

PHILIPPINE PESO FALLS TO RECORD LOW.By **Chaitanya Kalbag**

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MANILA, Oct 8 - The Philippine peso plunged to a record low of 20.850 against the dollar on Thursday from 20.697 on Wednesday in its biggest single-day fall in President Corazon Aquino's 19-month rule.

A Bankers' Association of the Philippines spokesman said only one million dollars was sold in fitful interbank trading, compared to three million dollars volume on Wednesday.

A Central Bank official said the uncertain political situation could be contributing to the scarcity of foreign exchange.

On Wednesday the armed forces chief General Fidel Ramos warned that the Philippine government will face a new coup attempt within a month.

But one local banker dismissed fears that the peso was headed for a steep devaluation.

"There were several bidders who wanted to buy dollars," the Bankers Association spokesman said. "But there were no sellers."

"Nobody wants to sell dollars because the banks want to hold on to their reserves for their own clients," a senior local banker said.

He said dollars were in demand because imports were picking up towards the year-end.

The foreign exchange market has been volatile since August 28 when a major coup attempt nearly toppled Aquino.

The peso was traded at 20.453 against the dollar on the day of the uprising. The Central Bank's intervention restored stability after the September 10 fall, with the rate quoted at 20.636 on September 14 and at 20.600 on September 17.

The Bankers' Association spokesman said the Central Bank did not intervene in the market on Thursday.

In one sign of the pressure on the peso, a total 182.6 million dollars was traded between banks in September, up from 81.4 million in August.

The Central Bank official said the Bank had bought a total 35 million dollars on September 30 and October 1, in contrast with heavy sales in mid-September which checked the peso's slide.

"In intervening in the market, the Central Bank has to strike a delicate balance between domestic and international sectors," he said.

"But we can't flood the market with pesos because that would drive up inflation, and we can't sell too many dollars because that would tighten liquidity and drive up interest rates," the Central Bank official added.

He said the peso's black-market rate had touched 22 to the dollar on Thursday, indicating that the U.S. currency was being hoarded.

But on the positive side, the local banker noted the peso had held steady at about 20.500 through much of 1986 after Aquino took power, and the black-market rate had maintained near-parity with the official rate.

The slip in the rate over the past six weeks had as much to do with a rising demand for dollars to finance imports as with the political situation, he said. He added that the Central Bank had no control over how an importer obtained foreign exchange.

"This is just a routine fluctuation," he said, adding, "There is no cause for alarm."



The peso's previous biggest single-day fall was on September 10, when it slipped from 20.600 to the dollar to 20.727.

On Wednesday the currency slipped to 20.697 from 20.610, where it had held steady since October 1 after a slight upward revision from the September 30 rate of 20.611.

Theoretically, the peso is free-floating, but the Central Bank is known to intervene to maintain its target zones.

The Central Bank official said the government had targetted a rate of 20.60 at end-1987. The independent Center for Research and Communication has forecast the end-year rate will be 20.58. The peso/dollar rate was 20.53 at the end of 1986.

The peso was traded at 7.60 to the dollar at end-1980. It was pegged at 14 to the dollar in October 1983 after a 21.4 pct devaluation. On June 6, 1984, the currency lost 22.2 pct on being floated and was quoted at 18.002 to the dollar, slipping eventually to close the year at 19.76.

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