

**MANILA RATES RISE AS PRESSURE GROWS ON PESO.**By **Chaitanya Kalbag**

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MANILA, Dec 1 - Short-term interest rates have shot up in the Philippines as the peso has come under increasing pressure and the central bank has been forced to intervene heavily to defend the local currency, bankers said.

Bankers' Association of the Philippines (BAP) figures show the central bank was a net seller of 171.8 million dollars in the foreign exchange market in November, compared with net sales totalling 170 million dollars in September and October.

The central bank accounted for 83 pct of November's total interbank foreign exchange transactions of 225.3 million dollars.

The peso slipped to 20.877 to the dollar at end-November, from 20.725 at end-October and 20.611 at end-September.

Meanwhile, the cost of banks' overnight funds, the interbank lending rate, soared to an average 19.19 pct on November 27, from 6.38 pct on November 16, central bank figures show.

The figures show foreign exchange reserves shrank to a 1987 low of 39.7 million dollars at the end of October from 73.58 million a year earlier and 58.4 million at the end of September.

"The Philippine economy is in the shallows of a balance of payments crisis," said Manuel Montes, professor of economics at the University of the Philippines.

"The central bank has been losing international reserves rapidly in an effort to defend the exchange rate," Montes wrote in the Financial Post newspaper. "As (local) banks begin to take a position against the peso, current applications to buy foreign exchange are unserved, damming up significant buying pressure. (The) capability to swamp the system increases as policy action is delayed."

Last week the central bank moved to defend its foreign exchange reserves by curbing unofficial dollar trading between banks, easing bank deposit rules for overseas workers and cutting purchases of debt paper with foreign exchange.

A senior central bank economist said the bank was in the process of recasting its 1987 targets for balance of payments, current account and gross international reserves in light of the dollar's slide and a rise in the London Interbank Offered Rate (LIBOR).

"Targets we reached in consultation with the International Monetary Fund in August are way off," the economist added.

Central Bank Governor Jose Fernandez said last month the January/September current account deficit of 219 million dollars was above the forecast deficit of 131 million.

The central bank economist said the Philippines' total foreign debt rose to 28.48 billion dollars at end-June from 28.26 billion at end-March and 26.48 billion at end-1986.

Fernandez told a meeting of financial executives during the weekend the central bank had been rigidly following its policy of establishing the peso's exchange rate on a market determined basis.

"Central bank intervention shall be limited to moderating steep short term movements generally fostered by speculation, or by unexpected political events," Fernandez said.

Local bankers have said an abortive but bloody August 28 coup attempt spawned dollar hoarding, which compounded a seasonal rise in demand for the U.S. currency caused by a surge in imports.

Fernandez said the principal task of monetary policy was to sustain the country's economic recovery and accelerate it.





Latest government figures show that gross national product (GNP) grew by 5.51 pct in the January/September period compared with a 4.8 pct contraction in the same period in 1986.

GNP grew by a modest 1.5 pct in 1986, after contracting 10.6 pct over 1985 and 1984.

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MARILIA, Nov 27, Reuters - Rescue workers battled through floods in the central Philippines on Friday after Typhoon Nina killed at least 361 people, 275 of them in a coastal town smashed by giant tidal waves.

President Corason Aquino declared 11 provinces in the south of Luzon island calamity zones and ordered emergency rehabilitation after the storm, the worst in three years, made more than 100,000 people homeless.

First reports trickling in from the affected areas said the typhoon snapped electric and telephone poles, blew away roofs of larger buildings and flattened thousands of thatched huts along the coast.

Rescue workers were pressed into service to ferry emergency supplies of rice and fish to the coastal communities. Communications were restricted to military wireless networks or private radio stations that remained open.

Social Welfare Department spokeswoman Teodora Padua said nearly 20,000 houses were completely or partly destroyed by Nina, which roared in on Wednesday night with centre winds of up to 205 km (130 miles) per hour and veered away just short of Manila into the South China Sea on Thursday afternoon.

She said nearly half of those made homeless were in Albay province, where 75 people were killed.

Thirteen died in other areas, 24 were missing and 23 injured.

Jose Blasido, mayor of Marikina in neighbouring Sorsogon province, said in a radio interview 275 bodies had so far been recovered after tidal waves hit the town.

The death toll may rise because there were still people unaccounted for who may have died, Jose Blasido said. He said bodies were lined up in local churches but some had been taken home by relatives.

The Defense Department spokesman Lorenzo Javier said rescue operations had been hampered because roads connecting Legaspi, capital of Albay, and Sorsogon were impassable.

A military spokesman said displaced people had taken shelter in school buildings and churches.

The Social Welfare Department ordered additional relief funds worth 102,000 pesos (about \$2,000) to the worst-hit areas.

U.S. Ambassador Nicholas Platt said he would provide 500,000 pesos (24,000 dollars) in disaster funds. A U.S. embassy spokesman said the aid officials were working with relief teams in Sorsogon to coordinate emergency operations.

"We have satellite reports that there were bridges destroyed and cannot confirm which areas," Platt said.

The weather bureau said Nina, which roared in to the Philippines this year struck land in the region and was the worst since Typhoon Rita killed 1,783 people in September 1984.

Heavy rains in Manila, caused by gust force winds and heavy rain on Thursday, were making it hard for the city's already overcrowded streets. Much of the city was left without power as the typhoon weakened the grid.

A Civil Service spokesman said staff at the department's offices in military headquarters at Camp Aguinaldo were unable to go to work because of the disaster. He said the area had been damaged and services were disrupted.

Platt said the U.S. would provide relief and all flights in and from the international airport were suspended.