

# The Role of Regional Cooperation in Promoting Economic Growth

***Nestor A. Espenilla, Jr.***

*Deputy Governor*

*Supervision and Examination Sector*

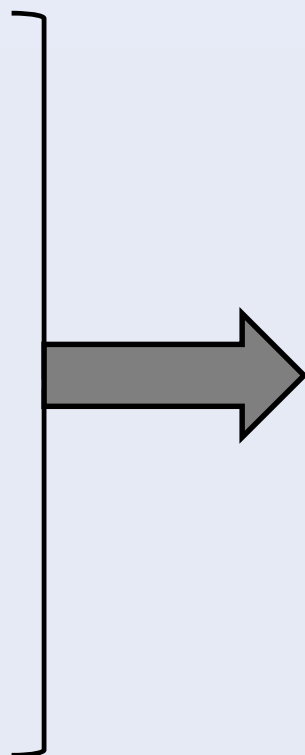
*Bangko Sentral ng Pilipinas*



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## *Issues shared across the global landscape*

- Growth Engines
- Inclusion
- Trade Channels
- Value Chains
- Financial Markets



- US
- EU
- China
- Greece
- ASEAN



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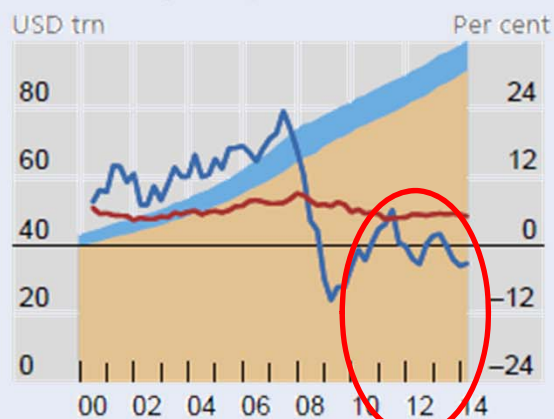
# Tightening of global liquidity during the GFC

Global bank credit aggregates, by borrower region

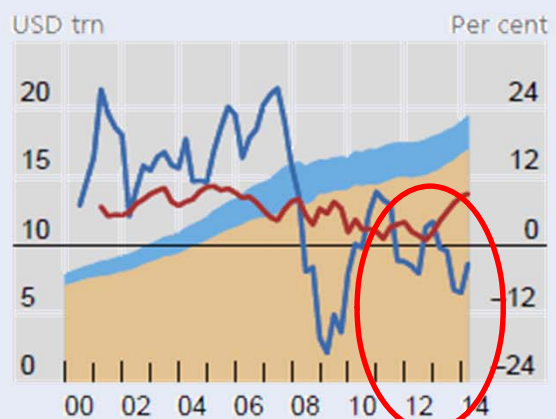
At constant end-Q1 2014 exchange rates

Graph I.2

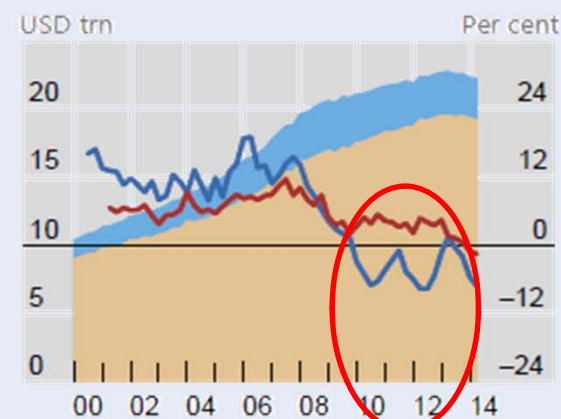
Full country sample<sup>1</sup>



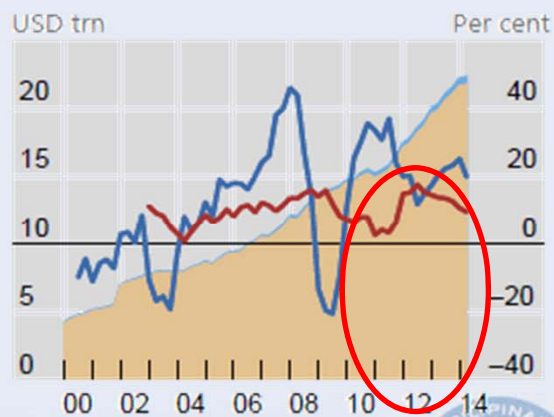
United States



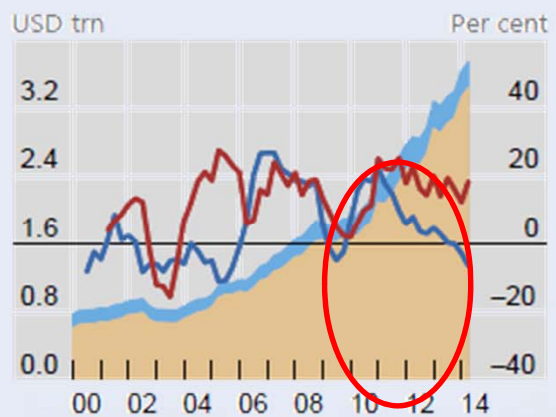
Euro area



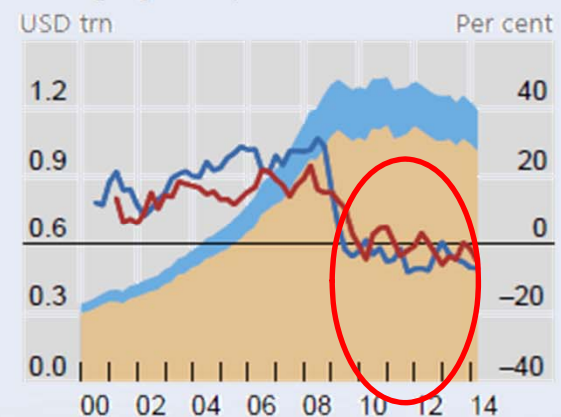
Asia-Pacific



Latin America



Emerging Europe



Levels (lhs):<sup>2</sup>

■ Cross-border credit  
■ Domestic credit

Growth (rhs):

■ Cross-border credit  
■ Domestic credit

# ***The “new normal” in financial markets***

OTC Derivatives

Financial Market  
Infrastructures

Basel III Accord

OTC Derivatives

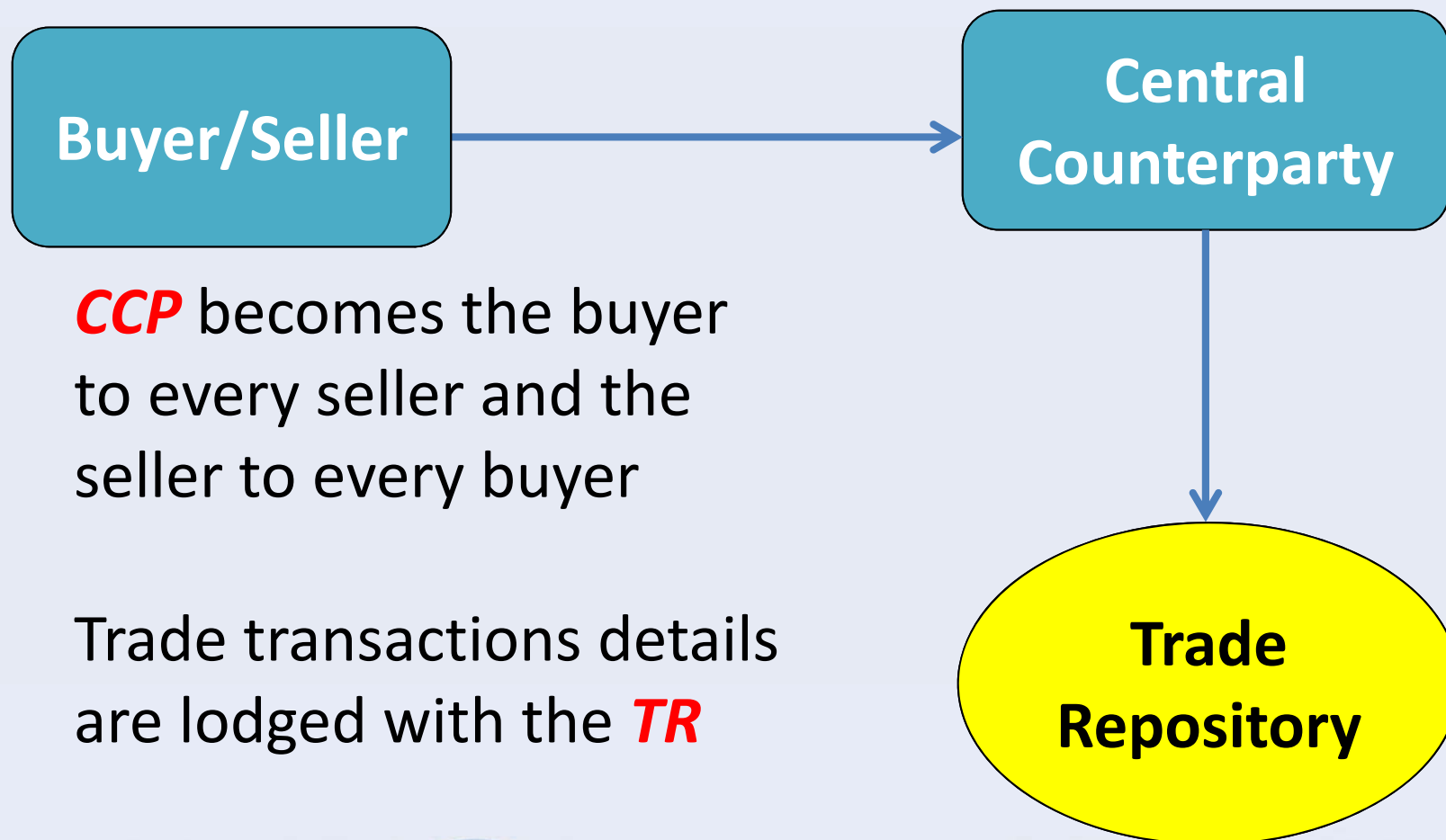
Rules on SIFIs



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# *The “new normal” in financial markets*

## FMI Reforms



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# *The “new normal” in financial markets*

## OTC Derivatives

- Standardized contracts
- Traded on an exchange
- Cleared through CCPs

### For non-centrally cleared OTC derivatives:

- Subject to **higher capital requirements** and **minimum margining requirements**



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# *The “new normal” in financial markets*



## European Market Infrastructure Reform

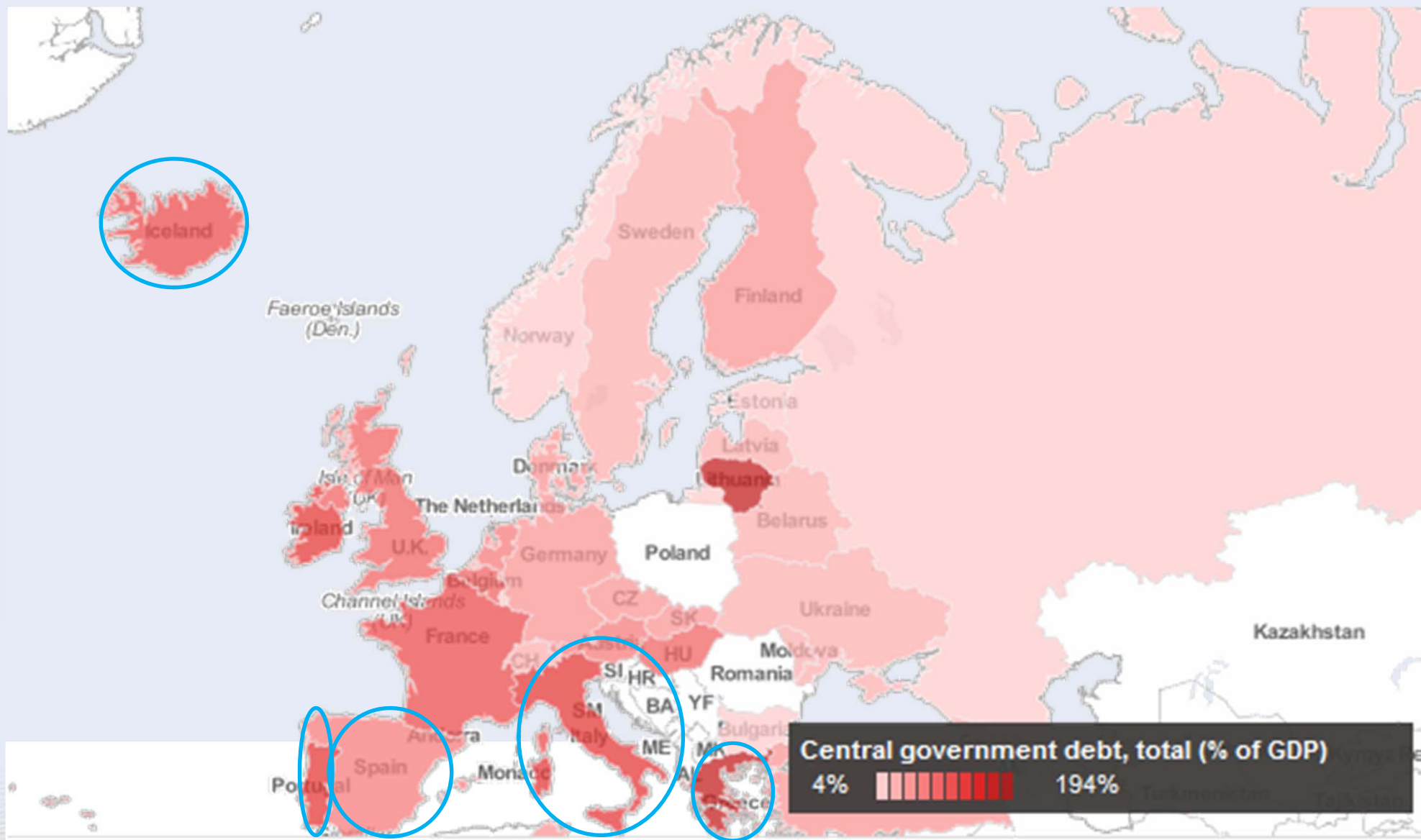
- Aims to increase stability within OTC derivative markets.
- Introduces new requirements to improve transparency and reduce the risks associated with the derivatives market



## Dodd-Frank Act

- Promotes the financial stability of the US by improving accountability and transparency in the financial system and protects consumers from abusive financial services practices
- Creates the Financial Stability Coordination Council

# Sovereign debt crisis in Europe



Source: World Bank



# Monetary Stance of the US

## Fed's Yellen Speaks About U.S. Economy, Monetary Policy

2:29 AM HKT  
May 23, 2015

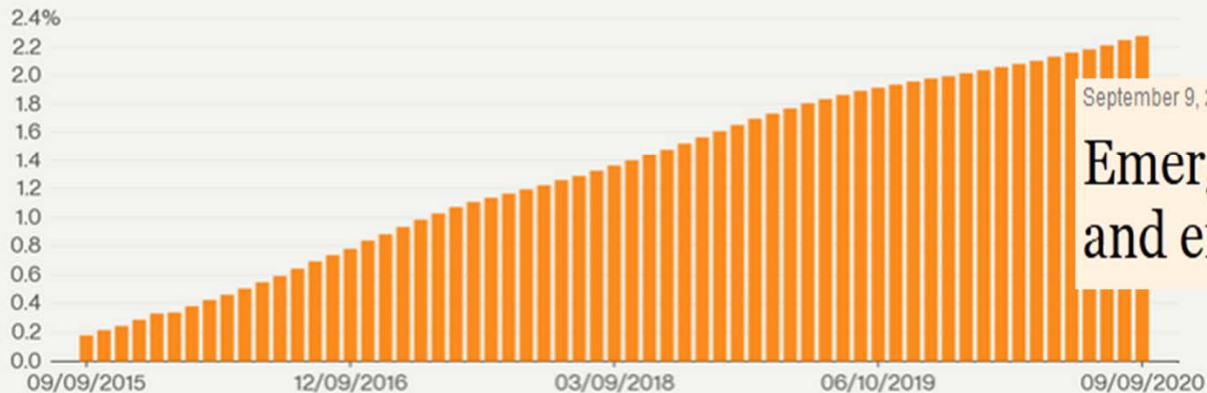
Federal Reserve Chair Janet Yellen speaks about the U.S. economy and monetary policy. Yellen said she still expects to raise interest rates this year if the economy meets her forecasts, with a gradual pace of tightening to follow.

Markets | Wed Aug 26, 2015 6:16pm EDT

## Market turmoil makes September rate hike 'less compelling': Fed's Dudley

### Gradual Path

Overnight Index Swaps show projected levels for the federal funds rate



September 9, 2015 6:23 pm

Emerging markets call on Fed to lift rates and end uncertainty

# Recent developments in China

## China Devalues the Yuan by Most in Two Decades

The move signals policy makers are bolstering efforts to support exporters and boost the role of market pricing. The People's Bank of China called it a one-time adjustment.



## China Rattles Markets With Yuan Devaluation

## Why China Devalued the Yuan

From weak exports to falling reserves, there are many reasons, but a weaker currency won't solve everything

## Shanghai Stock Exchange Composite Index

SHCOMP:IND

2926.376 CNY ↓ -38.591 -1.30%

As of: 03:00:08 ET 08/26/2015



Source: Bloomberg

## Will China Devalue Their Currency Again?

## August Market Rout Hits Hedge Funds

## China Money Rate Set for Weekly Drop as PBOC Easing Adds Funds

# Different Perspectives from Different Aggrupations



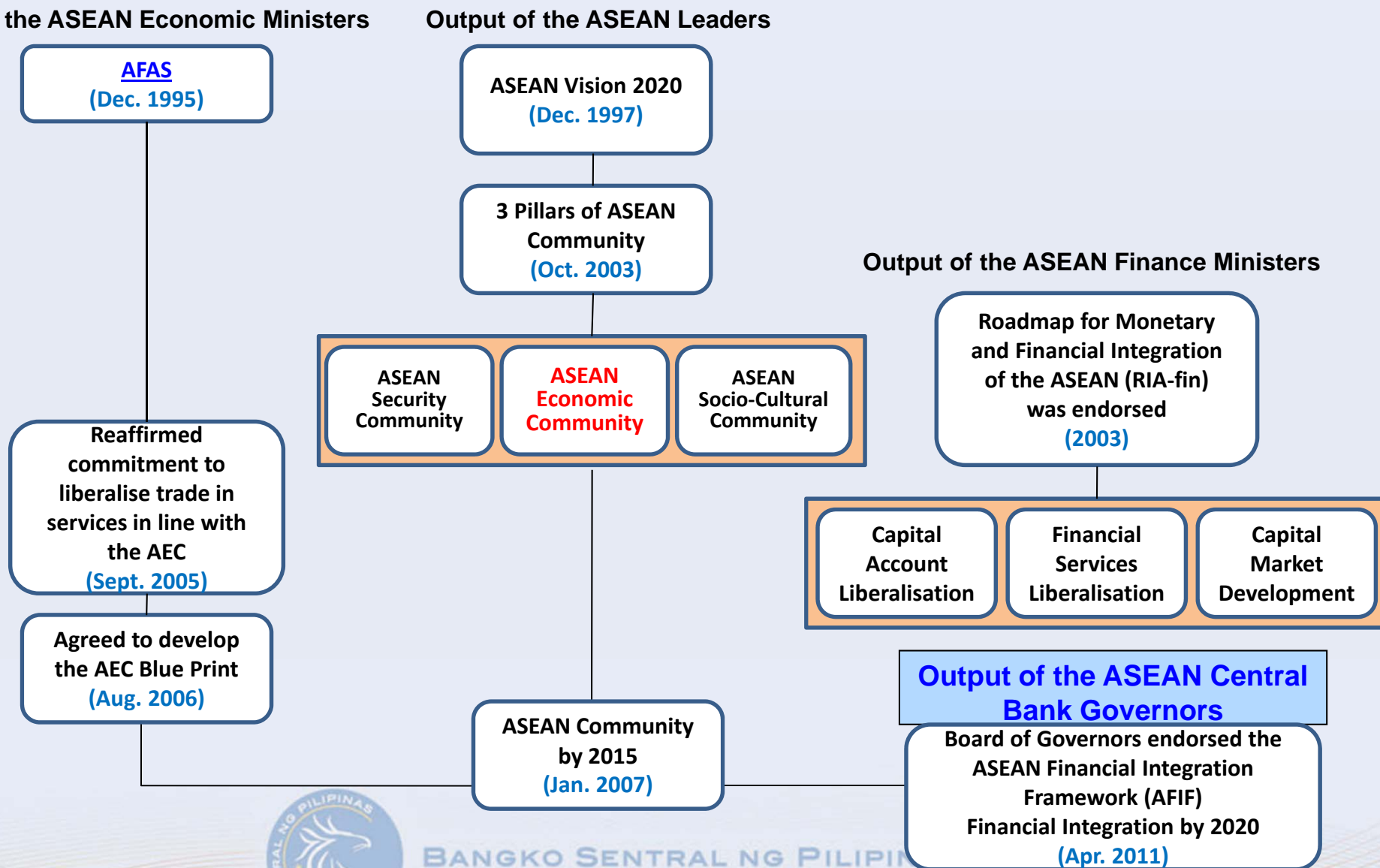
Regional Consultative  
Group for Asia

South East Asia,  
New Zealand,  
Australia (SEANZA)

	ASEAN	ASEAN+3	APEC	EMEAP	RCGA	SEANZA
Total	10	13	21	11	15	20
Philippines	✓	✓	✓	✓	✓	✓
Brunei Darussalam	✓	✓	✓			
Cambodia	✓	✓			✓	
Indonesia	✓	✓	✓	✓	✓	✓
Lao PDR	✓	✓				
Malaysia	✓	✓	✓	✓	✓	✓
Myanmar	✓	✓				
Singapore	✓	✓	✓	✓	✓	✓
Thailand	✓	✓	✓	✓	✓	✓
Vietnam	✓	✓	✓		✓	
China		✓	✓	✓	✓	✓
Japan		✓	✓	✓	✓	✓
South Korea		✓	✓	✓	✓	✓
Australia			✓	✓	✓	✓
Canada			✓			
Chile			✓			
Hong Kong SAR			✓	✓	✓	✓
Mexico			✓			
New Zealand			✓	✓	✓	✓
Papua New Guinea			✓			✓
Peru			✓			
Russia			✓			
Chinese Taipei			✓			
United States			✓			
India					✓	✓
Sri Lanka					✓	✓
Bangladesh						✓
Macau SAR						✓
Mongolia						✓
Nepal						✓
Iran						✓
Pakistan						✓



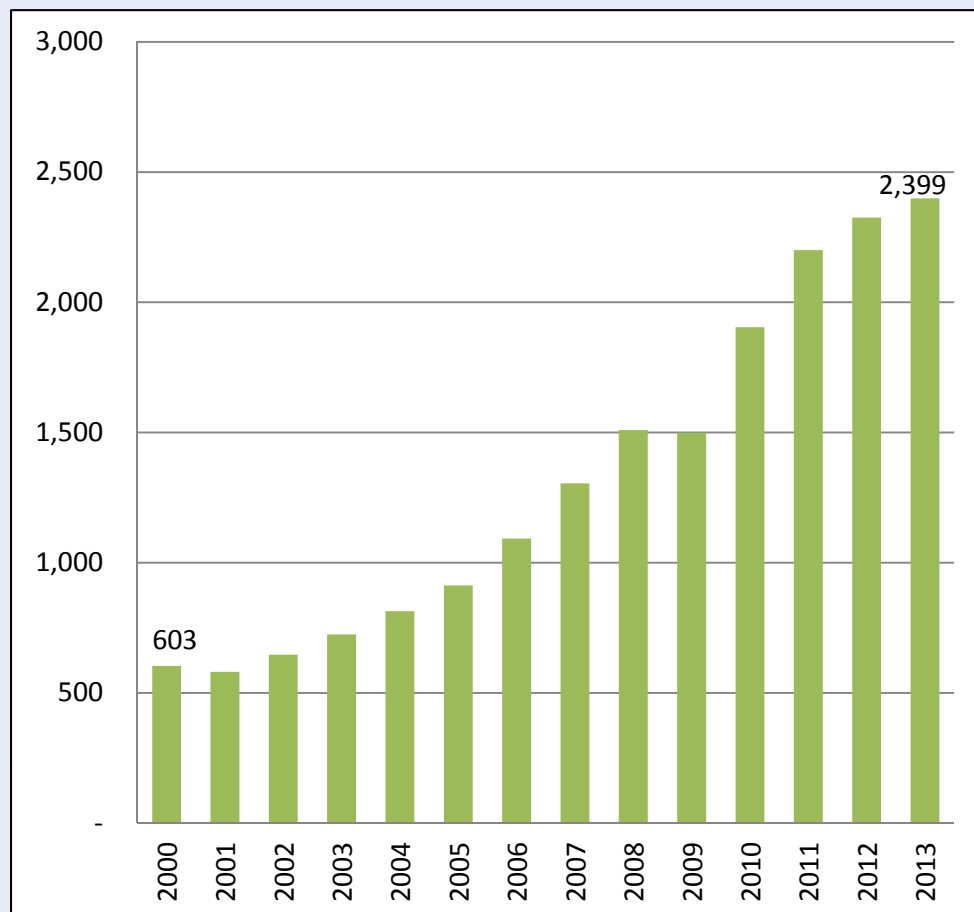
# How The Integration Agenda Came Together...



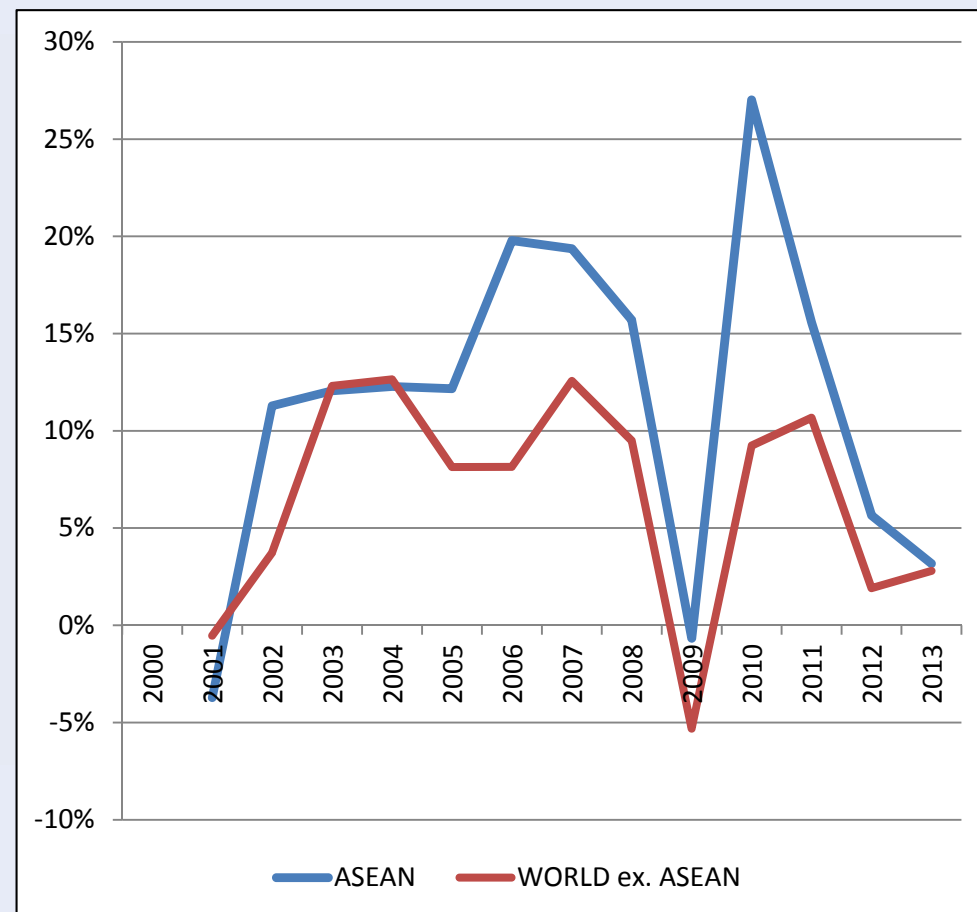
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# ***ASEAN GDP grew faster than the rest of the world.***

## **ASEAN GDP (in USD million)**



## **Y-O-Y GDP Growth**





World Population  
**7.2 billion**

**8.6%**

*ASEAN demographic profile suggests a built-in strong consumer demand through a young population that is expected to live longer.*

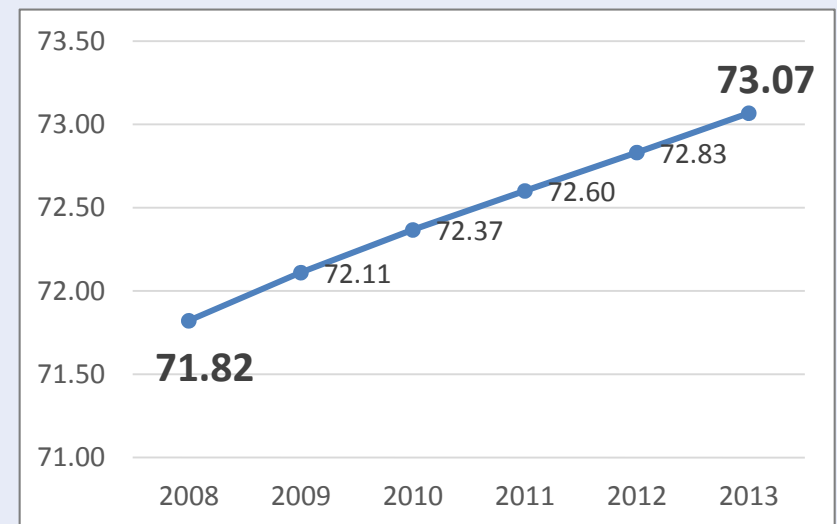
ASEAN Population  
**623 million**



0-14 Age group  
**161 million** or **26%**



### Life expectancy in ASEAN



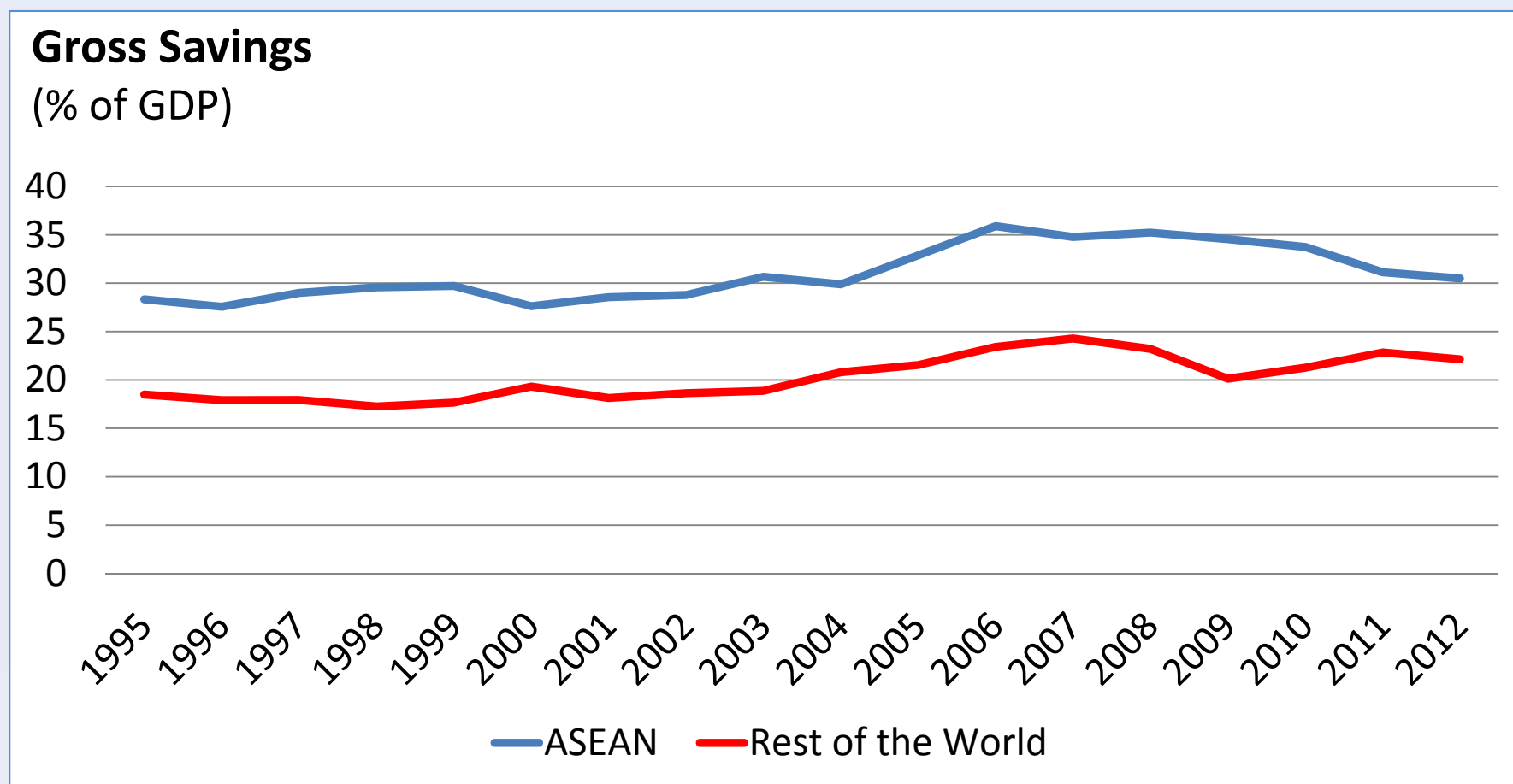
***ASEAN Member States save about **31 %** of their GDP or **USD 4.87 trillion** over seven years.***

To put this in perspective, this is roughly equivalent to:



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## ***ASEAN Member States save more than the rest of the world...***



## ***The role of financial cooperation in ASEAN***

- Qualified ASEAN Banks
- Integrated banking, securities and insurance markets
- Financial education initiatives
- Inter-connected payment systems



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## ***ASEAN invests a big bulk of its savings outside the region...***

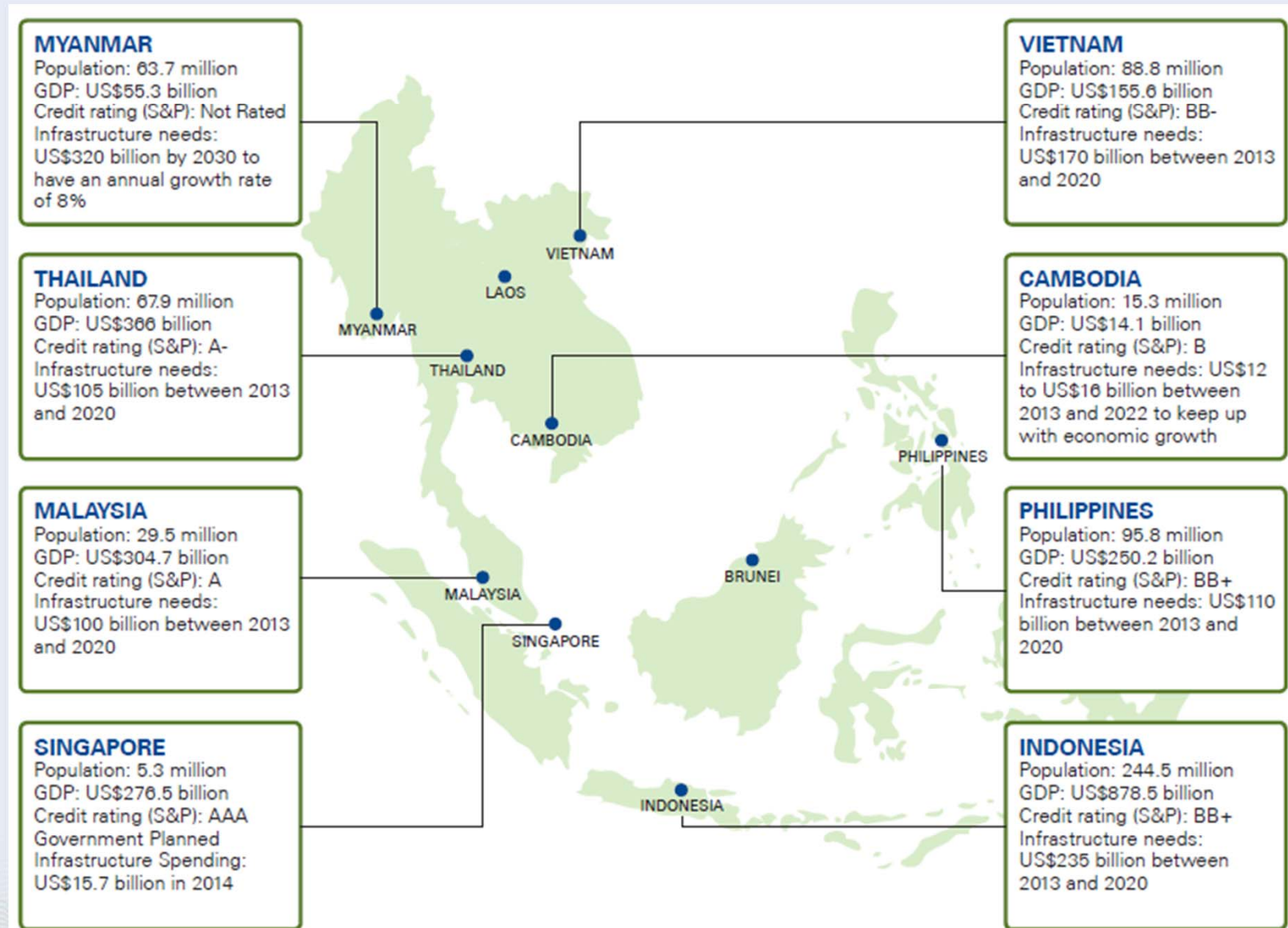
### **US Treasury securities held by ASEAN**

as of June 2015, in US\$ million

<b>Country/Area</b>	<b>Total</b>	<b>Long-term</b>	<b>Short-term</b>
ASEAN	559,820	455,480	104,340
Singapore	369,233	318,493	50,740
Philippines	46,933	41,048	5,885
Thailand	45,103	19,100	26,003
Indonesia	37,919	23,695	14,224
Malaysia	41,658	34,343	7,315
Vietnam	13,692	13,692	-
Brunei	3,475	3,475	-
Cambodia	1,634	1,634	-
Lao PDR	173	-	173



## *...which can be used instead to finance the region's infrastructure requirements*



# ASEAN investment behavior is similar to the rest of Asia

61%

Percent of total US  
LT securities held  
by Asia

75%

Percent of total US  
agency bonds held  
by Asia

## Intra- and extra-ASEAN trade, 2014<sup>/p</sup>

as of 17 June 2015

value in US\$ million; share in percent

Country	Intra-ASEAN trade		Extra-ASEAN trade		Total trade
	Value	Share to total trade	Value	Share to total trade	
Brunei Darussalam	3,860.6	27.2	10,320.1	72.8	14,180.7
Cambodia	7,615.5	25.7	22,039.1	74.3	29,654.6
Indonesia	90,725.3	25.6	263,746.2	74.4	354,471.5
Lao PDR	3,496.3	64.9	1,892.5	35.1	5,388.8
Malaysia	119,076.0	26.9	324,003.3	73.1	443,079.4
Myanmar	11,455.0	42.0	15,801.7	58.0	27,256.7
Philippines	25,370.0	19.6	104,196.9	80.4	129,566.9
Singapore	203,196.4	26.2	572,819.6	73.8	776,016.0
Thailand	102,725.3	22.6	352,800.6	77.4	455,525.9
Viet Nam	40,797.7	13.9	252,979.4	86.1	293,777.1
<b>ASEAN</b>	<b>608,318.0</b>	<b>24.1</b>	<b>1,920,599.4</b>	<b>75.9</b>	<b>2,528,917.4</b>

# Different Perspectives from Different Aggregations



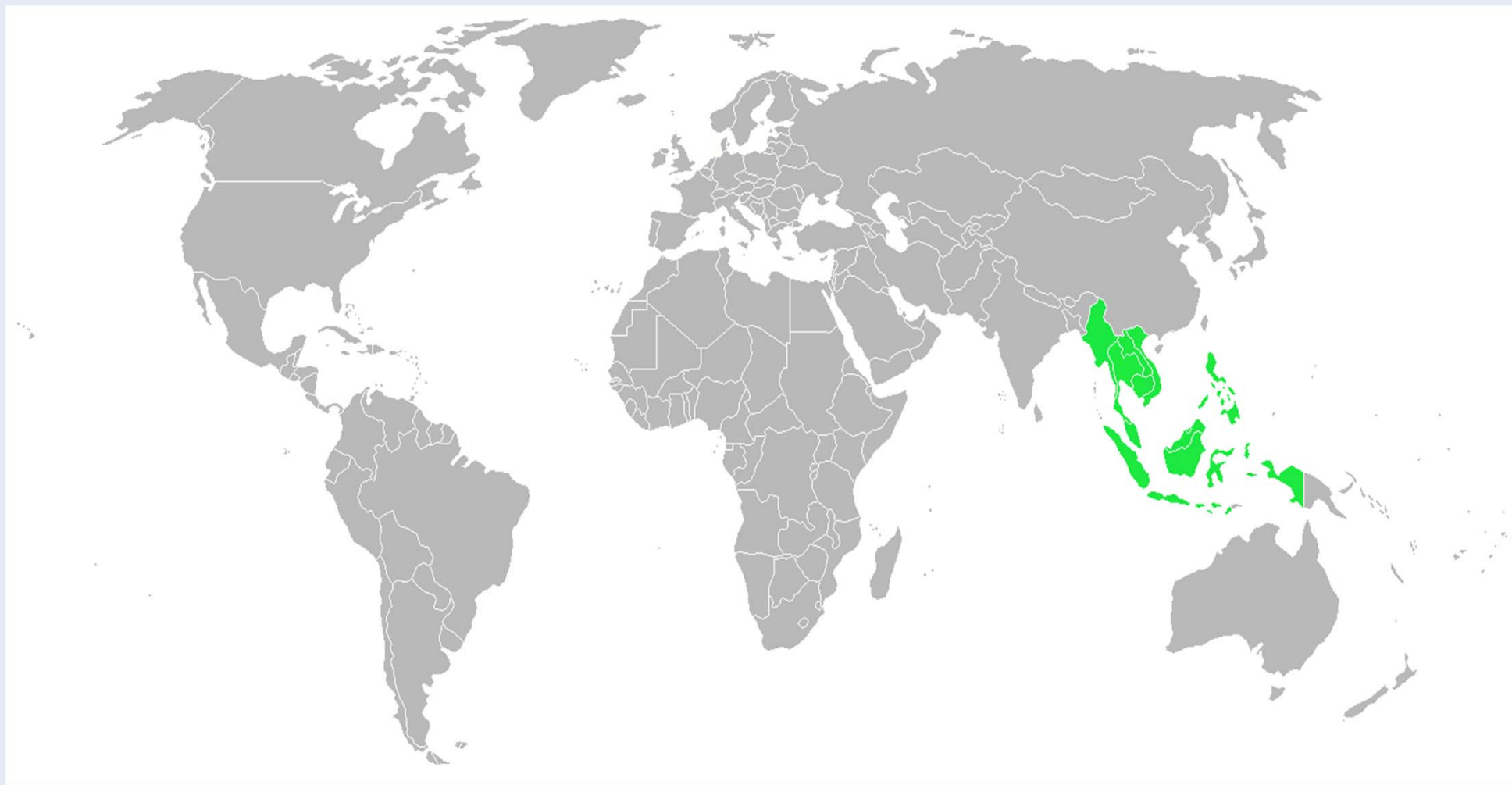
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Canada			✓			
Chile			✓			
Hong Kong SAR			✓	✓	✓	✓
Mexico			✓			
New Zealand			✓	✓	✓	✓
Papua New Guinea			✓			✓
Peru			✓			
Russia			✓			
Chinese Taipei			✓			
United States			✓			
India					✓	✓
Sri Lanka					✓	✓
Bangladesh						✓
Macau SAR						✓
Mongolia						✓
Nepal						✓
Iran						✓
Pakistan						✓



## ***The ASEAN Member States***



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# The Role of Regional Cooperation in Promoting Economic Growth

***Nestor A. Espenilla, Jr.***

*Deputy Governor*

*Supervision and Examination Sector*

*Bangko Sentral ng Pilipinas*



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