



Bangko Sentral ng Pilipinas (BSP) Governor Benjamin E. Diokno (GBED) discusses the BSP's pandemic exit strategy during the "GBED Talks" press chat on 6 January 2022.

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The recent uptick in new COVID-19 cases represents a downside risk to the outlook for growth and inflation. This is why the BSP chooses to keep a patient hand on its various policy levers. We see the need for our exit strategy to be structured and measured. At the same time, it needs to be responsive to the very fluid environment.

—Governor Diokno

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## BSP readies calibrated, data-driven pandemic exit plan

The Bangko Sentral ng Pilipinas (BSP) is keen to properly time its gradual withdrawal of pandemic-response measures, recognizing that the economy's recovery is still at an early stage.

“Given the nascent economic recovery, the priority for the BSP is to ensure the sustainability of the recovery and prevent long-term scarring effects,” BSP Governor Benjamin E. Diokno said.

The BSP has proactively responded to the crisis, having implemented a long list of measures to help the economy and the Filipino people cope with the crisis.

These measures include: (i) reduction of the BSP's policy rate to historic lows so that banks may be encouraged to cut the interest rates they charge on consumer

and business loans; (ii) reduction of the reserve requirement, or the proportion of deposits that banks must keep as reserves with the central bank, so that there are more funds available for lending during this critical period; (iii) extension of short-term financing to the national government to help boost its resources for COVID-19 relief and response measures; and (iv) easing of various regulations so that banks are given relief and are able to extend assistance to their customers.

The BSP recognizes the importance of proper timing in the unwinding of its COVID-19 response measures, noting that doing so either too early or too late may have undesired consequences.

On one hand, winding down too early may dampen, if not stall, the nascent economic recovery. On the other,

withdrawing measures too late may cause inflationary pressures and financial stability issues (for instance, keeping interest rates at a record low for too long may lead to excessive credit activities).

“The BSP will continue to focus on striking a delicate balance between providing adequate support to the economy and preventing the buildup of inflationary pressures and risks to financial stability,” said BSP Governor Benjamin Diokno.

As the economy recovers, the BSP may gradually withdraw the extraordinary monetary policy support and other pandemic interventions.

For instance, improvement in government finances—as economic growth leads to higher tax collection—merits gradual withdrawal of the BSP’s direct funding support to the national government.

“We reiterate that the provisional advances have always been intended to be a temporary intervention,” Governor Diokno said.

As an encouraging sign of improving public finances, the national government requested for only Php300 billion in provisional advances this January, lower than the previous advance of Php540 billion, which was settled by the end of 2021.

“Looking ahead, the timing and conditions for the unwinding of monetary stimulus will continue to be guided by the inflation and growth outlook over the medium term and the risks surrounding such outlook,” he added.

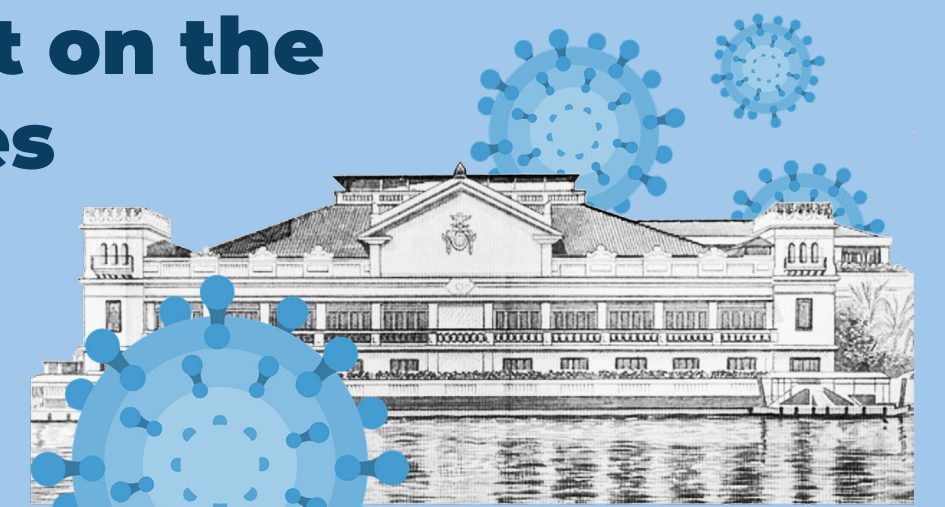
In timing the withdrawal of its COVID-19 response measures, the BSP will take into account various data, such as credit and liquidity, financial sector risks, the state of public health, as well as evolving global developments and their potential impact on the Philippine economy.

# Government statement on the surge of COVID-19 cases

The Development Budget Coordination Committee is closely monitoring the impact of the elevated number of COVID-19 cases, especially in the National Capital Region (NCR) and its neighboring provinces.

We estimate that the shift from Alert level 2 to Alert level 3 for NCR plus, which includes Metro Manila, Bulacan, Cavite, Laguna, and Rizal, will result in a Gross Value Added (GVA) loss of about P3.0 billion per week. While this may delay our goal of shifting to Alert level 1, we believe that this is a temporary setback and is a necessary adjustment in view of the new COVID variant. As we previously said, we are in a better position to manage possible spikes—we have enough vaccines and funding for booster shots; we have increased hospital capacity; we now resort to granular lockdowns; and, from all indications, the Omicron variant results in less severe cases, especially to those who are fully vaccinated.

As of January 5, a total of 110.9 million doses have been rolled out. Of this, 57.3 million and 51.1 million doses were administered as the first dose and complete dose, respectively, while 2.5 million doses were administered as booster doses. Moreover, with the recent signing of the FY 2022 General Appropriations Act (GAA), which is the country’s main fiscal stimulus, and was crafted with COVID response and recovery in mind, we expect



to accelerate government spending and help the economy bounce back.

The FY 2022 GAA will prioritize programs, activities and projects that seek to sustain the administration’s efforts to effectively respond to the challenges brought about by the pandemic. Alongside this, the extended validity of the FY 2021 GAA will serve as an added fiscal stimulus that will support NGAs and LGUs in continuing to accelerate the implementation of COVID-19 recovery measures.

The approved FY 2022 National Budget and the extension of the FY 2021 GAA will help strengthen the country’s resilience against the emergence of new variants and future economic shocks. The economic prospects for 2022 remain promising, but we urge everyone to play their part in the recovery by getting vaccinated, availing of booster shots, and strictly adhering to the minimum public health standards to help support the gradual and safe reopening of the economy.

Source: [DBCC JOINT STATEMENT ON THE SURGE OF COVID-19 CASES \(7 Jan 2022\)](#) - [The National Economic and Development Authority \(neda.gov.ph\)](#)

# Central banking made easy

## What is accommodative monetary policy?

Accommodative monetary policy, which is also known as expansionary, easy, or loose monetary policy, generally means allowing the money supply to increase to boost economic growth.

Monetary policy is considered “accommodative” if it significantly includes lowering of interest rates to make borrowing cheaper, which will encourage consumer spending and private investment, and energize more economic activities.

In 2021, the BSP maintained an accommodative policy stance throughout the year, with the policy rate at a record low to provide massive support and stimulus for the country’s economic recovery from the pandemic-induced recession.

A data-driven reduction in monetary accommodation is one of the components of the BSP’s pandemic exit plan.

## BSP boosts accountability of bank directors

**T**he Bangko Sentral ng Pilipinas (BSP) has issued stricter governance guidelines covering officers and directors of banks and other financial institutions under its supervision.

This move helps to further raise governance standards of BSP-supervised financial institutions (BSFIs), for the benefit of their customers.

Under BSP Circular 1129, BSFIs should put in place controls if they have officers or directors who also sit on the boards of other companies.

The objective is to prevent abusive practices, conflicts of interest, and excessive concentration of economic power held by a few individuals.

To assess the soundness of interlocking positions of directors and officers, the following principles-based approach is applied:

- Requires the board of directors (BOD) to adopt a policy on interlocking positions of directors and officers in other entities, including acceptable sectors and positions to be held and limits on the number of interlocking positions;
- Requires the BOD to adopt a policy on courses of action in cases of underperformance by directors and officers with interlocking positions or when conflicts of interest and other issues arise;
- Expects controllers of risk management, compliance, or internal audit functions to evaluate and ensure the BSFI’s adherence to internal policies and regulatory expectations; and
- Allows chief executive officers (CEOs) of well-governed BSFIs to immediately assume the chairmanship of the board position upon vacating the CEO post, as should be consistent with the provisions of the BSFI’s succession plan.

Click on this link to read Circular 1129 in full: [Bangko Sentral ng Pilipinas Regulations - BSP Issuances](#)



The policy provides BSFIs with greater latitude in appointing individuals who they believe are suited for the positions and meet fitness and propriety requirements of the central bank.

—Governor Diokno





# Governor Diokno named Global Central Banker of the Year

Governor Benjamin Diokno of the Bangko Sentral ng Pilipinas (BSP) is *The Banker's* “Global Central Banker of the Year 2022.”

*The Banker*—an influential international monthly banking, finance, and business magazine owned by the Financial Times—recognized Diokno as the best central banker in the world in recognition of his efforts to help stimulate economic recovery and growth for the Philippines amid the unprecedented COVID-19 crisis.

*The Banker's* Central Banker of the Year awards celebrate officials who have best managed to stimulate growth and stabilize their economies.

Governor Diokno's recognition as the best central banker in the world by *The Banker* is the first for the Philippines.

Governor Diokno, who is also the “Asia-Pacific Central Banker of the Year 2022,” was selected among a list of winners from various regions.

“I am truly honored to be named *The Banker's* Global Central Banker of the Year. This award recognizes the effort we at the BSP have put forth over this past year—amid extraordinary challenges,” said Governor Diokno.

The award highlights how Governor Diokno and the BSP continue to reinforce the country's road to recovery and maintain a strict focus on financial stability and economic resilience amid the ongoing pandemic.