



# Safeguarding Price Stability amid Challenging Times

FELIPE M. MEDALLA  
Governor  
Bangko Sentral ng Pilipinas

Philippine Economic Briefing  
January 2023

# Three pillars of central banking



Price Stability



Financial Stability



Payments and Settlements  
System

# 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

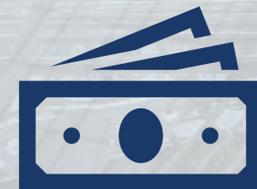
As of November 2022



₱17T

Deposits

As of November 2022



105.7%

High coverage ratio of  
non-performing loans

As of November 2022



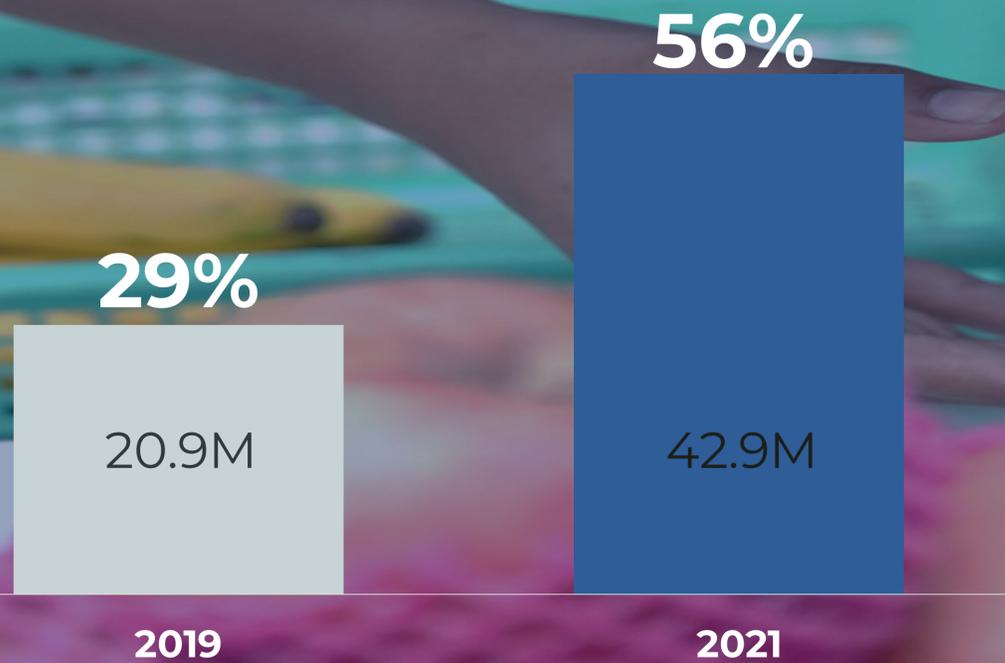
11.5%

Lending continued

As of November 2022

# Strong momentum in payments digitalization

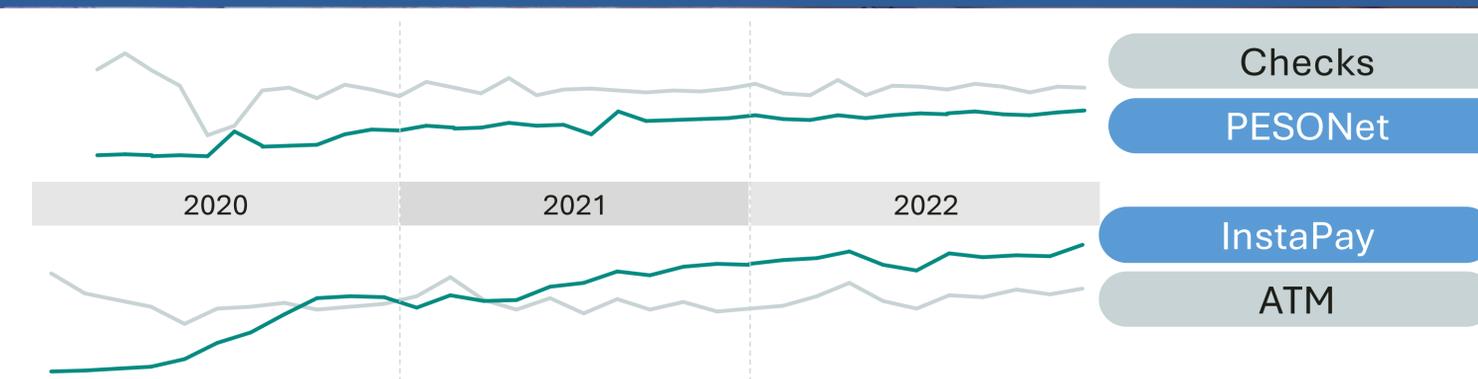
Account ownership doubles in just two years



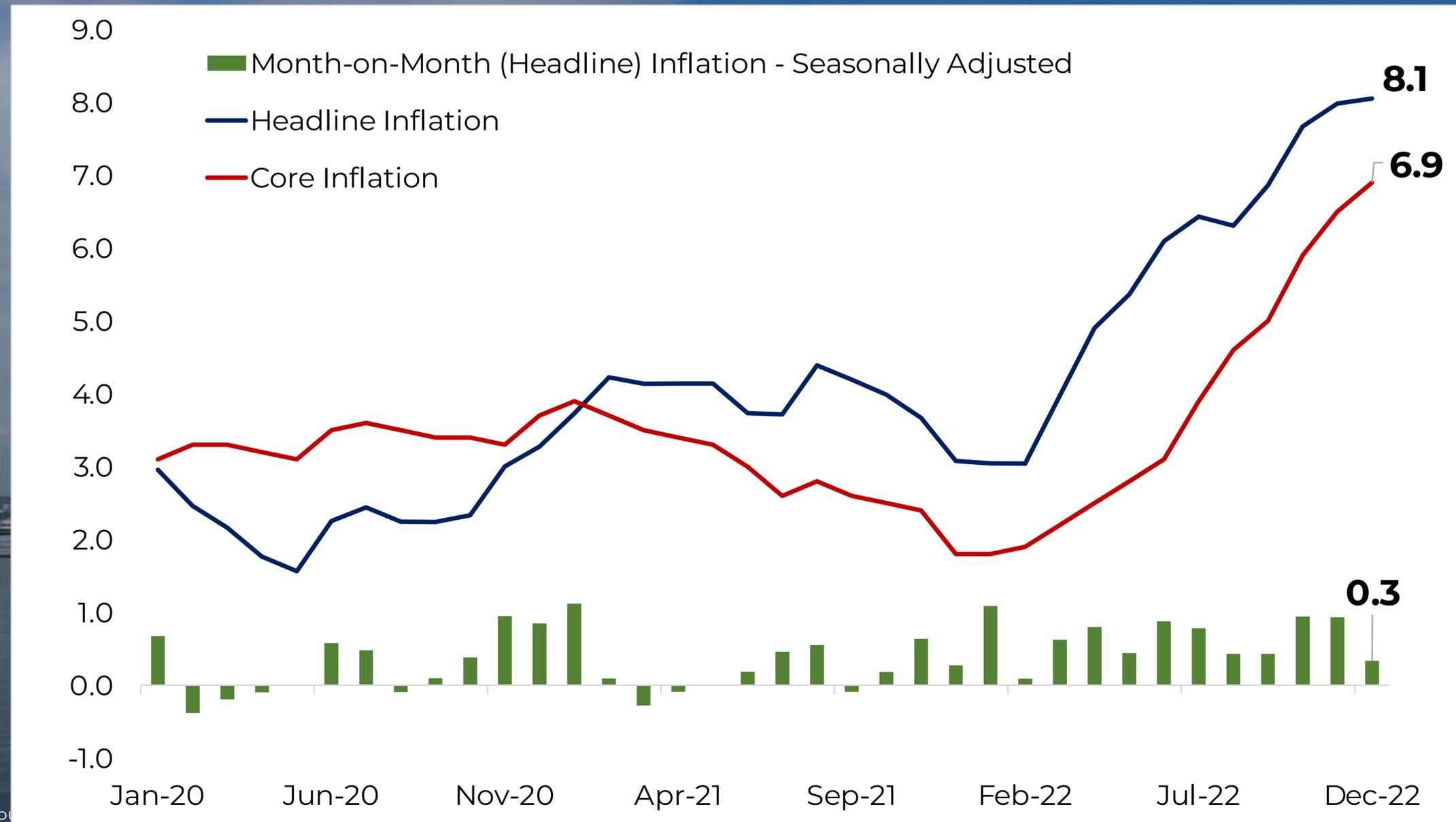
E-money is now the most owned account type



InstaPay, PesoNet transaction volumes approach ATM and check transactions

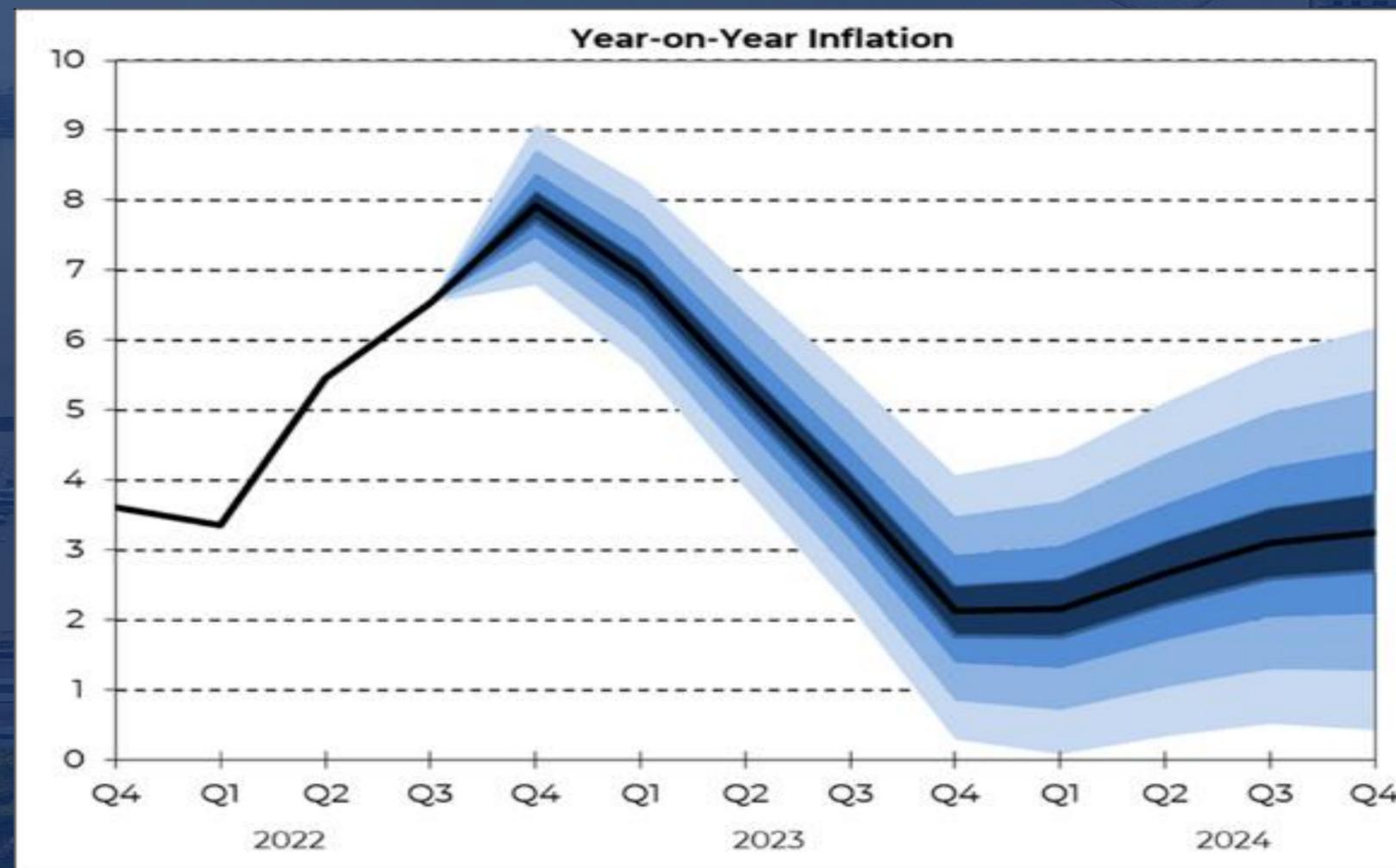


Headline and core inflation picking up, but recent month-on-month data could indicate target-consistent future path

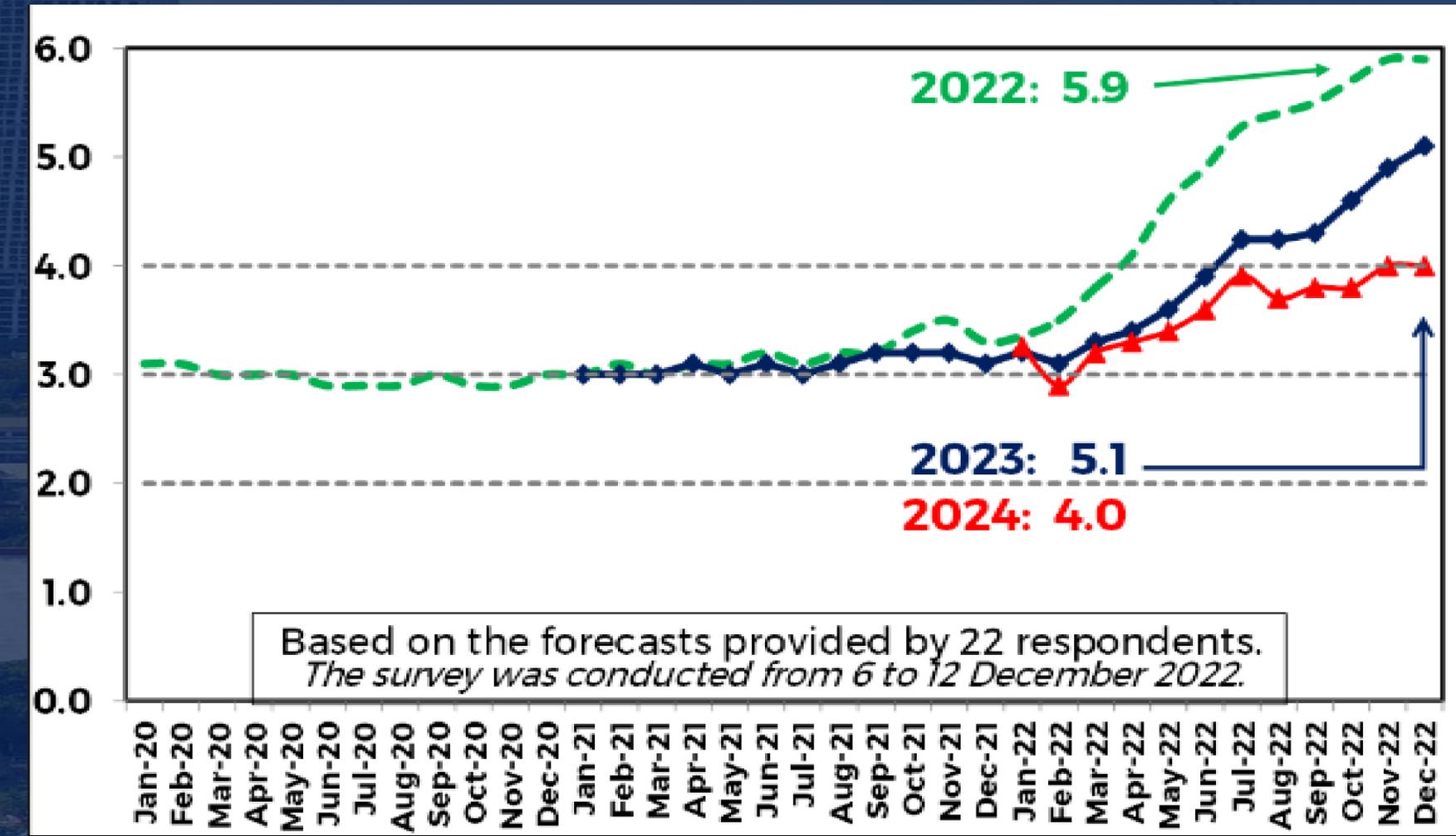


**BSP responds to inflation challenges head on, raises policy rate anew**

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

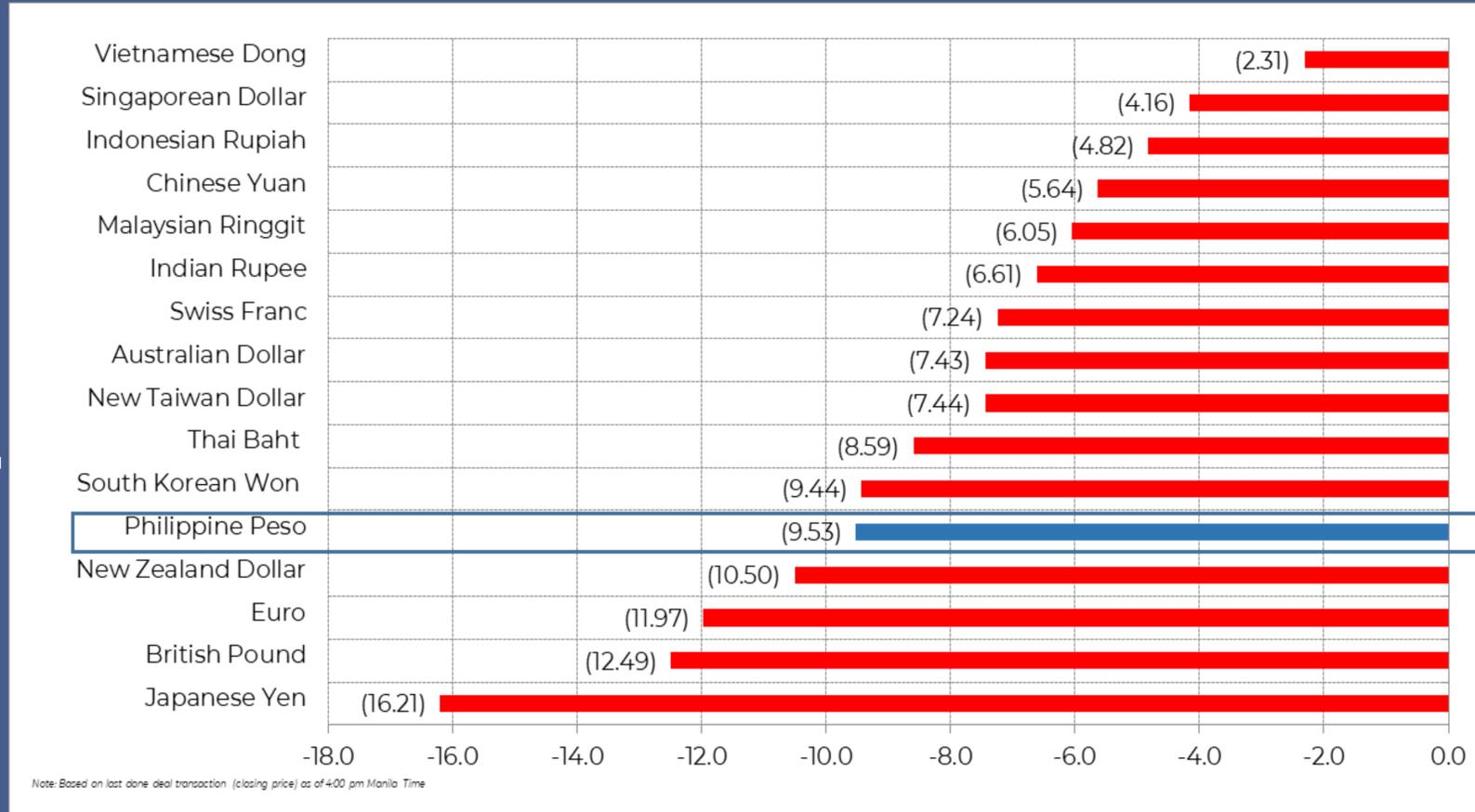


**Inflation Expectations**  
as of 15 December 2022

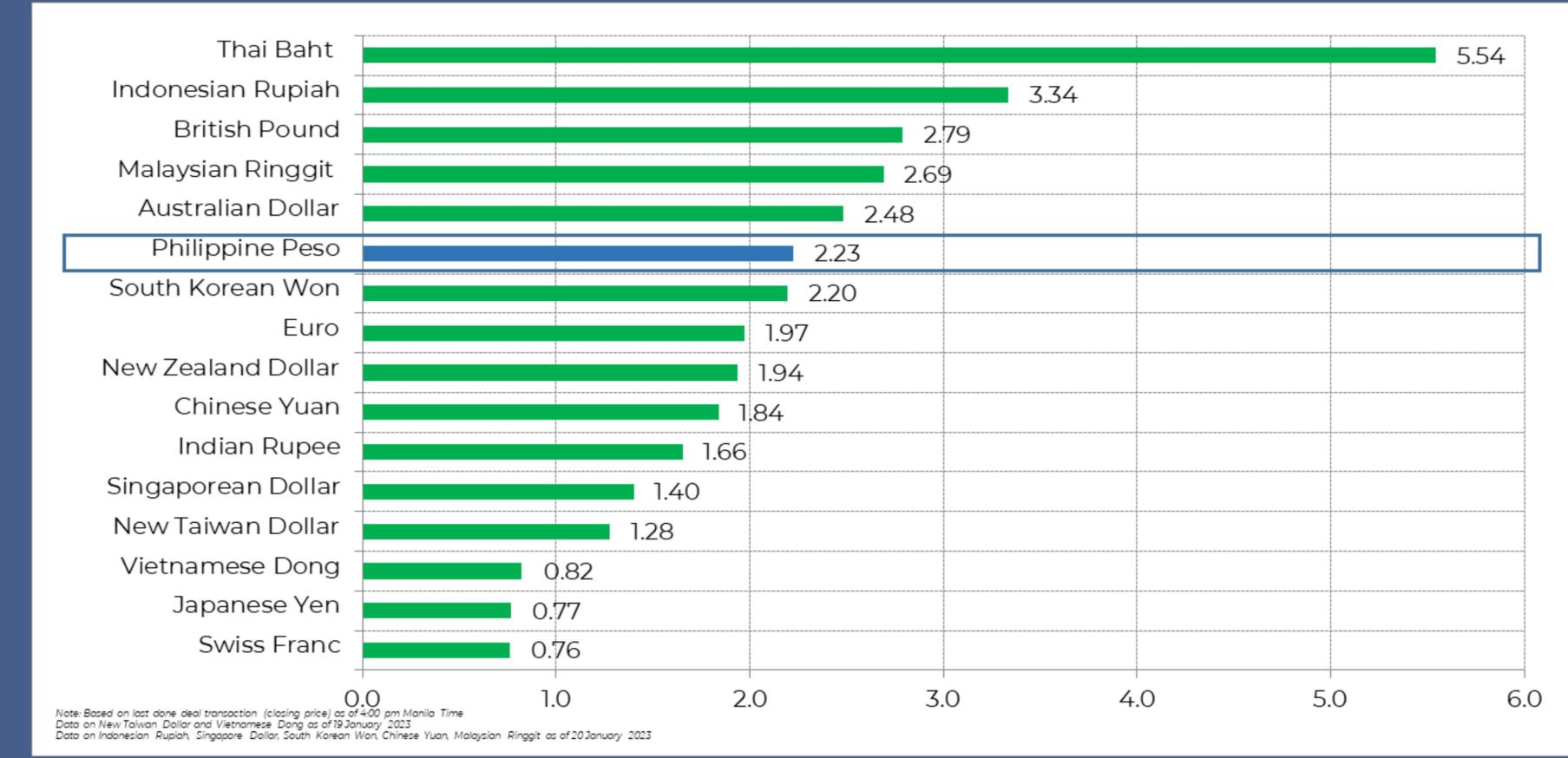


Foreign exchange rate pressures have dissipated, but the case for vigilance remains

YTD movement against the USD  
as of 12 Jul 2022



YTD movement against the USD  
as of 23 Jan 2023



**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)
YTD (end-Dec 2022 to latest available data as of 23 January 2023)				
<b>Philippines*</b>	<b>350</b>	<b>2.2</b>	<b>-11.6</b>	<b>-12.6</b>
S. Korea*	300	2.2	-8.6	-40.0
India*	225	1.7	-12.7	-80.4
Indonesia*	225	3.3	-5.3	-7.7
Vietnam***	200	0.8	-19.9	-21.8
Malaysia**	100	2.7	-6.1	-7.2
Thailand*	75	5.5	-11.9	-29.4
Taiwan*	63	1.3	1.2	6.5

Source: Bloomberg, CEIC, Central Bank Websites

\*with GIR data as of December 2022

\*\*with GIR data as of November 2022

\*\*\*with GIR data as of September 2022

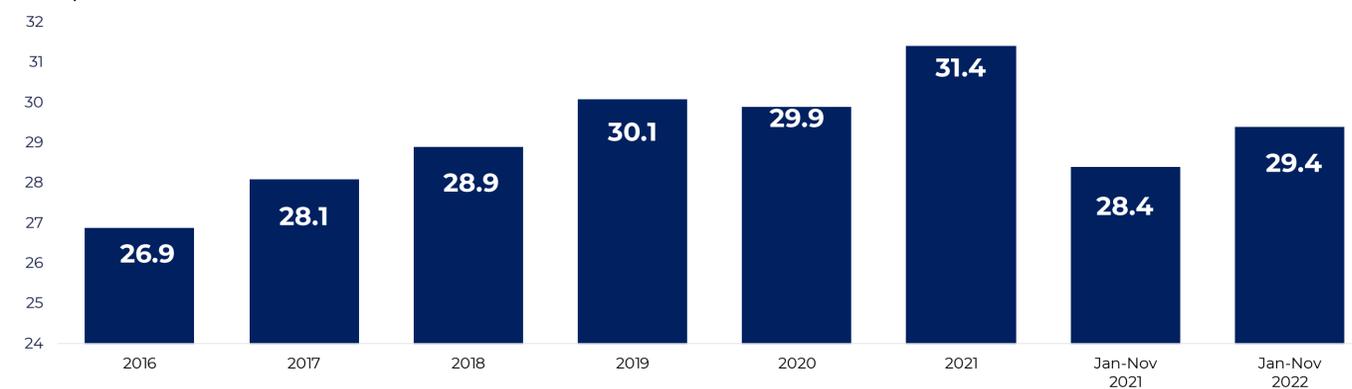
a/ Cumulative rate hikes since August 2021; Data as of 23 January 2023

b/ FX Data as of 23 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**

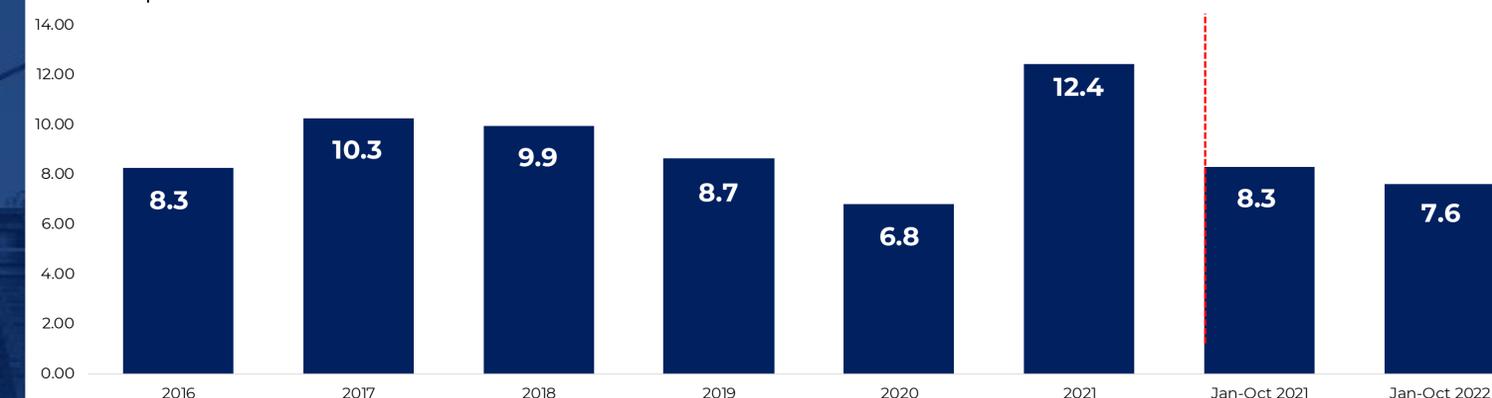
### Overseas Filipinos' Cash Remittances

In US\$ billion



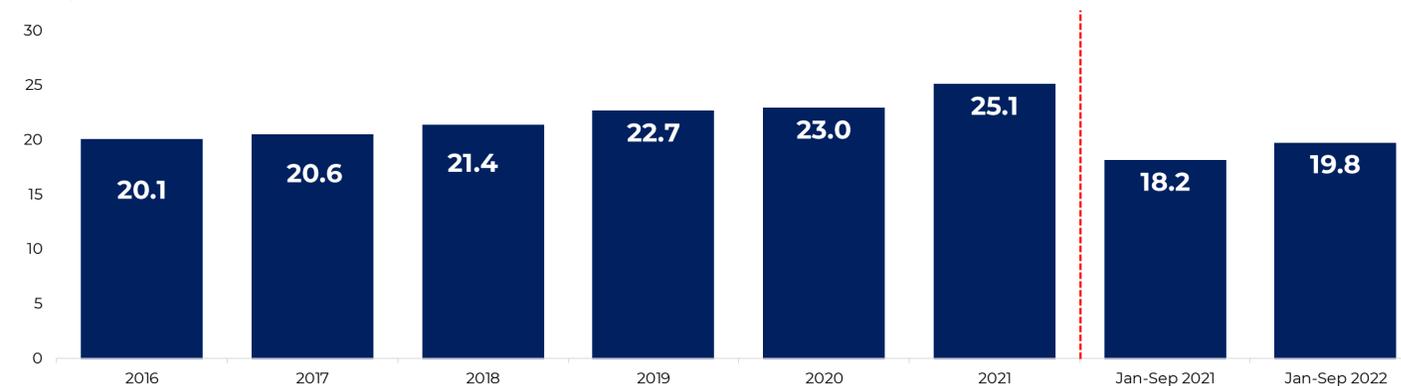
### Net Foreign Direct Investments

In US\$ billion



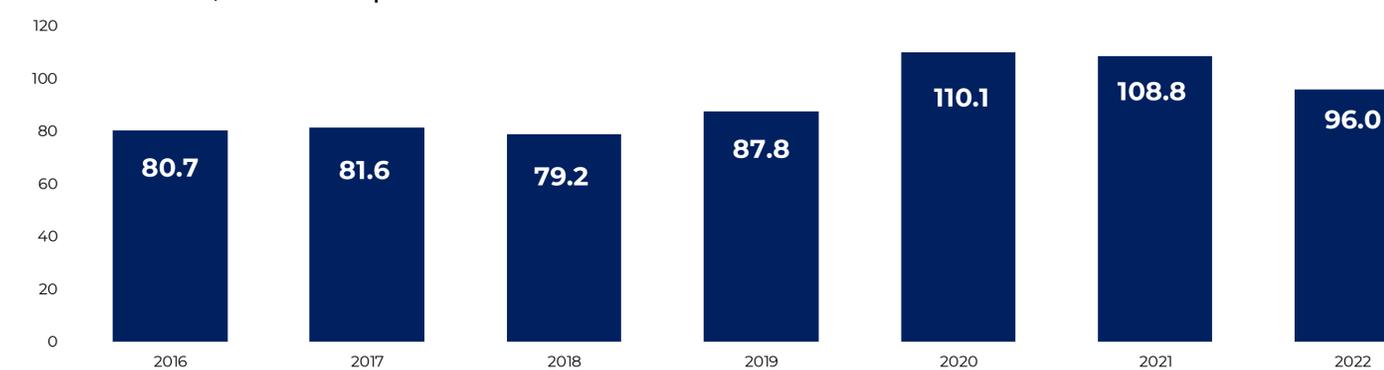
### Business Process Outsourcing (BPO) Revenues

In US\$ billion



### Gross International Reserves

In US\$ billion, end-of-period



# 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



# **Safeguarding Price Stability amid Challenging Times**

FELIPE M. MEDALLA  
Governor  
Bangko Sentral ng Pilipinas

Philippine Economic Briefing  
January 2023