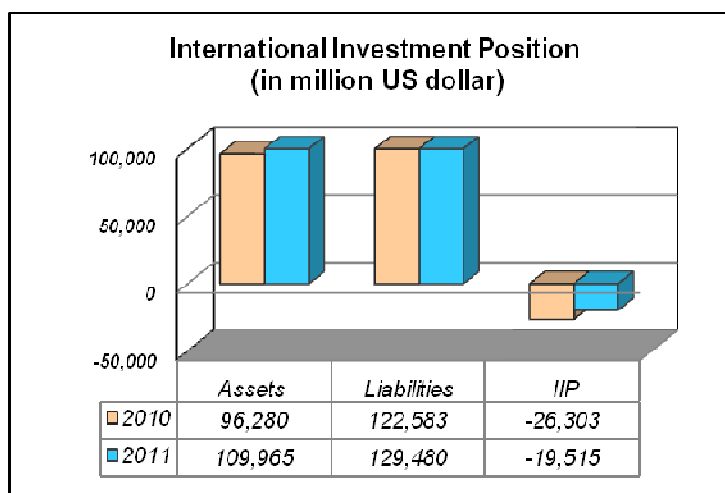


## 2011 INTERNATIONAL INVESTMENT POSITION (IIP) OF THE PHILIPPINES

*The country's net international investment position improves appreciably.*

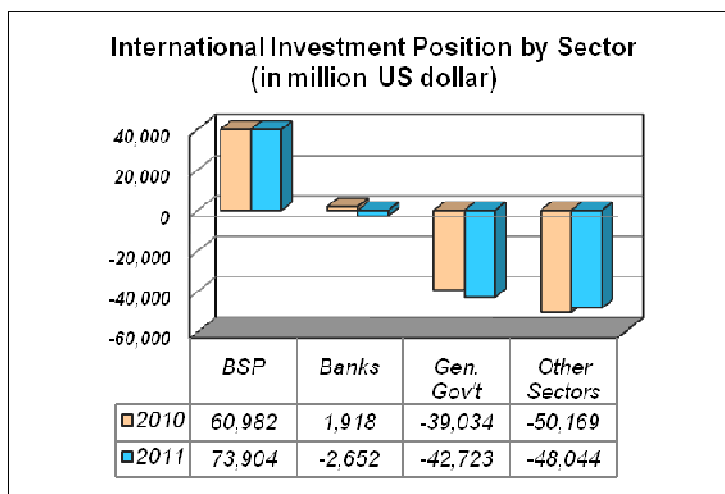
The country's International Investment Position (IIP) continued to show strength at end-2011 despite the rise in risk aversion following weak global economic conditions and intensified financial strains brought about by the euro zone sovereign debt crisis. Notwithstanding heightened market volatility and waning risk appetite, capital flows into the country remained robust in 2011, reflecting investors' confidence in the country's sound macroeconomic fundamentals. Preliminary IIP data as of end-December 2011 indicated that the country's net liability position improved by 25.8 percent to US\$19.5 billion, from the revised end-2010 level of US\$26.3 billion. This emerged as the growth in the country's total external financial assets nearly tripled that of total external financial liabilities. Total external financial assets or claims of residents on the rest of the world increased markedly by 14.2 percent to US\$110.0 billion at end-2011, from its year-ago level of US\$96.3 billion. Likewise, total external financial liabilities increased by 5.6 percent to reach US\$129.5 billion relative to US\$122.6 billion as of end-2010 (Table 1).



*Net position of the BSP remains strong, while those of Banks, General Government, and Other Sectors weaken*

Across sectors, the Bangko Sentral ng Pilipinas (BSP) recorded a higher net external position while the Banks, General Government, and Other Sectors posted lower net positions during the review period. In particular, the BSP's net external asset position improved considerably by 21.2 percent to US\$73.9 billion at end-December 2011, compared to the US\$61.0 billion posted at end-2010 (Table 1). The US\$10.2 billion surplus in the Balance of Payments (BOP) enabled the BSP to build up its gross international reserves (GIR) which provided cushion against external shocks.

Meanwhile, the huge drop in the Banks' total external assets (largely due to maturing loans issued to non-residents), combined with a 17.9 percent increase in its foreign liabilities (mainly due to increase in liabilities to direct investors in the form of intercompany borrowings and foreign loan availments of local banks) resulted in a net liability position of US\$2.7 billion. This was a marked reversal of the US\$1.9 billion net asset position recorded at end-2010. On the other hand, the General Government remained a net user of foreign resources, posting a higher net liability position of US\$42.7 billion relative to the year-ago level of US\$39.0 billion. The bond flotations (US\$2.8 billion), net issuances of peso-denominated government securities in the domestic market (US\$2.0 billion), as well as foreign loan availments by the National Government (NG) contributed to the increase in financial liabilities of the General Government. Similarly, the Other Sectors<sup>1</sup> recorded a net liability position of US\$48.0 billion. However, this was slightly lower than the US\$50.2 billion recorded in the previous period.



**External Financial Assets**

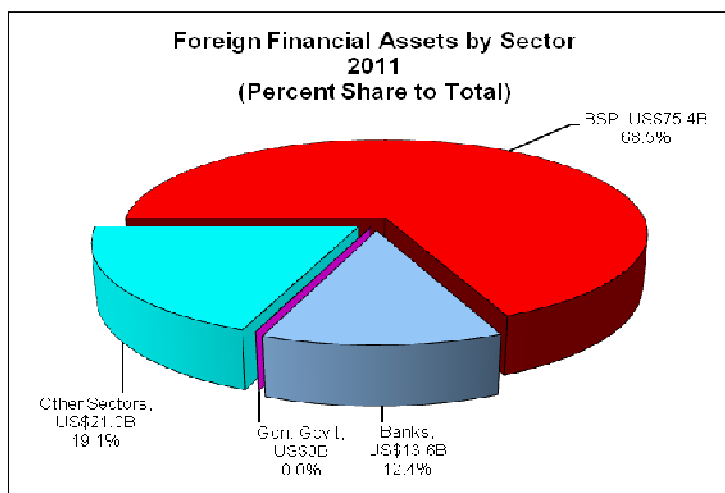
*The BSP holds the largest share of the country's external financial assets.*

The BSP continued to hold the largest financial claims on the rest of the world, representing 68.5 percent of the country's total external financial assets at end-December 2011 (Table 2). The BSP's stock of external assets was shored up mainly by the sustained inflows arising from its foreign exchange operations, income from investments abroad, foreign currency deposits by the NG of proceeds from its various program loans, as well as revaluation gains on the BSP's

<sup>1</sup> Other Sectors consist of private non-banks and public corporations.

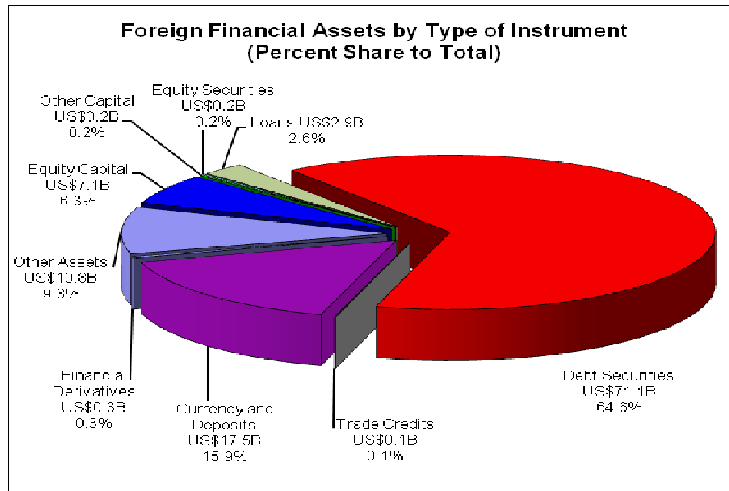
holdings of gold and foreign currency-denominated reserves during the year. As of end-December 2011, the GIR level reached US\$75.3 billion, yielding a 20.7 percent increase relative to the year-ago level of US\$62.4 billion.

The Other Sectors' foreign assets, mainly held as investments in equity capital, placements in debt securities, and deposits in banks abroad, accounted for 19.1 percent of the total external financial assets. Banks' assets, on the other hand, comprised the remaining 12.4 percent of the country's aggregate foreign assets. These were largely in the form of loans receivables, holdings of foreign debt securities, currency and deposits abroad, and other assets such as accounts receivable from non-residents. The General Government remained to have no outstanding stock of foreign assets as of end-2011.



*Majority of residents' financial asset holdings remain in the form of debt securities and currency and deposits.*

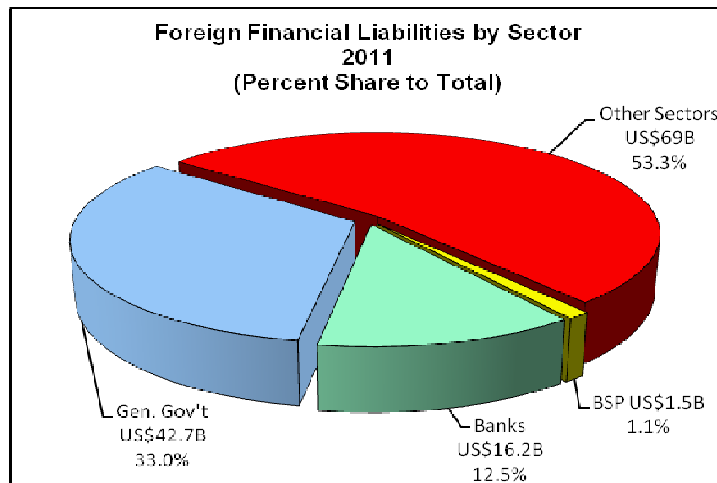
Almost two-thirds (or 64.6 percent) of the residents' financial claims abroad, mostly held by the BSP, were investments in debt securities. Currency and deposit placements abroad, in turn, comprised 15.9 percent of the country's total external assets. Other assets, mainly in the form of monetary gold holdings of the BSP, accounted for 9.8 percent. Equity capital invested abroad by private local banks and corporations, including other capital, collectively accounted for 6.5 percent of total foreign financial assets. The remaining instruments were held across sectors in loans receivables of Banks and the Other Sectors (2.6 percent), financial derivatives (0.3 percent), equity securities (0.2 percent), and trade credits with non-affiliates (0.1 percent).



**External Financial Liabilities**

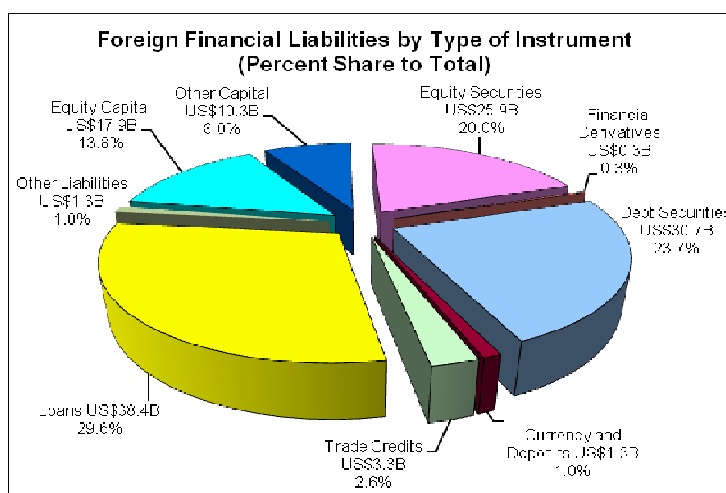
*The Other Sectors have the highest financial exposure to the rest of the world.*

The Other Sectors covered the largest share of external financial liabilities to non-residents at 53.3 percent (or US\$69.0 billion). The General Government ranked next with its liabilities, mainly composed of debt securities and loans from non-residents, at 33.0 percent (or US\$42.7 billion) of total external liabilities (Table 3). The Banks (12.5 percent or US\$16.2 billion) and the BSP (1.1 percent or US\$1.5 billion) accounted for the remaining share of external financial liabilities. In terms of year-on-year growth, the Banks and General Government registered considerable increases in the stock of foreign liabilities by 17.9 percent and 9.5 percent, respectively.



*The country's external financial liabilities are mostly in the form of foreign loans and debt securities.*

Foreign loans accounted for about one-third (or 29.6 percent) of the country's total external financial exposure. Debt securities such as bonds and notes issued by the NG and Other Sectors comprised 23.7 percent of total external financial liabilities. Non-residents' placements in equity securities represented 20 percent of total external liabilities while non-residents' equity capital investments contributed 13.8 percent to the total. Meanwhile, liabilities to non-residents in the form of other capital (i.e., intercompany loans between related parties) covered 8 percent of total external financial liabilities. The rest of the liabilities to non-residents were in the form of trade credits (2.6 percent), financial derivatives (0.3 percent), currency and deposits (1 percent), and other liabilities<sup>2</sup> (1 percent). The country's strong external liquidity and improving fiscal position, as manifested by the Standard and Poor's positive credit rating action in December 2011, helped boost investors' confidence. This resulted in oversubscribed offerings of debt securities as well as sustained infusion of equity capital into the country.



<sup>2</sup> Other liabilities include allocation of Special Drawing Rights of the BSP as well as accrued interest and taxes payable of Banks.

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

	End-2010 <sup>r/</sup>			End-2011 <sup>p/</sup>		
	Assets	Liabilities	IIP	Assets	Liabilities	IIP
<b>Levels</b>						
Bangko Sentral ng Pilipinas	62442	1460	60982	75370	1466	73904
Banks	15698	13780	1918	13592	16244	-2652
General Government	0	39034	-39034	0	42723	-42723
Other Sectors	18140	68309	-50169	21003	69047	-48044
Total	96280	122583	-26303	109965	129480	-19515
<b>Percent Share to Total</b>						
Bangko Sentral ng Pilipinas	64.9	1.2	-231.8	68.5	1.1	-378.7
Banks	16.3	11.2	-7.3	12.4	12.5	13.6
General Government	0.0	31.8	148.4	0.0	33.0	218.9
Other Sectors	18.8	55.7	190.7	19.1	53.3	246.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>Growth Rate</b>						
Bangko Sentral ng Pilipinas	40.9	-3.6	42.5	20.7	0.4	21.2
Banks	-6.3	39.0	-71.9	-13.4	17.9	-238.3
General Government	0.0	19.1	-19.1	0.0	9.5	-9.5
Other Sectors	12.6	21.9	-25.6	15.8	1.1	4.2
Total	24.8	22.3	-14.0	14.2	5.6	25.8

**Table 2**  
**Foreign Financial Assets**  
(in million US dollars)

Instrument/Sector	BSP		Banks		General Government		Other Sectors		Total		% to Total	
	2010 <sup>r/</sup>	2011 <sup>p/</sup>	2010 <sup>r/</sup>	2011 <sup>p/</sup>	2010 <sup>r/</sup>	2011 <sup>p/</sup>	2010 <sup>r/</sup>	2011 <sup>p/</sup>	2010 <sup>r/</sup>	2011 <sup>p/</sup>	2010 <sup>r/</sup>	2011 <sup>p/</sup>
<b>Levels</b>												
<b>Direct Investment</b>	<b>0</b>	<b>0</b>	<b>453</b>	<b>450</b>	<b>0</b>	<b>0</b>	<b>6257</b>	<b>6658</b>	<b>6710</b>	<b>7108</b>	<b>7.0</b>	<b>6.5</b>
Equity Capital	0	0	453	450	0	0	6257	6464	6710	6914	7.0	6.3
Other Capital	0	0	0	0	0	0	0	194	0	194	0.0	0.2
<b>Portfolio Investment</b>	<b>43736</b>	<b>59750</b>	<b>5348</b>	<b>5065</b>	<b>0</b>	<b>0</b>	<b>6118</b>	<b>6501</b>	<b>55202</b>	<b>71316</b>	<b>57.3</b>	<b>64.9</b>
Equity Securities	0	0	9	27	0	0	159	191	168	218	0.2	0.2
Debt Securities	43736	59750	5339	5038	0	0	5959	6310	55034	71098	57.2	64.6
of which: Reserves	43736	59750	0	0	0	0	0	0	43736	59750	45.4	54.3
<b>Financial Derivatives</b>	<b>0</b>	<b>0</b>	<b>146</b>	<b>323</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>7</b>	<b>148</b>	<b>330</b>	<b>0.2</b>	<b>0.3</b>
<b>Other Investment</b>	<b>18706</b>	<b>15620</b>	<b>9751</b>	<b>7754</b>	<b>0</b>	<b>0</b>	<b>5763</b>	<b>7837</b>	<b>34220</b>	<b>31211</b>	<b>35.5</b>	<b>28.4</b>
Trade Credits	0	0	0	0	0	0	85	84	85	84	0.1	0.1
Loans	0	0	4529	2563	0	0	240	320	4769	2883	5.0	2.6
Currency and Deposits	10255	5949	3638	4094	0	0	5436	7432	19329	17475	20.1	15.9
of which: Reserves	10255	5949	0	0	0	0	0	0	10255	5949	10.7	5.4
Other Assets	8451	9671	1584	1097	0	0	2	1	10037	10769	10.4	9.8
of which: Reserves	8382	9602	0	0	0	0	0	0	8382	9602	8.7	8.7
<b>Total</b>	<b>62442</b>	<b>75370</b>	<b>15698</b>	<b>13592</b>	<b>0</b>	<b>0</b>	<b>18140</b>	<b>21003</b>	<b>96280</b>	<b>109965</b>	<b>100.0</b>	<b>100.0</b>
<b>Growth Rate</b>												
<b>Direct Investment</b>	<b>0.0</b>	<b>0.0</b>	<b>70.3</b>	<b>-0.7</b>	<b>0.0</b>	<b>0.0</b>	<b>7.3</b>	<b>6.4</b>	<b>10.1</b>	<b>5.9</b>		
Equity Capital	0.0	0.0	70.3	-0.7	0.0	0.0	7.3	3.3	10.1	3.0		
Other Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Portfolio Investment</b>	<b>39.3</b>	<b>36.6</b>	<b>18.8</b>	<b>-5.3</b>	<b>0.0</b>	<b>0.0</b>	<b>49.6</b>	<b>6.3</b>	<b>38.0</b>	<b>29.2</b>		
Equity Securities	0.0	0.0	-47.1	200.0	0.0	0.0	7.4	20.1	1.8	29.8		
Debt Securities	39.3	36.6	19.0	-5.6	0.0	0.0	51.2	5.9	38.2	29.2		
of which: Reserves	39.3	36.6	0.0	0.0	0.0	0.0	0.0	0.0	39.3	36.6		
<b>Financial Derivatives</b>	<b>0.0</b>	<b>0.0</b>	<b>22.7</b>	<b>121.2</b>	<b>0.0</b>	<b>0.0</b>	<b>-73.3</b>	<b>226.7</b>	<b>16.5</b>	<b>122.8</b>		
<b>Other Investment</b>	<b>44.8</b>	<b>-16.5</b>	<b>-17.8</b>	<b>-20.5</b>	<b>0.0</b>	<b>0.0</b>	<b>-6.7</b>	<b>36.0</b>	<b>10.5</b>	<b>-8.8</b>		
Trade Credits	0.0	0.0	0.0	0.0	0.0	0.0	4.9	-1.2	4.9	-1.2		
Loans	0.0	0.0	-39.4	-43.4	0.0	0.0	2.6	33.3	-38.1	-39.5		
Currency and Deposits	67.9	-42.0	1.8	12.5	0.0	0.0	-7.3	36.7	24.3	-9.6		
of which: Reserves	67.9	-42.0	0.0	0.0	0.0	0.0	0.0	0.0	67.9	-42.0		
Other Assets	24.1	14.4	94.4	-30.7	0.0	0.0	166.7	-50.0	31.7	7.3		
of which: Reserves	24.4	14.6	0.0	0.0	0.0	0.0	0.0	0.0	24.4	14.6		
<b>Total</b>	<b>40.9</b>	<b>20.7</b>	<b>-6.3</b>	<b>-13.4</b>	<b>0.0</b>	<b>0.0</b>	<b>12.6</b>	<b>15.8</b>	<b>24.8</b>	<b>14.2</b>		

**Table 3**  
**Foreign Financial Liabilities**  
(in million US dollars)

Instrument/Sector	BSP		Banks		General Government		Other Sectors		Total		% to Total	
	2010 <sup>r/</sup>	2011 <sup>p/</sup>	2010 <sup>r/</sup>	2011 <sup>p/</sup>	2010 <sup>r/</sup>	2011 <sup>p/</sup>	2010 <sup>r/</sup>	2011 <sup>p/</sup>	2010 <sup>r/</sup>	2011 <sup>p/</sup>	2010 <sup>r/</sup>	2011 <sup>p/</sup>
<b>Levels</b>												
<b>Direct Investment</b>	<b>0</b>	<b>0</b>	<b>5274</b>	<b>6599</b>	<b>0</b>	<b>0</b>	<b>20622</b>	<b>21631</b>	<b>25896</b>	<b>28230</b>	<b>21.1</b>	<b>21.8</b>
Equity Capital	0	0	1006	1327	0	0	16022	16563	17028	17890	13.9	13.8
Other Capital	0	0	4268	5272	0	0	4600	5068	8868	10340	7.2	8.0
<b>Portfolio Investment</b>	<b>175</b>	<b>173</b>	<b>1997</b>	<b>2269</b>	<b>19951</b>	<b>22947</b>	<b>30612</b>	<b>31199</b>	<b>52735</b>	<b>56588</b>	<b>43.0</b>	<b>43.7</b>
Equity Securities	0	0	1441	1472	0	0	23998	24400	25439	25872	20.8	20.0
Debt Securities	175	173	556	797	19951	22947	6614	6799	27296	30716	22.3	23.7
<b>Financial Derivatives</b>	<b>0</b>	<b>0</b>	<b>308</b>	<b>328</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>309</b>	<b>332</b>	<b>0.3</b>	<b>0.3</b>
<b>Other Investment</b>	<b>1285</b>	<b>1293</b>	<b>6201</b>	<b>7048</b>	<b>19083</b>	<b>19776</b>	<b>17074</b>	<b>16213</b>	<b>43643</b>	<b>44330</b>	<b>35.6</b>	<b>34.2</b>
Trade credits	0	0	0	0	0	0	3497	3345	3497	3345	2.9	2.6
Loans	0	0	4984	5732	19083	19776	13556	12852	37623	38360	30.7	29.6
Currency and Deposits	0	0	1185	1277	0	0	6	5	1191	1282	1.0	1.0
Other Liabilities	1285	1293	32	39	0	0	15	11	1332	1343	1.1	1.0
<b>Total</b>	<b>1460</b>	<b>1466</b>	<b>13780</b>	<b>16244</b>	<b>39034</b>	<b>42723</b>	<b>68309</b>	<b>69047</b>	<b>122583</b>	<b>129480</b>	<b>100.0</b>	<b>100.0</b>
<b>Growth Rate</b>												
<b>Direct Investment</b>	<b>0.0</b>	<b>0.0</b>	<b>54.8</b>	<b>25.1</b>	<b>0.0</b>	<b>0.0</b>	<b>105.6</b>	<b>4.9</b>	<b>112.9</b>	<b>9.0</b>		
Equity Capital	0.0	0.0	15.2	31.9	0.0	0.0	98.0	3.4	98.9	5.1		
Other Capital	0.0	0.0	68.5	23.5	0.0	0.0	145.0	10.2	155.4	16.6		
<b>Portfolio Investment</b>	<b>-13.4</b>	<b>-1.1</b>	<b>26.7</b>	<b>13.6</b>	<b>135.1</b>	<b>15.0</b>	<b>143.6</b>	<b>1.9</b>	<b>139.3</b>	<b>7.3</b>		
Equity Securities	0.0	0.0	25.6	2.2	0.0	0.0	160.6	1.7	158.1	1.7		
Debt Securities	-13.4	-1.1	29.6	43.3	135.1	15.0	103.8	2.8	125.4	12.5		
<b>Financial Derivatives</b>	<b>0.0</b>	<b>0.0</b>	<b>46.7</b>	<b>6.5</b>	<b>0.0</b>	<b>0.0</b>	<b>4.2</b>	<b>243.3</b>	<b>130.9</b>	<b>7.3</b>		
<b>Other Investment</b>	<b>-2.1</b>	<b>0.6</b>	<b>31.3</b>	<b>13.7</b>	<b>106.0</b>	<b>3.6</b>	<b>112.5</b>	<b>-5.0</b>	<b>111.3</b>	<b>1.6</b>		
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	143.4	-4.3	143.4	-4.3		
Loans	0.0	0.0	33.8	15.0	106.0	3.6	106.6	-5.2	109.3	2.0		
Currency and Deposits	0.0	0.0	21.8	7.8	0.0	0.0	50.0	-16.7	120.9	7.6		
Other Liabilities	-2.1	0.6	45.5	21.9	0.0	0.0	88.2	-26.7	98.5	0.8		
<b>Total</b>	<b>-3.6</b>	<b>0.4</b>	<b>39.0</b>	<b>17.9</b>	<b>119.1</b>	<b>9.5</b>	<b>121.9</b>	<b>1.1</b>	<b>122.3</b>	<b>5.6</b>		