

Macro Economics:

The Effect Of A Country's Monetary Policy to the Philippine Economy

Monetary policy is "the process by which the monetary authority of a country controls the supply of money, often targeting a rate of interest for the purpose of promoting economic growth and stability". The idea of this concept is generally used whenever an economy experiences financial struggles. For example, the Philippine economy suddenly crashes to the point wherein it can no longer sustain its people. This bear financial instability for the citizen, hindering them to supply for their necessities. What the government will do is decrease the interest rates in the banks so the citizens can loan more money. Thus, providing the revenue for the Philippine economy to once again, flourish. This, of course, relevant to a certain country which is in this case, the Philippines. But what if a monetary policy of another country is to indicate the outcome of the economy of another?

In deeper means, the monetary policy can support the inflation and the demand for goods, causing more financial revenues and an opportunity for money to circulate in the economy. Focusing more on the demand of goods, a certain country might experience inefficiency in the supply. Considering other channels of sustainability, that country can now import goods from other countries. For example, United States of America is currently practicing monetary policy and is in desperate need of goods. A neighbouring country, let's say, the Philippines is willing to supply them their demand. Philippines will now export goods to America. And considering the current exchange rate of Philippine peso to US of 44.77 peso to 1 dollar, Philippines can actually benefit from exporting goods. Furthermore, this will help the Philippine economy to stabilize by the financial provision while extending a hand to the neighbouring country, USA.

In short, the monetary policy of a country can affect another country's economy by giving in return the beneficiary of profiting from the exportation of goods. The same is in agreement with our country if by any means, we practice exporting goods to other country.