

Market Summaries

People's Republic of China

Yield Movements

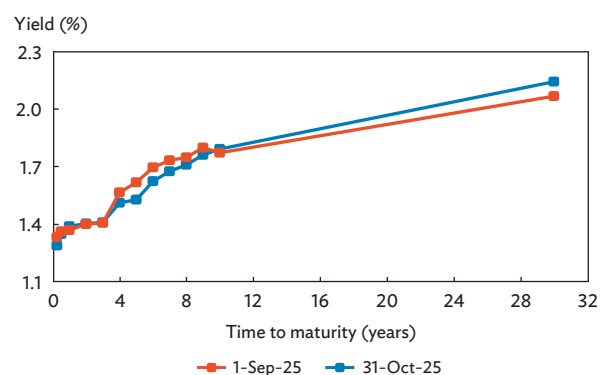
The People's Republic of China's (PRC) yield curve flattened between 1 September and 31 October. Weak economic data led to a decline in most PRC bond yields during the review period, particularly for longer-dated tenors, leading to its flattening (**Figure 1**). Yields fell an average of 2 basis points (bps), with most declines occurring at the middle to longer end of the curve (excluding the 10-year and 30-year tenors). Most economic indicators released during the review period showed a weakening economy. Third quarter (Q3) GDP growth softened to 4.8% year-on-year (y-o-y) from the second quarter's (Q2) 5.2% y-o-y gain. The PRC's economy continued to experience deflation, with producer and consumer prices declining 2.3% y-o-y and 0.3% y-o-y, respectively, in September. Bond yields faced downward pressure following the announcement by the People's Bank of China on 28 October that it will resume government bond purchases, which was interpreted by analysts as a sign of easing.

Local Currency Bond Market Size and Issuance

The PRC's LCY bond market maintained its growth momentum in Q3 2025 with total bonds outstanding reaching CNY170.9 trillion. The market expanded 3.4% quarter-on-quarter (q-o-q), only slightly lower than the previous quarter's 3.5% q-o-q gain (**Figure 2**). The stock of government bonds continued to expand amid local government refinancing to manage debt levels and efforts to stimulate the domestic market through government expenditures. Corporate bond activity was evident in capital-raising via financial bonds amid the central government's efforts to boost [industrialization](#) by calling on banks to increase lending.

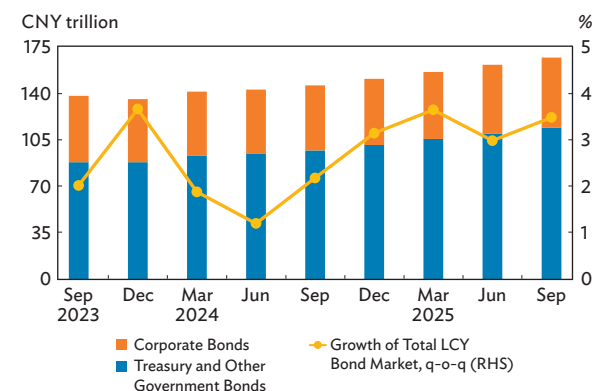
The PRC's bond issuance growth moderated in Q3 2025, with bond sales totaling CNY15.0 trillion. While both the government and corporate bond segments posted issuance

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



Source: Based on data from Bloomberg LP.

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



CNY = Chinese yuan, LCY = local currency, q-o-q = quarter-on-quarter, RHS = right-hand side.

Source: CEIC Data Company.

growth, the expansions were smaller than the growth rates posted in the previous quarter (**Figure 3**). The government sector's bond issuance only grew 0.9% q-o-q due to a decline in Treasury bond issuance as the government reduced [fiscal spending](#) in Q3 2025. Local government and policy bank bond issuance contributed much of the growth, rising 14.9% q-o-q and 14.6% q-o-q, respectively.

In addition to regular issuance for [policy support](#), policy banks accelerated their issuance ahead of the planned reimposition of [value-added taxes](#) on interest income. [Local governments](#) also continued to issue for refinancing purposes and for special projects to boost the economy. Meanwhile, corporate bond issuance growth slowed amid increased uncertainty following the release of weak economic indicators.

Investor Profile

Banks purchased more Treasury bonds during the past year, expanding their holdings share at the end of September. Investment by [banks](#) in the PRC's Treasury bond market increased as weaker loan growth and credit concerns led them to seek safer assets. As a result, the holdings share of commercial banks in the Treasury bond market rose to 69.9% at the end of September from 68.1% a year earlier (**Figure 4**). Meanwhile, [foreign investors](#) continued to exit the market amid concerns about the PRC's economy, leading to their collective share falling to 5.4% from 7.0% during the same period.

Sustainable Bond Market

Driven by issuance to support ongoing decarbonization efforts, the PRC's sustainable bonds outstanding rose 4.5% q-o-q to USD404.4 billion at the end of September, of which green bonds comprised 86.1% (Figure 5). The large share of green bonds in the PRC's sustainable bond market is mostly due to government initiatives. At the PRC's Fourth Plenum in October, where the government discussed development plans for 2026–2030, sustainability remained a key consideration.¹⁹ The government also reemphasized its plan to ensure that carbon emissions peak in 2030. The Shanghai Stock Exchange on 29 September launched the State-Owned Enterprises Green Bond Index. (In June 2017, the exchange, in partnership with the Luxembourg Stock Exchange, had previously launched the Green Bond Index.) The weak economic environment dampened issuance in Q3 2025, with the PRC's sustainable bond issuance declining 19.2% to CNY37.7 billion. Even though the government is promoting sustainable development, the public sector's share of the sustainable bond market is relatively small at 6.8%, compared with the private sector's share of 93.2%.

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

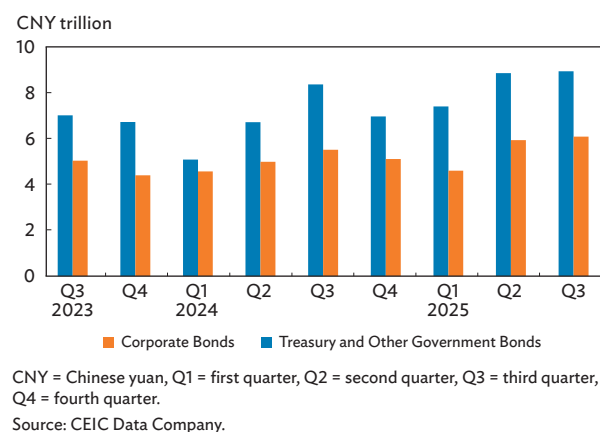


Figure 4: Investor Profile of Treasury Bonds

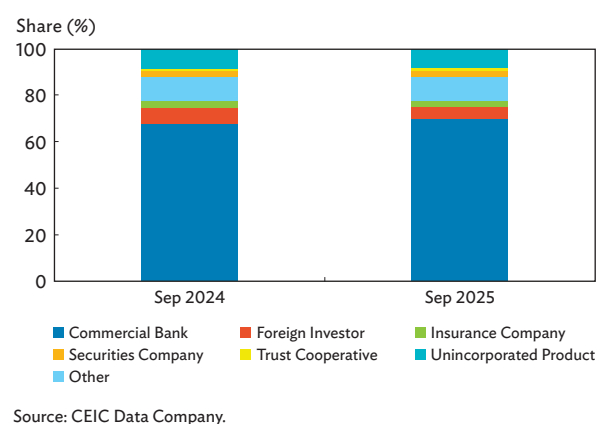
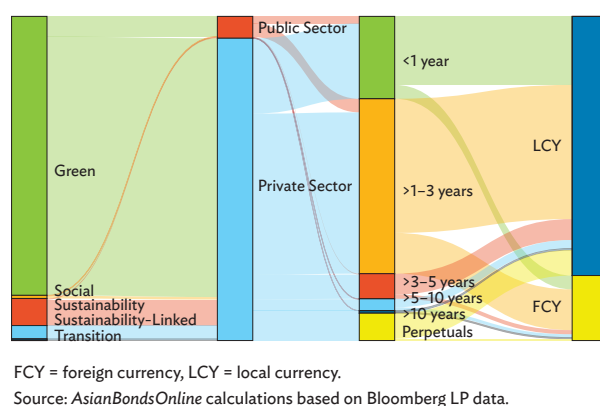


Figure 5: Market Profile of Outstanding Sustainable Bonds in the People's Republic of China at the End of September 2025



¹⁹ Government of the People's Republic of China, Ministry of Foreign Affairs. 2025. *Communique of the Fourth Plenary Session of the 20th Central Committee of the Communist Party of China*. 23 October.