

## **Nestor A Espenilla, Jr: Generativity**

Speech by Mr Nestor A Espenilla, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the YPO event "PH Business and Economy: Outlook and Forecasts from the BSP Chief", Manila, 17 January 2018.

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Good evening. I am very pleased to be here. I thank YPO and YPO Gold Philippines for the opportunity to speak at this important gathering.

This is quite a forum of business leaders and dynamic CEOs! I understand that an application to join YPO must be approved before the applicant reaches his or her 45th birthday... Your youth, your energy, your skills, your competence, and the level of resources at your disposal make you a force to be reckoned with...and a significant catalyst for change.

What's so special about the 40 to 45-year old mark? As you know, these years are the gateway to mid-life. You will, or probably already have, discovered that this is a positive thing. For many, it is a time where one has a keener acceptance of self, a greater sense of security... where mental and emotional wellbeing has found equilibrium... and where one is more focused on developing generativity<sup>1</sup>...

Generativity. I like that word. One definition I found on the web is that it is a need to nurture and guide younger people, and contribute to the next generation... It is also defined as the ability to transcend personal interests, a psychological concern for legacy, and desire to expand one's influence and commitment to family, society, and future generations.

In my readings, there was even a warning to middle-aged adults who fail to develop generativity. He or she, who does not transcend oneself, is said to experience stagnation, or self-absorption.

In this regard, YPO, with its focus on engagement, learning and growth is a strong proponent of Generativity. For this, I congratulate you all whole-heartedly.

Generativity is a quality most cherished by the BSP as it pursues its mandates for the benefit of not just the present, but of future generations. As YPO clearly feels the same, we begin on common ground today. .... There is much room for the practice of this trait as we engage in nation building together.

### **The Ripe Groundwork for Greater Nation-Building**

When I first assumed the Governorship of the Bangko Sentral in July of last year, I knew I had inherited a strong economy and a dedicated institution committed to sound macroeconomic management and prudent financial supervision.

I knew that my task was not to rebuild, but to build on already strong and built foundations. And what a blessing this was!

The same conditions hold true for each Filipino who desires and is in a position to make an even greater difference for the nation... like you who are in this audience...

The current economic landscape is healthy and robust. It is ripe and ready to receive our added investments of time, energy, creativity and resources. It is prepared (and being even better prepared) for us to work together better to include more of our countrymen into the financial system so that they too could participate and eventually contribute to its continued flourishing.

The Philippines is one of the world's fastest growing investment-grade economies. We

registered a 6.9 percent GDP growth in the third quarter of 2017 and we have enjoyed 75 quarters of uninterrupted economic growth. Last December, acknowledging the sustained robust growth and macroeconomic regulatory environment, Fitch upgraded the Philippines to a solid investment grade rating of BBB.

We are optimistic that this high growth will continue and we will meet the full-year target range of 7 to 8 percent GDP growth in the medium term, or from 2018 to 2022.

Demand for Philippine exports is expected to further increase with the economic recovery of our major trading partners, as well as diversification of our export markets.

Foreign investors have shown an increased interest in the Philippines. The Government is actively increasing the country's competitiveness by building infrastructure, promoting the ease of doing business, and lifting restrictions on foreign ownership for certain industries.

Amidst this economic robustness, inflation has remained manageable. In 2017, inflation was at an average of 3.2 percent. It is expected to be within the target of 2 to 4 percent from 2018 to 2019.

The balance of payments is manageable and our gross international reserves of USD 81.5 billion as of end-December 2017 stands as strong buffer against foreign exchange volatility.

The Philippine banking system is safe and sound, growing rapidly its resources while demonstrating solid indicators of prudence, capital adequacy, liquidity, and profitability.

The Philippines is, no doubt, entering a period of immense opportunity. There is a confluence of factors such as demographics, technological advancements, solid macroeconomic fundamentals, plus the Government's commitment to provide an enabling policy framework to ensure sustainable and inclusive growth.

The private sector, equipped with the resources, business acumen and networks to support sustainable business and innovations are in a unique position to make things **even better**... to engage in acts of Generativity that can uplift the quality of life of all Filipinos.

### **Generativity: We are what survives us**

Erik Erikson, the Psychoanalyst that coined the term, "Generativity" had a powerful insight: "we are what survives us." Generativity is creating the very future.

In the BSP, this is our goal. First, we envision and are committed to a future of greater economic resilience; of continued price stability; banking and financial stability; and an efficient and effective payments settlements system....

We envision continuity in the implementation and soundness of macroeconomic policies, banking and financial reforms, regulations and initiatives that were carefully put in place years and decades ago.

In addition to this, we envision even more. When I became Governor, I articulated my plans in the phrase, "Continuity Plus Plus."... This refers to the goal of greater, widespread and felt financial inclusion; of a cash-lite society where we can leverage on digital technology and innovation in the delivery of financial services and products; of deeper capital markets; and of targeted FX reforms that make cross-border business easy.

Foremost in the BSP's plus-plus agenda is financial inclusion. Despite the gains reported by the economy, 1 in 5, or 21.9 million Filipinos were considered poor in 2015. Five percent of our working population is unemployed as of October 2017. A lot more are under-employed.

The BSP believes that for progress to be meaningful, more must be included in the workings of the financial system. We advocate broad based growth through financial inclusion.

In 2015, statistics showed that 43.2 percent of adults save money, but less than a third of the savings are kept in banks.

We need to harness the power of technology to expand the reach of affordable and efficient financial services.

The BSP supports banks' responsible fintech innovations considering their link to financial inclusion, as well as the resultant efficiency in delivering and supporting financial transactions.

The BSP is driving the upgrade of the country's payment system by promoting electronic payments and facilitating inter-operability for faster settlement of transactions.

In November 2017, we launched the PESONet, the first Automated Clearing House (ACH) under the National Retail Payment System. The PESONet is envisioned to be the electronic alternative to the paper-based check system.

Next quarter, we are targeting to launch with the industry another priority ACH, the real-time low value push payment scheme called InstaPay. It is designed to facilitate small value payments and will enable merchants to accept digital payments from customers in real-time using cards or any digital device especially smartphones.

Another thrust under the Plus Plus agenda is the development of domestic debt markets as a viable alternative to bank funding. In August 2017, the BSP, together with the Department of Finance, the Securities and Exchange Commission, and the Bureau of the Treasury unveiled a roadmap on Local Currency Debt Market Development.

Operationalization of the roadmap commenced with the launch last November 2017 of the interdealer government securities repurchase program.

The BSP is also introducing reforms to our FX regulatory framework. The reforms will promote greater ease in international business dealings; as well as the functioning of transparent and efficient foreign exchange markets compatible with a domestic economy that's better integrated into the global economy.

### **Generativity in Technology**

May I encourage you as movers and shakers of the economy, as leaders, to capitalize too on innovation and technology for the efficient delivery of your products and services.

Not only is this an act of generativity – as such will engage more people and empower them... But interestingly, there is an exponential force that comes, and opportunities that are created from technological innovation itself.

For instance, the internet has acted as a generative force allowing users to create and communicate in previously unimagined ways. This was not foreseen by its creators!

Generativity in this context is the ability of a technology platform or technology ecosystem to produce new output... This is precisely our goal in the BSP as we look at technology and its role in financial inclusion.

Perhaps through technology, your businesses may also capitalize on opportunities offered by agricultural value chains, both as a viable business and as an inclusive growth strategy. This is an opportunity to improve the lives of 11.1 million Filipinos employed in the agriculture industry alone, as well as MSMEs that are engaged in production and related activities such as

processing, distribution and trading!

While there will, no doubt, be rich business opportunities as new markets are tapped by new tools and technology, the ultimate goal is to reach the unbanked and underserved populace. Jack Ma, founder and executive chairman of Alibaba said the goal of “Fintech or Techfin is to rebuild the system with technology...to solve the problem of a lack of inclusiveness.”

This is clearly Generativity in action, both in terms of the psychological need to build beyond oneself, but also in terms of how technology can produce and influence new (and hopefully productive and positive) behaviours.

How auspicious! How exciting! We, at the Bangko Sentral ng Pilipinas invite you to share our enthusiasm.

Thank you for your kind attention.

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<sup>1</sup> Coined by the psychoanalyst Erik Erikson in 1950.