

Market Summaries

People's Republic of China

The amount of local currency (LCY) bonds outstanding in the People's Republic of China (PRC) grew 3.4% quarter-on-quarter (q-o-q) and 22.0% year-on-year (y-o-y) to reach CNY49.5 trillion (USD7.1 trillion) at the end of December. The expansion was driven mostly by Treasury bonds and other government bonds, which grew 5.9% q-o-q and 47.8% y-o-y. Growth in the latter category was fueled mainly by local government bonds, which grew 9.3% q-o-q and 220.2% y-o-y as local governments continued to refinance existing debt and issue new bonds. Central bank bonds outstanding were substantially lower at the end of December; the People's Bank of China has ceased issuing bonds as remaining bonds mature.

Table 1: Size and Composition of the Local Currency Bond Market in the People's Republic of China

	Outstanding Amount (billion)						Growth Rates (%)			
	Q4 2015		Q3 2016		Q4 2016		Q4 2015		Q4 2016	
	CNY	USD	CNY	USD	CNY	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	40,576	6,248	47,890	7,178	49,510	7,129	6.8	24.0	3.4	22.0
Government	26,408	4,067	33,154	4,969	34,545	4,974	7.6	27.6	4.2	30.8
Treasury Bonds	14,984	2,307	20,912	3,134	22,142	3,188	13.0	45.4	5.9	47.8
Central Bank Bonds	428	66	27	4	6	1	0.0	0.0	(78.2)	(98.6)
Policy Bank Bonds	10,996	1,693	12,215	1,831	12,397	1,785	1.3	10.4	1.5	12.7
Corporate	14,168	2,182	14,736	2,209	14,965	2,155	5.3	17.8	1.6	5.6
Policy Bank Bonds										
China Development Bank	6,601	1,017	7,051	1,057	7,081	1,020	(0.1)	5.4	0.4	7.3
Export-Import Bank of China	1,852	285	2,028	304	2,133	307	1.9	16.9	5.2	15.2
Agricultural Devt. Bank of China	2,543	392	3,136	470	3,184	458	4.7	20.6	1.5	25.2

() = negative, CNY = Chinese yuan, LCY = local currency, q-o-q = quarter-on-quarter, Q3 = third quarter, Q4 = fourth quarter, USD = United States dollar, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.
2. Treasury bonds include savings bonds and local government bonds.
3. Bloomberg LP end-of-period LCY-USD rate is used.
4. Growth rates are calculated from an LCY base and do not include currency effects.

Sources: Bloomberg LP, ChinaBond, and Wind Information.

Corporate bond issuance totaled CNY1.5 trillion in the fourth quarter of 2016 on 0.6% q-o-q growth as some companies were hesitant to borrow amidst tighter liquidity.

Table 2: Notable Local Currency Corporate Bond Issuance in the Fourth Quarter of 2016

Corporate Issuers	Coupon Rate (%)	Issued Amount (CNY billion)	Corporate Issuers	Coupon Rate (%)	Issued Amount (CNY billion)
China Railway			1-year bond	2.99	10.0
10-year bond	3.01	15.0	3-year bond	2.80	5.0
10-year bond	3.35	15.0	3-year bond	2.80	5.0
10-year bond	3.00	15.0	3-year bond	2.99	5.0
10-year bond	3.69	15.0	5-year bond	2.99	5.0
10-year bond	3.10	15.0	5-year bond	3.15	5.0
20-year bond	3.54	5.0	Bank of Communications		
20-year bond	3.31	5.0	3-year bond	2.94	10.0
20-year bond	3.88	5.0	5-year bond	3.25	20.0
30-year bond	3.40	5.0	Postal Savings Bank of China		
30-year bond	3.53	5.0	10-year bond	3.30	30.0
State Grid Corporation of China			China Huarong Asset Management		
178-day bond	2.59	5.0	3-year bond	3.35	12.5
180-day bond	3.49	5.0	5-year bond	3.54	12.5

CNY = Chinese yuan.
Source: Bloomberg LP.

LCY corporate bonds outstanding among the top 30 corporate bond issuers in the PRC reached CNY6.0 trillion at the end of December, accounting for about 40% of the total LCY corporate bond market. The largest issuer remained China Railway with CNY1.4 trillion of bonds outstanding.

Table 3: Top 30 Issuers of Local Currency Corporate Bonds in the People's Republic of China

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (CNY billion)	LCY Bonds (USD billion)			
1.	China Railway	1,363.5	196.33	Yes	No	Transportation
2.	State Grid Corp of China	497.1	71.58	Yes	No	Public Utilities
3.	China National Petroleum	365.0	52.56	Yes	No	Energy
4.	Agricultural Bank of China	278.0	40.03	Yes	Yes	Banking
5.	Industrial & Commercial Bank of China	268.0	38.59	Yes	Yes	Banking
6.	Bank of China	258.9	37.27	Yes	Yes	Banking
7.	Industrial Bank	231.0	33.26	No	Yes	Banking
8.	Bank of Communications	224.0	32.25	No	Yes	Banking
9.	China Construction Bank	212.0	30.53	Yes	Yes	Banking
10.	Shanghai Pudong Development Bank	184.6	26.58	No	Yes	Banking
11.	PetroChina	181.0	26.06	Yes	Yes	Energy
12.	China Minsheng Banking	175.1	25.21	No	Yes	Banking
13.	State Power Investment	162.2	23.36	Yes	No	Energy
14.	Bank of Beijing	122.9	17.70	Yes	Yes	Banking
15.	Central Huijin Investment	109.0	15.69	Yes	No	Asset Management
16.	China CITIC Bank	107.5	15.48	No	Yes	Banking
17.	Shenhua Group	104.5	15.05	Yes	No	Energy
18.	China Huarong Asset Management	102.0	14.69	Yes	Yes	Asset Management
19.	China Three Gorges	97.5	14.04	Yes	No	Public Utilities
20.	Shaanxi Coal and Chemical Industry Group	97.0	13.97	Yes	Yes	Energy
21.	China United Network Communications	97.0	13.97	Yes	Yes	Telecommunications
22.	Tianjin Infrastructure Construction & Investment Group	94.9	13.66	Yes	No	Industrial
23.	China Petroleum & Chemical	94.5	13.61	Yes	Yes	Energy
24.	China Datang	91.7	13.20	Yes	Yes	Energy
25.	China Everbright Bank	89.0	12.81	Yes	Yes	Banking
26.	China Guangfa Bank	86.5	12.46	No	Yes	Banking
27.	Guotai Junan Securities	85.0	12.24	Yes	Yes	Brokerage
28.	Haitong Securities	84.0	12.10	Yes	Yes	Brokerage
29.	Beijing State-owned Capital Operation and Management Center	80.5	11.59	Yes	No	Asset Management
30.	Huaxia Bank	80.4	11.58	Yes	No	Banking
Total Top 30 LCY Corporate Issuers		6,024.30	867.43			
Total LCY Corporate Bonds		14,964.97	2,154.78			
Top 30 as % of Total LCY Corporate Bonds		40.3%	40.3%			

CNY = Chinese yuan, LCY = local currency, USD = United States dollar.

Notes:

1. Data as of end-December 2016.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.