

INTERNATIONAL INVESTMENT POSITION OF THE PHILIPPINES

End – December 2018

The country's IIP posts a higher net liability position. The country's net international investment position (IIP) registered a net external liability position of US\$48.8 billion as of end-December 2018, 39 percent higher than the US\$35.1 billion net external liability position as of end-September 2018. The higher negative balance in the country's net IIP stemmed from the 9.1 percent increase in the country's total external financial liabilities to US\$224.4 billion. This more than offset the 2.9 percent growth in total external financial assets, which posted US\$175.6 billion as of end-December 2018. (Figure 1)



The increase in the country's external financial liabilities was buoyed mainly by the 17.3 percent rise in foreign portfolio investments (FPI) to US\$87.6 billion from US\$74.7 billion as of end-September 2018. Foreign direct investments (FDI) and other investments also posted positive growths during the period to reach US\$83 billion and US\$53.6 billion, respectively.

Inflows of investments increased on the back of strong investor confidence in the country's sound macroeconomic fundamentals and growth prospects. Positive revaluation adjustments likewise contributed to the increase in the country's external liabilities, reflecting the uptick in the Philippine Stock Exchange Index (PSEi) and the appreciation of the peso against the US dollar during the quarter.¹

Meanwhile, the country's higher external financial assets was mostly

¹ The peso appreciated against the US dollar by 2.2 percent from ₱53.94/US\$1 as of end-September 2018 to ₱52.77/US\$1 as of end-December 2018. Peso appreciation implies that peso-denominated liabilities result in higher US dollar equivalent. Meanwhile, the PSEi increased by 189.2 points from 7,276.82 in September 2018 to 7,466.02 in December 2018.

End-December 2018 International Investment Position

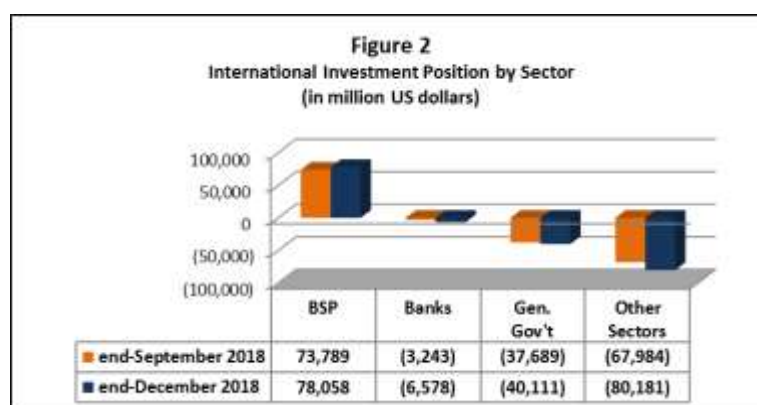
attributed to the accumulation of reserve assets, which grew to US\$79.2 billion as of end-December 2018, from US\$74.9 billion in the previous quarter. This was complemented by the 5.9 percent increase in portfolio investments and the 0.5 percent growth in other investments. The combined increases in reserve assets and portfolio and other investments more than offset the declines in direct investments (0.9 percent) and financial derivatives (19.8 percent).

On a year-on-year basis, the country's net external liability position as of end-December 2018 was higher by 14.3 percent than the US\$42.7 billion net liability position in end-December 2017. This was on account of the 4.7 percent expansion in the country's external financial liabilities, which negated the 2.4 percent growth in the country's external financial assets during the period.

The BSP maintains net external asset position. Across sectors, only the Bangko Sentral ng Pilipinas (BSP) posted a net external asset position, which amounted to US\$78.1 billion as of end-December 2018. This level was higher than its net external asset position in end-September 2018 at US\$73.8 billion due largely to increased reserve assets during the quarter. (Figure 2)

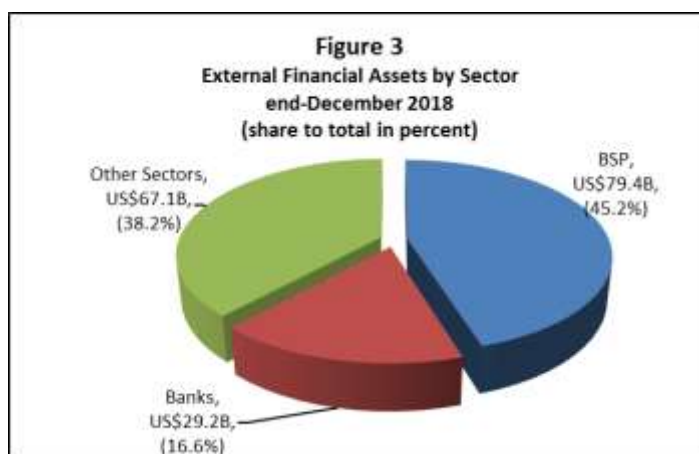
The Other Sectors, on the other hand, posted a net external liability position of US\$80.2 billion in end-December 2018, higher than the US\$68 billion posted in the previous quarter. This developed as the sector's total external financial liabilities grew by 8.2 percent to reach US\$147.2 billion and as its total external financial assets declined by 1.5 percent to US\$67.1 billion.

Similarly, Banks' net external liability position rose to US\$6.6 billion as of end-December 2018 from US\$3.2 billion in the previous quarter. The General Government also recorded a higher net liability position of US\$40.1 billion as of end-December 2018 from US\$37.7 billion a quarter ago.



External Financial Assets

The BSP accounted for the highest stock of external financial assets, followed by Other Sectors. The BSP held the highest share of the country’s total external claims from the rest of the world at 45.2 percent (US\$79.4 billion) as of end-December 2018. This level was higher by 5.7 percent than its end-September level of US\$75.1 billion due to the growth in reserve assets. The level of reserves increased on account of net purchases of foreign securities, the upward adjustments in the value of the BSP’s investments in debt securities (due to US dollar appreciation against other currencies) as well as upward price revaluation adjustments on its gold holdings. (Figure 3)

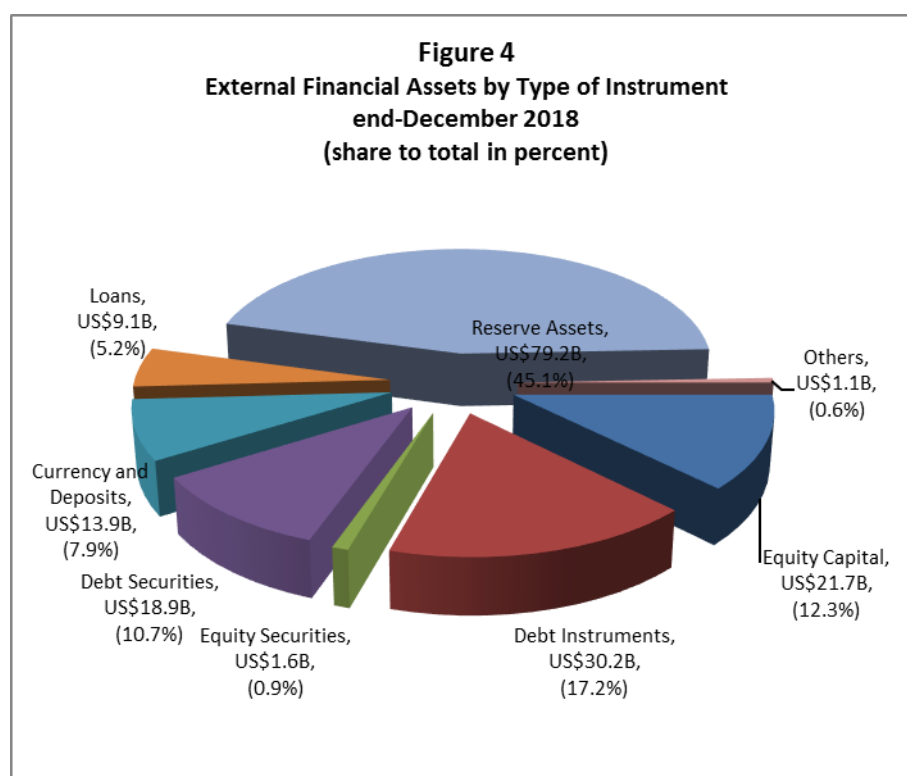


The Other Sectors’ outstanding claims from non-residents amounted to US\$67.1 billion, representing more than one-third of the country’s total external financial assets as of end-December 2018. This was, however, lower by 1.5 percent than its external claims as of end-September 2018 amounting to US\$68.1 billion. This stemmed mainly from residents’ lower outstanding investments of equity capital in non-resident affiliates, and holdings of debt and equity securities issued by non-residents.

The Banks accounted for the remaining 16.6 percent of the country’s total external financial claims at US\$29.2 billion as of end-December 2018. This was 6.2 percent higher than the sector’s financial claims from non-residents as of end-September 2018 due largely to increased holdings of debt securities floated by non-residents amounting to US\$13.3 billion during the period.

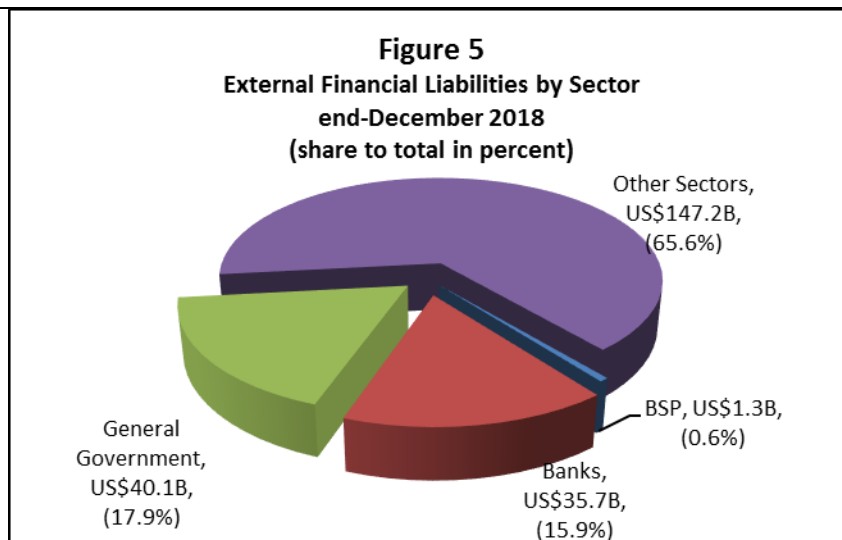
End-December 2018 International Investment Position

Almost half of residents' external financial assets are reserve assets held by the BSP. By type of instrument, the BSP's reserve assets comprised almost half or 45.1 percent of the country's external financial assets at US\$79.2 billion as of end-December 2018. Outstanding investments in debt instruments (or intercompany lending) and equity capital issued by non-resident affiliates accounted for 17.2 percent (US\$30.2 billion) and 12.3 percent (US\$21.7 billion), respectively, of the total external financial assets. Residents' holdings of debt securities issued by non-residents accounted for 10.7 percent (US\$18.9 billion) of the country's total external financial assets. Residents' outstanding deposits in banks abroad and outstanding loans extended to non-residents comprised 7.9 percent (US\$13.9 billion) and 5.2 percent (US\$9.1 billion), respectively, of the total external financial assets. (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 accounted for about two-thirds or US\$147.2 billion of the country's total external financial liabilities. These consisted mostly of non-residents' investments in equity securities issued by local corporates (32.7 percent), non-residents' placements of equity capital in local affiliates (30.9 percent), residents' borrowings from non-resident affiliates (23.2 percent), and local corporates' loans from non-resident creditors (9.1 percent). (Figure 5)



Meanwhile, the General Government’s external liabilities as of end-December 2018 increased by 6.4 percent as of end-December 2017 to record US\$40.1 billion, comprising 17.9 percent of the country’s total external liabilities. These were in the form of debt securities floated by the National Government and loans granted by non-residents.

The Banks’ total external liabilities reached US\$35.7 billion, equivalent to 15.9 percent of the country’s total external liabilities. This level was higher than the sector’s external liability position of US\$30.7 billion in the previous quarter. The sector’s external liabilities consisted mainly of loans availed from non-residents (41.7 percent) and outstanding issuances of equity and debt securities (37.9 percent).

The BSP held a marginal portion (0.6 percent) of the country’s total external financial liabilities at US\$1.3 billion, which declined by 0.8 percent from the level as of end-September 2018. The BSP’s external financial liabilities comprised of special drawing rights and debt securities.

End-December 2018 International Investment Position

By instrument, financial liabilities are mostly in the form of equity securities, equity capital, and foreign loans. As of end-December 2018, the outstanding financial liabilities of residents to the rest of the world comprised mostly of non-residents' holdings of equity securities issued by residents (25.9 percent), investments in equity capital of resident affiliates (21.8 percent), loans extended by non-residents (20.5 percent), investments in debt instruments issued by resident affiliates (15.2 percent) and placements in debt securities issued by residents (13.2 percent). (Figure 6)

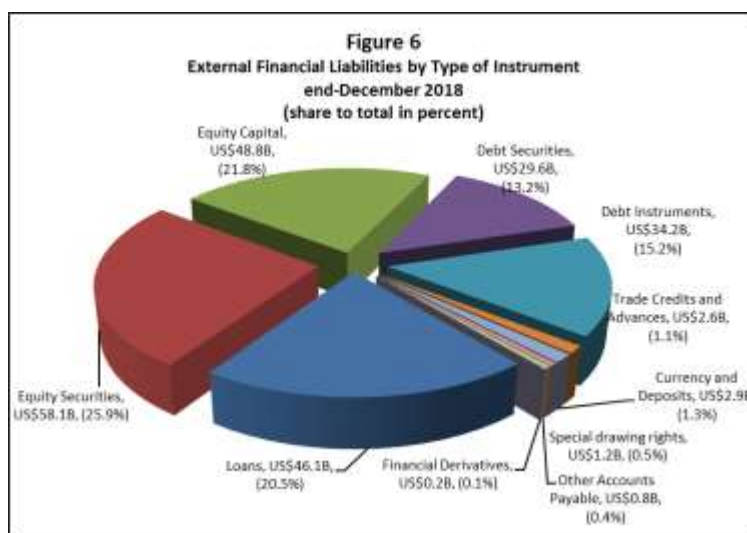


Table 1. International Investment Position by Sector
as of periods indicated
(in million US dollars)

	Dec -17 r			Sep -18 p			Dec -18 p		
	Assets	Liabilities	IIP	Assets	Liabilities	IIP	Assets	Liabilities	IIP
Levels									
Cental Bank (CB)	81760	1347	80414	75118	1330	73789	79377	1319	78058
Deposit-taking corporations, except CB	26460	36012	-9552	27461	30704	-3243	29168	35746	-6578
General Government	0	36419	-36419	0	37689	-37689	0	40111	-40111
Other Sectors	63317	140459	-77142	68069	136052	-67984	67052	147233	-80181
Total	171537	214237	-42700	170648	205775	-35127	175597	224408	-48811
Percent Share to Total									
Cental Bank (CB)	47.7	0.6		44.0	0.6		45.2	0.6	
Deposit-taking corporations, except CB	15.4	16.8		16.1	14.9		16.6	15.9	
General Government	0.0	17.0		0.0	18.3		0.0	17.9	
Other Sectors	36.9	65.6		39.9	66.1		38.2	65.6	
Total	100.0	100.0		100.0	100.0		100.0	100.0	
Growth Rates (Quarter-on-Quarter)									
Cental Bank (CB)	0.8	0.6		-3.3	-0.3		5.7	-0.8	
Deposit-taking corporations, except CB	1.0	9.2		3.8	-1.4		6.2	16.4	
General Government	--	6.3		--	5.2		--	6.4	
Other Sectors	5.0	4.8		4.3	4.6		-1.5	8.2	
Total	2.3	5.7		0.7	3.7		2.9	9.1	
Growth Rates (Year-on-Year)									
Cental Bank (CB)	1.1	4.3		-7.4	-0.7		-2.9	-2.0	
Deposit-taking corporations, except CB	6.0	10.9		4.8	-6.9		10.2	-0.7	
General Government	--	1.0		--	10.0		--	10.1	
Other Sectors	14.2	17.6		12.9	1.5		5.9	4.8	
Total	6.4	13.2		1.8	1.5		2.4	4.7	
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		
	Dec -17 r	Sep -18 p	Dec -18 p	Dec -17 r	Sep -18 p	Dec -18 p	Dec -17 r	Sep -18 p	Dec -18 p	Dec -17 r	Sep -18 p	Dec -18 p	Dec -17 r	Sep -18 p	Dec -18 p	Dec -17 r	Sep -18 p	Dec -18 p
Levels																		
Direct Investment	0	0	0	676	665	664	0	0	0	48515	51732	51238	49191	52396	51902	28.7	30.7	29.6
Equity and investment fund shares	0	0	0	676	665	664	0	0	0	21340	22297	20995	22015	22962	21659	12.8	13.5	12.3
Debt instruments	0	0	0	0	0	0	0	0	0	27176	29434	30243	27176	29434	30243	15.8	17.2	17.2
Portfolio Investment	127	117	121	10140	11565	13287	0	0	0	5865	7648	7056	16131	19330	20464	9.4	11.3	11.7
Equity and investment fund shares	127	117	121	53	11	10	0	0	0	1422	1644	1477	1601	1772	1609	0.9	1.0	0.9
Debt securities	0	0	0	10087	11554	13277	0	0	0	4443	6004	5579	14530	17558	18855	8.5	10.3	10.7
Financial Derivatives	0	0	0	262	364	294	0	0	0	6	3	0	268	367	294	0.2	0.2	0.2
Other Investment	64	63	62	15383	14868	14923	0	0	0	8931	8686	8758	24378	23616	23744	14.2	13.8	13.5
Other equity	64	63	62	0	0	0	0	0	0	0	0	0	64	63	62	.	.	.
Currency and deposits	0	0	0	6670	5051	5779	0	0	0	8499	8033	8110	15169	13084	13889	8.8	7.7	7.9
Loans	0	0	0	8640	9745	9065	0	0	0	0	0	0	8640	9745	9065	5.0	5.7	5.2
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	432	653	649	432	653	649	0.3	0.4	0.4
Other accounts receivable	0	0	0	73	71	79	0	0	0	0	0	0	73	71	79	.	.	.
Reserve Assets	81570	74939	79193	0	0	0	0	0	0	0	0	0	81570	74939	79193	47.6	43.9	45.1
Total	81760	75118	79377	26460	27461	29168	0	0	0	63317	68069	67052	171537	170648	175597	100.0	100.0	100.0
Growth Rates (Quarter-on-Quarter)																		
Direct Investment	--	--	--	-0.2	-0.1	-0.2	--	--	--	3.9	2.3	-1.0	3.8	2.3	-0.9			
Equity and investment fund shares	--	--	--	-0.2	-0.1	-0.2	--	--	--	9.0	2.6	-5.8	8.7	2.5	-5.7			
Debt instruments	--	--	--	--	--	--	--	--	--	0.1	2.1	2.7	0.1	2.1	2.7			
Portfolio Investment	7.1	4.8	3.6	-2.4	.	14.9	--	--	--	7.7	16.2	-7.7	1.1	5.9	5.9			
Equity and investment fund shares	7.1	4.8	3.6	-9.0	-3.0	-5.5	--	--	--	9.6	3.7	-10.1	8.6	3.7	-9.2			
Debt securities	--	--	--	-2.4	.	14.9	--	--	--	7.1	20.2	-7.1	0.3	6.1	7.4			
Financial Derivatives	--	--	--	17.4	-6.9	-19.1	--	--	--	-65.3	23.2	-100.0	11.9	-6.7	-19.8			
Other Investment	1.0	-0.8	-0.3	3.1	7.6	0.4	--	--	--	9.8	6.6	0.8	5.5	7.2	0.5			
Other equity	1.0	-0.8	-0.3	--	--	--	--	--	--	--	--	--	1.0	-0.8	-0.3			
Currency and deposits	--	--	--	18.8	6.5	14.4	--	--	--	9.8	5.7	1.0	13.6	6.0	6.2			
Loans	--	--	--	-6.5	8.2	-7.0	--	--	--	--	--	--	-6.5	8.2	-7.0			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade credits and advances	--	--	--	--	--	--	--	--	--	11.1	20.0	-0.6	11.1	20.0	-0.6			
Other accounts receivable	--	--	--	14.2	0.4	10.9	--	--	--	--	--	--	14.2	0.4	10.9			
Reserve Assets	0.8	-3.3	5.7	--	--	--	--	--	--	--	--	--	0.8	-3.3	5.7			
Total	0.8	-3.3	5.7	1.0	3.8	6.2	--	--	--	5.0	4.3	-1.5	2.3	0.7	2.9			
Growth Rates (Year-on-Year)																		
Direct Investment	--	--	--	-5.0	-1.8	-1.8	--	--	--	12.4	10.7	5.6	12.1	10.6	5.5			
Equity and investment fund shares	--	--	--	-5.0	-1.8	-1.8	--	--	--	22.2	13.9	-1.6	21.1	13.4	-1.6			
Debt instruments	--	--	--	--	--	--	--	--	--	5.7	8.4	11.3	5.7	8.4	11.3			
Portfolio Investment	29.9	-0.9	-4.1	4.5	11.3	31.0	--	--	--	28.8	40.4	20.3	12.4	21.2	26.9			
Equity and investment fund shares	29.9	-0.9	-4.1	-14.8	-81.3	-80.6	--	--	--	110.9	26.7	3.9	92.1	20.2	0.5			
Debt securities	--	--	--	4.6	11.8	31.6	--	--	--	14.5	44.7	25.6	7.5	21.2	29.8			
Financial Derivatives	--	--	--	-11.3	63.0	12.3	--	--	--	83.8	-80.1	-100.0	-10.4	53.4	10.0			
Other Investment	6.2	-1.3	-2.6	8.0	-0.3	-3.0	--	--	--	15.6	6.8	-1.9	10.7	2.2	-2.6			
Other equity	6.2	-1.3	-2.6	--	--	--	--	--	--	--	--	--	6.2	-1.3	-2.6			
Currency and deposits	--	--	--	8.4	-10.0	-13.4	--	--	--	15.1	3.7	-4.6	12.1	-2.1	-8.4			
Loans	--	--	--	7.8	5.5	4.9	--	--	--	--	--	--	7.8	5.5	4.9			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade credits and advances	--	--	--	--	--	--	--	--	--	26.4	67.8	50.1	26.4	67.8	50.1			
Other accounts receivable	--	--	--	-5.1	12.4	9.2	--	--	--	--	--	--	-5.1	12.4	9.2			
Reserve Assets	1.1	-7.4	-2.9	--	--	--	--	--	--	--	--	--	1.1	-7.4	-2.9			
Total	1.1	-7.4	-2.9	6.0	4.8	10.2	--	--	--	14.2	12.9	5.9	6.4	1.8	2.4			

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		
	Dec -17 r	Sep -18 p	Dec -18 p	Dec -17 r	Sep -18 p	Dec -18 p	Dec -17 r	Sep -18 p	Dec -18 p	Dec -17 r	Sep -18 p	Dec -18 p	Dec -17 r	Sep -18 p	Dec -18 p	Dec -17 r	Sep -18 p	Dec -18 p
Levels																		
Direct Investment	0	0	0	3017	3175	3357	0	0	0	76000	76726	79639	79016	79901	82997	36.9	38.8	37.0
Equity and investment fund shares	0	0	0	3017	3175	3357	0	0	0	48475	43666	45475	51491	46841	48833	24.0	22.8	21.8
Debt instruments	0	0	0	0	0	0	0	0	0	27525	33061	34164	27525	33061	34164	12.8	16.1	15.2
Portfolio Investment	156	155	157	16092	12548	13541	19581	19921	22328	50439	42103	51606	86269	74727	87632	40.3	36.3	39.1
Equity and investment fund shares	0	0	0	13816	8852	9934	0	0	0	45187	38612	48128	59002	47463	58062	27.5	23.1	25.9
Debt securities	156	155	157	2277	3696	3607	19581	19921	22328	5252	3491	3477	27266	27263	29570	12.7	13.2	13.2
Financial Derivatives	0	0	0	201	231	189	0	0	0	6	2	0	208	233	189	0.1	0.1	0.1
Other Investment	1190	1175	1162	16702	14750	18659	16837	17768	17782	14014	17221	15988	48744	50914	53591	22.8	24.7	23.9
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	2805	2691	2903	0	0	0	0	0	0	2805	2691	2903	1.3	1.3	1.3
Loans	.	.	.	12889	11204	14910	16837	17768	17782	11379	13424	13422	41106	42396	46114	19.2	20.6	20.5
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	2635	3798	2566	2635	3798	2566	1.2	1.8	1.1
Other accounts payable	0	0	0	1007	855	846	0	0	0	0	0	0	1007	855	846	0.5	0.4	0.4
Special drawing rights	1190	1175	1162	0	0	0	0	0	0	0	0	0	1190	1175	1162	0.6	0.6	0.5
Total	1347	1330	1319	36012	30704	35746	36419	37689	40111	140459	136052	147233	214237	205775	224408	100.0	100.0	100.0
Growth Rates (Quarter-on-Quarter)																		
Direct Investment	--	--	--	1.7	0.8	5.7	--	--	--	7.4	2.6	3.8	7.1	2.5	3.9			
Equity and investment fund shares	--	--	--	1.7	0.8	5.7	--	--	--	8.7	0.3	4.1	8.3	0.4	4.3			
Debt instruments	--	--	--	--	--	--	--	--	--	5.1	5.8	3.3	5.1	5.8	3.3			
Portfolio Investment	0.0	-0.6	1.7	16.0	-3.2	7.9	14.0	6.9	12.1	3.4	3.1	22.6	7.8	3.0	17.3			
Equity and investment fund shares	--	--	--	14.8	-11.8	12.2	--	--	--	4.9	6.8	24.6	7.1	2.7	22.3			
Debt securities	0.0	-0.6	1.7	23.9	26.5	-2.4	14.0	6.9	12.1	-8.2	-25.0	-0.4	9.6	3.4	8.5			
Financial Derivatives	--	--	--	33.2	-10.5	-18.1	--	--	--	-69.5	5.4	-100.0	20.7	-10.4	-18.8			
Other Investment	0.6	-0.2	-1.1	4.5	-0.2	26.5	-1.5	3.4	0.1	-3.1	18.5	-7.2	.	6.8	5.3			
Other equity	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Currency and deposits	--	--	--	0.8	1.7	7.9	--	--	--	--	--	--	0.8	1.7	7.9			
Loans	.	.	.	5.6	0.4	33.1	-1.5	3.4	0.1	-1.6	13.2	.	0.6	5.4	8.8			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade credits and advances	--	--	--	--	--	--	--	--	--	-8.9	42.5	-32.4	-8.9	42.5	-32.4			
Other accounts payable	--	--	--	1.1	-12.2	-1.0	--	--	--	--	--	--	1.1	-12.2	-1.0			
Special drawing rights	0.6	-0.2	-1.1	--	--	--	--	--	--	--	--	--	0.6	-0.2	-1.1			
Total	0.6	-0.3	-0.8	9.2	-1.4	16.4	6.3	5.2	6.4	4.8	4.6	8.2	5.7	3.7	9.1			
Growth Rates (Year-on-Year)																		
Direct Investment	--	--	--	-1.2	7.1	11.3	--	--	--	23.7	8.4	4.8	22.5	8.3	5.0			
Equity and investment fund shares	--	--	--	-1.2	7.1	11.3	--	--	--	21.8	-2.1	-6.2	20.2	-1.5	-5.2			
Debt instruments	--	--	--	--	--	--	--	--	--	27.1	26.2	24.1	27.1	26.2	24.1			
Portfolio Investment	-8.6	-1.1	0.6	33.5	-9.5	-15.9	-0.7	16.0	14.0	17.6	-13.7	2.3	15.3	-6.6	1.6			
Equity and investment fund shares	--	--	--	32.2	-26.4	-28.1	--	--	--	22.4	-10.4	6.5	24.6	-13.9	-1.6			
Debt securities	-8.6	-1.1	0.6	42.5	101.2	58.5	-0.7	16.0	14.0	-12.4	-38.9	-33.8	-0.8	9.6	8.4			
Financial Derivatives	--	--	--	1.9	52.8	-6.1	--	--	--	-50.4	-90.2	-100.0	-1.3	35.3	-9.0			
Other Investment	6.2	-0.7	-2.4	-2.7	-7.7	11.7	3.1	3.9	5.6	-7.0	19.1	14.1	-1.9	4.5	9.9			
Other equity	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Currency and deposits	--	--	--	21.2	-3.3	3.5	--	--	--	--	--	--	21.2	-3.3	3.5			
Loans	.	.	.	-7.3	-8.2	15.7	3.1	3.9	5.6	-12.2	16.1	18.0	-4.8	3.7	12.2			
Insurance, pension, and standardized guarantee schemes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Trade credits and advances	--	--	--	--	--	--	--	--	--	24.6	31.3	-2.6	24.6	31.3	-2.6			
Other accounts payable	--	--	--	5.8	-14.3	-16.1	--	--	--	--	--	--	5.8	-14.3	-16.1			
Special drawing rights	6.2	-0.7	-2.4	--	--	--	--	--	--	--	--	--	6.2	-0.7	-2.4			
Total	4.3	-0.7	-2.0	10.9	-6.9	-0.7	1.0	10.0	10.1	17.6	1.5	4.8	13.2	1.5	4.7			

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

p Preliminary

r Revised

. Rounds off to zero

-- Infinite growth rate