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Statement by the Hon. **AMANDO M. TETANGCO, JR.**,
Governor of the Fund for the **PHILIPPINES**

**Governor's Statement for the 2011 Annual Meetings of the
International Monetary Fund and the World Bank**

*Amando M. Tetangco, Jr.
Philippine Governor at the IMF*

We recognize the seriousness of the challenges facing the global economy. Not only are there persistent headwinds to global economic recovery... but there are also signs that the downside risks are rising. Against this backdrop, Asia has been a bright spot, registering solid economic growth, supported by sound macroeconomic policies and strong financial systems. Asian economies have benefited from previous structural reforms and regional cooperation initiatives in response to past crisis episodes. A good example of this is the multilateralized Chiang Mai Initiative in 2010 involving the ASEAN plus 3 economies.

Amidst the challenging global environment, the Philippines has been able to strike an effective policy balance between supporting economic growth and maintaining stable inflation. Inflation in 2010 was at the low end of our inflation target, even as our economy grew by 7.6 percent, our highest in 25 years. This year, despite weaker external demand and lower public spending, we achieved a respectable growth of 4.0 percent in the first semester, while inflation averaged 4.3 percent ...well within the target range.

The stability of the domestic macro-economy is also reflected in the following: first, buoyant financial markets with bullish equities trading and narrowing debt spreads; second, a strong and well-capitalized banking system, with sound risk management; and third, a strong external payments position reflected in ample international reserves and improving external debt profile.

At the same time, the Philippine Government remains committed to achieve fiscal consolidation through revenue-enhancing programs and expenditure management policies. Recognizing the country's strong macroeconomic fundamentals, international rating agencies have upgraded our sovereign ratings and credit outlook.

Today, Asia's resilience is being put to the test once again. A major challenge is the weak growth and fiscal problems in advanced economies. Given global inter-linkages, these are expected to dampen Asia's economic growth. Economic activity in advanced economies is hampered by sluggish job recovery, uncertain fiscal consolidation programs, vulnerable financial sectors and... in some parts of Europe...the sovereign debt crisis. We therefore continue to pay close attention to the efforts of the advanced economies to address these challenges.

In all of these, we believe that the Fund has a key role to play in helping countries confront the global headwinds. The Fund's economic surveillance and policy advice against a global perspective is crucial in assessing spillover effects from systemically important economies... and preserving global macro-economic stability. Equally important is the Fund's expanded lending toolkit, which provides a direct response to the need of countries facing balance of payments difficulties. The IMF's closer engagement with various fora will complement regional initiatives and strengthen global and regional safety nets. We also support the IMF's quota and voice reforms which will better reflect each member's strength and influence in the global economy. Finally, we appreciate the Fund's support in knowledge transfer in its role as a provider of technical assistance and as an instrument for capacity-building.

We look ahead to the Fund's continued support of the Philippines' economic goals, particularly as our authorities take important steps to invest in economic and social infrastructure. Indeed, as the global economy strives to stay on the path to recovery during this very challenging period, the Fund will need to be a reassuring presence in the international community. It can do so by contributing even-handed and focused policy advice that will strengthen the buy-in for sound policies and meaningful reforms. Most important, the multiplicity of challenges facing the global economy requires broad-based and collaborative actions—from governments, the multilateral institutions, the private sector, and the market players. We all need to move together for a healthier and more durable economic expansion.