



President Gloria Macapagal-Arroyo is all smiles as she inspects the fresh pork section of the Pasay City Public Market along Taft Avenue cor. Arnaiz Avenue, Pasay City on Wednesday, Oct. 29. OPS-NIB Photo by Exequiel Supera

Financial crisis starting to spread to markets like RP

by DES FERRIOLS
Philstar.com

THE Bangko Sentral ng Pilipinas (BSP) warned that the financial turmoil is starting to spread to markets like the Philippines.

BSP Governor Amando M. Tetangco Jr. told reporters October 28 that vigilance was even more crucial now, with the turmoil spreading over in full force.

"The recent movements in the financial markets reflect that the financial turmoil has indeed moved further away from its epicenter in US and Europe and may be casting a wider net of contagion," Tetangco said.

Aside from the spreading fears of a global recession, markets are also beginning to see clearer indications of how the financial crisis in the US would affect their respective financial systems.

The contagion is spreading with such force that the US central bank indicated it could cut its policy rates again by half percentage point to one percentage point to limit the fallout which would ultimately roll back into the US market.

According to Tetangco, it would be necessary to anticipate the impact on real economy and take steps to prevent these effects from crippling economic activities.

"We all need to monitor developments closely," Tetangco said. "(We need) to ensure that any negative feedback from the financial market volatility to the real economy are tempered."

"This is precisely the reason why the BSP approved last week a number of measures, including the dollar repurchase facility and the option for banks to reclassify their holdings of Philippine dollar bonds," Tetangco added.

The market is anticipating further moves by the BSP, including the possibility to lower the over-

bought limit to improve dollar supply in the market.

Tetangco declined to reveal what moves the BSP is considering, but Trade Secretary and Monetary Board member Peter Favila said the MB is "prepared to shift from a tight policy setting to neutral."

"As to where and how, we don't want to telegraph our punches," Favila said.

According to Tetangco, on the other hand, the BSP would continue to maintain its presence in both the spot and swap forex markets to provide liquidity and "help smoothen distribution pinches."

"We're studying a wide array of measures in response to this extraordinary turmoil," Tetangco said.

The BSP has maintained that while there was no shortage of liquidity in the market, there were "distribution problems" that gave the impression of tight liquidity even if there was ample supply.

Tetangco said the BSP is considering other liquidity measures should there be a need to supplement the steps already in place.

Tetangco said there were other measures under review but declined to elaborate, saying only that these were "measures to improve the distribution of peso and dollar liquidity in the system."

Earlier, Tetangco said an adjustment in the reserve requirements of banks was a possibility although he said the BSP was not done evaluating the developing situation to see whether further action would be necessary.

"We continue to consider other measures to improve peso and dollar liquidity even as there's sufficient liquidity in the system," he said. "These measures will be in addition to those BSP already put in place."

"Banks are also considering ways to enhance flows," he added although he declined to elaborate what banks were planning to do at this point.

Allowing banks to reclassify their financial assets is expected to release some liquidity into the system. ■

Lower OFW remittance growth forecast

THE Trade Union Congress of the Philippines (TUCP) has revised downward from 15 percent to a new range of 10 to 12 percent the projected average annual compounded growth rate (ACGR) in remittances sent home by overseas Filipino workers (OFWs) through 2010.

"We see still annual remittances growing, although not as briskly as we previously anticipated," said TUCP secretary-general and former Senator Ernesto Herrera.

In April 2006, TUCP predicted that remittances coursed through banks would grow at an average ACGR of 15 percent and hit \$21.4 billion by 2010, or double the \$10.68 billion posted in 2005.

Based on the revised 10 to 12 percent average ACGR, Herrera said the labor group now sees remittances hitting between \$17.2 billion to P18.8 billion by 2010.

OFWs remitted a total of \$10.94 billion in the eight months to August, up 17.2 percent or \$1.6 billion versus the same period in 2007, according to the Bangko Sentral ng Pilipinas (BSP).

They remitted \$12.76 billion

and \$14.45 billion in 2006 and 2007, respectively.

"We do not see any year-on-year decline in remittances, only slower-than-expected growth," said Herrera, former chairman of the SCGR in remittances sent home by overseas Filipino workers to obtain gainful employment overseas.

He said the menacing global economic slump would not adversely affect in a big way the ability of highly skilled Filipinos workers to obtain gainful employment overseas.

"With respect to Filipino professionals such as nurses, sailors, pharmacists, physical therapists, teachers and engineers, they will still be able to get jobs overseas," Herrera said.

"The global healthcare industry, for instance, is relatively recession-proof. Ailing people in highly developed countries will continue to seek treatment, care and hospitalization regardless of their economic condition," he pointed out.

"However, unskilled Filipino laborers such as domestic staff might be negatively impacted

by a deep global economic slowdown. Their services are considered somewhat dispensable. If a banker loses his job, the first to go will be his foreign domestic help," Herrera said.

Banks and insurers in the US, Europe and parts of Asia have been hit hard by the global financial meltdown. Due to staggering financial losses, some of them have collapsed, while others have been terminating tens of thousands of executives and employees.

Herrera said growth in the deployment of semi-skilled workers would also slow, largely on account of plunging oil, mineral and other commodity prices that would dampen new construction activities in the Middle East and mining-related projects elsewhere.

According to the Philippine Overseas Employment Administration, a total of 1,005,767 Filipino workers were deployed abroad in the nine months to September, up 26 percent or 207,036 compared to a year-ago. (Inquirer.net)

Mandatory insurance for OFWs pushed

by ROSE DELA CRUZ
Philstar.com

TO protect some one million departing Filipino workers from possible adverse economic dislocation as a result of the current global financial crisis, the heads of 14 overseas deployment groups are asking President Arroyo to issue an executive order mandating a compulsory employment liability insurance (CELI) program to be shouldered by foreign employers although premiums can be advanced by deployment agencies.

A manifesto calling for CELI was signed October 23 by the president of 12 labor deployment groups to be presented to Vice President Noli de Castro,

presidential adviser on OFWs and endorsed by the vice president to President Arroyo. The signatories expect to present the manifesto in the Global Summit on Labor Migration that began in Manila last October 27.

CELI is an expansion of the current insurance programs being implemented by some deployment agencies in collaboration with local insurance companies for the past four years, said Victor E.R. Fernandez Jr., president of the Philippine Association of Service Exporters Inc.

Under the existing insurance programs offered by private labor deployers and insurance companies, benefits granted to OFWs covered are; \$10,000 for survivors' benefit (in case of natural death); accidental death

benefit of \$15,000; permanent total disablement benefit of \$7,500; repatriation benefits of \$15,000 for the bodily remains (including burial, up to the maximum reimbursements of all receipted expenses); other causes and emergency evacuation of \$1,000 and subsistence allowance of \$100 a monthly and legitimate monetary claims of \$4,500 plus legal assistance through mediation and coverage for victims of sabotage and terroristic act as bystander.

The premium cost per contract ranges from \$20 for a seven-month contract to \$55 for a 25-month contract or a weighted average subsidized cost of \$2.50 per OFW per month only and this is shouldered by the employer, Fernandez explained. ■

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