



# **SAFEGUARDING PRICE STABILITY AMID CHALLENGING TIMES**

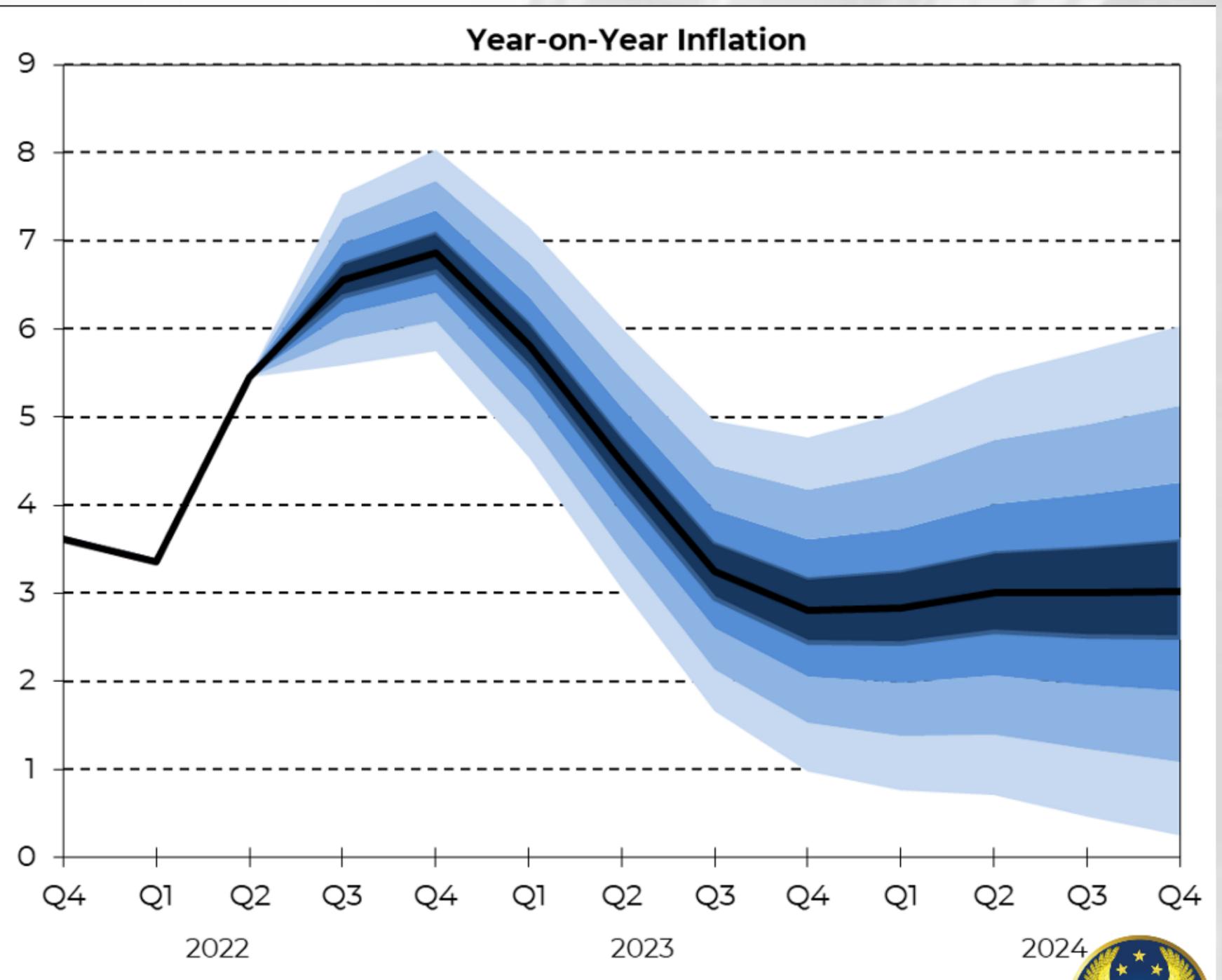
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**Governor**  
**Bangko Sentral ng Pilipinas**

PH Dialogue  
Romulo Hall, Philippine Embassy  
Washington D.C.  
14 October 2022

# Bringing inflation to a target-consistent path

## BSP Year-on-Year Inflation Forecast Q4 2022 – Q4 2024 as of 22 September 2022 Monetary Board Policy Meeting



Source: BSP staff computations



Year	18 Aug 2022 MB Meeting	22 Sep 2022 MB Meeting
<b>2022</b>	<b>5.4</b>	<b>5.6</b>
<b>2023</b>	<b>4.0</b>	<b>4.1</b>
<b>2024</b>	<b>3.2</b>	<b>3.0</b>

# Interest rate differentials narrow in favor of the US Dollar

Date	BSP Policy Rates <sup>1</sup>		US Federal Funds Rate		Differential (1) - (3)
	Level (1)	Increase / (Decrease) (2)	Level (Upper Limit) (3)	Increase / (Decrease) (4)	
Jan 27*	2.00	...	0.00 - 0.25	...	2.00 - 1.75
Feb 17**	2.00	...	0.00 - 0.25	...	2.00 - 1.75
Mar 17*	2.00	...	0.25 - 0.50	25 bps	1.75 - 1.50
Mar 24**	2.00	...	0.25 - 0.50	...	1.75 - 1.50
May 5*	2.00	...	0.75 - 1.00	50 bps	1.25 - 1.00
May 19**	2.25	25 bps	0.75 - 1.00	...	1.50 - 1.25
Jun 16*	2.25	...	1.50 - 1.75	75 bps	0.75 - 0.50
Jun 23*	2.50	25 bps	1.50 - 1.75	...	1.00 - 0.75
Jul 14**	3.25	75 bps	1.50 - 1.75	...	1.75 - 1.50
Jul 28*	3.25	...	2.25 - 2.50	75 bps	1.00 - 0.75
Aug 18**	3.75	50 bps	2.25 - 2.50	...	1.50 - 1.25
Sep 22	4.25	50 bps	3.00 - 3.25	75 bps	1.25 - 1.00
TOTAL INCREASE/(DECREASE)		225 bps		300 bps	

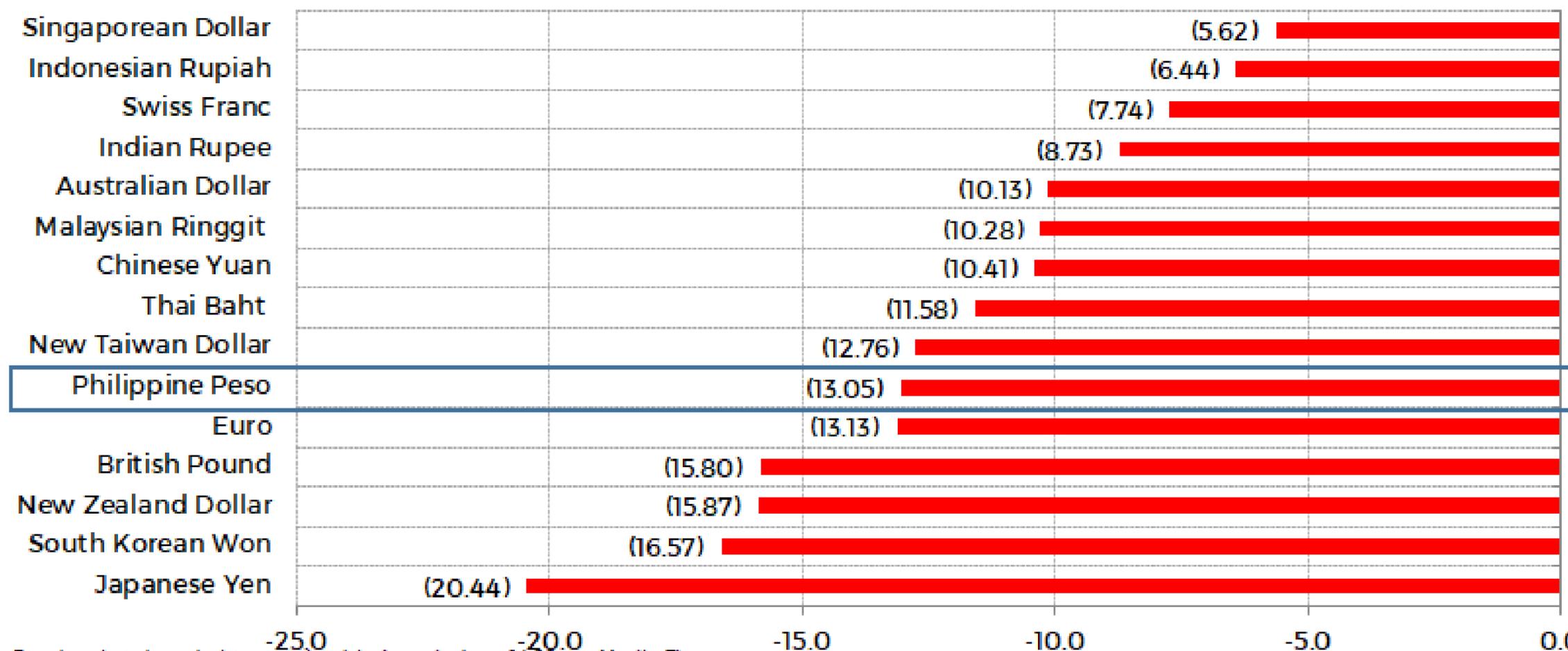
Source: BSP and US Federal Reserve

- <sup>1</sup> Overnight RRP Rate
- \* US FOMC Meeting
- \*\* MB Meeting



**Peso movements remain in line with regional peers**

## Year-to-date Appreciation (+)/Depreciation (-) of Asian and Major Currencies against the US dollar (In percent, as of 4 Oct 2022)



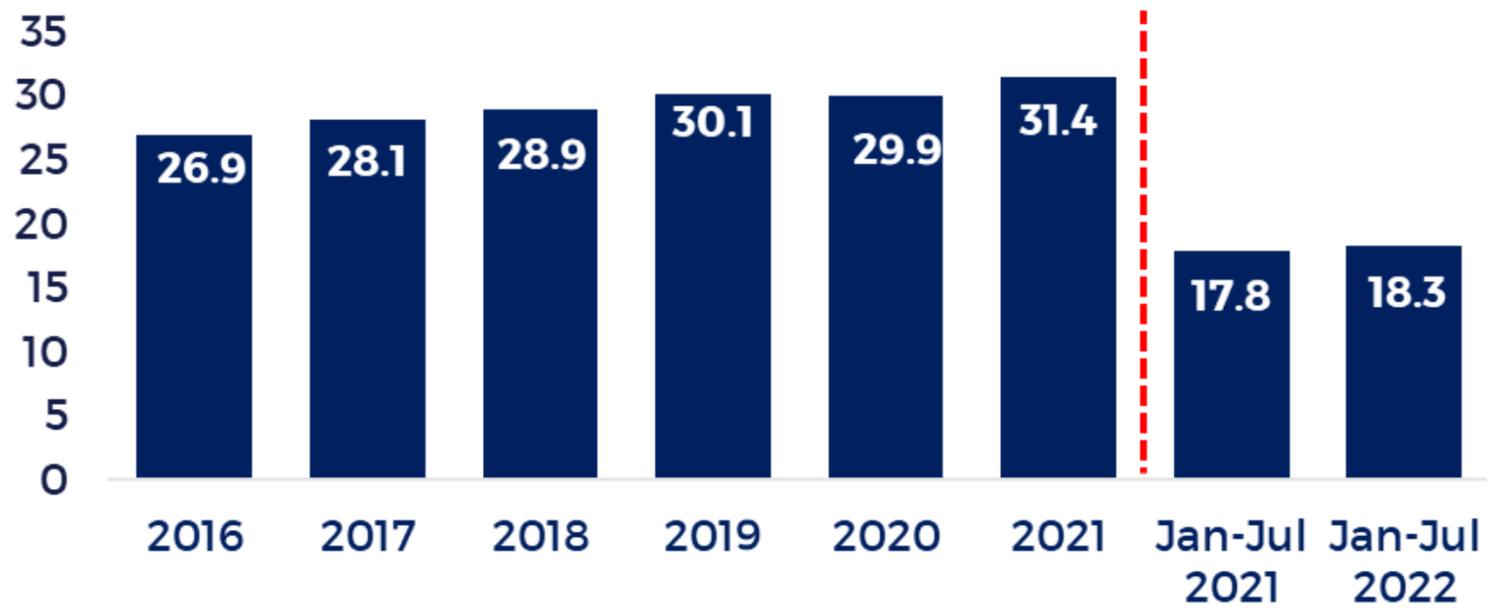
Note: Based on last done deal transaction (closing price) as of 4:00 pm Manila Time  
Data on Chinese Yuan as of 30 Sept 2022



# Robust external accounts cushion against global spillovers

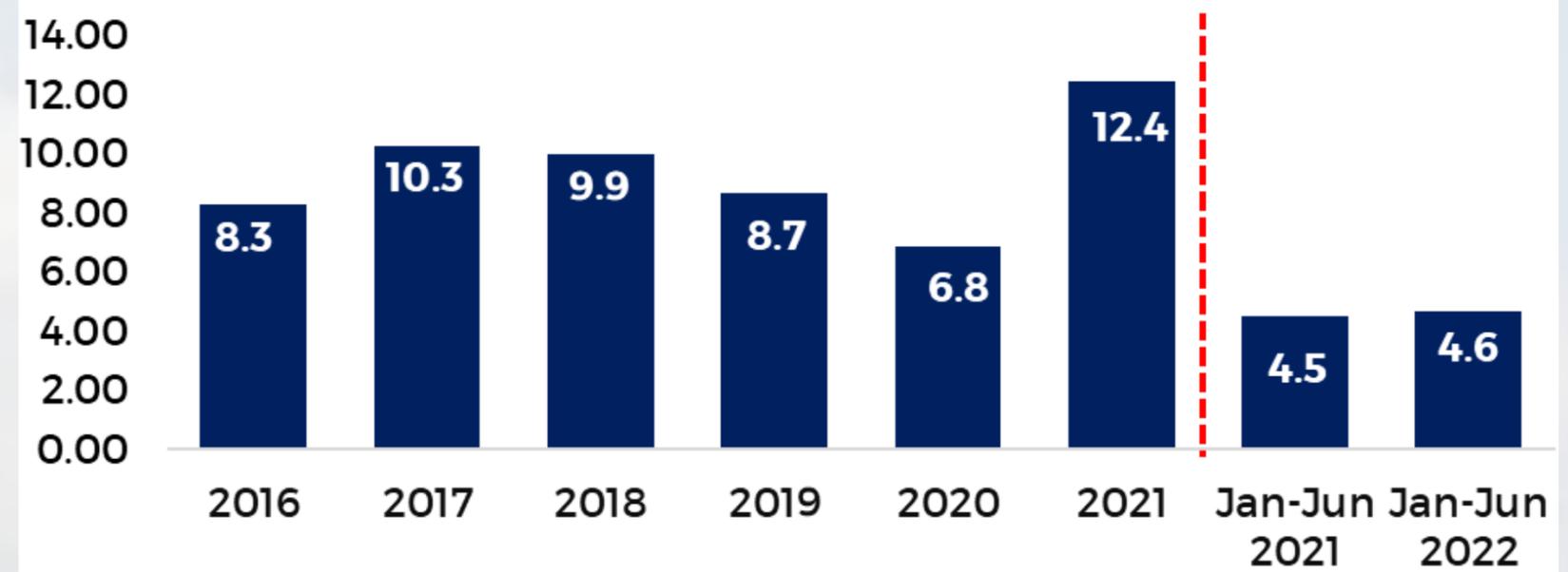
## Overseas Filipinos' Cash Remittances

In US\$ billion



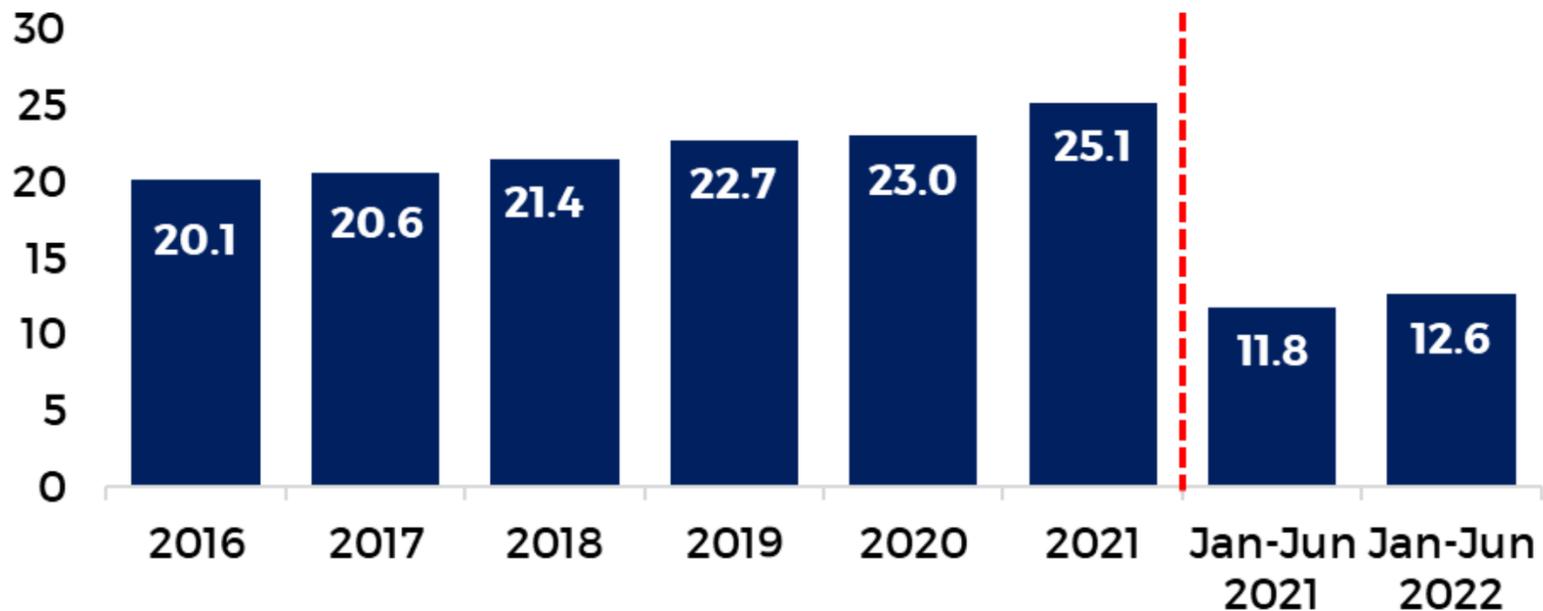
## Net Foreign Direct Investments

In US\$ billion



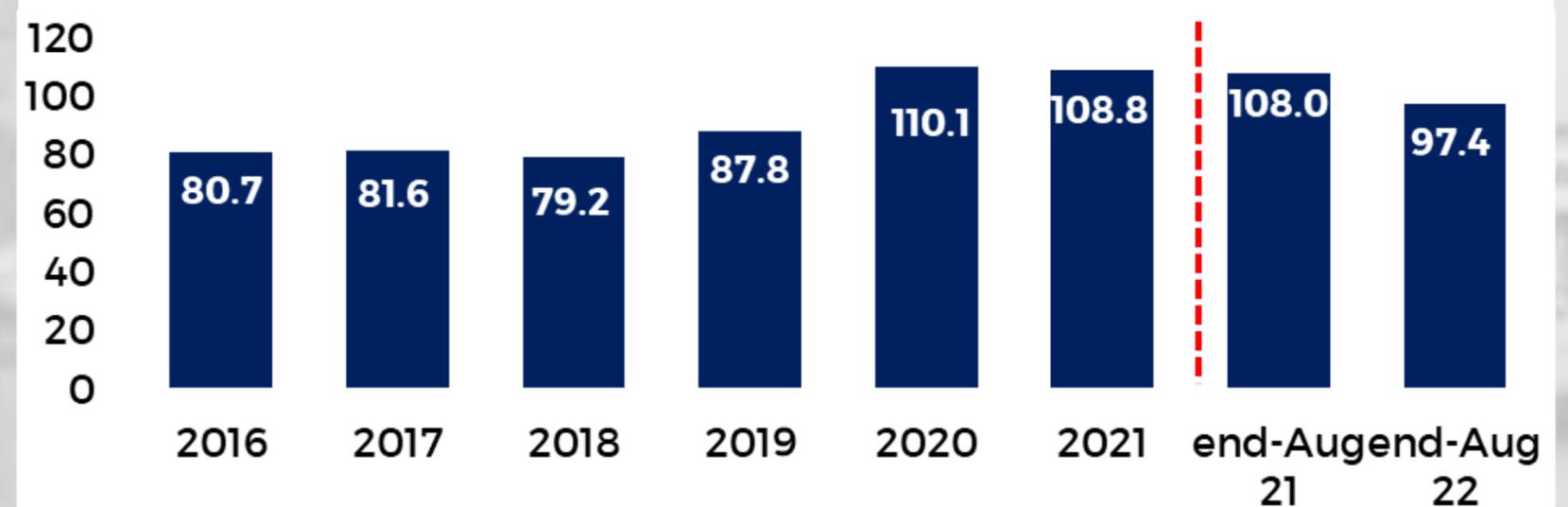
## Business Process Outsourcing (BPO) Revenues

In US\$ billion



## Gross International Reserves

In US\$ billion, end-of-period



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

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- 1 Adjust interest rates**
- 2 Let the peso serve as a shock absorber**
- 3 Sell reserves**
- 4 Back non-monetary measures by the National Government**



# Country-specific policies

	Depreciation (%)	Absolute change in policy rate (bps)	% change in GIR	Absolute change in GIR (in billion)
<b>YTD (end-Dec 2021 to available data as of 30 September 2022)</b>				
<b>S. Korea*</b>	<b>-16.91</b>	<b>150***</b>	<b>-5.76</b>	<b>-26.69</b>
<b>Philippines*</b>	<b>-13.0</b>	<b>225</b>	<b>-10.43</b>	<b>-11.35</b>
<b>Taiwan*</b>	<b>-12.83</b>	<b>50</b>	<b>-0.53</b>	<b>-2.93</b>
<b>Thailand*</b>	<b>-12.18</b>	<b>25</b>	<b>-12.59</b>	<b>-30.98</b>
<b>Malaysia*</b>	<b>-10.09</b>	<b>75</b>	<b>-7.43</b>	<b>-8.69</b>
<b>India**</b>	<b>-8.88</b>	<b>140</b>	<b>-9.37</b>	<b>-59.36</b>
<b>Indonesia*</b>	<b>-6.37</b>	<b>75</b>	<b>-8.77</b>	<b>-12.70</b>

Source: Bloomberg, CEIC, Central Bank Websites

\*with GIR data as of August 2022

\*\*with GIR data as of July 2022

\*\*\*Since August 2021, the Bank of Korea has raised their policy rate by 200 bps.

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



# The Philippine Banking System

## Banks sustain solid footing amid COVID-19 pandemic



**16.2%**  
**Adequate capital buffer**  
Capital Adequacy Ratio (Solo)  
As of Q2 2022



**99.2%**  
**Assets further expanded**  
As of July 2022



**6.8%**  
**Ample liquidity**  
Domestic liquidity/M3  
As of August 2022



**₱16.53T**  
**Deposits**  
As of July 2022



**99.2%**  
**High coverage ratio of non-performing loans**  
As of July 2022



**12.2%**  
**Lending continued**  
As of August 2022



# Strategic initiatives and policy priorities



**Strengthen Corporate  
and Risk Governance of  
Banks**



**Advance  
Sustainable Finance**



**Promote digital  
transformation of the  
financial system**



# Key Messages

- 1** BSP is committed to bringing inflation back to a target-consistent path
- 2** The banking system is sound and stable, and capable of supporting economic growth
- 3** Financial digitalization will bring about more benefits for the economy

