

STOCK MARKET

Still going up, up, up

It may just be a matter of definition, but some people are still hard put to describe precisely the present state of the local stock market. Some say that the long-awaited boom is now a reality. Others believe that it is just the sign of even bigger things to come.

Whatever the case may be, the fact remains that never in its entire history has the local stock market seen the likes of the buy-and-sell splurge that has attended the first quarter trading season of 1973. After a shy and probing start of P57.6 million in January, the peso value of transactions spurted to a P491.6 million February total and then coasted to a P469.6 million aggregate for March. By the end of March, the Board of Investments reported that total stock transactions for the first three months of the current year amounted to a staggering P1,018,913,000. This sum represents a 579 percent increase over that of the first quarter of last year which saw only around P150 million worth of

stocks being traded. More significantly, this year's first quarter performance has already outpaced the whole year's total of approximately P608 million in 1972.

This dramatic turn of events certainly lends support to the view that the boom is now a reality. But there are those who feel a still bigger thing is likely to happen and would rather have, in the meantime, a conservative reading of the facts.

While there may be a difference of opinion over terms, there is general agreement, however, over the factors that have induced this new-found vigor in the stock market. On the political front, the ominous clouds of unrest have been dispersed; the deleterious effects of the changing political seasons of the past, which often led to unpredictable shifts in economic policies, have disappeared; and the initial uncertainty of the early days of martial law has given way to a palpable feeling of confidence and trust in the nation's leadership. In short, political stability has been restored.

At the same time, the Administration has been continually reviewing and revising economic and political policies which had become institutionalized barriers to investment and economic growth. Immigration rules have been relaxed to facilitate the entry of foreign investors. The participation of foreign nationals in the exploitation of natural resources, particularly in oil exploration, is encouraged under the most liberal terms, coupled with

guarantees for the repatriation of capital and profits. The Investment Incentives Act has been amended to allow greater foreign equity participation in certain areas. The tax on the interest on foreign loans has been reduced to a uniform rate of only 15 percent.

The stock market itself has also been the special object of more realistic policies. Among the first decrees that President Marcos issued after the proclamation of martial law was the reduction of the stock transfer tax from two percent to a minimal one-fourth of one percent. Then the broker's fee was also reduced to just one percent.

Over and above these inducements, the recent record of the Philippine economy helped create the prevailing climate of confidence. The greatly improved balance of payments position, for instance, gives substance to government guarantees on loans and other forms of foreign investments. Liquidity has also been enhanced with the flushing out of hidden wealth through the tax amnesty and the expansion of development projects by the government.

Under these conditions, it was but to be expected that the stock market, which is often regarded as the nation's economic barometer, would register the appropriate response.

In the face of this already creditable performance of the stock market in the last three months, many foresee even brisker trading days ahead. The point that is often brought out in this forecast is that the impact of all these

policies and positive changes in the economic climate is just beginning to be felt. Those who subscribe to this view cite the example of foreign capital inflow. Many of the foreign investors who have entered the country recently came for a first-hand view of the investment climate. And if one judges by their favorable impressions about the economy, additional investments may be expected to pour in shortly.

Besides, the government has adopted lately two additional measures that are likely to give fresh impetus to the flourishing stock market. First, the President ordered the demonetization of old Philippine currency notes. This should ferret out unproductive hoarded cash, some of which should surface in the stock market. Second, the President has also decreed the automatic listing of all securities in all stock exchanges so as to broaden public participation in business and industry. The latter decree is also designed to facilitate the diffusion of profits and property ownership as well as to protect the interests of the investing public by giving them the option of trading at the exchange of their choice. "A company which has decided to go public should not be given the authority to limit the trading in its securities to only one market place," the President explained.

When finally the full force of these developments hits the market, nobody has to guess where it will carry the economy. Only one direction is indicated: UP.

JORGE V. ARUTA

PERSPECTIVES

Unity among RP shippers

By TROADIO T. QUIAZON, JR.
Secretary of Trade and Tourism

The Philippine Foreign and domestic trade received the needed shot in the arm when President Marcos created the Philippine Shippers Council "to stabilize freight rates and assure the shipment of exports on time."

Long under the clutches of the conference lines which unilaterally impose frequent freight rate increases, Philippine shippers can now protect their own interests and negotiate for reasonable freight rates and optimum shipping terms with foreign shipping interests.

Created by Presidential Decree No. 165, the shippers' council will be a non-stock corporation composed of firms regularly engaged in exporting, except those with efficient chartering operations but which will be given the option to join.

The council will be attached to the Department of Trade and Tourism for direction, supervision, and coordination of the government efforts to assist it.

Creation of the body could not have come at a more appropriate time — when the conference lines have effected or are about to effect another freight rate adjustment.

The Department of Trade and Tourism, while making the necessary representation with the conference lines to forego or at least delay the rate adjustments, has merely persuasive influence in this respect.

What the country needs, as provided for by Presidential Decree No. 165, is an effective machinery which will provide an instrument for



Secretary TROADIO T. QUIAZON, JR.

consultation and negotiation among shipping lines, liner conferences shippers and other interested parties including public authorities regarding shipping matters.

With the creation of the shipping body, the determination of the quality of shipping services, increases in domestic and freight rates, and the terms of shipment will now have to be negotiated with leaders of the Filipino shippers.

It can be pointed out that the high cost of commodities for local consumption, the uncompetitive prices of some of the country's export, and the accompanying adverse effects on the nation's balance of payments with respect to the Philippines' trading partners resulted from the unilateral imposition of freight rates by the conference lines.

As created, the PSC will:

- Promote and protect the common interests of Philippine exporters, importers, and other commercial users of water transport.

- Conduct consultations and negotiations, on behalf of the members, with shipping companies,

associations of shipping interests, government authorities to secure appropriate vessels for the shipment of their goods, on time and at reasonable rates and other favorable shipping terms.

- Facilitate consultations and mediate or arbitrate disputes between members and non-members.

- Serve as a clearing house of information on shipping services and other matters of interest to Philippine shippers.

- Bring to the attention of government authorities the laws, policies, rules and practices which hamper the healthy development of Philippine trade and commerce, especially those which serve to delay or obstruct the speedy, economical and efficient carriage of merchandise, and recommend and work for appropriate legislation and the adoption of remedial measures.

- Maintain and develop close relationships and enter into mutually beneficial arrangements with shippers' councils and other related organizations in Asian and other countries for the attainment of its objectives.

As the bulk of the export commodities of Asian countries like the Philippines is composed of comparatively cheaper priced raw materials compared to the finished products of the industrialized countries, the cost component of shipping shall remain a major factor of the total competitiveness of the Asian products in the world market.

In this regard, Filipino shippers, through the Philippine Shippers Council, could initiate cooperation among Asian shippers to operate viable shipping enterprises of their own.

There is a wide scope for regional or sub-regional pooling of shipping resources, which arrangements have been found successful in other countries.

The region's almost uniform export products — coconut oil, palm and processed agriculture products — are certainly worthwhile fields of cooperative activities in the acquisition and operation of bulk carriers and tankers.

This, we believe, is an objective worthy of support. The President of the Philippines has given this support, through the creation of the Philippine Shippers Council.