Philippine Debt Management Strategies

Erwin D. Sta Ana
Deputy Treasurer of the Philippines

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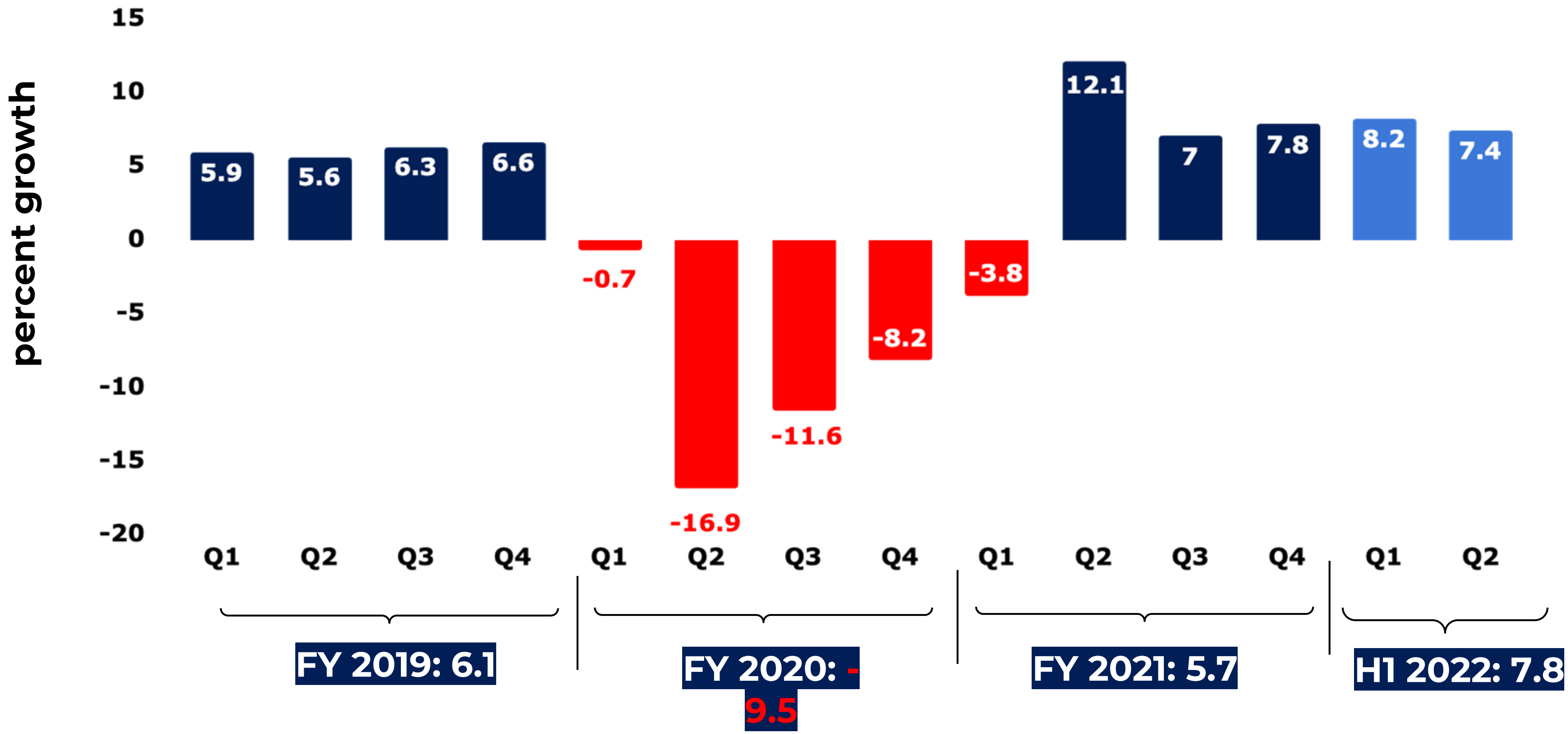
Philippines has re-emerged from the recession with 5.7% growth in 2021; Q2 2022 growth shows we're on a steady path to strong rebound

Quarterly YoY Growth, Q1 2016 – Q2 2022

Philippines' Real GDP growth rate (year-on-year)



Data Source: PSA and BSP

GDP recovery is mirrored by growth in revenue collections (1/2)

- January to July 2022 revenues posted a double-digit growth of 17 percent compared to the same period in 2021

Particulars (in PHP Billion)	January to July			
	2022	2021	Difference	% Difference
Revenues	**2,036.1**	**1,746.4**	**289.5**	**16.6%**
Tax revenue	**1,823.1**	**1,574.1**	**249.0**	**15.8%**
BIR	1,329.9	1,202.6	127.3	10.6%
BOC	480.3	358.9	121.4	33.8%
Other offices	12.8	12.5	0.3	2.3%
Non-tax revenues	**213.1**	**172.4**	**40.7**	**23.6%**
BTr income	117.5	95.2	22.3	23.4%
Others	95.6	77.1	18.4	23.9%

Data Source: BTR

GDP recovery is mirrored by growth in revenue collections (2/2)

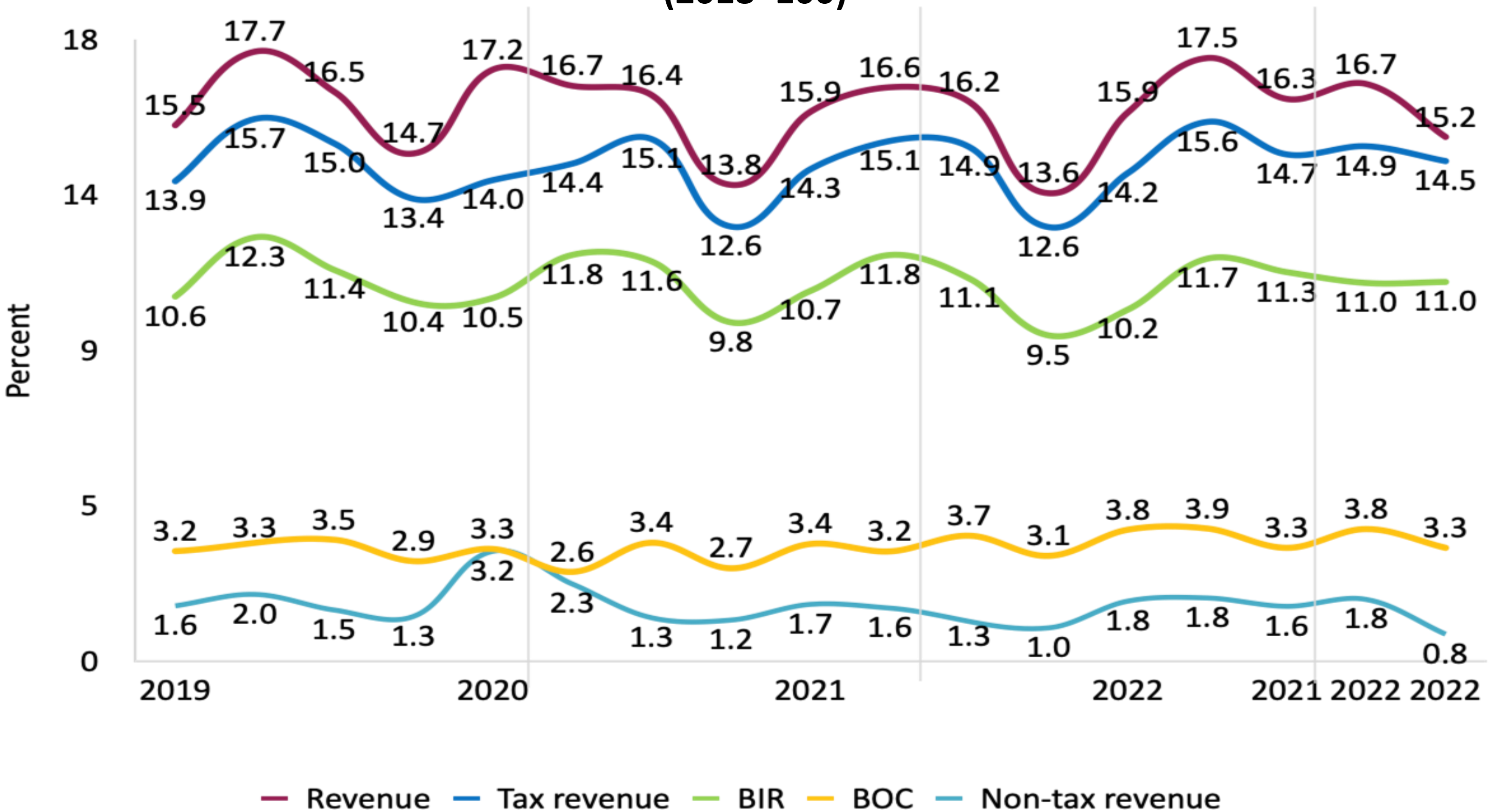
- January to July 2022 actual collections exceeded the DBCC-approved program by 6 percent

Particulars (in PHP Billion)	January to July 2022			Full Year 2022 Program
	Actual	Program	% Difference	
Revenues	**2,036.1**	**1,923.4**	**5.9%**	**3,304.1**
Tax revenue	**1,823.1**	**1,803.2**	**1.1%**	**3,139.6**
BIR	1,329.9	1,366.7	-2.7%	2,392.6
BOC	480.3	421.4	14.0%	721.5
Other offices	12.8	15.1	-15.0%	25.5
Non-tax revenues	**213.1**	**120.1**	**77.4%**	**164.5**
BTr income	117.5	55.7	110.9%	59.4
Others	95.6	64.4	48.4%	101.1

Data Source: BTR

We are on track to achieving revenue and tax effort targets

NATIONAL GOVERNMENT REVENUE AND TAX COLLECTIONS
as percent of GDP
(2018=100)



Note: Revenue and tax effort are computed using tax revenues and GDP at current 2018 prices.
Sources: Bureau of the Treasury and Philippine Statistics Authority

Fiscal deficit for the first seven months of 2022 is 9 percent lower than the same period in 2021 as revenues growth outpace expenditures

Particulars (in PHP Billion)	January to July			
	2022	2021	Difference	% Difference
Revenues	**2,036.1**	**1,746.4**	**289.7**	**16.6%**
Tax revenue	1,823.1	1,574.1	249.0	15.8%
Non-tax revenues	213.1	172.4	40.7	23.6%
Expenditures	**2,797.1**	**2,583.7**	**213.4**	**8.3%**
Interest Payments	309.3	267.6	41.7	15.6%
Others	2,487.8	2,316.1	171.7	7.4%
Surplus / (Deficit)	**(760.9)**	**(837.0)**	**76.1**	**-9.1%**

Data Source: BTR

Able to raise domestically-oriented financing with relative ease; next year's program will mirror 2022 in magnitude and funding split

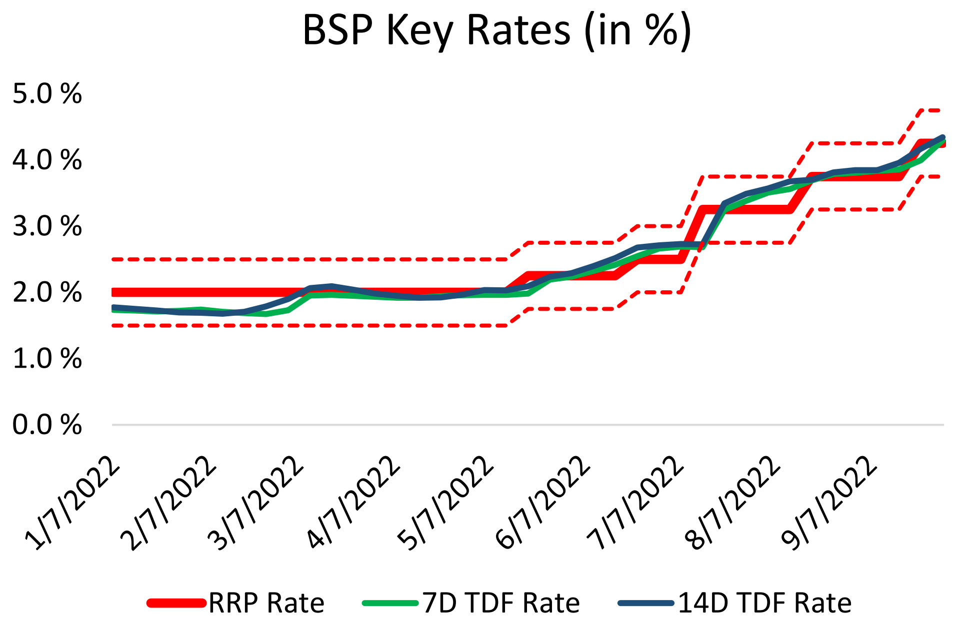
NG Financing Program for FY2022-2023 and 1st Half 2022 Outcome (in Millions Pesos)

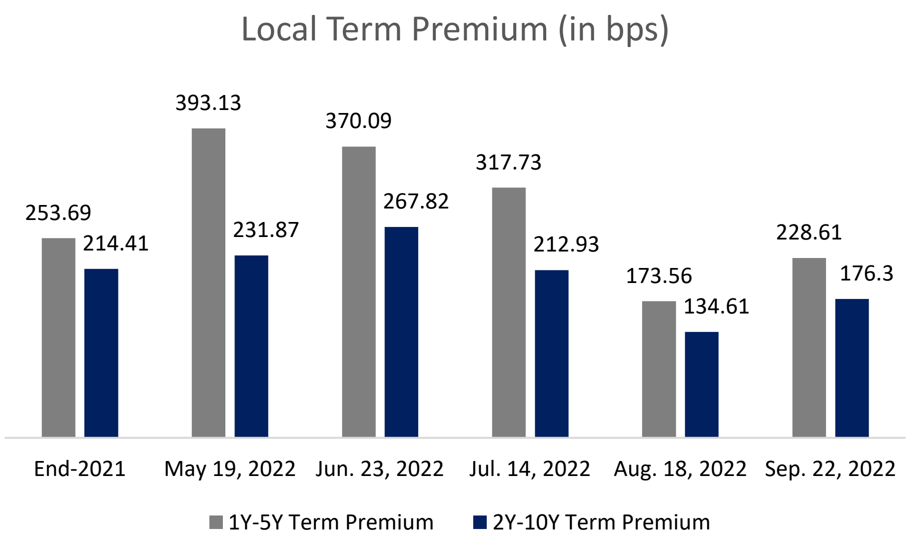
	2021 Actual	2022 Program	2023 Prog	Jan-Jul '22	% of 2022 Prog		Aug-Dec '22
Fiscal Balance	**(1,670,102)**	**(1,650,448)**	**(1,452,922)**	**(760,983)**	***46.1%***		**(889,465)**
% of GDP	-8.6%	-7.6%	-6.1%	--	--		
Gross Financing	**2,549,681**	**2,211,777**	**2,207,000**	**1,245,550**	***56.3%***		**966,227**
Foreign	**568,668**	**561,477**	**553,500**	**336,477**	***60.0%***		**225,000**
Project Loans	110,239	48,549	69,297	53,995	*111.2%*		(5,446)
Program Loans	166,102	200,928	219,203	136,604	*68.0%*		64,324
Global Bonds	292,327	312,000	265,000	145,878	*46.8%*		166,122
Domestic	**1,981,013**	**1,650,300**	**1,653,500**	**909,073**	***55.1%***		**741,227**
Financing Mix	**78:22**	**75:25**	**75:25**	**73:27**	**--**		**77:23**
Foreign in USD	*11,598*	*10,798*	*10,443*	*6,454*	*59.8%*	*	*4,344*
Project Loans 1/	*2,233*	*934*	*1,307*	*1,029*	*110.2%*	*	*(95)*
Program Loans	*3,365*	*3,864*	*4,136*	*2,623*	*67.9%*	*	*1,241*
Global Bonds	*6,000*	*6,000*	*5,000*	*2,802*	*46.7%*	*	*3,198*

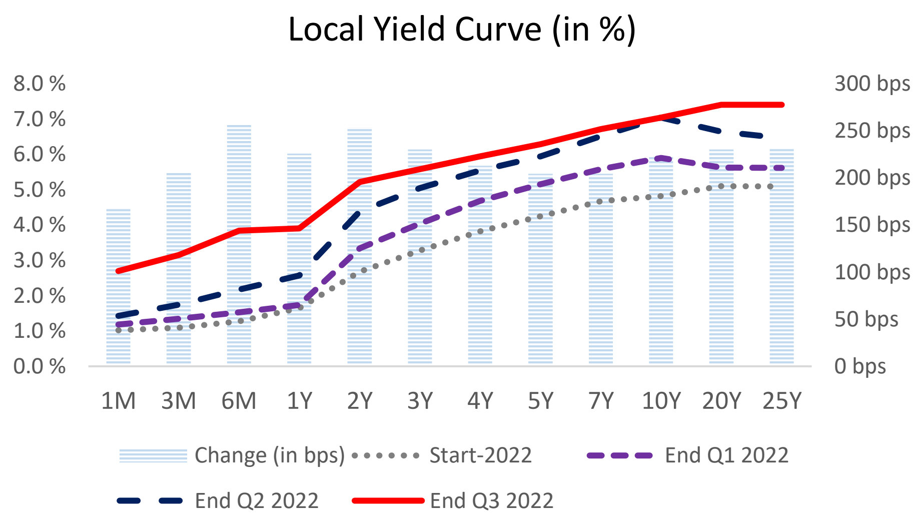
1/ BTr estimates

** variance due to the difference in the assumed (52.0) and actual (various) USDPHP conversation rate*

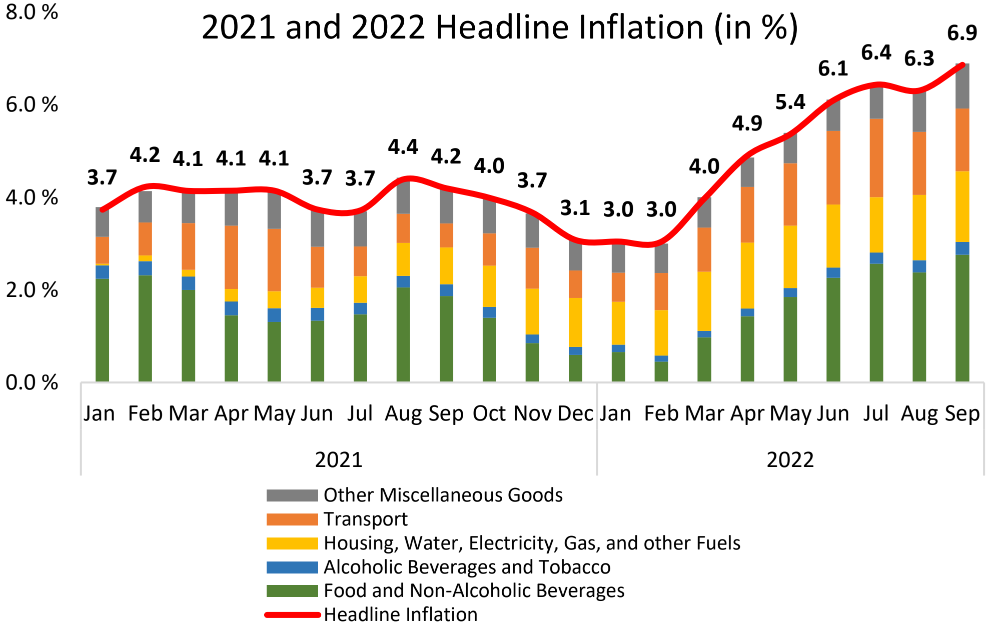
Funding requirements are being met despite the rise in yields due to inflation and adjustments to Policy Rates

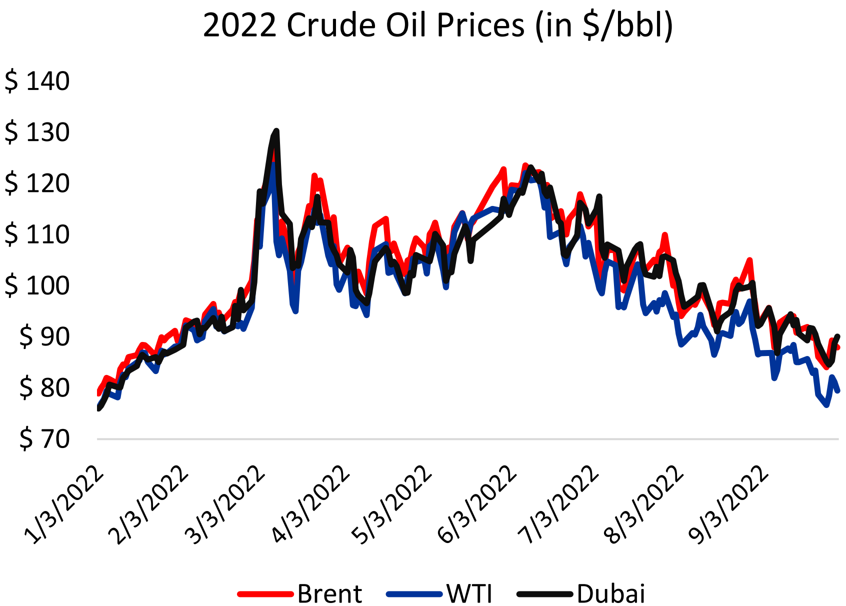


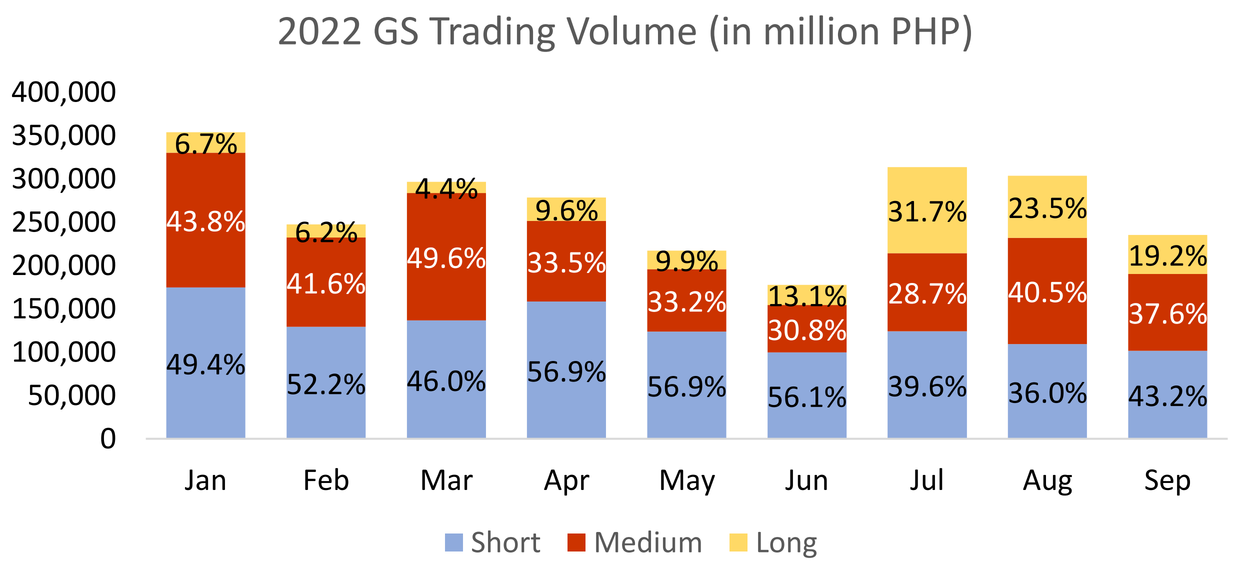




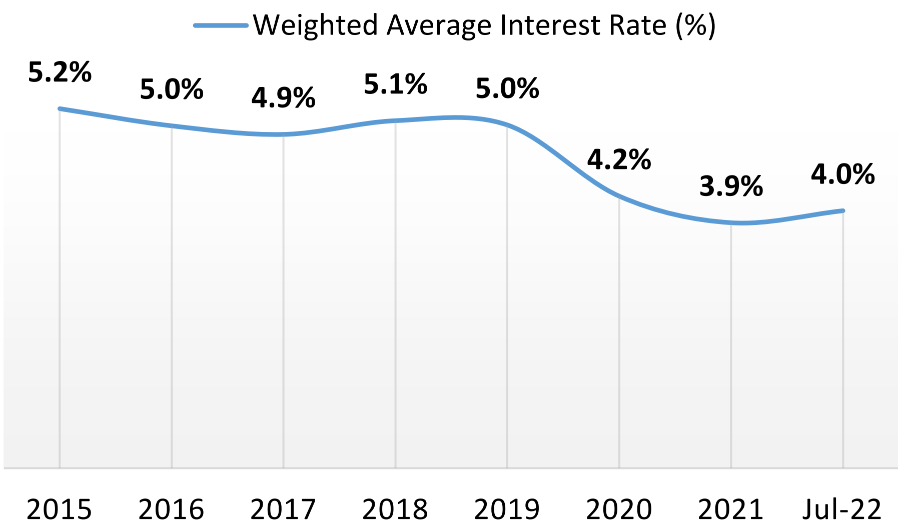
Externally-driven inflation did not hamper strengthening appetite for government securities, even for longer maturities

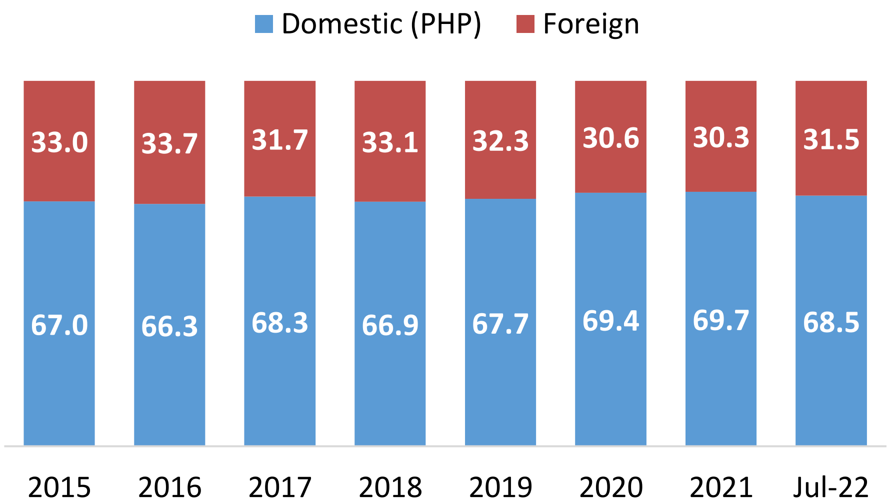


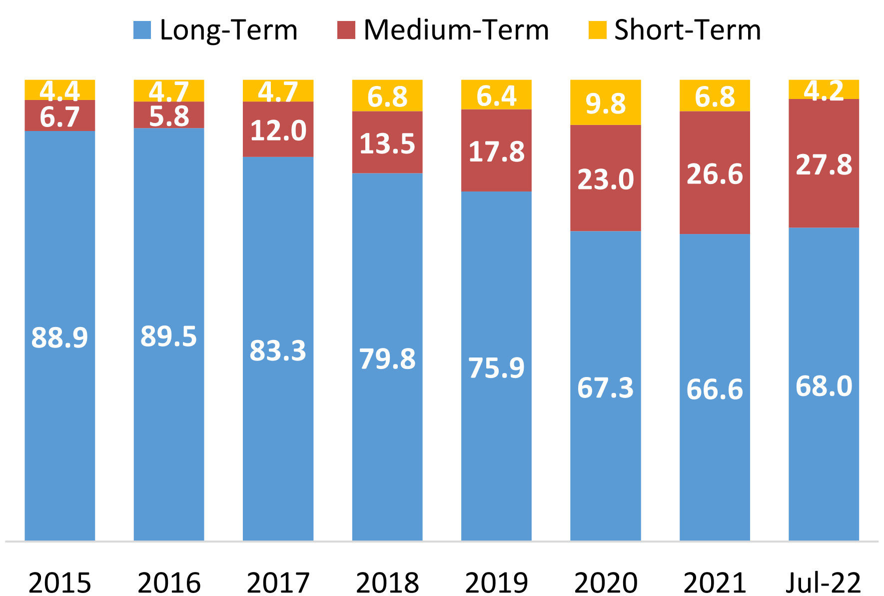


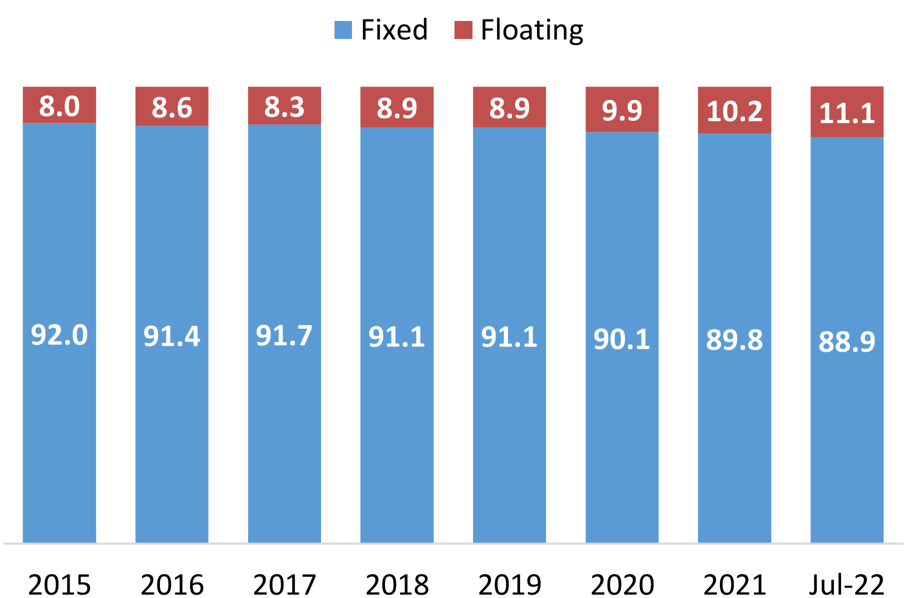


Cost of debt remains manageable; debt structure remains resilient









Macroeconomic Summary

- Economic recovery and Government Revenues are picking up
- However, imported inflation forcing BSP to hike rates
- Market Liquidity is still ample. But investors continue to be on the defensive due to US Fed rate hikes.

Medium-Term Fiscal Framework will serve as our blueprint to steer the economy back to its high-growth trajectory

Particulars	Target
Real GDP Growth	6.5 -7.5 percent in 2022 6.5-8.0 percent in 2023-2028
Poverty Rate	9.0 percent by 2028
Deficit-to-GDP Ratio	3.0 percent by 2028
Debt-to-GDP Ratio	60.0 percent by 2025
Infrastructure Spending-to-GDP Ratio	5.0-6.0 percent annually between 2023 to 2028
Gross Net Income Per Capita	At least USD 4,256.0 or attainment of upper-middle-income status

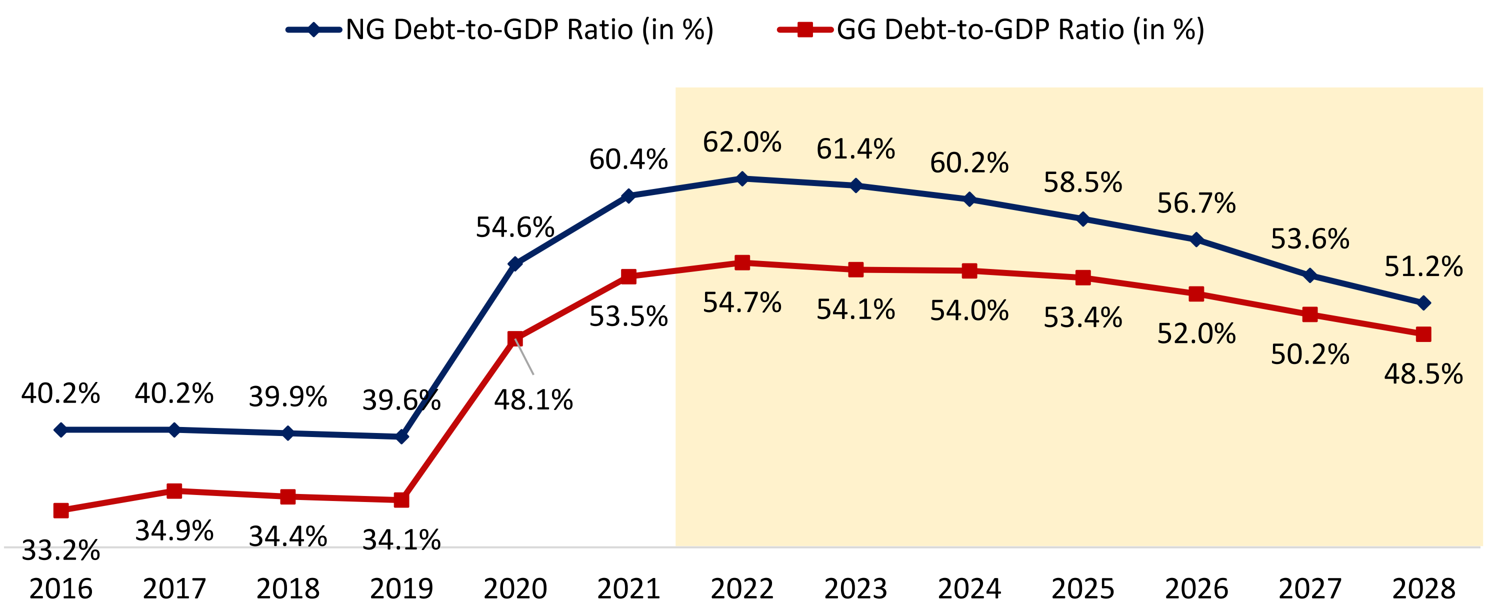
Calibrated gradual withdrawal of fiscal support to enable public investments, foster strong recovery, and consolidate govt debt

Particulars (in PHP billion)	2021 Actual	2022	2023	2024	2025	2026	2027	2028
Revenues	3,005.5	3,304.1	3,632.9	4,062.6	4,576.8	5,155.3	5,821.4	6,589.0
% of GDP	15.5	15.2	15.3	15.6	16.0	16.5	17.0	17.6
Disbursements	4,675.6	4,954.6	5,085.8	5,402.0	5,759.7	6,249.6	6,916.0	7,711.7
% of GDP	24.1	22.9	21.4	20.7	20.2	20.0	20.2	20.6
Infrastructure (Disbursements)	1,123.6	1,199.5	1,180.2	1,297.2	1,423.0	1,644.1	1,945.5	2,327.0
% of GDP	5.8	5.5	5.0	5.0	5.0	5.3	5.7	6.2
Deficit	(1,670.1)	(1,650.5)	(1,452.9)	(1,339.4)	(1,182.8)	(1,094.3)	(1,094.6)	(1,122.7)
% of GDP	(8.6)	(7.6)	(6.1)	(5.1)	(4.1)	(3.5)	(3.2)	(3.0)
Gross Financing	2,550.0	2,212.0	2,207.0	2,418.0	2,075.0	2,167.0	2,273.0	2,277.0
Total NG Debt % of GDP	60.5	62.0	61.4	60.2	58.5	56.7	53.6	51.2

Medium-term borrowing will continue heavy domestic bias; debt to gradually consolidate by 10 ppts from 2023 to 2028

Indicative MT Financing Program *(in Millions Pesos)*, FY2022-2028

	2022 Revised	2023 Prog	2024 Prog	2025 Prog	2026 Prog	2027 Prog	2028 Prog
Fiscal Balance	**(1,650,448)**	**(1,452,922)**	**(1,339,365)**	**(1,182,811)**	**(1,094,334)**	**(1,094,636)**	**(1,122,491)**
% of GDP	-7.6%	-6.1%	-5.1%	-4.1%	-3.5%	-3.2%	-3.0%
Gross Financing	**2,211,777**	**2,207,000**	**2,418,000**	**2,075,000**	**2,167,000**	**2,273,000**	**2,277,000**
Foreign	**561,477**	**553,500**	**596,250**	**424,000**	**442,550**	**450,500**	**453,150**
Foreign in USD	*10,798*	*10,443*	*11,250*	*8,000*	*8,350*	*8,500*	*8,550*
Domestic	**1,650,300**	**1,653,500**	**1,821,750**	**1,651,000**	**1,724,450**	**1,822,500**	**1,823,850**
Financing Mix	**75:25**	**75:25**	**75:25**	**80:20**	**80:20**	**80:20**	**80:20**



Note: Consistent with Macroeconomic Assumptions of the 182nd DBCC (8 July 2022)

Sticking to what has worked for us in the past: domestic bias, diversification of external borrowing, and lengthening of maturities

Bias for domestic financing (75%-80% domestic)

- Avoid build up of external vulnerabilities
- Aid the development of local bond market

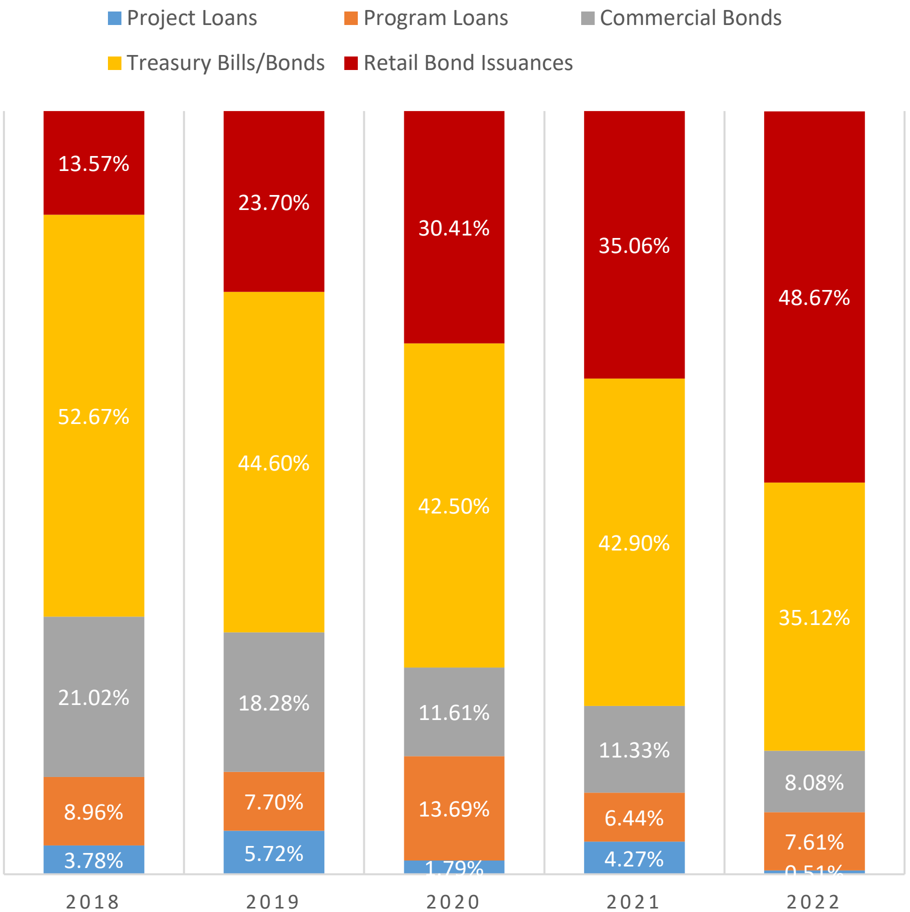
Diversification of foreign bond issuances (USD, EUR, Samurai, Panda, etc.)

- Maintain relative scarcity of ROP sovereign bonds; avoids supply-related escalation in borrowing costs
- Enables ready access to multiple markets; provides option to take advantage of the most cost-efficient borrowing

Maintain medium to long liability portfolio

- Issuances to focus on medium to long securities to maintain average maturity target of 7 years to 10 years
- Weekly auction size and tenors are determined based on market demand
- Bias for medium to long tenors reduces refinancing risk

Increased utilization of retail instruments in order to fund financing requirements



- Shoring up of retail participation through financial literacy and use of technology
  - Regular conduct of Bond Investments 101 with retail investors (e.g., retirees, cooperatives, etc.)
  - Making placements easy and convenient even when abroad through digital ordering platforms (BTr website), overseas banking apps (Oversees Filipino Bank App), and other Distributed Ledger Technology (DLT) apps

Thank you.