The Philippine Economy: Resilience Amidst Uncertainties

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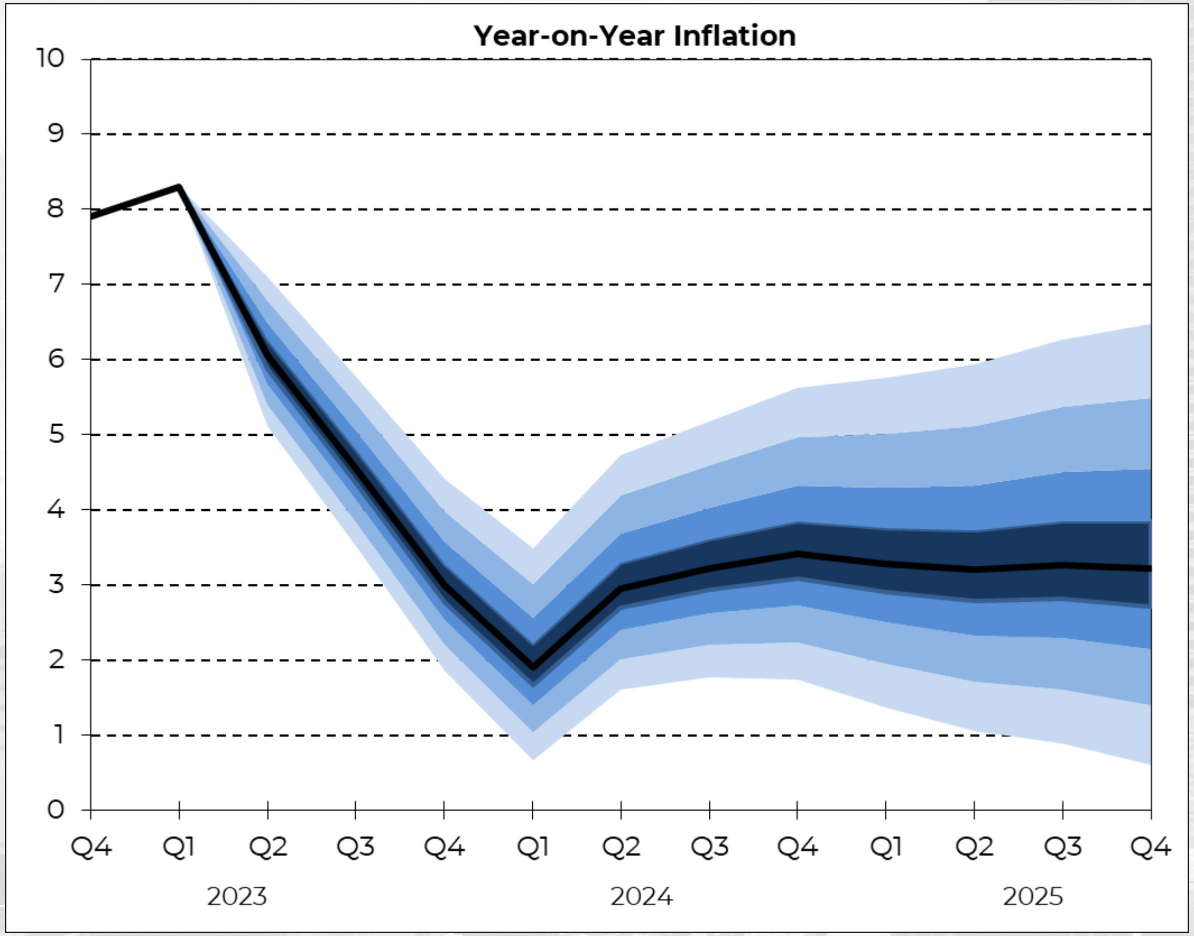
Inflation is forecast to return to within target by Q4 2023

BSP Year-on-Year Inflation Forecast

As of 22 June 2023, Monetary Board Policy Meeting



Source: BSP

BSP Average Baseline Inflation Projection

Year	18-May MB Mtg	22-Jun MB Mtg	Diff.
2023	5.5	5.4	-0.05
2024	2.8	2.9	0.04
2025	-	3.2	-

BSP has pragmatically used its expanded toolkit

Countires	Absolute change in policy interest rate (bps)	Nominal Exchange Rate Changes	Change in GIR (in percent)	Change in GIR (in USD billion)
	cumulative policy rate adjustment since August 2021 [a/]	as of 18 July 2023 [b/]	end-2021 data vs latest available data [c/]	
Philippines	**425**	**2.5**	**-8.3**	**-9.0**
S. Korea	300	-0.1	-9.0	-41.7
India	250	0.9	-6.8	-42.9
Indonesia	225	3.9	-5.1	-7.4
Thailand	150	1.1	-11.3	-27.8
Malaysia	125	-2.9	-4.7	-5.5
Taiwan	75	-0.7	3.0	16.4
Vietnam	50	0.0	-20.8	-22.8

Source: Bloomberg and CEIC

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

b/ FX data as of 18 July 2023. Last qouted price as of 4 pm (except for PhP which is the last done deal in the session).

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

Philippine banking system at a glance: A picture of resilience

Banks remain well-capitalized

CAR at **16.5%** and **16.1%** on solo and consolidated bases, respectively
As of end-March 2023 and end-December 2022

Assets sustain positive growth

9.3% y-o-y growth
PHP23.1 trillion
As of end-May 2023

Bank profits soar in Q1 2023

34.9% y-o-y growth
PHP89.5 billion
As of March 2023

Deposit growth reflects sustained public confidence

8.2% y-o-y growth
PHP17.7 trillion
As of end-May 2023

Loan quality remains satisfactory

NPL Ratio at **3.5%**
As of end-May 2023

Loan portfolio further expands

10.1% y-o-y growth
PHP11.8 trillion
As of end-March 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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