

## 2010 PHILIPPINE FLOW OF FUNDS

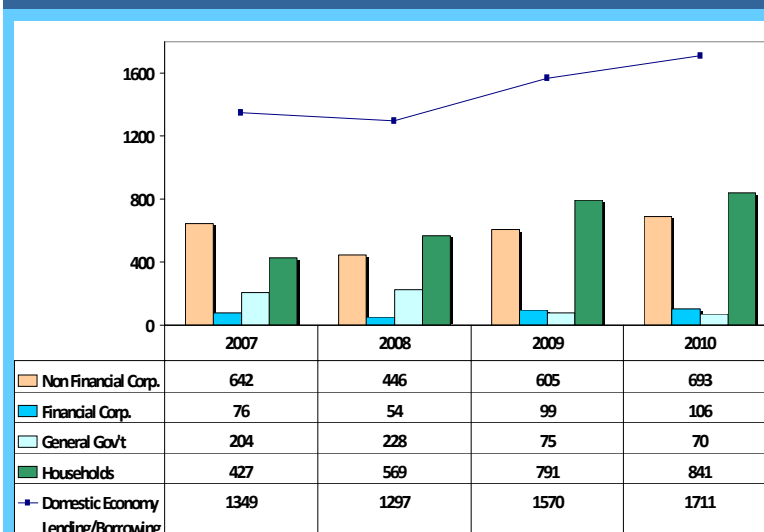
The 2010 Flow of Funds (FOF) reports a modest 9.0 percent growth in national savings as the recovery of the Philippine economy continued to gain traction. Real GDP grew by 7.3 percent in 2010 from a tepid 1.1 percent in 2009. Households and non-financial corporations remained the top savers among resident institutions. With the stronger appetite for investment by the private sector, capital accumulation grew by 18.2 percent, a sharp turnaround from the 0.7 percent decline in 2009. Moreover, the domestic economy maintained its net lending position with the rest of the world, although at a level that was lower than that of the previous year. Securities other than shares and loans were the dominant funding instruments among the residents in the capital market and in cross-border transactions.

### Savers in the Economy

*Total savings continue to increase* The domestic economy generated total savings of ₱1,710.6 billion in 2010, surpassing the year-ago level of ₱1,570.1 billion, in light of the country's strong economic performance. All sectors ended up as savers in the economy. This ensued owing to the broad-based increase in revenues of the non-financial corporate sector, better income-generating opportunities for households, improved profitability of the financial sector, and the increase in income of the general government. (Annexes A, B and C)

### Gross Savings, by Sector

*in Billion Pesos*



*Households remain as lead saver in the economy, but growth in savings slows as personal consumption spending increases*

For the third consecutive year, the household sector was the prime saver in the economy with total accumulated savings of ₱841.5 billion, a modest improvement of 6.4 percent from the previous year's level. This could be due to better income-generating opportunities for households as employment rate in the domestic labor market slightly improved and the legislated wage rates for both the non-agricultural and agricultural workers rose.<sup>1</sup> Household sector's savings also drew support from the continued inflow of remittances from Filipinos working abroad despite the economic difficulties in a number of host economies. Overseas Filipinos' (OF) remittances in 2010 amounted to US\$18.8 billion, an 8 percent increase from the year-ago level of US\$17.4 billion.

However, the growth in household savings in 2010 was a marked deceleration from the 39.0 percent increase in 2009 as growth in personal consumption expenditures accelerated from 7.5 percent in 2009 to 9.1 percent in 2010.<sup>2</sup>

*Non-financial corporations' savings grow steadily on increased revenues*

Savings generated by the non-financial corporations sector reached ₱692.9 billion, exceeding the previous year's level of ₱604.6 billion by 14.6 percent. The combined effect of increased revenues as business activity strengthened and the adoption of cost-efficient measures to stay competitive underpinned the growth in net income and corporate savings.

The strong income growth was broad-based, although it was most notable in food and beverage, real estate, transport and wholesale trade industries. Likewise, lower interest rates on borrowings as well as lower inflation that kept operational costs at a manageable level could have also contributed to higher corporate savings.

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<sup>1</sup> Average employment rate improved to 92.7 percent in 2010 from 92.5 percent in 2009. Legislated daily wage for non-agricultural workers in the National Capital Region increased to ₱404 from ₱382 while that of the agricultural workers rose to ₱367 from ₱345.

<sup>2</sup> National Accounts, at current prices (old series)

*Lower interest payments generate savings for the financial sector*

The financial sector's savings grew by 6.8 percent in 2010, reaching ₱106.1 billion from ₱99.3 billion in 2009. The increased savings was traced to the 8.0 percent decline in interest expense on deposit liabilities as a result of the decline in interest rates. Despite the low interest environment, however, depository banks eked out a modest growth of 1.4 percent in interest income as bank lending continued to grow.<sup>3</sup>

*General government's savings drop but at a decelerating rate, as government expenditures are contained*

Meanwhile, the consolidated general government sector posted savings of ₱70.3 billion on account of savings generated by the local government units (LGUs) and social security agencies (SSAs). However, the level of savings in 2010 was 6.3 percent lower than that of the previous year due to the dissaving of the National Government (NG).

The NG continued to be on a dissaving mode although the pace had slowed to a 12.1 percent increase vis-à-vis the 44.9 percent growth observed in 2009 as the new administration focused on improving the quality of spending and implementation of programs. This led to a lower growth of 7.1 percent in current expenditures while revenues increased by 7.5 percent. In particular, the 2010 DBM Accomplishment Report cited the deferment of the ₱5 billion subsidy for indigents under the National Health Insurance Program as one of the major factors contributing to the decline in the maintenance and other operating expenditures (MOOE) under current expenditures.

On the other hand, LGUs' savings increased by 11.5 percent to ₱74.1 billion due to higher Internal Revenue Allotments. Meanwhile, social security agencies' (SSAs) savings in 2010 reached ₱65.3 billion, helped by the 40.8 percent increase in savings of the Social Security System (SSS) to ₱22.8 billion in 2010 as business and service receipts rose, specifically insurance premium and interest on loans to members. Additionally, the Government Service Insurance System (GSIS) posted savings of ₱41.4 billion, albeit 6.0 percent

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<sup>3</sup> The 2nd semester 2010 Status Report on the Philippine Financial System noted a 31.4 percent growth in profit that was due to strong trading gains and cost-efficient operations. However, in the FOF, only those profits generated by banks' intermediation services (measured by net interest income) and other services are considered in the computation of savings. Thus, the effect of trading gains in profit is excluded.

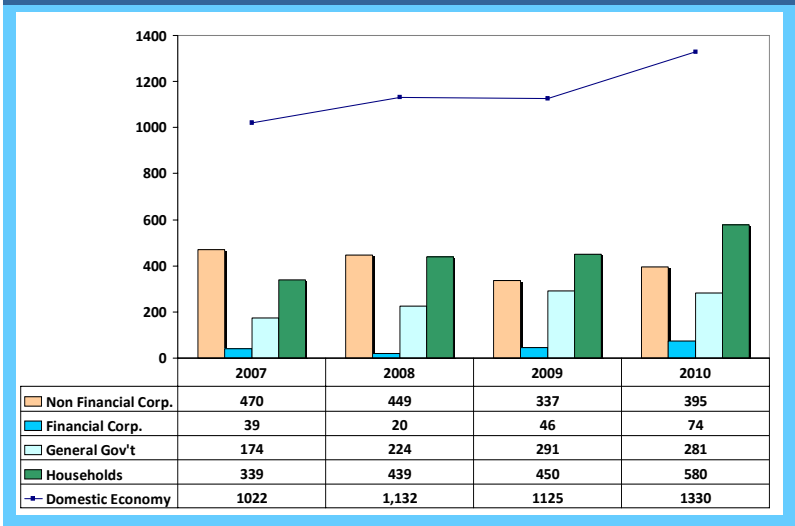
lower than the year-ago level due to the drop in investment income.

### Investing Institutions

*Real investment expands, bolstered by improving global economic conditions*

As the global economy rebounded and business confidence improved, real investment strengthened. In 2010, capital accumulation in the domestic economy climbed by 18.2 percent to ₱1,329.7 billion from ₱1,124.6 billion in 2009.<sup>4</sup>

**Gross Capital Accumulation, by Sector**  
in Billion Pesos



*Non-financial corporations' capital accumulation rises as investor outlook improves*

The non-financial corporations sector's capital accumulation posted a buoyant growth of 17.1 percent from ₱337.4 billion in 2009 to ₱395.3 billion in 2010. The positive outlook of investors given improving market conditions, helped by the low interest rate regime, provided the impetus for business expansion. Purchases of durable

<sup>4</sup> Capital accumulation (usually referred to as real investments) in the System of National Accounts (SNA) consists of net acquisition of two main types of assets—produced assets and non-produced assets. Examples of produced assets are fixed capital, such as buildings and structures, machinery and equipment; and changes in stocks, which are also considered as forms of capital formation. Meanwhile, examples of non-produced assets, which are not products of any economic activity, include purchase and sale of patents, copyrights, trademarks, and franchises. Purchase and sale of land are also included but would only be covered in transactions among the domestic sectors, and eventually cancel out in the process of national consolidation. Data were sourced from the national accounts, old series and valued at current prices.

equipment rose by 28.1 percent, a reversal of the 8.7 percent contraction recorded in 2009.<sup>5</sup> Likewise, expenditures on commercial and industrial structures registered a robust growth of 81.8 percent and 65.2 percent, respectively.<sup>6</sup>

*Households' investment in residential properties surges* Household sector's capital accumulation went up by 28.7 percent to ₱579.5 billion from ₱450.4 billion in 2009. This was due to: (1) improved consumer confidence on expectations of a strong economic rebound; (2) supportive bank credit standards; and (3) low interest rate on financing which encouraged growth in mortgage loans.<sup>7</sup> The growth in real estate loans accelerated to 10.1 percent in 2010 compared to the 5.7 percent increase in 2009. Residential condominiums accounted for the bulk of the increase in household sector's capital formation.<sup>8</sup>

*BSP's gold purchase is the main driver of real capital accumulation in the financial sector* The financial sector's real capital accumulation grew by 61.3 percent from ₱45.9 billion in 2009 to ₱74.0 billion in 2010. This was largely attributed to the BSP's purchases of gold from the mining sector, which increased from ₱33.7 billion in 2009 to ₱49.1 billion in 2010. Likewise, thrift banks contributed to the increase in capital accumulation as they posted a ₱7.2 billion net acquisition of non-financial assets in 2010, a turnaround from the net disposal of ₱3.0 billion in 2009, with the bulk booked under their real and other property assets (ROPA) account. This was in contrast to the commercial banks' continued disposition of bad assets under the same ROPA account.<sup>9</sup>

*General government's capital expenditures decline, reflecting cautious fiscal spending* The general government sector's capital accumulation dropped by 3.4 percent in 2010 from a growth of 29.7 percent in 2009. This could be traced to the NG's withdrawal of the 2009 stimulus program amid its review of capital expenditures under the "zero-based budgeting" program that would help identify areas for cost-saving by the government. As a result, the NG's infrastructure and

<sup>5</sup> National Accounts of the Philippines, old series at current prices

<sup>6</sup> Comparative Construction Statistics by Type of Building: Philippines, 2010 and 2009. This was also affirmed by the National Accounts of the Philippines where private construction soared by 22.7 percent, at current prices.

<sup>7</sup> Consumer Expectations Survey Q4 2010. On a year-on-year basis, the percentage of households which preferred to buy house and lot increased to 25.5 percent in 2010 compared to 21.1 percent in 2009.

<sup>8</sup> BSP 2010 Annual Report

<sup>9</sup> ROPA of commercial banks declined by 7.1 percent to ₱139.7 billion from ₱150.4 billion in 2009.

other capital spending contracted by 4.5 percent from ₱217.0 billion in 2009 to ₱207.2 billion in 2010.<sup>10</sup>

Meanwhile, the level of LGU’s capital expenditures in 2010 was unchanged from that of 2009 at ₱72.7 billion. This accounted for about 25 percent of the total general government capital formation.

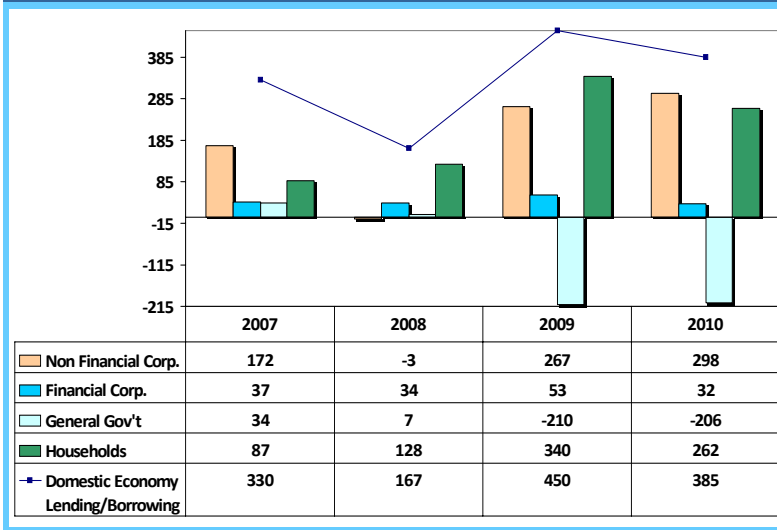
### Lenders and Borrowers in the Economy

*Domestic economy remains net lender to the rest of the world*

While remaining as a provider of funds to the rest of the world, the country’s net lending to other countries declined to ₱385.5 billion from ₱450.3 billion in 2009. This developed mainly on account of the trade-in-goods deficit that widened to US\$11.0 billion from the previous year’s level of US\$8.8 billion.<sup>11</sup> (Annex D)

### Net Lending, by Sector

*in Billion Pesos*



<sup>10</sup> DBM Accomplishment Report 2010

<sup>11</sup> Conversely, the Rest of the World’s borrowing from the domestic economy fell by 14.4 percent in 2010.

*The non-financial corporations emerge as the top net lender with increased accounts receivable that indicated higher market sales*

The non-financial corporations sector came out as the top net lender in 2010 at ₱297.6 billion, higher by 11.4 percent than the 2009 level of ₱267.2 billion. With volume of sales of the sector improving, accounts receivable (mainly in the form of trade credits) dominated their asset transactions. Moreover, expectations of improving market conditions encouraged the acquisition of shares and other equity which went up by 192.9 percent. These were in the form of capital infusion to subsidiaries and affiliates and were most apparent in electricity, gas and water and fast food businesses.

*Households rank second in net lending, with bank deposits and purchase of securities as the main instruments*

From being the top lender in 2009, the household sector was relegated to the second spot, with net lending at ₱261.6 billion. As in the past, currency and deposits remained the most preferred form of asset acquisition by households, although its level was lower compared with that of last year when uncertainties drove households to stay liquid. Notable was the continued flight of households' investment from securities to shares and other equity, which grew by 21.2 percent. The shift to shares and other equity ensued on the prospect of higher return from investment as average bond yields declined while corporate earnings continued to grow.<sup>12</sup>

As consumer sentiment on the country's economic conditions improved, the household sector's borrowings to finance its consumption and capital accumulation went up. As a result, the banking system's real estate loans, auto loans and credit card receivables registered growth of 9.9 percent, 24.5 percent and 4.7 percent respectively, in 2010.<sup>13</sup>

*Financial corporations maintain its net lending position, although lower than the previous year's level*

The financial sector continued to be a net lender in 2010, with net fund provision reaching ₱32.1 billion. This level was 39.9 percent lower than that of the previous year as banks' deposit-taking activities in 2010 almost doubled, pushing their liability transactions to grow by 33.2 percent, which slightly outpaced the 31.2 percent growth in asset accumulation. Total currency and deposits amounted to

<sup>12</sup> LIBOR rate fell from 1.1 percent in 2009 to 0.5 percent in 2010 while the 364-day Treasury bill rate declined from 4.6 percent to 4.3 percent

<sup>13</sup> Banking Statistics: Real Estate Loans, Auto Loans, and Credit Card Receivables

₱964.9 billion, a 72.9 percent increase from the 2009 level of ₱557.9 billion. This development was reflective of the public's continued trust in the domestic banking system, contrary to the prevailing cautious global sentiment given the deepening crisis in some parts of the Eurozone.

*The NG's budget deficit contributes to the general government's net borrower position* Meanwhile, the general government sector remained as a net borrower at ₱205.7 billion, albeit lower by 2.2 percent from its 2009 level as the NG narrowed its funding deficit by 0.6 percent in 2010. To cover its funding requirements, the NG adopted a 66:34 financing mix in favor of domestic sources over foreign funds largely through issuance of debt securities. Consequently, the NG dominated the domestic bond market, accounting for 93 percent of total bond issuances in 2010.<sup>14</sup> Supplementary funding came from offshore in the first quarter with the US\$15 billion dual-tranche offering followed by the ¥100 billion samurai bond issuance. Towards end-2010, the NG again issued US\$2.01 billion worth of bonds maturing in 2021 and reopened the 2034 bond issuance worth US\$0.95 billion.

The net borrowing position of the NG was partly offset by the net provision of funds both by the SSAs and LGUs at ₱64.2 billion and ₱1.4 billion, respectively. The SSA's net lending, however, was lower compared to its 2009 level of ₱68.7 billion. Meanwhile, after being a net borrower in 2009, the LGUs reverted to being a net lender at ₱1.4 billion.

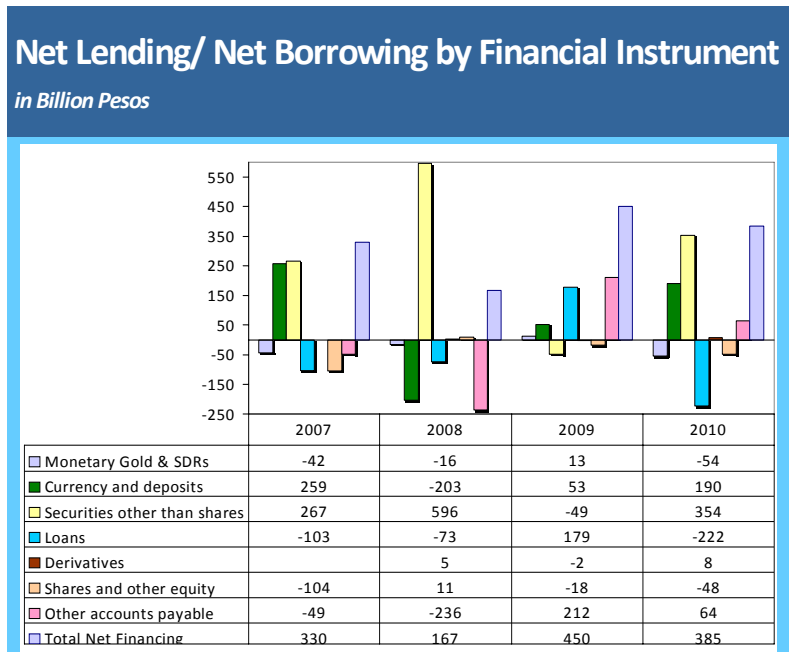
## Financial Instruments Used in the Economy

*Total volume of financial transactions increases, with currency and deposits as most preferred instruments* The volume of financial transactions accelerated in 2010 in tandem with economic activity. The most favored financial instrument was currency and deposits, with the volume transacted twice that of the previous year, reflecting ample liquidity in the system. This was followed by securities other than shares, which far outranked accounts receivable/payable.

<sup>14</sup> Computed based on data from the Bureau of Treasury and Bloomberg



Despite the rise in investments in shares and other equity, preference by investors in this type of investment remained low, settling at fourth place (after loans). This could be due to the relatively smaller issues of equity capital by listed firms (₱84.9 billion in 2010) compared with the size of corporate bond issuances (₱208.1 billion in 2010), exclusive of national government debt issuances.<sup>15</sup>



*Issuance of securities remains to be the favored financial asset from the rest of the world*

Financial transactions with the rest of the world were likewise dominated by issuances and purchases of debt securities, with NG as the top issuer offshore. On the other hand, commercial banks and the insurance sector were the main investors in foreign-issued securities, apart from the BSP which kept part of its international reserves in these instruments.

Moreover, as imports of goods grew, accounts receivable by the rest of the world from the domestic economy expanded by 57.1 percent in 2010.

<sup>15</sup> Philippine Stock Exchange and Bloomberg

## About the Flow of Funds

The FOF presents a summary of financial transactions among the different institutions of the economy, and between these institutions and the rest of the world. It identifies which institutions are net borrowers and net lenders in the series of financial transactions. Institutions are categorized into four, namely: 1) financial corporations; 2) non-financial corporations; 3) general government; and 4) households. (Annex E)

## 1 FLOW OF FUNDS SUMMARY MATRIX, BY SECTOR

2010<sup>P</sup>

in million pesos

TRANSACTION CATEGORIES	Non-Financial Corporations	Financial Corp.	General Government	Households <sup>1</sup>	DOMESTIC SECTORS <sup>2</sup>	Rest of the World	TOTAL VOLUME
<b>CAPITAL ACCOUNT</b>							
Gross Saving and Capital Transfers	692,853	106,052	75,215	841,113	1,715,232	-385,633	1,329,600
Saving	692,853	106,052	70,268	841,474	1,710,646	-381,047	1,329,600
Net capital transfers	0	0	4,947	-361	4,586	-4,586	0
Capital Accumulation	395,264	73,980	280,964	579,528	1,329,737	-137	1,329,600
Gross Capital formation	395,264	73,980	285,642	574,713	1,329,600	0	1,329,600
Other capital accumulation	0	0	-4,678	4,815	137	-137	0
Net Lending (+) / Net Borrowing (-)	297,588	32,071	-205,749	261,585	385,496	-385,496	0
<b>FINANCIAL ACCOUNT</b>							
Net Financing <sup>3</sup>	297,588	32,071	-205,749	261,585	385,496	-385,496	0
Net Acquisition of Financial Assets	739,352	1,767,834	199,139	221,548	2,927,873	673,649	3,601,522
Monetary gold and SDRs		-53,633			-53,633	53,633	0
Currency and deposits	329,400	964,922	19,642	122,973	1,436,937	81,727	1,518,663
Securities, other than shares	-121,259	679,251	194,574	-4,500	748,066	307,834	1,055,900
Derivatives	-2,011	-17,246			-19,257	-27,719	-46,976
Loans	56,842	246,068	-11,787	-	291,123	92,313	383,436
Shares and other equity	56,858	36,196	777	18,781	112,613	70,088	182,701
Insurance technical reserves		85	-145	-7,590	-7,650	0	-7,650
Other accounts receivable <sup>4</sup>	419,520	-87,808	-3,923	-	327,790	95,773	423,563
Unclassified items <sup>6</sup>				91,884	91,884	0	91,884
Net Incurrence of Liabilities	441,763	1,735,763	404,888	-40,036	2,542,377	1,059,145	3,601,522
Monetary gold and SDRs							
Currency and deposits		1,246,718			1,246,718	271,945	1,518,663
Securities, other than shares	58,163	14,645	321,593		394,401	661,499	1,055,900
Derivatives	-2,327	-25,392			-27,719	-19,257	-46,976
Loans	182,810	69,514	70,916	189,684	512,924	-129,488	383,436
Shares and other equity	78,495	81,663	0		160,158	22,543	182,701
Insurance technical reserves		-7,650			-7,650	0	-7,650
Other accounts payable <sup>5</sup>	124,622	356,264	12,379	-229,720	263,545	160,018	423,563
Unclassified items <sup>6</sup>						91,884	91,884
<b>NET LENDING / NET FINANCING BY FINANCIAL INSTRUMENT</b>							
Net Financing <sup>3</sup>	297,588	32,071	-205,749	261,585	385,496	-385,496	0
Monetary gold and SDRs		-53,633			-53,633	53,633	0
Currency and deposits	329,400	-281,796	19,642	122,973	190,218	-190,218	0
Securities, other than shares	-179,421	664,606	-127,019	-4,500	353,665	-353,665	0
Derivatives	316	8,146	0	0	8,462	-8,462	0
Loans	-125,967	176,553	-82,703	-189,684	-221,801	221,801	0
Shares and other equity	-21,637	-45,466	777	18,781	-47,545	47,545	0
Insurance technical reserves	0	7,735	-145	-7,590	0	0	0
Other accounts receivable (+) / payable (-)	294,898	-444,073	-16,301	229,720	64,245	-64,245	0
Unclassified items <sup>6</sup>				91,884	91,884	-91,884	0

<sup>P</sup> Preliminary<sup>1</sup><sup>2</sup> Includes entrepreneurial activities of households as well as all other unaccounted transactions in the domestic economy; also covers non-profit institutions serving households (NPISH)<sup>3</sup> Refers to the sum of the domestic sectors' transactions among themselves and with the rest of the world (ROW)<sup>4</sup> Net acquisition of financial assets less net incurrence of financial liabilities<sup>5</sup> For the household sector, presented as net of accounts payables<sup>6</sup> Households' other accounts payable includes errors and omissions<sup>6</sup> Represents the unclassified financial assets/liabilities in the Balance of Payment, including derivatives  
Details may not add up due to rounding off.

## 2 FLOW OF FUNDS: NON-FINANCIAL CORPORATIONS

2010<sup>P</sup>

in million pesos

TRANSACTION CATEGORIES	Private	Public	Total
<b>CAPITAL ACCOUNT</b>			
Gross Saving and Capital Transfers	684,296	8,557	692,853
Saving	684,296	8,557	692,853
Net capital transfers	0	0	0
Capital Accumulation	563,890	-168,626	395,264
Gross Capital formation	563,890	-168,626	395,264
Other capital accumulation	0	0	0
Net Lending (+) / Net Borrowing (-)	120,405	177,183	297,588
<b>FINANCIAL ACCOUNT</b>			
Net Financing <sup>1</sup>	120,405	177,183	297,588
Net Acquisition of Financial Assets	727,361	11,991	739,352
Monetary gold and SDRs			
Currency and deposits	362,018	-32,618	329,400
Securities, other than shares	-135,987	14,728	-121,259
Derivatives	-2,011	0	-2,011
Loans	-6,914	63,756	56,842
Shares and other equity	63,820	-6,961	56,858
Insurance technical reserves			
Other accounts receivable <sup>2</sup>	446,434	-26,914	419,520
Unclassified items <sup>4</sup>			
Net Incurrence of Liabilities	606,956	-165,192	441,763
Monetary gold and SDRs			
Currency and deposits			
Securities, other than shares	71,102	-12,939	58,163
Derivatives	-2,327	0	-2,327
Loans	231,489	-48,679	182,810
Shares and other equity	82,236	-3,741	78,495
Insurance technical reserves		0	0
Other accounts payable <sup>3</sup>	224,455	-99,833	124,622
Unclassified items <sup>4</sup>			
<b>NET LENDING / NET FINANCING BY FINANCIAL INSTRUMENT</b>			
Net Financing <sup>1</sup>	120,405	177,183	297,588
Monetary gold and SDRs	0	0	0
Currency and deposits	362,018	-32,618	329,400
Securities, other than shares	-207,089	27,667	-179,421
Derivatives	316	0	316
Loans	-238,403	112,435	-125,967
Shares and other equity	-18,416	-3,220	-21,637
Insurance technical reserves	0	0	0
Other accounts receivable (+) / payable (-)	221,979	72,919	294,898
Unclassified items <sup>4</sup>			

<sup>1</sup> Net acquisition of financial assets less net incurrence of financial liabilities

<sup>2</sup> For the household sector, presented as net of accounts payables

<sup>3</sup> Households' other accounts payable includes errors and omissions

<sup>4</sup> Represents the unclassified financial assets/liabilities in the Balance of Payments, including derivatives  
Details may not add up due to rounding off.

### 3 FLOW OF FUNDS: FINANCIAL CORPORATIONS

2010<sup>P</sup>

in million pesos

TRANSACTION CATEGORIES	Depository Corporations <sup>1</sup>	Insurance & Pension Funds	Other Financial Corporations	Total
<b>CAPITAL ACCOUNT</b>				
Gross Saving and Capital Transfers	46,106	29,365	30,581	106,052
Saving	46,106	29,365	30,581	106,052
Net capital transfers	0	0	0	0
Capital Accumulation	70,154	1,630	2,196	73,980
Gross Capital formation	70,154	1,630	2,196	73,980
Other capital accumulation				
Net Lending (+) / Net Borrowing (-)	-24,048	27,735	28,385	32,071
<b>FINANCIAL ACCOUNT</b>				
Net Financing <sup>2</sup>	-24,048	27,735	28,385	32,071
Net Acquisition of Financial Assets	1,341,417	67,575	358,843	1,767,834
Monetary gold and SDRs	-53,633	0	0	-53,633
Currency and deposits	672,502	1,742	290,679	964,922
Securities, other than shares	524,435	44,676	110,139	679,251
Derivatives	-17,246	0		-17,246
Loans	212,877	7,120	26,070	246,068
Shares and other equity	14,308	21,795	93	36,196
Insurance technical reserves	0	85	0	85
Other accounts receivable <sup>3</sup>	-11,825	-7,844	-68,138	-87,808
Unclassified items <sup>5</sup>				
Net Incurrence of Liabilities	1,365,465	39,840	330,458	1,735,763
Monetary gold and SDRs	0	0	0	0
Currency and deposits	1,247,089	0	-371	1,246,718
Securities, other than shares	7,389	659	6,597	14,645
Derivatives	-25,392	0	0	-25,392
Loans	79,618	-9,089	-1,015	69,514
Shares and other equity	49,105	3,128	29,429	81,663
Insurance technical reserves	0	-7,650	0	-7,650
Other accounts payable <sup>4</sup>	7,656	52,791	295,817	356,264
Unclassified items <sup>5</sup>				
<b>NET LENDING / NET FINANCING BY FINANCIAL INSTRUMENT</b>				
Net Financing <sup>2</sup>	-24,048	27,735	28,385	32,071
Monetary gold and SDRs	-53,633	0	0	-53,633
Currency and deposits	-574,588	1,742	291,049	-281,796
Securities, other than shares	517,046	44,017	103,543	664,606
Derivatives	8,147	0	0	8,146
Loans	133,260	16,209	27,085	176,553
Shares and other equity	-34,798	18,667	-29,336	-45,466
Insurance technical reserves	0	7,735	0	7,735
Other accounts receivable (+) / payable (-)	-19,481	-60,635	-363,956	-444,073
Unclassified items <sup>5</sup>				

<sup>1</sup> Includes monetary authorities, commercial banks, thrift banks, rural banks and quasi-banks

<sup>2</sup> Net acquisition of financial assets less net incurrence of financial liabilities

<sup>3</sup> For the household sector, presented as net of accounts payables

<sup>4</sup> Households' other accounts payable includes errors and omissions

<sup>5</sup> Represents the unclassified financial assets/liabilities in the Balance of Payments, including derivatives  
Details may not add up due to rounding off.

#### 4 FLOW OF FUNDS: GENERAL GOVERNMENT

2010<sup>P</sup>

in million pesos

TRANSACTION CATEGORIES	National Government	Local Government Units	Social Security Agencies	Total
<b>CAPITAL ACCOUNT</b>				
Gross Saving and Capital Transfers	-64,136	74,060	65,291	75,215
Saving	-69,083	74,060	65,291	70,268
Net capital transfers	4,947	0	0	4,947
Capital Accumulation	207,210	72,706	1,047	280,964
Gross Capital formation	211,888	72,706	1,047	285,642
Other capital accumulation	-4,678	0	0	-4,678
Net Lending (+) / Net Borrowing (-)	-271,346	1,354	64,244	-205,749
<b>FINANCIAL ACCOUNT</b>				
Net Financing <sup>1</sup>	-271,346	1,354	64,244	-205,749
Net Acquisition of Financial Assets	98,501	27,323	73,316	199,139
Monetary gold and SDRs				
Currency and deposits	-11,435	14,109	16,968	19,642
Securities, other than shares	117,533	1,447	75,594	194,574
Derivatives				
Loans	-1,660	13	-10,140	-11,787
Shares and other equity	611	0	166	777
Insurance technical reserves	-158	13	0	-145
Other accounts receivable <sup>2</sup>	-6,390	11,741	-9,273	-3,923
Unclassified items <sup>4</sup>				
Net Incurrence of Liabilities	369,847	25,969	9,072	404,888
Monetary gold and SDRs				
Currency and deposits	0	0	0	0
Securities, other than shares	319,348	2,245	0	321,593
Derivatives				
Loans	62,303	8,613	0	70,916
Shares and other equity				
Insurance technical reserves				
Other accounts payable <sup>3</sup>	-11,804	15,111	9,072	12,379
Unclassified items <sup>4</sup>				
<b>NET LENDING / NET FINANCING BY FINANCIAL INSTRUMENT</b>				
Net Financing <sup>1</sup>	-271,346	1,354	64,244	-205,749
Monetary gold and SDRs				
Currency and deposits	-11,435	14,109	16,968	19,642
Securities, other than shares	-201,815	-798	75,594	-127,019
Derivatives	0	0	0	0
Loans	-63,963	-8,600	-10,140	-82,703
Shares and other equity	611	0	166	777
Insurance technical reserves	-158	13	0	-145
Other accounts receivable (+) / payable (-)	5,414	-3,370	-18,345	-16,301
Unclassified items <sup>4</sup>				

<sup>1</sup> Net acquisition of financial assets less net incurrence of financial liabilities

<sup>2</sup> For the household sector, presented as net of accounts payables

<sup>3</sup> Households' other accounts payable includes errors and omissions

<sup>4</sup> Represents the unclassified financial assets/liabilities in the Balance of Payments, including derivatives  
Details may not add up due to rounding off.

## 1 FLOW OF FUNDS SUMMARY MATRIX, BY SECTOR

2009 <sup>†</sup>

in million pesos

TRANSACTION CATEGORIES	Non-Financial Corporations	Financial Corp.	General Government	Households <sup>1</sup>	DOMESTIC SECTORS <sup>2</sup>	Rest of the World	TOTAL VOLUME
<b>CAPITAL ACCOUNT</b>							
Gross Saving and Capital Transfers	604,638	99,261	80,616	790,444	1,574,959	-450,267	1,124,692
Saving	604,638	99,261	74,997	791,157	1,570,053	-445,361	1,124,692
Net capital transfers	0	0	5,619	-713	4,906	-4,906	0
Capital Accumulation	337,406	45,875	290,936	450,427	1,124,644	48	1,124,692
Gross Capital formation	336,069	45,875	289,687	453,061	1,124,692	0	1,124,692
Other capital accumulation	1,337	0	1,249	-2,634	-48	48	0
Net Lending (+) / Net Borrowing (-)	267,232	53,386	-210,320	340,017	450,315	-450,315	0
<b>FINANCIAL ACCOUNT</b>							
Net Financing <sup>3</sup>	267,232	53,386	-210,320	340,017	450,315	-450,315	0
Net Acquisition of Financial Assets	574,793	1,347,440	9,329	236,388	2,167,950	87,282	2,255,232
Monetary gold and SDRs		13,376			13,376	-13,376	0
Currency and deposits	50,838	557,934	-36,036	126,182	698,918	-25,809	673,109
Securities, other than shares	-132,790	523,645	30,513	-5,878	415,489	149,659	565,148
Derivatives	-8,071	-11,161			-19,232	-17,666	-36,898
Loans	353,264	17,007	41,908	-	412,179	-103,739	308,439
Shares and other equity	19,412	47,858	-6,312	15,490	76,448	37,267	113,715
Insurance technical reserves		50	-13	39,033	39,070	0	39,070
Other accounts receivable <sup>4</sup>	292,141	198,730	-20,731	-	470,140	60,946	531,086
Unclassified items <sup>5</sup>				61,562	61,562		61,562
Net Incurrence of Liabilities	307,561	1,294,053	219,648	-103,628	1,717,634	537,598	2,255,232
Monetary gold and SDRs							
Currency and deposits		645,682			645,682	27,427	673,109
Securities, other than shares	175,785	194,886	93,696		464,366	100,782	565,148
Derivatives	-7,988	-9,678			-17,666	-19,231	-36,898
Loans	122,080	-98,752	89,831	120,248	233,407	75,032	308,439
Shares and other equity	6,379	88,116			94,495	19,220	113,715
Insurance technical reserves		39,070			39,070	0	39,070
Other accounts payable <sup>3</sup>	11,305	434,730	36,121	-223,877	258,279	272,807	531,086
Unclassified items <sup>6</sup>						61,562	61,562
<b>NET LENDING / NET FINANCING BY FINANCIAL INSTRUMENT</b>							
Net Financing <sup>3</sup>	267,232	53,386	-210,320	340,017	450,315	-450,315	0
Monetary gold and SDRs		13,376			13,376	-13,376	0
Currency and deposits	50,838	-87,748	-36,036	126,182	53,236	-53,236	0
Securities, other than shares	-308,575	328,759	-63,183	-5,878	-48,877	48,877	0
Derivatives	-83	-1,482	0	0	-1,566	1,566	0
Loans	231,184	115,759	-47,923	-120,248	178,771	-178,771	0
Shares and other equity	13,033	-40,258	-6,312	15,490	-18,047	18,047	0
Insurance technical reserves	0	-39,020	-13	39,033	0	0	0
Other accounts receivable (+) / payable (-)	280,836	-236,000	-56,853	223,877	211,861	-211,861	0
Unclassified items <sup>6</sup>				61,562	61,562	-61,562	0
Memorandum Items:							
M4 <sup>6</sup>		387,056			387,056		
Net Direct Foreign Investment	78,240				78,240		
Equity	78,240				78,240		
Loans							
Others							

<sup>†</sup> Revised<sup>1</sup> Includes entrepreneurial activities of households as well as all other unaccounted transactions in the domestic economy; also covers non-profit institutions serving households (NPISH)<sup>2</sup> Refers to the sum of the domestic sectors' transactions among themselves and with the rest of the world (ROW)<sup>3</sup> Net acquisition of financial assets less net incurrence of financial liabilities<sup>4</sup> For the household sector, presented as net of accounts payables<sup>5</sup> Households' other accounts payable includes errors and omissions<sup>6</sup> Represents the unclassified financial assets/liabilities in the Balance of Payment, including derivatives

Details may not add up due to rounding off.

## 2 FLOW OF FUNDS: NON-FINANCIAL CORPORATIONS

2009<sup>1</sup>

in million pesos

TRANSACTION CATEGORIES	Private	Public	Total
<b>CAPITAL ACCOUNT</b>			
Gross Saving and Capital Transfers	603,503	1,135	604,638
Saving	603,503	1,135	604,638
Net capital transfers	0	0	0
Capital Accumulation	322,252	15,154	337,406
Gross Capital formation	320,915	15,154	336,069
Other capital accumulation	1,337	0	1,337
Net Lending (+) / Net Borrowing (-)	281,251	-14,019	267,232
<b>FINANCIAL ACCOUNT</b>			
Net Financing <sup>1</sup>	281,253	-14,021	267,232
Net Acquisition of Financial Assets	556,142	18,651	574,793
Monetary gold and SDRs			
Currency and deposits	47,131	3,707	50,838
Securities, other than shares	-137,860	5,070	-132,790
Derivatives	-8,071	0	-8,071
Loans	349,346	3,917	353,264
Shares and other equity	19,412	0	19,412
Insurance technical reserves			
Other accounts receivable <sup>2</sup>	286,184	5,957	292,141
Unclassified items <sup>4</sup>			
Net Incurrence of Liabilities	274,889	32,672	307,561
Monetary gold and SDRs			
Currency and deposits			
Securities, other than shares	174,285	1,500	175,785
Derivatives	-7,988	0	-7,988
Loans	117,496	4,584	122,080
Shares and other equity	-2,993	9,372	6,379
Insurance technical reserves		0	0
Other accounts payable <sup>3</sup>	-5,911	17,216	11,305
Unclassified items <sup>4</sup>			
<b>NET LENDING / NET FINANCING BY FINANCIAL INSTRUMENT</b>			
Net Financing <sup>1</sup>	281,253	-14,021	267,232
Monetary gold and SDRs	0	0	0
Currency and deposits	47,131	3,707	50,838
Securities, other than shares	-312,145	3,570	-308,575
Derivatives	-83	0	-83
Loans	231,850	-667	231,184
Shares and other equity	22,405	-9,372	13,033
Insurance technical reserves	0	0	0
Other accounts receivable (+) / payable (-)	292,095	-11,259	280,836
Unclassified items <sup>4</sup>			

<sup>1</sup> Net acquisition of financial assets less net incurrence of financial liabilities

<sup>2</sup> For the household sector, presented as net of accounts payable

<sup>3</sup> Households' other accounts payable includes errors and omissions

<sup>4</sup> Represents the unclassified financial assets/liabilities in the Balance of Payments, including derivatives  
Details may not add up due to rounding of



### 3 FLOW OF FUNDS: FINANCIAL CORPORATIONS

2009<sup>r</sup>

in million pesos

TRANSACTION CATEGORIES	Depository Corporations <sup>1</sup>	Insurance & Pension Funds	Other Financial Corporations	Total
<b>CAPITAL ACCOUNT</b>				
Gross Saving and Capital Transfers	56,733	20,386	22,142	99,261
Saving	56,733	20,386	22,142	99,261
Net capital transfers	0	0		0
Capital Accumulation	40,825	2,726	2,323	45,875
Gross Capital formation	40,825	2,726	2,323	45,875
Other capital accumulation				
Net Lending (+) / Net Borrowing (-)	15,908	17,660	19,819	53,386
<b>FINANCIAL ACCOUNT</b>				
Net Financing <sup>2</sup>	15,908	17,660	19,819	53,386
Net Acquisition of Financial Assets	855,316	78,942	413,183	1,347,440
Monetary gold and SDRs	13,376	0	0	13,376
Currency and deposits	298,410	4,918	254,607	557,934
Securities, other than shares	393,346	50,114	80,185	523,645
Derivatives	-11,161	0	0	-11,161
Loans	3,498	-2,269	15,778	17,007
Shares and other equity	40,631	7,031	196	47,858
Insurance technical reserves	0	50		50
Other accounts receivable <sup>3</sup>	117,215	19,097	62,418	198,730
Unclassified items <sup>5</sup>				
Net Incurrence of Liabilities	839,408	61,282	393,364	1,294,053
Monetary gold and SDRs	0	0	0	0
Currency and deposits	660,878	0	-15,195	645,682
Securities, other than shares	165,666	819	28,400	194,886
Derivatives	-9,678	0	0	-9,678
Loans	-96,374	3,698	-6,076	-98,752
Shares and other equity	80,779	2,218	5,119	88,116
Insurance technical reserves	0	39,070	0	39,070
Other accounts payable <sup>4</sup>	38,138	15,477	381,116	434,730
Unclassified items <sup>5</sup>				
<b>NET LENDING / NET FINANCING BY FINANCIAL INSTRUMENT</b>				
Net Financing <sup>2</sup>	15,908	17,660	19,819	53,386
Monetary gold and SDRs	13,376	0	0	13,376
Currency and deposits	-362,468	4,918	269,802	-87,748
Securities, other than shares	227,680	49,295	51,785	328,759
Derivatives	-1,482	0	0	-1,482
Loans	99,873	-5,967	21,854	115,759
Shares and other equity	-40,148	4,814	-4,923	-40,258
Insurance technical reserves	0	-39,020	0	-39,020
Other accounts receivable (+) / payable (-)	79,077	3,621	-318,698	-236,000
Unclassified items <sup>5</sup>				

<sup>1</sup> Includes monetary authorities, commercial banks, thrift banks, rural banks and quasi-banks

<sup>2</sup> Net acquisition of financial assets less net incurrence of financial liabilities

<sup>3</sup> For the household sector, presented as net of accounts payables

<sup>4</sup> Households' other accounts payable includes errors and omissions

<sup>5</sup> Represents the unclassified financial assets/liabilities in the Balance of Payments, including derivatives:  
Details may not add up due to rounding off.

#### 4 FLOW OF FUNDS: GENERAL GOVERNMENT

2009<sup>1</sup>

in million pesos

TRANSACTION CATEGORIES	National Government	Local Government Units	Social Security Agencies	Total
<b>CAPITAL ACCOUNT</b>				
Gross Saving and Capital Transfers	-55,992	66,396	70,212	80,616
Saving	-61,611	66,396	70,212	74,997
Net capital transfers	5,619	0	0	5,619
Capital Accumulation	216,968	72,443	1,525	290,936
Gross Capital formation	215,374	72,443	1,870	289,687
Other capital accumulation	1,594	0	-345	1,249
Net Lending (+) / Net Borrowing (-)	-272,960	-6,047	68,687	-210,320
<b>FINANCIAL ACCOUNT</b>				
Net Financing <sup>1</sup>	-272,960	-6,047	68,687	-210,320
Net Acquisition of Financial Assets	-95,462	29,663	75,127	9,329
Monetary gold and SDRs				
Currency and deposits	-45,655	19,352	-9,733	-36,036
Securities, other than shares	-23,817	-1,618	55,948	30,513
Derivatives				
Loans	-987	1,233	41,662	41,908
Shares and other equity	-6,975	0	663	-6,312
Insurance technical reserves	-19	6	0	-13
Other accounts receivable <sup>2</sup>	-18,009	10,690	-13,412	-20,731
Unclassified items <sup>4</sup>				
Net Incurrence of Liabilities	177,498	35,710	6,440	219,648
Monetary gold and SDRs				
Currency and deposits	0	0	0	0
Securities, other than shares	93,328	368	0	93,696
Derivatives				
Loans	79,450	10,381	0	89,831
Shares and other equity				
Insurance technical reserves				
Other accounts payable <sup>3</sup>	4,720	24,961	6,440	36,121
Unclassified items <sup>4</sup>				
<b>NET LENDING / NET FINANCING BY FINANCIAL INSTRUMENT</b>				
Net Financing <sup>1</sup>	-272,960	-6,047	68,687	-210,320
Monetary gold and SDRs				
Currency and deposits	-45,655	19,352	-9,733	-36,036
Securities, other than shares	-117,145	-1,986	55,948	-63,183
Derivatives	0	0	0	0
Loans	-80,437	-9,148	41,662	-47,923
Shares and other equity	-6,975	0	663	-6,312
Insurance technical reserves	-19	6	0	-13
Other accounts receivable (+) / payable (-)	-22,729	-14,271	-19,852	-56,853
Unclassified items <sup>4</sup>				

<sup>1</sup> Net acquisition of financial assets less net incurrence of financial liabilities:

<sup>2</sup> For the household sector, presented as net of accounts payable

<sup>3</sup> Households' other accounts payable includes errors and omission:

<sup>4</sup> Represents the unclassified financial assets/liabilities in the Balance of Payments, including derivative  
Details may not add up due to rounding off

## FLOW OF FUNDS SUMMARY MATRIX, BY SECTOR

2009<sup>1</sup>- 2010

growth rates

TRANSACTION CATEGORIES	Non-Financial Corporations	Financial Corp.	General Government	Households <sup>1</sup>	DOMESTIC SECTORS <sup>2</sup>	Rest of the World	TOTAL VOLUME
<b>CAPITAL ACCOUNT</b>							
Gross Saving and Capital Transfers	14.6	6.8	-6.7	6.4	8.9	14.4	18.2
Saving	14.6	6.8	-6.3	6.4	9.0	14.4	18.2
Net capital transfers	-	-	-12.0	49.4	-6.5	6.5	-
Capital Accumulation	17.1	61.3	-3.4	28.7	18.2	-384.5	18.2
Gross Capital formation	17.6	61.3	-1.4	26.9	18.2	-	18.2
Other capital accumulation	-	-	-474.5	282.8	384.5	-384.5	-
Net Lending (+) / Net Borrowing (-)	11.4	-39.9	2.2	-23.1	-14.4	14.4	-
<b>FINANCIAL ACCOUNT</b>							
Net Financing <sup>3</sup>	11.4	-39.9	2.2	-23.1	-14.4	14.4	-
Net Acquisition of Financial Assets	28.6	31.2	2,034.7	-6.3	35.1	671.8	59.7
Monetary gold and SDRs	-	-501.0	-	-	-501.0	501.0	-
Currency and deposits	547.9	72.9	154.5	-2.5	105.6	416.7	125.6
Securities, other than shares	8.7	29.7	537.7	23.4	80.0	105.7	86.8
Derivatives	75.1	-54.5	-	-	-0.1	-56.9	-27.3
Loans	-83.9	1,346.9	-128.1	-	-29.4	189.0	24.3
Shares and other equity	192.9	-24.4	112.3	21.2	47.3	88.1	60.7
Insurance technical reserves	-	69.6	-1,015.4	-119.4	-119.6	-	-119.6
Other accounts receivable <sup>4</sup>	43.6	-144.2	81.1	-	-30.3	57.1	-20.2
Unclassified items <sup>6</sup>	-	-	-	49.3	49.3	-	49.3
Net Incurrence of Liabilities	43.6	34.1	84.3	61.4	48.0	97.0	59.7
Monetary gold and SDRs	-	-	-	-	-	-	-
Currency and deposits	-	93.1	-	-	93.1	891.5	125.6
Securities, other than shares	-66.9	-92.5	243.2	-	-15.1	556.4	86.8
Derivatives	70.9	-162.4	-	-	-56.9	-0.1	-27.3
Loans	49.7	170.4	-21.1	57.7	119.8	-272.6	24.3
Shares and other equity	1,130.5	-7.3	-	-	69.5	17.3	60.7
Insurance technical reserves	-	-119.6	-	-	-119.6	-	-119.6
Other accounts payable <sup>5</sup>	1,002.4	-18.0	-65.7	-2.6	2.0	-41.3	-20.2
Unclassified items <sup>6</sup>	-	-	-	-	-	49.3	49.3
<b>NET LENDING / NET FINANCING BY FINANCIAL INSTRUMENT</b>							
Net Financing <sup>3</sup>	11.4	-39.9	2.2	-23.1	-14.4	14.4	-
Monetary gold and SDRs	-	-501.0	-	-	-501.0	501.0	-
Currency and deposits	547.9	-221.1	154.5	-2.5	257.3	-257.3	-
Securities, other than shares	41.9	102.2	-101.0	23.4	823.6	-823.6	-
Derivatives	479.6	649.6	-	-	640.5	-640.5	-
Loans	-154.5	52.5	-72.6	-57.7	-224.1	224.1	-
Shares and other equity	-266.0	-12.9	112.3	21.2	-163.4	163.4	-
Insurance technical reserves	-	119.8	-1,015.4	-119.4	-	-	-
Other accounts receivable (+) / payable (-)	5.0	-88.2	71.3	2.6	-69.7	69.7	-
Unclassified items <sup>6</sup>	-	-	-	49.3	49.3	-49.3	-

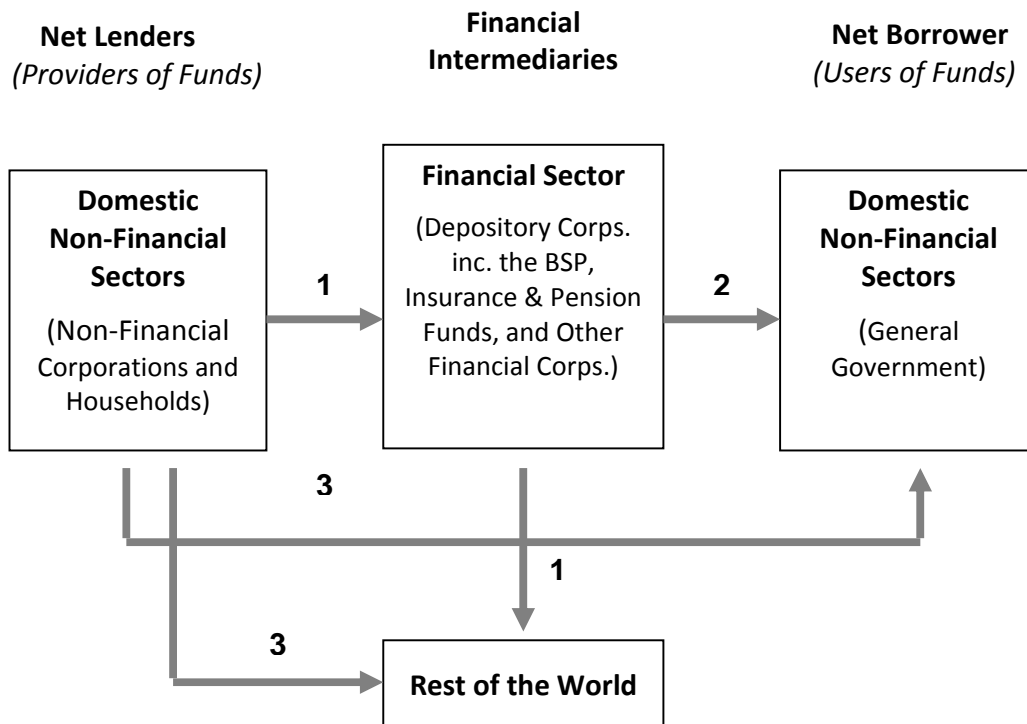
<sup>1</sup> Revised<sup>2</sup> Includes entrepreneurial activities of households as well as all other unaccounted transactions in the domestic economy; also covers non-profit institutions serving households (NPISH)<sup>3</sup> Refers to the sum of the domestic sectors' transactions among themselves and with the rest of the world (ROW)<sup>4</sup> Net acquisition of financial assets less net incurrence of financial liabilities<sup>5</sup> For the household sector, presented as net of accounts payables<sup>6</sup> Households' other accounts payable includes errors and omissions<sup>7</sup> Represents the unclassified financial assets/liabilities in the Balance of Payment, including derivatives

Details may not add up due to rounding off.

Net Lenders in the Economy (Source of Funds)			Net Fund Provision/Availment (in ₪ Billions)	Net Borrowers in the Economy (Users of Funds)		
Net Lending				Net Borrowing		
	₪ Billions	% to Total			₪ Billions	% to Total
<b>2006</b>						
Non-Financial Corporations	154	54.8%	<b>281</b>	General Government	1	0.3%
Households	83	29.7%		Rest of the World	280	99.7%
Financial Corporations	44	15.5%				
<b>2007<sup>f</sup></b>						
Non-Financial Corporations	172	52.1%	<b>330</b>	Rest of the World	330	100.0%
Households	87	26.4%				
General Government	34	10.3%				
Financial Corporations	37	11.2%				
<b>2008<sup>f</sup></b>						
Households	128	75.5%	<b>170</b>	Non-Financial Corporation	3	1.8%
General Government	7	4.3%		Rest of the World	167	98.2%
Financial Corporations	34	20.2%				
<b>2009<sup>f</sup></b>						
Households	340	51.5%	<b>661</b>	General Government	210	35.6%
Financial Corporations	53	8.1%		Rest of the World	450	76.2%
Non-Financial Corporation	267	40.4%				
<b>2010</b>						
Non-Financial Corporation	298	50.3%	<b>591</b>	General Government	206	34.8%
Financial Corporations	32	5.4%		Rest of the World	386	65.2%
Households	262	44.2%				

Note: Details may not add up to total due to rounding, rounded off to billions.

### Diagram of the Flow of Funds in 2010



#### Transactions:

- 1- Deposit/invest funds/repay loans
- 2- Lend/invest funds
- 3- Directly lends/invest funds

Note: The arrows are unidirectional, showing net presentation of transactions among the group of institutions. This is also consistent with the presentation on net lenders and borrowers in Annex D.