



Managing Inflation Amidst Global Economic Uncertainty

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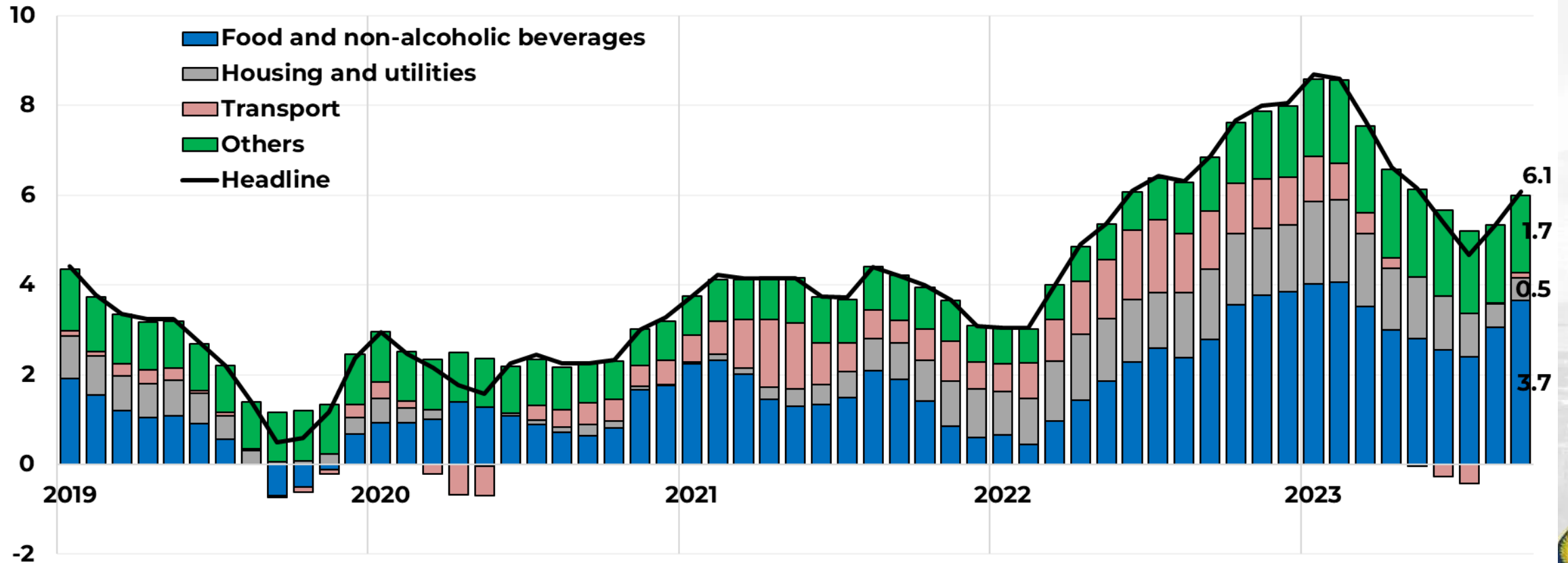
FRANCISCO G. DAKILA, JR.
Deputy Governor
Monetary and Economics Sector
Bangko Sentral ng Pilipinas



Headline inflation rose anew in September

Y-o-Y headline inflation rose to 6.1 percent in September, largely driven by higher prices for food and non-alcoholic beverages as well as transport amid the sustained increased in global commodity prices

Contribution to Headline Inflation by Component, Jan 2019 – Sep 2023
in percentage points



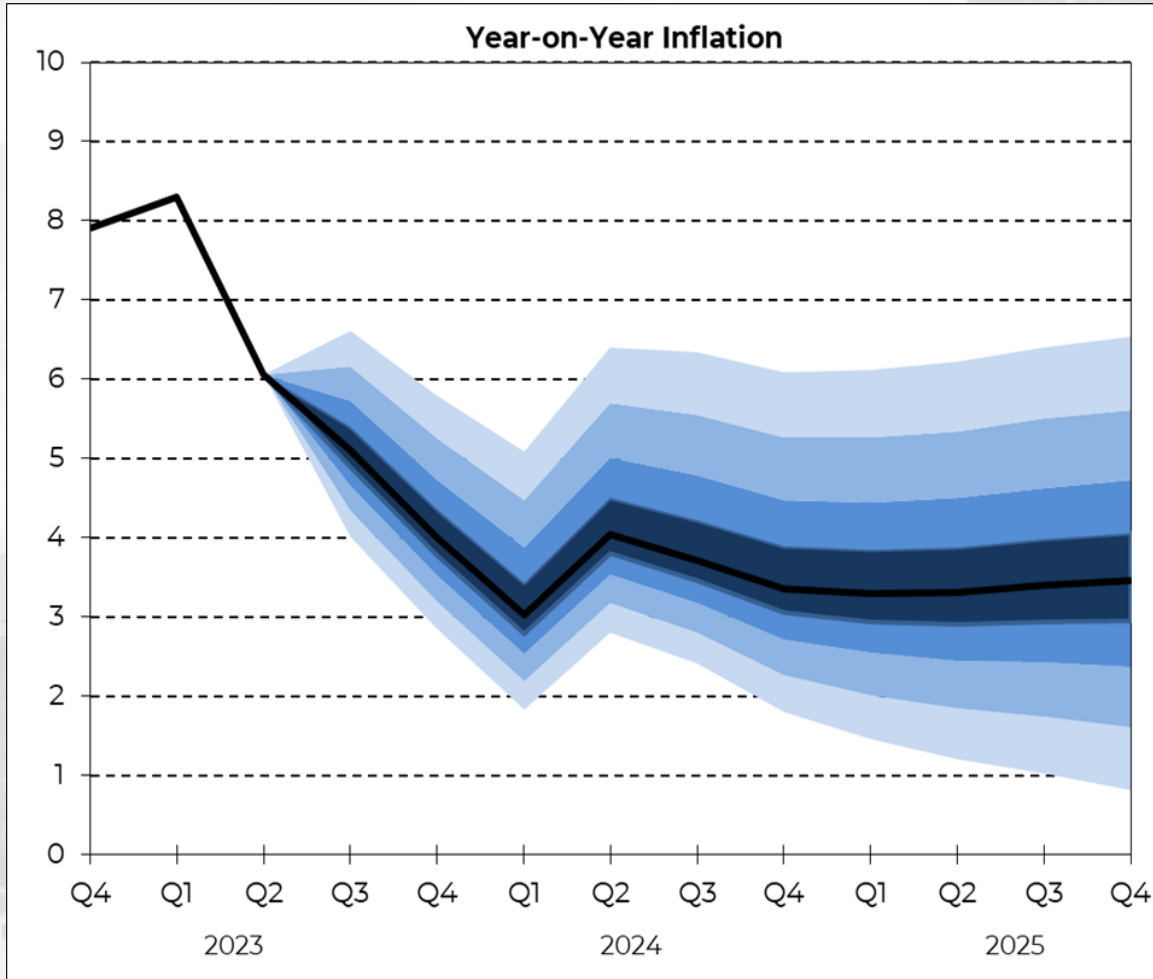
Source: BSP Staff Estimates



Latest forecasts show inflation returning to within the target range by end-2023, but risks remain skewed to the upside

BSP Year-on-Year Inflation Forecast

As of 21 September 2023, Monetary Board Policy Meeting



Source: BSP Staff Estimates

Inflation Projection, 2023 - 2025

Year	BSP*	External Forecasters**
2023	5.8	5.9
2024	3.5	3.7
2025	3.4	3.5

*As of the 21 September 2023 MB Meeting

**Based on the forecasts provided by 28 respondents from 6 to 12 September 2023

Above Target/Within Target



Non-monetary measures remain crucial for disinflation

Short-term Strategy

- Alleviate the impact of El Niño
- Enhance the *Kadiwa* program to strengthen farm-to-market retail channels
- Timely and sufficient importation of key commodities
- Augment and pursue programs related to energy conservation and efficiency, as well as food security
- Provision of targeted cash transfers and subsidies to vulnerable stakeholders
- Monitor pertinent developments and maintain close coordination with the private sector

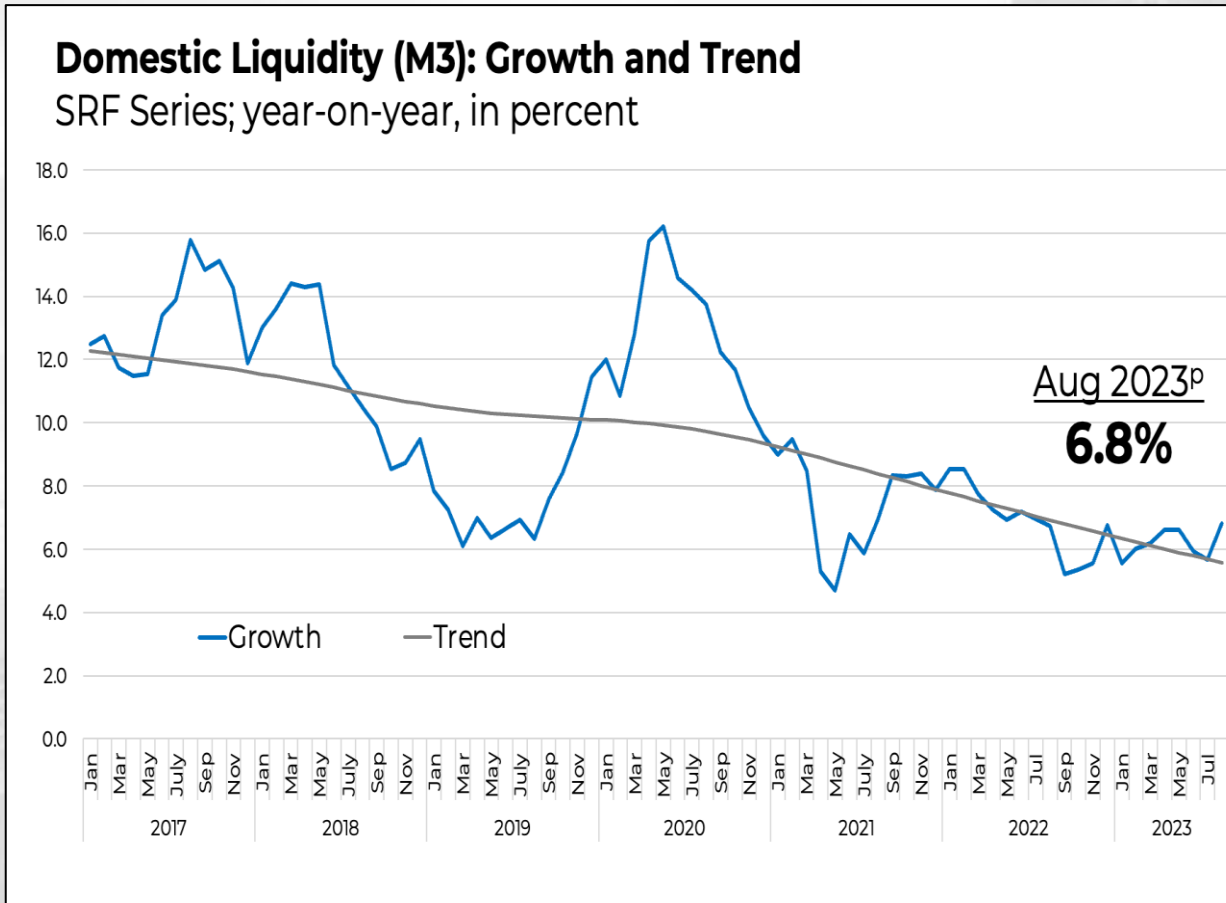
Medium- to Long-term Strategy

- Strengthen local food systems
- Improve digital and physical infrastructure
- Enable regulatory system conducive to investments and ease in doing business
- Create and facilitate the adoption of improved technologies
- Safeguard energy, food, and water security

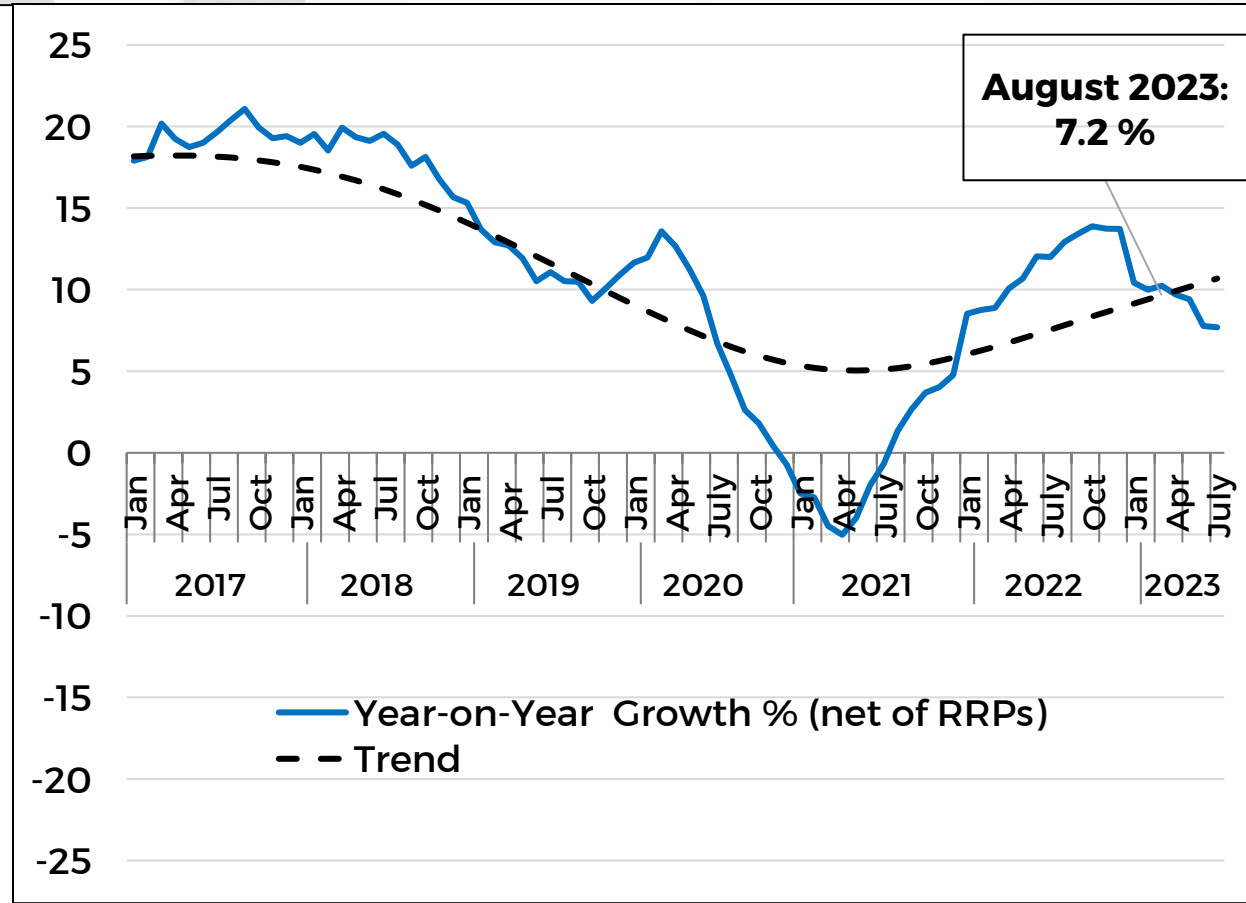


Liquidity remains ample, easing credit growth reflects impact of policy tightening

**Domestic Liquidity (M3)
Year-on-year Growth Rate (in percent)**



**UKB Lending: Growth and Trend
Year-on-year Growth Rate (in percent)**



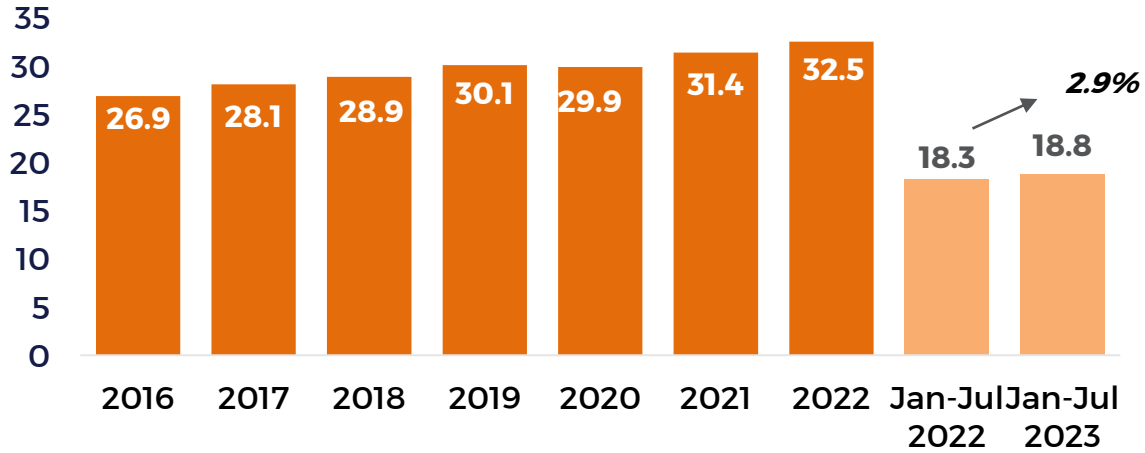
Source: BSP



Robust external accounts cushion against global spillovers

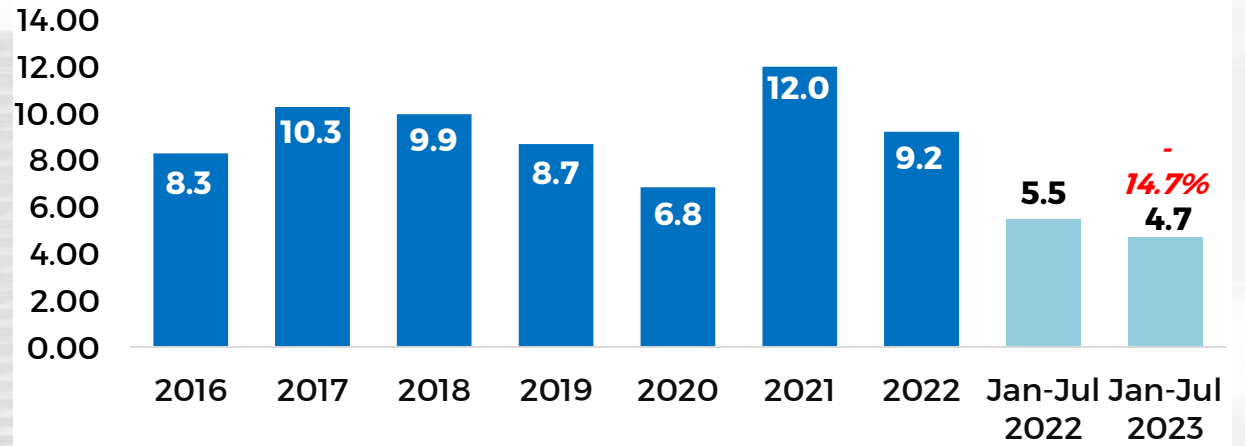
Overseas Filipinos' Cash Remittances

In US\$ billion



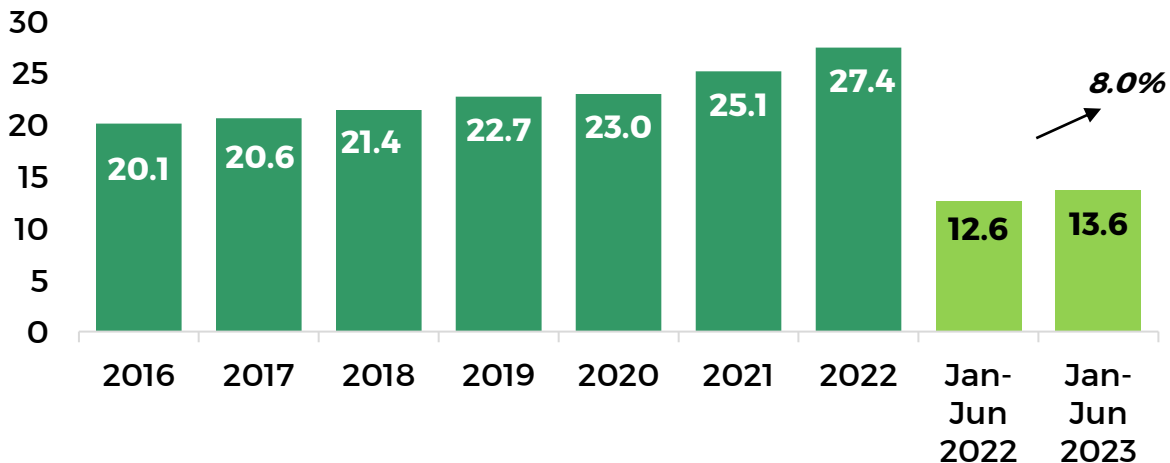
Net Foreign Direct Investments

In US\$ billion



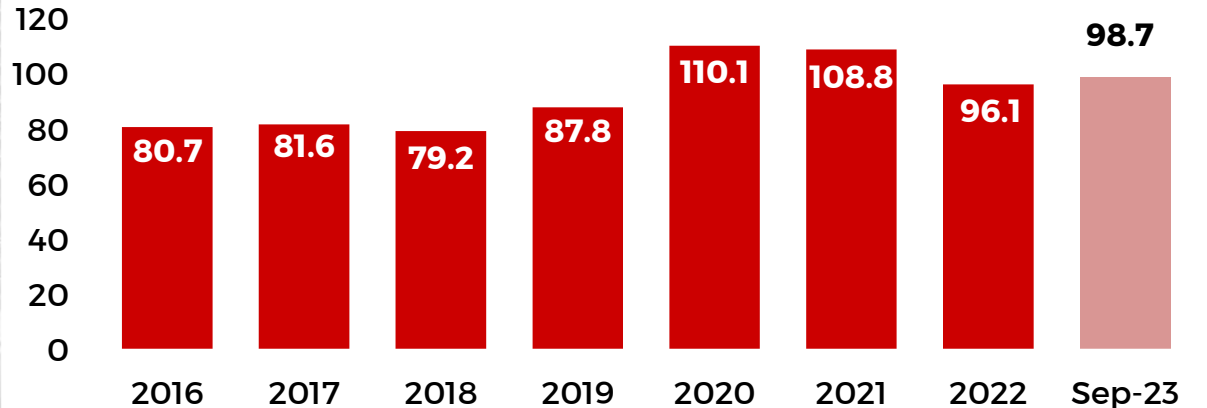
Business Process Outsourcing (BPO) Revenues

In US\$ billion



Gross International Reserves

In US\$ billion, end-of-period



Source: BSP

Key Takeaways



Prevailing inflation conditions allow the BSP to maintain monetary policy settings for the time being



The BSP continues to assess price and output dynamics while carefully monitoring emerging risks to the inflation outlook



The BSP remains ready to resume monetary tightening as warranted by the evolving data on inflation and domestic demand





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