

# Recent Developments in ASEAN+3 Sustainable Bond Markets

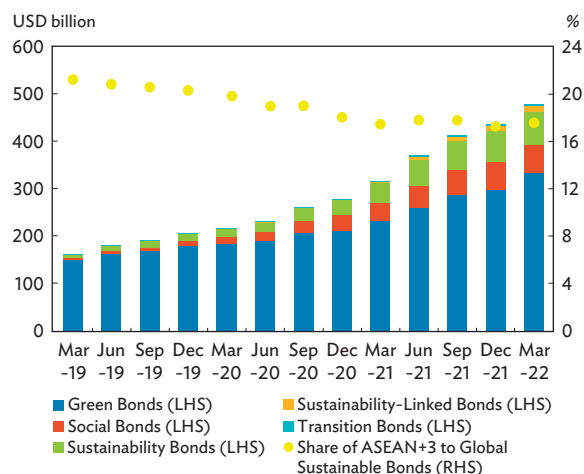
Sustainable bonds in ASEAN+3<sup>7</sup> markets continued to gain traction in the first quarter (Q1) of 2022, supported by robust issuance.<sup>8</sup> The amount of sustainable bonds outstanding in the region reached USD478.7 billion at the end of March, posting a year-on-year expansion of 51.3% and accelerating to growth of 9.7% quarter-on-quarter (q-o-q) in Q1 2022 from 5.6% q-o-q in the fourth quarter (Q4) of 2021 (Figure 17). ASEAN+3 accounts for 18.1% of global sustainable bonds outstanding, trailing only Europe as the second-largest regional market worldwide (Figure 18).

Outstanding green bonds reached USD333.6 billion at the end of Q1 2022, accounting for 69.7% of the regional sustainable bond stock. However, green bonds'

share of the region's total sustainable bond market has gradually slipped from 92.2% in Q1 2019 as the issuance of other types of sustainable bonds increased. The share of sustainability bonds and social bonds rose to 14.7% and 12.2%, respectively, at the end of Q1 2022. While the share of transition bonds (0.7%) remained low, ASEAN+3 does have the largest transition bond market globally, accounting for 54.1% of the global total at the end of March.

By individual economy, the People's Republic of China (PRC) is home to ASEAN+3's largest sustainable bond market, with 66.0% of the region's green bond stock, 66.8% of all sustainability-linked bonds, and 32.2% of the transition bond stock. At the end of

**Figure 17: Sustainable Bonds Outstanding in ASEAN+3 Markets and Share of the Global Sustainable Bond Total**



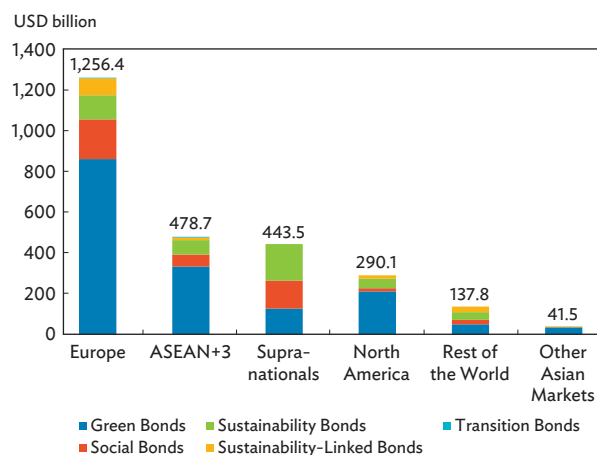
ASEAN = Association of Southeast Asian Nations, LHS = left-hand side, RHS = right-hand side, USD = United States dollar, y-o-y = year-on-year.

Notes:

1. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
2. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
3. Data include both local currency and foreign currency issues.

Source: AsianBondsOnline computations based on Bloomberg LP data.

**Figure 18: Sustainable Bonds Outstanding by Global Region**



ASEAN = Association of Southeast Asian Nations, USD = United States dollar. Notes:

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3. Data as of 31 March 2022 and include both foreign currency and local currency issues.

Source: AsianBondsOnline computations based on Bloomberg LP data.

<sup>7</sup> For the discussion on sustainable bonds, ASEAN+3 includes Association of Southeast Asian Nations (ASEAN) members Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

<sup>8</sup> Sustainable bonds include green, social, sustainability, sustainability-linked, and transition bonds.

Q1 2022, the PRC had a total of USD238.8 billion worth of outstanding sustainable bonds, followed by the Republic of Korea (USD99.8 billion) and Japan (USD86.2 billion). The markets of ASEAN members had a combined USD34.3 billion worth of sustainable bonds outstanding. The region's social bond market is led by the Republic of Korea (59.6%) and Japan (38.6%). The Republic of Korea and Japan also dominate sustainability bonds outstanding, together accounting for 68.4% of the regional total. While ASEAN markets account for only 7.2% of ASEAN+3's total bond market stock, ASEAN members have a significant presence in the regional sustainability-linked (17.2%) and sustainability (18.4%) bond markets. ASEAN markets still have more scope for growth among the region's green (5.5%), social (1.4%), and transition (zero issuance) bond markets, particularly amid the global trend toward low-carbon transitions (**Figure 19**).

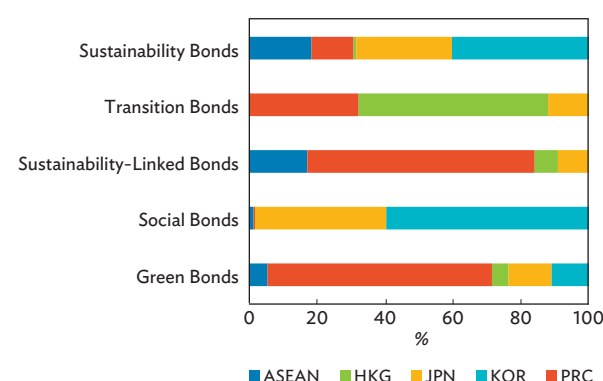
In Q1 2022, sustainable bond issuances in ASEAN+3 totaled USD59.2 billion, with green bond issuance reaching a record-high of USD47.7 billion and sustainability bond issuance rising 33.9% q-o-q to USD7.6 billion (**Figure 20**).

Private sector borrowers are major players in ASEAN+3 sustainable bond markets (**Figure 21**), with issuance

rising to 87.7% of total issuance in Q1 2022 from 83.7% in the previous quarter. In green bond markets, the private sector issuance share rose to 89.2% in Q1 2022 from 78.0% in Q4 2021. The financial sector has a significant stake in most types of sustainable bond issuances, accounting for 32.8% of total sustainable bond issuance in Q1 2022.

ASEAN+3 sustainable bond markets have a high concentration of short-tenor financing, with 76.3% of sustainable bonds outstanding having tenors of 5 years or less at the end of March (**Figure 22**). The region's average value-weighted tenor of sustainable bonds outstanding was 4.2 years in Q1 2022, down from 5.0 years in Q4 2021. Around 80% of outstanding green bonds in ASEAN+3 markets at the end of Q1 2022 carried maturities of 5 years or less, while this share was 78.1% for sustainability-linked bonds, 72.1% for social bonds, and 66.7% for sustainability bonds. At the end of March, 62.5% of ASEAN+3 sustainable bonds outstanding were issued in local currencies. Local currency bonds dominate most sustainable bond types, representing 82.1% of social bonds, 74.8% of sustainability-linked bonds, and 63.2% of green bonds. On the other hand, 57.8% of sustainability bonds and 70.4% of transition bonds were issued in foreign currencies, mainly denominated in United States dollars and euros.

**Figure 19: Sustainable Bonds Outstanding in ASEAN+3 by Economy Share**



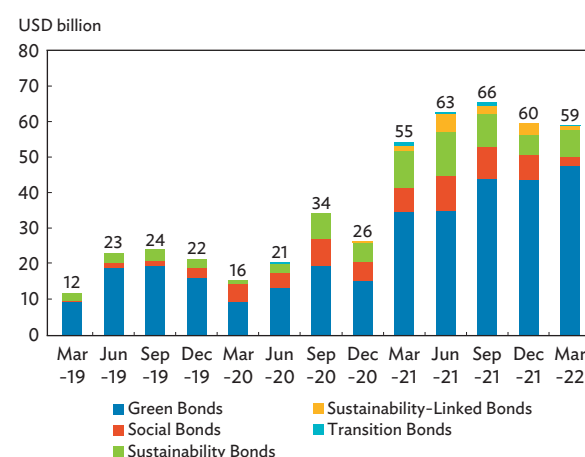
ASEAN = Association of Southeast Asian Nations; HKG = Hong Kong, China; JPN = Japan; KOR = Republic of Korea; PRC = People's Republic of China.

Notes:

1. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
2. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
3. Data as of 31 March 2022 and include both foreign currency and local currency issues.

Source: AsianBondsOnline computations based on Bloomberg LP data.

**Figure 20: Quarterly Issuance Volumes of Sustainable Bonds in ASEAN+3**



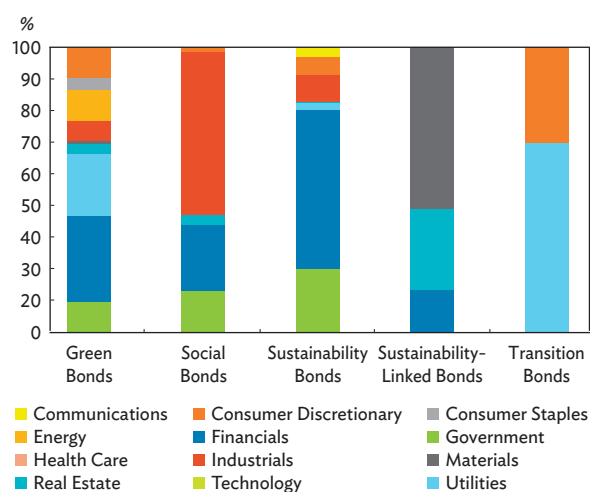
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Notes:

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Source: AsianBondsOnline computations based on Bloomberg LP data.

**Figure 21: Issuance of Sustainable Bonds in ASEAN+3 by Sector in Q1 2022 (share of total)**



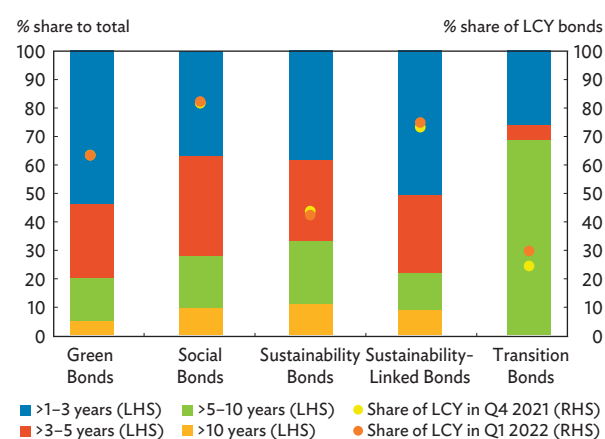
ASEAN = Association of Southeast Asian Nations, Q1 = first quarter.

Notes:

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

**Figure 22: Maturity and Currency Profiles of ASEAN+3 Sustainable Bonds Outstanding**



ASEAN = Association of Southeast Asian Nations, LCY = local currency, LHS = left-hand side, Q1 = first quarter, Q4 = fourth quarter, RHS = right-hand side.

Notes:

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