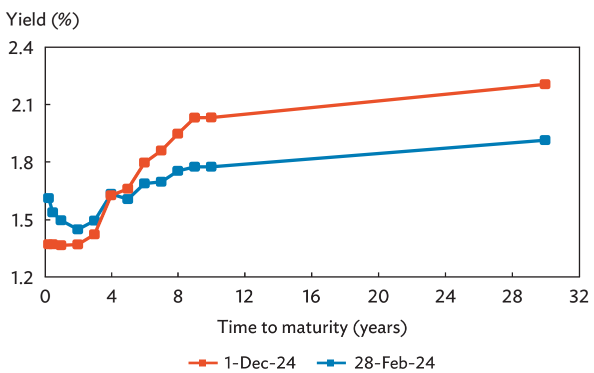
Market Summaries

People's Republic of China

Yield Movements

Local currency (LCY) government bond yields in the People's Republic of China (PRC) fell for most tenors, particularly longer-dated ones, between 1 December 2024 and 28 February 2025 on expected further monetary easing by the central bank. Bond yields fell an average of 19 basis points (bps) for tenors of 5 years or more, while tenors of 4 years or less saw their yields rise an average of 12 bps (**Figure 1**). The decline in yields was supported by the Government of the PRC's announcement in December that it would implement more active fiscal policies and moderately loose monetary policies. This was further supported by the People's Bank of China's (PBOC) announcement in January that it planned to implement its moderately loose monetary policy sometime in 2025 by reducing interest rates and reserve requirement ratios. Meanwhile, continued low inflation due to weak domestic demand dragged down interest rates at the shorter end of the curve, with year-on-year consumer price inflation coming in at 0.5% in January and –0.7% in February, from 0.1% in December.

Figure 1: The People's Republic of China's Benchmark Yield Curve—Local Currency Government Bonds



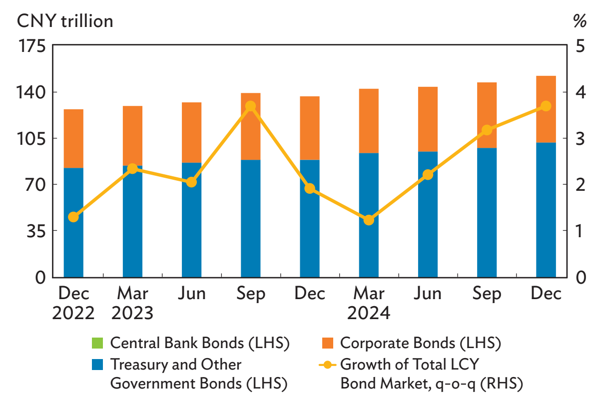
Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

The PRC's LCY bonds outstanding grew at a slightly faster pace in the fourth quarter (Q4) of 2024 to reach CNY155.1 trillion at the end of December. Growth accelerated to 3.6% quarter-on-quarter (q-o-q) in Q4 2024 from 3.1% q-o-q in the previous quarter, led by faster q-o-q growth rates for both government bonds (4.5% versus 4.2%) and corporate bonds (1.8% versus 1.1%) (**Figure 2**). The faster growth in the government and corporate bond markets was driven by fewer maturities during the quarter.

Bond sales in the PRC declined to CNY12.1 trillion in Q4 2024 from CNY13.9 trillion in the third quarter of 2024, a 13.0% q-o-q decline. While issuance for both government and corporate bonds declined, it fell much faster for government bonds (–16.7% q-o-q) versus corporate bonds (–7.3% q-o-q) as the government had already met most of its annual borrowing requirements in the prior quarters (**Figure 3**).

Figure 2: Composition of Local Currency Bonds Outstanding in the People's Republic of China



CNY = Chinese yuan, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.
Source: CEIC Data Company.

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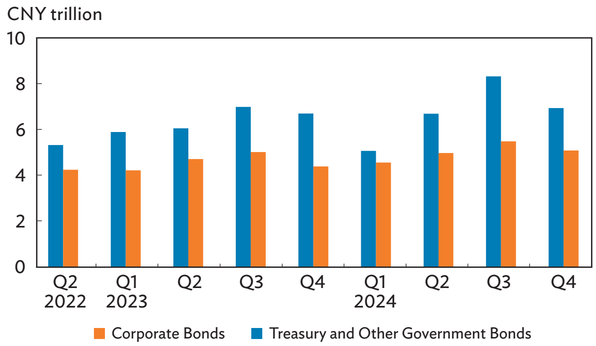
Figure 3: Composition of Local Currency Bond Issuance in the People's Republic of China

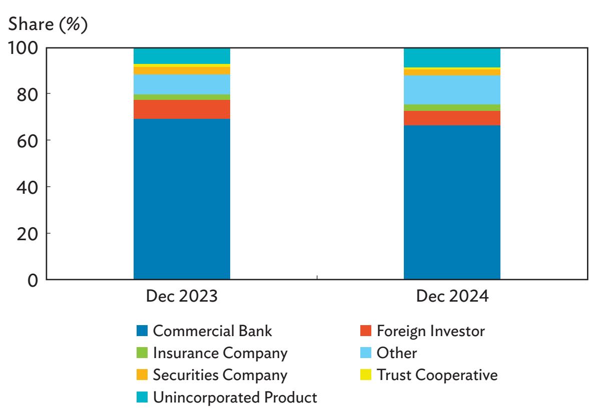


CNY = Chinese yuan, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
Source: CEIC Data Company.

Investor Profile

The investor profile of the PRC's Treasury bond market remained roughly the same in 2024. There was a slight decline in the share of Treasury bonds held by banks to 66.6% at the end of December 2024 from 69.4% a year earlier (**Figure 4**). Banks, however, remained the dominant investor with other investors not elsewhere classified having the next largest share with only a 12.7% share. As a result of the large holdings share of banks, the PRC continued to have the second-highest Herfindahl–Hirschman Index score in emerging East Asia at the end of 2024, reflecting a less diverse investor profile.[12]

Figure 4: Investor Profile of Treasury Bonds

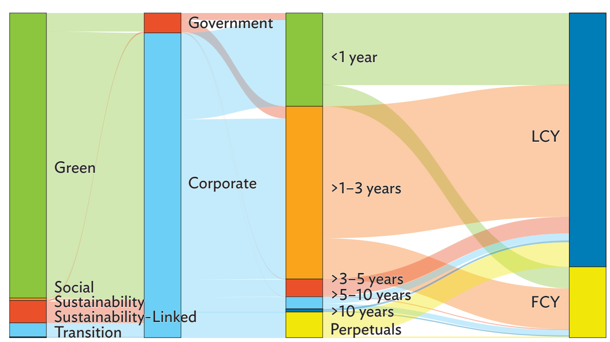


Source: CEIC Data Company.

Sustainable Bond Market

The PRC's sustainable bond market is dominated by green bond instruments and private sector financing. The PRC has the largest general bond market in emerging East Asia and also the largest sustainable bond market, which reached a size of USD368.1 billion and comprised 53.2% of the regional total at the end of December (**Figure 5**). A majority of the PRC's sustainable bonds are green bonds, with a share of 87.8%. The PRC bond market includes very few transition bonds at only USD0.9 billion, or a 0.2% share of the sustainable bond market. Private corporations are the most prevalent issuer of sustainable bonds, accounting for 93.9% of outstanding bonds. Most issuances are shorter-term, with 87.4% of outstanding sustainable bonds having a maturity of 5 years or less.

Figure 5: Market Profile of Outstanding Sustainable Bonds in the People's Republic of China at the End of December 2024



FCY = foreign currency, LCY = local currency.
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

[12] The Herfindahl–Hirschman Index is a common measure of market concentration. The index is used to measure the investor profile diversification of the local currency bond market by summing the squared share of each investor group in the bond market. Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.