

BSP Positive on Maintaining RP's Current Credit Ratings - MabuhayRadio

Written by Philippine Consulate General of Los Angeles
Friday, 12 September 2008 22:09 -

Amid surging inflation and the current global economic tightening, the Bangko Sentral ng Pilipinas (BSP) is positive that the country's credit ratings will not suffer a downgrade despite posting a slower year-on-year growth.

"I believe the ratings outlook will hold," said BSP Governor Amando Tetangco Jr.

Citing on the economy's resiliency vis-à-vis the global tightening, the BSP chief said this would continue to buoy the country under the current economic crisis.

"In fact the 4.6 percent growth for the first semester is still within the country's long-term trend growth rate," he pointed out.

The National Economic and Development Authority (NEDA) has reported that the economy grew by 4.6 percent both in the second quarter and the first half of the year.

The inter-agency Development Budget Coordination Committee (DBCC) has set the 2008 low end gross domestic product (GDP) target at 5.5 percent.

Even with the lower expansion this year, Tokyo-based Rating and Investment Information, Inc. (R&I) recently affirmed its foreign currency issuer rating for the country as BBB- with a positive rating outlook.

R&I said the government seems to be on the right track in pursuing appropriate efforts to manage annual expenditures by increasing infrastructure investment while preventing the fiscal deficit to balloon.

“While the outlook remains positive, it is imperative for the government to pursue measures to strengthen the fundamental building block for growth centered on infrastructure investment while simultaneously implementing a public debt reduction plan,” R&I, in a report, said.

R&I said that as inflation surge this year, economic growth has been affected but “the factors that had supported the vigorous economy, including remittances from overseas Filipino workers and buoyant business process outsourcing sector, continue to expand at a steady pace, and there appears little reason to expect that the underlying strength of the economy had changed significantly.”

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Taking note of this, Tetangco said other credit ratings agency might also do the same given the over-all performance of the economy.

He said the business process outsourcing (BPO) and services sectors would continue to drive the economy along with consumption, particularly by beneficiaries of Overseas Filipino Workers (OFWs).

He noted that "even as the global economy is seen to slow down, the demand for our highly skilled workers remains inelastic."

Given this, he assured the public that the central bank "remains to be focused on its mandate of price stability, which, we believe, provides the underpinning for long term economic development."

He reiterated that their "current monetary policy stance is calibrated with the view to guide inflation expectations, and therewith actual inflation, to move to the target range during the policy horizon."

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The government targets inflation between a range of three to five percent this year and 2.5-4.5 percent in 2009.

The BSP has revised upward its forecast for the two-year period at nine to 11 percent this year and six to eight percent next year because of the continued heating up of inflation.

Rate of price increases has surged to a new 17-year high last August to 12.5 percent from 12.2 percent in the previous month as higher oil prices was further aggravated by impact of typhoons to the domestic prices.

BSP forecasts inflation to peak either in September or October but will not exceed 13 percent.

"Our runs still show that the inflation path will remain hump-shaped, with the inflation rate reaching the single digit territory by late first quarter/early second quarter next year," Tetangco added. (PNA)

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Mindanao economy improves – MEDCO

Davao City - The island of Mindanao registered improvements in its performance as reported by the Mindanao Economic and Development Council (Medco).

The Medco report indicated that growth in the economy of Mindanao posted acceleration in 2007 with a 7.2 growth percent in 2006. Same performance is expected in 2008, it said.

In last year's performance Caraga was the best performer as its economy propelled with the entry of mining investors.

Its economy soared to an 8.6 percent growth in 2007 from 6.0 percent in 2006 due to the outstanding performance of the industry sector, particularly mining.

A hefty 76.1 percent growth was posted in mining and quarrying as a result of the continuing increase in nickel production.

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A downtrend was reported in manufacturing in the Caraga region as its performance worsened with a reversal from a positive 6.4 percent growth in 2006 to negative 4.6 percent in 2007.

Meanwhile construction accelerated by 15.2 percent in 2007 from 7.0 percent in 2006. The growth of electricity and water decelerated from 0.9 percent to 0.5 percent.

On the other hand, the Agriculture, Fishery and Forestry (AFF) sector in Mindanao contributed 34.5 percent to the total output of the country's AFF sector, the second highest share among the island groups, next to Luzon

The AFF in Caraga which accounted for 35.2 percent of the regional economy, increased by 3.8 percent last year from a negative growth of 1.4 percent. This was brought about by a 7.3 percent increase in agriculture and fishery subsector in 2007, compared to a 1.2 percent increase in 2006.

The other driver of the Mindanao economy was the industry sector where it exhibited a very impressive performance as it posted a double-digit growth of 10.3 percent in 2007 from 7.1

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percent in 2006. It comprised 15.3 percent of the total gross value added (GVA) of the industry sector in 2007. Mindanao contributed 1.5 percentage points to the 7.1 percent growth of the sector.

The Medco report however indicated that despite the upward trend in growth, the share in Mindanao to the country's total Growth Domestic Product (GDP) remained fixed at 17.7 percent over the period 2005 to 2007.

Northern Mindanao and the Davao Region registered minimal changes in their shares, from 4.8 percent in 2005 to 4.9 percent in 2007, and from 4.6 to 4.5 percent, respectively. The shares of the other four Mindanao regions remain unchanged. (PIA)

Investor confidence in Davao Region unaffected by peace and order problem in Central Mindanao Davao City - Investors confidence in the Davao region are not affected by the peace and order problem in Central Mindanao as shown by the total investments reaching P900million registered as of July 2008.

Engr. Gil Dureza, head of the Board of Investment Davao extension office covering Region 9, 11 and 12 said that except for one investor that deferred its project in Central Mindanao for Cavendish banana in a 4,000 hectares area with P8 billion investments, all the rest proceeded and availed of the incentives given by the BOI.

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He said this would only indicate that investors' confidence is there and are not afraid of locating despite the problem.

In fact, he revealed that on the average BOI conducts two to three times weekly briefing to foreigners.

The area for the banana project he said is within PALMA (Pigcawayan, Aleosan, Libungan Midsayap, Alamada) where there is an ongoing conflict the reason why the Filipino investor deferred the project.

But another Japanese investor is looking at the PALMA area although Dureza said they have not inspected the area and because of the ongoing problem BOI would look for other sites perhaps in Davao del Sur.

They would also need 4,000 hectares where investment would be about P8 billion, he said.

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Dureza said once this project is realized they would be able to hit higher this year by 10 percent as against the P8 billion generated investments in 2007 even as he said that the Japanese investor showed great interest in locating.

In the meantime Dureza said the registered investments as of July 2008 included the P400 million expansion of Flying V, P174 M A & J Processing in General Santos City, P6M Hog Tech Corporation also of General Santos City, P4 M Monkayo Commodity Corp for banana chips production, P260M low-cost housing project of HLC Corp in Davao

City

Other than these investments he said they also facilitated the requirements of nationally registered projects like the condominium projects of Filinvest and Consunji and the business process outsourcing of Western Wats and HLC call center.

Dureza meanwhile said that they plan to conduct promotional activity for the tourism sector of Davao del Sur and Davao Oriental in Boracay and Thailand.

He said tourism is among the investment priority areas and their proposed activity in Thailand will be in cooperation with the provincial and local government units and the Foreign Trade Attaches.

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PGMA creates six new consular offices

MANILA, Sept. 10 (PNA) -- President Gloria Macapagal Arroyo has issued Executive Order no. 748, which creates new six regional consular offices in six major cities in the country to further improve the services of the Department of Foreign Affairs (DFA) to the Filipinos and foreigners visiting the Philippines.

EO 748 issued on August 28 states that the establishment of the new consular offices was in line with government's policy "to effect efficient delivery of basic public services by bringing it closer to the public."

The regional consular offices will be headed by a ranking officer from the DFA, and will be manned by home-based personnel and locally-hired employees.

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A staff house will also be rented for the home-based personnel preferably in the same building or area where the regional consular office will be established.

The President issued the directive in accordance with the Philippine Passport Act of 1996, the Migrant Workers and Overseas Filipinos Act of 1995, and the Vienna Convention on Consular Relations.

The six consular offices will be established in the cities of Baguio, Butuan, Puerto Princesa, Bacolod, General Santos, and Cotabato.

In line with this directive, President Arroyo ordered the Department of Budget and Management (DBM) to release an initial P66 million for the establishment of the offices.

The fund will come from the government's 2008 budget. Portions of the expenses will be sourced from the DFA's annual budget thru the passport revolving fund.

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She also ordered DFA Secretary Alberto Romulo to formulate additional implementing guidelines to effect the order. (PNA) # # #

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