

Nestor A Espenilla, Jr: Mutualism and the "win-win" dynamic

Speech by Mr Nestor A Espenilla, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the 2018 Awards Ceremony and Appreciation Lunch for BSP Stakeholders, Manila, 10 July 2018.

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Speaker: Ms Maria Almasara Cyd N. Tuaño-Amador (Deputy Governor)

A very good morning to everyone. I have the pleasant task of delivering this message on behalf of the Chairman of the Monetary Board and BSP Governor Nestor A. Espenilla, Jr.

His message is as follows:

It is interesting how organizations operating in an economy are similar to organisms thriving in an ecosystem. There is one particular type of inter-relationship that I believe characterizes ours. This is mutualism. Unlike parasitism or predation, mutualism represents a win-win for all parties concerned. It is a relationship of "plus-plusses." This is the type of interaction we seek. This is the type of interaction we enjoy.

When I became BSP Governor a year ago in July 2017, I coined the phrase, "Continuity Plus-Plus." This phrase encapsulates the BSP's strategic direction. It articulates the importance of sustaining our policy thrust as well as the need for further strategic financial sector reforms.

To implement this strategic direction, there is a need to sustain a "win-win" dynamic synergy between the BSP and you, our partners. It is only when we collaborate and cooperate that together we can achieve a balanced, sustainable, and inclusive growth of the Philippine economy.

Through your contributions of comprehensive information and advocacy support, the BSP is able to better formulate monetary and financial policies consistent with our mandates of maintaining price stability, promoting financial stability, and fostering a safe and efficient payments system.

We continue to see the positive results of these partnerships. The growth of the Philippine economy continues to be robust and resilient. In 2017, the economy grew by 6.7 percent, an expansion of more than 6.0 percent over the past five years. We are the third-fastest growing economy in Asia, next to China and Vietnam. We achieved this despite global uncertainties and challenges.

Headline inflation averaged 3.2 percent in 2017, well within the Government's inflation target range for the year. Meanwhile, the January to June 2018 inflation¹ readings have averaged 4.3 percent.

Our external payments position remains manageable. The Balance of Payments deficit of US\$863 million in 2017 speaks of an economy needing more capital goods and raw materials to sustain its growth momentum. Favorable external developments enabled residents to diversify asset portfolios and prepay foreign obligations. The continued stream of Overseas Filipino remittances supported by a steady demand for skilled Filipinos abroad and robust receipts from the business process outsourcing sector continue to support economic growth.

Net inflows of foreign direct investments reached a record high of US\$ 10 billion in 2017. The country's external debt remained comfortable in 2017 at 23.3 percent of Gross Domestic Product (GDP). Meanwhile, Gross International Reserves (GIR) stood at US\$77.7 billion as of end-June

2018, representing an ample external liquidity buffer equivalent to 7.5 months' worth of imports of goods and payments of services and primary income.

Moreover, the Philippine financial system continues to operate in a position of strength. It is supported by strong macroeconomic fundamentals and sustained implementation of proactive reforms. Asset quality improved as banks' non-performing loan (NPL) and non-performing asset (NPA) ratios remained at record lows. Meanwhile, banks' capital adequacy ratios (CAR) remained well-above regulatory standards.

We are very mindful that the growth narrative of the Philippine economy is not the BSP's responsibility alone. It belongs to all of us and is attributed to our collaborative and collective efforts. In particular, your response to the BSP's various surveys, your provision of information to support monetary policy, and your participation in our diverse programs, advocacies and initiatives, assist us in pursuing our mandates, in formulating sensible and responsible policies, and in performing our auxiliary functions.

On behalf of the BSP community, it is my privilege to express our gratitude to each one of you. We are therefore quite pleased to announce that the BSP will recognize 163 outstanding partners this year.

Through the Information Support Awards, we will recognize outstanding survey respondents and information partners who have assisted the BSP in formulating data-driven monetary policy. The Advocacy Support Award will recognize the BSP's exemplary partners in reinforcing the three pillars of central banking through significant contributions in: financial inclusion and education; consumer protection; payments and settlements; overseas Filipino remittances; coin recirculation; clean note policy; demonetization of old notes and coins; and asset disposal.

We also recognize noteworthy partners in specialized BSP Programs through the Special Recognition Awards. For the second year, we will honor partners who have received the same award for three consecutive years with the Gold Hall of Fame Award.

We are also pleased to announce a new award category – the Award for Outstanding Regional Knowledge Resource Network (KRN) Partner. This award recognizes the support of notable KRN partners that have exhibited excellent communication, reporting, management, and allocation of the BSP's collections of information reading materials.

Today, we are also launching a special citation on Accessibility, to recognize the support and willingness of banks to improve their facilities and establishments to meet the needs of persons with disabilities.

The BSP as well as the organizations, and institutions that you lead thrive in an ecosystem that is ever-changing and is becoming even more interconnected.

Theoretical physicist Geoffrey West² acknowledges that relationships play an important role in a dynamically evolving system. He states and I quote:

We need to understand how the dynamics of innovation, technological advances, urbanization, financial markets, social networks, and population dynamics are interconnected and how their evolving interrelationships fuel growth and societal change—and, as manifestations of human endeavors, how they are all integrated into a holistic interacting systemic framework.

We follow his advice today and we will continue to do so moving forward. Our most heartfelt thanks and congratulations to all our BSP stakeholders!

Mabuhay po tayong lahat!

¹ 2012 based prices

² West, Geoffrey (2017). "Scale: The Universal Laws of Growth, Innovation, Sustainability, and the Pace of Life in Organisms, Cities, Economies, and Companies".