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Weak peso won't erode PH 'strong' economy — DOF

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The weakening local currency is not a sign that the Philippine economy has started to erode, the Department of Finance (DOF) assured.

Finance Undersecretary Gil S. Beltran said the deprecation of the peso against the US dollar is a "welcome development," and should not be taken as a sign of weakness of the country's overall economic condition.

"Far from being a sign of structural weakness in the economy, even after the balance of payments (BOP) turned negative, the peso's depreciation is a welcome development," Beltran said.

The Philippines ended 2017 with a BOP deficit of $863 million, wider than the $420 million in the previous year. Last January, the gap was saw at $531 million.

"When the rate was at the lower end of the 40s, the peso was very strong that there were calls for its depreciation. We got what we have called for," the finance official said.

Last February 19, the peso sank to a new 11-year low of 52.34 against the US dollar, amid expectations of a wider trade deficit this year coupled with the Bangko Sentral ng Pilipinas' dovish monetary policy stance.

"For a long time, the peso-dollar rate has been in the 40s until February of last year that the rate has breached the 50 level mark again. After Valentine's Day, the peso was trading at more than 52 level mark again," Beltran said.

"Elsewhere in the region, such as Indonesia, Malaysia, and Thailand, their currencies have strengthened against the dollar," he noted.

But despite the peso's weakness, Beltran said the Philippines' economic fundamentals are strong.

"At more than $81 billion, our reserves amount at more the eight times of imports. That is significantly much larger the our reserves prior to the 1997 Asian financial crisis," Beltran explained.

The Philippine Statistics Authority earlier reported that the country's balance of trade in goods deficit in December last year widened by 63 percent to a record $4.02 billion from $2.47 billion a year ago on surging imports and lower exports.

Balance of trade in goods deficit also widened to $29.786 billion last year from $26.702-billion deficit in 2016.

Earlier, Finance Secretary Carlos G. Dominguez III said the peso's decline was not a cause for alarm as the economy has become more resilient against the adverse impact of a weakening currency.

"In the past, the exchange rate impacted inflation rate almost immediately. It no longer does it. We are a much larger economy, much more diversified," he said in a previous statement.

He said the economy was very different from what it was in the 1990s and he thanked the two previous administrations for doing a "very good" job of managing the economy.

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