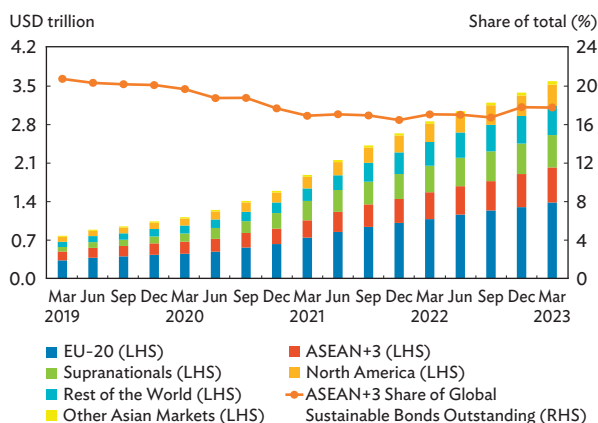


# Recent Developments in ASEAN+3 Sustainable Bond Markets

**Sustainable bond market growth in ASEAN+3 moderated in the first quarter (Q1) of 2023, with bonds outstanding reaching USD633.9 billion at the end of March.**<sup>5</sup> Overall growth eased to 5.9% quarter-on-quarter (q-o-q) and 30.7% year-on-year (y-o-y) in Q1 2023, down from 12.4% q-o-q and 38.4% y-o-y in the fourth quarter (Q4) of 2022. Meanwhile, global sustainable bond market growth inched up to 6.2% q-o-q in Q1 2023 from 5.6% q-o-q in Q4 2022, but y-o-y growth slowed to 25.5% from 28.0% over the same period. By the end of March, ASEAN+3 remained the second-largest sustainable bond market in the world with a 17.7% share of the global total, while the European Union 20 (EU-20) had the largest market with a 38.6% share (Figure 15).

**The ASEAN+3 sustainable bond market needs further development to provide more local currency (LCY) and long-term financing.** Despite rapid growth, sustainable bonds comprise a relatively small share of total bond financing in ASEAN+3. ASEAN+3's sustainable bond market comprised 1.8% of the overall ASEAN+3 bond market at the end of March, which was lower than the EU-20 sustainable bond market's corresponding share of 6.6%. By the end of March, green bonds (66.1%), LCY financing (64.0%), and private sector financing (77.1%) comprised most of the ASEAN+3 sustainable bond market (Figure 16). In comparison, the EU-20's sustainable bond market had a similar share of green bonds (64.8%) and higher shares of LCY financing (87.9%) and public sector financing (46.1%). In terms of maturity, ASEAN+3 sustainable bonds outstanding had

**Figure 15: Global Sustainable Bonds Outstanding**



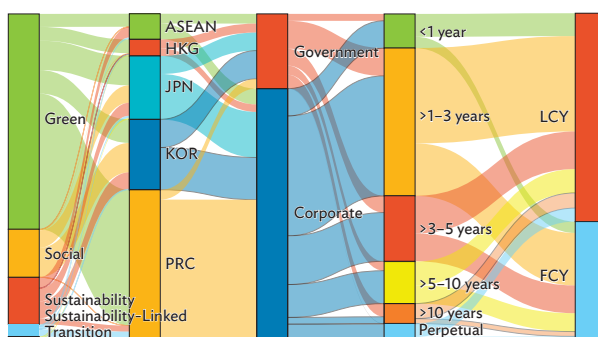
ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea; EU = European Union; LHS = left-hand side; RHS = right-hand side; USD = United States dollar.

Notes:

1. EU-20 includes EU member markets Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.
2. Data include both local currency and foreign currency issues.

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

**Figure 16: Market Profile of Outstanding ASEAN+3 Sustainable Bonds at the End of March 2023**



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

Notes:

1. ASEAN+3 is defined to include member states of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
2. ASEAN comprises the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

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

<sup>5</sup> ASEAN+3 is defined to include member states of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.

a size-weighted average of 4.4 years at the end of March, half of the EU-20's size-weighted average of 8.8 years. Sustainable bonds with maturities of over 5 years accounted for 24.0% of the ASEAN+3 sustainable bond market, while the corresponding share for the EU-20 was 59.2% (Figure 17).

**ASEAN+3's sustainable bond issuance declined in Q1 2023 amid uncertainties stemming from the monetary path of the United States (US)**

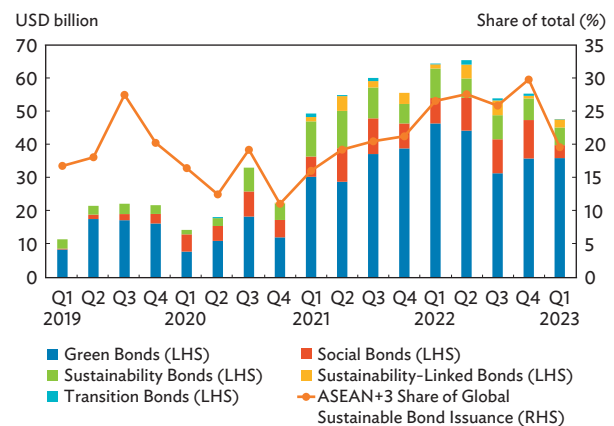
**Federal Reserve and banking turmoil in the US and Europe.** Sustainable bond issuance in the region tallied USD47.7 billion in Q1 2023, recording a 13.8% q-o-q contraction after posting 2.7% q-o-q growth in Q4 2022. As a result, ASEAN+3's share of global sustainable bond issuance fell to 19.6% in Q1 2023 from 29.8% in Q4 2022 (Figure 18). Most regional markets saw reduced issuance of sustainable bonds during the quarter. While the People's Republic of China continued to lead the region in terms of sustainable bond issuance, it posted a 29.2% q-o-q contraction in Q1 2023, the largest decline among regional peers. The People's Republic of China accounted for a 45.9% share of ASEAN+3's sustainable bond issuance during the quarter, which was less than its 50.5% share of issuance in the region's overall bond market in the same period. Aggregate issuance in ASEAN markets declined by 27.7% q-o-q, resulting in its share of total regional bond issuance slipping to 5.8% in Q1 2023

from 6.9% in Q4 2022. In contrast, sustainable bond issuance in Hong Kong, China grew more than threefold in Q1 2023 to USD7.3 billion, buoyed by green bond issuance from the public sector in January.

**LCY issuance comprised a majority of ASEAN+3 sustainable bond issuance in Q1 2023 (Figure 19).**

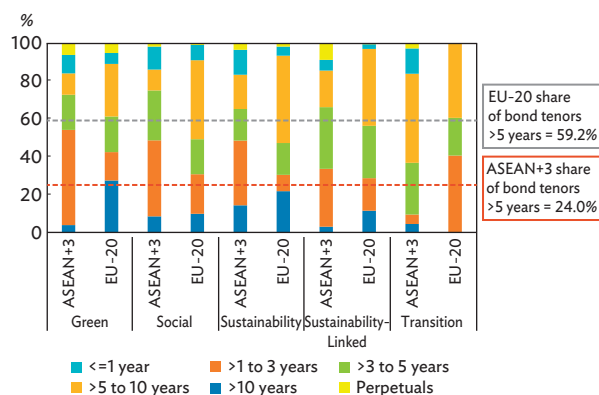
LCY issuance accounted for 61.7% of total sustainable

**Figure 18: ASEAN+3 Sustainable Bond Issuance and Share of Global Sustainable Bond Issuance**



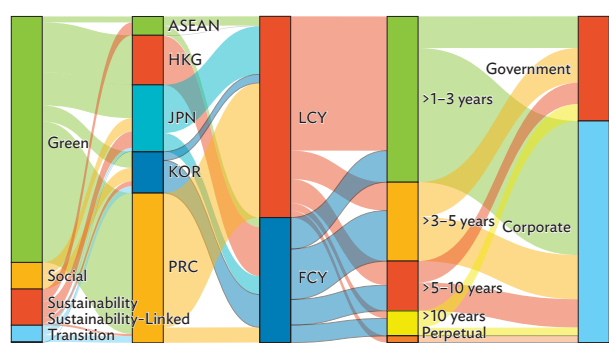
ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea; LHS = left-hand side; Q1 = first quarter; Q2 = second quarter; Q3 = third quarter; Q4 = fourth quarter; RHS = right-hand side; USD = United States dollar.  
Note: Data include both local currency and foreign currency issues.  
Source: AsianBondsOnline calculations based on Bloomberg LP data.

**Figure 17: Maturity Profile of ASEAN+3 and EU-20 Sustainable Bonds Outstanding at the End of March 2023**



ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea; EU = European Union.  
Notes:  
1. EU-20 includes EU member markets Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.  
2. Data include both local currency and foreign currency issues.  
Source: AsianBondsOnline calculations based on Bloomberg LP data.

**Figure 19: Market Profile of ASEAN+3 Sustainable Bond Issuance in the First Quarter of 2023**



ASEAN = Association of Southeast Asian Nations; FCY = foreign currency; HKG = Hong Kong, China; JPN = Japan; KOR = Republic of Korea; LCY = local currency; PRC = People's Republic of China.  
Notes:  
1. ASEAN+3 is defined to include member states of ASEAN plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.  
2. ASEAN comprises the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.  
Source: AsianBondsOnline calculations based on Bloomberg LP data.

bond issuance in ASEAN+3 in Q1 2023. This was much lower than LCY bonds' dominant share of 94.6% in ASEAN+3's general bond issuance during the quarter. LCY issuance only accounted for 49.2% of total sustainable bond issuance in ASEAN markets. Of total LCY issuance in Q1 2023, 66.7% had a maturity of less than 3 years, while only 25.2% of foreign currency issuance was in the 1–3-year maturity basket. This implies that the ASEAN+3 sustainable bond market needs to strengthen the investor base for long-term LCY bonds.

**ASEAN+3's sustainable bond issuance in Q1 2023 was dominated by short-to medium-term tenors.**

Of the total sustainable bonds issued during the quarter, 75.0% carried maturities of 5 years or less. The size-weighted average maturity of ASEAN+3 sustainable bond issuance was 5.8 years in Q1 2023, a stark contrast with the size-weighted average maturity of 9.1 years in ASEAN+3's general bond market issuance in the same quarter. However, in ASEAN markets, more than 50% of sustainable bonds issued in Q1 2023 had tenors longer than 10 years. This was likely driven by a higher share of public sector issuance.

**Sustainable bond issuance in ASEAN+3 continued to be dominated by the private sector in Q1 2023.**

Sustainable bonds issued by the private sector accounted for 67.9% of the region's issuance total in Q1 2023, down from 76.2% in the prior quarter. In contrast, the private sector only accounted for a 28.0% share of the region's bond issuance total in Q1 2023. ASEAN sustainable bond markets had a relatively larger share of public sector issuance, comprising 45.4% of total sustainable bond issuance during the quarter. This, however, was still less than the public sector's 50.7% share of ASEAN's total bond issuance.