



# **Report on Economic and Financial Developments**

*Fourth Quarter 2006*



*Bangko Sentral ng Pilipinas*

## Report on Economic and Financial Developments

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**EXECUTIVE SUMMARY****A. Key Economic Developments**

**Economy sustains growth.** GDP continued to grow during the fourth quarter of 2006, albeit at a slower pace of 4.8 percent compared to 5.3 percent in both the comparable period of 2005 and in the previous quarter. The services industry was the driver of growth on the production side, while consumption and exports were the main engines of growth on the demand side. Full-year GDP growth at 5.4 percent was higher than the 5.0 percent registered in 2005.

**Inflation slows down further.** Price pressures continued to moderate in the fourth quarter, with headline inflation falling to its lowest quarterly average of 4.8 percent since the second quarter of 2004. Likewise, measures of underlying core inflation eased. Consistent with the BSP's projections, the full-year 2006 inflation at 6.2 percent was above the 4-5 percent inflation target but lower than the 2005 average. The steady decline in inflation throughout 2006 was due mainly to easing oil prices, the strengthening peso and generally stable food prices.

**BSP keeps its policy rates steady.** Inflation developments continued to point to a generally downward path over the policy horizon. However, as inflation risks remained, the Monetary Board kept the policy interest rates unchanged in the fourth quarter. Latest forecasts indicated that average inflation for 2007 and 2008 are likely to be within the Government's targets. The benign inflation readings also enabled the Monetary Board to revive the tiering system on banks' placements under the BSP's RRP and SDA

windows effective 2 November 2006. The restoration of the tiering system was meant to encourage banks to use their excess funds for lending with a view to fostering business activity.

**The banking system remains generally sound and stable.** Resources of the banking system continued to expand on the back of a growing deposit base, while asset quality improved further as non-performing loan ratios declined. Reflecting the banking system's improved ability to cover risky assets, the capital adequacy ratio at 18.3 percent remained higher than the 10.0 percent statutory level set by the BSP and the 8.0 percent standard of the BIS.

**The National Government's (NG) fiscal position improves further.** The NG fiscal deficit during the review quarter was significantly lower than the year-ago level, reflecting continuing progress towards fiscal consolidation. Revenues were boosted by increased administrative efficiency of the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BoC) and the implementation of various programs to encourage tax payments. In turn, higher revenues provided the NG some room to increase its expenditures.

**BOP surplus increases further.** The country's BOP position reversed to a surplus of US\$1.15 billion during the fourth quarter from a US\$303 million deficit in Q4 2005, bolstered by the strong performance of the current account and the improvement in the capital and financial accounts.

**Gross international reserves rise to a new record level.** The GIR reached an historic high of

US\$23.0 billion as of end-2006, US\$4.5 billion higher than the end-2005 level. The significant buildup in reserves can be traced to strong inflows of foreign exchange from OFW remittances, foreign investments and export earnings. The NG's deposit of proceeds from its program loans and the NPC's net foreign currency deposit from the proceeds of its bond issues also contributed to the higher GIR level.

**The peso continues to strengthen on positive economic developments.** The peso strengthened further in the fourth quarter on the back of positive market sentiment brought about by the strong macroeconomic fundamentals, including the improving fiscal position. The resulting rise in investments and the continued foreign exchange inflows from OFW remittances and export earnings propped up the peso. The upgrade of the Philippines' sovereign credit outlook by Moody's Investor Service in November also contributed to the peso's gains. The peso appreciated by 3.1 percent to average ₱49.77/US\$1 in the fourth quarter from ₱51.39/US\$1 in the previous quarter.

## **B. Challenges and Future Policy Directions**

The developments in the macroeconomy and the financial sector during the fourth quarter of 2006 give policymakers good reasons to be optimistic about the year ahead. The economy continued to grow, supported by vigorous consumer spending, strong export growth, and robust services output. Inflation decelerated, cushioned by easing oil prices and the strengthening peso. The fiscal reform results buoyed investor confidence, encouraging foreign investment inflows, which, together with strong foreign exchange remittances and exports, allowed the country to reduce its

liabilities, prepay some of its loans and build up its reserves.

The primary challenge going forward is to preserve and consolidate these gains by ensuring that the structural reform momentum is sustained thereby setting the stage for a higher level of growth. The Government is committed to continuing the fiscal consolidation efforts and raising priority spending, specifically on social programs and infrastructure. Monetary policy, meanwhile, will remain focused on responding early to emerging risks to inflation and strengthening bank balance sheets to enable the banks to better perform their task of financial intermediation and risk management.

The volatility of global energy prices due to their vulnerability to geopolitical developments remains to be a key risk to price stability. In addition, the continued strong growth in domestic liquidity, which could persist given the prospect of sustained strong foreign exchange inflows, needs to be closely watched.

The BSP will continue to monitor these and other risks to inflation and inflation expectations with a view to charting a policy course that would ensure the maintenance of price stability conducive to a sustainable economic growth. This includes the commitment to anchor public expectations by continuously improving communication efforts that will promote greater public understanding of the monetary policy stance and its impact on the economy.

The improvement of the efficiency and soundness of the banking system is the other important mandate of the BSP. The BSP will guide the banking system in the adoption of the Basel II

guidelines that require banks to have capital appropriate for their risk-taking activities and to develop systems for proper risk assessment. Efforts will also be sustained to align financial reporting and accounting standards with international benchmarks and best practices to promote fairness, transparency and accuracy in financial reporting. Other prudential regulations will be strengthened specifically in the areas of corporate governance and risk management.

The BSP will also continue to promote the disposal of banks' non-performing assets and encourage mergers and consolidations to strengthen the banking system's capital base.

Meanwhile, legislative initiatives that will foster the development of market infrastructure for the deepening of the domestic capital market will also continue to be supported by the BSP.

## A. Overview

The economy continued to grow in the fourth quarter, boosted by vigorous consumer spending, strong export growth, and robust services output. Inflation decelerated, cushioned by easing oil prices and the strengthening peso which kept import prices down. Strong foreign exchange inflows from export receipts, OFW remittances and foreign investments boosted the country's external position. Public finances improved steadily with the implementation of tax policy and administrative reforms and prudent management of resources. Meanwhile, the banking system remained generally sound and stable, characterized by declining non-performing loan ratios, rising asset base and higher-than-standard capital adequacy ratios.

**Economy sustains growth.** GDP continued to grow during the fourth quarter of 2006, albeit at a slower pace of 4.8 percent compared to 5.3 percent in both the comparable period of 2005 and in the previous quarter. Services was the driver of growth on the production side, while consumption and exports were the main engines of growth on the demand side. Full-year GDP growth at 5.4 percent was higher than the 5.0 percent registered in 2005.

**Labor market conditions improve.** Consistent with the sustained growth of the economy, the unemployment rate declined to 7.3 percent in the fourth quarter of 2006 from the year-ago level of 7.4 percent using the new NSO definition of unemployment.

**The NG's fiscal position improves further.** The continued progress in fiscal consolidation brought

down the NG budget deficit for the quarter to ₱14.4 billion from the year-ago level of ₱38.3 billion. Revenues were boosted by increased administrative efficiency of the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BoC) and the implementation of various programs to encourage tax payments. In turn, higher revenues provided the NG some room to increase its expenditures.

**Domestic liquidity grows stronger.** Money supply expanded due mainly to the increase in net foreign assets on the back of strong foreign exchange inflows from OFW remittances, exports and foreign investments. The growth of credit to the public and private sectors also contributed to the expansion in domestic liquidity.

**Inflation slows down further.** Price pressures continued to moderate in the fourth quarter with headline inflation falling to its lowest quarterly average since the first quarter of 2004. Likewise, measures of underlying core inflation eased. Consistent with the BSP's projections, the full-year 2006 inflation at 6.2 percent was above the 4-5 percent inflation target but lower than the 2005 average. The steady decline in inflation throughout 2006 was due mainly to easing oil prices, the strengthening peso and generally stable food prices.

**BSP keeps its policy rates steady.** Inflation developments continued to point to a generally downward path over the policy horizon. However, as inflation risks remained, the Monetary Board kept the policy interest rates unchanged in the fourth quarter. Latest forecasts indicated that average inflation for 2007 and 2008 are likely to be within the Government's targets. The benign

inflation readings also enabled the Monetary Board to revive the tiering system on banks' placements under the BSP's RRP and SDA windows effective 2 November 2006. The restoration of the tiering system was meant to encourage banks to use their excess funds for lending with a view to fostering business activity.

**Domestic interest rates decline.** Market interest rates eased in the fourth quarter, reflecting lower inflation, the ample liquidity in the financial system and an improving fiscal position which prompted the Bureau of the Treasury to cancel the T-bill auctions for December. GS yields, as well as interbank call loan, bank deposit and lending rates declined during the period.

**Banking system remains generally sound and stable.** Resources of the banking system continued to expand on the back of a growing deposit base, while asset quality improved further as non-performing loan ratios declined. Reflecting the banking system's improved ability to cover risky assets, the capital adequacy ratio at 18.3 percent (as of end-June 2006) remained higher than the 10.0 percent statutory level set by the BSP and the 8.0 percent standard of the BIS.

**Capital market initiatives continue to make headway, capped by significant developments in infrastructure and legislative reforms.** The Philippine Dealing and Exchange Corporation launched the new peso-dollar trading platform in October, replacing the Philippine Dealing System in providing the main reference rate for the US dollar-Philippine peso transactions used for foreign exchange conversions. Meanwhile, the proposed Credit Information System Act, which aims to address the lack of reliable credit information,

improve the overall availability of credit, lower the cost of credit, and reduce overdependence on collateral to access credit facilities, is awaiting the ratification of both houses of Congress.

**BOP surplus strengthens.** The BOP surplus during the fourth quarter reversed to a surplus of \$1.15 billion from the year-ago deficit of negative \$303 million, bolstered by the strong performance of both the current and capital and financial accounts.

**Gross international reserves rise to a new record level.** The GIR reached a historic high of US\$23.0 billion as of end-2006, US\$4.5 billion higher than the end-2005 level. The significant buildup in reserves can be traced to strong inflows of foreign exchange from OFW remittances, foreign investments and export earnings. The NG's deposit of proceeds from its program loans and NPC's net foreign currency deposit from the proceeds of its bond issues also contributed to the higher GIR level.

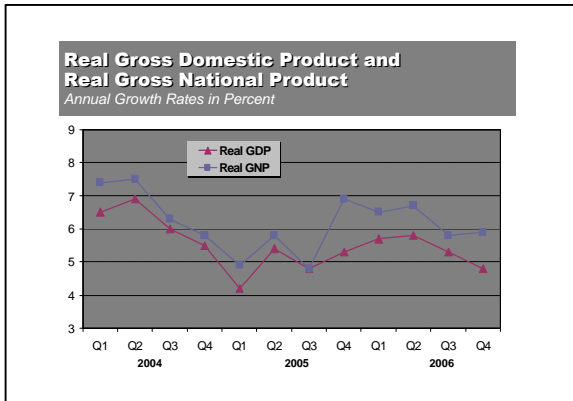
**The peso continues to strengthen on positive economic developments.** The peso strengthened further in the fourth quarter on the back of positive market sentiment brought about by the strong macroeconomic fundamentals, including the much-improved fiscal position. The rise in investments and the continued foreign exchange inflows from OFW remittances and export earnings propped up the peso. The upgrade of the Philippines' sovereign credit outlook by Moody's Investor Service in November also contributed to the peso's gains. The peso appreciated by 3.1 percent to average ₱49.77/US\$1 in the fourth quarter from ₱51.39/US\$1 in the previous quarter.

**External debt stock climbs.** The country's external debt increased by US\$153 million to US\$54.1 billion as of end-September 2006. The ratio of debt service to exports of goods and receipts from services and income rose to 11.1 percent during the quarter under review as against the prior quarter's 10.7 percent. This ratio is considered comfortable vis-à-vis the international benchmark for debt sustainability, which is a debt service ratio of 20.0 to 25.0 percent.

**B. Real Sector**

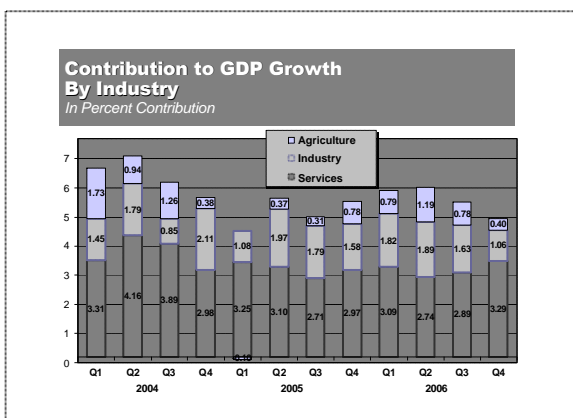
**Production**

**Economy remains on track...**



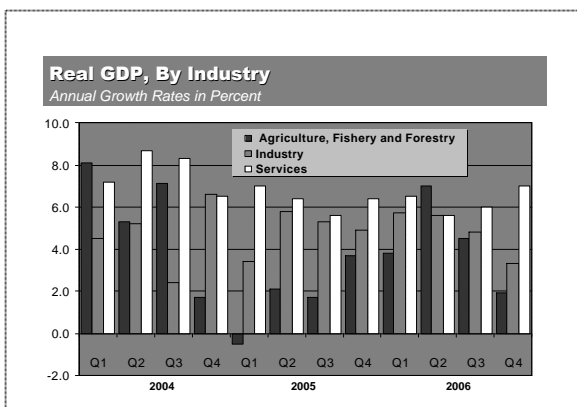
The economy continued to grow in the final quarter of 2006, expanding by 4.8 percent (Table 1). At this level, GDP was lower than the 5.3 percent growth rate achieved in both the comparable quarter of 2005 and in the previous quarter. The services sector was the primary driver of economic expansion, compensating for the slowdown in industry and agriculture. Meanwhile, GNP grew by 5.9 percent, a slowdown from the 6.9 percent acceleration in the same quarter in 2005, as Net Factor Income from Abroad (NFIA) grew at a decelerated pace of 18.3 percent as against 26.9 percent a year ago. On a quarter-on-quarter basis, GNP growth was marginally higher this quarter.

**Services sector continues to be the main driver of growth...**



The services sector performed strongly in the final quarter of the year, growing by 7.0 percent. This is higher than the year-ago growth of 6.4 percent. The services sector accounted for 48.0 percent of GDP during the review quarter and contributed 3.4 percentage points to total growth. Key drivers of growth in services were private services – boosted by business process outsourcing (BPO) activities, and government services which accelerated by almost five times its year-ago level. Transport and communications, and trade also exhibited strong growth.

**Manufacturing posts slower growth...**

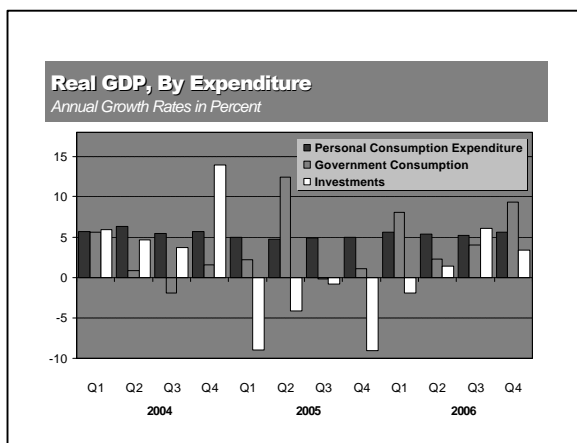


The growth of the industry sector slowed down to 3.3 percent in the fourth quarter of 2006 as against 4.9 percent in the comparable quarter of 2005. Industry accounted for about a third (31.6 percent) of GDP and contributed 1.0 percentage point to overall growth. The turnaround in construction and the strong performance of electricity, gas and water were noted during the review quarter. However, these developments failed to offset the significant decline in mining and quarrying

(by 24.7 percent). Manufacturing growth further decelerated from its year-ago level.

The Agriculture, Fishery and Forestry (AFF) sector grew by 1.9 percent during the review quarter, a deceleration from the 3.7 percent growth attained a year ago and the lowest quarterly growth recorded during 2006. The AFF accounted for about a fifth (20.4 percent) of total GDP, which translates to a 0.4 percentage point contribution to the fourth quarter GDP growth. Expansion of harvest areas, use of high-yielding varieties, and higher prices, supported the growth of the sector in the final quarter of the year and partly mitigated the negative impact of natural calamities in the lattermost part of 2006.

**Personal consumption expenditure leads aggregate demand...**



On the demand side, growth was driven by Personal Consumption Expenditure (PCE), which grew by 5.6 percent – higher than the 5.0 percent growth achieved in the comparable quarter in 2005 (Table 1a). Increased spending during the holiday season was seen in the last quarter of the year mainly on account of the upsurge in OFW remittances.

Government Consumption Expenditure (GCE) for the review quarter registered a rise of 9.3 percent, surpassing the 1.1 percent growth in the same quarter of 2005. The upturn in government spending was due mainly to the passage by Congress of the Supplemental Budget in the latter part of 2006.

Investment expenditure reversed in the last quarter of 2006, accelerating by 3.4 percent as against the 9.1 percent contraction in the comparable quarter of 2005. The rebound in investment expenditure was due largely to the reversal of the performance of construction and durable equipment, consistent with the upsurge in National Government capital expenditure.

Meanwhile, total exports remained strong, growing by 7.2 percent in the fourth quarter compared to 6.3 percent in the same quarter a year ago. This growth can be attributed mainly to merchandise exports which grew by 8.7 percent during the same period.

**Labor and Employment**

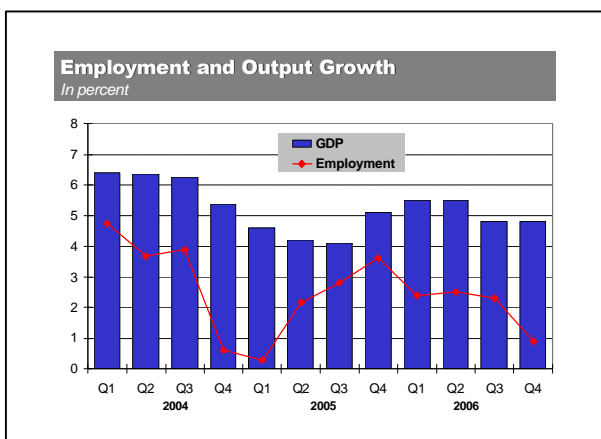
**Labor market conditions continue to improve...**

Labor market conditions improved in the fourth quarter of 2006. Based on the results of the Labor Force Survey (LFS) conducted by the National Statistics Office (NSO) in October 2006, the country's unemployment rate slowed down slightly to 7.3 percent in the fourth quarter of 2006 from 7.4 percent in the same quarter a year earlier, and from 8.0 percent in the third quarter of 2006, using the new definition of unemployment by the NSO (Table 2).<sup>1</sup> Using the old definition, the unemployment rate similarly slowed down to 9.9 percent in the fourth quarter of 2006 from 10.3 percent in the same period last year and 11.7 percent in the third quarter of 2006.<sup>2</sup> The slowdown in unemployment rate came about as fewer people entered the labor market as reflected in the lower labor force participation rate of 64.0 percent in the fourth quarter of 2006 as against 64.8 percent a year ago; and as job creation increased.

**Labor Force and Employment Indicators <sup>1</sup>**

	2005				2006			
	Q1	Q2	Q3	Q4 P	Q1 P	Q2 P	Q3 P	Q4 P
Labor Force (in thousands)	35,664	35,130	35,237	35,494	35,224	35,954	36,165	35,806
Labor Force Participation Rate (%)	66.1	64.8	64.6	64.8	63.8	64.9	64.7	64.0
Aggregate Employment (%)	0.3	2.2	2.8	3.6	2.4	2.5	2.3	0.9
Agriculture	1.7	-1.1	4.7	3.3	4.2	3.9	-1.2	-0.1
Industry	-1.4	2.1	1.3	0.1	-1.9	0.0	0.2	0.2
Services	-0.2	4.6	1.9	4.9	2.4	2.3	5.6	1.9
Unemployment Rate (%)	11.3	8.3	7.7	7.4	8.1	8.2	8.0	7.3
Underemployment Rate (%)	16.1	26.1	20.5	21.2	21.3	25.4	23.5	20.4

<sup>1</sup> Starting April 2005, the new unemployment definition was adopted per NSCB Resolution No. 15 dated 20 October 2004. Data for labor force, labor force participation rate and unemployment rate from second quarter 2005 onwards are not comparable with the previous quarters.  
<sup>2</sup> preliminary  
Source: Bureau of Labor and Employment Statistics (BLES)

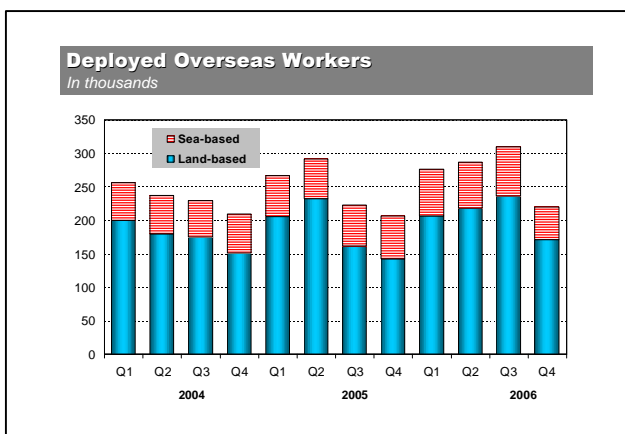


The total number of employed persons grew by 0.9 percent to 33.2 million in the fourth quarter of 2006 from 32.9 million a year ago, as output growth expanded by 4.8 percent during the period in review. The growth in employment was due mainly from the services sector where job creation rose by 1.9 percent (305,000 jobs). Most of the services subsectors registered growth, led by real estate, renting and the business activities (79,000 jobs) and private households with employed

<sup>1</sup> Starting April 2005, the new Labor Force Survey (LFS) questionnaire was used to estimate the unemployed, which included all persons who were 15 years old and over as of their last birthday and were reported as without work, currently available for work, and seeking work or not seeking work due to valid reasons.

<sup>2</sup> The old unemployment definition did not consider the criterion on availability for work. The inclusion of the availability criterion in the new definition was aimed at fully adopting the international standards prescribed by the International Labor Organization (ILO).

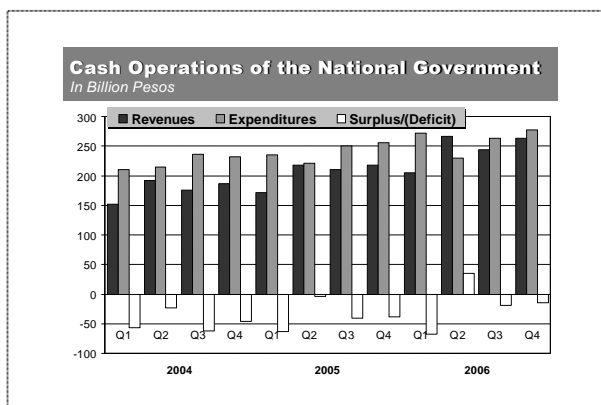
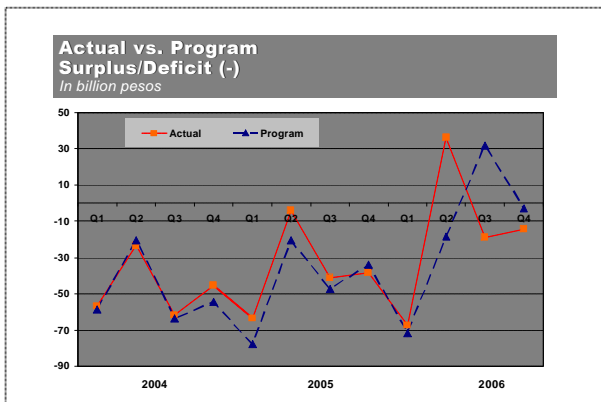
persons (67,000 jobs). Employment in industry posted a 0.2 percent growth (12,000 jobs) with mining and quarrying (20,000 jobs), electricity, gas and water (14,000 jobs) and construction (10,000 jobs) making up for the 31,000 jobs lost in the manufacturing subsector. By contrast, employment in agriculture registered a decline of 0.1 percent (7,000 workers). Meanwhile, the underemployment rate slowed down to 20.4 percent during the review quarter from 21.2 percent a year ago.



Preliminary data showed that the number of deployed overseas workers increased by 6.1 percent to 219,573 workers in the fourth quarter of 2006 from the comparable period last year. The deployment of land-based workers increased by 20.3 percent, while that of sea-based workers fell by 24.8 percent, during the fourth quarter of 2006 from the same period last year. About 78 percent of the total workers deployed overseas were land-based.

National Government Cash Operations

**NG deficit lower than programmed...**



The NG continued its progress in achieving fiscal consolidation. The cash operations of the NG yielded a deficit of ₱14.4 billion in the fourth quarter of 2006, lower than the ₱38.3 billion deficit incurred in the same period in 2005, but higher than the expected shortfall of ₱2.9 billion. Higher revenues generated during the review period afforded the NG to increase expenditures relative to 2005.

Total revenues rose by 21.3 percent to ₱263.7 billion during the quarter from ₱217.4 billion in 2005, but were lower than the programmed revenues of ₱267.3 billion for the period. The bulk of revenues came from tax collections which constituted 85.7 percent of the total revenues. Non-tax revenues and grants accounted for 14.3 percent of the total revenues.

The revenue performance was boosted by the increased administrative efficiency of the BIR and the BoC with the implementation of administrative measures, such as the intensified conduct of tax mapping activities, enhancement in the Run After Tax Evaders (RATE) Program, increased IT payment gateways via payment of taxes through authorized agent banks, use of Efficient Service Machines and electronic fund facilities and electronic cash facilities, institutionalized benchmarking method, and revival of electronic raffle receipts. The BIR also implemented a number of flagship programs to enhance account management and collection capability for delinquent accounts, intensify industry profiling, expand linkages for third-party information with other government agencies, intensify clean-up activities for the registration databases in each Revenue District Office, and develop and institutionalize the implementing guidelines for its new Performance Measurement System to optimize revenue performance.

Meanwhile, total expenditures rose by 8.8 percent to ₱278.1 billion in the quarter under review from ₱255.7 billion in 2005, 2.8 percent higher than the programmed NG deficit level for the same period. This came about following higher-than-expected outlays to LGUs, subsidies, taxes, equity and net repayment of GOCCs.

Actual financing of the NG's deficit in the last quarter of 2006 came from net borrowings (₱7.3 billion) and withdrawals from its cash balances (₱7.1 billion). Net financing in the fourth quarter of 2006 at ₱14.4 billion was higher than the programmed level in the same period due mainly to inflows of proceeds from program loans programmed in previous quarters in 2006 and issuance of unprogrammed global bonds exchange securities. In December 2006, the NG also prepaid Brady bonds with an aggregate principal amount of US\$165.3 million.

## C. Monetary Sector

### Domestic Liquidity <sup>3</sup>

**Demand for money increases at a faster pace...**

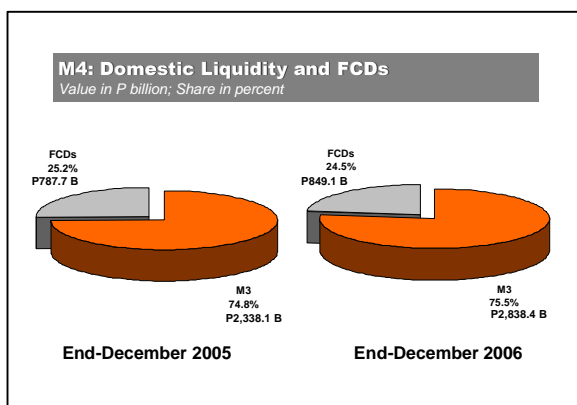
Domestic Liquidity				
	LEVELS (in billion pesos)		Growth rate (%)	
	end-December 2005	end-December 2006	Q-on-Q	Y-on-Y
<b>Domestic Liquidity (M3)</b>	<b>2,338.1</b>	<b>2,838.4</b>	<b>10.5</b>	<b>21.4</b>
<i>of which:</i>				
Net foreign assets	911.7	1,368.5	9.4	50.1
Public sector credit	960.1	1,024.8	6.5	6.7
Private sector credit	1,843.0	1,961.6	8.2	6.4

Demand for money continued to grow in the fourth quarter of 2006. Based on preliminary data from the BSP's Depository Corporations Survey (DCS), the year-on-year growth in domestic liquidity (M3) as of end-December 2006 accelerated to 21.4 percent from 10.3 percent as of end-December 2005 (Table 4). Relative to the previous quarter, domestic liquidity grew by 10.5 percent.

The growth in liquidity was due mainly to the build up in the net foreign assets of depository corporations. Strong foreign exchange inflows from overseas Filipino workers (OFW) remittances, export earnings and foreign investments sustained the strong liquidity growth.

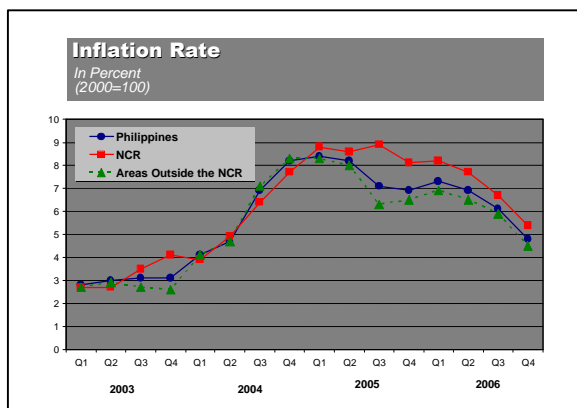
The growth of domestic credit to the public sector also contributed to the expansion in domestic liquidity year-on-year. Net public sector credits accelerated by 6.7 percent, following the rise in credit extended to the National Government and local government units. Similarly, private sector credits reversed to register a positive growth of 6.4 percent from negative 0.2 percent in the comparable period of 2005.

The expansion in M3 drove M4 growth at around 18.0 percent year-on-year. M4 is a broader concept of domestic liquidity defined as the sum of M3 and the foreign currency deposits (FCDs) of non-bank residents.



<sup>3</sup> The indicators used for money supply are: M1 (or narrow money) consisting of currency in circulation and demand deposits; M2 which is composed of M1 plus savings and time deposits (quasi-money); and M3, consisting of M2 plus deposit substitutes.

### ***Inflation decelerates further in the fourth quarter***



### **Prices**

Price pressures continued to moderate in the fourth quarter with average inflation falling to its lowest level since the second quarter of 2004. Average inflation fell to 4.8 percent in the fourth quarter from 6.1 percent in the third quarter (Table 5). This was also lower relative to the 6.9 percent inflation in the comparable quarter a year ago. The slowdown in inflation in the fourth quarter could be traced to the slower price increases for food, beverage and tobacco (FBT) as well as non-food items.

Consistent with the BSP's projections, the full-year 2006 inflation of 6.2 percent was above the government-announced inflation target range of 4.0-5.0 percent but was lower than the 7.6 percent average in 2005. Inflation was generally on a downtrend in 2006, owing mainly to easing oil prices, a stronger peso and generally stable food prices. The continued strengthening of the peso helped keep import prices steady. At the same time, international oil prices softened during the fourth quarter on account of increased oil inventories, which, in turn, resulted in lower domestic pump prices.

Food inflation was on a steady decline in 2006 with smaller price increases for all food items except corn, fish and meat. Inflation for FBT fell to 4.9 percent—the lowest level reached since the first quarter of 2004—from 5.2 percent in the third quarter. Strong farm production contributed to the downtrend in food inflation. The Bureau of Agricultural Statistics (BAS) reported that agricultural output increased by 3.9 percent in 2006, up from 2.3 percent a year earlier.

Non-food inflation decelerated further in the fourth quarter and settled at 4.7 percent from 6.9 percent in the previous quarter. All sub-components of the non-food index registered a much slower inflation in the fourth

quarter. Oil prices continued to be the main driver of non-food inflation. The softening of oil prices worked its way through the energy-related components of the CPI basket, namely fuel, light and water (FLW) and transportation and communication services (which include oil, gasoline and diesel) as both eased during the review period. Inflation for FLW fell by 5.5 percentage points to a single-digit level of 8.0 percent for the first time since the third quarter of 2004, while services at 5.0 percent was at its lowest level since the first quarter of 2004.

In terms of geographical location, inflation for Metro Manila and areas outside Metro Manila both decelerated in the fourth quarter. Likewise, the fourth quarter inflation rates for both areas were lower compared to the levels posted in the same quarter a year ago. In Metro Manila, headline inflation settled at 5.4 percent in the fourth quarter, lower than the previous quarter's 6.7 percent (Table 5a). In areas outside Metro Manila, headline inflation fell to 4.5 percent in the fourth quarter from 5.9 percent in the preceding quarter (Table 5b). Compared to a year ago, the fourth quarter headline inflation for Metro Manila and areas outside Metro Manila eased by 2.7 percentage points and 2.0 percentage points, respectively.

### Core inflation likewise decelerates

Core Inflation Measures				
Quarterly averages of year-on-year change				
Quarter	Core Inflation (Official Definition) <sup>1</sup>	Alternative Core Inflation Measures		
		Trimmed Mean <sup>2</sup>	Weighted Mean <sup>3</sup>	Net of Volatile Items <sup>4</sup>
<b>2005</b>	<b>7.0</b>	<b>6.2</b>	<b>5.6</b>	<b>6.0</b>
Q1	8.0	6.9	5.9	6.6
Q2	7.5	6.4	5.9	6.3
Q3	6.6	5.8	5.3	5.6
Q4	6.1	5.7	5.2	5.5
<b>2006</b>	<b>5.5</b>	<b>5.4</b>	<b>5.0</b>	<b>4.9</b>
Q1	6.2	5.9	5.4	5.8
Q2	6.1	5.8	5.0	5.5
Q3	5.2	5.2	5.2	4.9
Q4	4.8	4.5	4.2	3.6

<sup>1</sup> The official definition excludes 18.4 percent of the CPI basket as follows: rice, corn, fruits and vegetables, fuel items (gas, LPG, kerosene, gasoline and diesel).  
<sup>2</sup> The trimmed mean represents the average inflation rate of the (weighted) middle 70 percent in a lowest-to-highest ranking of year-on-year inflation rates for all CPI components.  
<sup>3</sup> The weighted median represents the middle inflation rate (corresponding to a cumulative CPI weight of 50 percent) in a lowest-to-highest ranking of year-on-year inflation rates.  
<sup>4</sup> The net of volatile items method excludes the following items: educational services, fruits and vegetables, personal services, rents, recreational services, rice, and corn.

The official NSO measure of core inflation averaged 4.8 percent in the fourth quarter compared to 5.2 percent in the previous quarter. This was also 1.3 percentage points below the 6.1 percent core inflation recorded in the same quarter a year ago. Alternative measures of core inflation estimated by the BSP (such as the "trimmed mean" and the "net of volatile items" measures) likewise declined in the fourth quarter, with all the three measures significantly lower compared to their year-ago rates. The official core inflation measure averaged 5.5 percent for 2006, lower than the 7.0 percent in 2005.

**Market interest rates rise...**

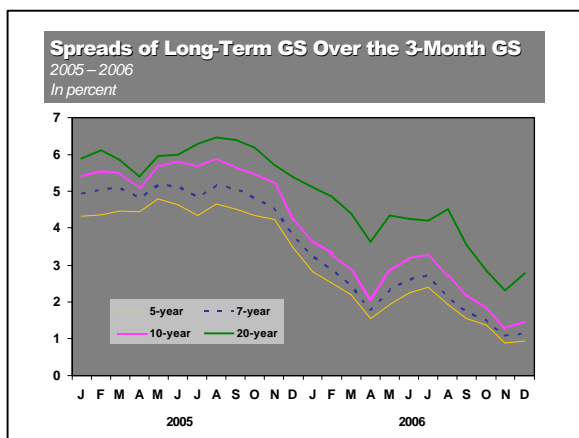
Selected Domestic Nominal Interest Rates <i>In percent</i>			
	2006		Difference (basis points)
	Q3	Q4	
<b>Treasury Bills</b>			
All Maturities	6.43	5.68	(74.30)
91-day	5.61	5.26	(34.90)
182-day	6.42	5.56	(86.60)
364-day	7.31	6.15	(115.60)
<b>Lending Rates</b>			
High	10.50	10.02	(48.94)
Low	8.62	8.07	(55.10)
All Maturities <sup>1</sup>	10.07	9.17	(90.10)
Interbank Call Loans	8.06	7.46	(59.79)
Savings Deposits	3.44	3.41	(3.40)
Time Deposits (all maturities)	5.00	4.57	(42.80)
Manila Reference Rates	6.63	6.06	(56.25)

<sup>1</sup> Refers to the weighted average interest rate of reporting commercial banks' interest incomes on their outstanding peso-denominated loans.

**Domestic Interest Rates**

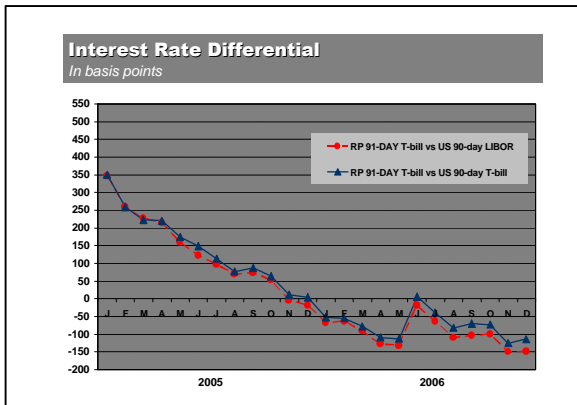
Domestic interest rates eased in the fourth quarter, reflecting lower inflation and ample liquidity in the financial system (Table 6). Limited issuance of Treasury bills due to the cancellation of the T-bill auctions by the Bureau of the Treasury in December helped pull down the yields on government securities. Thus, T-bill rates across all maturities were lower in the fourth quarter compared to the third quarter.

Average quarterly yields in the secondary market were also lower in the fourth quarter due, in large part, to the softening of primary market rates. It also reflected easing pressures on inflation expectations. Significant declines in the average yields of longer-tenor securities reflected investors' more positive economic outlook.



The BSP's policy rates were kept unchanged at 7.5 percent for the overnight borrowing or reverse repurchase (RRP) rate and at 9.75 percent for the overnight lending or repurchase (RP) rate in the fourth quarter. However, the Monetary Board restored the tiering system on banks' aggregate placements with the BSP under the RRP and special deposit accounts (SDA) windows starting in November. Banks' placements with the BSP under the said windows were subject to the following interest rates: the applicable BSP published rate (RRP or SDA) for the first ₱5 billion; the applicable BSP published rate less 200 basis points for the next ₱5 billion; and, the applicable BSP published rate less 400 basis points for amounts in excess of ₱10 billion. The restoration of the tiering system was expected to encourage banks to seek alternatives to placing their excess funds with the BSP, such as lending to the general public.

Following the decline in the interest rates in the primary and secondary markets for government securities, bank lending rates declined along with the easing of other market-oriented interest rates, including the interbank call loan rate, savings and time deposit rates, and the Manila reference rate.



With the continued decline in the benchmark 91-day T-bill rate, both the before-tax and after-tax differentials between domestic and comparable US interest rates entered the negative territory. US interest rates also declined in the fourth quarter due to concerns over slowing economic growth, but on a milder pace.

Adjusted for the risk premium (measured by the differential between the 10-year ROP note and the 10-year US Treasury note), the differential between the BSP's policy rate and the US federal funds target rate widened to 145 basis points as of end-December 2006 compared to 74 basis points in end-September 2006. This was due to the decline in the risk premium for Philippine assets.

## D. Financial Sector

### Financial System

The notable positive developments in the macroeconomy extended to the banking system, which continued to exhibit resiliency in the midst of the rapidly changing financial services industry. Performance indicators showed strong asset expansion on the back of a growing deposit base. Growth in bank lending had picked up in the fourth quarter as the economy continued to grow and bank asset quality further improved.

### Performance of the Banking System

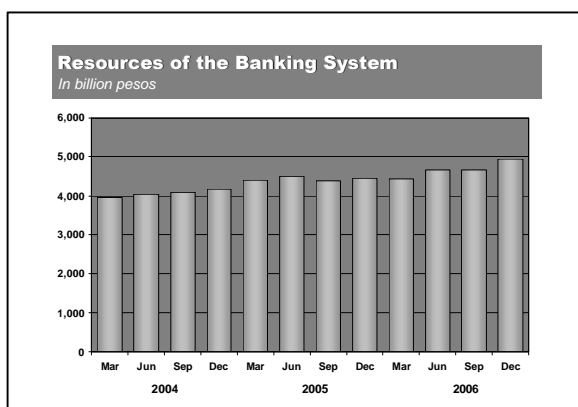
#### Market Size

The number of banking institutions (head offices) fell further to 865 as of end-September 2006 from 881 as of end-September 2005, reflecting continued consolidations and mergers, as well as closure of weak banks (Table 8). The total number of banking institutions comprised of 39 commercial banks (KBs), 84 thrift banks and 742 rural banks. Meanwhile, the operating network of the banking system increased to 7,679 as of end-September 2006 from 7,653 at end-September 2005, reflecting mainly the increase in TBs and RBs' branches/agencies. On a quarterly basis, the number of banking institutions also declined to 865 as of end-September 2006 from 871 as of end-June 2006.

**Ongoing consolidation contributes to improved operational efficiency...**

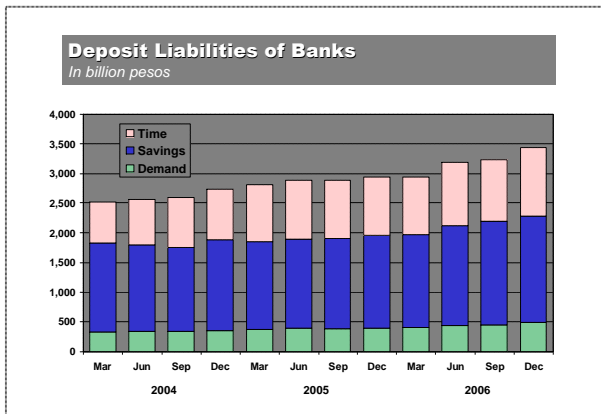
Number of Banking Institutions				
	2005		2006	
	End-September	End-June	End-September	
<b>Total</b>	<b>7,653</b>	<b>7,693</b>	<b>7,679</b>	
<b>Head Offices</b>	<b>881</b>	<b>871</b>	<b>865</b>	
Commercial Banks	42	41	39	
Thrift Banks	84	85	84	
Rural Banks	755	745	742	
<b>Branches</b>	<b>6,772</b>	<b>6,822</b>	<b>6,814</b>	
Commercial Banks	4,280	4,283	4,256	
Thrift Banks	1,195	1,231	1,234	
Rural Banks	1,297	1,308	1,324	

**Banks' total resources increase...**

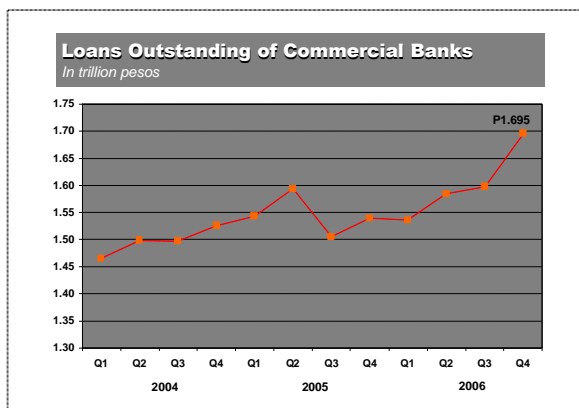


The total resources of the banking system rose by 10.7 percent to ₱4.943 trillion as of end-December 2006 from the end-December 2005 level of ₱4.464 (Table 7). The increase was traced mainly to the increase in banks' deposit base and capitalization. On a quarter-on-quarter basis, total resources of the banking system also increased by 5.9 percent from the end-September 2006 level of ₱4.669 trillion. Commercial banks accounted for

**Banks' deposit liabilities increase moderately...**



**Bank lending increases...**



almost 90 percent of the total resources of the banking system.

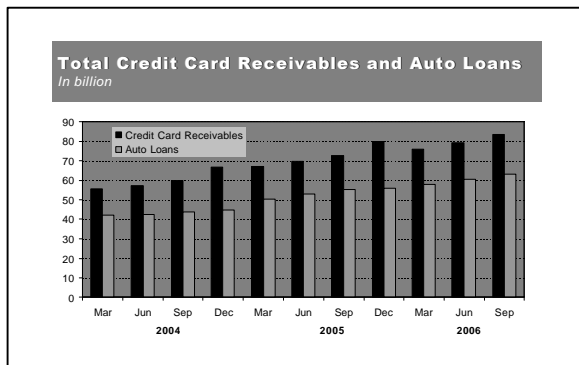
**Savings Mobilization**

The banking system's deposit liabilities as of end-December 2006 at ₱3.437 trillion recorded a double-digit increase of 17.2 percent from the end-December 2005 level of ₱2.933 trillion. On a quarterly basis, the banking system's deposit liabilities increased moderately by 6.4 percent compared to the end-September 2006 level. Demand and time deposits grew by 26.6 percent and 18.4 percent year-on-year, respectively. Savings deposits, which continued to account for more than half of the banks' funding base, similarly increased by 14.1 percent compared to its level a year-ago.

**Bank Lending Operations**

KB loans increased by 10.1 percent to ₱1.695 trillion as of end-December 2006 relative to its level at end-December 2005. The level was likewise higher by 6.2 percent compared to the end-September 2006 figure.

The year-on-year growth in KB lending during the period was driven mainly by the increase in loans to the financial intermediation, real estate and business services sector (28.0 percent), community, social and personal services (14.7 percent), and wholesale and retail trade (13.6 percent) sectors. The expansions in these sectors were partly offset by contractions in mining and quarrying (15.0 percent), manufacturing (8.7 percent), and construction (0.8 percent).

**Credit card receivables and auto loans rise...****Credit Card Receivables**

The KBs' credit card receivables (CCRs) as of end-September 2006 went up by 13.6 percent year-on-year to ₱83.3 billion from the end-September 2005 level of ₱73.4 billion. The ratio of CCRs to total loan portfolio remained steady at 4.0 percent. Past due accounts stood at 19.8 percent of total CCRs from the 18.5 percent recorded a year-ago.

**Auto Loans**

Similarly, KBs total auto loans were up by 14.2 percent to ₱63.1 billion as of end-September 2006 from its level of ₱55.2 billion a year-ago. As a ratio to total loan portfolio, auto loans stood at 3.0 percent. Only 3.9 percent of total auto loans were past due.

**Residential Real Estate Loans**

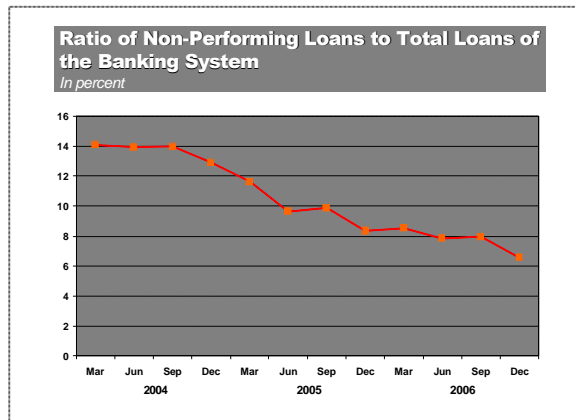
KBs' outstanding loans to the residential real estate sector went up to ₱38.5 billion or 8.9 percent higher compared to its year-ago level of ₱35.3 billion. The 11.7 percent increase in the loans for the acquisition of individual units contributed to the higher aggregate outstanding loans to the sector.

**Residential real estate loans also...****Asset Quality and Capital Adequacy****Asset quality continues to improve...**

The asset quality of the banking system continued to improve as the non-performing loans (NPL) ratio was lower at 6.6 percent as of end-December 2006 compared to 8.5 percent as of end-December 2005 (Table 9).<sup>4</sup> The improvement in the NPL ratio resulted from the 13.9 percent drop in NPLs and the 12.2 percent increase in the amount of the industry's total loan portfolio (TLP). NPLs shrunk to ₱157.7 billion during the period under review from the end-December 2005 level

<sup>4</sup> Data includes bank under liquidation, foreign office transactions and interbank loans.

of ₱183.3 billion, while TLP broadened to ₱2,401.7 billion from ₱2,140.4 billion during the previous year.



Meanwhile, universal and commercial banks (U/KBs) managed to maintain the industry's NPL ratio at a single-digit level (6.01 percent as of end-December 2006). The ratio was significantly lower than the year-ago level of 8.2 percent and last quarter's 7.6 percent.

Compared with other countries in the region, the Philippine banking system's NPL ratio at 6.6 percent during the review period was lower than Indonesia's 8.6 percent, but higher than Malaysia's 4.8 percent, Thailand's 4.2 percent, and Korea's 0.8 percent.<sup>5</sup> The lower NPL ratio in Malaysia, Thailand, and Korea may be traced to the creation of publicly-owned asset management companies (AMC) which purchased the bulk of their NPLs, a strategy not resorted to in the Philippines. In Indonesia, the NPL ratio was higher as its two major state banks recently recorded NPL ratios as high as 20 percent.<sup>6</sup>

The loan exposure of banks remained adequately covered as the banking system's NPL coverage ratio remained steady at 73.4 percent as of end-December 2006, reflecting banks' diligent compliance with the loan-loss provisioning requirements of the BSP as buffer against unexpected losses.

### ***Banks remain adequately capitalized...***

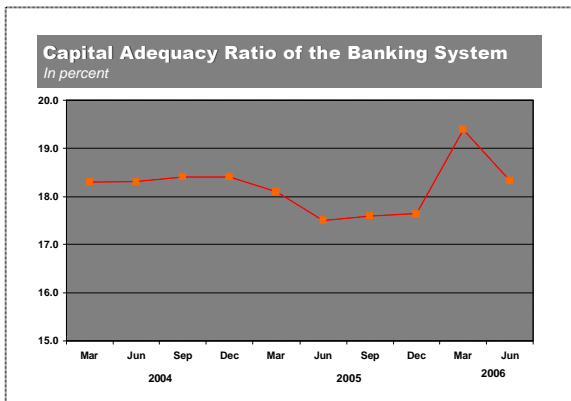
Using the new risk-based framework, banks remained adequately capitalized as of end-June 2006, with the industry's capital adequacy ratio (CAR) at 17.0 percent on a solo basis and 18.3 percent on a consolidated basis. These ratios were higher than the previous year's levels of 16.5 percent and 17.4 percent, but lower than the end-March 2006 CARs of 18.0 percent and 19.4

<sup>5</sup> Sources: *Asia Economic Monitor 2006*, ADB, and various central bank websites, *Commercial banks only, Thailand (Dec 2006); Malaysia (Dec 2006); Korea (Jun 2006); and Indonesia (Nov 2006)*

<sup>6</sup> *Asia Economic Monitor (Dec 2006)*, ADB

percent, on solo and consolidated basis, respectively. The industry's CAR continued to exceed the statutory level set by the BSP at 10.0 percent and the Bank for International Settlements' (BIS) standard of 8.0 percent. This is reflective of the banking system's improved ability to cover risky assets.

**Philippine banks' CAR is high relative to some Asian countries...**



The Philippines' CAR remains comparatively higher than those of Malaysia (12.8 percent) and Korea (12.6 percent). Indonesia and Thailand posted the highest CAR in the region at 20.5 percent and 19.4 percent, respectively.<sup>7</sup>

<sup>7</sup> Sources: Asia Economic Monitor 2006, ADB, and various central bank websites, Thailand (Sep 2006); Malaysia (Dec 2006); Korea (Jun 2006); and Indonesia (Jun 2006).

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## Banking Policies

### ***Banking policy reforms continue...***

Prudential and regulatory measures continued to be implemented by the BSP during the quarter in keeping with its mandate of maintaining financial strength and stability in the banking system and ensuring sound and safe banking practices that conform with international standards (Annex 1).

## Capital Market Developments

### ***Reform process in the capital and debt markets continues...***

Capital market initiatives continued to make headway during the last quarter of the year capped by significant developments in the areas of infrastructure development and legislative reforms. Meanwhile, the implementation of sound macroeconomic policies was recognized by a major credit rating agency when it upgraded the credit outlook of the economy during the period.

### Infrastructure

After the successful introduction of the seamless trading link for government securities through the “straight-through process”<sup>8</sup> on 11 September 2006, the Philippine Dealing and Exchange Corporation (PDEX) launched the peso-dollar trading platform on 2 October 2006. The new foreign exchange trading platform replaced the Philippine Dealing System in providing the main reference rate for the US dollar-Philippine peso transactions used for foreign exchange conversions to local currency. The PDEX foreign exchange platform will complement the Fixed Income Exchange (FIE), the centralized fixed income trading platform which PDEX also runs.

<sup>8</sup> In a straight through process, the buyer and seller exchange cash and securities ownership simultaneously. This eliminates the need to encode separately instructions to the Registry of Scripless Securities (RoSS) and trade transactions.

#### Legislative Agenda/Reforms

The proposed Credit Information System Act (CISA) has received considerable attention in the legislative agenda and was certified by the House of Representatives as urgent in December. Subsequently, the CISA was approved by the House of Representatives on Third Reading on 20 December 2006.<sup>9</sup> The CISA aims to directly address the lack of reliable credit information, improve the overall availability of credit, lower the cost of credit for the borrowers, and reduce over dependence on collateral to access credit facilities.

Meanwhile, House Bill No. 00094 or the Personal Equity and Retirement Account (PERA) Bill was transmitted to the Committee on Ways and Means on 21 November 2006.<sup>10</sup> The bill seeks to institutionalize the PERA for all public and private employees to promote positive attitude toward saving for retirement.

#### Ratings Outlook

Reaffirming the country's substantial progress in implementing key economic reforms, Moody's Investors Service upgraded the Philippines' ratings outlook from "negative" to "stable" on 2 November 2006.<sup>11</sup> Moody's highlighted the country's progress in deficit reduction and easing dependence on external financing as significant achievements that facilitated the ratings outlook upgrade.

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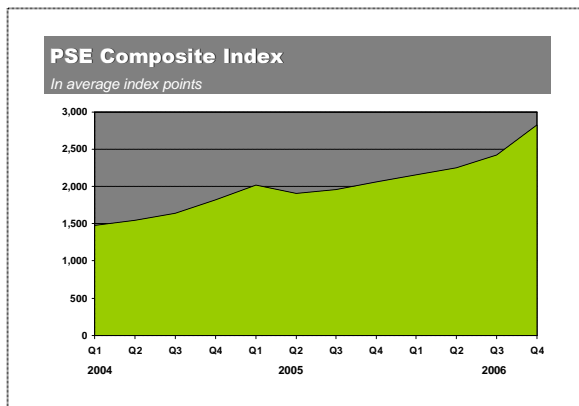
<sup>9</sup> The Credit Information System Act was approved on third reading in both houses of Congress on 1 February 2007 and is awaiting ratification by members of the Bicameral Conference Committee members.

<sup>10</sup> This has been subsequently approved and is waiting for signature by the President.

<sup>11</sup> Moody's outlook upgrade is the fourth in a series of major ratings agency outlook upgrades that began in February 2006.

## Stock Market

### Stock trading surges to record highs ...



The local stock market sustained its upward momentum in the last three months of 2006. During the quarter, the average composite index increased by 37.7 percent to 2,827 index points from the level posted for the same period in 2005 (Table 10).<sup>12</sup> Compared to the preceding quarter's level, the average PSEi rose by a more modest 16.8 percent. The fourth quarter ended with the PSEi at 2,982.54 index points, around 42.3 percent higher than the level posted in the same period in 2005.

Fuelling the continued rise in the composite index was a series of positive developments that boosted investor sentiment in the local bourse. Among these were: (a) positive third quarter corporate earnings report; (b) the peso's continued appreciation; (c) the easing of domestic interest rates; (d) news that Moody's Investors Service was upgrading its ratings outlook on the Philippines from negative to stable;<sup>13</sup> (e) the sharp uptick in Meralco shares following positive news regarding the firm's rate hike petition with the Supreme Court; and (f) the listing of the PNOC-Energy Development Corporation shares. In December, the downward pressure on the index exerted by the region-wide sell-off of equities (triggered by the Bank of Thailand's unexpected move to curb currency speculation) and renewed political noise arising from the proposed charter changes failed to push down the PSEi.

Reflecting the bullish sentiments, total trading value during the quarter nearly tripled as it rose by 260.4 percent to ₱208.7 billion, while the aggregate volume of transactions jumped almost four-fold, posting a substantial 380.9-percent growth to 166.8 billion

<sup>12</sup> The average PSEi during the quarter is measured as the average of the end-month PSEi for October, November and December.

<sup>13</sup> Moody's was the last of four major credit rating agencies to update its outlook on the Philippines since the value-added-tax (VAT) was increased from 10 percent to 12 percent in February to help close the government's budget gap and improve its debt profile. Earlier this year, Fitch Rating, Standard & Poor's and the Japan Credit Rating Agency upgraded their outlook from negative to stable following the VAT rate.

shares in 2006. The increased interest of foreign investors was also evident in the 191.2 percent jump in net foreign buying to ₱68.5 billion in 2006 from ₱23.5 billion in 2005.<sup>14</sup> Average stock market volatility similarly showed a sharp spike to 49.8 index points during the fourth quarter of 2006 from 23.2 index points in the comparable period of 2005.<sup>15</sup>

The quarter ended with stock market capitalization up by 20.6 percent from the year-ago level to ₱7,172.8 billion. The financial sector remained the biggest sector in the stock market, capturing over three-fifths (61.3 percent) of the capital sourced from the local bourse during the period. This was followed by the services sector (12.4 percent), the industrial sector (10.2 percent), holding firms (8.6 percent), the property sector (6.6 percent) and, lastly, the mining and oil sector (0.9 percent).

### Bond Market

As of end-December 2006, outstanding government securities (GS) amounted to ₱2.2 trillion, 69.5 percent of which were regular issuances (e.g., T-bills and Fixed-Rate Treasury Bonds (FXTBs)). FXTBs comprised the bulk of regular issuances (56.8 percent) at ₱869.0 billion. GS continued to dominate the Philippine bond market, accounting for 94.7 percent of the market at end-2006. However, corporate issuances have been steadily increasing and aggregated ₱122.7 billion during the year.<sup>16</sup>

As part of the Government's thrust to improve the maturity profile of the public debt, the Auction Committee

### Ample liquidity in the financial system fuels appetite for government securities...

#### Results of GS Auctions, 2006

In billion pesos

Quarter	Offering	Tenders	Accepted Bids	Rejected Bids
<b>TOTAL</b>	<b>286.0</b>	<b>909.7</b>	<b>259.3</b>	<b>650.4</b>
<b>T-Bills</b>	<b>124.0</b>	<b>461.7</b>	<b>108.6</b>	<b>353.1</b>
Q1	37.0	163.9	30.5	133.4
Q2	21.0	80.8	17.0	63.8
Q3	42.0	151.5	41.0	110.6
Q4	24.0	65.5	20.2	45.3
<b>T-Bonds</b>	<b>162.0</b>	<b>448.0</b>	<b>150.6</b>	<b>297.3</b>
Q1	38.0	96.4	35.7	60.7
Q2	28.0	82.7	20.6	62.1
Q3	42.0	121.3	42.0	79.3
Q4	54.0	147.6	52.3	95.2

Source: Bureau of the Treasury

<sup>14</sup> Net foreign buying is the difference between the PSE's data on total foreign buying and total foreign selling. In terms of foreign portfolio investments registered with the BSP, inflows rose by 45 percent to US\$7.977 billion in 2006 from US\$5.496 billion in 2005. Of these investments, over 70 percent or about US\$5.725 billion were in shares of stocks listed in the PSE, which expanded by 50 percent from their 2005 levels.

<sup>15</sup> Market volatility is measured as the standard deviation of daily stock indices.

<sup>16</sup> Credit-rated commercial paper lines/bonds/companies sourced from PhilRatings. Corporate issues include long-term and short-term commercial papers, fixed rate corporate notes, bonds, and asset backed securities.

cancelled ₱12 billion worth of T-bill offering for the December auction, while increasing the aggregate offering for T-bonds during the quarter, citing preference for longer-dated instruments over short-term GS. Despite this development, banks continued to swamp the GS market as total tenders reached almost three times the offered amount for both T-bills and T-bonds during the quarter.

Meanwhile, at the newly-established Fixed Income Exchange (FIE), trading volume for government debt papers grew by 80 percent over last year. Total trading volume surged to ₱787.4 billion in 2006, covering 10,652 trading transactions. The highest monthly volume and trade during the FIE's second year of operation was recorded in November at ₱149.2 million representing 1,770 transactions.

### Payments and Settlements System

#### **Payments and settlements system further improves...**

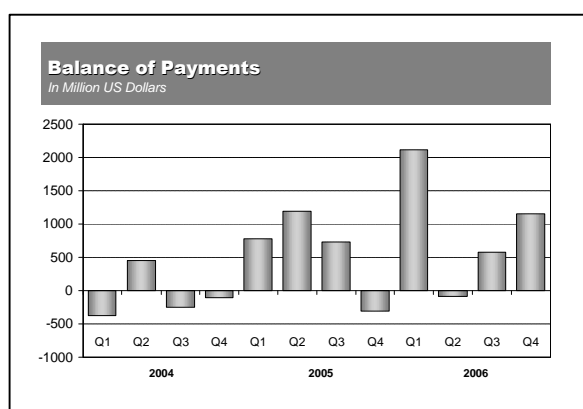
PhilPass Transactions							
	2005		2006		Growth Rates (%)		
	Q3	Q4	Q3	Q4	Q-on-Q	Y-on-Y	
Volume	94,805	96,014	111,999	107,972	3.10	-3.60	18.14
Value (in trillion pesos)	13.737	12.222	34.571	37.603	11.25	8.77	151.66
Transaction Fees Collected (in million pesos)	10.567	12.152	11.340	12.503	3.29	10.26	7.32

Source: Payments and Settlements Office, Bangko Sentral ng Pilipinas

The Philippine Payments System (PhilPaSS) continued to process large-value financial transactions during the fourth quarter. The volume of financial transactions that passed through the PhilPaSS totalled 107,972 valued at ₱37.60 trillion. This was lower by 3.6 percent from the previous quarter's level of 111,999 on account of the decline in transactions covering purchases of foreign currency, ATM network payments, as well as purchases of GS. The decline was offset partly by the increase in cash withdrawal transactions of Manila-based banks. Despite the decline in volume, transaction fees rose to ₱12.50 million from the previous quarter's ₱11.34 million.

## E. External Sector

### Balance of Payments



The overall BOP surplus reached US\$1,150 million in the fourth quarter of 2006 bolstered by the strong performance of the current account and the improvement in the capital and financial accounts (Table 11). The BOP surplus represented a reversal of the deficit of US\$303 million in 2005.

### Current Account

The current account surplus, which amounted to US\$1,676 million in the fourth quarter of 2006 rose by 59.6 percent from its level in 2005. The robust performance of the current account was traced to the sustained inflows in the current transfers and income sub-accounts.

### Robust external demand boosts export growth

Exports by Major Commodity			
Items	Levels (in million US\$)		Growth rates (%)
	4 <sup>th</sup> Quarter		
	2005	2006	
<b>Total Exports</b>	<b>10,746</b>	<b>11,670</b>	<b>8.6</b>
<i>of which:</i>			
Agriculture and Forest Products	555	511	-7.9
Mineral Products	198	645	225.8
Petroleum Products	214	148	-30.8
Manufactures	9,903	10,326	4.3
<i>of which:</i>			
Electronics	7,713	7,780	0.9
Machinery and Transport Equipment	498	446	-10.4
Garments	586	627	7.0

Imports by Major Commodity			
Items	Levels (in million US\$)		Growth rates (%)
	4 <sup>th</sup> Quarter		
	2005	2006	
<b>Total Imports</b>	<b>12,451</b>	<b>13,503</b>	<b>8.4</b>
<i>of which:</i>			
Capital Goods	2,420	2,377	-1.8
Raw Materials and Intermediate Goods	7,639	8,180	7.1
Mineral Fuels and Lubricants	1,426	1,926	35.1
Consumer Goods	778	929	19.4

**Trade-in-Goods.** The trade-in-goods deficit stood at US\$1,833 million in the fourth quarter of 2006, 7.5 percent lower than the comparable level in 2005. Exports expanded by 8.6 percent while imports rose at a slower pace of 8.4 percent during the review period (Tables 11a and 11b). The observed growth in total exports was attributed to the rise in the exports of manufactures and mineral products. Export of mineral products experienced a significant increase from its year-ago level due mainly to the surge in the international price of copper and higher volume shipments of gold. Meanwhile, manufactures inched up following increased exports of electronics and other electronic products and garments. Electronic and other electronic products remained the main export of the country comprising 66.7 percent of total exports.

The expansion of total imports during the quarter in review was accounted for by the higher import bill on raw materials and intermediate goods, mineral fuels and lubricants and consumer goods. Imports of raw materials and intermediate goods rose by 7.1 percent due to higher purchases of unprocessed and semi-processed raw materials. Similarly, the higher price of petroleum crude in the world market resulted in the 35.1 percent jump in total imports of mineral fuels and lubricants. Consumer good imports increased by 19.4 percent due to higher consumption of durable goods, such as passenger cars and motorized cycles, home appliances and miscellaneous manufactures and non-durable goods, particularly food and live animals for food, dairy products, fish and fish preparation and fruits and vegetables. By contrast, imports of capital goods declined by 1.8 percent due to lower demand for telecommunications equipment and electrical machines and aircraft, ships and boats.

The United States, Japan and Netherlands continued to be the main destinations for Philippines exports. The United States and Japan likewise are the main sources of imports of the country along with Singapore.

***The trade-in-services account deficit widens...***

**Trade-in-Services.** The shortfall in trade-in-services deficit widened to US\$314 million during the fourth quarter of 2006 from US\$285 million in 2005. The increase in the trade in services deficit was due to lower net inflows in the transportation, travel, communication, computer and information services. Moreover, declining net receipts from royalties and license fees as well as personal, cultural and recreational services and government services contributed to the contraction in the trade in services deficit.

***Income account posts a surplus...***

**Income.** The income account surplus reached US\$76 million during the quarter in review, lower by 21.6 percent from its level in 2005. The net outflow of

direct investment income fell to US\$287 million as against US\$233 million in 2005. Higher disbursements of income on equity and dividends led to the rise in the direct investment income deficit. On the other hand, the deficit in the portfolio investment income narrowed by 68.4 percent due to higher receipts of interest income.

***OFW remittances continue to contribute to higher surplus in current transfers...***

**Current Transfers.**<sup>17</sup> The surplus in the current transfers for the fourth quarter of 2006 grew by 27.3 percent to US\$3,747 million from its level a year ago. The 29.7 percent expansion in net transfers in sectors other than the government mainly accounted for the observed growth in current transfers during the quarter in review. By contrast, net transfers from the general government declined by 33.6 percent. Transfers in the other sectors were comprised largely of remittances from OFWs. The continued deployment of these higher-skilled OFWs led to the 31.0 percent rise in total workers' remittances to US\$3,601 million during the fourth quarter of 2006. Filipino workers continued to be in demand for job positions in other countries due to their education, competence and the higher quality of service they provide.

**Capital and Financial Account**

The net outflow in the capital and financial account narrowed to US\$823 million in the fourth quarter of 2006 from US\$3,079 million in the comparable quarter in 2005. The improvement in the capital and financial account resulted from the following factors: (a) higher net inflow in the direct investment account; (b) reversal in portfolio investment account from a net outflow to a net inflow; and (c) lower deficit in the other investment account. These developments brought the full year 2006

<sup>17</sup> Under the BPM5, the residency of seasonal workers such as OFWs is classified according to the length of their stay in the host economy. OFWs who are working for less than one year are classified as Philippine residents and their gross earnings reflected under the Income Account. Meanwhile, OFWs who are working for one year or more are classified as non-residents (or migrants) and their remittances are reflected under the Current Transfers Account.

capital and financial account balance to a deficit of US\$1,722 million.

**Capital account.** The capital account registered a higher surplus of US\$12 million during the fourth quarter of 2006 from US\$9 million in the same quarter the previous year. The 33 percent rise in the capital account surplus was due mainly to the higher capital transfer receipts by the general government.

***Direct investment surplus widens...***

**Direct investment.** The surplus in the direct investment account widened to US\$474 million during the review quarter from US\$430 million in the fourth quarter a year ago. The higher net inflow was largely a result of the 84 percent contraction in equity capital placements abroad by private enterprises and domestic banks. The decline in residents' investments abroad more than offset the lower non-residents' net investments in the country. Non-resident's net investments went down from US\$504 million in the fourth quarter of 2005 to US\$486 million in the review quarter on account of the higher net outflow from reinvested earnings coupled by the decline in the other capital account. The other capital account is comprised mainly of intercompany borrowing/lending of funds between foreign direct investors and their local affiliates in the Philippines.

***Portfolio investment posts a surplus...***

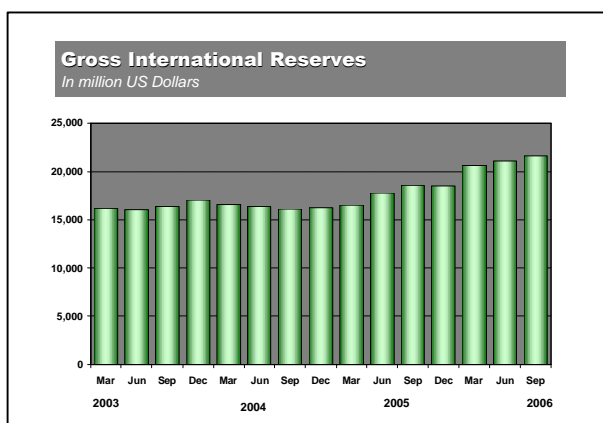
**Portfolio investment.** The portfolio investment account reversed to a surplus of US\$489 million in the fourth quarter of 2006 from a deficit of US\$1,360 million in the fourth quarter of 2005. The positive turnaround was accounted for mainly by the following: (a) withdrawal by resident banks and other sectors of their placements in money market and debt securities abroad; (b) significant increase in non-residents' placements in equity securities; and (c) non-residents' subscription to the bond issuance by a government corporation. Partly offsetting the impact of these inflows were the bond

repayments made by the BSP and the National Government during the review period.

**Other investment.** The other investment account deficit tapered in the fourth quarter of 2006 to US\$1,742 million from US\$2,123 million in the same quarter in 2005. The lower deficit can be attributed mainly to the lower currency and deposit placements abroad by resident banks and private entities as well as the net loan availments made by the National Government and domestic banks. These developments tempered the effect of the net withdrawal by non-residents of their deposits with local commercial banks.

### International Reserves

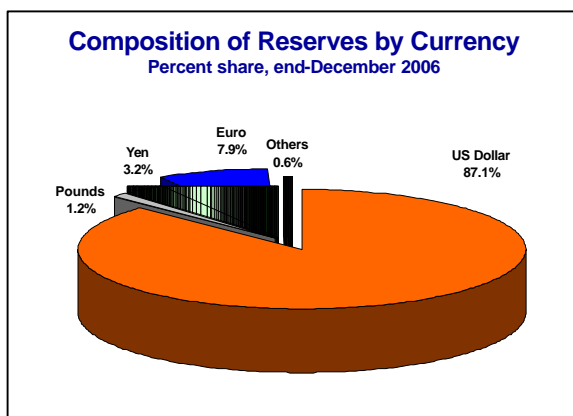
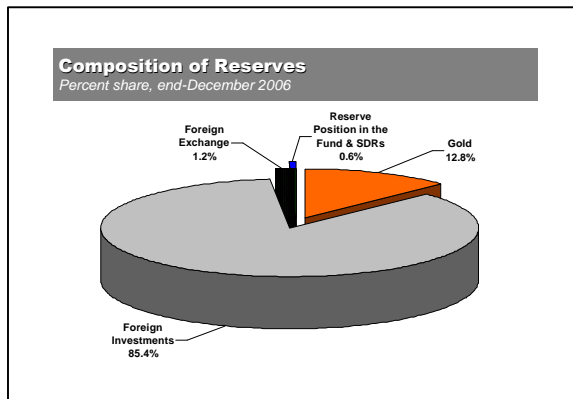
#### GIR level climbs to a new high...



The country's gross international reserves (GIR), including the reserve position in the Fund, reached a historic high of nearly US\$23.0 billion as of end-December 2006 (Table 12). At this level, the GIR was nearly US\$4.5 billion or 24.3 percent higher than last year's US\$18.5 billion. The end-2006 GIR level was equivalent to 4.4 month's worth of imports of goods and payment of services and income. Using the alternative reserve adequacy measure, the level of reserves is 4.0 times the amount of the country's short-term foreign liabilities based on original maturity and 2.3 times based on residual maturity<sup>18</sup>. On a quarterly basis, the end-December 2006 level of reserves was US\$1.4 billion or 6.5 percent higher than the prior quarter's US\$21.6 billion.

The significant accumulation of reserves was attributed mainly to the BSP's foreign exchange operations, National Government's deposit to the BSP of the proceeds of its various program loans, net foreign currency deposit from the proceeds of NPC's bond

<sup>18</sup> Short-term debt based on residual maturity pertains to outstanding external debt with original maturity of one year or less, plus principal payments on medium- and long-term loans of the public and private sectors falling due within the next 12 months.



issue, and income from investments abroad. However, these inflows were offset partly by prepayments of some ADB loans and outstanding IMF credit and term loan as well as payments for maturing foreign exchange obligations of the NG and the BSP.

The GIR consisted of foreign investment (85.4 percent), gold (12.8 percent), foreign exchange as well as the combined reserve position in the Fund (1.8 percent). By currency composition, reserves (excluding gold) were denominated in US dollars (87.1 percent), Euros (7.9 percent), Japanese yen (3.2 percent), pounds sterling (1.2 percent), and the balance (0.6 percent) in other currencies.

Net international reserves (NIR), including revaluation of reserve assets and reserve-related liabilities rose by US\$5.29 billion to US\$22.95 billion at end-December 2006 as against US\$17.66 billion at end-2005. The NIR refers to the difference between the BSP's GIR and the combined total of short-term liabilities and use of Fund credits.

### Exchange Rate

#### Trends in the Peso-Dollar Rate

The peso appreciated by 3.1 percent to average ₱49.77/US\$1 in the fourth quarter from ₱51.39/US\$1 in the previous quarter (Table 13 & 13a).<sup>19</sup> The peso continued to strengthen against the US dollar as it reached ₱49.132/US\$ on 29 December 2006, its highest level since March 2001, as regional currencies strengthened and inflows from OFW remittances, export earnings and foreign investments were sustained. The upgrade of the Philippines' sovereign credit outlook to stable from negative by Moody's Investor Service

### Peso strengthens to a six-year high...

#### Changes in Selected Asian Currencies

Currencies	Appreciation/(Depreciation) End-Dec 2006 vs. end-Dec 2005
Thai Baht	13.91
Indonesian Rupiah	9.34
South Korean Won	8.66
Singaporean Dollar	8.58
<b>Philippine Peso</b>	<b>8.28</b>
Malaysian Ringgit	7.31
Chinese Yuan	3.36
New Taiwanese Dollar	0.92
Japanese Yen	-0.97

<sup>19</sup> Computed from the daily weighted average exchange rate for the quarter in review. Dollar rates or reciprocal of the peso-dollar rates were used to compute for the monthly percent changes.

(on 2 November 2006) likewise contributed to the gains of the peso. The outlook was based on better-than-expected fiscal performance as well as sustained economic growth.<sup>20</sup>

On a year-to-date basis, the peso appreciated by 8.28 percent against the US dollar as of 29 December 2006 vis-à-vis its end-2005 level. Meanwhile, other regional currencies, excluding the Japanese yen, appreciated against the US dollar.

### Nominal and Real Effective Exchange Rates

On a real, trade-weighted basis, the peso's real effective exchange rate (REER) for the review period remained steady against the narrow and broad series of competitor countries, slightly appreciating by 0.3 percent and 1.0 percent, respectively (Table 13b). Meanwhile, the peso's REER inched up against the country's major trading partners (MTPs) by 2.8 percent.<sup>21</sup> The strengthening of the peso against the currencies of competitor countries reflected the nominal appreciation of the peso partly tempered by the narrowing price differential, which suggest that the peso was able to maintain some level of competitiveness against these baskets. Meanwhile, the nominal appreciation of the peso resulted in the strengthening of the peso's REER against the MTPs despite a narrowing of inflation differential, suggesting a decline in the local currency's competitiveness.<sup>22</sup>

**Peso's external price competitiveness remains steady against competitor countries...**

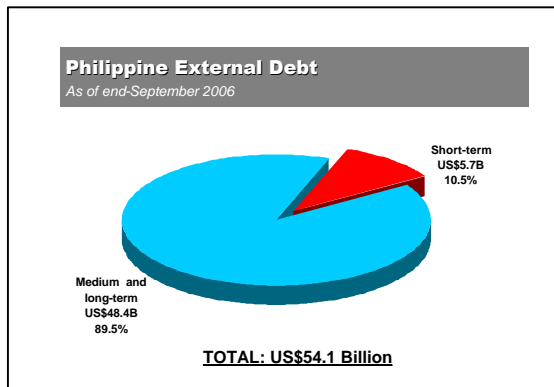
<sup>20</sup> The country's gross international reserves (GIR) posted another all-time high record of US\$22.97 billion as of end-December 2006, 1.41 percent higher than the end-November level of US\$22.65 billion. The National Government (NG) reported a ₱62.2 billion fiscal deficit for the year 2006, ₱84.6 billion lower than the ₱146.8 billion incurred in 2005.

<sup>21</sup> The basket of the major trading partners is composed of the currencies of US, Japan, the Euro area and the United Kingdom. The broad basket of competitor countries comprises the currencies of Singapore, South Korea, Taiwan, Malaysia, Thailand, Indonesia and Hong Kong while the narrow basket is composed of the currencies of Indonesia, Malaysia and Thailand only.

<sup>22</sup> The REER index represents the Nominal Effective Exchange Rate (NEER index) of the peso, adjusted for inflation rate differentials with the countries whose currencies comprise the NEER index basket. The NEER index, meanwhile, represents the weighted average exchange rate of the peso vis-à-vis a basket of foreign currencies.

## External Debt

### Total external debt climbs...



The country's total external liabilities reached US\$54.1 billion as of end-September 2006, up by US\$153 million or 0.3 percent from US\$53.9 billion as of end-June 2006 (Table 14). The external debt stock in September 2006 would have dropped by US\$645 million without the US\$798 million net new foreign borrowings by Offshore Banking Units (OBUs) operating in the country, proceeds of which were invested entirely offshore. Under existing policy, OBUs are treated as residents only for statistical purposes; thus, although their foreign borrowings form part of external debt figures, their MLT foreign borrowings are not subject to the prior BSP approval requirement normally imposed on similar foreign borrowings by other banks operating in the Philippines. Year-on-year, the outstanding BSP-approved/registered external debt during the same period, however, fell by US\$1.419 billion relative to the end-September 2005 level of US\$55.5 billion.

The higher stock of debt relative to the previous quarter was due to the following: (a) net availments (by US\$183 million); (b) reduction in residents' holdings of Philippine debt papers (US\$115 million); and (c) positive accounting adjustments (US\$64 million). These were offset partly by the overall negative foreign exchange revaluation adjustment (US\$208 million) of third currency denominated debt on account of the weakening of the Japanese yen vis-à-vis the US dollar.

Year-on-year, the debt stock reflected a decline (by 2.6 percent) during the review period from end-September 2005 due mainly to net loan repayment (availments of US\$19.4 billion versus principal repayments of US\$20.8 billion, of which US\$1.8 billion represented

prepayments<sup>23</sup>) and negative foreign exchange revaluation adjustment (US\$277 million), which were offset partially by positive audit adjustments amounting to US\$133 million.

Medium and long-term (MLT) loans (i.e. those with maturities longer than one year) rose to US\$48.4 billion from the end-June 2006 level of US\$48.1 billion with the share of MLT loans to total debt stock climbing to 89.5 percent from 89.3 percent in end-June 2006. Meanwhile, short term (ST) obligations dropped by US\$119 million to US\$5.7 billion in September 2006 from US\$5.8 billion in June 2006 with share to total debt stock falling to 10.5 percent from 10.8 percent in the previous quarter.

Public sector debt increased by US\$346 million to US\$37.6 billion during the quarter under review from US\$37.3 billion as of end-June 2006 with share to total external debt rising to 69.6 percent from 69.1 percent in the previous quarter. By contrast, private sector debt declined by US\$193 million to US\$16.5 billion during the quarter under review from US\$16.7 billion in end-June 2006 with its share to total falling to 30.5 percent from 30.9 percent in June 2006.

Outstanding official credits during the quarter under review decreased by US\$858 million to US\$20.5 billion relative to the previous quarter with its share to total falling to 37.9 percent from 39.6 percent. Year-on-year, borrowings from official creditors declined by US\$1.9 billion to US\$20.5 billion in September 2006.

The external obligations owed to foreign bond/noteholders rose by US\$1 billion to US\$19.3 billion as of end-September 2006 as against US\$18.3 billion in

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<sup>23</sup> Prepayments during the fourth quarter of 2005 pertained to maturities in 2006 and beyond while those from January to September 2006 pertained to maturities in 2007 and beyond.

the previous quarter, owing to issuances totaling about US\$2 billion by the NG during the third quarter, which was offset partly by US\$1 billion exchanged of existing bonds with new issues. Meanwhile, borrowings from foreign banks and other financial institutions declined by US\$534 million to US\$10.7 billion from US\$11.3 billion in end-June 2006. Debt owed to other types of creditor (e.g. suppliers/exporters, etc.) amounted to US\$3.5 billion during the review period.

Preliminary estimates showed that the ratio of debt service to exports of goods and receipts from services and income (including workers' remittances receipts) rose to 13.8 percent during the fourth quarter of 2006 as against the prior quarter's 10.9 percent (Table 15). This ratio is considered manageable vis-à-vis the international benchmark for debt sustainability, which is a debt service ratio of 20.0 to 25.0 percent. The ratio of debt service burden to GNP likewise rose to 6.4 percent during the quarter under review vis-à-vis prior quarter's 5.9 percent.

#### **Foreign Interest Rates**

#### ***Foreign policy rates are steady...***

The monetary policy stance of major central banks remained generally cautious during the review quarter despite the easing of inflationary pressures, as they sought to balance the risks of economic weakness against the lingering concerns about inflation.

The US Federal Open Market Committee (FOMC) decided to keep its target for the federal fund rate at 5.25 percent during its 25 October and 12 December 2006 meetings on concerns over slowing economic growth.<sup>24</sup> While inflation pressures seemed likely to moderate over time, the US FOMC continued to note the presence of inflation risks. The extent and timing of

<sup>24</sup> Federal Reserve, FOMC Statement available online at <http://www.federalreserve.gov/boarddocs/press/monetary/2006>

further policy rate increases to address these risks will depend on the evolution of the outlook for both inflation and economic growth.

During the review quarter, the average US prime rate was maintained at 8.2500 percent while the discount rate rose slightly to 6.2500 percent from 6.2460 percent in the third quarter (Table 16).<sup>25</sup> Meanwhile, the average US federal funds rate declined by about 1.22 basis points to 5.2448 percent.

In a reaffirmation of its commitment to adjust interest rates gradually, the Bank of Japan (BOJ), in its monetary policy meetings during the quarter, decided to maintain current policy settings as it kept the uncollateralized overnight call rate at around 0.25 percent during its 13 October, 31 October, 16 November and 19 December 2006 monetary policy meetings.<sup>26</sup> The BOJ noted that despite the continued steady improvements in economic activity and prices, some economic indicators such as those related to consumption showed weakness.

Meanwhile, the Bank of England's Monetary Policy Committee (MPC) voted to raise the official bank rate by 0.25 percentage points to 5.00 percent during its 9 November 2006 meeting to help bring the headline inflation back to target in the medium term. The MPC noted that the country's output continues to expand firmly on the back of strong domestic demand and robust credit growth.

Likewise, the Governing Council of the European Central Bank (ECB) decided to increase its key interest rates by 25 basis points each on 5 October and 7 December 2006. The decision reflected the upside risks to price

<sup>25</sup> The prime rate refers to the interest rate banks charge their most creditworthy customers. The discount rate refers to the rate charged by the Federal Reserve banks when they extend credit to depository institutions.

<sup>26</sup> BOJ, *Announcement of the Monetary Policy Meeting Decisions*, available online at <http://www.boj.or.jp>

stability over the medium term and was expected to help ensure that medium- to longer-term inflation expectations in the euro area remain solidly anchored at levels consistent with price stability.<sup>27</sup>

The 90-day London Interbank Offered Rate (LIBOR) and the 90-day Singapore Interbank Offered Rate (SIBOR) both declined by about 6.5 basis points to average 5.3686 percent and 5.3728 percent, respectively, during the quarter.

### Global Economic Developments

The global economy continued to surge forward in the fourth quarter of 2006 as the major growth engines registered generally stronger-than-expected economic expansion and Asian economies maintained their growth momentum.

Significant contributions from personal consumption expenditures, exports, and government spending offset downturns in investments in private inventory, equipment and software and nonresidential structures, resulting in a higher US GDP of 2.2 percent during the review period.

The Euro-zone continued to rely on household consumption as well as on relatively robust export performance, which propelled the economy to a 3.3 percent growth rate in the fourth quarter.

A strong rebound in domestic demand buoyed Japan's economy in the review quarter, allowing it to post a 2.3 percent GDP growth. In particular, an increase in consumer spending in areas such as travel, automobiles and electronic gadgets combined with falling prices of vegetables and heating oil amid a warm winter boosted domestic consumption.

**Macroeconomic Indicators in Selected Economies**  
Year-on-year growth rates (in percent)

2006	Real GDP				Inflation				Unemployment			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>G3</b>												
US	5.6	2.6	2.0	2.2	3.7	4.0	3.3	1.9	5.0	4.6	4.7	4.2
Japan	2.9	2.1	1.5	3.3	-0.1	0.2	0.6	0.3	4.2	4.1	4.1	4.0
Eurozone	2.2	2.9	2.7	2.3	2.3	2.4	2.2	1.8	8.1	7.8	7.8	7.5
<b>Asian NIEs</b>												
Hong Kong	8.0	5.5	6.7	7.0	1.6	2.1	2.3	2.2	5.2	5.0	4.8	4.4
South Korea	6.1	5.3	4.8	4.0	2.4	2.3	2.5	2.1	3.9	3.4	3.3	3.3
Singapore	10.1	8.0	7.0	6.6	1.4	1.2	0.7	0.6	2.2	3.4	2.4	2.6
China	10.4	11.5	10.6	10.4	1.2	1.4	1.3	2.0	4.2	4.2	4.1	n.a.
<b>ASEAN</b>												
Indonesia	5.0	5.0	5.9	6.1	16.9	15.5	14.9	6.1	n.a.	10.4	n.a.	n.a.
Malaysia	5.9	6.2	5.8	5.7	3.7	4.1	3.6	3.1	3.8	3.4	3.1	n.a.
Thailand	6.1	5.0	4.7	n.a.	5.7	6.0	3.6	1.7	1.9	1.7	1.2	1.3

n.a. = not available  
Sources: Bloomberg, EuroStat, US Bureau of Economic Analysis, Bank of Japan, Hong Kong Census and Statistics Department, Korea National Statistics Office, Singapore Department of Statistics, Bank Indonesia, Bank Negara Malaysia, Malaysia Department of Statistics and Bank of Thailand.

<sup>27</sup> European Central Bank, Monetary Policy Decisions, available online at <http://www.ecb.int>

Asian economies generally maintained their growth momentum during the fourth quarter. In the newly-industrialized economies sub-group, Hong Kong's economy registered the highest growth at 7.0 percent, aided by increased government consumption, expenditures on machinery, equipment and computer software and a double-digit export growth. China also remained on a fast-paced economic track, growing by 10.4 percent, driven largely by fixed asset investment. The upsurge in tax revenues, on the back of continued growth in corporate profits also contributed to China's economic growth. The Singapore economy reflected a 6.6 percent growth, supported by the expansion in the manufacturing and services sectors as well as the continued recovery in the construction sector. In the case of South Korea, export performance combined with domestic consumption resulted in a GDP growth of 4.0 percent in the fourth quarter.

Meanwhile, the Indonesian economy's growth of 6.1 percent during the quarter remained largely export-driven while Malaysia's 5.7 percent broad-based GDP growth was sustained mainly by sturdy consumer and business confidence.

Despite the continued economic expansion observed across major economies and Asian countries, inflation levels generally declined compared to the quarter-ago level, with the exception of China. In particular, US inflation declined to 1.9 percent (from 3.3 percent), along with Japan's and the Eurozone's inflation rates of 0.3 percent (from 0.6 percent) and 1.8 percent (from 2.2 percent), respectively. Asian countries also recorded lower inflation levels, including Hong Kong at 2.2 percent (from 2.3 percent), South Korea at 2.1 percent (from 2.5 percent), Singapore at 0.6 percent (from 0.7 percent), Indonesia at 6.1 percent (from 14.9 percent), Malaysia at 3.1 percent (from 3.6 percent) and Thailand at 1.7 percent (from 3.6 percent). In contrast, China's

inflation rate went up to 2.0 percent in the fourth quarter from the previous level's 1.3 percent.

A further tightening of the labor market was seen in the fourth quarter of 2006, particularly among the global economic movers as US, Japan, and Eurozone's unemployment rates underwent another round of declines. Asian economies also experienced a general downtrend in their unemployment rates in the review quarter, except for a slight uptick in Thailand (1.3 percent from 1.2 percent) and in Singapore (2.6 percent from 2.4 percent).

## F. Financial Condition of the BSP

### Balance Sheet

<b>Balance Sheet of the BSP</b>		
<i>In billion pesos</i>		
	2006 *	
	End-September	End-December
<b>Assets</b>	1,417.8	1,571.4
<b>Liabilities</b>	1,161.0	1,304.6
<b>Networth</b>	256.8	266.8
* Unaudited		

Based on preliminary and unaudited financial statements, the BSP's assets as of end-December 2006 reached ₱1.57 trillion, 21.6 percent or around ₱278.6 billion higher than the year-ago level (Table 17). The end-December 2006 level was likewise higher by 10.8 percent or ₱153.6 billion from end-September 2006 level. The BSP's liabilities rose by ₱260.0 billion or 24.8 percent year-on-year to ₱1.30 trillion and by ₱143.6 billion or 12.4 percent compared to the previous quarter. Consequently, this resulted in an increase in the BSP net worth of ₱18.6 billion or 7.5 percent compared with the year-ago level.

The year-on-year expansion in BSP assets was due mainly to the ₱147.6 billion rise in domestic securities on account of the BSP's net purchases of Treasury bills in the course of its liquidity management operations. The increase in assets was likewise driven by the continued buildup in international reserves (by ₱145.2 billion) due mainly to higher foreign exchange inflows during the review period. The increase in domestic securities and international reserves were, however, partially tempered by the decline registered in the foreign exchange receivable (₱14.2 billion) and other assets (₱2.2 billion) accounts.

During the same period, the BSP liabilities expanded by ₱260.0 billion due mainly to higher balances in the reserve deposits of banks and other financial institutions. This partially reflected banks' compliance with the liquidity reserve requirement through the reserve deposit account. The increase in liabilities was also due to the ₱105.8 billion upsurge in BSP debt instruments owing to the rise in BSP's reverse repurchase borrowings for the year. The increase was,

however, offset partially by the decline in foreign loans payable as the BSP prepaid some of its foreign obligations.

### Income Statement

<b>Income Statement of the BSP</b>		
<i>In billion pesos</i>		
	2006	
	Q3	Q4
Revenue	13.071	16.797
Less: Expenses	13.323	13.726
Equals: Net Income Before Gain/Loss (-)	-0.252	3.071
Add/Less: Gain/Loss(-) on FX Rate and Price Fluctuations	-17.580	3.222
Less: Provisions for Income Tax	-0.260	-4.026
<b>Equals: Net Income Available for Distribution</b>	<b>-17.572</b>	<b>10.219</b>

\* unaudited

Based on preliminary and unaudited data, the BSP's operations yielded a net income of ₱10.2 billion during the fourth quarter, a reversal of the ₱5.7 billion and ₱17.6 billion net loss recorded during the previous year and quarter, respectively (Table 18).

Total revenues amounted to ₱16.8 billion or ₱21.6 billion higher than the ₱4.8 billion shortfall posted during the previous year. Total interest earnings, which continued to be the major source of revenue, was ₱7.5 billion higher than the previous year's level, largely on account of higher interest earnings from international reserves and domestic securities. The higher interest income from international reserves was due mainly to the increased level of investments and deposits with foreign banks during the quarter under review. Likewise, miscellaneous income registered increased earnings during the period due to higher proceeds from fees and commissions.

At the same time, total expenditures amounted to ₱13.7 billion, ₱1.8 billion or 15.2 percent higher compared to the level posted in the previous year. The year-on-year expansion was due mainly to the higher interest expense of ₱2.9 billion or 35.3 percent owing to increased interest payments on BSP borrowings under the reverse repurchase facility. The increase in expenses was offset slightly by the decline in other expenses and the cost of minting and printing currency during the period. Meanwhile, total taxes and licenses remitted to the National Government during the quarter amounted to ₱317 million, resulting in a total of ₱1.18 billion in taxes paid for the whole year of 2006.

## **G. Challenges and Future Policy Directions**

The developments in the macroeconomy and the financial sector during the fourth quarter of 2006 give policymakers good reasons to be optimistic about the year ahead. The economy continued to expand, supported by vigorous consumer spending, strong export growth, and robust services output. Inflation decelerated, cushioned by easing oil prices and the strengthening peso which kept import prices down. The external position firmed further on the back of strong foreign exchange inflows from export receipts, OFW remittances and foreign investments. Instrumental to the surge in foreign investments was the steady improvement in the fiscal position due to the implementation of tax policy and administrative reforms and prudent spending. Coupled with policies to strengthen corporate governance, regulatory and prudential standards, the improved macro environment enhanced the stability and strength of the country's banking system.

The primary challenge going forward is to preserve and consolidate these gains by fostering conditions for sustainable economic growth. As the economy continues to gain solid footing, the BSP will remain focused on responding early to the emerging risks to inflation, while at the same time strengthening the banking sector and allowing it to better perform its task of financial intermediation and risk management.

The key risks to price stability include global energy prices, which remain vulnerable to geopolitical developments, and the strong growth in domestic liquidity, if it persists over the policy horizon.

The BSP will therefore continue to monitor closely the risks to future inflation and inflation expectations with a view to charting a policy course that will ensure the

promotion of price stability conducive to sustainable economic growth. The BSP remains committed to communicating better its monetary policy stance to the public to promote greater understanding of monetary policy and its impact on the economy.

The BSP remains steadfast in implementing reforms that would increase the efficiency and maintain the soundness of the banking system. It will continue to promote the disposal of non-performing assets by banks and encourage further mergers and consolidations to fortify the banking system's capital base. It will also sustain efforts to upgrade accounting and financial reporting standards in line with international best practices. The BSP will also strengthen prudential regulations in the areas of corporate governance, risk management, and capital adequacy as the banking system shifts to the observance of Basel II guidelines in 2007.

The BSP will maintain its support to legislative initiatives to foster the development of market infrastructure that will promote the deepening of the capital market.

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**Banking Policies for the 4<sup>th</sup> quarter 2006**

Measures to strengthen corporate governance and regulatory and prudential standards were the main focus of the BSP's banking policy reforms in the fourth quarter.

**Strengthening corporate governance**

- ? The BSP required banks to submit, in addition to the usual information sheet about the borrower, additional documents such as: 1) copy of the latest Income Tax Return (ITR) of the borrower and his co-maker; 2) a copy of the borrower's latest financial statements as submitted for taxation purposes to the BIR; and 3) a waiver of confidentiality of client information and/or an authority of the bank to conduct random verification with the BIR in order to establish authenticity of the ITR and accompanying financial statements submitted by the client. These documents are to be submitted annually while the loan and/or credit accommodation remains outstanding. This requirement shall cover loans, other credit accommodations, and credit lines granted, restructured, renewed or extended after the effectivity of this circular, including any availment and/or re-availment against existing credit lines. The exceptions to the additional documentary requirements are the following: 1) microfinance loans; 2) loans to registered barangay micro-business enterprises (BMBEs); 3) interbank loans; 4) loans secured by hold-outs on or assignment of deposits or other assets considered non-risk by the Monetary Board; 5) loans to individuals who are not required to file ITRs; 6) loans to borrowers, whose only source of income is compensation and the corresponding taxes on which has been withheld at source and who submitted, in lieu of the ITR, a copy of their Employer's Certificate of Compensation payment/tax withheld (BIR form 2316). The BSP also approved the two-year exemption of micro and small enterprises not covered by the foregoing exceptions from said documentary requirements. (*Circular No. 549 dated 9 October 2006*)

**Strengthening regulatory and prudential standards**

- ? The BSP approved a policy to consider loans granted to foreign embassies as loans to their respective central governments and as such, shall be considered non-risk, hence, exempt from the single borrower's limit. (*Circular No. 550 dated 17 November 2006*)
- ? The guidelines on living trust accounts (LTAs) were amended. Under the revised guidelines, living trust is defined as a personal trust created by an agreement. An LTA of up to ₱500,000 can be invested not only in deposits but in government securities as well. Moreover, the minimum entry amount of ₱100,000 shall also be the maintaining balance. Any LTA that failed to meet the minimum entry and maintaining balance shall be considered as other fiduciary accounts and shall be subject to the applicable reserve and other requirements. (*Circular No. 553 dated 22 December 2006*)

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# 1 GROSS NATIONAL PRODUCT BY INDUSTRIAL ORIGIN

in million pesos; at constant 1985 prices

	2004				2005				2006				Annual Percent Change (in %)											
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2004				2005				2006			
													Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Agriculture, Fishery and Forestry	58,531	49,648	50,505	67,928	58,261	50,682	51,387	70,432	60,472	54,238	53,685	71,762	8.1	5.3	7.1	1.7	-0.5	2.1	1.7	3.7	3.8	7.0	4.5	1.9
Industry	86,205	95,949	95,669	102,719	89,126	101,500	100,698	107,752	94,250	107,140	105,491	111,328	4.5	5.2	2.4	6.6	3.4	5.8	5.3	4.9	5.7	5.6	4.8	3.3
Mining and Quarrying	5,195	5,254	3,737	4,138	4,976	5,971	3,852	5,233	5,068	6,170	3,655	3,943	21.7	2.7	-14.9	1.5	-4.2	13.6	3.1	26.5	1.8	3.3	-5.1	-24.7
Manufacturing	62,434	66,680	70,397	77,236	65,491	70,559	74,431	81,758	69,636	74,738	78,235	85,324	3.9	4.8	4.2	7.4	4.9	5.8	5.7	5.9	6.3	5.9	5.1	4.4
Construction	10,036	14,316	11,681	12,685	9,944	14,959	12,383	11,856	10,420	15,735	12,811	12,415	0.3	9.6	-2.1	4.7	-0.9	4.5	6.0	-6.5	4.8	5.2	3.5	4.7
Electricity, Gas and Water	8,540	9,699	9,854	8,660	8,715	10,011	10,033	8,905	9,127	10,498	10,790	9,646	5.1	3.2	3.7	5.2	2.0	3.2	1.8	2.8	4.7	4.9	7.5	8.3
Services	125,400	136,783	134,386	148,450	134,188	145,531	141,977	157,939	142,885	153,684	150,475	169,005	7.2	8.7	8.3	6.5	7.0	6.4	5.6	6.4	6.5	5.6	6.0	7.0
Transportation, Communication and Storage	22,171	25,397	23,108	26,929	24,533	27,173	24,039	28,904	26,182	28,627	25,658	31,215	9.2	14.8	11.3	9.6	10.7	7.0	4.0	7.3	6.7	5.4	6.7	8.0
Trade	41,875	46,552	48,111	56,153	44,239	49,321	50,503	59,489	46,562	51,805	53,287	63,090	7.1	6.7	7.8	5.8	5.6	5.9	5.0	5.9	5.3	5.0	5.5	6.1
Finance	13,391	15,038	13,778	14,711	15,066	16,795	16,394	16,410	17,262	18,482	17,295	17,773	8.4	11.0	10.4	9.6	12.5	11.7	19.0	11.5	14.6	10.0	5.5	8.3
Ownership of Dwellings and Real Estate	13,093	13,549	13,678	13,334	13,962	14,083	14,227	14,256	14,447	14,836	15,306	15,212	4.0	6.4	6.9	3.9	6.6	3.9	4.0	6.9	3.5	5.3	7.6	6.7
Private Services	22,148	22,875	23,221	24,669	23,193	24,430	24,342	26,078	24,824	25,659	26,027	28,244	9.8	10.5	10.0	10.2	4.7	6.8	4.8	5.7	7.0	5.0	6.9	8.3
Government Services	12,722	13,372	12,490	12,653	13,194	13,729	12,473	12,802	13,607	14,275	12,903	13,472	1.9	2.4	1.6	-3.7	3.7	2.7	-0.1	1.2	3.1	4.0	3.4	5.2
<b>Gross Domestic Product</b>	<b>270,137</b>	<b>282,380</b>	<b>280,561</b>	<b>319,096</b>	<b>281,574</b>	<b>297,712</b>	<b>294,063</b>	<b>336,123</b>	<b>297,607</b>	<b>315,063</b>	<b>309,651</b>	<b>352,095</b>	6.5	6.9	6.0	5.5	4.2	5.4	4.8	5.3	5.7	5.8	5.3	4.8
Net Factor Income from the Rest of the World	22,940	25,580	24,940	24,554	25,895	27,984	26,167	31,162	29,842	32,511	29,089	36,870	19.7	15.0	10.0	10.2	12.9	9.4	4.9	26.9	15.2	16.2	11.2	18.3
<b>Gross National Product</b>	<b>293,077</b>	<b>307,960</b>	<b>305,501</b>	<b>343,650</b>	<b>307,469</b>	<b>325,696</b>	<b>320,230</b>	<b>367,285</b>	<b>327,449</b>	<b>347,574</b>	<b>338,740</b>	<b>388,965</b>	7.4	7.5	6.3	5.8	4.9	5.8	4.8	6.9	6.5	6.7	5.8	5.9

Note: Totals may not add up due to rounding.

Source of data: National Statistical Coordination Board (NSCB)

**1a GROSS NATIONAL PRODUCT BY EXPENDITURE SHARES**  
in million pesos; at constant 1985 prices

	2004				2005				2006				Annual Percent Change (in %)											
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2004				2005				2006			
													Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Personal Consumption Expenditures	206,213	224,327	221,875	250,716	216,422	235,170	232,848	263,306	228,592	247,852	245,012	278,120	5.7	6.3	5.5	5.7	5.0	4.8	4.9	5.0	5.6	5.4	5.2	5.6
Government Consumption Expenditures	18,668	19,921	19,520	17,346	19,076	22,398	19,472	17,541	20,620	22,921	20,250	19,173	5.6	0.8	-1.9	1.6	2.2	12.4	-0.2	1.1	8.1	2.3	4.0	9.3
Capital Formation	62,482	57,436	49,925	64,223	56,935	55,090	49,502	58,399	55,835	55,872	52,504	60,372	5.9	4.6	3.7	13.9	-8.9	-4.1	-0.8	-9.1	-1.9	1.4	6.1	3.4
Fixed Capital	58,052	59,552	50,885	55,688	53,363	58,049	50,861	53,125	53,549	57,892	50,941	54,211	4.2	3.3	-3.4	0.8	-8.1	-2.5	0.0	-4.6	0.3	-0.3	0.2	2.0
Construction	20,442	27,257	22,622	24,081	19,840	27,823	23,646	22,241	20,296	28,801	24,113	22,986	-1.8	4.7	-5.8	-0.9	-2.9	2.1	4.5	-7.6	2.3	3.5	2.0	3.3
Durable Equipment	33,117	28,413	25,244	26,584	29,037	26,247	24,209	25,805	28,829	25,168	23,759	26,093	8.5	2.7	-1.6	2.1	-12.3	-7.6	-4.1	-2.9	-0.7	-4.1	-1.9	1.1
Breeding Stock & Orchard Dev't.	4,493	3,882	3,019	5,022	4,487	3,979	3,006	5,079	4,424	3,923	3,069	5,132	2.3	-1.9	0.4	2.3	-0.1	2.5	-0.4	1.1	-1.4	-1.4	2.1	1.0
Changes in Stocks	4,430	-2,116	-960	8,536	3,572	-2,958	-1,359	5,273	2,287	-2,020	1,563	6,161	35.8	-22.5	-78.9	644.2	-19.4	39.8	41.6	-38.2	-36.0	-31.7	-215.0	16.8
Exports	122,973	129,956	154,864	129,380	124,646	132,086	165,287	137,521	140,189	159,069	180,607	147,366	12.9	16.6	17.0	10.8	1.4	1.6	6.7	6.3	12.5	20.4	9.3	7.2
Less: Imports	151,022	162,747	156,202	158,939	147,730	166,948	167,902	161,228	148,785	173,684	170,019	167,736	3.5	6.8	6.7	6.0	-2.2	2.6	7.5	1.4	0.7	4.0	1.3	4.0
Statistical Discrepancy	10,823	13,488	-9,421	16,370	12,225	19,916	-5,145	20,584	1,156	3,033	-18,704	14,800	-42.9	-30.7	-3,081.3	-34.5	13.0	47.7	-45.4	25.7	-90.5	-84.8	263.5	-28.1
<b>Gross Domestic Product</b>	<b>270,137</b>	<b>282,380</b>	<b>280,561</b>	<b>319,096</b>	<b>281,574</b>	<b>297,712</b>	<b>294,063</b>	<b>336,123</b>	<b>297,607</b>	<b>315,063</b>	<b>309,651</b>	<b>352,095</b>	6.5	6.9	6.0	5.5	4.2	5.4	4.8	5.3	5.7	5.8	5.3	4.8
Net Factor Income from the Rest of the World	22,940	25,580	24,940	24,554	25,895	27,984	26,167	31,162	29,842	32,511	29,089	36,870	19.7	15.0	10.0	10.2	12.9	9.4	4.9	26.9	15.2	16.2	11.2	18.3
<b>Gross National Product</b>	<b>293,077</b>	<b>307,960</b>	<b>305,501</b>	<b>343,650</b>	<b>307,469</b>	<b>325,696</b>	<b>320,230</b>	<b>367,285</b>	<b>327,449</b>	<b>347,574</b>	<b>338,740</b>	<b>388,965</b>	7.4	7.5	6.3	5.8	4.9	5.8	4.8	6.9	6.5	6.7	5.8	5.9

Note: Totals may not add up due to rounding.  
Source of data: National Statistical Coordination Board (NSCB)

## 2 SELECTED LABOR, EMPLOYMENT AND WAGE INDICATORS

	2004				2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Employment Status <sup>1</sup></b>												
Labor Force (in thousands)	35,447	36,535	35,838	35,629	35,664	35,130	35,237	35,494	35,216 <sup>P</sup>	35,954 <sup>P</sup>	36,165 <sup>P</sup>	35,806 <sup>P</sup>
Employed	31,547	31,533	31,632	31,741	31,634	32,221	32,522	32,875	32,377 <sup>P</sup>	33,024 <sup>P</sup>	33,257 <sup>P</sup>	33,185 <sup>P</sup>
Unemployed <sup>2</sup>	3,900	5,002	4,206	3,888	4,030	2,909	2,715	2,619	2,839 <sup>P</sup>	2,930 <sup>P</sup>	2,908 <sup>P</sup>	2,621 <sup>P</sup>
Employment Rate (%)	89.0	86.3	88.3	89.1	88.7	91.7	92.3	92.6	91.9 <sup>P</sup>	91.8 <sup>P</sup>	92.0 <sup>P</sup>	92.7 <sup>P</sup>
Unemployment Rate (%) <sup>2</sup>	11.0	13.7	11.7	10.9	11.3	8.3	7.7	7.4	8.1 <sup>P</sup>	8.2 <sup>P</sup>	8.0 <sup>P</sup>	7.3 <sup>P</sup>
<b>Overseas Employment (Deployed)</b>												
Land-based	256,825	237,122	230,200	209,441	266,982	291,716	222,922 <sup>P</sup>	206,995 <sup>P</sup>	275,727 <sup>P</sup>	287,476 <sup>P</sup>	309,279 <sup>P</sup>	219,573 <sup>P</sup>
Sea-based	199,272	179,983	174,791	150,540	205,335	231,904	161,520	141,873	206,406	217,527	236,770	170,615
	57,553	57,139	55,409	58,901	61,647	59,812	61,402	65,122	69,321	69,949	72,509	48,958
<b>Strikes</b>												
Number of New Strikes	8	5	6	6	2 <sup>P</sup>	11 <sup>P</sup>	11 <sup>P</sup>	2 <sup>P</sup>	5 <sup>P</sup>	4 <sup>P</sup>		
Number of Workers Involved (thousands)	1	1	2	7	1 <sup>P</sup>	4 <sup>P</sup>	3 <sup>P</sup>	*	1 <sup>P</sup>	* <sup>P</sup>		
<b>Nominal Daily Wage Rates (in pesos) <sup>3</sup></b>												
<b>National Capital Region</b>												
Agricultural												
Plantation	263.25	263.25	284.92	284.92	284.92	312.00 <sup>P</sup>	312.00 <sup>P</sup>	312.00 <sup>P</sup>	312.00 <sup>P</sup>	312.00 <sup>P</sup>	339.08 <sup>P</sup>	
Non-Plantation	263.25	263.25	284.92	284.92	284.92	312.00 <sup>P</sup>	312.00 <sup>P</sup>	312.00 <sup>P</sup>	312.00 <sup>P</sup>	312.00 <sup>P</sup>	339.08 <sup>P</sup>	
Non-Agricultural	303.33	303.33	325.00	325.00	325.00	352.08 <sup>P</sup>	352.08 <sup>P</sup>	352.08 <sup>P</sup>	352.08 <sup>P</sup>	352.08 <sup>P</sup>	379.17 <sup>P</sup>	
<b>Real Daily Wage Rates (in pesos) <sup>4</sup>, 1994=100</b>												
<b>National Capital Region</b>												
Agricultural												
Plantation	147.56	143.07	153.18	148.70	222.42	237.44 <sup>P</sup>	230.94 <sup>P</sup>	228.07 <sup>P</sup>	224.14 <sup>P</sup>	221.12 <sup>P</sup>	239.30 <sup>P</sup>	
Non-Plantation	147.56	143.07	153.18	148.70	222.42	237.44 <sup>P</sup>	230.94 <sup>P</sup>	228.07 <sup>P</sup>	224.14 <sup>P</sup>	221.12 <sup>P</sup>	239.30 <sup>P</sup>	
Non-Agricultural	170.03	164.86	176.63	169.62	253.71	267.95 <sup>P</sup>	260.61 <sup>P</sup>	257.37 <sup>P</sup>	252.94 <sup>P</sup>	249.52 <sup>P</sup>	267.58 <sup>P</sup>	

### Notes:

<sup>1</sup> Based on survey results for the months of January, April, July and October. Population projection benchmark for household population 15 years old and over is used to estimate the levels of labor force, employment, and unemployment in the LSS based on the 1995 census of population.

<sup>2</sup> Starting April 2005, the new unemployment definition was adopted per NSCB Resolution No. 15 dated 20 October 2004. Data for labor force, labor force participation rate, unemployed and unemployment rate from second quarter 2005 onwards are not comparable with the previous quarters.

<sup>3</sup> Refers to the legislated wage rates which include basic pay and the daily equivalent of the 13th month pay

<sup>4</sup> Starting first quarter 2005, real wage rate is at 2000 prices. Starting 2006, source of actual data will be from the National Wages and Productivity Commission.

<sup>P</sup> Preliminary

- Less than 500

n.a. not available

Sources of data: Bureau of Labor and Employment Statistics (BLES), Philippine Overseas Employment Administration (POEA), National Statistics Office (NSO), and National Wages and Productivity Commission (NWPC)

### 3 CASH OPERATIONS OF THE NATIONAL GOVERNMENT

for periods indicated; in billion pesos

	2005 <sup>r</sup>				2006 <sup>r</sup>				PROGRAM
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2006 Q4
<b>Revenues</b>	<b>171.7</b>	<b>217.4</b>	<b>209.8</b>	<b>217.4</b>	<b>205.0</b>	<b>266.1</b>	<b>244.8</b>	<b>263.7</b>	<b>267.3</b>
Tax	143.3	194.1	174.6	193.6	179.4	238.2	216.2	226.0	240.4
Non-tax	28.3	23.2	35.1	23.8	25.5	27.8	28.6	37.8	26.9
<b>Expenditures</b>	<b>235.1</b>	<b>221.4</b>	<b>250.7</b>	<b>255.7</b>	<b>272.6</b>	<b>230.0</b>	<b>263.7</b>	<b>278.1</b>	<b>270.2</b>
Interest Payments	85.5	57.6	92.2	64.5	103.8	52.7	97.9	55.7	68.3
Equity	–	–	0.1	–	0.1	0.9	0.1	2.5	0.4
Net Lending	4.4	-2.2	1.6	-2.1	2.8	4.7	6.2	-13.6	2.3
Subsidy	0.5	1.4	5.8	4.6	3.6	3.2	2.4	4.6	1.2
Allotment to LGUs	35.9	41.8	41.1	41.7	39.9	38.8	37.9	58.1	34.3
Tax Expenditures	–	3.8	1.8	9.6	1.2	5.8	1.2	7.3	n.a.
Others	108.8	119.1	108.1	137.5	121.2	123.8	117.9	163.6	163.7
<b>Surplus/Deficit (-)</b>	<b>-63.5</b>	<b>-4.0</b>	<b>-41.0</b>	<b>-38.3</b>	<b>-67.6</b>	<b>36.1</b>	<b>-18.9</b>	<b>-14.4</b>	<b>-2.9</b>
<b>Financing <sup>1</sup></b>	<b>118.6</b>	<b>34.6</b>	<b>104.4</b>	<b>-21.6</b>	<b>109.7</b>	<b>-42.3</b>	<b>35.4</b>	<b>7.3</b>	<b>-36.8</b>
External Borrowings (Net)	67.1	30.3	14.2	-19.0	96.9	-2.9	30.8	-4.0	-44.2
Domestic Borrowings (Net)	51.5	4.3	90.2	-2.6	12.8	-39.5	4.6	11.4	7.4
<b>Total Change in Cash: Deposit/Withdrawal (-)</b>	<b>73.3</b>	<b>28.5</b>	<b>6.4</b>	<b>-85.9</b>	<b>52.8</b>	<b>-12.8</b>	<b>-8.8</b>	<b>-25.1</b>	<b>-47.7</b>
Budgetary	55.2	30.5	63.4	-59.9	42.1	-6.2	16.5	-7.1	-39.7
Non-Budgetary Accounts <sup>1</sup>	18.2	-2.0	-57.0	-26.0	10.7	-6.6	-25.3	-18.0	-8.0

<sup>1</sup> Refers to accounts not included in the NG budget, e.g., sale, purchase or redemption of government securities, but included in the cash operations report to show the complete relations in the movements of the cash accounts.

<sup>r</sup> revised

- zero or nil

Note: Details may not add up due to rounding off.

Source of Data: Bureau of the Treasury (BTr)

## 4 MONETARY INDICATORS (DCS CONCEPT)

as of periods indicated; in billion pesos

Item	2004				2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	<sup>P</sup> Q3	<sup>P</sup> Q4
<b>A. Liquidity</b>												
1. M4 (2 + 7)	2,662.6	2,681.2	2,708.2	2,905.9	2,943.4	2,983.4	3,038.3	3,125.8	3,121.2	3,352.4	3,402.7	3,687.5
2. Broad Money Liabilities - M3 (5 + 6)	1,919.0	1,953.6	1,951.5	2,119.3	2,152.2	2,205.9	2,242.6	2,338.1	2,349.4	2,501.7	2,568.3	2,838.4
3. Currency Outside Depository Corporations and Transferable Deposits (Narrow Money or M1)	506.8	508.0	498.6	565.1	554.9	564.2	565.8	616.8	612.6	637.7	645.9	768.8
a. Currency Outside Depository Corporations (Currency in Circulation)	214.6	208.6	204.7	253.7	223.2	218.0	220.9	267.9	243.8	243.2	237.7	307.2
b. Transferable Deposits (Demand Deposits)	292.2	299.3	293.9	311.4	331.7	346.2	344.9	348.9	368.8	394.6	408.2	461.6
4. Other Deposits (Quasi-Money)	1,405.0	1,438.0	1,443.3	1,542.0	1,582.2	1,628.8	1,654.4	1,697.7	1,712.3	1,837.7	1,888.8	2,025.8
a. Savings Deposits	1,233.0	1,216.4	1,174.6	1,265.4	1,187.0	1,216.0	1,243.6	1,276.4	1,292.0	1,380.9	1,437.7	1,471.8
b. Time Deposits	172.0	221.7	268.7	276.6	395.3	412.8	410.8	421.3	420.4	456.8	451.1	554.0
5. M2 (C+D)	1,911.8	1,946.0	1,941.9	2,107.0	2,137.1	2,193.0	2,220.2	2,314.5	2,325.0	2,475.5	2,534.7	2,794.5
6. Securities Other Than Shares Included in Broad Money (Deposit Substitutes)	7.1	7.6	9.6	12.2	15.1	12.9	22.4	23.6	24.4	26.2	33.6	43.9
7. Transferable and Other Deposits in Foreign Currency (FCDU Deposits - Residents)	743.6	727.6	756.8	786.6	791.2	777.5	795.7	787.7	771.8	850.7	834.5	849.1
8. Liabilities Excluded from Broad Money (Other Liabilities)	93.8	93.4	77.9	76.7	84.4	78.6	76.3	84.1	94.8	85.7	88.1	84.9
a. Bills Payable	81.2	80.3	69.2	66.5	73.9	72.8	70.5	79.5	89.7	80.3	82.6	79.5
b. Marginal Deposits	4.8	5.9	4.6	5.5	4.8	2.0	2.2	1.4	1.7	1.9	1.9	2.2
c. Restricted Deposits	7.8	7.1	4.1	4.7	5.7	3.8	3.5	3.3	3.4	3.5	3.5	3.2
<b>B. Credits</b>												
1. Net Domestic Assets	2,146.1	2,218.4	2,143.7	2,305.0	2,229.9	2,174.4	2,216.8	2,298.2	2,155.3	2,238.4	2,239.8	2,403.9
a. Bangko Sentral ng Pilipinas	-374.8	-379.9	-413.8	-366.7	-452.0	-544.6	-609.6	-511.4	-644.2	-725.6	-711.7	-692.1
b. Other Depository Corporations	2,520.9	2,598.3	2,557.5	2,671.7	2,681.8	2,719.0	2,826.4	2,809.6	2,799.6	2,964.0	2,951.5	3,095.9
2. Net Claims on Residents (Net Domestic Credits)	2,660.2	2,698.5	2,671.9	2,846.7	2,755.3	2,726.6	2,760.5	2,803.1	2,664.1	2,797.9	2,774.7	2,986.4
By End-User												
Net Claims on the Public Sector (Public Sector)	901.0	926.0	886.7	1,000.7	961.3	905.1	923.7	960.1	843.6	967.2	962.3	1,024.8
Claims on Other Sectors (Private Sector)	1,759.2	1,772.5	1,785.3	1,846.0	1,794.0	1,821.5	1,836.9	1,843.0	1,820.5	1,830.7	1,812.4	1,961.6
By Institution												
Bangko Sentral ng Pilipinas	91.5	89.5	27.7	91.9	25.5	-6.3	-41.6	49.7	-23.9	-43.3	20.0	156.8
Other Depository Corporations	2,568.7	2,609.0	2,644.2	2,754.8	2,729.8	2,732.9	2,802.2	2,753.4	2,688.0	2,841.2	2,754.7	2,829.6
3. Net Other Items	-514.1	-480.1	-528.3	-541.8	-525.4	-552.2	-543.8	-504.9	-508.7	-559.5	-534.9	-582.5
<b>C. Net Foreign Assets</b>												
1. Bangko Sentral ng Pilipinas	633.2	635.4	661.7	689.3	724.3	812.0	873.8	846.1	940.5	1,019.6	1,003.3	1,076.9
a. Net International Reserves	776.8	791.1	802.0	819.2	843.1	932.6	992.4	937.0	1,026.4	1,098.6	1,075.4	1,127.7
Foreign Assets	931.8	920.1	909.3	913.1	905.5	991.1	1,039.4	981.5	1,058.8	1,131.9	1,088.0	1,128.4
Foreign Liabilities	155.0	129.1	107.2	93.9	62.3	58.5	47.0	44.4	32.4	33.3	12.6	0.7
b. Medium- and Long-Term Foreign Liabilities	143.6	155.7	140.4	129.9	118.8	120.5	118.5	90.9	85.8	79.1	72.1	50.8
2. Other Depository Corporations	-22.9	-79.2	-19.2	-11.6	73.6	75.5	24.0	65.5	120.1	180.1	247.8	291.6
a. Foreign Assets	554.0	553.1	601.8	564.0	693.9	727.7	646.1	675.8	671.4	721.9	736.1	795.0
b. Foreign Liabilities	576.9	632.2	621.0	575.6	620.3	652.1	622.0	610.2	551.2	541.8	488.4	503.3

Note: Details may not add up due to rounding.

<sup>P</sup> Preliminary

Source: Bangko Sentral ng Pilipinas (BSP)

## 5 CONSUMER PRICE INDEX IN THE PHILIPPINES (2000=100)

	2004				2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>All Items</b>	<b>116.8</b>	<b>118.8</b>	<b>122.4</b>	<b>124.5</b>	<b>126.6</b>	<b>128.5</b>	<b>131.1</b>	<b>133.1</b>	<b>135.9</b>	<b>137.3</b>	<b>139.1</b>	<b>139.5</b>
Food, Beverages and Tobacco	112.8	114.9	118.0	119.3	121.2	122.7	124.8	126.3	128.6	129.9	131.4	132.5
Non-Food	120.8	122.6	126.8	129.6	132.1	134.2	137.3	139.8	143.1	144.8	146.7	146.5
Clothing	113.0	113.7	114.8	116.0	117.1	118.0	118.8	119.7	120.7	121.7	122.5	123.3
Housing and Repairs	119.7	120.9	121.8	122.9	125.1	126.6	127.7	128.1	130.5	131.7	132.5	132.9
Fuel, Light and Water	126.3	128.0	132.4	142.5	150.3	153.1	156.6	164.7	175.0	174.7	177.8	177.9
Services	124.8	128.2	137.8	140.5	141.9	145.2	151.6	155.2	157.9	161.1	164.8	163.0
Miscellaneous	112.3	113.0	113.7	114.8	115.7	116.7	117.5	118.3	119.5	120.4	121.0	121.4
	<b>Annual Change (in percent)</b>											
	2004				2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>All Items</b>	<b>4.1</b>	<b>4.7</b>	<b>6.9</b>	<b>8.2</b>	<b>8.4</b>	<b>8.2</b>	<b>7.1</b>	<b>6.9</b>	<b>7.3</b>	<b>6.9</b>	<b>6.1</b>	<b>4.8</b>
Food, Beverages and Tobacco	4.3	5.5	7.2	7.9	7.4	6.8	5.8	5.9	6.2	5.8	5.2	4.9
Non-Food	3.9	4.1	6.7	8.3	9.3	9.4	8.3	7.9	8.4	7.9	6.9	4.7
Clothing	3.2	2.3	2.3	3.0	3.6	3.7	3.5	3.2	3.1	3.1	3.1	3.0
Housing and Repairs	4.4	3.6	3.3	3.5	4.5	4.7	4.8	4.3	4.3	4.1	3.8	3.7
Fuel, Light and Water	3.2	3.6	7.6	15.0	19.0	19.6	18.2	15.6	16.4	14.2	13.5	8.0
Services	4.7	6.1	12.3	13.7	13.7	13.3	10.0	10.5	11.3	10.9	8.7	5.0
Miscellaneous	2.0	1.8	2.0	2.7	3.1	3.3	3.3	3.0	3.2	3.1	3.0	2.6

Source of basic data: National Statistics Office (NSO)

## 5a CONSUMER PRICE INDEX IN METRO MANILA (2000=100)

	2004				2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>All Items</b>	<b>117.6</b>	<b>119.7</b>	<b>122.2</b>	<b>124.9</b>	<b>128.0</b>	<b>130.0</b>	<b>133.1</b>	<b>135.1</b>	<b>138.5</b>	<b>140.1</b>	<b>142.1</b>	<b>142.3</b>
Food, Beverages and Tobacco	112.6	114.7	116.4	117.5	118.7	119.6	121.6	123.5	125.4	126.2	128.5	130.4
Non-Food	121.1	123.0	126.1	129.9	134.2	137.0	140.8	142.8	147.1	149.4	151.2	150.4
Clothing	118.8	119.3	120.0	121.6	122.6	123.2	123.7	124.0	125.1	126.4	127.1	128.4
Housing and Repairs	116.8	117.9	118.2	119.3	123.1	125.2	126.7	127.0	130.7	131.8	131.9	132.4
Fuel, Light and Water	135.2	135.7	139.7	157.9	176.9	179.7	182.4	191.1	204.4	205.9	207.1	206.4
Services	124.6	128.5	136.1	139.2	140.3	144.9	153.7	156.3	159.7	163.9	168.6	165.4
Miscellaneous	112.6	113.1	113.5	114.6	115.7	116.6	117.1	117.8	119.2	120.0	120.3	120.7
	<b>Annual Change (in percent)</b>											
	2004				2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>All Items</b>	<b>3.9</b>	<b>4.9</b>	<b>6.4</b>	<b>7.7</b>	<b>8.8</b>	<b>8.6</b>	<b>8.9</b>	<b>8.1</b>	<b>8.2</b>	<b>7.7</b>	<b>6.7</b>	<b>5.4</b>
Food, Beverages and Tobacco	4.8	5.8	7.0	6.8	5.5	4.2	4.4	5.1	5.6	5.5	5.7	5.6
Non-Food	3.4	4.4	6.0	8.3	10.8	11.4	11.7	10.0	9.6	9.1	7.4	5.3
Clothing	5.2	2.7	1.6	2.6	3.2	3.3	3.1	2.0	2.0	2.6	2.8	3.5
Housing and Repairs	2.7	3.4	3.0	2.9	5.4	6.2	7.2	6.5	6.2	5.2	4.1	4.3
Fuel, Light and Water	1.3	1.2	4.4	17.6	30.9	32.4	30.5	21.0	15.6	14.6	13.6	8.0
Services	5.2	7.8	12.0	13.3	12.6	12.8	12.9	12.3	13.8	13.1	9.7	5.8
Miscellaneous	2.5	2.0	1.8	2.5	2.8	3.1	3.2	2.8	3.0	2.9	2.7	2.5

Source of basic data: National Statistics Office (NSO)

## 5b CONSUMER PRICE INDEX IN AREAS OUTSIDE METRO MANILA (2000=100)

	2004				2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>All Items</b>	<b>116.4</b>	<b>118.4</b>	<b>122.5</b>	<b>124.3</b>	<b>126.1</b>	<b>127.8</b>	<b>130.2</b>	<b>132.3</b>	<b>134.8</b>	<b>136.2</b>	<b>137.8</b>	<b>138.2</b>
Food, Beverages and Tobacco	112.8	115.0	118.5	119.8	121.9	123.8	125.9	127.3	129.7	131.1	132.3	133.2
Non-Food	120.6	122.4	127.1	129.5	130.9	132.7	135.3	138.2	140.9	142.2	144.2	144.2
Clothing	111.0	111.8	112.9	114.1	115.1	116.1	117.1	118.2	119.2	120.0	120.8	121.5
Housing and Repairs	122.0	123.3	124.7	125.8	126.7	127.6	128.4	129.1	130.3	131.7	132.8	133.2
Fuel, Light and Water	122.4	124.6	129.3	135.7	138.7	141.5	145.5	153.0	162.2	161.2	165.3	165.4
Services	124.9	128.0	138.8	141.2	142.8	145.4	150.4	154.7	156.9	159.5	162.6	161.6
Miscellaneous	112.2	112.9	113.9	114.8	115.8	116.8	117.6	118.5	119.6	120.5	121.2	121.7

	Annual Change (in percent)											
	2004				2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>All Items</b>	<b>4.1</b>	<b>4.7</b>	<b>7.1</b>	<b>8.3</b>	<b>8.3</b>	<b>8.0</b>	<b>6.3</b>	<b>6.5</b>	<b>6.9</b>	<b>6.5</b>	<b>5.9</b>	<b>4.5</b>
Food, Beverages and Tobacco	4.1	5.3	7.2	8.2	8.1	7.7	6.2	6.2	6.4	5.9	5.1	4.7
Non-Food	4.2	3.9	7.0	8.4	8.6	8.4	6.4	6.7	7.6	7.2	6.6	4.4
Clothing	2.4	2.1	2.6	3.2	3.7	3.9	3.7	3.6	3.6	3.4	3.2	2.8
Housing and Repairs	5.6	3.7	3.6	3.9	3.8	3.5	2.9	2.7	2.8	3.2	3.5	3.2
Fuel, Light and Water	4.1	4.8	9.2	13.7	13.3	13.6	12.5	12.7	16.9	13.9	13.7	8.1
Services	4.4	5.2	12.4	13.9	14.3	13.6	8.4	9.6	9.8	9.7	8.1	4.4
Miscellaneous	1.8	1.7	2.1	2.7	3.2	3.4	3.3	3.2	3.3	3.2	3.1	2.6

Source of basic data: National Statistics Office (NSO)

## 6 SELECTED DOMESTIC INTEREST RATES

for periods indicated; in percent per annum

	NOMINAL INTEREST RATES												REAL INTEREST RATES <sup>1</sup>											
	2004				2005				2006				2004				2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Interbank Call Loans	6.9583	7.1391	7.0718	7.0090	7.0219	7.2176	7.2455	7.7389	7.8819	7.9103	8.0579	7.4600	2.8573	2.4066	0.2013	-1.1289	-1.4280	-0.9497	0.1357	0.8026	0.5642	1.0084	1.9541	2.6766
Savings Deposits	4.0130	4.2990	4.3230	4.4270	3.9620	3.6110	3.6310	3.8470	3.6540	3.7020	3.4430	3.4090	-0.0880	-0.4335	-2.5475	-3.7109	-4.4879	-4.5563	-3.4788	-3.0893	-3.6637	-3.1999	-2.6608	-1.3744
Time Deposits (All Maturities)	6.3270	6.3020	6.5820	6.4010	5.5820	4.9210	5.0000	5.5940	5.2790	5.1200	4.9970	4.5690	2.2260	1.5695	-0.2885	-1.7369	-2.8679	-3.2463	-2.1098	-1.3423	-2.0387	-1.7819	-1.1068	-0.2144
Manila Reference Rates (All Maturities)	8.0000	8.1250	8.2500	8.0625	7.5000	7.1250	6.5625	6.9375	6.8125	7.1250	6.6250	6.0625	3.8990	3.3925	1.3795	-0.0754	-0.9499	-1.0423	-0.5473	0.0012	-0.5052	0.2231	0.5212	1.2791
<b>Lending Rates</b>																								
High	11.3023	12.1440	12.2531	12.6061	11.8947	11.1259	10.6739	10.5479	10.0623	10.0348	10.5046	10.0152	7.2013	7.4115	5.3826	4.4682	3.4448	2.9586	3.5642	3.6116	2.7446	3.1329	4.4009	5.2318
Low	9.4383	10.1130	10.1716	10.5480	9.8101	9.1059	8.6867	8.6098	8.2028	8.2965	8.6186	8.0676	5.3373	5.3805	3.3011	2.4101	1.3602	0.9387	1.5769	1.6735	0.8851	1.3945	2.5148	3.2842
All Maturities <sup>3</sup>	9.6500	9.8040	10.4130	10.4250	10.0560	10.0270	10.2320	10.2620	9.8430	9.9070	10.0720	9.1710	5.5490	5.0715	3.5425	2.2871	1.6061	1.8597	3.1222	3.3257	2.5253	3.0051	3.9682	4.3876
<b>Bangko Sentral Rates</b>																								
R/P (Overnight) <sup>4</sup>	9.0000	9.0000	9.0000	9.0000	9.0000	9.2500	9.2786	9.6967	9.7500	9.7500	9.7500	N.T.	4.8990	4.2675	2.1295	0.8621	0.5501	1.0827	2.1688	2.7604	2.4323	2.8481	3.6462	N.T.
R/P (Term) <sup>4</sup>	9.0787	9.0783	9.0891	9.1039	9.1218	9.3323	9.3178	9.8750	9.8125	9.8125	N.T.	N.T.	4.9777	4.3458	2.2186	0.9660	0.6719	1.1650	2.2080	2.9387	2.4948	2.9106	N.T.	N.T.
RR/P (Overnight) <sup>4</sup>	6.7500	6.7500	6.7500	6.7500	6.7500	6.9873	7.0180	7.4592	7.5000	7.5000	7.5000	7.5000	2.6490	2.0175	-0.1205	-1.3879	-1.6999	-1.1800	-0.0918	0.5229	0.1823	0.5981	1.3962	2.7166
RR/P (Term) <sup>4</sup>	6.8523	6.8515	6.8375	6.8290	6.8172	7.0725	7.1033	7.5469	7.5863	7.5848	7.5905	7.5979	2.7513	2.1190	-0.0330	-1.3089	-1.6327	-1.0948	-0.0065	0.6106	0.2686	0.6829	1.4867	2.8145
Rediscounting	5.3757	6.3067	6.5050	8.3733	7.6690	6.6310	6.2480	5.9577	5.2987	5.1110	6.0717	5.1147	1.2746	1.5742	-0.3655	0.2355	-0.7809	-1.5363	-0.8618	-0.9786	-2.0190	-1.7909	-0.0321	0.3313
<b>Rate on Government Securities</b>																								
Treasury Bills, All Maturities	7.3820	7.9080	8.2590	8.7320	7.9350	7.0710	7.4070	7.7330	6.4290	5.8370	6.4250	5.6820	3.2810	3.1755	1.3885	0.5941	-0.5149	-1.0963	0.2972	0.7967	-0.8887	-1.0649	0.3212	0.8986
91-Days	6.4430	7.2990	7.4530	7.8380	7.0800	6.1610	5.6830	5.6110	5.0310	5.1850	5.6070	5.2580	2.3420	2.5665	0.5825	-0.2999	-1.3699	-2.0063	-1.4268	-1.3253	-2.2867	-1.7169	-0.4968	0.4746
182-Days	7.6000	8.4430	8.3640	8.9010	8.0630	7.2890	7.6070	7.7520	6.2650	5.9720	6.4240	5.5580	3.4990	3.7105	1.4935	0.7631	-0.3869	-0.8783	0.4972	0.8157	-1.0527	-0.9299	0.3202	0.7746
364-Days	8.1960	9.0160	9.5160	9.8460	9.0010	8.2640	8.6310	8.7670	7.2720	6.4100	7.3090	6.1530	4.0950	4.2835	2.6455	1.7081	0.5511	0.0967	1.5212	1.8307	-0.0457	-0.4919	1.2052	1.3696

<sup>1</sup> Nominal interest rate less inflation rate

<sup>2</sup> Refers to the New MRR based on combined transactions on time deposits and promissory notes of reporting commercial banks

<sup>3</sup> Refers to the weighted average interest rate of reporting commercial banks' interest incomes on their outstanding peso-denominated loans

<sup>4</sup> Weighted average of transacted rates

N.T. - No transactions

Source: Bangko Sentral ng Pilipinas

## 7 TOTAL RESOURCES OF THE FINANCIAL SYSTEM <sup>1</sup>

as of period indicated; in billion pesos

	2004				2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>TOTAL</b>	<b>4,870.8</b>	<b>4,975.4</b>	<b>5,046.2</b>	<b>5,175.9</b>	<b>5,449.9</b> <sup>P</sup>	<b>5,546.7</b> <sup>P</sup>	<b>5,444.0</b> <sup>P</sup>	<b>5,619.5</b> <sup>P</sup>	<b>5,606.5</b> <sup>P</sup>	<b>5,835.4</b> <sup>P</sup>	<b>5,852.1</b> <sup>P</sup>	<b>6,126.6</b> <sup>P</sup>
<b>Banks</b>	<b>3,957.4</b>	<b>4,049.6</b>	<b>4,098.0</b>	<b>4,183.0</b>	<b>4,413.6</b>	<b>4,494.3</b>	<b>4,388.4</b>	<b>4,464.1</b>	<b>4,438.8</b>	<b>4,664.0</b>	<b>4,668.9</b>	<b>4,943.4</b> <sup>P</sup>
Commercial Banks	3,562.7	3,643.3	3,692.7	3,760.6	3,972.2	4,043.6	3,922.7	3,986.0	3,953.8	4,148.2	4,118.1	4,392.6
Thrift Banks	298.7	307.7	305.1	317.9	332.3	338.2	350.2	357.8	364.8	390.0	420.4	420.4 <sup>a</sup>
Savings and Mortgage Banks	214.2	221.5	223.9	233.9	248.0	252.2	262.3	269.2	274.9	292.9	315.8	315.8 <sup>a</sup>
Private Development Banks	63.4	64.9	64.6	67.2	67.6	69.3	70.5	71.1	70.0	74.7	75.3	75.3 <sup>a</sup>
Stock Savings and Loan Associations	20.8	21.1	16.4	16.5	16.4	16.4	17.0	16.9	19.3	21.7	28.7	28.7 <sup>a</sup>
Micro Finance Banks	0.3	0.2	0.2	0.3	0.3	0.3	0.4	0.6	0.6	0.7	0.6	0.6 <sup>a</sup>
Rural Banks	96.0	98.6	100.2	104.5	109.1	112.5	115.5	120.3	120.2	125.8	130.4	130.4 <sup>a</sup>
<b>Non-Banks</b> <sup>2</sup>	<b>913.4</b>	<b>925.8</b>	<b>948.2</b>	<b>992.9</b>	<b>1,036.3</b> <sup>P</sup>	<b>1,052.4</b> <sup>P</sup>	<b>1,055.6</b> <sup>P</sup>	<b>1,155.4</b> <sup>P</sup>	<b>1,167.7</b> <sup>P</sup>	<b>1,171.4</b> <sup>P</sup>	<b>1,183.2</b> <sup>P</sup>	<b>1,183.2</b> <sup>a</sup>

<sup>1</sup> Excluding the Bangko Sentral ng Pilipinas

<sup>2</sup> Includes investment houses, finance companies, investment companies, securities dealers/brokers, pawnshops, lending investors, non-stock savings and loan associations, mutual building and loan associations, venture capital corporations, credit card companies, and private and government insurance companies (SSS and GSIS).

<sup>P</sup> preliminary

<sup>a</sup> As of end-September 2006

Source: Bangko Sentral ng Pilipinas

**8 NUMBER OF FINANCIAL INSTITUTIONS<sup>1</sup>**  
as of period indicated

	2005				2006		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>TOTAL</b>	<b>19,361</b>	<b>19,515</b>	<b>19,849</b>	<b>20,107</b>	<b>20,152</b>	<b>20,396</b>	<b>20,686</b>
<b>Head Offices</b>	<b>6,884</b>	<b>6,945</b>	<b>7,033</b>	<b>7,082</b>	<b>7,102</b>	<b>7,181</b>	<b>7,230</b>
<b>Branches/Agencies</b>	<b>12,477</b>	<b>12,570</b>	<b>12,816</b>	<b>13,025</b>	<b>13,050</b>	<b>13,215</b>	<b>13,456</b>
<b>A. BANKS</b>	<b>7,613</b>	<b>7,624</b>	<b>7,653</b>	<b>7,670</b>	<b>7,672</b>	<b>7,693</b>	<b>7,679</b>
<b>Head Offices</b>	<b>882</b>	<b>881</b>	<b>881</b>	<b>879</b>	<b>872</b>	<b>871</b>	<b>865</b>
<b>Branches/Agencies</b>	<b>6,731</b>	<b>6,743</b>	<b>6,772</b>	<b>6,791</b>	<b>6,800</b>	<b>6,822</b>	<b>6,814</b>
1. Commercial Banks	4,332	4,316	4,322	4,318	4,318	4,324	4,295
Head Offices	42	42	42	41	41	41	39
Branches/Agencies	4,290	4,274	4,280	4,277	4,277	4,283	4,256
2. Thrift Banks	1,266	1,280	1,279	1,293	1,312	1,316	1,318
Head Offices	83	83	84	84	85	85	84
Branches/Agencies	1,183	1,197	1,195	1,209	1,227	1,231	1,234
a. Savings and Mortgage Banks	789	804	804	817	833	837	843
Head Offices	32	32	32	32	32	32	33
Branches/Agencies	757	772	772	785	801	805	810
b. Private Development Banks	301	300	298	298	300	300	300
Head Offices	23	23	22	22	22	22	21
Branches/Agencies	278	277	276	276	278	278	279
c. Stock Savings and Loan Associations	167	167	162	162	162	162	162
Head Offices	26	26	26	26	26	26	26
Branches/Agencies	141	141	136	136	136	136	136
d. Micro Finance Banks	9	9	15	16	17	17	13
Head Offices	2	2	4	4	5	5	4
Branches/Agencies	7	7	11	12	12	12	9
3. Specialized Government Banks	0	0	0	0	0	0	0
Head Offices	0	0	0	0	0	0	0
Branches/Agencies	0	0	0	0	0	0	0
3. Rural Banks	2,015	2,028	2,052	2,059	2,042	2,053	2,066
Head Offices	757	756	755	754	746	745	742
Branches/Agencies	1,258	1,272	1,297	1,305	1,296	1,308	1,324
<b>B. NON -BANKING FINANCIAL INSTITUTIONS</b>	<b>11,748</b>	<b>11,891</b>	<b>12,196</b>	<b>12,437</b>	<b>12,480</b>	<b>12,703</b>	<b>13,007</b>
<b>Head Offices</b>	<b>6,002</b>	<b>6,064</b>	<b>6,152</b>	<b>6,203</b>	<b>6,230</b>	<b>6,310</b>	<b>6,365</b>
<b>Branches/Agencies</b>	<b>5,746</b>	<b>5,827</b>	<b>6,044</b>	<b>6,234</b>	<b>6,250</b>	<b>6,393</b>	<b>6,642</b>
1. Investment Houses	40	40	39	39	39	39	39
Head Offices	27	27	26	26	26	26	26
Branches/Agencies	13	13	13	13	13	13	13
2. Finance Companies	55	55	55	55	55	55	55
Head Offices	28	28	28	28	28	28	28
Branches/Agencies	27	27	27	27	27	27	27
3. Investment Companies	10	10	10	10	10	10	10
Head Offices	10	10	10	10	10	10	10
Branches/Agencies	0	0	0	0	0	0	0
4. Securities Dealers/Brokers	19	19	19	19	18	18	18
Head Offices	19	19	19	19	18	18	18
Branches/Agencies	0	0	0	0	0	0	0
5. Pawnshops	11,339	11,483	11,790	12,030	12,075	12,298	12,602
Head Offices	5,679	5,742	5,832	5,882	5,911	5,991	6,046
Branches/Agencies	5,660	5,741	5,958	6,148	6,164	6,307	6,556
6. Lending Investors	2	2	2	2	2	2	2
Head Offices	2	2	2	2	2	2	2
Branches/Agencies	0	0	0	0	0	0	0
7. Non-Stock Savings and Loan Associations	120	119	119	120	119	119	119
Head Offices	83	82	82	83	82	82	82
Branches/Agencies	37	37	37	37	37	37	37
8. Private Insurance Companies	148 <sup>P</sup>	148 <sup>P</sup>	148 <sup>P</sup>	148 <sup>P</sup>	148 <sup>P</sup>	148 <sup>P</sup>	148 <sup>P</sup>
Head Offices	139	139	139	139	139	139	139
Branches/Agencies	9	9	9	9	9	9	9
9. Government Non-Banks	4	4	4	4	4	4	4
Head Offices	4	4	4	4	4	4	4
Branches/Agencies	0	0	0	0	0	0	0
10. Venture Capital Coporations	5	5	4	4	4	4	4
Head Offices	5	5	4	4	4	4	4
Branches/Agencies	0	0	0	0	0	0	0
11. Credit Card Companies	6	6	6	6	6	6	6
Head Offices	6	6	6	6	6	6	6
Branches/Agencies	0	0	0	0	0	0	0

<sup>1</sup> Excluding the Bangko Sentral ng Pilipinas  
<sup>P</sup> preliminary

**9 RATIOS OF NON-PERFORMING LOANS (NPL) AND LOAN LOSS PROVISIONS (LLP) TO TOTAL LOANS OF THE BANKING SYSTEM**  
as of periods indicated

	TOTAL NPL/TOTAL LOANS				TOTAL LLP/TOTAL LOANS			
	Total	Commercial Banks	Thrift Banks	Rural Banks	Total	Commercial Banks	Thrift Banks	Rural Banks
<b>2004</b>								
Mar	14.073	14.056	13.375	16.522	7.133	7.353	5.413	4.968
Jun	13.946	13.923	13.323	16.387	7.193	7.430	5.344	5.050
Sep	13.959	14.059	12.195	15.801	7.172	7.433	5.162	4.940
Dec	12.886	12.884	11.852	15.680	7.422	7.754	4.862	4.950
<b>2005</b>								
Mar	11.606	11.463	11.525	15.829	7.077	7.377	4.736	4.951
Jun	9.623	9.375	9.920	15.728	6.464	6.700	4.541	5.112
Sep	9.866 <sup>r</sup>	9.609	10.120	15.757	6.814 <sup>r</sup>	7.091	4.749	5.112
Dec	8.335	7.980	9.736	14.524	6.023	6.192	4.612	5.027
<b>2006</b>								
Mar	8.532	8.174	9.635	14.722	6.150	6.365	4.620	4.851
Jun	7.830	7.391	9.205	14.768	5.780	5.919	4.930	4.770
Sep	7.964	7.598	8.801	14.267	5.993	6.190	4.828	4.749
Dec	6.567 <sup>p</sup>	6.012	8.801 <sup>a</sup>	14.267 <sup>a</sup>	4.821 <sup>p</sup>	4.823	4.828 <sup>a</sup>	4.749 <sup>a</sup>

<sup>1</sup> Data include banks under liquidation, foreign office transactions and interbank loans; starting August 2001, thrift banks include microfinance banks.

<sup>r</sup> revised

<sup>p</sup> preliminary

<sup>a</sup> As of end-September 2006

## 10 STOCK MARKET TRANSACTIONS <sup>1</sup>

volume in million shares; value in million pesos

	2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>VOLUME</b>	<b>199,070</b>	<b>44,020</b>	<b>39,874</b>	<b>34,677</b>	<b>88,752</b>	<b>174,494</b>	<b>171,065</b>	<b>166,779</b>
Financials	1,359	484	792	402	886	1,544	823	1,708
Industrial	5,390	1,905	1,783	1,341	3,481	2,570	8,524	14,710
Holding Firms	31,019	6,922	6,097	3,280	11,466	12,389	13,311	24,057
Property	16,725	5,626	4,211	4,549	6,808	12,094	12,013	19,211
Services	20,867	3,482	3,126	4,604	33,637	24,069	11,081	23,780
Mining and Oil	123,709	25,592	23,849	20,501	32,473	121,829	125,314	83,307
SME	0	9	17	0	2	0	0	7
<b>VALUE</b>	<b>134,701</b>	<b>88,490</b>	<b>102,421</b>	<b>57,908</b>	<b>122,715</b>	<b>134,504</b>	<b>106,477</b>	<b>208,714</b>
Financials	19,303	9,708	33,878	10,734	16,978	32,701	14,307	44,591
Industrial	28,899	26,026	18,428	8,607	31,208	14,568	16,129	51,234
Holding Firms	19,345	18,054	12,413	9,617	11,436	13,132	23,989	22,456
Property	18,656	10,480	11,030	10,569	11,210	23,069	16,598	39,552
Services	37,540	22,045	23,751	15,385	47,462	35,807	27,826	43,554
Mining and Oil	10,958	2,140	2,851	2,997	4,413	15,226	7,629	7,507
SME	0	37	70	0	7	0	0	43
<b>Composite Index (Average)</b>	<b>2,018</b>	<b>1,903</b>	<b>1,960</b>	<b>2,052</b>	<b>2,155</b>	<b>2,248</b>	<b>2,420</b>	<b>2,827</b>

<sup>1</sup> Starting January 2006, new sector classification was implemented.

Source: Philippine Stock Exchange

**11 PHILIPPINES: BALANCE OF PAYMENTS**  
for periods indicated

ITEM	Levels (in million US dollars)								Growth Rates (in percent)			
	2005 <sup>1</sup>				2006 <sup>2</sup>				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Current Account</b>	<b>662</b>	<b>-95</b>	<b>367</b>	<b>1,050</b>	<b>1,153</b>	<b>1,205</b>	<b>988</b>	<b>1,676</b>	<b>74.2</b>	<b>1,368.4</b>	<b>169.2</b>	<b>59.6</b>
Goods and Services	-1,732	-2,988	-2,403	-1,990	-1,532	-2,130	-1,815	-2,147	11.5	28.7	24.5	-7.9
Export	10,395	10,741	11,620	12,032	12,110	12,940	13,442	13,069	16.5	20.5	15.7	8.6
Import	12,127	13,729	14,023	14,022	13,642	15,070	15,257	15,216	12.5	9.8	8.8	8.5
Goods <sup>1</sup>	-1,364	-2,541	-2,163	-1,705	-1,519	-1,966	-1,637	-1,833	-11.4	22.6	24.3	-7.5
Credit: Exports	9,361	9,687	10,469	10,746	10,693	11,608	12,187	11,670	14.2	19.8	16.4	8.6
Debit: Imports	10,725	12,228	12,632	12,451	12,212	13,574	13,824	13,503	13.9	11.0	9.4	8.4
Services	-368	-447	-240	-285	-13	-164	-178	-314	96.5	63.3	25.8	-10.2
Credit: Exports	1,034	1,054	1,151	1,286	1,417	1,332	1,255	1,399	37.0	26.4	9.0	8.8
Debit: Imports	1,402	1,501	1,391	1,571	1,430	1,496	1,433	1,713	2.0	-0.3	3.0	9.0
Income	-145	9	-255	97	-226	78	-471	76	-55.9	766.7	-84.7	-21.6
Credit: Receipts	974	981	1,037	945	1,055	1,070	1,095	1,170	8.3	9.1	5.6	23.8
Debit: Disbursements	1,119	972	1,292	848	1,281	992	1,566	1,094	14.5	2.1	21.2	29.0
Current Transfers	2,539	2,884	3,025	2,943	2,911	3,257	3,274	3,747	14.7	12.9	8.2	27.3
Credit: Receipts	2,631	2,960	3,095	3,025	2,980	3,335	3,342	3,855	13.3	12.7	8.0	27.4
Debit: Disbursements	92	76	70	82	69	78	68	108	-25.0	2.6	-2.9	31.7
<b>Capital and Financial Account</b>	<b>1,718</b>	<b>2,401</b>	<b>1,189</b>	<b>-3,079</b>	<b>1,427</b>	<b>-1,398</b>	<b>-928</b>	<b>-823</b>	<b>-16.9</b>	<b>-158.2</b>	<b>-178.0</b>	<b>73.3</b>
Capital Account	14	4	13	9	103	12	9	12	635.7	200.0	-30.8	33.3
Credit: Receipts	18	9	18	13	112	20	28	20	522.2	122.2	55.6	53.8
Debit: Disbursements	4	5	5	4	9	8	19	8	125.0	60.0	280.0	100.0
Financial Account	1,704	2,397	1,176	-3,088	1,324	-1,410	-937	-835	-22.3	-158.8	-179.7	-73.0
Direct Investment	531	285	419	430	567	787	414	474	6.8	176.1	-1.2	10.2
Debit: Assets, Residents' Investments Abroad	26	45	44	74	32	-3	62	12	23.1	-106.7	40.9	-83.8
Credit: Liabilities, Non-Residents' Investments in the Phil.	557	330	463	504	599	784	476	486	7.5	137.6	2.8	-3.6
Portfolio Investment	1,189	2,056	1,590	-1,360	1,667	-1,121	1,709	489	40.2	-154.5	7.5	136.0
Debit: Assets, Residents' Investments Abroad	1,878	-448	-1,294	10	295	801	-249	-386	-84.3	278.8	80.8	-3,960.0
Credit: Liabilities, Non-Residents' Investments in the Phil.	3,067	1,608	296	-1,350	1,962	-320	1,460	103	-36.0	-119.9	393.2	107.6
Financial Derivatives	-42	16	18	-35	-72	35	-45	-56	-71.4	118.8	-350.0	-60.0
Debit: Assets, Residents' Investments Abroad	-14	-47	-30	-7	-22	-88	-24	-25	-57.1	-87.2	20.0	-257.1
Credit: Liabilities, Non-Residents' Investments in the Phil.	-56	-31	-12	-42	-94	-53	-69	-81	-67.9	-71.0	-475.0	-92.9
Other Investment	26	40	-851	-2,123	-838	-1,111	-3,015	-1,742	-3,323.1	-2,877.5	-254.3	17.9
Debit: Assets, Residents' Investments Abroad	670	1,373	403	2,345	-142	55	2,576	2,216	-121.2	-96.0	539.2	-5.5
Credit: Liabilities, Non-Residents' Investments in the Phil.	696	1,413	-448	222	-980	-1,056	-439	474	-240.8	-174.7	2.0	113.5
<b>Net Unclassified Items</b>	<b>-1,598</b>	<b>-1,109</b>	<b>-822</b>	<b>1,726</b>	<b>-459</b>	<b>112</b>	<b>519</b>	<b>297</b>	<b>71.3</b>	<b>110.1</b>	<b>163.1</b>	<b>-82.8</b>
<b>Overall BOP Position</b>	<b>782</b>	<b>1,197</b>	<b>734</b>	<b>-303</b>	<b>2,121</b>	<b>-81</b>	<b>579</b>	<b>1,150</b>	<b>171.2</b>	<b>-106.8</b>	<b>-21.1</b>	<b>479.5</b>
Debit: Change in Reserve Assets	271	1,124	545	-319	1,915	-100	210	909	606.6	-108.9	-61.5	385.0
Credit: Change in Reserve Liabilities	-511	-73	-189	-16	-206	-19	-369	-241	59.7	74.0	-95.2	-1,406.3
Use of Fund Credits	-141	-45	-135	0	-90	0	-92	-220	36.2	100.0	31.9	0.0
Short-term	-370	-28	-54	-16	-116	-19	-277	-21	68.6	32.1	-413.0	-31.3

<sup>1</sup> revised

<sup>2</sup> preliminary

<sup>1</sup> Data on goods import for 2006 were adjusted to reflect preliminary adjustments on the valuation of raw materials for electronics and garments exports; data on goods for 2005 were based on NSO Final Foreign Trade Statistics released on 24 March 2006.

Technical Notes:

1. Net balances in the current and capital and financial accounts are derived by deducting debit entries from credit entries.

2. Overall BOP position is determined by deducting change in reserve liabilities from change in reserve assets.

3. Net unclassified items is an offsetting account to the overstatement or understatement in either receipts or payments of the recorded BOP components vis-à-vis the overall BOP position.

4. Change in KBs NFA as a BOP entry is derived by deducting foreign assets from foreign liabilities, consistent with the principle described in technical note No. 1.

5. Basic balance represents a BOP position that excludes transactions that are volatile and are in the short run susceptible to being reversed. It is derived using the following formula: Overall BOP position less (Net portfolio investments + net short-term liabilities) less errors and omissions. In the old BOP series, all transactions in assets and liabilities of commercial banks were deemed to be long-term. With the refinements in the new series on the maturity structure of KBs transactions, short-term financial transactions of KBs are now excluded from the basic balance.

Source: Bangko Sentral ng Pilipinas

# 11a EXPORTS BY MAJOR COMMODITY GROUPS

for periods indicated

volume in 000 metric tons; unit price in U.S.\$/m.t.; fob value in million U.S. dollars

Commodities	2005 <sup>f</sup>												2006 <sup>g</sup>													
	Q1			Q2			Q3			Q4			Q1			Q2			Q3			Q4				
	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value		
<b>Coconut Products</b>			<b>144</b>			<b>243</b>			<b>196</b>			<b>238</b>			<b>177</b>			<b>221</b>			<b>167</b>			<b>192</b>		
Copra	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Coconut Oil	179	603	108	316	623	197	272	569	155	385	513	197	261	524	137	341	522	178	212	553	117	251	586	147		
Desiccated Coconut	30	961	29	33	1,021	34	32	1,055	34	31	1,010	31	32	1,033	33	33	994	33	39	1,017	40	32	1,034	33		
Copra Meal/Cake	67	75	5	135	81	11	88	65	6	140	46	6	119	44	5	124	66	8	86	84	7	102	97	10		
Others			2			2			1			3			2			2			3			2		
<b>Sugar and Products</b>			<b>32</b>			<b>36</b>			<b>7</b>			<b>6</b>			<b>27</b>			<b>34</b>			<b>35</b>			<b>2</b>		
Centrifugal & Refined	101	262	26	106	316	34	14	375	5	1	361	--	53	376	20	77	391	30	86	388	33	1	0	0		
Molasses	79	61	5	28	65	2	16	96	2	62	91	6	61	98	6	32	104	3	17	114	2	6	100	1		
Others			1			--			--			--			1			1			0			1		
<b>Fruits and Vegetables</b>			<b>146</b>			<b>168</b>			<b>153</b>			<b>192</b>			<b>163</b>			<b>193</b>			<b>175</b>			<b>187</b>		
Canned Pineapple	52	513	27	44	525	23	55	536	29	58	529	31	36	537	19	35	579	20	61	570	35	53	619	33		
Pineapple Juice	17	220	4	14	250	3	19	233	4	21	226	5	13	243	3	17	278	5	23	318	7	17	406	7		
Pineapple Concentrates	12	711	9	11	710	8	12	771	9	13	742	9	10	715	7	13	777	10	11	771	9	132	88	12		
Bananas	412	181	75	510	180	92	455	178	81	648	177	115	521	178	93	636	178	113	545	173	94	603	173	105		
Mangoes	5	945	5	15	760	11	6	964	6	5	883	4	6	888	6	11	943	10	5	917	5	4	894	4		
Others			28			30			23			28			35			35			25			27		
<b>Other Agro-Based Products</b>			<b>108</b>			<b>107</b>			<b>116</b>			<b>111</b>			<b>103</b>			<b>122</b>			<b>128</b>			<b>121</b>		
Fish, Fresh or Preserved	16	3,411	55	16	3,470	55	18	3,512	64	17	3,835	66	17	3,084	52	21	3,121	65	19	3,857	71	16	4,272	69		
of which: Shrimps & Prawns	3	7,318	19	3	7,366	20	3	7,671	24	4	7,134	28	3	7,272	20	3	7,704	24	3	7,285	24	4	7,636	28		
Coffee, Raw, not Roasted	0	0	0	0	0	--	0	0	0	0	0	0	0	0	--	0	0	--	0	0	0	0	0	0		
Abaca Fibers	3	784	2	5	683	3	4	887	3	3	924	3	4	977	3	3	1,023	3	4	710	3	3	935	3		
Tobacco, Unmanufactured	3	3,353	9	5	1,486	7	7	1,379	10	3	1,450	4	4	1,656	6	4	1,537	6	4	2,205	10	6	2,012	12		
Natural Rubber	12	846	10	8	937	8	11	859	9	10	930	9	9	1,114	10	9	1,437	14	9	1,645	14	7	1,272	9		
Ramie Fibers, Raw or Processed	..	915	--	..	855	--	..	1,186	--	..	818	--	..	842	--	..	928	--	..	948	--	0	0	0		
Seaweeds, Dried	6	1,407	9	7	1,224	8	4	1,284	6	4	1,431	6	6	1,185	7	8	1,165	9	4	1,367	5	2	2,037	4		
Rice	..	548	--	..	968	--	..	581	--	0	0	0	..	716	0	0	0	0	..	978	--	..	1,007	--		
Others			23			26			23			23			25			25			25			24		
<b>Forest Products<sup>1</sup></b>			<b>9</b>			<b>8</b>			<b>8</b>			<b>8</b>			<b>6</b>			<b>6</b>			<b>7</b>			<b>9</b>		
Logs	..	61	--	0	0	0	0	0	0	0	0	0	0	0	0	..	52	--	..	57	--	..	77	--		
Lumber	27	82	2	37	79	3	40	55	2	26	51	1	19	139	3	54	64	3	60	57	3	51	73	4		
Plywood	11	489	5	10	380	4	8	412	3	11	499	6	4	527	2	1	571	1	4	550	2	11	443	5		
Veneer Sheets/Corestocks	2	474	1	1	593	1	4	585	2	1	430	--	2	467	1	3	635	2	2	763	1	1	592	1		
Others			1			1			1			--			--			--			--			--		
<b>Mineral Products</b>			<b>200</b>			<b>233</b>			<b>188</b>			<b>198</b>			<b>285</b>			<b>537</b>			<b>592</b>			<b>645</b>		
Copper Concentrates	10	600	6	15	644	10	15	680	10	15	732	11	15	852	13	15	1,091	16	15	1,664	25	17	1,799	30		
Copper Metal	32	3,113	99	35	3,272	113	23	3,013	70	24	3,284	79	33	4,592	153	52	6,329	328	40	7,827	310	52	7,592	397		
Gold <sup>2</sup>	29	399	12	29	401	12	45	236	11	46	340	16	36	502	18	376	157	59	595	167	100	300	168	51		
Iron Ore Agglomerates	776	18	14	1,292	27	35	1,056	29	31	1,006	30	30	1,315	30	39	1,272	32	41	1,513	28	42	1,099	28	30		
Chromium Ore	13	100	1	17	65	1	10	55	1	19	97	2	19	77	1	21	67	1	14	47	1	19	61	1		
Nickel			--			0			0			0			0			0			--			0		
Others			68			63			66			60			60			91			114			136		
<b>Petroleum Products</b>			<b>82</b>			<b>136</b>			<b>153</b>			<b>214</b>			<b>216</b>			<b>205</b>			<b>287</b>			<b>148</b>		
<b>Manufactures</b>			<b>8,636</b>			<b>8,750</b>			<b>9,656</b>			<b>9,903</b>			<b>9,720</b>			<b>10,252</b>			<b>10,782</b>			<b>10,326</b>		
Electronic Products			6,314			6,354			7,178			7,441			7,111			7,328			7,425			7,425		
Other electronics			298			311			318			272			350			459			391			355		
Garments			541			509			673			586			622			624			753			627		
Textile Yarns/Fabrics			60			68			60			59			56			59			50			55		
Footwear			7			8			6			4			7			8			6			4		
Travel Goods and Handbags			5			7			5			4			9			11			5			5		
Wood Manufactures			41			35			39			23			94			151			139			167		
Furnitures & Fixtures			84			75			75			70			68			76			73			59		
Chemicals			125			133			125			164			171			197			182			201		
Non-Metallic Mineral Manufactures			47			43			41			40			39			46			46			57		
Machinery & Transport Equipment			438			487			413			498			430			412			428			446		
Processed Food and Beverages			124			134			125			137			126			134			164			159		
Iron & Steel			16			27			22			30			32			57			74			76		
Baby Carr., Toys, Games & Sporting Goods			27			34			42			28			26			38			48			38		
Basketwork, Wickerwork, & Other																										
Articles of Plaiting Materials			18			15			12			12			17			13			12			12		
Misc. Manufactured Articles, n.e.s.			66			68			76			74			87			81			78			74		
Others			424			443			446			461			476			565			611			566		
<b>Special Transactions</b>			<b>205</b>			<b>228</b>			<b>213</b>			<b>223</b>			<b>203</b>			<b>269</b>			<b>217</b>			<b>278</b>		
<b>Re-Exports</b>			<b>150</b>			<b>171</b>			<b>149</b>			<b>272</b>			<b>163</b>			<b>150</b>			<b>154</b>			<b>194</b>		
<b>TOTAL EXPORTS, as per NSO Foreign Trade Statistics</b>			<b>9,562</b>			<b>9,909</b>			<b>10,691</b>			<b>11,093</b>			<b>10,898</b>			<b>11,839</b>			<b>12,391</b>			<b>11,908</b>		
Coverage Adjustments			-202			-222																				

# 11b IMPORTS BY MAJOR COMMODITY GROUP

for periods indicated

volume in 000 metric tons; unit price in U.S.\$/mt; f.o.b. value in million U.S. dollars

Commodities	2005 <sup>a</sup>												2006											
	Q1			Q2			Q3			Q4			Q1			Q2			Q3			Q4 <sup>b</sup>		
	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value
<b>Capital Goods</b>			<b>1,930</b>			<b>2,195</b>			<b>2,383</b>			<b>2,420</b>			<b>2,017</b>			<b>2,173</b>			<b>2,511</b>			<b>2,377</b>
Power Generating & Specialized Machines			462			616			527			543			500			566			591			559
Office & EDP Machines			762			828			858			859			701			764			906			864
Telecommunication Eqpt. & Elect. Mach.			433			445			540			521			456			471			487			484
Land Transport Eqpt. excl. Passenger Cars & Motorized Cycle			146			167			161			144			164			138			177			217
Aircraft, Ships & Boats			25			126			80			236			90			122			221			133
Prof. Sci. & Cont. Inst.; Photographic Eqpt. & Optical Goods			102			102			128			117			106			112			129			120
<b>Raw Materials &amp; Intermediate Goods</b>			<b>6,573</b>			<b>7,263</b>			<b>7,357</b>			<b>7,639</b>			<b>7,414</b>			<b>8,080</b>			<b>8,077</b>			<b>8,180</b>
Unprocessed Raw Materials			386			378			347			371			386			383			440			434
Wheat	369	176	65	704	135	95	438	164	72	538	160	86	829	143	119	761	189	144	487	211	103	667	151	101
Corn	3	796	2	4	1,136	5	60	166	10	4	1,008	4	149	141	21	150	126	19	2	1,665	4	4	1,250	5
Unmilled cereals excl. rice & corn			0			1			0			0			1			0			1			0
Crude materials, inedible			273			230			220			239			220			187			274			282
Pulp & waste paper			17			18			15			14			16			20			16			13
Cotton	12	1,102	13	10	1,050	10	8	1,008	8	4	1,024	4	7	1,258	9	6	1,272	7	7	1,180	8	6	1,000	6
Syn. fibers	14	1,566	22	12	1,863	22	12	1,798	21	10	1,850	18	10	1,607	16	10	1,889	19	10	1,925	20	11	1,818	20
Metalliferous ores			136			84			88			130			84			46			139			146
Others			85			96			88			73			95			95			91			97
Tobacco, unmanufactured			46			47			45			42			25			33			58			46
Semi-Processed Raw Materials			6,187			6,885			7,010			7,268			7,028			7,697			7,637			7,746
Feeding stuffs for animals	292	250	73	596	223	133	454	262	119	400	252	101	419	239	100	447	239	107	311	267	83	552	216	119
Animal & vegetable oils & fats			33			41			36			33			38			38			34			42
Chemical			762			829			881			825			827			944			983			877
Chemical compounds			197			199			225			204			208			219			261			220
Medicinal & pharmaceutical chemicals			113			116			113			117			130			140			136			123
Urea	88	159	14	156	212	33	154	175	27	136	147	20	87	183	16	186	209	39	126	245	31	98	214	21
Fertilizer excl. urea	99	141	14	249	148	37	205	152	31	182	148	27	212	132	28	291	141	41	192	156	30	259	151	39
Artificial resins			188			212			234			221			215			245			252			233
Others			236			232			251			236			230			260			273			241
Manufactured goods			888			1,027			946			938			840			1,096			1,064			915
Paper & paper products	144	696	100	152	686	104	153	646	99	145	642	93	174	616	107	190	616	117	172	698	120	1,248	91	114
Textile yarn, fabrics & made-up articles			152			208			216			212			196			253			231			208
Non-metallic mineral mftures.			39			49			50			48			49			49			48			48
Iron & steel	694	526	365	729	554	404	644	500	322	584	497	290	402	508	204	789	474	374	1,470	222	326	447	546	244
Non-ferrous metals			108			111			109			142			148			148			173			135
Metal products			65			93			86			85			78			91			104			103
Others			59			58			64			68			58			64			62			63
Embroideries			313			301			400			352			275			321			377			326
Mat/Acc for the mfr. of elect. eqpt.			4,099			4,526			4,611			4,992			4,933			5,176			5,091			5,458
Iron ore, not agglomerated	1,022	19	19	1,442	19	28	889	19	17	1,424	19	27	781	19	15	752	20	15	227	22	5	509	18	9
<b>Mineral Fuels &amp; Lubricant</b>			<b>1,309</b>			<b>1,710</b>			<b>1,836</b>			<b>1,426</b>			<b>1,821</b>			<b>2,236</b>			<b>2,138</b>			<b>1,926</b>
Coal, Coke	978	33	32	1,177	39	46	1,155	0	43	1,017	54	55	1,131	39	44	1,642	43	70	1,545	0.03	63	1,383	48	66
Petroleum Crude <sup>1</sup>	19.25	37.09	714	21.18	48.57	1,029	21.58	0.00	1,202	16.32	51.35	838	18.35	54.76	1,005	22.59	64.73	1,462	19.31	52.05	1,396	19.90	63.37	1,261
Others <sup>1</sup>	10.25	54.94	563	10.16	62.48	635	9.19	0.00	591	9.13	58.39	533	11.17	69.11	772	10.48	67.18	704	8.39	92.05	679	8.49	70.55	599
<b>Consumer Goods</b>			<b>797</b>			<b>965</b>			<b>887</b>			<b>778</b>			<b>869</b>			<b>928</b>			<b>1,015</b>			<b>929</b>
Durable			302			356			374			378			328			388			431			493
Passenger cars & motorized cycle			123			149			168			161			140			171			194			246
Home appliances			49			54			53			59			45			50			53			69
Misc. manufactures			130			153			153			158			143			167			184			178
Non-Durable			495			609			513			400			541			540			584			436
Food & live animals chiefly for food			466			578			474			358			505			501			539			389
Dairy products	77	1,614	124	79	1,640	130	52	1,411	73	61	1,436	87	70	1,601	112	75	1,564	118	74	1,451	108	74	1,419	105
Fish & fish preparation	30	436	13	21	581	12	39	539	21	35	431	15	38	446	17	19	411	8	23	519	12	43	488	21
Rice	365	282	103	729	288	210	632	253	160	96	272	26	634	268	170	513	257	132	564	289	163	4	500	2
Fruits & vegetables			26			24			26			38			35			36			34			56
Others			200			202			194			192			171			207			222			205
Beverages & tobacco mfture.			13			14			16			18			14			17			22			26
Articles of apparel, access.			16			17			23			22			22			22			23			21
<b>Special Transactions</b>			<b>199</b>			<b>217</b>			<b>267</b>			<b>377</b>			<b>175</b>			<b>237</b>			<b>173</b>			<b>199</b>
Articles temporarily imported & exported			114			133			134			119			93			105			82			64
Others			85			84			133			258			82			132			91			135
<b>TOTAL IMPORTS<sup>2</sup></b>			<b>10,808</b>			<b>12,350</b>			<b>12,730</b>			<b>12,640</b>			<b>12,296</b>			<b>13,654</b>			<b>13,914</b>			<b>13,611</b>
Conceptual and Coverage Adjustments			-83			-122			-98</															

**12 INTERNATIONAL RESERVES OF THE BANGKO SENTRAL NG PILIPINAS**  
as of periods indicated; in million US dollars

	2004				2005				2006			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
<b>Gross International Reserves</b>	<b>16,534</b>	<b>16,378</b>	<b>16,140</b>	<b>16,228</b>	<b>16,526</b>	<b>17,723</b>	<b>18,542</b>	<b>18,494</b>	<b>20,645</b>	<b>21,123</b>	<b>21,593</b>	<b>22,967</b>
Gold	3,317	3,171	3,401	3,112	2,700	2,583	2,569	2,568	2,797	2,904	2,746	2,941
SDRs	2	1	1	1	2	0	1	1	0	1	1	2
Foreign Investments	12,568	12,834	12,337	12,742	13,326	14,604	15,386	15,398	17,209	17,648	18,266	19,612
Foreign Exchange	517	244	273	238	366	409	459	402	513	441	451	280
Reserve Position in the Fund	129	128	128	135	132	127	127	125	126	129	129	132
<b>Net International Reserves</b>	<b>13,780</b>	<b>14,082</b>	<b>14,237</b>	<b>14,560</b>	<b>15,386</b>	<b>16,675</b>	<b>17,685</b>	<b>17,659</b>	<b>20,013</b>	<b>20,502</b>	<b>21,343</b>	<b>22,953</b>

Source: Bangko Sentral ng Pilipinas

### 13 EXCHANGE RATES OF THE PESO (AVERAGE)

pesos per unit of foreign currency

Period	US Dollar	Japanese Yen	EMU Euro	Pound Sterling	Singapore Dollar	Hongkong Dollar	Malaysian Ringgit	Thailand Baht	Indonesian Rupiah	New Taiwan Dollar	South Korean Won
<b>2004 Ave</b>	<b>56.0399</b>	<b>0.5184</b>	<b>69.6852</b>	<b>102.6979</b>	<b>33.1644</b>	<b>7.1955</b>	<b>14.7489</b>	<b>1.3932</b>	<b>0.0063</b>	<b>1.6820</b>	<b>0.0490</b>
Q1	55.9662	0.5224	69.9927	102.9211	33.0333	7.1966	14.7298	1.4283	0.0066	1.6805	0.0478
Q2	55.9113	0.5101	67.4043	101.0338	32.8481	7.1715	14.7154	1.3902	0.0062	1.6827	0.0481
Q3	56.0000	0.5096	68.4768	101.8777	32.8014	7.1799	14.7376	1.3570	0.0061	1.6549	0.0485
Q4	56.2821	0.5317	72.8671	104.9589	33.9749	7.2340	14.8130	1.3971	0.0062	1.7098	0.0515
<b>2005 Ave</b>	<b>55.0855</b>	<b>0.5015</b>	<b>68.6102</b>	<b>100.2974</b>	<b>33.1090</b>	<b>7.0830</b>	<b>14.5482</b>	<b>1.3697</b>	<b>0.0057</b>	<b>1.7161</b>	<b>0.0538</b>
Q1	55.0064	0.5270	72.1587	104.0351	33.6410	7.0552	14.4788	1.4257	0.0059	1.7483	0.0538
Q2	54.6706	0.5086	68.9220	101.5221	32.9770	7.0196	14.3889	1.3648	0.0057	1.7434	0.0543
Q3	56.0382	0.5040	68.3794	100.0733	33.4569	7.2126	14.8571	1.3570	0.0056	1.7384	0.0545
Q4	54.6267	0.4664	64.9806	95.5594	32.3611	7.0445	14.4681	1.3312	0.0055	1.6345	0.0527
<b>2006 Ave</b>	<b>51.3143</b>	<b>0.4414</b>	<b>64.4473</b>	<b>94.5112</b>	<b>32.3020</b>	<b>6.6060</b>	<b>13.9972</b>	<b>1.3542</b>	<b>0.0056</b>	<b>1.5793</b>	<b>0.0538</b>
Q1	51.8843	0.4439	62.4140	90.9607	31.8697	6.6884	13.9168	1.3196	0.0056	1.6081	0.0531
Q2	52.2146	0.4565	65.6478	95.4016	32.8576	6.7306	14.3285	1.3701	0.0057	1.6238	0.0550
Q3	51.3869	0.4423	65.5118	96.3133	32.5442	6.6079	14.0057	1.3639	0.0056	1.5694	0.0538
Q4	49.7714	0.4229	64.2156	95.3693	31.9364	6.3971	13.7376	1.3631	0.0055	1.5161	0.0531

Source: Bangko Sentral ng Pilipinas

## 13a EXCHANGE RATES OF THE PESO

units of foreign currency per peso

Period	US Dollar	Japanese Yen	EMU Euro	Pound Sterling	Singapore Dollar	Hongkong Dollar	Malaysian Ringgit	Thailand Baht	Indonesian Rupiah	New Taiwan Dollar	South Korean Won	
<b>2004</b>	<b>Ave</b>	<b>0.0178</b>	<b>1.9298</b>	<b>0.0144</b>	<b>0.0097</b>	<b>0.0302</b>	<b>0.1390</b>	<b>0.0678</b>	<b>0.7181</b>	<b>159.2568</b>	<b>0.5947</b>	<b>20.4479</b>
	Q1	0.0179	1.9144	0.0143	0.0097	0.0303	0.1390	0.0679	0.7001	151.2979	0.5951	20.9357
	Q2	0.0179	1.9611	0.0148	0.0099	0.0304	0.1394	0.0680	0.7195	160.7277	0.5943	20.7842
	Q3	0.0179	1.9625	0.0146	0.0098	0.0305	0.1393	0.0679	0.7370	163.2044	0.6043	20.6188
	Q4	0.0178	1.8814	0.0137	0.0095	0.0294	0.1382	0.0675	0.7160	161.7970	0.5851	19.4529
<b>2005</b>	<b>Ave</b>	<b>0.0182</b>	<b>1.9987</b>	<b>0.0146</b>	<b>0.0100</b>	<b>0.0302</b>	<b>0.1412</b>	<b>0.0688</b>	<b>0.7307</b>	<b>176.0337</b>	<b>0.5832</b>	<b>18.5966</b>
	Q1	0.0182	1.8982	0.0139	0.0096	0.0297	0.1418	0.0691	0.7015	168.3594	0.5720	18.6023
	Q2	0.0183	1.9661	0.0145	0.0099	0.0303	0.1425	0.0695	0.7328	174.4216	0.5736	18.4328
	Q3	0.0178	1.9843	0.0146	0.0100	0.0299	0.1386	0.0673	0.7369	178.5658	0.5753	18.3653
	Q4	0.0183	2.1461	0.0154	0.0105	0.0309	0.1420	0.0691	0.7514	182.7879	0.6120	18.9859
<b>2006</b>	<b>Ave</b>	<b>0.0195</b>	<b>2.2681</b>	<b>0.0155</b>	<b>0.0106</b>	<b>0.0310</b>	<b>0.1515</b>	<b>0.0715</b>	<b>0.7387</b>	<b>178.4957</b>	<b>0.6338</b>	<b>18.6093</b>
	Q1	0.0193	2.2534	0.0160	0.0110	0.0314	0.1495	0.0719	0.7578	179.1089	0.6220	18.8175
	Q2	0.0192	2.1922	0.0152	0.0105	0.0304	0.1486	0.0698	0.7300	174.0687	0.6160	18.1908
	Q3	0.0195	2.2618	0.0153	0.0104	0.0307	0.1514	0.0714	0.7332	177.4946	0.6374	18.5907
	Q4	0.0201	2.3649	0.0156	0.0105	0.0313	0.1563	0.0728	0.7338	183.3106	0.6596	18.8382

Source: Bangko Sentral ng Pilipinas

## 13b EFFECTIVE EXCHANGE RATE INDICES OF THE PESO (AVERAGE)

December 1980=100

	N O M I N A L			R E A L		
	Major Trading Partners <sup>1</sup>	Competing Countries		Major Trading Partners <sup>1</sup>	Competing Countries	
		Broad <sup>2</sup>	Narrow <sup>3</sup>		Broad <sup>2</sup>	Narrow <sup>3</sup>
<b>2004</b>	<b>11.87</b>	<b>27.94</b>	<b>54.72</b>	<b>58.07</b>	<b>100.78</b>	<b>146.14</b>
Q1	11.84	27.50	52.78	56.34	96.28	137.24
Q2	12.00	28.15	55.10	57.74	99.90	144.91
Q3	11.95	28.37	55.83	59.55	104.53	152.58
Q4	11.68	27.76	55.18	58.63	102.42	149.85
<b>2005</b>	<b>12.30</b>	<b>26.83</b>	<b>48.60</b>	<b>62.69</b>	<b>101.43</b>	<b>149.52</b>
Q1	12.01	26.36	47.24	60.00	98.14	144.57
Q2	12.24	26.81	48.57	61.75	100.85	149.79
Q3	12.19	26.68	48.72	62.83	102.75	153.32
Q4	12.75	27.44	49.89	66.18	104.00	150.41
<b>2006</b>	<b>13.31</b>	<b>27.73</b>	<b>49.64</b>	<b>70.33</b>	<b>107.20</b>	<b>150.66</b>
Q1	13.40	27.80	50.02	70.16	106.22	150.08
Q2	13.07	27.14	48.54	68.56	104.33	146.67
Q3	13.21	27.65	49.42	70.32	108.59	152.72
Q4	13.58	28.34	50.59	72.28	109.68	153.19

<sup>1</sup> U.S., Japan, European Monetary Union, United Kingdom

<sup>2</sup> Singapore, South Korea, Taiwan, Malaysia, Thailand, Indonesia, Hongkong

<sup>3</sup> Indonesia, Malaysia, Thailand

<sup>E</sup> Estimates using the average inflation rate of the previous two months.

Source: Bangko Sentral ng Pilipinas

## 14 TOTAL EXTERNAL DEBT <sup>1</sup>

as of periods indicated; in million US dollars

	30 June 2006				30 September 2006			
	Short-term		Medium & Long-Term	Total	Short-term		Medium & Long-Term	Total
	Trade	Non-Trade			Trade	Non-Trade		
<b>Grand Total</b>	<b>2,684</b>	<b>3,113</b>	<b>48,111</b> <sup>a</sup>	<b>53,908</b>	<b>3,271</b>	<b>2,407</b>	<b>48,382</b> <sup>a</sup>	<b>54,061</b>
<b>Public Sector</b>	204	459	36,592	<b>37,255</b>	252	240	37,109	37,601
Banks	204	459	3,650	4,312	252	240	3,401	3,893
Bangko Sentral ng Pilipinas	-	283	952	1,235	-	-	867	867
Others	204	176	2,698	<b>3,077</b>	252	240	2,534	3,026
Non-Banks	-	-	32,942	32,942	-	-	33,708	33,708
CB-BOL	-	-	53	53	-	-	47	47
NG and Others	-	-	32,889	32,889	-	-	33,661	33,661
<b>Private Sector</b>	<b>2,481</b>	2,655	11,518	<b>16,653</b>	3,019	<b>2,168</b>	11,273	<b>16,460</b>
Banks	<b>581</b>	2,352	<b>2,362</b> <sup>b</sup>	5,295	907	1,895	2,808 <sup>b</sup>	5,610
Foreign Bank Branches	400	744	1,515	2,659 <sup>c</sup>	735	775	1,999	3,509 <sup>c</sup>
Domestic Banks	182	1,608	846	2,636	172	1,120	809	2,101 <sup>d</sup>
Non-Banks	1,900	303	9,156 <sup>e</sup>	11,359	2,112	272	8,465 <sup>e</sup>	<b>10,850</b>

<sup>1</sup> External debt data were revised from 1990 onwards to reflect the reclassification of offshore banking units (OBUs) from non-resident to resident entities for statistical purposes. Starting March 2004, debt stock is adjusted to exclude holdings of residents of Philippine debt papers booked under the Trust Department of commercial banks. Total external debt covers BSP-approved/registered debt owed to non-residents, with classification by borrower based on primary obligor per covering loan/rescheduling agreement/document.

<sup>a</sup> Includes cumulative foreign exchange revaluation on US dollar-denominated multi-currency loans from Asian Development Bank and World Bank amounting to US\$45 million and US\$30 million as of 30 June 2006 and 30 September 2006, respectively.

<sup>b</sup> Includes accounts restructured under CB Circular No.1179 amounting to US\$43 million.

<sup>c</sup> Excludes "Due to Head Office/Branches Abroad" accounts of branches and offshore banking units of foreign banks operating in the Philippines amounting to US\$2,379 million and US\$2,521 million as of 30 June 2006 and 30 September 2006, respectively.

<sup>d</sup> Includes US\$10 million liabilities of a private development bank and rural banks.

<sup>e</sup> Excludes obligations under various capital lease agreements of US\$1,159 million and US\$1,133 million as of 30 June 2006 and 30 September 2006, respectively.

Also, excludes loans without BSP approval/registration amounting to US\$3,027 million and US\$3,096 million as of 30 June 2006 and 30 September 2006, respectively.

Source: Bangko Sentral ng Pilipinas

## 15 SELECTED FOREIGN DEBT SERVICE INDICATORS

for periods indicated; in million US dollars

	2005				2006 <sup>P</sup>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Debt Service Burden (DSB) <sup>1</sup>	2,127	1,438	2,282	1,777	1,954	1,722	1,859	2,367
Principal	1,344	901	1,472	1,191	1,007	1,090	954	1,591
Interest	783	537	810	586	947	632	905	776
Export Shipments (XS)	9,361	9,687	10,469	10,746	10,693	11,608	12,187	11,670
Exports of Goods and Receipts from Services and Income (XGSI) <sup>2</sup>	13,063	13,682	14,742	15,033	15,344	16,474	16,999	17,138
Current Account Receipts (CAR) <sup>3</sup>	14,000	14,682	15,752	16,002	16,145	17,345	17,879	18,094
Gross National Product (GNP)	24,090	26,062	25,802	30,763	28,874	30,539	31,349	37,290
<b>RATIOS (in %):</b>								
<b>DSB to XS</b>	<b>22.72</b>	<b>14.84</b>	<b>21.80</b>	<b>16.54</b>	<b>18.27</b>	<b>14.83</b>	<b>15.25</b>	<b>20.28</b>
<b>DSB to XGSI</b>	<b>16.28</b>	<b>10.51</b>	<b>15.48</b>	<b>11.82</b>	<b>12.73</b>	<b>10.45</b>	<b>10.94</b>	<b>13.81</b>
<b>DSB to CAR</b>	<b>15.19</b>	<b>9.79</b>	<b>14.49</b>	<b>11.10</b>	<b>12.10</b>	<b>9.93</b>	<b>10.40</b>	<b>13.08</b>
<b>DSB to GNP</b>	<b>8.83</b>	<b>5.52</b>	<b>8.84</b>	<b>5.78</b>	<b>6.77</b>	<b>5.64</b>	<b>5.93</b>	<b>6.35</b>

<sup>1</sup> Debt service burden represents principal and interest payments after rescheduling. In accordance with the internationally-accepted concept, debt service burden consists of (a) principal and interest payments on fixed MLT credits including IMF credits, loans covered by the Paris Club and Commercial Banks rescheduling, and New Money Facilities; and (b) interest payments on fixed and revolving short-term liabilities of banks and non-banks but excludes (i) prepayments of future years' maturities of foreign loans and (ii) principal payments on fixed and revolving short-term liabilities of banks and non-banks.

<sup>2</sup> Includes receipts from workers' remittances that were coursed through and reported by commercial banks.

<sup>3</sup> Based on the accounting principle under the Balance of Payments Manual, Fifth Edition which excludes (1) temporary exports and returned goods for exports of goods and (2) capital transfers in the computation of current account receipts.

<sup>P</sup> preliminary

Source: Bangko Sentral ng Pilipinas

**16 SELECTED FOREIGN INTEREST RATES (AVERAGE)**  
in percent

	2004				2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
US Prime Rate	4.0000	4.0000	4.4045	4.9421	5.4457	5.9161	6.4363	6.9697	7.4312	7.8989	8.2500	8.2500
US Discount Rate	2.0000	2.0000	2.4007	2.9360	3.4420	3.9129	4.4470	4.9371	5.4153	5.8841	6.2460	6.2500
US Federal Funds Rate	1.0083	1.0093	1.4320	1.9635	2.4538	2.9360	3.4714	3.9630	4.4649	4.8881	5.2570	5.2448
LIBOR (90 days)	1.1215	1.3025	1.7533	2.2958	2.8364	3.2834	3.7726	4.3375	4.7604	5.2140	5.4332	5.3686
SIBOR (90 days)	1.1209	1.3026	1.7597	2.3033	2.8380	3.2858	3.7800	4.3437	4.7664	5.2205	5.4378	5.3728

Source: Bloomberg, Asian Wall Street Journal, Reuters

# 17 BALANCE SHEET OF THE BANGKO SENTRAL NG PILIPINAS

as of periods indicated; in billion pesos

	2004				2005				2006			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec <sup>u</sup>
<b>Assets</b>	<b>1,285.8</b>	<b>1,279.2</b>	<b>1,282.8</b>	<b>1,259.1</b>	<b>1,332.2</b>	<b>1,406.4</b>	<b>1,362.1</b>	<b>1,292.8</b>	<b>1,378.7</b>	<b>1,406.5</b>	<b>1,417.8</b>	<b>1,571.4</b>
International Reserves	911.1	901.7	889.9	895.4	897.5	988.5	1,030.8	974.7	1,049.7	1,117.3	1,078.6	1,119.9
Foreign Exchange Receivable	7.5	7.5	7.5	14.9	14.5	14.9	13.6	18.3	17.2	4.1	4.1	4.1
Domestic Securities	126.5	114.7	112.1	105.2	98.1	92.7	86.1	74.9	87.6	67.3	120.6	222.5
Loans and Advances	128.2	128.9	118.8	121.2	118.8	115.4	116.3	116.2	111.4	111.3	111.0	118.1
Bank Premises and Other Fixed Assets	11.9	11.8	11.6	11.5	11.6	11.6	11.7	11.8	11.9	12.1	12.1	12.1
Other Assets	100.6	114.7	143.0	110.9	191.6	183.3	103.5	96.9	100.9	94.4	91.3	94.7
<b>Liabilities</b>	<b>1,078.3</b>	<b>1,081.6</b>	<b>1,074.9</b>	<b>1,037.5</b>	<b>1,101.5</b>	<b>1,164.6</b>	<b>1,102.2</b>	<b>1,044.6</b>	<b>1,125.4</b>	<b>1,137.8</b>	<b>1,161.0</b>	<b>1,304.6</b>
Currency Issue	258.3	255.5	247.8	322.5	272.3	267.5	264.7	336.6	296.1	294.5	290.7	384.5
Deposits	325.4	316.7	347.1	280.0	364.2	386.2	453.4	317.9	415.2	433.9	469.8	571.2
Reserve Deposits of Banks & Other I of which: DMBs	98.8	97.1	83.9	95.3	116.5	114.6	151.3	120.5	145.0	168.0	192.3	331.9
Special Deposit Accounts	-	-	-	-	-	0.1	-	0.1	9.6	25.5	50.2	51.8
Other Deposits of Banks & Other FIs	9.1	9.5	10.0	9.9	14.7	12.6	12.3	10.5	8.5	6.3	5.0	2.6
Treasurer of the Philippines	93.9	84.3	137.1	60.3	123.2	150.4	177.9	87.8	157.8	141.4	134.0	108.5
Other Foreign Currency Deposits	21.0	14.4	15.2	15.7	18.5	18.0	28.8	14.9	15.5	17.1	14.5	13.6
Foreign Financial Institutions	101.2	109.1	99.9	97.8	90.2	89.2	81.5	82.5	77.3	71.1	66.3	55.1
Other Deposits	1.4	2.4	1.1	1.1	1.0	1.3	1.6	1.5	1.5	4.4	7.5	7.7
Foreign Loans Payable	235.1	233.6	217.5	178.1	148.2	147.8	139.2	147.4	134.1	108.9	87.2	51.7
Foreign Bonds Payable	93.4	98.8	82.1	85.4	83.0	84.5	84.2	46.3	45.5	46.1	44.5	39.6
Derivative Instruments								-	0.1	-0.1	0.1	3.9
Allocation of SDRs	4.4	4.4	9.6	10.2	9.6	9.5	9.5	8.9	8.6	9.2	8.7	8.7
Revaluation of International Reserves <sup>1</sup>	92.8	84.7	84.2	100.0	75.4	82.1	75.1	57.6	39.7	62.0	29.5	9.1
BSP Debt Instruments	57.6	77.8	70.9	47.2	135.5	174.9	60.5	122.9	177.3	170.9	222.7	228.6
Other Liabilities	11.3	10.0	15.6	14.1	13.2	12.0	15.6	7.1	8.7	12.4	7.8	7.3
<b>Net Worth</b>	<b>207.6</b>	<b>197.7</b>	<b>207.9</b>	<b>221.6</b>	<b>230.6</b>	<b>241.8</b>	<b>259.9</b>	<b>248.1</b>	<b>253.4</b>	<b>268.7</b>	<b>256.8</b>	<b>266.8</b>
Capital	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Surplus/Reserves	197.6	187.7	197.9	211.6	220.6	231.8	249.9	238.1	243.4	258.7	246.8	256.8

Note: Details may not add up to totals due to rounding

<sup>u</sup> Unaudited; starting with end-December 2005, BSP financial statements have been prepared in compliance with some of the requirements of the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS), both of which have been aligned with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). Thus, December 2005 to December 2006 figures are not comparable with those in prior periods.

<sup>1</sup> Starting January 2004, all revaluation accounts, namely, FX differential account, revaluation of international reserves, revaluation of gold holdings-price fluctuation were consolidated in the account "net revaluation of international reserves".

Source: Bangko Sentral ng Pilipinas

**18 INCOME POSITION OF THE BANGKO SENTRAL NG PILIPINAS**  
for periods indicated; in billion pesos

	2004					2005					2006				
	Q1	Q2	Q3	Q4	Jan-Dec	Q1	Q2	Q3	Q4	Jan-Dec	Q1	Q2	Q3	Q4	Jan-Dec
<b>Revenues</b>	<b>10.733</b>	<b>10.313</b>	<b>10.866</b>	<b>19.306</b>	<b>51.218</b>	<b>15.065</b>	<b>12.395</b>	<b>14.535</b>	<b>-4.803</b>	<b>37.192</b>	<b>12.558</b>	<b>13.366</b>	<b>13.071</b>	<b>16.797</b>	<b>55.792</b>
Interest Income	9.692	9.578	9.852	9.724	38.846	9.818	10.305	14.240	6.549	40.912	11.879	12.455	12.330	14.037	50.701
International Reserves	5.712	5.848	5.672	6.059	23.291	6.084	7.015	9.426	5.240	27.765	8.982	10.032	10.035	10.578	39.627
Domestic Securities	2.602	2.414	2.995	2.572	10.583	2.440	2.274	2.333	0.206	7.253	1.531	1.543	1.432	2.389	6.895
Loans and Advances	1.275	1.238	1.154	1.059	4.726	1.222	1.032	0.992	0.989	4.235	0.981	0.932	0.757	1.002	3.672
Others	0.103	0.078	0.031	0.034	0.246	0.072	-0.016	1.489	0.114	1.659	0.385	-0.052	0.106	0.068	0.507
Miscellaneous Income	1.023	0.701	0.974	9.545	12.243	5.200	2.058	0.276	-11.254	-3.720	0.618	0.846	0.712	2.720	4.896
Net Income from Branches	0.018	0.034	0.040	0.037	0.129	0.047	0.032	0.019	-0.098	0.000	0.061	0.065	0.029	0.040	0.195
<b>Expenses</b>	<b>9.616</b>	<b>11.385</b>	<b>9.907</b>	<b>16.156</b>	<b>47.064</b>	<b>10.569</b>	<b>13.054</b>	<b>12.724</b>	<b>11.920</b>	<b>48.267</b>	<b>12.249</b>	<b>12.697</b>	<b>13.323</b>	<b>13.726</b>	<b>51.995</b>
Interest Expenses	6.883	6.796	7.494	7.070	28.243	7.523	9.451	9.301	8.185	34.460	9.160	10.192	10.430	11.072	40.854
Legal Reserve Deposits of Banks	0.679	0.652	0.644	0.603	2.578	0.759	0.736	0.801	0.851	3.147	0.812	0.840	0.978	2.149	4.779
National Government Deposits	1.389	1.248	1.561	1.557	5.755	1.555	2.128	2.422	2.093	8.198	1.943	1.951	2.069	1.596	7.559
BSP Debt Instruments	0.905	1.022	1.296	1.055	4.278	1.730	2.796	2.070	1.835	8.431	3.241	3.844	4.111	3.818	15.014
Special Deposit Accounts	0.000	0.000	0.004	0.000	0.004	0.000	0.001	0.000	0.001	0.002	0.055	0.360	0.615	1.182	2.212
Loans Payable and Other Foreign Currency Deposits	3.908	3.868	3.990	3.855	15.621	3.479	3.790	4.008	3.405	14.682	3.109	3.197	2.657	2.327	11.290
Other Liabilities	0.002	0.006	-0.001	0.000	0.007	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Cost of Minting/Printing of Currency	0.520	0.552	0.517	1.960	3.549	0.668	0.433	0.487	0.156	1.744	1.181	-0.231	0.547	-0.109	1.388
Taxes and Licenses	0.825	0.393	0.440	0.210	1.868	0.397	0.335	0.327	0.300	1.359	0.308	0.286	0.265	0.317	1.176
Others	1.388	3.644	1.456	6.916	13.404	1.981	2.835	2.609	3.279	10.704	1.600	2.450	2.081	2.446	8.577
<b>Net Income Before Gain/Loss(-) on FXR and Price Fluctuations, Provision for Income Tax and Capital Reserves</b>	<b>1.117</b>	<b>-1.072</b>	<b>0.959</b>	<b>3.150</b>	<b>4.154</b>	<b>4.496</b>	<b>-0.659</b>	<b>1.811</b>	<b>-16.723</b>	<b>-11.075</b>	<b>0.309</b>	<b>0.669</b>	<b>-0.252</b>	<b>3.071</b>	<b>3.797</b>
Gain/Loss(-) on Foreign Exchange Rate and Price Fluctuation:	1.044	1.435	1.292	-1.617	2.154	-1.274	3.917	4.785	12.787	20.215	-2.409	16.767	-17.580	3.222	0.000
Provision for Income Tax	0.190	0.162	0.280	0.429	1.061	0.000	1.001	1.593	-1.489	1.105	0.000	4.298	-0.260	-4.026	0.012
Capital Reserves	0.000	0.000	0.000	3.098	3.098	0.000	0.000	0.000	3.230	3.230				0.100	0.100
<b>Net Income Available for Distribution</b>	<b>1.971</b>	<b>0.201</b>	<b>1.971</b>	<b>-1.994</b>	<b>2.149</b>	<b>3.222</b>	<b>2.257</b>	<b>5.003</b>	<b>-5.677</b>	<b>4.805</b>	<b>-2.100</b>	<b>13.138</b>	<b>-17.572</b>	<b>10.219</b>	<b>3.685</b>

<sup>u</sup> Unaudited; starting with December 2005, BSP financial statements have been prepared in compliance with some of the requirements of the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS), both of which have been aligned with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). Thus, starting December 2005 to December 2006, figures are not comparable with those in prior periods.

Source: Bangko Sentral ng Pilipinas