



# **Safeguarding Price Stability amid Challenging Times**

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**Philippine Economic Briefing**

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# Three pillars of central banking



**Price Stability**



**Financial Stability**

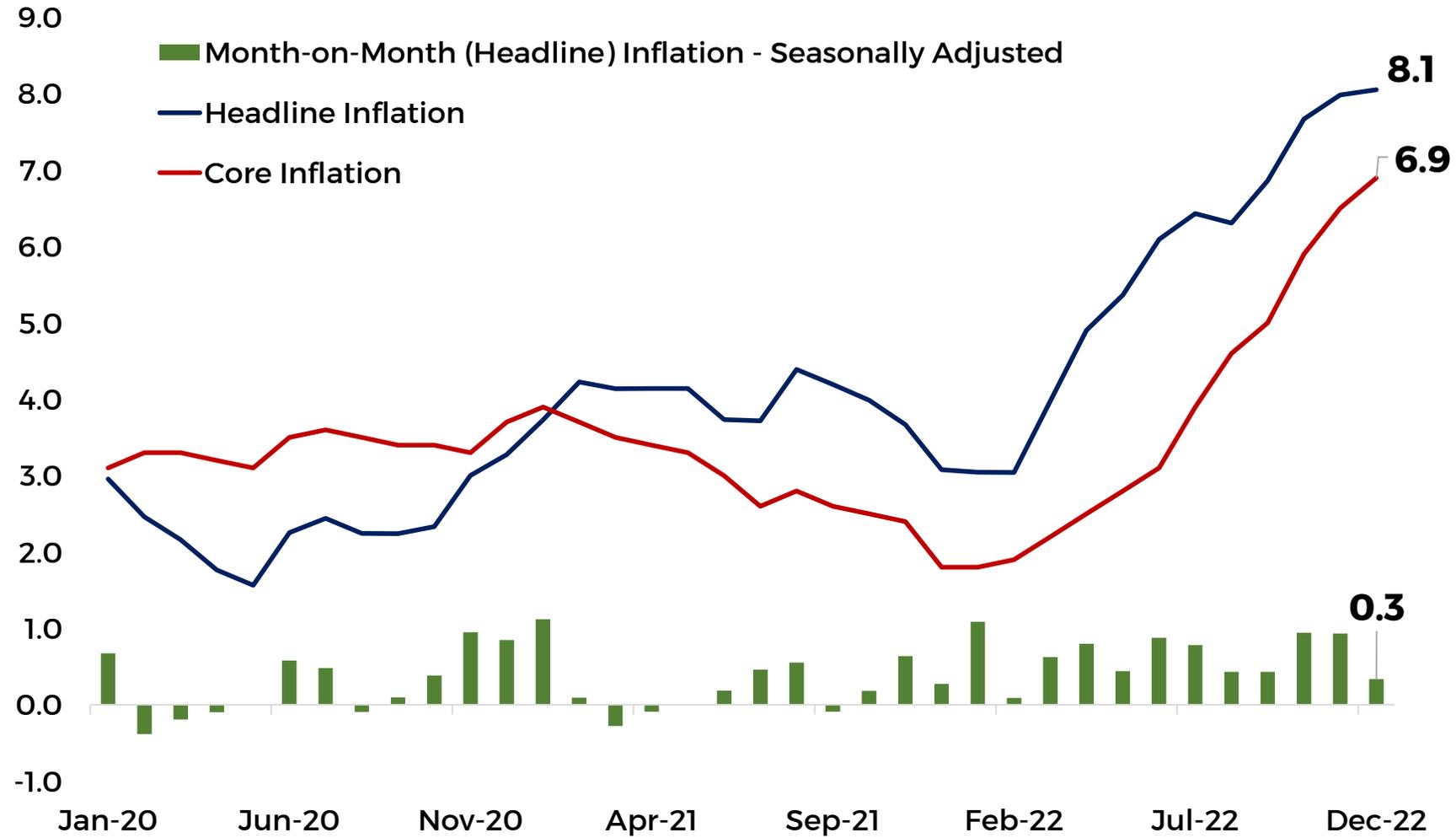


**Payments and Settlements System**



**Headline and core inflation picking up, but recent month-on-month data could indicate target-consistent future path**

## Headline and Core Inflation, 2020-2022 *(in percent)*

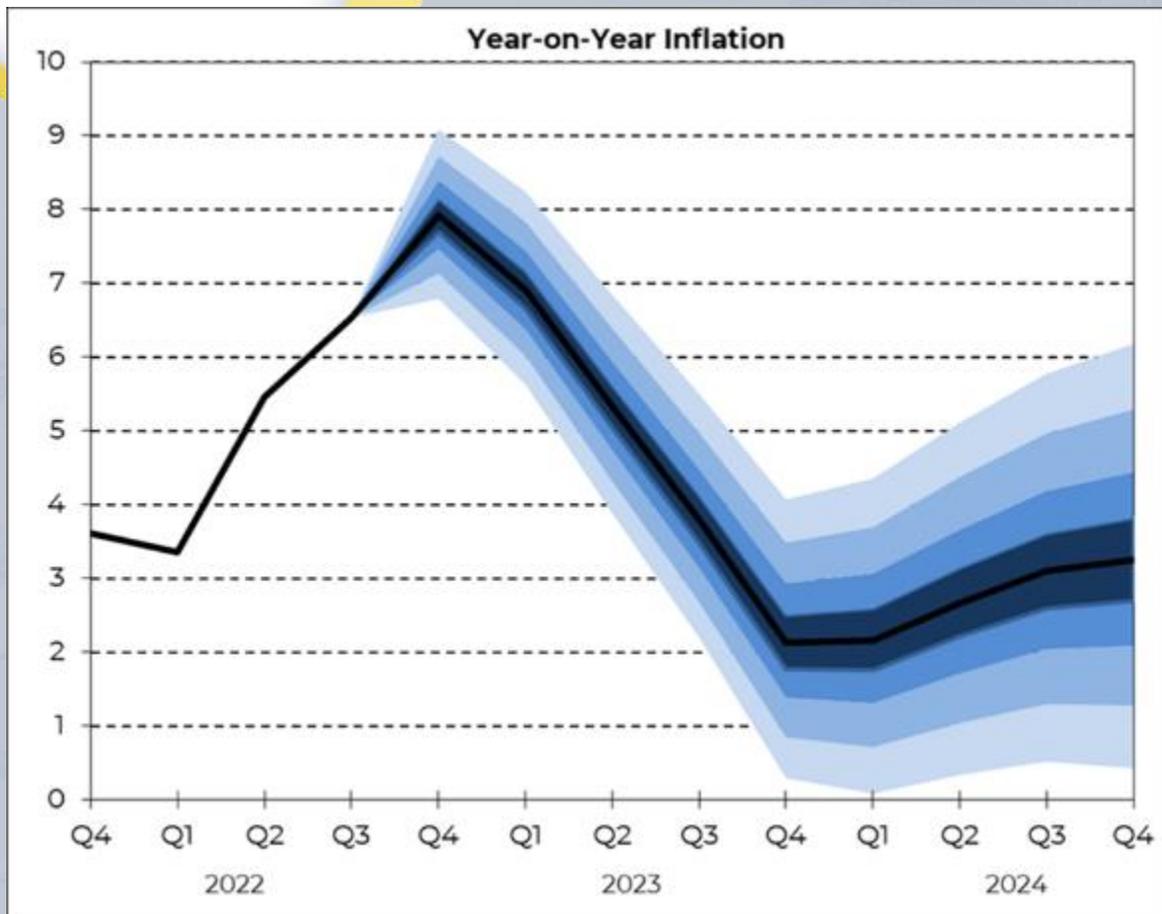


Source: Philippine Statistics Authority

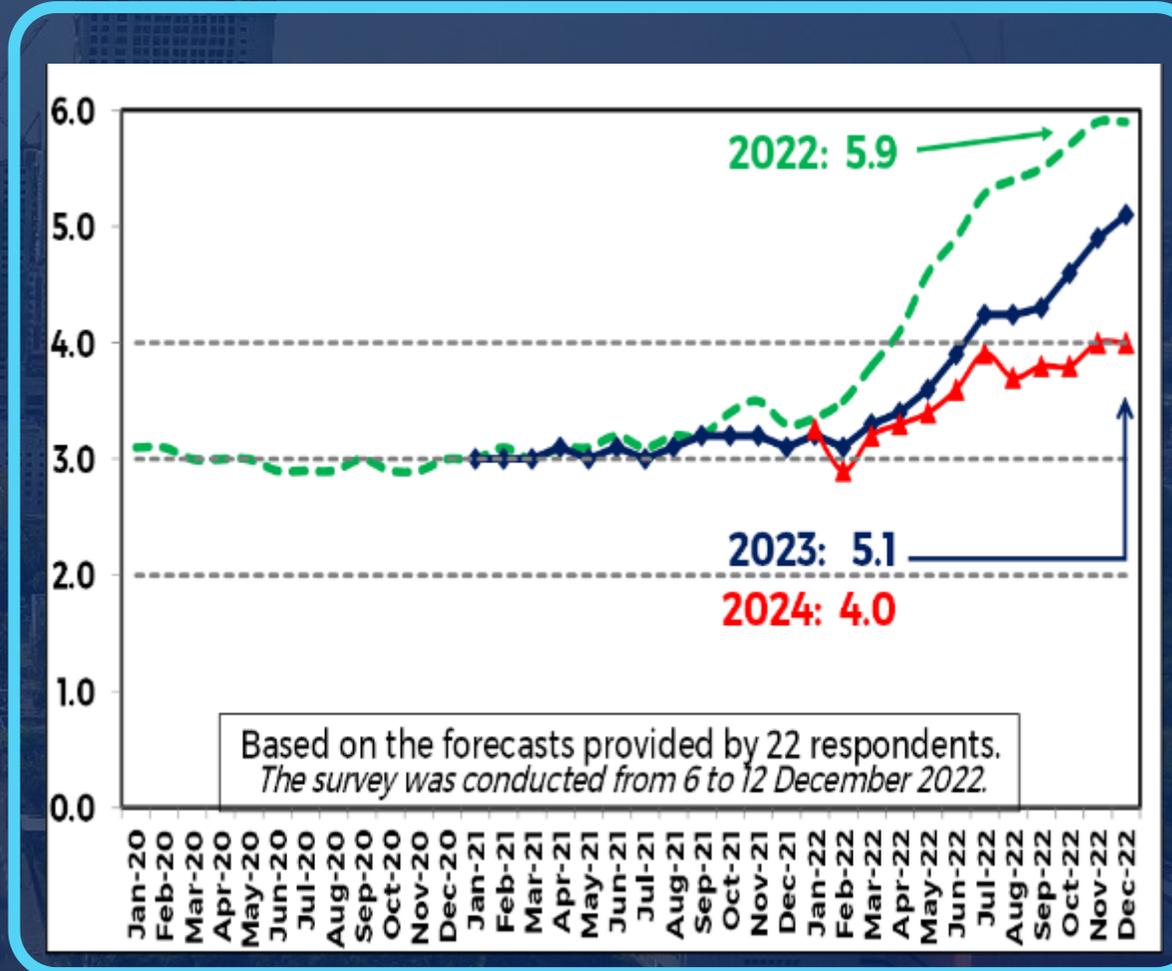


# BSP responds to Inflation challenges head on, raises policy rate anew

**BSP Inflation Forecasts  
As of 15 December 2022**



**Inflation Expectations  
As of 15 December 2022**



# Targeted government interventions are the more appropriate means to address supply-driven inflation

## Safety nets for vulnerable sectors

- Fuel subsidy program for public utility vehicles
- Fuel discount program for farmers and fisherfolk
- Targeted cash transfers
- “Libreng Sakay” program
- Fertilizer subsidy program for farmers

## Executive Order No. 10, s. 2023

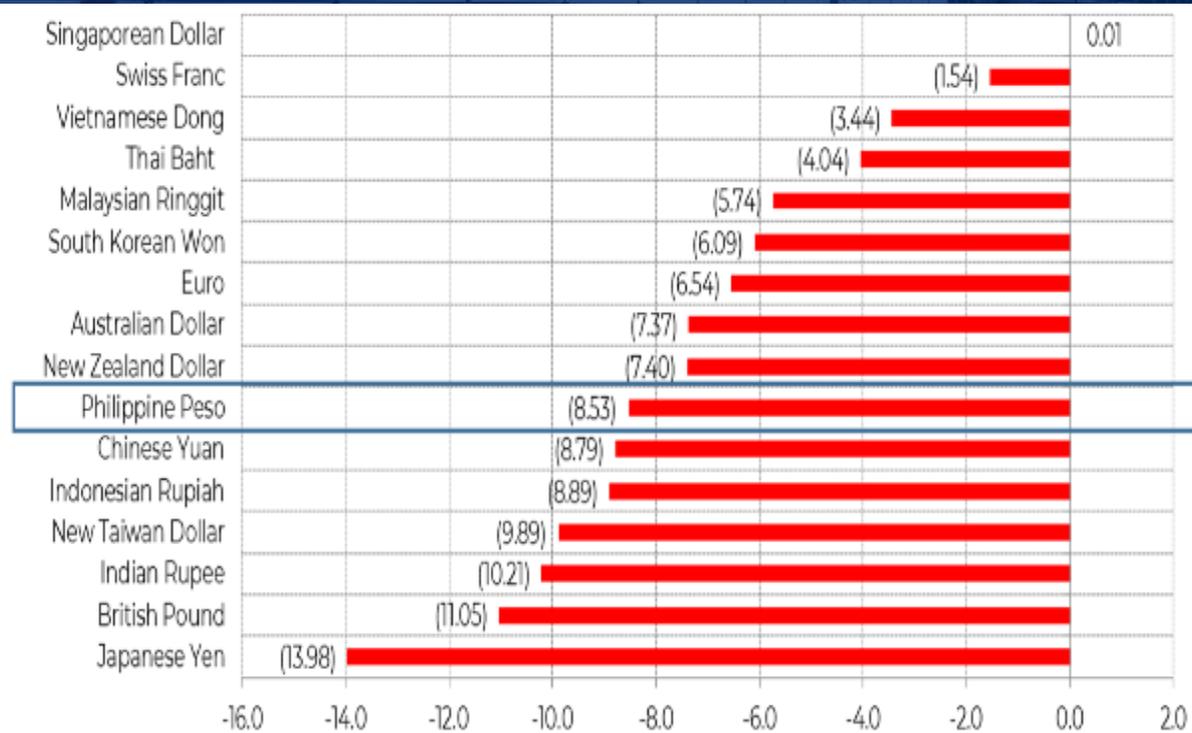
- Extends effectivity of reduced tariff rates on rice, corn, and pork under E.O. No. 171 up to 31 December 2023, as well as provides for zero tariff on imported coal beyond 31 December 2023 subject to semestral review.

*To ensure stable food supply and ease food prices in order to help address the recent uptick in inflation*



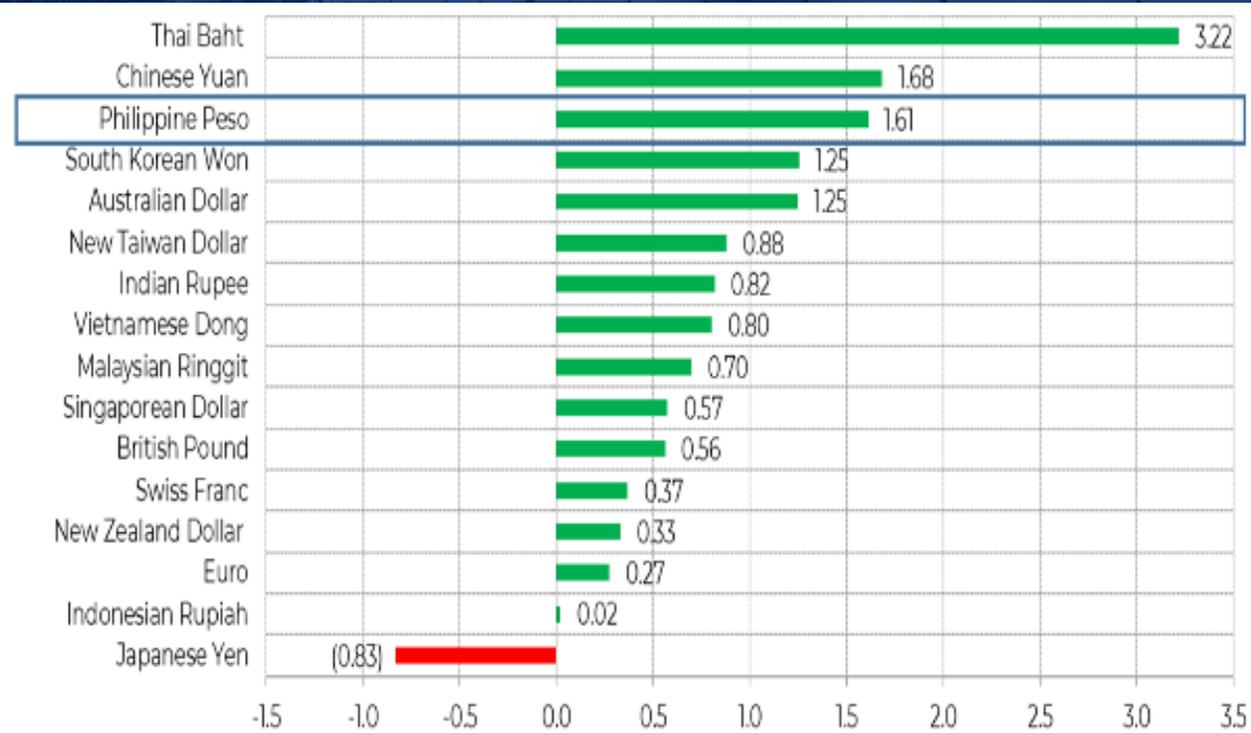
# Foreign exchange rate pressures have dissipated, but the case for vigilance remains

## YTD movement against the USD as of 29 Dec 2022



Note: Based on last done deal transaction (closing price) as of 4:00 pm Manila Time

## YTD movement against the USD as of 10 Jan 2023



Note: Based on last done deal transaction (closing price) as of 4:00 pm Manila Time

# Pragmatic use of expanded toolkit brings inflation to target-consistent path

	Absolute change in policy interest rate (bps) <sup>a/</sup>	FX Movements <sup>b/</sup>	% change in GIR	Absolute change in GIR (in billion)
<b>YTD (end-Dec 2022 to latest available data as of 10 January 2023)</b>				
<b>Philippines**</b>	<b>350</b>	<b>1.61</b>	<b>-12.6</b>	<b>-13.7</b>
<b>South Korea*</b>	<b>275</b>	<b>1.21</b>	<b>-8.6</b>	<b>-40.0</b>
<b>India*</b>	<b>225</b>	<b>0.82</b>	<b>-15.9</b>	<b>-101.0</b>
<b>Vietnam***</b>	<b>200</b>	<b>0.80</b>	<b>-5.6</b>	<b>-6.1</b>
<b>Indonesia**</b>	<b>200</b>	<b>0.02</b>	<b>-7.5</b>	<b>-10.9</b>
<b>Malaysia**</b>	<b>100</b>	<b>0.70</b>	<b>-6.1</b>	<b>-7.2</b>
<b>Thailand*</b>	<b>75</b>	<b>3.79</b>	<b>-17.9</b>	<b>-44.1</b>
<b>Taiwan**</b>	<b>63</b>	<b>0.88</b>	<b>0.7</b>	<b>3.8</b>

Source: Bloomberg, CEIC, Central Bank Websites

\*with GIR data as of December 2022

\*\*with GIR data as of November 2022

a/ Cumulative rate hikes since August 2021, Data as of 30 December 2022

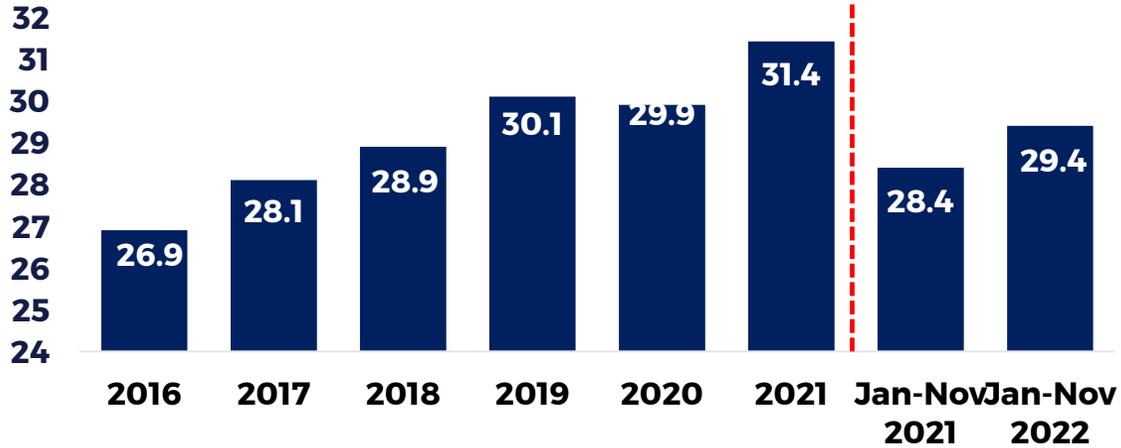
b/ FX Data as of 10 January 2023. Last quoted price as of 4 PM (except for PHP, which is the last done deal transaction as of 4:00 pm, Manila time).



# Robust external accounts cushion against global spillovers

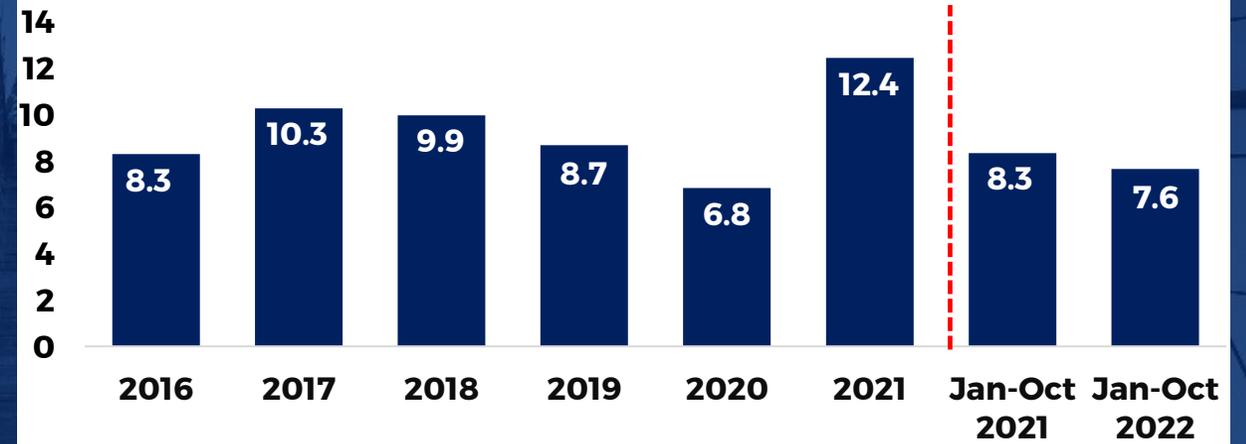
## Overseas Filipinos' Cash Remittances

In US\$ billion



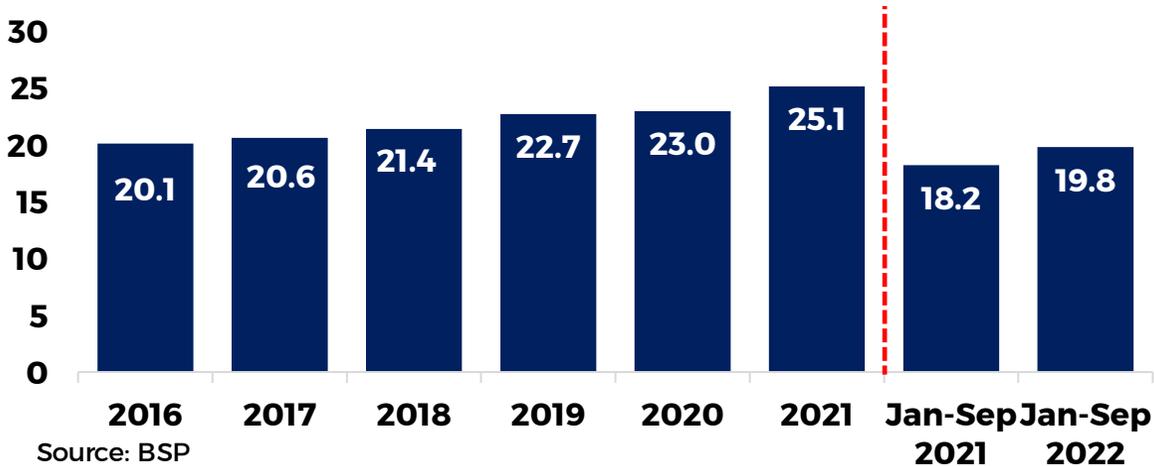
## Net Foreign Direct Investments

In US\$ billion



## Business Process Outsourcing (BPO) Revenues

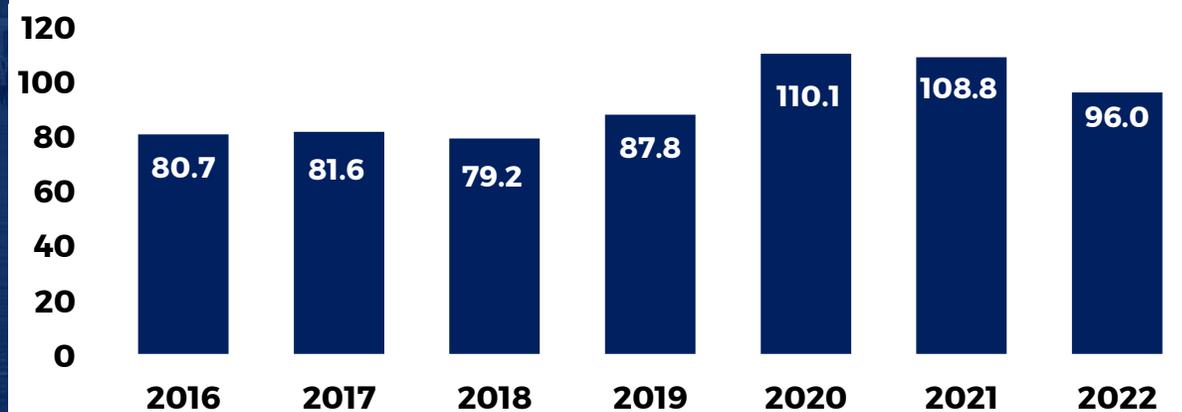
In US\$ billion



Source: BSP

## Gross International Reserves

In US\$ billion, end-of-period



# The Philippine Banking System at a Glance

## Banks sustain solid footing amid COVID-19 pandemic



16.2%

Adequate capital buffer

Capital Adequacy Ratio (Solo)

As of Q2 2022



9.8%

Assets further expanded

As of October 2022



5.4%

Ample liquidity

Domestic liquidity/M3

As of November 2022



₱17T

Deposits

As of November 2022



105.7%

High coverage ratio of non-performing loans

As of November 2022



11.5%

Lending continued

As of November 2022



# Strong momentum in payments digitalization

Account ownership doubles  
In just two years

E-money is now the most owned account type

**27.5 M**

E-money account  
users

**18 M**

Bank account  
users

**29%**

**20.9M**

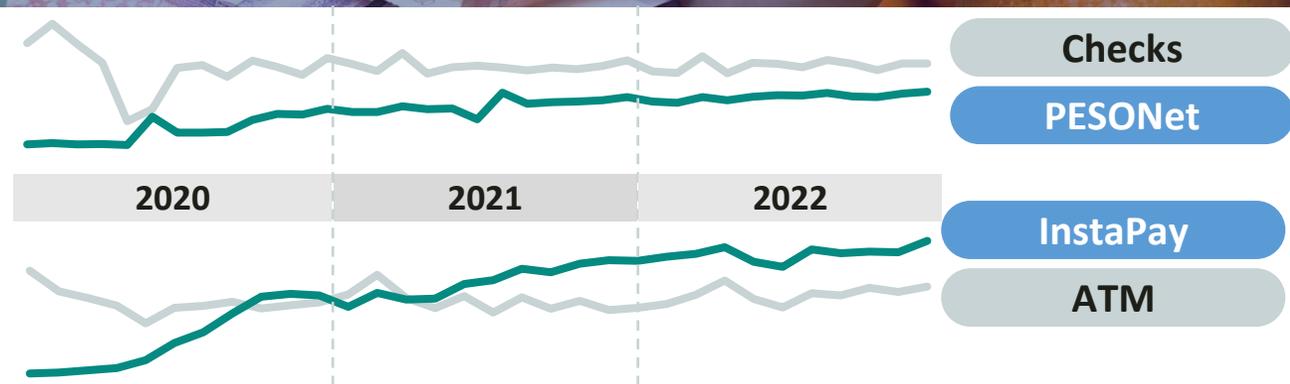
**2019**

**56%**

**42.9M**

**2021**

InstaPay, PesoNet transaction volumes approach  
ATM and check transactions



# Key Messages

1

BSP is steadfast in its commitment to bringing inflation back to a target-consistent path.

2

The banking system is sound and stable, capable of supporting economic growth.

3

Financial digitalization will bring about more benefits for the economy and the BSP is taking steps to maximize these opportunities.

4





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