

# **CENTRAL BANK OF THE PHILIPPINES**



BANGKO SENTRAL NG PILIPINAS



BSPBK0009503

## **Eighteenth Annual Report 1966**



## **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 1, Republic Act No. 265**





CENTRAL BANK OF THE PHILIPPINES  
MANILA

OFFICE OF THE GOVERNOR

March 31, 1967

President Ferdinand E. Marcos  
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 Eighteenth Annual Report (1966) 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

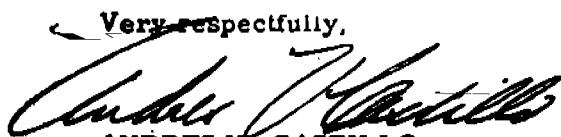
March 31, 1967

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

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Governor



CENTRAL BANK OF THE PHILIPPINES  
MANILA

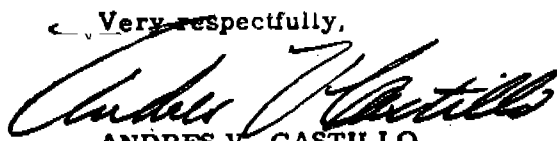
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Governor



# **CENTRAL BANK OF THE PHILIPPINES**

## **THE MONETARY BOARD MEMBERS**

**HON. EDUARDO Z. ROMUALDEZ**  
Presiding Officer  
Secretary of Finance

**HON. ANDRES V. CASTILLO**  
Governor, Central Bank of the Philippines

**HON. ROBERTO S. BENEDICTO**  
President, Philippine National Bank

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

**HON. RAMON MITRA, SR.**

**HON. BELEN ENRILE-GUTIERREZ**

## **PRINCIPAL OFFICERS**

**HON. ANDRES V. CASTILLO**  
Governor

**HON. AMADO R. BRIÑAS**  
Deputy Governor





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## I. OVER-ALL ECONOMIC REVIEW

During most of 1966, the economy turned in a strong performance and in some respects attained new records. Moving rapidly up from the level of \$92 million at the start of the year, the international reserve attained a peak of \$200 million in August, an increase whose magnitude and speed exceeded even that experienced during the boom period of the Korean war. The rapid increase in reserves during the first eight months of 1966 was partly due to the 15 per cent increase in exports over its preceding year level while imports remained practically the same. In part, imports failed to expand due to the fact that much less rice was brought in — \$4 million in January-August 1966 as compared to \$25 million in the corresponding 1965 period.

The strong reserve position in the third quarter of the year enabled net repayments to be made on the country's external debt. During the last four months of the year, imports responded to seasonal factors and an increase in monetary demand and rose 16 per cent over its level in September-December 1965. Exports, on the other hand, declined by 7 per cent for the same comparable period. This led to a decline in the international reserve to \$151 million at the end of the year.

The monetary and fiscal sectors were characterized by a shift in emphasis, with the government giving way in relative terms to the private sector through an easing of monetary policy complemented by greater fiscal restraint. In the first month of the year, the monetary authorities initiated a policy of massive credit relaxation. Reserve requirements on savings and time deposits were lowered, rediscount ceilings were raised several times, and the rediscount rate was reduced. Later on, in conjunction with these relaxation measures, the Central Bank also sought to instill greater efficiency in banking operations by revising its credit priority system (made extensive to government financial institutions for the first time) and by adopting measures intended to promote bank mergers and/or increases in bank capitalization. The banks made use of their new resources by strengthening their liquidity positions in the first instance rather than by immediately expanding their lending operations. There was also an expansion of banking facilities during the year, signifying a strengthening of the institutional infra-structure of the financial system. Seventy-seven units were added to commercial banking facilities, 29 new rural banks were opened, and 7 units were added to the savings bank sector.

At the same time, a policy of fiscal restraint acted as a counterpoise to the monetary relaxation. There was a better alignment of revenues and expenditures and a shift in government financial operations, with the consolidation of outstanding treasury notes into one loan account in the Central Bank at lower interest. Economy measures were introduced on current outlays such as the deferment of salary adjustments, the laying

off of casuals, and the withholding of new appointments and promotions. Improvements on the revenue side included measures such as the employment of commercial banks in the collection of customs duties and the drive to curb smuggling. A significant new step was the flotation of treasury bills to the public at market rates without Central Bank support. The success of this venture partly encouraged the Development Bank of the Philippines to sell its own bonds and proceed with its re-financing scheme on a market-oriented non-inflationary basis.

The drive against smuggling and the availability of increased financing were partially reflected in the greatly improved showing of the manufacturing sector of the economy, which registered an 8 per cent increase in production or about four times the previous year's rate. The agricultural sector also showed a significant improvement over the previous year, with export crops increasing by 11 per cent and food crops by 8 per cent. Mining output kept up its good showing of the previous year although its rate of increase was fractionally less. In contrast to the previous year, employment went up and more than absorbed the increase in the labor force.

Price increases however eroded the gains made by money wage rates, with only unskilled labor showing a fractional improvement in real purchasing power despite considerable increases in wage rates and earnings. While price movements were uneven and unseasonal, the tendency was generally upward and the increases in the Manila consumer price index over its year-ago level almost touched the 10 per cent guideline of the Central Bank Charter four times during the year (in June, September, October and November). At the end of the year, consumer prices in the Philippines were 6.9 per cent above the previous December.

From the end of the third quarter until the end of the year, however, the favorable trends began to be shadowed by less favorable auguries. The international reserve turned down from its peak in August. The money supply, which had increased moderately by 3.4 per cent until the end of September under the influence of the external inflow of funds, rose at a more rapid rate to register an annual increase of 9.9 per cent at the end of the year despite the fall in the international reserve, indicating that domestic sources were actually creating more money than the net increase in money supply. The commercial banking system which had followed a cautious policy of consolidating its financial position during the first part of the year began extending credit on a much larger scale. During the first nine months, the credit operations of the banks increased by only ₱285 million. Over the year these credits expanded by ₱666 million compared to ₱211 million in 1965. Including the Central Bank's contribution (which amounted to ₱16 million in the first nine months and ₱226 million in the last three), the increase in the total domestic credit of the monetary system was ₱908 million, or ₱245 million greater than in 1965.

While the combination of fiscal restraint and monetary relaxation had worked very well in the first nine months of the year, events in the last quarter appeared to suggest that administrative measures alone without legislative backstopping would not suffice to promote the twin objectives of growth and stability. In particular, the long deferred complementary legislation to the setting of the new exchange rate for the peso would appear to be necessary. Unless such revenue measures are forthcoming, the government will either have to trim its expenditures to more modest magnitudes or resort to inflationary methods of financing, either of which would have a major incidence on the less favored segments of the population, whereas well-designed tax measures would spread the incidence better in accordance with ability to pay.

## II. MONETARY DEVELOPMENTS

### A. OVER-ALL MONETARY SITUATION

The year 1966 saw a relaxation of the policy of credit restraint that had been maintained since late 1963 as a complementary measure to the removal of virtually all restrictions on international trade and payments. Measures were adopted starting January 21, 1966 to increase the availability and lower the cost of credit, the more important of which were the decrease in reserve requirements against savings and time deposits, the reduction of the rediscount rate and the sizeable increase in the volume of Central Bank credit which the commercial banks could avail of. These changes were effected shortly after the interest rates on savings and time deposits had been raised and the exchange rate finally unified in November, 1965.

Later in the year, on June 24, 1966, the selective credit priority system was revised, with ceilings on commercial banks' credit portfolios being removed and being based instead on the proportion of the loan value of the credit instruments which can be rediscounted with the Central Bank. The new priority system was also adopted as a guideline for the credit and investment operations of government financial institutions, notably those of the Development Bank of the Philippines, the Government Service Insurance System, and the Social Security System.

Initially, the commercial banks reacted to the relaxation measures by improving their liquidity position, particularly their net foreign exchange holdings. Thus, during the first four months of the year, commercial bank credits to the private sector fluctuated below the level at the beginning of the year. Partly, this was also because of the anticipated drawdowns on deposits for income tax payments in the middle of April. In May, the commercial banks started to expand their credits to the private sector and by year-end, these credits had increased by ₱633 million or 13.4 per cent above their level a year earlier. This was three times the ₱211 million increase in private credits registered in 1965.

The large expansion in credit, however, did not give rise to a significant increase in money supply as it was matched by a heavy inflow of private savings and time deposits, probably in response to the rise in deposit interest rates of November 1965. During the year, these deposits rose by ₱613 million or more than three times the ₱188 million growth registered in 1965. Due mainly to this inflow, commercial banks' borrowings from the Central Bank during 1966 increased by only about the same magnitude as their additional borrowings did in the preceding year (₱111 million vs. ₱99 million). The increase during the current year, moreover, was accounted for almost entirely by the borrowings of the Philippine National Bank, a government-controlled commercial bank, as those of all the other banks rose by only ₱5 million.

Despite the nearly one-to-one proportion in the growth of private savings and time deposits and private credits, money supply nevertheless increased by ₱304 million or 9.9 per cent during 1966 to a year-end level of ₱3,371 million. In comparison, money supply rose by 6.7 per cent in 1965. The continuing surplus in the country's balance of payments, the net purchases of government credit instruments by the Central Bank and commercial banks and the drawdown on government deposits were responsible for the increase in money supply during 1966.

The international reserve continued to increase in 1966, giving rise to an expansion in money supply from this source amounting to ₱140 million. The increase in the international reserve was registered despite the payment of \$10.5 million (₱41 million) for subscription to the International Monetary Fund and the Asian Development Bank and the net repayments of the Development Bank of the Philippines (DBP) on its foreign obligations, amounting to \$18.6 million (₱72 million). On the other hand, the Central Bank's foreign liabilities, including drawings from the IMF for the account of the National Government and non-compensatory borrowings, rose by a net amount of ₱17 million.

The subscription payments of the government and the net repayments of the DBP totalling ₱113 million were partly responsible for the ₱275 million increase in the holdings of government credit instruments by the Central Bank and commercial banks during 1966. Of the remaining ₱162 million, purchases of PW & ED bonds and Treasury notes from secondary sources accounted for ₱113 million. Part of the ₱49 million balance consisted of commercial bank purchases in the newly-established treasury bills market. In addition to the purchases of government credit instruments by the Central Bank and commercial banks, the government also drew ₱44 million on its cash balances and deposits with the banks, thereby increasing money supply by the same amount. It is noteworthy, in this connection, that there was a shift in the placement of government deposits from commercial banks to the Central Bank during the year. Deposits with the Central Bank expanded by ₱125 million while those with commercial banks decreased by ₱203 million. The net miscellaneous transactions of the monetary institutions, on the other hand, exerted a contractionary influence on money supply to the extent of ₱127 million, as a result mainly of the ₱134 million increase in their capital accounts.

As a result of the new monetary measures and the banks' reaction to these measures, the liquidity position of the commercial banks improved considerably during 1966. Free reserves (excess reserves plus free cash holdings) of banks rose by ₱82 million to a level of ₱160 million at year end. Such free reserves were equivalent to 42 per cent of required reserves in December 1966, the highest since 1961. The ratio was 41 per cent at the end of 1962, 28 per cent in 1963, 13 per cent in 1964 and 20 per cent in 1965.

The banks' holdings of eligible Philippine securities and foreign balances, which form the bulk of their potential reserves, also went up by P175 million during the year to a level of P342 million. In relation to required reserves, potential reserves were equivalent to 91 per cent of required reserves at year end, again the highest since 1961. The ratio was 86 per cent in 1962, 63 per cent in 1963, 36 per cent in 1964, and 42 per cent in 1965.

To further strengthen the banking system, the Central Bank required each commercial bank (with certain exceptions) to increase its capital paid-in to at least P20 million within the next five (5) years. This was intended to promote bank mergers. It may be mentioned in this connection that despite the fact that no new commercial bank was established in 1966, net worth of commercial banks increased by P111 million in 1966 compared to last year's increase of P91 million.

In 1966, the government actively pursued a policy of getting its funds in the financial market by offering Treasury bills at competitive rates. A total of P152.5 million in Treasury bills was issued during the period May to December 1966. At the end of the year, the outstanding amount of Treasury bills was P82.5 million. Government bonds worth P88.8 million (P49.2 million of NAWASA bonds and P39.6 million of PW & ED bonds) were also offered without the price support of the Central Bank.

## B. MONETARY & CREDIT POLICY

### 1. *General Measures on Commercial Banks*

On January 21, 1966 the Central Bank's basic rediscount rate to commercial banks, which had been 6 per cent since January 1962, was reduced to 4-3/4 per cent. The preferential rate of 3 per cent was left unchanged. Corollary to the decrease in the rediscount rate, successive changes in the rediscount ceilings of commercial banks were made. The last of these changes brought the amount of Central Bank credit available to the banks to P1,173 million starting July 1966, compared to P393 million in December 1965.

To ease credit further, the Central Bank lowered on January 24, 1966 the commercial banks' legal reserve requirements on savings deposits (from 10 per cent to 8 per cent) and time deposits (from 10 per cent to 5 and 6 per cent, depending on whether the deposits mature within or after 30 days). The reserve requirements on special time deposits against import letters of credit, imposed in 1962, were gradually reduced and finally removed on March 29, 1966, together with the special time deposit requirement itself.

Other assistance to commercial banks took the form of (1) 90-day special advances granted on March 15, 1966 against bankers' acceptances held by the GSIS and SSS for those who could not avail of their rediscount ceilings and (2) advances to meet income tax drawdowns in April and July at 6 per cent.

## *2. Selective Measures on Commercial Banks*

On June 25, 1966, the Central Bank issued Circular 223, replacing the old selective credit system which established ceilings on the credit portfolios of commercial banks with a more limited one which applied to the credit extended by the Central Bank to the commercial banks. Economic activities were reclassified into two categories to take into account the changes that had taken place in the economy, particularly after the devaluation of the peso and the removal of virtually all controls on international trade and payments. Under the new system, only credit instruments pertaining to the Priority I category of economic activities could be accepted for rediscounting purposes by the Central Bank. Within this high priority category, economic activities were further subdivided to three groups (I-A, I-B, I-C) according to as whether they would be entitled to rediscounting at 80 per cent, 65 per cent or 50 per cent of the loan values of the credit instruments. Under the previous selective credit scheme, eligible private credit instruments could be rediscounted up to 100 per cent of their loan values.

The government authorities adopted the credit priority system as a guideline for the credit and investment operations of government financial institutions, notably those of the Development Bank of the Philippines, the Government Service Insurance System, and the Social Security System.

Circular No. 223 underwent a series of later amendments. The first one, made (Circular 226) in July 26, 1966, placed credit papers of the sugar industry under Priority I-A for the three crop years ending 1969. Another amendment gave commercial banks time to adjust to the new system by allowing them to rediscount up to 40 per cent of the loan value of papers not eligible under Circular 223 but otherwise eligible under Section 87 of Republic Act 265. This privilege could be enjoyed only up to March 31, 1967 (As per Circular Nos. 227, 232 and 234).

## *3. Measures on the Rural Banks and Savings and Loan Associations*

For the first time since 1952, the reserve requirements on deposit liabilities of rural banks were changed to conform with those of commercial banks: 10 per cent for demand deposits, 8 per cent for savings deposits and 6 and 5 per cent for time deposits. Also, for the first time, the rediscount rates for rural banks were raised to 3 per cent for those in operation for more than 2 years and 2 per cent for those in operation for less than 2 years.

Savings and loan associations were allowed starting July 29, 1966 to borrow from banks and banking institutions under certain conditions.

#### 4. *Other Measures*

The Central Bank on July 19, 1966 set down a policy intended to strengthen the banking system and promote bank mergers. No new commercial bank was to be established in the greater Manila area up to 1967 and those already in existence in the area (except the specialized government banks, PNCB and NACIDA Bank) were required to increase their minimum capital to ₱20 million within the next 5 years. This latter requirement was intended to encourage bank mergers.

On April 22, 1966, the authority to accept government deposits was withdrawn from all banks except the PNB and the DBP. Only deposits that had not matured by June 15, 1966 could be held by the depository banks, but these were subject to a 90 per cent liquidity floor requirement.

On April 12, 1966 the Central Bank approved, subject to certain conditions, the consolidation into one account the outstanding Treasury Notes aggregating ₱562 million to be refinanced at 2 per cent by sales of an equivalent amount of securities for a term of 5 years.

#### C. MONEY SUPPLY

Money supply expanded by ₱304 million or 9.9 per cent during 1966 compared to 6.7 per cent in the preceding year. The movement of money supply during the current year followed two definite patterns. During the first eight months of 1966, the monthly level of money supply fluctuated and on balance rose by around 1 per cent. The expansionary influence of the credit relaxation measures was evidently offset by other factors such as the seasonal draft on bank funds resulting from income tax payments in April and July, the heavy inflow of private savings and time deposits and the decision of the commercial banks to consolidate their liquidity position. Thus, non-foreign exchange transactions during January-August 1966 served to compensate for the expansionary pressure originating from a surplus in the country's international transactions.

During the last four months of the year, money supply expanded by ₱269 million or 8.7 per cent. This was brought about by the considerable increase in credits of the commercial banks and the Central Bank which in turn exceeded the contractionary influence of a deficit in international transactions during the period. These developments were manifestly the result of an interplay between seasonal factors triggered by the Christmas season, the implementation of government investment projects and the easier credit policies of the monetary authorities.

For the year as a whole, the main expansionary influences on money supply were the large expansion in credit to the private sector, the net acquisition of government credit instruments by the Central Bank and commercial banks and the continued surplus in the country's transactions with the rest of the world. While the large expansion in private credit was matched by an inflow of almost the same amount of private savings



and time deposits, the acquisition of government credit instruments was supplemented by a net drawdown on government deposits. The latter, however, was accompanied by a shift in government deposits from the commercial banks to the Central Bank. The net miscellaneous transactions of the monetary institutions also exerted a contractionary influence on money supply as a result mainly of the P134 million increase in these banks' capital accounts.

Credit to the private sector expanded by P633 million during 1966, an amount which was three times the P211 million increase registered in the preceding year. The private credit expansion in 1966 was matched by an equally large inflow of private savings and time deposits into the commercial banks amounting to P613 million. This net addition to private deposits was more than three times as much as the P188 million increase during the preceding year, and was probably a response to the rise in deposit interest rates instituted in November 1965.

Compared to the larger expansion in private credit, the acquisition of government credit instruments by the Central Bank and commercial banks declined from P352 million in 1965 to P275 million in 1966. Around P113 million of these credit instruments, consisting of PW & ED bonds and Treasury notes, was acquired from secondary sources. Another P113 million represented the government's subscription payments to the Asian Development Bank and International Monetary Fund (\$10.5 million) and the net repayments (\$18.4 million) made by the Development Bank of the Philippines on its foreign obligations. In addition to the subscription of government credit instruments, government deposits with the Central Bank and commercial banks (including cash in Treasury vaults) were drawn down by P44 million. This was accompanied by a shift in government deposits from commercial banks (which decreased by P203 million) to the Central Bank (which rose by P125 million).

The continued surplus in the country's international transactions exerted an expansionary pressure on the money supply during 1966, albeit a smaller one than in the preceding year. The rise in the international reserve net of special foreign loans and advances obtained for compensatory balance of payments purposes) brought about an P81 million increase in money supply during 1966 compared to P286 million a year ago. The figure for the year under review, however, does not include the P41 million (\$10.5 million) contributions to the capital of the Asian Development Bank and the International Monetary Fund. It is noteworthy that the increase in the international reserve net a special foreign loans and advances generated a much larger P330 million addition to money supply during January-August 1966 (compared to P81 million for the year as a whole). Moreover, the increase in the international reserve during 1966 was absorbed entirely by the commercial banks as that of the Central Bank declined by \$22.4 million.

# FACTORS RESPONSIBLE FOR MONEY SUPPLY MOVEMENT

December 1965 — December 1966

(Million pesos)

I T E M		1966 December	1965 December	Increase or Decrease (—)	Net Effect on Money Supply <sup>a</sup>
I. MONEY OF INTERNAL ORIGIN					
A. Public Sector <sup>b</sup>					
1. National Government					
a) Securities held by Central Bank .....	640.6	518.1	122.5	+ 122.5	
b) Securities held by commercial banks .....	541.1	449.7	91.4	+ 91.4	
c) Central Bank loans .....	314.9	312.6	2.3	+ 2.3	
d) Commercial banks' loans .....	—	—	—	—	
Less: e) Total National Gov't. balances .....	382.4	451.5	— 69.1	— 8.8	
Cash in Treasury vaults .....	6.5	14.3	— 7.8	+ 7.8	
Demand deposits with comm'l. banks .....	198.5	384.9	— 186.4	+ 186.4	
Demand deposits with Central Bank .....	101.9	17.1	84.8	— 84.8	
Trust funds with Central Bank .....	75.5	35.2	40.3	— 40.3	
f) Total savings and time deposits .....	288.6	281.6	7.0	— 7.0	
Total .....	825.6	547.3	278.3	+ 200.4	
2. Local Gov't. & Semi-Gov't. Entities					
a) Securities held by Central Bank .....	477.3	359.8	117.5	+ 117.5	
b) Securities held by comm'l. banks .....	249.4	168.0	81.4	+ 81.4	
c) Central Bank loans .....	394.2	394.3	— 0.1	— 0.1	
d) Commercial banks' loans .....	344.5	484.1	— 139.6	— 139.6	
Less: e) Savings and time deposits .....	256.0	237.8	18.2	— 18.2	
f) Net Miscellaneous Accounts of Government banks .....	414.5	428.8	— 14.3	+ 14.3	
Total .....	794.9	739.6	55.3	+ 55.3	
Total Public Sector .....	1,620.5	1,286.9	333.6	+ 255.7	

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

<sup>b</sup> Consisting of the National Government, local governments and semi-government entities.

<sup>c</sup> Adjusted to include National Government expenditures abroad, amounting to P77.9 million.

<sup>d</sup> Including unused overdraft lines.

# FACTORS RESPONSIBLE FOR MONEY SUPPLY MOVEMENT (Concluded)

December 1965 — December 1966

(Million pesos)

<i>I T E M</i>	<i>1966 December</i>	<i>1965 December</i>	<i>Increase or Decrease (—)</i>	<i>Net Effect on Money Supply <sup>a</sup></i>
<b>B. Private Sector</b>				
a) Commercial banks' loans, discounts, overdrafts <sup>d</sup> and customers' liability acceptances .....	5,359.6	4,729.3	630.3	+ 630.3
b) Securities held by comm'l. banks .....	4.9	2.3	2.6	+ 2.6
Less: c) Savings, time and other deposits .....	2,823.2	2,210.4	612.8	— 612.8
d) Net Miscellaneous Accounts of private commercial banks ..	789.7	648.7	141.0	— 141.0
<b>Total Private Sector</b> .....	<b>1,751.6</b>	<b>1,872.5</b>	<b>— 120.9</b>	<b>— 120.9</b>
<b>C. Total Public and Private Sectors</b> .....	<b>3,372.1</b>	<b>3,159.4</b>	<b>212.7</b>	<b>+ 134.8</b>
<b>II. MONEY OF EXTERNAL ORIGIN</b>				
a) International Reserves .....	918.4	776.4	140.0	+ 217.9 <sup>e</sup>
Less: b) Revaluation of International Reserve .....	518.5	527.4	— 10.9	+ 10.9
c) Special loans and advances abroad. ....	400.7	341.5	59.2	— 59.2
<b>Total Money of External Origin</b> .....	<b>— 0.8</b>	<b>— 92.5</b>	<b>91.7</b>	<b>+ 169.6</b>
<b>III. MONEY SUPPLY</b> .....	<b>3,371.3</b>	<b>3,066.9</b>	<b>304.4</b>	<b>+ 304.4</b>

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

<sup>b</sup> consisting of the National Government, local governments and semi-government entities.

<sup>c</sup> Adjusted to include National Government expenditures abroad, amounting to ₱77.9 million.

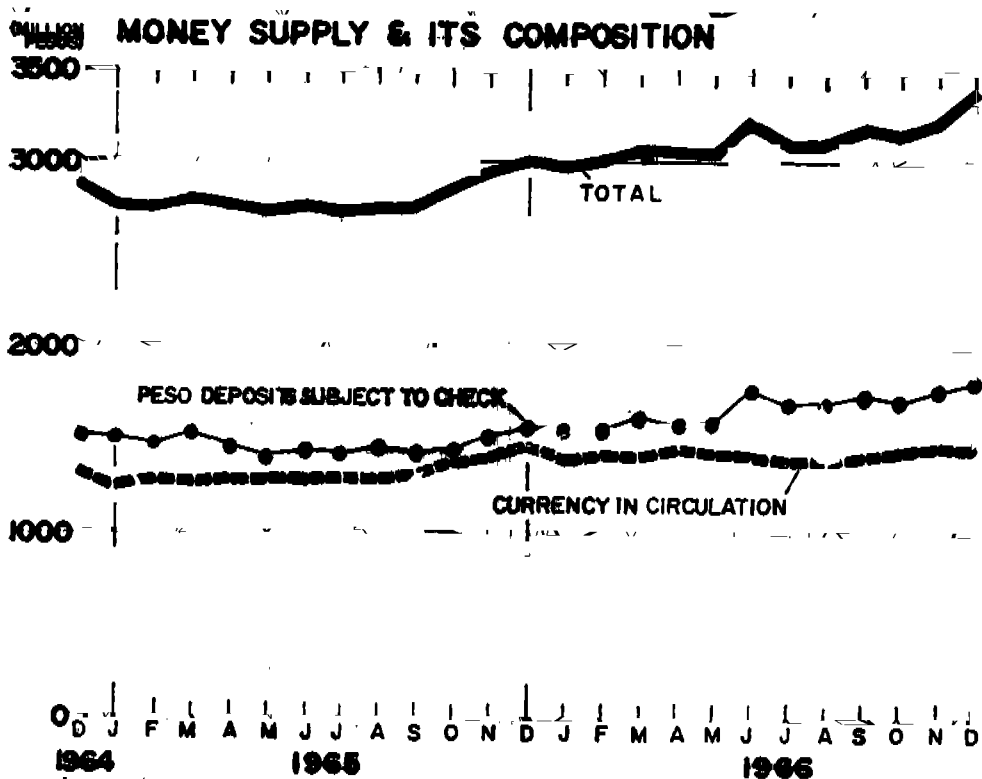
<sup>d</sup> Including unused overdraft lines.

The expansion in money supply during 1966 was largely in the form of demand deposits which increased by ₱244 million. Currency in circulation went up by ₱60 million or only a fourth as much. This resulted mainly from the fact that the additions to the net foreign exchange assets of monetary institutions were absorbed by commercial banks with the Central Bank actually being a net seller in the amount of \$34.7 million during the year. As a result, the share of demand deposits rose from 51.6 per cent of money supply in December 1965 to 54.2 per cent in December 1966. Conversely, the share of currency in circulation declined from 48.4 per cent to 45.8 per cent.

## MONEY SUPPLY, ITS COMPOSITION AND ANNUAL MOVEMENT 1964-1966

(Amount in Million Pesos)

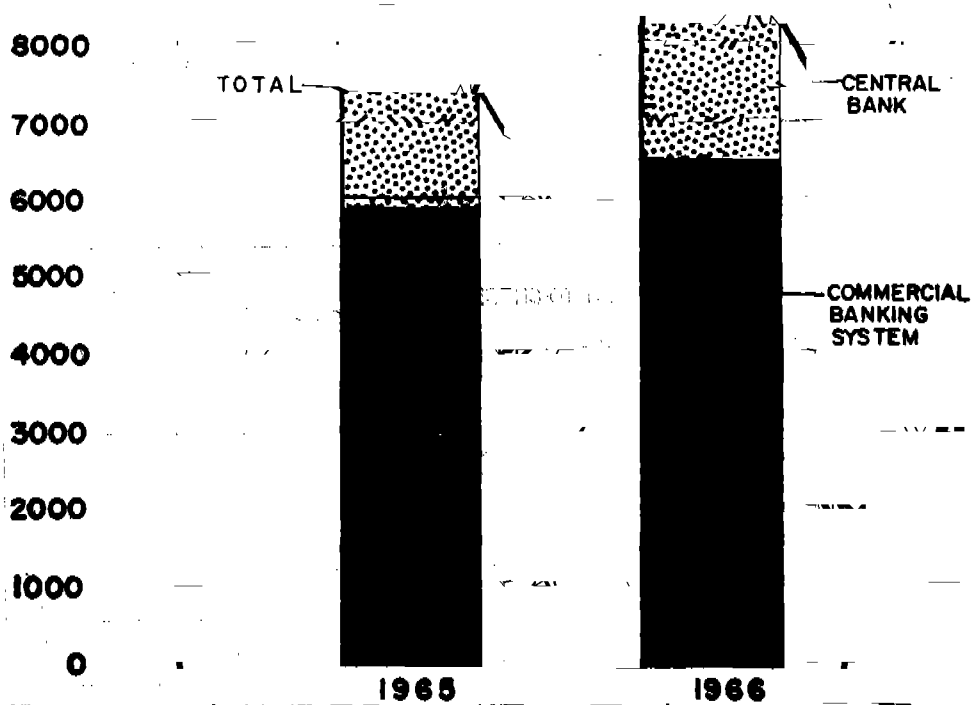
<i>End of Period</i>	<i>Money Supply</i>	<i>Currency in Circulation</i>		<i>Peso Demand Deposits</i>		<i>Annual Changes of Money Supply</i>	
		<i>Amount</i>	<i>% of Money Supply</i>	<i>Amount</i>	<i>% of Money Supply</i>	<i>Amount</i>	<i>Per Cent</i>
1964 — December ...	2,873.8	1,324.7	46.1	1,549.1	53.9	— 80.5	— 2.7
1965 — March .....	2,801.4	1,261.4	45.0	1,540.0	55.0	— 32.3	— 1.1
June .....	2,766.3	1,306.5	47.2	1,459.8	52.8	+ 128.3	+ 4.9
September ...	2,768.9	1,312.6	47.4	1,456.3	52.6	+ 68.5	+ 2.3
December ....	3,066.9	1,483.2	48.4	1,583.7	51.6	+ 193.1	+ 6.7
1966 — January ....	2,974.2	1,418.9	47.7	1,555.3	52.3	+ 197.5	+ 7.1
February ....	3,001.9	1,434.6	47.8	1,567.3	52.2	+ 249.7	+ 9.1
March .....	3,057.4	1,422.7	46.5	1,634.7	53.5	+ 256.0	+ 9.1
April .....	3,023.1	1,448.1	47.9	1,575.0	52.1	+ 263.7	+ 9.6
May .....	3,028.2	1,436.5	47.4	1,591.7	52.6	+ 307.8	+ 11.3
June .....	3,205.5	1,425.1	44.5	1,780.4	55.5	+ 439.2	+ 15.9
July .....	3,105.2	1,404.2	45.2	1,701.0	54.8	+ 366.8	+ 13.4
August .....	3,102.7	1,396.9	45.0	1,705.8	55.0	+ 335.0	+ 12.1
September ...	3,172.4	1,419.8	44.8	1,752.6	55.2	+ 403.5	+ 14.6
October .....	3,142.4	1,424.7	45.3	1,717.7	54.7	+ 294.7	+ 10.3
November ...	3,215.0	1,440.6	44.8	1,774.4	55.2	+ 278.7	+ 9.5
December ....	3,371.3	1,543.4	45.8	1,827.9	54.2	+ 304.4	+ 9.9



#### D. CREDIT OPERATIONS OF THE BANKING SYSTEM

After the slowdown in the rate of credit expansion in 1965, total domestic credits of the monetary system increased substantially by P908 million or 12.2 per cent in 1966, reaching P8,326 million at the end of 1966. The growth last year was only P563 million or 8.2 per cent, whereas in 1965 it was P740 million or 12.1 per cent. The outstanding levels of domestic credits during January to May 1966 were well below that of December, 1965 and it was only during the second half that domestic credits picked up considerably, accounting for P842 million or 93 per cent of the total increase for 1966. Institution-wise, P666 million of the total increase of P908 million in domestic credits was brought about by the commercial banking system while P242 million was contributed by the Central Bank. In 1965, the commercial banking system's credits increased by P601 million, while those of the Central Bank contracted by P38 million. Classified by end-user, private credits rose by P633 million as against last year's P211 million. Credits to the public sector also went up by P275 million but this was smaller than the P352 million increase in 1965.

## DOMESTIC CREDITS OF THE BANKING SYSTEM (MILLION PESOS)



### 1. Central Bank Credits

Credit transactions of the Central Bank during 1966 resulted in a ₱357 million expansion in the Bank's portfolio compared to the ₱60 million increase a year earlier. The bulk of the increase during the year under review amounting to ₱155 million, originated from transactions with the Development Bank of the Philippines. The Central Bank purchased ₱120 million worth of DBP (and RFC) bonds to enable that institution to refinance its maturing foreign obligations. In addition, the Central Bank purchased ₱30 million of PW & ED bonds and ₱5 million of Treasury notes from the DBP during the year, the latter within the framework of the Treasury notes consolidation scheme described earlier.

Of the remaining ₱202 million increase in the Central Bank portfolio, ₱111 million or more than one-half went to commercial banks. This was only slightly higher than the ₱99 million additional accommodations extended in 1965. For despite the increase in rediscount ceilings but because of the heavy inflow of private savings and time deposits and the decrease in financing required for rice importation, which figured heavily in the previous year, the banks found it unnecessary to use the Central Bank's rediscounting window as frequently. Moreover, the increase in

# STATUS OF THE CENTRAL BANK CREDIT PORTFOLIO

As of December 31, 1966

(Million Pesos)

I T E M	Outstand- ing as of Dec. 31, 1965	Total Purchases & Loans Granted	Total Sales and Repayments Received	Outstand- ing as of Dec. 31, 1966	Increase or Decrease (—)
<b>TOTAL</b> .....	2,098.7	2,976.5	2,619.3	2,455.9	357.2
<b>I. Government Securities</b> .....	877.9	1,165.6	925.6	1,117.9	240.0
<b>A. National Government</b> .....	518.1	1,005.7	883.2	640.6	122.5
1. PW & ED Bonds .....	186.2	560.2	530.1	216.3	30.1
2. Certificates of Indebtedness .....	15.0	15.0	15.0	15.0	—
3. Treasury Notes .....	311.3	411.5	316.4	406.4	95.1
4. Socio-Economic Bonds .....	0.8	—	—	0.6	—
5. N. I. A. Bonds .....	5.0	19.0	21.7	2.3	— 2.7
<b>B. Local Governments</b> .....	1.6	0.1	0.3	1.4	— 0.2
1. IPMG Bonds .....	1.6	0.1	0.3	1.4	— 0.2
<b>C. Semi-Government Entities</b> .....	358.2	159.8	42.1	475.9	117.7
1. DBP Bonds .....	278.7	135.0	—	416.7	138.0
2. RFC Bonds .....	18.0	—	18.0	—	— 18.0
3. ACCFA Notes .....	17.0	—	—	17.0	—
4. NAWASA Bonds .....	2.1	1.3	0.8	2.6	0.5
5. NPC Bonds .....	39.4	20.5	22.8	37.1	— 2.3
6. MWD Bonds .....	3.0	—	0.5	2.5	— 0.5
<b>II. Loans and Advances</b> .....	1,179.9	1,810.9	1,693.7	1,297.1	117.2
<b>A. National Government</b> .....	271.7	274.2	271.9	274.0	2.3
1. Subscription Payment to IMF .....	82.7	34.2	—	116.9	34.2
2. Subscription Payment to IBRD .....	18.0	—	1.9	16.1	— 1.9
3. Subscription Payment to IDA .....	1.0	—	—	1.0	—
4. Budgetary Loans .....	170.0	240.0	270.0	140.0	— 30.0
<b>B. Local Governments (Budgetary Loans)</b> .....	3.0	7.7	4.7	6.0	3.0
<b>C. Semi-Government Entities</b> .....	391.3	—	3.1	388.2	— 3.1
1. P V T A .....	232.7	—	—	232.7	—
2. A C A .....	123.6	—	3.1	120.5	— 3.1
3. D B P .....	35.0	—	—	35.0	—
a. Rediscounts under R.A. 2081 .....	35.0	—	—	35.0	—

# STATUS OF THE CENTRAL BANK CREDIT PORTFOLIO (Concluded)

As of December 31, 1966

(Million Pesos)

<i>I T E M</i>	<i>Outstand- ing as of Dec. 31, 1965</i>	<i>Total &amp; Loans Purchases Granted</i>	<i>Total Sales and Repayments Received</i>	<i>Outstand- ing as of Dec. 31, 1966</i>	<i>Increase or Decrease (—)</i>
D. Commercial Banks .....	444.6	1,415.3	1,304.3	555.5	110.9
1. Loans and Advances .....	431.2	1,377.3	1,254.1	554.4	123.2
a. Preferential Rate of 3% .....	21.7	162.7	135.7	48.7	27.0
b. Basic Rate of 4-3/4% .....	—	1,116.0	815.5	300.5	300.5
c. Basic Rate of 6% .....	164.4	74.2	238.6	—	—164.4
d. Special Assistance Loans at 6% .....	46.7	17.7	42.6	21.8	—24.9
e. Special Assistance Loans at 7 1/4% .....	—	1.0	—	1.0	1.0
f. Special Assistance Loans at 8% .....	—	0.7	0.7	—	—
g. Special Assistance Loans at 9% .....	9.0	—	2.5	6.5	—2.5
h. Special Assistance Loans at 12% .....	58.5	5.0	18.5	45.0	—13.5
i. PNB for rice imports 6% .....	130.9	—	—	130.9	—
2. Rediscounts .....	7.1	13.2	20.3	—	—7.1
a. Preferential Rate of 3% .....	5.1	5.6	10.7	—	—5.1
b. Basic Rate of 4-3/4% .....	—	6.0	6.0	—	—
c. Basic Rate of 6% .....	2.0	1.6	3.6	—	—2.0
3. Overdrafts .....	0.4	24.7	25.1	—	—0.4
4. DLF Financing .....	3.7	—	2.6	1.1	—2.6
5. Eximbank Financing .....	2.2	—	2.2	—	—2.2
E. Rural Banks .....	69.3	113.8	109.7	73.4	4.1
1. Regular Rediscount .....	69.3	112.6	109.7	72.2	2.9
2. I B R D .....	—	1.2	—	1.2	1.2
III. Government Note on Treasury Certificate Account .....	40.9	—	—	40.9	—



loans to commercial banks was absorbed almost entirely by the Philippine National Bank whose credit outstanding rose by ₱107 million during 1966.

Another notable feature in the credit transactions of the Central Bank during 1966 was the net purchase of another ₱83 million worth of Treasury notes from the Philippine National Bank, Government Service Insurance System and the Social Security System under the consolidation scheme. Transactions with the national government, on the other hand, were characterized by a ₱30 million decrease in outstanding budgetary loans, the extension of a ₱34 million loan for its subscription payment to the International Monetary Fund and the purchase of ₱7 million worth of Treasury notes to finance its subscription in the Asian Development Bank.

From a sectoral point of view, about ₱349 million or 98 per cent of the total increase in Central Bank portfolio in 1966 went to the government sector (including the Philippine National Bank) and only ₱8 million went to the private sector. The share of government securities rose from 44 per cent to 47 per cent of the total portfolio during the year and, conversely, the share of outstanding loans and advances declined from 56 per cent to 53 per cent.

## *2. Commercial Banking System Credits*

During the first four months of 1966 total domestic credits of the commercial banking system<sup>1</sup> actually decreased by ₱5 million. The drop in credits, which contrasted with the ₱151 million increase during the comparable months of 1965 when credit was supposedly tight and banks had reserve deficiencies, may be attributed to the decision of commercial banks to re-establish their liquidity position at normal and conventional levels and their anticipation of a draft on bank funds for income tax payments in mid-April. It was thus not until May when domestic credits of the commercial banking system started to accelerate. By the end of December 1966 domestic credits of the system established a new record level of ₱6.5 billion.

On the whole, outstanding domestic credits of the commercial banking system increased by 11.4 per cent during 1966 or by about the same rate of expansion as in the previous year. Of the total ₱666 million increase in bank credits during 1966, ₱663 million or 95 per cent went to the private sector and only 5 per cent to the public sector. This was a marked change from last year's distributional pattern when private credits shared only ₱211 million or 35 per cent in the total increase while the public sector obtained a larger share of ₱390 million or 65 per cent.

<sup>1</sup> Consisting of commercial banks and rural banks accepting demand deposits.

The change in the distribution was due to the decrease in the government's financing requirements for rice imports and the austerity program adopted by the new government during 1966.

Classified by type of credit, outstanding loans and discounts rose by ₱504 million, followed by investments in securities and customer's liability acceptances, which increased by ₱175 million and ₱24 million, respectively. Overdrafts declined by ₱37 million although the unused portion went up by ₱95 million.

Total credits granted by commercial banks during the first six months of 1966 amounted to ₱3,839 million, or ₱76 million larger compared to the total granted during the comparable months of last year. The distribution of these credits by industry is shown below:

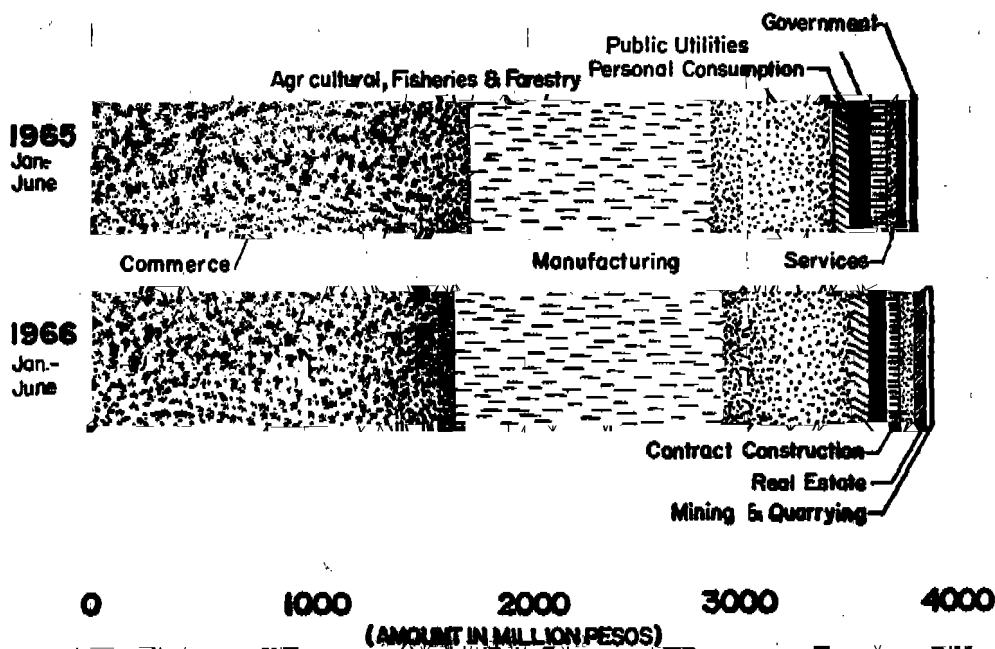
**TOTAL CREDITS GRANTED BY COMMERCIAL BANKS**  
Classified by Industry

January to June, 1965 and 1966  
(Amount in Million Pesos)

<i>Industry</i>	<i>January to June</i> <sup>1</sup>		<i>Increase or Decrease(—)</i>	
	<i>1966</i>	<i>1965</i>	<i>Amount</i>	<i>Per cent</i>
TOTAL .....	3,838.8	3,763.3	75.5	2.0
A. Agriculture, Fisheries & Forestry .....	607.8	577.0	30.8	5.3
B. Mining and Quarrying .....	35.7	22.9	12.8	55.9
C. Manufacturing .....	1,236.2	1,108.8	127.4	11.5
D. Contract Construction .....	62.4	75.3	— 12.9	—17.1
E. Commerce .....	1,617.9	1,741.4	—123.5	— 7.1
F. Real Estate .....	45.4	48.7	— 3.3	— 6.8
G. Public Utilities .....	72.9	72.7	0.2	0.3
H. Services .....	77.8	39.4	38.4	97.5
I. Government .....	1.5	8.9	— 7.4	—83.1
J. Personal Consumption .....	81.2	68.2	13.0	19.1

<sup>1</sup> Latest data available in 1966.

## TOTAL CREDITS GRANTED BY COMMERCIAL BANKS , 1965-1966 (Jan.-June)



The measures adopted in November 1965 and in 1966 contributed to a certain extent in supplying resources to banks. This was evident in the following developments:

1. Private savings and time deposits of the commercial banking system increased by ₱613 million against last year's increment of only ₱188 million;
2. Central Bank outstanding loans to the commercial banking system increased by ₱115 million compared to the 1965 increase of ₱97 million;
3. Net worth improved by ₱117 million versus last year's gain of ₱95 million;
4. Outstanding bills payable abroad of commercial banks were reduced by ₱91 million while in 1965 they liquidated only ₱42 million; and
5. Banks' required reserves decreased by ₱24 million during 1966 despite a ₱798 million increase in deposit liabilities subject to reserve requirements.

### 3. *Commercial Bank Structure and Resources*

Physical facilities of commercial banks expanded in 1966 with the opening of seventy-seven (77) additional branches and agencies, of which twenty-five (25) were established in the Greater Manila area and fifty-two (52) in different provinces. By the end of 1966, there were 41 commercial banks with 447 branches and agencies in operation.

Total resources of commercial banks rose by 13.4 per cent in 1966, or at the same rate as a year earlier, to a level of ₱7.6 billion as of December 31, 1966. Of the current year's increase, government banks accounted for ₱48 million in contrast to their share of ₱640 million last year. Reflecting the credit relaxation measures and the decision of commercial banks to improve their liquidity position, the banks' liquid assets expanded by 26 per cent or more than twice the 12 per cent increase in their earning assets. In the preceding year, earning assets and liquid assets expanded at about the same rate of 12-13 per cent. Other assets, on the other hand, rose by only a third as much in absolute terms during the current year.

With the upsurge in savings-time deposits, current liabilities of commercial banks rose by ₱755 million to a level of ₱4.9 billion. This expansion was nearly double that of last year's increment of ₱385 million. Savings deposits and time deposits expanded by ₱523 million and ₱161 million, respectively. However, demand deposits decreased by ₱24 million, compared to the ₱286 million increase last year, as a result of drawings on the government current account amounting to ₱229 million. Following the 1965 increase of ₱91 million, net worth rose further by ₱111 million in 1966 aggregating ₱940 million at the end of the year.<sup>1</sup>

<sup>1</sup> These pertain to commercial banks only as distinct from the commercial banking system made up of commercial banks and rural banks which accept demand deposits (See p. 19).

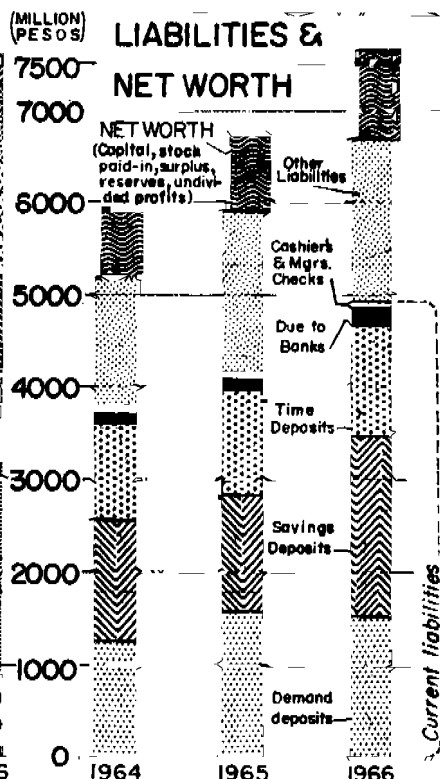
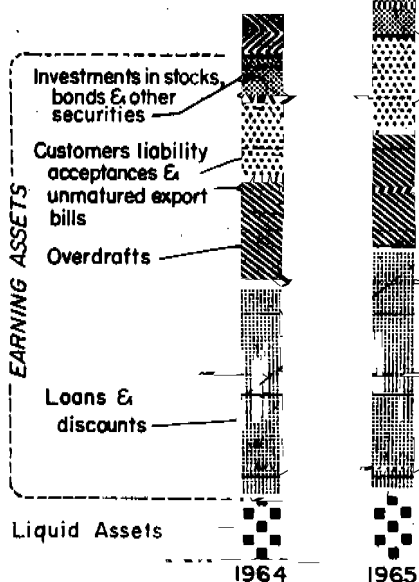
# ASSETS AND LIABILITIES OF COMMERCIAL BANKS

December 31, 1964-1966

(Million Pesos)

I T E M	December 31			Changes During	
	1966	1965	1964	1966	1965
<b>TOTAL ASSETS</b> .....	<b>7,631.3</b>	<b>6,731.0</b>	<b>5,928.9</b>	<b>900.3</b>	<b>802.1</b>
Liquid Assets .....	892.0	707.1	631.5	184.9	75.6
Cash .....	161.5	112.0	117.3	49.5	( 5.3)
Checks & Other Cash Items ....	153.6	94.6	102.2	59.0	( 7.6)
Due from the Central Bank ...	178.0	132.0	115.1	46.0	16.9
Due from Other Banks .....	398.9	368.5	296.9	30.4	71.6
Earning Assets .....	6,229.3	5,547.7	4,912.3	682.1	635.4
Loans & Discounts .....	3,241.5	2,655.8	2,355.9	585.7	269.9
Overdrafts .....	1,088.6	1,213.8	1,135.2	(125.2)	78.6
Customers' Liability Acceptances and Unmatured Export Bills .	1,073.4	1,063.0	925.4	10.4	137.6
Investments in Stocks, Bonds and Other Securities .....	826.3	615.1	465.8	211.2	149.3
Other Assets .....	509.5	476.2	385.1	33.3	91.1
Banking House, Furniture and Fixtures .....	179.5	148.7	123.7	30.8	25.0
Other Real & Chattel Properties Owned .....	56.4	33.2	22.4	23.2	10.8
Miscellaneous Assets .....	273.6	294.3	239.0	( 20.7)	55.3
<b>TOTAL LIABILITIES AND   NET WORTH</b> .....	<b>7,631.3</b>	<b>6,731.0</b>	<b>5,928.9</b>	<b>900.3</b>	<b>802.1</b>
Current Liabilities .....	4,919.6	4,164.9	3,779.7	754.7	385.2
Demand Deposits .....	1,521.4	1,545.7	1,259.8	( 24.3)	285.9
Savings Deposits .....	1,935.4	1,402.5	1,313.9	522.9	88.6
Time Deposits .....	1,215.2	1,053.9	1,036.6	161.3	17.3
Due to Banks .....	208.7	110.8	94.6	97.9	16.2
Cashier's & Manager's Checks ..	48.9	52.0	74.8	( 3.1)	( 22.8)
Other Liabilities .....	1,772.2	1,737.8	1,412.1	34.4	325.7
Dividends Payable .....	—	1.3	1.2	( 1.3)	0.1
Bills Payable .....	1,102.0	814.1	728.9	287.9	85.2
Guarantee Accounts .....	202.4	244.6	194.2	( 42.2)	50.4
Miscellaneous Liabilities .....	467.8	677.8	487.8	(210.0)	190.0
Net Worth .....	939.5	828.3	737.1	111.3	91.2
Capital Stock paid-in .....	434.0	440.5	396.7	43.5	43.8
Surplus .....	229.3	214.8	188.4	14.5	26.4
Reserves .....	130.9	118.3	98.5	12.6	19.8
Undivided Profits .....	95.3	54.7	53.5	40.6	1.2

## ASSETS & LIABILITIES OF COMMERCIAL BANKS ASSETS

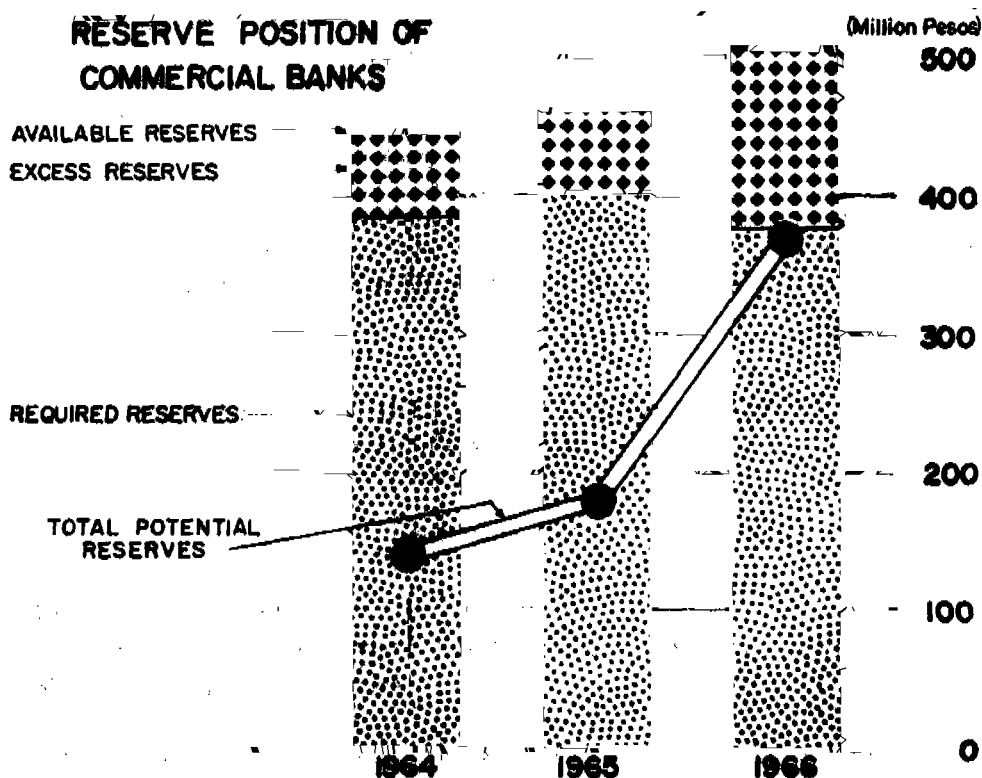


The average ratio of net worth to risk assets of domestic commercial banks as of December 31, 1966 was 19.3 per cent, slightly below the ratio of 19.7 per cent in December 1965. As in the previous year, there was only one (1) bank operating below the statutory 15 per cent net worth/risk assets ratio. However, there were only 4 banks operating near the statutory ceiling compared to 17 in 1965.

### 4. Reserve Position

With the reduction in reserve requirements, the reserve position of the commercial banking system improved appreciably during 1966. Despite the large increase in deposit liabilities, required reserves went down by ₱24 million because of the lower reserve requirements. The decrease in required reserves notwithstanding, available reserves gained by ₱41 million during 1966. Consequently, excess reserves went up by ₱65 million to a level of ₱129 million by the end of 1966. There were no instances of reserve deficiencies during the whole year 1966 unlike in the previous year, notably during the first half of 1965, when banks experienced persistent deficiencies. Further reflecting the rebuilding of its reserve position, potential reserves of the banking system rose sizeably by ₱192 million in 1966 and amounted to ₱373 million at the end of 1966. The im-

provement in potential reserves was mainly in the form of the P102 million eligible foreign balances acquired during the year. The banks' holdings of government securities and vault cash also increased by P74 million and P16 million, respectively. On the whole, excess and potential reserves amounted to P502 million as of the end of 1966 or more than double the P245 million volume at the beginning of the year.



## E. OTHER BANKING INSTITUTIONS

### 1. *Rural Banks*

The opening of 29 rural banks in 1966 brought the total number of banks in operation to 338 at the end of the year. Of this total, 51 were authorized to accept demand deposits.<sup>1</sup> By geographical distribution, 261 rural banks were located in Luzon, 47 in the Visayas and 30 in Mindanao.

Total releases to the Rural Bank Trust Fund as of December 31, 1966 amounted to P49 million, the same as at the beginning of the year. These releases were made up of P10 million from NEC-AID, P4 million

<sup>1</sup> These rural banks are included in the concept of "commercial banking system" discussed previously.

from the Reparations Fund and P35 million from the Central Bank. The year 1966, however, saw the implementation of the CB-IBRD Farm Mechanization Program to help increase the availability of medium and long-term funds in rural areas. As of December 31, 1966, 70 rural banks have utilized a total of around P1.4 million from this program.

Total loans granted by rural banks during 1966 aggregated P295 million, an expansion of P35 million or 13 per cent over those granted during 1965. A total of 355 thousand borrowers availed of these loans, averaging P831 per borrower as against P751 last year. Classified by purpose, agricultural loans accounted for the biggest share (P247 million), followed by commercial loans (P37 million), industrial loans (P10 million), and other loans (P1 million). Total resources of the rural banks rose by P44 million or 16 per cent to a level of P323 million in December, 1966. Loans outstanding increased by P39 million to a year-end volume of P261 million, accounting for the bulk of these resources. Deposit liabilities likewise increased by P22 million to a level of P101 million net worth went to P15 million to reach P137 million by year-end. Investments in government securities, on the other hand, dropped by P3 million to a year-end level of P7 million.

## LOANS GRANTED BY RURAL BANKS

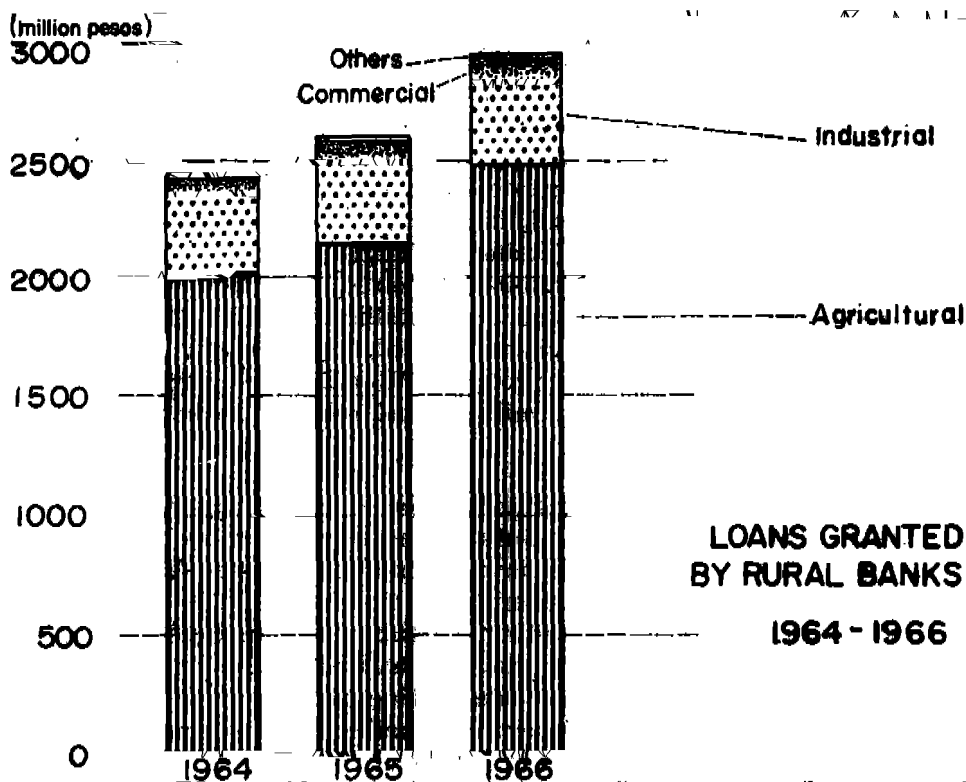
Classified by Purpose

1964-1966

(Million pesos)

Purpose	1966	1965	1964	INCREASE OR (DECREASE)			
				1966 over 1965		1965 over 1964	
				Amount	Per Cent	Amount	Per Cent
TOTAL .....	295.4	260.8	245.8	34.6	13.3	15.0	6.1
Agricultural .....	247.4	215.5	201.3	31.9	14.8	14.2	7.1
Commercial .....	36.6	34.5	33.7	2.1	6.1	0.8	2.4
Industrial .....	10.3	9.7	9.3	0.6	6.2	0.4	4.3
Others .....	1.1	1.1	1.5	—	—	( 0.4)	(26.7)





## 2. Savings Banks

Six (6) extension offices and one (1) branch were established by savings and mortgage banks during the year, bringing the total number to 29 (7 head offices, 9 branches and 13 extension offices) in December 1966.

Total loans granted by the savings banks during 1966 amounted to ₱108 million, larger by ₱41 million or 63 per cent than those granted during last year. Total resources at the end of 1966 amounted to ₱297 million, up by 48 per cent from its volume at the beginning of the year. The banks' outstanding loans rose by ₱51 million to a year-end level of ₱173 million. Similarly, savings and time deposits recorded an increment of ₱89 million to a level of ₱257 million while net worth showed a ₱6 million growth and totalled ₱35 million at year-end.

The government-owned Philippine Postal Savings Bank opened seven (7) additional postal stations in 1966, bringing the total to 1,423 by year's end. Total resources of the Bank, however, declined by ₱5 million during the year to a level of ₱81 million. Deposit liabilities dropped by more than 4 per cent to a volume of ₱62 million. However, trust funds administered by the DBP increased by ₱3 million to a level of ₱76 million.

### 3. *Development Bank of the Philippines*<sup>1</sup> (DBP)

Total loans granted by the DBP in 1966 amounted to ₱269 million which was more than 1-1/2 times the amount (₱105 million) granted in 1965, although slightly lower than the ₱278 million granted in 1964. Industrial loans showed the largest absolute increment (₱141 million), followed by agricultural and real estate loans (₱26 million and ₱5 million, respectively). On the other hand, loans to the government dropped by ₱9 million. Of the ₱189 million industrial loans granted, public utilities obtained the biggest share (₱85 million) followed by food processing (₱30 million), textiles (₱20 million) and non-metallic industries (₱4 million). The distribution of agricultural loans granted, amounting to ₱63 million was as follows: palay, ₱34 million; coconut, ₱13 million; sugar, ₱8 million; livestock, ₱7 million; rubber, ₱5 million; and others, the balance of ₱7 million.

Total resources increased by ₱197 million or 15 per cent in 1966 to a year-end level of ₱1,505 million. Outstanding loans went up by ₱53 million to reach ₱1,136 million while investments in securities decreased by ₱51 million to new level of ₱126 million. On the liabilities side, DBP outstanding bonds payable, amounting to ₱452 million in December 1965, decreased by ₱183 million during the first half of 1966. This decrease, particularly the drop in June 1966, amounting to ₱180 million, reflected the proposal of the DBP to convert ₱180 million of its bonds held by the Central Bank into paid-up capital stock of the National Government and the consequent replacement of these bonds with bonds of the National Government. Accordingly, total net worth of the DBP rose by

<sup>1</sup> Including Trust Funds.

#### LOANS GRANTED BY THE DBP, CLASSIFIED BY PURPOSE 1964-1966

(Million pesos)

Purpose	1966	1965	1964	INCREASE OR (DECREASE)			
				1966 over 1965		1965 over 1964	
				Amount	Per cent	Amount	Per cent
TOTAL . . . .	269.1	105.2	278.2	163.9	155.8	(173.0)	(62.2)
Agricultural . . . .	62.5	36.2	57.7	26.3	72.6	( 21.5)	(37.3)
Industrial . . . . .	189.0	47.6	144.4	141.4	297.0	( 96.8)	(67.0)
Real Estate . . . .	12.6	7.4	29.5	5.2	70.3	( 22.1)	(74.9)
Government . . . .	5.0	14.0	46.6	( 9.0)	(64.3)	( 32.8)	(70.0)

some ₦199 million during the first half of 1966 and amounted to ₦569 million at the end of June 1966. Net worth rose further by ₦13 million during the second half and totalled ₦582 million at the end of 1966 or a total increment of ₦212 million for the whole year. Meanwhile, bonds payable increased again during the second half of 1966 by ₦214 million, of which ₦94 million represented the newly issued DBP progress bonds and ₦120 million, DBP regular bonds. Thus, on the whole, total bonds payable by the DBP increased by ₦31 million during 1966 despite the capitalization of a substantial portion of previous issues. At year's end, bonds payable amounted to ₦484 million.

A significant aspect of the DBP's operations in 1966 was the implementation of its refinancing program for distressed industries. This program provided conventional refinancing of existing loans of qualified industries as well as extension of additional credits and the provision of DBP guarantees for external financing. Between March 31 and December 31, 1966, 1,480 loan accounts (417 industrial and 1,063 agricultural) worth ₦252 million were refinanced. Still being processed were 239 industrial loan accounts and 89 agricultural loan accounts involving a total of ₦86 million. The refinancing program also provided a securities refinancing scheme whereby certain industrial loan accounts of the DBP are converted into preferred shares of stocks which later may in turn be converted into common shares of said firms. As of December 31, 1966, a total of ₦62 million had been invested by the DBP in eight firms under this type of refinancing. Eleven other accounts, involving a total amount of ₦94 million, were being processed as of the end of the year. To implement the refinancing program, the DBP issued Progress Bonds which may later be exchanged by the holder with any of the industrial preferred shares available in the DBP portfolio. The inaugural issue of ₦100 million worth of DBP Progress Bonds was made on November 3, 1966. Of this amount, ₦98 million was sold in cash and ₦19 million in outstanding pledges, indicating over-subscription of ₦17 million by year's end.

#### *4. Private Development Banks*

No additional private development bank was established in 1966 so that the number in operation remained the same at 25 head offices and 9 extension offices. Total loans granted by these banks during the January-September 1966 period amounted to ₦23 million, a mere ₦0.5 million more than those granted during the comparable months of 1965. Of the total loans granted, production loans obtained the largest share (₦18 million), followed by capital investments (₦4 million), commercial loans (₦0.8 million), consumption loans (₦0.3 million) and loan for public utilities (₦0.2 million).

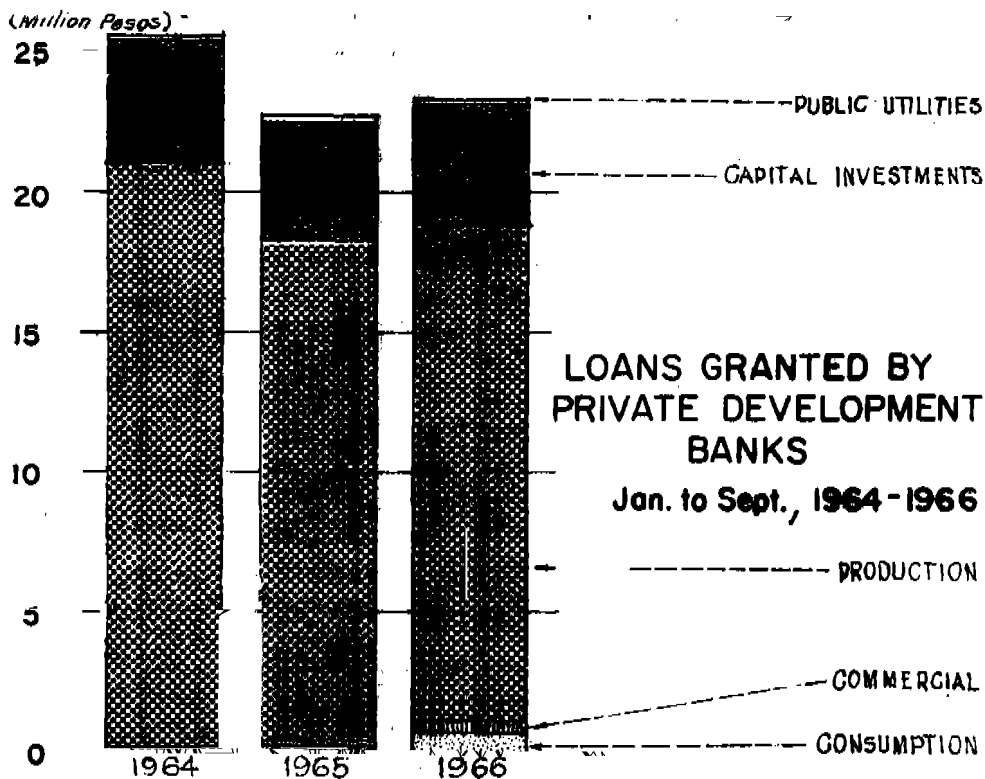
At the end of December 1966, total resources of the private development banks amounted to ₦94 million, higher by ₦15 million from the December 1965 level. Total outstanding loans went up by ₦9 million to reach ₦78 million at year's end. Deposit liabilities also increased by ₦6

million to a level of ₱22 million. Outstanding loans from the DBP increased by ₱2.3 million to reach ₱27 million while outstanding capital assistance from the same institution in the form of preferred shares also increased by ₱0.9 million to a new level of ₱17 million. The net worth of the banks increased by ₱3 million to a level of ₱41 million during the year.

**LOANS GRANTED BY PRIVATE DEVELOPMENT BANKS,  
CLASSIFIED BY PURPOSE  
1964-1966**

(Thousand Pesos)

<i>Purpose</i>	<i>January to September</i>			<i>INCREASE OR (DECREASE)</i>			
				<i>1966 over 1965</i>		<i>1965 over 1964</i>	
	<i>1966</i>	<i>1965</i>	<i>1964</i>	<i>Amount</i>	<i>Per Cent</i>	<i>Amount</i>	<i>Per Cent</i>
<b>TOTAL</b> .....	<b>23,356</b>	<b>22,824</b>	<b>25,707</b>	<b>532</b>	<b>2.33</b>	<b>(2,883)</b>	<b>(11.21)</b>
Consumption .....	318	80	53	238	297.50	27	50.94
Commercial .....	814	268	20	546	203.73	248	1,240.00
Production .....	17,655	18,039	20,963	(384)	( 2.13)	(2,924)	(13.95)
Capital Investment .	4,386	4,210	4,492	176	4.18	( 282)	( 6.28)
Transfer of Assets .	—	—	—				
Public Utility .....	183	227	179	(44)	( 19.38)	48	26.82



#### F. NON-BANK FINANCIAL INSTITUTIONS

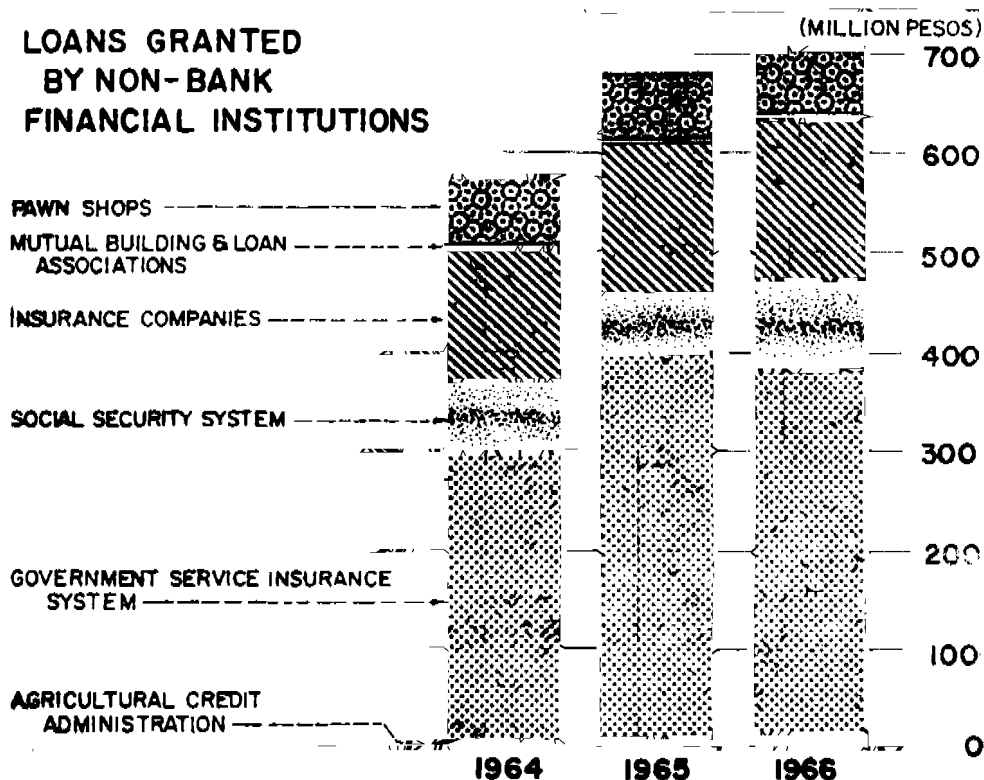
Loans granted by non-bank financial institutions aggregated ₱705 million in 1966, which was ₱24 million or 4 per cent more than those granted in 1965. Loans granted by government non-bank financial institutions amounted to ₱472 million while private non-bank financial institutions granted ₱233 million.

The GSIS and private insurance companies were the biggest lenders as their loans granted totalled ₱365 million and ₱161 million, respectively. These were followed by SSS, ₱91 million; pawnshops, ₱66 million; ACA, ₱16 million; and building and loan associations, ₱6 million. By purpose of credit, consumption loans accounted for the largest share of ₱458 million or 65 per cent of the total and were followed by ₱223 million of real estate loans. Total loans outstanding increased by ₱258 million or 20 per cent to a level of ₱1,620 million by the end of December 1966.

##### 1. Government Non-Bank Financial Institutions

Total loans granted by government non-bank financial institutions during 1966 aggregated ₱472 million, recording an increase of ₱12 million or 3 per cent over 1965. The SSS and ACA granted a total of ₱91 million and ₱16 million, gaining by ₱32 million and ₱6 million, respectively. On the other hand, the GSIS granted ₱365 million, which was smaller by ₱26 million compared to last year's.

Loans granted for consumption purposes increased by ₱71 million to a level of ₱260 million while real estate loans declined by ₱66 million to a level of ₱196 million during 1966. Agricultural loans also went up by ₱6 million to a level of ₱16 million during the year. Total outstanding loans of government non-bank financial institutions at the end of 1966 amounted to ₱1,218 million, 19 per cent over the 1965 year-end level.



## 2. Private Non-Bank Financial Institutions

Loans granted by private non-bank financial institutions during 1966 aggregated ₱233 million or 6 per cent larger than those granted in 1965. Private insurance companies granted ₱161 million, followed by pawnshops, ₱66 million and building and loan associations, ₱6 million. Their total loans outstanding totalled ₱403 million at year-end up by ₱64 million from its level at the beginning of the year.

## G. OTHER FINANCIAL INSTITUTIONS

The loan operations of the four investment houses, with the exception of **BANCOM** which started operations only in the preceding year, declined during 1966. This was partly due to the scarcity of viable projects which require long-term financing from these institutions. The decline in the loan operations of these institutions was also due to the improvement in the liquidity position of the commercial banking system and the economy as a whole which, consequently, reduced the spill-over of the demand for commercial loans to the investment houses.

### 1. *National Investment and Development Corporation (NIDC)*

The NIDC reduced its credit operations during 1966. Loans granted during the year amounted to only ₱14 million, which was ₱49 million smaller than in 1965. Of these loans, industrial financing received the largest portion (₱5 million), followed by real estate projects (₱4 million), agricultural loans (₱2 million) and public utilities (₱0.1 million). The balance of ₱3 million went to various purposes.

Total resources of the NIDC decreased by ₱18 million during the year and amounted to ₱147 million by year-end. Outstanding loans, however, went up ₱10 million to ₱82 million. Investments also gained by ₱12 million to a level of ₱43 million. Outstanding short-term obligations from U. S. banks abroad decreased by ₱45 million, levelling at ₱8 million at year's end. On the other hand, net worth grew by ₱23 million to ₱133 million.

### 2. *Private Development Corporation of the Philippines (PDCP)*

Total loans granted by the PDCP in 1966 amounted to ₱111 million, a drop of 36 per cent compared to last year. Classified by purpose, commercial loans in the form of temporary loan placements in commercial banks accounted for the bulk (₱78 million), followed by industrial projects (₱17 million), and public utilities (₱16 million).

Total resources went up by ₱12 million or 13.8 per cent and aggregated ₱99 million at the close of 1966. Outstanding loans went up by ₱14 million to ₱78 million at the end of the year. On the other hand, investments declined by ₱1 million to ₱19 million. Outstanding loans from the IBRD increased by ₱11 million to ₱37 million, while the AID 30-year loan remained unchanged at ₱28 million. Likewise, net worth in the form of equity capital increased by ₱1 million to ₱32 million.

### 3. *BANCOM Development Corporation*

Credit operations of **BANCOM Development Corporation** recorded impressive gains in 1966 as total loans granted aggregated ₱71 million, an expansion of ₱55 million over the ₱16 million granted during 1966, the initial year of its operation. Of the total loans granted, ₱54 million went to various industrial projects, ₱3 million to commercial banks in

the form of temporary loan placements, ₱2 million for public utilities and the balance of ₱12 million for various purposes.

Total resources of the investment bank went up by ₱17 million to a level of ₱32 million. Loans outstanding also increased by ₱9 million to a level of ₱20 million. Similarly, current assets rose up by ₱10 million to a level of ₱20 million. Net worth went up by ₱8 million while loans payable increased by ₱13 million to reach ₱20 million at year-end.

#### 4. *CCP Securities Corporation*

Loans granted by CCP in 1966 aggregated ₱4 million. Total resources at the end of 1966 amounted to ₱34 million, a decrease of ₱3 million from the 1965 year-end total. Loans outstanding dropped by ₱2 million to ₱21 million while current assets increased by ₱1 million to ₱3 million. Net worth gained also by ₱1 million and aggregated ₱8 million at year's end.

### H. CAPITAL INVESTMENTS

During 1966, 10,577 new business organizations with paid-in capital of ₱388 million were registered with the Securities and Exchange Commission and the Bureau of Commerce. These newly registered business organizations represented an increase of 951 in number and ₱61 million in capital paid-in compared to those a year earlier. During the current year, the new firms were distributed, together with their respective paid-in capital, as follows: 2,066 corporations with ₱154 million, 7,578 single proprietorships with ₱189 million and 933 partnerships with ₱45 million. Classified by nationality, Filipino capital accounted for ₱354 million, an increase of ₱84 million over that of a year earlier while capital contributed by Chinese and American nationals declined by ₱9 million and ₱14 million, respectively. Their shares in the capital of the new firms amounted to ₱28 million and ₱4 million, respectively.

Classified by industry, the bulk of the paid-in capital was channelled to wholesale and retail trade (₱119 million); followed by manufacturing (₱96 million); real estate (₱42 million); construction (₱21 million); communication & business services (₱22 million); transportation, storage & communication (₱22 million); recreation & personal services (₱20 million); banks & other financial institutions (₱19 million); forestry, fishing and livestock (₱13 million); agriculture (₱7 million); insurance (₱4 million); and others (₱3 million).



### III. FISCAL DEVELOPMENTS

#### A. OVER-ALL SITUATION

Fiscal policy in 1966 was directed at overcoming the shortcomings of previous years which came to a head in 1965. Policy direction was therefore aimed at improving efficiency in revenue administration and, on the expenditure side, placing emphasis on infrastructure and food production projects by instituting economy measures on current outlays. The government, in addition, instituted measures establishing a bills market to mobilize and obtain domestic resources at competitive rates for its funding requirements; in the process, government debt operations, which previously relied to a large extent on Central Bank resources, provided another dimension to monetary policy in the management of the liquidity of the economy. To support the government's emphasis on development activity, government financial institutions were aided in their program of refinancing and long-term lending to private entrepreneurs by improving their financial position and increasing their supply of loanable funds. This posture of fiscal policy in 1966 was dictated by the institutional framework wherein it had to operate, the slowdown in economic growth and the increasing shortfalls in rice production. With the unification of the exchange rate and the removal of virtually all exchange restrictions in late 1965, fiscal policy, in conjunction with monetary policy, has now been assigned a greater role in maintaining domestic stability and promoting economic advancement.

The substantial improvement in revenue collections reduced the cash gap in the operational budget to P153 million in 1966, or 44 per cent smaller than the operational deficit in the previous year. Administrative reorganization, intensified efforts to contain activities on contraband commodities as well as the revenue impact of the devaluation in late 1965 appeared to be the principal factors in raising the collections of the customs and internal revenue bureaus. The 1966 increase in collections of these bureaus for the general fund amounted to P167 million, of which 90 per cent was realized during the second semester. This compares favorably with the decrease of P16 million in 1965 and the annual average increment of P96 million for the past three (calendar) years. At the same time, government efforts were directed at the construction of physical plants for transport and irrigation to support the drive towards increased economic activity and self-sufficiency in food production. Indicative of this emphasis was the Special Fund, principal source of funds for roads and bridges, which saw the size of its cash accumulation during 1966 reduced by as much as three times that of 1965.

These (revenue and expenditure) developments gave rise to a direct expansionary impulse on money supply, representing the amount of credit obtained from the Central Bank and the commercial banks, of P94 million

as against P227 million in 1965. The smaller expansive effect was traceable to (1) the small volume of new debt instruments; (2) the availment of non-bank sources of funds mainly through the flotation of Treasury bills; and (3) a net payment of P30 million on the National Government's indebtedness with the Central Bank. The government implemented in May 1966 the first phase of a program to float its debt instruments without the price support of the Central Bank. It marked the first sustained attempt to establish a market for its instruments by introducing, first, short-term bills and, subsequently, long-term securities. This operation was also intended to restructure the pattern of internal debt which had been lopsidedly in favor of long-term securities carrying the support of the Central Bank and to provide the Central Bank with the opportunity to engage in open market operations as an added instrument in controlling the liquidity in the economy.

Between May and December 1966, there were 27 issues of 91-day bills at P5 million per issue, for a total of P135 million. At the end of 1966, there was an outstanding amount of P65 million. Each issue was characterized by oversubscription which, as a consequence, lowered the cost of borrowed funds to the government from an average of 6.9 per cent in the first issue to 6.4 per cent in the last issue. This was accompanied by a narrower spread between high and low bids and an increasing participation by commercial banks which found these bills to be suitable as secondary reserves. With the success of the 91-day bills, 182-day bills were issued in November at P2-1/2 million a week. A total of P17-1/2 million was outstanding at the end of 1966. Market developments for this series generally followed those for the 91-day bills.

Apart from the expansive monetary effects directly exerted by the cash operations of the government, there were expansionary impulses originating from secondary operations in government securities held by government financial institutions. With P213 million of Treasury notes maturing before June 1966, the government sought the refinancing of these notes in order not to strain its finances. Thus, the entire issue of the Treasury notes in the amount of P562 million was refinanced at a longer maturity and at lower interest rates (from 5 to 6 per cent to 2 per cent), with the rate reduction compensating for the increased cost of borrowing in the money market with the flotation of Treasury bills. In the meantime, to provide these institutions, which were large purchasers of these notes last year, with resources for long-term lending, a schedule of periodic purchases by the Central Bank of Treasury notes held by these institutions was established. As of December 1966, a total of P93 million was bought by the Central Bank, of which P42 million represented purchases from the PNB to enable that institution to buy an equivalent amount of NAWASA bonds. These institutions, principally the DBP, also unloaded their holdings of other government securities as a means of obtaining additional resources for their lending operations.

The DBP, among these institutions, was active in the financial market in 1966. It issued P100 million of its securities at competitive rates to obtain resources for its refinancing program of distressed industries. At the same time, the DBP was the beneficiary of several measures to improve its financial position. These included the conversion of P180 million of its indebtedness into capital contribution of the government and the flotation of P120 million worth of bonds to help refinance its maturing foreign and domestic obligations.

On a fiscal year basis, where transactions are based on releases of authorizations and allotments, fiscal operations in FY 1965/66 showed an accounting deficit of P376 million. This was P40 million above the revised estimate for the same year and P131 million above the actual of the preceding year. The increased deficit resulted largely from the failure of revenue collections to come up to anticipated levels.

For FY 1966/67, the revised revenue and expenditure levels would result in a deficit of P239 million. The critical factor in this fiscal budget is the capacity of the tax machinery to collect not only the revenues indicated (an increase of 19 per cent over the actual FY 1965/66) but also to surpass these targets to help finance the government's investment program.

## B. CASH OPERATIONS, CY 1966

In response to the exercise of fiscal discipline, government cash operations in calendar year 1966 resulted in a better over-all alignment between receipts and disbursements. This operational improvement was accompanied by the availment of a smaller volume of supplemental resources. Moreover, these funds were obtained largely from non-inflationary sources through the flotation of new government debt instruments in the financial market. These developments thus helped reduce the direct expansionary impulse of cash operations from P227 million in 1965 to P94 million in 1966.

Although the aggregate operational cash deficit in 1966 was 44 per cent lower than that of 1965, the fiscal framework wherein these operations were conducted placed the onus of the deficit on one major fund. The General Fund continued to be on a net disbursement position in 1966, although at a lower rate compared to 1965. Other funds, notably special and fiduciary, continued to accumulate cash resources. This imbalance stemmed from the system established by law to segregate certain revenue collections for specified purposes only.

The operational budget in 1966 featured a substantial improvement in cash receipts. This reduced the operational deficit to P158 million compared to P271 million in 1965. The operational deficit in 1966 was financed by the flotation of P178 million of new short and long-term securities. This compared with the P230 million of new issues in 1965. The principal differences in the use of additional financing between these

two periods was the availment of resources at competitive rates in the money and capital markets during 1966 as against the direct absorption of last year's issuance by the Central Bank, the Philippine National Bank and the government financial institutions.

Financial transactions in 1966 were substantial. These consisted principally of the refinancing of Treasury notes, the redemption of which would have strained government finances. However, only a small portion of the financial transactions of ₱948 million generated expansive effects. These were the secondary transactions on the refinancing and consolidation of ₱562 million of outstanding Treasury notes which under the program would mean the gradual absorption by the Central Bank of those notes held by government financial institutions. During 1966, a total of ₱100 million was purchased by the Central Bank, of which ₱93 million came from government financial institutions, thus generating additional expansionary impulses on money supply. On the other hand, there were transactions which tended to minimize these expansive effects, such as the net repayment of ₱30 million on the Central Bank loan to the National Government and the payment of ₱8 million on the borrowings of the National Government from the IMF peso holdings with the Central Bank. The government, however, increased its borrowings from the Central Bank by a net ₱32 million: borrowing ₱34 million for its increased subscription payments to the IMF while reducing by ₱2 million its loans for the subscription payment to the IBRD. These transactions were not counted in the cash operations in 1966.

The imbalance in fund distribution, which by law commits certain revenues for specific uses, placed the bulk of the cash deficit on the General Fund. This fund, which accounts for three-fifths of total cash transactions, absorbed another 77 per cent of the 1966 deficit. The operational deficit of ₱118 million, which was smaller compared with that of 1965, was financed by the reduction in cash balances and the flotation of Treasury bills. On the other hand, special and fiduciary funds continued to accumulate cash resources as committed revenues exceeded disbursements. In the case of the special funds, of which the Highway Special Fund is the principal fund, disbursements increased substantially which reduced the net receipts from ₱53 million in 1965 to ₱17 million in 1966.

# AGGREGATE CASH TRANSACTIONS OF THE GOVERNMENT

CALENDAR YEARS 1966 AND 1965

(Million Pesos)

I T E M	1966	1965
<b>A. Operational Transactions</b>		
1. Disbursements	3,191.3	2,804.0
Operating	3,119.1	2,740.9
Interest Payments	72.2	63.1
2. Receipts	3,038.4	2,532.7
3. Net Disbursements	152.9	271.3
<b>B. Financial Transactions*</b>	112.2*	403.1*
1. Sinking Fund Payment	27.6	31.3
2. Borrowings from the Central Bank	(30.0)	20.0
Availment	240.0	245.0
Repayment	270.0	225.0
3. Treasury Notes	6.8	136.0
Issue	569.1	289.3
Redemption	562.3	153.3
4. Certificates of Indebtedness	—	—
Issue	15.0	115.0
Redemption	15.0	115.0
5. Treasury Bills	82.5	—
Issue	152.5	—
Redemption	70.0	—
6. IMF Promissory Notes	(8.3)	—
Issue	—	—
Redemption	8.3	—
7. Borrowings from the IMF		
Peso Holdings with the Central Bank	—	184.0
8. Bond	88.8	94.4
Issue	88.8	94.4
Redemption	—	—
<b>C. Cash Balance (+ increase)</b>	(40.7)	131.8

SOURCE BASIC DATA: Bureau of the Treasury.

\* Refer to net availment of additional resources.

# CASH OPERATIONS OF THE NATIONAL GOVERNMENT BY MAJOR FUNDS

CY 1966 and 1965

(Million pesos)

<i>I T E M</i>	<i>General Fund</i>		<i>Special Fund</i>		<i>Bond Fund</i>	
	<i>1965</i>	<i>1966</i>	<i>1966</i>	<i>1965</i>	<i>1966</i>	<i>1965</i>
<b>A. Current Transactions</b>						
Operating Receipts .....	1,824.5	1,679.3	425.3	413.7	4.0	6.9
Operating Disbursements ..	1,870.2	1,850.4	408.7	360.4	97.0	91.4
Surplus or Deficit (--) ... (	45.7)	( 171.1)	16.6	53.3	(93.0)	(84.5)
<b>B. Financial Transactions</b> .....	1,020.4	( 587.7)	—	—	—	—
Interest Payments .....	72.2	63.1	—	—	—	—
Sinking Fund Payments ...	27.2	31.1	—	—	—	—
Repayment of Notes Payable	650.6	268.3	—	—	—	—
Repayment of Overdraft—						
Central Bank .....	270.0	225.0	—	—	—	—
<b>C. Public Borrowings</b> .....	971.6	833.3	—	—	88.8	94.4
Treasury Notes & Certificates of Indebtedness .....	584.1	404.3	—	—	—	—
Long-Term (Bonds)						
Borrowings .....	—	—	—	—	88.8	94.4
Treasury Bills .....	147.5	—	—	—	—	—
CB Overdraft Line .....	240.0	245.0	—	—	—	—
IMF Peso Holdings with						
Central Bank .....	—	184.0	—	—	—	—
<b>D. Net Cash Transactions</b> .....	94.5	74.5	16.6	53.3	4.2	9.9
<b>E. Status of Cash Balances</b>						
Beginning, January 1 .....	77.7	3.2	307.5	254.2	61.1	51.2
Ending, December 31 .....	( 16.9)	77.7	324.1	307.5	56.9	61.1
Changes in Status .....	—94.5	+74.5	+16.6	+53.3	—4.2	+9.9

SOURCE OF BASIC DATA: Bureau of the Treasury

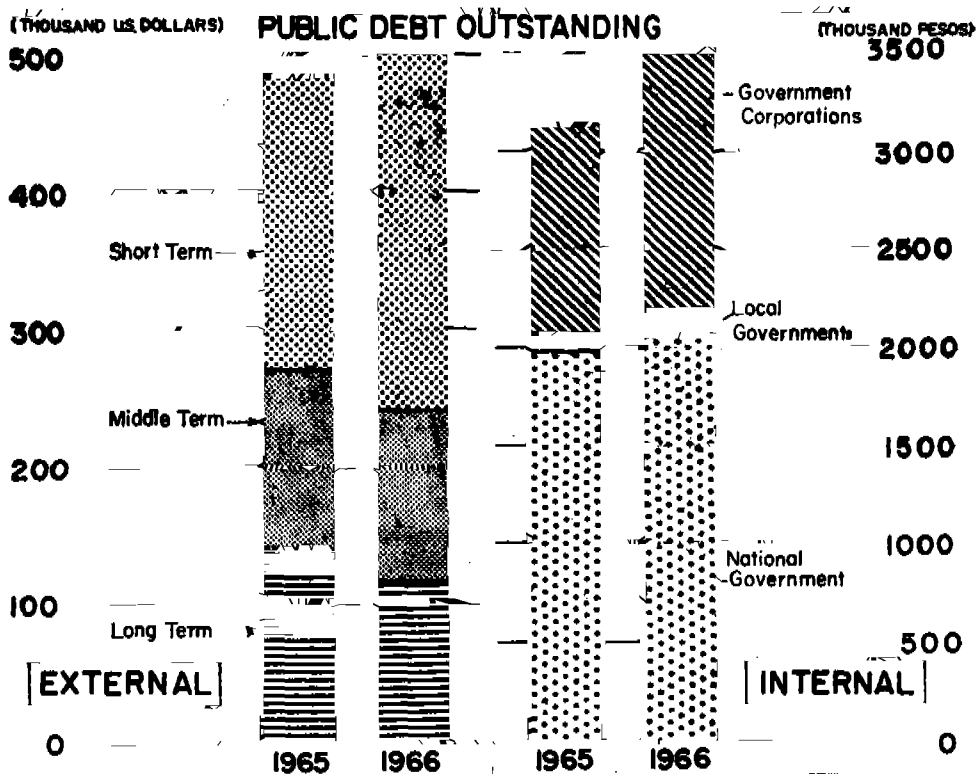
Total cash resources of the government were reduced by P41 million to help finance the fiscal transactions in 1966. This was withdrawn from the Philippine National Bank and the Treasury. Balances with the Central Bank and the private commercial banks increased. In the case of the latter, the increased deposits with private commercial banks appeared to be contrary to the policy of transferring government balances to the Central Bank and the PNB, which, in addition to the DBP, had been generally designated as the authorized depositories.

### C. PUBLIC DEBT

Financial transactions of the government in (calendar year) 1966 showed greater reliance on domestic sources for its funding requirements. This was in contrast to last year's operations when external debt was the principal source of additional financing. This year, therefore, internal debt rose by 12 per cent compared with the 7 per cent increase registered in 1965. On the other hand, foreign debt, which rose by 68 per cent in 1965, decreased by 1 per cent in 1966.

Debt policy in 1966 was geared to mobilize non-inflationary domestic resources by introducing various government debt instruments at competitive rates. Initial issues ranged from short-term bills for the National Government and long-term bonds, some for the National Government and to a larger extent, for government corporations. During the year, the government, faced with the redemption of a substantial portion of maturing Treasury notes, also undertook the refinancing and consolidation of these notes into one account with the Central Bank.

The implication of this shift in policy towards tapping non-inflationary sources would be to raise the interest cost to the government. With the refinancing operations which reduced the interest rate on Treasury notes from 5 to 6 per cent to 2 per cent, however, the weighted average interest rate on public debt rose only nominally from 3.20 per cent in 1965 to 3.22 per cent at the end of 1966.



### 1. Treasury Bills

The establishment of the Treasury bills market marked the first sustained attempt of the government to tap the money market for its short-term funds. During 1966, issues were made of both 91-day and 182-day bills. Originally intended to be issued at ₱5 million on a bi-weekly basis starting May 16, 1966, the frequency of issuance of 91-day bills was increased to a weekly basis beginning with the eighth issue. Encouraged by the favorable response to the 91-day bills, the 182-day Treasury bills were issued starting on November 7, 1966 at ₱2-1/2 million a week. As of the end of 1966, total issues of 91-day bills amounted to ₱135 million, of which ₱65 million was outstanding. This level will be maintained through refunding or roll-over issues. On the same date, there were eight issues of 182-day bills with an outstanding amount of ₱20 million. Through alternate auctions of new and refunding issues, the 182-day series is also expected to level off at ₱65 million.

The primary market for 91-day bills was characterized by consistent over-subscription and, as a corollary, a decline in the interest rate which the government had to pay on borrowed funds. Except for the 23rd



issue with an oversubscription of only 32 per cent, excess bids received by the Central Bank for each of the 27 issues ranged from 121 per cent of awards in the first issue to a high 585 per cent in the 15th issue, the oversubscription averaging 254 per cent for all issues. With the high degree of competition, the cost to the government declined from an annual yield of 6.9 per cent in the first issues through about 6.5-6.6 per cent in the succeeding ten issues, to about 6.3-6.4 per cent in the next 13 issues. These developments were accompanied by (1) a favorable trend towards narrower spread between high and low bids and (2) a more active participation by non-dealers, principally commercial banks which have found the bills an acceptable and suitable medium for maintaining secondary reserves.

With the completion of the cycle for 91-day bills, 182-day bills were introduced. Developments in this longer-term bill followed the general movement of 91-day bills. Total bids for eight issues averaged 330 per cent of awards. No issue received (total) bids less than 235 per cent of awards. The average yield fell from 6.8 per cent in the first issue to 6.6 per cent in the last issue. The spread between high and low bids did not exceed 7.4 basis points.

The secondary market for these bills reflected a steady growth in volume accompanied by an increase in prices (an easing of rates). Activity picked up in the 12th week of trading and reached a peak in the middle of November.

## **2. DBP Bonds**

The DBP was a major participant in the financial market in 1966 as it sought to tap resources for its refinancing program of distressed industries. It was also a major beneficiary of policy measures which were adopted to help improve its financial position.

To raise funds for the refinancing program for distressed industries, the DBP floated P100 million of its bonds at (tax-exempt) 7 per cent for a period of 10 years. These bonds may later be exchanged with any of the preferred shares of stock in the DBP portfolio, which shares may in turn be converted in the future into common stocks of selected private firms participating in the refinancing program. As of December 31, 1966, a total of P100 million had been issued, of which commercial banks purchased about P67 million.

Assistance was also extended to the DBP to augment its resources by way of capitalizing a portion of its bonds and the refinancing of its maturing foreign and domestic obligations. There were P180 million of DBP bonds which were converted into capital stock by transferring this indebtedness to the National Government. Maturing foreign and domestic obligations of the DBP were refinanced with the flotation of DBP bonds, the authorized amount to reach P250 million by mid-1967.

### 3. *Treasury Notes and Other Issues*

Outstanding Treasury notes at the beginning of 1966 amounted to P562 million. Of these, P213 million were to mature before June 1966. As the redemption of these notes would strain government finances, the government consolidated these notes of various maturities into two issues, one to mature in 1971 in the amount of P463 million and the other to mature in 1967 in the amount of P100 million. The entire issue of P562 million at 2 per cent was to be gradually absorbed by the Central Bank as holdings of the GSIS, SSS, DBP and PNB aggregating P252 million were scheduled for redemption on a fixed monthly basis during a period ranging from 15 to 22 months. On the other hand, to help the government absorb the higher cost associated with obtaining resources in the money market, notes held by government financial institutions at rates ranging from 5 to 6 per cent were converted into notes carrying 2 per cent. At the end of 1966, P93 million of these notes were purchased by the Central Bank from government financial institutions.

Other notable issues floated at competitive rates were bond issues to finance development projects of the national government and government corporations like the NAWASA. These involved a total of P88 million at terms of 7 to 7-1/4 per cent for a period of 10 years.

### 4. *Internal Debt*

Internal public debt expanded by P381 million in 1966 compared with an increase of P200 million in 1965. The increment in 1966 was contributed by all levels of government: national, by P114 million; local, by P16 million; and government corporations, by P251 million.

The expansion in government corporate indebtedness, which accounted for about two-thirds of the over-all increase in internal debt, stemmed principally from the operations of the DBP. This institution floated a net of P212 million worth of bonds, P118 million of which helped refinance its maturing foreign and domestic obligations. The balance of P94 million represented the issuance for its refinancing program of distressed industries. Combined with the issuance of P47 million in NAWASA bonds at competitive rates, these raised the aggregate borrowings of government corporations to P1,377 million or 22 per cent higher than the level outstanding at the end of 1965.

Local governments, borrowing heavily from the DBP, expanded their total indebtedness to P88 million compared with P72 million in 1965.

National government indebtedness increased by 6 per cent during 1966. This resulted mainly from new issues of short and long-term securities for current outlays and development projects aggregating a total of P122 million. Additional indebtedness of P41 million was incurred to meet the new and increased subscriptions to international organiza-

# INCREASE IN DEBT (INTERNAL)

1966

(In million pesos)

I T E M	1966	1965
Debt Outstanding (Internal) End of		
Current Year .....	3,519.4	3,138.9
Debt Outstanding (Internal) End of		
Previous Year .....	3,138.9	2,938.5
NET INCREASE .....	380.4	200.4
Securities Issued:		
PW & ED Bonds .....	39.6	2.5
Treasury Notes .....	569.2	289.3
Treasury Bills .....	82.5	—
Certificates of Indebtedness .....	—	115.0
Socio-Economic Bonds .....	—	6.5
NAWASA Bonds .....	47.2	15.3
NPC Bonds .....	—	11.5
NIA Bonds .....	—	5.0
DBP Bonds .....	120.0	47.2
DBP Progress Bonds .....	93.9	—
	952.4	492.3
Securities Paid:		
National Collateral Bonds .....	0.6	—
Metropolitan Water District Bonds .....	0.5	1.0
PW & ED Bonds .....	21.1	30.7
Treasury Notes .....	562.3	153.3
DBP Bonds .....	2.5	0.1
Certificates of Indebtedness .....	—	115.0
Manila Public Improvement Bonds .....	—	0.5
ACCFA Notes — R.A. 1194 .....	—	10.7
	587.0	365.4
Debits Incurred:		
National Government Loans from CBP .....	220.0	145.0
Local Government Loans from CBP .....	7.7	5.6
Local Government Loans from DBP .....	16.7	14.7
Local Government Loans from GSIS .....	0.1	1.3
PVTA Loans from CBP .....	—	10.0
DBP Loans from CBP .....	—	4.0
Borrowings from CBP to finance subscription		
to International Financial Organization ..	34.1	—
Backpay Obligation — National Government —		
R.A. 304 & 897 .....	5.0	4.5
Backpay Obligation — Local Government —		
R.A. 304 & 897 .....	0.2	—
Backpay Obligation — Government		
Corporation — R.A. 304 & 897 .....	0.1	—
	283.8	185.1
Debits Paid:		
National Government Loans from CBP .....	250.0	125.0
Local Governments Loans from CBP .....	4.8	4.0
Local Government Loans from DBP .....	2.9	—
Local Government Loans from GSIS .....	0.6	0.4
Backpay Obligation — National Government —		
R.A. 304 & 897 .....	4.5	17.9
Backpay Obligation Local Government —		
R.A. 304 .....	0.7	—
Backpay Obligation — Government Corporation		
Borrowings from CBP to finance subscription to		
International Financial Organization .....	1.9	—
ACCFA Notes .....	3.1	—
DBP loans from CBP .....	—	18.4
	268.8	15.0
NET INCREASE .....	380.4	19.4

tions like the IMF and the Asian Development Bank. On the other hand, as a result of the flotation of Treasury bills and the policy of fiscal discipline, the government made a net payment of ₱30 million on its overdraft line with the Central Bank. It also redeemed ₱21 million of its other indebtedness. Thus, the aggregate internal indebtedness of the national government stood at ₱2,055 million at the end of 1966.

With these transactions in short and long-term securities, the maturity structure of internal debt was more pronounced for short and long term. About 44 per cent, or an increase of 5 percentage points, of the total would mature within one year. Long terms accounted for 46 per cent of the total debt at the end of 1966. Middle-term debts dropped from 16 per cent to 10 per cent of aggregate domestic indebtedness.

### 5. *Foreign Debt*

Government corporations were largely responsible for the reduction in the over-all external debt from \$472 million in 1965 to \$458 million in 1966. At \$176 million, total government corporate indebtedness was \$13 million below the level at the beginning of 1966. This stemmed from the settlement of obligations by the DBP with U. S. private commercial banks with resources obtained from the flotation of bonds and the NDC with various Japanese suppliers. On the other hand, the NAWASA, the NPC and the PNB (for account of the Private Development Corporation of the Philippines) increased their availments of their credit lines with the IBRD.

Foreign borrowings of the National Government showed a 3 per cent rise over the outstanding level of \$123 million at the end of the previous year. Further utilizations of existing lines were undertaken to support the increased activity in infrastructure projects during 1966.

Indebtedness of the monetary institutions showed a net expansion of \$4 million during 1966. This was due to Central Bank drawings on existing loans from various U. S. government agencies and private commercial banks.

There was a shift to short term in the maturity structure of the external debt. Between 1965 and 1966, the ratio of short-term debt to the total increased from 45 per cent to 56 per cent. This was influenced by the increased volume of short-term debts of government corporations and monetary institutions. On the other hand, long and middle-term debts decreased, the ratio dropping by 6 percentage points to 22 per cent in the case of long term, and by 5 percentage points to 22 per cent in the case of middle term.

**EXTERNAL PUBLIC DEBT**  
**1966 and 1965**  
**(Thousand U.S. Dollars)**

<i>Issuer, Interest Rate, Maturity</i>	<i>December 1966</i>	<i>December 1965</i>	<i>Increase or (Decrease)</i>
<b>TOTAL OUTSTANDING</b> .....	<b>467,234</b>	<b>471,977</b>	<b>( 4,743)</b>
<b>I. National Government</b>			
<b>A. Direct Funded</b> .....	<b>126,814</b>	<b>123,057</b>	<b>3,757</b>
3-4% U.S. Export-Import Bank, 1956-1996 .....	9,826	9,562	264
3-4% U.S. Export-Import Bank, 1957-1997 .....	9,205	9,353	( 148)
3-4% U.S. Export-Import Bank, 1958-1979 .....	4,792	4,888	( 96)
5-3/4% U.S. Export-Import Bank, 1960-1979 .....	9,226	7,410	1,816
5-3/4% U.S. Export-Import Bank, 1961-1977 .....	3,595	3,265	330
3 1/2% U.S. Agency for International Development, 1959-1971 .....	7,741	4,766	2,975
3/4% U.S. Agency for International Development .....	2,595	2,827	( 232)
3/4% U.S. Agency for International Development .....	2,793	2,333	460
4% U.S. Agency for International Development .....	1,282	—	1,282
5-3/4% IBRD — 1961-1978 .....	6,050	6,262	( 212)
5 1/2% IBRD — .....	329	—	329
5-3/4% Morgan Guaranty Trust Co. — 1963-1973 .....	4,253	4,253	—
5-3/4% Standard Elektrik Lorenz Aktiengesellschaft, 1963-1972 .....	2,138	2,262	( 124)
5-3/4% Standard Telephone Cable Pty. Co. Ltd. 1963-1973 .....	1,691	2,142	( 451)
5-3/4% Bell Telephone Mfg. Co., 1963-1973 .....	1,667	1,843	( 176)
6-1/2% Republic of the Philippines External Bond, 1965-1980 .....	14,100	14,700	( 600)
Non-Interest bearing note, Interna- tional Monetary Fund, On Demand .....	45,531	47,191	( 1,660)
<b>B. Guaranteed Funded</b> .....	<b>168,378</b>	<b>186,882</b>	<b>(18,504)</b>
National Power Corporation			
4% U.S. Export-Import Bank, 1952-1975 .....	8,625	9,644	( 1,019)
6% IBRD, 1957-1982 .....	15,051	15,626	( 575)
5% IBRD, 1961-1986 .....	28,984	26,093	2,891
5-1/2% IBRD, 1962-1980 .....	2,453	2,220	233
Development Bank of the Philippines			
1%, 5-3/4 and 6% Private U.S. Commercial Banks — 1961-1968 .....	85,350	104,000	(15,650)
National Development Company			
5% Various Japanese Shipbuilders — 1959-1968 .....	5,911	11,894	( 5,983)
National Waterworks and Sewerage Authority			
5% IBRD — 1964-1984 .....	4,169	1,206	2,963
Philippine National Bank			
5-1/2% IBRD, 1963-1972 .....	9,294	7,010	2,284
Philippine National Railways			
6% International General Electric Co., 1956-1966 .....	521	521	—
6% International General Electric Co., 1962-1967 .....	1,674	1,674	—
6% Hitachi Ltd., 1961-1966 .....	62	62	—
6% Mitsubishi & Co., 1965-1976 .....	2,804	3,180	( 376)
6% C. Itoh & Co., Ltd., 1965-1976 .....	2,794	3,169	( 375)
Communication and Electricity Devel- opment Authority .....			
6% N.V. Philips Telecommunicate Industrie, 1965-1974 .....	686	533	( 103)

EXTERNAL PUBLIC DEBT (Concluded)  
1966 and 1965

(Thousand U.S. Dollars)

<i>Issuer, Interest Rate, Maturity</i>	<i>December 1966</i>	<i>December 1965</i>	<i>Increase or Decrease</i>
II. Others*	172,042	162,038	10,004
Philippine National Railways .....	8,060	1,795	6,265
6% Toyo Menka Kaisha Ltd., 1961-1968 .....	58	467	( 409)
6% Kawasaki Rolling Stock, 1961-1966 .....	121	485	( 364)
6% Iino Shipbuilding Co., 1961-1966 .....	121	483	( 362)
6% Hitachi Ltd., 1959-1965 .....	—	134	( 134)
6% Union Siderurgique, 1960-1963 .....	—	42	( 42)
6% Mitsui & Co. ....	184	184	—
6% Mitsui & Co. — New York Branch .....	2,614	—	2,614
6% C. Itali & Co. — New York Branch .....	2,663	—	2,663
6% Alsthom of France .....	2,299	—	2,299
Central Bank of the Philippines:	128,482	124,243	4,239
Non-interest Bearing, Drawings from IMF, 1962-1966 .....	—	14,300	(14,300)
5-1/4% U.S. Agency for Int'l. Dev., 1959-1966 .....	—	461	( 461)
5-1/4% U.S. Export-Import Bank, 1959-1966 .....	—	436	( 436)
4%, 5%, 5-1/2% and 6% Special Advances and Loans from Pri- vate U.S. Comm'l. Banks — 120 days .....	102,750	73,260	29,490
5-1/2% Rice Procurement Loans from Private U.S. Commercial Banks, 18 months .....	25,321	35,786	(10,465)
5-1/2% Rural Bank Loan — IBRD	411		411
Philippine National Bank			
5-1/4% Loan from Private U.S. Comm'l. Banks, 120 days .....	35,500	36,000	( 500)

\* Pertain to direct obligation of the entities concerned, no guarantee of the National Government.

With guarantee of the National Investments Development Corporation — a subsidiary of the Philippine National Bank

#### D. MOVEMENT (AND HOLDERS) OF GOVERNMENT SECURITIES

A major transaction during 1966 was the refinancing and consolidation of Treasury notes amounting to P562 million. Connected with this scheme were the periodic purchases by the Central Bank of those notes held by government financial institutions. In addition, these institutions unloaded their holdings of other government securities to obtain funds for their lending operations. During 1966, the government issued new securities at competitive rates which were absorbed to a large extent by commercial banks. These developments resulted in (1) heavier trading in government securities in 1966 compared with 1965 and (2) a bigger volume of governments held by the banking system at the end of 1966.

Over-all transactions during 1966 had an aggregate value of P4,793 million as against P3,189 million a year ago. Of the 1966 total, securities traded for the account of the National Government amounted to P1,486 million, while those for the Central Bank account reached P3,308 million. Compared with their respective levels in the preceding year, National Government accounts increased by almost 100 per cent compared to a 36 per cent increment for Central Bank accounts. In relation to the aggregate value of over-all transactions, securities traded for the account of the Central Bank represented 69 per cent while those for the account of the National Government, 31 per cent.

Sales of new issues and purchases for redemption (for the account of the National Government) increased sharply from their respective levels a year ago. These stemmed from the Treasury note consolidation scheme wherein P562 million of Treasury notes were refinanced during the year. Thus, the volume of new issues increased by 84 per cent to P818 million while purchases for redemption rose by 114 per cent to P668 million. Apart from the refunding issues of Treasury notes for which no new resources were transferred to the government, there were other new issues of securities with short and long-term maturities. These consisted of Treasury bills, PW & ED bonds and NAWASA bonds. Commercial banks and the private sector were large purchasers of these securities. In contrast, more than 80 per cent of the new issues sold last year was absorbed by the Central Bank, PNB and government financial institutions.

Central Bank trading of securities for its own account through open market and inter-fund transfer operations amounted to P2,051 million, or 18 per cent smaller than the amount transacted in 1965. The transactions, largely open market in nature, were conducted with commercial banks and to some extent with government financial institutions in connection with the periodic purchase of Treasury notes. As purchases exceeded sales, these increased the Bank's holdings of government securities at the end of 1966.

**CENTRAL BANK TRANSACTIONS OF GOVERNMENT SECURITIES**  
**1966**  
(Million Pesos)

I T E M	Value of Securities	Central Bank Sales			Central Bank Purchases			Value of Securities Held on Dec. 31, 1966	
	Held on Jan. 1, 1966	Original Issues	Non-Original Issues	Total (2) + (3)	Redemption	Non-Redemption	Total (5) + (6)	Amount (1) + (4) — (7)	Increment or Decrement (8) — (1)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
T O T A L .....	1,804.8	818.4	1,330.1	2,148.5	667.7	1,330.0	1,997.7	1,955.6 <sup>a</sup>	150.8
I. Outside of the Central Bank	769.5	502.4	571.6	1,074.0	325.3	696.2	1,021.5	822.0	52.5
A. Banks other than the Central Bank .....	436.1	224.8	515.0	739.8	126.8	539.4	666.2	509.7	73.6
1. Philippine National Bank .....	240.3	194.3	13.0	207.3	121.0	111.3	232.3	215.3	( 25.0)
2. Other Banks .....	195.8	30.5	502.0	532.5	5.8	428.1	433.9	294.4	98.6
B. Financial Institutions ....	66.6	15.0	44.4	59.4	18.4	90.3	108.7	17.3	( 49.3)
1. Development Bank of the Philippines .....	66.6	15.0	44.4	59.4	18.4	90.3	108.7	17.3	( 49.3)
C. Insurance Companies ....	195.9	115.0	—	115.0	112.8	49.2	162.0	148.9	( 47.0)
1. G S I S .....	89.0	35.0	—	35.0	31.9	20.3	52.2	71.8	( 17.2)
2. S S S .....	99.7	80.0	—	80.0	79.9	28.7	108.6	71.1	( 28.6)
3. Private .....	7.2	—	—	—	1.0	0.2	1.2	6.0	( 1.2)
D. Local and Semi-Government Entities .....	25.4	—	4.5	4.5	—	10.3	10.3	39.8	( 2.4)
					1.7	7.0	8.7	21.2	( 4.2)
E. Other Private Entities and Individuals .....	42.2	0.1	7.7	7.8	—	—	—	—	—
F. Undistributed (Treasury Bills & Bearer Bonds) ...	3.3	147.5	—	147.5	65.7	—	65.7	85.1	81.8

SOURCE OF BASIC DATA: Securities Market Department, Central Bank of the Philippines

<sup>a</sup> Excludes P55.0 million External Bonds held by foreigners and DBP bonds,



**CENTRAL BANK TRANSACTIONS OF GOVERNMENT SECURITIES (Concluded)**  
**1966**

(Million Pesos)

I T E M	Value of Securities Held on Jan. 1, 1966	Central Bank Sales			Central Bank Purchases			Value of Securities Held on Dec. 31, 1966	
	(1)	Original Issues	Non- Original Issues	Total (2) + (3)	Redemp- tion	Non- Redemp- tion	Total (5) + (6)	Amount	Increment or Decrement (8) — (1)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
II. Central Bank Open Market Operations and Interfund Transfers .....	1,035.3	316.0	758.5	1,074.5	342.4	633.8	976.2	1,133.6	98.3
1. Open Market Opera- tions .....	—	316.0	696.2	1,012.2	342.4	571.5	913.9	—	—
2. Interfund Transfers ..	—	—	62.3	62.3	—	62.3	62.3	—	—
A. Central Bank Portfolio ..	703.5	311.3	716.2	1,027.5	336.1	573.2	909.3	821.7	118.2
1. Open Market Opera- tions .....	—	311.3	689.9	1,001.1	336.1	538.6	874.7	—	—
2. Interfund Transfers ..	—	—	26.4	26.4	—	34.6	34.6	—	—
B. Bond Sinking Fund .....	199.2	4.7	34.1	38.8	0.9	21.3	22.2	215.8	16.6
1. Open Market Opera- tions .....	—	4.7	—	4.7	0.9	—	0.9	—	—
2. Interfund Transfers ..	—	—	34.1	34.1	—	21.3	21.3	—	—
C. Securities Stabilization Fund .....	121.6	—	8.2	8.2	5.4	33.4	38.8	91.0	( 30.6 )
1. Open Market Opera- tions .....	—	—	6.3	6.3	5.4	32.9	38.3	—	—
2. Interfund Transfers ..	—	—	1.9	1.9	—	0.5	0.5	—	—
D. Industrial Guarantee Loan Fund .....	11.0	—	—	—	—	5.9	5.9	5.1	( 5.9 )
1. Open Market Opera- tions .....	—	—	—	—	—	—	—	—	—
2. Interfund Transfer ...	—	—	—	—	—	5.9	5.9	—	—

SOURCE OF BASIC DATA: Securities Market Department, Central Bank of the Philippines

\* Excludes P55.0 million External Bonds held by foreigners and DBP bonds.

# CENTRAL BANK TRANSACTIONS OF GOVERNMENT SECURITIES

1966

(Million pesos)

I T E M	National Government		Central Bank	
	Sales	Purchases	Sales	Purchases
ALL TRANSACTIONS .....	818.4	667.7	1,666.2	1,641.3
I. Non-Central Bank .....	502.4	325.3	571.6	696.2
A. Banks other than the Central				
Bank .....	224.8	126.8	515.0	539.2
Philippine National Bank ..	194.3	121.0	13.0	111.3
Other Banks .....	30.5	5.8	502.0	428.1
B. Financial Institutions .....	15.0	18.4	44.4	90.3
C. Insurance Companies .....	115.0	112.8	—	49.2
G S I S .....	35.0	31.9	—	20.3
S S S .....	80.0	79.9	—	28.7
Private .....	—	1.0	—	0.2
D. Local and Semi-Government Entities .....	—	1.7	4.5	7.0
E. Other Private Entities and Individuals .....	0.1	—	7.7	10.3
F. Undistributed (Treasury Bills & Bearer Bonds) .....	147.5	65.7	—	—
II. Central Bank .....	316.0	342.4	758.5	633.8
A. Central Bank Portfolio .....	311.3	336.1	716.2	573.2
B. Bond Sinking Fund .....	4.7	0.9	34.1	21.3
C. Securities Stabilization Fund .	—	5.4	8.2	33.4
D. Industrial Guarantee Loan Fund .....	—	—	—	5.9
III. National Government .....	—	—	336.1	311.3

Inter-fund transfers amounted to ₱62 million against ₱44 million in the preceding year. During the year, sales from the Central Bank portfolio to the other Funds amounted to ₱35 million, while its purchases aggregated ₱26 million. The net effects of transactions among various funds were: additions of ₱13 million to the Bond Sinking Fund and ₱1 million to the Securities Stabilization Fund, and a reduction of ₱6 million from the Industrial Guarantee Loan Fund.

The Central Bank's open market and inter-fund transfer transactions during the year raised the Bank's security holdings by 9 per cent to ₱1,135 million from ₱1,038 million in 1965. Non-Central Bank holdings, especially of the private commercial banks, also registered an increase of 7 per cent to ₱822 million.

#### E. FISCAL OPERATIONS, FY 1965/66

The budget proposal for FY 1965/66 originally envisaged an accounting deficit of ₱120 million arising from aggregate expenditures of ₱120 million arising from aggregate expenditures of ₱2,300 million and revenues of ₱2,180 million. Because of the absence of legislative support for revenue increases as well as poor collection performance, revenue estimates were revised downward to ₱2,061 million. As expenditures were held to the original level due to the stepped-up bond spending of government corporations, the revised accounting deficit was anticipated at ₱236 million.

Actual operations in FY 1965/66 resulted in a deficit of ₱376 million. While (actual) expenditures at ₱2,244 million were only slightly less than the revised estimates, revenue collections were ₱193 million below the lower (revised) total of ₱2,061 million. Set against the 1965 actuals, expenditures increased by 6-1/2 per cent while revenues barely exceeded the total in FY 1964/65. Thus, the accounting deficit between 1965 and 1966 actuals increased by ₱131 million.

Total revenues, after increasing by nearly 100 per cent between FY 1959 and FY 1964, levelled off and began to drop beginning 1965. The levelling off may be traceable to a host of factors, chief among them being the poor collection performance at customs, the non-enactment of new tax measures, the redistribution of incomes effected by devaluation in favor of the low tax yielding agricultural sector and the passage of tax-exemption laws to promote industrial development.

On the other hand, expenditures continued to grow steadily since 1959, the level in 1964 was two times, and in 1966, nearly 2-1/4 times that of 1959. Although the trend in outlays was upward, the distribution of these outlays tended to favor non-development expenditures. Since FY 1963/64, all categories of expenditures, except debt service and eco-

conomic development, showed increased allocations. Economic development, on the other hand, suffered a reduction especially between FY 1965 and 1966 when outlays for this purpose dropped by ₱119 million.

These developments indicate the expenditure areas for cutback when revenue collections fall below anticipated levels, or for postponement or deferment when revenues are inadequate.

## F. FISCAL OPERATIONS, FY 1966/67

The priority objectives of the budget for FY 1966/67 (formulated in early 1966) include, among others, increased allocation for infrastructure and food production projects. To achieve these within the resources that can be made available, the budget placed a constraint on current operational outlays. At ₱2,393 million, the 1967 budget showed an expenditure increase of ₱149 million over the actual of the preceding year. On the other hand, revenue collections, anticipated to increase as a result of proposed improvements in the efficiency of the tax collection machinery, should rise by ₱409 million over the actual of the previous fiscal year. This would reduce the accounting deficit by more than one-half that of the prior year to only ₱119 million.

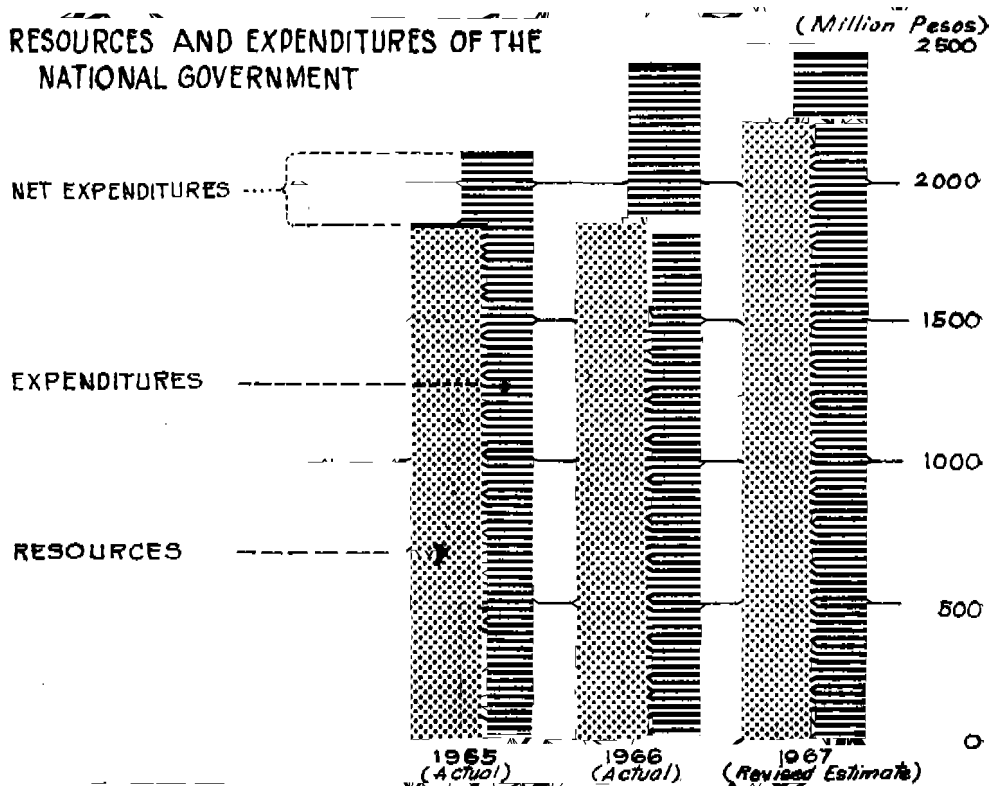
To align the fiscal budget to the over-all goals of the 4-year Economic Program for the Philippines, FY 1967-1970, which was completed September 1966, total expenditures for FY 1966/67 were revised upward to ₱2,467 million. The increment was devoted to capital construction and developmental services. Revenues were, however, revised downward to ₱2,228 million. Consequently, the (revised) deficit at prevailing taxes went up to ₱239 million.

Considering the magnitude of public investment under the 4-year Economic Program, the principal constraint in the implementation of proposed priority projects is financing. While revenue estimates were reduced to ₱2,228 million this figure nevertheless represents a projected revenue increase of ₱360 million or 19 per cent over the FY 1965/66 actual. This compares with the trend in revenue collections which has shown no increase in the aggregate during the past three years. Current trends in internal revenue and customs collections, however, indicate that this estimated revised level may be realized (during July-December 1966, combined actual collections BIR and Customs at ₱773 million for the General Fund have exceeded the estimates for the same period by ₱30 million). There remains the immediate need for the government to obtain a bigger portion of the gross national product, from its present level of 9 per cent, to help finance its investment program.

**RESOURCES AND EXPENDITURES OF THE  
NATIONAL GOVERNMENT  
Fiscal Years 1965-1967**

(Million pesos)

<i>I T E M</i>	<i>1965 Actual</i>	<i>1966 Actual</i>	<i>1967 Revised Estimate</i>
<b>I. EXPENDITURES (A &amp; B) .....</b>	<b>2,109.6</b>	<b>2,244.2</b>	<b>2,467.2</b>
<b>A. National Government .....</b>	<b>2,077.3</b>	<b>2,227.7</b>	<b>2,354.3</b>
Acquisition of Goods and Services ....	1,764.1	1,855.5	1,981.2
Current expenditures .....	850.4	868.4	868.1
Development services .....	707.2	810.0	807.7
Gross capital formation .....	206.5	182.1	310.4
Transfers .....	313.2	372.2	373.1
Current .....	102.3	153.7	155.2
Capital .....	64.5	83.7	58.5
Subsidies .....	64.4	18.2	14.5
Debt interest .....	55.2	73.5	44.2
Direct lending .....	26.8	43.1	100.7
<b>B. Government Corporate Securities .....</b>	<b>32.3</b>	<b>16.5</b>	<b>112.9</b>
Power projects (NPC bonds) .....	22.6	—	15.0
Waterworks (NAWASA bonds) ....	9.4	15.1	11.0
Landed estates (NLC) .....	—	—	—
Land reform (Land Bank bonds) ...	—	—	—
Irrigation projects (NIA bonds) ...	0.3	1.4	26.9
<b>II. RESOURCES .....</b>	<b>1,863.7</b>	<b>1,867.5</b>	<b>2,227.8</b>
Tax Revenue .....	1,523.7	1,559.7	1,888.7
Non-Tax Revenue .....	322.8	274.5	322.1
Operating and service income ....	216.6	231.6	246.4
Miscellaneous income .....	58.6	32.4	47.2
Others .....	45.4	6.2	4.5
Repayment of advances .....	2.2	4.3	24.0
Profits from Central Bank .....	17.2	15.0	17.0
General Fund .....	10.2	15.0	10.0
Rural Bank Revolving Fund .....	7.0	—	7.0
Revisions and Transfers from Other Funds .....	—	18.3	—
<b>III. NET EXPENDITURES .....</b>	<b>245.9</b>	<b>376.7</b>	<b>239.4</b>



#### G. CENTRAL BANK OPERATIONS AS FISCAL AGENT OF THE GOVERNMENT

During 1966, the Central Bank performed the following services for the government:

##### 1. *Fiscal Agency*

The Foreign Exchange Department processed approximately the same number of applications (2,766) as last year. The approved applications for fiscal agency services amounting to \$21 million involved (a) the replenishment of foreign exchange requirements of Philippine foreign offices, official missions and delegations to international conferences; (b) the servicing of contractual obligations with foreign creditors; (c) the cost of printing and coinage of Philippine currency; and (d) the settlement of approved claims for the compensation of foreign services rendered to the Philippines.

##### 2. *Loans and Credits*

Lending operations of the Department of Loans and Credit in 1966 were conducted only with the national government and local governments,

the amount aggregating ₱282 million. This compared with ₱251 million in 1965 which included loans of ₱34 million to the DBP and Philippine Virginia Tobacco Administration in 1966. The Department also granted loans under the IGLF to cover the capital outlay requirements of various firms. This included the approval of special time deposits for guaranteed and non-guaranteed loans, such deposits increasing by ₱8 million during 1966. Total repayments during 1966 amounted to ₱7 million against ₱8 million last year. Total outstanding loans of ₱42 million represented an increase of ₱6 million over the total in 1965, the end-1966 total being under three sub-accounts in 24 commercial banks: Sub-Account A, ₱21 million; Sub-Account A "1", ₱11 million; and Sub-Account A "2", ₱10 million.

### *3. Open Market Operations and Payroll Savings Plan*

The Payroll Savings Plan of the Securities Market Department registered a membership decline of 13 per cent from 23,415 to 20,243 in 1966. The Department, as administrator of various government funds, recorded increased operations in the open market purchases and sales of government securities for the account of the various funds. At year's end, the resources of the Securities Stabilization Fund amounted to ₱180 million, or an increase of ₱5 million. Total resources of the Bond Sinking Fund rose by 8 per cent to ₱216 million from contributions of the national government.

### *4. Counterpart Fund*

The NEC-MSA Counterpart Fund also showed an increase of ₱7 million in total resources, from ₱262 million last year to ₱269 million in 1966.

## IV. BALANCE OF PAYMENTS AND THE INTERNATIONAL RESERVE

### A. OVER-ALL REVIEW

The improvements in the international payments position of the Philippines which began in 1964 continued through 1966 primarily because of a substantial surplus in current transactions which more than offset the pronounced outflow of capital. The surplus in current transactions increased from \$137 million to \$160 million while the deficit in capital transactions shot up from \$11 million to \$144 million. On the other hand the errors and omissions item turned from a negative \$73 million to a positive \$44 million. Thus, the balance of payments showed an over-all surplus of \$60 million, \$7 million more than last year.

Total goods and services reflected a surplus of \$69 million, \$31 million more than the previous year. Total merchandise trade which exceeded last year's level by \$114 million, reached \$1,691 million as both exports and imports increased. Exports, however, increased faster than imports as a result of which the trade deficit was reduced from \$39 million to \$15 million. Actually, for the first nine months of the year, the merchandise trade account showed a surplus of \$26 million. The surplus in the non-merchandise trade account of \$84 million and donations from various official and private sources amounting to \$91 million, however, more than offset the deficit in merchandise trade account. Thus, the current account showed an over-all surplus of \$160 million, \$23 million more than last year.

Capital transactions likewise were at higher levels, as the net outflow of long-term and short-term capital soared by \$133 million to \$144 million due partly, on the one hand, to short-term capital outflows triggered off by higher interest rates abroad and on the other to long-term capital outflow presumably on account of the sudden restrictive interpretation of the Retail Trade Law and the government's intensified tax campaign against unexplained wealth. Significantly, although the net outflow of capital was larger this year, foreign borrowings compared to the previous year were not only smaller but also a larger portion was liquidated without exerting undue pressure on the international reserve.

As a result of the over-all balance of payments surplus of \$60 million, the international reserve which amounted to \$92 million at the end of 1965 rose by 65 per cent to \$151 million at the end of 1966. The improvement was accounted for primarily by the commercial banks as the reserves of the Central Bank declined by \$22 million.

By and large, the foreign exchange market was comparatively stable during 1966, as the exchange rate of the peso was maintained at averages of ₱3.888 (buying) and ₱3.905 (selling). This compared favorably with



# INTERNATIONAL TRANSACTIONS<sup>1</sup> 1965 - 1966

(Million U.S. Dollars)

	I T E M	1966 <sup>p</sup>	1965 <sup>r</sup>
A. Goods and Services <sup>2</sup>			
Exports (f.o.b.) .....		838	769
Imports (f.o.b.) .....		—853	—808
Trade balance .....		— 15	— 39
Non-monetary gold movement .....		15	15
U.S. Government expenditures .....		80	67
Other services .....		— 11	— 5
Surplus or deficit (—) .....		69	38
B. Transfer Payments			
Private .....		55	73
Official .....		36	26
Total .....		91	99
C. Total of Goods, Services and Transfer Payments .....		160	137
D. Capital Transactions <sup>3</sup>			
Long-Term			
Private loans .....		— 25	— 23
Official loans .....		1	56
Other .....		— 30	— 10
Short-Term			
Private loans .....		—	—
Official loans .....		18	82
Other .....		—180	—116
E. Total Capital Movement .....		—144	— 11
F. Errors and Omissions .....		44	— 73
G. Overall Surplus or Deficit (C + E + F) .....		60	53
H. Increase (—) or decrease in International Reserve of the Central Bank and Banking System <sup>a</sup> .....		— 60	— 53

<sup>1</sup> No sign indicates credit; minus sign, debit.

<sup>2</sup> A debit entry refers to a net disbursement; a credit entry, a net receipt.

<sup>3</sup> A debit entry refers to a net outflow; a credit entry, a net inflow.

<sup>a</sup> The movements were based on revisions as of November 22, 1966 to include deferred payments liabilities previously unreported by commercial banks. These supersede previous revisions made on data from end of 1964.

last year's averages of P3.892 (buying) and P3.907 (selling). Central Bank intervention in the foreign exchange market was considerably less than last year. Its pattern also underwent a considerable change during the first three quarters of the year as purchases exceeded sales of foreign exchange, largely because of the marked improvement in the supply of foreign exchange, and the absence of speculation. In the last quarter of the year, however, in view of the seasonally heavy demand for foreign exchange, the Central Bank had to sell rather than buy foreign exchange in order to maintain the exchange rate of the peso. For the whole year, however, the Central Bank was net purchaser to the extent of \$43 million whereas last year it was a net seller to the extent of \$76 million.

## B. EXTERNAL MERCHANDISE TRADE ACCOUNT

Total trade in 1966 rose by 7 per cent to \$1,691 million with imports increasing by 6 per cent to \$853 million and exports by 9 per cent to \$838 million. Consequently, the trade deficit decreased from \$39 million last year to \$15 million this year, and the proportion of imports covered by exports rose from 95 to 98 per cent.

The unfavorable trade balance was entirely because of developments in the second half during which the deficit amounted to \$54 million, as exports rose 11 per cent above the corresponding levels a year ago. This was partly offset by a trade surplus of \$39 million in the first half when exports rose by 19 per cent, while imports fell by less than 0.5 per cent over the same period last year.

The over-all expansion in imports was due to an increase of 4 per cent in volume and 2 per cent in prices. Imports of all ten principal commodity groups expanded except cereals & cereal preparations and electric machinery, apparatus & appliances.

In the case of exports, the improvement was due to an increase of 8 per cent in volume and 1 per cent in prices. Exports of all ten principal commodity groups improved except centrifugal sugar, copra, desiccated coconut and abaca.

With almost identical increases in the import and export price indices, the net terms of trade (1955 = 100) were maintained at 89. However, because of an 8 per cent increment in export volume, the purchasing power of exports rose from 153 to 164.

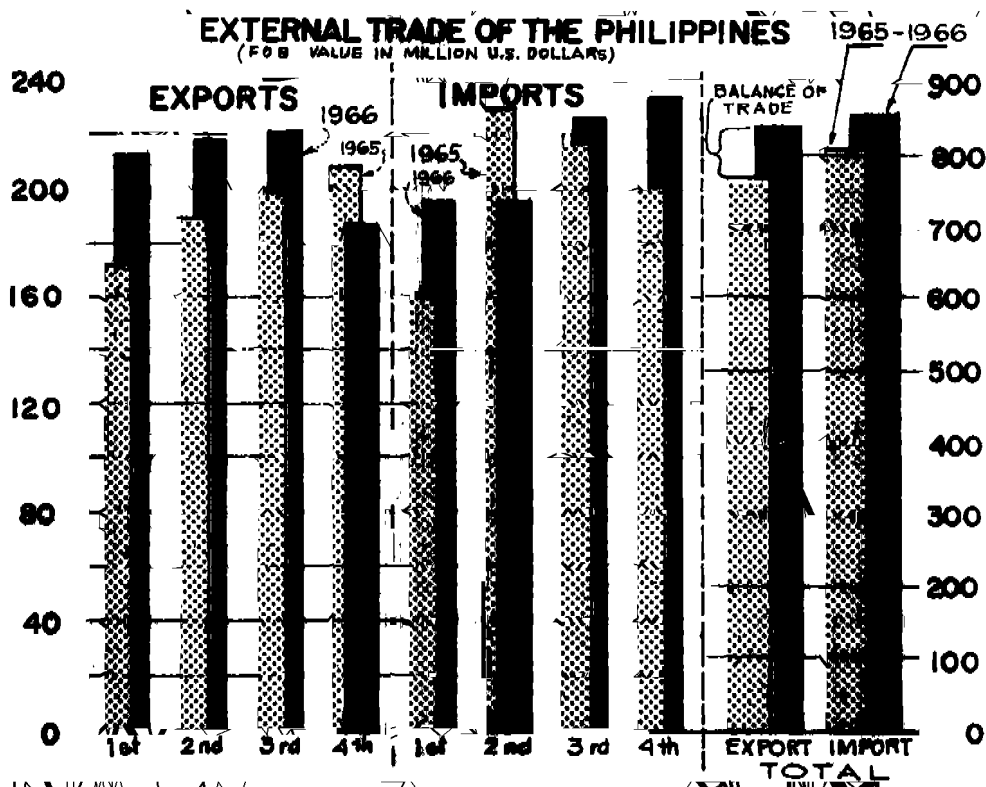
The geographical pattern of imports and exports continued to follow the previous year's trends. The share of the United States in Philippine trade continued to decline in favor of Japan. Thus, its share of exports and imports declined from 45 to 40 per cent and from 34 per cent to 33 per cent, respectively. Conversely, the share of Japanese trade expanded from 28 per cent to 33 per cent for exports and from 24 per cent to 29 per cent for imports. Meanwhile, the share of Northwestern European countries in Philippine trade expanded from 15 per cent to 16 per cent for imports and was maintained at 19 per cent for exports.

# EXTERNAL TRADE OF THE PHILIPPINES

1965-1966

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

Period	Exports		Imports		Balance of Trade		Per Cent Change	
	1966	1965	1966	1965	1966	1965	Exports	Imports
TOTAL .....	838.0	768.5	852.8	807.6	-14.8	-39.1	+ 9.0	+ 5.6
1st quarter ..	212.8	172.8	196.2	161.5	+ 16.6	+ 11.3	+ 23.1	+ 21.5
2nd quarter ..	218.5	189.1	196.3	229.7	+ 22.2	-40.6	+ 15.5	-14.5
3rd quarter ..	220.7	199.5	225.7	216.2	- 5.0	-16.7	+ 10.6	+ 4.4
4th quarter ..	186.0	207.1	234.6	200.2	-48.6	+ 6.9	-10.2	+ 17.2



## 1. *Exports*

Merchandise exports at \$838 million rose by 9 per cent in 1966 after rising by only 4 per cent last year and 2 per cent the year before (possibly as an aftermath of the steep 31 per cent rise in 1963). Expanded domestic production and a generally buoyant world market raised the exports of logs & lumber, coconut oil, copper concentrates, plywood, copra meal, and canned pineapple. Although exports of abaca, desiccated coconut, sugar and copra declined, the ten principal exports which accounted for 88 per cent of total exports were mainly responsible for the improvement.

Following the previous year's trend, exports of mineral products showed the largest gain (44 per cent), followed by logs & lumber (29 per cent) and by manufactured goods (7 per cent). Exports of agricultural products, however, declined by 7 per cent. Thus, exports of logs & lumber, minerals and manufactured products, as a whole, increased their combined share of total exports from 55 per cent in 1965 to 61 per cent in 1966

There were slight changes in the composition of the list of ten principal exports in addition to the re-entry of canned pineapple in place of molasses. Exports of molasses, tenth-ranking in the previous year, declined by 37 per cent, relegating it to 15th position. At the same time, exports of canned pineapple, in 12th position last year, rose by 2 per cent to take the tenth position. The premier export this year was logs & lumber, second-ranking last year, in place of copra which dropped to second position. Copper concentrates was in fourth place (fifth last year), and coconut oil in fifth place (fourth last year). Plywood, in eighth position in the previous year rose to seventh, and desiccated coconut, seventh last year went down to eighth place. All other commodities retained their relative rankings.

As a result of the improvements in prices (5 per cent) and volume (22 per cent), the exports of logs & lumber increased by 29 per cent to \$208 million. Apart from increased domestic production, the expansion may be attributed to the construction boom in Japan and Korean plywood mills which are in the process of expansion, and lastly to stockpiling among log users in Japan in anticipation of a possible ban on log exports. Japan which absorbed more than 3/4 of total shipments accounted mainly for the increase.

Although shipments increased by 15 per cent, the value of copra exports remained almost the same at \$170 million, as prices deteriorated by 13 per cent due to increased competition from soy beans and other nuts as well as to increased shipments of Indonesian copra to Europe. Copra exporters, because of improved domestic production, were able to meet the increased demand arising from expanded operations and

stockpiling of foreign oil processors, particularly in Europe. Shipments to the United States and Sweden actually fell by 10 and 27 per cent, respectively. However, shipments to the Netherlands and Germany, which accounted for more than half of total shipments, improved by 19 per cent and 13 per cent, respectively.

Despite higher prices and an increased quota, exports of centrifugal sugar declined by 13 per cent to \$116 million as the volume of shipments declined by 16 per cent due to poor harvest caused by bad weather conditions. The Philippines, under the U. S. Sugar Act of 1965 which is effective up to 1971, was granted a total quota of 1,302,978 short tons for crop year 1966 consisting of a basic quota of 1,050,000 short tons and a special quota of 252,978 short tons (73, 305 tons representing the share in the growth in American sugar requirements plus 179,673 short tons representing the share in total deficits of domestic and foreign suppliers). But because of poor harvest, the Philippines had to forego the 100,000 short tons allocated to her from the Puerto Rican deficit, thereby reducing her quota to 1,202,978 short tons. Unlike the previous year, this year's quota was not filled up as a shipment of 18,506 short tons failed to reach the United States on December 31, 1966, the deadline specified by the U. S. Sugar Act of 1965.

Coconut oil exports amounting to \$76 million increased by 11 per cent due mainly to an expansion in volume (33 per cent) as prices dropped by 17 per cent. The marked increase in the volume of coconut oil exports as a consequence of expanded production facilities, which partly caused the drop in copra exports to the United States, augurs well for the economy. Shipments of coconut oil to the United States which increased by 2 per cent last year further increased by 33 per cent exceeding the tariff quota of 120,000 long tons by 108 per cent.

Exports of copper concentrates, which all went to Japan and the United States, increased by 79 per cent to \$83 million as prices and volume gained by 37 per cent, respectively. The substantial improvement in prices was due on the one hand to a very tight supply situation in the world market caused by a series of major strikes in Chilean and African copper mines and on the other to heavy demand caused by increased United States military operations in Vietnam.

In contrast, exports of unmanufactured abaca for the third consecutive year declined by 23 per cent to \$19 million as both prices and volume dropped by 13 per cent and 12 per cent, respectively. The deterioration in prices was due mainly to the continued preference for synthetic fibers and low-priced sisal and henequen.

Prices of plywood, largely because of increased competition from Japanese and Korean plywood and a slump in U. S. demand for plywood, were

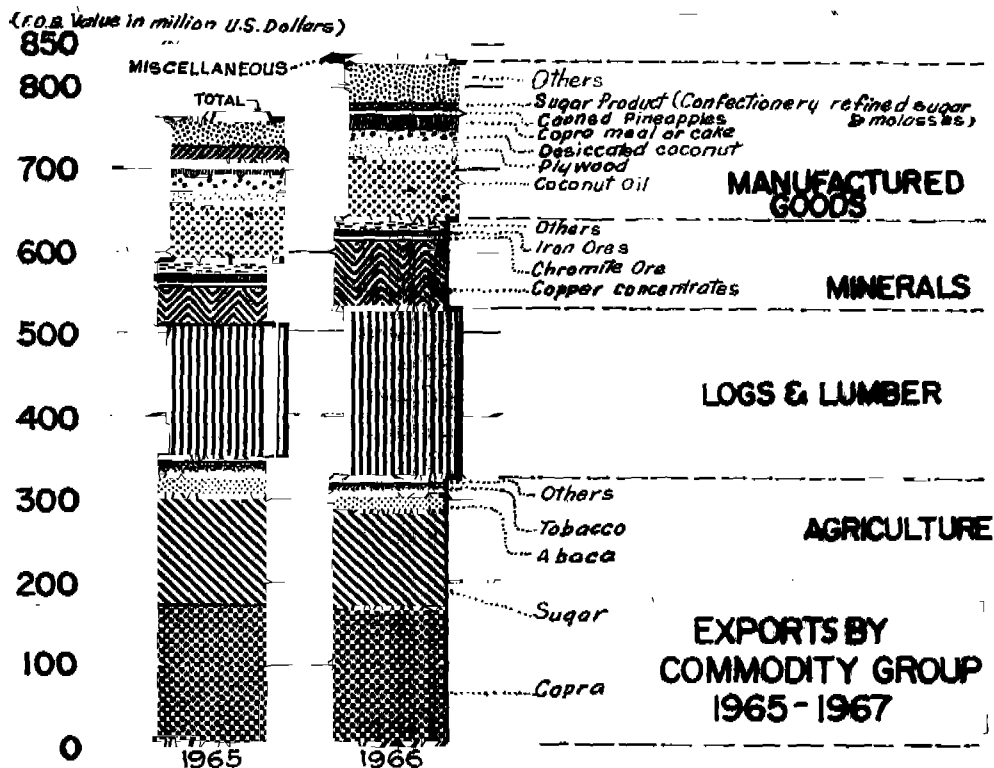
# EXPORTS BY COMMODITY GROUP

1965-1966

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

Commodity	1966		1965	
	Value	Per Cent	Value	Per Cent
Total Exports .....	838.0	100.0	768.5	100.0
A. Total Domestic Exports .....	836.8	99.9	766.7	99.8
1. Agriculture .....	324.1	38.7	347.3	45.2
Copra .....	169.6	20.3	170.0	22.1
Sugar .....	115.9	13.8	132.4	17.2
Abaca .....	18.7	2.2	24.2	3.2
Tobacco .....	11.3	1.4	14.7	1.9
Others .....	8.6	1.0	6.0	0.8
2. Logs & lumber .....	208.4	24.9	162.0	21.1
3. Minerals .....	110.8	13.2	77.0	10.0
Copper concentrates <sup>1</sup> .....	83.1	9.9	46.5	6.1
Iron ore .....	5.7	0.7	7.0	0.9
Chromite ore .....	8.4	1.0	9.3	1.2
Others .....	13.6	1.6	14.2	1.8
4. Manufactured Products .....	192.9	23.0	179.8	23.4
Coconut oil .....	75.5	9.0	68.1	8.9
Plywood .....	18.2	2.2	17.5	2.3
Desiccated coconut .....	17.7	2.1	20.4	2.7
Copra meal or cake .....	17.2	2.1	11.8	1.5
Canned pineapple .....	8.9	1.1	8.7	1.1
Sugar products (confectionery, refined sugar and molasses) .....	7.8	0.9	14.1	1.8
Others .....	47.6	5.6	39.2	5.1
5. Returned goods and special transactions .....	0.5	0.1	0.5	0.1
B. Re-exports .....	1.2	0.1	1.9	0.2

<sup>1</sup> Include estimated value of copper concentrates in concentrates of copper and silver.

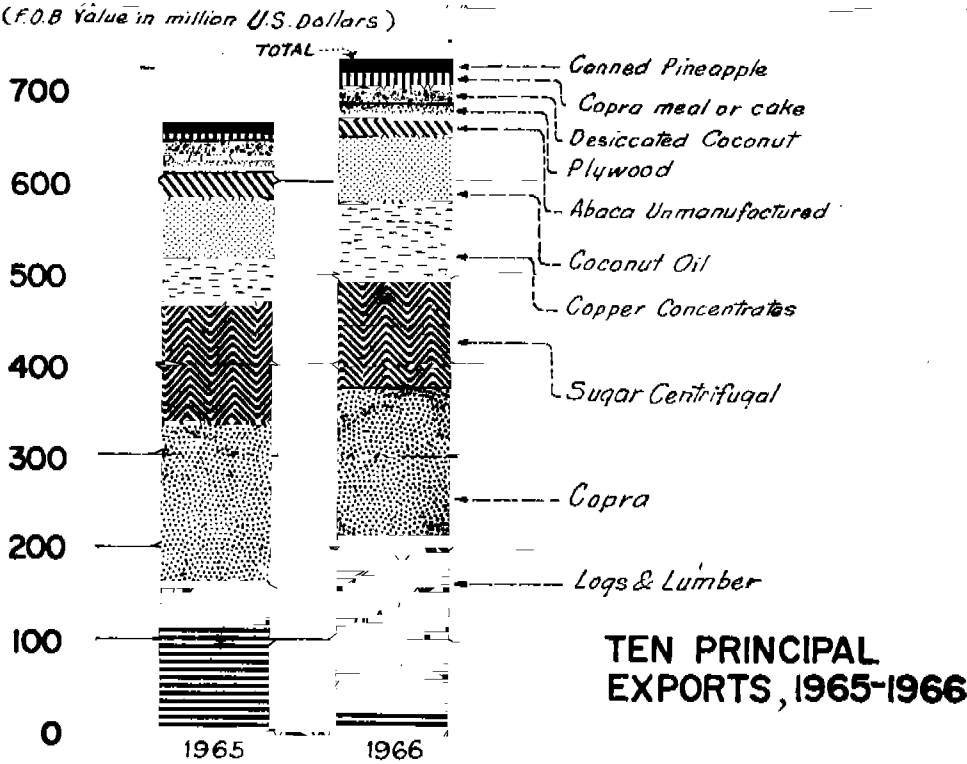


lower by 6 per cent this year. However, due to heavier shipments made possible by expanded domestic output, exports of plywood, which declined last year by 23 per cent, increased by 3 per cent to \$18 million. The bulk of these exports went to the United States notwithstanding the slump in building construction.

Like copra, exports of desiccated coconut declined by 13 per cent to \$18 million because of lower prices (13 per cent) and reduced shipments (1 per cent). The United States, which absorbed more than seven-tenths of total shipments, accounted mainly for the decline. Shipments, however, to Germany, Australia and Canada, which accounted for more than one-tenth of total shipments, increased. The decline in shipments in the face of a substantial increase in domestic output (22 per cent) tended to indicate that there had been an increase either in domestic consumption or in inventories.

Like coconut oil, exports of copra meal increased by 46 per cent to \$17 million, as both prices and volume improved by 11 per cent and 32 per cent, respectively. Copra meal being a by-product of coconut oil, its trade movement usually follows the latter's. Germany, which absorbed close to half of the total shipments, accounted mainly for the increase.

The entry of Dole (Philippines) into the pineapple industry boosted exports of canned pineapple by 2 per cent to \$9 million, as shipments increased by 2 per cent at prices which were 0.5 per cent higher than last year's. The market for canned pineapple which was previously confined to the United States branched out to the United Kingdom, Germany, and Japan.





# TEN PRINCIPAL EXPORTS

1965-1966

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

(Quantity in million kilograms)

Commodity	1966		1965		Price	Percentage Change		
	Quantity	Value	Quantity	Value		Quantity	Value	Production <sup>1</sup>
Total Domestic Exports .....		836.8		766.7			+ 9.1	
Total Ten Principal Exports .....		733.5		661.7			+ 10.9	
Logs & lumber <sup>2</sup> .....	3,677.5	208.4	3,013.4	162.0	+ 5.4	+ 22.0	+ 28.6	+ 20.9
Copra .....	1,014.6	169.9	883.5	170.0	-13.0	+ 14.8	- 0.1	+ 0.9
Centrifugal sugar .....	854.8	115.9	1,017.5	132.4	+ 4.6	-16.0	-12.5	-10.0
Copper concentrates <sup>3</sup> .....	363.0	83.1	279.1	46.5	+ 37.4	+ 30.1	+ 78.7	+ 13.1 <sup>a</sup>
Coconut oil .....	313.8	75.5	235.8	68.1	-16.6	+ 33.1	+ 10.9	+ 17.3
Abaca, unmanufactured .....	78.9	18.7	89.3	24.2	-12.5	-11.6	-22.7	+ 1.0
Plywood <sup>4</sup> .....	356.5	18.2	325.3	17.6	- 5.6	+ 9.6	+ 3.4	- 9.6
Desiccated coconut .....	67.2	17.7	67.7	20.4	-12.6	- 0.7	-13.2	+ 22.2
Copra meal or cake .....	239.1	17.2	181.6	11.8	+ 10.8	+ 31.7	+ 45.8	+ 31.5
Canned pineapple .....	45.2	8.9	44.3	8.7	+ 0.5	+ 2.0	+ 2.3	- 0.1 <sup>b</sup>

<sup>1</sup> Production is in crop year except for coconut oil, copper metal, copra meal or cake and canned pineapple which are expressed in calendar year.

<sup>2</sup> Quantity in million board feet.

<sup>3</sup> Includes estimated value of copper concentrates in concentrates of copper and silver.

<sup>4</sup> Quantity in million square feet.

<sup>a</sup> Refers to copper metal.

<sup>b</sup> Based on January-September production.

## 2. Imports

Imports at \$853 million, which in the previous year increased by 3 per cent, rose by 6 per cent in 1966. Besides the expansion of credit and last year's rather low imports due to heavy inventories of certain commodities, the increase in imports was due to the improvement in industrial activity. This was reflected in the strong domestic demand for transport equipment, textile fibers and yarn, machinery, other than electric, mineral fuel, chemical products, and base metals which were mainly responsible for the increase in imports.

While imports of producer goods, which declined last year by less than 1 per cent, increased by 13 per cent because of increased imports of raw materials (15 per cent) and supplies (29 per cent), those of consumer goods, which gained 25 per cent the previous year, dropped by 28 per cent, as imports of non-durable goods, consisting mainly of rice, declined by 34 per cent. Imports of durable consumer goods, however, increased by 78 per cent partly because of larger imports of used and assembled cars by tax-exempt organizations and returning residents.

The composition of the list of ten principal imports slightly changed with the inclusion of textile yarns, fabrics & made-up articles and the easing out of paper, paperboard & manufactures. Machinery other than electric, base metals, electric machinery, apparatus & appliances and explosives & miscellaneous chemical materials retained the first, fourth, sixth and eighth positions, respectively. Transport equipment, which previously occupied third position, went up to second, dislodging cereals & cereal preparations, which dropped to fifth position. Mineral fuels, lubricants & related materials climbed from fifth to third position, and textile fibers not manufactured into yarn from tenth to seventh position. On the other hand, dairy products dropped from seventh to tenth position.

### IMPORTS CLASSIFIED ACCORDING TO END USE

1965-1966

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

I T E M	1966		1965		Per Cent Change
	Value	% Distribution	Value	% Distribution	
TOTAL .....	852.8	100.0	807.6	100.0	+ 5.6
Producer Goods .....	745.6	87.4	658.1	81.5	+ 13.3
Machinery and equipment ...	160.1	18.7	151.3	18.7	+ 5.8
Unprocessed raw materials ..	130.5	15.3	110.0	13.7	+ 18.6
Semi-processed raw materials .....	398.8	46.8	353.1	43.7	+ 12.9
Supplies .....	56.2	6.6	43.7	5.4	+ 28.6
Consumer Goods .....	107.2	12.6	149.5	18.5	-28.3
Durable goods .....	13.7	1.6	7.7	1.0	+ 77.9
Non-durable goods .....	93.5	11.0	141.8	17.5	-34.1

The decrease in imports of cereals & cereal preparations was due primarily to the drop in imports of rice (\$61 million in 1965 as against \$14 million in 1966). In the case of electrical machinery, apparatus & appliances, the decline was accounted for mainly by insulated cable and other parts of telegraph and telephone apparatus the imports of which were exceptionally high last year due to the expansion program of the Philippine Long Distance Telephone Company.

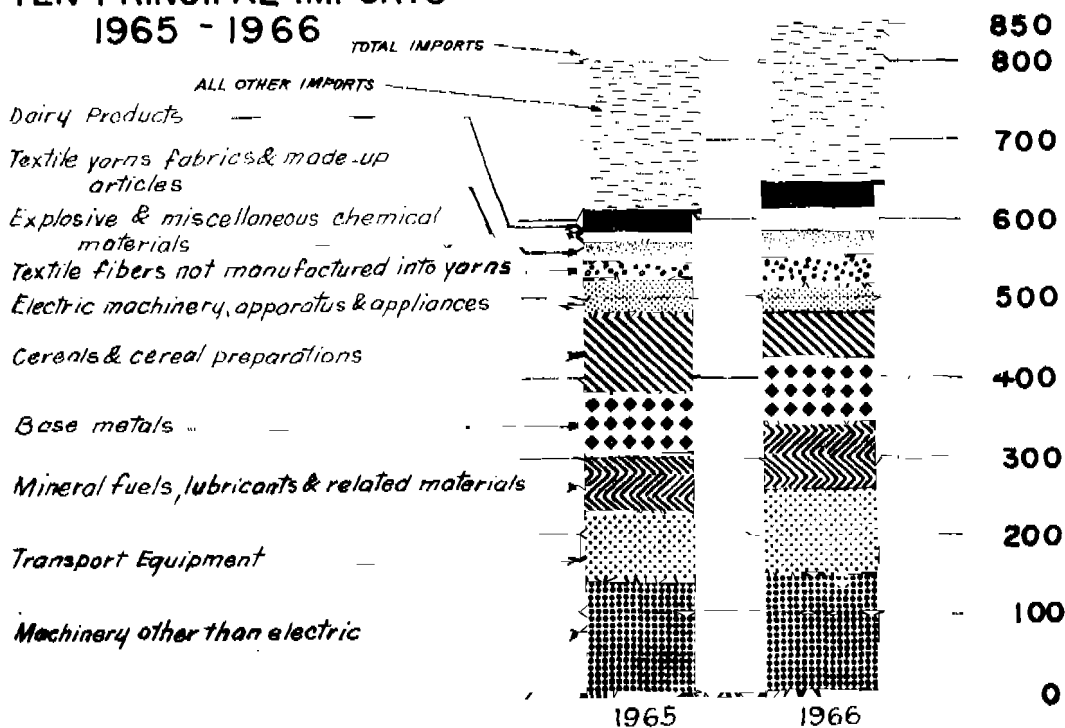
On the other hand, the increase in imports of transport equipment, which comprised mainly assembled and unassembled passenger cars and trucks, may partly be attributable to the relaxation of credit. Moreover, last year's imports were comparatively low owing to a slump in the sales of commercial vehicles. Imports of mineral fuels, lubricants and related materials increased because of the improvement in the production of the Esso and Caltex refineries which were adversely affected by labor strikes last year. Besides the easing of credit, the improvement in the operations of the textile industry as a consequence of the anti-smuggling drive of the government accounted mainly for the increase in imports of textile fibers not manufactured into yarn. In the same manner, the substantial increase in imports of textile yarns, fabrics & made-up articles seems to have been the result of the successful drive of the government against the technical smuggling of textiles. Meanwhile, the continued expansion in the mining industry and other manufacturing industries accounted partly for the increase in imports of explosives and miscellaneous chemical materials, non-electrical machinery and base metals.

**TEN PRINCIPAL IMPORTS**  
**1965-1966**  
**(F.O.B. Value in Million U.S. Dollars)**

<i>Commodity</i>	<i>1966</i>	<i>1965</i>	<i>Percentage Change</i>
<b>Total Imports</b> .....	<b>852.8</b>	<b>807.6</b>	<b>+ 5.6</b>
<b>Total Ten Principal Imports</b> .....	<b>642.9</b>	<b>610.7</b>	<b>+ 5.3</b>
<b>Machinery other than electric</b> .....	<b>151.3</b>	<b>141.3</b>	<b>+ 7.1</b>
<b>Transport equipment</b> .....	<b>109.9</b>	<b>86.9</b>	<b>+ 26.5</b>
<b>Mineral fuels, lubricants &amp; related         materials</b> .....	<b>84.1</b>	<b>75.7</b>	<b>+ 11.1</b>
<b>Base metals</b> .....	<b>84.0</b>	<b>78.0</b>	<b>+ 7.7</b>
<b>Cereals &amp; cereal preparations</b> .....	<b>52.8</b>	<b>94.8</b>	<b>- 44.3</b>
<b>Electric machinery, apparatus &amp;         appliances</b> .....	<b>36.0</b>	<b>47.5</b>	<b>- 24.2</b>
<b>Textile fiber not manufactured into         yarns</b> .....	<b>34.9</b>	<b>21.7</b>	<b>+ 60.8</b>
<b>Explosives &amp; miscellaneous chemical         materials</b> .....	<b>30.7</b>	<b>24.4</b>	<b>+ 25.8</b>
<b>Textile yarns, fabrics &amp; made-up         articles</b> .....	<b>30.6</b>	<b>14.4</b>	<b>+ 112.5</b>
<b>Dairy products</b> .....	<b>28.6</b>	<b>26.0</b>	<b>+ 10.0</b>

# TEN PRINCIPAL IMPORTS 1965 - 1966

(F.O.B. Value in million U.S. Dollars)



## 3. Direction of Trade

Philippine overseas trade in 1966 continued to be dominated by the United States, Japan, Germany, the Netherlands and the United Kingdom. Collectively, they accounted for 73 per cent of imports and 89 per cent of exports.

Notwithstanding the decline in its share of Philippine exports (from 45 to 40 per cent) and imports (from 34 per cent to 33 per cent), the United States still remained the principal trading partner of the Philippines. Imports at \$285 million gained by 4 per cent on account of increased purchases of textile yarns, fabrics and made-up articles, mineral fuels, lubricants & related materials, transport equipment, explosives & miscellaneous chemical materials, dairy products, and textile fibers not manufactured into yarn. However, exports at \$333 million contracted by 5 per cent on account of reduced sales of centrifugal sugar, copra, unmanufactured abaca and desiccated coconut, logs and lumber and canned pineapple. As a result, the trade surplus was pared down by \$27 million to \$48 million.

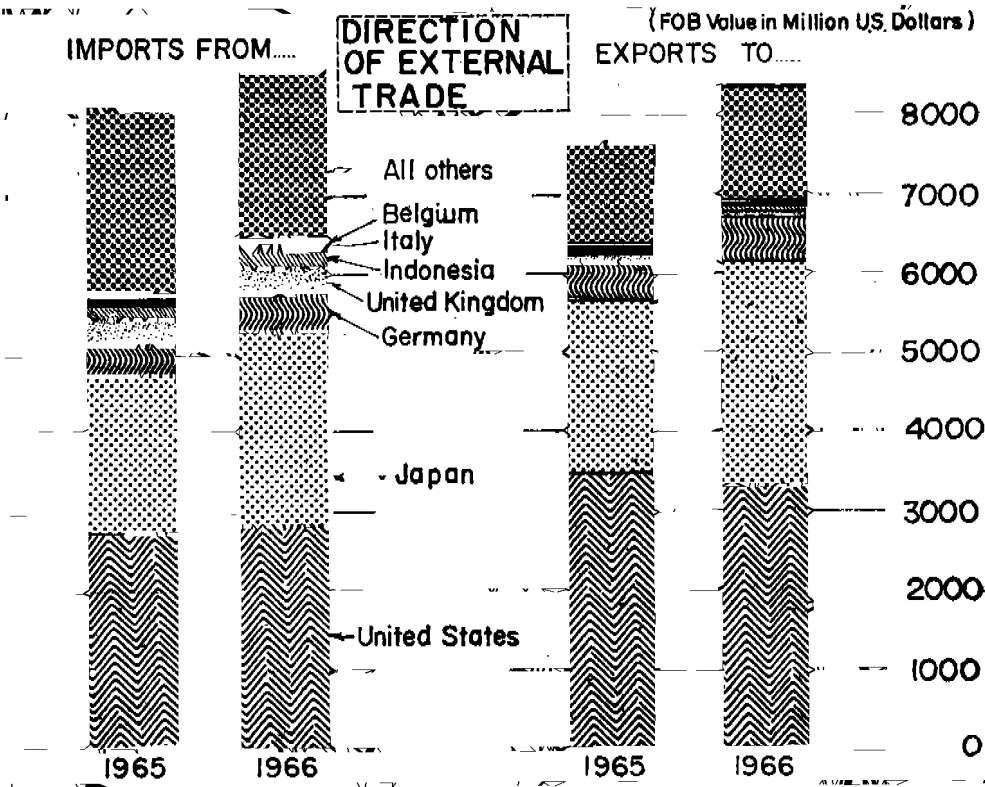
Trade between the Philippines and Japan increased by 26 per cent. Imports from Japan, consisting mainly of non-electrical machinery, base metals and transport equipment, increased by 25 per cent to \$244 million. Likewise, exports, consisting largely of logs & lumber, and metaliferous ore, rose by 28 per cent to \$278 million. With exports rising faster than imports, the trade surplus improved from \$22 million to \$34 million.

Trade with the European Common Market (ECM) was more encouraging this year. Imports at \$91 million were 7 per cent higher than last year's, with Germany (\$42 million) and the Netherland (\$19 million) accounting for more than two-thirds of the import trade. On the other hand, exports consisting mostly of coconut products, unmanufactured abaca and canned pineapple, rose by 11 per cent to \$135 million. Exports to the Netherlands (\$68 million) and Germany (\$57 million) increased by 14 per cent and 22 per cent, respectively. Exports to Italy (\$6 million) and France (\$2 million), however, were lower by 32 per cent and 60 per cent, respectively. Nevertheless, the trade surplus with the ECM improved from \$36 million to \$44 million.

Imports from the European Free Trade Association (EFTA) which accounted for almost 6 per cent of Philippine imports went up by 10 per cent to \$52 million. The United Kingdom, Switzerland and Sweden accounted for more than nine-tenths of the import trade. Conversely, exports declined by 17 per cent to \$26 million because of decreased shipments to Sweden, Denmark, the United Kingdom and Norway. The traditional trade deficit deteriorated further by \$10 million to \$26 million.

Trade with ECAFE countries showed an improvement of 22 per cent as both imports from and exports to the region increased by 16 per cent and 29 per cent, respectively. While imports from Japan, Australia, Indonesia, Hongkong, Iran, New Zealand and the Republic of China were higher, imports from Thailand and Burma, composed largely of rice imports, which were exceptionally large last year, declined sharply. On the other hand, exports to Japan, Thailand, Korea, China, Hongkong and South Vietnam, which accounted for nearly all of the exports of the Philippines to this region, increased by 30 per cent. Thus, last year's trade deficit of \$54 million was reduced to \$31 million, with Australia (\$26 million), Indonesia (\$22 million), Iran (\$11 million), Hongkong (\$7 million), New Zealand, (\$7 million), Thailand (\$6 million) and Burma (\$4 million) mainly responsible for the deficit. Significantly, exports to Indonesia under the Philippine-Indonesia Trade Agreement not only failed to reach the \$5 million agreed yearly volume of trade but even declined from \$376 thousand to \$234 thousand. Imports comprising largely of crude petroleum went up, however, from \$18 million to \$22 million.

To facilitate the settlement of payments between Indonesia and the Philippines, a payments agreement was concluded between the two countries on August 28, 1966, in Djakarta, Indonesia which took effect on October 26, 1966 whereby payments would be settled through clearing accounts in U.S. dollars maintained by the two central banks.



# DIRECTION OF TRADE

1965 — 1966

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

Country	I M P O R T S				E X P O R T S				Balance of Trade	
	1966		1965		1966		1965		1966	1965
	Value	% Distri- bution	Value	% Distri- bution	Value	% Distri- bution	Value	% Distri- bution		
TOTAL (All Countries) .....	852.8	100.0	807.6	100.0	838.0	100.0	768.5	100.0	-14.8	-39.1
North America .....	306.2	35.9	300.3	37.2	334.7	39.9	350.9	45.7	+28.5	+50.6
U.S. ....	284.5	33.3	274.1	33.9	332.6	39.7	348.8	45.4	+48.1	+74.7
Other N.A. countries .....	21.7	2.6	26.2	3.2	2.1	0.2	2.1	0.3	-19.6	-24.1
Central America .....	1.2	0.1	3.0	0.4	0.4	0.1	1.7	0.2	-0.8	-1.3
South America .....	6.0	0.7	4.1	0.5	5.9	0.7	4.3	0.6	-0.1	+0.2
Northwestern Europe .....	135.0	15.6	123.9	15.4	156.3	18.7	145.6	19.0	+21.3	+21.7
United Kingdom .....	37.9	4.1	32.8	4.1	7.1	0.9	8.5	1.1	-30.8	-24.3
Belgium .....	11.6	1.4	8.1	1.0	2.1	0.3	1.1	0.1	-9.5	-7.0
Netherlands .....	19.2	2.3	21.7	2.7	68.1	8.1	59.5	7.7	+48.9	+37.8
Germany .....	42.2	5.0	37.4	4.6	57.1	6.8	46.9	6.2	+14.9	+9.5
Other N.W. countries .....	24.1	2.8	23.9	3.0	21.9	2.6	29.6	3.9	-2.2	+5.7
Southern Europe .....	10.1	1.2	10.8	1.3	10.8	1.3	12.6	1.6	+0.7	+1.8
Italy .....	7.3	0.9	8.1	1.0	5.5	0.7	8.2	1.1	-1.8	+0.1
Spain .....	1.7	0.2	1.6	0.2	5.1	0.6	4.2	0.5	+3.4	+2.6
Other S.E. countries .....	1.1	0.1	1.1	0.1	0.2	—	0.2	—	-0.9	-0.9
East Europe .....	0.1	—	.1	—	—	—	—	—	-0.1	-0.1
Middle East .....	37.3	4.4	39.0	4.8	1.0	0.1	0.1	—	-36.3	-38.9
Other Asia .....	316.1	37.3	298.9	37.0	322.4	38.4	247.3	32.2	+6.3	-51.6
Japan .....	248.9	28.8	195.5	24.2	278.3	33.2	217.6	28.4	+34.4	+22.1
Indonesia .....	22.3	2.6	18.4	2.3	0.2	—	0.4	—	-22.1	-18.0
Other Asian countries .....	49.9	5.9	85.0	10.5	43.9	5.2	29.3	3.8	-5.8	-55.7
Oceania .....	37.6	4.4	23.5	2.9	3.7	0.4	3.5	0.4	-33.8	-20.0
Other Africa .....	2.5	0.3	3.2	0.4	1.8	0.2	1.8	0.2	-0.7	-1.4
Miscellaneous .....	0.3	—	0.3	—	0.2	—	0.2	—	-0.2	-0.1
Other U.S. Insular Possess. ....	0.4	0.1	0.5	0.1	0.8	0.2	0.4	0.1	-0.4	-0.1

### C. NON-MERCHANDISE TRANSACTIONS

Non-merchandise transactions, which have become more significant since the lifting of exchange controls in 1962, continued to expand in 1966 as both receipts and disbursements surpassed the record levels established in 1965. Non-merchandise receipts, which rose by 9 per cent to \$354 million, exceeded disbursements which advanced by 10 per cent to \$271 million. Thus, for the third consecutive year, the non-merchandise account showed a net receipt of \$84 million, completely offsetting the deficit incurred in the merchandise account. Miscellaneous invisible receipts which reached an unprecedented level of \$256 million during 1965 moved to \$274 million in 1966, while miscellaneous disbursements rose by \$25 million from \$246 million in 1965. As a result, miscellaneous invisible transactions registered a net receipt of \$4 million which was augmented by an \$80 million receipt from U.S. government expenditures in the Philippines.

Non-monetary gold amounted to \$15 million approximating the same level last year while U.S. government expenditures in the Philippines continued their upward trend as they rose to \$80 million in 1966, \$13 million more than in the previous year. The continued hostilities in Vietnam accounted for the \$15 million increase in U.S. military expenditures which was however partially offset by a \$4 million cutback in expenditures of other U.S. government agencies in the Philippines. Receipts from other foreign governments increased by \$1 million to \$2 million but were completely wiped out by Philippine government expenditures abroad, which declined by \$1 million to \$7 million.



# NON-TRADE TRANSACTIONS

1963 — 1966

(Million U.S. dollars)

<i>I t e m</i>	<i>1 9 6 3</i>			<i>1 9 6 4</i>			<i>1 9 6 5</i>			<i>1 9 6 6</i>		
	<i>Credit</i>	<i>Debit</i>	<i>Net</i>	<i>Credit</i>	<i>Debit</i>	<i>Net</i>	<i>Credit</i>	<i>Debit</i>	<i>Net</i>	<i>Credit</i>	<i>Debit</i>	<i>Net</i>
<b>T O T A L</b> .....	164.95	175.40	—10.45	199.78	181.40	18.38	323.17	245.62	77.55	354.13	270.55	83.58
<b>U. S. Government Expenditures</b> ..	33.25	—	33.25	41.35	—	41.35	67.19	—	67.19	79.81	—	79.81
<b>Miscellaneous Services</b> .....	131.70	175.40	—43.70	158.43	181.40	—22.97	255.98	245.62	10.36	274.32	270.55	3.77
Non-Monetary Gold .....	13.16	—	13.16	14.92	—	14.92	15.24	—	15.24	14.54	—	14.54
Foreign Travel .....	10.69	32.67	—21.98	15.14	29.19	—14.05	27.80	52.99	—25.19	63.68	52.75	10.93
Transportation .....	12.11	53.81	—41.70	11.58	67.18	—55.60	13.79	70.38	—56.59	16.40	72.96	—56.56
Insurance .....	3.70	2.96	.74	3.62	5.21	— 1.59	2.59	6.58	— 3.99	3.11	6.70	— 3.59
Investment Income .....	8.61	29.69	—21.08	12.63	37.70	—25.07	18.64	50.09	—31.45	13.85	56.72	—42.87
Government, n.e.s. ....	1.28	8.61	— 7.23	1.38	11.48	—10.10	1.21	7.78	— 6.57	2.23	6.87	— 4.64
Other Services .....	82.15	47.66	34.49	99.16	30.64	68.52	176.71	57.80	118.91	160.51	74.55	85.96

For the first time since the establishment of the Central Bank in 1949, tourist expenditures in the Philippines exceeded expenditures abroad of local residents. Receipts from foreign travellers in the Philippines reached an all time high of \$64 million, more than twice the previous year's level of \$28 million. Tourist traffic in the Philippines increased by 21 per cent, registering 101,695 tourists in 1966, compared to approximately 84,015 in 1965. This does not include American servicemen who came to the Philippines for rest and recreation and also contributed to the rise in tourist expenditures in the country. The inflow of tourists was particularly heavy towards the end of the year, with the Seven-Nation Conference, the World Medical Assembly, and the inauguration of the Asian Development Bank all held in Manila. Travel expenditures abroad of local residents, on the other hand, dropped by \$.24 million in 1966 to \$52.75 million.

Investment income registered a net disbursement of \$43 million in 1966 as compared to \$31 million in the previous year — an increase of \$12 million. The increase was due mainly to a \$5 million decline in inward investment remittances brought about by a \$9 million decline in other investment income which more than offset the \$4 million increase in earnings, profits and dividends, and to a \$7 million rise in outward investment remittances. Increased interest payments on foreign exchange obligations and increased remittances of foreign investors of other earnings, profits and dividends were mainly responsible for the increase in outward remittances.

Other services resulted in a net inflow of \$86 million as compared to a net inflow of \$119 million in the previous year. Receipts from other services reflected a decrease of \$16 million as remittances for services rendered by local residents to foreign firms declined. On the other hand, outward remittances exceeded last year's by \$19 million because of increased remittances for film rentals, royalties, and salaries for services rendered by non-residents to local firms.

#### D. CAPITAL TRANSACTIONS

The outflow of capital, which amounted to \$308 million in 1965, increased further during 1966 to \$369 million. Capital inflow on the other hand, dropped from \$297 million to \$226 million. Thus, the deficit on capital transactions increased by \$133 million from \$11 million for the previous year. It is significant to note that, although the net outflow of capital reached an unprecedented level of \$144 million during 1966, this was largely the result of smaller availments and heavier repayments on external loans.

Total long-term capital movements reflected a net outflow of \$54 million in contrast to a net inflow of \$23 million for the previous year.

This was largely due to heavier payments (\$54 million against \$41 million in 1965) and the decline of \$43 million registered in loan availments by the public sector. Thus, the net borrowing position of \$56 million of official institutions in 1965 decreased to only \$1 million for the current year. Long-term borrowings of the government amounted to \$54 million as against \$97 million the previous year. Of the amount availed of during 1966, \$12 million represented borrowings of the Development Bank of the Philippines (DBP) from U. S. commercial banks; \$17 million by the National Power Corporation from the U. S. Export-Import Bank (Eximbank); \$7 million under deferred payments; and the rest, various loans from the International Bank for Reconstruction and Development (IBRD) and other international financial institutions to finance development projects. Loan repayments, on the other hand, increased by \$13 million, as the DBP and the National Industrial Development Corporation (NIDC) liquidated about \$26 million of their outstanding loans with U. S. commercial banks, while the Central Bank liquidated its repurchase obligation with the International Monetary Fund (IMF) amounting to \$14 million. In addition, the Central Bank also paid the Philippine subscription to the IMF of \$9 million and to the Asian Development Bank (ADB) of \$2 million. Lastly, deferred payment credits amounting to \$8 million were also liquidated.

Private long-term capital movements resulted in a net outflow of \$25 million, higher by \$2 million. The private sector utilized \$10 million in long-term suppliers' credits, up by \$2 million, reflecting in part intensified industrial activity. Availments of the Private Development Corporation of the Philippines (PDCP) of loans from the IBRD amounted to only \$1 million. Total availments, therefore, decreased by \$4 million. Payments also decreased by \$2 million as smaller repayments were made on loans from the Eximbank and the Agency for International Development (AID) (\$2 million in 1966 against \$5 million in 1965) which were however offset by the \$2 million increase in repayments on deferred payments credits and on amortizations made by oil companies.

Other long-term capital movements reflected a net outflow of \$19 million compared to \$10 million for 1965. Capital inflow representing new foreign investments in the Philippines amounted to 21 million, which was however offset by capital withdrawn from the Philippines by foreign investors of \$34 million. Last year, non-residents' withdrawal of investments from the Philippines amounted to only \$26 million, and the increase of \$8 million during 1966 may have been triggered by the restrictive interpretation of the Retail Trade Law. Similarly, capital for investments abroad by residents increased from \$2 million to \$10 million.

Short-term capital movements continued to account for a bigger share in the country's capital transactions during 1966. Total short-

term capital inflow amounted to \$135 million, while outflows were \$225 million. Thus, the net outflow of short-term capital of \$90 million accounted for 60 per cent of the total net outflow of \$144 million for 1966. Short-term borrowings of the Central Bank from U. S. commercial banks reflected a net availment position of \$17 million compared to \$82 million for 1965. Smaller availment (\$103 million as against \$158 million last year) as well as heavier repayments (\$86 million as against \$76 million last year) were responsible for this development. Private short-term capital inflows increased to \$32 million from \$10 million in 1965, while outflows similarly increased by \$13 million, possibly triggered off by higher interest rates abroad.

## E. DONATIONS

Donations in the form of goods and services during 1966 decreased by \$8 million from \$99 million for the previous year. Of the \$91 million received during 1966, \$55 million came from private sources and \$36 million from official sources.

Private donations received in 1966 decreased by \$18 million to \$55 million. The decrease was largely due to lower personal remittances of non-residents to their families in the Philippines (\$7 million) and the absence of war damage payments which in the previous year had amounted to \$9 million. Other private transfers also decreased from \$2 million in 1965 to a negative \$1 million in 1966.

Goods and services received under the Reparations Agreement with Japan amounted to \$33 million, of which \$13 million and \$20 million were allocated to the public and private sectors, respectively. Compared to the \$22 million received during 1965, the amount received for 1966 was 50 per cent more. Road construction materials and equipment, fire fighting equipment and hydrofoil vessels and helicopters comprised most of the goods received by the government. More than 50 per cent of the \$20 million received by the private sector was composed of ships.

Grants from the U. S. government through the AID amounted to about \$1 million. United Nations organizations, particularly the WHO and UNICEF, contributed \$3 million worth of commodities and technical services for educational, health and other social services. Voluntary relief agencies and CARE donated \$7 million and \$6 million worth, respectively, of food packages, agricultural and medical equipment & supplies, and rehabilitation and reconstruction equipment for disaster and emergency relief. Grants under the U. S. educational and cultural exchange program and under the Colombo Plan amounted to \$0.3 million. Contributions by the Philippine government to world organizations, however, reached over \$1 million.

# DONATIONS

1963-1966

(Million U.S. dollars)

<i>I T E M</i>	<i>1963</i>	<i>1964</i>	<i>1965<sup>r</sup></i>	<i>1966<sup>p</sup></i>
Private: .....	64.62	93.23	73.43	54.90
Personal and institutional				
remittances .....	6.55	4.17	9.19	1.78
Voluntary Relief Agencies .....	3.70	6.26	7.44	6.72
C A R E .....	2.48	3.78	4.21	6.20
U.S. Veterans Administration ....	42.11	42.87	41.05	41.56
War Damage Payments .....	—	29.58	9.18	—
Others .....	9.78	6.57	2.36	—1.36
Official: .....	13.59	15.29	25.96	35.70
U.S. Government Grants: .....	2.68	2.69	2.21	.78
AID .....	2.52	2.69	.78	.78
Public Law 480 .....	.16	—	1.43	—
Other Agencies: .....	2.44	2.95	3.04	3.04
United Nations .....	1.56	2.02	2.76	2.76
Colombo .....	.88	.93	.28	.28
Reparations from Japan .....	9.72	10.80	21.92	33.04
Contributions to World :				
Organizations .....	—1.25	—1.15	—1.21	—1.16
T O T A L .....	78.21	108.52	99.39	90.60

F. FOREIGN EXCHANGE RESERVES

The international reserve, which amounted to \$92 million at the end of 1965, rose by 65 per cent to \$151 million at the end of 1966. Mainly responsible for the favorable development was the marked improvement in foreign exchange receipts, particularly from exports, which more than offset the increase in foreign exchange disbursements, thereby resulting in a net receipt of \$59 million, \$6 million more than in the previous year.

INTERNATIONAL RESERVE

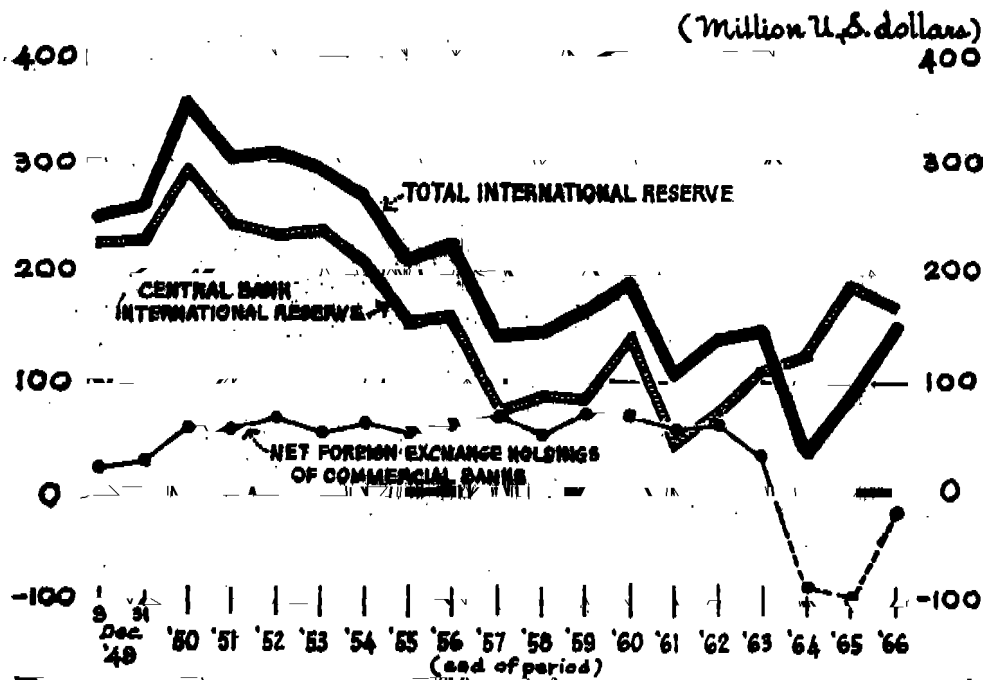
1949-1966

(Million U.S. Dollars)

<i>End of Period</i>	<i>Net Foreign Exchange Hold- ings of Comm'l Banks</i>	<i>International Reserve of the Central Bank</i>	<i>Total</i>
1949 — December 9 . . . .	225.76	24.86	250.62
December 31 . . . .	230.70	29.39	260.09
1950 . . . . .	295.61	60.30	355.91
1951 . . . . .	244.42	59.45	303.87
1952 . . . . .	236.06	69.82	305.88
1953 . . . . .	240.38	55.60	295.98
1954 . . . . .	207.49	65.20	272.69
1955 . . . . .	154.91	54.30	209.21
1956 . . . . .	161.01	63.68	224.69
1957 . . . . .	70.86	69.17	140.03
1958 . . . . .	91.60	53.70	145.30
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
1964 * . . . .	123.28	(84.84)	38.44
1965 * . . . .	188.50	(96.88)	91.62
1966 . . . . .	166.09	(14.81)	151.28

\* Revised as of November 22, 1966 to include deferred payments liabilities previously unreported by commercial banks. These revisions supersede those previously made on end of 1964 data.

# INTERNATIONAL RESERVE 1949 - 1966



## FOREIGN EXCHANGE RECEIPTS AND DISBURSEMENTS

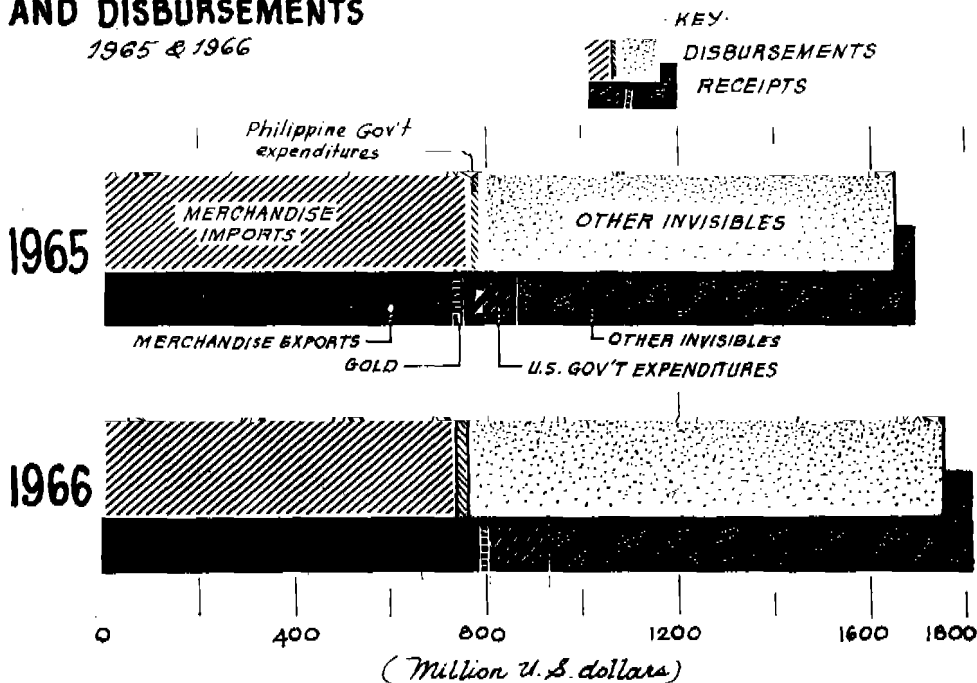
1965-1966

(Million U.S. Dollars)

I T E M	1966	1965*
<b>RECEIPTS:</b>		
Merchandise exports, c.i.f. ....	787.32	787.01
Gold .....	15.02	15.23
U.S. Government expenditures .....	121.36	109.17
Other invisibles .....	886.81	831.57
Total .....	1,810.51	1,692.98
<b>DISBURSEMENTS:</b>		
Merchandise imports, c.i.f. ....	733.13	761.49
Philippine Government expenditures .....	21.95	15.38
Other invisibles .....	992.44	865.11
Total .....	1,747.52	1,641.98
<b>NET RECEIPTS (DISBURSEMENTS) .....</b>	<b>62.99</b>	<b>51.00</b>

# FOREIGN EXCHANGE RECEIPTS AND DISBURSEMENTS

1965 & 1966



During the first 8 months of the year, the international reserve rose sharply to \$200 million at the end of August 1966, an improvement of \$109 million compared to \$50 million for the corresponding period of last year. To a large extent, favorable market trends here and abroad and a substantial increase in invisible receipts accounted for the improvement in the reserve. The improvement was, in fact, the highest ever attained for any given period since the establishment of the Central Bank, even surpassing the \$99 million record achieved during the Korean War boom in 1950. In the next four months, however, the international reserve declined by \$50 million (the bulk of it occurring between November and December) to a total of \$151 million at the end of December 1966. The decline was partly due to seasonal factors, and to heavier repayments on foreign loans plus payments made for subscriptions to the International Monetary Fund (IMF) and the Asian Development Bank (ADB). Notwithstanding this decline, however, the international reserve, on the whole, showed a remarkable improvement of \$60 million during the year.

NFEHCB

The Central Bank reserve, which was \$189 million at the end of 1965, fell to \$166 million at the end of 1966, largely because of heavy repayments on foreign loans as well as the extraordinary payments for



subscriptions to the IMF and the ADB. The decrease was reflected mainly in deposits with U. S. commercial banks and other foreign banks which dropped by \$27 million.

On the other hand, net foreign exchange holdings of commercial banks improved by \$82 million which more than offset the drop in the Central Bank reserve. From a negative balance of \$97 million at the end of 1965, the net foreign exchange holdings of commercial banks amounted by the end of 1966 to a negative balance of only \$15 million as their foreign assets increased by \$29 million while their foreign liabilities decreased by \$53 million.

## G. FOREIGN EXCHANGE MARKET

### 1. *Structure of Foreign Exchange Rates*

Since the establishment of the new par value at ₱3.90 per U.S. \$1.00, on November 8, 1965, official buying and selling rates of the Central Bank for the U. S. dollar have been set at ₱3.8805 and ₱3.9195, respectively. In their transactions with customers authorized agent banks are permitted to quote a minimum buying rate of ₱3.8610 and a maximum of ₱3.9195 per U. S. dollar and a minimum selling rate of ₱3.8805 and a maximum of ₱3.9390 per U. S. dollar. Exchange rates for other authorized currencies purchased by the Central Bank are based on the spot buying or selling rates in New York for the currency concerned at the close of the day prior to the actual purchase in Manila, and the Central Bank's current spot buying or selling rates for the U. S. dollar. Premiums and discounts on forward exchange transactions are, in principle, left to the interplay of market forces, but the Central Bank sells 5—central bank of the philippines

benlim forward exchange to authorized agent banks, to cover the liabilities of their clients resulting from import and export transactions, at the inter-bank spot rate with fixed premiums.

### 2. *Behavior*

#### a. *Spot*

Stability and strength characterized the foreign exchange market during 1966. The Central Bank's buying and selling rates per U.S. dollar, which stood at ₱3.903 and ₱3.911, respectively, at the beginning of the year, gradually came down to ₱3.893 and ₱3.903, respectively, by November 28, 1966<sup>a</sup>. At the end of March 1966, the interbank rate dropped to ₱3.896 per U.S. dollar and continued to decline to ₱3.887 at the end of July, but made a slight upward movement to ₱3.888 at the end of August, and reached ₱3.904 by the end of December. The yearly average, however, which stood at ₱3.898 was even below the parity rate. On the other hand, the merchant's buying rate remained steady at ₱3.888 throughout the year

<sup>a</sup> The Central Bank discontinued posting its rate after this date because it felt that commercial banks were already fully conversant with the intricacies of foreign exchange trading.

while the selling rate fluctuated downward from ₱3.925 in January to ₱3.905 by the end of December.

b. *Forward*

Due to the firmness of the spot rate, forward exchange transactions were considerably less than last year. Forward purchases of commercial banks averaged \$20 million per month, \$15 million less than last year while forward sales averaged \$12 million, \$3 million less than the previous year. The absence of sharp and erratic fluctuations in the spot rate and the high cost of futures were responsible for the drop in the volume of transactions in the forward market.

3. *Central Bank Intervention*

The extent of Central Bank intervention in the exchange market was not only considerably less than in 1965, but its pattern also experienced a significant change as purchases exceeded sales of foreign exchange, which in the previous year accounted for about three-fourths of the Bank's total support in the market. Central Bank sales of foreign exchange to the Philippine National Bank for stabilization purposes in 1966 averaged a little less than \$4 million a month as against \$11 million in 1965, while its purchases averaged about \$7 million in 1966 and \$4 million a month in 1965.

Largely because of the substantial net receipt, the Central Bank purchased rather than sold foreign exchange in the market during the first eight months of 1966 to maintain the newly established official rate of exchange. Thus, Central Bank sales were at low levels from January to August 1966, averaging \$1 million per month, while its purchases averaged \$10 million. However, from September to December, 1966, sales exceeded purchases mainly due to the heavy seasonal demand for foreign exchange brought about by the annual building up of inventories in preparation for the Christmas trade. The demand was further heightened by the strong liquidity position of commercial banks and by short-term capital outflows on account of higher interest rates abroad. For the whole year, however, the Central Bank was a net purchaser, absorbing \$43 million from the market whereas last year the Central Bank was a net seller to the extent of \$76 million.

4. *The Peso in the Hongkong Market*

In the Hongkong exchange market, the U.S. dollar-Philippine peso telegraphic transfer cross rate fluctuated between ₱3.914 and ₱3.941 averaging ₱3.921 per U.S. dollar during the year, the lowest attained since the establishment last year of the trading limits for the new parity rate. From ₱3.941 at the beginning of the year, the U.S. dollar-Philippine peso cross rate moved gradually downward to ₱3.914 in August. However, the rate advanced to ₱3.924 in September and to ₱3.927 at the end of December largely because of the strengthening of the pound sterling in the New York market towards the year's end, thus bringing the average for the whole year to ₱3.921 per U.S. dollar.

## V. PRODUCTION

### A. OVER-ALL

The productive sector of the economy turned in a very encouraging performance in 1966. Advances were made by all the major industries: agriculture, 8.9 per cent (crop year basis); manufacturing, 8.0 per cent (first nine months); and mining, 7.2 per cent. Weak spots were still discernible, however, as in the case of rice paddy production (2.0 per cent) which lagged behind the rate of population growth, in contrast to 1965. Similarly, the mining industry, expanding by 7.2 per cent in 1966, fell slightly back from the 8.1 per cent expansion of 1965, although the growth during these two years was markedly higher than the average of 1.2 per cent between 1960 and 1964.

In agriculture, the expansion of almost 9 per cent was above the average of 3.1 per cent in the previous six crop years. Export crop production was up by a record 11.1 per cent due to a combination of favorable events. Among these were the official devaluation in November, 1965, the construction boom in Japan, the principal market for Philippine logs, and the government's anti-smuggling operations, which made possible the remarkable recovery of leaf tobacco production. Output of logs and leaf tobacco was up by 30 and 27 per cent, respectively. On the other hand, there were also setbacks. Sugar production went down by 10 per cent, resulting from adverse weather which reduced the area harvested by as much as 10 per cent.

Output of food crops in crop year 1966 advanced also, at a faster pace of 8 per cent compared to 6.1 per cent in 1965. Greater productivity and an expansion of 1.1 per cent in total area cultivated, continuing last year's advance of 2.2 per cent, were responsible for the advance. Nevertheless, at an absolute level of 6,062 thousand hectares the total land cultivated to food crops was still below the peak of 1959 and only roughly equal to that in 1962. The over-all growth in food output in 1966 came from rice, corn and livestock and fish production as well as from lesser weighted items such as beans and vegetables, fruits and nuts and peanuts. The production of the all-important cereal, rice, rose by only 2 per cent which was below the estimated population growth of 3.2 per cent. Drought and inundation in certain areas in Luzon during the crop year partly explained the slowdown in rice production. A more basic cause, however, was the decline in land planted to this crop, a trend which has been observed since 1959 and the subsequent decontrol program, with the exception only of 1965. Total hectareage planted to rice in 1966 amounted to 3.1 million hectares, which were roughly 90,000 hectares and 200,000 hectares less than in 1965 and 1959, respectively. Nevertheless, it was expected that the newly-developed miracle rice strain (IR8-288-3), which had not been introduced in time to affect the 1966 harvest, would lift production of rice above required levels.

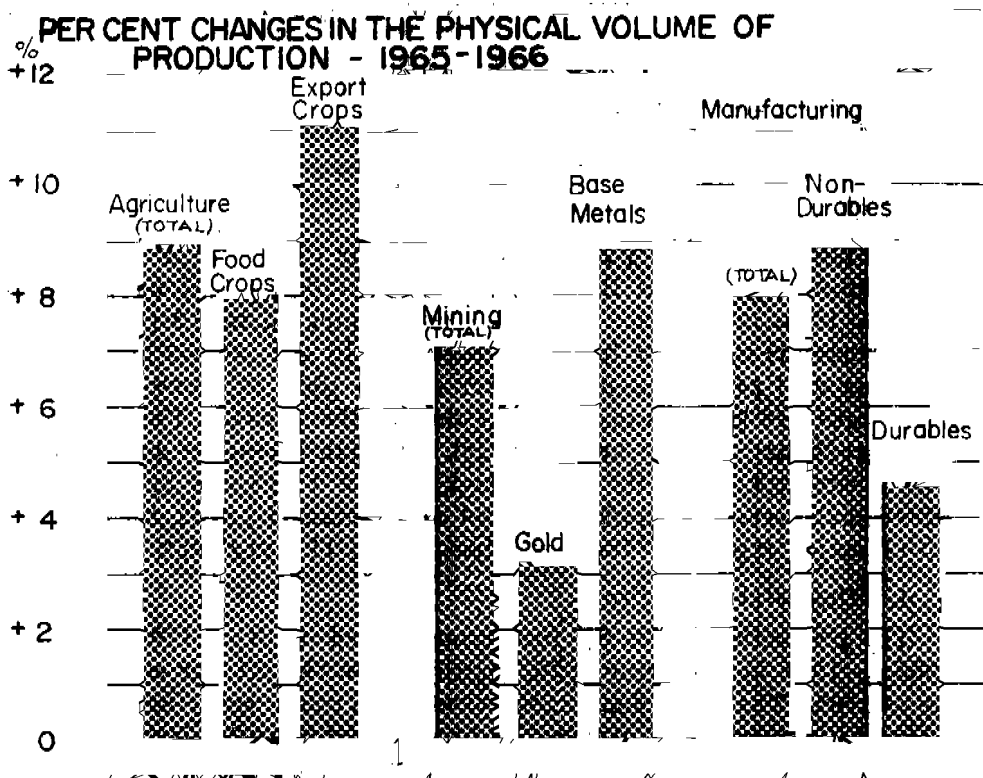
The production of corn, however, increased by 5.1 per cent, principally due to the large expansion in area planted, while fish production went into its third straight year of increase at rates bordering 10 per cent. Meat and poultry production was also up by 5 per cent as a result of a substantial increase in total livestock population.

The most pronounced improvement was noted in the manufacturing sector, which accelerated at a rate of 8 per cent, four times the growth in the same period in 1965 and exceeding the 6 per cent average rate of growth between 1960 and 1964. This industry seemed to have responded more readily to major government moves to extend credit and financing assistance and to discourage the smuggling of imports tending to compete with local manufactures. Sectorally, the non-durables fared better with an expansion of almost 9 per cent while the durables advanced by 4.6 per cent. Petroleum products which increased markedly by 29 per cent led the non-durables, keeping pace with the advance of 7.5 per cent in the assembly of transport equipment. Next were tobacco products, particularly cigarettes, production of which jumped by 21 per cent, evidencing the extent to which the clamp-down on smuggling activities had resuscitated this industry. Smaller gains were noted in food production (5.4 per cent) and in the production of chemicals (3.3 per cent). Noteworthy also was the improvement in the textile industry, output of which went up by almost 2 per cent in contrast to the decline last year. In the durables group, in addition to transport equipment, metal production except machinery went up by 8.9 per cent, particularly due to big gains in galvanized iron sheets and metal containers. The slump in construction plans was reflected in the smaller rate of growth of cement while setbacks in the production of other non-metallic items brought about the 1.1 per cent decline in the production of the non-metallic industry. Significant advances were noted however in the less significant industries such as non-electrical machinery (14 per cent) and wood and cork manufactures (22 per cent).

The mining industry had its second consecutive good year in 1966. The base metals group expanded by 8.9 per cent, led by copper, iron ore and chromite ore. As in the previous year, the war in Vietnam brought up the demand and prices of the vital base metals. Gold production moved up by 3.2 per cent, improving on its 2.8 per cent pace in 1965. The increase in production was principally in response to the amendment of the Gold Mining Assistance Act, providing higher assistance to gold mines and extending almost indefinitely assistance to the gold industry.

Contrasting with the gains noted in the major sectors of the economy, construction activities for the whole Philippines fell markedly below 1965 levels while real estate sales in Manila and suburbs registered only a slight increase during the period. The suspension of the granting of construction loans by government financial institutions adversely affected the number of applications for building purposes. In public utili-

ties, electric power generated by the Manila Electric Company increased by 12.7 per cent, outpacing the 9.6 per cent growth last year. Sales likewise rose at a much faster pace of 12.3 per cent compared with 9.1 per cent in the previous year. All the sectors, residential, commercial and industrial, utilized at least 10 per cent more electric power in 1966 than in 1965. The railways, on the basis of the first nine months figures, showed an improvement for the first time in three years. The number of, and revenues from passengers went up by 12.1 per cent and 14.8 per cent, respectively, as against the heavy losses of the preceding two years. However, the freight service still fell below the 1965 level. International shipping movement in the Port of Manila showed an increase in the number of incoming vessels and in the corresponding net tonnage although outgoing bottoms were down both in number and in tonnage which partly suggested still unresolved difficulties encountered in port facilities.



# INDEX OF THE PHYSICAL VOLUME OF PRODUCTION 1965 and 1966

(1955 = 100)

<i>I t e m</i>	<i>1966<sup>a</sup></i>	<i>1965</i>	<i>Per Cent Change</i>
Agriculture <sup>a</sup> .....	152.9	140.0	8.9
Food crops .....	151.4	140.2	8.0
Export crops .....	156.6	140.9	11.1
Mining <sup>b</sup> .....	162.7	151.8	7.2
G o l d .....	107.7	104.4	3.2
Base metal .....	206.0	189.1	8.9
Manufacturing <sup>b</sup> .....	215.2 <sup>c</sup>	199.2 <sup>c</sup>	8.0
Non-durables .....	208.1	191.1	8.9
Durables .....	248.9	237.9	4.6

SOURCES OF BASIC DATA: Cooperating government agencies and private firms

<sup>a</sup> Crop year (July 1 — June 30)

<sup>b</sup> Calendar year.

<sup>c</sup> January to September.

## B. AGRICULTURE

The latest preliminary figures for crop year 1966 showed large gains in agricultural output as the over-all volume index moved up to 152.9 (1955 = 100), an increase of 8.9 per cent compared to 2.9 per cent in 1965. Since the total area harvested expanded by only 45,000 hectares or half a per cent as compared to 3.7 per cent in 1965, the growth in total output reflected greater productivity during the period. For the food crops, production was up by 8 per cent, although hectarage showed only a slight expansion. On the other hand, despite a decrease in total area planted, but because of higher demand and sustained prices, the production of major export products was boosted by 11.1 per cent.

### 1. *Domestic Food Crops*

The production index for food crops moved up from 140.2 to 151.4 (1955 = 100) in crop year 1966, improving on the 6.1 per cent growth rate in 1965. The expansion in food production could partly be attributed to (1) the increase of 1.1 per cent in hectarage, furthering last year's advance of 2.2 per cent; (2) higher productivity, 5 per cent in the case of palay; and (3) the 16 per cent expansion in livestock population.

Production of all home-consumed crops, with the exception of coffee, cacao and root crops, increased. Output of palay, amounting to 4,072 thousand metric tons, was however only 2 per cent greater than the 1965 crop. This was below the 3.9 per cent rise of 1965 and the average increase of 3.2 per cent since 1959. Drought and inundation in certain areas in Northern Luzon partly explained the slowdown in palay produc-

tion, despite an improvement of 5 per cent in the yield per hectare. A more basic cause was the contraction in land planted to this crop. Total hectarage planted to rice in 1966 reached 3.1 million hectares or 200,000 hectares less than the peak in 1959 and 90,000 hectares less than in 1965. The diversion of rice land to the production of export crops like tobacco and coconut, to other food crops like corn, and to other uses such as for subdivision purposes continued in 1966. On the other hand, following an expansion of almost 10 per cent in area planted in 1966, unprecedented since 1962, output of corn, the other staple crop, rose to 1,380,000 metric tons or an increase of 5.1 per cent over the 1965 level.

Production of fruits and nuts went up by 2.2 per cent which was better than the 0.3 per cent increase in 1965. Beans and vegetable production rose by 2.9 per cent to 248.8 thousand metric tons, although the rate of increase was only half of the 1965 rate. Peanut production went up by 3.8 per cent, recovering from the 7.6 per cent decline last year. On the other hand, inclement weather resulted in a reduction of 4.2 per cent in the output of root crops and 3.1 per cent for coffee and cacao. In the case of coffee, crop infestation resulted in a reduction of 5.9 per cent in yield per hectare which negated the expansion in total area harvested.

The food production index was boosted considerably by the rise of 16 per cent in total livestock population, increasing meat and poultry production by 5 per cent during the year. Fish output, estimated at 732.6 thousand metric tons, increased by 10 per cent, sustaining its record growth rate in the last two years. These gains in output, however, were still insufficient to meet the demand for fish and importation of fish products continued to increase in 1966. Moreover, the supply of fish was still being threatened by the use of illegal fishing methods.

### PRODUCTION OF FOOD CROPS

Crop Years 1965 and 1966

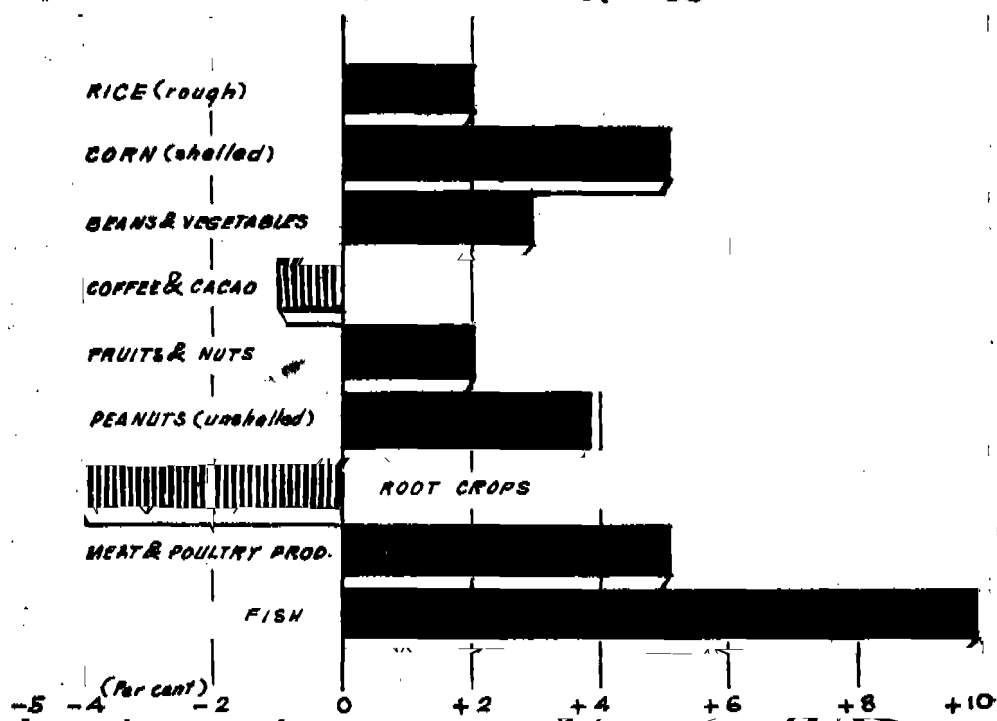
(Thousand metric tons)

Product	1966	1965	Per Cent Change
Rice (rough) .....	4,072.6	3,992.5	2.0
Corn (shelled) .....	1,379.8	1,312.7	5.1
Beans and vegetables .....	248.8	241.7	2.9
Coffee and cacao .....	46.8	48.3	-3.1
Fruits and nuts .....	1,313.2	1,284.3	2.2
Peanuts (unshelled) .....	13.7	13.2	3.8
Rootcrops .....	1,472.0	1,536.7	-4.2
Meat and poultry products .....	323.2 <sup>a</sup>	307.8	5.0
Fish <sup>a</sup> .....	732.6 <sup>a</sup>	667.2	9.8

SOURCES OF BASIC DATA: Bureau of Agricultural Economics; Philippine Fisheries Commission  
Commission

<sup>a</sup> Calendar year.

## PER CENT CHANGES IN THE PRODUCTION OF FOOD CROPS Crop Years 1965 & 1966



### 2. Major Export Crops

The production index of principal export crops in crop year 1966 rose by 11.1 per cent to 156.6 (1955 = 100). This expansion not only reversed the declines noted in the preceding two crop years but far outpaced the average growth of 7.4 per cent in crop years 1960 to 1963. The sharp jump in production for exports was in response to the high level of demand as well as continued high prices for most of the country's agricultural export products. The official devaluation of the peso in November, 1965 also stimulated production for the foreign market.

The continued preference for Philippine logs by Japanese users as well as the construction boom in Japan boosted log production by 30.3 per cent to a record high of 3,412 million board feet in contrast to contractions in the last two years. However, lumber production failed to match the performance of logs, dropping to 397.1 million board feet for a loss of around 25 per cent, possibly indicating a shift away from processing and back to more primitive stages of output such as logs.

Following the lead of logs, output of leaf tobacco gained by almost 27.0 per cent, a sharp reversal of the downtrend observed in recent years. This could be attributed to the effects of the intensified drive against



smuggling of untaxed foreign-made cigarettes, which resulted in increased production of local brands. In addition, the area cultivated to this product, which was reduced heavily in 1965, expanded by 12.6 per cent in crop year 1966.

Coconut products also showed gains in production although at lower rates. Favorable demand for copra in the major U.S. and European markets boosted output of this product by almost 1 per cent after the setbacks in the preceding years. The lower-weighted items, like coconut oil and desiccated coconut, fared better with gains of 17.3 per cent and 22.2 per cent, respectively, over the 1965 levels. The coconut industry benefited from the enactment of U.S. Public Law 89-388 in April, 1966 which eliminated the 3 cents excise tax per pound levied on U.S. oil processors using copra originating from the Philippines.

Sugar production for crop year 1966 fell to 1,402 thousand metric tons or 10 per cent below the 1965 level. Unfavorable weather conditions reduced the area harvested by about 10 per cent. Moreover, early and premature milling of sugar cane during crop year 1966 in order to meet the deadline of export quota shipments for 1965 resulted in a lower sugar yield from the raw cane.

Abaca production increased by only 1 per cent, more than offsetting the loss of the previous year. This product, however, continued to suffer from competition of sisal and other synthetic fibers in the market as well as releases from U.S. abaca stockpiles in 1966.

## PRODUCTION OF MAJOR EXPORT CROPS

Crop Years 1965 and 1966

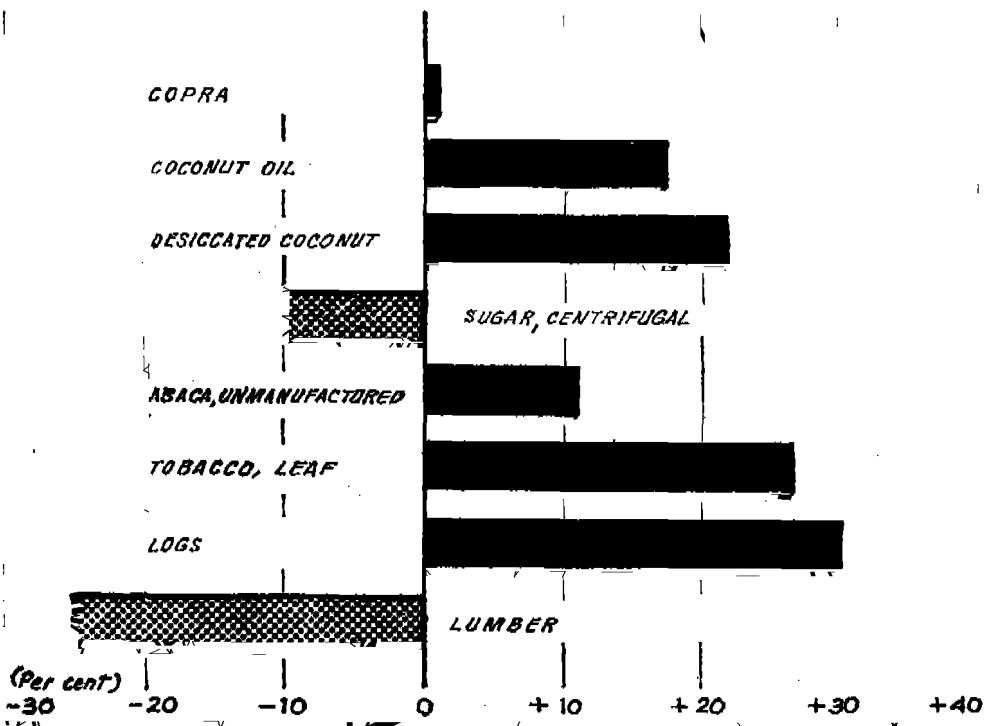
(Thousand metric tons)

<i>Product</i>	<i>1966</i>	<i>1965</i>	<i>Per Cent Change</i>
Crop .....	1,484.7	1,470.9	9.0
Coconut oil <sup>a</sup> .....	455.0 <sup>b</sup>	388.0	17.3
Desiccated coconut .....	76.6	62.7	22.2
Sugar, centrifugal .....	1,402.0	1,557.4	-10.0
Abaca, unmanufactured .....	135.3	134.0	1.0
Tobacco, leaf .....	58.1	45.8	26.9
Logs (million bd. ft.) .....	3,411.6	2,618.3	30.3
Lumber (million bd. ft.) .....	397.1	531.4	-25.3

SOURCES OF BASIC DATA: Bureau of Agricultural Economics  
Bureau of Forestry  
Philippine Coconut Administration  
Sugar Quota Administration

<sup>a</sup> Calendar year.

**PER CENT CHANGES IN THE PRODUCTION OF MAJOR EXPORT CROPS**  
*Crop Years 1965 & 1966*



**C. MANUFACTURING**

The manufacturing industry, based on data for the first nine months of 1966, put on a strong performance as it picked up an increment of 8 per cent or about four times the rate obtained in the same period of 1965. The rise in the manufacturing index, which moved up from an average of 199.2 to 215.2 (1955 = 100), compared favorably with the 6 per cent average rate of expansion registered in identical periods between 1960 and 1964. Among the factors which contributed to the strong showing of the manufacturing sector were the greater availability of over-all credit, the refinancing of certain industries (textile, meat packing, and tin plating) by the Development Bank of the Philippines and especially the clamp-down on the smuggling of items competing with local manufactured products. Non-durable manufactures exhibited a growth rate of nearly 9 per cent compared with 3 per cent in 1965 while durable industries expanded their production by 4.6 per cent after falling off slightly last year.

In the non-durable sector, the gains in production came mainly from large increases in tobacco and petroleum products. The former, benefit-

ing from the drive against the smuggling and sale of foreign-made cigarettes, jumped by 21 per cent as output of both Virginia and native cigarettes increased sizeably. In contrast to the big slump in 1965, production of petroleum products was up by 29 per cent, complementing the observed increase in the assembly of transport equipment. The gain of 5.4 per cent in food production was smaller than in 1965 and was mainly attributable to the increase in the processing of fish products. In the chemical group, which moved up by 3.3 per cent, basic industrial chemicals and other chemical products, particularly soap, detergents and toiletries, led the advance by increasing by 4 per cent and 6 per cent, respectively. The beverage industry sustained the 6.8 per cent growth rate of the previous year. Among the lesser weight industries, the textile group which also benefited from the anti-smuggling campaign and the refinancing program of the Development Bank of the Philippines, improved by about 2 per cent in contrast to the decline last year. Likewise, production of footwear and wearing apparel as well as paper and printing products recovered from their low levels of the preceding two years. On the other hand, contractions were noted in the output of leather and rubber products during the period.

Reversing the slight fall in the 1965 period, production of durable goods rose by 4.6 per cent during the first nine months of 1966. Dominating the expansion were the metal and transport equipment industries. Output of metal products increased by 8.9 per cent, with pronounced gains in galvanized iron sheets and metal containers. The large turn-out of motor vehicles boosted the transport industry by 7.5 per cent, contrasting with the slump noted in a similar period last year. On the other hand, decelerated rates of growth were noted in the production of building materials like cement. In addition, cutbacks in the production of glass and asbestos brought about the 1.1 per cent decline in the non-metallic group. Among the low-weight industries, production of electrical machinery, apparatus, appliances and supplies went up by nearly 3 per cent, more than offsetting the decline of 9 per cent in the previous year. Similarly, the non-electrical machinery group expanded by 14 per cent as compared with the 12 per cent decline last year. Wood and cork manufactures improved by 22 per cent although furniture and fixtures continued to move down at a much faster rate of 24 per cent compared with 5 per cent in 1965.

# INDEX OF THE PHYSICAL VOLUME OF PRODUCTION IN MANUFACTURING

January-September, 1965 and 1966

(1955 = 100)

<i>I t e m</i>	<i>January - September</i>		<i>Per Cent</i>
	<i>1966<sup>a</sup></i>	<i>1965</i>	<i>Change</i>
Manufactures .....	215.2	199.2	8.0
Non-durable manufactures .....	208.1	191.1	8.9
Manufactured food products, except beverages .....	208.1	198.3	5.4
Beverages .....	238.7	223.6	5.4
Tobacco products .....	188.1	155.9	20.7
Textiles <sup>a</sup> .....	342.6	336.4	1.8
Footwear, wearing apparel and other made-up textile goods .....	51.4	50.4	2.0
Paper products .....	262.5	255.0	2.9
Printing, publishing and allied industries .....	80.7	75.6	6.7
Leather products, except footwear .....	128.6	146.1	—12.0
Rubber products <sup>b</sup> .....	258.5	269.7	— 4.2
Chemicals <sup>c</sup> .....	193.8	187.6	3.3
Miscellaneous petroleum and coal products .....	195.4	151.9	28.6
Miscellaneous non-durable manufactures .....	107.9	78.6	37.3
Durable manufactures .....	248.9	237.8	4.6
Wood and cork manufactures, except furniture and fixtures .....	188.7	154.7	22.0
Furniture and fixtures .....	119.6	157.9	—24.3
Non-metallic mineral products .....	270.1	273.1	— 1.1
Metal products, except machinery .....	355.4	326.2	8.9
Machinery, except electrical machinery ..	108.9	95.5	14.0
Electrical machinery, equipment and supplies .....	327.7	318.8	2.6
Transport equipment .....	157.6	146.6	7.5
Miscellaneous durable manufactures ....	44.1	52.1	—15.2

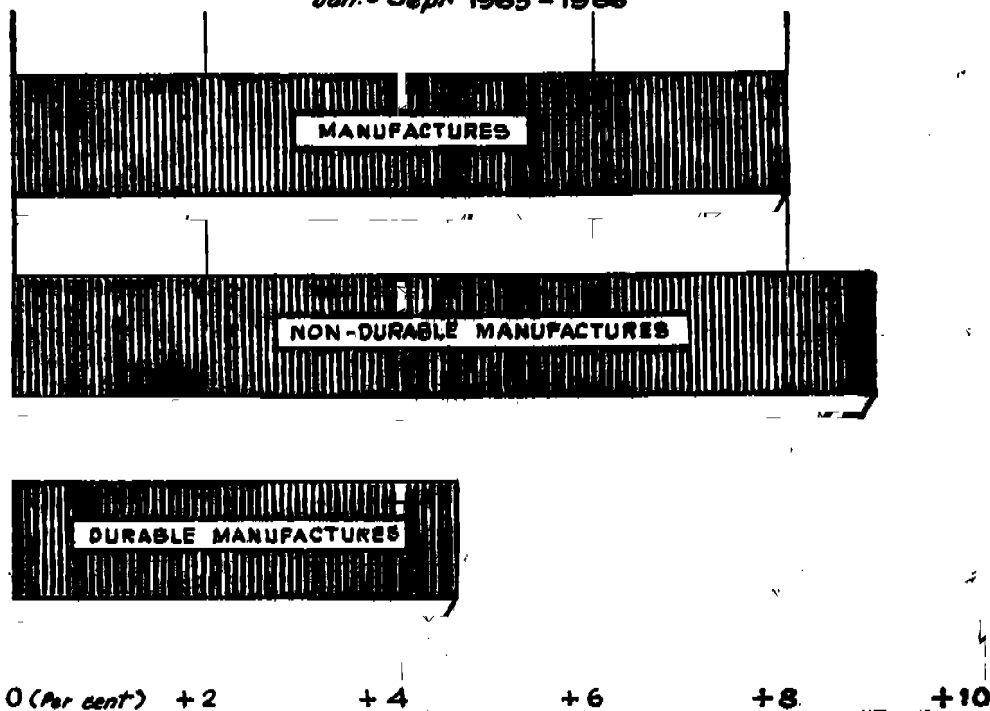
SOURCES OF BASIC DATA: Cooperating government agencies and private firms.

<sup>a</sup> Includes floor covering.

<sup>b</sup> includes rubber shoes.

<sup>c</sup> Includes fertilizers.

**PER CENT CHANGES IN THE PHYSICAL VOLUME OF  
PRODUCTION IN MANUFACTURING**  
*Jan. - Sept. 1965 - 1966*



**D. MINING**

The mining industry continued to operate at a high level for the second consecutive year. The preliminary combined index (1955 = 100) for gold and base metal products moved up to 162.7 at a slightly reduced pace from 1965 (7.2 per cent compared with 8.1 per cent). By comparison, the average rate of expansion between 1960 and 1964 was only 1.2 per cent. The war in Vietnam, which was translated into higher prices for the base metals, was largely responsible for the strong performance of this group while in the case of gold, the provision of higher assistance to gold mines under the Gold Mining Assistance Act and the extension of this assistance for an indefinite period gave gold producers the incentive to boost production. The unfavorable element in the picture, however, which might have far reaching effects, was the inclusion of mining workers in the coverage of the Minimum Wage Law in June, 1966.

Responding to favorable prices in the foreign market, the country's copper mines produced 70, 973 metric tons, an increase of 13.1 per cent as compared with the moderate gain of 3.8 per cent in the previous year. Similarly, output of iron ore rose to 1,485 thousand metric tons in 1966, an expansion of 3.3 per cent, but this was lower than the 5.2 per cent increase in 1965. Output of chromite ore — a strategic war ma-

terial — amounting to 560,110 metric tons, increased by 1 per cent in 1966, failing to match the 19 per cent jump between 1964 and 1965. Nevertheless, this compares favorably with the average 6 per cent annual decline registered in the period 1960-1964, before the escalation of the hostilities in Vietnam. Manganese production rose slightly by 1.7 per cent after posting a substantial increase in 1965. Depressed export prices and a probable high inventory level for this product accounted for the moderate gain in production.

Gold production, amounting to 451,500 fine ounces in 1966 and contributing 45 per cent to the volume index, rose at an accelerated rate of 3.2 per cent as compared with 2.8 per cent in 1965. This gain was partly attributable to the stimulus provided by the amendment of the Gold Mining Assistance Act in September, 1966.

On the whole, output of minor metallic products slumped during 1966. Low ore recovery cut back production of zinc and lead by 23.2 per cent and 14.3 per cent, respectively, although quicksilver production managed to expand by 2.5 per cent from the 1965 level.

### MINING PRODUCTION 1965 and 1966

I t e m	Unit of Weight	Q u a n t i t y		Per Cent Change
		1966	1965	
G o l d .....	F. Ounce	451,500	437,474	3.2
Silver .....	" "	1,092,800	933,938	17.0
Base Metals .....				
Iron Ore .....	Metric Ton	1,485,300	1,437,778	3.3
Chromite Ore .....	" "	560,110	554,552	1.0
Copper (metal) .....	" "	70,973	62,740	13.1
Manganese Ore .....	" "	52,626	51,744	1.7
Lead (metal) .....	" "	90	105	-14.3
Zinc (metal) .....	" "	1,582	2,059	-23.2
Quicksilver (metal) .....	Flask	2,443	2,384	2.5
Non-Metallics .....				
Coal .....	Metric Ton	69,090	94,541	-26.9
Sand and Gravel .....	Cubic Meter	..	1,325,887	—
Salt .....	C a v a n	2,836,940	4,504,260	-37.0
Silica .....	Metric Ton	..	279,589	—

SOURCE OF BASIC DATA: Bureau of Mines

## E. CONSTRUCTION

In contrast to the brisk performance of the preceding year, a slump in new construction activity in the Philippines took place during 1966, based on trends for Manila and suburbs as well as 32 other chartered cities located throughout the country. Total permit valuation — inclusive of addition, alteration and repairs — amounted to only P373.3 million, or 21.4 per cent below the 1965 level. The suspension in the granting of construction loans by government financial institutions in the early part of 1966 discouraged the making of building plans particularly in metropolitan Manila.

The slump was more noticeable in the non-residential sector which contributed nearly one-half of the total construction value in 1966. This sector decreased by 28 per cent following a drop of over 50 per cent in construction value in outlying areas of Manila. Total residential construction decreased by a smaller 13 per cent to P167 million, with Manila and its surrounding area suffering cutbacks of 20 per cent and 16 per cent, respectively. In the repair category, permit valuation amounted to only P39.1 million or 22 per cent lower than in 1965, with the losses centered within metropolitan Manila.

Geographically, only the selected chartered cities outside Manila and suburbs registered improvements during 1966. Nonetheless, permit valuation for these areas, reaching up to almost a third of the aggregate value or P111.1 million, went up by a mere 5 per cent as against the combined decrease of 29 per cent for Manila and its environs.

In the City of Manila, the number of units put up during 1966, inclusive of addition, alteration and repair reached 4,161 with a value of P105.7 million, a decrease of 5 per cent in number and 10 per cent in value. The contraction originating from all types of construction was in large contrast to the expansion observed in 1965.

**NEW PRIVATE CONSTRUCTION ACTIVITIES IN MANILA,  
MANILA SUBURBS AND CHARTERED CITIES  
IN THE PHILIPPINES**

1965 and 1966

(Value in million pesos)

Location	T O T A L		Per Cent Change	Residential		Per Cent Change	Non-Resi- dential		Per Cent Change	Addition, Alteration & Repair		Per Cent Change
	1966 <sup>p</sup>	1965 <sup>p</sup>		1966	1965		1966	1965		1966	1965	
T O T A L . . . . .	373.3	475.0	—21.4	166.8	191.2	—12.8	167.4	233.4	—28.3	39.1	50.4	—22.4
Manila . . . . .	105.7	117.0	— 9.7	25.7	32.2	—20.4	62.0	62.7	— 1.1	17.9	22.0	—18.6
Manila Suburbs <sup>a</sup> . . . . .	156.5	251.7 <sup>p</sup>	—37.0	91.9	109.8	—16.3	49.9	118.8	—58.0	14.7	23.0	—36.1
Other Chartered Cities <sup>b</sup> . . . . .	111.1	106.3	4.5	49.2	49.1	0.2	55.5	51.9	6.9	6.5	5.4	20.2

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

<sup>a</sup> Composed of the cities of Caloocan, Quezon and Pasay and the municipalities of Makati, Mandaluyong, San Juan and Parañaque.

<sup>b</sup> Composed of 32 selected chartered cities located throughout the country.



**PERMIT VALUATION OF PRIVATE BUILDING CONSTRUCTION**  
By Type of Construction in the City of Manila  
1965 and 1966

(Value in pesos)

<i>Type of Construction</i>	<i>1 9 6 6</i>		<i>1 9 6 5</i>		<i>Per Cent Change</i>	
	<i>Number</i>	<i>Value</i>	<i>Number</i>	<i>Value</i>	<i>Number</i>	<i>Value</i>
Total .....	4,161	105,675,496	4,394	116,939,441	— 5.3	— 9.6
Residential .....	946	25,724,200	1,183	32,314,700	—20.0	—20.4
Non-Residential .....	390	62,065,600	506	62,662,700	—22.9	— 1.0
Commercial .....	185	42,800,000	218	42,396,000	—15.1	1.0
Industrial and public utility <sup>a</sup> ..	21	1,747,000	43	5,781,000	—51.2	—69.8
Institutional <sup>b</sup> .....	26	9,951,000	27	12,855,000	— 3.7	—22.6
Others <sup>c</sup> .....	158	7,567,600	218	1,630,700	—27.5	364.1
Addition, Alteration and Repair .....	2,825	17,885,696	2,705	21,962,041	4.4	—18.6

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

<sup>a</sup> Inclusive of factories, warehouses and plants.

<sup>b</sup> Inclusive of recreational, social, educational, charitable, religious, medical and other similar institutions.

<sup>c</sup> Inclusive of buildings not classified elsewhere.

## F. REAL ESTATE

Following the slump in construction activities, real estate transactions underwent a slowing down in 1966. Although total sales amounted to ₱306.5 million, they were only 1 per cent above the 1965 level, thus garnering only a fifth of the increase between 1964 and 1965. Sales in Manila and the surrounding cities of Quezon, Pasay and Caloocan, aggregating ₱208.9 million, fell below the 1965 figure by 9.2 per cent. On the other hand, sales in outlying municipalities (Makati, Mandaluyong, Malabon, Navotas, Parañaque and San Juan) rose by 32.7 per cent to ₱97.6 million but this was not enough to offset the above-mentioned declines in the cities which represented about three-fourths of total sales.

Real estate mortgages followed a similar trend, declining by 12 per cent to ₱576.4 million in 1966. The decrease, however, was below the 22 per cent decline registered for 1965.

## G. PUBLIC UTILITIES

### 1. *Electricity*

During the year, electric power generated by the Manila Electric Company amounted to 3,442.5 million k.w.h., exceeding the 1965 level by 12.7 per cent and improving on last year's growth of 9.6 per cent. The impressive expansion in output was in response to brisk demand as demonstrated by total sales of electricity which also rose at a pace of 12.3 per cent as compared to 9.1 per cent in the preceding year. The year 1966 also marked the completion of Unit 2 of the Tegen Station of the Manila Electric Company which boosted further its productive capacity.

Sales to the residential and commercial sectors amounted to 1,714 million k.w.h. for a combined increase of 12.4 per cent over last year. Complementing the marked gains in its output, the manufacturing sector purchased around 1,187 million k.w.h. or about 39 per cent of total sales, increasing by 10.7 per cent over last year. Sales to other types of users went up by 24 per cent to 154 million k.w.h. as compared with 0.5 per cent in 1965.

### 2. *Transportation*

For the first time in three years, railway operations of the Philippine National Railway featured significant improvements. Based on data for the first nine months of 1966, the number of passengers and revenues therefrom rose by 12.1 per cent to 6,671,026 and 14.8 per cent to ₱13.3 million, respectively, from corresponding levels in 1965. Improved railway passenger services, resulting from the addition of motor power, accounted for the gain in passengers. On the other hand, reflecting the inadequacy of freight car facilities, total net tonnage carried reached only 667.9 thousand metric tons or 10.6 per cent below last year's while corresponding receipts dropped by 5.4 per cent to ₱5.8 million.

International shipping movement in the Port of Manila showed divergent trends. Both the number of incoming vessels totalling 2,031 and corresponding tonnage amounting to 8,091,396 metric tons increased by 8 per cent as compared with the slight increase registered in 1965. On the other hand, the number of outgoing bottoms cleared dropped slightly to 1,741 with a corresponding tonnage reduction of 2.3 per cent to 6,807,420 metric tons in 1966.

# PRODUCTION OF SELECTED COMMODITIES

Crop Years 1940; 1957-1966

(Thousand metric tons)

Commodity	1940	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
<b>Food products:</b>											
Rice (rough) .....	2,363	3,346	3,204	3,685	3,740	3,705	3,910	3,967	3,843	3,993	4,073
Corn (shelled) .....	572	895	852	1,016	1,165	1,210	1,266	1,273	1,293	1,313	1,380
Beans and vegetables .....	116	231	243	239	228	208	230	214	228	242	249
Coffee (dry beans) .....	2	8	10	11	26	32	43	33	39	44	43
Cacao (dry beans) .....	0.5	2	2	2	3	4	3	3	4	4	4
Fruits and nuts .....	372	673	714	692	719	755	996	1,068	1,281	1,284	1,313
Peanuts (unshelled) .....	7	18	19	16	15	13	11	11	14	13	14
Root crops .....	615	1,292	1,330	1,340	1,412	1,445	1,334	1,360	1,553	1,537	1,472
Meat and poultry products	237	277	293	299	303	281	290	297	289	308	323 <sup>d</sup>
Fish <sup>a</sup> .....	170	386	427	436	445	455	481	547	604	667	733 <sup>d</sup>
Other food crops .....	2	6	5	8	8	30	37	45	45	50	52
<b>Export products:</b>											
Abaca .....	172	129	125	111	95	115	116	128	134	134	135
Tobacco .....	32	51	50	52	64	60	70	68	65	46	58
<b>Coconut products:</b>											
Copra .....	739	1,319	1,293	1,072	1,075	1,071	1,356	1,489	1,487	1,471	1,485
Desiccated coconut ...	41	54	56	50	42	59	63	67	63	63	77
Coconut oil <sup>d</sup> .....	213 <sup>b</sup>	221	225	194	165	170	281	366	381	388	455
Copra meal or cake <sup>d</sup> .	—	116	99	95	89	98	159	185	212	200	263 <sup>d</sup>
<b>Sugar cane products:</b>											
Sugar, centrifugal ...	947	1,037	1,250	1,372	1,387	1,317	1,468	1,555	1,684	1,557	1,402
Muscovado and panocha	50	66	68	71	58	37	38	46	47	63	58
Kapok .....	3	3	3	3	3	2	2	1	1	2	2
Maguay .....	7	3	2	3	2	2	2	2	2	3	3
Ramie .....	0.9	2	2	3	2	2	4	6	5	6	5
Rubber .....	0.9	2	3	2	3	4	5	5	6	6	6
Other export crops <sup>c</sup> .....	119	245	277	366	371	356	397	430	443	525	368

SOURCES OF BASIC DATA: Bureau of Agricultural Economics; Philippine Fisheries Commission; Sugar Quota Administration Philippine Economic Survey Mission Report; Philippine Coconut Administration.

<sup>a</sup> Calendar Year figure

<sup>b</sup> 1937 figures

<sup>c</sup> Inclusive of cotton and molasses, except the 1966 data which consist of molasses only, cotton production being less than 0.1 thousand metric tons.

<sup>d</sup> 1955 to-date are calendar year figures.

# ACTUAL AREA \* UNDER CULTIVATION FOR PRINCIPAL CROPS

Crop Years 1940; 1957-1966

(Thousand Hectares)

<i>Crop</i>	1940	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
<b>T O T A L</b> .....	<u>5,173</u>	<u>7,004</u>	<u>6,989</u>	<u>7,910</u>	<u>7,597</u>	<u>7,835</u>	<u>7,919</u>	<u>7,935</u>	<u>7,956</u>	<u>8,252</u>	<u>8,297</u>
<b>Food Crops</b> .....	<u>3,528</u>	<u>5,449</u>	<u>5,470</u>	<u>6,351</u>	<u>6,010</u>	<u>6,119</u>	<u>6,072</u>	<u>5,978</u>	<u>5,869</u>	<u>5,995</u>	<u>6,062</u>
Rice (rough) .....	2,080 <sup>b</sup>	2,768	3,154	3,329	3,307	3,198	3,179	3,161	3,088	3,200	3,109
Corn (shelled) .....	913	1,787	1,381	2,107	1,846	2,046	2,016	1,950	1,898	1,923	2,106
Beans and vegetables .....	109	176	184	181	159	124	131	124	114	109	110
Coffee (dry beans) .....	7	22	23	26	31	39	50	42	42	44	46
Cacao (dry beans) .....	5	7	7	7	7	10	9	10	9	10	9
Fruits and nuts <sup>c</sup> .....	235	396	418	398	367	408	415	415	418	425	407
Root Crops .....	178	292	300	300	289	283	261	264	288	274	263
Other food crops .....	1	2	3	3	3	11	11	12	12	11	12
<b>Export Crops</b> .....	<u>1,645</u>	<u>1,555</u>	<u>1,519</u>	<u>1,559</u>	<u>1,587</u>	<u>1,716</u>	<u>1,847</u>	<u>1,957</u>	<u>2,087</u>	<u>2,257</u>	<u>2,235</u>
Abaca .....	292	232	193	193	175	175	183	182	210	199	198
Tobacco .....	58	81	85	91	96	91	101	97	96	76	86
Sugarcane .....	230	235	231	252	242	232	255	259	270	351	315
Coconut .....	1,051	992	996	1,006	1,059	1,200	1,284	1,392	1,482	1,605	1,611
Kapok .....	3	3	3	3	3	2	3	3	3	3	3
Maguey .....	8	3	2	4	3	3	3	3	3	3	3
Ramie .....	0.4	3	2	2	2	2	3	3	3	3	3
Rubber .....	3	5	5	5	5	10	14	18	20	17	16
Other export crops <sup>d</sup> .....	—	3	3	4	2	0.6	0.8	0.1	0.1	0.1	<sup>e</sup>

SOURCE OF BASIC DATA: Bureau of Agricultural Economics

\* Crop area harvested.

<sup>b</sup> Crop area planted.

<sup>c</sup> Inclusive of peanuts.

<sup>d</sup> Cotton area.

<sup>e</sup> Less than 0.1 thousand hectare.

# CENTRIFUGAL SUGAR PRODUCTION BY DISTRICT

## 1940; 1952 — 1966

(Production in metric tons)

<i>Crop Year</i>	<i>T o t a l</i>		<i>Luzon District</i>		<i>Visayan District</i>	
	<i>No. of Centrals</i>	<i>Production</i>	<i>No. of Centrals</i>	<i>Production</i>	<i>No. of Centrals</i>	<i>Production</i>
1940	..	947,067	..	..	..	..
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	1,086,870	9	313,502	16	773,367
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
1964	25	1,683,627	9	410,120	16	1,273,507
1965	27	1,557,363	9	413,171	18	1,144,192
1966	26	1,401,951	8	353,676	18	1,048,275

SOURCE OF BASIC DATA: Sugar Quota Administration

# MANUFACTURING PRODUCTION,\* 1957-1966

(Thousand pesos)

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

## M a n u f a c t u r e s

### Non-durables manufactures

#### Food manufactures, except beverages

Period	Total	Total	Total	Slaughter- ing, prepara- tion and preserving of meat	Dairy products	Processed fruits and vegetables	Processed fish products	Bakery products	Cocoa choco- late, coffee, sugar and confection- ery	Miscel- laneous food prepara- tions, n.e.s.
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	221,220
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	2,680,316	605,026	10,238	70,477	60,410	2,138	33,745	82,108	345,910
1963	4,077,988	3,148,695	761,930	15,841	87,262	62,795	2,710	38,559	114,071	440,692
1964	4,804,659	3,618,197	925,687	18,521	114,878	59,457	3,216	35,395	145,652	548,568
1965	5,085,058	3,866,488	1,018,866	24,779	125,296	90,843	3,583	33,968	144,409	595,987
1966 <sup>d</sup>	4,183,740	3,248,061	867,416	23,852	127,175	67,319	4,989	25,029	140,235	478,818

# MANUFACTURING PRODUCTION,\* 1957-1966 (Continued)

(Thousand pesos)

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

<i>Period</i>	<i>B e v e r a g e s</i>				<i>Textiles</i>	<i>Footwear, wearing apparel and made-up textile goods</i>			
	<i>Total</i>	<i>Distilled spirits, wines &amp; malt liquors</i>	<i>Soft drinks</i>	<i>Tobacco products</i>		<i>Total</i>	<i>Footwear, except rubber</i>	<i>Wearing apparel</i>	<i>Made-up textile goods</i>
1957 .....	149,187	78,829	70,357	213,869	121,908	41,834	11,824	27,748	2,262
1958 .....	164,110	90,181	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	287,107	352,239	40,222	11,256	20,242	8,724
1963 .....	286,696	191,953	94,743	262,206	382,773	46,935	18,164	21,470	7,301
1964 .....	326,147	220,097	106,050	343,893	398,426	53,851	18,160	26,261	9,429
1965 .....	350,551	245,146	105,405	384,193	388,486	62,465	19,234	30,057	13,175
1966 <sup>d</sup> .....	287,459	191,862	95,597	357,065	335,382	48,093	14,031	25,643	8,417

# MANUFACTURING PRODUCTION,<sup>a</sup> 1957-1966 (Continued)

(Thousand pesos)

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

Period	Total	Paper Products		Printing, publishing and allied industries	Leather products, except foot ware	Rubber products	Chemicals	Miscel- laneous pro- ducts of petroleum & coal	Miscel- laneous non- durable ma- nufactures
		Pulp paper, paper board and wall board	Manufac- tured arti- cles of paper and paper board						
1957 .....	48,571	17,150	31,601	12,780	4,673	43,987	249,618	b	156,278
1958 .....	60,582	22,988	37,594	17,870	4,037	69,112	319,618	b	188,993
1959 .....	83,224	34,928	48,296	14,934	5,841	90,366	411,917	b	196,424
1960 .....	103,522	35,329	68,193	12,890	5,733	107,975	423,729	b	214,914
1961 .....	98,035	39,305	58,730	16,024	5,408	131,472	487,582	b	398,134
1962 .....	112,027	46,018	66,009	14,359	5,764	127,949	528,919	b	362,650
1963 .....	119,409	64,838	54,571	12,045	6,653	154,594	603,110	508,890	3,454
1964 .....	129,348	59,386	69,962	14,231	11,481	173,674	702,817	534,159	4,485
1965 .....	158,899	75,071	83,828	17,870	10,417	167,786	790,882	512,261	3,812
1966 <sup>d</sup> .....	135,608	61,431	74,177	10,941	9,593	133,190	590,336	469,552	3,426



# MANUFACTURING PRODUCTION,<sup>a</sup> 1957-1966 (Continued)

(Thousand pesos)

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

[ 105 ]

Period		Total	Wood and cork, except furniture and fixtures	Durable manufactures						
				Furniture and fixtures	Total	Clay and cement products	Concrete and stone products	Glasswares and glass containers	Plate and sheet glass products	Cement
1957	.....	304,425	24,103	10,654	74,560	6,230	5,785	13,388	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	12,953	127,344	8,654	8,676	31,443	5,327	65,383
1962	.....	757,391	60,735	12,267	143,097	12,251	10,927	38,293	8,806	66,824
1963	.....	929,293	67,992	17,403	166,286	14,860	14,894	38,202	11,352	78,267
1964	.....	1,186,462	84,706	24,144	214,127	15,977	29,847	42,546	9,208	101,909
1965	.....	1,218,571	83,929	22,462	254,359	15,901	29,212	59,657	11,591	127,646
1966 <sup>d</sup>	.....	935,679	66,828	10,495	184,276	13,158	19,569	34,384	10,640	99,984

# MANUFACTURING PRODUCTION,<sup>a</sup> 1957-1966 (Concluded)

(Thousand pesos)

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

<i>Period</i>	<i>Non-Metallic mineral products except products of petroleum and coal (Cont'd)</i>		<i>Metal products, Machinery, except electrical machinery</i>		<i>Electrical machinery, apparatus, appliances and supplies</i>	<i>Transport equipment</i>	<i>Miscellaneous durable manufactures</i>
	<i>Limestone products</i>	<i>Non-metallic mineral products n.e.s.<sup>c</sup></i>	<i>except machinery</i>	<i>except electrical machinery</i>			
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 .....	1,875	6,836	299,857	29,248	118,652	217,155	12,699
1964 .....	1,949	12,692	369,653	26,965	152,871	301,084	12,911
1965 .....	2,703	7,649	394,285	24,023	171,833	251,398	16,283
1966 <sup>d</sup> .....	1,802	4,739	326,152	13,898	130,915	192,273	10,842

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

<sup>a</sup> Reported production of 1,068 firms for year 1957; 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; for 1964, 1,128 firms; for 1965, 1,142 firms and for 1966, 1,165 firms.

<sup>b</sup> Included in miscellaneous non-durable manufactures.

<sup>c</sup> Includes asbestos products.

<sup>d</sup> January to September.

## **VI. EMPLOYMENT, WAGES AND GROSS SALES**

### **A. OVER-ALL**

Employment as of May, 1966 (as derived from household surveys of the Bureau of the Census and Statistics) reached an all-time peak of 11,032,000, an increase of almost half a million or 4.6 per cent over May, 1965. This reversed the decline of last year, thus resuming the uptrend of employment observed since May, 1958. Moreover, unlike in 1965 the increment of 395,000 or 3.4 per cent in the total labor force was more than absorbed by the gain in the level of employment. Unemployment, therefore, went down from 8.2 per cent to 7.2 per cent of the total labor force in May, 1966.

The gain noted above occurred in both the agricultural and non-agricultural sectors although reports gathered by the Central Bank from cooperating establishments pointed to a slight decline of 0.7 per cent in non-agricultural employment for the whole year of 1966. The losses were principally in industries such as commerce (—2.6 per cent), manufacturing (—1.1 per cent), and transport and communication (—1.1 per cent) which more than offset the increased hiring of industries such as construction (10.2 per cent).

Higher costs, particularly of labor, seemed to have brought about the cut-back in employment in the above industries. This tended to be confirmed by the relatively higher increase in money wages of both salaried employees and wage earners as compared with 1965. The increase in prices of items purchased by these groups, however, negated most of the gains in money wages although unskilled laborers still managed to improve their real wage rate by 0.5 per cent.

Gross sales reflected the trends in the principal sectors of the economy.

### **B. EMPLOYMENT, UNEMPLOYMENT AND UNDEREMPLOYMENT**

Over-all employment, which decreased by 29,000 or 0.3 per cent between May, 1964 and May, 1965, staged a remarkable recovery in 1966. From 10,543,000 in May, 1965 the number of gainfully employed rose to 11,032,000 in May, 1966, an increment of 489,000 or 4.6 per cent. Since the total labor force grew by only 395,000 or 3.4 per cent to 11,886,000 in May, 1966, unemployment declined by 98,000 from 947,000 to 854,000 or from 8.2 per cent to 7.2 per cent of the existing labor force.

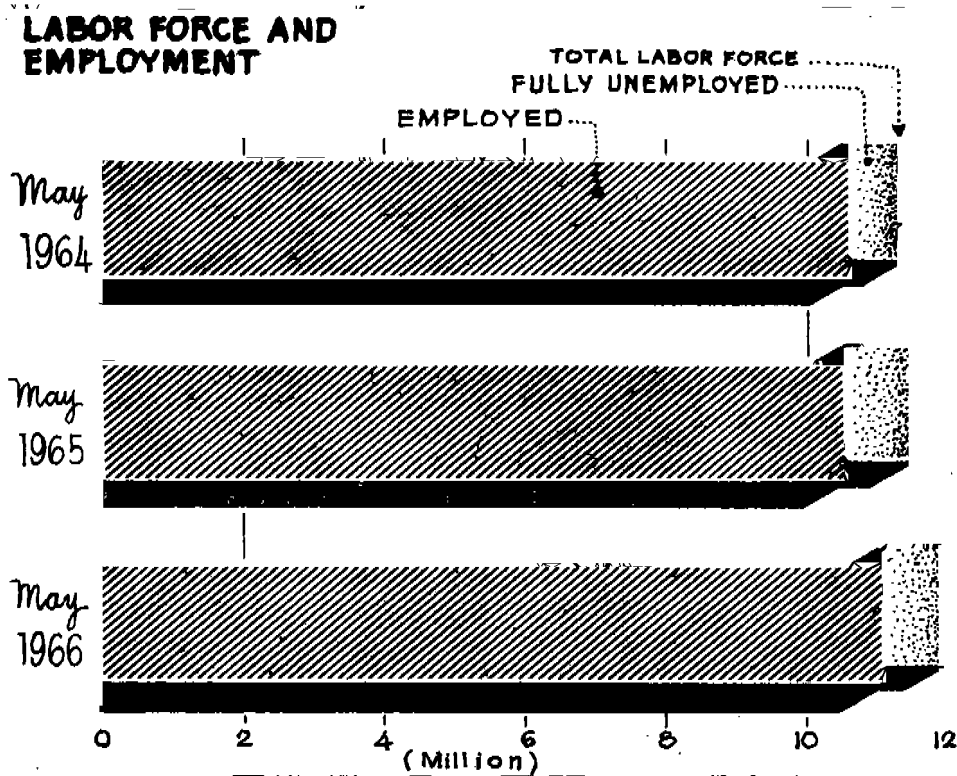
# LABOR FORCE AND EMPLOYMENT

## 1964 — 1966

<i>Labor Force Status</i>	<i>May, 1964</i>	<i>May, 1965</i>	<i>May, 1966</i>
Labor Force, thousands .....	<u>11,296</u>	<u>11,491</u>	<u>11,886</u>
Employed .....	<u>10,572</u>	<u>10,543</u>	<u>11,032</u>
(a) By industry:			
Agriculture .....	6,188	6,053	6,275
Non-Agriculture .....	4,384	4,491	4,757
(b) By degree of employment:			
Fully Employed .....	9,925	9,728	..
Under-Employed <sup>a</sup> .....	647	815	..
Fully Unemployed .....	724	947	854
As Per Cent of Labor Force:			
Employed .....	93.6	91.8	92.8
Fully Unemployed .....	6.4	8.2	7.2

SOURCE: Bureau of the Census and Statistics

<sup>a</sup> Persons working less than 30 hours per week and who wanted additional work.



## C. NON-AGRICULTURAL EMPLOYMENT

Non-agricultural employment, which had been on the uptrend since 1951, declined by 0.7 per cent in 1966, as reported to the Central Bank by 1,289 cooperating non-agricultural establishments. While industries like construction, personal services, public utilities and mining & quarrying hired more workers during the year, reductions in the work force in commerce, manufacturing, transport & communication, recreation and government services were larger and depressed the over-all employment index.

Employment in the construction sector registered the largest increment of 10.2 per cent. This development contrasted with the reported slump in construction activities. Since the value of construction activities was based on the number of building permits granted, the contrast between the two indicators could be explained by the time lag between the granting of permits and the start of actual construction. The gain in employment in the construction industry in 1966, therefore, could be a spill-over from the construction activities scheduled for 1965 but deferred for the following year or 1966. The other industries where expansionary activities were noted were: personal services (5.1 per cent), public utilities (1.7 per cent), and mining & quarrying (1.3 per cent). While personal services was able to maintain its rate of growth in the previous year, public utilities and mining & quarrying were not able to sustain their 1965 increases of 11.3 per cent and 7.7 per cent, respectively.

On the other hand, employment in commerce which has been growing steadily since 1962, dipped by 2.6 per cent in 1966. This was largely due to the laying-off of a large number of casuals in a big government insurance corporation. Recreation services suffered a cut-back of 1.9 per cent. While manufacturing production, backed up by the easing of credit and above all by a vigorous anti-smuggling campaign, made an impressive showing this year, manufacturing employment declined by 1.1 per cent after the increase of 3.0 per cent in 1965. Higher labor costs could have contributed to this development. Transport & communication continued to reduce its personnel by 1.1 per cent. Government services, likewise, suffered a cut of 0.6 per cent after registering a gain of 2.5 per cent last year. The year 1965, however, was an election year.

# INDEX OF NON-AGRICULTURAL EMPLOYMENT, 1965-1966 (1955 = 100)

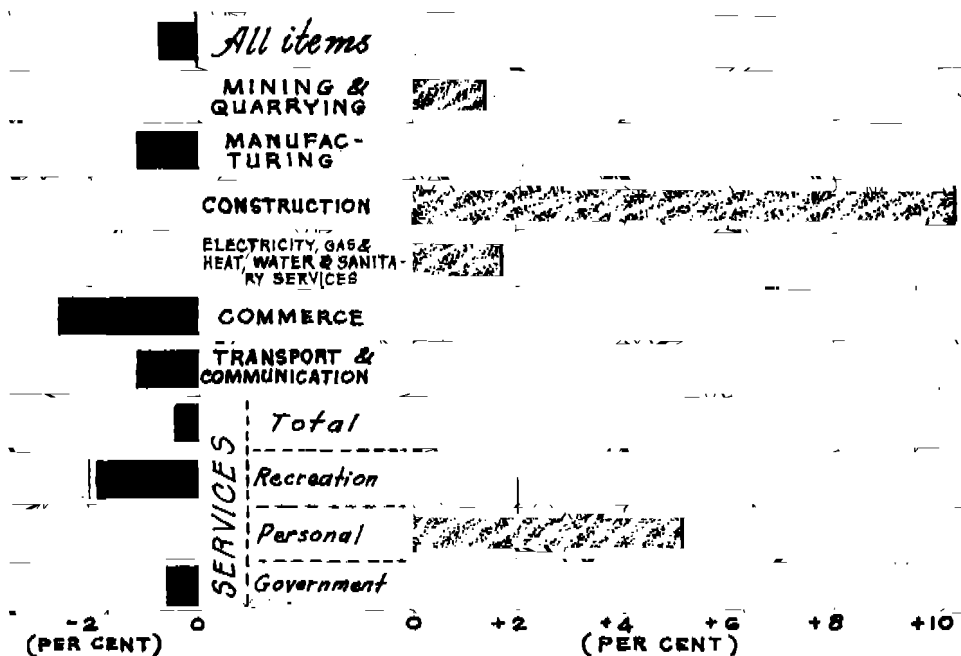
Industry Division	1966	1965	Per Cent Change
ALL ITEMS .....	135.8	136.8	— 0.7
Mining & quarrying .....	84.7	83.6	+ 1.3
Manufacturing .....	125.6	127.0	— 1.1
Construction .....	191.4	173.7	+ 10.2
Electricity, gas & heat, water & sanitary services .....	157.8	155.2	+ 1.7
Commerce .....	141.3	145.0	— 2.6
Transport & Communication .....	139.6	141.2	— 1.1
Services: .....	159.9	160.0	— 0.4
Recreation <sup>a</sup> .....	101.1	103.1	— 1.9
Personal .....	138.7	132.0	+ 5.1
Government <sup>b</sup> .....	163.3	154.3	— 0.6

SOURCE OF BASIC DATA: 1,289 cooperating establishments

<sup>a</sup> Actors, actresses and other players in motion picture studios are not included.

<sup>b</sup> Covering 74 bureaus and offices.

## PER CENT CHANGES IN NON-AGRICULTURAL EMPLOYMENT, 1965-1966



## D. WAGE RATES

The average daily money wage rates of skilled and unskilled laborers in Manila and suburbs went up in 1966 at faster rates than in the previous year. These increases, however, still lagged behind the growth in prices. The amendment of the Minimum Wage Law in 1966 to include workers in the mining industry contributed to the hike in money wages.

The average daily money wage rate of skilled laborers for 1966 showed an increment of 5.0 per cent, improving on the 2.9 per cent gain registered during the previous year. Significantly, all kinds of skilled laborers contributed to the favorable trend in money wages. Similarly, unskilled laborers hiked their money wage rate by 7.3 per cent which exceeded their 7.1 per cent increase in 1965. However, as consumer prices <sup>a</sup> increased at a faster rate in 1966, the real wage rate of skilled workers actually suffered a cut-back of 1.6 per cent. Unskilled workers, largely because of the substantial increase in their money wage, were able to show a 0.5 per cent increment in their real wage.

### WAGE RATES INDEX FOR NON-AGRICULTURAL LABORERS IN MANILA AND SUBURBS

1965 — 1966

(1955 = 100)

<i>Wage Rates</i>	<i>1966</i>	<i>1965</i>	<i>Per Cent Change</i>
<b>Money Wage Rates:</b>			
Skilled laborers .....	120.1	114.4	5.0
Unskilled laborers .....	131.4	122.5	+ 7.3
<b>Real Wage Rates: <sup>a</sup></b>			
Skilled laborers .....	79.8	81.1	— 1.6
Unskilled laborers .....	87.3	86.9	+ 0.5

SOURCE OF BASIC DATA: Private firms

## E. EARNINGS

The average monthly earnings in 1966 of salaried employees and wage earners reflected increases of 5.1 per cent and 10.4 per cent, respectively. As a group, salaried employees improved their 1965 rate of growth by almost five times. Not all the salaried employees in the covered industries shared the gains equally, however, as those in mining and quarrying even suffered a loss. Salaried employees in the public utilities sector enjoyed the biggest increase of 22.4 per cent while those in transport & communication gained only by 2.1 per cent.

<sup>a</sup> The real wage rate index is obtained by deflating the money wage rate index by the consumer price index (1955 = 100) for a wage earner's family in Manila.

The average monthly earnings of wage earners, likewise, went up by 10.4 per cent with the index rising to 146.8 (1955 = 100) from 133.0 a year ago. Unlike in the case of salaried employees, the growth in their earnings was shared by wage earners in all reporting industries with expansion rates ranging from 8.2 per cent to 13.3 per cent.

# **INDEX OF AVERAGE MONTHLY EARNINGS IN SELECTED NON-AGRICULTURAL INDUSTRIES IN THE PHILIPPINES 1965 — 1966**

1955 = 100)

<i>Industry Division</i>	<i>1966</i>	<i>1965</i>	<i>Per Cent Change</i>
<b>All Workers:</b>			
Salaried employees *	142.6	135.7	+ 5.1
Wage earners	146.8	133.0	+ 10.4
<b>Mining &amp; quarrying:</b>			
Salaried employees	141.8	143.9	— 1.5
Wage earners	171.5	158.2	+ 8.4
<b>Manufacturing:</b>			
Salaried employees	143.8	136.8	+ 5.1
Wage earners	139.8	129.2	+ 8.2
<b>Electricity, gas &amp; heat, water &amp; sanitary services:</b>			
Salaried employees	136.0	111.1	+ 22.4
Wage earners	151.8	134.0	+ 13.3
<b>Commerce:</b>			
Salaried employees	144.5	138.8	+ 4.1
Wage earners	139.1	128.3	+ 8.4
<b>Transport &amp; communication:</b>			
Salaried employees	147.1	144.1	+ 2.1
Wage earners	135.2	119.4	+ 13.2

SOURCE OF BASIC DATA: 787 cooperating establishments

\* Salaried employees include executives and supervisors.



## F. GROSS SALES

The Central Bank index on gross sales and/or receipts of leading business establishments, which was discontinued in 1959, was re-introduced this year with some major revisions. The new series was based on the reports of 1,400 establishments operating in Manila and suburbs. Moreover, the base year was shifted from 1955 to 1962.

On the whole, sales activity in 1966, as measured by the revised gross sales index, generally followed the trends observed in the major sectors of the economy. The over-all sales index moved up from 130.6 to 140.8, an increase of 7.8 per cent, or more than twice the expansion in 1965 although it was still lower than the 9.0 per cent rate in 1964. The buoyancy observed in the volume of gross sales in 1966 as compared with 1965 could be explained by the substantial amount of purchasing power in the economy arising from sharp increases in money supply during certain months and also by the large increments in prices during the year under review.

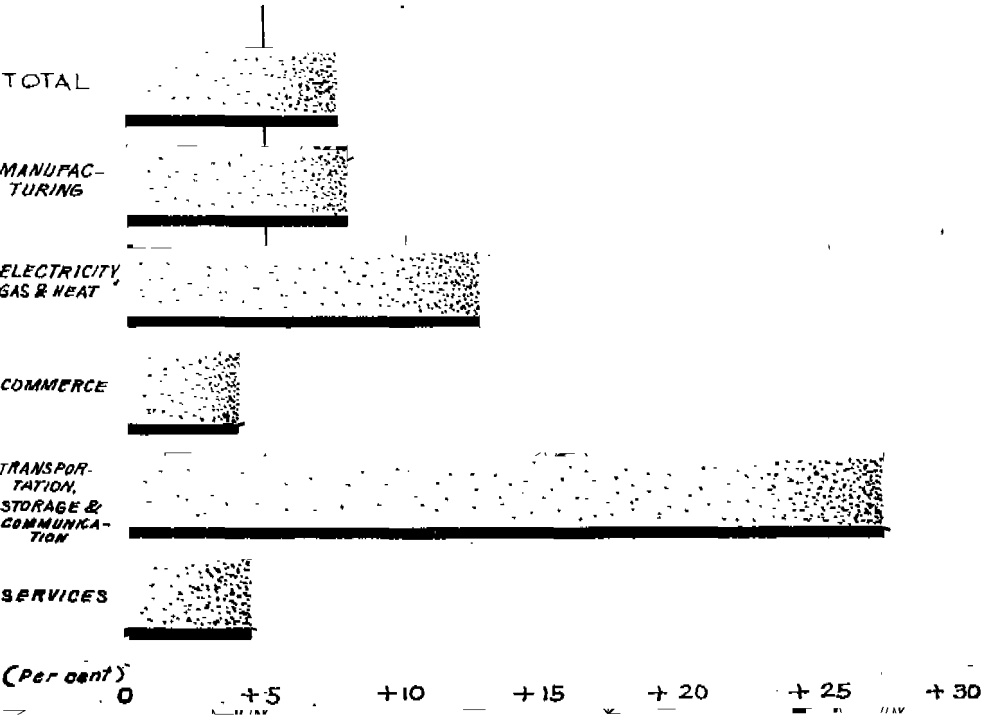
Among the five major divisions, transport, storage & communication showed the biggest gain, percentagewise. The growth of 27 per cent in the sales of companies falling under this division doubled the 1965 rate. Most of the improvement was registered in the receipts of railway and ocean transport as well as of the only telephone company represented in the index. The electrical, gas and heat, water and sanitary services division, although carrying a low weight in the index, followed with a 12.8 per cent increase in 1966 due mainly to greater sales of electrical power.

Sales of the manufacturing division, which includes the heavily weighted items of the index, rose by 8.2 per cent or almost five times the growth in 1965, paralleling the gains observed in the production of manufactured items. The largest sales were made in transport equipment, metal products, manufactured food products and wood and cork products. Diverging, however, from those observed in the production sector were the high rates of increase registered in gross sales of beverages, rubber products and the low growth in sales of tobacco manufactures. Sales of textile products, however, improved by 16.3 per cent as compared to only 2.8 per cent in 1965, reflecting the extent to which this industry had revived.

In the commerce division, sales on the retail level outpaced those on the wholesale (34.4 per cent compared with 3.6 per cent). Pharmacies and drugstores as well as motor vehicles and motor cycles were among the large gainers in retail. On the wholesale level, sales of petroleum and other mineral oil products as well as of textiles, wearing apparel, furnitures and home furnishings led the others.

In the services division, opposite trends were observed. While recreation services went down by 6.6 per cent, personal services were up by 11.1 per cent from 2.8 per cent last year. Restaurants, cafes, taverns and eating places as well as hotels and rooming houses enjoyed the largest increase in gross receipts.

GROSS SALES AND/OR RECEIPTS OF COOPERATING BUSINESS ESTABLISHMENTS BY INDUSTRY DIVISION (Per Cent Changes)



**GROSS SALES AND/OR RECEIPTS OF COOPERATING BUSINESS  
ESTABLISHMENTS BY INDUSTRY DIVISION (1962 = 100)**

<i>Industry Division</i>	<i>1966</i>	<i>1965</i>	<i>% Increase (Decrease)</i>
<b>TOTAL</b> .....	140.8	130.6	7.8
<b>MANUFACTURING</b> .....	142.5	131.7	8.2
<b>FOOD MANUFACTURING INDUSTRIES</b> ..	141.0	120.3	17.2
Preparation & preserving of meat .....	255.8	240.0	6.6
Manufacture of dairy products .....	192.4	155.0	24.1
Canning & preserving of fruits & vegetables .....	54.5	58.9	( 7.5)
Canning & preserving of fish & other sea foods .....	94.5	111.3	(16.1)
Manufacture of grain mill products .....	100.2	109.3	( 8.3)
Manufacture of bakery products .....	105.9	96.2	10.1
Sugar factories & refineries .....	146.8	95.0	54.5
Manufacture of cocoa, chocolate & sugar confectionary .....	141.6	134.2	5.5
Manufacture of miscellaneous food preparation .....	147.0	142.5	3.2
<b>BEVERAGE INDUSTRIES</b> .....	171.2	146.2	17.1
Distilling, rectifying & blending of spirits	194.7	164.0	18.7
Breweries & the mfg. of malt & malt liquors .....	176.9	162.3	9.0
Soft drinks & carbonated water industries	156.0	122.3	27.6
<b>TOBACCO MANUFACTURE</b> .....	152.7	150.3	1.6
Cigar & cigarette factories .....	152.6	142.8	6.9
Leaf tobacco redrying & curing plants ...	164.5	177.4	( 7.3)
Other tobacco manufactures, n.e.c. ....	104.8	83.9	24.9
<b>MANUFACTURE OF TEXTILES</b> .....	120.4	103.5	16.3
Spinning, weaving & finishing of textiles .	127.2	102.3	24.3
Knitting mills .....	93.1	92.6	0.5
Cordage, rope, twine & net manufacturing	131.8	120.4	9.5
<b>MANUFACTURE OF FOOTWEAR, OTHER WEARING APPAREL &amp; MADE-UP TEXTILE</b> .....	116.3	114.5	1.6
Manufacture of footwear, except rubber shoes .....	91.7	116.7	(21.4)
Manufacture of wearing apparel, except footwear .....	113.1	121.4	( 6.8)
Manufacture of made-up textile goods ....	128.9	103.9	24.1
<b>MANUFACTURE OF WOOD, CANE &amp; CORK, EXCEPT MANUFACTURE OF FOOT- WEAR</b> .....	155.4	137.2	13.3
Sawmills, planning & other wood mills ...	162.5	146.1	11.2
Veneer & plywood factories .....	147.6	122.6	20.4
Window & door sash, frame & jalousie factories .....	51.8	54.8	( 4.6)
Other wood & cork manufactures, n.e.c. ..	42.7	140.1	(69.5)
<b>MANUFACTURE OF FURNITURE AND FIXTURES</b> .....	107.3	105.9	1.3
Rattan .....	95.7	160.0	(40.2)
Wood .....	101.8	89.2	14.1
Metal .....	124.6	129.3	( 3.7)
Venetian blinds & other window screens ..	105.6	102.9	2.6
Furniture & fixtures, n.e.c. ....	102.4	100.1	2.3

**GROSS SALES AND/OR RECEIPTS OF COOPERATING BUSINESS  
ESTABLISHMENTS BY INDUSTRY DIVISION  
(1962 = 100), Continued**

<i>Industry Division</i>	<i>1966</i>	<i>1965</i>	<i>% Increase (Decrease)</i>
<b>MANUFACTURE OF PAPER &amp; PAPER PRODUCTS</b> .....	148.9	138.7	7.4
Pulp, paper & paperboard mills .....	143.8	153.1	( 6.1)
Manufacture of articles of pulp, paper & paperboard .....	152.3	129.1	18.0
Paper & paper products, n.e.c. ....	223.7	201.3	11.1
<b>PRINTING, PUBLISHING AND ALLIED INDUSTRIES</b> .....	121.0	113.5	6.6
Newspapers, magazines, periodicals, books & pamphlets .....	120.8	112.8	7.1
Commercial printing .....	141.4	126.0	12.2
Bindery & blank products factories .....	113.3	101.1	12.1
Printing, publishing & allied ind., photo- engraving, photostat services, n.e.c. ...	77.8	89.7	(13.3)
<b>MANUFACTURE OF LEATHER AND FUR PRODUCTS</b> .....	109.3	136.0	(19.6)
Tanneries & leather finishing plant .....	122.7	149.1	(17.7)
Leather bags, billfolds, etc. ....	89.1	98.5	( 9.6)
Manufacture of other leather & fur pro- ducts, except footwear & wearing ap- parel, n.e.c. ....	118.2	161.5	(26.8)
<b>MANUFACTURE OF RUBBER PRODUCTS</b> .....	122.8	109.6	12.0
Rubber shoe manufacture .....	148.9	126.2	18.0
Tire & inner tuber manufacture .....	124.2	114.4	8.6
Retreading, recapping & vulcanizing plants	129.5	125.1	3.5
Rubber products, n.e.c. ....	106.1	71.7	48.0
<b>MANUFACTURE OF CHEMICALS AND CHEMICAL PRODUCTS</b> .....	139.9	142.9	( 2.1)
Manufacture of basic industrial chemicals, inc. fertilizers .....	140.3	127.5	10.0
Manufacture of acids, alkalis, salts, etc. ..	191.1	173.5	10.1
Manufacture of fertilizers .....	137.4	124.9	10.0
Pigments, driers, fillers, dyes, color lakes & toners .....	54.5	89.7	(39.3)
Manufacture of paints, varnishes & lacquers .....	134.5	134.3	0.1
Manufacture of misc. chemical products ..	143.7	149.9	( 4.1)
<b>MANUFACTURE OF PRODUCTS OF PET- ROLEUM AND COAL</b> .....	128.2	118.8	7.9
<b>MANUFACTURE OF NON-METALLIC MI- NERAL PRODUCTS, EXCEPT PROD- UCTS OF PETROLEUM AND COAL</b> ...	151.6	155.5	( 2.5)
Manufacture of structural clay products ..	113.3	184.1	(37.9)
Manufacture of glass & glass products ...	131.8	122.1	7.9
Manufacture of cement .....	166.3	156.3	6.4
Sculpturing .....	41.9	63.4	(33.9)
Non-metallic mineral products, n.e.c. ....	130.3	118.0	10.4
<b>BASIC METAL INDUSTRIES</b> .....	108.3	77.7	39.4
Iron & steel basic industries .....	132.2	89.1	48.4
Non-ferrous metal basic industries .....	78.4	142.8	(45.1)

**GROSS SALES AND/OR RECEIPTS OF COOPERATING BUSINESS  
ESTABLISHMENTS BY INDUSTRY DIVISION  
(1962 = 100), Continued**

<i>Industry Division</i>	<i>1966</i>	<i>1965</i>	<i>% Increase (Decrease)</i>
<b>MANUFACTURE OF METAL PRODUCTS, EXCEPT MACHINERY AND TRANS- PORT EQUIPMENT</b> .....	156.6	142.8	9.7
Aluminum cans, tin cans & hallow ware ..	237.9	209.2	13.7
Cutlery, handtools & general hardware ..	320.6	276.2	16.1
Fabricated structural metal products ....	132.7	129.9	2.2
Metal stamping, coating & engraving, nickel and chromium plating .....	84.6	100.9	(16.2)
Fabricated wire products .....	113.7	105.2	8.1
Misc. fabricated metal products .....	140.9	171.4	(17.8)
Blacksmithing & welding .....	113.7	73.7	54.3
Other metal products, n.e.c. ....	153.3	131.8	16.3
<b>MANUFACTURE OF MACHINERY, EX- CEPT ELECTRICAL MACH.</b> .....	164.1	176.8	( 7.2)
Assembly & repair of tractors & farm ma- chinery .....	78.3	78.0	0.4
Assembly & repair of industrial machinery	96.8	75.7	27.9
Assembly or repair of office, store & simi- lar machines & other mach. except elec, n.e.c. ....	181.4	199.1	( 8.9)
<b>MANUFACTURE OF ELECTRICAL MA- CHINERY, APPARATUS, APPLIANCES &amp; SUPPLIES</b> .....	164.0	138.9	18.1
Electrical transmission & distribution equipment, industrial machinery & dis- tament, industrial machinery & appa- tus .....	142.6	168.0	(15.1)
Dry cell & storage batteries .....	213.0	164.4	29.6
Electrical lamps .....	119.6	120.7	( 0.9)
Radio & television receiving sets & com- ponents .....	82.7	89.2	( 7.3)
Other electrical household, office, medical apparatus appliances & supplies, n.e.c.	196.4	158.4	24.0
<b>MANUFACTURE OF TRANSPORT EQUIP- MENT</b> .....	194.2	167.5	16.0
Shipbuilding & repairing .....	28.6	218.6	(86.9)
Motor vehicles .....	203.6	172.5	18.0
Repair of motor vehicles .....	99.5	94.3	5.5
Motor cycles & bicycles .....	46.5	55.3	(15.9)
<b>MISCELLANEOUS MANUFACTURING IN- DUSTRIES</b> .....	87.1	95.9	( 9.2)
Prof., scientific measuring & control inst. .	202.1	178.6	13.2
Photographic, optical goods, etc. ....	79.7	72.7	( 9.6)
Jewelry & related articles .....	88.1	146.1	(39.7)
Musical instruments .....	129.4	165.6	(21.9)
Plastic products, except wearing apparel ..	97.5	105.6	( 7.7)
Button factories .....	113.2	99.0	14.3
Miscellaneous manufactures n.e.c. ....	64.4	70.2	( 8.3)
<b>ELECTRICITY, GAS AND HEAT, WATER AND SANITARY SERVICES, ELECTRICITY, GAS AND STEAM</b> .....	162.7	144.2	12.8
Electricity, Gas & Steam .....	167.6	143.1	17.1
Electric light & power .....	170.0	146.9	15.7
Gas manufacture & distribution .....	142.6	115.1	23.9
<b>WATER AND SANITARY SERVICES</b> .....	135.7	146.2	( 7.2)

**GROSS SALES AND/OR RECEIPTS OF COOPERATING BUSINESS  
ESTABLISHMENTS BY INDUSTRY DIVISION  
(1962 = 100), Concluded**

<i>Industry Division</i>	<i>1966</i>	<i>1965</i>	<i>% Increase (Decrease)</i>
<b>C O M M E R C E</b> .....	130.4	125.3	4.1
<b>WHOLESALE</b> .....	133.1	128.5	3.6
Medicinal & pharmaceutical preparations .	75.6	93.9	(19.5)
Agricultural raw materials .....	82.2	89.5	( 8.2)
Mineral, metal & industrial chemicals ...	102.8	147.9	(30.5)
Lumber, construction materials, hardware and electrical goods .....	133.8	124.9	7.1
Industrial, commercial & agricultural ma- chinery & equipment & motor vehicles .	148.2	141.8	4.5
Copra and coconut products .....	89.2	98.0	( 9.0)
Petroleum & other mineral oil products ...	142.3	123.8	14.9
Dry goods, textiles, apparel, furniture & home furnishings .....	100.8	88.5	13.9
Food, beverage & tobacco .....	136.6	140.9	( 3.1)
Wholesale trade, merchandise broker, n.e.c.	130.0	130.4	( 0.3)
<b>RETAIL</b> .....	155.2	115.5	34.4
Grocery & other food & liquor stores ....	84.5	123.3	(31.5)
Pharmacies and drug stores .....	186.6	159.9	16.7
Dry goods, apparel & footwear stores ...	85.5	92.0	( 7.1)
Furniture & home furnishings .....	23.4	126.7	(81.5)
Hardware stores .....	134.3	111.8	20.1
Motor vehicles & motor cycles .....	119.3	74.1	61.0
Dept. & variety stores .....	96.7	100.0	( 3.3)
Retail trades, n.e.c. ....	136.9	137.0	( 0.1)
<b>TRANSPORTATION, STORAGE AND COMMU- NICATION</b> .....	194.7	153.3	27.0
<b>TRANSPORT</b> .....	190.9	147.5	29.4
Railway transport .....	80.0	72.0	11.1
Omnibus operators .....	111.1	114.3	( 2.8)
Road passenger transport, except omnibus operators .....	66.9	64.1	4.4
Road transport, n.e.c. ....	138.4	133.1	4.0
Ocean transport (steamship lines) ...	306.9	174.3	76.1
Water transport, except ocean transport ..	180.1	138.0	30.7
Air transport .....	198.8	173.2	14.8
Services incidental to transport .....	203.1	185.2	9.7
Transport, n.e.c. ....	216.3	178.5	21.2
<b>STORAGE AND WAREHOUSING</b> .....	130.4	133.5	( 2.3)
Bonded warehouses .....	142.6	98.1	45.4
Cold storage .....	115.3	154.6	(25.4)
<b>COMMUNICATION</b> .....	228.3	194.9	17.1
Telephone .....	258.6	208.2	24.2
Other communications, n.e.c. ....	165.2	167.2	( 1.2)
<b>S E R V I C E S</b> .....	119.4	114.2	4.6
<b>RECREATION SERVICES</b> .....	89.6	95.9	( 6.6)
Motion picture production, distribution & projection .....	80.2	84.0	( 4.5)
Theaters and related services .....	98.0	114.3	(14.3)
<b>PERSONAL SERVICES</b> .....	148.9	134.0	11.1
Restaurants, cafes, taverns & other eating places .....	146.5	132.7	10.4
Hotel, rooming houses, camps & other lodg- ing places .....	265.5	162.4	63.5
Laundries & laundry services .....	130.4	130.7	( 0.2)
Barber & beauty shops .....	90.1	79.6	13.2
Portrait & commercial photographic studios	118.0	92.1	28.1
Personal services, n.e.c. ....	135.4	143.7	( 5.8)

## VII. PRICES

### A. OVER-ALL PRICE DEVELOPMENTS

Prices during the year 1966, with the exception of those for the export and retail import groups, were higher on the average than in 1965. This was observed at all levels — consumer (Philippines), 5.0 per cent; retail (Manila), 5.3 per cent and whole (Manila), 4.3 per cent. Increases in consumer prices in Manila were generally greater than those observed in Regions Outside Manila, 6.2 per cent as compared with 4.6 per cent, respectively. The food category set the tone of price movements, fluctuating in contra-seasonal fashion in Manila and precipitating critical price increases of 9 per cent (from year-ago figures) at the Manila consumer level during the months of June, September, October and November, 1966. The domestic component of all the price indices reflected increases of greater magnitudes than those of the imported groups. Average prices of imported commodities at the Manila retail level even declined from 1965 levels.

Price levels generally sloped downwards during the first quarter of 1966. In the second quarter, however, a variety of factors cumulated to a head, causing the first annual 9 per cent increase in Manila consumer prices by the end of the first semester. The second peak came at the end of the third quarter with the price level then continuing on upwards through the months of October and November. By December, however, the Manila consumer price increase was reduced to 8.2 per cent over the December 1965 index.

A number of short and long-term factors lay behind the building up of pressure on prices for the current year. The most immediate one was the prevalence of adverse weather conditions during the months of May, June, September, November and December. Food crops and their distribution were badly affected, thus aggravating the already short supply of food in existence. During the same period, U.S. government procurement activities in connection with the operations in Vietnam were heavy, drawing food supplies, particularly vegetables and meat, from the supply-short market. There had also been a suspension of the NAMARCO subsidy which affected prices of a number of commodities like canned milk, beef and fish items while higher support prices for rice and corn by the RCA, coupled with probable manipulation of cereal inventories, helped keep prices of rice at higher levels. Restrictive legislation banning the imports of food like onions, garlic, potatoes and cabbages (specially in conjunction with the resource-diverting effects of the Virginia leaf tobacco subsidy) also prevented the use of imports to relieve shortages in food supply.

Traditionally, higher prices of rice cause similar increases in the prices of other goods and services. This is particularly true during periods of continued increases in the price of rice. Wages were also at higher levels while prices of imported wholesale equipment and supplies such as diesel engines, tractors, plows, batteries and imported raw materials such palm oil, raw jute, diesel fuel oil, gasoline and kerosene were in general higher, thus adding to production costs.

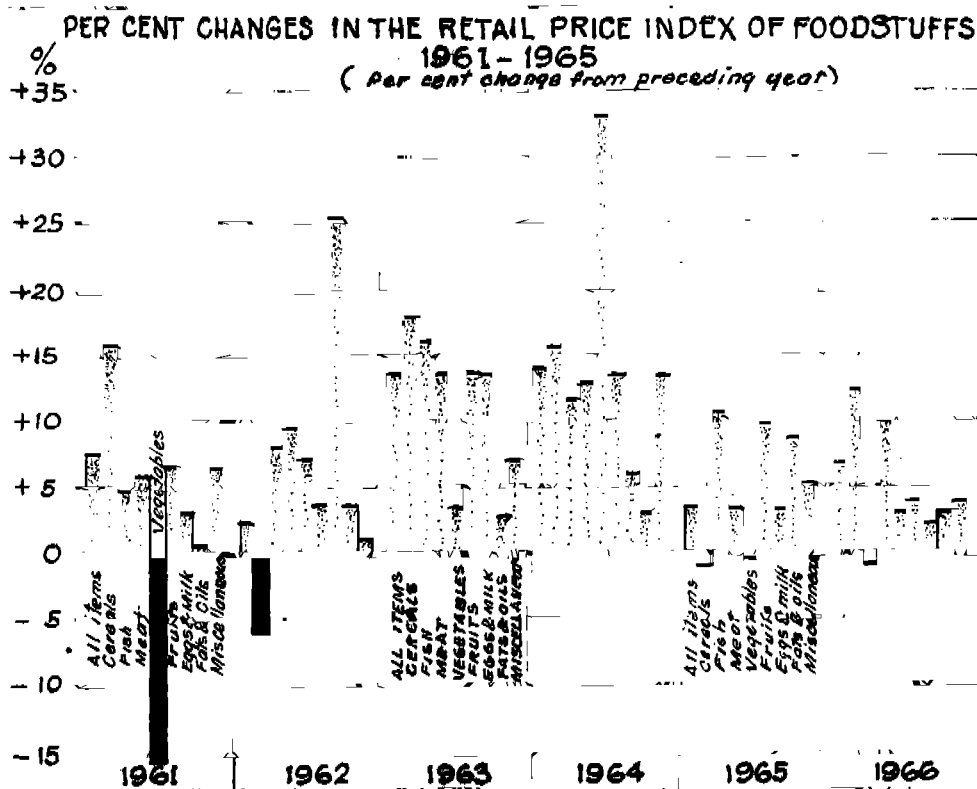
The more basic causes for the rise in prices of food, however, were of long standing nature. The rise in prices had been continuous since 1960 with erratic rates of increase ranging from 2-1/2 per cent (1962 over 1961) to 14 per cent (1964 over 1963). Within the food category, the most important cause of the uptrend in prices was the rising cost of cereals. Meat was next while fish and vegetables moved in a see-saw.

#### PHILIPPINES: Changes in the Retail Price Index of Foodstuffs 1960—1965

(Per cent change from preceding year)

<i>Year</i>	<i>All Items</i>	<i>Cereals</i>	<i>Fish</i>	<i>Meat</i>	<i>Vege- tables</i>	<i>Fruits</i>	<i>Eggs &amp; milk</i>	<i>Fats &amp; Oils</i>	<i>Miscel- laneous</i>
1961	+ 7.4	+15.7	+ 4.8	+ 5.7	—16.1	+ 6.6	+ 3.1	+ 0.4	+ 6.4
1962	+ 2.5	— 6.1	+ 8.2	+ 9.4	+ 7.2	+ 3.7	+25.2	+ 3.6	+ 0.9
1963	+13.6	+17.7	+15.8	+13.4	+ 3.3	+13.5	+13.4	+ 2.5	+ 6.8
1964	+14.1	+15.6	+11.6	+12.9	+33.1	+13.6	+ 6.0	+ 3.0	+13.4
1965	+ 3.4	— 1.0	+10.4	+ 3.3	— 0.3	+ 9.9	+ 3.2	+ 8.7	+ 5.1
1966	+ 6.8	+12.6	— 0.7	+10.1	+ 3.3	+ 4.1	+ 2.3	+ 3.1	+ 4.0





**PHILIPPINES: Changes in the Retail Price Index of Foodstuffs**  
**January to December 1966**

(Per cent change from similar month in 1965)

Month	All Items	Cereals	Fish	Meat	Vege- tables	Fruits	Eggs & milk	Fats & oils	Miscel- laneous
January	1.6	6.5	0.7	7.3	-31.4	3.3	1.9	11.1	4.2
February	2.2	5.2	0.6	7.9	-24.1	4.7	1.2	10.5	4.1
March	2.1	2.7	-2.0	10.5	-12.7	1.5	1.4	9.7	4.0
April	3.1	4.2	-6.1	11.8	0.9	1.2	2.0	7.8	3.4
May	8.0	10.3	0.9	13.3	22.5	4.4	4.2	3.1	4.0
June	12.0	14.2	4.1	13.6	53.6	8.0	3.9	-0.3	3.8
July	6.3	13.5	-6.2	10.8	7.9	6.3	3.0	-1.0	3.1
August	6.1	14.0	-2.9	10.0	-8.8	6.2	2.4	-0.5	5.0
September	9.7	20.9	-1.3	10.2	3.7	7.0	2.1	-0.2	4.8
October	10.4	20.9	-1.7	10.6	11.4	5.4	1.9	-0.2	5.1
November	10.6	19.2	3.4	9.5	12.9	2.7	1.0	-0.3	4.2
December	10.1	18.1	2.9	6.4	22.7	-0.7	2.2	-0.4	2.9

1. The secular uptrend reflects a fundamental productive deficiency in the light of rapid population growth and/or a failure of distribution processes to move supplies from surplus to deficient areas. In the case of cereals, good palay harvests during crop years 1961-62 and 1964-65 were immediately reflected in the lowering of cereal prices by 6 and 1 per cent, respectively. Between 1960 and 1961, a series of typhoons coupled with abnormal floods pushed prices up by 16 per cent. Again in 1963-64, a particularly disastrous typhoon (Dading) moved prices up by 16 per cent. The period 1962-63 felt the effects of adjustments occasioned by the transfer of a complex distribution network for cereals (called for in the final phases of the nationalization of the rice and corn industry) from well-financed and organized groups to less affluent and inexperienced hands.

2. The obverse of the problem of underproduction of cereals is over-consumption of rice from a nutritional point of view. This may turn out to be a greater problem if, as a possible income effect, further increases in food prices bring about even higher levels of cereal consumption i.e., with higher food prices, people may consume more of cereals and do without viands), particularly since prices of meat are close to prohibitive levels and fish and vegetable prices at times soar to very expensive levels (as they did in the second quarter of 1966).

3. Over the years a diversion of resources has steadily worked towards keeping costs of food on the uptrend. First is the Virginia leaf tobacco subsidy which has served to divert land use from the growing of rice and other food crops to Virginia leaf tobacco, particularly in the late fifties and early sixties. Secondly, the implementation of the Land Reform Program has induced a diversion of rice lands to sugar lands, subdivisions and other uses. Conversion into sugar lands in particular was encouraged by a sugar boom which reached peak proportions in 1963, tapered off in 1964, then started to pick up again by the latter part of 1965, but finally levelled off in 1966.

Thirdly, the diversion of income streams to the export sector from the domestic sector due to the windfall effects of peso devaluation starting in 1960 has worked to the comparative disadvantage of domestic food production. Food crop hectarage reached a peak in 1959 and with the exception of 1961 declined thereafter until 1964. In 1965 and 1966 there was an increase in the total area under cultivation but the absolute land area in 1966 was approximately the same as in 1962 and was 300,000 hectares below the peak of 1959.

4. In spite of increases in the production of fish during the last three years, the supply of this product within the municipal and sustenance fishing grounds was threatened by the use of destructive illegal fishing methods. Meat likewise was in a state of short supply in relation to total needs of the economy, what with the under-developed status of the cattle and dairy industries.

## B. CONSUMER PRICES: PHILIPPINES

In Manila, movements in consumer prices were contra-seasonal. Prices turned upwards by April 1966 (a month earlier than the seasonal pattern), changed directions in July after reaching a peak in June (contrary to the seasonal peak usually reached during the month of October), continued on a downtrend through November but turned up again in December 1966. By 1965 standards October and November 1966 were critical months, showing 9 per cent increments over their year-ago levels. The 1966 Manila average was 6.2 per cent above the 1965 average.

Regions outside Manila, on the other hand, remained stable in April and turned upwards only in May, thereafter following the Manila pattern up to September. Prices in these regions reached their peak in October, relaxed slightly in November and then ended the year with a slight upturn. The year's average was 4.6 per cent above the 1965 level.

The movements of the Philippines consumer price index were mainly influenced by the Manila pattern except for the month of October when it followed the peak point of Regions Outside Manila. The average for 1966 was 5 per cent greater than the 1966 figure.

The spread in prices between the months of January and December 1966 was 7.3 per cent for Manila and 5.7 per cent for Regions Outside Manila. Consequently, for the entire Philippines the difference in price levels between these two months was 6.2 per cent.

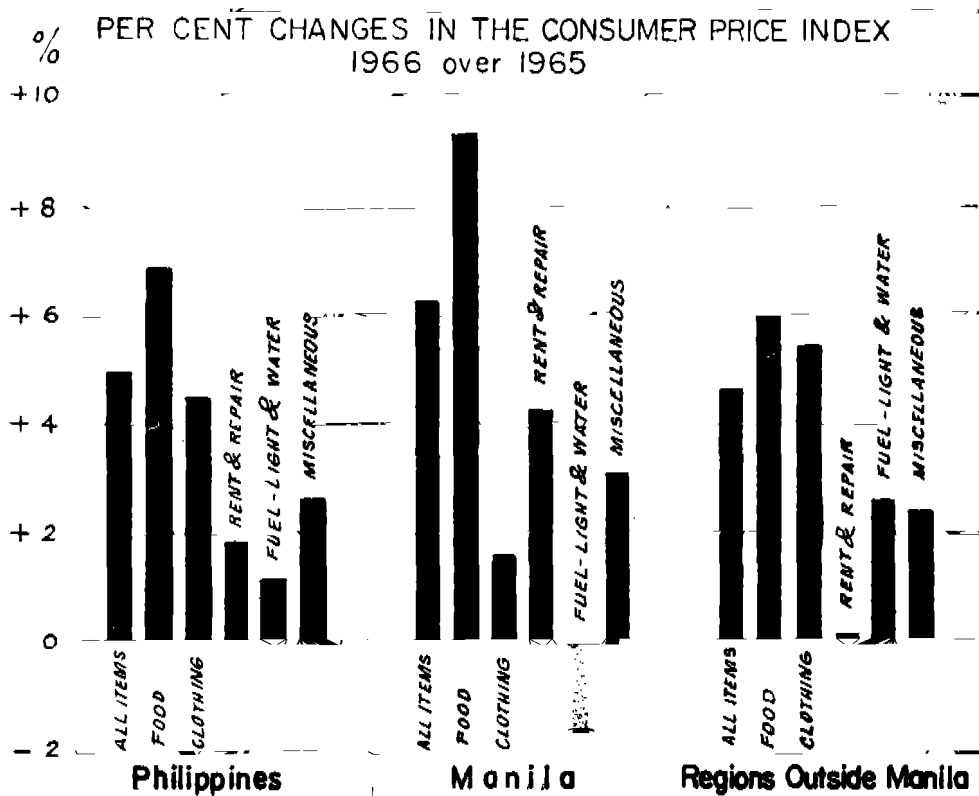
In Manila, the higher prices for food, followed by increased miscellaneous costs and higher rents, accounted for much of the increase in the consumer price index. Within the miscellaneous group, the important items which went up price-wise were tuition fees, school supplies, medical services, transportation, cosmetic, household utensils and appliances.

For Regions Outside Manila, significant upward pressure came from the food, clothing and miscellaneous groups. Within the food group, cereals showed the highest price change. On a region-to-region basis, price increases for cereals ranged from the low of 3.8 per cent in the Northeastern Mindanao region (Butuan, Iligan and Davao cities) to the high of 16.6 per cent in the Ilocos region (Baguio, Laoag and San Fernando). Second highest was the 16.2 per cent of the Central region (Dagupan, Tarlac and Cabanatuan City). The Western Visayas region (Iloilo City) came next with 15.1 per cent followed by the 15 per cent of the Cagayan Valley (Iligan, Isabela and Tuguegarao); Southern Tagalog's (Batangas and San Pablo) 12 per cent; Southwestern Mindanao's (Zamboanga City) 10.4 per cent; Bicol region's (Legaspi City) 6.7 per cent; and Eastern Visayas' (Cebu, Tacloban and Tagbilaran) 5.5 per cent.

Within the clothing category, ready-made apparel (particularly that of men) made the highest price gain while increases in prices of household utensils & appliances and medical services accounted for the rise in the miscellaneous group.

**PHILIPPINES: Per Cent Changes in the Consumer Price Index  
1966 over 1965**

<i>Region</i>	<i>All Items</i>	<i>Food</i>	<i>Clothing</i>	<i>Rent &amp; Repair</i>	<i>Light- Fuel- Water</i>	<i>Miscel- laneous</i>
Philippines .....	5.0	5.0	4.4	1.8	1.1	2.6
Manila .....	6.2	9.4	1.6	4.3	-1.7	3.0
Regions Outside Manila ...	4.6	6.0	5.4	0.1	2.5	2.3
I. Ilocos .....	7.8	12.1	3.3	0.1	2.5	2.0
II. Cagayan .....	6.5	11.1	5.3	—	-7.1	2.5
III. Central Luzon .....	8.6	11.9	5.1	—	9.6	3.3
IV. Southern Tagalog ..	5.0	7.0	1.2	-0.1	4.9	2.8
V. Bicol .....	0.8	-0.6	10.6	0.2	-0.4	2.5
VI. Western Visayas ...	1.2	0.7	5.4	0.3	0.4	1.0
VII. Eastern Visayas ...	3.0	4.8	5.6	0.2	0.2	-0.4
VIII. Southwestern Minda- nao .....	6.5	6.8	13.5	-0.1	5.7	5.0
IX. Northeastern Minda- nao .....	2.1	1.0	4.3	—	-0.7	4.7



**PHILIPPINES: Per Cent Changes in the Retail Price Index of Foodstuffs, 1966 over 1965**

<i>I t e m</i>	<i>Philip- pines</i>	<i>Manila</i>	<i>Regions Outside Manila</i>
All Items .....	6.8	9.4	6.0
Cereals .....	12.6	16.4	11.6
Fish .....	— 0.7	4.8	— 2.4
Meat .....	10.1	8.8	10.8
Vegetables .....	3.3	12.4	— 0.9
Fruits & Nuts .....	4.1	0.1	5.6
Eggs & milk .....	2.3	1.7	2.7
Fats & Oils .....	3.1	2.3	3.5
Miscellaneous .....	4.0	9.4	2.2

**C. RETAIL PRICES IN MANILA**

Retail prices in Manila followed the pattern of the Manila consumer price index — from a low in March they made an upturn in April, declined in July, went up again in August and September, slid down in October and November and finally recovered in December 1966. The resulting year's average was 5.3 per cent above the 1965 average.

The beverages & tobacco group (because of the price decline in imported cigarettes) showed the only price decrease for the period. Prices of all other categories were higher than their corresponding 1965 levels with domestic food emerging as the heaviest contributor to the retail price increase.

**MANILA: Per Cent Changes in the Retail Price Index of Selected Commodities 1966 over 1965**

<i>I t e m</i>	<i>Change</i>
ALL ITEMS .....	5.3
Food .....	8.7
Wearing Apparel .....	1.5
Construction Materials .....	1.9
Fuel .....	0.9
Drugs & Medicine .....	1.5
School Supplies .....	4.0
Beverages & Tobacco .....	—2.1
Household Supplies & Equipment .....	2.1
Domestic .....	7.1
Imported .....	—0.6

## D. WHOLESALE PRICES IN MANILA

Wholesale prices in Manila during the year 1966 were at their lowest in March, turning upwards in April, May and June, declining in July and rising again in August and September. The index dipped in October and November then stepped up again during December 1966. The 1966 wholesale price average was 4.3 per cent higher than the 1965 level. Food again led the uptrend in all the wholesale price indices while prices of crude materials, animal & vegetable oils and manufactured goods accounted for the 1 per cent decrease in the export price index. Prices of copra resecada declined by 13-1/2 per cent, coconut oil by 12-1/2 per cent and abaca by 13 per cent. These declines more than offset the price improvement in sugar (20 per cent), lumber (4 per cent) and leaf tobacco (9 per cent).

### MANILA: Per Cent Changes in the Wholesale Price Index 1966 over 1965

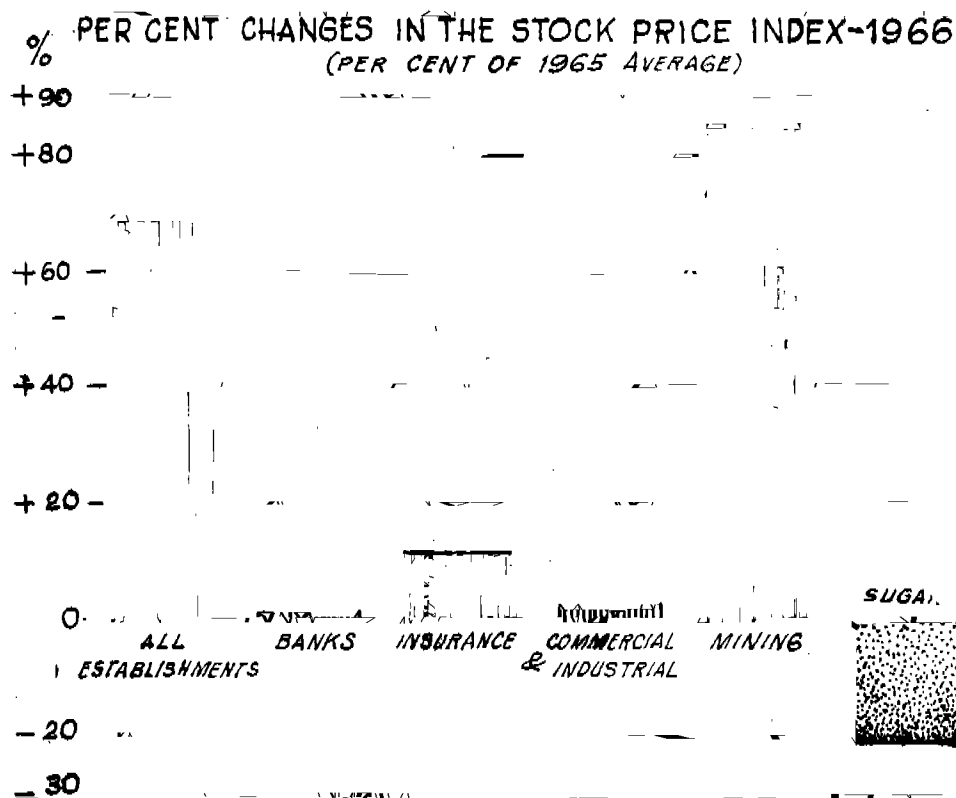
I T E M	HOME CONSUMPTION GOODS			Export	General
	Domestic- ally produced	Imported	All goods	Goods	
All Items .....	+ 5.9	+ 1.2	+ 5.0	— 1.0	+ 4.3
Food .....	+ 10.5	+ 2.4	+ 9.8	+ 14.8	+ 10.3
Beverages & Tobacco .....	+ 2.3	— 13.3	+ 0.7	+ 5.6	+ 0.8
Crude Materials .....	— 2.3	+ 4.2	— 2.1	— 9.2	— 5.7
Mineral Fuels .....	+ 2.3	+ 4.0	+ 3.1	—	+ 3.1
Animal & Vegetables Oils ...	— 12.9	+ 8.4	— 12.2	— 12.9	— 12.5
Chemicals .....	— 1.5	+ 1.0	— 0.8	+ 0.7	— 0.8
Manufactured Goods .....	+ 2.5	+ 1.5	+ 2.0	— 1.4	+ 2.0
Machinery & Transport					
Equipment .....	+ 1.0	+ 0.8	+ 1.1	—	+ 1.1
Miscellaneous Manu- factures n.e.s. ....	+ 2.0	+ 1.6	+ 1.9	+ 2.3	+ 1.9

## E. STOCK PRICES IN MANILA

The increase of 69.0 per cent in stock prices in Manila during the year 1966 was a big improvement over the 1965 average. The trend was dictated by the mining group which came up with an 86 per cent increase (primarily influenced by higher prices of copper shares for the year as a whole). Other groups also contributed to the over-all price increase with the exception of sugar stock prices which declined in spite of higher domestic and export prices. The encouraging price developments and the easier availability of credit boosted both the volume and value of stock transactions, the former, by 76.3 per cent and the latter, by 107.0 per cent over 1965.

**MANILA: Per Cent Changes in the Stock Price Index  
1966 over 1965**

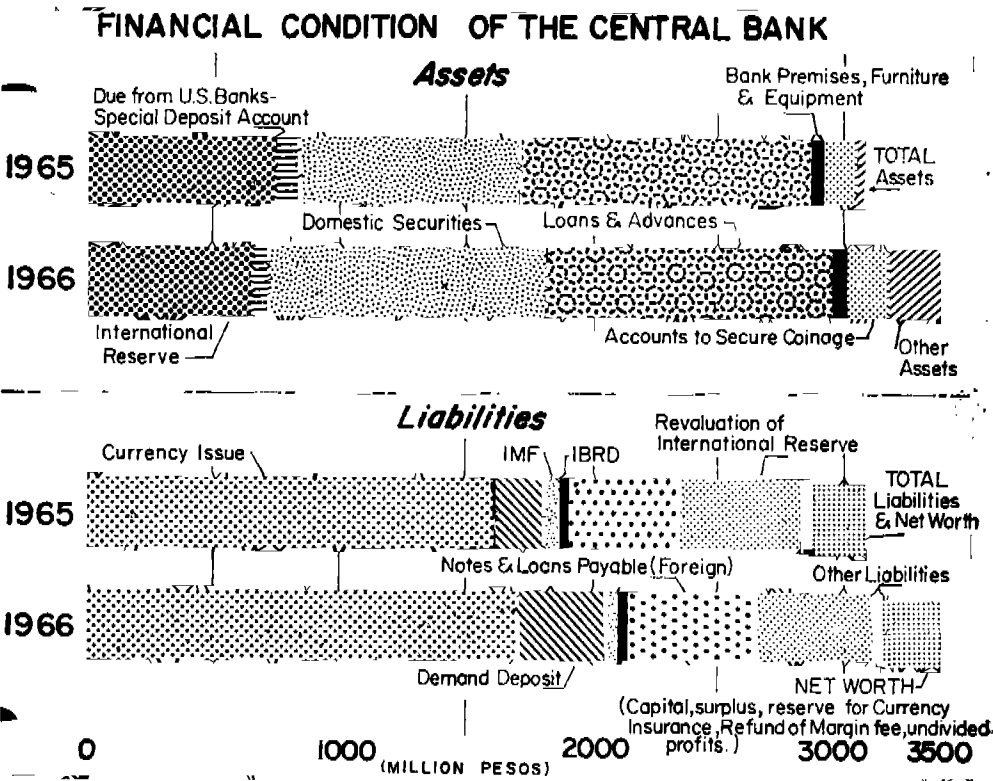
<i>I T E M</i>	<i>Change</i>
All Establishments .....	69.0
Banks .....	0.6
Insurance .....	11.5
Commercial & Industrial .....	2.0
Mining .....	85.8
Sugar .....	-21.0



# VIII. FINANCIAL CONDITION OF THE CENTRAL BANK AND RESULT OF OPERATIONS

## A. FINANCIAL CONDITION

Total resources of the Central Bank aggregated ₱3,373 million at the end of 1966 and showed an increase of ₱277 million or 9 per cent over the previous year's total. This increment was, however, smaller compared to the increase of ₱347 million and ₱369 million registered in 1965 and 1964, respectively. The expansion in 1966 was brought about mainly by the increase in credit assets aggregating ₱357 million and distributed between loans and advances, ₱117 million, and holdings of government securities, ₱240 million. Foreign exchange assets, however, contracted by ₱134 million in contrast to the increase of ₱301 million registered in the preceding year.





# COMPARATIVE STATEMENT OF CONDITION OF THE CENTRAL BANK

December 1965 and 1966

(In pesos)

I T E M	December 31, 1966	December 31, 1965	Increase or (Decrease)
<b>A S S E T S</b>			
1. International Reserve .....	647,749,925.87	735,168,773.69	(87,418,847.82)
2. Due from U.S. Banks — Special Deposit Account ..	46,800,000.00	93,600,000.00	(46,800,000.00)
3. Domestic Securities .....	1,117,867,824.90	877,944,567.90	239,923,257.00
4. Loans and Advances .....	1,297,215,793.13	1,179,943,847.97	117,271,945.16
5. Account to Secure Coinage ..	49,198,715.91	49,198,720.34	( 4.43)
6. Bank Premises, Furniture & Equipment .....	38,365,875.34	37,086,427.61	1,279,447.73
7. Other Assets .....	176,210,685.68	123,679,229.21	52,531,456.47
<b>TOTAL ASSETS</b> ....	<b>3,373,408,820.83</b>	<b>3,096,621,566.72</b>	<b>276,787,254.11</b>
<b>L I A B I L I T I E S</b>			
8. Currency Issue .....	1,706,150,658.39	1,611,379,445.49	94,771,212.90
9. Demand Deposits .....	349,972,512.81	188,396,555.50	161,575,957.31
10. International Monetary Fund .....	4,303,237.96	53,598,404.64	(49,295,166.68)
11. International Bank for Recon- struction and Development	24,004,414.25	24,032,545.67	( 28,131.42)
12. Notes & Loans Payable — Foreign .....	501,073,853.93	428,778,511.32	72,295,342.61
13. Revaluation of International Reserve .....	516,531,437.32	527,392,017.85	(10,860,580.53)
14. Other Liabilities .....	28,953,351.74	33,289,652.78	( 4,336,301.04)
<b>Total Liabilities</b> .....	<b>3,130,989,466.40</b>	<b>2,866,867,133.25</b>	<b>264,122,333.15</b>
<b>N E T   W O R T H</b>			
15. Capital .....	10,000,000.00	10,000,000.00	—
16. Surplus .....	201,570,012.49	195,313,638.85	6,256,373.64
17. Reserve for Currency Insurance .....	2,000,000.00	2,000,000.00	—
18. Reserve for Refund of Margin Fee .....	5,061,370.26	404,199.15	4,657,171.11
19. Undivided Profits .....	23,787,971.68	22,036,595.47 <sup>1</sup>	1,751,376.31
<b>Total Net Worth</b> .....	<b>242,419,354.43</b>	<b>229,754,433.47</b>	<b>12,664,920.96</b>
<b>TOTAL NET WORTH &amp; LIABILITIES</b> ..	<b>3,373,408,820.83</b>	<b>3,096,621,566.72</b>	<b>276,787,254.11</b>

<sup>1</sup> Exclusive of P15 million advanced participation of the National Government from the Central Bank's net profit for the year 1965.

# COMPOSITION OF THE INTERNATIONAL RESERVE

December 31, 1965 and 1966

(Amount in million pesos)

I T E M	Dec. 31,	Dec. 31,	Increase or Decrease (—)	
	1966	1965	Amount	Per Cent
T O T A L .....	647.7	735.2	—87.5	—11.9
G o l d .....	170.4	149.5	20.9	14.0
Due from Foreign Banks .....	472.3	577.4	—105.1	—18.2
Foreign Government Securities ..	1.9	6.4	—4.5	—70.3
Foreign Currencies .....	3.1	1.9	1.2	63.2

Total deposit liabilities of the Central Bank aggregated ₱350 million at the end of 1966 and showed an increase of ₱162 million, contrasting with last year's decrease of ₱141 million. National Government demand deposits rose by ₱85 million followed by government trust funds and commercial banks' deposits which went up by ₱40 million each. On the other hand, rural banks' deposits decreased by ₱4 million.

## COMPARATIVE STATEMENT OF DEPOSIT LIABILITIES OF THE CENTRAL BANK

December 31, 1964-1966

(Amount in million pesos)

Depositor	December 31			Increase or De- crease (—) During:	
	1966	1965	1964	1966	1965
Commercial Banks .....	169.8	129.6	110.2	40.2	19.4
Rural Banks .....	2.5	6.5	5.8	—4.0	0.7
Savings and Loan Associations ..	0.2	a	a	0.2	—
Treasurer of the Philippines ....	101.9	17.1	166.2	84.8	—149.1
Government Trust Funds <sup>b</sup> .....	75.6	35.2	46.9	40.4	— 11.7
T O T A L .....	350.0	188.4	329.1	161.6	—140.7

<sup>a</sup> Below ₱500,000.00. These institutions started their deposit accounts with the Central Bank to meet legal reserve requirements only in July, 1964.

<sup>b</sup> Inclusive of the Fiscal Agency Fund and the Securities Stabilization Fund.

The Revaluation of International Reserve Account was originally set up in January 1960 to absorb profits realized and losses incurred by the Central Bank in the implementation of the decontrol program, in subsidizing the gold mining industry, and in the purchase and sale of foreign exchange at varying exchange rates. In 1966, the Central Bank incurred a net loss of ₱11 million from foreign exchange transactions bringing the total of this account from ₱528 million in December 1965 to ₱517 million in December 1966.

## REVALUATION OF INTERNATIONAL RESERVE 1960-1966

1960 — Net Loss .....	(₱ 83,540,519.88)
1961 — Net Loss .....	(54,951,802.65)
1962 — Net Profit .....	57,193,539.49
1963 — Net Profit .....	270,027,817.64
1964 — Net Profit .....	287,585,649.31
1965 — Net Profit .....	202,441,031.10
1966 — Net Loss .....	(10,860,580.53)
	<b>₱647,895,134.47</b>

Less:

Amount transferred to Special Demand Deposit Account with the PNB to cover refund of exchange differentials on deferred payment transactions .....	50,000,000.00
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Amount representing adjustment of the IMF holdings of Philippine peso on the basis of the establishment of a new parity rate of ₱3.90 to US \$1.00 .....	134,043,484.41
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T o t a l .....	₱463,851,650.06
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Add:

Net Profit realized on revaluation of International Reserve Account incident to the establishment of a new parity for Philippine peso at ₱3.90 to US \$1.00 .....	52,679,787.26
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Balance as of December 31, 1966 .....	₱516,531,437.32
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## B. RESULT OF OPERATIONS

During 1966, the Central Bank in the course of its operation realized a net profit of ₱16 million which was ₱9 million smaller than the ₱25 million net profit of last year. The decline in the Bank's net profit position was brought about by the fact that gross income rose by only ₱11 million while total expenses rose by ₱20 million due largely to increased expenses on foreign loans.

**COMPARATIVE PROFIT & LOSS STATEMENT**  
For the Period 1966 and 1965

<i>I t e m</i>	<i>1966</i>	<i>1965</i>	<i>Increase or (Decrease)</i>	
			<i>Amount</i>	<i>Per Cent</i>
<b>INCOME</b>				
Income from Foreign Exchange Transactions .....	P 2,551,449.52	P 2,027,500.28	P 523,949.24	25.8
Income from Foreign Investments .....	25,230,006.36	18,812,012.86	6,417,993.50	34.1
Income from Domestic Loans and Advances .....	32,275,148.78	27,746,026.24	4,529,122.54	16.3
Income from Domestic Securities .....	26,780,759.68	23,947,234.09	2,833,525.59	11.8
Miscellaneous Income .....	7,104,138.31	10,254,197.03	( 3,150,058.72)	( 30.7)
Total Income .....	<u>P93,941,502.65</u>	<u>P82,786,970.50</u>	<u>P11,154,523.15</u>	<u>13.5</u>
<b>EXPENSES</b>				
Operating Expenses .....	P43,056,208.20	P34,541,226.74	P 8,514,981.46	24.6
Expenses on Foreign Loans .....	30,965,797.51	13,370,890.63	17,594,906.88	131.6
Other Expenditures .....	3,138,330.23	8,837,224.69	( 5,698,894.46)	( 64.5)
Capital Expenditures .....	722,588.96	1,012,133.88	( 289,544.92)	( 28.6)
Total Expenses .....	<u>P77,882,924.90</u>	<u>P57,761,475.94</u>	<u>P20,121,448.96</u>	<u>34.8</u>
Net Profit .....	<u>P16,058,577.75</u>	<u>P25,025,494.56</u>	<u>(P 8,966,916.81)</u>	<u>( 35.8)</u>

# **DISTRIBUTION OF ANNUAL NET PROFITS FROM OPERATIONS AND COLLECTIONS ON SALES OF FOREIGN EXCHANGE FOR 1966**

(In pesos)

<i>I t e m</i>	<b>T O T A L</b>	<b>Operations</b>	<b>Margin Fees</b>
<b>NET PROFIT FOR DISTRIBUTION ....</b>	<b>23,787,971.68</b>	<b>16,058,577.75</b>	<b>7,729,393.93</b>
Surplus .....	5,946,992.92	5,946,992.92	---
Securities Stabilization Fund .....	500,000.00	500,000.00	---
Monetary Adjustment Account .....	1,450,169.93	1,450,169.93	---
General Fund .....	15,890,808.83	8,161,414.90	7,729,393.93

Total outstanding notes and loans payable abroad increased by ₱72 million to a level of ₱501 million at year's end. This increase was smaller than last year's increment of ₱310 million. The outstanding overdraft lines with various U.S. and European banks increased by ₱174 million. Credit lines from the IBRD in connection with the Rural Bank Farm Management Program also went up by ₱2 million. However, outstanding loans from U.S. banks in connection with the rice procurement program of the Philippine Government dropped by ₱41 million. Outstanding loans from the Federal Reserve Bank and from Eximbank and AID (DLF) also decreased by ₱59 million and ₱4 million, respectively.

**APPENDIX**  
**MAJOR LEGAL AND ADMINISTRATIVE MEASURES OF ECONOMIC  
SIGNIFICANCE ADOPTED BY THE GOVERNMENT AND THE MONETARY  
BOARD DURING 1966**

**MALACAÑANG**

**RESIDENCE OF THE PRESIDENT  
OF THE PHILIPPINES  
Manila**

**BY THE PRESIDENT OF THE PHILIPPINES**

**EXECUTIVE ORDER NO. 2**

**DIRECTING THE CENTRAL BANK OF THE PHILIPPINES TO COLLECT THROUGH THE BANKING SYSTEM THE ESTIMATED CUSTOMS DUTIES, TAXES AND OTHER LEVIES DUE ON ALL IMPORTED ARTICLES AND MERCHANDISE.**

**WHEREAS**, there is an imperative need for instituting a more effective system of collecting customs duties, taxes and other levies on all imported goods as a means of raising more revenues; and

**WHEREAS**, this objective could be achieved by making use of the facilities of the banking system;

**NOW, THEREFORE**, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by law, do hereby direct the Central Bank of the Philippines to collect through its Authorized Agent Banks the estimated customs duties, taxes and other levies on all imported articles or merchandise upon the issuance of release certificates. All such collections of customs duties, taxes and other levies shall be remitted by the Central Bank to the Commissioner of Customs.

Customs duties, taxes and other levies due on all no-dollar importations which are not covered by release certificates issued by the Central Bank through its Authorized Agent Banks shall continue to be collected by the Bureau of Customs.

Notwithstanding the payment made to the Central Bank, all import shipments and arrivals shall, as before, be subjected to appraisal and examination by the Bureau of Customs on the basis of which the ad-

justed amount of customs duties, taxes and other levies shall be imposed. Where the amount initially collected upon the issuance of release certificates is less than the amount actually due after proper appraisal and examination of the imports by the Bureau of Customs, the balance still due the government shall be collected by the Central Bank through its Authorized Agent Banks. In case of overpayment, refund shall be made by the Bureau of Customs directly to the importer or consignee.

For the purpose and to insure that this system shall be effectively carried out, the Monetary Board of the Central Bank of the Philippines shall promulgate the necessary implementing rules and regulations.

Done in the City of Manila, this 5th day of January, in the year of Our Lord, nineteen hundred and sixty-six.

FERDINAND E. MARCOS  
President of the Philippines

By the President:

RAFAEL M. SALAS  
Executive Secretary

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MALACAÑANG

RESIDENCE OF THE PRESIDENT  
OF THE PHILIPPINES  
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 50

REVOKING EXECUTIVE ORDER NO. 62 DATED JANUARY 15, 1964, WHICH CREATED THE RICE AND CORN AUTHORITY, AND VESTING THE RICE AND CORN PRODUCTION COORDINATING COUNCIL WITH THE SOLE POWER AND RESPONSIBILITY OF IMPLEMENTING THE RICE AND CORN PRODUCTION PROGRAM OF THE COUNTRY.

WHEREAS, by virtue of Executive Order No. 62 dated January 15, 1964, a Rice and Corn Authority was created to coordinate all agencies of the government which have something to do with rice production;

WHEREAS, the Rice and Corn Production Coordinating Council is likewise required by law to have direct control and management of the Rice and Corn Production Program as provided under Republic Act No. 2084 and the General Appropriation Act for the Fiscal Years from 1959 to 1966; and

WHEREAS, in order to avoid confusion among the implementing agencies, as well as the farmers, there must be only one body to implement the Rice and Corn Production Program;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by law, do hereby revoke Executive Order No. 62 dated January 15, 1964, creating the Rice and Corn Authority and direct the Rice and Corn Production Coordinating Council to assume the sole power and responsibility of implementing the Rice and Corn Production Program. It is further directed that the Budget Commission, the National Irrigation Administration, the Irrigation Service Unit, the Bureau of Agricultural Economics, the Rice and Corn Board, and all other agencies which have something to do with rice and corn production actively participate and co-operate in the implementation of the Rice and Corn Production Program.

The Rice and Corn Production Coordinating Council shall submit to the President regularly a report on its activities and accomplishments.

Done in the City of Manila, this 17th day of October, in the year of Our Lord, nineteen hundred and sixty-six.

FERDINAND E. MARCOS  
President of the Philippines

By the President:

RAFAEL M. SALAS  
Executive Secretary



**MALACAÑANG**

**RESIDENCE OF THE PRESIDENT  
OF THE PHILIPPINES  
MANILA**

**BY THE PRESIDENT OF THE PHILIPPINES**

**EXECUTIVE ORDER NO. 195**

**CHANGING THE PAR VALUE OF THE PESO FROM US\$0.50 TO  
US\$0.2564103 (U.S. DOLLAR OF THE WEIGHT AND FINE-  
NESS IN EFFECT ON JULY 1, 1944).**

Pursuant to the power vested in me by Republic Act Numbered Two Hundred and Sixty-Five, and in conformity with the provisions of all executive and international agreements subscribed to and ratified by the Republic of the Philippines, and upon proposal of the Monetary Board with the unanimous concurrence of the members of said Monetary Board, I, Diosdado Macapagal, President of the Philippines, do hereby modify the par value of the peso from US\$0.50 to ~~US\$0.2564103~~ (U.S. dollar of the weight and fineness in effect on July 1, 1944), effective noon on Monday, the eighth day of November, 1965.

Done in the City of Manila, this 6th day of November, in the year of Our Lord, nineteen hundred and sixty-five.

**DIOSDADO MACAPAGAL**  
President of the Philippines

By the President:

**SALVADOR L. MARINO**  
Acting Executive Secretary

MALACAÑANG

RESIDENCE OF THE PRESIDENT  
OF THE PHILIPPINES  
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 228

CREATING A PHILIPPINE COORDINATING COMMITTEE ON THE  
ASIAN DEVELOPMENT BANK

WHEREAS, in its bid for the site of the Asian Development Bank, the Philippine Government has offered to provide certain physical facilities, including land and buildings, for the free use and occupancy of the Bank;

WHEREAS, the Philippines has been chosen as the site of the headquarters of the Asian Development Bank;

WHEREAS, a coordinating committee is required to undertake the necessary arrangements for the preparation of the site and construction of the physical facilities of the Asian Development Bank and to act as liaison between the Bank and the Philippine Government:

WHEREAS, Cornelio Balmaceda, Philippine Representative to the High Level Consultative Committee of Experts for the Asian Development Bank and Chairman of the Second Asian Ministerial Conference, has been deeply involved in the organization of the Bank and has gained the respect and confidence of the representatives of the other ECAFE member countries;

NOW, THEREFORE, I, DIOSDADO MACAPAGAL, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby create a Philippine Coordinating Committee on the Asian Development Bank, composed of the following:

1. Cornelio Balmaceda, Special Adviser to the  
President on the Asian Development Bank .... Chairman
2. Representative of the Department of  
Foreign Affairs ..... Member
3. Representative of the Department of  
Commerce and Industry ..... Member

4. Representative of the Program Implementation Agency ..... Member
5. Representative of the Central Bank of the Philippines ..... Member
6. Representative of the Development Bank of the Philippines ..... Member

The composition of the Committee may be expanded to include representatives of other government offices and other persons, upon the recommendation of the Chairman and approval by the President.

The powers, functions and responsibilities of the Philippine Coordinating Committee on the Asian Development Bank are as follows:

1. To work closely with the Committee for the Preparatory arrangements for the Establishment of the Asian Development Bank on the preliminary details for the establishment of its headquarters at Pasay City, Philippines;

2. To make arrangements for leasing and furnishing the temporary offices of the Asian Development Bank;

3. To consider plans for the buildings, furnishing and premises of the Asian Development Bank; select the architects who will design the same, and submit to the President recommendations on the final plans for the buildings, furnishing and premises;

4. To act as the Committee to advertise for, evaluate, and submit to the President recommendations on the contracts for the construction of the Asian Development Bank buildings; the procurement of furnishing therefor and the landscaping to be done;

5. To coordinate with other government offices and make representations with the Congress of the Philippines to enact such legislation as may be required in connection with the establishment of the Asian Development Bank in the Philippines including the ratification by the Senate of the Philippines the Agreement Establishing the Asian Development Bank opened for signature at Manila, Philippines on December 4, 1965, and signed by the authorized representatives of the Philippines and other member countries; the law authorizing the President of the Philippines to reserve certain parcels of land of the Philippine Government and appropriating funds for the construc-

tion of building thereon for the free use of the Asian Development Bank and the United Nations Organization and for other purposes; the law appropriating funds to cover the subscription of the Philippine Government to the Asian Development Bank; and the law providing for a site and appropriating funds for the construction of buildings and other facilities for the Philippine Merchant Marine Academy;

6. To act as liaison with and assist the Asian Development Bank in such matters as may require action by the Government of the Philippines;

7. To make studies and submit to the President recommendations on the relocation of the Philippine Merchant Marine Academy to another site; and

8. To perform such other functions affecting the Asian Development Bank as the President may designate from time to time.

All departments, bureaus, offices, government-owner or controlled corporations and provincial, city and municipal governments and their officials and employees are hereby directed to render such cooperation and assistance as may be requested by the Committee in the performance of its powers, functions and responsibilities.

Done in the City of Manila, this 15th day of December, in the year of Our Lord, nineteen hundred and sixty-five.

(Sgd.) DIOSDADO MACAPAGAL  
President of the Philippines

By the President:

(Sgd.) RAMON A. DIAZ  
Executive Secretary

**AN ACT AMENDING REPUBLIC ACT NUMBERED SIX HUNDRED TWO, OTHERWISE KNOWN AS THE MINIMUM WAGE LAW, BY RAISING THE MINIMUM WAGE FOR CERTAIN WORKERS, AND FOR OTHER PURPOSES.**

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

“SECTION 1. Section three of Republic Act Numbered Six hundred two is hereby amended to read as follows:

Sec. 3. Minimum Wage. — (a) Every employer shall pay to each of his employees who is employed by an enterprise other than in agriculture minimum wages of not less than six pesos a day: Provided, That this Act shall not apply to any retail or service enterprise that regularly employs not more than five employees, or mining enterprises;

“(b) Every employer who operates a farm enterprise shall pay to each of his employees, who is engaged in agriculture, minimum wages at the rate prescribed in Section forty-two of Republic Act Numbered Thirty-eight hundred forty-four.

“(c) Effective on the first of July, nineteen hundred and sixty-five the minimum wage rates for employees in the government service shall be as follows: for national government laborers and workers, six pesos a day; for provinces and cities, first and second class, six pesos a day; third and fourth class, five pesos a day; and for all other classes the minimum wage shall be fixed by the respective provinces and cities as their finances may permit, provided the same shall not be less than four pesos; for first and second class municipalities, six pesos a day; for third and fourth class municipalities, five pesos a day; and for all other classes of municipalities as their finances may permit, provided that respective municipalities as their finances may permit, provided that the same shall not be less than four pesos.

“(d) This Act shall not apply to farm tenancy nor to domestic servants.

“(e) Until and unless investigations by the Secretary of Labor on his initiative or on petition of any interested party result in a different determination of the fair and reasonable value, the furnishing of meals shall be valued at not more than fifty centavos per meal for agricultural employees, and not more than seventy centavos for any other employees covered by this Act, and the furnishing of housing shall be valued at not

more than fifty centavos daily for agricultural workers and not more than eighty centavos daily for other employees covered by this Act.

“(f) With respect to piece-work or contract work, on petition of an interested party, the Secretary of Labor shall use all available devices of investigation to determine whether the work is being compensated by the labor contractor in compliance with this Act, and shall issue findings and orders at the beginning of every fiscal year in connection herewith.”

SEC. 2. Repeal of inconsistent prior enactments. — Any provision of law previously enacted on the subject matter of this Act that is inconsistent with any provision of this Act is hereby repealed.

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

Approved, April 21, 1965.

oOo

[REPUBLIC ACT NO. 4199]

AN ACT AMENDING SECTION THIRTEEN OF REPUBLIC ACT  
NUMBERED SEVEN HUNDRED TWENTY, OTHERWISE AS  
THE RURAL BANKS ACT.

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

SECTION 1. Section thirteen of Republic Act Numbered Seven hundred twenty is hereby amended to read as follows:

“SEC. 13. In an emergency or when a financial crisis is imminent, the Central Bank may give a loan to any rural bank against assets of the rural bank which may be considered acceptable by a concurrent vote of at least five members of the Monetary Board.

In normal times, the Central Bank may rediscount against paper evidencing a loan granted by a rural bank to any of its customers which can be liquified within a period of two hundred and seventy days: *Provided, however,* That for the purpose of implementing a nation-wide program of agricultural and industrial development, rural banks are hereby authorized, under such terms and conditions as the Central Bank shall prescribe, to borrow, on a medium or long-term basis, funds that the Central Bank or any other government financing institution shall borrow from the International Bank for Reconstruction and Development.

or other international or foreign lending institutions for the specific purpose of financing the above-stated agricultural and industrial program. Repayment of loans obtained by the Central Bank of the Philippines or any other government financing institution from said foreign lending institutions under this section shall be guaranteed by the Republic of the Philippines."

SEC. 2. This Act shall take effect upon its approval.

Approved, June 19, 1965.

oOo —

[REPUBLIC ACT NO. 4366]

AN ACT TO AMEND THE THIRD PARAGRAPH OF SUBSECTION (2) OF SECTION ONE HUNDRED FIFTY-EIGHT OF REPUBLIC ACT NUMBERED THIRTY-EIGHT HUNDRED FORTY-FOUR, OTHERWISE KNOWN AS THE "AGRICULTURAL LAND REFORM CODE."

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

SECTION 1. The third paragraph of subsection two of Section one hundred fifty-eight of the "Agricultural Land Reform Code," is hereby amended to read as follows:

"The Clerks of Court shall each receive an annual compensation of not less than seven thousand two hundred pesos. They shall exercise the same powers and perform the same duties on all matters within the jurisdiction of the Courts as those exercised by the Clerks of Court of the Courts of First Instance."

SEC. 2. This Act shall take effect upon its approval.

Approved, June 19, 1965.

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H. NO. 5130

REPUBLIC ACT NO. 4403

AN ACT ENCOURAGING THE ORGANIZATION OF AGRO-INDUSTRIAL COCONUT COOPERATIVES UNDER THE JURISDICTION OF THE PHILIPPINE COCONUT ADMINISTRATION, AMENDING FOR THE PURPOSE REPUBLIC ACT NUMBERED ELEVEN HUNDRED FORTY-FIVE.

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

SECTION 1. Subsection (f), Section three of Republic Act Numbered Eleven hundred forty-five is amended to read as follows:

“(f) To help planters and processors organize themselves into associations and/or agro-industrial coconut cooperatives with a view to giving them greater control in the marketing of their products, to help them obtain more credit facilities, and to assist them in getting more participation in the income of the coconut industry, such agro-industrial cooperatives shall be registered with the Securities and Exchange Commission and, any law to the contrary notwithstanding, enjoy the following privileges:

“(1) Agro-industrial coconut cooperatives with net assets of not more than five hundred thousand pesos shall be exempt from all taxes and government fees of whatever nature; and those with net assets in excess of five hundred thousand pesos shall be exempt from the payment of documentary stamp tax, residence taxes, tax on banks and insurance companies and municipal and city taxes, but shall be liable for the payment of income tax at the full rate provided for under existing laws on the amount allocated for interest on capital, fixed and percentage taxes at the full rate provided for under existing laws on gross sales to non-members, and all other taxes provided for under existing laws.

“(2) Agro-industrial coconut cooperatives may deposit their sealed cash boxes, documents and valuable papers in the safes of city or municipal treasurers and other government offices free of charge and the depository of said articles shall issue a receipt therefor.

“(3) Agro-industrial cooperatives shall be represented in courts by provincial or city fiscal or the government corporate counsel or his representative in any case where they are a party either as a plaintiff or defendant, except when the government is one of the parties.”

SEC. 2. All the powers vested in and the duties conferred upon the Agricultural Credit Administration relative to the promotion, organization and supervision of cooperatives of coconut planters and processors under Republic Act Numbered Eight hundred twenty-one, as amended, are hereby transferred to the Philippine Coconut Administration.

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

Approved, June 19, 1965.



REPUBLIC ACT NO. 4537

**AN ACT AUTHORIZING THE ESTABLISHMENT OF A PROVIDENT FUND IN GOVERNMENT-OWNED OR CONTROLLED BANKING INSTITUTIONS.**

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

**SECTION 1.** The provisions of any existing law to the contrary notwithstanding, any government-owned or controlled banking institution shall establish its own Provident Fund which shall consist of contributions made both by the bank and by its officers or employees to a common fund for the payment of benefits to such officers or employees or their heirs under such terms and conditions as its governing board may fix.

**SEC. 2.** In order to exercise the authority granted under this Act, the governing body of any government-owned or controlled banking institution mentioned in the next preceding paragraph is empowered to prepare and issue such rules and regulations as it may deem necessary to make effective the establishment and operation of a Provident Fund in such banking institution.

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

Approved, June 9, 1965.

EXCHANGE RATES OF FOREIGN CURRENCIES  
JUNE, 1966

MEMBER COUNTRIES OF THE INTERNATIONAL  
MONETARY FUND  
(Currencies with Par Value)

<i>Countries</i>	<i>Unit of Currency</i>	<i>Equivalent In U.S. Currency</i>	<i>Equivalent In Phil. Currency at Off. Rate</i>	<i>Foreign Currency Unit Per U.S. \$</i>
1. Afghanistan	Afghani	\$0.02222	P0.08666	45.00000
2. Australia	Dollar	1.12000	4.36800	.89286
3. Austria	Schilling	.03846	.14999	26.00000
4. Belgium	Franc	.02000	.07800	50.00000
5. Burma	Kyat	.21000	.81900	4.76190
6. Burundi	Franc	.01143	.04458	87.50000
7. Canada	Dollar	.92500	3.60750	1.08108
8. Ceylon	Ruppee	.21000	.81900	4.76190
9. Costa Rica	Colon	.15094	.58867	6.62500
10. Cyprus	Pound	2.80000	10.92000	.35714
11. Denmark	Krone	.14478	.56464	6.90714
12. Dominican Republic	Peso	1.00000	3.90000	1.00000
13. Ecuador	Sucre	.05556	.21668	18.00000
14. El Salvador	Colon	.40000	1.56000	2.50000
15. Ethiopia	Dollar	.40000	1.56000	2.50000
16. Finland	Markka	.31250	1.21875	3.20000
17. France	Franc	.20255	.78995	4.93706
18. Germany, Fed. Rep. of	Deutsche Mark	.25000	.97500	4.00000
19. Ghana	Cedi	1.16667	4.55001	.85714
20. Greece	Drachma	.03333	.12999	30.00000
21. Guatemala	Quetzal	1.00000	3.90000	1.00000
22. Haiti	Gourde	.20000	.78000	5.00000
23. Honduras	Lempira	.50000	1.95000	2.00000
24. Iceland	Krona	.02326	.09071	43.00000
25. India*	Ruppee	.21000	.81900	4.76190
26. Iran	Rial	.01320	.05148	75.75000
27. Iraq	Dinar	2.80000	10.92000	.35714
28. Ireland	Pound	2.80000	10.92000	.35714
29. Israel	Pound	.33333	1.29999	3.00000
30. Italy	Lira	.00160	.00624	625.00000
31. Jamaica	Pound	2.80000	10.92000	.35714
32. Japan	Yen	.00278	.01084	360.00000
33. Jordan	Dinar	2.80000	10.92000	.35714
34. Kuwait	Dinar	2.80000	10.92000	.35714
35. Lebanon	Pound	.45631	1.77961	2.19148
36. Liberia	Dollar	1.00000	3.90000	1.00000
37. Libya	Pound	2.80000	10.92000	.35714
38. Luxembourg	Franc	.02000	.07800	50.00000
39. Malaysia	Dollar	.32667	1.27401	3.06122
40. Mexico	Peso	.08000	.31200	12.50000
41. Morocco	Dirham	.19761	.77068	5.06049
42. Netherlands	Guilder	.27624	1.07734	3.62000
43. New Zealand	Pound	2.78090	10.84551	.35959
44. Nicaragua	Cordoba	.14286	.55715	7.00000
45. Nigeria	Pound	2.80000	10.92000	.35714
46. Norway	Krone	.14000	.54600	7.14286
47. Pakistan	Ruppee	.21000	.81900	4.76190
48. Panama	Balboa	1.00000	3.90000	1.00000
49. Philippines	Peso	.25641	1.00000	3.90000
50. Portugal	Escudo	.03478	.13564	28.75000
51. Rwanda	Franc	.01000	.03900	100.00000
52. Audi Arabia	Riyal	.22222	.86666	4.50000
53. Sierra Leone	Leone	1.40000	5.46000	.71429
54. Somalia	Somali Shilling	.14000		7.14286

**EXCHANGE RATES OF FOREIGN CURRENCIES (Continued)**  
**JUNE, 1966**

**MEMBER COUNTRIES OF THE INTERNATIONAL  
MONETARY FUND**  
(Currencies with Par Value)

<i>Countries</i>	<i>Unit of Currency</i>	<i>Equivalent In U.S. Currency</i>	<i>Equivalent In Phil. Currency at Off. Rate</i>	<i>Foreign Currency Unit Per U.S. \$</i>
55. South Africa .....	Rand .....	1.40000	5.46000	.71429
56. Spain .....	Peseta .....	.01667	.06501	60.00000
57. Sudan .....	Pound .....	2.87156	11.19908	.34824
58. Sweden .....	Krona .....	.19330	.75387	5.17321
59. Syrian Arab Rep. ....	Pound .....	.45631	1.77961	2.19148
60. Thailand .....	Baht .....	.04808	.18751	20.80000
61. Trinidad & Tobago ....	TT Dollar .....	.58333	2.27498	1.71429
62. Tunisia .....	Dinar .....	1.90476	7.42856	.52500
63. Turkey .....	Lira .....	.11111	.43333	9.00000
64. United Arab Republic .	Pound .....	2.87156	11.19908	.34824
65. United Kingdom .....	Pound .....	2.80000	10.92000	.35714
66. United States .....	Dollar .....	1.00000	3.90000	1.00000
67. Uruguay .....	Peso .....	.13514	.52705	7.40000
68. Venezuela .....	Bolivar .....	.29851	1.16419	3.35000
69. Yugoslavia .....	Dinar .....	.08000	.31200	12.50000
70. Zambia .....	Pound .....	2.80000	10.92000	.35714

*Source of Data:* International Statistics, Vol. 19, 21—June, 1966

**MEMBER COUNTRIES OF THE INTERNATIONAL  
MONETARY FUND**

(Currencies without Par Value)

1. Argentina .....	Peso .....	\$0.00531	P0.02071	188.80000
2. Bolivia (Selling Rate)	Bolivian Peso .....	.08418	.32830	11.88000
3. Brazil (Free Rate) ...	Cruzeiro .....	.00045	.00176	2,220.00000
(Coffee Rate) .	.....	.00113	.00441	881.60000
4. Chile (Trade Rate) ...	Escudo .....	.27624	1.07734	3.62000
(Non-trade Rate) ...	.....	.22831	.89041	4.38000
5. China (Taiwan) .....	NT Dollar .....	.02494	.09727	40.10000
(Selling Rate) .....	.....	.07407	.28887	13.50000
6. Colombia (Export Rate)	Peso .....	.07407	.28887	13.50000
(Principal Selling Rate) .....	.....	.07402	.28868	13.51000
(Free Rate) .....	.....	.05467	.21321	18.29000
7. Korea (Official Rate).	Won .....	.00369	.01439	271.00000
8. Mali .....	Franc .....	.00405	.01580	246.85000
9. Paraguay (Selling Rate)	Guarani .....	.00794	.03097	126.00000
10. Peru .....	Sol .....	.03729	.14543	26.82000
11. Vietnam (South) .....	.....	.01667	.06501	60.00000
(Trade Rate) .....	.....	.01361	.05308	73.50000
(Invisible Rate) .....	.....	.00847	.03303	118.00000
(Troop Pay Rate) .....	.....			

EXCHANGE RATES OF FOREIGN CURRENCIES (Concluded)  
JUNE, 1966

MEMBER COUNTRIES OF THE INTERNATIONAL  
MONETARY FUND  
(Currencies with Par Value)

<i>Countries</i>	<i>Unit of Currency</i>	<i>Equivalent In U.S. Currency</i>	<i>Equivalent In Phil. Currency at Off. Rate</i>	<i>Foreign Currency Unit Per U.S. \$</i>
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NON-MEMBER COUNTRY  
(Currency without Par Value)

Switzerland .....	Franc .....			
(Spot Rate) .....		\$0.23158	₱0.90316	4.31800
(Forward Rate) .....		.23148	.90277	4.32000

NON-METROPOLITAN AREAS

1. Antilles & Surinam ...	Guilder .....	\$0.53026	₱2.06800	1.88585
2. Antique, Barbados, Do- nica, Montserrat, St. Christopher — Nevis — Anguilla, St. Lucia, St. Vincent .....	Dollar .....	.58333	2.27499	1.71429
3. British Honduras .....	Dollar .....	.70000	2.73000	1.42857
4. Bahrain .....	Dinar .....	2.10000	8.19000	.47619
5. British Guiana .....	Dollar .....	.58333	2.27499	1.71429
6. Brunei .....	Dollar .....	.32666	1.27397	3.06122
7. Comoro Is., Reunion, St. Pierre & Miquelon ....	CFA Franc .....	.00405	.01580	246.85300
8. Fed. of South Arabia ..	Dinar .....	2.80000	10.92000	.35714
9. Fiji .....	Pound .....	2.52252	9.83782	.39643
10. French Polynesia, New Caledonia, New Heb- rides, Wallis & Futuna Is. ....	Franc .....	.01114	.04345	89.76470
11. French Guiana, Gauda- loupe, & Martinique ..	Franc .....	.20255	.78995	4.93706
12. French Somaliland ...	Djibouti Franc ....	.00466	.01817	214.39200
13. Hongkong .....	Dollar .....	.17500	.68250	5.71430
14. Marutius, Seychelles .	Rupee .....	.21000	.81900	4.76190
15. Tonga .....	Pound .....	2.24000	8.73600	.44643

**RULES AND REGULATIONS GOVERNING MEDIUM-AND LONG-TERM LOANS UNDER THE CENTRAL BANK-INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT LOAN AGREEMENT.**

**Preliminary Statement**

Loan funds for financing the expansion of the medium-and long-term loaning activities of rural banks are available under the Central Bank credit line with the International Bank for Reconstruction and Development (IBRD). Under the Loan Agreement entered into between the Central Bank and IBRD, loans will be authorized for the purpose of extending credit accommodations to the end-user applicant through the lending facilities of rural banks under the supervision of the Central Bank, for agricultural development.

Pertaining portion of Section 13 of the Rural Banks Act, as amended, provides:

“That for the purpose of implementing a nation-wide program of agricultural and industrial development, rural banks are hereby authorized, under such terms and conditions as the Central Bank shall prescribe, to borrow, on a medium or long-term basis, funds that the Central Bank or any other government financing institution shall borrow from the International Bank for Reconstruction and Development or other international or foreign lending institutions for the specific purpose of financing the above-stated agricultural and industrial program;

In conformity with the CB-IBRD Loan Agreement and the provisions of Sections 2 and 13 of Republic Act No. 720, as amended, the following rules and regulations are hereby prescribed by the Monetary Board:

**I. Participating Rural Banks**

**SECTION 1. Eligibility Requirements.** — In selecting the rural banks which shall be eligible under this credit program, the Department of Rural Banks shall evaluate their credit worthiness taking into account the following:

**a. Period of Operation**

The rural bank must have been in operation for not less than 2 years previous to making an application under the loan agreement.

b. Liquidity Position

(1) Sufficiency of working capital to meet obligations to creditors and depositors taking into account local conditions and past performance.

(2) Sufficiency of available legal reserves against deposit liabilities.

(3) Amount of past due items in relation to total loan investments.

c. Investment Position

(1) Soundness of loan investments as to collateral, capacity to pay and character of borrowers.

(2) Adherence to objectives of the Rural Banks Program as to purpose of loans and eligibility of borrowers.

d. Credit Standing

(1) Its established credit reputation with the Central Bank, other credit institutions and other creditors.

(2) Character, capacity and integrity of officers.

e. Net Worth

(1) Results of operation.

(2) Ratio of unimpaired capital and surplus to risk assets.

(3) Sufficiency of capital.

(4) Adequacy of required and necessary surplus reserves to gain financial strength.

f. Management Competence to Handle the Program.

g. Compliance with laws, rules, regulations, circulars, and memoranda promulgated and issued by the Monetary Board.

SEC. 2. Wherever there are established in any law, rule, regulation or other directive in force, standards or criteria by way of ratios or percentages or otherwise, in relation to the factors enumerated in Section 1, such standards or criteria shall be deemed applicable for the purposes of an evaluation of credit worthiness under said Section 1.

## II. Loans by Central Bank to Rural Banks

SEC. 3. Purpose of Loans. — Loans shall be made available to rural banks for relending to end-user applicants, under the supervision of the Central Bank, for the following specific purposes:

- a. Acquisition of farm machinery and implements; and
- b. Development of small private irrigation systems;

SEC. 4. Loan Limit. — The Central Bank shall lend to a participating rural bank not more than sixty per cent (60%) of the cost of the object to be financed.

SEC. 5. Security. — Each rural bank shall assume the credit risk of any loan extended by it under this program. The rural bank shall execute a promissory note covering each loan received from the Central Bank, and as security for such loan shall endorse in favor of the Central Bank promissory notes executed by individual borrowers covering the total amount borrowed from the rural bank.

SEC. 6. Maturity. — The maturities of the notes executed by a participating rural bank in favor of the Central Bank shall approximately correspond to the schedule of repayments by end-user borrowers as recommended by the rural bank and approved by the Central Bank which shall also be indicated in the end-user borrowers' promissory notes.

SEC. 7. Interest. — Loans to rural banks shall bear interest at six and one-half per cent (6-1/2%) *per annum* on the principal amount released and outstanding from time to time; such interest shall not be collected in advance.

SEC. 8. Processing of Applications. — Applications for loans shall be submitted to the Department of Rural Banks, together with the following documents:

- a. Board resolution authorizing an officer of the rural bank to negotiate for a loan with the Central Bank;
- b. Specimen signatures of the members of the board of directors and officers duly certified to by the board secretary;
- c. Statement of Financial Condition of the rural bank, together with the Statement of Income and Expenses, as of the date of loan applications;

d. End-users' Applications and Inspectors' Reports together with supporting documents, as listed in the Loan Application Register.

The applications, with the necessary evaluation, shall be submitted to a Loan Committee with the Director of the Department of Loans and Credit and the Director of the Department of Rural Banks, as members, and the Deputy Governor of the Central Bank as Chairman. A vote of the majority thereof is sufficient to approve the loan applications.

SEC. 9. Documents Required for Approval Loans to Rural Banks. — A participating rural bank whose application has been approved by the Loan Committee shall submit the following documents in the form prescribed by the Central Bank:

a. Rural bank's promissory note in the approved amount and under the terms and conditions set by the Central Bank;

b. Promissory notes and mortgage documents of individual end-users whose applications have been approved; and

c. Dealer-rural bank-borrower's agreement covering farm machineries and implements to be purchased.

SEC. 10. Advances. — Upon compliance with the foregoing requirements, the Department of Rural Banks shall release a check in the amount of the loan approved to the rural bank concerned, duly receipted for and acknowledged together with an itemized list of end-user borrowers showing the corresponding amounts of approval loans to such borrowers.

SEC. 11. Repayment of Loans. — Any payments for account of the CB-IBRD loan shall be remitted to the Department of Rural Banks, Central Bank, not later than the first and fifteenth of the month following receipts of payments from end-user borrowers. Out-of-town checks shall not be immediately accepted and applied as payment of loans until after they have been cleared by their respective depository banks.

Installments on the notes of the rural bank in favor of the Central Bank (CB-IBRD loan), shall be paid by the rural bank from its own funds promptly as they fall due, notwithstanding any default in payments due to the rural bank from end-user borrower.

SEC. 12. Penal Provisions. — A rural bank failing to comply with the provisions of the preceding paragraph shall *ipso facto* lose its right to avail of the credit facilities under the CB-IBRD financing program, without prejudice to the imposition of additional penalties by the Central Bank. A penalty of ten per cent (10%) *per annum* on past due accounts shall be imposed over and above the interest rate at which loan was originally granted.



**SEC. 13. Loans in Litigation.** — In case of suit for collection from a rural bank of the amount representing the unpaid balance of the loan from the Central Bank, there shall be collected, from such rural bank, in addition to the interest on the loan and any penalty imposed under Section 12, attorney's fees equivalent to ten per cent (10%) of the unpaid balance which shall in no case be less than Five Hundred Pesos (P500.00) and costs of the suit.

**SEC. 14. Custody and Release of Loan Documents.** — All loan papers and documents submitted to the Central Bank shall be placed under the custody of the Cashier of the Central Bank, and shall be made available to the duly authorized representatives of the Department of Rural Banks.

The promissory notes and supporting documents deposited with the Central Bank to secure the loan shall be released only upon full payment of the obligation and upon authority in writing by the Director, Department of Rural Banks, or his authorized representative.

### **III. Loans by Rural Banks to End-Users**

**SEC. 15. Purpose of Loans.** — The purposes of medium- and long-term loans under the Loan Agreement shall be:

**a. Acquisition of farm machineries and implements:**

(1) Tractors — hand tractors and attachments for land improvement and cultivation.

(2) Farm implements for planting, mowing, harvesting, spraying and dusting.

(3) Equipment and materials for livestock and poultry raising and fish culture; and

**b. Development of small private irrigation systems:**

Low lift pump equipment, motors and spare parts, equipment of wells, construction of canals and water storage facilities and land levelling.

**SEC. 16. Eligibility of Borrowers.** — The following are eligible borrowers:

**a.** A farmer owning or cultivating not more than fifty (50) hectares of arable land dedicated to agricultural production;

**b.** A duly organized farmers' cooperative; and

c. An individual rendering direct agricultural production services with a capital investment of not more than Twenty-five Thousand Pesos (P25,000.00).

SEC. 17. Eligibility of Projects. — Only development projects on viable farm units where the potential for increased production is clearly established will be eligible for loans. In particular, with regard to farm machinery, except for special circumstances, the proceeds of the Bank Loan will be applied as follows:

a. Under single cropping conditions, wheel tractors will be financed only when the farm area is 40 hectares or more;

b. Under double cropping, this area may be reduced to about 25 hectares;

c. Under single cropping, hand tractors will be financed for farms of 8 hectares or more;

d. Under double cropping, the size might be reduced to 5 hectares;

e. The above limits would not apply in cases where farmers undertake outside custom work.

SEC. 18. (a) Loan Limits. — The amount of loans that may be granted shall depend on the cost of the object of financing, needs of each borrower, collateral being offered and borrower's paying capacity and other factors bearing on his credit worthiness.

(b) A loan shall not exceed seventy per cent (70%) of the appraised value of immovable property offered as security which must be a first mortgage.

(c) The amount of any loan by a rural bank to an end-user shall, in the case of a chattel mortgage or pledge, not exceed fifty per cent (50%) of the appraised value of the object to be financed or, where such object to be purchased is new, fifty per cent (50%) of the price in the bill of sale.

(d) Where additional security to the object to be financed is given, the amount of the loan may be increased to the full cost of the object to be financed.

(e) The rural bank shall in all cases itself provide not less than ten per cent (10%) of the cost of the object to be financed.

SEC. 19. Credit Worthiness. — A borrower must have the essential factors of credit: character, capacity, and capital.

**SEC. 20. Collateral.** — The security shall consist of a first mortgage on immovable property and/or chattel mortgage on movable property.

Government bonds and other securities issued by its agencies and instrumentalities fully supported by the Central Bank and guaranteed by the Republic of the Philippines may be accepted at their face value.

The rural bank shall require the presentation of the yearly real estate tax receipts and insurance premiums, if any, as these fall due.

**SEC. 21. Maturity of Loans.** — Loans shall be granted with the following maturity periods:

- a. Farm implements — not exceeding three (3) years;
- b. Light machineries — not exceeding four (4) years;
- c. Heavy machinery — not exceeding seven (7) years;
- d. Acquisition of irrigation pumps and engines — not exceeding five (5) years;
- e. Any complete development of an irrigation system — not exceeding ten (10) years;
- f. Piggery — not exceeding five (5) years;
- g. Poultry — breeding purposes — not exceeding five (5) years;
- h. Poultry — layer — not exceeding five (5) years; and
- i. Any complete development of a fish pond culture — not exceeding ten (10) years.

**SEC. 22. Interest Rates.** — Loans to end-user borrowers shall bear interest not exceeding twelve per cent (12%) *per annum* on the principal amount outstanding from time to time; such interest shall not be collected in advance.

**SEC. 23. Application and Processing.** — Application and processing requirements shall be as follows:

a. An application for loan in the form prescribed by the Central Bank shall be filed with a qualified rural bank nearest the project to be financed.

b. The rural bank, after conducting the necessary credit investigation, verification of the project(s) to be financed and the collateral(s) offered, shall, if it approves the application(s), endorse it (them) together

with all supporting documents to the Department of Rural Banks, Central Bank of the Philippines.

SEC. 24. Release of Loan Proceeds. — Upon receipt of the loan proceeds from the Central Bank, together with the abstract of the approved loan applications, the rural bank shall issue checks to the corresponding supplier or end-user borrower.

SEC. 25. Repayment of Loans to Rural Banks. — Repayments may be scheduled in installments so arranged as to fall due on the approximate month of highest farm income or when the principal farm income is normally available, provided, however, that the interval between installments shall not exceed twelve (12) months.

SEC. 26. Penalty for Non-Payment. — A penalty of ten per cent (10%) *per annum* on past due accounts shall be imposed over and above the interest rate at which loan was originally granted.

SEC. 27. Loans in Litigation. — In case of suit for collection from an end-user borrower of the amount representing the unpaid balance of the Central Bank, there shall be collected, from such borrower, in addition to the interest on the loan and any penalty imposed under Section 26, attorney's fees equivalent to ten per cent (10%) of the unpaid balance which shall in no case be less than One Hundred Pesos (P100.00) and costs of the suit.

SEC. 28. Procurement. — Procurement shall be limited to farm machinery dealers who agree to provide for the necessary training in the proper operation, care and upkeep of the machinery purchased, and who shall have immediately available, should the necessity arise, spare parts and technical men, at strategic places to repair and replenish the farm machineries sold by them.

SEC. 29. Training, Supervision and Guidance. — To insure efficient utilization of the loan, the Central Bank farm credit technicians, in coordination with the Inspector or Appraiser of the rural bank and trained personnel from other government agencies and instrumentalities, shall follow-up loans made and shall provide the borrowers with technical assistance and guidance as needed.

SEC. 30. All laws, rules, regulations, circulars and memoranda insofar as they are applicable and not in conflict with any provision of these rules and regulations, are hereby made a part hereof.

Approved January 11, 1966.

For the Monetary Board:

ANDRES V. CASTSILLO  
Governor

Certified true copy:

ANTONIO M. DE LEON  
Secretary to the Monetary Board

**CENTRAL BANK OF THE PHILIPPINES**

**M a n i l a**

**CIRCULAR NO. 214**

**January 4, 1966**

***[ Retirement and Demonetization of All Fractional  
Central Bank Notes (Half-peso, 50-, 20-, 10- and  
5-centavo Denominations) ]***

Pursuant to Section 59 of Republic Act No. 265, otherwise known as the Central Bank Act, all fractional Central Bank notes (Half-peso, 50-, 20-, 10- and 5- centavo denominations) 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 coins or notes of other denominations.

These fractional notes shall remain legal tender for a period of one year ending January 4, 1967. After this period, they shall cease to be legal tender but they may be replaced or exchanged, at par and without charge, with legal tender currency during the following three (3) years ending *January 4, 1970*.

After January 4, 1970, such fractional notes which have not been exchanged shall cease to be a liability of the Central Bank of the Philippines and shall be considered demonetized.

(Sgd.) **ANDRES V. CASTILLO**  
*Governor*

CIRCULAR NO. 215

January 24, 1966

Pursuant to Monetary Board Resolution No. 137 dated January 21, 1966, Section 1(a) of Central Bank Circular No. 202 dated June 30, 1956, is hereby amended to read as follows:

"SECTION 1. Reserves against Deposit Liabilities.

xxx

xxxx

xxx

(a) *Reserves against deposits in local currency of commercial banks.* —

- (1) *Demand deposits* — The required reserve shall be ten per cent (10%) of the total amount of such deposit liabilities of the bank;
- (2) *Savings deposits* — The required reserve shall be eight per cent (8%) of the total amount of such deposit liabilities of the bank;
- (3) *Time deposits* — The required reserve shall be six per cent (6%) of the total amount of such deposit liabilities of the bank maturing within thirty (30) days, and five per cent (5%) on those maturing beyond thirty (30) days from the date of the computation of the bank's required reserve.

Of the required reserve, at least one per cent (1%) of the total amount of the deposit liabilities of the bank shall be held in the form of deposit balances with the Central Bank of the Philippines. The remaining portion of the reserve may be held in the form of evidences of indebtedness or obligations of the Republic of the Philippines or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines, and which evidences of indebtedness or obligations are supported by the Central Bank of the Philippines; and/or cash in vault.

xxx

xxx

xxx"

This Circular shall take effect immediately.

(Sgd.) ANDRES V. CASTILLO  
Governor

**CIRCULAR NO. 216**

**January 24, 1966**

Pursuant to Monetary Board Resolution No. 121 dated January 18, 1966, the second to the last paragraph of Section 2-b of Central Bank Circular No. 133 dated January 21, 1962, as amended, is hereby further amended to read as follows:

"Section 2. x x x

(b) x x x

These time deposits shall be kept for periods no shorter than 120 days and shall have a reserve requirement in accordance with the following schedule:

(1) Fifty per cent (50%) effective immediately;  
and

(2) Twenty-five per cent (25%) to take effect  
February 23, 1966.

x x x"

(Sgd.) ANDRES V. CASTILLO  
Governor

CIRCULAR NO. 217  
Series of 1966

In implementation of Executive Order No. 2 of the President of the Philippines dated January 5, 1966, directing that customs duties, taxes and other levies on imported goods be collected by the Central Bank through its authorized agent banks, and in line with Customs Administrative Order No. 2-66 dated February 5, 1966, the following rules and regulations are hereby promulgated:

SECTION 1. Central Bank release certificates covering imports shall be issued by authorized agent banks upon payment by the importer of the amount of customs duties, taxes and other levies found due on the merchandise to be covered thereby. For this purpose, the Bureau of Customs shall issue an "order of payment" indicating the merchandise sought to be released and other particulars of the importation, and the corresponding amount of duties, taxes and other levies found due and collectible. Upon payment of such amount, the authorized agent bank shall issue an official receipt, and may then issue the release certificate covering the merchandise.

SEC. 2. Authorized agent banks shall submit daily to the Central Bank of the Philippines a report of all collections of customs duties, taxes and other levies received during the day. Unless sooner demanded, such collections shall be remitted to the Central Bank within thirty (30) days.

SEC. 3. The form for the official receipt mentioned above and the manner of its accomplishment shall be prescribed by the Central Bank.

SEC. 4. This Circular shall take effect ten (10) days from its publication in the Official Gazette.

For the Monetary Board:

(Sgd.) ANDRES V. CASTILLO  
Governor

February 8, 1966



## CIRCULAR NO. 218

February 16, 1966

Pursuant to Monetary Board Resolution No. 260 dated February 11, 1966, Paragraph 6 of Central Bank Circular No. 192 is hereby amended to read as follows:

- "6) The option originally given *commercial* banks and their branches, agencies and extension offices located outside Greater Manila to often for business on Saturdays under Circular No. 131 is revoked and, therefore, any bank which has been maintaining normal business on Saturdays shall terminate the practice within three (3) months from the date of this circular: *Provided, however, that—*
- (a) Should any commercial bank feel the necessity to continue (or start) the practice of maintaining banking hours on Saturdays, prior permission shall be requested from the Governor through the Superintendent of Banks;
  - (b) Where there are two (2) or more commercial banks operating in a locality, any such request shall not be entertained unless the banking hours to be adopted are uniform for all such banks operating in the same locality and unless the request is made jointly by all of them; and
  - (c) Should any commercial bank (with the prior authority to maintain banking hours on Saturdays under Sections (a) and (b) of this paragraph) decide to suspend/terminate its operation on said days, it may do so without prejudice to the rights and privileges of the other commercial banks in the same locality to continue operating during Saturdays under said authority: *Provided, that the Superintendent of Banks shall be duly notified in advance of such suspension/termination; and Provided, further, that notice to this effect shall be posted conspicuously in the bank's premises at least three (3) weeks before the suspension/termination of such practice."*

This Circular shall take effect immediately.

ANDRES V. CASTILLO  
Governor

**CIRCULAR NO. 219**

**Series of 1966**

**(Further amendment to Central Bank Circular No. 133)**

In line with Resolution No. 497 of the Monetary Board adopted at its meeting held on March 29, 1966, Section 2(a) of Circular No. 133 as amended by Central Bank Circulars Nos. 143 and 152, and continued in force and effect by Central Bank Circular No. 171 dated April 23, 1964, is hereby further 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 of producers 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.”

Paragraph (b) of Section 2 of Circular No. 133 is hereby deleted.

Subsisting special time deposits on import letters of credit shall be held to maturity.

This Circular shall take effect immediately.

**FOR THE MONETARY BOARD**

**(Sgd.) ANDRES V. CASTILLO**  
Governor

**March 29, 1966**

## **CIRCULAR NO. 220**

**Series of 1966**

The following regulations are promulgated pursuant to **Monetary Board Resolution No. 569 dated April 15, 1966:**

1. All authorities to accept Government deposits heretofore granted to all banks are hereby withdrawn. Accordingly, all previously authorized depository banks no longer have authority to accept government deposits nor to renew maturing time deposits. As a corollary to the foregoing rule, no bank shall, without the prior approval of the Central Bank, borrow funds from the Government; its branches, political subdivisions or instrumentalities; or from Government-owned or controlled corporations, other than the Philippine National Bank or the Development Bank of the Philippines; through the issuance or sale of its acceptances, notes, or other evidences of debt.

2. In municipalities or cities where there are no existing branches, extension offices, or agencies of the Philippine National Bank, the Central Bank may authorize an existing branch, agency, or office thereat, if any, of a commercial bank to accept or continue accepting deposits of funds belonging to government entities located in their respective cities and municipalities and/or municipalities and cities not nearer to municipalities and cities where there exist branches, extension offices or agencies of the Philippine National Bank. The letter of authority shall fix the terms and conditions for the acceptance of such deposits. A commercial bank desiring authority to accept or continue accepting government deposits under the provisions of this paragraph shall file an application with the Monetary Board through the Superintendent of Banks, stating therein the name(s) of the government entities concerned, the location of their offices, the types of deposits to be accepted and/or being serviced and the balances of these deposits, if any.

3. The present 30% and 90% liquidity floor requirements on government deposits shall continue in force, provided however, that all government deposits (except those which may be authorized under paragraph 2 above) still held by banks sixty (60) days from date of this Circular, shall be subject to the 90% liquidity floor requirement and shall not be held beyond ninety (90) days from date of this Circular except time

deposits, if any, which shall not have matured by then. Deposits which may be authorized under Paragraph 2 above shall be subject to the 30% liquidity floor in the form of Central Bank supported government securities separate and distinct from those used as reserves against deposit liabilities.

4. All previously authorized depository banks shall submit to the Department of Supervision and Examination, Central Bank of the Philippines, not later than 4:30 p.m. on April 26, 1966, a list showing the names of the government entities and the individual outstanding balances of the government demand deposits, savings deposits and time deposits (indicating dates received and dates of maturity); acceptances, notes, or bills sold to or discounted with any Government-owned or controlled corporation, other than the Central Bank, the Philippine National Bank, or the Development Bank of the Philippines; held by the head office and by each of the branches, agencies and extension offices as of the close of business on April 22, 1966.

5. The Philippine National Bank and the Development Bank of the Philippines, being instruments of national monetary policy, are exempted from the provisions of this Circular.

6. This Circular shall take effect immediately.

(Sgd.) ANDRES V. CASTILLO  
Governor

April 22, 1966

## CIRCULAR NO. 221

May 18, 1966

### ADDITIONAL 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 to supplement those embodied in Circular No. 158, dated October 29, 1963:

Sec. 1. *Office Authorized to Enforce Rules and Regulations.* Except as otherwise provided herein, the Department of Savings and Loan Associations of the Central Bank of the Philippines shall enforce all orders, policies, instructions, rules and regulations promulgated by the Monetary Board to implement Republic Act No. 3765.

The Director of the Department of Savings and Loan Associations shall have the authority to inspect or examine, personally or by deputy, all books, documents, papers or records of any creditor, necessary in his judgment, to ascertain the facts relative to any credit transaction where the creditor requires as an incident to the extension of credit, the payment of a finance charge. The Director of said Department may require such creditor to submit to the Department of Savings and Loan Associations, data or information regarding contracts within the purview of Republic Act No. 3765, which he may deem necessary in carrying out the purposes of said Act.

Sec. 2. *Availability for Inspection of Copies of Contracts.* Every creditor shall keep in his office or place of business copies of contracts covering all credit transactions entered into by him which involve the extending of credit to another and the payment of finance charge therefor. Such copies shall be available for inspection or examination by the Director of the Department of Savings and Loan Associations of the Central Bank of the Philippines or his duly authorized deputies.

In case the seven items of information mentioned in Section 1 of Circular No. 158, are not disclosed in the contract covering the credit transaction, said items, to the extent applicable, shall be disclosed in another document to be signed by the debtor and appended to the main contract, in the form prescribed by the Monetary Board.

Sec. 3. *Submission of Information Sheet and Other Reports.* Every creditor shall file an information sheet with the Department of Savings and Loan Associations of the Central Bank of the Philippines and such other reports which the Director of said Department may require, in the form or forms to be prescribed by the Monetary Board, regarding credit transactions entered into by such creditor.

Sec. 4. *Posters.* Every creditor shall post in a conspicuous place in his principal place of business, and branches if any, an abstract of the provisions of Republic Act No. 3765 in the form or forms as may be prescribed by the Monetary Board.

Sec. 5. *Who are Included in the Term "Creditor".* The term "creditor" as defined in Sec. 3, paragraph (4), of Republic Act No. 3765, and Sec. 2, paragraph (a), of Circular 158, shall include, but shall not be limited to, banks and banking institutions, insurance and bonding companies, savings and loan associations, credit unions, financing companies, installment houses, real estate dealers, lending investors, pawnshops, and any other person or entity engaged in the business of extending credit, who requires as an incident to the extension of credit, the payment of a finance charge: Provided, however, that in the case of banks and banking institutions and of rural banks, the Superintendent of Banks and the Director of the Department of Rural Banks of the Central Bank, respectively, shall be charged with the responsibility of enforcing all rules, regulations and policies promulgated by the Monetary Board to implement Republic Act No. 3765.

Sec. 6. *Effectivity.* These additional Rules and Regulations shall take effect thirty (30) days after publication in the Official Gazette.

For the Monetary Board:

(Sgd.) ANDRES V. CASTILLO  
Governor

CIRCULAR NO. 222

June 14, 1966

*Regulations Governing Rates of Interest on Deposits*

Pursuant to Monetary Board Resolution No. 805 dated May 20, 1966, the following regulations shall govern the payment of interest on deposits by all banks:—

1. *Demand deposits.* — No interest shall be paid on these deposits.

2. *Savings deposits.* —

*Commercial banks, savings and mortgage banks, development banks (including the Development Bank of the Philippines), cooperative banks, rural banks and the NACIDA Bank.* — The maximum rate of interest on savings deposits of these banks shall be five and three-fourths per cent (5-3/4%) *per annum*, compounded quarterly.

3. *Time deposits (including IDC-ICA Special time deposits).* —

a) *Term of time deposits.* — No time deposit shall be accepted for a term of less than ninety (90) days or more than 360 days, or one (1) year.

b) *Time of payment of interest and withdrawal of deposit before maturity date.* — Interest on time deposits shall not be paid in advance, but only at maturity, or upon withdrawal of the deposit. When withdrawn before maturity, a time deposit shall be deemed a savings deposit, and the interest which may be paid thereon shall not exceed the interest applicable to a savings deposit.

c) *Schedule of interest rates.* — *Commercial banks, savings and mortgage banks, development banks (including the Development Bank of the Philippines), cooperative banks, rural banks and the NACIDA Bank.* — A maximum annual interest rate of six and one-half per cent (6-1/2%) shall be allowed on time deposits in accordance with the following schedule:

- (a) 90 days — 5-3/4%
- (b) 180 days — 6%
- (c) 270 days — 6-1/4%
- (d) 360 days — 6-1/2%

- d) *Treatment of matured time deposit.* — A time deposit not withdrawn or renewed on its due date of withdrawal shall be deemed a savings deposit and the interest which may be paid thereon from said due date of withdrawal to the date of actual withdrawal or renewal shall not exceed the interest applicable to a savings deposit.
4. No bank or banking institution shall disseminate, advertise, or release any information that is paying or will pay interest at rates higher than those prescribed herein, or indicate the effective rates resulting from a compounding of the rates.
5. Government deposits shall be subject to the provisions of this Circular.
6. Any provision of existing regulations inconsistent herewith is hereby superseded.

This Circular shall take effect immediately.

(Sgd.) ANDRES V. CASTILLO  
Governor



## CIRCULAR NO. 228

1. Pursuant to Monetary Board Resolution No. 996 dated June 24, 1966, all previous credit priorities which have heretofore been established are hereby revoked and all existing ceilings on credits of Commercial banks are hereby lifted.

2. The following credit priority classification is hereby established:

- Priority I —
- a) Production of agricultural, including forestry and fishery, and industrial goods which (1) possess growth potential in competitive domestic and world markets, (2) contribute most to the development of the economy, (3) provide for the satisfaction of basic wants of the population as a whole, and (4) require resources in addition to their self-financing capabilities.
  - b) Marketing of export products, primarily those goods that contain the maximum possible domestic processing and labor content.
  - c) Marketing in the internal market of domestic products which fall under Priority I and imported basic consumer goods by Filipino merchandisers.
  - d) Importation and marketing of capital equipment, raw materials and supplies for the production and distribution of Priority I products.
  - e) Public utilities which are not overcrowded and are necessary to support the production and distribution of Priority I goods or to satisfy basic wants.
  - f) Other services which are not overcrowded and which are necessary for (1) the development of desirable knowledge and skills, (2) the support of the production and distribution of Priority I products, and (3) the promotion of tourism and cultural pursuits.
  - g) Construction of (1) infrastructure projects, (2) physical plants necessary for the production and distribution of Priority I products and services, and (3) *individual* low cost housing for the lower income groups of the population.

Priority II — a) Production and distribution of goods and services which do not qualify under the Priority I category.

b) Real estate loans (construction, acquisition, development and refinancing of real estate) other than those specified under Priority I.

c) Consumption

d) Other non-productive and speculative activities

3. Borrowings of the commercial banks from the Central Bank shall henceforth be governed by the following:

✓ a) The rediscount ceilings of commercial banks shall be equivalent to 135 per cent of their net worth as of March 31, 1966, which ceilings may be availed of as follows:

1) An amount equivalent to 110 per cent of their net worth may be availed of by banks for production credits and commercial credits, to be secured by eligible paper, at the basic rediscount rate of 4-3/4% per cent.

2) An additional amount equivalent to 25 per cent of their net worth may be availed of by banks for financing the production and distribution of domestically produced rice and corn at the preferential rediscount rate of 3 per cent, provided that the total amount of Central Bank advances to all banking institutions for these purposes shall not exceed P200 million.

b) Eligible credit instruments pertaining to Priority I economic activities, as listed in Appendix I, to the exclusion of all others, shall be acceptable as security for Central Bank credits to the commercial banks under the following terms:

1) Central Bank credits shall be granted up to 80 per cent of the loan value of the credit instruments pertaining to economic activities falling under Group A.

2) Those classified under Group B — up to 65 per cent of the loan value of the credit instrument.

3) Those classified under Group C — up to 50 per cent of the loan value of the credit instrument.

4. Pursuant to Sections 2 and 114 of Republic Act No. 265, government-owned corporations which perform banking or credit functions shall coordinate their general credit policies with this priority system. Within the provisions of their respective charters, these corporations shall limit their credits to the economic activities falling under Priority II to 50 per cent of their outstanding loans at any time.

This Circular shall take effect on June 27, 1966.

**FOR THE MONETARY BOARD:**

**(Sgd.) AMADO R. BRIÑAS**  
**Deputy Governor**

June 25, 1966

oOo

## **APPENDIX I**

### **ECONOMIC ACTIVITIES FALLING UNDER PRIORITY I**

#### **A. Economic Activities Eligible For Credits up to EIGHTY Per Cent (80%) of Loan Value of the Credit Instrument.**

##### **1. Agriculture, Fisheries and Forestry**

###### **a. Agricultural**

- 1) Palay or rice
- 2) Corn
- 3) Coconut
- 4) Ramie
- 5) Rubber plantation

###### **b. Fisheries**

- 1) Marine fishing
- 2) Fishponds and inland fishing

###### **c. Forestry**

- 1) Forest nurseries and reforestation projects

##### **2. Mining and Quarrying**

###### **a. Non-metallic mining**

- 1) Coal
- 2) Asbestos

##### **3. Manufacturing**

###### **a. Food manufacturing**

- 1) Slaughtering, preparation and preserving of meat

- 2) Canning and preserving of fruits and vegetables
  - a) Canning, drying or otherwise preparing and preserving fruits
  - b) Canning, drying, brining, pickling or otherwise preserving or preparing vegetables
- 3) Canning and preserving of fish and other sea foods
  - a) Fish canning
- b. Coconut Products and their Preparation
  - 1) Coconut oil, edible
  - 2) Coconut oil, inedible
  - 3) Copra meal and cake
- c. Textile Cordage and Twines Manufactures
  - 1) Cordage, rope, twines and nets
- d. Lumber and Wood Products
  - 1) Veneer, plywood and prefabricated products
- e. Furniture and Fixture Manufacture
  - 1) Rattan and bamboo furniture
- f. Manufacture of chemicals and chemical products
  - 1) Basic chemicals
  - 2) Drugs and other pharmaceutical preparations
  - 3) Fertilizer
- g. Manufacture of petroleum and coal products
  - 1) Coke
- h. Basic Metal Industries
  - 1) Iron and steel basic industries
  - 2) Blast furnaces, steel work and rolling mills
  - 3) Iron and steel foundries
- i. Machinery, Equipment, Accessories and Parts
  - 1) Engines and turbines
  - 2) Agricultural machinery
  - 3) Industrial, construction and mining machinery
- j. Electrical Machinery, Apparatus & Appliances
  - 1) Transmissions and distribution equipment

**k. Miscellaneous Manufacturing Industries**

- 1) Laboratory, engineering and medical instruments

**4. Construction**

**a. Contract**

- 1) Building construction

- a) Commercial and industrial projects <sup>1</sup>

**5. Public Utilities**

**a. Ice and Ice Refrigeration Plants**

**b. Water supply and sanitary services**

- 1) Water supply systems

- 2) Irrigation systems

**c. Operation of wharves, dry docks, etc.**

**d. Warehousing**

**6. Commerce**

- a. Export products (except financing of log exports which shall not be acceptable as security for Central Bank loans) <sup>1</sup>

- b. Importation of capital goods and raw materials <sup>1</sup>

- c. Domestic trade (Filipino only) wholesale and retail<sup>1</sup>

**B. Economic Activities Eligible For Credits Up to SIXTY FIVE Per Cent (65%) of the Loan Value of the Credit Instrument**

**1. Agriculture, Fisheries and Forestry**

**a. Agricultural**

- 1) Coffee and cocoa

- 2) Cassava and other rootcrops

- 3) Abaca

- 4) Citrus

- 5) Other fruits and vegetables

- 6) Salt farming

- 7) Cotton

- 8) Soybean

- 9) Cattle and dairy farm

- 10) Piggery

- 11) Poultry

<sup>1</sup> To follow rating of economic activities included in this list

## 2. Mining and Quarrying

### a. Metal Mining

- 1) Gold
- 2) Silver
- 3) Iron
- 4) Chromite
- 5) Copper
- 6) Manganese
- 7) Nickel
- 8) Lead
- 9) Zinc
- 10) Quicksilver and mercury

### b. Non-Metallic Mining

- 1) Gypsum
- 2) Asphalt, sulphur, etc.
- 3) Marble

## 3. Manufacturing

### a. Food Manufacturing

- 1) Dairy products
  - a) Milk processing
- 2) Canning and preserving of fruits and vegetables
  - a) Fruits and vegetables, sauces and seasoning
- 3) Sugar factories and refineries
  - a) Sugar refining plants
- 4) Miscellaneous food preservations
  - a) Coffee roasting, grinding and/or processing
  - b) Prepared feeds for animals and fowls

### b. Coconut Products and their Preparations

- 1) Desiccated coconut

### c. Textile, Cordage and Twines Manufactures

- 1) Hemp milling, abaca stripping and baling establishments
- 2) Jute bags and sacks

### d. Lumber and Wood Products

- 1) Sawn and planed lumber

### e. Furniture and Fixture Manufacture

- 1) Wood furniture

- f. **Manufacture of Paper and Paper Products**
  - 1) Pulp, paper and paperboard
- g. **Manufacture of Leather and Leather Products**
  - 1) Tanning and finishing
- h. **Manufacture of chemical and chemical products**
  - 1) Explosives (excluding firecrackers)
  - 2) Dyeing and tanning materials
- i. **Manufacture of Non-Metallic Products**
  - 1) Glass and glass products
  - 2) Cement
- j. **Basic Metal Industries**
  - 1) Non-ferrous metal basic industries
- k. **Metal Industries**
  - 1) Tin and aluminum ware
  - 2) Cutlery, handtools and general products
  - 3) Fabricated structural and metal products
- l. **Machinery, Equipment, Accessories and Parts**
  - 1) Office and store machines and devices
- m. **Electrical Machinery, Apparatus and Appliances**
  - 1) Communication equipment
  - 2) Dry cells and storage batteries
- n. **Manufacture of Transportation Equipment and Repair**
  - 1) Motor vehicles and equipment
  - 2) Aircrafts and parts
  - 3) Ships and boats
  - 4) Railroad equipment
  - 5) Motorcycles, bicycles and parts
- o. **Miscellaneous Manufacturing Industries**
  - 1) Photographic and optical goods
  - 2) Cottage native handicraft industries
  - 3) Footwear (other than rubber)
- 4. **Construction**
  - a) **Contract**
    - 1) **Building Construction**
      - a) **Commercial and industrial projects**<sup>1</sup>
    - 2) **Highway and street construction**

<sup>1</sup> To follow rating of economic activities included in this list.

5. Public Utilities
    - a. Common Carriers except Non-motor Vehicles
    - b. Communication except commercial TV and Radio Broadcasting
    - c. Electricity, Gas and Steam
      - 1) Electric, light, heat and power
    - d. Water Supply and Sanitary Services
      - 1) Garbage, sewerage and disposal system
  6. Services
    - a. Educational Services
      - 1) Public universities and higher educational institutions
      - 2) Public vocational and trade schools
      - 3) Private vocational and trade schools
    - b. Medical and Other Health Services
    - c. Research and Scientific Institutions
    - d. Business and Professional Services
      - 1) Engineering and technical services
    - e. Recreation Services
      - 1) Theatrical production (i.e., all performing arts)
  7. Financial
    - a. Banks
      - 1) Rural banks
      - 2) Private development banks
  8. Commerce
    - a. Export products (except financing of log exports which shall not be acceptable as security for Central Bank loans)
    - b. Importation of capital goods and raw materials
    - c. Domestic trade (Filipino only) wholesale and retail
  9. Other Activities
    - a. Loans for other dollar-earning purposes not elsewhere classified (included in this category are the construction, development and operations of first-class hotels which cater to the needs of the tourist industry.)
- C. Economic Activities Eligible For Credits Up to FIFTY Per Cent (50%) of the Loan Value of the Credit Instrument
1. Agriculture, Fisheries and Forestry
    - a. Agricultural
      - 1) Sugar
      - 2) Pineapple
      - 3) Tobacco, native



- b. Fisheries
  - 1) Pearl fishing and culture, shell gathering and other marine products
  - 2) Fishery services
- c. Forestry
  - 1) Timber tracts
  - 2) Forest services
- 2. Mining and Quarrying
  - a. Non-metallic Mining
    - 1) Mineral salt
    - 2) Silica
- 3. Manufacturing
  - a. Food Manufacturing
    - 1) Canning and preserving of fish and other sea foods
      - a) Fish sauce (patis) manufacture
      - b) Shellfish curing, smoking, salting or pickling, n.e.c.
    - 2) Grain Mill Products
      - a) Rice mills
      - b) Corn mills
      - c) Tuber flour mills
      - d) Wheat flour
    - 3) Cocoa, chocolate and sugar confectionery
      - a) Cocoa and chocolate processing factories
    - 4) Miscellaneous food preparations
      - a) Vermicelli and noodles manufacture
      - b) Salt manufacture
      - c) Vegetable lard and margarine manufacture
      - d) Starch and its products
  - b. Coconut Products and their Preparation
    - 1) Copra
  - b. Tobacco
    - 1) Cigar and cigarette factories (native)
  - d. Apparel and Other Finished Products Made From Fabrics and Similar Materials
    - 1) Wearing apparel
    - 2) Embroidery shops
  - e. Lumber and Wood Products
    - 1) Creosoting and other wood treating
    - 2) Sashes and doors

- 3) Wooden box
- 4) Cork
- f. **Manufacture of Paper and Paper Products**
  - 1) Coated and glazed paper products
- g. **Printing, Publishing and Allied Industries**
  - 1) Newspaper and periodical publishing
  - 2) Book publishing and printing
- h. **Manufacture of Chemicals and Chemical Products**
  - 1) Paints, varnishes and lacquers
  - 2) Soaps and other cleansing prep.
- i. **Manufacture of Non-metallic Products**
  - 1) Pottery, china, earthenware
  - 2) Structural clay products
  - 3) Plastic products
- j. **Metal Industries**
  - 1) Fabricated wire products
  - 2) Metal stamping, coating and engraving
- k. **Electrical Machinery, Apparatus and Appliances**
  - 1) Household appliances
  - 2) Electric lamp
  - 3) Radio, television, telephone receiving sets, electronic tubes and components
- l. **Miscellaneous Manufacturing Industries**
  - 1) Oxygen, acetylene and similar products
  - 2) Silver and gold work without precious stones
- 4. **Construction**
  - a. **Contract**
    - 1) **Building Construction**
      - i. Government projects
      - ii. Commercial and industrial projects <sup>1</sup>
    - 2) Heavy construction
  - b. **Personal**
    - 1) Construction (not exceeding ₱30,000)
    - 2) Reconstruction (not exceeding ₱30,000)

<sup>1</sup> To follow rating of economic activities included in this list.

5. Public Utilities

- a. Electricity, Gas and **Steam**
  - 1) Gas manufacture and distribution
  - 2) Steam heat and power
- b. Water Supply and Sanitary Services
  - 1) Drainage system

6. Services

- a. Medical and Other Health Services
  - 1) Private health services
- b. Recreation Services
  - 1) Motion picture production

7. Financial

- a. Banks
  - 1) Commercial banks
  - 2) Savings and mortgage

8. Commerce

- a. Export products (except financing of log exports which shall not be acceptable as security for Central Bank loans) <sup>1</sup>
- c. Domestic trade (Filipino only)  
Wholesale and retail <sup>1</sup>

<sup>1</sup> To follow rating of economic activities included in the list.

CIRCULAR NO. 224

June 24, 1966

*Amendment to Circular No. 14, as amended*

Pursuant to Monetary Board Resolution No. 1013 dated June 24, 1966, Sections 2 and 3 of Central Bank Circular No. 14 dated April 7, 1949 (as amended) are hereby amended to read as follows:

“Section 2. Loans and advances against personal security may be granted only in the amounts and for the periods of time essential for the completion of the operations to be financed.”

“Section 3. Extension or renewal of loans and advances mentioned above may be granted only in the amounts and for the periods of time essential for the completion of the particular operation originally financed.”

All reporting requirements in Circular No. 14 are hereby deleted. This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(Sgd.) AMADO R. BRIÑAS  
*Deputy Governor*

**CIRCULAR NO. 225**

**July 1, 1966**

**REVISED RULES AND REGULATIONS  
GOVERNING THE EXPORTATION OF LOGS**

Pursuant to Monetary Board Resolution No. 989 dated June 21, 1966, the following rules and regulations shall henceforth govern the exportation of Philippine logs:

- (1) All contracts entered into by Philippine log exporters with foreign buyers shall contain a provision that the scaling of logs shall be in accordance with Forestry Administrative Order No. 19-2 dated October 23, 1964, or with such orders and regulations of the Bureau of Forestry governing the scaling or measurement of Philippine logs for exports;
- (2) The pricing of log exports shall be by log grades as usual;
- (3) The Central Bank reserves the right to order pre-shipment scale check of any log export shipment, to be done either by representatives of the Central Bank or by an independent cargo surveyor, or both;
- (4) In case of shipments to Japan, exporters shall make the following undertaking on the reverse side of the Report of Foreign Sales:

"I undertake to furnish the Central Bank with authentic copies of the scale/tally sheets showing the results of the measurement by authorized independent surveyors of the log shipments at the Municipal Log Ponds at the port/s of destination within two (2) months from date of shipment, with the understanding that action on my subsequent reports of foreign sales may be held in abeyance upon failure to submit the scale/tally sheets referred to above."

[The above undertaking shall be signed by the same officer signing the Report of Foreign Sales.]

- (5) The results of the measurement or remeasurement sheet to be submitted to the Central Bank pursuant to exporters' undertakings in item (4) above must be properly identified with the name of the Philippine log exporter, name of the foreign log buyer, CB Ref. No. of the report of foreign sales, number of export license(s) issued by agent bank, name of vessel, and ports of loading and of discharge.

The foregoing rules and regulations supersede the rules and regulations prescribed under Central Bank Circular No. 182, and the unnumbered Memorandum to Authorized Agent Banks dated January 5, 1965 and Memorandum to Authorized Agent Banks dated August 24, 1965, relating to the same subject.

All existing rules and regulations in connection with the licensing of export shipments of logs which are not inconsistent with the foregoing rules and regulations shall remain in force.

FOR THE MONETARY BOARD:

(Sgd.) AMADO R. BRIÑAS  
*Deputy Governor*

## CIRCULAR NO. 226

✓ Pursuant to Monetary Board No. 1130 dated July 19, 1966, eligible papers covering loans granted to the sugar industry shall be accepted by the Central Bank for rediscounting at eighty per cent (80%) of the loan value of the credit instruments for a period of three (3) crop years ending 1969, in order to assist the sugar industry in filling the domestic consumption requirements for sugar as well as the country's increased export sugar quota in the United States market.

Accordingly, the provisions of the Central Bank Circular No. 223 dated June 25, 1966, insofar as they relate to the sugar industry, are hereby suspended until further notice.

For the Monetary Board:

(Sgd.) AMADO R. BRIÑAS  
*Deputy Governor*

July 25, 1966

CIRCULAR NO. 227

Pursuant to Monetary Board Resolution No. 1314 dated August 12, 1966, advances may be granted to commercial banks until November 11, 1966, in amounts equivalent to forty per cent (40%) of the face value of, or if part payment/s have been made, the outstanding balance covered by, credit instruments not acceptable under Circular No. 223 dated June 25, 1966, but otherwise eligible under Section 87 of Republic Act No. 265.

This Circular shall take effect immediately.

(Sgd.) ANDRES V. CASTILLO  
*Governor*

August 15, 1966



**CIRCULAR NO. 228**

**Series of 1966**

**AMENDMENT TO CENTRAL BANK CIRCULAR NO. 9**

**Subject: *CLEARING OF TREASURY BILLS***

Effective immediately, the following paragraphs are hereby added to Section 3 of Circular No. 9 dated February 17, 1949, as amended by Circular No. 147 dated February 12, 1963, which shall read as follows:

**SECTION 3. *Items for Clearing***

Matured Philippine Treasury Bills may be exchanged through the Clearing Office of the Central Bank of the Philippines. All such bills for exchange shall be impressed with a special stamp with the word "PAID" and showing the Bank's name and the date of payment. The Treasury Bills shall be placed in a separate envelope properly stamped in bold letters "TREASURY BILLS" and accompanied with a machine listing of the Treasury Bills' serial numbers with the corresponding amounts the total of which shall be included as a charge item against the Central Bank of the Philippines.

The procedure for returned Treasury Bills sent through clearing shall be the same as that embodied under Section 4(c) of Circular No. 169 dated March 30, 1964.

(Sgd.) **ANDRES V. CASTILLO**  
*Governor*

**August 18, 1966**

## CIRCULAR NO. 229

As a measure to simplify procedure and facilitate exportation of goods from the Philippines, the export licensing by the Central Bank and the price verification prior to the issuance of export licenses are hereby discontinued and, in lieu thereof, a procedure of simple registration of export transactions is hereby adopted.

The Report of Foreign Sales shall, as heretofore, be filed with the authorized agent banks concerned for purposes of registration. Upon receipt of said reports and stamping thereof (copy to be furnished to the exporter), the agent bank concerned is authorized to issue the corresponding export permit/s in accordance with the export declarations filed by the exporters concerned. Authorized agent banks shall furnish the Export Department of the Central Bank daily with copies of said reports and of other documents filed by exporters.

The provisions of Circular No. 133, as amended, relative to the repatriation of export proceeds and the sale thereof to the banking system, as well as other existing rules and regulations pertaining to exports, shall remain in force.

Authorized agent banks are hereby granted authority to extend, in meritorious cases, the period for repatriation of export proceeds up to 180 days.

FOR THE MONETARY BOARD:

(Sgd.) ANDRES V. CASTILLO  
Governor

August 23, 1966

## CIRCULAR NO. 230

### *Regulations Governing Foreign Borrowings Through Stand-by Letters of Credit for the Purpose of Generating Pesos*

Pursuant to Monetary Board Resolution No. 1354 dated August 16, 1966, the following regulations shall govern foreign borrowings through stand-by letters of credit for the purpose of generating pesos:

1. Borrowings by government corporations, agencies and/or instrumentalities shall be effected through the Philippine National Bank or the Development Bank of the Philippines within the context of Section 128 of Republic Act No. 265.

2. Foreign borrowings by private firms or individuals for the purpose of generating pesos may be covered by stand-by letters of credit issued by the commercial banks, provided the proceeds thereof shall be used for the promotion, development or expansion of export industries or for financing of projects falling under Priority I of Central Bank Circular No. 228 dated June 25, 1966; provided, further, that amortization of such obligation be spread out over a period of not less than five (5) years.

3. The total amount of stand-by letters of credit that may be opened by each commercial bank shall not exceed one hundred per cent (100%) of its total net worth as of the end of the latest quarter. In the computation of this ceiling, total outstanding stand-by letters of credit, exclusive of those for the purchase of equipment, shares of stock, and other capital assets, shall be included.

4. Each bank shall hold a reserve in the form of net foreign exchange assets, cash in vaults not utilized as reserves against deposit liabilities, excess reserves against deposit liabilities, eligible Philippine government securities including Treasury bills, advances against export products, and due from local banks equivalent to thirty per cent (30%) of all foreign obligations falling under this Circular maturing within one hundred eighty (180) days.

5. All applications for the opening of stand-by letters of credit shall be accompanied by a project study which shall include the following as a minimum requirement:

- a. Economic justification
- b. Program of utilization of the proceeds
- c. Proposed program of repayment
- d. Financial statements

The original of the project study shall be kept by the negotiating bank and a copy thereof, as well as a copy of the bank's findings and action on each application, shall be forwarded by the bank to the Central Bank together with the report under Paragraph 7 of this Circular.

6. In order to avoid diversion to other purposes of the pesos so generated through foreign borrowings, authorized agent banks are hereby enjoined to exercise due care so that releases of funds shall be in accordance with the schedule of payments for the various phases of the project to be financed.

7. All Foreign borrowings falling under these regulations shall be reported by each commercial bank on the attached CB-FED Form No. 4 to be submitted monthly to the Foreign Exchange Department.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(Sgd.) ANDRES V. CASTILLO  
Governor

September 9, 1966

CB-FED Form No. ....

Name of Authorized Agent Bank \_\_\_\_\_

Report of Foreign Borrowings under CB Circular  
No. 230 dated Sept. 9, 1966

Date of last  
quarterly statement

Net Worth as of last  
quarterly statement

For the month of \_\_\_\_\_, 196\_

Ref. No.	Name of Borrower	Purpose	Foreign	Currency	(Cancellation)	Original Amount	Additional	A v a i l m e n t s	R e p a y m e n t s	Unpaid Balance as of end of Month									
						of Credit in				This Month Total	To-Date	This Month Total	To-Date	Within 6 mos.	7 - 12 mos.	After 1 year	Total		

CIRCULAR NO. 231

Pursuant to Monetary Board Resolution No. 1348 dated August 16, 1966, Central Bank Circular No. 206 dated September 7, 1965 is amended to the effect that the liquidity floor requirement on bills payable imposed thereunder shall apply to all banking institutions and not only to government depository banks.

This Circular shall take effect immediately.

(Sgd.) ANDRES V. CASTILLO  
Governor

August 26, 1966

## CIRCULAR NO. 232

Pursuant to Monetary Board Resolution No. 1852 dated November 11, 1966 the period of the effectivity of Circular No. 227, which authorizes the grant to commercial banks of rediscounting privileges equivalent to forty per cent (40%) of the loan value (based on the original amount of the customer's obligation or outstanding balance where part payment/s have been made) of papers not eligible under Central Bank Circular No. 223 but eligible under Section 87 of Republic Act No. 265, is hereby extended up to December 31, 1966.

This Circular shall take effect immediately.

(Sgd.) ANDRES V. CASTILLO  
Governor

November 16, 1966

## CIRCULAR NO. 233

(Amendment to Central Bank Circular No. 219)

Pursuant to Monetary Board Resolution No. 1821 dated November 8, 1966, importations of agricultural machineries and equipment by producers or importers under documents against acceptance arrangement may be liquidated within a period not exceeding 180 days and may be extended for a period not to exceed, 90 days in case of failure of the producers or importers concerned to meet their obligations within 180 days.

Importations of agricultural machineries and equipment under D/A arrangements made prior to the issuance of this Circular shall continue to be liquidated under Circular No. 219.

The foregoing accordingly amends Central Bank Circular No. 219 dated March 29, 1966 (amending Central Bank Circulars Nos. 143 and 152).

This Circular shall take effect immediately.

(Sgd.) ANDRES V. CASTILLO  
Governor

November 14, 1966



DEPARTMENT OF SUPERVISION AND EXAMINATION

MEMORANDUM TO AUTHORIZED AGENT BANKS — DSE <sup>566</sup>

January 14, 1966 1

For your guidance in the preparation of reports on DSE Form No. 11, "Consolidated Report of Available Coverage Against Outstanding Letters of Credit," the following clarifications are hereby issued:

1. *Definition of "Current Import Bills"*

a) As a general rule, the "current import bills" which may be considered as foreign exchange assets on DSE Form No. 11 include:

- (1) Bills on which the dollar obligation of the importer has not been *converted* into pesos, i. e., the importer's dollar liability to the bank has not been "liquidated" by his assumption of a peso obligation; and are not past due.
- (2) Sight bills (whether covered or not by refinancing arrangements) not paid on sight but goods are released under trust receipt and importer is given some time (say 30 days) within which to pay his obligation, *provided, that* the dollar obligation is retained and the bills are not past due.

b) The following shall not be considered as "current import bills" for purposes of DSE Form No. 11:

- (1) Sight bills (whether covered or not by refinancing arrangements) *not accepted or paid* by the importer within thirty (30) calendar days after date of arrival of carrying vessel;
- (2) Usance bills (suppliers and ACF) *not presented* to importer within thirty (30) calendar days after date of arrival of carrying vessel;

According, bills not paid on maturity or where maturity is extended, or where obligation is renewed, shall *not* be considered as *current*.

2. *Other Clarifications on Reporting on DSE Form No. 11:*

a) Futures bought are not to be considered as foreign exchange assets.

b) Futures bought are not to be deducted from letters of credit outstanding to arrive at the amount of letters of credit to be subjected to the 30% required coverage.

c) Bank's liability for usance (suppliers) drawn under the Bank's letter of credit are to be booked as a real liability (foreign exchange) and reported as such.

3. *Computation of Available Coverage Against Outstanding Letters of Credit and Application of the Sanction Under Memorandum to Authorized Agent Banks (Monetary Board Resolution No. 1173 dated September 7, 1965) dated September 7, 1965:*

a) The computation of available coverage against outstanding letters of credit under the aforesaid memorandum is hereby clarified to mean that it shall be made daily and submitted on a weekly basis on DSE Form No. 11.

The "Additional Information" appearing on pages 2 and 3 and Schedules A, B and C of the report-form should be accomplished only for the end-of-the-week report.

b) The application of the sanction under Memorandum to Authorized Agent Banks dated September 7, 1965 is also hereby clarified to mean that any bank which fails to maintain the minimum required ratio of 30% against its outstanding letters of credit for five (5) consecutive banking days shall not open letters of credit until it shall have maintained the required ratio for five (5) consecutive banking days. It is expected that the Head Office will inform all its branches, agencies and extension offices accordingly.

4. *Submission of Reports*

With respect to the submission of reports on DSE Form No. 11, the reporting banks are hereby given up to Tuesday immediately following the end of the week within which to submit their reports. Any bank which fails to submit the required report on time as prescribed herein shall not open letters of credit until the report is submitted.

Attached is a copy of the revised DSE Form No. 11.

(Sgd.) JOSE IGNACIO  
Superintendent of Banks

Name of Bank

Consolidated Report of Available Coverage Against Outstanding Letters of Credit

For the Week<sup>1</sup>

to

, 196

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
<b>A. Items to be Covered:</b>						
Total unused letters of credit outstanding [Excluding AID (Formerly MSA) accounts and unused L/Cs not expected to be covered by negotiations and/or drawings within six (6) months from date of this report]	P	P	P	P	\$	P
<b>B. Required Coverage (80% of Item A)</b>	P	P	P	P		P
<b>C. Available Coverage:</b>						
<b>Foreign Exchange Assets:</b>	P	P	P	P	\$	P
Foreign currencies on hand						
Due from banks abroad						
Due from Head Office, Branches and Agencies abroad						
Unmatured export bills						
Investment in foreign securities						
Loans and advances						
Drafts and other items in transit						
Other foreign exchange assets <sup>2</sup>						
<b>Total foreign exchange assets</b>	P	P	P	P	\$	P
<b>Less Foreign Exchange Liabilities:</b>						
Due to banks abroad:						
Foreign Currency Liabilities						
Peso Liabilities						
<b>Total due to banks abroad</b>	P	P	P	P	\$	P

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Total foreign exchange liabilities

1. Net foreign exchange assets
2. Cash in vault<sup>3</sup>
3. Excess reserves against deposit liabilities
4. Eligible Philippine securities<sup>4</sup>
5. Advances against export products<sup>5</sup>
6. Due from local banks<sup>6</sup>
7. Total Available Coverage (Total of Items C1 to C6)

**E. Coverage Ratio (Item C7 to Item A)**

### ADDITIONAL INFORMATION

### 1. Letters of credit

Granted during week

Outstanding at end-of-week

a. AID (formerly MSA)  
b. Regular (Foreign)  
c. Others (specify)

理

• 3

Total

DSE Form No. 11  
(Revised January 14, 1966)

2. *Letters of Credit on Deferred Payment Plan.*

Total amount of unused letters of credit on a deferred payment plan .....	\$	P
Less: Total amount thereof reported in Item A .....	-	
Total amount not reported in Item A .....	\$	P

CERTIFIED CORRECT:

[ 197 ]

*Authorized Signature*

*Designation*

*(Name in Print)*

FOOTNOTES:

<sup>1</sup> Include Saturday and show it as end-of-week if any branch(es) of the bank regularly operates on Saturdays.

<sup>2</sup> Include current import bills.

<sup>3</sup> Enter in this Item only that portion not utilized as reserve against deposit liabilities and/or special time deposits.

<sup>4</sup> Enter in this Item only Central Bank-supported Philippine securities which are free (i. e., those not utilized as reserves, as liquidity floor, as security for trust duties, etc.) and provided they are reported on DSE Form No. 1-B as being earmarked for reserve purposes.

<sup>5</sup> The advances which should be reported in this Item shall be limited only to outstanding unmatured advances but in no case to exceed:

- a) 80% of the unused balances of valid and subsisting export L/Cs converted at the prevailing buying rate(s) of exchange at the date of the report;
- b) 80% of the market value at the date of the report of U.S. quota export sugar (A) provided that the bank has in its possession or under its control, negotiable export sugar quedans and/or trust receipts covering export sugar quedans withdrawn by the borrower for the purpose of loading the same on board for shipment; and
- c) 80% of the amount of the outward bills for collection converted at the prevailing buying rate(s) of exchange at the date of the report.

In case Bank reports "Advances against export products" (Item C, 5) as part of the available cover, please follow Instruction No. 2 on page 4 hereof.

<sup>6</sup> Include only amount representing demand deposit subject to withdrawal by check.

#### GENERAL INSTRUCTIONS

1. This is a consolidated report. Submit the original and 2 original-duplicates to the Department of Supervision and Examination not later than the afternoon of Tuesday immediately following the end of the week.

2. In case "Advances against export products" (Item C, 5) are utilized as part of available cover, Bank should accomplish Schedules A, B and C and submit as part of this report. The Schedules shall be accomplished only for the end-of-week report.

3. The accuracy and correctness of the facts and figures appearing in all copies of this report should be certified to by an officer of the Bank authorized to sign the report.

4. The "Additional Information" above shall be accomplished only for the end-of-the-week report.

Schedule A  
DSE FORM NO. 11

Name of Bank

UNMATURED ADVANCES AGAINST EXPORT PRODUCTS SUPPORTED BY LETTERS OF CREDIT

As of

EXPORT LETTER OF CREDIT										A D V A N C E				
Name of Borrower	Goods	No.	Expiry Date	Amount	Unused	Conversion	Peso	80% of	Amount	Type (Whether	Due	Amount Eligible		
	Covered			Face	Balance	Rate	of Col. 6			Col. 8			OD, Time Loan, Etc.)	as Cover
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)		

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<sup>1</sup> Not to exceed the amount reported in column (9)

Name of Bank

UNMATURED ADVANCES AGAINST U. S. QUOTA EXPORT SUGAR (A)  
As of \_

Name of Borrower (1)	U. S. QUOTA EXPORT SUGAR (A)				Amount (6)	A D V A N C E		
	No. of Piculs (2)	Market Peso Value	Total	80% of Total		Type (Whether OD, Time Loan, Etc.) (7)	Due Date (8)	Amount Eligible as Cover <sup>1</sup> (9)
		Per Picul (3)	Market Value (4)	Market Value (5)				

[ 200 ]

<sup>1</sup> Not to exceed the amount reported in column (5).





Name of Bank

UNMATURED ADVANCES AGAINST OUTWARD BILLS FOR COLLECTION  
As of

Name of Borrower	Collection No.	OUTWARD BILL FOR COLLECTION				Amount	A D V A N C E		Amount Eligible as Cover 1
		Face Amount of Draft	Conversion Rate	Equivalent Peso	80% of Peso Equivalent		Type (Whether OD, Time Loan, Etc.)	Due Date	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

[ 201 ]

<sup>1</sup> Not to exceed the amount reported in column (6)

DEPARTMENT OF SUPERVISION AND EXAMINATION

MEMORANDUM TO ALL BANKS — DSE

January 20, 1966

Attached is a new form, DSE Form No. 1-E (consisting of 3 pages), entitled "Report on Holdings of Bonds, Notes and Securities." It is a monthly consolidated (i.e., for head office and all its branches and other offices) report to be prepared as of the end of every month *beginning January 31, 1966*, and submitted together with the pertinent report on DSE Form No. 1 and its companion-reports.

Please be guided accordingly.

(Sgd.) JOSE IGNACIO

*Superintendent of Banks*

Att.:a/s

I-CSS-BRC/rsm

(Bank)  
REPORT ON HOLDINGS OF BONDS, NOTES AND SECURITIES  
(Consolidated)

as of \_\_\_\_\_, 19\_\_\_\_  
(End of Month)

### PARTICULARS ON HOLDINGS

## UTILIZATION

## Purpose

(State if used as reserves against deposit liabilities, as liquidity floor, etc.)

**Amount**

Name of Issue  
and Issuer**Serial No.**

Date \_\_\_\_\_

### **Maturity**

**latunita**

**Denomination**

**Date Acquired  
By Bank**

**Cost of Acquisition**

**P**

1

**Sub-Total**

**P**

1

## II. Non-Central Bank-Supported:

**P**

7

**Sub-Total**

•

4

### III. Total Holdings

•

■

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Recapitulation of Utilization of Bonds,  
Notes and Securities  
(Based on information in the last  
column of page 1)

<i>Purpose or Use</i>	<i>Total</i>
1. As reserves against deposit liabilities (Under C. B. Circular No. 202)	P
2. As liquidity floor against Government Deposits (Under C. B. Circular No. 163, as amended)	
3. As liquidity floor against Bills Payable to National and Local Governments and Government Corporations (Under C. B. Circular No. 206)	
4. As coverage against import LCs (Under Memorandum to All Commercial Banks — DSE, September 24, 1965)	
5. As reserves against Special Time Deposits (Under C. B. Circular No. 133, as amended)	
6. As guaranty for trust duties	
7. Others (Specify)	
8. "Free" (i.e., not utilized for any of above 7 purposes)	

TOTAL HOLDINGS

P

CERTIFIED CORRECT:

(Signature of Authorized Officer)

(Name in Print)

(Designation)

GENERAL INSTRUCTIONS

1. This report should be submitted together with the Report of Required and Available Reserves Against Deposit Liabilities and its accompanying reports (DSE Nos. 1, 1-C, 1-D) for that week which includes the last day of a month.
2. Fill out this form completely and accurately.
3. Submit *not later than 12:00 o'clock noon of the second banking day of the following month*, as follows:
  - a) Original and two-original duplicates to the Department of Supervision and Examination.
  - b) One original-duplicate to the Department of Loans and Credit.
  - c) One original-duplicate to the Department of Economic Research.
4. All copies of this report must be certified to by an authorized officer of the bank.

DEPARTMENT OF SUPERVISION AND EXAMINATION

MEMORANDUM TO ALL AUTHORIZED BANKS — DSE

January 28, 1966

Re: DSE Form No. 1-C

Revised January 24, 1966

For the proper implementation of Central Bank Circular No. 216 dated January 24, 1966, DSE Form No. 1-C (July 4, 1965) entitled "Special Time Deposits and Reserves Against them" is hereby revised and a copy of the revised form is attached hereto.

This revised DSE Form No. 1-C (Revised January 24, 1966) shall be used starting with the report for the week ended January 29, 1966.

Please be guided accordingly.

(Sgd.) JOSE IGNACIO

*Superintendent of Banks*

Att.:a/s

CSS/BRC/rh

DSE Form No. 1-C  
(Jan. 24, 1966)

**SPECIAL TIME DEPOSITS AND RESERVES AGAINST THEM**  
(Consolidated)  
(Under Circular No. 133, as amended)

		For the Week to , 19						
		<i>Sunday</i>	<i>Monday</i>	<i>Tuesday</i>	<i>Wednesday</i>	<i>Thursday</i>	<i>Friday</i>	<i>Saturday</i>
1.	<i>Special Time Deposits:</i>							
a.	Received in the form of Cash :							
	(1) Covering L/Cs for UI and NEC Items	P	P	P	P	P	P	P
	(2) Covering L/Cs for NEP and SEC Items							
	(3) Covering L/Cs for SEP Items	P	P	P	P	P	P	P
	(4) Total special time deposits received in the form of Cash	P	P	P	P	P	P	P
b.	Received in the form of Government Notes, Securities, or Bonds:							
	(1) Covering L/Cs for UI and NEC Items							
	(2) Covering L/Cs for NEP and SEC Items	P	P	P	P	P	P	P
	(3) Covering L/Cs for SEP Items	P	P	P	P	P	P	P
	(4) Total special time deposits received in the form of Government Notes, Securities or Bonds <sup>1</sup>	P	P	P	P	P	P	P
c.	Total Special Time Deposits							
2.	<i>Required Reserves:</i>							
	....% of Item 1-c							
3.	<i>Available Reserves:</i>	P	P	P	P	P	P	P
	a. In the form of cash							
	b. In the form of securities							
	c. Total Available Reserves	P	P	P	P	P	P	P
4.	<i>Excess (Deficiency) in Required Reserves (Item 3c minus Item 2)</i>	P	P	P	P	P	P	P

**Footnote:**

<sup>1</sup> Show below a breakdown of Item 1-b(4) into:

1. Notes, Securities or Bonds ownership of which is acquired by Bank and hence taken up as real account .....
2. Notes, Securities or Bonds ownership of which is not acquired by Bank and hence booked only as contingent account

Total (Should agree with Item 1-b(4)).

Sunday      Monday      Tuesday      Wednesday      Thursday      Friday      Saturday

P	P	P	P	P	P	P
P	P	P	P	P	P	P

CERTIFIED CORRECT:

*Signature of Authorized Officer*

*Name in Print*

*Designation*

GENERAL INSTRUCTIONS

1. This report should be submitted together with DSE Form No. 1 (Report on Required and Available Reserves against Deposit Liabilities).
2. Fill out this report completely and accurately.
3. This report covers all days during which the bank, including its branches, agencies, etc. is open for business.
4. Submit not later than 12:00 o'clock noon of every following Tuesday as follows:
  - a. Original and two original-duplicates to the Department of Supervision and Examination.
  - b. One original-duplicate to the Department of Loans and Credit.
  - c. One original-duplicate to the Department of Economic Research.



DEPARTMENT OF SUPERVISION AND EXAMINATION

MEMORANDUM TO ALL AUTHORIZED BANKS — DSE

February 1, 1966 *Sgt*

Subject: *Opening of Branches*

This is to inform you that the Monetary Board, in its Resolution No. 116 dated January 18, 1966 decided that:

"as a matter of policy, proposed branches of banks (authorized to be established) shall open for business within six (6) months from the date of receipt of notification of the approval of the covering applications; provided, however, that the Governor or the Deputy Governor may, upon proper application, showing special reason(s) for failure on the part of any proposed branch to open within six (6) months, authorize the extension of the prescribed period for not more than six (6) months."

Please be guided accordingly.

(Sgd.) JOSE IGNACIO  
*Superintendent of Banks*

I-CSS/GGC/b

DEPARTMENT OF SUPERVISION AND EXAMINATION

MEMORANDUM TO ALL COMMERCIAL BANKS — DSE

February 16, 1966

1. Commercial banks are hereby instructed to take up in their books of accounts, *on the date of receipt*, all deposits received after 2:30 P.M. on Fridays and on days immediately preceding holidays, under the authority allowed by Central Bank Circular No. 192 dated March 1, 1965 quoted in part as follows:

“5. b) Commercial banks and their branches, agencies and extension offices may, at their option, remain open for business up to 4:30 P.M. on Fridays and on days immediately preceding holidays, to accept deposits x x x.”

2. For uniformity in the accounting treatment of these deposits, the following entry/accounts shall be adopted by banks to record such deposits on the date of receipt:

Dr. Cash or Checks and Other Cash Items  
for Safekeeping x x x

Cr. Deposits Received after 2:30 P.M.  
(Demand, Savings or Time Deposits) x x x

Above accounts shall be treated as contingent accounts which shall be reversed immediately on the next banking day as follows:

Dr. Deposits Received after 2:30 P.M.  
(Demand, Savings or Time Deposits) x x x

Cr. Cash or Checks and Other Cash Items  
for Safekeeping x x x

and entries in the real accounts shall be made as follows:

Dr. Cash or Due from Central Bank  
(and/or any other appropriate real account) x x x

Cr. Deposit Liabilities  
(Demand, Savings or Time Deposits) x x x

This memorandum shall take effect February 18, 1966.

Please be guided accordingly.

(Sgd.) JOSE IGNACIO  
*Superintendent of Banks*

I-CSS/GGC/gjs  
2/3/66

DEPARTMENT OF SUPERVISION AND EXAMINATION

MEMORANDUM TO ALL AUTHORIZED BANKS — DSE

March 28, 1966 877

Effective immediately, the attached revised DSE Form No. 1 (Revised, March 28, 1966) entitled "Report of Required and Available Reserves against Deposit Liabilities (Consolidated)," together with its schedule, shall be used to properly implement Central Bank Circular No. 215 dated January 24, 1966 which amends Circular No. 202 dated June 30, 1965.

Please be guided accordingly.

(Sgd.) BASILIO ESTANISLAO  
*Acting Superintendent of Banks*

Att.: a/s

# REPORT OF REQUIRED AND AVAILABLE RESERVES AGAINST DEPOSIT LIABILITIES (Consolidated)

For the Week \_\_\_\_\_ to \_\_\_\_\_, 19\_\_\_\_

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Daily Average
1. <i>Deposit Liabilities</i> (including due to banks other than the Central Bank) <sup>1</sup> :								
a. <i>Peso demand deposits</i> [excluding: (1) <i>Manager and Certified Checks</i> ; and (2) <i>Demand Deposits due from other local banks</i> ]	P	P	P	P	P	P	P	P
b. <i>Peso savings deposits</i>								
c. <i>Peso time deposits maturing within 30 days (from date of report)</i>								
d. <i>Peso time deposits maturing beyond 30 days (from date of report)</i>	P	P	P	P	P	P	P	P
e. <i>Total peso deposit liabilities (Items a to d)</i>	P	P	P	P	P	P	P	P
f. <i>Deposit liabilities in foreign currencies</i>								
g. <i>Total Deposit Liabilities</i>								
2. <i>Required Reserves</i> :								
a. per cent of Item 1a	P	P	P	P	P	P	P	P
b. per cent of Item 1b								
c. per cent of Item 1c								
d. per cent of Item 1d								
e. per cent of Item 1f								
f. <i>Total Required Reserves</i>	P	P	P	P	P	P	P	P
3. <i>Available Reserves</i> :								
a. <i>Deposit balance (or overdrawings) with the Central Bank</i> <sup>2</sup>	P	P	P	P	P	P	P	P
b. <i>Cash in bank's vault</i> <sup>3</sup>								
c. <i>Eligible Philippine securities</i> <sup>3</sup>								
d. <i>Eligible foreign balances</i> <sup>4</sup>								
e. <i>Eligible U. S. securities</i> <sup>4</sup>								
f. <i>Total Available Reserves</i> <sup>2</sup>	P	P	P	P	P	P	P	P

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(Bank)  
**REPORT OF REQUIRED AND AVAILABLE RESERVES AGAINST DEPOSIT LIABILITIES**  
(Consolidated)

	For the week to , 19							
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Daily Average
4. Excess (Deficiency) Reserves (Item 3f minus Item 2f)	P	P	P	P	P	P	P	P
5. Potential Reserves:								
a. Cash in bank's vault <sup>5</sup>	P	P	P	P	P	P	P	P
b. Eligible Philippine securities <sup>6</sup>								
c. Eligible foreign balances (in excess of the amount shown in Item 3d)								
d. Eligible U. S. securities (in excess of the amount shown in Item 3e)								
e. Total Potential Reserves	P	P	P	P	P	P	P	P

CERTIFIED CORRECT:

.....  
*Signature of Authorized Officer*

.....  
NAME IN PRINT

.....  
Designation

**FOOTNOTES:**

- <sup>1</sup> Accomplish also Schedule 1 of DSE Form No. 1 "Breakdown of all deposits by types" which forms part of this report.
- <sup>2</sup> *Overdrawings* of the clearing account with the Central Bank are to be reflected in full as *negative* figures, and *are to be deducted* from the total of the other available reserves in arriving at Total Available Reserves.
- <sup>3</sup> Amount should not exceed maximum allowed by Central Bank regulations (Circular No. 202 dated June 30, 1965 and subsequent governing Circulars.
- <sup>4</sup> The total of the amounts reported in 3d and 3e should not exceed the amount shown in 2e.
- <sup>5</sup> In excess of amounts utilized as reserves against (a) Deposit Liabilities (b) Special Time Deposits and (c) Import Letters of Credit Coverage.
- <sup>6</sup> In excess of the amounts utilized as reserves against deposit liabilities and provided they are reported on DSE Form No. 1-B as being ~~marked~~ **marked** for reserve purposes.

**GENERAL INSTRUCTIONS:**

1. Fill out this report completely and accurately.
2. This report covers all days during which the bank (or any of its branches, agencies, etc.) is open for business.
3. Submit not later than 2:00 o'clock noon of every following Tuesday as follows:
  - a) Original and two original-duplicates to the Department of Supervision and Examination.
  - b) One original-duplicate to the Department of Loans and Credit.
  - c) One original-duplicate to the Department of Economic Research.
4. All copies of the report must be certified to by an authorized officer of the bank.

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BREAKDOWN OF ALL DEPOSIT LIABILITIES BY TYPES (EXCLUDING SPECIAL TIME DEPOSITS)

As of \_\_\_\_\_, 19\_\_\_\_  
(End-of-Week)

T i m e   D e p o s i t s											
Demand Deposits		Savings Deposits		Maturing within		Maturing beyond		Deposit Liabilities		T o t a l s	
				30 days		30 days		in Foreign Currencies			
No. of Accounts	Outstanding Balance	No. of Accounts	Outstanding Balance	No. of Accounts	Outstanding Balance	No. of Accounts	Outstanding Balance	No. of Accounts	Outstanding Balance	No. of Accounts	Outstanding Balance

Head Office  
Branches/Sub-  
Branches/Agencies/  
Extension Office:

P                      P                      P                      P                      P                      P

T o t a l ..... P                      P                      P                      P                      P                      P

FOOTNOTE:

This Schedule is to be accomplished only as of end of week.

**DEPARTMENT OF SUPERVISION AND EXAMINATION**

**Memorandum to All Banks — DSE**

**July 1, 1966**

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Attached is a sample copy of the revised "Report on Government Deposits" (DSE Form No. 12, revised June 27, 1966) which is to be used in lieu of the old form beginning the week ending July 1, 1966.

Please note that under Circular No. 220 dated April 22, 1966:

- (1) Only government deposits in branches, extension offices or agencies duly authorized under Paragraph 2 of said Circular No. 220 to accept or continue accepting government deposits are subject to the 30% liquidity floor requirement.
- (2) All other government deposits are subject to 90% liquidity floor requirement effective June 21, 1966, and shall not be held beyond July 21, 1966, except time deposits, if any, which shall not have matured by then.

Please be guided accordingly.

(Sgd.) **BASILIO ESTANISLAO**  
*Acting Superintendent of Banks*

Att.:a/s

(Bank)

## REPORT ON GOVERNMENT DEPOSITS

As of \_\_\_\_\_, 196  
(End of Week/Month)

A. Government deposits held by bank subject to liquidity floor requirements, in accordance with C. B. Circular No. 220 dated April 22, 1966

NAME OF DEPOSITOR	Account No.	Subject to 90% liquidity floor 1	Subject to 30% liquidity floor 2	Name of Branch
			Amount	

1. Demand Deposits

2. Savings Deposits

3. Time Deposits

B. Central Bank-supported government securities held against government deposits pursuant to C. B. Circular No. 220 dated April 22, 1966

Date Acquired	Name of Issue & Int. Rate	Serial No.	Date Issued	Denomination	Maturity	Cost of Acquisition
------------------	------------------------------	---------------	----------------	--------------	----------	------------------------

1. Total amount of bonds held as liquidity floor ..... P

2. Required liquidity floor:

a) 90% of Item A-Col. (3) ..... P

b) 30% of Item A-Col. (4) .....

c) T o t a l .....

3. Excess (deficiency) in liquidity floor (Item 1 less Item 2) ..... P



ADDITIONAL INFORMATION

C. Details of grand total of government deposits held by bank:

Deposits of the Phil. Government & its polit- tical subdivisions		Deposits of Govern- ment owned and/or controlled corporations		T o t a l Government Deposits	
No.	Outstanding Balance	No.	Outstanding Balance	No.	Outstanding Balance
Type of Deposit:					
Demand	P		P		P
Savings					
Time					
T o t a l					

CERTIFIED CORRECT:

Signature of Authorized Officer  
over Printed Name

Designation

- <sup>1</sup> Enter in this column only government deposits received under the old authority of the bank and not yet withdrawn as of date of report.
- <sup>2</sup> Enter in this column only government deposits received by the bank branches authorized under Circular No. 220 and pertinent MB resolution.

INSTRUCTIONS

1. Fill out fully and accurately all the information called for in this report.
2. Accomplish as of the end of every week and as of the end of every month, in triplicate. Submit the original and duplicate to the Department of Supervision and Examination not later than the banking day immediately following the date of the report.
3. All copies of the report must be certified by an officer of the bank authorized to sign the same.

DEPARTMENT OF SUPERVISION AND EXAMINATION

MEMORANDUM TO ALL PRIVATE DEVELOPMENT  
BANKS — DSE

*Definition of "loanable funds" of private development banks*

The Monetary Board in its Resolution No. 113 dated July 12, 1966 defined the term "loanable funds" of private development banks for purposes of Section 5 of Republic Act No. 4093 (Private Development Banks' Act) as follows:

"The *total bank funds* [deposits (including deposits of banks); bills payable (including borrowings from banks); and capital accounts (consisting of paid-in capital, surplus, surplus reserves and undivided profits)] *minus* the *total deductible accounts* [banking house, furniture and equipment (net book value); other real and chattel property owned (representing properties acquired in satisfaction of debts previously contracted); other assets (asset accounts not otherwise includable in other asset accounts); and provision for liquidity (15% of the total of deposits and demand liabilities)] *equals loanable funds.*"

Please be guided accordingly.

(Sgd.) BASILIO ESTANISLAO

*Acting Superintendent of Banks*

August 4, 1966

DEPARTMENT OF SUPERVISION AND EXAMINATION

CIRCULAR LETTER -- DSE

August 5, 1966

TO ALL BANKS:

Subject: *Authorized Deputies of the Superintendent  
of Banks*

In connection with the establishment of the Central Bank Regional Office at San Fernando, La Union and by virtue of the authority vested in me by Section 28 of Republic Act No. 265, otherwise known as the Central Bank Act, Mr. MANUEL SILVERIO, Chief Bank Examiner, and his assistants are hereby designated as my duly authorized deputies to examine, pursuant to law, the books, documents and other records, cash and available assets, and general condition of banks located in the Provinces of Abra, Batanes, Cagayan, La Union, Ilocos Norte, Ilocos Sur, Isabela, Mountain Province, Nueva Vizcaya and Pangasinan.

Mr. Manuel Silverio, the Chief Bank Examiner at said Regional Office, will be assisted by the following bank examiners:

1. Bautista Peñalosa
2. Jovencio Pada
3. Procencio Molina
4. Rogelio Pascua
5. Felipe Suarez
6. Victorio Acena
7. Romeo S. Ungson
8. Ruben Z. Barbero
9. Leonardo Bayangos

and such other personnel who may be assigned from time to time.

Any bank scheduled for examination, pursuant to this Circular Letter, shall be duly informed on the date of commencement thereof by the Chief Bank Examiner.

Please advise all concerned and be guided accordingly.

(Sgd.) BASILIO ESTANISLAO  
*Acting Superintendent of Banks*

DEPARTMENT OF SUPERVISION AND EXAMINATION

MEMORANDUM TO ALL BANKS — DSE 74

In connection with the submission of duplicate of reports on DER Form No. 2.2.2., please be advised that you are no longer required to submit the same to the Department of Supervision and Examination.

Please be guided accordingly.

(Sgd.) BASILIO ESTANISLAO  
*Acting Superintendent of Banks*

August 29, 1966  
/lst

DEPARTMENT OF SUPERVISION AND EXAMINATION

CIRCULAR LETTER — DSE

September 12, 1966

TO ALL BANKS:

Subject: *Authorized Deputies of the Superintendent  
of Banks*

In connection with the establishment of the Central Bank Regional Office at Davao City and by virtue of the authority vested in me by Section 28 of Republic Act No. 265, otherwise known as the Central Bank Act, Mr. ELPIDIO V. IBANEZ, Chief Bank Examiner, and his assistants are hereby designated as my duly authorized deputies to examine, pursuant to law, the books, documents and other records, cash and available assets, and general condition of banks located in Mindanao and Sulu.

Mr. Elpidio V. Ibañez, the Chief Bank Examiner at said Regional Office, will be assisted by bank examiners and such other personnel who may be assigned from time to time.

Any bank scheduled for examination, pursuant to this Circular Letter, shall be duly informed on the date of commencement thereof by the Chief Bank Examiner.

Please advise all concerned and be guided accordingly.

(Sgd.) BASILIO ESTANISLAO  
*Acting Superintendent of Banks*

DEPARTMENT OF SUPERVISION AND EXAMINATION  
and  
DEPARTMENT OF ECONOMIC RESEARCH

MEMORANDUM TO ALL BANKS — DSE/DER

November 2, 1966

1. Effective immediately the following reports are hereby abolished:
  - a) DSE Form No. 1-C (July 4, 1965) — Special Time Deposits and Reserves against Them (Consolidated) ;
  - b) DSE Form No. 1-D, Report of Cash in Bank's Vault ;
  - c) DSE Form No. 1-E (January 20, 1966) — Report of Holdings of Bonds, Notes and Securities (Consolidated) ;
  - d) DSE Form Unnumbered — Statement of Condition (Consolidated) ;
  - e) DER Form Unnumbered — Data on Money Supply Components ;
  - f) DER Form No. 2.2.3 — Investment in Bonds and Securities ; Total Debits against the Following Accounts during the Month ; Number of Depositors at the End of the Month ;
  - g) DER Form No. 2.2.1 (Revised April 18, 1963) — Statement of Condition.
2. The following revised report forms (sample forms attached) are to be used by banks effective as of the dates indicated :

<u>Name of Report</u>	<u>Begin using the Form as follows</u>
a) CB-DSE Form No. 1 (Revised October 31, 1966) Report of Required and Available Reserves against Deposit Liabilities (Consolidated)	For the week ended November 5, 1966
b) CB-DSE Form No. 5 (Revised October 31, 1966) — Statement of Condition (Consolidated)	As of the end of November, 1966

c) CB-DSE Form No. 6 (Revised  
October 31, 1966) — Report of  
Holdings of Bonds, Notes and  
Securities (Consolidated)

As of the end and  
for the month of  
November, 1966

3. DSE Form No. 1-B (November 3, 1960) entitled "Report on Changes on ....., 19.... in the Composition of Securities Held as Reserves for Deposit Liabilities, Submitted in Compliance with the Requirements of Section 1(a) of Central Bank Circular No. 2" is still in effect.

Please be guided accordingly.

(Sgd.) ESCOLASTICA B. BINCE  
*Associate Director*  
*Department of Economic Research*

(Sgd.) BASILIO ESTANISLAO  
*Acting Superintendent of Banks*  
*Department*  
*of Supervision and Examination*

Name of Bank  
**REPORT OF REQUIRED AND AVAILABLE RESERVES AGAINST DEPOSIT LIABILITIES**  
 (Consolidated)

		For the Week		to		, 19—			
		Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Daily Average
1.	<i>Deposit liabilities</i> (including deposits of banks other than the Central Bank) <sup>1</sup> :								
a.	Peso demand deposits [excluding: (1) Cashier's manager's and certified checks; and (2) Demand deposits due from other local banks]	P	P	P	P	P	P	P	P
b.	Peso savings deposits								
c.	Peso time deposits maturing within 30 days (from date of report)								
d.	Peso time deposits maturing beyond 30 days (from date of report)								
e.	Total peso deposit liabilities (Items a to d)	P	P	P	P	P	P	P	P
f.	Deposit liabilities in foreign currencies	P	P	P	P	P	P	P	P
g.	Total Deposit Liabilities	P	P	P	P	P	P	P	P
2.	<i>Required Reserves:</i>	P	P	P	P	P	P	P	P
a.	per cent of Item 1a								
b.	per cent of Item 1b								
c.	per cent of Item 1c								
d.	per cent of Item 1d								
e.	per cent of Item 1f								
f.	Total Required Reserves	P	P	P	P	P	P	P	P
3.	<i>Available Reserves:</i>								
a.	Deposit balance (or overdrawings) with the Central Bank <sup>2</sup>	P	P	P	P	P	P	P	P
b.	Cash in bank's vault <sup>3</sup>								
c.	Eligible Philippine securities <sup>3</sup>								
d.	Eligible foreign balances <sup>4</sup>								
e.	Eligible U. S. securities <sup>4</sup>	P	P	P	P	P	P	P	P
f.	Total Available Reserves <sup>2</sup>								



	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Daily Average
4. <i>Excess (Deficiency) Reserves</i> (Item 3f minus Item 2f)	P	P	P	P	P	P	P	P
5. <i>Potential Reserves:</i>								
a. Cash in bank's vault <sup>5</sup>								
b. Eligible Philippine securities <sup>6</sup>								
c. Eligible foreign balances (in excess of the amount shown in Item 3d)								
d. Eligible U. S. securities (in excess of the amount shown in Item 3e)								
e. Total Potential Reserves	P	P	P	P	P	P	P	P
<i>Additional Information<sup>7</sup></i>								
a. Cashier's, manager's and certified checks							P	
b. Unused overdraft lines							P	
c. Peso demand deposits exclusive of demand deposits of the National Government and deposits of banks							P	

CERTIFIED CORRECT:

(Signature)

(Name in Print of **Authorized Officer**)

(Designation)

**FOOTNOTES:**

<sup>1</sup> Accomplish also Schedule 1 "Breakdown of All Deposits by Types", and Schedule 2 "Report of Cash in Bank's Vault" hereof which form part of this report.

<sup>2</sup> *Overdrawings* of the clearing account with the Central Bank are to be reflected in full as *negative* figures, and are to be deducted from the total of the other available reserves in arriving at Total Available Reserves.

- <sup>3</sup> The aggregate amount reported in these items should not exceed maximum allowed by Central Bank regulations (Circular No. 202 dated June 30, 1965 and subsequent governing Circulars).
- <sup>4</sup> The total of the amounts reported in 3d and 3e should not exceed the amount shown in 2e.
- <sup>5</sup> The amount shown in this item should only be the excess of the amounts utilized as reserves against (a) Deposit Liabilities and (b) Import Letters of Credit Coverage.
- <sup>6</sup> The amount shown in this item should only be the excess of the amounts utilized as reserves against deposit liabilities and provided they are reported on DSE Form No. 1-B as being earmarked for reserve purposes.
- <sup>7</sup> Fill in Friday column only.

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#### INSTRUCTIONS:

1. This is a consolidated report, i.e. the Bank, with all its branches, agencies, etc. taken as a unit.
2. Submit not later than *12:00 o'clock noon of every following Tuesday* as follows:
  - a. Original and triplicate to the Department of Supervision and Examination;
  - b. Duplicate to the Department of Economic Research.
  - c. Quadruplicate to the Department of Loans and Credit.
3. This report covers all days during which the bank (or any of its branches, agencies, etc.) is open for business.
4. All copies of the report must be certified to by an authorized officer of the bank.
5. The space at the upper left-hand corner should be filled with information on whether the sheet is the original, duplicate, triplicate, etc. and to which department the sheet is to be forwarded. Example: ORIGINAL (To: Department of Supervision and Examination)
6. This report must be accomplished by commercial banks, savings and mortgage banks, development banks (including the Development Bank of the Philippines), cooperative banks and the NACIDA Bank.

(Name of Bank)

# BREAKDOWN OF ALL DEPOSIT LIABILITIES BY TYPES

As of 19

(Friday)

## T I M E D E P O S I T S

	<i>Demand Deposits</i>		<i>Savings Deposits</i>		<i>Maturing within 30 days</i>		<i>Maturing beyond 30 days</i>		<i>Deposit Liabilities in Foreign Currencies</i>		<i>T o t a l s</i>	
	<i>No. of Accounts</i>	<i>Outstanding Balance</i>	<i>No. of Accounts</i>	<i>Outstanding Balance</i>	<i>No. of Accounts</i>	<i>Outstanding Balance</i>	<i>No. of Accounts</i>	<i>Outstanding Balance</i>	<i>No. of Accounts</i>	<i>Outstanding Balance</i>	<i>No. of Accounts</i>	<i>Outstanding Balance</i>
Head Office .....	P		P		P		P		P		P	
Branches/Sub-												
Branches/Agencies												
Extension Offices:												

T o t a l P P P P P P

### INSTRUCTIONS:

This consolidated schedule is to be accomplished only as of end-of-week (Friday).

Page 5 (of 5 Pages)

Schedule 2  
(of CB-DSE Form No. 1 — Revised October 31, 1966)

### REPORT OF CASH IN BANK'S VAULT

For the Week \_\_\_\_\_ to \_\_\_\_\_, 196\_\_\_\_\_

	<i>Sunday</i>	<i>Monday</i>	<i>Tuesday</i>	<i>Wednesday</i>	<i>Thursday</i>	<i>Friday</i>	<i>Saturday</i>
<b>Head Office . . . . .</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>
<b>Branches/Sub-Bran­ches/Agencies/ Extension Offices:</b>							

Total .....	P	P	P	P	P	P	P
Total Cash in Vault is utilized as follows:							
1. As available reserve for regular deposit liabilities (DSE Form No. 1) .....							
2. As eligible cover for letters of credit (DSE Form No. 11) .....							
3. (Others (Specify) .....							
Total .....	P	P	P	P	P	P	P

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(Please see Instruction No. 4)

Page 1 (of 8 Pages)

CB-DSE Form No. 5  
(Revised October 31, 1966)

(Name of Bank)

STATEMENT OF CONDITION  
(Consolidated)

As of the end of \_\_\_\_\_, 19—

A S S E T S

	<i>I T E M</i>	<i>Peso Accounts</i>	<i>Foreign Currency Accounts Converted in Peso</i>	<i>T O T A L</i>
1.	CASH .....	P	P	P
2.	CHECKS AND OTHER CASH ITEMS .....			
3.	DUE FROM THE CENTRAL BANK OF THE PHILIPPINES .....			
4.	DUE FROM OTHER BANKS			
	a. Banks in the Philippines .....			
	b. Banks abroad .....			
	T o t a l .....			
5.	LOANS AND DISCOUNTS			
	a. National government of the Phil. ....			
	b. City, provincial and municipal governments .....			
	c. Government instrumentalities and agencies .....			
	d. Private residents of the Phil. ....			
	e. Residents of other countries .....			
	T o t a l .....			

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(Please see Instruction No. 4)

Page 2 (of 8 Pages)

CB-DSE Form No. 5  
(Revised October 31, 1966)

A S S E T S (Continued)

I T E M	P		P
	Peso Accounts	Foreign Currency Accounts Converted in Pesos	T O T A L
6. OVERDRAFTS			
a. National government of the Phil. ....	P	P	P
b. City, provincial and municipal governments .....			
c. Government instrumentalities and agencies .....			
d. Private residents of the Phil. ....			
e. Residents of other countries .....			
T o t a l .....			
7. BILLS PURCHASED .....			
8. CUSTOMERS' LIABILITY ON DRAFTS UNDER L/C AND/OR TR			
a. Government <sup>1</sup> .....			
b. Private <sup>2</sup> .....			
T o t a l .....			
9. CUSTOMERS' LIABILITY FOR THIS BANK'S ACCEPTANCES OUTSTANDING .....			
a. Government <sup>1</sup> .....			
b. Private <sup>2</sup> .....			
T o t a l .....			
10. LOAN PORTFOLIO			
a. Total of Items 5 to 9 .....			
b. Less: Valuation reserve .....			
T o t a l .....			
11. INVESTMENTS IN BONDS AND OTHER SECURITIES			
a. Bonds and securities of the national government of the Phil. ....			

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(Please see Instruction No. 4)

Page 3 (of 8 Pages)

CB-DSE Form No. 5  
(Revised October 31, 1966)

A S S E T S (Concluded)

<i>I T E M</i>	<i>Peso Accounts</i>	<i>Foreign Currency Accounts Converted in Pesos</i>	<i>T O T A L</i>
b. Bonds and securities of city, provincial and municipal governments .....	P	P	P
c. Bonds and securities of government instrumentalities and agencies .....			
d. Bonds and securities of private resident corporations ..			
e. Bonds and securities of foreign governments .....			
f. Bonds and securities of foreign corporations .....			
Sub-total .....			
LESS: Valuation reserve .....			
T o t a l .....			
12. DUE FROM HEAD OFFICE, BRANCHES AND AGENCIES:			
a. Head office, branches and agencies, in the Philippines ..			
b. Head office, branches and agencies abroad .....			
T o t a l .....			
13. BANK PREMISES, FURNITURE AND EQUIPMENT (NET BOOK VALUE) .....			
14. OTHER PROPERTY OWNED OR ACQUIRED .....			
15. OTHER ASSETS .....			
16. TOTAL ASSETS .....	P	P	P

(Please see Instruction No. 4)

Page 4 (of 8 Pages)

CB-DSE Form No. 5  
(Revised October 31, 1966)

## LIABILITIES AND CAPITAL ACCOUNTS

### LIABILITIES

I T E M		Peso Accounts	Foreign Currency Accounts Converted in Pesos	T O T A L
a.	Demand deposits			
1)	National government of the Philippines .....	P	P	P
2)	City, provincial and municipal governments .....			
3)	Government instrumentalities and agencies .....	—		
	Government deposits			
4)	Private residents of the Phil. ....			
a)	Individuals .....			
b)	Partnerships and associations .....			
c)	Cooperatives .....			
d)	Corporations .....			
5)	U.S. government entities .....			
6)	Non-residents .....			
	Sub-total .....			
b.	Savings deposits			
1)	National government of the Philippines .....			
2)	City, provincial and municipal governments .....			
3)	Government instrumentalities and agencies .....			
	Government deposits .....			
4)	Private residents of the Phil. ....			
a)	Individuals .....			
b)	Partnerships & associations .....			
c)	Cooperatives .....			
d)	Corporations .....			
5)	U.S. government entities .....			
6)	Non-residents .....			
	Sub-total .....			
c.	Time certificates of deposits			
1)	National government of the Phil. ....			
2)	City, provincial and municipal governments .....			
3)	Government instrumentalities and agencies .....			
	Government deposits .....			

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(Please see Instruction No. 4)

Page 5 (of 8 Pages)

CB-DSE Form No. 5  
(Revised October 31, 1966)

LIABILITIES AND CAPITAL ACCOUNTS (Cont'd)

LIABILITIES

<i>I T E M</i>	<i>Peso Accounts</i>	<i>Foreign Currency Accounts Converted in Pesos</i>	<i>T O T A L</i>
4) Private residents of the Phil. ....			
a) Individuals .....	P	P	P
b) Partnerships and associations .....			
c) Cooperatives .....			
d) Corporations .....			
5) U.S. government entities .....			
6) Non-residents .....			
Sub-total .....			
d. Deposit of banks			
1) Banks of the Philippines .....			
2) Banks abroad .....			
Sub-total .....			
T o t a l .....			
18. DUE TO HEAD OFFICE, BRANCHES AND AGENCIES <sup>3</sup>			
a. Head office, branches, and agencies in the Philippines ..			
b. Head office, branches and agencies abroad .....			
T o t a l .....			
19. CASHIER'S MANAGER'S AND CERTIFIED CHECKS .....			
20. OUTSTANDING ACCEPTANCES EXECUTED BY OR FOR THE ACCOUNT OF THIS BANK .....			

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LIABILITIES AND CAPITAL ACCOUNTS (Concluded)  
 CAPITAL ACCOUNTS

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<i>I T E M</i>	<i>Peso Accounts</i>	<i>Foreign Currency Accounts Converted in Pesos</i>	<i>T O T A L</i>
21. BILLS PAYABLE			
a. Central Bank of the Philippines .....	P	P	P
b. Other banks in the Philippines .....			
c. United States banks .....			
d. Other banks abroad .....			
e. Others .....			
T o t a l .....			
22. MARGINAL DEPOSITS ON LETTERS OF CREDIT .....			
23. OTHER LIABILITIES .....			
24. UNEARNED INCOME AND OTHER DEFERRED CREDITS .....			
25. TOTAL LIABILITIES .....			
26. CAPITAL STOCK:			
a. Common stock .....			
b. Preferred stock .....			
T o t a l .....			
27. ASSIGNED CAPITAL <sup>s</sup> .....			
28. SURPLUS .....			
29. SURPLUS RESERVES .....			
30. UNDIVIDED PROFITS .....			
31. TOTAL CAPITAL ACCOUNTS .....			
32. LESS: WAR ITEMS ADJUSTMENT ACCOUNT .....			
33. NET TOTAL CAPITAL ACCOUNTS .....			
34. TOTAL LIABILITIES AND CAPITAL ACCOUNTS .....	P	P	P

CB DSE — Form No. 5  
(Revised October 31, 1966)

ADDITIONAL INFORMATION

I. TOTAL DEBITS AGAINST THE FOLLOWING ACCOUNTS  
DURING THE MONTH

<i>I t e m</i>	<i>Peso Account</i>	<i>Foreign Currency Account</i>
1. Demand Deposits:	P	P
a. Government <sup>1</sup> .....		
b. Private <sup>2</sup> .....		
2. Savings Deposits:		
a. Government <sup>1</sup> .....		
b. Private <sup>2</sup> .....		
3. Time Deposits		
a. Government <sup>1</sup> .....		
b. Private <sup>2</sup> .....		
4. Overdrafts		
a. Government <sup>1</sup> .....		
b. Private <sup>2</sup> .....		
	P	P

CB-DSE Form No. 5  
(Revised October 31, 1966)

## II. NUMBER OF DEPOSIT ACCOUNTS AT THE END OF THE MONTH

	Total	Demand	Savings	Time
1. Government <sup>1</sup> .....	P	P	P	P
2. Private Residents of the Philippines .....				
a. Individuals .....				
b. Partnerships and associations .....				
c. Cooperatives .....				
d. Corporations .....				
3. U.S. Government Entities .....				
4. Non-residents .....				
T O T A L .....	P	P	P	P

CERTIFIED CORRECT:

.....  
(Signature)  
.....  
(Name in Print)  
.....  
(Designation)<sup>4</sup>

### FOOTNOTES:

- <sup>1</sup> This includes the national government, local government and semi-government entities.
- <sup>2</sup> This includes all private entities as well as foreign governments.
- <sup>3</sup> To be filled in by Philippine branches foreign banks only.
- <sup>4</sup> The officer to sign this report should be the President or the Manager of the bank.

### INSTRUCTIONS:

1. This is a consolidated report, i.e., the Bank, with all its branches, agencies, etc. taken as a unit.
2. This report should be accomplished as of the end of every month.
3. Submit not later than ten (10) days after the date of the report as follows:
  - a. Original and triplicate to the Department of Supervision and Examination;
  - b. Duplicate to the Department of Economic Research;
  - c. Quadruplicate to the Department of Loans and Credit.
4. The space at the upper left-hand corner of the sheet should be filled with information on whether the sheet is the original, duplicate, triplicate, etc, and to which department the sheet is to be forwarded. Example: ORIGINAL (To: Department of Supervision and Examination)
5. This report must be accomplished by commercial banks, savings and mortgage banks, development banks (including the Development Bank of the Philippines), cooperative banks and the NACIDA Bank.

(Name of Bank)

# REPORT ON HOLDINGS OF BONDS, NOTES, AND SECURITIES (Consolidated)

As of the End and for the Month of , 19

PARTICULARS OF HOLDINGS						TOTAL HOLDINGS		UTILIZATION		AMOUNT	
NAME OF ISSUE AND ISSUER	Serial No.	Date Issued	Maturity Date	Denomi- nation	Date Ac- quired by Bank	As of End of Month (Cost of Acquisition)		Purpose  (State if used as reserves against de- posit liabilities, etc.)	Amount	Acquired during the Month	Sold &/ or Re- deemed during the Month
						CB	Non-CB				
						Supported	Supported				
A. Bonds and/or Securities of National Govern- ment:											
1. R & D Bonds:											
2. Public Works & Eco- nomic Development Bonds:											
3. Treasury Bills:											
4. Treasury Notes:											

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(Please see Instruction No. 6)

Page 2 (of 6 Pages)

CB-DSE Form No. 6 (Continued)  
(Revised October 31, 1966)

PARTICULARS OF HOLDINGS

TOTAL HOLDINGS  
As of End of Month

Purpose

(Cost of Acquisition)

(State if used as  
reserves against de-  
posit liabilities,  
etc.)

Amount

Acquired  
during the  
Month

Sold & /  
or Re-  
deemed  
during  
the Month

NAME OF ISSUE AND ISSUER

Serial  
No.

Date  
Issued

Maturity  
Date

Denomi-  
nation

Date Ac-  
quired by  
Bank

CB  
Supported

Non-CB  
Supported

5. Certificate of Indeb-  
tedness

6.

B. Bonds and/or Securities  
of City, Provincial &  
Municipal Governments:

1. City Governments:

2. Municipal Govern-  
ments:

3. Provincial Govern-  
ments:

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CB-DSE Form No. 6 (Continued)  
(Revised October 31, 1966)

[illegible]

Page 4 (of 6 Pages

CB-DSE Form No. 6 (Continued)  
(Revised October 31, 1966)

P A R T I C U L A R S   O F   H O L D I N G S					T O T A L   H O L D I N G S As of End of Month (Cost of Acquisition)		U T I L I Z A T I O N Purpose (State if used as reserves against de- posit liabilities, etc.)		A M O U N T Amount Acquired during the Month Sold & / or Re- deemed during the Month	
N A M E   O F   I S S U E   A N D   I S S U E R	S e r i a l No.	D a t e Issued	M a t u r i t y Date	D e n o m i - nation	D a t e   A c - quired by Bank	C B Supported	N o n - C B Supported			
5. NAWASA Bonds:										
6.										
D. Bonds and/or Securities of Private Enterprises										
E. Foreign Government Is- sues										
F. Foreign Corporation Is- sues										
T O T A L										



(Please see Instruction No. 6)

Page 5 (of 6 Pages)

CB-DSE Form No. 6 (Concluded)  
(Revised October 31, 1966)

## RECAPITULATION OF UTILIZATION OF BONDS, NOTES AND SECURITIES

(Based on information in the utilization  
column of pages 1 to 4)

1. As reserves against deposit liabilities (Under C.B. Circular No. 202)
2. As liability floor against government deposits (Under C.B. Circular No. 163,  
as amended)
3. As liquidity floor against bills payable to national and local Governments and  
government corporations (Under C.B. Circular No. 206)
4. As coverage against import letters of credit (Under Memorandum to All Commer-  
cial Banks-DSE, September 24, 1965)
5. As guaranty for trust duties
6. Others (Specify)
7. "Free" (i.e., Not utilized for any of above purposes)

TOTAL HOLDINGS

P

CERTIFIED CORRECT:

.....  
(Signature)

.....  
(Name in Print of Authorized Officer)

.....  
(Designation)

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(Please see Instruction No. 6)

Page 6 (of 6 Pages)

CB-DSE Form No. 6  
(Revised October 31, 1966)

INSTRUCTIONS:

1. This is a consolidated report, i.e. the Bank, with all its branches, agencies etc. taken as a unit.
2. This report should be submitted together with the Report of Required and Available Reserves against Deposit Liabilities (DSE Form No. 1) and its accompanying schedules (Schedules 1 and 2) for that week which includes the last day of a month.
3. If the space provided for each type of securities is not sufficient, attach additional sheets.
4. Submit *not later than 12:00 o'clock noon of the second banking day of the following month*, as follows:
  - a) Original and triplicate to the Department of Supervision and Examination;
  - b) Duplicate to the Department of Economic Research ;
  - c) Quadruplicate to the Department of Loans and Credit.
5. All copies of this report must be certified to by an authorized officer of the bank.
6. The space at the upper left-hand corner of the sheet should be filled with information on whether the sheet is the original, duplicate, triplicate, etc., and to which department the sheet is to be forwarded.  
  
Example: ORIGINAL (To: Department of Supervision and Examination)
7. This report must be accomplished by commercial banks, savings and mortgage banks, development banks (including the Development Bank of the Philippines), cooperative banks and the NACIDA Bank.

**DEPARTMENT OF SUPERVISION AND EXAMINATION**

**MEMORANDUM TO ALL BANKS — DSE**

**November 14, 1966** 846

This is to advise you that page 5 of CB-DSE Form No. 5 (Revised October 31, 1966), which was one of the report forms mentioned in the Memorandum to All Banks-DSE/DER dated November 2, 1966, should include Contingent Accounts (sample of corrected page 5 of the form attached).

(Sgd.) **BASILIO ESTANISLAO**  
*Acting Superintendent of Banks*

LIABILITIES AND CAPITAL ACCOUNTS (Cont'd.)  
 CAPITAL ACCOUNTS

<i>I T E M</i>	<i>Peso Accounts</i>	<i>Foreign Cur- rency Accounts Converted in Pesos</i>	<i>Total</i>
26. CAPITAL STOCK			
a. Common stock .....	P	P	P
b. Preferred stock .....			
T o t a l .....			
27. ASSIGNED CAPITAL <sup>3</sup> ..			
28. SURPLUS .....			
29. SURPLUS RESERVES .			
30. UNDIVIDED PROFITS .			
31. TOTAL CAPITAL ACCOUNTS .....			
32. LESS: WAR ITEMS AD- JUSTMENT ACCOUNT ..			
33. NET TOTAL CAPITAL ACCOUNTS .....			
34. T O T A L   L I A B I L I T I E S A N D   C A P I T A L   A C - C O U N T S .....	P	P	P

CONTINGENT ACCOUNTS

Unused commercial letters of credit

Foreign .....	P
Domestic .....	
Inward bills for collection.....	
Outward bills for collection .....	
Future exchange bought .....	
Future exchange sold .....	
Items held for safekeeping .....	
Trust Department accounts .....	
Rediscounts .....	
Others .....	
T O T A L .....	P

**EXPORT DEPARTMENT  
MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 121**

February 8, 1966

[SUBJECT: Ban on exports of smoked buri]

Upon request of NACIDA, in connection with the ban imposed by that Office on the export of smoked buri, a raw material used in the manufacture of finished cottage products, authorized agent banks are advised not to entertain any application for export (i.e., Report of Foreign Sales and/or Application for Export License) of this commodity without prior NACIDA clearance.

(Sgd.) R. MARINO CORPUS  
*Special Assistant to the Governor  
In-Charge, Export Department*

oOo

**EXPORT DEPARTMENT  
MEMORANDUM TO AUTHORIZED AGENT BANKS NO. 122**

March 29, 1966

[SUBJECT: Scaling and Grading of Philippine Log Exports]

For the information and guidance of all concerned, please be advised that effective April 1, 1966, scaling and grading of Apitong logs or any species of Philippine wood shall be in accordance with Forestry Administrative Order (FAO) No. 19-2 dated October 23, 1964.

Henceforth, no Report of Foreign Sales of log exports shall be given due course unless the scaling and grading is in accordance with FAO No. 19-2.

(Sgd.) R. MARINO CORPUS  
*Special Assistant to the Governor  
In-Charge, Export Department*

DEPARTMENT OF SAVINGS AND LOAN ASSOCIATIONS  
MEMORANDUM TO SAVINGS AND LOAN ASSOCIATIONS No. 6

Subject: *Authority to borrow from banks  
or banking institutions*

Pursuant to Monetary Board Resolution Nos. 1184 and 1555, dated July 26 and September 16, 1966, respectively, and in line with paragraph f, Section 5 of Republic Act No. 3779, as amended, savings and loan associations may now borrow from banks or banking institutions, subject to the following conditions:

1. The authority to borrow shall be availed of only by savings and loan associations which have been issued by the Monetary Board certificates of authority to operate under Republic Act No. 3779, as amended, and which have submitted to the Department of Savings and Loan Associations their statement of condition as of June 30, 1966;
2. The proceeds of the loan to be acquired shall be used exclusively to meet the normal credit requirements of the community where the association is situated; absolutely no part of the proceeds thereof shall be used for creation or acquisition of any fixed or capital assets or for operational expenses; and
3. The aggregate obligation to be incurred by any savings and loan association, at any one time, shall not exceed 30 per cent of its net worth as of June 30, 1966 but in no case shall such amount exceed 20% of the total assets of the association as of said date.

Please be guided accordingly.

(Sgd.) CELSO S. BATE  
*Director*

September 28, 1966

**DEPARTMENT OF SAVINGS AND LOAN ASSOCIATIONS**

**MEMORANDUM TO SAVINGS AND LOAN ASSOCIATIONS NO. 7621**

For the information and guidance of all concerned, it is hereby advised that shares of stock of savings and loan associations are exempt securities under Section 5(5) of the Securities Act (Commonwealth Act No. 83, as amended).

Prior permission of the Securities and Exchange Commission, therefore, need not be secured in the sale and issuance of said shares to the general public.

(Sgd.) **CELSO S. BATE**  
*Director*

October 20, 1966

DEPARTMENT OF LOANS AND CREDIT

MEMORANDUM CIRCULAR TO ALL RURAL BANKS NO. DLC-10  
May 16, 1966

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 quoting hereunder excerpts from M.B. Resolution No. 598 dated April 22, 1966, to wit:

"The Board decided as follows:

x x x x

- 2) The rediscount rate for, or interest on loans or advances to, rural banks shall be as follows:
  - a) Three percent (3%) *per annum* for those rural banks which have been in operation, for more than two (2) years as of the date the applications for such loans or advances are received by the Central Bank; and
  - b) Two percent (2%) *per annum* for those rural banks which have been in operation for not more than two (2) years as of the date the applications for such loans or advances are received by the Central Bank."

Any rural bank which may be established in a city or municipality where there is an existing rural bank shall be charged the same rediscount rate applicable to the existing rural bank.

For the purpose of this resolution, the operation of a rural bank is deemed to have commenced on the date its certificate of authority to operate had been issued by the Central Bank.

The above rediscount rates shall take effect immediately.

This circular supersedes Memorandum Circular to All Rural Banks No. DLC-3, dated January 29, 1963.

(Sgd.) MARTIN R. OLIVA  
Acting Director



DEPARTMENT OF LOANS AND CREDIT

MEMORANDUM CIRCULAR NO. DLC-11

June 20, 1966

TO ALL RURAL BANKS:

SUBJECT: Rediscounting Eligible Rural Banks  
Promissory Notes Above ₱2,000.00

In accordance with Section 144 of the Rules and Regulations Governing Rural Banks, eligible promissory notes covering rural banks' loans above ₱2,000.00, and/or loans aggregating more than ₱2,000.00 per borrower, may be accepted as security for loans from the Central Bank under the second paragraph of Section 13, Republic Act No. 720, as amended, provided that the total of such loans above ₱2,000.00 and/or loans aggregating more than ₱2,000.00 per borrower, extended by the borrowing rural bank for the past four (4) months ending the month immediately preceding the date the loan application is filed with the Central Bank, shall not be more than 40% of the total loans granted for that period. Should the total loans above ₱2,000.00, and/or loans aggregating more than ₱2,000.00 per borrower, granted by the rural bank exceed this 40% limitation, then only such papers covering loans of ₱2,000.00 and below, and/or loans aggregating ₱2,000.00 and below per borrower, shall be accepted as security for loans from the Central Bank.

The monthly report (form copy attached) shall be submitted to this Department not later than ten (10) days after the end of the month covered in the report.

This circular, which supersedes Memorandum Circular No. DLC-1 (Revised), dated March 23, 1964, shall take effect immediately.

(Sgd.) MARTIN R. OLIVA  
*Acting Director*

Attachment.

(Name of Rural Bank)

(Address)

(Date)

TO: Department of Loans and Credit  
Central Bank of the Philippines  
M a n i l a

REPORT ON LOANS GRANTED  
CLASSIFIED AS TO SIZE OF LOAN AMOUNT <sup>1</sup>

For the Month of , 196  
and Total for the Past Four Months <sup>2</sup>

	Number of Loans		A M O U N T	
	This Month	Total for 4 Months	This Month	For 4 Months
				Amount % to Total
Up to P 100 .....			P	P
P 101 to 200 ..				
P 201 to 500 ..				
P 501 to P1,000 ..				
P1,001 to P2,000 ..				
P2,001 to P5,000 <sup>3</sup> ..				
Over P5,000 <sup>3</sup> ..				
T o t a l s ....				

CERTIFIED CORRECT:

(Manager)

<sup>1</sup> Excluding medium and long-term loans

<sup>2</sup> The 4 months shall include the month covered by the report.

Example: If the month being reported is June; the total for 4 months shall cover March to June.

<sup>3</sup> Loans aggregating more than P2,000.00 per borrower shall also be included in the "P2,001 to P5,000" bracket, or "Over P5,000" bracket, as the case may be.

**DEPARTMENT OF RURAL BANKS**

**MEMORANDUM CIRCULAR TO ALL RURAL BANKS NO. 66-2**

**SUBJECT:** *Encashment of Bonds* 88-2-1

For the information and guidance of all rural banks, we are stating hereunder the procedure to be followed in encashing bonds held by rural banks as part of their available legal reserves:

1. A board resolution must be adopted authorizing the president or any officer of the rural bank to assign, endorse, replace and/or encash the PW and ED bonds.

The resolution should set forth the name of the officer authorized as well as his official title and the name of the rural bank, as for instance, Mr. X, President, Rural Bank of ABC, Inc. Copies of the resolution must bear the corporate seal certified by the secretary or custodian of the corporate records.

2. If the Board of Directors of the rural bank deems it wise, for reasons of expediency, to authorize persons other than its officers, say the DIRECTOR, DEPARTMENT OF RURAL BANKS, then it should, by another resolution, authorize an officer of the rural bank to execute a power of attorney appointing the DIRECTOR, DEPARTMENT OF RURAL BANKS, as the attorney-in-fact of the rural bank for the purpose.

**THE ORIGINAL AND TWO (2) COPIES EACH OF THE POWER OF ATTORNEY AND BOARD RESOLUTION MUST IN ALL CASES BE SUBMITTED TO THIS OFFICE.**

This Memorandum Circular supersedes the Memorandum to Rural Banks issued by the former Department of Loans and Credit and Rural Banks Administration on March 13, 1958.

(Sgd.) **HONESTO O. FRANCISCO**  
*Director*

January 18, 1966  
/rca

DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS  
NO. 66-3

Subject: *Amendment of Memorandum Circular to All Rural Banks No. 65-21, Series of 1965- Re: Use of the Office of a Rural Bank as an Insurance Agency.*

Effective immediately, Memorandum Circular to all Rural Banks No. 65-21 dated September 8, 1965 -- re: use of the Office of a rural bank as an insurance agency, is hereby amended to read as follows:

It has come to our attention that rural banks are being used as insurance agency offices by some rural bank officers, employees, directors and stockholders who act as underwriters themselves, thereby giving the impression that the bank is involved in transactions not at all connected with its bonafide banking operations.

Such officers, employees, directors and stockholders of rural banks are hereby cautioned not to involve the rural bank in any activity outside of the objectives and purposes for which the bank was formed.

In this connection, the practice of requiring rural bank borrowers to obtain life insurance relative to any credit accommodation extended by the bank shall be at the option of the borrowers and shall not be imposed as a condition precedent for the grant of the loan. This policy is in line with the spirit and intention of the Rural Banks' Act to reduce to the minimum the cost of credit to rural bank borrowers.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

January 19, 1966

DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS  
NO. 66-4

Subject: *Recapitulation of the List of Loans Granted*

To achieve uniformity in the preparation and submission of the "Recapitulation of List of Loans Granted" (sample attached) please prepare this report monthly beginning January, 1966. This report should be submitted on or before the 10th day of the month following the period reported together with the other monthly reports.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

Attached

January 27, 1966

/bds

Name of Rural Bank

Address

RECAPITULATION OF LOANS GRANTED  
For the Month of — , 1966

(Prepare in duplicate. Submit original to Central Bank.)

T Y P E	N U M B E R	A M O U N T
Agricultural		P
Commercial		
Industrial		
Others		
T O T A L		P

Prepared by:

Certified Correct:

Bookkeeper

President/Manager

S A M P L E O N L Y

## DEPARTMENT OF RURAL BANKS

### MEMORANDUM CIRCULAR TO ALL RURAL BANKS *SL*

NO. 66-8

Subject: *Amendment to Memorandum Circular To All  
Rural Banks No. 65-24, Series of 1965*

Suppletory to our Memorandum Circular To All Rural Banks No. 65-24 dated October 11, 1965, we are quoting hereunder, the pertinent portions of the Interpretative Bulletin on Republic Act No. 4180 (amending Rep. Act No. 602, otherwise known as the Minimum Wage Law), embodied in Bureau of Labor Standards Wage and Hour Bulletin No. 1, dated April 23, 1965 issued by the Bureau of Labor Standards, Department of Labor:

#### "SECTION IV — NEW MINIMUM WAGE RATES; FACILITIES

##### A. *General*

Beginning 21 April 1965 at 6:30 p.m. every employer covered by the Minimum Wage Law as amended, shall pay to each of his employees, other than those covered by Minimum Wage Order No. 1 (Sugar Industry), the following minimum wage rates:

1. For non-agricultural workers ..... P6.00 a day;
2. For agricultural workers ..... P8.50 a day.

It must be emphasized here, however, that there is nothing in the amendatory act which authorizes an employer to reduce the

wages now paid to his employees in excess of the new minimum rates prescribed, or to reduce the supplements furnished on the date of enactment, or to convert the employees now paid on a monthly basis into daily basis in violation of existing employment practice or agreement, whether expressed or implied, collective bargaining agreement or court award. Where it is the practice in any particular establishment to consider unworked Sundays and legal holidays as paid holidays in the determination of the monthly rate and such employment practice may be implied or taken as part of the terms and conditions of employment, this Department, in consonance with such agreement will consider a monthly rate of ₱180.00 as sufficient compliance with the amendatory act.

x x x x x x x

## “SECTION V — MONTHLY RATES

### A. General Principles of Determination

In determining whether the monthly rate of an employee paid on a monthly basis is in compliance with the Minimum Wage Law, as amended, resort should be had to the general rule rather than the exception. The general rule is that a year consists of 365 days with 52 Sundays and 10 legal holidays, namely: January 1, Holy Thursday, Good Friday, April 9, May 1, June 12, July 4, November 30, December 25 and 30. The determination shall therefore be made on the basis of a year having 365 days, with 52 Sundays and 10 legal holidays. In dealing with fractional differences in the computation of rates, the figure arrived at in determining the monthly rate shall be in round number by raising the last digits to a peso.



## **B. Minimum Monthly Wage Rates**

Accordingly, monthly salaried employees are hereby **classified**, but not restricted to the following groups with their corresponding monthly rates which this Department shall consider as the **minimum** rates meeting the requirements of the law:

(bb) General Classification:

### **GROUP I**

Those employed in public utilities performing some public service such as supplying gas, electricity, power, water, or providing means of transportation or communication, who are required to work every-day, including Sundays and legal holidays without premium pay.

One hundred eighty-three pesos (P183.00) 365 days times P6.00 divided by 12 equals P182.50 or P183.00

x x x x x

### **GROUP IV**

Those not employed by public utilities of the type described under Group I above who are required to work only on regular working days and not on Sundays and legal holidays.

1. Non-agricultural Workers Other Than Those Covered by Minimum Wage Order No. 1. — One Hundred Fifty-Two Pesos (P152.00) a month. 365 days minus 52 Sundays and legal holidays equals 303 ordinary days. 303 times P6.00 divided by 12 equals P151.50 or P152.00

x x x x x

"Nothing herein shall justify an employer who customarily considered unworked Sundays and legal holidays as paid holidays even before the amendatory law took effect, from abandoning the practice. In line with such practice, a monthly rate of P180.00 shall be deemed sufficient compliance with the law.

Nothing in this Bulletin shall be construed to justify the reduction of the corresponding minimum monthly rate in case the additional remuneration for overtime and Sunday and legal holidays work has been increased by collective bargaining agreement, arbitration award or by employer's voluntary practice.

The corresponding monthly rate of any employee not falling under any of the foregoing classifications shall be determined by the Bureau of Labor Standards from time to time upon proper reference."

X X X X X X X X X

In view of the above, rural banks' payment of salary to their employees at the minimum monthly rate of either ₱152.00 or ₱180.00 may be considered within the purview of the amendment to the Minimum Wage Law.

Please be guided accordingly.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

February 16, 1966

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## DEPARTMENT OF RURAL BANKS

### MEMORANDUM CIRCULAR TO ALL RURAL BANKS NO. 66-10

Subject: *Transfer of Partially Paid Subscription*

Supplementary to Memorandum Circular To All Rural Banks No. 64-20 dated October 28, 1964, we are presenting hereunder cases affecting transfers of partially paid subscription together with our comments thereon, based on the opinion of the Securities and Exchange Commission contained in their letters dated June 2, 1965 and January 20, 1966.

#### *FACTS OF THE CASE:*

A, B, C, D and E subscribed to 500 shares each of the capital stock of a Bank. One-half (1/2) of the subscription price was paid by each of the above subscribers. Subsequently, A, B, C, D and E assigned 250 shares each of their subscribed stock to F, who assumed the unpaid subscriptions of A, B, C, D and E.

## QUESTIONS AND ANSWERS

1. *Is the assignment proper considering that F did not pay anything to the Bank upon assignment of the 250 shares?*

The assignment is valid and proper as between the Assignor (A, B, C, D and E separately) and the Assignee (F).

2. *Presuming that the Bank has taken notice of the assignment, can such assignment be recorded in the stock and transfer book of the Bank? How shall it be enforced against the Bank?*

Assignment may be recorded after approval has been obtained, provided, the bank has no claims against the stock for unpaid subscriptions which are due and payable (see Sec. 35, Corporation Law, *Hager v. Bryan*, 19 Phil. 138, and *Bank of P.I. v. Caridad Estates*, 40 O.B., *Sycip* 4-14 p. 265-267). Such assignment may not, however, be enforced against the subject bank until it is accepted by it and recorded in its stock and transfer book. (*Butt v. King*, 125 Atl. 654.)

3. *By virtue of the assignment alone, can F be considered a stockholder of the bank, and if so, is he qualified to be elected a member of the Board of Directors?*

It must be said that by virtue of the assignment alone, F cannot be considered a stockholder of the Bank. It has been held that the original subscriber as between himself and his transferee may vest in the transferee his subscription rights to these shares but he cannot by his act alone cast upon the transferee the obligation to pay the unpaid subscription price as called for and relieve himself of his liability to pay the same (*Hood v. McNaught* 54 H.S. 425). Hence, until such acceptance and recording, the original subscriber will continue to be liable for all calls made for the unpaid subscription price (*Sause v. Essex Baptist Society*, 14 Comm. 582). It is only upon acceptance and recording that the relation of the subscriber to the corporation exists (*Butts v. King*, 125 Atl. 654), hence, until this is done F cannot be elected as member of the Board of Directors.

4. *Assuming that the rural bank has accepted and recorded such transfers in its stock and transfer book, may the bank issue to stockholders A, B, C, D and E their respective certificates of stock for 250 shares each considering that there has been a novation of the original subscriptions or will issuance of certificates of stocks not lie in view of Sec. 37 of the Corporation Law?*

Although there was a transfer of 250 shares from each subscription, yet inasmuch as only one-half of each of the original subscription contracts for 500 shares was paid at the time of the transfer, such partial or half payments are made applicable to each subscription contract. This is so because part payments on account of subscriptions are applied to the whole number of shares subscribed for. (See *Fua Cun v. Summers*, 44 Phil. 708). Consequently, any unpaid portion of the original subscription is borne **and shared by the transferor and transferee** and until the whole unpaid portion thereof is fully paid, no certificate of stock can be issued to either of them.

Please be guided accordingly.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

March 24, 1966

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## DEPARTMENT OF RURAL BANKS

### MEMORANDUM CIRCULAR

NO. 66-12

SUBJECT: *"Memorandum of Understanding on Technical Cooperation" re CB-IBRD Financing Program*

Please be informed that a "Memorandum of Understanding on Technical Cooperation" was entered into on the 11th day of February, 1966, by and between the Central Bank of the Philippines (represented by Governor Andres V. Castillo) and the Directors, Heads, and/or authorized representatives of the Agricultural Productivity Commission, Bureau of Soils, Bureau of Plant Industry, Irrigation Service Unit (Department of Public Works and Communications), Philippine Fisheries Commission, and Bureau of Animal Industry. Under said memorandum of understanding, technicians of these government agencies will assist in the effective utilization of the recently approved Central Bank credit line of \$5 million from the International Bank for Reconstruction and Development for agricultural development.

Should you, therefore, meet technical problems within the scope of the functions of the fieldmen of the above-mentioned agencies who are assigned nearest your sphere of operation, please do not hesitate to consult them.

(Sgd.) HONESTO O. FRANCISCO  
Director

April 11, 1966

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DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS  
NO. 66-13

SUBJECT: *Operational Procedures to be Observed by Rural Banks which may be designated as Rice and Corn Administration (RCA) Agent Banks under its Rice, Palay, and Corn Buying Program*

In connection with the Rice and Corn Administration (RCA) Rice, Palay and Corn Buying Program through a system of payments against warehouse receipts or quedans as provided in Republic Act No. 3452, as amended, by Republic Act No. 4648, hereunder are the operational procedures to be observed by all rural banks under this program:

1. Only Rural Banks designated as RCA Agent Banks upon prior certification of their sound financial standing by the Department of Rural Banks shall participate in the RCA Rice, Palay and Corn Buying Program;
2. Rural Banks authorized under this Program shall appoint one of their officers to enter into an agreement with the RCA by way of resolution, copy of which together with the agreement shall be submitted to this Department;
3. Rural Banks designated as RCA Agent Banks shall not be required to screen the credit standing of surety companies which will guarantee the warehouseman as well as the value of the securities given to the surety companies by the warehouseman. Instead, the RCA shall provide Agent Banks with a list of insurance and bonding companies acceptable to the Philippine National Bank and the RCA. From such list the particular surety company which will guarantee the warehouseman shall be selected by the warehouseman, subject to the approval of the RCA which shall

limit the amount of bonds which said surety company may write in accordance with the financial stability and performance record of the company. This list shall be revised from time to time as prudence and good business policy dictates;

4. The RCA, for the handling and bookkeeping by the Agent Bank of quedans issued for palay stocks, for credit investigations of the warehouse-millers who will handle the storage and milling of the palay, and for the periodic reporting to the RCA engages to pay the Agent Bank 4% per annum of the total value of the quedans paid for by the Agent Bank, deductible from the RCA deposit in said Bank. Please note that the original agreement with respect to this fee was for a flat rate of 3%. Under the present rate of 4% per annum, the effective earning of the Agent Bank thereon will depend on the length of time the quedans are held by the Rural Bank. If, say, quedans are acquired on April 15 and liquidated on August 15, the effective earning of the Agent Bank thereon would be 1/3 of 4%. The acceptance of the rate of 4% per annum as indicated above shall therefore be at the discretion of the Rural Bank concerned;

5. Rural Banks designated as RCA Agent Banks shall adopt the following accounting procedure:

- a) Upon receipt of funds from the RCA, entry shall be:

Debit: Checks and Other Cash Items	P xxx	
Credit: Due to RCA		P xxx

To take up funds deposited by RCA

- b) Upon deposit of RCA funds with Rural Bank Depository in the form of current account, entry shall be:

Debit: Due from Banks (RCA Deposit)	P xxx	
Credit: Checks and Other Cash Items		P xxx

To record deposit of RCA funds with depository bank

(A separate account should be opened with the Rural Bank's depository solely for this fund)

- c) Upon payment of quedans to the palay producer — depositor (which shall be made by check drawn on the depository bank) entry shall be:

Debit: Due to RCA	P xxx	
Credit: Due from Bank (RCA Deposit)		P xxx

To record payment of quedans held by palay-producer-depositor (Attach abstract of quedans purchased)

- d) To keep track of the quedans on hand, the following entry shall be made simultaneously with paragraph c) :

Debit: RCA Quedans on Hand P xxx  
Credit: RCA Quedans Received P xxx

To record quedans on hand

Note: A nominal value of P1 is given for each cavan of palay for the purpose of keeping track of the number of cavans covered by the quedans held by the rural bank. These are contingent accounts which should appear only as a footnote to the financial statements.

- e) Upon surrender of the quedans held by the Rural Bank to the bonded warehouse, entry shall be:

Debit: RCA Quedans Received P xxx  
Credit: RCA Quedans on Hand P xxx

To record liquidation of quedans held

- f) Whenever a rural bank receives cash payment for milled rice from an RCA accredited retailer, it shall issue an official receipt to said retailer for the payment. The entries for such transaction shall be:

Debit: Cash on Hand or Checks and Other  
Cash Items P xxx  
Credit: Due to RCA P xxx

To record cash received

Debit: Due from Banks P xxx  
Credit: Cash on Hand or Checks and  
Other Cash Items P xxx

To record deposit of cash received with  
the depository bank

6. No partial liquidation of quedans shall be allowed under this Program;
7. Rural Banks designated as RCA Agent Banks shall furnish this Department a copy of the weekly abstract of quedans received and paid during the week which they are required by RCA to submit. Also, said Agent Banks shall submit to this Department a weekly accounting and financial report on the disposition and disbursement of RCA funds entrusted to them.

Please be guided accordingly.

(Sgd.) HONESTO O. FRANCISCO  
Director

April 15, 1966

## DEPARTMENT OF RURAL BANKS

### MEMORANDUM CIRCULAR TO ALL RURAL BANKS NO. 66-14

Subject: *Required Reserves Against Deposit  
Liabilities of Rural Banks*

Pursuant to Monetary Board Resolution No. 598 dated April 22, 1966, Section 169 of the Rules and Regulations Governing Rural Banks of the Philippines is hereby amended to read as follows:

Section 169. *Required Reserves; form.* Every Rural Bank authorized to accept demand or current, savings and time deposits is required to maintain the following reserves:

- (1) *Demand deposits* — the required reserve shall be ten per cent (10%) of the total amount of such deposit liabilities of the bank;
- (2) *Savings deposits* — The required reserve shall be eight per cent (8%) of the total amount of such deposit liabilities of the bank;
- (3) *Time deposits* — The required reserve shall be six per cent (6%) of the total amount of such deposit liabilities of the bank maturing within thirty (30) days, and five per cent (5%) on those maturing beyond thirty (30) days from the date of the computation of the bank's required reserves.

On the required reserve, at least one per cent (1%) of the total amount of the deposit liabilities of the bank shall be held in the form of deposit balances with the Central Bank of the Philippines. The remaining portion of the reserve may be held in the form of evidences of indebtedness or obligations of the Republic of the Philippines or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines, and which evidences of indebtedness or obligations are supported by the Central Bank of the Philippines; and/or cash in vault.

This Circular shall take effect immediately.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

May 9, 1966



DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS  
NO. 66-15

SUBJECT: *Regulations Governing Rates of Interest on Deposits*

There is quoted hereunder, for your information and guidance, Central Bank Circular No. 222, dated June 14, 1966, which is self-explanatory:

"CIRCULAR NO. 222  
June 14, 1966

*Regulations Governing Rates of Interest on Deposits*

Pursuant to Monetary Board Resolution No. 805 dated May 20, 1966, the following regulations shall govern the payment of interest on deposits by all banks:—

1. *Demand deposits.* — No interest shall be paid on these deposits.
2. *Savings deposits.* —  
*Commercial banks, savings and mortgage banks, development banks (including the Development Bank of the Philippines) cooperative banks, rural banks and the NACIDA Bank.* The maximum rate of interest on savings deposits of these banks shall be five and three-fourths per cent ( $5\frac{3}{4}\%$ ) per annum, compounded quarterly.
3. *Time deposits (including IDC-ICA special time deposits)* —
  - a) *Term of time deposits.* — No time deposit shall be accepted for a term of less than ninety (90) days or more than 360 days, or one (1) year.
  - b) *Time of payment of interest and withdrawal of deposit before maturity date.* — Interest on time deposits shall not be paid in advance, but only at maturity, or upon withdrawal of the deposit. When withdrawn before maturity, a time deposit shall be deemed a savings deposit and the interest which may be paid thereon shall not exceed the interest applicable to a savings deposit,

c) *Schedule of interest rates.* — *Commercial banks, savings and mortgage banks, development banks (including the Development Bank of the Philippines), cooperative banks, rural banks and the NACIDA Bank.* — A maximum annual interest rate of six and one-half per cent (6-1/2) shall be allowed on time deposits in accordance with the following schedule:

- (a) 90 days — 5-3/4%
- (b) 180 days — 6%
- (c) 270 days — 6-1/4%
- (d) 360 days — 6-1/2%

d) *Treatment of matured time deposit.* — A time deposit not withdrawn or renewed on its due date of withdrawal shall be deemed a savings deposit and the interest which may be paid thereon from said due date of withdrawal to the date of actual withdrawal or renewal shall not exceed the interest applicable to a savings deposit.

4. No bank or banking institution shall disseminate, advertise, or release any information that it is paying or will pay interest at rates higher than those prescribed herein, or indicate the effective rates resulting from a compounding of the rates.
5. Government deposits shall be subject to the provisions of this Circular.
6. Any provision of existing regulations inconsistent herewith is hereby superseded.

This Circular shall take effect immediately.

(Sgd.) ANDRES V. CASTILLO  
*Governor*

(Sgd.) HONESTO O. FRANCISCO  
*Director*

June 23, 1966

DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS  
NO. 66-16

872

Subject: *Memorandum Circular No. 66-13*  
*re Palay Buying Operation of RCA*

Supplementary to our Memorandum Circular to all Rural Banks No. 66-13 dated April 15, 1966, please be advised that rural banks authorized as agent banks of the RCA in its Palay Purchasing Program may now pay their purchases in cashier's checks payable directly to the palay producer-depositors. It is understood, however, that at all times the cash holdings of the Cashier and other accountable officers of the rural bank, including funds needed for its regular bank operations, shall be within their respective effective bond coverages.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

June 23, 1966

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DEPARTMENT OF RURAL BANKS

873

MEMORANDUM CIRCULAR TO ALL CB-IBRD  
PARTICIPATING RURAL BANKS  
NO. 66-17

Subject: *Chattel Mortgage of Machinery or Equipment*  
*Purchased and Insurance Coverage Thereof*

All loans for the purchase of farm machinery or equipment under the CB-IBRD financing program should be covered by a chattel mortgage of the machinery or equipment purchased out of the proceeds of said loans. This is in accordance with Section 31 of the General Banking Act (Republic Act No. 337) letter (b) paragraph two (2) which provides:

“(2) Equipment loans, with maturities up to five years, for the acquisition of fertilizers and any instruments, machinery and other movable equipment used in the production, processing, transformation, handling or transportation of agricultural and industrial product. Such loans shall constitute a first lien on the assets acquired with the proceeds of the loan, the bank being empowered, however, to require as additional security, a lien or mortgage on other properties of the debtor.”

As an additional protection to the Bank, the borrower end-user should be required to insure the machinery against loss or damage.

Please be guided accordingly.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

July 11, 1966

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#### DEPARTMENT OF RURAL BANKS

#### MEMORANDUM CIRCULAR TO ALL RCA AGENT RURAL BANKS NO. 66-18

Subject: *Memorandum Circular No. 66-13*  
*re: Palay Buying Operation of RCA*

As a further amendment to our Memorandum Circular No. 66-13, as amended by Memorandum Circular No. 66-16 dated June 23, 1966, the following are new procedures that may be followed by RCA-designated agent rural banks in paying quedans of farmers covering palay deposits with RCA-designated warehouses:

1. To allow the RCA appointed bonded warehouseman to make payments from their own funds direct to farmer-palay depositors after having *endorsed the quedan* to RCA.
2. To allow the rural banks to pay or reimburse the bonded warehousemen for amounts they advanced for payment of *farmers' quedans* upon presentation by the bonded warehouseman of farmers' quedans duly endorsed to RCA and paid for by the bonded warehousemen.

The above procedure, which has been suggested by the Chairman-General Manager of the RCA, is only a temporary measure. All payments for quedans pertaining to the next crop season must be made by the agent rural bank direct to the farmer-palay depositors.

Please be guided accordingly.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

July 13, 1966

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^ DEPARTMENT OF RURAL BANKS  
*Memorandum*  
TO ALL RURAL BANKS PARTICIPATING IN  
THE CB-IBRD FINANCING PROGRAM

Supplementing our letter dated March 31, 1966, please be informed that the following machinery distributors and/or dealers are authorized to transact business with you under the World Bank financing program:

1. Connell Bros. Co. (Phil.)
2. Motor Service Co., Inc.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

July 13, 1966

## DEPARTMENT OF RURAL BANKS

July 25, 1966

### MEMORANDUM-CIRCULAR

To All Participating Rural Banks  
CB-IBRD Financing Program

This is to invite your attention to Par. II a) and b) of the Guidelines on the CB-IBRD Financing Program, quoted as follows:

"a) CB-IBRD Form No. 10, 'Rural Bank's Promissory Note' covering the approved amount and under the terms and conditions set by the Central Bank, representing CB participation. The schedule of repayment (computed at 6-1/2%) be reflected at the back of the promissory note if space at front page is not enough.

"b) CB-IBRD Form No. 7, 'Promissory Note of End-Users' whose applications had been approved, representing the Central Bank and Rural Bank participations. The schedule of repayment (computed at 12%) be reflected at the back of the promissory note if space at the front page is not enough."

Please be guided accordingly.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

Attachments:

4 sets, Table of Interest

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## DEPARTMENT OF RURAL BANKS

### MEMORANDUM-CIRCULAR TO ALL RURAL BANKS

NO. 19

Under Monetary Board Resolution No. 1060 date July 5, 1966, rural banks which may apply for authority to change their present banking hours must accompany their application with endorsement from the Philippine Constabulary Provincial Commander and Chief of Police who have jurisdiction over the locality in which the bank concerned is located.

All applications should state the justification why a change in banking hours is necessary for the operation of the rural bank.

Please be guided accordingly.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

July 26, 1966

/<sup>1</sup> DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS

NO. 66-20

518

Re: *Monetary Board Policy on Central Bank-Supported  
Government Bonds; and CB Treasury Notes*

For your information, we are quoting hereunder **Monetary Board Resolution No. 812** dated May 23, 1966 regarding its policy on the repurchase by the Central Bank of Central Bank-supported government bonds:

"The Board, by unanimous vote, decided that Central Bank-supported bonds may continue to be held by the holders thereof for an indefinite period; Provided, that such bonds shall not be reissued after they shall have been presented to, and repurchased by, the Central Bank; with the exception that the bond sinking funds and other trust funds under the administration of the Central Bank may continue to invest in such bonds with the Central Bank support and that PW & ED Bonds 4% Loan of 1955 (Due 1985) 8th Series shall be sold solely for purposes of the Payroll Savings Plan, under such terms as heretofore existing, subject to the following conditions:

- 1) 4% PW & ED Bonds (8th Series) shall be available for sale only to members of the Payroll Savings Plan with Central Bank support for purposes of promoting the habit of saving among the people through investment in our Government securities; and
- 2) These bonds may be accepted by non-member buyers from members of the Payroll Savings Plan as part of collections in behalf of the Central Bank or in payment of debts, in which latter case, the non-member buyers may resell them at par to the Central Bank upon presentation of a statement executed by them that such bonds were received by them from members of the Payroll Savings Plant in payment of debts.

This resolution shall take effect on May 9, 1966, on and after which date all Government securities may be sold to investors without Central Bank support."

In line with this new policy of the Monetary Board and in consonance with its present policy on reserve requirements, rural banks may use as part of their legal reserves the following securities:

1. Central-Bank supported bonds which rural banks are presently holding;
2. Central Bank-supported PW & ED Bonds 4% Loan of 1955 (due 1985) 8th Series acquired and/or accepted by rural banks from members of the Payroll Savings Plan in payment of debts; and
3. Treasury Notes 2% Loan of 1966 (due 1967) 1st Series (Subscriptions or applications and reservations for purchase of these Treasury Notes may be placed with the Securities Market Department, Central Bank of the Philippines.)

Please be guided accordingly.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

August 9, 1966



DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL CB:IBRD . 19  
PARTICIPATING RURAL BANKS  
NO.

Subject: *Central Stations for Agricultural Credit Extension  
Technicians in the Implementation of the CB:IBRD  
Mechanization Financing Program*

In order to facilitate the processing, approval and servicing of medium and long-term loans under the CB:IBRD loan program, eleven (11) rural banks are hereby designated as "Central Stations" for Central Bank Technicians to service the technical requirements of the said areas. Other authorized rural banks may, as the needs arise, request the services of our technicians at the nearest designated Central Station. The following rural banks are hereby designated as "Central Stations":

CENTRAL STATION	LOCATION
I	Dagupan City c/o Dagupan City Rural Bank, Inc.
II	Concepcion, Tarlac c/o Concepcion Rural Bank, Inc.
III	Cabanatuan City c/o Cabanatuan City Rural Bank, Inc.
IV	Plaridel, Bulacan c/o Plaridel Rural Bank, Inc.
V	San Pablo City c/o San Pablo City Rural Bank, Inc.
VI	Tabaco, Albay c/o Rural Bank of Tabaco, Inc.
VII	Iloilo City c/o Iloilo City Rural Bank, Inc.
VIII	Kalibo City c/o Kalibo Rural Bank, Inc.
IX	Silay City c/o Silay City Rural Bank, Inc.
X	Cagayan de Oro c/o Cagayan de Oro City Rural Bank, Inc.
XI	Cotabato City c/o Cotabato Rural Bank, Inc.

All communications should be addressed to:

Central Bank Technician, Rural Bank of

Please be guided accordingly.

(Sgd.) HONESTO O. FRANCISCO  
Director

August 30, 1966

## DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS , \  
NO. 66-23

SUBJECT: *Establishment and Operation of an Agricultural  
Guarantee and Loan Fund for Rural Banks*

The Monetary Board has authorized the establishment of the Agricultural Guarantee and Loan Fund (AGLF) for the Rural Banking System for the purpose of providing lending funds for specific essential agricultural developmental projects, encouraging the institution of supervised farm credit programs among rural banks availing of the AGLF, and in this connection, setting up a Guarantee Fund to protect said banks from losses on loans granted out of the AGLF. Funds for the AGLF will be provided by the NEC-USAID (National Economic Council-United States Agency for International Development) the "RCPCC (Rice and Corn Production Coordinating Council) and/or any other Philippine Government Agency.

The Central Bank of the Philippines shall administer through the Department of Rural Banks the Agricultural Guarantee and Loan Fund (AGLF). In accordance with the agreement between the NEC and USAID, the funds provided by them will be initially used by the AGLF to support the Administration's "Four-Year Rice and Corn Self-Sufficiency Program" in eleven priority provinces — Cagayan, Isabela, Nueva Ecija, Pampanga, Bulacan, Pangasinan, Tarlac, Laguna, Camarines Sur, Iloilo and Cotabato. Additional funds will also be provided by the RCPCC for this purpose. The disposition of such additional funds shall be governed both by the rules and regulations governing the establishment of the AGLF and any agreement executed and may be executed between the Central Bank and the RCPCC.

The criteria for designating rural banks to be able to participate in the AGLF Financing Program are as follows:

1. That the Bank has complied with laws, rules and regulations and instructions of the Central Bank.
2. That the percentage of past due items to total loan portfolio of the Bank is not unreasonably high;
3. That the credit standing of the Bank with the Central Bank is satisfactory; and
4. That the Bank is authorized to accept savings and time deposits.

For your guidance regarding the details of this financing program, please refer to the "Rules and Regulations Governing the Establishment and Operation of an Agricultural Guarantee and Loan Fund for Rural Banks" which were furnished to you earlier.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

September 20, 1966

DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS  
NO. 66-25

SUBJECT: *RA No. 456 — Prohibiting the Registration of Certain Documents Affecting Real Property which is Delinquent in the Payment of Real Estate Taxes*

There is quoted hereunder, for your information and guidance, the opinion of the Honorable, the Secretary of Finance, as contained in his 3rd Indorsement to the Provincial Treasurer of Cotabato, City of Cotabato dated June 21, 1966, which is self-explanatory:

“Republic of the Philippines  
DEPARTMENT OF FINANCE  
Manila

3rd Indorsement  
June 21, 1966

Respectfully returned to the Provincial Treasurer of Cotabato, City of Cotabato, his basic request for a ruling on whether real properties acquired by Rural Bank either by foreclosure or through purchase are subject to real estate tax.

Pursuant to the provisions of Section 14 of Republic Act No. 720, (as amended) “all rural banks created and organized under the provisions of this Act, with assets not exceeding ₱500,000.00 (now ₱1,000,000) shall be exempt from all taxes of whatever nature as well as charges and fees required in the filing of articles of incorporation.” On the other hand, Section 21 of Commonwealth Act No. 470, otherwise known as the Assessment Law, provides that real property tax shall constitute a lien upon the property subject to such tax. This lien shall be superior to all other liens and shall be enforceable against the property whether in the possession of the delinquent or any subsequent owner or possessor, and shall be removable only by the payment of the delinquent taxes and penalties. The pronouncement, therefore, of the Department of Justice that Section

14 of Republic Act No. 720 applies to real properties acquired by rural banks through foreclosure proceedings or purchase is subject to the condition that the delinquent realty taxes and penalties, if any, on real properties involved in the foreclosure proceedings or sale are fully paid prior to the transfer of the title and/or ownership from the mortgagors to the mortgagee banks or from the seller to the purchaser. Attention, in this connection is invited to the provisions of Circular No. 23 of the Land Registration Commission enjoining the Register of Deeds to deny registration of voluntary deeds when the property involved is actually delinquent in the payment of taxes and to the conditions set forth under Republic Act No. 456 prohibiting the registration of certain documents affecting real property which is delinquent in the payment of real estate taxes.

From the foregoing, it is clear, therefore, that there is no conflict between the provisions of Republic Act No. 720 and those of Commonwealth Act No. 470.

(Sgd.) EDUARDO Z. ROMUALDEZ  
*Secretary of Finance*

A true copy:

(Sgd.) R. D. SELLADO  
PTO Cotabato  
7/26/66"

In this connection, rural banks are advised to exercise due diligence in examining collaterals for loans to obviate acceptance of properties which are burdened with delinquent taxes and penalties.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

October 3, 1966

## DEPARTMENT OF RURAL BANKS

Memorandum Circular to All Rural Banks  
No. 66-26

SUBJECT: *Reserve Requirements — Clarification of the provisions on the legal reserve requirements under Monetary Board Resolution No. 598, dated April 22, 1966*

Pursuant to Monetary Board Resolution No. 598, dated April 22, 1966 as contained in our Memorandum Circular No. 66-14, rural banks accepting deposits should maintain a demand deposit balance with the Central Bank in an amount equivalent to at least one (1%) per cent of its total deposit liabilities. The rest of the required reserves may be held in the form of government bonds and/or cash in vault.

In many instances, rural banks have failed to maintain the required deposit balance with the Central Bank in the belief that they may hold eligible government bonds and/or cash in vault in sufficient amount to absorb the deficiency in deposits with the Central Bank.

Actually, a rural bank which fails to maintain the required balance in its demand deposit account with the Central Bank incurs a reserve deficiency and is therefore subject to the penalty provisions of Sec. 106 of Republic Act No. 265, otherwise known as the Central Bank Act. It is, therefore, not enough that the other portion of the required reserves in the form of government bonds and/or cash in vault be adequately provided. The minimum reserve deposit balance with the Central Bank should first be satisfied to conform with the reserve requirement.

Please be guided accordingly.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

October 20, 1966

## DEPARTMENT OF RURAL BANKS

Memorandum Circular to All Rural Banks  
No. 66-27

Subject: *Summary Report of Loans Granted Under  
the Agricultural Guarantee and Loan Fund*

Rural Banks participating in the Agricultural Guarantee and Loan Fund are requested to submit monthly "Summary Report of Loans Granted under the AGLF", in the prescribed form hereto attached.

Pointers in the accomplishment of this report are as follows:

### *Loans Granted*

The number of borrowers and amount of loans granted during the month for the respective items of financing shall be recorded under "This Month" column. The total number and amount of loans granted during the month in addition to the aggregate number and amount of loans granted from the beginning of the year and/or from the date the rural bank availed of the credit facilities of the AGLF, up to the date of last report, shall be recorded under the "This Year" column.

In case a loan is released by installment, the loan shall be included in the number of borrowers for *the first release only*. Only the *amount of subsequent releases* shall be added to the amount of loans granted during a month.

### *Loans Outstanding*

The number and total amount of outstanding loan balances as of the end of the month covered by the report shall be recorded under "Loans Outstanding".

Please submit the subject report within 10 days following the month covered by the report.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

Attached  
November 24, 1966

DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS  
NO. 66-28

987 ^

Subject: *Summary Report on Loans Granted*

Beginning January 1967, all rural banks are requested to resume the submission of the monthly Summary Report on Loans Granted, on the form attached. This report shall be accomplished as follows:

1. *Classification of Loans Granted* — The number and amount of loans granted as listed in the weekly list of Loans Granted shall be classified and summarized into four (4) categories namely:
  - a. As to Purpose
  - b. As to Loan Period
  - c. As to Size of Loan Amount
  - d. As to Security
2. *Loans classified "As to Purpose"* shall be summarized according to the following types of loans:
  - a. Agricultural
  - b. Commercial
  - c. Industrial
  - d. Others

Agricultural loans, however, shall be further classified according to types of financing and specific purposes, such as:

a. *Short Term*

(1) Ordinary —

For crops  
" livestock  
" fish  
" others

(2) AGLF —

Production  
Marketing/Commodity

b. *Medium & Long Term*

(1) Ordinary

(2) AGLF

Acquisition of Farm Machinery & Implements  
Development of Small Private Irrigation System

(3) CB: IBRD —

Acquisition of Farm Machinery & Implements  
Development of Small Private Irrigation System

Loans under each type of financing (ordinary, AGLF and CB: IBRD) shall be summarized separately according to the term of the loan.

In this connection, it shall be noted that ordinary financing refers to loans granted out of the general fund of the rural bank; AGLF financing represents loans from the AGLF funds and CB: IBRD financing covers loans from the World Bank.

3. *Classification of loans granted "As to Loan Period" and "As to Size of Loan Amount"*, shall be totalled according to the maturity and size of loans, respectively, as specified in the form.
4. *Loans granted under the classification "As to Security"* shall be summarized according to the type of collaterals which secured the loans as listed in the form. The number and value of the collateral covering the loans, however, shall not be taken into account.

The total number and amount of loans granted during the month as classified in each category shall be recorded under "This Month" column and must always agree and also tally with the total loans granted as reported in the Weekly List of Loans Granted during the month.

The number and amount of loans granted from the beginning of the year to the current month reported shall be reported under "This Year" column.

In case a loan is released by installment, each release shall be recorded as a separate loan.

This report should be submitted not later than the 10th of the month following the month reported together with all other monthly reports. It supersedes the monthly Recapitulation of Loans Granted.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

Attachment  
November 29, 1966



## DEPARTMENTS OF RURAL BANKS

### MEMORANDUM CIRCULAR TO ALL RURAL BANKS

NO. 66-29

SUBJECT: *Facilitating the Grant of Loans Under  
the CB:IBRD Farm Mechanization Credit  
Program*

Because of the need to facilitate the grant of loans by rural banks for farm mechanization and irrigation under the Central Bank — International Bank for Reconstruction and Development Credit Program, the Central Bank may now make Special Time Deposits with rural banks participating in said program under the following procedure:

The rural bank submits an estimate of the total amount needed by it in granting loans under the CB:IBRD Credit Program. On the basis of said estimate, the Central Bank immediately releases "special time deposits" to enable the rural bank to grant and release the loan proceeds within a period of one (1) month from receipt of the "special time deposits." The grant of the loan by the rural bank to the farmer-end-users shall be subject to post audit by the Department of Rural Banks and subsequent submission to the Central Bank Loan Committee. It is understood, however, that before any loan shall be released by the rural bank, it shall be accompanied by the technical feasibility report of our agricultural extension technician.

As suggested by the World Bank representatives only loans where the participation of the Central Bank does not exceed ₱15,000.00 shall be covered by the above new arrangements; all the others will have to be submitted to the Central Bank Loan Committee and approved by said Committee first before the special time deposits corresponding to the Bank's participation in the loans are released to the rural bank.

In this connection, we are inviting attention to the following provisions of Section 100 of Rules and Regulations Governing Rural Banks in the Philippines:

"Section 100. *Duty of a Rural Bank to Spread its Loans; Maximum Credit.* — Every rural bank shall endeavor to spread its loan to as many qualified borrowers as possible, preference being given to the credit needs of small borrowers.

"Irrespective of his capacity to pay and the collaterals he may be able to offer, the maximum total aggregate loans which a rural bank may grant to a borrower shall not exceed TEN PER CENT (10%) of its unimpaired capital and surplus, except when expressly permitted by the Central Bank in which case, it may be increased to FIFTEEN PER CENT (15%)."

As agreed in a conference attended by Mr. Romeo M. Liamzon of the Rural Bankers Association of the Philippines and Mr. Albert Dockx and Mr. Horst von Oppenfeld of the International Bank for Reconstruction and Development, any rural bank which shall submit to the Central Bank of the Philippines loans which do not conform to the law, the rules and regulations and instructions governing the operations of rural banks, and the rules and regulations under Loan Agreement No. 432-PH, shall forfeit their privilege to avail of the program and (depending on the seriousness of the violation) other financial assistance enjoyed by rural banks under the law.

(Sgd.) HONESTO O. FRANCISCO  
*Director*

December 8, 1966

DEPARTMENT OF RURAL BANKS

MEMORANDUM CIRCULAR TO ALL RURAL BANKS

NO. 66-30

7 906

For your information and guidance we quote hereunder the Memorandum of the Deputy Governor to All Heads of Departments and Offices of the Central Bank of the Philippines, relative to the suspension of the Certificate of Authority to do insurance business of some insurance and surety companies:

"CENTRAL BANK OF THE PHILIPPINES  
Manila

M E M O R A N D U M

TO ALL HEADS OF DEPARTMENTS AND OFFICES:

Please take note that the Office of the Insurance Commissioner suspended the certificates of authority to do insurance business of the Citadel Insurance and Surety Company, Inc. and the Oceanic Insurance Company, Inc. and of their officers, general agents and agents, effective September 30, 1966.

Accordingly, you are hereby enjoined from transacting insurance business with said insurance companies, or officers, general agents and agents acting for and in behalf of said insurance companies.

(Sgd.) AMADO R. BRIÑAS  
*Deputy Governor*

November 24, 1966"

(Sgd.) HONESTO O. FRANCISCO  
*Director*

December 23, 1966

