



The Philippine Economy: Resilience in the face of supply shocks

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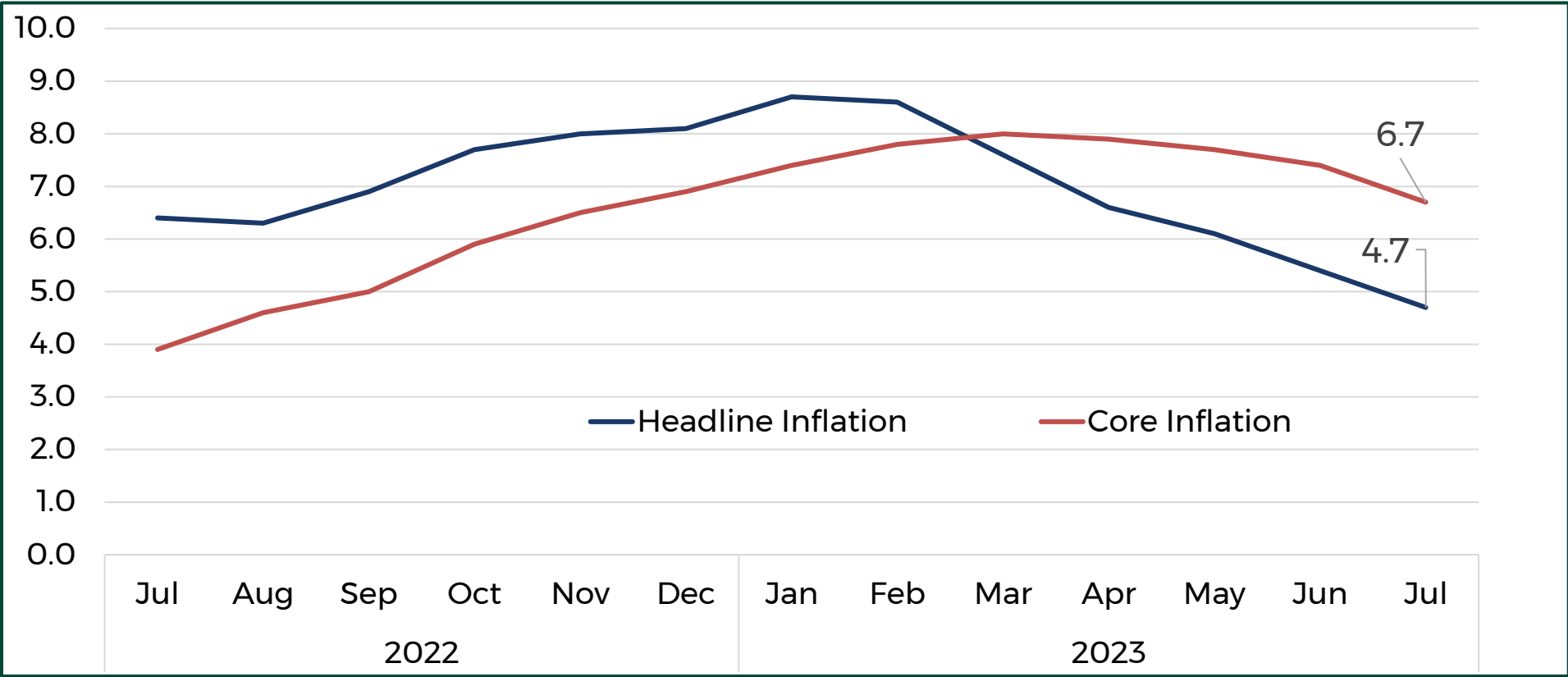
15 August 2023



Inflation declines amid lower food and energy prices

Headline and Core Inflation

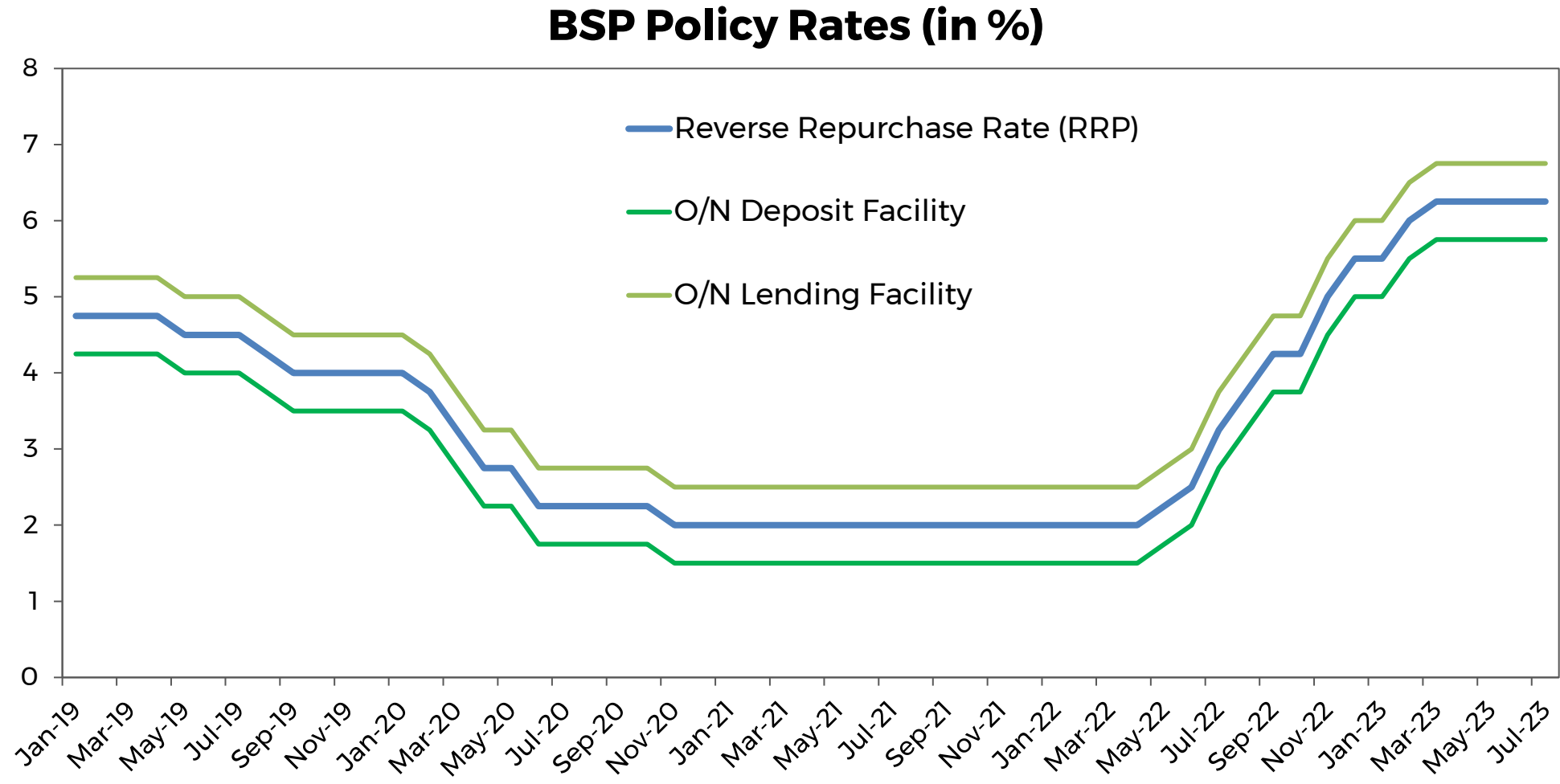
July 2022 to July 2023 (in %)



Source: Philippine Statistics Authority (PSA)



The BSP responded aggressively against inflation



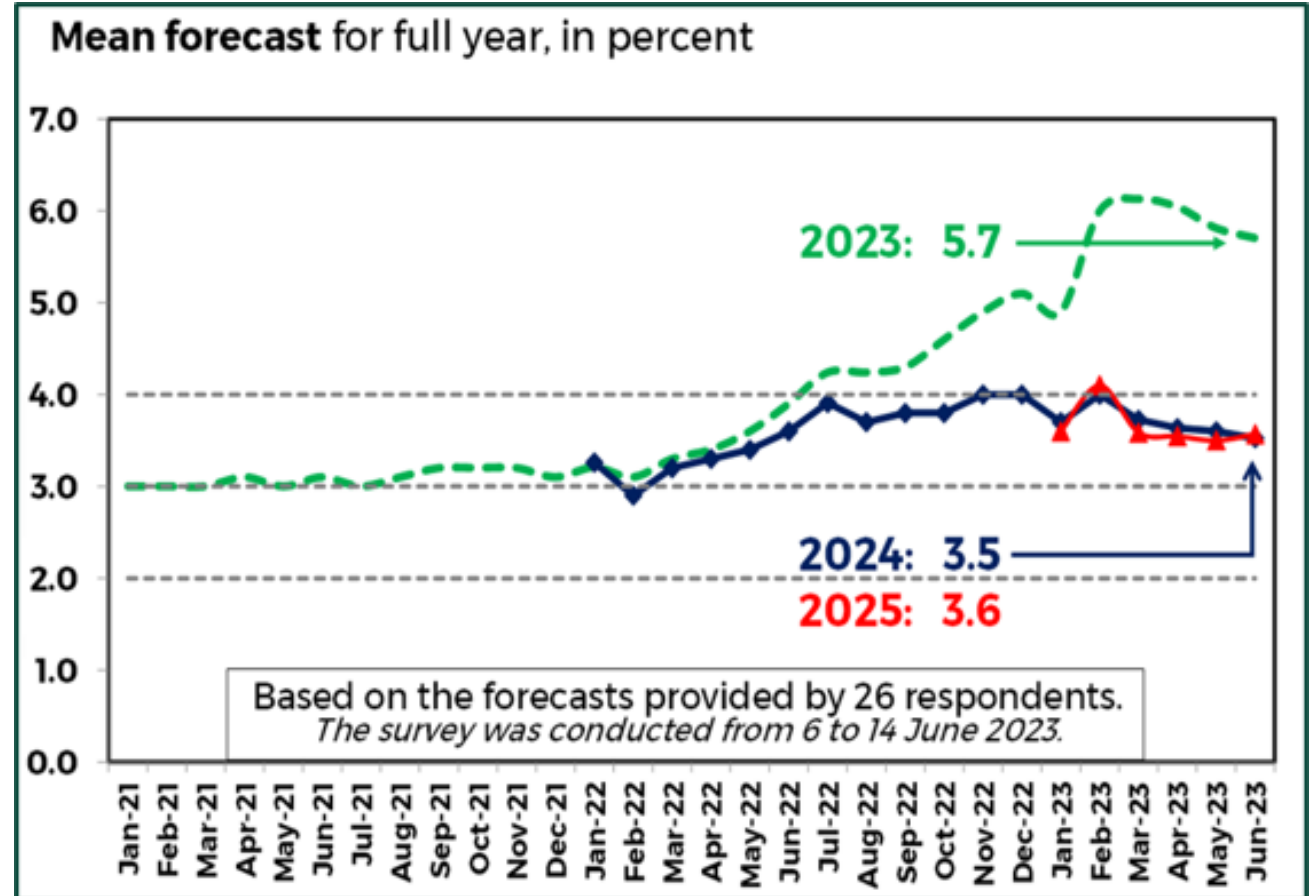
Source: BSP



**Expectations
of inflation
remained well
anchored**

BSP Private Sector Economists Survey

as of June 2023

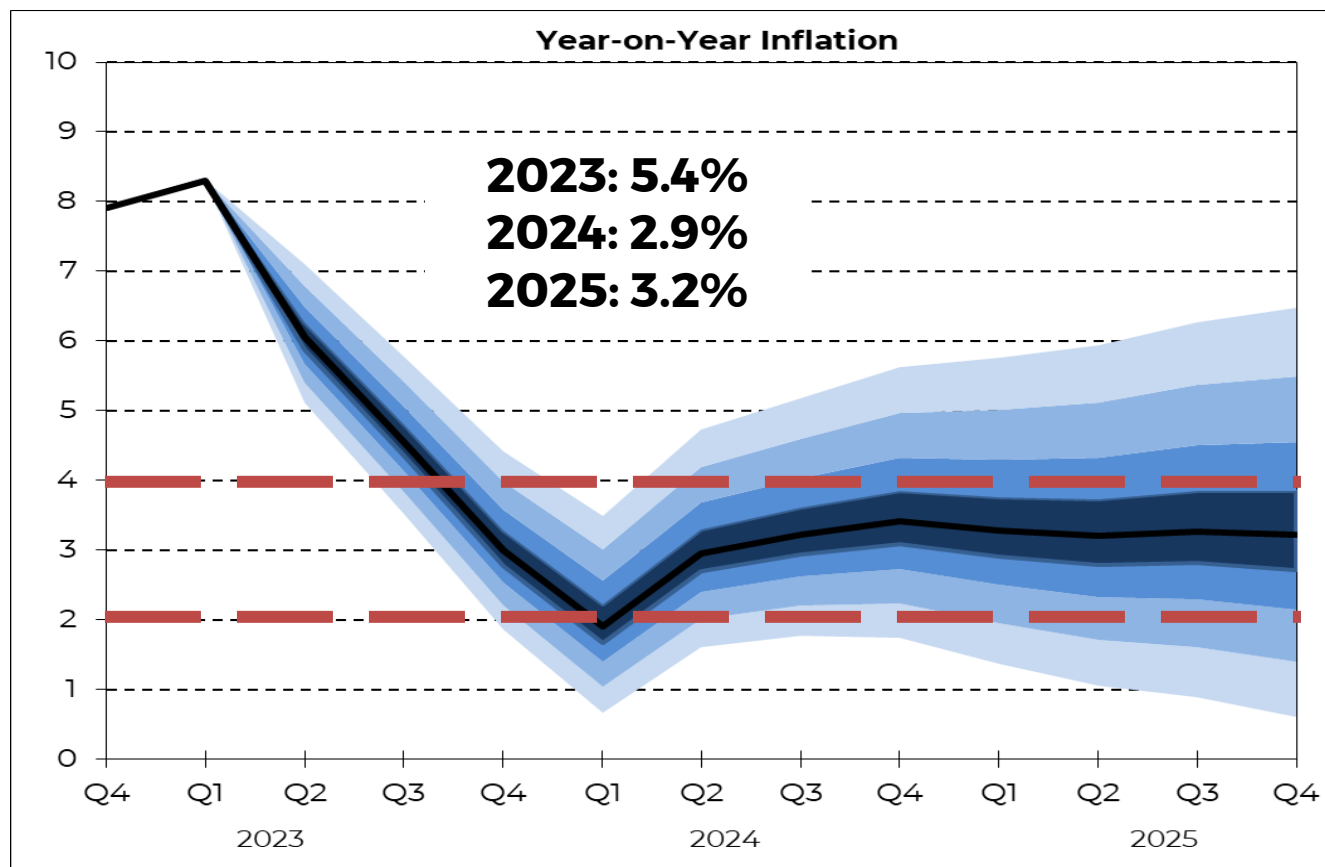


Source: BSP



**Our own models
see inflation
returning to our
target range by the
next quarter**

BSP Year-on-Year Inflation Forecast *As of 22 June 2023, Monetary Board Policy meeting*

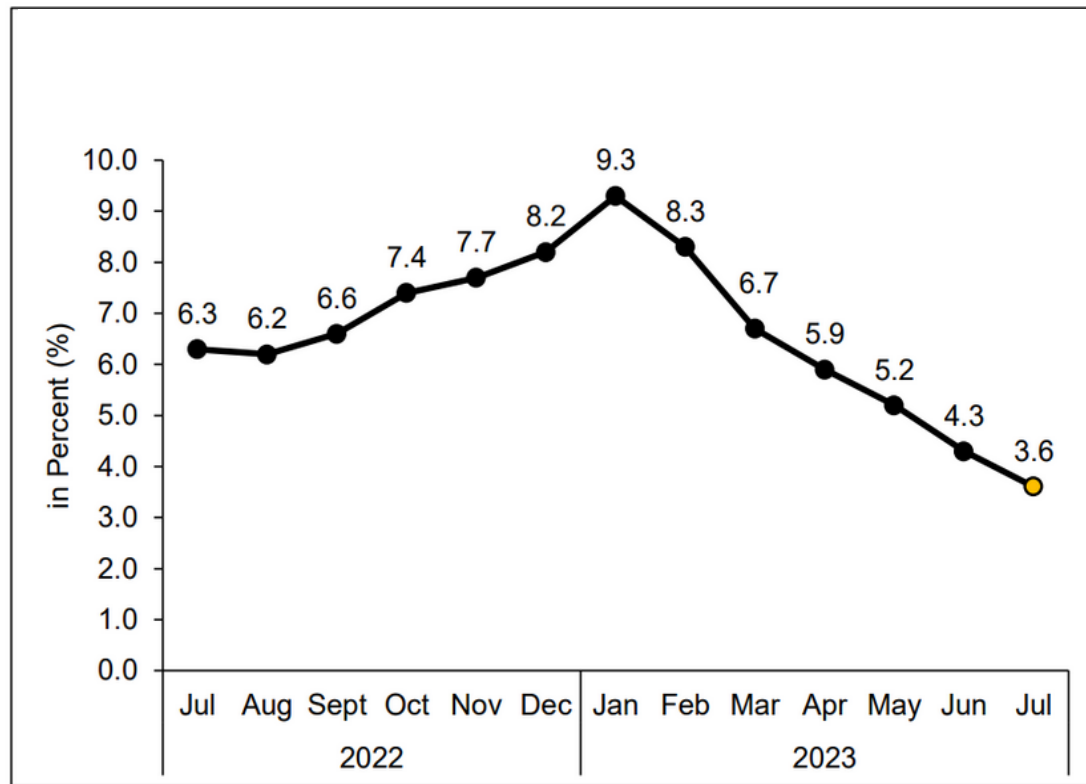


Source: BSP

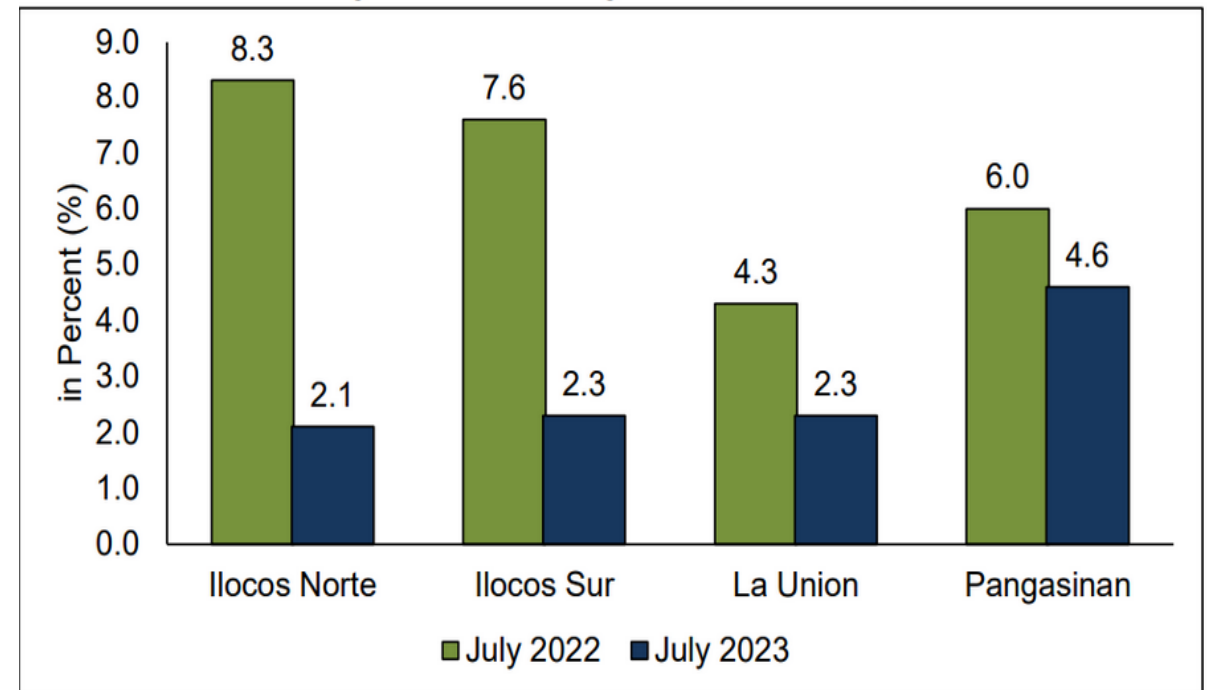


Lower inflation is seen especially in the Ilocos region

Headline Inflation Rate in Ilocos Region, All Items
July 2022 to July 2023
(2018=100)



Headline Inflation Rates by Province, Ilocos Region,
July 2022 and July 2023
(2018=100)



Source: Retail Price Survey of Commodities for the Generation of Consumer Price Index, PSA



Non-monetary measures remain crucial

Short-term strategies

- Ensure food reserves
- Enhance agriculture resilience
- Boost economic support

Medium- to long-term strategies

- Strengthen local food systems
- Upgrade infrastructure
- Streamline regulations for investments



The BSP's toolkit to deal with inflation also deals with a volatile currency market

**Monetary
policy**

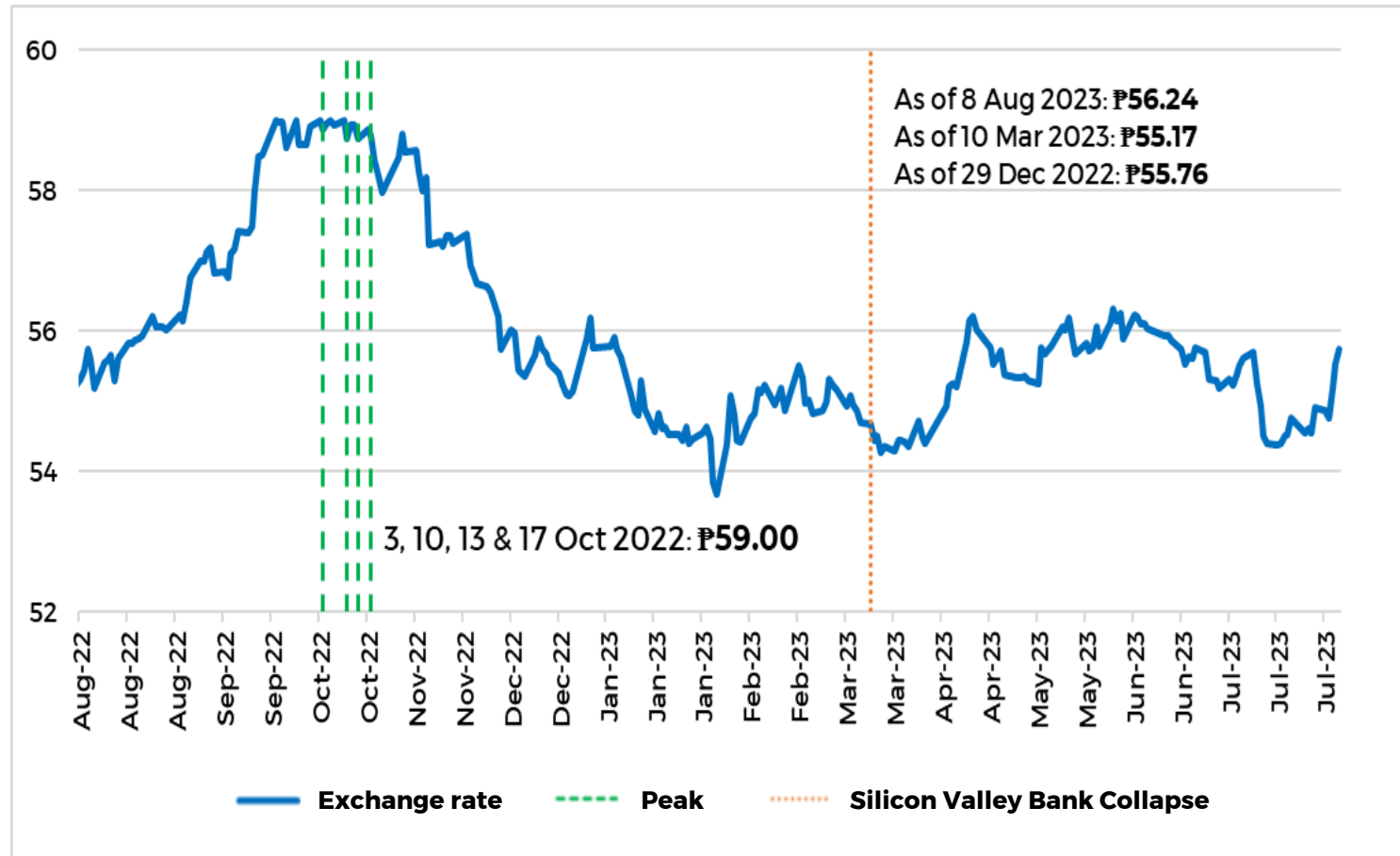
**Intervention
in the FX
market**

**Forward
guidance**



FX pressures ease

Peso-US Dollar Exchange Rate *Closing prices as of 8 August 2023 (in ₱)*

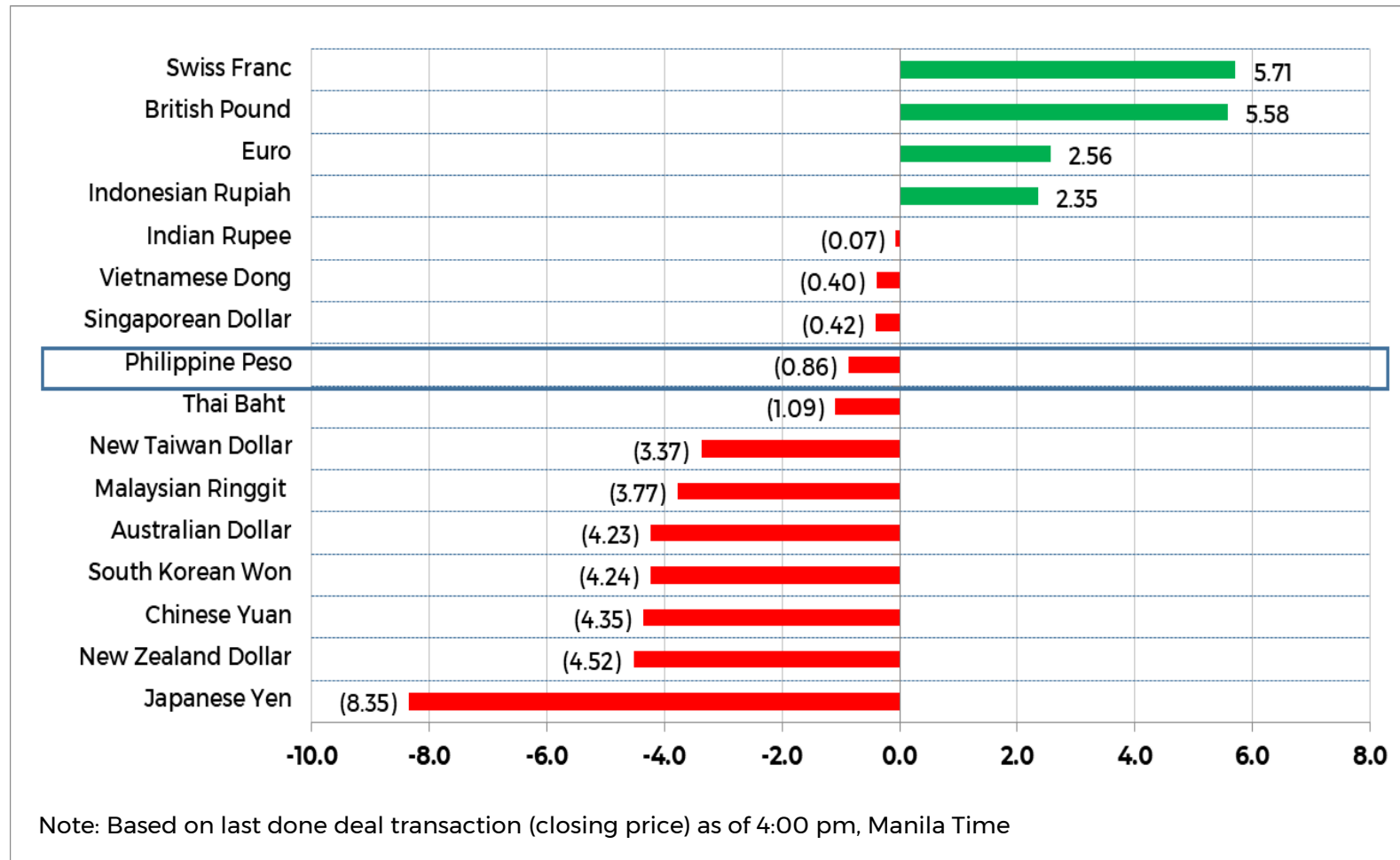


Source: BSP staff computation



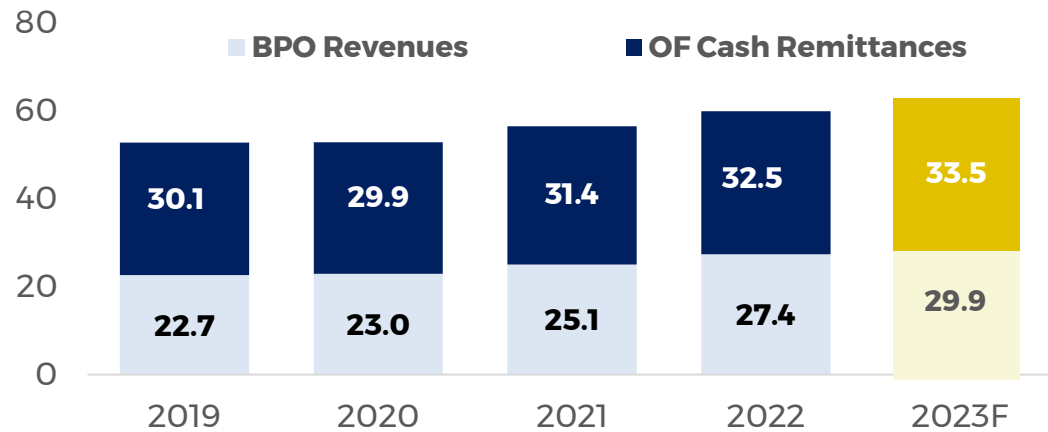
So far this year, the peso has weakened only slightly

Year-to-Date Percent Change against the US Dollar As of 8 August 2023 (in %)

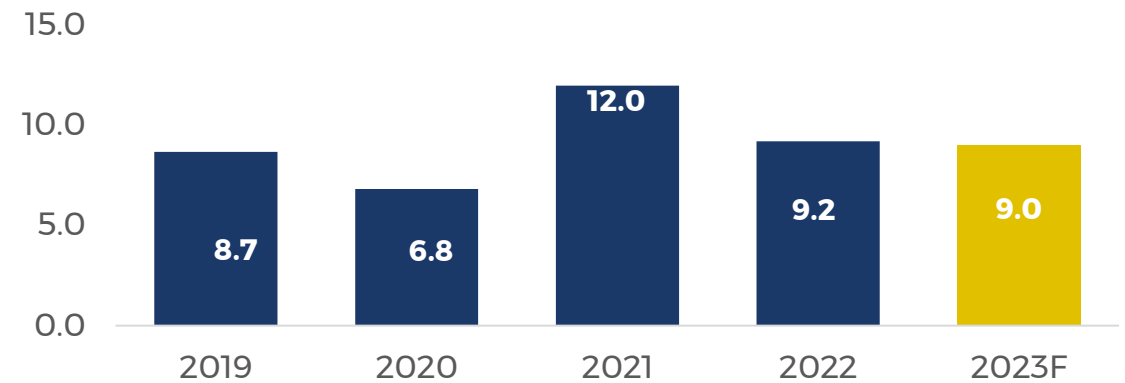


External inflows help maintain our international reserves

Overseas Filipinos' Cash Remittances and Business Process Outsourcing (BPO) Revenues *In US\$ billion*

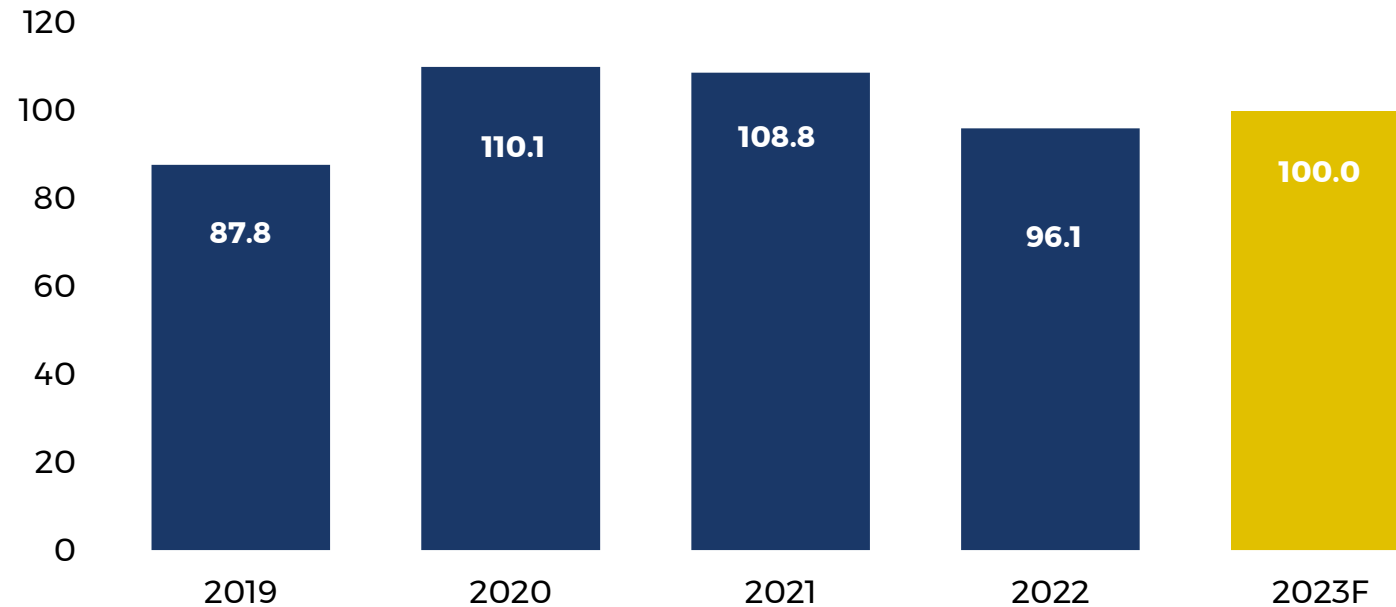


Net Foreign Direct Investments *In US\$ billion*



Ample reserves provide a cushion against global spillovers

Gross International Reserves *In US\$ billion, end-of-period*

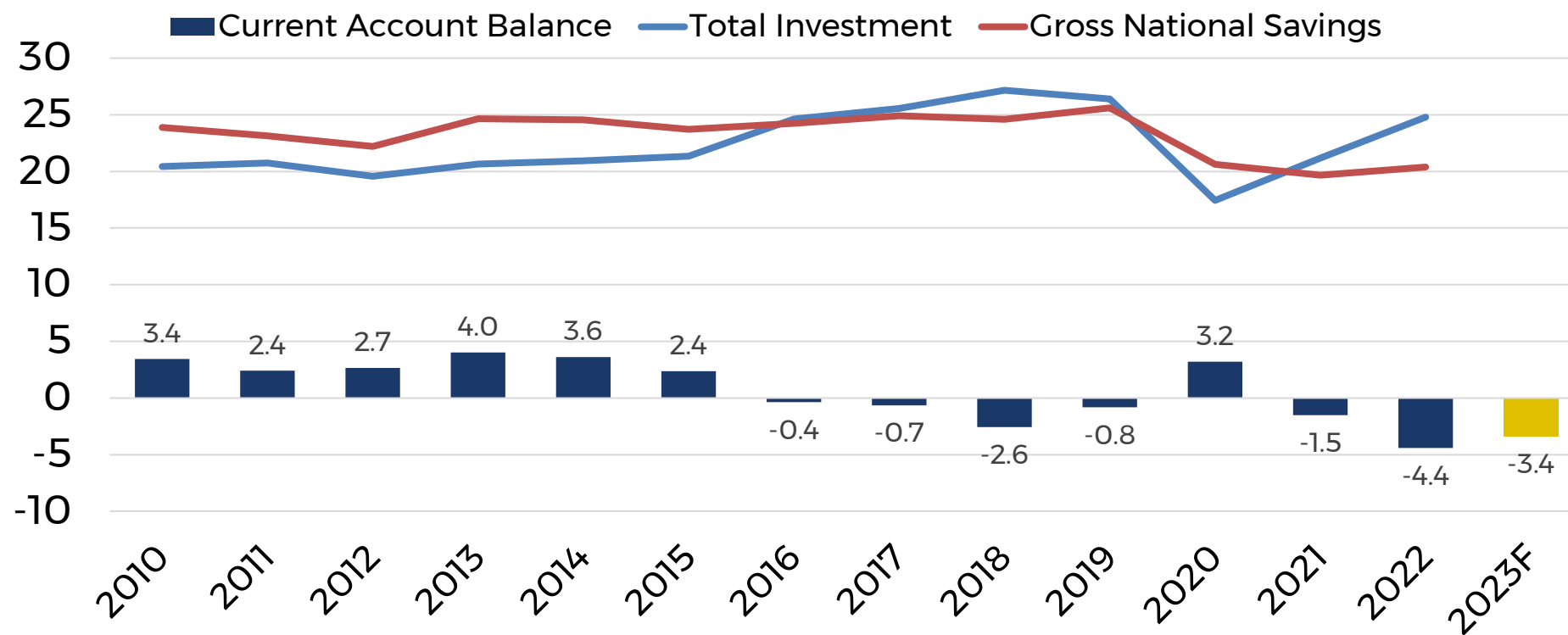


F - BSP projection
Source: BSP



The current account balance is driven by savings and investment

Current Account Balance, Savings and Investment (as % of GDP)



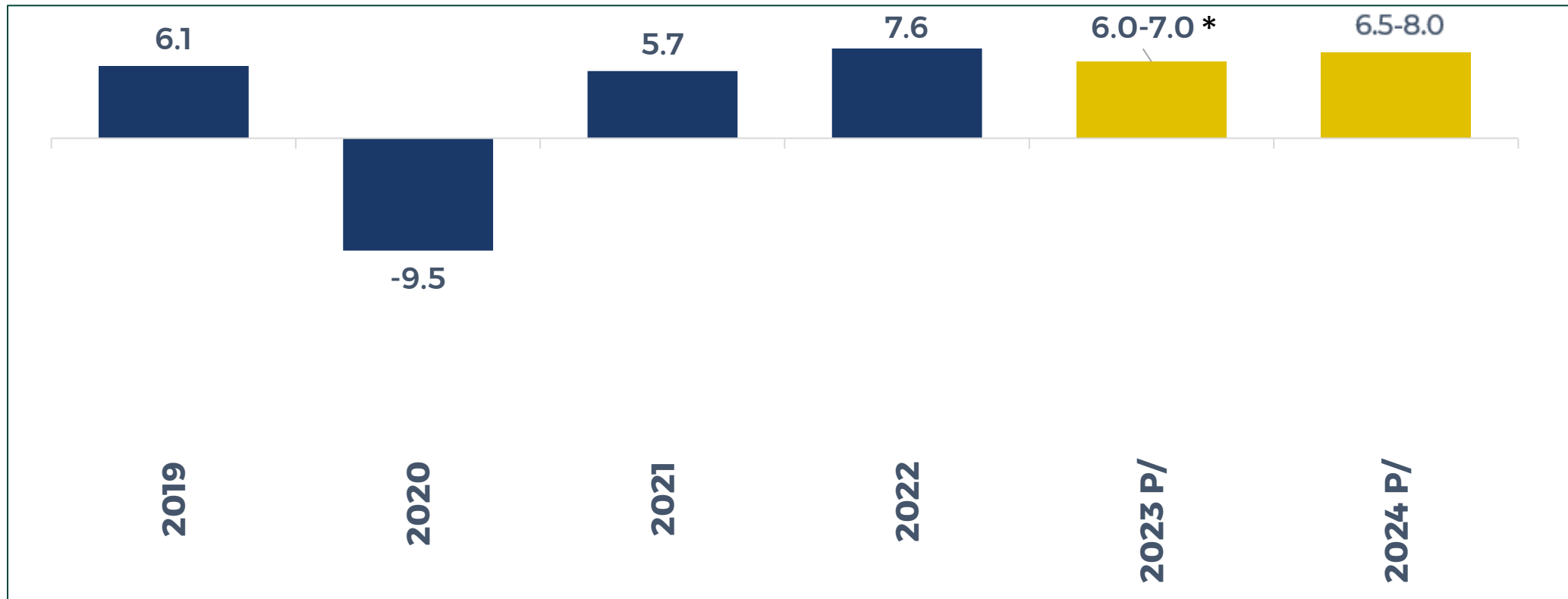
F - BSP projection

Source: International Monetary Fund and BSP



Despite the tightening, growth has been robust

Real GDP growth (in %)



* Annualized based on the Q1 2023 quarter-on-quarter seasonally adjusted data
p - GDP growth targets by the Development Budget Coordination Committee (DBCC)

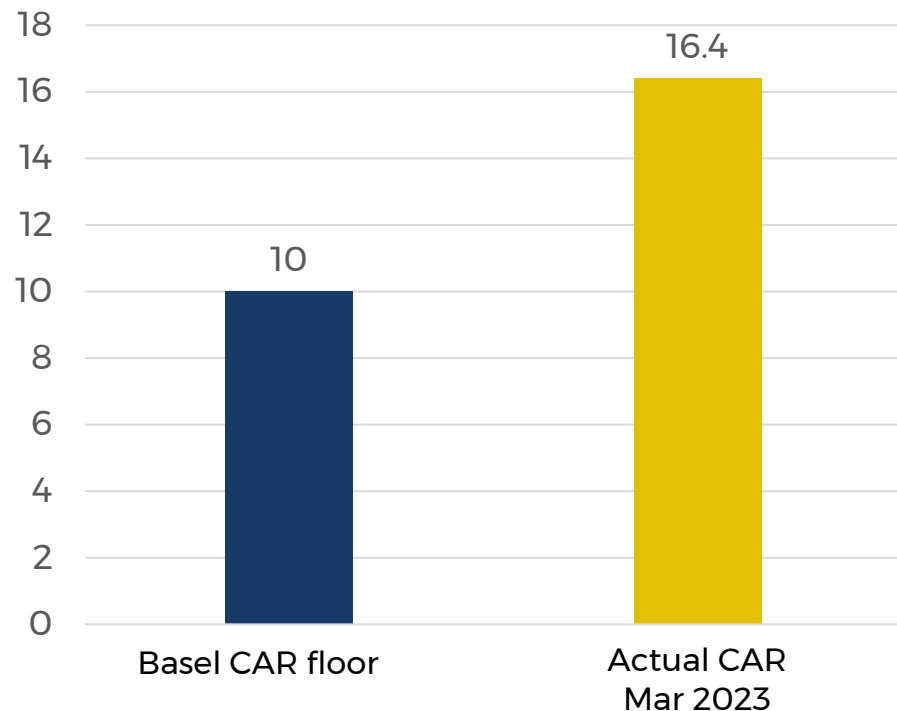
Sources of basic data: PSA and DBCC



Thanks to a resilient banking system

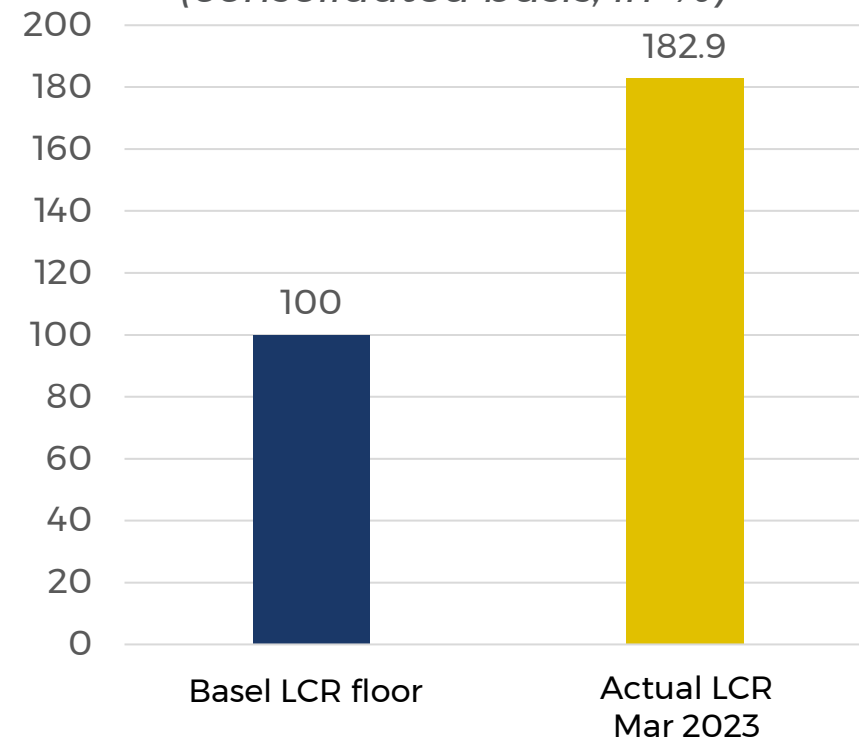
Strong capitalization well above international norms

Capital adequacy ratio (CAR) of U/KBs
(consolidated basis, in %)



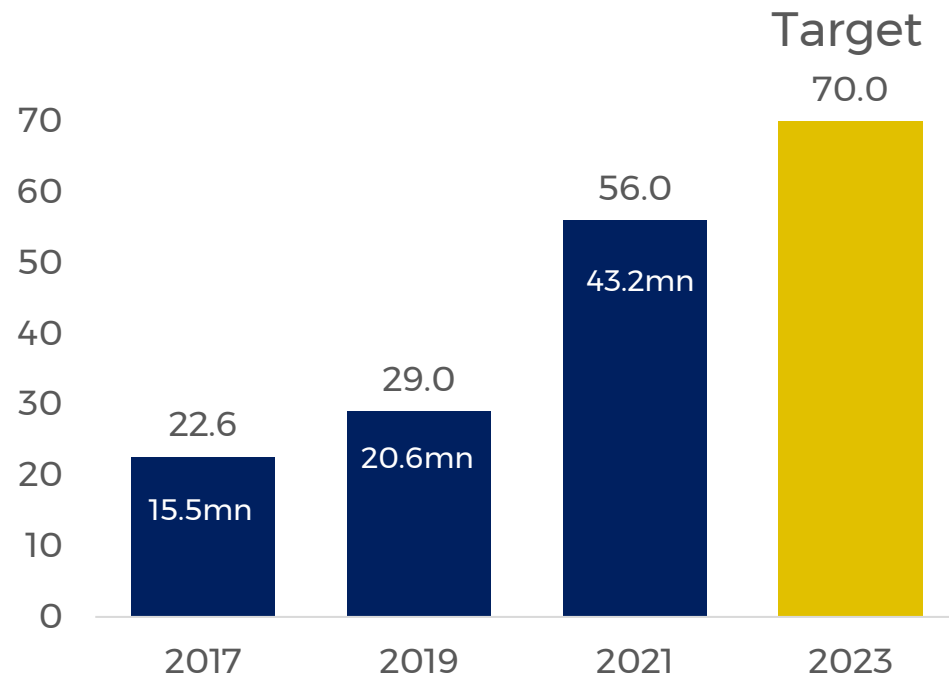
Strong liquidity position to meet deposit outflows in stress scenarios

Liquidity coverage ratio (LCR) of U/KBs
(consolidated basis, in %)

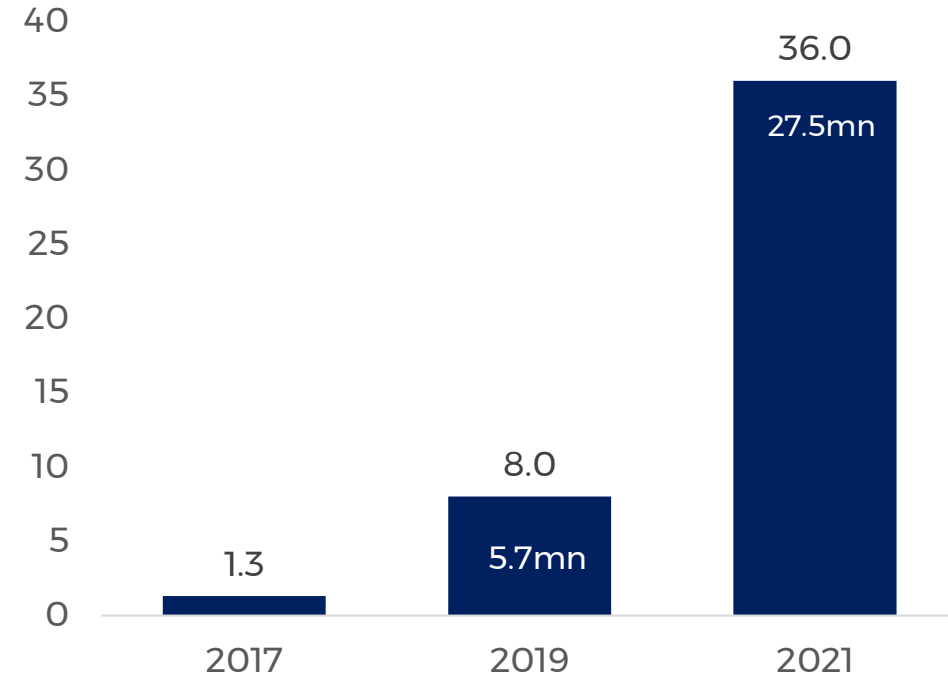


We see digitalization as key to financial inclusion

Percentage of Filipino adults with formal financial accounts
(In %)



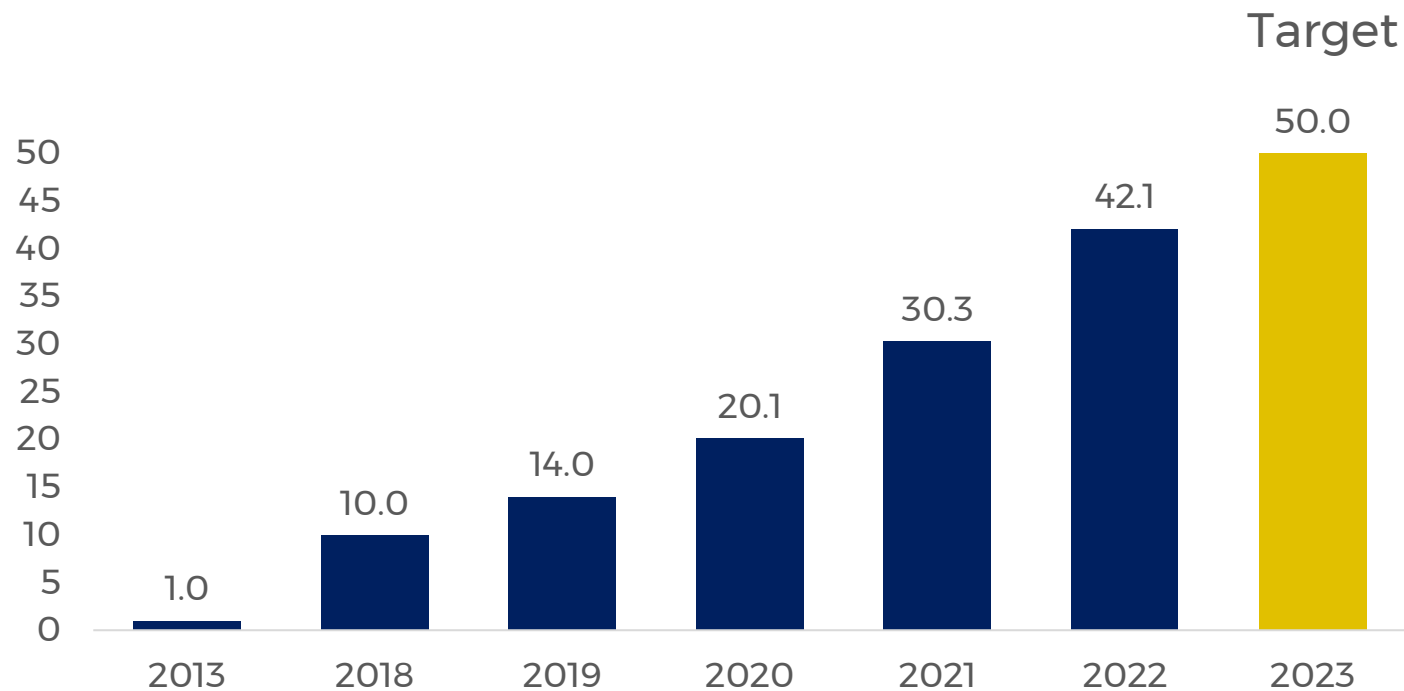
Percentage of Filipino adults with E-Money Accounts
(In %)



Indeed payments are increasingly digital

Share of digital payments to total volume of transactions

(In %)





The e-trike

**We seek
strategies for
sustainability
with a heart**



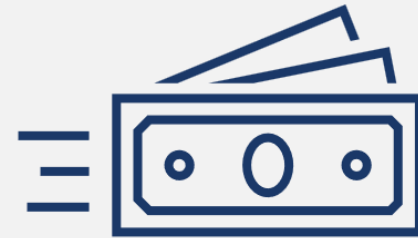
The BSP's actions will continue to rest on its three pillars



Price Stability



**Financial
Stability**



**Efficient and
Safe Payments
and Settlements
Systems**





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