

Recent Developments in ASEAN+3 Sustainable Bond Markets

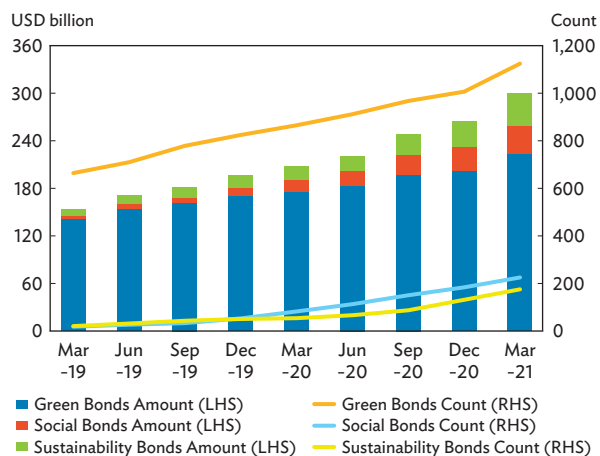
Sustainable bond markets continued to expand in ASEAN+3 in the first quarter (Q1) of 2021, with regional markets' aggregate growth quickening to 13.2% quarter-on-quarter (q-o-q) and 44.5% year-on-year (y-o-y) from 6.3% q-o-q and 34.9% y-o-y in the fourth quarter (Q4) of 2020 (Figure 14).⁸ This growth was modest compared with the global sustainable bond market's expansion of about 20.0% q-o-q in Q1 2021. With an outstanding bond stock of USD301.3 billion, the sustainable bond market in ASEAN+3 continued to be a significant part of the global sustainable bond market, accounting for nearly 20.0% of the global total at the end of March. By bond type, the region's green bond market, social bond market, and sustainability bond market accounted for 20.4%, 12.6%, and 22.7% of the respective global totals.

The majority of sustainable bonds outstanding continued to be green bonds in Q1 2021, with the outstanding amount reaching USD224.9 billion, equivalent to 74.6% of ASEAN+3's total sustainable bond stock at the end of March. Green bonds outstanding grew 10.5% q-o-q and 27.2% y-o-y in Q1 2021, compared to 2.8% q-o-q and 18.5% y-o-y in Q4 2020, reflecting the ongoing commitment from various stakeholders in the region to mitigate climate change risks. ASEAN markets accounted for 5.1% of the regional green bond outstanding stock at the end of March, while the PRC, Japan, and the Republic of Korea accounted for 70.0%, 10.8%, and 9.3%, respectively (Figure 15).

While green bonds continue to dominate the sustainable bond market, interest in social bonds and sustainability bonds has been rising, with both segments posting faster growth relative to green bonds in Q1 2021. Social bonds outstanding in ASEAN+3 markets gained 14.2% q-o-q to reach USD35.4 billion at the end of March, up from USD31.0 billion at the end of December, accounting for 11.7% of the region's total sustainable bond stock. Sustainability bonds grew the fastest at 29.2% q-o-q to reach USD41.1 billion at the end of March, up from USD31.8 billion at the end of December, accounting for a 13.6% share of the region's aggregate sustainable bond stock. At the end of Q1 2021, ASEAN markets accounted for 0.05% and 15.9% of the region's social and sustainability bonds, respectively. The PRC, the Republic of Korea, and Japan accounted for 2.5%, 57.4%, and 40.1% of regional social bonds, respectively, and 8.5%, 36.3%, and 39.3% of regional sustainability bonds, respectively.

Corporates continued to be major issuers of sustainable bonds in the region in Q1 2021 (Figure 16). Green corporate bonds accounted for an 88.1% share of the region's total green bonds at the end of March, slipping from 90.2% at the end of December, due to an uptick in government green bond issuance. Corporate issuers

Figure 14: Outstanding Amount of Green, Social, and Sustainability Bonds in ASEAN+3 Markets



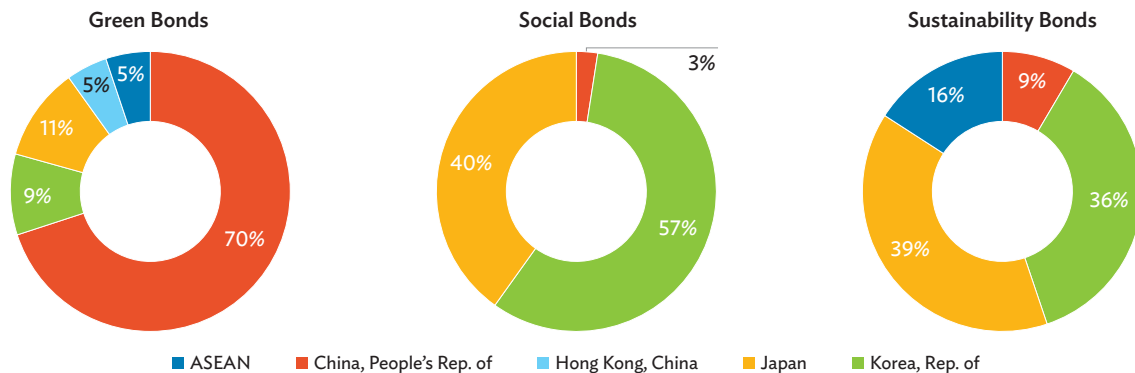
ASEAN = Association of Southeast Asian Nations, LHS = left-hand side, RHS = right-hand side, USD = United States dollar.

Notes:

1. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
2. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

Source: AsianBondsOnline computations based on Bloomberg LP data.

⁸ For the discussion on sustainable bonds, ASEAN+3 includes Association of Southeast Asian Nations (ASEAN) members Indonesia, Malaysia, the Philippines, Singapore, and Thailand, plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

Figure 15: Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 by Economy (% share of total)

ASEAN = Association of Southeast Asian Nations.

Notes:

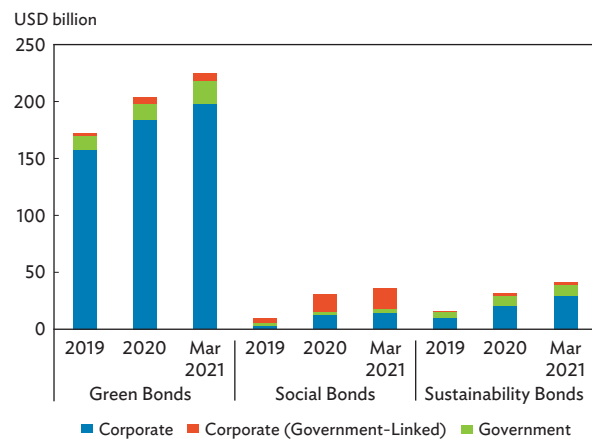
1. Data as of 31 March 2021.

2. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

3. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

4. For social bonds, ASEAN share for 31 March 2021 is 0.05%.

Source: AsianBondsOnline computations based on Bloomberg LP data.

Figure 16: Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 by Type of Bond

USD = United States dollar.

Notes: Corporate denotes bonds issued by private sector corporations.

Government bonds include bonds issued by sovereigns, regional governments, and local governments. Corporate (Government-Linked) denotes corporations with government affiliations.

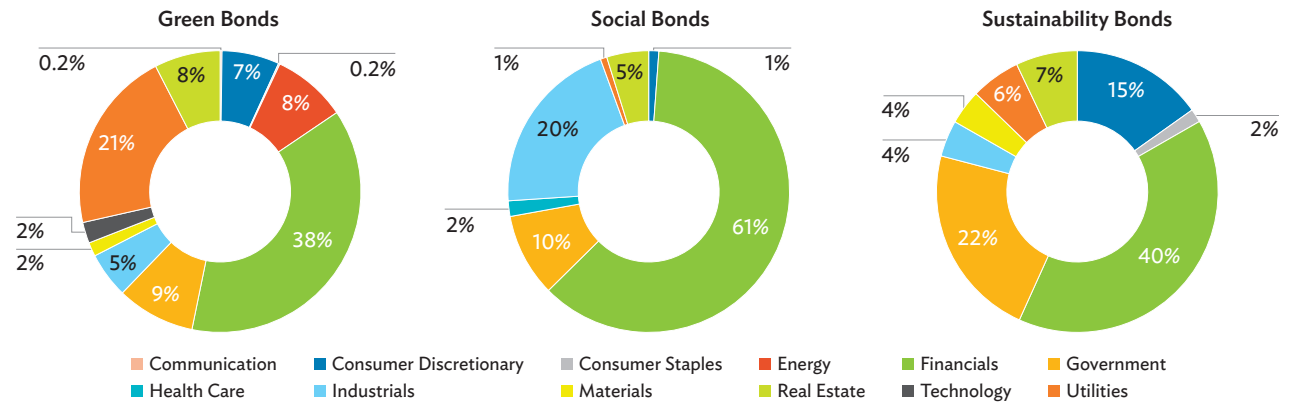
Source: AsianBondsOnline computation based on Bloomberg LP data.

also continued to dominate the regional sustainability bond market, with their share of bonds outstanding rising to 72.5% at the end of March from 65.4% at the end of December. The public sector remained the major player in the regional social bond market, with governments and corporates with government links accounting for 59.2% of the region's total social bonds outstanding at the end of March.

By sector, financial firms were the largest issuers of sustainable bonds in ASEAN+3 markets, representing 37.7%, 61.4%, and 40.0% of the region's outstanding green bonds, social bonds, and sustainability bonds, respectively, at the end of March (**Figure 17**).

Green bonds and social bonds outstanding in ASEAN+3 markets were mostly issued in local currency, while sustainability bonds, which have both green and social impacts, were largely issued in foreign currency such as US dollars and euros (**Figure 18**).

Figure 17: Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 by Sector of Issuer (% share of total)



ASEAN = Association of Southeast Asian Nations.

Notes:

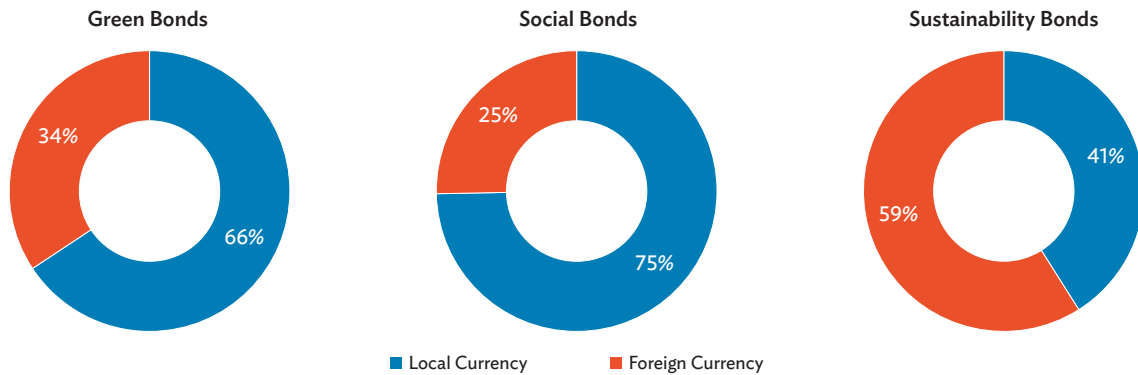
1. Data as of 31 March 2021.

2. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

3. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

Source: AsianBondsOnline computations based on Bloomberg LP data.

Figure 18: Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 by Type of Currency (% share of total)



ASEAN = Association of Southeast Asian Nations.

Notes:

1. Data as of 31 March 2021.

2. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

3. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

Source: AsianBondsOnline computations based on Bloomberg LP data.