



Bangko Sentral ng Pilipinas

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Foreign Direct Investments Post Net Inflows in July 2009; Year-to-Date Level Breaches US\$1 Billion

Foreign direct investments (FDI) in July 2009 recorded a net inflow of US\$347 million, higher by 8.1 percent than the level posted a year ago, Bangko Sentral ng Pilipinas Governor Amando M. Tetangco, Jr. announced today. Foreign capital continued to pour into the Philippine economy, encouraged by the country's sound macroeconomic strengths amid challenging global economic conditions and strains in foreign financial markets. The bulk of FDI inflows in July was accounted for by U.S. investments in a local beverage manufacturing firm. In particular, net inflows of equity capital reached US\$315 million during the month.

As a result of the favorable developments in July, year-to-date net FDI inflows reached US\$1.2 billion, higher by 33.8 percent compared to the level in the same period last year. The improvement in FDI flows was primarily traced to net equity capital infusion of US\$1.3 billion, which outweighed the net outflows in the other capital account. In particular, gross equity capital placements during the seven-month period summed up to US\$1.4 billion, 24.4 percent higher than the US\$1.1 billion recorded in the same period last year. Investments originated mostly from the U.S., Japan, Hong Kong and the Netherlands and benefited the manufacturing, real estate, construction, services, financial intermediation, mining and trade/commerce sectors.

Reinvested earnings for the period January – July 2009 reached US\$74 million, a reversal of the US\$92 million net outflow posted a year ago as foreign investors were encouraged to retain part of their earnings given the favorable performance of domestic firms in the first half of the year.

Meanwhile, the balance of the other capital account, consisting mainly of intercompany borrowing/lending between foreign direct investors and their subsidiaries/affiliates in the Philippines, reversed to a net outflow of US\$146 million from a net inflow of US\$36 million a year ago. Contributing largely to the outflows were higher trade credits extended to affiliates abroad and intercompany loan repayments to foreign direct investors.

View table: http://www.bsp.gov.ph/publications/tables/2009_10/news-10122009a1.htm

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