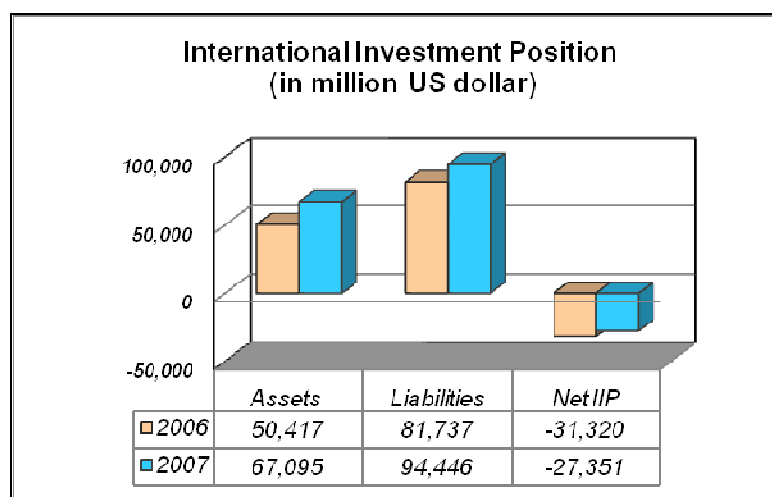


2007 INTERNATIONAL INVESTMENT POSITION (IIP) OF THE PHILIPPINES

The country's net international investment position improves.

Preliminary IIP data as of end-December 2007 showed a significant improvement in the country's net liability position at US\$27.4 billion compared to the year-ago level of US\$31.3 billion. This positive development emerged as total financial assets or claims of residents from the rest of the world grew by 33.1 percent compared to the level in 2006 to reach US\$67.1 billion, while total external financial liabilities rose by only 15.5 percent to US\$94.4 billion (Table 1). The improvement in the net IIP reflected the stronger external payments position in 2007, with the BOP posting a surplus of US\$8.6 billion, or US\$4.8 billion higher than the US\$3.8 billion surplus registered in 2006. Higher foreign exchange receipts allowed residents to build up their financial assets and repay ahead of their maturities some foreign obligations of both public and private borrowers.

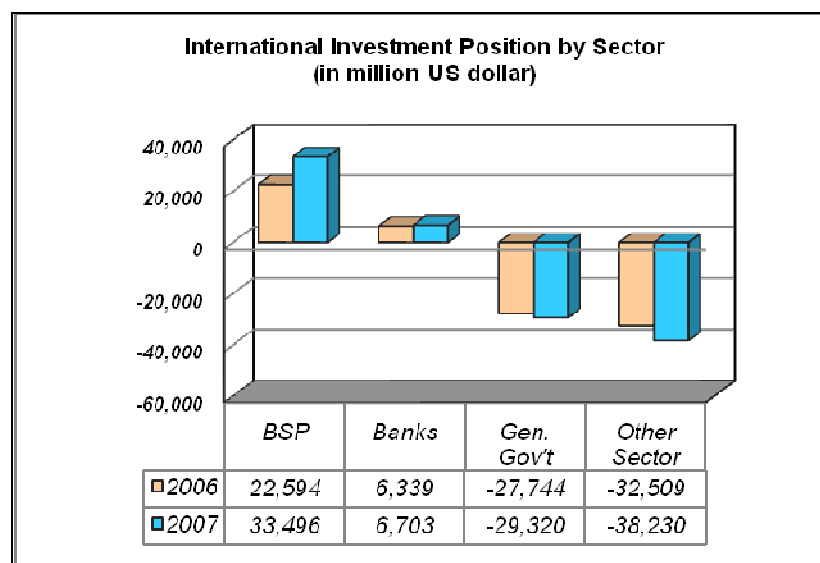


Net positions of the BSP and Banks as a group continue to improve, while those of the General Government and Other Sector slightly weaken.

By sectoral classification, the Bangko Sentral ng Pilipinas (BSP) and Banks as a group recorded net external asset positions at end-December 2007. In particular, the BSP's net external asset position improved considerably by 48.3 percent as of end-December 2007 to US\$33.5 billion, from the year-ago level of US\$22.6 billion. Ample foreign exchange liquidity allowed the BSP to accumulate reserve assets and prepay some of its borrowings. Banks' net asset position also strengthened to US\$6.7 billion from the previous year's level of US\$6.3 billion. On the other hand, the General Government and Other Sector continued to be net users of foreign resources, with net liability positions higher at US\$29.3 billion and US\$38.2 billion,

2007 International Investment Position

respectively, from US\$27.7 billion and US\$32.5 billion in 2006.¹



External Financial Assets

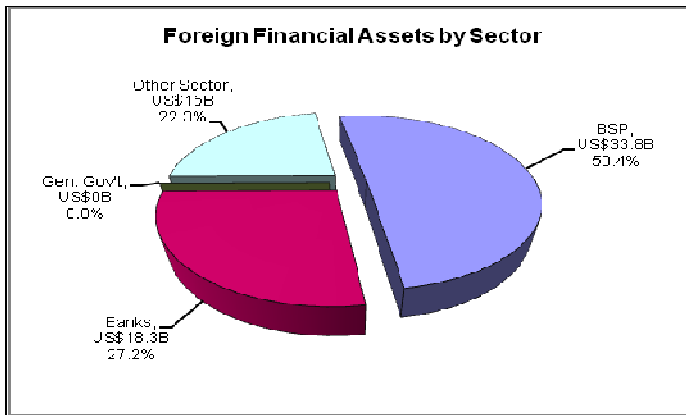
The BSP holds the largest stock of external assets.

The BSP had the largest financial claim on the rest of the world, accounting for 50.4 percent or US\$33.8 billion of the country's total foreign assets at end-December 2007. The bulk of the BSP's assets consisted of its gross international reserves which were largely in the form of foreign government debt securities and deposits held abroad (Table 2). Banks' assets, on the other hand, accounted for 27.2 percent of the total foreign assets, and were largely in the form of loans receivables, holdings of debt securities, currency and deposits, and other assets. The Other Sector's foreign assets—mainly held in the form of deposits in banks abroad, placements in debt securities and investments in equity capital—made up 22.3 percent of the total.² Meanwhile, the General Government's remaining holdings of foreign assets, representing the collateral for the Brady bonds, were all transferred to the BSP in 2007, following the full redemption of these debt securities.³

¹ Other Sector consists of private non-banks and public corporations.

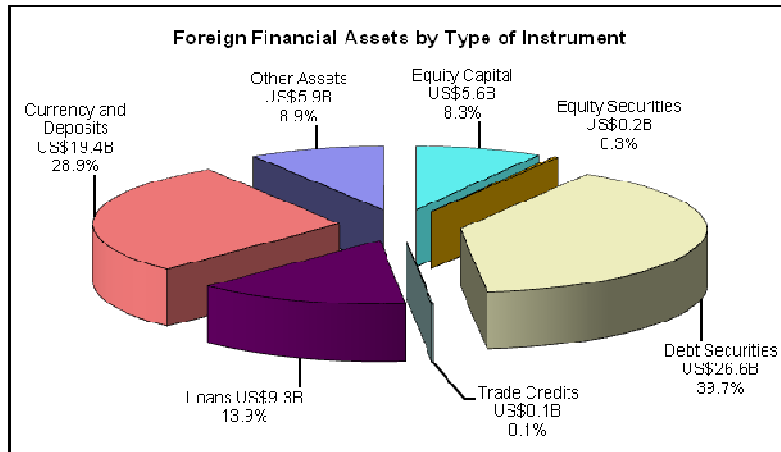
² The large increase in equity capital investments was due to the acquisition of shares of a foreign power company by a resident company in 2007.

³ NG's Brady bonds are backed by collateral assets. With the repayment of the outstanding Brady bonds, these collateral assets were released. Proceeds were eventually turned over by the NG to the BSP since the latter advanced the payment of these assets for the account of the NG.



Residents' financial assets are mostly held in the form of debt securities and currency and deposits.

About two-fifths of residents' financial claims abroad were in the form of investments in debt securities, while 28.9 percent were held in the form of currency and deposits. Loans receivable, held primarily by Banks and the Other Sector, stood at 13.9 percent of total foreign financial assets while other assets, consisting mostly of monetary gold holdings of the BSP, accounted for 8.9 percent. The remainder consisted of direct investments abroad of residents – mostly private banks and corporations.

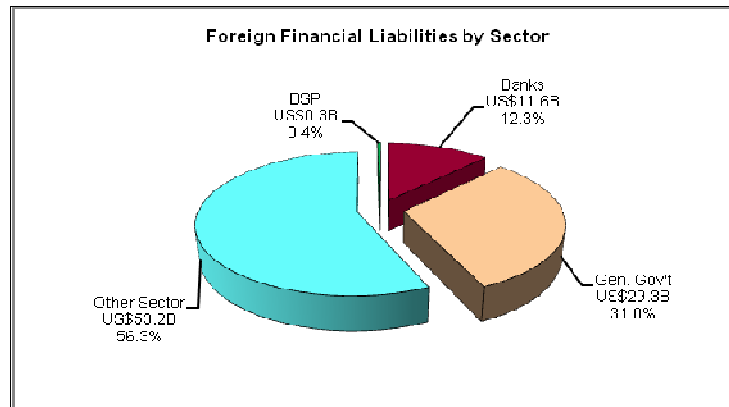


External Financial Liabilities

The Other Sector has the largest financial exposure with the rest of the world.

The Other Sector recorded the largest financial exposure to non-residents at 56.3 percent of total foreign liabilities or US\$53.2 billion while the General Government accounted for 31.0 percent or US\$29.3 billion (Table 3). The remaining 12.7 percent represented financial liabilities of Banks (US\$11.6 billion) and the BSP (US\$338 million).

2007 International Investment Position



Financial liabilities are predominantly in the form of foreign loans and debt securities.

By type of liability, loans including trade credits, comprised 41.5 percent of total financial exposure, while debt securities such as bonds and notes accounted for 24.8 percent. Liabilities to non-resident direct equity investors represented 15.4 percent of total external liabilities, while equity securities accounted for 10.8 percent. The remaining liabilities to non-residents were in the form of currency and deposits (1.6 percent), other capital, i.e., intercompany loans between related parties (5.7 percent) and other liabilities (0.2 percent).

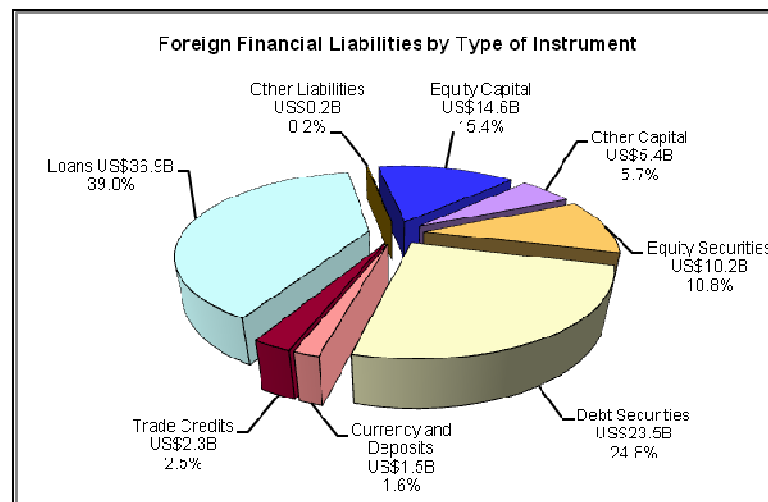


Table 1
International Investment Position by Sector
(in million US dollars)

	End-2006			End-2007		
	Assets	Liabilities	IIP	Assets	Liabilities	IIP
Levels						
Bangko Sentral ng Pilipinas	23034	440	22594	33834	338	33496
Banks	15979	9640	6339	18274	11571	6703
General Government	83	27827	-27744	0	29320	-29320
Other Sector	11321	43830	-32509	14987	53217	-38230
Total	50417	81737	-31320	67095	94446	-27351
Percent Share to Total						
Bangko Sentral ng Pilipinas	45.7	0.5	-72.1	50.4	0.4	-122.5
Banks	31.7	11.8	-20.2	27.2	12.3	-24.5
General Government	0.2	34.0	88.6	0.0	31.0	107.2
Other Sector	22.5	53.6	103.8	22.3	56.3	139.8
Total	100.0	100.0	100.0	100.0	100.0	100.0
Growth Rate						
Bangko Sentral ng Pilipinas	24.1	-76.4	35.4	46.9	-23.2	48.3
Banks	26.4	-0.7	115.8	14.4	20.0	5.7
General Government	-75.9	6.3	-7.4	-100.0	5.4	-5.7
Other Sector	24.7	10.5	-6.3	32.4	21.4	-17.6
Total	24.1	5.6	14.9	33.1	15.5	12.7

Table 2
Foreign Financial Assets
(in million US dollars)

Instrument/Sector	BSP		Banks		General Government		Other Sector		Total		% to Total	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Levels												
Direct Investment	0	0	353	387	0	0	1778	5186	2131	5573	4.2	8.3
Equity Capital	0	0	353	387	0	0	1778	5186	2131	5573	4.2	8.3
Other Capital	0	0	0	0	0	0	0	0	0	0	0.0	0.0
Portfolio Investment	12624	20285	4896	4977	83	0	1845	1554	19448	26816	38.6	40.0
Equity Securities	0	0	30	23	0	0	89	173	119	196	0.2	0.3
Debt Securities	12624	20285	4866	4954	83	0	1756	1381	19329	26620	38.3	39.7
of which: Reserves	12557	20202	0	0	0	0	0	0	12557	20202	24.9	30.1
Other Investment	10410	13549	10730	12910	0	0	7698	8247	28838	34706	57.2	51.7
Trade Credits	0	0	0	0	0	0	38	67	38	67	0.1	0.1
Loans	0	0	6097	6598	0	0	2176	2724	8273	9322	16.4	13.9
Currency and Deposits	7335	9872	3571	4057	0	0	5471	5444	16377	19373	32.5	28.9
of which: Reserves	7335	9872	0	0	0	0	0	0	7335	9872	14.5	14.7
Other Assets	3075	3677	1062	2255	0	0	13	12	4150	5944	8.2	8.9
of which: Reserves	3075	3677	0	0	0	0	0	0	3075	3677	6.1	5.5
Total	23034	33834	15979	18274	83	0	11321	14987	50417	67095	100.0	100.0
Growth Rate												
Direct Investment	0.0	0.0	16.1	9.6	0.0	0.0	3.1	191.7	5.1	161.5		
Equity Capital	0.0	0.0	16.1	9.6	0.0	0.0	3.1	191.7	5.1	161.5		
Other Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Portfolio Investment	9.4	60.7	64.2	1.7	-75.9	-100.0	-6.4	-15.8	15.5	37.9		
Equity Securities	0.0	0.0	-6.3	-23.3	0.0	0.0	-43.7	94.4	-37.4	64.7		
Debt Securities	9.4	60.7	65.0	1.8	-75.9	-100.0	-3.2	-21.4	16.1	37.7		
of which: Reserves	9.5	60.9	0.0	0.0	0.0	0.0	0.0	0.0	9.5	60.9		
Other Investment	48.2	30.2	14.7	20.3	0.0	0.0	43.0	7.1	32.5	20.3		
Trade Credits	0.0	0.0	0.0	0.0	0.0	0.0	8.6	76.3	8.6	76.3		
Loans	0.0	0.0	46.6	8.2	0.0	0.0	210.9	25.2	70.2	12.7		
Currency and Deposits	69.4	34.6	0.2	13.6	0.0	0.0	18.2	-0.5	30.8	18.3		
of which: Reserves	69.4	34.6	0.0	0.0	0.0	0.0	0.0	0.0	69.4	34.6		
Other Assets	14.1	19.6	-35.0	112.3	0.0	0.0	-31.6	-7.7	-4.5	43.2		
of which: Reserves	14.1	19.6	0.0	0.0	0.0	0.0	0.0	0.0	14.1	19.6		
Total	24.1	46.9	26.4	14.4	-75.9	-100.0	24.7	32.4	24.1	33.1		

Table 3
Foreign Financial Liabilities
(in million US dollars)

Instrument/Sector	BSP		Banks		General Government		Other Sector		Total		% to Total	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Levels												
Direct Investment	0	0	1268	1355	0	0	15646	18595	16914	19950	20.7	21.1
Equity Capital	0	0	1268	1355	0	0	10752	13213	12020	14568	14.7	15.4
Other Capital	0	0	0	0	0	0	4894	5382	4894	5382	6.0	5.7
Portfolio Investment	248	338	1796	2289	13808	14287	12945	16701	28797	33615	35.2	35.6
Equity Securities	0	0	339	466	0	0	6531	9689	6870	10155	8.4	10.8
Debt Securities	248	338	1457	1823	13808	14287	6414	7012	21927	23460	26.8	24.8
Other Investment	192	0	6576	7927	14019	15033	15239	17921	36026	40881	44.1	43.3
Trade credits	0	0	0	0	1	0	2035	2316	2036	2316	2.5	2.5
Loans	192	0	5458	6291	14018	15033	13162	15542	32830	36866	40.2	39.0
Currency and Deposits	0	0	1009	1516	0	0	22	16	1031	1532	1.3	1.6
Other Liabilities	0	0	109	120	0	0	20	47	129	167	0.2	0.2
Total	440	338	9640	11571	27827	29320	43830	53217	81737	94446	100.0	100.0
Growth Rate												
Direct Investment	0.0	0.0	-5.0	6.9	0.0	0.0	114.7	18.8	112.9	17.9		
Equity Capital	0.0	0.0	-5.0	6.9	0.0	0.0	120.9	22.9	117.5	21.2		
Other Capital	0.0	0.0	0.0	0.0	0.0	0.0	103.0	10.0	103.0	10.0		
Portfolio Investment	-14.2	36.3	78.2	27.4	111.7	3.5	126.1	29.0	120.4	16.7		
Equity Securities	0.0	0.0	2160.0	37.5	0.0	0.0	150.8	48.4	158.1	47.8		
Debt Securities	-14.2	36.3	46.7	25.1	111.7	3.5	108.1	9.3	112.0	7.0		
Other Investment	-87.8	-100.0	-10.7	20.5	101.5	7.2	96.7	17.6	93.6	13.5		
Trade credits	0.0	0.0	0.0	0.0	25.0	-100.0	118.8	13.8	118.6	13.8		
Loans	-87.5	-100.0	-13.4	15.3	101.5	7.2	94.0	18.1	92.1	12.3		
Currency and Deposits	-100.0	0.0	4.6	50.2	0.0	0.0	122.2	-27.3	100.7	48.6		
Other Liabilities	0.0	0.0	12.4	10.1	0.0	0.0	117.6	135.0	113.2	29.5		
Total	-76.4	-23.2	-0.7	20.0	106.3	5.4	110.5	21.4	105.6	15.5		