

The Business View

A monthly review of facts, trends, forecasts, by Manila businessmen

Office of the President of the Philippines

From an Official Source

FEBRUARY 1 — Governor Miguel Cuaderno of the Central Bank states that engineers of the Haza Engineering Corporation of Chicago, are to be brought here by the National Power Corporation to prepare the specifications for the bidding soon to open for machinery and equipment needed for the Ambuklao project in Northern Luzon and that this is a forward step in the consummation of the P30,000,000 loan from the World Bank.

The Cabinet is reported to have decided to use the Naval Patrol, if necessary, to stop illegal dynamite fishing.

Feb. 2 — President Elpidio Quirino is reported to have asked Vicente Sabalvaro, general manager of the National Development Company, who recently submitted his resignation, to stay on the job.

The President assures a delegation of the Mindanao Abaca Planters Association that the Government is determined to aid the abaca industry. The Association has asked for a loan of P35,000,000, to be financed by the Reconstruction Finance Corporation and the Philippine National Bank, for an expansion program.

Dr. Gabriel Mañalac, chairman of the National Committee of the UNESCO, just returned from the Beirut, Lebanon, conference, states that UNESCO will continue aid to the Philippines in the form of scientific equipment, books, etc. During the past 3 years the Philippines has received over P4,000,000 worth of such aid.

Feb. 3 — **Dr. Maurice Stack**, head of the Social Security section of the International Labor Organization, Commissioner of Public Welfare Asuncion Perez, and **Dr. Jorge Bocobo**, members of the Social Security Study Commission, have submitted their respective reports to the President, understood to include proposed legislation.

Under-Secretary of Foreign Affairs Felino Neri states that holders of Philippine diplomatic passports upon their return home are not entitled to courtesies of the port except in certain specific cases. Exemption from customs inspection has resulted in a number of notorious cases of smuggling.

Feb. 4 — The President, at a Cabinet meeting, issues instructions to the National Economic Council and the Board of the Central Bank to submit a program to finance expansion of the abaca industry.

The President instructs Secretary of Commerce and Industry **Cornelio Balmaceda** to assume control of the National Coconut Corporation in his capacity as chairman of the Control Committee of the Government Enterprises Council. The President has suspended **Maximo M. Kalaw**, the general manager, following the bringing of a civil complaint against him by Corporate Counsel **M. P. Lichauco** and has designated **Jose Agudo** as acting general manager. He also instructs **Mr. Balmaceda** to take steps to reduce

the personnel of the Surplus Property Commission by 50%.

Feb. 5 — The National Economic Council approves a P115,000,000 financing program for income-producing government development projects as recommended by the Monetary Board of the Central Bank. The Council also recommends that National Bank facilities be made available immediately for short-term crop-loans to abaca planters; long-term loans are still under study. The Council recommends, further, that the Government take advantage of the offer of the Supreme Commander of the Allied Powers in Japan (SCAP) to build merchant vessels for the Philippines. The Council rejects the proposal of the Netherlands Government to reduce tariffs on Dutch goods by abolishing the "home-market clause" in the Tariff Act.

The City of Cotabato is destroyed by fire, damage being estimated at P8,000,000, with 5,000 persons rendered homeless.

Secretary of Finance **Pio Pedrosa** orders the cancellation of the examinations for marine officers given by the Board of Examiners in view of a report from the National Bureau of Investigation of an examination-question leak. He has requested that all other scheduled examinations be suspended.

Feb. 6 — The construction of the Sipocot-Lupitel Gallego road, linking Camarines Sur with Quezon province, is formally begun, the President, some time ago, having released P200,000 for the project.

Announced that **Vice-Consul Carlos Faustino** will leave shortly for Bangkok, Siam, to handle Philippine affairs at the American Embassy there pending the organization of a Philippine Legation. The appointment was made at the request of the American Embassy in view of the increased volume of Philippine work.

Feb. 7 — The President receives the U. S. Veterans Administration mission sent here in connection with the projected hospitals for Filipino veterans.

Feb. 8 — The President submits to Congress the budget of the National Government for the 1949-1950 fiscal year, calling for expenditures amounting to P282,698,735, as against an estimated income of P304,000,000. According to the President's message, the actual operating expenses of the Government will be P249,201,000, but as extraordinary expenses the following items were added: P6,000,000 for the coming elections, P6,000,000 for the operating expenses of the Philippine Veterans Administration, and some other items for special services not classified as operating expenses of the Government. Said the President:

"The previous budgets of the Government since liberation have been characterized by emergency financing. A considerable portion of the income has come from extraordinary sources or from loans. . . . But we have not found it necessary to resort to this extraordinary financing for the current fiscal year. Nor do we have to exert effort to make other adjustments to balance our present budget. Our yearly income is now much greater, four times greater in fact, than any annual income of pre-war years. However, in terms of purchasing power, this income is comparatively less than our income in the boom year of 1937 or as late as 1940. . . . Mainly for this reason, our expenditures have increased considerably. . . .

"The extraordinary expenses for the proper implementation of our general economic development program will be financed by special allocation of funds available as capital in-

vestment. As they will not be charged against our normal operating income, they are not included in this Budget.

"Indiscriminate appropriation of funds is a danger to our financial stability. Except for meeting serious emergencies, it is necessary that appropriations be coordinated with income. For the last two years, for example, the appropriations reached the total sums of P353,611,178 for 1947 and P273,695,182 for 1948. The incomes for the said years were only P303,169,184 and P263,240,575, respectively. It will be noted that if all the amounts appropriated had been spent there would have been registered during the said years deficits of P50,441,993 for 1947 and P10,454,607 for 1948. To avoid these deficits, the Chief Executive was compelled to suspend the expenditure of many authorized appropriations.

"I am confident that through a conservative policy of appropriation and intelligent control of our expenditures, we will not only maintain a balanced budget but also obtain the maximum economy consistent with efficiency in the public service."

Feb. 9 — The President authorizes the advance of P2,000,000 to the Philippine Veterans Board to assure continuance of pensions to some 50,000 disabled veterans and widows and indigent parents of deceased veterans. At the end of the year the Board had a balance of something over P605,000, while the monthly pension payments amount to around P900,000. It is understood that the P2,000,000 will be charged to a deficiency appropriation of P4,000,000 to be recommended for the purpose. Two members of Congress have introduced a bill calling for an appropriation of P25,000,000 for veterans pensions.

Secretary Pedrosa states that a "pay-as-you-go" system of collecting income taxes is being considered by the Department of Finance. Under this plan, employers would become virtual agents of the Government and would collect the proportionate monthly tax out of the salaries they pay employees.

Feb. 12 — The University of the Philippines, recently moved to the Diliman area, Quezon City, celebrates its 40th anniversary and confers on President Quirino the honorary degree of Doctor of Laws.

Feb. 14 — The Insular Refining Corporation, subsidiary of the National Development Company, re-opens, with Marciano Angeles as superintendent. The plant has a production capacity of 5,000 100-pound bags of sugar a day. Under the present program, PRATRA supplies the raw sugar and sells the finished product both here and abroad. PRATRA general manager Ildefonso Coscolluela states that the price of refined sugar in the local market has been reduced from 55 to 45 centavos a kilo.

General Manager Sabalvaro of the NDC announces that the pulp and paper mill department of his company will start operation in about a month. It will produce kraft manila paper at a daily capacity of 20 to 25 tons. Two other pulp plants which the NDC is expecting from Japan will be put up, one at Guinobatan, Albay, and the other in Davao. Each will have a daily capacity of 10 tons of pulp which will be sent to the main plant in Manila for processing.

Feb. 15 — The President, in an address before the congress of the National Federation of Sugar Planters, states that he hopes the planters will resolve their conflict with the Central owners over the assignment of quotas through amicable means and that they will join them in forming one solid organization. He promises that the Government will extend liberal crop loans on the basis of 60% of the price of the sugar.

Feb. 18 — In a meeting with the President, the Cabinet approves the elimination of middlemen in the purchase by the Government of construction ma-

terials from SCAP by placing the orders through the Philippine mission in Tokyo instead of through private brokers. It is stated that the Cebu Portland Cement Company has closed a contract for the purchase of 30,000 metric tons of cement from SCAP. The Cabinet approves also the policy of permitting foreign governments to buy real estate here for the use of diplomatic and consular offices, provided the governments concerned extend a similar privilege to the Philippine Government. The action followed a request of the Chinese Consul in Davao to be allowed to buy real estate there for his office and residence.

Feb. 19 — In compliance with a ruling of the President, Secretary Balmaceda instructs the People's Homesite and Housing Corporation to stop the sale of concrete hollow blocks to the public and to confine its sales to the Government and government corporations. In agreement with the private manufacturers certain standard prices have been fixed for the blocks.

Feb. 21 — Malacañan announces that the Senate has formally delivered the official transcript of Senate Resolution No. 70 notifying the Chief Executive that the Hon. Mariano Jesus Cuenco has been elected Acting President of the Senate, and that this has been received by the Executive Secretary and made a part of the official record. Senate President Jose Avelino tells the press that the 12-man session which elected Cuenco after he had adjourned the Senate and left with his followers, was illegal. Avelino adjourned the session because of alleged disorder in the gallery while Senator Lorenzo M. Tañada was attempting to file charges against him involving corruption.

The National Economic Council, with the President presiding, approves the project of the National Development Company to buy 3 ocean-going ships from SCAP in line with the Government's program to expand the merchant marine, taking advantage of an offer by SCAP to construct them at a cost below bids from other foreign bidders. The first ship is scheduled for delivery within 18 months and would be turned over to the De la Rama Lines either on a management, charter, or sales basis, according to conditions at the time. The Council also decides to reconstitute the Board of the National Coconut Corporation, with Conrado Benitez and Pablo Lorenzo to fill existing vacancies. Jose Agudo will remain in charge during the reorganization.

Feb. 22 — The President signs two treaties, one of Friendship and General Relations with Italy and the other on Civil Rights and Consular Prerogatives with Spain.

The President issues a statement declaring that the recent change in the organization of the Senate will not affect the functioning of the Government and that "the stability of this Government is not at stake".

The President appoints Secretary of Finance Pedrosa, Secretary of Agriculture and Natural Resources Placido L. Mapa, and Budget Commissioner Pio Joven to prepare a plan for the coordination of the administration of all former alien enemy property which has been turned over to the Philippine Government.

The Cabinet approves the sending of a delegation, headed by Under-Secretary Jose Camus of the Department of Agriculture and Natural Resources, to the meeting of the International Rice Commission which will open in Bangkok on March 7.

Feb. 23—The President has instructed Ambassador J. M. Elizalde to "explore the possibility of reverting the excise tax on coconut oil, estimated at around P120,000,000, to the Philippine Government.

The President has also approved Secretary Balaceda's recommendation that the issuance of export permits for copra be continued although the International Emergency Food Council has discontinued the allocation of fats and oils because there is now a sufficient supply to meet essential demands.

The President directs that all security guards of the Surplus Property Commission be placed under military control and supervision. It is reported that sales amount to some P27,000 a day as against expenses of P20,000, and the President has urged the Commission to hasten the liquidation of the various depots in order to complete this before the June 30 time-limit set by the United States Government.

Feb. 24—The President, in ceremonies at Malacañan and on recommendation of the Women's International League headed by Mrs. Beatriz P. Ronquillo, in connection with its 10th anniversary, bestows gold medals and certificates of merit upon 5 foreign nationals who have distinguished themselves in service to the people of the Philippines. Mrs. T. H. Lockett delivers to them also impromptu rewards of P1000 each from private donors. The five are Mary E. Polley, of the Bureau of Education; H. Otley Beyer, of the University of the Philippines; Irving Hart, social worker; Mother Damien, Sister of Mercy, at the Culion Leprosy Colony; and Father Leon Quintelier, pioneer missionary in the Mountain Province.

Feb. 26—The President signs the Sotto Bill providing for the inclusion of the teaching of Spanish in Philippine high schools.

Secretary of Finance Pedrosa has issued a memorandum prohibiting finance officials and employees from gambling and going to gambling places, including horse races, jai-alai, and cockpits.

Feb. 27—The President addressing a delegation from the Catholic Women's League, urges the women of the Philippines to use their influence in helping their menfolk in the Government to raise the standard of morality in the conduct of public affairs.

Feb. 28—The National Economic Council discusses in general terms the proposed P200,000,000 development program of government corporations and tentatively considers at list of priorities. It also considers a PRATRA request that it be exempted from paying taxes.

The Department of Foreign Affairs announces that the U. S. Economic Cooperation Administration has authorized France to procure \$605,000 worth of abaca and \$100,000 worth of sisal or hequen maguey from Manila, to be delivered during the 2nd quarter of 1949.

The President, to promote freedom of speech, instructs Mayor Manuel de la Fuente of Manila to reserve the part of the Sunken Garden northwest of the City Hall as "Freedom Park" for all public meetings and demonstrations.

Banking and Finance

BY F. C. BAILEY
National City Bank of New York

THE usual financial summary of the reports of Manila banks compiled from reports of the Bureau of Banking is not available for this issue.

The Central Bank issued its first statement as of

January 31, 1949. Monetary circulation totalled P694,556,476, made up of all notes and coins outside the Central Bank and including P21,500,000 estimated to have been lost or destroyed as a result of the war. The latter figure was not included in the circulation statements regularly issued by the National Treasurer prior to the establishment of the Central Bank. The last statement so issued showed circulation on December 31, 1948, at P813,501,310. The net decrease results from a change in the compilation of the figures and is accounted for principally by the delivery to the Central Bank of the legal reserves, amounting to P169,351,029, of the various commercial banks. Against the January 31st circulation the Central Bank reported a total of P714,969,280 in international reserves, of which P712,200,164 was held in U.S. dollars and the balance in gold and other foreign currencies.

The Central Bank continues to supply dollar exchange at the following rates:

| | |
|-------------------|---------|
| Selling T.T. | P201.00 |
| Selling O/D | 200.95 |

The Central Bank has authorized the following rates within which commercial banks may quote to their clients:

| | <u>Selling</u> | <u>Buying</u> |
|---|----------------|---------------|
| U.S. Dollars T.T., over \$500.00 ... | P201.50 | P200.50 |
| U.S. Dollars Demand over \$500.00 | 201.375 | 200.375 |
| U.S. Dollars T.T. and Demand under \$500.00 | 202.00 | 200.00 |

At this writing, banks are quoting generally, for prime business, T.T. P201.50 selling, and P200.75 buying.

American Stock and Commodity Markets

BY ROY EWING
Swan, Culbertson & Fritz

January 28, 1949 to February 28, 1949

SINCE our last review in this column, the New York stock market has been in a steady decline.

The high for the period, as measured by the Dow Jones Industrial Average, was 180.39 on February 1 and the low 171.10 on February 25. The sharp drop in commodities in early February (see below), rising unemployment, and other indications that a broad adjustment in the American economy is underway, were responsible for the bearish sentiment.

Some earnings figures such as the 1948 total of \$184,500,000 of U. S. Steel caused short-lived rallies but could not offset such items as declining carloadings, a fourth cut in fuel-oil prices, and General Motors' announcement of price cuts for automobiles. Majority opinion is that while the "recession" will spread further, it will be controlled and orderly and in the long run the economy will be sounder with lower prices and a check to inflation.

In the first week of February the Rail Average broke into new low ground since July of 1947 thereby providing half of a signal, according to the Dow Theory that an extension of the bear market which began in July of last year is to be expected. The second half was provided on February 25 when the In-