

Amando M Tetangco, Jr: Bangko Sentral ng Pilipinas' Stakeholders' Awards – a celebration of solid partnership

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (the central bank of the Philippines), at the 2013 Awards Ceremony and Appreciation Lunch for BSP stakeholders, Manila, 16 July 2013.

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Magandang umaga sa inyong lahat!

On behalf of my colleagues at the Monetary Board and the Bangko Sentral ng Pilipinas, I thank all of you for accepting our invitation today to our Stakeholders Awards Ceremony and Appreciation Lunch for BSP Stakeholders.

As in years past, this ceremony takes place during the Bangko Sentral's anniversary month. This year however, is more special: this month – July 3 to be exact – we commemorated the 20th anniversary of the Bangko Sentral ng Pilipinas. And today, we mark the 10th year of our Stakeholders Awards, the annual celebration of our fruitful partnership and collaboration.

Ladies and gentlemen. In observing these milestones, we take the opportunity to express our deep appreciation to all our guests in this hall and to our other stakeholders across the country for helping us craft policies and implement programs that make lives better for our people.

Among others, the continuous improvement in the quality of our surveys provides a good anchor for the monetary policies of the Bangko Sentral ng Pilipinas, the main objective of which is to keep prices low and stable.

With your support, we continue to be successful in this effort. We have tamed inflation at low single digit levels – 2.8% as of June 2013, with year-to-date inflation at 2.9 percent.

One of the monetary tools used by the Bangko Sentral to influence inflation is its policy rates, the benchmark used by banks to transact with their own customers.

Under the Bangko Sentral's inflation targeting framework, policy rates are adjusted appropriately and pre-emptively to ward off inflation threats. In general, it takes policy rate decisions from 18 to 24 months to work their way through the economy. Thus, the BSP's Monetary Board ensures that its policy rate settings are based on accurate information-intensive studies such as business and consumer outlook.

This includes the quarterly Business Expectations Survey which covers the top 7,000 corporations in the country and the quarterly Consumer Expectations Survey which covers 5,000 households.

We are happy therefore that when we tracked the correlation between the results of our expectation surveys with actual data on the GDP, inflation, interest rates and foreign exchange we found high overall convergence.

Ladies and gentlemen, we continue to achieve high correlation because you provide us accurate, comprehensive and timely survey inputs. Thank you!

As a result, the Bangko Sentral's policy decisions continue to provide the stability that preserves the public's purchasing power and creates a planning environment conducive to strong and sustainable growth.

With BSP's policy rates now at record low levels, average interest rates charged by banks to their customers have also dropped to single digit levels. This has benefitted consumers in terms of access to more affordable credit while business is able to expand and create new jobs with lower financing costs.

Moving forward, therefore, the Bangko Sentral will continue to focus on fighting inflation and safeguarding price stability to achieve sustained and inclusive growth.

The Bangko Sentral also needs your support for other surveys including Cross Border Transactions, Coordinated Portfolio Investment, Information Technology-BPO Outsourcing Services, and Foreign Direct Investment.

Among others, these surveys help us determine our Balance of Payments position, a closely-watched indicator of our transactions with the rest of the world.

We are pleased to report that our external accounts remain robust, providing much-needed insulation from external shocks. External payment dynamics remain strong on the back of rising foreign exchange reserves, sustained influx of overseas Filipino remittances and BPO receipts, and declining external debt to GDP ratio.

I am also happy to note that our network of committed partners continues to expand. From seven in 2004, we now have 71 awardees, 42 of whom are in areas outside the National Capital Region.

Ladies and gentlemen. As we take stock of our achievements, we also take note that the resiliency of our economy strongly reflects the efficient performance of our information sharing initiatives. Indeed, our partnership continues to generate synergies that lead to transformational growth.

And while recent developments in the external front have made economic conditions more challenging, we have been able to ride out these headwinds to economic growth. We attribute these largely to the strength of our partnerships and to the buffers that the Philippine economy has built through the years.

Another source of strength of the Philippine economy is our sound and stable banking system. Deposits continue to increase to record levels, in tandem with healthy growth in lending. And the quality of loans continues to improve even as non-performing loan ratios drop to record low levels. Equally important, banks continue to build strong buffers against systemic shocks and have kept their capitalization well-above the regulatory threshold.

Against this favourable backdrop, major multilateral financial institutions have upgraded their outlook on the Philippine economy. Credit rating agencies such as Fitch and Standard & Poor's acknowledge the Philippines' strong economic and fiscal gains by raising the country's credit rating to investment grade.

Nevertheless, given the constant shift in the global landscape, we continue to face challenges. Over the last month, we have seen great volatility as global financial markets react to the Federal Reserve's announcement on the unwinding of its accommodative monetary policy. Foreign exchange and equity markets gyrated as investors searched for safe havens and higher returns in developed economies.

On the upside, the current market movements may help reduce the build-up of asset valuations that could contribute to financial market imbalances. We can also be assured that recent market volatility notwithstanding, our economy's growth remains firm, underpinned by strong macroeconomic fundamentals, broad-based economic growth, manageable inflation, strong external payments position, sufficient fiscal space, as well as a sound and stable banking system.

Ladies and gentlemen. The resilience of our economy brings us to the heart of this year's celebration, which has the theme: "Hand in Hand in Sustaining a Steadfast and Strong Economy." This is a timely reminder that by working together we can and shall overcome the challenges and uncertainties faced by our economy.

Among others, we acknowledge the support of banks who work with the Bangko Sentral in handling remittances of our overseas Filipinos efficiently at significantly lower costs. Your

reliable service not only benefits our overseas Filipinos and their families, but our economy as well.

Ladies and gentlemen, your support in empowering Filipinos through the development of a more inclusive financial system is also important to us. Together, let us work to extend the delivery of a broader range of financial services to the unbanked and underbanked segments of our population. Imagine the benefits a microentrepreneur and his family can derive from gaining access to a lower-priced bank loan in place of a 1,000% loan from non-bank sources.

Finance education and consumer protection are equally important components of financial empowerment. In this connection, we salute the Department of Education for being our active partner in bringing financial education to millions of our schoolchildren.

We also acknowledge the banks who help our youth develop the habit of saving and give lessons on personal finance to teachers and parents.

So far, we have made significant strides in the development of the Philippine microfinance sector that has liberated millions of entrepreneurial Filipinos from poverty and transformed them into net savers in banks. In fact, our latest data indicate that for the first time consolidated bank deposits of microentrepreneurs at over P8 billion have now exceeded their total bank loans.

I also thank all the industry groups, all companies – big and small, our partners from both public and private sectors for your support in Bangko Sentral's advocacies that promote coin recirculation and clean banknotes, as well as protection against counterfeit money and financial scams.

Once again, ladies and gentlemen, we at the Bangko Sentral ng Pilipinas thank and congratulate all of you for being our active partners in the pursuit of our mandate and in making lives better through better policies and programs. Together, let us steer the economy toward balanced, sustained and inclusive growth.

Maraming salamat sa inyong lahat!

Mabuhay ang ating mahal na bansang Pilipinas!