

## **FREQUENTLY ASKED QUESTIONS ON THE COMPILATION AND REPORTING OF THE PHILIPPINES' OUTSTANDING EXTERNAL DEBT<sup>1</sup>**

### **1. *What is External Debt?***

Gross external debt, at any given time, is the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of interest and/or principal by the debtor at some point(s) in the future and that are owed to non-residents by residents of an economy.

External debt data are generally compiled by the International Operations Department (IOD) of the Bangko Sentral ng Pilipinas (BSP) in accordance with the concepts and methodology set out in the International Monetary Fund's (IMF) latest External Debt Statistics: Guide for Compilers and Users (2014) and Balance of Payments and International Investment Position Manual, 6th edition.

### **2. *Why does the BSP report the country's external debt? Why is debt transparency important?***

Under Executive Order No. 352 entitled "Designation of Statistical Activities That Will Generate Critical Data for Decision-Making of the Government and the Private Sector", approved on 01 July 1996, the BSP was designated as the implementing agency to compile and release external debt statistics to the public.

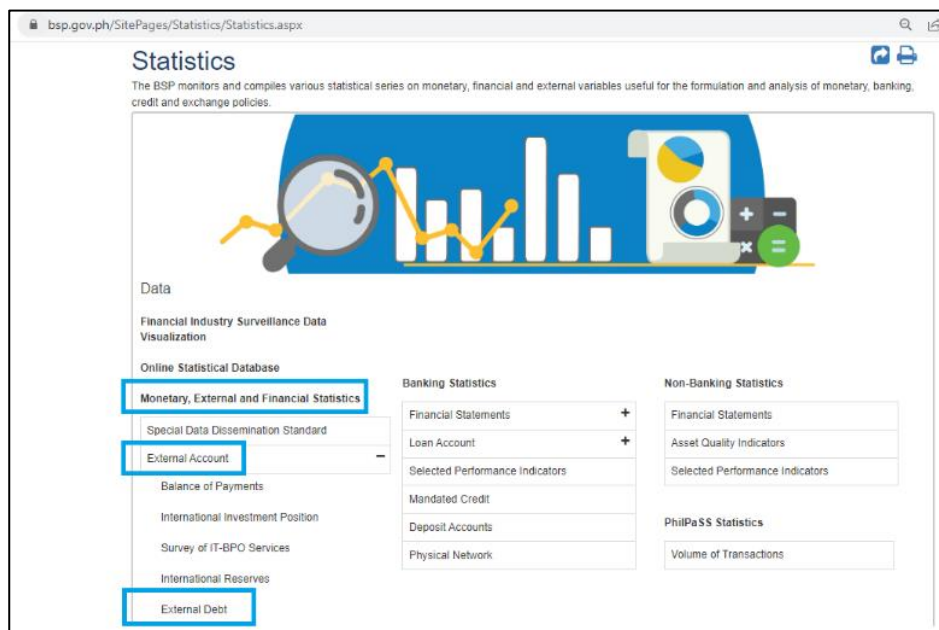
Debt transparency helps both borrowers and lenders make sound financial decisions. Readily available external debt data allows analysts and policymakers to make informed decisions that support macroeconomic goals and debt sustainability.

### **3. *Where can we view the external debt data released by the BSP? How often are the external debt statistics reported?***

The data on Philippine external debt are found on the "Statistics" page of the BSP website.

---

<sup>1</sup> Answers to queries were mostly sourced from the External Debt Statistics: Guide for Compilers and Users (2014)



The available data are aggregated by maturity category, type of borrower and creditor, currency, and creditor country, among others.

Statistics - External Accounts			
<a href="#">Sources</a> <a href="#">External Debt</a> <a href="#">FCDU</a> <a href="#">Investment</a> <a href="#">Overseas Filipinos' Remittances</a> <a href="#">Exchange Rates</a> <a href="#">Foreign Interest Rates</a>	<small>scroll left or right to navigate through the tab menu</small>		
External Debt	Latest HTML	Latest PDF	Historical EXCEL
Total External Debt (SDDS format)	✓	✓	✓
External Debt (by Type of Borrower, Creditor & Country Profile)	✓	✓	✓
Total Philippine External Debt	✓	✓	✓
Total Philippine External Debt by Creditor Type	✓	✓	✓
Total Philippine External Debt by Creditor Country	✓	✓	✓
Total Philippine External Debt by Currency	✓	✓	✓
Total Philippine External Debt by Maturity Category, Creditor Type and Borrower	✓	✓	✓
External Debt Ratios	✓	✓	✓

Note: Latest available data are in PDF and HTML formats. Excel file contains historical data.

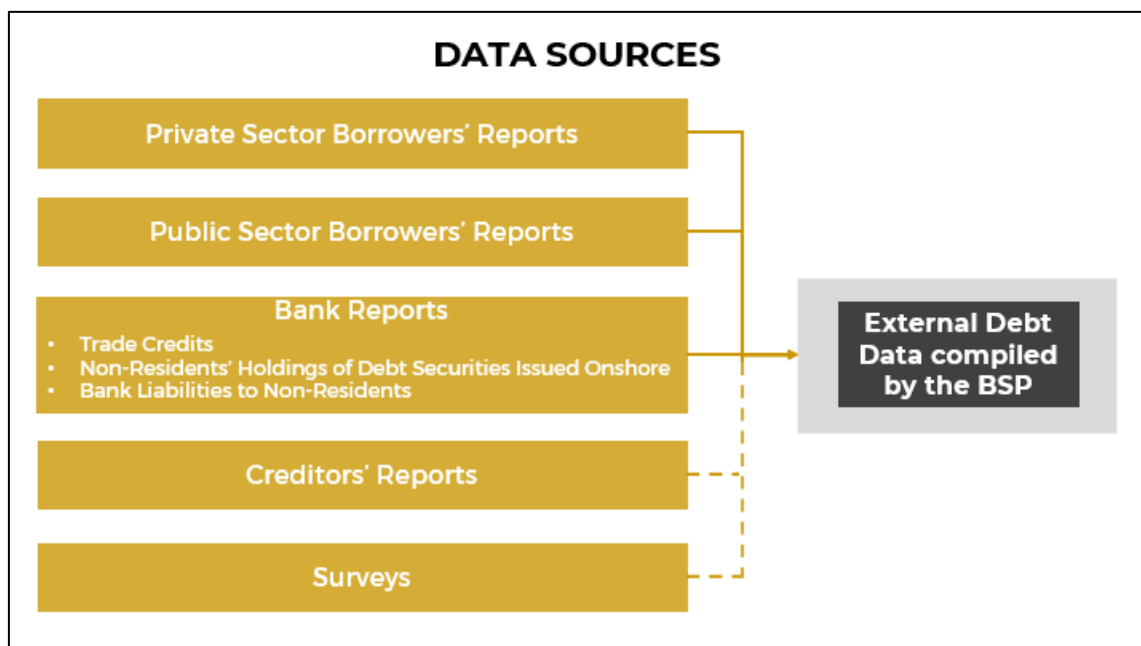
The BSP publishes the country's outstanding external debt on a quarterly basis with no more than a quarter lag.

**4. What is the coverage of the external debt data released by the BSP? How does the BSP obtain its data on the country's external debt?**

The external debt data released by the BSP cover borrowings of Philippine residents from non-resident creditors, regardless of sector, maturity, creditor type, debt instruments or currency denomination.

The BSP gathers data on external debt through the reports submitted by borrowers to the BSP and reports of major foreign creditors (e.g., multilateral organizations). Furthermore, the BSP also conducts surveys of resident borrowers' outstanding external debt such as loans, bonds/notes and advances from related and non-related non-resident parties as well as its intended borrowings for the coming years.

Through these reports and surveys, the IOD obtains detailed information on the debt instrument, borrowing terms, actual debt service repayments, among others.



With enhancements in data collection resulting to more comprehensive external debt coverage, the BSP expanded the scope of external debt in the first quarter of 2023 to include non-residents' holdings of Philippine peso-denominated debt securities issued onshore [e.g., treasury bills/bonds issued by the National Government (NG) in the domestic market]. This statistical adjustment is consistent with the IMF's standards under its External Debt Statistics Guide and the International Investments Position Manual, 6<sup>th</sup> edition for external debt reporting.

#### **5. *How does the BSP use the information collected?***

The BSP uses external data collected to: (a) monitor and analyze major debt indicators for debt sustainability assessment; and (b) serve as inputs for the development of policies on external debt management as well as regulations governing foreign exchange (FX) transactions, among others.

Debt data collected from various sources are also used by the BSP to prepare statistical and analytical reports provided to various stakeholders, including international organizations such as the IMF and the World Bank.

**6. *What is the Special Data Dissemination Standard (SDDS)?***

The BSP, as a subscriber to the IMF-SDDS, is also committed to release external debt data in the SDDS-prescribed format and to post the same on the BSP website. The SDDS was established by the IMF to set a standard reporting format and guide member countries that have, or might seek, access to international capital markets in the provision of their economic and financial data to the public.

**7. *What is external debt sustainability?***

External debt sustainability refers to a country's capacity to meet its current and future payment obligations without debt relief, extraordinary assistance or going into default.

**8. *How is external debt sustainability assessed?***

There are various methods used in assessing a country's overall debt sustainability, one of which is measuring the level of its debt stock (i.e., total outstanding debt) or debt service (i.e., principal and interest payments due from outstanding loans) relative to its capacity to repay its debts at a particular point in time. Capacity to pay is determined by using some measure of a country's outputs, earnings/income or assets.

Commonly used indicators include the: (a) external debt to gross domestic product (GDP) ratio; (b) debt service burden to receipts from exports of goods and services and primary income (XGSI) ratio; and (c) gross international reserves (GIR) to short-term (ST) external debt ratio.

***External Debt Ratio (EDR)***

The EDR, expressed as a percentage, provides an estimate of an economy's capacity to service external obligations, with the value of an economy's aggregate output generated during a one-year period (i.e., GDP) as the primary measure of such capacity. It is computed as the quotient of total external debt and GDP, multiplied by 100.

***Debt Service Ratio (DSR)***

The DSR relates principal and interest payments (or debt service burden) to XGSI as a measure of adequacy of the country's FX earnings to meet maturing obligations. It is computed as debt service burden over XGSI, multiplied by 100.

A low and stable debt service ratio is an indication that debt is likely to be sustainable as this implies that debt service obligations are relatively small and that earnings from the country's exports and income from the provision of the country's factors of production to non-residents are sufficient to meet these debt service obligations.

### ***GIR to ST Debt Ratio***

The GIR to ST debt ratio is computed as GIR over ST external debt. The ratio provides an estimate of the economy's capacity to pay external obligations maturing within one (1) year using the GIR as the primary gauge for measuring such capacity.

GIR refers to the foreign assets of the BSP held mostly as investments in foreign-issued securities, monetary gold and FX. These are supplemented by claims to the IMF in the form of Reserve Position in the Fund and Special Drawing Rights (SDR)<sup>2</sup>.

### ***9. What are the latest developments (as of end-September 2023) in the country's external debt?***

Total external debt (EDT) stood at US\$118.8 billion as of end-September 2023, up by US\$915 million (or 0.8 percent) from the US\$117.9 billion level as of end-June 2023. This brought the external debt ratio to 28.1 percent which is an improvement from the reported 28.5 percent a quarter ago.

The rise in the debt level was due to prior periods' adjustments<sup>3</sup> (i.e., borrowings made in previous quarters) amounting to US\$2.0 billion, of which US\$1.9 billion were borrowings by private sector non-bank firms.

The increase in the debt stock from said adjustments was partially tempered by: (a) negative FX revaluation of US\$655 million; (b) the sale of Philippine debt papers to residents by non-residents of US\$220 million; and (c) net repayments of US\$200 million. The recorded net repayments during the quarter pertain largely to the redemption by two (2) local banks of its maturing medium-term notes (US\$900 million).

As of end-September 2023, the maturity profile of the country's external debt remained predominantly medium- to long-term (MLT) in nature [i.e., those with original maturities longer than one (1) year] with its share to total recorded at 85.6 percent (US\$101.7 billion). Relative to the end-June 2023 figure, the weighted average maturity for all MLT accounts slightly declined to 17.2 years from 17.3 years with public sector borrowings having longer average tenor of 20.3 years compared to 7.2 years for private sector borrowings. On the other hand, ST accounts [or those with original maturities of up to one (1) year] accounted for 14.4 percent of the outstanding debt stock and comprised mainly of bank liabilities, trade credits and others.

---

<sup>2</sup> The SDR is an international reserve asset created by the IMF to supplement its member countries' FX reserves. The value of the SDR is based on a basket of five currencies— the US dollar, the Euro, the Chinese renminbi, the Japanese yen, and the British pound sterling. IMF member countries can exchange their SDRs for hard currencies with other members.

<sup>3</sup> As the quarterly external debt levels incorporate transactions (i.e., drawdowns and principal payments) during the applicable quarter, adjustments caused by time-related factors are recorded as "prior periods' adjustments". Adjustments are mainly due to late submission of reports/notices by borrowers (e.g., external debt transaction for the last reporting period was only provided this reporting period) and late loan registration applications of private sector borrowers.

Of the MLT accounts, 54.6 percent (US\$55.5 billion) have fixed interest rates, 43.5 percent (US\$44.3 billion) carry variable rates, and 1.8 percent (US\$1.9 billion) are non-interest bearing.

Public sector external debt decreased to US\$73.7 billion (by US\$776 million or 1.0 percent) in the third quarter of 2023 from the previous quarter's US\$74.5 billion level. Its share to total likewise dropped to 62.0 percent from 63.2 percent a quarter ago. About US\$67.2 billion (91.1 percent) of public sector obligations were NG borrowings, while the remaining US\$6.5 billion pertained to borrowings of government-owned and controlled corporations, government financial institutions and the BSP.

On the other hand, private sector debt rose by US\$1.7 billion (3.9 percent) from US\$43.4 billion as of end-June 2023 to US\$45.1 billion as of end-September 2023, with its share to total likewise increasing from 36.8 percent to 38.0 percent. The increase in the debt level was driven mainly by: (a) prior periods' adjustments of US\$1.9 billion arising from the late registration application/reporting of borrowings by various private sector borrowers; and (b) the transfer of debt securities from residents to non-residents of US\$231 million. Meanwhile, net repayments of US\$305 million and negative FX revaluation of US\$102 million partially tempered the rise in the private sector debt level.

Major creditor countries were: Japan (US\$14.8 billion), the United Kingdom (US\$4.1 billion), Singapore (US\$3.3 billion), the United States of America (US\$3.2 billion), and Taiwan (US\$3.0 billion).

Loans from official sources [multilateral (US\$32.1 billion) and bilateral creditors (US\$13.4 billion)] had the largest share (US\$45.5 billion or 38.3 percent) out of the total outstanding debt, followed by borrowings in the form of bonds/notes (US\$38.8 billion or 32.7 percent) and obligations to foreign banks and other financial institutions (US\$26.7 billion or 22.5 percent); the rest (US\$7.8 billion or 6.6 percent) were owed to other creditors (mainly suppliers/exporters).

In terms of currency mix, the country's debt stock remained largely denominated in US dollar (US\$91.5 billion or 77.0 percent of total) and Japanese yen (US\$9.5 billion or 8.0 percent of total). The rest (US\$17.7 billion or 14.9 percent) pertained to 14 other currencies, including the Philippine peso (6.4 percent), the Euro (4.8 percent), and Special Drawing Rights (3.2 percent).

Year-on-year, the country's debt stock rose by US\$10.9 billion (or 10.1 percent). The increase was driven by: (a) total net availments of US\$6.0 billion, bulk of which were borrowings by the NG (US\$7.8 billion); (b) the change in the scope of the external debt to include non-residents' holdings of Peso-denominated debt securities issued onshore reported in the first quarter to 2023 (US\$3.3 billion); (c) prior periods' adjustments of US\$1.5 billion; and (d) positive FX revaluation of US\$291 million. The sale of Philippine debt papers issued offshore from non-residents to residents of US\$224 million had a minimal offsetting effect on the year-on-year increase in the debt stock.

Other key external debt indicators also remained at prudent levels. GIR stood at US\$98.1 billion as of end-September 2023 and represented

5.7 times cover for short-term (ST) debt based on the original maturity concept. The debt service ratio (DSR) rose to 10.3 percent from 4.8 percent for the same period last year due to higher recorded principal and interest payments in 2023.

The press release on external debt as of end-September 2023, as well as the tables reflecting the latest outstanding external debt of the Philippines, may be found on the BSP website through the following links:

Press Release on External Debt as of  
end-September 2023

<https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=6948>

External Debt Tables as of  
end-September 2023

<https://www.bsp.gov.ph/SitePages/Statistics/External.aspx?TabId=5>

\* Inquiries and other concerns regarding subject FAQs may be sent to:

The Head of the Department or  
The Systems and External Debt Monitoring and Analytics Group (SEDMAG)  
International Operations Department  
3<sup>rd</sup> Floor, 5-Storey Building  
Bangko Sentral ng Pilipinas  
1004 Manila  
Email address: [iod-sdcg@bsp.gov.ph](mailto:iod-sdcg@bsp.gov.ph)