

# StanChart upgrades RP growth forecast

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Philstar.com

MANILA – British bank Standard Chartered has upgraded its economic growth outlook for the Philippines this year and next on the back of the pump-priming activities being undertaken by the government and the robust remittances from overseas Filipino workers (OFWs).

In a report titled "Philippine peso revised to overweight from neutral," Standard Chartered said it has raised the projected gross domestic product growth of the Philippines to 1.5 percent instead of 0.7 percent this year and to 3.3 percent instead of 2.7 percent next year.

"We have raised our forecasts for Philippine GDP growth due to stronger than expected overseas Filipino workers' remittances and continued plans for strong fiscal pump-priming next year," the bank stated in the nine-page report dated Sept. 30.

Data from the National Statistical Coordination Board showed that the GDP expanded by one percent in the first half of the year from four percent in the same period last year due to the global economic meltdown.

The country's GDP posted a stronger-than-expected growth of 1.5 percent in the second quarter from a dismal 0.6 percent growth in the first quarter as the global economy started to recover from the financial crisis.

"We believe that the Philippine economy

has bottomed out and will accelerate from here, supported by expansionary fiscal and monetary policy," the bank said as it expects the country's GDP to expand by 1.6 percent in the third quarter and 2.4 percent in the fourth quarter.

Economic managers through the Cabinet-level Development Budget Coordination Committee see the GDP expanding between 0.8 percent and 1.8 percent this year and between 2.6 percent and 3.6 percent next year.

Standard Chartered said the Philippine economy escaped an outright recession, recording only one quarter of contraction due to higher government spending and a rebound in consumption growth.

The bank said merchandise exports are likely to contract by 22 percent this year due to the country's high exposure to the weak electronics market. But exports would recover strongly with a 10.4 percent growth next year, it added.

The United Kingdom-based bank likewise raised its inflation forecast to three percent from of 2.6 percent this year and to 3.3 percent instead of 1.6 percent due to rising food prices as consumer prices bottomed out last August.

"We believe that August is likely to be the end of the disinflation trend this year given the fading base effect. We have raised our 2009 and 2010 CPI forecasts to three percent and 3.3 percent, respectively, from 2.6 per-

cent and 1.6 percent previously, given firmer food prices," Standard Chartered added.

The bank expects the Monetary Board to keep policy rates at a record low of four percent for its overnight borrowing and six percent for its overnight lending this year and next year due to relatively benign inflationary pressures.

Standard Chartered said the pickup in GDP growth and low policy rates would be positive for the peso as these would stimulate economic growth and capital inflows.

The bank sees the country's current account surplus to improve to 4.6 percent of GDP this year and to 4.8 percent of GDP in 2010 from 2.6 percent of GDP in 2008 due to improving balance-of-payments surplus brought about by strong remittances from overseas Filipinos, increasing portfolio inflows and improving trade balance.

Due to the government's pump-priming activities, the bank said the country's budget deficit is likely to swell to P320 billion or four percent of GDP this year before easing to P270 billion or 3.2 percent of GDP next year from only P68.1 billion or 0.9 percent of GDP last year.

The Philippines is staring at a record deficit of P250 billion or 3.2 percent of GDP this year that would be reduced to P233.4 billion or 2.8 percent of GDP next year. This year's projected deficit would eclipse the previous record shortfall of P210.7 billion or 5.3 percent of GDP incurred in 2002. ■

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getted amounts which have been impounded and not released by the President," Guingona said.

"The savings of P140 billion in 2008 alone are more than enough to augment the calamity fund. On top of the 2008 unreleased appropriations, there are also the unreleased appropriations for 2009, which the President has not made public," he said.

Guingona said there is no need for Congress to pass the proposed P10-billion supplemental 2009 budget to augment the funds of relief and rehabilitation agencies.

He added that all the President has to do is to transfer the "impounded" funds to the calamity fund.

He pointed out that the proposed supplemental outlay "will just increase the 2009 budget deficit, which is estimated to reach P350 billion."

"Any further increase in the budget deficit will bring us closer to a financial crisis," he stressed.

It was Guingona who revealed in August that Pres. Arroyo had exceeded her budget for travel,

forcing her to use part of the calamity fund for her frequent foreign trips.

Malacañang officials admitted that the President indeed had overspent for foreign travel and that she had used the calamity fund but not in the magnitude the Bukidnon lawmaker claimed.

The opposition has been complaining about Malacañang's practice of "impounding" or not releasing funds that Congress, which is supposed to wield the power of the purse, appropriates in the annual budget.

These funds include budgetary insertions made by senators and congressmen and pork barrel allocations of opposition lawmakers.

In the House, several militant party-list representatives, including Satur Ocampo of Bayan Muna, have not been getting their pork barrel funds since 2005 when they filed the first impeachment case against President Arroyo.

Like their colleagues elected from congressional districts, party-list representatives are supposed to be entitled to P70 million each in annual allocations. ■

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