



Bangko Sentral ng Pilipinas

PRESS RELEASE

Date: 09 October 2009

Domestic Liquidity Growth Remains Robust in August

Demand for money remained strong in August as domestic liquidity or M3 increased by 13.4 percent year-on-year, higher than the 12.9 percent annual growth recorded a month ago. On a monthly basis, seasonally-adjusted M3 growth accelerated to 2.6 percent from 1.5 percent in July.

The sustained growth in net foreign assets (NFA), which accelerated to 29.9 percent in August from 21.7 percent in the previous month, continued to drive the expansion in domestic liquidity. This can be traced to the significant increase in the NFA position of the BSP and of other depository corporations at 20.7 percent and 104.9 percent, respectively. NFA rose as the BSP continued to build up its international reserves while banks reduced their foreign liabilities.

Meanwhile, net domestic assets (NDA) contracted by 2.8 percent in August, due to the slower growth in net domestic credit of 11.1 percent (compared to 15.0 percent in July), and the continued increase in the negative balance of the net other items account during the month. Credit extended to public sector remained strong at 21.8 percent. In contrast, the growth in credit extended to the private sector continued to slow down from 11.3 percent to 6.2 percent. This was due partly to the continued contraction in the manufacturing and construction loans given the still weak export market and ongoing corrections in the property sector.

BSP Officer-In-Charge Nestor A. Espenilla, Jr. noted that the continued strong growth in domestic liquidity partly associated with inflows from overseas remittances would remain supportive of domestic economic recovery. He said that the BSP will keep a close watch over developments in domestic liquidity to ensure sustained funding for growth requirements to the extent that the inflation outlook will allow.

View table: http://www.bsp.gov.ph/publications/tables/2009_10/news-10092009c1.htm

End