

## **Amando M Tetangco: State of the Philippine economy and inauguration of a new regional branch**

Welcome remarks by Mr Amando M Tetangco, Jr, Governor of the Bangko Sentral ng Pilipinas, on the occasion of the inauguration of the BSP Pampanga regional branch, San Fernando, 17 June 2010.

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Her Excellency Gloria Macapagal Arroyo, Secretary Gary Teves, fellow workers in government, leaders of the business community, members of the banking community, special guests, mga kabalen, good afternoon.

On behalf of the members of the Monetary Board we welcome all of you to this new home of the Bangko Sentral ng Pilipinas in the City of San Fernando.

We are happy and honored that you have accepted our invitation to join the inaugural ceremonies of this new landmark in Pampanga.

Indeed, we should celebrate what the transfer of our Pampanga office represents – that the Bangko Sentral ng Pilipinas needed bigger offices to support sustained growth of economic transactions here in Pampanga and in nearby provinces such as Zambales, Tarlac, and Bulacan.

In fact, of the 21 regional offices and branches of the Bangko Sentral, our Pampanga branch is the second largest in terms of deposits, next only to Cebu.

In addition, Region III or Central Luzon ranks the third largest in terms of net loan portfolio, after the National Capital Region and Central Visayas.

This is concrete proof of the gains this region has made over the years, having overcome the setbacks wrought by the eruption of Mt. Pinatubo. Ladies and gentlemen, let us celebrate this success with a round of applause!

It is not surprising therefore that the Bangko Sentral's recent surveys indicated that the business sector and the consumers in Region III are optimistic that even higher levels of growth and prosperity will continue to be achieved.

And while the Bangko Sentral has moved to San Fernando, we remain grateful to Angeles City for supporting us in the last 23 years that we held office at the historic Pamintuan House where the first anniversary of the Philippine Republic was held and which served briefly as presidential residence of Emilio Aguinaldo, the first Philippine President.

For this reason, the Bangko Sentral ng Pilipinas has included the Pamintuan House in the list of real estate properties that will be turned over to the Department of Finance as property dividends. The Department of Finance in turn will transfer responsibility over the property to the National Historical Commission which will convert this into a museum.

In this manner, we ensure that ownership of Pamintuan House remains with government and Angeles City will be assured that this historic landmark in its midst will be preserved for the next generations as witness to the history and heroism of our people.

Ladies and gentlemen. I am also pleased to report that our country, as a whole, is also doing relatively well. While the world economy remain in distress following the worst global financial crisis in decades, the Philippine economy continued to move forward, culminating in the 7.3% GDP in the first quarter this year.

The resiliency of our economy was not lost to global analysts and investors. One of the world's biggest investment banks said the Philippines surpassed expectations, displaying

remarkable resilience and an impressive rebound. The pursuit of sustained economic reforms under the Administration of President Arroyo made this possible.

At the same time, the Bangko Sentral as an independent institution responsible for inflation management and banking supervision reinforced the Philippines' macroeconomic achievements.

Average annual inflation was kept at single digits dropping to 2.8 percent in 2007, the lowest annual average in 21 years. This year, the average inflation for the year is at 4.3 percent, well within the government's target of 3.5 to 5.5 percent for 2010. The centrality of price stability, particularly in creating an environment conducive to informed consumption and investment decisions cannot be overemphasized.

At the same time, our external position remains strong. Our balance of payments is in surplus in spite of a difficult environment while the country's Gross International Reserves (GIR) is at a record high level of \$48 billion and could cover more than 9 months of imports of goods, three times the standard of three months.

Our healthy external position is due in part to the continued surge of Overseas Filipino remittances to historic high levels. In support of our OFs, Bangko Sentral has been working on lowering remittance charges and conducting financial education on investment opportunities and investor protection programs.

Another important mandate of the BSP is maintaining financial stability, which proved its significance in the recent global economic turmoil. The financial reforms we have consistently pursued have enabled the Philippine financial system to remain resilient amidst the global financial storm. In fact, the country's financial system has substantially improved as indicated by the uptrend in total assets, the rise in bank capital ratios, improvement in bank profitability and better non-performing loan ratios. The promotion of good governance practices, steady capitalization build-up, and continuing reforms generated positive results for the banking sector.

We are also pleased to report that we continue to make good progress in integrating our countrymen into the net of the formal financial system through a program to provide financial services to the underserved as well as the unserved and unbanked.

In particular, we have made inroads in improving lives through microfinance with an impressive rise in the number of clients served, in loans granted and in savings generated. In fact, the country has been recognized as one of the best in the world of microfinance by the Economist Intelligence Unit. The Philippines is also in a leadership position for mobile money transfers.

This is not to say that the road ahead will be easy. However, we have learned that cooperating and working together can do wonders in terms of keeping our economy on sound and stable footing in the years ahead to improve the lives of Filipinos.

This, we shall continue to do as we pursue our mandate to ensure stable prices through monetary policies; a sound and stable banking system through appropriate policies and programs; as well as a safe and reliable payments system that inspires confidence in our financial system. .

These topics will be discussed in greater detail in the Restrospective Forum that will follow later.

Your Excellency, ladies and gentlemen, on behalf of my fellow central bankers, I thank you for joining us today on the inauguration of the Bangko Sentral's new branch office in Pampanga.

Mabuhay!