

Debt and Debt Management

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Freedom From Debt Coalition

2009 Deficit

As of August 2008	:	P 40 B (0.5% of GDP)
As of November 2008	:	102 B (1.2% of GDP)
As of February 2009	:	177 B (2.2% of GDP)
Latest, unofficial	:	3.2% of GDP

(Note: 2008 deficit : P 68B (0.9% of GDP))

Financing 2009 Deficit

- Official original program
 - 1/3 foreign 2/3 domestic
 - increase in cash by P4.8 B
- New financing program

? ? ?

How to finance the additional deficit?

- ✓ Very likely, opportunistic
- ✓ Non-project external loans
- ✓ Room to expand domestic borrowings without crowding out effect
- ✓ Go for longer term securities

Debt Scenario, 2009

Original Official Estimate	P 3,961 B
Add: Underestimate of actual 2008 debt	312
Underestimate of 2009 deficit	160
Adjustments in interest due to higher deficit, other factors	13

Conservative deficit estimate (assuming no revenue measures)	P 4,446 B

Deficit and Debt

Year	Deficit	Increase/Decrease in Debt
2000	134.2	166.3
2001	147.0	218.2
2002	210.7	430.6
2003	199.9	539.6
2004	187.1	456.8
2005	146.8	76.3
2006	64.8	(36.7)
2007	12.4	(139.0)
2008	68.1	508.4
Total	1,171.0	2,220.5

Outstanding Debt, National Government

- Levels
 - 2000 : P 2.17 Trillion
 - 2008 : 4.22 Trillion
- Interesting facts
 - Share of domestic debt higher
 - 2000 : 49% domestic; 51% foreign
 - 2008 : 57% domestic; 43% foreign
 - Assumed debt negligible; all paid except for P2.3 B of DBP and NDC assumed debt
 - Foreign loans basically flat, growing only 22% between 2000 and 2008; implication on absorption capacity
 - Foreign bonds has become the largest source of foreign debt (40% in 2000; 56% in 2008); vulnerabilities to external factors

**National Government Outstanding Debt
For the Period Indicated
(In Million Pesos)**

Particulars	2000	2001	2002	2003	2004	2005	2006	2007	2008
I. Domestic Debt	<u>1,068,200</u>	<u>1,247,683</u>	<u>1,471,202</u>	<u>1,703,781</u>	<u>2,001,220</u>	<u>2,164,293</u>	<u>2,154,078</u>	<u>2,201,167</u>	<u>2,414,428</u>
NG Direct	<u>1,049,083</u>	<u>1,233,825</u>	<u>1,462,950</u>	<u>1,701,484</u>	<u>1,996,926</u>	<u>2,161,999</u>	<u>2,151,784</u>	<u>2,198,873</u>	<u>2,412,134</u>
Govt. Securities	1,033,542	1,218,508	1,447,341	1,685,924	1,970,626	2,134,146	2,131,699	2,178,794	2,398,548
Agencies	15,541	15,317	15,609	15,560	28,300	27,853	20,085	20,079	13,586
Relent	0	0	0	0	0	0	0	0	0
Assumed	<u>19,117</u>	<u>13,858</u>	<u>8,252</u>	<u>2,297</u>	<u>2,294</u>	<u>2,294</u>	<u>2,294</u>	<u>2,294</u>	<u>2,294</u>
PNB	5,590	3,842	1,979	0	0	0	0	0	0
DBP	13,159	9,761	6,138	2,291	2,288	2,288	2,288	2,288	2,288
NPC/PNPP	362	249	129	0	0	0	0	0	0
NDC	6	6	6	6	6	6	6	6	6
II. Foreign Debt	<u>1,098,510</u>	<u>1,137,234</u>	<u>1,344,266</u>	<u>1,651,327</u>	<u>1,810,734</u>	<u>1,723,938</u>	<u>1,697,428</u>	<u>1,511,320</u>	<u>1,806,475</u>
Direct	<u>647,468</u>	<u>626,958</u>	<u>705,414</u>	<u>815,942</u>	<u>841,096</u>	<u>703,590</u>	<u>674,454</u>	<u>613,595</u>	<u>793,465</u>
Agencies	554,794	544,375	613,292	702,521	718,844	601,967	584,552	536,004	720,867
Relent	92,674	82,583	92,122	113,421	122,252	101,623	89,902	77,591	72,598
Assumed	<u>13,472</u>	<u>11,631</u>	<u>9,815</u>	<u>7,985</u>	<u>5,792</u>	<u>3,266</u>	<u>1,058</u>	<u>72</u>	<u>61</u>
GF/GOCC's	<u>13,472</u>	<u>11,631</u>	<u>9,815</u>	<u>7,985</u>	<u>5,792</u>	<u>3,266</u>	<u>1,058</u>	<u>72</u>	<u>61</u>
PNB	329	244	152	56	40	23	7	0	0
DBP	2,163	1,831	1,592	1,349	997	552	185	16	15
NPC/PNPP	10,443	9,091	7,673	6,260	4,531	2,561	789	0	0
NDC	462	401	342	272	188	111	71	56	46
PAL	75	64	56	48	36	19	6	0	0
NG Foreign Bonds	437,570	498,645	629,037	827,400	963,846	1,017,082	1,021,916	897,653	1,012,949
T O T A L	<u>2,166,710</u>	<u>2,384,917</u>	<u>2,815,468</u>	<u>3,355,108</u>	<u>3,811,954</u>	<u>3,888,231</u>	<u>3,851,506</u>	<u>3,712,487</u>	<u>4,220,903</u>

*Breakdown of totals may not sum up due to rounding.

Forex Rate Used	49.960	51.500	53.060	55.560	56.260	53.100	49.100	41.600	47.400
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Source: DMAD-BTR
Prepared by: SDAD-BTR

Domestic Debt: Securities

- longer term maturities (over one year maturities 69% of total domestic debt in 2008, 55% in 2000)
- appetite for very long term bonds with 10, 20, 25 year maturities
- growing special rather than regular securities issued (41% in 2008 vs 14% in 2000)
- testing appetite for zero coupons (P68 B in 2008) and so-called benchmark bonds (P576 B in 2008)
- consolidation of long term special issues (12 types vs 8 types in 2008)
- securities yield rates drastically fell for all maturities over the 9-year period

ANNUAL OUTSTANDING GOVERNMENT SECURITIES
For the Period Indicated
(In Million Pesos)

Particulars	2000	2001	2002	2003	2004	2005	2006	2007	2008
TOTAL	1,043,864	1,239,474	1,466,145	1,705,200	2,001,374	2,182,189	2,203,862	2,243,626	2,471,316
I. National Government Issues	1,023,543	1,218,628	1,447,342	1,685,924	1,970,626	2,124,147	2,131,700	2,178,794	2,398,548
1. Regular	901,741	988,911	1,135,258	1,226,046	1,465,924	1,674,272	1,531,055	1,356,952	1,460,776
A. T- Bills	367,275	425,413	405,226	495,964	577,583	637,605	662,047	614,126	770,336
CMB (35-60 days)	17,250	0	0	0	0	0	0	0	0
91-day	100,707	84,486	99,349	105,018	91,520	75,734	108,448	124,051	86,320
182-day	143,041	104,177	155,182	132,068	174,987	151,626	146,580	94,507	104,167
364-day	206,277	236,750	150,695	258,878	311,068	410,246	407,019	395,967	599,847
B. Fixed Rate T- Bonds	434,466	563,498	739,032	739,062	888,341	1,036,667	869,008	742,637	690,441
2-yr	104,077	159,815	176,833	90,386	59,145	54,549	39,358	21,821	0
3-yr	0	0	36,077	73,669	105,073	107,173	71,765	40,172	20,918
4-yr	0	0	14,706	48,048	125,525	190,245	153,899	124,815	67,021
5-yr	116,567	146,132	210,901	224,362	255,864	256,238	188,124	133,787	115,802
7-yr	99,641	132,372	147,447	121,622	139,233	170,121	131,747	121,312	153,382
10-yr	98,454	107,033	117,769	128,342	148,601	186,763	178,899	175,074	186,607
20-yr	9,844	9,847	18,000	36,254	46,602	56,138	75,675	84,656	93,802
25-yr	5,786	8,202	8,202	8,202	8,202	15,344	29,644	41,103	52,811
30-yr	97	97	97	97	97	97	97	97	97
2. Special Issues	39,260	126,326	218,753	260,716	268,718	236,495	219,372	226,120	233,420
A. Retail T- Bonds	0	37,993	100,924	206,785	248,490	231,609	161,966	174,004	210,562
3-yr	0	0	23,260	91,495	114,906	91,736	22,219	40,982	69,984
4-yr	0	37,993	37,993	37,993	37,993	0	0	0	0
5-yr	0	0	39,671	77,297	95,501	139,873	139,748	133,023	140,578
B. SDT	30,260	30,260	30,260	30,260	0	0	0	0	0
C. Progress Bonds	8,000	8,000	8,000	8,000	8,000	0	0	0	0
D. FX Promissory Notes	0	0	11,520	45,590	45,590	39,360	37,360	32,070	6,700
3-yr	0	0	6,230	8,230	8,230	2,000	0	0	0
5-yr	0	0	5,290	30,660	30,660	30,660	30,660	25,370	0
7-yr	0	0	0	6,700	6,700	6,700	6,700	6,700	6,700
E. FX Notes (US/PHP CS)	0	11,810	11,810	11,810	5,480	5,480	0	0	0
3-yr	0	6,330	6,330	6,330	0	0	0	0	0
5-yr	0	5,480	5,480	5,480	5,480	5,480	0	0	0
F. 10-Year SPTB for CARP	0	6,343	9,158	9,158	16,158	16,158	16,158	16,158	16,158
G. US Dollar Lnk PHP Notes	0	6,930	12,061	14,113	10,000	5,000	0	0	0
2-yr	0	3,467	3,572	0	0	0	0	0	0
3-yr	0	3,463	8,509	14,113	10,000	5,000	0	0	0
H. 10-Year Zero Coupon T/B	0	35,000	35,000	35,000	35,000	35,000	0	0	0
I. RPB Philsucom	0	0	0	0	0	3,888	3,888	3,888	0
3. Zero Coupon T/Bonds	0	0	0	5,646	24,556	32,988	57,988	57,988	57,988
5-yr	0	0	0	5,646	17,104	25,326	25,326	25,326	25,326
7-yr	0	0	0	0	0	0	0	0	0
10-yr	0	0	0	0	0	0	35,000	35,000	35,000
4. BenchMark Bonds	0	0	0	0	0	0	226,208	466,353	575,749
3-yr	0	0	0	0	0	0	83,706	209,878	209,878
5-yr	0	0	0	0	0	0	39,012	122,475	178,260
7-yr	0	0	0	0	0	0	35,873	49,711	85,889
10-yr	0	0	0	0	0	0	65,717	84,289	101,722
5. Bonds	81,481	81,027	80,752	79,546	79,506	78,311	77,132	80,525	80,040
6. T/Notes	2,416	2,416	2,416	2,416	2,416	1,579	382	0	0
7. 10-Year Land Bank Bond	8,910	9,244	9,868	10,437	10,609	10,501	10,563	10,846	10,576
8. FX Term Deposit	745	574	395	217	18,597	0	0	0	0
II. Guaranteed Corporate Issues	10,311	20,846	18,803	20,276	30,748	48,012	71,962	64,832	72,768

**GOVERNMENT SECURITIES YIELD RATES
CY 2000-2008**

Tenor	2000	2001	2002	2003	2004	2005	2006	2007	2008
T-Bills									
91-day	9.86	9.87	5.43	6.03	7.34	6.36	5.35	3.40	5.39
182-day	10.84	11.18	6.50	6.95	8.32	7.67	6.15	4.17	6.19
364-day	11.80	11.98	6.84	7.49	9.22	8.68	6.96	4.98	6.49
T-Bonds									
2-year	12.31	13.40	9.03	8.50	10.38	8.88	7.13	0.00	-
3-year			9.91	8.38	12.38	10.13	9.56	7.60	5.38
4-year			10.45	10.38	11.33	11.15	6.50	5.88	5.88
5-year	13.76	14.49	12.11	8.15	11.55	10.98	8.72	7.13	7.88
7-year	14.35	14.94	14.00	11.88	11.75	11.29	8.67	7.63	8.18
10-year	14.80	17.00	12.56	11.81	12.38	11.69	8.06	8.58	7.88
20-year			13.88	12.23	13.00	12.13	9.69	8.63	9.50
25-year	18.25					12.50	10.31	8.50	-

Foreign Debt

	Bilaterals	Multilaterals	Bond Floats
Creditor	Countries	Group of countries	Private investor
Motivation	trade	development	Profit
Use	Tied/ conditionalities	Projects/ reforms towards desired order	general

Opportunities for Debt Reduction

- Domestic front
 - very little
 - social security institutions to invest in government securities
 - return government securities of assumed debt to DBP? or dividends to cover balance
- Foreign front
 - failed project loans: bilaterals/multilaterals
 - bilaterals : equipment or services that did not work due to poor design, etc
 - multilaterals: sharing of cost burden
 - impact of financial meltdown?
 - restructuring of maturities for highly indebted countries
 - stronger government voice in international for a
 - even stronger non-government voice