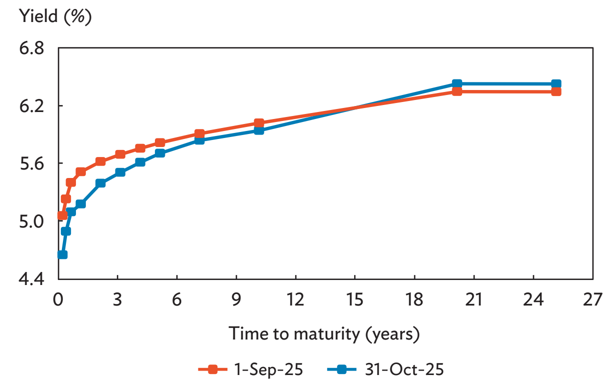
Philippines

Yield Movements

Philippine local currency (LCY) government bond yields fell for most maturities between 1 September and 31 October as the central bank maintained its dovish policy stance. Yields declined an average of 22 basis points (bps) for maturities of 10 years and less following the Bangko Sentral ng Pilipinas' (BSP) unexpected 25 bps rate cut on 9 October (**Figure 1**). Since April 2025, the BSP has cut policy rates at four consecutive meetings (for a cumulative reduction of 100 bps) to foster economic growth, lowering the overnight reverse repurchase rate to 4.75%. On 27 October, the BSP signaled further rate cuts in December and possibly into 2026 to support economic expansion.

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

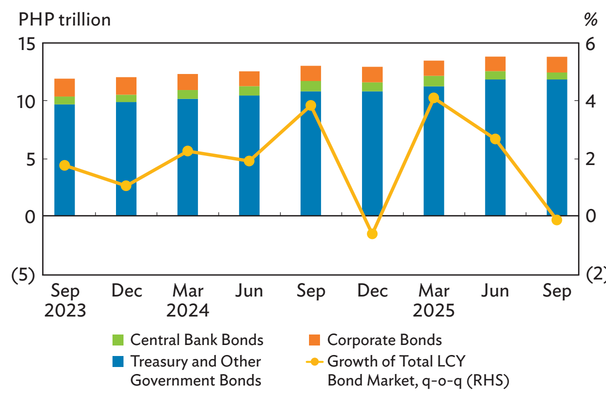


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Outstanding LCY bonds declined marginally in the third quarter (Q3) of 2025, weighed down by a moderating expansion of the stock of government bonds and a contraction in central bank securities. The total LCY debt stock reached PHP13.8 trillion at the end of September, down 0.1% quarter-on-quarter (q-o-q) from the previous quarter (**Figure 2**). The expansion of outstanding Treasury and other government bonds slowed to 0.1% q-o-q as maturities outpaced issuance, while the stock of central bank securities declined 17.4% q-o-q on reduced issuance during the quarter. Meanwhile, outstanding corporate bonds gained 7.8% q-o-q following the previous quarter's 4.0% q-o-q contraction, supported by increased issuance amid low borrowing costs.

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



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

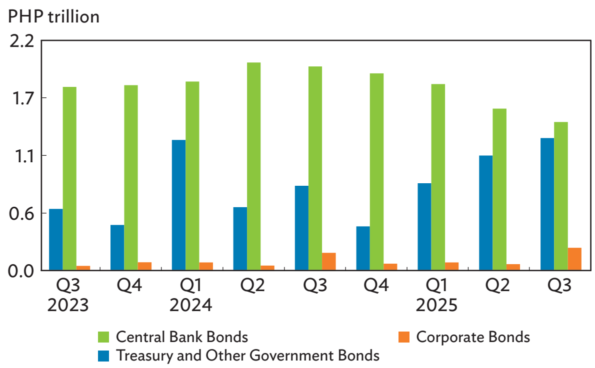
Note: Treasury and other government bonds comprise Treasury bonds, Treasury bills, and bonds issued by government agencies, entities, and corporations for which repayment is guaranteed by the Government of the Philippines.

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

LCY bond issuance accelerated in Q3 2025, fueled by a favorable interest rate environment. During the quarter, LCY bond issuance rose 7.3% q-o-q to PHP2.9 trillion, with growth accelerating from the 0.5% q-o-q increase in the previous quarter (**Figure 3**). The expansion was largely driven by the corporate bond segment, where issuance increased almost fourfold (PHP213.3 billion) from the previous quarter as companies took advantage of cheap borrowing costs. Over 60% of corporate issuance in Q3 2025 came from the banking sector. Government bond issuance also grew 15.2% q-o-q, albeit at a slower pace than the 32.0% q-o-q growth in the previous quarter. This was because the government scaled back its Treasury bonds issuance in Q3 2025 to curb long-term debt and bolster the sale of Retail Treasury Bonds worth PHP507.2 billion in August.

This market summary was written by Jeremy Grace Ilustrisimo, consultant, Economic Research and Development Impact Department, Asian Development Bank, Manila.

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

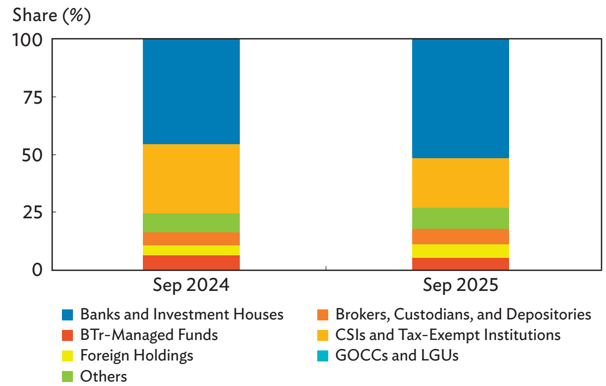


PHP = Philippine peso, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

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 September 2025, the aggregate holdings share for GOCCs and LGUs was 0.001%, amounting to PHP0.2 billion.

Source: Bureau of the Treasury.

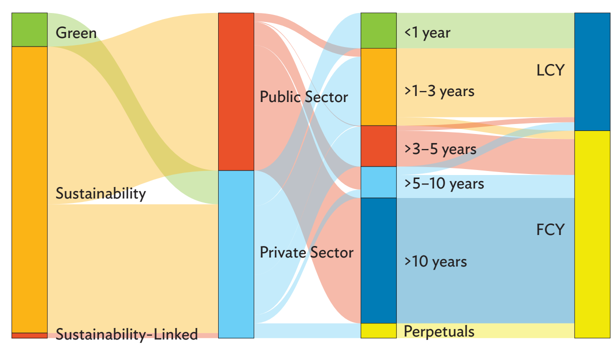
Investor Profile

More than half of outstanding government bonds were held by banks and investment houses. This investor group's holdings share increased to 51.8% at the end of September, up from 45.7% a year earlier, driven by banks' shift toward risk-free investments amid weak lending activity in Q3 2025 (**Figure 4**). Brokers, custodians, and depositories also increased their investment share to 6.7% from 5.5%, while foreign holdings rose to 5.9% from 4.2% during the same period. These expansions were boosted by the Philippine LCY bond market's potential inclusion in JP Morgan's Government Bond Index for Emerging Markets. In contrast, the bond holdings of contractual savings institutions and tax-exempt institutions declined to 21.5% from 29.8%, partly driven by the Social Security System's significant cash requirement amid increased payouts resulting from the recent hike in pension benefits.

Sustainable Bond Market

Outstanding sustainable bonds rose 7.6% q-o-q in Q3 2025, supported by robust issuance amid strong investor demand. The total sustainable debt stock reached USD15.4 billion at the end of September, mostly comprising sustainability instruments (88.1%) (**Figure 5**). Due to strong investor demand, issuers increased their bond offerings during the quarter, lifting the total issuance amount to USD2.2 billion—more than thrice the previous quarter's level. The largest issuance came from BDO Unibank with the sale of its Association of Southeast Asian Nations sustainability bond worth PHP115.0 billion (USD2.0 billion), which was 23 times oversubscribed against the original offer of PHP5.0 billion. The Philippines' sustainable bond market accounted for 2.1% of emerging East Asia's total sustainable debt stock at the end of Q3 2025.[26] More than 90% of sustainable bonds from the public sector carried tenors of over 5 years, resulting in an overall size-weighted average tenor of 10.9 years.

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



FCY = foreign currency, LCY = local currency.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

[26] 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.