



The Philippine Economy: Resilience Amidst Uncertainty

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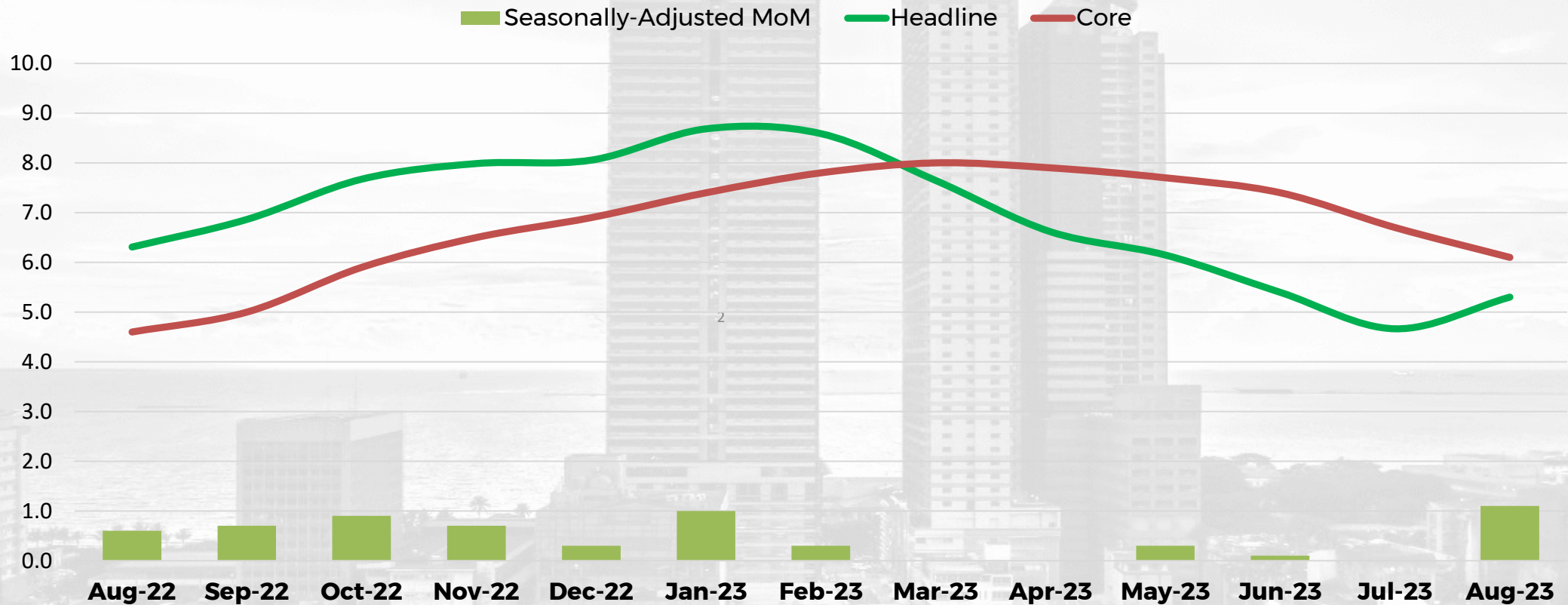
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Philippine Economic Briefing



Headline inflation rises anew, core inflation moderates further

Headline, Core Inflation, and Seasonally-Adjusted month-on-month Inflation

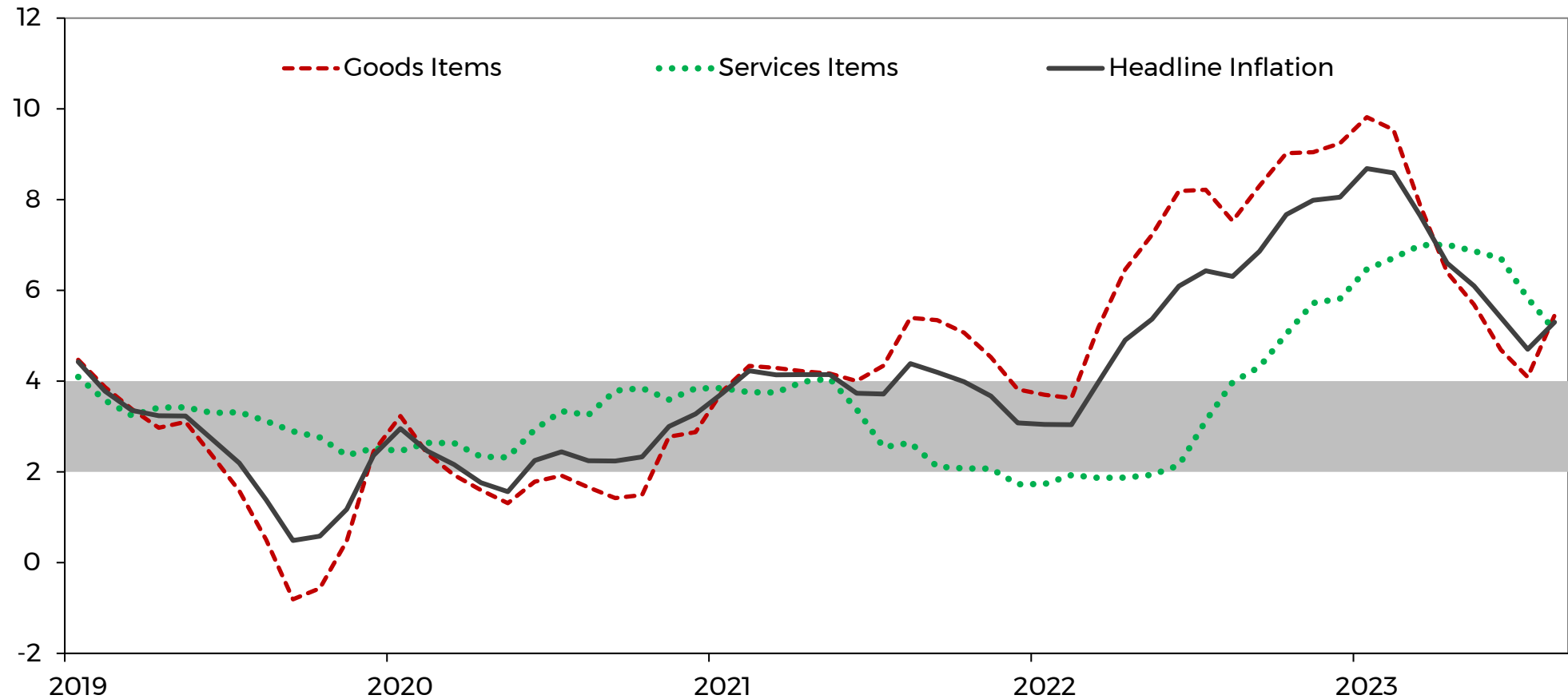


Source : Philippine Statistics Authority



Goods inflation rise amid increasing food and transport costs

Goods and Services Inflation (in percent)

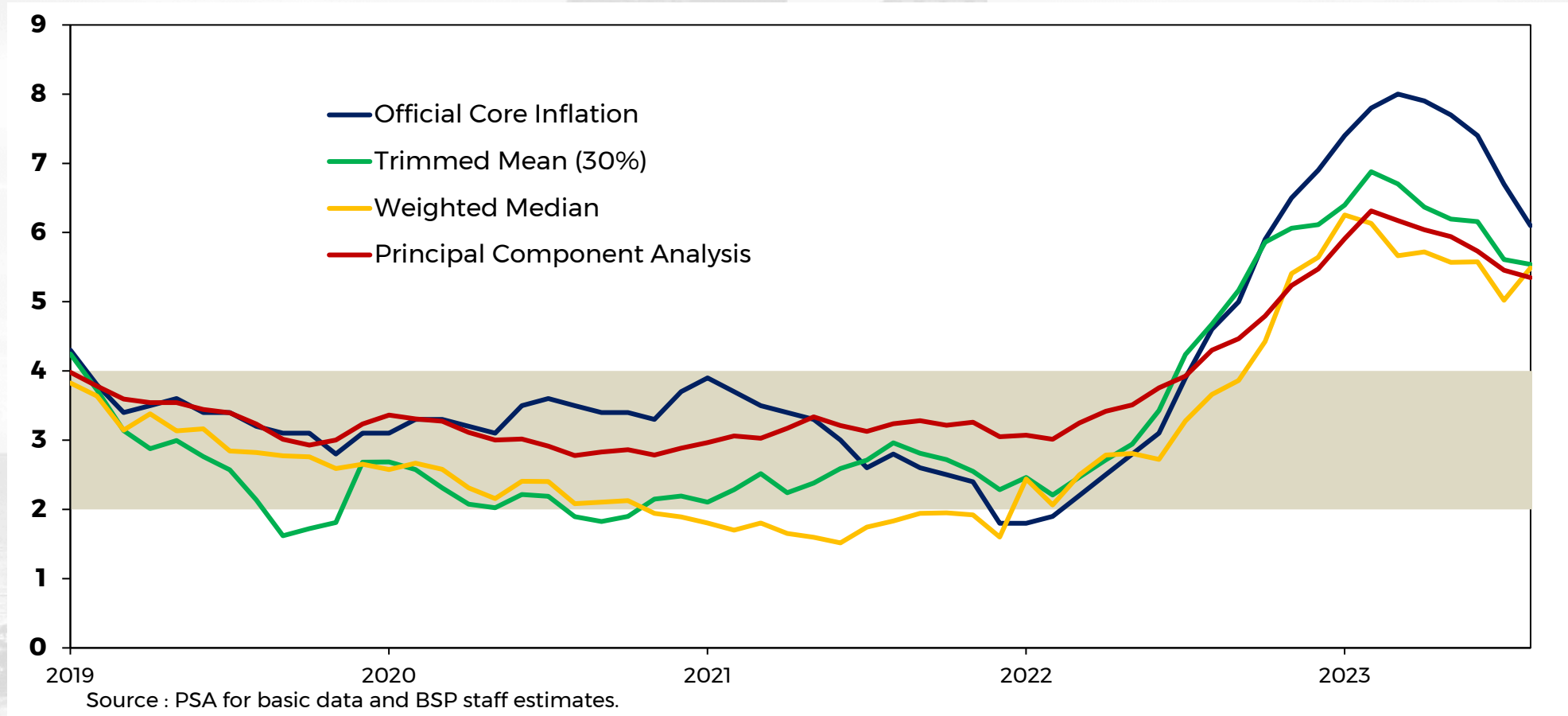


Source: PSA and DER staff calculations.

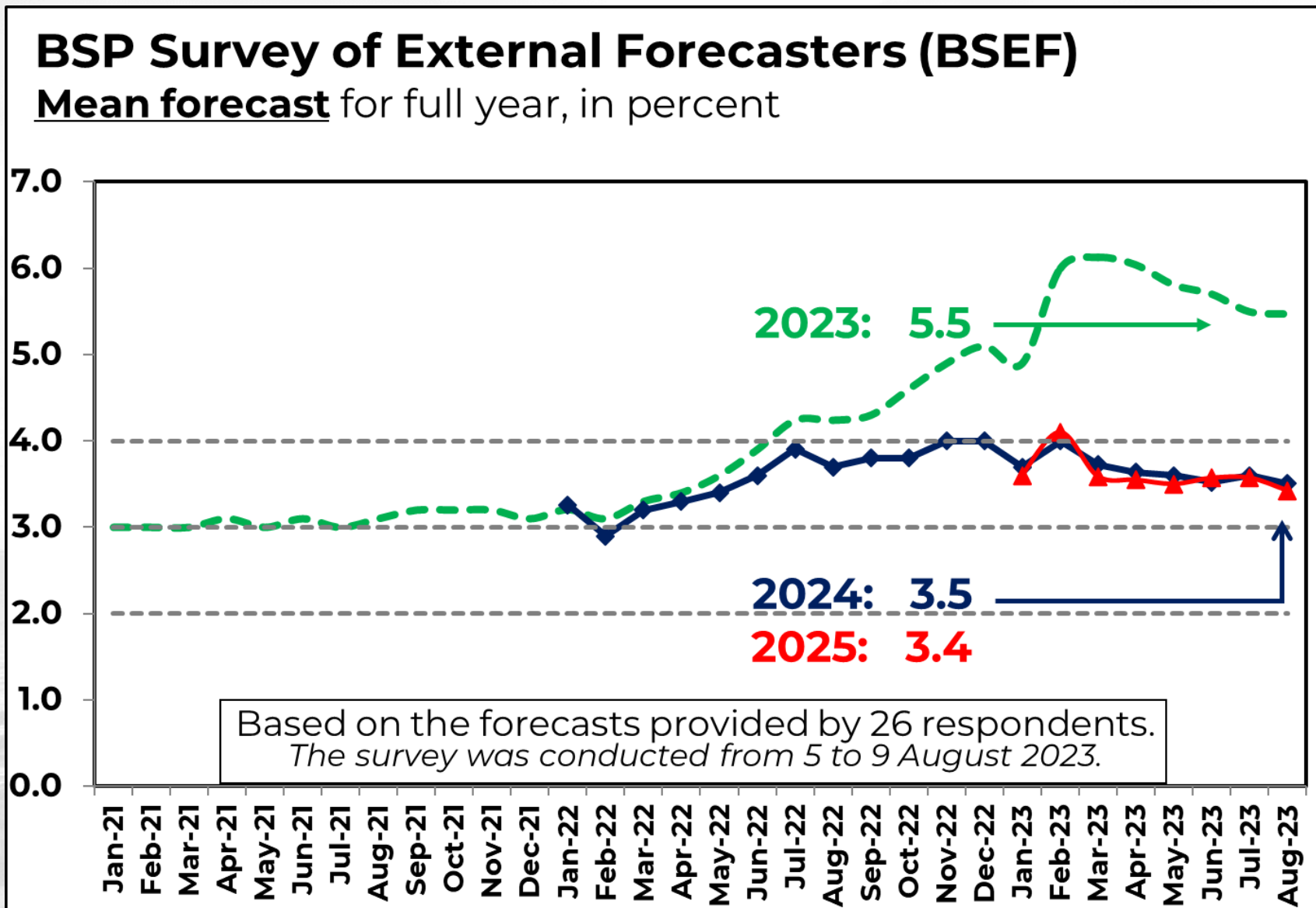


Core inflation further moderates as both core goods and services inflation continue to ease

Core Inflation Measures (in percent)



Inflation expectations remain within target range for 2024-2025



Source: BSP

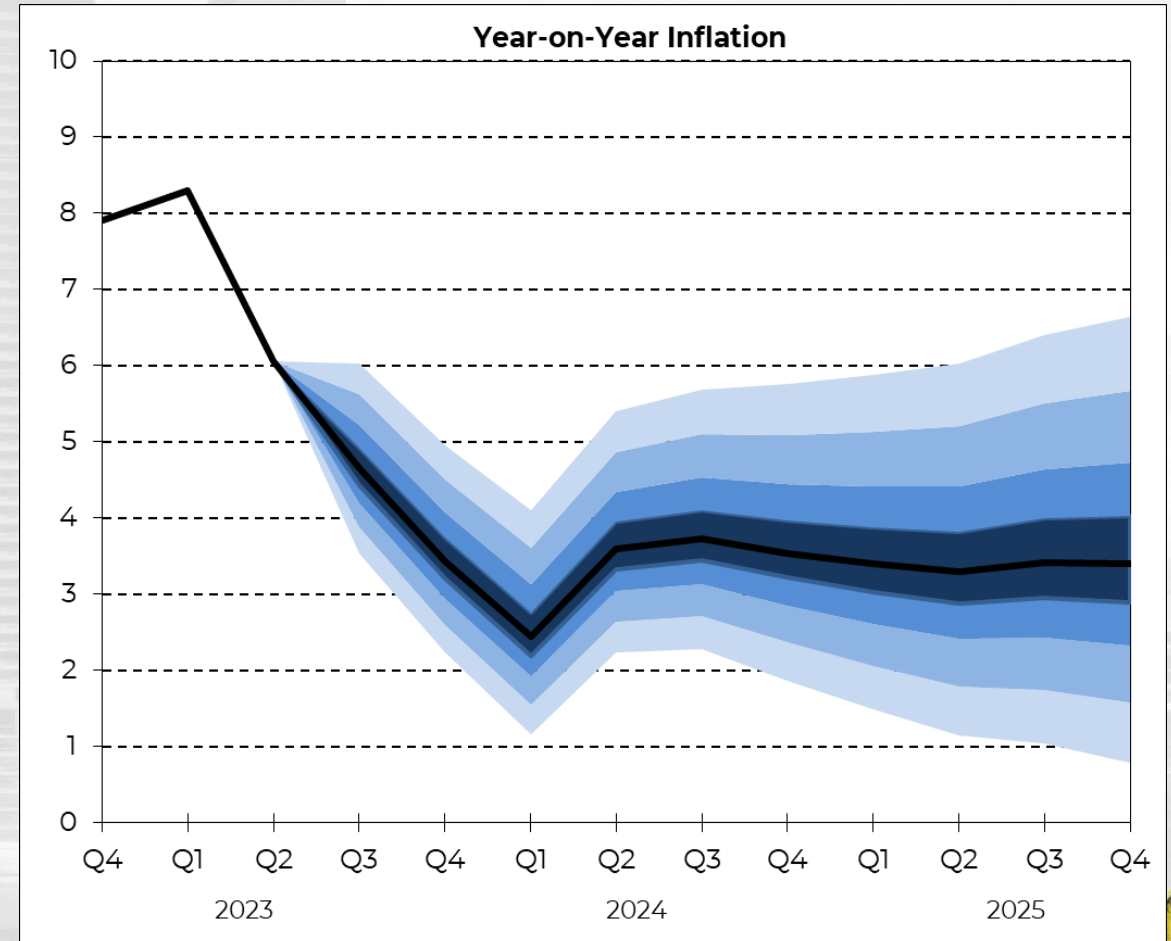


Inflation is projected to return to target by Q4 2023, though risks remain skewed towards the upside

BSP Baseline Inflation Forecast

Year	22-Jun MB Meeting	17-Aug MB Meeting
2023	5.4	5.6
2024	2.9	3.3
2025	3.2	3.4

BSP Year-on-Year Inflation Forecast Q1 2023 - Q4 2025 As of 17 August 2023, Monetary Board Policy Meeting



Source: BSP Staff Computations



Non-monetary measures remain crucial for disinflation

Short-term strategies

- 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, and 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

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



BSP has pragmatically used its expanded toolkit

	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 ^{a/}	As of 5 Sep 2023 ^{b/}	End-2021 data vs latest available data ^{c/}	
Philippines	425	-1.8	-8.1	-8.8
South Korea	300	-5.4	-8.9	-41.3
India	250	-0.3	-4.4	-27.8
Indonesia	225	2.1	-5.0	-7.2
Thailand	175	-2.4	-10.3	-25.3
Malaysia	125	-5.5	-3.4	-3.9
Taiwan	75	-3.8	3.3	18.1
Vietnam	50	-1.9	-20.8	-22.8

Source: CEIC and Central Bank Websites.

^{a/} August 2021 policy rate vis-à-vis latest policy meetings in 2023.

^{b/} Year-to-date change as of 5 September 2023. Last quoted price as of 4pm (except for PhP which is the last done deal in the session)

^{c/} Foreign exchange reserves for all countries are based on data as of July 2023. except data for Vietnam, which are as of December 2022.



The Philippine banking system remains on solid footing



Banks remain well-capitalized

CAR at **16.4%** and **16.1%** on consolidated basis, as of end-March 2023 and end-December 2022, respectively



Assets sustain positive growth

9.0% y-o-y growth
PHP23.3 trillion
As of end-June 2023

Bank profits soar in Q2 2023

26.1% y-o-y growth
PHP180.4 billion
As of June 2023



Deposit growth reflects sustained public confidence

8.0% y-o-y growth
PHP17.8 trillion
As of end-June 2023

Liquidity coverage ratio surpassed regulatory minimum

LCR stood at 185.7 percent (solo) and 185.4 percent (conso) basis, respectively, as of end-Dec 2022



Loan quality remains satisfactory

NPL Ratio at **3.4%**
As of end-June 2023



Loan portfolio further expands

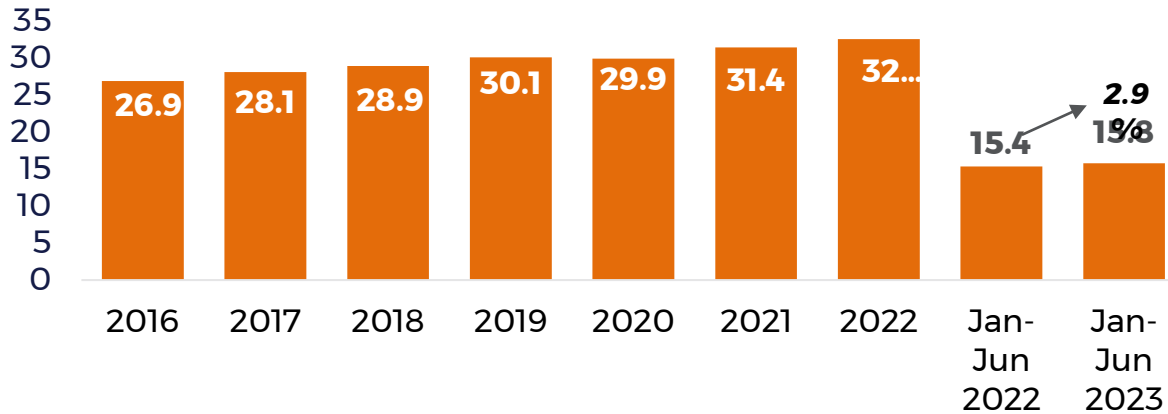
8.7% y-o-y growth
PHP12.7 trillion
As of end-June 2023



Robust external accounts cushion against global spillovers

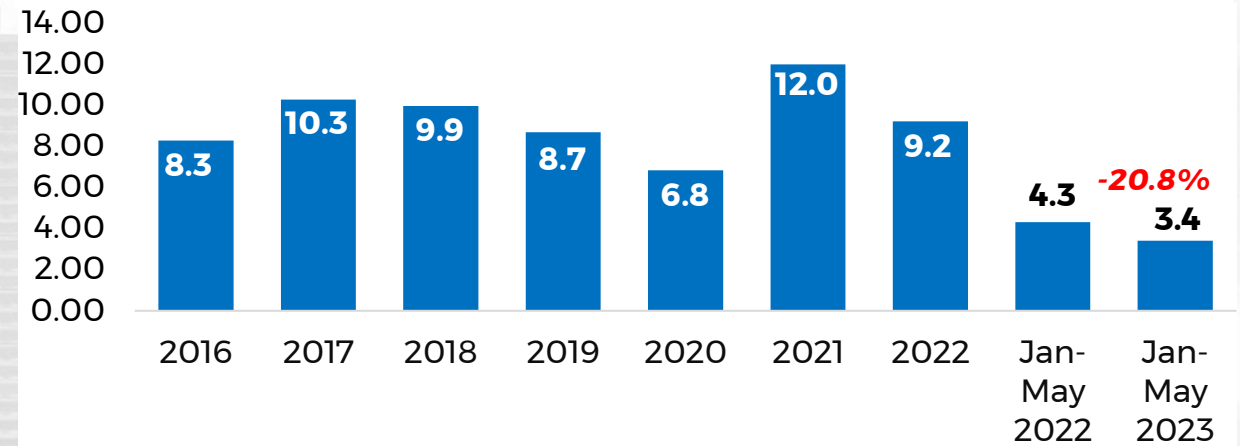
Overseas Filipinos' Cash Remittances

In US\$ billion



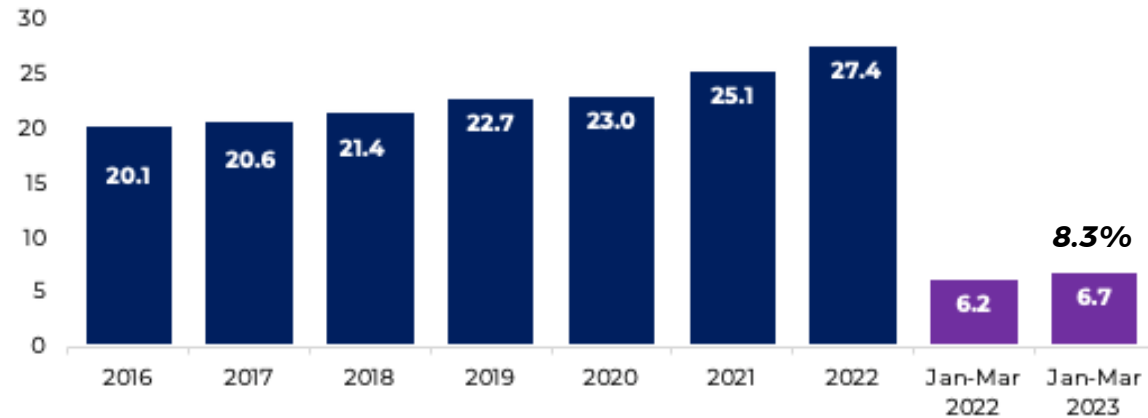
Net Foreign Direct Investments

In US\$ billion



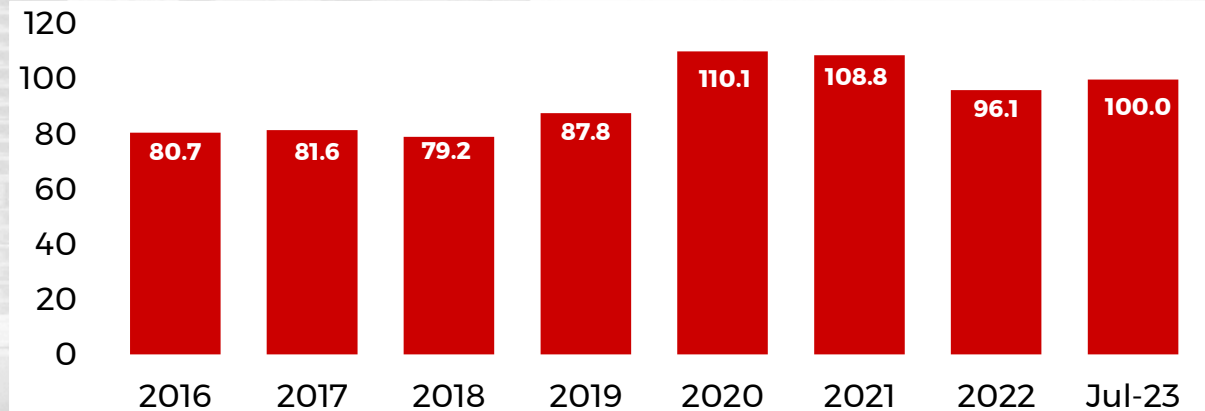
Business Process Outsourcing (BPO) Revenues

In US\$ billion



Gross International Reserves

In US\$ billion, end-of-period



Key take-aways

- **The domestic economy continues to respond to previous monetary tightening**
- **With risks to inflation still tilted towards the upside, keeping a steady hand on monetary policy levers remains appropriate to ensure price stability conducive to non-inflationary and sustainable growth**
- **Non-monetary interventions continue to play a crucial role in tempering price pressures emanating from supply constraints**
- **The BSP will consider the sum of all new information when it decides on the monetary policy stance on 21 September 2023**





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