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## **PRESS RELEASE**

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### **FSCC HIGHLIGHTS DOMESTIC STRENGTH AMID EXTERNAL CHALLENGES**

The Financial Stability Coordination Council (FSCC) highlighted the strength of the country's economic recovery, while weighing in on key external challenges.

In delivering the FSCC's Statement on the State of Financial Stability, Bangko Sentral ng Pilipinas Governor and FSCC Chairman Benjamin E. Diokno reiterated that the Philippine situation is significantly different from the rest of the world.

"The Q1 2022 year-on-year GDP growth of 8.3 percent reflects a trajectory that is markedly different from the prognosis [of multilateral agencies] for 2022 global growth," Governor Diokno said.

He added that growth in the country is driven by current consumer purchasing power and by economic investments for the future, and these place the Philippines in a position of strength in facing fast-evolving shocks in the global market.

The FSCC also identified repricing risks and developments in the oil market as the two key external challenges. According to the Council, these risks have far-reaching consequences because they may affect leverage, liquidity, the macroeconomy, and the country's climate change initiatives.

The FSCC Chairman said rising inflation in Advanced Economies has led their central banks to raise policy rates to temper economic activity. This is not the situation in many emerging markets, but the rate increases are expected to spillover to the rest of the world.

Rising interest rates benefit savers and those who wish to invest in financial instruments, but this gain will be met by higher costs for borrowers, covering households, businesses, and the government. Those holding marketable assets will also experience a revaluation loss.

Oil is another challenge, and its effects are evident in rising pump prices. While this is raising domestic inflation, the issue is not typically addressed by monetary tools.

"We expect spillovers from the Advanced Economies to Emerging Market Economies through cost-push pressures and higher risk premiums. These are not independent shocks but are interconnected at many levels, creating complex, non-stationary and interlinked cause-and-effect relationships," Governor Diokno noted.

Earlier this month, the Council released its Systemic Risk Crisis Management Framework, which gives stakeholders a transparent view of how the FSCC continuously manages systemic risks.

According to the FSCC statement, the Council's view on the state of stability will evolve as market stakeholders adapt and adopt.

Governor Diokno added that the Council is committed to engaging the public so that stakeholders can make well-informed decisions.

The FSCC is composed of the BSP, Department of Finance, Insurance Commission, Philippine Deposit Insurance Corporation, and Securities and Exchange Commission. It is the venue for financial market authorities to identify, monitor, manage, and mitigate the build-up of systemic risks in the Philippine financial system.

The Statement on the State of Financial Stability is available on the websites of the BSP and other FSCC-member agencies.

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