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# Outlook for 2023 & 2024

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**FRANCISCO G. DAKILA, JR.**  
**Deputy Governor**  
**Bangko Sentral ng Pilipinas**

**Philippine Economic Briefing**  
**Singapore**  
**15 June 2023**

**BSP's policy actions and thrusts continue to be anchored on its core mandates, remaining responsive to needs of the times**

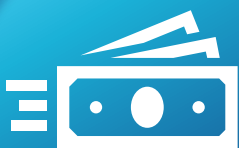
### **3 Pillars of Central Banking**



**Price Stability**



**Financial Stability**

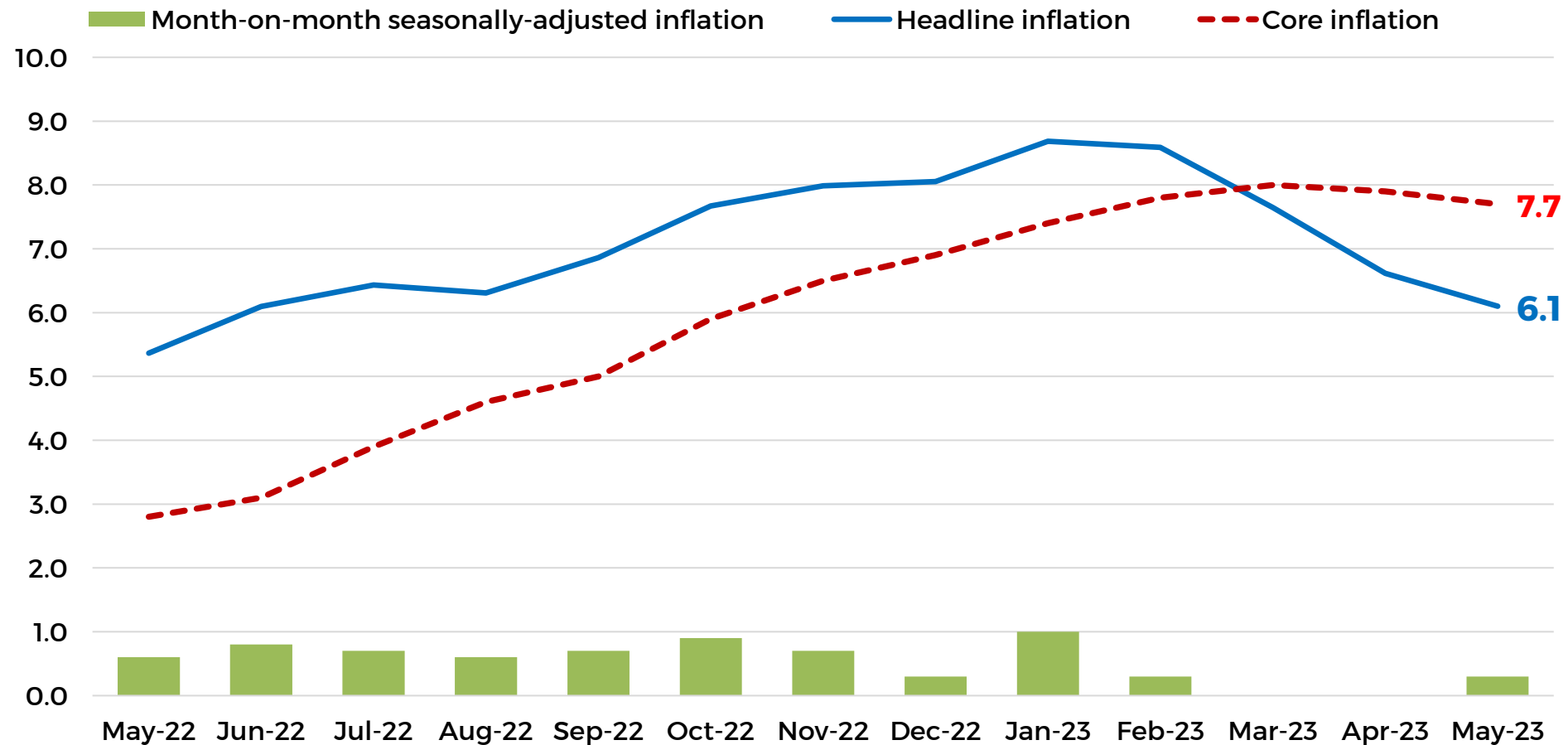


**Payments and Settlements System**



# Inflation pressures continued to ease

Headline and Core Inflation, 2020-2023  
(in percent)

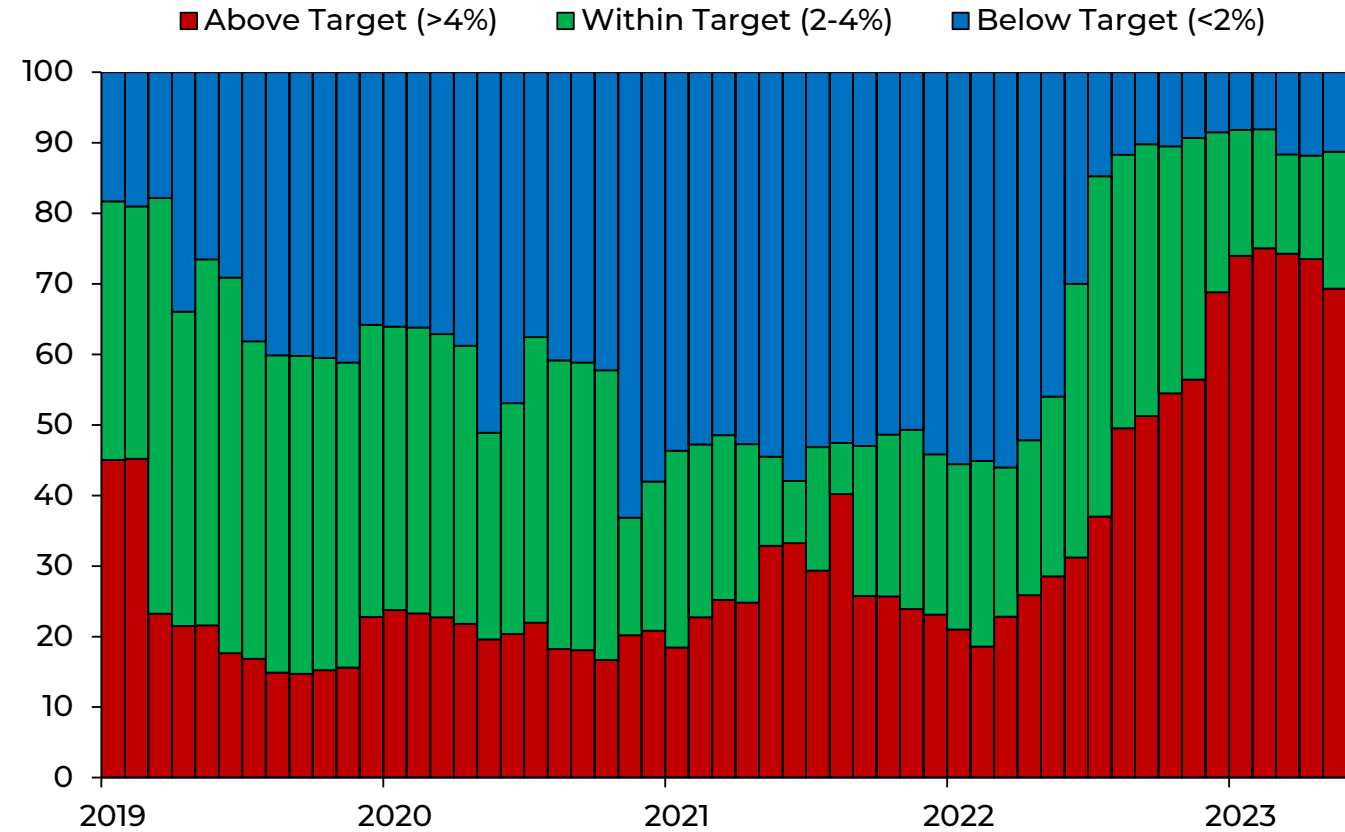
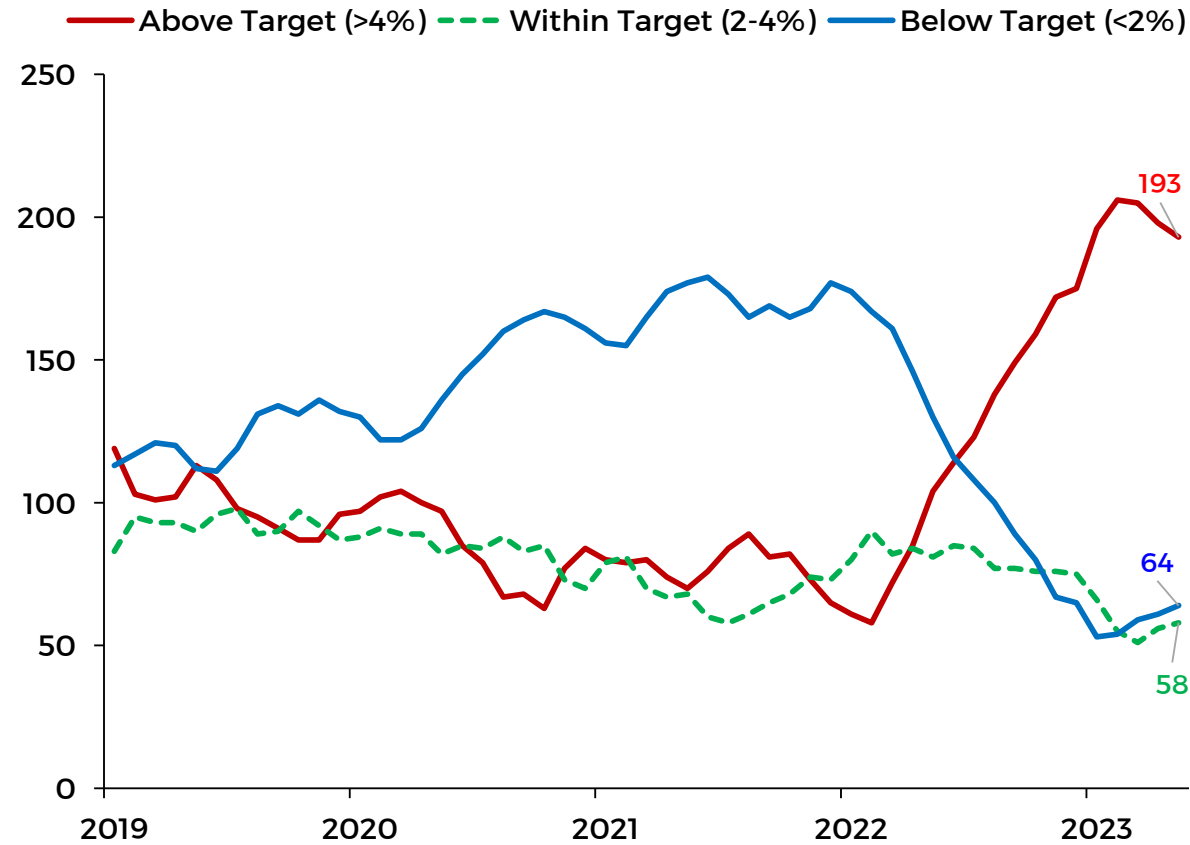


Source: Philippine Statistics Authority

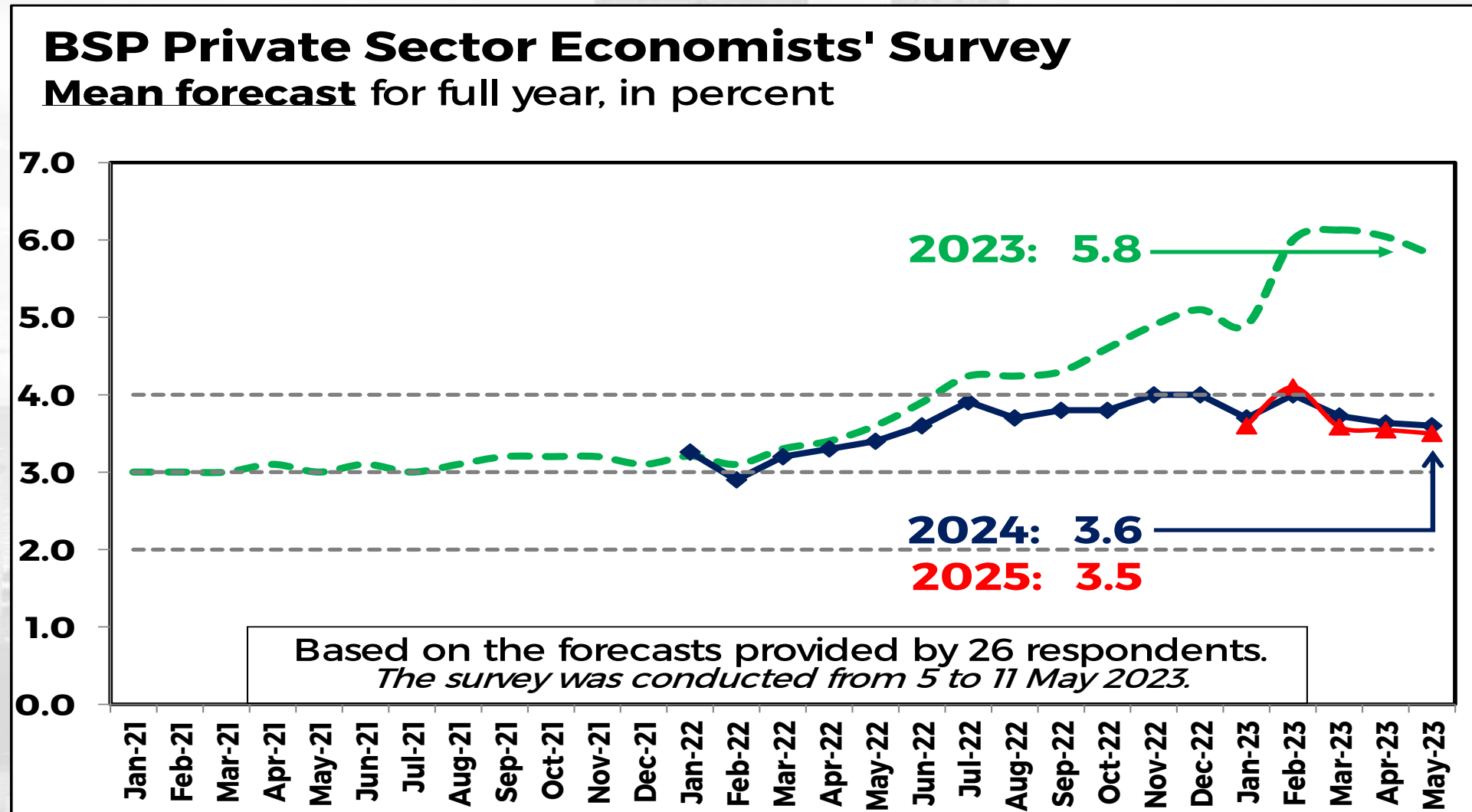


# Above-target CPI items declines as price pressures ease

## Number and Weights of CPI Items Below, Above, and Within the Target (2018=100)



# Private sector inflation expectations have declined



Source: BSP

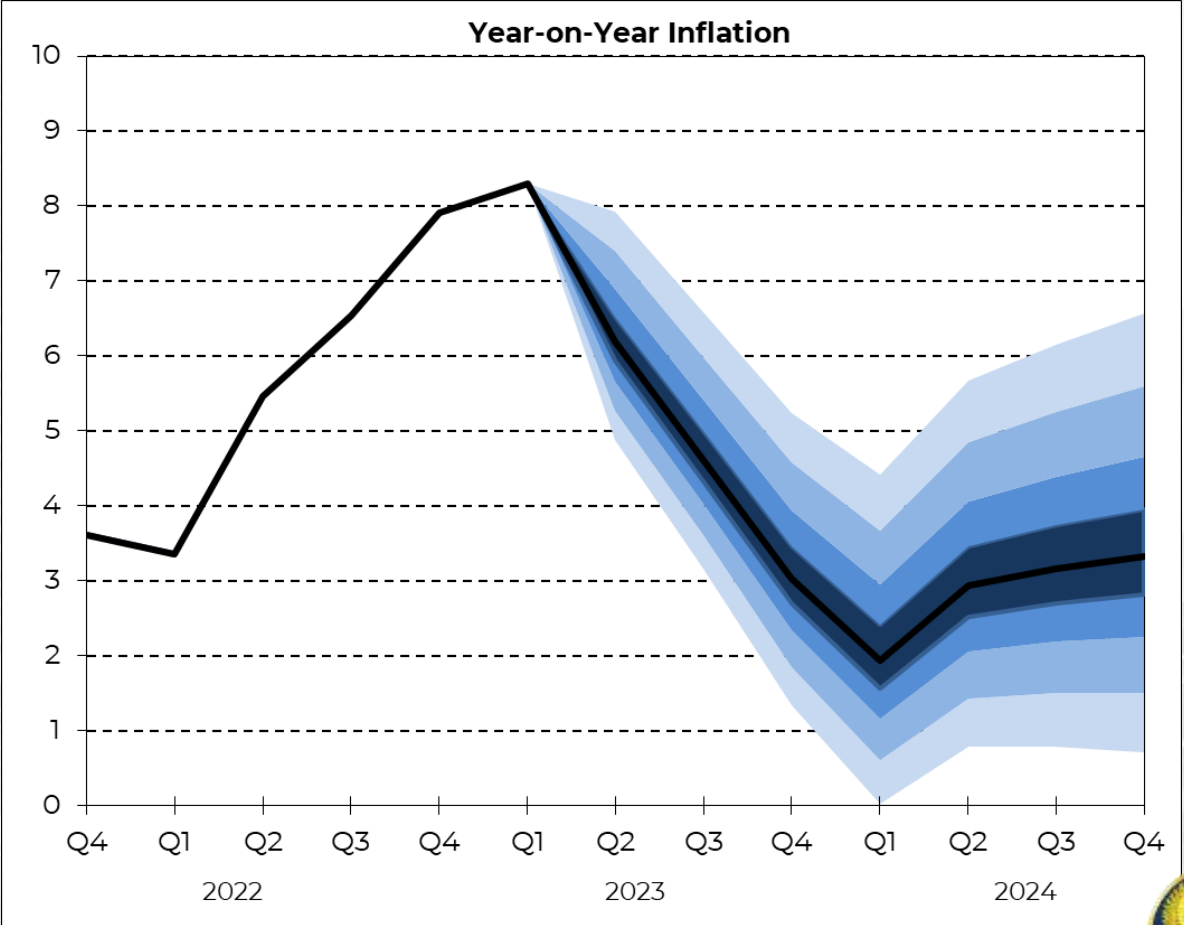


# Inflation expected to decelerate by mid-2023 before returning to within target by end of the year

## BSP Baseline Inflation Forecast

Year	23-Mar MB Meeting	18-May MB Meeting
2023	6.0	5.5
2024	2.9	2.8

**BSP Year-on-Year Inflation Forecast Q1 2023 – Q4 2024**  
*As of 18 May 2023, Monetary Board Policy Meeting*

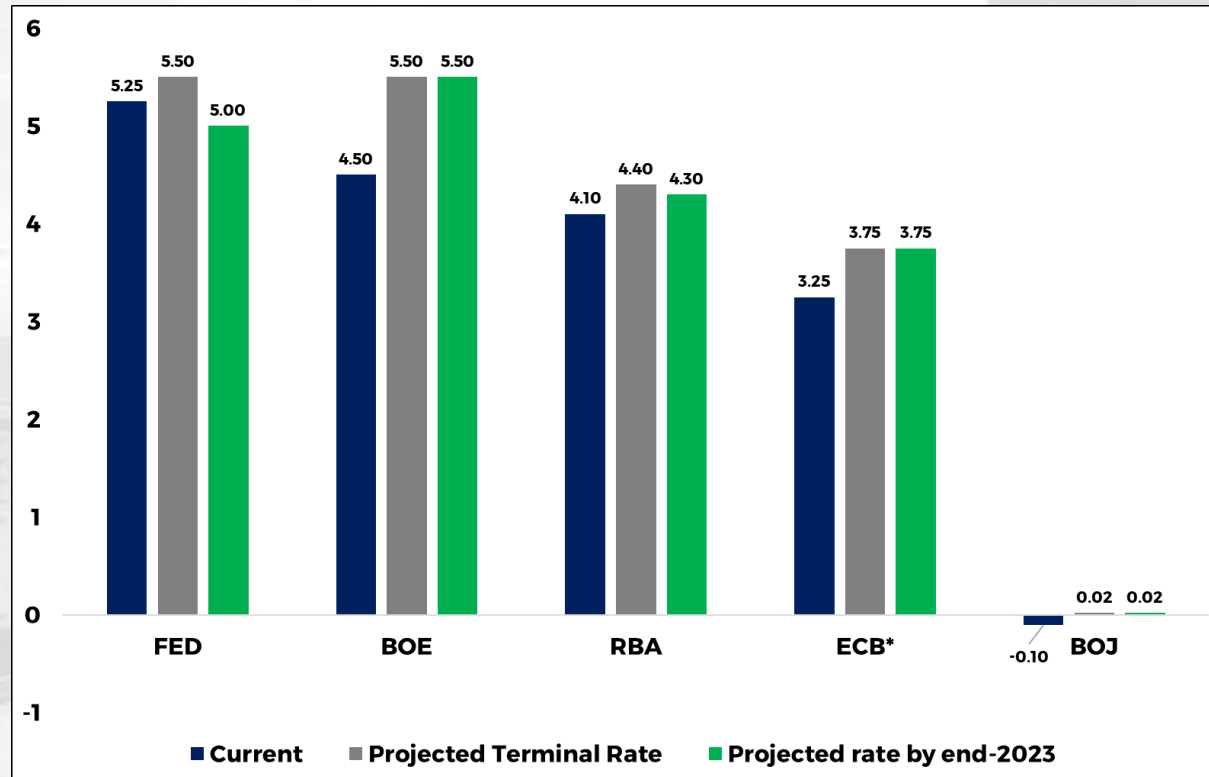


Source: BSP Staff Computations

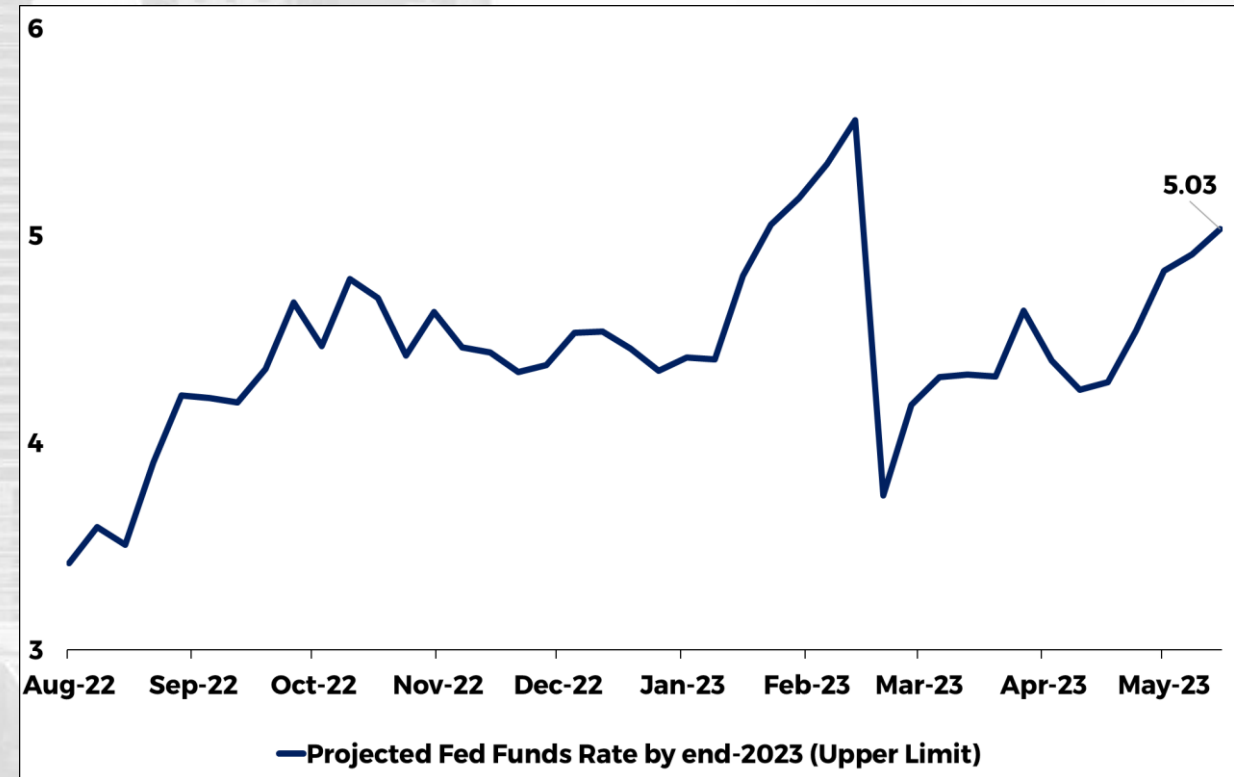


# Fed policy actions are still relevant but less of a factor in decision-making

## WIRP-Derived Key Policy Rates, data as of 7 June 2023

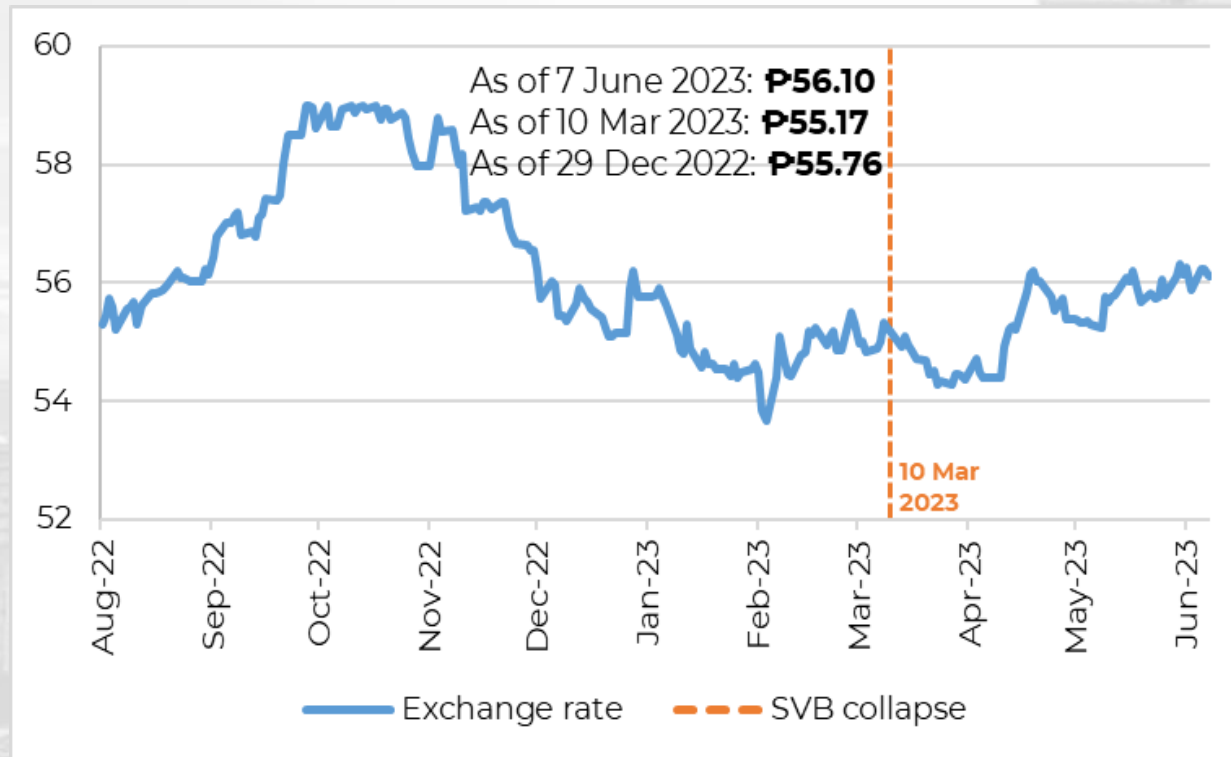


## Futures-Derived Fed Funds Upper Limit, 24 Aug - 7 Jun

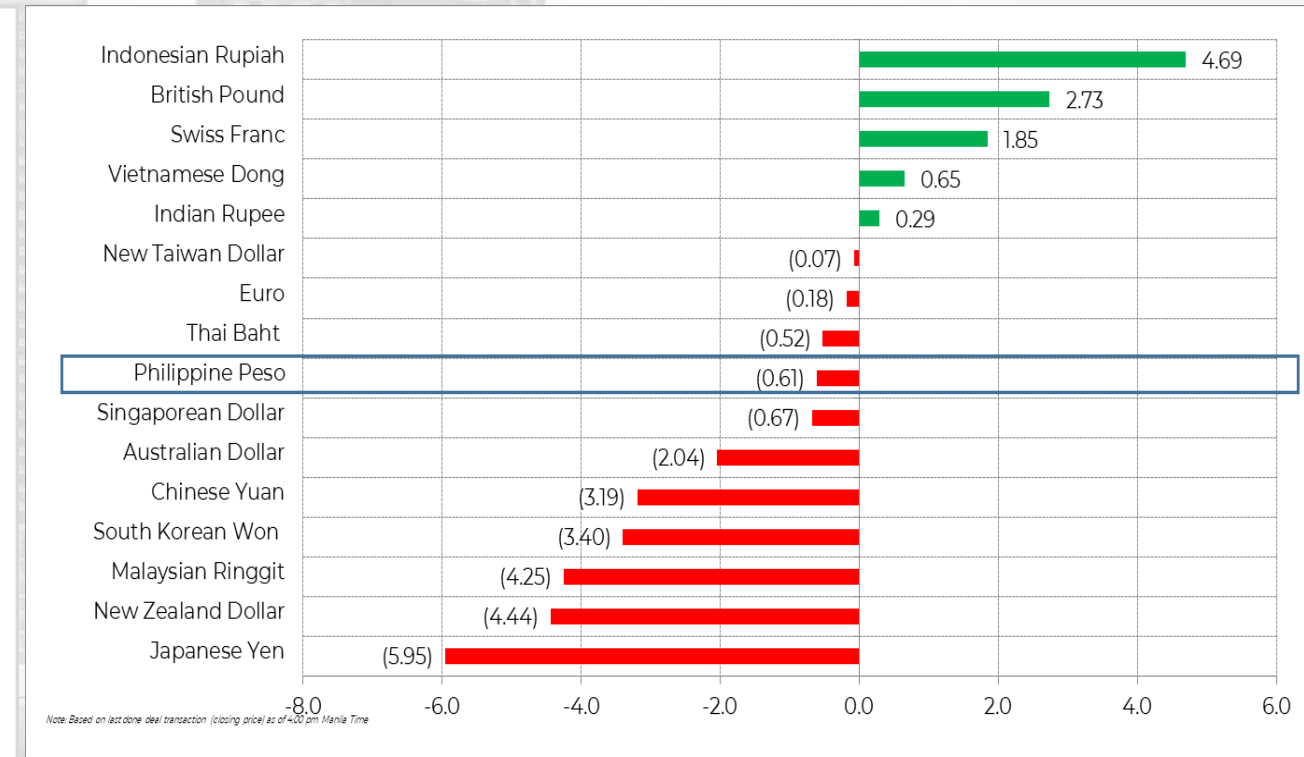


# Foreign exchange pressures have eased

## Peso per US dollar Exchange Rate Closing prices as of 7 June 2023



## YTD movement against the USD as of 7 June 2023



Source: BSP staff computation



# BSP has pragmatically used its expanded toolkit

Countries	Absolute change in policy interest rate (bps)	Nominal Exchange Rate Changes	% Change in GIR	Absolute change in GIR (in USD billion)
	cumulative rate hikes since August 2021 <sup>a/</sup>	as of 7 June 2023	End-2021 data vs latest available data <sup>c/</sup>	
<b>Philippines</b>	<b>425</b>	<b>-0.6</b>	<b>-6.9</b>	<b>-7.5</b>
South Korea	300	-3.4	-9.1	-42.1
India	250	0.3	-6.9	-43.5
Indonesia	225	4.7	-0.5	-0.7
Thailand	150	-0.5	-9.2	-22.6
Malaysia	125	-4.3	-2.1	-2.5
Vietnam	100	0.7	-20.8	-22.8
Taiwan	75	-0.1	2.6	14.5

Source: BSP and CEIC

<sup>a/</sup> July 2021 policy rate vis-à-vis latest policy meetings in 2023.

<sup>b/</sup> FX data as of 7 June 2023. Last quoted price as of 4pm (except for PhP which is the last done deal in the session)

<sup>c/</sup> Foreign exchange reserves for Philippines, South Korea, and Taiwan are based on data as of May 2023, while India, Indonesia, Malaysia, and Thailand are as of April 2023. Meanwhile, data on Vietnam are as of December 2022.



# Non-monetary government measures and agricultural enhancements now and in the future are crucial

## Short-term strategies to mitigate food and non-food inflation

- Alleviating the impact of El Niño
- Directly connecting consumers and producers through an enhanced Kadiwa program
- Timely and sufficient importation of key commodities
- Augmenting and pursuing programs related to energy conservation and efficiency, as well as food security
- Targeted cash transfers and subsidies towards vulnerable stakeholders
- Continuous monitoring of relevant developments and coordination with the private sector

## Medium- to Long-term strategies to address key supply-side challenges

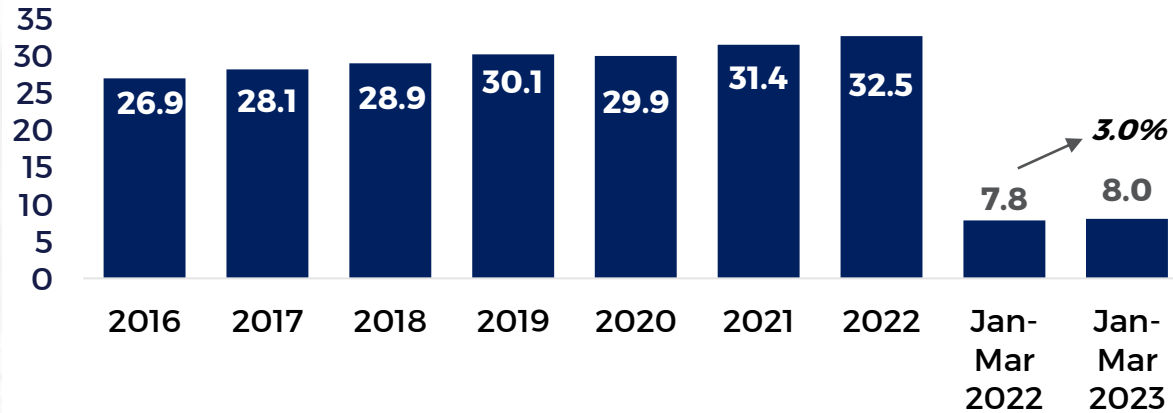
- Strengthening of local food systems
- Improving digital and physical infrastructure
- Enabling regulatory system conducive to investments and ease in doing business
- Creating and facilitating adoption of improved technology
- Safeguarding energy, food, and water security



# Robust external accounts cushion against global spillovers

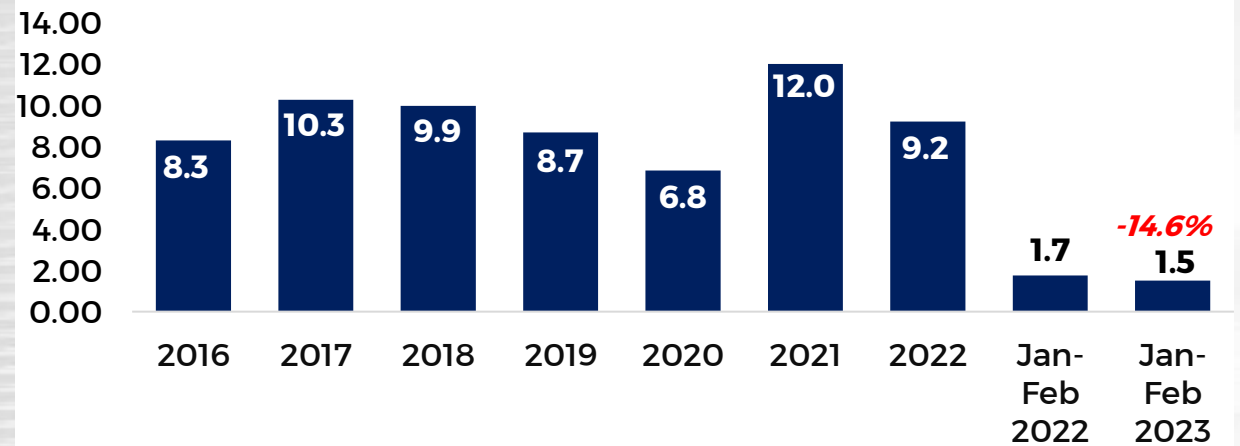
## Overseas Filipinos' Cash Remittances

In US\$ billion



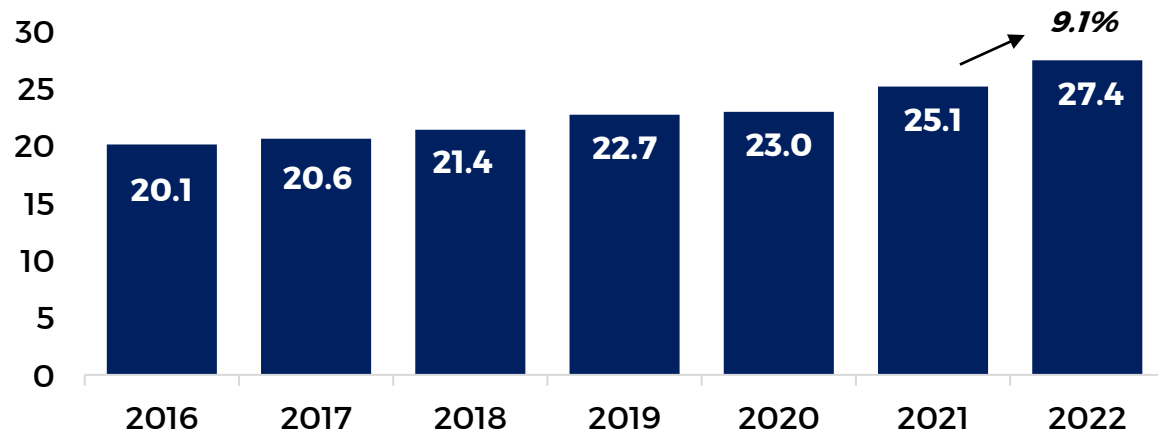
## Net Foreign Direct Investments

In US\$ billion



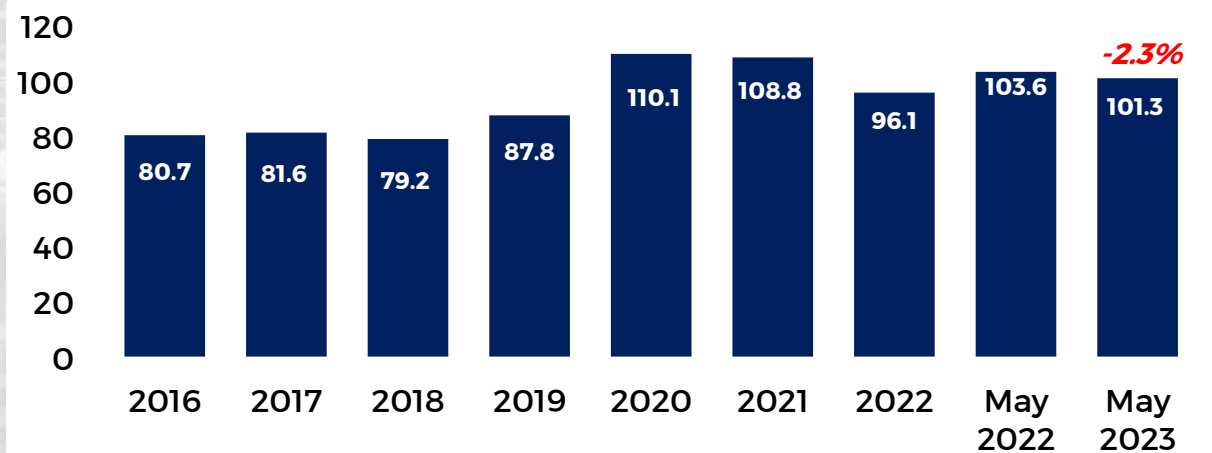
## Business Process Outsourcing (BPO) Revenues

In US\$ billion

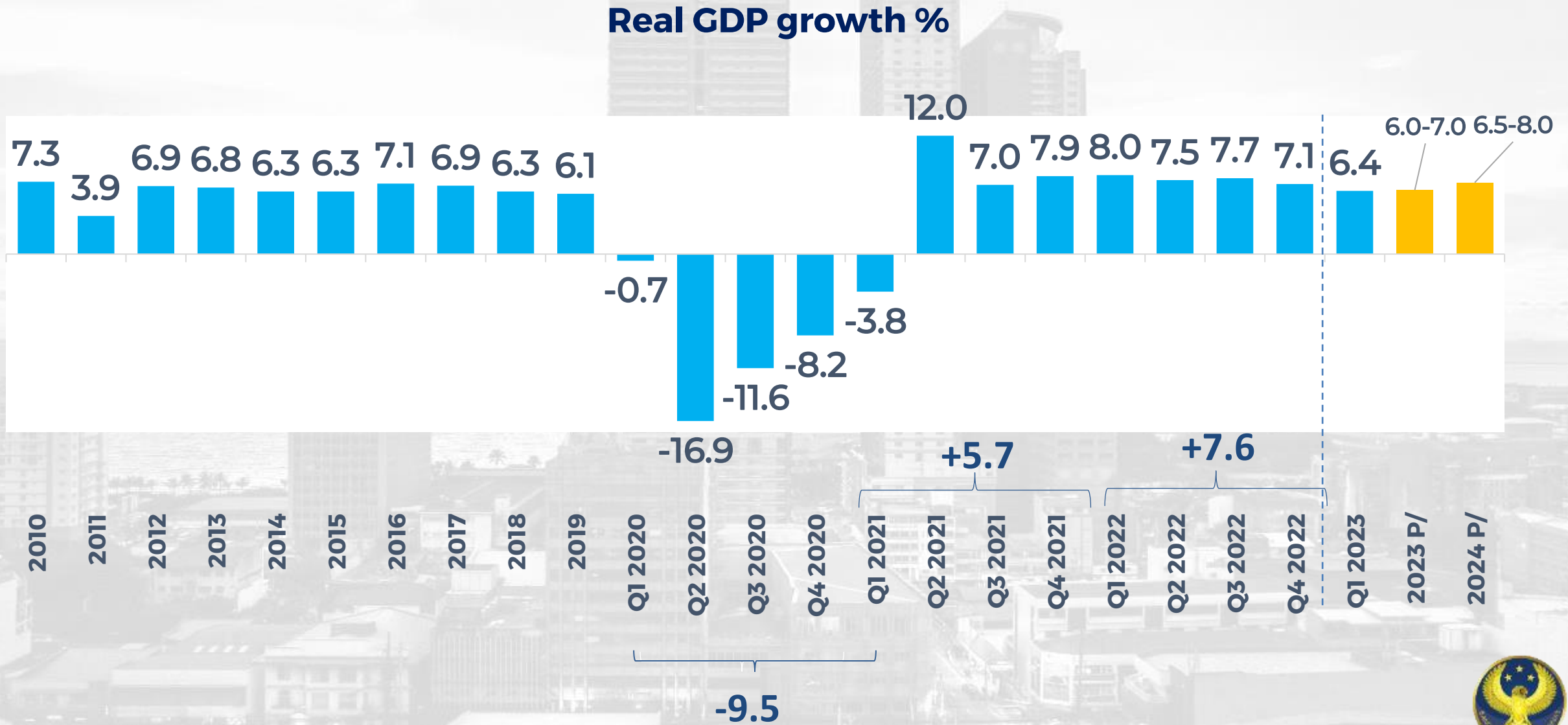


## Gross International Reserves

In US\$ billion, end-of-period



# Growth in 2022 exceeded expectations



p – GDP growth targets by the Development Budget Coordination Committee (DBCC)



# Pent-up demand has been a key growth driver



**23.8%**  
YoY increase in  
spending in hotels  
and restaurants for  
Q1 2023

**RECOVERY IN SERVICES**



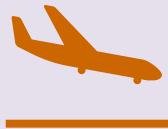
**30.1%**  
YoY increase in  
car sales for  
Q1 2023

**UPTICK IN DEMAND  
FOR VEHICLES**



**4.5%**  
Unemployment rate  
for April 2023

**IMPROVEMENT IN  
EMPLOYMENT  
CONDITIONS**



**2.0 million**  
International tourist  
arrivals from  
1 January to 12 May 2023



**₱168.5 billion**  
Inbound visitor receipts  
for January to April 2023

**(Re)turning point for tourism**



# Philippine banking system stands on solid footing

**Banks remain well-capitalized**  
CAR at **16.5%** and **16.1%** on solo and consolidated bases, respectively  
As of end-March 2023 and end-December 2022



**Assets sustain positive growth**  
**11.0%** y-o-y growth  
PHP23.1 trillion  
As of end-March 2023



**Bank profits soar in 2022**  
**42.6%** y-o-y growth  
PHP94.6 billion  
As of March 2023



**Deposit growth reflects sustained public confidence**  
**9.8%** y-o-y growth  
PHP17.7 trillion  
As of end-March 2023



**Loan quality remains satisfactory**  
NPL Ratio at **3.3%**  
As of end-March 2023

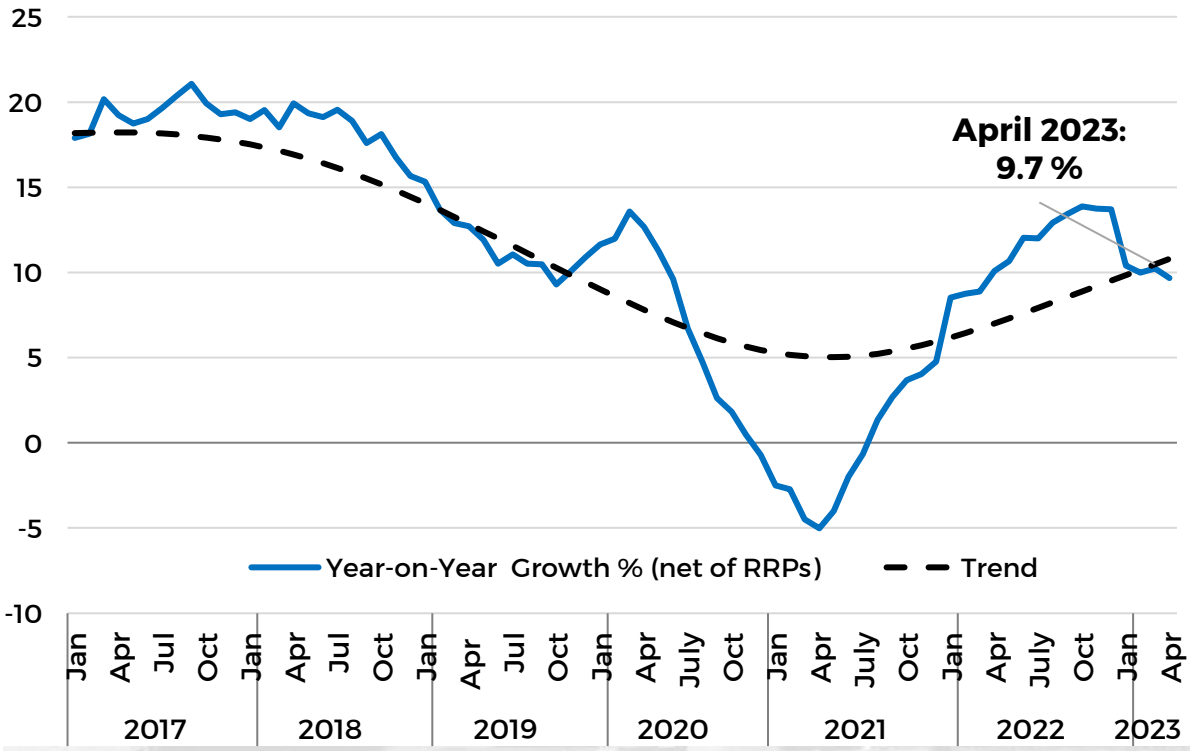


**Loan portfolio further expands**  
**10.4%** y-o-y growth  
PHP12.5 trillion  
As of end-March 2023

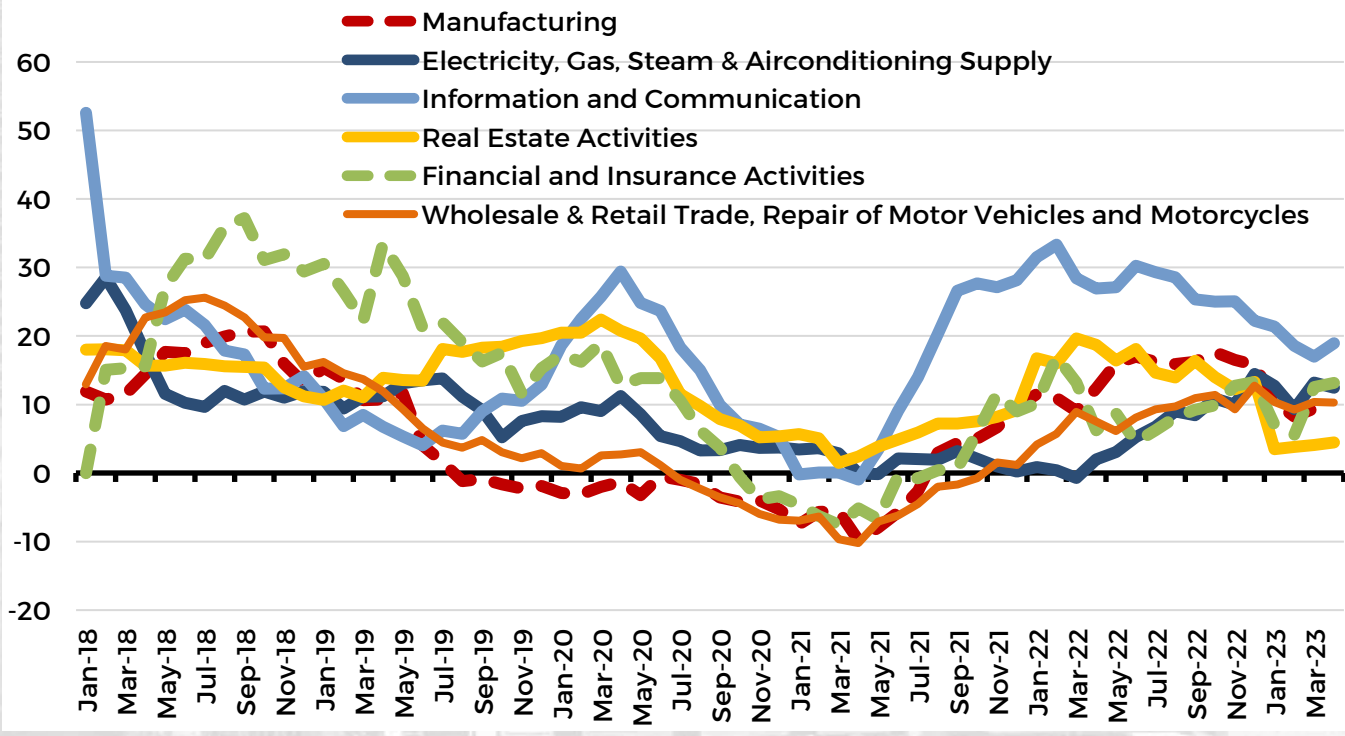


# Banks lend support to domestic recovery

**UKB Lending: Growth and Trend**  
Year-on-year Growth Rate, in Percent



**UKBs Loans to Selected Productive Sectors**  
Year-on-year change (in percent)



# PH banking system prepared to withstand shocks from banking turmoil abroad

**Limited exposure to bank closures**

**Generally lower balance sheet vulnerabilities**

**Banks maintain sufficient capital to absorb losses from policy rate increases**

**Banks remain highly liquid with a wide deposit base**

**Structural reforms are in place to ensure soundness of banks**

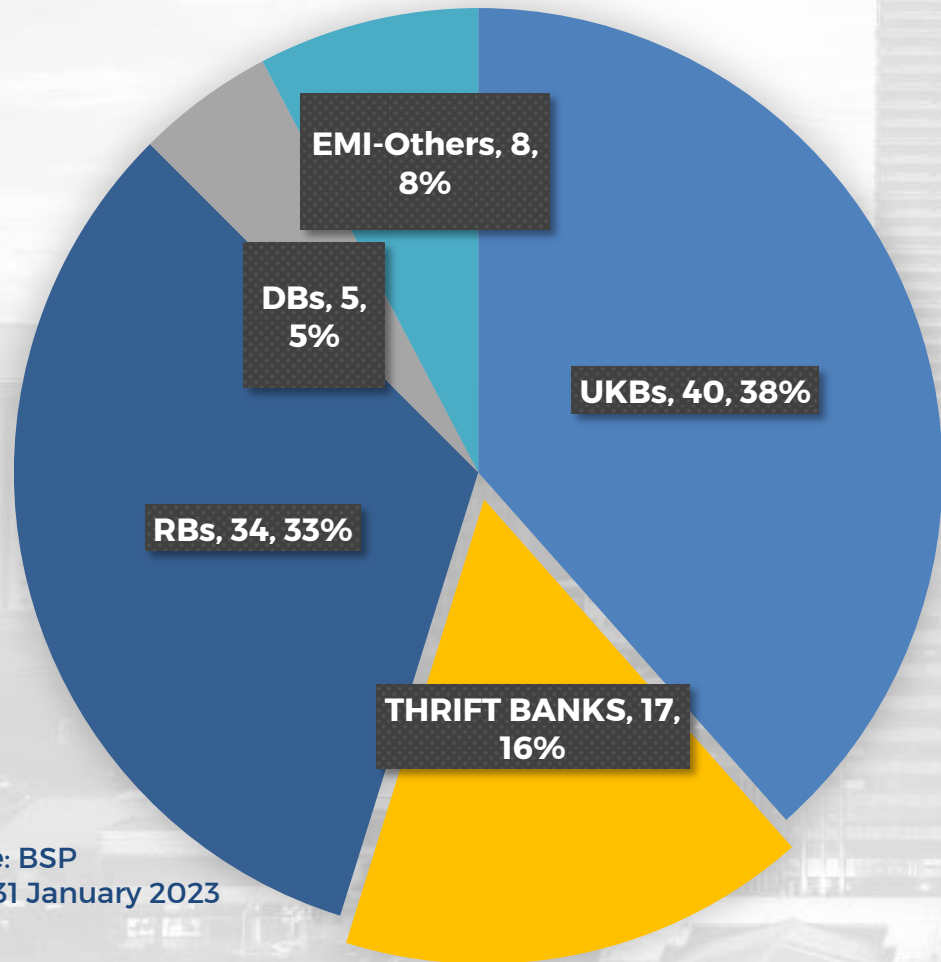
## **The Philippine Banking System**



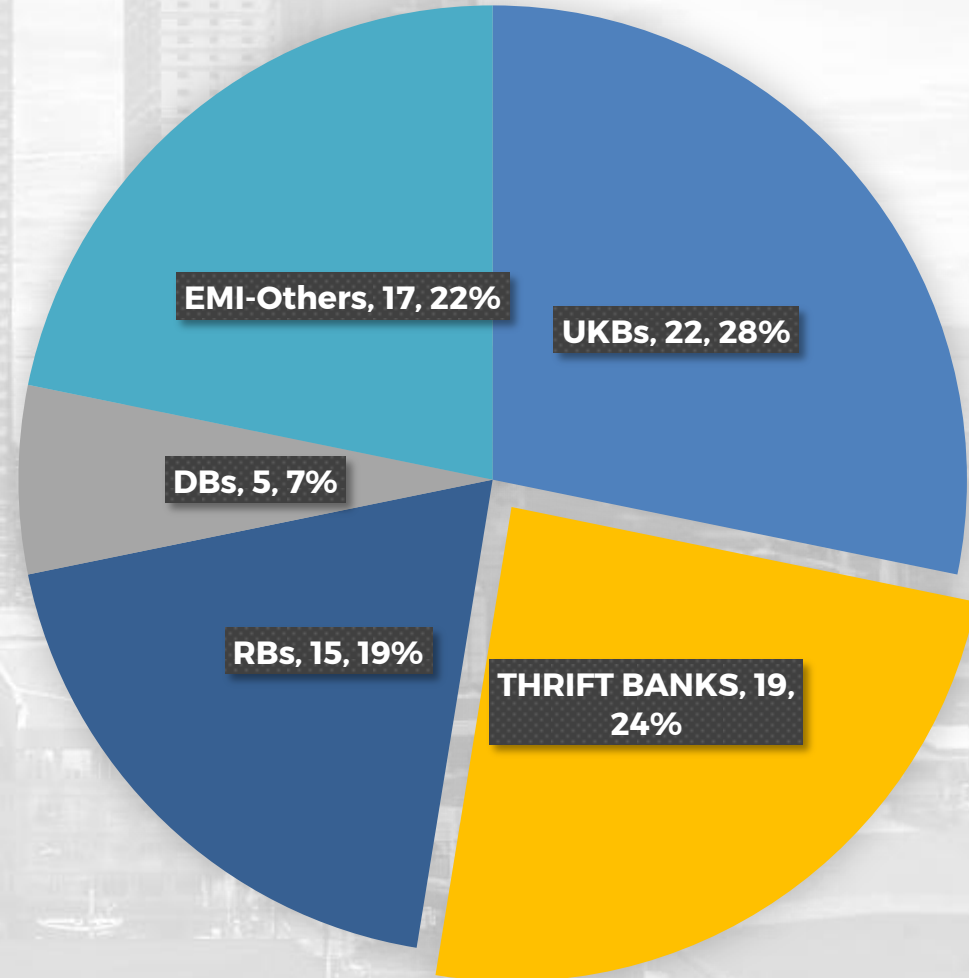


# Various market players leveraging PesoNet and InstaPay

**PESONet**



**InstaPay**



Source: BSP  
\*As of 31 January 2023



# Key takeaways

- **Indications of our previous monetary tightening exerting its impact on the economy and the projected return of inflation to target range in Q4 2023 have given the BSP sufficient reason for a prudent pause.**
- **However, the BSP remains ready to resume monetary tightening as warranted by the data on the inflation outlook. Our focus remains on bringing inflation back to a target-consistent path.**
- **Future monetary policy actions by the BSP will continue to be data-dependent and guided by evolving domestic developments, particularly its latest outlook on inflation and growth.**





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