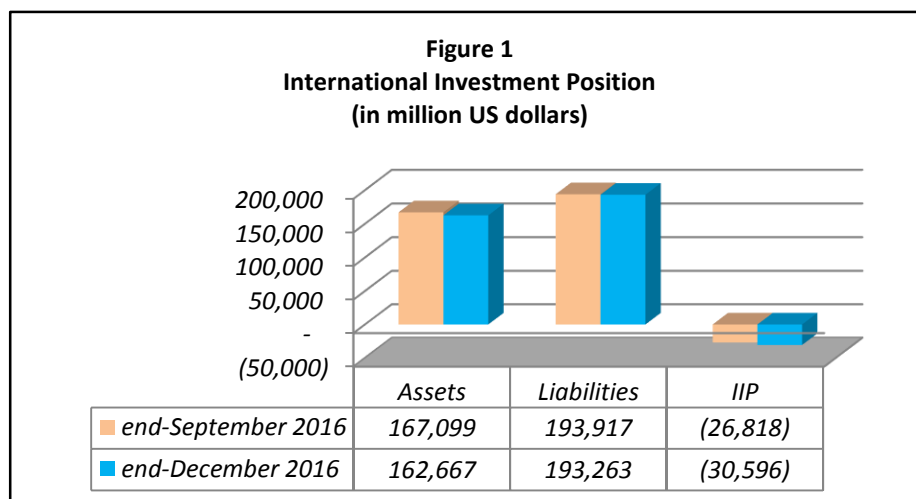


INTERNATIONAL INVESTMENT POSITION OF THE PHILIPPINES

End – December 2016

The country's net liability position increases. The country's net liability position increased to US\$30.6 billion as of end-December 2016 amid uncertainties arising from the uneven pace of growth in the global economy. The higher negative balance in the country's International Investment Position (IIP) relative to the end-September 2016 level stemmed from the 2.7 percent decline (or by US\$4.4 billion) in total external financial assets, which more than offset the 0.3 percent drop (or by US\$0.7 billion) in external financial liabilities. The lower external financial assets was due mainly to the contraction in the reserve assets held by the Bangko Sentral ng Pilipinas (BSP) resulting from both revaluation adjustments and changes due to transactions. Meanwhile, external financial liabilities declined despite continued inflows arising from investment flows into the economy (particularly foreign direct investments) mainly on account of valuation adjustments to reflect exchange rate movements and changes in market prices. As of end-December 2016, total external financial liabilities amounted to US\$193.3 billion, while total external financial assets stood at US\$162.7 billion (Figure 1).



The decline in total external financial assets during the quarter was driven mainly by lower reserve assets (by 6.3 percent) and portfolio investments, particularly residents' net investments in debt securities issued by non-residents (by 6.9 percent). Meanwhile, other investments increased by 8.5 percent from the end-September 2016 level.

The decrease in direct investments, particularly non-residents' equity capital investments (by 6.1 percent) contributed largely to the decline in external financial liabilities. In addition, decreases in other investments, such as trade credits and advances (by 16.7 percent)

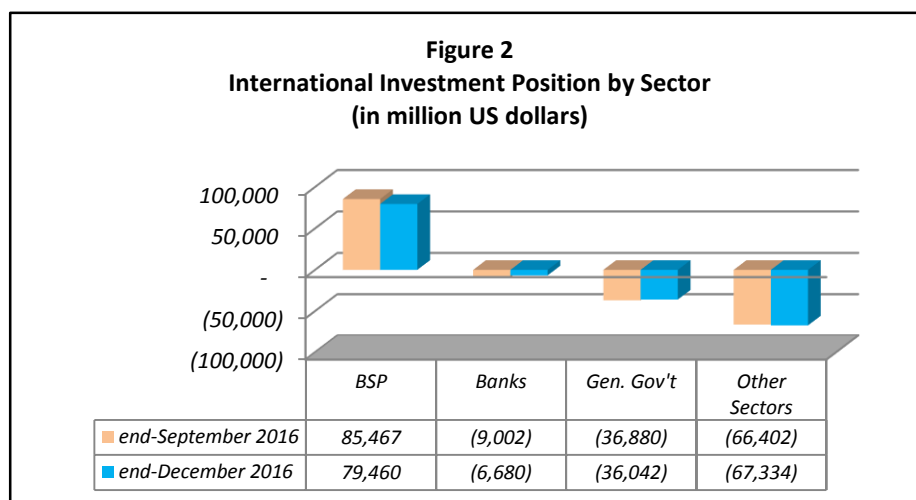
End-December 2016 International Investment Position

and loans availed of from non-residents (by 1 percent) caused external financial liabilities to decline further during the quarter.

On a year-on-year basis, the country's net external liability position likewise increased as of end-December 2016 by 8.1 percent (or by US\$2.3 billion). The higher net external liability position was brought about by the US\$9.9 billion uptick in total external financial liabilities (or by 5.4 percent), which is more than the increase in total external financial assets of US\$7.6 billion (or by 4.9 percent). The expansion in total external financial liabilities was due mainly to the increase in non-residents' investments in equity securities (portfolio investments) and debt instruments (direct investments). Meanwhile, all components of external financial assets exhibited increases, notably residents' direct investments and other investments, particularly loans and currency and deposits.

The BSP maintains a net asset position, while the General Government, Deposit-taking Corporations and Other Sectors remain net users of foreign resources.

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



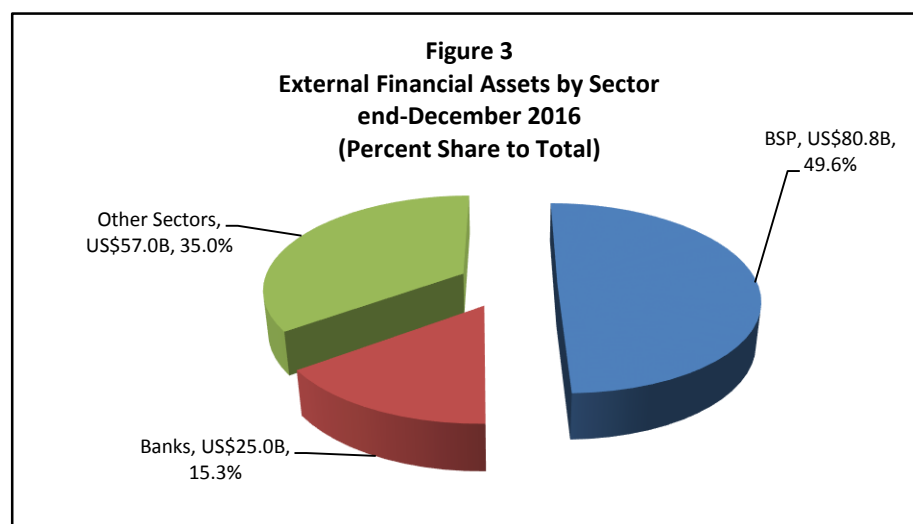
Banks and the General Government registered improvements in their net external liability positions. The net external liability position of Banks was recorded at US\$6.7 billion as of end-December 2016, lower than the US\$9 billion posted as of end-September 2016. This was due to the decrease in non-residents' investments in equity securities (foreign portfolio investments) issued by residents coupled with the increase in loans to non-residents. The net external liability position of the General Government improved moderately to US\$36 billion as of end-December 2016 from US\$36.9 billion as of end-September 2016. This was on account of the National Government's (NG) repayments of loans extended by non-residents.

End-December 2016 International Investment Position

Meanwhile, Other Sector's net external liability position was higher at US\$67.3 billion as of end-December 2016 from US\$66.4 billion as of end-September 2016. This developed as external financial liabilities increased by US\$1.6 billion which was partly negated by the US\$0.7 billion increment in external financial assets. The growth in external financial liabilities was on account of higher placements by non-residents in equity securities and debt instruments.

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 49.6 percent (Figure 3). The BSP's external financial assets totaled US\$80.8 billion, lower by 7 percent than the US\$86.8 billion recorded as of end-September 2016. These consisted mainly of the BSP's gross international reserves (GIR), which also declined by 6.3 percent to reach US\$80.7 billion as of end-December 2016. The decline in the GIR was due mainly to outflows arising from payments made by the NG for its maturing foreign exchange obligations, foreign exchange operations of the BSP, and revaluation adjustments on the BSP's foreign currency-denominated reserves and gold holdings. These were partially offset by the NG's net foreign currency deposits, reclassification of Renmimbi-denominated accounts from non-reserve to reserve eligible assets and the BSP's income from investments abroad.



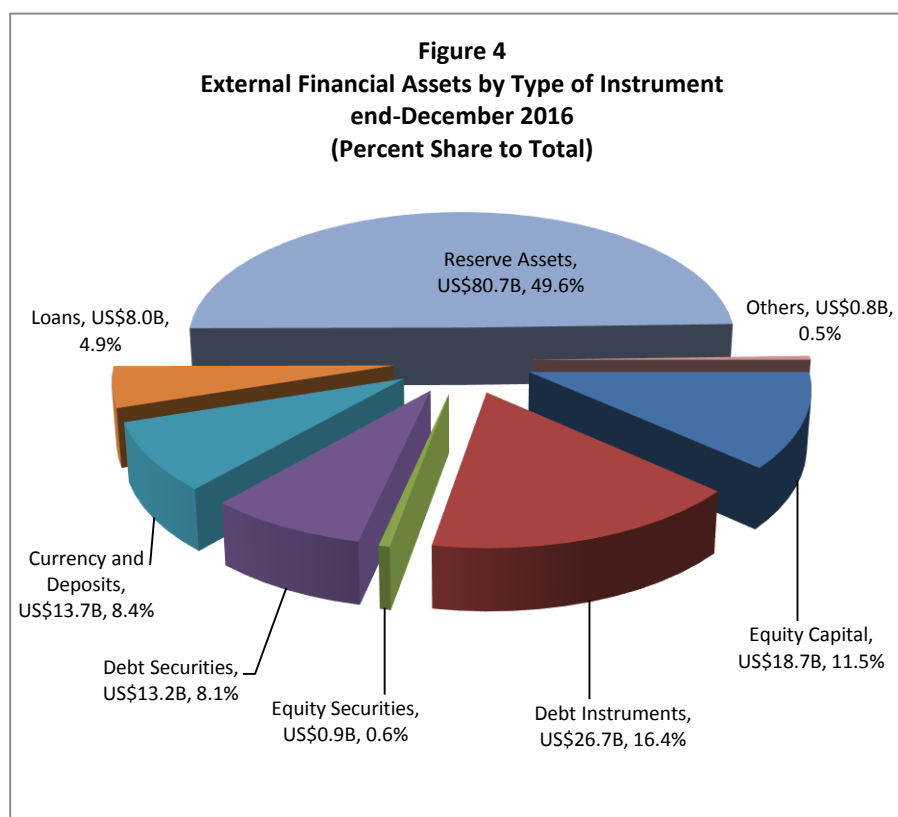
The Other Sectors' total external financial assets amounted to US\$57 billion, representing about one-third (35 percent) of the country's total external financial assets. This was higher by 1.2 percent than the level recorded as of end-September 2016. The rise in external financial assets of this sector was mainly on account of the increases in residents' investments in equity capital (direct investments) and debt

End-December 2016 International Investment Position

securities (portfolio investments) issued by non-residents, and in other investments, particularly currency and deposits.

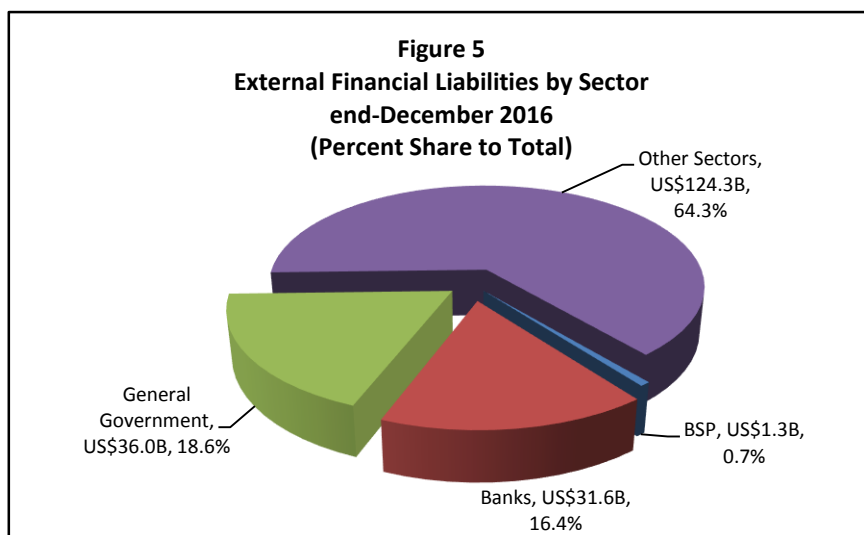
Banks accounted for the remaining 15.3 percent of the country's total external financial assets amounting to US\$25 billion, higher than the US\$24 billion assets as of end-September 2016. The expansion in banks' total external financial assets was due mainly to higher short-term loans extended to non-residents (by 15.2 percent).

Almost half of residents' financial assets are reserve assets held by the BSP. By type of instrument, 49.6 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 16.4 percent and 11.5 percent, respectively. Residents' deposits in banks abroad and residents' investments in debt securities issued by non-residents were 8.4 percent and 8.1 percent of the total, respectively (Figure 4).



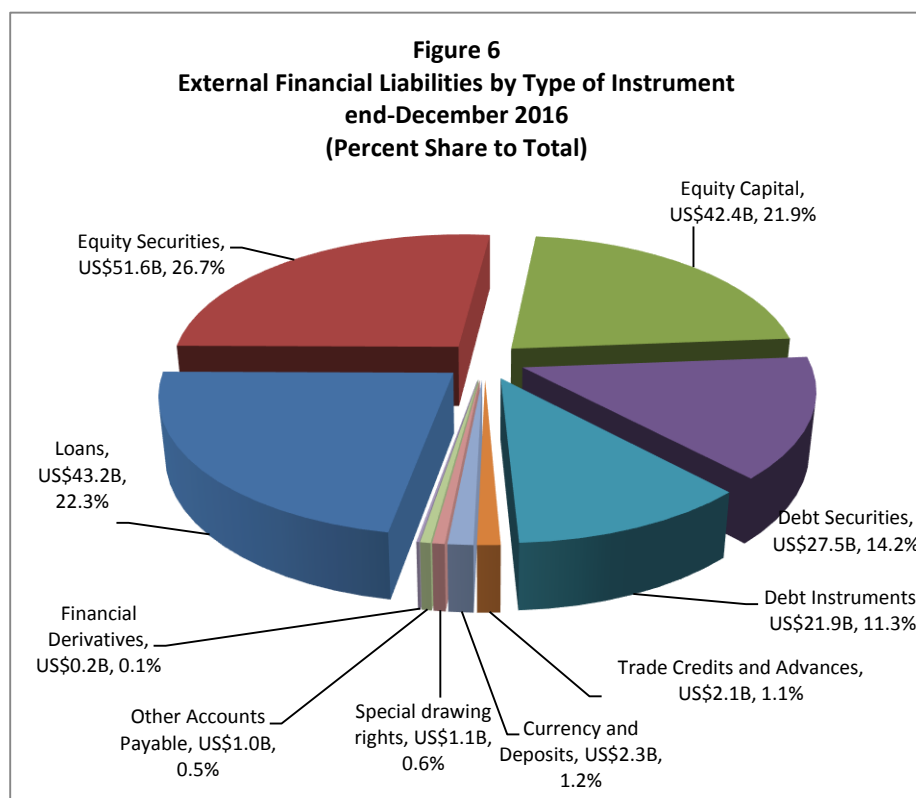
External Financial Liabilities

The Other Sectors account for the bulk of residents' total liabilities to the rest of the world. The Other Sectors' total external financial liabilities reached US\$124.3 billion as of end-December 2016, almost two-thirds (64.3 percent) of the country's total external liabilities (Figure 5). These mostly consisted of equity securities issued by local corporations (33.7 percent), non-residents' placements of equity capital in local affiliates (31.7 percent), and residents' availment of foreign loans (10.4 percent).



The General Government's external liabilities as of end-December 2016 decreased by 2.3 percent to US\$36 billion, comprising about one-fifth (18.6 percent) of the country's total external financial liabilities. This sector's external liabilities comprised of debt securities (54.7 percent) and loans (45.3 percent).

Banks' total external liabilities reached US\$31.6 billion, equivalent to 16.4 percent of the country's total external financial liabilities. This was 4.1 percent lower than its external liabilities as of end-September 2016. Banks' external liabilities were mainly in the form of loans (44 percent), equity securities (30.5 percent), equity capital (9.5 percent) and currency and deposits (7.3 percent).



Financial liabilities are mostly in the form of 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 (26.7 percent), residents' availment of foreign loans (22.3 percent) and non-residents' placements of equity capital in resident affiliates (21.9 percent) (Figure 6).

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

	Dec -15 r			Sep -16 p			Dec -16 p		
	Assets	Liabilities	IIP	Assets	Liabilities	IIP	Assets	Liabilities	IIP
Levels									
Central Bank (CB)	81342	1337	80005	86813	1346	85467	80752	1292	79460
Deposit-taking corporations, except CB	22280	30155	-7875	23992	32994	-9002	24950	31631	-6680
General Government	0	36026	-36026	0	36880	-36880	0	36042	-36042
Other Sectors	51405	115810	-64405	56294	122696	-66402	56965	124299	-67334
Total	155027	183328	-28301	167099	193917	-26818	162667	193263	-30596
Percent Share to Total									
Central Bank (CB)	52.5	0.7		52.0	0.7		49.6	0.7	
Deposit-taking corporations, except CB	14.4	16.4		14.4	17.0		15.3	16.4	
General Government	0.0	19.7		0.0	19.0		0.0	18.6	
Other Sectors	33.2	63.2		33.7	63.3		35.0	64.3	
Total	100.0	100.0		100.0	100.0		100.0	100.0	
Growth Rates (Quarter-on-Quarter)									
Central Bank (CB)	0.1	-0.9		1.0	0.3		-7.0	-4.0	
Deposit-taking corporations, except CB	3.4	4.4		-0.8	-0.5		4.0	-4.1	
General Government	--	1.2		--	-0.2		--	-2.3	
Other Sectors	4.4	0.8		4.2	-2.0		1.2	1.3	
Total	2.0	1.4		1.8	-1.4		-2.7	-0.3	
Growth Rates (Year-on-Year)									
Central Bank (CB)	1.5	-3.6		6.9	-0.2		-0.7	-3.4	
Deposit-taking corporations, except CB	-4.7	-1.8		11.4	14.2		12.0	4.9	
General Government	--	-2.0		--	3.6		--	.	
Other Sectors	15.6	-3.5		14.3	6.7		10.8	7.3	
Total	4.8	-2.9		9.9	7.3		4.9	5.4	
Note: Details may not add up to totals due to rounding <i>p Preliminary</i> <i>r Revised</i> <i>-- Infinite growth rate</i>									

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		
	Dec -15 r	Sep -16 p	Dec -16 p	Dec -15 r	Sep -16 p	Dec -16 p	Dec -15 r	Sep -16 p	Dec -16 p	Dec -15 r	Sep -16 p	Dec -16 p	Dec -15 r	Sep -16 p	Dec -16 p	Dec -15 r	Sep -16 p	Dec -16 p
Levels																		
Direct Investment	0	0	0	693	710	710	0	0	0	40324	44353	44667	41017	45063	45377	26.5	27.0	27.9
Equity Capital	0	0	0	693	710	710	0	0	0	16249	17732	17963	16942	18442	18674	10.9	11.0	11.5
Debt Instruments	0	0	0	0	0	0	0	0	0	24075	26622	26703	24075	26622	26703	15.5	15.9	16.4
Portfolio Investment	613	612	0	9460	10291	9704	0	0	0	3592	4320	4478	13666	15222	14182	8.8	9.1	8.7
Equity Securities	102	102	0	6	7	62	0	0	0	719	891	879	828	999	940	0.5	0.6	0.6
Debt Securities	511	510	0	9454	10284	9642	0	0	0	2873	3429	3599	12838	14223	13241	8.3	8.5	8.1
Financial Derivatives	0	0	0	257	298	296	0	0	0	42	7	16	299	305	312	0.2	0.2	0.2
Other Investment	62	63	60	11870	12693	14241	0	0	0	7447	7614	7804	19379	20370	22105	12.5	12.2	13.6
Other Equity	62	63	60	0	0	0	0	0	0	0	0	0	62	63	60	.	.	.
Currency and Deposits	0	0	0	5299	5612	6153	0	0	0	7320	7343	7500	12620	12955	13653	8.1	7.8	8.4
Loans	0	0	0	6543	6989	8011	0	0	0	0	0	0	6543	6989	8011	4.2	4.2	4.9
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	127	271	304	127	271	304	0.1	0.2	0.2
Other Accounts Receivable	0	0	0	28	92	77	0	0	0	0	0	0	28	92	77	.	0.1	.
Reserve Assets	80667	86139	80692	0	0	0	0	0	0	0	0	0	80667	86139	80692	52.0	51.5	49.6
Total	81342	86813	80752	22280	23992	24950	0	0	0	51405	56294	56965	155027	167099	162667	100.0	100.0	100.0
Growth Rates (Quarter-on-Quarter)																		
Direct Investment	--	--	--	2.3	0.1	0.1	--	--	--	3.6	4.0	0.7	3.6	4.0	0.7			
Equity Capital	--	--	--	2.3	0.1	0.1	--	--	--	5.2	7.2	1.3	5.0	7.0	1.3			
Debt Instruments	--	--	--	--	--	--	--	--	--	2.6	2.0	0.3	2.6	2.0	0.3			
Portfolio Investment	-0.4	0.1	-100.0	-1.3	-5.0	-5.7	--	--	--	16.7	9.2	3.7	2.9	-1.2	-6.8			
Equity Securities	-0.4	0.7	-100.0	0.1	-0.7	822.1	--	--	--	1.2	6.7	-1.4	1.0	6.0	-5.9			
Debt Securities	-0.4	-0.1	-100.0	-1.3	-5.0	-6.2	--	--	--	21.3	9.9	5.0	3.0	-1.6	-6.9			
Financial Derivatives	--	--	--	-15.8	-9.0	-1.0	--	--	--	-1.5	-55.0	139.8	-14.1	-11.0	2.1			
Other Investment	-1.3	-0.2	-3.7	8.1	3.1	12.2	--	--	--	3.2	2.3	2.5	6.2	2.8	8.5			
Other Equity	-1.3	-0.2	-3.7	--	--	--	--	--	--	--	--	--	-1.3	-0.2	-3.7			
Currency and Deposits	--	--	--	-5.0	-1.0	9.6	--	--	--	3.0	1.7	2.1	-0.5	0.5	5.4			
Loans	--	--	--	22.1	7.3	14.6	--	--	--	--	--	--	22.1	7.3	14.6			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade Credits and Advances	--	--	--	--	--	--	--	--	--	12.3	21.6	12.1	12.3	21.6	12.1			
Other Accounts Receivable	--	--	--	-22.2	-26.0	-16.9	--	--	--	--	--	--	-22.2	-26.0	-16.9			
Reserve Assets	0.1	1.0	-6.3	--	--	--	--	--	--	--	--	--	0.1	1.0	-6.3			
Total	0.1	1.0	-7.0	3.4	-0.8	4.0	--	--	--	4.4	4.2	1.2	2.0	1.8	-2.7			
Growth Rates (Year-on-Year)																		
Direct Investment	--	--	--	2.9	4.8	2.5	--	--	--	14.8	14.0	10.8	14.6	13.8	10.6			
Equity Capital	--	--	--	2.9	4.8	2.5	--	--	--	9.3	14.8	10.6	9.0	14.3	10.2			
Debt Instruments	--	--	--	--	--	--	--	--	--	18.9	13.5	10.9	18.9	13.5	10.9			
Portfolio Investment	15.7	-0.6	-100.0	29.3	7.3	2.6	--	--	--	32.8	40.3	24.6	29.5	14.6	3.8			
Equity Securities	94.2	-0.7	-100.0	-23.2	3.5	854.0	--	--	--	120.4	25.4	22.1	113.7	21.9	13.6			
Debt Securities	7.0	-0.6	-100.0	29.3	7.3	2.0	--	--	--	20.8	44.8	25.3	26.3	14.1	3.1			
Financial Derivatives	--	--	--	-59.3	-2.2	15.0	--	--	--	-20.8	-84.3	-61.7	-56.4	-12.3	4.2			
Other Investment	-4.4	-0.6	-3.0	-19.6	15.6	20.0	--	--	--	13.0	5.5	4.8	-9.5	11.6	14.1			
Other Equity	-4.4	-0.6	-3.0	--	--	--	--	--	--	--	--	--	-4.4	-0.6	-3.0			
Currency and Deposits	--	--	--	-27.7	0.6	16.1	--	--	--	12.4	3.4	2.5	-8.8	2.1	8.2			
Loans	--	--	--	-11.5	30.4	22.4	--	--	--	--	--	--	-11.5	30.4	22.4			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade Credits and Advances	--	--	--	--	--	--	--	--	--	69.9	140.5	140.0	69.9	140.5	140.0			
Other Accounts Receivable	--	--	--	-40.9	156.8	174.4	--	--	--	--	--	--	-40.9	156.8	174.4			
Reserve Assets	1.4	6.9	.	--	--	--	--	--	--	--	--	--	1.4	6.9	.			
Total	1.5	6.9	-0.7	-4.7	11.4	12.0	--	--	--	15.6	14.3	10.8	4.8	9.9	4.9			

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

p Preliminary

r Revised

- 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		
	Dec -15 r	Sep -16 p	Dec -16 p	Dec -15 r	Sep -16 p	Dec -16 p	Dec -15 r	Sep -16 p	Dec -16 p	Dec -15 r	Sep -16 p	Dec -16 p	Dec -15 r	Sep -16 p	Dec -16 p	Dec -15 r	Sep -16 p	Dec -16 p
Levels																		
Direct Investment	0	0	0	2420	3029	3014	0	0	0	56102	62501	61235	58522	65530	64249	31.9	33.8	33.2
Equity Capital	0	0	0	2420	3029	3014	0	0	0	40116	42113	39361	42536	45142	42375	23.2	23.3	21.9
Debt Instruments	0	0	0	0	0	0	0	0	0	15986	20388	21874	15986	20388	21874	8.7	10.5	11.3
Portfolio Investment	172	174	171	10401	13499	11248	19824	19472	19711	42271	44084	47945	72668	77229	79075	39.6	39.8	40.9
Equity Securities	0	0	0	8933	12156	9650	0	0	0	35485	37633	41946	44418	49789	51597	24.2	25.7	26.7
Debt Securities	172	174	171	1468	1343	1598	19824	19472	19711	6786	6450	5998	28250	27439	27478	15.4	14.2	14.2
Financial Derivatives	0	0	0	175	243	198	0	0	0	102	32	51	277	275	249	0.2	0.1	0.1
Other Investment	1165	1172	1121	17160	16223	17171	16201	17408	16331	17335	16080	15068	51861	50883	49691	28.3	26.2	25.7
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	1904	2572	2314	0	0	0	0	0	0	1904	2572	2314	1.0	1.3	1.2
Loans	0	0	0	14333	12676	13904	16201	17408	16331	14553	13542	12954	45088	43626	43189	24.6	22.5	22.3
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	2782	2538	2114	2782	2538	2114	1.5	1.3	1.1
Other Accounts Payable	0	0	0	923	975	952	0	0	0	0	0	0	923	975	952	0.5	0.5	0.5
Special drawing rights	1165	1172	1121	0	0	0	0	0	0	0	0	0	1165	1172	1121	0.6	0.6	0.6
Total	1337	1346	1292	30155	32994	31631	36026	36880	36042	115810	122696	124299	183328	193917	193263	100.0	100.0	100.0
Growth Rates (Quarter-on-Quarter)																		
Direct Investment	--	--	--	5.5	-2.8	-0.5	--	--	--	1.9	-0.2	-2.0	2.0	-0.3	-2.0			
Equity Capital	--	--	--	5.5	-2.8	-0.5	--	--	--	1.1	-3.4	-6.5	1.3	-3.3	-6.1			
Debt Instruments	--	--	--	--	--	--	--	--	--	3.9	6.9	7.3	3.9	6.9	7.3			
Portfolio Investment	0.1	1.4	-1.9	5.8	3.2	-16.7	1.0	-0.1	1.2	-1.3	-3.1	8.8	0.3	-1.3	2.4			
Equity Securities	--	--	--	2.5	3.2	-20.6	--	--	--	-1.4	-3.4	11.5	-0.6	-1.9	3.6			
Debt Securities	0.1	1.4	-1.9	32.0	3.3	19.0	1.0	-0.1	1.2	-0.9	-1.3	-7.0	1.8	-0.2	0.1			
Financial Derivatives	--	--	--	-27.2	-20.5	-18.8	--	--	--	11.0	-32.7	59.7	-16.6	-22.1	-9.7			
Other Investment	-1.0	0.2	-4.3	3.9	-2.7	5.8	1.5	-0.3	-6.2	2.3	-5.4	-6.3	2.5	-2.7	-2.3			
Other Equity	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Currency and Deposits	--	--	--	-23.2	-3.8	-10.0	--	--	--	--	--	--	-23.2	-3.8	-10.0			
Loans	--	--	--	9.1	-1.6	9.7	1.5	-0.3	-6.2	5.3	-2.6	-4.3	5.1	-1.4	-1.0			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade Credits and Advances	--	--	--	--	--	--	--	--	--	-11.2	-18.1	-16.7	-11.2	-18.1	-16.7			
Other Accounts Payable	--	--	--	2.5	-12.0	-2.3	--	--	--	--	--	--	2.5	-12.0	-2.3			
Special drawing rights	-1.0	0.2	-4.3	--	--	--	--	--	--	--	--	--	-1.0	0.2	-4.3			
Total	-0.9	0.3	-4.0	4.4	-0.5	-4.1	1.2	-0.2	-2.3	0.8	-2.0	1.3	1.4	-1.4	-0.3			
Growth Rates (Year-on-Year)																		
Direct Investment	--	--	--	10.9	32.1	24.6	--	--	--	3.0	13.5	9.1	3.3	14.2	9.8			
Equity Capital	--	--	--	10.9	32.1	24.6	--	--	--	-1.9	6.1	-1.9	-1.2	7.5	-0.4			
Debt Instruments	--	--	--	--	--	--	--	--	--	17.7	32.5	36.8	17.7	32.5	36.8			
Portfolio Investment	-0.8	1.7	-0.4	-4.0	37.3	8.1	-7.9	-0.8	-0.6	-13.8	2.9	13.4	-10.9	6.6	8.8			
Equity Securities	--	--	--	-8.2	39.4	8.0	--	--	--	-14.5	4.6	18.2	-13.3	11.4	16.2			
Debt Securities	-0.8	1.7	-0.4	32.4	20.7	8.8	-7.9	-0.8	-0.6	-10.0	-5.8	-11.6	-6.9	-1.1	-2.7			
Financial Derivatives	--	--	--	-69.9	1.3	12.9	--	--	--	8.7	-65.1	-49.8	-59.0	-17.0	-10.1			
Other Investment	-4.1	-0.5	-3.8	0.3	-1.8	0.1	6.4	9.1	0.8	5.5	-5.1	-13.1	3.8	0.6	-4.2			
Other Equity	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Currency and Deposits	--	--	--	-27.5	3.7	21.6	--	--	--	--	--	--	-27.5	3.7	21.6			
Loans	--	--	--	3.3	-3.5	-3.0	6.4	9.1	0.8	8.9	-2.0	-11.0	6.2	1.7	-4.2			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade Credits and Advances	--	--	--	--	--	--	--	--	--	-9.3	-18.9	-24.0	-9.3	-18.9	-24.0			
Other Accounts Payable	--	--	--	51.0	8.3	3.2	--	--	--	--	--	--	51.0	8.3	3.2			
Special drawing rights	-4.1	-0.5	-3.8	--	--	--	--	--	--	--	--	--	-4.1	-0.5	-3.8			
Total	-3.6	-0.2	-3.4	-1.8	14.2	4.9	-2.0	3.6	.	-3.5	6.7	7.3	-2.9	7.3	5.4			

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

p Preliminary

r Revised

- Rounds off to zero

-- Infinite growth rate