

Policy and Regulatory Developments

People's Republic of China

People's Bank of China Cuts Reserve Requirement Ratio

On 25 November, the People's Bank of China reduced the reserve requirement ratio for financial institutions by 25 basis points, effective 5 December. The central bank estimated that the move will release about CNY500 billion into the financial system.

Hong Kong, China

Hong Kong Monetary Authority Keeps Countercyclical Buffer Ratio at 1.0%

On 8 February, the Hong Kong Monetary Authority kept the countercyclical buffer ratio (CCyB) steady at 1.0%, noting that uncertainties in the global and domestic economic environment remain elevated despite initial signs of stabilization in the domestic economy. The Hong Kong Monetary Authority deemed that keeping the CCyB unchanged and monitoring the situation closely was appropriate amid lingering economic uncertainties. The CCyB is an integral part of the Basel III regulatory capital framework intended to improve the resilience of the banking sector in periods of excess credit growth.

Indonesia

Indonesian Parliament Approves Central Bank Bond Purchases in Times of Crisis

In December, the Indonesian Parliament approved into law the expanded mandate of Bank Indonesia to support the state budget during crisis periods. The law legalizes Bank Indonesia's government bond purchases, similar to what it has engaged in since 2020 when the coronavirus disease (COVID-19) pandemic started. At that time, however, an emergency regulation was adopted to allow the central bank to engage in bond purchases. Among the provisions of the new law, Bank Indonesia will be allowed to participate in government bond auctions in the primary market when a crisis has been announced by the government. The new legislation is

part of the government's financial sector reform that aims to update past regulations and adapt to recent market developments.

Republic of Korea

The Republic of Korea Announces 2023 Economic Outlook and Policy Directions

On 21 December, the Government of the Republic of Korea announced its 2023 economic outlook along with its policy directions. Annual economic growth for 2023 is projected to be 1.6%, which is lower than the 2022 outlook due to deteriorating external conditions and a slowdown in consumption recovery due to rising interest rates. Consumer price inflation is projected to be 3.5% in 2023, which is also lower than the 5.1% outlook for 2022 amid a decline in global demand and raw material prices. The current account balance forecast for 2023 is USD21 billion, down from the 2022 outlook of USD22 billion, as the deficit in the services balance is expected to increase amid the resumption of overseas travel. Its 2023 policy directions include (i) managing the macroeconomy in a stable manner, (ii) supporting the recovery of people's livelihoods, (iii) boosting the economy by focusing on the private sector, and (iv) implementing structural reforms.

National Assembly Passes the 2023 Budget

On 23 December, the National Assembly of the Republic of Korea approved and passed the 2023 budget totaling KRW638.7 trillion, which is KRW0.3 trillion lower than the government's proposal of KRW639.0 trillion. The 2023 budget is also 5.1% higher than the original 2022 budget of KRW607.7 trillion, but it is 6.0% lower if including the supplementary budgets (KRW679.5 trillion) in 2022. Government revenues were also reduced by KRW0.3 trillion to KRW625.7 trillion. The managed and consolidated fiscal deficits were maintained at KRW58.2 trillion and KRW13.1 trillion, respectively, along with the consolidated fiscal deficit as a percentage of gross domestic product at 0.6%. Government debt was also lowered to KRW1,134.4 trillion from KRW1,134.8 trillion, but the resulting percentage of gross domestic product was kept at 49.8%.

Malaysia

Malaysia Signs Agreement with Other Central Banks on Payment Connectivity Cooperation

On 14 November, Bank Negara Malaysia—together with Bank Indonesia, Bangko Sentral ng Pilipinas, Monetary Authority of Singapore, and Bank of Thailand—signed a memorandum of understanding to cooperate in the regional payment connectivity initiative. The program aims to promote growth by enhancing intra-regional trade and investment through a harmonious financial ecosystem in the region. It also encourages small- and medium-sized enterprises to participate in the international market. Cooperation on regional payment connectivity will help fast-track the region's financial digitalization and reinforce the Association of Southeast Asian Nations' goal of having a connected payment system to make cross-border payments easier for member economies.

Philippines

The Philippines to Borrow PHP2.21 Trillion to Support Funding of 2023 State Budget

On 16 December, the Philippine president signed into law the 2023 General Appropriations Act authorizing a national budget of PHP5.27 trillion to support the government's 2023 economic agenda. The 2023 budget is 4.9% higher than the previous year's level of PHP5.02 trillion and will prioritize the education, infrastructure, health, agriculture, and social security sectors. To support financing of the national budget, the government plans to borrow PHP2.21 trillion in 2023. The planned borrowing will comprise 75% (PHP1.65 trillion) domestic debt and 25% (PHP553.50 billion) foreign borrowing. Domestic borrowing will be made through auctions of Treasury bills, notes, and bonds to the public, while foreign borrowing will be acquired through loans from foreign financial institutions or by floating government securities in the international market.

Singapore

Singapore and Japan Renew Currency Swap Agreement

On 29 November, the Monetary Authority of Singapore and the Bank of Japan renewed their bilateral local currency swap arrangement for another 3 years. The agreement allows the two central banks to swap up to SGD15.0 billion or JPY1.1 trillion, providing liquidity in Japanese yen to financial institutions in Singapore and Singapore dollar liquidity to entities in Japan. The agreement also helps facilitate intra-regional payments between the two economies.

Thailand

Bank of Thailand Announces End of Corporate Bond Stabilization Fund

On 31 October, the Bank of Thailand announced that it would end its temporary corporate bond support under the corporate bond stabilization fund after 31 December 2022. The fund was created in 2020 to help boost confidence in the corporate bond market and aid companies experiencing momentary liquidity problems amid the COVID-19 pandemic. The supervisory committee of the bond stabilization fund deemed that the need for support had lessened as the economy continued to recover.

Government Switches THB17.2 Billion of Short-Term Bonds

On 9 November, the Public Debt Management Office conducted bond-switching transactions amounting to THB17.2 billion. The transactions involved swapping bonds with a remaining maturity of 1.1 years to six destination bonds with remaining maturities ranging from 5.6 years to 49.6 years. The bond swap allowed the government to improve debt management by extending the repayment periods of the maturing bonds.

Viet Nam

State Bank of Vietnam Raises 2022 Credit Growth Cap of Domestic Banking System

On 5 December, the State Bank of Vietnam raised the local banking system's credit target by 1.5–2.0 percentage points from the previous 14%, following the central bank's policy rate increases that had caused a credit crunch in the domestic real estate and financial markets. Banks with good liquidity and low interest rate offerings are eligible for the credit cap increase. The new policy aims to balance appropriate capital to provide credit and focus capital on economic growth drivers such as production and business sectors. The State Bank of Vietnam recognizes the risks that come with credit expansion and will closely monitor developments in the international and domestic markets and take appropriate measures to ensure liquidity, operational safety, and solvency for market participants.