



# **Report on Economic and Financial Developments**

***Second Quarter 2013***



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## EXECUTIVE SUMMARY

### A. Key Economic Developments

The Philippine economy accelerated by 7.5 percent in Q2 2013 supported mainly by the industry and services sectors. On the expenditure side, growth was propelled by strong capital formation and government as well as private consumption expenditures. This brought the country's real GDP growth to 7.6 percent in the first semester of 2013.

The robust economic expansion was accompanied by low inflation, with headline inflation remaining near the low end of the target range of  $4\pm 1$  percent for 2013. Headline inflation eased during the period due mainly to lower non-food inflation, owing to lower electricity rates and domestic petroleum prices.

Meanwhile, the growth in domestic liquidity or M3 supported the rise of economic activity. The increase in M3 reflected the robust expansion in net domestic assets (NDA) arising from the sustained growth in bank lending to the private sector.

Meanwhile, the BSP maintained its key policy rates during the quarter as inflation environment remained benign over the policy

horizon. The BSP, however, reduced the interest rates on the special deposit account (SDA) facility to 2.0 percent regardless of tenor effective end-April 2013. The adjustment was in line with the BSP's continuing efforts to fine-tune its monetary policy instruments and thereby gain greater flexibility in conducting monetary operations, and also to ensure adequate liquidity for economic activity.

The cash operations of the National Government (NG) yielded a surplus as a result of improved collections by the Bureau of Internal Revenue (BIR). The surplus was a reversal from the deficit recorded in the same period in 2012.

In the financial sector, investors' sentiment was boosted by the country's sound macroeconomic fundamentals as well as the recent upgrade of the country's credit rating to investment grade which offset the impact of negative developments from overseas. As a result, the PSEi peaked at 7,392.2 index points on 15 May before closing lower at 6,465.3 index points on June due to concerns on the US Federal Reserve's impending tapering of its bond purchases. Meanwhile, the persistent

downside risks in the global outlook caused the country's sovereign bond spreads to widen.

The Philippine banking system remained strong amid the challenging global economic environment. Asset quality continued to improve, while capital adequacy ratios (CARs) remained above international standards. As of end-December 2012, the U/KB banking industry's average CARs stood at 17.3 percent and 18.4 percent on solo and consolidated bases, which were both higher than last year's 16.7 percent and 17.7 percent, respectively.

The economy also continued to gain support from the external sector's favorable position. The balance of payments (BOP) surplus in Q2 2013 increased to US\$1.0 billion from US\$75 million in the comparable period a year ago.

Meanwhile, the country's gross international reserves (GIR) continued to grow to a level sufficient to cover 11.8 months worth of imports of goods and payments of services and income. However, the peso weakened due mainly to repricing of risk fuelled by uncertainty about the exit from monetary policy stimulus in the US. Nonetheless, the

continued strong foreign exchange inflows from OF remittances tempered the further depreciation of the peso.

**The Philippine economy sustains robust growth.** Real Gross Domestic Product (GDP) accelerated by 7.5 percent in Q2 2013, faster than the 6.3 percent growth posted a year ago. On the supply side, industry and services sectors supported the economic growth. On the demand side, strong capital formation and government as well as private consumption expenditures propelled growth. This brought the country's real GDP growth to 7.6 percent in the first semester of 2013.

**Labor market conditions remain soft.** Based on the results of the April 2013 Labor Force Survey (LFS) of the National Statistics Office (NSO), the unemployment rate was higher at 7.5 percent in the second quarter of 2013 relative to the 6.9 percent recorded in the same quarter of 2012. There was an observed improvement in the quality of employment even as the overall level of employment decreased slightly by 0.1 percent year-on-year. Employment in the agriculture sector contracted (-5.0 percent). However, the impact of the decline in the employment in the agriculture sector was cushioned by increased employment in the services (1.9

percent) and industry (3.8 percent) sectors, which generated 224,000 and 380,000 additional jobs, respectively. The growth in employment in the industry sector came primarily from construction, manufacturing and mining and quarrying. Meanwhile, the additional jobs generated in the services sector were mainly in the tourism-related industries, such as accommodation and food service activities, transportation and storage, as well as arts, entertainment and recreation. Of the 37.8 million total employed persons, 52.6 percent were employed by the services sector, while the agriculture and industry sectors employed 31.3 percent and 16.1 percent, respectively. The ratio of the underemployed to total employed persons declined marginally to 19.2 percent during the review period from 19.3 percent in the comparable period in 2012.

**NG cash operations yield a surplus.** The cash operations of the National Government (NG) yielded a surplus of ₱15.2 billion in Q2 2013. This level was a reversal from the ₱0.5 billion deficit recorded in the same period in 2012 and the programmed deficit of ₱10.8 billion during the review period. Total revenues reached ₱475.1 billion for the review period, higher than the year-ago level of ₱399.9 billion due mainly to improved collections by

the Bureau of Internal Revenue (BIR). Meanwhile, total expenditures reached ₱460.0 billion in Q2 2013, 14.9 percent higher than the ₱400.4 billion expenditures incurred a year ago, although this amount was 6.7 percent lower than the ₱493.0 billion programmed expenditures for the quarter. The bulk of expenditures was channeled to infrastructure spending and capital outlays.

**Inflation eases.** Headline inflation decreased to 2.6 percent year-on-year (y-o-y) in Q2 2013 from the quarter-ago and year-ago rates of 3.2 percent and 2.9 percent, respectively. The slowdown in headline inflation was traced mainly to lower non-food inflation, owing to lower electricity rates and domestic petroleum prices. Likewise, lower inflation on most food items, particularly rice, corn, fish, milk, oils, and sugar, was recorded during the quarter. Core inflation, which excludes some food and energy items to measure generalized price pressures, also fell to 3.0 percent in Q2 2013 from 3.8 percent in the previous quarter and 3.7 percent a year ago.

**Domestic liquidity expands further.** Money supply or M3 grew by 20.0 percent y-o-y as of end-June 2013 to reach ₱5.7 trillion. This growth was faster than the 13.4 percent expansion as of end-March 2013. The

increase in M3 was driven by the 11.1 percent y-o-y expansion in domestic claims in June 2013. Credits extended to the private sector grew by 15.9 percent, consistent with the sustained expansion in bank lending to bolster economic activity. Similarly, net claims on the central government rose by 1.8 percent in June, largely as a result of the increase in investments in National Government securities. Similarly, net foreign assets (NFA) also grew by 6.0 percent y-o-y in June 2013. The BSP's international reserves rose further due mainly to robust foreign exchange inflows from overseas remittances and BPO receipts. However, the NFA of banks contracted further as banks' foreign liabilities continued to increase given higher placements and deposits made by foreign banks with their local branches and other banks, while their foreign assets decreased due to the decline in loan receivables from and deposits with foreign banks.

**The BSP maintains key policy rates but cuts SDA rates.** During its monetary policy meetings on 25 April and 13 June 2013, the BSP decided to maintain its key policy interest rates at 3.50 percent for the overnight borrowing or reverse repurchase (RRP) facility and 5.50 percent for the overnight lending or repurchase (RP) facility. The interest rate on

term RRP and RP were also maintained. The reserve requirement ratios were kept steady as well. The Monetary Board's (MB) policy rate decisions were based on its assessment that the inflation environment remained benign over the policy horizon. Latest baseline forecasts indicated that inflation will remain within target for 2013 until 2015, supported by well-anchored inflation expectations. With the current stronger pace of domestic liquidity growth, inflation is still expected to remain manageable over the policy horizon given improvements in the economy's absorptive capacity. Keeping policy settings steady also allows time to assess the impact of recent fine-tuning in monetary operations. Recent global financial market developments also support an unchanged policy stance. Meanwhile, the BSP reduced the interest rates on the SDA facility by 50 bps during its policy meeting on 25 April 2013. By end-April 2013, the SDA rate was set to 2.0 percent regardless of tenor. The MB noted that the benign inflation environment and robust domestic growth prospects provided scope for further enhancing the efficiency of monetary operations in absorbing liquidity through the SDA facility. The adjustment was also in line with the BSP's continuing efforts to fine-tune its monetary policy instruments and thereby gain greater

flexibility in conducting monetary operations, and also to ensure adequate liquidity for economic activity.

**Domestic market interest rates rise.** Yields on government securities in both primary and secondary markets increased during the quarter driven mainly by cautious selling activities due to expectations of a US scale down of its quantitative easing program (QE3) amid signs of some recovery in the US economy.

**The Philippine banking system remains sound and stable.** The Philippine banking system remained resilient amid the subdued global economic environment. Banks' core balance sheets were marked by steady growth in assets, deposit base, and capital accounts. Asset quality also continued to improve, while capital adequacy ratios remained above international standards.

The total resources of the banking system rose by 6.0 percent and 16.3 percent to ₱8.9 trillion as of end-June 2013 from quarter- and year- ago levels of ₱8.4 trillion and ₱7.7 trillion, respectively due to the growth in loans, securities, and other equities indicative of the public's continued trust in the banking system. Outstanding loans of commercial

banks, net of banks' RRP placements with the BSP as of end-June 2013, grew by 12.3 percent y-o-y and 3.9 percent q-o-q. Meanwhile, the U/KBs gross non-performing loans (GNPL) ratio sustained its downward path, easing to 2.75 percent as of end-May 2013 from 3.17 percent in the comparable period in 2012 while the net non-performing loans (NNPL) ratio was at 0.44 percent. Banks' initiatives to improve asset quality along with prudent lending regulations helped bring the NPL ratios to below its pre-Asian crisis level of around 3.5 percent.

As of end-December 2012, the U/KB banking industry average CARs stood at 17.3 percent and 18.4 percent on solo and consolidated bases, which were both higher than last year's 16.7 percent and 17.7 percent, respectively, as banks either increased their retained earnings or issued capital instruments to match the rise in their risk-weighted assets in line with increased lending activity.

**The equities market rallies to a new high.** In Q2 2013, strong domestic macroeconomic fundamentals offset the impact of negative developments from overseas to lift the Philippine Stock Exchange index (PSEi). The PSEi averaged 6,836.0 index points, higher by

6.2 percent and 34.2 percent relative to first quarter's and the previous year's levels, respectively. Trading was lifted by optimism over the strong Philippine economic outlook, ample market liquidity, following the third BSP SDA rate cut in April and the credit rating upgrades of the Philippines to investment grade by S&P in early May and by Fitch Rating in late March. However, the local index dipped to mirror the retreat in markets' overseas after the US Federal Reserve signaled that it could start unwinding its QE measures later this year.

**Debt spreads widen anew.** The upgrade in the country's credit rating did not translate into a significant narrowing of debt spread. Credit spreads closed the second quarter wider relative to the previous quarter's level and on a year-on-year basis, reflecting heightened risk aversion towards the country's debt papers. The Emerging Market Bond Index (EMBI)+ Philippine spreads averaged 147.4 bps, up from the first quarter's 136.2 bps while credit default swaps (CDS) spreads inched up to average 102.7 bps from 101.8 bps. Against those of neighboring economies, the Philippine CDS traded lower than Indonesia's average of 164.5 bps and closer to Thailand's 95.3 bps and Malaysia's 90.3 bps.

**BOP surplus surges as current and financial accounts improve appreciably.** The country's balance of payments position yielded a higher surplus of US\$1 billion in Q2 2013 compared to only US\$73 million in the comparable period a year ago. The significant upturn in the external payments position was due largely to the higher current account surplus combined with the reversal of financial account from net outflows to net inflows. The improvement in the current account surplus emanated mainly from increased net receipts in secondary income and services while net inflows in the financial account were attributed to net inflows in the portfolio investment account.

**International reserves continued to rise.** Gross international reserves (GIR) continued to accumulate, growing by 6.7 percent from year-ago levels to reach US\$81.3 billion as of end-June 2013. This is, however, slightly lower than that of the previous quarter as market volatilities following talks of a possible tapering by the US of its quantitative easing dampened the monthly build-up of the GIR. In addition, gold prices in the world market continued to decline. Nevertheless, the country's GIR remains adequate to cover 11.8 months' worth of imports of goods and



payments of services and income. It is also equivalent to 7.8 times the country's short-term external debt based on original maturity and 5.3 times based on residual maturity.

**Debt ratios remain at comfortable levels.** As of end-June 2013, the outstanding BSP-approved/registered external debt stood at US\$58.0 billion, reflecting a drop of US\$1.0 billion or 1.8 percent from US\$59.0 billion in the previous quarter. On a y-o-y basis, the debt stock likewise declined by US\$3.2 billion (5.3 percent) from US\$61.2 billion in June 2012.

The decline in the debt stock in Q2 2013 resulted from negative foreign exchange (FX) revaluation adjustments (US\$725 million), particularly in yen-denominated loans as the US dollar strengthened; and net loan repayments (US\$450 million) largely by the public sector. These were partially offset by an increase in non-residents' investments in Philippine debt papers (US\$120 million), notwithstanding concerns about the tapering of the US Fed's quantitative easing (QE) program.

Similarly, the y-o-y decline was due mainly to negative FX revaluation adjustments (US\$3.2 billion) and transfers to residents of Philippine

debt papers held by non-residents (US\$660 million), partially offset by net availments (US\$480 million) and previous periods' adjustments (US\$150 million).

The country's external debt ratio sustained its improving trend, declining to 18.3 percent from 19.1 percent and 21.9 percent in the previous quarter and a year ago, respectively. Similarly, the external debt to GDP ratio was estimated at 21.8 percent during the review period, lower than the 22.8 percent a quarter ago and 26.1 percent posted a year ago.

**The peso depreciates.** The peso averaged weaker at ₱41.78/US\$1, depreciating by 2.56 percent from the previous quarter's average of ₱40.71/US\$1. The peso's weakening was due mainly to repricing of risk fuelled by uncertainty about the exit from monetary policy stimulus in the US. Nonetheless, the continued strong foreign exchange inflows from OF remittances tempered the further depreciation of the peso.

**The global economy picks up slightly.** In recent years, global economic growth was led by emerging economies, but this has been showing signs of slackening lately as growth in mature economies picked up slowly. Global labor market conditions improved gradually

except in the euro area. Inflation rates of advanced economies were generally lower while those of emerging markets showed mixed trends.

The massive monetary stimulus adopted by advanced economies helped fuel their economic growth. The US GDP growth rate in the second quarter accelerated slightly to 1.4 percent from the previous quarter's 1.3 percent. This growth reflected primarily positive contributions from personal consumption expenditures, exports, non-residential fixed investments, private inventory investments, and residential investments.

In Japan, economic gains were also posted in the second quarter of 2013, with GDP growing by 0.9 percent from the last quarter's 0.3 percent due to stronger domestic and external demand.

Among the newly-industrialized economies in Asia, Hong Kong, South Korea and Singapore grew by 3.3 percent, 2.3 percent, and 3.7 percent, respectively. Meanwhile, China's GDP slightly slowed down to 7.5 percent in the second quarter compared to 7.7 percent in the previous quarter. Weak industrial output, sluggish fixed-asset investment

expansion and lackluster exports weighed down on China's growth.

## **B. Challenges and Policy Directions**

Overall global economic conditions remain fragile as risks of weaker growth in emerging economies have increased due to domestic capacity constraints, weak external demand and possibility of tighter financial conditions should the unwinding of unconventional monetary policy in the US lead to capital flow reversals.

In addition, there are concerns on the geopolitical uncertainty in the Middle East, specifically in Syria and Egypt, which could lead to oil supply disruptions and higher oil prices, and volatility in the global financial markets.

In its World Economic Outlook Update (July 2013), the International Monetary Fund (IMF) downscaled its global growth projections relative to forecasts released in April 2013, reflecting slower growth in emerging markets and continued recession in the euro area.

The biggest challenge for policymakers is to strengthen global economic growth. Specifically, major advanced economies face

the challenge of maintaining a supportive macroeconomic policy mix, combined with credible plans for reaching medium-term debt sustainability and reforms to restore balance sheets and credit channels. Many emerging market and developing economies face a tradeoff between macroeconomic policies to support weak activity and those to contain capital outflows. Macroprudential and structural reforms can mitigate the risks associated with this tradeoff.

While global growth projections from the IMF were revised downwards, that of the Philippines was adjusted upwards. The Philippines needs to keep the economy on a steady growth course, requiring policies largely aimed at sustaining domestic sources of growth to help compensate for any weaknesses in external demand. In this regard, close coordination between fiscal and monetary policies will help ensure that the macroeconomic environment remains supportive of sustainable and balanced growth.

The favorable fiscal position of the NG provides sufficient policy space to support projects that will continue to stimulate aggregate demand. Growth could further accelerate once the implementation of

various infrastructure projects gain momentum. Furthermore, continuing social spending programs for health, education, housing, employment, and conditional cash transfers, as well as initiatives for financial inclusion and consumer protection, shall help promote inclusive and sustainable growth.

For its part, the BSP remains committed to its mandate of safeguarding price stability and ensuring a macroeconomic environment conducive to sustained growth. The risks to inflation outlook remain broadly balanced, supporting the argument for keeping policy rates steady. Downside risks to the inflation outlook continue to persist owing to uncertainty over the strength of the global economy and its impact on international commodity prices. Meanwhile, the upside pressures could emanate from the likelihood of higher electricity rates and continued strong liquidity growth.

The pronouncements by the US Fed prompted portfolio adjustments in global financial markets, which in turn, generated increased volatility in the equity, bond and foreign exchange markets. Such volatility could recur over the short term as these markets try to fully assess and price in the impact of unwinding of the US QE program.

Capital flow reversals, however, could ensue if underlying vulnerabilities in emerging markets are left unchecked.

The Institute for International Finance (IIF) forecasts a decline in private capital flows to emerging markets in the next two years as yield spreads narrow with the eventual exit from extraordinary monetary stimulus by the US Fed. Nonetheless, capital inflows into the Philippines are likely to remain substantial. The IIF has acknowledged that strong growth potential along with recent sovereign credit ratings upgrade would continue to attract foreign interest into the country.

However, the eventual scaling back of extraordinary monetary measures by the US Federal Reserve could consequently lead to corrections in the foreign exchange market and weakening of the domestic currency. Some of the corrections may have in fact helped reduce the risk of a build-up of stretched asset valuations and the risk of “search for yields” that could contribute to financial market imbalances. These, however, should be counterbalanced by the steady stream of remittances and continued capital inflows into the country.

Against this backdrop, the BSP stands ready to employ, from its menu of policy instruments, measures that will help ensure that the benefits of capital flows are maximized while warding off the potential destabilizing impact of volatile capital flows on price and financial stability. The BSP will also continue to maintain a market-determined exchange rate, while guarding against speculative flows that could contribute to the peso’s volatility and undermine the inflation target.

Amid downside risks to global economic prospects on the horizon, contingency measures are in place to ensure adequate liquidity in the financial system, should capital flows reverse course. The BSP will maintain a comfortable level of international reserves to serve as added insurance against external shocks.

On banking regulation and supervision, the BSP will sustain the reform momentum with a view to strengthen its resilience against shocks as well as to enhance its role as a catalyst for durable long-term economic growth. Toward this end, the BSP continues to enhance its monitoring of financial market developments as it also continues to put in place measures to strengthen the capacity of

the banking system to endure shocks, including the adoption of expanded reporting standards for real estate exposures as well as the Basel III capital adequacy standards beginning January 2014. Likewise, the BSP continues to take the lead in promoting financial inclusion with programs and reforms aimed at promoting greater access to financial services.

The BSP also remains proactive in ensuring the credibility of the payments and settlements system with the continued enhancement of its processes in accordance with international best practices.

Finally, amid the increasing interconnectedness of global financial markets, the BSP will remain an active participant in regional and international cooperation programs and fora, in order to reap the benefits of collaborative engagement.

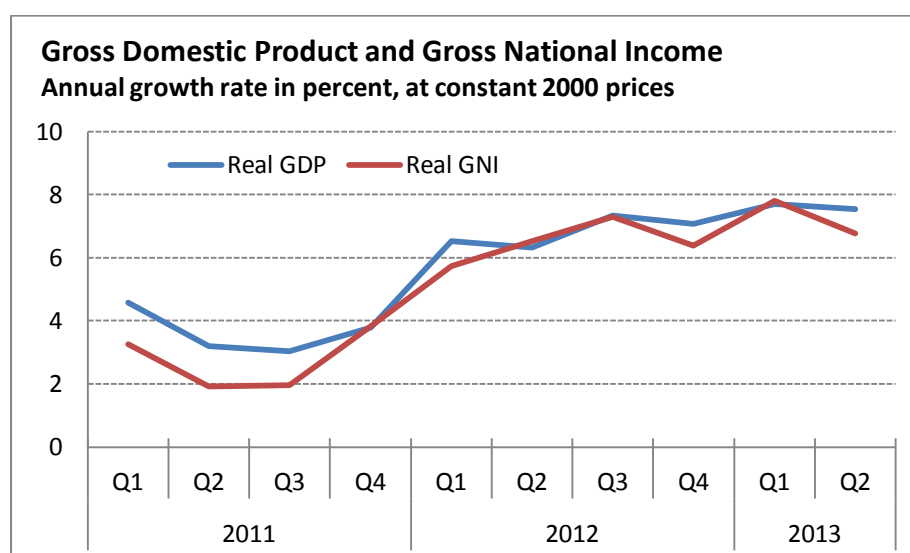
## MAIN REPORT

### A. Real Sector

#### Aggregate Supply and Demand

***The Philippine economy sustains robust growth***

The Philippine economy continued to exhibit vibrant growth in the second quarter of 2013. Real Gross Domestic Product (GDP) accelerated by 7.5 percent in Q2 2013, faster than the 6.3 percent growth posted a year ago. On the supply side, industry and services sectors supported the economic growth. On the demand side, strong capital formation and government as well as private consumption expenditures propelled growth. This brought the country's real GDP growth to 7.6 percent in the first semester of 2013.

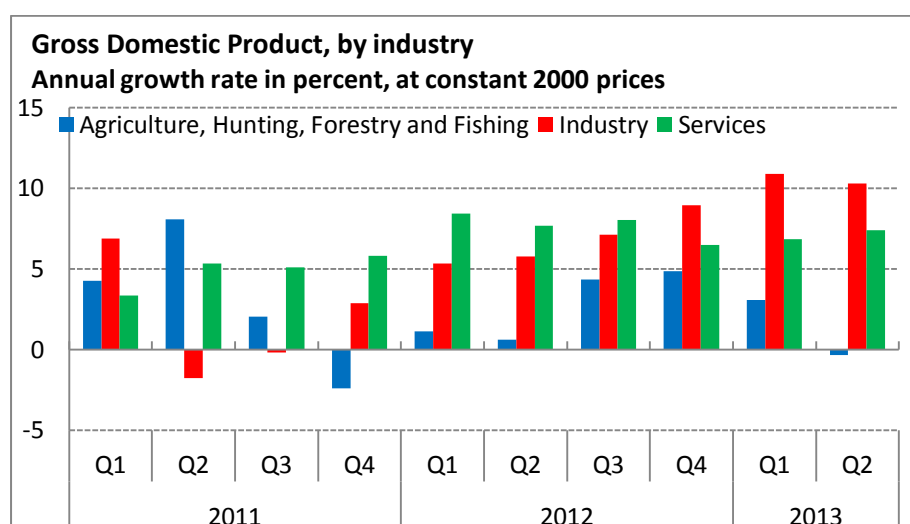


#### GDP by industry

***Services continue to drive output expansion***

The services sector remained the key source of growth for the Philippine economy during the quarter in review after contributing 4.4 percentage points to real GDP growth. Growth in this sector was at 7.4 percent in the second quarter of 2013, albeit lower than the 7.7 percent posted in the previous year. Contributing largely to the services sector's sustained growth during the review quarter was the

9.6 percent expansion in financial intermediation and 9.5 percent acceleration in real estate, renting and business activities (which includes the buoyant business process outsourcing industry) sub-sectors supported by strong business and consumer confidence as well as low interest rates which continued to support bank lending activities. Other major contributors to the services sector's growth were other services (7.4 percent); trade and repair of motor vehicles, motorcycles, personal and household goods (7.3 percent); public administration and defense which include compulsory social security (5.9 percent).



The industry sector contributed 2.5 percentage points to the real GDP growth during the review quarter. The industry sector grew by 10.3 percent in Q2 2013, as against the 5.8 percent in the same period last year. The major contributors to the positive performance of this sector were the sustained double-digit growth in construction (17.4 percent) supported by continued expansion in both public and private construction; and manufacturing (10.3 percent) driven mainly by the expansion in food manufactures and chemical products.

The agriculture, hunting, forestry and fishing (AHFF) sector also posted positive contribution of 0.7 percentage point to the real GDP growth during the review period, even as this sector contracted slightly by 0.3 percent in the second quarter of 2013 compared to the same period last year. The decline can be attributed to lower corn and palay yields due to intense heat experienced in some areas of the country during the summer months of 2013; and poor banana and coconut harvests brought about by a typhoon in Mindanao. On the other hand, mango production rebounded in the first semester of 2013 after a decline in the same period last year. While majority of the crop production contracted in the second quarter of 2013, fisheries and forestry production remains positive, which moderated the decline in the overall AHFF.

#### ***GDP by expenditure***

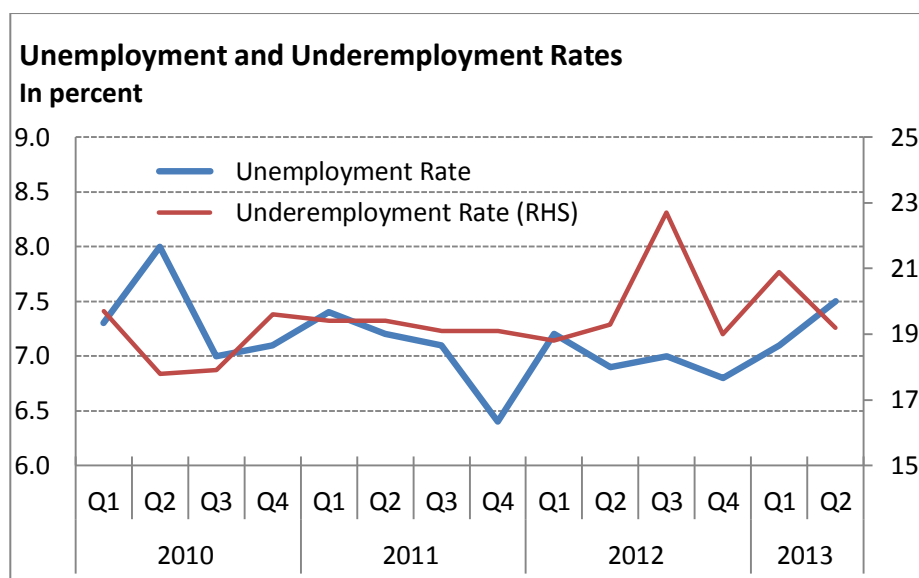
On the expenditure side, private consumption, along with capital formation and government spending boost output growth. The strong growth of capital formation was driven largely by the continued improvement of construction activities, both public and private, as well as expansion in intellectual property products. Meanwhile, the robust government consumption during the review quarter was propelled by higher public spending due to increase disbursements to finance the implementation of the projects and programs of the different government department and agencies.

#### **Labor and Employment**

##### ***Employment figures reflect soft labor market conditions***

Based on the results of the April 2013 Labor Force Survey (LFS) of the National Statistics Office (NSO), the unemployment rate was higher at 7.5 percent in the second quarter of 2013 relative to the 6.9 percent recorded in the same quarter of 2012 (Table 2).





There was an observed improvement in the quality of employment even as the overall level of employment decreased slightly by 0.1 percent year-on-year. Employment in the agriculture sector contracted (-5.0 percent). However, the impact of the decline in the employment in the agriculture sector was cushioned by increased employment in the services (1.9 percent) and industry (3.8 percent) sectors, which generated 224,000 and 380,000 additional jobs, respectively. The growth in employment in the industry sector came primarily from construction, manufacturing and mining and quarrying. Meanwhile, the additional jobs generated in the services sector were mainly in the tourism-related industries, such as accommodation and food service activities, transportation and storage, as well as arts, entertainment and recreation. Of the 37.8 million total employed persons, 52.6 percent were employed by the services sector, while the agriculture and industry sectors employed 31.3 percent and 16.1 percent, respectively. The ratio of the underemployed to total employed persons declined marginally to 19.2 percent during the review period from 19.3 percent in the comparable period in 2012. Of the 7.3 million underemployed persons, 42.2 percent were in the services sector, while the underemployed in the agriculture and industry sectors accounted for

the remaining 40.9 percent and 16.9 percent of the total, respectively.

Classified by status of employment, employment increased at a slower pace compared to the second quarter of 2012 among wage and salary workers (2.9 percent from 4.3 percent). Meanwhile, employment declined from the levels in the same quarter a year-ago among self-employed workers (-1.3 percent from 0.5 percent), employers in own-family operated farm or business workers<sup>1</sup> (-8.0 percent from -4.0 percent) and workers without pay in own family-operated farm or business (-8.8 percent from 3.6 percent).

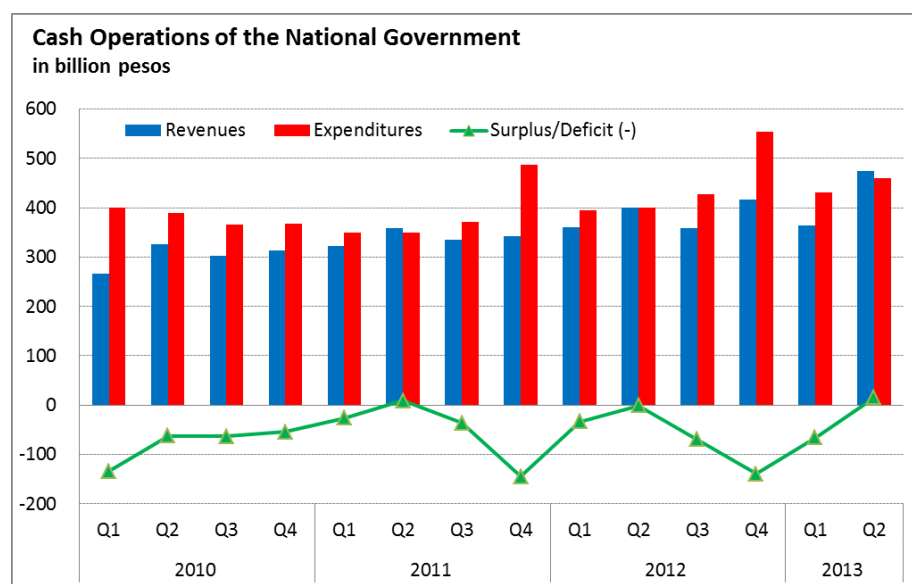
## **B. Fiscal Sector**

### **National Government Cash Operations**

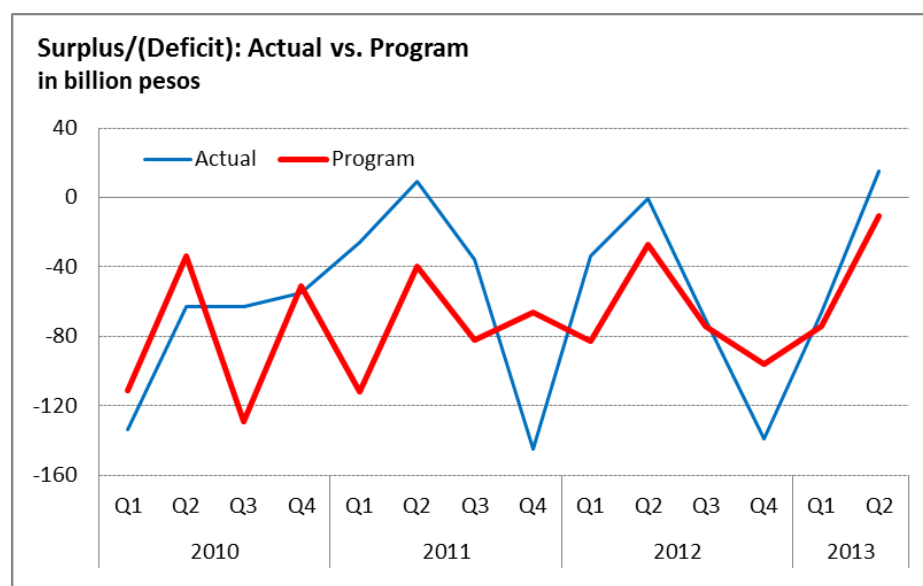
The cash operations of the National Government (NG) yielded a surplus of ₱15.2 billion in Q2 2013. This level was a reversal from the ₱0.5 billion deficit recorded in the same period in 2012 and the programmed deficit of ₱10.8 billion during the review period.

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<sup>1</sup> An employer is a person working in his own business, farm, profession or trade who has one or more regular paid employees, including paid family members. Domestic helpers, family drivers and other household helpers who assist in the family-operated business, regardless of time spent in this activity, are not hired employees in the enterprise/business. A retail store operator who is wholly assisted in the operation of his store by unpaid relatives living with him and who employs carpenters to construct a new building for his store (with store operator supervising the work) is not an employer. However, if an operator happens to be the owner or partner of a big firm which has its own construction unit to take care of its needs, the operator is an employer. (source: <http://www.bles.dole.gov.ph/>)



Total revenues reached ₱475.1 billion for the review period, higher than the year-ago level of ₱399.9 billion due mainly to improved collections by the Bureau of Internal Revenue (BIR). The Q2 2013 revenue level was 1.5 percent lower than the target level for the quarter of ₱482.2 billion. Tax collections, which constituted 90.4 percent of total revenues, amounted to ₱429.6 billion, 16.2 percent higher than the year-ago level but 12.6 percent lower than the programmed tax revenue during the review period. Non-tax revenues, including grants, which consisted mainly of collections made by the Bureau of the Treasury (BTr), increased by 50.5 percent from the year-ago level. Likewise, non-tax revenue over performed against the programmed level for the review period.



Meanwhile, total expenditures reached ₱460.0 billion in Q2 2013, 14.9 percent higher than the ₱400.4 billion expenditures incurred a year ago, although this amount was 6.7 percent lower than the ₱493.0 billion programmed expenditures for the quarter. The bulk of expenditures was channeled to infrastructure spending and capital outlays.

The NG's net financing for the second quarter of 2013 amounted to ₱88.6 billion, significantly higher than the year ago level of ₱12.2 billion. The net financing was sourced mainly from domestic borrowings amounting to ₱103.8 billion. Meanwhile, the NG recorded external obligations amounting to ₱15.2 billion in the review quarter. The net financing was based on a gross financing mix ratio of 95:5, in favor of domestic sourcing.

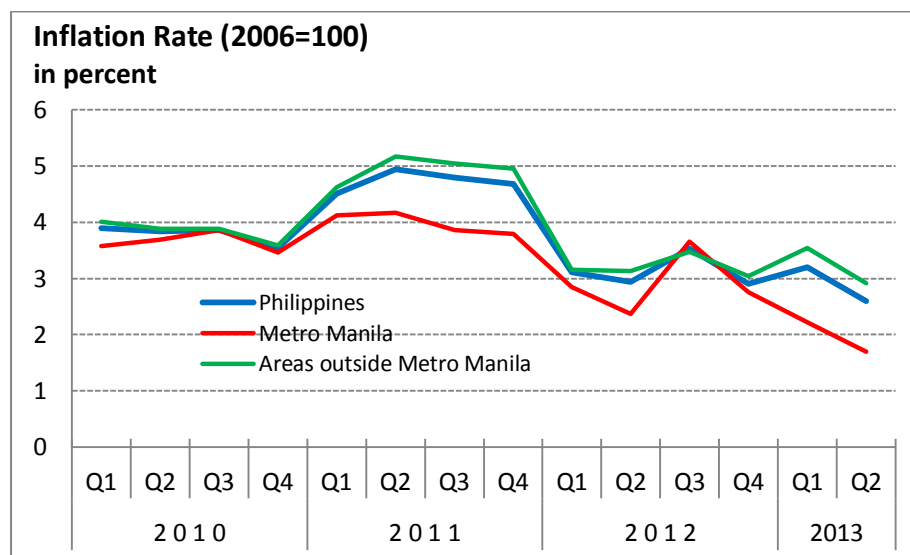
Moving forward, the NG will continue to pursue fiscal consolidation in the medium term by supporting legislative initiatives to raise revenues and widen the tax base while pursuing parallel efforts to reinforce tax administration and ensure an efficient expenditure management program.

## C. Monetary Sector

### Prices

***Inflation eases due largely to lower non-food inflation***

Headline inflation decreased to 2.6 percent year-on-year (y-o-y) in Q2 2013 from the quarter-ago and year-ago rates of 3.2 percent and 2.9 percent, respectively.



The slowdown in headline inflation was traced mainly to lower non-food inflation, owing to lower electricity rates and domestic petroleum prices. Likewise, lower inflation on most food items, particularly rice, corn, fish, milk, oils, and sugar, was recorded during the quarter. On a quarter-on-quarter (q-o-q) basis, headline inflation decelerated slightly to 0.6 percent in Q2 2013 from 0.7 percent in Q1 2013.

***Core inflation moderates***

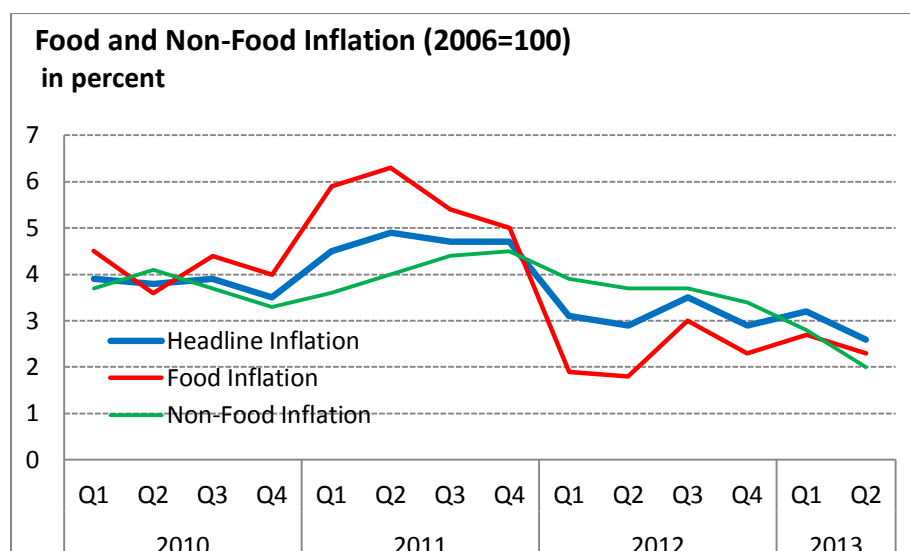
Core inflation, which excludes some food and energy items to measure generalized price pressures, also fell to 3.0 percent in Q2 2013 from 3.8 percent in the previous quarter and 3.7 percent a year ago. All alternative measures of core inflation estimated by the BSP decreased in Q2 2013 relative to the rates registered in the previous quarter. In particular, the trimmed mean, weighted median, and net of volatile items measures declined to 2.3 percent,

2.3 percent, and 3.2 percent, respectively, from the previous quarter's 3.0 percent, 2.7 percent, and 3.8 percent.

<b>Alternative Core Inflation Measures</b> Quarterly averages of year-on-year change					
Quarter	Official Headline Inflation	Official Core Inflation	Trimmed Mean 1/	Weighted Median 2/	Net of Volatile Items 3/ *
<b>2011</b>	<b>4.6</b>	<b>4.3</b>	<b>3.8</b>	<b>3.1</b>	<b>3.6</b>
Q1	4.5	4.0	3.3	2.9	3.7
Q2	5.0	4.3	4.0	3.1	3.7
Q3	4.8	4.4	4.0	3.2	3.5
Q4	4.7	4.5	3.8	3.1	3.6
<b>2012</b>	<b>3.2</b>	<b>3.7</b>	<b>3.1</b>	<b>3.0</b>	<b>3.4</b>
Q1	3.1	3.5	3.0	2.6	3.0
Q2	2.9	3.7	3.0	3.2	3.3
Q3	3.5	4.1	3.3	3.2	3.9
Q4	2.9	3.4	3.1	3.0	3.4
<b>2013</b>					
Q1	3.2	3.8	3.0	2.7	3.8
Q2	2.6	3.0	2.3	2.3	3.2
1/ The trimmed mean represents the average inflation rate of the (weighted) middle 70 percent in a lowest to-highest ranking of year-on-year inflation rates for all CPI components. 2/ The weighted median represents the middle inflation rate (corresponding to a cumulative CPI weight of 50 percent) in a lowest-to-highest ranking of year-on-year inflation rates. 3/ The net of volatile items method excludes the following items: educational services, fruits and vegetables, personal services, rentals, recreational services, rice, and corn. r/ Revised. * The series has been recomputed using a new methodology that is aligned with NSO's method of computing the official core inflation, which re-weights remaining items to comprise 100 percent of the core basket after excluding non-core items. The previous methodology retained the weights of volatile items in the CPI basket while keeping their indices constant at 100.0 from month to month. Source: NSO, BSP estimates					

***Slower price increases  
for rice, corn, fish, milk,  
and sugar drive down  
food inflation***

Food inflation slowed down to 2.3 percent in Q2 2013 from 2.7 percent in the previous quarter, but was higher than the 1.8 percent posted a year ago. Adequate domestic supply of selected food items, particularly rice, corn, fish, milk, oils, and sugar, led to the deceleration of food inflation in Q2 2013. The inflation rate of rice, corn, fish, milk, and sugar declined to 1.6 percent, 4.9 percent, 2.4 percent, 2.1 percent, and 0.9 percent, respectively, from the quarter-ago rates of 1.7 percent, 5.5 percent, 5.3 percent, 2.9 percent, and 3.1 percent. Prices of oils and fats declined further to -7.4 percent from -5.8 percent in Q1 2013.



***Non-food inflation declines***

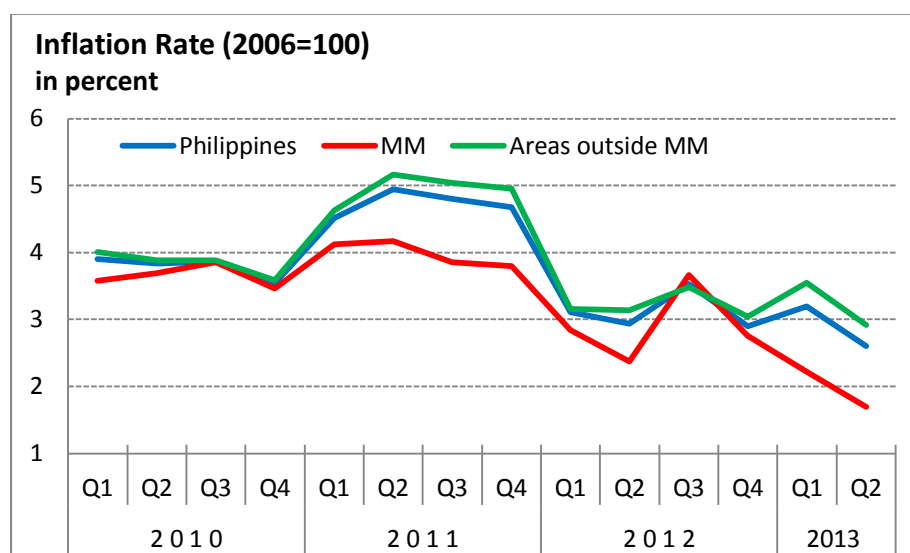
Non-food inflation decelerated to 2.0 percent during the review quarter from 2.8 percent in the previous quarter and 3.7 percent a year ago. Lower inflation for electricity, gas and other fuels, and transport supported the decline in non-food inflation. In particular, from 0.9 percent in Q1 2013, electricity, gas, and other fuels inflation reversed to -0.5 percent in Q2 2013 due to lower electricity charges and LPG prices. Similarly, transport prices went down by 0.2 percent after rising by 0.9 percent in the previous quarter, reflecting reduction in the prices of gasoline and diesel.

***Inflation rates in Metro Manila and in areas outside Metro Manila slow down***

In terms of geographical location, the headline inflation rate for Metro Manila (MM) eased further to 1.7 percent from its quarter-ago and year-ago rates of 2.2 percent and 2.4 percent, respectively. Similarly, inflation rate in areas outside Metro Manila (AOMM) slowed down to 2.9 percent compared to its quarter-ago and year-ago rates of 3.5 percent and 3.1 percent, respectively.

In MM, food inflation went down to 2.0 percent in Q2 2013 from 2.5 percent in the previous quarter, as most food commodities, particularly corn, meat, fish, milk, oils, fruits, and sugar, posted lower inflation. Likewise, non-food inflation decreased to 1.2 percent from

1.9 percent in Q1 2013 as inflation for all commodity groups decelerated, except for recreation and education.



In AOMM, food inflation fell to 2.3 percent from 2.7 percent in Q1 2013 due mainly to the slower price increases of key food items, particularly rice, corn, fish, milk, oils, and sugar. Non-food inflation also eased to 2.1 percent in Q2 2013 from 3.1 percent in the previous quarter as most commodity groups posted lower inflation, except for recreation.

On a q-o-q basis, headline inflation in MM and AOMM decreased to 0.1 percent and 0.7 percent, respectively, in Q2 2013 from 0.2 percent and 0.9 percent in the previous quarter.

## Domestic Liquidity<sup>2</sup>

**Domestic liquidity  
growth supports  
brisker domestic  
economic activity**

Using the Standardized Report Forms<sup>3</sup> (SRF) format, money supply or M3 grew by 20.0 percent y-o-y as of end-June 2013 to reach ₱5.7

<sup>2</sup> The indicators used for money supply are: M1 (or narrow money), comprised of currency in circulation and demand deposits; M2, composed of M1 plus savings and time deposits (quasi-money); M3, consisting of M2 plus deposit substitutes; and M4, consisting of M3 plus foreign currency deposits.

<sup>3</sup> The SRF is a unified framework that allows for cross-country comparison of source data and methodology for compiling and reporting monetary statistics introduced by the IMF in 2004.



trillion. This growth was faster than the 13.4 percent expansion as of end-March 2013 (Table 5).

Domestic Liquidity (M3)					
Particulars	Levels (in billion pesos)			Growth Rates (in %)	
	Jun-13	Mar-13	Jun-12	Q-o-Q	Y-o-Y
<b>Domestic Liquidity (M3),</b>	<b>5,740.0</b>	<b>5,210.5</b>	<b>4,783.4</b>	<b>10.2</b>	<b>20.0</b>
<i>of which:</i>					
Net Foreign Assets	3,393.0	3,251.3	3,201.0	4.4	6.0
Domestic Claims	5,647.6	5,612.4	5,083.0	0.6	11.1
<i>of which:</i>					
Net Claims on Central Government	1,007.3	1,157.4	989.3	-13.0	1.8
Claims on Other Sector	4,640.3	4,455.0	4,093.7	4.2	13.4

The increase in M3 was driven by the 11.1 percent y-o-y expansion in domestic claims in June 2013. Credits extended to the private sector grew by 15.9 percent, consistent with the sustained expansion in bank lending to bolster economic activity. Similarly, net claims on the central government rose by 1.8 percent in June, largely as a result of the increase in investments in National Government securities. The decrease in the liabilities excluded from broad money (due, in part, to the lower level of SDA placements by trust entities) also contributed to faster liquidity growth.

The adoption of the SRF-based monetary statistics is consistent with the framework of the Monetary and Financial Statistics Manual (MFSM), Balance of Payments and International Investment Position Manual, 6th Edition (BPM6), and the System of the National Accounts (SNA) of the International Monetary Fund (IMF). This initiative is part of the BSP's adherence to international best practices in statistical compilation.

Similarly, net foreign assets (NFA) also grew by 6.0 percent y-o-y in June 2013. The BSP's international reserves rose further due mainly to robust foreign exchange inflows from overseas remittances and BPO receipts. However, the NFA of banks contracted further as banks' foreign liabilities continued to increase given higher placements and deposits made by foreign banks with their local branches and other banks, while their foreign assets decreased due to the decline in loan receivables from and deposits with foreign banks.

Following the rise in M3, M4, a broader concept of domestic liquidity which comprises M3 and foreign currency deposits of residents, increased by 17.4 percent y-o-y in June 2013 from 10.7 percent in March 2013.

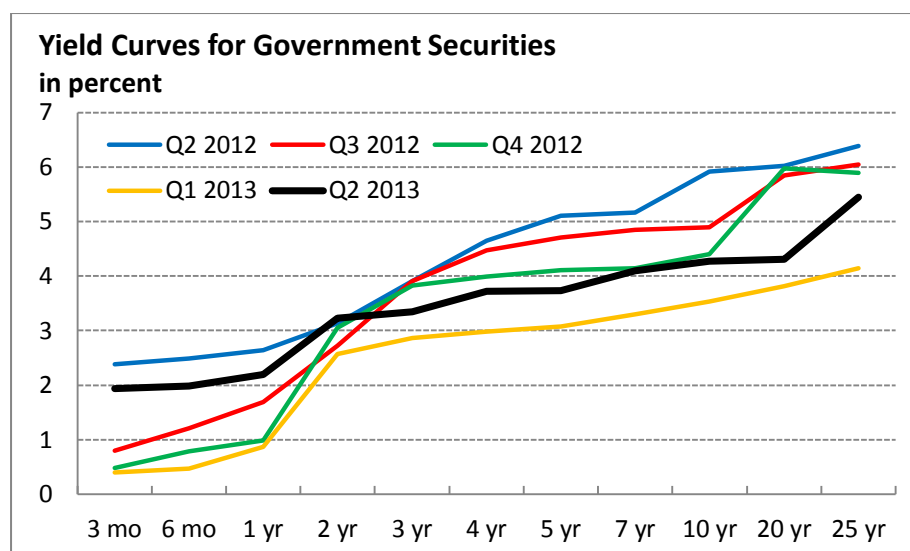
### **Domestic Interest Rates**

#### ***Domestic market interest rates rise***

The average 91-day, 182-day and 364-day Treasury bill (T-bill) rates in the primary market increased markedly in the second quarter by 33 basis points (bps), 25 bps, and 6 bps, respectively, as indications of a US Fed exit on its bond-buying program steered investors into seeking higher yields.

#### ***Yields of short-term secondary T-bills increase***

Similarly, secondary market yields of GS for all maturities increased as of end-June 2013 compared to their end-March 2013 rates, driven mainly by cautious selling activities due to expectations of a US scale down of its quantitative easing program (QE3) amid signs of some recovery in the US economy. Rates went up by a range of 49 bps (3-yr and 20-yr) to 154 bps (3-month).



In contrast, market interest rates decreased during the review quarter. Bank lending rates, savings deposit rates, interbank call loans, time deposit rates, and Manila reference rates declined by 6 bps, 26 bps, 78 bps, 93 bps and 100 bps, respectively.

The Monetary Board (MB) kept the BSP's key policy rates at 3.50 percent for the overnight borrowing or reverse repurchase (RRP) facility and 5.50 percent for the overnight lending or repurchase (RP) facility during its policy meetings in the first quarter. However, the MB decided to further reduce the SDA rate by another 50 bps, increasing the cumulative cut on SDA rate for the year to 150 bps across all tenors. The MB's decision to maintain the policy rates was based on its assessment that inflation environment continues to be benign and inflation expectations are firmly anchored. Meanwhile, the MB noted that the reduction in the SDA rate is consistent with the BSP's continuing efforts to fine-tune the operations of its monetary policy tools.

### ***Interest rate differentials widen***

The differentials between domestic and US interest rates (gross and net of tax) widened in Q2 2013 relative to the previous quarter. The rise in the domestic interest rate combined with the continued

decline in foreign interest rates led to a widening in the positive after tax differentials between the RP 91-day T-bill rate and the US 90-day T-bill rate and the US 90-day LIBOR. The average 91-day RP T-bill rate rose by 33 bps q-o-q, while the average US 90-day T-bill rate and US 90-day LIBOR decreased by 3 bps and 1 bp, respectively. The domestic interest rate rose as investors sought higher yields on prospects of the further dollar strengthening, following the release of the better-than-expected consumer confidence data amid expectations that the US Fed may reduce its US\$85 billion bond-buying program in the near future. Meanwhile, the decline in US interest rates was driven largely by the release of favorable economic reports during the quarter, including the US retail sales April 2013 data, unemployment rate, which fell in April 2013 to its lowest since December 2008 in April 2013, and higher output growth for Q1 2013. Weaker-than-expected manufacturing data in China and the euro area along with the decline in Japan's 10-year government bond rate to its lowest level since August 2009 also boosted the demand for the US debt papers.

The positive differential between the BSP's policy interest rate (overnight borrowing or RRP rate) and the US federal funds target rate was unchanged at 325 bps as of end-June 2013, as the policy settings for both central banks were kept steady. Adjusted for the risk premium, the spread between the two policy rates declined further to 210 bps in end-June 2013 from 216 bps in end-March 2013. This development may be traced to the 6 bps rise in the risk premium, given the 68 bps increase in the 10-year RP yield relative to the 61 bps rise in the 10-year US yield. ROP bond yields edged higher, tracking the rise in regional bond yields amid market uncertainty over prospects that the US Fed will taper off its bond-purchase program.

## Monetary Policy Developments

### ***BSP maintains key policy rates***

During its monetary policy meetings on 25 April and 13 June 2013, the BSP decided to maintain its key policy interest rates at 3.50 percent for the overnight borrowing or reverse repurchase (RRP) facility and 5.50 percent for the overnight lending or repurchase (RP) facility. The interest rate on term RRP and RPs were also maintained. The reserve requirement ratios were kept steady as well.

The Monetary Board's (MB) policy rate decisions were based on its assessment that the inflation environment remained benign over the policy horizon. Latest baseline forecasts indicated that inflation will remain within target for 2013 until 2015, supported by well-anchored inflation expectations. With the current stronger pace of domestic liquidity growth, inflation is still expected to remain manageable over the policy horizon given improvements in the economy's absorptive capacity. Keeping policy settings steady also allows time to assess the impact of recent fine-tuning in monetary operations. Recent global financial market developments also support an unchanged policy stance.

Meanwhile, the BSP reduced the interest rates on the SDA facility by 50 bps during its policy meeting on 25 April 2013. By end-April 2013, the SDA rate was set to 2.0 percent regardless of tenor. The MB noted that the benign inflation environment and robust domestic growth prospects provided scope for further enhancing the efficiency of monetary operations in absorbing liquidity through the SDA facility. The adjustment was also in line with the BSP's continuing efforts to fine-tune its monetary policy instruments and thereby gain greater flexibility in conducting monetary operations, and also to ensure adequate liquidity for economic activity.

## D. Financial Sector

### *Philippine banking system weathers global headwinds*

The Philippine banking system remained resilient amid the lackluster global environment. Banks' core balance sheets were marked by a steady growth in assets and capital accounts. Asset quality continued to improve and solvency ratios remained at par with international standards.

### Performance of the Banking System

#### Market Size

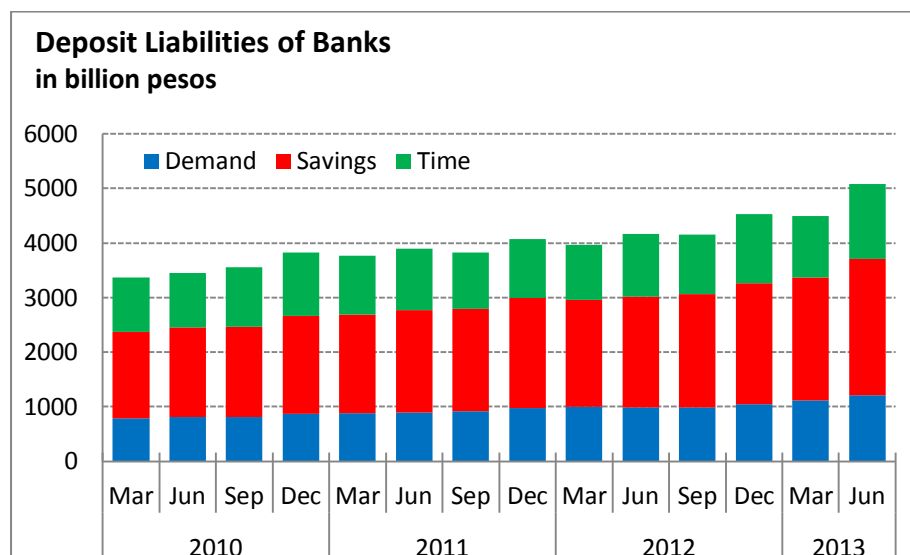
### *Number of banks declines but operating network continues to expand*

The number of banking institutions (head offices) fell to 687 as of end-March 2013 from the quarter- and year-ago levels of 696 and 723, respectively, indicating continued consolidation of banks as well as the exit of weaker players in the banking system (Table 7). By banking classification, banks (head offices) consisted of 36 universal and commercial banks (U/KBs), 70 thrift banks (TBs), and 581 rural banks (RBs). Meanwhile, the operating network (including branches) of the banking system increased to 9,477 in Q1 2013 from 9,410 in Q4 2012 and 9,186 during the same period last year, due mainly to the increase in the branches/agencies of UKBs, TBs and RBs.

The total resources of the banking system rose by 6.0 percent and 16.3 percent to ₱8.9 trillion as of end-June 2013 from quarter- and year- ago levels of ₱8.4 trillion and ₱7.7 trillion, respectively (Table 8). The increase could be traced to the growth in loans, securities and other equities indicative of the public's continued trust in the banking system. U/KBs accounted for nearly 90 percent of the total resources of the banking system.

## Savings Mobilization

Savings and time deposits remained the primary sources of funds for banks. Banks' total deposits<sup>4</sup> as of end-June 2013 amounted to ₱5.1 trillion, 22.1 percent higher than the year-ago level of ₱4.2 trillion. The rapid growth may be attributed to the shift of depositors' investments from the BSP's SDA facility to bank deposits as a result of the fine-tuning of access of banks and trust departments/entities to the BSP SDA facility.<sup>5</sup> Savings deposits registered a 22.3 percent growth and continued to account for nearly half of the funding base of banks. Meanwhile, demand deposits expanded y-o-y by 23.5 percent and time deposits increased by 20.4 percent from the level posted a year ago.

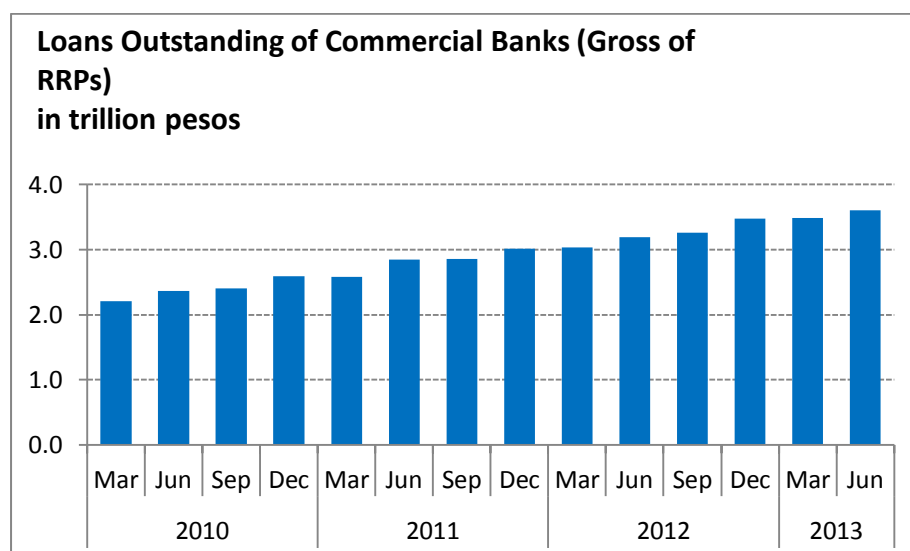


<sup>4</sup> This refers to the total peso-denominated deposits of the banking system.

<sup>5</sup> SDA placements of trust departments/entities under the investment management accounts (IMA) shall be reduced by at least 30 percent by end-July 2013 (relative to the outstanding balance as of 31 March 2013) and the remaining balance shall be phased out by end-November 2013. Thus, beginning 1 January 2014, placements of trust departments/entities in the SDA facility shall consist only of funds from trust accounts allowed under existing regulations.

## Bank Lending Operations

Outstanding loans of commercial banks, net of banks' RRP placements with the BSP as of end-June 2013, grew by 12.3 percent y-o-y and 3.9 percent q-o-q. Likewise, outstanding loans of commercial banks, inclusive of RRPs, expanded by 13.0 percent and 3.6 percent y-o-y and q-o-q, respectively. Commercial banks' loans continued to grow steadily at double-digit growth rates since January 2011. The expansion of domestic economic activity and stable financial conditions supported the sustained growth in bank lending in June.



Loans for production activities, which comprised more than four-fifths of commercial banks' total loan portfolio, posted a 12.2 percent growth. However, the expansion was lower than the 15.1 percent y-o-y growth registered during the same period last year. The growth of production loans was driven mainly by increased lending to mining and quarrying (85.7 percent); construction (48.7 percent); health and social work (47.2 percent); real estate renting and business services (22.3 percent); and hotels and restaurants (19.5 percent). Similarly, the growth in consumer loans also increased to 12.1 percent, reflecting the robust intermediation of banks in the household sector.



## Credit Card Receivables

### ***Credit card receivables continue to increase***

The combined credit card receivables (CCRs) of U/KBs and TBs as of end-March 2013, inclusive of credit card subsidiaries, rose by 9.0 percent to ₱143.7 billion relative to last year's level, further boosting the growth in household consumption. However, CCRs went down by 3.4 percent compared to the level at the end of the previous quarter. Meanwhile, the ratio of CCRs to the total loan portfolio (TLP) slightly dipped to 3.7 percent from 3.8 percent compared to the previous quarter. The non-performing CCRs of U/KBs and TBs, inclusive of credit card subsidiaries, decreased by 7.8 percent to ₱15.3 billion from last quarter's ₱16.6 billion. As to loan quality, the ratio of non-performing CCRs to total CCRs slightly decreased to 10.6 percent from the previous quarter's 11.1 percent, as the growth in non-performing CCRs was outpaced by the total increment in CCRs. In the same manner, this quarter's delinquency ratio was also better than the 11.1 percent recorded a year ago.

## Auto Loans

### ***Consumers' continued confidence in the economy and aggressive marketing strategies boost demand for automobiles***

The combined auto loans (ALs) of U/KBs and TBs, inclusive of non-bank subsidiaries, increased by 4.6 percent to ₱167.2 billion as of end-March 2013 from the previous quarter's ₱159.9 billion and by 15.4 percent from ₱144.8 billion a year ago. Consumers' continued confidence in the economy as well as the aggressive marketing strategies of banks and other car financing firms sustained the rise in automobile purchases. The proportion of total ALs to TLP, exclusive of interbank loans (IBL), was slightly higher at 4.3 percent than the previous quarter's ratio of 4.1 percent. In terms of loan quality, the ratios of non-performing ALs to total ALs, as well as to TLP, which are at 4.6 percent and 0.2 percent, respectively, remain unchanged relative to the previous quarter figures.

## Residential Real Estate Loans

***Continued bullishness in the property market supports real estate purchases***

As of end-March 2013, the combined residential real estate loans (RREs) of U/KBs and TBs rose by 5.6 percent to ₱279.3 billion from the previous quarter's ₱264.5 billion, and 20.1 percent higher than the previous year's ₱232.6 billion. The continued bullishness in the real estate market as indicated by the increase in the number of projects unveiled by real estate developers as well as banks' intensified promotional campaigns in terms of offering lower interest rates, supported more real estate purchases during the review period. The ratio of RREs to TLP slightly increased to 7.1 percent from 6.7 percent in the previous quarter. By industry, U/KBs held a bigger slice of the total residential real estate exposure at 62.1 percent (₱173.5 billion) while TBs accounted for the remaining 37.9 percent (₱105.9 billion). In terms of loan quality, the ratio of non-performing RREs to total RREs of U/KBs and TBs eased to 3.5 percent from the previous quarter's 4.1 percent and previous year's 4.2 percent.

## Asset Quality and Capital Adequacy

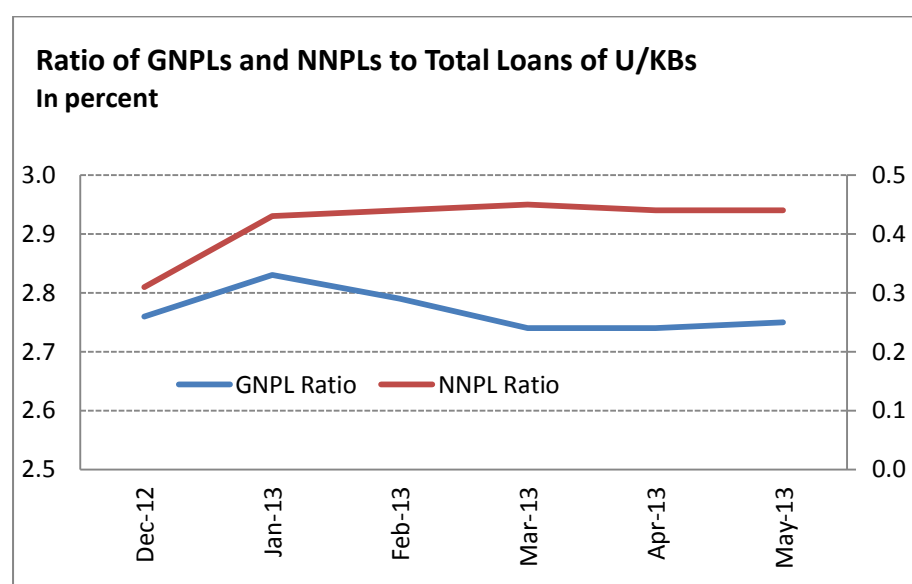
***Asset quality continues to improve as NPL ratio eases***

The U/KBs gross non-performing loans (GNPL) ratio sustained its downward path, easing to 2.75 percent as of end-May 2013<sup>6</sup> from 3.17 percent in the comparable period in 2012<sup>7</sup> (Table 9a). While a lower GNPL ratio is being reported by U/KBs, the NNPL ratio has remained nearly constant. As of end-May 2013, the NNPL ratio was at

<sup>6</sup> On 16 October 2012, the BSP amended banks' reporting standard for NPLs. Beginning with the January 2013 reports, banks have been required to report their "gross" NPLs and their "net" NPLs. Gross NPLs represent the actual level of NPL without any adjustment for loans treated as "loss" and fully provisioned. Net NPLs is just the gross NPLs less specific allowance for credit losses on TLP (Circular No. 772, series of 2012). The new reporting standard was driven by the BSP's intent to be more transparent as it gives a fuller picture of the gross amount of NPLs and the full extent of allowances for probable losses. Under the previous framework, NPLs were reported net of loans considered as "loss" but fully provisioned for.

<sup>7</sup> For comparative purposes, computations for periods prior to January 2013 are aligned with Circular No. 772.

0.44 percent and the year-to-date ratios have been within a very narrow band between 0.43 percent and 0.45 percent. Banks' initiatives to improve asset quality along with prudent lending regulations helped bring the NPL ratios to below its pre-Asian crisis level of around 3.5 percent. The low GNPL ratio reflected the 2.45 percent decline in the level of GNPLs, from ₱103.92 billion to ₱101.37 billion, combined with the 12.3 percent expansion in the U/KBs' TLP, from ₱3.3 trillion to ₱3.7 trillion. On the other hand, the slightly higher net non-performing loan (NNPL) ratio was due to the 2.02 percent increase in the NNPL level from ₱15.85 billion in end-May 2012 to ₱16.17 billion in end-May 2013.



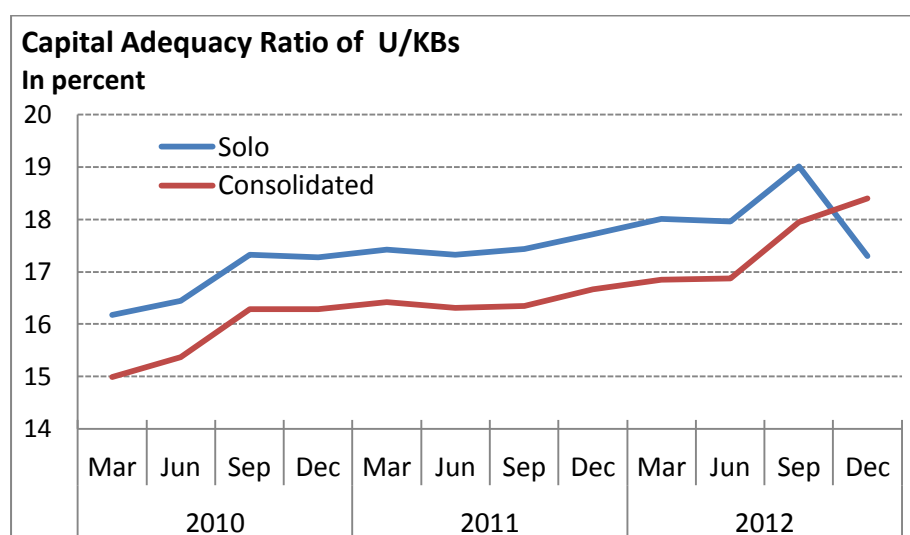
Nonetheless, the Philippine U/KBs' GNPL ratio of 2.75 percent was higher compared to Indonesia's 1.8 percent, Malaysia's 2.0 percent, South Korea's 1.6 percent and Thailand's 2.2 percent.<sup>8</sup> The lower NPL ratios of Malaysia and South Korea were attributed to the creation of publicly-owned asset management companies (AMCs) in these countries, which purchased the bulk of their NPLs, a practice not resorted in the Philippines.

<sup>8</sup> Sources: Various central bank websites, IMF and financial stability reports, Indonesia (commercial banks, Q4 2012); Malaysia (commercial banks, Q4 2012); Thailand (total financial institutions, Q2 2013); and Korea (banking system, Q3 2012).

The loan exposures of banks remained adequately covered as the U/KB's NPL coverage ratio improved to 128.5 percent as of end-May 2013 from 119.8 percent in the preceding year. The ratio was indicative of banks' continued compliance with the loan-loss provisioning requirements of the BSP to ensure adequate buffers against unexpected losses.

***Banks remain  
adequately capitalized***

As of end-December 2012, the U/KB banking industry average CARs stood at 17.3 percent and 18.4 percent on solo and consolidated bases, which were both higher than last year's 16.7 percent and 17.7 percent, respectively.



The industry augmented its qualifying capital to support an increase in assumed risks. The improvement in capital was mainly driven by the expansion in retained earnings as U/KBs posted healthy net profits at end-2012. On the other hand, the rise in the industry's risk-weighted assets (RWA) was brought about by the increase in lending to corporations and in investments in foreign currency debt securities issued by the National Government and the Bangko Sentral ng Pilipinas.

The Philippine banking system's CAR on a consolidated basis at 17.6 percent was the same with Malaysia and higher than those of

Indonesia (17.3 percent), Thailand (15.8 percent), and South Korea (14.1 percent).<sup>9</sup>

### Banking Policies

***Banking policies implemented aim to strengthen and enhance existing regulations***

Banking policies implemented during the quarter were aimed at strengthening regulations and guidelines on: 1) foreign exchange transactions; 2) temporary window for the purchase of foreign exchange (FX) to service unregistered private sector foreign loans; 3) appendix 45 of MORB, specifically on the general features of a microfinance deposit account; 4) rate of Interest in the absence of stipulation; 5) cross selling framework; 6) qualifications of independent director; and 7) banking days and hours (Annex A).

### Capital Market Reforms

***BSP continues to collaborate with government agencies and private sector in developing the capital market***

Capital market policy reforms continued to gain ground during the period as the BSP, other government agencies, and the private sector adopted measures to develop further the Philippine capital market. During the quarter, the reforms focused more on promoting investor confidence, enhancing transparency and corporate governance, expanding products and markets, strengthening prudential regulations, and helping develop the necessary market infrastructure (Annex B).

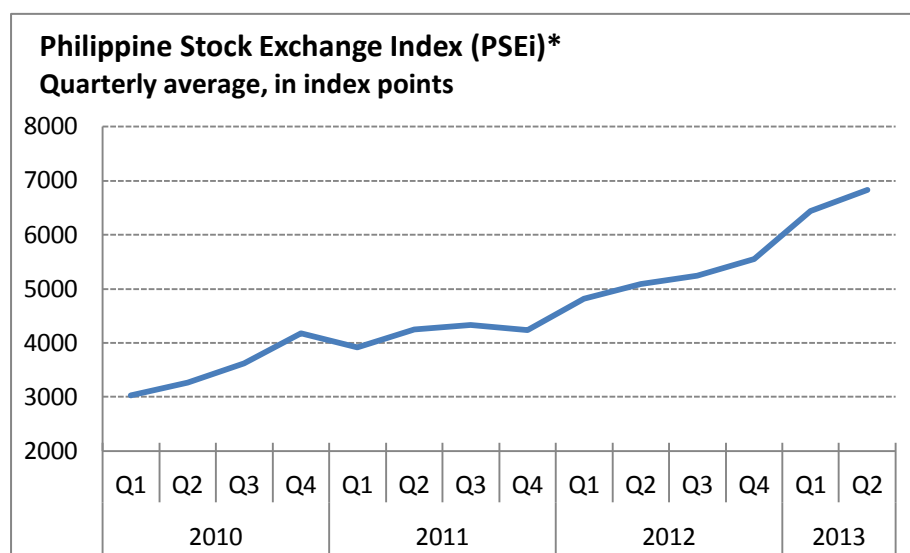
### Stock Market

***Robust outlook for the Philippine economy and credit rating upgrades lift the local stock index***

During the period April to June, strong domestic macroeconomic fundamentals offset the impact of negative developments from overseas to lift the Philippine Stock Exchange index (PSEi). The 30-stock composite index averaged 6,836.0 index points, higher by 6.2

<sup>9</sup> Sources: Various central bank websites, IMF and financial stability reports, Indonesia (commercial banks, Q4 2012); Thailand (banking system Q1 2013); Malaysia (commercial banks, Q4 2012); and Korea (banking system, Q3 2012).

percent and 34.2 percent relative to first quarter's and the previous year's levels, respectively.



\*/ Average of the monthly closing index during the quarter

Investors' sentiments were generally bullish in the first half of the quarter, with the PSEi recording seven historic highs during the period. Trading was lifted by optimism over the strong Philippine economic outlook, reports of the 23.3 percent growth in listed firms' combined profits in the first three months of the year, and ample market liquidity, following the third BSP SDA rate cut in April. The credit rating upgrades of the Philippines to investment grade by S&P in early May, and by Fitch Rating in late March, likewise boosted market sentiments. Moreover, the overall optimism in Asian stock markets, largely due to signs of an improving US economy and Japan's affirmation of its stimulus plans to boost growth, also helped the local index surge to its 31<sup>st</sup> peak for the year at 7,392.2 index points on 15 May, higher ytd by 27.2 percent.

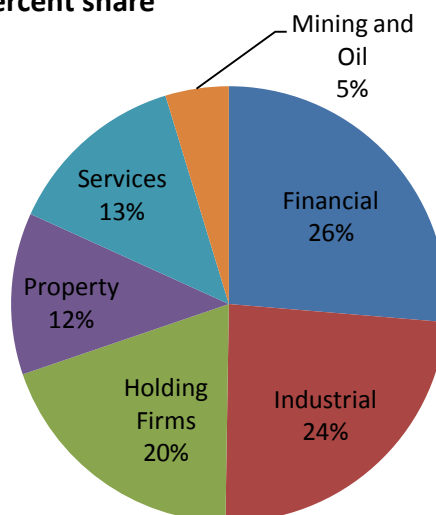
In the second half of the quarter, however, the local index dipped to mirror the retreat in markets' overseas after the US Federal Reserve signaled that it could start unwinding its QE measures later this year. Concerns over the potential slowdown of the Chinese economy

following reports of unfavorable economic data also weighed down on investor confidence from late May up to end-June. Negative news in the domestic front, including the decline in exports and higher unemployment rate, combined with concerns about high equity price valuations dampened sentiments in the latter half of the second quarter, overshadowing investors' positive outlook on the Philippine economy. Subsequently, from the peak of 7,392.2 index points on 15 May, the PSEi closed the month of June 12.5 percent lower at 6,465.3 index points (Table 10). Relative to the end-March index, the closing index in June was also lower by 5.6 percent.

***Stock market indicators  
reflect generally bearish  
sentiments***

Reflecting the generally bearish sentiments in the second half of the quarter-in-review, total stock market capitalization settled at ₱11.7 trillion as of end-June, about 6.9 percent lower relative to the level posted in March. Compared to year-ago levels, however, market capitalization remained higher by 16.5 percent during the period in review. Muted investor risk appetite from late May to June also led to lower foreign buying activity during the quarter as net foreign purchases dipped by 55.5 percent from ₱39.9 billion in the first three months of the year to ₱17.7 billion in the period April through June. Moreover, the price-earnings ratio of listed issues declined from the peak of 22.1 times posted in April to 18.9 times in June. Nonetheless, Philippine shares remain one of the most expensive in the region.

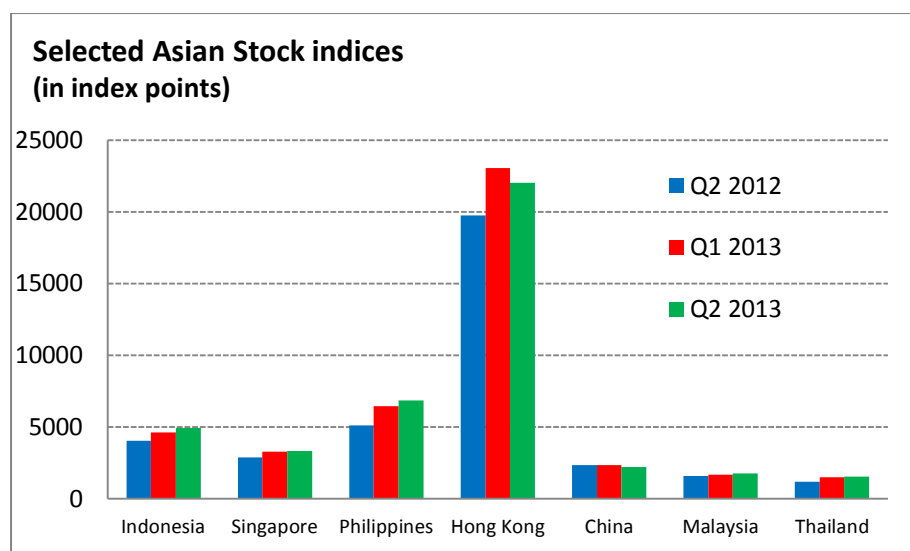
**PSE Market Capitalization by Sector  
2Q 2013, Percent share**



***Most stock markets in  
the region rally in Q2  
2013***

On q-o-q basis, most stock markets in the region similarly advanced during the period April through June. Of the seven Asian-Pacific national stock indices monitored, five rallied relative to the previous quarter. The rally was led by Indonesia, whose average stock index in Q2 rose by 7.1 percent q-o-q. This was followed by the Philippines (6.2 percent), Malaysia (6.0 percent), Thailand (2.1 percent), and Singapore (1.0 percent). In contrast, stock markets in China and Hong Kong retreated amid signs that China's economy was weakening.



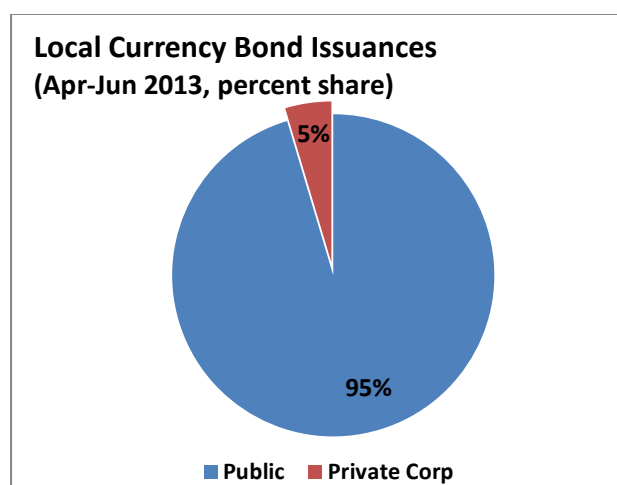


## Local Currency Bond Market

### Size and Composition<sup>10</sup>

***Both public and private sectors issue fewer local currency bonds***

Local currency (LCY) bonds issued by both public and private sectors amounted to ₱155.8 billion in the second quarter of 2013, declining by 13.5 percent from the ₱180.1 billion registered in the same period in 2012 and down by 8.2 percent from the ₱169.7 billion posted in the previous quarter.



<sup>10</sup> This refers to the peso-denominated bond issuances by both public and private sectors. Public sector issuances of LCY bonds include issuances in the primary market and rollovers of maturing series which were issued by the BTr and GOCCs.

Public sector issuances aggregated ₱148.6 billion, declining by 3.5 percent from the previous quarter's level due to lower issuance of fixed-rate bonds. There was also no issuance from government owned and controlled corporations (GOCCs) during the period.

The private sector likewise decreased its issuance of LCY bonds to ₱7.2 billion, a 54.3 percent decline from 1Q 2013 and a 91.6 percent drop on a y-o-y basis. Private corporates opted to source some of its financing needs from the international debt markets, taking advantage of the low interest rate environment during the quarter.

In terms of market share, the public sector comprised 95 percent of the total bond issuances and the private sector accounted for the remaining 5 percent.

Bonds issued by the Bureau of the Treasury (BTr) accounted for the bulk of total public issuances which were mostly in the form of Fixed-Rate T-bonds and T-bills. Meanwhile, issuances from the private sector consisted largely of bonds and notes with issuances accounted for mostly by firms in the real estate sector firms.

### ***Primary Market***<sup>11</sup>

Primary auctions for both T-bills and T-bonds offered volumes were increased to ₱150 billion from the ₱120 billion programmed in the previous quarter due to the Bureau of the Treasury's decision to hold fewer auctions during the quarter.

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<sup>11</sup> The discussion includes primary market for government issuances only.

Results of GS Auctions (Jan-Jun 2013, in billion pesos)				
	Offerings	Tenders	Accepted Bids	Rejected Bids
<b>First Quarter</b>	<b>120.0</b>	<b>431.2</b>	<b>120.8</b>	<b>310.4</b>
T-bills	45.0	135.6	45.8	89.8
T-bonds	75.0	295.6	75.0	220.6
<b>Second Quarter</b>	<b>150.0</b>	<b>256.3</b>	<b>141.8</b>	<b>114.5</b>
T-bills	60.0	81.7	51.8	29.8
T-bonds	90.0	174.6	90.0	84.6

***Ample liquidity in the system sustains demand for T-bills and T-bonds***

With ample liquidity in the system, demand for T-bills and T-bonds climbed with investors tendering more than that of the National Government's (NG) program for both short- and long-dated securities. Total amount of tenders for both T-bills and T-bonds reached ₱256.3 billion, almost two times oversubscribed given NG's offerings of ₱150.0 billion.

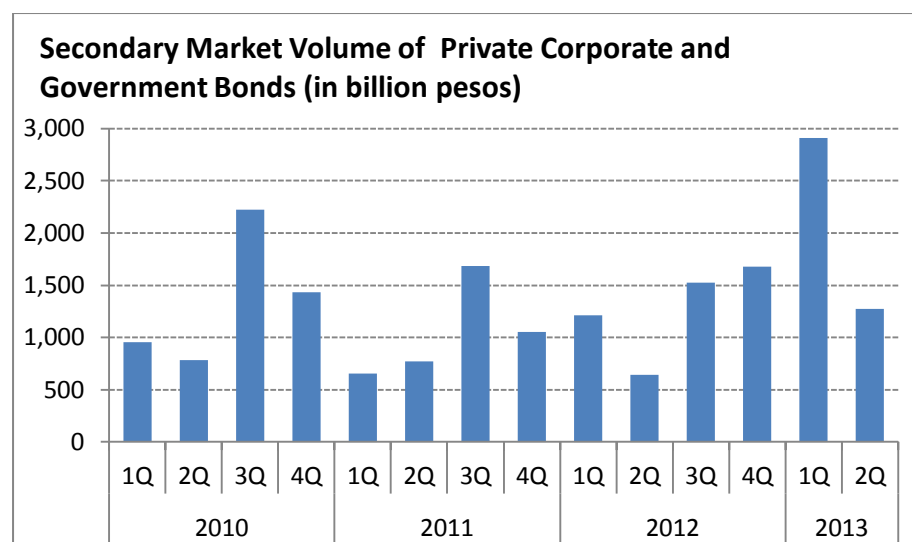
***Investors seek higher yields***

The NG awarded in full its programmed borrowings for T-bonds while accepting only ₱51.8 billion of T-bills, less than the ₱60.0 billion programmed amount. Investors were seen tendering higher yields for short-term dated T-bills, prompting the BTr to reject some of the bids in the 182- and 360-days tenors to keep the NG's debt servicing costs manageable. The yields for the six-month and one-year debt papers were observed to reach at least 1 percent in the second quarter since falling to record lows earlier this year.

***Secondary Market***

***Trading for both government and corporate bonds at the secondary market declines***

Trading of both government and private corporate bonds fell to ₱1,273 billion, or down by 56.2 percent, q-o-q, but up by 97.7 percent on y-o-y basis.



The decrease in the trading volume at the fixed income market was notable in the months of May and June due to heightened worries over US tapering its QE measures. Uncertainties were compounded by brewing tensions in the Middle East, which prompted investors to pull out funds from the country's fixed income market. Nonetheless, the country's strong macroeconomic fundamentals continued to support trading at the fixed income exchange, which tempered selling pressures at the secondary market.

### Foreign Currency Bond Market

***The NG maintains limited borrowing offshore, taking advantage of the ample liquidity in the domestic capital market***

The NG refrained from borrowing in the international debt market in the second quarter of 2013. The preference was to source funds from the domestic lenders, taking advantage of the ample liquidity in the local capital market. The NG's plan for 2013 is to source 20 percent of the government's funding needs from overseas lenders while the remaining 80 percent, from local investors.

This is in contrast with the private sector, which tapped the international financial market in sourcing funds. During the quarter, a real estate developer, raised US\$250 million through sale of 10-year

bonds which was followed by an US\$800 million 10-year callable bonds from a brewery firm.<sup>12</sup>

### Credit Risk Assessment

#### ***S&P raises the Philippines' sovereign credit rating to investment grade***

Following the first investment grade rating from Fitch in the first quarter of the year, Standard & Poor's Rating Services raised the Philippines' credit rating to investment grade from a rating from BB+ to BBB- on May 2, 2013. This is the Philippines' second investment grade rating received by the Philippines in 2013.

<b>Latest Philippine Sovereign Credit Ratings as of June 2013</b>			
<b>Rating Agency</b>	<b>Local Currency (LT/ST)</b>	<b>Foreign Currency (LT/ST)</b>	<b>Outlook</b>
<b>S&amp;P</b>	BBB-/A3	BBB-/A3	Stable
<b>Moody's</b>	Ba1/.n.a.	Ba1/n.a.	Stable
<b>Fitch</b>	BBB/n.a.	BBB-/F3	Stable

Source: Reuters

The S&P, just like Fitch Ratings, attributed the upgrade to the country's improved fiscal profile, declining reliance on foreign currency debt, increased revenue collection, and macroeconomic stability.

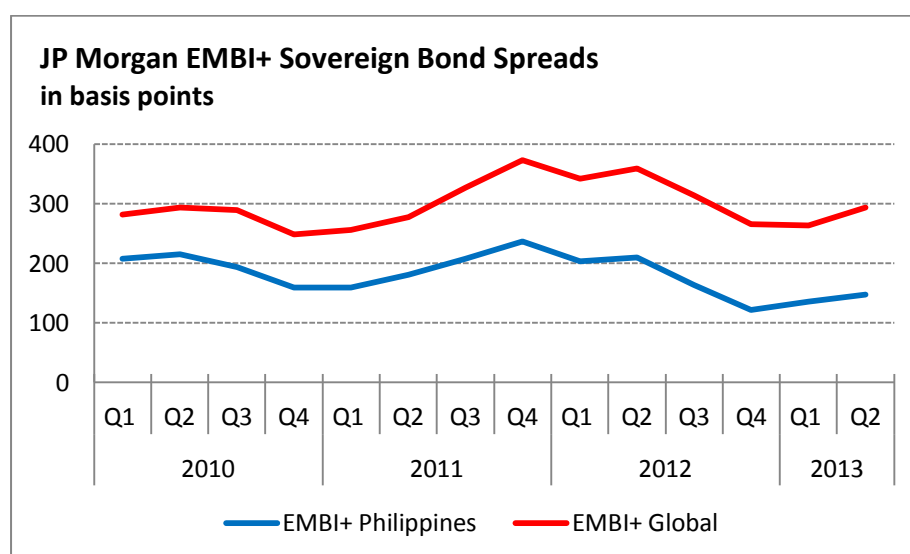
The S&P said the ability of the Philippines to pay its debt to foreign creditors had strengthened, as evidenced by the country's dollar reserves. The reserves come mostly from remittances from expatriate Filipinos, foreign investments in the business process outsourcing sector and foreign investments in peso-denominated securities.

<sup>12</sup> Source: Reuters

## Sovereign Spreads

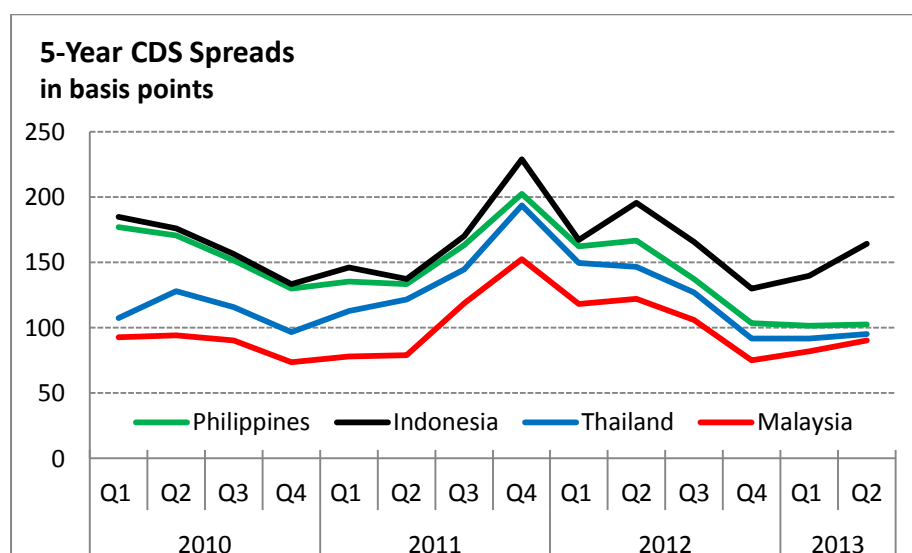
### *Debt spreads widen anew*

The upgrade in the country's credit rating did not translate into a significant narrowing of debt spread. Credit spreads closed the second quarter wider relative to the previous quarter's level and on a y-o-y basis, reflecting heightened risk aversion towards the country's debt papers. The Emerging Market Bond Index (EMBI)+ Philippine spreads averaged 147.4 bps, up from the first quarter's 136.2 bps while credit default swaps (CDS) spreads inched up to average 102.7 bps from 101.8 bps. Against those of neighboring economies, the Philippine CDS traded lower than Indonesia's average of 164.5 bps and closer to Thailand's 95.3 bps and Malaysia's 90.3 bps.



From April to mid-May credit spreads initially narrowed on the back of continued monetary easing from major central banks that pushed nominal yields to record lows. During this period, the Bank of Japan (BOJ) unveiled its new program of quantitative and qualitative monetary easing in April, while the European Central Bank (ECB) cut its policy rate in early May. Similarly, the US Fed reaffirmed its commitment to its asset purchase program during its 1 May 2013 policy meeting, but also made indications that it is prepared to

increase or decrease the pace of its purchases based on the outlook for inflation and labor market conditions.



Investors discounted reports of sluggish growth in Europe, gloomy Chinese PMI data, and the cut in the IMF global growth outlook for 2013 to 3.1 percent from its 3.3 percent forecast in March. The sustained low yields in advanced economies (AEs) led investors to search for higher returns in EM papers and corporate debts, driving debt spreads even lower. Risk taking and carry trade activities rose while corporate issuances strengthened, benefiting high yielding bonds including those of the Philippines.

The second credit rating upgrade received by the Philippines from S&P on 2 May 2013 supported the prices of Philippine sovereign bonds which pushed yields to drop, narrowing the gap between high-yielding EM bonds with US investment grade bonds. From end-March 2013, the EMBI+ Philippine spreads, or the extra yield investors demand to hold Philippine debt securities over US Treasuries, narrowed to 118.0 bps on 3 May (from 152 bps) while the CDS spread, or the cost of insuring the country's 5-year sovereign bonds against default, dropped to 80.5 bps on 7 May (from 109 bps).

In the last two weeks of May, the narrowing trend reversed. Debt spreads expanded on renewed speculation that the US Fed could start tapering its bond buying program over the next few months, translating to a sell-off in US Treasuries. This subsequently pushed yields to rise in both the investment-grade and high-yielding emerging market bonds. Widening pressures intensified as weaker jobs data were reported in the euro area with the unemployment rate hitting record highs in France and Italy.

A gradual correction that began in mid-May snowballed into a full-blown sell-off in the fixed income market in June, expanding spreads to levels last seen in June 2011. On 24 June, EMBI+Philippine spreads widened to 228 bps while CDS spreads jumped similarly to 157 bps on the same day. EM bond funds registered net outflows for the first time in almost a year, intensifying the widening trend. Moreover, worries over a liquidity crisis in China's interbank market added to the market's risk-off trading sentiment. A mild recovery was observed beginning 25 June towards the end of the month but sentiments remained gloomy. The partial recovery was due to some window dressing ahead of the end of the first half of the year. The market ended the month on a slow trade with recent losses still unrecovered.

### **Payments and Settlements System**

#### ***PhilPaSS transactions increase***

In Q2 2013, the total volume of transactions that were settled and processed in the Philippine Payments and Settlements System (PhilPaSS) increased by 5.4 percent to 355,585 from the previous quarter's level of 337,452. The growth in the volume of transactions was due to the q-o-q increase in the following: interbank sale and purchase of foreign currency (US dollar) via payment-versus-payment



(PVP) (23.1 percent); interbank transactions (11.1 percent); and PhilPaSS-REMIT transactions (9.0 percent).

PhilPaSS Transactions					
	2013		2012	Growth rates (%)	
	Q2	Q1	Q2	Q-o-Q	Y-o-Y
Volume	355,585	337,452	322,789	5.4	10.2
Value (In Trillion PhP)	89.6	97.4	83.5	-8.0	7.3
Transaction Fees (In Mln PhP)	42.1	41.1	38.7	2.3	8.7
Source: Payments and Settlements Office, Bangko Sentral ng Pilipinas					

Although the growth in the total volume of transactions increased, the total value of transactions recorded a q-o-q decline of 8.0 percent to ₱89.6 trillion. The decrease in the total transaction value was due to the contraction in the following accounts: sales and purchases of government securities via delivery-versus-payment (DvP) (-56.3 percent); tertiary transactions on government securities (GS) via expanded delivery-versus-payment (eDvP) (-16.9 percent); and BSP Treasury Department transactions (-13.1 percent).

On a y-o-y basis, both the value and volume of transactions grew by 7.3 percent and 10.2 percent, respectively.

As a result of the increase in the volume of PhilPaSS transactions in Q2 2013, the total revenues derived from PhilPaSS operations reached ₱42.1 million, 2.3 percent higher than the ₱41.1 million recorded in Q1 2013. On a y-o-y basis, total revenues grew by 8.7 percent.

## E. External Sector

### Balance of Payments

***BOP surplus surges as current and financial accounts improve appreciably***

The country's balance of payments position yielded a higher surplus of US\$1 billion in Q2 2013 compared to only US\$73 million in the comparable period a year ago. The significant upturn in the external payments position was due largely to the higher current account surplus combined with the reversal of financial account from net outflows to net inflows. The improvement in the current account surplus emanated mainly from increased net receipts in secondary income and services while net inflows in the financial account were attributed to net inflows in the portfolio investment account. The global economic recovery is proceeding at a gradual pace as economic activity in Japan has gained further traction. This favorable development resulted in the modest growth of merchandise exports and in the rise in investment inflows indicating sustained investor confidence on the back of the country's credit rating upgrade to investment grade from Standard and Poor's (S&P) and Fitch Ratings.

Balance of Payments ( in million US\$)			
	Q2		Growth
	2013	2012	Rate (%)
Current Account	2484	2276	9.1
Capital Account	24	30	-20.4
Financial Account	-127	722	-117.6
Net Unclassified Items	-1594	-1511	-5.5
<b>Overall BOP</b>	<b>1041</b>	<b>73</b>	<b>1325.7</b>

***Current account posts higher surplus***

**Current Account.** The current account recorded a surplus of US\$2.5 billion (equivalent to 3.6 percent of GDP) in Q2 2013, an increase of 9.1 percent from the US\$2.3 billion surplus in the same quarter a year ago. The continued surplus in the current account was buoyed by the

combined effect of higher net receipts in the secondary income and services accounts as well as the reduced deficit in trade-in-goods which more than offset the reversal of the primary income balance from net receipts to net payments.<sup>13</sup>

***Trade-in-goods deficit declines further***

**Trade-in-Goods.** The deficit in the trade-in-goods account declined by 16.4 percent to US\$2.3 billion in Q2 2013 compared to the US\$2.7 billion deficit registered in the comparable period last year. The continued narrowing of the trade-in-goods deficit was a result of the 1.2 percent expansion in goods exports and the 1.9 percent contraction in goods imports. The moderate growth in exports of goods was supported by sustained external demand from major export markets, particularly Japan, Singapore, Malaysia, the Netherlands, and the U.K.

***Exports of goods sustain growth***

**Exports of Goods.** Exports of goods grew in Q2 2013, with receipts reaching US\$12.8 billion compared to US\$12.7 billion in the same quarter in 2012. Exports reflected the nascent economic recovery of Japan and some advanced economies even as prospects for global growth remained modest.<sup>14</sup>

The following major commodity groups lifted export performance in Q2 2013:

- Mineral products exports rose by 83.2 percent to US\$1.1 billion from US\$583 million in the comparable quarter a year ago due to

<sup>13</sup> Primary Income account (formerly the Income account) shows flows for the use of labor and financial resources between resident and non-resident institutional units. Secondary Income account (formerly the Current Transfers account) shows current transfers, in cash or in kind, for nothing in return, between residents and non-residents.

<sup>14</sup> Based on BPM6 concept (excluding from the National Statistics Office (NSO) foreign trade statistics those goods that did not involve change in ownership), e.g., consigned goods are deducted, in addition to the exclusion of returned/replacement goods, and temporarily imported goods. For example, of the total electronics exports, 17 percent are on consignment basis.

the upturn in shipments of copper metal and copper concentrates due to increased export volume even as world price of copper declined. These copper products are exported mainly to Japan and South Korea.

- Petroleum products exports increased by almost threefold to US\$249 million on account of higher earnings of naphtha reformates or preparations for preparing spirits, other fuel and bunker oils, and high speed diesel fuel to Singapore and Malaysia.
- Fruits and vegetables exports grew by 26 percent to US\$393 million due mainly to continued strong demand for bananas (increasing by 55.7 percent) from Japan, China, South Korea and some Middle East countries. Bananas comprised the bulk (nearly 63 percent) of fruits and vegetables exports.
- Sugar and products exports expanded by 17.7 percent to US\$56 million from US\$48 million a year ago, primarily due to the notable increases in exports of molasses, and centrifugal and refined sugar mainly to Japan.
- Forest products exports climbed appreciably (by almost 200 percent) due to higher demand from China for lumber and other forest products.

Conversely, the following major commodity groups recorded declines in export earnings:

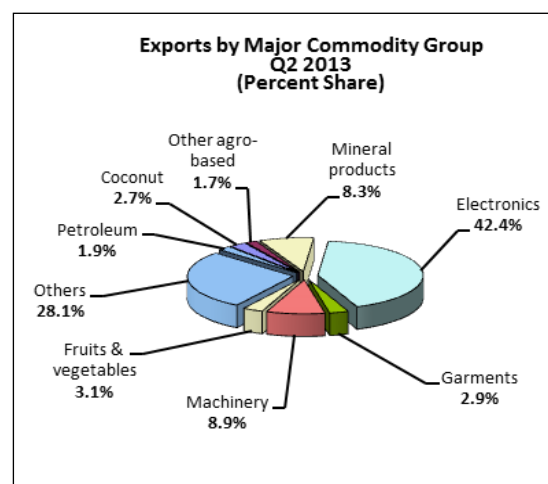
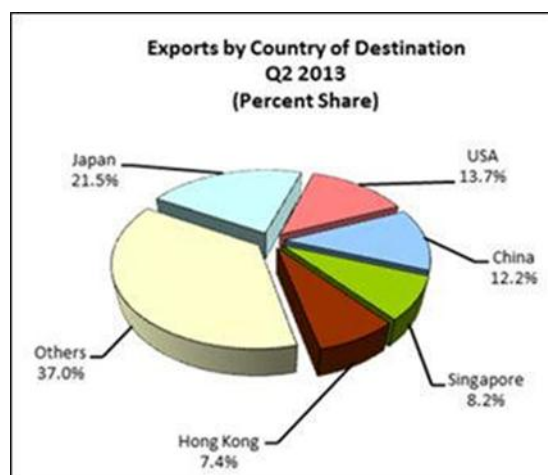
- Manufactured products exports fell by 5.1 percent to reach US\$10.5 billion compared to US\$11 billion in the same quarter a year ago due mainly to the downtrend in the shipments of machinery and transport equipment (by 26.3 percent) notably other parts and accessories of motor vehicles, and other parts of printing machinery; chemicals (by 9.9 percent); and garments (by 8.4 percent), particularly children's and infants' wear and polo

shirts/sports shirts. Other manufactured products including iron & steel, textile yarns/fabrics, and miscellaneous manufactured articles likewise posted declines during the quarter in review.

Partly mitigating the decline recorded in this broad category of manufactured products were the gains posted in the following sub-categories of manufactured goods:

- Electronics products (including other electronics), increased by 6.4 percent, attributed mainly to higher exports of semiconductors, automotive, and consumer electronics. Comprising about 73 percent of electronics exports, shipments of semiconductors grew by 10.7 percent to US\$3.2 billion, due to increased demand for other monolithic integrated circuits. This favorable development is consistent with the improvement in the semiconductor book-to-bill ratio at 1.10 in June 2013 from 0.93 in June 2012. Moreover, data from the Semiconductor Industry Association (based in the U.S.) also indicated that the three-month-moving average sales of semiconductors in the Americas, Asia-Pacific and Europe rose by 2.1 percent year-on-year.
- Wood manufactures exports climbed by 91.6 percent due to increased demand for builder's joinery and carpentry of wood, including French windows and frames, other parquet panels, and spools, cops and bobbins, and sewing thread reels from Japan.
- Processed food and beverages exports rose by 74.8 percent due mainly to increased shipments of tuna, processed cheese and liver in airtight containers to countries in Europe, Asia and the U.S.

- Coconut products exports decreased by 9.8 percent to US\$341 million due largely to the 25.8 percent downturn in sales of coconut oil given weaker demand from major markets in Europe and the U.S. and low supply of copra due to declining world price.
- Other agro-based products exports contracted slightly to US\$220 million on account largely of the 8.8 percent drop in exports of fresh or preserved fish, particularly shrimps and prawns (by 58.3 percent).



**Imports of goods  
contract moderately**

**Imports of Goods.** Imports of goods decreased moderately (by 1.9 percent) to US\$15.1 billion in Q2 2013 from US\$15.4 billion in the

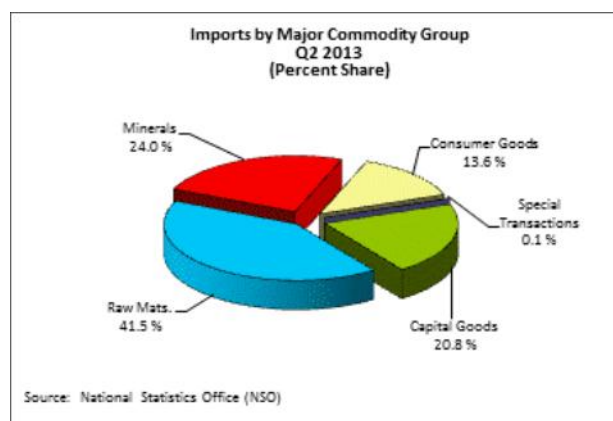
same quarter last year. Except for raw materials and intermediate goods, increases in all major commodity groups were noted.<sup>15</sup>

Imports of raw materials and intermediate goods, aggregating US\$6.1 billion, were lower by 7.2 percent, pulled down mainly by lower imports of semi-processed raw materials (by 10.8 percent), particularly materials and accessories for the manufacture of electrical equipment and chemicals. Raw material inputs for the production of electronics exports which comprised 39.2 percent of semi-processed raw materials dropped by 24.1 percent.

Meanwhile, imports of mineral fuels and lubricants rose by 11.7 percent to US\$3.5 billion as a result of the higher import price of petroleum crude even as import volume declined during the quarter in review. The import price of petroleum crude went up by 1.5 percent to US\$104.89/barrel in Q2 2013 from US\$103.34/barrel in the same quarter a year ago, amid concerns that an escalation of the conflict in Syria could disrupt global oil supply. Meanwhile, the volume of petroleum crude imports declined by 35.7 percent to 15.64 million barrels from 24.33 million barrels. Capital goods imports grew by 2.9 percent to US\$3 billion on account of the higher procurement of power generating and specialized machines (by 6.3 percent), telecommunication equipment and electrical machines (by 12 percent), aircraft, ships & boats (by 25.5 percent), and land transport equipment excluding passenger cars & motorized cycle (by 5.6 percent). The uptrend recorded in these commodities more than offset the lower purchases posted in imports of office & EDP machines (by 30 percent), and professional, scientific, photographic equipment and optical goods (by 10.4 percent). Consumer goods imports rose by 4.5 percent to US\$2 billion in Q2 2013 as

<sup>15</sup> Based on BPM6 concept (excluding from the National Statistics Office (NSO) foreign trade statistics those goods that did not involve change in ownership), e.g., consigned goods are deducted, in addition to the exclusion of returned/replacement goods, and temporarily imported goods.

procurement of both durable goods (by 6.5 percent) and non-durable goods (by 2.8 percent) registered upward trends. For durable goods, imports of home appliances and miscellaneous manufactures increased. For non-durable goods, other food & live animals chiefly for food, fruits and vegetables, fish and fish preparation, beverages and tobacco manufacture, and articles of apparel and accessories, all posted increments.



### ***Net receipts of services increase***

**Trade-in-Services.** Net services receipts amounted to US\$226 million in Q2 2013, higher than the US\$156 million posted in the comparable quarter a year ago. The 44.8 percent expansion was a result of the gains registered in net receipts from telecommunications, computer, and information services combined with the decline in net payments in transport (due to lower outlays for freight as a result of lower imports of goods), travel, insurance and pension, and government goods and services (Table 3). This favorable outcome more than compensated for the decreased net receipts in other business, personal, cultural and recreational, and construction services, along with increased net payments in charges for the use of intellectual property, and financial services.<sup>16</sup>

<sup>16</sup>Based on BPM6, financial services consist of: a) explicitly charged and other financial services; and b) financial intermediation services indirectly measured (FISIM). FISIM refers to margins between interest payable and reference rate on loans and deposits. Government goods and services n.i.e. cover goods and services: a) supplied by and to embassies, military bases and international organizations; b) acquired from the host economy by diplomats, consular staff, and military personnel located abroad and their dependents; and c) services supplied by and to governments and not included in other categories of services.



Total exports of business process outsourcing (BPO) services—which are lodged under telecommunication, computer and information, and technical, trade-related and other business services—amounted to US\$2.3 billion. The BPO industry remains an important economic growth driver in the services sector, with a broad range of services in the voice and non-voice segments.

***Primary income  
account reverses to  
net payments***

**Primary Income.** The primary income account registered net payments of US\$465 million in Q2 2013, a reversal of the US\$54 million net receipts recorded in Q2 2012. The turnaround was caused primarily by higher net payments of investment income even as earnings of resident overseas Filipino (OF) workers increased by 8 percent to reach US\$1.7 billion. In particular, net dividends to foreign direct and portfolio investors increased by 75.2 percent and 137.1 percent, respectively. Meanwhile, investment income on reserve assets declined due to lower global interest rates. These developments were offset by lower net interest payments on other investments (by 44.1 percent), specifically foreign loans by deposit-taking corporations (by 31.5 percent) and the NG (by 27.6 percent), due to declining global interest rates.

***Net receipts of  
secondary income  
improve***

**Secondary Income.** Net receipts in the secondary income account rose by 4.5 percent to US\$5 billion compared to the year-ago level of US\$4.8 billion. This was due to the 5.4 percent expansion in personal transfers to US\$4.7 billion during the quarter in review. Comprising nearly 98 percent of personal transfers, non-resident OF workers' remittances rose by 4.8 percent from the level in Q2 2012 to US\$4.7 billion. The steady stream of remittances continued to draw strength from the continued demand for skilled Filipino manpower abroad as well as the efficient network of bank and non-bank remittance

channels established worldwide and their expanding financial services to cater to the various needs of OFs.

## Capital and Financial Account

### *Capital account yields lower net receipts*

**Capital Account.** Net receipts in the capital account posted US\$24 million in Q2 2013, 20.4 percent lower than the US\$30 million recorded in the same quarter a year ago. This was due mainly to the decline in capital transfers to the NG.

### *Financial account reverses to net inflows*

**Financial Account.** The financial account registered net inflows of US\$127 million in the review quarter, a turnaround from the US\$722 million net outflows recorded in the same period in 2012.<sup>17</sup> This was driven mainly by the reversal of residents' net acquisition of financial assets in Q2 2012 to net disposal of financial assets of US\$693 million in Q2 2013. These inflows were partly mitigated by the reversal of net incurrence of liabilities to net repayment of liabilities of US\$566 million. In particular, net inflows were realized in the portfolio investment account. Notwithstanding the volatility in the global market as a result of the tapering off of the U.S. Fed quantitative easing measures, investors' confidence in the country's macroeconomic fundamentals was sustained following the country's investment grade credit rating.

### *Direct investments register higher net outflows*

**Direct investments.** The direct investment account yielded US\$139 million net outflows (or net lending of residents to the rest of the world) in Q2 2013, higher by 74 percent than the net outflows recorded in the same quarter last year. During the quarter, residents'

<sup>17</sup> Based on BPM6 concept, the overall balance in the financial account is termed as net lending/net borrowing. Net lending means that, in net terms, the economy supplies funds to the rest of the world, taking into account acquisition and disposal of financial assets and incurrence and repayment of liabilities. Net acquisition of financial assets and net incurrence of liabilities were previously referred to as residents' investments abroad and non-residents' investments in the Philippines, respectively, based on BPM5 concept.

net acquisition of financial assets of US\$265 million exceeded their net incurrence of liabilities (or foreign direct investments) of US\$125 million. Foreign direct investments declined by 77.1 percent as non-residents' equity capital reversed to net withdrawals of US\$161 million. By country source, gross equity capital placements came mostly from the U.S., Singapore, the United Kingdom, and Japan and benefited the following sectors: a) financial and insurance activities; b) manufacturing; and c) real estate. Non-residents' reinvestment of earnings declined by 42.5 percent while their placements in domestic debt instruments rose by 33.6 percent during the quarter.

***Portfolio investments  
continue to yield net  
inflows***

**Portfolio investments.** Net inflows of portfolio investments (indicating net borrowing of residents from the rest of the world) reached US\$337 million in Q2 2013, although slightly lower by 7.2 percent than the previous year's level. This developed as the increase in residents' net incurrence of liabilities to US\$430 million was partly compensated by the reversal to net acquisition of financial assets of US\$93 million from net disposal of financial assets.

Non-residents' net placements in long-term debt securities issued by local corporations (US\$930 million) mainly contributed to net incurrence of liabilities in the portfolio investments account.

These however were partly offset by the following transactions:

- a) Non-residents' net withdrawals of placements in equity securities issued by domestic deposit-taking corporations (US\$225 million);
- b) Domestic deposit-taking corporations' net redemption of long-term bonds (US\$171 million) issued to non-residents;

- c) NG's redemption of short-term bonds (US\$124 million) issued to non-residents; and
- d) Residents' net purchase from non-residents through secondary market trading of bonds issued offshore by local corporations (US\$117 million).

Meanwhile, other local corporations' net placements in short-term debt securities (US\$213 million) and equity securities (US\$147 million) issued by non-residents; and domestic deposit-taking corporations' net subscription of foreign debt securities (US\$176 million) primarily contributed to the increase in net acquisition of financial assets.

***Trading in financial derivatives results in net gain***

**Financial derivatives.** Financial derivatives recorded a net gain of US\$27 million in the second quarter of 2013, a reversal of the US\$2 million net loss in the comparable period last year.

***Other investment account registers lower net outflows***

**Other Investments.** The other investment account yielded net outflows (indicating net lending of residents to the rest of the world) amounting to US\$97 million in Q2 2013, markedly lower than US\$1 billion posted in the same quarter last year. This resulted mainly from higher net repayments of liabilities by residents amounting to US\$1.1 billion, which was partly offset by their net disposal of assets amounting to US\$974 million.

Net repayment of liabilities in other investments in Q2 2013 resulted from the following transactions:

- a) Non-residents' net withdrawal of currency and deposits in domestic deposit-taking corporations (US\$648 million);

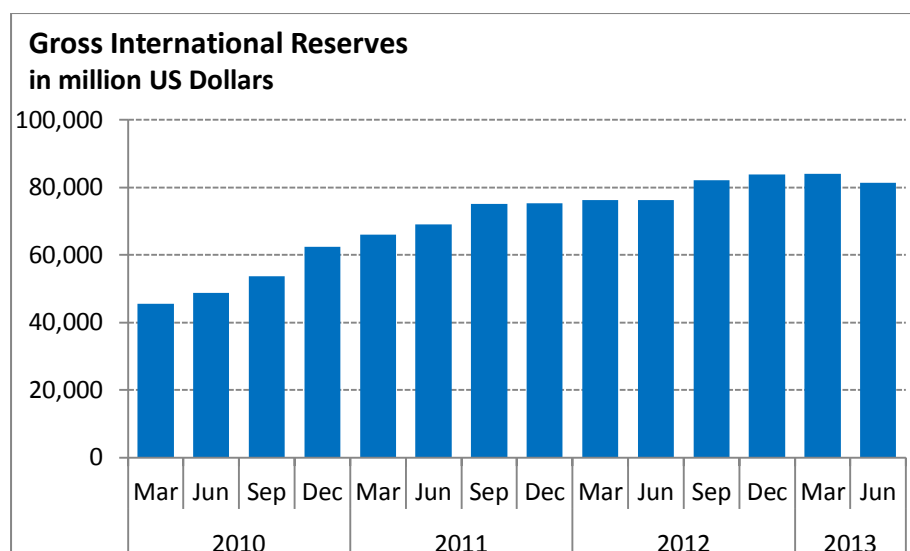
- b) Net repayment of other accounts payable by domestic deposit-taking corporations (US\$683 million); and
- c) Net repayment of long-term foreign loans by the NG (US\$346 million) and by other domestic corporations (US\$210 million).

These were partly offset, however, by other domestic corporations' net availment of long-term foreign loans (US\$511 million) and trade credit and advances (US\$304 million) from non-residents. Meanwhile, net disposal of financial assets during the review period was driven mainly by other domestic corporations' net withdrawals of currency and deposits in foreign banks (US\$1 billion).

### **International Reserves**

#### ***International reserves continue to grow***

Gross international reserves (GIR) continued to accumulate, growing by 6.7 percent from year-ago levels to reach US\$81.3 billion as of end-June 2013. This is, however, slightly lower than that of the previous quarter as market volatilities following talks of a possible tapering by the US of its quantitative easing dampened the monthly build-up of the GIR. In addition, gold prices in the world market continued to decline. Nevertheless, the country's GIR remains adequate to cover 11.8 months' worth of imports of goods and payments of services and income. It is also equivalent to 7.8 times the country's short-term external debt based on original maturity and 5.3 times based on residual maturity.



Inflows from the foreign exchange operations and investment income of the BSP as well as foreign currency deposits by the National Government (NG) contributed to the increase in the GIR level. These inflows were partly offset, however, by payments for maturing foreign exchange obligations by the national government.

Bulk of the reserves was held in foreign investments, comprising 86.9 percent of the total GIR as of end-June. About 9.4 percent of total reserves were in gold and the remaining 3.7 percent were the combined holdings of Special Drawing Rights (SDRs), the BSP's reserve position in the IMF, and foreign exchange.

In terms of currency composition, majority were held in US dollars, comprising 79.2 percent of total GIR (excluding gold) as of end-June. Meanwhile, 10.1 percent of the reserves were denominated in yen, 4.6 percent in euro and 0.7 percent consisted of reserve position in the IMF. The remaining balance of 5.4 percent were in other currencies.

Net international reserves (NIR), which refers to the difference between the BSP's GIR and total short-term liabilities, was recorded at US\$81.3 billion as of end-June.

## Exchange Rate

### *The peso depreciates*

The peso averaged weaker at ₱41.78/US\$1, depreciating by 2.56 percent from the previous quarter's average of ₱40.71/US\$1.<sup>18</sup> Meanwhile, on a year-on-year basis, the peso appreciated by 2.39 percent from the ₱42.78/US\$1 average in the second quarter of 2012. The peso's weakening was due mainly to repricing of risk fuelled by uncertainty about the exit from monetary policy stimulus in the US. Nonetheless, the continued strong foreign exchange inflows from OF remittances tempered the further depreciation of the peso.<sup>19</sup>

The geopolitical tension in North Korea along with the protracted recession in the euro zone dented investors' confidence on riskier emerging market assets such as peso-denominated instruments. The peso depreciated further in May as it averaged ₱41.30/US\$1 due to the increase in U.S. bond yields which eroded the appeal of riskier, high-yielding assets including Philippine bonds. The peso's depreciating trend persisted as it averaged ₱42.91/US\$1 in June on lingering concerns over the US Fed's unwinding of its bond buying program, along with liquidity concerns in China which prompted investors' flight to safe-haven assets such as US corporate bonds and equities.<sup>20</sup>

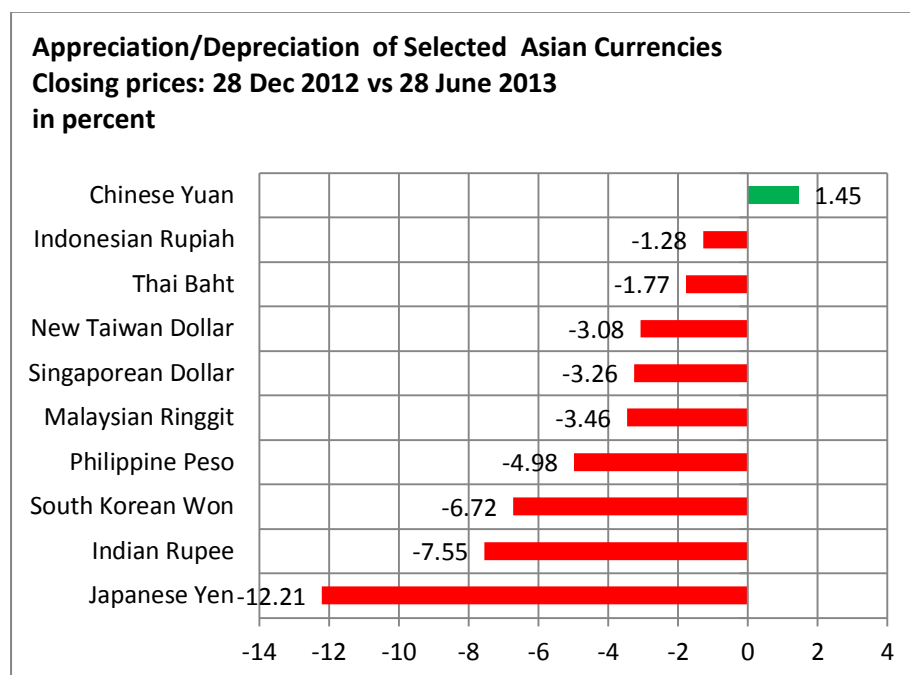
On a year-to-date basis, the peso depreciated against the US dollar by 4.98 percent on 28 June 2013 as it closed at ₱43.20/US\$1, moving in

<sup>18</sup> Dollar rates or the reciprocal of the peso-dollar rates were used to compute for the percentage change.

<sup>19</sup> Personal remittances from overseas Filipinos (OFs) continued to rise in April 2013, registering a 7 percent year-on-year growth to reach US\$1.9 billion.

<sup>20</sup> "Capital Flows to Emerging Market Economies," (26 June 2013). Institute of International Finance

tandem with the rest of the Asian currencies except the Chinese yuan, which appreciated vis-à-vis the US dollar.<sup>21</sup>



On a real trade-weighted basis, the peso gained external price competitiveness against the basket of currencies of major trading partners (MTPs) and competitor countries in both the broad and narrow series during the review quarter.<sup>22</sup> The real effective exchange rate (REER) indices of the peso decreased q-o-q by 0.5 percent for both the MTPs and broad basket of competitor countries, and by 1.0 percent for the narrow basket of competitor countries to reach 97.4 index points, 155.2 index points, and 194.0 index points, respectively.<sup>23</sup> This developed as the peso's nominal depreciation

<sup>21</sup> Based on the last done deal in the afternoon.

<sup>22</sup> The basket of the major trading partners is composed of the currencies of US, Japan, the Euro area and the United Kingdom. The broad basket of competitor countries comprises the currencies of Singapore, South Korea, Taiwan, Malaysia, Thailand, Indonesia and Hong Kong while the narrow basket is composed of the currencies of Indonesia, Malaysia and Thailand only.

<sup>23</sup> The REER index represents the Nominal Effective Exchange Rate (NEER) index of the peso, adjusted for inflation rate differentials with the countries whose currencies comprise the NEER index basket. A decrease in the REER index indicates some gain in the external price competitiveness of the peso, while a significant increase indicates the opposite. The NEER index, meanwhile, represents the weighted average exchange rate of the peso vis-à-vis a basket of foreign currencies.



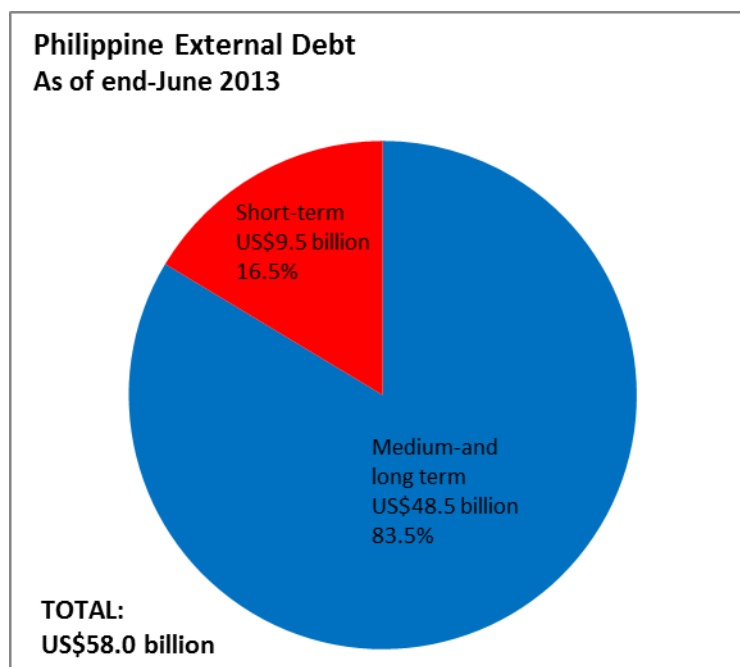
more than offset the widening inflation differential relative to these baskets of currencies.

Meanwhile, on a y-o-y basis, the peso lost external price competitiveness against the basket of currencies of MTPs as the combined impact of the peso's nominal appreciation and the widening inflation differential against this currency basket resulted to a real appreciation of the peso against MTPs by 8.2 percent. Likewise, the peso lost external competitiveness against competitor countries in both the broad and narrow series as the peso's nominal appreciation more than offset the impact of narrowing inflation differential against these currency baskets. This led to a real appreciation of the peso against the broad and narrow baskets of competitor countries by 3.6 percent and 4.0 percent, respectively.

### **External Debt**

#### ***External debt stays manageable***

As of end-June 2013, the outstanding BSP-approved/registered external debt stood at US\$58.0 billion, reflecting a drop of US\$1.0 billion or 1.8 percent from US\$59.0 billion in the previous quarter. On a y-o-y basis, the debt stock likewise declined by US\$3.2 billion (5.3 percent) from US\$61.2 billion in June 2012.



The decline in the debt stock in Q2 2013 resulted from: (a) negative foreign exchange (FX) revaluation adjustments (US\$725 million), particularly in yen-denominated loans as the US dollar strengthened; and (b) net loan repayments (US\$450 million) largely by the public sector. These were partially offset by an increase in non-residents' investments in Philippine debt papers (US\$120 million), notwithstanding concerns about the tapering of the US Fed's QE program.

Similarly, the y-o-y decline was due mainly to the negative FX revaluation adjustments (US\$3.2 billion) and transfers to residents of Philippine debt papers held by non-residents (US\$660 million). The contraction in debt stock was partially offset by net availments (US\$480 million) and previous periods' adjustments (US\$150 million).

Medium- and long-term (MLT) loans (i.e., those with original maturities longer than one (1) year) declined by 1.6 percent to US\$48.5 billion (83.5 percent of total external debt) from US\$49.3 billion (83.4 percent) in the first quarter of 2013. A marginal increase

in the share of MLT loans to total external debt was attributed to the relatively faster decline in short-term debt.

Meanwhile, short-term (ST) obligations (those with original maturities of up to one year) decreased by 2.5 percent to US\$9.5 billion (16.5 percent of total external debt) from US\$9.8 billion (16.6 percent of total external debt).

The country's external debt profile continued to be dominated by MLT loans. The larger share of MLT accounts to total external debt indicate that loan payments are spread out over a longer period of time, resulting in a more manageable level of debt servicing. The weighted average maturity of 20.2 years for MLT loans with original tenors of more than one (1) year was slightly shorter than the 20.3 years recorded a quarter ago due to prepayment of certain loans owed by the National Government (NG) to the Asian Development Bank (ADB). The computation excluded the SDR allocation<sup>24</sup> from the International Monetary Fund (US\$1.3 billion) which is considered as permanent debt.

The country's external debt ratio (a solvency indicator) or total outstanding debt as a percent of annual aggregate output or Gross National Income (GNI) sustained its improving trend, declining to 18.3 percent from 19.1 percent and 21.9 percent in the previous quarter and a year ago, respectively. Similarly, the external debt to GDP ratio was estimated at 21.8 percent during the review period, lower than the 22.8 percent a quarter ago and 26.1 percent posted a year ago.

The debt service burden (DSB) ratio, which relates the total principal and interest payments to the total exports of goods and receipts from

<sup>24</sup> SDR allocation from the IMF is excluded from the calculation of weighted average maturity of MLT accounts, being a permanent debt to be repaid only in the event that the IMF SDR Department ceases to exist or the debtor country ceases to be a member of the IMF.

services and income (XGSI), was estimated at 5.4 percent for the review period, lower than the 11.5 percent and 7.1 percent a quarter ago and a year ago, respectively. The ratio, which is a measure of the adequacy of the country's foreign exchange earnings to meet maturing loan payments, has remained below the international benchmark range of 20-25 percent.

### Foreign Interest Rates

***Monetary policy in  
advanced economies  
remain accommodative***

Monetary policy in advanced economies remained accommodative during the review period to support the pace of economic recovery due to continued weakness in labor market conditions, slowdown in spending, and anemic bank lending growth.

In the second quarter of 2013, the Federal Open Market Committee (FOMC) maintained the target range for the federal funds at 0 to 0.25 percent and anticipates that this low range is appropriate as long as the unemployment rate remains above 6.5 percent. In addition, the FOMC decided to continue purchasing additional agency mortgage-backed securities at a pace of \$40 billion per month. The FOMC will also purchase longer-term Treasury securities after its program to extend the average maturity of its holdings of Treasury securities is completed at the end of the year, initially at a pace of \$45 billion per month. It will likewise maintain its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities, and will resume rolling over maturing Treasury securities at auction. As the FOMC maintained its monetary policy stance, the U.S. prime rate and discount rate continued to average at 3.25 percent and 0.75 percent, respectively, during the review period.<sup>25</sup> Meanwhile, the U.S.

<sup>25</sup> The prime rate refers to the interest rate charged by banks to their most creditworthy customers. The discount rate refers to the rate charged by the Federal Reserve Bank when it extends credit to depository institutions.

federal funds rate decreased to 0.115 percent in the second quarter of 2013 from the 0.155 percent average reported in the previous quarter (Table 16).

During his 22 May 2013 testimony before the Joint Economic Committee of the US Congress, Federal Reserve Chairman Ben Bernanke announced that at the Federal Open Market Committee's most recent meeting, it was made clear that the Committee is prepared to increase or reduce the pace of its asset purchases to ensure that the stance of monetary policy remains appropriate as the outlook for the labor market or inflation changes. Accordingly, in considering whether a recalibration of the pace of its purchases is warranted, the Committee will continue to assess the degree of progress made toward its objectives in light of incoming information. The Committee also reiterated, consistent with its forward guidance regarding the federal funds rate, that it expects a highly accommodative stance of monetary policy to remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens.<sup>26</sup> This development was viewed by financial markets that the Fed might reduce their bond purchases, and that the quantitative easing might taper off sooner than expected, in light of the information that the US labor market condition is improving. The 10-year US treasury yield was quick to react as it rose by 11 basis points, from 1.93 percent to 2.04 percent. This is the first time since March of this year that the yield breached the 2.0 percent mark.<sup>27</sup>

The Monetary Policy Committee (MPC) of the Bank of England (BOE) also maintained its monetary policy settings, keeping the official bank rate paid on commercial bank reserves at 0.5 percent in the second quarter of 2013. In addition, the MPC also decided to maintain the

<sup>26</sup> Source: Federal Reserve Bank website  
(<http://www.federalreserve.gov/newsevents/testimony/bernanke20130522a.htm>)

<sup>27</sup> Bloomberg

stock of asset purchases financed by the issuance of central bank reserves at £375 billion.<sup>28</sup>

Similarly, the Bank of Japan (BOJ) kept the uncollateralized overnight call rate at around 0 to 0.1 percent. In achieving price stability target, the BOJ will pursue aggressive monetary easing, through a virtually zero interest rate policy and purchases of financial assets. However, last April 2013, the BOJ entered a new phase of monetary easing as it embarked on its “Quantitative and Qualitative Monetary Easing” policy. The main operating target for its money market operations was changed from the uncollateralized overnight call rate to the monetary base (the adoption of the “monetary base control”). This new phase will have the effect of doubling the monetary base and the outstanding amounts of Japanese government bonds (JGBs) and exchange-traded funds (ETFs) in two years and more than double the average remaining maturity of JGB purchases. Particularly, the BOJ will conduct money market operations so that the monetary base will increase at an annual pace of about 60-70 trillion yen.<sup>29</sup> On the other hand, with the adoption of a more aggressive purchasing of JGBs, the Asset Purchase Program will be terminated. The purchases of JGBs, under the previous program, will be absorbed into the aforementioned JGB purchases. The Bank will purchase JGBs so that their amount outstanding will increase at an annual pace of about 50 trillion yen.<sup>30</sup>

The Governing Council of the European Central Bank (ECB), in its meeting last 2 May 2013, decided to reduce the interest rates on the

<sup>28</sup> The previous change in the official bank rate was a reduction of 0.5 percentage points to 0.5 percent on 5 March 2009. A program of asset purchases financed by the issuance of central bank reserves was initiated on 5 March 2009. The previous change in the size of that program was an increase of £50 billion to a total of £375 billion on 5 July 2012.

<sup>29</sup> Under this guideline, the monetary base -- whose amount outstanding was 138 trillion yen at end-2012 -- is expected to reach 200 trillion yen at end-2013 and 270 trillion yen at end-2014 (Source: Bank of Japan’s Statement of Monetary Policy, 04 April 2013 -Introduction of the “Quantitative and Qualitative Monetary Easing”)

<sup>30</sup> The monthly flow of JGB purchases is expected to become 7+ trillion yen on a gross basis.

main refinancing operations and on the marginal lending facility by 25 basis points to 0.50 percent and by 50 basis points to 1.00 percent, respectively. The said cutback took effect last 8 May 2013. However, for the deposit facility, the council maintained the interest rate at 0.0 percent.<sup>31</sup> The council also decided to continue conducting its main refinancing operations (MROs) as fixed rate tender procedures with full allotment for as long as necessary, and at least until the end of the 6<sup>th</sup> maintenance period on 8 July 2014.

Meanwhile, the 90-day London Interbank Offered Rate (LIBOR) and the 90-day Singapore Interbank Offered Rate (SIBOR) decreased by 1.7 basis points and 1.6 basis points, respectively, as global financial markets remained liquid. The LIBOR averaged 0.2750 percent while the SIBOR stood at 0.2793 percent, respectively, (Table 16).

### **Global Economic Developments**

In recent years, global economic growth was led by emerging economies, but this has been showing signs of slackening lately as growth in mature economies picked up slowly. Global labor market conditions improved gradually except in the euro area. Inflation rates of advanced economies were generally lower while those of emerging markets showed mixed trends.

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<sup>31</sup> The decisions of the Governing Council of the European Central Bank are available online at <http://www.ecb.int/press/govcdec/mopo/2013/html/index.en.html>

Macroeconomic Indicators in Selected Economies, Q2 2013												
Year-on-year growth rates (in percent)												
Country	Real GDP				Inflation				Unemployment <sup>1/</sup>			
	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2012	Q4 2012	Q1 2013	Q2 2013
<b>G3</b>												
US	3.1	2.0	1.3	1.4	1.7	1.9	1.7	1.4	8.0	7.8	7.7	7.6
Japan	0.3	0.4	0.3	0.9	-0.4	-0.2	-0.6	-0.3	4.3	4.2	4.3	4.0
Euro area	-0.7	-0.9	-1.1	-0.7	2.5	2.3	1.8	1.4	11.5	11.8	12.0	12.1
<b>Asian NIEs</b>												
Hong Kong	1.5	2.8	2.9	3.3	3.0	3.7	3.7	4.0	3.3	3.3	3.4	3.4
South Korea	1.6	1.5	1.5	2.3	1.6	1.7	1.4	1.1	3.1	3.0	3.3	3.2
Singapore	0.0	1.5	0.2	3.7	4.2	4.0	4.0	1.6	1.9	1.8	1.9	2.1
China	7.4	7.9	7.7	7.5	2.0	2.2	2.5	2.4	4.1	4.1	4.1	4.1
India	5.3	4.7	4.8	n.a.	7.9	7.2	6.7	4.7	n.a.	n.a.	n.a.	n.a.
<b>ASEAN</b>												
Indonesia	6.2	6.1	6.0	5.8	4.5	4.4	5.3	5.6	6.1	n.a.	n.a.	n.a.
Malaysia	5.3	6.5	4.1	4.3	1.4	1.3	1.5	1.8	3.0	3.1	3.2	3.2
Philippines	7.3	7.1	7.8	7.5	3.5	2.9	3.2	2.6	7.0	6.8	7.1	7.5
Thailand	3.1	19.1	5.4	2.8	2.9	3.2	3.1	2.3	0.6	0.5	0.7	n.a.
Vietnam	4.7	5.0	4.8	4.9	5.6	7.0	6.9	6.8	2.1	n.a.	n.a.	n.a.

Sources: Bloomberg; The Institute of International Finance, Inc.; Bureau of Economic Analysis; Bureau of Labor Statistics; Cabinet Office; European Central Bank; Hong Kong Administrative Region Government Portal; and Korea National Statistics

1/ Unemployment rate is the proportion (in percent) of the total number of unemployed to the total number of persons in the labor force.

The massive monetary stimulus adopted by advanced economies helped fuel their economic growth. The US GDP growth rate in the second quarter accelerated slightly to 1.4 percent from the previous quarter's 1.3 percent. This growth reflected primarily positive contributions from personal consumption expenditures, exports, non-residential fixed investments, private inventory investments, and residential investments.<sup>32</sup>

In Japan, economic gains were also posted in the second quarter of 2013, with GDP growing by 0.9 percent from the last quarter's 0.3 percent due to stronger domestic and external demand. Also, the increase in industrial production, real exports and public investments, as well as the pick-up in housing investment buoyed Japan's GDP growth.<sup>33</sup>

Similarly, economic activity in the euro area showed some improvement as GDP growth fell at a slower pace of 0.7 percent from the previous quarter's 1.1 percent decline. The expansion in industrial

<sup>32</sup> US Department of Commerce, Bureau of Economic Analysis: advanced estimate dated 31 July 2013. <http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

<sup>33</sup> Monthly Report of Recent Economic and Financial Developments, Bank of Japan, 12 July 2013.



output supported the soft recovery in the region. Nonetheless, the euro area's economic slump is expected to turn to positive growth on the back of improved investors' sentiment and the expected pick-up in global demand. Meanwhile, domestic demand should be supported by the sustained accommodative monetary policy stance and by the gains in real income due to generally low prices.<sup>34</sup>

Among the newly-industrialized economies in Asia, Hong Kong, South Korea and Singapore grew by 3.3 percent, 2.3 percent, and 3.7 percent, respectively. Meanwhile, China's GDP slightly slowed down to 7.5 percent in the second quarter compared to 7.7 percent in the previous quarter. Weak industrial output, sluggish fixed-asset investment expansion and lackluster exports weighed down on China's growth.

The average inflation rates of major advanced economies decelerated in the second quarter of 2013. In the U.S., the inflation rate decreased to 1.4 percent from 1.7 percent in the previous quarter. Likewise, in the euro area, the inflation rate declined to 1.4 percent from 1.8 percent in the previous quarter. In Japan, deflation persisted, but to a lesser extent, at -0.3 percent from last quarter's -0.6 percent.

In the Asian region, inflation showed mixed trends. The inflation rate in Hong Kong rose to 4.0 percent from 3.7 percent in the first quarter. In contrast, the inflation rates in South Korea, Singapore, China and India declined to 1.1 percent, 1.6 percent, 2.4 percent and 4.7 percent, respectively, from the previous quarter's 1.4 percent, 4.0 percent, 2.5 percent and 6.7 percent.

<sup>34</sup> European Central Bank (ECB) Monthly Bulletin, August 2013 and the Organization for Economic Cooperation and Development (OECD), Quarterly National Accounts dated 22 August 2013.

Global labor market conditions generally improved except in the euro area. The rate of unemployment in the US eased to 7.6 percent from 7.7 in the previous quarter, reflective of the mild GDP growth. In Japan, unemployment decelerated to 4.0 percent from 4.3 percent a quarter ago. Meanwhile in the euro area, unemployment marginally inched up to 12.1 percent from 12.0 percent in the previous quarter. In the East Asian region, unemployment rates showed mixed trends. In Hong Kong and China, unemployment rates remained subdued at 3.4 percent and 4.1 percent, respectively. In South Korea, the jobless rate eased slightly to 3.2 percent from 3.3 percent in the previous quarter. In contrast, the unemployment rate in Singapore increased to 2.1 percent from previous quarter's 1.9 percent.

## **F. Financial Condition of the BSP**

### **Balance Sheet**

#### ***BSP's net worth declines***

Based on preliminary and unaudited financial statement of the BSP for end-June 2013, total assets reached ₱4,091.3 billion, 11.1 percent or ₱407.1 billion higher than the year-ago level (Table 17). Relative to the end-March 2013 level, the amount was higher by 1.0 percent or ₱42.3 billion. The BSP's liabilities increased by ₱459 billion or 12.8 percent y-o-y to ₱4,041.7 billion, and by 1.1 percent relative to the end-March 2013 level. Meanwhile, the BSP's net worth declined to ₱49.6 billion compared to the year-ago level of ₱101.5 billion, as the growth in liabilities was slightly higher than the growth in assets during the period. The amount was also lower than the ₱52.4 billion posted at end-March 2013.

<b>Balance Sheet of the BSP*</b> <b>In billion pesos</b>			
	2013		2012
	Jun	Mar	Jun
Assets	4,091.3	4,049.0	3,684.2
Liabilities	4,041.7	3,996.6	3,582.7
Networth	49.6	52.4	101.5
* Unaudited			

The y-o-y expansion in the BSP's assets was largely due to the build-up of international reserves, which accounted for around 85.4 percent of total assets. The ₱291.5 billion expansion in international reserves was principally due to the continued foreign exchange operations and investment income of the BSP as well as deposits by the Treasurer of the Philippines (TOP) of proceeds from bond issuances and other foreign borrowings.

The BSP's liabilities similarly increased during the review period due mainly to higher deposits, as part of the BSP's continued liquidity management operations. In particular, reserve deposits of banks and other financial institutions increased by ₱197 billion to ₱913.6 billion from ₱716.6 billion posted a year ago. Meanwhile, placements in the SDA facility increased by ₱138.2 billion to ₱1,710.5 billion from ₱1,572.3 billion registered a year ago.

### Income Statement

#### ***BSP registers lower net loss***

Based on preliminary and unaudited data, the BSP's financial operations, for the second quarter of 2013, recorded a loss of ₱1.8 billion, which, is a marked improvement from the immediately preceding quarter's loss of ₱14.3 billion (Table 18). The sharp cut in losses was primarily the result of lower interest expense and realized

foreign exchange losses during the period, which combined to only about ₱13.8 billion as compared to ₱25.2 billion in the first quarter.

<b>Income Statement of the BSP*</b> <b>In billion pesos</b>				
		2013		2012
		Q2	Q1	Q2
Revenue		20.830	15.239	17.851
Less:	Expense	20.634	23.261	27.115
Equals	Net Income Before			
	FX Gains/Loss (-)	0.196	-8.022	-9.264
Add/Less:	Gains/Losses on FX Rate			
	Fluctuations	-0.290	-6.256	-9.567
Less:	Provision for Income Tax	1.718	0.000	0.000
Equals:	<b>Net Income Available</b>			
	<b>for Distribution</b>	<b>-1.812</b>	<b>-14.278</b>	<b>-18.831</b>
* Unaudited				

Total revenues amounted to ₱20.8 billion, slightly higher than the ₱17.9 billion posted during the same period last year. Interest income, which comprised the primary source of revenues, was down by 24.8 percent or ₱2.5 billion lower than the previous year's level. Meanwhile, miscellaneous income improved by 68.1 percent or 5.1 billion, higher than the level posted during the same period a year ago.

Total expenditures amounted to ₱20.6 billion, ₱6.5 billion lower than the level posted for the same period last year. The y-o-y decrease in expenditures was due mainly to lower interest expense, which fell by 38.9 percent, on account of the reduction of interest rates on the SDA facility by 50 bps to 2.50 percent in March, and by another 50 bps to 2.00 percent in April across all tenors.

## G. Challenges and Policy Directions

Overall global economic conditions remain fragile as risks of weaker growth in emerging economies have increased due to domestic capacity constraints, weak external demand and possibility of tighter

financial conditions should the unwinding of unconventional monetary policy in the US lead to capital flow reversals.

In addition, there are concerns on the geo-political uncertainty in the Middle East, specifically in Syria and Egypt, which could lead to oil supply disruptions and higher oil prices, and volatility in the global financial markets.

In its World Economic Outlook Update (July 2013), the International Monetary Fund (IMF) downscaled its global growth projections relative to forecasts released in April 2013, reflecting slower growth in emerging markets and continued recession in the euro area.<sup>35</sup>

The biggest challenge for policymakers is to strengthen global economic growth. Specifically, major advanced economies face the challenge of maintaining a supportive macroeconomic policy mix, combined with credible plans for reaching medium-term debt sustainability and reforms to restore balance sheets and credit channels. Many emerging market and developing economies face a tradeoff between macroeconomic policies to support weak activity and those to contain capital outflows. Macroprudential and structural reforms can mitigate the risks associated with this tradeoff.<sup>36</sup>

While global growth projections from the IMF were revised downwards, that of the Philippines was adjusted upwards.<sup>37</sup> The Philippines needs to keep the economy on a steady growth course,

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<sup>35</sup> The IMF forecasted global growth at 3.1 percent and 3.8 percent in 2013 and 2014, respectively. These estimates were lower by 0.2 percentage points compared to projections published in April 2013. Advanced economies are expected to grow by 1.2 percent in 2013 and 2.1 percent in 2014. Meanwhile, growth projections for emerging markets and developing economies by the IMF have been scaled down by 0.3 percentage point compared to the last WEO release. Emerging markets and developing economies are forecasted to grow by 5.0 percent and 5.4 percent in 2013 and 2014, respectively.

<sup>36</sup> International Monetary Fund (2013). 'World Economic Outlook Update.' July.

<sup>37</sup> The IMF growth forecast for the Philippines was raised to 7.0 percent in 2013 from 6.0 percent and 6.0 percent in 2014 from 5.5 percent.

requiring policies largely aimed at sustaining domestic sources of growth to help compensate for any weaknesses in external demand. In this regard, close coordination between fiscal and monetary policies will help ensure that the macroeconomic environment remains supportive of sustainable and balanced growth.

The favorable fiscal position of the NG provides sufficient policy space to support projects that will continue to stimulate aggregate demand. Growth could further accelerate once the implementation of various infrastructure projects gain momentum. Furthermore, continuing social spending programs for health, education, housing, employment, and conditional cash transfers, as well as initiatives for financial inclusion and consumer protection, shall help promote inclusive and sustainable growth.

For its part, the BSP remains committed to its mandate of safeguarding price stability and ensuring a macroeconomic environment conducive to sustained growth. The risks to inflation outlook remain broadly balanced, supporting the argument for keeping policy rates steady. Downside risks to the inflation outlook continue to persist owing to uncertainty over the strength of the global economy and its impact on international commodity prices. Meanwhile, the upside pressures could emanate from the likelihood of higher electricity rates and continued strong liquidity growth.

The pronouncements by the US Fed prompted portfolio adjustments in global financial markets, which in turn, generated increased volatility in the equity, bond and foreign exchange markets. Such volatility could recur over the short term as these markets try to fully assess and price in the impact of unwinding of the US quantitative easing (QE) program. Capital flow reversals, however, could ensue if underlying vulnerabilities in emerging markets are left unchecked.

The Institute for International Finance (IIF) forecasts a decline in private capital flows to emerging markets in the next two years as yield spreads narrow with the eventual exit from extraordinary monetary stimulus by the US Fed. Nonetheless, capital inflows into the Philippines are likely to remain substantial. The IIF has acknowledged that strong growth potential along with recent sovereign credit ratings upgrade would continue to attract foreign interest into the country.<sup>38</sup>

However, the eventual scaling back of extraordinary monetary measures by the US Federal Reserve could consequently lead to corrections in the foreign exchange market and weakening of the domestic currency. Some of the corrections may have in fact helped reduce the risk of a build-up of stretched asset valuations and the risk of “search for yields” that could contribute to financial market imbalances. These, however, should be counterbalanced by the steady stream of remittances and continued capital inflows into the country.

Against this backdrop, the BSP stands ready to employ, from its menu of policy instruments, measures that will help ensure that the benefits of capital flows are maximized while warding off the potential destabilizing impact of volatile capital flows on price and financial stability. The BSP will also continue to maintain a market-determined exchange rate, while guarding against speculative flows that could contribute to the peso’s volatility and undermine the inflation target.

Amid downside risks to global economic prospects on the horizon, contingency measures are in place to ensure adequate liquidity in the

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<sup>38</sup> IIF (2013). ‘Capital Flows to Emerging Market Economies.’ 26 June.

financial system, should capital flows reverse course. The BSP will maintain a comfortable level of international reserves to serve as added insurance against external shocks.

On banking regulation and supervision, the BSP will sustain the reform momentum with a view to strengthen its resilience against shocks as well as to enhance its role as a catalyst for durable long-term economic growth. Toward this end, the BSP continues to enhance its monitoring of financial market developments as it also continues to put in place measures to strengthen the capacity of the banking system to endure shocks, including the adoption of expanded reporting standards for real estate exposures as well as the Basel III capital adequacy standards beginning January 2014. Likewise, the BSP continues to take the lead in promoting financial inclusion with programs and reforms aimed at promoting greater access to financial services.

The BSP also remains proactive in ensuring the credibility of the payments and settlements system with the continued enhancement of its processes in accordance with international best practices.

Finally, amid the increasing interconnectedness of global financial markets, the BSP will remain an active participant in regional and international cooperation programs and fora, in order to reap the benefits of collaborative engagement.



## Annex A

### Banking Policies

Banking policies implemented during the quarter were aimed at strengthening regulations and guidelines on: 1) foreign exchange transactions; 2) temporary window for the purchase of foreign exchange (FX) to service unregistered private sector foreign loans; 3) appendix 45 of MORB, specifically on the general features of a microfinance deposit account; 4) rate of Interest in the absence of stipulation; 5) cross selling framework; 6) qualifications of independent director; and 7) banking days and hours.

### Amendments to Foreign Exchange Regulations

The BSP amended the regulations governing foreign exchange transactions which include, among others:

- Increasing the ceiling that Authorized Agent Banks (AABs)/AAB-subsidary/affiliate forex corporations (AAB-forex corps) may sell to US\$120,000 without need to submit any documentation.
- Inclusion of the following as allowable forms of investment:
  - a. Offshore FX-denominated global funds/mutual funds and unit investment trust funds;
  - b. FX intercompany loans of resident enterprises to their offshore parent companies/subsidiaries with an original tenor of at least one (1) year;
  - c. Real property abroad, including condominium units;
  - d. Debt securities issued offshore by both residents and non-residents that are in local banks' asset inventory; and
  - e. Equity securities issued by residents that are listed abroad.

- Inclusion of the following as allowable funding for onshore peso accounts of non-residents:
  - a. onshore peso receipts of non-residents from residents for services rendered by the former to the latter;
  - b. peso receipts of onshore expatriates with contracts of less than one (1) year representing salary/ allowance/other benefits; and
  - c. onshore peso funds of foreign students enrolled in the Philippines and non-resident Filipinos.
- Allowing a depository bank to sell FX for the balance of the peso deposit account funded in the forms enumerated above up to US\$60,000 per day;
- Increasing the amount of FX that may be purchased using unspent pesos of departing non-resident tourists or balikbayan without need to show proof/s of previous sale of FX for pesos from US\$5,000 to US\$10,000 or its equivalent in other foreign currency.

*(Circular No. 794 dated 18 April 2013)*

#### **Amendment to Align the Familial Restrictions Applicable to "Independent Director" with the Existing Provision of the Securities Regulation Code**

The Manual of Regulations for Banks (MORB) and Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) were amended to align the familial restrictions applicable to "Independent Director" with the existing provision of the Securities Regulation Code.

Circular 793 defines an independent director as to refer to a person who is not a relative, legitimate or common-law, of any director, stockholder holding shares of stock sufficient to elect one seat in the board of the bank or any of its related companies. For this purpose, relatives refer to spouse, parent, child, brother, sister, parent-in-law, son-/daughter-in-law, and brother-/sister-in-law.

The same circular also prescribes that individuals appointed independent directors must submit certifications, which were signed under oath, that they were not relative, legitimate or

common-law, of any director officer or shareholder of the banks. (*Circular No. 793 dated 5 July 2013*)

**Issuance of Guidelines on the Temporary Window for the Purchase of Foreign Exchange (FX) to Service Unregistered Private Sector Foreign Loans**

The BSP issued the guidelines on the temporary window for the purchase of foreign exchange (FX) to service unregistered private sector foreign loans. The temporary window shall be available from May to December 2013 and shall cover the following foreign loans of the private sector that are booked and outstanding in the borrower's records as of 30 September 2012 with payments (principal, interest and other related fees) falling due within said period:

- a. Loans approved by the Bangko Sentral ng Pilipinas (BSP) but not yet registered;
- b. Loans without BSP approval/registration, but being reported to the BSP; and
- c. Loans without BSP approval/registration, and currently not being reported to the BSP.

Prepayments and arrears may also be considered subject to conditions indicated herein.

A limit on the maximum amount of FX that may be purchased shall be determined by the BSP based on prevailing conditions.

Private sector borrowers with foreign loans covered by the above categories may purchase FX from authorized agent banks (AABs) and/or their subsidiary/affiliate foreign exchange corporations (AAB-forex corps) to service regular/scheduled loan payments (principal, interest and related fees), including arrears and prepayments within the period allowed herein upon compliance with the procedure stated under circular 795.

A fixed processing fee of PHP10,000 will be charged by the BSP on each application for servicing of private sector foreign loans that are: (a) without BSP approval/registration, but being reported to BSP; and (b) without BSP approval/registration, and currently not being reported to BSP. The processing fee shall be in the form of Manager's Check or Cashier's Check payable to the BSP.

FX selling AAB-forex corps and private sector borrowers shall report such FX sales/purchases to the BSP, in accordance with the deadlines set. (*Circular 795 dated 18 April 2013*)

### **Amendments to Appendix 45 (Notes on Microfinance) of Section X361 of the Manual of Regulations for Banks**

The BSP amended Appendix 45 of the MORB, specifically on general features of a Microfinance Savings Deposit Account, by increasing the average daily savings account balance of individual microfinance clients from a maximum of ₱15,000.00 to ₱40,000.00.

Item no. 3 of Subsection G on General Features of a Microfinance Savings Deposit Account will now read as follows:

*3. Only for individual microfinance clients whose average daily savings account balance does not exceed Forty Thousand Pesos (P40 000.00). (Circular No. 796 dated 3 May 2013)*

### **Lower Rate of Interest in the Absence of Stipulation**

The BSP lowered to six from twelve percent the rate of interest on obligations in the absence of stipulation in loan contracts. Circular no.799 states that the rate of interest for the forbearance of any money, goods or credits and the rate allowed in judgments, in the absence of an express contract as to such rate of interest, shall be six percent per annum. Subsection X305.1 of the Manual of Regulations for Banks and Sections 4305Q.1, 4305S.3 and 4303P.1 of the Manual of Regulations for Non-Bank Financial Institutions are hereby amended accordingly. *(Circular 799 dated 21 June 2013)*

### **Revision of Cross-Selling Framework**

The Monetary Board (MB) liberalized the framework for the cross-selling of financial products by banks. Under the new guidelines, banks may use their premises to market and sell the financial products of their related parties under a banking group or a financial conglomerate.

Cross-selling is an international practice that separates the production of a financial product or service from its distribution. Under the new guidelines, bank premises are used as an access point for financial products offered by related parties.

The new rules now allow all types of banks to perform cross-selling, giving consumers a broader array of financial products using the existing branch network of the banking system. They also dispense with the submission of product by product documentary requirements under the previous guidelines.

While documentary requirements have been streamlined, governance standards have been strengthened, an oversight mechanism specific to cross-selling has been outlined in the new rules. Among others, a complaints handling mechanism has been instituted.

To sustain high standards of risk management, the products were limited to those without investment risk and allowed only banks with CAMELS rating of at least 3 to perform cross-selling.

Banks may now cross-sell credit cards and auto, home mortgage, personal and other retail loans; term, life, non-life and other protection-type insurance products; cash, debit and related products; and other similar financial instruments that may be authorized by the MB. *(Circular No. 801 dated 27 June 2013)*

#### **Amendment of Section X156 of the MORB on the Submission to the BSP of the Notice of Intended Closure of Banks and/or Their Branches or Other Offices Due to Local Holidays**

The BSP amended x156 of MORB to require banks and/or their branches, extension offices (EOs or other banking offices (OBOs) to notify the BSP two days before their closure in connection with the observance of a local holiday within their area.

The required notice shall be supported by a certification jointly signed by the President of the bank or officer of equivalent position and the head of the branches department, if any.

In case of closure of the bank and/or their branches/EOs/OBOs due to approved local holidays covered by a Presidential Proclamation, no notice of temporary closure to the BSP shall be required. *(Circular No. 802 dated 21 June 2013)*

**Annex B**

**Capital Market Reforms**

▪ **Promoting investor confidence**

- PSE adjusted the float levels of six sector index member companies on 27 May 2013, following the conduct of its quarterly rebalancing of float levels, based on the PSE Revised Policy on Index Management. The adjustments are based on the companies' latest public ownership reports as of 31 March 2013 to the PSE where the free float level for each company is amended only when it changes by more than 5 percent on a cumulative basis. Nonetheless, the quarterly rebalancing of the float levels does not affect the composition of the PSE indices.

▪ **Enhancing transparency and corporate governance**

- SEC approved new PSE rules creating a new listing board structure. Under the new rules, there shall be two listing boards: the Small, Medium and Emerging (SME) board and the Main Board. Companies that will list on what will be called the Main Board must have an authorized capital stock of at least ₱500 million, and at least three years of operating history. A company applying for listing on the new SME board must have an authorized capital stock of ₱100 million or more, of which a minimum of 25 percent must be subscribed and fully paid. This new board structure shall replace the previous three-listing board structure of the Exchange composed of the First Board, Second Board and the Small and Medium Enterprise Board.
- The BSP liberalized existing foreign exchange (FX) regulations, the sixth in a series of reforms initiated by the Bank since 2007 to keep FX policies responsive to current economic conditions and encourage the general public to shift their transactions from the informal market to the banking system, which may improve further capture of pertinent information needed for policy making. The new rules aim to further simplify FX

transactions of both residents and non-residents with banks and increase residents' over-the-counter (OTC) FX purchase limit per transaction from US\$60,000 to US\$120,000 without the need for documentation. The reform also increased the allowable purchase of tourists and Filipino migrant workers to as much as US\$10,000 from the previous US\$5,000 when they leave the country. Philippine residents will also have more investment instruments to choose from that can be funded with FX bought from banks. Non-residents, on the other hand, have been given more options for funding their onshore peso requirements.

#### ▪ **Expanding products and markets**

- The BSP liberalized the framework for the cross-selling<sup>39</sup> of financial products by banks. Under the new guidelines, banks may use their premises to market and sell the financial products of their related parties under a banking group or a financial conglomerate. This initiative makes available to consumers a broader array of financial products using the existing branch network of the banking system. Banks may now cross-sell credit cards and auto, home mortgage, personal and other retail loans; term, life, non-life and other protection-type insurance products; cash, debit and related products; and other similar financial instruments that may be authorized by the MB. The new framework also allows all types of banks to perform cross-selling.

#### ▪ **Strengthening prudential regulation**

- The PSE approved its proposed rules for financially distressed companies and for those undergoing corporate rehabilitation. Both rules are expected to provide additional safeguards to minority stockholders of companies experiencing financial problems and those undergoing corporate rehabilitation. For companies experiencing financial distress, listed issuers shall be required to immediately disclose the following: (a) cessation of business operations for at least six months for any reason; (b) reporting of negative stockholders' equity; (c) delay in payment of loans amounting to at least ten percent of its total assets; and (d) adverse or qualified auditor's opinion on the financial statements of

<sup>39</sup> Cross-selling is an international practice that separates the production of a financial product or service from its distribution.

the company for three consecutive years. For companies under corporate rehabilitation, the PSE proposed to impose a trading suspension on the shares of the company five trading days after the filing of the disclosure on corporate rehabilitation, as opposed to the existing PSE rehabilitation guidelines which call for the immediate imposition of a trading suspension on the shares of a company upon receipt of the company's relevant disclosure.

▪ **Helping develop the necessary market infrastructure**

- The PSE partnered with the Korea Exchange (KRX) for the local bourse' new disclosure engine called the PSE Electronic Disclosure Generation Technology or PSE EDGE. This shall be used by listed companies to disseminate their required disclosures, making use of electronic templates that can be easily integrated real-time, upon release to the public, in various systems such as the PSE website and trading terminals, and the systems of data vendors and analysts.
- A possible merger between the PSE and the Fixed Income Exchange (FIE) was explored. The PSE signed a memorandum of Agreement with the BAP and with the Singapore Exchange to work towards the consolidation of the PSE and the Philippine Dealing System Holding Corporation (PDS). The MOA provides the framework for initial discussions and developing a plan that may be pursued by the different parties involved to consolidate the operations of the PSE and the PDS. In most markets, trading of both the fixed income and equity securities are operated by one group or entity.



**1 GROSS NATIONAL INCOME AND GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN**  
for periods indicated  
in million pesos, at constant 2000 prices

	Annual Change (%)																													
	2010				2011				2012				2013				2010				2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2		
Agriculture, Hunting, Forestry and Fishing	163,629	148,896	149,181	200,959	170,615	160,915	152,195	196,110	172,560	161,887	158,826	205,664	177,845	161,345	-1.8	-2.0	-2.0	4.1	4.3	8.1	2.0	-2.4	1.1	0.6	4.4	4.9	3.1	-0.3		
Industry	425,567	489,793	447,055	497,101	454,771	481,033	446,150	511,302	478,924	508,847	477,887	556,965	530,984	561,244	15.4	15.7	9.8	6.5	6.9	-1.8	-0.2	2.9	5.3	5.8	7.1	8.9	10.9	10.3		
Mining and Quarrying	13,903	23,580	13,448	14,968	18,380	25,606	13,993	12,530	18,074	27,258	13,829	12,885	17,724	26,515	2.4	24.4	6.8	6.9	32.2	8.6	4.1	-16.3	-1.7	6.5	-1.2	2.8	-1.9	-2.7		
Manufacturing	298,652	306,874	299,709	359,288	322,771	324,637	305,692	371,230	342,235	338,489	323,524	391,463	374,755	373,337	18.3	13.2	8.4	6.5	8.1	5.8	2.0	3.3	6.0	4.3	5.8	5.5	9.5	10.3		
Construction	65,566	106,296	78,972	74,986	66,471	78,501	70,616	78,283	67,467	87,624	83,158	101,671	87,216	102,855	9.7	24.7	15.6	4.6	1.4	-26.1	-10.6	4.4	1.5	11.6	17.8	29.9	29.3	17.4		
Electricity, Gas and Water Supply	47,445	53,043	54,926	47,859	47,148	52,289	55,850	49,260	51,148	55,475	57,375	50,946	51,289	58,536	9.8	10.2	10.1	9.4	-0.6	-1.4	1.7	2.9	8.5	6.1	2.7	3.4	0.3	5.5		
Services	743,844	814,702	783,995	836,818	768,594	857,966	823,874	885,474	833,337	923,948	889,910	942,916	890,410	992,279	7.2	7.3	7.8	6.4	3.3	5.3	5.1	5.8	8.4	7.7	8.0	6.5	6.8	7.4		
Transportation, Storage and Communication	106,538	112,714	94,479	114,035	111,052	117,449	98,831	118,694	121,777	128,328	108,129	123,860	125,202	132,783	-2.2	2.2	3.0	1.4	4.2	4.2	4.6	4.1	9.7	9.3	9.4	4.4	2.8	3.5		
Trade and Repair of Motor Vehicles, Motorcycles, Personal & Household Goods	206,308	226,459	244,719	271,256	212,164	232,115	255,680	280,555	228,701	250,135	276,518	299,037	241,306	268,409	11.6	6.8	11.0	5.0	2.8	2.5	4.5	3.4	7.8	7.8	8.2	6.6	5.5	7.3		
Financial Intermediation	87,058	97,838	92,692	97,127	92,597	109,185	94,012	98,575	100,641	116,821	102,054	107,271	118,743	128,026	8.3	5.8	13.1	13.6	6.4	11.6	1.4	1.5	8.7	7.0	8.6	8.8	18.0	9.6		
R. Estate, Renting and Business Activities	139,097	153,607	150,320	145,922	146,521	165,120	162,086	164,518	157,962	178,418	174,796	175,254	167,102	195,434	5.2	8.6	6.6	9.4	5.3	7.5	7.8	12.7	7.8	8.1	7.8	6.5	5.8	9.5		
Public Administration & Defense; Compulsory Social Security	62,788	71,919	63,427	56,953	58,970	75,012	66,105	59,875	61,601	77,831	71,620	64,782	66,701	82,427	7.5	9.6	6.5	-0.8	-6.1	4.3	4.2	5.1	4.5	3.8	8.3	8.2	8.3	5.9		
Other Services	142,055	152,165	138,357	151,524	147,289	159,085	147,161	163,256	162,654	172,415	156,792	172,711	171,356	185,201	9.8	10.9	4.4	8.7	3.7	4.5	6.4	7.7	10.4	8.4	6.5	5.8	5.3	7.4		
Gross Domestic Product	1,333,040	1,453,390	1,380,231	1,534,877	1,393,979	1,499,915	1,422,219	1,592,887	1,484,821	1,594,682	1,526,622	1,705,545	1,599,239	1,714,868	8.4	8.9	7.3	6.1	4.6	3.2	3.0	3.8	6.5	6.3	7.3	7.1	7.7	7.5		
Net Primary Income	291,467	293,900	276,855	287,377	283,592	280,797	267,291	299,268	289,052	302,187	286,249	307,387	312,839	310,317	-26.0	-31.8	-34.7	-35.1	-2.7	-4.5	-3.5	4.1	1.9	7.6	7.1	2.7	8.2	2.7		
Gross National Income	1,624,507	1,747,290	1,657,086	1,822,254	1,677,571	1,780,711	1,689,510	1,892,155	1,773,874	1,896,869	1,812,871	2,012,932	1,912,077	2,025,185	0.1	-1.0	-3.1	-3.5	3.3	1.9	2.0	3.8	5.7	6.5	7.3	6.4	7.8	6.8		

Note: Data on Real GDP and its components are based on 2000 prices. The use of terminology Gross National Income (GNI) in place of Gross National Product (GNP) has been adopted in the revised/rebased Philippine System of National Accounts (PSNA) in accordance with the 1993/1998 System of National Accounts prescribed by the United Nations. Total may not add up due to rounding.  
Source : National Statistical Coordination Board

for periods indicated  
in million pesos, at constant 2000 prices

	Annual Change (%)																							
	2010				2011				2012				2013		2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Household Final Consumption Expenditure	923,065	977,453	922,575	1,122,734	969,538	1,025,090	985,430	1,188,852	1,035,983	1,092,699	1,051,037	1,262,804	1,092,750	1,149,454	5.0	4.9	6.8	5.9	6.9	6.6	6.7	6.2	5.5	5.2
Government Final Consumption Expenditure	157,087	167,182	128,518	117,421	133,653	179,168	141,539	127,739	162,111	192,079	159,013	139,865	183,505	224,750	-14.9	7.2	10.1	8.8	21.3	7.2	12.3	9.5	13.2	17.0
Capital Formation	245,325	291,433	240,350	406,541	315,939	254,757	281,487	354,579	216,940	263,980	299,035	388,432	313,499	298,738	28.8	-12.6	17.1	-12.8	-31.3	3.6	6.2	9.5	44.5	13.2
Fixed Capital	284,446	303,951	279,393	314,417	306,025	272,377	277,674	302,925	314,530	296,065	306,934	362,512	363,683	324,741	7.6	-10.4	-0.6	-3.7	2.8	8.7	10.5	19.7	15.6	9.7
Construction	99,946	151,801	119,330	119,583	105,472	116,398	107,135	120,380	104,200	128,268	127,749	156,967	135,540	148,295	5.5	-23.3	-10.2	0.7	-1.2	10.2	19.2	30.4	30.1	15.6
Durable Equipment	152,793	124,821	133,371	156,848	167,635	128,005	143,180	144,405	175,124	138,699	151,520	164,741	191,943	146,639	9.7	2.6	7.4	-7.9	4.5	8.4	5.8	14.1	9.6	5.7
Breeding Stock & Orchard Dev't	26,552	22,386	18,718	31,272	26,808	22,576	18,655	30,639	27,157	23,146	18,821	30,946	27,315	22,888	1.0	0.8	-0.3	-2.0	1.3	2.5	0.9	1.0	0.6	-1.1
Intellectual Property Products	5,154	4,942	7,974	6,714	6,110	5,397	8,703	7,501	8,049	5,952	8,844	9,859	8,885	6,920	18.5	9.2	9.1	11.7	31.7	10.3	1.6	31.4	10.4	16.2
Changes in Inventories	-39,121	-12,517	-39,042	92,124	9,914	-17,619	3,814	51,653	-97,591	-32,086	-7,899	25,919	-50,185	-26,002	125.3	-40.8	109.8	-43.9	-1,084.4	-82.1	-307.1	-49.8	48.6	19.0
Exports	665,317	780,446	835,162	605,208	700,348	778,938	744,719	581,411	768,687	863,274	790,719	631,391	710,211	807,402	5.3	-0.2	-10.8	-3.9	9.8	10.8	6.2	8.6	-7.6	-6.5
Less: Imports	652,376	758,904	740,657	732,342	715,160	744,283	719,921	674,823	701,245	806,318	770,330	728,483	715,220	782,429	9.6	-1.9	-2.8	-7.9	-1.9	8.3	7.0	8.0	2.0	-3.0
Statistical Discrepancy	-5,377	-4,221	-5,717	15,316	-10,339	6,244	-11,035	15,130	2,346	-11,030	-2,851	11,536	14,495	16,953										
Gross Domestic Product	1,333,040	1,453,390	1,380,231	1,534,877	1,393,979	1,499,915	1,422,219	1,592,887	1,484,821	1,594,682	1,526,622	1,705,545	1,599,239	1,714,868	4.6	3.2	3.0	3.8	6.5	6.3	7.3	7.1	7.7	7.5
Net Primary Income	291,467	293,900	276,855	287,377	283,592	280,797	267,291	299,268	289,052	302,187	286,249	307,387	312,839	310,317	-2.7	-4.5	-3.5	4.1	1.9	7.6	7.1	2.7	8.2	2.7
Gross National Income	1,624,507	1,747,290	1,657,086	1,822,254	1,677,571	1,780,711	1,689,510	1,892,155	1,773,874	1,896,869	1,812,871	2,012,932	1,912,077	2,025,185	3.3	1.9	2.0	3.8	5.7	6.5	7.3	6.4	7.8	6.8

Note: Data on Real GDP and its components are based on 2000 prices. The use of terminology Gross National Income (GNI) in place of Gross National Product (GNP) has been adopted in the revised/rebased Philippine System of National Accounts (PSNA) in accordance with the 1993/1998 System of National Accounts prescribed by the United Nations. Total may not add up due to rounding.  
Source: National Statistical Coordination Board

## 2 SELECTED LABOR, EMPLOYMENT AND WAGE INDICATORS

	2010				2011				2012 <sup>p</sup>				2013 <sup>p</sup>	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Employment Status <sup>1</sup></b>														
Labor Force (in thousands)	38,828	38,512	38,946	39,287	39,210	39,691	39,928	41,194	40,226	40,643	40,427	40,431	40,834	40,905
Employed	36,001	35,413	36,237	36,488	36,293	36,820	37,106	38,550	37,334	37,840	37,584	37,668	37,940	37,819
Unemployed	2,827	3,099	2,709	2,799	2,917	2,871	2,822	2,644	2,892	2,803	2,842	2,763	2,894	3,086
Underemployed	7,107	6,297	6,502	7,141	7,050	7,127	7,095	7,381	7,018	7,312	8,546	7,158	7,934	7,252
Labor Force Participation Rate (%)	64.5	63.6	63.9	64.2	63.7	64.2	64.3	66.3	64.2	64.7	64.0	63.9	64.1	63.9
Employment Rate (%)	92.7	92.0	93.0	92.9	92.6	92.8	92.9	93.6	92.8	93.1	93.0	93.2	92.9	92.5
Unemployment Rate (%)	7.3	8.0	7.0	7.1	7.4	7.2	7.1	6.4	7.2	6.9	7.0	6.8	7.1	7.5
Underemployment Rate (%)	19.7	17.8	17.9	19.6	19.4	19.4	19.1	19.1	18.8	19.3	22.7	19.0	20.9	19.2
<b>Overseas Employment (Deployed)</b>														
Land-based	388,495	385,072	399,061	298,198	419,503	460,457	431,493	376,378	466,927 <sup>p</sup>	455,733 <sup>p</sup>	416,029 <sup>p</sup>	332,471 <sup>p</sup>	-	-
Sea-based	301,417	303,686	306,042	212,531	323,700	378,491	335,792	280,744	360,456	369,274	329,380	269,867	-	-
Sea-based	87,078	81,386	93,019	85,667	95,803	81,966	95,701	95,634	106,471	86,459	86,649	62,604	-	-
<b>Strikes</b>														
Number of New Strikes	1	3	1	3	1		1				1	2	-	-
Number of Workers Involved	1,800	387	47	800	128	-	3,700	-	-	-	20	189	-	-
<b>Nominal Daily Wage Rates (in pesos)</b>														
<b>National Capital Region</b>														
Agricultural														
Plantation	345.00	345.00	367.00	367.00	367.00	389.00	389.00	389.00	389.00	409.00	409.00	419.00	419.00	419.00
Non-Plantation	345.00	345.00	367.00	367.00	367.00	389.00	389.00	389.00	389.00	409.00	409.00	419.00	419.00	419.00
Non-Agricultural	382.00	382.00	404.00	404.00	404.00	426.00	426.00	426.00	426.00	446.00	446.00	456.00	456.00	456.00
<b>Real Daily Wage Rates (in pesos), 2006=100</b>														
<b>National Capital Region</b>														
Agricultural														
Plantation	298.96	297.67	315.56	309.97	306.09	320.43	320.96	318.85	316.00	329.57	325.90	334.13	333.86	332.01
Non-Plantation	298.96	297.67	315.56	309.97	306.09	320.43	320.96	318.85	316.00	329.57	325.90	334.13	333.86	332.01
Non-Agricultural	331.02	329.59	347.38	341.22	336.95	350.91	351.49	349.18	346.06	359.39	355.38	363.64	363.35	361.33

**Notes:**

<sup>1</sup> Starting with January 2007 LFS round, the population projections based on the 2000 Census of Population was adopted to generate the labor force statistics per NSCB Resolution No. 1 Series of 2005

<sup>-</sup> Data not available

<sup>p</sup> preliminary

Numbers may not add up due to rounding.

Sources of data: Bureau of Labor and Employment Statistics (BLES), Philippine Overseas Employment Administration (POEA), National Statistics Office (NSO), National Wages and Productivity Commission (NWPC), and National Conciliation and Mediation Board (NCMB)

### 3 CASH OPERATIONS OF THE NATIONAL GOVERNMENT

for periods indicated  
in billion pesos

	2011				2012				2013		2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q2 Program
<b>Revenues</b>	<b>323.1</b>	<b>358.6</b>	<b>335.4</b>	<b>342.9</b>	<b>361.0</b>	<b>399.9</b>	<b>358.0</b>	<b>416.0</b>	<b>364.3</b>	<b>475.1</b>	<b>482.2</b>
Tax	265.7	327.8	297.9	310.7	302.3	369.7	324.9	364.3	316.7	429.6	491.6
Non-tax	57.4	30.8	37.5	32.1	58.7	30.3	33.2	51.7	47.6	45.6	-9.4
<b>Expenditures</b>	<b>349.3</b>	<b>349.6</b>	<b>371.2</b>	<b>487.6</b>	<b>394.9</b>	<b>400.4</b>	<b>427.6</b>	<b>554.9</b>	<b>430.8</b>	<b>460.0</b>	<b>493.0</b>
Interest Payments	90.7	43.8	87.9	56.6	98.5	51.5	95.2	67.6	98.3	58.8	55.0
Equity	—	0.1	0.2	12.6	0.0	0.9	0.0	20.4	0.2	0.1	0.0
Net Lending	2.4	9.9	2.8	2.9	3.2	8.5	10.4	5.4	-8.1	4.7	6.2
Subsidy	7.1	7.1	4.9	34.6	5.6	7.1	5.7	24.2	4.2	6.9	12.1
Allotment to LGUs	76.4	78.8	74.9	85.0	71.0	78.4	74.1	74.9	80.3	82.8	60.5
Tax Expenditures	8.1	2.9	2.3	12.6	7.3	7.6	3.4	14.1	0.6	11.2	7.7
Others	164.6	207.0	198.1	283.4	209.3	246.4	238.7	348.3	255.2	295.5	351.6
<b>Surplus/Deficit (-)</b>	<b>-26.2</b>	<b>9.0</b>	<b>-35.8</b>	<b>-144.8</b>	<b>-33.9</b>	<b>-0.5</b>	<b>-69.6</b>	<b>-138.9</b>	<b>-66.5</b>	<b>15.2</b>	<b>-10.8</b>
<b>Financing <sup>1</sup></b>	<b>-64.0</b>	<b>87.3</b>	<b>-13.6</b>	<b>105.5</b>	<b>162.5</b>	<b>12.2</b>	<b>91.2</b>	<b>272.3</b>	<b>-0.8</b>	<b>88.6</b>	<b>148.5</b>
External Borrowings	54.4	-5.8	11.8	-9.2	66.8	-5.7	-10.4	19.3	-49.3	-15.2	3.5
Domestic Borrowings	-118.4	93.1	-25.3	114.7	95.7	17.9	101.6	253.0	48.5	103.8	145.0
<b>Total Change in Cash: Deposit/Withdrawal (-)</b>	<b>77.6</b>	<b>241.6</b>	<b>-307.3</b>	<b>-91.6</b>	<b>164.7</b>	<b>-23.9</b>	<b>-45.5</b>	<b>196.5</b>	<b>-182.2</b>	<b>85.9</b>	<b>141.3</b>
Budgetary	-90.2	96.3	-49.3	-39.2	128.6	11.7	21.7	133.4	-67.3	103.8	137.7
Non-Budgetary Accounts <sup>2</sup>	167.8	145.3	-257.9	-52.3	36.1	-35.6	-67.1	63.1	-114.9	-17.9	3.6

<sup>1</sup> Availment less repayment

<sup>2</sup> Refers to accounts not included in the NG budget, e.g., sale, purchase or redemption of government securities, but included in the cash operations report to show the complete relations in the movements of the cash accounts.

Note: Details may not add up to total due to rounding off

Source: Bureau of the Treasury

4	CONSUMER PRICE INDEX IN THE PHILIPPINES (2000=100) for periods indicated (2006=100) Quarterly Average
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	2010				2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
ALL ITEMS	119.0	120.0	120.9	121.9	124.3	126.0	126.7	127.6	128.2	129.7	131.1	131.3	132.3	133.1
FOOD AND NON-ALCHOLIC BEVERAGES	128.0	128.3	129.8	131.7	135.2	136.2	136.7	138.1	137.9	138.8	140.9	141.3	141.6	142.0
FOOD ITEMS	128.9	129.2	130.8	132.8	136.5	137.4	137.9	139.4	139.1	139.9	142.1	142.6	142.8	143.1
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	115.6	116.1	116.6	117.3	120.0	122.3	123.7	124.6	125.8	128.4	129.7	130.8	158.4	168.5
NON-FOOD	113.2	114.7	115.2	115.5	117.3	119.3	120.3	120.8	121.9	123.7	124.8	124.8	125.3	126.0
CLOTHING AND FOOTWEAR	112.9	113.6	114.7	115.4	116.5	117.8	119.3	119.9	120.9	123.7	125.3	125.9	126.8	128.2
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	112.3	115.0	115.2	115.3	117.7	120.6	121.1	121.7	123.4	125.9	127.2	126.5	126.9	127.7
FURNISHINGS, HOUSEHOLD EQUIPMENT														
AND ROUTING MAINTENANCE OF THE HOUSE	112.9	113.9	114.3	114.8	115.6	116.6	117.3	117.6	118.2	120.6	122.4	123.2	124.0	125.0
HEALTH	119.1	119.7	121.0	121.7	122.8	123.8	125.0	125.5	126.2	127.8	128.9	129.4	130.3	131.5
TRANSPORT	115.2	115.9	116.0	116.7	120.0	123.5	124.0	124.1	125.2	126.3	125.5	125.9	126.3	126.1
COMMUNICATION	92.6	92.6	92.7	92.6	92.5	92.4	92.4	92.2	92.2	92.5	92.6	92.6	92.7	92.6
RECREATION AND CULTURE	104.7	105.1	105.5	105.6	105.8	106.5	107.2	107.4	108.3	109.3	110.1	110.2	110.7	111.6
EDUCATION	121.6	123.1	126.3	126.7	126.8	128.7	132.7	132.8	132.9	134.8	138.7	138.7	138.7	140.8
RESTAURANTS AND MISCELLANEOUS GOODS AND SERVICES	115.1	115.8	116.3	116.7	117.9	119.0	119.9	120.4	121.5	123.0	123.8	124.2	125.0	125.9

	Quarter-on-Quarter Change (in percent)													
	2010				2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
ALL ITEMS	1.1	0.9	0.7	0.8	2.0	1.3	0.6	0.7	0.5	1.1	1.1	0.2	0.7	0.6
FOOD AND NON-ALCHOLIC BEVERAGES	0.8	0.3	1.2	1.5	2.7	0.7	0.3	1.0	-0.1	0.6	1.5	0.3	0.2	0.3
FOOD ITEMS	0.9	0.3	1.2	1.6	2.7	0.7	0.4	1.1	-0.2	0.6	1.5	0.3	0.2	0.2
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	1.1	0.5	0.4	0.6	2.3	1.9	1.1	0.7	1.0	2.1	1.0	0.8	21.2	6.4
NON-FOOD	1.3	1.4	0.4	0.2	1.6	1.7	0.8	0.4	0.9	1.5	0.8	0.1	0.3	0.6
CLOTHING AND FOOTWEAR	0.9	0.6	0.9	0.6	1.0	1.1	1.2	0.5	0.8	2.3	1.3	0.4	0.7	1.1
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	2.1	2.5	0.1	0.1	2.1	2.4	0.4	0.5	1.4	2.0	1.0	-0.6	0.3	0.7
FURNISHINGS, HOUSEHOLD EQUIPMENT														
AND ROUTING MAINTENANCE OF THE HOUSE	0.9	0.8	0.4	0.4	0.7	0.9	0.6	0.3	0.5	2.0	1.5	0.7	0.6	0.8
HEALTH	1.6	0.5	1.1	0.6	0.9	0.8	1.0	0.4	0.5	1.3	0.8	0.4	0.7	0.9
TRANSPORT	1.2	0.6	0.1	0.6	2.9	2.9	0.4	0.1	0.9	0.9	-0.6	0.3	0.3	-0.2
COMMUNICATION	-1.2	0.1	0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.1	0.3	0.1	0.0	0.1	-0.1
RECREATION AND CULTURE	-0.3	0.4	0.3	0.1	0.2	0.7	0.6	0.2	0.9	0.9	0.7	0.1	0.5	0.8
EDUCATION	0.5	1.2	2.6	0.3	0.1	1.5	3.1	0.1	0.1	1.5	2.9	0.0	0.0	1.5
RESTAURANTS AND MISCELLANEOUS GOODS AND SERVICES	0.9	0.6	0.4	0.3	1.0	1.0	0.7	0.4	1.0	1.2	0.7	0.3	0.6	0.7

	Year-on-Year Change (in percent)													
	2010				2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
ALL ITEMS	3.9	3.8	3.9	3.5	4.5	4.9	4.8	4.7	3.1	2.9	3.5	2.9	3.2	2.6
FOOD AND NON-ALCHOLIC BEVERAGES	4.4	3.5	4.2	3.8	5.7	6.2	5.3	4.8	2.0	1.9	3.1	2.3	2.7	2.3
FOOD ITEMS	4.5	3.6	4.4	4.0	5.9	6.3	5.4	4.9	1.9	1.8	3.0	2.2	2.7	2.3
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	3.6	3.0	2.7	2.6	3.8	5.3	6.1	6.2	4.8	5.0	4.9	5.0	25.9	26.9
NON-FOOD	3.6	4.1	3.8	3.3	3.7	4.0	4.4	4.6	3.9	3.7	3.7	3.3	2.8	2.0
CLOTHING AND FOOTWEAR	2.3	2.4	2.8	3.1	3.2	3.7	4.0	3.9	3.7	5.0	5.1	5.0	4.9	3.6
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	4.2	5.9	5.6	4.8	4.9	4.8	5.2	5.6	4.8	4.4	5.0	3.9	2.8	1.4
FURNISHINGS, HOUSEHOLD EQUIPMENT														
AND ROUTING MAINTENANCE OF THE HOUSE	2.4	2.6	2.6	2.5	2.4	2.4	2.6	2.5	2.3	3.4	4.4	4.8	4.9	3.6
HEALTH	3.9	3.8	3.7	3.7	3.0	3.4	3.3	3.2	2.8	3.3	3.1	3.1	3.3	2.8
TRANSPORT	5.7	4.4	2.4	2.5	4.2	6.6	6.9	6.4	4.3	2.2	1.2	1.5	0.9	-0.2
COMMUNICATION	-1.0	-1.0	-1.0	-1.1	-0.1	-0.3	-0.4	-0.4	-0.4	0.1	0.3	0.4	0.6	0.2
RECREATION AND CULTURE	0.7	0.6	0.6	0.5	1.1	1.3	1.6	1.7	2.4	2.6	2.7	2.6	2.2	2.1
EDUCATION	4.2	4.3	4.5	4.7	4.3	4.6	5.1	4.8	4.8	4.8	4.5	4.4	4.4	4.4
RESTAURANTS AND MISCELLANEOUS GOODS AND SERVICES	2.7	2.7	2.6	2.3	2.4	2.7	3.1	3.2	3.1	3.3	3.3	3.2	2.8	2.4

Source of basic data: National Statistics Office
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4a CONSUMER PRICE INDEX IN METRO MANILA (2000=100) for periods indicated (2006=100) Quarterly Average														
	2010				2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
ALL ITEMS	114.8	116.0	116.7	117.6	119.5	120.9	121.2	122.1	122.9	123.7	125.6	125.4	125.7	125.8
FOOD AND NON-ALCHOLIC BEVERAGES	124.1	123.4	124.9	128.6	130.3	130.6	130.5	132.9	131.6	132.0	135.3	135.2	134.9	134.7
FOOD ITEMS	124.9	124.2	125.7	129.7	131.5	131.7	131.6	134.2	132.7	133.0	136.5	136.3	135.9	135.7
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	115.0	115.5	115.8	116.3	117.6	118.9	119.1	119.5	120.4	122.5	124.2	126.5	140.3	144.7
NON-FOOD	110.9	113.0	113.3	113.1	115.2	117.0	117.4	117.7	119.4	120.3	121.7	121.4	121.7	121.8
CLOTHING AND FOOTWEAR	114.7	115.5	117.3	117.9	118.7	118.9	121.2	121.3	123.1	126.6	129.8	130.4	131.1	132.3
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	111.2	115.4	114.9	114.0	116.6	119.2	119.3	120.0	121.8	122.9	124.5	123.4	123.5	123.5
FURNISHINGS, HOUSEHOLD EQUIPMENT														
AND ROUTING MAINTENANCE OF THE HOUSE	109.7	111.0	111.4	111.8	112.1	112.2	112.3	112.4	112.7	114.1	117.7	119.2	120.5	120.8
HEALTH	121.7	122.0	124.7	125.0	126.7	127.0	128.8	129.0	130.0	130.8	132.4	132.6	134.5	134.7
TRANSPORT	106.4	106.9	106.3	107.2	110.8	114.3	114.0	113.7	114.9	114.4	113.8	114.3	114.2	113.5
COMMUNICATION	93.7	93.7	93.9	93.8	93.6	93.4	93.3	93.2	93.1	93.7	93.9	93.9	93.9	93.9
RECREATION AND CULTURE	105.8	106.7	107.2	107.4	107.5	107.4	107.3	107.3	110.2	111.1	112.5	112.5	113.1	114.1
EDUCATION	125.9	127.5	130.6	130.6	130.6	132.2	135.5	135.5	135.5	137.0	140.0	140.0	140.0	142.1
RESTAURANTS AND MISCELLANEOUS GOODS AND SERVICES	111.7	111.8	112.9	113.0	114.8	115.9	116.3	116.5	119.5	119.9	120.7	120.7	120.9	121.1
Quarter-on-Quarter Change (in percent)														
	2010				2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
ALL ITEMS	1.0	1.1	0.5	0.8	1.6	1.1	0.2	0.7	0.7	0.7	1.5	-0.1	0.2	0.1
FOOD AND NON-ALCHOLIC BEVERAGES	-0.7	-0.6	1.2	3.0	1.3	0.2	-0.1	1.8	-1.0	0.4	2.5	-0.1	-0.3	-0.1
FOOD ITEMS	-0.8	-0.6	1.2	3.2	1.4	0.2	-0.1	1.9	-1.1	0.3	2.6	-0.1	-0.3	-0.2
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	0.9	0.4	0.3	0.5	1.1	1.1	0.2	0.3	0.8	1.7	1.4	1.8	10.9	3.1
NON-FOOD	1.8	1.9	0.2	-0.2	1.8	1.6	0.4	0.3	1.4	0.8	1.1	-0.2	0.2	0.1
CLOTHING AND FOOTWEAR	1.2	0.7	1.6	0.5	0.7	0.2	1.9	0.1	1.4	2.9	2.5	0.4	0.6	0.9
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	3.6	3.8	-0.5	-0.8	2.3	2.2	0.1	0.6	1.5	0.9	1.3	-0.9	0.1	0.0
FURNISHINGS, HOUSEHOLD EQUIPMENT														
AND ROUTING MAINTENANCE OF THE HOUSE	0.4	1.2	0.4	0.3	0.3	0.1	0.1	0.1	0.2	1.2	3.2	1.2	1.1	0.2
HEALTH	1.5	0.2	2.3	0.2	1.4	0.3	1.4	0.2	0.7	0.6	1.2	0.2	1.4	0.1
TRANSPORT	2.0	0.4	-0.6	0.8	3.4	3.1	-0.2	-0.3	1.0	-0.5	-0.5	0.5	-0.1	-0.6
COMMUNICATION	-1.3	0.0	0.2	-0.2	-0.2	-0.1	-0.2	-0.1	0.0	0.6	0.2	0.0	0.0	0.0
RECREATION AND CULTURE	-0.6	0.8	0.5	0.1	0.1	-0.1	-0.1	0.0	2.7	0.8	1.3	0.1	0.5	0.9
EDUCATION	0.1	1.2	2.5	0.0	0.0	1.3	2.5	0.0	0.0	1.1	2.2	0.0	0.0	1.5
RESTAURANTS AND MISCELLANEOUS GOODS AND SERVICES	0.1	0.1	1.0	0.1	1.6	1.0	0.3	0.2	2.6	0.4	0.6	0.0	0.1	0.2
Year-on-Year Change (in percent)														
	2010				2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
ALL ITEMS	3.6	3.7	3.9	3.5	4.1	4.2	3.9	3.8	2.8	2.4	3.7	2.8	2.2	1.7
FOOD AND NON-ALCHOLIC BEVERAGES	3.6	2.2	2.8	2.8	5.0	5.8	4.5	3.3	1.0	1.1	3.7	1.8	2.5	2.0
FOOD ITEMS	3.8	2.3	2.9	2.9	5.3	6.1	4.7	3.4	0.9	1.0	3.7	1.6	2.5	2.0
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	3.0	2.4	2.0	2.1	2.3	2.9	2.9	2.7	2.4	3.1	4.3	5.9	16.5	18.1
NON-FOOD	3.5	4.4	4.4	3.8	3.8	3.5	3.6	4.1	3.7	2.9	3.7	3.1	1.9	1.2
CLOTHING AND FOOTWEAR	2.6	3.0	3.7	4.0	3.5	3.0	3.4	2.9	3.7	6.5	7.1	7.4	6.6	4.5
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	4.9	7.8	7.8	6.2	4.9	3.2	3.9	5.3	4.4	3.1	4.4	2.8	1.4	0.5
FURNISHINGS, HOUSEHOLD EQUIPMENT														
AND ROUTING MAINTENANCE OF THE HOUSE	1.5	1.8	2.1	2.3	2.2	1.1	0.8	0.6	0.5	1.6	4.8	6.0	7.0	5.9
HEALTH	4.2	3.9	4.1	4.2	4.1	4.2	3.2	3.2	2.6	2.9	2.8	2.8	3.5	3.0
TRANSPORT	7.4	5.7	2.7	2.7	4.1	6.9	7.3	6.1	3.7	0.1	-0.2	0.5	-0.6	-0.8
COMMUNICATION	-1.5	-1.5	-1.2	-1.2	-0.1	-0.3	-0.7	-0.6	-0.5	0.3	0.7	0.8	0.8	0.2
RECREATION AND CULTURE	0.7	0.3	0.8	0.9	1.6	0.7	0.1	-0.1	2.5	3.4	4.8	4.9	2.6	2.7
EDUCATION	2.3	2.9	4.1	3.8	3.7	3.7	3.8	3.8	3.8	3.6	3.3	3.3	3.3	3.7
RESTAURANTS AND MISCELLANEOUS GOODS AND SERVICES	1.4	0.5	1.3	1.3	2.8	3.7	3.0	3.1	4.1	3.5	3.8	3.6	1.1	0.9
Source of basic data: National Statistics Office														

4b CONSUMER PRICE INDEX IN AREAS OUTSIDE METRO MANILA(2000=100) for periods indicated (2006=100) Quarterly Average														
	2 0 1 0				2 0 1 1				2 0 1 2				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
ALL ITEMS	120.3	121.3	122.3	123.2	125.8	127.6	128.4	129.3	129.8	131.6	132.9	133.2	134.4	135.4
FOOD AND NON-ALCHOLIC BEVERAGES	128.8	129.4	130.9	132.4	136.3	137.4	138.0	139.2	139.3	140.2	142.1	142.7	143.1	143.6
FOOD ITEMS	129.7	130.3	131.8	133.5	137.5	138.6	139.2	140.5	140.4	141.4	143.3	143.9	144.2	144.7
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	115.7	116.2	116.8	117.5	120.4	123.0	124.7	125.6	126.8	129.6	130.8	131.6	162.1	173.3
NON-FOOD	114.0	115.2	115.8	116.4	118.1	120.3	121.5	122.0	122.8	125.1	125.7	126.1	126.7	127.7
CLOTHING AND FOOTWEAR	112.3	113.0	113.8	114.6	115.8	117.4	118.6	119.5	120.2	122.7	123.9	124.4	125.4	126.8
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	112.8	114.9	115.3	115.9	118.2	121.2	121.9	122.5	124.1	127.3	128.4	127.9	128.4	129.6
FURNISHINGS, HOUSEHOLD EQUIPMENT														
AND ROUTING MAINTENANCE OF THE HOUSE	114.0	114.9	115.3	115.9	116.9	118.2	119.0	119.5	120.2	122.9	124.0	124.7	125.3	126.5
HEALTH	118.4	119.1	120.0	120.7	121.7	122.9	124.0	124.6	125.1	127.0	128.0	128.5	129.1	130.6
TRANSPORT	117.9	118.7	119.0	119.6	122.9	126.4	127.1	127.4	128.4	130.0	129.1	129.5	130.0	130.0
COMMUNICATION	92.1	92.2	92.2	92.1	92.0	92.0	92.0	91.8	91.8	91.9	92.0	92.0	92.1	92.0
RECREATION AND CULTURE	104.3	104.6	104.9	104.9	105.2	106.2	107.1	107.4	107.7	108.7	109.2	109.4	109.8	110.8
EDUCATION	120.3	121.8	125.0	125.6	125.7	127.7	131.9	132.0	132.1	134.2	138.3	138.3	138.3	140.4
RESTAURANTS AND MISCELLANEOUS GOODS AND SERVICES	116.6	117.6	117.8	118.2	119.2	120.3	121.4	122.1	122.5	124.3	125.2	125.8	126.8	128.0
Quarter-on-Quarter Change (in percent)														
	2 0 1 0				2 0 1 1				2 0 1 2				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
ALL ITEMS	1.1	0.9	0.8	0.8	2.1	1.4	0.7	0.7	0.4	1.4	1.0	0.3	0.9	0.7
FOOD AND NON-ALCHOLIC BEVERAGES	1.2	0.4	1.2	1.1	2.9	0.8	0.4	0.9	0.0	0.7	1.3	0.4	0.3	0.3
FOOD ITEMS	1.3	0.5	1.2	1.2	3.0	0.8	0.5	1.0	-0.1	0.7	1.3	0.4	0.2	0.3
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	1.2	0.5	0.5	0.7	2.5	2.1	1.4	0.7	1.0	2.2	0.9	0.6	23.1	7.0
NON-FOOD	1.1	1.1	0.5	0.5	1.5	1.9	1.0	0.4	0.7	1.8	0.5	0.4	0.4	0.8
CLOTHING AND FOOTWEAR	0.7	0.7	0.7	0.7	1.0	1.4	1.1	0.7	0.6	2.1	1.0	0.4	0.8	1.1
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	1.5	1.8	0.4	0.5	2.0	2.5	0.6	0.5	1.3	2.5	0.9	-0.4	0.4	0.9
FURNISHINGS, HOUSEHOLD EQUIPMENT														
AND ROUTING MAINTENANCE OF THE HOUSE	1.0	0.7	0.4	0.5	0.9	1.1	0.7	0.4	0.6	2.2	0.9	0.5	0.5	1.0
HEALTH	1.6	0.6	0.7	0.6	0.8	1.0	0.9	0.5	0.4	1.5	0.7	0.4	0.5	1.1
TRANSPORT	1.0	0.7	0.3	0.5	2.7	2.9	0.5	0.2	0.8	1.2	-0.7	0.3	0.4	0.0
COMMUNICATION	-1.1	0.1	0.0	-0.1	-0.1	0.0	0.0	-						

## 5 MONETARY INDICATORS (DCS CONCEPT: SRF-Based) <sup>1</sup>

as of periods indicated  
in billion pesos

	2012				2013	
	Q1	Q2	Q3	Q4 <sup>P</sup>	Q1 <sup>P</sup>	Q2 <sup>P</sup>
A. Liquidity						
1. M4 (2+7)	5,621.1	5,814.4	5,756.7	6,227.7	6,219.9	6,827.4
2. M3 : Broad Money Liabilities (3+6)	4,596.7	4,783.4	4,734.0	5,227.5	5,210.5	5,740.0
3. M2 (4+5)	4,368.2	4,535.6	4,543.6	5,008.2	4,968.2	5,526.7
4. M1: Currency Outside Depository Corporations and Transferable Deposits (Narrow Money )	1,471.8	1,450.5	1,458.4	1,606.8	1,657.5	1,780.1
Currency Outside Depository Corporations (Currency in Circulation)	476.9	468.0	469.7	558.8	541.7	525.2
Transferable Deposits (Demand Deposits)	994.9	982.5	988.8	1,048.0	1,115.8	1,255.0
5. Other deposits included in broad money	2,896.4	3,085.2	3,085.1	3,401.4	3,310.7	3,746.6
Savings Deposits	1,940.5	2,005.2	2,046.5	2,186.0	2,235.8	2,462.1
Time Deposits	956.0	1,080.0	1,038.6	1,215.4	1,074.9	1,284.5
6. Securities Other Than Shares Included in Broad Money (Deposit Substitutes)	228.5	247.7	190.4	219.3	242.3	213.3
7. Transferable & Other Deposits in Foreign Currency (FCDU Deposits-Residents)	1,024.5	1,031.0	1,022.7	1,000.1	1,009.3	1,087.4
8. Liabilities Excluded from Broad-Money (Other Liabilities)	2,501.1	2,469.5	2,692.0	2,396.3	2,643.9	2,213.2
B. Domestic Claims	4,878.5	5,083.0	5,135.1	5,375.4	5,612.4	5,647.6
1. Net Claims on Central Government	996.0	989.3	1,030.0	952.9	1,157.4	1,007.3
Claims on Central Government	1,467.8	1,430.2	1,426.0	1,543.3	1,575.4	1,528.6
Less: Liabilities to Central Government	471.8	440.9	396.0	590.4	418.0	521.3
2. Claims on Other Sectors	3,882.4	4,093.7	4,105.1	4,422.5	4,455.0	4,640.3
Claims on Other Financial Corporations	434.9	500.4	489.5	542.1	550.3	559.4
Claims on State and Local Government	71.5	70.3	70.9	71.2	72.1	72.5
Claims on Public Nonfinancial Corporations	277.6	305.2	284.4	280.3	281.6	278.8
Claims on Private Sector	3,098.4	3,217.8	3,260.3	3,528.9	3,551.0	3,729.6
C. Net Foreign Assets	3,243.7	3,201.0	3,313.7	3,248.5	3,251.3	3,393.0
1. Bangko Sentral ng Pilipinas	3,196.9	3,154.1	3,359.5	3,382.3	3,390.0	3,467.8
Claims on Non-residents	3,272.2	3,226.5	3,431.0	3,452.0	3,458.7	3,540.2
Less: Liabilities to Non-residents	75.3	72.5	71.5	69.7	68.7	72.4
2. Other Depository Corporations	46.8	46.9	-45.8	-133.8	-138.7	-74.7
Claims on Non-residents	623.7	634.0	621.1	583.8	571.6	615.3
Less: Liabilities to Non-residents	576.9	587.1	667.0	717.7	710.3	690.0

<sup>1</sup> Based on the Standardized Report Forms (SRFs), a unified framework for reporting monetary and financial statistics to the International Monetary Fund.

<sup>P</sup> Preliminary

Note: Details may not add up to totals due to rounding.

Source : Bangko Sentral ng Pilipinas



## 6 SELECTED DOMESTIC INTEREST RATES

for periods indicated; in percent per annum

	NOMINAL INTEREST RATES										REAL INTEREST RATES 1/									
	2011				2012				2013		2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Interbank Call Loans	4.2491	4.6535	4.6849	4.6661	4.3456	4.1547	3.9554	3.6832	3.0555	2.2794	-0.2509	-0.2465	-0.0151	-0.0339	1.2456	1.1547	0.3554	0.6832	-0.1445	-0.3206
Savings Deposits	1.5490	1.5920	1.7800	1.5580	1.5180	1.2940	1.2910	1.2640	1.1130	0.8550	-2.9510	-3.3080	-2.9200	-3.1420	-1.5820	-1.7060	-2.3090	-1.7360	-2.0870	-1.7450
Time Deposits (All Maturities)	2.6150	2.8880	2.9120	2.9400	2.7420	2.8370	2.7740	2.9340	2.3730	1.4430	-1.8850	-2.0120	-1.7880	-1.7600	-0.3580	-0.1630	-0.8260	-0.0660	-0.8270	-1.1570
Manila Reference Rates (All Maturities) <sup>2</sup>	4.7500	4.6875	4.8750	4.8750	5.0625	4.9375	4.5625	3.4375	3.0000	2.0000	0.2500	-0.2125	0.1750	0.1750	1.9625	1.9375	0.9625	0.4375	-0.2000	-0.6000
<b>Lending Rates</b>																				
High	7.5010	7.6660	7.9797	7.8408	7.9840	8.0219	7.8091	7.5378	7.1142	7.0446	3.0010	2.7660	3.2797	3.1408	4.8840	5.0219	4.2091	4.5378	3.9142	4.4446
Low	5.3930	5.5488	5.8310	5.6983	5.6636	5.7576	5.5490	5.2894	4.8584	4.7692	0.8930	0.6488	1.1310	0.9983	2.5636	2.7576	1.9490	2.2894	1.6584	2.1692
All Maturities <sup>3</sup>	6.8320	6.5550	7.0080	6.2200	6.0510	5.7040	5.4840	5.4550	5.8420	5.7800	2.3320	1.6550	2.3080	1.5200	2.9510	2.7040	1.8840	2.4550	2.6420	3.1800
<b>Bangko Sentral Rates</b>																				
R/P (Overnight) <sup>4</sup>	6.0000	6.2500	6.5000	N.T.	6.5000	N.T.	5.7500	N.T.	N.T.	N.T.	1.5000	1.3500	1.8000	N.T.	3.4000	N.T.	2.1500	N.T.	N.T.	N.T.
R/P (Term) <sup>4</sup>	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.	N.T.
RR/P (Overnight) <sup>4</sup>	4.0227	4.4066	4.5000	4.5000	4.2205	4.0000	3.8192	3.5000	3.5000	3.5000	-0.4773	-0.4934	-0.2000	-0.2000	1.1205	1.0000	0.2192	0.5000	0.3000	0.9000
RR/P (Term) <sup>4</sup>	4.0625	4.5748	N.T.	4.5994	N.T.	4.0696	3.9512	3.6786	3.5850	3.5000	-0.4375	-0.3252	N.T.	-0.1006	N.T.	1.0696	0.3512	0.6786	0.3850	0.9000
Rediscounting	4.0140	4.4057	4.5000	4.5000	4.1997	4.0000	3.8310	3.5760	3.5000	3.5000	-0.4860	-0.4943	-0.2000	-0.2000	1.0997	1.0000	0.2310	0.5760	0.3000	0.9000
<b>Rate on Government Securities</b>																				
Treasury Bills, All Maturities	2.3360	1.7700	1.7610	1.2920	2.2200	2.4400	1.9870	0.7160	0.4740	0.6030	-2.1640	-3.1300	-2.9390	-3.4080	-0.8800	-0.5600	-1.6130	-2.2840	-2.7260	-1.9970
91-Days	1.1670	1.4550	1.4850	1.1480	1.8840	2.3340	1.4580	0.3450	0.0590	0.3860	-3.3330	-3.4450	-3.2150	-3.5520	-1.2160	-0.6660	-2.1420	-2.6550	-3.1410	-2.2140
182-Days	2.0640	1.0830	1.8050	1.2690	2.2080	2.3080	1.8250	0.6790	0.3000	0.5480	-2.4360	-3.8170	-2.8950	-3.4310	-0.8920	-0.6920	-1.7750	-2.3210	-2.9000	-2.0520
364-Days	2.9060	2.3820	1.8940	1.4150	2.6110	2.5310	2.2280	0.8270	0.7000	0.7550	-1.5940	-2.5180	-2.8060	-3.2850	-0.4890	-0.4690	-1.3720	-2.1730	-2.5000	-1.8450
<b>Government Securities in the Secondary Market <sup>5</sup></b>																				
3 Months	1.2231	3.0731	2.9627	1.6581	2.5212	2.3812	0.8038	0.4865	0.4021	1.9375	-3.6769	-2.1269	-1.7373	-2.5419	-0.0788	-0.5188	-2.8962	-2.5135	-2.7979	-0.7625
6 Months	1.4158	3.1692	2.2231	1.7542	2.5327	2.4885	1.2042	0.7885	0.4677	1.9854	-3.4842	-2.0308	-2.4769	-2.4458	-0.0673	-0.4115	-2.4958	-2.2115	-2.7323	-0.7146
1-Year	2.4785	3.2842	1.7269	1.9715	3.1665	2.6419	1.6885	0.9885	0.8729	2.1938	-2.4215	-1.9158	-2.9731	-2.2285	0.5665	-0.2581	-2.0115	-2.0115	-2.3271	-0.5062
2-Years	4.5012	4.1362	3.0269	2.6673	3.3462	3.1385	2.7250	3.0577	2.5729	3.2271	-0.3988	-1.0638	-1.6731	-1.5327	0.7462	0.2385	-0.9750	0.0577	-0.6271	0.5271
3-Years	5.2942	4.6146	3.8923	3.4423	3.8038	3.9135	3.9077	3.8258	2.8625	3.3479	0.3942	-0.5854	-0.8077	-0.7577	1.2038	1.0135	0.2077	0.8258	-0.3375	0.6479
4-Years	5.9615	5.0265	5.1235	4.7885	4.7596	4.6462	4.4692	3.9865	2.9792	3.7229	1.0615	-0.1735	0.4235	0.5885	2.1596	1.7462	0.7692	0.9865	-0.2208	1.0229
5-Years	6.0481	5.1865	5.5308	5.0823	4.8250	5.1058	4.7096	4.1058	3.0708	3.7312	1.1481	-0.0135	0.8308	0.8823	2.2250	2.2058	1.0096	1.1058	-0.1292	1.0312
7-Years	6.7165	5.8704	5.4519	5.2650	5.1462	5.1673	4.8462	4.1385	3.2937	4.0917	1.8165	0.6704	0.7519	1.0650	2.5462	2.2673	1.1462	1.1385	0.0937	1.3917
10-Years	7.2062	6.5585	6.2269	5.4135	5.7962	5.9192	4.8962	4.4000	3.5292	4.2771	2.3062	1.3585	1.5269	1.2135	3.1962	3.0192	1.1962	1.4000	0.3292	1.5771
20-Years	8.2308	8.2212	7.4750	6.5827	6.0072	6.0227	5.8487	5.9692	3.8146	4.3042	3.3308	3.0212	2.7750	2.3827	3.4072	3.1227	2.1487	2.9692	0.6146	1.6042
25-Years	8.0765	8.2000	7.6654	6.5731	6.4469	6.3827	6.0454	5.8962	4.1396	5.4487	3.1765	3.0000	2.9654	2.3731	3.8469	3.4827	2.3454	2.8962	0.9396	2.7487

<sup>1</sup> Nominal interest rate less inflation rate

<sup>2</sup> Refers to the New Manila Reference Rates based on combined transactions on time deposits and promissory notes of reporting commercial banks

<sup>3</sup> Refers to the weighted average interest rate of reporting commercial banks' interest incomes on their outstanding peso-denominated loans

<sup>4</sup> Weighted average of transacted rates

<sup>5</sup> End of Period

<sup>p</sup> Preliminary

<sup>r</sup> Revised

N.T. - No transactions

Source: Bangko Sentral ng Pilipinas

**7 NUMBER OF FINANCIAL INSTITUTIONS <sup>1</sup>**  
as of periods indicated

	2011				2012				2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>T o t a l</b>	<b>25,078</b>	<b>25,544</b>	<b>25,828</b>	<b>26,173</b>	<b>26,515</b>	<b>26,787</b>	<b>26,745</b>	<b>27,198</b>	<b>27,338</b>
Head Offices	7,379	7,411	7,433	7,418	7,436	7,424	7,271	7,245	7,212
Branches/Agencies	17,699	18,133	18,395	18,755	19,079	19,363	19,474	19,953	20,126
Banks	8,870	8,915	8,965	9,050	9,186	9,207	9,301	9,410	9,477
Head Offices	746	739	730	726	723	712	705	696	687
Branches/Agencies	8,124	8,176	8,235	8,324	8,463	8,495	8,596	8,714	8,790
Universal and Commercial Banks	4,695	4,764	4,813	4,857	4,904	4,965	5,028	5,145	5,182
Head Offices	38	38	38	38	38	37	37	37	36
Branches/Agencies	4,657	4,726	4,775	4,819	4,866	4,928	4,991	5,108	5,146
Thrift Banks	1,419	1,381	1,394	1,491	1,545	1,522	1,545	1,619	1,641
Head Offices	73	72	70	71	71	69	69	70	70
Branches/Agencies	1,346	1,309	1,324	1,420	1,474	1,453	1,476	1,549	1,571
Savings and Mortgage Banks	894	854	887	979	1,007	1,003	1,020	1,052	1,072
Head Offices	28	27	27	28	28	28	28	28	28
Branches/Agencies	866	827	860	951	979	975	992	1,024	1,044
Private Development Banks	357	358	340	344	367	341	346	385	384
Head Offices	20	20	19	19	19	18	18	19	19
Branches/Agencies	337	338	321	325	348	323	328	366	365
Stock Savings and Loan Assns.	141	142	140	141	144	150	151	154	157
Head Offices	22	22	21	21	21	20	20	20	20
Branches/Agencies	119	120	119	120	123	130	131	134	137
Microfinance Banks	27	27	27	27	27	28	28	28	28
Head Offices	3	3	3	3	3	3	3	3	3
Branches/Agencies	24	24	24	24	24	25	25	25	25
Rural Banks	2,756	2,770	2,758	2,702	2,737	2,720	2,728	2,646	2,654
Head Offices	635	629	622	617	614	606	599	589	581
Branches/Agencies	2,121	2,141	2,136	2,085	2,123	2,114	2,129	2,057	2,073

(continued next page)

# 7 NUMBER OF FINANCIAL INSTITUTIONS <sup>1</sup>

(Continuation)

	2011				2012				2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Non-Banks	16,208	16,629	16,863	17,123	17,329	17,580	17,444	17,788	17,861
Head Offices	6,633	6,672	6,703	6,692	6,713	6,712	6,566	6,549	6,525
Branches/Agencies	9,575	9,957	10,160	10,431	10,616	10,868	10,878	11,239	11,336
Investment Houses	28	28	28	27	27	27	27	27	26
Head Offices	18	18	18	17	17	17	17	17	16
Branches/Agencies	10	10	10	10	10	10	10	10	10
Finance Companies	47	47	47	47	46	85	85	87	87
Head Offices	21	21	21	21	20	20	20	20	20
Branches/Agencies	26	26	26	26	26	65	65	67	67
Investment Companies	4	4	4	4	4	4	4	3	3
Head Offices	4	4	4	4	4	4	4	3	3
Branches/Agencies	-	-	-	-	-	-	-	-	-
Securities Dealers/Brokers	14	14	14	14	14	13	13	13	13
Head Offices	14	14	14	14	14	13	13	13	13
Branches/Agencies	-	-	-	-	-	-	-	-	-
Pawnshops	15,818	16,239	16,467	16,729	16,936	17,128	16,992	17,335	17,408
Head Offices	6,381	6,420	6,451	6,442	6,464	6,463	6,317	6,301	6,279
Branches/Agencies	9,437	9,819	10,016	10,287	10,472	10,665	10,675	11,034	11,129
Lending Investors	2	2	1	1	1	1	1	1	1
Head Offices	2	2	1	1	1	1	1	1	1
Branches/Agencies	-	-	-	-	-	-	-	-	-
Non-Stock Savings and Loan Assns.	167	167	174	174	174	195	195	195	196
Head Offices	69	69	70	70	70	71	71	71	70
Branches/Agencies	98	98	104	104	104	124	124	124	126
Private Insurance Companies <sup>2</sup>	119	119	119	119	119	119	119	119	119
Head Offices	115	115	115	115	115	115	115	115	115
Branches/Agencies	4	4	4	4	4	4	4	4	4
Government Non-Banks	4	4	4	4	4	4	4	4	4
Head Offices	4	4	4	4	4	4	4	4	4
Branches/Agencies	-	-	-	-	-	-	-	-	-
Venture Capital Corporations	-	-	-	-	-	-	-	-	-
Head Offices	-	-	-	-	-	-	-	-	-
Branches/Agencies	-	-	-	-	-	-	-	-	-
Credit Card Companies	4	4	4	3	3	3	3	3	3
Head Offices	4	4	4	3	3	3	3	3	3
Branches/Agencies	-	-	-	-	-	-	-	-	-
Other Non-Bank with QBF	1	1	1	1	1	1	1	1	1
Head Offices	1	1	1	1	1	1	1	1	1
Branches/Agencies	-	-	-	-	-	-	-	-	-

<sup>1</sup> Refers to the number of financial establishments which includes the head offices and branches; excludes the Bangko Sentral ng Pilipinas

Starting Q4 2009, data include other banking offices per Circular 505 and 624 dated 22 December 2005 and 13 October 2008, respectively.

(Other banking offices refer to any office or place of business in the Philippines other than the head office, branch or extension office, which primarily engages in banking activities other than the acceptance of deposits and/or servicing of withdrawals thru tellers or other authorized personnel.)

<sup>2</sup> Covers only the head offices and their foreign branches.

- zero or nil

Source: Bangko Sentral ng Pilipinas

## 8 TOTAL RESOURCES OF THE PHILIPPINE FINANCIAL SYSTEM <sup>1</sup>

as of periods indicated

in billion pesos

Institutions	2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>T o t a l</b>	<b>8,958.8</b>	<b>9,208.5</b>	<b>9,286.8</b>	<b>9,645.6</b>	<b>9,530.3</b>	<b>9,805.7</b>	<b>9,970.7 <sup>p</sup></b>	<b>10,516.2 <sup>p</sup></b>	<b>10,648.2 <sup>p</sup></b>	<b>11,156.6 <sup>p</sup></b>
Banks	7,119.6	7,314.2	7,360.6	7,643.4	7,464.3	7,671.5	7,866.9	8,358.3	8,417.0	8,925.5
Universal and Commercial Banks <sup>2</sup>	6,350.5	6,548.1	6,598.1	6,833.0	6,668.0	6,877.6	7,054.3	7,486.7	7,547.6	7,995.5
Thrift Banks <sup>2</sup>	587.5	581.5	576.9	623.6	608.6	606.2	622.4	681.6	679.3	739.9
Rural Banks	181.7	184.6	185.6	186.8	187.8	187.6	190.1 <sup>a</sup>	190.1 <sup>a</sup>	190.1 <sup>a</sup>	190.1 <sup>a</sup>
Non-Banks <sup>3</sup>	1,839.1	1,894.3	1,926.2	2,002.2	2,066.0	2,134.3	2,103.9	2,157.8	2,231.2	2,231.2 <sup>b</sup>

<sup>1</sup> Excludes the Bangko Sentral ng Pilipinas; amount includes allowance for probable losses

<sup>2</sup> Data prior to 2008 were based on the Consolidated Statement of Condition which valued asset gross of allowance for probable losses and net of amortization and depreciation. Data from March 2008 onwards were based on the new Financial Reporting Package which valued asset gross of amortization, depreciation and allowance for probable losses.

<sup>3</sup> Includes Investment Houses, Finance Companies, Investment Companies, Securities Dealers/Brokers, Pawnshops, Lending Investors, Non Stocks Savings and Loan Associations, Credit Card Companies (which are under BSP supervision), and Private and Government Insurance Companies (i.e., SSS and GSIS).

<sup>a</sup> As of end-September 2012

<sup>b</sup> As of end-March 2013

<sup>p</sup> Preliminary

Notes: (1) Data on Non-Banks are based on Consolidated Statement of Condition (CSOC).

(2) Data on Rural Banks are based on CSOC up to September 2010. Data from October 2010 onwards are based on FRP for some rural banks and CSOC for other rural banks.

(3) Details may not add up to total due to rounding off.

Source: Bangko Sentral ng Pilipinas

## 9 RATIOS OF NON-PERFORMING LOANS (NPL) AND LOAN LOSS PROVISIONS

Universal and Commercial Banks  
end-of-period, in percent

	TOTAL NPL <sup>1/</sup> / TOTAL LOANS	GROSS NPL <sup>2/</sup> / TOTAL LOANS	NET NPL <sup>2/</sup> / TOTAL LOANS	TOTAL LOAN PROVISIONS / TOTAL LOANS	LOAN LOSS PROVISIONS / NPL	LOAN LOSS PROVISIONS / GROSS NPL	LOAN LOSS PROVISIONS / NET NPL
2004	12.724			7.754	60.185		
2005	8.206			6.358	77.486		
2006	5.662			4.679	82.643		
2007	4.448			4.151	93.331		
2008	3.524			3.524	100.011		
2009							
Jan	3.817			3.696	96.821		
Feb	3.727			3.588	96.294		
Mar	3.562			3.537	99.299		
Apr	3.652			3.639	99.652		
May	3.688			3.547	96.158		
Jun	3.360			3.438	102.334		
Jul	3.488			3.661	104.983		
Aug	3.496			3.682	105.311		
Sep	3.249			3.615	111.272		
Oct	3.367			3.581	106.371		
Nov	3.257			3.576	109.770		
Dec	2.969			3.335	112.342		
2010							
Jan	3.222			3.566	110.698		
Feb	3.183			3.549	111.499		
Mar	3.215			3.634	113.025		
Apr	3.337			3.633	108.897		
May	3.305			3.641	110.172		
Jun	3.208			3.557	108.813		
Jul	3.303			3.719	112.573		
Aug	3.246			3.717	114.521		
Sep	3.113			3.646	117.125		
Oct	3.191			3.740	117.200		
Nov	3.064			3.572	116.582		
Dec	2.863			3.392	118.482		
2011							
Jan	3.006			3.532	117.474		
Feb	2.934			3.508	119.572		
Mar	2.986			3.594	120.370		
Apr	2.947			3.568	121.060		
May	2.796			3.448	123.306		
Jun	2.446			3.087	126.172		
Jul	2.451			3.095	126.241		
Aug	2.516			3.057	121.498		
Sep	2.460			3.043	123.704		
Oct	2.538			3.023	119.073		
Nov	2.387			2.917	122.197		
Dec	2.233			2.821	126.363		
2012 <sup>P</sup>							
Jan	2.345			2.925	124.729		
Feb	2.344			2.911	124.200		
Mar	2.361			2.950	124.937		
Apr	2.298			2.890	125.726		
May	2.184			2.816	128.933		
Jun	2.058			2.808	136.454		
Jul	2.077			2.822	135.838		
Aug	2.085			2.831	135.810		
Sep	2.050			2.789	136.000		
Oct	1.998			2.771	138.729		
Nov	1.975			2.710	137.208		
Dec	1.866			2.636	141.245		
2013 <sup>P</sup>							
Jan		2.827	0.428	3.598		127.277	841.501
Feb		2.787	0.440	3.539		126.992	804.111
Mar		2.741	0.448	3.517		128.312	784.777
Apr		2.741	0.440	3.526		128.633	801.406
May		2.751	0.439	3.535		128.499	805.547

<sup>1/</sup> Starting Sept. 2002, for supervisory purposes, computation of NPL was based on BSP Circular No. 351 which defines total loans as gross of allowance for probable losses and interbank loans less loans classified as loss.

<sup>2/</sup> Starting January 2013, figures are computed as prescribed under BSP Circular No. 772. Gross NPL represents the actual level of NPL without any adjustment for loans treated as "loss" and fully provisioned. As a complementary measure to computing gross NPL, banks shall likewise compute their net NPLs, which shall refer to gross NPLs less specific allowance for credit losses on the total loan portfolio, provided, that such specific allowance for credit losses on the total loan portfolio shall not be deducted from the total loan portfolio.

<sup>P</sup> Preliminary

Source: SDC/DES

## 9a UNIVERSAL AND COMMERCIAL BANKS

### Selected Asset Quality Indicators

As of End of Periods Indicated

Levels (In Billion Pesos)	May-13	Apr-13	Mar-13	Feb-13	Jan-13	Dec-12 <sup>1/</sup>	May-12 <sup>1/</sup>
Total Loan Portfolio (TLP) <sup>2/</sup> *	3,685.16	3,670.05	3,625.04	3,587.21	3,608.62	3,650.76	3,282.41
Loan Loss Reserves (LLR) *	130.26	129.42	127.49	126.95	129.85	128.46	124.45
Specific Allowance for Credit Losses	85.2	84.46	83.11	84.18	86.59	89.3	88.07
General Loan Loss Provision	45.06	44.96	44.38	42.77	43.26	39.16	36.39
TLP, net of LLR	3,554.90	3,540.63	3,497.56	3,460.27	3,478.76	3,522.30	3,157.95
TLP <sup>2/</sup> , net of Interbank Loans (IBL) *	3,546.38	3,513.54	3,497.26	3,452.53	3,458.69	3,495.29	3,137.37
Gross Non-Performing Loans (NPL) *	101.37	100.61	99.36	99.96	102.02	100.61	103.92
Net NPL *	16.17	16.15	16.25	15.79	15.43	11.31	15.85

Ratios (In Percent)	May-13	Apr-13	Mar-13	Feb-13	Jan-13	Dec-12 <sup>1/</sup>	May-12 <sup>1/</sup>
Gross NPL Ratio (Gross NPL to Gross TLP) *	2.75	2.74	2.74	2.79	2.83	2.76	3.17
Net NPL Ratio (Net NPL to Gross TLP) *	0.44	0.44	0.45	0.44	0.43	0.31	0.48
NPL Ratio net of IBL *	2.83	2.84	2.82	2.87	2.93	2.88	3.31
NPL Coverage Ratio (LLR to Gross NPL) *	128.5	128.63	128.31	126.99	127.28	127.68	119.76

\* Figures are computed in accordance with the NPL definition as prescribed under BSP Circular No. 772 dated 16 October 2012 effective 01 January 2013

1/ For comparative purposes, computations for periods prior to January 2013 are aligned with Circular No. 772

2/ Gross of Provisions

Source: Bangko Sentral ng Pilipinas

**volume in million shares, value in million pesos**

	2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Volume</b>	<b>144561.70</b>	<b>232516.10</b>	<b>431850.70</b>	<b>247667.19</b>	<b>402134.63</b>	<b>152893.28</b>	<b>116966.98</b>	<b>371124.16</b>	<b>165036.09</b>	<b>170243.20</b>
Financials	649.80	629.78	1437.01	1406.99	1619.09	1153.40	991.09	1434.87	1815.65	1373.89
Industrial	6459.50	5767.21	29367.37	7523.84	31502.63	13358.43	16361.97	81440.24	18622.05	35931.13
Holding Firms	23546.00	11491.60	22863.88	10799.78	21750.93	7081.49	9092.28	143645.86	33659.42	36289.89
Property	19404.60	13990.80	18584.86	12717.69	25507.07	18144.86	14136.54	18676.08	22018.37	16990.66
Services	5078.60	4239.68	18563.10	16441.56	14403.95	10480.29	15809.81	44604.55	23393.53	21728.44
Mining & Oil	89423.20	196396.98	341034.30	198775.40	307350.84	102674.80	60575.05	81321.26	65526.75	57928.96
SME	0.10	0.02	0.16	1.93	0.12	0.02	0.24	1.30	0.32	0.23
<b>Value</b>	<b>325016.40</b>	<b>336795.10</b>	<b>384522.40</b>	<b>376257.40</b>	<b>502081.15</b>	<b>445647.88</b>	<b>359916.17</b>	<b>464065.87</b>	<b>623381.92</b>	<b>781004.56</b>
Financials	31968.10	34907.81	49817.86	53460.36	74928.85	60289.16	51589.26	96175.25	101569.89	98627.55
Industrial	100461.70	92832.94	107984.66	72814.83	114995.40	132721.16	69893.61	101501.51	125878.90	228624.02
Holding Firms	74750.50	79750.31	63531.85	70700.14	106954.09	104977.44	87474.18	101072.63	167319.87	187192.27
Property	39979.00	35069.70	39404.37	35773.04	58562.31	52982.59	65675.32	66954.94	108596.25	100356.43
Services	53189.50	47266.20	44127.85	91303.82	78836.69	59063.52	67397.33	81771.86	91228.15	150765.32
Mining & Oil	24667.60	46968.00	79655.09	52200.88	67803.28	35613.99	17885.38	16578.97	28786.18	15437.62
SME	0.05	0.08	0.76	4.40	0.53	0.02	1.09	10.71	2.68	1.35
Composite Index (end of period)	4055.10	4291.20	3999.70	4372.00	5107.70	5246.41	5346.10	5812.73	6847.47	6465.28
Sum of details may not add up to totals due to rounding.										
Source : Philippine Stock Exchange										

## in million U.S. dollars

Note: Totals may not add up due to rounding.

p - Preliminary

Technical Notes:

1. Balance of Payments Statistics from 2011 onwards are based on the IMF's Balance of Payments and International Investment Position Manual, 6th Edition.
2. Financial Account, including Reserve Assets, is calculated as the sum of net acquisitions of financial assets less net incurrence of liabilities.
3. Balances in the current and capital accounts are derived by deducting debit entries from credit entries.
4. Balances in the financial account are derived by deducting net incurrence of liabilities from net acquisition of financial assets.
5. Negative values of Net Acquisition of Financial Assets indicate withdrawal/disposal of financial assets; negative values of Net Incurrence of Liabilities indicate repayment of liabilities.
6. Overall BOP position is calculated as the change in the country's net international reserves (NIR), less non-economic transactions (revaluation and gold monetization/demonetization). Alternatively, it can be derived by adding the current and capital account balances less financial account plus net unclassified items.
7. Net unclassified items is an offsetting account to the overstatement or understatement in either receipts or payments of the recorded BOP components vis-à-vis the overall BOP position.
8. Data on Deposit-taking corporations, except the central bank consist of transactions of commercial and thrift banks and offshore banking units (OBUs).



for periods indicated																					
volume in 000 metric tons; unit price in U.S.\$/m.t.; fob value in million U.S. dollars; growth rates in percent																					
C o m m o d i t i e s	2012 p/												2013 p/						Growth Rates		
	Q1			Q2			Q3			Q4			Q1			Q2			Q2 2013		
	Volume	Price <sup>4/</sup>	Value	Volume	Price <sup>4/</sup>	Value	Volume	Price <sup>4/</sup>	Value	Volume	Price <sup>4/</sup>	Value	Volume	Price <sup>4/</sup>	Value	Volume	Price <sup>4/</sup>	Value	Volume	Price	Value
Coconut Products			328			378			322			336			433			341			-9.7
Copra	..	1179	--	..	1397	--	..	538	--	..	1166	--	..	1069	--	..	1027	--	0.0	-26.5	0.0
Coconut Oil	171	1420	242	224	1313	294	217	1111	241	246	969	238	357	896	320	240	907	218	7.3	-31.0	-25.9
Desiccated Coconut	26	2506	66	24	2203	54	12	3210	37	6	6519	39	4	10849	11	5	10096	51	-79.1	358.2	-4.3
Copra Meal/Cake	61	205	12	112	195	22	152	250	38	122	409	50	136	459	27	106	605	64	-5.4	209.8	192.9
Others			6			7			6			8			6			8			1.8
Sugar and Products			48			48			26			55			109			56			17.7
Centrifugal & Refined	76	533	40	81	557	45	45	516	9	..	1090	--	99	995	39	35	1450	50	-57.1	160.3	11.6
Molasses	70	93	6	6	122	1	12	143	2	36	344	12	34	280	6	6	839	5	0.0	587.9	587.9
Others			1			2			1			43			1			1			-66.4
Fruits and Vegetables			247			312			323			324			341			393			26.0
Canned Pineapple	54	984	53	51	1011	51	65	991	65	52	955	50	33	1020	13	40	1023	41	-21.0	1.2	-20.1
Pineapple Juice	22	569	12	19	576	11	30	545	16	19	604	11	22	599	5	19	603	11	-1.1	4.7	3.6
Pineapple Concentrates	6	1073	6	9	1295	12	7	1319	9	11	1411	16	7	1360	3	9	1391	13	1.3	7.5	8.9
Bananas	431	262	113	636	250	159	693	262	181	886	218	193	694	298	75	678	364	247	6.7	46.0	55.7
Mangoes	5	741	4	8	798	7	4	851	3	1	1440	1	1	1270	--	2	1379	3	-72.8	72.9	-52.9
Others			57			72			49			51			77			77			7.1
Other Agro-Based Products			203			222			184			197			261			220			-1.1
Fish, Fresh or Preserved	25	4197	106	28	4373	122	21	4868	101	19	4779	90	22	5529	35	17	6454	111	-38.3	47.6	-9.0
Of which: Shrimps & Prawns	1	10880	9	1	9936	12	--	10973	5	1	111	9	..	137091	2	..	33780	5	0.0	240.0	-58.7
Coffee, Raw, not Roasted	..	4607	--	..	7088	0	0	0	0	0	0	0	..	99832	--	..	10000	0	0.0	0.0	-57.7
Abaca Fibers	5	256	1	1	1382	2	3	612	2	1	715	1	2	777	--	2	598	1	84.2	-56.7	-20.2
Tobacco,Unmanufactured	8	2627	21	7	2642	18	6	3040	17	6	3040	20	..	316715	10	..	78372	18	0.0	2865.9	-0.8

1/ - Volume in 000 cubic meters; unit price in US\$/cu.m.

2/ - Volume in 000 troy ounces; unit price in US\$/oz t.

3/ Excludes value of goods that do not involve change in ownership such as consigned, returned/replacement, and temporarily exported goods

4/ Prices are derived from the NSO's Foreign Trade Statistics (value/volume)

for periods indicated volume in 000 metric tons; unit price <sup>1/</sup> in U.S.\$/mt; f.o.b. value in million U.S. dollars; growth rates in percent																								
Commodities	2012 p/												2013 p/									Growth Rates (%)		
	Q1			Q2			Q3			Q4			Q1			Q2			Q2 2013					
	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price	Value			
Capital Goods			2863			2959			2672			3254			2658			3046			2.9			
Power Generating & Specialized Machines			876			952			967			997			899			1012			6.3			
Office & EDP Machines			524			525			483			423			377			367			-30.0			
Telecommunication Eqpt. & Elect. Mach.			708			613			653			715			726			686			12.0			
Land Transport Eqpt. excl. Passenger Cars & Motorized Cycle			311			309			329			352			323			326			5.6			
Aircraft, Ships & Boats			300			424			71			611			209			532			25.5			
Prof. Sci. & Cont. Inst.; Photographic Eqpt. & Optical Goods			144			136			169			155			124			122			-10.4			
Raw Materials & Intermediate Goods			6040			6559			6414			6308			5913			6089			-7.2			
Unprocessed Raw Materials			669			472			738			886			657			657			39.1			
Wheat	681	275	187	723	282	204	926	290	268	666	335	223	375	579	217	566	307	174	-16.9	11.6	-14.8			
Corn	94	378	35	15	1374	20	9	638	6	19	863	16	28	327	9	11	779	9	-88.3	106.1	-55.7			
Unmilled cereals excl. rice & corn			3			3			2			3			1			2			-22.8			
Crude materials, inedible			400			198			432			626			398			432			118.3			
Pulp & waste paper			14			13			9			7			10			10			-24.1			
Cotton	2	2143	4	2	1869	4	2	1711	4	1	1519	2	4	1611	6	3	1732	5	50.0	-19.2	12.8			
Syn. fibers	9	2345	20	7	2584	19	8	3318	27	7	3034	23	6	2477	15	8	3220	25	-11.1	37.3	29.5			
Metalliferous ores			224			7			101			457			237			246			3415.5			
Others			138			155			291			137			130			147			-5.1			
Tobacco, unmanufactured			44			47			30			18			31			40			-15.9			
Semi-Processed Raw Materials			5371			6087			5676			5422			5256			5432			-10.8			
Feeding stuffs for animals	507	396	201	524	441	231	433	533	230	553	555	306	485	585	284	421	497	209	-17.0	25.5	-9.6			
Animal & vegetable oils & fats			145			99			77			62			62			50			-49.2			
Chemical			1598			1543			1644			1469			1422			1589			3.0			
Chemical compounds			432			354			411			339			320			363			2.7			
Medicinal & pharmaceutical chemicals			224			235			242			259			256			285			21.1			
Urea	124	378	47	108	397	43	167	386	64	195	358	70	128	287	37	150	341	51	21.0	-9.8	19.0			
Fertilizer excl. urea	183	343	63	232	345	80	323	353	114	238	340	81	215	326	70	271	329	89						

- - Less than one million US dollars

.. Less than one thousand metric tons

1. Less than one thousand metric tons



**13 EXCHANGE RATES OF THE PESO**pesos per unit of foreign currency  
period averages

	US Dollar	Japanese Yen	Euro	Pound Sterling	Singapore Dollar	Hongkong Dollar	Malaysian Ringgit	Thailand Baht	Indonesian Rupiah	New Taiwan Dollar	South Korean Won
<b>2011</b>	<b>43.3131</b>	<b>0.5436</b>	<b>60.2791</b>	<b>69.4551</b>	<b>34.4567</b>	<b>5.5645</b>	<b>14.1716</b>	<b>1.4219</b>	<b>0.0049</b>	<b>1.4746</b>	<b>0.0391</b>
Jan	44.1722	0.5350	59.0151	69.6606	34.3415	5.6790	14.4303	1.4482	0.0049	1.5183	0.0395
Feb	43.7031	0.5293	59.6914	70.4721	34.2489	5.6109	14.3526	1.4237	0.0049	1.4973	0.0391
Mar	43.5160	0.5335	60.9427	70.3743	34.3116	5.5850	14.3386	1.4333	0.0050	1.4748	0.0388
Apr	43.2402	0.5190	62.3995	70.6571	34.6324	5.5619	14.3268	1.4375	0.0050	1.4866	0.0398
May	43.1307	0.5317	61.8629	70.5236	34.8410	5.5488	14.3417	1.4284	0.0050	1.5014	0.0399
Jun	43.3657	0.5386	62.4391	70.4189	35.1330	5.5726	14.3534	1.4232	0.0051	1.5075	0.0402
Jul	42.8088	0.5389	61.1949	69.0626	35.1642	5.4967	14.2929	1.4211	0.0050	1.4851	0.0404
Aug	42.4209	0.5505	60.7724	69.4325	35.0881	5.4408	14.2280	1.4214	0.0050	1.4650	0.0395
Sep	43.0256	0.5599	59.3496	67.9974	34.4720	5.5202	14.0215	1.4171	0.0049	1.4516	0.0387
Oct	43.4514	0.5669	59.4688	68.3653	33.9693	5.5856	13.8267	1.4070	0.0049	1.4334	0.0376
Nov	43.2745	0.5587	58.6807	68.3853	33.5505	5.5605	13.7269	1.3992	0.0048	1.4318	0.0381
Dec	43.6486	0.5606	57.5321	68.1115	33.7275	5.6121	13.8198	1.4032	0.0048	1.4428	0.0381
<b>2012</b>	<b>42.2288</b>	<b>0.5299</b>	<b>54.3079</b>	<b>66.9249</b>	<b>33.8041</b>	<b>5.4441</b>	<b>13.6818</b>	<b>1.3595</b>	<b>0.0045</b>	<b>1.4282</b>	<b>0.0375</b>
Jan	43.6191	0.5670	56.2828	67.6569	34.0705	5.6185	13.9823	1.3818	0.0048	1.4524	0.0381
Feb	42.6608	0.5448	56.4222	67.4003	34.0289	5.5017	14.1129	1.3882	0.0047	1.4439	0.0380
Mar	42.8574	0.5199	56.6288	67.8338	34.0664	5.5216	14.0931	1.3975	0.0047	1.4523	0.0381
Apr	42.6998	0.5253	56.2914	68.4145	34.1571	5.5012	13.9585	1.3841	0.0047	1.4492	0.0376
May	42.8515	0.5375	54.8780	68.2662	33.9592	5.5199	13.8470	1.3704	0.0046	1.4544	0.0370
Jun	42.7765	0.5397	53.6192	66.5015	33.4579	5.5130	13.4563	1.3518	0.0046	1.4297	0.0367
Jul	41.9054	0.5302	51.5881	65.3765	33.2304	5.4033	13.2341	1.3250	0.0044	1.3981	0.0367
Aug	42.0452	0.5349	52.0961	66.0660	33.7009	5.4213	13.4950	1.3384	0.0044	1.4040	0.0372
Sep	41.7490	0.5341	53.6856	67.2180	33.8922	5.3843	13.5519	1.3467	0.0044	1.4135	0.0371
Oct	41.4521	0.5258	53.7545	66.6237	33.8484	5.3477	13.5689	1.3515	0.0043	1.4173	0.0374
Nov	41.1222	0.5082	52.7036	65.5939	33.6142	5.3060	13.4464	1.3399	0.0043	1.4123	0.0378
Dec	41.0067	0.4914	53.7443	66.1474	33.6230	5.2914	13.4347	1.3388	0.0043	1.4117	0.0381
<b>2013</b>	<b>41.2435</b>	<b>0.4327</b>	<b>54.1830</b>	<b>63.6777</b>	<b>33.1802</b>	<b>5.3160</b>	<b>13.4140</b>	<b>1.3834</b>	<b>0.0042</b>	<b>1.3906</b>	<b>0.0374</b>
Jan	40.7295	0.4580	54.1270	65.0893	33.1823	5.2537	13.4143	1.3549	0.0042	1.4011	0.0382
Feb	40.6723	0.4372	54.3618	63.0701	32.8469	5.2446	13.1338	1.3647	0.0042	1.3727	0.0374
Mar	40.7127	0.4293	52.8776	61.3734	32.6803	5.2477	13.0966	1.3788	0.0042	1.3700	0.0370
Apr	41.1422	0.4221	53.5266	62.9378	33.2313	5.2999	13.4866	1.4164	0.0042	1.3793	0.0367
May	41.2976	0.4092	53.5926	63.1389	33.0769	5.3210	13.6880	1.3898	0.0042	1.3870	0.0372
Jun	42.9069	0.4406	56.6122	66.4568	34.0634	5.5291	13.6649	1.3959	0.0044	1.4334	0.0378

Source: Bangko Sentral ng Pilipinas

**13a EXCHANGE RATES OF THE PESO**units of foreign currency per peso  
period averages

	US Dollar	Japanese Yen	Euro	Pound Sterling	Singapore Dollar	Hongkong Dollar	Malaysian Ringgit	Thailand Baht	Indonesian Rupiah	New Taiwan Dollar	South Korean Won
<b>2011</b>	<b>0.0231</b>	<b>1.8411</b>	<b>0.0166</b>	<b>0.0144</b>	<b>0.0290</b>	<b>0.1797</b>	<b>0.0706</b>	<b>0.7033</b>	<b>202.2252</b>	<b>0.6784</b>	<b>25.5615</b>
Jan	0.0226	1.8691	0.0169	0.0144	0.0291	0.1761	0.0693	0.6905	204.0816	0.6586	25.3256
Feb	0.0229	1.8891	0.0168	0.0142	0.0292	0.1782	0.0697	0.7024	204.2901	0.6679	25.5460
Mar	0.0230	1.8742	0.0164	0.0142	0.0291	0.1791	0.0697	0.6977	201.0490	0.6780	25.7588
Apr	0.0231	1.9269	0.0160	0.0142	0.0289	0.1798	0.0698	0.6956	200.2107	0.6727	25.1157
May	0.0232	1.8806	0.0162	0.0142	0.0287	0.1802	0.0697	0.7001	198.1982	0.6661	25.0798
Jun	0.0231	1.8567	0.0160	0.0142	0.0285	0.1794	0.0697	0.7026	196.8135	0.6634	24.8933
Jul	0.0234	1.8557	0.0163	0.0145	0.0284	0.1819	0.0700	0.7037	199.6198	0.6734	24.7292
Aug	0.0236	1.8165	0.0165	0.0144	0.0285	0.1838	0.0703	0.7035	200.0000	0.6826	25.2951
Sep	0.0232	1.7860	0.0168	0.0147	0.0290	0.1812	0.0713	0.7057	202.7650	0.6889	25.8732
Oct	0.0230	1.7641	0.0168	0.0146	0.0294	0.1790	0.0723	0.7107	204.0816	0.6976	26.6241
Nov	0.0231	1.7899	0.0170	0.0146	0.0298	0.1798	0.0728	0.7147	207.8775	0.6984	26.2177
Dec	0.0229	1.7839	0.0174	0.0147	0.0296	0.1782	0.0724	0.7126	207.7151	0.6931	26.2796
<b>2012</b>	<b>0.0237</b>	<b>1.8893</b>	<b>0.0184</b>	<b>0.0149</b>	<b>0.0296</b>	<b>0.1837</b>	<b>0.0731</b>	<b>0.7358</b>	<b>221.5638</b>	<b>0.7003</b>	<b>26.6838</b>
Jan	0.0229	1.7638	0.0178	0.0148	0.0294	0.1780	0.0715	0.7237	207.7151	0.6885	26.2369
Feb	0.0234	1.8355	0.0177	0.0148	0.0294	0.1818	0.0709	0.7204	210.8434	0.6926	26.3125
Mar	0.0233	1.9235	0.0177	0.0147	0.0294	0.1811	0.0710	0.7156	212.9719	0.6886	26.2749
Apr	0.0234	1.9036	0.0178	0.0146	0.0293	0.1818	0.0716	0.7225	214.2857	0.6900	26.6115
May	0.0233	1.8606	0.0182	0.0146	0.0294	0.1812	0.0722	0.7297	215.6863	0.6876	26.9939
Jun	0.0234	1.8528	0.0187	0.0150	0.0299	0.1814	0.0743	0.7398	219.7802	0.6995	27.2480
Jul	0.0239	1.8860	0.0194	0.0153	0.0301	0.1851	0.0756	0.7547	224.9489	0.7153	27.2817
Aug	0.0238	1.8694	0.0192	0.0151	0.0297	0.1845	0.0741	0.7471	227.2727	0.7123	26.9122
Sep	0.0240	1.8722	0.0186	0.0149	0.0295	0.1857	0.0738	0.7425	227.5313	0.7075	26.9397
Oct	0.0241	1.9019	0.0186	0.0150	0.0295	0.1870	0.0737	0.7399	232.3126	0.7056	26.7152
Nov	0.0243	1.9679	0.0190	0.0152	0.0297	0.1885	0.0744	0.7463	232.5581	0.7080	26.4329
Dec	0.0244	2.0350	0.0186	0.0151	0.0297	0.1890	0.0744	0.7469	232.8590	0.7084	26.2467
<b>2013</b>	<b>0.0242</b>	<b>2.3137</b>	<b>0.0185</b>	<b>0.0157</b>	<b>0.0301</b>	<b>0.1882</b>	<b>0.0746</b>	<b>0.7230</b>	<b>236.1726</b>	<b>0.7193</b>	<b>26.7445</b>
Jan	0.0246	2.1833	0.0185	0.0154	0.0301	0.1903	0.0745	0.7381	237.3247	0.7137	26.1531
Feb	0.0246	2.2870	0.0184	0.0159	0.0304	0.1907	0.0761	0.7327	238.0952	0.7285	26.7344
Mar	0.0246	2.3291	0.0189	0.0163	0.0306	0.1906	0.0764	0.7253	238.0952	0.7299	27.0040
Apr	0.0243	2.3692	0.0187	0.0159	0.0301	0.1887	0.0741	0.7060	236.4865	0.7250	27.2303
May	0.0242	2.4438	0.0187	0.0158	0.0302	0.1879	0.0731	0.7195	237.2881	0.7210	26.9162
Jun	0.0233	2.2697	0.0177	0.0150	0.0294	0.1809	0.0732	0.7164	229.7461	0.6976	26.4293

Source: Bangko Sentral ng Pilipinas

# 13b EFFECTIVE EXCHANGE RATE INDICES OF THE PESO

December 1980 = 100

period averages

		N O M I N A L			R E A L		
		Major Trading Partners <sup>1</sup>	Competing Countries		Major Trading Partners <sup>1</sup>	Competing Countries	
			Broad <sup>2</sup>	Narrow <sup>3</sup>		Broad <sup>2</sup>	Narrow <sup>3</sup>
2011		13.17	40.97	85.56	86.03	143.00	176.21
	Jan	13.18	40.86	85.82	85.13	140.89	173.51
	Feb	13.22	41.10	86.15	85.82	141.73	174.48
	Mar	13.14	40.83	84.95	85.07	141.35	172.94
	Apr	13.15	40.56	84.67	85.26	140.23	171.32
	May	13.14	40.34	84.07	85.23	141.37	174.99
	Jun	13.04	40.18	83.86	84.98	142.07	175.87
	Jul	13.20	40.42	84.51	87.28	143.28	177.09
	Aug	13.23	40.80	85.06	87.33	144.65	178.23
	Sep	13.20	41.15	85.70	86.24	144.10	177.78
	Oct	13.10	41.59	86.45	85.83	144.61	178.63
	Nov	13.22	41.90	87.61	87.09	146.56	180.10
	Dec	13.24	41.93	87.84	87.05	145.23	179.64
2012		13.86	43.66	92.70	91.84	151.96	189.94
	Jan	13.32	41.82	87.69	87.57	144.39	178.00
	Feb	13.54	42.21	88.59	88.38	144.58	178.25
	Mar	13.62	42.40	89.32	88.59	145.34	180.00
	Apr	13.64	42.72	90.05	89.30	146.69	180.78
	May	13.67	42.96	90.55	89.90	149.68	187.09
	Jun	13.79	43.64	92.28	91.12	153.38	191.90
	Jul	14.15	44.40	94.25	95.29	157.57	196.30
	Aug	14.05	44.26	94.28	94.88	157.59	197.49
	Sep	13.95	44.50	95.06	92.98	156.19	197.24
	Oct	14.04	44.81	96.16	93.33	155.31	197.24
	Nov	14.28	45.05	96.98	95.32	157.01	197.72
	Dec	14.30	45.09	97.21	95.41	155.75	197.25
2013		14.64	45.28	97.25	97.69	155.69	195.00
	Jan	14.53	45.29	97.69	97.21	156.22	196.83
	Feb	14.68	45.73	98.38	97.74	155.87	195.94
	Mar	14.87	45.79	98.30	98.79	156.25	195.12
	Apr	14.79	45.33	96.97	98.63	154.55	191.09
	May	14.86	45.27	97.08	99.28	156.82	197.11
	Jun	14.11	44.24	95.06	94.49	154.45	193.93

<sup>1</sup> US, Japan, European Monetary Union, United Kingdom

<sup>2</sup> Singapore, South Korea, Taiwan, Malaysia, Thailand, Indonesia, Hongkong

<sup>3</sup> Indonesia, Malaysia, Thailand

<sup>r</sup> Revised using actual inflation rates

Source: Bangko Sentral ng Pilipinas

14	TOTAL EXTERNAL DEBT	
	as of periods indicated	
	in million US dollars	

in million US dollars

31 March 2013					30 June 2013				
Short-term		Medium & Long- Term	Total	Short-term		Medium & Long- Term	Total		
Trade	Non-Trade			Trade	Non-Trade				

<b>Grand Total</b>	<b>2,766</b>	<b>7,020</b>	<b>49,260</b>	<b>59,046</b>	<b>3,066</b>	<b>6,483</b>	<b>48,460</b>	<b>58,009</b>
<b>Public Sector</b>	-	675	42,262 <sup>a</sup>	42,937	-	636	41,317 <sup>a</sup>	41,953 <sup>a</sup>
Banks	-	675	3,917	4,592	-	636	3,839	4,475
Bangko Sentral ng Pilipinas	-	-	1,424	1,424	-	-	1,427	1,427
Others	-	675	2,493	3,168	-	636	2,412	3,048
Non-Banks	-	-	38,344	38,344	-	-	37,477	37,477
CB-BOL	-	-	-	-	-	-	-	-
NG and Others	-	-	38,344	38,344	-	-	37,477	37,477
<b>Private Sector</b>	2,766	6,345	6,998	16,109	3,066	5,847	7,143	16,057
Banks	-	6,157	1,234	7,390	-	5,660	1,263	6,923
Foreign Bank Branches	-	1,423	62	1,485 <sup>b</sup>	-	1,432	43	1,475 <sup>b</sup>
Domestic Banks	-	4,733	1,172	5,905	-	4,228	1,220	5,448
Non-Banks	2,766 <sup>c</sup>	188	5,765 <sup>d</sup>	8,719	3,066 <sup>c</sup>	187	5,880 <sup>d</sup>	9,133

## 31 March 2013

61

30 June 2013

34

6.995

5.912

1.210

11.241

Source: Bangko Sentral ng Pilipinas

## 15 SELECTED FOREIGN DEBT SERVICE INDICATORS

for periods indicated  
in million US dollars

	2012				2013 <sup>p/</sup>	
	Q1	Q2	Q3	Q4	Q1 <sup>r/</sup>	Q2
<b>Debt Service Burden (DSB) <sup>1/</sup></b>	1950	1603	1627	1376	2482	1232
Principal	978	973	690	811	1594	688
Interest	972	630	937	565	888	544
<b>Export Shipments (XS) <sup>3/</sup></b>	10339	12692	12262	10991	11149	12840
<b>Exports of Goods and Receipts from Services and Income (XGSI) <sup>2/ 3/</sup></b>	20507	22441	22870	22450	21678	22830
<b>Current Account Receipts (CAR) <sup>3/</sup></b>	21488	23470	23914	23504	22893	24151
<b>Gross National Income (GNI)</b>	67430	73657	72917	84970	78182	81345
<b>Ratios (%) :</b>						
<b>DSB to XS</b>	18.86	12.63	13.27	12.52	22.26	9.60
<b>DSB to XGSI</b>	9.51	7.14	7.11	6.13	11.45	5.40
<b>DSB to CAR</b>	9.07	6.83	6.80	5.85	10.84	5.10
<b>DSB to GNI</b>	2.89	2.18	2.23	1.62	3.17	1.51

<sup>1</sup> Debt service burden represents principal and interest payments after rescheduling. In accordance with the internationally-accepted concept, debt service burden consists of (a) Principal and interest payments on fixed MLT credits including IMF credits, loans covered by the Paris Club and Commercial Banks rescheduling, and New Money Facilities; and (b) Interest payments on fixed and revolving short-term liabilities of banks and non-banks but excludes (i) Prepayments of future years' maturities of foreign loans and (ii) Principal payments on fixed and revolving ST liabilities of banks and non-banks.

<sup>2</sup> Includes cash remittances of overseas Filipinos that were coursed through and reported by commercial banks which are reflected under Compensation of Employees in the income account and workers' remittances in the Current Transfers account.

<sup>3</sup> Based on the accounting principle under the Balance of Payments and International Investment Position Manual, Sixth edition (BPM6)

<sup>p/</sup> Preliminary

<sup>r/</sup> Revised to reflect data updates

Source: BSP



## 16 SELECTED FOREIGN INTEREST RATES

period averages; in percent

	2010				2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
US Prime Rate	3.2500	3.2500	3.2500	3.2500	3.2500	3.2500	3.2500	3.2500	3.2500	3.2500	3.2500	3.2500	3.2500	3.2500
US Discount Rate	0.6096	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
US Federal Funds Rate	0.1394	0.1980	0.1996	0.1943	0.1622	0.1015	0.1054	0.0738	0.1141	0.1607	0.1570	0.1722	0.1546	0.1140
LIBOR (90 days)	0.2521	0.4357	0.3880	0.2929	0.3079	0.2632	0.2978	0.4794	0.5141	0.4663	0.4239	0.3170	0.2917	0.2750
SIBOR (90 days)	0.2574	0.4399	0.4101	0.3056	0.3119	0.2725	0.3068	0.4854	0.5198	0.4667	0.4287	0.3189	0.2951	0.2790

Source: Bloomberg, Asian Wall Street Journal, Reuters

# 17 BALANCE SHEET OF THE BANGKO SENTRAL NG PILIPINAS

as of periods indicated  
in billion pesos

	2011				2012				2013 <sup>up</sup>	
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec <sup>u</sup>	Mar	Jun
<b>Assets</b>	<b>3,331.9</b>	<b>3,459.4</b>	<b>3,768.0</b>	<b>3,787.9</b>	<b>3,727.9</b>	<b>3,684.2</b>	<b>3,889.7</b>	<b>3,975.9</b>	<b>4,049.0</b>	<b>4,091.3</b>
International Reserves	2,848.5	2,975.8	3,273.0	3,286.5	3,248.1	3,202.9	3,408.2	3,424.3	3,416.3	3,494.4
Foreign Exchange Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Securities	243.4	239.9	244.0	240.4	219.0	217.3	220.3	218.1	220.9	219.8
Loans and Advances	111.5	106.4	113.0	114.1	115.8	119.4	116.5	118.5	108.7	101.1
Revaluation of International Reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0	64.6	131.4	92.5
Bank Premises and Other Fixed Assets	12.8	12.6	13.3	15.4	15.6	16.1	16.3	16.5	16.4	17.5
Derivative Instruments in a Gain Position	0.2	0.6	4.0	2.6	0.5	0.3	0.2	1.5	0.3	5.2
Derivative Asset		0.0	0.0	0.0	0.7	0.7	0.0	0.0	0.0	0.0
Other Assets	115.5	124.0	120.8	128.9	128.3	127.4	128.2	132.4	155.1	160.8
<b>Liabilities</b>	<b>3,199.5</b>	<b>3,338.2</b>	<b>3,632.3</b>	<b>3,647.9</b>	<b>3,606.3</b>	<b>3,582.7</b>	<b>3,815.1</b>	<b>3,911.4</b>	<b>3,996.6</b>	<b>4,041.7</b>
Currency Issue	521.9	521.4	524.1	648.9	576.2	555.5	559.6	692.7	653.2	626.6
Deposits	2,321.9	2,360.6	2,630.7	2,466.2	2,630.2	2,657.2	2,851.6	2,854.5	2,977.4	3,038.5
Reserve Deposits of Other Depository Corporations (ODCs) <sup>1</sup>	535.3	579.0	638.5	673.5	680.2	716.6	724.7	782.6	836.3	913.6
Reserve Deposits of Other Financial Corporations (OFCs) <sup>2</sup>	0.6	0.7	0.6	0.6	0.6	0.3	0.3	0.3	0.4	0.4
Special Deposit Accounts <sup>3</sup>	1,488.9	1,389.2	1,622.1	1,642.7	1,577.1	1,572.3	1,826.3	1,640.1	1,869.5	1,710.5
Treasurer of the Philippines <sup>4</sup>	186.7	310.3	294.0	60.1	293.8	259.7	214.3	340.8	193.6	339.4
Other Foreign Currency Deposits	17.0	11.1	1.2	14.5	3.5	23.6	15.8	20.5	7.4	0.0
Foreign Financial Institutions	38.3	38.4	44.4	43.0	43.0	40.3	40.3	40.3	40.3	37.2
Other Deposits <sup>5</sup>	55.2	31.9	29.9	31.9	32.0	44.4	30.0	29.8	29.8	37.4
Foreign Loans Payable	1.7	1.8	1.0	1.0	0.1	0.1	0.1	0.1	0.1	0.1
Net Bonds Payable	22.2	21.7	22.4	22.0	21.9	21.1	21.3	20.5	20.9	21.6
Derivative Instruments in a Loss Position	5.9	3.5	0.4	0.3	3.9	5.8	0.9	0.6	0.1	0.0
Derivatives Liability	0.1	0.1	0.1	0.2	0.3	0.3	0.2	0.1	0.2	0.0
Allocation of SDRs	57.7	58.2	57.4	56.5	55.7	53.8	53.9	52.9	51.4	54.5
Revaluation of International Reserves	26.9	66.7	144.6	145.8	50.7	4.8	38.9	0.0	0.0	0.0
Reverse Repurchase Agreements <sup>3</sup>	231.4	295.2	241.7	296.0	256.6	274.1	277.8	278.5	282.7	288.7
Other Liabilities	9.7	8.9	10.1	11.0	10.7	10.0	10.9	11.5	10.6	11.6
<b>Net Worth</b>	<b>132.4</b>	<b>121.2</b>	<b>135.7</b>	<b>140.0</b>	<b>121.6</b>	<b>101.5</b>	<b>74.6</b>	<b>64.5</b>	<b>52.4</b>	<b>49.6</b>
Capital	10.0	10.0	10.0	20.0	20.0	20.0	20.0	40.0	40.0	40.0
Surplus/Reserves	122.4	111.2	125.7	120.0	101.6	81.5	54.6	24.5	12.4	9.6

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

<sup>u</sup> Unaudited/Preliminary. Starting with end-December 2005, BSP financial statements have been prepared in compliance with some of the requirements of the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS) both of which have been aligned with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

<sup>1</sup> ODCs are deposit generating institutions other than the BSP such as universal and commercial banks (UB/KBs), specialized government banks (SGBs), thrift banks (TBs), rural banks (RBs) and non-banks with quasi-banking functions (NBQBs).

<sup>2</sup> OFCs are trust units of banks.

<sup>3</sup> Includes accrued interest payables.

<sup>4</sup> Includes foreign currency deposits.

<sup>5</sup> Mostly GOCC deposits.

Source: Bangko Sentral ng Pilipinas

# 18 INCOME POSITION OF THE BANGKO SENTRAL NG PILIPINAS

for periods indicated  
in billion pesos

	2011					2012						2013 <sup>u/p</sup>		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Jan-Jun	Q3	Q4	<sup>u</sup> FY <sup>u</sup>	Q1	Q2	Jan-Jun
<b>Revenues</b>	<b>16.296</b>	<b>25.873</b>	<b>57.695</b>	<b>18.871</b>	<b>118.735</b>	<b>17.223</b>	<b>17.851</b>	<b>35.074</b>	<b>15.279</b>	<b>15.376</b>	<b>65.729</b>	<b>15.239</b>	<b>20.830</b>	<b>36.069</b>
Interest Income	11.359	11.228	11.105	11.929	45.621	10.485	10.161	20.646	10.145	10.125	40.916	7.923	7.640	15.563
International Reserves	8.526	8.591	8.267	8.456	33.840	8.202	7.511	15.713	7.502	7.598	30.813	6.092	5.545	11.637
Domestic Securities	1.654	1.361	1.579	1.152	5.746	0.984	1.206	2.190	1.282	1.025	4.497	0.523	0.387	0.910
Loans and Advances	0.753	0.750	0.727	1.758	3.988	0.741	0.774	1.515	0.791	0.905	3.211	0.668	0.906	1.574
Others	0.426	0.526	0.532	0.563	2.047	0.558	0.670	1.228	0.570	0.597	2.395	0.640	0.802	1.442
Miscellaneous Income	4.973	14.587	46.384	6.813	72.757	6.647	7.539	14.186	4.957	5.097	24.240	6.960	12.676	19.636
Net Income from Branches	-0.036	0.058	0.206	0.129	0.357	0.091	0.151	0.242	0.177	0.154	0.573	0.356	0.514	0.870
<b>Expenses</b>	<b>24.319</b>	<b>31.162</b>	<b>31.343</b>	<b>29.144</b>	<b>115.968</b>	<b>28.302</b>	<b>27.115</b>	<b>55.417</b>	<b>27.727</b>	<b>27.544</b>	<b>110.688</b>	<b>23.261</b>	<b>20.634</b>	<b>43.895</b>
Interest Expenses	20.851	23.507	26.290	24.986	95.634	24.492	22.028	46.520	22.793	21.449	90.762	18.989	13.458	32.447
Legal Reserve Deposits of Banks	1.966	2.031	2.419	0.428	6.844	1.640	0.697	2.337	0.006	0.005	2.348	0.006	0.005	0.011
National Government Deposits	0.771	1.289	1.695	1.071	4.826	0.944	1.385	2.329	1.331	2.029	5.689	1.291	0.743	2.034
BSP Debt Instruments	2.733	2.688	2.733	3.047	11.201	2.443	2.392	4.835	2.666	2.519	10.020	2.487	2.533	5.020
Special Deposit Accounts	14.600	16.766	18.876	19.914	70.156	18.960	17.051	36.011	18.300	16.444	70.755	14.751	10.522	25.273
Loans Payable and Other														
Foreign Currency Deposits	0.545	0.561	0.548	0.517	2.171	0.483	0.474	0.957	0.465	0.450	1.872	0.453	0.496	0.949
Other Liabilities	0.236	0.172	0.019	0.009	0.436	0.022	0.029	0.051	0.025	0.002	0.078	0.001	-0.841	-0.840
Cost of Minting/Printing of Currency	0.749	1.340	1.354	2.000	5.443	0.951	1.175	2.126	1.224	2.219	5.569	1.121	1.620	2.741
Taxes and Licenses	0.418	2.932	0.334	0.262	3.946	0.301	0.260	0.561	0.272	0.236	1.069	0.207	1.720	1.927
Others	2.301	3.383	3.365	1.896	10.945	2.558	3.652	6.210	3.438	3.640	13.288	2.944	3.836	6.780
<b>Net Income Before Gain/Loss(-) on FXR Fluctuations,</b>														
<b>Provisions for Income Tax and Capital Reserves</b>	<b>-8.023</b>	<b>-5.289</b>	<b>26.352</b>	<b>-10.273</b>	<b>2.767</b>	<b>-11.079</b>	<b>-9.264</b>	<b>-20.343</b>	<b>-12.448</b>	<b>-12.168</b>	<b>-44.959</b>	<b>-8.022</b>	<b>0.196</b>	<b>-7.826</b>
Gain/Loss(-) on Foreign Exchange Rate Fluctuations <sup>1</sup>	-12.593	-9.227	-14.840	0.436	-36.224	-8.686	-9.567	-18.253	-17.311	-14.812	-50.376	-6.256	-0.290	-6.546
Provision for Income Tax	0.000	0.000	0.000	0.231	0.231	0.000	0.000	0.000	0.000	0.045	0.045	0.000	1.718	1.718
Capital Reserves														
<b>Net Income Available for Distribution</b>	<b>-20.616</b>	<b>-14.516</b>	<b>11.512</b>	<b>-10.068</b>	<b>-33.688</b>	<b>-19.765</b>	<b>-18.831</b>	<b>-38.596</b>	<b>-29.759</b>	<b>-27.025</b>	<b>-95.380</b>	<b>-14.278</b>	<b>-1.812</b>	<b>-16.090</b>

<sup>u/p</sup> Unaudited/Preliminary. Starting with end-December 2005, BSP financial statements have been prepared in compliance with some of the requirements of the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS), both of which have been aligned with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

<sup>1</sup> This represents realized gains or losses from fluctuations in FX rates arising from foreign currency-denominated transactions of the BSP, including: 1) rollover/re-investments of matured FX investments with foreign financial institutions and FX-denominated government securities; 2) servicing of matured FX obligations of the BSP; and 3) maturity of derivatives instruments.

Source: Bangko Sentral ng Pilipinas