FMIC sees PHL economy's growth in 2011

By Joann Santiago
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MANILA, Philippines (PNA) – First Metro Investment Corporation (FMIC) projects the continued expansion of the domestic economy this year as it pegs it at a range of 6.7-7.3 percent.

FMIC believes that the Philippines is expected to sustain its growth in 2011.

“We are in a new plane driven by strong consumer consumption, property, services, and even the mining sector. Agricultural production is expected to pick up in 2011 due to the more favorable weather condition,” FMIC said in a statement.

At the end of the third quarter in 2010, the domestic economy posted a 7.5 percent growth while full-year 2010 target is five to six percent.

The investment banking arm of Metrobank Group eyes inflation to stay at 3.5 percent this year, within the government’s three to five percent projection; oil prices to reach US$ 100 per barrel, remittance to grow by eight percent, the peso-dollar rate between P42-46 to a dollar.

Also, exports are seen to expand by 13-15 percent, imports by 18-20 percent, and the budget deficit to account for three percent of gross domestic product (GDP), the stock market to reach 4,800-5,000 points.

The current account, as percentage of GDP, is seen to account for about 3.4 percent of GDP while interest rate of the 91-day, five-year, 10-year and 25-year Treasury bills (T-bills) are seen to stay at three percent, 4.5 percent, 5.5 percent and seven percent, respectively.

In a briefing Monday, FMIC consultant and University of Asia and the Pacific (UA&P) economist Victor Abola said money being sent home by Filipinos abroad is projected to remain strong and increase by eight percent year-on-year this year.

This growth is the same as the central bank’s projection for 2010 from the US$ 17.3 billion in the whole of 2009.

As of October 2010, remittances to the Philippines reached US$ 15.456 billion, a 7.9 percent growth year-on-year while for October 2010 alone the inflows registered a record-high of US$ 1.67 billion.

“It would definitely be higher (this year) than last year,” he said.

Abola, meanwhile, said electronics and mineral products remain the growth drivers for Philippines’ exports this year.

Relatively, FMIC president Francisco Sebastian, during the same briefing, said they expect the strong growth in remittances as well as foreign investments to the country to power the local currency.

He said interest rate is also expected to remain low and support growth both of the economy and the domestic capital market.

He, however, stressed that threats to domestic growth remains particularly because of the increase in world oil prices.

“Overall, we are looking at a positive 2011 amid the threats,” he added.

Also, FMIC executive vice president Juanchito Dispo, during the same briefing, said investments would continue to pour into the country on account of the general attractiveness of emerging economies (EMs), particularly in Asia.

“Yields in the Philippines remain attractive and it is but natural that funds are gravitating towards the Philippines,” he said.

Dispo added that the recent upgrade by ratings agencies of the country’s credit ratings are plus factors for the domestic economy.

Last week, Moody’s Investors Service changed to positive from stable its outlook on the Philippines’ Ba3 foreign and local currency ratings on account of the improvement in the country’s external payments position, successful conduct of monetary policy and improved prospects for economic reform policies.

In November last year, Standard and Poor’s Ratings Services (S&P) upgraded one notch higher the country’s debt ratings on long-term foreign currency to “BB” from “BB-“ on back of continued rise of the country’s dollar reserves and improving growth prospects.

The ratings agency also affirmed the country’s “BB+” long-term local currency rating and stable outlook as well as the “B” short-term rating on sovereign and its ASEAN scale ratings of “axBBB+/axA-2.”

Also, the agency’s long-term rating on the country’s foreign currency senior unsecured debt was also raised to “BB” from “BB-“ and affirmed its “BB+” transfer and convertibility assessment and the recovery rating of “3” on the country’s senior unsecured foreign currency debt.

S&P said the affirmation of the country’s transfer and convertibility assessment and recovery ratings on senior unsecured foreign currency debt “signals the expectation of an average recovery of 60-70 percent in the event of a distressed debt exchange or payment default.”

SOURCE: Manila Bulletin