

## **Amando M Tetangco, Jr: Promoting good governance and corporate social responsibility in the Philippines**

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (the central bank of the Philippines), for the opening ceremony of the 29th Biennial Convention of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII), Manila, 22 March 2013.

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### **Introduction**

Officers and Members of the Federation of Filipino-Chinese Chambers of Commerce and Industry Incorporated (FFCCCII), led by its President, Mr. Tan Ching and Chairman Emeritus, Mr. Lucio Tan, distinguished leaders and members of the business community, honored guests, ladies and gentlemen, good afternoon.

It is a pleasure to grace the 29th Biennial Convention of the FFCCCII and address an audience representing the largest organization of Filipino-Chinese businessmen.

The theme of today's event, "Tuwid na Daan Towards Peace, Unity and Prosperity", is very much aligned to the thrust of government which is centered on good governance – a governance environment marked by transparency, accountability and enhanced citizens' participation to attain sustainable and inclusive growth.

The BSP also shares this vision. Good corporate governance encourages investments which allow the expansion of the economy with minimal inflation pressures. Good governance is also the foundation of a safe, stable, and sound financial system.

It is most welcome that the private sector, like the FFCCCII, fully supports the government's programs and thrust on good governance.

Indeed it is easier to reach a destination by passing a "tuwid na daan" rather than "daan na madaming liko at baku-bako". This means, time and resources well spent, especially for businessmen like you. Di po ba?

### **Favorable economic growth prospects by multilateral institutions**

2012 was an auspicious year for the Philippine economy. Notwithstanding the risks arising from a volatile global economic environment, the Philippines emerged stronger-than-expected.

With the continued resilience demonstrated in recent years, some are even beginning to consider the Philippines as an emerging tiger economy in Asia. A decisive transformation from being once tagged as "The sick man in Asia".

The complimentary reviews are reflected in the upward revisions made by multilateral institutions such as the International Monetary Fund (IMF), the World Bank (WB) as well as the Asian Development Bank (ADB) on the Philippines' GDP growth forecasts for 2013.

All these favorable assessments and bright growth prospects were driven by the solid performance of the Philippine economy across various indicators.

Let me cite four:

#### **(1) *Robust and broad-based economic growth.***

The stronger-than-expected growth performance in 2012 was supported by broadening growth drivers. All major economic sectors advanced during the year.

On the supply side, transportation, telecommunication, real estate, and construction business activities pushed the economy forward. Meanwhile, on the demand side, growth was boosted by consumer expenditure and government spending.

**(2) *Favorable inflation environment and well-anchored inflation expectations.***

I should point out that the increased activity has not caused the general price level to rise.

Inflation has generally remained low, and prospects appear to be equally subdued in terms of price.

Indeed, we expect this scenario of high growth-low inflation to be sustained going forward.

**(3) *Sound and stable banking system.***

The strong economic performance is itself anchored on a sound and stable banking system.

Deposits continue to build up, allowing loans to similarly expand. Much like inflation, our banks' Capital Adequacy Ratio shows no sign of vulnerability.

This encouraging situation supports our assessment that our banks are ready for the implementation of Basel 3. We will roll out the capital adequacy framework of Basel 3 in about nine months from today.

**(4) *Robust external payments position.***

A robust external position completes our position of strength.

Whether we look at the overall BOP position or its sub components, we see positive balances. Remittances from OFs continue to bolster domestic liquidity while BPO estimated receipts continue to be a positive factor.

All these eventually led us to a GIR level that is just below US\$84B.

## **2013 Macroeconomic outlook**

The macro financial numbers provide us some momentum.

Nothing in the first quarter gives us reason to take pause. Instead, the outlook continues to be encouraging.

Given available data, we expect growth to further accelerate but this time aside from the growth drivers in 2012, we anticipate a more pronounced contribution from the external trade sector.

In addition, remittances from our OFs will continue to be a steadying factor.

The BOP is also seen to remain in surplus, which in turn will support an even higher level of international reserves. At end 2013, the GIR is projected to reach \$86.0B.

## **Challenges to the economic outlook**

But while we expect the Philippine economy to continue to show resilience, given its solid macroeconomic fundamentals so far and the ample policy space these provide us, we are not immune to the continuing volatilities in the external front.

The risks that we are currently monitoring closely include the following:

1. Intensification of the euro-area debt crisis. Just when we thought the European authorities are on the way to a resolution, the problem in Cyprus crops up.
2. Any further delay in the resolution of fiscal issues in the US.

3. Continued surge in capital flows to the EMEs, including the Philippines, resulting from the continued low interest rates and weak economic prospects in Europe and the US.

Friends, let me assure you that the BSP stands ready to pursue policy measures to deal with these downside risks from external sources. But the BSP and the Government cannot do this alone.

The Government needs the support of the private sector of an organization such as this Federation.

### **FFCCCII and the Government: Forging stronger ties toward sustaining growth momentum**

How can the FFCCCII help? Just as I have mentioned four major sustainability factors that support economic growth in the country, let me mention four key areas where the members of your Federation can help in sustaining the momentum of high growth-low inflation.

1. ***Participation in the infrastructure program of the government, particularly the Public-Private Partnership (PPP).***

Given the relatively wide scope of industry sectors that FFCCCII members belong to, the FFCCCII could encourage more of its members to engage with the government in pursuing vital infrastructure projects for the country.

Enhanced infrastructure would boost the country's business climate, which in turn would help generate more jobs.

More jobs mean improved spending capacity for more Filipinos which would lead to higher consumption.

Indeed, a win-win situation for both the private and the public sectors.

2. ***Investments in the export sector.***

There have been concerns that the Philippines may be over-reliant on remittances from overseas Filipinos in terms of financing its foreign exchange needs. One of the strategies that is needed for this country to promote a sustainable external position is through increasing investments in the export sector and enhancing competitiveness as well as innovativeness in this sector.

Given the widely diversified and geographically dispersed profile of FFCCCII members, the Federation could definitely encourage more of its members to invest in developing new export-viable products.

3. ***Development of a strong industrial base.***

Another project that the FFCCCII could further promote is the development of a strong industrial base in the country. With a well-represented industry sector, FFCCCII could easily push for a roadmap toward a stronger and more diversified industry sector across various lines and regions nationwide. This project could certainly lend support to one of the government's key concerns: employment generation in the domestic economy.

4. ***Investment in human capital.***

I know that the FFCCCII has been keen on pursuing programs and projects aimed at promoting education. These include construction of barrio schools and provision of scholarship programs to elementary and high school students in Chinese-Filipino schools.

I encourage you to expand existing programs in this area.

These are only a few of what I have in mind, but I am sure that the FFCCCII could contribute a lot more in terms of programs and projects geared toward nation-building, on top of what the Federation has already been doing in the past.

### **BSP's policy directions going forward**

Ladies and gentlemen. We are seeing many positive developments but the agenda is definitely not done yet.

We need to take a holistic view and pursue the prudential path towards financial stability. I realize that to many of you, financial stability may sound to be such a high-level objective that is detached from the ground. In reality, this prudential objective has a direct bearing on all of us.

Financial stability means that we will continue to set monetary policy with an inflation anchor that is consistent with the needs of the broader macroeconomy. In particular, the BSP sees interest rates remaining low over the policy horizon, given a manageable inflation outlook. Foreign exchange inflows are expected to continue, although we see flows coming in at a slower pace than before. Therefore we expect the peso to remain well-supported.

Financial stability also means a stable and sound banking sector that actively promotes inclusion, provides for non-traditional delivery channels of financial services, and protects the interests of the saving public. In particular, the BSP will continue with the banking reform agenda, including the adoption of Basel 3 capital adequacy standards in January 2014.

Finally, financial stability must then mean that we have an efficient payments system that is responsive to the business needs of the community as well as in providing the needed market infrastructure for investors.

### **Conclusion**

Ladies and gentlemen, the 2012 macroeconomic performance of the Philippine economy has set a significant standard for the country.

While challenges remain and continue to pose risks to the economy, the BSP is optimistic that with an even stronger partnership between the private sector represented by business organizations like the FFCCCII, the Philippines could do a repeat, if not better, performance this year.

With stronger partnership with the private sector, the government will also be able to facilitate smoothly its pursuit of sustaining good governance reforms to ensure a sustainable and inclusive growth for the Philippines.

I salute the FFCCCII for its almost six decades of uniting the Chinese-Filipino community to promote the growth of business and implement social welfare projects that help bring about economic development and progress for the country.

In the next decade and beyond, may you continue to inspire more leaders in the business community to share your "tradition of service" to the Filipino people.

As we embark on another journey this 2013, it is my hope that there will be more partnerships forged and bounded with the same mission as the FFCCCII. That is, "to devote time, talent and resources to projects that will contribute to the country's economic, social and cultural development".

This for me, is the true essence of corporate social responsibility and nation-building a business organization which commits itself as a partner of the government in alleviating poverty and promoting economic prosperity for the entire nation.

Thank you and good afternoon.