55 peso-dollar exchange seen creating P100B fiscal stimulus for RP

An economist is proposing for a fixed exchange rate of 55 to the dollar to create a fiscal stimulus of at least P100 billion that would help pump-prime the Philippine economy in the face of global economic downturn.

During the Thursday exporters' forum, economist and former Budget Secretary Benjamin Diokno estimated the country needs P80 billion to P160-billion fiscal stimulus to cope with the impact of the global crisis. This is around two percent of the country's gross domestic product.

"We should not allow the exchange rate to go back to P40," Diokno added, as he belied beliefs that a strong peso means a strong economy.

Diokno said fixing the foreign exchange at 55 temporarily for two years would benefit families depending on the dollar-earning exporters and overseas Filipino workers (OFWs) and even import-substituting industries.

He explained that a weaker currency will help boost local consumer spending as this immediately gives additional 'spending money' to the OFWs.

Diokno said such forex level also serves as 'natural protection' for Filipino industries which are now reluctant to invest because there is no guarantee that their products would be purchased by consumers who are holding on their money because of the crisis.

"Maybe, do it (forex setting) for two years so we could develop our markets. As I understand, we lost valuable markets when the peso appreciated to about 40. You know when we lost our markets, it is difficult to recover. This is just a way of helping the exporters and OFWs," he noted.

He said setting the forex at a particular level was already done by Malaysia during the Asian crisis.

Apart from this measure, Diokno also suggested that the government construct smaller, labor-intensive projects like farm-to-market roads, communal irrigation, road maintenance and repairs of school buildings to pump prime the economy.

He noted that these 'quick' projects could create jobs in the countryside.

For his part, businessman Aurelio Angeles explained that a devalued peso will make Philippine products more price competitive against imported ones in the domestic market.

The peso has already reached 50 to the dollar level. It weakened to an all-time low of 56 in January 2001 when former President Estrada was ousted from the presidency. -- **Danielle Venz,** ***PHILEXPORT News and Features***