

# Philippines

## Yield Movements

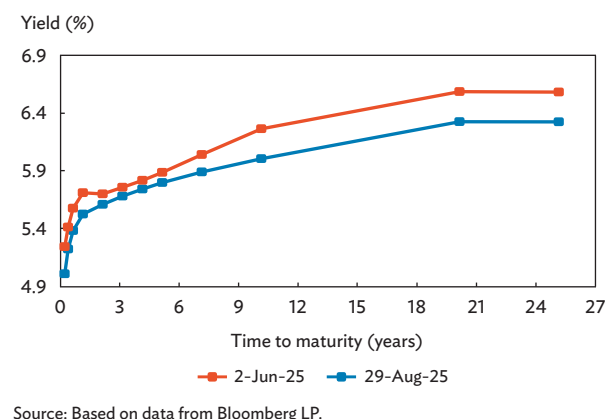
**Between 2 June and 29 August, the local currency (LCY) sovereign bond yield curve in the Philippines shifted downward across all maturities.** Yields across the curve fell an average of 17 basis points on a dovish monetary policy stance by the Bangko Sentral ng Pilipinas (BSP) amid easing inflation and a slowing economy (**Figure 1**). On 19 June and 28 August, the BSP reduced its policy rate by 25 basis points each, lowering the overnight reverse repurchase rate to 5.00%. Inflation remained subdued despite accelerating to 1.5% year-on-year (y-o-y) in August from 0.9% y-o-y in July, staying below the target range of 2.0%–3.0%. On 26 June, the government lowered its 2025 growth target to a range of 5.5%–6.5% from the previous target of 6.0%–8.0% set in December 2024, citing heightened growth risks stemming from external policy uncertainty and Middle East tensions. In the second quarter (Q2) of 2025, the Philippine economy grew 5.5% y-o-y, up from 5.4% y-o-y in the previous quarter, driven by resilient household consumption (5.5% y-o-y). On 11 August, the BSP signaled two more rate cuts in 2025 to foster economic growth.

## Local Currency Bond Market Size and Issuance

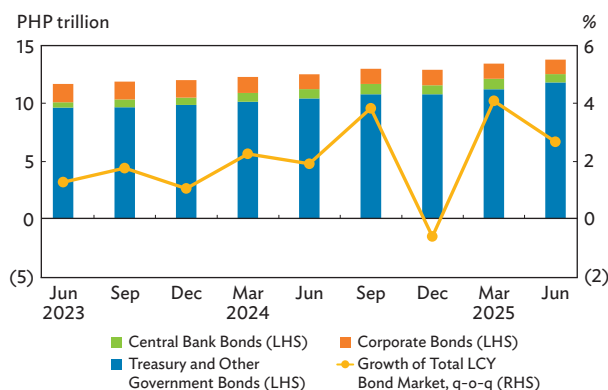
**Contractions in central bank securities and corporate bonds outstanding weighed on LCY bond market growth in Q2 2025.** At the end of June, outstanding LCY bonds reached PHP13.8 trillion on growth of 2.7% quarter-on-quarter (q-o-q), slower than the 4.1% q-o-q expansion in the previous quarter (**Figure 2**). The moderated growth was driven by contractions in the stock of central bank securities (–18.9% q-o-q) and corporate bonds (–4.0% q-o-q) due to reduced issuances during the quarter. Meanwhile, growth in outstanding Treasury and other government bonds accelerated to 5.2% q-o-q in Q2 2025 on increased issuance from the government amid a favorable interest rate environment.

**LCY bond issuance slowed in Q2 2025 amid global trade uncertainty.** During the quarter, total LCY bond issuance tallied PHP2.7 trillion on marginal growth of 0.5% q-o-q (**Figure 3**). Corporate bond issuance

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



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

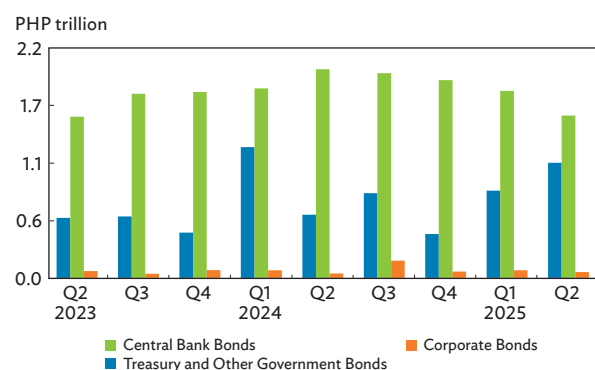


( ) = negative, LCY = local currency, LHS = left-hand side, PHP = Philippine peso, q-o-q = quarter-on-quarter, RHS = right-hand side.

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.

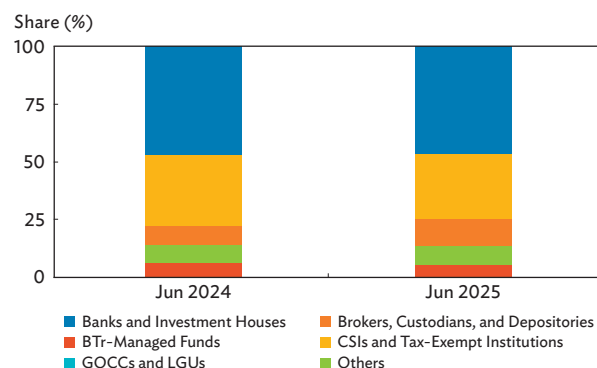
declined 23.5% q-o-q in Q2 2025, as companies delayed expansion plans amid uncertainty surrounding trade. The Bank of the Philippine Islands issued the largest corporate bond via the sale of its Supporting Inclusion, Nature, and Growth Bonds worth PHP40.0 billion, accounting for 71.4% of the corporate issuance total. Issuance of central bank securities also declined (–13.2% q-o-q) during the quarter as the BSP aimed to support financial market activity. In contrast, Treasury

**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 June 2025, the aggregate holdings share for GOCCs and LGUs was 0.003%, amounting to PHP0.3 billion.

Source: Bureau of the Treasury.

and other government bond issuance rose 32.0% q-o-q in Q2 2025, buoyed by the government's issuance of 10-year benchmark bonds worth PHP300.0 billion in April.

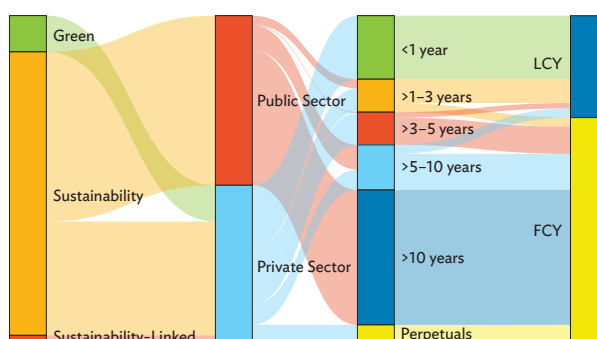
## Investor Profile

**Banks and investment houses remained the largest holding group of government securities at the end of June.** This investor group held 46.5% of the government's total debt stock at the end of June, slightly down from 46.9% a year earlier (**Figure 4**). This was followed by contractual savings institutions and tax-exempt institutions, whose respective bond holdings declined to 28.1% from 30.9% during the same period. Among all investor groups, brokers, custodians, and depositories posted the largest increase in bond holdings during the review period, rising to 11.5% at the end of June from 8.1% the previous year, making it the third-largest investor group in the LCY government bond market.

## Sustainable Bond Market

**The Philippines' sustainable bond market mainly comprises sustainability instruments financed by both the public and private sectors.** Sustainability bonds accounted for 87.2% of the market's total sustainable debt stock in Q2 2025, about 60% and 40% of which

were issued by the public and private sectors, respectively (**Figure 5**). At the end of June, total outstanding sustainable bonds grew 5.3% q-o-q to USD14.3 billion, accounting for only 2.0% of emerging East Asia's total sustainable debt stock in Q2 2025.<sup>24</sup> Outstanding sustainable bonds were largely concentrated in tenors of over 10 years (46.4%), which brought the market's size-weighted average tenor to 11.8 years at the end of June. The United States dollar was the predominant issuance currency among outstanding sustainable bonds with a share of 57.6%. This was followed by the Philippine peso (31.4%), euro (7.2%), and Japanese yen (3.8%).

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

FCY = foreign currency, LCY = local currency.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

<sup>24</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.