Philippines

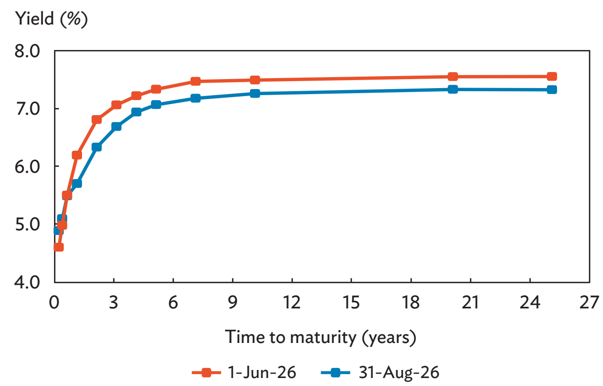
Yield Movements

Between 1 June and 31 August, yields on Philippine local currency (LCY) government debt securities fell 21 basis points on average, with the declines concentrated in tenors of 1 year or longer (**Figure 1**). Despite cumulative rate hikes of 50 basis points in June and August, moderating inflation and weakening growth exerted downward pressure on yields. Consumer price inflation eased to 6.2% year-on-year (y-o-y) in July and 6.4% in June from 6.8% in May. Economic activity also moderated, with gross domestic product growth slowing to 2.3% y-o-y in the second quarter (Q2) of 2026 from 2.8% in the previous quarter as investment weakened on reduced government construction activity.

Local Currency Bonds Outstanding and Issuance

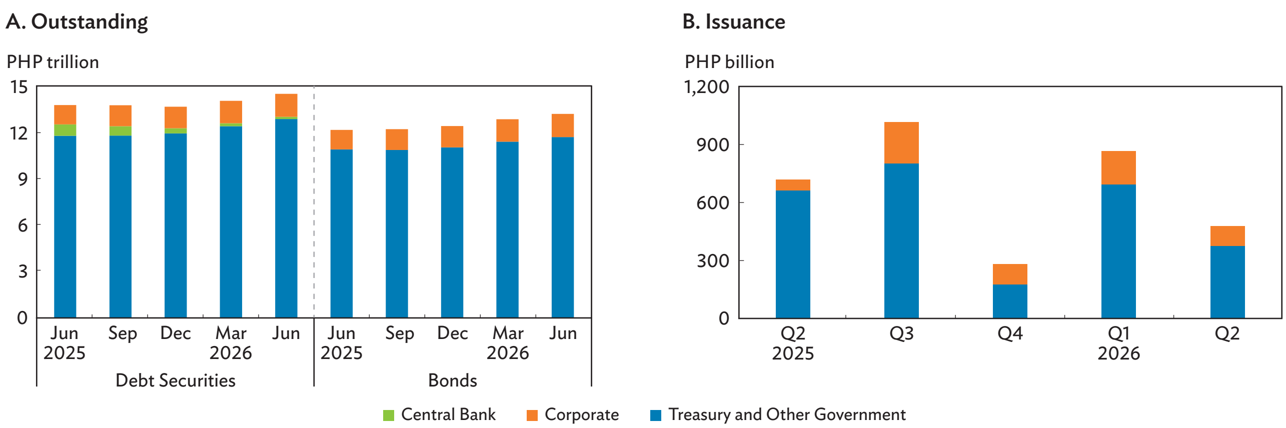
The Philippines' LCY debt securities outstanding rose by 3.3% quarter-on-quarter (q-o-q) to PHP14.5 trillion at the end of the second quarter (Q2) of 2026, slightly faster than the 2.8% increase in the previous quarter. Excluding debt securities with tenors of 1 year or shorter, the LCY bond market rose 2.7% q-o-q to PHP13.2 trillion, slowing from 3.5% in the first quarter (Q1) (**Figure 2A**).

Figure 1: Yields for Local Currency Government Debt Securities in the Philippines



( ) = negative.
Note: Data coverage is from 1 June 2026 to 31 August 2026.
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

Figure 2: Composition of Local Currency Debt Securities in the Philippines



PHP = Philippine peso, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
Notes:
1. Bonds are defined as debt securities with maturities longer than 1 year.
2. 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.

This market summary was written by Justin Adrian Villas (consultant) in the Economic Research and Development Impact Department, Asian Development Bank, Manila.

The slower market expansion was evident across both issuer groups, with outstanding government bonds rising 2.6% q-o-q, down from 3.4% in Q1, and corporate bonds increasing 3.2%, compared with 4.4% previously. Issuance activity weakened in Q2, with LCY bond issuance falling 45.1% q-o-q to PHP476.2 billion after surging 211.6% in Q1, due to a high base effect from front-loaded government borrowing (**Figure 2B**). Both segments contributed to the pullback in Q2, led by a 46.1% q-o-q decline in government bond issuance, while corporate issuance fell 41.0%.

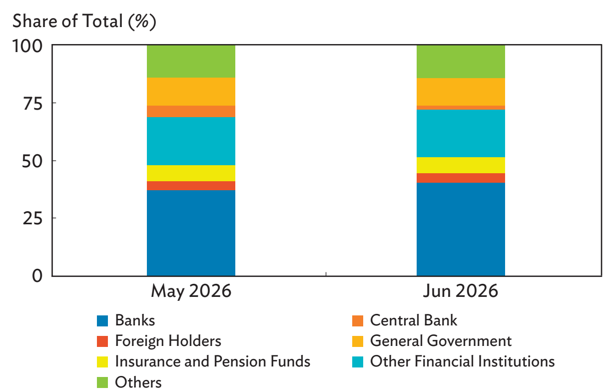
Investor Profile

At the end of June, domestic investors held 96.0% of the Philippines' LCY government debt securities. Banks remained the largest investor group, with their share rising to 40.6% from 37.3% in May as holdings increased 11.9% month-on-month (**Figure 3**). Banks and other financial institutions collectively accounted for 61.2% of total holdings in June, up from 58.1% in May, underscoring the concentration of holdings among domestic institutional investors. Foreign holdings also rose 7.1% month-on-month, slightly lifting their share to 4.0% from 3.9%.

Sustainable Bond Market

The Philippines' sustainable bonds outstanding increased 4.4% q-o-q to USD18.7 billion at the end of June, slower than the 11.7% increase in Q1. Sustainability bonds remained the dominant instrument at USD15.7 billion, accounting for 84.1% of the total (**Figure 4A**). Bonds with tenors exceeding 1 year

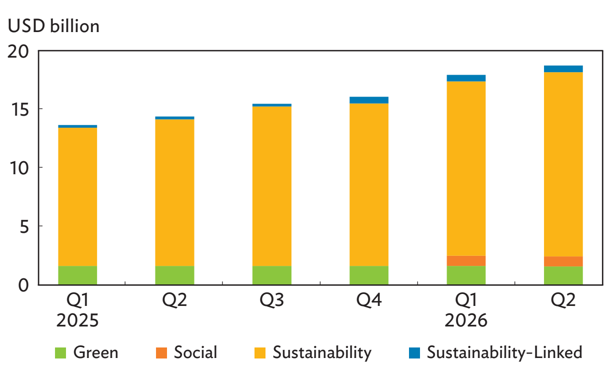
Figure 3: Investor Holdings of Local Currency Debt Securities



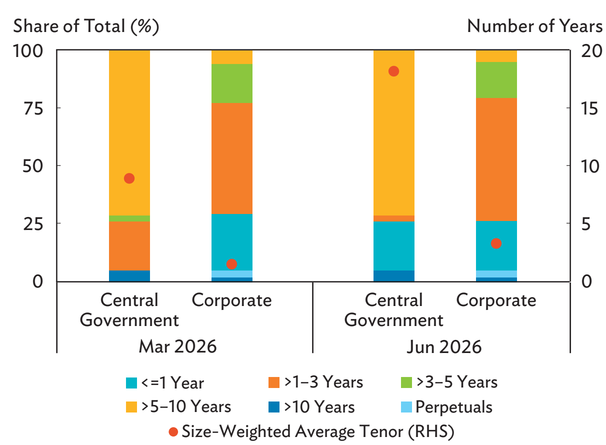
Notes: "Others" include nonfinancial institutions, the social security agency, and households.
Source: Bureau of the Treasury.

Figure 4: Sustainable Bonds in the Philippines

A. Bonds Outstanding by Type of Security



B. Maturity Profile and Average Tenor of Sustainable Bonds Outstanding by Sector



Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, RHS = right-hand side, USD = United States dollar.
Notes:
1. Data include both local currency and foreign currency issues.
2. Sustainability-linked bonds include transition-linked bonds.
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

accounted for 83.0% of total sustainable bonds outstanding. The central government segment remained distinctly long-dated, with 94.1% of its sustainable bonds carrying tenors exceeding 5 years, compared with 10.7% for corporate bonds (**Figure 4B**). The contrast was also evident in the size-weighted average tenor, which stood at 18.2 years for central government bonds versus 3.3 years for corporate bonds.

Policy and Regulatory Developments

Philippines Eases Capital Treatment of Government Securities

On 19 June, the Bangko Sentral ng Pilipinas granted banks and quasi-banks temporary capital relief on unrealized valuation losses from PHP-denominated government securities. The measure allows eligible institutions to exclude certain losses from regulatory capital calculations from 1 April to 31 December 2026. By easing the capital impact of valuation losses, the measure can reduce pressure on banks to sell government securities during periods of elevated yields, supporting market stability.