



BANGKO SENTRAL NG PILIPINAS

# The Philippine Economy in 2024 Prospects and Challenges

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**BSP's policy actions and thrusts continue to be anchored on its core mandates, remaining responsive to needs of the times**



**Price Stability**



**Financial Stability**



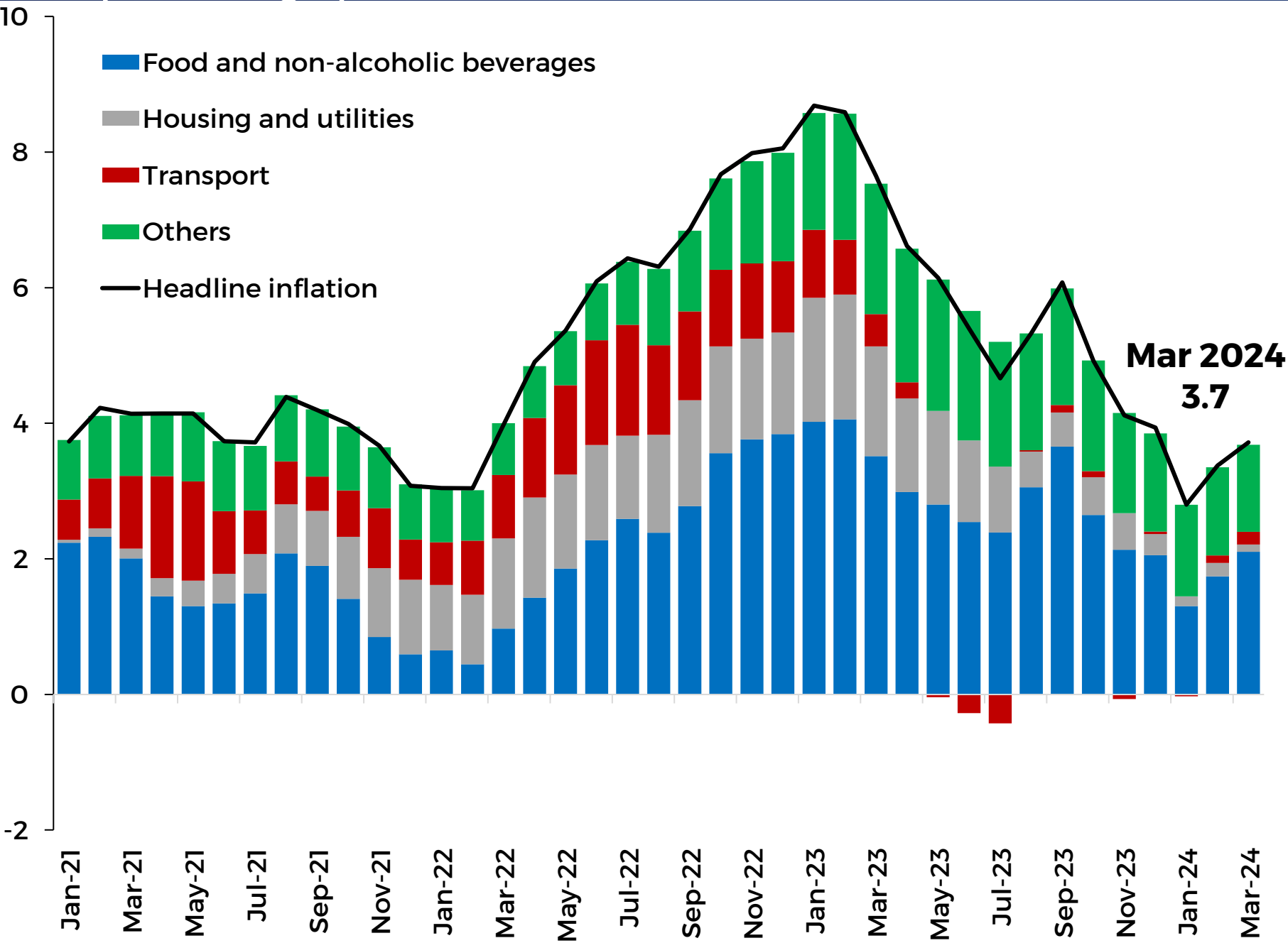
**Payments and Settlements System**

**3 Pillars of Central Banking**



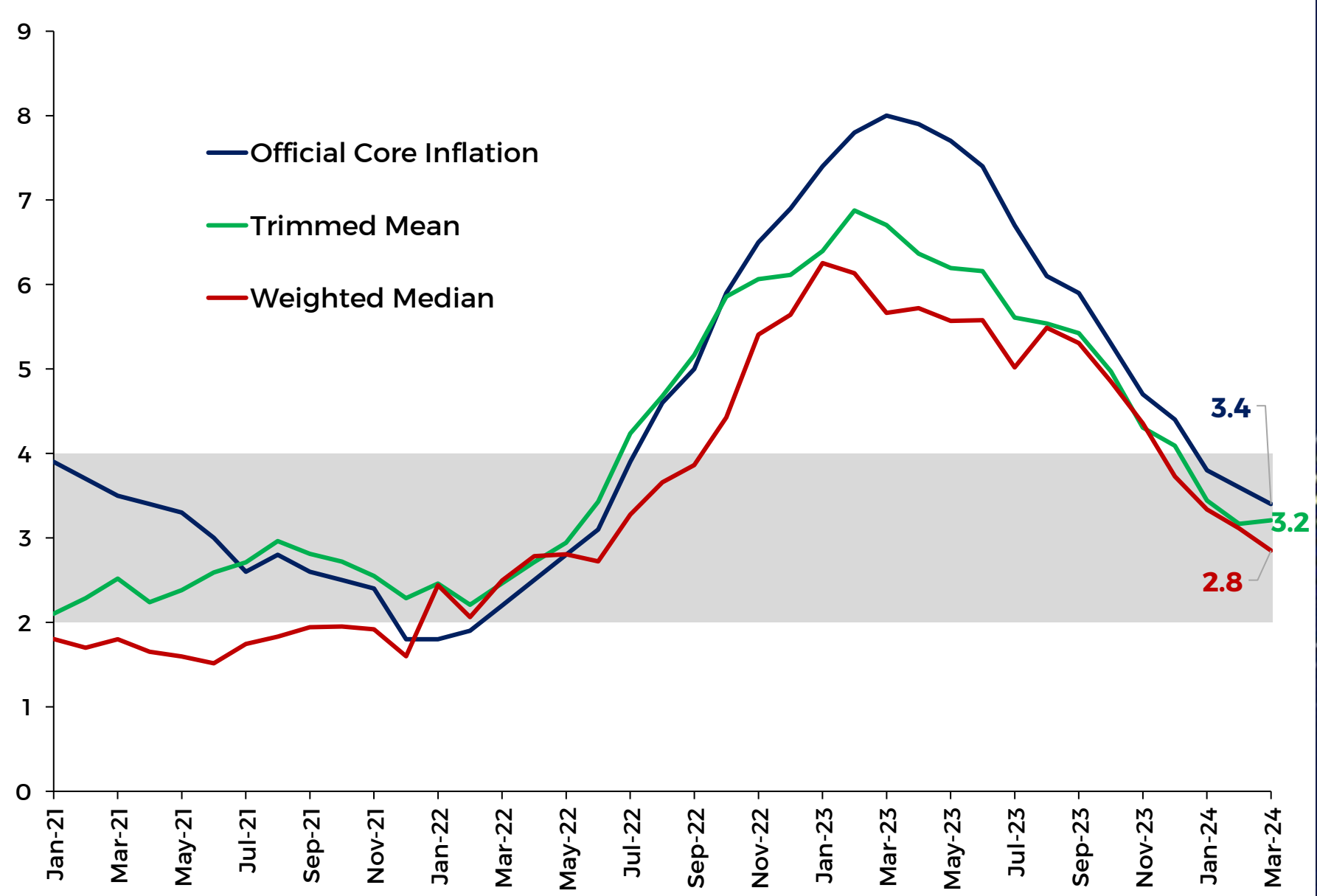
# Supply-side factors continue to drive inflation

**Contribution to Headline Inflation**  
In percentage points



Sources: PSA and BSP staff calculations

**Core Inflation Measures**  
In percent

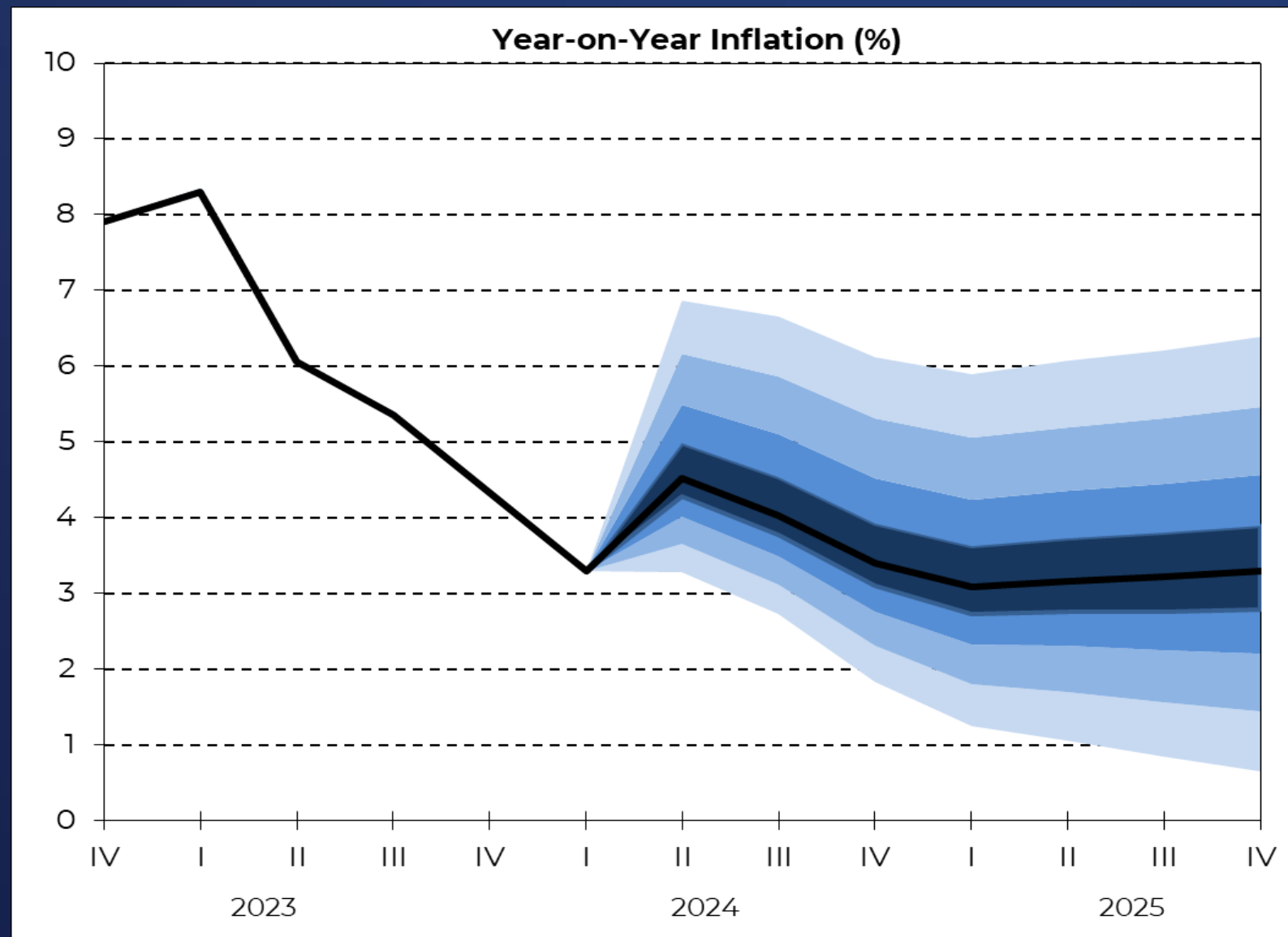


Source : PSA for basic data and BSP staff estimates.



# Inflation is seen to settle at the upper end of the target range in 2024

**BSP Year-on-Year Baseline Inflation Forecast**  
*As of 8 April 2024, Monetary Board Policy Meeting*



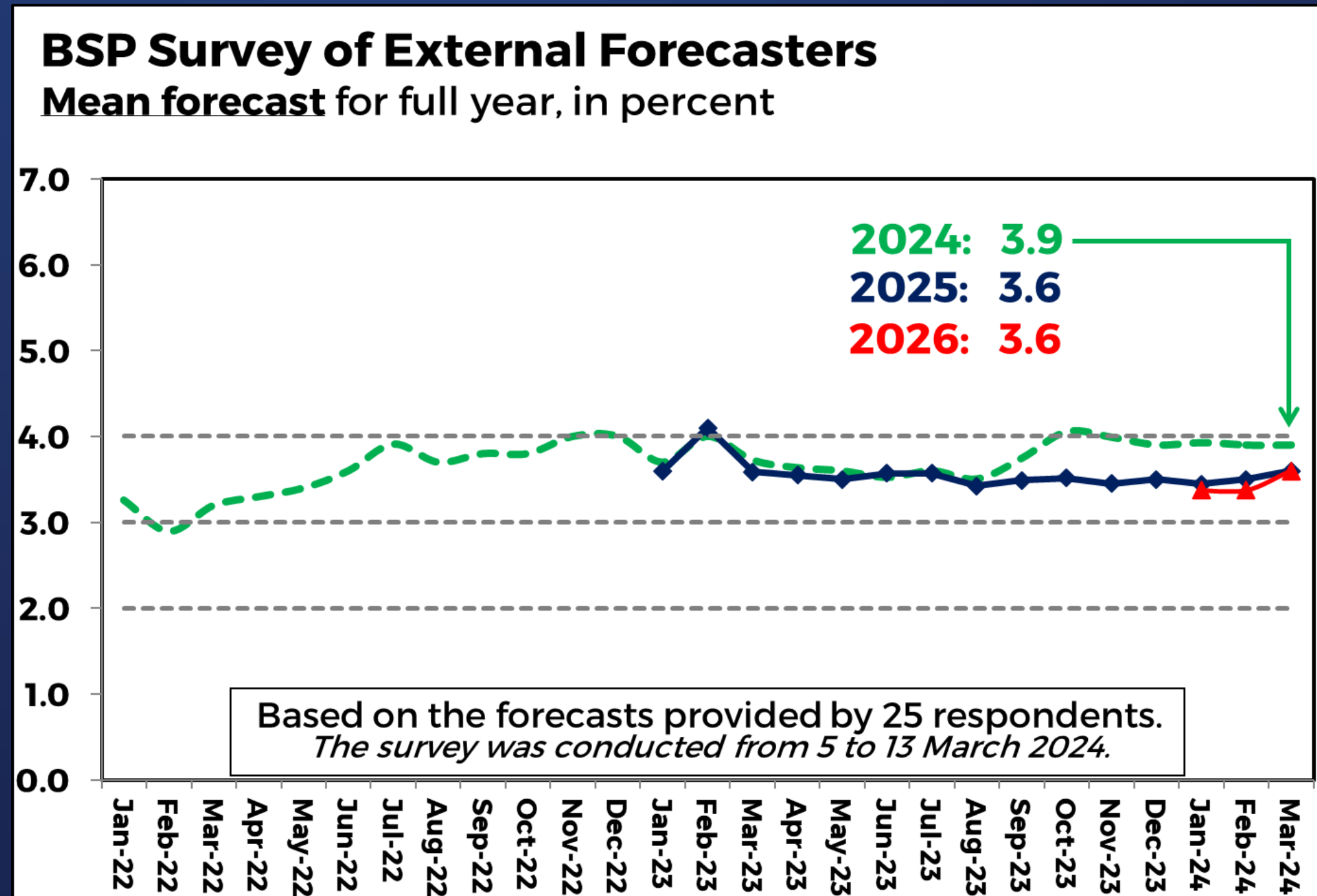
Year	Baseline		BSP Risk-Adjusted Inflation Projections	
	Feb 2024 Meeting	Apr 2024 Meeting	Feb 2024 Meeting	Apr 2024 Meeting
2024	3.6	3.8	3.9	4.0
2025	3.2	3.2	3.5	3.5

## Upside risks

- Higher transport charges
- Higher domestic food prices
- Higher electricity rates
- Higher global oil prices
- Potential minimum wage adjustments



# Inflation expectations are still broadly anchored



Source: BSP



# Non-monetary measures remain crucial for sustained disinflation

## SHORT-TERM STRATEGIES

- Alleviating impact of El Niño
- Timely and sufficient importing of key commodities
- Augmenting and pursuing programs related to energy conservation and efficiency, as well as food security
- Implementation of targeted cash transfers and subsidies towards vulnerable stakeholders
- Continuous monitoring of relevant developments and coordination with the private sector

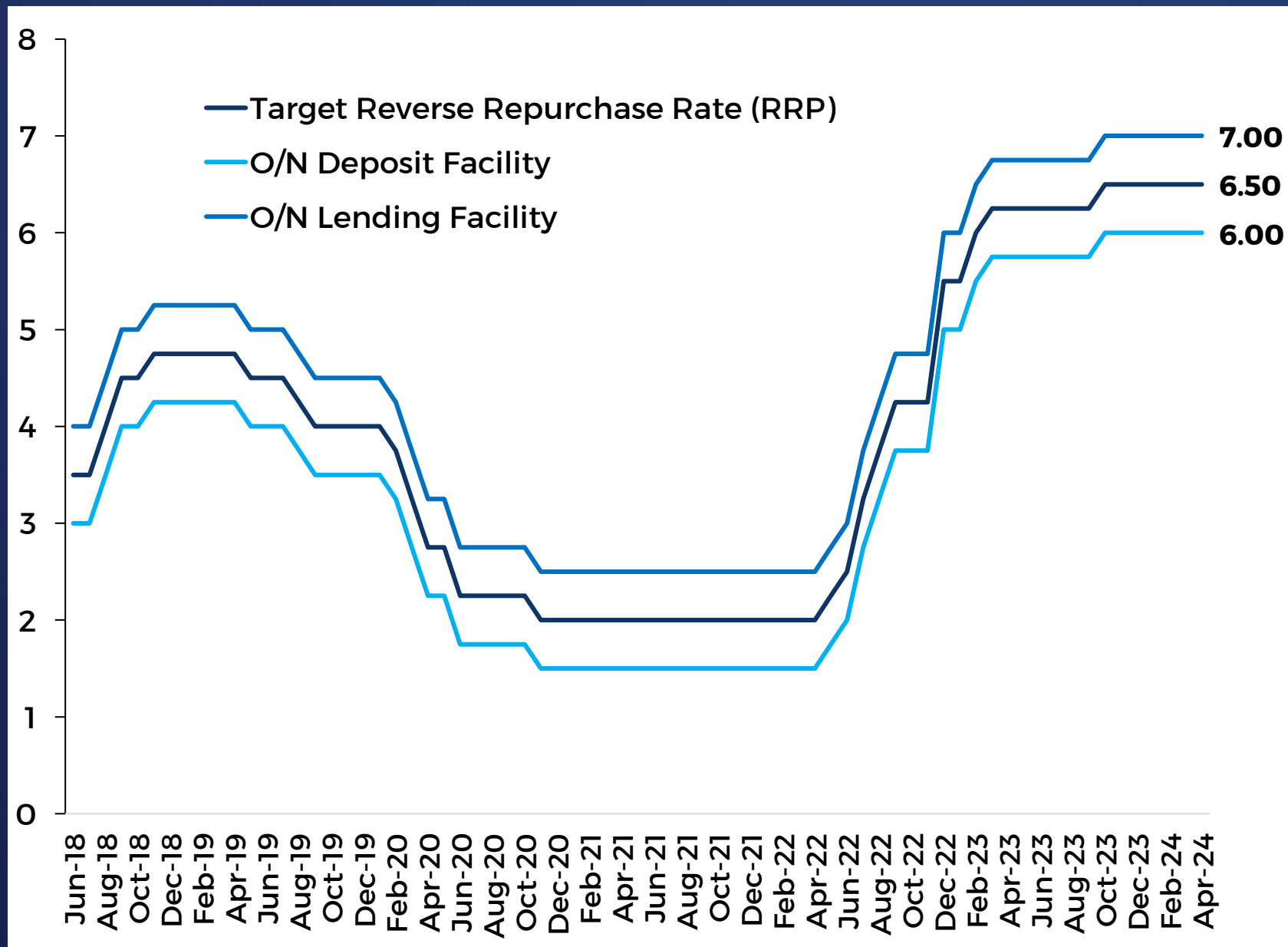
## MEDIUM- TO LONG-TERM STRATEGIES

- Strengthening of local food systems
- Improving digital and physical infrastructure
- Enabling regulatory system conducive to investments and ease in doing business
- Creating and facilitating adoption of improved technology
- Safeguarding energy, food, and water security



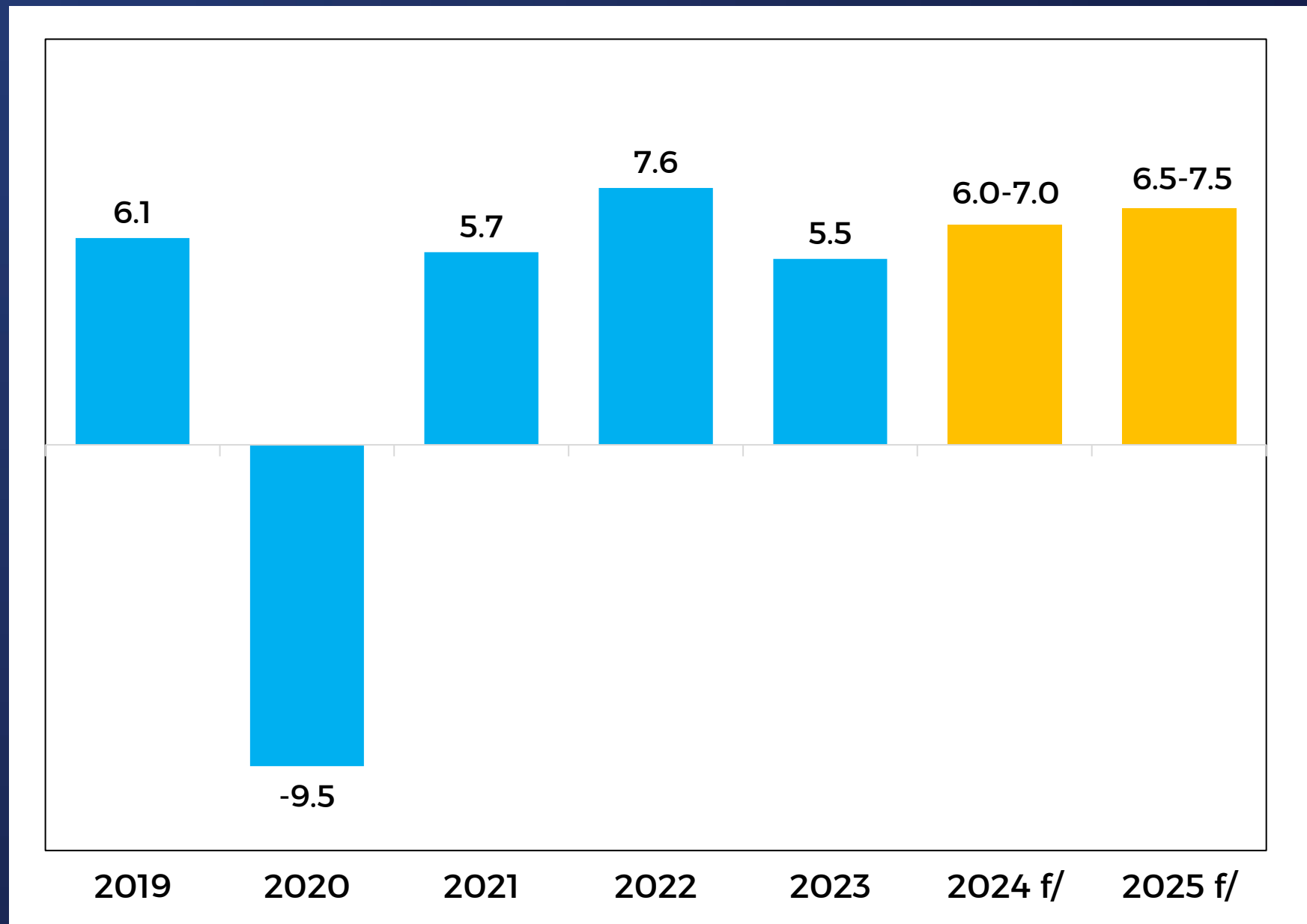
# Growth momentum remains intact over the medium term

**BSP Policy Rates (%)**



Source: BSP

**Real GDP growth (%)**



f- GDP growth targets by the Development Budget Coordination Committee (DBCC)

Sources of Basic Data: PSA and DBCC





# Recent data points to the economy's strength



Recovery in Services

**23.2%**  
YoY increase  
in  
accommodation  
and food services  
for 2023



Uptick in demand for  
vehicles

**429,807**  
Units sold  
for 2023,  
exceeding  
annual target



Resurgence in Tourism

**5.45 million**  
International  
tourist arrivals  
for 2023



Improvement in  
Employment Conditions

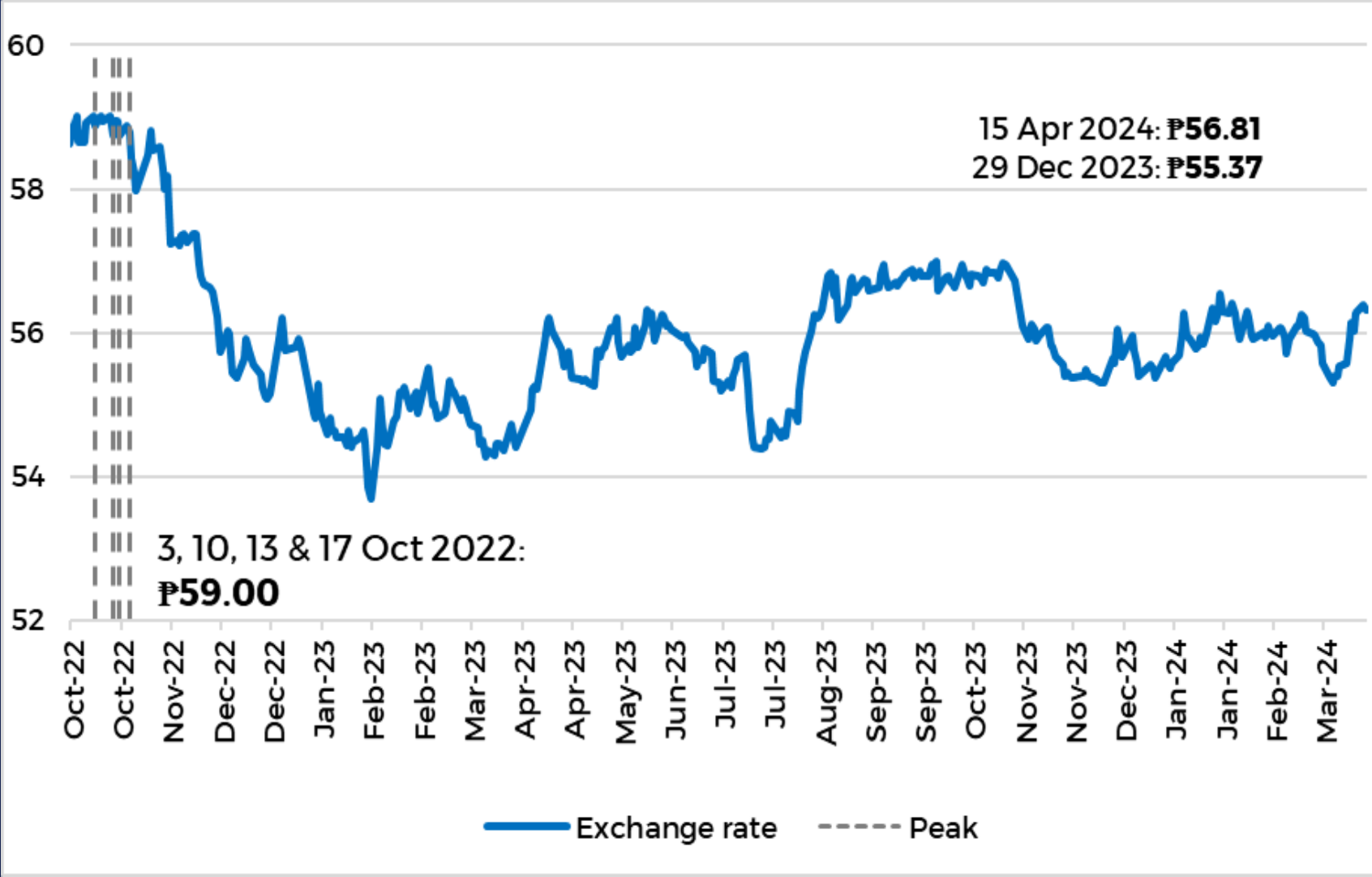
**3.5%**  
Unemployment  
rate for  
February 2024





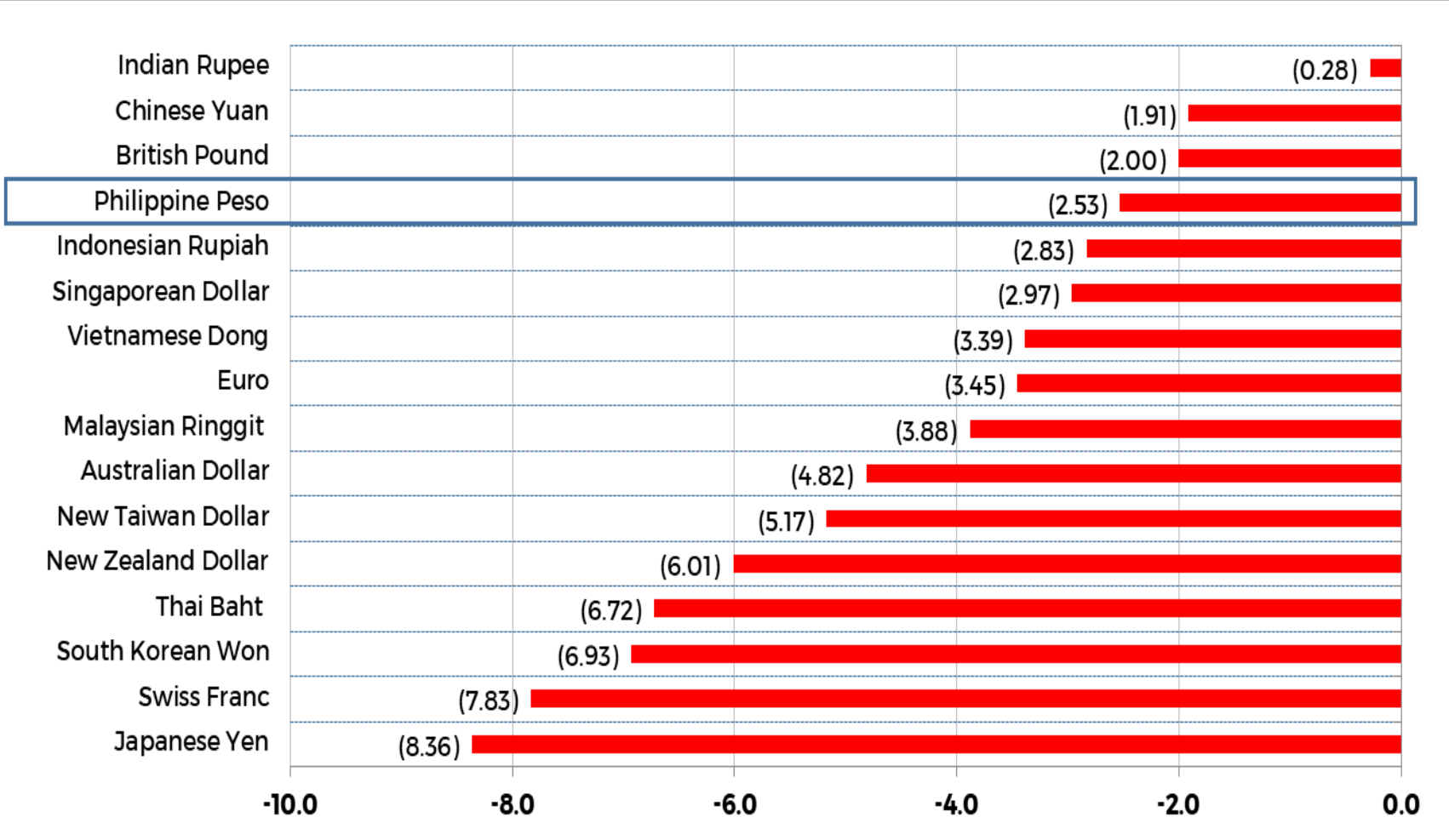
# Foreign exchange rate depreciation remains moderate

**Peso per US dollar Exchange Rate**  
Closing prices as of 15 April 2024



Source: BSP staff computation

**YTD movement against the USD**  
as of 15 April 2024



Note: Based on last done deal transaction (closing price) as of 4:00 pm Manila Time except for Thai Baht and Indonesian Rupiah, which are based on 11 Apr 2024 and 05 Apr 2024, respectively, as 15 Apr 2024 is a holiday/no transaction.



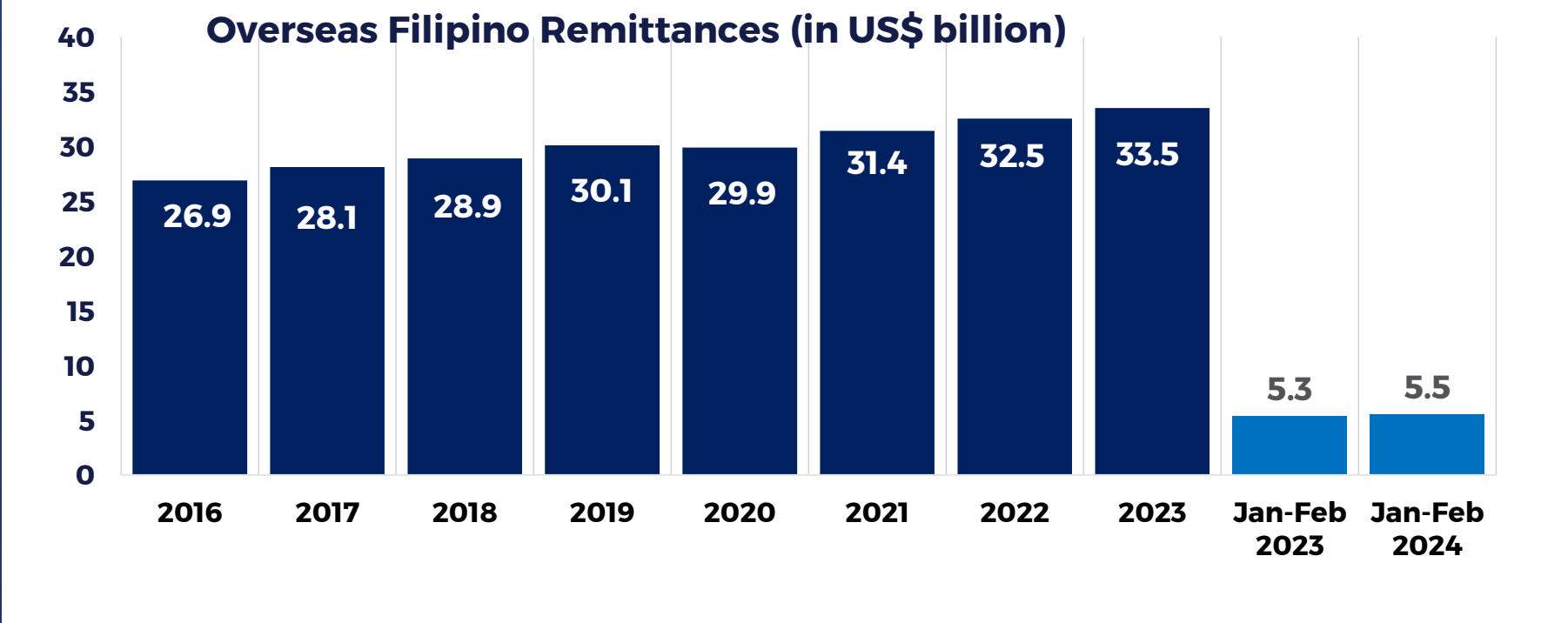
# Structural sources of foreign exchange inflows from overseas Filipino (OF) remittances and business process outsourcing (BPO) revenues



## OVERSEAS FILIPINO REMITTANCES

**US\$33.5 Billion**  
2023

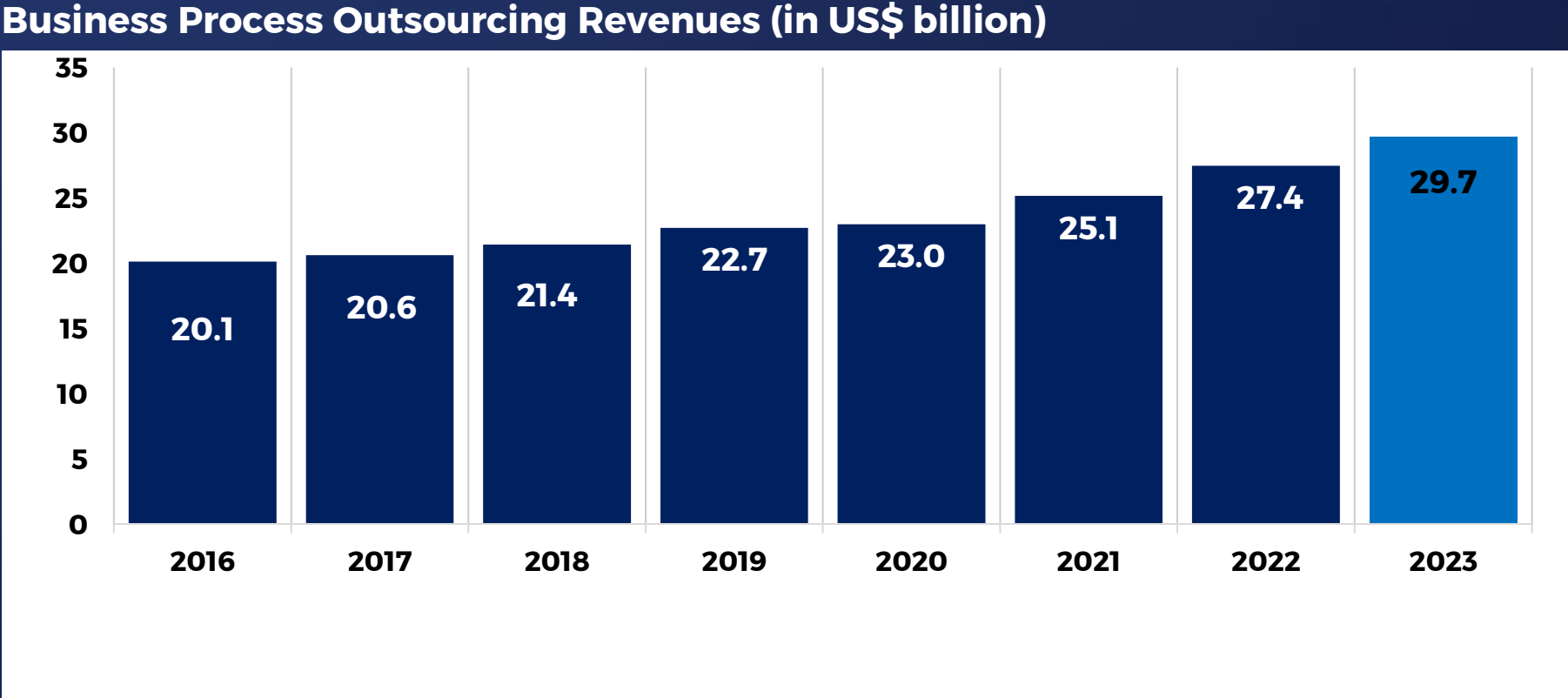
**↑ 2.9% YoY**



## BUSINESS PROCESS OUTSOURCING REVENUES

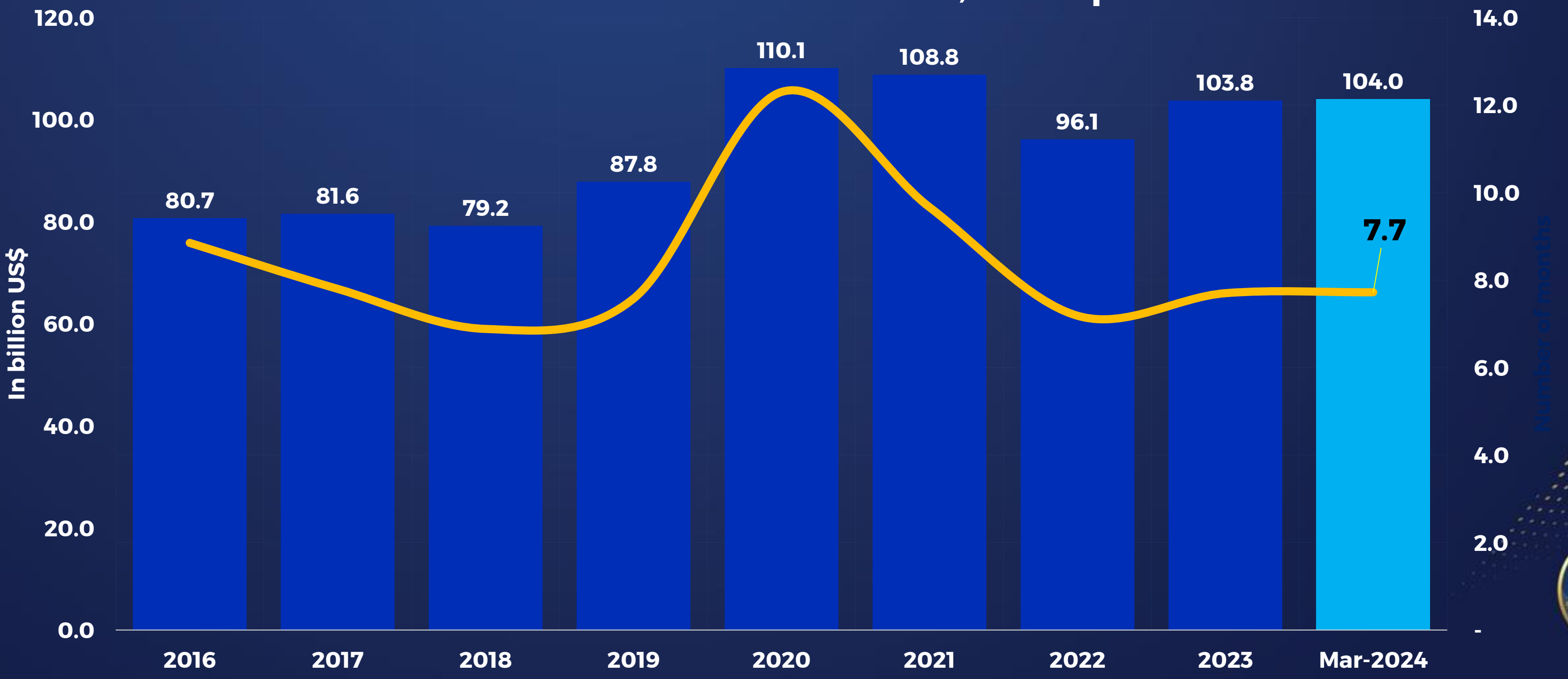
**US\$29.7 Billion**  
2023

**↑ 8.1% YoY**



# Gross International Reserves provide ample liquidity to cushion against external headwinds

Gross International Reserves, end-of-period



Source: BSP

■ GIR (rhs)    — Import Cover (lhs)



# Current account deficit to narrow in the near term following robust services exports and steady OF remittances

	Actual		Projections	
	2022	2023	2024	2025
<b>Overall BOP Position (% of GDP)<sup>1/</sup></b>	<b>-1.8</b>	<b>0.8</b>	<b>0.1</b>	<b>-0.1</b>
<b>Current Account Balance (% of GDP)</b>	<b>-4.5</b>	<b>-2.6</b>	<b>-1.3</b>	<b>-1.1</b>
<b>Good Exports, growth rate (%), BPM6 concept</b>	<b>6.4</b>	<b>-4.1</b>	<b>3.0</b>	<b>6.0</b>
<b>Goods Imports, growth rate (%), BPM6 concept</b>	<b>19.0</b>	<b>-5.0</b>	<b>4.0</b>	<b>7.0</b>
<b>OF Cash Remittances, growth rate (%)</b>	<b>3.6</b>	<b>2.9</b>	<b>3.0</b>	<b>3.0</b>
<b>Net Foreign Direct Investments (US\$ billion)</b>	<b>9.5</b>	<b>8.9</b>	<b>9.0</b>	<b>9.0</b>

*<sup>1/</sup>The BOP deficit in January-February 2024 amounted to US\$936 million, which was a reversal from the US\$2.2 billion surplus recorded in January-February 2023.*

Source: BSP



# Philippine banking system stays resilient



## Steady asset growth

**Assets further expanded**

**₱25.0 T**  
**9.6% yoy growth**

*As of February 2024 p/*

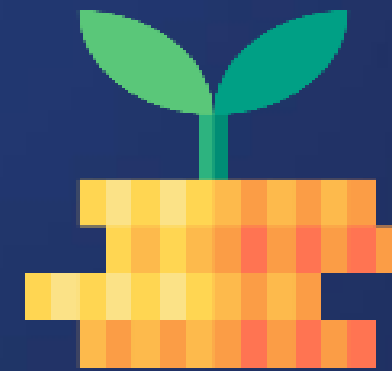


## Sustained Lending

**Lending continued**

**₱13.5 T**  
**9.1% yoy growth**

*As of February 2024 p/*



## Stable Deposits

**Deposits grew**

**₱18.7 T**  
**7.9% yoy growth**

*As of February 2024 p/*



## Strong Earnings

**Sustained profitability**

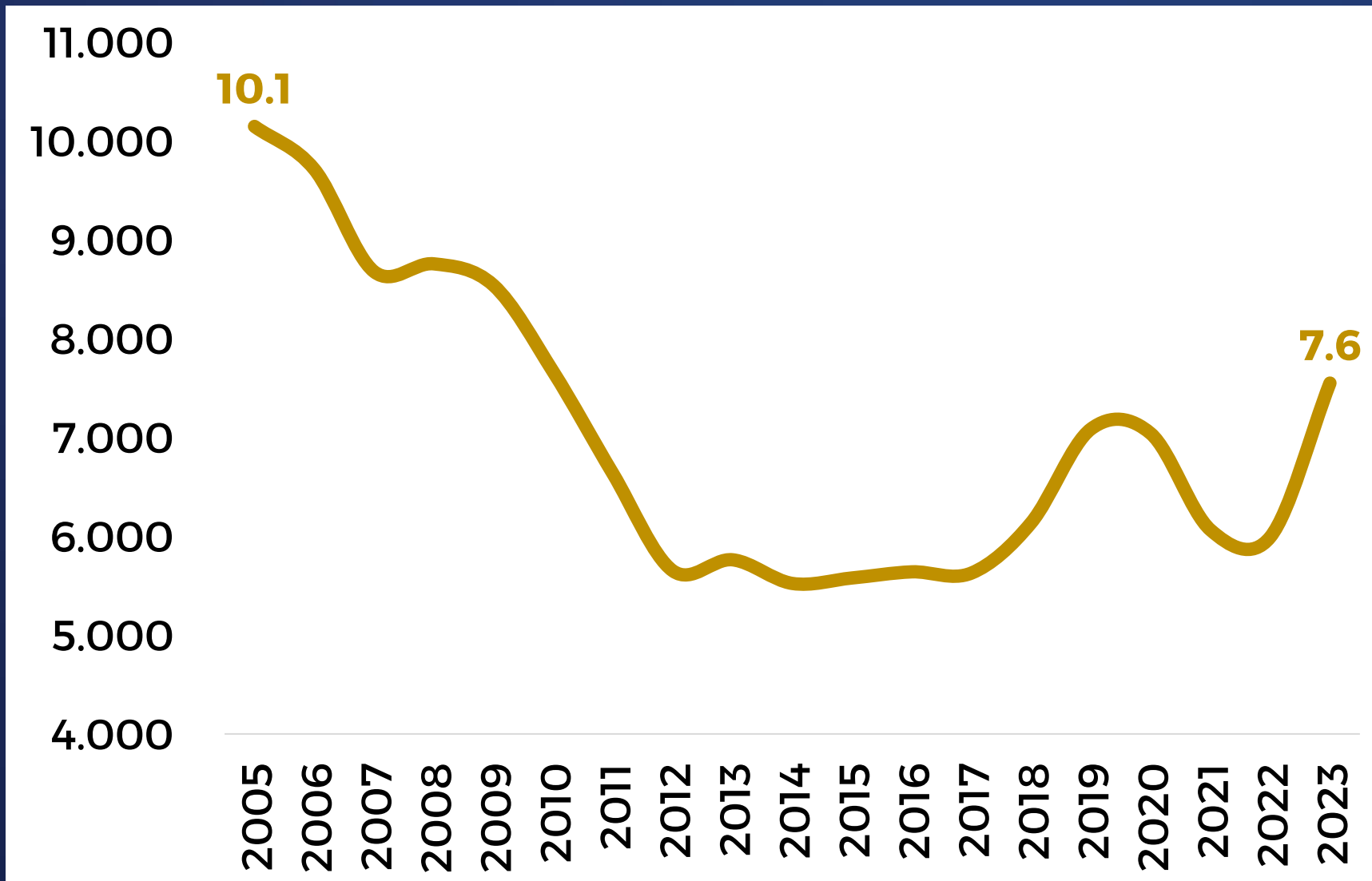
**₱356.5 B**  
**15.0% yoy growth**

*For the period ending  
December 2023*



# Banks lend support to domestic recovery

Bank Average Lending Rate (%)



Source: BSP

UKB Lending Year-on-year Growth Rate(%)



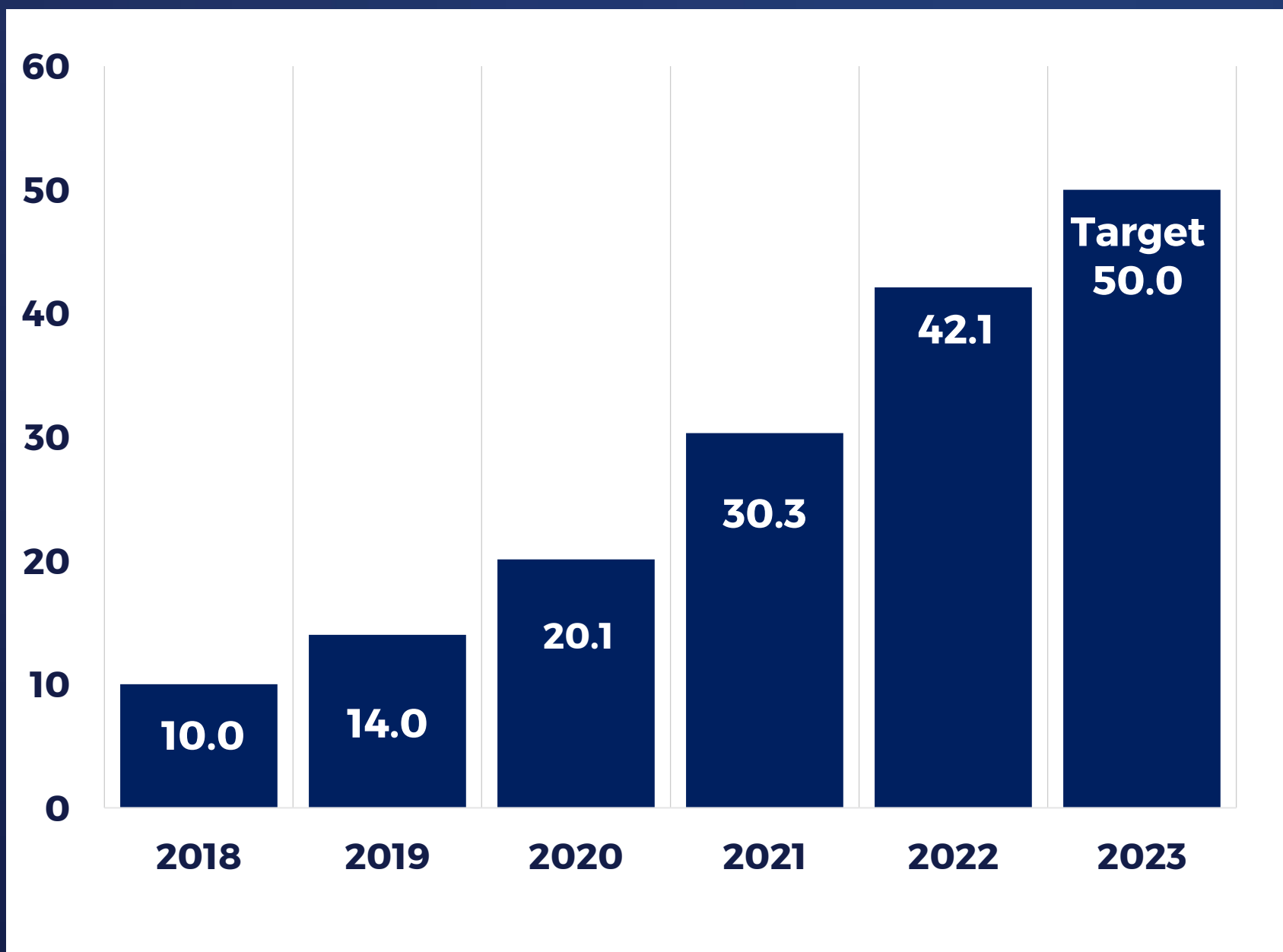
Source: BSP



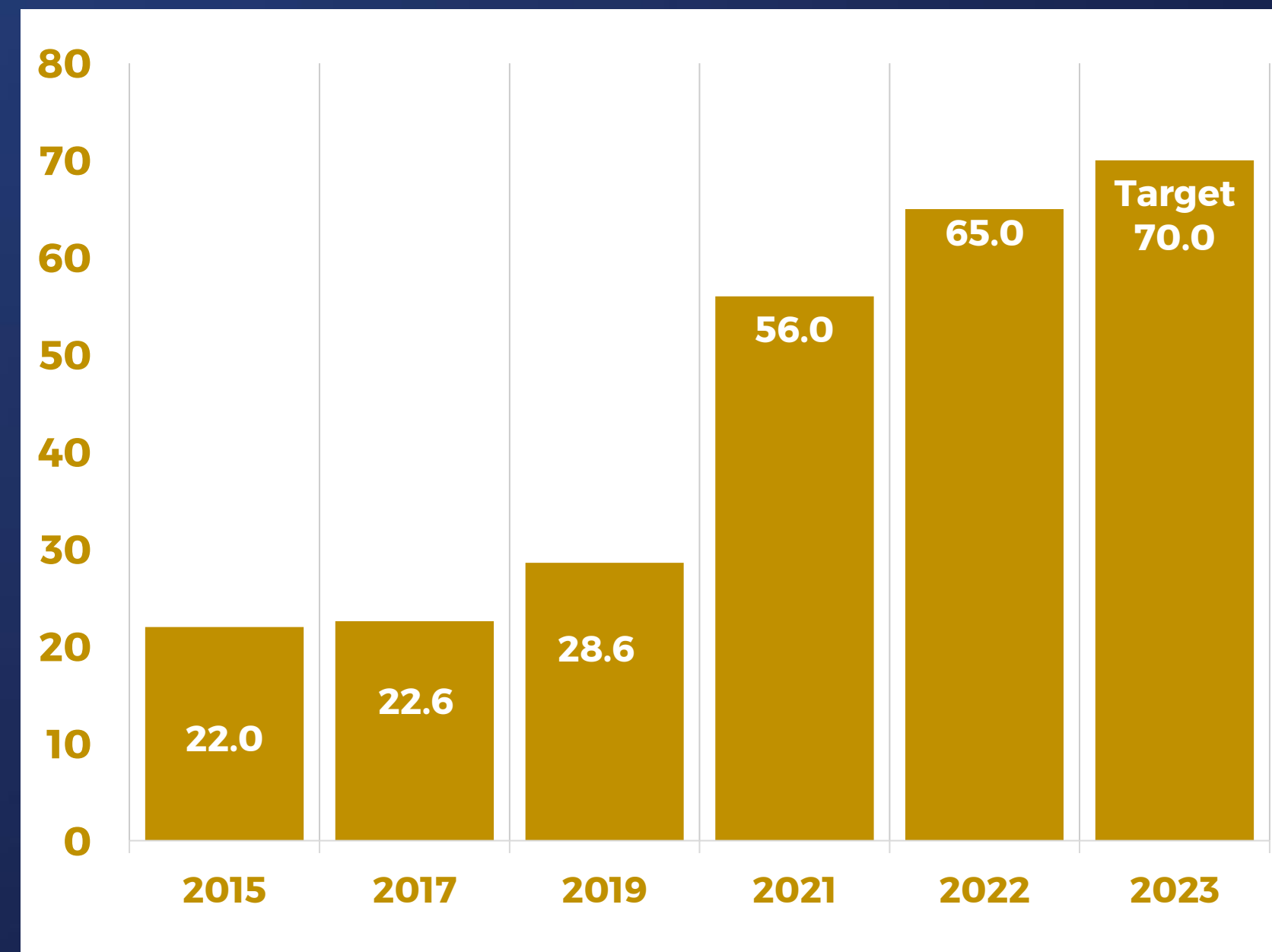


# Digital payments facilitate greater financial inclusion

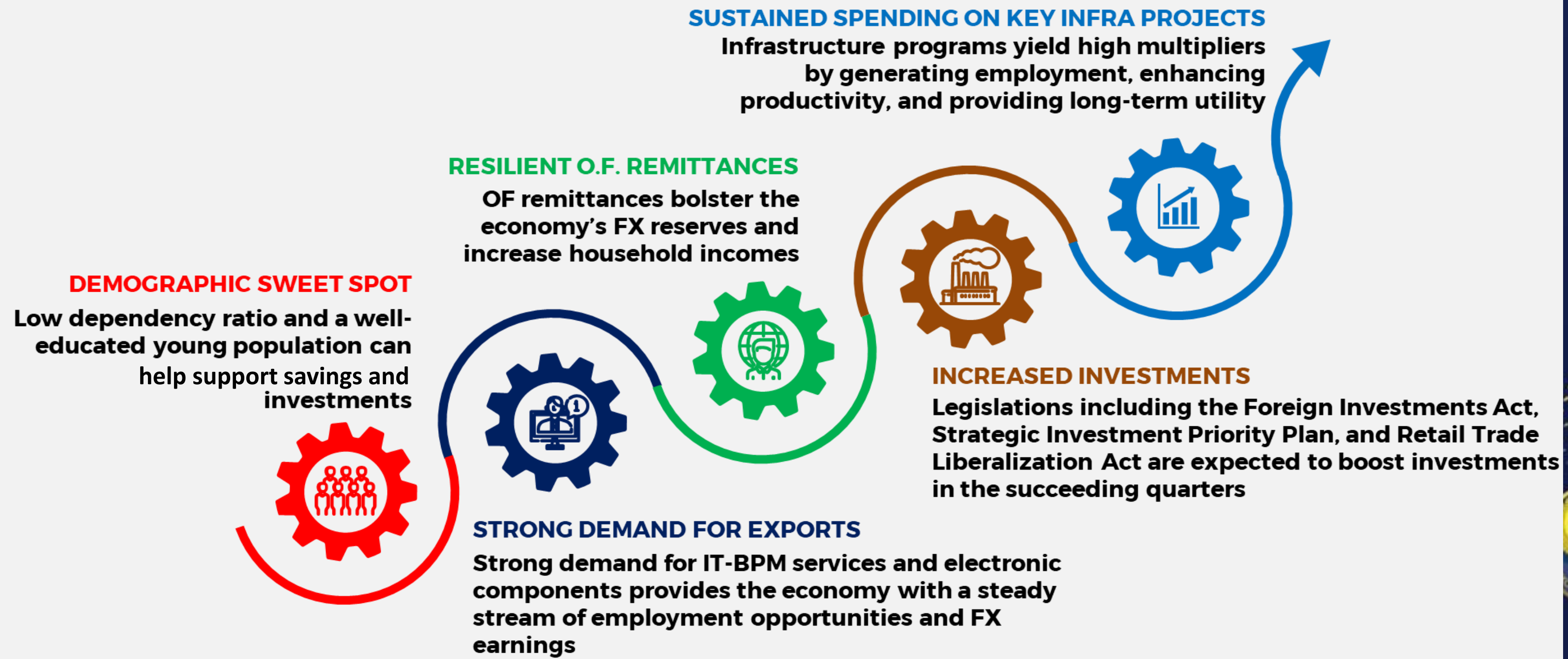
Share of digital payments to total transactions (in %)



Percentage of Filipino adults with formal financial accounts (in %)



# Structural reforms support the long-term growth prospects of the Philippines



# Key Takeaways

## **THE BSP MAINTAINS ITS TIGHT MONETARY POLICY SETTINGS AMID PREVAILING INFLATION CONDITIONS**

While inflation remains within the target range, keeping monetary policy settings tight remains appropriate given upside risks to inflation outlook. Continued progress in non-monetary measures will remain crucial in addressing supply-side pressures on inflation.

## **DOMESTIC ECONOMIC GROWTH PROSPECTS REMAIN INTACT OVER THE MEDIUM-TERM**

Recent indicators suggest that domestic growth prospects remain largely intact over the medium term, even as overall activity continues to respond to tighter financial conditions

## **RESILIENT EXTERNAL ACCOUNTS CUSHION AGAINST GLOBAL SPILLOVERS**

Robust external account, alongside ample policy space, will continue to cushion against potential global spillovers in domestic inflation and growth outlook.







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