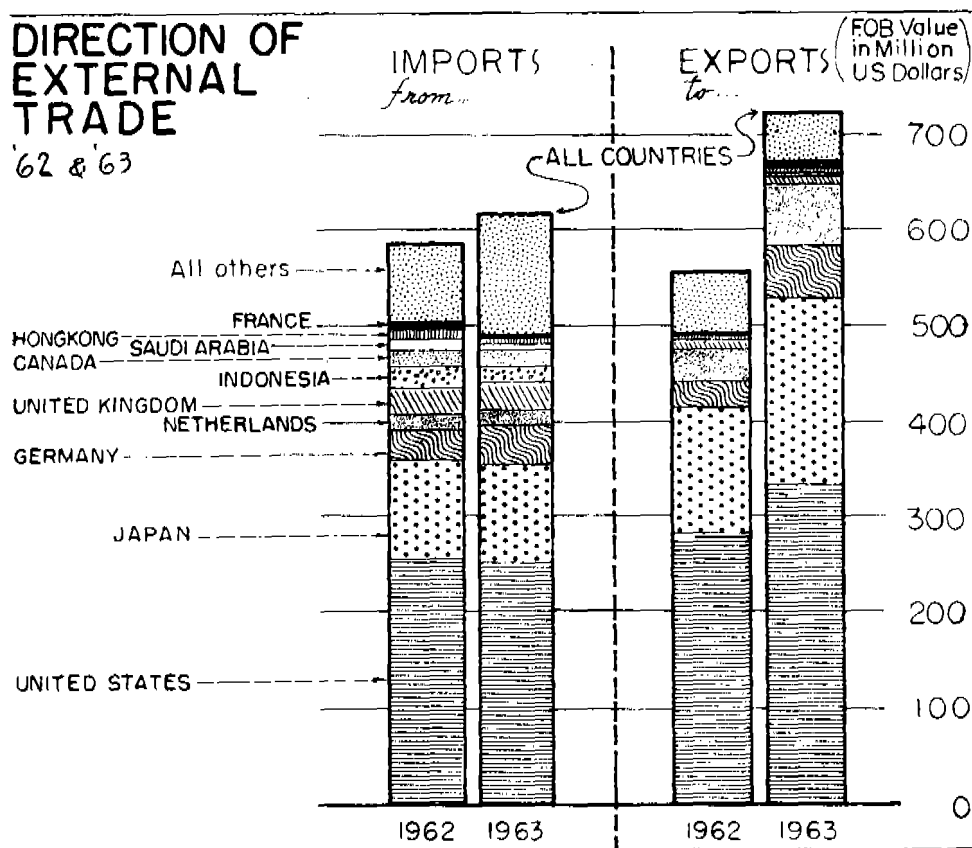
Exports to the Netherlands, consisting mainly of copra and copra meal or cake, rose significantly by 84 per cent to \$70 million while imports, mostly dairy products, non-electrical machinery and transport equipment, dropped by 13 per cent to \$17 million. Thus, the trade surplus improved further by \$34 million to \$53 million.

Imports (\$32 million) from and exports (\$8 million) to the United Kingdom rose by \$5 million and \$1 million, respectively. Consequently, the trade deficit with the United Kingdom worsened to \$24 million from \$20 million.

Mainly as a result of the rice importation from Thailand, imports from ASA countries rose to \$11 million from \$3 million. Exports likewise expanded by 100 per cent from \$0.4 million to \$0.8 million. Consequently, trade deficit with this region increased to \$11 million from \$2 million last year.

Philippine total trade with the ECAFE region rose by 29 per cent to \$408 million. Exports (\$224 million) to this region which accounted for 55 per cent of total trade expanded by 40 per cent as against a 27 per cent expansion in our exports to the rest of the world. Similarly, imports (\$184 million) from the ECAFE increased by 18 per cent, far ahead of the 1 per cent expansion registered by Philippine imports from the rest of the world. Improvement was, likewise, shown in the ECAFE's relative share in both imports (from 27 per cent to 30 per cent) and exports (from 29 per cent to 31 per cent). On the other hand, the relative share of the rest of the world declined from 73 per cent to 70 per cent in imports and from 71 per cent to 70 per cent in exports. These developments resulted in a marked improvement in the Philippine trade balance as last year's \$4 million export surplus went up to \$38 million.

Trade with the European Common Market was carried on at a higher level this year. From \$76 million last year, exports climbed up to \$137 million (80 per cent) mainly due to an upsurge in the exportation of copra and copra meal or cake, the principal exports to this region. Compared with the rate of increase in exports to the rest of the world (23 per cent), the rate of growth in exports to the European Common Market was more than three times higher. The increase in exports was shared by all members (except for Luxembourg) with the Netherlands and Germany registering the biggest gains. On the other hand, imports declined by 7 per cent to \$68 million, in contrast to the 7 per cent increase in our imports from the rest of the world. The region's relative share of Philippine imports went down from 12 per cent to 11 per cent. Conversely, its share of Philippine exports rose from 14 per cent to 19 per cent. The sharp rise in exports coupled with a substantial decline in imports resulted in the improvement of the trade surplus from \$3 to \$69 million.



Total trade with European Free Trade Association (EFTA) which stood at \$55 million last year rose to \$65 million or by 18 per cent. Imports, consisting mainly of non-electrical machinery, transport equipment and paper, paperboard and manufactures amounted to \$43 million, an increase of 14 per cent while exports, mostly coconut products and unmanufactured abaca aggregated \$23 million. Imports from and exports to the rest of the world rose by 5 per cent, and 30 per cent, respectively. EFTA's share of Philippine imports increased from 6 per cent to 7 per cent while its share of Philippine exports was identical at 3 per cent. With the increase in both imports and exports approximating each other, the trade deficit with this region remained at \$19 million.

As a means of expanding trade with other countries, the Philippine Government negotiates trade treaties with foreign countries. On May 27, 1963, the Governments of the Philippines and Indonesia signed a trade agreement in Djakarta, Indonesia, for the purpose of promoting trade relations between the two countries based on the principle of equality and mutual benefit.

C. NON-MERCHANDISE TRANSACTIONS

Non-merchandise transactions for 1963 continued to register improvements as the surplus rose to \$35 million compared to \$13 million for the previous year. Developments in the non-trade sector for the current year were:

1. U. S. Government Expenditures

U. S. Government spending in the Philippines for 1963 was \$2 million less than last year's as considerable cutbacks were made in over-all disbursements of U.S. government agencies. U.S. military expenditures showed an increase of \$3 million which was however, offset by declines in payments made by the U.S. Veterans Administration and other U.S. government agencies. This downtrend might be directly attributed to the existing exchange rate of the peso to the dollar which resulted in smaller dollar outlays for the operations of U.S. agencies in the Philippines, particularly in the payment of pensions to U.S. veterans and salaries and wages of U.S Veterans Administration personnel. The Peace Corps, however, had an added outlay of \$.7 million.

2. Miscellaneous Services

This year's transactions in miscellaneous services registered a net disbursement of \$40 million compared to \$64 million last year. Total receipts aggregated \$132 million, an increase of 2 per cent over the previous year's level with almost all items registering gains. Invisible disbursements, on the other hand, showed a decline of 12 per cent, as it dropped from \$193 million in 1962 to \$172 million in 1963.

The most significant development in this year's receipts from miscellaneous services was the unprecedented rise in tourist expenditures in the Philippines which amounted to \$11 million, almost more than thrice the figure for 1962. Increased efforts by private groups like the Manila Junior Chamber of Commerce with the cooperation of the Board of Travel and Tourist Industry and the City of Manila to boost tourism by offering special attractions like the

NON-TRADE TRANSACTIONS
1960 — 1963

(Million U. S. Dollars)

| I t e m | 1960 ^a | | | 1961 ^a | | | 1962 ^a | | | 1963 ^a | | |
|------------------------------|-------------------|---------------|----------------|-------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|---------------|---------------|
| | Credit | Debit | Net | Credit | Debit | Net | Credit | Debit | Net | Credit | Debit | Net |
| Total | <u>142.22</u> | <u>183.20</u> | <u>— 40.98</u> | <u>166.12</u> | <u>167.76</u> | <u>— 1.64</u> | <u>205.98</u> | <u>192.52</u> | <u>13.46</u> | <u>206.90</u> | <u>171.73</u> | <u>35.23</u> |
| U.S. Government | | | | | | | | | | | | |
| Expenditures | <u>81.07</u> | <u>—</u> | <u>81.07</u> | <u>85.85</u> | <u>—</u> | <u>85.85</u> | <u>77.13</u> | <u>—</u> | <u>77.13</u> | <u>75.36</u> | <u>—</u> | <u>75.36</u> |
| Miscellaneous Services | <u>61.15</u> | <u>183.20</u> | <u>—122.05</u> | <u>80.27</u> | <u>167.76</u> | <u>—87.49</u> | <u>128.85</u> | <u>192.52</u> | <u>—63.67</u> | <u>131.70</u> | <u>171.73</u> | <u>—40.03</u> |
| Non-monetary gold | <u>14.29</u> | <u>—</u> | <u>14.84</u> | <u>14.84</u> | <u>—</u> | <u>14.84</u> | <u>14.81</u> | <u>—</u> | <u>14.81</u> | <u>13.16</u> | <u>—</u> | <u>13.16</u> |
| Foreign travel | <u>2.86</u> | <u>13.55</u> | <u>— 10.69</u> | <u>4.28</u> | <u>21.26</u> | <u>—16.98</u> | <u>3.67</u> | <u>42.10</u> | <u>—38.43</u> | <u>10.69</u> | <u>32.67</u> | <u>—21.98</u> |
| Transportation | <u>3.76</u> | <u>54.38</u> | <u>— 50.62</u> | <u>7.39</u> | <u>56.79</u> | <u>—49.40</u> | <u>8.19</u> | <u>58.61</u> | <u>—50.42</u> | <u>12.11</u> | <u>53.81</u> | <u>—41.70</u> |
| Insurance | <u>.69</u> | <u>7.79</u> | <u>— 7.10</u> | <u>3.29</u> | <u>9.72</u> | <u>— 6.43</u> | <u>1.97</u> | <u>4.93</u> | <u>— 2.96</u> | <u>3.70</u> | <u>2.96</u> | <u>.74</u> |
| Investment income | <u>5.93</u> | <u>81.05</u> | <u>— 75.12</u> | <u>4.88</u> | <u>47.94</u> | <u>—43.06</u> | <u>8.60</u> | <u>29.48</u> | <u>—20.88</u> | <u>8.61</u> | <u>26.02</u> | <u>—17.41</u> |
| Government, n.e.s. | <u>.49</u> | <u>6.73</u> | <u>— 6.24</u> | <u>.74</u> | <u>4.74</u> | <u>— 4.00</u> | <u>.85</u> | <u>7.50</u> | <u>— 6.65</u> | <u>1.28</u> | <u>8.61</u> | <u>— 7.33</u> |
| Miscellaneous | <u>33.13</u> | <u>19.70</u> | <u>13.43</u> | <u>44.85</u> | <u>27.31</u> | <u>—17.54</u> | <u>90.76</u> | <u>49.90</u> | <u>40.86</u> | <u>82.15</u> | <u>47.66</u> | <u>34.49</u> |

holding of the Manila Festival late last year, improvement and expansion of hotel facilities, and wider publicity abroad on the Philippines as a tourist spot, were responsible for the increased influx of foreigners during the year (12 per cent more than arrivals for 1962). The number of delegates attending the 19th Session of the ECAFE and the Ministerial Conference on Regional Economic Cooperation also helped bolster the country's income from foreigners. Conversely, receipts from miscellaneous items indicated a decline of \$9 million from the previous year's level as services rendered by residents abroad showed substantial decreases. Receipts from non-monetary gold also dropped by almost \$2 million as this year's estimated gold production was lower by 11 per cent than the previous year's level. However, freight on exports rose by \$4 million as a result of heavier merchandise export shipments and also because an increasing proportion of shipments was made through local shipping companies. Likewise, receipts from insurance premia showed an increase of \$2 million as it rose from \$2 million in 1962 to \$4 million in 1963.

Outward remittances for miscellaneous services were considerably lower as several items suffered substantial declines. A \$9 million drop was noted in purchases of foreign exchange by residents going abroad for business, educational and other purposes, possibly due to the higher exchange rates, and to the increase in airplane fares effected during the year. Remittances of profits, earnings and dividends of non-residents continued its downtrend as it aggregated \$26 million as against \$29 million, indicating a possible re-investment of profits here. Payment on freight for imports recorded a \$5 million decline, even as import arrivals for the period were up by 5 per cent. This occurred as a bigger portion of freight on imports was paid to local companies compared to last year. Likewise, insurance payments were lower by \$2 million. Miscellaneous invisible payments also decreased by \$2 million, due to reduced payments for services rendered by non-residents during the year. Philippine Government expenditures were slightly higher than the figure for 1962.

D. CAPITAL TRANSACTIONS

Capital movements for 1963 were at comparatively lower levels than the previous year's, as the net increase in assets went down from \$46 million in 1962 to \$22 million. This downtrend was brought about by a smaller increase in the international reserves, more dependence on the country's own resources to finance the import of goods and services, and a heavy outflow of capital to settle outstanding foreign commitments.

A salient feature in capital transactions for the period under review was the reduction in foreign borrowings by both the private and official sectors, as availments totalled \$50 million compared to \$86 million for last year. Repayments, on the other hand, aggregated \$87 million, \$8 million less than the amount disbursed for last year. The over-all result was a net decrease in liabilities of \$37 million in contrast to \$10 million for 1962.

Official and banking institutions drew \$42 million on foreign credits, of which \$26 million were availments of the Development Bank (\$18 million) and the Central Bank (\$8 million) from various U. S. commercial banks. It should be mentioned that the heavy Central Bank availments on short-term loans from U. S. banking institutions in 1962 were intended to bolster the country's international financial position in connection with the full decontrol program implemented during the early part of that year. Other drawings made during the year were on the IBRD for \$10 million (for the development of the Bina, Angat and Maria Cristina hydroelectric plants and other public works projects); Eximbank, for \$4 million and Development Loan Fund, for almost \$2 million. Repayments on official loans were \$52 million, a drop of \$38 million from the payments last year.

The private sector availed of \$8 million on deferred payments credits compared to \$4 million last year. Payments made by private individuals and business firms were, however, heavier — \$35 million in contrast to last year's \$1 million. Of the \$35 million paid out this year, the bulk comprised payments on deferred payments credits of \$17 million, \$3 million on Eximbank loans, \$3 million obligations of oil companies, and the rest on other loans from the DLF and private sources.

Other capital movements for 1963 registered a net inflow of \$22 million with total inflow amounting to \$39 million against a total outflow of \$17 million. The movement of capital into the Philippines consisted of direct investments (\$7 million), and other short-term capital (\$32 million). Total outflow of \$17 million was brought about mainly by heavy withdrawal of foreign investment from the Philippines of \$9 million, other short-term capital of \$3 million and capital for investment abroad of \$2 million.

E. DONATIONS

A total of \$37 million was received as donation by the Philippines for 1963. Of this amount, \$23 million were from private sources, \$5 million from United States Government and other agencies, and \$9 million from Japan under the reparations agreement. Voluntary relief agencies contributed \$4 million of which \$3 million were from Catholic Relief Services and \$1 million from other religious organizations. CARE (Cooperative for Remittances to Everywhere, Inc.) provided the country with \$.8 million worth of foodstuffs and \$1.2 million worth of books and medical packages. Remittances of foreigners and Filipinos abroad to their families and friends in the Philippines amounted to \$7 million as against \$9 million for the previous year. Remittances made by non-residents and earnings and savings remitted by Filipinos from abroad totalled \$10 million, a \$6 million decrease from the amount a year ago.

Grants and aids in the form of goods and technical services amounting to \$5 million was received from the United States and other United Nations Agencies like the WHO and UNICEF. Scholarships under the Colombo plan were more than doubled from \$.4 million to \$.9 million in 1963.

VII. PRICES

A. PRICE DEVELOPMENTS IN 1963

Average prices during 1963 were at much higher levels than those which prevailed during 1962. The same factors which affected prices in 1962, i.e., higher export prices and higher costs of imported goods, continued pushing prices upwards through 1963. A more potent danger to price stability was introduced towards the last quarter of 1962 in the form of a tremendous expansion in money supply and bank credit which reached an all time high during 1963. The increase in production for the year was not of sufficient proportions to meet this expansion in effective demand. Stabilization activities of the RCA and the NAMARCO could not cope fully with the demand for cereals, milk, and fish products. Moreover, the anticipated firming up of import prices did not continue. Exchange rates had remained stable for a protracted period (since about May 1962) and import prices had started to firm out, particularly during the first five months of 1963 (when the effects of the adjustments in exchange rates must have gone through their final phases.) At this point, however, inflationary internal developments took over, raising the consumer price level (Philippines) over the critical 10 per cent margin (compared to year ago levels) by September, 1963.

On the commodity level, movements were dominated by the continuous upsurge in prices of food. The rise in prices of cereals was a major issue during the year. One important contribution to the apparent inadequacy of cereal supply was the conversion of rice lands to the cultivation of sugar crops. In addition, the economy was still undergoing adjustments occasioned by the nationalization of the rice and corn industry. The transfer of a complex distribution network from a well-financed and organized group to inadequately financed and less experienced hands affected prices adversely. This was a significant "push" influence to prices of cereals which the government's stabilization program could not effectively temper.

Prices of domestic goods held the upper hand at the wholesale and retail levels in Manila. Imported goods, on the other hand, added up a larger average price increase for the year at the consumer level.

B. CONSUMER PRICES: PHILIPPINES

Consumer prices in the Philippines went on a continuous upswing from January to October, 1963 dipping only by insignificant fractions towards the end of the year. The dip in November was provoked by the appreciable dec-

line in consumer prices in Manila while the drop in December was occasioned by the slight price downtrend in Regions Outside Manila. On the whole, regional price increases outside Manila ranged from 7 to 12 per cent or an average increase of 9 per cent. Manila's average increase was slightly above 5½ per cent. The resultant nationwide (Philippines) change between the years 1962 and 1963 was 8 per cent.

PHILIPPINES: Changes in the Consumer Price Index, 1962-1963

(Per cent of 1962 average)

| R e g i o n | All Items | Food | Clothing | Rent & Repair | Fuel, Light, Water | Miscel- laneous |
|---------------------------|--------------|-------|----------|------------------|--------------------------|--------------------|
| PHILIPPINES | + 7.9 | +13.6 | +3.2 | +1.6 | + 2.2 | + 2.0 |
| Manila | + 5.6 | + 9.6 | +1.0 | +3.3 | + 1.5 | + 1.2 |
| Regions Outside Manila .. | + 8.8 | +15.2 | +4.0 | +0.5 | + 2.5 | + 2.4 |
| I. Ilocos | + 9.1 | +14.2 | +4.3 | +0.1 | + 5.5 | + 3.8 |
| II. Cagayan | + 6.8 | + 9.9 | +5.8 | +0.1 | +10.1 | + 3.4 |
| III. Central Luzon | +10.0 | +16.5 | +4.6 | — | + 1.8 | + 1.9 |
| IV. Southern Tagalog . | + 8.2 | +16.0 | +2.4 | +0.2 | + 1.2 | + 0.4 |
| V. Bicol | +12.2 | +15.0 | +5.0 | +0.8 | + 1.0 | +10.7 |
| VI. Western Visayas .. | + 7.5 | +15.1 | +1.8 | +0.8 | + 0.6 | + 1.6 |
| VII. Eastern Visayas .. | + 9.6 | +16.6 | +7.4 | +0.7 | + 7.5 | + 0.8 |
| VIII. Southwestern | | | | | | |
| Mindanao | + 6.7 | +12.1 | +0.7 | +1.3 | + 0.9 | + 2.3 |
| IX. Northeastern | | | | | | |
| Mindanao | + 9.4 | +14.0 | +6.2 | +0.1 | + 0.7 | + 2.4 |

The trend in consumer prices was dictated by the movement in food prices which rose by 9½ per cent in Manila and by 15 per cent in Regions Outside Manila during 1963. Peak increases of 16½ per cent were suffered by the Eastern Visayas and Central Luzon Regions while Cagayan showed the lowest price rise of 10 per cent during the period.

The steady rise of food prices in turn was led by the mark-up in cereal prices: 19 per cent in Regions Outside Manila and 12 per cent in Manila. Price increases in fish and meat followed: 19 and 13 per cent, respectively, in Regions Outside Manila and 8 and 15 per cent, respectively, in Manila. The fruits and nuts and eggs and milk groups likewise had considerable price additions: 15 and 14 per cent, respectively, in Regions Outside Manila and 10 and 13 per cent, respectively, in Manila.

PHILIPPINES: Changes in the Consumer Food Price Index, 1962-1963

(Per cent of 1962 average)

| I t e m | Philippines | Manila | Regions |
|-----------------------|-------------|--------|----------------|
| | | | Outside Manila |
| ALL ITEMS | +13.6 | + 9.6 | +15.2 |
| Cereals | +17.7 | +12.3 | +19.1 |
| Fish | +15.8 | + 8.4 | +18.7 |
| Meat | +13.4 | +15.0 | +12.7 |
| Vegetables | + 3.3 | — 1.8 | + 5.9 |
| Fruits and Nuts | +13.5 | +10.2 | +15.0 |
| Eggs & Milk | +13.4 | +12.8 | +13.7 |
| Fats & Oils | + 2.5 | + 5.9 | + 0.9 |
| Miscellaneous | + 6.8 | + 5.6 | + 7.2 |

Imported goods in Manila had a higher average mark-up of 8 per cent compared to 5 per cent for domestic goods during 1963. This was mainly caused by increases of 7 per cent in imported milk, 4 per cent in imported canned fish and 5 per cent in imported clothing.

MANILA: Changes in Consumer Price Index, 1962-1963

(Per cent of 1962 average)

| I t e m | Domestic Products | Imported Goods | All Items |
|------------------------|-------------------|----------------|-----------|
| | | | |
| ALL ITEMS | +5.4 | + 7.7 | +5.6 |
| Food | +9.6 | +10.2 | +9.8 |
| Clothing | +0.9 | + 4.8 | +1.1 |
| House Rent | +3.0 | — | +3.0 |
| Fuel-Light-Water | +1.4 | — | +1.4 |
| Miscellaneous | +1.1 | + 1.6 | +1.2 |

C. MANILA RETAIL PRICES

Retail prices in Manila moved up by 6 per cent between 1962 and 1963 with prices of domestic items increasing by 7 per cent and those of imported goods by 5 per cent. Leading the uptrend were the food (10 per cent) and construction materials (8 per cent) groups. The movement in construction materials was largely an effect of the boom in export prices. Prices of lumber (per board foot) reached peak levels in 1963: Yakal was 9½ per cent more expensive; tanguile had a 7 per cent mark-up while apitong gained 11

per cent. Prices of wooden doors moved up by 8 per cent and wooden windows by 5 per cent. Other important construction materials were also on a considerable uptrend. Cement prices reached peak points during the year finally rounding off with an average 26 per cent mark-up. Hollow blocks had a lesser 9 per cent price rise. G.I. sheets cost 5 per cent more during the period; paints were up 4 per cent; varnish, 5 per cent and window grills, 9 per cent.

MANILA: Changes in the Retail Price Index, 1962-1963

(Per cent of 1962 average)

| I t e m | Domestic | Imported | All Items |
|--------------------------------------|----------|----------|-----------|
| ALL ITEMS | + 6.7 | +5.1 | +6.3 |
| Food | +10.2 | +9.0 | +9.9 |
| Wearing Apparel | + 0.8 | +4.8 | +1.2 |
| Construction Materials | + 7.5 | +1.2 | +6.6 |
| Fuel | + 1.7 | +2.7 | +2.2 |
| Drugs & Medicines | + 2.7 | +2.9 | +2.8 |
| School Supplies | — | +1.9 | +1.6 |
| Beverages & Tobacco | — | +1.3 | +0.7 |
| Household Supplies & Equipment | + 3.5 | +1.0 | +2.6 |

D. MANILA WHOLESATE PRICES

Manila wholesale prices in 1963 were, on the average, 10 per cent above the 1962 level. All major groups showed price increases but it was largely the flourishing export sector that pushed the general wholesale price average upwards. Exports chalked up a 20 per cent increase during the year with the majority of leading exports (except cordage) contributing to the boom. The most important gains came from centrifugal sugar, prices of which increased from an average of ₱26.77 per picul in 1962 to ₱35.83 in 1963. This improvement was reflected in the 33 per cent price increase of the food export group. Copra resecada rose from an average of ₱47.31 per 100 kilograms to ₱54.09. Lumber climbed from ₱272.59 per 1,000 board feet to ₱299.11. Price quotations for logs increased from ₱232.10 per 1,000 board feet to ₱259.93. Even abaca showed a price improvement -- ₱57.81 per picul in 1962 to an average ₱59.47 in 1963. All these increases, brought the crude materials for export category up by 11½ per cent between 1962 and 1963. Coconut oil, which gained almost ₱0.10 per kilogram during this period, was mainly responsible for the 12 per cent increase in animal & vegetable oils. The 15 per cent rise in the export chemical group, on the other hand, was influenced principally by the price increase in glycerine (₱0.37 to ₱0.44 per pound.)

These export price increases filtered into the market for domestically-produced and home-consumed goods, jacking up the cost for home consumption. Increases in prices of imported goods (6 per cent) likewise affected to a large extent the home consumption index. The steadying influence of a stabilized exchange rate failed to offset the pressure on prices caused by internal developments, the most immediate of which was the pier strike. The prolonged waterfront crisis (lasting May to September 1963) caused a disruption in the supply and distribution of both producer and consumer goods. Unable to withdraw arrivals from the customs area, many producers had to channel subsequent imports through other ports and in some instances, even had to resort to air-lifting of raw materials and supplies to meet contractual obligations. Such activities increased costs considerably.

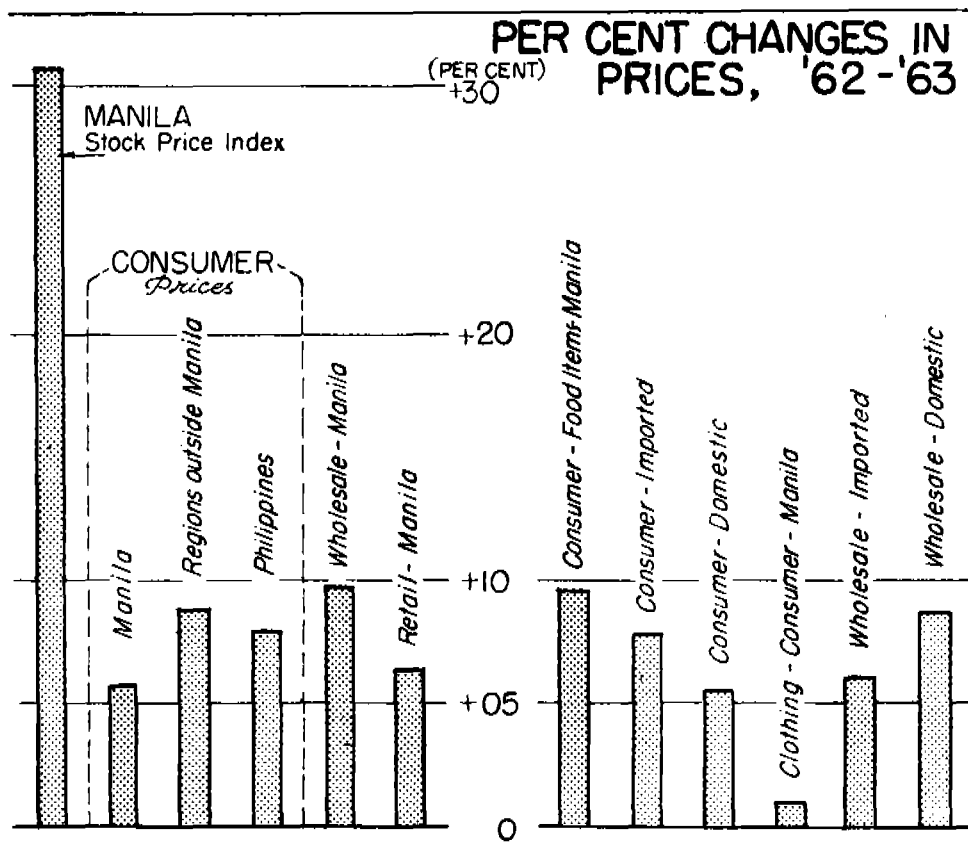
In the domestic group, food prices (as in the case of the consumer indices), led principally by the rise in cereal prices, was an important factor behind higher wholesale costs.

MANILA: Changes in the Wholesale Price Index, 1962-1963

(Per cent of 1962 average)

| I t e m | HOME CONSUMPTION GOODS | | | EXPORT GOODS | GENERAL |
|-------------------------------------|---------------------------------|----------|--------------|-----------------|---------|
| | Domestical- ly-pro- duced | Imported | All Goods | | |
| ALL ITEMS | + 8.8 | + 6.1 | + 8.3 | +19.7 | + 9.7 |
| Food | +11.6 | + 5.5 | +11.0 | +33.3 | +13.3 |
| Beverages & Tobacco | + 4.8 | + 3.0 | + 4.8 | + 2.1 | + 4.6 |
| Crude materials | +11.9 | + 2.3 | +11.5 | +11.5 | +11.5 |
| Mineral Fuels | + 3.5 | + 4.1 | + 3.8 | a | + 3.8 |
| Animal & Vegetable Oils | +12.2 | + 0.4 | +11.6 | +12.1 | +11.8 |
| Chemicals | + 3.7 | +10.1 | + 5.4 | +14.8 | + 5.4 |
| Manufactured Goods | + 1.7 | + 5.4 | + 3.4 | + 2.3 | + 3.4 |
| Machinery & Transport Equipmt. | + 7.2 | + 8.8 | + 8.3 | a | + 8.3 |
| Miscellaneous Manufactures, | | | | | |
| n.e.s. | + 6.2 | + 2.9 | + 5.8 | + 4.7 | + 5.8 |

a Not applicable.



E. MANILA STOCK PRICES

On the whole, 1963 was a bullish year. The stock price index rose by another 31 per cent between 1962 and 1963 with all establishments showing price improvements ranging from 17 per cent (insurance) to 42 per cent (sugar).

The unweighted turnover for 1963 reflected an 8 per cent increase in volume and a 56 per cent gain in value of stocks traded as compared to the 1962 turnover.

MANILA: Stock Price Index, 1962-1963

(Per cent of 1962 average)

| E s t a b l i s h m e n t | Per Cent Change |
|-------------------------------|--------------------|
| ALL ESTABLISHMENTS | + 30.7 |
| Banks | + 23.1 |
| Insurance | + 16.7 |
| Commercial & Industrial | + 19.3 |
| Mining | + 33.3 |
| Sugar | + 42.0 |

VIII. EMPLOYMENT AND WAGES

The steady growth of manufacturing production as well as the improvement noted in mining production in 1963 was reflected in the non-farm employment situation. As in previous years, however, the increase in manufacturing employment was not proportional to the expansion in the volume of production. The employment index for manufacturing went up by only 2.1 per cent while the volume index of production expanded by 4.3 per cent. The downward trend in employment in the mining industry which persisted for the past seven years was halted in 1963. The employment index for mining registered a slight increase of 1.2 per cent, thereby approximating the production gain of 1 per cent.

Based on the sample surveys conducted by the Philippine Statistical Survey of Households, over-all employment in 1963 showed a notable gain of 6.6 per cent or from 9.680 million in April 1962 to 10.315 million in May 1963. Employment in agricultural and non-agricultural pursuits reflected increases of 3.7 per cent and 11 per cent, respectively. On the other hand, unemployment considerably declined from 1.012 million to 871,000 or from 9.5 per cent of the total labor force to 7.8 per cent, notwithstanding a large increase of 4.6 per cent or 495,000 in the total labor force.

Thru the Emergency Employment Administration, the perennial problem of unemployment was minimized to a considerable extent in 1963. Organized during the latter part of 1962, the Emergency Employment Administration was able to give more or less one month's employment to almost a million unskilled laborers and semi-permanent employment (six months to one year) to some 18,000 college graduates and professionals by the end of 1963.

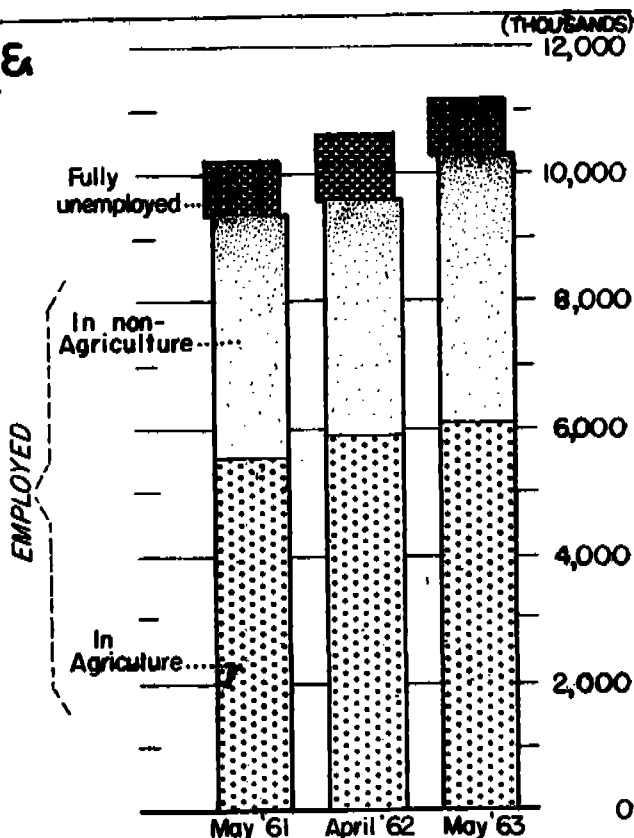
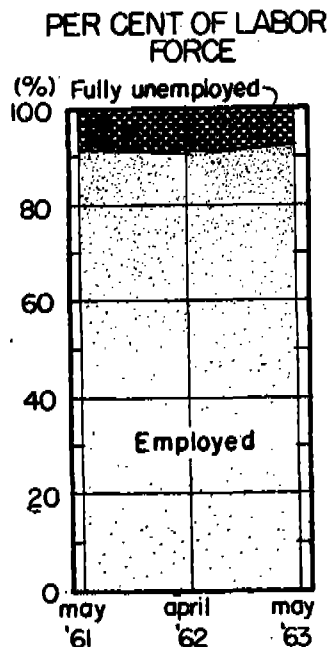
LABOR FORCE AND EMPLOYMENT 1961-1963

| Labor Force Status | May 1961 | April 1962 | May 1963 ^a |
|-----------------------------------|-------------|---------------|--------------------------|
| Labor Force, thousands | 10,277 | 10,692 | 11,187 |
| Employed | 9,395 | 9,680 | 10,315 |
| In Agriculture | 5,617 | 5,910 | 6,131 |
| In Non-Agriculture | 3,777 | 3,770 | 4,184 |
| Fully-Employed | 8,766 | 9,022 | .. |
| Under-Employed ^a | 629 | 658 | .. |
| Fully-Unemployed | 883 | 1,012 | 871 |
| As Per Cent of Labor Force | | | |
| Employed | 91.4 | 90.5 | 92.2 |
| Fully-Unemployed | 8.6 | 9.5 | 7.8 |

SOURCE OF BASIC DATA: Bureau of the Census and Statistics.

^a Persons working less than 30 hours per week and who wanted additional work.

LABOR FORCE & EMPLOYMENT



On the basis of reports gathered by the Central Bank from a sample of 1,289 cooperating non-agricultural establishments, non-agricultural employment improved in 1963. With nearly all of the industries hiring more workers, the non-agricultural employment index went up to 129.2 (1955 = 100) from 125.8 in 1962 or an average increase of 2.7 per cent. The rate of increase in 1962 was also 2.7 per cent. Government services and the commercial sector registered substantial gains of 5.4 per cent and 4.2 per cent, respectively. On the other hand, the transportation-communication sector showed a fractional loss of 0.3 per cent after reporting a 6.5 per cent increment the previous year. Recreation services and public utility firms, likewise, reduced their personnel by 1.2 per cent and 0.6 per cent, respectively.

INDEX OF NON-AGRICULTURAL EMPLOYMENT, 1962-1963

(1955=100)

| Industry Division | 1963 | 1962 | Per Cent Change |
|---|-------|-------|-----------------|
| All Items | 129.2 | 125.8 | +2.7 |
| Mining and quarrying | 77.4 | 76.5 | +1.2 |
| Manufacturing | 121.3 | 118.8 | +2.1 |
| Construction | 161.5 | 161.2 | +0.2 |
| Electricity, gas and heat, water and sanitary services | 137.5 | 138.3 | -0.6 |
| Commerce | 131.1 | 125.8 | +4.2 |
| Transport and communication | 143.4 | 143.8 | -0.3 |
| Services | 149.8 | 142.6 | +5.0 |
| Recreation ^a | 103.8 | 105.1 | -1.2 |
| Personal | 123.7 | 121.7 | +1.6 |
| Government ^b | 152.8 | 145.0 | +5.4 |

SOURCE OF BASIC DATA: 1,289 cooperating establishments.

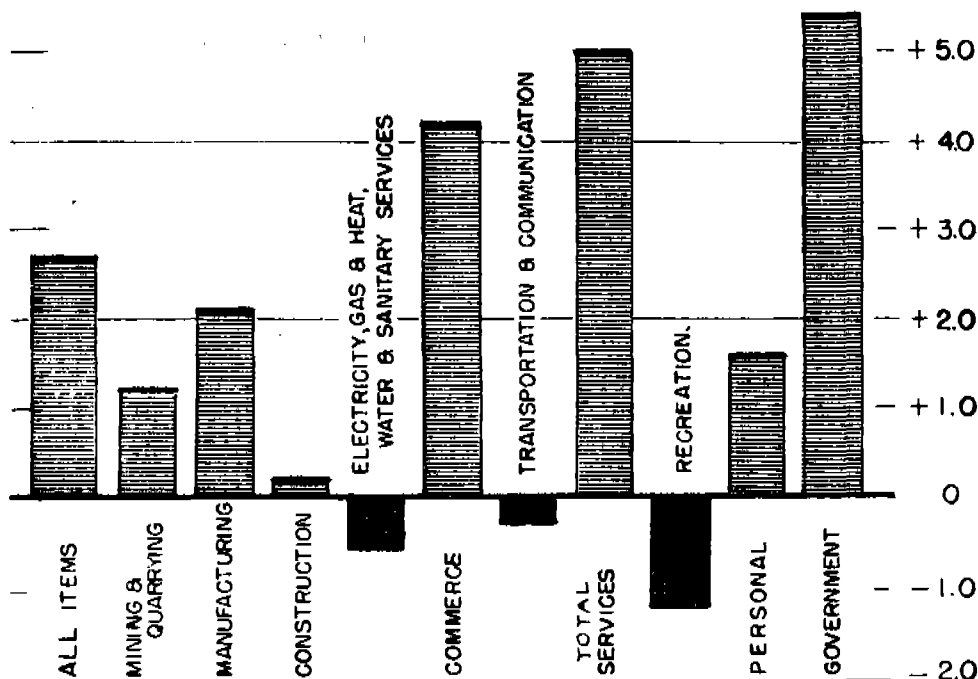
^a Actors, actresses and other players in motion picture studios are not included.

^b Covering 74 bureaus and offices.

PER CENT CHANGES IN NON-AGRICULTURAL EMPLOYMENT, 1962-1963

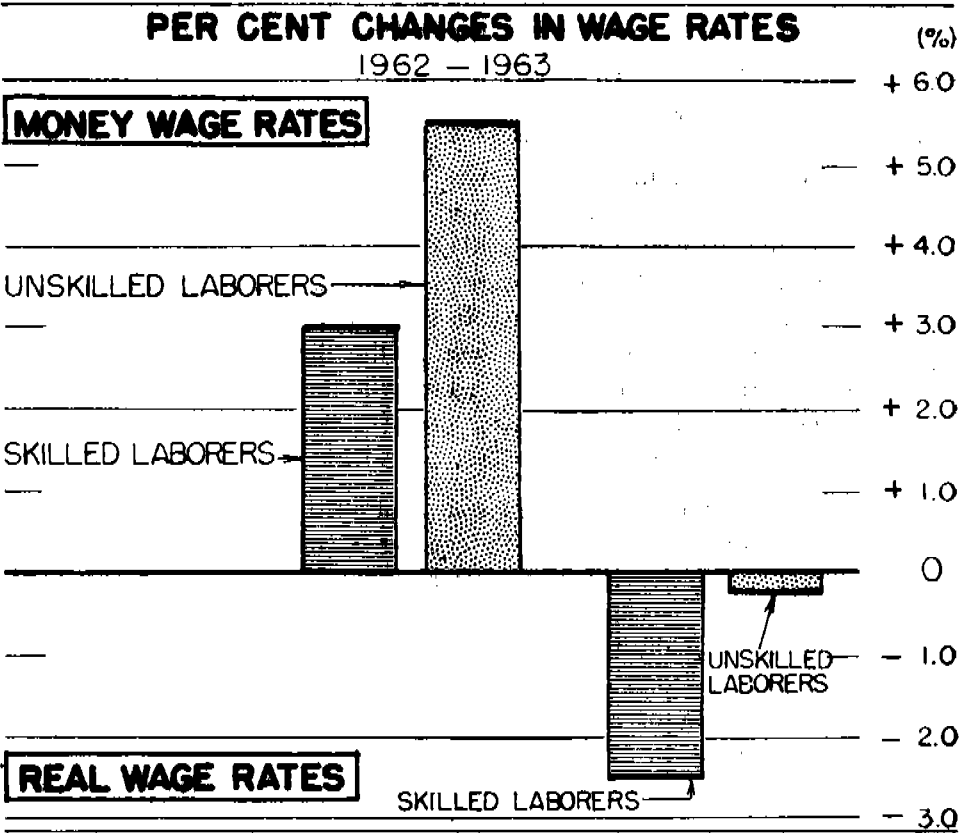
(%)

+ 6.0



The average daily money wage rate indexes of skilled and unskilled laborers registered substantial increases in 1963 as the demands of labor unions for higher wages due to rising prices were apparently heeded. The money wage of unskilled laborers increased by 5.5 per cent as compared to 3.0 per cent the previous year. Skilled laborers, likewise, boosted their money wage by 3.0 per cent which was more than twice the rate of increase in 1962. For the second consecutive year, the money wage rate index for unskilled labor surpassed that for the skilled group.

The rise in consumer prices in 1963 more than offset the increases in money wages and earnings. In real terms the wages of skilled and unskilled laborers suffered losses of 2.5 per cent and 0.2 per cent, respectively.



**WAGE RATES INDEX FOR NON-AGRICULTURAL LABORERS
IN MANILA AND SUBURBS
1962-1963
(1955=100)**

| Wage Rates | 1963 | 1962 | Per Cent Change |
|-------------------------------------|-------|-------|--------------------|
| Money Wage Rates: | | | |
| Skilled laborers | 109.3 | 106.1 | + 3.0 |
| Unskilled laborers | 113.4 | 107.5 | + 5.5 |
| Real Wage Rates^a: | | | |
| Skilled laborers | 86.3 | 88.5 | —2.5 |
| Unskilled laborers | 89.5 | 89.7 | —0.2 |

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.

Agricultural wages for the first two quarters of 1963 suffered, on the average, a fractional cut of 0.5 per cent as compared to the corresponding quarters the previous year. In 1962, a loss of 1.2 per cent was likewise registered for the same period. There were no changes in the geographical pattern of wages. Agricultural laborers in the Southern Tagalog region continued to be the highest paid while those in the Bicol, Eastern and Western Visayas provinces remained the least paid with their wages still below the national average for the first two quarters of 1963. However, there was a noticeable increase in agricultural wages in the Bicol region.

Wage earners and salaried employees continued to share in productivity gains in 1963 as their average monthly earnings went up by 1.0 per cent and 3.4 per cent, respectively. These increases sustained the previous year's rate of growth. Wage earners in mining and quarrying and manufacturing upped their earnings substantially by 4.4 per cent. On the other hand, wage earners in the commercial sector experienced a 4.3 per cent drop in their monthly earnings as the hiring of additional workers at lower wages depressed the prevailing earnings level. The average monthly earnings of salaried employees continued to improve at a faster pace than those of wage earners in manufacturing, electricity, gas and heat, water and sanitary services and transportation and communication.

WAGE RATES OF AGRICULTURAL LABORERS ^a IN THE PHILIPPINES

1961 — 1963^b

(Pesos)

| R e g i o n | 1 9 6 1 | | | | 1 9 6 2 | | | | 1963 | |
|--------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 1st qtr. | 2nd qtr. | 3rd qtr. | 4th qtr. | 1st qtr. | 2nd qtr. | 3rd qtr. | 4th qtr. | 1st qtr. | 2nd qtr. |
| PHILIPPINES ^c | 2.02 | 2.00 | 1.95 | 1.95 | 2.00 | 1.97 | 1.96 | 2.01 | 2.02 | 1.93 |
| Ilocos | 2.18 | 2.16 | 2.32 | 2.19 | 2.24 | 2.14 | 2.21 | 2.23 | 2.39 | 2.12 |
| Cagayan Valley | 2.03 | 2.17 | 2.06 | 1.93 | 2.11 | 1.99 | 2.04 | 2.18 | 2.14 | 2.36 |
| Central Luzon | 2.23 | 2.10 | 2.10 | 2.11 | 2.07 | 2.15 | 2.20 | 2.16 | 2.24 | 1.99 |
| Southern Tagalog | 2.55 | 2.45 | 2.41 | 2.51 | 2.49 | 2.39 | 2.48 | 2.44 | 2.42 | 2.92 |
| Bicol | 1.54 | 1.80 | 1.64 | 1.62 | 1.70 | 1.76 | 1.64 | 1.77 | 1.87 | 1.84 |
| Eastern Visayas | 1.67 | 1.72 | 1.64 | 1.63 | 1.69 | 1.63 | 1.58 | 1.68 | 1.74 | 1.73 |
| Western Visayas | 1.73 | 1.63 | 1.61 | 1.59 | 1.72 | 1.70 | 1.60 | 1.80 | 1.61 | 1.57 |
| Northern & Eastern | | | | | | | | | | |
| Mindanao | 1.80 | 1.95 | 1.86 | 2.02 | 2.00 | 2.03 | 1.84 | 1.96 | 2.02 | 1.95 |
| Southern & Western | | | | | | | | | | |
| Mindanao | 2.17 | 2.05 | 2.20 | 2.12 | 2.17 | 2.23 | 2.27 | 2.19 | 2.15 | 1.89 |

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

^a Agricultural laborers refer to common hired labor, plowman, planter and harvester.

^b 1963 third and fourth quarters data not yet available.

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

INDEX OF AVERAGE MONTHLY EARNINGS IN SELECTED
NON-AGRICULTURAL INDUSTRIES IN THE PHILIPPINES
1962-1963

(1955=100)

| Industry Division | 1963 | 1962 | Per Cent Change |
|---|-------|-------|--------------------|
| All Workers — | | | |
| Salaried employees ^a | 131.4 | 127.1 | + 3.4 |
| Wage earners | 120.2 | 119.0 | + 1.0 |
| Mining and quarrying — | | | |
| Salaried employees | 137.6 | 137.4 | + 0.1 |
| Wage earners | 145.7 | 139.6 | + 4.4 |
| Manufacturing — | | | |
| Salaried employees | 127.5 | 119.7 | + 6.5 |
| Wage earners | 121.4 | 116.3 | + 4.4 |
| Electricity, gas and heat, water and sanitary services — | | | |
| Salaried employees | 119.4 | 113.7 | + 5.0 |
| Wage earners | 112.7 | 110.8 | + 1.7 |
| Commerce — | | | |
| Salaried employees | 132.5 | 127.8 | + 3.7 |
| Wage earners | 116.6 | 121.8 | —4.3 |
| Transport and communication — | | | |
| Salaried employees | 136.2 | 131.2 | + 3.8 |
| Wage earners | 111.8 | 110.9 | + 0.8 |

SOURCE OF BASIC DATA: 787 cooperating establishments.

^a Salaried employees include executives and supervisors.

IX. CENTRAL BANK FINANCIAL CONDITION AND OPERATIONS

A. FINANCIAL CONDITION

Total resources of the Central Bank expanded by ₱153 million or 7 per cent in 1963 in contrast to a decline of ₱352 million or 13 per cent in 1962. This development was brought about by the increases registered in credit assets and international reserves. Credit assets expanded by ₱43 million or 2.6 per cent in contrast to a decline of 2.2 per cent a year ago. The increment, however, went mainly to the public sector. The increase in the international reserves during the year was contributed principally by the 28 per cent increase in export receipts.

Total loans and advances, particularly to the public sector, recorded a considerable gain of ₱163 million. National Government and PVTAs borrowings accounted for ₱122 million or 75 per cent of the increase. There was a decline however in holdings of government securities amounting to ₱120 million due to purchases of commercial banks, particularly by the Philippine National Bank. Thus, credit assets increased by ₱43 million at the end of the year under review.

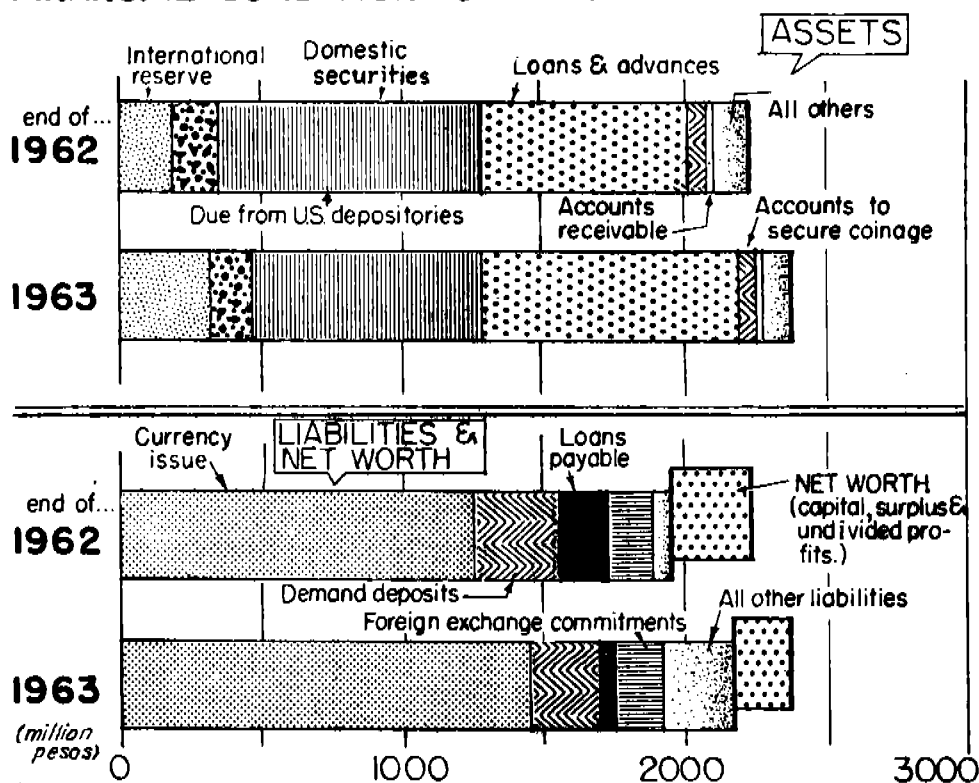
The international reserves went up by ₱144 million or 78 per cent in 1963 compared to the increment of 16 per cent a year ago. The increase this year was a result of a gain of ₱160 million in foreign exchange holdings carried at the free market rate and augmented by the decrease of ₱16 million holdings under the official rate. Foreign exchange resources due from foreign banks contributed largely to the dollar reserves of the country as availments during the year increased by ₱157 million compared with ₱27 million decline last year.

Profits realized from foreign exchange transactions at the end of 1963 totalled ₱270 million which were more than enough to cover the losses of ₱138 million incurred in 1960 and 1961. This development was in response to the favorable trends in the country's external trade position. The following is a

COMPARATIVE STATEMENT OF CONDITION
OF THE CENTRAL BANK
December, 1962 and 1963

| A S S E T S | 1963 | 1962 | Increase (Decrease) |
|---|--------------------------|--------------------------|--------------------------|
| 1. International Reserve | ₱ 328,253,785.56 | ₱ 184,296,816.93 | ₱ 143,956,968.63 |
| 2. Due from U.S. Banks— | | | |
| Special Deposit Accounts .. | 129,750,000.00 | 168,187,500.00 | (38,437,500.00) |
| 3. Domestic Securities | 821,302,616.90 | 941,126,966.90 | (119,824,350.00) |
| 4. Loans and Advances | 916,463,439.26 | 753,243,513.09 | 163,219,926.17 |
| 5. Account to Secure Coinage .. | 80,151,915.14 | 91,753,394.69 | (11,601,479.55) |
| 6. Bank Premises, Furniture & Equipment | 535,373.00 | 534,788.00 | 585.00 |
| 7. Other Assets | 104,459,716.89 | 89,024,395.50 | 15,435,321.39 |
| Total Assets | <u>₱2,380,916,846.75</u> | <u>₱2,228,167,375.11</u> | <u>₱152,749,471.64</u> |
| LIABILITIES AND NET WORTH | | | |
| 8. Currency Issue | ₱1,456,313,713.71 | ₱1,258,423,430.62 | ₱197,890,283.09 |
| 9. Demand Deposits | 266,376,958.71 | 311,413,164.71 | (45,036,206.00) |
| 10. Loans Payable—Foreign | 46,467,389.98 | 176,552,386.46 | (130,084,996.48) |
| 11. International Monetary Fund | 144,094,434.54 | 144,084,753.25 | 9,681.29 |
| 12. International Bank for Reconstruction & Development | 12,707,589.67 | 12,484,631.17 | 222,958.50 |
| 13. Securities Stabilization Fund | 934,040.53 | 849,016.15 | 85,024.38 |
| 14. Other Liabilities | 16,847,676.54 | 42,119,604.54 | (25,271,928.00) |
| 15. Revaluation of International Reserve | 188,729,034.59 | (81,298,783.05) | 270,027,817.64 |
| 16. Reserve for Retirement of Public Debt | 13,960,617.08 | 67,380,620.10 | (53,420,003.02) |
| Total Liabilities | <u>₱2,146,431,455.35</u> | <u>₱1,932,008,823.95</u> | <u>₱214,422,631.40</u> |
| NET WORTH | | | |
| 17. Reserve for Currency Insurance | ₱ 2,097,006.93 | ₱ 1,843,855.17 | ₱ 253,151.76 |
| 18. Capital | 10,000,000.00 | 10,000,000.00 | — |
| 19. Surplus | 195,313,638.85 | 166,706,234.61 | 28,607,404.24 |
| 20. Undivided Profits | 27,074,745.62 | 117,608,461.38 | (90,533,715.76) |
| Total Net Worth | <u>₱ 234,485,391.40</u> | <u>₱ 296,158,551.16</u> | <u>(₱ 61,673,159.76)</u> |
| Total Liabilities and Net Worth | <u>₱2,380,916,846.75</u> | <u>₱2,228,167,375.11</u> | <u>₱152,749,471.64</u> |

FINANCIAL CONDITION OF THE CENTRAL BANK



COMPOSITION OF THE INTERNATIONAL RESERVES December 31, 1962 and 1963

(Amount in million pesos)

| I t e m | 1963 | 1962 | Increase Decrease (—) | Per Cent Change |
|-------------------------------------|-------|-------|--------------------------|--------------------|
| TOTAL | 328.3 | 184.3 | 144.0 | 78.1 |
| Gold | 101.7 | 151.1 | —13.4 | —11.6 |
| Due from Foreign Banks | 224.3 | 67.2 | 157.1 | 233.8 |
| Foreign Government Securities | 1.8 | 1.2 | 0.6 | 50.0 |
| Foreign Currency | 0.5 | 0.8 | — 0.3 | —37.5 |

summary of the profits and losses during the period 1960-1963 which were charged to the Revaluation of International Reserve Account in accordance with Section 44 of Republic Act No. 265:

| | |
|---------------------------------------|------------------------|
| Total losses incurred in 1960 | (P 83,540,519.88) |
| Total losses incurred in 1961 | (54,951,802.65) |
| Profits realized in 1962 | 57,193,539.48 |
| Profits realized in 1963 | 270,027,817.64 |
| Balance as of December 31, 1963 | <u>P188,729,034.59</u> |

The Central Bank experienced a further reduction of its deposit liabilities from P139 million during the preceding year to P45 million this year. This occurred principally because of the continued withdrawal of government deposits and other funds held in trust by the Central Bank. Commercial and rural banks demand deposits partly offset this depletion in the amount of some P11 million. The small increment in bank deposits reflected the strain on bank reserves and was probably due to the increased number of banking institutions operating during the year more than to an improvement in liquidity positions.

**COMPARATIVE STATEMENT OF DEPOSIT LIABILITIES
OF THE CENTRAL BANK
December 31, 1961 - 1963**

(Million Pesos)

| Depositor | 1963 | 1962 | 1961 | Increase or Decrease (—) | |
|-----------------------------------|--------------|--------------|--------------|-----------------------------|-------------------|
| | | | | 1963 over 1962 | 1962 over 1961 |
| Commercial Banks | 227.2 | 218.9 | 158.5 | 8.3 | 60.4 |
| Rural Banks | 6.5 | 3.5 | 2.8 | 3.0 | 0.7 |
| DBP | — | — | 40.5 | — | (40.5) |
| Treasury of the Philippines | 9.7 | 54.8 | 208.1 | (45.1) | (153.3) |
| Government Trust Funds | 22.9 | 34.2 | 40.3 | (11.3) | (6.1) |
| Other Government Entities | — | — | — | — | — |
| TOTAL | <u>266.3</u> | <u>311.4</u> | <u>450.2</u> | <u>(45.1)</u> | <u>(138.8)</u> |

B. RESULTS OF OPERATIONS

The Central Bank in the course of its normal banking operations realized a net profit of P17 million. This was smaller by 26 per cent than the previous year's. The substantial drop in net profits was mainly due to the increase in operating expenses coupled with the reduction in the gross earnings of the

Bank particularly from security investments. While income from gold, foreign exchange transactions and interest on domestic securities provided 65 per cent of the total income in 1962, this year they accounted for only 48 per cent of total income.

COMPARATIVE PROFIT AND LOSS STATEMENT For the Period Ending 1963 & 1962

| I t e m | 1963 | 1962 | Increase (Decrease) | Per Cent Change |
|---------------------------------|-----------------------|---------------------------------------|------------------------|--------------------|
| EARNINGS | | | | |
| Income from Gold and Foreign | | | | |
| Exchange Transactions | ₹ 4,732,173.91 | ₹ 9,596,088.18 (₹ 4,863,914.64) | | —50.7 |
| Interest on Domestic Securities | 22,051,827.12 | 27,123,474.41 (5,071,647.29) | | —18.7 |
| Income from Foreign | | | | |
| Investments | 3,786,070.16 | 2,113,422.25 | 1,672,647.91 | 79.1 |
| Interest on Loans and | | | | |
| Advances | 21,599,613.95 | 15,583,614.86 | 6,015,999.09 | 38.6 |
| Other Income | 3,660,976.66 | 2,046,396.74 | 1,614,579.92 | 78.9 |
| Total Earnings | <u>₹55,830,661.80</u> | <u>₹56,462,996.44</u> (₹ 632,334.64) | | — 1.1 |
| EXPENSES | | | | |
| Operating Expenses | ₹24,963,374.11 | ₹21,552,767.69 | ₹3,410,606.42 | 15.8 |
| Expenses of Foreign | | | | |
| Assistance Programs | 11,576,101.13 | 10,155,009.28 | 1,421,091.85 | 14.0 |
| Other Expenditures | 1,288,526.17 | 925,571.23 | 362,954.94 | 39.2 |
| Capital Expenditures | 458,948.72 | 138,495.10 | 320,453.62 | 231.4 |
| Total Expenses | <u>₹38,286,950.13</u> | <u>₹32,771,843.30</u> | <u>₹5,515,106.83</u> | 16.8 |
| NET PROFITS | <u>₹17,543,711.67</u> | <u>₹23,691,153.14</u> (₹6,147,441.47) | | —25.9 |

The Monetary Board, in its Resolution No. 31, dated January 10, 1964, approved the following distribution of the net profits from operations and the margin fee collections during the year:

DISTRIBUTION OF ANNUAL NET PROFITS FROM OPERATIONS
AND COLLECTIONS OF MARGIN ON SALES OF
FOREIGN EXCHANGE FOR 1963

| Item | Total | Margin Fee | Operation |
|-------------------------------------|-----------------------|----------------------|-----------------------|
| T O T A L | <u>₱27,074,745.62</u> | <u>₱9,531,033.95</u> | <u>₱17,543,711.67</u> |
| Less: Reserve for Refund of Pending | | | |
| Claims | 2,520,945.48 | 2,520,945.48 | — |
| Net Profit for Distribution | <u>₱24,553,800.14</u> | <u>₱7,010,088.47</u> | <u>₱17,543,711.67</u> |
| Securities Stabilization Fund | 4,910,760.03 | 1,402,017.69 | 3,508,742.34 |
| Account to Secure Coinage | 392,860.80 | 112,161.41 | 280,699.39 |
| Monetary Adjustment Account | 1,450,169.93 | — | 1,450,169.93 |
| General Fund | 17,800,009.38 | 5,495,909.37 | 12,304,100.01 |

APPENDIX A

ANALYSIS OF THE NATIONAL INCOME OF THE PHILIPPINES FOR CY 1961 TO 1963^a

THE AGGREGATE PRODUCTION of goods and services by the Philippine economy reached a higher level in 1963 than in the last two years. Measured by the gross national product (GNP) at current market prices, the total output of the country was valued at ₱16,941 million in 1963 compared to ₱14,942 million in 1962 (Table I). The GNP increased by 13.4 per cent from 1962 to 1963. The national income (NI), likewise, rose to a level of ₱14,577 million in 1963, exceeding the previous year's level of ₱12,959 million by 12.5 per cent (Table II).

Similar trends were reflected in constant terms (1955 prices) during the period. The GNP increased by 4.8 per cent to a level of ₱12,510 million in 1963 compared to a rise of 4.4 per cent to a level of ₱11,932 million in 1962 (Table X). The GNP implicit price index went up from 117.5 per cent in 1961 to 125.2 per cent in 1962 and to 135.4 per cent in 1963 (Table XI). NI in constant pesos rose by 4.6 percent to a level of ₱10,965 million in 1963 as against an increase of 3.9 per cent in 1962 (Table VIII).

Based on population estimates of 29,257,000 in 1962 and 30,241,000 in 1963, per capita GNP advanced from ₱511 to ₱560 and per capita NI increased from ₱443 to ₱482 for corresponding years (Table IIIa). In real terms, per capita GNP increased from ₱408 in 1962 to ₱414 in 1963 and per capita NI rose from ₱358 to ₱363 over the same period.

^a The foregoing summary of the "Analysis of the National Income of the Philippines for CY 1961 to 1963" and supporting tables have been prepared by the National Economic Council and are reported here as a public service feature.

THE NATIONAL ACCOUNTS OF THE PHILIPPINES AND
SUPPORTING TABLES, CY 1961 TO 1963

Table I.—THE NATIONAL ACCOUNTS, CY 1961-1963
Account I.—National Income and Product Account
(At current prices in million pesos)

| I t e m | 1961 ₱ | 1962 ₱ | 1963 ₱ |
|---|---------------|---------------|---------------|
| (1) Compensation of employees (15) | 4,947 | 5,460 | 6,115 |
| (a) Agricultural | 1,080 | 1,200 | 1,389 |
| (b) Other | 3,867 | 4,260 | 4,726 |
| (2) Entrepreneurial and property income of persons (16) | 6,296 | 6,950 | 7,783 |
| (a) Agricultural | 2,778 | 3,085 | 3,570 |
| (b) Other | 3,518 | 3,865 | 4,213 |
| (3) Private corporate income (20) | 421 | 458 | 586 |
| (4) Property income of government (26) | 73 | 91 | 93 |
| (5) Total: NATIONAL INCOME | <u>11,737</u> | <u>12,959</u> | <u>14,577</u> |
| (6) Depreciation (32) | 696 | 817 | 995 |
| (7) Indirect taxes less subsidies (24) | 999 | 1,166 | 1,369 |
| Total: GROSS NATIONAL PRODUCT At Market Prices | <u>13,432</u> | <u>14,942</u> | <u>16,941</u> |
| (8) Private consumption expenditures (12) | 10,811 | 11,597 | 12,945 |
| (9) Government current expenditures (21) | <u>1,223</u> | <u>1,420</u> | <u>1,649</u> |
| (a) Salaries | 817 | 961 | 1,145 |
| (b) Others | 406 | 459 | 504 |
| (10) Gross domestic investment | <u>1,800</u> | <u>1,965</u> | <u>2,298</u> |
| (a) Private | 1,527 | 1,682 | 1,956 |
| (b) Government | 273 | 283 | 342 |
| (11) Net export and investment income | <u>(402)</u> | <u>(40)</u> | <u>49</u> |
| (a) Exports of goods & services (33) | 2,347 | 3,088 | 4,153 |
| (b) Less imports of goods & services (36) | 2,596 | 3,050 | 3,952 |
| (c) Plus Net investment income (34) | (153) | (78) | (152) |
| Total: GROSS NATIONAL EXPENDITURES At Market Prices | <u>13,432</u> | <u>14,942</u> | <u>16,941</u> |

SOURCE OF BASIC DATA: Cooperating agencies.

() Negative.

Account 2.—Private Appropriation Account, CY 1961-1963
(At current prices in million pesos)

| I t e m | 1961 ₱ | 1962 ₱ | 1963 ₱ |
|---|--------|--------|--------|
| (12) Private consumption expenditures (8) | 10,811 | 11,597 | 12,945 |
| (13) Direct taxes (25) | 469 | 575 | 732 |
| (a) Personal | 274 | 364 | 477 |
| (b) Corporate | 195 | 211 | 255 |
| (14) Private savings (30) | 560 | 932 | 1,134 |
| (a) Personal | 334 | 685 | 803 |
| (b) Corporate | 226 | 247 | 331 |
| Total: PRIVATE OUTLAY | 11,840 | 13,104 | 14,811 |
| (15) Compensation of employees (1) | 4,947 | 5,460 | 6,115 |
| (16) Entrepreneurial and property income of persons (2) | 6,296 | 6,950 | 7,783 |
| (17) Transfer payments (22) | 104 | 113 | 150 |
| (18) Net donations from abroad (35b) | 72 | 123 | 177 |
| (19) Total: PERSONAL INCOME | 11,419 | 12,646 | 14,225 |
| (20) Private corporate income (3) | 421 | 458 | 586 |
| Total: PRIVATE INCOME | 11,840 | 13,104 | 14,811 |

SOURCES OF BASIC DATA: Bureau of Internal Revenue, General Auditing Office, and the Central Bank of the Philippines.

Account 3.—Government Appropriation Account, CY 1961-1963
(At current prices in million pesos)

| I t e m | 1961 ₱ | 1962 ₱ | 1963 ₱ |
|--|--------|--------|--------|
| (21) Government current expenditures (9) | 1,223 | 1,420 | 1,649 |
| (22) Transfer payments (17) | 104 | 113 | 150 |
| (23) Government savings (31) | 284 | 352 | 455 |
| Total: GOVERNMENT OUTLAY | 1,611 | 1,885 | 2,254 |
| (24) Indirect taxes less subsidies (7) | 999 | 1,166 | 1,369 |
| (25) Direct taxes (13) | 469 | 575 | 732 |
| (26) Property income of government (4) | 73 | 91 | 93 |
| (27) Net donations from abroad (35a) | 70 | 53 | 60 |
| Total: GOVERNMENT RECEIPTS | 1,611 | 1,885 | 2,254 |

Account 4.—Combined Capital Account, CY 1961-1963
(At current prices in million pesos)

| I t e m | 1961 ₱ | 1962 ₱ | 1963 ₱ |
|-------------------------------------|--------|--------|--------|
| (28) Gross domestic investment (10) | 1,800 | 1,965 | 2,298 |
| (29) Net lending abroad (37) | (260) | 136 | 286 |
| Total: CAPITAL OUTLAY | 1,540 | 2,101 | 2,584 |
| (30) Private savings (14) | 560 | 932 | 1,134 |
| (31) Government savings (23) | 284 | 352 | 455 |
| (32) Depreciation (6) | 696 | 817 | 995 |
| Total: GROSS SAVINGS | 1,540 | 2,101 | 2,584 |

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

Account 5.—Rest of the World Account, CY 1961-1963
(At current prices in million pesos)

| I t e m | 1961 ₱ | 1962 ₱ | 1963 ₱ |
|---|--------|--------|--------|
| (33) Exports of goods and non-factor services | 2,347 | 3,088 | 4,153 |
| (a) Merchandise, freight and insurance | 1,800 | 2,111 | 2,936 |
| (b) Others | 546 | 977 | 1,217 |
| (34) Net factor income from abroad | (153) | (78) | (152) |
| (35) Net donations to the Philippines | 152 | 176 | 237 |
| (a) Government (27) | 70 | 53 | 60 |
| (b) Private (18) | 72 | 123 | 177 |
| Total: CURRENT RECEIPTS | 2,336 | 3,186 | 4,238 |
| (36) Imports of goods and non-factor services | 2,596 | 3,050 | 3,952 |
| (a) Merchandise, freight and insurance | 2,362 | 2,402 | 2,860 |
| (b) Others | 234 | 648 | 1,092 |
| (37) Net lending abroad (29) | (260) | 136 | 286 |
| Total: CURRENT PAYMENTS | 2,336 | 3,186 | 4,238 |

SOURCE OF BASIC DATA: Central Bank of the Philippines.

() Negative.

Table II.—NATIONAL INCOME BY INDUSTRIAL ORIGIN,
CY 1961-1963
(At current prices in million pesos)

| Industry Classification | 1961 ₪ | 1962 ₪ | 1963 ₪ |
|--|--------|--------|--------|
| NATIONAL INCOME | 11,737 | 12,959 | 14,577 |
| Agriculture | 3,858 | 4,285 | 4,959 |
| Mining | 209 | 261 | 270 |
| Manufacturing | 2,090 | 2,383 | 2,697 |
| Construction | 482 | 414 | 541 |
| Trade | 1,410 | 1,533 | 1,636 |
| Transportation and communication | 418 | 451 | 469 |
| Services | 3,320 | 3,632 | 4,005 |
| Government services | 981 | 1,150 | 1,357 |
| Personal services | 680 | 717 | 743 |
| Recreational services | 36 | 35 | 36 |
| Educational services | 82 | 86 | 91 |
| Professional services | 357 | 386 | 438 |
| Rental value of owner-occupied dwellings | 1,016 | 1,080 | 1,148 |
| Others | 168 | 178 | 192 |

SOURCE OF BASIC DATA: Cooperating government agencies.

Table III.—PRINCIPAL AGGREGATES AND THEIR
INTERRELATIONSHIPS, CY 1961-1963

(At current prices in million pesos)

| I t e m | 1961 ₪ | 1962 ₪ | 1963 ₪ |
|--|---------------|---------------|---------------|
| <u>GROSS NATIONAL PRODUCT</u> At Market Prices | <u>13,432</u> | <u>14,942</u> | <u>16,941</u> |
| <u>Less:</u> Net factor income from abroad | (153) | (78) | (152) |
| <u>Equals:</u> <u>GROSS DOMESTIC PRODUCT</u> At Market Prices | <u>13,385</u> | <u>15,020</u> | <u>17,093</u> |
| <u>Less:</u> Indirect taxes net of subsidies | 999 | 1,166 | 1,369 |
| <u>Equals:</u> <u>GROSS DOMESTIC PRODUCT</u> At Factor Cost | <u>12,586</u> | <u>13,854</u> | <u>15,724</u> |
| <u>Less:</u> Depreciation | 696 | 817 | 995 |
| <u>Equals:</u> <u>NET DOMESTIC PRODUCT</u> At Factor Cost | <u>11,890</u> | <u>13,037</u> | <u>14,729</u> |
| <u>Plus:</u> Net factor income from abroad | (153) | (78) | (152) |
| <u>Equals:</u> <u>NATIONAL INCOME OR NET NATIONAL</u> <u>PRODUCT</u> At Factor Cost | <u>11,737</u> | <u>12,959</u> | <u>14,577</u> |
| <u>Plus:</u> Transfer payments by government | 104 | 113 | 150 |
| <u>Plus:</u> Net donations (private) from abroad | 72 | 123 | 177 |
| <u>Less:</u> Property income of government | 73 | 91 | 93 |
| <u>Equals:</u> <u>PRIVATE INCOME</u> | <u>11,840</u> | <u>13,104</u> | <u>14,811</u> |
| <u>Less:</u> Private corporate income | 421 | 458 | 586 |
| (Undivided corporate profit) | 226 | 247 | 331 |
| (Corporate profit taxes) | 195 | 211 | 255 |
| <u>Equals:</u> <u>PERSONAL INCOME</u> | <u>11,419</u> | <u>12,646</u> | <u>14,225</u> |
| <u>Less:</u> Personal direct taxes | 274 | 364 | 477 |
| <u>Equals:</u> <u>DISPOSABLE PERSONAL INCOME</u> | <u>11,145</u> | <u>12,282</u> | <u>13,748</u> |
| <u>Less:</u> Private (Personal) consumption expenditures | 10,811 | 11,597 | 12,945 |
| <u>Equals:</u> <u>PERSONAL SAVINGS</u> | <u>334</u> | <u>685</u> | <u>803</u> |

() Negative.

Table III-a.—PER CAPITA: GROSS NATIONAL PRODUCT, NATIONAL INCOME, PERSONAL INCOME, DISPOSABLE PERSONAL INCOME, AND PRIVATE CONSUMPTION EXPENDITURES, CY 1961-1963

(At current and constant prices)

| I t e m | 1961 ^r | 1962 ^r | 1963 ^p |
|---|-------------------|-------------------|-------------------|
| At current prices in pesos | | | |
| Gross national product | 474 | 511 | 560 |
| National income | 415 | 443 | 482 |
| Personal income | 403 | 432 | 470 |
| Disposal personal income | 394 | 420 | 455 |
| Private consumption expenditure | 382 | 396 | 428 |
| At 1955 prices in pesos | | | |
| Gross national product | 404 | 408 | 414 |
| National income | 356 | 358 | 363 |
| Private consumption expenditure | 331 | 328 | 329 |
| Population ^a (in thousand, as of July 1) | 28,313 | 29,257 | 30,241 |

SOURCE OF DATA: Table III.

^a Projection by the Inter-agency Committee on Demography approved in its meeting on September 26, 1963.

Table IV.—VALUE ADDED IN AGRICULTURE BY CATEGORY OF PRODUCTION, CY 1961-1963

(At current prices in million pesos)

| Category of product | 1961 ^r | 1962 ^r | 1963 ^p |
|--|-------------------|-------------------|-------------------|
| All crops | 2,172 | 2,365 | 2,668 |
| Food crops | 1,396 | 1,437 | 1,561 |
| Commercial crops | 776 | 928 | 1,107 |
| Livestock and poultry | 785 | 846 | 899 |
| Farm marketings and direct consumption | 770 | 815 | 863 |
| Value of increase in inventory | | | |
| Fishing | 431 | 488 | 533 |
| Forestry | 578 | 705 | 998 |
| Total: GROSS VALUE ADDED | 3,966 | 4,404 | 5,098 |
| Less: Depreciation allowance | 105 | 117 | 136 |
| Less: Remittances abroad | 3 | 2 | 3 |
| Equals: NET VALUE ADDED | 3,858 | 4,285 | 4,959 |

SOURCE OF BASIC DATA: Cooperating government agencies.

Table V.—VALUE ADDED IN AGRICULTURAL CROPS, CY 1961-1963
(At current prices in million pesos)

| Crops | 1961 ^r | 1962 ^r | 1963 ^r |
|--|-------------------|-------------------|-------------------|
| Total | 2,172.5 | 2,365.0 | 2,668.5 |
| I. FOOD CROPS | 1,396.0 | 1,437.4 | 1,561.4 |
| 1. Palay (rough rice) | 826.8 | 863.4 | 933.7 |
| 2. Corn (shelled) | 176.0 | 168.4 | 184.7 |
| 3. Fruits and nuts except citrus | 97.7 | 108.7 | 125.4 |
| 4. Citrus | 14.2 | 13.5 | 15.2 |
| 5. Root crops | 110.5 | 110.6 | 119.8 |
| 6. Vegetables except onions and potatoes | 38.7 | 41.3 | 43.0 |
| 7. Onions | 6.6 | 5.9 | 5.1 |
| 8. Irish potatoes | 3.9 | 4.7 | 5.5 |
| 9. Beans and peas | 18.1 | 17.0 | 15.6 |
| 10. Coffee | 32.9 | 33.3 | 35.5 |
| 11. Cacao | 10.4 | 9.6 | 9.8 |
| 12. Peanuts | 4.4 | 4.1 | 4.3 |
| 13. Others | 6.2 | 7.8 | 10.5 |
| 14. Undercoverage (3.54%) ^a | 49.6 | 49.1 | 53.3 |
| II. COMMERCIAL CROPS | 776.5 | 927.6 | 1,107.1 |
| 1. Coconut | 57.1 | 64.3 | 75.5 |
| 2. Copra | 347.5 | 426.7 | 487.1 |
| 3. Sugar cane | 215.0 | 275.4 | 362.0 |
| 4. Abaca | 62.1 | 63.1 | 72.0 |
| 5. Tobacco | 58.5 | 57.8 | 62.7 |
| 6. Ramie and manuey | 2.0 | 2.9 | 3.2 |
| 7. Rubber | 4.5 | 5.2 | 5.9 |
| 8. All other commercial crops | 0.7 | 0.5 | 0.4 |
| 9. Undercoverage (3.54%) ^b | 28.8 | 31.7 | 38.3 |

SOURCE OF BASIC DATA: Bureau of Agricultural Economics, DANR, and Sugar Quota Administration.

^a Percentage of AED crop total represents food and commercial crops included in 1948 Census but excluded from AED crop survey.

^b Includes kapok (with seeds), cotton (seeded), and other export crops.

Table VI.—GROSS DOMESTIC INVESTMENT, CY 1961-1963
(At current prices in million pesos)

| I t e m | 1961 ₱ | 1962 ₱ | 1963 ₱ |
|------------------------------------|--------|--------|--------|
| A. By Type of Capital Goods: | | | |
| GROSS FIXED INVESTMENT | 1,734 | 1,899 | 2,203 |
| Construction | 635 | 610 | 796 |
| Dwellings | 192 | 174 | 225 |
| Non-residential buildings | 170 | 153 | 229 |
| Other construction and works | 273 | 283 | 342 |
| Durable equipment | 1,099 | 1,289 | 1,407 |
| Transportation equipment | 340 | 437 | 480 |
| Machinery and other equipment | 759 | 852 | 927 |
| CHANGE IN INVENTORIES | 66 | 66 | 95 |
| Livestock and poultry | 15 | 31 | 36 |
| O t h e r s | 51 | 35 | 59 |
| GROSS DOMESTIC INVESTMENTS | 1,800 | 1,965 | 2,298 |
| By Industrial Use | | | |
| GROSS FIXED INVESTMENTS | 1,734 | 1,899 | 2,203 |
| Agriculture | 82 | 146 | 172 |
| Mining and quarrying | 30 | 28 | 22 |
| Manufacturing | 506 | 530 | 480 |
| Transportation | 338 | 247 | 393 |
| Communication and utilities | 87 | 105 | 134 |
| Construction | 504 | 540 | 684 |
| Ownership of dwellings | 192 | 174 | 225 |
| Government | 273 | 283 | 342 |
| Construction enterprises | 39 | 83 | 117 |
| T r a d e | 98 | 121 | 160 |
| S e r v i c e s | 89 | 182 | 158 |
| CHANGE IN INVENTORIES | 66 | 66 | 95 |
| Livestock and poultry | 15 | 31 | 36 |
| O t h e r s | 51 | 35 | 59 |
| GROSS DOMESTIC INVESTMENT | 1,800 | 1,965 | 2,298 |
| By Type of Purchasers: | | | |
| GOVERNMENT | 273 | 283 | 342 |
| Public enterprises | 71 | 71 | 80 |
| General government | 202 | 212 | 262 |
| PRIVATE | 1,527 | 1,682 | 1,956 |
| Private enterprises | 1,461 | 1,616 | 1,861 |
| Change in inventory | 66 | 66 | 95 |
| GROSS DOMESTIC INVESTMENT | 1,800 | 1,965 | 2,298 |

SOURCE OF BASIC DATAS Cooperating government agencies and private firms.

Table VII. GROSS DOMESTIC INVESTMENT IN DURABLE
EQUIPMENT BY TYPE, CY 1961-1963
(At current prices in million pesos)

| Type of Equipment | 1961 ₱ | 1962 ₱ | 1963 ₱ |
|--|--------------|--------------|--------------|
| TOTAL DURABLE EQUIPMENT | <u>1,099</u> | <u>1,289</u> | <u>1,407</u> |
| 1. Machinery, except electrical and agricultural | <u>494</u> | <u>514</u> | <u>509</u> |
| Office machines | 20 | 26 | 24 |
| Printing and bookbinding machines | 11 | 12 | 13 |
| Power-generating equipment | 63 | 63 | 83 |
| Construction and conveying machines | 35 | 70 | 106 |
| Mining machinery | 20 | 14 | 7 |
| Woodworking and papermill machinery | 33 | 23 | 23 |
| Textile machinery | 126 | 73 | 54 |
| Metal working machinery | 21 | 26 | 26 |
| Other industrial machinery | 165 | 207 | 173 |
| 2. Agricultural machinery and implements | <u>77</u> | <u>125</u> | <u>158</u> |
| Plows, cultivators and harrows | 2 | 4 | 4 |
| Rice hullers and cleaners | 4 | 4 | 3 |
| Rice threshers | a | a | 1 |
| Tractors | 62 | 96 | 144 |
| Fishing boats | 6 | 15 | 1 |
| Poultry equipment | a | a | 1 |
| Other agricultural machinery | 3 | 6 | 4 |
| 3. Electrical machinery and appliances | <u>127</u> | <u>139</u> | <u>186</u> |
| Wiring fixtures | 4 | 4 | 5 |
| Transformers | 9 | 3 | 1 |
| Dynamoes and generators | 12 | 9 | 29 |
| M e t e r s | 3 | 2 | 2 |
| Air conditioning equipment | 11 | 9 | 8 |
| M o t o r s | 6 | 10 | 11 |
| Welding equipment | 5 | 4 | 5 |
| Radio transmitter and related parts | 27 | 29 | 47 |
| Other electrical equipment | 50 | 69 | 78 |

Table VII.—GROSS DOMESTIC INVESMENT IN DURABLE
EQUIPMENT BY TYPE, CY 1961-63 (*Concluded*)
(At current prices in million pesos)

| Type of Equipment | 1961 ^r | 1962 ^r | 1963 ^p |
|--|-------------------|-------------------|-------------------|
| 4. Transport equipment | 340 | 437 | 480 |
| T r u c k s | 188 | 215 | 251 |
| Automobiles for business use | 31 | 33 | 46 |
| Airplanes | 16 | 32 | 9 |
| Wagons and trailers | 1 | 4 | 1 |
| Railroad equipment | 19 | 17 | 13 |
| Ships and boats | 82 | 36 | 53 |
| Other vehicles and equipment | 3 | 80 | 107 |
| 5. Miscellaneous metal manufactures | 61 | 74 | 74 |
| Tools, hand | 4 | 4 | 6 |
| Scientific, professional equipment | 19 | 24 | 18 |
| Meters, non-electrical | ^a | ^a | ^a |
| Filing cabinets | — | — | — |
| Office furnitures | 1 | ^a | 1 |
| Tackles and pulleys | — | — | — |
| Photographic and cinematographic equipment | 1 | 2 | 2 |
| Refrigerating equipment | 2 | 5 | 3 |
| Musical instruments | 1 | 3 | 3 |
| O t h e r s | 33 | 36 | 41 |

SOURCE OF BASIC DATA: Central Bank of the Philippines.

^a Less than 0.05 million pesos.

ESTIMATES AT CONSTANT (1955 = 100) PRICES

Table VIII.—NATIONAL INCOME BY INDUSTRIAL ORIGIN
IN CONSTANT PESOS, CY 1961-1963
(At 1955 prices in million pesos)

| Industry Classification | 1961 ₡ | 1962 ₡ | 1963 ₡ |
|--|--------|--------|--------|
| NATIONAL INCOME | 10,090 | 10,483 | 10,965 |
| Agriculture | 3,262 | 3,414 | 3,617 |
| Mining | 162 | 165 | 163 |
| Manufacturing | 1,607 | 1,694 | 1,781 |
| Construction | 358 | 318 | 390 |
| Trade | 1,194 | 1,252 | 1,231 |
| Transportation and communication | 369 | 376 | 371 |
| Services | 3,138 | 3,264 | 3,412 |
| Government services | 896 | 940 | 978 |
| Educational services | 82 | 86 | 91 |
| Professional services | 357 | 386 | 438 |
| Rental value of owner-occupied dwellings | 974 | 1,009 | 1,042 |
| Others | 829 | 843 | 863 |

SOURCE OF BASIC DATA: Table II and price, volume and employment indices.

Table IX.—IMPLICIT PRICE DEFLATORS FOR NATIONAL INCOME BY
INDUSTRIAL ORIGIN, CY 1961-1963
(Index Numbers, 1955 = 100)

| Industry Classification | 1961 ₡ | 1962 ₡ | 1963 ₡ |
|--|--------|--------|--------|
| NATIONAL INCOME | 116.3 | 123.6 | 132.9 |
| Agriculture | 118.3 | 125.5 | 137.1 |
| Mining | 129.0 | 158.2 | 165.6 |
| Manufacturing | 130.1 | 140.7 | 151.4 |
| Construction | 120.7 | 130.2 | 138.7 |
| Trade | 118.1 | 122.5 | 132.9 |
| Transportation and communication | 113.3 | 119.9 | 126.4 |
| Services | 105.8 | 111.3 | 117.4 |
| Government services | 109.5 | 122.3 | 138.8 |
| Educational services | 100.0 | 100.0 | 100.0 |
| Professional services | 100.0 | 100.0 | 100.0 |
| Rental value of owner-occupied dwellings | 104.3 | 107.0 | 110.2 |
| Others | 106.6 | 110.3 | 112.5 |

SOURCE OF DATA: Tables II and VIII.

Table X.—GROSS NATIONAL (PRODUCT) EXPENDITURES IN
CONSTANT PESOS, CY 1961 - 1963
(At 1955 prices in million pesos)

| I t e m | 1961 ₪ | 1962 ₪ | 1963 ₪ |
|---------------------------------------|---------------|---------------|---------------|
| Private consumption expenditures | <u>9,362</u> | <u>9,588</u> | <u>9,942</u> |
| Government current expenditures | <u>1,004</u> | <u>1,061</u> | <u>1,090</u> |
| Salaries | 674 | 706 | 735 |
| Others | 330 | 351 | 315 |
| Gross domestic investment | <u>1,234</u> | <u>1,119</u> | <u>1,249</u> |
| Durable equipment | 653 | 598 | 607 |
| Construction | 527 | 469 | 574 |
| Change in inventories | <u>54</u> | <u>52</u> | <u>68</u> |
| Livestock and poultry | 13 | 25 | 26 |
| Others | 41 | 27 | 42 |
| Net exports and investment income | <u>(169)</u> | <u>164</u> | <u>229</u> |
| Exports of goods and services | 1,952 | 2,411 | 2,894 |
| Less: Imports of goods and services | 2,003 | 2,191 | 2,566 |
| Plus: Net investment income | (118) | (56) | (99) |
| GROSS NATIONAL (PRODUCT) EXPENDITURES | | | |
| At Market Prices | <u>11,431</u> | <u>11,932</u> | <u>12,510</u> |

SOURCE OF BASIC DATA: Table I and price, volume and employment indices.

() Negative.

Table XL.—IMPLICIT PRICE DEFLATORS FOR GROSS NATIONAL
(PRODUCT) EXPENDITURES, CY 1961-1963
(Index Numbers, 1955=100)

| U t e m | 1961 r | 1962 r | 1963 p |
|---------------------------------------|--------|--------|--------|
| Private consumption expenditures | 115.5 | 121.0 | 130.2 |
| Government current expenditures | 121.8 | 133.8 | 151.3 |
| Salaries | 121.2 | 136.1 | 155.8 |
| Others | 123.0 | 129.3 | 142.0 |
| Gross domestic investment | | | |
| Durable equipment | 168.3 | 215.6 | 231.8 |
| Construction | 120.5 | 130.1 | 138.7 |
| Change in inventories | | | |
| Livestock and poultry | 113.0 | 122.7 | 137.6 |
| Others | 124.3 | 129.6 | 140.5 |
| Net exports and investment income | | | |
| Exports of goods and services | 120.2 | 128.1 | 143.5 |
| Imports of goods and services | 129.6 | 139.2 | 154.0 |
| Net investment income | 129.6 | 139.2 | 154.0 |
| GROSS NATIONAL (PRODUCT) EXPENDITURES | | | |
| At Market Prices | 117.5 | 125.2 | 135.4 |

SOURCE OF BASIC DATA: Tables I and X.

APPENDIX B

MAJOR LEGAL AND ADMINISTRATIVE MEASURES OF ECONOMIC SIGNIFICANCE ADOPTED BY THE GOVERNMENT AND THE MONETARY BOARD DURING 1963

MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
Manila

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 36

CREATING THE LOANS AND INVESTMENT COUNCIL

Whereas, the financial institutions of the government play a focal role in maximizing the use of available resources to support the country's economic development;

Whereas, there exists a need for coordinating the investment policies of government financial institutions to enable them to contribute in a more effective manner towards the attainment of the overall targets and priorities set forth in the Five-Year integrated Socio-Economic Program;

Now, therefore, I, Diosdado Macapagal, President of the Philippines, by virtue of the powers vested in me by law, do hereby create the Loans and Investment Council.

1. The Council shall have the following composition:

| | |
|--|-----------------|
| Secretary of Finance | <i>Chairman</i> |
| Secretary of Commerce and Industry | <i>Member</i> |
| Director-General of the Program Implementation Agency .. | <i>Member</i> |
| Governor of the Central Bank | <i>Member</i> |
| Chairman of the Development Bank of the Philippines .. | <i>Member</i> |
| President of the Philippine National Bank | <i>Member</i> |
| General Manager of the Government Service | |
| Insurance System | <i>Member</i> |
| Administrator of the Social Security System | <i>Member</i> |

2. The Council shall have the following duties and functions:

(a) To formulate and coordinate the investment policies of the government financial institutions so as to secure the optimum use of the re-

sources available in such institutions in line with the objectives of the Socio-Economic Program; and consistent with their individual limitations and primary functions;

(b) To serve as a general clearing house of information on projects before the member institutions so that applications requesting financial support from more than one member institution may be evaluated simultaneously by the member institution concerned;

(c) To develop a coordinated and consistent budgeting system for the resources of the government financial institutions, and to review and coordinate the annual program of sources and applications of the funds of the member institutions, so as to shape them into an integrated annual program of capital transfer in full support of the Program;

(d) To perform such other functions as will contribute towards the attainment of the goals set in the program.

3. The Council is hereby authorized to have such personnel as may be assigned or detailed to it from member institutions, and to draw upon such amount as may be needed to carry out its duties and functions from such available funds as may be needed for the purpose under existing rules and regulations, subject to the approval of the President of the Philippines.

Done in the City of Manila, this 19th day of March, in the year of Our Lord, nineteen hundred and sixty-three.

DIOSDADO MACAPAGAL
President of the Philippines

By the President:

SALVADOR L. MARINO
Executive Secretary

MALACANANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
Manila

EXECUTIVE ORDER NO. 45

AMENDING EXECUTIVE ORDER NO. 36, SERIES OF 1963, CREATING
THE LOANS AND INVESTMENT COUNCIL

By virtue of the powers vested in me by law, I, Diosdado Macapagal, President of the Philippines, do hereby amend Executive Order No. 36, Series of 1963, creating the Loans and Investment Council as follows:

1. Paragraph 1 is hereby amended to read as follows:

“1. The Council shall have the following composition:

| | |
|---|-----------------|
| Secretary of Finance | <i>Chairman</i> |
| Secretary of Commerce and Industry | <i>Member</i> |
| Chairman, National Economic Council | <i>Member</i> |
| Director-General, Program Implementation Agency .. | <i>Member</i> |
| Governor of the Central Bank | <i>Member</i> |
| Chairman of the Development Bank of the Philippines | <i>Member</i> |
| President of the Philippine National Bank | <i>Member</i> |
| General Manager of the Government Service Insurance System | <i>Member</i> |
| Administrator of the Social Security System | <i>Member</i> |
| Chairman of the Reparations Commission | <i>Member</i> |

Done in the City of Manila, this 19th day of August, in the year of Our Lord, nineteen hundred and sixty-three.

DIOSDADO MACAPAGAL
President of the Philippines

By the President:

RUFINO G. HECHANOVA
Executive Secretary

MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
Manila

BY THE PRESIDENT OF THE PHILIPPINES
PROCLAMATION NO. 115

ENDORISING "OPERATION RESPECT THE CENTAVO," A JOINT
PROJECT OF THE CENTRAL BANK OF THE PHILIPPINES
AND PHILIPPINE INDUSTRIES

WHEREAS, "Operation Respect the Centavo" is a project dedicated principally to the welfare and benefit of the great mass of bread-winners, especially the low-income group, who need to enjoy the full purchasing power of every centavo earned by them in order to feed, clothe, and shelter properly their families;

WHEREAS, the present trade practice of pricing commodities, service, and facilities in multiples of five-centavo units — in deliberate disregard of the one-centavo units — has in the main adversely affected those who live on hand-to-mouth basis; and

WHEREAS, we are all conscious of the fact that to the working man, the small employee or the casual laborer, every centavo counts, particularly so if he has a large family to support;

NOW, THEREFORE, I, Diosdado Macapagal, President of the Philippines, by virtue of the powers vested in me by law, do hereby strongly endorse "Operation Respect the Centavo" and I call upon all citizens and residents of the Philippines, irrespective of nationality or creed, and all sectors of the economy, to lend a helping hand in realizing this project and to cooperate in this effort of maintaining prices of goods, services, and facilities at reasonable levels and within the reach of the masses of our people, by respecting the centavo.

I direct that an amount of centavo coins be included in the payrolls of all government departments, bureaus, offices, agencies, and government-owned or controlled corporations, and I earnestly urge private enterprises to do likewise, to accelerate and maintain the circulation of the centavo throughout the country.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Republic of the Philippines to be affixed.

Done in the City of Manila, this 1st day of June in the year of Our Lord, nineteen hundred and sixty-three.

[Seal]

DIOSDADO MACAPAGAL
President of the Philippines

By the President:

SALVADOR L. MARINO
Executive Secretary

AN ACT TO AMEND SECTIONS TWO (c) AND (g), THREE AND FOURTEEN OF REPUBLIC ACT NUMBERED EIGHTY-FIVE, AS AMENDED.

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

SECTION 1. Section two (c) and (g) of Republic Act Numbered Eighty-five, as amended, is hereby further amended to read as follows:

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

“(c) To grant loans to provincial, city and municipal government for the rehabilitation, construction, or reconstruction of public markets, irrigation, waterworks, toll bridges, slaughterhouses, for cadastral surveys and other self-liquidating or income producing services, or the purchase and acquisition of municipal electric power plants and heavy equipment and machineries 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 system, and for other essential industrial and agricultural enterprises;

“(g) To issue bonds, debentures, securities, collaterals, and other obligations and/or the renewal or the refunding of the same 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 ten times of its paid-in 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 advise 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 issuance, reissuance, servicing, placement and redemption of the bonds herein authorized to be issued by the Bank as well as the registration of such bonds at the request of the holders thereof with the approval of the Monetary Board of the Philippines."

SEC. 2. A new paragraph is hereby inserted after paragraph (k) of Section two of the same Act, which shall read as follows:

(1) The provision of any law to the contrary notwithstanding, the total liabilities of any person, company, corporation or firm, or political subdivision of the Government with the exception of money borrowed against obligations of the Central Bank or of the Philippine Government, or borrowed with the full guarantee by the Government of payment of principal and interest, shall, exclusive of guarantees under paragraph (k), of Section 2 hereof, at no time exceed thirty (30%) per cent of the paid-in capital and surplus of the Bank.

SEC. 3. Section three of the same Act is hereby amended to read as follows:

SEC. 3. *Capital Stock*. — The capital stock of the Bank shall be two billion pesos divided into two million 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.

"At least fifty *per centum* (50%) of the surplus account of the Bank as of June 30, 1962 and at least twenty *per centum* (20%) of the net profits that may hereafter be realized as well as profits that may be assigned as dividends to the shares of the Government shall be automatically applied to the payment of the subscribed capital stock of the Government until the said capital stock shall have been fully paid for, in which case the said profits shall be utilized for such purposes as may be authorized by the Board of Governors.

"The provisions of Section three of Republic Act Numbered Seventeen hundred eighty-nine to the contrary notwithstanding, an amount equivalent 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. 4. Section fourteen of the same Act is hereby amended to read as follows:

"SEC. 14. *Board of Governors.* — The affairs and business of the corporation shall be directed, its powers exercised and its property managed and preserved by a Board of Governors consisting of the chairman and eight other members to be appointed by the President of the Philippines with the consent of the Commission on Appointments. The chairman and four other members of the Board to be designated by the President shall render full time service to the Corporation. The term of office of the chairman and other members of the Board shall be seven years, except that of the first members which shall be one, two, three, four, five, six, and seven years and which shall be specified in their respective appointments. The compensation of the chairman and other members of the Board of Governors shall be fixed by the President of the Philippines, who may remove any of them for cause."

"No person shall be appointed chairman or member of the Board of Governors unless he be of good moral character and unquestionable integrity and be of recognized competence in economics, agriculture, industry, finance and/or banking."

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

Approved, June 14, 1963.

AN ACT CREATING THE PHILIPPINE VETERANS BANK,
AND FOR OTHER PURPOSES

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

SECTION 1. *Name-Domicile and place of business.*—There is hereby created a bank to be known as the Philippine Veterans Bank, which shall be commonly called the Veterans Bank. Its principal domicile and place of business shall be in the city of Manila but branches or agencies may be established in the provinces and cities as the Board of Directors may decide.

CORPORATE POWERS

SEC. 2. *Corporate powers and duties.*—The said Veterans Bank shall be a body corporate and shall have the power:

- (a) To prescribe its by-laws;
- (b) To adopt and use a seal;
- (c) To sue and be sued;
- (d) To carry on a trust business in accordance with the provisions of laws governing trust corporations;
- (e) To grant long-term loans and advances preferably to veterans, their widows, orphans or compulsory heirs against security of real estate and/or other acceptable assets including backpay certificates issued by the National Treasurer pursuant to Republic Act No. 304 and Republic Act No. 897 at the discretion of the Board of Directors for the establishment, rehabilitation or expansion of agriculture, industrial, and other productive enterprises: *Provided*, That the aggregate of such loans shall not exceed the sum total of the paid-up capital and unimpaired surplus, long-term indebtedness and thirty per cent of the total deposits: *Provided, further*, That notarial services in connection with loan applications of not more than one thousand pesos (P1,000.00) shall be furnished by the Bank free of charge and in case where the Veterans Bank has no lawyers, notarial services shall be performed by the justice of the peace and other government notaries public, free of charge;
- (f) To invest in stocks other than shares of stock in mining companies, government guaranteed bonds, and secured collaterals having maturities of not more than thirty (30) years: *Provided*, That the priorities in the grant

of loans for secured collaterals having maturities of not more than thirty years shall be in accordance with the rules and regulations established by the Central Bank;

(g) With the approval of the President of the Philippines, to issue bonds and other certificates of indebtedness against its credit secured by real estate but not in excess of ninety per cent of the value thereof. The proceed from the sale of such bonds and/or certificates of indebtedness are to be used in its lending operations for the industrial and agricultural development of the country.

The Board of Directors shall determine the interest rates, maturities, and other requirements of said obligations;

(h) To contract any obligation, or enter into any agreement essential to the proper management of its corporate powers and to carry out its aims and purposes;

(i) To appoint and dismiss its officers and employees;

(j) To grant loans to cooperative associations to facilitate production, the marketing of crops, and the acquisition of essential commodities: *Provided*, That preference should be given to such cooperative associations which are owned or controlled by the veterans, their widows, orphans or compulsory heirs;

(k) To grant loans to government employees and employees of government-owned or controlled corporations, and to employees of private corporations or entities for the purpose of enabling said employee to buy shares of stocks in corporations or industries engaged in the development and/or expansion of agriculture and industries: *Provided*, That the yearly amortization of such loans shall not exceed ten per cent (10%) of the total annual salaries and wages of the employees: *Provided, further*, That such loan shall be payable in full within a period of not exceeding five years and that preference be given to employees who are veterans;

(l) To exercise the powers granted in this Act and such incidental powers as may be necessary to carry on and engage in the business of general banking;

(m) To exercise the general powers mentioned in the Corporation Law and the General Banking Act, insofar as they are not inconsistent or incompatible with the provisions of this Act.

SEC. 3. *Authorized capital stock — Par value. —*

(a) The capital stock of the Veterans Bank shall be one hundred million pesos (P100,000,000.00) divided into five hundred ten thousand (510,000) common shares and four hundred ninety thousand (490,000) preferred shares with a par value of one hundred (P100.00) pesos each.

(b) At least fifty-one per cent. (51%) of the capital stock of the Veterans Bank shall be divided into common shares which shall be fully subscribed by the government of the Republic of the Philippines for and in behalf of the veterans, their widows, orphans or compulsory heirs as defined and determined under Section 4, subsection (e) of this Act, and shall be initially paid from the Veterans Trust Fund provided for in Section 2, subsection (d) of Republic Act Numbered Seventeen hundred and eighty-nine as amended, and from or out of earnings, dividends, or profits from the operations of the Veterans Bank; and for the payment of said subscription, all the available cash deposits with the Philippine National Bank and/or any other banks to the credit of the Veterans Trust Fund shall be transferred immediately to the Veterans Bank: *Provided*, That after the approval of this Act and notwithstanding the provisions to the contrary, every and all additional cash payments on account of the said Veterans' Trust Fund shall be remitted and paid directly and exclusively to the said Veterans' Bank to be applied as additional paid-up payments of the aforesaid common shares subscription: *Provided, further*, That nothing shall be transferred to, or received by the said Veterans' Bank representing any portion of the proceeds of the aforesaid Veterans' Trust Fund except cash payments only of the peso equivalent thereof at the prevailing rate of exchange: *And provided, finally*, That within five years from the organization of the Bank all shares of stock equivalent to fifty-one per cent subscription of the capital stock held by the government of the Republic of the Philippines for and in behalf of the veterans, their widows, orphans or compulsory heirs shall be transferred to and in the name of the veterans who shall thereafter vote said common shares. The shares shall be divided equally among the veterans at the rate of one share of one hundred pesos for each veteran or fraction thereof. The balance of about forty-nine (49%) per cent shall be divided into preferred shares which shall be opened for subscription by any recognized veteran, widow, orphans or compulsory heirs of said veteran at the rate of one (1) preferred share per veteran: *Provided*, That in case of failure of any particular veteran to subscribe for any preferred share of stock so offered to him as herein provided, within thirty (30) days from the date of receipt of notice, said share of stock shall be available for subscription to other veterans in accordance with such rules or regulations as may be promulgated by the Board of Directors. Any share of stock corresponding to the capital stock subscribed and paid by the Republic of the Philippines in the manner aforementioned, shall be issued in the name of the Republic of the Philippines, in trust for the benefit of veterans, their widows, orphans or compulsory heirs as determined in this Act, and any share of stock subscribed and paid by individual veteran shall be issued in the name of the individual veteran, his widow, orphan or compulsory heir. The sale or transfer of a share of stock of a veteran, widow, orphan or compulsory heir of a veteran to a party not a veteran, widow, orphan or compulsory heir of a veteran shall not be allowed under any circumstances. Any share may be sold or transferred to the Bank which shall issue the same to the stockholders who

are veterans, their widows, orphans or compulsory heirs: *Provided*, That no veteran, widow, orphan or compulsory heir shall be issued a total of more than twenty shares.

SEC. 4. *Determination of veterans entitled to benefit from this Act.*—

(a) The term “veteran or veterans” shall include any person or persons who served in the regularly constituted air, land, or naval services or arms, or in such non-regularly organized military units in the Philippines during World War II, and whose services with such units are duly recognized by the Republic of the Philippines or by the Government of the United States: *Provided*, That for the purpose of this Act, the term “veteran or veterans” also include the widow, orphan or a compulsory heir of a deceased veteran, as determined by existing laws;

(b) The term “organized or acknowledged veterans organizations” as used in this Act shall mean a veterans organization duly recognized or acknowledged as such by the Philippine Veterans Administration which shall keep an official roster of such veterans organization;

(c) On the basis of the acknowledged or duly established official records and data from the Treasury of the Philippines and any other record or evidence admissible under the rules of evidence, such as the records of the Philippine Veterans Administration and of the Armed Forces of the Philippines, the Philippine Veterans Administration shall determine immediately after the approval of this Act, who and how many are the veterans of the Philippines of World War II and their widows, orphans or compulsory heirs as determined by existing laws who are entitled to the benefits of this Act. The decision of the Philippine Veterans Administration on the matter shall be final, unless appeal for review, within fifteen days from notice hereof, is made to the President of the Philippines or to the Supreme Court whose decision shall be final. The appeal shall be perfected in the same manner as in other proceedings and it may be prosecuted by the interested party or by the head of any acknowledged veterans organization;

(d) The reckoning day for determining the status and number of such veterans, their widows, orphans or compulsory heirs shall be the date of approval of this Act;

(e) The share of each beneficiary, war veteran or widow, orphan or compulsory heir of a deceased veteran, in the distribution of the benefits accruing to the Republic of the Philippines will be equal regardless of rank and services rendered: *Provided*, That in the case of orphan or orphans of a deceased veteran, they shall be counted as one unit only and the share of all of them regardless of their number will be the same or equal to that of a surviving war veteran or surviving widow;

(f) Notice of the decision of the Philippine Veterans Administration on the question of who are entitled to participate in the benefits accruing to the Veterans Trust Fund shall immediately be served on the interested parties, either directly or thru the organization to which they belong in writing and by registered mail. In addition, the Philippine Veterans Administration shall publish for three consecutive weeks a notice in two newspapers of general circulation in the Philippines to the effect that the Philippine Veterans Administration has already completed its work of determining the number and the identity of those entitled to participate in the trust fund and advising any party interested who has not received yet the notice of the decision served upon him that he may verify his inclusion or exclusion from the official register in the Philippine Veterans Administration. This Office shall keep a complete list and official register of those included and excluded from the enjoyment of the benefit, which list shall be available for inspection during office hours. The official registry book shall constitute an irrevocable public record, certified true copies of which may be released by the custodian of records for official purpose only.

BANKING OPERATION IN GENERAL

SEC. 5. *Loans, investments and liabilities.*—The Veterans Bank is hereby authorized:

(a) To grant loans for the establishment, rehabilitation, expansion or development of any agricultural, commercial, or industrial enterprise, or personal services including public utilities, under such rules and regulations as may be prescribed by the Board of Directors and that preference be given to applicants who are veterans;

(b) To make loans on, or to discount notes and/or receipts secured by, harvested and stored crops: *Provided*, That no loans on the security of such harvested and stored crops shall exceed eighty per cent of the market value thereof on the date of the loans: *Provided, further*, That the crops so mortgaged shall be insured by the mortgagor for the benefit of the Veterans Bank for their entire market value at the discretion of the Board of Directors: *Provided, furthermore*, That if owing to any circumstances the value of the crops given as security shall diminish, the mortgagor shall furnish the Veterans Bank with additional security or refund such part of the loan as the Bank may deem necessary: *Provided, finally*, That such loans shall be granted for a period of not to exceed one year, subject to extension, in the discretion of the Board of Directors;

(c) To make loans to agriculturists in installments, on standing crops of the natural products of the Philippines such as palay, copra, sugar, tobacco, corn, abaca and maguey, of not exceeding seventy *per centum* of the estimated value of such crops: *Provided, however*, That before granting such loans, the

Veterans Bank may require additional security in the nature of mortgage on landed estate duly registered in the name of the debtor, or chattel mortgage including those upon livestock, machineries and agricultural implements or personal bonds with sufficient surety or sureties satisfactory to the bank;

(d) Generally, to make advances or discount paper for agricultural, manufacturing, industrial or commercial purposes: *Provided*, That loans, discounts, or advances made under this section shall have maturities of not exceeding one year, renewable from year to year, in the discretion of the Board of Directors;

(e) The aggregate amount of loans for any single industry shall at no time exceed twenty per cent of the Banks lending capacity;

The total liabilities to the Bank of any person, or any company, corporation, or firm for money borrowed, including in the liabilities of the company or firm, the liabilities of the several members thereof, shall at no time exceed fifteen *per centum* of the unimpaired capital and surplus of the Bank. But the discount of bills of exchange drawn in good faith against actually existing values owned by the person negotiating the same shall not be considered as money borrowed, and in addition to the fifteen *per centum* of the unimpaired capital and surplus of the Bank, hereinbefore provided for, the total liabilities of any borrower, may amount to a further fifteen *per centum* of the liabilities are secured by shipping documents, warehouse receipts or other similar documents transferring or securing title covering readily marketable, nonperishable stocks, when such staples are fully covered by insurance and when such staples have a market value equal to at least one hundred twenty-five *per centum* of such additional liabilities.

The Bank shall not make any loan upon the security of the stock of any other corporation if the aggregate market value of all such stocks as collateral exceeds an amount equal to ten *per centum* of the unimpaired capital stock and surplus of the Bank. The term "loan" whenever used in this Act shall include overdrafts and the limitations contained in this section shall apply to any loan of any kind whenever secured wholly or partly by real estate mortgage.

BOARD OF DIRECTORS — COMPOSITION AND ORGANIZATION

SEC. 6. *Qualifications and per diems of the Board of Directors.*—

(a) Within the first five years from the organization of the Veterans Bank or until the transfer of the common shares of its capital stock to the veterans as provided in Section three of this Act, the affairs and business of the Veterans Bank shall be directed and its property managed, controlled and preserved, unless otherwise provided in this Act by a Board of Directors consisting of eleven members to be composed of three *ex-officio* members to wit: the Phil-

ippine Veterans Administrator, the President of the Veterans Federation of the Philippines, and the Secretary of National Defense, and the remaining members who shall be veterans of good standing with formal business training and/or experience in banking and finance, shall, upon the recommendation of the Supreme Council of the Veterans Federation of the Philippines, be appointed by the President of the Philippines with Veterans Administration. The report shall contain among other things a statement of the resources and liabilities, including earnings and expenses, the amount of capital stock, dividends paid, surplus reserved, and undivided profits, as well as the losses, bad debts and suspended and overdue papers carried in the Bank's assets as of the day in which the statements are compiled.

APPOINTMENTS, REMOVAL AND SALARIES OF THE OTHER OFFICER AND EMPLOYEES OF THE VETERANS BANK

SEC. 12. *Appointments, removal and salaries of other officers and employees.*—All other officers and employees of the Bank shall be appointed and removed by the Board of Directors upon recommendation of the President of the Bank: *Provided, however,* That all other circumstances being equal, preference shall be given to veterans, or their widows, orphans or compulsory heirs in the appointment of said personnel. Said officers and employees shall have duties and compensation which shall be fixed by the President with the approval of the Board of Directors.

SEC. 13. *Fidelity bond of officers and employees.*—The Board of Directors may require any officer and employee of the Bank and its branches, before entering upon the performance of their duties, to furnish a fidelity bond for the benefit of the Bank, in the form and amount prescribed by the Board of Directors. For this purpose, and for this purpose only, all officers and employees of whom a bond is required shall be deemed public officers and employees, respectively, and the provisions of the Public Bonding Law, Chapter Fifteen of the Administrative Code and related legislations are hereby made applicable to them.

SEC. 14. *Inspection by Department of Supervision and Examination of the Central Bank.*—The Veterans Bank shall be subject to inspection by the Department of Supervision and Examination of the Central Bank in accordance with Republic Act Numbered Two hundred sixty-five and Republic Act Numbered Three hundred thirty-seven.

SEC. 15. *Prohibition against owing stock in or incurring indebtedness to the Bank.*—The Secretary of Finance, the Governor of the Central Bank, all other members of the Monetary Board, and the Chief of the Auditing Department of the Veterans Bank are hereby prohibited from owing stock in the Veterans Bank, or from becoming indebted to said Bank, directly or indirectly.

PROHIBITED LOANS

SEC. 16. *Loans to officers, directors, and employees; restriction and limitation.*—The Veterans Bank shall not directly or indirectly, grant loans to any director, officer, employee, or agent of the Bank, and no loans shall be granted to a corporation, partnership, or company wherein any member of the Board of Directors is a shareholder, agent or employee in any manner, except by the unanimous vote of the members of the Board present, excluding the member interested: *Provided*, That of the total liabilities to the Bank of any corporation wherein any member of the Board of Directors of the Veterans Bank is a shareholder, agent or employee in any manner, shall at no time exceed five (5%) *per centum* of the surplus and paid-up capital of the Bank.

ACQUISITION AND DISPOSAL OF REAL ESTATE

SEC. 17. The Veterans Bank is hereby authorized to purchase and own such real estate as may be necessary for the purpose of carrying on its business. It is also authorized to hold such real estate as it may find necessary to acquire in the collection of debts due to the said Bank or to its branches, but real estate acquired in the collection of debts shall be sold by the Bank within five (5) years after the date of its acquisition.

REDEMPTION OF MORTGAGED PROPERTY

SEC. 18. *Right of redemption of property foreclosed.*—The mortgagor shall have the right, within one year after the sale of the real estate as a result of the foreclosure of a mortgage, to redeem the property by paying the amount fixed by the court in the order of execution, with interest thereon at the rate specified in the mortgage, and all the costs and other judicial expenses incurred by the Bank by reason of the execution and sale, and for the custody of said property.

SEC. 19. *Right to demand additional securities; disposal of same — Advanced maturity of credit — Right to collect deficiency.*—If, from any cause whatsoever, any of the securities specified for the loans provided for in this Act or accepted by said Bank as security for loans or discounts should decline or depreciate in market value in part or as a whole, or upon non-performance of any promise made to secure the loan or discount, or bills of exchange, notes, and checks, the said Bank may demand additional securities or may forthwith declare any such obligation due and payable and upon three days' notice, demand, sell, assign, transfer, and delivery the whole of said securities or any part thereof, or any substitute therefor, or any addition thereto, or any other securities given unto or left in the possession of, or hereafter given unto or left in the possession of the said Bank for safekeeping or otherwise, at any broker's board or at public or private sale, at the option of said Bank, and at such sale, if public, the said Bank may itself purchase the whole or any part of the property sold, free from any right of redemption on the part of the mortgagor or pledgor. In case of sale for any cause, after deducting all costs, or expenses

of any kind for collection, sale or delivery, the said Bank may apply the residue of the proceeds of the sale so made, to pay the said Bank, as its President shall deem proper whether then due or not due, making proper rebate for interest on liabilities not then due, returning the overplus, if any, to the mortgagor or pledgor, who shall remain liable to and pay to said Bank any deficiency arising upon such sale or sales.

SEC. 20. *Action to collect balance of indebtedness.*—If the proceeds of the sale of securities held as collateral for loans by said Bank do not cover the full amount of the loan, together with the interest and other charges thereon, the Bank may proceed against the debtor for the difference, but any amount exceeding the full indebtedness to the Bank shall be paid to the debtor.

PROHIBITED REMUNERATION

SEC. 21. *Prohibition against charging fees in securing loans—Penalties for violations.*—No fee, charge or commission in any form shall be exacted, demanded, or paid for, for obtaining loans, directly or indirectly, by any director, officer, employee, or agent of the Veterans Bank. Any director, officer, employee or agent so exacting, demanding or receiving any fee for his service or for the use of his influence in obtaining a loan shall be punished as hereinafter provided for, for the violation of this Act.

NET PROFIT

SEC. 22. *Allocation of net profits.*—At the close of each calendar year, the Bank shall determine the net result of its operations, in the calculation of which, adequate allowances shall be made for probable losses, and the net profit arrived thereat shall be distributed as follows:

(a) Twenty (20%) percent of such net profit shall accrue to the reserve account: *Provided*, That should the accumulated reserves equal to or in excess of the authorized capital of the Bank, the twenty per cent herein authorized to be accumulated shall be distributed under the subsection immediately following;

(b) From the remaining eighty (80%) per cent of the net profit shall be deducted the guaranteed earnings of the preferred shares of stock owned by individual veterans, their widows, orphans or compulsory heirs: *Provided*, That the share in the net profits corresponding to the Republic of the Philippines shall first be applied in payment of its capital stock subscription, until said shares shall have been fully paid. Thereafter, twenty *per centum* of the net profits after deducting the guaranteed earnings of the preferred shares shall be paid in cash to the Board of Trustees as hereinafter provided in Section 23 hereof for disposition and shall be available for 'grants-in-aid' to veterans, their widows, orphans, or compulsory heirs, for educational, social, charitable, and rehabilitation purposes, to organization doing service for the cause of the veterans, and for such other purposes beneficial to the veterans.

The remaining profits shall be paid as dividends on common shares held by the individual veterans as provided in Section three of this Act.

SEC. 23. *Board of Trustees of World War II.*—There is hereby created a Board of Trustees for the veterans of World War II to be known as ‘The Board of Trustees of the Veterans of World War II’, consisting of eleven (11) members to be selected from among the veterans of World War II by the Supreme Council of the Veterans Federation of the Philippines organized pursuant to Republic Act Numbered Twenty-six hundred and forty.

The Board of Trustees shall be organized within ninety (90) days after the approval of this Act. Immediately after its organization the members of the Board of Trustees shall elect from among themselves a Chairman and a Vice-Chairman. The members of the Board of Trustees shall serve without compensation other than actual and necessary expenses incurred either in attendance upon meetings of the Board or upon other official business authorized by resolution thereof, but a vote of the majority of all the members shall be necessary to authorize the disposal of the funds held by the Board.

The Board shall appoint a secretary and such necessary other officials and employees and fix their compensations.

LEGAL EXISTENCE

SEC. 24. *Term of legal existence.*—The legal existence of the Bank under this Act shall be for a period of fifty (50) years, from and after the date of the approval of this Act.

SEC. 25. *Prohibition against the use of the word “Veterans”*—*Penalty for violation.*—All banks other than the Veterans Bank, and such other banks now licensed to do business in the Philippines whose names already include the word “veterans” are prohibited from using the word “veterans” as a portion of their names or titles. Any party violating this provision shall be subject to a fine of not less than one hundred (₱100.00) pesos for each day during which said violation is committed or repeated.

PENALTIES

SEC. 26. *Penalties for violation of the provisions of this Act.*—Any director, officer, employee, or agent of the Bank who violates or permits the violation of any of the provision of this Act, shall be punished by a fine not exceeding ten thousand (₱10,000.00) pesos or imprisonment of not more than five (5) years, or both, in the discretion of the court.

VETERANS BANK — A GOVERNMENT DEPOSITORY

SEC. 27. *Veterans Bank authorized to receive deposit of government funds as a Government Depository.*—The Secretary of Finance, the National Treasu-

rer and his authorized representatives, city and municipal treasurers as well as official custodians of public funds or those belonging to government-owned or controlled corporations are hereby authorized if they so desire to make and actually maintain deposits of any government or corporate funds with the Veterans Bank, which is hereby declared to be a government depository.

GENERAL PROVISIONS

SEC. 28. *Articles of incorporation.*—This Act, upon its approval, shall be deemed and accepted to all legal intents and purposes as the statutory articles of incorporation or Charter of the Philippine Veterans' Bank; and that, notwithstanding the provisions of any existing law to the contrary, said Bank shall be deemed registered and duly authorized to do business and operate as a commercial bank as of the date of approval of this Act.

SEC. 29. *By-laws.*—Within one month after the approval of this Act, the by laws of the Philippine Veterans' Bank for its organizational, functional and operations government and procedures shall be adopted by the affirmative vote of the stockholders representing a majority of all the subscribed capital stock entitled to vote, whether paid or unpaid, subject to certification by the Monetary Board pursuant to Section 10 of Republic Act Numbered Three hundred thirty-seven.

The by-laws, duly certified by the Monetary Board as aforesaid, shall be signed by the stockholders, voting for them and shall be kept in the principal office of the Bank, subject to the inspection of the stockholders during office hours, and a copy thereof, duly certified by a majority of the directors and countersigned by the Bank secretary, shall be filed and registered with the Securities and Exchange Commissioner.

SEC. 30. Any law or part of law inconsistent with the provisions of this Act is hereby repealed.

SEC. 31. This Act shall take effect upon its approval.

Approved, June 18, 1963.

AN ACT AUTHORIZING THE PRESIDENT, FOR AND IN BEHALF OF THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES, TO GUARANTEE SUCH LOANS AS MAY BE GRANTED BY THE EXPORT-IMPORT BANK OF WASHINGTON, D.C., OR ANY OTHER INTERNATIONAL BANK FOR THE ESTABLISHMENT OF AN INTEGRATED STEEL PLANT AT ILIGAN CITY AND FOR OTHER PURPOSES.

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

SECTION 1. Any provision of law to the contrary notwithstanding, the President of the Philippines is hereby authorized to guarantee absolutely and unconditionally, in the name and on behalf of the Government of the Republic of the Philippines, the payment of the loan or loans that may be granted by the Export-Import Bank of Washington, D.C., or any other international bank, for the establishment, management and operation of an integrated steel mill at Iligan City, Philippines: *Provided, however,* That the amount of the guaranty undertaken shall not exceed the sum of two hundred seventy-five million pesos, Philippine currency.

SEC. 2. The President of the Philippines is also hereby authorized to designate by appointment in writing such other person as he shall select to exercise any or all the powers conferred upon the President of the Philippines by this Act.

SEC. 3. This Act shall take effect upon its approval.

Approved, June 19, 1963.

[REPUBLIC ACT NO. 3524]

AN ACT TO PROHIBIT BARTER IN INTERNATIONAL TRADE, PROVIDING FOR PENALTIES FOR VIOLATION THEREOF, REPEALING FOR THIS PURPOSE REPUBLIC ACT NUMBERED TWO THOUSAND TWO HUNDRED AND SIXTY-ONE, ENTITLED "AN ACT TO PROMOTE ECONOMIC DEVELOPMENT BY GIVING INCENTIVES TO MARGINAL AND SUB-MARGINAL INDUSTRIES", AND FOR OTHER PURPOSES.

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

SECTION 1. Republic Act Numbered Twenty-two hundred and sixty-one, otherwise known as "An Act to promote economic development by giving incentives to marginal and sub-marginal industries", is hereby repealed.

SEC. 2. Henceforth, barter in international trade shall be prohibited until full convertibility of the total foreign exchange earnings at the free market rates shall have been adopted by the Central Bank.

SEC. 3. Upon effectivity of this Act, the Secretary of Commerce and Industry shall create a staff from personnel of the Department of Commerce and Industry to supervise the liquidation and termination of all unliquidated and subsisting contracts, barter permits and/or transactions approved and sanctioned by the Producers Incentives Board prior to the effectivity of this Act pursuant to the provisions of Republic Act Numbered Twenty-two hundred and sixty-one: *Provided*, That parties to such contracts, barter permits and/or transactions shall be given time to liquidate or finalize their transactions up to December thirty-first, nineteen hundred sixty-three.

Within one week from the effectivity of this Act, a list of the barter permits, contracts, transactions and applications referred to in this section shall be prepared and published by the Department of Commerce and Industry at least once in all leading newspapers of general circulation in the Philippines. After such publication, no amendment, alteration or modification may be made on said list.

SEC. 4. Officials, employees and laborers of the Producers Incentives Board who will be separated from the service owing to the effectivity of this Act who are entitled to retire, shall be retired upon compliance with the laws, rules and regulations on retirement. Those who will not be so retired shall be entitled to the commutation of the money value of their vacation and sick leaves and to gratuity, which shall be paid in one lump sum. The gratuity shall be equivalent to one month's salary for every year of continuous, satisfactory ser-

vice rendered in the said office or in any other government agency or instrumentality on the basis of the last salary received by them, but not exceeding twelve months in aggregate: *Provided*, That any official, employee, or laborer who has rendered less than one year of service shall be entitled to gratuity equivalent to one month's salary: *Provided, further*, That the sum of one hundred fifty thousand pesos, which is otherwise the operational appropriation of the board, is hereby authorized and appropriated for the immediate payment of the retirement gratuity under Republic Act Numbered Thirty hundred and ninety-six, gratuity for those not retirable therein, and commutation of vacation and sick leaves as authorized in this section: *Provided, still further*, That any sum remaining out of the operational appropriation of the board after payment of the retirement gratuity, the gratuity of those not retireable under Republic Act Numbered Thirty hundred and ninety-six, and the commutation of vacation and sick leaves herein provided shall be forwarded to the national treasury to form part of the general fund: *Provided, furthermore*, That officials, employees and laborers separated by virtue of this Act shall be given first priority in the filling of new positions which may be created in the Department of Commerce and Industry for the fiscal year nineteen hundred and sixty-three — nineteen hundred and sixty-four: *And provided, finally*, That in case of subsequent reinstatement in the government service or in any government-owned or controlled corporation of any such official, employee or laborer who has been paid gratuity and/or the money value of his vacation and sick leaves, he shall refund to the national government the value of the unexpired portion of his vacation and/or sick leave, if any, and the value of the gratuity which he would not have received had it been payable to him in monthly installments.

SEC. 5. A fine of not less than two hundred pesos nor more than five thousand pesos and imprisonment for a period of not less than two months nor more than five years, shall be imposed upon any person found guilty of violating the provisions of this Act. The same penalty shall be imposed on persons who shall be found guilty of committing acts intended to defeat the purposes of this Act.

If the offender in the next preceding paragraph is a public officer, he shall be punished with the maximum penalty provided for therein, and if he is an alien, the penalty to be imposed shall consist in the payment of the fine hereinabove provided and of immediate deportation without any further proceedings on the part of the deportation board.

In case the violation is committed by a corporation, partnership or association, the president, managing director or manager thereof shall be held liable under this section.

In addition to the penalties hereinabove provided, the articles imported shall be subject to seizure and confiscation by the Commissioner of Customs in accordance with the procedure established in the Revised Administrative Code.

SEC. 6. All Acts, executive orders, administrative orders, circulars, proclamations, or parts thereof, inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 7. This Act shall take effect upon its approval.

Approved, June 20, 1963.

AN ACT ESTABLISHING THE PHILIPPINE DEPOSIT INSURANCE CORPORATION, DEFINING ITS POWERS AND DUTIES AND FOR OTHER PURPOSES.

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

SECTION 1. There is hereby created a Philippine Deposit Insurance Corporation hereinafter referred to as the "Corporation" which shall insure, as hereinafter provided, the deposits of all banks which are entitled to the benefits of insurance under this Act, and which shall have the powers hereinafter granted.

SEC. 2. The powers and functions of the Corporation shall be vested in a board of directors consisting of three (3) members one of whom shall be the Governor of the Central Bank of the Philippines and two of whom shall be citizens of the Republic of the Philippines to be appointed by the President of the Philippines with the advice and consent of the Commission on Appointments. One of the appointive members shall be the Chairman of the Board of Directors of the Corporation who shall be appointed on a full time basis for a term of six (6) years at an annual salary of twenty four thousand pesos (₱24,000.00). The other appointive member, who shall be appointed for a term of four (4) years and the Governor of the Central Bank shall each receive a *per diem* of not exceeding fifty pesos (₱50.00) for each day of meeting actually attended by them but in no case shall each of them receive more than five hundred pesos (₱500.00) a month. In the event of a vacancy in the Office of the Governor of the Central Bank of the Philippines, and pending the appointment of his successor or during the absence of the Governor, the Acting Governor of the Central Bank of the Philippines shall act as member of the Board of Directors. In the event of a vacancy in the Office of the Chairman of the Board of Directors and pending the appointment of his successor, the Governor of the Central Bank of the Philippines shall act as Chairman. The members of the Board of Directors shall be ineligible during the time they are in office and for a period of two years thereafter to hold any office, position or employment in any insured bank, except that this restriction shall not apply to any member who has served the full term for which he was appointed. No member of the Board of Directors shall be an officer or director of any insured bank; and before entering upon his duties as member of the Board of Directors he shall certify under oath that he has complied with this requirement and such certification shall be filed with the Secretary of the Board of Directors. Any

vacancy in the Board created by the death, resignation, or removal of an appointive member shall be filled by the appointment of new member to complete the unexpired period of the term of the member concerned.

The Board of Directors shall have the authority:

1. To prepare and issue rules and regulation as it considers necessary for the effective discharge of its responsibilities;
2. To direct the management, operations and administration of the Corporation;
3. To appoint, fix the remunerations and remove all officers and employees of the Corporation, subject to the Civil Service Law; and
4. To authorize such expenditures by the Corporation as are in the interest of the effective administration and operation of the Corporation.

SEC. 3. As used in this Act—

(a) The term “Board of Directors” means the Board of Directors of the Corporation.

(b) The term “Bank” and “Banking Institution” shall be synonymous and interchangeable and shall include banks, commercial banks, savings banks, mortgage banks, rural banks, development banks, cooperative banks, trust companies, branches and agencies in the Philippines of foreign banks and all other companies, corporations, partnership performing banking functions in the Philippines.

(c) The term “receiver” includes a receiver, liquidating agent, conservator, commission, person, or other agency charged by law with the duty of winding up the affairs of a bank.

(d) The term “insured bank” means any bank the deposit of which are insured in accordance with the provision of this act;

~~(e) The term “non-insured bank” means any bank the deposit of which are not insured.~~

(f) The term “deposit” means the unpaid balance of money or its equivalent received by a bank in the usual course of business and for which it has given or is obliged to give credit to a commercial, checking, savings, time or thrift account or which is evidenced by its certificate of deposit, and trust funds held by such bank whether retained or deposited in any department of such bank or deposited in another bank, together with such other obligations of a bank as the Board of Directors shall find and shall prescribe by regulations to be deposit liabilities of the Bank: *Provided*, That any obligation of a bank which is payable at the office of the bank located outside of the Philippines shall not be a deposit for any of the purposes of this Act or included as part

of the total deposits or of the insured deposit: *Provided, further,* That any insured bank which is incorporated under the laws of the Philippines which maintains a branch outside the Philippines may elect to include for insurance its deposit obligation payable only at such branch.

(g) The term "insured deposit" means the net amount due to any depositor for deposits in an insured bank (after deducting offsets) less any part thereof which is in excess of ₱10,000. Such net amount shall be determined according to such regulations as the Board of Directors may prescribe and in determining the amount due to any depositor there shall be added together all deposits in the bank maintained in the same capacity and the same right for his benefit or in his own name or in the names of others.

(h) The term "transfer deposit" means a deposit in an insured bank made available to a depositor by the Corporation as payment of insured deposit of such depositor in a closed bank and assumed by another insured bank.

(i) The term "trust funds" means funds held by an insured bank in a fiduciary capacity and includes without being limited to, funds held as trustee, executor, administrator, guardian, or agent.

SEC. 4. Any bank or banking institution which is engaged in the business of receiving deposits as herein defined on the effective date of this Act, or which thereafter may engage in the business of receiving deposits, may insure its deposit liabilities with the Corporation. Before approving the application of such bank to become an insured bank, the Board of Directors shall give consideration to the factors enumerated in Section 5 and shall determine upon the basis of a thorough examination of such bank, that its assets in excess of its capital requirements are adequate to enable it to meet all its liabilities to depositors and other creditors as shown by the books of the bank.

SEC. 5. The factors to be considered by the Board of Directors under the preceding section shall be the following: the financial history and condition of the Bank, the adequacy of its capital structure, its future earning prospects, the general character of its management, the convenience and needs of the community to be served by the Bank and whether or not its corporate powers are consistent with the purposes of this Act.

✓ SEC. 6. (a) The assessment rate shall be determined by the Board of Directors: *Provided,* That the assessment rate shall not exceed one-twelfth of one *per centum per annum*. The semiannual assessment for each insured bank shall be in the amount of the product of one-half ($\frac{1}{2}$) the assessment rate multiplied by the assessment base. The assessment base shall be the amount of the liability of the bank for deposits, according to the definition of the term "deposit" in and pursuant to subsection (f) of Section 3 without any deduction for indebtedness of depositors: *Provided, further,* That the bank —

(1) may deduct (i) from the deposit balance due to an insured bank the deposit balance due from such insured bank (other than trust funds

deposited by it in such bank) which is subject to an immediate withdrawal; and (ii) cash items as determined by either of the following methods, at the option of the bank: (aa) by multiplying by 2 the total of the cash items forwarded for collection on the assessment base days (being the days on which the average deposits are computed) and cash items held for clearings at the close of business on said days, which are in the process of collection and which the bank has paid in the regular course of business or credited to deposit accounts; or (bb) by deducting the total of cash items forwarded for collection on the assessment base days and cash items held for clearings at the close of business on said days, which are in the process of collection and which the bank has paid in the regular course of business or credited to deposit accounts, plus such uncollected items paid or credited on preceding days which are in the process of collection: *Provided*, that the Board of Directors may define the terms "cash items," "process of collection", and "uncollected items" and shall fix the maximum period for which any such items may be deducted; and

(2) may exclude from its assessment base (i) drafts drawn by it on deposit accounts in other banks which are issued in the regular course of business; and the amount of advices or authorizations issued by it for cash letters received, directing that its deposit account in the sending bank be charged with the amount thereof; and (ii) cash funds which are received and held solely for the purpose of securing a liability to the bank but not in an amount in excess of such liability, and which are not subject to withdrawal by the obligor and are carried in a special non-interest bearing account designated to properly show their purpose.

Each insured bank, as a condition to the right to make any such deduction or exclusion in determining its assessment base, shall maintain such records as will readily permit verification of the correctness thereof. The semiannual assessment base for one semiannual period shall be the average of the assessment base of the bank as of the close of business on March thirty-one and June thirty, and the semiannual assessment base for the other semiannual period shall be the average of the assessment base of the bank as of the close of business on September thirty and December thirty-one: *Provided*, That when any of said days is a non-business day or a legal holiday, either National or Provincial, the preceding business day shall be used. The certified statements required to be filed with the Corporation under subsections (b) and (c) of this section shall be in such form and set forth such supporting information as the Board of Directors shall prescribe. The assessment payments required from insured banks under subsection (b) and (c) of this section shall be made in such manner and at such time or times as the Board of Directors shall prescribe, provided the time or times so prescribed shall not be later than sixty days after filing the certified statement setting forth the amount of assessment.

(b) On or before the 15th of July of each year, each insured bank shall file with the Corporation a certified statement showing for the six months ending on the preceding June thirty the amount of the assessment base and the amount of the semiannual assessment due to the Corporation for the period ending on the following December thirty-one, determined in accordance with sub-section (a) of this section, which shall contain or be verified by a written declaration that it is made under the penalties of perjury. Each insured bank shall pay to the Corporation the amount of the semiannual assessment it is required to certify. On or before the 15th day of January of each year, each insured bank shall file with the Corporation a similar certified statement for the six months ending on the preceding December thirty-one and shall pay to the Corporation the amount of the semiannual assessment for the period ending on the following June thirty which it is required to certify.

(c) Each bank which becomes an insured bank shall not be required to file any certified statement or pay any assessment for the semiannual period in which it becomes an insured bank. On the expiration of such period, each such bank shall comply with the provisions of sub-section (b) of this section except that the semiannual assessment base of the bank as of the close of business on the preceding June thirty or December thirty-one, whichever is applicable, determined in accordance with sub-section (a) of this section. If such bank has assumed the liabilities for deposits of another bank or banks, it shall include such liabilities in its assessment base. The first certified statement shall show as the amount of the first semiannual assessment due to the Corporation, an amount equal to the product of one-half of the annual assessment rate multiplied by such assessment base.

(d) As of December thirty-one, nineteen hundred sixty-four, and as of December thirty-one of each calendar year thereafter, the Corporation shall transfer 40 *per centum* of its net assessment income to its capital account and the balance of the net assessment income shall be credited *pro rata* to the insured banks based upon the assessment of each bank becoming due during said calendar year. Each year such credit shall be applied by the Corporation toward the payment of the total assessment becoming due for the semiannual assessment period beginning the next ensuing July 1 and any excess credit shall be applied upon the assessment next becoming due. The term "net assessment income" as used therein means the total assessments which become due during the calendar year less (1) the operating costs and expenses of the Corporation for the calendar year; (2) additions to reserve to provide for insurance losses during the calendar year, except that any adjustments to reserve which result in a reduction of such reserve shall be added; and (3) the insurance losses sustained in said calendar year plus losses from any preceding years in excess of such reserves. If the above deductions exceed in amount the total assess-

ments which become due during the calendar year, the amount of such excess shall be restored by deduction from total assessment becoming due in subsequent years.

(e) The Corporation (1) may refund to an insured bank any payment of assessment in excess of the amount due to the Corporation or (2) may credit such excess toward the payment of the assessment next becoming due from such bank and upon succeeding assessments until the credit is exhausted.

(f) Any insured bank which fails to file any certified statement required to be filed by it in connection with determining the amount of any assessment payable by the bank to the Corporation may be compelled to file such statement by mandatory injunction or other appropriate remedy in a suit brought for such purpose by the Corporation against the bank and any officer or offices thereof in any court of the Philippines of competent jurisdiction in which such bank is located.

(g) The Corporation, in a suit brought in any court of competent jurisdiction, shall be entitled to recover from any insured bank the amount of any unpaid assessment lawfully payable by such insured bank to the Corporation, whether or not such bank shall have filed any such certified statement and whether or not suit shall have been brought to compel the bank to file any such statement. No action or proceeding shall be brought for recovery of any assessment due to the Corporation or for the recovering of any amount paid to the Corporation in excess of the amount due to it, unless such action or proceeding shall have been brought within five years after the right accrued for which the claim is made, except where the insured bank has made or filed with the Corporation a false or fraudulent certified statement with the intent to evade, in whole or in part, the payment of assessment, in which case the claim shall not have been deemed to have accrued until the discovery by the Corporation that the certified statement is false or fraudulent.

(h) Should any insured bank fail or refuse to pay any assessment required to be paid by such bank under any provision of this Act, and should the bank not correct such failure or refusal within thirty days after written notice has been given by the Corporation to an officer of the bank, citing this subsection, and stating that the bank has failed or refused to pay as required by law the insured status of such bank shall be terminated by the Board of Directors. The remedies provided in this subsection and in the two preceding subsections shall not be construed as limiting any other remedies against an insured bank but shall be in addition thereto.

(i) Trust funds held by an insured bank in fiduciary capacity whether held in trust or deposited in any other department or in another bank shall be insured like other forms of deposits, in an amount not to exceed ₱10,000 for each trust estate, and when deposited by the fiduciary bank in another insured bank such trust funds shall be similarly insured to the fiduciary bank

according to the trust estate represented. Notwithstanding any other provision of this Act, such insurance shall be separate from and additional to that covering other deposits of the owners of such trust funds or the beneficiaries of such trust estates: *Provided*, That where the fiduciary bank deposits any of such trust funds in other insured banks, the amount so held by other insured banks on deposit shall not for the purpose of any certified statement required under subsections (b) and (c) of this section be considered to be a deposit liability of the fiduciary bank, but shall be considered to be a deposit liability of the bank in which such funds are so deposited by such fiduciary bank. The Board of Directors shall have the power by regulation to prescribe the manner of reporting and of depositing such trust funds.

SEC. 7. (a) Any insured bank may, upon not less than ninety days, written notice to the Corporation, and to the development Bank of the Philippines if it owns or holds as pledges any preferred stock, capital notes, or debentures of such bank, terminate its status as an insured bank. Whenever the Board of Directors shall find that an insured bank or its directors or trustees have continued unsafe or unsound practices in conducting the business of the bank or which have knowingly or negligently permitted any of its officers or agents to violate any provisions of any law or regulation to which the insured bank is subject, the Board of Directors shall first give to the Central Bank of the Philippines a statement with respect to such practices or violations for the purpose of securing the correction thereof and shall give a copy thereof to the bank. Unless such correction shall be made within one hundred twenty days or such shorter period of time as the Central Bank of the Philippines shall require, the Board of Directors, if it shall determine to proceed further, shall give to the bank not less than thirty days' written notice of intention to determine the status of the bank as an insured bank, and shall fix a time and place for a hearing before the Board of Directors or before a person designated by it to conduct such hearing, at which evidence may be produced, and upon such evidence the Board of Directors shall make written findings which shall be conclusive. Unless the bank shall appear at the hearing by a duly authorized representative, it shall be deemed to have consented to the termination of its status as an insured bank. If the Board of Directors shall find that any unsafe or unsound practice or violation specified in such notice has been established and has not been corrected within the time above prescribed in which to make such correction, the Board of Directors may order that the insured status of the bank be terminated on a date subsequent to such finding and to the expiration of the time specified in such notice of intention. The Corporation may publish notice of such termination and the bank shall give notice of such termination to each of the depositors at his last address of record on the books of the bank, in such a manner and at such a time as the Board of Directors may find to be necessary and may order for the protection of the depositors. After the termination of the insured status of any bank under the provisions of this subsection, the insured deposits of each de-

positor in the bank on the date of such termination, less all subsequent withdrawals from any deposits of such depositors, shall continue for a period of two years to be insured, and the bank shall continue to pay to the Corporation assessments as in the case of an insured bank during such period. No additions to any such deposits and no new deposits in such bank made after the date of such termination shall be insured by the Corporation, and the bank shall not advertise or hold itself out as having insured deposits unless in the same connection it shall also state with equal prominence that such additions to deposits and new deposits made after such date are not so insured. Such bank shall, in all other respects, be subject to the duties and obligations of an insured bank for the period of two years from the date of such termination, and in the event that such bank shall be closed on account of insolvency within such period of two years, the Corporation shall have the same powers and rights with respect to such bank as in case of an insured bank.

(b) Notwithstanding any other provision of law, whenever the Board of Directors shall determine that an insured banking institution is not engaged in the business of receiving deposits, the Corporation shall notify the banking institution that its insured status will terminate at the expiration of the first full semiannual assessment period following such notice. A find by the Board of Directors that a banking institution is not engaged in the business of receiving deposits shall be conclusive. The Board of Directors shall prescribe the notice to be given by the banking institution of such termination and the Corporation may publish notice thereof. Upon the termination of the insured status of any such banking institution, its deposits shall thereupon cease to be insured and the banking institution shall thereafter be relieved of all future obligations to the Corporation, including the obligation to pay future assessments.

(c) Whenever the liabilities of an insured bank for deposits shall have been assumed by another insured bank or banks, the insured status of the bank whose liabilities are so assumed shall terminate on the date of receipt by the Corporation of satisfactory evidence of such assumption with like effect as if its insured status had been terminated on said date by the Board of Directors after proceedings under subsection (a) of this section: *Provided*, That if the bank whose liabilities are so assumed gives to its depositors notice of such assumption within thirty days after such assumption takes effect, by publication or by any reasonable means, in accordance with regulations to be prescribed by the Board of Directors, the insurance of its deposits shall terminate at the end of six months from the date such assumption takes effect. Such bank shall be subject to the duties and obligations of an insured bank for the period its deposits are insured: *Provided, further*, That if the deposits are assumed by a newly insured bank, the bank whose deposits are

assumed shall not be required to pay any assessment upon the deposits which have been so assumed after the semiannual period in which the assumption takes effect.

SEC. 8. The Corporation as a corporate body shall have the power.---

First.---To adopt and use a corporate seal.

Second.---To have succession until dissolved by an Act of Congress.

Third.---To make contracts.

Fourth.---To sue and be sued, complain and defend, in any court of law in the Philippines. All suits of a civil nature to which the corporation shall be a part shall be deemed to arise under the laws of the Philippines. No attachment or execution shall be issued against the Corporation or its property before final judgment in any suit, action, or proceeding in any court. The Board of Directors shall designate an agent upon whom service of process may be made in any province or city or jurisdiction in which any insured bank is located.

Fifth.---To appoint by its Board of Directors such officers and employees as are not otherwise provided for in this Act to define their duties, fix their compensation, require bonds of them and fix penalty thereof and to dismiss such officers and employees for cause.

Sixth.---To prescribe, by its Board of Directors, by-laws not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.

Seventh.---To exercise by its Board of Directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this Act, and such incidental powers as shall be necessary to carry on the powers so granted.

Eighth.---To make examinations of and to require information and reports from banks, as provided in this Act.

Ninth.---To act as receiver.

Tenth.---To prescribe by its Board of Directors such rules and regulations as it may deem necessary to carry out the provisions of this Act.

SEC. 9. (a) The Board of Directors shall administer the affairs of the Corporation fairly and impartially and without discrimination. The Corporation shall be entitled to the free use of Philippine mails in the same manner as the other offices of the national government.

(b) The Board of Directors shall appoint examiners who shall have power, on behalf of the Corporation to examine any insured bank or any bank

making application to become an insured bank, whenever in the judgment of the Board of Directors an examination of the bank is necessary. Each such examiner shall have power to make a thorough examination of all the affairs of the bank and in doing so he shall have power to administer oaths and to examine and take and preserve the testimony of any of the officers and agents thereof, and shall make a full and detailed report of the condition of the bank to the Corporation. The Board of Directors in like manner shall appoint claim agents who shall have power to investigate and examine all claims for insured deposits and transferred deposits. Each claim agent shall have power to administer oaths and to examine under oath and take and preserve the testimony of any person relating to such claims.

(c) Each insured bank shall make to the Corporation reports of condition in such form and at such times as the Board of Directors may require such reports to be published in such manner, not inconsistent with any applicable law, as it may direct. Every such bank which fails to make or publish any such report with such time, not less than five days, as the Board of Directors may require, shall be subject to a penalty of not more than ₱100 for each day of such failure recoverable by the Corporation for its use.

(d) The Corporation shall have access to reports of examination made by, and reports of condition made to the superintendent of Banks or the Governor of the Central Bank of the Philippines, and the Superintendent of Banks or the Governor of the Central Bank of the Philippines shall also have access to reports of examination made on behalf of, and reports of condition made to the Corporation.

(e) The members of the Board of Directors and the officers and employees of the Corporation are prohibited from revealing any information relating to the condition or business of any insured bank and any member of the Board of Directors, officers or employee of the Corporation violating this provision shall be held liable for any loss or injury suffered by the Corporation.

SEC. 10. (a) A permanent insurance fund in the amount of ₱5,000,000 to be appropriated from the General Fund is hereby created to be used by the Corporation to carry out the purposes of this Act: *Provided*, That the maximum amount of the insured deposit of any depositors shall be ₱10,000.

(b) For the purposes of this Act an insured bank shall be deemed to have been closed on account of insolvency in any case in which it has been closed for the purpose of liquidation without adequate provision being made for payment of its depositors.

(c) Whenever an insured bank shall have been closed on account of insolvency, payment of the insured deposits in such bank shall be made by the Corporation as soon as possible either (1) by cash or (2) by making available to each depositor a transferred deposit in another insured bank in an

amount equal to the insured deposit of such depositor: *Provided*, That the Corporation, in its discretion, may require proof of claims to be filed before paying the insured deposits, and that in any case where the Corporation is not satisfied as to the validity of a claim for an insured deposit, it may require the final determination of a court of competent jurisdiction before paying such claim.

(d) The Corporation, upon the payment of any depositor as provided for in subsection (c) of this section shall be subrogated to all rights of the depositor against the closed bank to the extent of such payment. Such subrogation shall include the right on the part of the Corporation to receive the same dividends from the proceeds of the assets of such closed bank and recoveries on account of stockholders' liability as would have been payable to the depositor on a claim for the insured deposit, but such depositor shall retain his claim for any uninsured portion of his deposit.

SEC. 11. (a) Payment of an insured deposit to any person by the Corporation shall discharge the Corporation, and payment of a transferred deposit to any person by the new bank or by an insured bank in which a transferred deposit has been made available shall discharge the Corporation and such new bank or other insured bank, to the same extent that payment to such person by the closed bank would have discharged it from liability for the insured deposit.

(b) Except as otherwise prescribed by the Board of Directors, neither the Corporation nor such other insured bank shall be required to recognize as the owner of any portion of a deposit appearing on the records of the closed bank under a name other than that of the claimant, any person whose name or interest as such owner is not disclosed on the records of such closed bank as part owner of said deposit, if such recognition would increase the aggregate amount of the insured deposits in such closed bank.

(c) The Corporation may withhold payment of such portion of the insured deposit of any depositor in a closed bank as may be required to provide for the payment of any liability of such depositor as a stockholder of the closed bank, or of any liability of such depositor to the closed bank or its receiver, which is not offset against a claim due from such bank, pending the determination and payment of such liability by such depositor or any other person liable therefor.

(d) If, after the Corporation shall have given at least three months notice to the depositor by mailing a copy thereof to his last-known address appearing on the records of the closed bank, any depositor in the closed bank shall fail to claim his insured deposit from the Corporation within eighteen months after the Monetary Board of the Central Bank of the Philippines or the proper court shall have ordered the conversion of the assets of such closed bank into money, all rights of the depositor against the Corporation with res-

pect to the insured deposit shall be barred, and all rights of the depositor against the closed bank and its shareholders or the receivership estate to which the Corporation may have become subrogated, shall thereupon revert to the depositor.

SEC. 12. (a) Money of the Corporation not otherwise employed shall be invested in obligations of the Republic of the Philippines or in obligations guaranteed as to principal and interest by the Republic of the Philippines: *Provided*, That the Corporation shall not sell or purchase any such obligations for its own account and in its own right and interest, at any one time aggregating in excess of ₱100,000, without the approval of the Insurance Commissioner: *And Provided, further*, That the Insurance Commissioner may waive the requirement of his approval with respect to any transaction or classes of transactions subject to the provisions of this subsection for such period of time and under such conditions as he may determine.

(b) The banking or checking accounts of the Corporation shall be kept with the Central Bank of the Philippines, with the Philippine National Bank, or with any other bank designated as depository or fiscal agent of the Philippine Government.

(c) When the Corporation has determined that an insured bank is in danger of closing, in order to prevent such closing, the Corporation, in the discretion of its Board of Directors is authorized to make loans to, or purchase the assets of, or make deposits in, such insured bank, upon such terms and conditions as the Board of Directors may prescribe, when in the opinion of the Board of Directors the continued operation of such bank is essential to provide adequate banking service in the community. Such loans and deposits may be in subordination to the rights of depositors and other creditors.

SEC. 13. The corporation is authorized to borrow from the Central Bank of the Philippines and the Central Bank is authorized and directed to loan the Corporation on such terms as may be fixed by the Corporation and the Central Bank, such funds as in the judgment of the Board of Directors of the Corporation are from time to time required for insurance purposes not exceeding in the aggregate of one hundred million pesos outstanding at any one time: *Provided*, That the rate of interest to be charged in connection with any loan made pursuant to this section shall not be less than the current average rate on outstanding marketable and nonmarketable obligations of the Republic of the Philippines as of the last day of the month preceding the making of such loan. Any such loan shall be used by the Corporation solely in carrying out its functions with respect to such insurance.

SEC. 14. All notes, debentures, bonds, or such obligations issued by the Corporation shall be exempt from taxation.

SEC. 15. (a) The Corporation shall annually make a report of its operations to the Congress as soon as practicable after the 1st day of January in each year.

(b) The financial transactions of the Corporation shall be audited by the General Auditing Office in accordance with the principle and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Auditor General. The audit shall be conducted at the place or places where accounts of the Corporation are normally kept. The representatives of the General Auditing Office shall have access to all books, accounts, records, reports, files, and all other papers, things, or property belonging to or in use by the Corporation pertaining to its financial transactions and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians. All such books, accounts, records, reports, files, papers, and property of the Corporation shall remain in possession and custody of the Corporation.

(c) A report of the Audit for each fiscal year ending on June 30 shall be made by the Auditor General to the Congress not later than January 15 following the close of such fiscal year. On or before December 15 following such fiscal year the Auditor General shall furnish the Corporation a short form report showing the financial position of the Corporation at the close of fiscal year. The report to the Congress shall set forth the scope of the audit and shall include a statement of assets and liabilities and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expenses; a statement of sources and application of funds and such comments and information as may be deemed necessary to inform Congress of the financial operations and condition of the Corporation, together with such recommendations with respect thereto as the Auditor General may deem advisable. The report shall also show specifically any program, expenditure, or other financial transactions or undertaking observed in the course of the audit, which in the opinion of the Auditor General has been carried on or made without authority of law. A copy of each report shall be furnished to the President of the Philippines, to the Governor of the Central Bank of the Philippines, and to the Corporation at the time submitted to the Congress.

SEC. 16. (a) Every insured bank shall display at each place of business maintained by it a sign or signs, and shall include a statement to the effect that its deposits are insured by the Corporation in all of its advertisements: *Provided*, That the Board of Directors may exempt from this requirement advertisements which do not relate to deposits or when it is impractical to include such statement therein. The Board of Directors shall prescribe by regulation the forms of such signs and the manner of display and the substance of such statements and the manner of use. For each day an insured bank

continues to violate any provisions of this subsection or any lawful provisions of said regulations, it shall be subject to a penalty of not more than ₱100, which the Corporation may recover for its use.

(b) No insured bank shall pay any dividends on its capital stock or interest on its capital notes or debentures (if such interest is required to be paid only out of net profits) or distribute any of its capital assets while it remains in default in the payment of any assessment due to the Corporation; and any director or officer of any insured bank who participates in the declaration or payment of any such dividend or interest or in any such distribution shall, upon conviction, be fined not more than ₱1,000 or imprisoned not more than one year, or both: *Provided*, That if such default is due to a dispute between the insured bank and the Corporation over the amount of such assessment, this subsection shall not apply, if such bank shall deposit security satisfactory to the Corporation for payment upon final determination of the issue.

(c) Without prior written consent of the Corporation, no insured bank shall (1) merge or consolidate with any noninsured bank or institution or convert into a noninsured bank or institution or (2) assume liability to pay any deposits made in, or similar liabilities of, any noninsured bank or institution or (3) transfer assets to any noninsured bank or institution in consideration of the assumption of liabilities for any portion of the deposits made in such insured bank.

(d) The Corporation may require any insured bank to provide protection and indemnity against burglary, defalcation, and other similar insurable losses. Whenever any insured bank refuses to comply with any such requirement the Corporation may contract for such protection and indemnity and add the cost thereof to the assessment otherwise payable by such bank.

(e) Any insured bank which willfully fails or refuses to file any certified statement or pay any assessment required under this Act shall be subject to a penalty of not more than ₱100 for each day that such violations continue, which penalty the Corporation may recover for its use: *Provided*, That this subsection shall not be applicable under the circumstances stated in the provisions of subsection (b) of this section.

SEC. 17. Except with the written consent of the Corporation, no person shall serve as a director, officer, or employee of an insured bank who has been convicted, or who is hereafter convicted, of any criminal offense involving dishonesty or a breach of trust. For each willful violation of this prohibition, the bank involved shall be subject to a penalty of not more than ₱100 for each day this prohibition is violated, which the Corporation may recover for its use.

SEC. 18. If any provision or section of this Act or the application thereof to any person or circumstance is held invalid, the other provisions or sections of this Act, in the application of such provision or section to other persons or circumstances, shall not be affected thereby.

SEC. 19. All Acts or parts of Acts and executive orders, administrative orders, or parts thereof which are inconsistent with the provisions of this Act are hereby repealed.

SEC. 20. This Act shall take effect upon approval. The Philippine Deposit Insurance Corporation shall commence business upon organization of the Board of Directors and certification by the Treasurer of the Philippines that the Permanent Insurance Fund has been appropriated.

Approved, June 22, 1963.

**LIST OF THE LEGAL PARITIES AND/OR EXCHANGE RATES, AS OF
DECEMBER, 1962, OF THE VARIOUS FOREIGN CURRENCIES IN
TERMS OF THE U.S. DOLLAR AND THE PHILIPPINE PESO**

| Member Countries of the International Monetary Fund (Currencies with Par Value) | U n i t | Equivalent in U.S. Currency | Equivalent in Phil. Currency at Official Rate | Foreign Currency Unit per US\$ |
|---|---------------|--------------------------------|---|--------------------------------------|
| Australia | Pound | \$2.24000 | ₱4.48000 | .446429 |
| Austria | Schilling | .03846 | .07692 | 26.00 |
| Belgium | Franc | .02000 | .04000 | 50.00 |
| Burma | Kyat | .21000 | .42000 | 4.76190 |
| Canada | Dollar | .92500 | 1.85000 | 1.08108 |
| Ceylon | Rupee | .21000 | .42000 | 4.76190 |
| Colombia | Peso | .51283 | 1.02566 | 1.94998 |
| Costa Rica | Colon | .15094 | .30188 | 6.62500 |
| Cuba | Peso | 1.00000 | 2.00000 | 1.00 |
| Cyprus | Pound | 2.80000 | 5.60000 | .357143 |
| Denmark | Krone | .14478 | .28956 | 6.90714 |
| Dominican Republic | Peso | 1.00000 | 2.00000 | 1.00 |
| Ecuador | Sucre | .05556 | .11112 | 18.00 |
| El Salvador | Colon | .40000 | .80000 | 2.50 |
| Ethiopia | Dollar | .40250 | .80500 | 2.48447 |
| Finland | Markka | .00313 | .00620 | 320.00 |
| France | New Franc | .20255 | .40510 | 4.93706 |
| Germany, Fed. Rep. of | Deutsche Mark | .25000 | .50000 | 4.00 |
| Ghana | Pound | 2.80000 | 5.60000 | .357143 |
| Greece | Draohma | .03333 | .06666 | 30.00 |
| Guatemala | Quetzal | 1.00000 | 2.00000 | 1.00 |
| Haiti | Gourde | .20000 | .40000 | 5.00 |
| Honduras | Lempira | .50000 | 1.00000 | 2.00 |
| Iceland | Krona | .02326 | .04652 | 43.00 |
| India | Rupee | .21000 | .42000 | 4.76190 |
| Iran | Rial | .01320 | .02640 | 75.750 |
| Iraq | Dinar | 2.80000 | 5.60000 | .357143 |
| Ireland | Pound | 2.80000 | 5.60000 | .357143 |
| Israel | Pound | .33333 | .66666 | 3.00 |
| Italy | Lira | .00160 | .00320 | 625.00 |
| Japan | Yen | .00278 | .00556 | 360.00 |
| Jordan | Dinar | 2.80000 | 5.60000 | .357143 |
| Lebanon | Pound | .45631 | .91262 | 2.19148 |
| Libya | Pound | 2.80000 | 5.60000 | .357143 |
| Luxembourg | Franc | .02000 | .04000 | 50.00 |
| Malaya | Dollar | .32667 | .65334 | 3.06122 |
| Mexico | Peso | .08000 | .16000 | 12.50 |
| Morocco | Dirham | .19761 | .39522 | 5.06049 |
| Netherlands | Guilder | .27624 | .55248 | 3.620 |
| New Zealand | Pound | 2.78090 | 5.56180 | .359596 |
| Nicaragua | Cordoba | .14286 | .28572 | 7.00 |
| Norway | Krone | .14000 | .28000 | 7.14286 |
| Pakistan | Rupee | .21000 | .42000 | 4.76190 |

LIST OF THE LEGAL PARITIES AND/OR EXCHANGE RATES, AS OF
DECEMBER, 1962, OF THE VARIOUS FOREIGN CURRENCIES IN
TERMS OF THE U.S. DOLLAR AND THE PHILIPPINE PESO
(Continued)

| Member Countries of the International Monetary Fund (Currencies with Par Value) | U n i t | Equivalent in U.S. Currency | Equivalent in Phil. Currency at Official Rate | Foreign Currency Unit per US\$ |
|---|---------|--------------------------------|---|--------------------------------------|
| Panama | Balboa | 1.00000 | 2.00000 | 1.00 |
| Philippines | Peso | .50000 | 1.00000 | 2.00 |
| Portugal | Escudo | .03478 | .06956 | 28.75 |
| Saudi Arabia | Riyal | .22222 | .44444 | 4.50 |
| South Africa | Rand | 1.40000 | 2.80000 | .714286 |
| Spain | Peseta | .01667 | .03334 | 60.00 |
| Sudan | Pound | 2.87156 | 5.74312 | .348242 |
| Sweden | Krona | .19330 | .38660 | 5.17321 |
| Syrian Arab Republic | Pound | .45681 | .91262 | 2.19148 |
| Turkey | Lira | .11111 | .22222 | 9.00 |
| United Arab Republic | Pound | 2.87156 | 5.74312 | .348242 |
| United Kingdom | Pound | 2.80000 | 5.60000 | .357143 |
| United States | Dollar | 1.00000 | 2.00000 | 1.00 |
| Uruguay | Peso | .13511 | .27028 | 7.40 |
| Venezuela | Bolivar | .29851 | .59702 | 3.350 |
| Yugoslavia | Dinar | .00333 | .00666 | 300.00 |

| Member Countries of the International Monetary Fund (Currencies without Par Value) | U n i t | Equivalent in U.S. Currency | Equivalent in Phil. Currency at Official Rate | Foreign Currency Unit per US\$ |
|--|---------------------------|--------------------------------|---|--------------------------------------|
| Argentina | Peso | .00714 | .01428 | 140.00 |
| Bolivia (Selling Rate) | Boliviano | .00008 | .00016 | 11.885 |
| Brazil (Free Rate) | Cruzeiros | .00211 | .00422 | 475.00 |
| Chile: | Escudo | | | |
| Official Market | | .94967 | 1.89934 | 1.053 |
| China (Taiwan): | New Taiwan (NT) Dollar | | | |
| Principal-Selling Rate | | .024981 | .049962 | 40.03 |
| Principal Buying Rate | | .024981 | .049962 | 40.03 |
| Indonesia: | Rupiah | | | |
| Principal Export Rate | | .00164-.00106 | .00328-.00212 | 45.00-139 |
| Principal Import Rate | | .02222-.00370 | .04444-.00740 | 45.00-270 |
| Other Principal Rate | | .00164-.00106 | .00328-.00212 | 608-945 |
| Korea: | Hwan/Won | | | |
| Official Rate | | .007692 | .01538 | 130.00 |
| Official Rate | | .007692 | .01538 | 130.00 |
| Paraguay: | Guarani | | | |
| Selling Rate | | .00794 | .01588 | 126.00 |

SOURCE OF DATA: INTERNATIONAL FINANCIAL STATISTICS, December, 1962.

LIST OF THE LEGAL PARITIES AND/OR EXCHANGE RATES, AS OF
DECEMBER, 1962, OF THE VARIOUS FOREIGN CURRENCIES IN
TERMS OF THE U.S. DOLLAR AND THE PHILIPPINE PESO

(Concluded)

| Member Countries of the International Monetary Fund (Currencies without Par Value) | U n i t | Equivalent in U.S. Currency | Equivalent in Phil. Currency at Official Rate | Foreign Currency Unit per US\$ |
|---|---------------------|--------------------------------|---|--------------------------------------|
| Peru: | Sol | | | |
| Principal Rate | | .03729 | .07458 | 26.82 |
| Others | | | | |
| Thailand: | Baht | | | |
| Selling Rate | | .04798 | .09596 | 20.84 |
| Buying Rate | | .04843 | .09686 | 20.65 |
| Tunisia | Franc/Dinar | 2.38095 | 4.76190 | .42 |
| Vietnam: | Piastre | | | |
| Principal Rate | | .01667 | .03334 | 60.00 |
| Invisibles Rate | | .01361 | .02722 | 73.50 |
| <hr/> | | | | |
| Non-Member Countries (Currencies without Par Value) | | | | |
| Switzerland: | Franc | | | |
| Spot Rate | | .23170 | .46340 | 4.316 |
| Forward Rate | | .23191 | .46382 | 4.312 |
| <hr/> | | | | |
| Non-Metropolitan Areas | | | | |
| Honkong | Dollar | .17500 | .35000 | 5.71428 |
| British North Borneo | Dollar | .32667 | .65334 | 3.06122 |
| Brunei, Singapore, Sarawak .. | | | | |
| French Somaliland | Djibouti Franc | .00466 | .00932 | 214.392 |
| Barbados, Guiana, Leeward and Windward Islands | W. I. Dollar | .58333 | 1.16666 | 1.71429 |
| British Honduras | Dollar | .70000 | 1.40000 | 1.42857 |
| Aden, Kenya | E. African Shilling | .14000 | .28000 | 7.14286 |
| Zanzibar | | | | |
| Bahamas, Bermuda, Falkland Islands, Gambia, Gibraltar, Malta, Federation of Rho- desia and Nyasaland | Pound | 2.80000 | 5.60000 | .357143 |

SOURCE OF DATA: INTERNATIONAL FINANCIAL STATISTICS, December, 1962.

LIST OF THE LEGAL PARITIES AND/OR EXCHANGE RATES, AS OF
JUNE, 1963, OF THE VARIOUS FOREIGN CURRENCIES IN
TERMS OF THE U.S. DOLLAR AND THE PHILIPPINE PESO

Member Countries of the International Monetary Fund

| Currencies with Par Value | U n i t | Equivalent in U.S. Currency | Equivalent in Phil. Currency at Official Rate | Foreign Currency Unit per US\$ |
|---------------------------------|---------------|--------------------------------|---|--------------------------------------|
| Afghanistan | Afghani | \$.02222 | ₱ .04444 | 45.00 |
| Australia | Pound | 2.24000 | 4.48000 | .446429 |
| Austria | Schilling | .03846 | .07692 | 26.00 |
| Belgium | Franc | .02000 | .04000 | 50.00 |
| Burma | Kyat | .21000 | .42000 | 4.76190 |
| Canada | Dollar | .92500 | 1.85000 | 1.08108 |
| Ceylon | Rupce | .21000 | .42000 | 4.76190 |
| Costa Rica | Colon | .15094 | .30188 | 6.62500 |
| Cuba | Peso | 1.00000 | 2.00000 | 1.00 |
| Cyprus | Pound | 2.80000 | 5.60000 | .357143 |
| Denmark | Krone | .14478 | .28956 | 6.90714 |
| Dominican Republic | Peso | 1.00000 | 2.00000 | 1.00 |
| Ecuador | Sucre | .05556 | .11112 | 18.00 |
| El Salvador | Colon | .40000 | .80000 | 2.50 |
| Ethiopia | Dollar | .40250 | .80500 | 2.48447 |
| Finland | Markka | .31250 | .62500 | 3.20 |
| France | Franc | .20255 | .40510 | 4.93706 |
| Germany, Fed. Rep. of | Deutsche Mark | .25000 | .50000 | 4.00 |
| Ghana | Pound | 2.800000 | 5.60000 | .357143 |
| Greece | Drachma | .03333 | .06666 | 30.00 |
| Guatemala | Quetzal | 1.00000 | 2.00000 | 1.00 |
| Haiti | Gourde | .20000 | .40000 | 5.00 |
| Honduras | Lempira | .50000 | 1.00000 | 2.00 |
| Iceland | Krona | .02326 | .04652 | 43.00 |
| India | Rupce | .21000 | .42000 | 4.76190 |
| Iran | Rial | .01320 | .02640 | 75.750 |
| Iraq | Dinar | 2.80000 | 5.60000 | .357143 |
| Ireland | Pound | 2.80000 | 5.60000 | .357143 |
| Israel | Pound | .33333 | .66666 | 3.00 |
| Italy | Lira | .00160 | .00320 | 625.00 |
| Jamaica | Pound | 2.80000 | 5.60000 | .357143 |
| Japan | Yen | .00278 | .00556 | 360.00 |
| Jordan | Dinar | 2.80000 | 5.60000 | .357143 |
| Kuwait | Dinar | 2.80000 | 5.60000 | .357143 |
| Lebanon | Pound | .45631 | .91262 | 2.19148 |
| Liberia | Dollar | 1.00000 | 2.00000 | 1.00 |
| Libya | Pound | 2.80000 | 5.60000 | .357143 |
| Luxembourg | Franc | .02000 | .04000 | 50.00 |
| Malaya | Dollar | .32667 | .65334 | 3.06122 |
| Mexico | Peso | .08000 | .16000 | 12.50 |

LIST OF THE LEGAL PARITIES AND/OR EXCHANGE RATES, AS OF
JUNE, 1963, OF THE VARIOUS FOREIGN CURRENCIES IN
TERMS OF THE U.S. DOLLAR AND THE PHILIPPINE PESO

(Continued)

Member Countries of the International Monetary Fund

| Currencies with Par Value | U n i t | Equivalent in U.S. Currency | Equivalent in Phil. Currency at Official Rate | Foreign Currency Unit per US\$ |
|----------------------------|---------|--------------------------------|---|--------------------------------------|
| Morocco | Dirham | .19761 | .39522 | 5.06049 |
| Netherlands | Guilder | .27624 | .55248 | 3.620 |
| New Zealand | Pound | 2.78090 | 5.56180 | .359596 |
| Nicaragua | Cordoba | .14286 | .28572 | 7.00 |
| Nigeria | Pound | 2.80000 | 5.60000 | .357143 |
| Norway | Krone | .14000 | .28000 | 7.14286 |
| Pakistan | Rupee | .21000 | .42000 | 4.76190 |
| Panama | Balboa | 1.00000 | 2.00000 | 1.00 |
| Philippines | Peso | .50000 | 1.00000 | 2.00 |
| Portugal | Escudo | .03478 | .06956 | 28.75 |
| Saudi Arabia | Riyal | .22222 | .44444 | 4.50 |
| South Africa | Rand | 1.40000 | 2.80000 | .714286 |
| Spain | Peseta | .01667 | .03334 | 60.00 |
| Sudan | Pound | 2.87156 | 5.74312 | .348242 |
| Sweden | Krona | .19330 | .38660 | 5.17321 |
| Syrian Arab Republic | Pound | .45631 | .91262 | 2.19148 |
| Turkey | Lira | .11111 | .22222 | 9.00 |
| United Arab Republic | Pound | 2.87156 | 5.74312 | .348242 |
| United Kingdom | Pound | 2.80000 | 5.60000 | .357143 |
| United States | Dollar | 1.00000 | 2.00000 | 1.00 |
| Uruguay | Peso | .13514 | .27028 | 7.40 |
| Venezuela | Bolivar | .29851 | .59702 | 3.350 |

Member Countries of the International Monetary Fund

| Currencies without Par Value | U n i t | Equivalent in U.S. Currency | Equivalent in Phil. Currency at Official Rate | Foreign Currency Unit per US\$ |
|------------------------------|-----------------|--------------------------------|---|--------------------------------------|
| Argentina | Peso | .00729 | .01458 | 137.20 |
| Bolivia (Selling Rate) | Boliviano Peso | .08418 | .16836 | 11.88 |
| Brazil (Free Rate) | Cruzeiro | .00161 | .00322 | 620.5 |
| Chile | Escudo | | | |
| Official Market | | .55096 | 1.10192 | 1.815 |
| Free Market | | .31056 | .62112 | 3.22 |
| China (Taiwan) | New Taiwan (NT) | | | |
| Selling Rate | | .024981 | .049962 | 40.03 |

LIST OF THE LEGAL PARITIES AND/OR EXCHANGE RATES, AS OF
JUNE, 1963, OF THE VARIOUS FOREIGN CURRENCIES IN
TERMS OF THE U.S. DOLLAR AND THE PHILIPPINE PESO

(Continued)

Member Countries of the International Monetary Fund

| Currencies without Par Value | U n i t | Equivalent in U.S. Currency | Equivalent in Phil. Currency at Official Rate | Foreign Currency Unit per US\$ |
|------------------------------|---------|--------------------------------|---|--------------------------------------|
| Columbia | Peso | | | |
| Export Rate | | .10225 | .20450 | 9.78 |
| Principal Selling Rate | | .11111 | .22222 | 9.00 |
| Free Market Rate | | .10010 | .20020 | 9.99 |
| Indonesia | Rupiah | | | |
| Principal Export Rate | | .02222-.00415 | .04444-.00830 | 45.00-240.8 |
| Principal Import Rate | | .02222-.00370 | .04444-.00740 | 45.00-270 |
| Korea | Won | | | |
| Official Rate | | .007692 | .01538 | 130.00 |
| Paraguay | Guarani | | | |
| Selling Rate | | .00794 | .01588 | 126.00 |
| Peru | Sol | | | |
| Principal Rate | | .03729 | .07458 | 26.82 |
| Other | | | | |
| Thailand | Baht | | | |
| Selling Rate | | .04798 | .09596 | 20.84 |
| Tunisia | Dinar | 2.38095 | 4.76190 | .42 |
| Vietnam | Piastre | | | |
| Principal Rate | | .01667 | .03334 | 60.00 |
| Invisibles Rate | | .01361 | .02722 | 73.50 |
| Yugoslavia | Dinar | .00133 | .00266 | 750.00 |

Non-Member Countries—Currencies without Par Value

| | | | | |
|--------------------|-------|--------|--------|-------|
| Switzerland | Franc | | | |
| Spot Rate | | .23105 | .46210 | 4.328 |
| Forward Rate | | .23127 | .46254 | 4.324 |

LIST OF THE LEGAL PARITIES AND/OR EXCHANGE RATES, AS OF
JUNE, 1963, OF THE VARIOUS FOREIGN CURRENCIES IN
TERMS OF THE U.S. DOLLAR AND THE PHILIPPINE PESO
(Concluded)

Non-Member Countries—Currencies without Par Value

| Currencies without Par Value | U n i t | Equivalent in U.S. Currency | Equivalent in Phil. Currency at Official Rate | Foreign Currency Unit per US\$ |
|---|---------------------|--------------------------------|---|--------------------------------------|
| NON-METROPOLITAN AREAS | | | | |
| Hongkong | Dollar | .17500 | .35000 | 5.71429 |
| British North Borneo | Dollar | .32667 | .65334 | 3.06122 |
| Brunei, Sarawak, Singapore .. | | | | |
| French Somaliland | Djibouti Franc | .00466 | .00932 | 214.392 |
| Barbados, Guiana | | | | |
| Leeward and Winward Islands | W.I. Dollar | .58333 | 1.16666 | 1.71429 |
| British Honduras | Dollar | .70000 | 1.40000 | 1.42857 |
| Aden, Kenya, Zanzibar | E. African Shilling | .14000 | .28000 | 7.14286 |
| Bahamas, Bermuda, Falkland Islands, Gambia, Gibraltar, Malta, Federation of Rho- desia and Nyasaland | Pound | 2,80000 | 5.60000 | .357143 |

SOURCE OF DATA: INTERNATIONAL FINANCIAL STATISTICS, June, 1963.

ESTABLISHMENT BY THE INTERNATIONAL MONETARY FUND,
OF THE INITIAL PAR VALUE OF THE FOLLOWING CURRENCY
IN RELATION TO THE U.S. DOLLAR AND THE PHILIPPINE PESO

| Date of Effectivity | Country | Currency | Equivalent in U.S. Currency | Equivalent in Phil. Currency | |
|------------------------|----------|-----------|--------------------------------|---------------------------------|--------------------|
| | | | | Preferred Rate | Current FM Rate |
| October 20, 1963 | Thailand | Thai baht | \$.0480769 | P.0961538 | P.1875 |

TRADE AGREEMENT
between
THE REPUBLIC OF INDONESIA AND THE
REPUBLIC OF THE PHILIPPINES

The Government of the Republic of Indonesia and the Government of the Republic of the Philippines, desirous of promoting and expanding trade relations between Indonesia and the Philippines based on the principle of equality and mutual benefit, have agreed as follows:

ARTICLE 1

The two Governments will take all appropriate measures to promote trade between the two countries and to grant each other the respective import/export licenses as may be necessary, in particular with regard to the goods or commodities mentioned in lists "A" and "B" attached to this Agreement.

Nothing in this Agreement shall be deemed to preclude trade in goods or commodities not mentioned in the said lists.

ARTICLE 2

The two Governments shall endeavor to expand the total volume of trade between them by supplying to each other goods and services produced by each country that are mutually advantageous to them.

ARTICLE 3

The Contracting Parties agree that the exchange of goods or commodities shall be subject to and effected within the scope of the general import-export regulations in force in each country during the validity of this Agreement.

ARTICLE 4

The Contracting Parties agree to grant each other no less favorable treatment in trade relations between the two countries than that applying to any other country, in particular as regards customs rules and formalities, customs duties, taxes and charges of any kind, regulations governing the import and export of goods or commodities, as well as with regard to the procedure governing import and export licenses.

ARTICLE 5

Deliveries of goods between the Republic of Indonesia and the Republic of the Philippines will be carried out on the basis of contracts to be concluded between the enterprises and firms domiciled in the Republic of Indo-

nesia, authorized to participate in foreign trade on the one hand, and the enterprises and firms domiciled in the Republic of the Philippines, authorized thereto on the other. The abovementioned enterprises and firms, in accordance with the respective laws of the State in which they are domiciled, have the status of independent judicial persons. They are fully responsible for their commercial transactions.

ARTICLE 6

Both Parties agree that the prices for the commodities to be delivered according to this Agreement shall be fixed whenever possible on the basis of world market prices for similar commodities, prevailing at the time the said contracts are concluded. In case of non-existence of world market prices for certain goods or commodities, competitive prices shall be agreed upon.

ARTICLE 7

In order to promote international trade both Contracting Parties will take all appropriate measures to facilitate trade on a multilateral basis.

ARTICLE 8

The shipping of the goods or commodities from the Republic of Indonesia to the Republic of the Philippines or from the Republic of the Philippines to the Republic of Indonesia will be done preferably by the national commercial fleets of both Parties to this Agreement.

ARTICLE 9

Merchant vessels of one country while entering, putting off and lying at the ports of the other country, will enjoy treatment no less favorable than that accorded by their respective laws, rules and regulations to the vessels under the flag of any third country.

ARTICLE 10

All payments between the two countries shall be effected in United States Dollars.

For this purpose all contracts and invoices relating to the trade between Indonesia and the Philippines shall be expressed in United States Dollars.

ARTICLE 11

The Bank Indonesia and the Central Bank of the Philippines shall by mutual agreement establish all technical details necessary for the effective functioning of the present Agreement.

ARTICLE 12

In order to facilitate the implementation of this Agreement, both Contracting Parties agree to consult each other in respect of any matter arising from or in connection with the trade between the two countries.

For this purpose they will form a Joint Committee which will meet at the request of either Contracting Party at a convenient date after mutual consent and not later than 45 days after the request to that effect has been made, either in Djakarta or in Manila.

This Agreement shall be valid for a period of one year.

In case neither of the Contracting Parties shall have given notice three months before the expiration of said period of its intention to terminate this Agreement, it will by tacit understanding be prolonged each time for another period of one year.

The provisions set forth in this Agreement shall come into force provisionally on the day of the signing of this Agreement. They will definitely come into force after an exchange of notes to that effect between the two Governments and shall remain in force for a period of one year following the exchange of notes.

Done and signed in two copies each, in the Indonesian, Pilipino and English languages, all texts being authentic, provided however that in case different interpretations arise, the English texts shall prevail, in Djakarta, the 27th day of May 1963.

For the Government
of the Republic of Indonesia

DR. SOEHARTO
*Minister of Trade of the Republic
of Indonesia and Chairman of the
Indonesian Trade and Economic
Delegation*

For the Government
of the Republic of the Philippines

RUFINO C. HECHANOVA
*Secretary
Department of Commerce and
Industry and Chairman, Philippine
Economic and Trade Mission to
Indonesia*

LIST "A"

Goods to be exported from the Republic of Indonesia to the Republic of the Philippines:

1. Aesthetic oils
2. Palm kernels and palm oil
3. Bauxite
4. Coffee beans
5. Cocoa beans
6. Tea
7. Live-stock, meat and meat preparations
8. Edible nuts and oil
9. Rock phosphate
10. Rubber: Estate Rubber
Smallholders Rubber
11. Crude oils and other petroleum products
12. Handicrafts
13. Chemical and chemical preparations
14. Corn and other cereals
15. Spices
16. Iron and steel scrap
17. Wrapper tobacco (Sumatra)
18. Silverwares
19. "Batik" textiles and special textiles
20. Logs and lumber
21. Tin and other metal products
22. Films, books, magazines and other publications
23. Technical and management services
24. Miscellaneous products and services

LIST "B"

Goods to be exported from the Republic of the Philippines to the Republic of Indonesia:

1. Wheat flour and wheat preparations
2. Paper and paper products
3. Fertilizers, insecticides and other agricultural chemicals
4. Unassembled sewing machines, radios and other appliances
5. Abaca, ramie, jute and manufactures thereof
6. Chemicals and chemical preparations
7. Dyeing, tanning and coloring materials including pigments, paints and varnishes
8. Medical and pharmaceutical products
9. Unassembled bicycles and other parts thereof
10. Textile yarns, threads, and grey-cloth
11. Canned milk
12. Iron and steel products, roofing, nail-wire, bars, etc.
13. Sheet glass and glass products
14. Transport equipment
15. Virginia tobacco
16. Athletic and sporting goods
17. Plastic products
18. School and office supplies and equipment
19. Building materials including cement
20. Cereal and cereal preparations, other than wheat
21. Light machinery, including agricultural tools
22. Films, books, magazines and other publications
23. Technical and management services
24. Miscellaneous products and services

MANILA MEMORANDUM

on the

DJAKARTA AGREEMENTS

The FILIPINO AND INDONESIAN PEOPLES, herein represented by their duly constituted governments,

IMBUED with a sense of togetherness occasioned by racial and cultural affinity,

IMPELLED by a desire to bridge the gap of centuries of economic and historical isolation from each other, COMPELLED by a sense of urgency to jointly develop their economies under the stimulus of a mass market and a common pool of complementary resources, have reached understandings and entered into arrangements designed to expand their trade and accelerate their economic growths in the shortest time possible, so that in close collaboration and cooperation, they may more fully realize the fulfillment of their common aspirations.

I. SCOPE

- A. This memorandum covers the various understandings and arrangements concluded in Manila between the governments of the Republic of the Philippines and the Republic of Indonesia for the purpose of initiating the implementation of the Agreements signed in Djakarta on May 27, 1963.
- B. The Agreements signed in Djakarta, on the occasion of the visit of the First Philippine Economic and Trade Mission to Indonesia headed by the then Secretary of Commerce and Industry Rufino G. Hechanova, hereinafter referred to as the Djakarta Agreements, are as follows:
 - 1. Joint Communique
 - 2. General Trade Agreement and attached Protocol
 - 3. Protocol on Discussions Regarding Economic Cooperation
 - 4. Agreement on Technical and Scientific Cooperation
 - 5. Agreement to Establish a Joint Coconut Commission
 - 6. Letter of Understanding on Air Communication Matters
- C. In response to an invitation by the Philippine Government in collaboration with the Philippine Chamber of Industries, the First Indonesian Economic and Trade Mission to the Philippines headed by the Honorable Deputy Minister of Trade, Dr. Soediro, came to Ma-

- i. Regarding "Virginia-Tobacco", the Philippine Virginia Tobacco Administration shall immediately send her representative to Djakarta to negotiate with prospective buyers all possible sales-arrangements.
4. The prices of the commodities enumerated above, with a total value of more than US\$1.6 million, shall be subject to the approval of appropriate Indonesian authorities within the context of Article 6 of the Djakarta Trade Agreement and Item 2 of the attached Protocol;
5. The Indonesian government shall allocate a total amount of US \$1,000,000 (one million U.S. dollars) annually for the purchase of Manila rope manufactured in the Philippines, the specifications and prices of which shall be negotiated between representatives of the Indonesian government and the Philippine suppliers within the context of Article 6 of the Djakarta Trade Agreement and Item 2 of the attached Protocol, without prejudice to increasing such purchases to the full potential of US\$4,000,000 annually.

C. Philippine Procurement

The Indonesian government shall supply the Philippine government with a list of reliable suppliers for the following commodities, which shall be imported by Philippine manufacturers to the value of approximately US\$2,000,000 within the context of Article 6 of the Djakarta Trade Agreement, Item 2 of the attached Protocol and the laws and regulations of the Philippine government:

1. Hides, skins and gambir tanning extracts
2. Rubber
3. Livestock
4. Soya beans
5. Spices
6. Teak wood
7. Trocca shells
8. Sumatra wrapper tobacco
9. Corn (yellow variety)
10. Others on List A of the Djakarta Trade Agreement.

D. Livestock

With respect to Item 3 in the preceding paragraph C, Indonesia is prepared to offer 1,000 to 2,000 heads of cattle livestock to Philippine meat

MANILA MEMORANDUM

on the

DJAKARTA AGREEMENTS

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 6. Letter of Understanding on Air Communication Matters
- C. In response to an invitation by the Philippine Government in collaboration with the Philippine Chamber of Industries, the First Indonesian Economic and Trade Mission to the Philippines headed by the Honorable Deputy Minister of Trade, Dr. Soediro, came to Ma-

nila and met with the Philippine Panel of Negotiators headed by the Honorable Undersecretary of Commerce Medina Lacson de Leon as Chairman and the Honorable Hilarion M. Henares, Jr., as Vice-Chairman.

- D. The Philippine and Indonesian panels conducted negotiations from September 13 to September 24, 1963, to explore, consider and agree on various concrete measures to implement the Djakarta Agreements.
- E. The understandings and arrangements concluded in Manila with the participation of the Philippine private sector, cover the following areas:
 - 1. Trade
 - 2. Economic Cooperation
 - 3. Technical and Scientific Cooperation
 - 4. Coconut and Coconut Products
 - 5. Air and Sea Communications

II. TRADE

A. *General Understanding*

In pursuance of the objectives cited in Article I and Article 2 of the Djakarta Trade Agreement, as further amplified in paragraphs A.2 and A.3 of the Djakarta Joint Communiqué, the two governments agree:

- 1. To consider, with respect to the particular goods and services referred to in the understandings and arrangements of the Manila Memorandum, and insofar as is economically feasible, the modification and adjustments of existing patterns of trade so as to promote an expanding volume of such goods and services between the two countries;
- 2. To give priority to Filipino nationals and Filipino firms in the Philippines, and to Indonesian nationals and Indonesian entities in Indonesia, in matters of trade and economic cooperation between the two countries;
- 3. To hold joint consultations, through proper diplomatic channels, for the purpose of exploring the possibilities of developing a mutually beneficial entrepot trade for the two countries, as contemplated in Article 7 of the Djakarta Trade Agreement and Item 5 of the attached Protocol; and for this purpose, to consider initially the establishment, by the joint efforts of Philippine and Indonesian interests, of a free trade zone and/or bonded warehouse system and

of marketing, financial communication, shipping, and other physical facilities in the Philippines for the processing, grading and storage of Philippine and Indonesian goods for export to each other and re-export to third countries;

4. To pursue an arrangement by which the prices of Philippine goods for export to Indonesia shall be on the basis of F.O.B. Manila, and the prices of Indonesian goods for export to the Philippines shall be on the basis of C & F Manila; the freight costs shall be for the account of the Indonesian importer and exporter who shall have the option of transporting the goods on Indonesian vessels; such arrangement, however, shall be valid until such time as Philippine shipping interests and/or joint Philippine-Indonesian interests open a shipping line directly serving both countries, as contemplated in paragraph VI-B of this Manila Memorandum.

B. *Indonesian Procurement*

In pursuance of paragraph A.3 of the Djakarta Joint Communique;

1. The first Indonesian Procurement Team under Mr. Soekadri Soerioatmodjo, which arrived in Manila in August 1963, signed on behalf of the government of Indonesia, tentative contracts for the purchase of paper products, flour, pharmaceutical products, and steel reinforcing bars with a total value of less than US\$900,000 from Filipino manufactures;
2. The Indonesian government hereby confirms the validity of such contracts, subject to Indonesian rules and regulations; the Philippine government, for its part, shall act favorably and expeditiously under its laws and regulations, so as to insure compliance by Filipino manufacturers of their obligations under such contracts;
3. A Second Indonesian Procurement Team shall be sent to Manila at the earliest possible opportunity, to negotiate for the purchase of the following commodities manufactured by Filipino firms:
 - a. Nail wire
 - b. Ammonium sulfate fertilizer
 - c. Ramie fiber
 - d. Aluminum semi-fabricated products
 - e. Steel semi-fabricated products
 - f. Tin plates
 - g. Spare parts for logging and farm equipment and parts for motor cars and engines
 - h. Others in List B of the Djakarta Trade Agreement;

- i. Regarding "Virginia-Tobacco", the Philippine Virginia Tobacco Administration shall immediately send her representative to Djakarta to negotiate with prospective buyers all possible sales-arrangements.
4. The prices of the commodities enumerated above, with a total value of more than US\$1.6 million, shall be subject to the approval of appropriate Indonesian authorities within the context of Article 6 of the Djakarta Trade Agreement and Item 2 of the attached Protocol;
5. The Indonesian government shall allocate a total amount of US \$1,000,000 (one million U.S. dollars) annually for the purchase of Manila rope manufactured in the Philippines, the specifications and prices of which shall be negotiated between representatives of the Indonesian government and the Philippine suppliers within the context of Article 6 of the Djakarta Trade Agreement and Item 2 of the attached Protocol, without prejudice to increasing such purchases to the full potential of US\$4,000,000 annually.

C. *Philippine Procurement*

The Indonesian government shall supply the Philippine government with a list of reliable suppliers for the following commodities, which shall be imported by Philippine manufacturers to the value of approximately US\$2,000,000 within the context of Article 6 of the Djakarta Trade Agreement, Item 2 of the attached Protocol and the laws and regulations of the Philippine government:

1. Hides, skins and gambir tanning extracts
2. Rubber
3. Livestock
4. Soya beans
5. Spices
6. Teak wood
7. Trocca shells
8. Sumatra wrapper tobacco
9. Corn (yellow variety)
10. Others on List A of the Djakarta Trade Agreement.

D. *Livestock*

With respect to Item 3 in the preceding paragraph C, Indonesia is prepared to offer 1,000 to 2,000 heads of cattle livestock to Philippine meat

processing firms at competitive prices, and do invite interested Philippine entities to Djakarta at the earliest possible time to negotiate definite agreements and arrangements thereon.

E. Sumatra Wrapper Tobacco

With respect to Item 8 in the preceding paragraph C, Sumatra wrapper tobacco, usually procured by the Philippines through European brokers in London and Bremen and in 1962, to the extent of 1253 kilos with an F.O.B. value of ₱80,900, is now in increasing demand because of the expanded market in the United States for Philippine cigars; this shall be imported directly from Indonesia at approximately twice the volume in 1962, subject to favorable quotations through freight savings by Indonesian entities.

F. Yellow Corn

With respect to Item 9 in the preceding paragraph C, the Philippine Poultry Feed Manufacturers can utilize 36,000 metric tons of imported yellow corn annually, which Indonesia can supply at competitive prices, a potential transaction of approximately US\$2,000,000 annually; Philippine firms shall import this item if a shortage in local production is certified to by the National Economic Council and if the yellow corn is imported for them by the National Marketing Corporation (NAMARCO) on a tax-exempt basis.

G. Arrangement on Motion Pictures

Both governments hereby approve, subject to their respective laws and regulations, the agreement between Mr. Manuel de Leon and Mr. Albert Joseph, representing the Filipino Movie Producers' Association on the one hand, and Mr. Usmar Ismail, Chairman of the Indonesian Film Producers Organization on the other, herein appended to this Manila Memorandum, providing for;

1. Joint production of motion pictures;
2. The purchase by Indonesia of Philippine films initially at a total cost of US\$100,000;
3. The distribution in the Philippines of 8 Indonesian films initially;
4. The promotion of the films of both countries; and
5. The exchange of actors, actresses and/or technicians.

H. Arrangement on Flour Mill

The Philippine entities offered to sell a complete flour mill representing unneeded excess capacity in the industry, to Indonesia on a long-term

credit basis; Indonesia agrees in principle to purchase the flour mill under terms and conditions on prices and modes of payments to be settled in a separate contract, subject to the approval of the competent authorities of the governments of both Indonesia and the Philippines.

III. ECONOMIC COOPERATION

A. *Arrangement on Textile*

The Indonesian government and the textile mills of the Philippines and other Philippine entities shall, within the context of Article 6 of the Djakarta Trade Agreement, Item 2 of the attached Protocol and Item II of the Djakarta Protocol on Discussions Regarding Economic Cooperation, undertake to negotiate:

1. *Processing of Raw Cotton* — Contracts by which the Indonesian raw cotton allocation from the United States under US Public Law 480 may be sub-authorized for issuance to Philippine textile mills for processing into yarn and re-exported back to Indonesia; and by which payment shall be in terms of 65% in ACA raw cotton and 35% in US dollars, subject to special arrangements between the governments of the Philippines and Indonesia within the scope of regulations and procedures of US Public Law 480; for this purpose, the Indonesian government shall initially allocate a total of US\$1,000,00 (one million US dollars) annually for the payment of such processing without prejudice to increasing amount up to the full potential of US\$6,000,000 annually.

2. *Batik* — Contracts by which, on an experimental basis, bleached cotton sheetings made in the Philippines shall be processed by Indonesian manufacturers into "batik" fabrics, an agreed portion of which shall be re-exported back for garment making and/or distribution in the Philippines and/or third countries.

B. *Arrangement on Logging and Related Industries*

Within the context of Item 1.1, 1.2 and 1.3 of the Djakarta Protocol on Discussions Regarding Economic Cooperation, both governments agree to facilitate negotiations between Indonesian entities in the government as well as in the private sector and interested Philippine entities leading to the establishments in Indonesia of logging and related industries; these negotiations will be conducted along the lines specified in a Supplementary Memorandum on Logging and Related Industries, herein appended to this Manila Memorandum and made part thereof.

C. *Arrangement on Coffee Processing*

The Indonesian government shall endeavor and stimulate the negotiation of contracts, within the context of Item II of the Djakarta Protocol on Discus-

sions Regarding Economic Cooperation and subject to governing laws and regulations of the Philippines, between Indonesian entities and Philippine coffee processors, under which Indonesia provides the coffee processors green coffee beans of varieties required by the quality of instant coffee to be processed; the processed instant coffee, packed under the Indonesian label and/or other labels to be mutually agreed upon, shall be re-exported to countries designated by the Indonesian entities.

D. Arrangement on Interrelated Industries

Within the context of Item 1.4 of the Djakarta Protocol on Discussions Regarding Economic Cooperation, the Philippine government agrees to encourage and assist, in connection with its Five-Year Socio-Economic Program and in cooperation with the government of Indonesia, the establishment of industrial projects that will utilize Indonesian and Philippine natural resources and serve the requirements of both the Philippine and Indonesian markets, such as:

1. An integrated steel mill project utilizing Philippine iron ore and/or Indonesian coking coal and shipbuilding program;
2. Petroleum and petro-chemical industries to utilize Indonesian crude oil;
3. An aluminum smelter project in the Philippines to utilize Indonesian alumina to be processed by Indonesian entities from Indonesian bauxite;
4. Industrial projects utilizing the forest products of both Indonesia and the Philippines;
5. Industrial projects utilizing the mineral resources of both Indonesia and the Philippines.

F. Arrangement on Future Projects

The governments of the Philippines and of Indonesia agree to explore all other possibilities for economic cooperation between the two countries in the spirit of the Djakarta Agreements, including cooperation in the development of the fishing industry as contemplated in the Manila Memorandum on Fisheries, herein attached to this Manila Memorandum and made part thereof.

IV. TECHNICAL AND SCIENTIFIC COOPERATION

A. Specific Areas of Interest

Within the context of the Djakarta Agreement on Technical and Scientific Cooperation, the governments of the Philippines and of Indonesia hereby agree to a mutual exchange of information and technical training in the following areas:

1. Forestry and forest product development
2. Management and marketing development
3. Productivity and technical consultation
4. Tugs and barges operations
5. Coconut research and development of coconut by-products and related products
6. Development of nickel laterite deposits
7. Fishing rights, fisheries and other aquatic products
8. Cattle breeding and meat processing.

B. *Channels of Communication*

To facilitate the objectives of the preceding paragraph, each government shall advise the other of the agencies, both private and public, in its territory, undertaking activities in the areas of interest mentioned, and agencies, both private and public, which may serve as expedient channels of communication in the areas mentioned, including international agencies such as the United Nations, Colombo Plan, ECAFE, AID, and others.

V. COCONUT AND COCONUT PRODUCTS

- A. The governments of the Philippines and of Indonesia, within the context of the Djakarta Agreement Regarding the Establishment of a Joint Coconut Commission, hereby agree on the following:
 1. The Philippine-Indonesian Coconut Commisison (PICC), hereinafter called the Commission, shall be formally established in Manila on October 16, 1963 after both governments shall have designated their respective member-representatives in the Commission;
 2. Each country shall be represented in the Commission by four (4) members;
 3. The Commission shall sit in Manila from October 16, 1963 through October 15, 1964;
 4. The principle of reciprocity shall govern the determination of the expenses of maintaining the Commission;
 5. To achieve the objectives of the Djakarta Agreement Regarding the Establishment of a Joint Coconut Commission, the following are endorsed to the Commission:
 - a. The formulation of quality control standards for copra and other coconut products;
 - b. The serious study of a commodity exchange;
 - c. the accelerated industrialization of the coconut and coconut by-products and related products;

- d. the creation of a Joint Coconut Bank for the purpose of promoting coconut industrialization;
- e. the serious study of current shipping problems in each country in connection with the transport of coconut, coconut by-products and related products;
- f. the acceptance of the standing offer of the Indonesian government to acquaint Filipinos with the various aspects of the coconut cooperative movement in Indonesia;
- g. the forging of mutual assistance in the marketing of coconut, coconut by-products and related products.

VI. AIR AND SEA COMMUNICATIONS

A. *Arrangement on Air Matters*

1. Within the context of the Djakarta Letter of Understanding on Air Communication Matters, the representatives of the governments of the Philippines and Indonesia agree to endorse to the Civil Aeronautics Board, the agency properly authorized under Philippine laws, favorable final action on the granting by the Philippine Government of a certificate of Public Convenience and Necessity to the Garuda Indonesian Airways, as well as limited traffic rights between Manila and Hongkong and vice versa for a maximum weekly load of 20 passengers on the Manila-to-Hongkong and 20 passengers on the Hongkong-to-Manila flight;
2. The government of the Philippines and Indonesia agree that:
 - a. The matter of bilateral air agreement between the two countries shall be explored through diplomatic channels;
 - b. The matter of cooperation between the designated flag carriers of the two countries with respect to international operations shall be encouraged for their mutual benefit;
3. The Philippine Government noted the willingness of the Indonesian Government to facilitate the operation by the Garuda Indonesian Airways and Philippine Airlines of commercial flights between Manila and Denpasar on a pool or cooperative basis.

B. *Arrangement on Sea Matters*

Pursuant to Articles 8 and 9 of the Trade Agreement concluded between the Republic of the Philippines and the Republic of Indonesia in Djakarta on the 27th of May, 1963, the Philippines and the Indonesian governments do enter into the following arrangements:

1. The routing and/or re-routing of the Indonesian or Philippine shipping services in such a way that the flag vessels of both the Republic of the Philippines and the Republic of Indonesia can carry their common trade;
 2. The establishment of an initial shipping service by Indonesian and/or Philippine shipping interests between Mindanao and North Sulawesi in order to foster and accelerate the transportation and economic development of the border areas of the two countries;
 3. The establishment of facilities for the drydocking, repair, fueling, and provisioning of Indonesian merchant vessels in the Philippines and of Philippine merchant vessels in Indonesia;
 4. The setting-up of cooperative and/or joint ventures in sea transportation as soon as possible, whereby:
 - a. existing excess tonnage of inter-island vessels obtainable from Philippine shipping companies can be utilized;
 - b. the Philippines will provide the floating equipment and the Republic of Indonesia will provide the financing in a possible joint enterprise;
 5. The establishment of a joint Philippine-Indonesian Commission on Sea Communications shall be undertaken as soon as possible to consider the technical and operational aspects of collaboration in this field.
- VII. This Manila Memorandum on the Djakarta Agreements is done and signed in two copies each in the English language, both being equally authentic, in the City of Manila on the 25th day of September 1963.

FOR THE GOVERNMENT OF
THE REPUBLIC OF THE
PHILIPPINES

(SGD.) MEDINA LACSON DE LEON
*Undersecretary of Commerce of
the Republic of the Philippines and
Chairman of the Philippine Trade
and Economic Panel*

FOR THE GOVERNMENT OF
THE REPUBLIC OF
INDONESIA

(SGD.) DR. SOEDIRO
*Deputy Minister of Trade of the
Republic of Indonesia and Chair-
man of the Indonesian Economic
and Trade Mission to the Philippines*

SUPPLEMENTARY MEMORANDUM ON
LOGGING AND RELATED INDUSTRIES

This memorandum summarizes the understandings reached by the representatives of the governments of the Philippines and Indonesia on logging and related industries.

Both governments, considering the economic and technical potentials of Philippine and Indonesian entities as well as the problems which the two parties will most likely meet have reached understandings on the following:

- I. PRODUCTION-SHARING IN LOGGING
- II. PROCESSING OF FOREST PRODUCTS
- III. TECHNICAL COOPERATION
- IV. MARKETING

I. PRODUCTION — SHARING IN LOGGING

A. Considerations.

- 1. Taking into consideration the financing and technical phases of any joint Filipino-Indonesian venture along this line, both governments have deemed it best to recommend, particularly in logging, a small scale operation (pilot project) on a production-sharing basis, as a minimum economic approach that will enable the parties to undertake intelligently and cautiously a joint venture in determined units of allocated Indonesian forest areas;
- 2. Should the initial small scale production-sharing operation be successful, the Philippine entity shall make further investments in the form of new equipments as demands may arise and circumstances may warrant;
- 3. In the event that the initial small scale production-sharing project should not meet expectations, the operation shall continue until such time as all financial obligations incurred in the delivery of equipment to Indonesia shall have been liquidated.

B. Provisions of the Pilot Project

- 1. The small scale operation (pilot project) including a pre-operation survey and planning shall determine the following:
 - a. Quality of logs;

- b. Acceptability of logs in the foreign market;
 - c. Volume of marketable timber per hectare in the allocated area;
 - d. Price structure, considering the different species available and the quality;
 - e. Production costs; and
 - f. Transport and shipping facilities.
2. The Philippine private entity shall be allowed to bring in used equipment similar to those presently employed in a system of logging (Bataan Logging) developed in the Philippines;
 3. The Philippine counterpart shall be allowed to bring the necessary personnel in numbers sufficient to supervise the pilot operation and shall train Indonesian personnel, all costs to be part of credits to be advanced by the Philippine entity; within the scope of existing laws and regulations, work permits and visas shall be facilitated for Filipino technicians and skilled personnel by the Indonesian Government;
 4. So as not to put undue cost burdens, all equipment, including spare parts and supplies, for both the production-sharing agreement and the pilot project, shall be free from taxes and duties, subject to existing laws and regulations;
 5. All exportable logs from the pilot operation will be sold to foreign countries and the proceeds thereof will be apportioned in accordance with the agreement of the parties concerned;
 6. The Indonesian entity shall be allocated an area of 5,000-10,000 hectares for the pilot operation, pending approval of the allocation of the area applied for in the main production-sharing agreement;
 7. Both parties shall exchange statement of financial resources and/or bank references showing capacity to undertake the pilot project, duly certified by competent authorities of their respective governments.

II. PROCESSING OF INDONESIAN FOREST PRODUCTS

- A. Philippine entities, in conjunction with Perhutani and other Indonesian entities, shall undertake studies to explore possibilities for the setting up of production-sharing agreements in the following related fields:
 1. Sawmilling
 2. Veneering
 3. Plywood manufacturing
 4. Chipboard manufacturing
 5. Pulp and paper milling

6. Rayon
 7. Resins, alcohol and other wood industrial by-products
- B. Perhutani as well as other Indonesian entities and interested Philippine entities shall facilitate the following:
1. Exchange of technical information;
 2. Exchange of study groups;
 3. Shipment of log samples and other forest products for processing and laboratory researches in the Philippines and Indonesia.

III. TECHNICAL COOPERATION

The governments of the Philippines and Indonesia shall encourage the exchange of technical men among private entities, as well as on governmental level, which should be done at the earliest possible time;

It is also recommended that research activities be conducted jointly by Philippine and Indonesian entities to study the potential of Indonesian forest areas in connection with the items mentioned in Paragraph II above.

IV. MARKETING

Periodic consultations between Perhutani and other Indonesian entities, on the one hand, and lumber and plywood associations in the Philippines, on the other, on marketing problems, facilities and outlets mutually advantageous to both parties are recommended.

Done and signed in Manila on September 25, 1963.

FOR THE GOVERNMENT OF
THE REPUBLIC OF THE
PHILIPPINES

(SGD.) MEDINA LACSON DE LEON
*Undersecretary of Commerce of
the Republic of the Philippines and
Chairman of the Philippine Trade
and Economic Panel*

FOR THE GOVERNMENT OF
THE REPUBLIC OF
INDONESIA

(SGD.) DR. SOEDIRO
*Deputy Minister of Trade of the
Republic of Indonesia and Chair-
man of the Indonesian Economic
and Trade Mission to the Philippines*

SUPPLEMENTARY MEMORANDUM

ON FISHERIES

Considering the contiguity of their territorial seas and the fact that both their peoples are basically on the common diet of "rice and fish", it is agreed that cooperation between the Philippines and Indonesia in the development of the fishing industry would be beneficial to both countries.

It is therefore agreed that a joint Philippine-Indonesian Fisheries Commission shall be established to conduct a serious and thorough survey of the fish potentials of both countries. This study shall be technical in nature and shall also include studies on the most appropriate technique and method of fishing to be used on the kind of fish found commercially available in the territorial waters of either country.

An agreement shall be subsequently concluded between the two countries to effectively establish the desired cooperation in the development of the fishing industry, to include among other things:

- A. Recognizing the fact that the fishing season in Indonesia does not coincide with the fishing season in the Philippines, mutual fishing rights on their respective territorial waters shall be granted, thus enabling Indonesians to fish in Philippine waters during the season in the Philippines and vice-versa;
- B. Mutual grant of port facilities and fishing base privileges for the convenience of the fishermen of both countries;
- C. Mutual grant of marketing rights and privileges in the territory of each country, subject to particular arrangement on currency and foreign exchange;
- D. Mutual consultation and exchange of technical assistance on all phases of fisheries, including utilization of the by-products;
- E. Mutual grant of privileges or joint venture arrangement on establishment of refrigeration stations at strategic and convenient sites.

Done and signed in Manila on September 25, 1963.

FOR THE GOVERNMENT OF
THE REPUBLIC OF THE
PHILIPPINES

(SGD.) MEDINA LACSON DE LEON
*Undersecretary of Commerce of
the Republic of the Philippines and
Chairman of the Philippine Trade
and Economic Panel*

FOR THE GOVERNMENT OF
THE REPUBLIC OF
INDONESIA

(SGD.) DR. SOEDIRO
*Deputy Minister of Trade of the
Republic of Indonesia and Chair-
man of the Indonesian Economic
and Trade Mission to the Philippine*

SUPPLEMENTARY MEMORANDUM ON FILM TRADE AND COOPERATION

The undersigned, representing this motion picture industries of the Philippines and of Indonesia, do enter into the following arrangements:

I. CO-PRODUCTIONS

Indonesia and the Philippines will promote at least two or more film co-productions to be filmed either in Indonesia or the Philippines. The scenario or shooting script, as agreed upon by both producers, will be presented to the respective government authorities concerned, and upon approval, both governments will render all assistance and cooperation not only during the filming but also in the implementation of the co-production contract, the terms of which are substantially as follows:

- A. The co-production contract shall include a pre-production budget which shall indicate the respective costs which will be borne by each party in their local currency; any change in this budget which may become necessary during the actual filming will be upon the mutual written agreement of both parties;
- B. The distribution of the picture shall be done by both co-producers in their respective countries on a 15% distribution fee and a monthly report shall mutually be made indicating all incomes received and expenditures made; each co-producer shall recoup all his respective peso or rupiah costs after which all other proceeds shall accrue to both producers on a fifty-fifty basis, which, upon petition, shall be remitted to their respective owners; any proceeds from the distribution and/or exhibition of this picture outside of the Philippines and Indonesia shall be divided equally between the two parties.

II. EXPORT AND IMPORT OF FILMS

- A. In view of the fact that under present conditions, Philippine films have already an existing market in Indonesia whereas Indonesian pictures have not yet been introduced in the Philippines, Indonesia will purchase 25 Philippine black-and-white films initially at US\$4,000 each or a total of US\$100,000, each film to consist of two prints, four trailers and 100 pieces of 8" x 10" still photographs; the Philippines will send, from time to time, shipments of several films to Indonesia by ocean freight for preview and censorship, and the choices of the actual films to be purchased shall be exclusively by the Indonesian buyers; these films will be dubbed into the Indonesian language;
- B. The Philippines will accept eight Indonesian pictures for distribution in the Philippines; the films to be so distributed shall be selected by

the Filipino distributor from several films to be sent by Indonesia to Manila for preview and censorship; these films shall be dubbed into the Philippine national language; distribution fee shall be on a 30% basis and the Filipino distributor shall advance the dubbing costs, publicity expenses, as well as any and all customs duties, specific taxes or any other taxes that may be required before the exhibition of these pictures which amount approximately to P22,000; all these preliminary expenses are to be considered a minimum guarantee in the sense that should the proceeds of the distribution of these pictures later on throughout the Philippines be insufficient to cover these expenses, no recourse can be had by the Filipino distributor against the Indonesian film owner; any proceeds over these expenses, however, shall accrue to the Indonesian film producer minus the distribution fee of 30% above stated.

III. FILM PROMOTION

In order to help promote the films of both countries, steps will be taken to arrange a special screening of Filipino films in Djakarta and Indonesian films in Manila, with the possibility of attendance of respective actors and actresses during these occasions.

IV. FILM DISTRIBUTION AGREEMENT WITH EXCHANGE OF ACTORS, ACTRESSES AND/OR TECHNICIANS

Aside from co-productions, steps will be taken to effect the exchange of actors, actresses, and/or technicians to work in the film production of both countries, as part of a possible distribution agreement.

FILIPINO PRODUCERS'
ASSOCIATION
(SGD.) MANUEL DE LEON
President
(SGD.) ALBERT JOSEPH
Vice-President

INDONESIAN FILM
PRODUCERS' ORGANIZATION
(SGD.) USMAR ISMAIL
Chairman

—oOo—

CENTRAL BANK OF THE PHILIPPINES
M a n i l a

CIRCULAR NO. 146
January 24, 1963

(Amendment to Central Bank Circular No. 143)

Pursuant to Monetary Board Resolution No. 87 dated January 18, 1963, please be advised that paragraph (a) of Section 2 of Circular No. 143 dated May 22, 1962, is hereby amended to read as follows:

"All imports must be covered by letters of credit except small transactions involving not more than \$100.00; Provided, however, that imports which are not subject to the special time deposits mentioned below may be financed by means of documents against payments or documents against acceptances not exceeding ninety (90) days. *Furthermore, imports of raw materials required by local industries may be financed under an open account arrangement payable by D/D, T/T or M/T within ninety (90) days after the issuance of the release certificate by the Authorized Agent Bank concerned.*"

All imports of raw materials under open account arrangements shall be reported to the Foreign Loans and Investments Department, Central Bank of the Philippines, in the attached FLID Form No. 5 within one week from the issuance of the covering release certificate.

This Circular shall take effect immediately.

(SGD.) ANDRES V. CASTILLO
Governor

Encl.:

FLID Form No. 5

—oOo—

CENTRAL BANK OF THE PHILIPPINES
M a n i l a

RECORD OF RAW MATERIAL IMPORTS UNDER OPEN ACCOUNT
ARRANGEMENT

Name of Importer
Address
Form of Business Organization
Date Organized
Name of Owner/President/General Manager
Line of Business or Industry
Total Value of Importation \$.....
Terms of Payment¹

List of Importations

General Description

FOB, CIF, C&F Value

Supplier

Release Certificate No.

Date

CERTIFIED CORRECT:

By:
(Name of Bank)

¹ Indicate maturity date(s).

—oOo—

CIRCULAR NO. 147

February 12, 1963

Section 3 of Circular No. 9 dated February 17, 1949 is hereby amended to read as follows:

SECTION 3. *Items for Clearing*

All checks and documents payable on demand and drawn against a bank, institution or entity allowed to clear, whose Head Office is situated in Manila or its suburbs (comprising Quezon City, Pasay City, Caloocan City and San Juan, Mandaluyong, Makati, Paranaque, Navotas and Malabon, Rizal), may be exchanged through the Clearing Office of the Central Bank of the Philippines. As evidence of the channel through which they are being negotiated, they shall be impressed by the sending bank, institution or entity with a special stamp to the effect that they have been cleared through the Clearing Office of the Central Bank of the Philippines. Checks and documents payable on demand and drawn against branches situated in Manila or suburbs of the above-mentioned banks, institutions or entities should be cleared through their respective Head Offices. All items to be exchanged should be properly endorsed and guaranteed before being sent to the Clearing Office and should bear the name of the bank, institution or entity to which they belong. The Clearing Office of the Central Bank of the Philippines shall be in no way responsible for any flaws or defects in the items or for any irregularity whatsoever in any of their features.

Please be guided accordingly.

(SGD.) ANDRES V. CASTILLO
Governor

—oOo—

CIRCULAR NO. 148

March 13, 1963

Authorized agent banks and other parties concerned are hereby informed that in accordance with Monetary Board Resolution No. 222 dated February 19, 1963, Central Bank—supported bonds may be accepted in lieu of cash payment to cover the foreign exchange margin required on importation of machinery, spare parts and equipment by importers who could present proof that their applications for tax exemptions under Republic Act No. 3127 are pending approval by the Board of Industries.

The deposit of said bonds shall be receipted for on the Special Official Receipt forms in the same manner as for cash collections. At the same time, an assignment of the bonds so deposited shall be accomplished on the attached sample form in quadruplicate. The original and duplicate shall be forwarded daily to the Central Bank of the Philippines, together with the bond certificates duly assigned to the Central Bank by the importers and the required copies of the Special Official Receipts. A recapitulation of bonds assigned and deposited shall be prepared daily on the same form prescribed for, but separate from, cash collections of the margin fee.

(SGD.) ANDRES V. CASTILLO
Governor

KNOW ALL MEN BY THESE PRESENTS:

A S S I G N M E N T

That I am the owner, (President, if the owner is a corporation and Managing Partner, if the owner is a partnership) of the hereunder described bonds;

That prior to the suspension of the margin levy by the Central Bank under Circular No. 133 on January 21, 1962, I was the grantee of a foreign exchange allocation for the importation of certain machinery, equipment, and/or spare parts.

That I am engaged in a basic industry as defined in Republic Act No. 3127;

That I have filed an application for tax exemption with the Board of Industries which is pending adjudication by the Board of Industries;

That I hereby assign the same to the Central Bank to guarantee payment of the foreign exchange margin in the event that my said application for tax exemption is denied.

| <u>SHORT TITLE</u> | <u>DENOMINATIONS</u> | <u>SERIAL NO.</u> | <u>INSCRIPTION</u> |
|--------------------|----------------------|-------------------|--------------------|
| ----- | ----- | ----- | ----- |
| ----- | ----- | ----- | ----- |
| ----- | ----- | ----- | ----- |
| ----- | ----- | ----- | ----- |
| ----- | ----- | ----- | ----- |

Executed at _____, this _____ day of _____, 196__

(Signature of Assignor)

IN THE PRESENCE OF:

ACKNOWLEDGMENT

At _____, on this _____ day of _____, 196____,
personally appeared _____ exhibiting Residence Certificate
No. A- _____, issued at _____, on _____, 196____,
known to me as the same person who executed the above assignment and ac-
knowledgeed that the same is his free act and deed.

(Signature of Witnessing Officer)

(Official Designation)

—oOo—

CIRCULAR NO. 149
March 27, 1963

INTEREST RATES FOR SAVINGS AND TIME DEPOSITS

The Monetary Board, in its meeting held on March 22, 1963, approved the following policy on interest rates for savings and time deposits:

1. Commercial banks shall be allowed to pay a maximum of three and one-half per cent ($3\frac{1}{2}\%$) annual interest on savings deposits.
2. Savings, rural and development banks shall be allowed to pay a maximum of four per cent (4%) annual interest on savings deposits.
3. Commercial, savings, rural and development banks shall be allowed to pay a maximum of four and one-half per cent ($4\frac{1}{2}\%$) annual interest on time deposits, in accordance with the following schedule of rates:

| | | |
|-------------|-------|--------|
| a) 90 days | ----- | 3-3/4% |
| b) 180 days | ----- | 4% |
| c) 270 days | ----- | 4-1/4% |
| d) 360 days | ----- | 4-1/2% |

The continuance of existing free accident insurance coverage until the expiration of the relative contracts between the banks concerned and their respective insurers is hereby allowed provided, however, that the cost of such coverage shall be considered as part of interest expense.

All previously issued circulars or rulings or portions thereof which are inconsistent with the foregoing are hereby amended or revoked.

This Circular shall take effect on April 1, 1963.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO
Governor

—oOo—

CIRCULAR NO. 150
March 27, 1963

Pursuant to and in implementation of the decision of the Monetary Board on March 22, 1963, the following policies and regulations shall govern existing and/or proposed schemes to attract savings and time deposits:

Commercial banks may adopt, subject to prior approval of the Monetary Board, any plan, program, benefit or incentive designed to attract savings and time deposits; provided, however, that any such plan, program, benefit or incentive as may be adopted shall meet the following requirements:

- a) It must not be continuing or recurring in nature;
- b) It must not be tied up with the size of the deposit; and
- c) It must not provide depositors with financial compensation for the use of their deposits;

and provided, further, that the existing free accident insurance coverage (which does not meet the foregoing requirements) shall, however, be allowed to continue only up to the expiry date of the corresponding contract entered into between the commercial banks concerned and their respective insurers.

This Circular shall take effect on April 1, 1963.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO
Governor

—oOo—

CIRCULAR NO. 152
April 19, 1963

(Further amendment to Central Bank Circular No. 133)

Pursuant to Monetary Board Resolution No. 468 dated April 17, 1963, paragraph (a) of Section 2 of Central Bank Circular No. 133 dated January 21, 1962, as amended by Central Bank Circular Nos. 143 and 146 dated May 22, 1962 and January 24, 1963, respectively, is further amended as follows:

“(a) All imports must be covered by letters of credit except small transactions involving not more than \$100.00; Provided, however, that imports of producers which are not subject to special time deposits mentioned below may be financed by means of documents against payments or documents against acceptances not exceeding one hundred twenty (120) days; importations by importers under the same arrangement shall be allowed only for a period not exceeding ninety (90) days. Furthermore, imports of raw materials required by local industries may be financed under an open account arrangement payable by D/D, T/T or M/T within one hundred twenty (120) days after the issuance of the release certificate by the Authorized Agent Bank concerned.”

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) AMADO R. BRIÑAS
Acting Deputy Governor

———oOo———

CIRCULAR NO. 153
May 23, 1963

FURTHER AMENDMENT TO CENTRAL BANK CIRCULAR NO. 2

A third Paragraph is hereby added to Section 4 of Central Bank Circular No. 2 dated January 3, 1949, as amended by Central Bank Circulars No. 93 dated February 2, 1959, No. 110 dated September 7, 1960 and No. 115 dated November 21, 1960, to read as follows:

"All banks are enjoined to avoid overdrawing their deposit account with the Central Bank. In case any bank has overdrawn its deposit account with the Central Bank, the bank concerned must make a deposit sufficient to offset such overdraft not later than two (2) hours before the next clearing. If the overdraft occurs in the morning clearing, the deposit must be made not later than 11:00 o'clock a.m. on the same day and if it occurs in the afternoon clearing, deposit should be made before the close of banking hours on the same business day."

(SGD.) ANDRES V. CASTILLO
Governor

—oOo—

CIRCULAR NO. 154
Series of 1963

Effective immediately, fineness of gold acceptable to the Central Bank will be 0.995, or better.

This amends our various Circulars on gold only insofar as fineness of the metal is concerned.

(SGD.) ANDRES V. CASTILLO
Governor

June 13, 1963

—oOo—

CIRCULAR NO. 155
July 26, 1963

AMENDMENT TO CIRCULAR NO. 2

1. The first sentence of paragraph (b) of section 1 of Circular No. 2 dated January 3, 1949 is hereby amended to read as follows:

- "b) *Reserve against savings and time deposits in local currency.* The required reserve against peso savings and time deposit liabilities is six (6) per cent of the total amount of the bank's obligations of this class."

2. The foregoing amendment shall take effect on August 5, 1963.

FOR THE MONETARY BOARD:

(Sgd.) ANDRES V. CASTILLO
Governor

———oOo———

CIRCULAR NO. 156
Series of 1963

SUBJECT: Retirement of Treasury Certificates (Victory Series and Overprinted Central Bank of the Philippines Series)

Pursuant to Section 59 of Republic Act No. 265, otherwise known as the Central Bank Act, treasury certificates, (Victory Series and overprinted Central Bank of the Philippines Series) shall be surrendered to the Central Bank of the Philippines or to its authorized agent banks or to the provincial, city and municipal treasurers, for replacement or exchange with Central Bank notes. These treasury certificates bear the Commonwealth seal in blue and are overprinted with the word "Victory" and/or "Central Bank of the Philippines."

These treasury certificates shall remain legal tender for a period of one year ending July 30, 1964. After this period, they shall cease to be legal tender but they may be exchanged or replaced, at par and without charge, with legal tender currency during the following three (3) years ending July 30, 1967.

After July 30, 1967, the treasury certificates of these series which have not been exchanged shall cease to be a liability of the Central Bank of the Philippines and shall be considered demonetized.

(Sgd.) AMADO R. BRIÑAS
Acting Deputy Governor

July 30, 1963

———oOo———

CIRCULAR NO. 157

BASIC RULES AND REGULATIONS FOR
SAVINGS AND LOAN ASSOCIATIONS

Pursuant to the provisions of Republic Act No. 3779, otherwise known as the Savings and Loan Association Act, the following Rules and Regulations governing Savings and Loan Associations are hereby promulgated:

CHAPTER I

ORGANIZATION

SECTION 1. *Definition of Savings and Loan Association*

“Savings and Loan Association” hereinafter called the Association, shall include any corporation engaged in the business of accumulating the savings of its members or stockholders, and using such accumulations, together with its capital in the case of a stock corporation, for loans and/or investment in the securities of productive enterprises or in securities of the Government, or any of its political subdivisions, instrumentalities or corporations.

SEC. 2. *Form of Organization*

(a) A Savings and Loan Association shall be organized as a stock or non-stock corporation under the Corporation Law (Act No. 1459), as amended, and subject to the provisions of the Savings and Loan Association Act.

(b) An Association organized as a stock corporation shall have a fully paid-up capital of at least One Hundred Thousand Pesos (P100,000.00) and is authorized to receive deposits from, and extend loans to, the general public: *Provided, however*, That an Association operating for at least three (3) years as a non-stock corporation may be converted to a stock corporation with a paid-up capital of fifty thousand pesos (P50,00.00).

(c) An Association organized as a non-stock corporation shall confine its membership to a well defined group of persons, and shall not transact business with the general public. It shall accept deposits from, and grant loans to, its member-depositors only.

SEC. 3. *Prior Approval of Articles of Incorporation and By-laws by the Monetary Board*

The articles of incorporation and by-laws of a proposed Savings and Loan Association shall not be filed in the Office of the Securities and Exchange Commissioner unless there is attached thereto a certificate of the Monetary Board approving such articles and by-laws: *Provided, however*, That this requirement shall not apply to Savings and Loan Associations duly incorporated or registered with the Securities and Exchange Commission prior to the approval of the Savings and Loan Association Act (June 22, 1963) and which are actually existing and operating as such.

SEC. 4. *Application for Approval*

The articles of incorporation of a proposed Association shall be submitted to the Monetary Board, through the Director of the Department of Savings and Loan Associations, together with a copy of the proposed by-laws and an

application, signed by a majority of the members of the Board of Directors and verified by one of them, requesting approval thereof in the form prescribed by the Monetary Board (CB-SLA) Form No. 2, 1963).

SEC. 5. *Hearing on Application*

Upon receipt of an application to form a proposed Savings and Loan Association, the Monetary Board, through the Director of the Department of Savings and Loan Association, shall conduct a hearing to determine whether the establishment of the proposed Savings and Loan Association will promote public convenience and advantage, or in the case of non-stock Associations, the interest of its members.

The Director of the Department of Savings and Loan Associations shall give written notice to each existing Associations in the area or areas to be served, and such notice shall state the name of the proposed Association, and the date, time and place of the hearing. Such hearing shall be held not less than ten (10) days after the mailing of the notice.

Any interested party may appear at such hearing in person or by agent or counsel, and orally or in writing show cause why such application should not be approved.

If after public hearing, the Monetary Board, upon the recommendation of the Director of the Department of Savings and Loan Associations, finds that the requirements of the Savings and Loan Association Act, these rules and other pertinent laws and regulations have been complied with, and that no valid reasons exist for the disapproval of the application, it shall favorably endorse such application to the Securities and Exchange Commissioner.

SEC. 6. *Grounds for Disapproval of Application*

The application shall not be approved if after the hearing mentioned in the preceding section or upon examination and/or investigation made by the Director of the Department of Savings and Loan Associations of the Central Bank it is found that:

- (a) The Association is to be formed for any business other than the legitimate savings and loan business;
- (b) The Association's financial program is unsound;
- (c) The area where the Association is to be located is adequately served by one or more existing Associations;
- (d) Any of the directors or principal officers of the Association does not possess the integrity or competence to manage a Savings and Loan Association; or
- (e) There exist other reasons which the Monetary Board may consider as sufficient ground for such disapproval.

**SEC. 7. *License or Certificate of Authority to Operate;
Revocation or Suspension Thereof***

All Savings and Loan Associations, prior to transacting any business, shall procure a license or certificate of authority to transact business from the Monetary Board. After due notice and hearing, the Monetary Board may revoke, or suspend for such period as it determines, the license of any Association, the solvency of which is imperiled by losses or irregularities or of any Association which willfully violates any provisions of the Savings and Loan Association Act, these Rules or any pertinent law or regulations.

SEC. 8. *Branch Offices and Agencies*

(a) No Savings and Loan Association shall open, maintain or operate a branch or agency without first applying for and obtaining from the Monetary Board, through the Director of the Department of Savings and Loan Associations, a license or certificate of authority to operate such branch or agency.

(b) The application which shall be made in a form prescribed by the Monetary Board shall include an itemized statement of the estimated receipts and expenditures of the Association in connection with such branch or agency for the first year or such longer period as the Monetary Board requires, and a showing that public convenience and advantage will be promoted by the operation of such branch or agency.

(c) If after public hearing conducted not earlier than ten (10) days after notice thereof, it is shown that the operation of the proposed branch or agency is in the interest of such Association, that the area where the proposed branch or agency is to be located is not adequately served by one or more existing Associations, and that the public convenience and advantage will be promoted by the operation of such branch or agency, a certificate of authority to operate the proposed branch or agency shall be issued.

SEC. 9. *Filing Fees*

A filing fee of two hundred pesos (P200.00) shall be paid to the Department of Savings and Loan Associations of the Central Bank for each application for approval of proposed articles of incorporation and by-laws of stock Savings and Loan Associations and a filing fee of five pesos (P5.00) for non-stock Associations.

For each application to operate a branch or agency, a filing fee of fifty pesos (P50.00) in the case of stock Associations, and five pesos (P5.00) in the case of non-stock Associations, shall be paid.

SEC. 10. *Business Name*

Only a Savings and Loan Association organized under the Savings and Loan Association Act and licensed by the Central Bank may hold itself out as doing business as a Savings and Loan Association, and only such Associa-

tion shall be authorized to use the term "Savings and Loan Association" or any other title or name tending to give the public the impression that it is engaged in the operations and activities of a Savings and Loan Association.

Such Savings and Loan Association shall display in a conspicuous place at its principal office and branches or agencies, if any, a sign including, among other things, the following words: "Authorized by the Central Bank of the Philippines."

CHAPTER II

DIRECTORS, OFFICERS AND EMPLOYEES

SEC. 11. *Qualification for Directors and Officers*

(a) No person, shall be eligible as director of a Savings and Loan Association unless he is a member, in case of non-stock Associations, or an owner in his own right of stocks in the Association with an aggregate par value of at least five thousand pesos (P5,000.00), in case of stock Associations.

(b) None of the following can be a president, vice president, manager, treasurer or cashier of an Association or a member of its board of directors:

(1) Officials and salaried employees of government bureaus, offices or agencies supervising the operations of, or extending loans to, Savings and Loan Associations;

(2) Persons who have been convicted of criminal offenses involving moral turpitude; or

(3) Insolvent persons or those who are habitually delinquent in the payment of their just and valid debts.

However, sub-paragraph (1) above shall not apply to non-stock Associations.

SEC. 12. *Report of Change of Directors or Principal Officers*

Any change of members of the Board of Directors or principal officers of a Savings and Loan Association shall be reported immediately to the Department of Savings and Loan Associations of the Central Bank.

SEC. 13. *Bond of Officers and Employees*

All officers and employees of an Association who have access to money, or negotiable securities of the Association, or who issue stock or shares of the Association, in the regular discharge of their duties shall, before entering upon their duties, furnish to the employing Association a good and sufficient bond indemnifying the Association against loss of money or securities by reason of their dishonesty and against loss arising from their dishonest issue of stock or shares.

The bond of the Cashier, Assistant Cashier, Treasurer, tellers and all other employees of the Association, including agents, salesmen and solicitors, having money accountability, shall be equivalent to, or not less than, their average cash daily accountability. The Corporate Secretary shall furnish a bond in an amount not less than ₱1,000.00. The bonds must be issued by a reputable bonding company approved by the Central Bank.

SEC. 14. *Compensation of Directors, Officers and Employees*

No director, officer or employee of an Association shall receive from such Association, and no Association shall pay to any director, officer, or employee of such Association, any commission, emolument, gratuity or reward based on the volume or number of loans made, or based on the interest or fees collected thereon. Nothing in this section, however, prohibits or limits any of the following:

- (a) Receipt or payment of salaries of directors, officers, and employees.
- (b) Receipt or payment of commissions to agents whether or not based on the volume or number of loans or on the interest or fees collected thereon.
- (c) Receipt or payment of bonuses to officers or employees if such bonuses are based on the profits and not on the volume or number of loans made or on the interest or fees collected thereon.

SEC. 15. *Shares of Stock of Officers, Directors or Employees*

No officer, director, or employee of any Association shall acquire any certificate or shares issued by the Association with which he is connected by a method other than by investing his funds directly with the Association, or by gift, bequest, or descent, or purchase in any amount not exceeding at any one time three thousand pesos (₱3,000.00), unless such other mode of acquisition has the prior approval of the Monetary Board, and the Auditor of the Central Bank.

SEC. 16. *Liability of Officers for Loans Contrary to Law*

No Association shall make or purchase any loan or investment not authorized or permitted under these regulations or the Savings and Loan Association Act, and any director, officer or employee who, on behalf of any such Association, knowingly makes or purchases any such loan or investment or who knowingly consents thereto shall be personally liable to the Association for the full amount of any such loan or investment.

SEC. 17. *Agents and Salesmen*

No person, whether natural or juridical, shall act as an agent or salesman of a Savings and Loan Association or operate an agency thereof without obtaining a license from the Monetary Board. No license is required for a col-

lector of an Association but no person shall hold himself out or act as a collector unless he is authorized as a collector in writing by such Association: *Provided, however,* That no person who has been convicted of estafa or any other crime involving dishonesty may be authorized as a collector of an Association.

CHAPTER III

DEPOSIT OPERATIONS

SEC. 18. *Savings and Time Deposits Distinguished*

Savings and time deposits are both subject to time or term. Savings is subject to an indeterminate time at the will of the depositor, who may, therefore, withdraw the same at his pleasure, unless notice is reserved by the depository Savings and Loan Association. Time deposit is subject to a definite time of maturity and, therefore, cannot be withdrawn by the depositor until its maturity date arrives, unless the depository Association waives its right to the term.

Amended SEC. 19. *Interest Rates*

Savings and Loan Associations shall be allowed to pay a maximum of four per cent (4%) annual interest on savings deposit, and a maximum of four and one-half per cent (4-1/2%) annual interest on time deposits, in accordance with the following schedule of rates:

| | |
|--------------------|--------|
| (a) 90 days | 3-3/4% |
| (b) 180 days | 4% |
| (c) 270 days | 4-1/4% |
| (d) 360 days | 4-1/2% |

SEC. 20. *Who May Open Deposit Accounts*

Subject to the provisions of the following sections, persons, natural or legal, or juristic, may, individually or jointly, or jointly and severally, open savings or time deposits.

A natural person, although lacking capacity to contract, may nevertheless, open a savings or time deposit account for himself, provided he has sufficient discretion. However, he cannot withdraw thereon, except through, or with the assistance of a guardian authorized to act for him. Parents may deposit for their minor children, and guardians for their wards.

A juristic or legal person, whether corporation, partnership, or foundation, must furnish the Savings and Loan Association with written proof of its juristic capacity and a copy of its authorization for making the deposit, with the names of the persons authorized to make withdrawals on the account in its behalf.

Notwithstanding the provisions of the preceding paragraphs, the cashier, bookkeeper and their assistants, and other employees of an Association whose duties entail the handling of cash or checks are prohibited from opening deposit accounts with the Association in which they are employed as such.

SEC. 21. Right of Association to Accept or Reject or Return Deposit

Notwithstanding the provisions of the preceding section, a Savings and Loan Association may accept or reject, or having accepted, return a deposit on any ground deemed reasonable, which it may not be compelled to state.

When a person intending to open or make a deposit is unknown, the Association may require that he be properly identified by another person known to the Association.

SEC. 22. Number of Deposit Accounts

A depositor may open and have only one savings deposit in his own name in the same capacity, although he may open and have various deposits in different capacities such as guardian, agent, or trustee for others.

SEC. 23. Depositor's Signature Card and Deposit Slip

Upon the acceptance of an applicant as depositor, he shall accomplish a depositor's signature card and a deposit slip.

SEC. 24. Issuance of Savings Deposit Pass Book and Certificate of Time Deposit

For every savings deposit account, a savings deposit pass book shall be issued to the depositor in his name, showing (a) his address, (b) the account number, (c) date of the deposit, (d) amount thereof, and (e) balance, signed or initialed by the cashier or receiving teller.

In the case of a time deposit, a certificate of time deposit, duly signed by the Cashier and countersigned by the president or manager of the Association, shall be issued to the depositor in his name, showing the date when the deposit is made, the amount thereof, the due date, and the interest rate.

SEC. 25. Deposits in Checks and Other Cash Items

Checks and other cash items may be accepted for deposit by Savings and Loan Associations provided that withdrawals there-against shall not be made until the check or other cash item is collected.

SEC. 26. Minimum Savings and Time Deposits; Computation of Interest

Savings deposits may be opened with a minimum deposit of one peso (₱1.00); time deposit, a minimum of one hundred pesos (₱100.00).

Savings deposits are cumulative and shall earn interest not exceeding four per cent (4%) per annum as provided for in Section 19 of these rules, compounded quarterly, credited on the last business day of each calendar quarter, based on the smallest monthly balance of the account, in accordance with the following rules:

- (a) Deposits made during the first five (5) days of the month, together with the balance carried from the various month, shall earn interest from the first day of the month;
- (b) Accounts falling below ten pesos (P10.00) on any day after the fifth day to the end of the month shall not earn interest during that month; and
- (c) Accounts closed during, but not at the end of, the quarter, shall not earn interest during that quarter.

Time deposits shall earn interest not exceeding four and one-half per cent (4½%) per annum in accordance with Section 19, computed from date of deposit to date of withdrawal. However, where a time deposit is permitted to be withdrawn before the maturity date fixed in the certificate of time deposit, the amount withdrawn may be deemed a savings deposit and may earn interest as such.

SEC. 27. *Withdrawals from Savings Deposits*

A depositor desiring to withdraw against his savings deposit must present his savings deposit pass book to the Savings and Loan Association, and fill out a withdrawal slip. The withdrawal may be made through an agent or representative duly authorized in writing to make such withdrawal.

SEC. 28. *Right of Savings and Loan Association to Require Notice of Withdrawal; Limitation on Number of Withdrawals*

A Savings and Loan Association may require notice of withdrawal of not more than thirty (30) days, provided this right is reserved when the deposit was received. If no reservation was then made, it shall apply only to deposits made after the reservation.

The Association may limit the number of withdrawals that a depositor may make: *Provided*, That the number of withdrawals allowed shall not be less than three (3) times a month. The Association may impose a service charge of twenty five centavos (P0.25) for every additional withdrawal made in excess of the maximum number allowed in any one month.

SEC. 29. *Withdrawal of Time Deposit*

The withdrawal of time deposit can be made only on presentation of the certificate of time deposit on the day of its maturity. If presented before the

maturity date, and the Association waives its right to the time, the provisions of the last paragraph of Section 26 of these rules shall apply. If presented after maturity, the interest credit will be the same as savings deposit from the date of maturity to the date of withdrawal or renewal.

SEC. 30. *Required Reserves*

Every Savings and Loan Association shall maintain a reserve against its savings and time deposits equivalent to six percent (6%) of the aggregate of such deposits.

At least twenty per cent (20%) of the reserve must be in the form of cash, and the rest in bonds or evidences of indebtedness of the Republic of the Philippines or of its subdivisions, agencies or instrumentalities: *Provided*, That the servicing of the principal and interests thereof is fully guaranteed by the Republic of the Philippines.

SEC. 31. *Computation of Reserve Position; Effect of Deficiencies*

The reserve position of each Savings and Loan Association shall be calculated daily on the basis of the amount, at the close of business for the day, of the Association's reserves and the amount of its liability accounts against which the reserves are required to be maintained. For the purpose of computing the reserve position of each Association, its principal office in the Philippines and all its branches and agencies located therein shall be considered as a single unit.

Whenever the reserve position of any Association, computed in the manner specified in the immediately preceding paragraph, is below the required minimum, the Association shall pay the Central Bank one-tenth of one per cent ($1/10$ of 1%) per day on the amount of the deficiency: *Provided, however*, That Associations shall ordinarily be permitted to offset any reserve deficiency occurring on one or more days of the week with any excess reserves which they may hold on other days of the same week and shall be required to pay the penalty only on the average daily deficiency during the week. In cases of abuse, the Monetary Board may deny any Association the privilege of offsetting reserve deficiencies in the aforesaid manner.

Whenever an Association chronically has a reserve deficiency, the Monetary Board may limit or prohibit the making of new loans or investments by the Association and may require that part or all of the net profits of the Association be assigned to surplus.

SEC. 32. *Where Reserve in Cash shall be Deposited*

A Savings and Loan Association shall deposit the cash portion of its required reserves with the Central Bank of the Philippines. The said cash portion may also be deposited with the Philippine National Bank, or with any of its branches or agencies nearest to it, in trust for the Central Bank.

CHAPTER IV

CAPITAL-RISK ASSET RATIO: CREDIT OPERATIONS INVESTMENTS; ETC.

SEC. 33. *Capital-Risk Asset Ratio*

The combined capital accounts of each Association shall not be less than an amount equal to twenty per cent (20%) of its total assets, excluding the following assets:

- (a) Cash on hand;
- (b) Amounts due from banks, including all deposits with the Central Bank; and
- (c) Evidences of indebtedness of the Republic of the Philippines and of the Central Bank, and any other evidences of indebtedness or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines.

The manner of determining the total assets of Associations for purposes of this section shall be as prescribed or may hereafter be prescribed by the Monetary Board, but contingent accounts shall not be included among total assets.

Whenever the capital accounts of an Association are deficient with respect to the requirements of this section, the Monetary Board, after considering a report of the Director of the Department of Savings and Loan Associations on the state of solvency of the Association concerned, may limit or prohibit the distribution of net profits and may require that part of all of net profits be used to increase the capital accounts of the Association until the minimum requirement has been met. The Monetary Board may, furthermore, after considering the aforesaid report of the Director of the Department of Savings and Loan Associations and if the amount of the deficiency justifies it, restrict or prohibit the making of new investments of any sort by the Association, with the exception of purchases of readily marketable evidences of indebtedness included under subsection (c) of this section, until the minimum required capital ratio has been restored.

SEC. 34. *Principles Governing Credit Operations*

(a) Stock Savings and Loan Associations shall provide the normal credit needs of the consuming public, and of industry, commerce, and agriculture.

(b) Savings and Loan Association loans shall be for an amount no greater than what is deserved so as not to impose a repayment burden on the borrower and a collection problem to the Association.

(c) Repayment periods should be short. Savings and Loan Associations should confine business to meeting the short-run credit needs which shall be repayable within, and not allowed to go beyond twelve (12) months. Extensions or renewals of loans may be allowed under the conditions prescribed in Section 45 of these regulations.

(d) The size of the loan should be measured by the borrower's earning capacity, character and ability to repay obligations, or the fair value of the property offered as collateral.

SEC. 35. *Power of Association to Prescribe Rules on Credit Operations*

The Board of Directors of every Savings and Loan Association, authorized to operate under the Savings and Loan Association Act and these regulations, shall prescribe its own rules and regulations governing credit transactions and loan operations of the Association, within the framework of the terms and conditions embodied in this Chapter.

SEC. 36. *Amount of Loans*

A Savings and Loan Association may grant loans not exceeding the amount deposited by the borrower plus his four (4) month's salary or regular income in the case of a permanent employee or wage earner, or seventy per cent (70%) of the fair value of any property acceptable as collateral on first mortgage that he may put up by way of security: *Provided*, That the direct indebtedness to a Savings and Loan Association of any person, company, corporation or firm, including in the indebtedness of the company or firm the indebtedness of the several members thereof, for money borrowed, with the exception of money borrowed against obligations of the Central Bank or of the Philippine Government, or borrowed with the full guarantee by the Government of payment of principal and interest, shall at no time exceed fifteen per cent (15%) of the unimpaired capital and surplus of the Association.

The term "fair value" as used in this section and elsewhere in these rules and regulations shall mean fair market value of the property offered as collateral.

In the case of a borrower who is a permanent employee or wage earner, the treasurer, cashier or paymaster of the office employing him is authorized to make deductions from his salary, wage or income pursuant to the terms of his loan, and to remit deductions to the Association. For this service, a fee of ₱1.00 or $\frac{1}{2}$ of 1% of the amount of the loan but in no case to exceed five pesos (₱5.00), may be collected by such treasurer, cashier or paymaster: *Provided, however*, That the Association shall not collect from the borrower any other amount for collection charges except in cases of non-payment for reasons beyond the control of the treasurer, cashier or paymaster, in which event Section 40(b) of these rules and regulations shall apply.

SEC. 37. *Maturity of Loans*

No loan granted by a Savings and Loan Association shall have a maturity date of more than one year: *Provided, however,* That extensions or renewals may be allowed in accordance with the provisions of Section 45 of these rules and regulations.

Deposits made by an Association to a bank shall not be considered a loan.

SEC. 38. *Kinds of Security*

Security for loans may be in any or all of the following forms:

- (a) Real estate mortgages;
- (b) Chattel mortgages on harvested or stored crops of non-perishable character;
- (c) Chattel mortgages on livestock, tools, equipment or machinery supplies and materials, merchandise, and such other property which may have been purchased or acquired out of the proceeds of the loan;
- (d) Assignment of quedans which give the Association the right of disposal of readily marketable products;
- (e) Time and savings deposits; and
- (f) Pledge of bonds, stocks, and other securities of agricultural, industrial or commercial enterprises that are non-speculative in nature.

SEC. 39. *Interest Rates and Rebates*

(a) Savings and Loan Associations may charge interest on loans granted at rates not exceeding twelve per centum (12%) per annum or one per centum (1%) per month, in case of loans wholly or partly secured by real estate the title to which is duly registered, and not more than fourteen per centum (14%) per annum or one and one sixth per centum (1-1/6%) per month, in case of loans otherwise secured or without security.

The Association, however, may establish preferential rates of interest to encourage the development of certain types of production which may contribute to the general well-being of the economy.

(b) Should a borrower pay the entire loan before its maturity, interest shall be charged only for the period from the granting of the loan to the date of such payment.

SEC. 40. *Fees and Other Charges*

(a) For each loan application, a Savings and Loan Association may charge a minimum filing fee of One Peso (₱1.00) up to one tenth of one per cent of the amount applied for.

(b) A minimum collection fee of One Peso (₱1.00) or one-half of one per cent of the loan granted may be charged in case the loan is not paid upon maturity: *Provided, however, That should a Savings and Loan Association be compelled to institute court action for the recovery of the loan granted, it may, in addition, collect reasonable charges as attorney's fees.*

(c) Whenever it shall be necessary to make an ocular inspection, for appraisal purposes, of the property offered as collateral for the loan applied for, the following rules shall apply:

(1) If the property is located in the area where the Savings and Loan Association is operating, the Association may collect a reasonable inspection fee not exceeding the rates provided for in the following schedule:

| <u>Amount of Loan Applied For</u> | <u>Fees</u> |
|-----------------------------------|-------------|
| ₱ 1,000.00 or less ----- | ₱ 2.00 |
| 1,001.00 — 5,000.00 ----- | 5.00 |
| 5,001.00 — 10,000.00 ----- | 10.00 |
| 10,001.00 — 30,000.00 ----- | 15.00 |
| 30,001.00 — 50,000.00 ----- | 20.00 |
| Over ₱50,000.00 ----- | 25.00 |

(2) In case the collateral is situated outside the area of operation of the Association, the applicant may be required to deposit an amount estimated to cover the actual expenses of inspection, which shall be determined by the president or manager of the Association or the official delegated by him. The actual expenses incurred shall be charged against said deposit, and the unused balance shall be refunded to the applicant.

SEC. 41. *Application for Loan*

A person desiring a loan must submit an application stating the purpose of the loan and such other information as may be required by the Savings and Loan Association. The loan application and other required information shall form part of the credit information file of the borrower in the Association.

SEC. 42. *Approval of Loan*

No loan in excess of Five Hundred Pesos (₱500.00) shall be made unless the loan application has been first processed and examined by a Credit Committee which shall submit its findings and recommendations to the Board of Directors of the Savings and Loan Association for action within a reasonable time from date of filing of application. No such loan shall be approved unless prior investigation has been made to determine the credit standing of the applicant and/or fair value of the property offered as security, and a written report thereon is submitted and made part of the loan application presented to the Board: *Pro-*

vided, however, That this requirement may be waived by the Association in the case of a permanent employee or wage earner who is borrowing an amount not exceeding his deposit plus his four (4) month's salary or regular income.

SEC. 43. Inscription of Lien

In the case of mortgage loans, no release against an approved loan which is in excess of Five Hundred Pesos (₱500.00) shall be made before the inscription of the lien of mortgage.

SEC. 44. Execution of Promissory Note

For each loan made by an Association, a promissory note expressing the rate of interest must be executed by the borrower in favor of the Association.

SEC. 45. Extensions or Renewals of Loans

Extension of the period of payment of loans may be allowed under the following circumstances:

- (a) For productive loans, the extension shall not exceed one-half of the original period: *Provided*, That thirty per cent (30%) of the loan shall have been paid. A second extension may also be allowed: *Provided*, That the same shall not exceed one-half of the period of the first extension.
- (b) For consumer loans, the extension shall not exceed one-half of the original period: *Provided*, That fifty per cent (50%) of the loan shall have been paid.
- (c) For loans for medical purposes, the extension may be for the same duration as the original period: *Provided*, That thirty per cent (30%) of the loan shall have been paid.

Loans payable in periodical installments may be renewed for the full amount of the loan: *Provided* that at least fifty per cent (50%) of the loan shall have been paid.

SEC. 46. Limitation on Lending Authority

(a) An Association shall not commit itself to make any loans for amounts in excess of the total of the following amounts:

- (1) amount of cash available for loan purposes;
- (2) amount of cash which can be readily realized upon the sale or redemption of permissible investments made by the Association;
- (3) amount of credit available for loan purposes from government or private financing institutions.

(b) No Association shall directly or indirectly make any loans to any director, or officer or employee of such Association, either for himself or as agent or as partner of another.

(c) No Association shall make any loan to any corporation of which a majority of the stock is owned or controlled directly or indirectly, by any one or more of the directors or officers of such Association collectively.

(d) No Association shall loan any of its fund upon the security of its own stock, nor be the purchaser or holder of any such shares, unless such security or purchases be necessary to prevent loss upon a debt previously contracted in good faith, and the stock so purchased or acquired, or purchased or acquired for any other reason in the course of its operations, shall, within six (6) months from the time of its purchase or acquisition, be sold or disposed of at public or private sale, or in default thereof, a receiver shall be appointed to close up the business of the Association in accordance with law.

SEC. 47. Discounting of Notes and Other Credit Instruments

A Savings and Loan Association may discount with recourse bills, acceptances, promissory notes and other credit instruments with maturities not more than one year from their date of discount and resulting from transactions related to:

(a) The importation, exportation, purchase or sale of readily saleable goods and products, or their transportation within the Philippines;

(b) The storing of non-perishable goods and products which are duly insured and deposited in authorized bonded warehouses or in other places approved by the Monetary Board or the Director of the Department of Savings and Loan Associations; and

(c) The production or processing of agricultural, animal, mineral or industrial products.

Discounts made in accordance with this section may not be renewed or extended except upon the prior approval of the Director of the Department of Savings and Loan Associations when extraordinary circumstances fully justify such renewal or extension.

SEC. 48. Investment of Funds

An Association may invest its funds in any or all of the following:

(a) In bonds, securities, and other obligations issued by the Government of the Philippines, or any of its political subdivisions, instrumentalities or corporations including government-owned or controlled corporations, subject to such rules and regulations as the Monetary Board may provide, in an aggregate amount not exceeding at any one time ten per cent (10%) of the total assets of such Association;

- (b) In real property, in an aggregate amount not exceeding at one time five per cent (5%) of the total assets of such Association;
- (c) In furniture, fixtures, furnishings, equipment, and leasehold improvements for offices, in an amount not exceeding at any one time ten per cent (10%) of the aggregate paid-up capital of such Association; and,
- (d) In sound non-speculative enterprises, in an aggregate amount not exceeding at any one time ten per cent (10%) of the paid-up capital and surplus of such Association: *Provided, however,* That in this case, prior approval of the Department of Savings and Loan Associations of the Central Bank shall be obtained.

SEC. 49. *Capital Contributions of Members of Non-Stock Association*

Members who have contributed Fifty Pesos (P50.00) or more to the capital of a non-stock Savings and Loan Association may increase their capital contribution or open savings or time deposit accounts. The total amount paid by a member as capital contribution shall not be withdrawable unless he terminates his membership in the Association.

SEC. 50. *Power to Borrow Money or Incur Obligation*

An Association may borrow money or incur such obligation up to not more than five per centum (5%) of the total assets of the Association, from any public lending institutions, such as the Development Bank of the Philippines, the Philippine National Bank, the Government Service Insurance System, the Social Security System, and from such private lending institutions other than another Savings and Loan Association as may be approved by the Monetary Board. The Monetary Board may, in meritorious cases, raise the ceiling on the borrowing capacity of a Savings and Loan Association to not more than ten per centum (10%) of its total assets.

CHAPTER V

MISCELLANEOUS PROVISIONS

SEC. 51. *Restrictions on Savings and Loan Association*

(a) No entrance fees of any kind may be charged by any Association without first securing the approval of the Monetary Board. In no case shall the total amount of such fees exceed one per cent (1%) of the amount deposited, contributed, or otherwise paid in by the particular shareholder, stock holder or member.

(b) No Association shall have or carry upon its books for any person any demand, commercial or checking account, or any credit to be withdrawn upon the presentation of any negotiable check or draft.

(c) No Association shall advertise or represent itself to the public as a bank, whether commercial or savings, or as a trust company.

(d) No Association shall issue, publish or cause or permit to be issued or published, any advertisement that it is doing or permitted to do any business which is prohibited by law to an Association, or which misrepresents its shares, stock, investment certificates, or the rights of investors or depositors in respect thereto.

SEC. 52. Withdrawable Share Reserve

(a) Every Savings and Loan Association shall create a withdrawable share reserve which shall consist of three per cent (3%) of the aggregate par value of the Association's outstanding shares. In the case of non-stock Associations, the withdrawable share reserve shall be three per cent (3%) of the aggregate capital contributions of the members.

(b) No Association shall pay any dividends or distribute any profits to stockholders if its withdrawable share reserve is less than, or by such payment or distribution would be reduced below, the amount specified in this Section

SEC. 53. Notice of Contemplated Dissolution of Association

Any Savings and Loan Association contemplating to dissolve shall give written notice thereof to the Monetary Board through the Director of the Department of Savings and Loan Associations at least thirty (30) days before taking steps to effect dissolution.

SEC. 54. Annual Reports

Every Savings and Loan Association shall, within sixty (60) days after the close of its fiscal year ending December 31, furnish the Monetary Board mail to each of its investors, a copy of its financial statement showing, in such form and detail as the Monetary Board shall require, the amount and character of the assets and liabilities of the Association at the end of the preceding fiscal year. Any Association may, in lieu of mailing, publish such financial statement verified under oath, in any newspaper of general circulation in the city or town in which its principal and branch offices are located. The Monetary Board may, in addition to the foregoing, require the publication of such other information as it shall deem necessary for the protection of the investors in these Associations.

SEC. 55. *Forms and Accounting System*

Credit, legal, accounting and other forms to be used by Savings and Loan Associations as well as the accounting system and classification of accounts, shall be prescribed by the Monetary Board of the Central Bank of the Philippines.

SEC. 56. *Confidential Information*

No director, officer, employee or agent of a Savings and Loan Association or of the Central Bank shall disclose any information relating to borrowers and their applications or to the operation of the Association unless permitted by the Monetary Board of the Central Bank.

SEC. 57. *Examination*

The Director of the Department of Savings and Loan Associations, personally or by deputy, shall make at least once a year and at such other times as he or the Monetary Board may deem necessary and expedient, an examination, inspection or investigation of the books and records, business affairs, administration, and financial condition of any Savings and Loan Association.

SEC. 58. *Penalty*

Any person violating the provisions of this Circular shall be subject to the penal provisions of Section 29 of the Savings and Loan Association Act.

SEC. 59. *Implementation of Basic and Supplementary Rules*

The Department of Savings and Loan Associations of the Central Bank of the Philippines shall implement these rules and regulations and such other rules and regulations that may be issued from time to time by the Monetary Board to supplement or complement the basic rules and regulations.

FOR THE MONETARY BOARD:

(SGD.) AMADO R. BRIÑAS
Acting Deputy Governor

September 23, 1963

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CIRCULAR NO. 158
October 29, 1963

RULES AND REGULATIONS IMPLEMENTING REPUBLIC ACT NO. 3765
OTHERWISE KNOWN AS THE TRUTH IN LENDING ACT

Pursuant to the provisions of Section 5 of Republic Act No. 3765, otherwise known as the Truth in Lending Act, the following rules and regulations are hereby promulgated:

SECTION 1. Requirement of Disclosure.—Any creditor shall furnish to each person to whom credit is extended, prior to the consummation of the transaction, a clear statement in writing setting forth the following information:

- (a) The cash price or delivered price of the property or service to be acquired;
- (b) The amounts, if any, to be credited as down payment and/or trade-in;
- (c) The difference between the amounts set forth under clauses (a) and (b);
- (d) The charges, individually itemized, which are paid or to be paid by such person in connection with the transaction but which are not incident to the extension of credit;
- (e) The total amount to be financed;
- (f) The finance charges expressed in terms of pesos and centavos; and
- (g) The percentage that the finance charge bears to the total amount to be financed expressed as a simple annual rate on the outstanding unpaid balance of the obligation.

The contract covering the credit transaction, or any other document to be acknowledged and signed by the debtor, shall indicate the above seven items of information. In addition, the contract or document shall specify additional charges, if any, which will be collected in case certain stipulations in the contract are not met by the debtor.

SECTION 2. Definition of Terms—(a) “Creditor” (who shall furnish the information) means any person engaged in the business of extending credit (including any person who as a regular business practice makes loans or sells or rents property or services on a time, credit, or installment basis, either as principal or as agent) who requires as an incident to the extension of credit, the payment of a finance charge.

(b) "Person" means any individual, corporation, partnership, association, or other organized group of persons, or the legal successor or representative of the foregoing, and includes the Philippine Government or any agency thereof, or any other government, or any of its political subdivisions, or any agency of the foregoing.

(c) "Cash price or delivered price," in case of trade transactions, is the amount of money which would constitute full payment upon delivery of the property (except money) or service purchased at the creditor's place of business. In the case of financial transaction, cash price represents the amount of money received by the debtor upon consummation of the credit transaction, net of finance charges collected at the time the credit is extended (if any).

(d) "Down Payment," represents the amount paid by the debtor at the time of the transaction in partial payment for the property or service purchased.

(e) "Trade-in" represents the value of an asset, agreed upon by the creditor and debtor, given at the time of the transaction in partial payment for the property or service purchased.

(f) "Non-finance charges" correspond to the amounts advanced by the creditor for items normally associated with the ownership of the property or of the availment of the service purchased which are not incident to the extension of credit. For example, in the case of the purchase of an automobile on credit, the creditor may advance the insurance premium as well as the registration fee for the account of the debtor.

(g) "Amount to be financed" consists of the cash price *plus* non-finance charges *less* the amount of the down payment and value of the trade-in.

(h) "Finance charge" represents the amount to be paid by the debtor incident to the extension of credit such as interest or discounts, collection fees, credit investigation fees, attorney's fees, and other service charges. The total finance charge represents the difference between (1) the aggregate consideration (down payment plus installments) on the part of the debtor, and (2) the sum of the cash price and non-finance charges.

(i) "Simple annual rate" is the uniform percentage which represents the ratio, on an annual basis, between the finance charges and the amount to be financed.

In the case of a single payment upon maturity, the simple annual rate in per cent is determined by the following method:

$$R = \frac{\left(\frac{\text{finance charge}}{\text{(amount to be financed)}} \right)}{\left(\frac{12}{\text{(maturity period in months)}} \right)} \times 100\%$$

In the case of the normal installment type of credit of at least one year in duration, where installment payments of equal amount are made in regular time periods spaced not more than one year apart, the simple annual rate (R), in per cent, is computed by the following method:

$$R = 2 \times \frac{(\text{finance charge})}{(\text{amount to be financed})} \times \frac{(\text{number of payments in a year})}{(\text{Total number of payments plus one})} \times 100\%$$

In cases where the credit matures in less than one year (e.g., installment payments are required every month for *six months*), the same formula will apply except that: *the number of payments in a year* would refer to the number of installment periods, as defined in the credit contract, if the credit matures in one year. For example, the number of payments a year would be *twelve* for this purpose in cases where six monthly installment payments are called for in the credit transaction.¹

In cases where credit terms provide for premium or penalty charges depending on, say, the timeliness of the debtor's payments, the annual rate to be disclosed in writing shall be the rate for regular payments, i.e., the premium and penalty need not be taken into account in the determination of the annual rate. Such premium or penalty charges shall, however, be indicated in the credit contract.

SECTION 3. Scope of Requirements.—The above regulations shall apply to all creditors engaged in the following types of credit transactions:

- (a) Any loans, mortgages, deeds of trust, advances and discounts;
- (b) Any conditional sales contract, any contract to sell, or sale or contract of sale of property or services, either for present or future delivery, under which part or all of the price is payable subsequent to the making of such sale or contract;
- (c) Any rental-purchase contract;
- (d) Any contract or arrangement for the hire, bailment, or leasing of property;
- (e) Any option, demand, lien, pledge, or other claim against, or for delivery of, property or money;
- (f) Any purchase, or other acquisition of, or any credit upon the security of, any obligation or claim arising out of any of the foregoing; and

¹ This can be determined by dividing twelve, the number of months in a year, by the number or fraction of months between installment payments.

- (g) Any transaction or series of transactions having a similar purpose or effect.

Considering that the specific purpose of the law is the full disclosure of the true cost of credit, the following categories of credit transactions are outside the scope of the above regulations:

- (a) Credit transactions which do not involve the payment of any finance charge by the debtor; and
- (b) Credit transactions in which the debtor is the one specifying a definite and fixed set of credit terms such as bank deposits, insurance contracts, sale of bonds, etc.

SECTION 4. *Penal Provision.* — Section 6 of Republic Act No. 3765 provides that:

- “(a) Any creditor who in connection with any credit transaction fails to disclose to any person any information in violation of this Act or any regulation issued thereunder shall be liable to such person in the amount of ₱100 or in an amount equal to twice the finance charge required by such creditor in connection with such transaction, whichever is the greater, except that such liability shall not exceed ₱2,000 on any credit transaction. Action to recover such penalty may be brought by such person within one year from the date of the occurrence of the violation, in any court of competent jurisdiction. In any action under this subsection in which any person is entitled to a recovery, the creditor shall be liable for reasonable attorney’s fees and court costs as determined by the court.
- “(b) Except as specified in subsection (a) of this section, nothing contained in this Act or any regulation contained in this Act or any regulation thereunder shall affect the validity or enforceability of any contract or transaction.
- “(c) Any person who wilfully violates any provision of this Act or any regulation issued thereunder shall be fined by not less than ₱1,000 nor more than ₱5,000 or imprisonment for not less than 6 months, nor more than one year or both.
- “(d) No punishment or penalty provided by this Act shall apply to the Philippine Government or any agency or any political subdivision thereof.
- “(e) A final judgment hereafter rendered in any criminal proceeding under this Act to the effect that a defendant has wilfully violated this Act shall be *prima facie* evidence against such defendant in an ac-

tion or proceeding brought by any other party against such defendant under this Act as to all matters respecting which said judgment would be an estoppel as between the parties thereto."

SECTION 5. These Rules and Regulations shall take effect 30 days after publication in the Official Gazette.

FOR THE MONETARY BOARD:

(SGD.) AMADO R. BRIÑAS
Acting Deputy Governor

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CIRCULAR NO. 159
November 13, 1963

Amendment to Circular No. 157

Section 3 of Circular No. 157 dated September 23, 1963 is hereby amended to read as follows:

*"SEC. 3. Prior Approval by the Monetary Board of Articles
of Incorporation and By-Laws or Amendments Thereto*

"The articles of incorporation and by-laws of a proposed Savings and Loan Association shall not be filed in the Office of the Securities and Exchange Commissioner unless there is attached thereto a certificate of the Monetary Board approving such articles and by-laws: *Provided, however,* That this requirement shall not apply to Savings and Loan Associations duly incorporated or registered with the Securities and Exchange Commission prior to the approval of the Savings and Loan Association Act (June 22, 1963) and which are actually existing and operating as such.

"No amendment to the articles of incorporation or by-laws of a Savings and Loan Association shall be filed in the Office of the Securities and Exchange Commissioner unless there is attached thereto a certificate of the Monetary Board approving such amendment."

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO
Governor

—oOo—

CIRCULAR NO. 160
Series of 1963

FURTHER AMENDMENT TO CENTRAL BANK CIRCULAR NO. 2

A fourth paragraph is hereby added to Section 4 of Central Bank Circular No. 2 dated January 3, 1949, as amended by Central Bank Circulars Nos. 93 dated February 2, 1959, 110 dated September 7, 1960, 115 dated November 21, 1960, 119 dated December 29, 1960, and 153 dated May 23, 1963, to read as follows:

“Unless an overdraft is covered not later than two hours before the next clearing as hereinbefore provided, interest thereon at twelve per cent (12%) per annum shall be collected. If the deposit account with the Central Bank is chronically overdrawn, the Monetary Board shall limit or prohibit the making of new loans or investments by the bank concerned and require that part or all of its net profits be assigned to surplus.”

This amendment shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO
Governor

November 26, 1963

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CIRCULAR NO. 161
December 9, 1963

Please be advised that under Monetary Board Resolution No. 1631, Paragraph (b) dated November 26, 1963, the schedule of interest rates on time deposits as prescribed under paragraph three (3) of Central Bank Circular No. 149 dated March 27, 1963 is amended as follows:

1. Commercial banks may pay a maximum of 4-1/2 per cent annual interest on time deposits in accordance with the following schedule:

| | |
|--------------------|--------|
| (a) 90 days | 3-3/4% |
| (b) 180 days | 4% |
| (c) 270 days | 4-1/4% |
| (d) 360 days | 4-1/2% |

2. Savings, rural and development banks may pay a maximum of 4-1/2 per cent annual interest on time deposits in accordance with the following schedule:

| | |
|---|--------|
| (a) At least 90 days but not exceeding 180 days | 4-1/4% |
| (b) Exceeding 180 days | 4-1/2% |

This amendment shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO
Governor

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CIRCULAR NO. 162
Series of 1963

SUBJECT: Period within which to present for payment checks issued by the Central Bank

All checks issued by the Central Bank of the Philippines should be presented to the Central Bank for payment within a period of six (6) months from their respective dates. Any check presented for payment after the lapse of such period but within two years from the date thereof will be treated as evidence of the corresponding claim which, upon prior identification and verification, will be settled by the issuance of a new check.

(SGD.) ANDRES V. CASTILLO
Governor

December 26, 1963

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EXPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 90

May 7, 1963

Effective immediately, Export Dept. Memorandum to Authorized Agent Banks No. 48 dated March 14, 1960, providing for the issuance by the Export Department of general export licenses permitting authorized agent banks to remit directly to their correspondents abroad foreign notes and coins purchased by them under existing regulations, for the purpose of having them credited to their respective foreign currency accounts or converted into U.S. dollars to be remitted to the Philippines, is hereby revoked.

(SGD.) JESUS C. RAZON
Director

APPROVED:

(SGD.) ANDRES V. CASTILLO
Governor

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EXPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 91

May 8, 1963

Pursuant to Monetary Board Resolution No. 515, adopted on April 23, 1963, liquidation of the undrawn balances on copra shipments to Europe shall be within 180 days from the date of loading. Undrawn balances pertaining to copra shipments to other countries must be liquidated within 150 days from date of loading as usual.

In cases where, for good reasons, an exporter believes that liquidation of an undrawn balance pertaining to a particular shipment of copra to Europe would take more than 180 days, the exporter concerned shall file with the Export Department a request for extension, stating the reasons therefor.

This memorandum amends the provisions of Memorandum to Authorized Agent Banks No. 84, dated September 12, 1962, insofar as liquidation of undrawn balances on copra shipments to Europe is concerned.

(SGD.) JESUS C. RAZON
Director

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EXPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 92

May 20, 1963

All Authorized Agent Banks are advised that the Monetary Board, in a resolution adopted on May 10, 1963, has decided to issue a warning to all exporters that failure on their part to submit their reports of foreign sales within twenty-four (24) hours from the date of the closing of the relative contracts of sale, shall be severely dealt with and may possibly result in the non-approval by the Central Bank of the sales reports involved.

It is requested that this decision of the Monetary Board be transmitted by Authorized Agent Banks to all their exporter-clients for the latter's information guidance.

(SGD.) JESUS C. RAZON
Director

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EXPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 93

June 24, 1963

SUBJECT: Clarification of the provisions of Export Department
Memorandum to Authorized Agent Banks No. 90

In clarification of Export Department Memorandum to Authorized Agent Banks No. 90, dated May 7, 1963, revoking Export Department Memorandum to Authorized Agent Banks No. 48, dated March 14, 1960, Authorized Agent Banks are advised that prior licensing by the Export Department of their remittances to their correspondents abroad of foreign notes and coins purchased by them under the provisions of existing regulations for the purpose of having said foreign notes and coins credited to their foreign currency accounts or converted into U.S. dollars to be remitted to the Philippines, is no longer required.

(SGD.) JESUS C. RAZON
Director

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EXPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 96

September 10, 1963

Pursuant to Monetary Board Resolution No. 1214, dated August 30, 1963, the dollar amounts corresponding to the cost of freight in cases of exports on CIF or C&F basis shall be excluded from the export proceeds required to be surrendered to the Central Bank under the provisions of Central Bank Circular No. 133, as amended.

Authorized Agent Banks are requested to transmit the contents of this memorandum to their clients.

(SGD.) JESUS C. RAZON
Director

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EXPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 98

October 29, 1963

SUBJECT: Further amendment of Export Dept. Memorandum
to Authorized Agent Banks No. 43

Pursuant to Monetary Board Resolution No. 1496 (b), dated October 22, 1963, paragraph IV of Export Dept. Memorandum to Authorized Agent Banks No. 43, as previously amended by Export Dept. Memorandum to Authorized Agent Banks No. 49, dated March 16, 1960, is further amended to read as follows:

“IV. The expiration date of the sales report shall be the last day of the shipment period/month indicated in the sales report, but which shall not exceed one hundred twenty (120) days from the date of the contract of sale. An extension, if granted, shall not exceed a period of thirty (30) days from the expiry date of the sales report or the date of approval of request.”

Effective immediately.

(SGD.) JOSE C. TIRONA
Officer-in-Charge

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EXPORT DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 99

October 29, 1963

SUBJECT: Optional Destination of Foreign Sales
of Copra and Coconut Oil

Pursuant to Monetary Board Resolution No. 1496 (a), dated October 22, 1963, exporters of copra and/or coconut oil may enter into foreign sales contracts providing for optional destination; provided that, in the case of copra, the price quoted shall be at least equal to the market price prevailing for either the United States or Europe, whichever is higher, on the date of sale, and in the case of coconut oil, the price quoted shall be at least equal to the highest market price of the three destinations—the Atlantic Coast, Pacific Coast, or Europe—on the date of sale; provided, further, that the specific destination shall be indicated in the corresponding application for export license.

Effective immediately.

(SGD.) JOSE C. TIRONA
Officer-in-Charge

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MEMORANDUM TO AUTHORIZED AGENT BANKS (FED. NO. 33)

Pursuant to the Trade Agreement concluded between the Philippines and Indonesia, dated May 27, 1963, the following payments arrangement is quoted hereunder for your guidance:

“1. In the scope of the implementation of the above-mentioned Trade Agreement all payments between our two countries shall be effected in freely convertible United States Dollars.

“2. The Central Banks of the two countries will designate Banks in their respective countries to undertake direct banking transactions with each other.

“3. For this purpose the designated banks as mentioned above will conclude with each other normal banking agency arrangements.

“4. In this respect payments shall be effected by way of reimbursement through the accounts of the respective designated banks with their correspondents in the United States. In all payment instructions (L/C, P.O., D/D, T.T. etc.) the names of the respective correspondents in the United States, through which reimbursement of the payment has to be made, have to be stated clearly.

“5. This arrangement enters into force upon signing and shall remain effective during the period of validity of the Trade Agreement.”

Attached herewith are the Indonesian banks designated by Bank Indonesia which may undertake direct banking transactions with Philippine banks. In connection therewith, it is requested that we be advised of your desire to join in this payment arrangement.

(SGD.) ANDRES V. CASTILLO
Governor

July 26, 1963
Incl.:

LIST OF FOREIGN EXCHANGE
BANKS IN INDONESIA

| NO. | N A M E | A D D R E S S |
|-----|--|--|
| 1. | Bank Indonesia | Djl. Pintu Besar Utara No. 3. <i>Djakarta.</i> — |
| 2 | Bank Dagang Negara | Djl. Pintu Besar Utara No. 5. <i>Djakarta.</i> — |
| 3. | Bank Koperasi, Tani dan Nelajan | Djl. Segara No. 8 <i>Djakarta.</i> — |
| 4. | Bank Koperasi, Tani dan Nelajan Urusan Exim | Djl. Taman Setasium No. 1. <i>Djakarta.</i> — |
| 5. | Bank Negara Indonesia | Djl. Roa Malaka Selatan 23-25. <i>Djakarta.</i> — |
| 6. | Bank Umum Negara | Djl. Ki.S. Mangunsarkoro No. 49. <i>Djakarta.</i> — |
| 7. | Bank Dagang Nasional Indonesia | Djl. Soetomo 314-315. <i>Medan.</i> — |
| 8. | Bank Persatuan Dagang Indonesia | Djl. Pasar Pagi No. 24. <i>Djakarta.</i> — |

- | | | |
|-----|--|--|
| 9. | Bank Umum Nasional | Djl. Kali Besar Barat No. 20. <i>Djakarta.</i> — |
| 10. | The Chartered Bank | Djl. Kali Besar Barat No. 1. <i>Djakarta.</i> — |
| 11. | The Hongkong & Shanghai Banking Corporation | Djl. Kali Besar Barat No. 14. <i>Djakarta.</i> — |
| 12. | Oversea Chinese Banking Corporation | Djl. Pintu Besar Selatan No. 90. <i>Djakarta.</i> — |
| 13. | Bank of China (owned by Peoples Re- public of China) | Djl. Pintu Besar Utara 23-25. <i>Djakarta.</i> — |

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FOREIGN LOANS & INVESTMENTS DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS (FLID) NO. 25

Pursuant to Monetary Board Resolution No. 19 dated January 4, 1963, loan amortizations due on or before December 31, 1962 which are entitled to the ceiling conversion rate of ₱3.20 to \$1.00 under Paragraph No. 6 of MAAB (FLIO) No. 7 dated March 9, 1962, shall continue to be serviced at such ceiling conversion rate, subject to the following conditions:

- 1) The corresponding applications for certification shall be filed with the Foreign Loans and Investments Department not later than January 31, 1963; and
- 2) The actual remittances of foreign exchange shall be effected not later than February 28, 1963; otherwise, such remittances of foreign exchange as may be effected after February 28, 1963 shall be subject to the free market rate (floating rate) under Central Bank Circular No. 133.

Please advise your clients and be guided accordingly.

(SGD.) BENITO LEGARDA, JR.
Director

January 9, 1963

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FOREIGN LOANS & INVESTMENTS DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS (FLID) NO. 26

Please be informed that the United States Agency for International Development has extended the availability date of Development Loan Fund (now AID) Credit Line No. 59, the terms and conditions of which were circularized

in MAAB (FLIO) No. 16 dated July 17, 1962. Proposals for financing the foreign exchange cost of machinery and equipment imported by small privately-owned industries may now be submitted to the Foreign Loans and Investments Department, Central Bank of the Philippines, not later than April 30, 1963. In accordance with AID requirement, only United States-procured items will be given consideration.

Please advise your clients accordingly.

(SGD.) BENITO LEGARDA, JR.
Director

January 14, 1963

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FOREIGN LOANS & INVESTMENTS DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. FLIO 27

With reference to the operations of the Industrial Guarantee and Loan Fund, please be advised that consideration of applications for assistance under the same shall be governed by the following policies adopted by implementing agencies:

"1. Such assistance may be granted only in amounts not to exceed:

₱ 500,000.00 each in the case of simple Special Time Deposits;

₱1,000,000.00 each in the case of guaranteed loans; and

₱ 300,000.00 each in the case of Special Time Deposits with guarantee;

2. No applicant shall be granted both a simple special time deposit and a special time deposit with guarantee; and

3. No request for extension of the amortization period of any kind of special time deposit shall be entertained, regardless of the period for which such special time deposit was originally approved."

Please inform your clients and be guided accordingly.

(SGD.) BENITO LEGARDA, JR.
Director

January 16, 1963

—————oOo—————

FOREIGN LOANS & INVESTMENTS DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 28

Pursuant to Resolution No. 116 adopted by the Monetary Board at its meeting held on January 22, 1963, the following amendment to the Central Bank Statistical Classification of Commodities (Revised September 1, 1962) shall take effect immediately:

For Amendment:

Printed Matters

| | | | |
|-----------------|---|-----------------|-----|
| NEC 892-09.05 | — | Maps and charts | No. |
| <i>to read:</i> | | | |
| NEC 892-09.05 | — | C h a r t s | No. |

For Inclusion:

Printed Matters

| | | | |
|--------------|---|--------------------------------------|-----|
| DC 892-09.13 | — | Geographic maps (including globes | No. |
|--------------|---|--------------------------------------|-----|

Please be guided accordingly.

(SGD.) BENITO LEGARDA, JR.
Director

January 30, 1963

———oOo———

FOREIGN LOANS & INVESTMENTS DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS (FLID) NO. 30

In connection with Central Bank Circular No. 146 dated January 24, 1963, Authorized Agent Banks are herein requested to furnish the Foreign Loans and Investments Department, Central Bank of the Philippines, with a copy of each instrument of remittance covering payment of imports under an open account arrangement, within one week from the date of remittance.

(SGD.) BENITO LEGARDA, JR.
Director

February 18, 1963

———oOo———

FOREIGN LOANS & INVESTMENTS DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 31

Pursuant to Resolution No. 378 adopted by the Monetary Board at its meeting of March 26, 1963 and confirmed on March 29, 1963, the following amendments to the Central Bank Statistical Classification of Commodities (Revised September 1, 1962) shall take effect immediately:

For Amendment:

| | Sanitary, plumbing, heating and lighting fixtures and fittings | |
|-----------------|---|------|
| NEC 812-04.04 | — Portable electric battery and magneto lamps | No. |
| NEP 812-04.21 | — Lamp parts, n.e.s. | Kilo |
| <i>to read:</i> | | |
| NEC 812-04.04 | — Portable electric battery and magneto lamps (excluding miners' electric safety lamps, portable) | No. |
| NEP 812-04.21 | — Lamp parts, n.e.s. (excluding parts of miners' electric safety lamps, portable) | Kilo |

For Inclusion:

| | Sanitary, plumbing, heating and lighting fixtures and fittings | |
|--------------|---|------|
| EP 812-04.26 | — Miners' electric safety lamps, portable | No. |
| EP 812-04.27 | — Parts of miners' electric safety lamps, portable | Kilo |

Please be guided accordingly.

(SGD.) BENITO LEGARDA, JR.
Director

April 3, 1963

—oOo—

FOREIGN LOANS & INVESTMENTS DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 32

Pursuant to Resolution No. 324 adopted by the Monetary Board at its meeting held on March 15, 1963, the following amendments to the Central Bank Statistical Classification of Commodities (Revised September 1, 1962) shall take effect as of March 18, 1963:

For Amendment:

Printed Matters

| | | | |
|-----------------|---|---|------|
| UI 892-09.08 | — | Stamps | Kilo |
| <i>to read:</i> | | | |
| UI 892-09.08 | — | Stamps, n.e.s. (excluding Government revenue stamps, uncanceled, of current or new issue) | Kilo |

For Inclusion:

Printed Matters

| | | | |
|--------------|---|--|------|
| EC 892-09.14 | — | Government revenue stamps, uncanceled, of current or new issue | Kilo |
|--------------|---|--|------|

Please be guided accordingly.

(SGD.) BENITO LEGARDA, JR.
Director

April 16, 1963

—————oOo—————

FOREIGN LOANS & INVESTMENTS DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS FLID NO. 33

SUBJECT: Form For Reporting Foreign Exchange Remittances

Please be advised that Form No. FLIO-Ref. 4 (Weekly Report of Foreign Exchange Remittances Covering Payments for Imports Under Loan Financing) required to be submitted under Memorandum to Authorized Agents and Security Dealers dated March 27, 1962 has been revised and should now be

treated as FLID FORM NO. 6 (Report of Foreign Exchange Remittances Covering Payments of Loans and Deferred Payment Obligations). Copy of the revised form is hereto attached.

(SGD.) BENITO LEGARDA, JR.
Director

Encl.:

As stated.

April 19, 1963

———oOo———

FOREIGN LOANS & INVESTMENTS DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. FLID 35

Effective immediately, all outstanding balances of Special Time Deposits (with or without Guarantee) under the Industrial Guarantee and Loan Fund Program, which have not been released in favor of the project sponsors shall be reported to the Foreign Aid & Guaranty Division, Foreign Loans & Investments Department, giving the reason for the failure of the project sponsors to avail of the amount.

Applications for Special Time Deposit under the Industrial Guarantee & Loan Fund shall henceforth be accompanied by a statement that the maximum collateral requirements have been met by the project sponsors and that the applicant bank is prepared to release the full amount of the corresponding loan in favor of the project sponsor as soon as the requested Special Time Deposit is constituted in its favor.

(SGD.) BENITO LEGARDA, JR.
Director

July 8, 1963

———oOo———

FOREIGN LOANS & INVESTMENTS DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 36

Pursuant to Resolution No. 1086 adopted by the Monetary Board at its meeting held on August 6, 1963, the following amendments to the Central Bank Statistical Classification of Commodities (Revised July 1, 1963) shall take effect immediately:

For Amendment:

Tractors, other than steam

- UI 713-01.04 — Following parts for tracklaying tractors:
final drive seals, idler shafts, carrier
rollers and carrier roller shells, track
rollers and track roller shells, end col-
lars (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 rol-
lers, wear plates for carrier and track
rollers, and cork gaskets for carrier and
track rollers

kilo

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 track roller shells, end collars
(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 rol-
lers, seals for carrier and track rollers,
wear plates for carrier and track rol-
lers, cork gaskets for carrier and track
rollers, track link assemblies, track links
(left and right), track pins, track bush-
ings, track master pins and track mas-
ter bushings

kilo

Please be guided accordingly.

(SGD.) FELIX L. LAZO
Special Assistant to the Governor

August 15, 1963

———oOo———

FOREIGN LOANS & INVESTMENTS DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 37

Pursuant to Resolution No. 1086 adopted by the Monetary Board at its meeting held on August 6, 1963, the following amendments to the Central Bank Statistical Classification of Commodities (Revised July 1, 1963) shall take effect immediately:

For Amendment:

| | <u>Manufactures of metals, n. e. s.</u> | |
|--------------|---|------|
| EP 699-12.11 | — Lathe tools, bits, dies, taps, pressed tools, and other mechanical hand tools, knives and blades, including saw blades (for machines or hand tools) | Doz. |

to read:

| | | |
|--------------|--|------|
| EP 699-12.11 | — Lathe tools, bits (except those specified in UI 699-12.12), dies, taps, pressed tools, and other mechanical hand tools, knives and blades, including saw blades (for machines or hand tools) | Doz. |
|--------------|--|------|

For Inclusion:

| | <u>Manufactures of metals, n. e. s.</u> | |
|--------------|--|------|
| UI 699-12.12 | — Diamond drill bits up to 3.624 inches in diameter (including coring bits, non-coring bits, casing coring bits, casing reaming bits, casing shoe bits, blast hole bits, bottom discharge bits, coring reamer shells, blast hole reamer shells, casing reamer shells, bottom discharge shells, and the like) | Doz. |

Please be guided accordingly.

(Sgd.) FELIX L. LAZO
Special Assistant to the Governor

August 15, 1963

———oOo———

FOREIGN LOANS & FOREIGN INVESTMENTS DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. FLID 38

Effective immediately, all outstanding balances of Special Time Deposits (with or without Guarantee) under the Industrial Guarantee and Loan Fund Program, which have not been released in favor of the project sponsors shall be reported to the Foreign Aid & Guaranty Division, Foreign Loans & Investments Department, giving the reason for the failure of the project sponsors to avail of the amount.

Applications for Special Time Deposit under the Industrial Guarantee & Loan Fund shall henceforth be accompanied by a statement that the maximum collateral requirements have been met by the project sponsors and that the applicant bank is prepared to release the full amount of the corresponding loan in favor of the project sponsor as soon as the requested Special Time Deposit is constituted in its favor.

However, pending availability of the required certificate on the sufficiency of collaterals, applications for Special Time Deposit may be given due course; but release of the Special Time Deposit will be withheld by the Central Bank until the collateral requirements have been met by the project sponsors, should the application be finally approved.

This supersedes MAAB No. FLID 35 dated July 8, 1963.

(SGD.) FELIX I. LAZO

Special Assistant to the Governor

August 21, 1963

——oOo——

FOREIGN LOANS & INVESTMENTS DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 39

Pursuant to Resolution No. 1493 adopted by the Monetary Board at its meeting held on October 22, 1963 and confirmed on October 25, 1963, the following amendments to the Central Bank Statistical Classification of Commodities (Revised July 1, 1963) shall take effect immediately:

For Amendment:

Musical instruments, phonographs and
phonograph records

NEC 891-02.01 — Phonograph (gramophone) records

No.

to read:

NEC 891-02.01 — Phonograph (gramophone) records, n.e.s.
(excluding phonograph records for
language study) No.

Printed matter

NEC 892-09.05 — Charts No.

to read:

NEC 892-09.05 — Charts, n.e.s. (excluding technical and
scientific charts) No.

For Inclusion:

Musical instruments, phonographs and
phonograph records

DC 891-02.04 — Phonograph records for language study
(including accessory printed texts and
instruction manuals) No.

Printed matter

DC 892-09.15 — Technical and scientific charts No.

Please be guided accordingly.

(SGD.) FELIX L. LAZO
Special Assistant to the Governor

November 5, 1963

—oOo—

FOREIGN LOANS & INVESTMENTS DEPARTMENT

MEMORANDUM TO AUTHORIZED AGENT BANKS FLID NO. 40

“In connection with Circular No. 152 dated April 19, 1962 authorizing the importation, among others, of raw materials required by local industries under open account arrangements payable by D/D, T/T, or M/T within one hundred twenty (120) days after the issuance of the corresponding release certificates, it is hereby advised that any producer-importer who fails to pay within the 120-day limit may not be allowed to continue enjoying the privilege of importing raw materials under the aforementioned arrangement. Accordingly, importers requesting the issuance of release certificates for open account importations shall be required by the Authorized Agent Banks concerned to submit a statement of their outstanding open account obligations, if any, and if there are

open accounts unliquidated after the 120-day period, the reasons why they have not been liquidated. The submission of a false statement will serve as a sufficient ground for denying to the importer the privilege of importing under an open account arrangement.

"Authorized Agent Banks are requested to report to the Foreign Loans and Investment Department, Central Bank of the Philippines, any default in the payment of an open account obligation within five (5) days from the date such default has come to the knowledge of the bank."

Please be guided accordingly.

Approved by the Monetary Board under Resolution No. 1613 dated November 19, 1963.

(SGD.) FELIX L. LAZO
Special Assistant to the Governor

December 3, 1963

———oOo———

MEMORANDUM TO AUTHORIZED AGENT BANKS

SUBJECT: Regulations on the Use of Government Securities
as Bank Reserves

In attention to several inquiries and by way of clarification, set forth below are the applicable regulations established under previous circulars of the Central Bank governing the use of government securities as bank reserves:

- 1) All government bonds, with or without Central Bank support, shall be eligible for purposes of the special time deposits (by clients with their banks) for imports under Central Bank Circular No. 133, as amended by Central Bank Circular No. 143;
- 2) Only government bonds with Central Bank support shall be eligible as reserves against deposit liabilities of banks;
- 3) Government bonds without Central Bank support (including the Socio-Economic Bonds, 7% Loan of 1963) shall not be eligible as reserves against deposit liabilities of banks.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO
Governor

July 12, 1963

———oOo———

MEMORANDUM TO AUTHORIZED AGENT BANKS

Pursuant to Monetary Board Resolution No. 1237 dated September 10, 1963, the Monetary Board decided that henceforth:

1. The basis of the rediscount quotas of domestic commercial banks with the Central Bank shall be one-half ($\frac{1}{2}$) of the level of their net worth as of March 31, 1963; provided, however, that borrowings of these banks under the Central Bank's preferential rate of three per cent (3%) per annum shall be included in such rediscount quotas; and

2. In the case of new banks, the basis of their rediscount quotas shall be one-half ($\frac{1}{2}$) of their initial paid-up capital, which quotas shall include borrowings under the preferential rate of three per cent (3%) per annum.

Central Bank advances to branches of foreign banks shall continue on a case to case basis, except that the Central Bank rediscounts and advances to them shall not exceed one-half ($\frac{1}{2}$) of the level of their "Net Due to Head Office and Branches Outside the Philippines Accounts."

Please be guided accordingly.

(SGD.) ANDRES V. CASTILLO
Governor

September 11, 1963

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DEPARTMENT OF LOANS AND CREDIT

MEMORANDUM CIRCULAR TO RURAL BANKS NO. DLC-2
January 15, 1963

REDISCOUNTING OR SECURING ADVANCES FROM THE CENTRAL
BANK UNDER THE 2ND PARAGRAPH OF SECTION 13, R. A.
NO. 720 AS AMENDED

In order to further expedite loan releases to rural banks, we are pleased to issue these rules and procedure on the filing, processing and releasing of such loans.

SECTION 1. — *Proceeds Released Before Credit Examination*

The proceeds of rural banks' loan applications may now be released even before actual credit examination of the applicant rural banks and processing of the collaterals they offer. The exercise of the rediscounting privilege by the rural banks or the grant of the loans to them by the Central Bank is, therefore, based entirely on the Central Bank's trust and confidence in the applicant rural banks and in the representations, commitments and/or undertakings made by them in their letters of application for loan and on the documents mentioned in Section 3 hereof which shall support such letters of application.

SECTION 2. — *Loan Value*

Under this arrangement, the loan value of eligible promissory notes submitted as collateral for the loan is 70% of their total outstanding balances (rounded off to the last thousand) as of the date they are submitted for rediscount.

SECTION 3. — *How to File Application For Loan or Advance*

A rural bank, in applying for a loan with the Central Bank, shall accomplish its application on a form prescribed for the purpose (DLC Form No. 3—Revised) in three (3) copies, the original and a copy of which shall be sent to the Central Bank together with the other documents or papers mentioned below, while the third copy shall be retained by the rural bank. The application shall be supported by the following documents:

- (a) A rediscount schedule accomplished, on a form prescribed for the purpose, in four (4) copies, the original and a copy of which shall be sent with the letter of application for a loan mentioned above, the third copy to be sent to the Central Bank if the collaterals listed thereon are deposited with the Central Bank, or if deposited with the PNB branch or agency, such copy shall remain with said branch or agency, while the fourth copy shall be retained by the rural bank for its files;
- (b) A promissory note accomplished in four (4) copies on a form prescribed for the purpose covering an amount equivalent to 70% of the total outstanding balances (rounded off to the last thousand) of the collaterals listed in the rediscount schedule, the original and two (2) copies of which shall be sent to the Central Bank with the letter mentioned above (one of the latter copies shall be returned to the rural bank upon the release of the loan), while the fourth copy shall be retained by the rural bank for its files; and

- (c) Two copies of the resolution of the board of directors of the rural bank authorizing the negotiation for the loan and designating the officer (s) of the rural bank authorized to endorse the promissory notes offered as collateral and to sign all documents pertaining to the loan or otherwise act in behalf of the rural bank in connection therewith. The resolution shall contain, among other things, the complete name (s) of the officer (s) so designated and shall state their official position (s) in the bank.

SECTION 4. — *Indorsement of Collaterals Offered as Security For a Loan*

No loan can be granted or released to the rural bank unless the collaterals offered as security are duly endorsed in favor of the Central Bank. Customers' promissory notes of the rural bank offered as collateral for a loan from the Central Bank shall be endorsed by the applicant rural bank's duly authorized officer (s) and such endorsement shall be deemed completed only upon the delivery to, or deposit of such collaterals with, the Central Bank or the PNB branch or agency which, under existing arrangements, has been authorized to receive these documents. In the case of a rural bank depositing its collaterals with a PNB branch or agency, evidence of such delivery or deposit shall be indicated on the face of the original of the rediscount schedule as follows:

“ACKNOWLEDGEMENT AND CERTIFICATION

This is to certify that we have this day received, in trust for the Central Bank of the Philippines, the originals of the promissory notes listed on this rediscount schedule consisting of ----- pages, all duly endorsed in favor of the Central Bank of the Philippines, together with the corresponding supporting papers. It is understood that we shall not release any of these promissory notes and corresponding supporting papers unless the rural bank pays or has paid the Central Bank at least 70% of its value or unless the rural bank substitute it with other eligible paper of equivalent or greater value and/or such release is specifically authorized by the Central Bank. It is further understood that no substitution shall be allowed without prior approval of the Central Bank.

PHILIPPINE NATIONAL BANK

----- Branch/Agency

Date -----

Authorized Officer

Title

**SECTION 5 — Representations, Commitments And/Or Undertakings of the
Applicant Rural Bank**

All representations, commitments and/or undertakings of the applicant rural bank contained in its letter of application (DLC Form No. 3—Revised), copy of which is hereto attached, are made part of these regulations.

Please be guided accordingly.

(SGD.) JOSE IGNACIO
Acting Special Assistant to the Governor

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DEPARTMENT OF LOANS AND CREDIT

**MEMORANDUM CIRCULAR TO RURAL BANKS NO. DLC-3
January 29, 1963**

NEW REDISCOUNT RATES

For the information and guidance of all rural banks in their borrowing operation with the Central Bank of the Philippines under Section 13 of Republic Act No. 720, as amended, we are citing hereunder excerpt from Monetary Board Resolution No. 97, adopted on January 22, 1963, to wit:

“The Board approved the following schedule of rediscount rates for rural banks, effective after sixty (60) days from the date of this resolution (January 22, 1963):

- 1) For rural banks in operation for not
more than three (3) years ----- $\frac{1}{2}$ of 1% per annum;
- 2) For rural banks in operation for more
than three (3) years but not more
than five (5) years ----- 1- $\frac{1}{2}$ % per annum; and
- 3) For rural banks in operation for more
than five (5) years ----- 2- $\frac{1}{2}$ % per annum.

The Board likewise decided that any rural bank which may be established in a city or municipality where there is already an existing rural bank shall be charged the same rediscount rate applicable to the existing rural bank.

x x x x x x x x x”

For the purposes of this resolution, the operation of a rural bank is deemed to have commenced on the date of issuance by the Central Bank of the Certificate of Authority to Operate.

The above-cited rediscount rates shall take effect after sixty (60) days from January 22, 1963, or on March 23, 1963.

Please be guided accordingly.

(SGD.) JOSE IGNACIO
Acting Special Assistant to the Governor

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DEPARTMENT OF LOANS AND CREDIT

MEMORANDUM CIRCULAR TO RURAL BANKS NO. DLC-4 February 18, 1963

FINANCIAL STATEMENTS AND REPORTS

Supplementing our Memorandum Circular to Rural Banks No. DLC-2 dated January 15, 1963, the application for loan or advance should also be supported by the following:

- (1) Statement of Condition as of the business day prior to the date of the loan application with the accompanying Statement of Income and Expenses for the period ended on the date of the Statement of Condition, and
- (2) Report on Required and Available Reserves for the week or part of the week ending on the date of the Statement of Condition referred to above.

(SGD.) JOSE IGNACIO
Acting Special Assistant to the Governor

———oOo———

DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS No. 63-2

SUBJECT: Guidelines in the processing of applications for the establishment of Rural Banks in Cities or Municipalities where there are already existing Rural Banks

For your information and guidance, we quote hereunder Resolution No. 98, which was approved by the Monetary Board in its meeting on January

22, 1963, setting forth the new guidelines in the processing of applications for the establishment of rural banks in cities or municipalities where there are already existing rural banks:

“98. Guidelines in the processing of applications for the establishment of rural banks in cities or municipalities where there are already existing rural banks.

x x x x x x x x x x

The Board decided that no additional rural bank may be authorized to be established in a city or municipality where there is already an existing rural bank unless:

- 1) The existing rural bank cannot meet the credit needs of the locality; and
- 2) The existing rural bank is at least three (3) years old; provided, however, that this criterion shall not apply to cases where the Monetary Board has recommended the liquidation, in accordance with law, of the existing rural banks concerned or where such existing rural banks are in the process of voluntary liquidation.”

Please be guided accordingly.

(SGD.) CEFERINO E. EUGENIO
Director

January 31, 1963

———oOo———

DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS No. 63 - 3

SUBJECT: Memorandum Circular to All Rural Banks
(Authority of Rural Banks to Grant Medium-
and Long-Term Loans)

The attached Memorandum Circular to All Rural Banks No. 61-20 dated November 10, 1961 regarding authority of rural banks to grant medium and long term loans is hereby re-issued for your information and guidance.

(SGD.) CEFERINO E. EUGENIO
Director

March 12, 1963

———oOo———

DEPARTMENT OF RURAL BANKS

November 10, 1961

MEMORANDUM CIRCULAR TO ALL RURAL BANKS

No. 61 - 20

SUBJECT: Amendment of Sections 114 to 118 of the Codified Rules and Regulations Governing Rural Banks in the Philippines

Please be informed that the Monetary Board in its meeting held on October 24, 1961, decided to amend Sections 114 to 118 of the Codified Rules and Regulations Governing Rural Banks in the Philippines so as to read as follows:

"F. TERM LOANS

"Section 114. *Authority to Grant Medium-Term and Long-Term Loans.* With the prior approval of the Director, Department of Rural Banks, a rural bank whose unimpaired capital plus its savings and time deposits total not less than ₱800,000 may grant medium and long-term loans, provided that the unimpaired capital of such bank is not less than ₱300,000.00. For this purpose, medium-term loans are those whose maturities are more than one year but not exceeding five years. Loans with maturities of more than five years shall be considered as long-term loans.

"Section 115. *Purposes of Medium-Term and Long-Term Loans.* The medium- and long-term loans that may be granted under the authority of the preceding Section shall be for the following purposes:

- (1) Purchase of farm land, improved and unimproved, to be devoted to agricultural production;
- (2) Improvement of agricultural, commercial, industrial or residential real estate for the borrower's own use and not for speculation;
- (3) Acquisition of agricultural or industrial machinery, tools and other equipment needed in the farm or necessary to set up an essential or semi-essential rural industry, or for improvement or expansion of an industry already in operation.

"Section 116. *Loan Limits; Securities.* All loans which may be granted for the purposes mentioned in the preceding Section shall not exceed 50% of the amount necessary to finance the expenditures and shall be secured by a first mortgage on the land, machinery, equipment or real estate purchase which is the object of financing without prejudice to the right

of the rural bank to require additional collaterals acceptable to it. In this connection, loans to a single borrower shall not exceed ₱10,000.00 at any time.

“Section 117. *Maximum Maturity Periods for Medium-Term and Long-Term Loans; Amortization Requirement.*

- (1) Medium- and long-term loans shall be granted with the following maturity periods:
 - (a) Long-term loans for the purchase of farm land, improved or unimproved, shall be granted for a term not exceeding twenty (20) years;
 - (b) Long-term loans for the improvement of agricultural, commercial, industrial, or residential real estate shall be granted for a term not longer than ten (10) years;
 - (c) Medium-term loans for agricultural or industrial machinery, tools and other equipment needed in the farm or necessary to put up an essential or semi-essential rural industry or to improve or expand one already in existence shall not be granted for a term longer than five years;
 - (d) Medium-term loans for the purchase or acquisition of work animals for use in the farm owned and/or operated by the borrower shall not be granted for a term longer than three years.
- (2) Amortization of loans granted for the above purposes shall be amortized annually unless the borrower elects to pay the same monthly, quarterly or semi-annually.

Where loans contemplated under this Section are insured under the Home Financing Act, the foregoing limitations may not apply.

“Section 118. *Miscellaneous requirements on Medium and Long-Term Loans.* The granting of medium- and long-term loans by rural banks shall be subject to the following additional requirements:

- (1) In addition to the 20% legal reserve ratio against its savings and time deposit liabilities, a rural bank authorized to grant medium and long-term loans shall maintain a working reserve consisting of cash in vault, government securities and net due from other banks amounting to not less than 10% of said savings and time deposits;
- (2) The interest that rural banks may be charged on intermediate and long-term loans shall not exceed 9% per annum;
- (3) Rural Banks shall require their medium-term and long-term borrowers to submit financial statements at least once a year and

give them access to accounting records for the purpose of audit and verification;

- (4) Long-term lending shall not be undertaken by a rural bank unless it has adequate personnel for its operations. Its personnel shall include not only competent financial help but also the services of a properly trained agricultural credit extension worker; and
- (5) A rural bank permitted to grant these types of loans may be allowed to grant intermediate- and long-term loans only to the extent of 30% of its savings and time deposits."

Please be guided accordingly.

(SGD.) CEFERINO E. EUGENIO
Director

——oOo——

DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS No. 63 - 5

SUBJECT: Disposition of Counterpart Capital Assistance Funds to Rural Banks

For your information and guidance, we quote hereunder Resolution No. 315, which was approved by the Monetary Board in its meeting on March 15, 1963, setting forth the guidelines in the disposition of counterpart capital assistance funds to rural banks:

"315. *Disposition of counterpart capital assistance funds to rural banks*

The Board approved the following guidelines in the disposition of the counterpart capital assistance funds to rural banks:

- 1) All rural banks in operation with unmatched private investments as of December 31, 1962, shall be granted counterpart capital assistance in full.
- 2) Rural Banks which are scheduled to start operating in 1963 shall be granted capital assistance equivalent to their paid-in investment at the start of operation.

3) For the purpose of simplifying the accounting of these funds:

- a) The counterpart capital assistance to be used in Item 1 above shall be derived from the balance of Central Bank funds provided by Republic Act No. 2702; and
- b) The counterpart capital assistance to be used in Item 2 above shall be derived from the balance of Central Bank funds provided by Republic Act No. 2702 after appropriating the amount of ₱5,634.00 for rural banks in operation as of December 31, 1962, the balances of reparations funds provided by Republic Act No. 1789, and the balances of the NEC-ICA funds provided by Republic Act No. 720.

provided, however, that any unutilized portion of the counterpart capital assistance to rural banks in operation as of December 31, 1962, may be utilized to augment the counterpart capital assistance to rural banks scheduled to operate in 1963, should the the amount set aside for the latter purpose be insufficient.

4) The granting of counterpart capital assistance to rural banks that qualify under the above conditions shall be subject to the following criteria established under Resolution No. 107 dated January 20, 1961:

- a) The rural bank is operating fairly in accordance with the law and the rules, regulations and directives issued by the Central Bank;
- b) The rural bank is being run and managed efficiently and prudently;
- c) The rural bank is in need of funds and, for the present there is no private capital which can be drawn upon to meet such a need; and
- d) There is no internal dissension in the rural bank which might jeopardize the government investment therein."

Please be guided accordingly.

(SGD.) CEFERINO E. EUGENIO
Director

April 1, 1963

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DEPARTMENT OF RURAL BANKS

April 4, 1963

MEMORANDUM CIRCULAR TO ALL RURAL BANKS

No. 63-6

SUBJECT: New Policy on Interest Rates
for Savings and Time Deposits

Quoted hereunder for your information and guidance is Circular No. 149 issued by the Governor, Central Bank of the Philippines, dated March 27, 1963, which is self-explanatory:

“Circular No. 149
March 27, 1963

The Monetary Board, in its meeting held on March 22, 1963, approved the following policy on interest rates for savings and time deposits:

1. Commercial banks shall be allowed to pay a maximum of three and one-half per cent ($3\frac{1}{2}\%$) annual interest on savings deposits.
2. Savings, rural and development banks shall be allowed to pay a maximum of four per cent (4%) annual interest on savings deposits.
3. Commercial, savings, rural and development banks shall be allowed to pay a maximum of four and one-half per cent ($4\frac{1}{2}\%$) annual interest on time deposits, in accordance with the following schedule of rates:

| | | |
|-------------|-------|------------------|
| a) 90 days | ----- | $3\frac{3}{4}\%$ |
| b) 180 days | ----- | 4% |
| c) 270 days | ----- | $4\frac{1}{4}\%$ |
| d) 360 days | ----- | $4\frac{1}{2}\%$ |

The continuance of existing free accident insurance coverage until the expiration of the relative contracts between the banks concerned and their respective insurers is hereby allowed provided, however, that the cost of such coverage shall be considered as part of interest expense.

All previously issued circulars or rulings or portions thereof which are inconsistent with the foregoing are hereby amended or revoked.

This Circular shall take effect on April 1, 1963.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO
Governor

Please be guided accordingly.

(SGD.) CEFERINO E. EUGENIO
Director

—oOo—

DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS

No. 63 - 7

SUBJECT: Amendment of the Rules and Regulations governing the grant of loans to Farmers Cooperative Marketing Associations by Rural Banks

For your information and guidance, there is quoted hereunder the following amendment of the Rules and Regulations governing the grant of loans to Farmers Cooperative Marketing Associations by Rural Banks, which was approved by the Monetary Board in its meeting held on April 30, 1963:

**"RULES AND REGULATIONS GOVERNING GRANTS OF
LOANS TO FARMERS COOPERATIVE MARKETING
ASSOCIATIONS BY RURAL BANKS**

In line with Section 2 of Republic Act No. 720, as amended, the following rules and regulations are hereby adopted to govern the grant of loans to Farmers Cooperative Marketing Associations (FaCoMas) by rural banks:

Section 1. Rural banks may grant loans to Farmers Cooperative Marketing Associations (FaCoMas) operating under the supervision of, and duly accredited by, the Agricultural Credit and Cooperative Financing Administration (ACCFA) on the security of warehouse receipts representing commodities stored in bonded warehouses or warehouses approved by ACCFA and/or the Central Bank of the Philippines.

Section 2. All loans under these regulations shall be guaranteed to the extent of 100 per cent thereof by the ACCFA as to their eventual repayment. In this connection, every application submitted by a FaCoMa to a rural bank for the purpose of availing of the credit facilities contemplated under these regulations shall be accompanied by a certificate of the ACCFA promising to guarantee the loan and certifying to the genuineness and validity of the warehouse receipts offered as collateral.

Section 3. The application must be accompanied by the following:

- (a) The resolution of the board of directors of the FaCoMa signed by the members of the board authorizing the negotiation for the loan and designating the officer or officers thereof empowered to negotiate for the loan;
- (b) The certification of the ACCFA as to the credit-worthiness of the FaCoMa, the validity of the warehouse receipts offered as colla-

teral, and its willingness to guarantee the repayment of the loan at maturity;

- (c) Schedule or list of warehouse receipts or quedans indicating the following:
 - (a) By whom executed;
 - (2) Date executed;
 - (3) Description of the crops or merchandise covered by it;
 - (4) Value.

Section 4. The officials and personnel of a FaCoMa availing itself of loans under these regulations shall be adequately bonded under the provisions of ACCFA's memorandum No. 82 (Series of 1960) on "Adequate Security" (1-B), as amended.

Section 5. The grant of loans to the FaCoMas by rural banks shall be subject to the following terms and conditions:

- (a) The loans shall bear interest at not more than $4\frac{1}{2}\%$ per cent per annum;
- (b) Loans granted under these regulations may be extended only on Special and Fancy varieties of palay (all ordinary varieties to be left to RCA to purchase under its "Buffer Stock" programs) up to 80 per cent of the value of the store crops offered as collateral based on RCA's buying price for ordinary varieties in a given locality;
- (c) The term of the loans shall not exceed 270 days.

Section. 6. The promissory notes covering loans granted by rural banks to deserving FaCoMas may be rediscounted with the Central Bank up to 100 per cent of the unpaid balance of such promissory notes. The Central Bank shall charge $\frac{1}{2}$ of 1 per cent interest on borrowings of rural banks against promissory notes covering commodity loans granted by rural banks to FaCoMas.

Section 7. The above regulations shall take effect immediately."

This Memorandum Circular supersedes our Memorandum Circular To All Rural Banks No. 61-17, dated October 19, 1961.

(SGD.) CEFERINO E. EUGENIO
Director

May 15, 1963

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DEPARTMENT OF RURAL BANKS

June 25, 1963

MEMORANDUM CIRCULAR TO ALL RURAL BANKS
NO. 63-10

SUBJECT: Deposit of Rural Bank Securities with a
Philippine National Bank Branch or Agency
as Reserves Against Deposit Liabilities.

Effective July 1, 1963, Rural Banks may deposit their securities as reserves against deposit liabilities with the nearest PNB branch or agency (excluding Metropolitan Branches). This arrangement will facilitate the encashment of the bonds to meet immediate needs for cash caused by heavy withdrawals. For this purpose, the Rural Bank should furnish the PNB branch or agency a copy of the Board Resolution designating the Rural Bank Official who will be authorized to withdraw or deposit the bank's securities.

To facilitate handling, deposits of securities shall only be made in round figures in multiples of hundreds. Whenever securities are deposited or withdrawn, the PNB branch or agency shall immediately report to the Central Bank by wire the amount of the securities deposited or withdrawn. The Rural Bank shall forward to the Central Bank a copy of the Deposit or Release Receipt immediately. The Rural Bank can withdraw these securities from the PNB branch or agency without the necessity of prior approval from the Central Bank. However, the Rural Bank must see to it that the withdrawal does not impair the legal reserve requirements. The privilege of depositing securities with a PNB branch or agency may be withdrawn from a Rural Bank if it is found violating the preceding requirement.

The accounting entries for the deposit and withdrawal of securities shall be as follows:

1. Transfer of securities from the Central Bank to a PNB branch or agency.

| | | |
|---|----------|----------|
| Dr. Bond Investments held in trust by PNB | P xxx.xx | |
| Cr. Investment in Bonds | | P xxx.xx |

2. Encashment of Securities.

| | | |
|--|----------|----------|
| Dr. Cash or Due from Banks | P xxx.xx | |
| Cr. Bond Investments held in trust by PNB | | P xxx.xx |
| Cr. Interest Income (if any) | | P xx.xx |

Please be guided accordingly.

(SGD.) CEFERINO E. EUGENIO
Director

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DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS
NO. 63 - 12

SUBJECT: Transfer of Bonds as Reserves from the
Central Bank to Philippine National Bank
Branch or Agency

Pursuant to our Memorandum Circular No. 63-10, dated June 25, 1963, rural banks which may decide to transfer custody of their bonds from the Central Bank to any convenient PNB Branch or Agency, are required to furnish the Central Bank a board resolution authorizing a rural bank official to withdraw the bonds for and in behalf of the Rural Bank. For the sake of expediency, however, the authority to withdraw the bonds may be delegated to the Director, Department of Rural Banks.

Please be guided accordingly.

(SGD.) CEFERINO E. EUGENIO
Director

July 24, 1963

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DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS
No. 63 - 13

For your information and guidance, we quote hereunder Circular No. 156, Series of 1963, which was issued by the Acting Deputy Governor, dated July 30, 1963, regarding the Retirement of Treasury Certificates (Victory Series and Overprinted Central Bank of the Philippines Series), which is self-explanatory:

“CIRCULAR NO. 156
Series of 1963

SUBJECT: Retirement of Treasury Certificates (Victory
Series and Overprinted Central Bank of the
Philippines Series)

Pursuant to Section 59 of Republic Act No. 265, otherwise known as the Central Bank Act, treasury certificates (Victory Series and Overprint-

ed Central Bank of the Philippines Series) shall be surrendered to the Central Bank of the Philippines or to its authorized agent banks or to the provincial, city and municipal treasurers, for replacement or exchange with Central Bank notes. These treasury certificates bear the Commonwealth seal in blue and are overprinted with the word "Victory" and/or "Central Bank of the Philippines."

These treasury certificates shall remain legal tender for a period of one year ending July 30, 1964. After this period, they shall cease to be legal tender but they may be exchanged or replaced, at par and without charge, with legal tender currency during the following three (3) years ending July 30, 1967.

After July 30, 1967, the treasury certificates of these series which have not been exchanged shall cease to be a liability of the Central Bank of the Philippines and shall be considered demonetized.

(SGD.) AMADO R. BRINAS
Acting Deputy Governor

July 30, 1963"

It is therefore requested that a copy of this Memorandum Circular be posted in a conspicuous place in the premises of your bank for the information of all your borrowers and clients.

(SGD.) CEFERINO E. EUGENIO
Director

August 22, 1963

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DEPARTMENT OF RURAL BANKS

October 1, 1963

MEMORANDUM CIRCULAR TO ALL RURAL BANKS
No. 63 - 17

Reports and complaints have been received by this Office regarding alleged delay on the part of some rural banks in remitting the proceeds of checks sent to them by other banks for collection. To forestall such delay and as an added safeguard against possible losses in the handling of these checks, the following instructions are hereby issued:

1. The drawee rural bank carrying the current deposit against which checks are drawn must dispose of such checks within twenty-four (24) hours after receipt hereof excluding Saturdays, Sundays, Holidays and/or other non-banking days. "Dispose" in this regard is intended to mean remittance to the collecting bank of the proceeds of the checks (if they are honored) or return of dishonored checks together with a note stating the reason for the dishonor.
2. The drawee rural bank carrying the current deposit against which checks are drawn should indicate the date and time of receipt of the checks received for collection on the registered mail return receipt if the items are received by registered mail, or on the collecting bank's accompanying letter of instruction if the items are received by means other than registered mail. For this purpose, rural banks authorized to accept current deposits should maintain a register of incoming collection items. This register should have the following columns:
 - a) Date Received
 - b) From whom Received
 - c) Check Number
 - d) Amount
 - e) Date of Disposition
 - f) How Disposed

Date of disposition of the collection items is the date when the remittance was actually sent (either by mailing a demand draft or dispatching a telegraphic transfer) if the checks are honored or the mailing of the return slip attached to the items if the checks are dishonored.

3. To complement the records mentioned in 2 above, all rural banks shall maintain a register of all incoming mails.

Strict observance of the foregoing instructions is earnestly requested.

(SGD.) HONESTO O. FRANCISCO
Acting Director

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DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS

No. 63 - 18

SUBJECT: New schedules of interest rates on
Time Deposits

For your information and guidance, the Monetary Board, in its meeting on November 26, 1963, amended the schedule of interest rates on time deposits, as prescribed under paragraph 3 of Central Bank Circular No. 149, dated March 27, 1963, as follows:

Rural banks may pay a maximum of 4-1/2% annual interest on time deposits in accordance with the following schedule:

- a) At least 90 days but not exceeding
180 days ----- 4-1/4%
- b) Exceeding 180 days ----- 4-1/2%

The aforesaid circular was the subject of our Memorandum Circular to All Rural Banks No. 63-6, dated April 4, 1963.

December 12, 1963

(SGD.) HONESTO O. FRANCISCO
Acting Director

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MEMORANDUM CIRCULAR NO. 43

REQUIRING THE SUBMISSION TO THE CENTRAL BANK OF THE
PHILIPPINES OF THE LIST OF SAVINGS AND LOAN
ASSOCIATIONS.

In connection with the implementation of Republic Act No. 3779, otherwise known as the "Savings and Loan Association Act," which entrusts to the Monetary Board of the Central Bank of the Philippines the authority to supervise, regulate and direct the operations of savings and loan associations, all heads of departments and chiefs of bureaus and offices including government-owned or controlled corporations are hereby enjoined to submit to the said Bank at the earliest time possible the list of savings and loan associations operating within their respective offices.

By authority of the President:

(SGD.) RUFINO G. HECHANOVA
Executive Secretary

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