



KRN UPDATE NEWSLETTER

BANGKO SENTRAL NG PILIPINAS KNOWLEDGE RESOURCE NETWORK
BSP LIBRARY | ECONOMIC AND FINANCIAL LEARNING OFFICE | BANGKO SENTRAL NG PILIPINAS

ISSUE 7

JULY 2022

BSP PUBLICATIONS

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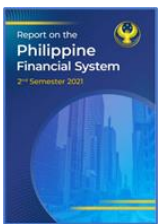
AMODIA, ROSEMARIE A., GABRIEL, VIDAL MARVIN C., & MAPA, CHERRIE R. THINKING AI-HEAD : EXPLORING MACHINE LEARNING APPLICATIONS IN CENTRAL BANKS. ECONOMIC NEWSLETTER, NO. 21-03. MANILA, PHILIPPINES : BANGKO SENTRAL NG PILIPINAS, 2021.

This paper provides an overview of ML and how central banks have been exploring the technology. It also cites some of the challenges in adopting ML-based solutions and briefly discusses some of the early initiatives at the BSP. These initiatives include, among others, nowcasting regional inflation that complemented the existing suite of macroeconomic models and a prototype framework for detecting atypical data that opened other explorations to enhance current data validation processes.



BAGSIC, CRISTETA B., BAYANGOS, VERONICA B. & PARCON-SANTOS, HAZEL C. LENDING AND EXCHANGE RATES: THE ROLE OF BANKS' FOREIGN EXCHANGE POSITION AND HEDGING POLICIES. BRAC DISCUSSION PAPER SERIES, NO. 11. MANILA, PHILIPPINES : BANGKO SENTRAL NG PILIPINAS, 2022.

This study delves into the balance sheets of banks and shows that the transmission of exchange rate movements on bank lending is not straightforward but depends on banks' net open foreign currency (FX) position. A domestic currency depreciation could reduce bank lending and is thus contractionary if banks are in a negative net open FX position, but could increase bank lending and is thus expansionary if banks are in a positive net open FX position. Using the case of the Philippine banking system, results of this study show that a depreciation of the domestic currency by itself and a positive net open FX position alone each tends to lower lending growth. However, for banks with positive net open FX position, there is evidence that depreciations prompt them to increase lending. Thus, a domestic currency depreciation could amplify instead of offset the trade channel. Moreover, hedging instruments appear to dampen the adverse effects of depreciation on bank lending.



BANGKO SENTRAL NG PILIPINAS. FINANCIAL SUPERVISION SECTOR. SUPERVISORY POLICY AND RESEARCH DEPARTMENT. REPORT ON THE PHILIPPINE FINANCIAL SYSTEM, SECOND SEMESTER 2021. MANILA, PHILIPPINES : BANGKO SENTRAL NG PILIPINAS, 2021.

A comprehensive assessment of major developments in the country's financial system of which the Philippine banking system (PBS) sustained its resilient performance in 2021 amid the challenging environment. Growth in assets, loans, deposits, and net profit continued, helping keep adequate buffers on capital, liquidity, and loan loss reserves. Funded by deposit generation, the expansion in resources enabled the banking system to continue supporting the country's funding needs and delivering financial products and services even during the crisis. The strength of and positive outlook on the PBS was complemented by the prudential and strategic reforms undertaken by the BSP over the years, as well as its swift, time-bound, and targeted relief measures, most of which remain in place. Recognizing the need to sustain credit growth in the country, the BSP extended the effectivity of some of its relief measures. This aims to ensure continued provision of credit and access to financial products and services by households and businesses, including vulnerable sectors of the economy.



BANGKO SENTRAL NG PILIPINAS. FINANCIAL SUPERVISION SECTOR. SUPERVISORY POLICY AND RESEARCH DEPARTMENT. PHILIPPINE BANKING SECTOR OUTLOOK SURVEY, FIRST SEMESTER 2021. MANILA, PHILIPPINES : BANGKO SENTRAL NG PILIPINAS, 2021.

Following the resurgence of the COVID-19 outbreak, adoption of targeted quarantine measures, and delay in rollout of vaccination program, the banking industry leaders' expectations on economic prospects remain tempered. Majority of the Banking Sector Outlook Survey (BSOS) respondents project real gross domestic product (GDP) growth to be between 5.0 percent and 6.0 percent within the next two years. Respondents identified that economic sectors such as the accommodation (hospitality/tourism) and transportation would continue to be the hardest hit sectors. However, these sectors are expected to recover in the next six months to two years. Banks have also identified loans to consumers as vulnerable and prone to weakening.



BANGKO SENTRAL NG PILIPINAS. RECENT TRENDS IN THE PHILIPPINE FINANCIAL SYSTEM, ISSUE NO. 2022-02. MANILA, PHILIPPINES: BANGKO SENTRAL NG PILIPINAS, FEBRUARY 2022.

This report highlights the recent trends in the Philippine financial system, as of end-February 2022. The Philippine banking system sustained its solid footing amid the pandemic. Total assets of the Philippine banking system (PBS) grew by 7.0 percent year-on-year (YoY) to P20.7 trillion as of end-February 2022. This growth rate was higher than the 6.5 percent rate in February 2021.



CAYNILA, KRISTHEL ANNE M., LUNA, KATHERINE T. AND MILLA, SARAH AMABELLE. THE PHILIPPINE TOURISM SECTOR AMID THE PANDEMIC: DEVELOPMENTS AND PROSPECTS. ECONOMIC NEWSLETTER, NO. 22-02. MANILA, PHILIPPINES: BANGKO SENTRAL NG PILIPINAS, 2022.

This paper highlights the country's tourism sector as a key contributor to the resilience of the Philippines' external payments position and overall economic development, alongside overseas Filipino (OF) remittances and business process outsourcing. As one of the country's biggest employers, it provides various opportunities for businesses and individuals from all segments of society and supports sustained structural foreign exchange (FX) inflows. But given the contact-intensive nature of the tourism sector, it has been significantly hit by the COVID-19 pandemic. Nonetheless, prospects for recovery in travel services are improving amid accelerated mass inoculation and easing of travel restrictions.

NEWS, ADVOCACIES & LEARNING PROGRAMS

SI PROFESSOR MARICHE
at ang Virtual Assets (Non-Fungible Tokens)
Series 1, Episode 1



Alamin ang latest tungkol sa Non-Fungible Tokens (NFTs). Basahin ang kwento ng mag-asawang Boy at Maritess na sumasideline gamit ang NFTs at ng kapitbahay nilang si Marissa na naghahanap ng dagdag kita.

Ang NFTs na ginagamit bilang pambayad o investment ay isang uri ng virtual asset. Bawat NFT ay unique. Pwedeng i-trade ang NFTs sa cryptocurrency na siya namang pwedeng ipalit sa totoong pera o fiat money. Mabilis magbago ang halaga nito kaya tandaan: **maging maingat sa mga transaksyong may kinalaman sa NFTs.**



Para sa karagdagang kaalaman tungkol sa Virtual Assets (VAs), basahin ang mga sumusunod:

- What You Should Know About Virtual Assets (VAs)
- How Do Virtual Assets (VAs) Work?
- BSP Circular 1108
- Risks Management and Safeguards
- Important Reminders in Dealing with Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs)
- FAQ on Virtual Currencies
- FAQ on Non-Fungible Tokens (NFTs)
- FAQ on Virtual Asset Service Providers (VASPs)

Kung may mga katanungan tungkol dito maaring mag-email sa bspmail@bsp.gov.ph.





FINANCIAL STABILITY COORDINATION COUNCIL. SYSTEMIC RISK CRISIS MANAGEMENT FRAMEWORK. MANILA, PHILIPPINES: BANGKO SENTRAL NG PILIPINAS, JUNE 2022.

This framework outlines the protocols, procedures, and guidelines to be followed by the Financial Stability Coordination Council (FSCC) member agencies in managing systemic risks.

BOOKS

[To download the full text of the publication, please click the title]



CORNELLI, GIULIO, DOERR, SEBASTIAN, GAMBACORTA, LEONARDO & TISSOT, BRUNO. BIG DATA IN ASIAN CENTRAL BANKS. IFC WORKING PAPERS, NO. 21. BASEL, SWITZERLAND : BANK FOR INTERNATIONAL SETTLEMENTS, 2022.

This paper reviews the use of big data in Asian central banks. The analysis reveals four main insights. First, Asian central banks define big data in a more encompassing way that includes unstructured non-traditional as well as structured data sets. Second, interest in big data appears higher in Asia, including at the senior policy level; the focus is in particular on projects developed to process natural language, conduct nowcasting/monitoring exercises, and develop applications to extract economy insights as well as supotech/regtech solutions. Third, Asian central banks report dealing with big data to support a wide range of tasks. Fourth, big data poses new challenges, with specific attention paid in the region to cyber security and data strategy. As a result, there is a growing need for international policy cooperation, especially among public authorities in Asia to facilitate the use of payments data and promote innovative technological solutions.



HANSEN, LARS PETER. CENTRAL BANKING CHALLENGES POSED BY UNCERTAIN CLIMATE CHANGE AND NATURAL DISASTERS. UNIVERSITY OF CHICAGO, BECKER FRIEDMAN INSTITUTE FOR ECONOMICS WORKING PAPER, NO. 2021-64, CHICAGO, ILLINOIS : UNIVERSITY OF CHICAGO, 2021.

Climate change poses an important policy challenge for governments around the world. The challenge is made all that much more difficult because of the multitude of potential policymakers involved in setting the policy worldwide. What then should be the role of central banks? How are climate change concerns similar to or distinct from those of other natural disasters? Clarity of ambition and execution will help to ensure that central banks maintain credibility. By adhering to their mandated roles, they retain their critically important distance from the political arena. Their credibility will be further enhanced by avoiding the temptation to exaggerate our understanding of climate change.



HECKEL, MARKUS & WALDENBERGER, FRANZ (EDS.). THE FUTURE OF FINANCIAL SYSTEMS IN THE DIGITAL AGE : PERSPECTIVES FROM EUROPE AND JAPAN. SINGAPORE : SPRINGER, 2022.

This book brings together leading scholars, policymakers, and regulators from Japan and Europe, to analyze the impact of digitalization on the financial system from different perspectives such as transaction costs and regarding specific topics like the potential of digital and blockchain-based currency systems, the role of algorithmic trading, obstacles in the use of cashless payments, the challenges of regulatory oversight, and the transformation of banking business models. The chapters offer insights from Japanese and European discourses, approaches, and experiences on a topic otherwise dominated by studies about developments in the USA and China.

JOURNAL PUBLICATIONS

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INTERNATIONAL JOURNAL OF FINANCIAL STUDIES | 10 (2), 33-41 (MAY - JUNE 2022)

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- Exploring Online Payment System Adoption Factors in the Age of COVID-19—Evidence from the Turkish Banking Industry
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- Politically Connected Independent Commissioners and Independent Directors on the Cost of Debt

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