



Report on Economic and Financial Developments

Second Quarter 2007



Bangko Sentral ng Pilipinas

Report on Economic and Financial Developments

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EXECUTIVE SUMMARY**A. Key Economic Developments**

Economy sustains robust growth. The domestic economy sustained its vibrant growth, accelerating by 7.5 percent in the second quarter of 2007. The Gross Domestic Product (GDP) growth was led by the strong performance of the services and industry sectors on the production side; and consumption, government spending and investment, on the expenditure side.

Inflation eases further. The continued downtrend in inflation from 2.9 percent in the first quarter of 2007 to 2.4 percent in the second quarter remained in line with the BSP's assessment of a generally benign inflation outlook for the rest of the year. The downtrend was supported by favorable supply conditions, the strengthening of the peso and limited demand-based pressures. Core inflation remained low, posting a 0.6 percentage point drop to 2.6 percent in the second quarter from 3.2 percent in the previous quarter.

BSP keeps policy rates unchanged. Assessment of a manageable inflation over the policy horizon due to easing supply-side pressures, moderate demand pressures, and well-contained inflation expectations were the basis for the Monetary Board's decision to keep policy rates unchanged during the review quarter. The tiering system on bank placements with the BSP was also kept in place during the period.

Banking system remains generally sound. The banking system continued to show overall soundness and stability. Resources expanded on the back of a growing deposit base, while asset

quality improved further. The NPL ratio declined to 5.7 percent in June 2007 from 7.8 percent a year ago. Reflecting the banking system's improved ability to cover risky assets, the capital adequacy ratio at 18.8 percent remained higher than the 10.0 percent statutory level set by the BSP and the 8.0 percent standard by the BIS.

National Government (NG) posts a smaller surplus. The NG posted a budget surplus of ₱11.0 billion in the second quarter of 2007, lower than the P14.6 billion surplus programmed for the quarter. The surplus was also lower than the ₱36.1 billion surplus registered during the same period last year.

Balance of Payments (BOP) position posts a surplus. The overall BOP position posted a large surplus of US\$1,781 million during the second quarter of 2007, a sharp turnaround from the deficit of US\$81 million in the same period in 2006. The current account surplus continued to rise while the capital and financial account balance reversed from a deficit to a surplus during the review period.

Gross international reserves (GIR) hit a new high. The country's GIR reached a new record-high level of US\$26.4 billion as of end-June 2007 from US\$24.7 billion as of end-March 2007. This significant build-up in reserves was traced to the BSP's foreign exchange operations, income from investments abroad and proceeds from the release of collateral on the Brady bonds.

Peso strengthens further. The peso continued to strengthen as it appreciated by 3.6 percent in the second quarter of 2007 to average

₱46.93/US\$1 from the previous quarter's level. Continued investor optimism on account of strong economic fundamentals and sustained inflows from overseas Filipino (OF) remittances, export earnings and foreign investments contributed to the gains in the peso during the quarter.

B. Challenges and Future Policy Directions

The Philippine economy continued to accelerate in the second quarter of 2007, posting the highest growth in twenty years. Solid economic fundamentals, as indicated by the low and stable inflation, strong external payments position, improving fiscal condition, and a sound banking system, are expected to support this faster pace of growth.

Going forward, the challenge lies in sustaining the growth momentum and improving the country's competitiveness. The progress towards fiscal consolidation will have to be maintained and investments will have to be raised to a level and quality that will generate maximum productivity and the widest multiplier effect. On the part of the BSP, our policies will continue to be geared towards maintaining a sound monetary and financial environment, while advancing reforms that promote growth and respond to changes in global financial conditions.

Second-quarter indicators continued to show limited inflation pressures over the policy horizon. However, the BSP remains mindful of the risks to future inflation. Any reversal in market sentiment, stemming from potential spillover effects of the recent global financial market turbulence and tighter credit conditions, can weaken the exchange rate which could fuel domestic price pressures. A

resumption of strong liquidity growth, additional increases in wages and transport costs and renewed volatility in world oil prices can adversely affect the inflation outlook as well.

Managing risks to inflation and inflation expectations will therefore remain a key policy priority of the BSP. In this regard, the BSP will maintain an appropriately prudent monetary policy stance supportive of non-inflationary growth.¹

On banking supervision, the BSP will continue to implement reforms that will be geared toward maintaining a strong banking system. While the banking sector has remained fundamentally sound, performing its important role as an intermediary of funds in a growing and more dynamic economy, policy reforms in the areas of corporate governance, risk management, asset-clean up, capital build-up and industry consolidation are expected to help further strengthen and boost the overall performance of the banking system.

Simultaneous with the ongoing process of reforms in the banking system, the BSP will remain actively engaged in initiatives aimed at developing a vibrant capital market. The BSP will continue to support the passage of key legislative reforms to promote a deep and efficient domestic capital market that will complement a robust banking system by serving as an alternative pillar to cushion the economy against external shocks.

¹ In July 2007, the BSP implemented two complementary moves in line with this policy strategy: the tiering system on placements with the BSP was lifted and the BSP's key policy interest rates were adjusted to 6.0 percent for the overnight borrowing or reverse repurchase (RRP) rate and 8.0 percent for the overnight lending or repurchase (RP) rate.

A. Overview

The Philippine economy accelerated in the second quarter of 2007. The country's GDP posted the highest growth in twenty years, buoyed by the strong performance of services and industry. Inflation slowed down further due to generally stable food prices, a stronger peso and limited demand-based pressures. The NG surplus was smaller year-on-year and was lower than programmed as revenue collections fell short of the target. The banking system remained generally sound on account of an increasing asset base, improved asset quality and higher-than-standard capitalization. Meanwhile, strong foreign exchange inflows from export receipts, OF remittances, and foreign investments continued to boost the country's external position.

Economy expands faster. The country's GDP grew by 7.5 percent in the second quarter of 2007, the highest rate of growth recorded since 1986. The faster GDP growth was led by the strong performance of the services and industry sectors on the production side; and consumption government spending, and investments, on the expenditure side.

Unemployment rate declines. Consistent with the strong positive growth of the economy, employment conditions continued to improve in the second quarter of 2007. The unemployment rate fell to 7.4 percent during the review quarter, lower by 0.3 percentage point from the year-ago level of 8.1 percent.

The NG posts a smaller surplus. The cash operations of the NG yielded a surplus of ₱11.0 billion in the second quarter of 2007, lower than

the ₱14.6 billion surplus programmed for the review period. The second quarter 2007 surplus was also lower than the ₱36.1 billion surplus posted in the same period last year.

Growth in domestic liquidity decelerates. Domestic liquidity growth slowed down to 19.4 percent at the end of the review quarter from 24.6 percent as of end-March 2007. Growth of both net foreign assets and net domestic assets were lower during the quarter.

Inflation continues its downtrend. Price pressures eased in the second quarter as indicated by the deceleration in headline and core inflation. Headline inflation continued to slow down, falling to 2.4 percent in the second quarter from 2.9 percent in the first quarter. Core inflation also sustained its downtrend, easing to 2.6 percent during the review quarter from 3.2 percent in the previous quarter. The decline in inflation was supported by favorable supply conditions, the strengthening of the peso and limited demand-based pressures.

BSP keeps its policy rates steady. The Monetary Board kept the BSP's policy rates steady during the second quarter based on the assessment of a manageable inflation over the policy horizon. The tiering system on bank placements with the BSP was also kept in place during the period.

Market interest rates ease. Treasury bill rates eased further in the second quarter of 2007 relative to the levels posted a year ago. On an annual basis, interest rates declined substantially by 221.2 basis points for the 91-day T-bills, by 225.9 basis points for the 182-day instruments

and 123.6 basis points for the 364-day T-bills, reflecting ample liquidity in the financial system amidst a low inflation environment. On a quarterly basis, T-bill rates showed mixed trends.

Banking system remains generally healthy.

Key indicators reflected the overall soundness and stability of the banking system. Total bank resources continued to expand on the back of a growing deposit base and increasing loan portfolio, while asset quality showed a marked improvement as the non-performing loan ratio moved close to the pre-crisis level of about 4.0 percent. In addition, the banking sector's capital adequacy ratio remained above domestic and international benchmarks, reflecting the industry's continuing ability to cover risky assets.

BOP posts a surplus. The overall BOP position showed a large surplus of US\$1,781 million during the second quarter of 2007, a sharp turnaround from the deficit of US\$81 million in the same period in 2006. The current account surplus rose while the capital and financial account balance reversed from a deficit to a surplus during the review period.

Gross international reserves reach a new all-time high. The country's GIR hit another record-high level of US\$26.4 billion as of end-June 2007. The significant rise in reserves was attributed mainly to the BSP's foreign exchange operations, income from investments abroad and proceeds from the release of collateral on the Brady bonds, which were prepaid by the NG in April 2007. These inflows were offset partly by prepayments of foreign exchange obligations of the BSP.

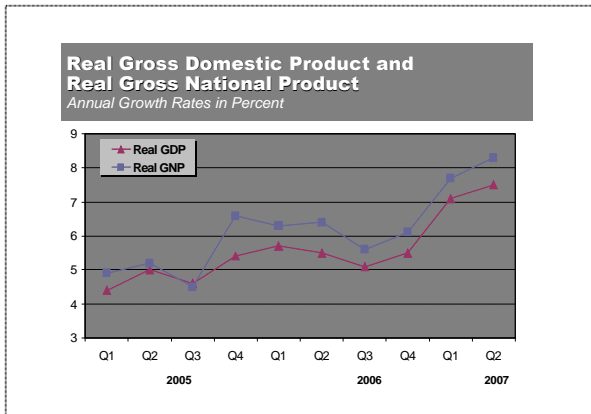
The peso continues to strengthen on strong macroeconomic fundamentals. The peso continued to appreciate, rising by 3.6 percent to average ₱46.93/US\$1 in the second quarter of 2007 from ₱48.60/US\$1 in the previous quarter. The further strengthening of the peso was backed by continued investor optimism on account of strong economic fundamentals. Dollar inflows due to sustained OF remittances, export earnings and foreign investments also boosted the peso.

External debt declines. The country's outstanding external debt reached US\$54.0 billion as of end-March 2007, US\$678 million or 1.3 percent higher relative to the end-December 2006 level of US\$53.4 billion. The rise in debt stock during the first quarter may be attributed to the increase in NG borrowings, which resulted in a net inflow of US\$1.6 billion during the review period.

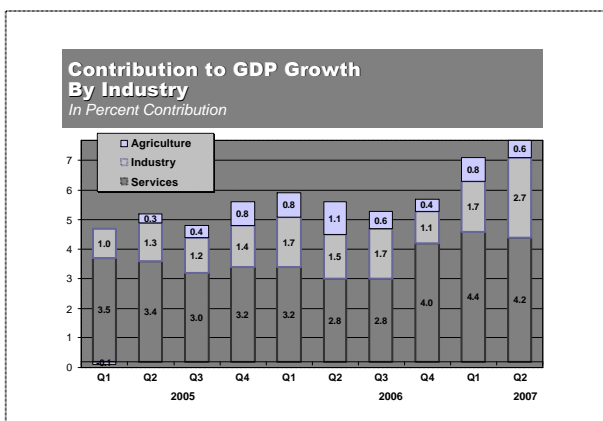
B. Real Sector

Production

Economy surges further...



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

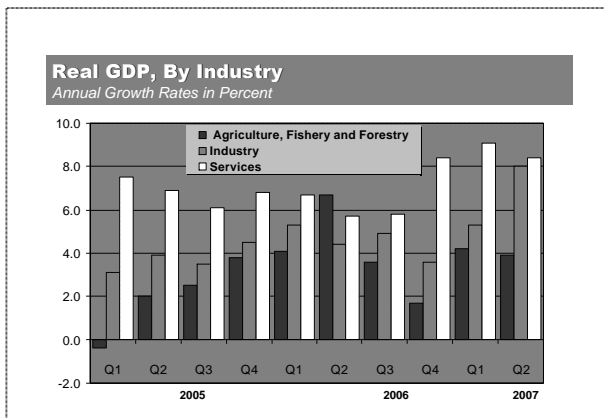


The vibrant growth of the domestic economy was sustained in the second quarter of 2007 on the strength of stable macroeconomic conditions and favorable global environment. The country’s real GDP grew by 7.5 percent during the quarter in review, significantly higher than the year-ago performance of 5.5 percent. The services sector remained the linchpin of the economy, although the industry sector also grew briskly while the agriculture, fishery and forestry (AFF) sustained its positive performance. Meanwhile, real GNP continued to accelerate, achieving a solid 8.3 percent growth and exceeding its year-ago performance of 6.4 percent. The growth in GNP was driven mainly by the sustained double-digit increase in the Net Factor Income from Abroad (NFIA), which grew by 16.6 percent due to continued inflow of remittances from overseas workers.

On the supply side, the services sector remained the primary catalyst of the domestic economy, accelerating by 8.4 percent and outperforming its year-ago growth of 5.7 percent. This sector accounted for nearly half of total output and contributed 4.2 percentage points to the GDP growth during the review period. The growth of services was supported by finance, driven by the double-digit growth in banking services; private services, buoyed by continuous BPO expansion; and transportation and communication, due in large part to increases in telecommunication subscribers as well as land and air travelers.

The industry sector exhibited a stronger-than-expected growth of 8.0 percent during the review quarter, almost double the 4.4 percent growth rate achieved in the comparable period last year (Table 1). At its current

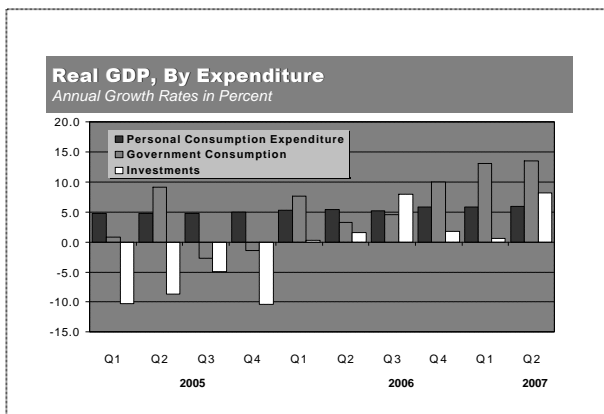
Industry sector grows stronger than expected...



level, industry constituted 33.6 percent of total GDP which translates to a 2.7 percentage points contribution in GDP growth. The continued surge in foreign investment in the mining and quarrying sector, as well as the sustained vigor in construction propelled the remarkable expansion of industry.

The AFF sector continued to exhibit positive growth at 3.9 percent, albeit at a slower pace than last year's 6.7 percent. The AFF represented 16.6 percent of total output, which translates to a 0.6 percentage point contribution to overall growth.

Government consumption leads aggregate demand...



On the demand side, the domestic economy was propelled primarily by government consumption which expanded by 13.5 percent, more than four times the year-ago growth of 3.3 percent (Table 1a). Increases in infrastructure projects and election-related expenditures contributed to the surge in government spending during the review quarter.

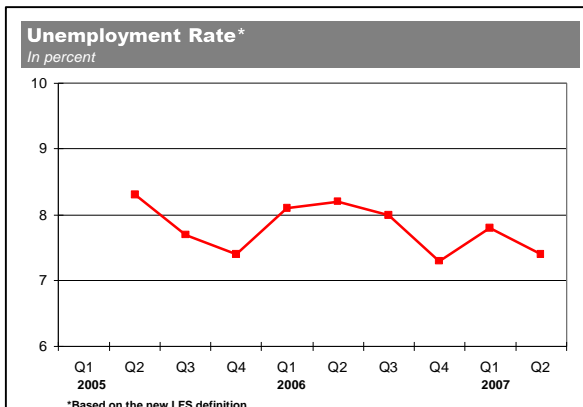
Personal consumption maintained its steady pace, growing by 6.0 percent from 5.4 percent a year ago. The continued inflow of OF remittances supported primarily the growth in household spending.

Significant improvement was also recorded in capital formation, posting a hefty 8.2 percent expansion as compared to its year-ago growth of 1.5 percent. Private construction activities, particularly in the real estate business and related government pump-priming efforts, boosted the growth of investment during the review period.

A slowdown in the growth of total exports was recorded during the review quarter. Aggregate exports grew by 4.2 percent in the second quarter of 2007 as against 21.2 percent in the same period in 2006. Declines in

electronics shipment in June of this year impacted significantly on the export sector's performance.

Labor market conditions continue to improve...



Labor and Employment

Labor market conditions showed a marked improvement during the second quarter of 2007. Based on the results of the April 2007 Labor Force Survey (LFS) of the National Statistics Office, unemployment declined both in terms of rate and number. The unemployment rate fell to 7.4 percent with the number of unemployed persons reaching 2.7 million in the second quarter of 2007. These were lower than 8.2 percent unemployment rate and 2.9 million unemployed persons in the same period last year (Table 2).¹ The unemployment rate was also lower relative to the 7.8 percent recorded in the previous quarter.

The employment rate was 92.6 percent during the quarter in review which was higher than the 91.8 percent posted a year ago. Out of approximately 36.4 million persons in the labor force, 33.7 million persons were employed during the quarter. The employment level grew by 2.1 percent year-on-year, mainly from employment in the agriculture and services sectors. The services sector employed almost half or 49.3 percent of the total employed population. Meanwhile, employed persons in the agriculture and industry sectors accounted for 35.2 percent and 15.6 percent, respectively, of the total employed population.

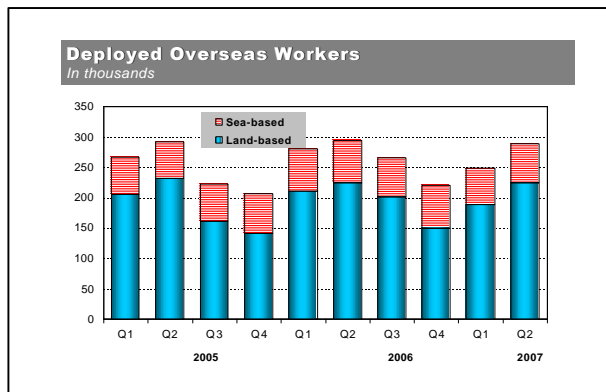
The underemployment rate in the second quarter declined to 18.9 percent from 25.4 percent a year

¹ Starting April 2005, the new 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. The old unemployment definition did not consider the criterion on availability for work.

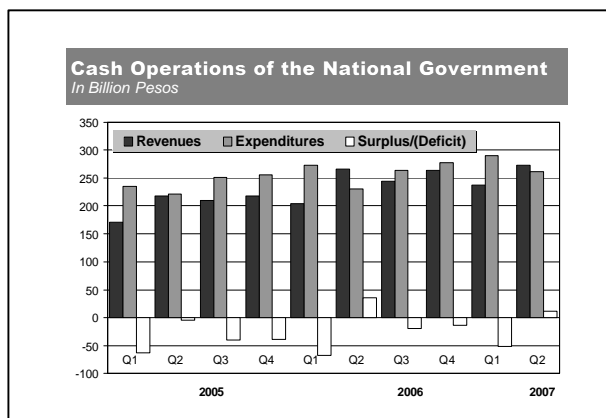
earlier.² About 48.3 percent of the underemployed persons are in the agriculture sector. Underemployed workers in the services sector accounted for 35.2 percent, while those in the industry sector accounted for 16.5 percent.

Preliminary data showed that the total number of OF workers declined by 1.8 percent to reach 289,457 in the second quarter of 2007 from 294,783 in the same period in 2006. The deployment of land-based workers rose marginally by 0.04 percent to reach 224,774, while sea-based workers declined by 7.7 percent to 64,683 from the level during the comparable period a year ago. The deployment of Filipino workers is expected to pick up in the near term as the Government, together with the private sector, continues to intensify the training and skills development of these workers.

Land-based workers continue to constitute the bulk of overseas workers . . .



NG cash operations yield a smaller surplus . . .



National Government Cash Operations

The cash operations of the NG yielded a surplus of ₱11.0 billion in the second quarter of 2007, lower than the ₱36.1 billion surplus incurred in the same period in 2006 and the programmed surplus of ₱14.6 billion for the review period (Table 3).

Total revenues in the second quarter of 2007 reached ₱273.0 billion, 2.6 percent higher than the ₱266.1 billion posted during the same period a year ago. The revenues for the period however, fell short of the programmed level of ₱302.2 billion. The bulk of the revenues came from tax collections, which constituted 90.1 percent of the total revenues generated during the period. Non-tax revenues and grants, which accounted for 9.9 percent of total revenues, were primarily dividends and guarantee fees paid by the GOCCs.

² Underemployed persons include all employed persons who express the desire to have additional hours of work in their present job or an additional job, or to have a new job with longer working hours.

Despite the collection shortfall, fiscal authorities are confident that the full-year revenue and deficit targets are still achievable through improved collection efficiency, aggressive privatization efforts and more effective anti-corruption programs.

Meanwhile, total expenditures amounted to ₱262.0 billion in the second quarter of 2007, lower by 8.9 percent compared to programmed expenditure for the quarter, but higher by 14.0 percent compared to the expenditure incurred in the same period in 2006. Increases in spending went to LGUs and subsidies. The lower-than-programmed spending was due mainly to lower interest payments that can be attributed to declining interest rates and the strengthening of the peso.

The NG's surplus for the review period allowed net repayments of both external and domestic obligations amounting to ₱22.7 billion.

C. Monetary Sector

Domestic Liquidity³

Demand for money continued to grow in the second quarter of 2007, although at a slower pace. Based on preliminary data from the BSP's Depository Corporations Survey (DCS), the growth in domestic liquidity (M3) as of end-June 2007 decelerated to 19.4 percent year-on-year from 24.6 percent as of end-March 2007 (Table 4). Relative to the previous quarter's level, domestic liquidity grew by 3.3 percent.

Liquidity slows down . . .

Domestic Liquidity			
In billion pesos			
		<u>Growth Rates (%)</u>	
		q-o-q	y-o-y
Domestic Liquidity (M3)	3,023.9	3.3	19.4
<i>of which:</i>			
Net foreign assets	1,573.4	2.7	31.1
Net domestic assets	2,358.5	0.8	3.8
<i>of which:</i>			
Public sector credit	1,073.0	5.4	10.5
Private sector credit	1,955.1	3.3	6.0

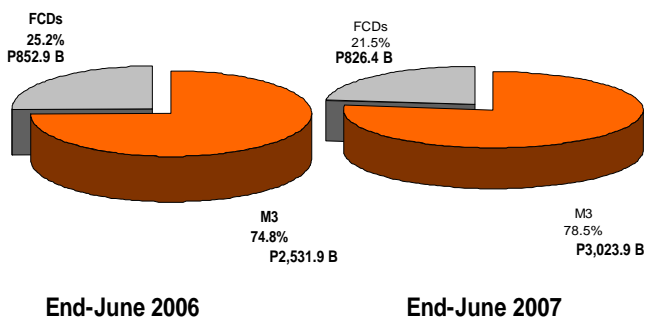
³ The indicators used for money supply are: M1 (or narrow money) consisting of currency in circulation and demand deposits; M2 is composed of M1 plus savings and time deposits (quasi-money); and M3 consisting of M2 plus deposit substitutes.

Money demand continued to be driven by the continued expansion in the net foreign assets of depository corporations on the back of strong foreign exchange inflows from OF remittances and foreign direct and portfolio investments.

However, the growth of both net foreign assets and net domestic assets of depository corporations slowed down in June to 31.1 percent and 3.8 percent, respectively, from 44.4 percent and 8.7 percent in the previous quarter. Credit extended to the public sector expanded at a slower pace from 11.9 percent in May to 10.5 percent in June, contributing to the slowdown in net domestic assets. In contrast, private sector credit continued to accelerate (from 5.4 percent to 6.0 percent) during the same period, consistent with the economy's growth momentum. On a quarterly basis, net foreign assets grew at a slower rate of 2.7 percent while net domestic assets increased by 0.8 percent.

M4: Domestic Liquidity and FCDs

Value in P billion; Share in percent

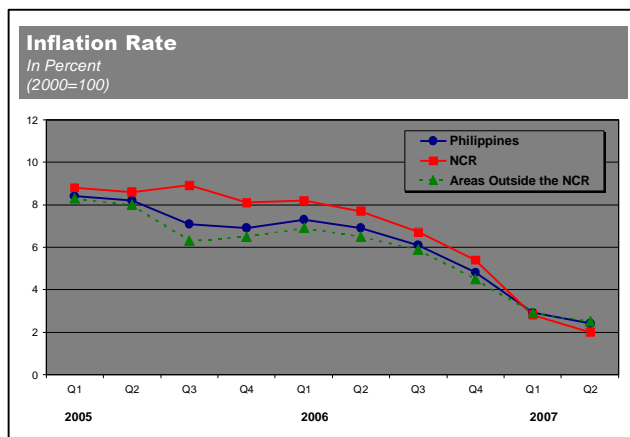


M4—a broader concept of domestic liquidity which includes FCDU deposits of residents—grew by 13.7 percent year-on-year. The expansion in M4 was driven mainly by the growth in domestic liquidity (M3), which contributed 14.5 percentage points, offsetting the negative contribution of FCDU deposits.

Prices

Price pressures continued to abate in Q2 2007. Measures of underlying inflation also eased during the period.

The continued downtrend in inflation can be attributed to favorable supply conditions, particularly the sustained growth in agriculture, which has kept food prices stable. The continued strength of the peso also helped reduce import prices and contributed to moderating inflationary pressures.

Headline inflation continues to decelerate . . .

At the same time, demand-side price pressures remained limited, given the still moderate improvement in demand conditions and the continued easing of core inflation.

Average headline inflation continued to decelerate and settled at 2.4 percent in second quarter from 2.9 percent in the previous quarter (Table 5). Inflation for both food and non-food items were lower relative to their levels in the previous quarter and a year earlier. Inflation for food, beverages and tobacco (FBT) declined to 2.7 percent during the quarter from 3.3 percent in the first quarter. Likewise, non-food inflation was at 2.0 percent compared to 2.5 percent in the first quarter.

Food inflation decelerated steadily during the quarter as all food items—except meat and eggs—registered lower inflation. The continued downtrend in food inflation was due largely to favorable agricultural supply, particularly *palay*, corn, fishery, and livestock. Ample production was supported by normal weather conditions, increased market demand—particularly for fish during the Holy Week—and the Government’s intensified programs on irrigation, seed technology and post-harvest facilities for *palay* and corn.

Non-food inflation also continued to decelerate during the quarter, with all sub-components registering slower inflation, except fuel, light and water (FLW). The housing and repairs item was the main driver of the slowdown in non-food inflation in the second quarter, followed by services and miscellaneous items. These more than offset the higher price increases in the FLW sub-components, which resulted from a series of upward adjustments in domestic pump prices of gasoline and other oil products during the quarter.

Headline inflation in Metro Manila went down to 2.0 percent in the second quarter from 2.8 percent in the first quarter and 7.7 percent in the same period last year (Table 5a). In areas outside Metro Manila, headline inflation slowed down to 2.5 percent during the second quarter from 2.9 percent in the first quarter and 6.5 percent a year ago (Table 5b).

Core inflation likewise sustains a downtrend...

CORE INFLATION Measures, Philippines 2000=100; percent changes year-on-year					
YEAR/MONTH	OFFICIAL DEFINITION		ALTERNATIVE BSP ESTIMATES OF CORE INFLATION		
	HEADLINE INFLATION	CORE INFLATION	TRIMMED MEAN ²	WEIGHTED MEDIAN ³	NET OF VOLATILE ITEMS ⁴
2005	7.6	7.0	6.2	5.6	8.8
Q1	8.4	8.0	6.9	5.9	9.9
Q2	8.2	7.5	6.4	5.9	9.3
Q3	7.1	6.6	5.8	5.3	8.1
Q4	6.9	6.1	5.7	5.2	7.8
2006	6.2	5.5	5.4	5.0	6.9
Q1	7.3	6.2	5.9	5.4	8.1
Q2	6.9	6.1	5.8	5.0	7.6
Q3	6.1	5.2	5.2	5.2	6.7
Q4	4.8	4.8	4.5	4.2	5.0
2007					
Q1	2.9	3.2	2.9	2.5	3.0
Q2	2.3	2.6	2.2	2.2	2.5

Notes:
¹ The official definition excludes 18.4 percent of the CPI basket as follows: rice, corn, fruits & vegetables, fuel items (gas, LPG, kerosene, gasoline and diesel).
² 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.
³ 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.
⁴ The net of volatile items method excludes the following items: educational services, fruits and vegetables, personal services, rentals, recreational services, rice, and corn.

Core inflation, an indicator of the long-term trend of inflation, also sustained its downtrend during the review quarter. The official NSO core inflation measure eased to 2.6 percent in the second quarter compared to 3.2 percent in the previous quarter. This was also 3.5 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 (trimmed mean, weighted median, and “net of volatile items”) displayed a similar decelerating trend. All three measures were lower relative to their quarter- and year-ago rates.

The continued easing of core inflation demonstrates the limited demand-based pressures on consumer prices in the near term, consistent with the moderate improvements in demand indicators.

Looking at the distribution of price changes in the CPI basket, it would also be useful to determine the proportion of CPI basket components (at the 4-digit Philippine Standard Industry Classification (PSIC) level) showing inflation rates above a given threshold—in this case the upper end of the 4.0-5.0 percent target for 2007—and find out whether that proportion has been increasing or decreasing. This would provide an indication as to whether pressures on consumer prices are becoming generalized over time.

Market interest rates are generally lower. . .

Selected Domestic Nominal Interest Rates In percent	2006		2007		Difference (basis points)
	Q2	Q1	Q2	Q1	
Treasury Bills					
All Maturities	5.84	3.79	3.81		2.00
91 days	5.18	3.15	2.97		(17.60)
182 days	5.97	3.69	3.71		2.50
364 days	6.41	4.17	5.17		100.90
Lending Rates					
High	10.03	8.56	8.29		(27.00)
Low	8.30	6.84	6.62		(21.71)
All Maturities ¹	9.91	8.90	8.29		(60.50)
Interbank Call Loans	7.91	7.49	7.38		(11.44)
Savings Deposit	3.70	2.46	2.03		(42.90)
Time Deposits (all maturities)	5.12	3.21	3.03		(17.70)
Manila Reference Rates	7.13	6.31	6.56		25.00

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

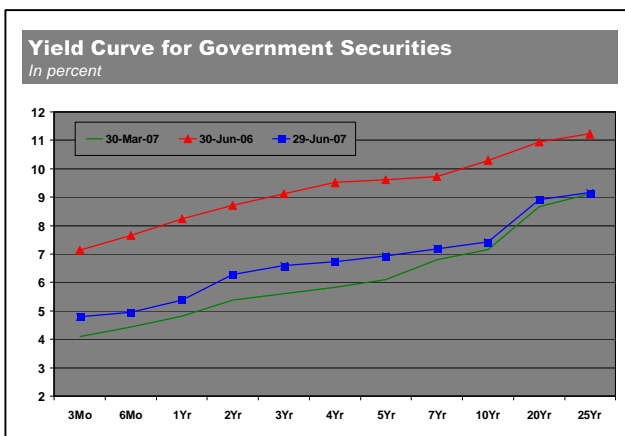
The number of items with inflation rates greater than the threshold of 5.0 percent fell to 18 during the quarter from 33 in the first quarter and 76 a year earlier. Likewise, these items accounted for a smaller proportion of the CPI basket at 8.9 percent compared to 16.1 percent last quarter and 44.8 percent a year ago.

Domestic Interest Rates

Treasury bill rates eased further in the second quarter of 2007 relative to the levels posted a year ago. On annual basis, interest rates declined substantially by 221.2 for the 182-day instruments and 123.6 basis points for the 364-day T-bills, reflecting ample liquidity in the financial system amidst a low inflation environment (Table 6). On a quarterly basis, T-bill rates showed mixed trends.

The yield curve for government securities in the secondary market at the end of the second quarter shifted downward compared to their year-ago levels. The decline in yields across all tenors could be traced to easing inflation expectations, ample liquidity in the system and improved fiscal position. On a quarter-on-quarter basis, secondary market yields for all tenors increased on speculations that there will be less demand for emerging market securities given the slowdown in the US economy following the weakening of the housing sector.

The BSP's policy rates were kept unchanged throughout the second quarter at 7.5 percent for the overnight borrowing or reverse repurchase rate (RRP) and at 9.75 percent for the overnight lending or repurchase rate (RP). This policy stance was based on the assessment of a manageable inflation over the policy horizon due to easing supply-side pressures, moderate demand conditions, and well-contained inflation expectations. At the same time, the subsiding base effect of the RVAT



and the strengthening of the peso contributed to the benign inflation outlook.

Bank lending rate eases . . .

Average bank lending rate for all maturities declined to 8.3 percent from 9.9 percent a year ago. Quarter-on-quarter, average bank lending rate posted lower than the first quarter (also for all maturities), consistent with the easing of interest rates on short-term domestic securities and benign inflation. Other market interest rates also eased in the second quarter, including interbank call loans rates, savings and time deposits rates.

With the decline in the benchmark 91-day T-bill rate, both the before-tax and after-tax differentials between domestic and comparable US interest rates remained in the negative region.

The differential between the BSP's policy interest rate (overnight borrowing or RRP rate) and the US federal funds target rate in the second quarter remained at 225 basis points.

Adjusted for the risk premium—as measured by the differential between the 10-year Republic of the Philippines (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 82 basis points as of end-June 2007 compared to 78 basis points in end-March 2007.

Risk Premium (End-of-period)					
		10-year ROP Note (%)	10-year US Note (%)	Risk Premium (bps)	Risk- Adjusted Differential
		-1	-2	(3) = (1) – (2)	
2006	Jan	6.08	4.46	161	164
	Feb	5.98	4.68	130	170
	Mar	5.91	4.78	112	163
	Apr	5.87	4.88	99	176
	May	6.01	4.96	105	145
	Jun	7.28	5.23	206	44
	Jul	6.6	4.93	167	58
	Aug	6.36	4.79	157	68
	Sep	6.04	4.53	151	74
	Oct	6.32	4.67	166	59
	Nov	6.3	4.6	177	48
	Dec	6.01	4.63	139	86
2007	Jan	6.19	4.89	130	95
	Feb	6.1	4.62	148	77
	Mar	6.05	4.58	147	78
	Apr	6.04	4.6	144	81
	May	6.04	4.88	117	108
	Jun	6.43	5	143	82

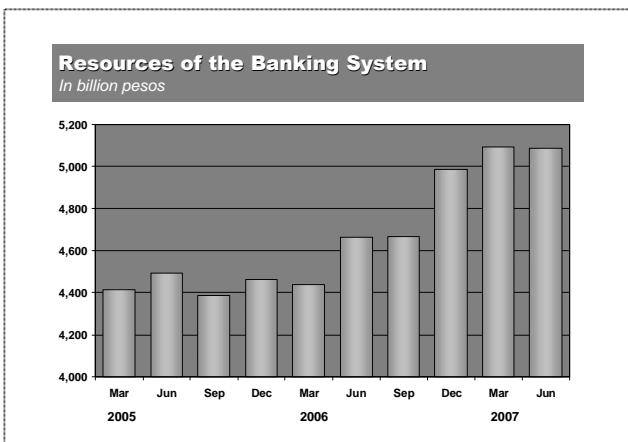
Key performance indicators reflect overall soundness . . .

The Philippine banking system continued to perform favorably well during the quarter, supported by improving macroeconomic conditions. Key performance indicators reflected overall soundness. Bank lending to most sectors of the economy posted expansions and bank

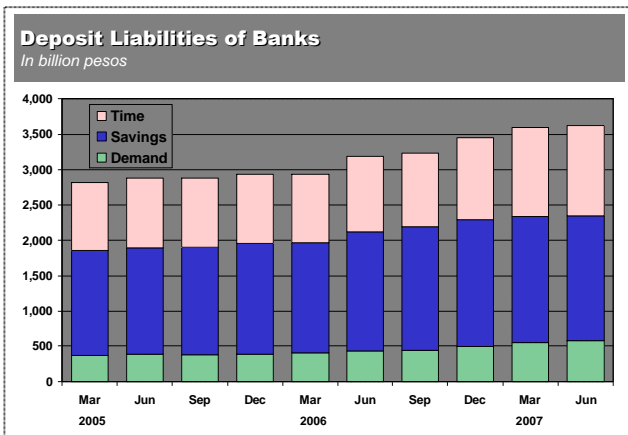
Ongoing consolidation contributes to improved operational efficiency...

Number of Banking Institutions			
	2007		2006
	End-June	End-March	End-June
Total	7,738	7,704	7,693
Head Offices	858	861	871
Commercial Banks	38	39	41
Thrift Banks	83	84	85
Rural Banks	737	738	745
Branches	6,880	6,843	6,822
Commercial Banks	4,259	4,239	4,283
Thrift Banks	1,250	1,254	1,231
Rural Banks	1,371	1,350	1,308

Banks' resources increase. . .



Banks' deposits continue to grow robustly. . .



asset quality improved remarkably, with the NPL ratio nearing pre-crisis levels. Likewise, banks remained adequately capitalized in spite of higher loss provisioning requirements and stricter capitalization standards.

Performance of the Banking System

Market Size

The number of banking institutions (head offices) fell further to 858 as of end-June 2007 from the year-ago level of 871, reflecting continued consolidations and mergers, as well as the closure of weak banks (Table 7). The total number of banking institutions was comprised of 38 commercial banks (KBs), 83 thrift banks (TBs) and 737 rural banks (RBs). Meanwhile, the operating network (includes branches) of the banking system increased to 7,738 as of end-June 2007 from 7,693 at end-June 2006, reflecting mainly the increase in thrift banks (TBs) and rural banks' (RBs) branches/agencies. On a quarterly basis, the number of banking institutions declined to 858 as of end-June 2007 from 861 as of end-March 2007.

The total resources of the banking system rose by 9.1 percent to ₱5.087 trillion as of end-June 2007 from its year-ago level of ₱4.664 trillion (Table 8). The increase was due mainly to the rise in banks' loan portfolios and deposits with the BSP. Commercial banks continued to account for almost 90 percent of the total resources of the banking system.

Savings Mobilization

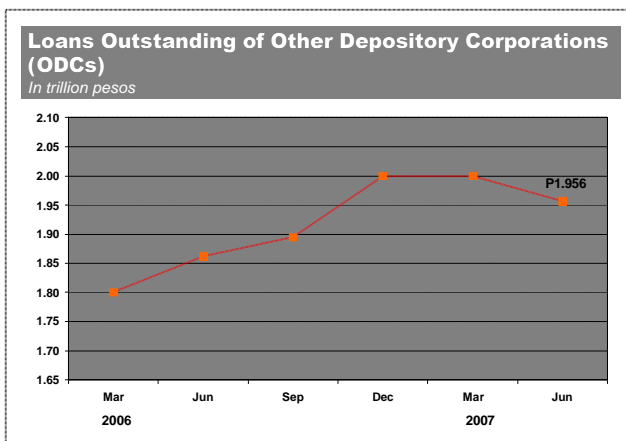
The banking system's deposit liabilities as of end-June 2007 continued to grow robustly as it posted an increase of 13.6 percent to ₱3.615 trillion from its year-ago level of ₱3.184 trillion. Demand and time deposits sustained their year-on-year growth of 33.9 percent and 19.3 percent, respectively. Savings deposits, which continued

to account for half of the banks' funding base, similarly increased by 4.7 percent compared to their level a year ago. Compared to the level at the end of previous quarter, the banking system's deposit liabilities increased moderately by 1.0 percent.

Bank Lending Operations

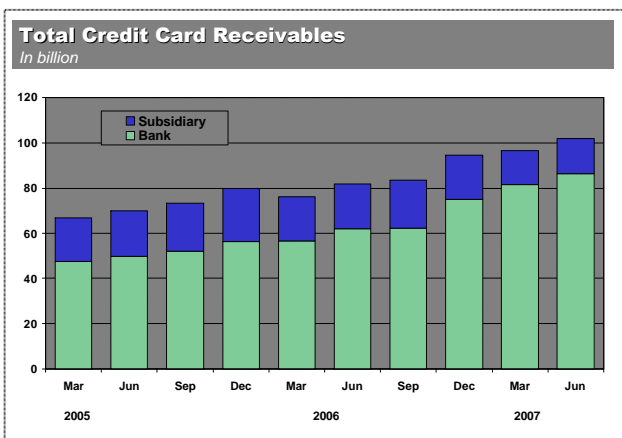
Outstanding loans of banks (inclusive of RRP) grew faster by 5.1 percent year-on-year in June 2007 compared to the 1.3 percent growth recorded a year ago. Compared to the first quarter level, loans outstanding of banks declined slightly by 2.2 percent.

Bank lending activity posts positive growth rates . . .



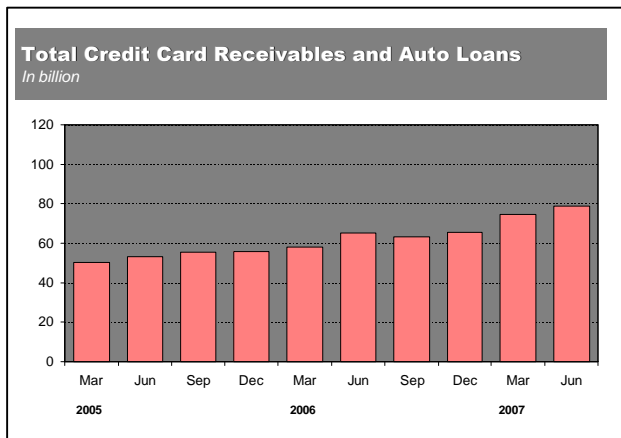
Lending to all sectors posted positive growth rates, with the exception of mining and manufacturing, which registered declines of 9.5 percent and 5.9 percent, respectively. The growth in lending was driven mainly by loans granted to community, social, and personal services (13.2 percent), transportation, storage and communication (12.3 percent), construction (8.7 percent), and financial institutions, real estate and business services (7.3 percent) sectors.

Credit card receivables and auto loans rise. . .



Credit Card Receivables

Meanwhile, the combined credit card receivables (CCRs) of universal and commercial banks (U/KBs) and TBs) as of end-June 2007 increased by 24.6 percent year-on-year to ₱102.0 billion, and by 5.8 percent quarter-on-quarter to ₱96.4 billion. The ratio of CCRs to the total loan portfolio (TLP) was steady at 5.4 percent during the quarter. Of the total CCRs, 13.8 percent were past due, slightly lower than the 14.2 percent recorded at end-March 2007.



Auto Loans

Similarly, the combined auto loans of U/KBs and TBs as end-June 2007 rose by 21.1 percent to ₱78.9 billion from ₱65.2 billion in June 2006, and by 5.6 percent from the end-March 2007 level of ₱74.7 billion. Auto loans accounted for 4.2 percent of their TLP. Only 4.8 percent of total auto loans were past due.

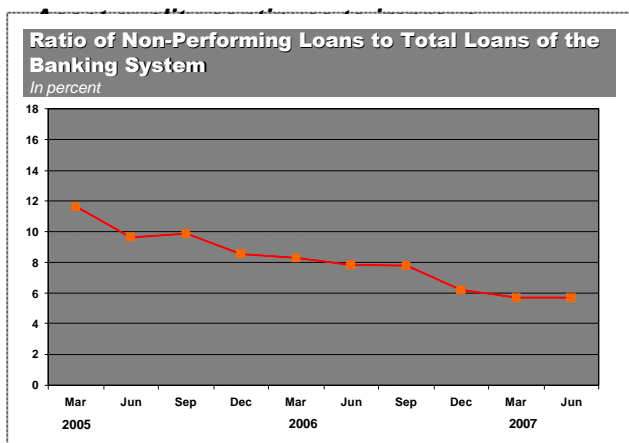
Real Estate Loans

Real estate loans (RELs) of U/KBs declined minimally by 0.6 percent to ₱192.2 billion from the year-ago level of ₱193.5 billion, but rose by 4.2 percent compared to the end of previous quarter's ₱184.5 billion. RELs granted for the construction and development of real estate properties for commercial purposes, including infrastructure projects, comprised 81.2 percent (or ₱156.2 billion) of total RELs while the remaining 18.8 percent (or ₱36.0 billion) was granted for the acquisition of residential units by individual homeowners/borrowers.

Real estate loans decline . . .

Asset Quality and Capital Adequacy

The asset quality of the banking system continued to improve as the non-performing loan (NPL) ratio was lower at 5.7 percent as of end-June 2007 compared to 7.8 percent a year ago (Table 9).⁴ The improvement in the NPL ratio was sustained due to the 21.4 percent drop in the level of NPLs, complemented by the 7.6 percent increase in the amount of the industry's total loan portfolio (TLP). NPLs shrunk to ₱134.9 billion during the period under review from the previous year's level of ₱171.7 billion, while TLP reached ₱2,360.5 billion from ₱2,192.6 billion.



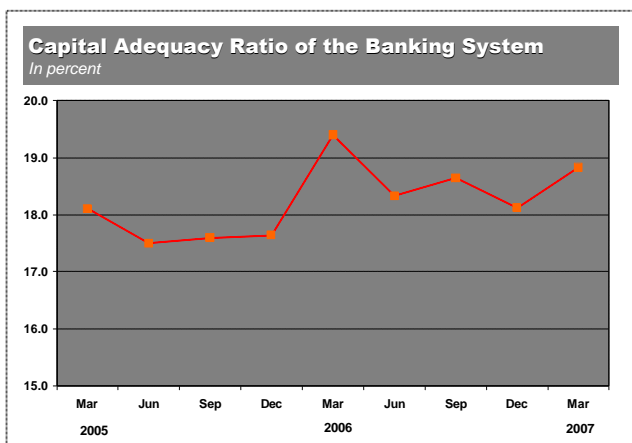
⁴ Data includes bank under liquidation, foreign office transactions and interbank loans.

Meanwhile, the NPL ratio of universal and commercial banks (U/KBs) was down to 5.2 percent as of end-June 2007. This was an improvement by 2.0 percentage points from the 7.2 percent ratio registered a year ago.

Compared with other countries in the region, the Philippine banking system's NPL ratio of 5.7 percent during the review period was lower than Indonesia's 6.7 percent, but higher than Thailand's 4.4 percent, Malaysia's 4.1 percent, and Korea's 0.8 percent.⁵ The lower NPL ratios 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.

The loan exposure of banks remained adequately covered as the banking system's NPL coverage ratio remained steady at 75.3 percent as of end-June 2007, reflecting the 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-March 2007, with the industry's capital adequacy ratio (CAR) at 17.5 percent on a solo basis and 18.8 percent on a consolidated basis. However, these ratios were lower than the previous year's levels of 18.0 percent and 19.4 percent on solo and consolidated basis, respectively, but higher than the end-December 2006 CARs of 16.8 percent and 18.1 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 at 8.0 percent. This is reflective of the banking system's improved ability to cover risky assets.

⁵ Sources: Various central bank websites, Thailand (KBs, Jun 2007); Malaysia (Banking system, Jun 2007); Korea (KBs, Dec 2006); and Indonesia (KBS, May 2007)

The Philippines' CAR remains comparatively higher than those of Thailand (13.8 percent), Malaysia (13.1 percent), and Korea (13.0 percent). Indonesia posted the highest CAR in the region at 22.1 percent.⁶

Banking Policies

Banking policy reforms continue...

The BSP continued to promote a competitive environment in the banking industry to ensure a more efficient delivery of banking services and keep the industry at par with international standards, while keeping close watch of the risks that the banking system might face given the rising pace of globalization. Cognizant of this task, the BSP issued banking policies that would help further diversify investment opportunities and banking services, strengthen prudential regulations and promote activities that will help alleviate poverty through microfinance. (Annex A)

Capital Market

Capital market development initiatives gain headway. . .

Capital market initiatives continued to make headway during the second quarter of the year, capped by significant developments in the areas of infrastructure development and legislative reforms.

Infrastructure Developments

The Philippine Stock Exchange (PSE) continues to institute reforms to maintain investor confidence in the equities market. These reforms are packaged under the PSE's "leap-a-mile" project, which includes listing campaign, education for investors, adherence to integrity and corporate governance, product diversity, active marketing, market maturity, investors' haven of choice, liquidity and enhanced earnings for stakeholders. The

⁶ Sources: Various central bank websites, Thailand (KBs, Mar 2007); Malaysia (Banking system, Jun 2007); Korea (KBs, Dec 2006); and Indonesia (KBs, Apr 2007).

PSE started the project by requiring listed companies with unclassified shares and foreign ownership limits to update securities information on a daily basis through the online disclosure system (ODISy) facility.

Meanwhile, the Department of Finance (DOF) through the Capital Market Development Council is studying possible changes in the tax treatment of financial instruments. The Council intends to eliminate tax arbitrage and institute tax neutrality in the financial sector, wherein various instruments are levied uniform or equal taxes. A shift to a uniform 10 percent final withholding tax on interest income is being proposed irrespective of whether a deposit or debt instrument is maturing in over five years or less.

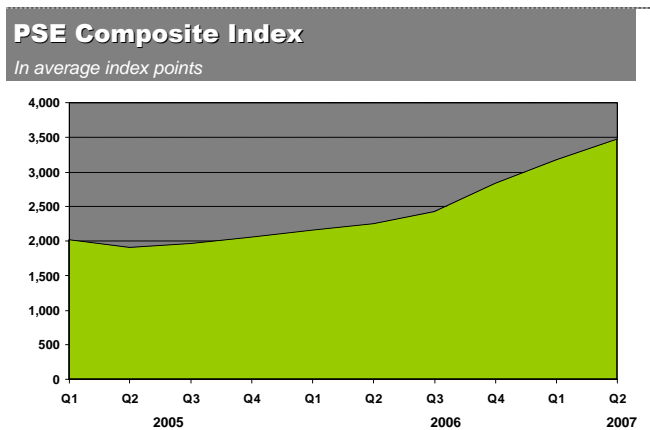
Moreover, the borrowing and lending of securities under the Philippine Dealing and Exchange Corporation's (PDEX) Fixed Income Securities Lending Program will not be subject to the documentary stamp tax (DST) (Revenue Regulation No. 5-2007). The BIR noted that the return of the borrower's collateral by the lender is not subject to the DST as well as to capital gains, income and other taxes as long as the master securities lending agreement is registered with and approved by the BIR, the transaction is in accordance with SEC rules, and is supervised by PDEX.

Legislative Agenda/Reforms

In anticipation of the opening of the 14th Congress in July, a number of priority bills during the second quarter related to the development capital market were identified. The PSE and the Department of Finance were seen to actively support the passage of the following bills: 1) credit information system act; 2) collective investment vehicles law; 3) corporate recovery and insolvency act; 4) real estate investment trust trading; 5) pre-need code; 6) investment advisory act, 7)

amendments to the Insurance Code; and 8) amendments to the BSP charter. These reforms are expected to help promote the development of the capital market and generate long-term, local financing for infrastructure development, while reducing the country's vulnerability to the vagaries of the external market.

Stock trading remains bullish . .



Stock Market

The local equities market continued its bullish run and posted record highs in the second quarter of 2007. Strong economic fundamentals and investor confidence drove up the Philippine Stock Exchange Index (PSEi) by 54.3 percent year-on-year (Table 10). On a quarterly basis, the index grew by 9.4 percent to average 3,469 index points. The quarter closed with the benchmark index at a high of 3,661 index points.

The local bourse's bullish performance during the period was backed by the country's positive macroeconomic fundamentals, strong first quarter corporate earnings and bullish economic outlook. In particular, the faster-than-expected 7.1 percent growth in the country's GDP for the first quarter of 2007, the continued decline in inflation to 2.4 percent in the second quarter of the year, the prevailing low domestic interest rates, and the peso's sustained strengthening saw institutional and individual investors increasing their equity investments in the country. Initial reports of strong first quarter earnings for major blue chip issues like PLDT, Globe, SM Prime, Ayala Land and San Miguel Corporation contributed to the market's strong performance. In addition, the market benefited from the successful listing at the PSE in April of the shares of two firms: the Pacific Online Systems Corporation and National Reinsurance Corporation of the Philippines (Philnare). However, pre-election jitters, disappointing fiscal data, concerns that domestic interest rates have bottomed out, and fears that the Chinese economy was on the verge of overheating, tempered the

bullish sentiments. Some technical correction and instances of profit taking also moderated the rise in the composite index.

The favorable business conditions also helped attract increased foreign buying activity in PSE-listed shares during the period in review. In particular, foreign buying increased by 174.8 percent compared to the year-ago level and by 7.5 percent from the previous quarter's level to reach P185.7 billion. Meanwhile, foreign selling reached P148.6 billion, up by 151.9 percent year-on-year and by a modest 2.2 percent quarter-on-quarter. This resulted in a net foreign buying of P37.1 billion, more than four times the size posted in the previous year.⁷ As a percent of total value traded, however, foreign transactions slowed down to 46.5 percent during the period in review, lower than the 53.8 percent registered in the previous quarter and the 47.1 percent posted in the same period last year.

In terms of sectoral indices, the relatively new holding firms sector showed the highest rate of increase at 100.7 percent after it closed at 2,191 index points. The property sector came a strong second at 94.7 percent to 1,778 index points, followed by the industrial sector, which rose by 70.5 percent to 5,148 index points.

Reflecting the positive market sentiment, stock market capitalization rose by 31.3 percent year-on-year or 9.5 percent quarter-on-quarter to reach P8.3 trillion as of end-June 2007. Of these, about P2.9 billion came from proceeds from the two IPOs held during the quarter (P2.8-billion from Philnare and P104.8 million from Pacific Online Systems Corporation). Compared to other bourses in the region, the Philippine stock market recorded the 6th fastest growth in domestic capitalization

⁷ Net foreign buying is the difference between total foreign buying and total foreign selling.

(in US dollar terms) at 112.1 percent. The Shanghai and the Shenzhen Stock Exchanges topped the list.⁸

The increase in the volume of trading activity further attested to the strong confidence of investors in the local market. The total volume of shares traded during the second quarter jumped by 76.8 percent (year-on-year) to P308.6 billion shares, while total value turnover went up by 167.4 percent. The positive market sentiment was also supported by the upward trend in the estimated price-earnings ratio. As of end-June 2007, this ratio reached 17.9, up from 16.0 in March and 12.2 for the same period last year, indicating that investors are expecting higher earnings growth in the future.

Notwithstanding the brisk market activity, the market was more stable during the quarter, as reflected by the decline in the average volatility of the daily stock index to 56.8 index points from the previous quarter's 83.5 index points and the previous year's 74.7 index points.⁹

There is ample liquidity in the GS market...

Results of GS Auctions, 2007				
In billion pesos				
Quarter	Offering	Tenders	Accepted Bids	Rejected Bids
T-bills	42	188.7	37.3	151.4
First Quarter	24	133.1	21.9	111.2
Second Quarter	18	55.6	15.4	40.2
T-bonds	70	219	70	149
First Quarter	39	128.5	39	89.5
Second Quarter	31	90.5	31	59.5

Source: Bureau of the Treasury

Bond Market

As of end-June 2007, outstanding government securities (GS) amounted to P2.2 trillion, 61 percent of which were regular issuances (e.g., T-bills and Fixed Rate T-bonds). Fixed Rate Treasury Bonds (FXTBs) comprise the bulk of regular issuances (56 percent) at P742.2 billion. Government securities accounted for 98.6 percent of the Philippine bond market during the period.

In the second quarter, the Auction Committee cancelled P40.2 billion and P59.5 billion worth of T-bill and T-bond offerings, respectively. The Committee was forced to cancel bids in the T-bill and T-bond auctions due to the higher premiums demanded by GS dealers for the

⁸ Source: FOCUS, June 2007-No. 173; a publication by the World Federation of Exchanges.

⁹ Market volatility is measured as the standard deviation of daily stock indices.

government's fiscal slippage during the first four months of the year.¹⁰ The market preference for longer dated papers was likewise cited as a reason in rejecting bids for the 364-day T-bill papers in April and canceling the entire auctions for the P12 billion worth of Treasury bills scheduled for the month of June. The BTr instead offered more of the previously issued three-year and five-year bonds to replace the P12 billion that would have been raised had the auction of T-bills proceeded as scheduled.

Despite these developments, the ample liquidity in the financial system during the review quarter pushed banks to swamp the GS market as total tenders for T-bills reached P55.6 billion, which was more than three times the P18 billion offering for the period. For T-bonds, total tenders reached P90.5 billion, almost three times the offered amount of P31.0 billion.

Meanwhile, at the Fixed Income Exchange (FIE), trading volume for government debt papers dropped by 35.9 percent over the last quarter. Total trading volume declined to P249.3 billion during the second quarter from P388.9 billion in the previous quarter. However, this was much higher than the P77.2 billion posted during the same period a year ago.

The Philippines maintains a stable outlook. . .

Latest Philippine Sovereign Credit Ratings				
Rating Agency	Date	Local Currency LT/ST	Foreign Currency LT/ST	Outlook
S&P	21 May 2007	BB+/B	BB-/B	Stable
Moody's	2 Nov. 2006	B1/-	B1/-	Stable
Fitch	5 Mar. 2007	BB+/-	BB/B	Stable

Credit Risk Assessment

In its latest rating assessment in May, Standard & Poor's Rating Services (S&P) maintained its outlook on the Philippines at "stable", indicating that the country's credit standing of below-investment grade would remain unchanged over a one- or two-year period despite progress made in addressing fiscal concerns (Table

¹⁰ The Government was forced to pay a premium as a result of its fiscal slippage in the first four months of the year as well as to compete with the Bangko Sentral ng Pilipinas' offer of special deposit accounts to state firms and banks' trust departments to mop up excess liquidity in the market. Special deposit accounts carry an average rate of 8 percent, with tenures ranging from two weeks to three months.

11).¹¹ This defied market expectations of an outlook upgrade, with the S&P citing the Government's failure to meet its first quarter tax collection targets as one of the reasons. The "stable" outlook essentially reflected a balance between the S&P's recognition of the country's achievements in fiscal consolidation and public sector reforms, and the continued uncertainty over the adequacy of the revenue base, particularly in the areas of collection and administrative efficiency.

Long-term Foreign Currency Ratings As of June 2007									
Market	Rating	S&P Outlook	Date	Rating	Moody's Outlook	Date	Rating	Fitch Outlook	Date
Singapore	AAA	Stable	Aug. '06	Aaa	Stable	Nov. '06	AAA	Stable	Jun. '06
Japan	AA	Stable	Apr. '07	Aaa	Stable	Nov. '06	AA	Stable	Jul. '06
Hong Kong	AA	Stable	Jul. '06	Aa3	Positive	Sept. '06	AA-	Positive	Jul. '06
China	A	Stable	Jul. '06	A2	Positive	Jul. '06	A	Positive	Sept. '06
Korea	A	Stable	Feb. '07	A3	Positive	Nov. '06	A+	Stable	May '07
Malaysia	A-	Stable	Sept. '06	A3	Stable	Dec. '04	A-	Stable	Nov. '05
Thailand	BBB+	Stable	Oct. '06	Baa1	Stable	Nov. '03	BBB+	Stable	Oct. '06
Indonesia	BB-	Stable	Nov. '06	B1	Positive	Feb. '07	BB-	Positive	Jan. '07
Vietnam	BB	Stable	Sep. '06	Ba3	Positive	Mar. '06	BB-	Stable	Mar. '07

Moody's and Fitch Rating's current ratings on Philippine sovereign bonds are similarly below-investment grade level, with a "stable" outlook. Despite the absence of an upgrade, investment flows during the quarter remained strong, surpassing previous year and previous quarter levels, amidst sustained positive market sentiments following robust corporate profits, an appreciating peso and generally sound macroeconomic fundamentals.¹²

Meanwhile, in terms of the long-term foreign currency sovereign ratings of selected countries in the Asian region, the Philippines is grouped with Indonesia and Vietnam.

Financial transactions increase slightly. . .

PhilPass Transactions	2007		2006	Growth Rates (%)	
	Q1	Q2	Q2	Quarter	Annual
Volume	119,830	119,830	119,830	0.3	10.7
Value (in trillion pesos)	47.63	44.15	31.08	-7.3	42.1
Transaction fees (in million pesos)	12.39	12.00	12.39	-3.1	9.3

Source: Payments and Settlements Office, Bangko Sentral ng Pilipinas

Payments and Settlements System

The Philippine Payments System (PhilPaSS) continued to service large-value financial transactions during the second quarter of 2007. Year-on-year, the volume of transactions that passed through the PhilPaSS grew by 10.7 percent, while the value of transactions rose by 42.1 percent. The rise in the volume of transactions came mainly from the rise in purchases of government securities, interbank transactions and electronic cash withdrawals.

¹¹ S&P currently has a rating of "BB+/B" on the country's local currency sovereign debt and "BB-/B" on its foreign currency sovereign debt.

¹² BSP media release dated 13 July 2007 on record-high foreign portfolio investments at US\$871 million net inflow in June.

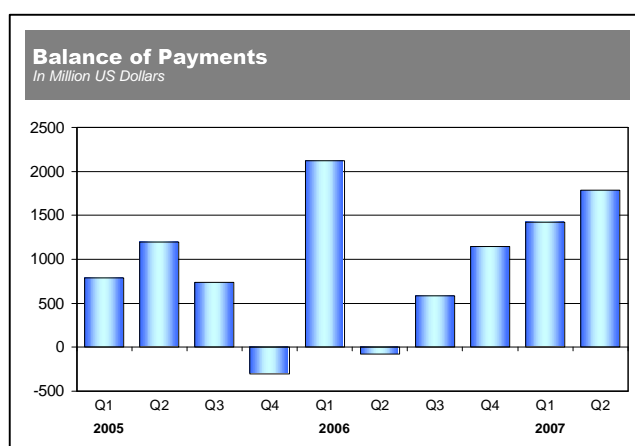
On a quarterly basis, the volume of financial transactions that passed through the PhilPaSS rose slightly to 120,232 due largely to the increase in the Bureau of the Treasury (BTr) transactions arising from purchases of government securities. However, the value of transactions declined to P44.2 trillion from the previous quarter's P47.6 trillion due to the drop in Delivery versus Payment (DvP) and interbank transactions. Transaction fees declined minimally from P12.4 million in the previous quarter to P12.0 million in the second quarter following the reduction in the value of transactions.

E. External Sector

Balance of Payments. The overall BOP position strengthened, posting a surplus of US\$1,781 million during the second quarter of 2007, as against a deficit of US\$81 million in the comparable period in 2006. The current account surplus continued to rise while the capital and financial account balance reversed from a deficit to a surplus during the review period (Table 12).

Current Account. The current account surplus sustained its robust performance during the quarter, expanding by 18.9 percent to reach US\$1,779 million from its year-ago level of US\$1,496 million. Strong inflows in the current transfers and income accounts led to the higher surplus position.

Trade-in-Goods. The deficit in trade-in-goods rose by 2.1 percent to US\$1,925 million in the second quarter of 2007 compared to its level in the same period in 2006. The widening of the deficit can be attributed to the faster rate of deceleration of exports relative to imports (Tables 12a and 12b). The growth (by 5.0 percent) in total exports was traced mainly to the expansion in the exports of manufactures and minerals as well as petroleum products. Exports of mineral products increased from the year-ago level due mainly to the



Exports by Major Commodity	Levels (in million US\$)		Growth rates (%)
	2nd Quarter		
	2006	2007	
Total Exports	11,626	12,213	5.05
<i>of which:</i>			
Agricultural and Forest Products	577	614	6.41
Mineral Products	537	730	35.94
Petroleum Products	219	316	44.29
Manufactures	10,068	10,454	3.83
<i>of which:</i>			
Electronics	7,140	7,586	6.25
Machinery and Transport Equipment	412	489	18.69
Garments	624	535	-14.26

significant growth of other mineral products notably nickel. Meanwhile, higher exports of electronic products largely accounted for the growth in manufactures. Electronics and other electronic products remained the main exports of the country, comprising 64.1 percent of total exports. Other manufacture items that posted increases in export shipments were machinery and transport equipment, chemicals and processed food and beverages.

The 4.6 percent expansion of total imports during the second quarter of 2007 was due to the higher imports of consumer goods, mineral fuels and lubricant, and raw materials and intermediate goods. Imports of consumer goods rose on the back of higher purchases of rice and dairy products. Meanwhile, the higher imports of mineral fuels and lubricant were traced to the increase in the import volume of coal and the rise in the price of petroleum crude in the international market. Similarly, imports of raw materials and intermediate goods increased due to semi-processed raw materials and materials/accessories for the manufacture of electronic equipment. By contrast, imports of capital goods fell due to lower power generating and specialized machines, office and EDP machines, and aircraft ships and boats during the second quarter of 2007.

The trade-in-services account reverses to a deficit position. . .

Trade-in-Services. The trade in services account incurred a shortfall of US\$130 million during the second quarter of 2007 compared to a surplus of US\$167 million during the same period in 2006. The trade-in-services deficit was due to lower net inflows from travel, communication and financial services. Moreover, there were increasing net outlays for royalties and license fees; personal, cultural and recreational services; as well as government services.

The income account posts a surplus . . .

Income. The income account posted a surplus reaching US\$307 million during the quarter in review, a

turnaround from the deficit of US\$42 million during the same period in 2006. This came about following higher net receipts from compensation of employees, and lower net outflow of direct investment income as well as other investment income. Likewise, there was a net inflow of portfolio investment income, notably on bonds and notes during the review period.

OF remittances continue to account for the higher surplus in current transfers...

Current Transfers.¹³ The surplus in the current transfers account for the second quarter of 2007 rose by 8.3 percent to US\$3,527 million from its year-ago level of US\$3,256 million. The expansion in the net transfers under other sectors accounted for the growth in current transfers. Transfers under other sectors comprised largely of remittances from OFs. The total remittances of OFs rose by 8.5 percent to US\$3,335 million. This favorable development was the result mainly of innovative remittance schemes offered by financial institutions, and enhanced links with remittance centers overseas, which improved the access of OFs to financial services and facilitated transfers by OFs to their beneficiaries.

Portfolio and other investments boost capital and financial account balance . . .

Capital and Financial Account

The capital and financial account reversed to a surplus of US\$77 million in the second quarter of 2007 from a deficit of US\$1,650 million in the comparable quarter last year. The turnaround mirrored the reversals in the portfolio and other investment accounts from deficit to surplus levels, which more than offset the large decline in direct investments. These developments brought the first half 2007 capital and financial account balance to a surplus of US\$258 million.

¹³ Under the BPM5, the residency of seasonal workers such as OF workers is classified according to the length of their stay in the host economy. OF workers who are working for less than one year are classified as Philippine residents and their gross earnings are reflected under the Income Account. Meanwhile, OF workers 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 account. The capital account balance posted a net outflow of US\$21 million during the review quarter, a turnaround from the US\$12 million net inflow in the second quarter the previous year. This was due mainly to the large disbursements under the acquisition/disposal of non-financial assets account, which negated the higher capital transfer receipts made by the general government.

Direct investment. The dramatic increase in net equity capital placements by residents abroad from a deficit of US\$3 million in the second quarter of 2006 to a surplus of US\$2,990 million in the review period tipped the direct investment account balance from a surplus to a deficit. The net direct investment account reversed to a net outflow of US\$2,462 million in the second quarter of 2007 from a net inflow of US\$594 million in the same quarter the previous year. Further contributing to the decline was the lower net inflow from non-residents' investments to the country from US\$591 million to US\$528 million in 2007, resulting from lower reinvested earnings and higher net intercompany loan repayments to foreign direct investors by their local affiliates.

Portfolio investment. The net portfolio investment account surplus reached US\$964 million in the second quarter of 2007, as contrasted to the US\$1,344 million deficit recorded in the same quarter a year ago. Accounting for the significant improvement were the combined effects of the threefold increase in net placements by non-resident investors in equity securities issued by private entities as well as the decline in residents' investments in debt securities abroad.

Financial derivatives. The trading of financial derivatives by banks yielded a net loss of US\$90 million in the review period, a deterioration from last year's net gain of US\$35 million.

Other investments. The other investments account made a positive turnaround in the second quarter of 2007 as it posted a surplus of US\$1,686 million from a US\$947 million deficit in the second quarter last year. The reversal was due mainly to the considerable growth in non-residents' investments to the country, which amounted to US\$3,141 million in the review quarter. The sizeable inflow was supported by higher loan availments made by banks and other private entities as well as the surge in net currency and deposit placements by non-residents in local banks. This, in turn, more than offset the sharp increase in residents' net investments abroad.

International Reserves

GIR level climbs to a new high ...

The country's gross international reserves (GIR) posted a record-high level of US\$26.4 billion as of end-June 2007 (Table 13). At this level, the GIR was US\$5.3 billion or 24.9 percent higher than the US\$21.1 billion posted in the comparative quarter last year and US\$1.7 billion or 6.9 percent higher than the previous quarter's US\$24.7 billion level. The end-June 2007 GIR level was equivalent to 4.8 months' worth of imports of goods and payment of services and income. In terms of reserve adequacy, the level of reserves was 5.2 times the amount of the country's short-term foreign liabilities based on original maturity and 2.8 times based on residual maturity.¹⁴

The continued accumulation of reserves was attributed mainly to the BSP's foreign exchange operations, income from investments abroad and proceeds from the release of collateral on the Brady bonds, which were prepaid by the NG in April 2007. The GIR level would have been higher had the BSP not prepaid its term loan

¹⁴ 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.

obligations originally maturing in October 2007 and April 2008 worth US\$130 million.

The GIR consisted of foreign investments (87.3 percent), gold (11.1 percent), foreign exchange and SDRs as well as the reserve position in the Fund (1.6 percent). By the currency composition, reserves (excluding gold) were denominated in US dollars (87.0 percent), euros (7.1 percent), yen (3.9 percent), pounds sterling (1.0 percent), and the balance (1.1 percent) in other currencies.

Net international reserves (NIR), including revaluation of reserve assets and reserve-related liabilities, rose to US\$26.4 billion at end-June 2007 as against the year-ago level of US\$20.5 billion and the prior quarter's US\$24.7 billion. The NIR refers to the difference between the BSP's GIR and the combined total of its short-term liabilities and use of Fund credits.

Exchange Rate

Peso continues to strengthen as investors remain optimistic ...

Changes in Selected Asian Currencies	
Currencies	Appreciation/Depreciation (-) 29 June 2007 vs. 29 Dec 2006
Philippine peso	6.03
Thailand baht	2.66
Chinese yuan	2.47
Malaysian ringgit	2.14
South Korean won	0.68
Singaporean dollar	0.39
Indonesian rupiah	-0.51
New Taiwan dollar	-0.82
Japanese yen	-3.56

Trends in the Peso-Dollar Rate

The peso continued to track an appreciating path during the second quarter of 2007 with a year-on-year rise of 11.3 percent to average ₱46.93/US\$1 (Table 14 and 14a).¹⁵ The peso broke the ₱46/US\$1 level on 5 June 2007 to reach a near seven-year-high of ₱45.72/US\$1 since hitting ₱45.01/US\$1 on 28 August 2000. On a quarter-on-quarter basis, the peso appreciated by 3.6 percent.

Investor optimism, backed by strong economic fundamentals and coupled with the lure of high yields in the local stock market, was the main factor behind the peso's relative strength. In particular, improved fiscal

¹⁵ Dollar rates or reciprocals of the peso-dollar rates were used to compute for the percentage changes.

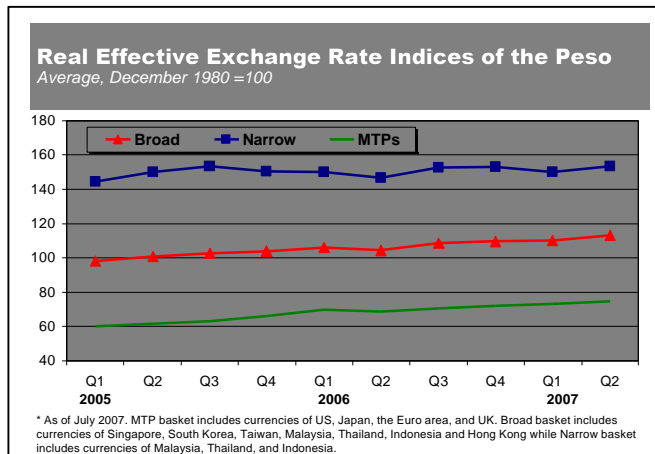
performance, low inflation, and sustained economic growth encouraged investors' vote of confidence amid the volatility risk inherent in the May 2007 elections and its potential consequences for the country's political stability. Meanwhile, the relatively high interest rates of peso instruments also attracted investors' quest for higher-yielding instruments. As of the second quarter of 2007, the interest rate differential between the benchmark 91-day T-bill rate and Japan's 3-month commercial paper stood at 235 basis points in favor of the peso instrument.¹⁶

Strong dollar inflows from a host of sources, including remittances by overseas Filipinos ahead of the school opening in June, export earnings and foreign direct and portfolio investments, also boosted the local currency.

The vitality shown by most Asian currencies, supported by the People's Bank of China's (PBoC) policy to widen the yuan's daily trading band against the dollar,¹⁷ further buoyed the peso. Thus, on a year-to-date basis, the peso, along with most Asian currencies, trended higher, gaining 6.0 percent against the US dollar as of 29 June 2007 compared to its end-Dec 2006 level. However, the Japanese yen, the New Taiwan dollar and the Indonesian rupiah weakened during the same period.

¹⁶ The Philippine peso, together with the Indonesian rupiah, Korean won and Indian rupee has been the most commonly mentioned carry trade destination currencies. Carry trades involve investors borrowing in low interest rate currency (e.g., Japanese yen) to invest in higher-yielding currencies.

¹⁷ The mechanism, which was approved by the PBoC on 18 May 2007, allows the yuan to move within plus or minus 0.5 percent per day against the US dollar, from a previous limit of plus or minus 0.3 percent per day.

Peso loses some competitiveness. . .**Nominal and Real Effective Exchange Rates**

The real effective exchange rate (REER)¹⁸ index is a significant indicator of the peso's external price competitiveness. The REER index is affected by both the peso's nominal effective exchange rate (NEER)¹⁹ and the relative prices. Thus, an increase in the NEER index, or a widening of the inflation differential, or the combined effect of both movements, translates to a higher or appreciating REER index. Conversely, a decline in the NEER index, or a narrowing of the inflation differential, or both, leads to a decrease or depreciation in the REER index.

On a real, trade-weighted basis, the review quarter saw the peso appreciating against the currencies of the country's major trading partners (9.3 percent), as well as its competitor countries both in the broad series (8.2 percent) and narrow series (4.4 percent), compared to the year-ago levels (Table 14b). This developed despite the narrowing of the price differentials, particularly in the competitor currency baskets for both the broad and narrow series. This indicates that the increase in the peso's NEER index has a dominant effect on the resulting REER index. The relatively higher REER index, in turn, suggests some loss in the peso's external price competitiveness.

A quarter-on-quarter comparison yields a similar result, showing that the peso's REER index in the second quarter also rose in all the three classifications of its trading partners and competitor countries. Thus, the REER index of the peso was up by 2.9 percent against its MTPs amid the slight narrowing of the relative prices;

¹⁸ The REER index is derived from the NEER index by adjusting for inflation differentials.

¹⁹ The NEER index represents the weighted average exchange rate of the peso vis-à-vis a basket of foreign currencies. Major trading partners (MTPs) include the US, Japan, European Monetary Union and the UK. The competitor countries-broad series is composed of the currencies of Singapore, South Korea, Taiwan, Thailand, Malaysia, Indonesia, and Hong Kong. The narrow basket includes the currencies of Indonesia, Malaysia, and Thailand.

and by 2.6 percent and 2.1 percent vis-à-vis the broad and narrow series, respectively. These imply that on a quarter-on-quarter basis, the peso also lost some international price competitiveness.

External Debt

The country's outstanding external debt reached US\$54.0 billion as of end-March 2007, US\$678 million or 1.3 percent higher relative to the end-December 2006 level of US\$53.4 billion (Table 15). The rise in debt stock during the first quarter may be attributed to the increase in NG borrowings, which resulted in a net inflow of US\$1.6 billion during the review period. This was offset partially by net repayments of foreign liabilities by the private sector. Year-on-year, the debt stock declined by US\$1.3 billion or 2.3 percent from the end-March 2006 level of US\$55.3 billion due mainly to net principal payments of US\$3.1 billion, of which US\$2.5 billion pertained to prepayments of future years' maturities.

The maturity profile of the country's external debt remained favorable. MLT loans (i.e., those with maturities longer than one year) rose to US\$48.9 billion accounting for 90.5 percent of the total external debt as of end-March 2007. This level of external debt was lower relative to the end-December 2006 level of US\$48.4 billion. MLT loans posted a weighted average maturity of 18.1 years during the review period, slightly longer than that as of end-2006 of 17.8 years. During the review period, short-term (ST) obligations also grew by US\$109 million to US\$5.1 billion, with share to total external debt increasing to 9.5 percent from the previous quarter's 9.4 percent. Public sector borrowings had an average term of 20.7 years, more than double the private sector's 9.3 years.

Public sector debt climbed by 3.4 percent to US\$38.3 billion during the quarter under review, with its share to

External debt remains at manageable levels...

Selected External Debt Indicators as of periods indicated		
	end-December 2006	end-March 2007
Total External Debt	US\$53.4 B	US\$54.0 B
Of which:		
Short-Term	US\$5.0 B	US\$5.1 B
% of Total	9.4%	9.5%
Medium-to Long Term	US\$48.4 B	US\$48.9 B
% of Total	90.6%	90.6%
Average Maturity of MLT Debt (years), orig. mat.	17.8	18.1
Public	20.5	20.7
Private	9.2	9.3
Debt Ratios		
External Debt to GDP	45.4%*	44.2%**
External Debt to GNP	41.7%*	40.6%**
DSB to XGSI	12.0%*	12.1%**
* Jan-Dec 2006		
** Jan-Mar 2007		

total increasing to 70.9 percent, from 69.5 percent in December 2006. By contrast, private sector debt declined by 3.5 percent to US\$15.7 billion and accounted for 29.1 percent of total external debt.

External debts secured from official creditors (consisting of multilateral institutions and bilateral creditors reached US\$21.1 billion, accounting for 39.1 percent of the country's total external debt. Foreign holders of bonds and notes issued overseas by residents constituted 35.8 percent of total external debt while debt owed to foreign banks and other financial institutions accounted for 18.5 percent of the total external debt. The rest of the creditors (6.6 percent) were mostly foreign suppliers.

More than half of the debt stock (53.4 percent) was denominated in U.S. dollars and a quarter (25.0 percent) was denominated in Japanese yen. Multi-currency loans from the Asian Development Bank and the World Bank comprised 9.7 percent of the total external debt and the rest (11.9 percent) were in 16 other foreign currencies.

For the first quarter of 2007, the external debt service ratio (DSR), or the percentage of the country's total principal and interest payments to total exports of goods and receipts from services and income dropped to 11.9 percent from the previous quarter's 13.4 percent and last year's 12.5 percent. The country's DSR has remained well below the 20 percent international benchmark, indicating that the country has sufficient foreign exchange earnings to pay loan obligations maturing during the current period (Table 16).

The external debt ratio, or outstanding external debt as a percentage of aggregate output or GNP, declined to 40.6 percent as against 41.7 percent in end-2006 and 49.6 percent in end-March 2006. In terms of GDP, the external debt ratio also improved to 44.2 percent from the quarter- and year-ago levels of 45.4 percent and 53.7 percent, respectively.

Foreign Interest Rates

The monetary policy stance of major central banks generally remained cautious with some central banks raising their policy rates once during the second quarter of the year while others maintained their policy stance. Concerns that inflation will unlikely moderate and economic growth will continue on a moderate pace influenced the conservative stance of central banks.

The US Federal Open Market Committee (FOMC) decided to keep its target for the federal funds rate at 5.25 percent during its 9 May and 27-28 June 2007 meetings as the US economy seemed likely to expand at a moderate pace over the coming quarters despite the ongoing adjustment in the housing sector and increased pressures on inflation due to high levels of resource utilization.²⁰ The US FOMC noted that while core inflation has improved modestly in recent months, a sustained moderation in inflation pressures has yet to be convincingly demonstrated. The extent and timing of future policy adjustments will depend on the evolution of the outlook for both inflation and economic growth.

During the review quarter, the average US prime and discount rates were maintained at 8.2500 percent and 6.2500 percent, respectively (Table 17).²¹

The Bank of Japan (BOJ) likewise decided to maintain its current guideline for money market operations, which is to maintain the uncollateralized overnight call rate at around 0.5 percent.²² The BOJ noted that Japan's economy was likely to continue its sustained expansion while the financial environment remained

²⁰ Federal Reserve, FOMC Statement available online at <http://www.federalreserve.gov/boarddocs/press/monetary/2007>

²¹ 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.

²² BOJ, Announcement of the Monetary Policy Meeting Decisions, available online at <http://www.boj.or.jp>

accommodative. Given this view, the BOJ assessed that maintaining its current monetary policy settings is appropriate to ensure price stability and achieve sustainable growth in the medium to long term.

Meanwhile, the Bank of England's Monetary Policy Committee (MPC) voted to raise the official bank rate by 25 basis points to 5.5 percent during its 10 May 2007 meeting. The Committee judged that a further increase was necessary to meet the 2 percent target for inflation in the medium term. The MPC noted that the risks to inflation remain tilted to the upside as the margin of spare capacity in the economy appears limited while credit and broad money continue to grow rapidly.

Similarly, the Governing Council of the European Central Bank (ECB) decided to increase the key ECB interest rates by 25 basis points on 6 June 2007.²³ The decision was taken in view of the upside risks to the medium-term outlook for inflation given the vigorous monetary and credit growth in the euro area and the continued expansion in economic activity. The ECB judged that acting in a firm and timely manner to ensure price stability in the medium term was warranted.

Meanwhile, the 90-day London Interbank Offered Rate (LIBOR) and the 90-day Singapore Interbank Offered Rate (SIBOR) marginally increased by less than one basis point to average 5.3579 percent and 5.3617 percent, respectively, during the quarter.

Macroeconomic Indicators in Selected Economies									
Year-on-year growth rates (in percent)									
Country	Real GDP			Inflation			Unemployment Rate ^{1/}		
	Q4 2006	Q1 2007	Q2 2007	Q4 2006	Q1 2007	Q2 2007	Q4 2006	Q1 2007	Q2 2007
G3									
US	2.6	1.5	1.9	1.9	2.4	2.7	4.2	4.8	4.4
Japan	2.3	2.6	1.6	2.6	1.9	2.3	4.0	4.0	3.8
Euro area	3.3	3.2	2.5	1.8	1.9	1.9	7.6	7.2	7.0
Asian NIEs									
Hong Kong	7.3	5.7	6.9	2.1	1.7	1.3	4.2	4.3	4.3
South Korea	4.0	4.0	5.0	2.2	2.0	2.4	3.2	3.6	3.3
Singapore	6.6	6.4	8.6	0.6	0.5	1.0	2.6	2.5	3.0
China	10.4	11.1	11.5	2.0	2.7	3.6	4.1	4.1	4.1
ASEAN									
Indonesia	6.1	6.0	6.3	6.1	6.4	6.0	n.a.	n.a.	n.a.
Malaysia	5.7	5.5	5.7	3.1	2.6	1.4	3.0	3.4	n.a.
Thailand	4.3	4.2	4.4	1.7	2.4	1.9	1.1	1.4	1.6

Sources: Bloomberg; The Institute of International Finance, Inc.; Bureau of Economic Analysis; Bureau of Labor Statistics; Cabinet Office; European Central Bank; Hong Kong Administrative Region Government Portal; Korea National Statistics; Singapore Department of Statistics; National Bureau of Statistics; Department of Statistics, Malaysia; National Economic and Social Development Board, Thailand; Bank of Indonesia; BPS, Statistics Indonesia

1/ Unemployment rate is the proportion (in percent) of the total number of unemployed to the total number of persons in the labor force.

Global Economy

The growth momentum in the global economy remained strong during the second quarter of 2007, driven by the buoyant economic activity in emerging markets and the improvement in the U.S. economy. The renewed

²³ European Central Bank, Monetary Policy Decisions, available online at <http://www.ecb.int>

strength in the global economy came mainly from the manufacturing and services sectors. Inflationary pressures increased but were generally contained and the overall unemployment rate remained fairly steady.

The US economy improved in the second quarter of the year, with real GDP growth expanding to 1.9 percent year-on-year (y-o-y) from 1.5 percent in the first quarter due mainly to positive contributions from personal consumption expenditures (PCE) and federal government spending. By contrast, Japan's real GDP growth decelerated to 1.6 percent in the second quarter from 2.6 percent in the previous quarter on account of a slowdown in exports and private demand as non-financial firms reduced capital outlays. Likewise, real GDP growth in the euro area decreased to 2.5 percent during the review period from 3.2 percent in the first quarter, as investments declined, tempered partially by the growth in exports and household consumption.²⁴

In emerging Asia, economic activity continued to expand at a robust pace, particularly in China which grew by 11.5 percent in the second quarter due to strong net trade and investment growths. Moreover, the newly-industrialized-economies (NIEs), Hong Kong, South Korea and Singapore, reported strong GDP growths in the second quarter at 6.9 percent, 5.0 percent and 8.6 percent, respectively, reflecting significant growth in the manufacturing and services sectors. Other Asian countries, Indonesia, Malaysia and Thailand, also posted robust GDP growth during the review period at 6.3 percent, 5.7 percent and 4.4 percent, respectively.

Broad measures of price inflation continued to rise but were generally contained in many economies during the

²⁴ The euro area (EA13) consists of Belgium, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal, Slovenia and Finland. The European Union (EU27) on the other hand, includes the EA13 countries together with Bulgaria, the Czech Republic, Denmark, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovakia, Sweden and the United Kingdom.

period in review, as economic growth remained strong, and core inflation moved up noticeably in a number of these economies. Inflation in the euro area remained stable at 1.9 percent in the second quarter. However, Japan's inflation accelerated to 2.3 percent during the review period from 1.9 percent in the preceding quarter. Likewise, inflation in the United States accelerated to 2.7 percent during the first quarter from 2.4 percent in the previous quarter due to significant increases in energy and food prices.

Strong economic activity in China had been accompanied by a pick-up in inflationary pressures, resulting to a 3.6 percent inflation in the second quarter from 2.7 percent in the previous quarter. Similarly, inflation accelerated in other NIEs in Asia, including South Korea at 2.4 percent (from 2.0 percent) and Singapore at 1.0 percent (from 0.5 percent) as the NIEs' growth continued to gain momentum. However, inflation decelerated in Hong Kong (at 1.3 percent from 1.7 percent), Malaysia (at 1.4 percent from 2.6 percent), Indonesia (at 6.0 percent from 6.4 percent) and Thailand (at 1.9 percent from 2.4 percent).

Meanwhile, global labor conditions generally improved except in Singapore and Thailand, where unemployment rates increased to 3.0 percent (from 2.5 percent) and 1.6 percent (from 1.4 percent), respectively.

F. Financial Condition of the BSP

Balance Sheet

Based on preliminary and unaudited financial statements, the BSP's assets as of end-June 2007 increased by 23.1 percent to reach P1.7 trillion. The figure was P324.5 billion higher than the P1.4 trillion recorded during the same period last year (Table 18).

Balance Sheet of the BSP

in billion pesos

	End-June*	End-June*
	2006	2007
Assets	1,406.5	1,731.0
Liabilities	1,137.8	1,505.1
Networth	268.7	225.9

*- Unaudited

Similarly, the BSP's liabilities rose by 32.2 percent or P367.3 billion to reach P1.5 trillion. On the other hand, the BSP's networth amounted P225.9 billion, a decline of 15.9 percent from the P268.7 billion level recorded last year. On a quarter-on-quarter basis, the BSP's assets and liabilities grew by 3.2 percent and 6.2 percent, respectively, while its net worth was lower by 13.2 percent.

The increase in the BSP's assets during the review period was due mainly to the substantial growth in domestic securities, primarily the BSP's holdings of Treasury bills (P195.1 billion). In addition, the rise in international reserves (P96.6 billion), which was attributed mainly to the BSP's foreign exchange operations and receipts from investment income abroad, also contributed to the upsurge in BSP's assets.

The expansion in deposits, particularly the reserve deposits of banks and other financial institutions (P251.6 billion) and special deposit accounts (P256.5 billion), was the major contributor to the increase in the BSP's liabilities. However, the increase in liabilities was moderated by the decrease in loans payable as a result of withdrawals by the Government from its deposits with the BSP.

Income Statement

Based on preliminary and unaudited data, the BSP's operations registered a net loss of P27.6 billion in the second quarter of 2007, a turnaround from the net gain of P13.1 billion recorded during the comparable period a year ago and higher than P4.1 billion net loss posted in the first quarter ending March 2007 (Table 19).

Total revenues amounted to P24.3 billion, 81.8 percent or P10.9 billion higher than the year-ago level. Total interest earnings, mostly from international reserves and

Income Statement of the BSP			
<i>in billion pesos</i>			
	Apr-Jun*	Jan-Mar*	Apr-Jun*
	2006	2007	
Revenue	13.366	14.248	24.304
Less: Expenses	12.697	13.181	15.268
Equals: Net Income Before Gain/Loss(-)	0.669	1.067	9.036
Add/Less: Gain/Loss(-) on FX Rate and Price Fluctuations	16.767	-5.161	-36.669
Less: Provisions for Income Tax	4.298	0.000	0.000
Equals: Net Income Available for Distribution	13.138	-4.094	-27.633
*- Unaudited			

domestic securities, expanded by 21.3 percent to P15.1 billion. Compared to the previous quarter, interest earnings expanded by 7.5 percent.

Total expenses grew by P2.6 billion to reach P15.3 billion or 20.2 percent higher than the year-ago level. The increase can be traced largely to higher interest expense (P1.6 billion) due mainly to the rise in the volume of the BSP's special deposit account facility and the legal reserve deposits of banks. On a quarter-on-quarter basis, interest expense and other expenses rose by 8.5 percent and 53.2 percent, respectively.

G. Challenges and Future Policy Directions

The Philippine economy continued to accelerate in the second quarter of 2007, posting the highest growth in twenty years. Solid economic fundamentals, as indicated by the low and stable inflation, strong external payments position, improving fiscal condition, and a sound banking system, are expected to support this faster pace of growth.

Going forward, the challenge lies in sustaining the growth momentum and improving the country's competitiveness. The progress towards fiscal consolidation will have to be maintained and investments will have to be raised to a level and quality that will generate maximum productivity and the widest multiplier effect. On the part of the BSP, our policies will continue to be geared towards maintaining a sound monetary and financial environment, while advancing reforms that promote growth and respond to changes in global financial conditions. These include managing prudently the potential risks to inflation and inflation expectations through responsive and forward-looking policies, pursuing reforms that will preserve the soundness of the

banking system, and supporting the development of a deep and efficient domestic capital market.

Second-quarter indicators continued to show limited inflation pressures over the policy horizon. Liquidity growth has slowed down since May, global oil prices were on a downtrend, supply conditions continued to be favorable, and demand-side price pressures remained limited. In addition, the relatively firm peso continued to exert a moderating influence on prices.

However, the BSP remains mindful of the risks to future inflation. Any reversal in market sentiment, stemming from potential spillover effects of the recent global financial market turbulence and tighter credit conditions, can weaken the exchange rate which could fuel domestic price pressures. A resumption of strong liquidity growth, additional increases in wages and transport costs and renewed volatility in world oil prices can adversely affect the inflation outlook as well.

Managing risks to inflation and inflation expectations will therefore remain a key policy priority of the BSP. In this regard, the BSP will maintain an appropriately prudent monetary policy stance supportive of non-inflationary growth.²⁵ This will be complemented by a market-determined exchange rate policy, supported by an ongoing liberalization of foreign exchange regulations in response to the expanding foreign exchange needs of the economy.

On banking supervision, the BSP will continue to implement reforms that will be geared toward maintaining a strong banking system. While the banking sector has remained fundamentally sound, performing its important role as an intermediary of funds in a growing

²⁵ In July 2007, the BSP implemented two complementary moves in line with this policy strategy: the tiering system on placements with the BSP was lifted and the BSP's key policy interest rates were adjusted to 6.0 percent for the overnight borrowing or reverse repurchase (RRP) rate and 8.0 percent for the overnight lending or repurchase (RP) rate.

and more dynamic economy, policy reforms in the areas of corporate governance, risk management, asset-clean up, capital build-up and industry consolidation, are expected to help further strengthen and boost overall performance of the banking system.

Simultaneous with the ongoing process of reforms in the banking system, the BSP will remain actively engaged in initiatives aimed at developing a vibrant capital market. The BSP will continue to support the passage of key legislative reforms to promote a deep and efficient domestic capital market that will complement a robust banking system by serving as an alternative pillar to cushion the economy against external shocks.

As the country pursues further reforms that support a higher trajectory of growth while reducing our vulnerabilities to external shocks, the active participation of the private sector, mainly in terms of financing and investments, will be the crucial link that will keep the economy at the cutting edge of growth.

Banking Policy

The BSP continued to implement banking policies during the second quarter reflective of its proactive stance in addressing the challenges to financial stability posed by globalization. The policy reforms focused on the following areas:

☞ *Diversifying banks' investment opportunities and services*

- ☞ Thrift banks with FCDU licenses are allowed to invest in readily marketable foreign currency denominated debt instruments, regardless of maturity.¹ (*Circular No. 565 dated 3 May 2007*)
- ☞ Banks, with prior Monetary Board approval, are given the authority to render internal audit services, among others, in favor of subsidiaries, affiliates and companies related to them by at least 5 percent ownership. On a later date, these services were expanded to include credit administration services (such as limit administration, loan documentation, loan administration, and credit reporting, compliance and control). This same authority is likewise extended to non-bank financial institutions. (*Circular No. 567 dated 4 May 2007 and Circular No. 569 dated 21 May 2007*)

☞ *Strengthening prudential regulations*

- ☞ The BSP issued the guidelines governing the acceptance of valid identification cards for all types of financial transactions by banks and non-bank financial institutions, including financial transactions involving overseas Filipino workers (OFWs). This was aimed to promote access of Filipinos to services offered by formal financial institutions, particularly those residing in the remote areas, as well as to encourage and facilitate remittances of OFWs through the banking system. (*Circular No. 564 dated 3 April 2007*)
- ☞ The BSP considers bank placements under the Special Deposit Account (SDA) with the Bangko Sentral Ng Pilipinas (BSP) as eligible alternative compliance for the liquidity floor requirement effective 10 May 2007. Banks authorized to accept Government deposits are required to report to the Supervisory Data Center (SDC) of the BSP the balance of Government deposits subject to liquidity floor requirement and the corresponding GS earmarked for the purpose, should there be any. (*Circular No. 566 dated 3 May 2007*)
- ☞ The Financial Reporting Package (FRP) issued under Circular No. 512 dated 3 February 2006 was amended to include: refinements on the definition of accounts, additional supplemental information, and the blocking and unblocking of the reporting template. The implementation of the FRP will take effect starting month-end/quarter-end September 2007 reports with a parallel run to be extended up to quarter-end June 2007 reports. (*Circular No. 568 dated 8 May 2007*)
- ☞ The BSP amended Circular No. 490 dated 8 July 2005 by lifting the prescribed duration for banks and non-banks to comply with the requirements for dividend declaration. Said requirements are as follows: (a) clearing account with the Bangko Sentral ng Pilipinas is not overdrawn; (b) liquidity floor requirement for government funds (for banks only); (c) minimum capitalization requirement and risk-based capital ratio; (d) prescribed EFCDU/FCDU cover (for banks only); and (e) statutory and liquidity reserves requirement. Under the old regulation, the BSP prescribed a duration for compliance with items a. to e. to reckon from the last eight (8) weeks immediately preceding the date of the dividend declaration up to the record date of said dividends. (*Circular No. 571 dated 21 June 2007*)

¹ For this purpose, 'readily marketable' debt instruments refer to debt instruments that are quoted in an active market and the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- ✍ The regulation on non-bank financial institution (NBFIs) with respect to the dividend distribution of non-stock savings and loan associations (NSSLAs) was amended. Under the new regulation, NSSLAs members may participate in the association's profits on the basis of their respective capital contributions on the date when such distribution of net income has been approved by its Board of Trustees/Directors. However, NSSLAs should not distribute any of its net income should its capital-to-risk ratio fall below its required level. Moreover, the NSSLAs are required to report to the BSP their *Declaration of Income for Distribution to Members*. (Circular No. 573 dated 22 June 2007)

- ✍ *Promoting microfinance to address poverty*
 - ✍ Consistent with the move to promote microfinance, wholesale microfinance loans granted by universal banks and commercial banks (UBs/KBs), including local branches of foreign banks, to microfinance institutions (MFIs) other than banks, are considered by the BSP as eligible compliance with the mandatory credit allocation to small enterprises. Moreover, in addition to their existing internal credit risk evaluation and review mechanisms for prospective and existing exposures, UBs and KBs can assess the performance of partner-MFIs using the P.E.S.O. Standard.² (Circular No. 570 dated 24 May 2007)

² Acronym for key factors in microfinance operations – portfolio quality, efficiency, sustainability and outreach.

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1 GROSS NATIONAL PRODUCT BY INDUSTRIAL ORIGIN

for periods indicated

in million pesos, at constant 1985 prices

	2005				2006				2007		Annual Change (%)					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	2006				2007	
											Q1	Q2	Q3	Q4	Q1	Q2
Agriculture, Fishery and Forestry	58,256	50,420	51,733	70,590	60,624	53,795	53,602	71,815	63,117	55,903	4.1	6.7	3.6	1.7	3.9	3.9
Industry	90,581	100,349	97,916	108,035	95,421	104,788	102,763	111,960	101,413	113,211	5.3	4.4	5.0	3.6	6.3	8.0
Mining and Quarrying	4,976	5,971	3,852	5,233	5,068	6,170	3,655	3,919	5,738	8,226	1.8	3.3	-5.1	-25.1	13.2	33.3
Manufacturing	67,366	70,688	72,814	82,466	70,755	73,643	76,000	86,439	73,565	76,392	5.0	4.2	4.4	4.8	4.0	3.7
Construction	9,524	13,679	11,218	11,431	10,545	14,220	12,152	12,296	12,658	17,213	10.7	4.0	8.3	7.6	20.0	21.0
Electricity, Gas and Water	8,715	10,011	10,033	8,905	9,053	10,754	10,956	9,306	9,452	11,380	3.9	7.4	9.2	4.5	4.4	5.8
Services	134,944	146,359	142,717	158,596	143,931	154,772	150,995	171,968	156,602	167,732	6.7	5.7	5.8	8.4	8.8	8.4
Transportation, Communication and Storage	24,533	27,173	24,039	29,021	26,219	28,630	25,509	31,054	28,970	31,425	6.9	5.4	6.1	7.0	10.5	9.8
Trade	44,239	49,321	50,503	59,489	46,562	51,805	53,287	64,305	50,653	56,165	5.3	5.0	5.5	8.1	8.8	8.4
Finance	15,066	16,795	16,394	16,410	17,262	18,482	17,295	18,970	19,812	20,667	14.6	10.0	5.5	15.6	14.8	11.8
Ownership of Dwellings and Real Estate	13,964	14,084	14,215	14,244	14,435	14,823	15,294	15,183	15,235	15,759	3.4	5.2	7.6	6.6	5.5	6.3
Private Services	23,684	25,099	24,976	26,614	25,501	26,462	26,498	28,855	27,655	28,737	7.7	5.4	6.1	8.4	8.4	8.6
Government Services	13,458	13,887	12,590	12,819	13,953	14,570	13,113	13,601	14,277	14,978	3.7	4.9	4.2	6.1	2.3	2.8
Gross Domestic Product	283,781	297,128	292,366	337,222	299,976	313,355	307,360	355,744	321,132	336,846	5.7	5.5	5.1	5.5	7.1	7.5
Net Factor Income from the Rest of the World	25,243	27,462	25,700	30,204	28,617	31,946	28,571	33,958	32,760	37,247	13.4	16.3	11.2	12.4	14.5	16.6
Gross National Product	309,024	324,590	318,067	367,426	328,593	345,301	335,931	389,702	353,892	374,093	6.3	6.4	5.6	6.1	7.7	8.3

Data revised from 2005 -2006

Total may not add up due to rounding.

Source : National Statistical Coordination Board

1a GROSS NATIONAL PRODUCT BY EXPENDITURE SHARES

for periods indicated

in million pesos, at constant 1985 prices

	2005				2006				2007		Annual Change (%)					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	2006				2007	
											Q1	Q2	Q3	Q4	Q1	Q2
Personal Consumption Expenditures	216,422	235,173	232,521	263,446	227,902	247,830	244,665	278,819	241,355	262,719	5.3	5.4	5.2	5.8	5.9	6.0
Government Consumption Expenditures	18,830	21,762	18,985	17,092	20,259	22,488	19,840	18,784	22,258	25,535	7.6	3.3	4.5	9.9	9.9	13.5
Capital Formation	56,058	52,437	47,472	57,567	56,201	53,233	51,259	58,594	60,076	57,575	0.3	1.5	8.0	1.8	6.9	8.2
Fixed Capital	52,585	55,716	48,724	52,365	53,831	55,178	49,745	53,521	58,403	60,711	2.4	-1.0	2.1	2.2	8.5	10.0
Construction	19,054	25,486	21,483	21,478	20,583	26,093	22,922	22,710	24,397	31,027	8.0	2.4	6.7	5.7	18.5	18.9
Durable Equipment	29,037	26,247	24,209	25,805	28,829	25,168	23,759	25,689	29,489	25,564	-0.7	-4.1	-1.9	-0.5	2.3	1.6
Breeding Stock & Orchard Dev't	4,494	3,983	3,031	5,082	4,419	3,916	3,064	5,122	4,516	4,120	-1.7	-1.7	1.1	0.8	2.2	5.2
Changes in Stock	3,473	-3,278	-1,252	5,202	2,370	-1,945	1,513	5,072	1,673	-3,136	..	..	..	..	..	..
Exports	125,943	134,168	167,158	138,473	142,303	162,595	182,567	141,628	156,355	169,420	13.0	21.2	9.2	2.3	9.9	4.2
Less: Imports	147,707	166,970	167,924	161,238	148,796	173,684	169,869	163,442	145,733	154,160	0.7	4.0	1.2	1.4	-2.1	-11.2
Statistical Discrepancy	14,235	20,558	-5,845	21,882	2,106	893	-21,102	21,361	-13,178	-24,242	..	..	..	..	..	..
Gross Domestic Product	283,781	297,128	292,366	337,222	299,976	313,355	307,360	355,744	321,132	336,846	5.7	5.5	5.1	5.5	7.1	7.5
Net Factor Income from the Rest of the World	25,243	27,462	25,700	30,204	28,617	31,946	28,571	33,958	32,760	37,247	13.4	16.3	11.2	12.4	14.5	16.6
Gross National Product	309,024	324,590	318,067	367,426	328,593	345,301	335,931	389,702	353,892	374,093	6.3	6.4	5.6	6.1	7.7	8.3

Total may not add up due to rounding.

Source: National Statistical Coordination Board

2 SELECTED LABOR, EMPLOYMENT AND WAGE INDICATORS

	2005				2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Employment Status ¹										
Labor Force (in thousands)	35,664	35,130	35,237	35,494	35,216	35,954	36,165	35,808	36,396	36,397
Employed	31,634	32,221	32,522	32,875	32,377	33,024	33,259	33,188	33,546	33,706
Unemployed ²	4,030	2,909	2,715	2,619	2,839	2,930	2,906	2,620	2,850	2,691
Employment Rate (%)	88.7	91.7	92.3	92.6	91.9	91.8	92.0	92.7	92.2	92.6
Unemployment Rate (%) ²	11.3	8.3	7.7	7.4	8.1	8.2	8.0	7.3	7.8	7.4
Overseas Employment (Deployed)										
Land-based	266,982	291,716	222,922	206,995	280,605	294,783 ^r	265,788 ^r	221,391 ^r	249,056	289,457
Sea-based	205,335	231,904	161,520	141,873	211,279	224,683	201,998	150,110	188,747	224,774
	61,647	59,812	61,402	65,122	69,326	70,100	63,790	71,281	60,309	64,683
Strikes										
Number of New Strikes	2	11	11	2	5	4	2	1	1 ^P	..
Number of Workers Involved (thousands)	1	4	3	*	1	*	*	*	54 ^P	..
Nominal Daily Wage Rates (in pesos)										
National Capital Region										
Agricultural										
Plantation	284.92	312.00	312.00	312.00	288.00	288.00	313.00	313.00	313.00	313.00
Non-Plantation	284.92	312.00	312.00	312.00	288.00	288.00	313.00	313.00	313.00	313.00
Non-Agricultural	300.00	325.00	325.00	325.00	325.00	325.00	350.00	350.00	350.00	350.00
Real Daily Wage Rates (in pesos) (2000=100)										
National Capital Region										
Agricultural										
Plantation	222.42	237.44	230.94	228.07	206.90	204.11	220.90	219.65	220.27	217.66
Non-Plantation	222.42	237.44	230.94	228.07	206.90	204.11	220.90	219.65	220.27	217.66
Non-Agricultural	234.19	247.34	243.63	239.32	233.48	230.33	247.10	245.61	246.31	243.39

Notes:

¹ Starting January 2007, the NSO adopted the population projections based on the 2000 Census of Population. This is in compliance with NSCB Resolution No. 1 series of 2005 "Adopting the Methodology Used in Generating the 2000 Census of Population and Housing -Based National Population Projections." Thus, data for 2005 and 2006 are not comparable with 2007 since it was based on the 1995 Population Projections.

² 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.

^P Preliminary

* Less than 500

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 ^r				2006 ^r				2007 ^p		2007
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q2 Program
Revenues	171.7	217.4	209.8	217.4	205.0	266.1	244.8	263.7	237.3	273.0	302.2
Tax	143.3	194.1	174.6	193.6	179.4	238.2	216.2	226.0	186.1 ^r	246.4 ^r	278.9
Non-tax	28.3	23.2	35.1	23.8	25.6	27.8	28.6	37.7	51.2 ^r	26.6 ^r	23.3
Expenditures	235.1	221.4	250.7	255.7	272.6	230.0	263.7	278.1	289.3	262.0	287.6
Interest Payments	85.5	57.6	92.2	64.5	103.8	52.7	97.9	55.7	89.1	40.5	55.6
Equity	—	0.1	0.1	—	0.1	0.9	0.1	2.5	0.1	0.1	0.5
Net Lending	4.4	-2.2	1.6	-2.1	2.8	4.7	6.2	-13.6	1.8	0.7	2.4
Subsidy	0.5	1.4	5.8	4.6	3.6	3.2	2.4	4.6	6.0	4.5	1.3
Allotment to LGUs	35.9	41.8	41.1	41.7	39.9	38.8	37.9	58.1	51.6	48.2	39.7
Tax Expenditures	—	3.8	—	9.6	1.2	5.8	1.2	7.3	0.4	5.4	2.0
Others	108.8	118.9	109.9	137.4	121.2	123.9	118.0	163.5	140.3	162.5	186.1
Surplus/Deficit (-)	-63.5	-4.0	-41.0	-38.3	-67.6	36.1	-18.9	-14.4	-52.0	11.0	14.6
Financing	118.6	34.6	104.4	-21.6	109.7	-42.3	35.4	7.3	54.8	-22.7	32.9
External Borrowings (Net)	67.1	30.3	14.2	-19.0	96.9	-2.9	30.8	-4.0	75.4	-1.9	-3.4
Domestic Borrowings (Net)	51.5	4.3	90.2	-2.6	12.8	-39.5	4.6	11.4	-20.6	-20.8	36.3
Total Change in Cash: Deposit/Withdrawal (-)	73.3	28.5	6.4	-85.9	52.8	-12.8	-8.8	-25.1	16.5	-27.8	43.4
Budgetary	55.2	30.5	63.4	-59.9	42.1	-6.2	16.5	-7.1	2.8	-11.7	47.4
Non-Budgetary Accounts ¹	18.2	-2.0	-57.0	-26.0	10.7	-6.6	-25.3	-18.0	13.7	-16.1	-4.0

¹ 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.

p preliminary

r revised

— zero or nil

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

Source: Bureau of the Treasury

4 MONETARY INDICATORS (DCS CONCEPT)

 as of periods indicated
 in billion pesos

	2005				2006				2007	
	2005								Q1 ^P	Q2 ^P
	Q1 ^r	Q2 ^r	Q3 ^r	Q4 ^r	Q1 ^r	Q2 ^r	Q3 ^r	Q4 ^r		
A. Liquidity										
1. M4 (2+7)	2,979.1	3,025.2	3,049.1	3,126.7	3,119.7	3,384.8	3,432.7	3,722.1	3,771.1	3,850.3
2. Broad Money Liabilities or M3 (5+6)	2,185.6	2,245.2	2,252.6	2,339.0	2,348.3	2,531.9	2,590.4	2,869.6	2,927.1	3,023.9
3. Currency Outside Depository Corporations and Transferable Deposits (Narrow Money or M1)	556.0	567.9	566.4	616.7	613.3	640.4	648.9	768.9	788.0	830.3
Currency Outside Depository Corporations (Currency in Circulation)	222.7	219.5	221.3	267.8	244.4	244.0	238.0	305.3	289.4	287.7
Transferable Deposits (Demand Deposits)	333.4	348.4	345.1	348.9	369.0	396.4	410.9	463.6	498.6	542.6
4. Other Deposits (Quasi-Money)	1,605.4	1,654.5	1,663.1	1,698.7	1,710.5	1,860.2	1,901.5	2,057.8	2,097.5	2,155.4
Savings Deposits	1,207.2	1,238.3	1,250.2	1,276.8	1,290.3	1,400.2	1,451.1	1,500.3	1,443.7	1,471.3
Time Deposits	398.2	416.2	412.9	421.9	420.2	460.0	450.5	557.5	653.8	684.1
5. M2 (3+4)	2,161.5	2,222.4	2,229.6	2,315.4	2,323.8	2,500.6	2,550.4	2,826.7	2,885.5	2,985.6
6. Securities Other Than Shares Included in Broad Money (Deposit Substitutes)	24.1	22.8	23.1	23.6	24.4	31.3	40.0	42.8	41.6	38.3
7. Transferable & Other Deposits in Foreign Currency (FCDU Deposits-Residents)	793.5	780.0	796.5	787.7	771.4	852.9	842.3	852.5	844.0	826.4
8. Liabilities Excluded from Broad-Money (Other Liabilities)	82.4	76.7	76.8	84.6	94.5	87.3	105.1	89.0	100.2	81.6
Bills Payable	73.4	71.0	71.4	79.6	89.4	81.9	99.7	83.6	93.1	75.0
Marginal Deposits	4.7	2.0	2.3	1.4	1.7	1.9	1.9	2.2	3.9	3.4
Restricted Deposits	4.3	3.7	3.2	3.5	3.4	3.5	3.5	3.2	3.2	3.2
B. Credits										
1. Net Domestic Assets	2,277.2	2,225.8	2,228.1	2,299.6	2,152.9	2,272.2	2,280.1	2,444.8	2,339.2	2,358.5
Bangko Sentral ng Pilipinas	-452.0	-544.4	-609.1	-509.5	-644.2	-725.2	-711.7	-692.1	-801.9	-837.2
Other Depository Corporations	2,729.1	2,770.2	2,837.2	2,809.2	2,797.1	2,997.4	2,991.8	3,136.9	3,141.1	3,195.7
2. Net Claims on Residents (Net Domestic Credits)	2,792.7	2,760.7	2,779.2	2,804.3	2,664.1	2,816.5	2,781.9	3,006.6	2,911.5	3,028.1
By End-User										
Net Claims on the Public Sector (Public Sector)	988.4	924.8	938.2	960.2	844.4	971.4	962.0	1,039.7	1,018.0	1,073.0
Claims on Other Sectors (Private Sector)	1,804.3	1,835.9	1,841.0	1,844.1	1,819.7	1,845.1	1,819.9	1,966.9	1,893.4	1,955.1
By Institution										
Bangko Sentral ng Pilipinas	25.5	-6.3	-41.7	41.8	-23.9	-46.5	20.0	156.7	181.6	181.7
Other Depository Corporations	2,767.2	2,767.0	2,820.8	2,762.4	2,688.0	2,863.0	2,761.9	2,849.8	2,729.9	2,846.3
3. Net Other Items	-515.5	-535.0	-551.0	-504.6	-511.2	-544.3	-501.8	-561.8	-572.2	-669.5
C. Net Foreign Assets										
Bangko Sentral ng Pilipinas	784.3	876.1	897.8	911.7	1,061.3	1,199.9	1,257.8	1,366.3	1,532.1	1,573.4
Net International Reserves	724.3	812.0	873.8	846.1	940.5	1,020.0	1,003.0	1,077.0	1,149.5	1,185.7
Foreign Assets	843.1	932.4	991.3	937.0	1,026.4	1,098.6	1,075.4	1,127.7	1,190.1	1,222.0
Foreign Liabilities	905.5	991.1	1,039.4	981.5	1,058.8	1,131.9	1,088.0	1,128.4	1,191.3	1,222.3
Medium & Long-Term Foreign Liabilities	62.4	58.7	48.1	44.4	32.4	33.3	12.6	0.7	1.2	0.3
Other Depository Corporations	118.8	120.4	117.5	90.9	85.8	78.6	72.4	50.7	40.6	36.2
Foreign Assets	60.0	64.1	23.9	65.5	120.7	179.8	254.8	289.2	382.6	387.7
Foreign Liabilities	680.2	716.2	646.0	675.8	672.0	723.6	743.0	792.2	856.4	895.1
Foreign Liabilities	620.2	652.1	622.1	610.2	551.2	543.8	488.3	503.0	473.9	507.4

^P Preliminary

^r revised

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

Source : Bangko Sentral ng Pilipinas

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

	2005				2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
All Items	126.6	128.5	131.1	133.1	135.9	137.3	139.1	139.5	139.8	140.6
Food, Beverages and Tobacco	121.2	122.7	124.8	126.3	128.6	129.9	131.4	132.5	132.9	133.4
Non-Food	132.1	134.2	137.3	139.8	143.1	144.8	146.7	146.5	146.7	147.8
Clothing	117.1	118.0	118.8	119.7	120.7	121.7	122.5	123.3	124.1	124.7
Housing & Repairs	125.1	126.6	127.7	128.1	130.5	131.7	132.5	132.9	133.3	133.7
Fuel, Light & Water	150.3	153.1	156.6	164.7	175.0	174.8	178.0	177.9	179.2	180.6
Services	141.9	145.2	151.6	155.2	157.9	161.1	164.8	163.0	162.3	164.4
Miscellaneous	115.7	116.7	117.5	118.3	119.5	120.4	121.0	121.4	121.9	122.3
Annual Change (in percent)										
	2005				2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
All Items	8.4	8.2	7.1	6.9	7.3	6.9	6.1	4.8	2.9	2.4
Food, Beverages and Tobacco	7.4	6.8	5.8	5.9	6.2	5.8	5.2	4.9	3.3	2.7
Non-Food	9.3	9.4	8.3	7.9	8.4	7.9	6.9	4.7	2.5	2.0
Clothing	3.6	3.7	3.5	3.2	3.1	3.1	3.1	3.0	2.8	2.5
Housing & Repairs	4.5	4.7	4.8	4.3	4.3	4.1	3.8	3.7	2.2	1.5
Fuel, Light & Water	19.0	19.6	18.2	15.6	16.4	14.2	13.7	8.0	2.4	3.3
Services	13.7	13.3	10.0	10.5	11.3	10.9	8.7	5.0	2.8	2.0
Miscellaneous	3.1	3.3	3.3	3.0	3.2	3.1	3.0	2.6	2.1	1.6

Source of basic data: National Statistics Office

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

	2005				2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
All Items	128.0	130.0	133.1	135.1	138.5	140.1	142.1	142.3	142.4	142.9
Food, Beverages and Tobacco	118.7	119.6	121.6	123.5	125.4	126.2	128.5	130.4	129.9	129.6
Non-Food	134.2	137.0	140.8	142.8	147.1	149.4	151.2	150.4	150.8	151.9
Clothing	122.6	123.2	123.7	124.0	125.1	126.4	127.1	128.4	129.7	130.0
Housing & Repairs	123.1	125.2	126.7	127.0	130.7	131.8	131.9	132.4	133.0	133.3
Fuel, Light & Water	176.9	179.7	182.4	191.1	204.4	205.9	207.1	206.4	210.2	210.7
Services	140.3	144.9	153.7	156.3	159.7	163.9	168.7	165.4	164.3	167.0
Miscellaneous	115.7	116.6	117.1	117.8	119.2	120.0	120.3	120.7	121.4	121.6
Annual Change (in percent)										
	2005				2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
All Items	8.8	8.6	8.9	8.1	8.2	7.7	6.7	5.4	2.8	2.0
Food, Beverages and Tobacco	5.5	4.2	4.4	5.1	5.6	5.5	5.7	5.6	3.6	2.7
Non-Food	10.8	11.4	11.7	10.0	9.6	9.1	7.4	5.3	2.5	1.7
Clothing	3.2	3.3	3.1	2.0	2.0	2.6	2.8	3.5	3.7	2.9
Housing & Repairs	5.4	6.2	7.2	6.5	6.2	5.2	4.1	4.3	1.7	1.1
Fuel, Light & Water	30.9	32.4	30.5	21.0	15.6	14.6	13.6	8.0	2.8	2.4
Services	12.6	12.8	12.9	12.3	13.8	13.1	9.8	5.8	2.9	1.9
Miscellaneous	2.8	3.1	3.2	2.8	3.0	2.9	2.7	2.5	1.8	1.3

Source of basic data: National Statistics Office

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

	2005				2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
All Items	126.1	127.8	130.2	132.3	134.8	136.2	137.8	138.2	138.7	139.6
Food, Beverages and Tobacco	121.9	123.8	125.9	127.3	129.7	131.1	132.3	133.2	133.9	134.6
Non-Food	130.9	132.7	135.3	138.2	140.9	142.2	144.2	144.2	144.4	145.5
Clothing	115.1	116.1	117.1	118.2	119.2	120.0	120.8	121.5	122.2	122.8
Housing & Repairs	126.7	127.6	128.4	129.1	130.3	131.7	132.8	133.2	133.6	134.0
Fuel, Light & Water	138.7	141.5	145.5	153.0	162.2	161.2	165.3	165.4	165.7	167.4
Services	142.8	145.4	150.4	154.7	156.9	159.6	162.6	161.6	161.2	163.0
Miscellaneous	115.8	116.8	117.6	118.5	119.6	120.5	121.2	121.7	122.1	122.6
Annual Change (in percent)										
	2005				2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
All Items	8.3	8.0	6.3	6.5	6.9	6.5	5.9	4.5	2.9	2.5
Food, Beverages and Tobacco	8.1	7.7	6.2	6.2	6.4	5.9	5.1	4.6	3.2	2.6
Non-Food	8.6	8.4	6.4	6.7	7.6	7.2	6.6	4.4	2.5	2.3
Clothing	3.7	3.9	3.7	3.6	3.6	3.4	3.2	2.8	2.5	2.3
Housing & Repairs	3.8	3.5	2.9	2.7	2.8	3.2	3.5	3.2	2.6	1.7
Fuel, Light & Water	13.3	13.6	12.5	12.7	16.9	13.9	13.7	8.1	2.2	3.9
Services	14.3	13.6	8.4	9.6	9.8	9.7	8.1	4.4	2.7	2.2
Miscellaneous	3.2	3.4	3.3	3.2	3.3	3.2	3.1	2.6	2.1	1.7
Source of basic data: National Statistics Office										

6 SELECTED DOMESTIC INTEREST RATES
in percent per annum

	Nominal Interest Rates										Real Interest Rates ⁴									
	2005				2006				2007		2005				2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Interbank Call Loans	7.0219	7.2176	7.2455	7.7389	7.8819	7.9103	8.0579	7.4600	7.4918	7.3774	-1.4280	-0.9497	0.1357	0.8026	0.5642	1.0084	1.9541	2.6766	4.5975	4.9988
Savings Deposits	3.9620	3.6110	3.6310	3.8470	3.6540	3.7020	3.4430	3.4090	2.4550	2.0260	-4.4879	-4.5563	-3.4788	-3.0893	-3.6637	-3.1999	-2.6608	-1.3744	-0.4393	-0.3526
Time Deposits, All Maturities	5.5820	4.9210	5.0000	5.5940	5.2790	5.1200	4.9970	4.5690	3.2100	3.0330	-2.8679	-3.2463	-2.1098	-1.3423	-2.0387	-1.7819	-1.1068	-0.2144	0.3157	0.6544
Manila Reference Rates, All Maturities ¹	7.5000	7.1250	6.5625	6.9375	6.8125	7.1250	6.6250	6.0625	6.3125	6.5625	-0.9499	-1.0423	-0.5473	0.0012	-0.5052	0.2231	0.5212	1.2791	3.4182	4.1839
Lending Rates																				
High	11.8947	11.1259	10.6739	10.5479	10.0623	10.0348	10.5046	10.0152	8.5582	8.2882	3.4448	2.9586	3.5642	3.6116	2.7446	3.1329	4.4009	5.2318	5.6639	5.9096
Low	9.8101	9.1059	8.6867	8.6098	8.2028	8.2965	8.6186	8.0676	6.8400	6.6229	1.3602	0.9387	1.5769	1.6735	0.8851	1.3945	2.5148	3.2842	3.9457	4.2443
All Maturities ²	10.0560	10.0270	10.2320	10.2620	9.8430	9.9070	10.0720	9.1710	8.8970	8.2920	1.6061	1.8597	3.1222	3.3257	2.5253	3.0051	3.9682	4.3876	6.0027	5.9134
Bangko Sentral Rates																				
R/P (Overnight) ³	9.0000	9.2500	9.2786	9.6967	9.7500	9.7500	9.7500	N.T.	N.T.	9.7500	0.5501	1.0827	2.1688	2.7604	2.4323	2.8481	3.6462	N.T.	N.T.	7.3714
R/P (Term) ³	9.1218	9.3323	9.3178	9.8750	9.8125	9.8125	N.T.	N.T.	N.T.	9.8125	0.6719	1.1650	2.2080	2.9387	2.4948	2.9106	N.T.	N.T.	N.T.	7.4339
RR/P (Overnight) ³	6.7500	6.9873	7.0180	7.4592	7.5000	7.5000	7.5000	7.5000	7.5000	7.5000	-1.6999	-1.1800	-0.0918	0.5229	0.1823	0.5981	1.3962	2.7166	4.6057	5.1214
RR/P (Term) ³	6.8172	7.0725	7.1033	7.5469	7.5863	7.5848	7.5905	7.5979	7.6055	7.6015	-1.6327	-1.0948	-0.0065	0.6106	0.2686	0.6829	1.4867	2.8145	4.7112	5.2229
Rediscounting	7.6690	6.6310	6.2480	5.9577	5.2987	5.1110	6.0717	5.1147	3.4467	3.3637	-0.7809	-1.5363	-0.8618	-0.9786	-2.0190	-1.7909	-0.0321	0.3313	0.5524	0.9850
Rate on Government Securities																				
Treasury Bills, All Maturities	7.9350	7.0710	7.4070	7.7330	6.4290	5.8370	6.4250	5.6820	3.7860	3.8060	-0.5149	-1.0963	0.2972	0.7967	-0.8887	-1.0649	0.3212	0.8986	0.8917	1.4274
91-Days	7.0800	6.1610	5.6830	5.6110	5.0310	5.1850	5.6070	5.2580	3.1490	2.9730	-1.3699	-2.0063	-1.4268	-1.3253	-2.2867	-1.7169	-0.4968	0.4746	0.2547	0.5944
182-Days	8.0630	7.2890	7.6070	7.7520	6.2650	5.9720	6.4240	5.5580	3.6880	3.7130	-0.3869	-0.8783	0.4972	0.8157	-1.0527	-0.9299	0.3202	0.7746	0.7937	1.3344
364-Days	9.0010	8.2640	8.6310	8.7670	7.2720	6.4100	7.3090	6.1530	4.1650	5.1740	0.5511	0.0967	1.5212	1.8307	-0.0457	-0.4919	1.2052	1.3696	1.2707	2.7954

¹ Refers to the New MRR based on combined transactions on time deposits and promissory notes of reporting commercial banks

² Refers to the weighted average interest rate of reporting commercial banks' interest incomes on their outstanding peso-denominated loans

³ Weighted average of transacted rates

⁴ Nominal interest rate less inflation rate

Source: Bangko Sentral ng Pilipinas

7 NUMBER OF FINANCIAL INSTITUTIONS ¹
as of periods indicated

	2005				2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total	19,361	19,515	19,849	20,107	20,152	20,396	20,686	20,953	21,030	21,149
Head Offices	6,884	6,945	7,033	7,082	7,102	7,181	7,230	7,264	7,274	7,307
Branches/Agencies	12,477	12,570	12,816	13,025	13,050	13,215	13,456	13,689	13,756	13,842
Banks	7,613	7,624	7,653	7,670	7,672	7,693	7,679	7,710	7,704	7,738
Head Offices	882	881	881	879	872	871	865	862	861	858
Branches/Agencies	6,731	6,743	6,772	6,791	6,800	6,822	6,814	6,848	6,843	6,880
Commercial Banks	4,332	4,316	4,322	4,318	4,318	4,324	4,295	4,313	4,278	4,297
Head Offices	42	42	42	41	41	41	39	39	39	38
Branches/Agencies	4,290	4,274	4,280	4,277	4,277	4,283	4,256	4,274	4,239	4,259
Thrift Banks	1,266	1,280	1,279	1,293	1,312	1,316	1,318	1,322	1,338	1,333
Head Offices	83	83	84	84	85	85	84	84	84	83
Branches/Agencies	1,183	1,197	1,195	1,209	1,227	1,231	1,234	1,238	1,254	1,250
Savings and Mortgage Banks	789	804	804	817	833	837	843	844	852	850
Head Offices	32	32	32	32	32	32	33	33	33	33
Branches/Agencies	757	772	772	785	801	805	810	811	819	817
Private Development Banks	301	300	298	298	300	300	300	300	305	302
Head Offices	23	23	22	22	22	22	21	21	21	20
Branches/Agencies	278	277	276	276	278	278	279	279	284	282
Stock Savings and Loan Associations	167	167	162	162	162	162	162	165	167	167
Head Offices	26	26	26	26	26	26	26	26	26	26
Branches/Agencies	141	141	136	136	136	136	136	139	141	141
Microfinance Banks	9	9	15	16	17	17	13	13	14	14
Head Offices	2	2	4	4	5	5	4	4	4	4
Branches/Agencies	7	7	11	12	12	12	9	9	10	10
Rural Banks	2,015	2,028	2,052	2,059	2,042	2,053	2,066	2,075	2,088	2,108
Head Offices	757	756	755	754	746	745	742	739	738	737
Branches/Agencies	1,258	1,272	1,297	1,305	1,296	1,308	1,324	1,336	1,350	1,371

(continued next page)

7 NUMBER OF FINANCIAL INSTITUTIONS ¹

(Continuation)

	2005				2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Non-Banking Financial Institutions	11,748	11,891	12,196	12,437	12,480	12,703	13,007	13,243	13,326	13,411
Head Offices	6,002	6,064	6,152	6,203	6,230	6,310	6,365	6,402	6,413	6,449
Branches/Agencies	5,746	5,827	6,044	6,234	6,250	6,393	6,642	6,841	6,913	6,962
Investment Houses	40	40	39	39	39	39	39	39	39	39
Head Offices	27	27	26	26	26	26	26	26	26	26
Branches/Agencies	13	13	13	13	13	13	13	13	13	13
Finance Companies	55	55	55	55	55	55	55	55	55	55
Head Offices	28	28	28	28	28	28	28	28	28	28
Branches/Agencies	27	27	27	27	27	27	27	27	27	27
Investment Companies	10	10	10	10	10	10	10	10	10	10
Head Offices	10	10	10	10	10	10	10	10	10	10
Branches/Agencies	—	—	—	—	—	—	—	—	—	—
Securities Dealers/Brokers	19	19	19	19	18	18	18	18	18	18
Head Offices	19	19	19	19	18	18	18	18	18	18
Branches/Agencies	—	—	—	—	—	—	—	—	—	—
Pawnshops	11,339	11,483	11,790	12,030	12,075	12,298	12,602	12,839	12,926	13,011
Head Offices	5,679	5,742	5,832	5,882	5,911	5,991	6,046	6,084	6,099	6,135
Branches/Agencies	5,660	5,741	5,958	6,148	6,164	6,307	6,556	6,755	6,827	6,876
Lending Investors	2	2	2	2	2	2	2	2	2	2
Head Offices	2	2	2	2	2	2	2	2	2	2
Branches/Agencies	—	—	—	—	—	—	—	—	—	—
Non-Stock Savings and Loan Associator	120	119	119	120	119	119	119	119	116	116
Head Offices	83	82	82	83	82	82	82	82	79	79
Branches/Agencies	37	37	37	37	37	37	37	37	37	37
Private Insurance Companies ²	148 ^P	148 ^P	148 ^P	148 ^P	148 ^P	148 ^P	148 ^P	148 ^P	148 ^P	148 ^P
Head Offices	139 ^P	139 ^P	139 ^P	139 ^P	139 ^P	139 ^P	139 ^P	139 ^P	139 ^P	139 ^P
Branches/Agencies	9 ^P	9 ^P	9 ^P	9 ^P	9 ^P	9 ^P	9 ^P	9 ^P	9 ^P	9 ^P
Government Non-Banks	4	4	4	4	4	4	4	4	4	4
Head Offices	4	4	4	4	4	4	4	4	4	4
Branches/Agencies	—	—	—	—	—	—	—	—	—	—
Venture Capital Corporations	5	5	4	4	4	4	4	4	3	3
Head Offices	5	5	4	4	4	4	4	4	3	3
Branches/Agencies	—	—	—	—	—	—	—	—	—	—
Credit Card Companies	6	6	6	6	6	6	6	5	5	5
Head Offices	6	6	6	6	6	6	6	5	5	5
Branches/Agencies	—	—	—	—	—	—	—	—	—	—

¹ Refers to the number of financial establishments which includes the head offices and branches; excludes the Bangko Sentral ng Pilipinas.

² Covers only the head offices and their foreign branches.

^P Preliminary

Source: Bangko Sentral ng Pilipinas

8 TOTAL RESOURCES OF THE FINANCIAL SYSTEM ¹

as of period indicated
in billion pesos

Institutions	2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2
Total	5,606.5^P	5,840.1^P	5,862.1^P	6,781.7^P	6,888.4^P	6,883.9^P
Banks	4,438.8	4,664.0	4,667.5	4,985.7	5,091.7	5,087.2 ^P
Commercial Banks	3,953.8	4,148.2	4,118.1	4,392.6	4,460.9	4,456.4
Thrift Banks	364.8	390.0	419.0	453.8	484.9	484.9 ^P
Savings Banks	274.9	292.9	315.8	346.8	373.6	372.5 ^a
Private Development Banks	70.0	74.7	74.2	77.7	81.0	81.8 ^a
Stock Savings and Loans Associations	19.3	21.7	28.4	28.7	29.7	30.0 ^a
Micro Finance Banks	0.6	0.7	0.6	0.6	0.6	0.6 ^a
Rural Banks	120.2	125.8	130.4	139.3	145.9	145.9 ^b
Non-Bank Financial Institutions ²	1,167.7 ^P	1,176.1 ^P	1,194.6 ^P	1,796.0 ^r	1,796.7 ^r	1,796.7 ^b

¹ Excluding the Bangko Sentral ng Pilipinas

² Includes Investment Houses, Finance Companies, Investment Companies, Securities Dealers/Brokers, Pawnshops, Lending Investors, Non-Stock Savings and Loan Assn., Mutual Building and Loan Assn., Venture Capital Corp., Credit Card Companies and others; also includes Private and Government Insurance Companies (i.e., SSS and GSIS).

^a as of end-April 2007

^b as of end-March 2007

^P Preliminary

^r Revised per SDC's latest report on the resources of investment companies.

Source: Bangko Sentral ng Pilipinas

**9 RATIOS OF NON-PERFORMING LOANS (NPL) AND LOAN LOSS PROVISIONS
TO TOTAL LOANS OF THE BANKING SYSTEM ^{1/}**
end-of-period
in percent

	TOTAL NPL/TOTAL LOANS				TOTAL LOAN PROVISIONS/TOTAL LOANS			
	KBs	TBs	RBs	Total	KBs	TBs	RBs	Total
2004								
Mar	14.056	13.375	16.522	14.073	7.353	5.413	4.968	7.133
Jun	13.923	13.323	16.387	13.946	7.430	5.344	5.050	7.193
Sep	14.059	12.195	15.801	13.959	7.433	5.162	4.940	7.172
Dec	12.884	11.852	15.680	12.886	7.754	4.862	4.950	7.422
2005								
Mar	11.463	11.525	15.829	11.606	7.377	4.736	4.951	7.077
Jun	9.375	9.920	15.728	9.623	6.700	4.541	5.112	6.464
Sep	9.609	10.120	15.757	9.866	7.091	4.749	5.112	6.814
Dec	8.206	9.736	14.524	8.562	6.358	4.612	5.027	6.154
2006								
Mar	8.007	9.596	12.026	8.290	6.294	4.601	4.134	6.063
Jun	7.391	9.205	14.768	7.830	5.919	4.930	4.770	5.780
Sep	7.431	8.771	14.035	7.814	6.120	4.811	4.672	5.927
Dec	5.662	8.905	10.891	6.181	4.679	4.710	3.836	4.653
2007 ^P								
Mar	5.275	7.267	10.784	5.697	4.285	3.667	3.822	4.198
Jun	5.208	7.870	10.784 ^a	5.714	4.370	3.976	3.822 ^a	4.305

¹ Data include banks under liquidation , foreign office transactions and interbank loans.
Starting August 2001, data on thrift banks also include that of micro finance.

^P Preliminary.

^r Revised.

^a As of end-Mar 2007.

Source: SDC/DES

10 STOCK MARKET TRANSACTIONS ¹

volume in million shares; value in million pesos

	2005				2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
VOLUME	199,070	44,020	39,874	34,677	88,752	174,494	171,065	166,779	373,908	308,551
Financials	1,359	484	792	402	886	1,544	823	1,708	1,593	2,435
Industrial	5,390	1,905	1,783	1,341	3,481	2,570	8,524	14,710	10,193	6,075
Holding Firms	31,019	6,922	6,097	3,280	11,466	12,389	13,311	24,057	54,576	75,250
Property	16,725	5,626	4,211	4,549	6,808	12,094	12,013	19,211	36,270	32,503
Services	20,867	3,482	3,126	4,604	33,637	24,069	11,081	23,780	31,408	29,544
Mining and Oil	123,709	25,592	23,849	20,501	32,473	121,829	125,314	83,307	239,868	162,743
SME	0	9	17	0	2	0	0	7	0	1
VALUE	134,701	88,490	102,421	57,908	122,715	134,504	106,477	208,938	295,805	359,665
Financials	19,303	9,708	33,878	10,734	16,978	32,701	14,307	44,591	38,289	52,748
Industrial	28,899	26,026	18,428	8,607	31,208	14,568	16,129	51,234	55,676	85,265
Holding Firms	19,345	18,054	12,413	9,617	11,436	13,132	23,989	22,456	48,422	66,151
Property	18,656	10,480	11,030	10,569	11,210	23,069	16,598	39,552	67,950	74,754
Services	37,540	22,045	23,751	15,385	47,462	35,807	27,826	43,554	65,343	56,817
Mining and Oil	10,958	2,140	2,851	2,997	4,413	15,226	7,629	7,507	20,124	23,928
SME	0	37	70	0	7	0	0	43	1	2
Composite Index (Average)	2,018	1,903	1,960	2,052	2,155	2,248	2,420	2,827	3,170	3,469

¹ Starting January 2006, new sector classification was implemented.

Source: Philippine Stock Exchange

11 HISTORY OF PHILIPPINE SOVEREIGN CREDIT RATINGS ‡

Date	Foreign Currency Rating			Local Currency Rating		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
STANDARD AND POORS'						
2 July 1993	BB-	-	Stable	-	-	-
2 Nov 1994	BB-	-	Positive	BBB	-	Positive
23 Mar 1995	BB-	-	Positive	BBB	A-2	Positive
30 May 1995	BB-	-	Positive	BBB+	A-2	Positive
21 Feb 1997	BB+	-	Positive	A-	A-1	Positive
25 Sep 1997	BB+	B	Stable	A-	A-1	Stable
23 Feb 1998	BB+	B	Negative	BBB+	A-2	Negative
6 Jan 1999	BB+	B	Stable	BBB+	A-2	Stable
19 Oct 2000	BB+	B	Negative	BBB+	A-2	Negative
4 Apr 2002	BB+	B	Stable	BBB+	A-2	Stable
28 Oct 2002	BB+	B	Negative	BBB+	A-2	Negative
24 Apr 2003	BB	B	Stable	BBB	A-3	Stable
29 Jul 2004	BB	B	Stable	BBB-	A-3	Stable
17 Jan 2005	BB-	B	Stable	BB+	B	Stable
11 Jul 2005	BB-	B	Negative	BB+	B	Negative
8 Feb 2006	BB-	B	Stable	BB+	B	Stable
21 May 2007	BB-	B	Stable	BB+	B	Stable
MOODY'S INVESTORS SERVICE						
12 May 1995	Ba2	-	-	-	-	-
22 Jan 1997	Ba2	-	RUR ^{*/}	-	-	-
18 May 1997	Ba1	-	Stable	-	-	-
4 Sep 1998	Ba1	-	Stable	Baa3	-	-
30 Mar 2000	Ba1	-	Negative	Baa3	-	-
3 Feb. 2002	Ba1	-	Stable	Baa3	-	Stable
8 Jan 2003	Ba1	-	Stable	Baa3	-	Negative
17 Oct 2003	Ba1	-	Negative	Baa3	-	Negative
26 Nov 2003	Ba1	-	RUR ^{*/}	Baa3	-	RUR ^{*/}
27 Jan 2004	Ba2	-	Negative	Ba2	-	Negative
9 Nov 2004	Ba2	-	RUR ^{*/}	Ba2	-	RUR ^{*/}
16 Feb. 2005	B1	-	Stable	B1	-	Stable
13 Jul 2005	B1	-	Negative	B1	-	Negative
24 May 2006	B1	-	Negative	B1	-	Negative
2 Nov 2006	B1	-	Stable	B1	-	Stable
FITCH RATINGS^{1/}						
8 Jul 1999	BB+	B	-	BBB	-	-
21 Sep 2000	BB+	B	Stable	BBB	-	-
17 Jan 2001	BB+	B	RUR ^{*/}	BBB	-	-
15 Mar 2001	BB+	B	Stable	BBB-	-	-
25 Nov 2002	BB+	B	Negative	BBB-	-	-
12 Jun 2003	BB	B	Stable	BB+	-	-
7 Dec 2004	BB	B	Negative	BB+	-	Negative
26 May 2005	BB	B	Stable	BB+	-	Stable
11 Jul 2005	BB	B	Negative	BB+	-	Negative
13 Feb 2006	BB	B	Stable	BB+	-	Stable
17 Aug 2006	BB	B	Stable	BB+	-	Stable
5 Mar 2007	BB	B	Stable	BB+	-	Stable

* / RUR – Rating Under Review

1/ Fitch IBCA merged with Duff and Phelps in 2000

‡ Non-investment grade: Ba1 (Moody's), BB+ (S&P) and BB+ (Fitch). In Moody's case, the numerical modifier "1" indicates the instrument ranks in the higher end of the category. In S&P and Fitch case, the plus "+" modifier indicates higher standing within the group

12 PHILIPPINES: BALANCE OF PAYMENTS
for periods indicated
in million U.S. dollars

ITEM	2006 ^{1/}				2007 ^{p/}		Growth Rate
	Q1	Q2	Q3	Q4	Q1	Q2	
Current Account	1,142	1,496	1,177	2,082	1,909	1,830	22.3
Goods and Services	-1,509	-1,718	-1,563	-1,694	-1,027	-2,004	-16.6
Export	12,378	13,290	13,717	13,594	13,804	13,942	4.9
Import	13,887	15,008	15,280	15,288	14,831	15,946	6.3
Goods 1/	-1,473	-1,885	-1,579	-1,880	-1,102	-1,874	0.6
Credit: Exports	10,947	11,626	12,263	11,690	12,015	12,213	5.0
Debit: Imports	12,420	13,511	13,842	13,570	13,117	14,087	4.3
Services	-36	167	16	186	75	-130	-177.8
Credit: Exports	1,431	1,664	1,454	1,904	1,789	1,729	3.9
Debit: Imports	1,467	1,497	1,438	1,718	1,714	1,859	24.2
Income	-260	-42	-525	28	-516	307	831.0
Credit: Receipts	1,055	1,070	1,095	1,170	1,157	1,319	23.3
Debit: Disbursements	1,315	1,112	1,620	1,142	1,673	1,012	-9.0
Current Transfers	2,911	3,256	3,265	3,748	3,452	3,527	8.3
Credit: Receipts	2,980	3,335	3,342	3,854	3,529	3,635	9.0
Debit: Disbursements	69	79	77	106	77	108	36.7
Capital and Financial Account	1,128	-1,650	-514	-431	181	77	104.7
Capital Account	103	12	9	14	15	-21	-275.0
Credit: Receipts	112	20	28	21	28	29	45.0
Debit: Disbursements	9	8	19	7	13	50	525.0
Financial Account	1,025	-1,662	-523	-445	166	98	105.9
Direct Investment	434	594	440	515	626	-2,462	-514.5
Debit: Assets, Residents' Investments Abroad	32	-3	62	12	72	2,990	99766.7
Credit: Liabilities, Non-Residents' Investments in the Phil.	466	591	502	527	698	528	-10.7
Portfolio Investment	1,460	-1,344	2,021	471	310	964	171.7
Debit: Assets, Residents' Investments Abroad	500	1,024	0	-205	1,592	-244	-123.8
Credit: Liabilities, Non-Residents' Investments in the Phil.	1,960	-320	2,021	266	1,902	720	325.0
Financial Derivatives	-72	35	-45	-56	-60	-90	-357.1
Debit: Assets, Residents' Investments Abroad	-22	-88	-24	-25	-30	-11	87.5
Credit: Liabilities, Non-Residents' Investments in the Phil.	-94	-53	-69	-81	-90	-101	-90.6
Other Investment	-797	-947	-2,939	-1,375	-710	1,686	278.0
Debit: Assets, Residents' Investments Abroad	-277	-162	2,431	1,768	397	1,455	998.1
Credit: Liabilities, Non-Residents' Investments in the Phil.	-1,074	-1,109	-508	393	-313	3,141	383.2
Net Unclassified Items	-149	73	-84	-501	-672	-126	-272.6
Overall BOP Position	2,121	-81	579	1,150	1,418	1,781	2298.8
Debit: Change in Reserve Assets	1,915	-100	210	909	1,430	1,763	1863.0
Credit: Change in Reserve Liabilities	-206	-19	-369	-241	12	-18	5.3
Use of Fund Credits	-90	0	-92	-220	0	0	0.0
Short-term	-116	-19	-277	-21	12	-18	5.3

r/ revised

p/ preliminary

1/ Data on goods import for 2006 and 2007 were adjusted to reflect preliminary adjustments on the valuation of raw materials for electronics and garments exports.

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

12a 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	2006 ^{r/}												2007 ^{p/}			
	Q1			Q2			Q3			Q4			Q1		Q2	
	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	
Coconut Products			177			221			167			192			117	244
Copra	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Coconut Oil	261	524	137	342	521	178	212	553	117	252	583	147	111	663	74	255 737 188
Desiccated Coconut	32	1033	33	33	991	33	39	1017	40	32	1032	33	31	1112	35	33 1258 42
Copra Meal/Cake	119	44	5	123	65	8	86	84	7	102	97	10	122	54	7	143 79 11
Others			2			2			3			2			2	3
Sugar and Products			27			34			36			2			20	28
Centrifugal & Refined	53	376	20	77	391	30	86	388	33	0	0	0	50	332	17	76 329 25
Molasses	61	98	6	32	104	3	17	114	2	6	100	1	30	92	3	21 119 3
Others			1			1			1			1			1	1
Fruits and Vegetables			162			194			175			187			168	200
Canned Pineapple	36	537	19	35	579	20	61	570	35	53	619	33	35	627	22	46 634 29
Pineapple Juice	13	243	3	17	278	5	23	320	7	17	406	7	15	437	7	20 425 9
Pineapple Concentrates	10	715	7	13	777	10	11	771	8	14	811	12	11	853	9	12 818 10
Bananas	521	178	93	642	178	114	545	172	94	603	173	105	504	180	91	591 179 106
Mangoes	6	888	6	11	947	10	5	917	5	4	893	4	7	745	5	10 885 9
Others			35			35			26			27			34	39
Other Agro-Based Products			103			122			128			121			127	135
Fish, Fresh or Preserved	17	3085	52	21	3122	65	19	3864	71	16	4290	69	25	2943	73	23 3590 84
Of which: Shrimps & Prawns	3	7272	20	3	7704	24	3	7301	24	4	7783	28	1	6133	4	3 7520 23
Coffee, Raw, not Roasted	0	0	--	0	0	--	0	0	0	0	0	0	--	2272	--	0 0 0
Abaca Fibers	4	977	3	3	1023	3	4	710	3	3	935	3	--	44196	5	0 0 0
Tobacco, Unmanufactured	4	1672	6	4	1538	6	4	2205	10	6	2012	12	4	1776	7	4 2145 8
Natural Rubber	9	1114	10	10	1443	14	9	1645	14	7	1272	9	13	716	9	6 1420 8
Ramie Fibers, Raw or Processed	--	842	--	--	928	--	--	948	--	0	0	0	0	0	0	0 0 0
Seaweeds, Dried	5	1229	6	7	1199	9	4	1367	5	2	2037	4	3	1533	5	3 2043 6
Rice	--	716	--	0	0	0	--	978	--	--	1007	--	--	980	--	0 0 0
Others			25			25			25			24			28	30
Forest Products 1/			6			6			7			9			10	7
Logs	0	0	0	--	99	--	--	41	--	--	77	--	0	0	0	0 0 0
Lumber	19	139	3	55	64	3	60	57	3	51	74	4	43	97	4	45 63 3
Plywood	4	538	2	1	571	1	4	555	2	10	444	5	11	459	5	10 301 3
Veneer Sheets/Corestocks	1	558	1	3	632	2	2	763	1	1	592	1	1	611	1	2 459 1
Others			--			--			--			--			--	0
Mineral Products			286			537			636			645			525	730
Copper Concentrates	15	852	13	15	1091	16	15	1664	25	17	1799	30	18	1426	26	19 1633 31
Copper Metal	33	4592	153	52	6329	328	46	7757	354	52	7592	397	48	6221	300	43 6844 298
Gold 2/	19	507	10	19	577	11	23	611	14	27	588	16	29	619	18	29 654 19
Iron Ore Agglomerates	1315	30	39	1272	32	41	1513	28	42	1099	28	30	1537	28	42	1468 29 42
Chromium Ore	19	77	1	21	67	1	14	47	1	19	61	1	27	82	2	54 55 3
Nickel			0			0			--			0			0	0
Others			70			140			200			171			137	337
Petroleum Products			221			219			312			166			153	316
Manufactures			9967			10068			10790			10335			10800	10454
Electronic Products			7208			7140			7725			7425			7868	7586
Other electronics			357			461			391			355			277	247
Garments			640			624			755			627			597	535
Textile Yarns/Fabrics			57			59			50			55			51	50
Footwear			7			8			6			5			9	7
Travel Goods and Handbags			9			11			5			5			4	27
Wood Manufactures			192			152			139			167			180	202
Furnitures & Fixtures			68			76			73			59			58	61
Chemicals			173			198			182			202			248	272
Non-Metallic Mineral Manufactures			40			39			46			57			60	49
Machinery & Transport Equipment			434			412			428			446			470	489
Processed Food and Beverages			126			134			164			159			185	203
Iron & Steel			34			57			74			76			66	60
Baby Carr., Toys, Games & Sporting Goods			27			38			48			38			30	36
Basketwork, Wickerwork, & Other																
Articles of Plaiting Materials			16			13			12			12			15	15
Misc. Manufactured Articles, n.e.s.			88			81			78			74			79	77
Others			490			563			615			572			601	538
Special Transactions			205			457			217			272			261	240
TOTAL EXPORTS, as per NSO Foreign Trade Statistics			11155			11858			12468			11929			12182	12356
Coverage Adjustments			-208			-232			-205			-239			-167	-142
TOTAL EXPORTS, BPM5			10947			11626			12263			11690			12015	12213

.. Less than one thousand metric tons

-- Less than one million US\$

^{p/} Preliminary

^{r/} Revised based on NSO press release on 14 June 2007.

Note: Components may not add up to total due to rounding

12b 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	2006 ^{1/}												2007 ^{2/}					
	Q1			Q2			Q3			Q4			Q1			Q2		
	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value
Capital Goods			2060			2196			2545			2444			2115			2168
Power Generating & Specialized Machines			511			582			604			577			527			561
Office & EDP Machines			715			758			886			841			793			697
Telecommunication Eqpt. & Elect. Mach.			467			484			503			560			417			560
Land Transport Eqpt. excl. Passenger Cars & Motorized Cycle			168			137			175			211			150			149
Aircraft, Ships & Boats			92			121			247			128			120			73
Prof. Sci. & Cont. Inst.; Photo- graphic Eqpt. & Optical Goods			107			114			130			127			109			128
Raw Materials & Intermediate Goods			7533			8015			8073			8116			8190			8096
Unprocessed Raw Materials			392			386			437			421			433			389
Wheat	829	146	121	793	187	148	536	202	108	598	162	97	466	195	91	496	210	104
Corn	149	141	21	150	126	19	2	1249	3	5	1254	6	3	763	2	4	1500	6
Unmilled cereals excl. rice & corn			1			0			0			1			1			2
Crude materials, inedible			224			187			269			272			291			234
Pulp & waste paper			16			20			16			13			18			16
Cotton	7	1258	9	6	1270	7	7	1178	8	5	1166	6	4	1235	4	6	1167	7
Syn. fibers	10	1607	16	10	1789	18	10	1926	20	10	1910	19	11	1520	17	12	1667	20
Metalliferous ores			85			45			138			140			136			52
Others			98			97			87			94			116			139
Tobacco, unmanufactured			25			32			57			45			48			43
Semi-Processed Raw Materials			7141			7629			7636			7695			7755			7707
Feeding stuffs for animals	419	244	102	447	237	106	311	260	81	532	214	114	542	248	134	329	274	90
Animal & vegetable oils & fats			39			37			36			42			54			40
Chemical			843			944			970			861			932			953
Chemical compounds			213			219			255			213			200			249
Medicinal & pharmaceutical chemicals			132			138			133			119			147			153
Urea	87	195	17	190	206	39	133	241	32	116	180	21	112	171	19	144	264	38
Fertilizer excl. urea	212	137	29	291	141	41	193	156	30	242	161	39	203	151	31	216	134	29
Artificial resins			220			245			251			230			234			225
Others			232			262			269			239			241			259
Manufactured goods			859			1113			1096			941			915			1147
Paper & paper products	174	622	108	187	620	116	173	677	117	167	660	110	168	689	116	166	693	115
Textile yarn, fabrics & made-up articles			199			253			230			206			194			249
Non-metallic mineral mftures.			50			49			48			49			45			56
Iron & steel	403	519	209	807	478	386	649	536	348	445	569	253	1193	208	249	535	684	366
Non-ferrous metals			151			146			181			151			126			173
Metal products			80			96			109			107			122			118
Others			62			67			63			65			63			70
Embroideries			232			262			315			282			238			220
Mat/Acc for the mfr. of elect. eqpt.			5051			5139			5133			5446			5468			5212
Iron ore, not agglomerated	781	19	15	1138	25	28	227	22	5	488	18	9	488	36	18	1211	37	45
Mineral Fuels & Lubricant			1850			2212			2085			1854			1660			2424
Coal, Coke	1066	41	44	1654	42	70	1561	43	61	1479	43	64	1265	43	54	1760	45	80
Petroleum Crude ^{1/}	18.35	55.58	1020	22.59	64.06	1447	19.31	52.83	1360	19.89	61.04	1214	13.15	59.75	786	21.41	69	1475
Others ^{1/}	11.17	70.36	786	9.28	74.89	695	8.39	93.71	664	8.48	67.89	576	11.31	72.49	820	10.61	82	869
Consumer Goods			890			924			1006			917			860			1184
Durable			334			389			429			488			419			488
Passenger cars & motorized cycle			143			170			193			237			213			250
Home appliances			45			49			52			67			50			55
Misc. manufactures			146			170			184			184			156			183
Non-Durable			556			535			577			429			441			696
Food & live animals chiefly for food			519			497			534			383			410			662
Dairy products	70	1644	115	75	1551	117	76	1443	110	74	1446	107	72	1713	123	87	1954	170
Fish & fish preparation	39	461	18	21	436	9	23	519	12	40	519	21	36	588	21	19	632	12
Rice	634	276	175	513	254	130	565	283	160	5	195	1	79	323	25	599	327	196
Fruits & vegetables			35			35			34			54			39			37
Others			176			206			218			200			201			247
Beverages & tobacco mfture.			14			16			20			25			9			13
Articles of apparel, access.			23			22			23			21			21			21
Special Transactions			175			243			176			258			160			148
Articles temporarily imported & exported			95			105			81			61			75			59
Others			80			138			95			197			85			89
TOTAL IMPORTS ^{2/}			12508			13590			13885			13589			12987			14020
Conceptual and Coverage Adjustments			-88			-79			-44			-18			78			118
TOTAL IMPORTS, BPM5			12420			13511			13842			13570			13065			14138

^{1/} Volume in million barrels; unit price in U.S.\$/barrel

^{2/} Include valuation adjustments to NSO data.

^{3/} Preliminary

^{4/} Revised as of 14 June 2007. Adjustments made by the NSO for the said period.

Note: Valuation adjustments include:

a.) Adjustments to NSO's raw material imports for electronics exports for 2006 and 2007.

b.) Adjustments to NSO's raw material imports for garments for 2006 and 2007.

Totals may not add up due to roundings.

Source: National Statistics Office

13 INTERNATIONAL RESERVES OF THE BANGKO SENTRAL NG PILIPINAS

as of periods indicated
in million US dollars

	2005		2006				2007	
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
Gross International Reserves	18,542	18,494	20,645	21,123	21,593	22,967	24,684	26,383
Gold	2,569	2,568	2,797	2,904	2,746	2,941	3,008	2,928
SDRs	1	1	0	1	1	2	2	1
Foreign Investments	15,386	15,398	17,209	17,648	18,266	19,612	20,804	23,023
Foreign Exchange	459	402	513	441	451	280	738	298
Reserve Position in the Fund	127	125	126	129	129	132	132	133
Net International Reserves	17,685	17,659	20,013	20,502	21,343	22,953	24,659	26,376

Source: Bangko Sentral ng Pilipinas

14 EXCHANGE RATES OF THE PESO, Average

pesos per unit of foreign currency

	US Dollar	Japanese Yen	EMU Euro	Pound Sterling	Singapore Dollar	Hongkong Dollar	Malaysian Ringgit	Thailand Baht	Indonesian Rupiah	New Taiwan Dollar	South Korean Won
2004 Ave	56.0399	0.5184	69.6852	102.6979	33.1644	7.1955	14.7489	1.3932	0.0063	1.6820	0.0490
Jan	55.5261	0.5218	70.0342	101.2208	32.7177	7.1511	14.6141	1.4214	0.0066	1.6524	0.0469
Feb	56.0696	0.5270	70.8240	104.5592	33.2636	7.2129	14.7569	1.4356	0.0067	1.6923	0.0481
Mar	56.3029	0.5182	69.1198	102.9834	33.1184	7.2258	14.8185	1.4280	0.0066	1.6969	0.0483
Apr	55.9039	0.5201	67.0915	100.8454	33.2153	7.1709	14.7135	1.4185	0.0065	1.7012	0.0485
May	55.8453	0.4986	67.0831	99.7982	32.6348	7.1630	14.6980	1.3787	0.0062	1.6745	0.0475
Jun	55.9848	0.5116	68.0383	102.4578	32.6942	7.1805	14.7347	1.3735	0.0060	1.6723	0.0483
Jul	55.9527	0.5120	68.7022	103.1672	32.6984	7.1740	14.7261	1.3681	0.0062	1.6593	0.0484
Aug	55.8342	0.5060	68.0630	101.7145	32.5617	7.1579	14.6926	1.3465	0.0060	1.6433	0.0482
Sep	56.2132	0.5107	68.6651	100.7513	33.1440	7.2078	14.7941	1.3563	0.0061	1.6622	0.0490
Oct	56.3414	0.5170	70.3849	101.7539	33.5902	7.2335	14.8284	1.3643	0.0062	1.6682	0.0493
Nov	56.3221	0.5371	73.0577	104.5856	34.1032	7.2431	14.8236	1.3955	0.0062	1.7180	0.0517
Dec	56.1828	0.5411	75.1586	108.5372	34.2314	7.2255	14.7869	1.4315	0.0061	1.7430	0.0534
2005	55.0855	0.5015	68.6102	100.2974	33.1090	7.0830	14.5482	1.3697	0.0057	1.7161	0.0538
Jan	55.7662	0.5404	73.2812	104.8891	34.0458	7.1556	14.6773	1.4393	0.0061	1.7509	0.0537
Feb	54.8128	0.5226	71.2520	103.2940	33.4476	7.0293	14.4294	1.4249	0.0059	1.7375	0.0535
Mar	54.4402	0.5180	71.9429	103.9221	33.4296	6.9808	14.3297	1.4128	0.0058	1.7566	0.0541
Apr	54.4918	0.5080	70.5598	103.2971	32.9970	6.9873	14.3419	1.3789	0.0057	1.7304	0.0539
May	54.3411	0.5099	69.0675	100.8620	32.9298	6.9752	14.3020	1.3660	0.0057	1.7377	0.0543
Jun	55.1790	0.5080	67.1386	100.4071	33.0042	7.0963	14.5227	1.3495	0.0058	1.7619	0.0546
Jul	56.0062	0.5007	67.4980	98.2965	33.2651	7.2036	14.7791	1.3436	0.0057	1.7575	0.0540
Aug	55.9523	0.5055	68.7817	100.2949	33.6898	7.2001	14.8901	1.3596	0.0056	1.7486	0.0548
Sep	56.1562	0.5058	68.8584	101.6285	33.4158	7.2341	14.9023	1.3680	0.0055	1.7092	0.0546
Oct	55.7077	0.4860	67.0170	98.2891	32.9559	7.1822	14.7688	1.3615	0.0055	1.6674	0.0532
Nov	54.5606	0.4611	64.3523	94.6987	32.1298	7.0367	14.4424	1.3275	0.0055	1.6269	0.0524
Dec	53.6118	0.4522	63.5724	93.6903	31.9975	6.9147	14.1931	1.3046	0.0054	1.6091	0.0524
2006	51.3143	0.4414	64.4473	94.5112	32.3020	6.6060	13.9972	1.3542	0.0056	1.5793	0.0538
Jan	52.6171	0.4556	63.7042	92.8324	32.1999	6.7862	14.0198	1.3259	0.0056	1.6401	0.0534
Feb	51.8168	0.4393	61.9465	90.6459	31.8151	6.6780	13.9022	1.3181	0.0056	1.6059	0.0535
Mar	51.2189	0.4369	61.5913	89.4037	31.5942	6.6012	13.8282	1.3149	0.0056	1.5784	0.0526
Apr	51.3597	0.4392	63.0480	90.7294	32.0753	6.6216	14.0217	1.3509	0.0058	1.5896	0.0539
May	52.1273	0.4665	66.5628	97.4332	33.0791	6.7228	14.4436	1.3733	0.0058	1.6424	0.0554
Jun	53.1567	0.4639	67.3326	98.0421	33.4184	6.8472	14.5203	1.3861	0.0057	1.6393	0.0557
Jul	52.3976	0.4531	66.5248	96.5927	33.0911	6.7410	14.2894	1.3794	0.0057	1.6085	0.0552
Aug	51.3618	0.4434	65.7810	97.1914	32.5999	6.6051	13.9870	1.3656	0.0057	1.5672	0.0535
Sep	50.4012	0.4304	64.2297	95.1559	31.9415	6.4776	13.7408	1.3468	0.0055	1.5325	0.0528
Oct	50.0038	0.4215	63.1181	93.7642	31.6691	6.4222	13.5934	1.3393	0.0055	1.5076	0.0525
Nov	49.8434	0.4248	64.1818	95.2013	32.0308	6.4048	13.6844	1.3641	0.0055	1.5188	0.0533
Dec	49.4670	0.4222	65.3468	97.1423	32.1094	6.3642	13.9351	1.3859	0.0054	1.5220	0.0535
2007	47.7683	0.3980	63.4973	94.1301	31.2601	6.1151	13.7988	1.4391	0.0053	1.4469	0.0512
Jan	48.9143	0.4065	63.5771	95.8111	31.8211	6.2725	13.9459	1.3873	0.0054	1.4942	0.0523
Feb	48.3814	0.4015	63.2780	94.7725	31.5548	6.1939	13.8438	1.4295	0.0053	1.4677	0.0517
Mar	48.5172	0.4136	64.2540	94.4978	31.8232	6.2098	13.9001	1.4869	0.0053	1.4700	0.0515
Apr	47.8224	0.4023	64.6526	95.1116	31.5719	6.1195	13.9198	1.4759	0.0053	1.4431	0.0514
May	46.8141	0.3875	63.2659	92.8791	30.7444	5.9870	13.7642	1.4260	0.0053	1.4069	0.0505
Jun	46.1602	0.3765	61.9562	91.7086	30.0453	5.9077	13.4189	1.4291	0.0051	1.3996	0.0497

Source: Bangko Sentral ng Pilipinas

14a EXCHANGE RATES OF THE PESO, Average

units of foreign currency per peso

	US Dollar	Japanese Yen	EMU Euro	Pound Sterling	Singapore Dollar	Hongkong Dollar	Malaysian Ringgit	Thailand Baht	Indonesian Rupiah	New Taiwan Dollar	South Korean Won
2004 Ave	0.0178	1.9298	0.0144	0.0097	0.0302	0.1390	0.0678	0.7181	159.2568	0.5947	20.4479
Jan	0.0180	1.9163	0.0143	0.0099	0.0306	0.1398	0.0684	0.7035	151.0574	0.6052	21.3083
Feb	0.0178	1.8974	0.0141	0.0096	0.0301	0.1386	0.0678	0.6966	150.3165	0.5909	20.7855
Mar	0.0178	1.9296	0.0145	0.0097	0.0302	0.1384	0.0675	0.7003	152.5199	0.5893	20.7133
Apr	0.0179	1.9229	0.0149	0.0099	0.0301	0.1395	0.0680	0.7050	153.5974	0.5878	20.5984
May	0.0179	2.0058	0.0149	0.0100	0.0306	0.1396	0.0680	0.7253	161.0306	0.5972	21.0659
Jun	0.0179	1.9546	0.0147	0.0098	0.0306	0.1393	0.0679	0.7281	167.5552	0.5980	20.6884
Jul	0.0179	1.9531	0.0146	0.0097	0.0306	0.1394	0.0679	0.7309	161.0542	0.6027	20.6825
Aug	0.0179	1.9763	0.0147	0.0098	0.0307	0.1397	0.0681	0.7426	165.3543	0.6085	20.7469
Sep	0.0178	1.9580	0.0146	0.0099	0.0302	0.1387	0.0676	0.7373	163.2047	0.6016	20.4271
Oct	0.0177	1.9342	0.0142	0.0098	0.0298	0.1382	0.0674	0.7330	161.5385	0.5994	20.2840
Nov	0.0178	1.8617	0.0137	0.0096	0.0293	0.1381	0.0675	0.7166	160.0674	0.5821	19.3404
Dec	0.0178	1.8482	0.0133	0.0092	0.0292	0.1384	0.0676	0.6986	163.7853	0.5737	18.7344
2005	0.0182	1.9987	0.0146	0.0100	0.0302	0.1412	0.0688	0.7307	176.0337	0.5832	18.5966
Jan	0.0179	1.8505	0.0136	0.0095	0.0294	0.1397	0.0681	0.6948	164.9647	0.5712	18.6170
Feb	0.0182	1.9135	0.0140	0.0097	0.0299	0.1423	0.0693	0.7018	168.4397	0.5755	18.6953
Mar	0.0184	1.9305	0.0139	0.0096	0.0299	0.1433	0.0698	0.7078	171.6738	0.5693	18.4945
Apr	0.0184	1.9686	0.0142	0.0097	0.0303	0.1431	0.0697	0.7252	175.4386	0.5779	18.5545
May	0.0184	1.9613	0.0145	0.0099	0.0304	0.1434	0.0699	0.7321	173.9851	0.5755	18.4178
Jun	0.0181	1.9685	0.0149	0.0100	0.0303	0.1409	0.0689	0.7410	173.8411	0.5676	18.3262
Jul	0.0179	1.9974	0.0148	0.0102	0.0301	0.1388	0.0677	0.7443	175.1313	0.5690	18.5219
Aug	0.0179	1.9784	0.0145	0.0100	0.0297	0.1389	0.0672	0.7355	177.9935	0.5719	18.2436
Sep	0.0178	1.9773	0.0145	0.0098	0.0299	0.1382	0.0671	0.7310	182.5726	0.5851	18.3303
Oct	0.0180	2.0577	0.0149	0.0102	0.0303	0.1392	0.0677	0.7345	181.4882	0.5997	18.7829
Nov	0.0183	2.1689	0.0155	0.0106	0.0311	0.1421	0.0692	0.7533	183.2208	0.6147	19.0744
Dec	0.0187	2.2116	0.0157	0.0107	0.0313	0.1446	0.0705	0.7665	183.6547	0.6215	19.1004
2006	0.0195	2.2681	0.0155	0.0106	0.0310	0.1515	0.0715	0.7387	178.4957	0.6338	18.6093
Jan	0.0190	2.1951	0.0157	0.0108	0.0311	0.1474	0.0713	0.7542	179.8855	0.6097	18.7250
Feb	0.0193	2.2763	0.0161	0.0110	0.0314	0.1497	0.0719	0.7587	178.7310	0.6227	18.7021
Mar	0.0195	2.2886	0.0162	0.0112	0.0317	0.1515	0.0723	0.7605	178.7102	0.6335	19.0256
Apr	0.0195	2.2771	0.0159	0.0110	0.0312	0.1510	0.0713	0.7402	173.9130	0.6291	18.5624
May	0.0192	2.1439	0.0150	0.0103	0.0302	0.1487	0.0692	0.7282	172.4138	0.6089	18.0535
Jun	0.0188	2.1556	0.0149	0.0102	0.0299	0.1460	0.0689	0.7215	175.8794	0.6100	17.9564
Jul	0.0191	2.2068	0.0150	0.0104	0.0302	0.1483	0.0700	0.7250	174.3679	0.6217	18.1291
Aug	0.0195	2.2552	0.0152	0.0103	0.0307	0.1514	0.0715	0.7323	176.9912	0.6381	18.7075
Sep	0.0198	2.3235	0.0156	0.0105	0.0313	0.1544	0.0728	0.7425	181.1249	0.6525	18.9356
Oct	0.0200	2.3722	0.0158	0.0107	0.0316	0.1557	0.0736	0.7467	182.9268	0.6633	19.0580
Nov	0.0201	2.3540	0.0156	0.0105	0.0312	0.1561	0.0731	0.7331	182.7676	0.6584	18.7651
Dec	0.0202	2.3685	0.0153	0.0103	0.0311	0.1571	0.0718	0.7216	184.2375	0.6570	18.6916
2007	0.0209	2.5151	0.0158	0.0106	0.0320	0.1636	0.0725	0.6952	189.1171	0.6915	19.5502
Jan	0.0204	2.4603	0.0157	0.0104	0.0314	0.1594	0.0717	0.7208	185.0294	0.6693	19.1354
Feb	0.0207	2.4904	0.0158	0.0106	0.0317	0.1614	0.0722	0.6996	187.2659	0.6813	19.3592
Mar	0.0206	2.4179	0.0156	0.0106	0.0314	0.1610	0.0719	0.6726	188.6792	0.6803	19.4312
Apr	0.0209	2.4859	0.0155	0.0105	0.0317	0.1634	0.0718	0.6776	190.4762	0.6930	19.4637
May	0.0214	2.5803	0.0158	0.0108	0.0325	0.1670	0.0727	0.7013	188.5099	0.7108	19.8095
Jun	0.0217	2.6558	0.0161	0.0109	0.0333	0.1693	0.0745	0.6998	194.7420	0.7145	20.1025

Source: Bangko Sentral ng Pilipinas

14b 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 ¹	Competing Countries		Major Trading Partners ¹	Competing Countries	
		Broad ²	Narrow ³		Broad ²	Narrow ³
2005	11.64	26.83	48.60	61.98	101.43	149.52
Jan	11.15	26.03	46.50	58.28	97.35	142.80
Feb	11.42	26.43	47.27	59.52	97.99	144.48
Mar	11.45	26.63	47.96	59.68	99.09	146.41
Apr	11.55	26.89	48.65	60.42	100.00	147.34
May	11.64	26.86	48.58	61.17	100.56	149.90
Jun	11.66	26.69	48.46	62.01	101.99	152.13
Jul	11.60	26.60	48.38	62.60	102.58	152.45
Aug	11.51	26.61	48.60	62.26	102.90	153.68
Sep	11.49	26.84	49.18	61.42	102.76	153.82
Oct	11.73	27.02	49.19	62.89	101.36	147.80
Nov	12.14	27.54	50.08	66.08	105.24	150.91
Dec	12.34	27.76	50.39	67.46	105.40	152.53
2006 [†]	12.91	28.17	55.52	71.43	108.87	168.50
Jan	12.74	28.13	55.99	69.28	107.09	167.87
Feb	13.05	28.25	55.92	71.52	107.89	167.84
Mar	13.16	28.43	55.97	72.26	109.00	168.00
Apr	13.02	27.91	54.68	71.25	106.30	162.24
May	12.52	27.36	53.87	68.52	104.73	162.89
Jun	12.38	27.39	54.36	68.31	106.77	167.07
Jul	12.57	27.54	54.29	70.25	108.22	167.58
Aug	12.78	28.07	55.16	71.56	110.82	171.67
Sep	13.08	28.62	56.29	72.72	111.72	172.94
Oct	13.26	28.90	56.86	74.01	111.56	172.52
Nov	13.18	28.72	56.55	73.92	112.04	171.46
Dec	13.16	28.66	56.33	73.62	110.32	169.96
2007 [†]	13.67	29.40	57.06	75.52	112.99	169.78
Jan	13.45	28.94	56.66	74.86	111.61	168.96
Feb	13.58	29.16	56.75	75.08	111.62	167.54
Mar	13.41	29.09	56.60	73.84	111.13	167.31
Apr	13.55	29.31	56.86	74.47	111.71	166.51
May	13.89	29.66	57.05	76.39	113.85	170.74
Jun	14.16	30.23	58.41	78.50	118.01	177.65

¹ US, Japan, European Monetary Union, United Kingdom² Singapore, South Korea, Taiwan, Malaysia, Thailand, Indonesia, Hongkong³ Indonesia, Malaysia, Thailand[†] Revised due to the update in the total trade weights

Source: Bangko Sentral ng Pilipinas

15 TOTAL EXTERNAL DEBT ¹

as of periods indicated
in million US dollars

	December 31, 2006				March 31, 2007			
	Short-term		Medium & Long- Term	Total	Short-term		Medium & Long- Term	Total
	Trade	Non- Trade			Trade	Non- Trade		
Grand Total	2,112	2,897	48,358 ^a	53,368	2,073	3,045	48,928 ^a	54,046
Public Sector	213	177	36,686	37,076	177	102	38,044	38,323
Banks	213	177	3,056	3,446	177	102	2,880	3,159
Bangko Sentral ng Pilipinas	0	0	440	867	-	-	287	287
Others	213	177	2,616	3,006	177	102	2,593	2,872
Non-Banks	-	-	33,630	33,630	-	-	35,164	35,164
CB-BOL	-	-	46	46	-	-	43	43
NG and Others	-	-	33,584	33,584	-	-	35,122	35,122
Private Sector	1,899	2,720	11,672	16,292	1,895	2,944	10,885	15,723
Banks	231	2,576	3,621 ^b	6,429	193	2,799	3,288 ^b	6,280
Foreign Bank Branches	20	1,266	2,899	4,185 ^c	28	1,458	2,538	4,023 ^c
Domestic Banks	212	1,310	722	2,244 ^d	165	1,342	750	2,257 ^d
Non-Banks	1,668	144	8,050 ^e	9,863	1,703	144	7,597 ^e	9,444

¹ 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 BSP-approved/registered debt owed to non-residents, with classification by borrower based on primary obligor per covering loan/rescheduling debt covers agreement/document.

^a Includes cumulative foreign exchange revaluation on US dollar-denominated multi-currency loans from Asian Development Bank and World Bank amounting to US\$24 million as of 31 December 2006 and US\$37 million as of 31 March 2007.

^b Includes accounts restructured under CB Circular No.1179 amounting to US\$43 million.

^c Excludes "Due to Head Office/Branches Abroad" accounts of branches and offshore banking units of foreign banks operating in the Philippines which amounted to US\$2,674 million and US\$2,554 million as of 31 December 2006 and 31 March 2007, respectively.

^d Includes US\$11 million and US\$10 million liabilities of private development bank and rural banks as of 31 December 2006 and 31 March 2007, respectively.

^e Excludes obligations under various capital lease agreements of US\$1,101 million as of 31 December 2006 and US\$1,061 million as of 31 March 2007. Also, excludes loans without BSP approval/registration amounting to US\$3,086 million as of 31 December 2006 and US\$3,672 million as of 31 March 2007.

Source: Bangko Sentral ng Pilipinas

16 SELECTED FOREIGN DEBT SERVICE INDICATORS

for periods indicated
in million US dollars

	2006				2007 ^{p/}
	Q1	Q2	Q3	Q4	Q1
Debt Service Burden (DSB)¹	1,954	1,722	1,859	2,367	2,104
Principal	1,007	1,090	954	1,591	1,004
Interest	947	632	905	776	1,100
Export Shipments (XS)	10,947	11,626	12,263	11,690	12,015
Exports of Goods and Receipts from Services and Income (XGSI)²	15,612	16,824	17,274	17,663	17,728
Current Account Receipts (CAR)³	16,143	17,695	18,154	18,618	18,490
Gross National Product (GNP)	29,039	30,562	31,189	37,474	34,256
Ratios (%) :					
DSB to XS	17.85	14.81	15.16	20.25	17.51
DSB to XGSI	12.52	10.24	10.76	13.40	11.87
DSB to CAR	12.10	9.73	10.24	12.71	11.38
DSB to GNP	6.73	5.63	5.96	6.32	6.14

¹ 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 ST liabilities of banks and non-banks.

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

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

p/ Preliminary

Source: Bangko Sentral ng Pilipinas

17 SELECTED FOREIGN INTEREST RATES (AVERAGE)
in percent

	2005				2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
US Prime Rate ¹	5.4457	5.9161	6.4363	6.9697	7.4312	7.8989	8.2500	8.2500	8.2500	8.2500
US Discount Rate ²	3.4420	3.9129	4.4470	4.9371	5.4153	5.8841	6.2460	6.2500	6.2500	6.2500
US Federal Funds Rate	2.4538	2.9360	3.4714	3.9630	4.4649	4.8881	5.2570	5.2448	5.2627	5.2468
LIBOR (90 days)	2.8364	3.2834	3.7726	4.3375	4.7604	5.2140	5.4332	5.3686	5.3555	5.3579
SIBOR (90 days)	2.8380	3.2858	3.7800	4.3437	4.7664	5.2205	5.4378	5.3728	5.3604	5.3617

¹ The base rate on corporate loans at large U.S. Money Center Commercial Banks

² The charge on loans to depository institutions by the New York Federal Reserve Fund

Sources: Bloomberg, Asian Wall Street Journal, Reuters

18 BALANCE SHEET OF THE BANGKO SENTRAL NG PILIPINAS

as of periods indicated
in billion pesos

	2005				2006				2007	
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec ^u	Mar ^u	Jun ^u
Assets	1,332.2	1,406.4	1,362.1	1,292.8	1,378.7	1,406.5	1,417.8	1,571.4	1,677.5	1,731.0
International Reserves	897.5	988.5	1,030.8	974.7	1,049.7	1,117.3	1,078.6	1,119.9	1,183.8	1,214.0
Foreign Exchange Receivable	14.5	14.9	13.6	18.3	17.2	4.1	4.1	4.1	4.1	0.0
Domestic Securities	98.1	92.7	86.1	74.9	87.6	67.3	120.6	222.5	258.7	258.1
Loans and Advances	118.8	115.4	116.3	116.2	111.4	111.3	111.0	118.1	118.8	112.0
Revaluation of International Reserves										41.7
Bank Premises and Other Fixed Assets	11.6	11.6	11.7	11.8	11.9	12.1	12.1	12.1	12.1	12.2
Other Assets	191.6	183.3	103.5	96.9	100.9	94.4	91.3	94.7	100.0	93.2
Liabilities	1,101.5	1,164.6	1,102.2	1,044.6	1,125.4	1,137.8	1,161.0	1,304.6	1,417.2	1,505.1
Currency Issue	272.3	267.5	264.7	336.6	296.1	294.5	290.7	384.5	347.2	348.2
Deposits	364.2	386.2	453.4	317.9	415.2	433.9	469.8	571.2	686.9	901.2
Reserve Deposits of Banks & Other FIs	116.5	114.6	151.3	120.5	145.0	168.0	192.3	331.9	426.8	419.6
of which:										
DMBs	106.5	107.3	139.5	110.2	133.0	155.0	179.9	309.6	401.4	395.5
Special Deposit Accounts	—	0.1	—	0.1	9.6	25.5	50.2	51.8	53.9	282.0
Other Deposits of Banks & Other FIs	14.7	12.6	12.3	10.5	8.5	6.3	5.0	2.6	2.7	2.6
Treasurer of the Philippines	123.2	150.4	177.9	87.8	157.8	141.4	134.0	108.5	119.6	111.3
Other Foreign Currency Deposits	18.5	18.0	28.8	14.9	15.5	17.1	14.5	13.6	17.2	18.1
Foreign Financial Institutions	90.2	89.2	81.5	82.5	77.3	71.1	66.3	55.1	55.0	52.1
Other Deposits	1.0	1.3	1.6	1.5	1.5	4.4	7.5	7.7	11.7	15.4
Foreign Loans Payable	148.2	147.8	139.2	147.4	134.1	108.9	87.2	51.7	15.9	6.7
Foreign Bonds Payable	83.0	84.5	84.2	46.3	45.5	46.1	44.5	39.6	39.7	36.4
Derivative Instruments				—	0.1	-0.1	0.1	3.9	0.1	2.1
Allocation of SDRs	9.6	9.5	9.5	8.9	8.6	9.2	8.7	8.7	8.5	8.2
Revaluation of International Reserves ¹	75.4	82.1	75.1	57.6	39.7	62.0	29.5	9.1	3.2	0.0
BSP Debt Instruments	135.5	174.9	60.5	122.9	177.3	170.9	222.7	228.7	307.8	194.4
Other Liabilities	13.2	12.0	15.6	7.1	8.7	12.4	7.8	7.3	7.8	7.9
Net Worth	230.6	241.8	259.9	248.1	253.4	268.7	256.8	266.8	260.3	225.9
Capital	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Surplus/Reserves	220.6	231.8	249.9	238.1	243.4	258.7	246.8	256.8	250.3	215.9

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

^u 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 June 2007 figures are not comparable with those in prior periods.

¹ 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 "revaluation of international reserves".

Source: Bangko Sentral ng Pilipinas

19 INCOME POSITION OF THE BANGKO SENTRAL NG PILIPINAS
for periods indicated
in billion pesos

	2005					2006					2007		
	Q1	Q2	Q3	Q4	Jan-Dec	Q1	Q2	Q3	Q4	Jan-Dec ^u	Q1	Q2 ^u	Jan-Jun ^u
Revenues	10.057	11.583	16.958	6.998	45.596	12.558	13.366	13.071	16.797	55.792	14.248	24.304	38.552
Interest Income	9.818	10.305	14.240	6.549	40.912	11.879	12.455	12.330	14.037	50.701	14.057	15.105	29.162
International Reserves	6.084	7.015	9.426	5.240	27.765	8.982	10.032	10.035	10.578	39.627	10.348	11.770	22.118
Domestic Securities	2.440	2.274	2.333	0.206	7.253	1.531	1.543	1.432	2.389	6.895	2.703	2.557	5.260
Loans and Advances	1.222	1.032	0.992	0.989	4.235	0.981	0.932	0.757	1.002	3.672	0.915	0.803	1.718
Others	0.072	-0.016	1.489	0.114	1.659	0.385	-0.052	0.106	0.068	0.507	0.091	-0.025	0.066
Miscellaneous Income	0.192	1.246	2.699	0.357	4.494	0.618	0.846	0.712	2.720	4.896	0.100	9.028	9.128
Net Income from Branches	0.047	0.032	0.019	0.092	0.190	0.061	0.065	0.029	0.040	0.195	0.091	0.171	0.262
Expenses	10.569	13.054	12.724	11.920	48.267	12.249	12.697	13.323	13.726	51.995	13.181	15.268	28.449
Interest Expenses	7.523	9.451	9.301	8.185	34.460	9.160	10.192	10.430	11.072	40.854	10.825	11.742	22.567
Legal Reserve Deposits of Banks	0.759	0.736	0.801	0.851	3.147	0.812	0.840	0.978	2.149	4.779	2.738	2.504	5.242
National Government Deposits	1.555	2.128	2.422	2.093	8.198	1.943	1.951	2.069	1.596	7.559	1.343	1.671	3.014
BSP Debt Instruments	1.730	2.796	2.070	1.835	8.431	3.241	3.844	4.111	3.818	15.014	4.144	3.914	8.058
Special Deposit Accounts	0.000	0.001	0.000	0.001	0.002	0.055	0.360	0.615	1.182	2.212	0.957	2.656	3.613
Loans Payable and Other													
Foreign Currency Deposits	3.479	3.790	4.008	3.405	14.682	3.109	3.197	2.657	2.327	11.290	1.643	0.984	2.627
Other Liabilities	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.013	0.013
Cost of Minting/Printing of Currency	0.668	0.433	0.487	0.156	1.744	1.181	-0.231	0.547	-0.109	1.388	0.432	0.768	1.200
Taxes and Licenses	0.397	0.335	0.327	0.300	1.359	0.308	0.286	0.265	0.317	1.176	0.301	0.272	0.573
Others	1.981	2.835	2.609	3.279	10.704	1.600	2.450	2.081	2.446	8.577	1.623	2.486	4.109
Net Income Before Gain/Loss(-) on FXR and Price Fluctuations, Provisions for Income Tax and Capital Reserves	-0.512	-1.471	4.234	-4.922	-2.671	0.309	0.669	-0.252	3.071	3.797	1.067	9.036	10.103
Gain/Loss(-) on Foreign Exchange Rate and Price Fluctuations	3.735	4.727	2.363	0.985	11.810	-2.409	16.767	-17.580	3.222	0.000	-5.161	-36.669	-41.830
Provision for Income Tax	0.000	1.001	1.593	-1.489	1.105	0.000	4.298	-0.260	-4.026	0.012	0.000	0.000	0.000
Capital Reserves				3.229	3.229				0.100	0.100			0.000
Net Income Available for Distribution	3.223	2.255	5.004	-5.677	4.805	-2.100	13.138	-17.572	10.219	3.685	-4.094	-27.633	-31.727

^u 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 June 2007 figures are not comparable with those in prior periods.

Source: Bangko Sentral ng Pilipinas