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Press Release

Republic of the Philippines Prices 5.5-Year, 10.5-Year and 25-Year (Sustainable) US Dollar Global Bonds

MANILA, Philippines, 29 August 2024 – The Republic of the Philippines (the "Republic") successfully returned to the international capital markets for the second time in 2024 with its USD 2.5 billion triple-tranche 5.5-year, 10.5-year, and 25-year SEC-registered Fixed Rate Global Bonds (the “Global Bonds” or the “Notes”). The 25-year Global Bond will be issued under the Republic’s Sustainable Finance Framework, marking the Republic’s sixth G3 ESG bond offering. This transaction follows the Republic’s USD 2 billion dual-tranche bond offering in May 2024, USD 1 billion 5.5-year Sukuk in November 2023, and USD 3 billion triple-tranche bond offering in January 2023.

The new 5.5-year tranche has a coupon of 4.375% and was priced at T+75bps, 35bps tighter than initial price guidance, achieving -5bps new issue premium. The new 10.5y landed at a coupon of 4.750% (T+95bps), 30bps tighter than initial price guidance, pricing at no new issue premium. The new 25-year Sustainability tranche was priced at 5.175% at par, 32.5bps tighter than the initial price guidance, achieving -2.5bps new issue premium.

The 5.5-year spread is the tightest among all USD 5/5.5-year issuances by the Republic since June 2021, while the all-in yield for the 10.5- and 25-year is the tightest among all USD 10/10.5-year and 25-year issuances by the Republic since March 2022.

Compared to other BBB rated sovereigns in the region, the 5.5-year spread is the second tightest spread achieved in 2024YTD amongst 5/5.5yr issuances, and the all-in yield for the 10.5-year is the tightest among all USD 10/10.5-year issuances since May 2022, while the all-in yield for the 25-year is the tightest among all USD 25-year issuances since March 2022.

The Global Bonds are expected to be rated Baa2 by Moody’s, BBB+ by Standard & Poor’s, and BBB by Fitch*. The transaction is expected to settle on 5th September 2024.

The Republic took advantage of moderating benchmark yields as softer inflation data and increasingly dovish Fed rhetoric fueled investor certainty of upcoming rate cuts by the Fed at their September meeting, with the question now around the extent of the cuts. The success of the offering illustrated the Republic’s ability to respond swiftly to capture conducive market conditions. The transaction attracted robust demand and strong orderbook momentum carried across markets, with interest from a diverse pool of high-quality global accounts, showcasing investors’ continued confidence in the Republic’s credit profile and long-term outlook.

The Republic’s Finance Secretary Ralph G. Recto stated, “We are very pleased to see the overwhelming investor interest in our new USD 2.5 billion triple-tranche global bonds. In fact, compared to our regional peers, the Philippines’ issuance achieved among the best pricing in all of our tranches this year. This is a resounding vote of confidence in our country’s solid credit profile.”

“More importantly, this is a significant win for every Filipino as we are raising funds at very affordable costs to support programs and projects that will boost economic growth, create quality jobs, increase incomes, and reduce poverty,” he added.

The Republic’s National Treasurer Sharon P. Almanza remarked, “The positive reception and tight pricing of our new securities reflect continued investor confidence in the country's creditworthiness and robust economic performance, even amidst a challenging global environment. The exceptionally tight pricing across all offerings enables the government to conserve on interest payments, thereby allowing more fiscal space to flow into transformative investments. Thus, the favorable outcome of the transaction further strengthens the Philippine Government's position to fulfill its commitments to fiscal consolidation and rapid economic growth.”

The triple-tranche USD 2.5 billion was well-received globally as evidenced by its balanced geographical distribution. 38% of the bonds were allocated to the US, 24% to Europe, and 38% to Asia.

The Republic intends to use the proceeds from the sale of the 5.5-year and 10.5-year Global Bond for general budget financing while proceeds from the sale of the 25-year Global Bond are intended to be used for general budget financing and refinancing programs and expenditures in line with the Republic’s Sustainable Finance Framework. HSBC, Standard Chartered Bank, and UBS are acting as Joint Sustainability Structuring Banks.

BNP Paribas, Citigroup, Goldman Sachs, HSBC, J.P. Morgan, Morgan Stanley, Standard Chartered Bank, and UBS are acting as Joint Bookrunners for the transaction.

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