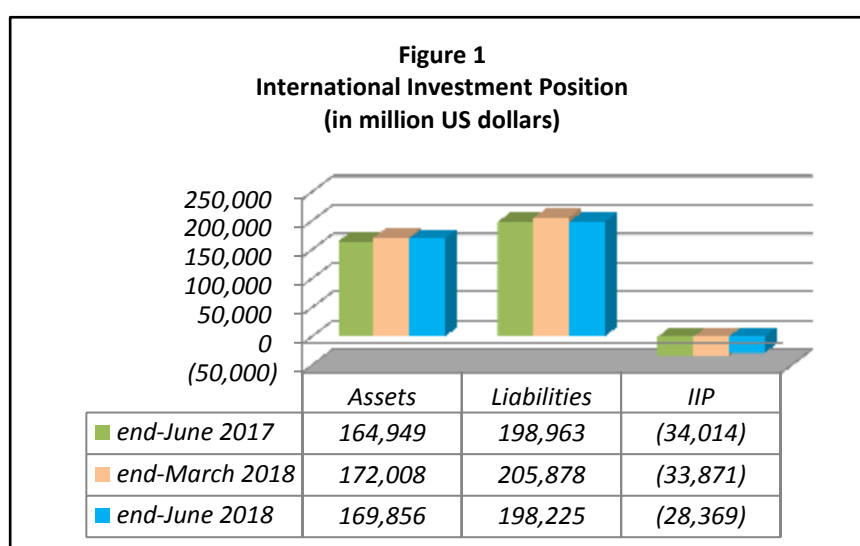


INTERNATIONAL INVESTMENT POSITION OF THE PHILIPPINES

End – June 2018

The Philippines continues to be in a net external liability position. Preliminary data on the country's international investment position (IIP) showed that the country's external liability position amounted to US\$28.4 billion as of end-June 2018, lower by 16.2 percent than the US\$33.9 billion recorded in the previous quarter. This development emanated primarily from the US\$7.7 billion contraction in the country's total financial liabilities to US\$198.2 billion, which outweighed the US\$2.2 billion decline in total financial assets to US\$169.9 billion during the review period. (Figure 1)



The country's external financial liabilities as of end-June 2018 declined due mainly to the revaluation adjustments, particularly in direct and portfolio equity instruments. The negative revaluation adjustments mirrored the 9.9 percent quarter-on-quarter dip in the Philippine Stock Exchange Index (PSEi) to 7,193.68 at end-June 2018. Furthermore, the continued depreciation of the Philippine peso against the U.S. dollar contributed partly to the decrease in financial liabilities, as peso-denominated instruments posted lower U.S. dollar equivalents. These negative revaluation adjustments more than offset the continued inflows of foreign direct investments to the economy during the quarter.

Meanwhile, the 1.3 percent drop in the country's external financial assets reflected the US\$3 billion decrease in the BSP's reserves from the previous quarter's level.

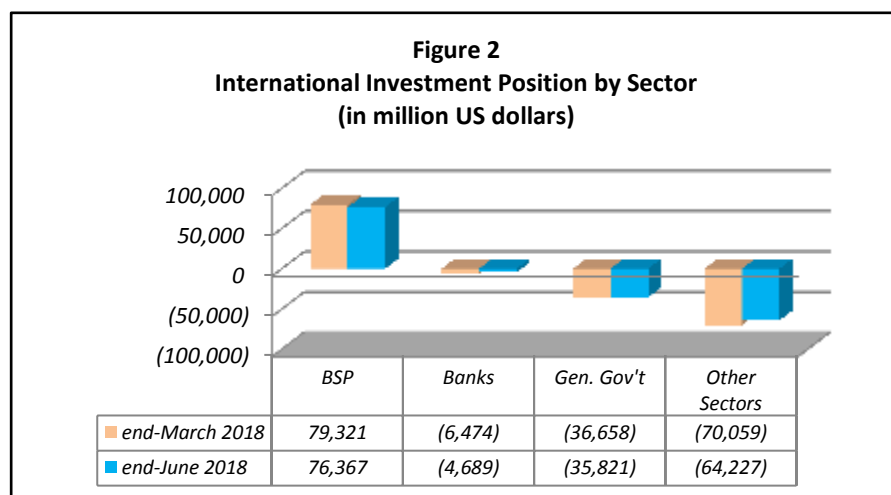
Compared to the year-ago level, the country's net external liability position as of end-June 2018 declined by 16.6 percent. The lower net liability position was due to the 3 percent growth in external financial

End-June 2018 International Investment Position

assets, coupled with the 0.4 percent decline in external financial liabilities. On the one hand, the increase in the country's total external assets was on account of the combined effect of direct and portfolio investment inflows, and the positive revaluation adjustments. On the other hand, the moderate decline in the country's external liabilities was due largely to the negative revaluation adjustments.

The BSP remained as net lender of resources to the rest of the world. Among the sectors, only the Bangko Sentral ng Pilipinas (BSP) recorded a net external asset position amounting to US\$76.4 billion as of end-June 2018, albeit lower than the previous quarter's level at US\$79.3 billion. The decline resulted mainly from the drop in reserve assets, which comprised 99.8 percent of the BSP's external financial assets. (Figure 2)

The General Government yielded a net external liability position of US\$35.8 billion as of end-June 2018, a decline of 2.3 percent from US\$36.7 billion as of end-March 2018. This was due mainly to lower outstanding loans and bond issuances by the National Government (NG) as of end of the second quarter.

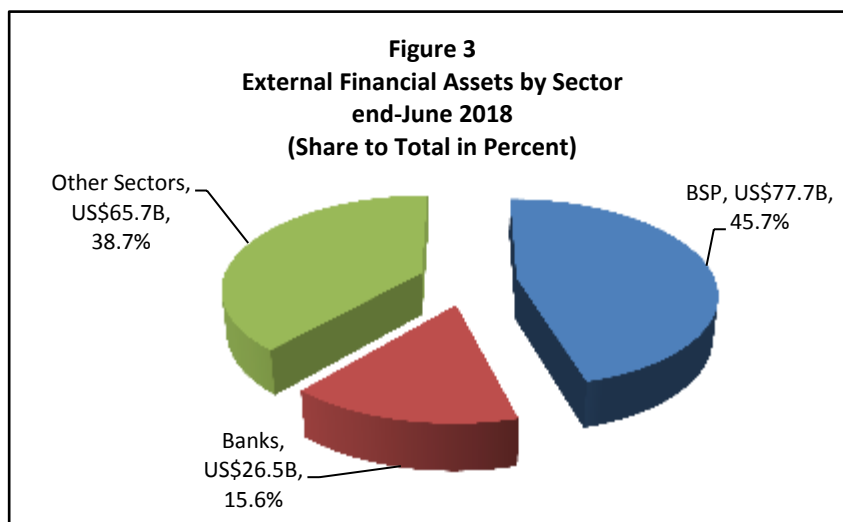


Deposit-taking corporations, except the Central Bank (Banks), recorded a net external liability position of US\$4.7 billion as of end-June 2018, lower by 27.6 percent from the level recorded as of end-March 2018. The contraction in the external financial liabilities is attributable mainly to the decrease in portfolio investments, particularly in equity securities issued by the banks, which were held by non-residents.

The Other Sectors recorded a US\$64.2 billion net liability position as of end-June 2018 from US\$70.1 billion reported in end-March 2018. This resulted from the increase in its external financial assets by US\$1.2 billion along with the drop in external financial liabilities by US\$4.6 billion during the period.

External Financial Assets

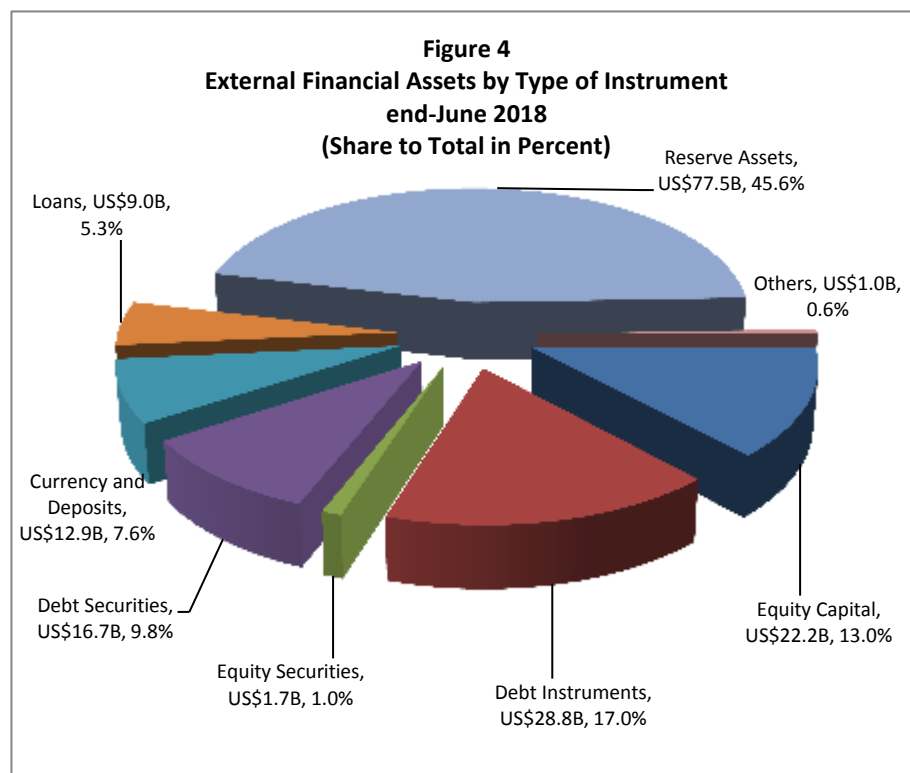
The BSP continues to hold the highest stock of external financial assets. The BSP continued to account for almost half (US\$77.7 billion) of the country’s total financial assets. This was, however, lower by 3.7 percent than the previous quarter’s level due to the US\$3 billion reduction in gross international reserves, which accounted for 99.8 percent of external financial assets of the central bank. (Figure 3)



The Other Sectors accounted for the second largest share of the country’s external financial assets at 38.7 percent or US\$65.7 billion. This level was US\$1.2 billion or 1.9 percent higher than the US\$64.5 billion in the previous quarter. The uptick was attributed mainly to local corporates’ higher holdings of foreign-issued debt securities and placements of currency and deposits abroad.

Banks held the remaining US\$26.5 billion or 15.6 percent of the country’s external financial assets. This was lower by US\$391 million than the level in the previous quarter. The drop in the sector’s total assets stemmed from resident banks’ withdrawal of currency and deposits abroad as well as non-residents’ repayment of short-term loans extended by the banks.

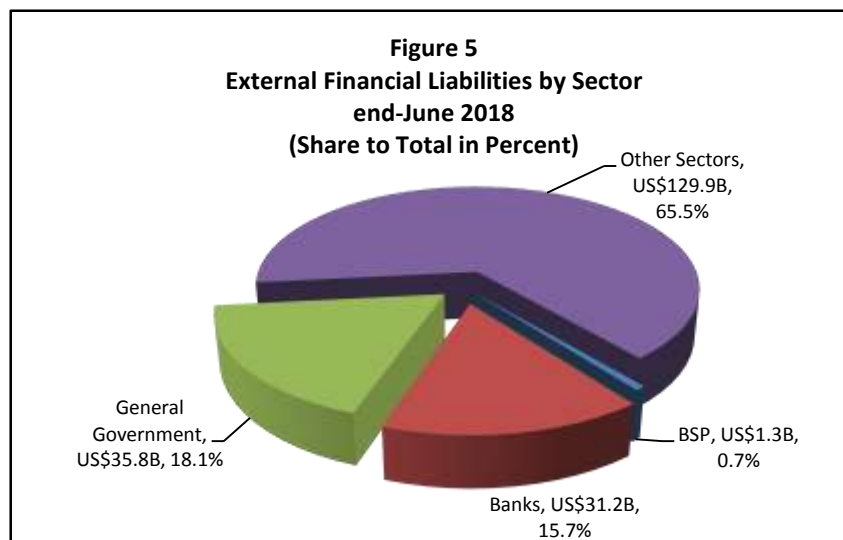
Nearly half of residents’ external financial assets are reserve assets held by the BSP. By type of instrument, nearly half (45.6 percent or US\$77.5 billion) of the total external financial assets are reserve assets of the BSP. Direct investments constitute about one third of the country’s total external financial assets, comprising of debt instruments and equity capital amounting to US\$28.8 billion and US\$22.2 billion, respectively. Other external financial assets include portfolio investments particularly debt securities issued by non-residents (9.8 percent); and other investments mostly currency and deposits (7.6 percent), and loans extended to non-residents (5.3 percent). (Figure 4)



External Financial Liabilities

The Other Sectors account for the bulk of residents' total liabilities to the rest of the world. The country's external financial liabilities amounted to US\$198.2 billion as of end-June 2018, lower by 3.7 percent than the previous quarter's level of US\$205.9 billion.

About two-thirds or US\$129.9 billion of the country's total external financial liabilities was comprised of the Other Sectors' liabilities to the rest of the world. This was US\$4.6 billion or 3.4 percent lower than the level in the previous quarter due largely to the negative revaluation adjustments in non-residents' equity shares in both affiliate and non-affiliate investees.



The General Government's total outstanding external liabilities to the rest of the world reached US\$35.8 billion as of end-June 2018, comprising 18.1 percent of the total. This was US\$837 million lower than the level in the previous quarter due mainly to the NG's net redemption of bonds held by non-residents and net repayment of foreign loans, combined with negative exchange rate revaluations on both instruments.

Banks' liabilities amounted to US\$31.2 billion or 15.7 percent of the country's external financial liabilities. The US\$2.2 billion or 6.5 percent decline from the previous quarter's level transpired mainly from the negative price revaluations in resident banks' equity securities issuances that were held by non-residents, and partly from non-residents' withdrawal of currency and deposits from local banks.

The BSP held a relatively marginal portion of the country's total external financial liabilities at US\$1.3 billion, or only 0.7 percent of the total, mainly comprised of special drawing rights holdings.

End-June 2018 International Investment Position

Direct and portfolio investments By type of financial instrument, the country's external financial liabilities were composed largely of direct and portfolio investments, particularly non-residents' investments in equity capital (US\$46.5 billion), equity securities (US\$46.2 billion), debt instruments (US\$31.3 billion) and debt securities (US\$26.4 billion). Other external financial liabilities include other investments in the form of loans extended to residents amounting to US\$40.2 billion (Figure 6).

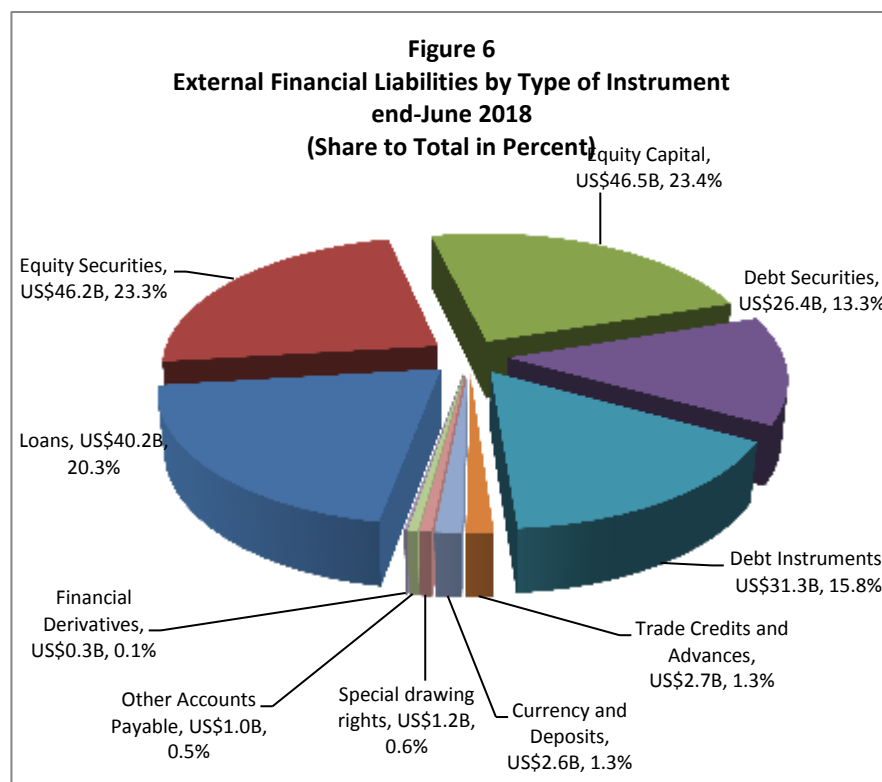


Table 1. International Investment Position by Sector
as of periods indicated
(in million US dollars)

	Jun -17 r			Mar -18 p			Jun -18 p		
	Assets	Liabilities	IIP	Assets	Liabilities	IIP	Assets	Liabilities	IIP
Levels									
Cental Bank (CB)	81504	1334	80170	80699	1378	79321	77700	1333	76367
Deposit-taking corporations, except CB	25366	33425	-8060	26852	33326	-6474	26461	31150	-4689
General Government	0	34726	-34726	0	36658	-36658	0	35821	-35821
Other Sectors	58079	129478	-71398	64457	134516	-70059	65695	129922	-64227
Total	164949	198963	-34014	172008	205878	-33871	169856	198225	-28369
Percent Share to Total									
Cental Bank (CB)	49.4	0.7		46.9	0.7		45.7	0.7	
Deposit-taking corporations, except CB	15.4	16.8		15.6	16.2		15.6	15.7	
General Government	0.0	17.5		0.0	17.8		0.0	18.1	
Other Sectors	35.2	65.1		37.5	65.3		38.7	65.5	
Total	100.0	100.0		100.0	100.0		100.0	100.0	
Growth Rates (Quarter-on-Quarter)									
Cental Bank (CB)	0.5	2.0		-1.3	2.3		-3.7	-3.3	
Deposit-taking corporations, except CB	0.8	2.1		1.4	-7.5		-1.5	-6.5	
General Government	--	-1.3		--	0.7		--	-2.3	
Other Sectors	2.8	5.0		1.7	-4.1		1.9	-3.4	
Total	1.4	3.3		0.2	-3.8		-1.3	-3.7	
Growth Rates (Year-on-Year)									
Cental Bank (CB)	-5.3	-0.6		-0.5	5.3		-4.7	-0.1	
Deposit-taking corporations, except CB	4.9	0.8		6.7	1.8		4.3	-6.8	
General Government	--	-6.0		--	4.2		--	3.2	
Other Sectors	10.1	3.3		14.1	9.1		13.1	0.3	
Total	1.2	1.1		5.7	6.9		3.0	-0.4	
Note: Details may not add up to total due to rounding. <i>p</i> Preliminary <i>r</i> Revised -- Infinite growth rate									

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

Instrument/Sector	Central Bank (CB)			Deposit-taking corporations, except CB			General Government			Other Sectors			Total			% to Total		
	Jun -17 r	Mar -18 p	Jun -18 p	Jun -17 r	Mar -18 p	Jun -18 p	Jun -17 r	Mar -18 p	Jun -18 p	Jun -17 r	Mar -18 p	Jun -18 p	Jun -17 r	Mar -18 p	Jun -18 p	Jun -17 r	Mar -18 p	Jun -18 p
Levels																		
Direct Investment	0	0	0	684	687	683	0	0	0	45069	49943	50289	45753	50630	50971	27.7	29.4	30.0
Equity and investment fund shares	0	0	0	684	687	683	0	0	0	18747	21231	21469	19430	21918	22152	11.8	12.7	13.0
Debt instruments	0	0	0	0	0	0	0	0	0	26323	28712	28819	26323	28712	28819	16.0	16.7	17.0
Portfolio Investment	120	123	112	9909	11397	11566	0	0	0	5116	6211	6775	15145	17732	18453	9.2	10.3	10.9
Equity and investment fund shares	120	123	112	107	18	11	0	0	0	1073	1520	1613	1301	1661	1736	0.8	1.0	1.0
Debt securities	0	0	0	9802	11379	11555	0	0	0	4043	4691	5161	13845	16070	16717	8.4	9.3	9.8
Financial Derivatives	0	0	0	211	362	391	0	0	0	30	6	3	240	368	393	0.1	0.2	0.2
Other Investment	62	65	63	14562	14405	13821	0	0	0	7864	8297	8629	22489	22767	22513	13.6	13.2	13.3
Other equity	62	65	63	0	0	0	0	0	0	0	0	0	62	65	63	.	.	.
Currency and deposits	0	0	0	5161	5083	4744	0	0	0	7498	7828	8137	12659	12911	12881	7.7	7.5	7.6
Loans	0	0	0	9322	9239	9006	0	0	0	0	0	0	9322	9239	9006	5.7	5.4	5.3
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	366	468	492	366	468	492	0.2	0.3	0.3
Other accounts receivable	0	0	0	80	83	71	0	0	0	0	0	0	80	83	71	.	.	.
Reserve Assets	81321	80511	77525	0	0	0	0	0	0	0	0	0	81321	80511	77525	49.3	46.8	45.6
Total	81504	80699	77700	25366	26852	26461	0	0	0	58079	64457	65695	164949	172008	169856	100.0	100.0	100.0
Growth Rates (Quarter-on-Quarter)																		
Direct Investment	--	--	--	-2.8	0.3	-0.6	--	--	--	2.6	2.5	0.7	2.5	2.5	0.7			
Equity and investment fund shares	--	--	--	-2.8	0.3	-0.6	--	--	--	1.9	0.2	1.1	1.7	0.2	1.1			
Debt instruments	--	--	--	--	--	--	--	--	--	3.1	4.3	0.4	3.1	4.3	0.4			
Portfolio Investment	6.4	-2.9	-9.0	0.2	12.4	1.5	--	--	--	6.2	7.9	9.1	2.2	10.7	4.1			
Equity and investment fund shares	6.4	-2.9	-9.0	59.9	-65.0	-39.5	--	--	--	33.7	9.0	6.1	32.3	5.6	4.5			
Debt securities	--	--	--	-0.3	12.8	1.5	--	--	--	0.8	7.6	10.0	.	11.2	4.0			
Financial Derivatives	--	--	--	4.5	38.1	7.9	--	--	--	2858.1	5.8	-56.1	18.6	37.5	6.8			
Other Investment	2.5	1.8	-3.3	1.4	-6.4	-4.1	--	--	--	1.5	-7.1	4.0	1.4	-6.6	-1.1			
Other equity	2.5	1.8	-3.3	--	--	--	--	--	--	--	--	--	2.5	1.8	-3.3			
Currency and deposits	--	--	--	-7.8	-23.8	-6.7	--	--	--	1.3	-7.9	3.9	-2.6	-14.9	-0.2			
Loans	--	--	--	7.4	6.9	-2.5	--	--	--	--	--	--	7.4	6.9	-2.5			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade credits and advances	--	--	--	--	--	--	--	--	--	5.5	8.6	5.0	5.5	8.6	5.0			
Other accounts receivable	--	--	--	-6.9	14.2	-14.1	--	--	--	--	--	--	-6.9	14.2	-14.1			
Reserve Assets	0.5	-1.3	-3.7	--	--	--	--	--	--	--	--	--	0.5	-1.3	-3.7			
Total	0.5	-1.3	-3.7	0.8	1.4	-1.5	--	--	--	2.8	1.7	1.9	1.4	0.2	-1.3			
Growth Rates (Year-on-Year)																		
Direct Investment	--	--	--	-3.7	-2.3	-0.1	--	--	--	9.3	13.7	11.6	9.1	13.4	11.4			
Equity and investment fund shares	--	--	--	-3.7	-2.3	-0.1	--	--	--	13.7	15.4	14.5	12.9	14.7	14.0			
Debt instruments	--	--	--	--	--	--	--	--	--	6.4	12.5	9.5	6.4	12.5	9.5			
Portfolio Investment	-83.1	8.5	-7.1	-8.5	15.2	16.7	--	--	--	29.4	29.0	32.4	-2.3	19.6	21.8			
Equity and investment fund shares	-40.2	8.5	-7.1	1485.6	-72.5	-89.6	--	--	--	28.5	89.3	50.3	24.7	69.0	33.5			
Debt securities	-100.0	--	--	-9.5	15.8	17.9	--	--	--	29.6	16.9	27.7	-4.2	16.1	20.7			
Financial Derivatives	--	--	--	-35.7	79.6	85.3	--	--	--	98.2	488.1	-91.3	-29.9	81.6	63.6			
Other Investment	-0.5	7.1	1.1	18.3	0.3	-5.1	--	--	--	4.0	7.1	9.7	12.8	2.7	0.1			
Other equity	-0.5	7.1	1.1	--	--	--	--	--	--	--	--	--	-0.5	7.1	1.1			
Currency and deposits	--	--	--	-8.9	-9.2	-8.1	--	--	--	3.6	5.8	8.5	-1.9	-0.7	1.8			
Loans	--	--	--	43.1	6.5	-3.4	--	--	--	--	--	--	43.1	6.5	-3.4			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade credits and advances	--	--	--	--	--	--	--	--	--	11.6	34.9	34.3	11.6	34.9	34.3			
Other accounts receivable	--	--	--	-36.0	-3.0	-10.6	--	--	--	--	--	--	-36.0	-3.0	-10.6			
Reserve Assets	-4.6	-0.5	-4.7	--	--	--	--	--	--	--	--	--	-4.6	-0.5	-4.7			
Total	-5.3	-0.5	-4.7	4.9	6.7	4.3	--	--	--	10.1	14.1	13.1	1.2	5.7	3.0			

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

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

Instrument/Sector	Central Bank (CB)			Deposit-taking corporations, except CB			General Government			Other Sectors			Total			% to Total		
	Jun -17 r	Mar -18 p	Jun -18 p	Jun -17 r	Mar -18 p	Jun -18 p	Jun -17 r	Mar -18 p	Jun -18 p	Jun -17 r	Mar -18 p	Jun -18 p	Jun -17 r	Mar -18 p	Jun -18 p	Jun -17 r	Mar -18 p	Jun -18 p
Levels																		
Direct Investment	0	0	0	2990	3204	3150	0	0	0	67777	74063	74571	70767	77268	77722	35.6	37.5	39.2
Equity and investment fund shares	0	0	0	2990	3204	3150	0	0	0	42737	45663	43316	45727	48867	46467	23.0	23.7	23.4
Debt instruments	0	0	0	0	0	0	0	0	0	25039	28401	31255	25039	28401	31255	12.6	13.8	15.8
Portfolio Investment	169	156	156	13163	14803	12958	17818	18995	18640	47668	45511	40821	78818	79466	72574	39.6	38.6	36.6
Equity and investment fund shares	0	0	0	12026	12286	10035	0	0	0	42113	40777	36166	54139	53062	46201	27.2	25.8	23.3
Debt securities	169	156	156	1137	2517	2923	17818	18995	18640	5555	4735	4655	24679	26404	26373	12.4	12.8	13.3
Financial Derivatives	0	0	0	142	263	258	0	0	0	44	6	2	187	268	260	0.1	0.1	0.1
Other Investment	1165	1222	1177	17130	15056	14784	16908	17663	17181	13988	14935	14528	49192	48877	47669	24.7	23.7	24.0
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	2573	2940	2647	0	0	0	0	0	0	2573	2940	2647	1.3	1.4	1.3
Loans	.	.	.	13537	11101	11162	16908	17663	17181	11602	11946	11863	42047	40710	40206	21.1	19.8	20.3
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	2386	2989	2665	2386	2989	2665	1.2	1.5	1.3
Other accounts payable	0	0	0	1021	1015	974	0	0	0	0	0	0	1021	1015	974	0.5	0.5	0.5
Special drawing rights	1165	1222	1177	0	0	0	0	0	0	0	0	0	1165	1222	1177	0.6	0.6	0.6
Total	1334	1378	1333	33425	33326	31150	34726	36658	35821	129478	134516	129922	198963	205878	198225	100.0	100.0	100.0
Growth Rates (Quarter-on-Quarter)																		
Direct Investment	--	--	--	-1.7	6.2	-1.7	--	--	--	5.7	-2.3	0.7	5.4	-2.0	0.6			
Equity and investment fund shares	--	--	--	-1.7	6.2	-1.7	--	--	--	3.8	-5.4	-5.1	3.4	-4.7	-4.9			
Debt instruments	--	--	--	--	--	--	--	--	--	9.2	3.2	10.0	9.2	3.2	10.0			
Portfolio Investment	.	.	-0.4	6.5	-8.0	-12.5	-2.6	-3.0	-1.9	7.5	-9.8	-10.3	4.8	-7.9	-8.7			
Equity and investment fund shares	--	--	--	7.2	-11.1	-18.3	--	--	--	8.6	-9.8	-11.3	8.3	-10.1	-12.9			
Debt securities	.	.	-0.4	-0.4	10.6	16.1	-2.6	-3.0	-1.9	-0.4	-9.8	-1.7	-2.0	-3.2	-0.1			
Financial Derivatives	--	--	--	11.3	30.4	-1.8	--	--	--	230.4	-11.7	-65.6	32.0	29.1	-3.1			
Other Investment	2.3	2.6	-3.7	-0.5	-9.9	-1.8	0.1	4.9	-2.7	-5.7	6.6	-2.7	-1.8	0.3	-2.5			
Other equity	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Currency and deposits	--	--	--	4.4	4.8	-10.0	--	--	--	--	--	--	4.4	4.8	-10.0			
Loans	.	.	.	-1.3	-13.9	0.6	0.1	4.9	-2.7	-4.6	5.0	-0.7	-1.7	-1.0	-1.2			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade credits and advances	--	--	--	--	--	--	--	--	--	-10.6	13.4	-10.9	-10.6	13.4	-10.9			
Other accounts payable	--	--	--	-2.3	0.7	-4.0	--	--	--	--	--	--	-2.3	0.7	-4.0			
Special drawing rights	2.3	2.6	-3.7	--	--	--	--	--	--	--	--	--	2.3	2.6	-3.7			
Total	2.0	2.3	-3.3	2.1	-7.5	-6.5	-1.3	0.7	-2.3	5.0	-4.1	-3.4	3.3	-3.8	-3.7			
Growth Rates (Year-on-Year)																		
Direct Investment	--	--	--	-4.0	5.4	5.4	--	--	--	7.9	15.5	10.0	7.3	15.1	9.8			
Equity and investment fund shares	--	--	--	-4.0	5.4	5.4	--	--	--	-2.4	10.9	1.4	-2.5	10.5	1.6			
Debt instruments	--	--	--	--	--	--	--	--	--	31.5	23.9	24.8	31.5	23.9	24.8			
Portfolio Investment	-1.8	-7.4	-7.9	0.7	19.8	-1.6	-8.5	3.8	4.6	4.8	2.6	-14.4	0.8	5.7	-7.9			
Equity and investment fund shares	--	--	--	2.1	9.5	-16.6	--	--	--	8.1	5.1	-14.1	6.7	6.1	-14.7			
Debt securities	-1.8	-7.4	-7.9	-12.6	120.5	157.1	-8.5	3.8	4.6	-15.0	-15.1	-16.2	-10.2	4.8	6.9			
Financial Derivatives	--	--	--	-53.5	105.2	81.2	--	--	--	-7.0	-57.6	-95.6	-47.3	89.8	39.3			
Other Investment	-0.4	7.2	1.0	2.8	-12.6	-13.7	-3.1	4.6	1.6	-17.7	0.7	3.9	-5.9	-2.4	-3.1			
Other equity	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Currency and deposits	--	--	--	-3.8	19.3	2.9	--	--	--	--	--	--	-3.8	19.3	2.9			
Loans	.	.	.	5.1	-19.0	-17.5	-3.1	4.6	1.6	-16.6	-1.8	2.2	-5.0	-4.8	-4.4			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade credits and advances	--	--	--	--	--	--	--	--	--	-23.0	12.0	11.7	-23.0	12.0	11.7			
Other accounts payable	--	--	--	-7.9	-2.9	-4.6	--	--	--	--	--	--	-7.9	-2.9	-4.6			
Special drawing rights	-0.4	7.2	1.0	--	--	--	--	--	--	--	--	--	-0.4	7.2	1.0			
Total	-0.6	5.3	-0.1	0.8	1.8	-6.8	-6.0	4.2	3.2	3.3	9.1	0.3	1.1	6.9	-0.4			

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

p Preliminary
r Revised
. Rounds off to zero
-- Infinite growth rate