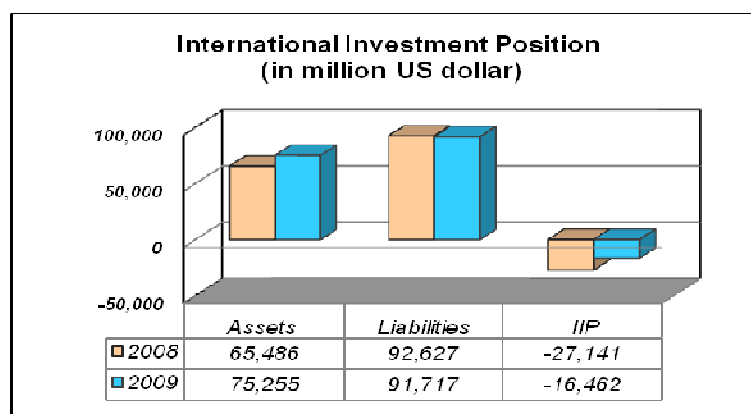


2009 INTERNATIONAL INVESTMENT POSITION (IIP) OF THE PHILIPPINES

The country's international investment position improves considerably.

The country's International Investment Position (IIP) continued to improve at end-2009 amid favorable investor sentiment as clearer signs of the global economic recovery have become evident. Preliminary IIP data as of end-December 2009 indicated that the country's net liability position improved appreciably to US\$16.5 billion from the revised end-2008 net liability position of US\$27.1 billion. This developed as total financial assets or claims of residents from the rest of the world reached US\$75.3 billion in 2009, higher by 14.9 percent relative to its level of US\$65.5 billion in 2008. Meanwhile, total financial liabilities amounted to US\$91.7 billion, down by 1.0 percent from its year-ago level of US\$92.6 billion (Table 1). The improvement in the net IIP reflected the stronger external payments position in 2009 with a balance of payments (BOP) surplus of US\$6.4 billion, considerably higher compared to the US\$89 million surplus registered in 2008.



Net positions of the BSP, Banks and Other Sectors strengthen.

By sector, the net external positions of the Bangko Sentral ng Pilipinas (BSP), the Banks, and the Other Sectors registered improvements at end-December 2009.¹ The BSP's net external asset position improved by 20.1 percent to reach US\$42.8 billion in 2009, from the year-ago level of US\$35.6 billion (Table 1). Ample foreign exchange liquidity within the financial system provided the BSP with the opportunity to build up its reserve assets as a cushion against possible external shocks. This also allowed the BSP to retire its short-term obligations, resulting in a 23.7 percent decline in its foreign liabilities.

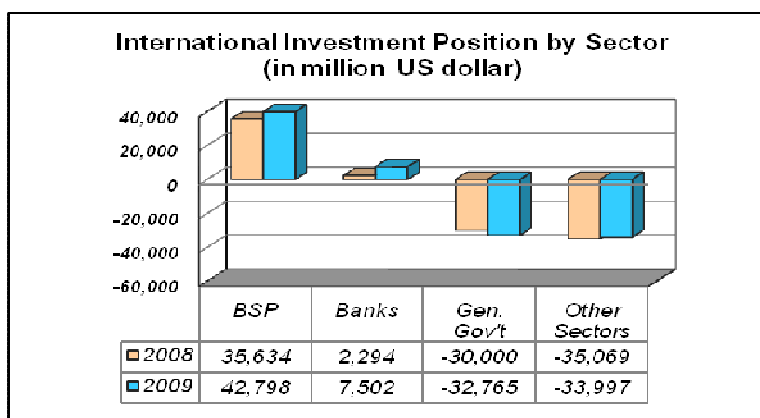
Also contributing to the higher reserve asset level was the general and special allocations of Special Drawing Rights

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

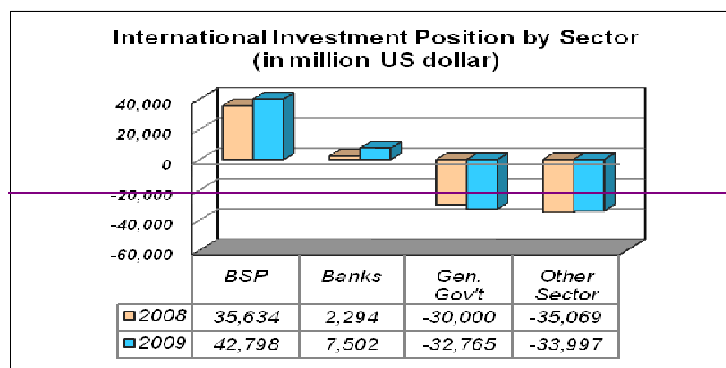
2009 International Investment Position

(SDRs), amounting to US\$1.1 billion, which were made available by the International Monetary Fund (IMF) to its member countries, including the Philippines, in August and September 2009 to boost reserves and provide liquidity to the global financial system. However, the same amount was added to the foreign financial liabilities of the BSP with the adoption of the revised treatment of SDR allocations under the Balance of Payments Manual, 6th edition (BPM6).² As a result, the SDR allocation did not have any impact on the net IIP due to the offsetting entries in both asset and liability sides.

Banks' net asset position likewise strengthened by more than twofold to reach US\$7.5 billion from the previous year's level of US\$2.3 billion, as Banks' foreign assets expanded by 14.2 percent while liabilities decreased by 25.7 percent in 2009. Meanwhile, the Other Sectors recorded a slightly lower net liability position of US\$34.0 billion compared to US\$35.1 billion in end-2008. The General Government remained a net user of foreign resources, posting a higher net liability position of US\$32.8 billion from the year-ago level of US\$30.0 billion. Bond flotations amounting to US\$3.3 billion as well as foreign loan availments by the National Government (NG) contributed to the higher financial liabilities of the General Government.



² Prior to implementation of the BPM6-based treatment, SDR allocations were reflected only as an increase in reserve assets through an increase in SDR holdings. With the revised treatment, the SDR allocation is now considered a long-term liability.

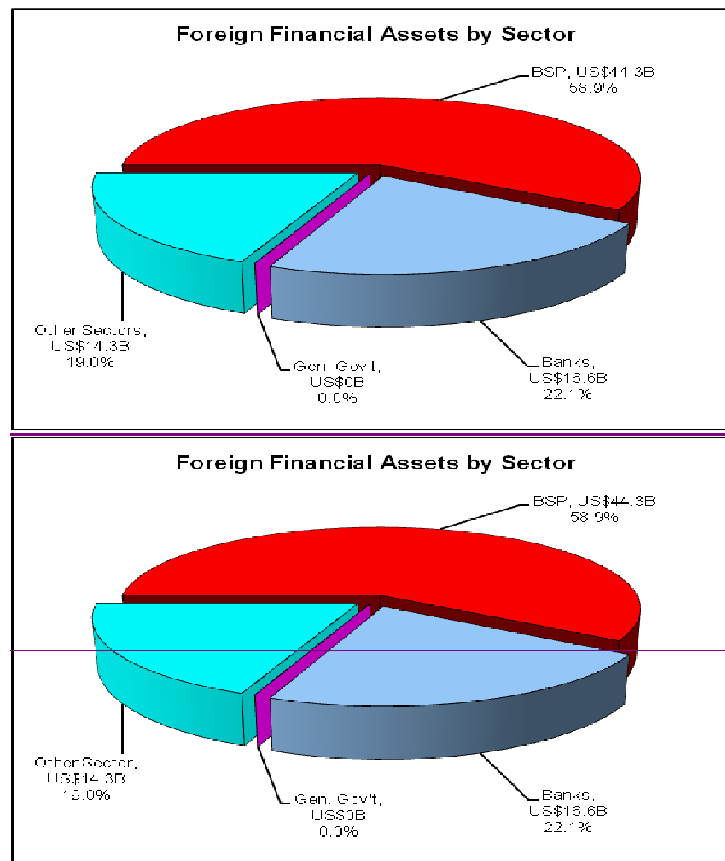


External Financial Assets

The BSP holds the largest stock of the country's external financial assets.

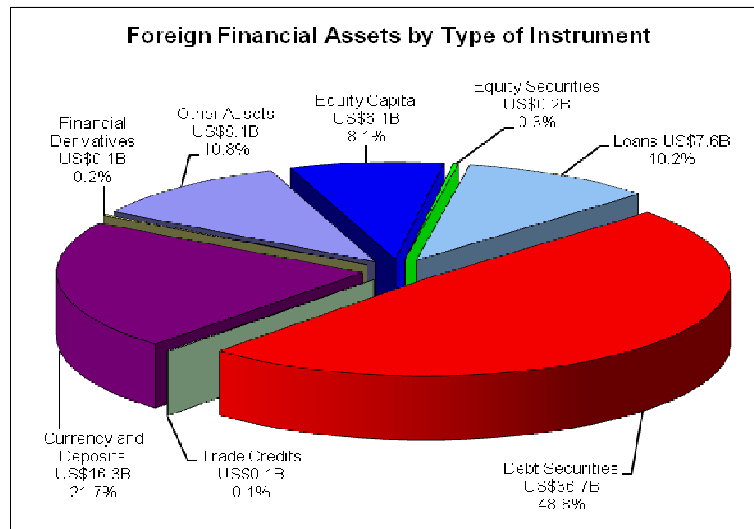
The BSP continued to account for the highest financial claim on the rest of the world, representing about three-fifths (58.9 percent) or US\$44.3 billion of the country's total foreign financial assets at end-2009 (Table 2). The BSP's stock of external assets was shored up mainly by the sustained build-up of its gross international reserves due to inflows arising from the foreign exchange operations of the BSP and income from its investments abroad, deposits by the NG and the Power Sector Assets and Liabilities Management Corporation (PSALM) of proceeds from their bond issues and other foreign borrowings, as well as allocations of SDRs and revaluation gains on the BSP's gold holdings on account of the increase in the price of gold in the international market in 2009.

Banks' assets, on the other hand, comprised 22.1 percent of the country's aggregate foreign assets which were largely held in the form of loans, debt securities, currency and deposits, and other assets. The Other Sector's foreign assets, consisting of investments in equity capital, deposits in banks abroad, and placements in debt securities, constituted the remaining 19.0 percent of the total external financial assets. The General Government remained to have no outstanding stock of foreign assets as of end-2009.



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

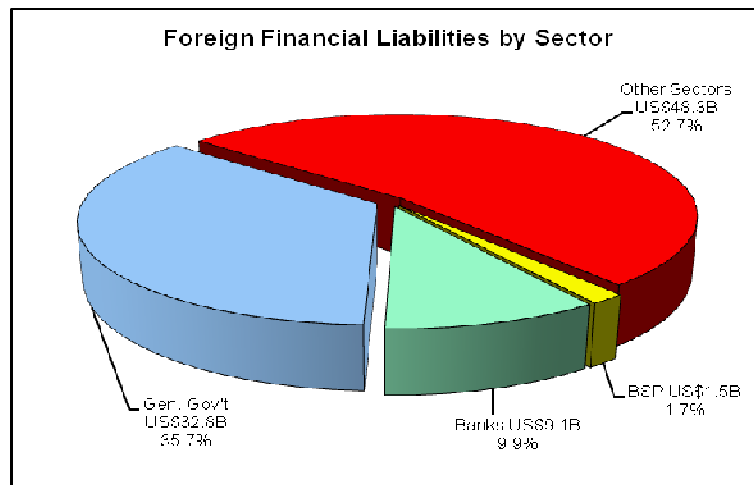
Investments in debt securities, mostly held by the BSP and Banks, comprised about half (or 48.8 percent) of the residents' financial claims abroad. Currency and deposit placements abroad accounted for 21.7 percent of total assets as of end-2009, primarily due to the deposits by the NG and PSALM of proceeds from their bond issuances. Loans receivables of Banks and the Other Sectors contributed 10.2 percent to total foreign financial assets while other assets, consisting mostly of monetary gold holdings of the BSP, accounted for 10.8 percent of total external assets. Meanwhile, equity capital investments abroad of private local banks and corporations accounted for 8.1 percent. The remainder were held in equity securities (0.3 percent), financial derivatives (0.2 percent), and trade credits with non-affiliates (0.1 percent).



External Financial Liabilities

The Other Sectors cover more than half of the country's financial liabilities to the rest of the world.

The Other Sectors registered the largest financial exposure to non-residents at 52.7 percent (or US\$48.3 billion) of the country's total foreign financial liabilities. The General Government ranked next as its liabilities – mainly composed of debt securities and loans from non-residents – accounted for 35.7 percent (or US\$32.8 billion) of total external liabilities (Table 3). Banks' liabilities to non-residents stood at 9.9 percent as of end-2009 while the remaining 1.7 percent represented the share of the BSP to the country's total external financial liabilities. The BSP's stock of financial liabilities declined as its short-term liabilities were settled during the year. This was, however, negated by the recording of the country's share of SDR allocations received in 2009.



Financial liabilities consist mainly of foreign loans and debt securities.

By type of liability, loans including trade credits extended to the NG, the Banks and the Other Sectors, comprised about two-fifths of the country's total external financial exposure. Buoyed by sound macroeconomic fundamentals (with inflation continuing to be low and falling within target, the external payments position remaining favorable, and economic growth showing resilience as a result of the strength in domestic demand), non-resident investors responded positively to the debt securities offerings as well as continued to infuse equity capital into the country in 2009. Debt securities such as bonds and notes issued primarily by the NG and Other Sectors accounted for 23.4 percent of total financial liabilities. Non-residents' equity capital investments represented 19.1 percent of total external liabilities while placements by non-residents in equity securities accounted for 8.5 percent. Meanwhile, liabilities to non-residents in the form of other capital, i.e., intercompany loans between related parties, covered 6.2 percent of the total financial liabilities. The remaining financial liabilities to non-residents were in the form of currency and deposits (1.1 percent), and other liabilities (1.5 percent) such as accrued interest and taxes payable of Banks.

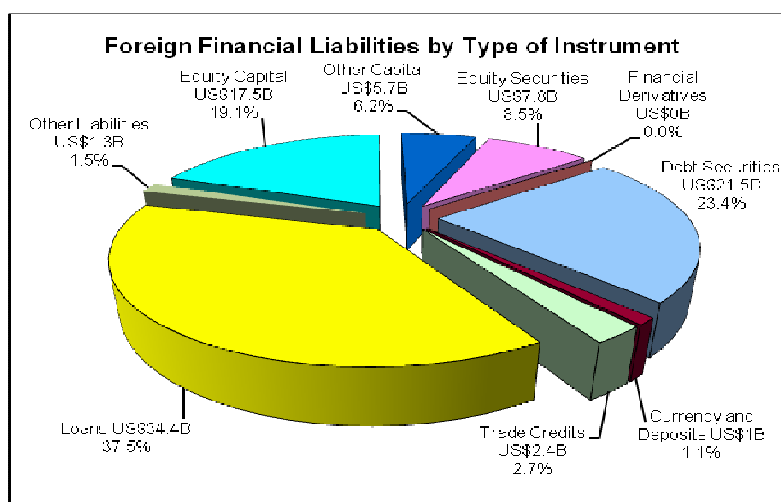


Table 1
International Investment Position by Sector
(in million US dollars)

	End-2008			End-2009		
	Assets	Liabilities	IIP	Assets	Liabilities	IIP
Levels						
Bangko Sentral ng Pilipinas	37620	1986	35634	44313	1515	42798
Banks	14542	12248	2294	16607	9105	7502
General Government	0	30000	-30000	0	32765	-32765
Other Sectors	13324	48393	-35069	14335	48332	-33997
Total	65486	92627	-27141	75255	91717	-16462
Percent Share to Total						
Bangko Sentral ng Pilipinas	57.4	2.1	-131.3	58.9	1.7	-260.0
Banks	22.2	13.2	-8.5	22.1	9.9	-45.6
General Government	0.0	32.4	110.5	0.0	35.7	199.0
Other Sectors	20.3	52.2	129.2	19.0	52.7	206.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
Growth Rate						
Bangko Sentral ng Pilipinas	11.2	281.2	6.9	17.8	-23.7	20.1
Banks	-18.8	-14.8	-35.0	14.2	-25.7	227.0
General Government	0.0	2.3	-2.3	0.0	9.2	-9.2
Other Sectors	-12.3	-5.7	2.9	7.6	-0.1	3.1
Total	-2.2	-3.1	5.1	14.9	-1.0	39.3

Table 2
Foreign Financial Assets
(in million US dollars)

Instrument/Sector	BSP		Banks		General Government		Other Sectors		Total		% to Total	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Levels												
Direct Investment	0	0	185	266	0	0	5551	5829	5736	6095	8.8	8.1
Equity Capital	0	0	185	266	0	0	5551	5829	5736	6095	8.8	8.1
Other Capital	0	0	0	0	0	0	0	0	0	0	0.0	0.0
Portfolio Investment	32066	31397	3280	4007	0	0	1450	1486	36796	36890	56.2	49.0
Equity Securities	0	0	33	41	0	0	112	148	145	189	0.2	0.3
Debt Securities	32066	31397	3247	3966	0	0	1338	1338	36651	36701	56.0	48.8
of which: Reserves	32066	31397	0	0	0	0	0	0	32066	31397	49.0	41.7
Financial Derivatives	0	0	231	119	0	0	67	8	298	127	0.5	0.2
Other Investment	5554	12916	10846	12215	0	0	6256	7012	22656	32143	34.6	42.7
Trade Credits	0	0	0	0	0	0	75	81	75	81	0.1	0.1
Loans	0	0	5292	7475	0	0	817	167	6109	7642	9.3	10.2
Currency and Deposits	981	6107	3501	3432	0	0	5356	6763	9838	16302	15.0	21.7
of which: Reserves	981	6107	0	0	0	0	0	0	981	6107	1.5	8.1
Other Assets	4573	6809	2053	1308	0	0	8	1	6634	8118	10.1	10.8
of which: Reserves	4504	6739	0	0	0	0	0	0	4504	6739	6.9	9.0
Total	37620	44313	14542	16607	0	0	13324	14335	65486	75255	100.0	100.0
Growth Rate												
Direct Investment	0.0	0.0	-51.8	43.8	0.0	0.0	5.1	5.0	1.2	6.3		
Equity Capital	0.0	0.0	-51.8	43.8	0.0	0.0	5.1	5.0	1.2	6.3		
Other Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Portfolio Investment	58.7	-2.1	-24.5	22.2	0.0	0.0	-6.7	2.5	40.9	0.3		
Equity Securities	0.0	0.0	32.0	24.2	0.0	0.0	-35.3	32.1	-26.8	30.3		
Debt Securities	58.7	-2.1	-24.9	22.1	0.0	0.0	-3.1	0.0	41.5	0.1		
of which: Reserves	58.7	-2.1	0.0	0.0	0.0	0.0	0.0	0.0	58.7	-2.1		
Financial Derivatives	0.0	0.0	0.0	-48.5	0.0	0.0	-41.9	-88.1	158.3	-57.4		
Other Investment	-59.3	132.6	-17.7	12.6	0.0	0.0	-24.1	12.1	-35.4	41.9		
Trade Credits	0.0	0.0	0.0	0.0	0.0	0.0	11.9	8.0	11.9	8.0		
Loans	0.0	0.0	-19.8	41.3	0.0	0.0	-70.0	-79.6	-34.5	25.1		
Currency and Deposits	-90.1	522.5	-16.4	-2.0	0.0	0.0	-1.6	26.3	-49.6	65.7		
of which: Reserves	-90.1	522.5	0.0	0.0	0.0	0.0	0.0	0.0	-90.1	522.5		
Other Assets	21.5	48.9	-14.1	-36.3	0.0	0.0	-33.3	-87.5	7.6	22.4		
of which: Reserves	22.4	49.6	0.0	0.0	0.0	0.0	0.0	0.0	22.4	49.6		
Total	11.2	17.8	-18.8	14.2	0.0	0.0	-11.7	7.6	-2.0	14.9		

Table 3
Foreign Financial Liabilities
(in million US dollars)

Instrument/Sector	BSP		Banks		General Government		Other Sectors		Total		% to Total	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Levels												
Direct Investment	0	0	4114	3661	0	0	17632	19519	21746	23180	23.5	25.3
Equity Capital	0	0	1125	1128	0	0	14433	16347	15558	17475	16.8	19.1
Other Capital	0	0	2989	2533	0	0	3199	3172	6188	5705	6.7	6.2
Portfolio Investment	306	202	998	720	12874	14769	14379	13609	28557	29300	30.8	31.9
Equity Securities	0	0	560	578	0	0	8353	7239	8913	7817	9.6	8.5
Debt Securities	306	202	438	142	12874	14769	6026	6370	19644	21483	21.2	23.4
Financial Derivatives	0	0	209	5	0	0	143	26	352	31	0.4	0.0
Other Investment	1680	1313	6927	4719	17126	17996	16239	15178	41972	39206	45.3	42.7
Trade credits	0	0	0	0	0	0	2405	2437	2405	2437	2.6	2.7
Loans	1500	0	5061	3726	17126	17996	13783	12714	37470	34436	40.5	37.5
Currency and Deposits	0	0	1068	971	0	0	16	13	1084	984	1.2	1.1
Other Liabilities	180	1313	798	22	0	0	35	14	1013	1349	1.1	1.5
Total	1986	1515	12248	9105	30000	32765	48393	48332	92627	91717	100.0	100.0
Growth Rate												
Direct Investment	0.0	0.0	4.9	-11.0	0.0	0.0	106.6	10.7	106.3	6.6		
Equity Capital	0.0	0.0	1.4	0.3	0.0	0.0	108.5	13.3	108.0	12.3		
Other Capital	0.0	0.0	6.3	-15.3	0.0	0.0	98.8	-0.8	102.3	-7.8		
Portfolio Investment	-9.5	-34.0	-60.0	-27.9	90.1	14.7	85.4	-5.4	84.1	2.6		
Equity Securities	0.0	0.0	-16.3	3.2	0.0	0.0	87.1	-13.3	86.8	-12.3		
Debt Securities	-9.5	-34.0	-76.0	-67.6	90.1	14.7	83.2	5.7	82.9	9.4		
Financial Derivatives	0.0	0.0	0.0	-97.6	0.0	0.0	0.0	-81.8	0.0	-91.2		
Other Investment	818.0	-21.8	-13.0	-31.9	113.9	5.1	90.5	-6.5	102.0	-6.6		
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	103.8	1.3	103.8	1.3		
Loans	0.0	-100.0	-20.0	-26.4	113.9	5.1	88.5	-7.8	101.5	-8.1		
Currency and Deposits	0.0	0.0	-29.6	-9.1	0.0	0.0	100.0	-18.8	70.8	-9.2		
Other Liabilities	-1.6	629.4	565.0	-97.2	0.0	0.0	74.5	-60.0	289.4	33.2		
Total	281.2	-23.7	-14.8	-25.7	102.3	9.2	94.3	-0.1	96.9	-1.0		