

FOURTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

21 APR 28 2008

SENATE
P.S.R. No. 374

RECEIVED BY: 

Introduced by Senator Miriam Defensor Santiago

RESOLUTION
DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY,
IN AID OF LEGISLATION, ON THE ALLEGED HIGHER BUDGETARY GAP
THIS YEAR WHICH WILL NECESSITATE MORE DOMESTIC AND
FOREIGN BORROWINGS

WHEREAS, the national government is forecasted to borrow more to bridge the expected higher budgetary gap due to lower revenue take as growth in domestic economy slows down and privatization receipts may fall short because of prevailing uncertainty in the market;

WHEREAS, HSBC regional economist based in Hong Kong Frederic Neumann is reportedly projecting a "slippage" in the fiscal consolidation program of the government with the national coffers ending the year at a higher deficit of between P41 billion and over P 100 billion;

WHEREAS, for 2008, the fiscal managers have set their eyes to bring back to balance the state finances from a P9.7 billion deficit in 2007, which was dramatically lower compared to P63 billion target;

WHEREAS, Mr. Neumann allegedly said that "still it does represent significant slippage from the official goal of a balanced budget and suggest that bond issuance would rise by significantly more than currently expected";

WHEREAS, the gross domestic borrowing and foreign financing for the year has been estimated at P348.16 billion, 70 percent of which will be sourced onshore and 30 percent offshore;

WHEREAS, Mr. Neumann, on the other hand, projected the *Bangko Sentral ng Pilipinas* (BSP) will be a bind to contain inflationary pressures, which will prompt the authorities to reverse its monetary easing policy;

WHEREAS, he forecasted a 75 basis points increase in the overnight borrowing rate of the BSP to bring it to 5.75 percent by the end of the year; the tightening will start later this quarter with a 25 basis points hike;

WHEREAS, Mr. Neumann explained that increasing the key interest rate policy has to be adopted by the regulators to contain inflation, which is likely to exceed the full-year target of 3.0 percent to 0.50 percent; for the second quarter, inflation rate will soar to 7.2 percent from the first quarter average of 5.2 percent to further go up to 7.8 percent in the third quarter before coming off to around 6.8 percent in the fourth and to end they year at an average of 6.5 percent;

WHEREAS, on the other hand, the local unit will jump to P42.1 average in the third quarter to slid further in value to an average of P42.30 in the fourth quarter and settle at an average of P49.1 to a dollar for the whole of 2008; while, government bond

yields reflect this triple threat of rising inflation, widening fiscal deficits and expanded bond supply, rate to rise to 7.25 percent, 8.75 percent, 9.5 percent for one year, five years and 10-year treasury bills and T-bonds, respectively;

WHEREFORE, be it hereby resolved by the Philippine Senate, to direct the proper Senate committee to conduct an inquiry, in aid of legislation, on the alleged higher budgetary gap this year which will necessitate more domestic and foreign borrowings.

Adopted,

Miriam Defensor Santiago
MIRIAM DEFENSOR SANTIAGO

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