

Tetangco: Measures will help calm markets

Written by Administrator
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AMANDO TETANGCO

MANILA — Bangko Sentral ng Pilipinas (BSP) governor Amando Tetangco said he is hopeful that the decision of euro zone leaders in bailing out debt-ridden Greece will help calm the markets.

"We saw broad positive reaction from the market. But as they say, the proof of the pudding is in the eating. We are nevertheless hopeful the measures would be sufficient, at least, in shoring up confidence and calm in the markets," Tetangco said.

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Leaders from the euro zone struck a deal yesterday with private banks and insurers for them to accept a 50 percent loss on their Greek government bonds under a plan to lower Greece's debt burden and try to contain the two-year-old euro zone crisis.

Under the deal, the private sector agreed to voluntarily accept a nominal 50 percent cut in its bond investments to reduce Greece's debt burden by 100 billion euros, cutting its debts to 120 percent of Gross Domestic Product (GDP) by 2020, from 160 percent now.

Tetangco said that the agreements are comprehensive but require the cooperation of European leaders, multilateral agencies like the IMF, and the private sector.

"The burden sharing has been laid out, but this, I believe, rests quite firmly on what the statement calls 'reaffirmation of the inflexible determination' among member states to honor all their commitments to sustainable fiscal conditions and structural reforms," Tetangco said.

He stressed that "this confidence is vital in ensuring the speedy normalization in the markets."

Tetangco earlier said that they have been long hoping for an end to the European crisis which, coupled with the economic woes in the U.S., has been causing uncertainties in the global markets, particularly of emerging markets which include the Philippines.

Based on the IMF's latest World Economic Outlook (WEO), global output is now projected to grow 4.0 percent in both 2011 and 2012, a deceleration from the previous June 2011 assessment of 4.3 percent for 2011 and 4.5 percent for 2012.

"The Philippines has strong sails attached to its mast, which we believe can effectively capture most of the strong 'wind's' from external pressures," Tetangco said.

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First, Tetangco said the structural makeup of the economy is self-sustaining, with a large part of the GDP is attributed to robust household consumption.

Second, the appropriate monetary policy of the Bangko Sentral, according to Tetangco, has been able to strike an effective policy balance of supporting economic growth while maintaining stable inflation by being forward-looking and taking preemptive policy actions.

Third, the Philippine financial system continues to support domestic activity.

Credit continues to grow at a healthy pace and go to the productive sectors of the economy.

Fourth, Tetangco said the BSP will always be a staunch supporter of inclusive growth.

He said the BSP will maintain a proactive stance in microfinance to expand further the access to mainstream financial products and services by the unbanked and underserved population.

Finally, the stronger fiscal position gives the country readily available funds to pursue projects, whose economic multipliers are more durable.