

## 2009 PHILIPPINE FLOW OF FUNDS

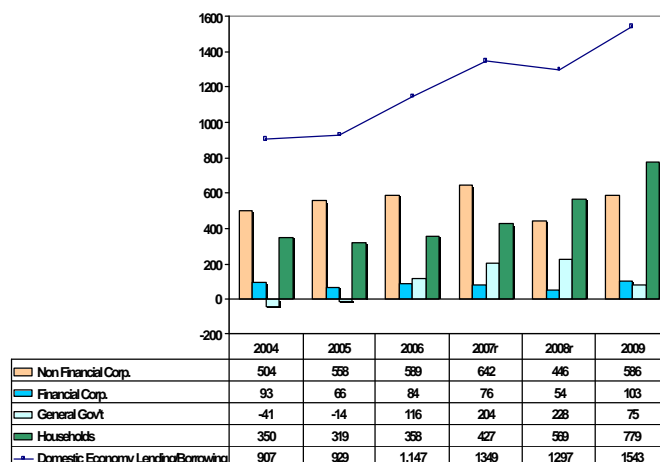
The 2009 Flow of Funds (FOF) reports continued growth in national savings despite the global financial and economic crisis. Notable was the rebound in savings of the financial corporations that more than offset the substantial fall in the general government's savings. On the other hand, total capital accumulation in the economy slightly declined as households and private corporations adopted a more cautious stance in investing in real assets. With savings significantly exceeding capital accumulation, net lending vis-à-vis the rest of the world more than doubled compared to that in 2008. All sectors were net lenders, except for the general government which reverted to a net borrower position, after being a net lender for two consecutive years. The domestic economy's financial assets were largely in the form of currency and deposits while a significant portion of its liabilities, particularly of the non-bank sectors, were comprised of securities other than shares.

### Savers in the Economy

*Total savings increase, notwithstanding the substantial fall in the general government's savings.* As the Philippine economy avoided recession and posted a respectable real gross domestic product (GDP) growth of 1.1 percent in 2009, it was able to generate total domestic savings of ₱1,542.9 billion in 2009. This level exceeded the previous year's savings of ₱1,297.0 billion by 19.0 percent, given the slowdown in the growth of personal consumption expenditures. (Annexes A, B and C)

## Gross Savings, by Sector

*in Billion Pesos*



*Household sector remains the prime saver as consumption spending slows down.*

The household sector remained the prime saver in the economy for the second consecutive year. Its accumulated savings amounted to ₱779.0 billion, boosted by the steady inflow of remittances from overseas Filipinos despite the difficulties faced by their host economies. The sustained increase in income, combined with the slowdown in the growth of personal consumption expenditures from 14.5 percent in 2008 to only 7.5 percent in 2009, contributed to the 36.8 percent growth in households' savings.<sup>1</sup>

*Non-financial corporations sector maintains its position as the second highest saver in the economy.*

The non-financial corporations sector generated a total savings level of ₱586.0 billion. The 31.4 percent growth in savings was attributed to profits generated in mining and quarrying, real estate, renting and business activities. The growing importance of business process outsourcing (BPO) activities had served as the driver of growth for renting and business services.

<sup>1</sup> Source: National Accounts of the Philippines as of May 2010, National Statistical Coordination Board

Notwithstanding the subdued overall business climate as a result of cautious consumer sentiment, private businesses managed to rein in their operating expenses to counter the effects of slackening revenue. Businesses were also able to take advantage of the decline in financing costs as average bank lending rates fell from 9.3 percent as of December 2008 to 8.2 percent as of December 2009, reflecting the pass-through of the BSP's policy rate cuts to bank borrowers. Likewise, private corporations were able to significantly save on tax expenses owing to the reduction of the corporate income tax from 35 percent to 30 percent.<sup>2</sup>

*Financial sector's savings rises significantly as a result of BSP's liquidity support measures.*

The financial sector's savings rebounded at ₱102.9 billion, a robust growth of 90.5 percent from the previous year's negative 28.8 percent. Banks, supported by the BSP's monetary-easing measures, proved resilient as they turned in better-than-expected growth in income that was the result of the following developments: (1) sustained credit growth; (2) improving loan and asset quality; and (3) increased funding source from a growing deposit base.<sup>3</sup>

*General Government Sector's savings shrinks as an offshoot of the Economic Resiliency Plan.*

On the other hand, the general government sector's savings shrunk by 67.1 percent to ₱74.8 billion from the previous year's ₱227.5 billion. Specifically, the reduction in the National Government's (NG) net savings can be traced to: (1) the ₱133.7 billion decline in revenues as the slowdown in economic activity dented tax collection; and (2) the ₱54.2 billion rise in current operating expenses.

<sup>2</sup> Based on Senate Economic Planning Office (SEPO) Economic Report, 2009

<sup>3</sup> Source: A Status Report on the Philippine Financial System, Second Semester 2009, Office of Supervisory Policy Development (OSPD), SES, BSP.

This came about as the NG decided to delay fiscal consolidation to 2013 in order to cushion the economy from the ripple effects of the global economic slowdown and to provide for the relief, rehabilitation and reconstruction activities prompted by destructive calamities that hit the country during the year.<sup>4</sup>

Among the pump-priming strategies was the implementation of the Economic Resiliency Plan (ERP) in 2009. This included the ₱160 billion-incremental government allocation for salary increases and Internal Revenue Allocation (IRA), and the ₱40 billion for corporate and individual income tax breaks such as the reduction in the corporate income tax rate from 35 percent to 30 percent.

The major sources of increases in the government expenditures were: (1) increase in personal services largely due to compensation adjustments for the full implementation of the 10 percent across-the-board salary increase and the first tranche of the Salary Standardization Law III (SSL III) effective 1 July 2008 and 1 July 2009, respectively; (2) increase in maintenance and other operating expenditures, largely attributable to (a) provisions for the 2010 elections and (b) outlays for the conditional cash transfers under the Pantawid Pamilyang Pilipino (PPP) Program to lessen the effect of price hikes on top of the enactment of RA 9504 which provides for the exemption of minimum wage earners from paying income taxes; and (c) additional requirements for the relief and rehabilitation efforts in areas affected by calamities.

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<sup>4</sup> These include tropical storms Ketsanam, Morakot and Parma (PAGASA name: Ondoy, Kiko and Pepeng, respectively)

Meanwhile, the good performance of the Social Security Agencies (SSAs) mitigated the deterioration in the general government's savings, as they continued to post profit, albeit slightly lower compared to the previous year's level. The Government Service Insurance System (GSIS) and the Social Security System (SSS) realized net incomes of ₱44.0 billion and ₱12.8 billion, respectively.

### Investing Institutions

*Real investment posts negative growth owing to investors' wait-and-see stance*

Weighed down by concerns of a shrinking world trade that threatened profitability, businesses turned timid on building up capital. As a result, total domestic capital accumulation or real investment dropped by 0.7 percent to ₱1,124.6 billion in 2009 from the previous year's ₱1,132.3 billion. This ensued despite the hefty increase in capital expenditures of the general government aimed at spurring economic activity.<sup>5</sup>

*General government sector expedites implementation of infrastructure projects.*

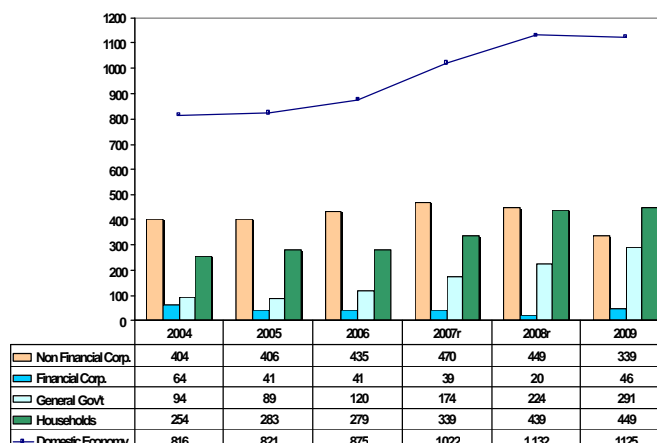
The general government's capital expenditures expanded by 29.7 percent from ₱224.2 billion in 2008 to ₱290.9 billion in 2009. The rapid growth in public construction activity was due to the acceleration of the implementation of various infrastructure projects under the Comprehensive Integrated Infrastructure Program (CIIP).

The national government's infrastructure expenditures and other capital outlays

<sup>5</sup> Capital accumulation (usually referred to as real investments) in the System of National Accounts (SNA) consists of net acquisition of two main types of assets—produced assets and non-produced assets. Examples of produced assets are fixed capital, such as buildings and structures, machinery and equipment; and changes in stocks, which are also considered as forms of capital formation. Meanwhile, examples of non-produced assets, which are not products of any economic activity, include purchase and sale of patents, copyrights, trademarks, and franchises. Purchase and sale of land are also included but would only be covered in transactions among the domestic sectors, and eventually cancel out in the process of national consolidation.

increased by ₱44.3 billion or 25.7 percent to ₱216.5 billion, as a result of the frontloading of outlays for infrastructure projects under the Economic Stimulus Fund (ESF). Major infrastructure projects completed or fast-tracked included the improvement of Bontoc–Lubuagan–Tabuk–Tuguegarao Road (₱2.5 billion); construction of Baler–Aurora–Casiguran Road (₱1.7 billion) and Kapalong–Talaingod–Valencia–Bukidnon Road (₱2.2 billion); concreting of El Nido–Bataraza Road (₱3.9 billion); road opening/improvement of Zamboanga West Coast Road (₱2.6 billion); and rehabilitation of Surigao–Davao Coastal Road (₱2.6 billion).<sup>6</sup>

### Gross Capital Accumulation, by Sector in Billion Pesos



*Financial sector's capital accumulation increases as asset quality improves.*

The financial corporations' capital accumulation rose to ₱45.9 billion in 2009 from ₱19.7 billion in 2008. It should be noted though that the 132.6 percent improvement was more a result of lower disposal of non-performing assets (compared with prior year's) than acquisition of new assets. As

<sup>6</sup> Based on the 2009 Accomplishment Report of the Department of Budget and Management

asset quality continued to improve, sale of non-performing assets amounted to only ₱4.4 billion as against the ₱42.5 billion in 2008.<sup>7</sup>

*Households' investments in residential properties grow, albeit at a slower pace than the previous year.*

Meanwhile, capital accumulation by the household sector grew by only 2.2 percent to ₱448.7 billion from the previous year's ₱439.1 billion, given their still cautious stance in investing in real properties. The subdued mood could have been triggered by the lack of employment opportunities as employment services reported a 12.0 percent dip in average placements of applicants.

This development dampened households' confidence in their financial capacity to engage in long-term investment commitments. Thus, households' capital formation, specifically in dwelling units, slowed significantly. Residential building permits markedly decelerated to 7.0 percent vis-à-vis the previous year's 28.8 percent growth.<sup>8</sup> A similar trend was reflected in real estate loans which showed decelerating expansion in 2009.<sup>9</sup>

*Non-financial sector's capital accumulation declines significantly on cautious business outlook.*

In contrast, the non-financial sector's capital accumulation declined by 24.5 percent to ₱339.1 billion in 2009 as a result of the weak business outlook. Construction of commercial and industrial structures went down by 17.4 percent and 6.5 percent, respectively.<sup>10</sup> Expenditures on equipment likewise decreased by 8.7 percent.<sup>11</sup>

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<sup>7</sup> Source: 2009 BSP Annual Report

<sup>8</sup> Based on Private Building Construction Statistics for the year 2009; [www.nso.gov.ph](http://www.nso.gov.ph)

<sup>9</sup> Real Estate, Renting and Business Services Loans outstanding slowed to 12.3 percent in 2009 compared with prior year's growth of 30.2 percent

<sup>10</sup> Private Building Construction Statistics, Op. cit.

<sup>11</sup> Source: National Accounts of the Philippines as of May 2010, National Statistical Coordination Board

## Lenders and Borrowers in the Economy

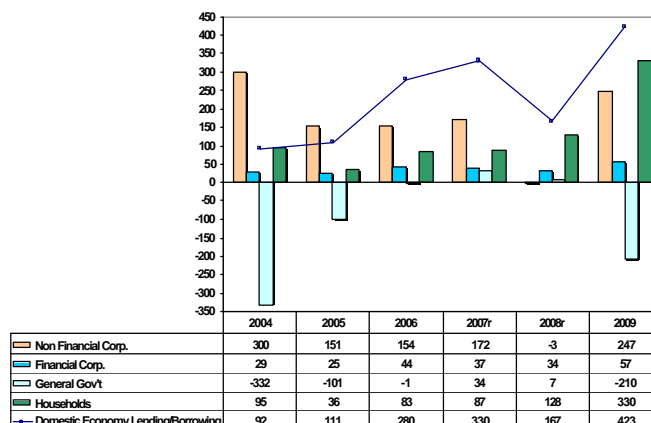
*Domestic economy's net lending position increases more than two-fold.*

The domestic economy's growing capacity as a fund provider to the rest of the world since 2003 strengthened in 2009, with net lending to the rest of the world expanding by more than two-fold at ₱423.1 billion against the ₱167.1 billion posted in 2008<sup>12</sup> (Annex D). The significant improvement in the trade balance contributed to this development, with net trade-in-goods expanding by 31.2 percent and net trade-in-services increasing by 33.6 percent.

*Household sector remains the top lender with a slow return to the stock market.*

The household sector sustained its top lender position at ₱329.6 billion, twice over the ₱128.4 billion recorded in 2008. Households' net lending remained mainly in the form of currency and deposits, reflecting households' natural tendency to stay liquid especially at times of uncertainty. However, a shift from

### Net Lending, by Sector in Billion Pesos



holdings of fixed-income debt securities to shares and other equity was noted. This indicated some willingness to take on risks in the stock market in exchange for higher

<sup>12</sup> Conversely, the Rest of the World's borrowing from the domestic economy rose by 153.2 percent in 2009.



returns as bond yields remained low. By year-end, the average stock price had risen by 63.0 percent, lifting the Philippine Stock Exchange Index from 1,872.9 in 2008 (last trading day) to 3,052.7 in 2009.

Meanwhile, loans of households sunk by 73.0 percent from ₱346.1 billion to ₱93.3 billion.

*Non-Financial Sector posts a turnaround to net lending position.*

The non-financial corporations sector made a remarkable turnaround from being a net borrower at ₱3.1 billion in 2008 to become the second top net lender at ₱246.9 billion in 2009. Accounts receivables dominated their assets mainly in the form of trade credits. A significant portion consisted of inter-company loans that supplemented those granted by banks, as the ratio of bank loans outstanding to productive activities decelerated from 18.3 percent to 9.9 percent. Based on the results of the BSP's senior bank loan officers' survey, this came about when banks began to deleverage towards the fourth quarter of 2009 as economic recovery was seen to be uncertain. Meanwhile, the sector has also significantly reduced its loans from ₱130.6 billion to ₱4.1 billion.

*Financial Sector further strengthens its net lender position.*

Net lending by the financial corporations sector improved by 65.7 percent to reach ₱57.1 billion in 2009 compared with the previous year's level of ₱34.4 billion. The sector's net lending changed from being mainly in the form of investments in securities and loans receivables to securities and currency and deposits. Meanwhile, deposit liabilities posted a growth of 11.4 percent to ₱4,671.6 billion from last year's ₱4,195.1 billion, indicative of banks' solid financial position as their lending activities remained to be largely

deposit-funded.<sup>13</sup> There was also a notable increase in the sector's borrowing through issuance of securities as they took advantage of the low interest rate regime.

*General  
Government  
Sector reverts to  
being a net  
borrower.*

The general government reverted to being a net borrower at ₱210.5 billion, after two consecutive years of being a net lender. The NG incurred a current deficit amounting to ₱53.0 billion in 2009. The local government units (LGUs) also became a net borrower at ₱6.0 billion in 2009 from being a net lender at ₱3.6 billion in 2008. The 41 percent increase in savings of LGUs was more than offset by the 66.7 percent increase in its capital expenditures.

In contrast, the SSAs remained a net lender at ₱59.9 billion in 2009. However, this level was lower compared to the ₱64.9 billion recorded in 2008. The Social Security System (SSS) brought the SSA to the surplus position, as it attained a 25.4 percent increase in income particularly on premiums and a 28.0 percent decrease in its operating expenditures.

The combined general government's borrowings were dominated by securities other than shares at ₱93.7 billion, even as the level declined following the repayment by the NG of ₱396.5 billion worth of bonds. On the other hand, the sector's borrowing in the form of loans more than doubled from ₱32.7 billion to ₱89.8 billion.

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<sup>13</sup> Source: A Status Report on the Philippine Financial System, Second Semester 2009, Office of Supervisory Policy Development (OSPD), SES, BSP

## Financial Instruments Used in the Economy

*Loans and other accounts receivable/payable are the most widely used financial instruments.* Net fund provisions showed that loans and other accounts receivable/payable emerged as the widely-used instruments at ₱186.9 billion and ₱214.7 billion, respectively, after a considerable flight to securities which served as safe haven at the height of the global financial crisis in 2008.<sup>14</sup>

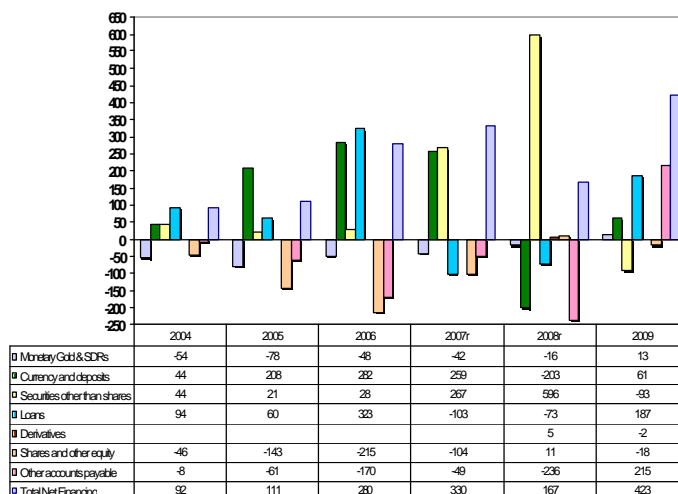
*Issuing securities remains the top mode of financing from rest of the world.* Nonetheless, net fund provision to and from the rest of the world continued to be in the form of securities. The NG tapped the international bond market in October 2009, issuing US\$1 billion worth of 25-year global bonds, which fetched a record-low interest rate of 6.375 percent. Likewise, private non-financial companies took advantage of the low cost of international borrowing by refinancing some of their maturing obligations and issuing bonds in the international market for their development projects.<sup>15</sup>

It must also be noted that transactions in currency and deposits as well as accounts receivable/payable with non-residents fell significantly as foreign trade, particularly in goods, dropped considerably.

<sup>14</sup> Net fund provision is calculated as the difference between the transaction in asset and transaction in liability of a particular financial instrument (e.g. loans receivable less loans payable).

<sup>15</sup> Excerpts from the 2009 Bangko Sentral ng Pilipinas Annual Report

## Net Lending/ Net Borrowing by Financial Instrument in Billion Pesos



*Currency and deposits dominate the domestic economy's*

However, the asset side of the balance sheet showed that asset transactions were dominated by currency and deposits at ₱706.4 billion, as investors parked their funds in the banking system instead of placing them in the equity market. Securities other than shares, although lower by 54.1 percent from its year-ago level, still comprised the bulk of the lending activity at ₱433.6 billion. Similarly, other accounts receivable accounted for a considerable portion at ₱513.1 billion.

*Currency and deposits, and securities other than shares comprise the bulk in the domestic economy's financial liabilities.*

The same transaction pattern was observed in the liability side where currency and deposits and securities other than shares comprised the bulk at ₱645.7 billion and ₱526.1 billion, respectively. Government securities continued to dominate the domestic bond market, accounting for 88.3 percent of total bond issuances in 2009.

## About the Flow of Funds

The FOF presents a summary of financial transactions among the different institutions of the economy, and between these institutions and the rest of the world. It identifies which institutions are net borrowers and net lenders in the series of financial transactions. Institutions are categorized into four, namely: 1) financial corporations; 2) non-financial corporations; 3) general government; and 4) households. (Annex E)

**FLOW OF FUNDS SUMMARY MATRIX, BY SECTOR**  
**2009 <sup>p</sup>**  
in million pesos

TRANSACTION CATEGORIES	Non-Financial Corporations	Financial Corp.	General Government	Households <sup>1</sup>	DOMESTIC SECTORS <sup>2</sup>	Rest of the World	TOTAL VOLUME
<b>CAPITAL ACCOUNT</b>							
Gross Saving and Capital Transfers	586,070	102,937	80,460	778,322	1,547,789	-423,098	1,124,692
Saving	586,070	102,937	74,841	779,036	1,542,884	-418,192	1,124,692
Net capital transfers	0	0	5,619	-713	4,906	-4,906	0
Capital Accumulation	339,146	45,875	290,937	448,687	1,124,644	48	1,124,692
Gross Capital formation	337,809	45,875	289,688	451,321	1,124,692	0	1,124,692
Other capital accumulation	1,337	0	1,249	-2,634	-48	48	0
Net Lending (+) / Net Borrowing (-)	246,924	57,062	-210,477	329,636	423,145	-423,146	0
<b>FINANCIAL ACCOUNT</b>							
Net Financing <sup>3</sup>	246,924	57,062	-210,477	329,636	423,146	-423,146	0
Net Acquisition of Financial Assets	614,598	1,349,347	9,303	193,036	2,166,284	82,551	2,248,835
Monetary gold and SDRs		13,376			13,376	-13,376	0
Currency and deposits	50,838	557,934	-34,200	131,800	706,372	-25,809	680,563
Securities, other than shares	-132,790	525,552	83,661	-42,808	433,615	152,768	586,383
Derivatives	-8,071	-11,161			-19,232	-17,666	-36,898
Loans	353,264	17,007	-24,913	-	345,358	-111,887	233,471
Shares and other equity	19,412	47,858	2,303	5,267	74,840	37,442	112,281
Insurance technical reserves		50	-13	39,033	39,070	0	39,070
Other accounts receivable <sup>4</sup>	331,945	198,731	-17,535	-	513,141	61,078	574,219
Unclassified items <sup>6</sup>				59,744	59,744		59,744
Net Incurrence of Liabilities	367,673	1,292,285	219,780	-136,600	1,743,138	505,696	2,248,835
Monetary gold and SDRs							
Currency and deposits		645,682			645,682	34,881	680,563
Securities, other than shares	237,541	194,886	93,696		526,123	60,260	586,383
Derivatives	-7,988	-9,678			-17,666	-19,231	-36,897
Loans	114,080	-98,752	89,831	53,280	158,439	75,032	233,471
Shares and other equity	6,379	86,682			93,061	19,220	112,281
Insurance technical reserves		39,070			39,070	0	39,070
Other accounts payable <sup>5</sup>	17,661	434,395	36,253	-189,880	298,429	275,790	574,219
Unclassified items <sup>6</sup>						59,744	59,744
<b>NET LENDING / NET FINANCING BY FINANCIAL INSTRUMENT</b>							
Net Financing <sup>3</sup>	246,924	57,062	-210,477	329,636	423,146	-423,146	0
Monetary gold and SDRs		13,376			13,376	-13,376	0
Currency and deposits	50,838	-87,748	-34,200	131,800	60,690	-60,690	0
Securities, other than shares	-370,331	330,666	-10,035	-42,808	-92,508	92,508	0
Derivatives	-83	-1,483	0	0	-1,566	1,566	0
Loans	239,184	115,759	-114,744	-53,280	186,919	-186,919	0
Shares and other equity	13,033	-38,824	2,303	5,267	-18,222	18,221	0
Insurance technical reserves	0	-39,020	-13	39,033	0	0	0
Other accounts receivable (+) / payable (-)	314,284	-235,664	-53,788	189,880	214,712	-214,712	0
Unclassified items <sup>6</sup>				59,744	59,744	-59,744	0

<sup>p</sup> Preliminary

<sup>1</sup> Includes entrepreneurial activities of households as well as all other unaccounted transactions in the domestic economy; also covers non-profit institutions serving households (NPISH)

<sup>2</sup> Refers to the sum of the domestic sectors' transactions among themselves and with the rest of the world (ROW)

<sup>3</sup> Net acquisition of financial assets less net incurrence of financial liabilities

<sup>4</sup> For the household sector, presented as net of accounts payables

<sup>6</sup> Households' other accounts payable includes errors and omissions

<sup>6</sup> Represents the unclassified financial assets/liabilities in the Balance of Payment, including derivatives

Details may not add up due to rounding off.

## FLOW OF FUNDS SUMMARY MATRIX, BY SECTOR

2008 r

in million pesos

TRANSACTION CATEGORIES	Non-Financial Corporations	Financial Corp.	General Government	Households 1	DOMESTIC SECTORS 2	Rest of the World	TOTAL VOLUME
<b>CAPITAL ACCOUNT</b>							
Gross Saving and Capital Transfers	446,104	54,163	231,541	567,584	1,299,393	-167,222	1,132,171
Saving	446,104	54,040	227,500	569,348	1,296,993	-164,822	1,132,171
Net capital transfers	0	123	4,041	-1,764	2,400	-2,400	0
Capital Accumulation	449,183	19,720	224,229	439,135	1,132,268	-97	1,132,171
Gross Capital formation	447,199	19,720	222,280	442,971	1,132,171	0	1,132,171
Other capital accumulation	1,984	0	1,949	-3,836	97	-97	0
Net Lending (+) / Net Borrowing (-)	-3,079	34,444	7,312	128,449	167,125	-167,125	0
<b>FINANCIAL ACCOUNT</b>							
Net Financing 3	-3,079	34,444	7,312	128,449	167,125	-167,125	0
Net Acquisition of Financial Assets	654,309	817,674	308,631	577,356	2,357,970	-246,190	2,111,780
Monetary gold and SDRs		-16,485			-16,485	16,485	0
Currency and deposits	-38,429	69,287	94,393	246,097	371,348	-10,765	360,583
Securities, other than shares	127,920	388,126	223,073	204,606	943,725	-142,557	801,168
Derivatives		-24,574			-24,574	-29,842	-54,416
Loans	3,918	375,837	-5,070	0	374,685	-68,431	306,254
Shares and other equity	164,544	-42,820	-20,105	15,616	117,235	-2,817	114,418
Insurance technical reserves	0	-100	48	28,172	28,120	0	28,120
Other accounts receivable 4	396,356	68,403	16,292	0	481,051	-8,263	472,788
Unclassified items 5				82,865	82,865		82,865
Net Incurrence of Liabilities	657,388	783,230	301,319	448,908	2,190,845	-79,065	2,111,779
Monetary gold and SDRs							
Currency and deposits		574,471			574,471	-213,888	360,583
Securities, other than shares	35,014	58,345	254,717		348,075	453,093	801,168
Derivatives		-29,842			-29,842	-24,574	-54,416
Loans	130,613	-62,082	32,765	346,076	447,372	-141,118	306,254
Shares and other equity	17,756	88,025			105,780	8,638	114,418
Insurance technical reserves		28,120			28,120	0	28,120
Other accounts payable	474,006	126,194	13,837	102,832	716,868	-244,081	472,787
Unclassified items 5						82,865	82,865
<b>NET LENDING / NET FINANCING BY FINANCIAL INSTRUMENT</b>							
Net Financing 3	-3,079	34,444	7,312	128,449	167,125	-167,125	0
Monetary gold and SDRs		-16,485			-16,485	16,485	0
Currency and deposits	-38,429	-505,184	94,393	246,097	-203,123	203,123	0
Securities, other than shares	92,907	329,781	-31,644	204,606	595,650	-595,650	0
Derivatives	0	5,268	0	0	5,268	-5,268	0
Loans	-126,695	437,919	-37,835	-346,076	-72,687	72,687	0
Shares and other equity	146,788	-130,844	-20,105	15,616	11,455	-11,455	0
Insurance technical reserves	0	-28,220	48	28,172	0	0	0
Other accounts receivable (+) / payable (-)	-77,649	-57,791	2,455	-102,832	-235,818	235,818	0
Unclassified items 5				82,865	82,865	-82,865	0

r Revised

1 Includes entrepreneurial activities of households as well as all other unaccounted transactions in the domestic economy; also covers non-profit institutions serving households (NPISH)

2 Refers to the sum of the domestic sectors' transactions among themselves and with the rest of the world (ROW)

3 Net acquisition of financial assets less net incurrence of financial liabilities

4 For the household sector, presented as net of accounts payables

5 Represents the unclassified financial assets/liabilities in the Balance of Payment, including derivatives

Details may not add up due to rounding off.

FLOW OF FUNDS SUMMARY MATRIX, BY SECTOR  
2008 - 2009  
growth rates

TRANSACTION CATEGORIES	Non-Financial Corporations	Financial Corp.	General Government	Households <sup>1</sup>	DOMESTIC SECTORS <sup>2</sup>	Rest of the World	TOTAL VOLUME
<b>CAPITAL ACCOUNT</b>							
Gross Saving and Capital Transfers	31.4	90.0	-65.3	37.1	19.1	-153.0	-0.7
Saving	31.4	90.5	-67.1	36.8	19.0	-153.7	-0.7
Net capital transfers	-	-100.0	39.0	59.6	104.4	-104.4	-
Capital Accumulation	-24.5	132.6	29.7	2.2	-0.7	149.5	-0.7
Gross Capital formation	-24.5	132.6	30.3	1.9	-0.7	-	-0.7
Other capital accumulation	-32.6	0.0	-35.9	31.3	-149.6	149.5	0.0
Net Lending (+) / Net Borrowing (-) <sup>3</sup>	8,120.0	65.7	-2,978.7	156.6	153.2	-153.2	-1,210.5
<b>FINANCIAL ACCOUNT</b>							
Net Financing <sup>3</sup>	8,118.7	65.7	-2,978.6	156.6	153.2	-153.2	-162.4
Net Acquisition of Financial Assets	-6.1	65.0	-97.0	-66.6	-8.1	133.5	6.5
Monetary gold and SDRs	-	181.1	-	-	181.1	-181.1	-
Currency and deposits	232.3	705.3	-136.2	-46.4	90.2	-139.7	88.7
Securities, other than shares	-203.8	35.4	-62.5	-120.9	-54.1	207.2	-26.8
Derivatives	-	54.6	-	-	21.7	40.8	32.2
Loans	8,917.3	-95.5	-391.4	-	-7.8	-63.5	-23.8
Shares and other equity	-88.2	211.8	111.5	-66.3	-36.2	1,429.1	-1.9
Insurance technical reserves	-	150.0	-127.1	38.6	38.9	-	38.9
Other accounts receivable	-16.3	190.5	-207.6	-	6.7	839.2	21.5
Unclassified items <sup>4</sup>	-	-	-	-27.9	-27.9	-	-27.9
Net Incurrence of Liabilities	-44.1	65.0	-27.1	-130.4	-20.4	739.6	6.5
Monetary gold and SDRs	-	-	-	-	-	-	-
Currency and deposits	-	12.4	-	-	12.4	116.3	88.7
Securities, other than shares	578.4	234.0	-63.2	-	51.2	-86.7	-26.8
Derivatives	-	67.6	-	-	40.8	21.7	32.2
Loans	-12.7	-59.1	174.2	-84.6	-64.6	153.2	-23.8
Shares and other equity	-64.1	-1.5	-	-	-12.0	122.5	-1.9
Insurance technical reserves	-	38.9	-	-	38.9	-	38.9
Other accounts payable	-96.3	244.2	162.0	-284.7	-58.4	213.0	21.5
Unclassified items <sup>4</sup>	-	-	-	-	-	-27.9	-27.9
<b>NET LENDING / NET FINANCING BY FINANCIAL INSTRUMENT</b>							
Net Financing <sup>3</sup>	8,118.7	65.7	-2,978.6	156.6	153.2	-153.2	
Monetary gold and SDRs	-	181.1	-	-	181.1	-181.1	
Currency and deposits	232.3	82.6	-136.2	-46.4	129.9	-129.9	
Securities, other than shares	-498.6	0.3	68.3	-120.9	-115.5	115.5	
Derivatives	-	-128.2	-	-	-129.7	129.7	
Loans	288.8	-73.6	-203.3	84.6	357.2	-357.2	
Shares and other equity	-91.1	70.3	111.5	-66.3	-259.1	259.1	
Insurance technical reserves	-	-38.3	-127.1	38.6	-	-	
Other accounts receivable (+) / payable (-)	504.7	-307.8	-2,291.1	284.7	191.1	-191.0	
Unclassified items <sup>4</sup>	-	-	-	-27.9	-27.9	27.9	

<sup>1</sup> Revised

<sup>1</sup> Includes entrepreneurial activities of households as well as all other unaccounted transactions in the domestic economy; also covers non-profit institutions serving households (NPISH)

<sup>2</sup> Refers to the sum of the domestic sectors' transactions among themselves and with the rest of the world (ROW)

<sup>3</sup> Net acquisition of financial assets less net incurrence of financial liabilities

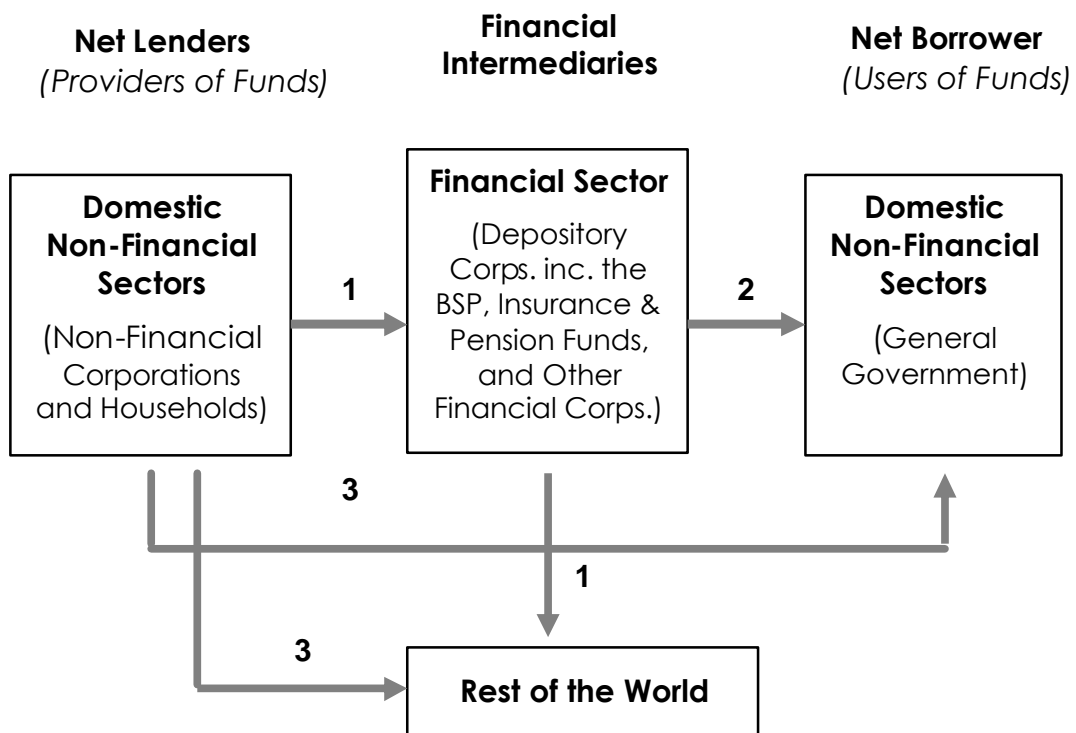
<sup>4</sup> Represents the unclassified financial assets/liabilities in the Balance of Payments, including derivatives



Net Lenders in the Economy (Source of Funds)			Net Fund Provision/Availment (in ₱ Billions)	Net Borrowers in the Economy (Users of Funds)		
Net Lending		P Billions		% to Total	Net Borrowing	
						P Billions
<b>2005</b>						
Non-Financial Corporations	151	71%	<b>212</b>	General Government	101	48%
Households	36	17%		Rest of the World	111	52%
Financial Corporations	25	12%				
<b>2006</b>						
Non-Financial Corporations	154	54.8%	<b>281</b>	General Government	1	0.3%
Households	83	29.7%		Rest of the World	280	99.7%
Financial Corporations	44	15.5%				
<b>2007 r</b>						
Non-Financial Corporations	172	52.1%	<b>330</b>	Rest of the World	330	100.0%
Households	87	26.4%				
General Government	34	10.3%				
Financial Corporations	37	11.2%				
<b>2008r</b>						
Households	128	75.5%	<b>170</b>	Non-Financial Corporation	3	1.8%
General Government	7	4.3%		Rest of the World	167	98.2%
Financial Corporations	34	20.2%				
<b>2009</b>						
Households	330	52.0%	<b>634</b>	General Government	211	33.2%
Financial Corporations	57	9.0%		Rest of the World	423	66.8%
Non-Financial Corporation	247	39.0%				

Note: Details may not add up to total due to rounding, rounded off to billions.

### Diagram of the Flow of Funds in 2009



#### Transactions:

- 1- Deposit/invest funds/repay loans
- 2- Lend/invest funds
- 3- Directly lends/invest funds

Note: The arrows are unidirectional, showing net presentation of transactions among the group of institutions. This is also consistent with the presentation on net lenders and borrowers in Annex D.