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Economic Bulletin on the Philippine Corporate Bond Market

- Local currency (LCY) Philippine bonds totalled more than PHP1.4 trillion by the end of 2021. This is PHP190.8 billion less than the outstanding amount in 2020 and PHP83.4 billion less than its pre-pandemic level as corporations (including financial institutions) tapped more foreign currency (FCY) bonds for their financing requirements.

DOF View

- Government bonds used to dominate the country's LCY bond market, at 99.7% in 2001. The share of corporate bonds gradually increased as market liquidity improved and government addressed the fiscal distress in the early 2000s. The ability to issue LCY bonds is a reflection of investor confidence in an economy. Whereas corporations relied more on FCY bonds for additional financing requirements until the first few years of the new millennium, the country's strengthened macroeconomic fundamentals thereafter enhanced the business environment for issuing LCY bonds. Using government securities as benchmark, the LCY bond market expanded, enabling corporations to issue similar bonds, thus reducing reliance on FCY bonds and diversifying their risks.
- Higher sustainable growth levels and faster economic recovery translate into greater financing needs. Once signed into law, the amended Public Service Act (PSA), together with the recently approved amendments to the Foreign Investments Act (FIA) and the Retail Trade Liberalization Act (RTLTA), will have added a very potent ingredient to the economic recovery cocktail which already includes CREATE and BBB.

Table 1 Philippine Corporate Bonds Outstanding

	Level (Billions)					in % of GDP				
	2001	2010	2019	2020	2021	2001	2010	2019	2020	2021
LCY (PHP)	3.7	384.2	1,504.7	1,612.1	1,421.3	0.1	4.1	7.7	9.0	7.3
FCY (USD)	5.4	8.5	14.6	14.6	22.9	6.8	4.1	3.9	4.0	6.0

Sources of Basic Data: AsianBondsOnline, ADB; BSP; PSA

Table 2 Outstanding Philippine LCY Bonds

	2001	2010	2019	2020	2021
	Level (PHP Billion)				
Government	1,226.7	2,818.2	5,141.1	6,735.6	8,105.2
Corporate	3.7	384.2	1,504.7	1,612.1	1,421.3
Central Bank	-	-	-	220.0	260.0
Total	1,230.4	3,202.4	6,645.8	8,567.7	9,786.6
	Share to Total (%)				
Government	99.7	88.0	77.4	78.6	82.8
Corporate	0.3	12.0	22.6	18.8	14.5
Central Bank	-	-	-	2.6	2.7
Total	100.0	100.0	100.0	100.0	100.0

Source of Basic Data: AsianBondsOnline, ADB