

# GMA: RP prepared for looming economic recession in US

President Arroyo said yesterday the Philippines is prepared for a looming economic recession in the United States even as the country's growth targets for this year and 2009 have been scaled down in anticipation of a slowdown in the global economy.

"This time the government is averting the effects of a global economic slowdown brought about by the volatile global economic situation," President Arroyo said in a speech at the opening of the 29th Masskara Festival in Bacolod City.

She said the government is prepared to "manage inflationary pressures, provide a safety net to those hit hardest by these global developments and deliver the growth that will continue to generate jobs, and the tax revenues we need to invest in our nation's future."

She said steps have been taken to ensure stable food supply.

"We have delivered targeted subsidies for the poor, we have reached out to neighbors like Vietnam in Asia and elsewhere to ensure a stable supply and prices that have thankfully gone down from the height reached last summer," Mrs. Arroyo said.

"While the situation has been stable, we have not been complacent. We have continued to monitor the global situation," she said.

"On the same token, we are working hard to strengthen the banking system, improve our fiscal health, encourage investments to sustain our economic growth momentum and to insulate our economy from volatility in world markets," she pointed out.

Socioeconomic Planning Secretary Ralph Recto said economic managers are still expecting the country to post "respectable" growth until

next year, even with Gross Domestic Product targets scaled down for this year and 2009 to five percent and 5.5 percent, respectively.

He said there will be volatility in the markets and that the peso may even depreciate, but that given the "good fundamentals," the markets will eventually stabilize.

He said that unlike the US, the Philippines has a good savings rate and does not have a runaway deficit.

Trade Secretary Peter Favila told reporters that the country's economic managers came up with an action plan during a meeting with some representatives of the private sector on Tuesday at an undisclosed place in Manila.

He said that during the meeting, the economic team held a teleconference with foreign economic and financial experts, but he declined to identify them.

By MARVIN SY

He said the plan was submitted to Mrs. Arroyo and she would make a decision in the coming days.

"The President wants to emphasize the fact that the Philippines is prepared for this (US recession) and there is no reason to worry," Favila told reporters after speaking to Mrs. Arroyo on the telephone.

He declined to give details of the economic plan, saying "there are players in finance market that might preempt our moves."

He, however, described the action plan as "the best shield for the Philippine economy from external shocks."

"The worst case is if there's no bailout package from the US Congress, you know the system fails, it could lead to credit crunch, institutions will not make their credit facilities available, the business and the industry will have no funds to

carry on their respective activities, you have the equities markets collapsing, so on and so forth," he said.

Recto said part of the protection measures was more spending, which could be made possible by the early approval of the proposed P1.4-trillion national budget for 2009.

"It really depends how fast Congress, together with the Executive, is able to pass the budget so we can spend more next year, during the first half of the year when you have much better weather," he said. "At the same time as early as now, the departments, particularly the infrastructure agencies, are already doing the programs of work for their respective departments so that once funds are available, if the budget is passed on time, then immediately they can do their spending that will definitely help our economy grow faster next year," he said.

But he said more should be

done to temper inflation and further strengthen the banking system, adding that an approval of a bailout plan is no guarantee that the US will be spared from recession.

"I don't believe the bailout package will ensure that the US will not be in a recession," he said. "I think there's more likelihood that the US will be in a recession next year and it could affect our exports to the US, and that will be the reason for a possible downgrade of our GDP growth next year," he said. "But nevertheless we will still grow respectably this year and next year," he added.

He said the government is expected to incur a deficit of P50 billion this year, lower than the projected P75 billion, but the government might breach its P40-billion deficit target for 2009 due to increased spending. He did not elaborate. — With Paolo Romeo and Antonietta Lopez