

RP likely to avoid recession – Banco de Oro

by IRIS C. GONZALES
Philstar.com

MANILA—The Philippines may avoid a full-blown economic recession but may experience a marked slowdown due to the developments in the global environment, Banco de Oro's chief market strategist Jonathan Ravelas said.

He noted risks to the economy such as a decline in business spending, global investments, dollar remittances from overseas Filipino workers and export earnings.

Nonetheless, he expects some sectors to remain strong given their resiliency. These are power and energy, food, healthcare, infrastructure and business process outsourcing.

BDO expects the economy, as measured by gross domestic product (GDP), to grow at around four percent, aided by increased government spending necessary to pump-prime a slowing economy.

The bank's economic growth projection is within the government's revised GDP target range of 3.7 percent to 4.4 percent.

In terms of inflation, Ravelas said this could hover at around 6.75 percent, higher than the government's inflation forecast of three percent to five percent for 2009.

"The outlook for our stock market in 2009 is not as easy to predict as in the earlier years of this decade. Thus year 2008 was a year of reversals. A reversal, by my definition, is when bullishness starts gaining momentum and suddenly crests at a certain point. After which, downside targets are being lowered and lowered, then suddenly a sharp rally occurs," Ravelas said, noting that the market at present doesn't have a trend.

Currently, the stock market, as measured by the Philippine Stock Exchange index is at the 1,525 to 1,650 levels. ■

Peso's rise hobbled exports

by MICHELLE REMO
Inquirer.net

MANILA—Price competitiveness of the country's exports weakened in 2008 because of the relative strength of the peso against competing currencies—an added problem Filipino exporters had to contend with last year on top of the crisis-led decline in global demand for goods.

According to the central bank Bangko Sentral ng Pilipinas (BSP), the peso appreciated in real terms last year against competing currencies. Data showed that the real effective exchange rate (REER) of the peso stood at +10.2 percent against other Southeast Asian currencies, including won, baht, ringgit, rupiah and the Singapore, Hong Kong, and Taiwan dollars.

REER compares the movement of the peso-dollar exchange rate with those of other currencies against the US dollar. A positive REER means the peso's depreciation against the US dollar is

slower than the weakening of the other currencies against the greenback. It could also mean that the peso's appreciation against the US dollar is faster than the rise of the other currencies against the US dollar.

Exporters are adversely affected when the peso registers a positive REER against competing currencies. This is because a stronger peso makes Philippine-made goods more expensive and therefore less competitive in terms of price.

While economists largely blame the global weakening of consumption appetite for the drop in the Philippine exports last year, they also said the relatively strong peso was partly responsible for it.

The National Statistics Office earlier reported that the country's exports fell nearly 3 percent year-on-year to \$49 billion. This reversed the 6.4-percent rise in export income in 2007. ■

Atienza confident RP can hit \$1-billion investments in mining

MANILA—Environment and Natural Resources Secretary Jose L. Atienza expressed optimism that the Philippines will be able to achieve its original investment target this year of \$1 billion instead of its revised target of just \$800 million.

Atienza was interviewed on Bloomberg TV in Singapore while attending the Asia Mining Congress. He said the DENR's renewed optimism is due to the announced investment of Intex Resources and the start of production of at least four gold mining firms.

While acknowledging that the Philippines has been affected by the global economic recession, Atienza said "we have no reason to doubt that we will accomplish our targets."

The DENR head stressed that "our mineral resources have kept investors focused on us." He noted that there is a continuing investor interest in nickel production despite the current cyclical drop in nickel prices.

Atienza said nickel production this year is projected at around 100,000 tons of concentrate.

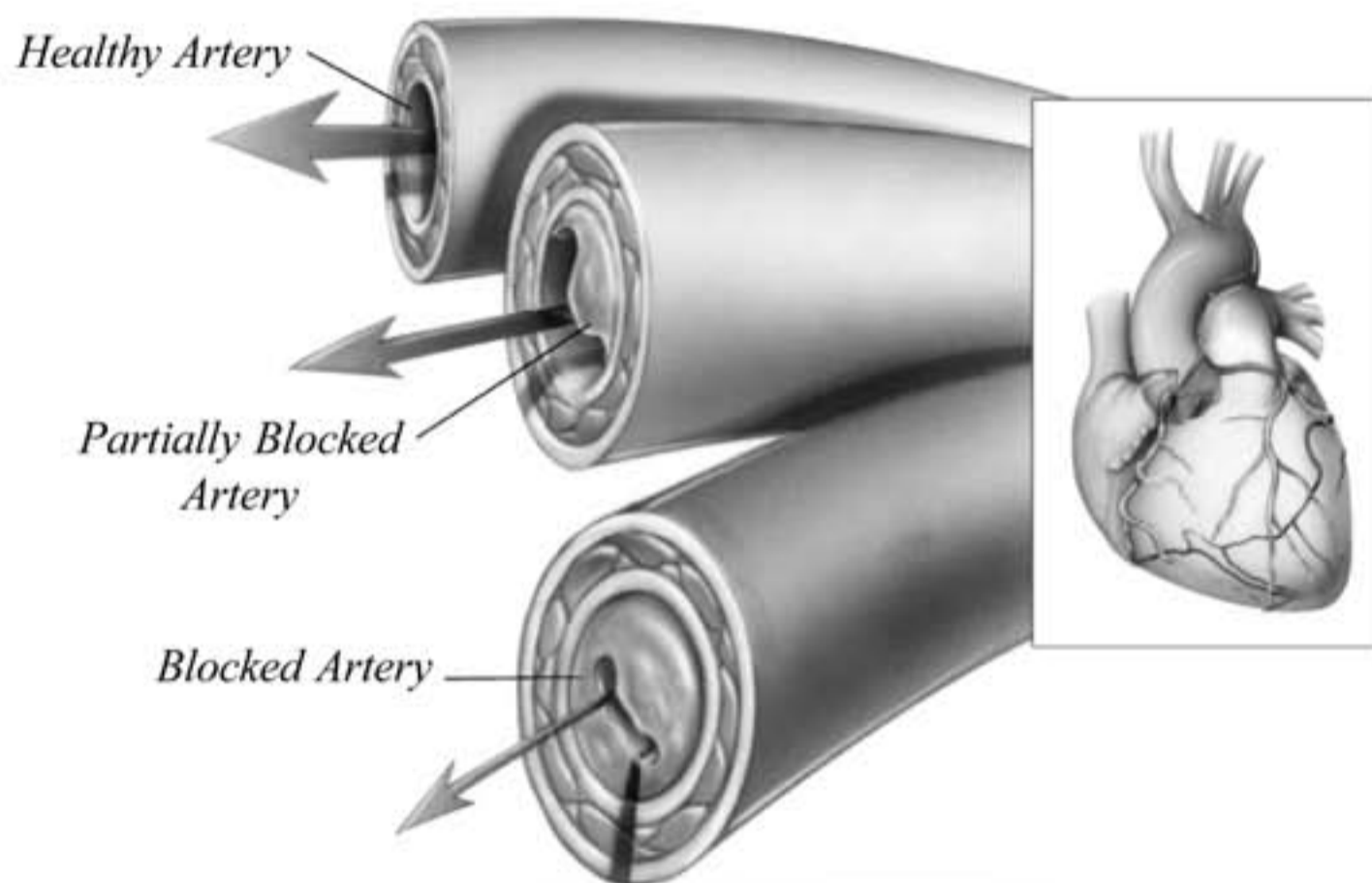
In his keynote address at the Asia Mining Congress in Singapore, Atienza assured potential investors that the Philippine government continues to address the peace and order concern through the creation of an Investment Defense Force.

He said the government would continue to "support and pursue" the more than 60 mining development, exploration and mineral processing projects that have been identified as part of the Philippine mining sector's revitalization program.

The DENR chief also cited the start of production of two gold mines, that of Filminera Resources Corp.'s Masbate project and Philsaga Mining Corp. in Agusan. (Philstar.com)

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