WELCOME REMARKS BY

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AT THE OPENING CEREMONY OF THE

SEACEN–IMF COURSE ON EXTERNAL SECTOR ISSUES

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Distinguished Resource Persons

Course Participants

Ladies and gentlemen

Good morning,

It gives me great pleasure to extend to all of you a cordial welcome to the SEACEN-IMF Course on External Issues in this beautiful premise of the Bangko Sentral ng Pilipinas.

Allow me to begin my Welcome Remarks by thanking our gracious host, the Bangko Sentral ng Pilipinas, for the excellent arrangements and warm hospitality in organising the Course. The SEACEN Centre is deeply grateful to Attorney Armando L. Suratos, Monetary Board Member, Bangko Sentral ng Pilipinas for taking time from his busy schedule to deliver a Keynote Address at this Course Opening Ceremony. We also wish to thank the members of the Preparatory Committee Team, headed by Mr. Zeno Ronald R. Abenoja, Director, Department of Economic Research, for their dedication and commitment in making this Course a success. Indeed, they have been working in partnership with SEACEN months before the Course starts to ensure that the Course is well planned and well delivered.

I would also like to express deep gratitude to our collaborator, the IMF-Singapore Training Institute for the continued partnership that has been so fruitfully blossoming over the years. I especially like to thank Dr. Mangal Goswami for his deep commitment to work with us in ensuring that the Course is well designed and delivered, with a regional flavor to make it a distinctly SEACEN–IMF course.

Ladies and Gentlemen:

On this opening day of the SEACEN–IMF Course on External Sector Issues, I would like to share with you some of my thoughts on the potential challenges that central bankers may face in an increasingly uncertain global economic environment.

Since the outbreak of global financial crisis in 2008, many advanced countries have held short term interest rates near zero and have taken non-traditional measures to keep the financial markets afloat and to lower long term interest rates. At first this monetary unorthodoxy was adopted to overcome the financial crisis and later to shore up economic recovery. With the euro-zone's sovereign debt crisis having persisted since 2010, many countries, whether advanced or emerging economies, still appear to keep their monetary policies accommodative until well into the recovery.

In this extraordinary circumstance, I believe that there are some macroeconomic policy issues that we at central banks in this region need to pay our keen attention.

First of all, central bankers should prudently monitor whether the long period of low rates is causing any sectors of credit and asset markets to overheat again. Central bankers need to acknowledge that a credit-fueled asset price bubble was the real culprit for the current malaise in many countries. Otherwise, it is doomed to sow the seeds of the next crisis. Today's central bankers need to devise a good metric to assess when credit and asset prices have gone so far as to threaten the financial stability.

Increased integration with global financial markets has certainly amplified the complexity of macroeconomic management in emerging market economies and the tapering of QE will likely add greater pressure on emerging market economies. In this era of volatile capital flows, emerging market economies should carefully monitor the conflicting aspects of the spillovers from advanced countries' policy changes. Trade expansion with advanced economies, if only tapering of QEs in the US and the U.K and maintaining QEs in Japan and the euro areas are successful for boosting domestic demand, could be a positive spillover. But if this positive spillover is cancelled out by many other negative spillovers, emerging market economies may experience difficulties in managing their economies.

Ladies and Gentlemen:

These challenges point to the fact that no matter how strong their domestic economic fundamentals, emerging market economies remain highly vulnerable to external shocks which are transmitted into domestic economies mainly through trade and financial channels. Notwithstanding this threat, however, the benefits of open trade and capital account are immense. The way forward for the economies to prosper, then, is to harness these benefits while managing the risks. The key is not to close the economy, but to make it more flexible and resilient to withstand the adverse consequences of sporadic external shocks. This effort requires, among others, a continuous upgrading of knowledge and skills, in the light of new theories and lessons learnt, to enhance our understanding of how the economy works and responds to shocks.

It is in this area that the SEACEN Centre has been contributing to the regional effort to help central banks build human capital in critical central banking functions of monetary and macroeconomic management, financial stability, which includes management of payment and settlement systems, and leadership and governance. Our annual courses on macroeconomic and monetary policy focus on fundamental and broad-based knowledge of how central banks conduct their monetary policy. The other category of courses, such as this SEACEN-IMF Course, aim to address topical needs to provide more in-depth knowledge in certain areas.

Specifically, this SEACEN-IMF Course aims to strengthen the analytical and forecasting capability in the key components of external sector. The SEACEN Centre is grateful to the IMF-Singapore Training Institute for being instrumental in the design and implementation of the Course. We are indebted to the distinguished resource speakers from the STI, the Statistics Department of the IMF, IMF Residence Office in the Philippines, Bangko Sentral ng Pilipinas, Bank of Thailand, Bank Negara Malaysia and the Asian Development Bank for sharing knowledge and expertise with the participants in the next two weeks.

I also wish to thank our member and invitee central banks for nominating a total of 25 well-qualified and suitable participants representing ten central banks. I am confident that the next two weeks will be a highly engaging time of learning and sharing of experience.

Ladies and Gentlemen,

Allow me to say a few words about The SEACEN Research and Training Centre. Our vision is "To be the Regional Learning Hub for Central Banks in the Asia-Pacific Region". As a Learning Hub, SEACEN aspires to drive central bank excellence in learning for the region, by providing a platform for collaboration for members to synergise efforts in central bank learning among themselves, and across SEACEN's network base. The vision would be achieved through SEACEN's mission in building capacity in central banking and fostering networking and collaboration. With strong commitments from our stakeholders as seen in this Workshop, we are confident that our vision will become a reality.

Coming back to this learning event, I am confident that participants will find it both fruitful and rewarding. Above all, the interaction among participants and with resource persons will provide an opportunity to learn from one another and strengthen the bond of friendship and cooperation. I also hope that you will be able to find time to enjoy the culture and beauty of the Philippines.

Allow me to conclude by once again thanking Monetary Board Member Attorney Armando L. Suratos, the Preparatory Committee of Bangko Sentral ng Pilipinas, Dr. Mangal Goswami and the other resource persons for the valuable contributions and support. I wish you a productive and rewarding learning experience.

Thank you for your attention.