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For further information, contact:

Tel. Nos. 8708-7701 locals 3025/3026

FINANCIAL STABILITY REPORT ESPOUSES VIGILANCE AS MARKETS REMAIN FLUID

The Financial Stability Coordination Council (FSCC) released its latest Financial Stability Report (FSR) which highlighted the signs of recovery but also reminded that market conditions remain fluid.

Bangko Sentral ng Pilipinas (BSP) Governor and FSCC Chairman Benjamin E. Diokno reiterated the importance of vigilance and pre-emptive thinking against the backdrop of an uneven pace of recovery across jurisdictions.

“We are definitely better off today than a year ago. However, the ongoing recovery from old risks can generate a new set of potential risks. We need to continuously track these potential systemic risks, and act when warranted,” said the FSCC Chairman.

Governor Diokno added that, “Many aspects of the future remain uncertain and with uncertainty, risk aversion in financial markets may not be too far behind.”

The first chapter of the FSR takes a quick look at the effects of COVID-19 with a full year’s worth of data in place. It reiterates that debt servicing remains the main risk, a point that the FSCC already disclosed in its earlier statement on the State of Financial Stability.

It adds, though, that recovery from the recession is happening differently in one jurisdiction versus another. The FSR describes this a “divergence” and smaller economies like the Philippines face added risks through movements in financial prices in the international market.

Chapter 2 discusses the changed market conditions in the education, retail trade, and commercial real estate sectors.

“We make a conscious effort to look at industry-level issues as part of the effort to reduce uncertainties. We will look at other industries but these three are important to our recovery and our future,” Governor Diokno said.

The last section of the FSR looks at how the FSCC will carry out its agenda moving forward. Aside from its surveillance framework and the tests that it intends to conduct, chapter 3 outlines the communication strategy of the FSCC.

It enumerates five foundational messages which it describes as building blocks, and identifies its stakeholders that cover market players, analysts, the academe, media and the public, as well as other government authorities.

These reflect the Council’s core thinking that managing systemic risks is a whole-of-market initiative that ultimately should be about improving the welfare of current and future generations.

The 1st Semester 2021 FSR can now be downloaded on the websites of the BSP and other FSCC-member agencies.

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[1st Semester 2021 Financial Stability Report \(Link\)](#)