BANGKO SENTRAL NG PILIPINAS

The Philippine Economy in 2024 Prospects and Challenges

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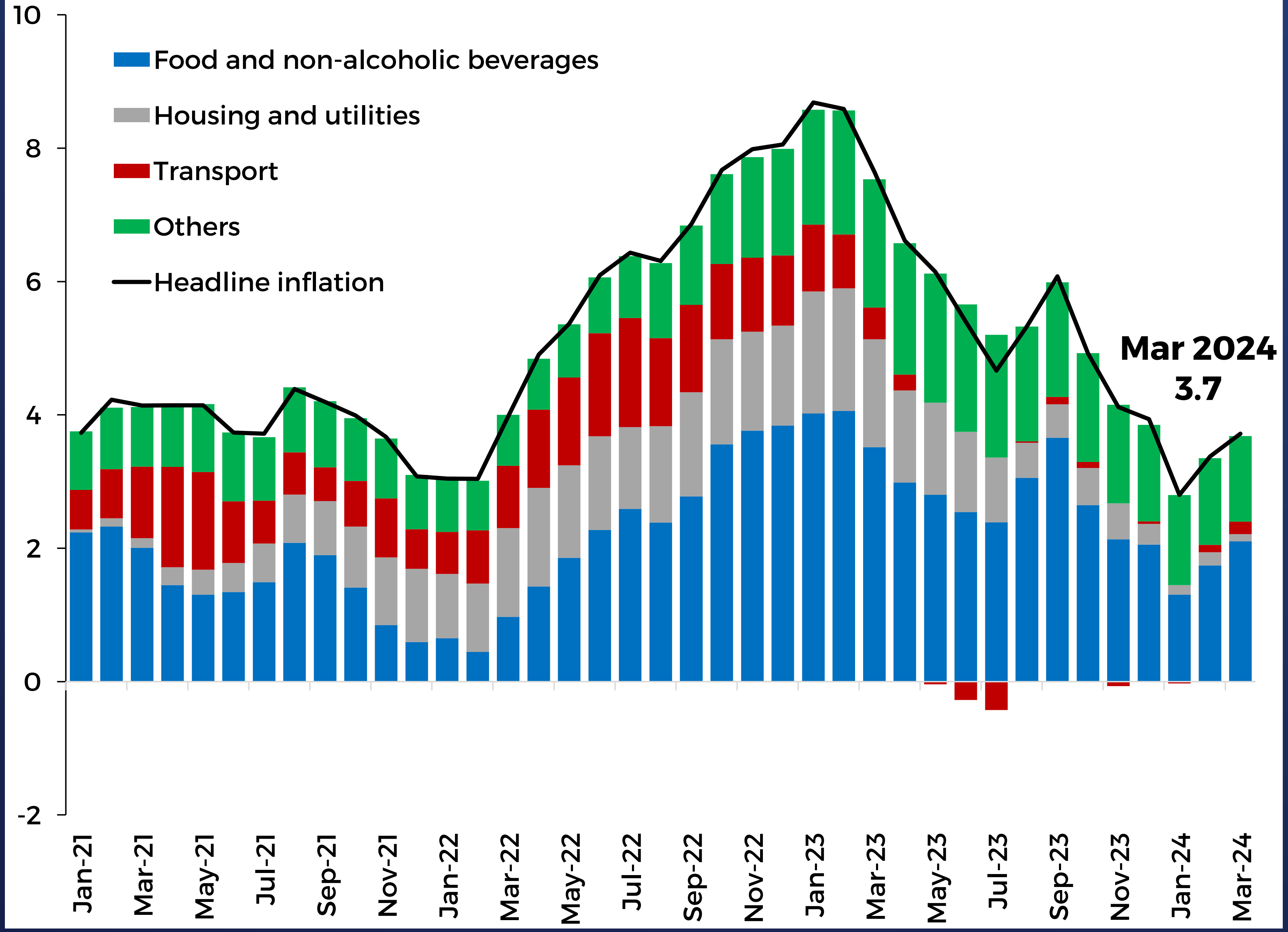
BSP's policy actions and thrusts continue to be anchored on its core mandates, remaining responsive to needs of the times

3 Pillars of Central Banking

- **Price Stability**
- **Financial Stability**
- **Payments and Settlements System**

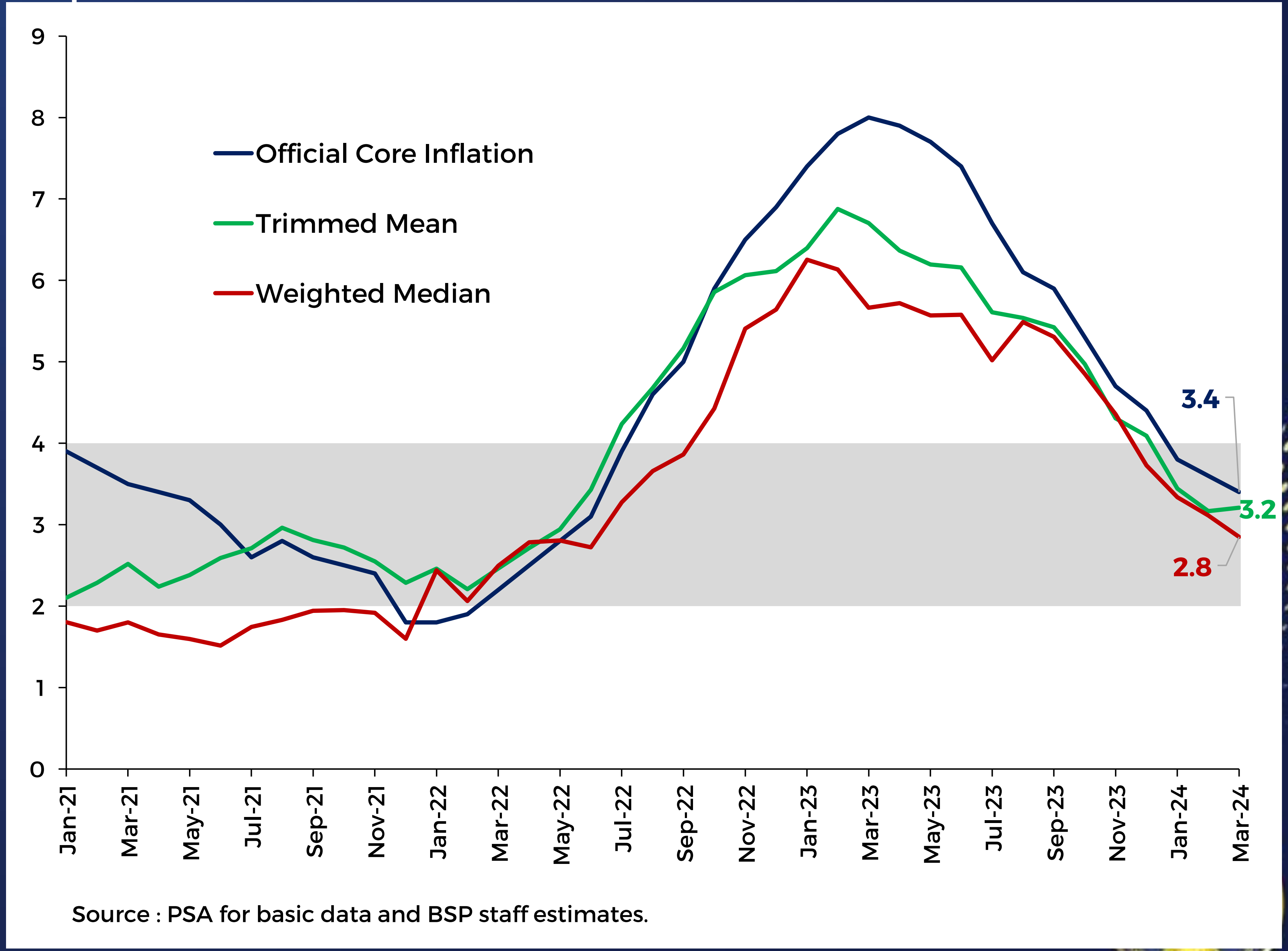
Supply-side factors continue to drive inflation

Contribution to Headline Inflation
In percentage points



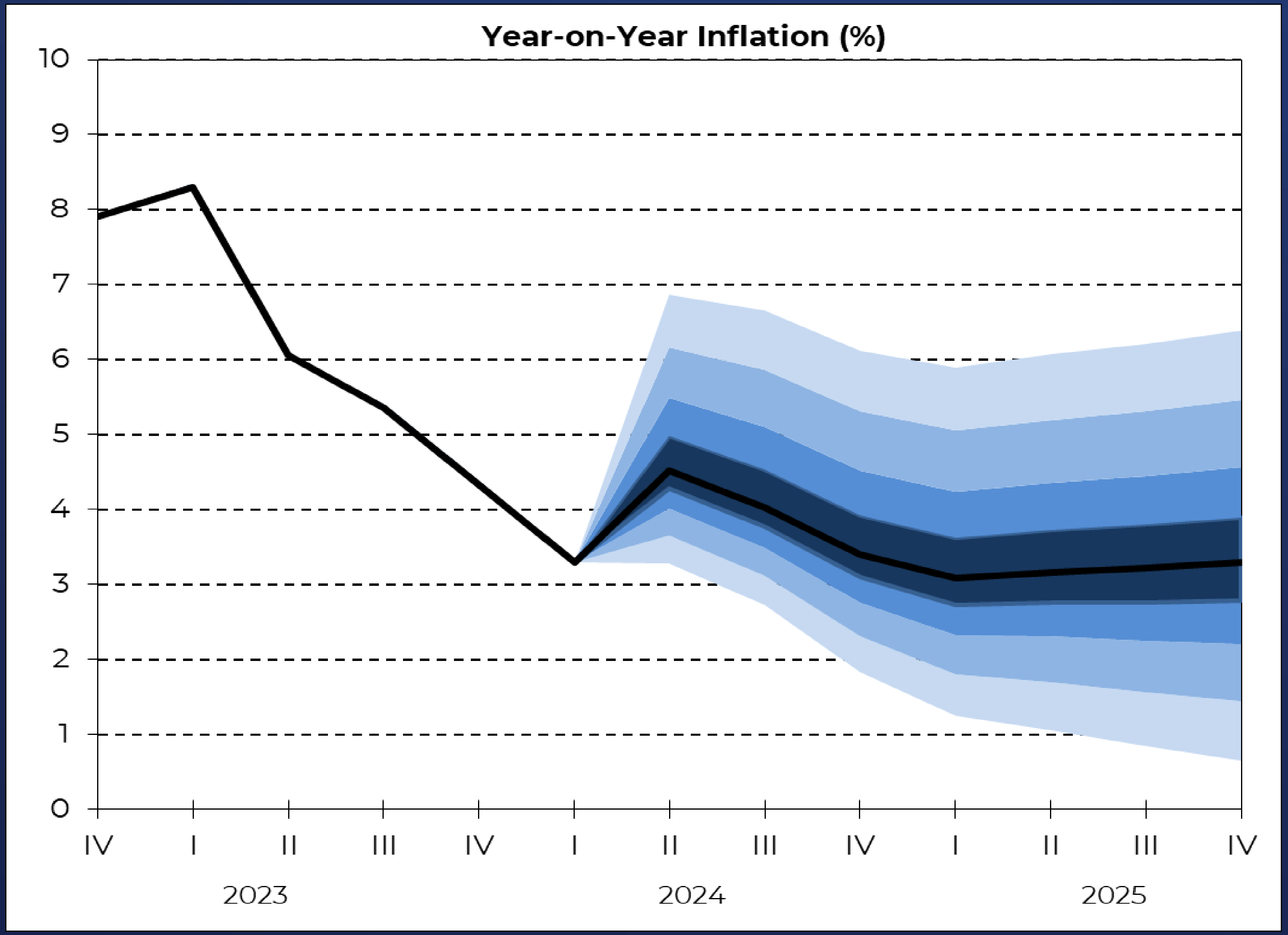
Sources: PSA and BSP staff calculations

Core Inflation Measures
In percent



Inflation is seen to settle at the upper end of the target range in 2024

BSP Year-on-Year Baseline Inflation Forecast
As of 8 April 2024, Monetary Board Policy Meeting

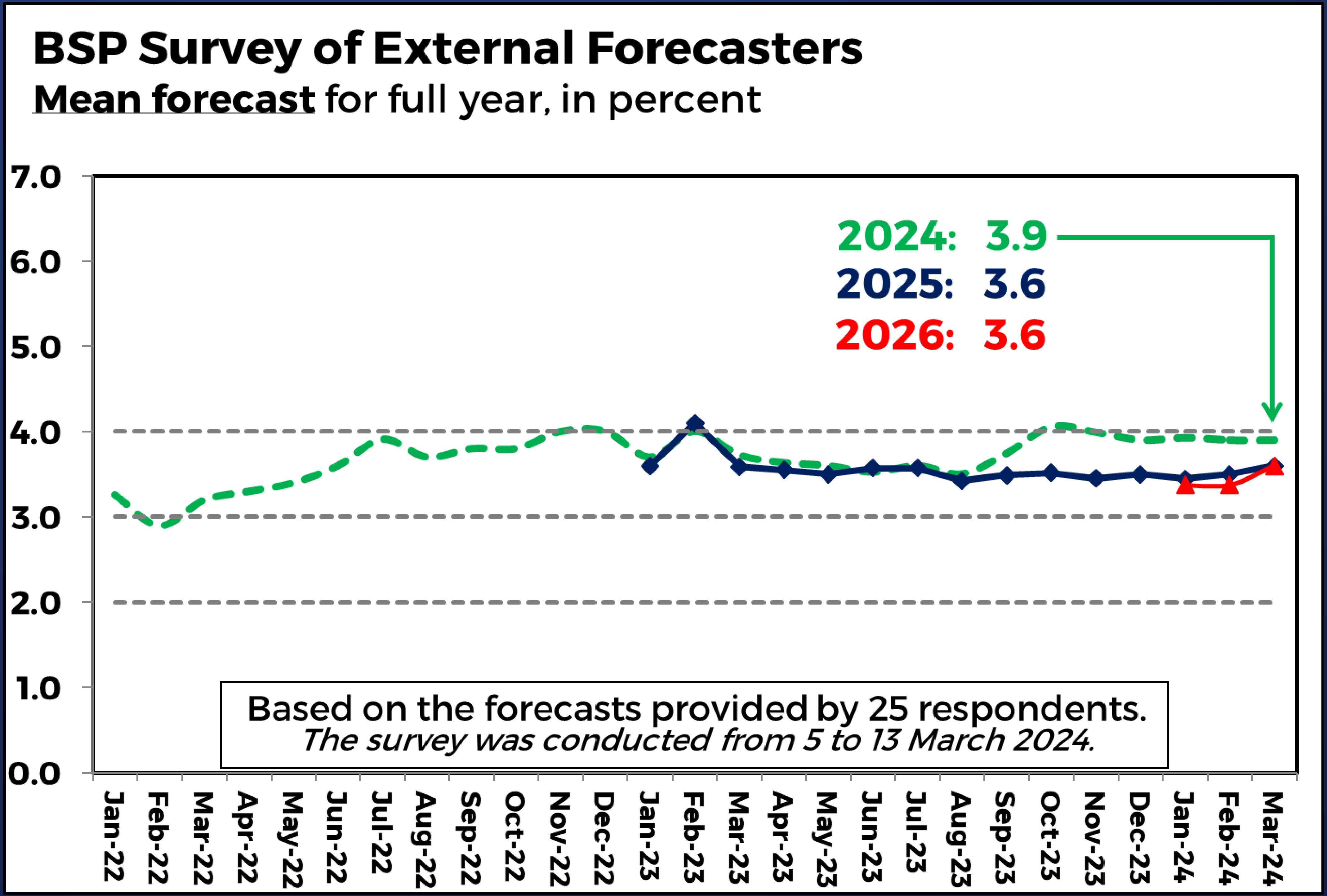


Year	Baseline		BSP Risk-Adjusted Inflation Projections	
	Feb 2024 Meeting	Apr 2024 Meeting	Feb 2024 Meeting	Apr 2024 Meeting
2024	3.6	3.8	3.9	4.0
2025	3.2	3.2	3.5	3.5

Upside risks

Higher transport charges
Higher domestic food prices
Higher electricity rates
Higher global oil prices
Potential minimum wage adjustments

Inflation expectations are still broadly anchored



Source: BSP

Non-monetary measures remain crucial for sustained disinflation

SHORT-TERM STRATEGIES

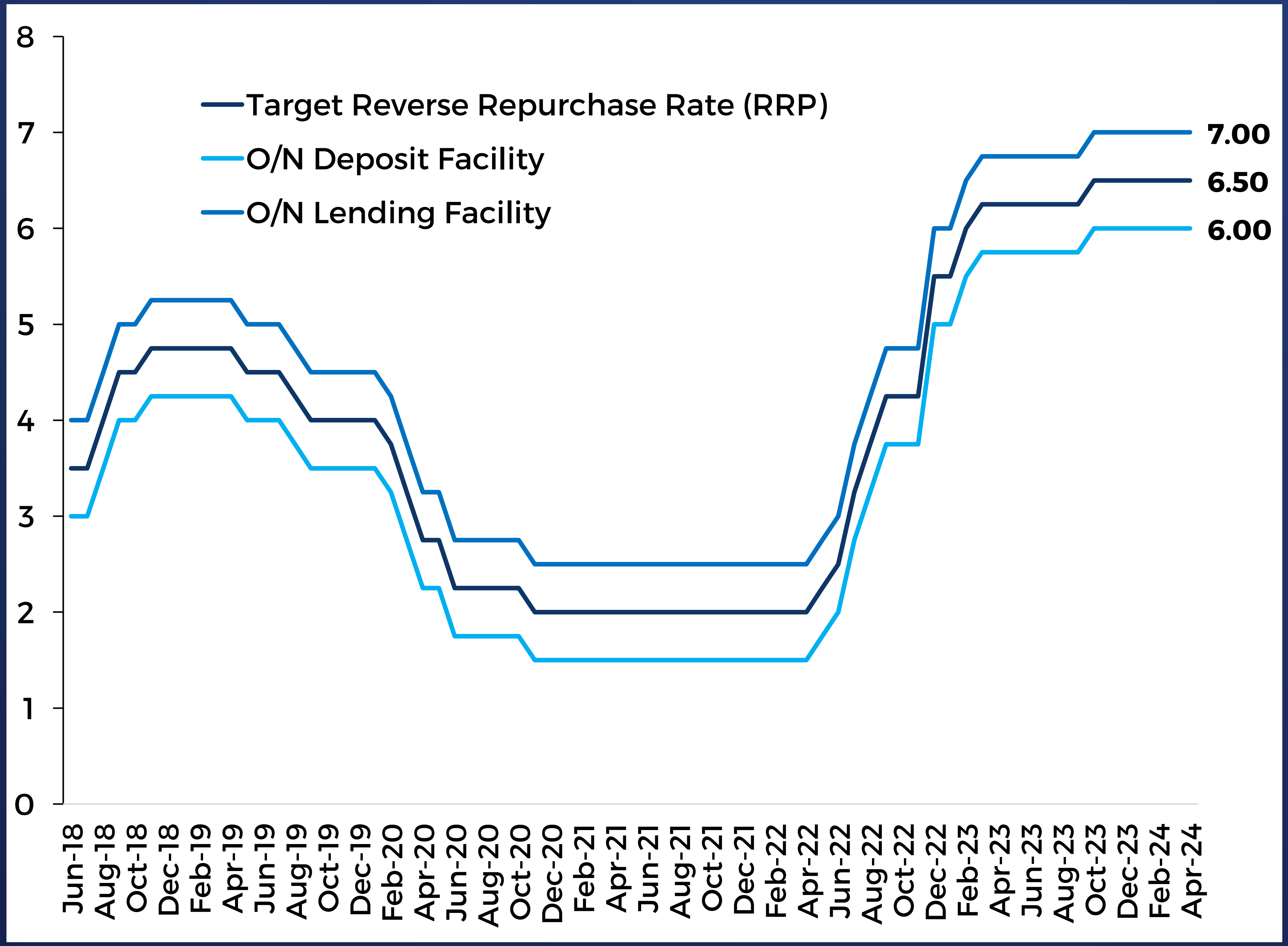
- Alleviating impact of El Niño
- Timely and sufficient importing of key commodities
- Augmenting and pursuing programs related to energy conservation and efficiency, as well as food security
- Implementation of targeted cash transfers and subsidies towards vulnerable stakeholders
- Continuous monitoring of relevant developments and coordination with the private sector

MEDIUM- TO LONG-TERM STRATEGIES

- 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

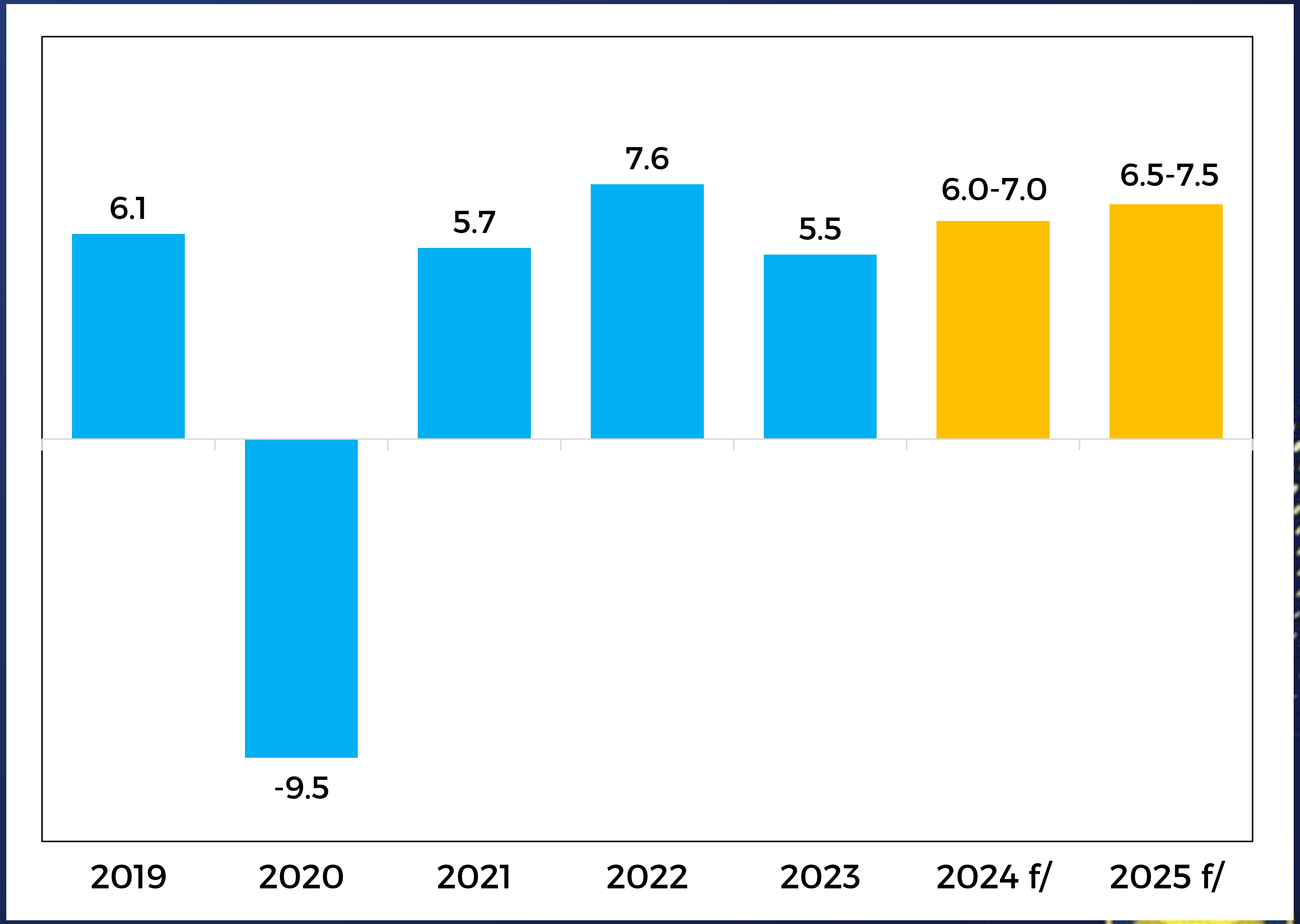
Growth momentum remains intact over the medium term

BSP Policy Rates (%)



Source: BSP

Real GDP growth (%)



f- GDP growth targets by the Development Budget Coordination Committee (DBCC)
Sources of Basic Data: PSA and DBCC

Classification: GENERAL

Recent data points to the economy's strength

Recovery in Services

23.2%
YoY increase in accommodation and food services for 2023

Uptick in demand for vehicles

429,807
Units sold for 2023, exceeding annual target

Resurgence in Tourism

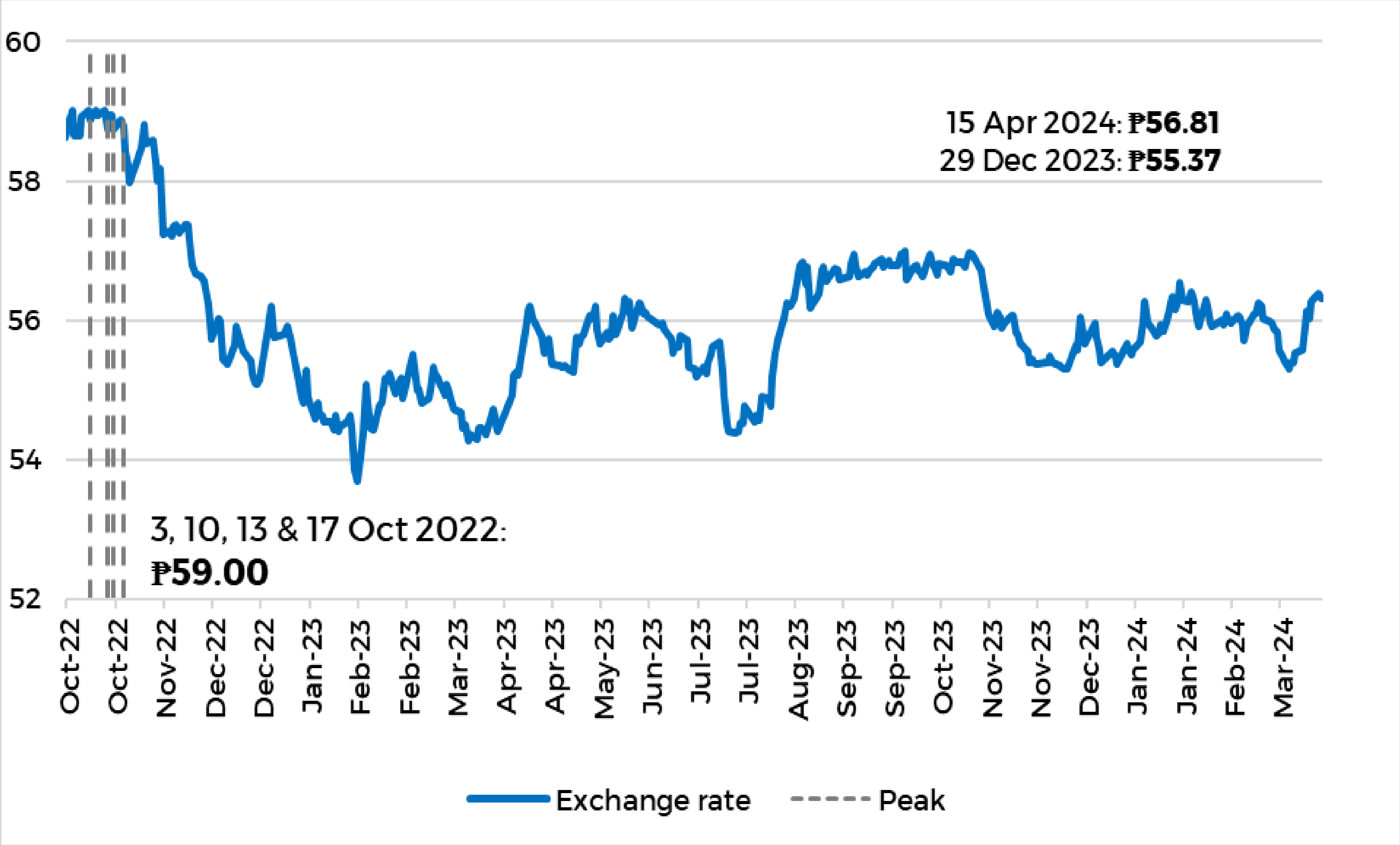
5.45 million
International tourist arrivals for 2023

Improvement in Employment Conditions

3.5%
Unemployment rate for February 2024

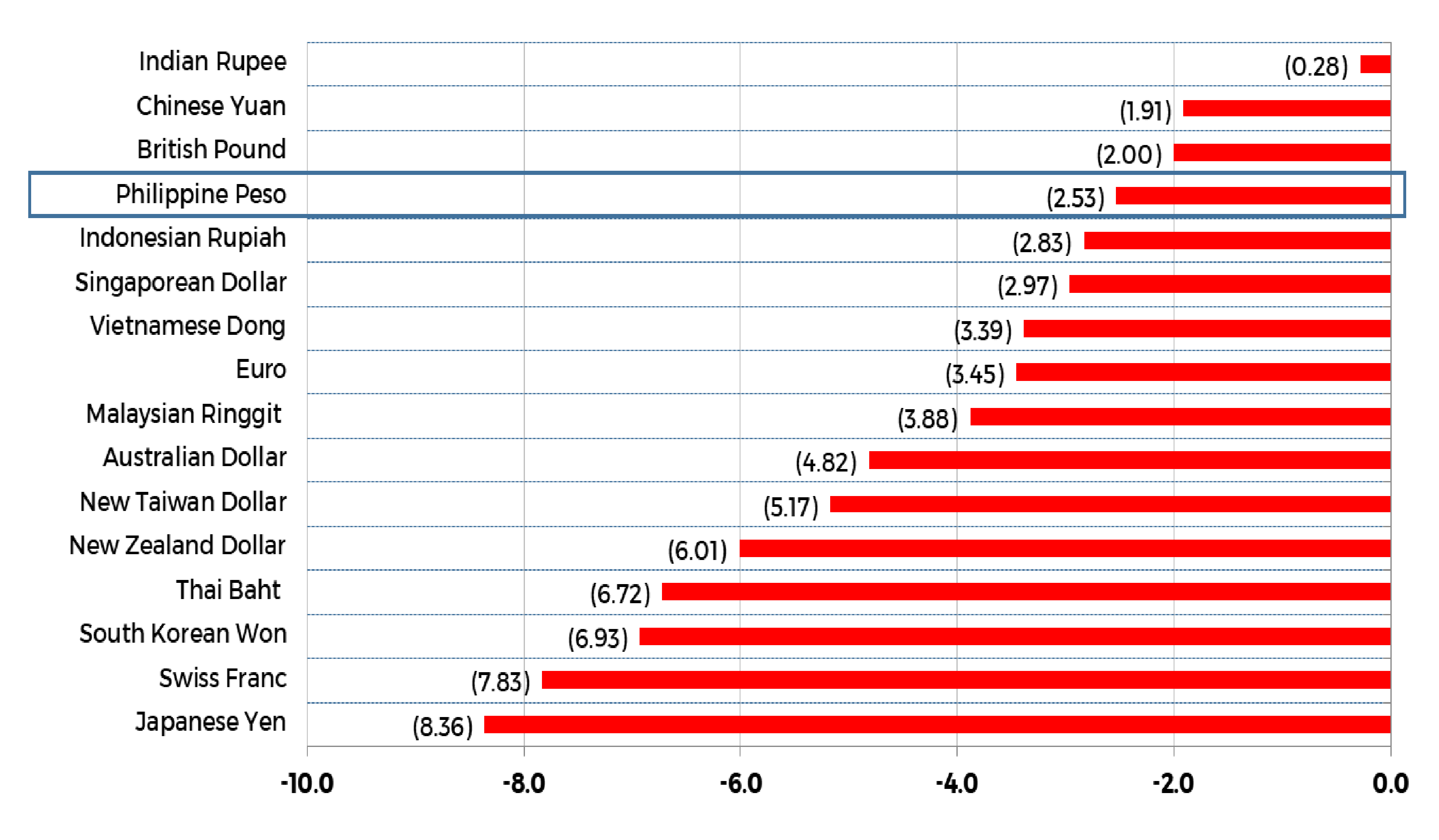
Foreign exchange rate depreciation remains moderate

Peso per US dollar Exchange Rate
Closing prices as of 15 April 2024



Source: BSP staff computation

YTD movement against the USD
as of 15 April 2024



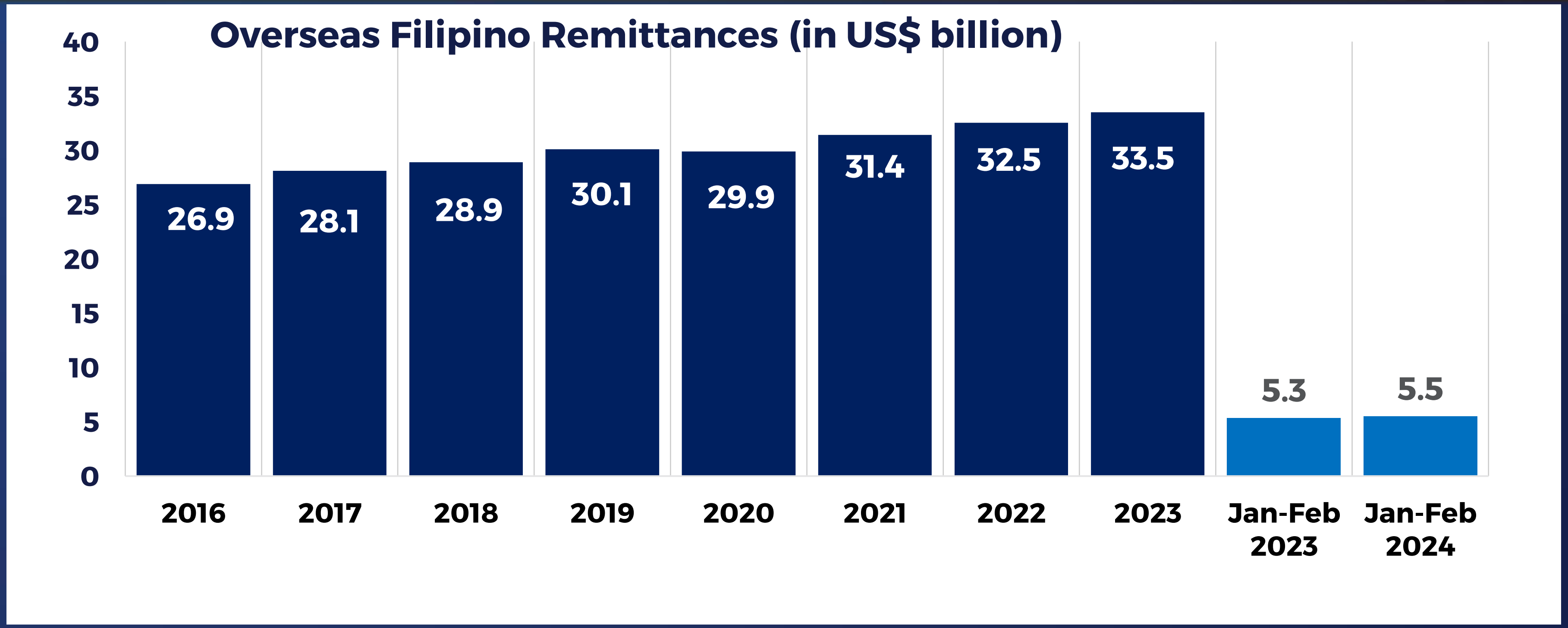
Note: Based on last done deal transaction (closing price) as of 4:00 pm Manila Time except for Thai Baht and Indonesian Rupiah, which are based on 11 Apr 2024 and 05 Apr 2024, respectively, as 15 Apr 2024 is a holiday/no transaction.

Structural sources of foreign exchange inflows from overseas Filipino (OF) remittances and business process outsourcing (BPO) revenues

OVERSEAS FILIPINO REMITTANCES

US$33.5 Billion
2023

2.9%
YoY

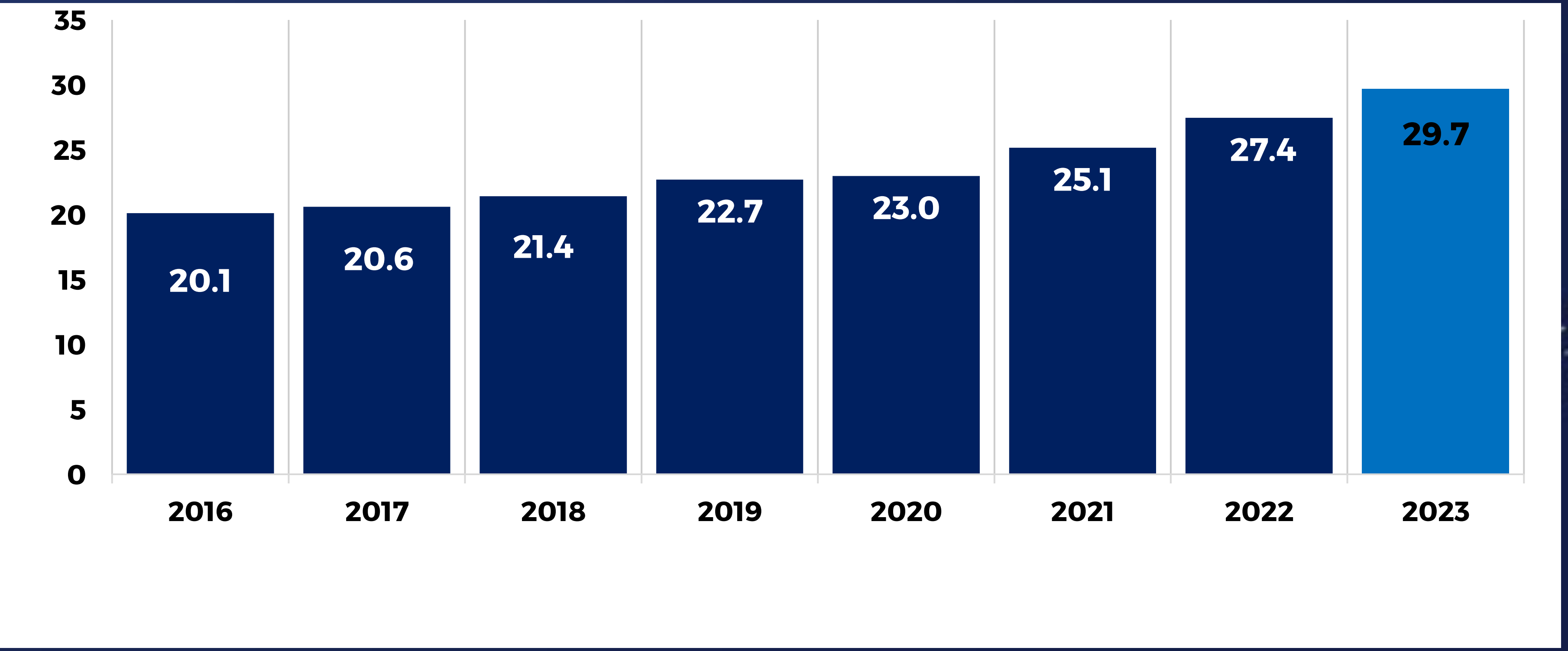


BUSINESS PROCESS OUTSOURCING REVENUES

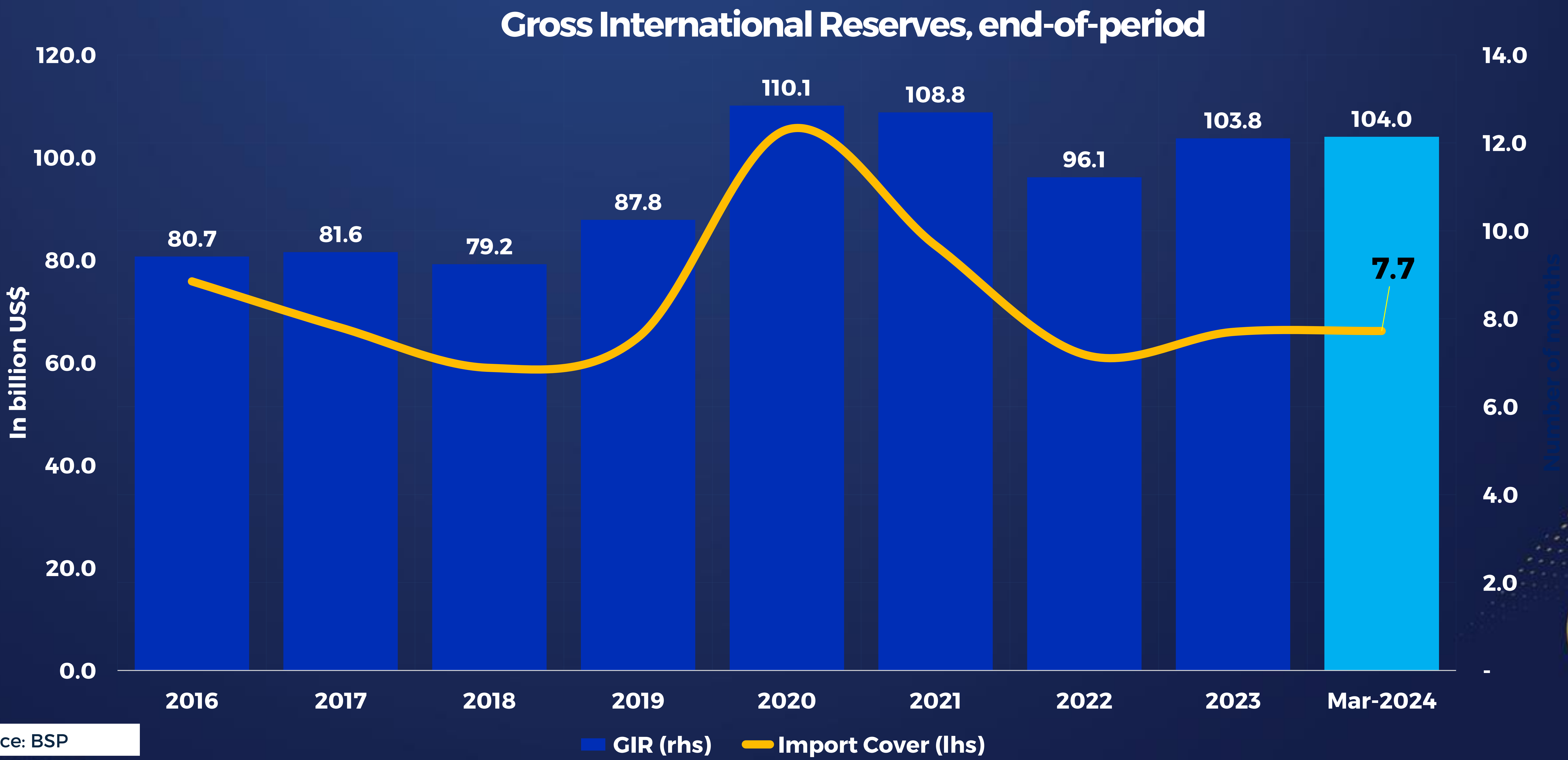
US$29.7 Billion
2023

8.1%
YoY

Business Process Outsourcing Revenues (in US$ billion)



Gross International Reserves provide ample liquidity to cushion against external headwinds



Source: BSP

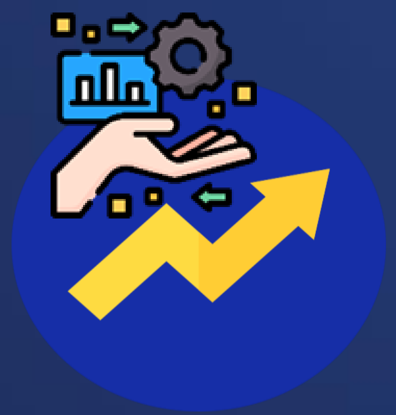
Current account deficit to narrow in the near term following robust services exports and steady OF remittances

	Actual		Projections	
	2022	2023	2024	2025
Overall BOP Position (% of GDP)1/	-1.8	0.8	0.1	-0.1
Current Account Balance (% of GDP)	-4.5	-2.6	-1.3	-1.1
Good Exports, growth rate (%), BPM6 concept	6.4	-4.1	3.0	6.0
Goods Imports, growth rate (%), BPM6 concept	19.0	-5.0	4.0	7.0
OF Cash Remittances, growth rate (%)	3.6	2.9	3.0	3.0
Net Foreign Direct Investments (US$ billion)	9.5	8.9	9.0	9.0

1/The BOP deficit in January-February 2024 amounted to US$936 million, which was a reversal from the US$2.2 billion surplus recorded in January-February 2023.

Source: BSP

Philippine banking system stays resilient



Steady asset growth

Assets further expanded

₱25.0 T
9.6% yoy growth

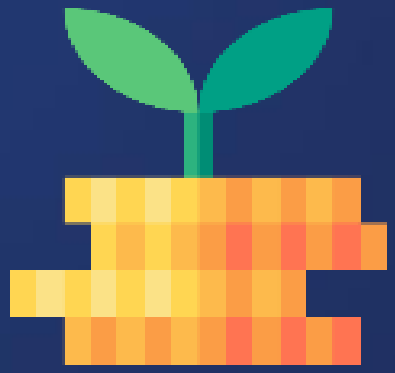
As of February 2024 p/

Sustained Lending

Lending continued

₱13.5 T
9.1% yoy growth

As of February 2024 p/

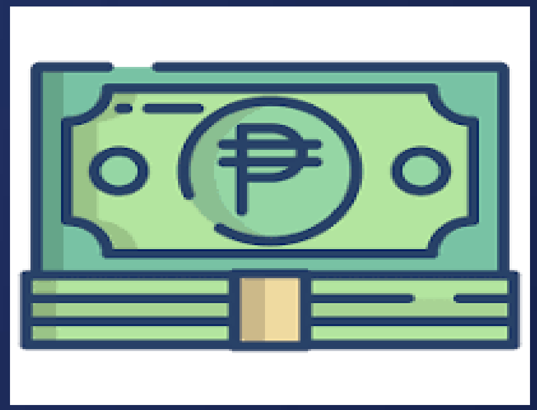


Stable Deposits

Deposits grew

₱18.7 T
7.9% yoy growth

As of February 2024 p/



Strong Earnings

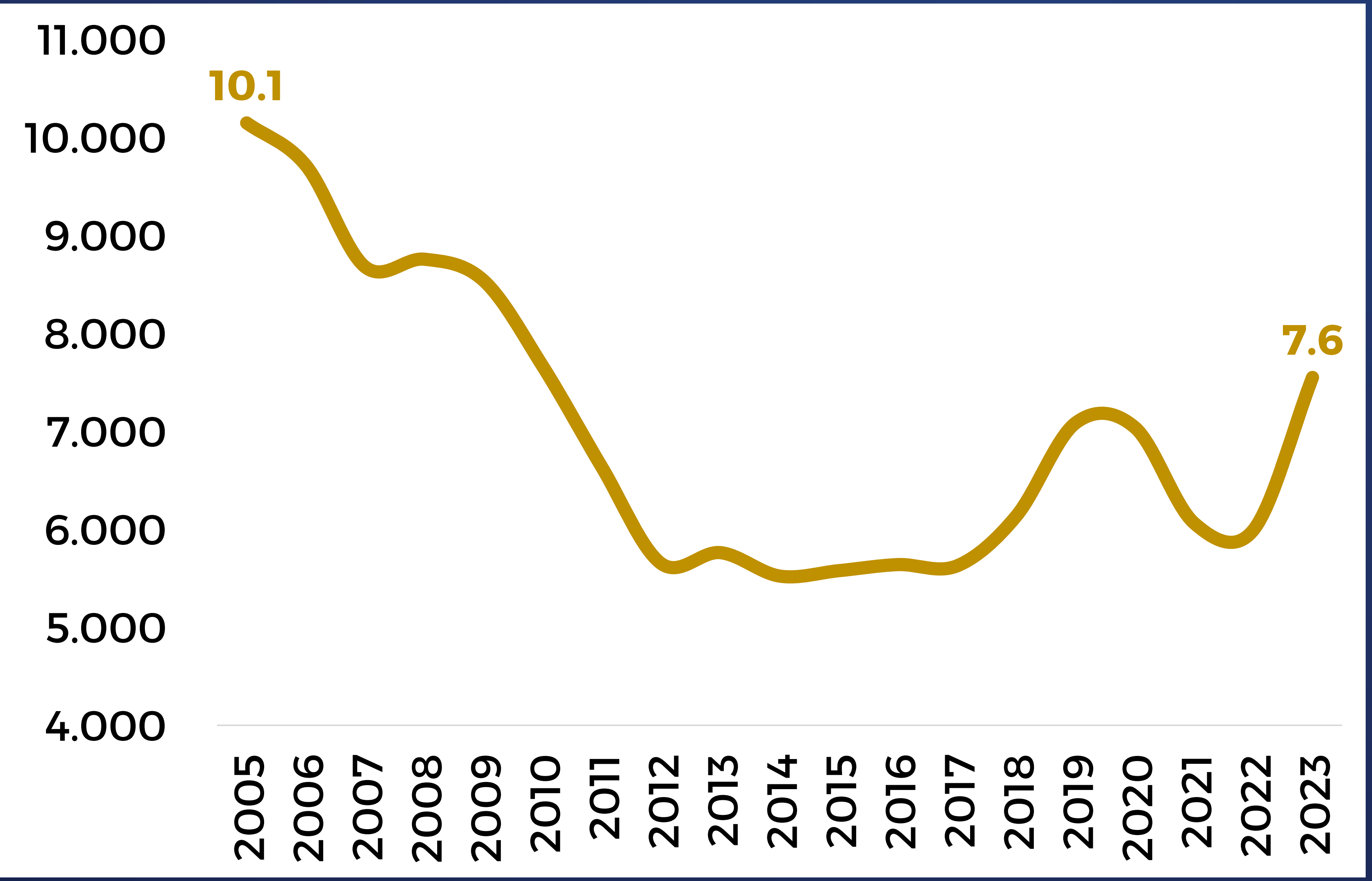
Sustained profitability

₱356.5 B
15.0% yoy growth

For the period ending December 2023

Banks lend support to domestic recovery

Bank Average Lending Rate (%)



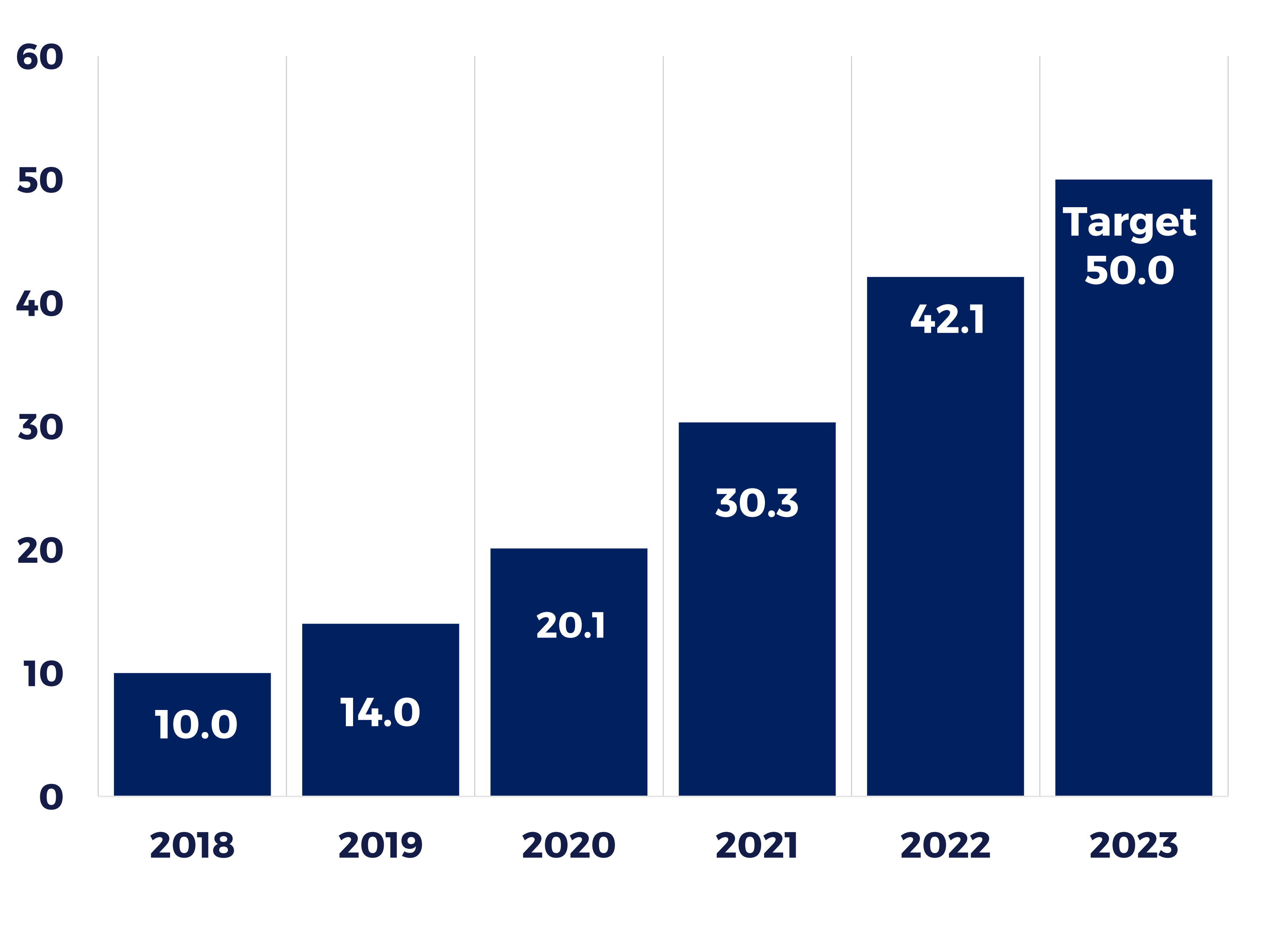
Source: BSP

UKB Lending
Year-on-year Growth Rate(%)

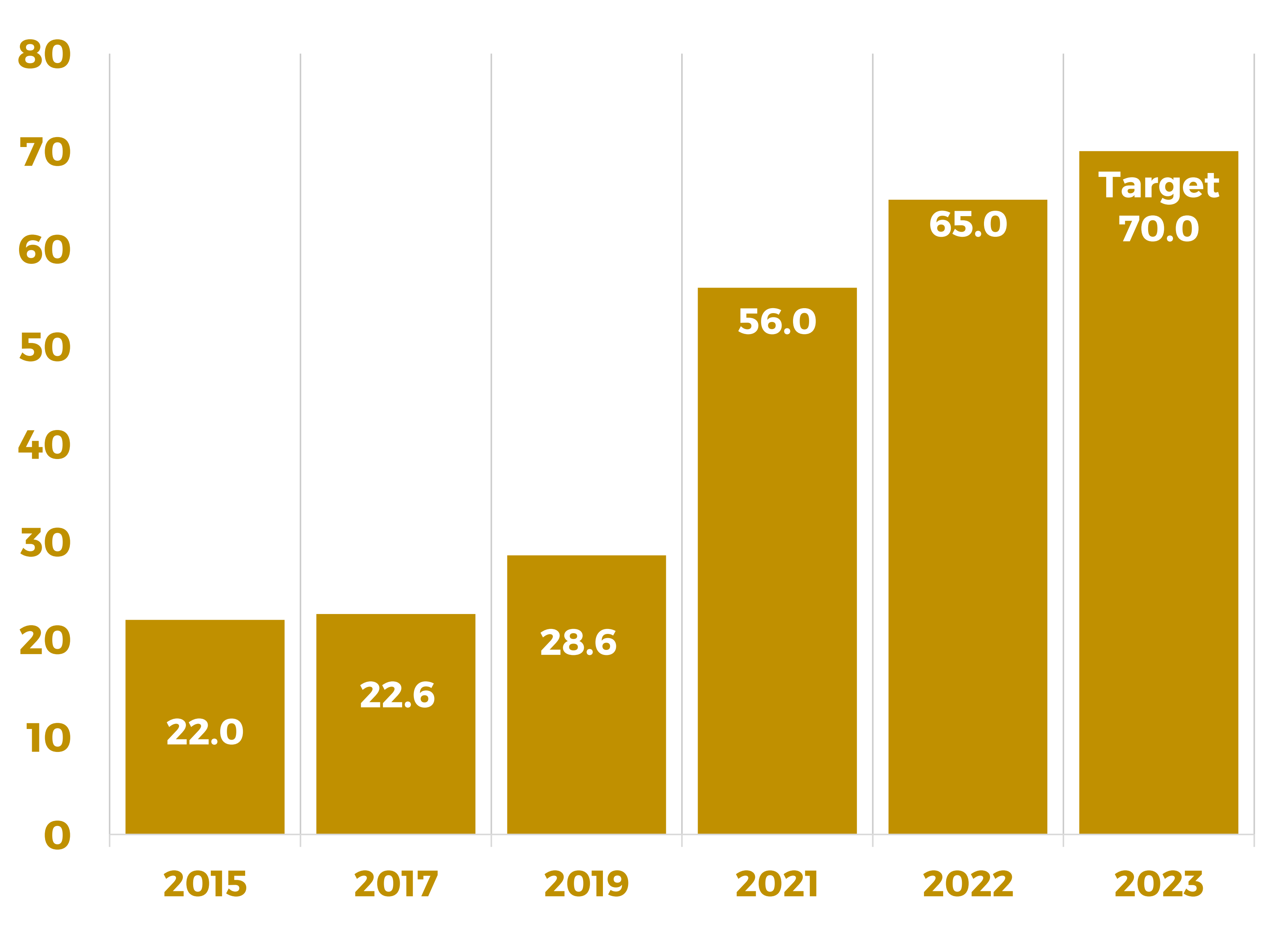
Source: BSP

Digital payments facilitate greater financial inclusion

Share of digital payments to total transactions (in %)



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



Structural reforms support the long-term growth prospects of the Philippines

DEMOGRAPHIC SWEET SPOT

Low dependency ratio and a well-educated young population can help support savings and investments

STRONG DEMAND FOR EXPORTS

Strong demand for IT-BPM services and electronic components provides the economy with a steady stream of employment opportunities and FX earnings

RESILIENT O.F. REMITTANCES

OF remittances bolster the economy's FX reserves and increase household incomes

INCREASED INVESTMENTS

Legislations including the Foreign Investments Act, Strategic Investment Priority Plan, and Retail Trade Liberalization Act are expected to boost investments in the succeeding quarters

SUSTAINED SPENDING ON KEY INFRA PROJECTS

Infrastructure programs yield high multipliers by generating employment, enhancing productivity, and providing long-term utility

Key Takeaways

THE BSP MAINTAINS ITS TIGHT MONETARY POLICY SETTINGS AMID PREVAILING INFLATION CONDITIONS

While inflation remains within the target range, keeping monetary policy settings tight remains appropriate given upside risks to inflation outlook. Continued progress in non-monetary measures will remain crucial in addressing supply-side pressures on inflation.

DOMESTIC ECONOMIC GROWTH PROSPECTS REMAIN INTACT OVER THE MEDIUM-TERM

Recent indicators suggest that domestic growth prospects remain largely intact over the medium term, even as overall activity continues to respond to tighter financial conditions

RESILIENT EXTERNAL ACCOUNTS CUSHION AGAINST GLOBAL SPILLOVERS

Robust external account, alongside ample policy space, will continue to cushion against potential global spillovers in domestic inflation and growth outlook.

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