

Benjamin E Diokno: Policy continuity and institutional independence

Statement by Mr Benjamin E Diokno, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), during a press conference, Manila, 8 March 2019.

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Good morning.

I am happy to be with you all today at the Bangko Sentral ng Pilipinas.

I would like to thank the BSP family for their warm reception on my first day at work in BSP and the Monetary Board for our very collegial discussions yesterday.

Invariably, one cannot speak about the BSP without mentioning my immediate predecessor, Nestor A. Espenilla Jr. who spent his career spanning 38 years here. I am sure that he is and will be greatly missed for pushing an agenda centered on financial inclusion, financial learning and consumer protection. Rest assured, I will be adopting this agenda with the aim of making financial services more accessible to our larger population.

The BSP has fostered an environment for the ideal convergence of stable prices and high economic growth by implementing much-needed reforms during the past 20 years.

This has certainly led to favorable and wide-ranging results, including the country's maintenance of its investment-grade credit ratings. As of end-2018, the country is rated BBB/Positive by Standard and Poor's, BBB/Stable by Fitch, and Baa2/Stable by Moody's Investors Service.

ASTRONG INSTITUTION

I am certain that the BSP would not have been able to pursue such difficult reforms without a highly competent workforce that is led by outstanding, capable and intelligent leaders.

Under the BSP's Strategy Map 2018–2023, I have been duly informed that the officers and staff of this institution are collectively working towards being "recognized globally as the monetary authority and primary financial system supervisor that supports a strong economy and promotes a high quality of life for all Filipinos."

I would say that you have done this with clear results, as I am now joining a Credible Central Bank that enjoys the trust and confidence of the market in pursuing its mandate of price stability, financial stability and efficient payments system.

It is also noteworthy that the BSP is committed to promoting Dynamic Stakeholder Engagement to constantly seek ways to improve delivery of mandates; Organizational Agility amid a changing operating environment; and Organizational Capability by constantly developing agile, collaborative, motivated, and skilled BSP workers.

While I am still taking stock of the full breath of my responsibilities here at the BSP, I am confident that this strong, professional and well-respected organization will see me through the challenges of governorship. I truly am honored to join this esteemed institution as its fifth Governor.

STRONG REGULATORY FRAMEWORK

Aside from the quality of this institution, I am also glad to note that the BSP is now better equipped to pursue its path of excellence with the enactment of new laws.

First and foremost, “Republic Act No. 11211, or An Act Amending Republic Act No. 7653, Otherwise Known as the ‘New Central Bank Act’, and for Other Purposes” signed on 14 February 2019 by President Rodrigo Duterte strengthens the BSP’s regulatory framework for pursuing its mandate. The law (a) strengthens policy framework for promoting price stability; (b) enhances the framework for prudential regulation and systemic risk management to foster the safety and soundness of the financial system; and (c) empowers the BSP to oversee payment and settlement systems.

Immediately after the signing of R.A. No. 11211, Standard and Poor’s upgraded the Philippine banking system’s Banking Industry Country Risk Assessment (BICRA) score from “6” to “5,” indicating lower risk assessment for our banking system. BICRA scores range from 1 to 10, with 10 reflecting assessment of highest risk.

Alongside the New BSP law, Republic Act No. 11127 or the “The National Payment Systems Act” further bolsters the BSP’s capacity to foster the efficiency of payments systems as pipelines of funds in the financial market. These laws bolster the BSP’s capacity to provide a steadying hand to the financial system.

Moreover, these payment systems initiatives dovetail with BSP’s efforts to continuously enhance the financial system’s management of cyber risks. Knowing that IT security issues have systemic implications, the BSP, under my leadership, shall continue strengthening the system’s ability to address these threats.

Moving forward, I see these multifaceted undertakings ultimately benefiting the Filipino people in terms of stable prices and a sound financial system that ably manages funds entrusted to it by savers and investors.

Last year presented a challenge for the conduct of monetary policy. Shocks from high oil and food prices brought average inflation to 5.2 percent in 2018, exceeding the National Government’s target of 2-4 percent. To ensure that we avoid propagating second-round effects and upsetting inflation expectations, the BSP tightened monetary policy by a total of 175 basis points.

With inflation slowing down in recent months, authorities have further opportunity to assess the stance of monetary policy. Given the impact of non-monetary measures to relieve food supply bottlenecks, including the implementation of the rice tariffication law, the BSP expects inflation to settle within the target band of 3.0 percent \pm 1.0 percentage point for 2019–2020. Inflation expectations have also started to stabilize within the BSP’s target band, while domestic economic activity remains firm.

Nevertheless, various risks, both here and overseas, require the BSP to continue to keep a close eye on developments that could affect the outlook for inflation. As always, our decisions on the monetary policy stance will remain data-dependent.

INSTITUTIONAL INDEPENDENCE

In pursuing policy continuity, let me also assure you that the BSP will sustain its institutional independence with the Monetary Board acting as a collegial body. We shall continue to pursue monetary and financial sector policies that are data-driven, evidence-based, and attuned to the evolving market environment.

Thank you very much and have a good morning.