

The Bangko Sentral ng Pilipinas faces up to its challenges



Eli M. Remolona, Jr.
Governor
Bangko Sentral ng Pilipinas

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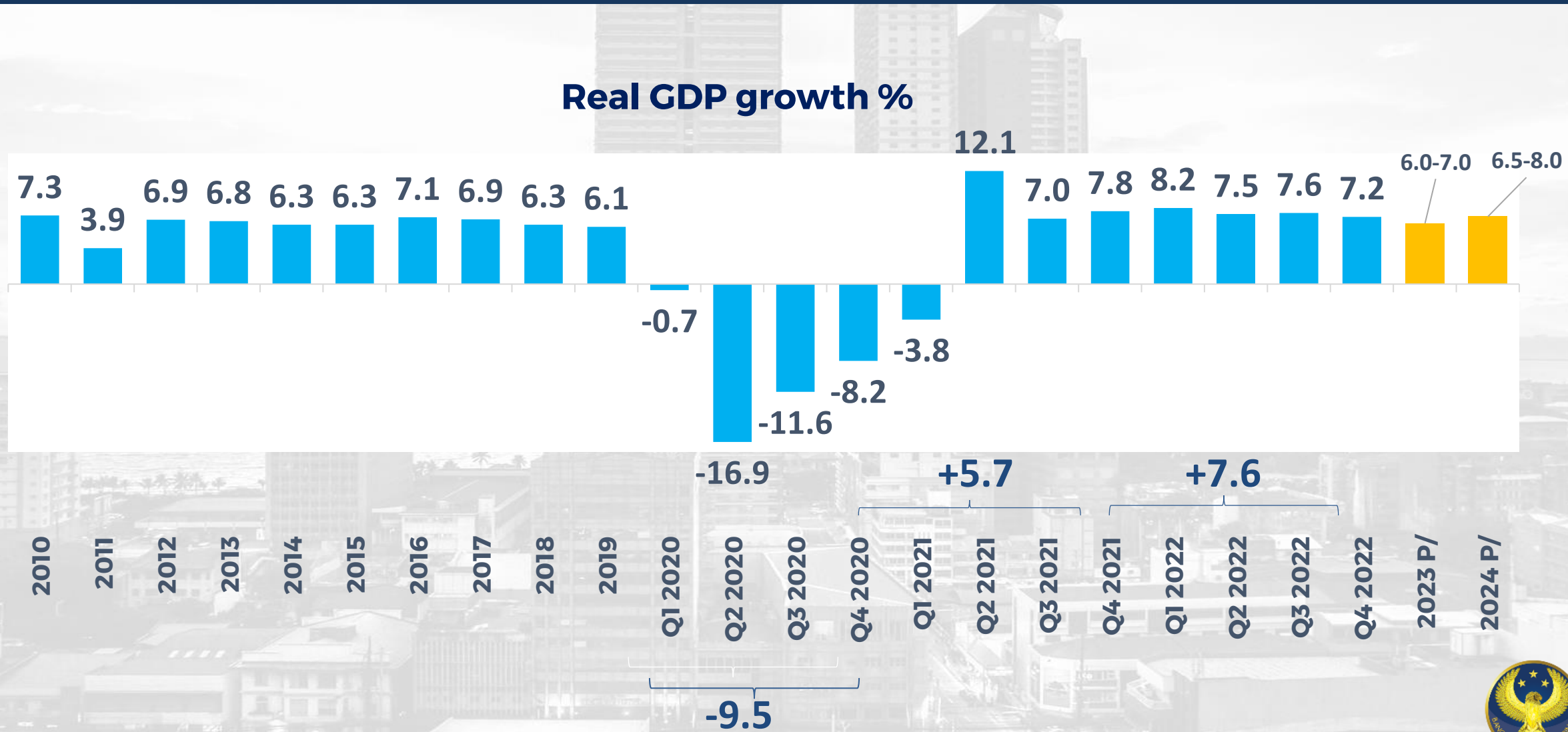


The Bangko Sentral has overcome one challenge but faces others

- 1. Overcoming the Covid challenge**
- 2. The inflation challenge**
- 3. The climate-change challenge**



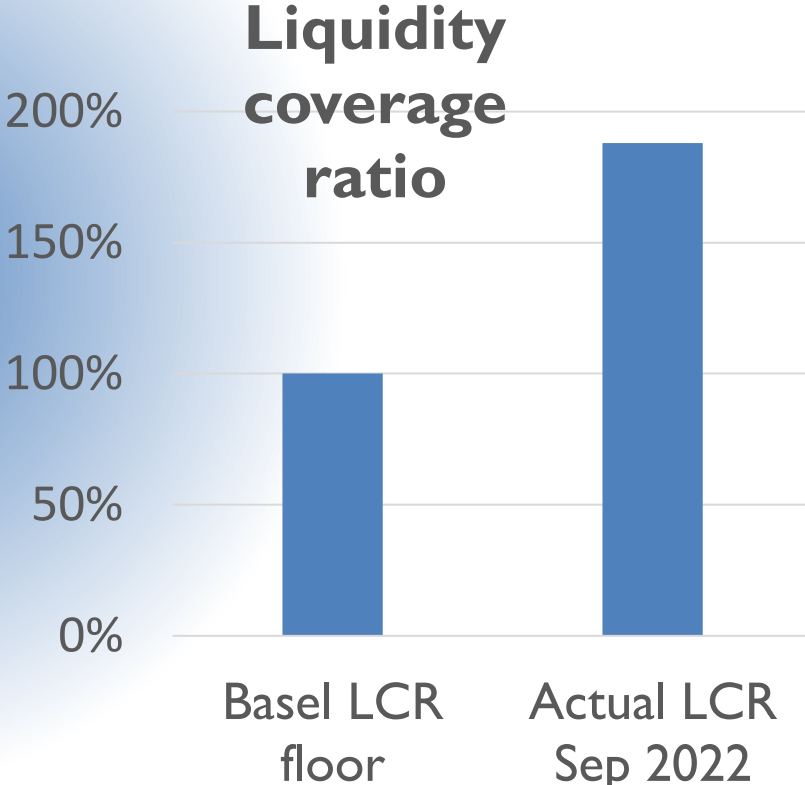
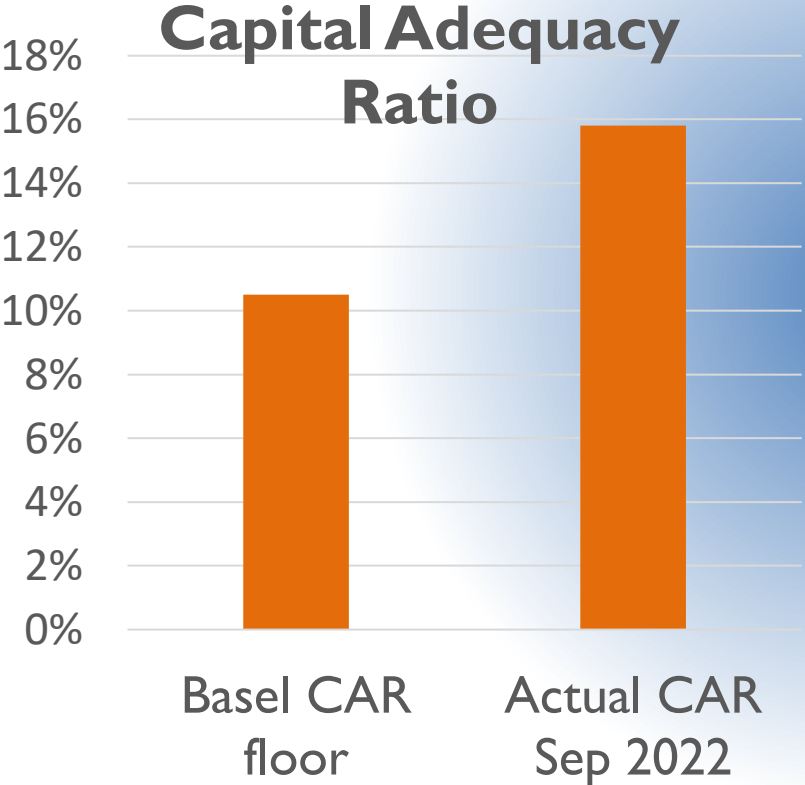
The economy has come back with a vengeance



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



Thanks in large part to the fact that the banks have remained strong



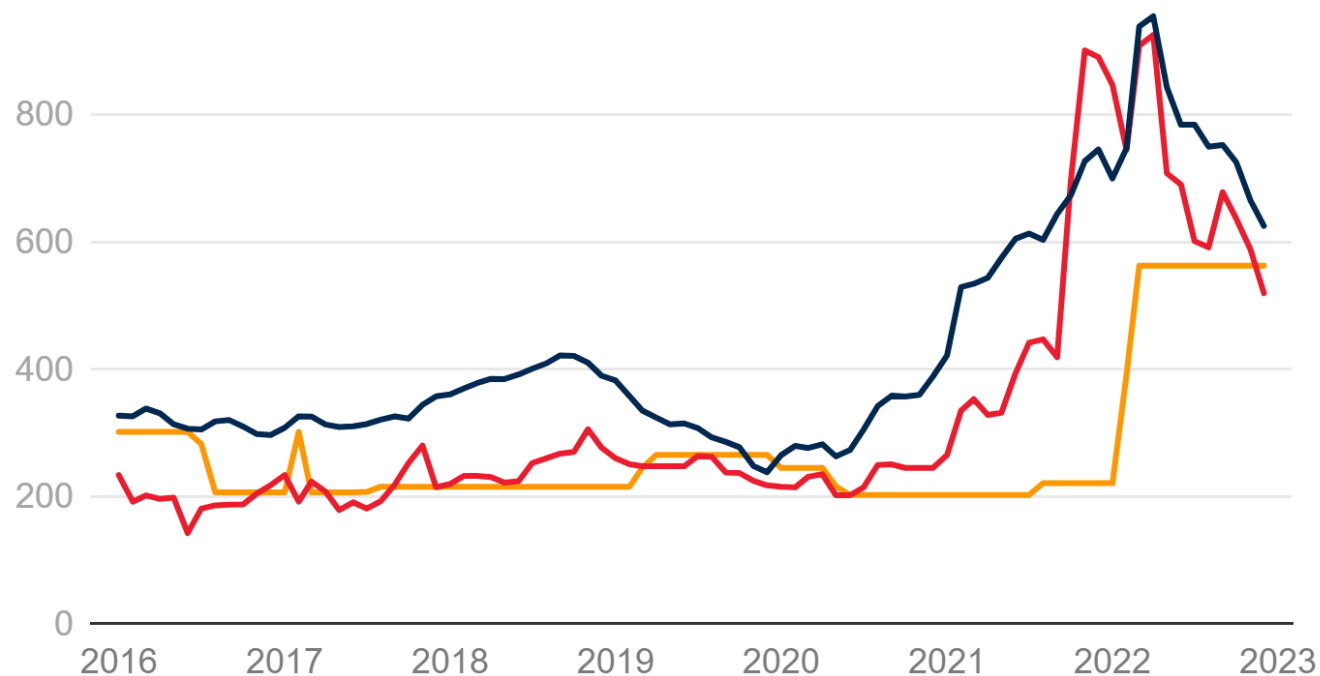
Our immediate challenge is inflation

We saw a confluence of unusual supply shocks

Fertilizer prices

US\$/mt

— DAP — Urea — MOP

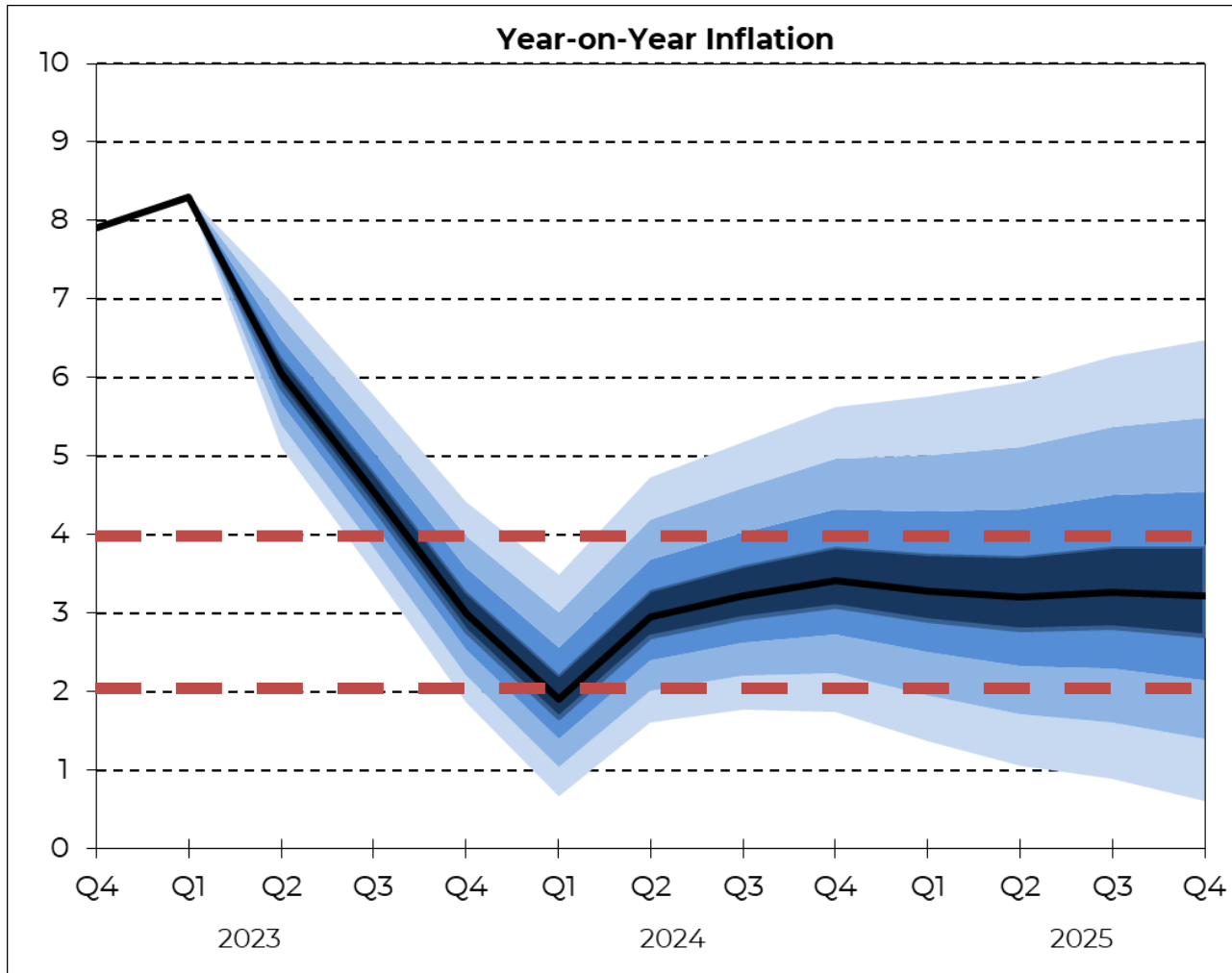


Note: DAP = diammonium phosphate. MOP = muriate of potash. mt = metric ton. Last observation is December 2022.

Source: Bloomberg; World Bank. • [Embed this chart](#) • [Download image](#)



But our inflation-targeting framework has served us well



Inflation is now forecast to return to its target range by Q4 2023

Year-on-year inflation forecast
As of 22 June 2023, Monetary Board Policy Meeting



A photograph of Mark Carney, a middle-aged man with short grey hair, wearing a dark tuxedo jacket, a white dress shirt, and a dark bow tie. He is standing at a podium, looking slightly to his right with a serious expression. His hands are clasped in front of him. The podium has a blue sign with the word "LLOYD'S" in white capital letters. The background is dark and out of focus, with some green and yellow lights visible on the left side.

Climate change is a third challenge

“[O]nce climate change becomes a defining issue for financial stability, it may already be too late.”

-- Mark Carney in 2015

**The BSP proposes
eleven
sustainability
strategies**

- 1. Vulnerability assessment**
- 2. Enhanced disclosure**
- 3. Climate stress testing**
- 4. E&S risk in prudential policy**
- 5. Climate change in monetary policy**
- 6. Incentives for green lending**
- 7. Sustainability in BSP's portfolio and risk management**
- 8. Task force for inclusive green finance**
- 9. Reporting climate-related disclosure**
- 10. Sustainability in BSP's operations**
- 11. Capacity building**



Towards a taxonomy of bank assets

Classification	Specific assets	Bank as a whole
Good for climate	X%	Overall rating
Not so good for climate	X%	
Bad for climate	X%	
Very bad for climate	X%	

Facing up to the challenges

- 1 The BSP is determined to bring inflation back towards its target range**
- 2 The Philippine banking system will join the global fight to slow climate change**



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