ASIAN ECONOMIES CAN GROW FROM, NOT BE HURT BY, RICH COUNTRIES' TROUBLES: IMF

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MANILA, Philippines - Economies in Asia must develop domestic sources of demand in order to transform the economic problems in advanced economies into growth in the region, instead of being impacted negatively by them.

The International Monetary Fund shared this advice on Monday at a briefing launching the Fund's Regional Economic Outlook (REO).

For the Philippines, the agency repeated earlier advice: for it not only to be more flexible in allowing the peso to appreciate, but also—and more important--for government to spend more for infrastructure while also building social safety nets.

The last reflected similar concern raised in recent weeks by an increasing range of people, from economists in and out of government, to lawmakers, academe, and international agencies, about the Aquino administration's underspending.

Earlier this week, President Benigno Aquino III sought to ease concerns about this by unveiling a P72-billion stimulus package that he said would help the country meet growth goals, adjusted downward though they may have been.

For its part, the IMF said the overall objective is to attain sustainable growth for the Philippines at a time when risks to continued expansion could pose a serious challenge to economies in the region.

"The intensifying economic problems in advanced economies confirm that Asia would greatly benefit from further progress in developing domestic sources of demand. This would require more exchange rate appreciation and greater priority to spending on infrastructure and social safety nets. These measures would not only help increase domestic demand over time but would also reduce income inequality in the region and make growth in Asia more inclusive," the IMF said.

Earlier, the multinational lender adjusted downward its forecast for growth in Philippine gross domestic product this year to 4.7 percent, from April's forecast of at least 5 percent.

The key challenge for the Philippines, said IMF, "is to navigate the uncertain global environment while creating policy space to meet future potential shocks and building the foundations for faster and more inclusive medium-term growth."

It also noted the social impact of the controversial conditional cash transfer program which it said helped mitigate the economic impact of the global slowdown on less privileged Filipinos.

It praised the Aquino government for noting, in the Philippine Development Plan, the need to spend more on health and education, and ramp up public investment to achieve higher per-capita income growth.

Experts have said this helps reduce poverty incidence.

The IMF said, “A continuation of revenue-based fiscal consolidation, reorientation of expenditure toward social and infrastructure priorities and reforms to strengthen the investment environment will be key to these efforts.”

IMF Director for Asia Pacific Anoop Singh, meanwhile, noted that both public and private investment rates in the Philippines are low and could bear some boosting.

The IMF likewise noted the low revenue base, and advised the government to address this, adding that the proposed infrastructure buildup “needs fiscal resources” to back it up.

According to Bangko Sentral ng Pilipinas governor Amando M. Tetangco Jr., the IMF’s presentation on the region’s economic outlook and policy challenges bears looking into and that policymakers like him have been waiting for it.

“The second important policy prescription that the REO focuses on is building inclusive growth. This is one goal that the BSP, in partnership with its stakeholders, is seriously promoting. We simply do not aim for high growth – we aim for growth that benefits the mass of the Filipino people,” he said.

BSP supports the effort to institutionalize microfinance, which provides the entrepreneurial poor access to collateral-free loans and various financial services including deposits, payments services, money transfer and even insurance.

Earlier, the BSP also institutionalized the Credit Surety Fund program that allowed micro borrowers as well as small and medium scale entrepreneur borrowers to borrow from banks---collateral free--- by leveraging on the strength of the cooperative movement in the country.

(Interaksyon.com)

IMF WARNS OF POLICY CHALLENGES, INFLATION RISKS

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THE International Monetary Fund (IMF) on Monday said that the Philippines, along with other countries in the region, will face policy challenges by balancing economic growth while remaining vigilant against inflation risks.
Anoop Singh, the director of the Asia and Pacific Department of the IMF, said that monetary challenges are different from country to country.

According to him, in economies where inflation pressures are still elevated and monetary conditions accommodative, the return to more neutral monetary stances should continue through both higher interest rates and more flexible rates.

But in economies where inflation is within central banks' target ranges and exposure to external shocks is greater, a pause in monetary tightening may be warranted until global uncertainties have somewhat abated, Singh said.

"The key challenge for the Philippines is to navigate the uncertain global environment while creating policy space to meet future potential shocks and building the foundations for faster and more inclusive medium-term growth," he added.

The IMF noted that intensifying economic problems in advanced economies confirm that Asia would greatly benefit from further progress in developing domestic sources of demand.

According to the multilateral lender, this would require more exchange rate appreciation and greater priority to spending on infrastructure and social safety nets, which would not only help increase domestic demand over time, but would also reduce income inequality in the region and make growth in Asia more inclusive.

"This quest for inclusive growth is well recognized in the Philippine Development Plan," Singh said.

The IMF, at the same time, welcomed measures that Asian policymakers have taken to normalize monetary and fiscal policy stances in the wake of the stimulus that was put in place in response to the global financial crisis.

"The normalization of fiscal policy stances is rightly running its course. In many Asian economies, fiscal positions remain accommodative, with structural deficits that are higher than their pre-crisis levels. If the downside risks to the global outlook were to materialize, Asian economies have the scope to reverse course and use a range of measures, as many did in response to the global crisis in 2008," Singh said.

(Manila Times)

GOV'T PRESSED ON 'INCLUSIVE GROWTH'

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THE GOVERNMENT has to spend more on infrastructure -- and so lure private investments -- as well as on safety nets so growth not only becomes more robust but also inclusive, according to the International Monetary Fund (IMF).

These investments are necessary, IMF officials said in the Manila launch of the Regional Economic Outlook for Asia and the Pacific yesterday, not only to reduce income inequality and boost domestic demand, but also to blunt shocks from an expected slowdown in Europe and the United States.

Inclusive growth, according to the IMF report, is one that is "not associated with an increase in income inequality." An IMF presentation yesterday showed Asia reduced poverty because of growth; yet, it is home to the largest number of the world's poor.

"There is a need for infrastructure and spending on social safety nets, particularly health and education," Vivek Arora, assistant director at IMF's Asia and Pacific department, told reporters during a briefing yesterday.

Increased spending on infrastructure, in particular, will reel in private capital, said Anoop Singh, director of IMF's Asia and Pacific department.

In the same briefing, Mr. Singh noted "this quest for inclusive growth is well recognized in the Philippine Development Plan" which pushes "higher public investment to achiever higher per-capita income growth that usually tends to reduce poverty incidence."

(Business World)

IMF TELLS PHL TO MOVE AGAINST IMPACT OF GLOBAL ECONOMIC TURBULENCE

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The Philippine government should spend more, attract higher investments, and widen its tax revenue base to survive the economic turbulence from the United States' fragile economy and the European debt crisis, a multilateral lender said Monday.

In a press conference, International Monetary Fund (IMF) assistant director Vivek Arora said the Aquino administration's public-private partnership (PPP) programs will address the need for higher infrastructure spending.

"One important policy implication is that the higher government fiscal spending in these areas will need stronger revenues. The revenue base in the Philippines is relatively low," Arora said.

The official also emphasized the need for the Philippines to broaden its tax base and strengthen its tax administration. He said the country can do this by overhauling its excise tax system on sin products and rationalizing its fiscal incentives to raise money to fund social and infrastructure spending.

“We know that Philippines is still a poor country so there is a need for expanding infrastructure, there are very large development needs," Arora said.

He, however, said the government needs to address the loopholes in the excise tax on sin products, particularly on alcohol and tobacco products, as well as the value-added tax system.

“It is not just a question of raising tax. The government also needs to address the loopholes and, at the same time, improve tax administration," Arora explained.

In PHL Devt Plan

Meanwhile, IMF Asia and Pacific department director Anoop Singh noted that the Philippine Development Plan (PDP) recognizes the quest for faster and more inclusive growth to help the Philippines navigate the uncertain international environment.

“This needs fiscal resources, this is something that is important for many countries in Asia. The objective is to streamline tax policy to ensure incentives that remain are efficient. I dont think that the purpose is simply higher taxes. The purpose is more efficiency, more streamlining," Singh said.

He also said the PDP recognizes the need for higher spending on health and education, and greater public investment to achieve higher per-capita income growth. This then tends to result in the reduction of poverty incidence, Singh said.

“A continuation of revenue-based fiscal consolidation, reorientation of expenditure toward social and infrastructure priorities, and reforms to strengthen the investment environment will be key to these efforts," he added.

(GMA News)

IMF URGES PHILIPPINES TO BRIDGE GAP BETWEEN RICH AND POOR

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The International Monetary Fund (IMF) has urged Philippine officials to address income inequality in the country, saying the essence of boosting growth of an economy lies with the government’s ability to create more jobs and pull people out of poverty.

According to visiting IMF officials, the poor must reap the benefits of an expanding economy—a challenge now facing the Philippine government.

The country is growing by a relatively decent pace of about 5 percent a year, but growth does not appear to be trickling down to those living below the poverty line.

Vivek Arora, IMF mission chief to the Philippines, said in a press conference that efforts of policymakers in the country should be geared toward both accelerating growth of the economy and making the poor experience the benefits of a growing economy.

Some experts noted that while the domestic economy is expanding, the pace of growth does not appear to be fast enough to reduce poverty, while the benefits of growth are not being felt by the poor.

The experts cited how a quarter of the population still live below the poverty line.

"The Philippines has to address the twin challenge of [accelerating] growth and making it more inclusive," Arora said.

Anoop Singh, IMF director for Asia and the Pacific, said in the same conference that addressing the challenge of reducing income inequality, particularly by providing jobs to the unemployed and individuals belonging to poor households, would require rechanneling of public resources to vital areas.

For instance, Singh said, the government could reduce tax incentives granted to some business sectors and use the savings to increase funds for conditional cash transfers (CCT) for the poor.

Under the Conditional Cash Transfer program of the government, the poorest households will be given monthly food subsidies.

Recipients are required to send children to public schools while the women of the households must regularly visit public health centers.

Singh said additional public spending on social safety nets, such as public education, will help the country attain its goal of poverty reduction. Educating the poor will give them better chances of getting employed and augmenting their incomes.

The IMF officials also said the government should intensify

efforts at attracting more foreign direct investments, which they said are necessary to generate more jobs and lift income levels.

They said attracting more foreign direct investments would also help protect the Philippines from the ill effects of a poorly performing global economy.

Weak global demand has reduced the income of Philippine exporters, dragging down overall growth. The IMF said strengthening the domestic economy, such as by attracting more investments, would help the country better weather the impact of any global crisis.

(Philippine Daily Inquirer)

IMF SUGGESTS TAX INCENTIVE CUTS FOR BUSINESSES, MORE CASH DOLES TO POOR

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MANILA, Philippines—An official of the International Monetary Fund has urged the Philippines to consider reducing tax incentives to some businesses and channeling savings to conditional cash transfers to the poor as among the measures to correct income inequality.

Anoop Singh, IMF director for Asia and the Pacific, said in a press conference that addressing the challenge of reducing income inequality, particularly by providing jobs to the unemployed and individuals belonging to poor households, would require re-channeling of public resources to more vital areas.

For instance, Singh said, the government could reduce tax incentives granted to some business sectors and then use the savings to increase funds for conditional cash transfers for the poor.

Under the Conditional Cash Transfer (CCT) program of the government, the poorest households are given monthly food subsidies. Recipients are required to send children to public school and to have the mothers regularly visit public health centers.

Singh said additional public spending on social safety nets, such as public education, would help the country achieve the goal of poverty reduction. Educating the poor will give them better chances of getting employed and augmenting their incomes, according to Singh.

The IMF said addressing income inequality has become an important issue for the Philippines, saying the essence of boosting economic growth lay on the ability of the country to create more jobs and pull people out of poverty.

Visiting IMF officials to the Philippines said the challenge for the Philippines, which has been growing by a relatively decent pace of about 5 percent a year, has always been to make growth “inclusive” by making even the poor reap the benefits of an expanding economy.

Vivek Arora, IMF mission chief to the Philippines, said in a press conference that efforts of policymakers in the country should be geared toward both accelerating the growth of the economy and making the benefits of growth trickle down to the poor.

The suggestions came amid observations that while the domestic economy has been growing, the pace of growth has not been fast enough to reduce poverty and that the benefits of growth have not been experienced by the poor. This is evidenced by the fact that Filipinos living below the poverty line still account for more than a quarter of the population.

"The Philippines has to address the twin challenge of [accelerating] growth and making it more inclusive," Arora said.

The IMF officials also said the government should intensify efforts at attracting more foreign direct investments, which they said would be necessary to generate more jobs and lift income levels.

They said attracting more foreign direct investments would also help protect the Philippines from the ill-effects of the weak global economy.

Anemic global demand has led to reduced incomes for the Philippine export sector, thus dragging its overall growth. The IMF said strengthening the domestic economy, such as through attracting more investments, would help the country better weather the impact of any global crisis.

(Philippine Daily Inquirer)

IMF: Asia needs domestic demand to continue to spur regional growth

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THE International Monetary Fund (IMF) stressed on Monday the importance for economies in Asia to develop domestic sources of demand to convert the intensifying economic problems in advanced economies into growth in the region.

At a briefing that also launched the IMF's Regional Economic Outlook, the Fund reiterated the need for the Philippines not only to be more flexible in allowing the local unit, the peso, to appreciate but more important for the government to spend more for infrastructure while also building social safety nets.

The overall objective, the IMF said, was to achieve sustainable growth for the Philippines at a time when the risks to continued expansion pose a serious challenge to economies across the region.

"The intensifying economic problems in advanced economies confirm that Asia would greatly benefit from further progress in developing domestic sources of demand. This would require more exchange-rate appreciation and greater priority to spending on infrastructure and social safety nets. These measures would not only help increase domestic demand over time but would also reduce income inequality in the region and make growth in Asia more inclusive," the IMF said.

The IMF previously scaled back the country's local output this year measured as the gross domestic product to 4.7 percent from forecast growth announced in April when growth for the Philippines was seen averaging at least 5 percent.

"For the Philippines, the key challenge is to navigate the uncertain global environment while creating policy space to meet future potential shocks and building the foundations for faster and more inclusive medium-term growth," the IMF said, noting the growth-boosting measures contained in the government's six-year Philippine Development Plan (PDP).

It also noted the social impact of the government's conditional cash-transfer program which helped mitigate the economic impact of the global slowdown on less privileged Filipinos.

The IMF lauded the government for recognizing under the PDP the need for higher spending on health and education and greater public investment to achieve higher per-capita income growth which tends to reduce poverty incidence in the country.

"A continuation of revenue-based fiscal consolidation, reorientation of expenditure toward social and infrastructure priorities and reforms to strengthen the investment environment will be key to these efforts," the IMF said.

Anoop Singh, IMF director for Asia Pacific, noted public and private investment rates in the Philippines are rather low and certainly have room for much improvement.

The country's revenue base was also considered low and urged the government to address this issue.

Addressing the low revenue base was important because the government's proposed infrastructure build-up "needs fiscal resources" to back them up, Singh said.

Bangko Sentral ng Pilipinas (BSP) Gov. Amando M. Tetangco Jr. said the IMF's presentation on the region's economic outlook and policy challenges merits close attention and was something that government policymakers like himself eagerly awaited.

"The second important policy prescription that the REO focuses on is building inclusive growth. This is one goal that the BSP, in partnership with its stakeholders, is seriously promoting. We simply do not aim for high growth; we aim for growth that benefits the mass of the Filipino people," he said.

This pertains to ongoing BSP support in institutionalizing microfinance which provides the entrepreneurial poor access to collateral-free loans and various financial services including deposits, payments services, money transfer and even insurance.

The BSP also institutionalized the Credit Surety Fund program whose existence allow micro borrowers as well as small and medium-scale entrepreneur borrowers to borrow from banks also collateral free by leveraging on the strength of the cooperative movement in the country.

In addition, the BSP is an advocate of financial education via its Economic and Financial Learning program which unifies the central bank's educational outreach programs across the different sectors of the country.

(Business Mirror)

IMF URGES PHL TO SPEND MORE, EXPAND TAX BASE

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MANILA, Philippines - The International Monetary Fund (IMF) yesterday urged the Aquino administration to spend more, attract higher investments, and widen its tax revenue base to survive the turbulence in regional financial markets over the last two months brought about by fragile economic growth in the US and the debt crisis in Europe.

In a press conference, IMF assistant director Vivec Arora said the Philippines needs to raise its spending level, attract more private investors and strengthen its social safety nets.

Arora pointed out that the Aquino administration's public-private partnership (PPP) scheme would address the need for higher infrastructure spending.

"One important policy implication is that the higher government fiscal spending in these areas will need stronger revenues. The revenue base in the Philippines is relatively low," he said.

He cited the need for the Philippines to broaden its tax base and strengthen tax administration by overhauling its excise tax system on sin products and rationalizing its fiscal incentives to raise much needed revenue to bankroll social and infrastructure spending.

"We know that the Philippines is still a poor country so there is a need for expanding infrastructure, there are very large development needs," Arora said.

According to him, the ratio of revenues to the country's domestic output as measured by the gross domestic product (GDP) is relatively low.

However, the IMF official stressed the need for the government to address the loopholes in the excise tax on sin products particularly alcohol and tobacco products as well as the value added tax (VAT) system.

"It is not just a question of raising tax, the government also needs to address the loopholes and at the same time improve tax administration," he explained.

For his part, IMF director for Asia and Pacific Department Anoop Singh said the quest for a faster and more inclusive growth is well recognized in the Philippine Development Plan (PDP) to help the country navigate the uncertain global environment while creating policy space to meet future potential shocks.

"This needs fiscal resources, this is something that is important for many countries in Asia. The objective is to streamline tax policy to ensure incentives that remain are efficient. I dont think that the purpose is simply higher taxes. The purpose is more efficiency, more streamlining," Singh explained.

He added that the PDP recognizes the need for higher spending on health and education and greater public investment to achieve higher per-capita income growth that usually tends to reduce poverty incidence.

"A continuation of revenue-based fiscal consolidation, reorientation of expenditure toward social and infrastructure priorities, and reforms to strengthen the investment environment will be key to these efforts," the official said.

According to him, higher infrastructure spending would help raise the economic growth potential of the Philippines to about seven percent to eight percent from the current level of five percent over the medium term.

Singh pointed out that Asia has not decoupled from advanced economies and remains greatly exposed to risks of contagion from fragile global economic environment as shown by the turbulence in regional financial markets over the last two months.

"Greater fears about growth prospects amid sticky inflation mean policymakers in many countries face a delicate balancing act in the short term," he said.

To address the risks, he explained that Asia needs to increase domestic demand over time and reduce income inequality in the region through more exchange rate appreciation and greater priority to spending in infrastructure and social safety nets.

The IMF recently downgraded the GDP growth forecast for Asia to 6.3 percent instead of 6.8 percent this year and to 6.7 percent instead of 6.9 percent for next year in line with a weak global economic outlook. The IMF lowered the GDP growth forecast for the Philippines to 4.7 percent instead of five percent this year and to 4.9 percent instead of five percent for next year.

"While our baseline scenario is for a relatively modest slowdown in GDP growth, the risks for Asia and Pacific region have tilted decidedly to the downside since last April, owing to greater global uncertainty," Singh said citing the escalation of the Euro area financial turbulence and renewed slowdown in the US that could have trade and financial spillovers to Asia.

(The Philippine Star)

PH FREE FROM IMF CLUTCHES

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With the country’s high level of reserves and surpluses, the International Monetary Fund does not see the Philippines needing its assistance over the horizon.

"Like most countries in Asia, the Philippines has current account surplus and high reserves. At present, we see less of a chance that the country will use (IMF facilities)," Anoop Singh, director of the IMF’s Asia and Pacific Department, said yesterday.

But Singh said many countries in Asia are trying to build up safety nets because of the risk of a financial crisis outside the region.

"So if there is a crisis that may result in dollar-liquidity funding or capital declining suddenly because of contagion, they can deal with those much more easily if there are financial safety nets," Singh said.

In 2006, the Philippines exited IMF post-program monitoring after four-and-a-half decades with the prepayment in full of outstanding obligations of the country to the Fund amounting to 146.3 million special drawing rights or $219.7 million.

IMF monitoring was supposed to end in April 2007.

The Philippines had been considered a "prolonged user" of IMF resources, with 23 IMF-supported programs (consisting mainly of standby arrangements and extended fund facilities) since 1962.

Singh is in the country to launch the IMF’s Regional Economic Outlook for Asia and the Pacific, which lowered the Fund’s growth forecast on the country to 4.7 percent from 5 percent this year.

"For the Philippines, the renewed global uncertainty in 2011 is affecting external demand, but growth remains relatively resilient," Singh said.

He added that headline inflation is expected to average 4.5 percent in 2011, well within the Bangko Sentral mg Pilipinas’ target of between 3 percent and 5 percent.

Singh said the key challenge for the Philippines is navigating the uncertain global environment while creating policy space to meet future potential shocks and building the foundations for faster and more inclusive medium-term growth.

"This quest for inclusive growth is well recognized in the Philippine Development Plan (PDP). The conditional cash transfer program in the Philippines is redirecting resources towards socially desirable programs in a well-targeted way," Singh said.

He added that the PDP also recognizes the need for higher spending on health and education and greater public investment to achieve higher per-capita income growth that "usually tend to reduce poverty incidence."

"A continuation of revenue-based fiscal consolidation, reorientation of expenditure towards social and infrastructure priorities and reforms to strengthen the investments environment will be key to these efforts," Singh said.

When asked if he means the Philippines should impose new taxes to achieve this goal, Singh said there is a need for the country's finance program to be "more efficient, not necessarily high taxes."

"The revenue ratio is still low. Focus should be directed towards the revenue side by means of efficient way of collection," Singh said.

BSP Gov. Amando Tetangco said slowing global growth and Europe's sovereign debt crisis will continue to create financial uncertainties.

"For the first semester, external demand was weaker and public spending lower resulting in a 4.0 percent growth for the January-June period. Inflation for the first nine months averaged 4.3 percent, well within the target range," Tetangco said.

He added that these numbers, while manageable and possibly better compared with others, "should actually make us even more vigilant to sustain the benign macro economy."

The latest regional outlook, Singh said, cautions that risks for the Asia and Pacific region are decidedly tilted to the downside.

"An escalation of the euro area financial turbulence and a more severe slowdown than anticipated in the United States would have clear macroeconomic and financial spillovers to Asia. While domestic demand remains strong, Asia has clearly not decoupled from advanced economies," he said.

The outlook said Asian countries have taken comprehensive reforms over the past decade to strengthen their financial, corporate and public sector balance sheets that are now providing strong buffers for the renewed global uncertainties.

"Thus, if the downside risks to the global outlook were to materialize, the IMF says that Asian economies have the scope to reverse course and use a range of measures to cushion the impact on economic activity, as many did in response to the global crisis in 2008," the outlook said.

Looking ahead, the report said the crisis in advanced economies is a reminder of the need for Asia to make further progress with economic rebalancing and develop stronger domestic engines of growth.

In addition to structural reforms, this would require a reprioritization of fiscal spending in order to create fiscal space for critical infrastructure investment and social priority expenditure, it said.

(Malaya)

WATCH OUT FOR RAPID CREDIT GROWTH, ASIA URGED

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The International Monetary Fund has urged the Philippines and other emerging Asian economies to watch out for rapid credit growth and implement policies to ensure this will not result in overheating.

The institution noted how substantial liquidity in most Asian economies enabled their respective banks to extend more loans.

“Policymakers should remain focused on potential risks to financial stability and the real economy from lingering financial imbalances, including rapid credit growth,” the IMF said in a report on the outlook on Asia-Pacific economies.

In the case of the Philippines, bank lending has expanded by a robust pace this year due to the significant rise in the banking sector’s resources.

Current loan portfolio of universal and commercial banks grew by about 19 percent from a year ago—over four times faster than the 4-percent growth of the economy.

This has been supported by rising resources of Philippine banks. Total resources of the banking sector in the country amounted to P7.3 trillion by the end of June this year—up by 12.6 percent from the P6.48 trillion reported in the same period last year.

“Depending on country circumstances, policymakers should be prepared to use monetary, macro-prudential, and exchange rate policies to limit financial imbalances that could jeopardize macroeconomic stability,” the IMF said.

Currently, emerging economies in Asia are driving growth of the global economy. While they are performing well, the IMF said these economies should be wary of the potential ill effects of rapid credit growth.

When banks extend more loans, inflationary problems result, which would be bad for an economy.

Banks in the Philippines have increased lending activities by nearly 20 percent. Some people have also urged the institutions to extend more loans to accelerate growth of the economy, saying that the banks have enough resources to back them up.

At present, banks have about P1.6 trillion placed in a special deposit account facility of the Bangko Sentral ng Pilipinas.

(Philippine Daily Inquirer)