



Outlook for 2023 & 2024

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Philippine Economic Briefing
Singapore
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BSP's policy actions and thrusts continue to be anchored on its core mandates, remaining responsive to needs of the times

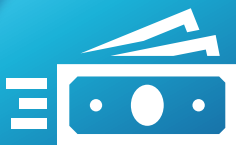
3 Pillars of Central Banking



Price Stability



Financial Stability

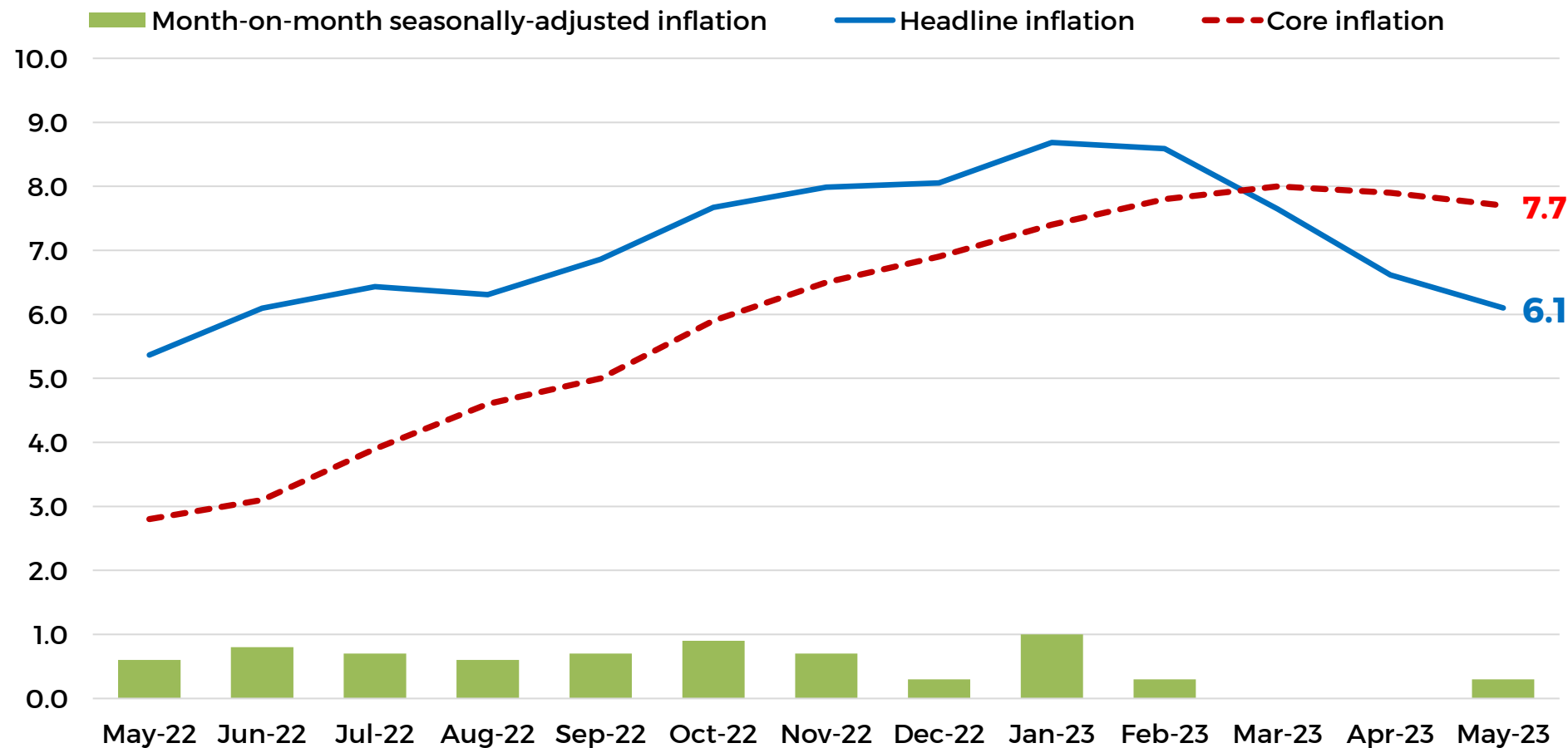


Payments and Settlements System



Inflation pressures continued to ease

Headline and Core Inflation, 2020-2023
(in percent)

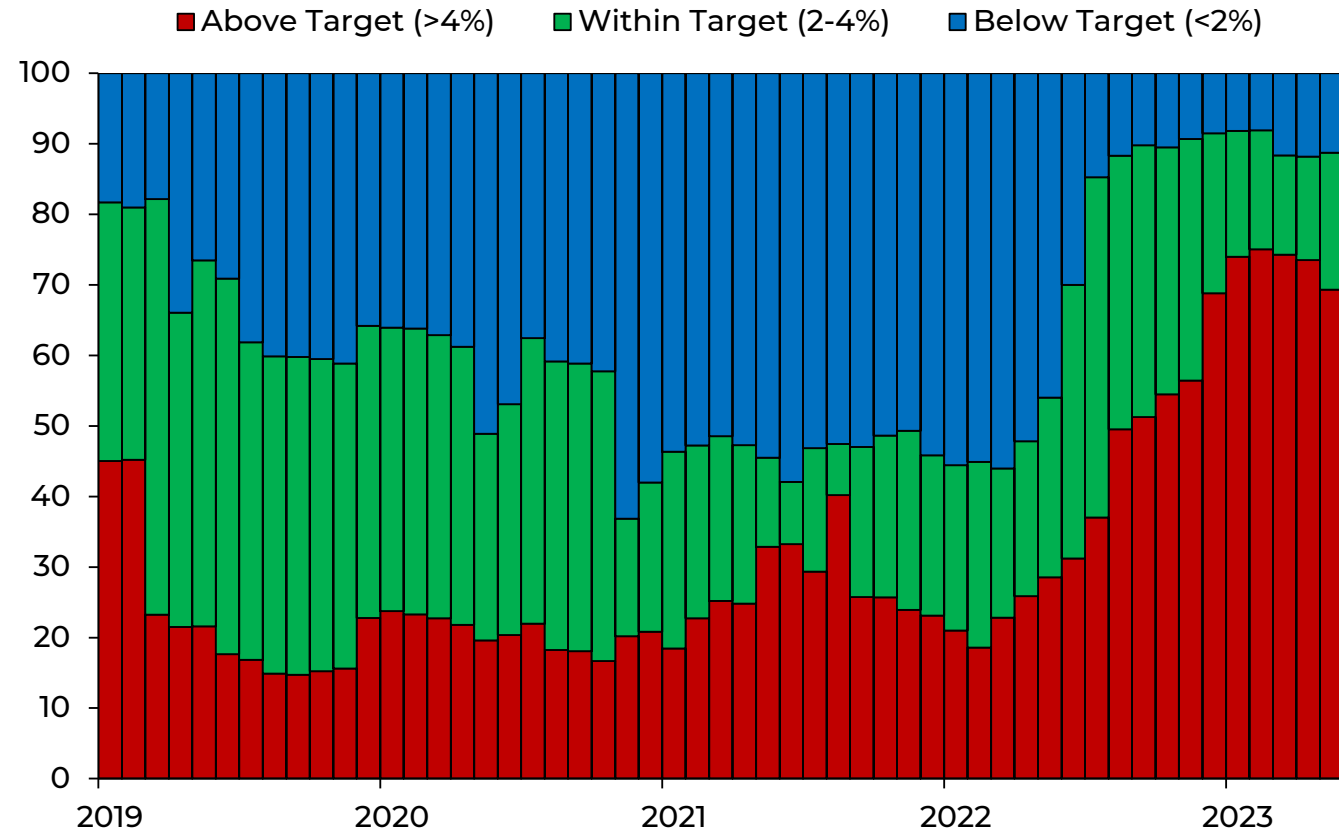
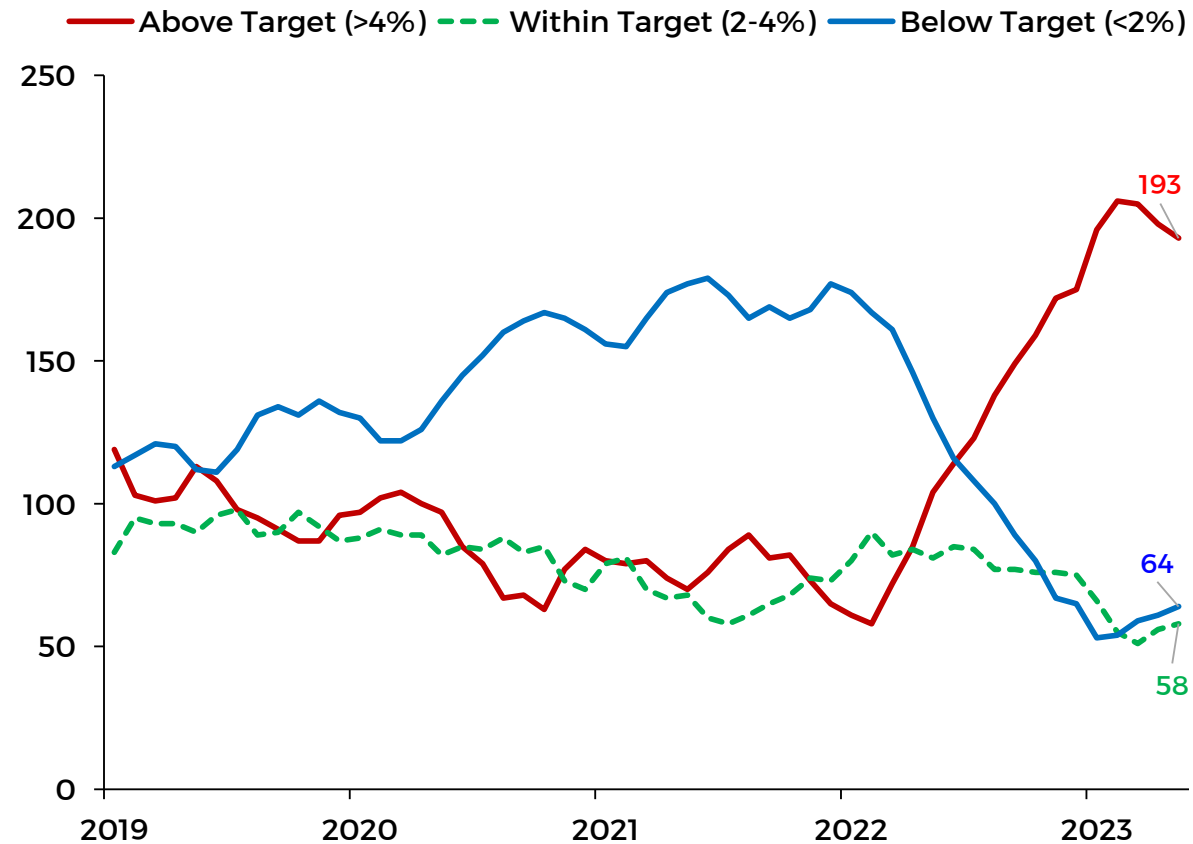


Source: Philippine Statistics Authority

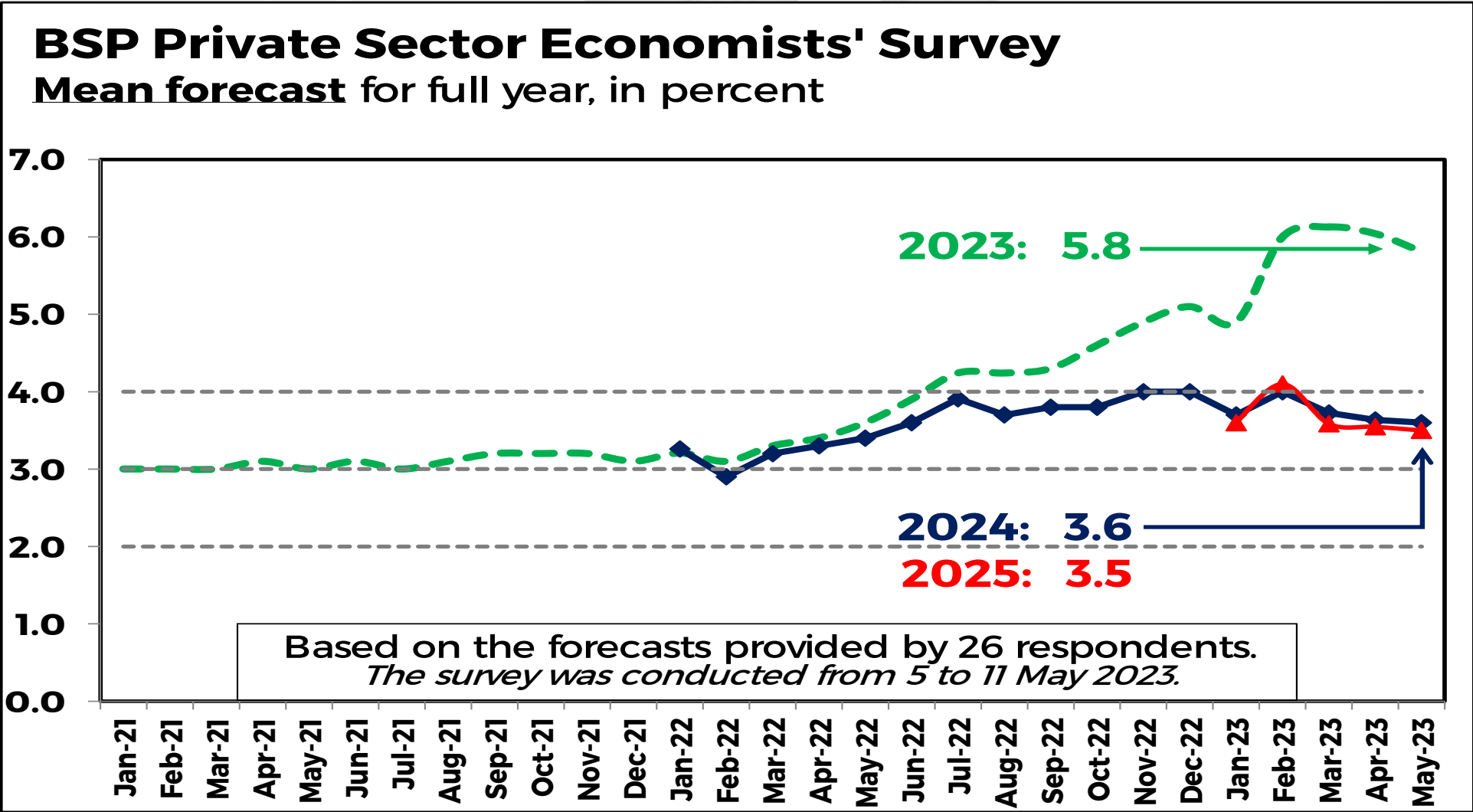


Above-target CPI items declines as price pressures ease

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



Private sector inflation expectations have declined



Source: BSP

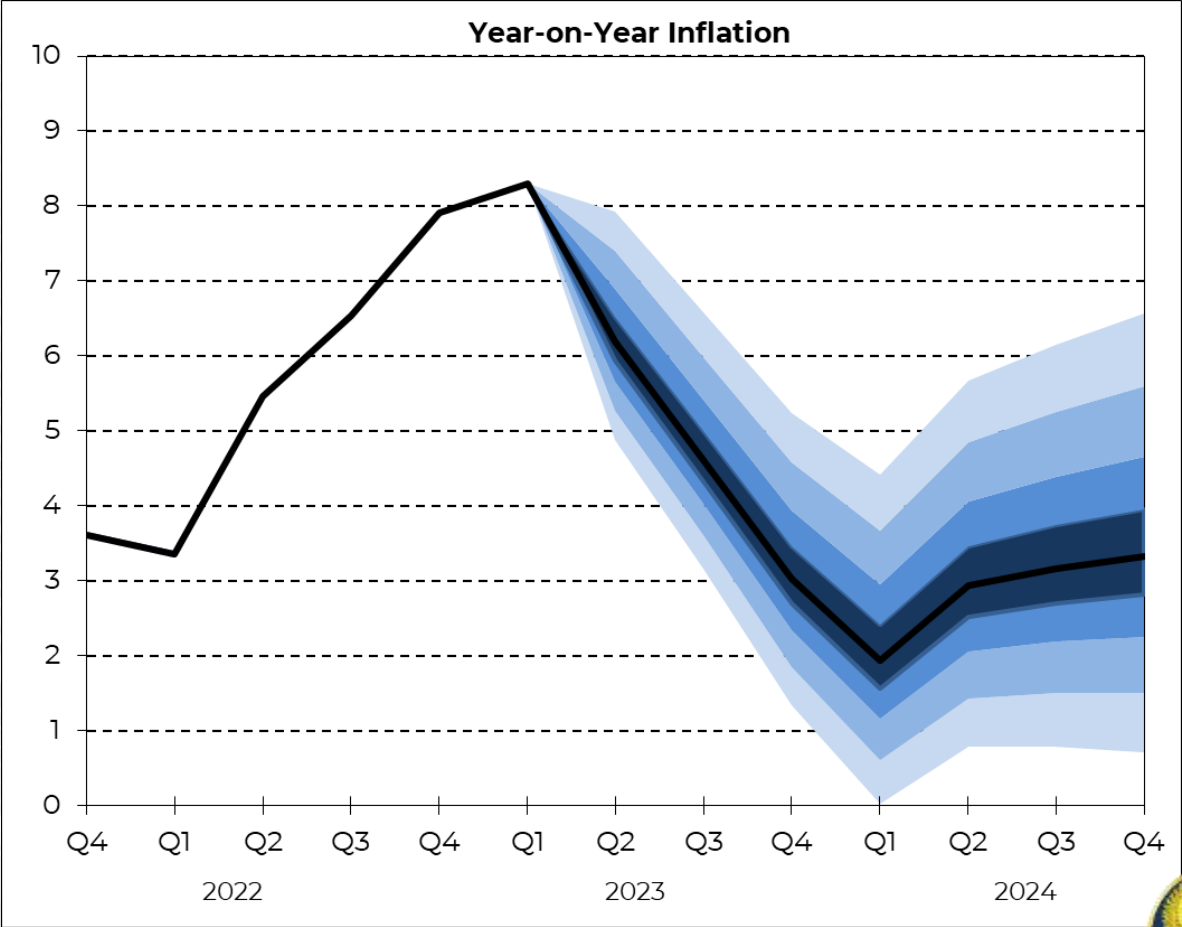


Inflation expected to decelerate by mid-2023 before returning to within target by end of the year

BSP Baseline Inflation Forecast

Year	23-Mar MB Meeting	18-May MB Meeting
2023	6.0	5.5
2024	2.9	2.8

BSP Year-on-Year Inflation Forecast Q1 2023 – Q4 2024
As of 18 May 2023, Monetary Board Policy Meeting

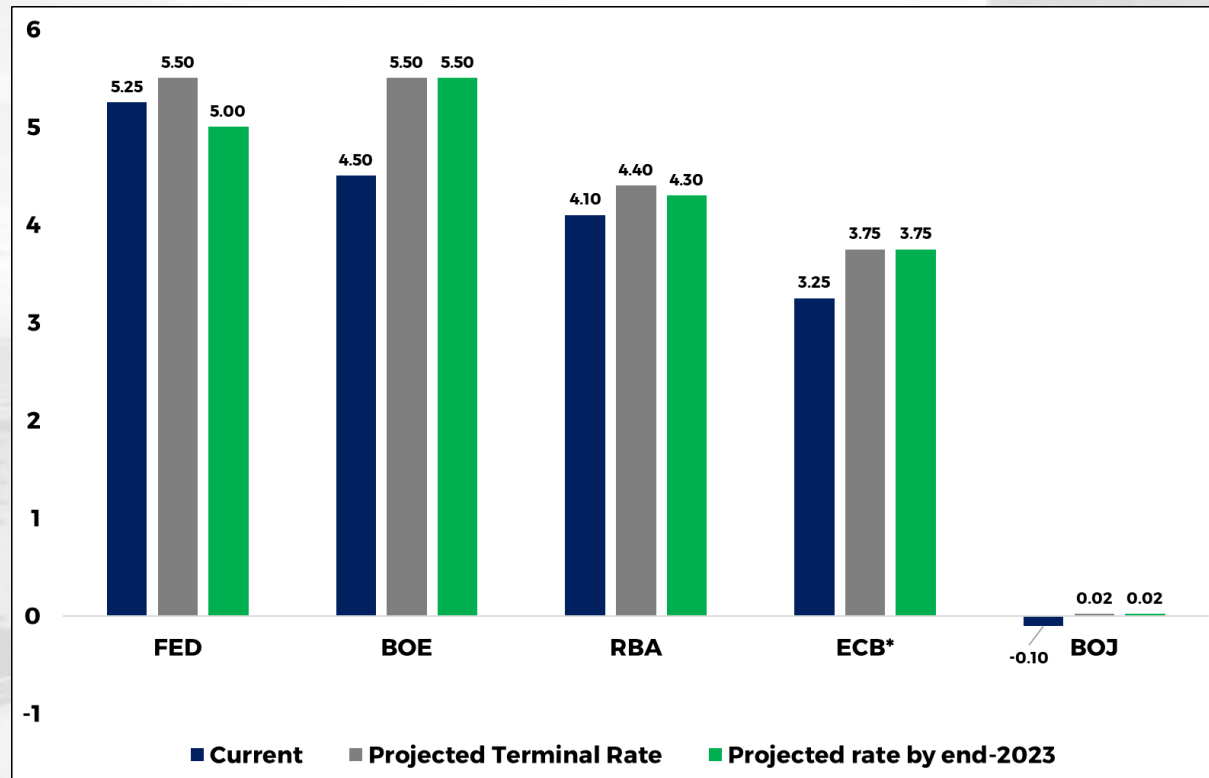


Source: BSP Staff Computations

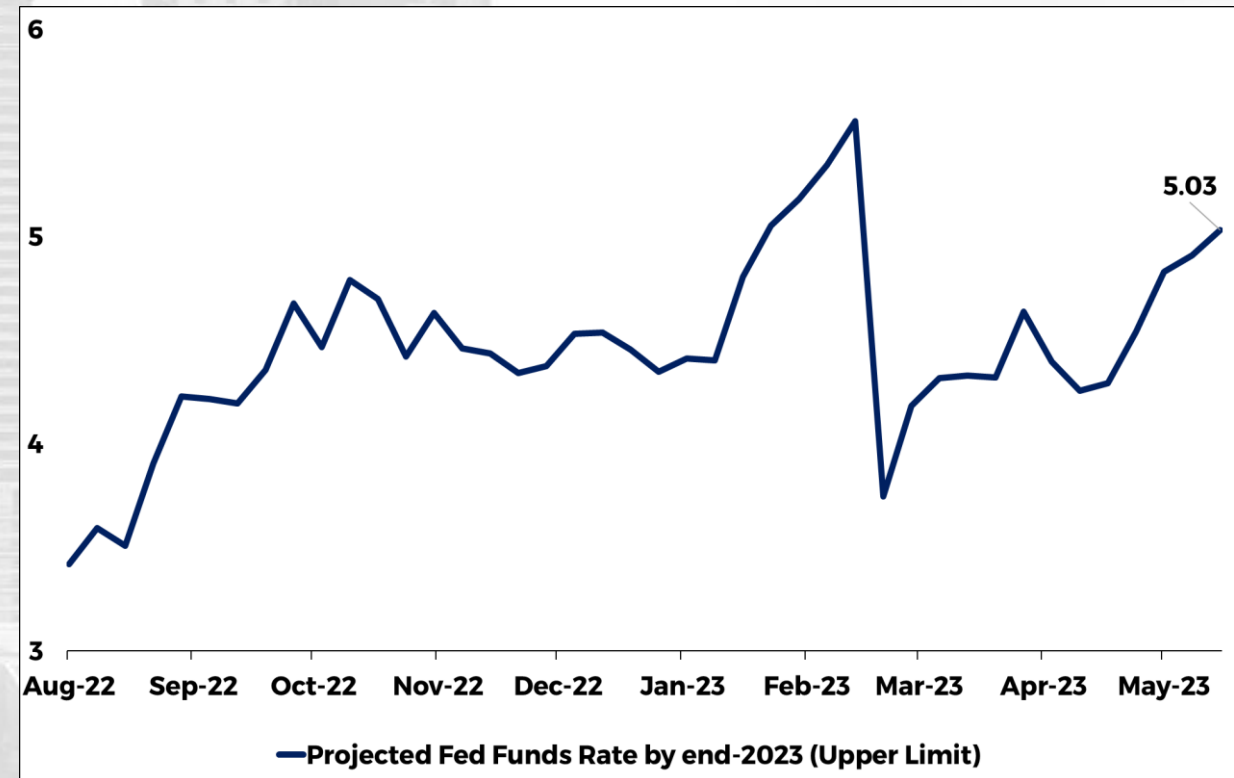


Fed policy actions are still relevant but less of a factor in decision-making

WIRP-Derived Key Policy Rates, data as of 7 June 2023

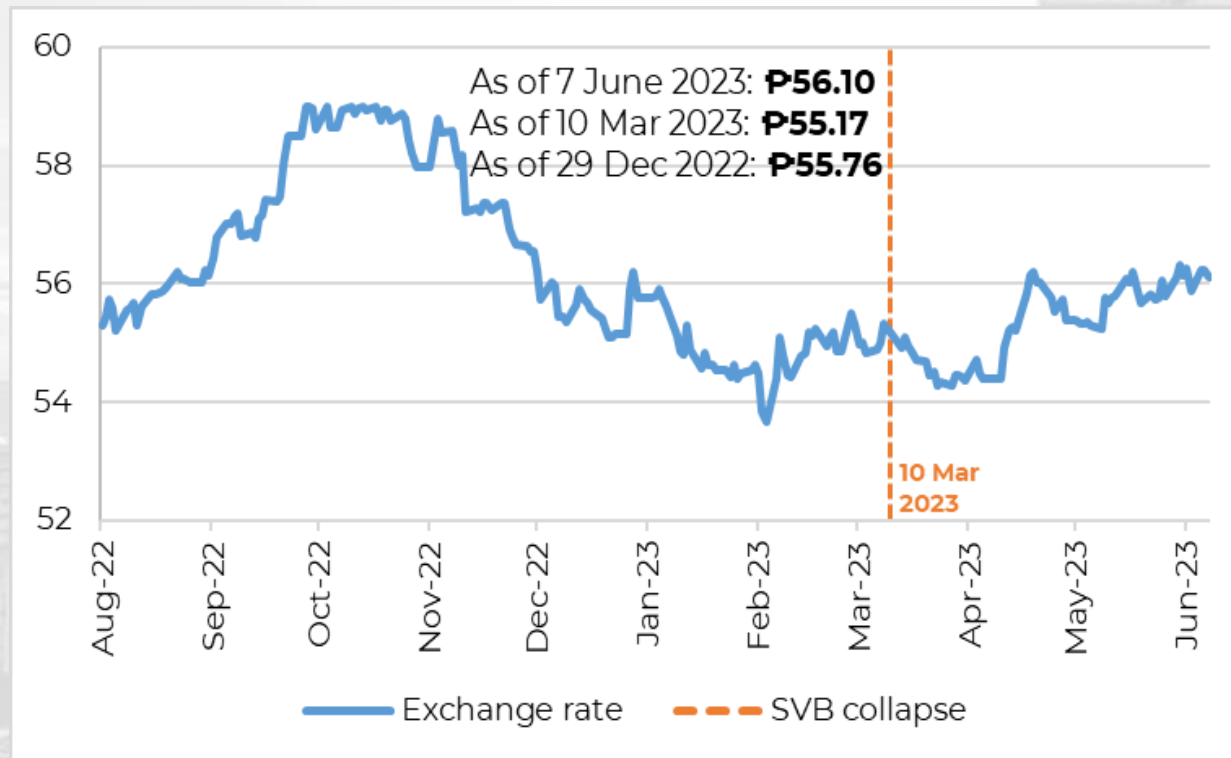


Futures-Derived Fed Funds Upper Limit, 24 Aug – 7 Jun

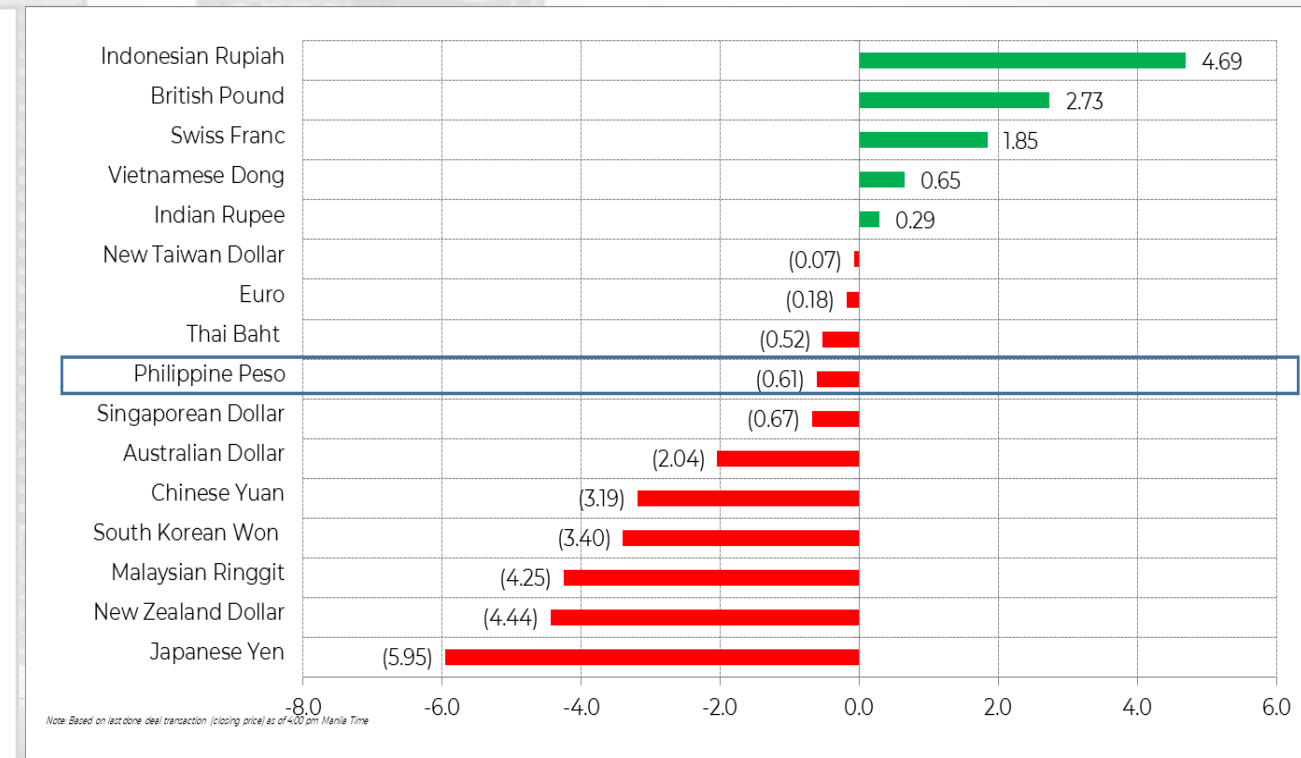


Foreign exchange pressures have eased

Peso per US dollar Exchange Rate Closing prices as of 7 June 2023



YTD movement against the USD as of 7 June 2023



Source: BSP staff computation

BSP has pragmatically used its expanded toolkit

Countries	Absolute change in policy interest rate (bps)	Nominal Exchange Rate Changes	% Change in GIR	Absolute change in GIR (in USD billion)
	cumulative rate hikes since August 2021 ^{a/}	as of 7 June 2023	End-2021 data vs latest available data ^{c/}	
Philippines	425	-0.6	-6.9	-7.5
South Korea	300	-3.4	-9.1	-42.1
India	250	0.3	-6.9	-43.5
Indonesia	225	4.7	-0.5	-0.7
Thailand	150	-0.5	-9.2	-22.6
Malaysia	125	-4.3	-2.1	-2.5
Vietnam	100	0.7	-20.8	-22.8
Taiwan	75	-0.1	2.6	14.5

Source: BSP and CEIC

^{a/} July 2021 policy rate vis-à-vis latest policy meetings in 2023.

^{b/} FX data as of 7 June 2023. Last quoted price as of 4pm (except for PhP which is the last done deal in the session)

^{c/} Foreign exchange reserves for Philippines, South Korea, and Taiwan are based on data as of May 2023, while India, Indonesia, Malaysia, and Thailand are as of April 2023. Meanwhile, data on Vietnam are as of December 2022.



Non-monetary government measures and agricultural enhancements now and in the future are crucial

Short-term strategies to mitigate food and non-food inflation

- Alleviating the impact of El Niño
- Directly connecting consumers and producers through an enhanced Kadiwa program
- Timely and sufficient importation of key commodities
- Augmenting and pursuing programs related to energy conservation and efficiency, as well as food security
- Targeted cash transfers and subsidies towards vulnerable stakeholders
- Continuous monitoring of relevant developments and coordination with the private sector

Medium- to Long-term strategies to address key supply-side challenges

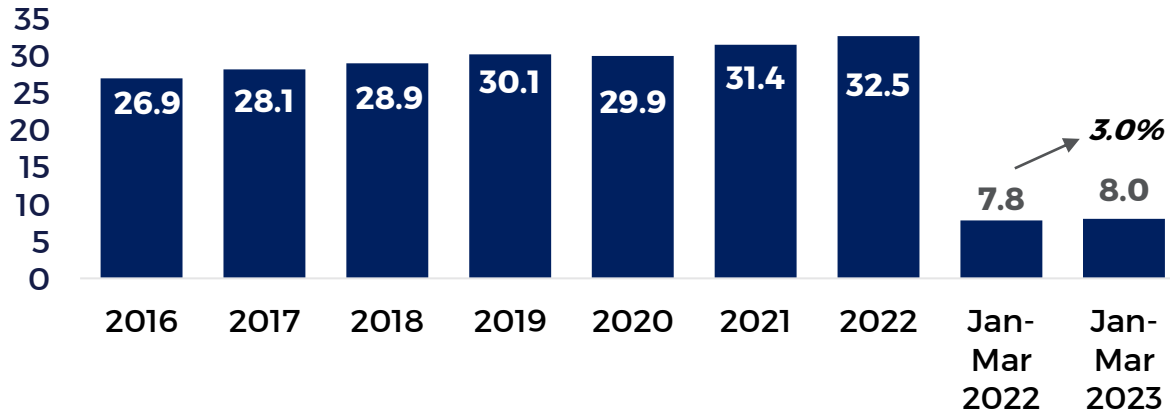
- Strengthening of local food systems
- Improving digital and physical infrastructure
- Enabling regulatory system conducive to investments and ease in doing business
- Creating and facilitating adoption of improved technology
- Safeguarding energy, food, and water security



Robust external accounts cushion against global spillovers

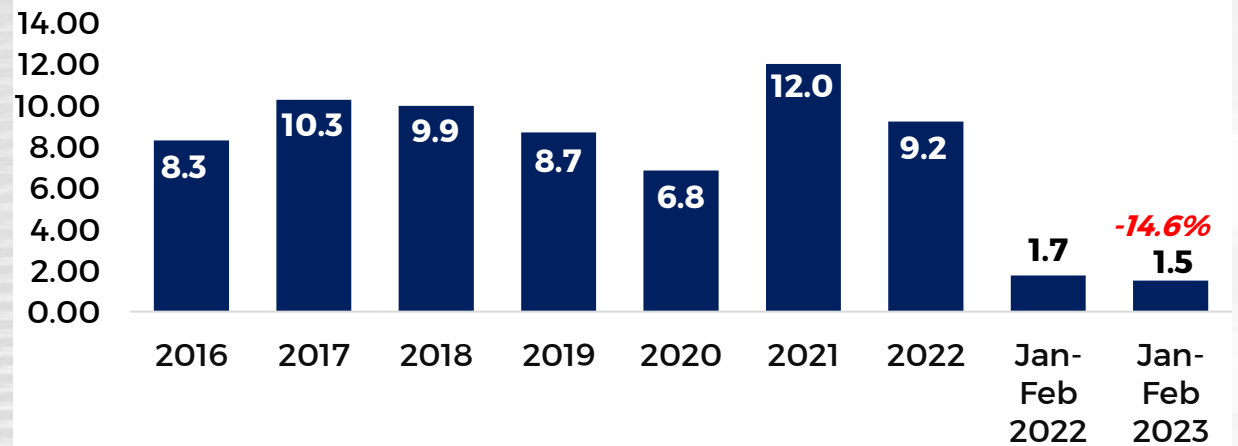
Overseas Filipinos' Cash Remittances

In US\$ billion



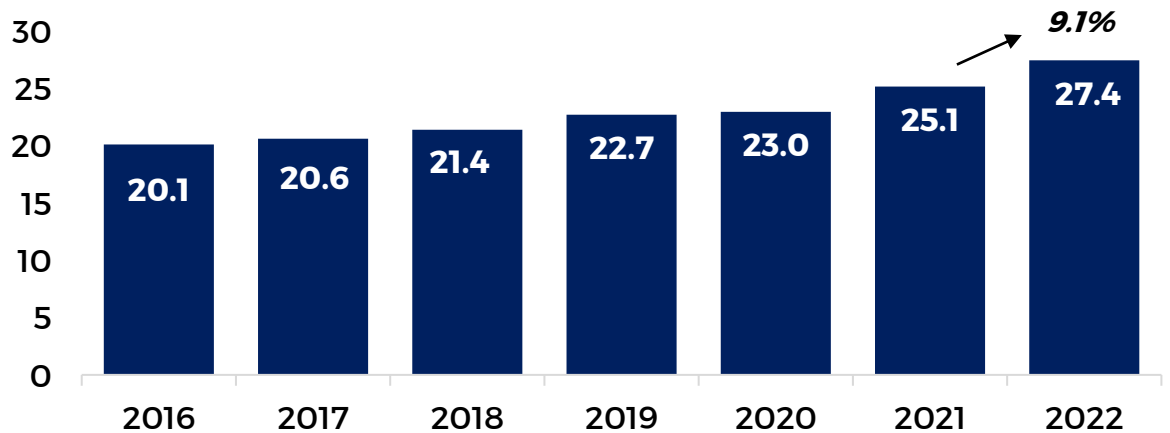
Net Foreign Direct Investments

In US\$ billion



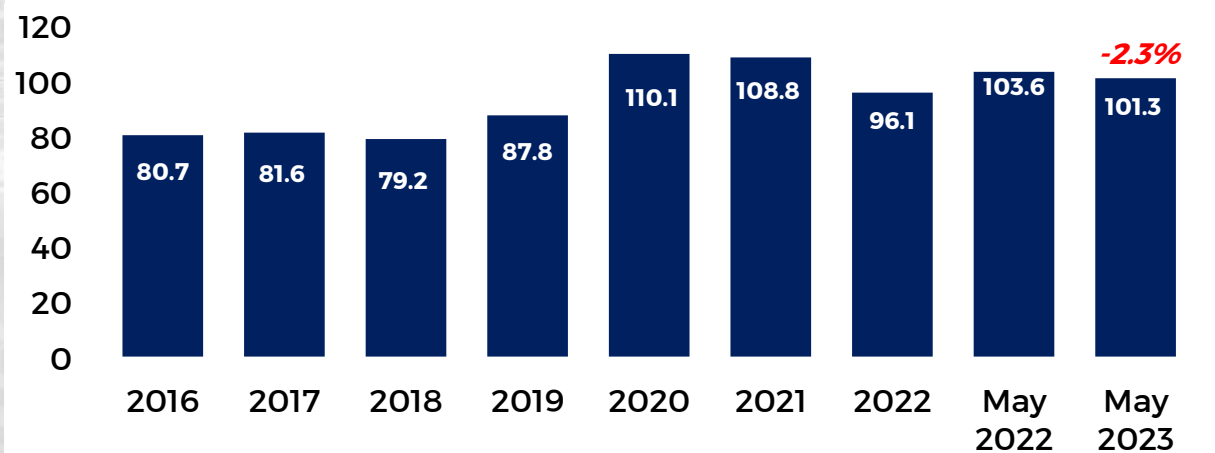
Business Process Outsourcing (BPO) Revenues

In US\$ billion



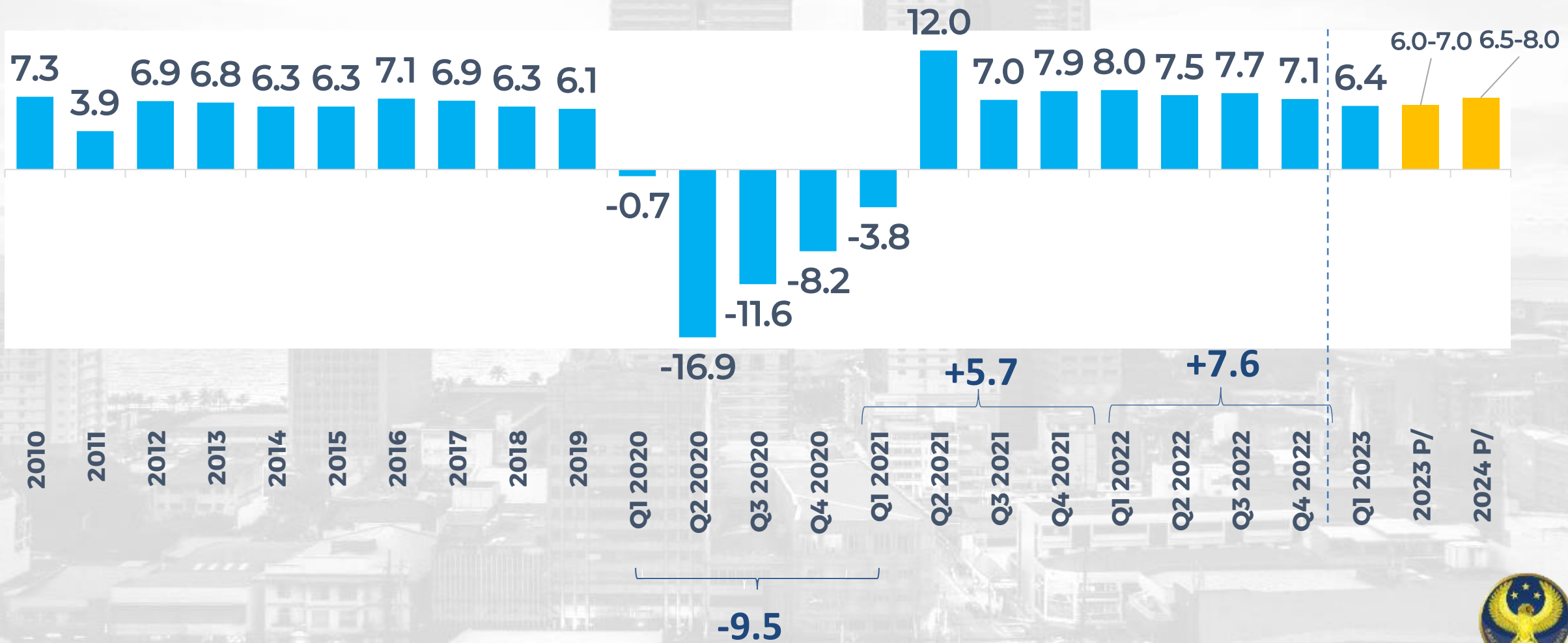
Gross International Reserves

In US\$ billion, end-of-period



Growth in 2022 exceeded expectations

Real GDP growth %



p – GDP growth targets by the Development Budget Coordination Committee (DBCC)



Pent-up demand has been a key growth driver



23.8%
YoY increase in
spending in hotels
and restaurants for
Q1 2023

RECOVERY IN SERVICES



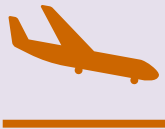
30.1%
YoY increase in
car sales for
Q1 2023

**UPTICK IN DEMAND
FOR VEHICLES**



4.5%
Unemployment rate
for April 2023

**IMPROVEMENT IN
EMPLOYMENT
CONDITIONS**



2.0 million
International tourist
arrivals from
1 January to 12 May 2023

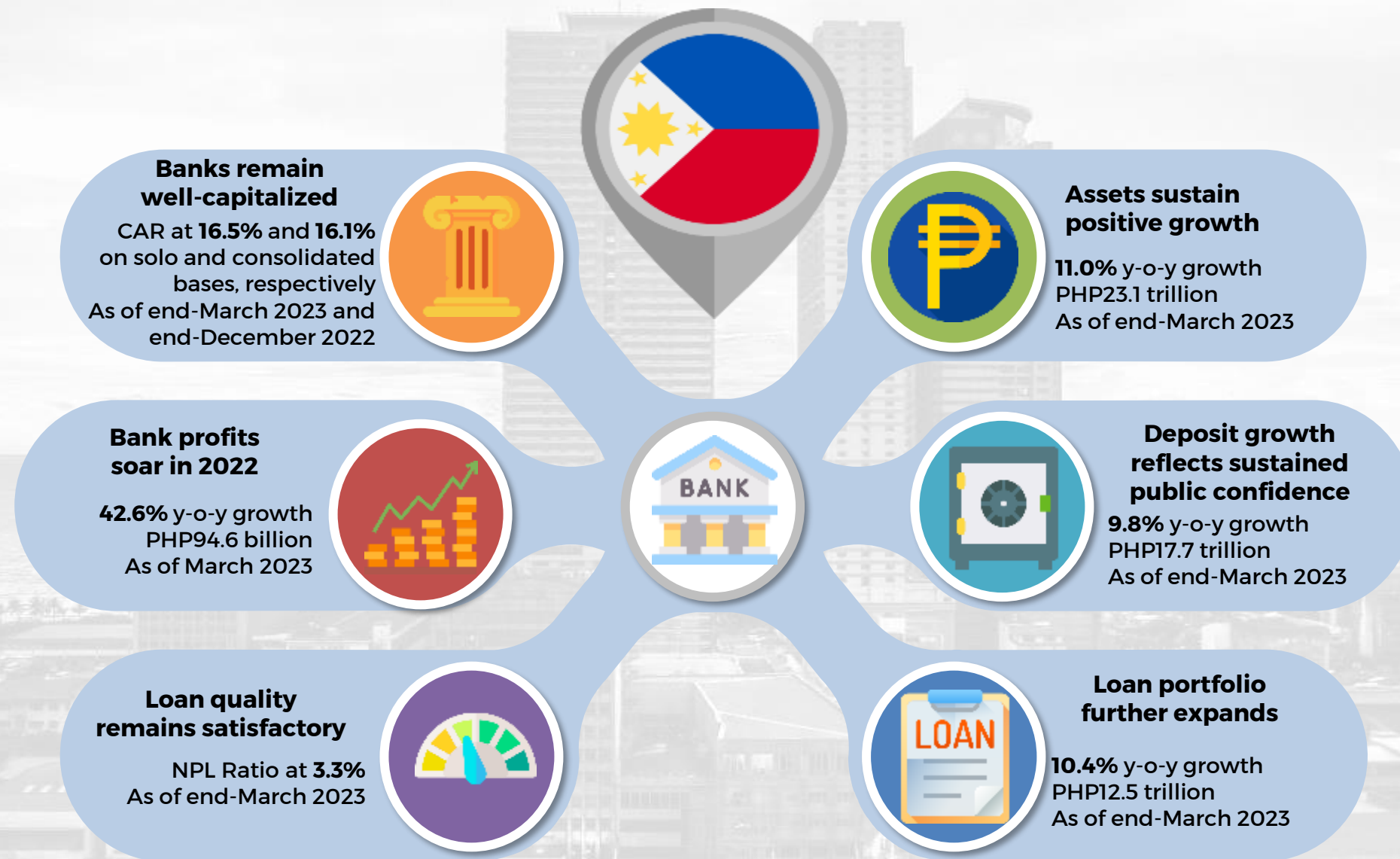


₱168.5 billion
Inbound visitor receipts
for January to April 2023

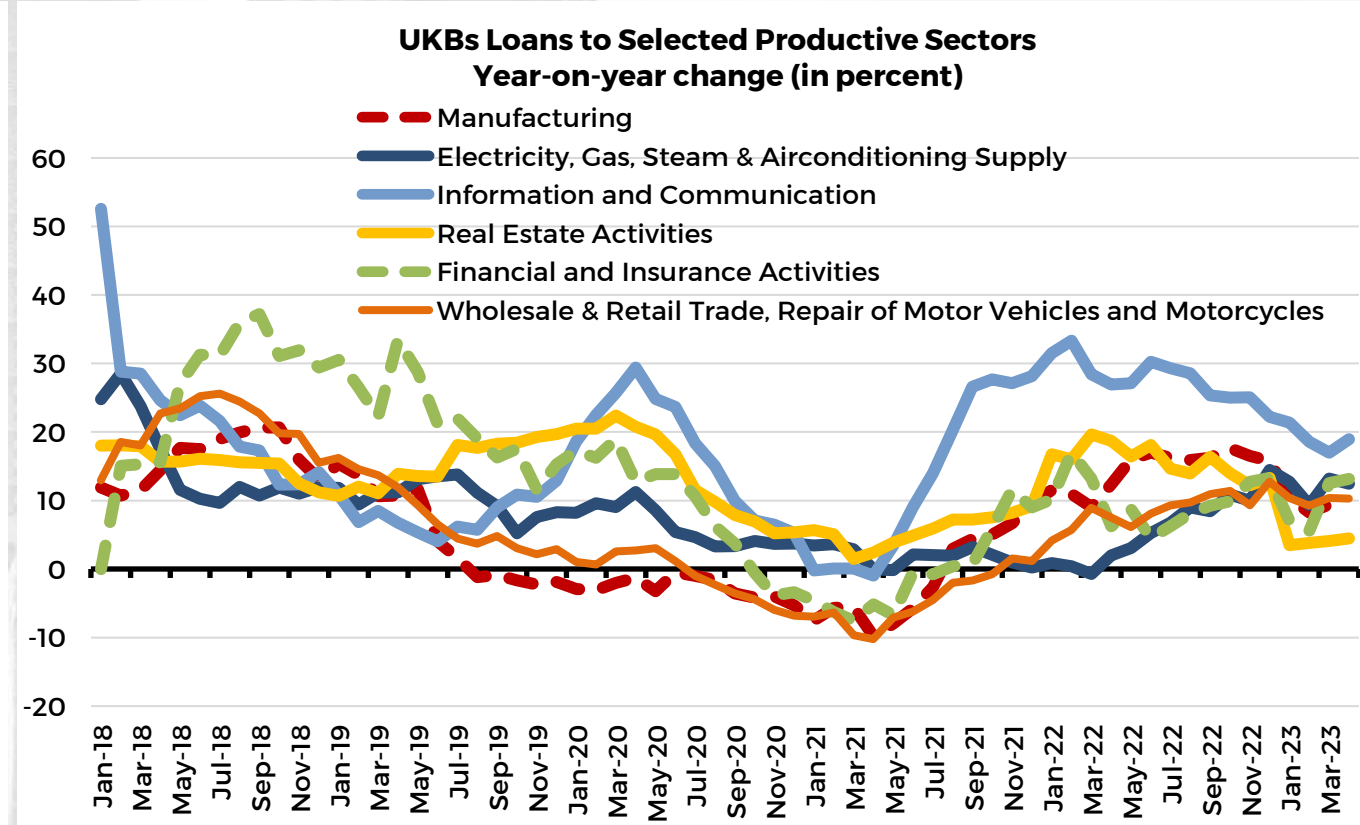
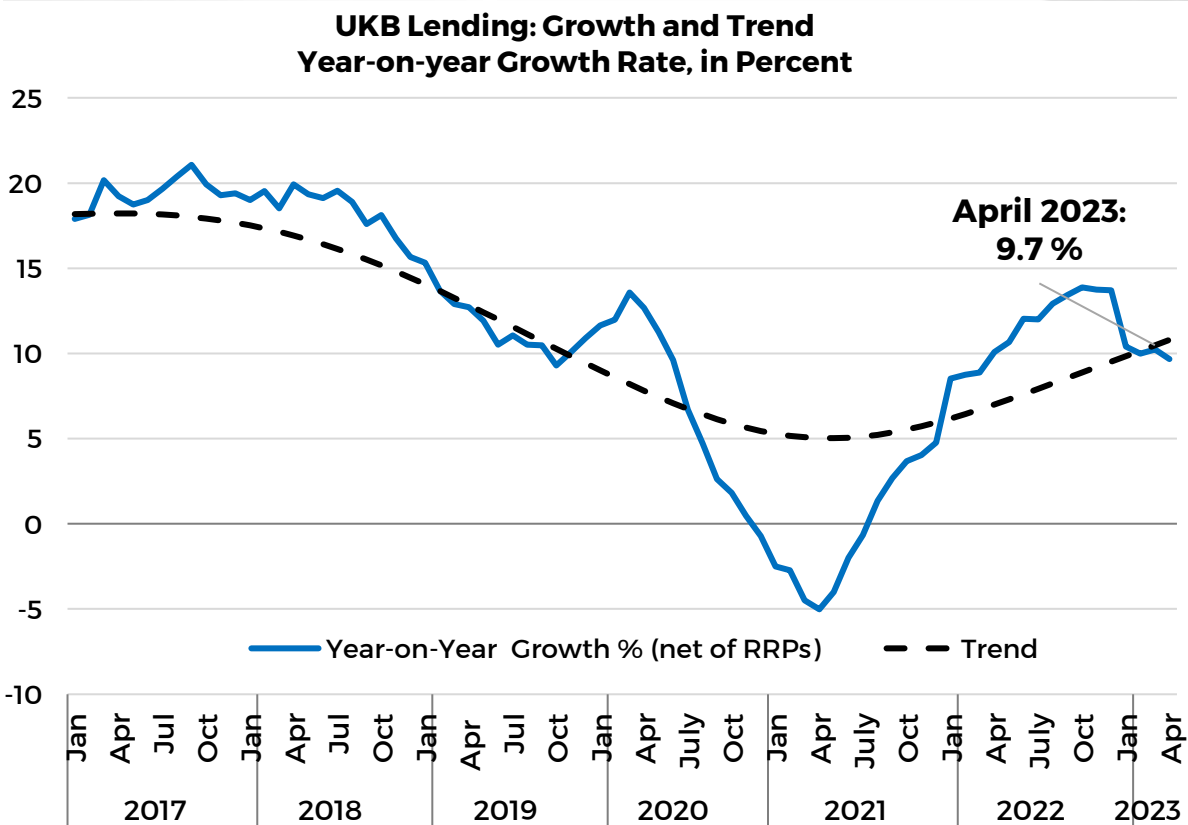
(Re)turning point for tourism



Philippine banking system stands on solid footing



Banks lend support to domestic recovery



PH banking system prepared to withstand shocks from banking turmoil abroad

Limited exposure to bank closures

Generally lower balance sheet vulnerabilities

Banks maintain sufficient capital to absorb losses from policy rate increases

Banks remain highly liquid with a wide deposit base

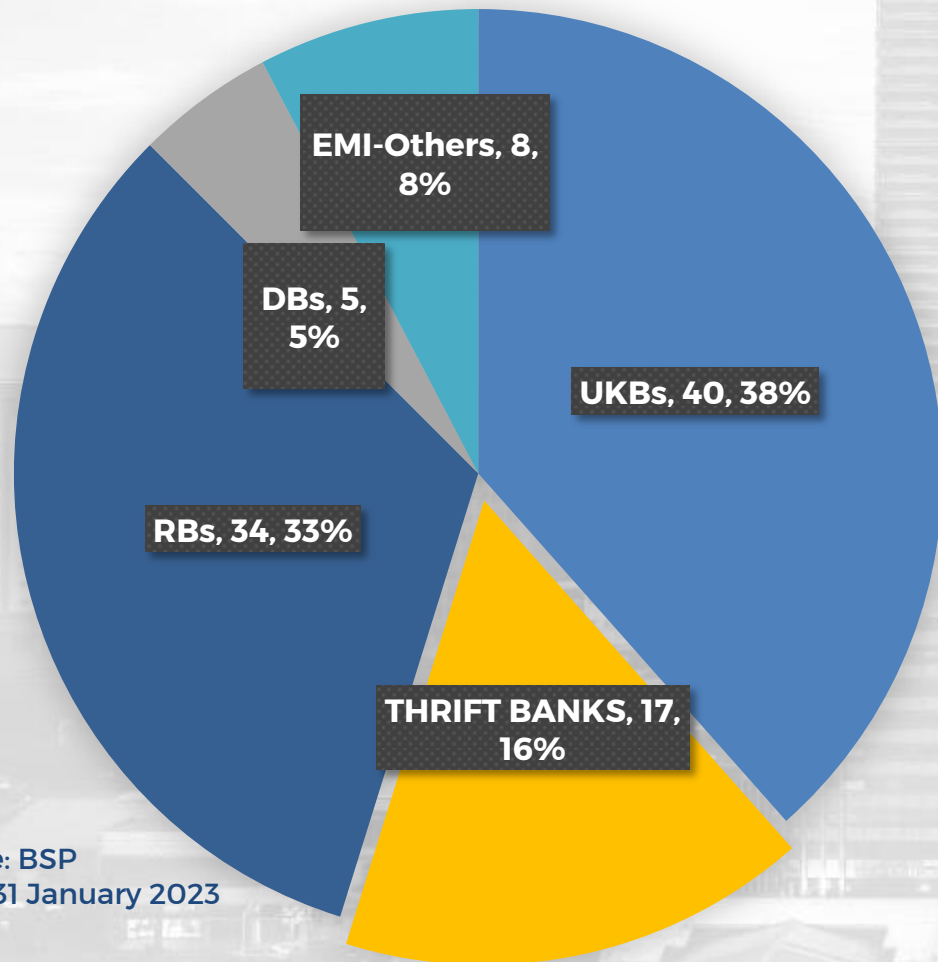
Structural reforms are in place to ensure soundness of banks

The Philippine Banking System

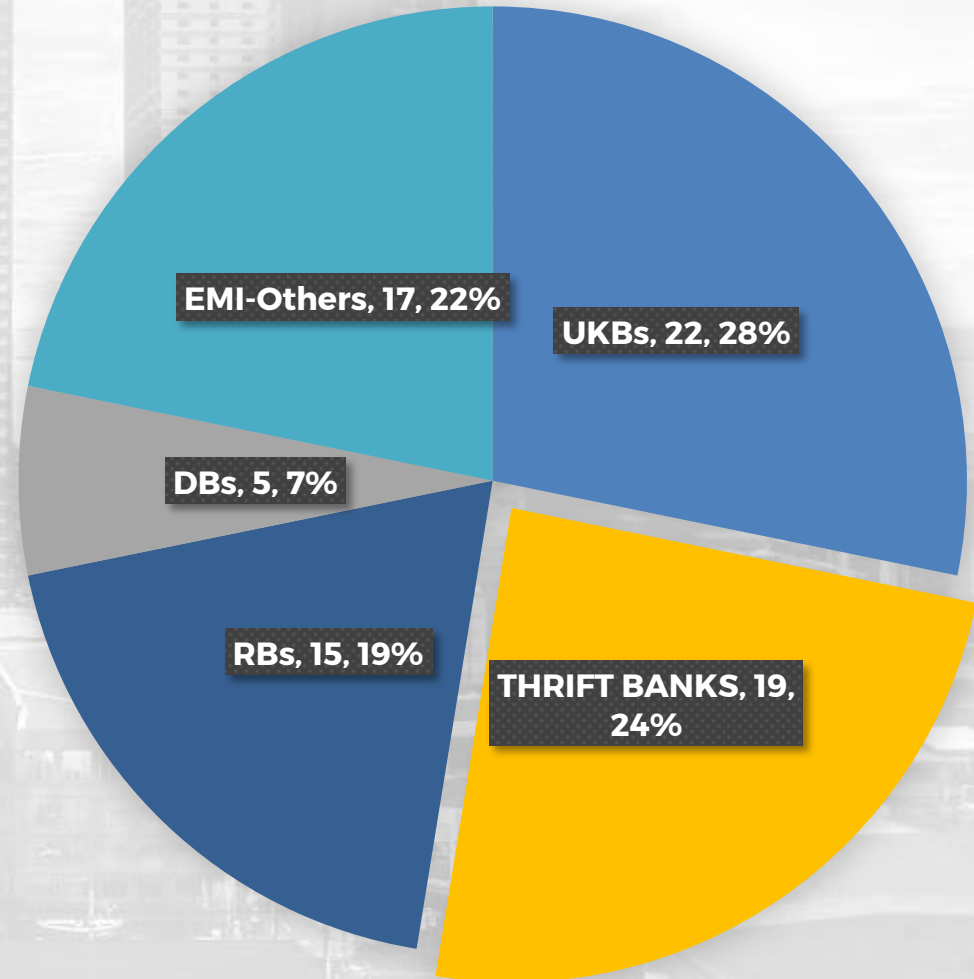


Various market players leveraging PesoNet and InstaPay

PESONet



InstaPay



Source: BSP
*As of 31 January 2023



Key takeaways

- **Indications of our previous monetary tightening exerting its impact on the economy and the projected return of inflation to target range in Q4 2023 have given the BSP sufficient reason for a prudent pause.**
- **However, the BSP remains ready to resume monetary tightening as warranted by the data on the inflation outlook. Our focus remains on bringing inflation back to a target-consistent path.**
- **Future monetary policy actions by the BSP will continue to be data-dependent and guided by evolving domestic developments, particularly its latest outlook on inflation and growth.**





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