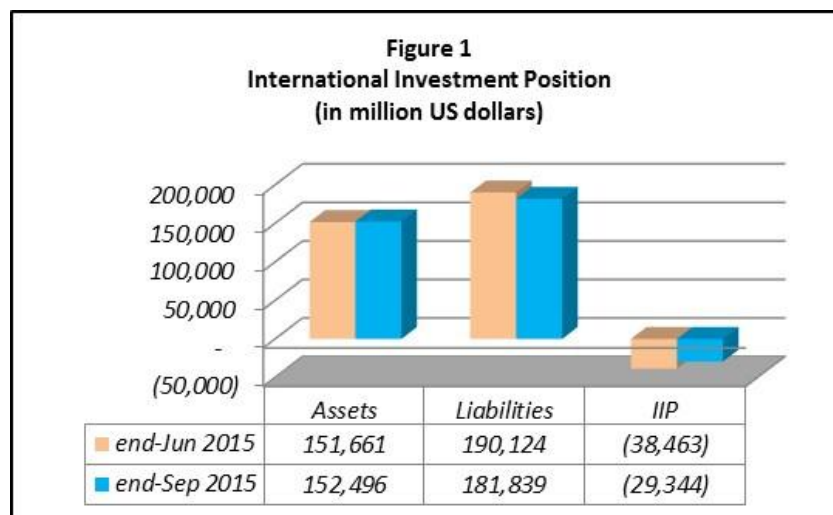


INTERNATIONAL INVESTMENT POSITION OF THE PHILIPPINES

End – September 2015

The country's IIP continues to post lower net external liability position. The country's preliminary International Investment Position (IIP), based on the International Monetary Fund's Balance of Payments and International Investment Position Manual, 6th edition (BPM6), continued to register a net external liability position as of end-September 2015 at US\$29.3 billion, albeit lower by US\$9.1 billion than the US\$38.5 billion net liability position recorded as of end-June 2015. This developed as total external financial liabilities declined (by 4.4 percent) to US\$181.8 billion from US\$190.1 billion while total external financial assets increased moderately (by 0.6 percent) to US\$152.5 billion from US\$151.7 billion (Figure 1).

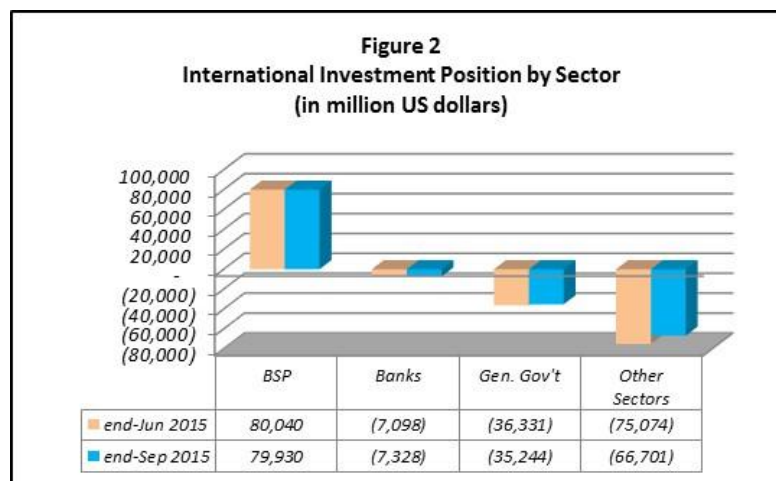


The decline in total external financial liabilities was mainly brought about by significant downward revaluation adjustments, particularly in non-residents' investments in equity securities (portfolio investments) amid the weak performance of the Philippine Stock Exchange Index, which fell by 8.9 percent from end-June to end-September 2015. In addition, expectations on the US Federal Reserve rate lift-off towards the end of the year led to non-residents' net withdrawal of their portfolio investments. This was partly offset by an increase in loans extended by non-residents to resident banks (other investments) and other sectors' borrowings from their affiliates abroad (direct investments). Meanwhile, the slight increase in total external financial assets was due to residents' direct and portfolio investments abroad, mostly in debt instruments and debt securities, respectively.

On a year-on-year basis, the country's net liability position fell by US\$15.6 billion from US\$45 billion as of end-September 2014 as total external financial assets increased by US\$10.7 billion while total external liabilities decreased by US\$4.9 billion.

End-September 2015 International Investment Position

The BSP maintains a net asset position, while Banks, the General Government and Other Sectors remain net users of foreign resources. Across sectors, only the Bangko Sentral ng Pilipinas (BSP) recorded a net external asset position as of end-September 2015, due largely to its reserve assets amounting to US\$80.6 billion. The other major sectors – Deposit-taking Corporations except the Central Bank (Banks), the General Government, and Other Sectors – posted net external liability positions (Figure 2).



The BSP continued to register a net external asset position amounting to US\$79.9 billion as of end-September 2015, slightly lower than the US\$80 billion registered as of end-June 2015, mainly due to the decline in total reserve assets arising from downward revaluation adjustments.

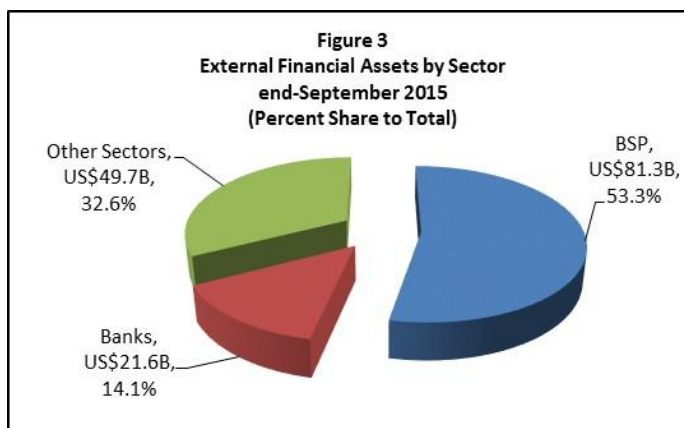
Meanwhile, Banks registered a higher net liability position as of end-September 2015 amounting to US\$7.3 billion, from US\$7.1 billion as of end-June 2015. This developed as net loan availments by local banks from non-residents increased by 10.4 percent. This was partially offset, however, by the 12.7 percent decline in non-residents' net portfolio investments, specifically, equity and debt securities issued by local banks.

The General Government's net liability position was lower at US\$35.2 billion compared with US\$36.3 billion as of end-June 2015 on account of the decline in non-residents' holdings of debt securities issued by the National Government (NG).

The Other Sectors' net liability position dropped by US\$8.3 billion to US\$66.7 billion from US\$75.1 billion, contributing substantially to the overall decline in the country's net external liability position. This resulted from the decline in residents' liabilities to foreign direct and portfolio investors (particularly in equity capital and equity securities, respectively) coupled with an increase in residents' direct investments abroad.

External Financial Assets

The BSP holds the highest stock of external financial assets. The BSP continued to hold the largest share (53.3 percent) of residents' total claims on the rest of the world amounting to US\$81.3 billion as of end-September 2015, slightly lower than the US\$81.4 billion registered as of end-June 2015. The BSP's external financial assets is comprised mainly of reserve assets, which accounted for 99.1 percent of the BSP's total external financial assets (Figure 3).

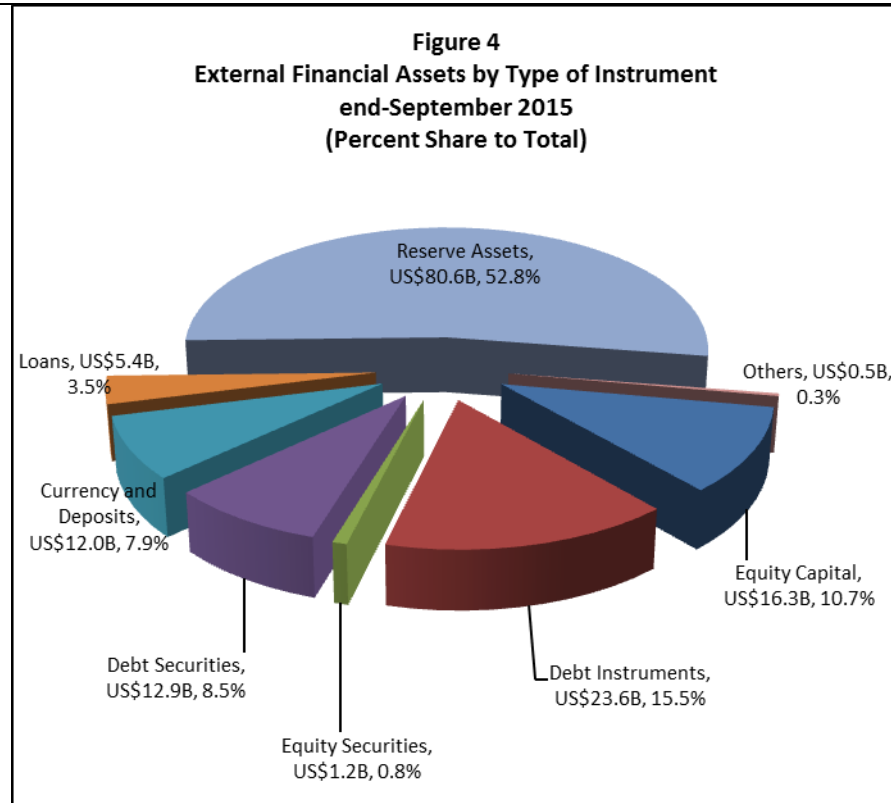


The Other Sectors' US\$49.7 billion external financial assets, representing approximately one-third (32.6 percent) of the country's total external financial assets, were up by US\$1 billion from the US\$48.6 billion external financial assets recorded as of end-June 2015. The growth in the financial assets of the sector was due mainly to the increase in residents' direct and portfolio investments abroad.

Banks accounted for the remaining 14.1 percent of the total external financial assets, amounting to US\$21.6 billion as of end-September 2015. Banks' financial assets were mainly in the form of investments in portfolio debt securities issued by non-residents (44.5 percent), foreign currency deposits abroad (25.9 percent), and lending to non-residents (24.9 percent).

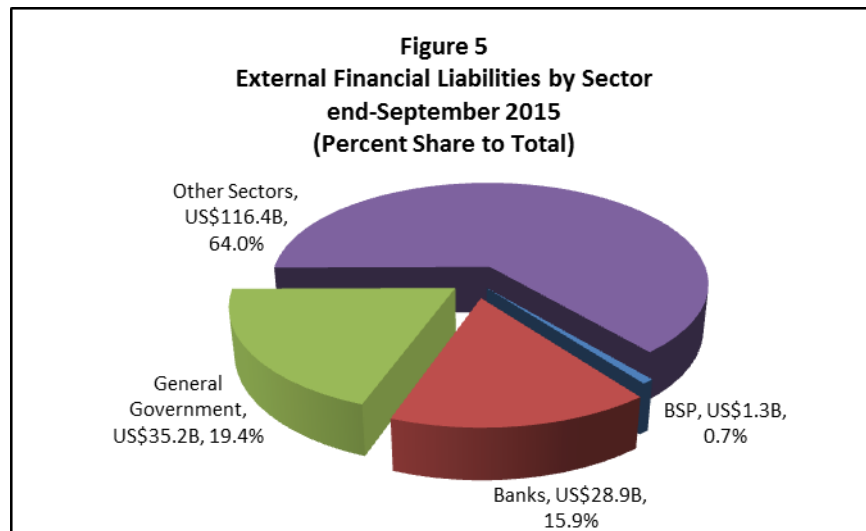
Reserve assets held by the BSP form the bulk of residents' financial assets. By type of instrument, more than half (52.8 percent) or US\$80.6 billion of residents' total external financial assets continued to be in the form of reserve assets held by the BSP. Direct investments in the form of debt instruments (or intercompany loans) and equity capital placements in foreign affiliates accounted for 15.5 percent and 10.7 percent of total external financial assets, respectively. Residents also invested in debt securities issued by non-residents (8.5 percent) and placed deposits abroad (7.9 percent) (Figure 4).

End-September 2015 International Investment Position



External Financial Liabilities

The Other Sectors continue to hold the highest financial liabilities to the rest of the world. The Other Sectors continued to hold the majority of residents' total liabilities to non-residents at US\$116.4 billion as of end-September 2015 or equivalent to 64 percent of residents' total external financial liabilities. These were largely in the form of non-residents' direct investments in local affiliates (48.4 percent), foreign portfolio investments (37 percent), and net availment of loans from non-residents (11.9 percent) (Figure 5).



End-September 2015 International Investment Position

The General Government's US\$35.2 billion external financial liabilities as of end-September 2015 accounted for 19.4 percent of the country's total external financial liabilities. This level was lower by US\$1.1 billion than the US\$36.3 billion recorded as of end-June 2015. Non-residents' holdings of debt securities issued by the NG represented 54.7 percent of the General Government's external financial liabilities while 45.3 percent were loan availments from non-residents.

Banks' external financial liabilities as of end-September 2015 amounted to US\$28.9 billion, representing 15.9 percent of the country's total external financial liabilities. This consisted of loans from non-residents (45.5 percent), non-residents' holdings of equity securities issued by resident banks (30.2 percent), non-residents' placements of currency and deposits in resident banks (8.6 percent), and non-residents' placements in resident banks' equity capital (7.9 percent).

By instrument type, financial liabilities are mostly in the form of equity securities, equity capital and foreign loans. Outstanding financial liabilities of residents to the rest of the world consisted largely of non-residents' holdings of equity securities issued by residents (US\$44.9 billion; 24.7 percent), foreign loans (US\$42.9 billion; 23.6 percent), and non-residents' placements in equity capital (US\$42.4 billion; 23.3 percent). Debt securities, mostly issued by the NG, comprised 15.1 percent (US\$27.4 billion) of total external financial liabilities (Figure 6).

