

## Philippines

### Yield Movements

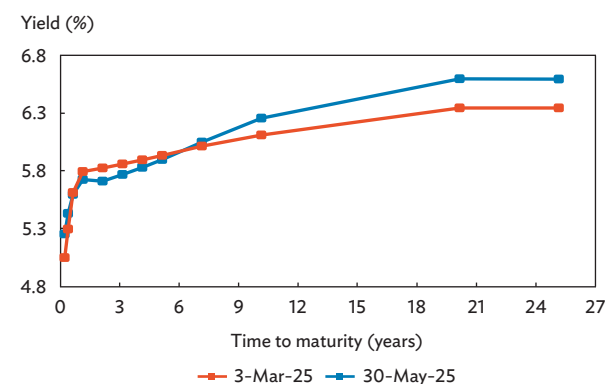
**Local currency (LCY) government bond yield movements in the Philippines were mixed between 3 March and 30 May.** Yields at the short-end (1–3 months) and long-end (7 years and longer) of the curve rose an average of 17 basis points (bps), largely tracking the yield movements of United States Treasuries (**Figure 1**). In contrast, yields for maturities of 6 months to 5 years fell an average of 7 bps, driven by the Bangko Sentral ng Pilipinas' (BSP) 25 bps rate cut on 10 April. The BSP lowered its overnight reverse repurchase rate to 5.50% amid slowing inflation and elevated risks to growth due to a challenging external environment. Year-on-year inflation eased further to 1.3% in May from 1.4% in April and 1.8% in March, due to slower increases in food and utility prices. The decline in yields was also influenced by the BSP's shift toward a more accommodative monetary policy stance to support growth amid external challenges, fueling market expectations of more rate cuts this year.

### Local Currency Bond Market Size and Issuance

**Growth in the LCY bond market rebounded in the first quarter (Q1) of 2025, supported by robust expansions of government bonds and central bank securities.** The stock of LCY bonds reached PHP13.5 trillion at the end of March, expanding 4.1% quarter-on-quarter (q-o-q) following the previous quarter's 0.6% q-o-q contraction (**Figure 2**). Growth was steered by a rebound in Treasury and other government bonds, which rose 4.1% q-o-q due to increased government borrowing. Meanwhile, central bank securities posted the fastest rate of expansion among all bond types at 15.3% q-o-q, reversing the 11.7% q-o-q contraction in the previous quarter. Conversely, despite an increase in issuance, the corporate debt stock contracted 2.8% q-o-q in Q1 2025 due to a high volume of maturities.

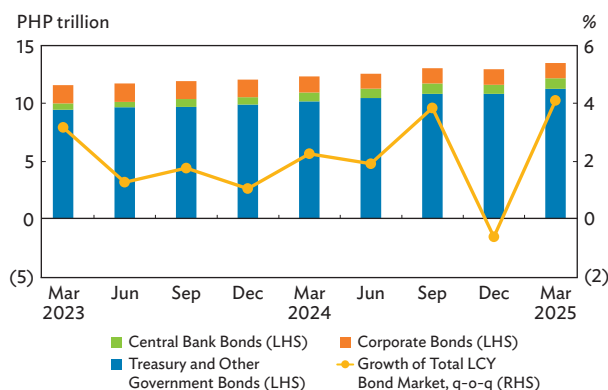
**LCY bond issuance recovered in Q1 2025, fueled by increased issuance in both the government and corporate sectors.** Overall issuance growth jumped 13.7% q-o-q to a total of PHP2.7 trillion in Q1 2025 (**Figure 3**). Growth was largely driven by government bond

**Figure 1: The Philippines' Benchmark Yield Curve—Local Currency Government Bonds**



Source: Based on data from Bloomberg LP.

**Figure 2: Composition of Local Currency Bonds Outstanding in the Philippines**



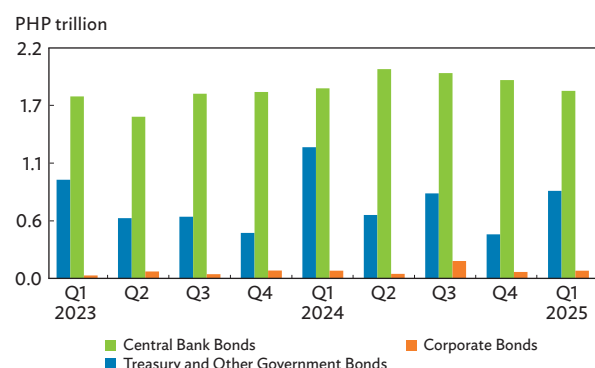
( ) = negative, LCY = local currency, LHS = left-hand side, PHP = Philippine peso, q-o-q = quarter-on-quarter, RHS = right-hand side.

Note: Treasury and other government bonds comprise Treasury bonds, Treasury bills, and bonds issued by government agencies, entities, and corporations for which repayment is guaranteed by the Government of the Philippines.

Sources: Bangko Sentral ng Pilipinas, Bureau of the Treasury, and Bloomberg LP.

issuance, which surged 98.8% q-o-q as the government front-loaded its borrowing for the year. Similarly, corporate bond issuance grew 20.6% q-o-q in Q1 2025 after declining 63.3% q-o-q in the previous quarter, as corporate issuers sought funds to refinance their maturing debt. SM Prime Holdings was the largest corporate bond issuer during the quarter, with total debt sale of PHP25.0 billion, or 34.2% of the corporate issuance total.

**Figure 3: Composition of Local Currency Bond Issuance in the Philippines**

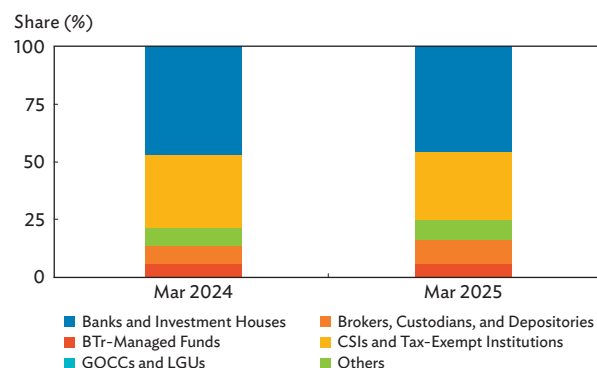


PHP = Philippine peso, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Note: Treasury and other government bonds comprise Treasury bonds, Treasury bills, and bonds issued by government agencies, entities, and corporations for which repayment is guaranteed by the Government of the Philippines.

Sources: Bangko Sentral ng Pilipinas, Bureau of the Treasury, and Bloomberg LP.

**Figure 4: Investor Profile of Local Currency Government Bonds**



BTr = Bureau of the Treasury, CSI = contractual savings institution, GOCC = government-owned or -controlled corporation, LGU = local government unit.

Note: At the end of March, the aggregate holdings share for government-owned or -controlled corporations and local government units was 0.003%, amounting to PHP0.3 billion.

Source: Bureau of the Treasury.

## Investor Profile

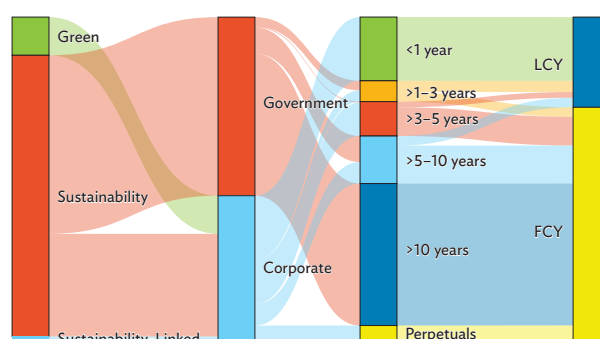
**The investor structure of the Philippines' LCY government bond market remained dominated by two investor groups.** These two dominant groups—(i) banks and investment houses, and (ii) contractual savings institutions and tax-exempt institutions—collectively held about 75.0% of the LCY government debt stock at the end of March, down from 78.3% a year earlier (**Figure 4**). Meanwhile, the share of bonds held by brokers, custodians, and depositories rose to 10.4% during the same period, up from 7.8% the previous year, making them the third-largest investor group at the end of March.

## Sustainable Bond Market

**Sustainability instruments continued to dominate the Philippines' sustainable bond market in Q1 2025.** Sustainability bonds accounted for 86.5% of the market's total sustainable debt stock in Q1 2025, followed by green bonds and sustainability-linked bonds with market shares of 11.7% and 1.8%, respectively (**Figure 5**). During Q1 2025, total outstanding sustainable bonds grew 20.6% q-o-q to reach USD13.6 billion at the end of March. The Philippines' sustainable bond market is among the smallest in emerging East Asia, comprising

only 2.0% of the region's total.<sup>14</sup> Nearly 55.0% of the market's total sustainable debt stock has been issued by the public sector, while over 70.0% is denominated in a foreign currency. Bonds carrying tenors of over 10 years comprised 48.8% of the total sustainable debt stock at the end of March, resulting in a size-weighted average tenor of 12.6 years. In February, the Philippines issued a EUR-denominated sustainability bond worth USD1.0 billion, marking the government's first EUR-denominated sustainability bond.

**Figure 5: Market Profile of Outstanding Sustainable Bonds in the Philippines at the End of March 2025**



FCY = foreign currency, LCY = local currency.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

<sup>14</sup> Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.