

Asia Bond Monitor Highlights

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LCY Bond Market Growth in Emerging East Asia

- The quarter-on-quarter (q-o-q) growth rate for emerging East Asia's local currency (LCY) bond market in 1Q13 was 2.9%, slightly less than the 3.0% posted in 4Q12, as the region's bond market reached US\$6.7 trillion in size.¹ This outcome reflected positive q-o-q growth rates from the region's government (2.0%) and corporate (4.6%) bond sectors.
- The most rapidly growing markets on a q-o-q basis in 1Q13 were those of Viet Nam (20.8%); Indonesia (5.9%); Singapore (5.1%); Hong Kong, China (3.6%); the Republic of Korea (3.1%); and the People's Republic of China (PRC) (3.0%). The growth of Viet Nam's bond market came entirely from its government sector, which grew 21.8% q-o-q. Viet Nam's corporate sector has shrunk in recent years, falling to only US\$1.1 billion at the end of 1Q13. The growth of the Indonesian bond market was more balanced in 1Q13, with the government and corporate sectors rising 6.2% and 4.8% q-o-q, respectively.
- The growth of Singapore's bond market in 1Q13 was driven primarily by a 22.8% q-o-q rise in Monetary Authority of Singapore (MAS) bills outstanding, which reached US\$30 billion in 1Q13. Singapore's central government bills and bonds rose 2.9% q-o-q to reach US\$118 billion, while corporate bonds grew 3.4% to reach US\$104 billion.

- The regional bond market's year-on-year (y-o-y) growth rate in 1Q13 was 12.1%, almost the same as in 4Q12. The y-o-y growth rate for the region's government bond sector was 8.3%, while the corporate sector expanded a more robust 19.5%. The two most rapidly growing corporate bond markets on a y-o-y basis were those of the PRC and Indonesia, which are the largest (US\$1.1 trillion) and one of the smallest (US\$20 billion) in the region, respectively.

LCY Bond Market Structural Developments in Emerging East Asia

- Foreign holdings of East Asian LCY government bonds continued to rise in 1Q13, except in the Republic of Korea and Japan.² Foreign holdings of Indonesian government bonds as a share of the total remained the highest in the region at 32.6% at end-March, while foreign holdings of Malaysian government bonds rose to 31.2%.
- Government bond yields have shifted downward since the end of 2012 in most markets on the back of moderating inflation and mostly unchanged policy rates. The only exceptions to this were Hong Kong, China; Indonesia; and Singapore where government yield curves have shifted upward for most maturities since the beginning of the year due to rising inflationary concerns.

¹ Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

² East Asia refers to the nine economies of emerging East Asia plus Japan.