

Recent Developments in ASEAN+3 Sustainable Bond Markets

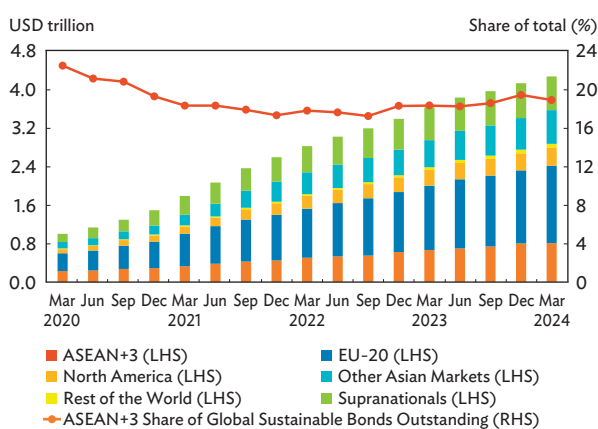
The outstanding stock of sustainable bonds in ASEAN+3 economies totaled USD805.9 billion at the end of March.⁸ Higher-for-longer interest rates dampened sentiment in the region, leading to less issuance in the first quarter (Q1) of 2024 and resulting in a slowdown in the quarter-on-quarter (q-o-q) growth of bonds outstanding. Hence, the stock of outstanding sustainable bonds in ASEAN+3 economies was only 0.7% greater than at the end of the fourth quarter (Q4) of 2023, but it was 21.4% greater than in March 2023. The year-on-year growth rate for the region's sustainable bond market exceeded growth rates in the European Union 20 (EU-20) (20.4%) and the global market (17.7%). By region, ASEAN+3 remained the second-largest sustainable bond market in the world in Q1 2024, with a global share of 18.9%, trailing only the EU-20 at 37.6% (Figure 14). Despite growth in the

ASEAN+3 market, sustainable bonds accounted for only 2.1% of the region's total bonds outstanding at the end of March. In the EU-20, the corresponding share was 7.3%.

The bulk of ASEAN+3 sustainable bonds are green bonds, denominated in local currency (LCY), and issued by private companies (Figure 15).

- By instrument, green bonds were 64.3% of all sustainable bonds; social bonds, 17.3%; and sustainability bonds, 13.8%.
- By economy, the People's Republic of China (PRC) accounted for 42.8% of the ASEAN+3 sustainable bond market (versus 54.9% of the ASEAN+3 general bond market), while ASEAN economies accounted for 9.1% (versus 6.0%).
- By type of issuer, private sector issuances comprised 72.4% of the market (versus 24.7% in the general market). The public sector, despite sustainable bonds'

Figure 14: Global Sustainable Bonds Outstanding



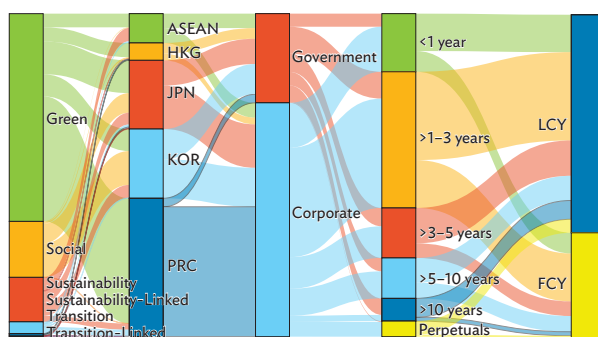
ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea; EU-20 = European Union 20; LHS = left-hand side; RHS = right-hand side; USD = United States dollar.

Notes:

1. EU-20 includes European Union 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 15: Market Profile of Outstanding ASEAN+3 Sustainable Bonds at the End of March 2024



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 Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

⁸ 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.

potential in aiding governments' development goals, is not a significant issuer.

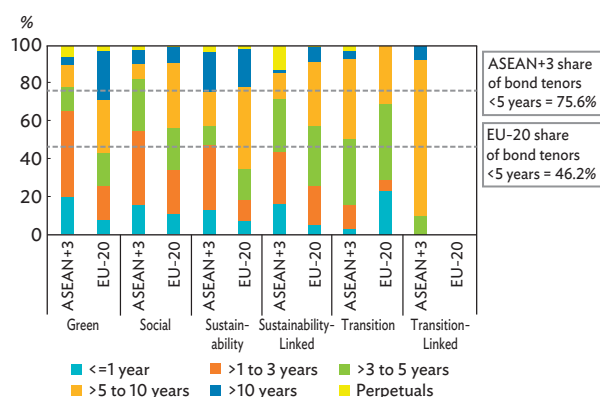
- By currency, LCY-denominated bonds were 67.5% of the market (versus 95.5% in the general market).⁹

Short-term tenors dominate the ASEAN+3 sustainable bond market, but there are notable differences between ASEAN and non-ASEAN economies in average tenors.

At the end of Q1 2024, 75.6% of ASEAN+3 sustainable bonds had maturities of less than 5 years (compared to 46.2% in the EU-20) (Figure 16). The size-weighted average tenor of sustainable bonds in ASEAN+3 was 4.2 years, compared to 7.5 years in the ASEAN+3 general bond market and 8.0 years in the EU-20 sustainable bond market. There also is heterogeneity across ASEAN+3 markets. Sustainable bonds with maturities longer than 5 years comprised 65.2% of the total in ASEAN markets but only 20.3% in the four non-ASEAN economies (Figure 17).

Consequently, the size-weighted average tenor in ASEAN was 10.9 years, compared with only 3.5 years in the non-ASEAN economies. The dominance of long tenors in ASEAN markets is attributed to the active participation by and rising awareness of the public sector in sustainable bond issuance, which is due to larger public deficits and higher investment requirements versus non-ASEAN

Figure 16: Maturity Profiles of ASEAN+3 and European Union 20 Sustainable Bonds Outstanding by Type of Bond at the End of March 2024



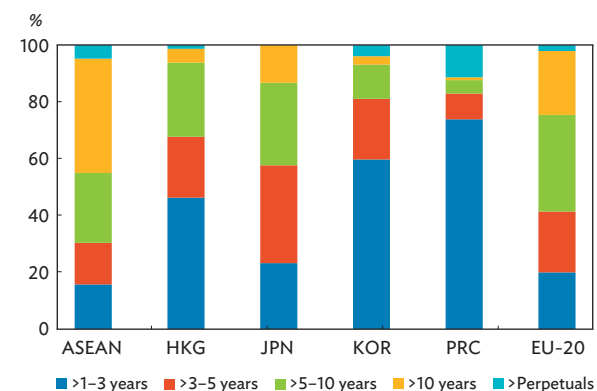
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2. Data include both local currency and foreign currency issues.

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

Figure 17: Maturity Profiles of ASEAN+3 and European Union 20 Sustainable Bonds Outstanding at the End of March 2024



ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea; EU-20 = European Union 20; HKG = Hong Kong, China; JPN = Japan; KOR = Republic of Korea; PRC = People's Republic of China.

Notes:

1. The EU-20 includes European Union 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.

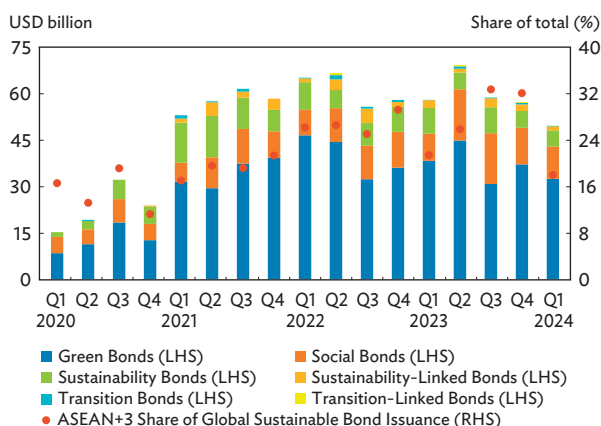
Source: *AsianBondsOnline* computations based on Bloomberg LP data.

economies. In particular, Indonesia and Thailand have regularly issued sustainable bonds through Treasury auctions, while Singapore has included green bond issuance as part of its Singapore Green Plan 2030. In contrast, in the larger and more developed non-ASEAN bond markets, it is much easier for corporates to access debt financing.

Sustainable bond issuance in ASEAN+3 declined on a q-o-q basis in Q1 2024 on expectations of higher-for-longer interest rates in the US and the region. Issuance in ASEAN+3 totaled USD49.7 billion, or 13.3% less than in Q4 2023. In contrast, global sustainable bond issuance of USD276.0 billion was up 54.6% q-o-q, mainly due to large issuances in the EU-20 as the European Central Bank has been relatively dovish compared with the Federal Reserve. The EU-20 also continues to promote sustainable bond financing. For example, on 24 October 2023, the [Council of the European Union](#) established regulations for the creation of an EU green bond standard, and on 1 January 2024, the first part of the [European Sustainability Reporting Standards](#) took effect. As a result, ASEAN+3 sustainable bond issuance shrank from 32.1% of the global total in Q4 2023 to 18.0% in Q1 2024 (Figure 18). By instrument, issuance of green bonds and social bonds in Q1 2024 declined the most compared

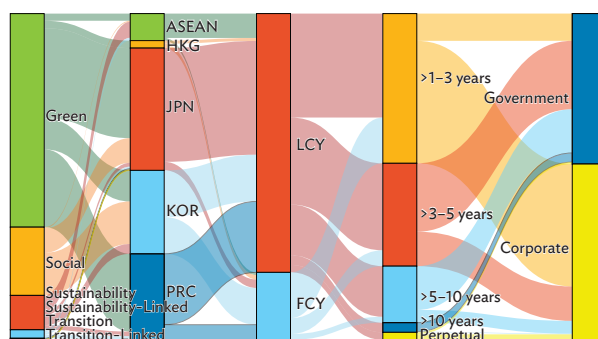
⁹ In the EU-20, in contrast, the shares of LCY bonds were about the same in the sustainable bond market (89.9%) and the general market (90.5%).

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 19: Market Profile of ASEAN+3 Sustainable Bond Issuance in the First Quarter of 2024



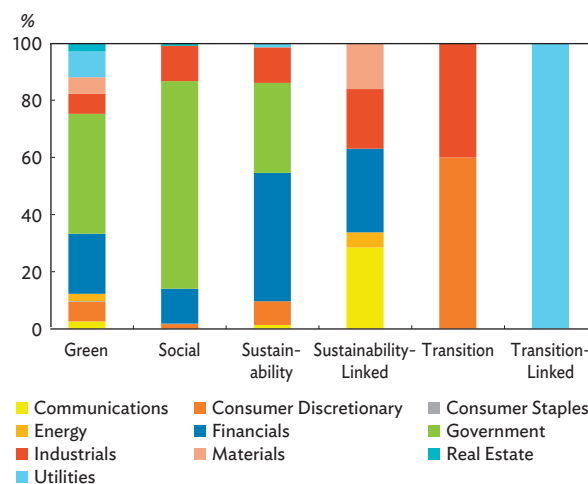
ASEAN = Association of Southeast Asian Nations; FCY = foreign currency; HKG = Hong Kong, China; JPN = Japan; KOR = Republic of Korea; LCY = local currency; PRC = People's Republic of China.
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 2. ASEAN comprises the markets of Indonesia, Malaysia, the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

to Q4 2023. By economy of origin, Japan accounted for 37.5% of total issuance in ASEAN+3, followed by the PRC (26.4%) and the Republic of Korea (25.6%). The bulk of issuances in the markets of Japan and the PRC were in green bonds, while for the Republic of Korea, it was social bonds. Only Japan and the Republic of Korea posted q-o-q increases in issuance in Q1 2024.

LCY instruments and short-term financing dominated issuance in ASEAN+3 in Q1 2024 (Figure 19).

- By currency, LCY-denominated bonds comprised 79.3% of the regional issuance total, although this was less than their 96.4% share in the general bond market.¹⁰
- By maturity, issuances maturing in 5 years or less comprised 77.4% of the issuance total in ASEAN+3, compared with 34.2% in the EU-20. The size-weighted average tenor of issuances was 5.0 years, compared with 9.7 years in the EU-20 and 6.4 years in the ASEAN+3 general bond market. Regarding the share of issuances with tenors longer than 5 years, Japan had the highest share (42.6%) in ASEAN+3, followed by ASEAN members (37.9%).
- By issuer, corporates accounted for 53.9% of total issuance, with the public sector responsible for the remaining 46.1%. Firms from the financial sector

Figure 20: ASEAN+3 Sustainable Bond Issuance by Industry Sector in the First Quarter of 2024



Notes:
 1. ASEAN+3 is defined to include member states of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
 2. Data include both local currency and foreign currency issues.
 Source: *AsianBondsOnline* computations based on Bloomberg LP data.

were the largest private sustainable bond issuers, accounting for 21.9% of the regional issuance total (Figure 20).

¹⁰ In the EU-20, LCY-denominated bonds account for about 86% of issuances in both the sustainable and general bond markets.