

This metadata describes the compilation practices, sources and methodology in use in 2001. Please refer to the contact persons below for details of any changes that may have been introduced by the country since that time.

## **Philippines:**

### **Direct Investment Compilation Practices, Data Sources and Methodology**

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#### **Direct Investment in the Philippines**

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

#### **Direct Investment Abroad**

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

**[Glossary of Direct Investment Terms and Definitions](#)**

**DIRECT INVESTMENT IN THE PHILIPPINES**  
**BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary monthly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of 3 months after the end of the reference month. More comprehensive annual (calendar year) data are disseminated on reinvested earnings approximately 12 months after the end of the reference year.

**Revision Policy:** With the exception of the data on reinvested earnings, the data are considered to be final 2 months after their first release. The data on reinvested earnings are revised to take account of the more comprehensive annual data. However, the revision policy for reinvested earnings has not yet been defined because the more comprehensive annual data have only recently begun to be disseminated.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Data are collected on an individual transactions basis, and, except for the data on other capital, reporting requirements are compulsory. The data on other capital are based on loan registration, which is voluntary.

**Data Sources:** The data are compiled from (i) an international transactions reporting system (ITRS), (ii) monthly surveys of resident enterprises with cross-border transactions, the Cross Border Transactions Survey (CBTS), and (iii) administrative data on registered loans for the data on inter-company debt (other capital). The monthly data on reinvested earnings are estimates, based on information obtained from the Securities Exchange Commission on the annual financial reports for the previous year of major direct investment enterprises, which are then apportioned according to the monthly pattern of exports for the particular enterprise during the previous year. The annual data on reinvested earnings are derived from the annual financial reports of direct investment enterprises obtained from the Securities Exchange Commission. Press reports are also used for cross-checking the data. A business register of enterprises involved in direct investment is not maintained at present, although there are plans to introduce one in the future.

**Geographic Classification:** Monthly data showing country breakdowns for direct investment financial flows (but not direct investment income) are disseminated with a timeliness of 3 months after the end of the reference month. The transactor principle, rather than the debtor/creditor principle, is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns of direct investment financial flows for the major investing countries of the following regional blocs: (i) North America, (ii) Europe, (iii) Asia's Newly Industrialized Economies (ANIEs), (iv) ASEAN, (v) Other Asian countries, (vi) Australasia, and (vii) Central and South America. The four countries with the largest amount of direct investment flows into the Philippines during 2001 (ranked in descending order) were: the United States, Japan, France, and Singapore.

**Industrial Classification:** Not applicable. Data showing breakdowns by industrial sectors are not compiled at present.

**B. Methodology**

**Definition of Direct Investment Enterprises in the Philippines:** In principle, the basic criterion for defining direct investment enterprises in the Philippines is 10 percent ownership by a nonresident investor. However, in practice all equity investments by nonresidents in the Philippines, except equity securities transacted through the stock exchange, are defined as being direct investment in the Philippines, on the assumptions that (i) no nonresident investors on the stock exchange will hold more than 10 percent of the total shares of a resident enterprise, and (ii) investments by nonresidents through the stock exchange are speculative in nature and therefore the investors do not have a lasting interest in the resident enterprise in which they invest. The issue of an effective voice in management is not used as a criterion. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, (i) the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Beginning with the financial reports to the Securities and Exchange Commission for the fiscal year ending 2001, enterprises in the Philippines are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

**Measurement of Direct Investment Earnings:** Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. In accordance with the COPC, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) unrealized capital gains and losses are not included. Contrary to the COPC, realized capital gains and losses, write-offs, and exchange rate gains or losses are included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

**Treatment of Income on Equity (Dividends and Distributed Branch Profits):** The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

**Treatment of Reinvested Earnings and Undistributed Branch Profits:** The data cover incorporated enterprises, but not unincorporated enterprises. In accordance with the international standards, reinvested earnings and undistributed branch profits are recorded in the period in which they are earned.

**Treatment of Income on Debt (Interest):** The data cover interest income from: (i) long-term loans, and (ii) short-term loans. The data do not cover interest from: (i) bonds and money market instruments, and (ii) trade credits. In accordance with the international standards, the data do not include interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. Contrary to the international standards, the data are compiled on the basis of when the interest is payable, rather than on an accrual basis.

**Treatment of Equity Capital:** The data cover: (i) direct purchases of voting and non-voting stocks (including participating preference shares) not transacted through the stock exchange, and (ii) non-cash acquisitions of equity, such as through the provision of capital equipment. The data do not cover: (i) voting stocks (shares) transacted through the stock exchange, which are classified as Portfolio Investment in the balance of payments statistics of the Philippines, and (ii) non-voting stocks (including participating preference shares) transacted through the stock exchange. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

**Treatment of Other Capital:** The data cover: (i) long-term loans, (ii) short-term loans, and (iii) financial leases. The data do not cover: (i) bonds and money market instruments, (ii) trade credits, and (iii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated financial intermediaries. Contrary to the international standards, the data do not include transactions associated with permanent debt between affiliated banks.

**Treatment of Reverse Investment:** Not applicable. Equity and loan transactions involving reverse investment cannot be identified at present.

**Treatment of Quasi-corporations:** In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in the Philippines by nonresidents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

**Treatment of Offshore Enterprises:** Contrary to the international standards, activities of offshore enterprises established in the Philippines by nonresidents are generally not included in the direct investment data.

**Treatment of Special Purpose Entities (SPEs):** Not applicable. There are no SPEs established in the Philippines by nonresidents at present.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include purchases and sales of land and buildings in the Philippines by nonresident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the direct investment data include expenditure related to natural resources exploration in the Philippines by nonresidents.

**Exchange Rate Conversion:** Most transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction, but some are converted at the average exchange rate in the period in which the transactions are recorded.

**DIRECT INVESTMENT IN THE PHILIPPINES**  
**INTERNATIONAL INVESTMENT POSITION ("POSITION DATA")**

Not applicable. Position data on direct investment in the Philippines are not compiled at present. However, there are plans to begin to disseminate annual data with a timeliness of 9 months after the end of the reference year beginning in 2002.

**PHILIPPINES: DIRECT INVESTMENT ABROAD**  
**BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary monthly data on (i) direct investment income (income on equity, and income on debt [interest] only), and (ii) direct investment financial flows (equity capital only) are disseminated with a timeliness of 3 months after the end of the reference month. Data on (i) reinvested earnings, and (ii) other capital are not compiled at present.

**Revision Policy:** The data are considered to be final 2 months after their first release.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Data are collected on an individual transactions basis, and reporting requirements are compulsory.

**Data Sources:** The data are compiled from (i) an international transactions reporting system (ITRS), and (ii) monthly enterprise surveys of resident enterprises with cross-border transactions, the Cross Border Transactions Survey (CBTS). The CBTS covers only those transactions funded through residents' account abroad. A business register of enterprises involved in direct investment is not maintained at present, although there are plans to introduce one in the future.

**Geographic Classification:** Monthly data showing country breakdowns for direct investment financial flows (but not direct investment income) are disseminated with a timeliness of 3 months after the end of the reference month. The transactor principle, rather than the debtor/creditor principle, is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns of direct investment financial flows for the major investing countries of the following regional blocs: (i) North America, (ii) Europe, (iii) Asia's Newly Industrialized Economies (ANIEs), (iv) ASEAN, (v) Other Asian countries, (vi) Australasia, and (vii) Central and South America. The three countries with the largest amount of direct investment flows from the Philippines during 2001 (ranked in descending order) were: China, Hong Kong SAR and Singapore.

**Industrial Analysis:** Not applicable. Data showing breakdowns by industrial sectors are not compiled at present.

**B. Methodology**

**Definition of Direct Investors Abroad:** In principle, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor. However, in practice all equity investments abroad by Philippine residents, except equity securities transacted through foreign stock exchanges, are defined as being direct investment abroad, on the assumptions that (i) no resident investors on foreign stock exchanges will hold more than 10 percent of the total shares of a nonresident enterprise, and (ii) investments by residents through foreign stock exchanges are speculative in nature and therefore the resident investors do not have a lasting interest in the nonresident enterprise in which they invest. The issue of an effective voice in management is not used as a criterion. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, (i) the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include the equity capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. (Data on other capital are not compiled at present.) Beginning with the financial reports to the Securities and Exchange Commission for the fiscal year ending 2001, enterprises in the Philippines are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

**Measurement of Direct Investment Earnings:** Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. In accordance with the COPC, (i) deductions are made for depreciation of capital, and for provisions for host-

country income and corporation taxes, and (ii) unrealized capital gains and losses are not included. Contrary to the COPC, realized capital gains and losses, write-offs, and exchange rate gains or losses are included. Contrary to the international standards, when a direct investment enterprise makes a loss, the net loss is not recorded as negative reinvested earnings. (Data on reinvested earnings are not compiled at present.)

**Treatment of Income on Equity (Dividends and Distributed Branch Profits):** The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

**Treatment of Reinvested Earnings and Undistributed Branch Profits:** Not applicable. Data on reinvested earnings are not compiled at present.

**Treatment of Income on Debt (Interest):** The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. Contrary to the international standards, the data include interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. Contrary to the international standards, the data are compiled on a paid basis, rather than on an accrual basis.

**Treatment of Equity Capital:** The data cover: (i) direct purchases of voting and non-voting stocks (shares), including participating preference shares, not transacted through the stock exchange only. The data do not cover: (i) voting stocks (shares) transacted through the stock exchange, which are classified as Portfolio Investment in the balance of payments statistics of the Philippines, (ii) non-voting stocks (shares), including participating preference shares, transacted through the stock exchange, and (iii) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

**Treatment of Other Capital:** Not applicable. Data on other capital are not compiled at present.

**Treatment of Reverse Investment:** Not applicable. Equity and loan transactions involving reverse investment cannot be identified at present.

**Treatment of Quasi-corporations:** In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by Philippine residents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

**Treatment of Offshore Enterprises:** Not applicable. Offshore enterprises established abroad by Philippine residents cannot be identified at present.

**Treatment of Special Purpose Entities (SPEs):** Not applicable. SPEs established abroad by Philippine residents cannot be identified at present.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include purchases and sales of land and buildings abroad by Philippine resident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Philippine residents.

**Exchange Rate Conversion:** Most transactions are converted to the unit of account at the exchange rate prevailing on the day of transaction, but some are converted at the average exchange rate in the period in which the transactions are recorded.

**PHILIPPINES: DIRECT INVESTMENT ABROAD**  
**INTERNATIONAL INVESTMENT POSITION ("POSITION DATA")**

Not applicable. Position data on direct investment abroad are not compiled at present. However, there are plans to begin to disseminate annual data with a timeliness of 9 months after the end of the reference year beginning in 2002.