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Statement by the Hon. **NESTOR A. ESPENILLA, JR.**,
Governor of the Fund for **PHILIPPINES**

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Governor of the Fund for the Philippines¹

The economic landscape has altered considerably a decade after the global financial crisis. The world economy is now recovering but global growth remains fragile. More recently, however, we are seeing encouraging developments on several fronts. With global growth now expected to pick up in 2017 and 2018, the improving outlook on economic activity, investment, manufacturing, and trade, has supported a recovery in commodity prices and reduced disinflationary pressures.

Yet there is no room for complacency as policymakers across the globe continue to face considerable challenges. Foremost among these are the structural problems on productivity, infrastructure, and inequality that serve as binding constraints to faster and more inclusive growth. Policy uncertainty in advanced economies also remains a cause for concern. With the rise of protectionist sentiment and populism worldwide, questions arise on the pace of monetary policy normalization in advanced economies, and the possibility of a tightening in financial conditions. All of these factors pose significant downside risks to global growth, especially over the medium term.

Nevertheless, a dynamic emerging market like the Philippines, has reason to look to the future with cautious optimism. In the second quarter of this year, the Philippine economy grew by 6.5 percent, marking 74 quarters or more than 18 years of sustained, uninterrupted expansion. Economic growth enjoys broad-based support from both the demand and supply sides, underpinned by strong consumption and the resurgence of industry and manufacturing. This has been accompanied by low inflation and a solid banking system.

We are optimistic that the Philippine economy will continue to make good progress towards achieving its goals. Economic expansion is forecast to continue to pick up in 2017 due to the robust growth in the services sector and improved external trade conditions. Effective monetary policy management contributes significantly not only to achieving within-target inflation but also to sustainable economic growth. We expect inflation to settle near the midpoint of the government's target ranges for 2017 to 2019 even as the outlook for domestic economic activity continues to be supported by buoyant consumer and business sentiment, as well as ample liquidity.

Strong prudential supervision and regulation leading to a sound, stable, and liquid banking system continues to support the financing needs of our growing economy. Over the medium term, the Bangko Sentral ng Pilipinas (BSP) will continue to craft market-based regulations in line with international best practices to promote greater market efficiency, open up more opportunities, and encourage innovation.

¹ Statement of Governor Nestor A. Espenilla, Jr. of the Bangko Sentral ng Pilipinas for the 2017 Annual Meetings of the International Monetary Fund (IMF) and the World Bank (WB), 13-15 October 2017, Washington, D.C., USA.

In the age of digitization and financial technology, accelerated financial innovation has drastically altered the ways in which consumers access and make use of financial services. While the rapid pace of technological advancement also brings heightened risks particularly in terms of cybersecurity, no one can deny the potential to harness these new technologies for policy goals such as financial inclusion. The BSP continues to pursue the implementation of a comprehensive agenda for financial inclusion to empower access to financial services and ensure inclusive growth that promotes the quality of life of all Filipinos.

The Annual Meetings in Washington, D.C. provide an opportunity for the Philippines to touch base with our international partners and counterparts. The BSP is committed to enriching the global policy dialogue and supporting the resilience of the international monetary system. In the same manner, we also look forward to further deepening our collaboration with the IMF in the areas of effective surveillance, technical assistance, and policy advice.

Thank you and mabuhay!