



A Call to Action towards Sustainable Growth

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*2nd Face-to-Face MAP Economic Briefing
and General Membership Meeting
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BSP's policy actions and thrusts continue to be anchored on its core mandates, remaining responsive to needs of the time



3 Pillars of Central Banking

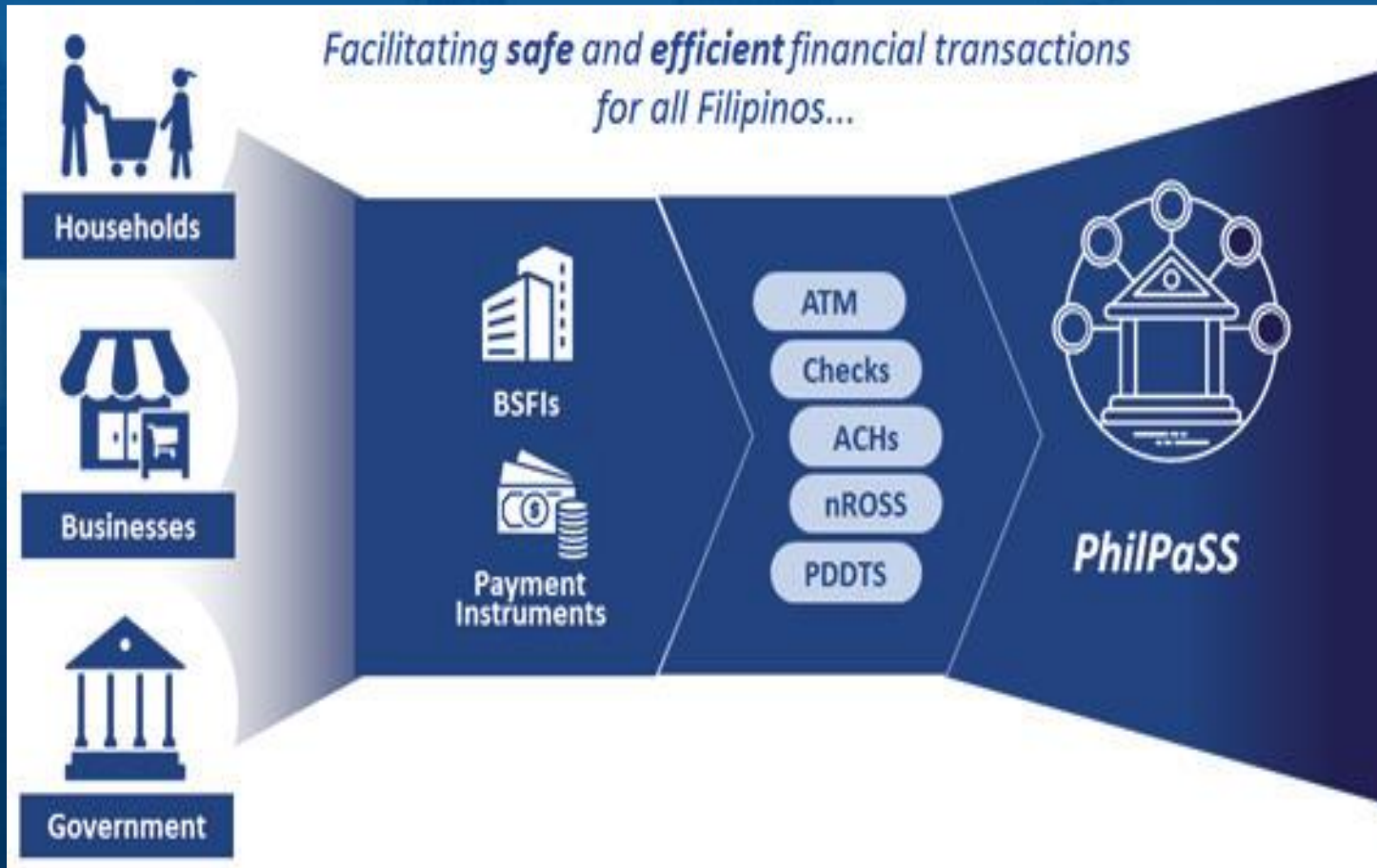
Price
Stability

Financial
Stability

Payments
and
Settlements
System



Making payments easier, quicker, and safer through digitalization can accelerate financial inclusion and boost economic growth



Digital Payments Transformation Roadmap



QR PH



PalengQR



Banks sustain solid footing amid COVID-19 pandemic

₱21.35T As of June 2022
Assets further expanded

₱16.49T As of June 2022
Deposits fueled Bank operations

12.0% As of June 2022
Credit conditions continued to improve



CAR (Solo)
16.2% As of March 2022
Adequate capital buffer

LCR (Solo)
195.7% As of May 2022
Sufficient liquidity buffer

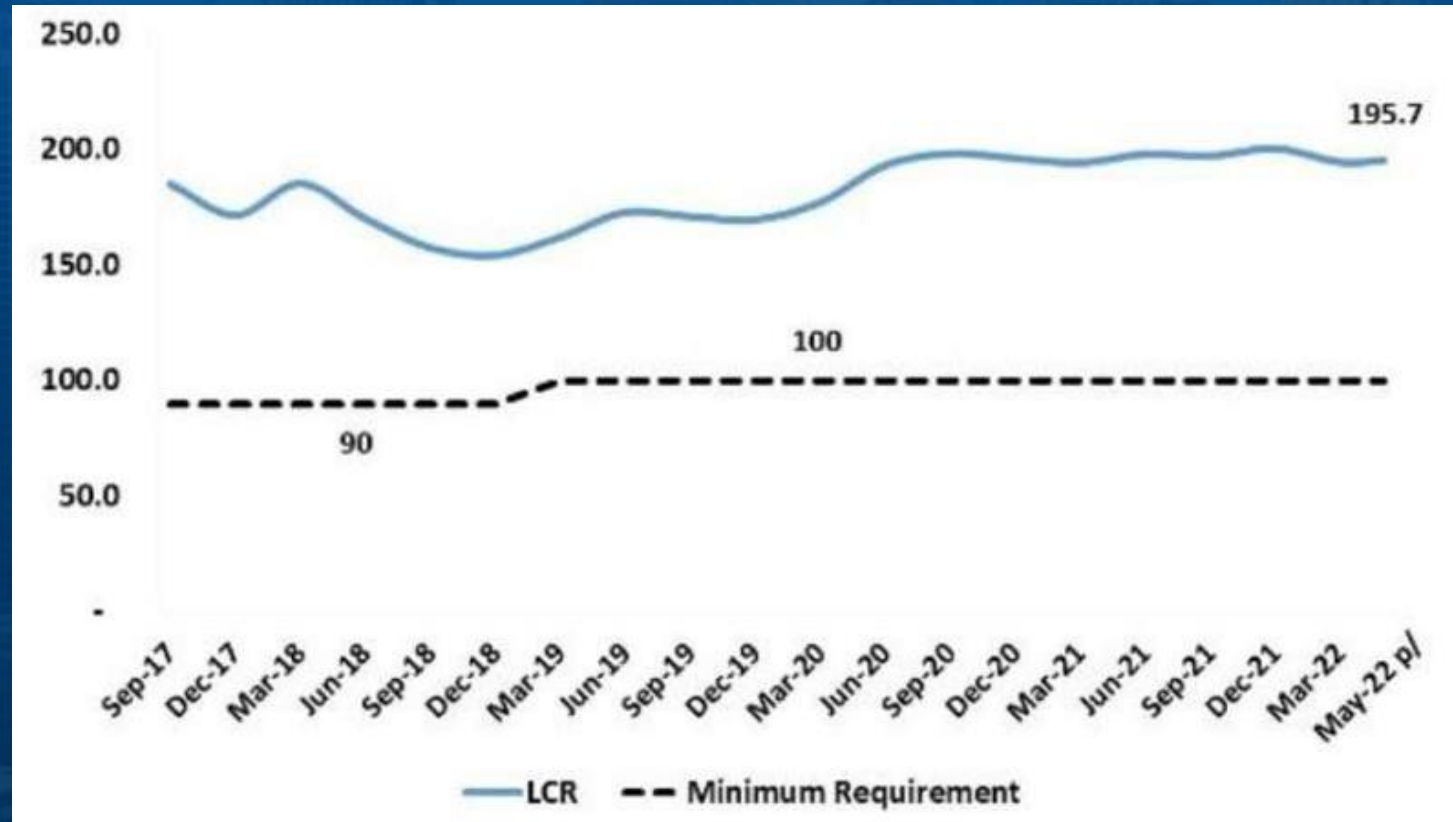
₱143.12B As of June 2022
Sustained profitability



Banks have maintained sufficient buffers to meet liquidity and funding requirements

LCR of the U/KB Industry (Solo Basis)

%, as of end-period indicated

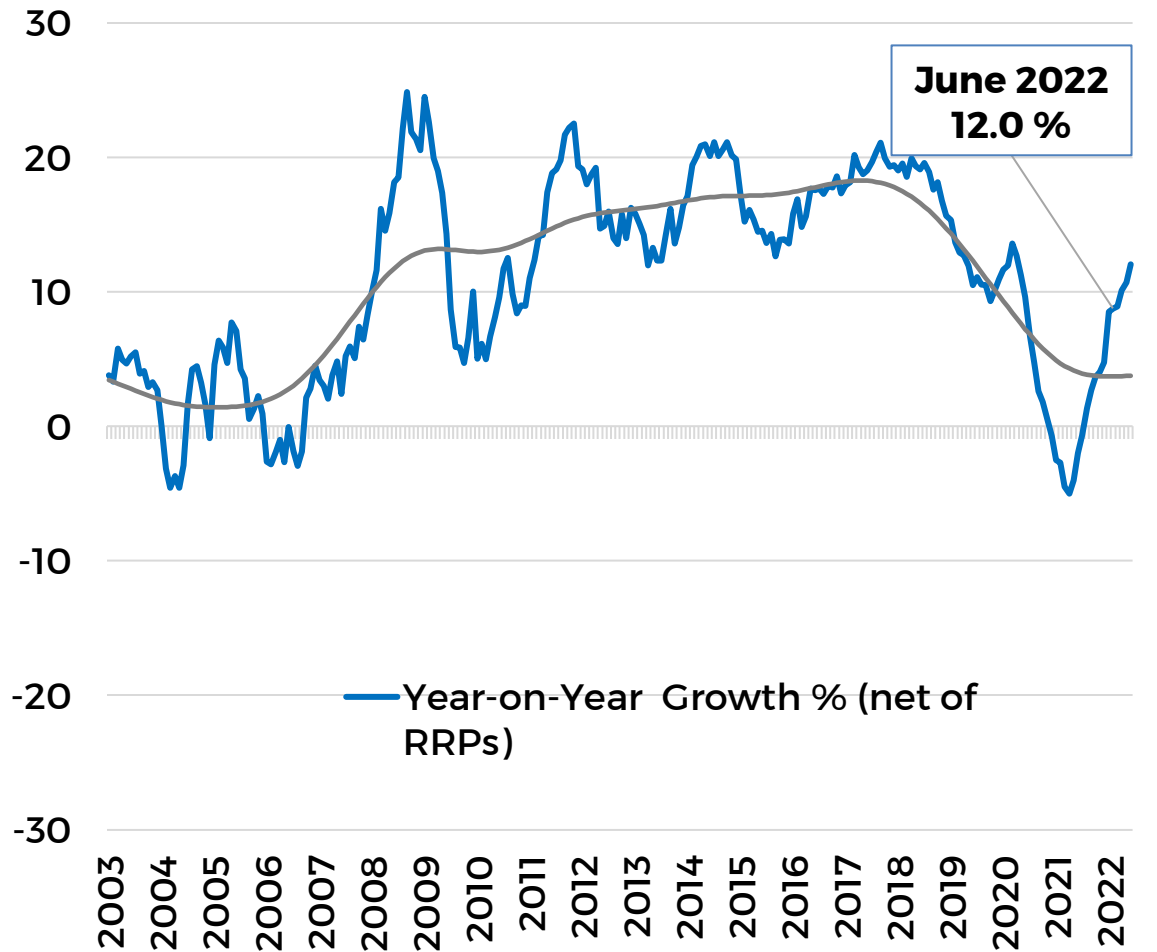


Source: BSP
p/ - Preliminary

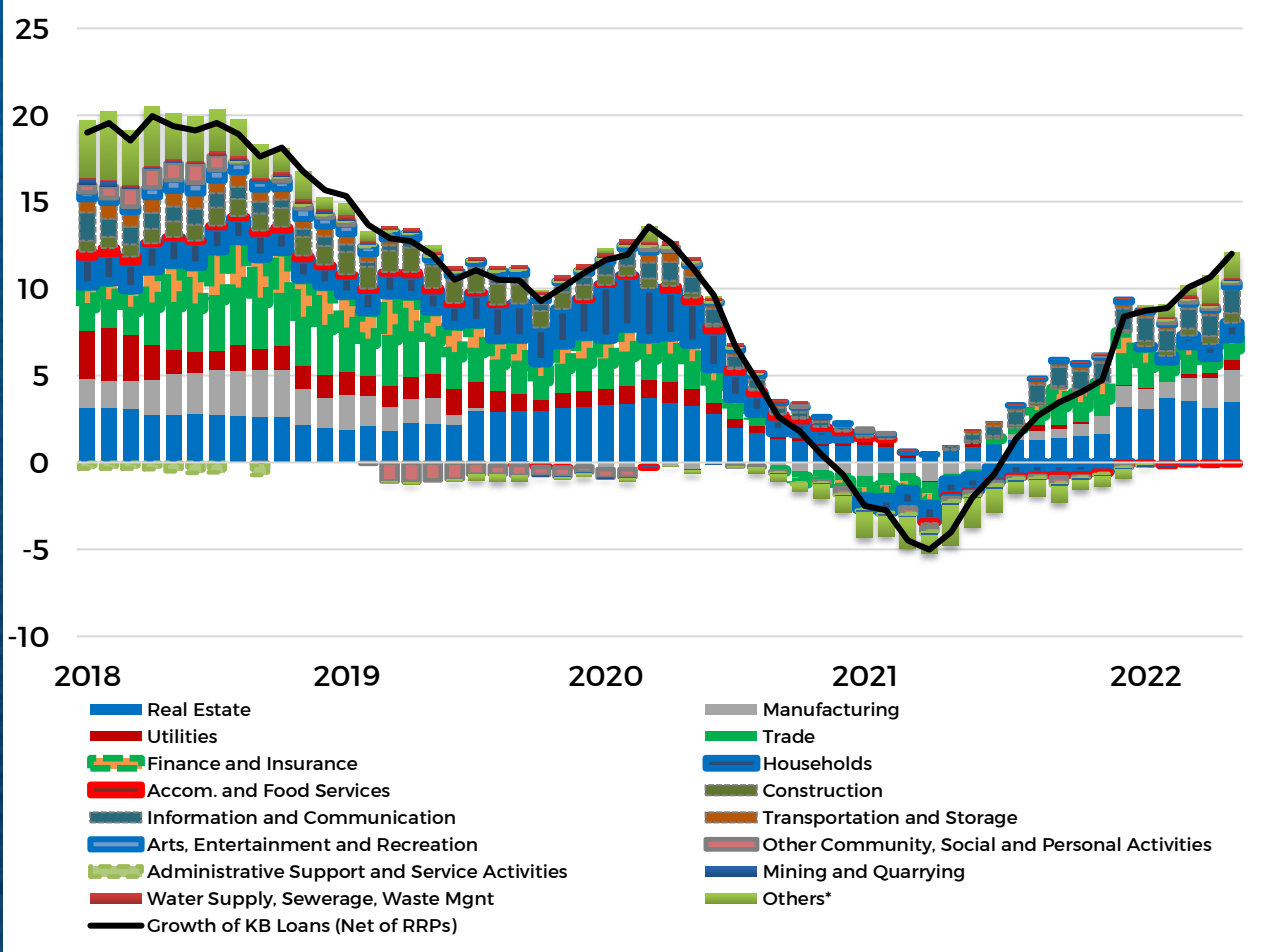


Lending activity continues to rise across sectors led by real estate and manufacturing

UKB Lending: Growth and Trend
(% year-on-year growth rate)



Bank Lending: Percentage Contribution to Growth
(by Sector, as of June 2022)



BSP has started to normalize its monetary policy stance, balancing growth and inflation amid uncertainty and risks

Raise the key policy rate

- Raised the key policy rate by 25 basis points each on 19 May and 23 June, by 75 basis points on 14 July (off-cycle), and 50 basis points on 18 August 2022

Wind down provisional advances to the National Government

- The NG has fully settled the Php300 billion on 20 May 2022

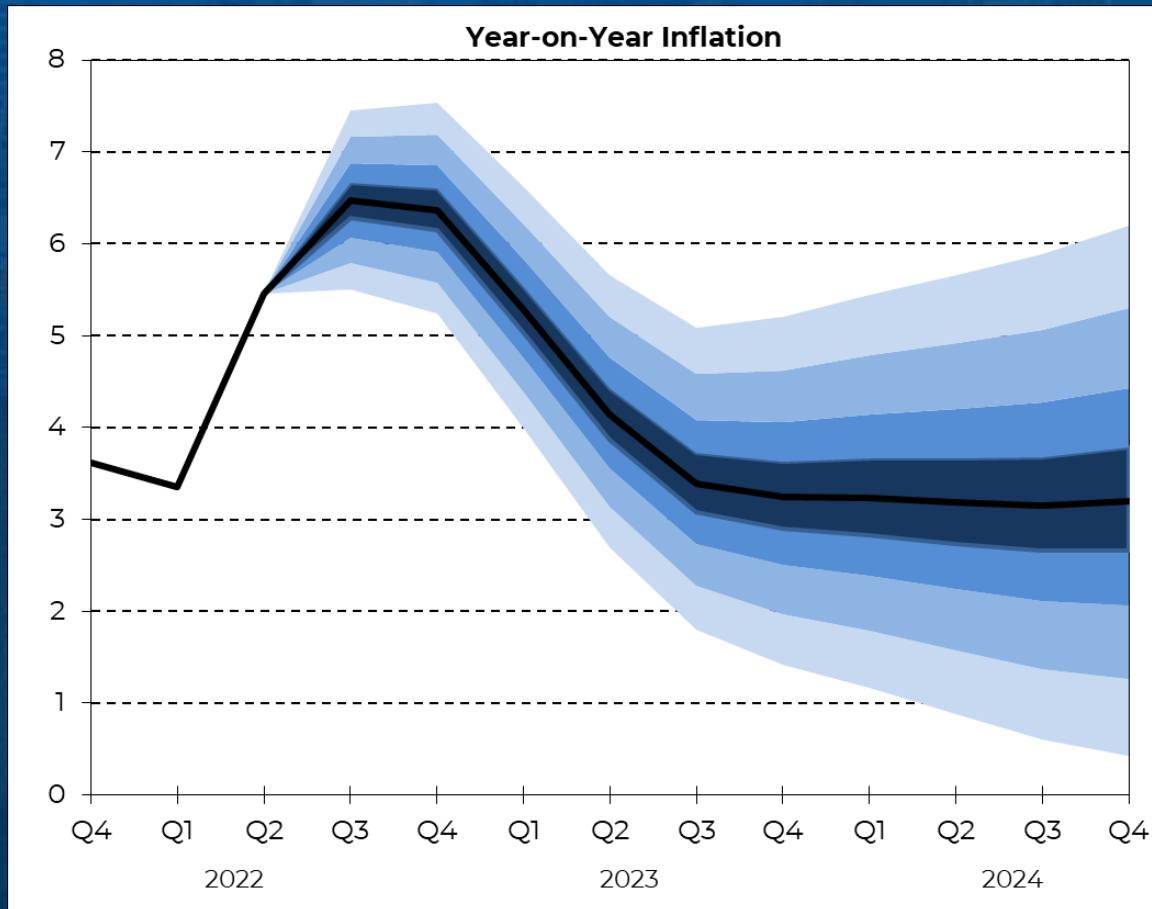
Shift government securities window from crisis to a normal liquidity facility

- Scale down government securities holdings
- Relaunch government securities window



Risks to the inflation outlook remain tilted to the upside for 2022-2023 and broadly balanced for 2024

BSP Year-on-Year Inflation Forecast Q4 2022 - Q4 2024 as of 18 August 2022 Monetary Policy Meeting



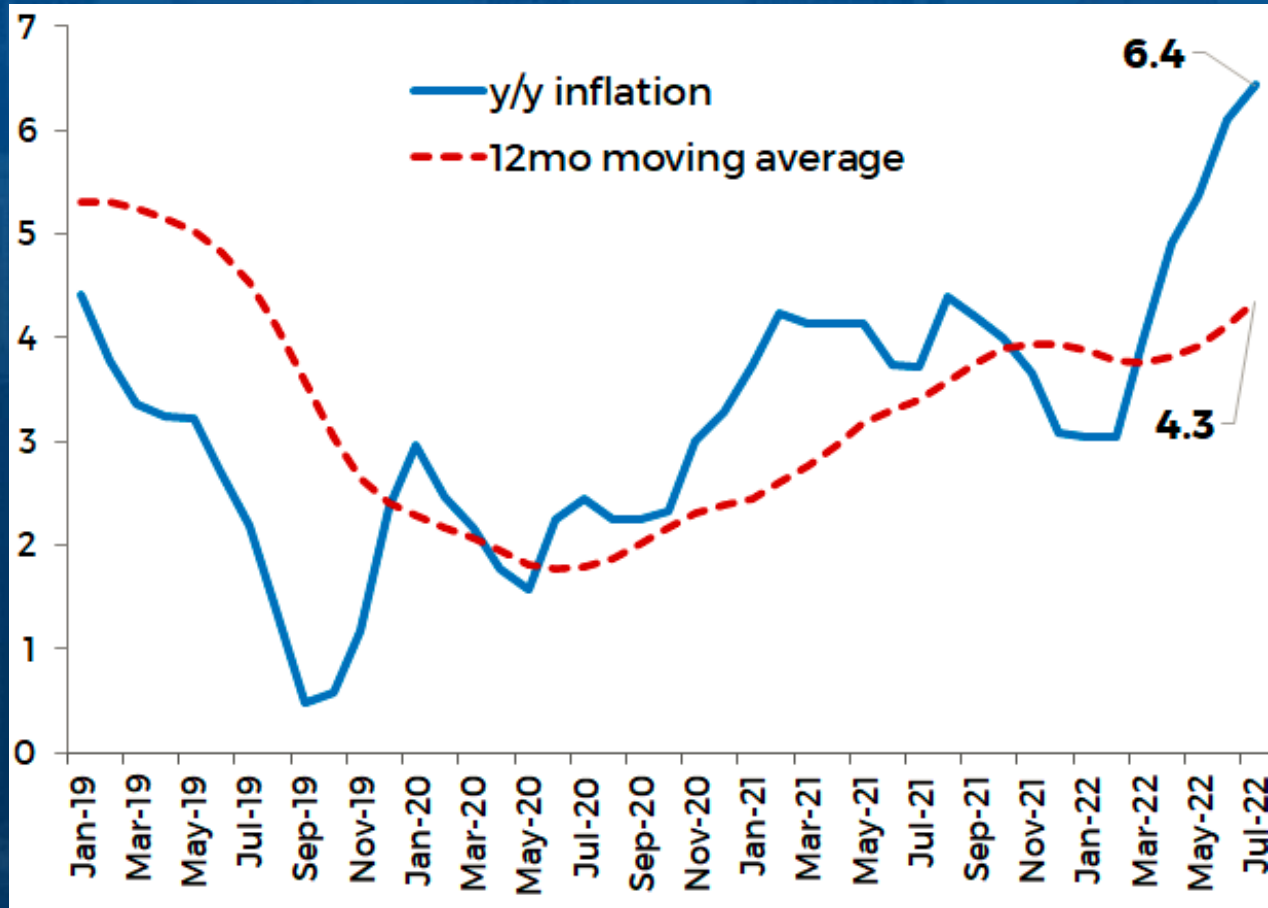
	23 Jun 2022 MB Meeting	18 Aug 2022 MB Meeting
2022	5.0%	5.4%
2023	4.2%	4.0%
2024	3.3%	3.2%

Source: BSP staff computations

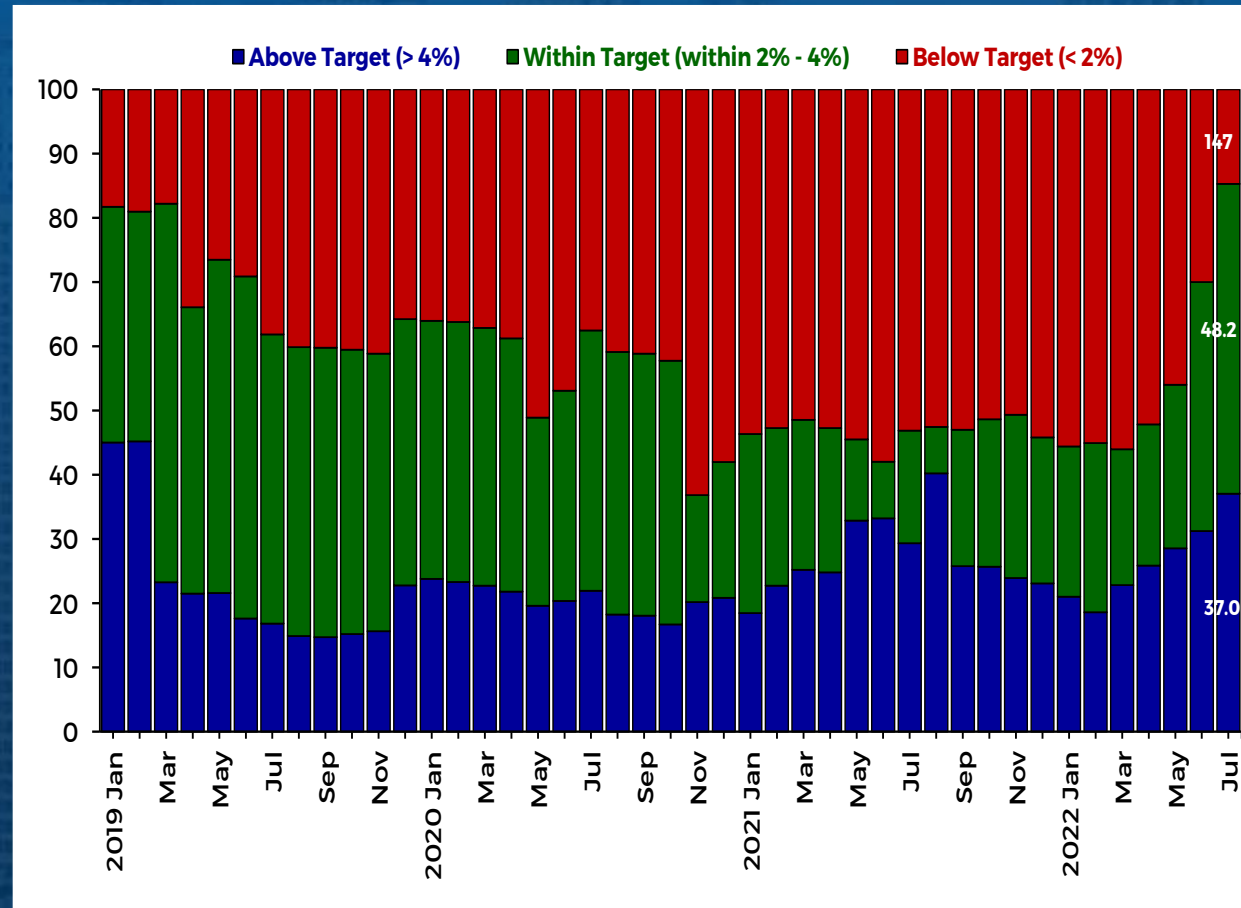


Latest inflation prints suggest intensifying inflation pressures

Headline Inflation Rate
(%, 2018=100)



Weights of CPI Items Below, Above, and Within the Target
(2018=100)



Sources: Philippine Statistics Authority and BSP staff calculations

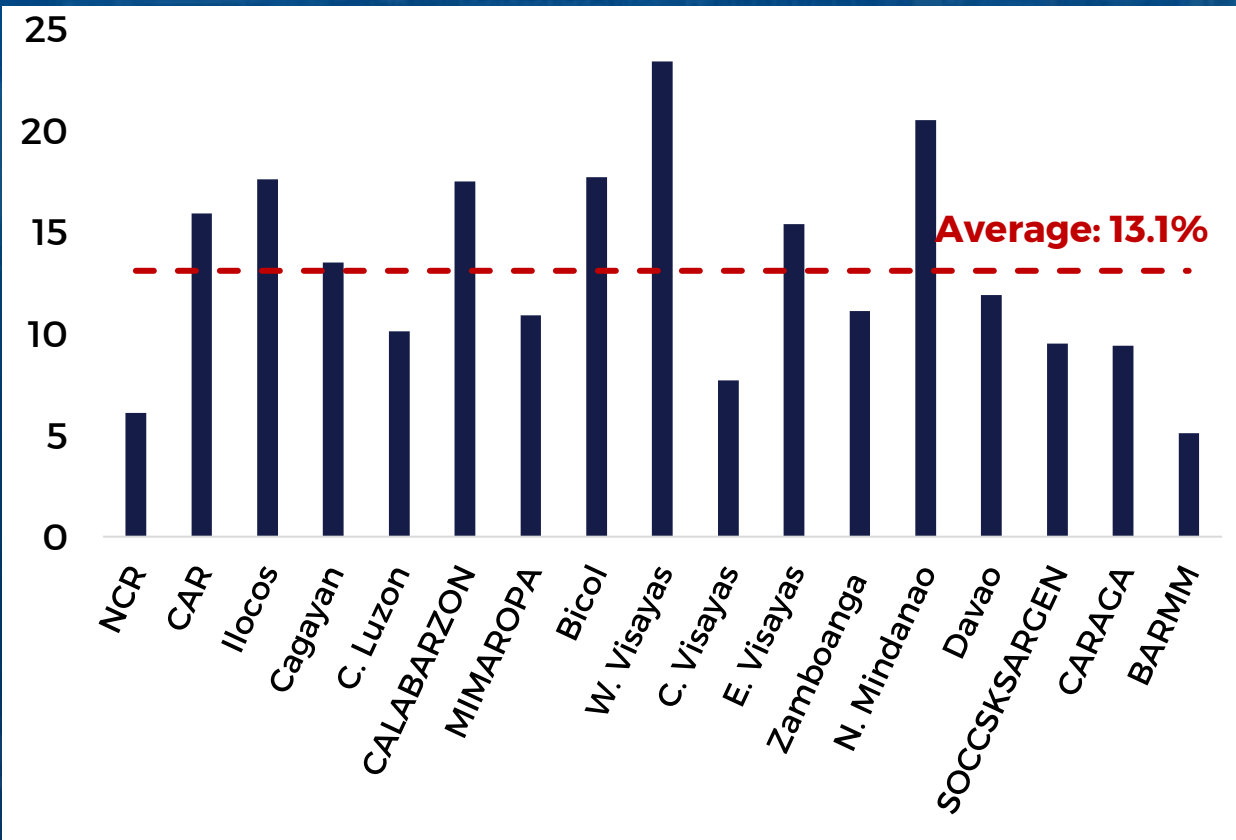


Second-round effects provide further case for monetary tightening by BSP

Petitions across all regions have been approved (average wage increase of 13.1% for all 17 regions).

Approved Wage Hikes as of end-June 2022

(% change from previous minimum wage)



Source: National Wages Productivity Commission

LTFRB has also approved a 2-peso fare increase for PUJs nationwide. Other fare hike petitions under review.

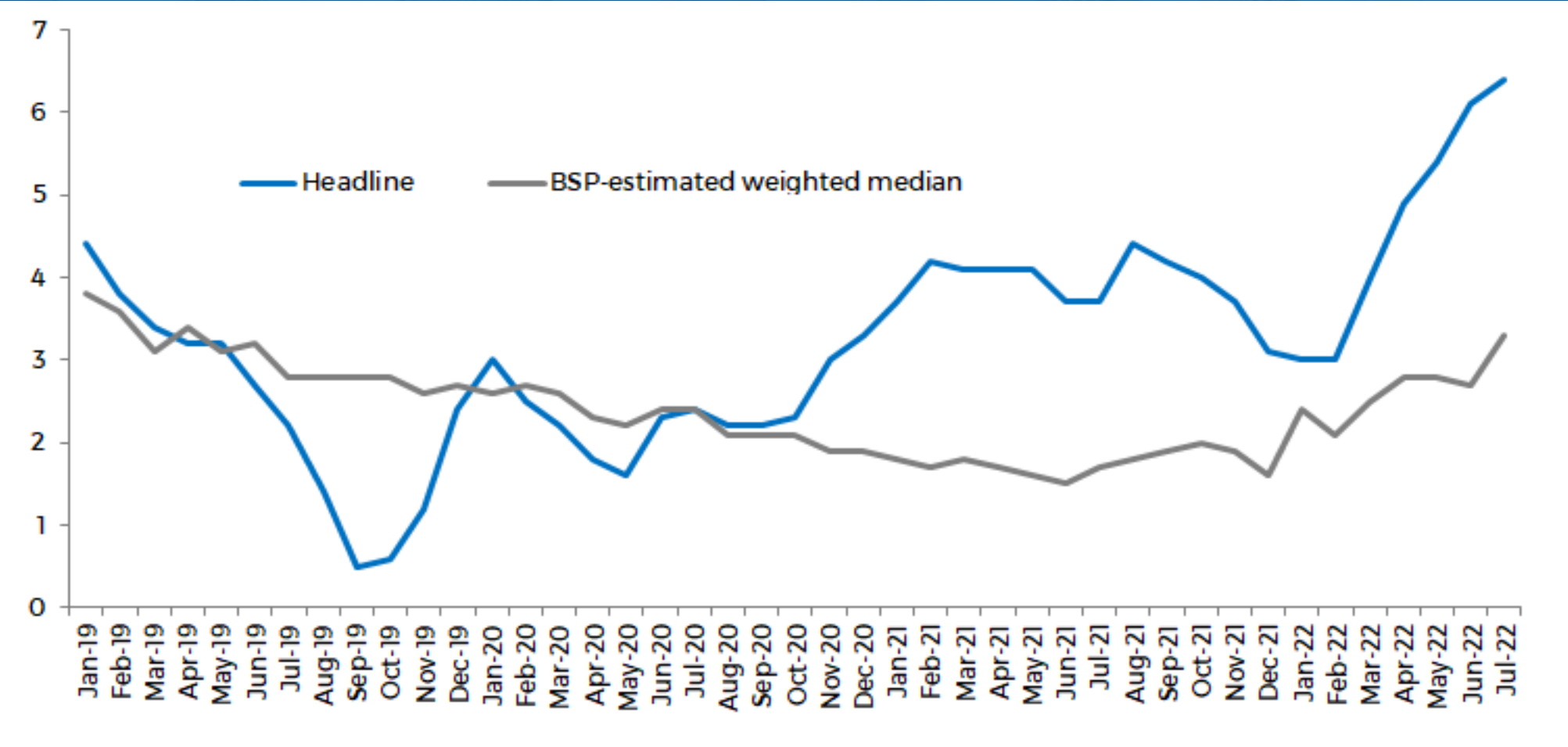
Region	Transport Type	Petition
Region 7	Bus	To raise fare rate by ₱5 from ₱25 to ₱30
Nationwide	Taxi	To raise flagdown rate by ₱20 (₱40 to ₱60)
NCR	Transport Network Vehicle Services	To raise flagdown rate by ₱10-₱20 depending on type of vehicle

Source: LTFRB and news coverage.



Demand-side pressures are on the rise

Headline inflation and weighted median (2018=100)



Sources: Philippine Statistics Authority and BSP estimates



Interest rate differentials narrow in favor of the US dollar

Date	BSP Policy Rates ¹		US Federal Funds Rate		Differential (1) – (3)
	Level (1)	Increase/ (Decrease) (2)	Level (Upper Limit) (3)	Increase/ (Decrease) (4)	
2022					
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	...	1.25 - 1.50
TOTAL INCREASE/DECREASE		175 bps		225 bps	

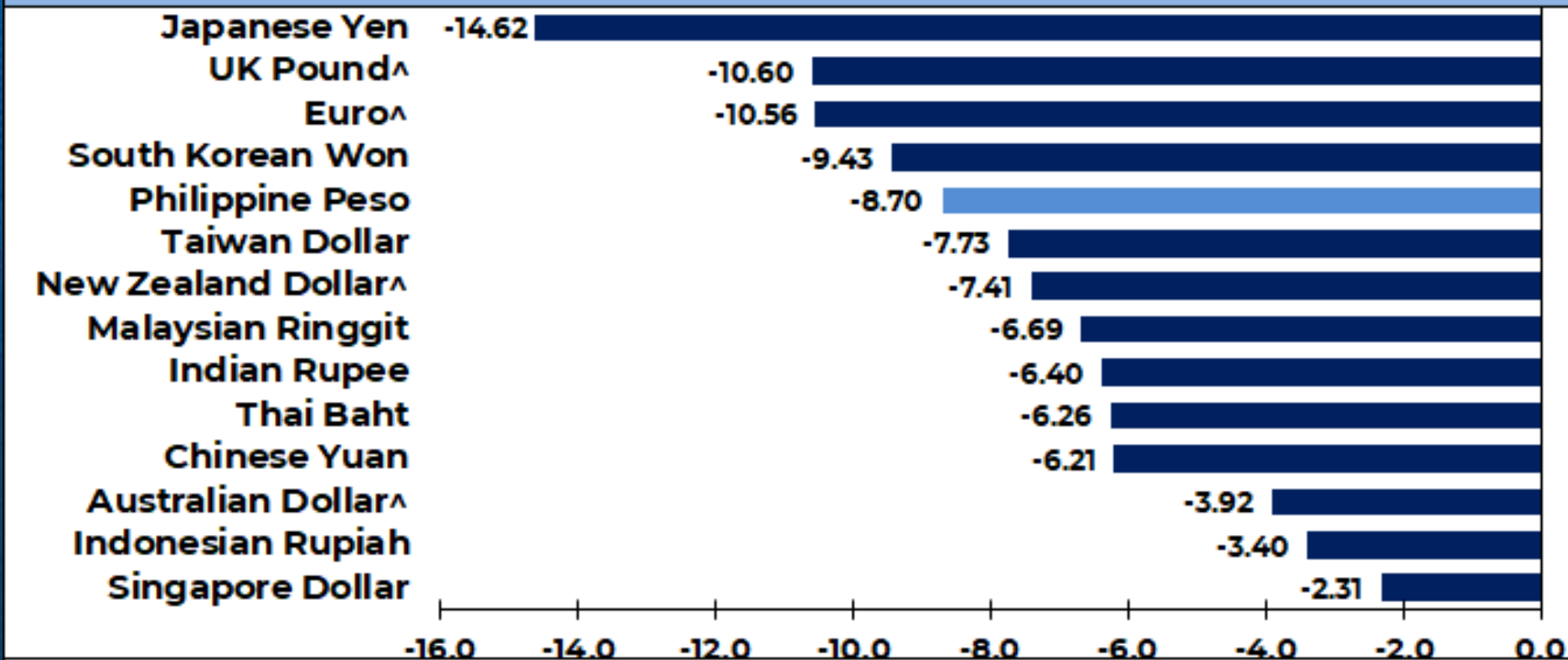
¹ Overnight RRP Rate
* US FOMC Meeting
** MB meeting



Peso depreciation adding to the build-up in inflationary pressures

YTD PERFORMANCE OF SELECTED CURRENCIES

Percentage change: 17 Aug 2022 vs 31 Dec 2021 - Closing Price



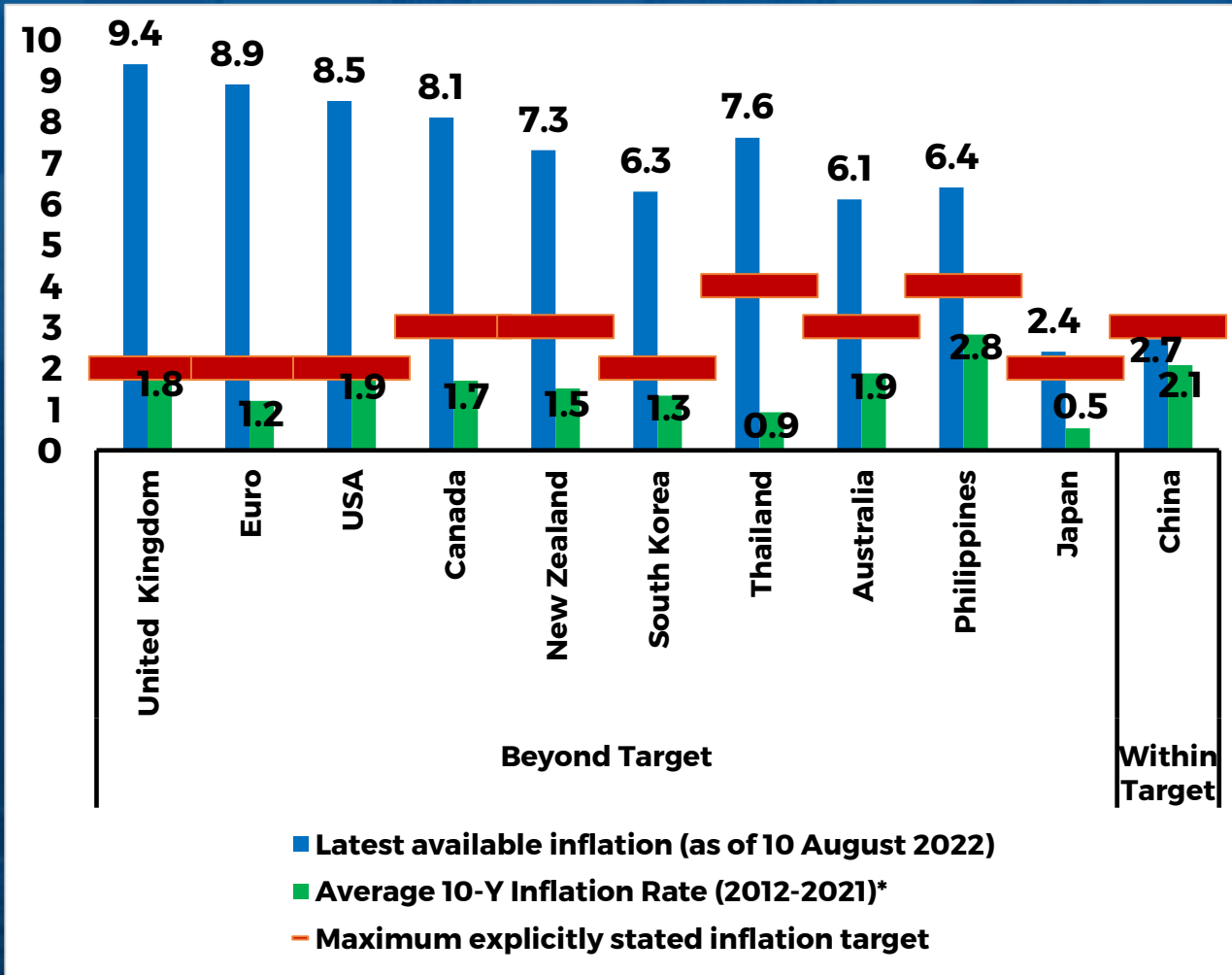
Note: YTD change for Indonesian Rupiah is as of 16 Aug 2022 since 17 Aug 2022 were holidays/no trading days for the said currency



Inflation in major economies also exceeded targets

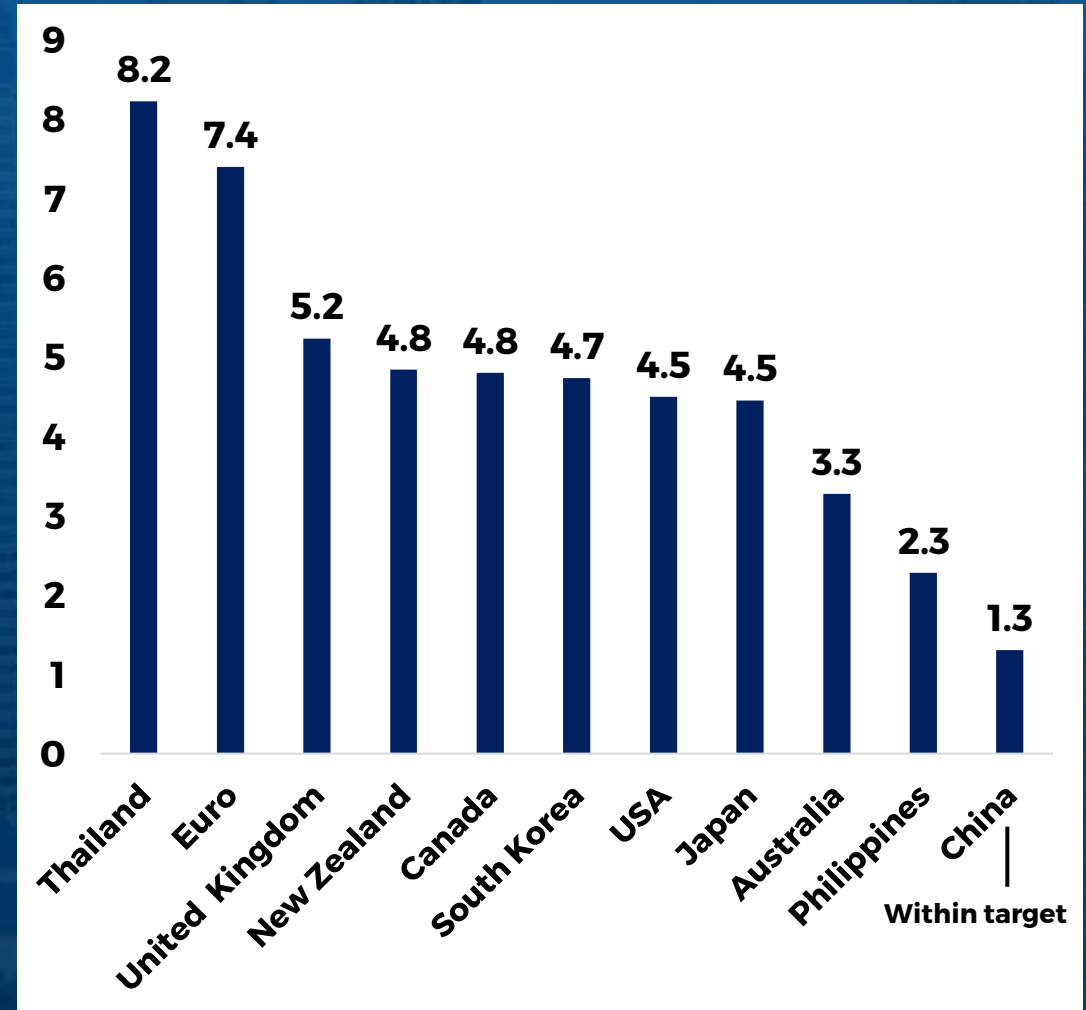
Latest actual and average 10Y inflation

(in comparison to maximum inflation target)



Ratio of actual vs. average 10Y inflation

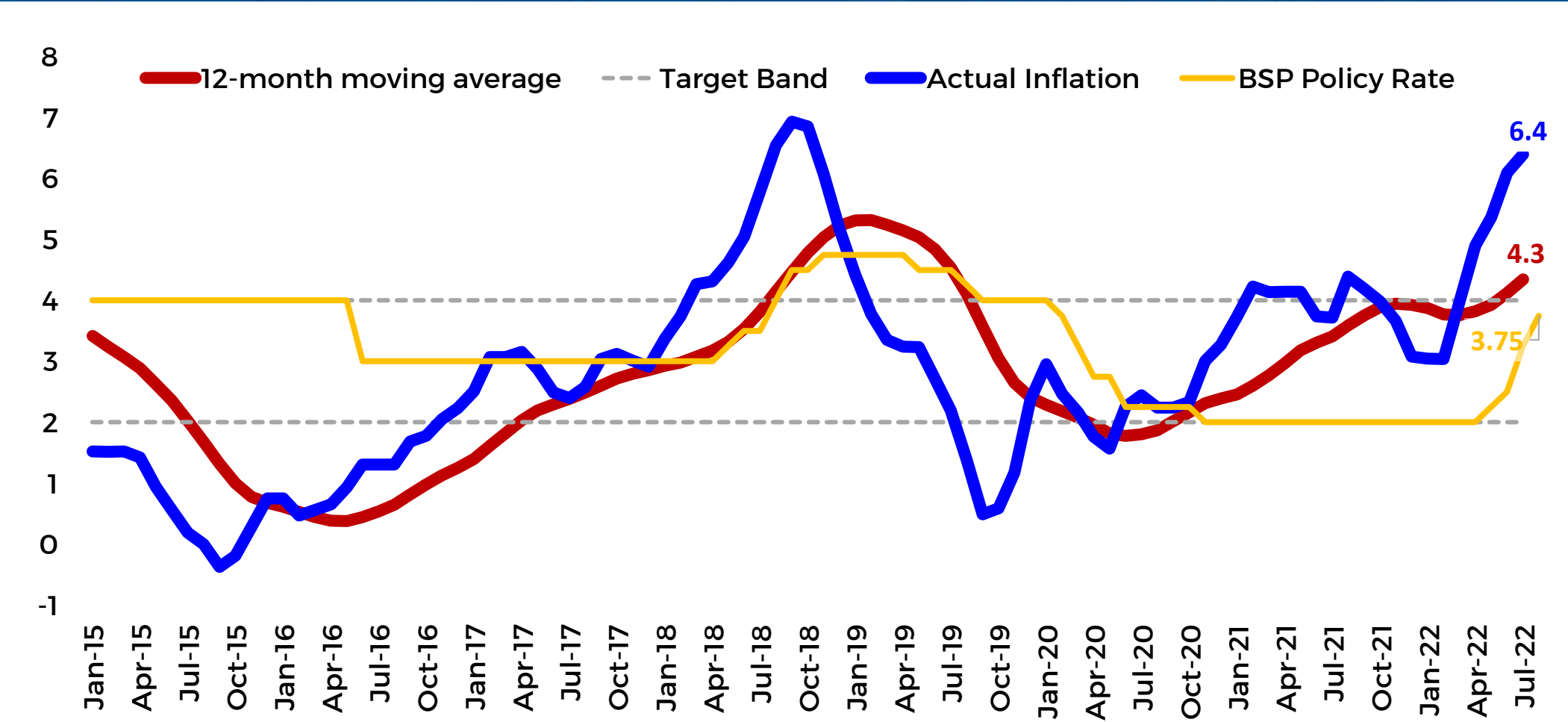
(data as of 10 August 2022)



BSP policy settings remain accommodative and supportive of growth

12-month moving average of Headline Inflation (YoY, 2018 = 100)
and BSP policy rate

Jan 2015 – August 2022



Source: BSP, Philippine Statistics Authority (inflation data as of July 2022)



Working towards a stronger, more digitalized, and more inclusive Philippine economy



Financial Digitalization



Corporate Governance



Sustainable Finance





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