



Report on Economic and Financial Developments

Third Quarter 2007



Bangko Sentral ng Pilipinas

Report on Economic and Financial Developments

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EXECUTIVE SUMMARY**A. Key Economic Developments**

Economy sustains strong growth. Gross domestic product (GDP) grew by 6.6 percent (year-on-year) in the third quarter of 2007, bringing to 7.1 percent the GDP growth for the first three quarters of the year. These numbers were higher than the comparable growth rates of 5.1 percent and 5.4 percent in the previous year. The expansion was led by the robust performance of the services sector on the production side, and by consumption and infrastructure spending on the expenditure side. Gross National Product (GNP) continued to accelerate, posting an 8.2-percent growth fuelled by the double-digit increase of net factor income from abroad (NFIA) due mainly to the sustained inflow of overseas remittances.

Inflation remains benign. The headline inflation in the third quarter of 2007 rose slightly to 2.5 percent compared to 2.4 percent in the preceding quarter but remained lower compared to the average recorded a year ago. Favorable supply conditions and the firm peso moderated pressures from the rising prices of certain food items, energy, and educational services. The year-to-date average inflation remained at 2.6 percent, still well below the average inflation a year ago and the 4-5 percent target range for 2007. Core inflation was higher in the third quarter (2.9 percent) compared to the previous quarter (2.6 percent) but was still markedly lower compared to the same period last year (5.2 percent).

BSP maintains a neutral monetary policy stance. Given the moderate demand pressures, favorable supply conditions and manageable inflation expectations in the third quarter of 2007, the Monetary Board maintained its neutral stance with respect to inflation and output when it decided on 12 July 2007 to remove the tiering scheme, complemented by the downtrend adjustment in policy rates to 6.0 percent and 8.0 percent for the overnight RRP and RP rates, respectively. The Monetary Board considered that the neutral stance will provide greater flexibility to future monetary actions in the absence of a clearer direction on potential risks to the inflation outlook.

Banking system remains sound and stable. Resources of the banking system continued to rise on the back of a growing deposit base, while asset quality improved further as the non-performing loan ratio moved closer 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.

National Government (NG) posts a surplus. The NG posted a budget surplus of ₱1.0 billion in the third quarter of 2007, reflecting an over-performance compared to the programmed deficit of ₱22.7 billion.

Balance of Payments (BOP) position posts a surplus. The balance of payments (BOP) posted a surplus of US\$3.5 billion in the third quarter of 2007, almost six times the US\$579 million surplus posted in the same quarter a year ago. This was the highest BOP surplus achieved in any given

quarter. This favorable development can be attributed to continued strong foreign exchange inflows, particularly in the capital and financial account, where the balance reversed to a net inflow from a net outflow. The current account also remained in surplus (at US\$613 million or 1.8 percent of GDP) but at a level that was lower compared to the level posted in the same period last year.

Gross international reserves (GIR) rise to a new record level. The country's GIR reached a new historic high of US\$30.9 billion as of end-September 2007, up by 43.1 percent from the same period last year. The significant buildup in reserves can be traced to the BSP's foreign exchange operations, income from investments abroad, and revaluation of gold.

Peso strengthens further. The peso remained firm in the third quarter of 2007 amid the global credit-market shakeout stemming from the US subprime mortgage market, as sustained dollar inflows from overseas Filipinos (OF) remittances and foreign investments continued to support the peso. The peso appreciated against the US dollar during the third quarter of 2007 with a year-on-year growth of 11.8 percent to average ₱45.94/US\$1 from ₱51.39/US\$1 a year ago.

B. Challenges and Future Policy Directions

The Philippine economy remained resilient in the third quarter of 2007 despite adverse external and domestic factor such as rising international oil and food prices, the volatility in the global financial markets, prospects of a slowdown in the US economy, and the dry spell which affected major agricultural areas in the country. The continued

expansion of the economy was supported by a solid and stable macroeconomic environment, as indicated by the low-inflation regime, strong external payments position, improved fiscal condition, and a sound banking system.

Going forward, the key challenge for the country is to sustain the growth momentum amidst uncertainties in the global front. With the likely slowdown in the US and global growth, a further strengthening of the economic fundamentals may be needed to sustain this momentum. The progress toward fiscal consolidation will have to be maintained and accompanied by broad-based structural reforms that should pave the way for a sustainable and higher level of growth. These include policies that will help generate a sustainable source of revenues to support infrastructure spending and raise investments.

On the part of the BSP, our policies will continue to be geared toward maintaining a sound monetary and financial environment, while advancing reforms that promote growth and respond to changes in global financial conditions.

The BSP remains mindful of the risks to the inflation outlook, such as the volatility of oil prices, possible resurgence in liquidity, and rising global prices of non-oil commodities. 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

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

On banking supervision, the BSP will continue to implement reforms that are geared towards maintaining a strong banking system. While the banking sector has remained fundamentally sound, 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 the banking system to enable it to cope with more stressful conditions in the future and provide for the financing needs of a growing economy.

With the growing demand from a more dynamic economy, the development of the financial sector, particularly the domestic capital market, likewise remains a continuing challenge. The BSP will continue to support the passage of key legislative reforms aimed at developing a deep and efficient capital market as well as collaborate with other financial regulatory agencies to ensure that the appropriate financial market infrastructure is in place to reinforce system integrity and overall market confidence. This will ensure a more efficient mobilization of capital and resources that will support higher economic growth and enable the economy to cope better with potential turbulence from the global financial markets.

borrowing or reverse repurchase (RRP) rate; and 8.0 percent for the overnight lending or repurchase (RP) rate.

A. Overview

The Philippine economy continued to grow during the third quarter of 2007 amidst global and domestic challenges. Growth was supported by a benign inflation environment, improved fiscal numbers, and a firm peso.

Economy continues to expand. The country's GDP grew by 6.6 percent in the third quarter of 2007, well within the official target range of 6.1-7.1 percent. The strong GDP growth was led by the robust performance of the services sector on the production side; and private consumption and government spending on infrastructure on the expenditure side.

Unemployment rate declines. Employment conditions continued to improve in the third quarter of 2007. The unemployment rate fell to 7.8 percent in July from the year-ago level of 8.0 percent. Underemployment, meanwhile, declined to 22.0 percent during the quarter from 23.4 percent a year ago.

NG posts a surplus. The cash operations of the NG yielded a surplus of ₱1.0 billion in the third quarter of 2007, reflecting an overperformance with respect to the programmed deficit of ₱22.7 billion.

Liquidity growth slows down. Domestic liquidity growth slowed down to 11.4 percent at the end of the review quarter from 19.4 percent as of end-June 2007. The slowdown in liquidity growth may be attributed mainly to the monetary measures implemented by the BSP in May 2007.

Headline inflation inches up, but remains well below the target range. Average headline inflation increased slightly to 2.5 percent in the third quarter from 2.4 percent in the second quarter. This, however, was still lower compared to the 6.1 percent average inflation posted in the same period a year ago, and below the 4-5 percent target range for 2007.

BSP maintains a neutral monetary policy stance. Benign inflation readings and the manageable risks to the inflation outlook were the basis for the Monetary Board's decision to keep a neutral monetary policy stance with respect to inflation and output in July 2007. This was implemented via two complementary moves: the lifting of the tiering system on placements with the BSP, and the downward adjustment of the BSP's key policy interest rates 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.

Market interest rates increase. The higher-than-programmed deficit in the first semester drove up average Treasury bill rates in the third quarter of 2007, higher compared to the previous quarter, but lower than those of the comparable quarter in 2006.

Banking system remains 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. The non-performing loan (NPL) ratio was lower at 5.7 percent as of end-August 2007 from 7.8 percent a year ago, closer to the pre-crisis

level of about 4.0 percent. 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 limit set by the BSP and the 8.0 percent standard of the BIS. The Philippine's CAR was also higher than those of Thailand (13.8%), Malaysia (13.1%), and Korea (13.0).

BOP posts a surplus. The balance of payments (BOP) posted a surplus of US\$3.5 billion in the third quarter of 2007, almost six times the US\$579 million surplus posted in the same quarter a year ago. This was the highest BOP surplus achieved in any given quarter. This favorable development can be attributed to continued strong foreign exchange inflows, particularly in the capital and financial account, where the balance reversed to a net inflow from a net outflow. The current account also remained in surplus (at US\$613 million or 1.8 percent of GDP) but at a level that was lower compared to the level posted in the same period last year.

Gross international reserves reach a new high. The country's GIR posted a record level of US\$30.9 billion as of end-September 2007. The significant rise in reserves was attributed mainly to: the BSP's foreign exchange operations, income from investments abroad, and revaluation of gold.

The peso remains firm. The peso remained firm against the US dollar, rising by 11.8 percent to ₱45.94/US\$1 in Q3 2007 from ₱51.39/US\$1 a year ago. In the January-September period, the peso has appreciated by 8.9 percent. The firmness of the peso was backed by continued strong market sentiment, sustained inflows from OF

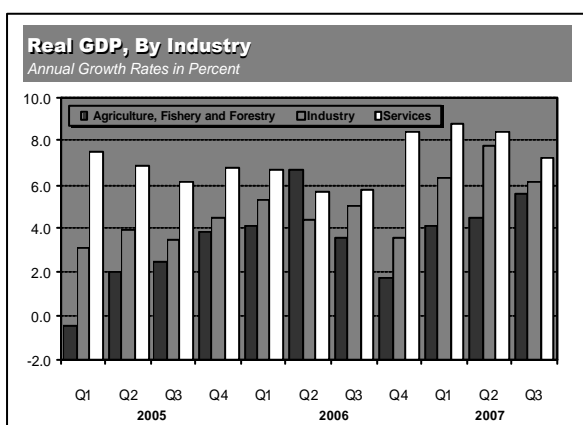
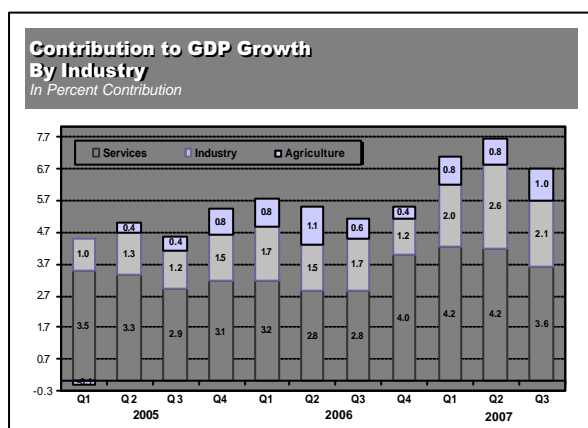
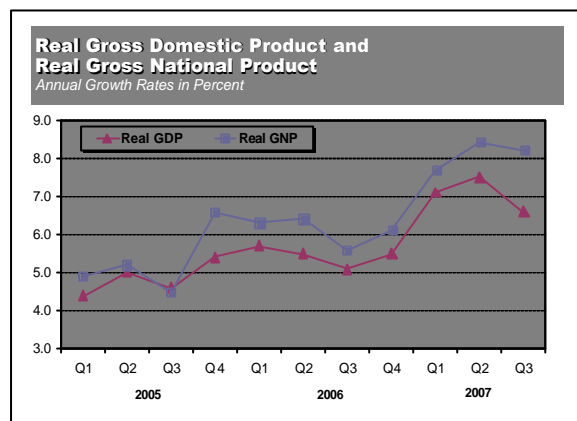
remittances, export earnings, and foreign investments.

External debt declines. The country's outstanding external debt reached US\$53 billion as of end-June 2007, US\$1 billion or 1.9 percent lower relative to the end-March 2007 level of US\$54 billion. The contraction in the debt stock during the second quarter may be attributed to the increase in investments of local banks in Philippine debt papers issued abroad and the negative foreign exchange revaluation adjustments on third currency-denominated accounts.

B. Real Sector

Production

Economy sustains brisk growth in the third quarter...



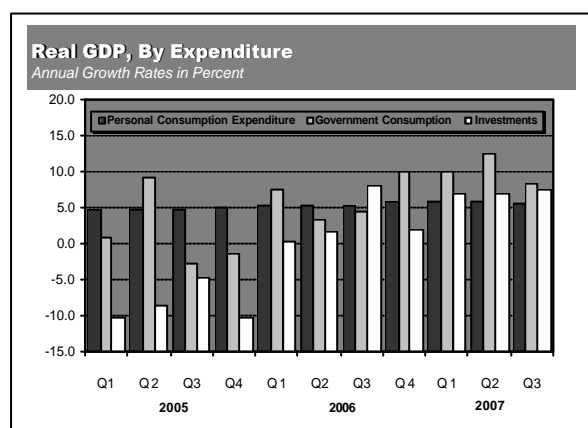
The domestic economy maintained its brisk expansion in the third quarter of 2007, supported primarily by solid macroeconomic conditions. GDP expanded by 6.6 percent during the review quarter, surpassing the 5.1 percent growth in the comparable quarter last year. All three sectors in the production side of the economy exhibited strong performances although the services sector remained the key driver. On the expenditure side, growth was due in large part to increased household spending as well as construction activities. GNP likewise continued to accelerate, posting an 8.2-percent growth, which was significantly higher than the year-ago growth of 5.6 percent. Expansion in GNP was fuelled by the double-digit increase of the Net Factor Income from Abroad (NFIA), which grew by 25.2 percent due to sustained inflow of overseas remittances.

The services sector continued to be the primary catalyst of growth on the production side, registering a healthy 7.2-percent expansion and exceeding its year-ago performance of 5.8 percent (Table 1). The services sector accounted for almost half (49.4 percent) of total output and contributed 3.6 percentage points to GDP growth. Leading this sector's growth are trade services, owing to brisk sales at the consumer end; private services, mainly due to rapid business process outsourcing (BPO) expansion; and transportation and communication, as seen in increased receipts from tourism-related activities.

The industry sector showed resiliency during the review quarter, posting a 6.1-percent expansion and significantly surpassing its year-ago growth of 4.9 percent. This sector represented 33.3 percent of total output, which translated to a 2.0-percent-point

contribution to GDP growth. Manufacturing continued to exhibit positive growth, buoyed by the food and beverage industry while the sustained inflow of capital supported the remarkable expansions in mining and quarrying, and construction.

The Agriculture, Fishery and Forestry (AFF) sector continued to exhibit a positive performance during the review period, registering a 5.6-percent expansion and exceeding the previous year's 3.6 percent growth rate. The AFF constituted 17.3 percent of the total output and contributed 1.0 percentage point to GDP growth.



On the expenditure side, the main boost to the economy came from the surge in consumer spending, owing to the continued inflow of overseas remittances. Personal consumption, which accounted for more than half of total expenditures, grew by 5.6 percent and was slightly higher than its year-ago rate of 5.2 percent (Table 1a).

Government consumption (GC) continued to post hefty increases brought about by sustained implementation of projects made possible by higher revenue flows. During the review period, GC posted an 8.3-percent growth, which was almost double the 4.5 percent expansion recorded in the same period the previous year.

Capital formation continued to expand, growing by 7.5 percent. This was, however, slightly lower than the 8.0 percent growth achieved in the comparable quarter last year. Private construction provided a strong boost to investments in construction, pushing fixed capital expenditures to a quadruple growth during the review quarter.

Exports declined by 4.9 percent during the review quarter, as against the 9.2 percent acceleration in the comparable quarter last year. Exports of non-factor

services accelerated, but was not able to offset the negative performance in merchandise exports.

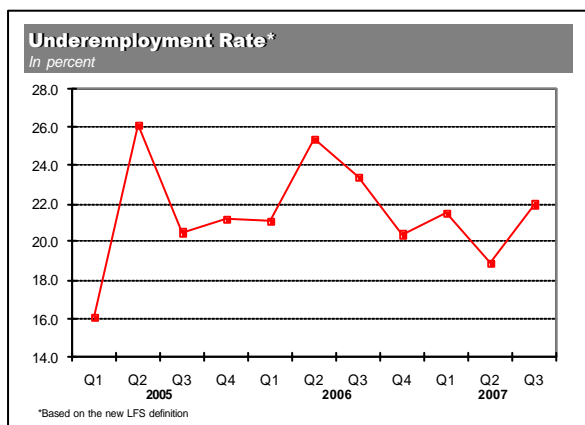
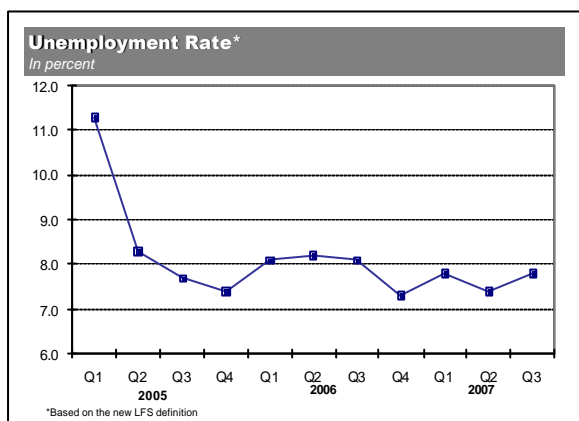
Labor and Employment

Labor market conditions remain favorable...

Labor market conditions remained favorable during the third quarter of 2007. Based on the July 2007 Labor Force Survey (LFS) of the National Statistics Office (NSO), the unemployment rate declined to 7.8 percent from 8.0 percent during the same period a year ago (Table 2).¹ However, the unemployment rate was slightly higher when compared to the 7.4 percent posted in the previous quarter.

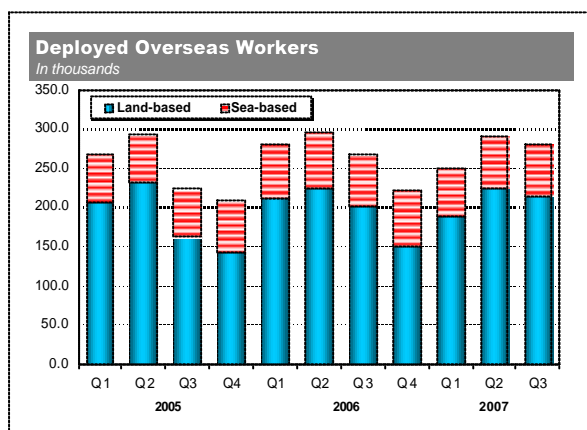
There were 33.3 million workers employed from the 36.2 million-strong labor force. The employment rate inched up to 92.2 percent in the third quarter of 2007 from 92.0 percent in the comparable quarter last year. The growth in employment was due mainly to the continued expansion in services and the recovery of industry. The services sector employed 49.9 percent, while industry accounted for 15.6 percent of the total employed persons. Meanwhile, employment in agriculture, which comprised 34.5 percent of total employed persons, declined due to the drought that affected farm production in Northern Luzon.

The underemployment rate declined to 22.0 percent during the quarter in review from 23.4 percent a year ago.² Underemployed workers in the agriculture sector accounted for 44.4 percent of the total underemployed, while the services and industry sectors accounted for 40.3 percent and 15.3 percent, respectively.



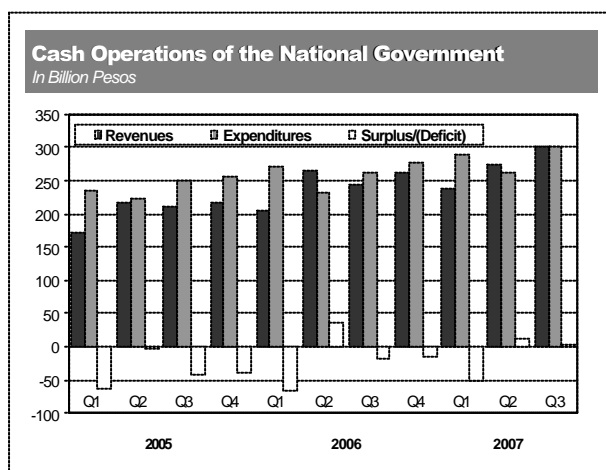
¹ Starting April 2005, the new LFS questionnaire was used to estimate the unemployed, which included all persons who were 15 years old and over as of their last birthday and were reported as without work, currently available for work, and seeking work or not seeking work due to valid reasons. The old unemployment definition did not consider the criterion on availability for work.

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.



Preliminary data showed that the total number of overseas Filipino (OF) workers rose by 5.6 percent to reach 280,641 in the third quarter of 2007 from 265,788 in the same period in 2006. The deployment of land-based workers increased by 5.8 percent to 213,678, while sea-based workers grew by 5.0 percent to 66,963 during the quarter in review. The number of deployed Filipino workers has been growing since July 2007, a reversal of the declining trend in deployment seen during the early part of the year. As a result, the contraction in the total number of deployed workers declined to 1.7 percent to reach 827,275 during the first nine months of 2007 from 7.6 percent in the same period last year.

NG cash operations yield a surplus..



National Government Cash Operations

The cash operations of the NG yielded a surplus of ₱1.0 billion in the third quarter of 2007, a reversal of the ₱18.9 billion deficit incurred in the same period in 2006. This reflected an overperformance with respect to the programmed deficit of ₱22.7 billion for the review period (Table 3).

Total revenues in the third quarter of 2007 reached ₱302.0 billion, 23.4 percent higher than the ₱244.8 billion posted during the same period a year ago and 8.2 percent higher than the programmed level of ₱279.0 billion. The bulk of the revenues came from tax collections, which constituted around 83.0 percent of the total revenues generated during the review period. Non-tax revenues and grants at ₱51.4 billion accounted for 17.0 percent of total revenues, consisting primarily of proceeds from the sale of PNOC-EDC shares.

To sustain the gains achieved in strengthening the fiscal position, fiscal authorities continued to pursue measures to help improve collection efficiency by implementing with greater vigor existing programs and action plans of

the revenue-generating agencies. These included: the enhanced tax audit programs, Revenue Watch Dashboard, LGU Revenue Assurance Project and intensified enforcement activities; aggressive privatization efforts; and more effective anti-corruption programs.

Total expenditures, on the other hand, amounted to ₱301.0 billion in the third quarter of 2007, slightly lower than the programmed expenditure for the quarter, but higher by 14.4 percent compared to the expenditure incurred in the same period in 2006. Increases in spending went to LGU subsidies and tax expenditures. Lower interest payments that can be attributed to declining interest rates and the strengthening of the peso capped the level of NG expenditures relative to target during the review period.

The net financing of the NG's deficit for the review period was funded by net domestic borrowings amounting to ₱55.8 billion, a complete turnaround from the programmed net prepayment of ₱33.4 billion.

C. Monetary Sector

Liquidity growth decelerates...

Domestic Liquidity (M3)					
Particulars	Levels (in billion pesos)			Growth Rates (in %)	
	Sep 2007	Jun 2007	Sep 2006	Q-o-Q	Y-o-Y
Domestic Liquidity (M3)	2,886.0	3,023.9	2,590.4	-4.6	11.4
<i>of which:</i>					
Net Foreign Assets	1,663.4	1,573.4	1,257.8	5.7	32.2
Net Domestic Assets	2,163.1	2,358.5	2,280.1	-8.3	-5.1
<i>of which:</i>					
Credits to the Public Sector	1,073.8	1,073.0	962.0	0.1	11.6
Credits to the Private Sector	1,974.1	1,955.1	1,819.9	1.0	8.5

Domestic Liquidity ³

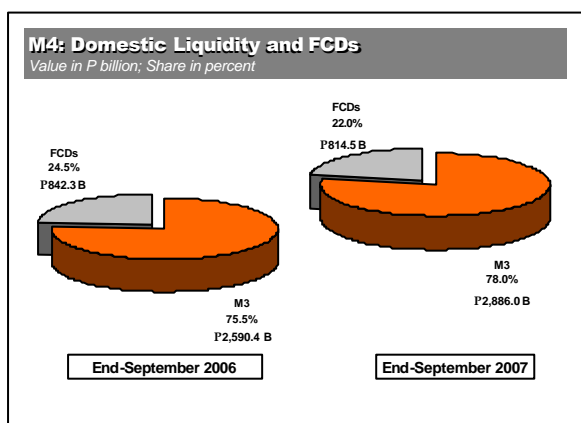
Growth in domestic liquidity or M3 continued to slow down as of end-September 2007. Based on the DCS survey, the growth of domestic liquidity decelerated to 11.4 percent as of end-September 2007 from 19.4 percent as of end-June 2007 (Table 4). On a quarter-on-quarter basis, domestic liquidity growth declined by 4.6 percent as of end-September 2007 from a 3.3-percent growth registered as of end-June 2007.

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

Net foreign assets of depository corporations continued to drive M3 growth as of end-September 2007 as it grew by 32.2 percent (y-o-y), slightly higher than the 31.1 percent growth posted as of end-June 2007. Meanwhile, net domestic assets declined by 5.1 percent (y-o-y) as of end-September 2007, as the Net Other Items account (which includes SDAs and RRPp) continued to reflect a negative balance, following the policy measures implemented by the BSP in May. The decline in net domestic assets was a reversal of the 3.8 percent growth posted in end-June 2007.

Credit extended to the public and private sectors increased to 11.6 percent and 8.5 percent (y-o-y), respectively, from 10.5 percent and 6.0 percent, respectively as of end-June 2007.

M4—a broader concept of domestic liquidity which includes FCDU deposits of residents—grew by 7.8 percent year-on-year in end-September 2007. The expansion in M4 was driven by the growth in M3, which contributed 8.6 percentage points, while the decline in FCDU deposits resulted in a negative contribution of 0.8 percentage point.

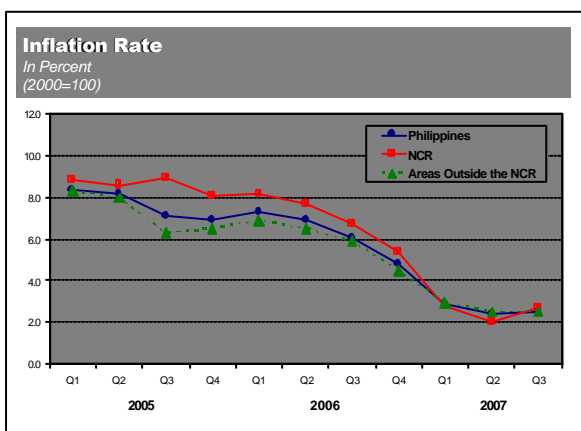


Inflation environment remains benign...

Inflation remained benign in the third quarter of 2007 despite uptrends in the prices of certain food items, energy, and educational services.

Price pressures were confined to specific CPI items, implying that such pressures were not broad-based. Measures of underlying inflation likewise remained low during the period, reflecting the continuing absence of significant demand-side pressures.

Headline inflation averaged 2.5 percent year-on-year in the third quarter of 2007, slightly higher than the



2.4 percent recorded in the second quarter of 2007, but lower than the 6.1 percent recorded in the same quarter of the previous year (Table 5). Both food and non-food inflation were higher relative to levels in the previous quarter, but were lower compared to the same quarter a year ago. Inflation for food, beverages and tobacco (FBT) increased to 2.9 percent in the third quarter from 2.7 percent in the previous quarter. Likewise, non-food inflation registered a 2.2 percent increase from the 2.1 percent inflation in the second quarter. Compared to their year-ago rates of 5.2 percent and 6.9 percent, third quarter 2007 FBT inflation and non-food inflation were lower by 2.3 and 4.7 percentage points, respectively.

On a quarter-on-quarter basis, headline inflation increased by 1.4 percent as compared to 0.6 percent in the second quarter of 2007. Similarly, food and non-food inflation were higher than the previous quarter.

Food inflation, which had been declining steadily for the past five quarters since the second quarter of 2006 reversed its trend in the third quarter 2007 as all food items—except for fish, fruits and vegetables, miscellaneous food, and beverages—registered higher price increases. The uptick in food inflation was due largely to the gradual uptrend of retail prices of commercial rice (which accounts for 6.2 percentage points of the CPI weight of rice which is 9.4 percent of the CPI basket), since the dry spell experienced in key areas of northern Luzon and Visayas from June 2007 to the first two weeks of August had adversely affected rice production. The prolonged dry weather conditions that resulted in delayed harvests in the affected areas, brought about a tight supply of palay which, in turn, contributed to the surge in domestic rice prices during the quarter.

Non-food inflation rose slightly during the quarter, driven mainly by the uptick in fuel, light and water (FLW), which had been increasing since the second quarter of 2007. Meanwhile, all other sub-components of the non-food items registered declines during the quarter compared to a year ago and the previous quarter, except for services, which was steady at 2.1 percent in the second and third quarters.

Headline inflation increases in Metro Manila...

The year-on-year headline inflation in Metro Manila went up to 2.7 percent in the third quarter from 2.0 percent in the second quarter but was lower than the 6.7 percent posted in the same period last year (Table 5a). In areas outside Metro Manila, headline inflation remained at 2.5 percent in the third quarter and was lower than the 5.9 percent recorded a year ago (Table 5b).

Meanwhile, quarter-on-quarter inflation within Metro Manila rose by 2.1 percent from 0.4 percent in Q2 2007. Likewise, areas outside Metro Manila also registered a higher quarter-on-quarter inflation at 1.1 percent from 0.6 percent in the second quarter.

Core inflation likewise increases...

Core Inflation Measures, Philippines

2000=100; year-on-year percent changes

	Official Definition		Alternative BSP Estimates		
	Headline Inflation	Core Inflation	Trimmed Mean ²	Weighted Mean 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	2.4	2.6	2.2	2.2	2.5
Q3	2.5	2.9	2.3	2.1	2.5

¹ The official definition excludes 18.4 percent of the CPI basket as follows: rice, corn, fruits and vegetables, fuel items (gas, LPG, kerosene, gasoline and diesel).

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, which represent 37.59 percent of all items. This series has been recomputed using a new methodology that is aligned with NSO's method of computing the official core inflation, which re-weights remaining items to comprise 100 percent of the core basket after excluding non-core items. The previous methodology retained the weights of volatile items in the CPI basket while keeping their indices constant at 100.0 from month-to-month.

Core inflation, an indicator of the long-term trend of inflation, was also higher during the review quarter. The official NSO core inflation measure rose to 2.9 percent in the third quarter compared to 2.6 percent in the previous quarter. Despite the higher figure, this was still 2.3 percentage points below the 5.2 percent core inflation recorded in the same quarter a year ago.

Alternative measures of core inflation estimated by the BSP (such as the trimmed mean, the weighted median, and the "net of volatile items") displayed mixed trends. Using the trimmed mean approach, BSP's estimate of the core inflation was higher than the previous quarter whereas the weighted median approach of measuring core inflation declined to 2.1 from 2.2 in Q2. On the other hand, the third alternative method, the "net of

volatile items”, showed no change from the previous quarter.

Looking at the distribution of price changes in the CPI basket, it is useful to determine the proportion of the 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 range for 2007—to find out whether that proportion has been increasing or decreasing. This would indicate whether pressures on consumer prices are becoming generalized over time.

The number of items with inflation rates greater than the threshold of 5.0 percent increased to 24 in the third quarter from 18 in the previous quarter but was lower compared to 63 a year ago. Likewise, these items accounted for a larger proportion of the CPI basket at 16.6 percent compared to 8.9 percent last quarter but lower than the 41.6 percent a year ago.

Domestic Interest Rates

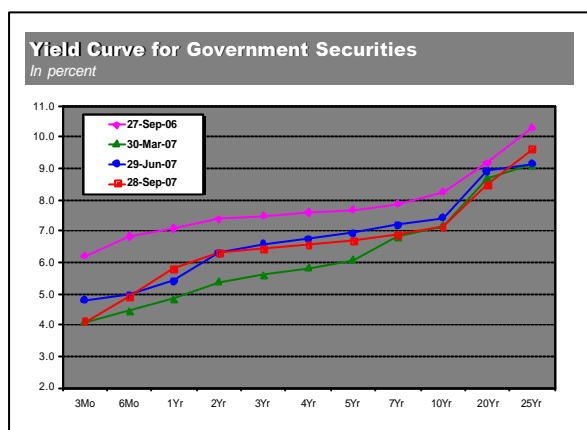
Domestic interest rates in the primary market for government securities (GS) were higher compared to the previous quarter, but were lower when compared to the same quarter of the previous year (Table 6).

Secondary market yields for GS were also higher except for the yield on the 3-month securities during the review quarter. Yields increased as prices were driven down in part by lack of investor interest due to concerns on the sustainability of the fiscal position as the fiscal deficit registered during the first semester turned out higher than program.

Despite ample liquidity, primary market and secondary market rates for GS were generally higher in the third quarter compared to the second quarter...

Selected Domestic Nominal Interest Rates					
In percent					
	2007		2006	Difference	
	Q3	Q2	Q3	Q-o-Q	Y-o-Y
Treasury Bills					
All Maturities	4.61	3.81	6.43	80.50	(181.40)
91 days	3.68	2.97	5.61	70.70	(192.70)
182 days	4.78	3.71	6.42	106.30	(164.80)
364 days	5.53	5.17	7.31	35.60	(177.90)
Lending Rates					
High	8.71	8.29	10.50	42.47	(179.17)
Low	6.96	6.62	8.62	33.38	(166.19)
All Maturities ¹	9.04	8.29	10.07	74.50	(103.50)
Interbank Call Loans	6.71	7.38	8.06	(66.59)	(134.64)
Savings Deposits	2.05	2.03	3.44	2.40	(139.37)
Time Deposits (all maturities)	3.43	3.03	5.00	39.20	(157.20)
Manila Reference Rates	5.75	6.56	6.63	(81.25)	(87.50)

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



Following the general rise in interest rates in the GS market, average bank lending rate rose in the third quarter. Such increase, however, was not reflected in the savings deposit, interbank call loan, and Manila reference rates which were lower during the third quarter.

The Monetary Board (MB) maintained its neutral stance with respect to inflation and output when it decided on 12 July 2007 to lift the tiering scheme, complemented by a reduction in the overnight borrowing rate of 150 basis points and in the overnight lending rate of 175 basis points. These measures were also applied to the placements in the BSP's special deposit account (SDA) facility. The decision of the Board was based on its assessment that the additional liquidity management measures implemented in early May 2007 had begun to exert the desired cooling effect on liquidity conditions. The Board also believed that the neutral stance of monetary policy was appropriate given moderate demand pressures, favorable supply conditions, and manageable inflation expectations. The neutral stance was also seen to provide greater flexibility to the monetary authorities in the absence of a clearer direction on potential risks to the inflation outlook, such as liquidity, wage pressures, and oil prices at that time.

With the July reduction in the BSP policy rates, the differential between the BSP RRP rate and the target for the federal funds rate narrowed to 125 basis points in September from 225 basis points in June.

Adjusted for the increase in the risk premium—which is 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 turned negative (-38 basis points) as of September 2007 compared to 82 basis points as of June 2007.

Risk Premium

End-of-period

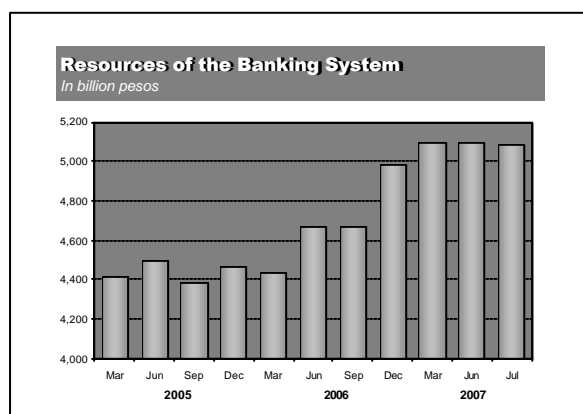
	10-year ROP Note (%)	10-year US Note (%)	Risk Premium (basis points)	BSP RRP (%)	US Fed Funds (%)	Rate Differential (basis points)	Risk- Adjusted Differential
	(1)	(2)	(3)=(1)-(2)	(4)	(5)	(6)=(4)-(5)	(7)=(6)+(3)
2005							
Mar	7.40	4.32	308	6.75	2.75	400	92
Jun	6.84	3.68	316	7.00	3.00	400	84
Sep	6.97	4.10	286	7.25	3.75	350	64
Dec	6.38	4.30	209	7.50	4.25	325	116
2006							
Mar	5.91	4.78	112	7.50	4.75	275	163
Jun	7.28	5.23	206	7.50	5.00	250	44
Sep	6.04	4.53	151	7.50	5.25	225	74
Dec	6.01	4.63	139	7.50	5.25	225	86
2007							
Mar	6.14	4.64	149	7.50	5.25	225	76
Jun	6.45	5.02	143	7.50	5.25	225	82
Sep	6.18	4.55	163	6.00	4.75	125	-38

Key performance indicators reflect overall soundness...

Ongoing consolidation contributes to improved operational efficiency...

	2007		2006
	Jun	Mar	Jun
Total	7,738	7,704	7,693
Head Offices	858	861	871
Commercial Banks	38	39	41
Thrift Banks	83	84	85
SMBs	33	33	32
PDBs	20	21	22
SSLAs	26	26	26
MFIN	4	4	5
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
SMBs	817	819	805
PDBs	282	284	278
SSLAs	141	141	136
MFIN	10	10	12
Rural Banks	1,371	1,350	1,308

Banks' resources increase. . .



D. Financial Sector

The country's banking system performed favorably during the quarter as the sustained implementation of financial sector reforms continued to bear fruit. The improving macroeconomic conditions likewise provided an encouraging environment for banks to further strengthen their balance sheets and improve profitability. Key performance indicators reflected overall soundness as shown by the sustained growth in bank lending and the marked improvement in bank asset quality, with the NPL ratio nearing pre-crisis level. Likewise, banks remained adequately capitalized in spite of higher loss provisioning levels and stricter alignment of capital requirements with international standards.

Performance of the Banking System

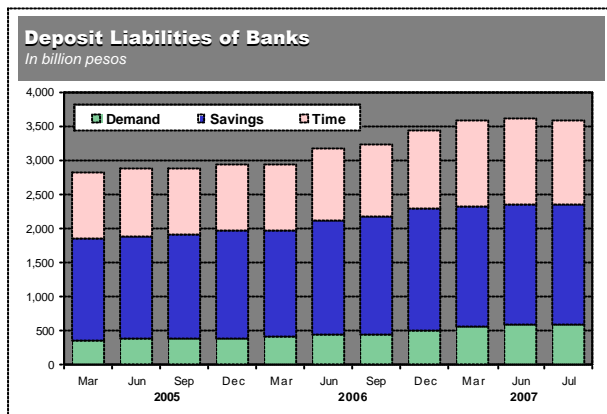
Market Size

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 and rural banks' 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 9.6 percent to ₱5.088 trillion as of end-July 2007 from its year-ago level of ₱4.641 trillion (Table 8). The increase was due to the rise in banks' deposits with the BSP and other banks, investments, and loans and discounts.

Commercial banks (KBs) continued to account for almost 90 percent of the total resources of the banking system.

Banks' deposits continue to grow robustly. . .



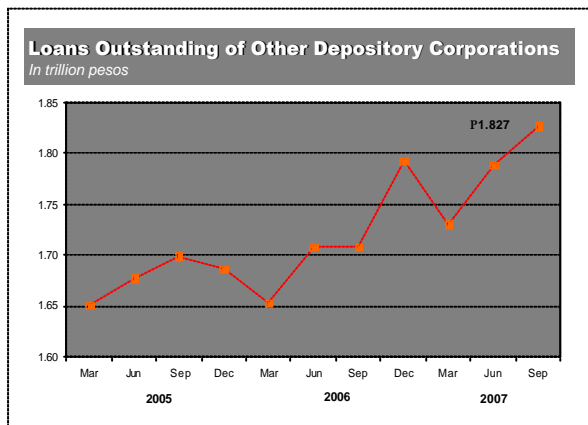
Savings Mobilization

The banking system's deposit liabilities as of end-July 2007 continued to grow robustly at 13.0 percent to ₱3.576 trillion from its year-ago level of ₱3.165 trillion. Demand and time deposits sustained their year-on-year growth of 33.6 percent and 17.6 percent, respectively. Savings deposits, which continued to account for half of the banks' funding base, similarly increased by 4.8 percent compared to their level a year ago. Quarter-on-quarter, the banking system's deposit liabilities declined moderately by 1.1 percent.

Bank Lending Operations

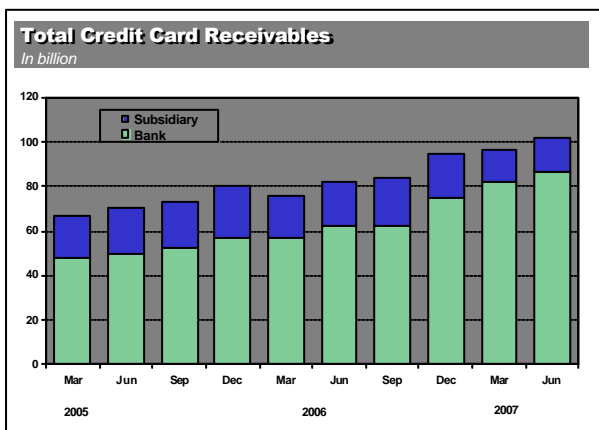
Outstanding loans of banks (net of RRPs) remained strong at 6.9 percent year-on-year in September 2007 compared to the 0.5 percent growth posted in the same period last year. Compared to the previous quarter's level, loans outstanding of banks were higher at 4.7 percent.

Bank lending activity remains strong . . .



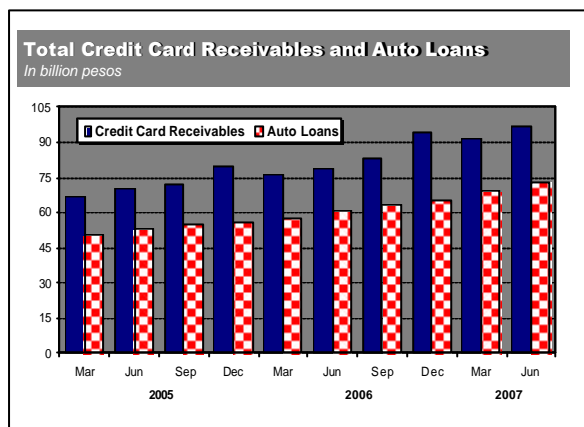
Lending to most sectors of the economy registered an uptrend, except for mining and utilities. Transportation, storage and communication led the expansion with a robust growth of 24.7 percent, followed by community, social and personal services (12.3 percent), and construction (11.3 percent) sectors.

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

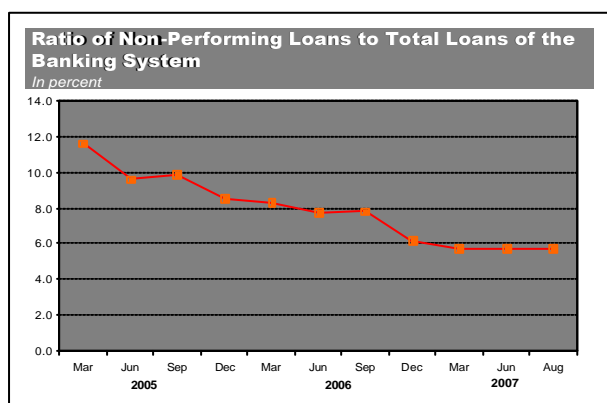
Similarly, the combined auto loans of U/KBs and TBs as of end-June 2007 rose by 21.1 percent to ₱78.9 billion from ₱65.2 billion in June 2006, and by 5.6 percent from the end-March 2007 level of ₱74.7 billion. Auto loans accounted for 4.2 percent of their TLP. Only 4.8 percent of total auto loans were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



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-August 2007 compared to 7.8 percent a year ago (Table 9).⁴ The improvement in the NPL ratio was sustained due to the 23.6-percent drop in the level of NPLs, complemented by the 4.9-percent increase in the amount of the industry's total

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

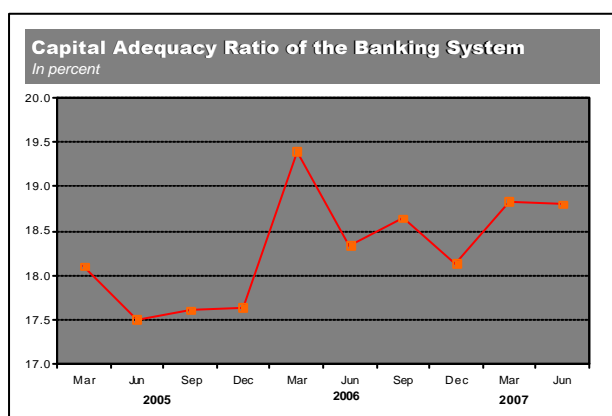
loan portfolio (TLP). NPLs shrunk to ₱134.2 billion during the period under review from the previous year's level of ₱175.7 billion, while TLP reached ₱2,358.8 billion from ₱2,248.6 billion.

Meanwhile, the NPL ratio of universal and commercial banks (U/KBs) rose to 5.3 percent as of end-August 2007. This was an improvement by 1.9 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 South Korea's 0.8 percent.⁵ The lower NPL ratios in Malaysia, Thailand, and South Korea may be traced to the creation of publicly-owned asset management companies (AMCs), 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 76.8 percent as of end-August 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-June 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. These ratios were higher than the previous year's levels of 17.0 percent and 18.3 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'

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

(BIS) standard at 8.0 percent. This is reflective of the banking system's improved ability to cover risky assets.

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

Banking Policies

Banking policy reforms promote competitive environment ...

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, and strengthen prudential regulations, transparency, and corporate governance. (Annex A)

Capital Market

Capital market development initiatives gain headway. . .

Capital market initiatives continued to make headway during the third quarter, capped by significant developments in the areas of policy and legislative reforms.

Policy Reforms

Philippine Stock Exchange (PSE)

A new set of "more stringent" rules for short selling securities aimed at mitigating risks in the trading of stocks was approved by the PSE in July 2007. The short

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

selling rules will complement the earlier set of rules governing the securities borrowing and lending (SBL) program that allows one to borrow securities in order to engage in short selling, arbitrage or hedging. With these new rules, the PSE expects an increase in the value turnover in the country's equities market.

In a bid to protect the investing public, the PSE recently required listed companies to seek third party opinion for company transactions that do not involve cash. Under the new regulation, companies with applications for listing, share swaps and mergers need to get a third party assessment for the valuation of the companies' shares. The rule covers non-cash transactions like share-for-share swaps, debt-to-equity conversions, property-for-share swaps and other similar transactions.

The PSE is also pushing for the enactment of the proposed Credit Information System Act (CISA) to lessen credit risks and loan defaults. It would also steer the country away from the subprime mortgage problem that has affected the international financial market. The proposed CISA will minimize the likelihood of loan defaults by making the credit investigation process less tedious and less costly while, at the same time, increasing access to credit information.

In September, the PSE launched an in-depth study on the introduction of more derivatives in the local stock market as part of a coordinated strategy to generate more trading activity and assure the local stock market's long-term growth. The study will cover a review of the regulatory environment needed for the smooth conduct of derivatives trading in the stock market.

Bangko Sentral ng Pilipinas

In August, the BSP signed a memorandum of agreement with the Philippine Dealing System (PDS) Holding

Corporation for the interconnection of the PDS settlement highway with the BSP PhilPaSS. The interconnection enables payment instructions for transactions done through the PDS to be transmitted directly to the PhilPaSS including foreign currency transactions, interbank and interdealer repo transactions, and interbank fund transfers at minimal cost. To date, all commercial banks and 50 percent of other financial institutions settle their various transactions with the PhilPaSS.

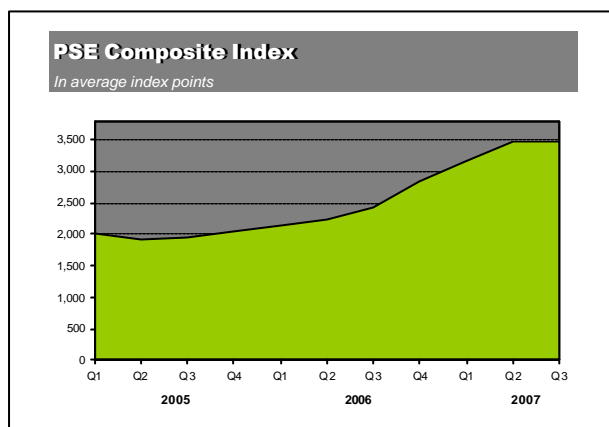
In September, the BSP issued a new directive regarding banks' equity investments, in consonance with the Philippine financial reporting and accounting standards adopted last year. Based on the new circular, underwritten equity securities booked under the available-for-sale category of banks' balance sheets are excluded from ceilings on equity investments, which vary depending on the type of bank involved. However, the circular prescribed a two-year period for the exemption of the underwritten equity securities from the ceiling. After the two-year period, such equity securities shall be included in the computation of compliance with the prescribed ceilings.

Legislative Reforms

A bill promoting real estate investment trusts (REITs) was filed as Senate Bill No. 63 in August 2007. REIT is a close investment trust traded in an exchange. REIT pools the capital of investors to buy and manage properties and allows the investors to participate in large estate projects. REIT minimizes investment risks since income-producing real estate assets are managed professionally. REIT also assures a steady income stream to the investors and the National Government since REITs are required to declare dividends. REITs have been traded in other Asian countries such as Japan, South Korea, and Singapore in the last three years, while the US and Australia have been trading these for more than three decades.

Stock Market

Stock trading remains bullish...



Rising investor risk-aversion in the wake of the US subprime mortgage problems dominated developments in the equities market in the third quarter of 2007. After posting a record-high level in the first week of July, local share prices began to fall mid-month resulting in sell-offs in the US and global equity markets. Investor sentiment was also dragged down by the continued increase in crude oil prices and the Philippine Government's lower-than-expected tax collection performance for the first five months of the year. However, initial public offerings (IPOs) in July and August provided investors incentive to trade.⁷ Philippine stocks also rallied strongly after the US Federal Open Market Committee implemented cuts in its discount rate and federal funds target rate,⁸ and on market speculation that the BSP will follow with a rate cut of its own.⁹ However, the better-than-expected second quarter developments including the growth of the Philippine economy, robust corporate earnings, stable inflation, the record-high BOP surplus for the quarter, as well as the fiscal surpluses for the third straight month in August boosted sentiments in the equities market. The domestic political noise was mostly ignored by investors during the period.¹⁰

Notwithstanding heightened risk aversion, trading in the local bourse rose substantially in the third quarter of 2007, compared to year-ago levels. The Philippine Stock

⁷ There were four IPOs during the quarter: Phoenix Petroleum Philippines, Inc. offered 36.25 million shares on 11 July; Aboitiz Power Corporation offered 1.7 billion shares on 16 July; GMA Network, Inc. offered 91.34 million shares on 30 July; and Anchor Land Holdings, Inc. offered 65 million shares on 8 August.

⁸ The US Federal Reserve Board lowered its target for the federal funds rate by 50 basis points to 4 ¾ percent on 18 September 2007 – the second rate cut this year. This action was intended to help forestall adverse effects on the US economy that may arise from developments in financial markets and to promote moderate economic growth over time. In related action, the US Fed also approved several cuts in the discount rate made by the Federal Reserve Banks (Boston, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas, Dallas, San Francisco, New York, and St. Louis) during the quarter (17 August and 18 September 2007) to reach 5¼ percent.

⁹ The Monetary Board reduced by 25 basis points the BSP's key policy interest rates to 5.75 percent for the overnight borrowing or reverse repurchase (RRP) rate and 7.75 percent for the overnight lending or repurchase (RP) rate, effective 5 October 2007. This is the second time that the policy rates were adjusted this year; the first time was in July, when the tiering scheme was also removed.

¹⁰ During the quarter, political noise arose from the following developments: Sandiganbayan's conviction of former President Estrada on plunder charges and being sentenced to life imprisonment (12 September), although he was eventually granted a pardon by President Arroyo on 25 October; and the Senate probe on the Government's contract with Chinese company ZTE to build a government broadband network, which was initiated after a rival bidder alleged that the deal involved millions of dollars in kickbacks for members of the Arroyo administration.

Exchange Index (PSEi) averaged 3,479.8 index points during the period in review, 43.8 percent or 1,059.9 index points more than the average PSEi for the same period in 2006 (Table 10). Compared to the previous quarter, however, the third quarter composite index was just 11.0 basis points or 0.3 percent higher than the average PSEi of 3,468.8 index points during the second quarter of the year.

By sector, the average indices for the period showed the same trend, with the main composite index rising relative to year-ago levels, and declining compared to the second-quarter levels, with the exception of the services and mining sector indices. Compared to the previous quarter, indices for the services sector rose by 4.7 percent to 1,637.0 index points due to the continued strength of the telecommunications sector, while those for the mining sector also rose by 1.0 percent to 6,515.9 index points on account of the increased demand for power and mining shares as energy and gold prices rose. In contrast, the indices for the financial, industrial, holding firms and property sectors dipped slightly for the period July to September relative to levels three months ago.

Reflecting the generally bearish sentiments in the third quarter of the year was the decline in average daily turnover from 5.2 billion shares valued at ₱6.1 billion in the second quarter of 2007 to 3.9 billion shares valued at ₱5.5 billion during the quarter in review. This represented a drop of 25.1 percent and 9.8 percent, respectively, in the average daily volume and value traded in the third quarter of the year. Compared to year-ago levels of 2.7 billion shares valued at ₱1.7 billion, however, the trading activity from July-September this year was brisk with the daily volume and value of transactions growing by 46.5 percent and 230.4 percent, respectively, year-on-year.

Similar trends were reflected in the stock market capitalization and the price-earnings ratio for the period in review. Market capitalization in the third quarter reached ₱8.2 trillion in end-September, some 1.1 percent lower than the previous quarter's level of ₱8.3 trillion, but 26.8 percent higher than the ₱6.5 trillion level posted for the same period in 2006. In the same way, the price-earnings (P/E) ratio also fell to 15.2 as of end-September from 17.9 in end-June, on account of the sharp fall in share prices during the quarter.¹¹ This lower P/E ratio indicates that investors are expecting lower earnings growth in the future. Compared to the ratio of 13.2 posted a year-ago, however, the higher ratio for the quarter in review reflected investors confidence on business performance.

Meanwhile, uncertainty arising from the US mortgage-related problem resulted in a jump in market volatility in the local equities market.¹² The average standard deviation for the third quarter was higher at 104.5 index points, compared to 56.8 index points for the period April-June and 67.3 index points a year ago.

Despite generally higher risk aversion and market volatility in the third quarter, foreign investors continued to dominate the local equities market. As a ratio to the total value of transactions in the stock market, foreign investors accounted for more than half of total trades (53.9 percent) during the period in review. This was higher than the 46.5 percent ratio recorded in the preceding quarter. But while foreign investors remained as net buyers of PSE-listed shares during the period July-September, the net value of their transactions declined by 79.0 percent relative to the amount posted in second quarter of 2007.

¹¹ The P/E ratio is the ratio of a company's current share price compared to its earnings per share. This reflects how much investors are willing to pay per peso of earnings. However, investors are warned not to base decisions on this measure alone as it fails to take into account the company's growth potential.

¹² Market volatility is measured as the standard deviation of daily stock indices.

Ample liquidity in the financial system continues to swamp the GS market...

Results of GS Auction

In billion pesos

	Offering	Tenders	Accepted Bids	Rejected Bids
Treasury Bills				
2007	76.0	266.4	56.8	209.6
Q1	24.0	133.1	21.9	111.2
Q2	18.0	55.6	15.4	40.2
Q3	34.0	77.7	19.5	58.2
Treasury Bonds				
2007	122.8	302.4	110.3	192.1
Q1	39.0	128.5	39.0	89.5
Q2	37.0	100.9	36.0	64.9
Q3	46.8	73.0	35.3	37.7

Source: Bureau of the Treasury

Bond Market

Government issuances continued to dominate the domestic debt market. As of end-September 2007, outstanding government securities (GS) amounted to ₱2.25 trillion, 60.3 percent of which were regular issuances (e.g., Treasury Bills and Fixed Rate Treasury Bonds (FXTBs)). FXTBs comprised the bulk of regular issuances (54 percent) at ₱738 billion. Government securities accounted for 98.4 percent of the Philippine bond market during the period.

In the third quarter, the Auction Committee cancelled ₱58.2 billion and ₱37.7 billion worth of T-bill and T-bond offerings, respectively. The government was forced to cancel bids in the T-bill and T-bond auctions due to the higher premiums demanded by banks as risk aversion increased, following the US subprime mortgage crisis in August. Despite these developments, ample liquidity in the financial system pushed banks to swamp the GS market as total tenders for T-bills reached ₱77.7 billion, which was more than twice the ₱34 billion offering during the quarter. For T-bonds, total tenders reached ₱73.0 billion, less than twice the offered amount of ₱46.8 billion.

Meanwhile, at the Fixed Income Exchange (FIE), trading volume for government debt papers grew by 31.1 percent to ₱326.7 billion in the third quarter of 2007. Fixed Rate Treasury Notes (FXTNs) were the most liquid instruments, accounting for more than 87 percent of all transactions at the exchange during the period. For January to September 2007, total transactions at the FIE reached ₱964.9 billion. This represented a 114.1-percent increase in the volume of transactions compared to the level posted for the same period in 2006, indicating enhanced liquidity and depth in the fixed income market. In terms of turnover, preliminary figures

indicated that while the bond turnover ratio¹³ declined from 0.09 in January to 0.04 in August, the recovery in trading saw the turnover jump to 0.12 in September.

Credit Risk Assessment

During the third quarter, the country's sovereign credit rating and outlook remained unchanged (Table 11). At their most recent rating assessments, Standard & Poors, Moody's Investor Service and Fitch Rating's affirmed or maintained their current ratings on Philippine sovereign bonds at below-investment grade and their outlooks on Philippine sovereigns at "stable". Nonetheless, despite the absence of any credit rating upgrade and rising tensions in credit markets (stemming from the subprime mortgage loan crisis in the United States), foreign investment inflows in the country remained resilient in the first nine months of the year.¹⁴ Strong macroeconomic fundamentals and generally solid corporate performance have sustained positive foreign investor sentiment in the Philippines during the period.

Compared with the long-term foreign currency sovereign rating of its neighboring countries in Asia, however, the country remains grouped with Vietnam and Indonesia.

Another indicator of the country's credit standing is the yield spreads between the ten-year ROP bond and a benchmark US Treasury bond of a similar maturity. Quarter-on-quarter spreads widened due to the impact of the US subprime mortgage market crisis, which caused a sharp sell-off in credit and equity markets in major markets across the globe. The average spreads for the ten-year ROP bonds against US Treasury yields widened to 190.4 basis points in the third quarter from

The Philippines maintains a stable outlook. . .

Latest Philippine Sovereign Credit Ratings As of September 2007

Rating Agency	Date of the Latest Rating Action	Date of the Latest Rating Assessment	Local Currency (LT/ST)	Foreign Currency (LT/ST)	Outlook
S&P	9 Feb 2006	21 May 2007	BB+/B	BB-/B	Stable
Moody's	2 Nov 2006	2 Nov 2006	B1/-	B1/-	Stable
Fitch	13 Feb 2006	5 Mar 2007	BB+/-	BB/B	Stable

Long-Term Foreign Currency Ratings

As of September 2007

Market	S&P			Moody's			Fitch		
	Date	Rating	Outlook	Date	Rating	Outlook	Date	Rating	Outlook
Singapore	Aug 06	AAA	Stable	Nov 06	Aaa	Stable	Jun 06	AAA	Stable
Japan	Apr 07	AA	Stable	Nov 06	Aaa	Stable	Jul 06	AA	Stable
Hong Kong	Jul 07	AA	Positive	Jul 07	Aa2	Stable	Jul 07	AA	Stable
China	Jul 07	A	Positive	Jul 07	A1	Positive	Sep 06	A	Positive
Korea	Feb 07	A	Stable	Jul 07	A2	Stable	May 07	A+	Stable
Malaysia	Aug 07	A-	Positive	Dec 04	A3	Stable	Nov 05	A-	Stable
Thailand	Oct 06	BBB+	Stable	Nov 03	Baa1	Stable	Oct 06	BBB+	Stable
Vietnam	Sep 07	BB	Stable	Mar 06	Ba3	Positive	Mar 07	BB-	Stable
Philippines	Feb 06	BB-	Stable	Nov 06	B1	Stable	Feb 06	BB	Stable
Indonesia	Nov 06	BB-	Stable	Feb 07	B1	Positive	Jan 07	BB-	Positive

¹³ The bond turnover ratio is computed as the ratio of the volume of sales of Treasury Bonds over the average 2-month Treasury bond outstanding.

¹⁴ For the first nine months of the year, net foreign portfolio investment inflows amounted to over US\$3.4 billion, which was 2.4 times the US\$1.4 billion net inflow for the comparable period in 2006. Meanwhile, net foreign direct investments went up by 26.2 percent to US\$1.7 billion for the period January-August 2007.

the 128.6 basis points recorded in the previous quarter. During the same period, emerging debt spreads over US Treasury notes [Emerging Market Bond Index (EMBI)+ global] expanded to an average of 206.6 basis points from 158.2 basis points. The EMBI+ Philippine spreads tracked the same trend and widened to 195.5 basis points in the period July-September from 147.6 basis points in the previous quarter.

The increasing risk aversion was also mirrored in the five-year Philippine credit default swap (CDS)¹⁵ spreads, or insurance-like contracts that protect against defaults and restructuring, which have widened in the third quarter to 165.5 basis points from 105.8 basis points in the previous quarter.

Month-on-month, however, after the rise in July, debt spreads began to narrow starting in late August, following the US Fed's cuts in both its discount rate in August and the target for the federal Funds rate in September.

Financial transactions increase slightly. . .

PhilPass Transactions					
	2007		2006	Growth Rates (%)	
	Q3	Q2	Q3	Q-o-Q	Y-o-Y
Volume	128,184	120,232	111,999	6.6	14.5
Value (in trillion pesos)	42.96	44.15	34.57	-2.7	24.3
Transaction Fees (in million pesos)	12.70	12.00	11.34	5.8	12.0

Source: Payments and Settlements Office, Bangko Sentral ng Pilipinas

Payments and Settlements System

The BSP continued to service large value transactions through the Philippine Payments System (PhilPaSS). The volume of transactions during the third quarter grew by 14.4 percent from the previous year's level as the value of transactions similarly rose by 24.3 percent. The volume of transactions rose due to the increase in interbank transactions, Treasury transactions, Payment versus Payment (PvP), and Electronic Fund Transfer Instruction System (EFTIS). On the other hand, the increase in the value transactions was accounted for by

¹⁵ A credit default swap (CDS) is a bilateral contract under which two counterparties agree to isolate and separately trade the credit risk of at least one third-party reference entity. Under a credit default swap agreement, a protection buyer pays a periodic fee to a protection seller in exchange for a contingent payment by the seller upon a credit event (such as a default or failure to pay) happening in the reference entity. When a credit event is triggered, the protection seller either takes delivery of the defaulted bond for the par value (physical settlement) or pays the protection buyer the difference between the par value and recovery value of the bond (cash settlement). Credit default swaps are the most widely traded credit derivative product. The typical term of a credit default swap contract is five years, although being an over-the-counter derivative, credit default swaps of almost any maturity can be traded.

the Philippine Clearing House Corporation (PCHC), PvP, EFTIS, Treasury and interbank transactions.

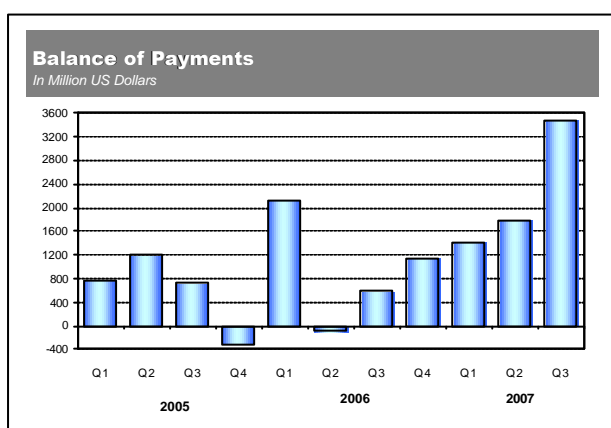
On a quarterly basis, the volume of financial transactions that passed through the PhilPaSS rose by 6.6 percent to 128,184. However, the value of transactions dropped by 2.7 percent to ₱42.96 trillion during the same period due to the decline in the value of transactions covering cash withdrawals, those that passed through the EFTIS, PvP, Treasury transactions, and ATM network payments.

E. External Sector

Balance of Payments. The BOP posted a surplus of US\$3.5 billion in the third quarter of 2007, almost six times the US\$579 million surplus posted in the same quarter a year ago. This was the highest BOP surplus achieved in any given quarter. This favorable development can be attributed to continued strong foreign exchange inflows, particularly in the capital and financial account, where the balance reversed to a net inflow from a net outflow. The current account also remained in surplus but at a level that was lower compared to the level posted in the same period last year (Table 12).

Current Account. The current account remained in surplus at US\$613 million (equivalent to 1.8 percent of GDP) due to strong net current transfers, specifically remittances of overseas Filipinos (OFs), as well as higher net services receipts. However, the current account surplus was lower by 47.9 percent relative to last year's level due to the wider deficit in the trade-in-goods account.

Trade-in-Goods. The US\$2.6 billion deficit in the trade-in-goods account was higher by 63.6 percent compared to the year-ago level. Both export and import growth slowed down but the slowdown in growth was



Exports by Major Commodity

Items	Levels (in million US\$)		Growth Rates (in %)
	Q3 2007	Q3 2006	
Total exports	12.461	12.263	1.6
<i>of which:</i>			
Agriculture and Forest Products	612	513	19.3
Mineral Products	525	636	-17.5
Petroleum Products	276	312	-11.5
Manufactures	10.915	10.790	1.2
<i>of which:</i>			
Electronics	8.042	8.116	-0.9
Machinery and Transport Equipment	487	428	13.8
Garments	653	755	-13.5

Imports by Major Commodity

Items	Levels (in million US\$)		Growth Rates (in %)
	Q3 2007	Q3 2006	
Total imports	15,045	13,842	8.7
<i>of which:</i>			
Capital Goods	2,422	2,516	-3.7
Raw Materials and Intermediate Goods	8,460	8,067	4.9
Mineral Fuels and Lubricants	2,640	2,085	26.6
Consumer Goods	1,291	1,005	28.5

more pronounced for exports which decelerated to 1.6 percent from 17.1 percent in the comparable quarter a year ago (Table 12a). Total exports of goods aggregated US\$12.5 billion from US\$12.3 billion a year ago, with growth driven mainly by manufactured goods (more than 85 percent of total goods exports) such as electronics, chemicals, wood manufactures, machinery and transport equipment, and processed food and beverages. Agricultural products (coconut, fruits and vegetables, sugar, forest and other agro-based) also registered expansion over last year's level. Meanwhile, imports grew at a faster pace than exports during the quarter at 8.7 percent, although slightly lower than the 9.6 percent expansion recorded in the same quarter in 2006 (Table 12b). The total import bill reached US\$15.0 billion as all major commodity groups, except for capital goods, posted year-on-year increases. Imports of mineral fuels and lubricants recorded the highest increment among the commodity groups as both the quantities and the import prices of most of these items increased.

The trade-in-services account surplus widens. . .

Trade-in-Services. The trade-in-services surplus in the third quarter was higher at US\$93 million from US\$16 million in the comparable period a year ago. The more than fivefold increment resulted from higher net inflows of receipts coming from travel, communication, construction and other business services, particularly, miscellaneous business, professional and technical services. These developments negated the higher net outflows posted in transportation, insurance, royalties and fees, government and financial services.

The income account deficit declines. . .

Income. The income account deficit was reduced by more than half to US\$207 million from a deficit of US\$525 million last year. The improvement was due mainly to: a) the 12.6 percent increase in the gross earnings of resident overseas Filipino workers (OFWs) which amounted to US\$778 million; and b) the

19.0 percent reduction in the net outflow in investment income. The latter, in turn, was traced to: 1) higher income receipts by residents from their holdings of foreign debt securities, currency and deposit placements abroad, banks' lending abroad; and 2) lower repatriation of dividends and profits and reinvested earnings.

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

Current Transfers.¹⁶ Net receipts from current transfers expanded by a modest 1.4 percent to US\$3.3 billion from the year-ago level, boosted primarily by the 8.0 percent increase in remittances from non-resident overseas Filipinos to US\$3.3 billion. During the quarter, the number of deployed land-based workers rose by 5.8 percent. The deployment of highly skilled and professional workers continued to increase. Moreover, remittances have remained strong as local banks continued to provide expanded banking services to remitters and their beneficiaries, thus encouraging the use of formal channels of remittance transfer. Local banks have also been increasing the number of remittance centers abroad and establishing more tie-ups with foreign financial institutions to better respond to the needs of overseas workers.

Direct and portfolio investments and other investments boost capital and financial account balance . . .

Capital and Financial Account

The balance of the capital and financial account during the third quarter reversed to a net inflow of US\$2.9 billion, from a net outflow of US\$514 million in the comparable quarter a year ago due mainly to the reversal of the other investment account to a net inflow and the continued net inflows of both direct and portfolio investments (Table 12).

¹⁶ 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.¹⁷ The capital account recorded a higher surplus of US\$19 million from only US\$9 million relative to the same quarter last year, following the receipt of transfers from the general government, mostly in the form of technical assistance/grants, amounting to US\$21 million.

Direct investment. The direct investment account recorded a higher net inflow of US\$502 million in the third quarter of 2007, or a year-on-year growth of 14.1 percent. This was brought about by higher non-residents' investments, following the intercompany loan availment by a local beverage manufacturing company from its direct investor abroad. Equity capital and reinvested earnings also posted net inflows, but the levels were lower than in the comparable quarter in 2006. Equity capital during the quarter were infused mainly into the manufacturing, services, mining, real estate, and financial intermediation sectors.

Portfolio investment. Net inflows of portfolio investment narrowed to US\$1.2 billion during the third quarter from US\$2.0 billion same period last year. The net inflows were due mainly to: a) net equity placements by non-residents of US\$880 million; and b) residents' withdrawal of their portfolio placements abroad amounting to US\$420 million.

These inflows were partly offset by outflows arising from the redemption by the National Government (NG) (US\$298 million) of maturing bond/notes and repayments of loans by some private corporates (US\$105 million). The net purchase by residents of NG bonds originally issued offshore (US\$88 million) also contributed to the contraction in portfolio investment net inflows.

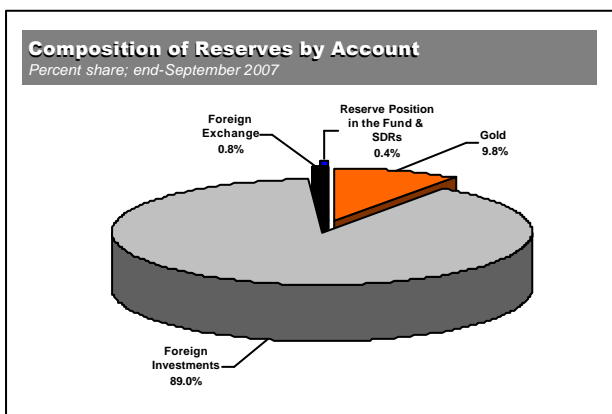
¹⁷ The capital account consists largely of capital transfers. Capital transfers are transactions that involve the change in the stocks of assets attributed to transactions such as disposal and acquisition of fixed assets. By contrast, current transfers involve transactions that affect the level of disposable income and influence consumption of goods and services.

Other investments. The other investment account in the third quarter of 2007 reversed to a US\$1.2 billion net inflow from a US\$2.9 billion net outflow in the comparable quarter last year. These net inflows were due mainly to: a) net loan availments of banks (US\$460 million) and private corporations (US\$394 million) which were partly intended for debt refinancing; and b) residents' net withdrawal of their currency and deposit placements abroad (US\$276 million). It should be noted that the net inflow in the other investment account was realized despite prepayments of private corporate loans amounting to US\$762 million.

International Reserves

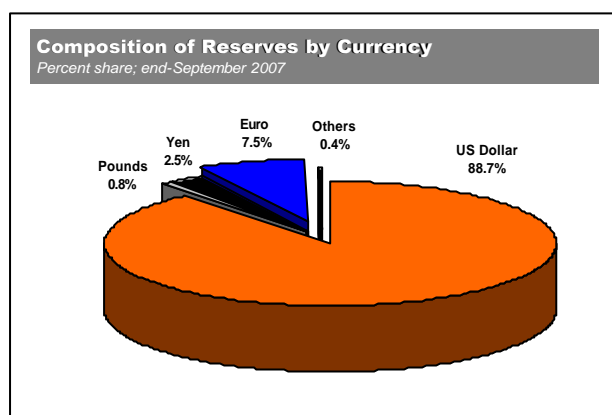
The country's gross international reserves (GIR) posted a record level of US\$30.9 billion as of end-September 2007 (Table 13). The GIR was up by US\$9.3 billion or 43.1 percent from that posted in the comparative quarter last year and US\$4.5 billion or 17.1 percent higher than the level in the previous quarter. The end-September 2007 GIR level was equivalent to 5.6 months' worth of imports of goods and payment of services and income. In terms of reserve adequacy, the level of reserves is 5.2 times the amount of the country's short-term foreign liabilities based on original maturity and 3.1 times based on residual maturity.¹⁸

GIR level climbs to a new high ...



The continued accumulation of reserves was attributed mainly to the BSP's foreign exchange operations, income from investments abroad and revaluation of gold. The GIR consisted of foreign investments (89.0 percent), gold (9.8 percent), foreign exchange and SDRs as well as the reserve position in the Fund (1.2 percent). By currency composition, reserves (excluding gold) were denominated in US dollars (88.7 percent), euros (7.5 percent), yen (2.5 percent), pounds sterling

¹⁸ 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.



(0.8 percent), and the balance (0.4 percent) in other currencies.

The net international reserves (NIR), including revaluation of reserve assets and reserve-related liabilities rose to US\$30.9 billion at end-September 2007 as against the year-ago level of US\$21.3 billion and the prior quarter's US\$26.4 billion. The NIR refers to the difference between the BSP's GIR and the combined total of short-term liabilities and use of Fund credits.

Exchange Rate

Trends in the Peso-Dollar Rate

The peso continued to appreciate against the US dollar during the third quarter of 2007 with a year-on-year growth of 11.8 percent to average ₱45.94/US\$1 from ₱51.39/US\$1 a year ago (Table 14).¹⁹ The sustained dollar inflows from OF remittances, export earnings, and foreign investments helped offset the impact of the risk aversion to emerging market assets amid concerns of global credit tightening due to the US subprime mortgage market problems. Moreover, the provision by major central banks of additional liquidity in their financial systems as well as the reduction by the US Federal Reserve Board of the Fed's discount rate to ease credit concerns also helped stem the growing risk aversion in emerging market assets.

Year-to-date movements saw most Asian currencies strengthening vis-à-vis the US dollar as of 28 September 2007 from their end-2006 levels, led by the Thai baht's 12.4 percent gain.²⁰ The peso posted the second highest appreciation of 8.9 percent vis-à-vis the US dollar while the New Taiwan dollar and Indonesian rupiah depreciated by 0.2 percent and 1.7 percent,

Peso continues to strengthen ...

Changes in Selected Currencies

Currencies	Appreciation/Depreciation (-) 28 Sep 2007 vs. 29 Dec 2006
Thai baht	12.4
Philippine peso	8.9
Chinese yuan	4.0
Malaysian ringgit	3.4
Japanese yen	3.3
Singaporean dollar	3.2
South Korean won	1.6
New Taiwanese Dollar	-0.2
Indonesian rupiah	-1.7

¹⁹ Dollar rates or reciprocal of the peso-dollar (reference) rates were used to compute for the percent changes.

²⁰ The year-to-date percent change computation for the selected Asian currencies was based on the last done deal in the afternoon.

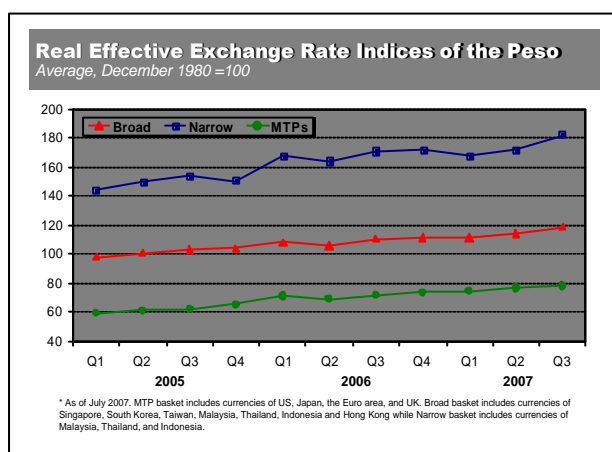
respectively. The generally firmer regional currencies could be attributed to the broad weakness of the US dollar.

Nominal and Real Effective Exchange Rates

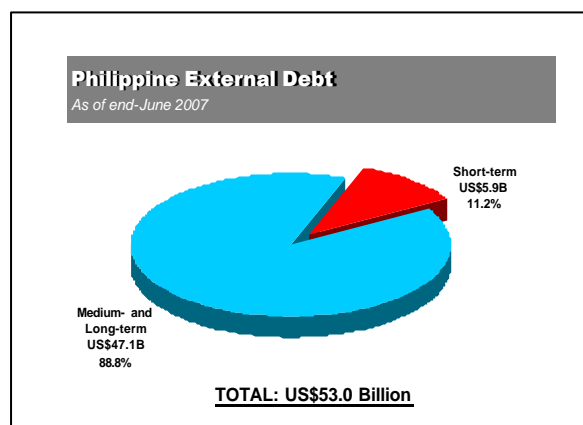
On a real, trade-weighted basis, the peso lost some external price competitiveness in the third quarter as shown by the rise in the real effective exchange rate (REER) index relative to the previous quarter and a year ago against the baskets of currencies of major trading partners (MTPs) as well as of competitor countries in the broad and narrow series.²¹

On a quarter-on-quarter comparison, the nominal appreciation of the peso coupled with the widening price differential across the three currency baskets translated to an increase in the real effective exchange rate index of the peso by 1.9 percent against the basket of currencies of MTPs and by 3.7 percent and 6.0 percent against the baskets of currencies of the broad and narrow series of competitor countries (Table 14b).

Likewise, the review quarter saw the REER index of the peso increasing year-on-year against the currencies of the country's major trading partners (9.0 percent), as well as its competitor countries both in the broad series (7.7 percent) and narrow series (6.6 percent) due to the nominal appreciation of the peso across the three currency baskets.



²¹ The NEER index represents the weighted average exchange rate of the peso vis-à-vis a basket of foreign currencies. The REER index, meanwhile, represents the Nominal Effective Exchange Rate (NEER index) of the peso, adjusted for price differentials with the countries whose currencies comprise the NEER index basket. A rise in the REER index corresponds to a real exchange rate appreciation and a loss in external price competitiveness. A decline in the REER index would mean the opposite.

External debt continues to decline...**Selected External Debt Indicators**

As of periods indicated

	2007		2006
	Jun	Mar	Jun
Total External Debt (in billion US\$)	53.0	54.0	53.9
<i>of which:</i>			
Short-Term (in billion US\$)	5.9	5.1	5.8
% of Total (in %)	11.2	9.5	10.8
Medium- to Long-Term (in billion US\$)	47.1	48.9	48.1
% of Total (in %)	88.8	90.5	89.2
Average Maturity of MLT Debt, original maturity (years)	18.4	18.1	18.0
Public	21.0	20.7	20.5
Private	9.4	9.3	10.0
Debt Ratios (in %):			
External Debt to GDP	41.3 ^P	44.2 ^A	50.5
External Debt to GNP	37.8 ^P	40.6 ^A	46.5
DSB to XGSI	7.4 ^P	12.1 ^A	10.2

^P preliminary^A January to March 2007**External Debt**

The country's outstanding external debt stood at US\$53.0 billion as of end-June 2007, down by US\$1.0 billion (1.9 percent) from US\$54.0 billion as of end-March 2007 (Table 15). The contraction was due mainly to the increase in investments of local banks in Philippine debt papers issued abroad (US\$483 million) and the negative foreign exchange (FX) revaluation adjustments on third currency-denominated accounts (US\$576 million), particularly due to the weakening of the Japanese yen against the US dollar. Meanwhile, foreign loan transactions (availments and repayments) posted a net repayment of US\$7 million. Year-on-year, the debt stock declined by US\$873 million (1.6 percent) from US\$53.9 billion in June 2006. This was attributed to the following: (1) negative FX revaluation adjustments (US\$653 million), (2) increased investments of residents in Philippine debt papers (US\$263 million) and (3) audit adjustments (US\$264 million). These contractionary effects on debt were offset partly by net availments in the amount of US\$307 million.

The maturity profile of the country's external debt remained predominantly medium to long term, which accounted for 88.8 percent of the total. These loans, with original tenors of more than one year, had a weighted average maturity of 18.4 years, slightly longer than 18.1 recorded in March 2007 and 18.0 in June 2006. Public sector borrowings had an average term of 21.0 years, more than double the private sector's 9.4 years.

Total consolidated public sector external debt declined to US\$36.8 billion, US\$1.5 billion lower than last quarter's US\$38.3 billion, with share to total declining by 1.5 percentage points to 69.4 percent. The contraction resulted from negative FX revaluation adjustments (US\$566 million), increased investments in ROPs by

residents (US\$538 million), and net loan repayments (US\$374 million). By contrast, private sector debt rose to US\$16.2 billion, from US\$15.7 billion in March, with share to total rising to 30.6 percent.

Official creditors (consisting of multilateral institutions, such as the Asian Development Bank and the World Bank, and bilateral creditors, mainly the Japan Bank for International Cooperation) accounted for 38.4 percent of the country's total external debt, followed by foreign holders of bonds and notes at 34.5 percent, and foreign banks and other financial institutions, 19.5 percent. The rest of the creditors (7.6 percent) were mostly foreign suppliers. Outstanding bonds and notes declined by over US\$1.0 billion due mainly to prepayments (US\$433 million) and increased investments in Philippine debt papers by residents (US\$483 million).

More than half of the debt stock (53.3 percent) was denominated in U.S. dollars and about a quarter (24.2 percent) in Japanese yen. Multi-currency loans from the Asian Development Bank and the World Bank comprised 9.7 percent, and the rest (12.8 percent) were in 16 other currencies.

For the second 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 fell to 7.4 percent from the previous quarter's 12.1 percent and last year's 10.2 percent (Table 16). The country's DSR has remained well below the 20 percent international benchmark, indicating that the country has sufficient foreign exchange earnings to pay loans maturing during the current period.

The external debt ratio, or outstanding external debt as a percentage of aggregate output or GNP, continued its decline to 37.8 percent as against 40.6 percent in

end-March 2007 and 46.5 percent in end-June 2006. In terms of GDP, the external debt ratio improved further to 41.3 percent from the quarter- and year-ago levels of 44.2 percent and 50.5 percent, respectively.

Foreign Interest Rates

The monetary policy stance of major central banks generally remained cautious amidst the financial market volatility brought about by the fallout in the US subprime mortgage market. While the US Fed eased its monetary policy stance in response to the disruptions in its financial markets, other major central banks decided to wait for more developments and kept their policy rates unchanged during the third quarter of the year.

The US Federal Open Market Committee (FOMC) decided to lower its target for the federal funds rate by 50 basis points to 4.75 percent during its 18 September 2007 meeting to help forestall some of the adverse effects on the broader economy that might arise from the disruptions in the financial markets and to promote moderate growth over time.²² The US FOMC noted that the tightening of credit conditions could delay the adjustment in the housing market and restrain economic growth more generally. It said it will continue to assess the effects of these developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.

During the review quarter, the average US prime and discount rates decreased by 7 and 29 basis points to 8.1750 percent and 5.9598 percent, respectively (Table 17).²³

Meanwhile, the Governing Council of the European Central Bank (ECB) decided to leave the key ECB

²² Federal Reserve, FOMC Statement available online at <http://www.federalreserve.gov/boarddocs/press/monetary/2007>

²³ 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.

interest rates unchanged while acknowledging that the recent financial market volatility and reappraisal of risks have led to an increase in uncertainty.²⁴ The decision was taken in view of the upside risks to the medium-term outlook for price stability given the strong fundamentals of the euro area economy. The ECB judged that given the high level of uncertainty, it is appropriate to gather additional information and to examine new data before further monetary policy action.

Similarly, the Bank of England's Monetary Policy Committee (MPC) voted to maintain the official bank rate at 5.75 percent during its last two meetings in the third quarter after increasing its rate by 25 basis points during its meeting on 5 July 2007. The Committee assessed that no further change in the Bank rate was necessary to keep inflation on track to meet the 2 percent target in the medium term as there are only tentative signs of a slowdown in consumer spending. The MPC continues to monitor closely the evolution of both credit spreads and quantities of credit extended given the disruption in financial markets, alongside all other data relevant to the outlook for inflation.

The Bank of Japan (BOJ) likewise decided to maintain its current guideline for money market operations to encourage the uncollateralized overnight call rate to remain at around 0.5 percent.²⁵ The BOJ noted that Japan's economy continued to expand moderately and was likely to follow a path of sustainable growth, while the financial environment remained accommodative as the effect of the US subprime mortgage problem has been limited. Given this view, the BOJ assessed that maintaining its current monetary policy settings was appropriate to ensure price stability and achieve sustainable growth in the medium to long term. However, the BOJ would continue to examine upcoming

²⁴ European Central Bank, Monetary Policy Decisions, available online at <http://www.ecb.int>

²⁵ BOJ, Announcement of the Monetary Policy Meeting Decisions, available online at <http://www.boj.or.jp>

economic indicators and other relevant information as well as financial market conditions carefully.

Meanwhile, the 90-day London interbank offered rate (LIBOR) and the 90-day Singapore interbank offered rate (SIBOR) increased by nine basis points to average 5.4454 percent and 5.4544 percent, respectively, during the quarter.

Global Economy

The global economy remained strong during the third quarter of 2007, driven by the continued buoyant economic activity in emerging markets and improvement in the US economy. Inflationary pressures were generally contained and the unemployment rate remained fairly steady.

The US economy improved in the third quarter of 2007, with GDP growth increasing to 2.8 percent year-on-year in the third quarter from 1.9 percent in the second quarter. The acceleration in GDP growth reflected the increase in exports, consumer spending, and business investments that were partially offset by the expansion in imports and decrease in residential fixed investments as a result of the collapse in subprime mortgage lending. Meanwhile, Japan's economy has continued to recover with GDP growth increasing by 2.1 percent in the third quarter from 1.6 percent in the previous quarter as a result of the rise in consumer spending and exports. In the euro area, GDP growth increased by 2.7 percent in the third quarter compared to 2.5 percent in the second quarter. Contributing to the growth were the uptrend in private consumption, gross fixed capital formation and exports.

In emerging Asia, economic activity continued to expand at a robust pace. China's GDP, in particular, expanded by 11.5 percent in the third quarter due to a strong net

Macroeconomic Indicators in Selected Economies

Year-on-year growth rates (in percent)

Country	Real GDP				Inflation				Unemployment ¹			
	2006		2007		2006		2007		2006		2007	
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
G3												
US	2.6	1.5	1.9	2.8	1.9	2.4	2.7	2.4	4.2	4.8	4.4	4.7
Japan	2.3	2.6	1.6	2.1	0.3	-0.1	-0.1	-0.1	4.0	4.0	3.8	3.8
Eurozone	3.3	3.2	2.5	2.7	1.8	1.9	1.9	1.9	7.6	7.7	7.5	7.4
Asian NIEs												
Hong Kong	7.3	5.7	6.6	6.2	2.1	1.7	1.3	1.6	4.2	4.3	4.3	4.3
South Korea	4.0	4.0	5.0	5.2	2.2	2.0	2.4	2.3	3.2	3.6	3.2	3.0
Singapore	6.6	6.4	8.6	8.9	0.6	0.5	1.0	2.7	2.6	2.5	2.9	1.5
China	10.4	11.1	11.9	11.5	2.0	2.7	3.6	6.1	4.1	4.1	4.1	4.0
ASEAN												
Indonesia	6.1	6.0	6.3	6.5	6.1	6.4	6.0	6.5	n.a.	n.a.	n.a.	n.a.
Malaysia	5.7	5.5	5.8	6.7	3.1	2.6	1.4	1.8	3.0	3.4	3.4	n.a.
Thailand	4.3	4.2	4.4	4.9	1.7	2.4	1.9	1.6	1.1	1.4	1.6	n.a.

n.a. - not available

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

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

trade and investment expansion. In the newly industrialized economies (NIEs), Hong Kong's economy moderated in the third quarter with GDP registering a 6.2-percent growth compared to 6.6 percent recorded in the second quarter due mainly to the slowdown in exports. South Korea and Singapore also posted strong GDP growths in the third quarter at 5.2 percent and 8.9 percent, respectively.

In other Asian countries, Indonesia, Malaysia, and Thailand also posted robust GDP growths during the review period at 6.5 percent, 6.7 percent, and 4.9 percent, respectively.

Inflationary pressures were generally contained in the world's major economies. Inflation in the euro area remained stable at 1.9 percent in the third quarter, the same rate registered in the second quarter. Japan's consumer prices showed a slight deflation at -0.1 percent in the third quarter, unchanged from the second quarter figure. Inflation in the United States declined to 2.4 percent in the third quarter from 2.7 percent in the previous quarter.

In Asia's NIEs, China's inflation jumped to 6.1 percent in the third quarter of 2007 compared to 3.6 percent in the previous quarter due mainly to the increase in food prices. Similarly, inflation accelerated in other NIEs in Asia, including Hong Kong at 1.6 percent (from 1.3 percent) and Singapore at 2.7 percent (from 1.0 percent). However, inflation slightly decelerated in South Korea at 2.3 percent (from 2.4 percent). In other ASEAN countries, inflation in the third quarter picked up in Indonesia at 6.5 percent (from 6.0 percent) and Malaysia at 1.8 percent (from 1.4 percent), while inflation in Thailand eased at 1.6 percent (from 1.9 percent).

Meanwhile, global labor conditions generally improved with unemployment rates on a downward trend except in

the US, where the unemployment rate increased to 4.7 percent (from 4.4 percent).

F. Financial Condition of the BSP

Balance Sheet

Based on preliminary and unaudited financial statements, the BSP's assets as of end-September 2007 reached ₱1.9 trillion, 35.1 percent or around ₱497.8 billion higher than the year-ago level (Table 18). The level was likewise higher by 10.7 percent or ₱184.6 billion compared to the end-June 2007 level. The BSP's liabilities rose by ₱523.8 billion or 45.1 percent year-on-year to ₱1.7 trillion and by ₱179.3 billion or 11.9 percent as compared to the previous quarter's level. With higher expansion in liabilities, the BSP's net worth declined to ₱231.1 billion or 25.7 percent lower compared to the year-ago level.

The year-on-year expansion in BSP assets was attributed mainly to the continued build-up in international reserves (by ₱305.1 billion), as the BSP's foreign exchange operations and receipts from investment income abroad sustained the GIR upsurge. The growth in assets was also driven by the ₱149.7-billion rise in domestic securities on account of the BSP's net purchases of Treasury bills in the course of its liquidity management operations. The increase in international reserves and domestic securities were, however, partially offset by the decline registered in the following accounts: (1) loans and advances (₱5.1 billion) and (2) foreign exchange receivables (₱4.1 billion).

During the same period, the BSP's liabilities increased by ₱523.8 billion due mainly to higher balances in the reserve deposits of banks and other financial institutions, on account of banks' compliance with the liquidity reserve requirements given their growing deposit base,

Balance Sheet of the BSP <i>In billion pesos</i>			
	2007 *		2006 *
	September	June	September
Assets	1,915.6	1,731.0	1,417.8
Liabilities	1,684.5	1,505.1	1,161.0
Networth	231.1	225.9	256.8
* unaudited			

and higher placements in the SDA facility. The increase was, however, offset partially by the decline in foreign loans payable as the BSP prepaid some of its foreign obligations.

Income Statement

Based on preliminary and unaudited data, the BSP's operations yielded a net income of ₱2.8 billion during the third quarter, a reversal of the ₱17.6 billion and ₱27.6 billion net losses recorded during the previous year and quarter, respectively (Table 19).

Total revenues amounted to ₱28.4 billion or ₱15.3 billion higher than the ₱13.1 billion posted during the previous year. Total interest earnings, which continued to be the major source of revenue, was ₱4.7 billion higher than the previous year's level, largely on account of higher interest earnings from international reserves and domestic securities. The higher interest income from international reserves was due mainly to the increased level of investments and deposits with foreign banks during the quarter under review. Likewise, miscellaneous income increased during the period due to higher proceeds from fees and commissions.

Total expenditures amounted to ₱19.1 billion, which was ₱5.8 billion higher compared to the level posted in the previous year. The year-on-year expansion was due mainly to the higher interest expense of ₱4.9 billion, which rose by 47.2 percent owing to increased interest payments on BSP borrowings under the SDA and RRP facilities. Meanwhile, total taxes and licenses remitted to the National Government amounted to ₱180 million during the quarter, resulting in a total of ₱753 million in taxes paid for the first nine months of the year.

Income Statement of the BSP

In billion pesos

	2007 *		2006 *
	Q3	Q2	Q3
Revenue	28.372	24.304	13.071
Less: Expenses	19.109	15.268	13.323
Equals: Net Income			
Before Gain/Loss (-)	9.263	9.036	-0.252
Add/Less: Gain/Loss (-) on FX Rate and Price Fluctuations	-6.463	-36.669	-17.580
Less: Provision for Income Tax	0.000	0.000	-0.260
Equals: Net Income Available for Distribution	2.800	-27.633	-17.572

* unaudited

G. Challenges and Future Policy Directions

The Philippine economy remained resilient in the third quarter of 2007 despite adverse external and domestic factors such as rising international oil and food prices, the volatility in the global financial markets, prospects of a slowdown in the US economy, and the dry spell which affected major agricultural areas in the country. The continued expansion of the economy was supported by a solid and stable macroeconomic environment, as indicated by the low-inflation regime, strong external payments position, improved fiscal condition, and a sound banking system.

Going forward, the key challenge for the country is to sustain the growth momentum amidst uncertainties in the global front. With the likely slowdown in the US and global growth, a further strengthening of the economic fundamentals may be needed to sustain this momentum. The progress toward fiscal consolidation will have to be maintained and accompanied by broad-based structural reforms that should pave the way for a sustainable and higher level of growth. These include policies that will help generate a steady source of revenues to support infrastructure spending and raise investments.

On the part of the BSP, our policies will continue to be geared toward maintaining a sound monetary and financial environment, while advancing reforms that promote growth and respond to changes in global financial conditions.

The BSP remains mindful of the risks to the inflation outlook, such as the volatility of oil prices, possible resurgence in liquidity, and rising global prices of non-oil commodities. 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.

On banking supervision, the BSP will continue to implement reforms that are geared towards maintaining a strong banking system. While the banking sector has remained fundamentally sound, 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 the banking system to enable it to cope with more stressful conditions in the future and provide for the financing needs of a growing economy.

With the growing demand from a more dynamic economy, the development of the financial sector, particularly the domestic capital market, is also a continuing challenge. The BSP will continue to support the passage of key legislative reforms to promote a deep and efficient capital market. It will continue to collaborate with other financial regulatory agencies in developing the appropriate financial market infrastructure that will reinforce system integrity and overall market confidence. A deepening of the financial sector will complement a robust banking system by serving as an additional pillar to the economy and will help reduce the heavy dependence on the banking sector for corporate finance. Moreover, a stronger and more stable financial sector will ensure a more efficient mobilization of capital and resources. These, in turn, are expected to feed into productive investment activities that will support higher economic growth. With a stronger domestic financial system and less reliance on international capital markets, the economy will become more resilient in coping with external shocks and less vulnerable to contagion. Furthermore, monetary policy will be able to operate more efficiently as a wider array of market-based tools become available for calibrating economic activity and maintaining price stability.

Banking Policy Reforms

The BSP implemented banking reforms during the third quarter reflecting its proactive stance in responding to the challenges confronting the banking industry. The reforms were focused on diversification of banks' investment opportunities, strengthening prudential regulations, transparency, and corporate governance.

■ *Diversifying banks' investment opportunities and services*

- ▶ The BSP amended section 73 of Circular 1389 to consider investments in readily marketable foreign currency-denominated debt instruments (regardless of maturity) as part of foreign currency cover requirements for banks. This means that banks can now use as asset cover foreign currency-denominated debt instruments with long-term maturity for as long as said instruments are readily marketable. *(Circular No. 575, dated 17 July 2007)*
- ▶ The BSP granted thrift and rural banks the authority to engage in limited trust business which shall be confined to court trusts or trusts under orders of court of competent jurisdiction acting as executor or administrator of a will and guardian of the estate of a minor or incompetent, and administration of properties. The required minimum capital to engage in limited trust business are as follows: (1) thrift banks - minimum capital under existing regulations or ₱100 million, whichever is higher, or such amounts as may be required by the Monetary Board in the future; and (2) rural banks - ₱100 million, or such amounts as may be required by the Monetary Board in the future. *(Circular No. 583, dated 24 September 2007)*


■ *Strengthening prudential regulations*

- ▶ The Unit Investment Trust (UIT) Fund's combined exposure limit to a single person or entity was set by the BSP at 15 percent of the market value of the UIT Fund. A UIT Fund invested partially or substantially in an exchange trade equity securities shall be subject to the 15 percent exposure limit to a single entity/issuer. In the case of an exchange-traded equity security which is included in an index and tracked by the UIT Fund, the exposure limit to a single entity will be the actual benchmark weighting of the issuer or 15 percent, whichever is higher. *(Circular No. 577, dated 17 August 2007)*
- ▶ The BSP now excludes foreign securities lending and other domestic securities lending programs from the single borrower's loan limit. *(Circular No. 578, dated 17 August 2007)*
- ▶ An amendment to the requirements for operating a foreign currency deposit unit (FCDU) by a rural or cooperative bank was issued by the BSP. A rural or cooperative bank may now upgrade its capacity by appointing an officer who will be in charge of the FCDU operations. The officer who will


be in charge of the FCDU operations must have an actual experience on the same operations for at least one year or has attended a specialized training course on FCDU transactions or operations conducted by the BSP Institute or any institution accredited by the BSP. *(Circular Nos. 579 and 582, dated 23 August 2007 and 17 September 2007)*

- ▶ The BSP amended the rules on the applicability of DOSRI rules and regulations on government borrowings. Under the new rules, loans, other credit accommodations, and/or guarantees to GOCCs and corporations where the ROP, its agencies/departments/bureaus, and/or GOCCs own at least 20 percent of the subscribed capital stock are considered indirect borrowings of the ROP and form part of the individual ceiling as well as the aggregate ceiling. Said ruling applies only if the following loans, other credit accommodation and/or guarantees are excluded from the 30 percent ceiling on unsecured loans: (1) those with the purpose of undertaking priority infrastructure projects consistent with the Medium-Term Development Plan/Medium-Term Public Investment Program of the National Government; (2) those granted to participating financial institutions in the lending programs of the government wherein the funds borrowed are intended for relending to other PFIs or end-user borrowers; and (3) those intended to provide rediscounting facilities, and guarantee programs for the agricultural sector, and micro, small and medium enterprises, local water districts, state universities and colleges. Provided, however, that said loans and other credit accommodations are funded or financed by special funds provided by foreign governments, development or donor agencies, and/or multilateral financial institutions (e.g., ADB, IFC and IBRD). *(Circular 580, dated 23 August 2007)*

- ▶ In view of the adoption of the Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS), the BSP issued new guidelines in determining compliance with ceilings on equity investments. The following will be considered in computing for compliance with the ceiling on equity investments: equity securities booked under the Designated at Fair Value through Profit or Loss (DFVPL), Available for Sale (AFS), investment in non-marketable securities (INMES) and equity investments in subsidiaries/associates/joint ventures categories. In addition, the following instruments will also be considered as compliance with said prescribed ceilings: equity securities including those accounted for as debt instruments booked under the Held for Trading (HFT) category, which remain unsold for more than one year; mandatory redeemable preferred shares that are accounted for as debt instruments booked under the Held to Maturity (HTM) or Unquoted Debt Securities Classified as Loans (UDSCL); and investments in Hybrid Tier 1 securities issued in the form of perpetual preferred shares. *(Circular No. 581, dated 14 September 2007)*

 *Strengthening transparency*

- ▶ The BSP amended the requirements for universal and commercial banks as well as thrift, rural, and cooperative banks with resources of ₱1 billion and above when submitting their quarterly balance sheets. The amendment expanded the kinds of information that banks should disclose in their consolidated balance sheet reports to include the following:
 - ◆ For solo balance sheet (for head office and branches/other offices):
 - percent compliance with Magna Carta – six percent for a small enterprise and two percent for a medium enterprise; and
 - capital adequacy ratio on a solo basis for UBs/KBs and TBs, RBs and QBs that are subsidiaries of UBs/KBs (*Circular No. 576, dated 8 August 2007*)
 - ◆ For consolidated balance sheet (parent bank and financial allied subsidiaries excluding subsidiary insurance):
 - list of financial subsidiaries
 - list of subsidiary insurance companies
 - CAR on consolidated basis (total CAR and tier 1 CAR)
(*Circular No. 576, dated 8 August 2007*)

 *Strengthening corporate governance*

- ▶ The BSP amended the procedures for disqualifying directors/officers of closed banks and financial institutions under BSP supervision as well as those who were dismissed from employment. (*Circular No. 584 dated 28 September 2007*)

1 GROSS NATIONAL PRODUCT BY INDUSTRIAL ORIGIN
in million pesos; at constant 1985 prices

	2005				2006				2007			Annual Percent Change (in %)								
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	2006				2007				
												Q1	Q2	Q3	Q4	Q1	Q2	Q3		
Agriculture, Fishery and Forestry	58,256	50,420	51,733	70,590	60,624	53,795	53,602	71,815	63,117	56,208	56,589	4.1	6.7	3.6	1.7	4.1	4.5	5.6		
Industry	90,581	100,349	97,916	108,035	95,421	104,788	102,763	111,960	101,413	112,966	109,068	5.3	4.4	5.0	3.6	6.3	7.8	6.1		
Mining and Quarrying	4,976	5,971	3,852	5,233	5,068	6,170	3,655	3,919	5,738	8,303	4,453	1.8	3.3	-5.1	-25.1	13.2	34.6	21.8		
Manufacturing	67,366	70,688	72,814	82,466	70,755	73,643	76,000	86,439	73,565	76,128	78,538	5.0	4.2	4.4	4.8	4.0	3.4	3.3		
Construction	9,524	13,679	11,218	11,431	10,545	14,220	12,152	12,296	12,658	17,197	14,187	10.7	4.0	8.3	7.6	20.0	20.9	16.7		
Electricity, Gas and Water	8,715	10,011	10,033	8,905	9,053	10,754	10,956	9,306	9,452	11,338	11,890	3.9	7.4	9.2	4.5	4.4	5.4	8.5		
Services	134,944	146,359	142,717	158,596	143,931	154,772	150,995	171,968	156,602	167,838	161,940	6.7	5.7	5.8	8.4	8.8	8.4	7.2		
Transportation, Communication and Storage	24,533	27,173	24,039	29,021	26,219	28,630	25,509	31,054	28,970	31,370	27,135	6.9	5.4	6.1	7.0	10.5	9.6	6.4		
Trade	44,239	49,321	50,503	59,489	46,562	51,805	53,287	64,305	50,653	56,189	57,677	5.3	5.0	5.5	8.1	8.8	8.5	8.2		
Finance	15,066	16,795	16,394	16,410	17,262	18,482	17,295	18,970	19,812	20,666	18,661	14.6	10.0	5.5	15.6	14.8	11.8	7.9		
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	16,353	3.4	5.2	7.6	6.6	5.5	6.3	6.9		
Private Services	23,684	25,099	24,976	26,614	25,501	26,462	26,498	28,855	27,655	28,875	28,743	7.7	5.4	6.1	8.4	8.4	9.1	8.5		
Government Services	13,458	13,887	12,590	12,819	13,953	14,570	13,113	13,601	14,277	14,978	13,373	3.7	4.9	4.2	6.1	2.3	2.8	2.0		
Gross Domestic Product	283,781	297,128	292,366	337,222	299,976	313,355	307,360	355,744	321,132	337,012	327,597	5.7	5.5	5.1	5.5	7.1	7.5	6.6		
Net Factor Income from the Rest of the World	25,243	27,462	25,700	30,205	28,617	31,946	28,571	33,958	32,759	37,418	35,770	13.4	16.3	11.2	12.4	14.5	17.1	25.2		
Gross National Product	309,024	324,590	318,066	367,427	328,593	345,301	335,931	389,702	353,891	374,430	363,367	6.3	6.4	5.6	6.1	7.7	8.4	8.2		

Note: Totals may not add up due to rounding; data revised from 2005-2006.
Source of data: National Statistical Coordination Board (NSCB)

1a GROSS NATIONAL PRODUCT BY EXPENDITURE SHARES

in million pesos; at constant 1985 prices

	2005				2006				2007			Annual Percent Change (in %)						
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	2006				2007		
												Q1	Q2	Q3	Q4	Q1	Q2	Q3
Personal Consumption Expenditures	216,422	235,173	232,521	263,446	227,902	247,830	244,665	278,819	241,355	262,579	258,485	5.3	5.4	5.2	5.8	5.9	6.0	5.6
Government Consumption Expenditures	18,830	21,762	18,985	17,092	20,259	22,488	19,840	18,784	22,258	25,282	21,496	7.6	3.3	4.5	9.9	9.9	12.4	8.3
Capital Formation	56,058	52,437	47,472	57,567	56,201	53,233	51,259	58,594	60,076	56,850	55,096	0.3	1.5	8.0	1.8	6.9	6.8	7.5
Fixed Capital	52,585	55,716	48,724	52,365	53,831	55,178	49,745	53,521	58,403	60,726	54,197	2.4	-1.0	2.1	2.2	8.5	10.1	8.9
Construction	19,054	25,486	21,483	21,478	20,583	26,093	22,922	22,710	24,397	30,983	26,446	8.0	2.4	6.7	5.7	18.5	18.7	15.4
Durable Equipment	29,037	26,247	24,209	25,805	28,829	25,168	23,759	25,689	29,489	25,535	24,578	-0.7	-4.1	-1.9	-0.4	2.3	1.5	3.4
Breeding Stock & Orchard Dev't.	4,494	3,983	3,031	5,082	4,419	3,916	3,064	5,122	4,516	4,208	3,173	-1.7	-1.7	1.1	0.8	2.2	7.5	3.6
Changes in Stocks	3,473	-3,278	-1,252	5,202	2,370	-1,945	1,513	5,072	1,673	-3,876	899							
Exports	125,943	134,168	167,158	138,473	142,303	162,595	182,567	141,628	156,355	169,377	173,661	13.0	21.2	9.2	2.3	9.9	4.2	-4.9
Less: Imports	147,707	166,970	167,924	161,238	148,796	173,684	169,869	163,442	145,733	154,254	159,134	0.7	4.0	1.2	1.4	-2.1	-11.2	-6.3
Statistical Discrepancy	14,235	20,558	-5,845	21,882	2,106	893	-21,102	21,361	-13,178	-22,822	-22,008							
Gross Domestic Product	283,781	297,128	292,366	337,222	299,976	313,355	307,360	355,744	321,132	337,012	327,597	5.7	5.5	5.1	5.5	7.1	7.5	6.6
Net Factor Income from the Rest of the World	25,243	27,462	25,700	30,205	28,617	31,946	28,571	33,958	32,759	37,418	35,770	13.4	16.3	11.2	12.4	14.5	17.1	25.2
Gross National Product	309,024	324,590	318,066	367,427	328,593	345,301	335,931	389,702	353,891	374,430	363,367	6.3	6.4	5.6	6.1	7.7	8.4	8.2

Note: Totals may not add up due to rounding.

Source of data: National Statistical Coordination Board (NSCB)

2 SELECTED LABOR, EMPLOYMENT AND WAGE INDICATORS

	2005				2006				2007		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
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	36,161 ^P
Employed	31,634	32,221	32,522	32,875	32,377	33,024	33,259	33,188 ⁰	33,546	33,706	33,334 ^P
Unemployed ²	4,030	2,909	2,715	2,619	2,839	2,930	2,906	2,620	2,850	2,691	2,827 ^P
Employment Rate (%)	88.7	91.7	92.3	92.6	91.9	91.9	92.0	92.7	92.2	92.6	92.2 ^P
Unemployment Rate ² (%)	11.3	8.3	7.7	7.4	8.1	8.1	8.0	7.3	7.8	7.4	7.8 ^P
Overseas Employment (Deployed)											
Land-based	266,982	291,716	222,922	206,995	280,605	294,783	265,788	221,391	249,056	289,457	280,641 ^P
Sea-based	205,335	231,904	161,520	141,873	211,279	224,683	201,998	150,110	188,747	224,774	213,678
	61,647	59,812	61,402	65,122	69,326	70,100	63,790	71,281	60,309	64,683	66,963
Strikes											
Number of New Strikes	2	11	11	2	5	4	2	1	1	-	3
Number of Workers Involved (thousands)	1	4	3	*	1	*	*	*	*	-	*
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	

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 they are 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

- Zero

n.a. not available

Sources of data: Bureau of Labor and Employment Statistics (BLES); Philippine Overseas Employment Administration (POEA); National Statistics Office (NSO); National Wages and Productivity Commission (NWPC); and National Conciliation and Mediation Board (NCMB)

3 CASH OPERATIONS OF THE NATIONAL GOVERNMENT

for periods indicated; in billion pesos

	2006 ^r				2007 ^p			PROGRAM 2007
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q3
Revenues	205.0	266.1	244.8	263.7	237.3	273.0	302.0	279.0
Tax	179.4	238.2	216.2	226.0	186.1	246.4	250.5	255.9
Non-tax	25.6	27.8	28.6	37.7	51.2	26.6	51.4	23.1
Expenditures	272.6	230.0	263.7	278.1	289.3	262.0	301.0	301.7
Interest Payments	103.8	52.7	97.9	55.7	89.1	40.5	93.1	96.7
Equity	0.1	0.9	0.1	2.5	0.1	0.1	0.1	0.1
Net Lending	2.8	4.7	6.2	-13.6	1.8	0.7	1.9	2.5
Subsidy	3.6	3.2	2.4	4.6	6.0	4.5	4.9	1.0
Allotment to LGUs	39.9	38.8	37.9	58.1	51.6	48.2	46.4	36.8
Tax Expenditures	1.2	5.8	1.2	7.3	0.4	5.4	13.8	1.5
Others	121.2	123.9	118.0	163.5	140.3	162.5	140.7	163.1
Surplus/Deficit (-)	-67.6	36.1	-18.9	-14.4	-52.0	11.0	1.0	-22.7
Financing	109.7	-42.3	35.4	7.3	54.8	-22.7	55.8	-33.4
External Borrowings (Net)	96.9	-2.9	30.8	-4.0	75.4	-1.9	-17.6	-21.1
Domestic Borrowings (Net)	12.8	-39.5	4.6	11.4	-20.6	-20.8	73.3	-12.3
Total Change in Cash: Deposit/Withdrawal (-)	52.8	-12.8	-8.8	-25.1	16.5	-27.8	10.9	-59.4
Budgetary	42.1	-6.2	16.5	-7.1	2.8	-11.7	56.7	-56.1
Non-Budgetary Accounts ¹	10.7	-6.6	-25.3	-18.0	13.7	-16.1	-45.8	-3.3

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.

^r revised

^p preliminary

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

Source of Data: Bureau of the Treasury (BTr)

4 MONETARY INDICATORS (DCS CONCEPT)

as of periods indicated; in billion pesos

Item	2005				2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	^P Q3	^P Q4
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	3,700.5	
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	2,886.0	
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	784.0	
a. 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	283.7	
b. Transferable Deposits (Demand Deposits)	333.4	348.4	345.1	348.9	369.0	396.4	410.9	463.6	498.6	542.6	500.3	
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	2,055.3	
a. 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	1,408.2	
b. Time Deposits	398.2	416.2	412.9	421.9	420.2	460.0	450.5	557.5	653.8	684.1	647.1	
5. M2 (C+D)	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	2,839.4	
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	46.6	
7. Transferable and 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	814.5	
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	126.0	
a. Bills Payable	73.4	71.0	71.4	79.6	89.4	81.9	99.7	83.6	93.1	75.0	119.7	
b. Marginal Deposits	4.7	2.0	2.3	1.4	1.7	1.9	1.9	2.2	3.9	3.4	3.0	
c. Restricted Deposits	4.3	3.7	3.2	3.5	3.4	3.5	3.5	3.2	3.2	3.2	3.3	
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	2,163.1	
a. Bangko Sentral ng Pilipinas	-452.0	-544.4	-609.1	-509.5	-644.2	-725.2	-711.7	-692.2	-801.8	-837.8	-1,012.2	
b. Other Depository Corporations	2,729.1	2,770.2	2,837.2	2,809.2	2,797.1	2,997.4	2,991.8	3,137.0	3,141.0	3,196.3	3,175.3	
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	3,047.9	
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	1,073.8	
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	1,974.1	
By Institution												
Bangko Sentral ng Pilipinas	25.5	-6.3	-41.7	41.8	-23.9	-46.5	20.0	156.7	181.6	181.4	193.3	
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	2,846.6	2,854.6	
3. Net Other Items	-515.5	-535.0	-551.0	-504.6	-511.2	-544.3	-501.8	-561.8	-572.2	-669.5	-884.8	
C. Net Foreign Assets												
1. Bangko Sentral ng Pilipinas	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	1,355.8	
a. Net International Reserves	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	1,391.5	
Foreign Assets	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	1,392.5	
Foreign Liabilities	62.4	58.7	48.1	44.4	32.4	33.3	12.6	0.7	1.2	0.3	1.0	
b. Medium- and Long-Term Foreign Liabilities	118.8	120.4	117.5	90.9	85.8	78.6	72.4	50.7	40.6	36.2	35.7	
2. Other Depository Corporations	60.0	64.1	23.9	65.5	120.7	179.8	254.8	289.2	382.6	387.7	307.6	
a. Foreign Assets	680.2	716.2	646.0	675.8	672.0	723.6	743.0	792.2	856.4	895.1	812.4	
b. Foreign Liabilities	620.2	652.1	622.1	610.2	551.2	543.8	488.3	503.0	473.9	507.4	504.8	

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

Source: Bangko Sentral ng Pilipinas (BSP)

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

	2005				2006				2007		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
All Items	126.6	128.5	131.1	133.1	135.9	137.3	139.1	139.5	139.8	140.6	142.6
Food, Beverages and Tobacco	121.2	122.7	124.8	126.3	128.6	129.9	131.4	132.5	132.9	133.4	135.2
Non-Food	132.1	134.2	137.3	139.8	143.1	144.8	146.7	146.5	146.7	147.8	150.0
Clothing	117.1	118.0	118.8	119.7	120.7	121.7	122.5	123.3	124.1	124.7	125.1
Housing and Repairs	125.1	126.6	127.7	128.1	130.5	131.7	132.5	132.9	133.3	133.7	134.2
Fuel, Light and Water	150.3	153.1	156.6	164.7	175.0	174.8	178.0	177.9	179.2	180.6	185.6
Services	141.9	145.2	151.6	155.2	157.9	161.1	164.8	163.0	162.3	164.4	168.3
Miscellaneous	115.7	116.7	117.5	118.3	119.5	120.4	121.0	121.4	121.9	122.3	122.7
	Annual Change (in percent)										
	2005				2006				2007		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
All Items	8.4	8.2	7.1	6.9	7.3	6.9	6.1	4.8	2.9	2.4	2.5
Food, Beverages and Tobacco	7.4	6.8	5.8	5.9	6.2	5.8	5.2	4.9	3.3	2.7	2.9
Non-Food	9.3	9.4	8.3	7.9	8.4	7.9	6.9	4.7	2.5	2.1	2.2
Clothing	3.6	3.7	3.5	3.2	3.1	3.1	3.1	3.0	2.8	2.5	2.1
Housing and Repairs	4.5	4.7	4.8	4.3	4.3	4.1	3.8	3.7	2.2	1.5	1.3
Fuel, Light and Water	19.0	19.6	18.2	15.6	16.4	14.2	13.7	8.0	2.4	3.3	4.3
Services	13.7	13.3	10.0	10.5	11.3	10.9	8.7	5.0	2.8	2.0	2.1
Miscellaneous	3.1	3.3	3.3	3.0	3.2	3.1	3.0	2.6	2.1	1.6	1.4

Source of basic data: National Statistics Office (NSO)

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

	2005				2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
All Items	128.0	130.0	133.1	135.1	138.5	140.1	142.1	142.3	142.4	142.9	145.9	
Food, Beverages and Tobacco	118.7	119.6	121.6	123.5	125.4	126.2	128.5	130.4	129.9	129.6	132.4	
Non-Food	134.2	137.0	140.8	142.8	147.1	149.4	151.2	150.4	150.8	151.9	155.0	
Clothing	122.6	123.2	123.7	124.0	125.1	126.4	127.1	128.4	129.7	130.0	130.2	
Housing and Repairs	123.1	125.2	126.7	127.0	130.7	131.8	131.9	132.4	133.0	133.3	133.5	
Fuel, Light and Water	176.9	179.7	182.4	191.1	204.4	205.9	207.1	206.4	210.2	210.7	222.0	
Services	140.3	144.9	153.7	156.3	159.7	163.9	168.7	165.4	164.3	167.0	172.0	
Miscellaneous	115.7	116.6	117.1	117.8	119.2	120.0	120.3	120.7	121.4	121.6	121.7	
	Annual Change (in percent)											
	2005				2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
All Items	8.8	8.6	8.9	8.1	8.2	7.7	6.7	5.4	2.8	2.0	2.7	
Food, Beverages and Tobacco	5.5	4.2	4.4	5.1	5.6	5.5	5.7	5.6	3.6	2.7	3.0	
Non-Food	10.8	11.4	11.7	10.0	9.6	9.1	7.4	5.3	2.5	1.7	2.5	
Clothing	3.2	3.3	3.1	2.0	2.0	2.6	2.8	3.5	3.7	2.8	2.4	
Housing and Repairs	5.4	6.2	7.2	6.5	6.2	5.2	4.1	4.3	1.7	1.1	1.2	
Fuel, Light and Water	30.9	32.4	30.5	21.0	15.6	14.6	13.6	8.0	2.8	2.3	7.2	
Services	12.6	12.8	12.9	12.3	13.8	13.1	9.8	5.8	2.9	1.9	2.0	
Miscellaneous	2.8	3.1	3.2	2.8	3.0	2.9	2.7	2.5	1.8	1.3	1.2	

Source of basic data: National Statistics Office (NSO)

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

	2005				2006				2007		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
All Items	126.1	127.8	130.2	132.3	134.8	136.2	137.8	138.2	138.7	139.6	141.2
Food, Beverages and Tobacco	121.9	123.8	125.9	127.3	129.7	131.1	132.3	133.2	133.9	134.6	136.1
Non-Food	130.9	132.7	135.3	138.2	140.9	142.2	144.2	144.2	144.4	145.5	147.2
Clothing	115.1	116.1	117.1	118.2	119.2	120.0	120.8	121.5	122.2	122.8	123.3
Housing and Repairs	126.7	127.6	128.4	129.1	130.3	131.7	132.8	133.2	133.6	134.0	134.8
Fuel, Light and Water	138.7	141.5	145.5	153.0	162.2	161.2	165.3	165.4	165.7	167.4	169.8
Services	142.8	145.4	150.4	154.7	156.9	159.6	162.6	161.6	161.2	163.0	166.1
Miscellaneous	115.8	116.8	117.6	118.5	119.6	120.5	121.2	121.7	122.1	122.6	123.0
	Annual Change (in percent)										
	2005				2006				2007		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
All Items	8.3	8.0	6.3	6.5	6.9	6.5	5.9	4.5	2.9	2.5	2.5
Food, Beverages and Tobacco	8.1	7.7	6.2	6.2	6.4	5.9	5.1	4.6	3.2	2.7	2.9
Non-Food	8.6	8.4	6.4	6.7	7.6	7.2	6.6	4.4	2.5	2.3	2.1
Clothing	3.7	3.9	3.7	3.6	3.6	3.4	3.2	2.8	2.5	2.3	2.1
Housing and Repairs	3.8	3.5	2.9	2.7	2.8	3.2	3.5	3.2	2.6	1.7	1.5
Fuel, Light and Water	13.3	13.6	12.5	12.7	16.9	13.9	13.7	8.1	2.2	3.8	2.7
Services	14.3	13.6	8.4	9.6	9.8	9.7	8.1	4.4	2.7	2.1	2.2
Miscellaneous	3.2	3.4	3.3	3.2	3.3	3.2	3.1	2.6	2.1	1.7	1.5

Source of basic data: National Statistics Office (NSO)

6 SELECTED DOMESTIC INTEREST RATES

quarterly average; 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	Q3		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Interbank Call Loans	7.0219	7.2176	7.2455	7.7389	7.8819	7.9103	8.0579	7.4600	7.4918	7.3774	6.7115		-1.4280	-0.9497	0.1357	0.8026	0.5642	1.0084	1.9541	2.6766	4.5975	5.0230	4.1708
Savings Deposits	3.9620	3.6110	3.6310	3.8470	3.6540	3.7020	3.4430	3.4090	2.4550	2.0260	2.0170 ^P		-4.4879	-4.5563	-3.4788	-3.0893	-3.6637	-3.1999	-2.6608	-1.3744	-0.4393	-0.3284	-0.5237 ^P
Time Deposits (All Maturities)	5.5820	4.9210	5.0000	5.5940	5.2790	5.1200	4.9970	4.5690	3.2100	3.0330	3.4250		-2.8679	-3.2463	-2.1098	-1.3423	-2.0387	-1.7819	-1.1068	-0.2144	0.3157	0.6786	0.8843
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	5.7500		-0.9499	-1.0423	-0.5473	0.0012	-0.5052	0.2231	0.5212	1.2791	3.4182	4.2081	3.2093
Lending Rates																							
High	11.8947	11.1259	10.6739	10.5479	10.0623	10.0348	10.5046	10.0152	8.5582	8.2882	8.7129		3.4448	2.9586	3.5642	3.6116	2.7446	3.1329	4.4009	5.2318	5.6639	5.9339	6.1722
Low	9.8101	9.1059	8.6867	8.6098	8.2028	8.2965	8.6186	8.0676	6.8400	6.6229	6.9567		1.3602	0.9387	1.5769	1.6735	0.8851	1.3945	2.5148	3.2842	3.9457	4.2686	4.4160
All Maturities ²	10.0560	10.0270	10.2320	10.2620	9.8430	9.9070	10.0720	9.1710	8.8970	8.2920	9.0370		1.6061	1.8597	3.1222	3.3257	2.5253	3.0051	3.9682	4.3876	6.0027	5.9376	6.4963
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	8.0000		0.5501	1.0827	2.1688	2.7604	2.4323	2.8481	3.6462	N.T.	N.T.	7.3956	5.4593
R/P (Term) ³	9.1218	9.3323	9.3178	9.8750	9.8125	9.8125	N.T.	N.T.	N.T.	9.8125	8.0731		0.6719	1.1650	2.2080	2.9387	2.4948	2.9106	N.T.	N.T.	N.T.	7.4581	5.5324
RR/P (Overnight) ³	6.7500	6.9873	7.0180	7.4592	7.5000	7.5000	7.5000	7.5000	7.5000	7.5000	6.1932		-1.6999	-1.1800	-0.0918	0.5229	0.1823	0.5981	1.3962	2.7166	4.6057	5.1456	3.6525
RR/P (Term) ³	6.8172	7.0725	7.1033	7.5469	7.5863	7.5848	7.5905	7.5979	7.6055	7.6015	6.2998		-1.6327	-1.0948	-0.0065	0.6106	0.2686	0.6829	1.4867	2.8145	4.7112	5.2471	3.7591
Rediscounting	7.6690	6.6310	6.2480	5.9577	5.2987	5.1110	6.0717	5.1147	3.4467	3.3637	3.9357		-0.7809	-1.5363	-0.8618	-0.9786	-2.0190	-1.7909	-0.0321	0.3313	0.5524	1.0093	1.3949
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	4.6110		-0.5149	-1.0963	0.2972	0.7967	-0.8887	-1.0649	0.3212	0.8986	0.8917	1.4516	2.0703
91-Days	7.0800	6.1610	5.6830	5.6110	5.0310	5.1850	5.6070	5.2580	3.1490	2.9730	3.6800		-1.3699	-2.0063	-1.4268	-1.3253	-2.2867	-1.7169	-0.4968	0.4746	0.2547	0.6186	1.1393
182-Days	8.0630	7.2890	7.6070	7.7520	6.2650	5.9720	6.4240	5.5580	3.6880	3.7130	4.7760		-0.3869	-0.8783	0.4972	0.8157	-1.0527	-0.9299	0.3202	0.7746	0.7937	1.3586	2.2353
364-Days	9.0010	8.2640	8.6310	8.7670	7.2720	6.4100	7.3090	6.1530	4.1650	5.1740	5.5300		0.5511	0.0967	1.5212	1.8307	-0.0457	-0.4919	1.2052	1.3696	1.2707	2.8196	2.9893

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

^P Preliminary

N.T. - No transactions

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
A. 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
1. 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
2. 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
a. 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
b. 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
c. 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
d. Micro Finance 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
3. 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
B. 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
1. 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
2. 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
3. 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	0	0	0	0	0	0	0	0	0	0
4. 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	0	0	0	0	0	0	0	0	0	0
5. 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
6. 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	0	0	0	0	0	0	0	0	0	0
7. Non-Stock Savings and Loan Association:	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
8. 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	139	139	139	139	139	139	139	139	139
Branches/Agencies	9	9	9	9	9	9	9	9	9	9
9. 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	0	0	0	0	0	0	0	0	0	0
10. Venture Capital Coporations	5	5	4	4	4	4	4	4	3	3
Head Offices	5	5	4	4	4	4	4	4	3	3
Branches/Agencies	0	0	0	0	0	0	0	0	0	0
11. 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	0	0	0	0	0	0	0	0	0	0

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 foreign branches.

^P Preliminary

8 TOTAL RESOURCES OF THE FINANCIAL SYSTEM ¹

as of period indicated; in billion pesos

	2005				2006				2007		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3 (Jul)
TOTAL	5,449.9 ^P	5,546.7 ^P	5,444.0 ^P	5,619.5 ^P	5,606.5 ^P	5,840.1 ^P	5,862.3 ^P	6,199.8 ^P	6,309.5 ^P	6,305.0 ^P	6,299.4 ^P
Banks	4,413.6	4,494.3	4,388.4	4,464.1	4,438.8	4,664.0	4,667.5	4,985.7	5,091.7	5,094.0	5,088.4 ^P
Commercial Banks	3,972.2	4,043.6	3,922.7	3,986.0	3,953.8	4,148.2	4,118.1	4,392.6	4,460.9	4,456.4	4,450.8
Thrift Banks	332.3	338.2	350.2	357.8	364.8	390.0	419.0	453.8	484.9	484.9	484.9 ^a
Savings and Mortgage Banks	248.0	252.2	262.3	269.2	274.9	292.9	315.8	346.8	373.6	372.5	372.5 ^a
Private Development Banks	67.6	69.3	70.5	71.1	70.0	74.7	74.2	77.7	81.0	81.8	81.8 ^a
Stock Savings and Loan Associations	16.4	16.4	17.0	16.9	19.3	21.7	28.4	28.7	29.7	30.0	30.0 ^a
Micro Finance Banks	0.3	0.3	0.4	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.6 ^a
Rural Banks	109.1	112.5	115.5	120.3	120.2	125.8	130.4	139.3	145.9	152.7	152.7 ^a
Non-Banks ²	1,036.3 ^P	1,052.4 ^P	1,055.6 ^P	1,155.4 ^P	1,167.7 ^P	1,176.1 ^P	1,194.8 ^P	1,214.1 ^P	1,217.8 ^P	1,211.0 ^P	1,211.0 ^a

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 associations; mutual building and loan associations; venture capital corporations; credit card companies; and private and government insurance companies (SSS and GSIS).

^P preliminary

^a As of end-June 2007

Source: Bangko Sentral ng Pilipinas

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

as of periods indicated

	TOTAL NPL/TOTAL LOANS				TOTAL LLP/TOTAL LOANS			
	Total	Commercial Banks	Thrift Banks	Rural Banks	Total	Commercial Banks	Thrift Banks	Rural Banks
2004								
Mar	14.073	14.056	13.375	16.522	7.133	7.353	5.413	4.968
Jun	13.946	13.923	13.323	16.387	7.193	7.430	5.344	5.050
Sep	13.959	14.059	12.195	15.801	7.172	7.433	5.162	4.940
Dec	12.886	12.884	11.852	15.680	7.422	7.754	4.862	4.950
2005								
Mar	11.606	11.463	11.525	15.829	7.077	7.377	4.736	4.951
Jun	9.623	9.375	9.920	15.728	6.464	6.700	4.541	5.112
Sep	9.866	9.609	10.120	15.757	6.814	7.091	4.749	5.112
Dec	8.562	8.206	9.736	14.524	6.154	6.358	4.612	5.027
2006								
Mar	8.290	8.007	9.596	12.026	6.063	6.294	4.601	4.134
Jun	7.733	7.391	9.205	12.075	5.756	5.919	4.930	4.071
Sep	7.814	7.431	8.771	14.035	5.927	6.120	4.811	4.672
Dec	6.185	5.662	8.905	11.068	4.656	4.679	4.710	3.899
2007								
Mar	5.704	5.275	7.267	10.925	4.199	4.285	3.667	3.880
Jun	5.718	5.208	7.864	10.559	4.297	4.370	3.969	3.668
Aug	5.690	5.284	6.839	10.406 ^P	4.367	4.550	3.447	3.615 ^P

¹ Data include banks under liquidation, foreign office transactions and interbank loans.

^P preliminary

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	Q3
VOLUME	199,070	44,020	39,874	34,677	88,752	174,494	171,065	166,779	373,908	308,551	250,668
Financials	1,359	484	792	402	886	1,544	823	1,708	1,593	2,435	1,996
Industrial	5,390	1,905	1,783	1,341	3,481	2,570	8,524	14,710	10,193	6,075	14,889
Holding Firms	31,019	6,922	6,097	3,280	11,466	12,389	13,311	24,057	54,576	75,249	64,434
Property	16,725	5,626	4,211	4,549	6,808	12,094	12,013	19,211	36,270	32,503	20,206
Services	20,867	3,482	3,126	4,604	33,637	24,069	11,081	23,780	31,408	29,544	27,472
Mining and Oil	123,709	25,592	23,849	20,501	32,473	121,829	125,314	83,307	239,869	162,742	121,627
SME	0	9	17	0	2	0	0	7	0	1	44
VALUE	134,701	88,490	102,421	57,908	122,715	134,504	106,477	208,714	295,805	359,665	351,785
Financials	19,303	9,708	33,878	10,734	16,978	32,701	14,307	44,591	38,289	52,748	52,703
Industrial	28,899	26,026	18,428	8,607	31,208	14,568	16,129	51,234	55,676	85,265	83,081
Holding Firms	19,345	18,054	12,413	9,617	11,436	13,132	23,989	22,456	48,421	66,151	46,500
Property	18,656	10,480	11,030	10,569	11,210	23,069	16,598	39,552	67,950	74,754	76,387
Services	37,540	22,045	23,751	15,385	47,462	35,807	27,826	43,554	65,343	56,817	69,407
Mining and Oil	10,958	2,140	2,851	2,997	4,413	15,226	7,629	7,507	20,124	23,928	23,562
SME	0	37	70	0	7	0	0	43	1	2	145
Composite Index (Average)	2,018	1,903	1,960	2,052	2,155	2,248	2,420	2,827	3,170	3,469	3,480

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 Jul 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 ¹	-	-	-
18 May 1997	Ba1	-	Stable	-	-	-
4 Sep 1998	Ba1	-	Stable	Baa3	-	-
20 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 ¹	Baa3	-	RUR ¹
27 Jan 2004	Ba2	-	Negative	Ba2	-	Negative
9 Nov 2004	Ba2	-	RUR ¹	Ba2	-	RUR ¹
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 ²						
8 Jul 1999	BB+	B	-	BBB	-	-
21 Sep 2000	BB+	B	Stable	BBB	-	-
17 Jan 2001	BB+	B	RUR ¹	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

¹ RUR - Rating under Review

² Fitch IBCA merged with Duff and Phelps in 2000

Note: 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

ITEM	Levels (in million US dollars)						Growth Rates (in percent)			
	2006				2007 ^P			2007		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1	Q2	Q3
Current Account	1,142	1,496	1,177	2,082	1,788	1,770	613	56.6	18.3	-47.9
Goods and Services	-1,509	-1,718	-1,563	-1,694	-945	-2,026	-2,491	37.4	-17.9	-59.4
Export	12,378	13,290	13,717	13,594	13,724	13,906	14,311	10.9	4.6	4.3
Import	13,887	15,008	15,280	15,288	14,669	15,932	16,802	5.6	6.2	10.0
Goods ¹	-1,473	-1,885	-1,579	-1,880	-1,032	-1,923	-2,584	29.9	-2.0	-63.6
Credit: Exports	10,947	11,626	12,263	11,690	11,931	12,180	12,461	9.0	4.8	1.6
Debit: Imports	12,420	13,511	13,842	13,570	12,963	14,103	15,045	4.4	4.4	8.7
Services	-36	167	16	186	87	-103	93	341.7	-161.7	481.3
Credit: Exports	1,431	1,664	1,454	1,904	1,793	1,726	1,850	25.3	3.7	27.2
Debit: Imports	1,467	1,497	1,438	1,718	1,706	1,829	1,757	16.3	22.2	22.2
Income	-260	-42	-525	28	-731	258	-207	-181.2	714.3	60.6
Credit: Receipts	1,055	1,070	1,095	1,170	1,160	1,320	1,557	10.0	23.4	42.2
Debit: Disbursements	1,315	1,112	1,620	1,142	1,891	1,062	1,764	43.8	-4.5	8.9
Current Transfers	2,911	3,256	3,265	3,748	3,464	3,538	3,311	19.0	8.7	1.4
Credit: Receipts	2,980	3,335	3,342	3,854	3,532	3,635	3,599	18.5	9.0	7.7
Debit: Disbursements	69	79	77	106	68	97	288	-1.4	22.8	274.0
Capital and Financial Account	1,128	-1,650	-514	-431	823	-614	2,943	-27.0	62.8	672.6
Capital Account	103	12	9	14	15	-21	19	-85.4	-275.0	111.1
Credit: Receipts	112	20	28	21	28	29	31	-75.0	45.0	10.7
Debit: Disbursements	9	8	19	7	13	50	12	44.4	525.0	-36.8
Financial Account	1,025	-1,662	-523	-445	808	-593	2,924	-21.2	64.3	659.1
Direct Investment	434	594	440	515	1,365	-3,083	502	214.5	-619.0	14.1
Debit: Assets, Residents' Investments Abroad	32	-3	62	12	72	2,990	61	125.0	99,766.7	-1.6
Credit: Liabilities, Non-Residents' Investments in the Phil.	466	591	502	527	1,437	-93	563	208.4	-115.7	12.2
Portfolio Investment	1,398	-1,406	1,959	409	322	1,243	1,240	-77.0	188.4	-36.7
Debit: Assets, Residents' Investments Abroad	562	1,086	62	-143	1,580	-280	-420	181.1	-125.8	-777.4
Credit: Liabilities, Non-Residents' Investments in the Phil.	1,960	-320	2,021	266	1,902	963	820	-3.0	400.9	-59.4
Financial Derivatives	-72	35	-45	-56	-60	-90	-18	16.7	-357.1	60.0
Debit: Assets, Residents' Investments Abroad	-22	-88	-24	-25	-30	-11	-56	-36.4	87.5	-133.3
Credit: Liabilities, Non-Residents' Investments in the Phil.	-94	-53	-69	-81	-90	-101	-74	4.3	-90.6	-7.2
Other Investment	-735	-885	-2,877	-1,313	-819	1,337	1,200	-11.4	251.1	-141.7
Debit: Assets, Residents' Investments Abroad	-339	-224	2,369	1,706	397	1,748	-170	217.1	880.4	-107.2
Credit: Liabilities, Non-Residents' Investments in the Phil.	-1,074	-1,109	-508	393	-422	3,085	1,030	60.7	378.2	302.8
Net Unclassified Items	-149	73	-84	-501	-1,193	625	-96	-700.7	756.2	-14.3
Overall BOP Position	2,121	-81	579	1,150	1,418	1,781	3,460	-33.1	2,298.8	497.6
Debit: Change in Reserve Assets	1,915	-100	210	909	1,430	1,763	3,475	-25.3	1,863.0	1,554.8
Credit: Change in Reserve Liabilities	-206	-19	-369	-241	12	-18	15	105.8	5.3	104.1
Use of Fund Credits	-90	0	-92	-220	0	0	0	100.0	0.0	100.0
Short-term	-116	-19	-277	-21	12	-18	15	110.3	5.3	105.4

^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		Q3					
	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price				
Coconut Products																		
Copra	0	0	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	248	755	187
Desiccated Coconut	32	1,033	33	33	991	33	39	1,017	40	32	1,032	33	31	1,112	35	34	1,216	41
Copra Meal/Cake	119	44	5	123	65	8	86	84	7	102	97	10	122	54	7	125	94	12
Others			2				2		3				2		2		2	
Sugar and Products																		
Centrifugal & Refined	53	376	20	77	391	30	86	388	33	0	0	0	50	332	17	75	342	26
Molasses	61	98	6	32	104	3	17	114	2	6	100	1	30	92	3	21	85	2
Others			1				1		1				1		1		1	
Fruits and Vegetables																		
Canned Pineapple	36	537	19	35	579	20	61	570	35	53	619	33	35	627	22	45	626	28
Pineapple Juice	13	243	3	17	278	5	23	320	7	17	406	7	15	437	7	18	430	8
Pineapple Concentrates	10	715	7	13	777	10	11	771	8	14	811	12	11	853	9	13	851	11
Bananas	521	178	93	642	178	114	545	172	94	603	173	105	504	180	91	591	180	106
Mangoes	6	888	6	11	947	10	5	917	5	4	893	4	7	745	5	10	917	9
Others			35				35		26				27		34		39	
Other Agro-Based Products																		
Fish, Fresh or Preserved	17	3,085	52	21	3,122	65	19	3,864	71	16	4,290	69	25	2,395	59	23	3,057	70
of which: Shrimps & Prawns	3	7,272	20	3	7,704	24	3	7,301	24	4	7,783	28	1	6,133	4	1	6,624	4
Coffee, Raw, not Roasted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Abaca Fibers	4	977	3	3	1,023	3	4	710	3	3	935	3	5	996	5	5	996	4
Tobacco, Unmanufactured	4	1,672	6	4	1,538	6	4	2,205	10	6	2,012	12	4	1,776	7	3	2,204	8
Natural Rubber	9	1,114	10	10	1,443	14	9	1,645	14	7	1,272	9	13	716	9	5	1,443	8
Ramie Fibers, Raw or Processed	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Seaweeds, Dried	5	1,229	6	7	1,199	9	4	1,367	5	2	2,037	4	3	1,533	5	3	2,118	6
Rice	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Others			25				25		25				24		28		29	
Forest Products¹																		
Logs	0	0	0	0	99	0	0	41	0	0	77	0	0	0	0	..	218	--
Lumber	19	139	3	55	64	3	60	57	3	51	74	4	43	97	4	58	57	3
Plywood	4	538	2	1	571	1	4	555	2	10	444	5	11	459	5	9	303	3
Veneer Sheets/Corestocks	1	558	1	3	632	2	2	763	1	1	592	1	1	611	1	3	511	1
Others			0				0		0				0		0		0	
Mineral Products																		
Copper Concentrates	15	852	13	15	1,091	16	15	1,664	25	17	1,799	30	18	1,426	26	19	1,680	32
Copper Metal	33	4,592	153	52	6,329	328	46	7,757	354	52	7,592	397	48	6,221	300	43	6,927	297
Gold ²	19	507	10	19	577	11	23	611	14	27	588	16	29	619	18	30	652	19
Iron Ore Agglomerates	1,315	30	39	1,272	32	41	1,513	28	42	1,099	28	30	1,537	28	42	1,459	29	42
Chromium Ore	19	77	1	21	67	1	14	47	1	19	61	1	27	82	2	47	66	3
Nickel			0				0		0				0		0		0	
Others			70				140		200				171		137		334	
Petroleum Products																		
Manufactures																		
Electronic Products			7,208				7,140		7,725				7,425		7,868		7,586	
Other electronics			357				461		391				355		277		246	
Garments			640				624		755				627		594		533	
Textile Yarns/Fabrics			57				59		50				55		51		49	
Footwear			7				8		6				5		9		7	
Travel Goods and Handbags			9				11		5				5		4		28	
Wood Manufactures			192				152		139				167		180		203	
Furnitures & Fixtures			68				76		73				59		58		61	
Chemicals			173				198		182				202		244		270	
Non-Metallic Mineral Manufactures			40				39		46				57		54		45	
Machinery & Transport Equipment			434				412		428				446		426		456	
Processed Food and Beverages			126				134		164				159		152		166	
Iron & Steel			32				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		14	
Misc. Manufactured Articles, n.e.s.			88				81		78				74		79		77	
Others			490				563		615				572		601		563	
Special Transactions			205				457		217				272		366		308	
TOTAL EXPORTS , as per NSO Foreign Trade Statistics			11,155				11,858		12,468				11,929		12,182		12,356	
Coverage Adjustments			-208				-232		-205				-239		-251		-176	
TOTAL EXPORTS , BPM5			10,947				11,626		12,263				11,690		11,931		12,180	

.. Less than one thousand metric tons

-- Less than one million US\$

^p Preliminary

^r Revised based on NSO press released 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 ^r												2007								
	Q1			Q2			Q3			Q4			Q1			Q2			Q3 ^p		
	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value
Capital Goods			2,034			2,167			2,516			2,413			2,115			2,084			2,422
Power Generating & Specialized Machines			511			581			602			574			527			561			638
Office & EDP Machines			715			757			886			841			793			698			914
Telecommunication Eqpt. & Elect. Mach.			441			457			478			534			416			475			521
Land Transport Eqpt. excl. Passenger Cars & Motorized Cycle			168			136			174			211			150			149			179
Aircraft, Ships & Boats			92			122			248			128			120			73			46
Prof. Sci. & Cont. Inst.; Photo-graphic Eqpt. & Optical Goods			107			113			128			125			109			128			123
Raw Materials & Intermediate Goods			7,530			8,015			8,067			8,103			8,175			8,181			8,460
Unprocessed Raw Materials			392			386			438			419			433			390			404
Wheat	829	145	120	793	187	148	536	202	108	598	162	97	466	195	91	666	157	104	363	203	74
Corn	149	146	22	150	126	19	2	1,125	3	5	1,038	5	3	763	2	5	1,352	7	140	227	32
Unmilled cereals excl. rice & corn			1			1			1			1			1			2			1
Crude materials, inedible			223			186			269			271			291			234			261
Pulp & waste paper			16			20			16			13			18			16			15
Cotton	7	1,210	9	6	1,178	6	7	1,173	8	5	1,187	6	4	1,235	4	5	1,266	7	5	1,194	6
Syn. fibers	10	1,643	16	10	1,830	18	10	1,895	20	10	1,915	19	11	1,520	17	12	1,704	20	12	1,819	21
Metalliferous ores			86			46			137			141			136			52			115
Others			96			96			88			92			116			139			104
Tobacco, unmanufactured			26			32			57			45			48			43			36
Semi-Processed Raw Materials			7,138			7,629			7,629			7,684			7,742			7,791			8,056
Feeding stuffs for animals	419	242	101	447	236	106	311	261	81	533	215	115	542	248	134	322	282	91	365	296	108
Animal & vegetable oils & fats			39			38			36			42			54			39			35
Chemical			842			942			970			861			932			952			1,078
Chemical compounds			213			218			255			213			260			249			317
Medicinal & pharmaceutical chemicals			132			138			134			119			147			153			151
Urea	87	189	17	190	207	39	133	239	32	116	191	22	112	171	19	160	238	38	134	217	29
Fertilizer excl. urea	212	134	28	291	142	41	193	157	30	242	156	38	203	151	31	201	145	29	186	214	40
Artificial resins			219			245			250			231			234			224			270
Others			233			261			269			238			241			259			271
Manufactured goods			858			1,112			1,091			940			915			1,149			1,023
Paper & paper products	173	622	108	186	624	116	171	673	115	165	657	109	168	689	116	169	685	116	181	668	121
Textile yarn, fabrics & made-up articles			199			253			229			206			194			249			206
Non-metallic mineral mftures.			50			49			48			48			45			57			63
Iron & steel	403	517	208	808	478	386	649	535	347	445	570	254	1,193	208	249	560	653	365	367	727	267
Non-ferrous metals			151			147			181			151			126			173			191
Metal products			81			96			109			108			122			118			110
Others			61			65			62			64			63			71			65
Embroideries			231			261			313			280			236			217			283
Mat/Acc for the mfr. of elect. eqpt.			5,052			5,142			5,133			5,436			5,453			5,298			5,487
Iron ore, not agglomerated	781	19	15	1,138	25	28	227	20	5	488	19	10	488	36	18	1,218	37	45	1,185	36	42
Mineral Fuels & Lubricant			1,847			2,213			2,085			1,854			1,660			2,423			2,640
Coal, Coke	1,066	42	45	1,654	42	70	1,561	43	61	1,479	43	64	1,265	43	54	1,733	46	80	979	44	44
Petroleum Crude ¹	18.35	55.57	1,020	22.59	64.02	1,446	19.31	70.48	1,361	19.89	61.08	1,215	13.15	59.75	786	21.08	69.95	1,474	21.66	77.64	1,682
Others ¹	11.81	66.25	782	10.06	69.29	697	9.04	73.31	663	8.52	67.49	575	11.31	72.49	820	10.20	85.15	869	10.11	90.46	914
Consumer Goods			889			924			1,005			911			860			1,184			1,291
Durable			333			389			427			482			419			488			554
Passenger cars & motorized cycle			142			170			193			236			213			250			309
Home appliances			45			50			52			68			50			55			55
Misc. manufactures			145			170			183			177			156			183			190
Non-Durable			556			535			577			430			441			696			737
Food & live animals chiefly for food			519			497			532			384			410			662			693
Dairy products	70	1,636	114	75	1,550	117	76	1,436	109	74	1,453	108	72	1,713	123	81	2,088	169	66	2,464	164
Fish & fish preparation	39	470	18	21	444	9	23	506	12	40	515	21	36	588	21	22	577	13	31	540	17
Rice	634	274	174	513	254	130	565	283	160	5	389	2	79	323	25	602	325	196	635	325	206
Fruits & vegetables			35			36			33			54			39			37			37
Others			177			205			218			200			201			248			270
Beverages & tobacco mfture.			14			16			21			25			9			13			17
Articles of apparel, access.			23			21			24			21			21			21			26
Special Transactions			208			271			213			308			160			145			185
Articles temporarily imported & exported			95			105			82			73			75			59			60
Others			113			166			131			235			85			86			125
TOTAL IMPORTS²			12,508			13,590			13,886			13,589			12,970			14,017			14,998
Conceptual and Coverage Adjustments			-88			-79			-44			-18			-7			86			47
TOTAL IMPORTS, BPM5			12,420			13,511			13,842			13,571			12,963			14,103			15,045

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

² Include valuation adjustments to NSO data.

^r Revised based on the adjustments made by NSO that was released on 14 June 2007.

^p Preliminary

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.

Source: National Statistics Office

13 INTERNATIONAL RESERVES OF THE BANGKO SENTRAL NG PILIPINAS

as of periods indicated; in million US dollars

	2005				2006				2007		
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep
Gross International Reserves	16,526	17,723	18,542	18,494	20,645	21,123	21,593	22,967	24,684	26,383	30,902
Gold	2,699	2,582	2,569	2,568	2,797	2,904	2,746	2,941	3,008	2,928	3,034
SDRs	2	0	1	1	0	1	1	2	2	1	0
Foreign Investments	13,326	14,604	15,387	15,398	17,209	17,648	18,266	19,612	20,804	23,023	27,500
Foreign Exchange	366	409	460	403	513	441	451	280	738	298	232
Reserve Position in the Fund	132	127	127	125	126	129	129	132	132	133	136
Net International Reserves	15,386	16,675	17,685	17,659	20,013	20,502	21,343	22,953	24,659	26,376	30,880

Source: Bangko Sentral ng Pilipinas

14 EXCHANGE RATES OF THE PESO

period averages; pesos per unit of foreign currency

Period	US Dollar	Japanese Yen	EMU Euro	Pound Sterling	Singapore Dollar	Hongkong Dollar	Malaysian Ringgit	Thailand Baht	Indonesian Rupiah	New Taiwan Dollar	South Korean Won
2005 Ave	55.0855	0.5015	68.6102	100.2974	33.1090	7.0830	14.5482	1.3697	0.0057	1.7161	0.0538
Q1	55.0064	0.5270	72.1587	104.0351	33.6410	7.0552	14.4788	1.4257	0.0059	1.7483	0.0538
Q2	54.6706	0.5086	68.9220	101.5221	32.9770	7.0196	14.3889	1.3648	0.0057	1.7434	0.0543
Q3	56.0382	0.5040	68.3794	100.0733	33.4569	7.2126	14.8571	1.3570	0.0056	1.7384	0.0545
Q4	54.6267	0.4664	64.9806	95.5594	32.3611	7.0445	14.4681	1.3312	0.0055	1.6345	0.0527
2006 Ave	51.3143	0.4414	64.4473	94.5112	32.3020	6.6060	13.9972	1.3542	0.0056	1.5793	0.0538
Q1	51.8843	0.4439	62.4140	90.9607	31.8697	6.6884	13.9168	1.3196	0.0056	1.6081	0.0531
Q2	52.2146	0.4565	65.6478	95.4016	32.8576	6.7306	14.3285	1.3701	0.0057	1.6238	0.0550
Q3	51.3869	0.4423	65.5118	96.3133	32.5442	6.6079	14.0057	1.3639	0.0056	1.5694	0.0538
Q4	49.7714	0.4229	64.2156	95.3693	31.9364	6.3971	13.7376	1.3631	0.0055	1.5161	0.0531
2007 Ave	47.1600	0.3953	63.3766	93.7124	30.9360	6.0384	13.6208	1.4489	0.0052	1.4297	0.0506
Q1	48.6043	0.4072	63.7030	95.0271	31.7330	6.2254	13.8966	1.4346	0.0053	1.4773	0.0518
Q2	46.9322	0.3888	63.2916	93.2331	30.7872	6.0048	13.7009	1.4437	0.0052	1.4165	0.0505
Q3	45.9434	0.3898	63.1350	92.8769	30.2877	5.8852	13.2648	1.4684	0.0050	1.3954	0.0496

Source: Bangko Sentral ng Pilipinas

14a EXCHANGE RATES OF THE PESO

period averages; units of foreign currency per peso

Period	US Dollar	Japanese Yen	EMU Euro	Pound Sterling	Singapore Dollar	Hongkong Dollar	Malaysian Ringgit	Thailand Baht	Indonesian Rupiah	New Taiwan Dollar	South Korean Won	
2005	Ave	0.0182	1.9987	0.0146	0.0100	0.0302	0.1412	0.0688	0.7307	176.0337	0.5832	18.5966
	Q1	0.0182	1.8982	0.0139	0.0096	0.0297	0.1418	0.0691	0.7015	168.3594	0.5720	18.6023
	Q2	0.0183	1.9661	0.0145	0.0099	0.0303	0.1425	0.0695	0.7328	174.4216	0.5736	18.4328
	Q3	0.0178	1.9843	0.0146	0.0100	0.0299	0.1386	0.0673	0.7369	178.5658	0.5753	18.3653
	Q4	0.0183	2.1461	0.0154	0.0105	0.0309	0.1420	0.0691	0.7514	182.7879	0.6120	18.9859
2006	Ave	0.0195	2.2681	0.0155	0.0106	0.0310	0.1515	0.0715	0.7387	178.4957	0.6338	18.6093
	Q1	0.0193	2.2534	0.0160	0.0110	0.0314	0.1495	0.0719	0.7578	179.1089	0.6220	18.8175
	Q2	0.0192	2.1922	0.0152	0.0105	0.0304	0.1486	0.0698	0.7300	174.0687	0.6160	18.1908
	Q3	0.0195	2.2618	0.0153	0.0104	0.0307	0.1514	0.0714	0.7332	177.4946	0.6374	18.5907
	Q4	0.0201	2.3649	0.0156	0.0105	0.0313	0.1563	0.0728	0.7338	183.3106	0.6596	18.8382
2007	Ave	0.0212	2.5325	0.0158	0.0107	0.0323	0.1657	0.0735	0.6906	193.1554	0.6999	19.7606
	Q1	0.0206	2.4562	0.0157	0.0105	0.0315	0.1606	0.0720	0.6976	186.9915	0.6769	19.3086
	Q2	0.0213	2.5740	0.0158	0.0107	0.0325	0.1666	0.0730	0.6929	191.2427	0.7061	19.7919
	Q3	0.0218	2.5674	0.0158	0.0108	0.0330	0.1699	0.0754	0.6812	201.2321	0.7167	20.1814

Source: Bangko Sentral ng Pilipinas

14b EFFECTIVE EXCHANGE RATE INDICES OF THE PESO

period averages; 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
Q1	11.34	26.36	47.24	59.16	98.14	144.57
Q2	11.61	26.81	48.57	61.20	100.85	149.79
Q3	11.53	26.68	48.72	62.09	102.75	153.32
Q4	12.07	27.44	49.89	65.48	104.00	150.41
2006	12.91	28.17	55.52	71.43	108.87	168.50
Q1	12.98	28.27	55.96	71.02	108.00	167.90
Q2	12.64	27.55	54.30	69.36	105.94	164.07
Q3	12.81	28.08	55.25	71.51	110.25	170.73
Q4	13.20	28.76	56.58	73.85	111.30	171.31
2007	13.73	29.69	57.88	76.32	114.92	173.79
Q1	13.48	29.06	56.62	74.59	111.44	167.80
Q2	13.87	29.73	57.44	76.45	114.52	171.63
Q3	13.84	30.27	59.56	77.93	118.79	181.96

¹ U.S., Japan, European Monetary Union, United Kingdom

² Singapore, South Korea, Taiwan, Malaysia, Thailand, Indonesia, Hongkong

³ Indonesia, Malaysia, Thailand

Source: Bangko Sentral ng Pilipinas

15 TOTAL EXTERNAL DEBT ¹

as of periods indicated; in million US dollars

	31 March 2007				30 June 2007			
	Short-term		Medium & Long-Term	Total	Short-term		Medium & Long-Term	Total
	Trade	Non-Trade			Trade	Non-Trade		
Grand Total	2,072	3,045	48,928	54,046	2,190	3,756	47,089	53,036
Public Sector	177	102	38,044 ^a	38,323	149	82	36,596 ^a	36,827
Banks	177	102	2,880	3,159	149	82	2,704	2,934
Bangko Sentral ng Pilipinas			287	287			240	240
Others	177	102	2,593	2,872	149	82	2,463	2,694
Non-Banks			35,164	35,164			33,893	33,893
CB-BOL			43	43			40	40
NG and Others			35,122	35,122			33,853	33,853
Private Sector	1,895	2,944	10,885	15,723	2,042	3,674	10,492	16,209
Banks	193	2,799	3,288 ^b	6,280	211	3,465	3,278 ^b	6,955
Foreign Bank Branches	28	1,458	2,538	4,023	21	1,654	2,528	4,203 ^c
Domestic Banks	165	1,342	750	2,257	190	1,811	750	2,752 ^d
Non-Banks	1,703	144	7,597 ^e	9,444	1,831	209	7,214 ^e	9,254

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 debt covers 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\$37 million and negative US\$2 million as of 31 March 2007 and 30 June 2007, respectively.

^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 amounting to US\$2,554 million and US\$2,718 million as of 31 March 2007 and 30 June 2007, respectively.

^d Includes liabilities of private development banks and rural banks amounting to US\$10 million each as of 31 March 2007 and 30 June 2007, respectively.

^e Excludes obligations under various capital lease agreements of US\$1,061 million and US\$738 million as of 31 March 2007 and 30 June 2007, respectively.

Also, excludes loans without BSP approval/registration amounting to US\$3,672 million and US\$7,016 million as of 31 March 2007 and 30 June 2007, respectively.

Source: Bangko Sentral ng Pilipinas

16 SELECTED FOREIGN DEBT SERVICE INDICATORS

for periods indicated; in million US dollars

	2006				2007	
	Q1	Q2	Q3	Q4	Q1 ^p	Q2 ^p
Debt Service Burden (DSB) ¹	1,954	1,722	1,859	2,367	2,143	1,334
Principal	1,007	1,090	954	1,591	1,028	786
Interest	947	632	905	776	1,115	548
Export Shipments (XS)	10,947	11,626	12,263	11,690	11,931	12,180
Exports of Goods and Receipts from Services and Income (XGSI) ²	15,612	16,824	17,274	17,663	17,648	18,010
Current Account Receipts (CAR) ³	16,413	17,695	18,154	18,618	18,416	18,861
Gross National Product (GNP)	29,039	30,562	31,189	37,474	34,256	37,704
RATIOS (in %):						
DSB to XS	17.85	14.81	15.16	20.25	17.96	10.95
DSB to XGSI	12.52	10.24	10.76	13.40	12.14	7.41
DSB to CAR	11.91	9.73	10.24	12.71	11.64	7.07
DSB to GNP	6.73	5.63	5.96	6.32	6.26	3.54

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 short-term 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 excludes (1) temporary exports and returned goods for exports of goods and (2) capital transfers in the computation of current account receipts.

^p preliminary

Source: Bangko Sentral ng Pilipinas

17 SELECTED FOREIGN INTEREST RATES

period averages; in percent

	2005				2006				2007		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
US Prime Rate ¹	5.4457	5.9161	6.4363	6.9697	7.4312	7.8989	8.2500	8.2500	8.2500	8.2500	8.1750
US Discount Rate ²	3.4420	3.9129	4.4470	4.9371	5.4153	5.8841	6.2460	6.2500	6.2500	6.2500	5.9598
US Federal Funds Rate	2.4538	2.9360	3.4714	3.9630	4.4649	4.8881	5.2570	5.2448	5.2627	5.2468	5.0345
LIBOR (90 days)	2.8364	3.2834	3.7726	4.3375	4.7604	5.2140	5.4332	5.3686	5.3555	5.3579	5.4454
SIBOR (90 days)	2.8380	3.2858	3.7800	4.3437	4.7664	5.2205	5.4378	5.3728	5.3604	5.3617	5.4544

¹ The base rate on corporate loans at large US Money Center Commercial Banks

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

Source: 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	Mar	Jun ^u	Sep ^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	1,915.6
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	1,383.7
Foreign Exchange Receivable	14.5	14.9	13.6	18.3	17.2	4.1	4.1	4.1	4.1	0.0	0.0
Domestic Securities	98.1	92.7	86.1	74.9	87.6	67.3	120.6	222.5	258.7	258.1	270.0
Loans and Advances	118.8	115.4	116.3	116.2	111.4	111.3	111.0	118.1	118.8	112.0	105.9
Revaluation of International Reserves										41.7	49.8
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	12.2
Other Assets	191.6	183.3	103.5	96.9	100.9	94.4	91.3	94.7	100.0	93.2	94.1
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	1,684.5
Currency Issue	272.3	267.5	264.7	336.6	296.1	294.5	290.7	384.5	347.2	348.2	343.3
Deposits	364.2	386.2	453.4	317.9	415.2	433.9	469.8	571.2	686.9	901.2	1,070.9
Reserve Deposits of Banks & Other F of which: DMBs	116.5	114.6	151.3	120.5	145.0	168.0	192.3	331.9	426.8	419.6	418.6
Special Deposit Accounts		0.1	139.5	110.2	133.0	155.0	179.9	309.6	401.4	395.5	396.0
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	2.5
Treasurer of the Philippines	123.2	150.4	177.9	87.8	157.8	141.5	134.0	108.5	119.6	111.3	106.9
Other Foreign Currency Deposits	18.5	18.0	28.8	14.9	15.5	17.1	14.5	13.6	17.2	18.1	10.2
Foreign Financial Institutions	90.2	89.2	81.5	82.5	77.3	71.1	66.3	55.1	55.0	52.1	52.0
Other Deposits	1.0	1.3	1.6	1.5	1.5	4.4	7.5	7.7	11.7	15.4	12.7
Foreign Loans Payable	148.2	147.8	139.2	147.4	134.1	108.9	87.2	51.7	15.9	6.7	6.2
Foreign Bonds Payable	83.0	84.5	84.2	46.3	45.5	46.1	44.5	39.6	39.7	36.4	36.1
Derivative Instruments				0.0	0.1	-0.1	0.1	3.9	0.1	2.1	4.9
Allocation of SDRs	9.6	9.5	9.5	8.9	8.6	9.2	8.7	8.7	8.5	8.2	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	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	206.1
Other Liabilities	13.2	12.0	15.6	7.1	8.7	12.4	7.8	7.3	7.8	7.9	8.7
Net Worth	230.6	241.8	259.9	248.1	253.4	268.7	256.8	266.8	260.3	225.9	231.1
Capital	10.0	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	221.1

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

^u Unaudited; starting with December 2005, BSP financial statements have been prepared in compliance with some of the requirements of the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS), both of which have been aligned with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). Thus, December 2005 to September 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 "net 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	Q1	Q2	^u Q3	^u Q3	Jan-Sep
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	28.372	66.924	
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	17.011	46.173	
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	13.690	35.808	
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	2.474	7.734	
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	0.755	2.473	
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	0.092	0.158	
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	11.325	20.453	
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	0.036	0.298	
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	19.109	47.558	
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	15.349	37.916	
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	2.549	7.791	
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	1.473	4.487	
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	3.305	11.363	
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	7.125	10.738	
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	0.881	3.508	
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	0.016	0.029	
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	0.718	1.918	
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	0.180	0.753	
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	2.862	6.971	
Net Income Before Gain/Loss(-) on FXR and Price Fluctuations, Provision 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	9.263	19.366	
Gain/Loss(-) on Foreign Exchange Rate and Price Fluctuator	3.735	4.727	2.363	0.985	11.810	-2.409	16.767	-17.580	3.222	0.000	-5.161	-36.669	-6.463	-48.293	
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	0.000	
Capital Reserves				3.229	3.229				0.100	0.100					
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	2.800	-28.927	

^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, starting December 2005 to December 2006, figures are not comparable with those in prior periods.
Source: Bangko Sentral ng Pilipinas