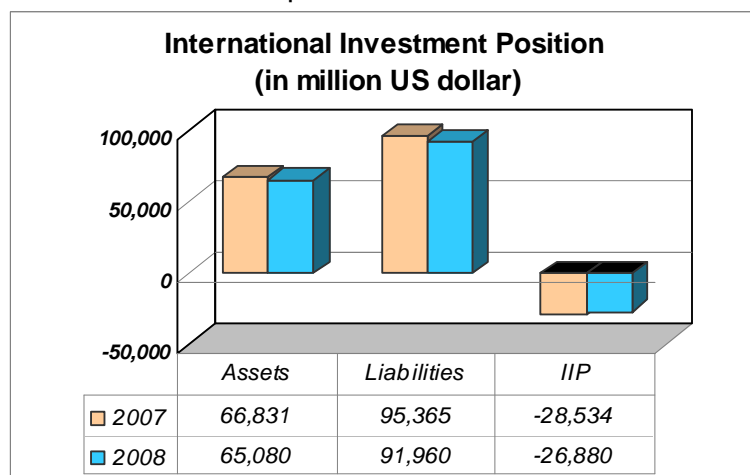


2008 INTERNATIONAL INVESTMENT POSITION (IIP) OF THE PHILIPPINES

The country's international investment position slightly improves

The country's International Investment Position (IIP) continued to improve in end-2008, even as risk aversion dominated the financial landscape following the global financial crisis and economic downturn that unfolded in the last quarter of the year. Preliminary IIP data as of end-December 2008 showed that the country remained in a net liability position at US\$26.9 billion, but the level was lower compared to the revised end-2007 net liability position of US\$28.5 billion. This came about as the decline in total external financial liabilities compensated for the slight drop in total external financial assets. The total external financial assets or claims of residents from the rest of the world amounted to US\$65.1 billion, down by 2.6 percent relative to its year-ago level of US\$66.8 billion, while total external financial liabilities decreased by 3.6 percent to US\$92.0 billion (Table 1). The meager improvement in the IIP reflected the weaker external payments position in 2008, as the BOP yielded a surplus of US\$89 million, markedly lower than the US\$8.6 billion surplus realized in 2007.

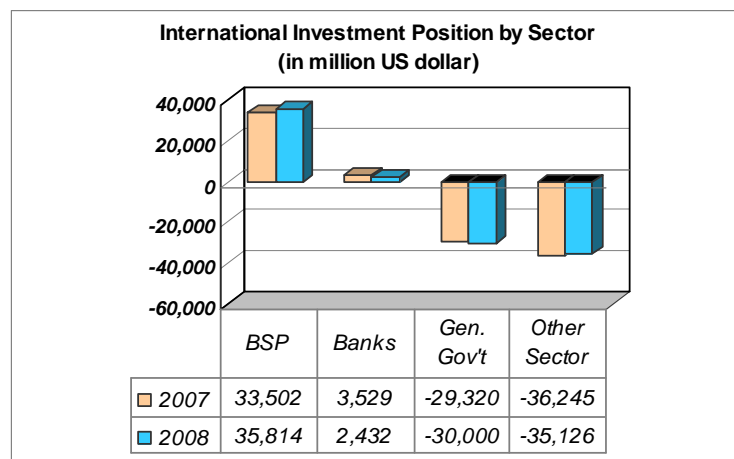


The BSP and the Banks maintain a net asset position, while the General Government and Other Sector remain to be net users of foreign resources

By sectoral classification, the Bangko Sentral ng Pilipinas (BSP) and the Banks maintained their net external asset positions at end-December 2008. Specifically, the BSP's net external asset position improved by 6.9 percent as of end-December 2008 to reach US\$35.8 billion, from the year-ago level of US\$33.5 billion. Ample foreign exchange liquidity during the first half of the year allowed the BSP to build up its reserves level as a buffer against external shocks, given increasing global commodity prices up to the third quarter of the year and the recessionary pressures in advanced economies. Banks' net asset position, however, weakened by 31.1 percent to reach US\$2.4 billion, compared to the previous year's level of US\$3.5 billion as banks used part of their asset holdings to repay their foreign loans, as well as their issuances of debt securities. On the other hand, the General Government and Other Sector remained to be net users of foreign resources, with net liability positions posted at US\$30.0 billion and US\$35.1 billion,

2007 International Investment Position

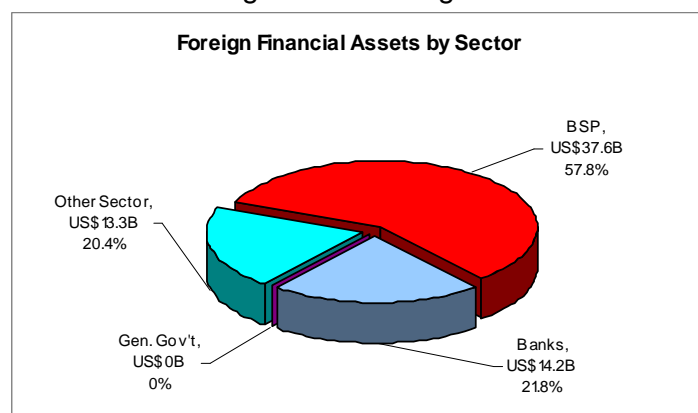
respectively, compared to US\$29.3 billion and US\$36.2 billion in 2007.¹



External Financial Assets

The BSP holds highest stock of external financial assets

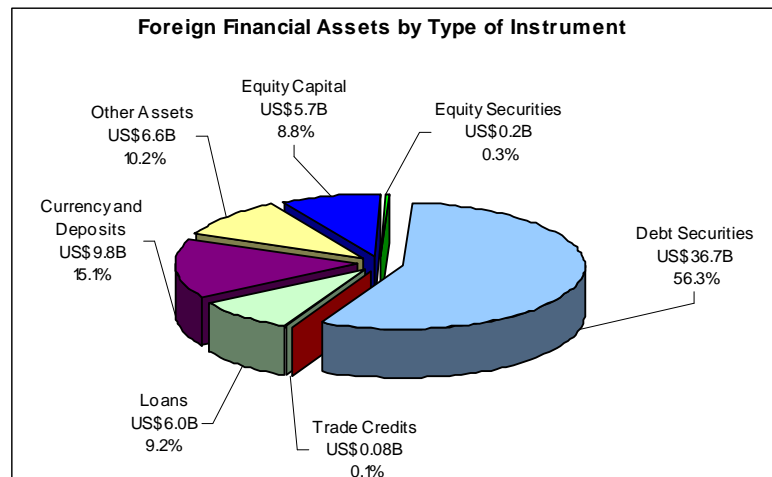
The BSP had the highest financial claim on the rest of the world, accounting for more than half (57.8 percent) or US\$37.6 billion of the country's total foreign financial assets at end-December 2008. The expansion in BSP's stock of external assets was mainly due to the continued build-up of its gross international reserves which were largely in the form of foreign government debt securities and other assets, namely, monetary gold, Reserves Position in the Fund (RPF) and holdings of Special Drawing Rights (SDR) (Table 2). Banks' assets, on the other hand, accounted for 21.8 percent of the aggregate foreign assets, and were largely in the form of loans receivables, currency and deposits, holdings of debt securities, and other assets, such as inter-office float items and accrued interest income. Other Sector's foreign assets—mainly held as investments in equity capital, deposits in banks abroad, and placements in debt securities—made up 20.4 percent of the total external financial assets. Meanwhile, the General Government had no outstanding stock of foreign assets as of end-2008.



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

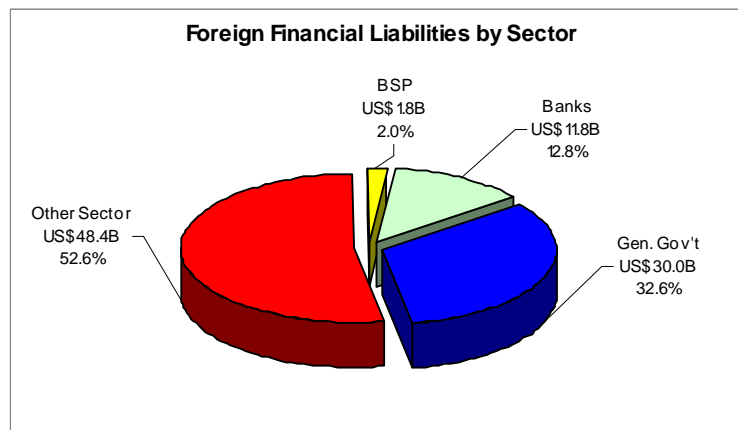
2007 International Investment Position

Majority of residents' financial assets are in the form of debt securities and currency and deposits More than half or 56.3 percent of the residents' financial claims abroad, mostly held by the BSP and Banks, were investments in debt securities, while 15.1 percent were held in currency and deposit placements abroad by the Other Sector and Banks. Other assets, consisting mostly of monetary gold holdings of the BSP, accounted for 10.2 percent. Loans receivables, held mainly by Banks and the Other Sector, contributed 9.2 percent of total foreign financial assets. Meanwhile, equity capital investments abroad of residents – mostly by the private banks and corporations – accounted for 8.8 percent. The remainder consisted of equity securities (0.3 percent) and trade credits (0.1 percent), which were mainly held by the Other Sector.



External Financial Liabilities

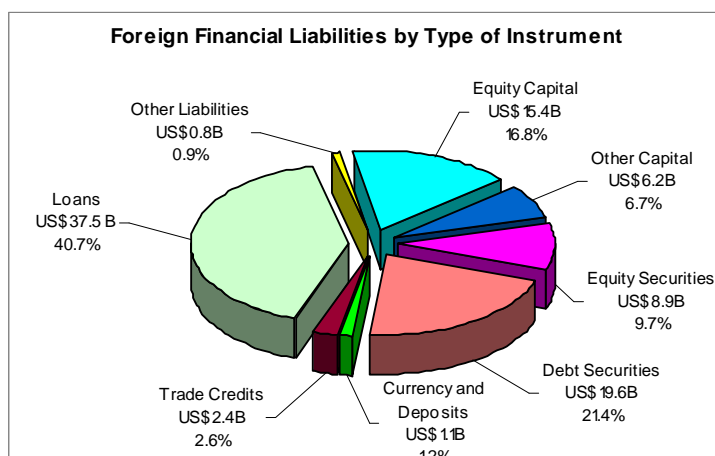
The Other Sector has the highest financial exposure to the rest of the world The Other Sector recorded the highest financial exposure to non-residents at 52.6 percent (or US\$48.4 billion) of the country's total foreign financial liabilities, while the General Government accounted for 32.6 percent or US\$30.0 billion (Table 3). The remaining 14.8 percent represented the share of Banks (12.8 percent) and of the BSP (2.0 percent) to the total external financial liabilities of the country.



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 43.3 percent of the country's total external financial exposure, while debt securities such as bonds and notes accounted for 21.4 percent. Liabilities to non-resident direct equity investors represented 16.8 percent of total external liabilities while placements by non-residents in equity securities accounted for 9.7 percent. The remaining liabilities to non-residents were in the form of other capital, i.e., intercompany loans between related parties (6.7 percent), currency and deposits (1.2 percent), and other liabilities (0.9 percent) such as accrued interest and taxes payable of Banks.



Investors' risk aversion in the midst of the global financial crisis during the last quarter of 2008 led to the decline in capital flows to and the pull-out mostly of short-term investments in emerging economies. This manifested in the drop in the stock of liabilities in the form of currency and deposits and equity securities by 29.2 percent and 13.2 percent, respectively, in 2008. However, it is interesting to note that liabilities to direct equity investors, which are non-debt creating, improved by 7.0 percent.

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

	End-2007			End-2008		
	Assets	Liabilities	IIP	Assets	Liabilities	IIP
Levels						
Bangko Sentral ng Pilipinas	33840	338	33502	37620	1806	35814
Banks	17907	14378	3529	14203	11771	2432
General Government	0	29320	-29320	0	30000	-30000
Other Sectors	15084	51329	-36245	13257	48383	-35126
Total	66831	95365	-28534	65080	91960	-26880
Percent Share to Total						
Bangko Sentral ng Pilipinas	50.6	0.4	-117.4	57.8	2.0	-133.2
Banks	26.8	15.1	-12.4	21.8	12.8	-9.0
General Government	0.0	30.7	102.8	0.0	32.6	111.6
Other Sectors	22.6	53.8	127.0	20.4	52.6	130.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
Growth Rate						
Bangko Sentral ng Pilipinas	46.9	-23.2	48.2	11.2	434.3	6.9
Banks	12.1	16.8	-3.9	-20.7	-18.1	-31.1
General Government	-100.0	5.4	-5.7	0.0	2.3	-2.3
Other Sectors	33.2	24.7	-21.5	-12.1	-5.7	3.1
Total	32.5	16.7	8.9	-2.6	-3.6	5.8

Table 2
Foreign Financial Assets
(in million US dollars)

Instrument/Sector	BSP		Banks		General Government		Other Sector		Total		% to Total	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Levels												
Direct Investment	0	0	384	185	0	0	5283	5551	5667	5736	8.5	8.8
Equity Capital	0	0	384	185	0	0	5283	5551	5667	5736	8.5	8.8
Other Capital	0	0	0	0	0	0	0	0	0	0	0.0	0.0
Portfolio Investment	20206	32066	4347	3273	0	0	1554	1511	26107	36850	39.1	56.6
Equity Securities	0	0	25	11	0	0	173	173	198	184	0.3	0.3
Debt Securities	20206	32066	4322	3262	0	0	1381	1338	25909	36666	38.8	56.3
of which: Reserves	20200	32066	0	0	0	0	0	0	20200	32066	30.2	49.3
Other Investment	13634	5554	13176	10745	0	0	8247	6195	35057	22494	52.5	34.6
Trade Credits	0	0	0	0	0	0	67	77	67	77	0.1	0.1
Loans	0	0	6598	5169	0	0	2724	817	9322	5986	13.9	9.2
Currency and Deposits	9871	981	4189	3525	0	0	5444	5293	19504	9799	29.2	15.1
of which: Reserves	9871	981	0	0	0	0	0	0	9871	981	14.8	1.5
Other Assets	3763	4573	2389	2051	0	0	12	8	6164	6632	9.2	10.2
of which: Reserves	3680	4504	0	0	0	0	0	0	3680	4504	5.5	6.9
Total	33840	37620	17907	14203	0	0	15084	13257	66831	65080	100.0	100.0
Growth Rate												
Direct Investment	0.0	0.0	8.8	-51.8	0.0	0.0	197.1	5.1	165.9	1.2		
Equity Capital	0.0	0.0	8.8	-51.8	0.0	0.0	197.1	5.1	165.9	1.2		
Other Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Portfolio Investment	60.8	58.7	-11.2	-24.7	-100.0	0.0	-15.8	-2.8	34.7	41.1		
Equity Securities	0.0	0.0	-16.7	-56.0	0.0	0.0	94.4	0.0	66.4	-7.1		
Debt Securities	60.8	58.7	-11.2	-24.5	-100.0	0.0	-21.4	-3.1	34.5	41.5		
of which: Reserves	60.9	58.7	0.0	0.0	0.0	0.0	0.0	0.0	60.9	58.7		
Other Investment	30.1	-59.3	22.8	-18.5	0.0	0.0	7.1	-24.9	21.3	-35.8		
Trade Credits	0.0	0.0	0.0	0.0	0.0	0.0	76.3	14.9	76.3	14.9		
Loans	0.0	0.0	8.2	-21.7	0.0	0.0	25.2	-70.0	12.7	-35.8		
Currency and Deposits	34.6	-90.1	17.3	-15.9	0.0	0.0	-0.5	-2.8	19.1	-49.8		
of which: Reserves	34.6	-90.1	0.0	0.0	0.0	0.0	0.0	0.0	34.6	-90.1		
Other Assets	19.8	21.5	125.0	-14.1	0.0	0.0	-7.7	-33.3	46.2	7.6		
of which: Reserves	19.7	22.4	0.0	0.0	0.0	0.0	0.0	0.0	19.7	22.4		
Total	46.9	11.2	12.1	-20.7	-100.0	0.0	33.2	-12.1	32.5	-2.6		

Table 3
Foreign Financial Liabilities
(in million US dollars)

Instrument/Sector	BSP		Banks		General Government		Other Sector		Total		% to Total	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Levels												
Direct Investment	0	0	3921	4125	0	0	16542	17486	20463	21611	21.5	23.5
Equity Capital	0	0	1109	1136	0	0	13303	14287	14412	15423	15.1	16.8
Other Capital	0	0	2812	2989	0	0	3239	3199	6051	6188	6.3	6.7
Portfolio Investment	338	306	2492	998	14287	12874	16839	14379	33956	28557	35.6	31.1
Equity Securities	0	0	669	560	0	0	9594	8353	10263	8913	10.8	9.7
Debt Securities	338	306	1823	438	14287	12874	7245	6026	23693	19644	24.8	21.4
Other Investment	0	1500	7965	6648	15033	17126	17948	16518	40946	41792	42.9	45.4
Trade credits	0	0	0	0	0	0	2316	2405	2316	2405	2.4	2.6
Loans	0	1500	6329	5061	15033	17126	15569	13783	36931	37470	38.7	40.7
Currency and Deposits	0	0	1516	789	0	0	16	295	1532	1084	1.6	1.2
Other Liabilities	0	0	120	798	0	0	47	35	167	833	0.2	0.9
Total	338	1806	14378	11771	29320	30000	51329	48383	95365	91960	100.0	100.0
Growth Rate												
Direct Investment	0.0	0.0	-0.4	5.2	0.0	0.0	127.5	5.7	121.0	5.6		
Equity Capital	0.0	0.0	-12.5	2.4	0.0	0.0	123.7	7.4	119.9	7.0		
Other Capital	0.0	0.0	5.4	6.3	0.0	0.0	145.4	-1.2	123.6	2.3		
Portfolio Investment	36.3	-9.5	38.8	-60.0	103.5	-9.9	130.1	-14.6	117.9	-15.9		
Equity Securities	0.0	0.0	97.3	-16.3	0.0	0.0	146.9	-12.9	149.4	-13.2		
Debt Securities	36.3	-9.5	25.1	-76.0	103.5	-9.9	113.0	-16.8	108.1	-17.1		
Other Investment	-100.0	0.0	21.1	-16.5	107.2	13.9	117.8	-8.0	113.7	2.1		
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	113.8	3.8	113.8	3.8		
Loans	-100.0	0.0	16.0	-20.0	107.2	13.9	118.3	-11.5	112.5	1.5		
Currency and Deposits	0.0	0.0	50.2	-48.0	0.0	0.0	72.7	1743.8	148.6	-29.2		
Other Liabilities	0.0	0.0	10.1	565.0	0.0	0.0	235.0	-25.5	129.5	398.8		
Total	-23.2	434.3	16.8	-18.1	105.4	2.3	124.7	-5.7	116.7	-3.6		