

Amando M Tetangco, Jr: BSP@16 – riding out the winds of change and weathering the turbulence

Speech by Mr Amando M Tetangco, Jr, Governor of the Central Bank of the Philippines (Bangko Sentral ng Pilipinas), at the 16th Anniversary of the Central Bank of the Philippines, Manila, 3 July 2009.

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Magandang, magandang umaga po sa inyong lahat!

Fellow central bankers there is every reason to celebrate and to be happy today! Today, we mark the convergence of two important events: the 16th anniversary of the Bangko Sentral ng Pilipinas and the 60th year of central banking in the Philippines.

At sixteen, the Bangko Sentral ng Pilipinas is a relatively young institution; but its foundation runs deep. That is because central banking, as a function directly linked with the development of our economy and our nation, marks its 60th year in 2009.

And so, today, in celebrating our 16th year as Bangko Sentral ng Pilipinas, we also pay homage to six decades of central banking as well as to the men and women who served our people and our country as central bankers. This is the reason why our celebration has for its theme: "Ako at ang Bangko Sentral: Noon, Ngayon, at Bukas."

My understanding from Managing Director Pete Tordilla, the chairman of our 16th anniversary celebration, is that almost 500 BSPers are involved in the exciting presentations this morning! Marami talagang showbiz at magaling dito sa Bangko Sentral. Fellow central bankers, palakpakan po nating muli ang magagaling nating performers and the creative team behind these presentations on 60 years of central banking! Salamat sa inyo. You really brought back old memories! Parang kaylan lang ano!

Of course, special occasions such as this are not an excuse to miss our deadlines.

As central bankers, we know that even as we complete tough assignments in an excellent manner, there are always many more programs that we need to work on, asap! Thus, we sometimes miss the opportunity to say thank you, as we immediately move on the next assignment. In fact, one of our favorite phrases here at the Bangko Sentral is moving forward! Tama ba?! Tama!

And so, today, let us pause and take the time to say thank you to our fellow central bankers. Ladies and gentlemen, let us express our thanks and appreciation with a well-deserved round of applause to the Resource Management Sector headed by Deputy Governor Andy Suratos; the Supervision and Examination Sector headed by Deputy Governor Nesting Espenilla; the Monetary Stability Sector headed by Deputy Governor Diwa Guinigundo; the Security Plant Complex headed by Assistant Governor Eve Avila; and the Executive Management Sector headed by yours truly with strong support from Assistant Governor and General Counsel Jun de Zuñiga. And finally, let us also thank the hardworking members of the Monetary Board of the Bangko Sentral ng Pilipinas, MBMs Amatong, Villafuerte, Antonio, Bunye, Boncan and Sec. Favila. Palakpakan po nating lahat ang mga BSPers!

Ladies and gentlemen. We saw through the presentations the challenges central bankers faced in the last 60 years.

There is no better time than today to look back at the global financial turmoil over the past 12 months and mark the lessons that punctuated the difficult episodes of what is now described as the deepest economic descent since the Great Depression.

If you recall, last year I spoke about how we succeeded in reaping the fruits of low inflation and high growth. This year is completely different, to say the least. The global financial

turmoil has spawned deep economic slowdown or recession, dysfunctional financial markets, precipitous drop in trade, bearish equities market and continued risk aversion. Through the last 12 months, there has been massive wealth destruction while deleveraging continues at a dizzying pace. In substance and in various forms, these have characterized both developed and emerging markets alike.

Ladies and gentlemen, to say that the past year has been a challenging one is clearly an understatement. The crisis that began half a world away has reached our shores. Thus, even as the Philippines entered the period of turbulence from a position of relative strength. We have felt the bumps and bruises in financial markets, trade, and the real sector. Already, the global crisis has severely slowed output growth in our country.

Nevertheless, the Philippines continues to distinguish itself for having one of the most resilient economies around. Moving forward, we are optimistic that positive growth will be sustained this year, that the balance of payments will continue to yield a healthy surplus, and that our banking system will remain solid through the turbulence.

Still, we need to be vigilant in guarding the economy against the spillover effects of the global crisis.

You may well ask, how is the Bangko Sentral responding to the global financial and economic crisis?

Well, the BSP has been providing ample liquidity to keep the financial markets functioning and able to fund the growth requirements of the economy, amidst the global credit crunch. The monetary actions we have taken since the fourth quarter of 2008 include the following: first, the opening of the US dollar repurchase facility to augment dollar liquidity in the foreign exchange market; second, the enhancement of the existing peso repurchase facility through relaxed valuation and broader acceptable collateral; third, the reduction in the reserve requirements on bank deposits by two percentage points; fourth, the increase to P60 billion of the peso rediscounting budget to ensure adequate peso liquidity; and fifth, the launching of the Credit Surety Fund Program to provide financing to small businesses through guarantees to small cooperatives with good track record.

The BSP has also reduced its policy rates by 175 basis points since December 2008, given favorable inflation outlook and well-anchored inflation expectations. This historical series of five rate reductions brought our overnight borrowing or reverse repurchase (RRP) facility to 4.25 per cent, the lowest in over 17 years. The intention is to help bring down the cost of borrowing and reduce the financial burden on firms and households.

Lower policy rates would also shore up business and consumer confidence for economic expansion.

The Bangko Sentral has also ensured that banks and other financial institutions have risk management systems in place, that banks adhere to safe and sound banking practices, and that accounting and supervisory rules are calibrated to adjust to the new financial circumstances.

Well, how are our scorecards in relation to these initiatives?

Evidence suggests that these initiatives have been effective. Our policy actions have provided a steady supply of liquidity that has allowed banks to continue lending and performing their role as fund intermediaries. Market interest rates have trended downward following the policy rate cuts by the BSP, as banks pass on lower lending rates to their borrowers. Inflation, meanwhile, continues to be subdued, and we continue to expect favorable inflation dynamics going forward.

Equally important, our banking system has remained sound and stable. Other segments of the financial sector – including the money, bond and equities markets as well as the foreign exchange market – have showed signs of stabilization if not recovery.

Ladies and gentlemen, our sustained efforts at capacity building has empowered us to be effective at monetary policy and bank supervision.

We have strengthened our strategic planning and budgeting processes to continue sharpening our vision. We have also sustained our BEST program by sending the best and the brightest of our staff to the best universities here and abroad, to ensure excellence and a global outlook among the future leaders of the Bangko Sentral. We want them to think big, to think new, and to think ahead while being immersed in the deep structure of their creative potential.

We have persevered in our wellness programs to keep our staff going strong and motivated. We have streamlined our recruitment process by opening our doors more widely to promising prospective employees. We have also continued to review our benefit package to ensure that we are able to attract and retain our most valuable resource: our professional, competent, and dedicated staff.

As we review our score card for another year of central banking in the Philippines, I would like to believe that we have provided the leadership and the vision for maintaining macroeconomic stability yesterday, today and tomorrow. We continue to receive recognition for this and we continue to raise the bar further. For instance, I am very pleased that 17 more departments and offices will be receiving ISO certifications next week, proof of our sustained program to align our processes with international standards. Palakpakan po natin ang mga bagong ISO-recipients natin!

Ladies and gentlemen of the Bangko Sentral. Our pledged stewardship of the Philippine monetary and financial system is of central value to the country's economic development. We have kept prices low, interest rates reasonable, the financial system sound and stable, and the payments and settlement system functioning efficiently. These are key elements in the resilient performance of the Philippine economy.

What more should be done? Well, it is not enough that we succeeded last year and the years before that. For as long as millions of Filipinos continue to live in poverty, we cannot rest we cannot stop.

As we continue our work to achieve our mandate, we need to ensure that we possess the expertise and competence in all phases of central banking; we need to develop greater sensitivity to signals which we should answer with better and more responsive actions; we need to be swift-footed in adjusting to a dynamic environment; and we need to further fine tune our ability to plan ahead.

We also need to work on amendments to the New Central Bank Act (R.A. No. 7653) to further strengthen our ability to achieve monetary and financial stability. The proposed amendments will allow the BSP to float its own bonds, enhance the supervisory and regulatory capabilities of the BSP with additional powers and greater legal protection. We will redouble our efforts to push for these amendments when the Congress resumes its session.

BSP has a comprehensive program to advance ordinary Filipinos' understanding of basic economic and financial concepts to empower them to benefit from opportunities that development brings.

In the last three years, for instance, the BSP been to 24 locations to bring its financial education lectures to overseas Filipinos and their families. The program has since been expanded and brought overseas to countries which have large concentrations of overseas Filipino workers (OFWs).

The integration of lessons on saving and money management in the curriculum of public elementary schools beginning schoolyear 2008-2009 is a major step forward in raising a new generation of savers in our country. This joint project of the Bangko Sentral ng Pilipinas and the Department of Education is targeted at 12 million public elementary pupils.

With the signing last week of a Memorandum of Agreement by the Bangko Sentral with the Coordinating Council of Private Educational Associations, we can look forward to the integration of lessons on saving and money management in the private elementary schools' curriculum as well.

The launching this afternoon of the savings promotion program which we call "Banking on Your Future" brings the banking sector on board our financial education program for millions of Filipino children.

We will also develop financial education modules for out-of-school youths and adults to complete our program.

Parallel to these proactive initiatives, the BSP has also set up Economic and Financial Learning Centers or EFLCs in our regional offices and branches where researchers can access economic and financial data series produced and monitored by the BSP. It also has a wide collection of books, journals and periodicals on banking, finance and economics, as well as electronic research system.

Indeed, BSP continues with its efforts to institutionalize and promote an inclusive program for the economic and financial education for Filipinos. This supports our program on inclusive banking and reaching out to the unbanked.

Ladies and gentlemen, my fellow central bankers, I am sure that this time of global economic and financial turmoil will surely rank as one of the defining moments in economic history. It will have a profound impact on all countries. Its economic toll so far has been unprecedented and, in some cases, has exacted painful social consequences including job and income losses. But I know that we shall be equal to the challenges. Let us therefore commit to work together with greater vigor and dedication as we navigate our economy through turbulence to the safety of enduring balanced economic growth, for the benefit all Filipinos.

For now, let us walk our talk by saying thank you to one another as fellow central bankers who work with patriotism, excellence, integrity, dynamism and solidarity, our guiding values here at the Bangko Sentral ng Pilipinas.

Together let us stand proud as BSPers who can truly make a difference in improving the lives of all Filipinos.

Mabuhay ang Bangko Sentral ng Pilipinas! Mabuhay ang mahal nating bansang Pilipinas! Maraming salamat at masayang anibersaryo!