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THE FINANCIAL STABILITY COORDINATION COUNCIL RELEASES LATEST FINANCIAL STABILITY REPORT

The Financial Stability Coordination Council (FSCC) released its Financial Stability Report (FSR). This marks the second issuance that has been made available to the general public.

The latest FSR is unconventional in that it covers three semesters from 2018 to the first half of 2019. Bangko Sentral ng Pilipinas (BSP) Governor and FSCC Chairman Benjamin E. Diokno noted that market conditions turned in Q4 2018 and ending the surveillance at that point would have put the general public at a disadvantage.

“FSRs are the primary tool for communicating emerging risks in the financial system and we are committed to keeping the general public updated so that they can make well-informed financial decisions,” Governor Diokno said.

The report highlights how market conditions changed quite unexpectedly from the start of 2018 to late 2018 and then into the first half of 2019. The FSR pointed out that while the US Fed raised its policy rate four times in 2018, global growth projections were also being adjusted downwards by several international agencies. Trade tensions between China and the US as well as other geo-political risks added to the changing market conditions.

“All these are material to the Philippines because they affect our trade and financial interactions with other jurisdictions,” Governor Diokno said. He added that “ultimately, global prospects for future incomes are less bright compared to those at the end of 2017, with interest rates now more geared downwards rather than upwards.”

The report concludes that there are no immediate vulnerabilities in the banking system. While banks continue to be the main source of funding even for longer-term economic initiatives, measures of credit pressures and of contagion risk show notable easing.

“As I have said all along, growth must be our top-of-mind policy objective and the global conditions do not change our resolve,” stated Governor Diokno, highlighting that having better infrastructure is key, specifically the government’s Build, Build, Build program. “From the standpoint of the FSCC, one of our objectives is to make infrastructure financing viable and this is why we are focusing in particular on deepening the capital market,” the Governor added.

“A stronger capital market is good banking policy, good systemic risk management and good for the Philippines as we move forward with our ASEAN colleagues,” he emphasized.

To date, over 60 jurisdictions worldwide publish a Financial Stability Report.

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