

Philippine Economic Briefing  
31 October 2024

# THE PHILIPPINE ECONOMY

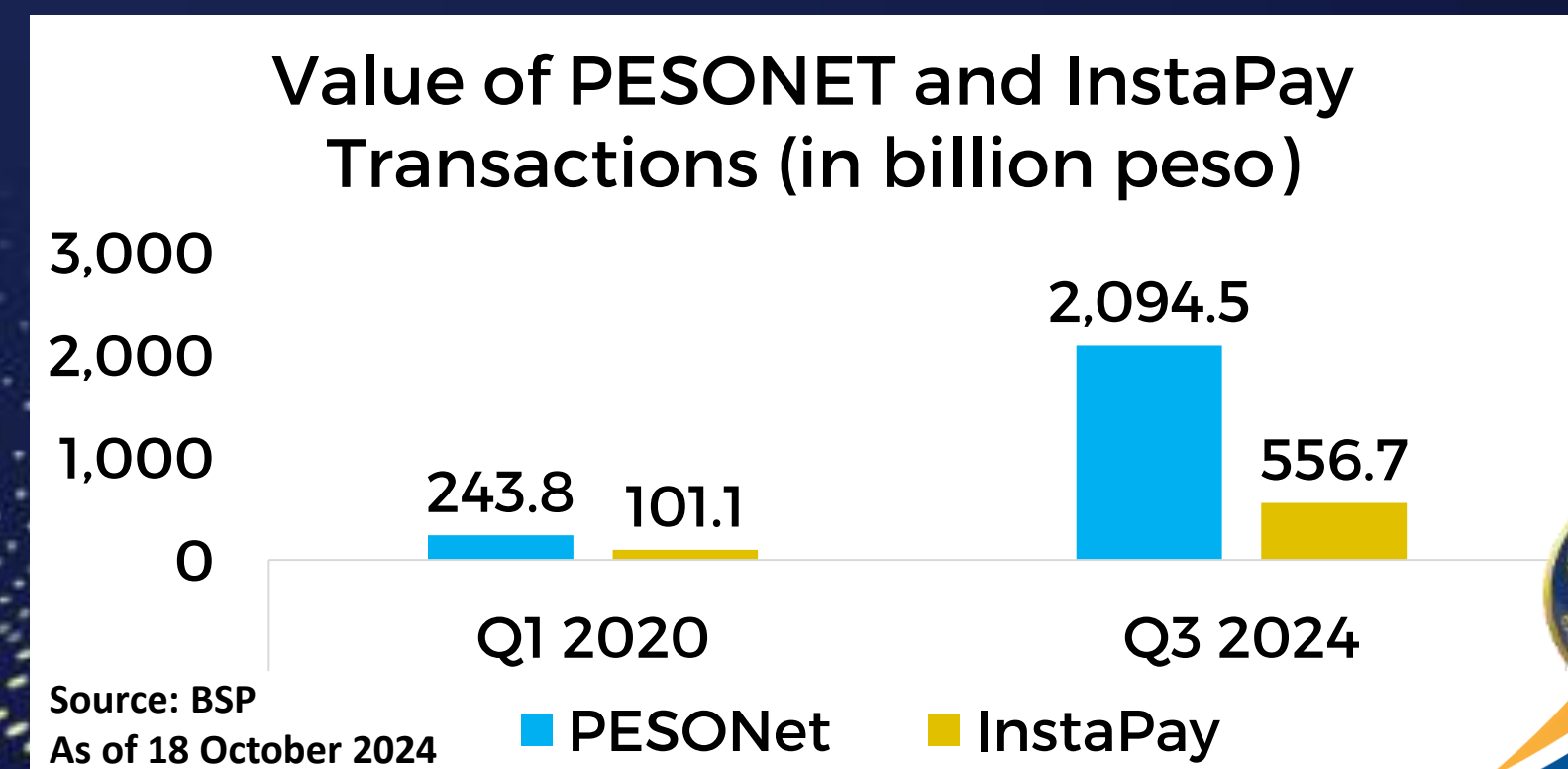
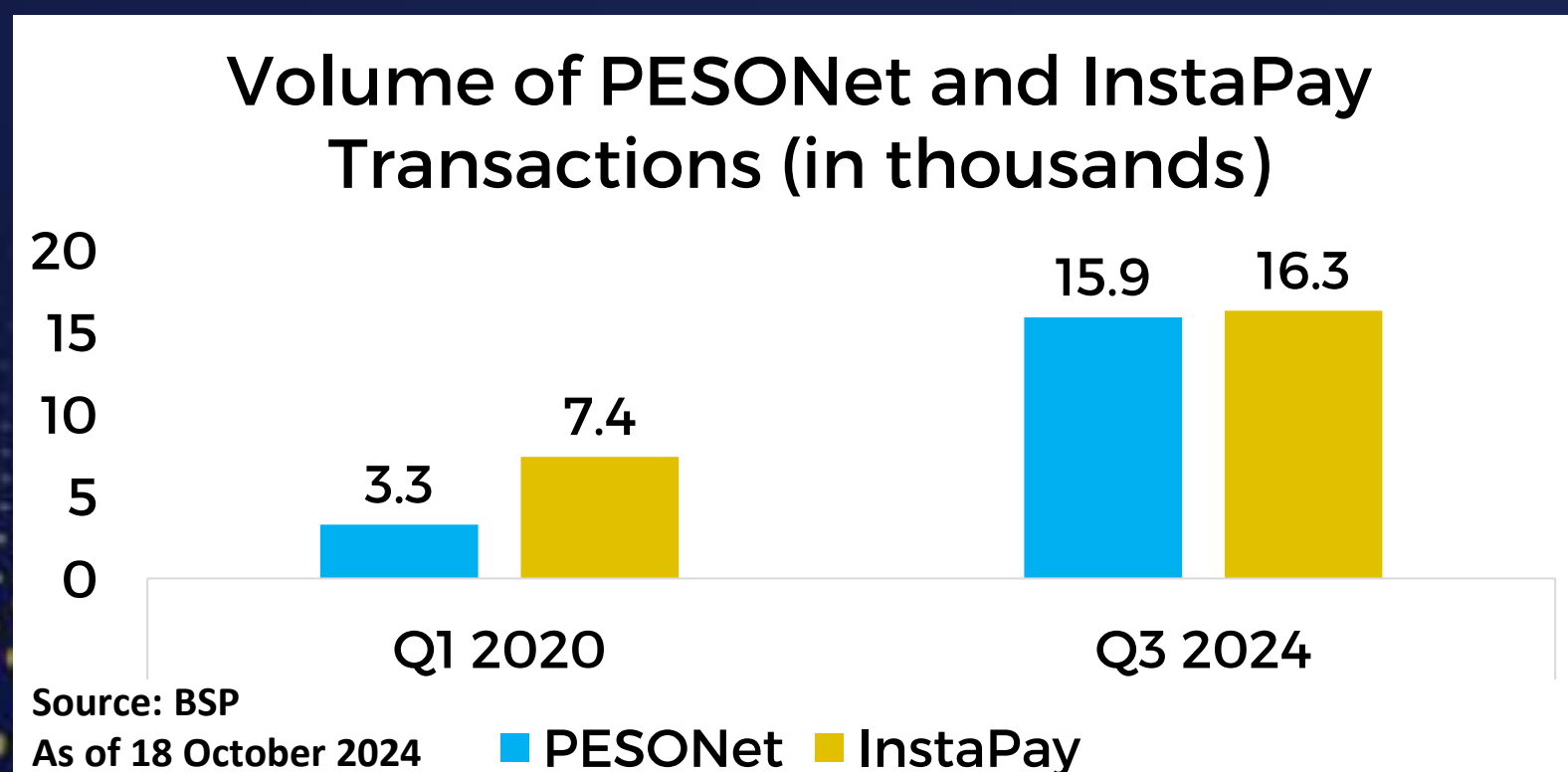
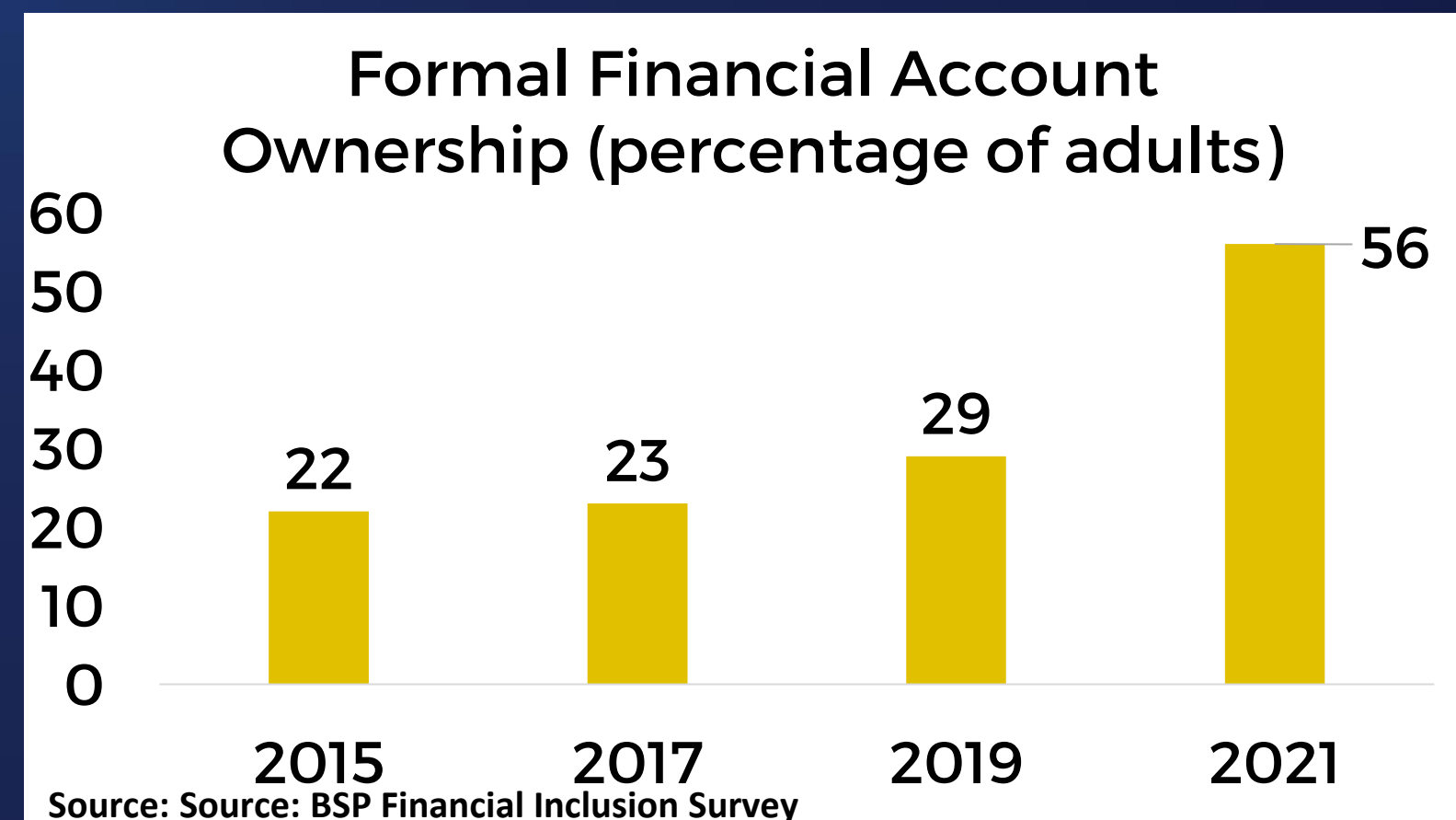
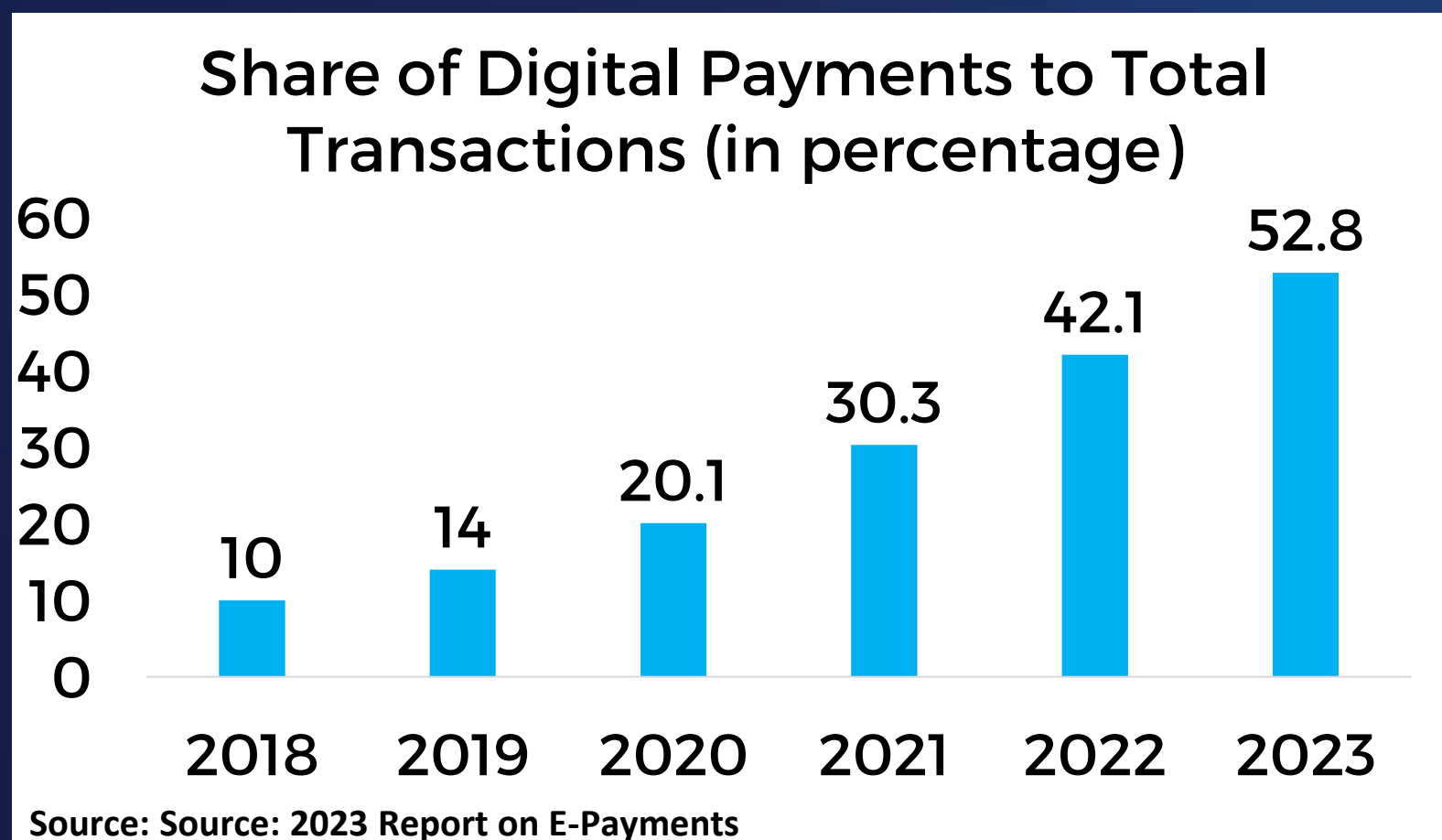
## Recent Developments and Outlook



**FRANCISCO G. DAKILA, JR.**  
DEPUTY GOVERNOR  
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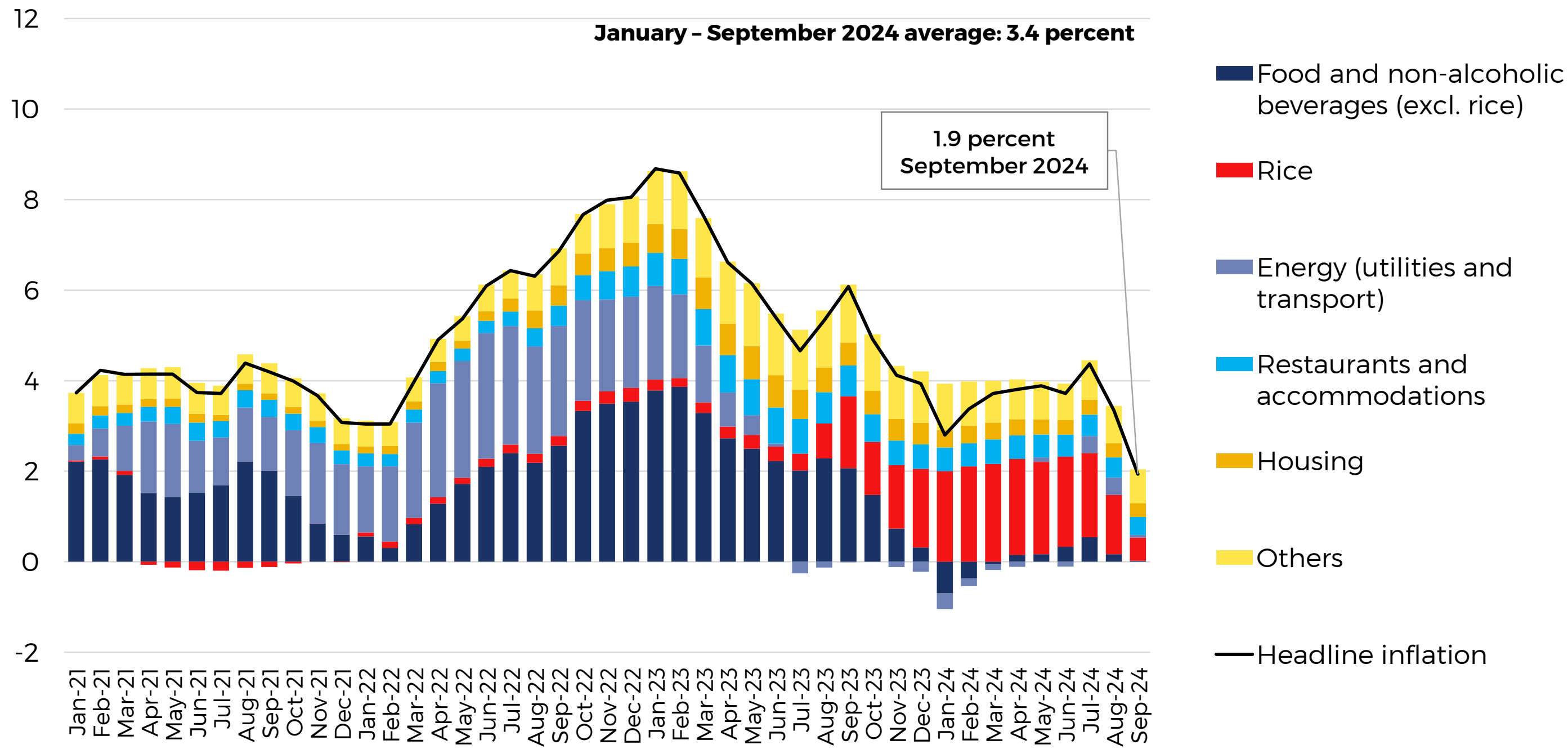
# The BSP promotes financial inclusion through digitalization



# Inflation continued to trend downwards in September

## Contribution to Headline Inflation

year-on-year in percent



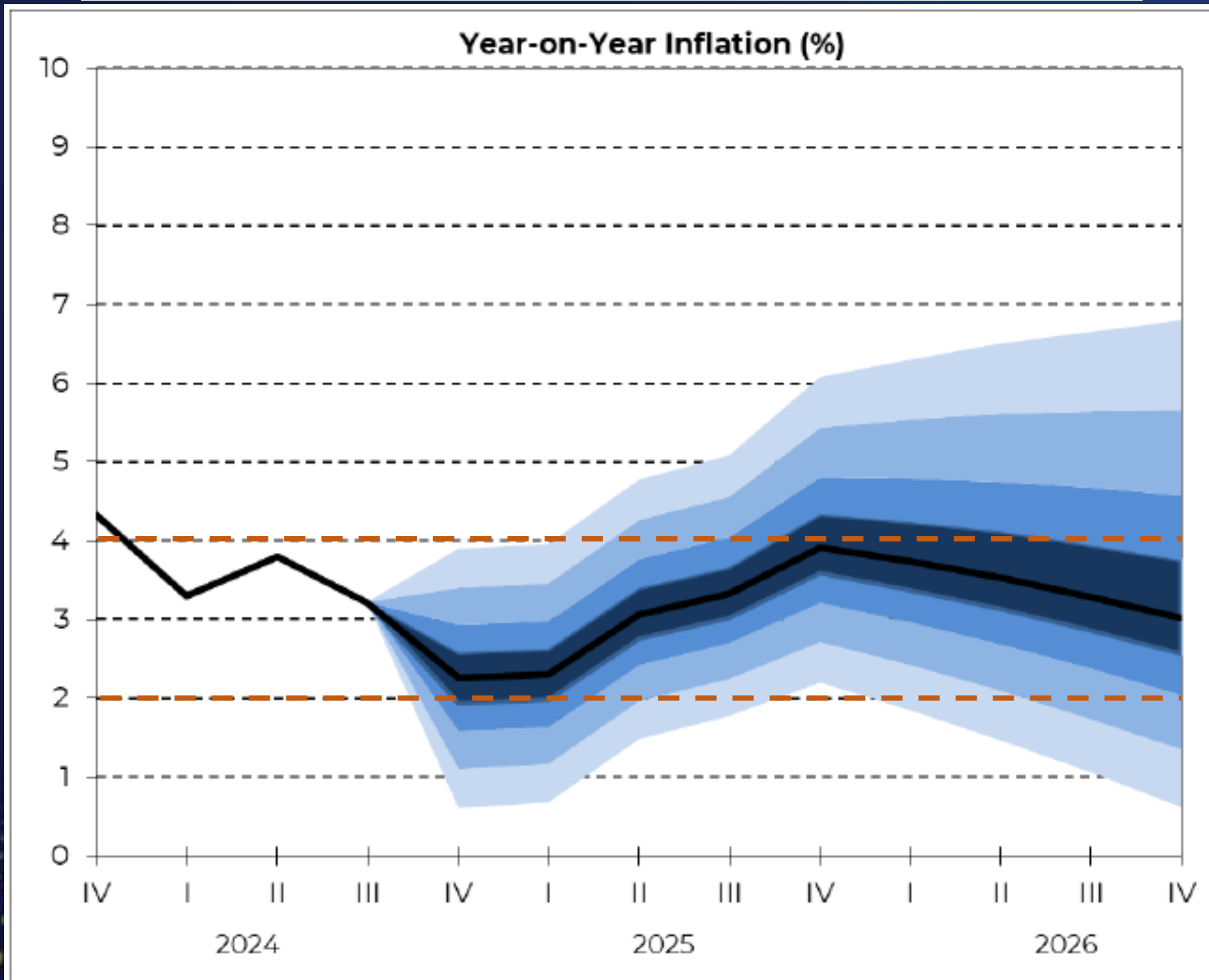
Sources: PSA and BSP staff calculations.

Note: Others refer to the remaining 9 major subcomponents namely, (1) alcoholic beverages and tobacco; (2) Clothing and footwear; (3) furnishings; (4) health; (5) information and communication; (6) recreation; (7) education; (8) financial; and (9) personal care.



# Inflation is projected to settle within the target range over the medium term

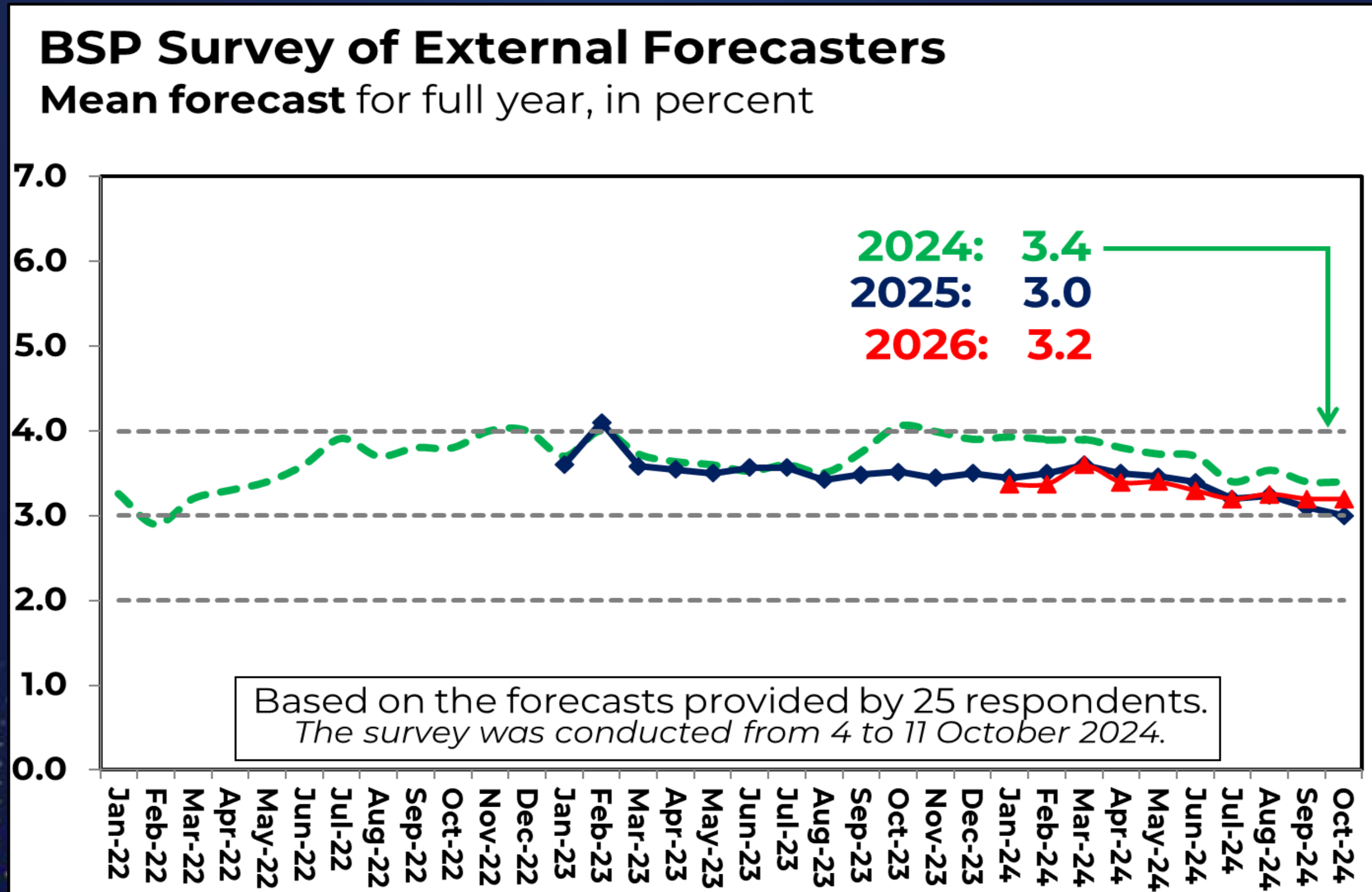
**BSP Year-on-Year Baseline Inflation Forecast**  
*As of 16 October 2024 Monetary Board Policy Meeting*



Year	Baseline		BSP Risk-Adjusted Inflation Projections	
	August 2024 Meeting	October 2024 Meeting	August 2024 Meeting	October 2024 Meeting
2024	3.4	3.1	3.3	3.1
2025	3.1	3.2	2.9	3.3
2026	3.2	3.4	3.3	3.7

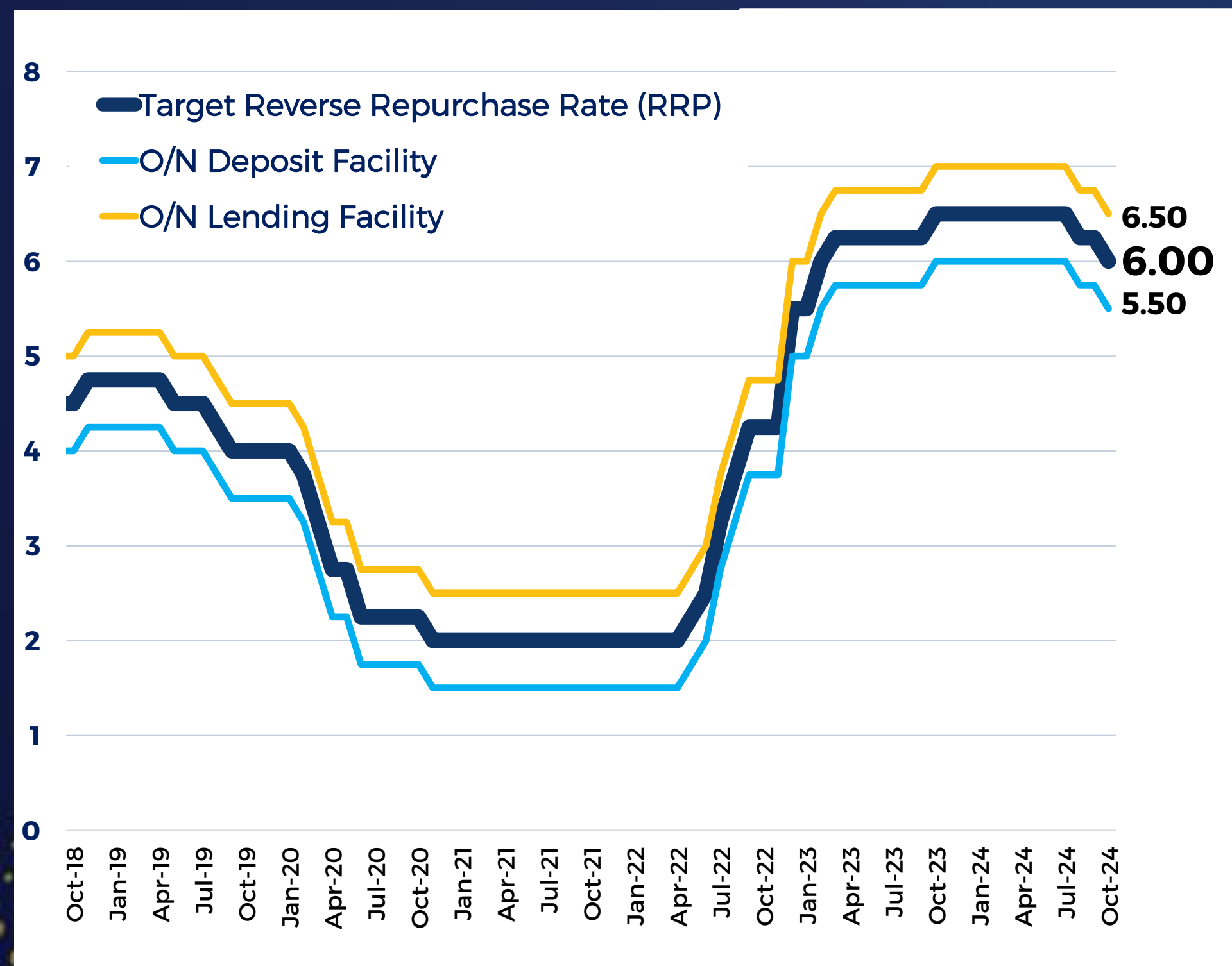


# Inflation expectations remain well-anchored

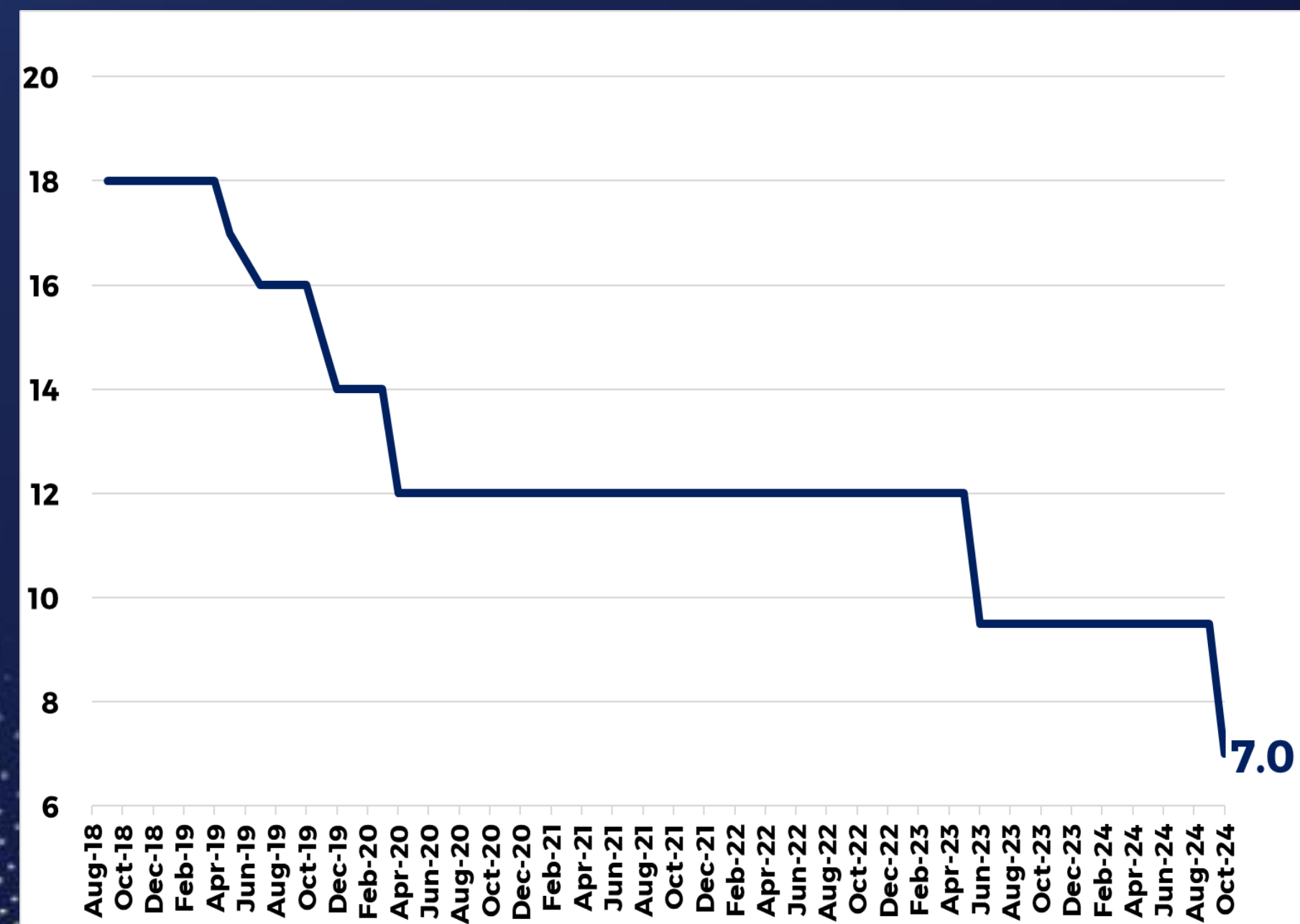


# The macroeconomic outlook supports the continued and measured shift to less restrictive monetary policy settings

## BSP Policy Interest Rate (%)

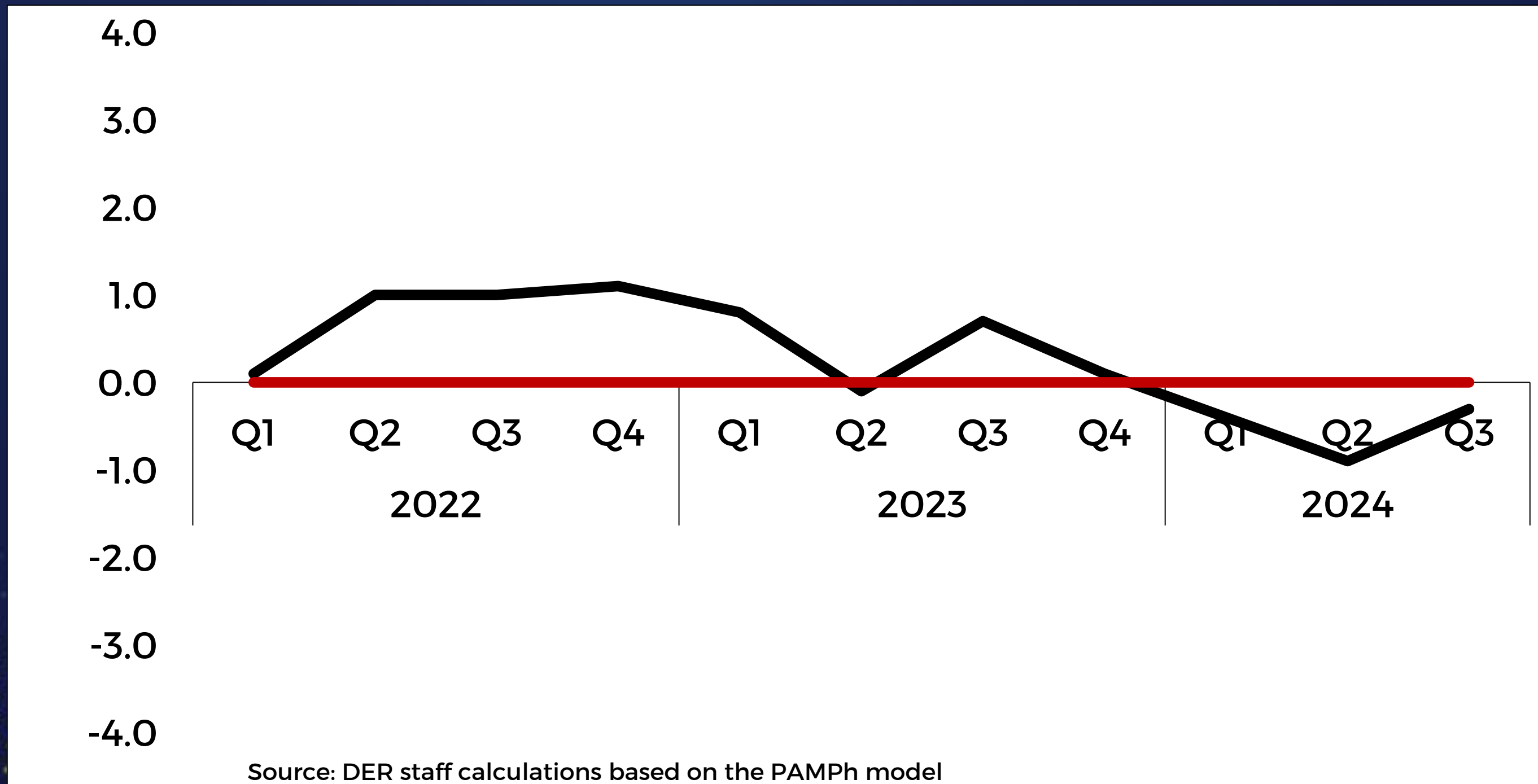


## Reserve Requirement Ratio (%)



# And with a slightly negative output gap, the BSP has sufficient scope to ease its monetary policy stance

*Output Gap*  
in percentage point



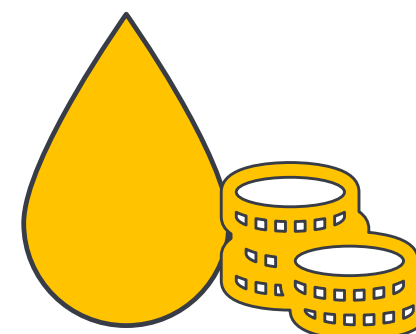
# Philippine banking system remains robust



**16.1%**

**Adequate capital buffer**

Capital Adequacy Ratio (Solo)  
As of Q2 2024



**5.5%**

**Ample liquidity**

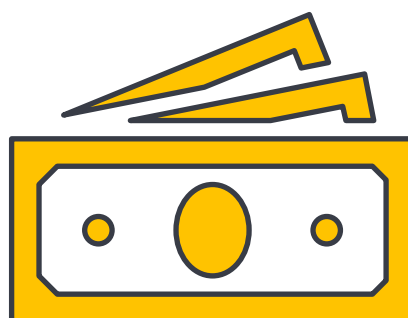
Domestic liquidity/M3  
As of August 2024



**10.8%**

**Assets further expanded**

As of August 2024



**94.1%**

**High coverage ratio of  
non-performing loans**

As of August 2024



**6.9%**

**Deposits continued  
to grow**

As of August 2024





# Key takeaways

## **THE BSP IS TAKING A MEASURED APPROACH TOWARDS EASING ITS MONETARY POLICY SETTINGS**

The current macroeconomic outlook supports a measured shift toward less restrictive monetary policy. Going forward, the BSP will continue to be data-dependent in deciding on the monetary policy stance.

## **THE PHILIPPINE BANKING SYSTEM REMAINS RESILIENT**

The financial system continues to demonstrate robustness and soundness, providing strong support to the economy.

## **EXPANSION OF DIGITAL PAYMENTS ACCELERATES FINANCIAL INCLUSION**

Enhancing financial inclusion through digitalization and digital innovations continues to pay off.



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