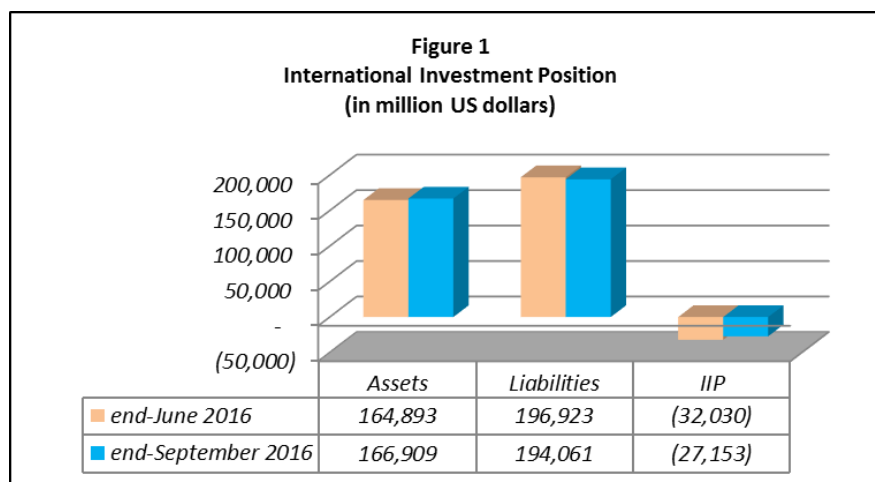


INTERNATIONAL INVESTMENT POSITION OF THE PHILIPPINES

End – September 2016

The country's international investment position improves. The country's International Investment Position (IIP) improved as of end-September 2016 amid the tepid growth in the global economy in view of expected modest acceleration of global economic growth in the coming quarters. Preliminary IIP data showed that the country's net external liability position¹ declined by 15.2 percent (or by US\$4.9 billion) relative to its position at end-June 2016. This developed as total external financial assets increased by US\$2.0 billion (or by 1.2 percent) and total external financial liabilities decreased by US\$2.9 billion (or by 1.5 percent). As of end-September 2016, total external financial liabilities amounted to US\$194.1 billion, while total external financial assets stood at US\$166.9 billion (Figure 1). The improvement in the IIP reflected stronger balance of payments (BOP) position in Q3 2016 as the country's BOP registered a surplus of US\$1.0 billion.



The increase in total external financial assets during the quarter was driven mainly by higher direct investments (by 3.8 percent), particularly residents' net placements in equity and investment fund shares and debt instruments (intercompany lending) issued by non-resident affiliates. Meanwhile, the country's reserve assets increased by 1.0 percent from end-June 2016.

Decreases in other investments, particularly loans (by 1.4 percent) and trade credits and advances (by 18.1 percent) accounted for the decline in external financial liabilities during the quarter. In addition, Foreign Portfolio Investments (FPI) fell by 1.3 percent due mainly to the negative price revaluation of non-residents' holdings of domestic

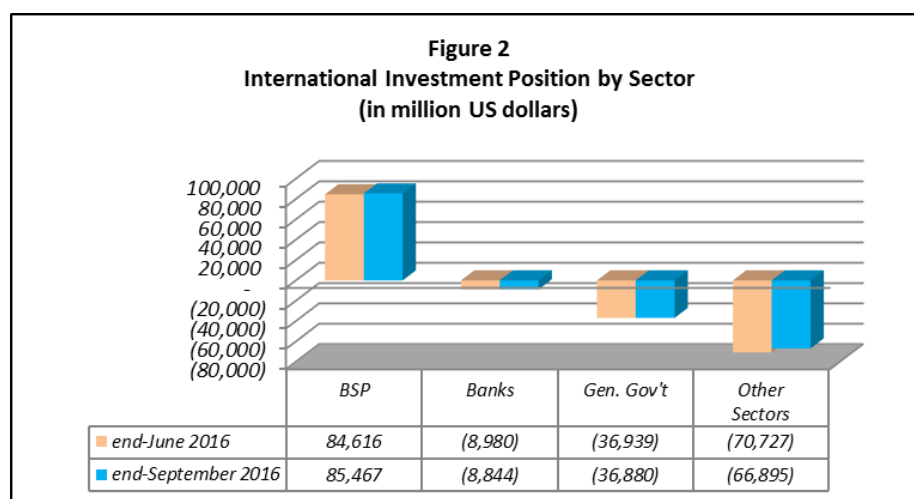
¹ Based on the International Monetary Fund's Balance of Payments and International Investment Position Manual, 6th edition (BPM6)

End-September 2016 International Investment Position

equity securities as the Philippine Stock Exchange Index (PSEi) declined by 2.1 percent during the quarter.

On a year-on-year basis, the country's net external liability position likewise improved as of end-September 2016 declining by 5.4 percent (or by US\$1.5 billion). The lower net external liability position was brought about by the US\$14.6 billion uptick in total external financial assets (or by 9.6 percent), which exceeded the increase in total external financial liabilities of US\$13.0 billion (or by 7.2 percent). The expansion in total external financial assets was driven mainly by the build-up in the country's reserve assets and direct investments. Meanwhile, the growth in total external financial liabilities was due mainly to increases in non-residents' direct and portfolio investments.

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) exhibited a net external asset position as of end-September 2016. Meanwhile, the other major sectors – Deposit-taking Corporations except the Central Bank (Banks), the General Government, and Other Sectors posted net external liability positions as they remained net users of foreign resources (Figure 2).



All sectors registered an improvement in their net external positions. The net external asset position of the BSP was recorded at US\$85.5 billion as of end-September 2016, higher than the US\$84.6 billion posted as of end-June 2016. This was driven by the increase in the BSP's reserve assets by US\$855 million (or by 1.0 percent) during the quarter.

Banks' net external liability position dropped to US\$8.8 billion as of end-September 2016 from US\$9.0 billion as of end-June 2016 as the decline in liabilities exceeded the decrease in assets. The lower liabilities were attributed mainly to the decline in external borrowing by resident banks as domestic credit and liquidity remained adequate.

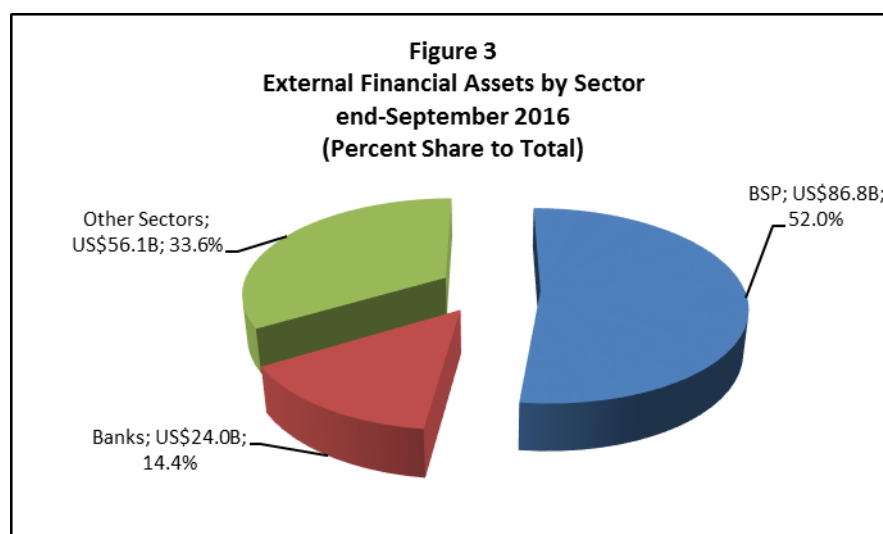
End-September 2016 International Investment Position

Meanwhile, the net liability position of the General Government declined by US\$59 million (or by 0.2 percent) to US\$36.9 billion as of end-September 2016 as the government paid off its maturing foreign obligations.

The Other Sector's net external liability position was lower at US\$66.9 billion as of end-September 2016 from US\$70.7 billion as of end-June 2016. External financial assets increased by US\$1.3 billion while external financial liabilities declined by US\$2.5 billion. The growth in external financial assets were driven mainly by increases in residents' investments in equity capital and debt securities (intercompany lending) issued by non-resident affiliates. On the liabilities side, the decline was on account of lower placements by non-residents in equity capital and equity securities issued by residents.

External Financial Assets

The BSP continues to hold the highest stock of external financial assets. The BSP continued to account for the largest share of the Philippines' total external financial claims on the rest of the world at 52.0 percent (Figure 3). The BSP's external financial assets totaled US\$86.8 billion, 1.0 percent higher than US\$86.0 billion recorded as of end-June 2016. The BSP's gross international reserves also grew by 1.0 percent to reach US\$86.1 billion as of end-September 2016. The rise in reserves was due mainly to higher net foreign currency deposits by the National Government (NG), foreign exchange operations of the BSP, and income from the BSP's investments abroad.



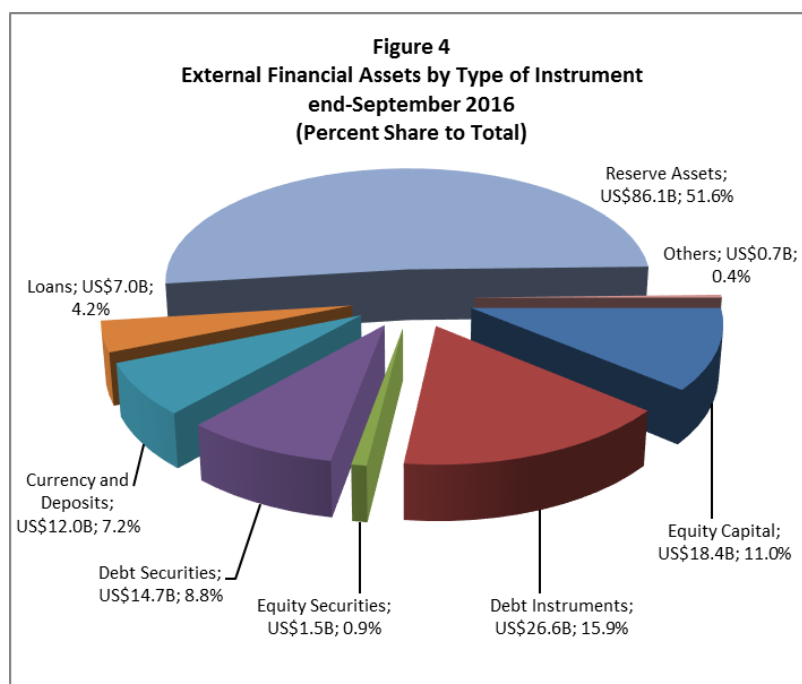
The Other Sectors' total external financial assets amounted to US\$56.1 billion, representing about one-third of the country's total external financial assets. This was higher by 2.5 percent than the level

End-September 2016 International Investment Position

recorded as of end- June 2016. The growth in the Other Sectors' total external financial assets was due largely to the increase in resident corporations' placements in equity capital and debt instruments issued by non-resident affiliates. Resident corporations expanded their operations abroad with the expectations of improved global growth as most central banks eased their monetary policy settings to stimulate economic activity.

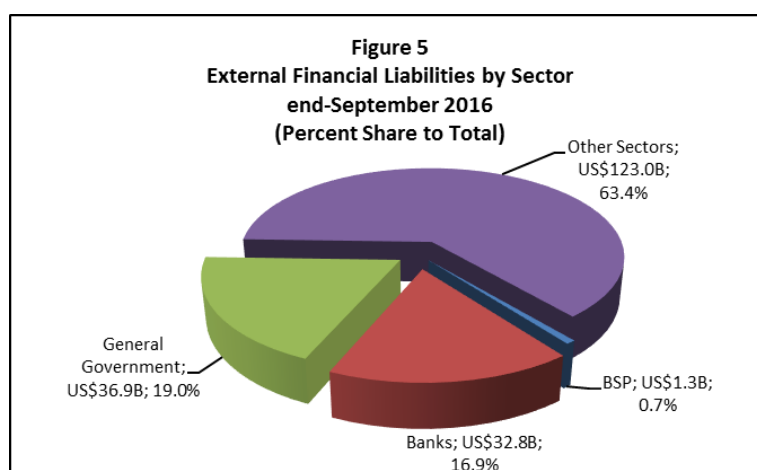
Banks accounted for the remaining 14.4 percent of the country's total external financial assets amounting to US\$24.0 billion, marginally lower than the US\$24.2 billion assets as of end-June 2016. The contraction in banks' total external financial assets was due mainly to lower residents' investments in debt securities issued by non-residents. Banks' external financial assets comprised mostly of residents' investments in debt securities issued by non-residents (42.9 percent), loans extended to non-residents (29.1 percent), and resident affiliates' deposits in banks abroad (23.4 percent).

More than half of residents' financial assets are reserve assets held by the BSP. By type of instrument, 51.6 percent of residents' total external financial assets were reserve assets held by the BSP. Investments in debt instruments (or intercompany lending) and equity capital issued by non-resident affiliates accounted for 15.9 percent and 11.0 percent, respectively. Residents' investments in debt securities issued by non-residents and residents' deposits in banks abroad were 8.8 percent and 7.2 percent of the total, respectively (Figure 4).



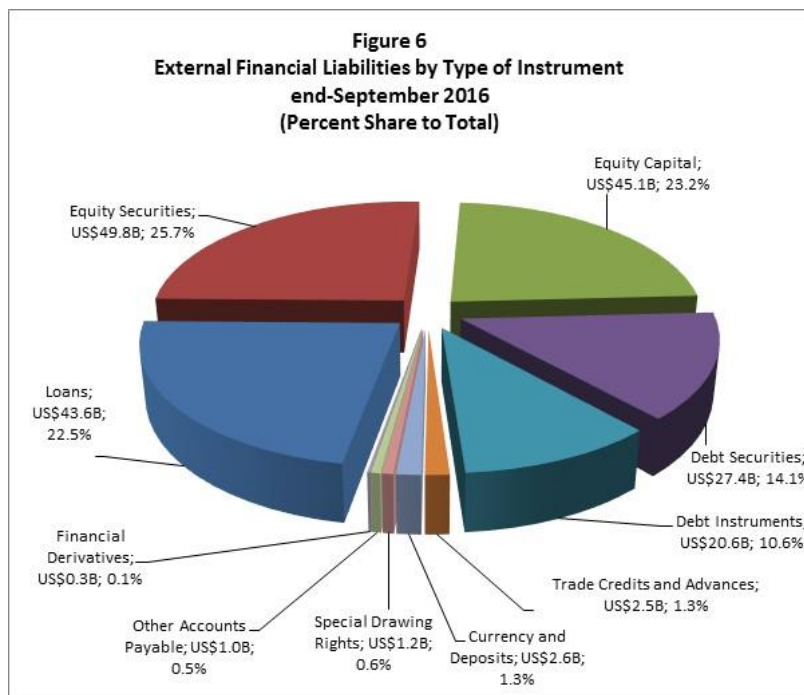
External Financial Liabilities

The Other Sectors account for majority of residents' total liabilities to the rest of the world. The Other Sectors' total external financial liabilities reached US\$123.0 billion as of end-September 2016, almost two-thirds (63.4 percent) of the country's total external liabilities (Figure 5). These mostly consisted of non-residents' placements in equity capital in local affiliates (34.3 percent), equity securities issued by local corporates (30.6 percent), and debt instruments issued by residents (16.7 percent).



The General Government's external liabilities as of end-September 2016 decreased by a minimal 0.2 percent as it stood at US\$36.9 billion, comprising about one-fifth of the country's total external financial liabilities (19.0 percent). This sector's external liabilities comprised of debt securities (52.8 percent) and loans (47.2 percent).

Banks' total external liabilities reached US\$32.8 billion, equivalent to 16.9 percent of the country's total external financial liabilities. This was 1.0 percent lower than its external liabilities as of end-June 2016. Banks' external liabilities were mainly in the form of loans (38.6 percent) and equity securities (37.0 percent).



Financial liabilities are mostly in the form of foreign equity securities, equity capital, and loans. The country's total external financial liabilities to the rest of the world consisted mostly of non-residents' investments in equity securities issued by local corporations (25.7 percent), non-residents' placements of equity capital in resident affiliates (23.2 percent), and residents' availment of foreign loans (22.5 percent) (Figure 6).

Table 1. International Investment Position by Sector
as of end periods indicated
(in million US dollars)

	Sep -15			Jun -16 p			Sep -16 p		
	Assets	Liabilities	IIP	Assets	Liabilities	IIP	Assets	Liabilities	IIP
Levels									
Cental Bank (CB)	81229	1349	79880	85958	1342	84616	86813	1346	85467
Deposit-taking corporations, except CB	21555	28881	-7326	24183	33163	-8980	23996	32841	-8844
General Government	0	35582	-35582	0	36939	-36939	0	36880	-36880
Other Sectors	49544	115218	-65674	54753	125480	-70727	56099	122994	-66895
Total	152328	181030	-28702	164893	196923	-32030	166909	194061	-27153
Percent Share to Total									
Cental Bank (CB)	53.3	0.7		52.1	0.7		52.0	0.7	
Deposit-taking corporations, except CB	14.2	16.0		14.7	16.8		14.4	16.9	
General Government	0.0	19.7		0.0	18.8		0.0	19.0	
Other Sectors	32.5	63.6		33.2	63.7		33.6	63.4	
Total	100.0	100.0		100.0	100.0		100.0	100.0	
Growth Rates (Quarter-on-Quarter)									
Cental Bank (CB)	-0.1	0.1		2.7	-0.7		1.0	0.3	
Deposit-taking corporations, except CB	-0.4	0.5		1.4	10.8		-0.8	-1.0	
General Government	--	-2.1		--	0.8		--	-0.2	
Other Sectors	3.6	-6.5		4.2	2.8		2.5	-2.0	
Total	1.0	-4.5		3.0	3.7		1.2	-1.5	
Growth Rates (Year-on-Year)									
Cental Bank (CB)	1.6	-4.9		5.7	-0.4		6.9	-0.2	
Deposit-taking corporations, except CB	9.8	3.4		11.7	15.4		11.3	13.7	
General Government	--	-4.8		--	1.7		--	3.6	
Other Sectors	18.4	-3.7		14.5	1.9		13.2	6.7	
Total	7.7	-2.9		9.3	3.9		9.6	7.2	

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

p Preliminary

-- Infinite growth rate

Table 2. External Financial Assets
as of end periods indicated
(in million US dollars)

Instrument/Sector	Central Bank (CB)			Deposit-taking corporations, except CB			General Government			Other Sectors			Total			% to Total		
	Sep -15	Jun -16 p	Sep -16 p	Sep -15	Jun -16 p	Sep -16 p	Sep -15	Jun -16 p	Sep -16 p	Sep -15	Jun -16 p	Sep -16 p	Sep -15	Jun -16 p	Sep -16 p	Sep -15	Jun -16 p	Sep -16 p
Levels																		
Direct Investment	0	0	0	687	714	715	0	0	0	39074	42663	44293	39761	43377	45007	26.1	26.3	27.0
Equity Capital	0	0	0	687	714	715	0	0	0	15454	16515	17694	16140	17228	18408	10.6	10.4	11.0
Debt Instruments	0	0	0	0	0	0	0	0	0	23620	26148	26599	23620	26148	26599	15.5	15.9	15.9
Portfolio Investment	615	611	612	9588	10834	10291	0	0	0	3230	5074	5231	13433	16519	16133	8.8	10.0	9.7
Equity Securities	102	101	102	6	7	7	0	0	0	896	1299	1356	1005	1407	1464	0.7	0.9	0.9
Debt Securities	513	510	510	9581	10828	10284	0	0	0	2335	3775	3875	12429	15113	14668	8.2	9.2	8.8
Financial Derivatives	0	0	0	305	328	298	0	0	0	43	15	7	348	343	305	0.2	0.2	0.2
Other Investment	63	63	63	10976	12307	12693	0	0	0	7197	7001	6569	18236	19370	19325	12.0	11.7	11.6
Other Equity	63	63	63	0	0	0	0	0	0	0	0	0	63	63	63	.	.	.
Currency and Deposits	0	0	0	5581	5666	5612	0	0	0	7084	6830	6376	12666	12496	11988	8.3	7.6	7.2
Loans	0	0	0	5359	6516	6989	0	0	0	0	0	0	5359	6516	6989	3.5	4.0	4.2
Insurance, pension, and standardized guarantee schemes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0
Trade Credits and Advances	0	0	0	0	0	0	0	0	0	113	171	193	113	171	193	0.1	0.1	0.1
Other Accounts Receivable	0	0	0	36	124	92	0	0	0	0	0	0	36	124	92	.	0.1	0.1
Reserve Assets	80551	85284	86139	0	0	0	0	0	0	0	0	0	80551	85284	86139	52.9	51.7	51.6
Total	81229	85958	86813	21555	24183	23996	0	0	0	49544	54753	56099	152328	164893	166909	100.0	100.0	100.0
Growth Rates (Quarter-on-Quarter)																		
Direct Investment	--	--	--	0.8	0.3	0.1	--	--	--	4.2	4.9	3.8	4.1	4.8	3.8			
Equity Capital	--	--	--	0.8	0.3	0.1	--	--	--	-2.4	2.1	7.1	-2.3	2.0	6.8			
Debt Instruments	--	--	--	--	--	--	--	--	--	9.0	6.8	1.7	9.0	6.8	1.7			
Portfolio Investment	-2.3	-1.9	0.1	7.4	8.8	-5.0	--	--	--	7.6	5.9	3.1	7.0	7.5	-2.3			
Equity Securities	-1.5	-2.7	0.7	-3.4	1.5	-0.7	--	--	--	112.6	8.9	4.4	88.9	7.9	4.1			
Debt Securities	-2.5	-1.8	-0.1	7.5	8.8	-5.0	--	--	--	-9.5	4.9	2.6	3.4	7.4	-2.9			
Financial Derivatives	--	--	--	9.2	17.4	-9.0	--	--	--	4.7	-50.2	-55.0	8.6	10.9	-11.0			
Other Investment	-0.2	-0.7	-0.2	-6.7	-4.6	3.1	--	--	--	-1.0	-0.8	-6.2	-4.5	-3.3	-0.2			
Other Equity	-0.2	-0.7	-0.2	--	--	--	--	--	--	--	--	--	-0.2	-0.7	-0.2			
Currency and Deposits	--	--	--	-2.7	-8.4	-1.0	--	--	--	-1.3	-1.1	-6.6	-1.9	-4.6	-4.1			
Loans	--	--	--	-10.3	-1.8	7.3	--	--	--	--	--	--	-10.3	-1.8	7.3			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade Credits and Advances	--	--	--	--	--	--	--	--	--	14.5	14.9	12.9	14.5	14.9	12.9			
Other Accounts Receivable	--	--	--	-32.7	53.5	-26.0	--	--	--	--	--	--	-32.7	53.5	-26.0			
Reserve Assets	-0.1	2.8	1.0	--	--	--	--	--	--	--	--	--	-0.1	2.8	1.0			
Total	-0.1	2.7	1.0	-0.4	1.4	-0.8	--	--	--	3.6	4.2	2.5	1.0	3.0	1.2			
Growth Rates (Year-on-Year)																		
Direct Investment	--	--	--	2.0	4.8	4.1	--	--	--	19.1	13.8	13.4	18.7	13.6	13.2			
Equity Capital	--	--	--	2.0	4.8	4.1	--	--	--	16.6	4.3	14.5	15.9	4.3	14.1			
Debt Instruments	--	--	--	--	--	--	--	--	--	20.8	20.7	12.6	20.8	20.7	12.6			
Portfolio Investment	69.2	-3.0	-0.6	46.6	21.4	7.3	--	--	--	29.5	69.0	61.9	42.9	31.6	20.1			
Equity Securities	97.9	-2.9	-0.7	-25.6	0.8	3.5	--	--	--	178.6	208.3	51.4	163.1	164.4	45.8			
Debt Securities	64.4	-3.0	-0.6	46.7	21.4	7.3	--	--	--	7.5	46.3	66.0	37.8	25.7	18.0			
Financial Derivatives	--	--	--	-45.8	17.3	-2.2	--	--	--	9826.9	-63.4	-84.3	-38.2	7.0	-12.3			
Other Investment	-5.3	-0.5	-0.6	-7.5	4.6	15.6	--	--	--	10.2	-3.8	-8.7	-1.2	1.4	6.0			
Other Equity	-5.3	-0.5	-0.6	--	--	--	--	--	--	--	--	--	-5.3	-0.5	-0.6			
Currency and Deposits	--	--	--	-3.0	-1.2	0.6	--	--	--	9.8	-4.8	-10.0	3.8	-3.2	-5.3			
Loans	--	--	--	-11.2	9.0	30.4	--	--	--	--	--	--	-11.2	9.0	30.4			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade Credits and Advances	--	--	--	--	--	--	--	--	--	45.8	73.5	71.2	45.8	73.5	71.2			
Other Accounts Receivable	--	--	--	-47.5	133.5	156.8	--	--	--	--	--	--	-47.5	133.5	156.8			
Reserve Assets	1.2	5.8	6.9	--	--	--	--	--	--	--	--	--	1.2	5.8	6.9			
Total	1.6	5.7	6.9	9.8	11.7	11.3	--	--	--	18.4	14.5	13.2	7.7	9.3	9.6			

Note: Details may not add up to totals due to rounding.
p Preliminary
- Rounds off to zero
-- Infinite growth rate

Table 3. External Financial Liabilities
as of end periods indicated
(in million US dollars)

Instrument/Sector	Central Bank (CB)			Deposit-taking corporations, except CB			General Government			Other Sectors			Total			% to Total		
	Sep -15	Jun -16 p	Sep -16 p	Sep -15	Jun -16 p	Sep -16 p	Sep -15	Jun -16 p	Sep -16 p	Sep -15	Jun -16 p	Sep -16 p	Sep -15	Jun -16 p	Sep -16 p	Sep -15	Jun -16 p	Sep -16 p
	Levels																	
Direct Investment	0	0	0	2293	3115	2871	0	0	0	55344	62933	62803	57637	66048	65674	31.8	33.5	33.8
Equity Capital	0	0	0	2293	3115	2871	0	0	0	39799	43690	42223	42092	46805	45095	23.3	23.8	23.2
Debt Instruments	0	0	0	0	0	0	0	0	0	15546	19243	20580	15546	19243	20580	8.6	9.8	10.6
Portfolio Investment	172	172	174	9830	13076	13503	19620	19483	19472	42836	45494	44080	72457	78225	77229	40.0	39.7	39.8
Equity Securities	0	0	0	8717	11776	12160	0	0	0	35991	38959	37629	44708	50736	49789	24.7	25.8	25.7
Debt Securities	172	172	174	1113	1300	1343	19620	19483	19472	6845	6535	6450	27749	27490	27439	15.3	14.0	14.1
Financial Derivatives	0	0	0	240	306	243	0	0	0	92	48	32	332	354	275	0.2	0.2	0.1
Other Investment	1177	1170	1172	16518	16665	16223	15962	17456	17408	16947	17005	16080	50604	52296	50883	28.0	26.6	26.2
Other Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0
Currency and Deposits	0	0	0	2480	2674	2572	0	0	0	0	0	0	2480	2674	2572	1.4	1.4	1.3
Loans	0	0	0	13138	12883	12676	15962	17456	17408	13816	13906	13542	42915	44245	43626	23.7	22.5	22.5
Insurance, pension, and standardized guarantee schemes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0
Trade Credits and Advances	0	0	0	0	0	0	0	0	0	3131	3099	2538	3131	3099	2538	1.7	1.6	1.3
Other Accounts Payable	0	0	0	901	1108	975	0	0	0	0	0	0	901	1108	975	0.5	0.6	0.5
Special drawing rights	1177	1170	1172	0	0	0	0	0	0	0	0	0	1177	1170	1172	0.7	0.6	0.6
Total	1349	1342	1346	28881	33163	32841	35582	36939	36880	115218	125480	122994	181030	196923	194061	100.0	100.0	100.0
Growth Rates (Quarter-on-Quarter)																		
Direct Investment	--	--	--	3.3	30.5	-7.8	--	--	--	-2.8	4.6	-0.2	-2.6	5.6	-0.6			
Equity Capital	--	--	--	3.3	30.5	-7.8	--	--	--	-6.4	2.2	-3.4	-5.9	3.7	-3.7			
Debt Instruments	--	--	--	--	--	--	--	--	--	7.6	10.6	6.9	7.6	10.6	6.9			
Portfolio Investment	-0.1	-0.1	1.4	-12.7	19.2	3.3	-3.9	-0.3	-0.1	-13.8	2.1	-3.1	-11.1	4.0	-1.3			
Equity Securities	--	--	--	-12.2	23.3	3.3	--	--	--	-15.7	2.7	-3.4	-15.0	6.8	-1.9			
Debt Securities	-0.1	-0.1	1.4	-16.5	-8.2	3.3	-3.9	-0.3	-0.1	-2.0	-1.0	-1.3	-4.0	-0.9	-0.2			
Financial Derivatives	--	--	--	7.9	4.7	-20.5	--	--	--	42.1	-43.1	-32.7	15.5	-5.9	-22.1			
Other Investment	0.1	-0.8	0.2	9.8	2.4	-2.7	0.2	2.1	-0.3	2.9	-1.6	-5.4	4.1	0.9	-2.7			
Other Equity	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Currency and Deposits	--	--	--	10.7	-12.9	-3.8	--	--	--	--	--	--	10.7	-12.9	-3.8			
Loans	--	--	--	10.4	6.1	-1.6	0.2	2.1	-0.3	1.4	-2.4	-2.6	3.5	1.7	-1.4			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade Credits and Advances	--	--	--	--	--	--	--	--	--	9.9	1.8	-18.1	9.9	1.8	-18.1			
Other Accounts Payable	--	--	--	0.4	4.4	-12.0	--	--	--	--	--	--	0.4	4.4	-12.0			
Special drawing rights	0.1	-0.8	0.2	--	--	--	--	--	--	--	--	--	0.1	-0.8	0.2			
Total	0.1	-0.7	0.3	0.5	10.8	-1.0	-2.1	0.8	-0.2	-6.5	2.8	-2.0	-4.5	3.7	-1.5			
Growth Rates (Year-on-Year)																		
Direct Investment	--	--	--	33.2	40.3	25.2	--	--	--	3.2	10.5	13.5	4.2	11.6	13.9			
Equity Capital	--	--	--	33.2	40.3	25.2	--	--	--	-1.4	2.8	6.1	.	4.6	7.1			
Debt Instruments	--	--	--	--	--	--	--	--	--	17.3	33.2	32.4	17.3	33.2	32.4			
Portfolio Investment	-0.3	0.2	1.7	-9.4	16.1	37.4	-9.0	-4.5	-0.8	-12.7	-8.4	2.9	-11.3	-4.0	6.6			
Equity Securities	--	--	--	-10.5	18.6	39.5	--	--	--	-13.1	-8.8	4.6	-12.6	-3.6	11.4			
Debt Securities	-0.3	0.2	1.7	-0.5	-2.4	20.7	-9.0	-4.5	-0.8	-10.6	-6.4	-5.8	-9.1	-4.9	-1.1			
Financial Derivatives	--	--	--	-50.6	37.4	1.3	--	--	--	874.6	-26.3	-65.1	-33.0	23.1	-17.0			
Other Investment	-5.6	-0.5	-0.5	11.1	10.8	-1.8	0.9	9.6	9.1	-0.2	3.2	-5.1	3.4	7.6	0.6			
Other Equity	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Currency and Deposits	--	--	--	1.3	19.4	3.7	--	--	--	--	--	--	1.3	19.4	3.7			
Loans	--	--	--	13.5	8.2	-3.5	0.9	9.6	9.1	5.2	2.1	-2.0	5.9	6.7	1.7			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade Credits and Advances	--	--	--	--	--	--	--	--	--	-18.5	8.8	-18.9	-18.5	8.8	-18.9			
Other Accounts Payable	--	--	--	6.5	23.5	8.3	--	--	--	--	--	--	6.5	23.5	8.3			
Special drawing rights	-5.6	-0.5	-0.5	--	--	--	--	--	--	--	--	--	-5.6	-0.5	-0.5			
Total	-4.9	-0.4	-0.2	3.4	15.4	13.7	-4.8	1.7	3.6	-3.7	1.9	6.7	-2.9	3.9	7.2			

Note: Details may not add up to totals due to rounding.
p Preliminary
- Rounds off to zero
-- Infinite growth rate