



NEWS RELEASE

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FSCC PEGS NEW ECONOMY VISION, AIMS TO BOLSTER ECONOMIC ACTIVITY AND FURTHER REDUCE FINANCIAL RISK AVERSION

The Financial Stability Coordination Council (FSCC) is providing more details of the “New Economy” so that stakeholders can already prepare today their future market position.

Bangko Sentral ng Pilipinas (BSP) Governor and FSCC Chairman Benjamin E. Diokno pointed out that “the Council is providing a clear anchor against which both consumers and producers can make decisions today.” He added that “this should bolster economic activity and hasten recovery, while further reducing the aversion to financial risks.”

According to the Council, the work environment in the New Economy can be expected to put a premium on space, rely more on information and communications technology (ICT) resources, and, in the process, tilt the work-life balance towards more at-home time. It argued that even within these simple parameters, major changes should be expected in the way products and services are generated and then delivered to end-users.

“This is not a small change,” Governor Diokno said. “You have production-to-market changes coupled with how the consumer prefers to receive these products. That will change our policy parameters, for example, on inflation and market liquidity, and it will change the way risks develop in this new network of modified socio-economic arrangements,” he explained.

All this is expected to directly help the financial system. Entrepreneurs can better navigate their way towards the New Economy while innovative means of mobilizing savings can be introduced. For financial institutions, the risks ahead are also better scoped, giving them a stronger foundation to actively participate in the recovery from the recession and transition to the New Economy.

The Council does recognize, however, that financial markets globally and here at home continue to face uncertainties due to the pandemic-cum-recession. It also noted that the Coronavirus disease (COVID-19) has affected the behaviors of both producers and consumers, with risk aversion today expectedly still elevated compared to pre-COVID-19 periods. If the aversion to financial risks is allowed to remain elevated, the FSCC pointed out that this can only mute further economic activity.

For its part, the Council said that it will pursue initiatives that re-deploys the liquidity already in the system. It noted that it understands the global phenomenon of heightened risk aversion but maintained that calibrated and responsible risk-taking at this juncture will benefit everyone.

“This will require introducing some investment outlets to mobilize the liquidity while robust practices for pricing and valuing financial risks can only help further,” Governor Diokno pointed out. According to the FSCC Chairman, “there are other initiatives of the Council and all these will require the strong collaboration among FSCC-member agencies, as well as with other partners in both government and in the private sector.”

The FSCC has repeatedly mentioned that dealing with the pandemic-cum-recession, as well as the transition to the New Economy will require all stakeholders to work together.

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

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