

# **CENTRAL BANK OF THE PHILIPPINES**



BANGKO SENTRAL NG PILIPINAS



BSPBK0009505

**Nineteenth Annual Report  
1967**

JAN 31 1974

## RESPONSIBILITIES AND OBJECTIVES OF THE CENTRAL BANK

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"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 29, 1968

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 Nineteenth Annual Report (1967) of the Central Bank of the Philippines.

*Very Respectfully,*



ALFONSO CALALANG  
GOVERNOR

CENTRAL BANK OF THE PHILIPPINES

MANILA

OFFICE OF THE GOVERNOR

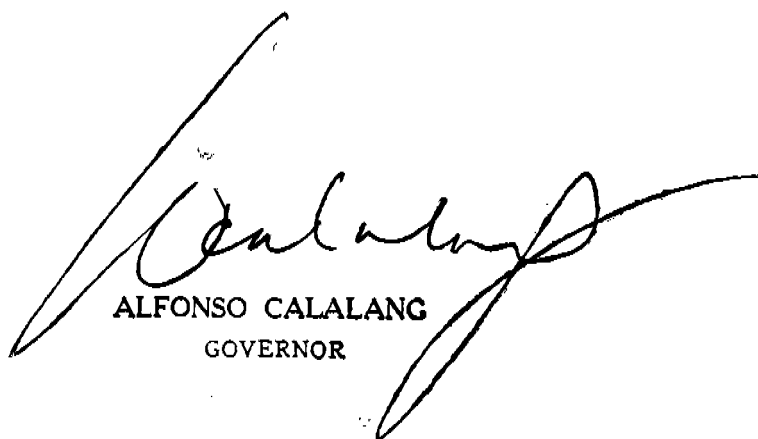
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The Honorable  
The President of the Senate  
Congress of the Philippines  
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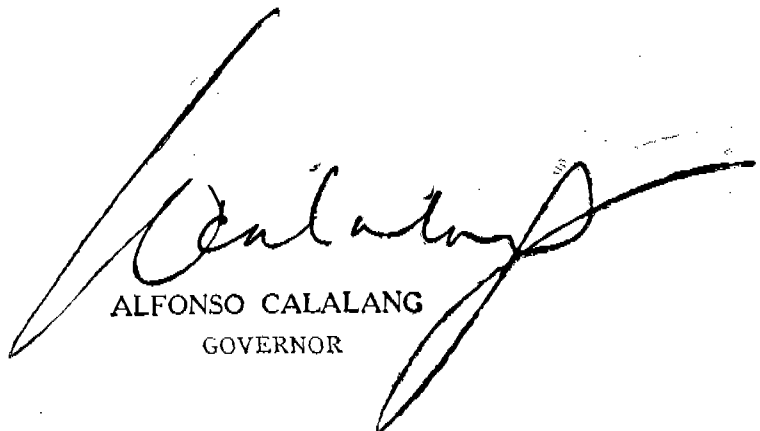
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The Honorable  
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GOVERNOR

# CENTRAL BANK OF THE PHILIPPINES

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## THE MONETARY BOARD MEMBERS

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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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## SOURCES AND SYMBOLS

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

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

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

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

Gregorian calendar years and months are used. Data for fiscal years ending June 30 are properly noted whenever used.

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

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

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

**ROUNDING OF FIGURES.**—Any slight discrepancy that may be noticed between the sum of the constituent items and the total as shown in some tables may be attributed to the rounding of numbers.



## I. OVER-ALL ECONOMIC REVIEW

In 1967, a vigorous effort was made by the Government to accelerate the growth of the economy. As substantial amounts of credit were made available both to the public and private sectors, the economy responded with moderate to large improvements in various lines of economic activity, some increase in prices and a sharp rise in import arrivals. The latter development led to the adoption by the Central Bank of measures of restraint during the latter half of the year.

On the whole, the level of production activity in 1967 was higher than in 1966. The growth rates, however, were generally lower than in 1966 although they were higher than in the years immediately prior thereto. In the agricultural sector, which benefited greatly from the infrastructure program of the government, output of food crops continued to increase at a high rate. This was offset, however, by the drop in export crop production due to adverse weather conditions.

Other production indicators were also more favorable this year than in the last. In the mining industry, the over-all index registered a record gain of 13.7 per cent compared with 9.5 per cent in 1966. Similarly, private construction activity and real estate transactions were both characterized by higher rates of increase, while electricity output continued its steady high growth performance. Shipping and railroad were also more active. An exception however was the manufacturing industry, where durable goods production rose by 7.1 per cent but non-durable goods production increased by only 3.5 per cent, pulling down the over-all increase to 4.2 per cent, or less than half the growth rate of 8.7 per cent in 1966.

Along with the growth in output, gains were observed in employment and gross sales. In the case of employment there were increases in both the agricultural and non-agricultural sectors, although extraneous seasonal factors make valid comparison with previous years difficult. Large increases in sales appeared to reflect higher effective demand in the economy and rising prices.

Financing of the upsurge in economic activity was largely derived from the easy credit policy which started early in 1966 and continued through mid-1967. During the current year, total domestic credits of the monetary system rose by ₱1,767 million or 21.2 per cent, compared with the expansion of ₱908 million or 12.2 per cent in 1966. Of the total increment of ₱1,767 million, ₱862 million went to the Government sector while the balance was absorbed by the private sector. The credits made available to the public sector were in large part utilized in the government's rice and roads program as well as in the refinancing program of the Development Bank of the Philippines. Mainly because of these credits, public internal debt increased by 15 per cent. Concurrently, public external debt registered a rise of 32 per cent, which was used to fund the gap between foreign exchange receipts and disbursements as well as add to the country's foreign exchange resources. It may be noted that longer-term obligations now

constitute a greater percentage of internal public debt while external public debt consists mostly of short-term loans.

While the liberalization of credit facilitated economic activity, it also bred excess demand and speculative conditions that permitted and encouraged the importation of goods not only for current production requirements but also for inventory purposes. As domestic credits climbed to a record level of ₱10,093 million, imports soared to \$1,054 million, breaking through the \$1 billion mark for the first time, for an extraordinary increase of 24 per cent. Since exports, after a remarkable five-year rise, dipped by 2 per cent as a result of adverse production and world market developments, the country suffered a trade deficit of \$242 million, its worst since 1949. In incurring this deficit, the Philippines came out with an unfavorable trade balance even with countries with which it used to enjoy a trade surplus such as Japan and the United States.

Reflecting these adverse trade developments, the international reserve, net of borrowings from U.S. commercial banks and the drawings from the IMF, declined by \$65 million. This was notwithstanding the nearly \$35 million received from the U.S. Government as payment for war damage and veterans' claims. There was concurrently an increase in the inter-bank rate from an average of ₱3.910 in January to ₱3.915 in June, to ₱3.918 in September and to ₱3.919 in December.

Faced with a deteriorating balance of payments position, the Central Bank adopted precautionary measures on June 26, 1967 to contain credit expansion and redirect credit from importation to production financing. These were followed by additional restraining measures in October when domestic credits and import payments continued to expand in the third quarter. However, even in the fourth quarter the level of credit creation and imports showed no signs of subsiding. Apparently, the foreign payments situation and the devaluation of sterling in November gave rise to speculation which increased rather than reduced the demand for imports. This speculation, however, could have been damped if the credit restraints had not been rendered ineffective by fiscal imbalances during the fourth quarter and the continued availment of credit by government financial institutions.

Despite the contractionary influence of the loss in net foreign exchange assets, money supply rose by ₱411 million or 12.2 per cent compared with the increase of ₱304 million or 9.9 per cent the previous year. By sector, the contributions of the public, private and external sectors to the expansion of money supply were ₱313 million, ₱188 million and minus ₱90 million, respectively.

Notwithstanding peak levels in money supply, prices rose only moderately because of the huge inflow of imports, the outflow of foreign exchange and increased local production. Consumer prices in the Philippines increased by 5.9 per cent and retail items and wholesale prices in Manila, by 4.8 per cent and 4.7 per cent, respectively. These price increases led to a reduction in real wages, as money wages did not rise as fast as prices.

Developments in 1967 again point to a deficiency in the economic policy mix which is found not only in developing countries but, as brought out at international monetary meetings, also appears to be quite common among developed countries. Basically, the trouble lies in over-dependence on monetary policy for the regulation of economic activity. This has led on a global level to alternate periods of speed-up and slowdown, and to a secular rise in interest rates. On the national level, when credit is liberalized in order to stimulate growth without however instituting complementary fiscal measures, the consequent rise in demand leads to a drain on a country's foreign exchange position, forcing an eventual slowdown in development spending. The balance of payments effects of increased domestic demand must be absorbed by increased foreign exchange resources, in the form of higher exports which however take time and investment to generate, and in the form of substantial international financing for development projects. But international development loans are often linked with the institution of appropriate fiscal policy by recipient countries. The conclusion is therefore inescapable that much greater reliance will have to be placed on appropriate fiscal policy measures for economic adjustment and relatively less on an already over-loaded monetary policy. The tax proposals for 1968, if finally approved, should go a long way toward helping the government extend the limits to which it can pursue its development efforts. The alternatives to such fiscal legislation are either a slower growth rate or alternating periods of high and low economic activity.

## II. MONETARY DEVELOPMENTS

The rapid expansion of domestic credits and imports which started during the third quarter of 1966 continued through the first three quarters of 1967. In the light of these developments, the Central Bank adopted several measures in June and October which changed the direction of monetary policy from credit ease in force since January 1966 to restraint. These measures were designed to moderate the credit expansion and to redirect the application of credit resources away from import financing and into domestic production particularly rice and processed export commodities. However, seasonal and cyclical factors, reinforced by speculative activities against the payments system and the momentum of the rice production program, operated in opposition to the direction of monetary policies during the latter part of the year. As a consequence, the expansion in domestic credits continued and the increase in import payments persisted during the last quarter of the year. These developments gave rise to a depletion of the net foreign exchange assets of the Central Bank and commercial banks in the amount of \$65 million and a ₱411 million or 12.2 per cent increase in money supply during the year.

### A. MONETARY AND CREDIT POLICY

On June 23, 1967, the Central Bank under Circular No. 244 raised the reserve requirements against peso deposit liabilities of commercial banks. Effective June 26, 1967, the required reserves against demand deposits would be 11 per cent<sup>1</sup> and would be raised by 1 per cent every 30 days thereafter until the reserve requirements would have reached 16 per cent. The required reserves against savings and time deposits would be 8 per cent<sup>2</sup> and would likewise by 1/2 per cent every 30 days until the required reserves would have reached 10 per cent.

The Central Bank on October 26, 1967 issued Circular No. 253 raising the required reserves against the deposit liabilities of the commercial banks further. Effective October 31, 1967, the required reserves against demand deposits of commercial banks would be 15 per cent and those against savings and time deposits would be 10 per cent. Furthermore, 30 days after the effectivity of the said circular, the reserve requirements against demand deposits would be raised by 1 per cent to reach 16 per cent, and those against savings and time deposits would be raised at the rate of 2 per cent every 30 days until they would also have reached 16 per cent at end-January 1968.

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<sup>1</sup> The reserve requirement for demand deposits from May 1965 to June 25, 1967 was 10 per cent.

<sup>2</sup> The reserve requirements from January 1966 to June 25, 1967 were 8 per cent for savings deposits and 6 per cent for time deposits and 6 per cent for time deposits maturing within 30 days and 5 per cent for time deposits maturing beyond 30 days.

At the same time the minimum proportion of the required reserves which would be held in the form of deposit balances with the Central Bank was raised from 25 per cent to 50 per cent. The remaining portion of required reserves could be held in the form of eligible government securities and/or cash in vaults. Actual implementation of the change in the composition of required reserves, however, was deferred up to December 31, 1967 during which 75 per cent was permitted to be in the form of eligible government securities with Central Bank support, cash in vaults or free export bills. This type of reserve assets would be reduced monthly by 5 per cent until May 1, 1968 when 50 per cent of the required reserves would have been fully in the form of deposit balances with the Central Bank. Between May and December 1967, the banks required reserve increased by ₱352 million or 86 per cent compared to the 10 per cent expansion in their deposit liabilities. Of the ₱366 million increase in their available reserves during the same period, ₱276 million was accounted for by the expansion in their deposit balances with the Central Bank.

Along with the raising of reserves requirements, the basic rediscount rate of the Central Bank was increased in June from 4 3/4 per cent to 6 per cent. The new rediscount rate policy provided for the maintenance of the 3 per cent preferential rate for instruments pertaining to the production, importation and distribution of rice and corn. It also established a 4 3/4 per cent rate for instruments pertaining to the production of processed export commodities.

Earlier, the Central Bank of January 20, 1967 had authorized rediscounting by the commercial banks of RCA rice and corn quedans at 100 per cent of their face value and the rediscounting by the PNB of paper covering production credit granted by the ACA at the preferential rate of 3 per cent in support of the rice program of the government. Under Circular No. 223 such quedans and paper covering production credits were being rediscounted at only 80 per cent of their face value and at the rate of 4 3/4 per cent. The same rediscounting authority was extended the PNB on the collateral of promissory notes of the Rice and Corn Administration, guaranteed by the government, and of the Agricultural Credit Administration.

Also on June 23, 1967, the rediscount ceilings of commercial banks were revised to 125 per cent of paid-up capital plus 90 per cent of other net worth items as of March 31, 1967; provided, however, that only 50 per cent of these ceilings would be available up to December 31, 1967. An additional 15 per cent could be availed of exclusively for export financing, and rice and corn financing would not be subject to any ceiling. On October 26, 1967, the Central Bank revised the rediscount ceilings of domestic commercial banks under Circular No. 251 to 125 per cent of their paid-up capital plus 90 per cent of their other net worth items as of June 30, 1967, provided, however, that at least 50 per cent of the ceiling would be used exclusively for financing export activities. Borrowings for rice and corn financing continued to be outside the ceiling. Despite these measures, however, Central Bank loans and advances to the commercial banks

rose by ₱466 million compared to the ₱116 million increase during the preceding year. A sizable proportion of the current year's increase went into the government's rice program.

Along with these measures, the volume of credit instruments eligible for re-discounting was reduced by the Central Bank. After twice extending the expiry date of Circular No. 227 which authorized commercial banks to rediscount with the Central Bank up to 40 per cent of the loan value of their credit instruments not eligible under Circular No. 223 but otherwise eligible under Section 87 of R.A. No. 265, the Central Bank stopped these accommodations on August 31, 1967. Earlier, on March 31, 1967, the Bank had upgraded the priority ratings of some 30 economic activities listed under Circular No. 223 dated June 25, 1966.

Another selected measure adopted by the Central Bank on June 23, 1967 was to require commercial banks to maintain a one-to-one ratio between their actual foreign exchange assets and foreign exchange liabilities under Circular No. 240. These liabilities arise mainly out of the financing of imports by the commercial banks. For this purpose, forward exchange purchases, customers' liability acceptances and deferred payments would not be considered as assets. Commercial banks that failed to maintain their ratio would not be permitted to sell foreign exchange or incur liabilities in foreign exchange until otherwise expressly authorized in writing by the Central Bank. On October 26, 1967, the Central Bank revised the required cover of the foreign exchange liabilities, in allowing up to 75 per cent of the cover to be held in the form of Treasury Notes and national government securities which carry Central Bank support issued on or before October 26, 1967. However, the commercial banks' foreign exchange liabilities were limited to the value of their actual foreign asset holdings as of October 26, 1967. As a result, the banks' foreign exchange liabilities decreased by \$25.9 million while their foreign exchange asset rose by \$32.0 million between June 26 and December 31, 1967.

Along the same line, the Central Bank exercised moral suasion on commercial banks to facilitate the aforecited objectives of channeling resources toward domestic and export-producing activities. Toward this end, on June 26, 1967 the Bankers' Association of the Philippines in a Gentlemen's Agreement executed by and among its members agreed for a period of six months to impose cash margin deposits on the opening of letters of credit under the following schedule:

<i>Categories of Goods to be Imported</i>	<i>Cash Margin (Per cent)</i>
a. Essential Producer and Essential Consumer Goods .....	25
b. Semi-essential Producer Goods .....	50
c. Semi-essential Consumer and Non-essential Producer Goods ..	75
d. Luxury Items and Non-essential Consumer Goods and others	150



These cash margin deposits were subject to 100 per cent reserve, 50 per cent of which could be in the form of government securities to be held by banks until the liquidation of the corresponding import bills. In the following months, exemption from these deposit requirements were made, namely: certain types of raw materials imported by selected local industries; some 57 commodities listed under the Essential Consumer (EC) goods category; and 4 items under the Essential Producer (EP) goods category. By the end of the year, the cash margin deposits amounted to ₦176 million.

## B. MONEY SUPPLY

The movement of money supply in 1967 was similar to the pattern registered in 1966 with a substantial upsurge in the last four months of the year. On the other hand, the principal factors behind the increase in money supply during the year as a whole differed significantly: whereas foreign exchange transactions were contributory to the monetary expansion in 1966, this year they exerted a contractionary influence. Non-foreign exchange operations, especially domestic credits, were therefore the sole expansionary elements during 1967. Another notable difference was the positive contribution of the private sector to the expansion in 1966, this year they exerted a contractionary influence. Non-foreign exchange operations, especially domestic credits, were therefore the sole expansionary elements during 1967. Another notable difference was the positive contribution of the private sector to the expansion in money supply in 1967. In 1966, this sector served to compensate for the expansionary pressures originating from the surplus in foreign exchange transactions and government operations.

Following the expansion of ₦269 million or 8.7 per cent during the last four months of 1966, money supply rose further by ₦411 million or 12.2 per cent in 1967. As in 1966, more than four-fifths of this increase occurred during the last quarter of the year. On an annual basis, the expansion in 1967, even with the restraining effect of a foreign exchange outflow, substantially exceeded the increase of ₦304 million or 9.9 per cent during the 1966 when there was a foreign exchange inflow.

During the first three quarters of 1967, money supply rose by only ₦46 million or 1.4 per cent. The expansionary pressures generated by the large increase in domestic credits was offset by the effects of the deficits in international transactions. In the ensuing last three months of the year, money supply increased by ₦365 million or 10.7 per cent, reaching a new peak of ₦3,783 million at end-December 1967 despite the measures to moderate credit expansion in June and October. The October-December 1967 upsurge in money supply was brought about mainly by the ₦610 million increase in domestic credits in response to seasonal factors and, in the case of the government budget, cyclical forces as well. The national government, after repaying ₦165 million in the preceding two quarters, availed of ₦212 million in budgetary loans from the Central Bank. Another factor behind the credit expansion was the speed with

# FACTORS RESPONSIBLE FOR MONEY SUPPLY MOVEMENT

As of Dates Indicated

(Million pesos)

I T E M	1967 December	1967 September	1966 December	Increase or Decrease (—)			Net Effect on Money Supply <sup>1</sup>		
				Sept. 1967 over Dec. 1966	Dec. 1967 over Sept. 1967	Dec. 1967 over Dec. 1966	Sept. 1967 over Dec. 1966	Dec. 1967 over Sept. 1967	Dec. 1967 over Dec. 1966
1. Money of Internal Origin									
A. Public Sector <sup>2</sup>									
1. National Government									
a) Securities held by									
Central Bank .....	730.7	730.3	640.6	89.7	0.4	90.1	+ 89.7	+ 0.4	+ 90.1
b) Securities held by									
comm'l banks .....	640.8	603.7	541.6	62.6	37.1	99.7	+ 62.6	+ 37.1	+ 99.7
c) Central Bank loans....	386.9	174.9	314.9	—140.0	212.0	72.0	—140.0	+212.0	+ 72.0
d) Commercial banks'									
loans .....	—	—	—	—	—	—	—	—	—
Less:									
e) Total Nat'l. Gov't.									
balances .....	404.9	460.3	382.4	77.9	— 55.4	22.5	—128.2 <sup>a</sup>	— 20.1 <sup>b</sup>	—108.1 <sup>c</sup>
Cash in Treasury									
Vaults .....	18.2	7.0	6.5	0.5	11.2	11.7	— 0.5	— 11.2	— 11.7
Demand deposits w/									
comm'l banks .....	218.0	235.1	198.5	36.6	— 17.1	19.5	— 36.6	+ 17.1	— 19.5
Demand deposits w/									
Central Bank .....	134.9	133.4	101.9	31.5	1.5	33.0	— 31.5	— 1.5	— 33.0
Trust funds w/									
Central Bank .....	33.8	84.8	75.5	9.3	— 51.0	— 41.7	— 9.3	+ 51.0	+ 41.7
f) Total savings and time									
deposits .....	422.2	449.9	288.6	161.3	— 27.7	133.6	—161.3	+ 27.7	—133.6
T o t a l .....	<u>931.3</u>	<u>598.7</u>	<u>825.6</u>	<u>—226.9</u>	<u>332.6</u>	<u>105.7</u>	<u>—277.2</u>	<u>+297.3</u>	<u>+ 20.1</u>
2. Local Gov't. & Semi-Gov't.									
Entities									
a) Securities held by									
Central Bank .....	657.7	605.0	477.3	127.7	52.7	180.4	+127.7	+ 52.7	+180.4
b) Securities held by									
comm'l banks .....	420.0	397.3	249.4	147.9	22.7	170.6	+147.9	+ 22.7	+170.6
c) Central Bank Loans..	395.9	394.0	394.2	— 0.2	1.9	1.7	— 0.2	+ 1.9	+ 1.7
d) Commercial banks'									
loans .....	592.0	551.8	344.5	207.3	40.2	247.5	+207.3	+ 40.2	+247.5

Less:									
c) Savings and time deposits .....	302.9	338.3	256.0	82.3	— 35.4	46.9	— 82.3	+ 35.4	— 46.9
f) Net Misc. Accts. of Gov't banks .....	674.8	710.7	414.5	296.2	— 35.9	260.3	—296.2	+ 35.9	—260.3
Total .....	1,087.9	899.1	794.9	104.2	188.8	293.0	+104.2	+188.8	+293.0
Total Public Sector .....	2,019.2	1,497.8	1,020.5	—122.7	521.4	398.7	—173.0	+486.1	+313.1
B. Private Sector									
a) Comm'l. banks' loans, discounts, overdrafts <sup>3</sup> and customers' liab. acceptances .....	6,264.3	6,022.1	5,359.6	622.5	242.2	904.7	+662.5	+242.2	+904.7
b) Securities held by comm'l. banks .....	4.8	3.8	4.9	— 1.1	1.0	— 0.1	— 1.1	+ 1.0	— 0.1
Less:									
c) Savings, time & other deposits .....	3,575.1	3,339.4	2,823.2	516.2	235.7	751.9	—516.2	—235.7	—751.9
d) Net Misc. Accts. of private comm'l. banks .....	754.7	846.5	789.7	56.8	— 91.8	— 35.0	— 56.8	+ 91.8	+ 35.0
Total Private Sector .....	1,939.3	1,840.0	1,751.6	88.4	99.3	187.7	+ 88.4	+ 99.3	+187.7
C. Total Public and Private Sectors .....	3,958.5	3,337.8	3,372.1	— 34.3	620.7	586.5	— 84.6	+585.4	+500.8
II. Money of External Origin									
a) International Reserves .....	1,015.6	1,032.6	916.4	116.2	— 17.0	99.2	+116.5 <sup>a</sup>	+ 18.3 <sup>b</sup>	+184.8 <sup>c</sup>
Less: b) Revaluation of Internal Reserves .....	269.3	272.9	516.5	—243.6	— 3.6	—247.2	+243.6	+ 3.6	+247.2
c) Special loans and advances abroad ...	922.3	680.5	400.7	279.8	241.8	521.6	—279.8	—241.8	—521.6
Total Money of External Origin .....	—176.0	79.2	—0.8	80.0	—255.2	—175.2	+130.3	—219.9	— 89.6
III. Money Supply .....	3,782.5	3,417.0	3,371.3	45.7	365.5	411.2	+ 45.7	+365.5	+411.2

<sup>1</sup> Plus sign (+) indicates the magnitude of the increase and minus sign (—) the decrease in money supply.

<sup>2</sup> Consisting of the National Government, local governments and semi-government entities.

<sup>3</sup> Including unused overdraft lines.

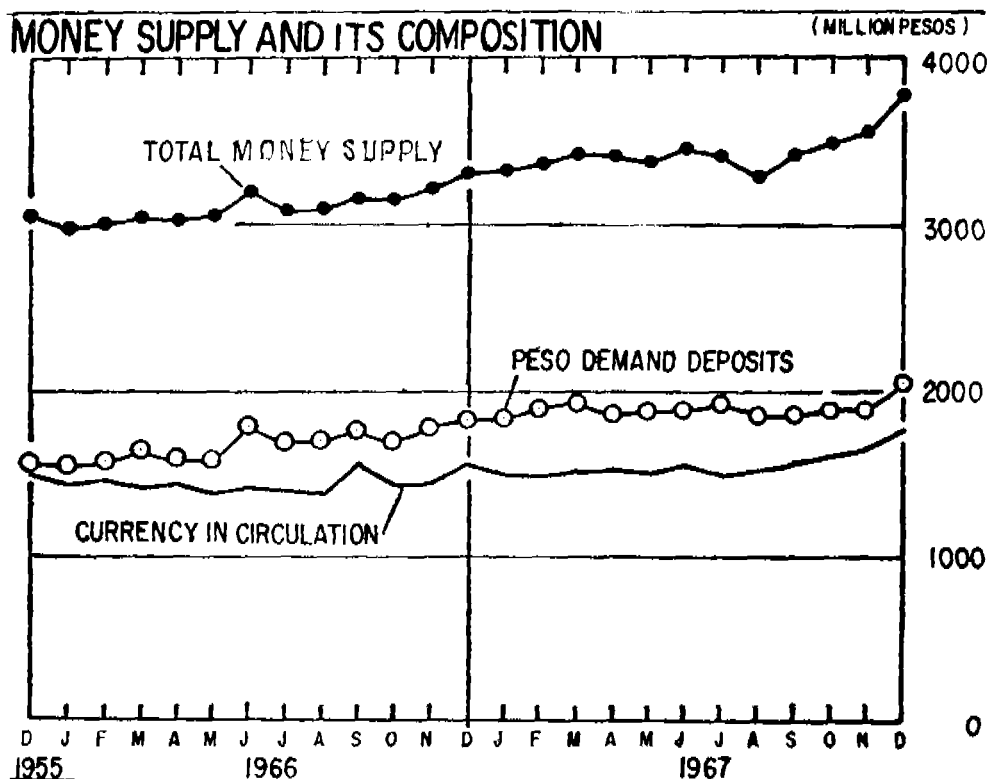
<sup>a</sup> Adjusted to include National Government expenditures abroad, amounting to ₱50.3 million.

<sup>b</sup> Adjusted to include National Government expenditures abroad, amounting to ₱35.3 million.

<sup>c</sup> Adjusted to include National Government expenditures abroad, amounting to ₱85.6 million.

which rice production progressed, exceeding the targets for the year. As a result, the funding of the program ballooned and recourse was made to P96 million of Central Bank credits in order to keep up with the acceleration of production and distribution activities.

For the year as a whole, therefore, the main expansionary influence on money supply was the large increase in private credits, matched by an almost equally large amount of net acquisition of government credit instruments by the Central Bank and commercial banks. These were partly offset by the continuous inflow of private savings and time deposits, and the improvement in government cash and deposit balances. Part of the increase in the latter, however, was largely due to the distribution during the year of a portion of the revaluation profits realized in the past to the national government. The net miscellaneous transactions of the monetary institutions exerted a contractionary influence on money supply as a result mainly of an increase in banks' capital accounts together with the other changes in the surplus and liabilities accounts of the Central Bank. The deterioration in the country's transactions with the rest of the world which resulted in a \$65 million drop in the net international reserves of the Philippines likewise siphoned off local purchasing power from the monetary stream.



Both components of money supply showed increments in 1967, with the expansion in currency money slightly bigger than that of deposit money. Currency in circulation went up by ₱212 million and totalled ₱1,756 million at end-December 1967 while peso demand deposits increased by ₱199 million to a level of ₱2,027 million. As a result, the share of currency in circulation edged up from 45.8 per cent of money supply in December 1966 to 46.4 per cent in December 1967. Conversely, the share of peso demand deposits decreased from 54.2 per cent to 53.6 per cent.

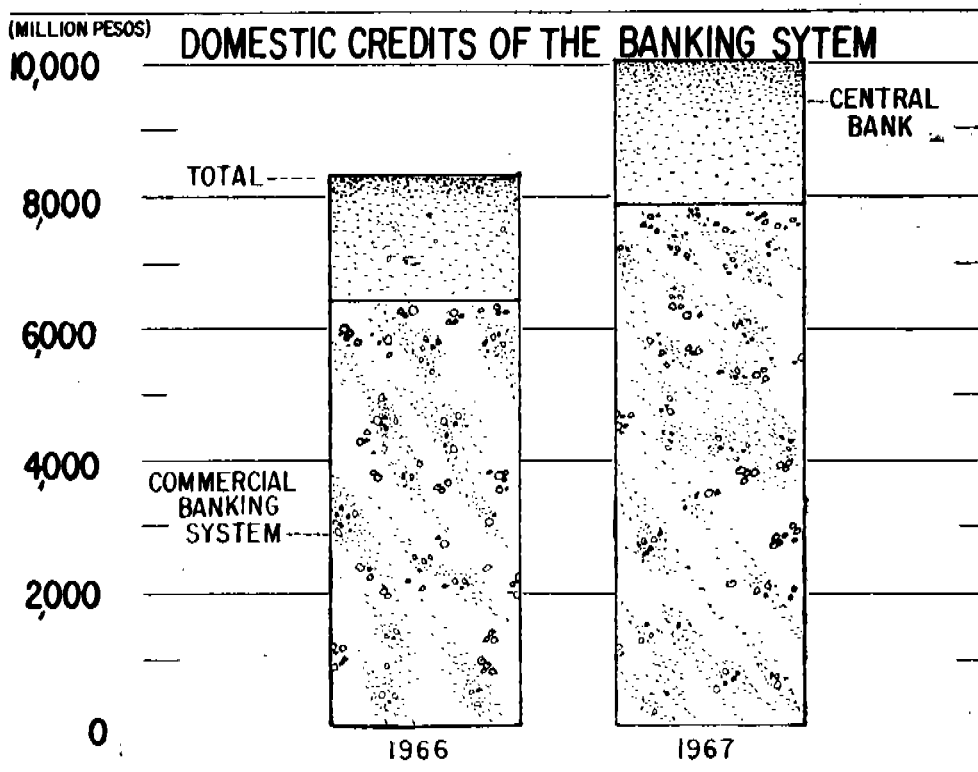
**MONEY SUPPLY, ITS MONTHLY AND ANNUAL CHANGES AND ITS COMPOSITION**  
1965-1967

(Amount in million pesos)

End of Period	Money Supply	Monthly Changes		Annual Changes		Currency in Circulation		Peso Demand Deposit	
		Amount	Per Cent	Amount	% of Money Supply	Amount	% of Money Supply	Amount	% of Money Supply
1965 — December .....	3,066.9	130.6	4.4	193.1	6.7	1,483.2	48.4	1,583.7	51.6
1966 — January .....	2,974.2	— 92.7	—3.0	197.5	7.1	1,418.9	47.7	1,555.3	52.3
February .....	3,001.9	27.7	0.9	249.7	9.1	1,434.6	47.8	1,567.3	52.2
March .....	3,057.4	55.5	1.8	256.0	9.1	1,422.7	46.5	1,634.7	53.5
April .....	3,023.1	— 34.3	—1.1	263.7	9.6	1,448.1	47.9	1,575.0	52.1
May .....	3,028.2	5.1	0.2	307.0	11.3	1,436.5	47.4	1,591.7	52.6
June .....	3,205.5	177.3	5.9	439.2	16.1	1,419.8	44.5	1,780.4	55.5
July .....	3,105.2	—100.3	—3.1	366.8	13.3	1,404.2	45.2	1,701.0	54.8
August .....	3,102.7	— 2.5	—0.1	335.0	12.2	1,396.9	45.0	1,705.8	55.0
September .....	3,172.4	69.7	2.2	403.5	14.6	1,543.4	44.8	1,752.6	55.2
October .....	3,142.4	— 30.0	—0.9	294.7	10.3	1,424.7	45.3	1,717.7	54.7
November .....	3,215.0	72.6	2.3	278.7	9.5	1,440.6	44.8	1,774.4	55.2
December .....	3,371.3	156.3	4.9	304.4	9.9	1,543.4	45.8	1,827.9	54.2
1967 — January .....	3,313.9	— 57.4	—1.7	339.7	11.4	1,475.7	44.5	1,838.2	55.5
February .....	3,360.3	46.4	1.4	358.4	11.9	1,487.4	44.3	1,872.9	55.7
March .....	3,421.9	61.6	1.8	364.5	11.9	1,510.5	44.1	1,911.4	55.9
April .....	3,404.3	— 17.6	—0.5	381.2	12.6	1,525.9	44.8	1,878.4	55.2
May .....	3,379.3	— 25.0	—0.7	351.1	11.6	1,505.4	44.5	1,873.9	55.5
June .....	3,440.4	61.1	1.8	234.9	7.3	1,531.6	44.5	1,908.8	55.5
July .....	3,416.3	— 24.1	—0.7	311.1	10.0	1,498.1	43.9	1,918.2	56.1
August .....	3,361.7	— 54.6	—1.6	259.0	8.3	1,510.8	44.9	1,850.9	55.1
September .....	3,417.0	55.3	1.6	244.6	7.7	1,566.0	45.8	1,851.0	54.2
October .....	3,498.5	81.5	2.4	356.1	11.3	1,604.7	45.9	1,893.8	54.1
November .....	3,542.8	44.3	1.3	327.8	10.2	1,643.1	46.4	1,899.7	53.6
December .....	3,782.5	239.7	6.8	411.2	12.2	1,755.7	46.4	2,026.8	53.6

### C. CREDIT OPERATIONS OF THE BANKING SYSTEM

The growth in domestic credits of the monetary system which accelerated starting August 1966 continued unabated in the following year, reaching for the first time the ₱10 billion mark in December 1967. At this level, total domestic credits were ₱1.77 billion or 21.2 per cent larger than the total of December 1966. This expansion was nearly twice the ₱908 million increase during 1966. Institution-wise, ₱1,423 million, or 80 per cent, of the total expansion in domestic credits in 1967 was brought about by the commercial banking system while ₱344 million was contributed directly by the Central Bank. The growth in the preceding year was ₱666 million for the commercial banking system and ₱242 million for the Central Bank. Classified by the original issuer of credit instruments, private credits rose by ₱905 million versus last year's increase of ₱633 million. Government credits also increased by ₱862 million compared to the ₱275 million increment in 1966.



#### 1. Central Bank Credits

Portfolio transactions during 1967 exerted expansionary effects on money supply in the aggregate amount of ₱863 million. This compares with the expansion of ₱357 million in 1966 and ₱60 million in 1965. This year, however,

the expansion in the Central Bank's portfolio originated principally from loan transactions with the commercial banks which increased the outstanding amount by ₱505 million in 1967, or 4.5 times that of the preceding year. In the preceding year, nearly all of the increment went to the PNB. This year, 17 per cent of the increase was obtained by private commercial banks.

Of the balance of ₱358 million, the major shares consisted of the ₱180 million of DBP bonds, ₱107 million worth of Treasury Notes acquired from secondary sources and ₱72 million of additional budgetary loans to the national government.

Another noteworthy feature of the portfolio transactions during 1967 was the fact that the expansion in the fourth quarter amounted to ₱519 million and accounted for six-tenths of the total increase for the year. During this period, large increases were registered in the budgetary loans to the national government (₱212 million) and loans to commercial banks (₱252 million). Of the latter amount, ₱96 million consisted of advances for the rice program.

With these developments, the ratio of outstanding loans and advances to total portfolio rose from 52.8 per cent in December 1966 to 56.9 per cent in 1967 while that of government securities went down from 47.2 per cent to 43.1 per cent. Credits outstanding to the government sector (including the PNB) increased by ₱765 million or 36 per cent and by year-end aggregated ₱2,887 million or 87 per cent of the total portfolio. Credits to the private sector also expanded by ₱97 million or 29 per cent to a year-end level of ₱431 million.



# STATUS OF THE CENTRAL BANK CREDIT PORTFOLIO

As of December 31, 1967

(Million pesos)

I t e m	Outstand- ing as of Dec. 31, 1966	Total Purchases & Loans Granted	Total Sales & Repayments Received	Outstand- ing as of Dec. 31, 1967	Increase or Decrease (—)
TOTAL .....	2,455.9	4,388.1	3,525.4	3,318.6	862.7
I. Government Securities .....	1,117.9	522.9	252.4	1,388.4	270.5
A. National Government .....	640.6	340.0	249.9	730.7	90.1
1. PW & ED Bonds .....	216.3	26.2	44.1	198.4	— 17.9
2. Certificates of Indebtedness....	15.0	15.0	15.0	15.0	—
3. Treasury Notes .....	406.4	297.8	190.8	513.4	107.0
4. Socio-Economic Bonds .....	0.6	—	—	0.6	—
5. N.I.A. Bonds .....	2.5	1.0	—	3.3	1.0
B. Local Governments .....	1.4	—	0.4	1.0	— 0.4
1. IPMG Bonds .....	1.4	—	0.4	1.0	— 0.4
C. Semi-Government Entities .....	475.9	182.9	2.1	656.7	180.8
1. DBP Bonds .....	416.7	180.0	—	596.7	180.0
2. ACA Notes .....	17.0	—	—	17.0	—
3. NAWASA Bonds .....	2.6	—	0.2	2.4	— 0.2
4. NPC Bonds .....	37.1	2.9	1.9	38.1	1.0
5. MWD Bonds .....	2.5	—	—	2.5	—
II. Loans and Advances .....	1,297.1	3,865.2	3,273.0	1,889.3	592.2
A. National Government .....	274.0	452.0	380.0	346.0	72.0
1. Subscription Payment to IMF .....	116.9	—	—	116.9	—
2. " " " IBRD .....	16.1	—	—	16.1	—
3. " " " IDA .....	1.0	—	—	1.0	—
4. Budgetary Loans .....	140.0	452.0	380.0	212.0	72.0
B. Local Governments (Budgetary Loans .....	6.0	15.1	11.8	9.3	3.3
C. Semi-Govt. Entities .....	388.2	—	1.6	386.6	— 1.6
1. PVT-ACA Special Loans ....	353.2	—	1.6	351.6	— 1.6
2. DBP .....	35.0	—	—	35.0	—
a. Rediscount under RA 2081 ....	35.0	—	—	35.0	—
D. Commercial Banks .....	555.5	3,264.3	2,759.2	1,060.6	505.1
1. Loans and Advances .....	554.4	2,369.1	1,902.7	1,020.9	466.5
a. Preferential rate of 3% .....	48.7	319.8	150.6	217.9	169.2
b. 4-3/4% a/ .....	300.5	1,291.3	1,287.4	304.4	3.9
c. 6% .....	—	719.6	419.3	300.3	300.3
d. Spl. Asst. Loans at 6%.....	21.8	—	3.3	18.5	— 3.3
e. " " " " 7 1/4% ..	1.0	4.2	2.5	2.7	1.7
f. " " " " 9% .....	6.5	2.0	2.3	6.2	— 0.3
g. " " " " 12% ....	45.0	0.3	5.3	40.0	— 5.0
h. PNB for rice imports 6% ....	130.9	—	—	130.9	—
i. " " " " 2% .....	—	32.0	32.0	—	—
2. Overdrafts .....	—	895.1	855.4	39.7	39.7
3. DLF Financing .....	1.1	—	—	—	—
E. Rural Banks .....	73.4	133.8	120.4	86.8	13.4
1. Regular Rediscount .....	72.2	128.6	120.1	80.7	8.5
2. I B R D .....	1.2	5.2	0.3	6.1	4.9
II. Government Note on Treasury Certificate Account .....	40.9	—	—	40.9	—

\* Including loans for sugar financing.

## 2. *Commercial Banking System Credits*

Following the expansion of ₦571 million in the second half of 1966, domestic credits of the commercial banking system rose by ₦716 million in January-June 1967. Despite the restraining measures adopted in June and in October 1967, domestic credits increased further by ₦362 million in July-September 1967 and by another ₦343 million in the last quarter of the year, or by ₦705 million for the whole of the second semester. On the whole, domestic credits of the commercial banking system<sup>1</sup> showed an unprecedented expansion of ₦1,422 million, or 22 per cent, for the whole year 1967. The corresponding credit expansion in the preceding year was ₦666 million or 11 per cent.

The substantial expansion in bank credits during 1967 may be ascribed to the following factors:

- a. Private savings and time deposits of the commercial banking system rose by ₦752 million against last year's increase of ₦613 million;
- b. Government deposits went up by ₦236 million whereas in 1966 government deposits dropped by ₦205 million; and
- c. Central Bank outstanding loans to the commercial banking system increased markedly by ₦519 million compared to the 1966 increase of ₦115 million.

Of the increase of ₦1.4 billion during the current year, the private sector obtained ₦905 million compared to the increment of ₦633 million last year. The government sector absorbed ₦517 million of this year's increase compared to its share of ₦33 million during 1966. Thus, private and public credits amounted to ₦6,269 million and ₦1,653 million, respectively, for a combined total of ₦7,922 million at the end of 1967. Classified by type of credit, outstanding loans and discounts of the commercial banking system recorded the largest expansion in the amount of ₦943 million, followed by domestic securities (270 million), overdrafts, including unused portion (₦129 million) and customers' liability acceptances (₦80 million).

Total credits granted by commercial banks during the first three quarters of 1967 amounted to ₦6,392 million, which was ₦343 million or 5.7 per cent larger than those granted during the corresponding period of last year. The distribution of these credits by industry is shown below:

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

# TOTAL CREDITS<sup>1</sup> GRANTED BY COMMERCIAL BANKS<sup>2</sup>

Classified by Industry

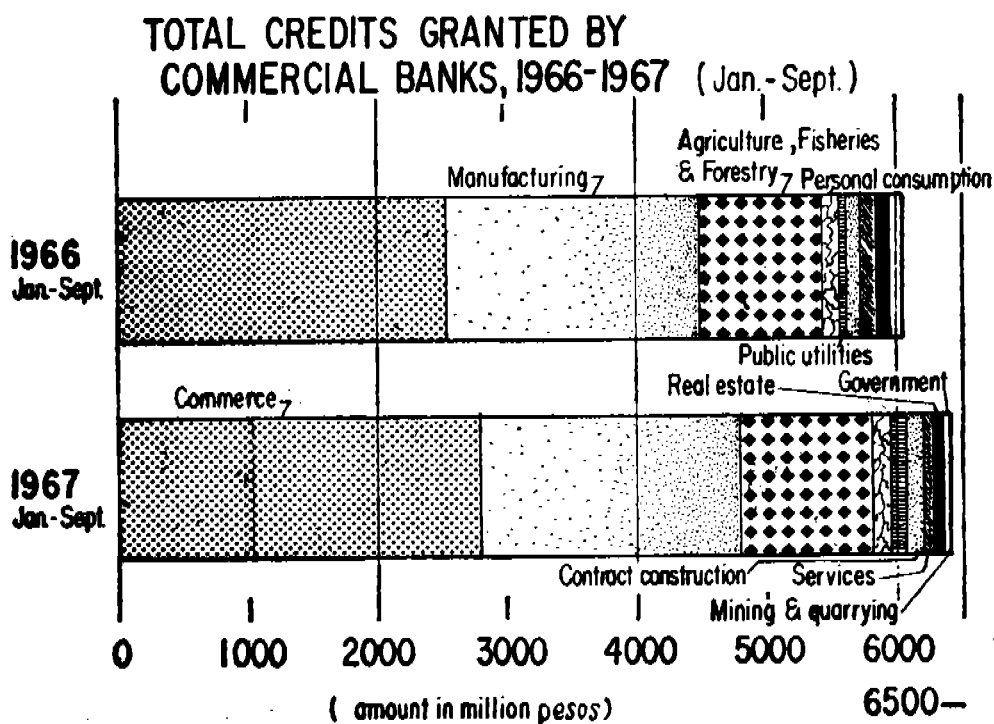
January to September, 1966 and 1967

(Amount in million pesos)

Industry	January to September		Increase or Decrease (—)	
	1967	1966	Amount	Per Cent
TOTAL .....	6,392.5 p	6,049.3	343.2	5.7
A. Agriculture, Fisheries & Forestry .....	994.2	917.3	76.4	8.3
B. Mining & Quarrying .....	43.8	51.5	— 8.2	—15.9
C. Manufacturing .....	1,981.2	1,951.4	29.8	1.5
D. Contract Construction .....	99.8	102.4	— 2.6	— 2.5
E. Commerce .....	2,754.8	2,560.9	193.9	7.6
F. Real Estate .....	125.5	82.1	43.4	52.9
G. Public Utilities .....	120.2	120.6	— 0.4	— 0.3
H. Services .....	106.6	124.7	—18.0	—14.4
I. Government .....	0.3	1.5	— 1.3	—86.7
J. Personal Consumption .....	166.6	136.4	30.2	22.1

<sup>1</sup> Consisting of loans, discounts, overdrafts, domestic bills, customers' liability acceptances and export bills.

<sup>2</sup> Excluding rural banks accepting demand deposits.



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

As in the previous year, no new commercial bank was established during 1967. However, there were 31 additional branches and agencies established in 1967 compared to 77 set up last year. At the end of 1967, there were 41 commercial banks in operation with branches and agencies totalling 508, of which 252 were in the Greater Manila area and 256 in different provinces.

Total resources of commercial banks<sup>1</sup> in 1967 expanded by P2,003 million to a level of P9,635 million at end-December 1967. This expansion was more than twice the P900 million increase registered during 1966. With a considerable increase in lending activities, earning assets expanded by P1,434 million which overshadowed the combined accumulation in liquid and other assets. The expansion rate of earning assets was more than double the P682 million increment last year.

With the upsurge in savings-time deposits, current liabilities increased by P1,058 million versus last year's increase of only P755 million. Savings and time deposits increased by P732 million or 69 per cent of the over-all increment. Demand deposits gained P235 million against the P24 million reduction in the preceding year. As a result of increased availment from the Central Bank, total bills payable, which increased by P140 million in 1966, rose by another P541 million in 1967. While total net worth improved by a smaller amount, there occurred a desirable shift in the component accounts. With 26 commercial banks (versus 19 last year) raising their paid-in capital, capital stock paid in expanded appreciably by P110 million during the current year. The comparable figure last year was P44 million.

The average ratio of net worth to risk assets of domestic commercial banks as of December 31, 1967 was 19.0 per cent, slightly lower than the ratio of 19.3 per cent in December 1966. However, there were two banks that failed to meet the statutory minimum ratio of 15 per cent as against only one bank last year. There were also three banks operating near the statutory ceiling compared to four in 1966.

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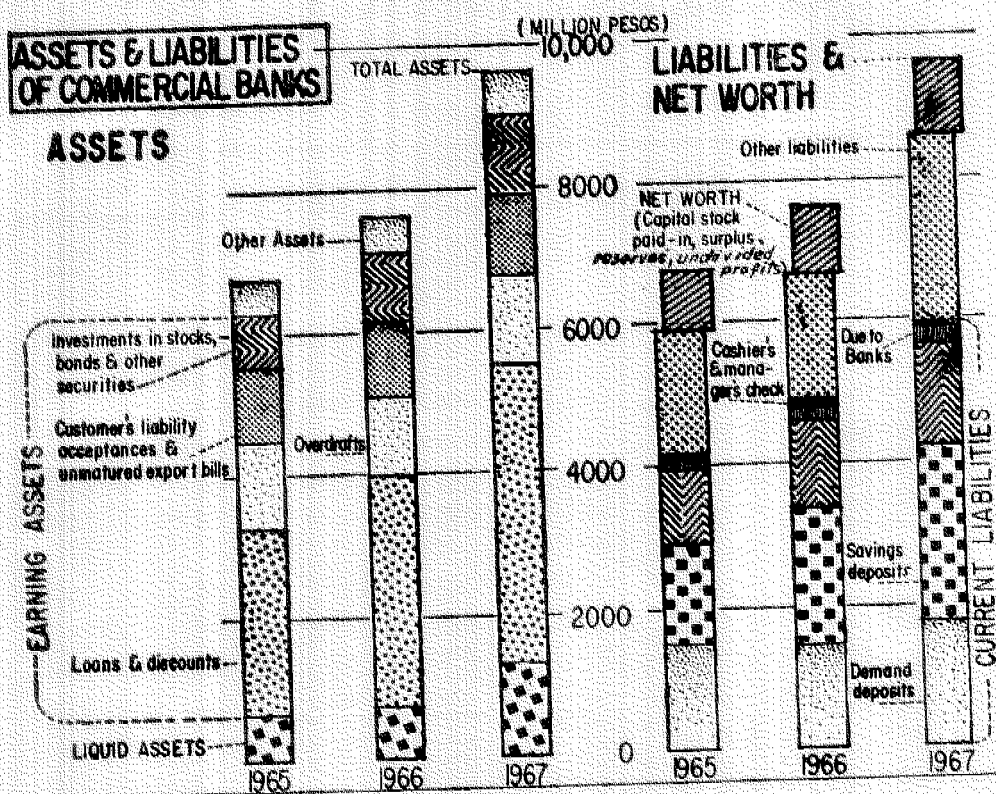
<sup>1</sup> These pertain to commercial banks only as distinct from the commercial banking system concept discussed previously.

# ASSETS AND LIABILITIES OF COMMERCIAL BANKS

December 31, 1965-1967

(Million pesos)

I t e m	December 31			Changes During	
	1967	1966	1965	1967	1966
Total Assets .....	<u>9,634.6</u>	<u>7,631.3</u>	<u>6,731.0</u>	<u>2,003.3</u>	<u>900.3</u>
Liquid Assets .....	<u>1,309.0</u>	<u>892.0</u>	<u>707.1</u>	<u>417.0</u>	<u>184.9</u>
Cash .....	194.8	161.5	112.0	33.3	49.5
Checks & other Cash Items .....	158.1	153.6	94.6	4.5	59.0
Due from the Central Bank .....	494.8	178.0	132.0	316.8	46.0
Due from Other Banks .....	461.3	398.9	368.5	62.4	30.4
Earning Assets .....	<u>7,663.9</u>	<u>6,229.8</u>	<u>5,547.7</u>	<u>1,434.1</u>	<u>682.1</u>
Loans and Discounts .....	4,187.6	3,241.5	2,655.8	946.1	585.7
Overdrafts .....	1,250.5	1,088.6	1,213.8	161.9	--125.2
Customers' Liability Accep- tances and Unmatured Ex- port Bills .....	1,138.5	1,073.4	1,063.0	65.1	10.4
Investments in Stocks, Bonds and Other Securi- ties .....	1,087.3	826.3	615.1	261.0	211.2
Other Assets .....	<u>661.7</u>	<u>509.5</u>	<u>476.2</u>	<u>152.2</u>	<u>33.3</u>
Banking House, Furniture and Fixture .....	207.2	179.5	148.7	27.7	30.8
Other Real & Chattel Pro- perty Owned .....	106.9	56.4	33.2	50.5	23.2
Miscellaneous Assets .....	347.6	273.6	294.3	74.0	--20.7
Total Liabilities and Net Worth .....	<u>9,634.6</u>	<u>7,631.3</u>	<u>6,731.0</u>	<u>2,003.3</u>	<u>900.3</u>
Current Liabilities .....	<u>5,978.0</u>	<u>4,919.6</u>	<u>4,164.9</u>	<u>1,058.4</u>	<u>754.7</u>
Demand Deposits .....	1,756.5	1,521.4	1,545.7	235.1	--24.3
Savings Deposits .....	2,455.5	1,925.4	1,402.5	530.1	522.9
Time Deposits .....	1,416.8	1,215.2	1,053.9	201.6	161.3
Due to Banks .....	281.5	208.7	110.8	72.8	97.9
Cashiers' and Managers' Checks .....	67.7	48.9	52.0	18.8	--3.1
Other Liabilities .....	<u>2,614.0</u>	<u>1,772.2</u>	<u>1,737.8</u>	<u>841.8</u>	<u>34.4</u>
Dividends Payable .....	—	—	1.3	—	--1.3
Bills Payable .....	1,495.0	953.9	814.1	541.1	139.8
Guarantee Accounts .....	380.1	202.4	244.6	177.7	--42.2
Miscellaneous Liabilities .....	738.9	615.9	677.8	123.0	--61.9
Net Worth .....	<u>1,042.6</u>	<u>939.5</u>	<u>828.3</u>	<u>103.1</u>	<u>111.2</u>
Capital Stock Paid-In .....	593.5	484.0	440.5	109.5	43.5
Surplus .....	214.3	229.3	214.8	--15.0	14.5
Reserves .....	152.6	130.9	118.3	21.7	12.6
Undivided Profits .....	82.2	95.3	54.7	--13.1	40.6

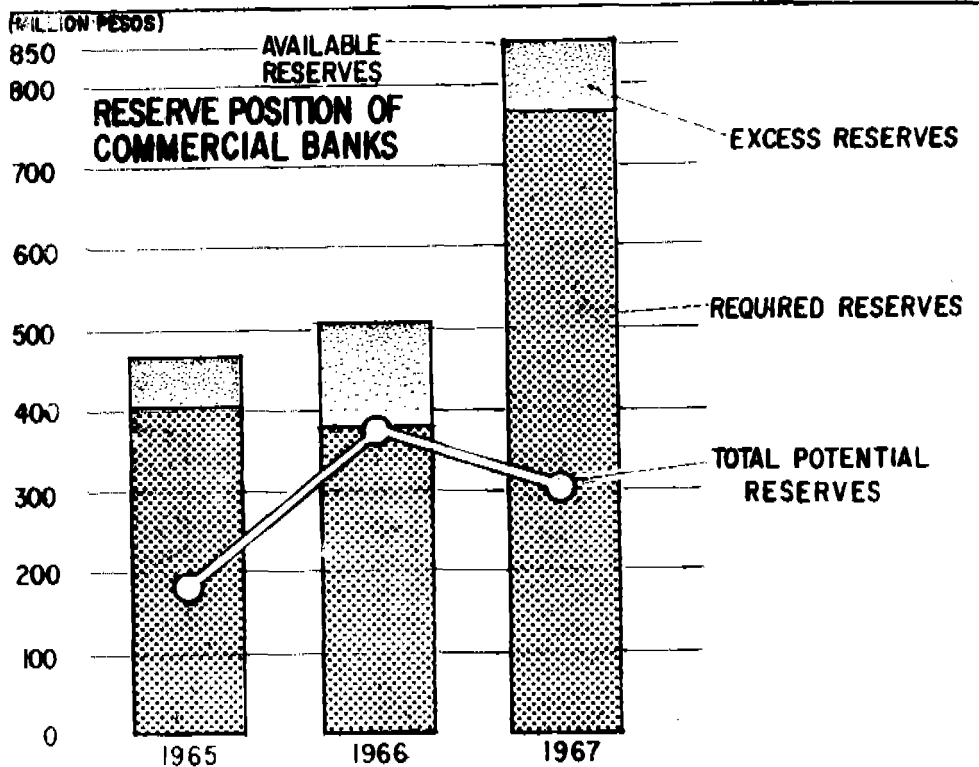


#### 4. Reserve Position

The reserve position of the commercial banking system which improved noticeably in 1966 weakened during the first six months of 1967. During this period, excess reserves contracted by ₱81 million and amounted to only ₱48 million in end-June 1967. During the same period, required reserves went up by ₱99 million, of which ₱63 million occurred in the single month of June, mainly on account of the increase in reserve requirements embodied in the series of circulars passed in June 1967. Excess reserves, after being sustained at an average month-end level of ₱60 million in July-September 1967, deteriorated markedly in the following month and amounted to *minus* ₱43 million in end October 1967. This was again due principally to the further hike in reserve requirements imposed in October 1967. However, excess reserves recovered substantially by ₱100 million in November and by another ₱34 million in December, levelling off at ₱91 million by the end of the year.

Thus, for the whole year 1967 excess reserves showed a drop of ₱38 million compared to the ₱65 million gain in 1966. Required reserves which went up by ₱99 million in January-June 1967 soared further by ₱289 million in July-December 1967 for a total increase of ₱388 million in reserve requirements

during the year. Meanwhile, available reserves improved by only ₱349 million in 1967. Among the components of available reserves, deposits with the Central Bank showed the largest expansion (₱228 million). The ratio of these deposits to required reserves also went up from 47 per cent in December 1966 to 53 per cent in December 1967.<sup>3</sup> On the other hand, potential reserves which rose by ₱191 million in 1966 registered a ₱72 million contraction this year and totalled ₱301 million in end-December 1967. The decline in potential reserves consisted of decrements of ₱91 million in government securities and ₱21 million in cash in banks' vaults which were partly offset by ₱40 million gain in foreign balances. On the whole, excess and potential reserves went down by ₱110 million in 1967 compared to the ₱257 million expansion in 1966.



<sup>3</sup>In December 1966, the existing regulation was that at least 1 per cent of total deposit liabilities of commercial banks should be in the form of deposits with the Central Bank. On June 26, 1967 as per Circular No. 244, 25% of required reserves should be in the form of deposits with Central Bank. This was raised to 50% as per Circular No. 253 dated October 26, 1967. It was however, clarified under **Memorandum to Authorized Agent Banks** dated December 5, 1967 that 25% of required reserves can be in the form of government securities, cash in banks' vaults or free export bills. Starting January 1, 1968, these types of assets shall be only 20% of required reserves to be reduced 5% monthly until May 1, 1968 when 50% of required reserve shall then be entirely in the form of deposits with the Central Bank.

## D. OTHER BANKING INSTITUTIONS

### 1. Rural Banks

The rural banking system showed remarkable growth in 1967 with the establishment of thirty-one (31) rural banks, 20 of which were in Luzon. Thus, the total number of banks in operation reached 369 at the end of the year. Of this total, 55<sup>a</sup> were authorized to accept demand deposits. By geographical distribution, there were 281 rural banks in Luzon, 53 in the Visayas, and 35 in Mindanao.

At the end of 1967, total releases to the Rural Bank Trust Fund (the source of counterpart capital) amounted to ₱56 million. The increase of ₱7 million from the December 1966 level originated from the Central Bank. In addition, the Central Bank increased its credit accommodation to the rural banks by ₱14 million during 1967. There were 56 more banks which availed of the facilities of the CB-IBRD Farm Mechanization Program. With a total participation of 126, the rural banks have utilized ₱15.3 million of the ₱19.4 million available under the Program. At the end of 1966, only ₱1.4 million had been utilized.

Total loans granted by rural banks during the first ten months of 1967 amounted to ₱324 million, up by ₱79 million or 32 per cent over the amount granted during the same period last year. This amount was availed of by 345,134 borrowers or an average of ₱939 per borrower in contrast to ₱814 last year. Classified by purpose, agricultural loans accounted for the largest share (₱279 million), followed by commercial loans (₱34 million), industrial loans (₱10 million), and others (₱1 million).

Total resources of ₱409 million expanded by ₱85 million between 1966 and 1967. Loans outstanding, which aggregated ₱333 million at the end of the year, increased by ₱72 million in 1967. Likewise, deposit liabilities grew by ₱46 million to ₱140 million, while net worth gained by ₱21 million to ₱158 million. On the other hand, investments in government securities remained practically unchanged at the 1966 level of ₱7 million.

### LOANS GRANTED BY RURAL BANKS

Classified by Purpose

1965-1967

(Million pesos)

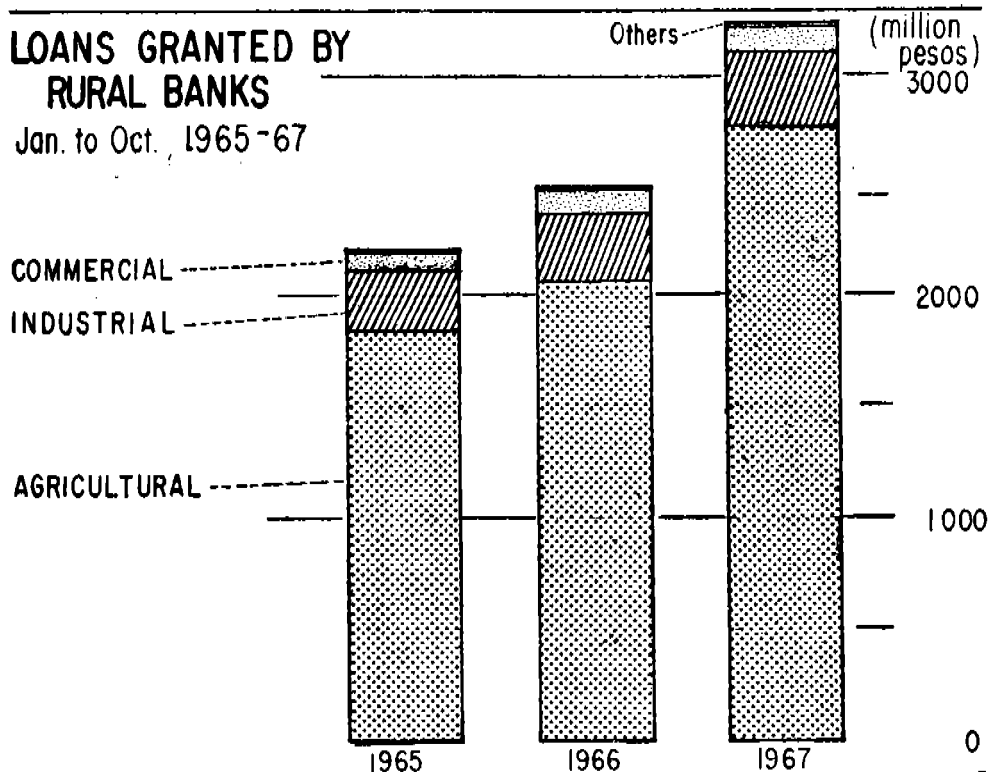
P u r p o s e	January to October			Increase or Decrease (—)			
				1967 over 1966		1966 over 1965	
	1967	1966	1965	Amount	Per Cent	Amount	Per Cent
TOTAL .....	324.2 <sup>a</sup>	245.1	222.6	79.1	32.3	22.5	10.1
Agricultural .....	279.2	205.6	184.2	73.6	35.8	21.4	11.6
Commercial .....	33.5	30.3	29.2	3.2	10.6	1.1	3.8
Industrial .....	10.3	8.4	8.3	1.9	22.6	0.1	1.2
Others .....	1.2	0.8	0.9	0.4	50.0	—0.1	—11.1

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



## LOANS GRANTED BY RURAL BANKS

Jan. to Oct. 1965-67



### 2. Savings Banks

The establishment of the Fidelity Savings and Mortgage Bank on December 22, 1967 and the opening of 4 branches and 1 extension office brought the total number of savings banks in operation to 35 (8 head offices, 11 branches and 16 extension offices) at the end of December 1967.

Total loans granted during 1967 reached ₱130 million, larger by ₱22 million than those granted last year. As of December 31, 1967, total resources went up to ₱411 million, an expansion of ₱114 million or 38 per cent over the 1966 year-end level. Outstanding loans gained by ₱51 million to ₱224 million. Investment in government securities also registered a ₱10 million increase to ₱45 million at the end of 1967. Deposit liabilities increased by ₱93 million to ₱350 million, while net worth edged up by ₱12 million to a total of ₱47 million.

### 3. Postal Savings Bank

Five (5) postal stations of the government-owned Philippine Postal Savings Bank were closed during 1967 to reduce the total in operation to 1,419 as of December 31, 1967. Notwithstanding the smaller number, total resources of

the bank showed an increase of ₱2 million over the December 1966 level. However, savings deposits dropped by ₱1 million to ₱60 million. Similarly, trust funds administered by DBP declined by ₱3 million to the level of ₱73 million at the end of 1967.

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

Total loans granted by the DBP during 1967 aggregated ₱336 million, an amount which was ₱67 million or 25 per cent larger than that granted during 1966 and more than three times larger than the ₱105 million granted in 1965. Of the absolute increment, agricultural loans accounted for ₱39 million while real estate loans and loans to the government accounted for ₱16 million each. In the case of the latter, this was in contrast to the reduction of ₱9 million in 1966. Industrial loans, on the other hand, dropped by ₱4 million in contrast to the ₱141 million expansion last year. Of the industrial loans granted of ₱185 million, ₱58 million went to food processing, ₱23 million to public utilities, ₱21 million to textile industries and ₱13 million to chemical industries. Total agricultural loans granted amounting to ₱101 million were distributed as follows: palay, ₱33 million; coconut, ₱20 million; livestock, ₱17 million; sugar, 14 million; corn, ₱3 million; and others, ₱14 million.

Total resources rose by ₱401 million or 27 per cent to a level of ₱1,906 million in December 1967. Outstanding bonds payable increased by ₱284 million: ₱104 million in Progress bonds and ₱180 million in regular bonds which were purchased by the Central Bank to pay for maturing foreign and domestic obligations. As a result, loans payable abroad were reduced by ₱64 million to ₱261 million. Of these outstanding loans, ₱248 million were availed of from various U.S. commercial banks and the balance of ₱13 million represented West German loans. Continuing the 1966 increase of ₱212 million, net worth rose further by ₱16 million in 1967 and aggregated ₱598 million at the end of the year. The large increase last year was traceable to the conversion of ₱180 million DBP bonds into equity contribution of the Government in that institution. Outstanding loans went up by ₱251 million to ₱1,387 million and investment in securities grew by ₱107 million to reach ₱233 million.

#### LOANS GRANTED BY THE DBP, CLASSIFIED BY PURPOSE

1965-1967  
(Million Pesos)

P u r p o s e	1967	1966	1965	Increase or		Decrease (—)	
				1967 over 1966	1966 over 1965	1966 over 1965	1965
				Amount	Per Cent	Amount	Per Cent
TOTAL .....	336.3	269.2	105.2	67.1	24.9	164.0	155.9
Agricultural .....	101.3	62.5	36.2	38.8	62.1	26.3	72.7
Industrial .....	185.1	189.0	47.7	—3.9	—2.1	141.3	296.2
Real Estate .....	28.8	12.6	7.4	16.2	128.6	5.2	70.3
Government .....	21.1	5.1	13.9	16.0	313.7	—8.8	—63.3

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

Continuing the program of refinancing distressed industries started in early 1966, the DBP expanded its scope of operations in 1967 to include other viable and new enterprises. During the year under review, a total of 2,313 loan accounts worth ₱1,016.0 million were refinanced by the DBP. Of this total 2,198 loan accounts worth ₱285.0 million were refinanced through the conventional refinancing program, while 115 loan accounts involving ₱731 million were refinanced through the securities refinancing scheme. Of the latter amount, the DBP in 1967 invested ₱108 million in preferred convertible stocks of 14 companies, principally engaged in the manufacture of textiles, chemicals, flour, rubber (vinyl), fertilizer, cement, steel, sugar and lumber.

Total issues of Progress Bonds, Series A, B and C, amounted to ₱199.5 million as of December 31, 1967. The first series (Series A) of ₱100 million was sold out in less than 60 days after its introduction on November 3, 1966. The second series (Series B) of ₱50 million registered a sales volume of ₱49.2 million during the semester ending June 1967, and the third series (Series C) recorded sales of ₱50.3 million during the second semester of 1967. The second and third series were largely absorbed by the commercial banks to help convert their loans to the refinanced industries into longer term maturities. The DBP also introduced a payroll savings plan to induce wider public participation in these issues. At the end of 1967, outstanding Progress Bonds on the three series amounted to ₱197.7 million.

### *5. Private Development Banks*

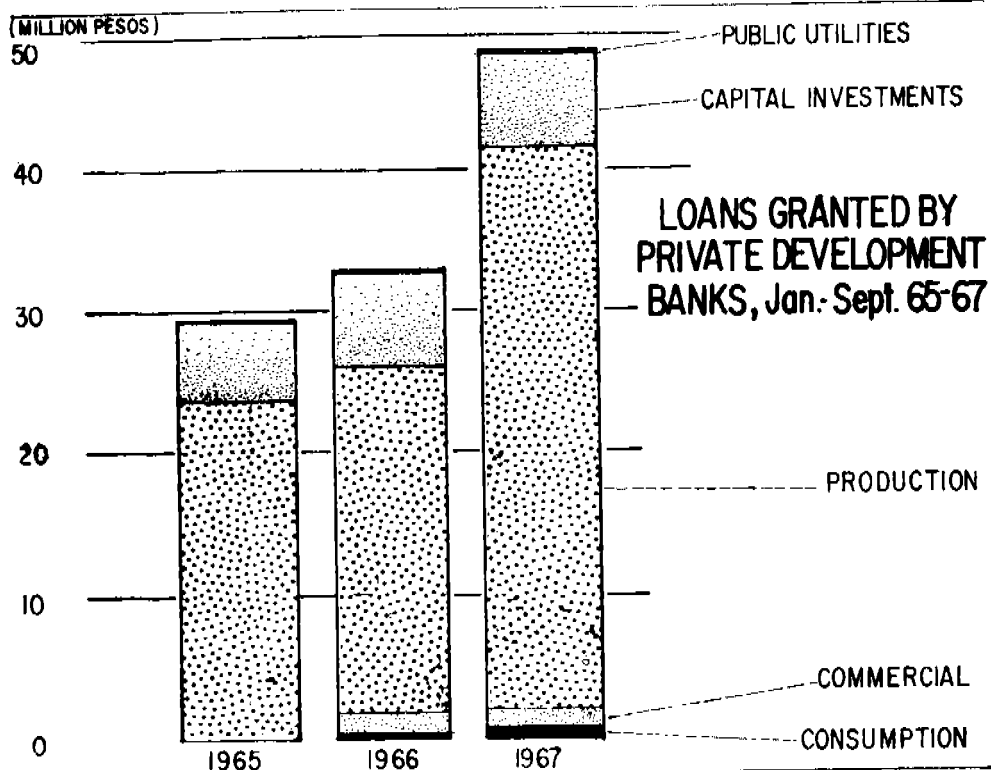
One additional bank was opened during 1967, but, with one under liquidation, the number of private development banks in operation remained the same at 25 (25 head offices and 9 extension offices). Total loans granted by these banks during the period under review amounted to ₱48 million, ₱15 million or 47 per cent more than those granted during the comparable period last year. The total increase was wholly reflected in production loans.

Total resources reached ₱118 as of December 1967 or ₱24 million over the December 1966 total. Outstanding loans increased by ₱18 million to ₱96 million. Deposit liabilities gained by ₱18 million to ₱40 million. Outstanding loans from DBP increased by ₱1 million to ₱28 million and capital assistance from the same institution likewise rose by ₱2 million to ₱19 million. Net worth also grew by ₱5 million to reach ₱46 million at the end of 1967.

# **LOANS GRANTED BY PRIVATE DEVELOPMENT BANKS** Classified by Purpose

1965-1967  
(In Thousand Pesos)

Purpose	1967 P	1966	1965	Increase or Decrease (—)			
				1967 over 1966		1966 over 1965	
				Amount	Per Cent	Amount	Per Cent
TOTAL .....	48,376	32,900	29,362	15,476	47.0	3,538	12.0
Consumption .....	694	388	89	306	78.9	299	336.0
Commercial .....	1,135	1,327	394	—192	—14.5	933	236.8
Production .....	39,695	24,588	23,156	15,107	61.4	1,432	6.2
Capital Investment .....	6,579	6,377	5,432	202	3.2	945	17.4
Transfer of Assets .....	6	—	—	6	—	—	—
Public Utility .....	267	220	291	47	21.4	—71	—24.4



## E. NON-BANK FINANCIAL INSTITUTIONS

Loans granted by non-bank financial institutions during 1967 aggregated ₱920 million for an expansion of ₱215 million or 30 per cent over those granted in 1966. Total credits of government non-bank financial institutions amounted to ₱676 million while private non-bank financial institutions granted ₱244 million.

The GSIS and private insurance companies were, as in previous years, the major lenders as their total loans granted amounted to ₱491 million and ₱167 million, respectively, to account for 72 per cent of the total granted. These were followed by SSS, ₱154 million; pawnshops, ₱71 million; ACA, ₱32 million; and building and loan associations, ₱5 million. Classified by purpose, consumption loans represented the biggest share at ₱586 million followed by ₱297 million in real estate loans. Total loans outstanding increased by ₱459 million or 28 per cent to reach a new high of ₱2,079 million by the end of December 1967.

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

Total loans granted by government non-bank financial institutions amounted to ₱676 million, an increment of ₱204 million or 43 per cent over 1966. The amount granted by the GSIS represented an increase of ₱127 million compared to the ₱26 million drop last year. The increase was due to the 5-month salary loans extended by the System to typhoon-stricken members. The SSS and ACA similarly accelerated their loans granted by ₱63 million and ₱15 million, respectively.

By purpose, loans granted for consumption went up by ₱115 million to ₱375 million while real estate loans gained ₱74 million to ₱270 million. Likewise, agricultural loans increased by ₱15 million.

Loans outstanding of government non-bank financial institutions rose by ₱319 million or 26 per cent to the year-end volume of ₱1,537 million.

### 2. *Private Non-Bank Financial Institutions*

Loans granted by private non-bank financial institutions in 1967 aggregated ₱244 million, ₱11 million more than the total granted a year ago. Private insurance companies granted ₱167 million, followed by pawnshops with ₱71 million and building and loan associations with ₱5 million. Total outstanding loans went up by ₱140 million or 35 per cent to reach ₱542 million on December 31, 1967.

## F. OTHER FINANCIAL INSTITUTIONS

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

Credits granted by the NIDC during 1967 amounted to ₱16 million, an increase of ₱2 million compared to last year. Of the total granted, public utili-

ties absorbed ₱6 million, followed by industrial financing (₱4 million) and real estate (₱2 million). The balance of ₱4 million went to various purposes.

Total resources of the NIDC went up by ₱14 million or 10 per cent and aggregated ₱161 million at the close of 1967. Loans outstanding also gained by ₱9 million to ₱91 million. On the other hand, investments showed a drop of ₱13 million to ₱29 million. Likewise, current assets declined by ₱10 million to ₱5 million at the end of the year. Net worth in the form of stockholders' equity increased by ₱15 million to ₱148 million.

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

Loans granted by the PDCP in 1967 aggregated ₱102 million, ₱9 million less than the total granted in 1966. Commercial loans granted in the form of temporary loan placements with commercial banks totalled ₱50 million followed by industrial loans with ₱28 million and loans to public utilities with ₱24 million.

Total assets amounted to ₱124 million, an increase of ₱25 million over the 1966 year-end balance. Loans outstanding also went up by ₱23 million to ₱101 million while investments increased by ₱1 million to ₱20 million. Outstanding loans from the IBRD increased by ₱16 million to ₱53 million while the AID 30-year loan remained unchanged at ₱28 million. The net equity stood at ₱34 million an increase of ₱2 million.

### *3. BANCOR Development Corporation*

Lending operations of the BANCOR Development Corporation gained notably in 1967 as total loans granted totalled ₱140 million or more than twice the amount of ₱69 million granted in 1966. These loans comprised entirely commercial loans in the form of temporary loan placements and call loans to commercial banks.

Total resources at end-1967 amounted to ₱35 million, an increment of ₱3 million. Loans outstanding increased by ₱2 million to ₱22 million. Current assets also went up by ₱3 million to ₱33 million while the stockholders' equity gained by ₱3 million to ₱11 million as of December 31, 1967.

### *4. CCP Securities Corporation*

Total loans granted by the CCP Securities Corporation during the year 1967 amounted to a mere ₱4 thousand compared to the ₱4 million granted during 1966. Total resources dropped by ₱2 million to a level of ₱19 million. Investments also decreased by ₱1 million to ₱6 million. However, net worth increased by ₱1 million and totalled ₱9 million at the end of 1967.

## **G. CAPITAL INVESTMENTS**

During 1967, there were 11,846 new business firms registered with the Securities and Exchange Commission and the Bureau of Commerce with an

aggregate capital paid-in of ₱419 million. These were 1,269 more in number and ₱31 million larger in capitalization compared to last year. The increase in number was brought about largely by single proprietorships and corporations which increased by 1,224 and 69, respectively, while partnerships declined by 24. Corporations and partnerships expanded their respective capitalization by ₱42 million and ₱2 million. Capital paid-in of single proprietorships, on the other hand, was smaller by ₱13 million. By nationality, Filipino capital expanded by ₱27 million. Likewise, Chinese capital and paid-in capital of other nationalities increased by ₱1 million and ₱4 million, respectively. American capital, on the other hand, declined by ₱1 million. Classified by industry, the bulk represented investments in wholesale and retail trade (₱130 million) followed by manufacturing (₱86 million); real estate (₱49 million); banks and other financial institutions (₱33 million); transportation, storage and communication (₱27 million); communication and business services (₱27 million); agriculture (₱17 million); construction (₱15 million); forestry, fishing and livestock (₱14 million); recreation and personal services (₱13 million); and others (₱8 million).

### III. FISCAL DEVELOPMENTS

#### A. OVER-ALL SITUATION

Following a year of restraint and consolidation, the government moved vigorously in 1967 to implement its infrastructure and expanded food production projects. In the process, the gap between receipts and disbursements widened and the volume of new debt instruments to finance the deficit increased substantially.

The revenue intake of the government continued to improve. Considering that no new revenue measures were passed during the year, the improvement may be traced to the increasing efficiency of the tax collection machinery in combination with the higher level of economic activities. In (calendar year) 1967, aggregate cash receipts of the government expanded by 18 per cent. This, however, included the transfer of ₱134 million from the revaluation account of the Central Bank, thereby enabling the government to turn the mid-year deficit into a cash surplus of ₱104 million at the end of the first nine months. In the next three months, which is normally a seasonal deficit period, the lag in the inflow of revenues compared to the rate of expenditures became more pronounced this year. This was evident as the cash deficit of ₱306 million in October-December 1967 was nearly three times that of the comparable period last year. Thus, the cash gap in the operational budget during the last three months not only wiped out the surplus in the first three quarters but widened the over-all deficit by 33 per cent between 1966 and 1967.

Although cash disbursements expanded by 18 per cent in 1967, there were indications that the expenditure pattern favored capital outlays to support the programs of infrastructure for transport and irrigation. In the budget of the government, where the authorizations and allotments are the bases of cash outlays, the capital budget, consisting primarily of infrastructure and development services, accounted for 54 per cent of the total outlays in FY 1966-67. This compares with the annual average of 50 per cent in the previous two fiscal years. Indicative of the efforts to devote more resources to capital outlays, the excess of total revenues over current outlays moved from a net disbursement of ₱51 million in fiscal year 1965-66 to a surplus of ₱233 million in FY 1966-67. The emphasis on capital expenditures was likewise evident in the cash transactions of the Special Fund, the principal fund for roads, bridges and portworks. As a result of accelerated disbursements, the size of the cash accumulation in this Fund was reduced from ₱57 million in 1965 to ₱17 million in 1966 and further to ₱3 million in 1967.

The financial transactions of the government to cover the cash deficit resulted in the availment of ₱348 million thru the issuance of new securities (₱276 million) and increased loans (₱72 million). This compares with the net availment of ₱140 million last year. The loan of ₱72 million represented a net



drawing from the Central Bank, the bulk of which was availed of in the last quarter of 1967. In the preceding year, a net repayment of ₦30 million was made. The resources directly obtained by the government originated to a large extent from the monetary system and the trust funds under the management of the Central Bank. These sources were dominant in view of the difficulties in marketing long-term government bonds to the non-banking sector. Between 1966 and 1967, new investments of the commercial banks in Treasury bills accounted for 57 per cent of the net increase of ₦83 million in these bills. The trust funds of the Central Bank, on the other hand, extended financing facilities to the authorized government securities dealers on transactions of Treasury bills. At the end of 1967, these funds held ₦25 million of these bills under a repurchase agreement.

This year, the Treasury note consolidation program provided ₦101 million of additional resources to the PNB and government financial institutions. Since the start in May 1966, these institutions received ₦194 million from the Central Bank. At the end of 1967, there remained only ₦58 million of the original ₦252 million in the hands of these institutions. In addition, the Central Bank purchased ₦180 million of DBP bonds to help that institution liquidate its maturing foreign and domestic obligations. This brought the total purchases of the Central Bank to ₦300 million.

Apart from the substantial growth of domestic indebtedness, the government's external debt showed a sizable increase in 1967. This was traceable to the acquisition by monetary institutions of short-term loans from U.S. commercial banks to help meet the insistent demands on the foreign exchange reserves of the country.

On a fiscal year basis, where releases of authorizations and allotments constitute the bases for cash transactions, the government incurred an accounting of ₦269 million in FY 1966-67. Because the increase in expenditures was held to three-fifths of the increase in revenues, the FY 1966-67 deficit was smaller by 29 per cent compared to that of the preceding year.

## B. CASH OPERATIONS, CY 1967

Cash operations of the National Government resulted in deficit of ₦203 million in 1967. This was influenced by developments in the October-December period when the favorable trend in fiscal operations registered in January-September was reversed. While cash disbursements in October-December were accelerated to a monthly average of ₦325 million compared to the monthly average of ₦315 million in the first nine months, cash income during the last three months attained the monthly average of only ₦221 million, a drop of ₦103 million from the average monthly collections of ₦324 million in the first nine months. Thus, cash operations in October-December not only wiped out the cash surplus of the previous months, but also widened the deficit between 1966 and 1967 by per cent.

With improved tax collections and the substantial share of the National Government in the profits of the Central Bank, cash receipts of the Treasury moved up by 18 per cent to ₱3,576 million in 1967. This rate of increment was, however, matched by a similar rate of expansion in cash disbursements which advanced to ₱3,779 million in 1967. At these levels, the aggregate operational deficit amount to ₱203 million compared to ₱153 million in the preceding year.

The government availed of ₱348 million in additional resources during 1967. This consisted principally of an increase in (1) net borrowings from the Central Bank of ₱72 million, (2) new issues of Treasury bills of ₱83 million, and (3) new bonds, including government corporate bonds,<sup>1</sup> of ₱181 million. These resources were obtained almost exclusively from the monetary system 33 per cent from the Central Bank and trust funds under its management and 57 per cent from commercial banks.

The inflow of net additional resources helped fund the cash deficit and also improved the end-1967 Treasury position by ₱12 million at the beginning of the year, showed a balance of ₱11 million at year's end or an improvement of ₱132 million. This approximated the receipt of ₱134 million from the revaluation account of the Central Bank. Moderate increases were also registered in the Special Fund, although the size of accumulation in 1967 was smaller than in the previous two years. On the other hand, cash balances in the Bond and Fiduciary Funds dropped in the respective amounts of ₱23 million and ₱5 million. The over-all increment in government cash resources at the end of the year was distributed among the different depositories as follows: Treasury vault, ₱12 million; Central Bank, ₱14 million; Philippine National Bank, ₱77 million and various commercial banks, ₱9 million.

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<sup>1</sup> Excludes DBP and Land Bank bonds.

# AGGREGATE CASH TRANSACTIONS OF THE GOVERNMENT

## Calendar Years 1967-1966

(Million pesos)

I t e m	1967	1966
<b>A. Operational Transactions</b>		
1. Disbursements .....	3,779.1	3,191.3
Operating .....	3,697.2	3,119.1
Interest Payments .....	81.9	72.2
2. Receipts .....	3,576.4	3,038.4
3. Net disbursements .....	202.7	152.9
<b>B. Financial Transactions <sup>1</sup></b> .....	314.9	112.2
1. Sinking Fund Payments .....	32.6	27.6
2. Direct Borrowings from the Central Bank .....	72.0	(30.0)
Availments .....	452.0	240.0
Repayment .....	380.0	270.0
3. Treasury Notes .....	12.8	6.8
Issue .....	162.8	569.1
Redemption .....	150.0	562.3
4. Certificates of Indebtedness .....	—	—
Issue .....	15.0	15.0
Redemption .....	15.0	15.0
5. Treasury Bills .....	82.5	82.5
Issue .....	465.0	152.5
Redemption .....	382.5	70.0
6. IMF Promissory Notes .....	—	(8.3)
Issue .....	—	—
Redemption .....	—	8.3
7. ADB Promissory Notes .....	(0.8)	—
Issue .....	—	—
Redemption .....	0.8	—
8. Bonds <sup>2</sup> .....	181.0	88.8
Issue .....	181.0	88.8
Redemption .....	—	—
<b>C. Cash Balance (+ Increase)</b> .....	112.2	(40.7)

SOURCE OF BASIC DATA: Bureau of the Treasury.

<sup>1</sup> Refer to net availment of additional resources.

<sup>2</sup> Excludes DBP and Land Bank bonds.

CASH OPERATIONS OF THE NATIONAL GOVERNMENT  
BY MAJOR FUNDS  
CY 1967-1966

(Million pesos)

I t e m	General Fund		Special Fund		Bond Fund	
	1967	1966	1967	1966	1967	1966
A. Current Transactions						
Operating Receipts .....	2,348.1	1,824.5	472.8	425.3	2.0	.0
Operating Disbursements .....	2,268.4	1,870.2	469.4	408.7	205.9	97.0
Surplus or Deficit (—) .....	79.7	—45.7	3.4	16.6	—203.9	—93.0
B. Financial Transactions .....	1,042.8	1,020.4	—	—	—	—
Interest Payments .....	81.9	72.2	—	—	—	—
Sinking Fund Payments .....	32.6	27.6	—	—	—	—
Repayment of Notes Payable..	548.3	650.6	—	—	—	—
Repayment of Overdraft— Central Bank .....	380.0	270.0	—	—	—	—
C. Public Borrowings .....	1,094.8	971.6	—	—	181.0	88.8
Treasury Notes and Certificates of Indebtedness .....	177.8	584.1	—	—	—	—
Long-Term (Bonds) Borrowings	—	—	—	—	181.0	88.8
Treasury Bills .....	465.0	147.5	—	—	—	—
CB Overdraft Line .....	452.0	240.0	—	—	—	—
D. Net Cash Transactions .....	131.7	—94.5	3.4	16.6	—22.9	—4.2
E. Status of Cash Balances						
Beginning January 1 .....	—17.0	77.7	324.1	307.5	56.8	61.1
Ending December 31 .....	114.7	—16.9	327.5	324.1	33.9	56.9
Change in Status .....	+131.7	—94.5	+3.4	+16.6	—22.9	—4.2

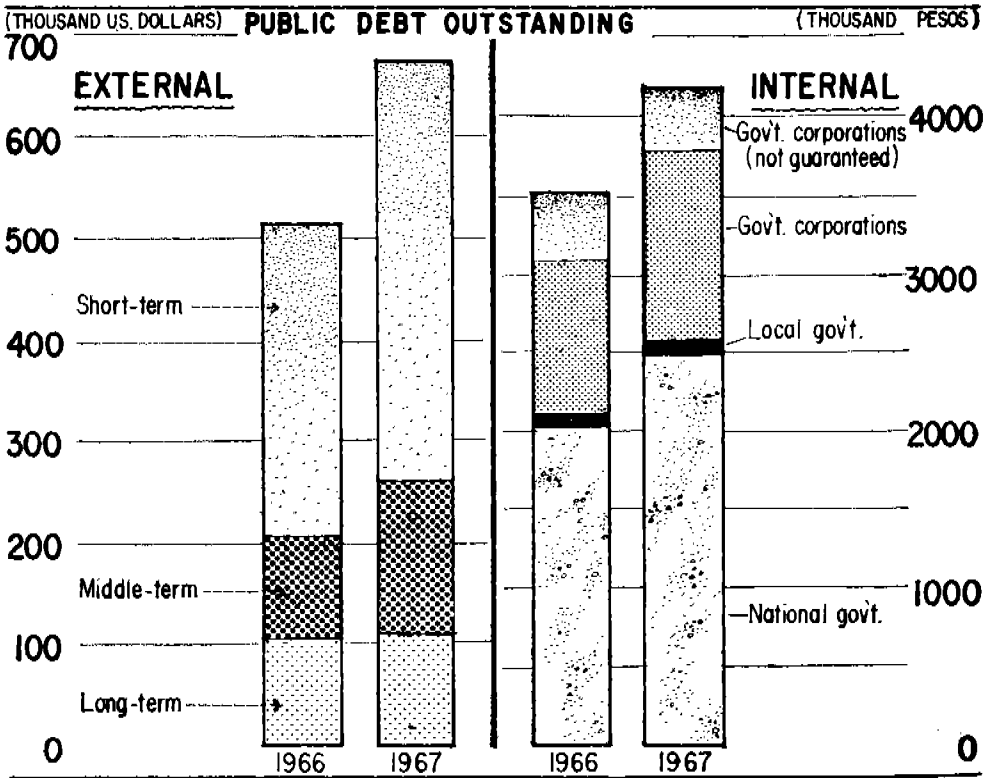
SOURCE OF BASIC DATA: Bureau of the Treasury

### C. PUBLIC DEBT

During calendar year 1967, the government resorted heavily to internal and external sources of funds. Internal indebtedness was largely utilized to fund the gap between cash income and disbursements. On the other hand, the availment of external financing supplemented the country's foreign exchange resources to meet the insistent demand for foreign exchange during the year.

Thus, internal debt, after expanding by 7 per cent in 1965 and 12 per cent in 1966, advanced by 15 per cent this year. Foreign indebtedness, which decreased by 1 per cent in the preceding year, rose by 32 per cent in 1967.

The increment in internal debt was financed to a large extent by the monetary system and the trust funds under the management of the Central Bank. The Central Bank, including the trust funds under its administration, absorbed 47 per cent of the increment, while the commercial banks, 37 per cent. The foreign loans obtained by the monetary institutions, which largely account for the increment in external indebtedness, were short-term in nature and therefore could pose a considerable problem in 1968.



# INCREASE IN INTERNAL DEBT

1967

(Million pesos)

I t e m	December 1967	December 1966	Additional Borrow- ings	Redemp- tion/ Repay- ments	Net Increase or De- crease (—)
Outstanding Internal Debt .....	4,159.2	3,519.6	1,767.3	1,127.7	639.5
I. National Government .....	2,490.4	2,050.2	1,367.0	926.0	440.1
Budgetary Loans .....	212.0	140.0	452.0	380.0	72.0
National Collateral Bonds ..	0.8	1.3	—	0.4	—0.4
PW & ED Bonds .....	869.9	775.7	94.1	—	94.1
Treasury Notes .....	584.2	569.2	165.0	150.0	15.0
Treasury Bills .....	165.0	82.5	470.0	387.0	82.5
National Govt. Replacement Bonds .....	180.2	—	180.2 a/	—	180.2
Obligations to Govt. Employ- ees, Veterans and Indivi- duals Arising from WW II	261.8	265.1	5.6	8.9	—3.2
Others .....	216.8	216.8	—	—	—
II. Local Government .....	88.9	87.8	19.6	18.5	1.1
Budgetary Loans .....	9.3	6.0	11.6	8.2	3.4
Backpay Obligations to War Govt. Employees .....	15.4	16.1	0.5	1.3	—0.7
Loans from GSJS .....	16.0	17.0	—	1.0	—0.9
Loans from DBP .....	45.7	46.2	7.5	8.0	—0.5
Manila Public Improvement Bonds .....	2.5	2.5	—	—	—
III. Government Corporations (Guaranteed by the Nat'l Govt.) .....	1,193.3	993.4	380.7	180.7	199.9
NPC Bonds .....	217.5	195.8	21.7	—	21.7
NAWASA Bonds .....	137.7	102.7	35.0	—	35.0
NIA Bonds .....	35.0	5.0	30.0	—	30.0
Land Bank Bonds .....	10.0	—	10.0	—	10.0
DBP Bonds .....	569.8	570.0	180.0	180.2 a/	—0.2
DBP Progress Bonds .....	197.7	93.9	103.8	—	103.7
Backpay Obligations to Pre- War Govt. Employees ....	6.7	7.0	0.2	0.5	—0.5
Others .....	19.0	19.0	—	—	—
IV. Government Corporations (Not Guaranteed by the Nat'l Govt.) .....	386.6	388.2	—	1.6	—1.6

a/ Correspond to Central Bank holdings of DBP bonds which were exchanged with National Government Bonds.

## 1. *Internal Debt*

In 1967, internal public debt expanded by 640 million against an increase of ₦381 million in 1966. All levels of government contributed to the increment: national, by ₦440 million; local, by ₦1 million; and government corporations, by ₦198 million.

National government indebtedness stood at ₦2,490 million at the end of 1967. Of the increment of ₦440 million, ₦180 million represented an obligation assumed from the DBP by retiring an equivalent amount of DBP bonds for replacement by national government bonds. This operation helped increase the government's equity contribution to the DBP. In effect, therefore, new indebtedness of the National Government which produced additional resources for its requirement amounted to ₦262 million, composed largely of the net availment of ₦72 million from the Central Bank, net issues of Treasury bills of ₦83 million and PW & ED bonds of ₦94 million.

Government corporation indebtedness expanded largely from the operations of the DBP, as in 1966. With a net issue of ₦212 million in 1966, the DBP issued another ₦284 million of its bonds in 1967. These consisted of ₦180 million of refinancing bonds to help liquidate maturing foreign and domestic obligations and ₦104 million of Progress bonds to prosecute the refinancing program of distressed industries. Other corporate bonds of ₦97 million included the initial flotation of ₦10 million of Land Bank bonds. The government corporate sector therefore actually floated ₦381 million in new securities in 1967. However, because of the conversion of ₦180 million of DBP bonds in to the equity contribution of the National Government in that institution which reduced the outstanding obligations of the DBP while increasing those of the National Government by an equivalent amount, the outstanding was less than it would have been without the transfer.

Local government borrowing rose by ₦1 million compared with the expansion of ₦16 million in 1966. The source of borrowings was the Central Bank instead of the DBP as it was last year. Total indebtedness of the local governments amounted to ₦89 million at the end of 1967.

The bulk of the borrowing operations of the National Government and of government corporations in 1967 was in medium and long-term securities, with this trend being particularly pronounced in the case of the latter. Consequently, as a percentage of total domestic debt, long-term obligations increased from 45 per cent to 57 per cent, while short-term dropped from 31 per cent to 19 per cent. Medium-term debts continued to maintain the previous year's ratio which was 24 per cent of total domestic debt.

# EXTERNAL PUBLIC DEBT

1966-1967

(Thousand U.S. dollars)

Issuer, Interest Rate, Maturity	December	December	Increase or Decrease (—)
	1967	1966	
Total Outstanding .....	675,914	514,234 a/	161,680
I. National Government			
A. Direct .....	189,939	171,814	18,125
3-4% U. S. Export-Import Bank, 1956-1996....	9,719	9,826	— 107
3-4% U. S. Export-Import Bank, 1957-1997....	9,005	9,205	— 200
3-4% U. S. Export-Import Bank, 1958-1979 ....	4,599	4,792	— 193
5-3/4% U.S. Export-Import Bank, 1960-1979....	10,295	9,226	1 069
5-3/4% U. S. Export-Import Bank, 1961-1977....	3,357	3,595	— 238
3 1/2% U. S. Agency for International Development, 1959-1971 .....	5,831	7,741	—1,910
3/4% U.S. Agency for International Development, 1964-1998 .....	2,595	2,595	—
3/4% U. S. Agency for International Development, 1964-1995 .....	3,465	2,793	672
4 1/4% U.S. Agency for International Development, 1965-1996 .....	2,621	1,282	1,339
5 3/4% IBRD, 1961-1978 .....	5,687	6,050	— 363
5 1/2% IBRD, 1965-1995 .....	3,613	329	3,284
Non-Interest Bearing Note, IBRD, on demand .....	1,557	—	1,557
5 3/4% Morgan Guaranty Trust Co. 1963-1973..	3,403	4,253	— 850
5 3/4% Standard Electric Lorenz Aktiengesellschaft, 1963-1972 .....	1,919	2,138	— 219
5 3/4% Standard Telephone Cable Pty. Co. Ltd., 1963-1973 .....	1,427	1,691	— 264
5 3/4% Bell Telephone Mfg. Co., 1963-1973 .....	1,437	1,667	— 230
6 1/2% Republic of the Philippines, External Bond, 1965-1980 .....	13,218	14,100	— 882
Non-Interest Bearing Note, International Monetary Fund, on demand .....	45,531	45,531	—
Non-Interest Bearing Note, International Monetary Fund, on demand .....	45,000	45,000	—
7% U.S. Private Suppliers 1967-1972 .....	15,660	—	15 660
B. Guaranteed .....	161,005	170,378	—9,373
National Power Corporations .....	55,899	55,113	786
4% U. S. Export-Import Bank, 1952-1975..	7,607	8,625	—1,018
6% IBRD, 1957-1982 .....	14,440	15,051	— 611
5% IBRD, 1961-1986 .....	30,612	28,984	1,628
5 1/2% IBRD, 1962-1980 .....	2,929	2,453	476
6 1/4% IBRD, 1967-1987 .....	311	—	311
Development Bank of the Philippines .....	66,903	85,350	—18,447
1%, 5 3/4%, 6% and 7 1/2%, Private U. S. Commercial Bank, 1961-1972 .....	63,474	85,350	—21,876
3 1/2%, Kreditanstalt Fur Wiederaufbau, 1964-1979 .....	3,429	—	3,429
National Development Co.—5% various Japanese shipbuilders, 1959-1968 .....	659	5,911	—5,252
National Waterworks & Sewerage Authority 5% IBRD, 1964-1984 .....	7,741	4,169	3,572



## EXTERNAL PUBLIC DEBT (Concluded)

Issuer, Interest Rate, Maturity	Decem- ber 1967	Decem- ber 1966	Increase or De- crease (—)
Government Service Insurance Co.—			
7% Private U. S. Commercial Banks .....	5,000	—	5,000
National Investments Development Corp.—			
6½%, Meadow Brook Bank .....	1,000	2,000	—1,000
Philippine National Bank			
5½% IBRD, 1963-1972 .....	12,135	9,294	2,841
6% IBRD, 1967-1984 .....	3,127	—	3,127
Philippine National Highways			
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% Mitsui & Co., 1965-1976 .....	2,804	2,804	—
6% C. Itoh & Co., Ltd., 1965-1976 .....	2,794	2,794	—
Communication and Electricity			
Development Authority			
6% N. V. Philipps Telecommunicate			
Industries, 1965-1974 .....	686	686	—
II. Others*	324,970	172,042	152,928
Philippine National Railways .....	7,348	8,060	—712
6% Toyo Menka Kaisha Ltd.,			
1961-1968 .....	—	58	—58
6% Kawasaki Rolling Stock,			
1961-1966 .....	—	121	—121
6% Ino Shipbuilding Co.,			
1961-1966 .....	—	121	—121
6% Mitsui Co., Ltd., 1966-1977 .....	184	184	—
6% Mitsui & Co., New York,			
1966-1977 .....	584	584	—
6% Mitsui & Co., Japan, 1966-1977 .....	1,875	2,030	—155
6% C. Itoh & Co., New York			
1966-1977 .....	579	579	—
6% C. Itoh & Co., Japan, 1966-1977 .....	1,827	2,084	—257
6% Alsthom of France .....	2,299	2,299	—
Central Bank of the Philippines .....	263,705	128,482	135,223
IMF Drawings under the Gold			
Tranche .....	27,500	—	27,500
5½%, 6%, 6¼%, 7%, 7¾%, and 8%,			
Special Advances & Loans from			
Private U. S. Commercial Banks—			
120 days .....	210,654	102,750	107,904
4½%, 5% and 5-1/2%, Rice Procurement			
Loans from Private U. S. Commercial			
Banks—18 months .....	23,912	25,321	—1,409
5½%, Rural Bank Loan, IBRD, 1966-			
1967 .....	1,639	411	1,228
Philippine National Bank .....	53,917	35,500	18,417
5¼%, Loan from Private U. S.			
Commercial Banks, 120 days .....	53,917	35,500	18,417

<sup>a</sup> Revised to include IMF loan of 1960 and 1965 corresponding to peso portion of increased subscriptions and the loan of the National Investment Development Corporation from U. S. commercial banks.

\* Pertain to direct obligations of the entities concerned which do not carry the guarantee of the National Government.

## 2. *External Debt*

Foreign debt moved up from \$514 million as of December 31, 1966 to \$676 million on December 31, 1967. Monetary institutions, with net additional borrowings of \$160 million, and the National Government, with a net utilization of credit lines of \$18 million, were responsible for the growth of external debt in 1967. On the other hand, government corporate obligations reflected net repayments of \$16 million.

Direct obligations of the National Government amounted to \$190 million at the end of 1967. The primary factor behind the increment of \$18 million was the importation of public works construction equipment for the infrastructure program of the government. Similarly, the Central Bank increased its foreign obligations by \$135 million, and the PNB, by \$24 million during 1967. These additional borrowings were undertaken in view of the increasing pressure on the country's foreign exchange reserves.

The reduction in government corporate indebtedness stemmed from the liquidation by the DBP of its obligations with U.S. commercial banks. As previously stated, the DBP obtained the resources to pay for these maturing loans thru the flotation of its bonds which were purchased by the Central Bank. At the end of 1967, external obligations of government corporations stood at \$153 million.

The shift to short term in the maturity structure of external debt was further accentuated in 1967. Between 1966 and 1967 the ratio of short term to total rose from 59 per cent to 63 per cent. This was primarily due to the net additional borrowings of monetary institutions, 95 per cent of which were in short-dated instruments. On the other hand, long and medium-term obligations dropped from 20 per cent to 16 per cent in the case of the former, while the latter was held at the previous year's level of 21 per cent.

Of the external debt of \$676 million at the end of 1967, about \$124 million represented obligations which were payable, at the option of the National Government, in Philippine pesos. The latter figure represented a decrease of \$4 million compared to the level at the start of the year.

### 3. *The Bill Market*

The bill market in 1967 continued to reflect the favorable trends of 1966. There was consistent over-subscription for each auction and as a corollary, there was a decline in the interest rates. Moreover, average yields during 1967 were generally lower than those obtaining in the comparable period last year.

However, there was a stretch of 13 weeks when the average rates reversed the earlier downward trend and turned upwards. This occurred between mid-May and August 1967, a period preceding and following the issuance of the five circulars on June 26, 1967. Within this period, an auction was cancelled and the government intervention became more pronounced and additional financing facilities were made available to authorized government securities dealers. Towards the end of the year, the bill rate began to move up once more.

During the first week of November 1967, fiscal authorities decided to increase the limit of ₱130 million for issues of 91-day Treasury bills and 182-day Treasury bills by another ₱65 million. Hence, the awards for 91-day Treasury bills starting with the 72nd series amounted to ₱7.5 million instead of ₱5 million each week while the weekly auction for the 182-day Treasury bills beginning with the 53rd series totalled ₱5 million compared to ₱2.5 million.

The secondary market for Treasury bills continued to be limited to the commercial banking system and the Central Bank. Combined holdings of the Philippine National Bank and private commercial banks accounted for 61 per cent of the ₱165 million bills outstanding at the end of 1967. Of the amount held by commercial banks, ₱62 million were used to obtain advances from the Central Bank. The Securities Stabilization Fund (SSF) of the Central Bank held another 15 per cent of the total outstanding. These stemmed from repurchase agreements with the authorized government securities dealers.

The government introduced a new Treasury series—the Tax Anticipation bills—to help even out the lopsided pattern of revenue flows.

Two issues of Tax Anticipation bills were sold by the Central Bank in February 1967, namely: (a) 62-day bills for the amount of ₱25 million at an average yield of 4.4 per cent, and (b) 152-day bills worth ₱15 million at an average yield of 5.5 per cent. The proceeds of the Tax Anticipation bills were lodged under a Treasury Tax and Loan Account with depository banks, subject to periodic calls of the National Treasurer. These deposits were subject to a liquidity floor of 40 per cent, in addition to the legal reserve.

Total proceeds of the bills amounted to ₱39.5 million, of which ₱30.6 million were with 16 depository banks and ₱8.9 million with the Central Bank. By April 6, 1967, the government had withdrawn all of its deposits with the depository banks. Of the total issuance of ₱40 million, ₱34.4 million were used in the payment of taxes and ₱5.6 million were redeemed in due course at maturity.

## D MOVEMENT (AND HOLDERS) OF GOVERNMENT SECURITIES

In 1967, the monetary system dominated the transactions in government securities. Long-term issues were undertaken thru special arrangements with the commercial banking system. Short-dated instruments were eventually lodged with the commercial banks or with the trust funds in the Central Bank. Government financial institutions, under the Treasury note consolidation program, continued to unload their holdings to the Central Bank. These developments made the monetary system the principal supplier of funds to the government and to a certain extent, to the government financial institutions.

In terms of volume, trading in government securities declined by ₱2,309 million in 1967 compared to 1966. Refinancing operations in 1967 were at a smaller volume. Central Bank operations in the open market were substantially lower. Thus, over-all transactions amounted to ₱2,485 million in 1967 against ₱4,793 million in 1966.

Securities traded for the National Government amounted to ₱1,375 million, while those for the Central Bank account reached ₱1,110 million. Compared with the trading volume of the preceding year, the National Government account decreased by ₱111 million and the Central Bank, by ₱2,198 million. On the basis of aggregate transactions during the year, securities traded for the National Government represented 55 per cent and those for the Central Bank, 45 per cent.

Sales of new issues rose by 1 per cent to ₱826 million; in contrast, purchases for redemption declined by 18 per cent to ₱550 million. Of the new issues, ₱276 million represented an inflow of resources to the Government. The balance, which was equivalent to the volume of redemption, constituted largely refinancing issues. Some of the refinancing issues, however, were floated at a higher cost to the government. This pertained to the Treasury bills whose yields began to rise beginning May 1967 and continued so for a stretch of 13 weeks.

Among the securities which generated new money for the Government, the National Government accounted for ₱190 million and the government corporations, ₱87 million. The monetary system, particularly the PNB, and the trust funds in the Central Bank were the large purchasers of these securities.

Trading transactions of the Central Bank were largely confined to the purchases of securities and inter-fund transfer operations of the various trust funds within the Central Bank. Security purchases consisted largely of periodic absorption of Treasury notes from government financial institutions and included an exchange with the PNB of ₱40 million in Treasury notes specified as eligible for legal reserve requirements. Treasury bills became part of the portfolio of the trust funds under the repurchase agreement with the authorized government securities dealers. Together with interfund transfers which were smaller by ₱9

million compared to the volume in the preceding year, these transactions resulted in net additions of ₱91 million to the Central Bank portfolio, ₱41 million to the Bond Sinking Fund and ₱18 million to the Securities Stabilization Fund.

On the whole, the Central Bank and trust funds increased their combined security holdings from ₱1,134 million to ₱1,284 million. The commercial banking system, particularly the PNB, also increased its investments in government securities. On the other hand, there was disinvestment in the non-monetary sector.

## CENTRAL BANK TRANSACTIONS OF GOVERNMENT SECURITIES

1967

(Million pesos)

I T E M	Value of Securities Held on Jan. 1 '67	Central Bank Sales			Central Bank Purchases			Value of Securities Held on Dec. 31/67	Increase (Decrease)
		Original Issues	Non- Original Issues	Total	Redemp- tion	Non- Redemp- tion	Total		
T O T A L .....	1,955.6	825.8	474.2	1,300.0	549.5	474.1	1,023.6	2,232.0	276.4
I. Outside of the Central Bank .....	822.0	820.8	48.3	869.1	388.0	354.6	742.6	948.5	126.5
A. Banks other than the Central Bank .....	515.6	352.8	46.3	399.1	5.5	283.1	288.6	626.1	110.5
1. Philippine National Bank .....	221.2	346.2	45.5	391.7	—	260.3	260.3	352.6	131.4
2. Other Bank .....	294.4	6.6	0.8	7.4	5.5	22.8	28.3	273.5	( 20.9)
B. Financial Institutions .....	17.3	—	—	—	—	7.2	7.2	10.1	( 7.2)
1. DBP .....	17.3	—	—	—	—	7.2	7.2	10.1	( 7.2)
C. Insurance Companies .....	143.00	—	—	—	—	60.8	60.8	82.2	( 60.8)
1. G S I S .....	65.9	—	—	—	—	18.8	18.8	47.1	( 18.8)
2. S S S .....	71.1	—	—	—	—	42.0	42.0	29.1	( 42.0)
3. P r i v a t e .....	6.0	—	—	—	—	*	—	6.0	—
D. Local & Semi-Govt. Entities .....	21.2	*	—	—	*	0.2	0.2	21.0	( 0.2)
E. Other Private Entities and Individuals .....	39.8	3.0	2.0	5.0	*	3.3	3.3	41.5	( 1.7)
F. Undistributed (Treasury Bills & Bearer Bonds) .....	85.1	465.0	—	465.0	382.5	—	382.5	167.6	82.5
II. CB Open Market Operations & Interfund Transfers .....	1,133.6	5.0	425.9	430.9	161.5	119.5	281.0	1,283.5	149.9
1. Open Market Operations .....	—	5.0	354.7	359.7	161.5	48.3	209.8	—	—
2. Interfund Transfers .....	—	—	71.2	71.2	—	71.2	71.2	—	—

[44]

# CENTRAL BANK TRANSACTIONS OF GOVERNMENT SECURITIES<sup>1</sup> (Concluded)

I t e m	Value of Securities Held on Jan. 1/67	Central Bank Sales			Central Bank Purchases	Non-Redemption	Total	Value of Securities Held on Dec. 31/67	Increase (Decrease)
		Original Issues	Non-Original Issues	Total					
A. Central Bank Portfolio .....	821.7	—	342.8	342.8	161.5	90.7	252.2	912.3	90.6
1. Open Market Operations .....	—	—	339.7	339.7	161.5	42.8	204.3	—	—
2. Interfund Transfers .....	—	—	3.1	3.1	—	47.9	47.9	—	—
B. Bond Sinking Fund .....	215.8	5.0	57.4	62.4	—	21.4	21.4	256.8	41.0
1. Open Market Operations .....	—	5.0	15.0	20.0	—	—	—	—	—
2. Interfund Transfer .....	—	—	42.4	42.4	—	21.4	21.4	—	—
C. Securities Stabilization Fund .....	91.0	—	25.7	25.7	—	7.4	7.4	109.3	18.3
1. Open Market Operations .....	—	—	—	—	—	5.5	5.5	—	—
2. Interfund Transfers .....	—	—	25.7	25.7	—	1.9	1.9	—	—
D. Industrial Guarantee Loan Fund .....	5.1	—	—	—	—	—	—	5.1	—
1. Open Market Operations .....	—	—	—	—	—	—	—	—	—
2. Interfund Transfers .....	—	—	—	—	—	—	—	—	—

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

<sup>1</sup> Excludes DBP bond issues and RP external bonds.

\* Less than ₱0.05 million.

# CENTRAL BANK TRANSACTIONS OF GOVERNMENT SECURITIES<sup>1</sup> 1967

(Million pesos)

I t e m	National Government		Central Bank	
	Sales	Purchases	Sales	Purchases
ALL TRANSACTIONS .....	825.8	549.5	635.7	474.1
NON-CENTRAL BANK .....	820.8	388.0	48.3	354.6
Banks other than Central Bank .....	352.8	5.5	46.3	288.6
Philippine National Bank .....	346.2	—	45.5	260.3
Other Banks .....	6.6	5.5	0.8	28.3
Financial Institutions .....	—	—	—	7.2
Insurance Companies .....	—	—	—	60.8
G S I S .....	—	—	—	18.8
S S S .....	—	—	—	42.0
Private .....	—	—	—	*
Local and Semi-Government Entities .....	*	*	—	0.2
Other Private Entities and Individuals .....	3.0	*	2.0	3.3
Undistributed .....	465.0	382.5	—	—
CENTRAL BANK .....	5.0	161.5	425.9	119.5
Central Bank Portfolio .....	—	161.5	342.8	90.7
Bond Sinking Fund .....	5.0	—	57.4	21.4
Securities Stabilization Fund .....	—	—	25.7	7.4
Industrial Guarantee Loan Fund .....	—	—	—	—
NATIONAL GOVERNMENT .....	—	—	161.5	—

\* Less than ₱0.05 million.



## E. FISCAL OPERATIONS, 1966/67

The setting within which the budget proposal for FY 1966/67 was formulated dictated the magnitude and direction of the expenditure and revenue program for that year. Among others, revenues had levelled off and the excess of aggregate collections over current expenditures showed a declining trend. As the claim of current expenditures on overall outlays increased, the amounts devoted to capital outlays were thereby reduced. Moreover, deficits continued to mount and were financed to a large extent by the monetary system.

In the foregoing context, fiscal authorities proposed an expenditure program of ₱2,393 million for FY 1966/67. Although they anticipated a 22 per cent rise in revenues for that year as compared to FY 1965/66, the proposed expenditures reflected only an increase of 7 per cent. In a subsequent revision, revenues were revised downward to ₱2,228 million while expenditures were raised to ₱2,468 million. The (revised) accounting deficit for FY 1966/67 thereby rose to ₱239 million.

Fiscal operations in FY 1966/67 resulted in a deficit (actual) of ₱269 million. Expenditures, inclusive of government corporate bonds, amounted to ₱2,608 million for FY 1966/67 while revenues totalled ₱2,339 million. Compared to FY 1965/66, expenditures showed an increase of 16 per cent and revenues of 25 per cent. Thus, the accounting deficit was reduced between 1966 and 1967 by ₱108 million.

The downtrend in revenue collections which marked fiscal operations in the preceding two years was reversed in FY 1966/67. Tax receipts which constituted over four-fifths of total revenues increased by 23 per cent. Since no new revenue measures were enacted during the year, the impressive rise in tax collections can be attributed to (1) a higher level of income and business activities, in the case of internal revenue collections and the higher level of imports, in the case of customs revenues, and (2) a substantial improvement in the collection machinery in the Customs and Internal Revenue Bureaus. Non-tax receipts increased by 18 per cent during the year. This increment was contributed principally by the share of the National Government in the operating as well as in the revaluation profits of the Central Bank.

Expenditures in FY 1966/67 underscored the commitment of the Government to its development program. Principally, this was reflected in the increased outlays for infrastructure facilities, expanded food program, land reform and mass education. Government expenditures for economic development, which suffered reductions in previous years, increased by 44 per cent while outlays for social development advanced by 9 per cent compared to the preceding year's levels. A similar uptrend (17 per cent) occurred in defense spending primarily

a result of external commitments and the enlargement of civic action groups in the Armed Forces.

The surplus in the current budget (total receipts less current expenditures) amounting to ₱233 million compared favorably with the net expenditures of ₱51 million in the preceding year and the ₱85 million surplus in FY 1964-65. From an annual average of 50 per cent in fiscal years 1965 and 1966, capital outlays claimed 54 per cent of aggregate expenditures in FY 1966-67.

# RESOURCES AND EXPENDITURES OF THE NATIONAL GOVERNMENT

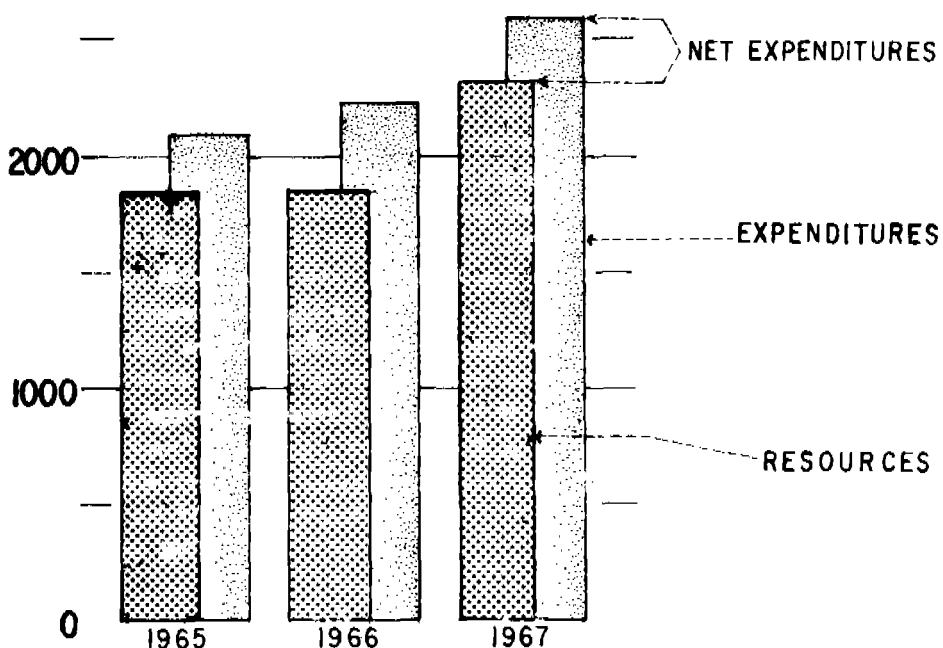
Fiscal Years 1965-1967

(Million pesos)

I t e m	1965	1966	1967
<b>I. Expenditures (A + B)</b>	<b>2,109.6</b>	<b>2,244.2</b>	<b>2,607.7</b>
<b>A. National Government</b>	<b>2,077.3</b>	<b>2,227.7</b>	<b>2,531.0</b>
Acquisition of Goods and Services	1,764.1	1,855.5	2,164.2
Current expenditures	850.4	863.4	946.6
Development services	707.2	810.0	912.6
Gross capital formation	206.5	182.1	305.0
Transfers	313.2	372.2	366.8
Current	102.3	153.7	126.2
Capital	64.5	83.7	103.8
Subsidies	64.4	18.2	44.4
Debt interest	55.2	73.5	76.6
Direct Lending	26.8	43.1	15.8
<b>B. Government Corporate Securities</b>	<b>32.3</b>	<b>16.5</b>	<b>76.7</b>
Power projects (NPC bonds)	22.6	—	15.0
Waterworks (NAWASA bonds)	9.4	15.1	45.0
Landed estates (NLC)	—	—	—
Land reform (Land bank bonds)	—	—	—
Irrigation projects (NIA bonds)	0.3	1.4	16.7
<b>II. Resources</b>	<b>1,863.7</b>	<b>1,867.5</b>	<b>2,339.1</b>
Tax Revenue	1,523.7	1,559.7	1,915.2
Non-Tax Revenue	322.8	274.5	323.0
Operating and service income	216.6	231.6	251.2
Miscellaneous income	58.6	32.4	66.5
Others	45.4	6.2	2.1
Repayment of advances	2.2	4.8	3.2
Profits from Central Bank	17.2	15.0	100.9
General Fund	10.2	15.0	100.9
Rural Bank Revolving Fund	7.0	—	—
Reversions and Transfers from Other Funds	—	18.3	—
<b>III. Net Expenditures</b>	<b>245.9</b>	<b>376.7</b>	<b>268.6</b>

(MILLION PESOS)  
3000

## RESOURCES & EXPENDITURES OF THE NATIONAL GOVERNMENT



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

During 1967, the Central Bank performed the following services for the government:

#### 1. *Fiscal Agency*

In 1967, the Foreign Exchange Department processed 3,078 applications with an aggregate value of \$25 million. These compared with the 1966 total of 2,791 applications involving \$21 million. The increment was principally due to the payment of interest and principal on the larger external debt and the expenses for the transport and maintenance of the expeditionary contingent of the Armed Forces.

#### 2. *Loans and Credits*

The Department of Loans and Credits extended loans to the National and local governments in aggregate amount of ₱467 million in 1967 compared to last year's ₱282 million. Considering a smaller volume of repayments in 1967, bud-

getary lending of the Central Bank to the National Government increased by ₦72 million. Outstanding loans of local governments also increased by ₦3 million.

The department likewise rendered assistance to industrial firms through IGLF financing for new and additional capital outlays. This year, however, total repayments exceeded loans granted with the result that total loans outstanding declined from ₦42 million in 1966 to ₦38 million in 1967. There were 22 commercial banks which participated under this program.

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

Total membership in the Payroll Savings Plan of the Securities Market Department advanced to 26,801 at the end of 1967. This corresponded to an increase of 6,558 members or 33 per cent over the total for the preceding year.

As administrator, the Department engaged in increased operations in open market purchases and sales of government securities for the account of various government funds. The Securities Stabilization Fund registered an increase in total resources from ₦130 million in 1966 to ₦140 million in 1967. Slightly more than one-half of the increment came from the revaluation profits of the Central Bank. In terms of investments, the Fund increased its holdings of government securities, particularly of Treasury bills, during 1967.

Total resources of the Bond Sinking Fund also recorded an increase of ₦41 million, the total amounting to ₦257 million at the end of 1967. This was principally reflected in the portfolio of the fund which increased its holdings of PW & ED bonds by ₦38 million.

### *4. Depository of Counterpart Fund*

Disbursements of the Counterpart Fund for development projects and technical assistance expanded in 1967. Major transactions accounting for the increment were outlays for various counterpart projects for economic development and social overhead which exceeded by ₦5 million the 1966 total of ₦196 million, and technical assistance trust funds with an increase of ₦3 million over the total of ₦37 million in 1966. At the end of 1967, the balance of the Counterpart Fund with the Central Bank stood at ₦15 million compared to the balance of ₦7 million a year ago.

## IV. BALANCE OF PAYMENTS AND THE INTERNATIONAL RESERVE

### A. OVER-ALL REVIEW

The international payments position of the Philippines, which had improved steadily since 1964, deteriorated in 1967 as current transactions, largely because of the sharp expansion in domestic credits and unfavorable weather conditions, resulted in a marked deficit (the first since 1962) which was however offset by a sizeable inflow of capital. The disequilibrium in the balance of payments was aggravated by the rise in the external debt service burden (ratio of repayments<sup>1</sup> for foreign debt to exports) from 14 per cent in 1964 to 24 per cent in 1967. Current transactions, which showed a surplus of \$161 million last year, turned into a deficit of \$33 million while capital transactions showed a surplus of \$127 million against a deficit of \$44 million last year. Consequently, the balance of payments showed an over-all surplus of \$70 million compared to \$60 million the previous year.<sup>2</sup> However, the over-all surplus without the net availments of \$107 million in official short-term loans and \$27.5 million drawings from the International Monetary Fund (IMF) would have turned into a deficit of \$65 million for 1967.

The payment for goods and services, which amounted to a net surplus of \$65 million last year, turned into a net deficit of \$212 million as the trade deficit soared to \$242 million (the highest ever recorded since the establishment of the Central Bank) from \$25 million a year ago due to a marked rise in import arrivals and a mild fall in exports. The deficit in goods and services would have been much more if it were not for the surplus of \$30 million in non-merchandise transactions. Donations from various private and official institutions which rose by \$83 million to \$179 million helped reduce the deficit in goods and services to \$33 million.

The net inflow from capital transactions which turned from a deficit of \$44 million to a surplus of \$127 million more than made up for the deficit in current transactions. The increase was due to both long-term and short-term capital with the latter accounting for a substantial portion of the increment. In the case of long-term capital, the official sector, due to the assistance provided by the IMF, contributed largely to the improvement. Thus the international reserve increased from \$151 million at the end of 1966 to \$221 million at the end of 1967 largely because of the net inflow of capital of \$127 million brought about by increased loan receipts from foreign banks and the IMF as well as re-

<sup>1</sup> Including repayments on short-term loans which were renewed a number of times during the year.

<sup>2</sup> Errors and omissions also turned from a negative balance of \$57 million to a negative balance of \$24 million.

duced loan repayments due to renewals made on short-term loans with American banks. The improvement was accounted for by both the Central Bank and the commercial banks as their holdings of foreign exchange increased by \$14 million and \$56 million, respectively.

Notwithstanding the improvement in the international reserve, pressure against the peso developed in the exchange market, particularly during the second half of the year. This was traceable to heavy demand built up by substantial advances to government financial institutions despite the June and October monetary restraint measures, and was sharpened by the devaluation of sterling which aggravated heavy speculative trading in the foreign exchange market. The Central Bank therefore, was compelled to intervene heavily in the market in order to stabilize the exchange rate. The interbank rate which averaged ₱3,898 in 1966 rose to ₱3,919 by the end of December 1967, the maximum Central Bank support rate for spot exchange. Central Bank sales of foreign exchange through the Philippine National Bank for stabilization purposes in 1967 amounted to \$371 million as against \$45 million for the previous year, while its purchases amounted to \$298 million, compared to \$88 million for the previous year. Thus, the extent of Central Bank intervention in 1967 was not only heavier than last year, but its position was also reversed from a net purchaser of \$44 million to a net seller of \$73 million.

# BALANCE OF PAYMENTS OF THE PHILIPPINES<sup>1</sup>

1966-1967

(Million U.S. dollars)

I t e m	1967 <sup>2</sup>	1966 <sup>2</sup>
A. Goods and Services <sup>2</sup>		
Exports (f.o.b.) .....	812	828
Imports (f.o.b.) .....	-1,054	-853
Trade Balance .....	- 242	- 25
Non-Monetary gold movement .....	17	16
U. S. government expenditures .....	103	79
Other services .....	- 90	- 5
Surplus or deficit (—) .....	- 212	65
B. Transfer Payments		
Private .....	109	52
Official .....	70	44
Total .....	179	96
C. Total of Goods, Services and Transfer Payments .....	- 33	161
D. Capital Transactions <sup>3</sup>		
Long-term .....	6	- 43
Private loans .....	11	- 2
Official loans .....	8	- 15
Other .....	- 13	- 26
Short-term .....	121	- 1
Private loans .....	79	77
Official loans .....	106	18
Other .....	- 64	- 96
E. Total Capital Movement .....	- 127	- 44
F. Errors and Omissions .....	- 24	- 57
G. Over-all Surplus or Deficit (C+E+F) .....	- 70	60
H. Increase (—) or decrease in international reserve of the Central Bank and the Banking System .....	- 70	- 60

<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.



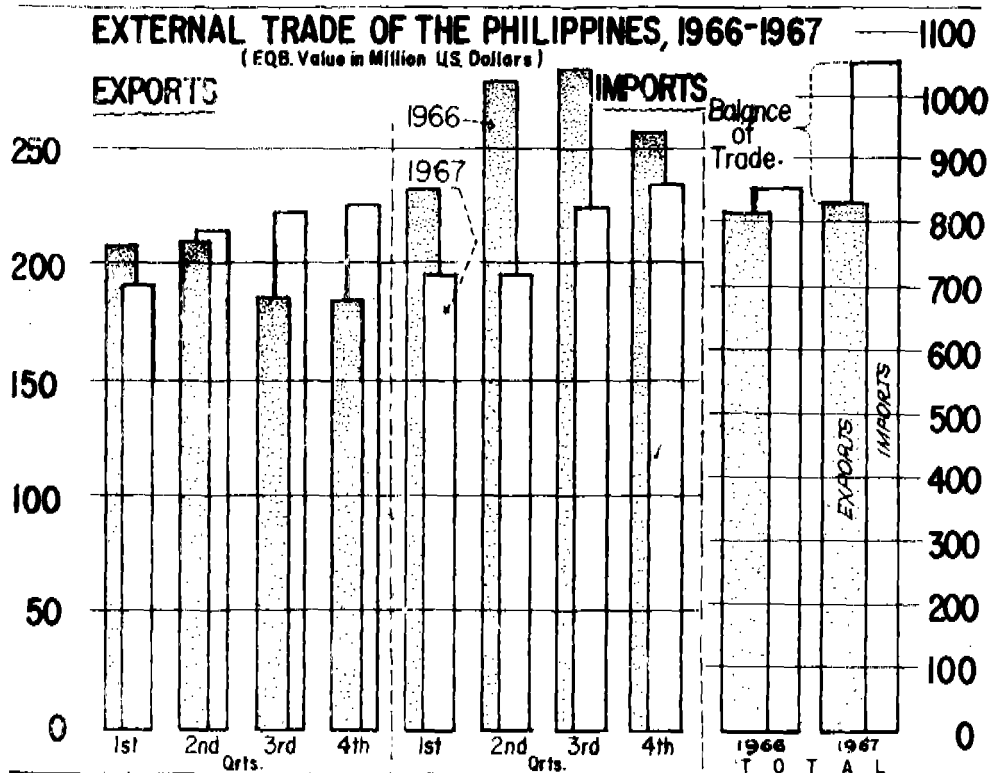
## B. MERCHANDISE TRADE TRANSACTIONS

For the fifth consecutive year, the overseas trade of the Philippines in 1967 expanded further by 11 per cent to \$1,866 million. But contrary to the developments in 1966, exports fell while imports rose sharply. As a consequence of these opposing trends, the \$25 million trade deficit incurred last year worsened to \$242 million, the largest ever experienced since 1949.

### EXTERNAL TRADE OF THE PHILIPPINES 1966-1967

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

Period	Exports		Imports		Balance of Trade		Per Cent Change	
	1967	1966	1967	1966	1967	1966	Exports	Imports
TOTAL	812.3	828.2	1,054.0	852.8	-241.7	-24.6	-1.9	+23.6
1st Quarter	190.1	207.0	232.4	196.2	-42.3	+10.8	-8.2	+18.4
2nd Quarter	210.1	213.0	280.0	196.3	-69.9	+16.7	-1.4	+42.6
3rd Quarter	186.1	222.3	283.3	225.7	-97.2	-3.4	-16.3	+25.5
4th Quarter	226.0	185.9	258.3	234.6	-32.3	-48.7	+21.6	+10.1



Imports which last year increased by 6 per cent rose by 24 per cent to an unprecedented level of \$1,054 million. The rise seemed to have resulted from an expansion in the volume of imports and, to a lesser degree, from an increase in unit import values. Of the ten principal imports, only textile fibers not manufactured into yarns declined while the others registered increases of varying magnitudes.

Exports which rose by 8 per cent last year fell by 2 per cent to \$812 million after five years of sustained growth. The contraction appears to have been due chiefly to volume exported which more than offset the increment in prices. Of the principal exports, only sugar, logs & lumber, canned pineapple and copper concentrates increased while the rest, notably coconut products and manufactured abaca deteriorated sharply.

With export prices going up faster than the increment in import prices, the net terms of trade (1955 = 100) improved from 89 to 90. Conversely, the purchasing power of exports dropped from 161 to 156.

Countrywise, the Philippine trade followed the same pattern as the previous years. However, the surplus enjoyed with the United States, Japan and Germany last year turned into a deficit, the trade deficit with the United Kingdom and Belgium increased while the trade surplus with the Netherlands decreased.

### 1. *Exports*

A good part of the fall in exports may be attributed to adverse weather conditions, specifically the series of typhoons that hit Mindanao and the Visayas in 1966 which led to a shortfall in the harvest of coconut products. Although international prices of some commodities like abaca, copper concentrates and canned pineapple declined because of a slack in demand in some industrial countries and stiff competition from close substitutes, both natural and man-made, in the case of abaca, this was more than offset by the increase in the prices of sugar, logs & lumber, coconut oil, desiccated coconut and plywood. Were it not for the decline in the production of coconut products, 1967 would have been another banner year for exports.

The value of the ten principal exports at \$681 million which accounted for 86 per cent of total domestic exports declined by 6 per cent. Except for the increases registered by sugar (\$9 million) logs & lumber (\$2 million) and canned pineapple (\$1 million) and copper concentrates (\$0.3 million), practically all the principal traditional exports deteriorated and these included copra (\$29 million), coconut oil (\$16 million), desiccated coconut (\$1 million), copra meal (\$6 million), abaca (\$4 million) and plywood (\$2 million). The composition of the ten principal exports remained the same with logs & lumber occupying a premier position

TEN PRINCIPAL EXPORTS  
1966-1967

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

Commodity	1967		1966		Percentage Change			
	Quantity	Value	Quantity	Value	Price	Quantity	Value	Production <sup>1</sup>
TOTAL DOMESTIC EXPORTS .....		791.6		826.9				- 4.3
Total Ten Principal Exports .....		681.1		724.3				- 6.0
Logs & Lumber <sup>2</sup> .....	3,465.8	207.4	3,609.8	204.7	+ 5.6	- 3.9	+ 1.3	- 4.2
Sugar <sup>3</sup> .....	974.5	141.7	980.2	133.0	+ 6.6	- 0.6	+ 6.6	+11.3
Copra .....	769.0	128.4	940.4	157.2	-	-18.2	-18.2	- 4.5
Copper concentrates <sup>4</sup> .....	368.2	74.9	329.3	74.6	-10.6	+11.8	+ 3.6	+23.8 <sup>a</sup>
Coconut oil .....	226.7	58.4	309.6	74.5	+ 7.1	-26.8	-21.6	+ 7.7
Plywood <sup>2</sup> .....	80.0	17.5	86.7	17.7	+ 6.9	- 7.7	- 1.4	- 3.4
Desiccated coconut .....	60.9	17.0	67.2	17.7	+ 7.7	- 9.4	- 3.8	+ 0.3
Abaca unmanufactured .....	67.4	14.7	78.9	18.7	- 7.6	-14.6	-21.3	- 4.9
Copra meal or cake .....	185.0	10.9	239.1	17.2	-18.1	-22.6	-36.6	-11.2
Canned pineapple .....	56.5	10.1	45.2	8.9	- 9.1	+25.2	+13.5	..

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

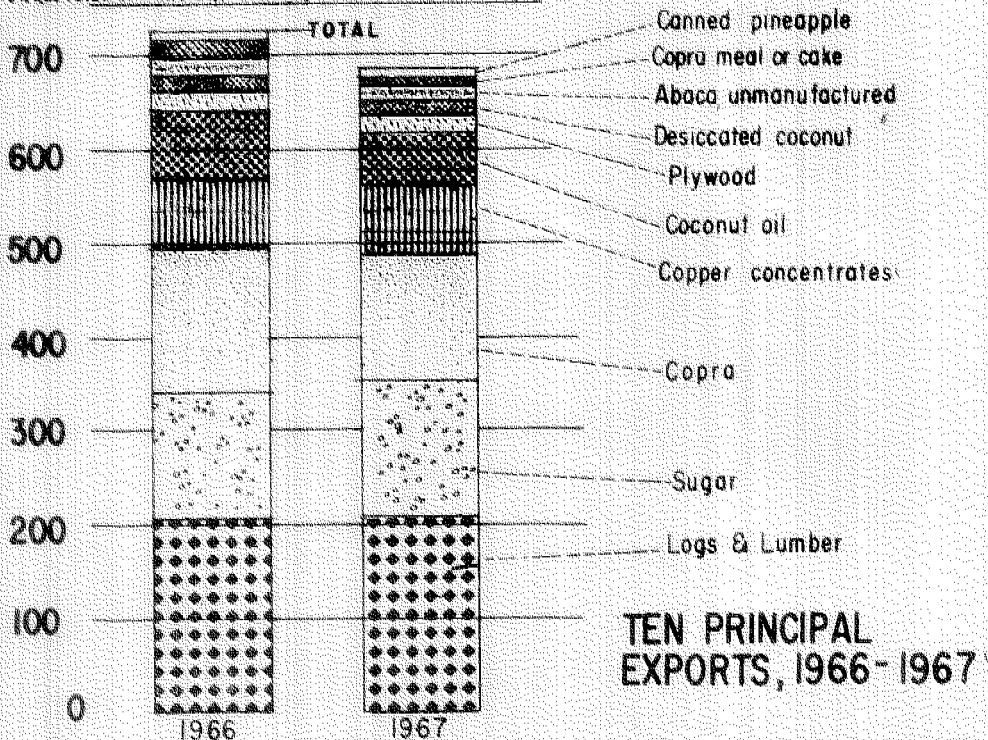
<sup>2</sup> Quantity in million board feet.

<sup>3</sup> Includes centrifugal and refined sugar.

<sup>4</sup> Includes estimated value of copper concentrates in concentrates of copper and silver.

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

(FOB Value in Million US Dollars)



Although the volume of logs & lumber declined by 4 per cent on account of lower production as a result of the government's efforts to conserve the country's forest resources, their export value expanded by 1 per cent to \$207 million solely due to a 6 per cent increment in prices. Exports to Japan (\$167 million) rose by 3 per cent mainly due to a pickup in construction activities. Likewise, exports to Korea (\$16 million) and China (\$13 million) were higher by 8 per cent and 2 per cent.

Exports of sugar (centrifugal and refined) which went solely to the United States increased by 7 per cent to \$142 million mainly due to better prices as volume declined by 1 per cent. Unlike the previous year, this year's quota (1,126,000 short tons) which was smaller by 76,978 tons than that of last year was filled up even before December 31, 1967, the deadline specified by the U.S. Sugar Act of 1965.

Copra contracted by 18 per cent to \$128 million mainly due to a drop in volume as prices remained the same. This may be attributed to lower production, the closure of the Suez Canal and the easing of demand in Europe. Exports of copra to the United States rose by 2 per cent to \$45 million. Exports to Japan, likewise, increased by 20 per cent to \$12 million. Exports to Europe however declined drastically partly because of increased competition from soy-

beans and other vegetable and animal oils. Exports to the Netherlands at \$32 million and to Germany at \$21 million were both lower by 35 per cent.

Exports of coconut oil decreased by 22 per cent to \$58 million. Apart from the factors that adversely affected copra, the contraction in coconut oil exports may also be attributed to (1) a higher degree of improvement attained in the production of petro-chemical based substitutes; (2) higher tariffs imposed on coconut oil by the European Common Market (ECM) which took effect last July 1967; (3) stiff competition from African palm oil. Exports to the United States declined by 14 per cent to \$50 million. Shipments to the United States which exceeded the tariff-free quota (120,000 long tons) by 58 per cent were however smaller by 48,715 metric tons. Similarly, exports to the Netherlands declined by 24 per cent to \$3 million while shipments to Germany declined more drastically by 81 per to \$2 million.

Because of the contraction in volume, exports of desiccated coconut, 74 per cent of which went to the United States, decreased by 4 per cent to \$17 million, (while those of copra meal or cake falling in both volume and price) declined by 37 per cent to \$11 million. About 85 per cent of copra meal exports went to Germany and the Netherlands.

Despite the expansion in volume, the value of copper concentrates exports at \$75 million was about the same as last year because of a fall in prices owing partly to the reduction in the U.S. stockpile. Exports to Japan at \$51 million which accounted for 68 per cent of total shipments declined by 10 per cent while those to the United States at \$24 million rose by 32 per cent as the demand and supply situation for copper in the U.S. became more critical because of the Vietnam conflict and the copper strike.

Plywood exports, which are dependent on the U.S. market, declined by 1 per cent to \$18 million as the increment in prices was offset by the decline in volume. Mainly responsible for the decline in plywood exports was the slump in building construction in the United States due to the tight credit situation compounded by higher freight rates.

Confronted with many problems such as (1) the increasing threat from synthetic fiber substitutes, (2) keener competition of low priced sisal and henequen and (3) disposal by the United States of its abaca stockpile, exports of abaca declined by 21 per cent to \$15 million as prices and volume declined by 8 per cent and 15 per cent, respectively. About 36 per cent went to the United States and the balance of 64 per cent went to Japan, the United Kingdom, and others.

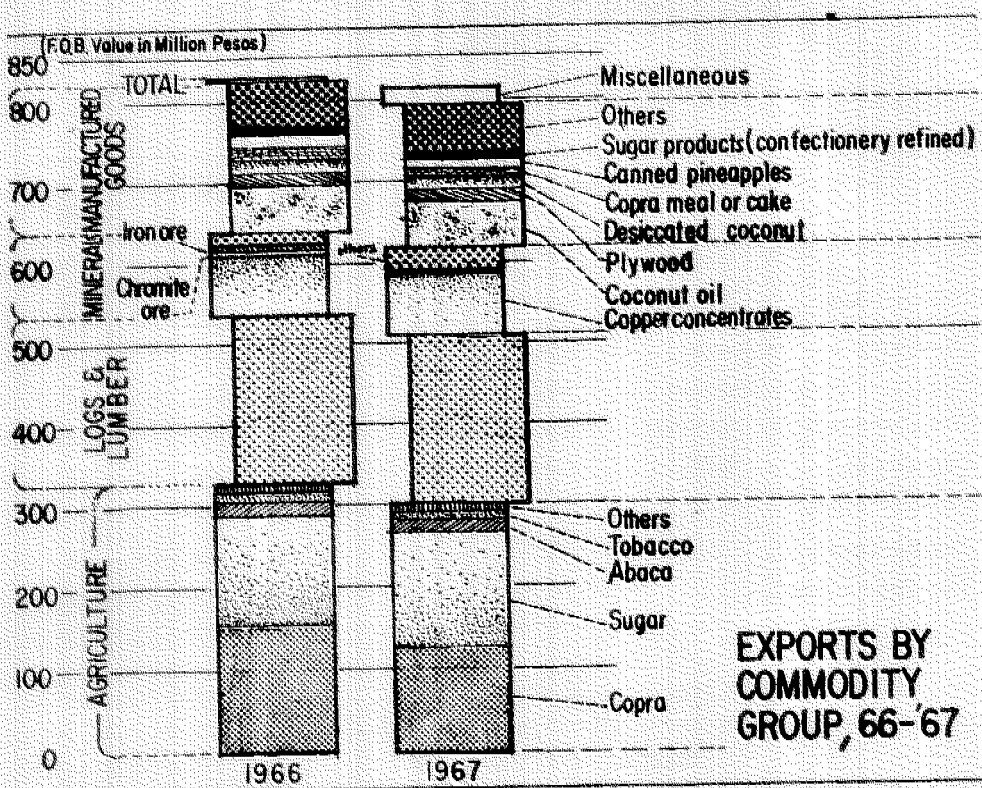
Notwithstanding the drop in prices, exports of canned pineapple at \$10 million rose by 14 per cent due to the 25 per cent increase in volume as a result of the expansion in domestic output. While the United States absorbed the bulk of canned pineapple exports, other countries like the United Kingdom, the Netherlands, Germany and Japan took appreciable shares.

EXPORTS BY COMMODITY GROUP  
1966-1967

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

I t e m	1 9 6 7		1 9 6 6	
	Value	Per Cent	Value	Per Cent
TOTAL EXPORTS .....	<u>812.3</u>	<u>100.0</u>	<u>828.2</u>	<u>100.0</u>
A. Total Domestic Exports .....	<u>791.6</u>	<u>97.5</u>	<u>826.9</u>	<u>99.8</u>
1. Agriculture .....	<u>301.7</u>	<u>37.1</u>	<u>328.0</u>	<u>39.6</u>
Copra .....	128.4	15.8	157.2	19.0
Sugar .....	141.7	17.4	133.0	16.1
Abaca .....	14.7	1.8	18.7	2.3
Tobacco .....	8.7	1.1	11.3	1.4
Others .....	8.2	1.0	7.8	0.9
2. Logs and Lumber .....	<u>207.4</u>	<u>25.5</u>	<u>204.7</u>	<u>24.7</u>
3. Minerals .....	<u>107.7</u>	<u>13.3</u>	<u>102.3</u>	<u>12.4</u>
Copper concentrates <sup>1</sup> ....	74.9	9.2	74.6	9.0
Iron ore .....	3.0	0.4	5.7	0.7
Chromite ore .....	2.2	0.3	8.4	1.0
Others .....	27.6	3.4	13.6	1.6
4. Manufactured Articles ....	<u>174.5</u>	<u>21.5</u>	<u>191.4</u>	<u>23.0</u>
Coconut oil .....	58.4	7.2	74.5	9.0
Plywood .....	17.5	2.2	17.7	2.1
Desiccated coconut .....	17.0	2.1	17.7	2.1
Copra meal or cake ....	10.9	1.3	17.2	2.1
Canned pineapple .....	10.1	1.2	8.9	1.1
Sugar products (confectionery, refined sugar and molasses) .....	9.5	1.2	7.8	0.9
Others .....	51.1	6.3	47.6	5.6
5. Returned goods and special transactions .....	<u>0.3</u>	<u>—</u>	<u>0.5</u>	<u>0.1</u>
B. Re-Exports .....	<u>20.7</u>	<u>2.6</u>	<u>1.3</u>	<u>0.2</u>

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



## 2. Imports

The expansion which was particularly strong during the first half continued unabated through the second half despite the precautionary measures adopted in June 1967 primarily to curtail imports. The sharp upswing in imports may be attributed to (1) the relaxation and the greater availability of credit which brought about a bigger demand for imports of raw materials and machinery and equipment; (2) large government importation through reparations particularly heavy equipment for road construction; (3) increased importation of rice (part of which was re-exported later), to hedge against a probable shortage; and (4) speculative stock building by some industries.

Complementing the growth in the manufacturing sector, imports of producers goods rose to \$900 million, an increment of 21 per cent. Raw materials expanded by 20 per cent, and accounted for the bulk of the imports. Similarly, machinery and equipment rose by 34 per cent to \$214 million. Consumer goods, likewise, increased by 43 per cent to \$154 million largely due to the importation of rice by the Rice and Corn Administration (RCA).

# IMPORTS CLASSIFIED ACCORDING TO END-USE 1966-1967

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

I t e m	1967	Per Cent Distri- bution	1966	Per Cent Distri- bution	Per Cent Change
TOTAL IMPORTS .....	<u>1,054.0</u>	<u>100.0</u>	<u>852.8</u>	<u>100.0</u>	+23.6
Producer Goods .....	<u>900.3</u>	<u>85.4</u>	<u>745.6</u>	<u>87.5</u>	+20.7
Machinery and equipment .....	214.3	20.3	160.0	18.8	+33.9
Unprocessed raw materials .....	135.2	12.8	130.5	15.3	+ 3.7
Semi-processed raw materials ...	499.7	47.4	398.8	46.8	+25.3
Supplies .....	51.1	4.9	56.3	6.6	+ 9.2
Consumer Goods .....	<u>153.7</u>	<u>14.6</u>	<u>107.2</u>	<u>12.5</u>	+43.4
Durable goods .....	12.7	1.2	13.7	1.6	- 7.7
Non-durable goods .....	141.0	13.4	93.5	10.9	+50.9

The value of the ten principal imports, all of which registered increments except textile fibers not manufactured into yarns which declined appreciably, rose by 26 per cent to \$811 million. The composition of the ten principal imports was maintained, topped by machinery other than electric.

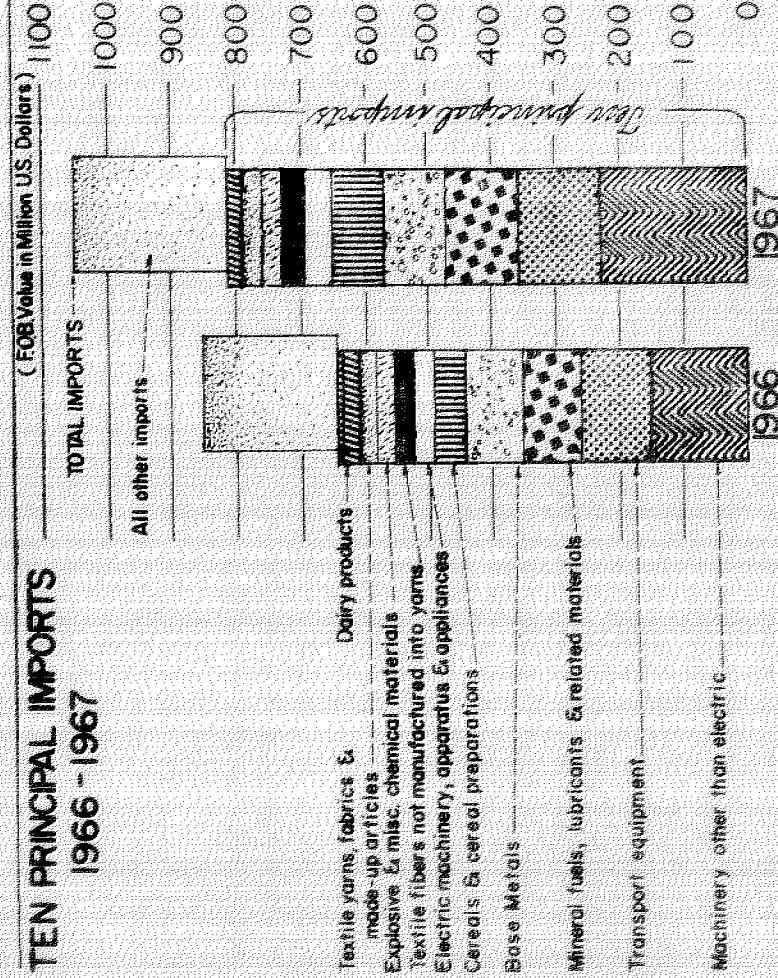
## TEN PRINCIPAL IMPORTS 1966-1967

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

C o m m o d i t y	1967	1966	Percentage Change
TOTAL IMPORTS .....	<u>1,054.0</u>	<u>852.8</u>	+ 23.6
Total Ten Principal Imports .....	<u>811.0</u>	<u>642.9</u>	+ 26.1
Machinery other than electric .....	227.1	151.5	+ 50.1
Transport equipment .....	129.9	109.9	+ 18.2
Base metals .....	105.3	84.0	+ 25.4
Mineral fuels, lubricants and related materials .....	93.7	84.1	+ 11.4
Cereals & cereal preparations .....	81.8	52.8	+ 55.0
Electric machinery, apparatus & appliances .....	46.9	36.0	+ 30.3
Explosives & miscellaneous chemical materials .....	36.0	30.7	+ 17.3
Textile yarns, fabrics & made-up articles ...	31.8	30.6	+ 3.9
Dairy products .....	29.4	28.6	+ 2.8
Textile fibers not manufactured into yarns .....	29.1	31.6	- 16.6



# TEN PRINCIPAL IMPORTS 1966 - 1967



The increase in imports of machinery other than electric which comprised machinery and parts, road construction equipment and parts, and earth excavating equipment may be attributed to the expansion in the manufacturing and mining industries as well as the massive road construction program of the Government. The increase in cereals and cereal preparations was due to the imports of rice by the RCA (\$43 million as against \$14 million last year) from Burma, Cambodia, Thailand, the United States and the United Arab Republic. The RCA, however, exported to India and Indonesia a part of its rice imports (107,022 metric tons) valued at \$19 million. In the case of transport equipment, the increase was accounted for mainly by trucks, passenger cars, lorries and parts of road motor vehicles. The building construction boom and the domestic expansion in the production of steel and base metal products accounted for the increase in imports of base metals. Meanwhile, the upsurge in the importation of mineral fuels, lubricants and related materials may be attributed to the expansion in the operation of oil refineries and increased fuel consumption of public utilities, the industrial sector and land and water transportation.<sup>1</sup> Imports of explosives and miscellaneous chemical materials increased because of the continued expansion in the mining industry and increased demand for insecticides

<sup>1</sup> Cars and trucks registered in 1967 increased by 19 per cent to 348,115.

and fertilizers by the agricultural industries. The campaign against technical smuggling by the Government, which minimized the malpractice of under valuation, partly accounted for the expansion of declared imports of textile yarns, fabrics and made-up articles.

### 3. *Direction of Trade*

The United States, Japan, Germany, the Netherlands and the United Kingdom, as in the previous year, dominated the overseas trade of the Philippines in 1967. Together, they accounted for 73 per cent of imports and 87 per cent of exports. Of the over-all trade deficit of \$242 million, 38 per cent was accounted for by these countries, topped by the United Kingdom (\$35 million), Japan (\$31 million), and Germany (\$19 million) and the United States (\$6 million).

The United States continued to be the country's leading trading partner. Imports from the U.S. accounting for 34 per cent of total imports increased by 25 per cent to \$357 million. The increase was particularly prominent in the case of machinery other than electric (\$29 million), transport equipment (\$12 million), cereals and cereal preparations (\$17 million), and electrical machinery and appliances (\$11 million). Exports to the United States at \$351 million representing 43 per cent of total exports increased slightly. While exports of sugar (\$142 million), copra (\$45 million), canned pineapple (\$4 million) and copper concentrates (\$24 million) increased, those of coconut oil (\$50 million), and abaca (\$5 million) decreased. Hence, these developments resulted in a trade deficit of \$6 million compared to a trade surplus of \$62 million last year.

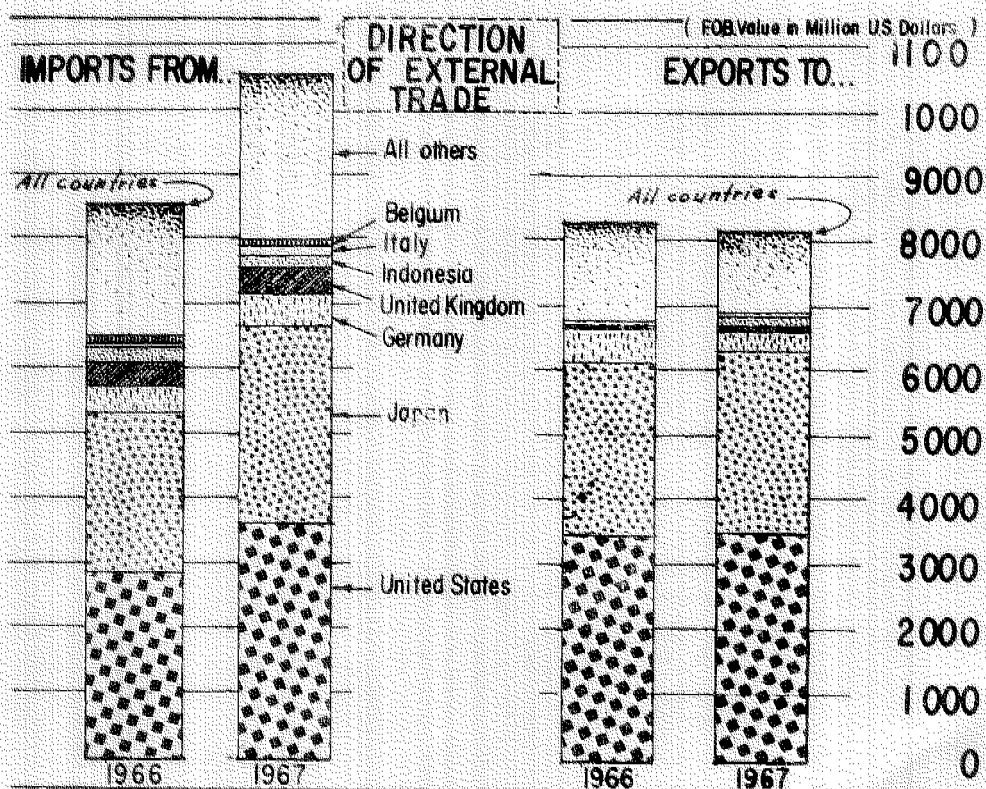
Trade with Japan dramatically changed as imports outran exports, for the first time in seven years, resulting in a trade deficit of \$31 million as against a trade surplus of \$19 million last year. Imports from Japan rose by 25 per cent to \$305 million. As a supplier of Philippine imports, Japan was the principal supplier of base metals and second to the United States in textile yarns, fabrics and made-up articles, non-electrical machinery, transport equipment, electrical machinery and appliances, textile fibers and explosives. Exports at \$274 million expanded by 4 per cent. As a market for Philippine exports, Japan accounted for 80 per cent of logs and lumber and 70 per cent of metalliferrous ores.

Imports from the European Common Market (ECM), consisting primarily of non-electrical machinery, transport equipment, electrical machinery, base metals and dairy products rose by 24 per cent to \$112 million, while exports consisting principally of coconut products declined by 34 per cent to \$84 million. As a consequence, the trade surplus of \$37 million last year changed to a trade deficit of \$29 million which was incurred with all the ECM countries except the Netherlands.

Paralleling the developments in the European Common Market, imports from the European Free Trade Association (EFTA) at \$61 million rose by 17 per cent while exports at \$18 million declined by 29 per cent. The increase in imports

which was composed of transport equipment and non-electrical machinery was accounted for principally by the United Kingdom, Switzerland and Norway, while the decline in exports was accounted for by Denmark, Switzerland and Sweden, and confined to coconut products and abaca. Thus, last year's trade deficit of \$27 million deteriorated further to \$43 million.

Trade with ECAFE countries at \$772 million was on a higher level as imports rose by 24 per cent and 12 per cent, respectively. Imports at \$425 million comprising largely of machinery other than electric, transport equipment, base metals and cereals and cereal preparations were accounted for mainly by Japan, Australia, Indonesia, Hongkong and Thailand. Together, these accounted for 92 per cent of total imports from the ECAFE. Exports consisting largely of logs and lumber, metalliferous ores, abaca, copra, and desiccated coconut rose by 12 per cent to \$346 million with Japan, Korea, China, Singapore and Australia collectively absorbing 90 per cent of total exports to ECAFE. Significantly, exports to India and Indonesia increased markedly due to the re-exportation of rice to these countries. With imports rising faster than exports, the trade deficit widened from \$33 million last year to \$79 million. It is interesting to note that exports to Indonesia (excluding rice re-exports) declined by 40 per cent but the value of exports transacted under the Philippine-Indonesia Trade and Payments Arrangement, while still minimal, increased by 48 per cent.



DIRECTION OF TRADE  
1966-1967

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

C o u n t r y	I M P O R T S				E X P O R T S				Balance of Trade	
	1967	Per Cent	1966	Per Cent	1967	Per Cent	1966	Per Cent	1967	1966
TOTAL (All Countries) .....	1,054.0	100.0	852.8	100.0	812.3	100.0	828.2	100.0	-241.7	-24.6
North America .....	371.4	35.2	306.1	35.9	352.3	43.4	348.4	42.1	-19.1	+42.3
U.S. ....	356.7	33.8	284.5	33.4	350.6	43.2	346.4	41.8	-6.1	+61.9
Other N. A. countries .....	14.7	1.4	21.6	2.5	1.7	0.2	2.0	0.3	-13.0	-19.6
Central America .....	5.3	0.4	1.2	0.2	0.2	—	0.4	0.1	-5.1	-0.8
South America .....	8.7	0.8	6.0	0.7	6.8	—	5.9	0.7	-1.9	-0.1
Northwestern Europe .....	159.7	15.1	135.1	15.8	96.5	11.9	147.3	17.8	-63.2	+12.2
United Kingdom .....	41.4	3.9	37.9	4.4	6.9	0.8	7.1	3.8	-34.5	-30.8
Belgium .....	12.7	1.2	11.6	1.4	0.8	0.1	2.1	0.3	-11.9	-9.5
Netherlands .....	21.6	2.0	19.2	2.3	42.6	5.2	63.6	7.7	+21.0	+44.4
Germany .....	50.3	4.8	42.2	4.9	31.5	3.9	53.8	6.5	-18.8	+11.6
Other N. W. countries .....	33.7	3.2	24.2	2.8	14.7	1.8	20.7	2.5	-19.0	-3.7
Southern Europe .....	15.7	1.5	10.1	1.2	8.3	1.0	10.7	1.3	-7.4	+0.6
Italy .....	13.1	1.3	7.3	0.9	5.6	0.7	5.4	0.7	-7.5	-1.9
Spain .....	1.4	0.1	1.7	0.2	2.6	0.3	5.1	0.6	+1.2	+3.4
Other S. E. countries .....	1.2	0.1	1.1	0.1	0.1	—	0.2	—	-1.1	-0.9
East Europe .....	0.4	—	0.1	—	—	—	—	—	-0.4	-0.1
Middle East .....	52.8	5.0	37.9	4.4	0.1	—	0.9	0.1	-52.7	-37.0
Other Asia .....	396.0	37.5	316.1	37.1	341.6	42.0	308.1	37.2	-54.4	-8.0
Japan .....	304.9	28.9	243.9	28.6	274.0	33.7	262.7	31.7	-30.9	+18.8
Indonesia .....	21.8	2.1	22.3	2.6	16.2	2.0	0.2	—	-5.6	-22.1
Other Asian countries .....	69.3	6.5	49.9	5.9	51.4	6.3	45.2	5.5	-17.9	-4.7
Oceania .....	43.1	5.0	37.0	4.4	4.2	0.5	3.7	0.4	-38.9	-33.3
Other Africa .....	0.2	—	2.5	0.3	0.9	0.1	1.8	0.2	+0.7	-0.7
Miscellaneous .....	—	—	0.3	—	0.3	—	0.2	—	+0.3	-0.1
Other U.S. Insular Possessions .....	0.7	0.1	0.4	—	1.1	0.1	0.8	0.1	+0.4	+0.4

## C. NON-TRADE TRANSACTIONS

Non-trade transactions which reached unprecedented levels in 1966 expanded further in 1967, as both receipts and disbursements increased by 12 per cent and 38 per cent, respectively. For the fourth consecutive year, non-trade receipts (\$401 million) exceeded non-trade disbursements (\$371 million) resulting in a surplus of \$30 million, \$60 million less than last year. Significantly, although miscellaneous invisible receipts improved by \$18 million to \$298 million, miscellaneous disbursements rose sharply from \$269 million to \$371 million, thereby converting last year's surplus of \$11 million to a deficit of \$73 million. This was partially offset by U.S. government expenditures in the Philippines which rose by \$24 million to \$103 million.

Non-monetary gold also rose from \$16 million last year to \$18 million. Tourist expenditures in the Philippines continued to exceed travel expenditures abroad of residents. Receipts from foreign tourists amounted to \$80 million, \$16 million more than the previous year and surpassing slightly the country's fourth-ranking export. Approximately 122,000 tourists visited the Philippines this year compared to 101,090 last year (exclusive of American servicemen from Vietnam who came to the Philippines for rest and recreation). On the other hand, travel expenditures of Filipino tourists abroad also went up from \$53 million to \$62 million, despite the restrictive measure imposed on the sale of foreign exchange for travel during the last quarter of the year.

Freight and insurance on merchandise reflected a net payment of \$84 million, an increase of \$30 million from the net payment incurred in 1966, due to the sharp rise in imports.

Outward remittances of profits, earnings and dividends at \$42 million were more than twice the amount remitted (\$19 million) last year. Inward remittances of profits, earnings and dividends, however, dropped by \$3 million to \$8 million. This, together with the \$5 million increment in other remittances of foreign companies and the \$7 million rise in interest payments on long and short-term loans, accounted for the expansion of \$39 million in net outflow in the investment income account.

Philippine government expenditures abroad at \$13 million increased by \$6 million. Payments received by local residents for miscellaneous services rendered to foreign individuals and entities remained at about the same level, while outward payments for services, salaries and commissions to foreigners rose to \$93 million, \$18 million more than the previous year.

NON-TRADE TRANSACTIONS  
1964-1967

(Million U.S. dollars)

I T E M	1 9 6 4			1 9 6 5			1 9 6 6 <sup>a</sup>			1 9 6 7 <sup>b</sup>		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
T O T A L . . . .	199.78	181.40	18.38	323.17	245.62	77.55	358.99	269.19	89.80	401.21	370.91	30.30
U. S. Government Expenditures . . . . .	41.35	—	41.35	67.19	—	67.19	78.74	—	78.74	103.28	—	103.28
Miscellaneous Service	158.43	181.40	-22.97	255.98	245.62	10.36	280.25	269.19	11.06	297.93	370.91	-72.98
Non-monetary gold	14.92	—	14.92	15.24	—	15.24	15.84	—	15.84	17.51	—	17.51
Foreign travel . . . .	15.14	29.19	-14.05	27.80	52.99	-25.19	63.68	52.75	10.93	80.29	62.09	18.20
Transportation . . . .	11.58	67.18	-55.60	13.79	70.38	-56.59	22.08	72.96	-50.88	26.25	96.00	-69.75
Insurance . . . . .	3.62	5.21	-1.59	2.59	6.58	-3.99	3.11	6.69	-3.58	1.33	15.86	-14.53
Investment income . .	12.63	37.70	-25.07	18.64	50.09	-31.45	18.47	55.21	-36.74	14.69	90.42	-75.73
Government, n.e.s.	1.38	11.48	-10.10	1.21	7.78	-6.57	2.24	6.87	-4.63	2.53	13.28	-10.75
Other services . . . .	99.16	30.64	68.52	176.71	57.80	118.91	154.83	74.71	80.12	155.33	93.26	62.07

## D. DONATIONS

Goods and services received by the Philippines from the U.S. Government and various international and private entities aggregated \$179 million compared with \$96 million last year. The substantial increase of \$83 million resulted primarily from the increased inflow of receipts from private individuals and institutions, the additional payments made to veterans and the heavier shipments of reparations goods and services from Japan.

Disbursements of the U.S. Veterans Administration in the Philippines surged to \$87 million, mainly due to the \$31 million in additional benefits granted to Philippine veterans in July.

Reparations from Japan rose by \$27 million to \$60 million due to the carry-over of allocations from the previous year's schedule. Grants from the U.S. Government, amounting to \$6 million, were slightly less by \$34 million. Donations from United Nations agencies and other international organizations likewise declined by \$1 million. However, personal and institutional remittances from abroad amounted to \$15 million, \$13 million more than last year. This was due in part to increased remittances to their families here of Filipino professionals working abroad, particularly in the United States. In 1967, 3,396 Filipino professionals migrated to the U.S. as against 1,175 in 1966. Moreover, total Filipino immigration to Canada in 1966 amounted to 2,639. Voluntary relief agencies including CARE contributed about \$8 million worth of goods and services.

## E. CAPITAL TRANSACTIONS

Capital transactions which showed a net outflow of \$44 million last year changed to a net inflow of \$127 million.

Total capital inflow amounted to \$568 million, \$126 million more than the previous year. Of this amount, availments on external borrowings of both the private and official sectors aggregated \$400 million. Government and banking institutions accounted for the bulk of the borrowings, as their combined utilization of foreign credits amounted to \$359 million, \$128 million more than the amount borrowed last year.

Long-term loans of the government amounted to \$45 million. Of this amount, \$27 million represented drawings from the IMF; \$10 million, from the IBRD to finance the construction of the Bataan thermal plant and the expansion of the Maria Cristina hydroelectric station; and about \$8 million, from the Development Loan Fund and the Eximbank to finance other development projects.

Long-term borrowings of the private sector amounted to \$41 million, made up mainly of the \$16 million Eximbank loan to the Iligan Integrated Steel Mills,

\$15 million of long term suppliers' credits, and the \$7 million IBRD loan to the Private Development Corporation of the Philippines.

Short-term loans of banking institutions aggregated \$314 million, of which \$200 million represented borrowings of the Central Bank from U.S. banks primarily to stabilize the exchange rate and to finance the rice importations of the government.

Loan repayments at \$197 million were \$8 million more than last year. The private sector paid \$65 million on its long and short term obligations while the official sector paid \$38 million on its long-term loans, \$22 million of which represented amortization payments of the DBP to U.S. commercial banks. The official sector also paid \$94 million on its short-term obligations, \$69 million to U. S. commercial banks and \$25 million to the Federal Reserve bank of New York.

Other capital movements showed a net outflow of \$77 million which was \$45 million less than last year largely on account of a decrease of \$30 million in the net outflow of short-term capital remittances and a \$13 million decline in net outflow of long-term capital as last year's figures included the non-recurring payment made on the subscription to the IMF.

## DONATIONS

1964-1967

(Million U.S. dollars)

I t e m	1964	1965	1966	1967
Private .....	93.23	73.43	51.80	108.88
Personal and Institutional				
remittances .....	4.17	9.19	2.14	14.75
Voluntary relief agencies .....	10.04	11.65	9.39	7.50
U.S. Veterans Administration .....	42.87	41.05	41.62	86.51
War damage payments .....	29.58	9.18	—	—
Others .....	6.57	2.36	— 1.35	.12
Official .....	15.29	25.96	44.35	70.10
U.S. Aid Program.....	2.69	2.21	6.14	5.80
Grants .....	2.46	.78	4.10	4.60
Public Law 480 .....	.23	1.43	2.04	1.20
Other Agencies .....	2.95	3.04	6.33	5.25
United Nations .....	2.02	2.76	4.21	4.09
Colombo Plan .....	.65	.28	.34	.71
Others .....	.28	—	1.78	.45
Reparations from Japan .....	10.80	21.92	33.04	59.82
Contributions to International				
Organizations .....	— 1.15	— 1.21	— 1.16	— .77
TOTAL .....	108.52	99.39	96.15	178.78



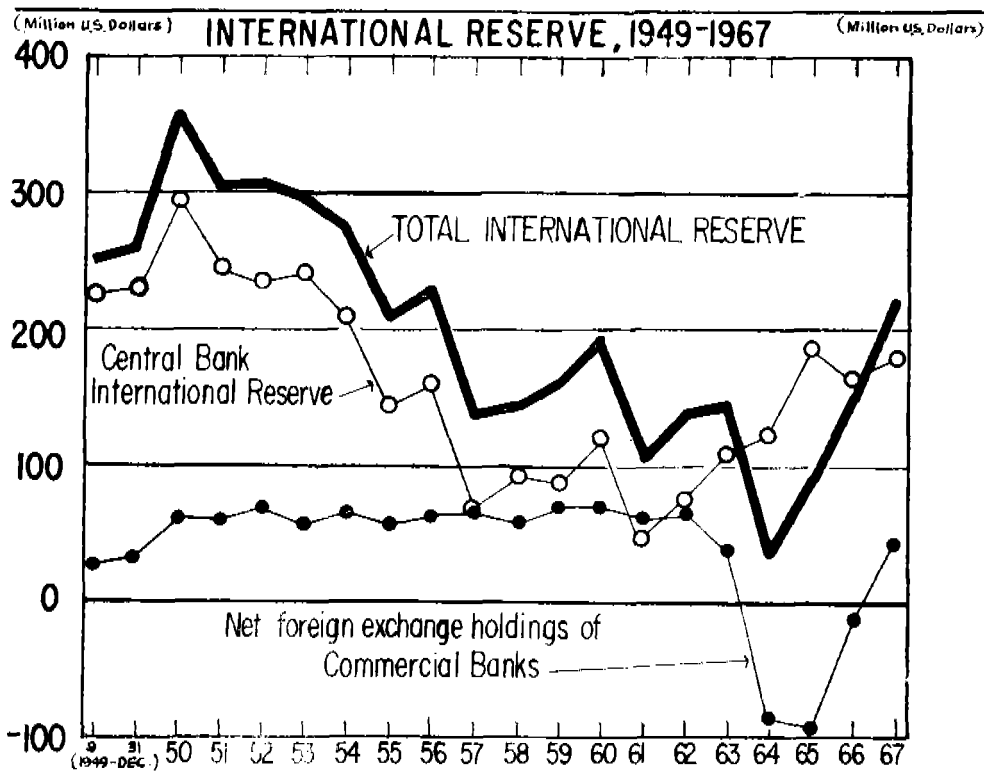
## F. FOREIGN EXCHANGE RESERVE

The international reserve rose sharply by 46 per cent to \$221 million at the end of 1967 from \$151 million at the beginning of the year. This was largely brought about by considerable compensatory borrowings from abroad, without which the international reserve would have dropped by \$65 million during the year.

### INTERNATIONAL RESERVE 1949-1967

(Million U.S. Dollars)

End of Period	International Reserve of the Central Bank	Net Foreign Exchange Hold- ings of Commer- cial Banks	Total
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	(14.77)	151.32
1967 .....	179.77	41.71	221.48



For the first five months, the international reserve movement was characterized by continuous downtrend, except for a temporary recovery in April. This was contrary to normal seasonal movements of the reserve as exports usually rise and imports level off during the first six months of the year. The trend, however, was reversed in June and July as the reserve rose to \$139 million and \$192 million, respectively, due to the payment of additional benefits to Filipino veterans by the U.S. government and to substantial borrowings from abroad. But because of the inability of private firms to obtain imports on credits on account of Circular 243, the reserve in August dropped to \$185 million. In the succeeding four months however, the international reserve rose by \$36 million to \$221 million by the end of 1967 partly due to drawings from the international Monetary Fund and additional borrowings from U.S. commercial banks.

The Central Bank reserve which amounted to \$166 million at the end of 1966 increased by \$14 million to \$180 million by the end of 1967. The improvement was reflected mainly in gold holdings which increased by \$17 million, nullifying declines in deposits with U.S. banks and other foreign exchange holdings.

The net foreign exchange holdings of commercial banks similarly reflected a substantial improvement from a negative \$15 million at the end of 1966 to a positive \$42 million by the end of 1967. This was brought about by an increase

of \$26 million in their foreign exchange assets coupled with a decrease of \$31 million in their foreign exchange liabilities which may be attributed largely to the effects of the June and October circulars.

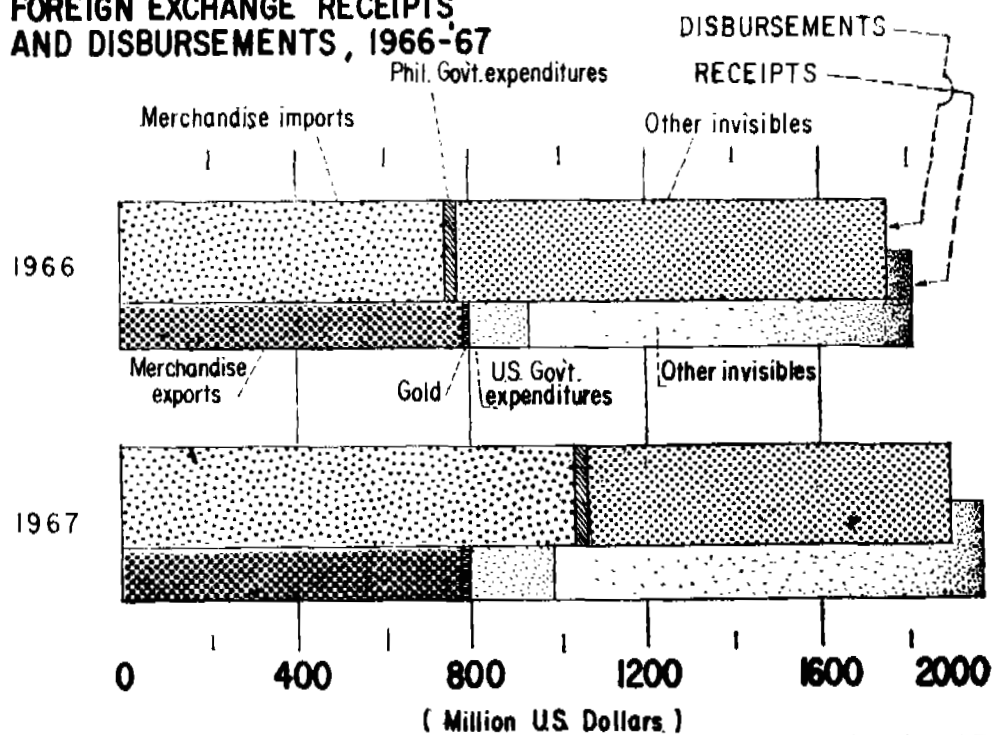
## FOREIGN EXCHANGE RECEIPTS AND DISBURSEMENTS

1966-1967

(Million U.S. Dollars)

I t e m	1967	1966	Per cent Increase (Decrease)
Receipts:			
Merchandise Exports c.i.f. ....	771.79	787.32	( 2.0)
G o l d .....	16.74	15.02	11.4
U.S. government expenditures .....	189.79	121.36	56.4
Other Invisibles .....	1,009.41	886.81	13.8
T o t a l .....	1,987.73	1,810.51	9.8
Disbursements:			
Merchandise Imports c.i.f. ....	1,040.73	733.13	42.0
Philippine government expenditures .....	24.69	21.95	12.5
Other Invisibles .....	852.61	992.44	(14.1)
T o t a l .....	1,918.03	1,747.52	9.8
Net Receipts (Disbursements) .....	69.70	62.99	

## FOREIGN EXCHANGE RECEIPTS AND DISBURSEMENTS, 1966-67



## G. FOREIGN EXCHANGE MARKET

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

Since November 6, 1965, the official par value of the Philippine peso has been fixed at ₱3.90 per U.S. \$1.00 (0.227864 gram of fine gold per peso), with commercial bank minimum and maximum spot rates established at ₱3.8610 and ₱3.9195, respectively, and minimum and maximum spot selling rates at ₱3.8805 and ₱3.9390, respectively. Exchange rates for 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 engages in forward exchange transactions (up to 90 days) with authorized agent banks to cover import and export transactions, at the interbank spot rate with fixed premiums.

### 2. *Behavior*

#### a) Spot

The foreign exchange rate of the peso depreciated in 1967 as demand for foreign exchange in the market tended to outrun supply. The interbank rate which was at a below-parity average of ₱3.898 in 1966 inched upward from ₱3.910 in January to ₱3.919 in December averaging ₱3.917 for the year. Except for a temporary dip in May when it averaged ₱3.910, the rate consistently rose to ₱3.915 in June and to ₱3.919 by end of the year.

Buying and selling rates of commercial banks which averaged ₱3.894 and ₱3.927, respectively, in 1967 were at comparatively higher levels compared to the averages of ₱3.888 (buying) and ₱3.905 (selling) in 1966. Buying rates gradually rose from ₱3.891 in January to ₱3.897 by the end of the year, and selling rates, from ₱3.920 to ₱3.930 during the same period. As a result of these developments in the market, the average spread between merchant buying and selling rates widened from the 1966 average of ₱0.017 to ₱0.033 in 1967.

#### b) Forward

Forward exchange transactions in 1967 were considerably less than last year's by about 53 per cent. The decline was mainly felt in the volume of purchases which dropped by about 2/3, averaging only \$6 million in contrast to last year's \$20 million. The volume of forward sales remained at about the same level, averaging \$11 million as compared to \$12 million last year. The high cost of futures as well as the absence of sharp and erratic fluctuations in the spot rate (mainly due to the Central Bank's readiness to support it) were responsible for the drop in the volume of transactions during 1967.

### 3. *Central Bank Intervention*

The extent of Central Bank intervention in the foreign exchange market in 1967 was not heavier than last year's but its position also changed from that of a net purchaser to a net seller. Sales of foreign exchange through the PNB amounted to \$371 million, averaging \$31 million a month in contrast to the slightly less than the \$4 million average for the previous year. Purchases similarly were at higher levels aggregating \$298 million or a monthly average of \$25 million, nearly four times as much as the \$7 million average for 1966. Thus, the Central Bank was a net seller in 1967 to the extent of \$72 million.

The unusually heavy sales of foreign exchange by the Central Bank, particularly during the second half of the year, were brought about by the sharp expansion in domestic credits which, coupled with increased government expenditures triggered off not only an excess demand for imports but also considerable speculation against the peso. Also, the issuance of Central Bank Circular No. 240 in June 1967 requiring commercial banks to maintain a balanced position between their foreign exchange assets and liabilities caused a further increase in the demand for foreign exchange as commercial banks purchased heavily to cover the deficiencies in their net foreign exchange position.

### 4. *The Peso in the Hongkong Market*

In the Hongkong exchange market, the Philippine peso-US dollar telegraphic transfer cross-rate fluctuated between ₱3.931 and ₱4.398, averaging ₱4.115 throughout the year, as compared to the 1966 average of ₱3.921. The Philippine peso was at its lowest in the free port in July, soon after the imposition of Circulars 240-244. However, a gradual recovery from August to December followed, and by end of 1967, the Philippine Peso-US dollar TT cross-rate stood at ₱4.199, the improvement also having been partly due to the abatement of speculative activity in Hongkong following the United Kingdom's decision to evaluate the pound in November 1967.

## V. PRODUCTION

### A. OVER-ALL

On the whole, the production picture for 1967 showed continued advances in the major sectors of the economy. However, the rates of growth in some sectors failed to match those recorded in the preceding year. Agriculture advanced by 3.9 per cent or barely half the 8.3 per cent growth rate in the previous crop year. Similarly, manufacturing (based on nine months figures) gained by 4.2 per cent as compared with 8.7 per cent in 1966. The mining industry, however, spurred by 13.7 per cent compared with the 9.5 per cent growth rate last year as both base metal and gold production established record increases.

### INDEX OF THE PHYSICAL VOLUME OF PRODUCTION

1966-1967

(1966 = 100)

I t e m	1967	1966	Per Cent Change
Agriculture <sup>1</sup> .....	158.1	152.1	3.9
Food crops .....	160.0	150.3	6.4
Export crops .....	153.3	156.6	-2.1
Mining <sup>2</sup> .....	189.0	166.2	13.7
Gold .....	119.4	108.2	10.4
Base metals .....	243.7	211.9	15.0
Manufacturing <sup>2</sup> .....	225.5 <sup>a</sup>	216.4 <sup>a</sup>	4.2
Non-durables .....	215.7	208.5	3.5
Durables .....	272.5	254.4	7.1

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

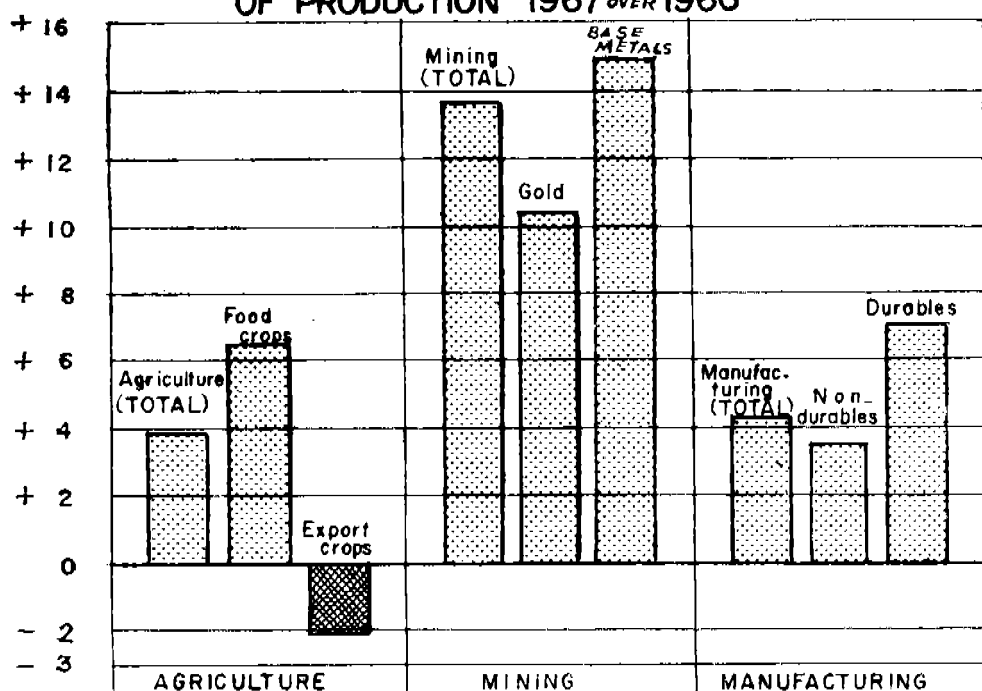
<sup>1</sup> Crop year (July 1-June 30).

<sup>2</sup> Calendar year.

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

In agriculture, the smaller increase in the production index was due to the fall in the output of major export products by 2.1 per cent in contrast to the 11.1 per cent increment in the previous crop year. Nevertheless, the gain in the country's agricultural output was larger than the 2.7 per cent average growth between 1963 and 1965 (crop years) and was still ahead of the estimated rate

# PER CENT CHANGES IN THE PHYSICAL VOLUME OF PRODUCTION 1967 OVER 1966



of increase in population. The production of food crops rose by 6.4 per cent, slightly off from the 7.2 per cent growth of the previous year. Production of palay increased by 2.3 per cent, barely improving on the 2.0 per cent growth in crop year 1966. The technical break-through of the "miracle rice" seeds did not affect materially the 1967 crop year but is expected to raise production of this cereal to around 8.3 per cent in crop year 1968. It might be mentioned that although the probable harvest area for crop year 1968 would be around 3,126 hectares as compared with 3,081 hectares in crop year 1967, this acreage planted to palay production would still be smaller than the area of 3,329 hectares in crop year 1959.

Output of the major export crops went down by 2.1 per cent principally due to lower export prices for copra, lumber and abaca during the crop year. In addition, the coconut regions were hit by typhoons, resulting in a severe loss of 25.0 per cent in coconut harvests. The bright spot among the export crops was sugar, whose production increased by 11.3 per cent in response to favorable prices and also to a marked improvement in yield per hectare.

Based on the first nine months figures, the manufacturing industry did not fare as well as in 1966. Non-durable manufacture went up by only 3.5 per cent or less than half the growth rate in 1966. Durable manufactures performed better with a 7.1 per cent increase, improving slightly on a 6.9 per cent growth last year.

The mining industry experienced its third consecutive good year as the base metals group increased its output by 15.0 per cent, a record high in almost a decade. Copper production led with a 23.8 per cent increase as the labor problems in the major copper producing countries and the intensified military operations in Vietnam boosted the demand for copper. Manganese ore also went up by nearly 50.0 per cent as compared with the gain of 12.3 per cent last year.

Gold production established a record peak. The 10.4 per cent advance in output was three times the 1966 rate and, except for 1964, was the highest in the last decade.

Contrary to its performance last year, the construction industry picked up in 1967. The easier credit situation as well as accelerated lending operations of the two government non-bank financial institutions brought the value of new construction (as based on permits issued) up to ₱510 million in 1967 or 35.6 per cent over the level in 1966. Following the same trend, real estate sales in Manila and suburbs went up by 30.9 per cent as compared with the 1.0 per cent gain last year. In the public utilities sector, electric power generated by the Manila Electric Company went up at a high rate of 11.3 per cent with sales rising by a higher 12.3 per cent. The completion of Pier 15 resulted in increased activities at the Port of Manila. Both the number of incoming vessels and their corresponding tonnage went up at much higher rates than in 1966. Similarly, the number of outgoing bottoms and their corresponding tonnage were up, in contrast to the decline last year. The Philippine National Railways, on the basis of the first three quarters figures, improved its performance in 1967 as revenues from both passenger and freight went up by 18.1 per cent compared with 7.8 per cent in the like period last year.

## B. AGRICULTURE

The slower growth rate of the agricultural sector of the country in crop year 1967 could be traced to the drop in the output of the major export products. On the other hand, production of food crops continued to increase at a fair rate (although slightly lower than in the preceding crop year) mainly due to the Government's intensified drive towards the attainment of food sufficiency. Production of the main cereal, rough rice, was given concentrated attention and based on the findings of the Subcommittee on Rice Production, the 1968 crop could reach a level of 8.3 per cent higher than in crop year 1967.

### 1. *Domestic Food Crops*

The production index for food crops went up from 150.3 to 160.0 (1955 = 100) in crop year 1967. The 1967 growth in food output, while below the 1966



expansion rate, more than doubled the 3.1 per cent average recorded between 1960 and 1965.

Despite the fractional decline in area planted during 1967, preliminary production figures for palay (rice paddy) amounting to 4,165.1 thousand metric tons showed an increase of 93 thousand metric tons or 2.3 per cent. Moreover, the latest estimate on palay output for crop year 1968 shows a much larger rate expansion, largely in response to the intensified use of high yield seeds, expanded irrigation facilities and wider fertilizer utilization.

Corn production continued to increase at 4.0 per cent to 1,435 thousand metric tons but failed to match the 5.1 per cent growth in the 1966 period. This might be attributed to the smaller increase of 2.9 per cent in area planted to corn as compared to the 9.5 per cent expansion in crop year 1966. Thus, the yield per hectare of corn rose by 1.0 per cent in crop year 1967 while there was a decline of 4.1 per cent in 1966.

Coffee and cacao production amounting to 48.9 thousand metric tons recovered in 1967, rising by 4.5 per cent to more than offset the 3.1 per cent decline in the previous year. This was attained in spite of the reduction in hectareage, as yield per hectare improved due to better plant care. Peanuts (unshelled) production estimated at 13.9 thousand metric tons went up by 1.5 per cent, which was slower than the 3.8 per cent gain obtained in 1966. Similarly, output of fruits and nuts amounting to 1,330.3 thousand metric tons during 1967 rose moderately by 1.3 per cent, followed by 1.1 per cent for beans and vegetables. On the other hand, production of root crops continued to decrease at a fractional 0.5 per cent in crop year 1967.

Meat and poultry products, another sector of high government priority, increased further to 432.1 thousand metric tons or 10.4 per cent over the preceding year's level although it failed to sustain the 27.2 per cent rate of 1966. The gain was attributed to the concerted efforts of the government and private sectors to improve production in this industry. From the Development Bank of the Philippines alone, the amount of loans released to poultry and swine raisers doubled between crop years 1966 and 1967. Fish production also attained a high level in 1967, reaching 778.0 thousand metric tons which was 10.3 per cent higher and twice the expansion rate in 1966. This again was partly in response to the Government's Fisheries Development Program which extended liberal assistance, financial and technical, to this industry in 1967.

# PRODUCTION OF FOOD CROPS

Crop Years 1966 and 1967

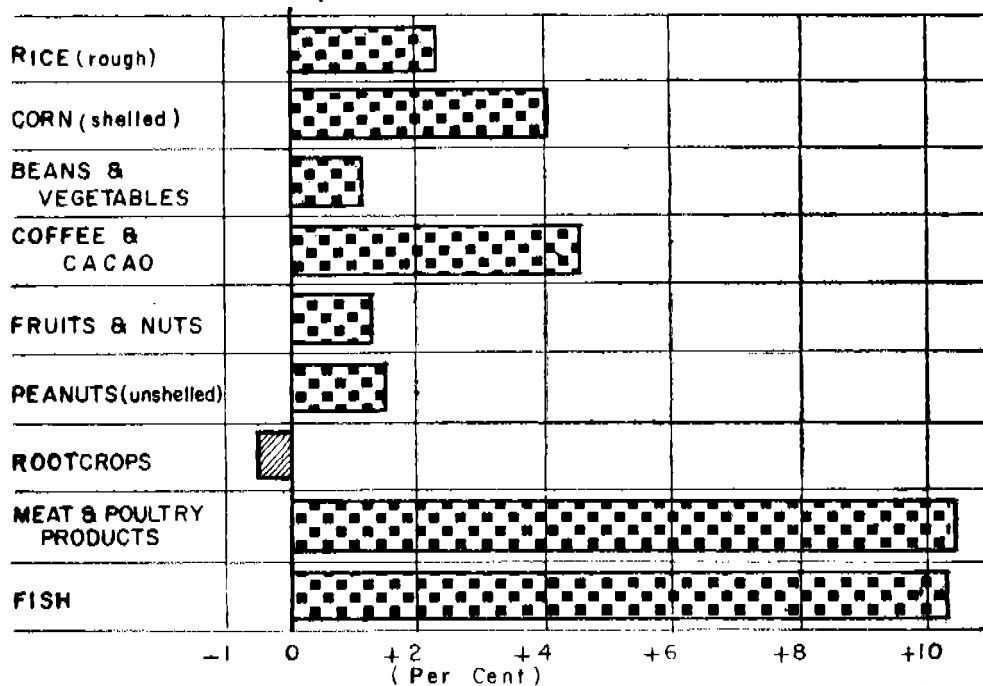
(Thousand Metric Tons)

P r o d u c t	1967 <sup>1</sup>	1966	Per Cent Change
Rice (rough) .....	4,165.1	4,072.6	2.3
Corn (shelled) .....	1,435.0	1,379.8	4.0
Beans and vegetables .....	251.5	248.8	1.1
Coffee and cacao .....	48.9	46.8	4.5
Fruits and nuts .....	1,330.3	1,313.2	1.3
Peanuts (unshelled) .....	13.9	13.7	1.5
Rootcrops .....	1,464.7	1,472.0	-0.5
Meat and poultry products .....	432.1	391.4	10.4
Fish <sup>1</sup> .....	778.0	705.3	10.3

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

<sup>1</sup> Calendar year

## PER CENT CHANGES IN THE PRODUCTION OF FOOD CROPS Crop Years 1967 OVER 1966



## 2. Major Export Crops

Lower export prices for copra, lumber and abaca as well as adverse weather conditions were responsible for the poor performance of the major export crops in 1967.

Copra production went down to 1,417.9 thousand metric tons, a decrease of 4.5 per cent following an estimated 25.0 per cent loss in coconut harvest due to the severe drought in Mindanao and the typhoons which hit the Visayas and Luzon coconut areas. During the period also, average world copra prices were 8.3 per cent lower than the 1966 level.

Average abaca prices were also lower by 9.4 per cent, thus inducing a fall in the production of this export product to 128.7 thousand metric tons or about 5.0 per cent, and a corresponding 3.0 per cent drop in hectareage. The over-all harvest of tobacco leaf was cut back by 14.1 per cent as the area planted to native tobacco declined by 4.2 per cent. No improvement in tobacco prices abroad was observed during the period. After a record gain of 30.0 per cent in crop year 1966, output of logs dropped to 3,325.4 million board feet, a reduction of 2.5 per cent as stricter implementation of the log export regulations was enforced in 1967. Going against the trends in the construction industry, lumber production was still on the downtrend, dropping to 322.2 million board feet or 18.9 per cent below the 1966 levels. However, this contraction was not as large as that registered during 1966 over 1965.

The only favorable development among the export commodities following higher prices abroad was the expansion of sugar output to 1,560.0 thousand metric tons or 11.3 per cent above the 1966 level. This was due also to a 13.5 per cent improvement in yield per hectare.

### PRODUCTION OF MAJOR EXPORT CROPS

Crop Years 1966 and 1967

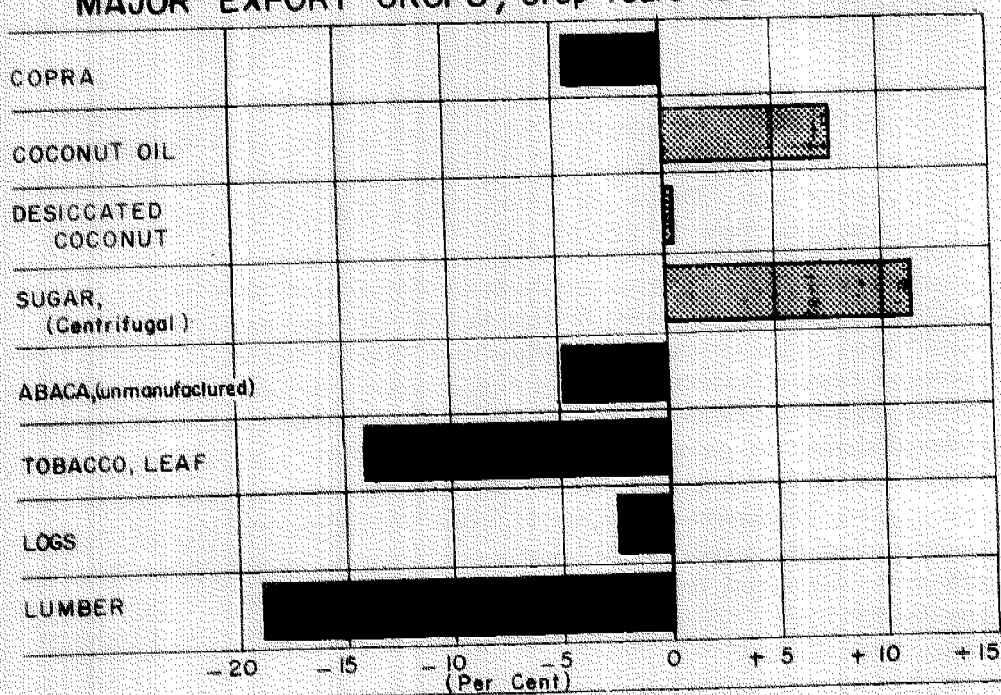
(Thousand metric tons)

P r o d u c t	1967 <sup>1</sup>	1966	Per Cent Change
Copra .....	1,417.9	1,484.7	— 4.5
Coconut oil <sup>1</sup> .....	490.0	455.0	7.7
Desiccated coconut .....	76.8	76.6	0.3
Sugar, centrifugal .....	1,560.0	1,402.0	11.3
Abaca, unmanufactured .....	128.7	135.3	— 4.9
Tobacco, leaf .....	49.9	58.1	—14.1
Logs (million board feet) .....	3,325.4	3,411.6	— 2.5
Lumber (million board feet) .....	322.2	397.1	—18.9

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

<sup>1</sup> Calendar year.

# PER CENT CHANGES IN THE PRODUCTION OF MAJOR EXPORT CROPS, Crop Years 1967 ~~over~~ 1966



## C. MANUFACTURING

The first nine months of 1967 manifested continued expansion in manufacturing production as the preliminary index (1955 = 100) moved up to 225.5 from 216.5 of the same period last year. However, stiffer competition from some manufactured consumer imports slowed down the performance of the manufacturing industry when compared to the gain registered in the previous year.

Production of non-durable goods in the first nine months of 1967 improved by 3.5 per cent over the level of the corresponding months of the preceding year with the volume index (1955 = 100) rising to 215.7. However, this gain originating largely from the heavy-weight industries like food, beverages and petroleum products was small when compared to the 9.1 per cent increase obtained in the January-September period of 1966. The expanded output of cocoa, chocolate, coffee, sugar and confectionery (7.2 per cent), processed meat products (13.9 per cent), and bakery products (11.3 per cent), mainly accounted for the 3.4 per cent increase in food manufactures which, however, was still smaller than the 5.6 per cent registered in the 1966 period. The beverage industry continued to expand by 4.1 per cent following increments in distilled spirits, soft drinks and especially beer with output rising by 4.5 per cent in contrast to the 3.9 per cent

decline in the 1966 period. Textile production, buoyed up by DBP refinancing, expanded markedly by 9.3 per cent during the period under review as compared to 1.6 per cent in 1966. Production of petroleum products, went up although at a slackened 16.5 per cent. Output of paper products, likewise, rose by 2.8 per cent as compared to the 3.6 per cent gain in 1966. On the other hand, the tobacco industry which registered an average gain of 16.3 per cent in the past three years suffered a loss of 5.7 per cent resulting from the cutback in production of Virginia-type cigarettes. Similarly, the chemical group slid by 2.0 per cent as compared to the 3.4 per cent gain observed in the preceding year, following reduced outputs of basic industrial chemicals and vegetable oils, particularly coconut oil. While output of the relatively less significant industries such as rubber leather products improved on their corresponding levels in 1966, footwear and wearing apparel, printing and miscellaneous non-durables experienced setbacks, ranging from 1.6 per cent to 11.0 per cent.

In the first nine months of 1967 the volume index of the durable sector rose to P2725, an increase of 7.1 per cent as compared with 6.9 per cent in the same period of 1966. The advance came mainly from big improvements in wood manufactures, furniture and fixtures, transport equipment, and electric machinery. Influenced by the large turnout of plywood and veneer, wood manufactures rose substantially by 43.0 per cent or nearly double the increase obtained during the 1966 period. Following the pick-up of the construction industry, furniture and fixtures production went up by 20.9 per cent, recovering from the 24.3 per cent decline registered between the 1965-66 period. The 1966 gain of 7.8 per cent in output of transport equipment was sustained during the period under review. The continuing high demand for appliances boosted the output of electric machinery by 28.9 per cent as compared with the 2.9 per cent gain in 1966. The non-electrical machinery group also expanded with output rising by 86.8 per cent over the previous year's level. In the miscellaneous durable group, gains in the production of musical instruments, buttons and pencils were responsible for the 39.5 per cent expansion during the period under review.

INDEX OF THE PHYSICAL VOLUME OF PRODUCTION  
IN MANUFACTURING  
January-September, 1966-1967  
(1955 = 100)

I t e m	January-September		Per Cent Change
	1967	1966	
Manufactures .....	225.5	216.4	4.2
Non-durable manufactures .....	215.7	208.5	3.5
Manufactured food products, except beverages .....	216.6	209.4	3.4
Beverages .....	250.7	240.8	4.1
Tobacco products .....	177.4	188.1	-5.7
Textiles <sup>1</sup> .....	373.5	341.7	9.3
Footwear, wearing apparel and other made-up textile goods .....	49.1	51.4	-4.5
Paper products .....	271.5	264.2	2.8
Printing, publishing and allied industries .....	79.4	80.7	-1.6
Leather products, except footwear .....	134.0	128.6	4.2
Rubber products <sup>2</sup> .....	313.9	258.5	21.4
Chemicals <sup>3</sup> .....	190.2	194.0	-2.0
Miscellaneous petroleum and coal products .....	227.7	195.4	16.5
Miscellaneous non-durable manufactures .....	96.1	107.9	-10.9
Durable manufactures .....	272.5	254.4	7.1
Wood and cork manufactures, except furniture and fixtures .....	271.3	189.7	43.0
Furniture and fixtures .....	144.6	119.6	20.9
Non-metallic mineral products .....	287.0	288.7	-0.6
Metal products, except machinery .....	351.4	356.0	-1.3
Machinery, except electrical machinery .....	203.4	108.9	86.9
Electrical machinery, equipment and supplies .....	423.0	328.2	28.9
Transport equipment .....	170.3	158.0	7.8
Miscellaneous durable manufactures .....	61.5	44.1	39.5

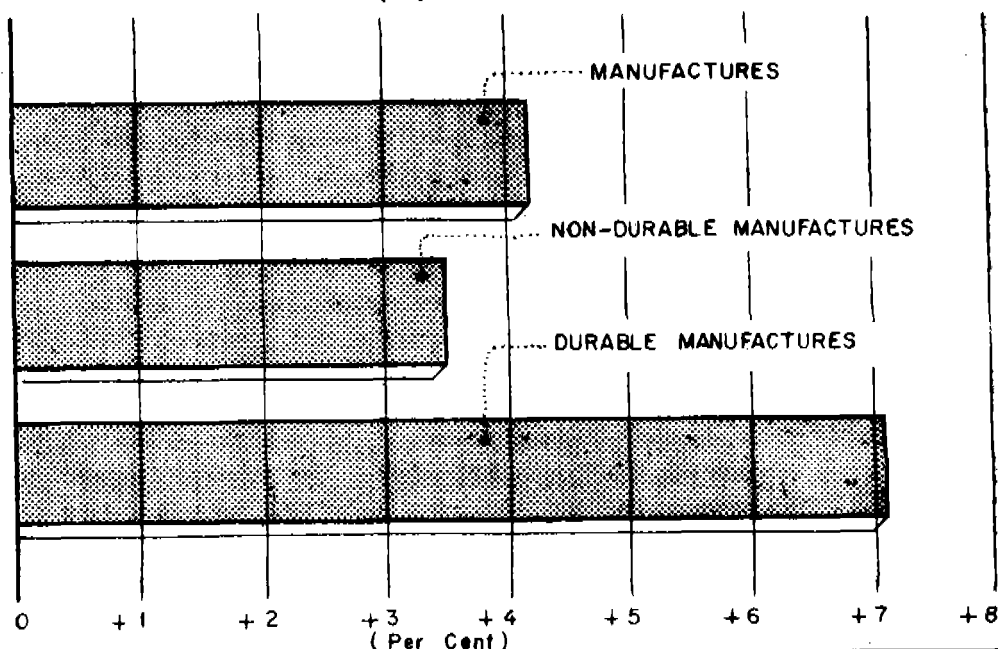
SOURCES OF BASIC DATA: Cooperative government agencies and private firms

<sup>1</sup> Includes floor covering.

<sup>2</sup> Includes rubber shoes.

<sup>3</sup> Includes fertilizers.

**PER CENT CHANGES IN THE PHYSICAL  
VOLUME OF PRODUCTION IN MANUFACTURING**  
Jan. - Sept., 1967/1966



#### D. MINING

The index of mining production in 1967 climbed to 189.0 (1955 = 100) from 166.2 in 1966. Brisker activities in base metal mines, particularly copper, coupled with government incentives such as the assistance to gold producers, largely accounted for the sizable gains in the production of the mining industry during the period.

In the base metals group, the volume index rose to 243.7 in 1967, an increase of 15.0 per cent, improving on the 12.1 per cent increase in the preceding year. This was also the highest yearly growth rate obtained in almost a decade. The increase in demand for copper — in view of labor problems in major copper-producing countries abroad as well as the continued military operations in Vietnam — brought about the installation of additional machinery in two large copper mines. This boosted copper production to 91,328 metric tons in 1967 or a 23.8 per cent increase as compared with the 17.6 per cent gain during 1966. Output of iron ore amounting to 1,506 thousand metric tons increased only moderately by 2.1 per cent despite determined efforts to overcome plant and other technical difficulties. Moreover, export prices of iron ore suffered a slight decrease during the period. The output of manganese ore spurted during

1967, rising to 86,483 metric tons or nearly 50.0 per cent as compared to the modest gain of 12.3 per cent last year. On the other hand, notwithstanding favorable prices, chromite production went down to 420 thousand metric tons during 1967 or about 25.0 per cent below the year-previous level.

In response to the recent and more or less indefinite extension of assistance to the gold industry as well as the brisk operations of copper mines producing gold as a by-product, output of gold expanded to 500,417 fine ounces during 1967 or more than 10.0 per cent above the 1966 level. This was three times the growth rate in 1966, and except for the large post-strike recovery in 1964, was the highest year-to-year gain registered in the last decade.

With the exception of zinc, which fell off by 6.1 per cent resulting largely from low ore recovery, production of minor metallic products improved also during 1967 as compared to 1966. Output of quicksilver rose to 2,544 flasks or 4.1 per cent, and lead went up to 95 metric tons or 3.3 per cent above previous year levels. Setback were noted, however, in the non-metallic group, particularly in coal and salt production. Reduced demands from coal consumers resulted in a 14.0 per cent drop in coal production, although this was less than the 20.0 per cent decline between 1965 and 1966. Typhoons that occurred during the latter part of 1967 reduced output of salt to 3,469 thousand sacks during the period or about 5.0 per cent below the 1966 production.

#### MINING PRODUCTION 1966 and 1967

Item	Unit of measure	1967	1966	Per Cent Change
Gold .....	Fine ounces	500,417	453,546	10.4
Silver .....	" "	1,396,268	1,162,889	20.1
Base Metals—				
Iron ore .....	Metric ton	1,506,376	1,475,187	2.1
Chromite ore .....	" "	419,753	560,110	-25.1
Copper (metal) .....	" "	91,328	73,757	23.8
Manganese ore .....	" "	86,483	58,124	48.8
Lead (metal) .....	" "	95	92	3.3
Zinc (metal) .....	" "	1,548	1,648	-6.1
Quicksilver (metal) .....	Flask	2,544	2,443	4.1
Non-metallics—				
Coal .....	Metric ton	64,798	75,324	-14.0
Sand and gravel .....	Cubic Meter	..	1,267,694	—
Salt .....	Cavan	3,469,120	3,653,700	-5.1
Silica .....	Metric ton	..	234,872	—

SOURCE OF BASIC DATA: Bureau of Mines



## E. CONSTRUCTION

The easier availability of credit in 1966 and throughout most of 1967 contributed to the recovery of private construction activity in the Philippines as gathered from the number and value of construction permits issued during the year for Manila and its suburbs as well as thirty-two chartered cities in the country. However, in Manila itself, the previous year's slump continued.

The total value of construction permits inclusive of additions, alterations and repairs rose by 35.6 per cent from ₱376.3 million to ₱510.1 million in 1967. Those issued for the suburbs around Manila aggregating ₱258.0 million or nearly 51.0 per cent of the total went up by 61.8 per cent. In Manila, however, construction permits with a total value of ₱95.5 million were almost 10.0 per cent lower than the level in the preceding year. In the 32 selected cities other than Manila, the building permits reached ₱156.6 million or a large increase of 41.0 per cent above 1966 levels.

Private construction activity for the period was characterized by a gain of 49.0 per cent in non-residential construction arising principally from increments of 122.6 per cent in the suburbs of Manila and 61.0 per cent in the other chartered cities. Residential construction increased by 27.6 per cent, reversing the 12.8 per cent decline in 1966. Similarly, in the addition, alteration and repair category, total permit valuation amounting to ₱47.6 million represented a 22.0 per cent gain over the previous year.

The resurgence in private construction activities was financed mainly by non-bank financial institutions and to a lesser extent by the banking system, although towards the end of the year the two big government financial institutions (GSIS and SSS) announced a new policy of cutting back on real estate housing loans of over ₱15,000.

NEW PRIVATE CONSTRUCTION ACTIVITIES IN MANILA,  
MANILA SUBURBS AND CHARTERED CITIES IN THE PHILIPPINES  
1966-1967

(Value in million pesos)

Location	Total			Residential			Non-residential			Addition, Alteration, & Repair		
	1967	1966	Per Cent Change	1967	1966	Per Cent Change	1967	1966	Per Cent Change	1967	1966	Per Cent Change
T O T A L .....	<u>510.1</u>	<u>376.3</u>	35.6	<u>212.9</u>	<u>166.8</u>	27.6	<u>249.5</u>	<u>167.4</u>	49.0	<u>47.6</u>	<u>39.0</u>	22.1
Manila .....	95.5	105.7	-9.7	26.3	25.7	2.3	49.2	62.1	-20.8	19.9	17.9	11.2
Manila Suburbs: ....	258.0	159.5	61.8	127.1	91.9	38.3	111.1	49.9	122.6	19.8	14.6	35.6
Other Chartered Cities: .....	156.6	111.1	40.9	59.5	49.2	20.9	89.2	55.4	61.0	7.9	6.5	21.5

SOURCES OF BASIC DATA: Bureau of Census and Statistics,

Department of Engineering and Public Works, City Engineer's Office, Manila

<sup>1</sup> Composed of the cities of Calabarzon, Quezon and Pasay and the municipalities of Makati, Mandaluyong, San Juan and Parañaque

<sup>2</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 1966, 1967

(Value in pesos)

Type of Construction	1 9 6 7		1 9 6 6		Per Cent Change	
	Number	Value	Number	Value	Number	Value
T o t a l .....	3,891	95,473,400	4,161	105,675,496	-6.5	-9.7
Residential .....	919	26,281,000	946	25,721,200	-2.9	2.2
Non-residential .....	368	49,248,000	390	62,065,600	-5.6	-20.7
Commercial .....	184	27,148,400	185	42,800,000	-0.5	-36.6
Industrial and Public Utility <sup>1</sup> .....	19	1,312,500	21	1,747,000	-9.5	-24.9
Institutional <sup>2</sup> .....	16	5,849,000	26	9,951,000	38.5	-41.2
Others <sup>3</sup> .....	149	14,938,100	158	7,567,600	-5.7	97.4
Addition, Alteration and Repair .....	2,604	19,944,400	2,825	17,885,696	-7.8	11.5

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

<sup>1</sup> Inclusive of factories, warehouses and plants.

<sup>2</sup> Inclusive of recreational, social, educational, charitable, religious, medical and other similar institutions.

<sup>3</sup> Inclusive of buildings not classified elsewhere.

## F. REAL ESTATE

During 1967, real estate transactions in Manila, suburban cities and municipalities picked up strongly with the growth of construction activity. In Manila, sales representing 28.4 per cent of the aggregate went up by 46.1 per cent as compared with the slight decline in the 1966 period. Similarly, sales in suburban Quezon City, Caloocan and Pasay City were up by 30.4 per cent to ₱170.9 million in 1967 while those in the surrounding municipalities comprising Malabon, Navotas, Makati, Mandaluyong and San Juan with the exception of Parañaque, increased by 19.3 per cent above 1966 levels.

Following this expansionary trend, mortgage registration in all areas, likewise, rose substantially during the period. The total amount reached ₱923.6 million, surpassing the 1966 volume by 60.2 per cent, and reversed the 12.0 per cent fall of the preceding year. Notwithstanding the decline in the Pasay area, new mortgages registered in Manila and suburban cities advanced by nearly 50.0 per cent while those in the surrounding municipalities, representing 31.7 per cent of the aggregate, almost doubled the 1966 figure.

## G. PUBLIC UTILITIES

### 1. *Electricity*

In 1967, the Manila Electric Company generated 3,832.1 million kilowatt-hours of electric energy, rising by a slightly lower rate of 11.3 per cent as compared to that in the preceding year. Sales, however, were able to sustain the 1966 12.3 per cent gain as the expanded requirements, particularly from the industrial sector, boosted sales of electricity to 3,431.4 million kilowatt-hours. This sector, which purchased 1,354.3 million kilowatt-hours or 39.5 per cent of total power sold during the period, hiked its use of electric power by 14.0 per cent in 1967 as compared to 11.0 per cent in 1966. Sales to the residential sector amounting to 959.3 million kilowatt-hours rose by 8.0 per cent as compared to 11.0 per cent in 1966. In the commercial category, sales reached 935.1 million kilowatt-hours during 1967 expanding by 13.4 per cent or almost at the same rate as that registered in the preceding year.

### 2. *Transportation*

With expanded harbor facilities following the completion of Pier 15, international shipping in the Port of Manila moved at an accelerated pace during the period under review. The number of incoming vessels totalling 2,311 and their corresponding tonnage amounting to 8,951,919 metric tons rose by 13.8 per cent and 10.6 per cent, respectively. This improved on the corresponding gains of 8.0 per cent and 7.7 per cent during 1966. Likewise, both the number of outgoing

₱22.6 million increased by ₱3.5 million or 18.1 per cent as compared with the bottoms and their corresponding tonnage rose by 13.0 per cent, reversing the average decline of 1.3 per cent posted in the 1966 period.

The operations of the Philippine National Railways continued to show improvements during the first nine months of 1967 over comparable levels in 1966. The aggregate revenues for both passenger and freight amounting to 7.8 per cent gain in the same period of the previous year. While the combined number of passengers carried in first and second class accommodation reached 7,270,416, rising by only 9.0 per cent as compared to 12.0 per cent in the 1966 period, the corresponding receipts amounting to ₱15.8 million went up by a higher 18.3 per cent during 1967. Similarly, freight car loading totalling 690,004 metric tons and the corresponding receipts of ₱6.9 million registered an increase of 3.3 per cent and 17.6 per cent, respectively, reversing the losses in the like period of 1966.

# PRODUCTION OF SELECTED COMMODITIES

Crop Years 1940; 1958-1967

(Thousand metric tons)

COMMODITY	1940	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967 <sup>a</sup>
Food products:											
Rice (rough) .....	2,363	3,304	3,685	3,740	3,705	3,910	3,967	3,843	3,993	4,073	4,165
Corn (shelled) .....	572	852	1,016	1,165	1,210	1,266	1,273	1,293	1,313	1,380	1,435
Beans and vegetables .....	116	243	239	228	208	230	214	228	242	249	252
Coffee (dry beans) .....	2	10	11	25	32	43	33	39	44	43	145
Cacao (dry beans) .....	0.5	2	2	3	4	3	3	4	4	4	3
Fruits and nuts .....	372	714	692	719	755	996	1,068	1,281	1,284	1,313	1,330
Peanuts (unshelled) .....	7	19	16	15	13	11	11	14	13	14	14
Root crops .....	615	1,330	1,340	1,412	1,445	1,334	1,360	1,553	1,537	1,472	1,465
Meat and poultry products .....	237	293	299	303	281	290	297	289	308	391	432
Fish .....	170	427	436	445	455	484	547	604	667	705	778
Other food crops .....	2	5	8	8	30	37	45	45	50	52	54
Export products:											
Abaca .....	172	125	111	95	115	116	128	134	134	135	129
Tobacco .....	32	50	52	64	60	70	68	65	46	58	50
Cocunut products:											
Copra .....	739	1,293	1,072	1,075	1,071	1,356	1,489	1,487	1,471	1,485	1,418
Desiccated coconut .....	41	56	50	42	59	63	67	63	63	77	77
Cocunut oil .....	213 <sup>a</sup>	225	194	165	170	281	356	381	388	455	490
Copra meal or cake .....	—	99	95	89	98	159	185	212	300	263	230
Sugar cane products:											
Sugar, centrifugal .....	647	1,250	1,372	1,387	1,317	1,468	1,555	1,684	1,557	1,402	1,546
Muscovado and panela .....	50	68	71	58	37	38	46	47	63	58	61
Kapok .....	3	3	3	3	2	2	2	1	2	2	2
Magney .....	7	2	3	2	2	2	2	2	3	3	3
Ramie .....	409	2	3	2	2	4	6	5	6	5	4
Rubber .....	0.9	3	2	3	4	5	5	5	6	6	7
Other export crops <sup>2</sup> .....	119	277	366	371	356	397	430	443	525	368	406

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

<sup>1</sup> Calendar year figure

<sup>2</sup> Inclusive of cotton and molasses, except the 1966 and 1967 data which consist of molasses only, cotton production being less than 0.1 thousand metric tons.

<sup>a</sup> 1937 figures

# ACTUAL AREA<sup>1</sup> UNDER CULTIVATION FOR PRINCIPAL CROPS Crop Years 1940, 1958-1967

(Thousand hectares)

Crop	1940	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
TOTAL	5,173	6,989	7,910	7,597	7,835	7,919	7,935	7,956	8,252	8,297	8,495
Food Crops	3,528	5,470	6,351	6,010	6,119	6,072	5,978	5,869	5,695	6,062	6,068
Rice (paddy)	2,080 <sup>a</sup>	3,154	3,329	3,307	3,198	3,179	3,161	3,088	3,209	3,109	3,081
Cocoa (chocolate)	913	1,381	2,107	1,846	2,046	2,016	1,950	1,898	1,923	2,106	2,167
Beans and vegetables	109	184	181	159	124	131	124	114	109	110	104
Coffee (dry beans)	7	23	26	31	39	50	42	42	44	46	35
Cacao (dry beans)	5	7	7	7	10	9	10	9	10	9	9
Fruits and nuts <sup>2</sup>	235	418	398	367	408	415	415	418	425	407	409
Root Crops	178	300	300	289	283	261	264	288	274	263	251
Other food crops	1	3	3	3	11	11	12	12	11	12	12
Export Crops	1,645	1,519	1,559	1,587	1,716	1,847	1,957	2,087	2,257	2,235	2,427
Abaca	292	193	193	175	175	183	182	210	199	198	192
Tobacco	58	85	91	96	91	101	97	96	76	86	82
Sugarcane	230	331	252	242	232	255	259	270	351	315	311
Coconut	1,051	996	1,006	1,059	1,200	1,284	1,392	1,482	1,605	1,611	1,820
Rubber	3	3	3	3	3	3	3	3	3	3	3
Manioc	8	2	4	3	3	3	3	3	3	3	3
Manne	0.4	2	2	2	2	3	3	3	3	3	3
Rubber	3	5	5	5	10	14	18	20	17	16	13
Other export crops <sup>3</sup>	...	3	4	2	0.6	0.8	0.1	0.1	0.1	0.1	0.1

SOURCE: OF BASIC DATA: Bureau of Agricultural Economics.

<sup>1</sup> Crop area harvested.

<sup>2</sup> Inclusive of peanuts.

<sup>3</sup> Cotton area.

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

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

CENTRAL SUGAR PRODUCTION BY DISTRICT  
1940; 1952-1967

(Production in Metric Tons)

Crop Year	T o t a l		Luzon District		Visayan District	
	No. of Centrals	Production	No. of Centrals	Production	No. of Centrals	Production
1940	..	947,067	..	..	..	..
1952	27	976,487	10	273,961	17	702,526
1953	25	1,028,447	9	259,763	16	768,684
1954	25	1,301,158	9	344,980	16	956,178
1955	25	1,244,119	9	350,781	16	893,338
1956	25	1,105,512	9	313,242	16	792,270
1957	25	1,036,870	9	313,502	16	723,367
1958	25	1,249,955	9	350,012	16	899,943
1959	25	1,371,820	9	332,115	16	1,039,705
1960	24	1,386,942	8	372,976	16	1,013,966
1961	24	1,316,737	8	314,422	16	1,002,315
1962	26	1,468,186	9	357,471	17	1,110,715
1963	25	1,554,830	9	427,792	16	1,127,038
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
1967	26	1,559,997	8	374,691	18	1,185,306

SOURCE OF BASIC DATA: Sugar Quota Administration



# MANUFACTURING PRODUCTION<sup>1</sup>, 1958-1967

(Thousand pesos)

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

Period	M a n u f a c t u r e s									
	N o n - f a b r i c a t e m a n u f a c t u r e s									
	Total	F o o d m a n u f a c t u r e s, e x c e p t b e v e r a g e s					C o o p a, c h o c o - M i s c e l l a n e o u s			
		Total	(Slaughtering, preparation and preserv- ing of meat)	Dairy products	Processed fruits and vegetables	Processed fish products	Bakery products	late, coffee, sugar and rations, n.e.s.	food prepa- rations, n.e.s.	
1958	1,948,324	1,590,214	277,524	3,844	26,471	22,213	1,500	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	2,069	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	695,026	10,238	70,477	60,410	2,133	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	3,256	35,395	145,652	548,568
1965	5,085,058	3,866,488	1,018,866	24,779	125,296	90,843	3,583	33,963	144,409	595,987
1966	5,706,400	4,395,877	1,123,773	28,340	163,248	88,455	6,695	35,085	189,977	620,923
1967 <sup>b</sup>	4,625,166	3,500,840	809,201	21,956	128,581	74,211	4,574	26,720	161,391	391,767

# MANUFACTURING PRODUCTION, 1958-1967 (Continued)

(Thousand pesos)

Period	B e v e r a g e s			Tobacco products	Textiles	Footwear, wearing apparel and made-up textile goods			
	Total	Distilled spirits, wines & malt liquors	Soft drinks			Total	Footwear, except rubber	Wearing apparel	Made-up textile goods
1958	164,110	90,131	73,979	265,267	178,798	44,301	15,157	25,871	3,274
1959	179,871	98,225	81,646	261,423	234,215	40,498	12,713	23,493	4,292
1960	200,107	109,098	91,009	258,605	293,477	40,816	13,114	23,547	4,155
1961	213,256	120,010	93,246	303,003	295,516	37,712	12,231	21,430	4,001
1962	244,054	150,963	93,091	287,107	352,239	40,222	11,256	20,242	8,724
1963	286,695	191,953	94,743	262,206	382,773	46,935	18,164	21,450	7,301
1964	226,147	220,697	106,050	343,893	398,426	53,851	18,100	26,261	9,429
1965	350,551	245,146	105,405	384,193	388,486	62,465	19,234	30,057	13,175
1966	392,812	263,283	129,529	484,259	663,315	67,063	18,493	34,539	14,030
1967 <sup>b</sup>	319,409	204,718	114,691	385,184	410,767	49,157	10,738	26,159	12,260

# MANUFACTURING PRODUCTION<sup>1</sup>, 1958-1967 (Continued)

(Thousand pesos)

Period	Paper Products			Printing, publishing and allied industries	Leather products, except footwear	Rubber products	Chemicals	Miscellaneous products of petroleum & coal	Miscellaneous non-durable manufactures
	Total	Pulp paper, paper board and wall board	Manufactured articles of paper and paper board						
1958 .....	60,582	22,988	37,594	17,870	4,037	69,112	319,618	a	188,993
1959 .....	83,224	34,928	48,296	14,934	5,841	90,366	411,917	a	196,424
1960 .....	103,522	35,329	68,193	12,890	5,733	107,975	423,729	a	214,914
1961 .....	98,035	39,305	58,730	16,024	5,408	131,472	487,582	a	398,134
1962 .....	112,027	46,018	66,009	14,359	5,764	127,949	528,919	a	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 .....	181,177	75,724	105,453	15,940	10,239	173,920	842,958	635,698	4,722
1967 <sup>b</sup> .....	143,496	57,971	85,525	11,135	8,234	122,098	678,442	560,436	3,279

# MANUFACTURING PRODUCTION<sup>1</sup>, 1958-1967 (Continued)

(Thousand pesos)

Period	D u r a b l e m a n u f a c t u r e s							
	Total	Wood and cork, except furniture and fixtures	Furniture and fixtures	Non-metallic mineral products, except products of petroleum and coal				
				Total	Clay and cement products	Concrete and stone products	Glassware and glass containers	Plate and sheet glass products
1958 .....	358,111	29,744	8,530	90,445	5,088	7,531	18,432	529
1959 .....	429,709	43,994	9,734	95,161	4,978	7,584	17,336	816
1960 .....	466,535	39,594	12,562	98,880	5,021	7,333	23,352	53,348
1961 .....	663,964	41,936	12,953	127,344	8,654	8,676	31,443	65,383
1962 .....	757,391	60,735	12,267	143,097	12,251	10,927	38,293	8,806
1963 .....	929,293	67,992	17,403	166,286	14,860	14,894	38,202	11,352
1964 .....	1,186,462	84,706	24,144	214,127	15,077	29,847	42,546	9,208
1965 .....	1,218,571	83,929	22,462	254,359	15,901	29,212	59,657	11,591
1966 .....	1,310,523	105,402	13,724	260,818	21,731	25,150	57,077	16,877
1967 <sup>b</sup> .....	1,124,326	97,075	16,461	228,579	13,409	31,414	50,473	11,688

# MANUFACTURING PRODUCTION<sup>1</sup>, 1958-1967 (Concluded)

(Thousand pesos)

P e r i o d	Non-metallic mineral products, except products of petro- leum and coal (Cont'd)		Metal products, except machinery	Machinery, except electrical machinery	Electrical ma- chinery, appara- tus, appliances and supplies	Transport equipment	Miscellaneous durable manufactures
	Limestone products	Non-metallic mineral products, n.e.s. <sup>2</sup>					
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	217,455	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 .....	2,509	6,046	429,452	19,404	184,066	282,442	15,215
1967 <sup>b</sup> .....	2,211	6,174	326,365	15,290	164,394	260,390	15,772

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

<sup>1</sup> Reported production of 1,131 firms for year 1958; 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, for 1966, 1,165 firms; and for 1967, 1,175 firms.

<sup>2</sup> Includes asbestos products.

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

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

## VI. EMPLOYMENT, WAGES AND GROSS SALES

### A. OVER-ALL

Based on the survey of the Bureau of the Census and Statistics, the nation's labor force stood at 13,274,000 in May, 1967, an extra-ordinary increase of 1,388,000<sup>a</sup> from the level of May, 1966. Employment also increased by 1,153,000 with both agricultural and non-agricultural employment registering gains. Notwithstanding this, unemployment still moved up by 235,000 as the new entrants to the labor force numbered more than those provided with employment during the period.

The non-agricultural employment index of the Central Bank for the whole year of 1967 supported the trend observed in the sample survey of the Bureau of the Census and Statistics although the total number employed in non-farm positions went up by less than 1 per cent, reversing the slight decrease of 0.7 per cent in 1966.

In terms of real wage rates skilled and unskilled laborers were not able to improve their positions. While their money wage rates went up by 4.7 per cent, prices of commodities and services bought by this wage-earner group went up at a faster pace, thereby depressing their real wage rates from their 1966 levels by 1.3 per cent. Average monthly earnings of both salaried employees and wage earners increased in 1967 but not at the rates of increase experienced in 1966. Average earnings of salaried employees increased by 1.8 per cent compared with 5.1 per cent last year while those of wage earners increased by only half the rate of growth of the previous year (5.9 per cent compared with 10.4 per cent).

Gross sales in 1967 increased by 11.4 per cent as compared with 7.8 per cent in 1966, reflecting the substantial liquidity in the economy as well as the increase in prices.

### B. EMPLOYMENT AND UNEMPLOYMENT

The latest household sample survey of the Division of Surveys, Bureau of the Census and Statistics indicated that over-all employment jumped by 1,153,000 to 12,185,000 from May, 1966 to May, 1967. This development was due mainly to the exceptionally large number of new entrants to the Philippine labor force totaling 1,388,000. Unemployment also increased to 1,089,000 in May, 1967 which represented 8.2 per cent of the total labor force.

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<sup>a</sup> The exceptionally large increase in the labor force was due to the unusual coincidence of the Survey Reference Week with a period where a majority of the nation's students were already on vacation and therefore were available and looking for work. Hence, comparison with last year's labor statistics cannot validly be made.

# LABOR FORCE AND EMPLOYMENT

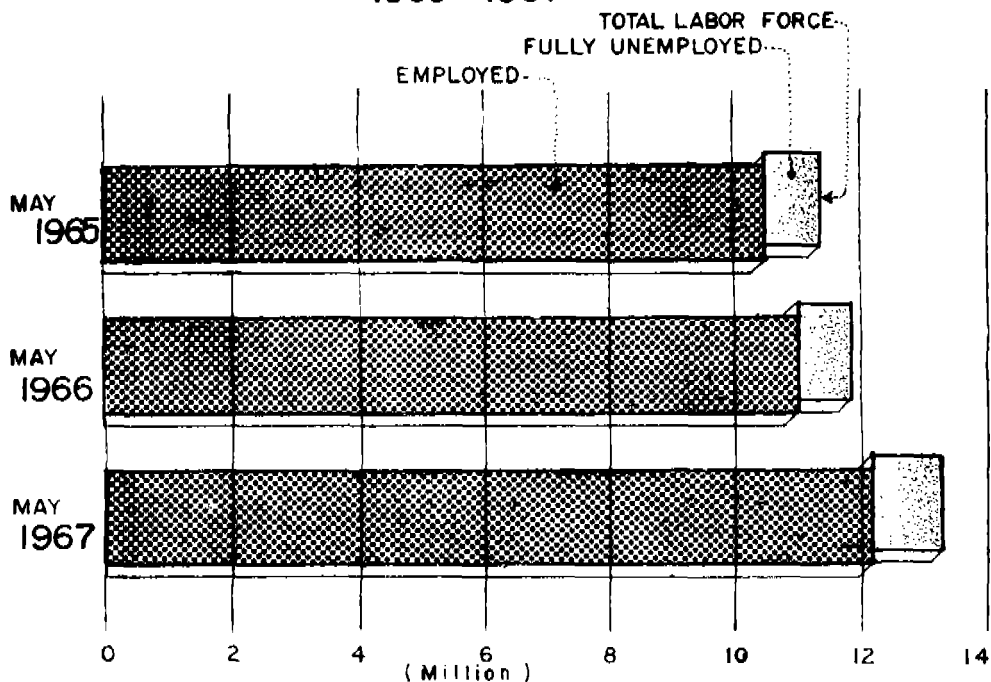
1965 — 1967

Labor Force Status	May 1965	May 1966	May 1967 p
Labor Force, thousands .....	11,491	11,886	13,274
Employed .....	10,543	11,032	12,185
(a) By industry:			
Agriculture .....	6,053	6,275	6,993
Non-Agriculture .....	4,491	4,757	5,192
(a) By degree of employment:			
Fully Employed .....	9,728	10,359	..
Under-Employed. <sup>1</sup> .....	815	673	..
Fully Unemployed .....	947	854	1,089
As Per Cent of Labor Force.			
Employed .....	91.8	92.8	91.8
Fully Unemployed .....	8.2	7.2	8.2

SOURCE: Bureau of the Census and Statistics

<sup>1</sup> Persons working less than 30 hours per week and who wanted additional work.

## LABOR FORCE AND EMPLOYMENT 1965 - 1967



## C. NON-AGRICULTURAL EMPLOYMENT

Non-agricultural employment in 1967, as gathered by the Central Bank from a sample of 1,289 cooperating non-agricultural establishments, went up by 0.6 per cent after dropping by 0.7 per cent in the previous year. There was increased hiring in most of the industry divisions, paced by public utilities and personal services. On the other hand, losses were observed in construction and commerce.

The public utilities sector reported additional hiring at a pace twice the rate in 1966. Personal services, likewise, hiked its employed force by 3.9 per cent. The transport & communication industry which laid off 1.1 per cent of its work force in 1966, registered a gain in employment of 1.4 per cent in the year under review. Manufacturing employment picked up by 1.3 per cent reversing the decline of about the same rate in 1966. Government and mining & quarrying reported nominal increases.

On the other hand, the slump in construction activities in Manila was reflected in a drop of 3.2 per cent in those employed in the construction industry (which included construction firms based mainly in the Manila area). Commerce which went down by 2.6 per cent last year, decline further by 2.4 per cent in 1967.

### INDEX OF NON-AGRICULTURAL EMPLOYMENT

1966 — 1967

(1955 = 100)

Industry Division	1967	1966	Per Cent Change
ALL ITEMS .....	136.6	135.8	+0.6
Mining & quarrying .....	85.3	84.7	+0.7
Manufacturing .....	127.2	125.6	+1.3
Construction .....	185.3	191.4	-3.2
Electricity, gas & heat, water & sanitary services .....	163.5	157.8	+3.6
Commerce .....	137.9	141.3	-2.4
Transport & communication .....	141.5	139.6	+1.4
Services .....	161.0	159.9	+0.7
Recreation <sup>1</sup> .....	102.4	101.1	+1.3
Personal .....	144.1	138.7	+3.9
Government <sup>2</sup> .....	164.4	163.3	+0.7

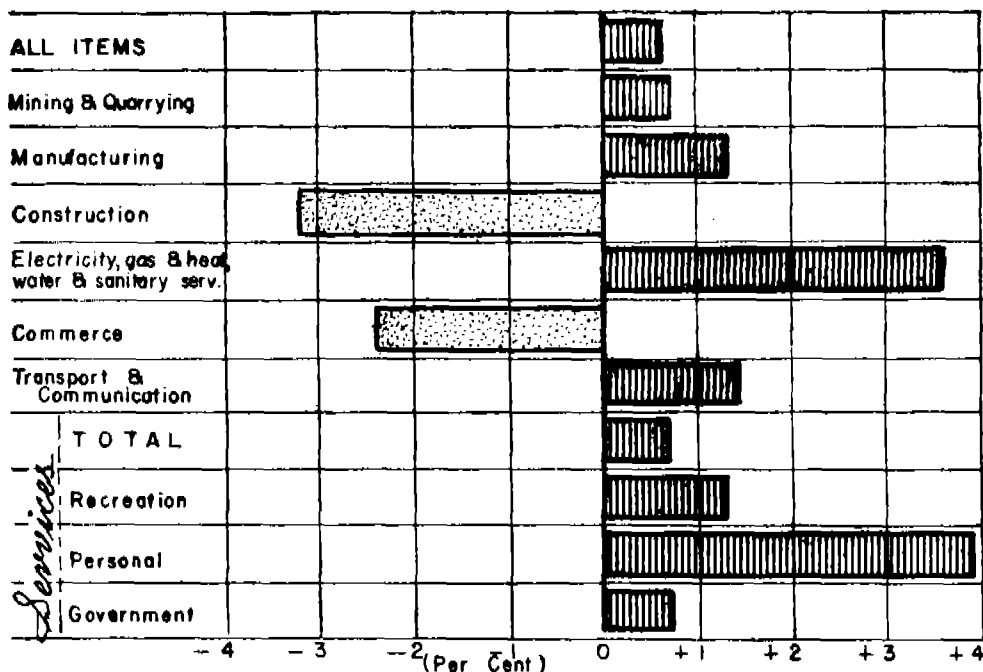
SOURCE OF BASIC DATA: 1,289 cooperating establishments

<sup>1</sup> Actors, actresses and other players in motion picture studios are not included.

<sup>2</sup> Covering 74 bureaus and offices.



## PERCENT CHANGES IN NON AGRICULTURAL EMPLOYMENT 1967/1966



### D. WAGE RATES

The average daily money wage rates of both skilled and unskilled laborers went up in 1967, registering identical increments of 4.7 per cent over their year-previous levels. These increases, however, were smaller than those of last year. Almost all the various classes of laborers (skilled and unskilled) enjoyed gains in money wages with the exception of cigar & cigarette makers who suffered a fractional loss of 0.7 per cent.

The rise in price levels, however, nullified the gains in money wages. The real wage rates of both skilled and unskilled workers reflected losses of 1.3 per cent.

WAGE RATES INDEX FOR NON-AGRICULTURAL LABORERS  
IN MANILA AND SUBURBS  
1966 — 1967

(1955 = 100)

W a g e   R a t e s	1967	1966	Per Cent Change
Money Wage Rates:			
Skilled laborers .....	125.7	120.1	+4.7
Unskilled laborers .....	137.6	131.4	+4.7
Real Wage Rates <sup>1</sup> :			
Skilled laborers .....	78.8	79.8	—1.3
Unskilled laborers .....	86.2	87.3	—1.3

SOURCE OF BASIC DATA: Private firms.

<sup>1</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.

## E. EARNINGS

Based on reports received from 787 business establishments, the average monthly earnings of salaried employees and wage earners continued their up-trend in 1967. The gains reported for the period under review, however, were 1.8 per cent for salaried employees and 5.9 per cent for wage earners, thus failing to sustain respectively the 5.1 per cent and 10.4 per cent gains of 1966.

The average monthly earnings index of salaried employees edged up to 145.1 (1955 = 100) from 142.6 a year ago. Responsible for the only slight gain was the loss suffered by salaried employees in the mining & quarrying industry of 6.2 per cent despite the gains observed in their production and employment. Gains in the take-home pay of salaried employees in public utilities (9.3 per cent), manufacturing (6.3 per cent), transport and communication (4.4 per cent) and commerce (0.1 per cent) barely offset the above loss.

Wage earners fared better than the salaried employees with the exception of those in transport & communication who suffered a loss of 1.0 per cent in their earnings. Wage earners in the mining & quarrying sector unlike the salaried co-employed enjoyed the biggest increase of 14.7 per cent, due principally to the amendment of the minimum wage law on June 13, 1966, which extended the law to cover workers in the mining industry, thus raising wages in the industry but not average salaries.

INDEX OF AVERAGE MONTHLY EARNINGS IN SELECTED  
NON-AGRICULTURAL INDUSTRIES IN THE PHILIPPINES  
1966-1967

(1955 = 100)

Industry Division	1967	1966	Per Cent Change
<b>All Workers:</b>			
Salaried employees <sup>1</sup> .....	145.1	142.6	+1.8
Wage earners .....	155.4	146.8	+5.9
<b>Mining &amp; Quarrying:</b>			
Salaried employees .....	133.0	141.8	-6.2
Wage earners .....	196.7	171.5	+14.7
<b>Manufacturing:</b>			
Salaried employees .....	152.8	143.8	+6.3
Wage earners .....	147.1	139.8	+5.2
<b>Electricity, gas &amp; heat, water &amp; sanitary services:</b>			
Salaried employees .....	148.7	136.0	+9.3
Wage earners .....	160.5	151.8	+5.7
<b>Commerce:</b>			
Salaried employees .....	144.7	144.5	+0.1
Wage earners .....	146.3	139.1	+5.2
<b>Transport &amp; communication:</b>			
Salaried employees .....	153.5	147.1	+4.4
Wage earners .....	133.9	135.2	-1.0

SOURCE OF BASIC DATA: 787 cooperating establishments.

<sup>1</sup> Salaried employees include executives and supervisors.

## F. GROSS SALES

In general, sales activity during 1967 as measured by the gross sales index followed the same trends observed in the other sectors of the economy. The over-all sales index moved up from 142.7 in 1966 to 159.0 or an increase of 11.4 per cent which exceeded the 7.8 per cent growth of 1966. The major factors contributing to expanded sales were the substantial increase in purchasing power in the economy as well as rising prices in almost all products sold.

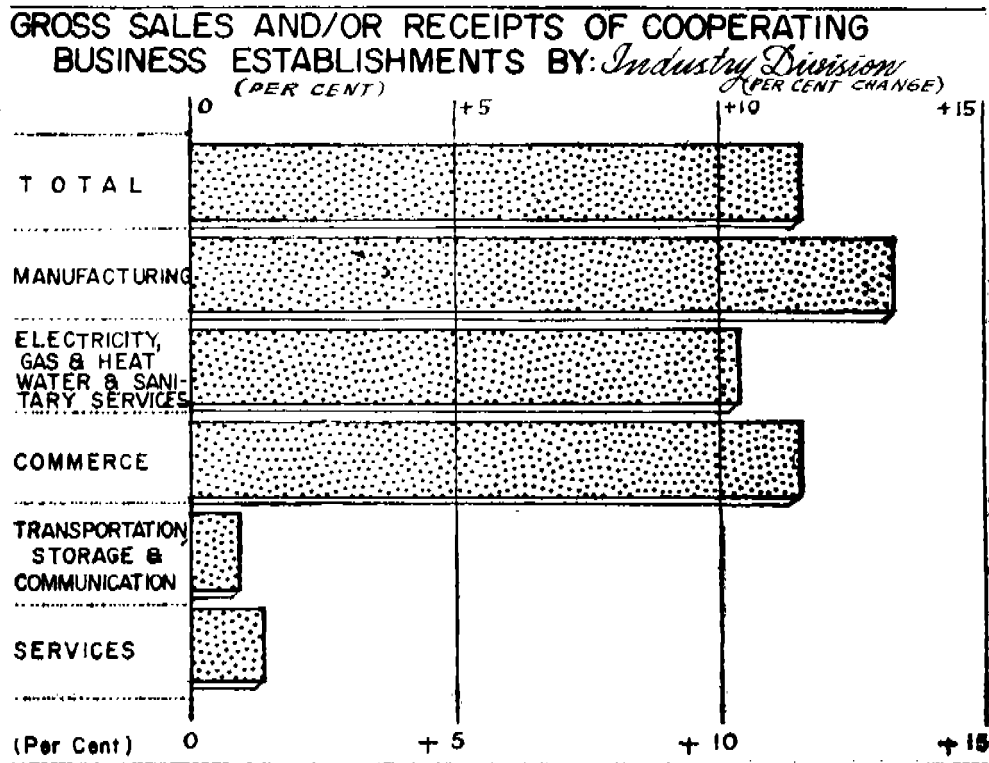
Among the five major industry divisions, manufacturing showed the biggest gain of 13.2 per cent. Among the groups in this sector, printing, publishing and allied businesses registered the largest increment of 43.6 per cent, followed by tobacco manufactures which increased by 22.6 per cent; manufacture of wood, cane and cork, by 22.1 per cent; manufacture of base metals, by 21.9 per cent; and manufacture of food, by 16.7 per cent. On the other hand, manufacture of furniture and fixtures and manufacture of machinery, except electrical machinery, suffered decreases of 17.7 per cent and 20.3 per cent, respectively.

All the food manufacturing industries showed expansion in sales, although higher prices of food accounted mainly for the large sales values. Big increases were especially noted in the preparation and preserving of meat and grain mill products which exhibited big increases of 23.4 per cent and 24.7 per cent, respectively. In the tobacco industry, contrary to production trends, companies manufacturing cigar and cigarettes enjoyed brisker business during the year under review signifying the probable reduction of inventories of these products. Newspapers, magazines and periodicals showed a marked increase of 85.0 per cent from the 1966 level which more than offset the decreases of the other businesses in the group.

Sales in the commerce division which included wholesale and retail trade rose by 11.4 per cent from the 1966 level. Most of the improvement in the wholesale level was registered in the sales of mineral metals and industrial chemicals, while on the retail level, pharmacies and drug stores were the pace setters. Increased receipts in electricity, gas and steam and water & sanitary services were registered during the year under review at 10.3 per cent.

In the transportation, storage and communications division, opposing trends were observed. While railway and air transport receipts improved partly due to train fare increases, other transport services pulled down the total for this group. Storage services reported a similar drop in their receipts. On the other hand, communications showed an increase of 18.1 per cent. The same develop-

ment was observed in the services division where all the various types of businesses suffered decreases with the exception of recreation services and laundry in personal services.



PER CENT CHANGE OF GROSS SALES AND OR RECEIPTS OF  
COOPERATING BUSINESS ESTABLISHMENTS BY  
INDUSTRY DIVISION

1967

(1962 = 100)

I t e m	1967	1966	Per Cent Change
T O T A L .....	159.0	142.7	11.4
1. MANUFACTURING .....	163.3	144.2	13.2
FOOD MANUFACTURING INDUSTRIES .....	159.2	136.4	16.7
Preparation & preserving of meat .....	361.8	293.2	23.4
Manufacture of dairy products .....	252.6	208.4	21.2
Canning & preserving of fruits & vegetables ....	63.5	53.5	18.7
Canning & preserving of fish other sea foods ..	104.0	93.5	11.2
Grain mill products .....	129.1	103.5	24.7
Bakery products .....	128.3	111.9	14.7
Sugar refineries & factories .....	113.2	117.4	( 3.6)
Cocoa, chocolate & sugar confectionery .....	146.7	143.8	2.0
Miscellaneous food preparation .....	162.4	151.8	7.0
BEVERAGE INDUSTRIES .....	184.7	176.2	4.8
Distilling, rectifying & blending of spirits .....	208.	216.4	( 3.5)
Breweries & the manufacture of malt .....	186.7	178.4	4.7
Soft drinks & carbonated water industries .....	173.2	158.4	9.3
TOBACCO MANUFACTURE .....	196.2	160.0	22.6
Cigar & cigarette factories .....	196.4	160.0	22.8
Leaf tobacco redrying & curing plants .....	164.5	164.5	—
Other tobacco manufactures, n.e.c. ....	126.4	99.9	26.5
MANUFACTURE OF TEXTILES .....	135.8	126.4	7.4
Spinning, weaving & finishing of textiles .....	153.3	137.3	11.7
Knitting mills .....	103.0	96.2	7.1
Cordage, rope, twine & net manufacture .....	120.1	130.8	( 8.2)
MANUFACTURE OF FOOTWEAR, OTHER WEARING APPAREL & MADE-UP TEXTILE .....	127.1	119.8	6.1
Footwear, except rubber shoes .....	93.6	94.4	( 0.8)
Wearing apparel, except footwear .....	119.2	116.8	2.1
Made-up textile goods .....	149.3	132.4	12.8
MANUFACTURE OF WOOD, CANE & CORK, EXCEPT MANUFACTURE OF FOOTWEAR .....	204.4	167.4	22.1
Sawmills, planing & other wood mills .....	179.2	171.4	4.6
Veneer & plywood factories .....	266.5	166.6	60.0
Window & door sash, frame & jalousie fty. ....	60.7	59.4	2.2
Other wood & cork manufactures, n.e.c. ....	55.8	37.4	49.2
MANUFACTURE OF FURNITURE & FIXTURE .....	82.0	99.6	( 17.7)
Rattan .....	95.7	138.0	(30.7)
Wood .....	112.7	100.8	11.8
Metal .....	112.5	125.8	(10.6)
Venetian Blinds & other window screens .....	53.5	87.2	(38.6)
Furniture & fixtures, n.e.c. ....	104.7	106.4	( 1.6)

PER CENT CHANGE OF GROSS SALES AND/OR RECEIPTS OF  
COOPERATING BUSINESS ESTABLISHMENTS BY  
INDUSTRY DIVISION  
(Continued)

I t e m	1967	1966	Per Cent Change
<b>MANUFACTURE OF PAPER &amp; PAPER PRO- DUCTS</b> .....	151.5	146.6	3.3
Pulp, paper & paperboard mills .....	135.8	132.3	2.6
Articles of pulp, paper & paperboard .....	162.0	156.1	3.8
<b>PRINTING, PUBLISHING &amp; ALLIED INDUS- TRIES</b> .....	177.0	123.3	43.6
Newspapers, magazines, periodicals .....	229.9	124.3	85.0
Commercial printing .....	134.5	140.2	( 4.1)
Bindery & blank book products factories .....	98.7	119.2	(17.2)
Printing, publishing, n.e.c. ....	91.2	83.2	9.6
<b>MANUFACTURE OF LEATHER &amp; FUR PRO- DUCTS</b> .....	127.0	131.1	( 3.1)
Tanneries & leather finishing plant .....	189.5	171.8	10.3
Leather bags, billfolds, etc. ....	84.4	86.2	( 2.1)
Other leather & fur products, n.e.c. ....	116.8	141.4	(17.4)
<b>MANUFACTURE OF RUBBER PRODUCTS</b> ....	127.6	123.5	3.3
Rubber shoe manufacturer .....	179.3	150.0	19.5
Tire & inner tube manufacturer .....	125.0	124.9	0.1
Retreading, recapping & vulcanizing plants.....	173.4	130.0	33.4
Rubber products, n.e.c. ....	125.0	106.5	17.4
<b>MANUFACTURE OF CHEMICAL &amp; CHEMICAL PRODUCTS</b> .....	166.8	145.4	14.7
Basic industrial chemicals .....	174.9	127.8	36.9
Paints, varnishes & lacquers .....	142.9	132.3	8.0
Miscellaneous chemicals products .....	173.4	153.6	12.9
<b>MANUFACTURE OF PRODUCTS OF PETRO- LEUM &amp; COAL</b> .....	135.8	130.3	4.2
<b>MANUFACTURE OF NON-METALLIC MINE- RAL PRODUCTS, EXCEPT PRODUCTS OF PETROLEUM &amp; COAL</b> .....	176.4	153.4	15.0
Structural clay products .....	119.4	108.8	9.7
Glass & glass products .....	169.7	134.0	26.6
Cement .....	187.3	169.5	10.5
Sculpturing .....	57.8	45.8	26.2
Non-metallic mineral products, n.e.c. ....	155.5	122.6	26.8
<b>BASIC METAL INDUSTRIES</b> .....	133.0	109.1	21.9
Iron & steel basic industries .....	163.9	119.1	37.6
Non-ferrous metal basic industries .....	94.2	86.1	9.4
<b>MANUFACTURE OF METAL PRODUCTS, EX- CEPT MACHINERY &amp; TRANSPORT EQUIPMENT</b> .....	163.0	157.7	3.4
Aluminum cans, tin cans & hollow ware .....	230.1	214.8	7.1
Cutlery, handtools & general hardware .....	190.3	312.7	(39.1)
Fabricated structural metal products .....	201.3	143.6	42.2
Metal stamping, coating & engraving .....	97.3	87.0	11.8
Fabricated wire products .....	114.5	116.0	( 1.3)
Miscellaneous fabricated metal products .....	102.0	140.6	(27.5)
Blacksmithing & welding .....	77.1	117.6	(34.4)
Other metal products, n.e.c. ....	140.5	147.4	( 4.7)

PER CENT CHANGE OF GROSS SALES AND/OR RECEIPTS OF  
COOPERATING BUSINESS ESTABLISHMENTS BY INDUSTRY  
DIVISION (Continued)

I t e m	1967	1966	Per Cent Change
MANUFACTURE OF MACHINERY, EXCEPT ELECTRICAL MACHINERY .....	131.2	164.6	(20.3)
Assembly & repair of tractors & farm machi- nery .....	100.9	77.9	29.5
Assembly & repair of industrial machinery ....	135.9	84.3	61.2
Assembly & repair of office machinery, except electrical machinery .....	134.9	184.0	(26.7)
MANUFACTURE OF ELECTRICAL MACHI- NERY, APPARATUS, APPLIANCES & SUP- PLIES .....	189.9	165.0	15.1
Electrical transmission & distribution equipment .....	104.4	118.8	(12.1)
Dry cell & storage batteries .....	264.4	225.8	17.1
Electrical lamps .....	129.5	119.4	8.5
Radio & television receiving sets & parts .....	87.4	86.1	1.5
Other electrical household, office supplies, n.e.c. ....	224.7	188.1	19.5
MANUFACTURE OF TRANSPORT EQUIP- MENT .....	204.8	180.7	13.3
Shipbuilding & repairing .....	27.1	27.8	( 2.5)
Motor vehicles .....	214.3	193.1	11.0
Repair of motor vehicles .....	142.7	109.8	30.0
Motor cycles & bicycles .....	44.4	46.2	( 3.9)
MISCELLANEOUS MANUFACTURING INDUS- TRIES .....	92.9	91.0	2.1
Professional, scientific measuring & control ins- truments .....	299.2	240.1	24.6
Photographic, optical goods, etc. ....	69.6	71.5	( 2.7)
Jewelry & related articles .....	102.0	94.2	8.3
Musical instruments .....	149.0	134.3	10.9
Plastic products, except wearing apparel .....	108.1	102.1	5.9
Button factories .....	77.5	113.2	(31.5)
Miscellaneous manufactures, n.e.c. ....	63.7	68.4	( 6.9)
2. ELECTRICITY, GAS & HEAT, WATER & SANITARY SERVICES .....	189.8	172.0	10.3
Electricity, gas & steam .....	194.4	176.7	10.0
Electric light & power .....	198.9	179.6	10.7
Gas mfr. & distribution .....	150.1	148.0	1.4
Water and sanitary services .....	164.4	145.4	13.1
3. COMMERCE .....	146.2	131.2	11.4
WHOLESALE .....	150.2	134.2	11.9
Medicinal & pharmaceutical preparations .....	86.7	77.8	11.4
Agricultural raw materials .....	74.3	79.8	( 6.9)
Mineral, metal & industrial chemicals .....	123.9	101.0	22.7
Lumber, construction materials .....	141.0	131.2	7.5
Industrial, commercial & agricultural machinery, Copra & coconut products .....	165.3	146.9	12.5
Petroleum & other mineral oil products .....	103.3	91.7	12.6
Dry goods, textiles .....	167.7	147.6	13.6
Food, beverage & tobacco .....	102.7	106.3	( 3.4)
Wholesale trade, msd. broker, n.e.c. ....	137.7	127.8	7.7
Wholesale trade, msd. broker, n.e.c. ....	136.8	133.6	2.4



PER CENT CHANGE OF GROSS SALES AND/OR RECEIPTS OF  
COOPERATING BUSINESS ESTABLISHMENTS BY INDUSTRY  
DIVISION (Concluded)

I t e m	1967	1966	Per Cent Change
RETAIL .....	134.2	122.2	9.8
Grocery & other food liquor stores .....	98.9	91.2	8.4
Pharmacies & drug store .....	234.2	178.7	31.1
Dry goods, apparel & footwear store .....	90.6	86.2	5.1
Furniture & home furnishings .....	26.7	24.6	8.3
Hardware stores .....	143.7	131.1	9.6
Motor vehicles & motor cycles .....	113.4	116.6	( 2.7)
Department & variety stores .....	103.9	100.8	3.1
Retail trades, n.e.c. ....	152.4	147.4	3.4
4. TRANSPORTATION, STORAGE & COMMUNIC- ICATION .....	201.7	199.9	0.9
TRANSPORT .....	188.0	193.7	( 2.9)
Railway transport .....	91.4	79.3	15.3
Omnibus operators .....	115.5	114.6	0.8
Road passenger transport, except omnibus operators .....	60.0	65.4	( 8.3)
Road transport, n.e.c. ....	85.1	135.9	(37.4)
Ocean transport .....	259.5	283.0	( 8.3)
Water transport .....	135.8	181.0	(25.0)
Air transport .....	210.2	206.0	2.0
Services incidental to transport .....	183.0	194.6	( 6.0)
Transport, n.e.c. ....	301.0	254.4	18.3
STORAGE AND WAREHOUSING .....	116.0	131.9	(12.1)
Bonded warehouse .....	129.2	139.2	( 7.2)
Cold storage .....	108.1	123.6	(12.5)
COMMUNICATION .....	294.4	249.2	18.1
Telephone .....	337.3	278.1	21.3
Other communications, n.e.s. ....	230.4	189.2	21.8
5. SERVICES .....	126.0	124.4	1.3
RECREATION SERVICES .....	92.1	90.4	1.9
Motion picture production, dist. & proj. ....	84.3	82.2	2.6
Theaters & related services .....	99.1	97.7	1.4
PERSONAL SERVICES .....	159.6	158.2	( 0.9)
Restaurants, cafes, taverns .....	157.4	158.1	( 0.4)
Hotel, rooming houses, camps .....	245.0	272.1	(10.0)
Laundries & laundry services .....	150.9	135.6	11.3
Barber & beauty shops .....	74.4	87.6	(15.1)
Portrait & commercial photographic studios ....	90.9	92.8	( 2.0)
Personal services, n.e.c. ....	161.2	144.3	11.7

## VII. PRICES

### A. OVER-ALL PRICE DEVELOPMENTS

On the average, consumer, retail and wholesale prices during the year 1967 were all above their respective levels prevailing as of the year previous. Consumer prices throughout the nation were 5.9 per cent higher, retail items in Manila 4.8 per cent, and Manila wholesale prices 4.7 per cent.

Month to month movements of all the general price indices followed essentially the same pattern during 1967: a January figure which was higher than December 1966, continued uptrend in February, a slackening in March touching bottom by April (except wholesale prices where the trough was during March and April 1967), then working upward again to reach a peak by the months of November (retail, Manila) and December (consumer, Philippines and wholesale, Manila). The increase from January to December 1967 for consumer prices in the Philippines was 4.7 per cent; for retail prices in Manila, 5.3 per cent; and for Manila wholesale prices, 8.5 per cent.

The major factor which caused the uptrend during the year 1967 was a carry-over from the past years, namely, the rising cost of food. The next important influences were the strong gains made by prices of export products which affected both the export and the domestic markets.

On the monetary demand side, notwithstanding peak levels in money supply during 1966 and continued high levels in 1967, price expansion in 1967 was contained within more moderate limits owing to the outflow of foreign exchange to finance huge inflow of imports. The heavy importations following the accumulation of liquid funds in the economy apparently partially deflected the impact of inflationary demand and prevented a higher and more widespread movement of prices, specially during the first three quarters of 1967. In some instances, these commodity inflows might have made possible a lowering of costs of selected imported goods.

An additional indication of the deflected impact of the monetary expansion on the economy was the behavior of the stock market. For a market which had easier access to liquid funds, movements in stock prices from January to June, 1967 were bearish compared to averages of both the preceding and year-previous semesters. After the June 1967 credit restraint circulars, stock prices again displayed an opposite reaction fed by speculations regarding the possible devaluation of the peso in view of foreign exchange difficulties and, latterly, the devaluation of the English pound and currencies of other countries. Taken as a whole, however, the price decline during the first half tempered the increase for the whole year to only 1.8 per cent.

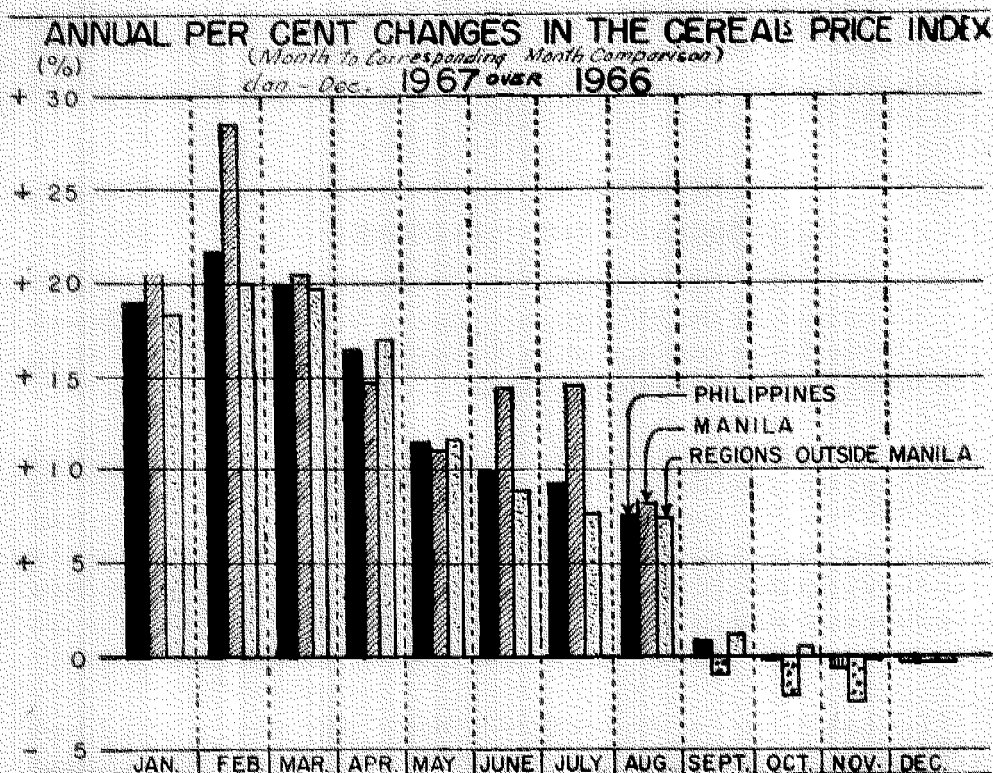
The price problem, in short, continued to be traceable (given the outflow of foreign exchange) to the related difficulties of adequate supply and distribution of foodstuffs — cereals, meat, fish and vegetables. Production perennially seemed to fall short of rapidly expanded demand, further aggravated by an inefficient distribution system and damaging weather.

## B. CONSUMER PRICES IN THE PHILIPPINES

The increase in the 1967 consumer prices in the Philippines was brought about by the 5.9 per cent mark-up in Regions Outside Manila and the 5.7 per cent increase in consumer prices in Manila.

Food prices paced the uptrend. For Regions Outside Manila, food items cost 8.3 per cent more during this period while Manila consumers paid an extra 8 per cent over last year's prices. All food items demanded higher prices with the exception of eggs and milk in Manila. Prices of vegetables in Regions Outside Manila reported the largest increase followed by prices of fish, cereals, fruits, miscellaneous food, meat, and eggs and milk. The price rise hierarchy in Manila was vegetables, fish, cereals, fruits, meat and miscellaneous food.

For both Manila and Regions Outside Manila, peak prices at critical levels were reached by cereals during the month of February, 1967 when prices of cereals in Manila were 29 per cent above those of February of 1966 while those in Regions Outside Manila averaged a 20 per cent increase. Spurred by this crisis, the RCA intensified its selling activities which immediately forced a general lowering of cereal prices in the country during the months of March and April. In addition, the government resorted to heavy importations of rice to preclude an impending rice crisis. Simultaneously, there were more vigorous follow-ups to the governmental activities under the Rice Program such as road building, irrigation, agricultural extension work, farm loan, community development and implementation of coordinated programs of production like those involving the RCPCC (Rice and Corn Production Coordinating Council) which promoted the extensive use of high yielding rice seeds. The bountiful crop of "miracle rice" which was harvested shortly thereafter — starting July 1967 — exceeded even the most optimistic anticipations, so that the problem turned about from one of shortage in February 1967 to the problem of purchasing and storing the heavy harvests throughout the nation's "miracle rice" growing regions by September 1967. From September to the end of 1967, prices of cereals in Manila were lower than the prices prevailing during the corresponding months of 1966. For Regions Outside Manila, prices for the months of September and October were still higher than those of a year previous though only by 1 and 3/10 per cent, respectively. By November and December, 1967, the levels became slightly lower than those of the corresponding months of 1966.



**PHILIPPINES: ANNUAL PER CENT CHANGES IN THE CEREALS PRICE INDEX**

(Month to Corresponding Month Comparison)

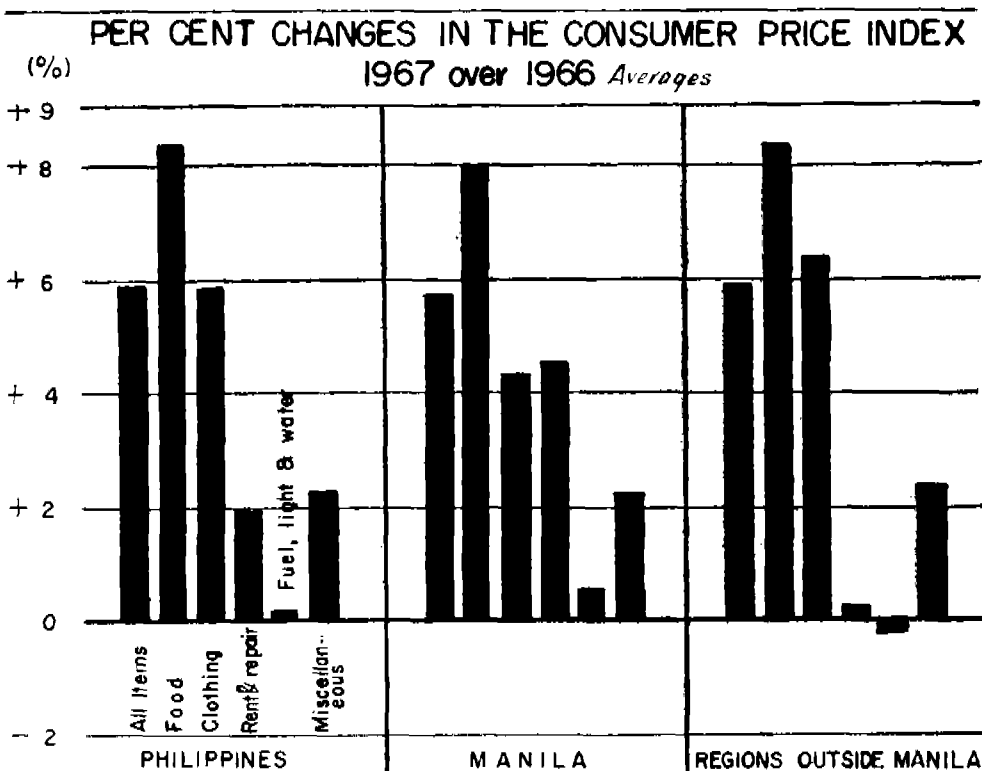
January to December 1966 and 1967

PERIOD 1967 OVER 1966	Philippines	Manila	Regions Outside Manila
January .....	18.8	20.7	18.3
February .....	21.7	28.6	20.0
March .....	19.8	20.3	19.7
April .....	16.4	14.6	16.9
May .....	11.4	11.1	11.6
June .....	9.8	14.2	8.7
July .....	8.9	14.3	7.4
August .....	7.3	7.9	7.1
September .....	0.7	- 1.0	1.1
October .....	- 0.2	- 2.2	0.3
November .....	- 0.7	- 2.5	- 0.1
December .....	- 0.2	- 0.2	- 0.2

# PHILIPPINES: PER CENT CHANGES IN THE CONSUMER PRICE INDEX

1967 over 1966 Averages

REGION	All Items	Food	Clothing	Rent & Repair	Fuel-Light-Water	Miscellaneous
Philippines .....	5.9	8.3	5.8	1.9	0.1	2.2
Manila .....	5.7	8.0	4.3	4.5	0.5	2.2
Regions Outside Manila .....	5.9	8.3	6.3	0.2	-0.2	2.3
I. Ilocos .....	8.0	11.3	4.9	0.1	2.2	2.8
II. Cagayan .....	2.9	5.6	2.2	0.1	0.4	-0.8
III. Central Luzon .....	6.2	9.2	3.1	—	-1.9	1.6
IV. Southern Tagalog .....	4.7	8.2	2.8	0.2	-1.9	-0.7
V. Bicol .....	6.5	4.9	8.1	0.5	11.2	10.0
VI. Western Visayas .....	9.0	14.2	4.6	0.3	1.8	3.6
VII. Eastern Visayas .....	4.9	7.4	14.1	0.1	-5.9	-0.8
VIII. Southwestern Mindanao ....	3.4	1.5	14.7	0.4	-2.3	5.2
IX. Northeastern Mindanao ....	4.7	5.5	6.3	-0.1	1.9	3.5



Increased consumer prices during 1967 were observed also in the clothing group and for Manila, there were further higher costs of housing, education and services.

Higher prices for clothing have been attributed to higher labor costs and to stricter application of taxes and levies at the customs area both for raw materials and finished textiles (remnants). Higher rents were explained by the continuing influx of population into the Manila area, higher construction and maintenance costs as well as higher real estate values, which increased acquisition costs for new housing, and higher real estate taxes for both old and new dwellings. Increased tuition fees and costs of school supplies accounted for the higher cost of sending children to school. Prices of services followed the uptrend, largely as a result of the increase in the cost of living.

### PHILIPPINES: PER CENT CHANGES IN THE CONSUMER FOOD PRICE INDEX

1967 over 1966 Averages

I T E M	Philippines	Manila	Regions Outside Manila
ALL ITEMS .....	8.3	8.0	8.3
C e r e a l s .....	8.9	9.5	8.7
F i s h .....	11.8	11.8	11.7
M e a t .....	3.2	2.9	3.2
Vegetables .....	21.1	22.2	20.5
Fruits & Nuts .....	6.5	6.1	6.7
Eggs & Milk .....	1.4	— 0.7	2.7
Fats & Oils .....	0.5	0.8	0.3
Miscellaneous .....	5.6	2.9	6.6

### C. RETAIL PRICES IN MANILA

The same pressures that applied to consumer prices held true in the retail sector. Food and clothing showed the largest rates of increases. Only the drugs & Medicine group showed a price decrease during the period.

Prices of domestic items were 6.3 per cent above year-previous levels because of the general uptrend in retail prices of domestic foods, clothing, construction materials, fuel, school supplies, and household supplies & equipment.

Imported retail items, on the other hand, reflected an average price decline of 1/5 per cent as a result of lower prices for imported canned milk and imported cigarettes. The latter were practically being edged out by the less expensive domestic variety of the same brands.

# MANILA: PER CENT CHANGES IN THE RETAIL PRICE INDEX OF SELECTED COMMODITIES

1967 over 1966 Averages

I T E M	Percentage Change
ALL ITEMS .....	4.8
F o o d .....	7.7
Wearing apparel .....	3.8
Construction materials .....	1.1
F u e l .....	0.5
Drugs & medicine .....	-2.3
School supplies .....	2.5
Beverages & tobacco .....	—
Household supplies & equipment .....	0.9
Domestic Items .....	6.3
Imported Items .....	-0.2

## D. WHOLESALE PRICES IN MANILA

All groups in the wholesale price index showed higher prices. The most dominant pressure came from the heavily-weighted food group which averaged a 5.2 per cent price increase during the period. Exports came up with a larger 9.4 per cent rise in prices compared to locally produced home-consumed products which registered a lower 4.8 per cent increase.

Major export products in Manila made a higher price showing during the 1967 period in relation to 1966 levels. Only abaca (which lost by 10.6 per cent) and copra meal (15.6 per cent) showed price losses. Copra registered a 13.5 per cent price increase, sugar — 7.9 per cent, coconut oil — 11.2 per cent, lumber — 9 per cent, logs — 11.9 per cent and leaf tobacco — 12.3 per cent. Of minor significance (because of its minimal weight in the export index) was the large gain in prices of chemical exports principally brought about by the increase in prices of alcohol of 22 per cent and of glycerine by 48 per cent.

Imported wholesale items showed the smallest price increase of 0.7 per cent (because of imported canned milk) between 1966 and 1967.

# MANILA: PER CENT CHANGES IN THE WHOLESALE PRICE INDEX

1967 over 1966

I T E M	HOME CONSUMPTION GOODS				
	Domes- tically produced	Imported	All Goods	Export Goods	General
ALL ITEMS .....	4.8	0.7	4.0	9.4	4.7
Food .....	5.0	0.5	4.8	10.8	5.2
Beverages & tobacco .....	7.9	6.8	7.7	5.5	7.7
Crude Materials .....	9.4	3.0	9.3	8.3	8.7
Mineral fuels .....	0.6	0.3	0.5	....	0.5
Animal & vegetables oils .....	12.0	7.5	11.9	12.0	11.9
Chemicals .....	1.9	0.8	1.6	33.2	1.8
Manufactured goods .....	0.4	0.2	0.3	— 4.5	0.3
Machinery & transport equipment .....	2.6	0.5	1.2	....	1.2
Miscellaneous manufactures, n.e.s. ....	0.9	0.5	0.9	— 0.3	0.9

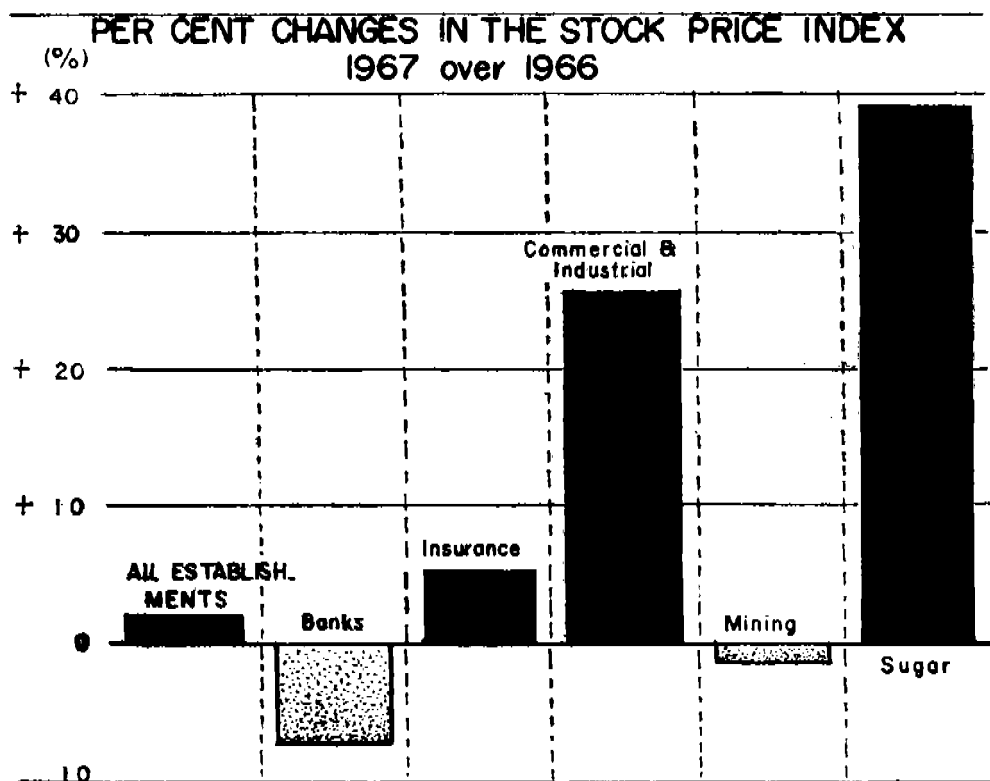
## E. STOCK PRICES

Prices in the stock market during 1967 averaged higher than the stock prices prevailing during 1966. Quarterly movements during 1967 were erratic. There was an 8 per cent increase from the last three months of 1966 to the first three months of 1967 as a result of the price rally in mining shares (plus 7 per cent) and large improvement in commercial and industrial (11 per cent) and sugar stocks (12 per cent). From the first quarter to the second quarter of 1967, however, there was an average 7 per cent decline in stock prices. The decrease was caused by the decline in prices of bank shares (another 7 per cent) and a 10 per cent slump in prices of the mining group. There followed a 3 per cent price recovery from the second to the third quarter of 1967 with all sectors, excepting commercial & industrial, showing price gains. Bank stocks in particular rose in price by 27 per cent.

A generally speculative atmosphere spurred activities in the stock market during the last quarter of the year bringing the price average up by 13.7 per cent over the third quarter level. All groups registered increase in prices ranging from the 3 per cent gain of insurance to the 30 per cent upsurge in bank shares. The year's average, however, was only 1.8 per cent higher than the 1966 level as a result of the price slump suffered during the second quarter of 1967.

Total transactions decreased in volume by 32.2 per cent but total value traded increased by 39.4 per cent from 1966 to 1967.





MANILA: PER CENT CHANGES IN THE STOCK PRICE INDEX  
1967 over 1966

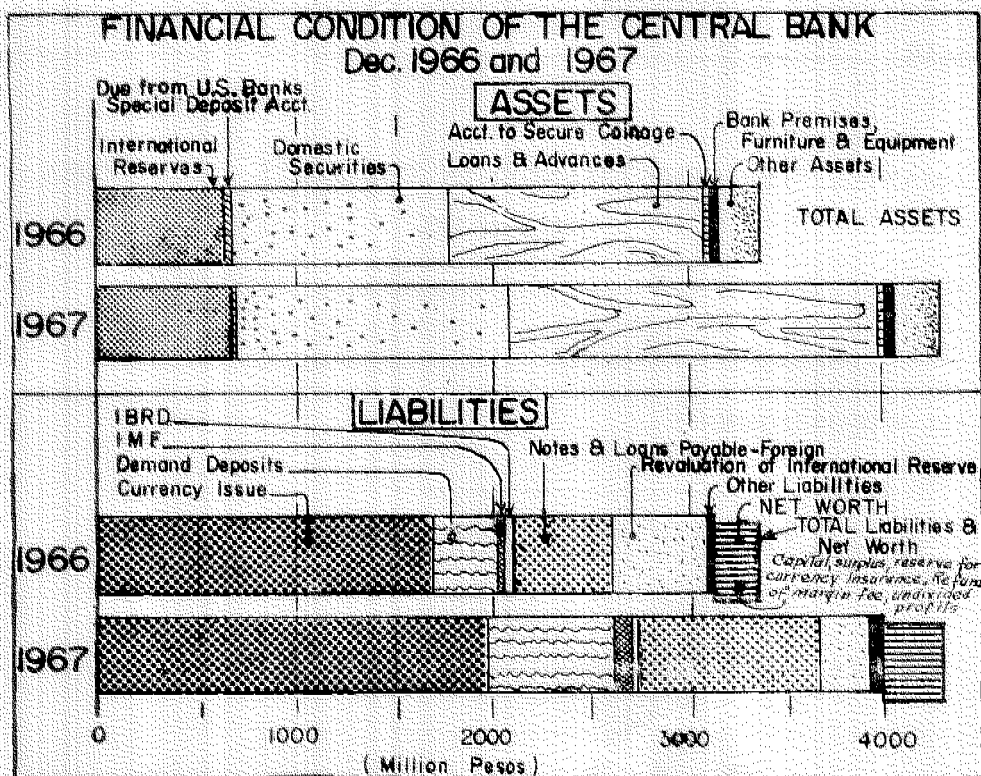
ITEM	Percentage Change
ALL ESTABLISHMENTS .....	1.8
B a n k s .....	— 7.5
I n s u r a n c e .....	5.0
Commercial & industrial .....	25.5
M i n i n g .....	— 1.4
S u g a r .....	39.0

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

### A. FINANCIAL CONDITION

Total resources of the Central Bank increased by 26 per cent in 1967 to reach a new high of ₱4,265 million at the end of the year. This expansion was substantially larger than the ₱277 million or 9 per cent increase in 1966. Of the ₱892 million increase during 1967, ₱863 million was brought about by the increase in credit assets, of which ₱592 million represented loans and advances and ₱271 million, domestic securities. Foreign assets likewise rose by ₱10 million in contrast to the decrease of ₱134 million last year.

At the end of December 1967, total liabilities of the Central Bank showed an expansion of ₱840 million. One-half of this increment was due to the incurrence of additional foreign obligations. Another contributory factor was the increment of ₱290 million in total deposit liabilities. Demand deposits of commercial banks rose by ₱299 million as a result of the increase in the legal reserves combined with periodic increases in that portion of the required reserves that



has to be kept with the Central Bank. National government deposits likewise increased by ₪33 million. The additional deposits of the IMF represented the increased liability of the Central Bank for the dollar purchase of \$27.5 million made in late 1967. On the other hand, balances of the government trust funds decreased by ₪42 million in view of the active participation of these funds in the government securities market.

**The Revaluation of International Reserve Account.** which was originally set up in 1960 to absorb profits realized and losses sustained by the Central Bank in the implementation of the decontrol program, in subsidizing the mining industry and in the purchase and sales of foreign exchange at various exchange rates, was reduced by ₪247 million during 1967. The reduction of this account was due to the following charges: (a) net foreign exchange losses (₪8 million); (b) refund of exchange differential for 1967 (₪5 million); and (c) the distribution of ₪234 million to the National Government, the government trust funds and the Central Bank in August 1967.

**COMPARATIVE STATEMENT OF CONDITION OF THE  
CENTRAL BANK  
December 1966-1967**

(In pesos)

I t e m	December 31, 1967	December 31, 1966	Increase or (Decrease)
<b>ASSETS</b>			
1. International Reserves .....	701,096,332.91	647,749,925.87	53,346,407.04
2. Due from U. S. Banks- Special Deposit Acct. ....	3,900,000.00	46,800,000.00	(42,900,000.00)
3. Domestic Securities .....	1,388,358,384.90	1,117,867,824.90	270,490,560.00
4. Loans and Advances .....	1,889,347,958.38	1,297,215,793.13	592,132,165.25
5. Acct. to Secure Coinage .....	39,197,765.39	49,198,715.91	(10,000,950.52)
6. Bank Premises, Furniture & Equipment .....	38,688,065.53	38,365,875.34	322,190.19
7. Other Assets .....	204,797,370.00	176,210,685.68	28,586,684.32
Total Assets .....	<u>4,265,385,877.11</u>	<u>3,373,408,820.83</u>	<u>891,977,056.28</u>
<b>LIABILITIES</b>			
8. Currency Issue .....	1,970,497,099.28	1,706,150,658.39	264,346,440.89
9. Demand Deposits .....	640,025,801.76	349,972,512.81	290,053,288.95
10. International Monetary Fund....	111,552,109.11	4,303,237.96	107,248,871.15
11. International Bank for Reconstruction and Development .....	23,967,972.17	24,004,414.25	(36,442.08)
12. Asian Development Bank-- Account B .....	78,000.00	—	78,000.00
13. Notes and Loans Payable-- Foreign .....	921,229,108.99	501,073,853.93	420,155,255.06
14. Revaluation of International Reserves .....	269,299,118.57	516,531,437.32	(247,232,318.75)
15. Other Liabilities .....	34,208,732.72	28,953,351.74	5,255,380.98
Total Liabilities .....	<u>3,970,857,940.60</u>	<u>3,130,989,466.40</u>	<u>839,868,476.20</u>
<b>NET WORTH</b>			
16. Capital .....	10,000,000.00	10,000,000.00	—
17. Surplus .....	266,018,231.07	201,570,012.49	64,448,218.58
18. Reserve for Currency Insurance .....	2,000,000.00	2,000,000.00	—
19. Reserve for Refund of Margin Fee .....	1,257,576.96	5,061,370.26	(3,803,793.30)
20. Undivided Profits .....	15,252,126.48	23,787,971.68	(8,535,845.20)
Total Net Worth .....	<u>294,527,934.51</u>	<u>242,419,354.43</u>	<u>52,108,580.08</u>
Total Liabilities and Net Worth .....	<u>4,265,385,877.11</u>	<u>3,373,408,820.83</u>	<u>891,977,056.28</u>

# COMPOSITION OF THE INTERNATIONAL RESERVE

December 31, 1966-1967

(Amount in million pesos)

I t e m	Dec. 31, 1967	Dec. 31, 1966	Increase or Decrease (—)	
			Amount	Per Cent
TOTAL .....	701.1	647.7	53.4	8.2
Gold .....	235.7	170.4	65.3	38.3
Due from Foreign Banks .....	463.4	472.3	— 8.9	— 1.9
Foreign Government Securities .....	0.1	1.9	— 1.8	—94.7
Foreign Currencies .....	1.9	3.1	— 1.2	—38.7

## COMPARATIVE STATEMENT OF DEPOSIT LIABILITIES OF THE CENTRAL BANK

December 31, 1965-1967

(Million pesos)

Depositor	December 31			Increase or Decrease (—) During	
	1967	1966	1965	1967	1966
Commercial Banks .....	468.3	169.8	129.6	298.5	40.2
Rural Banks .....	2.7	2.5	6.5	0.2	—4.0
Savings & Loan Associations .....	0.3	0.2	—	0.1	0.2
Treasurer of the Philippines .....	134.9	101.9	17.1	33.0	84.8
Government Trust Funds .....	33.8	75.6	35.2	—41.8	40.4
TOTAL .....	640.0	350.0	188.4	290.0	161.6

## B. RESULT OF OPERATIONS

In the course of its normal banking operations, the Central Bank realized a net income of ₦0.5 million in 1967 compared to the ₦16 million net profit of last year. The drop in net income was due mainly to the substantial increase of ₦16.2 million in interest payments consequent to the expansion of the Bank's foreign obligations by more than 100 per cent during the year. However, with non-operating profits of ₦14.2 million, the total net income of ₦15 million was only ₦1 million less than that of 1966.

Gross income expanded by ₦7 million in 1967. This was derived principally from its credit portfolio which contributed an additional ₦15 million thru loans and advances and investments in domestic securities. However, with a decrease in time deposits abroad, income from foreign investments dropped by ₦7 million.

On the disbursement side, total expenses went up by ₦22 million mainly on account of the ₦16.2 million increase in interest payments on larger external obligations of the Central Bank. This item represented 76 per cent of the over-all increase in expenses during the year.

**COMPARATIVE PROFIT AND LOSS STATEMENT**  
For 1967 and 1966

I t e m	1967	1966	Increase or (Decrease)	
			Amount	Per Cent
GROSS INCOME .....	<u>₱100,705,511.97</u>	<u>₱93,941,502.65</u>	<u>₱ 6,764,009.32</u>	7.2
Income from Foreign Exchange Transactions .....	3,999,597.78	2,551,449.52	1,448,148.26	53.8
Income from Foreign Investments .....	18,311,497.82	25,230,006.36	(6,918,508.54)	(27.4)
Income from Domestic Loans and Advances .....	8,527,324.04	32,275,148.78	6,252,175.26	19.5
Income from Domestic Investments .....	35,698,453.54	26,780,759.68	8,917,693.86	33.2
Miscellaneous Income .....	4,168,638.79	7,104,138.31	(2,935,499.52)	(40.8)
[12] TOTAL EXPENSES .....	<u>₱100,151,451.69</u>	<u>₱77,882,924.90</u>	<u>₱ 22,268,526.79</u>	28.6
Operating Expenses .....	43,144,399.29	38,221,662.03	4,922,737.26	12.8
Non-Operating Expenditures .....	2,097,470.18	2,794,982.53	(697,512.35)	(25.0)
Capital Expenditures .....	862,736.17	722,588.96	140,147.21	(14.3)
Miscellaneous Expenses .....	6,033,498.32	5,116,787.94	916,710.38	17.6
General Expenditures .....	48,013,347.73	31,026,903.44	16,986,444.29	54.8
of which: Interest & Commitment Expenses.....	47,160,241.17	30,965,797.51	16,194,443.66	52.3
Net Income After Expenses .....	<u>₱ 544,060.28</u>	<u>₱16,058,577.25</u>	<u>(₱15,504,517.47)</u>	(96.3)
Add: Non-Operating Income Realized in the Sale of Salvaged 1-Peso Silver Coins .....	<u>14,222,197.79</u>	<u>—</u>	<u>14,222,197.79</u>	--
TOTAL NET INCOME .....	<u>₱ 14,776,258.07</u>	<u>₱16,058,577.75</u>	<u>(₱ 1,282,319.68)</u>	( 8.1)

DISTRIBUTION OF ANNUAL NET PROFITS FROM OPERATIONS  
AND COLLECTIONS ON SALES OF FOREIGN EXCHANGE FOR 1967

I t e m	Total	Operations	Margin Fee
Balance- December 31, 1967 .....	₱15,252,126.48	₱14,776,258.07	₱475,868.41
Less: Amount set aside for refund of margin fee .....	<u>475,868.41</u>	<u>—</u>	<u>475,868.41</u>
Net Profit for Distribution .....	<u>₱14,776,258.07</u>	<u>₱14,776,258.07</u>	<u>—</u>
Surplus .....	3,694,064.52	3,694,064.52	
Securities Stabilization Fund .....	500,000.00	500,000.00	
Monetary Adjustment Account .....	2,882,193.55	2,882,193.55	
General Fund .....	7,700,000.00	7,700,000.00	



# **A P P E N D I X**

## **MAJOR LEGAL AND ADMINISTRATIVE MEASURES OF ECONOMIC SIGNIFICANCE ADOPTED BY THE GOVERNMENT AND THE MONETARY BOARD DURING 1967**

H. No. 15716

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[Republic Act No. 4594]

### **AN ACT CREATING THE PHILIPPINE NATIONAL FAO (FOOD AND AGRICULTURE ORGANIZATION) COMMITTEE**

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

SECTION 1. There is hereby created under the President of the Republic of the Philippines the Philippine National FAO (Food and Agriculture Organization) Committee, hereinafter called the Committee. The Committee shall be composed of a Chairman, an Executive Secretary, and the following other Members: the directors of the Bureau of Animal Industry, Bureau of Plant Industry, Bureau of Soils, Bureau of Lands, Bureau of Forestry, Bureau of Public Schools, Bureau of Health and Research Laboratory, Food and Nutrition Research Center of the National Science Development Board, Foreign Aid Coordination of the National Economic Council; the commissioners of the Philippine Fisheries Commission, Commission on Agricultural Productivity; the Chairman and General Manager, Philippine Coconut Administration; the General Manager, PHILSUGIN; the Administrator, National Irrigation Administration; the Administrator, Agricultural Credit Administration; the Chief, Economic Affairs Division, Department of Foreign Affairs; and the Dean, College of Agriculture, University of the Philippines.

The Chairman and the Executive Secretary of the Committee shall be appointed by the President of the Philippines, but the latter shall be appointed in accordance with the Civil Service Law. No person shall be appointed as Chairman of the Committee unless he is a man of science, enjoys the respect of his peers, possesses broad knowledge of FAO affairs and wide experience in international conferences, has many years of administrative practice, and holds at least a Bachelors degree in Agriculture or its related equivalents. No person shall be appointed as Executive Secretary of the Committee unless he has technical training in food and agriculture, broad knowledge and extensive experience and interest in FAO and related matters, a working knowledge of one of the official languages of the FAO of the United Nations, and is a holder of at least a Bachelor's degree in Agriculture, Home Economics or related fields.

The Chairman shall be the head of the Committee and the presiding officer of its meetings. The Executive Secretary shall be a Member of the Committee and also the administrative officers of its Secretariat and the recorder of its deliberations. In the absence of the Chairman or in his inability to preside over a Committee meeting, the Members may elect a temporary chairman from among themselves to preside over such meeting.

The Chairman shall receive an annual compensation of eighteen thousand pesos plus a representation allowance of two thousand four hundred pesos annually. The Executive Secretary shall receive an annual compensation of twelve thousand pesos. The other Members of the Committee shall receive a *per diem* of twenty-five pesos each for every meeting of the Committee attended by them.

The Committee shall have such technical, secretarial and other personnel as may be necessary whose number and compensation shall be determined by the Committee. They shall be appointed by the Chairman in accordance with the Civil Service Law and their compensation shall be fixed in accordance with the scale of salaries and wages prescribed by the Wage and Position Classification Office.

SEC. 2. The Committee shall have the following general functions:

(1) Serve as the national liaison in securing direct and quick exchange of information between the Government of the Republic of the Philippines and the Food and Agriculture Organization of the United Nations, hereinafter called the Organization;

(2) Coordinate and administer all food and agriculture activities of the Government pertaining to food and agricultural production, and the distribution and marketing of agricultural products in the Philippines, and to this end, the Committee shall assist in the national effort to raise the levels of nutrition and standards of living of the Filipino people; improve the efficiency of food and agricultural production and distribution of agricultural products in the Philippines; and improve the living condition of the inhabitants of the Republic of the Philippines, especially those in the rural areas.

SEC. 3. The Committee shall have the following specific powers and duties:

(1) Bring to the attention of the Government agencies concerned the various technical as well as financial assistance being offered by the Organization;

(2) Receive project proposals for assistance and evaluate, in consultation with appropriate Government agencies, the feasibility of the projects submitted;

(3) In consultation with the National Economic Council, recommend selected projects arranged in the order of priority to the United Nations Technical Assistance Board or to the Organization Headquarters in Rome, for approval;

(4) Evaluate periodically the progress of on-going projects and make suggestions and recommendations as are necessary to execute the projects to a successful end;

(5) Establish a regular senior research fellowship in the fields of agriculture, nutrition and home economics and related subjects similar to the FAO Andre Mayer Fellowship;

(6) Take original action on all candidatures for FAO scholarship, fellowship and practical technical training programs;

(7) Act on all invitations and form delegations and/or representations to international conferences, sessions, technical meetings, training centers, seminars, symposia, study groups, study tours sponsored or co-sponsored by the Organization;

(8) Maintain an adequate machinery which will ensure accuracy, continuity and uniformity of presentation of the data and information presented by the Philippine delegations to the various meetings of the Organization;

(9) Maintain a Philippine representative to the Food and Agriculture Organization in Rome, Italy;

(10) Recommend measures for accelerating the development of food and agricultural production;

(11) Select nominees for practical training and fellowships and nominate representatives to training centers sponsored by the Organization, or sponsored by the Organization and Member Governments of the Organization or sponsored by the United Nations itself and its specialized agencies; and

(12) Perform such other related functions which the President of the Philippines may assign to it from time to time.

SEC. 4. The Committee is empowered to call upon any officer or employee of any department, bureau, office, agency, or instrumentality of the Government for such assistance as may be needed for the proper discharge of its functions.

SEC. 5 To carry out the purposes of this Act for the fiscal year nineteen hundred sixty-six, the sum of one million pesos is authorized to be appropriated

out of any funds in the National Treasury not otherwise appropriated, the same to be expended by the Committee for its operation as follows:

(1) For salaries and wages;

(2) For sundry expenses consisting of transportation, and other expenses as well as *per diems* for travels of Philippine representatives to FAO-sponsored or co-sponsored conferences, seminars and other meetings, held locally or abroad; supplies and materials; lighting and illumination; telephone, telegraph, cable and radio services; publication of official organ; binding and printing of useful publications; rental of buildings; entertainment of local and visiting scientists; FAO officials and FAO specialists; and meal allowance of Committee Members including members of the secretarial staff and guests attending Committee meetings; for local expenses in holding FAO sponsored or co-sponsored international training centers, seminars, regional conferences, etc., when the Philippines is host thereof; and for bonus or honorarium for a consultant plus allowance for transportation;

(3) Purchase and repair of furniture and equipment including the purchase of one utility motor vehicle for official business; and

(4) Other services.

SEC. 6. Administrative Order Numbered Forty-one, issued by the President of the Philippines on June seventeen, nineteen hundred forty-six, as amended, and all Acts, executive orders, rules and regulations, or parts thereof, inconsistent with the provisions of this Act, are repealed, and the Philippine Committee on Food and Agriculture created by the said Administrative Order is hereby abolished and its records, property, assets and liabilities are transferred to the Committee herein created.

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

Approved, June 19, 1965.

(REPUBLIC ACT NO. 4879)

AN ACT TO AMEND SECTION FIFTY-THREE OF REPUBLIC ACT  
NUMBERED THREE HUNDRED THIRTY-SEVEN, OTHERWISE  
KNOWN AS "THE GENERAL BANKING ACT."

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

SECTION 1. Section fifty-three of Republic Act Numbered Three hundred thirty-seven is hereby amended to read as follows:

"SEC. 53. Mutual building and loan association may purchase, hold, and convey real estate under the same conditions as those specified with reference to commercial banks in Section twenty-five of this Act. They may also acquire real estate for subdivision into residential lots, on each of which it must construct and erect a residential house for disposition by sales or lease exclusively to their members: *Provided*, That each association shall not invest more than twenty-five (25%) per cent of its paid-in capital and surplus in the acquisition of real estate for subdivision purposes: *Provided, further*, That a member of any building and loan association shall acquire not more than one residential lot, subdivided under this section: *Provided, finally*, That the acquisition and resale or lease of real estate as provided for in this section shall be subject to the approval of two-thirds of all the members of the Board of Directors of the associations."

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

Approved, June 17, 1967.

(REPUBLIC ACT NO. 4886)

AN ACT AMENDING SECTION ONE HUNDRED SIXTY-THREE 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. Section One hundred and sixty-three of Republic Act Numbered Thirty-eight hundred and forty-four, otherwise known as the "Agricultural Land Reform Code" is amended to read as follows:

"SEC. 163. *Functions of the Office of the Agrarian Counsel.* — It shall be the responsibility of the Office of Agrarian Counsel, upon proper notification by the party concerned or by the association or organization to which he belongs, represent tenants, agricultural lessees, agricultural farm workers and agricultural owner-cultivators or the members of their immediate farm household referred to in this Code who cannot engage the services of competent private counsel in cases before the Court of Agrarian Relations. This responsibility shall include representation before courts, including appellate, in cases, civil or criminal, instituted by or against said tenant, agricultural lessees, farm workers or owner-cultivators or the members of their immediate farm household, where the cases arise from or are connected with, or are results or effects of an agrarian dispute.

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

Approved, June 17, 1967.

MALACAÑANG

RESIDENCE OF THE PRESIDENT  
OF THE PHILIPPINES  
MANILA

BY THE PRESIDENT OF THE PHILIPPINES  
ADMINISTRATIVE ORDER NO. 87

AUTHORIZING THE CENTRAL BANK OF THE PHILIPPINES TO ACT AS DEPOSITORY TO RECEIVE AND HOLD NOTES FOR THE ACCOUNT OF AND SUBJECT TO THE ORDER OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD).

WHEREAS, pursuant to the provisions of Republic Act No. 2052, the Republic of the Philippines has increased its subscription to the International Bank for Reconstruction and Development (IBRD); and

WHEREAS, the IBRD requires evidence of the Central Bank's authority from the Philippine Government to act as depository for said Bank on the increased subscription;

NOW THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by law, do hereby authorize the Central Bank of the Philippines to act as depository to receive and hold notes for the account of and subject to the order of the International Bank for Reconstruction and Development (IBRD).

Done in the City of Manila, this 4th day of October, in the year of Our Lord, nineteen hundred and sixty-seven.

(Sgd.) FERDINAND E. MARCOS  
President of the Philippines

By the President:

(Sgd.) RAFAEL M. SALAS  
Executive Secretary

CREATING THE MANPOWER DEVELOPMENT COUNCIL

WHEREAS, the proper development and wise utilization of critical manpower are essential to economic development in general and the attainment of the goals of the Four-Year Economic Development Program in particular;

WHEREAS, various institutions, public and private, are involved in planning, programming and executing activities related to manpower development;

WHEREAS, the integration and coordination of such activities are essential to establish an effective system of producing the manpower required for accelerated economic growth; and

WHEREAS, integration and coordination can best be achieved by centralizing responsibility and authority over manpower planning at the highest level:

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by law, do hereby create the Manpower Development Council in the Office of the President.

1. The Council shall be composed of the following:

- a. The Secretary of Labor ..... Ex-Officio Chairman
- b. The Chairman, National Economic Council Member
- c. The Secretary of Education ..... Member
- d. The Undersecretary of National Defense .. Member
- e. The Director General, Presidential  
Economic Staff ..... Member
- f. The Secretary of Community Development,  
PACD ..... Member
- g. A representative of Private Management .... Member
- h. A representative of Labor ..... Member

2. The Council shall be assisted by a technical staff to be composed of such personnel as may be assigned or detailed to it from the Department of Labor.



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

- a. Develop an integrated long-term manpower plan as a component of the overall social and economic development plan. The targets established by such manpower plan shall be used by the Department of Education and the Budget Commission in programming public investments in education and out-of school training schemes;
- b. Promote and coordinate manpower planning activities in the agencies represented in the Council, in other related agencies and in private industry;
- c. Determine priorities in the implementation of manpower development and utilization programs and maintain a continuing assessment of such priorities as the plan progress;
- d. Determine priorities for research projects essential to the formulation, implementation and evaluation of manpower development plans and programs, and coordinate the operation of such projects;
- e. Review and evaluate periodically all activities related to human resources development assigned to various agencies of the government;
- f. Evaluate and recommend approval of requests for external and technical assistance involving manpower training and development;
- g. Submit an annual report and an annual manpower budget to the President of the Philippines;
- h. Recommend the allocation of manpower resources in case of national emergency;
- i. Promulgate such rules and procedures as may be necessary to execute the purposes of this Order; and
- j. Advise the President of the Philippines on matters pertaining to human resources utilization and development.

4. The Council is hereby authorized to draw from available budgetary appropriation of any department, bureau, agency or instrumentality of the government, and the entity concerned shall make available to the Council, such funds and other assistance as the latter may require to carry out and implement related programs approved by the President.

5. This Order shall take effect immediately.

Done in the City of Manila, this 8th day of December, in the year of Our Lord, nineteen hundred and sixty-six.

(SGD.) FERDINAND E. MARCOS  
President of the Philippines

By the President:

(SGD.) RAFAEL M. SALAS  
Executive Secretary

## Executive Order No. 54

### CREATING A JOINT COMMITTEE ON FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM IN THE PHILIPPINE GOVERNMENT AND ITS INSTRUMENTALITIES

Realizing the need for sound financial management in the Philippine Government and its instrumentalities and in order to effectively manage our resources to enable the Government to provide for the ever-increasing demands for essential public services and to effect certain changes in form, direction and substance of our existing fiscal policies, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by law, do hereby create a Joint Committee on Financial Management Improvement program that will satisfy the needs of the Philippine Government and its instrumentalities. It is understood that during the Committee meetings, leadership therein shall be provided by the respective member under whose jurisdiction the subject matter being considered falls.

The basic objectives to be achieved are:

1. Strengthening of agency organization and improvement of facilities to provide for the most effective conduct of agency financial management.
2. Establishment of suitable internal control systems in accordance with existing laws, rules and regulations.
3. Development of effective accounting systems responsive to the needs of agencies.
4. Establishment of effective budgeting systems integrated with the accounts, and responsive to the needs of agencies.
5. Development of accurate and useful government-wide reports on financial conditions, results of operations and cost of agency programs.
6. Intensification of training of personnel engaged in financial management to promote efficiency and to effect economy in Government operations.

To carry out the objectives of this program, the efforts of the Joint Committee should be directed towards the promotion of mutual agreement on the improvement needed and on the planning of projects to insure prompt and effective execution thereof.

The members of the Joint Committee shall designate their respective representatives to act in their stead. The representatives may create teams to study specific problems areas and submit appropriate recommendations thereon. The Committee shall appoint a full-time Secretary who shall take charge of the Office of the Joint Committee and perform such other duties as may be prescribed.

The Committee shall meet regularly to consider problem areas, initiate work projects and review the progress being made. Personnel of agencies affected by this program shall assist the Committee.

The Committee shall endeavor, as its primary aim, to coordinate fiscal affairs and procedures.

It may call on any official or employee of any agency or instrumentality of the government to report, produce official records, and to render such other service as the Committee may deem essential to its operations, particularly on the adoption of systems in pursuance of the objectives for the creation of the Committee.

Done in the City of Manila, this 8th day of December, in the year of Our Lord, nineteen hundred and sixty-six.

(SGD.) FERDINAND E. MARCOS  
President of the Philippines

By the President:

(SGD.) JOSE J. LEIDO, Jr.  
Acting Executive Secretary

# FOREIGN EXCHANGE DEPARTMENT OVERSEAS AFFAIRS OFFICE

## Manila

Exchange Rates of Foreign Currencies as of December 15, 1966

Member-Countries of the International Monetary Fund (Currencies with Par Value)	Unit of Currency	Equivalent in U.S. Currency	Equivalent in Phil. Cur- rency at Official Rate	Foreign Cur- rency Unit Per U.S. \$
1. Afghanistan	Afghani	\$ .02222	P .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	Rupee	.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	Rupee	.13333	.51999	7.50000
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. Kenya	Shilling	.14000	.54600	7.14286
35. Kuwait	Dinar	2.80000	10.92000	.35714
36. Lebanon	Pound	.45631	1.77961	2.19148
37. Liberia	Dollar	1.00000	3.90000	1.00000
38. Libya	Pound	2.80000	10.92000	.35714
39. Luxembourg	Franc	.02000	.07800	50.00000
40. Malawi	Pound	2.80000	10.92000	.35714
41. Malaysia	Dollar	.32667	1.27401	3.06122
42. Mexico	Peso	.08000	.31200	12.50000
43. Morocco	Dirham	.19761	.77068	5.06049
44. Netherlands	Guilder	.27624	1.07734	3.62000
45. New Zealand	Pound	2.78090	10.84551	.35960
46. Nicaragua	Cordoba	.14286	.55715	7.00000
47. Nigeria	Pound	2.80000	10.92000	.35714
48. Norway	Krone	.14000	.54600	7.14286
49. Pakistan	Rupee	.21000	.81900	4.76190
50. Panama	Balboa	1.00000	3.90000	1.00000
51. Philippines	Peso	.25641	1.00000	3.90000
52. Portugal	Escudo	.03478	.13564	28.75000
53. Rwanda	Franc	.01000	.03900	100.00000
54. Saudi Arabia	Riyal	.22222	.86666	4.50000
55. Sierra Leone	Leone	1.40000	5.46000	.71429
56. Somalia	Somali Shilling	.14000	.54600	7.14286

Member-Countries of the International Monetary Fund (Currencies with Par Value)		Unit of Currency	Equivalent in U.S. Currency	Equivalent in Phil. Cur- rency at Official Rate	Foreign Cur- rency Unit Per U.S. \$
57.	South Africa	Rand	1.40000	5.46000	.71429
58.	Spain	Peseta	.01667	.06501	60.00000
59.	Sudan	Pound	2.87156	11.19908	.34842
60.	Sweden	Krona	.19330	.75387	5.17321
61.	Syrian Arab Republic	Pound	.45631	1.77961	2.19148
62.	Tanzania	Shilling	.14000	.54600	7.14286
63.	Thailand	Baht	.04808	.18751	20.80000
64.	Trinidad & Tobago	TT Dollar	.58333	2.27499	1.71429
65.	Tunisia	Dinar	1.90476	7.42356	.52500
66.	Turkey	Lira	.11111	.43333	9.00000
67.	Uganda	Shilling	.14000	.54600	7.14286
68.	United Arab Republic	Pound	2.87156	11.19908	.34824
69.	United Kingdom	Pound	2.80000	10.92000	.35714
70.	United States	Dollar	1.00000	3.90000	1.00000
71.	Uruguay	Peso	.13514	.52705	7.40000
72.	Yugoslavia	Dinar	.08000	.31200	12.50000
73.	Zambia	Pound	2.80000	10.92000	.35714

**Member-Countries of the International Monetary Fund  
(Currencies with Par Value)**

1.	Argentina	Peso	.00407	.01587	245.50000
2.	Bolivia (Selling Rate)	Bolivian Peso	.08418	.32830	11.88000
3.	Brazil	Cruzeiro			
	Free Rate		.00045	.00176	2,220.00000
	Coffee Export Rate		.00106	.00413	939.10000
4.	Paraguay (Selling Rate)	Guarani	.00794	.03097	126.00000
5.	Peru	Sol	.03729	.14543	26.82000
6.	Vietnam	Piastres	.00847	.03303	118.00000
7.	Venezuela	Bolivar			
	Selling Rate		.22222	.86666	4.50000
	Official Free				
	Market Rate		.22026	.85901	4.54000

**Non-Member Country  
Currencies without  
Par Value**

1.	Switzerland	Franc			
	Spot Rate		\$ .23164	₱ .90340	4.31700
	Forward Rate		.23158	.90316	4.31800

**Member-Countries of the I.M.F.—  
Non-Metropolitan Areas  
(Currencies with Par Value)**

1.	French Guiana, Guadalupe, Martinique	Franc	\$ .20255	₱ .78995	4.93706
2.	Comoro Is., Reunion,				

Member-Countries of the International Monetary Fund (Currencies with Par Value)	Unit of Currency	Equivalent in U.S. Currency	Phil. Cur- rency at Official Rate	rency Unit Per U.S. \$
St. Pierre & Miquelon	CFA Franc	.00405	.01579	246.85300
3. French Polynesia, New Cal- donia, New Hebrides, Wal- lis & Futuna Is.	Franc	.01114	.04345	89.76470
4. French Somaliland	Djibouti franc	.00466	.01817	214.39200
5. Antilles & Surinam	Guilder	.53026	2.06801	1.88585
6. Antigua, Barbados, Dominica, Monserrat, St. Christopher- Nevis-Antiguilla, St. Lucia, St. Vincent	Dollar	.58333	2.27499	1.71429
7. British Honduras	Dollar	.70000	2.73000	1.42857
8. Bahrain	Dinar	2.10000	8.19000	.47619
9. Fed. of South Arabia	Dinar	2.80000	10.92000	.35714
10. Bahama Islands	Dollar	.98000	<b>3.82200</b>	1.02041
11. Bermuda, Falkland Is., Gibraltar & Rhodesia	Pound Malayan	2.80000	10.92000	.35714
12. Brunei	dollar	.32667	1.27401	3.06122
13. Fiji	Pound	2.52252	9.83782	.39643
14. Hongkong	Dollar	.17500	.68250	5.71429
15. Mauritius, Seychelles	Rupee	.21000	.81900	4.76190
16. Tonga	Pound	2.24000	8.73600	.44643

SOURCE OF DATA: International Financial Statistics, January, 1967.

CENTRAL BANK OF THE PHILIPPINES

M a n i l a

CIRCULAR NO. 234

Pursuant to Monetary Board Resolution No. 2079 dated December 23, 1966, the effectivity of Central Bank Circular No. 227 as amended by Circular No. 232, which allows commercial banks to obtain from the Central Bank advances equivalent to forty per cent (40%) of the face value of, or if part payments have been made, the outstanding balance covered by, credit instruments not acceptable under Central Bank Circular No. 223 dated June 25, 1966, but otherwise eligible under Section 87 of Republic Act No. 265, is hereby extended up to March 31, 1967.

(SGD.) ANDRES V. CASTILLO  
Governor

January 3, 1967



CENTRAL BANK OF THE PHILIPPINES

M a n i l a

CIRCULAR NO. 235

January 5, 1967

*Amendment to Circular No. 157*

Pursuant to Monetary Board Resolution No. 2016 dated December 13, 1966, Sub-Paragraph (a) of Section 8 of Central Bank Circular No. 157 dated September 23, 1963, is hereby amended to read as follows:

"SEC 8. *Branch Offices and Agencies*

"(a) No Savings and Loan Association shall open, maintain or operate a branch or agency without first applying for and obtaining from the Monetary Board, through the Director of the Department of Savings and Loan Associations, a license or certificate of authority to operate such branch or agency.

"The term 'branch offices and agencies' shall include extension offices of a Savings and Loan Association, where operations or transactions, or any phase thereof, are conducted by said Association."

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO  
Governor

CENTRAL BANK OF THE PHILIPPINES

M a n i l a

CIRCULAR NO. 236

February 10, 1967

*AMENDMENT TO CIRCULAR NO. 230*

Pursuant to M. B. Res. 158 dated January 27, 1967, paragraph 2 of Central Bank Circular No. 230, dated September 9, 1966, relative to the regulation governing foreign borrowings through stand-by letters of credit for the purpose of generating pesos, is hereby amended to read as follows:

"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. 223 dated June 25, 1966; provided, further, that amortization of such obligations shall be spread out over an agreed period."

This Circular shall take effect immediately.

(SGD.) AMADO R. BRIÑAS  
Deputy Governor

CENTRAL BANK OF THE PHILIPPINES

M a n i l a

CIRCULAR NO. 237

Pursuant to Monetary Board Res. No. 514 dated March 31, 1967, the credit priority listing appended to the Central Bank Circular No. 223 dated June 25, 1966 is hereby revised. The revised List of Economic Activities falling under Priority I is herewith attached as Appendix I.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO  
Governor

April 4, 1967

## ECONOMIC ACTIVITIES FALLING UNDER PRIORITY I

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

#### 1. Agriculture, Fisheries and Forestry

##### a. Agricultural

- 1) Abaca
- 2) Cassava
- 3) Cattle and dairy farms
- 4) Coconut
- 5) Coffee and cocoa
- 6) Corn
- 7) Paddy or rice
- 8) Piggery
- 9) Poultry
- 10) Ramie
- 11) Rubber plantation
- 12) Sugar<sup>a</sup>
- 13) Other fruits and vegetables

##### b. Fisheries

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

##### c. Forestry

- 1) Forest nurseries and reforestation projects

#### 2. Mining and quarrying

##### a. Metal Mining

- 1) chromite
- 2) Copper
- 3) Iron

<sup>a</sup> As per circular No. 226 (for three years)

- 4) Lead
- 5) Manganese
- 6) Mercury and quicksilver
- 7) Nickel
- 8) Zinc

**b. Non-Metallic Mining**

- 1) Asbestos
- 2) Sulphur
- 3) Coal
- 4) Gypsum

**3. Manufacturing**

**a. Basic Metal Industries**

- 1) Blast furnaces, steel work and rolling mills
- 2) Iron and steel basic industries
- 3) Iron and steel foundries
- 4) Non-ferrous metal basic industries

**b. Chemical and Chemical Products**

- 1) Basic chemicals
- 2) Drugs and other pharmaceutical preparations
- 3) Fertilizer

**c. Coconut Products and Their Preparation**

- 1) Coconut oil, edible
- 2) Coconut oil, inedible
- 3) Copra meal and cake

**d. Electrical Machinery, Apparatus & Appliances**

- 1) Transmissions and distribution equipment

e. Food Manufacturing

- 1) Canning and preserving of fish and other sea foods
  - a) Fish canning
- 2) Canning and preserving of fruits and vegetables
  - a) Canning, drying, brining, pickling or otherwise Preserving or preparing vegetables
  - b) Canning, drying or otherwise preparing and preserving fruits
- 3) Slaughtering, preparation and preserving of meat
- 4) Sugar factories and refineries
  - a) Sugar refining plants a/
- 5) Miscellaneous food preparation
  - a) Prepared feeds for animals and fowls

f. Furniture and Fixtures Manufacture

- a) Rattan and bamboo furniture

g. Leather and Leather Products

- 1) Tanning and finishing

h. Lumber and Wood Products

- 1) Veneer, plywood and prefabricated products

i. Machinery, Equipment, Accessories and Parts

- 1) Agricultural machinery
- 2) Engines and turbines
- 3) Industrial, construction and mining machinery

j. Non-Metallic products

- 1) Cement

k. Paper and Paper Products

- 1) Pulp, Paper and paperboard

l. Petroleum and Coal Products

- 1) Coke

m. Textile Cordage and Twines Manufactures

- 1) Cordage, rope, twines and nets
- 2) Hemp milling, abaca stripping and baling establishments

\* As per circular No. 226 (for three years)

- n. Transportation Equipment and Parts
  - 1) Aircrafts and parts
  - 2) Motor vchicles, equipment and parts
  - 3) Motorcycles, bicycles and parts
  - 4) Railroad equipment
  - 5) Ships and boats
- o. Miscellaneous Manufacturing Industries
  - 1) Laboratory, engineering and medical instruments
- 4. Construction
  - a. Contract
    - 1) Building construction
      - a) Commercial and industrial projects 1/
- 5. Public Utilities
  - a. Ice and Ice Refrigeration Plants
  - b. Operation of wharves, dry docks, etc.
  - c. Warehousing
  - d. Water supply and sanitary services
    - 1) Irrigation systems
    - 2) Water supply systems
- 6. Commerce
  - a. Export products 1.
  - b. Importation of capital goods and raw materials 1/
  - c. Domestic trade (Filipino only) wholesale and retail 1/

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

**B. ECONOMIC ACTIVITIES ELIGIBLE FOR CREDITS UP TO SIXTY FIVE PER CENT (65%) OF THE LOAN VALUE OF THE CREDIT INSTRUMENT**

***ECONOMIC ACTIVITIES***

**1. Agriculture, Fisheries and Forestry**

**a. Agricultural**

- 1) Citrus
- 2) Cotton
- 3) Salt farming
- 4) Soybean
- 5) Other root crops

**2. Mining and Quarrying**

**a. Metal Mining**

- 1) Gold
- 2) Silver

**b. Non-Metallic Mining**

- 1) Asphalt
- 2) Marble

**3. Manufacturing**

**a. Chemical and Chemical Products**

- 1) Dyeing and tanning materials
- 2) Explosives (excluding firecrackers)

**b. Coconut Products and their Preparations**

- 1) Desiccated coconut

**c. Electrical Machinery, Apparatus and Appliances**

- 1) Communication equipment
- 2) Dry cells and storage batteries



**d. Food Manufacturing**

- 1) Canning and preserving of fruits and vegetable
  - a) Fruits and vegetables, sauces and seasoning
- 2) Dairy products
  - a) Milk processing
- 3) Miscellaneous food preparations
  - a) Coffee roasting, grinding and/or processing

**e. Furniture and Fixture Manufacture**

- 1) Wood furniture

**f. Lumber and Wood Products**

- 1) Cork
- 2) Sashes and doors
- 3) Sawn and planed lumber
- 4) Wooden box
- 5) Woodchips

**g. Machinery, Equipment, Accessories and Parts**

- 1) Office and store machines and devices

**h. Metal Industries**

- 1) Cutlery, handtools and general products
- 2) Fabricated structural and metal products
- 3) Tin and aluminum ware

**i. Non-Metallic Products**

- 1) Glass and glass products
- 2) Structural clay products

**j. Textile, Cordage and Twines Manufactures**

- 1) Jute bags and sacks

**k. Miscellaneous Manufacturing Industries**

- 1) Cottage native handicraft industries
- 2) Footwear (other than rubber)
- 3) Photographic and optical goods

#### 4. Construction

##### a. Contract

- 1) Building Construction  
Commercial and industrial projects<sup>1</sup>
- 2) Highway and street construction (including road building)

#### 5. Public Utilities

##### a. Common Carriers

- 1) Airlines and other air transportation
- 2) Motor vehicles
- 3) Railroad and railway companies
- 4) Steamboats and steamship lines

##### b. Communication

- 1) Telecommunication (cable, mail & express, telegraph, telephone)

##### c. Electricity, Gas and Steam

- 1) Electric, light, heat and power

##### d. Water supply and Sanitary Services

- 1) Carbage, sewerage and disposal system

#### 6. Services

##### a. Business and Professional Services

- 1) Engineering and technical services

##### b. Educational Services

- 1) Private vocational and trade schools
- 2) Public universities and higher educational institutions
- 3) Public vocational and trade schools

##### c. Medical and Other Health Services

- 1) Public health services

##### d. Recreation Services

- 1) Theatrical production (i.e., all performing arts)

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

c. Research and Scientific Institutions

7. Financial

a. Banks

- 1) Private development banks
- 2) Rural banks

8. Commerce

- a. Export products
- b. Importation of capital goods and raw materials<sup>1</sup>
- c. Domestic trade (Filipino only) wholesale and retail<sup>1</sup>

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

*ECONOMIC ACTIVITIES*

1. Agriculture, Fisheries and Forestry

a. Agricultural

- 1) Pineapple
- 2) Tobacco, native

b. Fisheries

- 1) Fishery services
- 2) Pearl fishing and culture, shell gathering and other marine products

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

- c. **Forestry**
  - 1) Forest services
  - 2) Timber tracts
- 2. **Mining and Quarrying**
  - a. **Non-metallic Mining**
    - 1) Mineral salt
    - 2) Silica
- 3. **Manufacturing**
  - a. **Apparel and Other Finished Products Made from Fabrics and Similar Materials**
    - 1) Embroidery shops
    - 2) Wearing apparel
  - b. **Chemicals and Chemical Products**
    - 1) Paints, varnishes and lacquers
    - 2) Soaps and other cleansing prep.
  - c. **Coconut Products and their Preparation**
    - 1) Copra
  - d. **Electrical Machinery, Apparatus and Appliances**
    - 1) Electric lamp
    - 2) Household appliances
    - 3) Radio, television, telephone receiving sets, electronic tubes and components
  - e. **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) Cocoa, and chocolate processing factories
    - 3) Grain Mill Products
      - a) Corn mills
      - b) Rice mills

- c) Tuber flour mills
  - d) Wheat flour
- 4) Miscellaneous food preparations
  - a) Salt manufacture
  - b) Starch and its products
  - c) Vegetable lard and margarine manufacture
  - d) Vermicelli and noodles manufacture
- f. Lumber and Wood Products
  - 1) Creosoting and other wood treating
- g. Metal Industries
  - 1) Fabricated wire products
  - 2) Metal stamping, coating and engraving
- h. Non-metallic Products
  - 1) Plastic products
  - 2) Pottery, china, earthenware
- i. Paper and Paper Products
  - 1) Coated and glazed paper products
- j. Printing, Publishing and Allied Industries
  - 1) Book publishing and printing
  - 2) Newspaper and periodical publishing
- k. Tobacco
  - 1) Cigar and cigarette factories (native)
- 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
    - 2) Heavy construction (including bridges and irrigation projects)

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To follow rating of economic activities included in the list.

- b. **Personal**
    - 1) Construction (not exceeding ₱30,000)
    - 2) Reconstruction (not exceeding ₱30,000)
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<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>

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

CENTRAL BANK OF THE PHILIPPINES

M a n i l a

CIRCULAR NO. 238

Pursuant to Monetary Board Resolution No. 514 dated March 31, 1967, the effectivity of Central Bank Circular No. 227 as amended by Circulars Nos. 232 and 234, which allows commercial banks to obtain from the Central Bank advances equivalent to forty per cent (40%) of the face value of, or if part payments have been made, the outstanding balance covered by, credit instruments not acceptable under Central Bank Circular No. 223 dated June 25, 1966, but otherwise eligible under Section 87 of Republic Act No. 265, is hereby extended up to June 30, 1967.

(SGD.) ANDRES V. CASTILLO  
Governor

April 3, 1967

# CENTRAL BANK OF THE PHILIPPINES

M a n i l a

## CIRCULAR NO. 239

June 6, 1967

In line with the decision of the Monetary Board (in its Resolution No. 780 dated May 5, 1967) to reduce from six and one-half per cent ( $6\frac{1}{2}\%$ ) to six per cent (6%), effective July 1, 1967, the maximum annual interest rate which commercial banks and savings and mortgage banks shall pay on time deposits in order to enable banks to reduce the prime rate on loans for production and projects included in the economic program of the Government, item 3 c) of Circular No. 222 dated June 14, 1966 is hereby amended to read as follows:

*"c) Schedule of interest rates.*

- (1) *Commercial banks and savings and mortgage banks* — Effective July 1, 1967, the maximum annual interest rate shall be six per cent (6%).
- (2) *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 ( $6\frac{1}{2}\%$ ) shall be allowed on time deposits in accordance with the following schedule:

90 days —  $5\frac{3}{4}\%$

180 days — 6%

270 days —  $6\frac{1}{4}\%$

360 days —  $6\frac{1}{2}\%$

FOR THE MONETARY BOARD:

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



CENTRAL BANK OF THE PHILIPPINES

M a n i l a

CIRCULAR NO. 240

All banks shall maintain a balanced position between their foreign exchange assets and liabilities.

Pursuant to the provisions of Section 81 of Republic Act No. 265, all authorized agent banks are hereby required to maintain at least a one-to-one ratio between their actual foreign exchange assets and foreign exchange liabilities as enumerated in Form FED 1, revised as of January 30, 1967. For this purpose, forward exchange purchases, customers' liability acceptances and deferred payments shall not be considered as assets.

To facilitate the computation of the ratio, authorized agent banks are further required to submit their daily summary of foreign exchange transactions under Form FED 1 on the day immediately following, duly signed by a responsible officer.

Agent banks who fail to maintain this ratio between their foreign exchange assets and liabilities shall not sell foreign exchange or incur liabilities, whether real or contingent, in foreign exchange until otherwise expressly authorized in writing by the Central Bank. This provision shall take effect immediately in regard to liabilities incurred after June 26, 1967. For deficiencies arising from transactions prior to June 26, 1967, the ratio of one-to-one between foreign exchange assets and foreign exchange liabilities shall be complied with by October 26, 1967; provided, however, that one-fourth of the deficiency as of June 26, 1967, shall be covered by July 26, 1967, one-fourth by August 26, 1967, one-fourth by September 26, 1967, and one-fourth by October 26, 1967.

This amends Circular No. 207, dated September 7, 1965. All other circulars, memoranda or regulations inconsistent herewith are hereby modified, amended or revoked accordingly.

This Circular shall take effect on June 26, 1967.

For the Monetary Board:

(SGD.) ANDRES V. CASTILLO  
Governor

June 23, 1967

**CENTRAL BANK OF THE PHILIPPINES**

**Manila**

**CIRCULAR NO. 241**

Pursuant to Monetary Board Resolution No. 1081 dated June 23, 1967, Memorandum to All Commercial Banks dated July 27, 1966, issued by the Department of Loans and Credit, is hereby amended to read:

1. The basic rediscount ceiling of domestic commercial banks shall be 125 per cent of their **paid-up capital** plus 90 per cent of their other net worth item (net worth less paid-up capital) as of March 31, 1967: provided, however, that only one-half of the ceiling shall be available from the date of effectivity of this circular up to December 31, 1967, except in the case of financing exports or export crops where an additional 15 per cent may be availed of; and provided, further that rice and corn financing shall not be subject to any ceiling.
2. This Circular shall take effect on June 26, 1967.

(SGD.) ANDRES V. CASTILLO  
Governor

June 23, 1967

# CENTRAL BANK OF THE PHILIPPINES

Manila

## CIRCULAR NO. 242

Pursuant to Monetary Board Resolution No. 1082 dated June 23, 1967, the rediscount rates of the Central Bank applicable to all banking institutions, except rural banks, shall be as follows:

1. Three (3) per centum per annum for financing the production, importation and distribution of rice and corn.
2. Four and three-fourth ( $4\frac{3}{4}$ ) per centum per annum on borrowings secured by eligible credit instruments pertaining to export activities falling under Priority I, as listed under Circular No. 223.
3. Six (6) per centum per annum on borrowings based on all other credit instruments pertaining to economic activities eligible under Circular No. 223, as amended, and credit instruments not acceptable under Central Bank Circular No. 223, as amended, but otherwise eligible under Section 87 of Republic Act 265.

This Circular shall take effect on June 26, 1967.

(SGD.) ANDRES V. CASTILLO  
Governor

June 23, 1967

CENTRAL BANK OF THE PHILIPPINES

Manila

CIRCULAR NO. 243

(Amendment to Circular No. 219)

Pursuant to Resolution No. 1084 of the Monetary Board adopted at its meeting held on June 23, 1967, Circular No. 219 dated March 29, 1966, amending Section 2(a) of Circular No. 133 as amended by Central Bank Circular 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 transactions involving not more than \$100.00."

All import shipments which have left their ports of origin under Documents against Payment (D/P), Documents against Acceptance (D/A) or open account arrangements may be liquidated in accordance with the terms and conditions governing their original importation. Henceforth, imports must adhere to the provisions of this circular.

This Circular shall take effect on June 26, 1967. All other circulars, memoranda or regulations inconsistent herewith are hereby modified, amended or revoked accordingly.

(SGD.) ANDRES V. CASTILLO  
Governor

June 23, 1967

## CIRCULAR NO. 244

**"SECTION 1. Reserves against Deposit Liabilities.**

(1) *Demand Deposits* — The required reserve shall be eleven per cent (11%) of the total amount of such deposit liabilities of the banks; and

Every thirty (30) days after the effectivity of this Circular, the above reserve requirements on demand deposits shall be raised at the rate of one per cent (1%) until the reserve requirements against demand deposits shall have reached sixteen per cent (16%), and those against savings and time deposits at the rate of one-half per cent (5%) shall have reached ten per cent (10%).

XXX                      XXX                      XXX

This Circular shall take effect on June 26, 1967.

June 23, 1967

**CENTRAL BANK OF THE PHILIPPINES**

**M a n i l a**

**CIRCULAR NO. 245**

Pursuant to Monetary Board Resolution No. 1112 dated June 27, 1967, the effectivity of Central Bank Circular No. 227, as amended, which allows commercial banks to obtain advances from the Central Bank equivalent to 40% of credit instruments not acceptable under Central Bank Circular No. 223, as amended, but otherwise eligible under Section 87 of Republic Act No. 265, is hereby extended up to August 29, 1967.

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

July 3, 1967

CENTRAL BANK OF THE PHILIPPINES  
M a n i l a

CIRCULAR NO. 246  
July 17, 1967

Pursuant to Resolution No. 1116 adopted by the Monetary Board at its meeting held on June 27, 1967, in line with the foreign policy of the Philippines (as a signatory to the resolution adopted by the United Nations on economic and other sanctions against the Government of the Union of South Africa aimed at curbing its apartheid policy), all Authorized Agent Banks are hereby prohibited from issuing letters of credit for imports coming from the Union of South Africa.)

This circular takes effect immediately.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO  
Governor

CENTRAL BANK OF THE PHILIPPINES  
M a n i l a

CIRCULAR NO. 247  
July 21, 1967

SUBJECT: Amendment of Central Bank Circular No. 137 dated January 30, 1962, as amended, on no-dollar imports

Central Bank Circular No. 137 dated January 30, 1962, by Central Bank Circulars Nos. 142, 144 and 188 dated April 17, 1962, May 27, 1962 and January 5, 1965, respectively, is hereby further amended to read as follows:

"1. The requirements of Central Bank Circular No. 133, dated January 21, 1962, as amended, and as extended and continued in force and effect by Central Bank Circular No. 171, dated April 23, 1964, and as further amended by Central Bank Circular No. 181 dated July 31, 1964, Central Bank Circular No. 191 dated February 26, 1965, Central Bank Circular No. 219, dated March 29, 1966, Central Bank Circular No. 233 dated November 14, 1966 and Central Bank Circular No. 243 dated June 23, 1967, regarding letters of credit and release certificates shall not apply to the following no-dollar importations:

"a) Personal effects and other items, in reasonable quantities, being brought in by a returning resident for his personal use or that of his immediate family and not for resale or barter, unless there is evidence of abuse in the use of this privilege;

"b) Professional instruments and implements, tools of trade, occupation or employment, wearing apparel, domestic animals, and personal and household effects including vehicles belonging to persons coming to settle in the Philippines for the first time, in quantities and of the class suitable to the profession, rank or position of the person importing them for their own use and not for barter or sale, accompanying such persons, or arriving within a reasonable time before or after the arrival of the owners: Provided, That this privilege has never been previously granted to them; and Provided, further, That neither merchandise of any kind, nor machinery or other articles for use in manufacture, shall be classified under this sub-paragraph;

"c) Wearing apparel, articles of personal adornment, toilet articles, portable tools and instruments, theatrical costumes and similar personal effects, accompanying temporary visitors or tourists; or arriving within a reasonable time before or after the owners, in use of and necessary



and appropriate for the wear or use of such persons according to their profession or position for the immediate purpose of their journey and their present comfort and conveniences and not for barter, or sale or hire;

"d) Articles for display in public expositions, or for exhibition or competition for prizes, which shall be exported after such display, exhibition or competition;

"e) Cinematographic films, television films and technical and scientific films imported for exhibition in the Philippines whether for profit or otherwise;

"f) Articles of easy identification exported from the Philippines for repairs abroad and subsequently re-imported: Provided, That the cost of such repairs does not exceed one hundred dollars (\$100.00);

"g) Coffins or urns containing human remains, bones or ashes, and all articles for ornamenting said coffins or urns and accompanying the same; and used personal household effects, not merchandise, of the deceased persons;

"h) Articles not exceeding \$100.00 in value brought into the Philippines during every three-month period by officers and crew members of boats, ships, vessels or any water craft of whatever kind and nature and irrespective of size and tonnage and by officers and crew members of airplanes or any aircraft of any kind and make;

"i) Gifts sent from abroad to one single person, provided the value of the gift does not exceed \$100.00 unless there is evidence of abuse in the use of this privilege;

"j) Shipments by the I. C. A. or its successor entity;

"k) Baggages and personal effects of officials of foreign governments and members of international organizations who have been accorded diplomatic privileges;

"l) Goods, commodities and articles consigned to, and for the exclusive use of embassies, legations and consulates of foreign governments other than those of the United States, and of their officials duly accredited to the Government of the Republic of the Philippines;

"m) Samples and advertising materials destined exclusively for display or exhibition of a value not exceeding \$100.00, unless there is evidence of abuse in the use of this privilege;

"n) Goods, articles, and commodities consigned to the U.S. Embassy and Consulates, the U.S. Armed Services and other American Government Federal Agencies and U.S. citizen personnel for their official and personal use;

"o) Letterheads, printed matter or printed forms to be used exclusively by offices in the Philippines of foreign firms and other firms for matters consigned to such offices in the Philippines of foreign firms for free distribution, and not for sale or barter;

"p) Articles donated from abroad and consigned to duly established or duly incorporated international civic organizations, religious or charitable institutions or societies exempted from customs duties and taxes pursuant to Republic Act No. 1916, which articles are, by nature and destination, for the exclusive use of the donees or for free distribution to the poor and the needy and not for barter, sale or hire;

"q) Empty paper bags, Hessian cloth bags, steel drums and other types of containers consigned to local producers to be used exclusively as containers of sugar, by-products of wheat and rice, and other products for export by such producers to the suppliers of such containers: Provided, however, that (i) the consignees are *bona fide* exporters; and (ii) that such no-dollar importation shall be covered by bonds, as required by the Customs and Tariff Code, to guarantee re-exportation thereof;

"r) Raw materials, dyes, bleaching chemicals, thread, etc., consigned to wearing apparel and embroidery firms to be used exclusively in the processing of finished articles for export to the foreign suppliers of the said raw materials; decorative and ornamental articles, etc., consigned to local furniture factories to be used exclusively in the manufacture of finished products for export to the foreign suppliers of said articles; and other raw materials and/or component parts consigned to local producers to be used in the manufacture of finished goods for export to the foreign suppliers of such raw materials and/or component parts: Provided, however, that (i) the consignees of such raw materials, dyes, bleaching chemicals, threads, etc., decorative and ornamental articles, etc.; and other raw materials and/or component parts are *bona fide* exporters; and (ii) such no-dollar importations shall be covered by bonds, as required under the Tariff and Customs Code, to guarantee the re-exportation thereof;

"s) Goods imported as Japanese war reparations, certified to as such by the Philippine Reparations Commission;

"t) Machinery and equipment shipped by foreign suppliers to local industries on rental basis and to be re-exported abroad upon termination of the rental contracts, provided such machinery and equipment are covered by bonds to guarantee their re-exportation, if required under the provisions of the Customs and Tariff Code;

"u) Capital goods and equipment shipped to the Philippines from abroad as part of the contribution of the foreign supplier/shipper to the capitalization of the recipient domestic corporation, entity, or other enterprise; and

"v) Importations not covered by letters of credit but authorized under the provisions of international agreements to which the Government of the Republic of the Philippine is a party.

"2. The Commissioner of Customs is authorized to promulgate such rules and regulations as he may deem necessary for the effective implementation of this Circular.

"3. This Circular shall take effect immediately."

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO  
Governor

CENTRAL BANK OF THE PHILIPPINES  
M a n i l a

CIRCULAR NO. 248

Pursuant to Monetary Board Resolution No. 1837 dated September 22, 1967 the credit priority listing appended to Circular No. 237 dated April 4, 1967, is hereby amended to include in the economic activities falling under Priority I-A the following:

“3. Manufacturing

m. Textile, Cordage and Twines Manufactures.

3) Knitting mills

4) Spinning, weaving and finishing of textiles”

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) AMADO R. BRINAS  
Deputy Governor

September 28, 1967

CENTRAL BANK OF THE PHILIPPINES  
M a n i l a

CIRCULAR NO. 249  
October 25, 1967

*Amendment to Circular No. 157*

Pursuant to Monetary Board Resolution No. 1959 dated October 10, 1967, Section 40(a) of Central Bank Circular No. 157 dated September 23, 1963, is hereby amended to read as follows:

“(a) For each loan application, a savings and loan association may charge the following:

“(1) Handling and service fee in the minimum amount of two pesos (P2.00) up to a maximum of two-tenths (2/10) of one per cent (1%) of the loan granted, in the case of stock associations, and a minimum of one peso (P1.00) up to a maximum of two-tenths (2/10) of one per cent (1%) of the loan granted, but not to exceed ten pesos (P10.00), in the case of non-stock associations; and

“(2) Legal and documentation fee of five pesos (P5.00), exclusive of the actual cost of documentary stamps used.”

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO  
Governor

CENTRAL BANK OF THE PHILIPPINES

M a n i l a

CIRCULAR NO. 250

October 26, 1967

Pursuant to the provisions of Section 81 of Republic Act No. 265, all authorized agent banks are required to provide full cover for their foreign exchange liabilities. Such cover shall be composed of at least 25 per cent of actual foreign exchange assets, and the balance may be held in domestic assets in the form of treasury bills and notes; provided, however, that these liabilities should not exceed the value of every bank's actual foreign exchange asset holdings as of October 26, 1967.

Agent banks who at any time fail to maintain the necessary cover for these liabilities shall sell foreign exchange nor incur liabilities, whether real or contingent, in foreign exchange until otherwise expressly authorized in writing by the Central Bank.

This revokes Circular No. 240, dated June 23, 1967, except with reference to the sanctions applicable to banks which failed to comply with its provisions as of October 26, 1967.

This Circular shall take effect on October 27, 1967.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO  
Governor

CENTRAL BANK OF THE PHILIPPINES

M a n i l a

CIRCULAR NO. 251

Pursuant to Monetary Board Resolution No. 2050 dated October 26, 1967.

Circular No. 241 dated June 23, 1967 is hereby amended to read:

1. The basic rediscount ceiling of domestic commercial banks shall be 125 per cent of their paid-up capital plus 90 per cent of their other net worth items (net worth less paid-up capital) as of June 30, 1967; provided, however, that at least 50 per cent of the ceiling shall be used for financing exports or export crops. Rice and corn financing shall not be subject to any ceiling.
2. This Circular shall take effect immediately.

FOR THE MONETARY BOARD.

(SGD.) ANDRES V. CASTILLO  
Governor

October 26, 1967

CENTRAL BANK OF THE PHILIPPINES  
M a n i l a

CIRCULAR NO. 252  
(Amendment to Circular No. 243)

Pursuant to Resolution No. 2051 the Monetary Board adopted at its meeting held on October 26, 1967, Circular No. 243 June 23, 1967 is hereby amended to read as follows:

"All imports involving more than \$100.00 must be covered by letters of credit; Provided, however, that commodities which are exempted from the cash margin deposit requirements provided in the Gentlemen's Agreement executed by and among the members of the Bankers Association of the Philippines dated June 26, 1967, may be financed by means of documents against payments (D/P) or documents against acceptances (D/A) for a period not exceeding one hundred eighty (180) days in the case of producers or not exceeding ninety (90) days in the case of importers. Furthermore, imports of raw materials required by local industries also exempted from the cash margin deposits may be financed under an open account arrangement payable by D/D, M/T or T/T within one hundred eighty (180) days after the issuance of the release certificate by the Authorized Agent Bank concerned."

Authorized Agent Banks are hereby authorized to sell foreign exchange for the payment of obligations arising from the abovementioned arrangements but their monthly sales of foreign exchange for this purpose should not exceed their average monthly sales for the fiscal year ended June 30, 1967.

This Circular shall take effect immediately. All other circulars, memoranda or regulations inconsistent herewith are hereby modified or revoked accordingly.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO  
Governor

October 26, 1967



CENTRAL BANK OF THE PHILIPPINES  
M a n i l a

CIRCULAR NO. 253

Pursuant to Monetary Board Resolution No. 2052 dated October 26, 1967, Circular No. 244 dated June 23, 1967 is hereby amended to read as follows:

"SECTION 1. Reserves Against Deposit Liabilities.

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

- (1) *Demand Deposits* — The required reserves shall be fifteen per cent (15%) of the total amount of such deposit liabilities of the banks; and
- (2) *Savings-Deposits and Time Deposits* — The required reserves shall be ten per cent (10%) of the total amount of such deposit liabilities of the banks.

Thirty (30) days after the effectivity of this Circular, the above reserve requirements on demand deposits shall be raised by one per cent (1%) to reach sixteen per cent (16%), and those against savings and time deposits shall be raised at the rate of two per cent (2%) every thirty day until the reserve requirements against savings and time deposits shall have also reached sixteen per cent (16%).

At least fifty per cent (50%) of the required reserves 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 on October 31, 1967.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO  
Governor

October 26, 1967.

CENTRAL BANK OF THE PHILIPPINES  
Manila

CIRCULAR NO. 254

Pursuant to Monetary Board Resolution No. 2364 dated December 5, 1967, the credit priority listing appended to Circular No. 237 dated April 4, 1967 is hereby amended to include in the economic activities falling under Priority I-C the following:

"3. Manufacturing

h. Non-metallic Products

3. Concrete Aggregates"

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO  
Governor

December 5, 1967

# CENTRAL BANK OF THE PHILIPPINES

Manila

## MEMORANDUM TO ALL AUTHORIZED AGENTS

June 23, 1967

In order to more adequately assist the fiscal authorities of the Government in the campaign against smuggling and tax evasion and for statistical and other purposes, the Monetary Board, in its Resolution No. 1085 dated June 23, 1967, approved the following regulations relative to sales of foreign exchange for invisibles by all authorized agents:

1. Every application for the purchase of foreign exchange for invisibles in the amount of more than \$100 shall, effective immediately, be accompanied by a sworn statement of the purpose of such purchase. This provision supersedes Memorandum to Authorized Agent Banks dated August 1, 1966.
2. The application for the purchase of foreign exchange for invisibles shall be duly accomplished by the applicant on the appropriate form for the particular category of purchase or remittance desired. The forms, samples of which are appended, shall be serially numbered by the authorized agent bank or authorized agent concerned and shall be treated as accountable forms. To effectively implement the above-mentioned objectives of this memorandum, authorized agents shall be guided by the memorandum of the Governor of April 16, 1962, copy of which is hereto attached. In order to insure that the guidelines established in the said memorandum of April 16, 1962 will be properly evaluated and applied in respect to application for the purchase of foreign exchange for invisibles, it is requested that action on such applications be placed under the charge of an officer of the bank or authorized agent concerned.
3. Authorized agents, in selling foreign exchange for invisibles, should be satisfied regarding the correctness of the purpose of the purchase or remittance stated in the application. The authorized agent, in addition to certifying to the amount of foreign exchange sold, will also certify that the person or entity purchasing the foreign exchange is a resident of the Philippines who is a client of the bank and that to the best of the authorized agent's information, knowledge, and belief the remittance is being made for the purpose stated in the application.
4. Authorized agents shall not sell foreign exchange for pesos tendered by or in behalf of nonresidents of the Philippines in the course of so-called

"arbitrage" operations. Said operations are the subject of a separate memorandum to authorized agent banks. Residents of the Philippines shall secure their foreign exchange needs through authorized agents of the Central Bank.

Reconversion into foreign exchange of unutilized pesos purchased by tourists and transient visitors shall not in any way be restricted and shall be made in accordance with Memorandum to Authorized Agents, Hotels, Travel Agencies, and Shipping and Airline Companies dated February 12, 1962.

5. The applications for purchase of foreign exchange for invisibles shall be accomplished in triplicate, the original to be retained by the authorized agent, one copy to be furnished the applicant, and a copy to the Central Bank. The copies for the Central Bank shall be submitted to the Foreign Exchange Department daily together with the daily report of sales of foreign exchange for invisibles.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO  
Governor

CENTRAL BANK OF THE PHILIPPINES  
Manila

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MEMORANDUM TO AUTHORIZED AGENT BANKS  
June 26, 1967

The Memorandum to All Authorized Agents of the Governor dated June 23, 1967 inhibits all authorized agents from selling foreign exchange for pesos tendered by or in behalf of nonresidents of the Philippines in the course of so-called "arbitrage" operations. An arbitrage operation is one in which the operator sells local currency for foreign currency in a foreign market, which foreign currency is then converted into local currency in another market. At the conclusion of the arbitrage operation, the operator regains the currency used at the start of the operation. So-called arbitrage operations under which peso funds or assets pass to the ownership of nonresidents in payment for goods or services furnished by such nonresidents do not conform to the objectives of Circular No. 133, as amended, and have been used as a means for circumventing the tax and customs laws of the country. Authorized agent banks shall, therefore, henceforth desist from selling foreign exchange for pesos tendered by or in behalf of nonresidents of the Philippines in the course of the said operations.

Any violation of this regulation shall be subject to the penal provisions of Section 34 of the Central Bank Act.

(SGD.) ANDRES V. CASTILLO  
Governor

CENTRAL BANK OF THE PHILIPPINES  
Manila

MEMORANDUM TO ALL AUTHORIZED AGENTS

In further clarification of Memorandum to All Authorized Agents dated June 23, 1967 relative to sales of foreign exchange for invisibles and Memorandum to Authorized Agent Banks dated June 26, 1967 relative to "arbitrage" operations, peso accounts of non-residents of the Philippines shall be subject to the prohibition contained in the said memoranda where the orders to pay against the said accounts or withdrawals therefrom would involve the remittance of foreign exchange, even where the transaction does not strictly partake of the nature of an arbitrage operation.

It is understood, however, that the prohibition referred to above does not apply to peso accounts of non-residents of the Philippines against which remittances of foreign exchange may be made, subject to the accomplishment of application forms and submission of necessary supporting evidence as prescribed under the aforesaid Memorandum to All Authorized Agents dated June 23, 1967 for the purchase of foreign exchange for capital transfers and/or for the remittance of earnings, profits, and dividends to non-residents.

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO  
Governor

July 14, 1967

CENTRAL BANK OF THE PHILIPPINES  
Manila

MEMORANDUM TO AUTHORIZED AGENT BANKS

Effective immediately, liabilities arising after June 26, 1967, from the negotiation of usance letters of credit outstanding as of June 26, 1967, and/or the refinancing of sight drafts drawn against letters of credit outstanding as of June 26, 1967, shall not be subject to the one-to-one ratio as provided for under Circular No. 240, until October 26, 1967, and provided further that the liabilities arising from refinancing of sight drafts arose from availments of the credit lines of the Agent Banks with their foreign correspondents existing as of June 26, 1967.

In this connection, all banks shall submit to the Foreign Exchange Department, Central Bank, an inventory of all their letters of credit outstanding as of June 26, 1967, giving the following data:

- (a) L/C No.
- (b) Opening Date
- (c) Account Party
- (d) The relative outstanding balance as of June 26, 1967, as well as an inventory of credit lines giving the following information:
  - (1) Correspondent Bank
  - (2) Amount of line
  - (3) Unused line as of June 26, 1967
  - (4) Expiry date of line.

Subsequent negotiations under the aforesaid letters of credit shall be duly reported under separate caption and total, in Schedule 2-A of FED Form No. 1.

Importation of capital good, machinery and raw materials under perfected contracts or arrangements which are valid and subsisting as of June 26, 1967, subject to verification, which importations are not covered by letters of credit, may be considered as not falling under the provisions of Circular No. 243 dated June 23, 1967.

In the case of deferred payment transactions calling for the importation of capital goods, machinery and raw materials under the guarantee of the National Investment and Development Corporation or the Development Bank of

the Philippines, the said transaction shall be covered by letters of credit to the extent only of foreign exchange liabilities or payments due within 180 days.

Importations under US Public Law No. 480 shall not be subject to the special marginal deposit requirements required under Memorandum Agreement dated June 26, 1967, as well as to the thirty per cent (30%) L/C reserve requirement under CB-DSE Form No. 11.

This Memorandum to Authorized Agent Banks does not apply to the following banks from which no relative statistical data have been received to date by the Bankers Association of the Philippines:

1. Feati Bank & Trust Co.
2. General Bank & Trust Co.
3. Prudential Bank & Trust Co.
4. The Chartered Bank
5. Philippine National Cooperative Bank
6. Republic Bank
7. Overseas Bank of Manila

(SGD.) ANDRES V. CASTILLO  
Governor

July 14, 1967



CENTRAL BANK OF THE PHILIPPINES  
Manila

MEMORANDUM TO AUTHORIZED AGENT BANKS

In further reference to Memorandum to Authorized Agent Banks dated July 14, 1967, which, among other things, provides for the exemption from the provisions of Central Bank Circular No. 243 of importations (without letters of credit) of capital goods, machinery and raw materials under perfected contracts or arrangements valid and subsisting as of June 26, 1967,] the Monetary Board clarified that:

- '1) The verification of said perfected contracts or arrangements shall be undertaken by the banks concerned;
- "2) A simple report of such verified contracts or arrangements (which may include the amount of foreign exchange obligation involved, the beneficiary, and the nature, date and terms of the contract or arrangement, together with a copy each of such contracts or arrangements) shall be submitted by the bank concerned to the Foreign Exchange Department of the Central Bank; and
- "3) Such contracts or arrangements shall be subject to further verification and review by the Central Bank, if warranted."

FOR THE MONETARY BOARD:

(SGD.) ANDRES V. CASTILLO  
Governor

July 24, 1967

CENTRAL BANK OF THE PHILIPPINES

M a n i l a

MEMORANDUM TO AUTHORIZED AGENT BANKS

July 26, 1967

Subject: *Copies of evidence of Export Transactions to be furnished  
Central Bank*

"To enable the C. B. Export Department to undertake effective post verification of export prices and supervise the repatriation of export proceeds" (M.B. Res. No. 1643, dated September 25, 1966), authorized agent banks are reminded of the requirement to furnish the C. B. Export Department its copy(s) of the Reports of Foreign Sales (after bank registration thereof) and of the Export License/Permit (after bank issuance thereof) in the manner recapitulated hereunder:

Re: Report of Foreign Sales  
(CB:ED Form 101)

1. Central Bank Circular  
No. 229, dated August  
23, 1966

"The Report of Foreign Sales, shall as heretofore, be filed with authorized agent banks for purposes of registration.

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."

2. MAAB, dated Oct.14,  
1966

"Furnish daily copies of *unutilized* Report of Foreign Sales x x x which have not been utilized wholly or in part indicating the unutilized portions."

Re: Export License/Permit  
(CB: ED Form 102)

1. ED MAAB No. 44,  
dated March 25, 1959  

"x x x Agent Banks are requested to forward to this Department (Export) the duplicate copies of negotiated export licenses with all the supporting documents within forty-eight (48) hours after the relative negotiation thereof."
2. ED MAAB No. 67,  
dated July 27, 1961  
(after receipt of  
payment)  

"x x x Agent Banks are requested to forward to this Department (Export) the triplicate copies of negotiated export licenses within forty-eight (48) hours after their receipt of the foreign exchange payments for the corresponding export shipments."
3. Unnumbered MAAB,  
dated June 9, 1961 (re  
copra and coconut oil )  

"Agent Banks shall submit to the Export Department of the Central Bank the duplicate copies thereof immediately after issuance and in no case shall they be submitted later than 10:00 o'clock A.M. of the following business day. Provincial branches of agent banks shall report immediately by telegram the details of export licenses issued by them and shall mail the duplicate copies of the licenses involved not later than the succeeding business day."
4. FD MAAB No. 101,  
dated Feb. 7, 1964 (re  
embroidery shipments)  

"Requesting Agent Banks to furnish the Export Department of the CB with copies of Export Licenses issued together with copies of corresponding invoices to cover embroidery shipments, within twenty-four (24) hours from date of issuances thereof."
5. Unnumbered MAAB  
dated October 2, 1964  
(re log exports)  

"Authorized Agent Banks are requested to submit to the Export Department advance copies of all export licenses covering log export shipments issued by them x x x within twenty-four (24) hours from date of issuance thereof."

6. MAAB No. 53, dated  
Nov. 18, 1960

"Agent banks shall keep track of all export declarations (CB:ED Form 102) x x x and shall submit to the Export Department of the Central Bank a daily report of cases involving the failure of exporters to submit to them for negotiation or collection the relative shipping documents within 15 days from date of loading indicated in the said export declarations."

For proper implementation, authorized agent banks are requested to instruct their personnel handling this work to consult with the Central Bank Export Department for assistance and guidance if they so desire.

Effective immediately.

(SGD.) ANDRES V. CASTILLO  
Governor

CENTRAL BANK OF THE PHILIPPINES  
M a n i l a

Office of the Deputy Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

With reference to the applicability of Memorandum to Authorized Agent Banks dated June 23, 1967 to purchases of foreign exchange for invisibles by officials of foreign diplomatic and consular establishments in the Philippines, please be advised that the Monetary Board at its meeting held on August 18, 1967, decided as follows:

- "1) When purchasing foreign exchange for invisibles, officials of foreign diplomatic and consular establishments in the Philippines shall be exempted from the requirement under Memorandum to Authorized Agents dated June 23, 1967 that every application for the purchase of foreign exchange for invisibles in excess of \$100.00 shall be accompanied by a sworn statement of the purpose of such purchase. Such officials shall, however, be requested to accomplish the appropriate application form for each particular purchase of foreign exchange for invisibles and state in such application form the purpose of such purchase; and
- "2) If the proposed foreign exchange remittance is to be charge against the foreign currency accounts which are funded exclusively by inward remittances of foreign exchange and maintained with local banks by the foreign governments concerned, such foreign diplomatic and consular officials, in their own behalf of the governments they represent, may be exempted from accomplishing the requisite application form for the purchase of foreign exchange for invisibles."

This Memorandum shall take effect immediately.

(SGD.) AMADO R. BRIÑAS  
Deputy Governor

August 23, 1967

CENTRAL BANK OF THE PHILIPPINES  
M a n i l a

MEMORANDUM TO ALL BANKS  
September 14, 1966

We quote hereunder for your information and reference the provisions of Monetary Board Resolution No. 1454 dated September 2, 1966:

"The Board authorized commercial banks and their branches, as well as rural and private development banks, which are duly accredited by the Development Bank of the Philippines (DBP) as sales and service agencies for its forthcoming bond marketing operations, to open and maintain special DBP accounts arising out of the proceeds of DBP bonds sold by said service agencies, which accounts shall be treated as special agency accounts and not as deposits and, hence, such accounts shall not be subject to the liquidity floor requirement on government deposits."

Please be guided accordingly.

(SGD.) AMADO R. BRIÑAS  
Deputy Governor

CENTRAL BANK OF THE PHILIPPINES  
M a n i l a

MEMORANDUM TO ALL AUTHORIZED AGENTS

This is to announce the opening of the Cash Unit in the Central Bank Regional Office at Davao City on October 2, 1967, which will perform the following functions:

1. To accept cash deposits intended to meet the reserve requirements of commercial banks, including the Philippine National Bank, and Rural Banks operating within the City of Davao, thus terminating the present arrangement whereby the PNB Branch at Davao City accepts such deposits under the Cash-Held-in-Trust Account for the Central Bank. Banks shall bring the cash to the premises of the Central Bank Regional Office where it shall be verified and counted in the presence of the authorized representative of the depositing bank.

Currency intended for deposit which cannot be verified during the day may be accepted by the Regional Office subject to verification. Verification of said deposit shall be done the following office day in the presence of the authorized representatives of the depositing banks. In this connection, banks are requested, in making deposits, to segregate clean notes from currency which is mutilated or unfit for circulation.

2. To supply the currency requirements of the branches of commercial banks, including the Philippine National Bank, operating within Davao City, using for the purpose Central Bank checks. Blank forms of the check may be secured from the Banks' respective Head Offices at Manila and that any withdrawal is understood to be authorized by the main office. Banks shall take physical delivery of such cash at the premises of the Central Bank.
3. The Cash Unit of the Central Bank Regional Office at Davao City shall replace mutilated currency, upon presentation thereof, at face value. The following regulations governing withdrawal from circulation and replacement of currency unfit for circulation are hereby prescribed:
  1. The Unit shall withdraw from circulation all notes and coins which for any reason whatsoever are unfit for circulation, and shall replace them by adequate notes and coins, except which such notes and coins fall under any of the following classifications.

- a) Notes and coins the identification of which is impossible;
  - b) Coins which show signs of filing, clipping or perforation; and
  - c) Notes which have lost more than two-fifths of their surface or all of the signatures inscribed thereon.
2. Mutilated notes and coins whose exchange value cannot be readily determined shall be accepted by the Unit on a collection basis only and shall be forwarded to the Currency Issue & Retirement Office, Central Bank, Manila, where final determination of their exchange value will be made.

At the close of business everyday, the amounts of cash deposited and withdrawn by each bank shall be relayed to the Central Bank Main Office at Manila by the Davao Regional Office for accounting purposes.

(SGD.) AMADO R. BRIÑAS  
Deputy Governor

September 19, 1967



CENTRAL BANK OF THE PHILIPPINES  
M a n i l a

MEMORANDUM TO AUTHORIZED AGENT BANKS

Effective immediately, all letters of credit which are required to be opened to cover importations under the provisions of Circular No. 243 dated June 23, 1967, must be opened on or before the actual date of shipment.

In this connection, every Authorized Agent Bank is requested to submit to the Central Bank the particulars of all its letters of credit opened, if any, after the corresponding shipment had already arrived.

FOR THE MONETARY BOARD:

(SGD.) AMADO R. BRIÑAS  
Deputy Governor

October 12, 1967

CENTRAL BANK OF THE PHILIPPINES  
M a n i l a

MEMORANDUM TO AUTHORIZED AGENT BANKS

In further clarification relative to the sales of foreign exchange for invisibles and Memorandum to Authorized Agent Banks dated April 16, 1962 prescribing the guidelines in the sales of exchange for travel, authorized agent banks are enjoined to limit the sales of travel funds to their clients in the amount of \$50.00 per traveler for each day of stay outside the Philippines. The maximum amount to be sold to the applicant prior to departure shall not exceed \$1,500.00 equivalent to a thirty-day stay abroad. In cases where the applicant will stay abroad for more than thirty days, he may make arrangements with an authorized agent bank to remit to him, not earlier than thirty days from his departure, at his temporary address abroad an additional \$50.00 per day, provided that the amount to be remitted shall not exceed \$1,500.00 for every thirty-day period.

The authorized agent bank concerned shall indicate in the passport of the applicant the amount of travel funds sold to him prior to his departure and additional foreign exchange for such purpose shall not be sold to him by any other authorized agent.

(SGD.) ANDRES V. CASTILLO  
Governor

October 27, 1967

CENTRAL BANK OF THE PHILIPPINES  
M a n i l a

MEMORANDUM TO AUTHORIZED AGENT BANKS

Further to our Memorandum to Authorized Agent Banks dated October 12, 1967, relative to letters of credit required the provisions of Circular No. 243 dated June 26, 1967, it is advised that Authorized Agent Banks may open letters of credit for shipments which had already arrived or were in transit as of October 17, 1967 provided the importer concerned shall put up the corresponding cash marginal deposit in accordance with the Memorandum Agreement Among All Authorized Agent Banks dated June 26, 1967, which deposit shall be held and shall be released only after thirty (30) days from the date the letter of credit is opened or until said letter of credit is fully negotiated, whichever comes later.

Such letters of credit shall call for drawings at sight and shall be the bases for the issuance of release certificates for Customs purposes.

It is reiterated that all letters of credit which are required to be opened to cover importations under the provisions of Circular No. 243 dated June 23, 1967, as amended, must be opened on or before the actual date of shipment.

Please be guided accordingly.

(SGD.) ANDRES V. CASTILLO  
Governor

October 30, 1967

CENTRAL BANK OF THE PHILIPPINES  
Manila

MEMORANDUM TO ALL AUTHORIZED AGENTS

In further clarification of Memorandum to Authorized Agent Banks dated July 14, 1967, which provides, among others, that [importation of capital goods, machinery and raw materials under perfected contracts or arrangements which are valid and subsisting as of June 26, 1967, subject to verification, which importations are not covered by letters of credit, may be considered as not falling under the provisions of Circular No. 243 dated June 23, 1967,<sup>1</sup> please be advised that the Monetary Board, under Resolution No. 1990 dated October 13, 1967, clarified the terms "machinery" and "capital goods" as used in said Memorandum as follows:

- 1) The term "machinery" shall be deemed to refer to the machinery enumerated in the attached List of Agricultural, Industrial and Mining Machinery (Revised as of September 12, 1967); and,
- 2) The term "capital goods" shall be construed as excluding "transport equipment" other than trucks used for agricultural, industrial and commercial purposes.

Please be guided accordingly.

(SGD.) AMADO R. BRIÑAS  
Deputy Governor

October 31, 1967

CENTRAL BANK OF THE PHILIPPINES  
Manila

MEMORANDUM TO AUTHORIZED AGENT BANKS

With further reference to Memorandum to Authorized Agent Banks dated July 14, 1967, as supplemented by Memorandum to Authorized Agent Banks dated July 24, 1967, relative to perfected contracts or arrangements which are valid and subsisting as of June 26, 1967 covering importation of capital goods, machinery and raw materials without letters of credit, all banks are hereby advised to require their importer-clients concerned to submit evidence of execution of document/s embodying said contracts or arrangements, such as accepted purchase orders, accepted firm offers or exchange of letters, to the banks for registration and verification not later than November 24, 1967. All banks shall submit to the Foreign Exchange Department, Central Bank of the Philippines, not later than November 27, 1967, an inventory of registered contracts or arrangements showing the following details:

- a. Name and address of importer
- b. Name and address of foreign supplier
- c. Date when contract or arrangement was perfected
- d. Commodity covered (quantity, quality and delivery date must be specified)
- e. Dollar value
- f. Date when contract or arrangement was registered
- g. Terms of payment (State whether D/A, Open Account or Deferred Payment Arrangements)

Any such contract or arrangement tendered to the banks after the deadline of November 24, 1967 shall not be accepted for purposes of this memorandum.

Please be guided accordingly.

(SGD.) ANDRES V. CASTILLO  
Governor

November 10, 1967

CENTRAL BANK OF THE PHILIPPINES

Manila

MEMORANDUM TO AUTHORIZED AGENT BANKS

Effective immediately, and until further notice, [all banks are hereby authorized to accept demand, checking and/or savings deposit accounts denominated in U.S. dollars in the name of Filipinos temporarily working and/or residing abroad,] subject to the following conditions:

(1) The deposit accounts to be opened shall be funded only by inward remittances of dollars;

(2) Withdrawal against dollar deposits for local disbursements shall only be allowed in pesos. Withdrawal to cover remittance of foreign exchange abroad shall be allowed only after the local depository bank concerned shall have accomplished the prescribed form with the sworn affidavit of the purpose of such remittance, for and on behalf of the non-resident depositor in whose account withdrawal shall be made, subject to the provisions of existing regulations on foreign exchange remittance;

(3) Any dollar deposit opened shall be automatically converted to peso deposit upon the return to the Philippines of the person in whose name the deposit was established; and

(4) The local depository bank shall submit to the Foreign Exchange Department, Central Bank of the Philippines, Manila, at the end of every quarter, a report showing the account number, original date of opening, and the outstanding balance of each dollar deposit account.

The interest accruing to any dollar savings account may be paid either in Philippine pesos or in U.S. dollars.

Please be guided accordingly.

(SGD.) ANDRES V. CASTILLO  
Governor

November 27, 1967

CENTRAL BANK OF THE PHILIPPINES  
Manila

MEMORANDUM TO AUTHORIZED AGENT BANKS

For purpose of implementing the limitation on the monthly sales of foreign exchange in payment for imports financed through open accounts (O/A), documents against payments (D P), and documents against acceptances (D/A) as provided for under Circular No. 252 dated October 26, 1967, authorized agent banks may in any single month exceed their average monthly sales in FY 1966-1967; provided, however, that the sale of foreign exchange for a twelve-month period shall not go beyond the total amount sold during the said fiscal year.

Please be guided accordingly.

(SGD.) ANDRES V. CASTILLO  
Governor

November 28, 1968

CENTRAL BANK OF THE PHILIPPINES  
Manila

MEMORANDUM TO AUTHORIZED AGENT BANKS

Pursuant to Monetary Board Resolution No. 2282 of November 28, 1967, all National Government securities which carry Central Bank support and were issued on or before October 26, 1967 shall also be eligible as cover for foreign exchange liabilities in the implementation of Circular No. 250, provided that such securities are utilized exclusively for this purpose. Except Treasury bills, National Government securities, with or without Central Bank support, which may be issued after October 26, 1967, shall not be eligible as cover for foreign exchange liabilities under Circular No. 250.

(SGD.) ANDRES V. CASTILLO  
Governor

November 28, 1967



CENTRAL BANK OF THE PHILIPPINES  
Manila

MEMORANDUM TO AUTHORIZED AGENT BANKS

For purposes of implementing Circular No. 253 dated October 26, 1967, the composition of the 50% deposit balance in the Central Bank as required reserves against deposit liabilities of commercial banks shall be:

	Deposit balances with the Central Bank	Eligible government securities with Central Bank support cash in bank vaults, or free export bills
To Dec. 31, 1967	25%	25%
January 1, 1968	30%	20%
February 1, 1968	35%	15%
March 1, 1968	40%	10%
April 1, 1968	45%	5%
May 1, 1968	50%	0%

The export bills hereinabove referred to shall be those in excess of the cover used against foreign exchange liabilities, hence their designation as "free export bills."

Please be guided accordingly.

(SGD.) ANDRES V. CASTILLO  
Governor

December 5, 1967

CENTRAL BANK OF THE PHILIPPINES  
Manila

MEMORANDUM TO AUTHORIZED AGENT BANKS

This is to announce the opening of the Cash Unit in the Central Bank Regional Office at Cebu City on December 14th, 1967, which will perform the following functions:

1. To accept cash deposits intended to meet the reserve requirements of commercial banks, including the Philippine National Bank, Rural Banks and savings and loans association operating within the City of Cebu, thus terminating the present arrangement whereby the PNB Branch at Cebu City accepts such deposits under the Cash-Held-in-Trust Account for the Central Bank. Banks shall bring the cash to the premises of the Central Bank Regional Office where it shall be verified and counted in the presence of the authorized representative of the depositing bank.

Currency intended for deposit which cannot be verified during the day may be accepted by the Regional Office subject to verification. Verification of said deposit shall be done the following office day in the presence of the authorized representatives of the depositing banks. In this connection, banks are requested, in making deposits, to segregate clean notes from those which are mutilated or unfit for circulation.

2. To supply the currency requirements of the branches of commercial banks, including the Philippine National Bank, operating within Cebu City, using for the purpose Central Bank checks. Blank forms of the check may be secured from the Bank's respective Head Offices at Manila and that any withdrawals is understood to be authorized by the main office. Banks shall take physical delivery of such cash at the premises of the Central Bank.
3. The cash Unit of the Central Bank Regional Office at Cebu City shall replace mutilated currency, upon presentation thereof, at face value. The following regulations governing withdrawal from circulation and replacement of currency unfit for circulation, are hereby prescribed:
  1. The Unit shall withdraw from circulation all notes and coins which for any reason whatsoever are unfit for circulation, and shall replace

them by adequate notes and coins, except when such notes and coins fall under any of the following classifications:

- a) Notes and coins the identification of which is impossible;
  - b) Coins which show signs of filing, clipping or perforation; and
  - c) Notes which have lost more than two-fifths of their surface or all of the signatures inscribed thereon.
2. Mutilated notes and coins whose exchange value cannot be readily determined shall be accepted by the Unit on a collection basis only and shall be forwarded to the Currency Issue and Retirement Office, Central Bank, Manila, where final determination of their exchange value will be made.

At the close of business every day, the amounts of cash deposited and withdrawn by each bank shall be relayed to the Central Bank main Office at Manila by the Cebu Regional Office for accounting purposes.

(SGD.) ANDRES V. CASTILLO  
Governor

December 5, 1967

CENTRAL BANK OF THE PHILIPPINES  
Manila

MEMORANDUM TO AUTHORIZED AGENT BANKS

In order to effectively implement the provisions of Memorandum to Authorized Agent Banks dated April 16, 1962, as reissued and amplified under Memorandum to All Authorized Agents dated June 23, 1967, and to achieve the objectives envisioned therein, effective immediately, Authorized Agent Banks are hereby enjoined to observe prudence in the evaluation of all applications for the purchase of foreign exchange by observing strictly the guidelines set for in the said memorandum of April 16, 1962. Applicants must fully accomplish the form prescribed for the purpose of remittance, substantiated by documentary evidence to prove that the purpose is legitimate and the amount applied for is reasonable. The prescribed application form, as accomplished, must be accompanied by the following:

1. Repatriation of capital of non-resident investor — Evidence of inward remittance of foreign money originally invested through a commercial bank and/or shipping and other documents covering shipping and other documents covering shipments to the Philippines of import component of foreign investments. Circular No. 140 dated March 27, 1962 requires the reporting to the Central Bank in a prescribed form of foreign investments in the Philippines.
2. Remittance of profits and dividends due the non-resident investor — Evidence showing dividend declaration or distribution of profits. Remittance of earnings shall only be allowed to the extent of dividends declared less withholding tax, if any, due the foreign investor.
3. Payment and servicing of foreign loans — Evidence showing inflow of foreign loan money through a commercial bank and/or shipments of capital goods loaned and schedule of repayments arising thereunder. Remittance shall be allowed to cover in full the payment of principal and interest due in accordance with the schedule of liquidation or the accelerated payment as agreed upon between the parties concerned.
4. Capital transfer of Philippine resident — Capital transfer representing investment abroad of Philippine resident must be substantiated by documentation of equity investment. The proceeds from subsequent liquidation of such investment abroad or the overseas sales proceeds of domestic investment belonging to resident sold to non-

resident shall be remitted inwardly through the commercial banks and shall not be allowed to be retained overseas.

5. Transfer of assets of intending emigrant — Remittance of foreign exchange representing sales proceeds of domestic assets of intending emigrant must be supported by deed of sale of such assets. No foreign exchange shall be sold in amount in excess of the dollar equivalent of the said sales proceeds.
6. Remittance for other invisible items — Application forms for the purchase of foreign exchange for other invisible items, under the prescribed forms Nos. 4, 5, 6, 8, 9, and 10, must be accompanied by documentary evidence that the purpose of the remittance is legitimate and the amount of such remittance is validly due the beneficiary.
7. In the case of resident persons or firms who are dollar earners from invisibles, particularly Philippine shipping and airline companies engaged in overseas voyages, commission agents, manufacturers' representatives, Authorized Agents are enjoined to restrain themselves from selling foreign exchange to said dollar earners unless the applicants can show proof that their foreign exchange earnings, if any, have been consistently remitted into the Philippines thru the commercial banks in accordance with the requirements of Circular No. 133, as amended.

No restriction on foreign investment shall be constructed to be imposed herein. Full remittability of foreign investment, whether public or private foreign capital, and legitimate income derived from such investment in the Philippines is hereby guaranteed. Authorized Agents are permitted to meet in full the foreign exchange needs for such remittance, but they are required to exercise discipline and judicious management of the foreign exchange resources of the country in selling foreign exchange for invisible payments.

Strict enforcement of the above provisions is hereby enjoined.

(SGD.) ANDRES V. CASTILLO  
Governor

December 29, 1967

DEPARTMENT OF SUPERVISION AND EXAMINATION

MEMORANDUM TO COMMERCIAL AND SAVINGS BANK—DSE

June 15, 1967 476

We quote Monetary Board Resolution No. 887 dated May 23, 1967, as follows:

"The Board decided that, as a matter of policy, out of the preferred shares of stock which commercial and savings banks may henceforth be authorized to issue, at least 50% of each such issue of preferred stock shall be convertible into common stock at the option of the holders thereof after (5) years from date of issue; provided, however that:

- 1) The bank concerned may, if it so desires, allow the conversion of such preferred stock into common stock even before the lapse of five (5) years from date of issue; and
- 2) At the time of the sale of the preferred stock, both classes thereof (one with convertibility feature and the other without convertibility feature) shall be offered to the purchasers, with the purchasers having the option acquire either or both classes of preferred stock.

X IX

"The foregoing resolution supersedes Resolution No. 435 dated March 14, 1967." (Res. No. 435 was the subject of Memorandum to ALL Commercial and Savings Bank — DSE dated March 30, 1967).

(SGD.) BASILIO ESTANISLAO  
Acting Superintendent of Banks

I--CSS/LGT/I

DEPARTMENT OF SUPERVISION AND EXAMINATION

MEMORANDUM TO ALL COMMERCIAL BANKS --DSE

August 24, 1967

With reference to Monetary Board Resolution No. 780 dated May 5, 1967 reducing the interest rate which commercial and savings and mortgage banks may pay on time deposits to enable banks to reduce the prime rate on loans for projects included in the economic program of the Government, the Monetary Board, in the same resolution, enjoined --

- "1) The commercial banks to follow up the loans granted by them in order to insure that the proceeds of such loans are utilized for the purposes for which they were granted. x x x"

Since it is also required that our Department should render a periodic report to the Monetary Board on the compliance by banks with the above-quoted requirement, it is suggested that banks adopt appropriated records on their compliance with said requirement.

(SGD.) BASILIO ESTANISLAO  
Acting Superintendent of Banks

I--CSS/PPJ/b

## DEPARTMENT OF SAVINGS AND LOAN ASSOCIATIONS

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### MEMORANDUM TO SAVINGS AND LOAN ASSOCIATIONS NO. 9

Effective immediately, and for purposes of complying with Section 32 of Central Bank Circular No. 157, as amended, savings and loan associations operating within Greater Manila which includes the City of Manila, Caloocan City, Pasay City, Quezon City, Makati, Mandaluyong, Parañaque and San Juan, Rizal, or in those places where there are Central Bank Regional Offices with Cash Units, shall deposit the cash portion of their required reserves against deposit liabilities directly with the Central Bank of the Philippines or with said Regional Offices.

All other savings and loan associations shall deposit the cash portion of their required reserves against deposit liabilities with any branch or agency of the Philippine National Bank located in their respective places of business. Proper arrangements had already been made with the Head Office of said Bank that such deposits shall be held in trust for the Central Bank of the Philippines.

This supersedes Memorandum to Savings and Loan Associations No. 2 dated June 18, 1964.

(SGD.) ERASTO A. PACIS  
Officer-in-Charge

October 11, 1967