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SUBJECT: MONTHLY ECONOMIC REPORT

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The business outlook in Cuba continued at the end of January to be viewed with reasonable optimism, the general impression seeming to be that the downward tendency of sugar prices in consumer markets would soon be arrested. A slight nick-up in collections in some merchandise lines is considered by banks to be particularly encouraging for the reason that this is the time of year when credit normally is most tight, because of the inevitable lag between sugar mill disbursements for labor and equipment and the commencement of their export sales. The gradual upping of interest rates has not curtailed appreciably the demands for new loans and renewals. The merchants' grain selling efforts in February will be directed up-country where many of the mill laborers will have received enough wage payments to have restored their credit in local stores.

Retail sales in Havana registered no more than normal seasonal drop in January after the record holiday volume, and the so-called clearance sales did not involve substantial price cuts except for holiday items such as house furnishings, linen and cosmetics. Numerous of the prominent and aggressive merchants, who were prompted to stock heavily in 1950 by the combined circumstances of the Korean outbreak, the Torquay discussions of tariff increases and the urge to get their orders in ahead of the institution of United States export controls, had succeeded in working their inventories down at the end of January to a level which not only was manageable under current credit conditions but also was prompting them to study catalogs with a view to placing modest replenishment orders for import during the spring months if not sooner.

ADDITIONAL INFO:

By the end of January the harvesting of the 1952 sugar crop was in full swing. On January 28, 124 out of the 161 operating sugar mills in Cuba had commenced grinding as against 97 on the same date in 1951. By January 15, Cuba had produced approximately 149,000 short tons of sugar and 6,394,000 gallons of blackstrap molasses as against 102,000 tons and 3,931,000 gallons on the same date last year. The weather for harvesting has been excellent. Except for general heavy rains throughout the Island during the last days of January, there has been very little rainfall since November. During that month the average precipitation was 1.93 inches and in December 0.79 inches. It is reported in some areas that the lack of

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rainfall since November has somewhat retarded the normal development of new cane planted in the spring and early summer of 1951. It is estimated that 3,543,082 acres are being utilized for the growing of sugarcane in 1952, of which 371,005 acres (10.47 percent) are in "spring plant" cane. A year ago 3,122,962 acres were in sugarcane.

Ocean freight rates from the North Coast of Cuba to North of Hatteras ports dropped during January from 51¢ per hundred pounds to 40¢ but shipping circles expect freight rates to move up again when new-crop sugars soon begin moving in volume. The Cuban Government has officially established the preliminary 1952 sugar crop at 5,900,000 long tons and has allotted quotas as follows: 2,571,215 Spanish long tons for the United States; 1,800,000 for the World Free Market; 383,400 for local consumption; and 1,245,385 tons reserved in a "Special Retained" quota for transfer to any of the other quotas as needed.

Representatives of the historical buyers of Cuban blackstrap molasses met with the Cuban Blackstrap Sales' Committee to discuss tenders on some 220 to 250 million gallons of blackstrap molasses currently expected to be available for export from the 1952 crop; no transactions were reported as consummated up to end of January.

January rainfall in principal farming areas was reported to be subnormal. The most noticeable effects of this third month of the dry season were brown pastures, seasonally declining milk deliveries and reduced cattle weight and deliveries, strengthening the probability of a meat shortage.

Food commodity import markets generally firmed up after December declines. Following about two months of general inactivity, rice sales began again in late January, although the confusion over status of the quota was not altogether dispelled. Lard and beans sales and deliveries were seasonally good because of the demand occasioned by augmented employment in sugar grinding.

TEXTILES:

Cuba's textile industry which began the new year operating at curtailed rhythm showed little improvement by month-end, when idle equipment comprised 578 of the 2267 cotton looms and 352 of the 702 other looms; only 300 cotton looms and 62 rayon looms operated at full capacity during the month. But while finished goods inventories of cotton mills still were too high at month-end to warrant increases in production schedule, there is optimism for the coming months. Approximately 50 rayon looms began operating in mid-January on an experimental basis. Another visible result of the Customs Tariff increases of last June is resumption of activity in the Victoria dyeing and finishing plant formerly owned by Burlington Mills and inoperative since 1949. It is reported that considerable quantities of grey goods have been imported by that plant; its capacity is 25 million yards per year which is equal to approximately half of Cuba's annual consumption of rayon fabrics.

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Textile wholesalers reported January sales volumes to be slightly better than for the opening month of 1951. Sales of lingerie to wholesalers were reported to be reviving and the domestic industry, after a two weeks' vacation in the first part of the month, began operating at capacity with good prospects for several months. A leading manufacturer of hosiery reports better sales since the first of the year but owing to high inventories is operating at about 65 percent capacity.

MINING AND PETROLEUM:

A draft proposal of the National Economic Council which calls for the setting up of a Mining Commission with extensive regulatory powers has been criticized so strongly by miners' organizations that the Government reassured them in late January that no action will be taken without further consultations and public hearing.

Production of metallurgical manganese ore and copper concentrate continued high in January and Consolidated Railways of Cuba has undertaken to provide sufficient cars for transport of whatever quantities of manganese ore are extracted at the Charco Redondo mine, thus relieving somewhat the fear that there would be delays in shipment of ore. Preliminary data indicate that Cuba's export of manganese ore to the United States in 1951 amounted to approximately 150,000 long tons; only 87,856 tons were exported in 1950.

The Cuban Gulf Oil Company has reported its decision to abandon on February 1 its second deep well test. This well, situated in the Bay of Cadiz, had been drilled to approximately 11,100 feet. The company abandoned its first deep well test in the Bay of Cardenas in December 1949 at a depth of approximately 5,000 feet. It will continue its exploration in Cuba and has plans for a third deep well test in the vicinity of the Keys of Guajaba and Sabinal 300 miles east of Havana.

LABOR:

While no important labor measures were placed in force during January, numerous unions are pressing for Government support and threatening to strike, notably the hotel and restaurant workers, who are demanding substantially higher salaries; railway labor and tobacco workers unions who seek control of retirement funds and other concessions; maritime workers, who are demanding that the Government purchase more ships to widen employment opportunities; and workers at Rancho Boyeros airport for purpose of building pressure for adjustment of franchise terms.

SHIPPING - CONSTRUCTION - TOURISM:

Ship arrivals at Habana during January numbered 184, representing normal seasonal increase of 4 percent over arrivals in the previous month, but a drop

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of 14 percent from arrivals of January 1951 when steel shipments from Europe were abnormal....Cargo discharged at Habana during January totaled 225,016 metric tons compared with 278,441 tons in December and 237,769 tons in January of last year....According to preliminary figures, Cuban exports to the United States during the first ten months of 1951 had value of 361 million pesos compared to 240 million for corresponding portion of 1950....Customs and tax exemptions for registered new industries were extended for three additional years by a Decree published early in January.

The National Development Commission announced on January 31 the completion of a new highway which links Varadero Beach with Matanzas, and which connects at Matanzas with the national highway to Habana....To alleviate the severe water shortage in Habana suburbs, the Mayor of Habana announced on January 29 that work will be speeded for drilling of wells, repair of canals and enlarging of tunnels, utilizing funds from a new loan of nine million pesos obtained from the National Development Commission....President Prio is reported to have informed maritime labor leaders that he plans to invest upwards of four million pesos in the purchase of several new ships....January building permits in the Habana area had value of 33,830,826, a 6 percent increase over December but a drop of 22 percent from January of 1951 when a building boom was under way.

According to records of the Cuban Tourist Commission, 198,708 persons visited Cuba during the first 11 months of 1951 as against 175,617 during the corresponding period of 1950. Passengers touching Cuba by air during all of 1951 are reported to have numbered 236,295 compared with 214,561 during the previous year. While certain local newspaper articles, alleging that the current winter tourist season is not developing satisfactorily, have been unsupported by statistics, Habana bankers do report that they have sensed a tendency on the part of many tourists to shave one or two days from their normal winter visit, which formerly averaged 5 days.

FINANCE:

Budgetary collections, for the current fiscal year running through June, totaled 169 million pesos on January 22, compared with 148 million on same date of last year....January bank clearances, including transactions of the Treasury and of the National Bank, reached working-day average of 18.3 million pesos, compared to 19.5 million for December and 13.2 million for January of 1951.

The new Tribunal of Accounts began its supervision of Government financial transactions on January 2. Its first activities included the initiation of inventories of Treasury assets and Government-owned real estate, the soliciting of fiscal data from the Government's autonomous bodies and from municipalities, and the assuming of responsibility for supervising expenditures of the National Development Commission. According to the Tribunal's organic law, the floating debt must be liquidated within two years. Since more than 400 claims had been filed with the Ministry of Finance on date of January 23 calling for payment of debts contracted by the Government

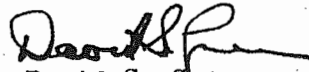
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prior to 1940; it is anticipated that only a small part of the floating debt will be liquidated out of the 4,240,000 peso appropriation contained in the current budget; an additional appropriation for similar purpose is scheduled for insertion in the 1952-53 budget.

In connection with the refinancing of the 1950-51 tobacco crop under authority of Law No. 13 of late December, almost 5 million pesos had been disbursed by the Agricultural Development Bank at the end of January in the form of credits against guaranty of the National Bank of Cuba.

FOR THE AMBASSADOR:



David S. Green
Commercial Attaché

