

## **Opening Remarks**

BSP-PIDS Research Forum

27 October 2021, 9am – 11:30am

“Resilient Legs for Economic Recovery  
in the Post-Pandemic Era”

Dr. Aniceto Orbeta, Jr., PIDS President, our paper presenters, distinguished discussants, colleagues from the BSP, PIDS, other government agencies, and private institutions, ladies and gentlemen, good morning!

The pandemic has disrupted the global economy in many ways. The contraction in real output activity last year was unprecedented despite the magnitude and speed of policy responses by governments around the world, including the Philippines.

The crisis is unique in the range of its impact across various sectors, countries or regions; the complex transmission channels; diverging prospects; and the manner and speed of recovery.

The extent and persistence of the damage to potential output—now widely termed as ‘scarring’—will differ across countries amid varying policy responses.

Attempting to estimate the macroeconomic impact of COVID-19 is a daunting task. According to a working paper by the IMF, the various possible scenarios about the global economic landscape and government policy post-pandemic have discouraged foreign direct investments and human capital accumulation due to disruptions in education. Huge losses have also been observed in global supply chains.

Amid weakened fiscal position and higher debt in many economies, structural and institutional reforms will be critical to jumpstart economic recovery. A comprehensive package of reforms is vital to help reverse the expected impact of the pandemic on the long-term growth prospects of emerging markets and developing economies.

In the Philippines, the BSP acted swiftly to support the economy during this critical time. It implemented three major categories of interventions:

First, we have put in place measures to boost aggregate demand through appropriately accommodative monetary policy. The BSP reduced its policy rate by a total of 200 basis points to help bring down the cost of borrowing and shore up market confidence. At the same time, it lowered reserve requirements by 200 basis points to increase the volume of loanable funds.

In addition, it allowed banks to count new loans to micro, small and medium enterprises, and large enterprises as alternative compliance to the reserve requirement.

Second, BSP adopted extraordinary liquidity measures. These include purchases of government securities in the secondary market and provisional advances to the national government. In total, the BSP has infused about PhP2.23 trillion in liquidity, equivalent to 12.5 percent of the country's GDP for 2020.

Third, BSP implemented regulatory and operational relief measures to maintain the stability of the financial system and ensure smooth access to financial services. It issued time-bound and targeted regulatory and operational relief measures to encourage BSP-supervised financial institutions to continue their support to the economy, with particular emphasis on the MSME sector.

We promoted financial digitalization and made strides towards green finance as part of our vision of a "post-COVID-19" economy that is greener, more resilient, more technologically advanced, and more inclusive than ever before.

A year and a half since the onset of the COVID-19 pandemic, we are seeing concrete signs of economic rebound. The accelerated vaccination rollouts, granular lockdowns, and the continued implementation of health safety protocols have allowed the Philippine economy to gradually reopen and for workers to regain their jobs.

Growth has gained traction with domestic GDP expanding at 11.8 percent in the second quarter of 2021, after five quarters of pandemic-induced contractions.

At the BSP, we stand by the Development Budget Coordination Committee's revised forecast of 4-5 percent growth this year and 7-9 percent in 2022.

The theme of our research forum today, "Resilient Legs for Economic Recovery in the Post-Pandemic Era," is very appropriate as we endeavor to highlight areas that could contribute to more inclusive and resilient growth in the Philippines in the aftermath of COVID-19.

It features three relevant research papers from the BSP Research Academy and the PIDS.

The first paper is about Philippine IT-BPOs which have remained resilient amid the pandemic. The industry holds much promise in terms of moving up to higher value-added activities in the global supply chain of business services.

The second paper discusses financial inclusion and how it can help create opportunities for Filipinos to improve their lives and participate in the formal sectors of the economy.

In a report titled “Global Microscope 2020: the role of financial inclusion in the Covid-19 response” by the research arm of The Economist Group, the BSP was recognized for its initiatives to mitigate the adverse economic impact of the current global health emergency via its financial inclusion initiatives.

The third research points out how, in 2020, FDI flows plunged globally by 35 percent, the biggest decline recorded since 2009, as a consequence of the COVID-19 pandemic.

Lockdowns, supply chain disruptions, falling corporate earnings, economic uncertainties, and delayed investment plans were the primary reasons for the contraction.

Understanding the determinants of the FDI decline could help us design the appropriate policy responses that would attract more FDIs and spur post-pandemic recovery.

At this point, allow me thank the PIDS for our research collaboration. As you know, our institutions agreed to jointly work to deliver quality, relevant, and rigorous research that would support policy formulation in the country.

And we welcome this research fora as a meaningful venue to communicate and disseminate research findings and recommendations to be effectively and appropriately used as inputs to policy formulation and implementation moving forward.

Thank you and I wish everyone a productive and meaningful discussion ahead.