

# Bond Market Developments in the Third Quarter of 2021

## Size and Composition

The outstanding amount of local currency bonds in emerging East Asia expanded to reach USD21.7 trillion at the end of September.

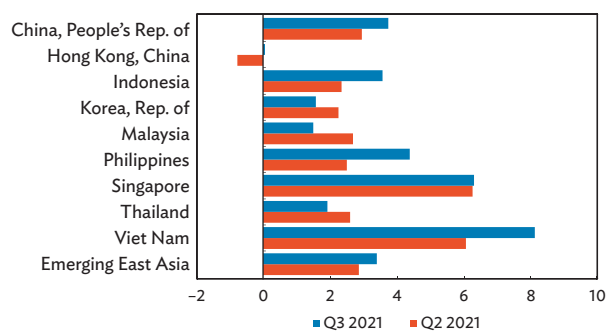
Emerging East Asia's local currency (LCY) bond market continued to grow in the third quarter (Q3) of 2021, reaching a size of USD21.7 trillion at the end of September.<sup>2</sup> Overall growth quickened to 3.4% quarter-on-quarter (q-o-q) in Q3 2021 from 2.9% q-o-q in the second quarter (Q2) (**Figure 1a**). The faster expansion stemmed from growth in both the government and corporate bond segments. Most of the region's governments continued to issue sovereign debt to finance economic relief measures amid the Delta variant-driven resurgence of coronavirus disease (COVID-19) cases. Growth in the region's corporate debt market was supported by robust issuance, as firms locked in low interest rates and most central banks in the region maintained accommodative monetary policies to support economic recovery.

All of the region's bond markets registered positive q-o-q gains in Q3 2021. Six out of nine markets showed faster q-o-q growth in Q3 2021 than in the previous quarter. The fastest-growing markets were those of Viet Nam and Singapore, while the markets of Malaysia and Hong Kong, China showed the weakest growth in Q3 2021.

On a year-on-year (y-o-y) basis, growth in emerging East Asia's bond market eased to 12.1% in Q3 2021 from 13.6% in Q2 2021 (**Figure 1b**). With the exception of Singapore, all of the region's bond markets experienced a slowdown in y-o-y growth in Q3 2021 compared with the previous quarter. Nevertheless, all nine markets posted positive y-o-y growth in Q3 2021. Indonesia and Viet Nam posted the fastest y-o-y expansions, while Hong Kong, China and Thailand had the slowest y-o-y growth.

The People's Republic of China (PRC) remained home to the region's largest LCY bond market with an outstanding

**Figure 1a: Growth of Local Currency Bond Markets in the Second and Third Quarters of 2021 (q-o-q, %)**



q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter.

Notes:

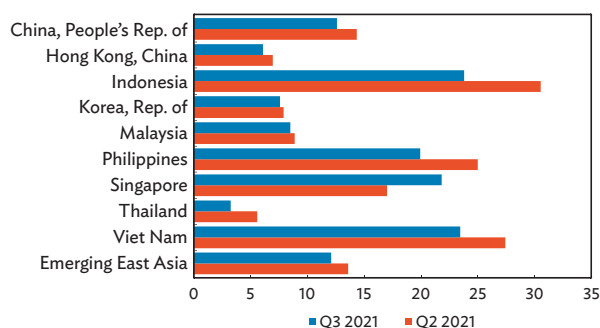
1. For Singapore, corporate bonds outstanding are based on *AsianBondsOnline* estimates.
2. Calculated using data from national sources.
3. Growth rates are calculated from local currency base and do not include currency effects.
4. Emerging East Asia growth figures are based on 30 September 2021 currency exchange rates and do not include currency effects.

Sources: People's Republic of China (CEIC Data Company); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange); Republic of Korea (KG Zeroin Corporation and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); and Viet Nam (Bloomberg LP and Vietnam Bond Market Association).

bond stock of USD17.2 trillion at the end of September. The PRC's bond market accounted for a 78.9% share of the region's total bonds outstanding at the end of Q3 2021, up slightly from 78.7% at the end of Q2 2021. Growth in the PRC's LCY bond market picked up, rising to 3.8% q-o-q in Q3 2021 from 3.0% q-o-q in Q2 2021. The faster expansion in Q3 2021 stemmed from stronger growth in both the government and corporate bond segments. Growth in the government bond segment quickened to 4.0% q-o-q in Q3 2021 from 3.3% q-o-q in the previous quarter, driven by expansions in local government bonds, Treasury and other government bonds, and policy bank bonds. The expansion of the PRC's LCY government bond market was fueled by strong issuance of sovereign debt as the central and local governments continued to raise funds to support economic recovery and roll over maturing debt.

<sup>2</sup> Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

**Figure 1b: Growth of Local Currency Bond Markets in the Second and Third Quarters of 2021 (y-o-y, %)**



Q2 = second quarter, Q3 = third quarter, y-o-y = year-on-year.

Notes:

1. For Singapore, corporate bonds outstanding are based on *AsianBondsOnline* estimates.
2. Calculated using data from national sources.
3. Growth rates are calculated from local currency base and do not include currency effects.
4. Emerging East Asia growth figures are based on 30 September 2021 currency exchange rates and do not include currency effects.

Sources: People's Republic of China (CEIC Data Company); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange); Republic of Korea (KG Zeroin Corporation and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); and Viet Nam (Bloomberg LP and Vietnam Bond Market Association).

Growth in the PRC's corporate bond stock also quickened, rising 3.3% q-o-q in Q3 2021 versus 2.3% q-o-q in the previous quarter. The growth in the corporate bond segment was underpinned by issuance of new corporate debt, which remained robust despite the risks brought about by the China Evergrande crisis that unfolded during the quarter. On a y-o-y basis, the PRC's LCY bond market's growth eased to 12.6% in Q3 2021 from 14.4% in Q2 2021.

The Republic of Korea's LCY bond market continued to be the second-largest in emerging East Asia, with an outstanding bond stock of USD2.4 trillion at the end of September. However, its share of the regional total dropped to 10.9% in Q3 2021 from 11.1% in the previous quarter. Growth in the Republic of Korea's total bond stock dropped to 1.6% q-o-q in Q3 2021 from 2.3% q-o-q in Q2 2021, driven by weaker growth in both the government and corporate bond segments. Government bonds outstanding rose 1.9% q-o-q in Q3 2021, down from 3.2% q-o-q in Q2 2021. Growth in central government bonds slowed to 3.0% q-o-q in Q3 2021

from 5.0% q-o-q in the prior quarter, as the government wound down debt issuance amid a strong economic recovery. Growth in the corporate bond stock also slipped to 1.4% q-o-q in Q3 2021 from 1.6% q-o-q in the previous quarter. In August, the Bank of Korea raised its policy rate from a record low of 0.50% to 0.75%, thus increasing borrowing costs. On a y-o-y basis, the Republic of Korea's LCY bond market growth inched down to 7.6% in Q3 2021 from 7.9% in Q2 2021.

Hong Kong, China's LCY bonds outstanding amounted to USD311.9 billion at the end of September. Total bonds outstanding posted 0.1% q-o-q growth in Q3 2021 after an 0.8% q-o-q drop in the previous quarter. The muted growth stemmed from a contraction in the corporate bond segment, which declined 2.9% q-o-q in Q3 2021 due to maturities and weak issuance. In contrast, growth in the government bond segment rose to 3.0% q-o-q in Q3 2021 from 2.4% q-o-q in the previous quarter. The growth was driven largely by a jump in the growth of outstanding Exchange Fund Bills (EFBs), which rose to 1.9% q-o-q in Q3 2021 from a marginal increase of 0.1% q-o-q in Q2 2021. In response to high demand due to ample liquidity in the financial system, the Hong Kong Monetary Authority (HKMA) increased its issuance of 91-day EFBs starting in September, fueling the rise in outstanding EFBs. On an annual basis, Hong Kong, China's LCY bond market rose 6.1% in Q3 2021, down from 7.0% in Q2 2021.

The total amount of LCY bonds outstanding of the member economies of the Association of Southeast Asian Nations (ASEAN) rose to USD1.9 trillion in Q3 2021 from USD1.8 trillion in Q2 2021.<sup>3</sup> Overall growth inched up to 3.6% q-o-q in Q3 2021 from 3.5% q-o-q in Q2 2021. The outstanding stock of government bonds totaled USD1.4 trillion, while the outstanding stock of corporate bonds amounted to USD0.5 trillion at the end of September. Singapore's bond market surpassed that of Thailand, becoming the largest among all ASEAN members. Thailand's bond market became the second largest, while Malaysia's bond market remained the third largest among all ASEAN members.

The outstanding amount of Singapore's LCY bonds climbed to USD434.6 billion at the end of September. Growth in total outstanding bonds was stable at 6.3% q-o-q in both Q2 2021 and Q3 2021. Growth

<sup>3</sup> LCY bond statistics for ASEAN include the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

in government bonds outstanding accelerated to 8.0% q-o-q in Q3 2021 from 4.8% q-o-q in the prior quarter. The expansion in government bonds stemmed from robust growth of outstanding Monetary Authority of Singapore (MAS) bills and Singapore Government Securities bills and bonds, which rose 12.9% q-o-q and 4.3% q-o-q, respectively. Meanwhile, growth in outstanding corporate bonds dropped to 3.0% q-o-q in Q3 2021 from 9.3% q-o-q in Q2 2021, driven in part by a contraction in issuance. On a y-o-y basis, Singapore's bond market growth rose to 21.9% in Q3 2021 from 17.1% in Q2 2021.

Thailand's LCY bond market reached a size of USD429.6 billion at the end of September. Overall growth eased to 1.9% q-o-q in Q3 2021 from 2.6% q-o-q in Q2 2021. The weaker expansion was driven primarily by slower growth in the corporate bond segment. Growth in outstanding government bonds rose to 2.2% q-o-q in Q3 2021 from 1.7% q-o-q in Q2 2021, as the government continued to issue sovereign debt to help fund its fiscal deficit and support stimulus measures to counter the prolonged impact of the pandemic on the tourism-reliant economy. In September, the Government of Thailand raised the ceiling of its public debt-to-gross domestic product (GDP) ratio to 70% from 60%, indicating that the government will continue to rely on borrowing to bolster economic recovery. Corporate bonds outstanding increased 1.2% q-o-q in Q3 2021, down from 5.1% q-o-q in the prior quarter, as the spread of the Delta variant heightened risks and dampened investor confidence. On a y-o-y basis, Thailand's LCY bond market growth eased to 3.3% in Q3 2021 from 5.6% in Q2 2021.

Malaysia's LCY bond market amounted to USD410.6 billion at the end of September. Overall growth weakened to 1.5% q-o-q in Q3 2021 from 2.7% q-o-q in Q2 2021. Growth in the government bond segment declined to 1.5% q-o-q in Q3 2021 from 3.9% q-o-q in the prior quarter. The expansion in the government bond segment was solely driven by growth in central government bonds, as there were no outstanding central bank bills at the end of September. Growth in the corporate bond segment was little changed, rising 1.4% q-o-q in Q3 2021 versus 1.3% q-o-q in Q2 2021. On an annual basis, Malaysia's LCY bond market expanded 8.5% y-o-y in Q3 2021, down from 8.9% y-o-y in the previous quarter.

Malaysia's *sukuk* (Islamic bond) market continued to dominate the *sukuk* market in emerging East Asia, with a total of USD262.0 billion of *sukuk* outstanding at the end of September. In Q3 2021, the stock of government *sukuk* reached USD109.6 billion on growth of 4.6% q-o-q. Meanwhile, outstanding corporate *sukuk* rose to USD152.4 billion on growth of 1.9% q-o-q.

Indonesia's LCY bond market reached a size of USD355.6 billion at the end of September, with growth rising to 3.6% q-o-q in Q3 2021 from 2.4% q-o-q in Q2 2021. The faster growth in Q3 2021 was supported by a stronger expansion in the government bond segment. Growth in the outstanding stock of LCY government bonds quickened to 4.0% q-o-q in Q3 2021 from 2.8% q-o-q in the previous quarter. Central government bonds drove much of the growth, rising 4.2% q-o-q in Q3 2021, while Bank Indonesia instruments posted a more modest 3.5% q-o-q growth. Corporate bonds outstanding continued to contract due to high maturities, dropping 0.2% q-o-q in Q3 2021 following a 2.4% q-o-q decline in the prior quarter. On a y-o-y basis, Indonesia's LCY bond market expanded 23.9% in Q3 2021, down from 30.6% in Q2 2021.

Outstanding Philippine LCY bonds totaled USD191.4 billion at the end of September. Overall growth increased to 4.4% q-o-q in Q3 2021 from 2.5% q-o-q in Q2 2021, supported by faster growth in the government bond segment. Outstanding government bonds rose 6.2% q-o-q in Q3 2021, up from 3.9% q-o-q in the prior quarter. Robust growth in outstanding Bangko Sentral ng Pilipinas securities (10.0% q-o-q) and Treasury bonds (8.3% q-o-q) drove the expansion in Q3 2021, while Treasury bills contracted 7.9% q-o-q. The contraction in the LCY corporate bond market steepened, declining 5.1% q-o-q in Q3 2021 after a 3.9% drop in the previous quarter, as movement restrictions intended to arrest the spread of the Delta variant continued to limit economic activities. On an annual basis, growth in the Philippine LCY bond market moderated to 20.0% y-o-y in Q3 2021 from 25.1% y-o-y in the previous quarter.

Viet Nam's LCY bond market remained the smallest in emerging East Asia with an outstanding bond stock of USD83.6 billion at the end of September. Overall growth rose to 8.1% q-o-q in Q3 2021 from 6.1% q-o-q in Q2 2021. The faster growth was driven by a rebound in the government bond segment, which expanded

4.2% q-o-q in Q3 2021 after a 0.5% q-o-q contraction in the previous quarter. Outstanding Treasury bonds rose 4.6% q-o-q in Q3 2021, driving much of the growth in the government bond segment. Government-guaranteed and municipal bonds posted a modest rise of 0.8% q-o-q, while there were no outstanding central bank bills at the end of September. Meanwhile, growth in outstanding corporate bonds moderated to 21.5% q-o-q in Q3 2021 from 36.6% q-o-q in Q2 2021. On a y-o-y basis, Viet Nam's LCY bond market growth eased to 23.5% in Q3 2021 from 27.5% in the prior quarter.

Government bonds continued to account for the majority of emerging East Asia's LCY bond stock, representing a 62.4% share of the total at the end of September. In nominal terms, the outstanding stock of government bonds in the region reached USD13.6 trillion at the end of Q3 2021 (**Table 1**). All nine government bond markets in the region posted positive q-o-q growth in Q3 2021. The q-o-q growth of the region's total government bond stock rose to 3.9% in Q3 2021 from 3.3% in Q2 2021, as most governments in the region continued to raise debt to support economic recovery amid the spread of the Delta variant. On a y-o-y basis, growth in the region's LCY government bond market slipped to 13.4% in Q3 2021 from 15.9% in Q2 2021.

The PRC and the Republic of Korea continued to be the two largest government bond markets in the region with a combined market share of 88.6% in Q3 2021. Meanwhile, the combined shares of ASEAN economies accounted for 10.2% of the region's government bonds stock. Among ASEAN economies, Indonesia had the largest stock of LCY government bonds at the end of September at USD326.1 billion. Thailand, Singapore, and Malaysia followed with outstanding LCY government bonds of USD313.1 billion, USD291.2 billion, and USD224.2 billion, respectively. The Philippines and Viet Nam had the region's two smallest government bond stocks at USD163.1 billion and USD62.1 billion, respectively.

The maturity structure of government bonds in emerging East Asia remained largely concentrated among medium- and long-dated tenors, except in the PRC and Hong Kong, China (**Figure 2**). In the PRC, the government issues bonds with tenors longer than 10 years less frequently due to a lack of liquidity. Investors in the PRC bond market are more inclined to trade shorter-dated bonds. This is also

true in Hong Kong, China, with the HKMA issuing Hong Kong Special Administrative Region bonds that carry 3-year tenors to meet strong demand from investors. Since 2020, the HKMA has increased its issuance of Silver bonds and iBonds, which carry 3-year maturities.

The outstanding stock of LCY corporate bonds in emerging East Asia totaled USD8.2 trillion at the end of September. Six of the region's nine corporate bond markets posted positive q-o-q growth in Q3 2021. The markets that posted q-o-q contractions during the quarter were those of Hong Kong, China; Indonesia; and the Philippines. Growth in the region's aggregate corporate bonds outstanding picked up, rising to 2.8% q-o-q in Q3 2021 from 2.2% q-o-q in Q2 2021. The faster growth stemmed primarily from an expansion in the PRC's corporate bond market, which is the region's largest market. Corporate bond market growth also marginally rose in Malaysia in Q3 2021 compared with Q2 2021. The rest of emerging East Asia's corporate bond markets posted weaker growth in Q3 2021 than in Q2 2021, but the faster growth in the PRC—and to a lesser extent, in Malaysia—propped up overall growth in the region's corporate bond market during the quarter.

ASEAN economies accounted for 6.4% of emerging East Asia's corporate bond market at the end of September. Within ASEAN, Malaysia, Singapore, and Thailand had the largest corporate bond markets with outstanding bond stocks of USD186.4 billion, USD143.4 billion, and USD116.5 billion, respectively. Indonesia and the Philippines followed, with outstanding bond stocks of USD29.5 billion and USD28.2 billion, respectively. Viet Nam's corporate bond market remained the region's smallest, with an outstanding stock of USD21.4 billion at the end of September.

The amount of LCY bonds outstanding in emerging East Asia was equivalent to 97.1% of the region's GDP at the end of September, up from 96.2% at the end of June and 95.9% in September 2020 (**Table 2**). The GDP equivalent of the government bond segment increased to 60.7% in Q3 2021 from 59.7% in Q2 2021, while corporate bonds remained unchanged at 36.5%. Most economies continued to raise debt from the bond market to support recovery, driving the overall increase in the debt stock.



Table 1: Size and Composition of Local Currency Bond Markets

	Q3 2020		Q2 2021		Q3 2021		Growth Rate (LCY-base %)				Growth Rate (USD-base %)			
	Amount (USD billion)	% share	Amount (USD billion)	% share	Amount (USD billion)	% share	Q3 2020		Q3 2021		Q3 2020		Q3 2021	
							q-o-q	y-o-y	q-o-q	y-o-y	q-o-q	y-o-y	q-o-q	y-o-y
<b>China, People's Rep. of</b>														
<b>Total</b>	14,457	100.0	16,507	100.0	17,159	100.0	5.4	19.9	3.8	12.6	9.6	26.2	3.9	18.7
Government	9,240	63.9	10,591	64.2	11,037	64.3	6.6	18.6	4.0	13.4	10.9	24.8	4.2	19.4
Corporate	5,217	36.1	5,917	35.8	6,123	35.7	3.2	22.2	3.3	11.4	7.4	28.6	3.5	17.4
<b>Hong Kong, China</b>														
<b>Total</b>	295	100.0	313	100.0	312	100.0	0.9	1.0	0.1	6.1	0.9	2.2	(0.2)	5.6
Government	149	50.6	157	50.1	161	51.6	0.1	(1.1)	3.0	8.2	0.1	0.04	2.7	7.7
Corporate	146	49.4	156	49.9	151	48.4	1.6	3.3	(2.9)	4.1	1.6	4.5	(3.1)	3.6
<b>Indonesia</b>														
<b>Total</b>	276	100.0	339	100.0	356	100.0	9.2	19.8	3.6	23.9	4.7	14.3	5.0	28.8
Government	246	89.3	310	91.4	326	91.7	10.1	22.6	4.0	27.3	5.5	17.0	5.3	32.3
Corporate	30	10.7	29	8.6	29	8.3	2.6	0.7	(0.2)	(4.2)	(1.7)	(3.9)	1.1	(0.5)
<b>Korea, Rep. of</b>														
<b>Total</b>	2,224	100.0	2,447	100.0	2,365	100.0	1.9	9.8	1.6	7.6	4.7	12.2	(3.4)	6.3
Government	914	41.1	1,028	42.0	996	42.1	3.0	12.1	1.9	10.4	5.8	14.6	(3.1)	9.1
Corporate	1,310	58.9	1,419	58.0	1,368	57.9	1.1	8.2	1.4	5.7	4.0	10.6	(3.6)	4.4
<b>Malaysia</b>														
<b>Total</b>	381	100.0	408	100.0	411	100.0	1.9	6.1	1.5	8.5	5.0	6.9	0.6	7.8
Government	204	53.6	223	54.6	224	54.6	2.3	8.0	1.5	10.6	5.5	8.8	0.6	9.8
Corporate	177	46.4	185	45.4	186	45.4	1.3	3.9	1.4	6.1	4.5	4.7	0.5	5.4
<b>Philippines</b>														
<b>Total</b>	168	100.0	192	100.0	191	100.0	8.8	21.5	4.4	20.0	11.8	29.9	(0.1)	14.0
Government	134	79.9	160	83.8	163	85.3	10.1	23.8	6.2	28.0	13.2	32.4	1.6	21.6
Corporate	34	20.1	31	16.2	28	14.7	3.8	12.9	(5.1)	(11.9)	6.7	20.7	(9.2)	(16.2)
<b>Singapore</b>														
<b>Total</b>	355	100.0	412	100.0	435	100.0	2.1	10.2	6.3	21.9	4.2	11.6	5.4	22.6
Government	229	64.7	272	65.9	291	67.0	2.4	13.0	8.0	26.3	4.5	14.4	7.1	27.0
Corporate	125	35.3	141	34.1	143	33.0	1.6	5.5	3.0	13.8	3.7	6.8	2.1	14.4
<b>Thailand</b>														
<b>Total</b>	444	100.0	443	100.0	430	100.0	4.2	8.3	1.9	3.3	44.9	59.7	(3.1)	(3.2)
Government	325	73.2	322	72.7	313	72.9	5.4	11.3	2.2	2.8	43.7	56.1	(2.9)	(3.6)
Corporate	119	26.8	121	27.3	117	27.1	1.1	0.9	1.2	4.5	48.3	70.2	(3.8)	(2.0)
<b>Viet Nam</b>														
<b>Total</b>	66	100.0	76	100.0	84	100.0	11.6	17.1	8.1	23.5	11.7	17.2	9.3	25.8
Government	56	83.7	59	77.2	62	74.4	8.9	6.8	4.2	9.7	9.0	6.9	5.3	11.7
Corporate	11	16.3	17	22.8	21	25.6	27.7	132.4	21.5	94.5	27.8	132.6	22.8	98.1
<b>Emerging East Asia</b>														
<b>Total</b>	18,666	100.0	21,138	100.0	21,741	100.0	4.8	17.5	3.4	12.1	9.2	23.5	2.9	16.5
Government	11,497	61.6	13,122	62.1	13,574	62.4	6.2	17.4	3.9	13.4	10.7	23.5	3.4	18.1
Corporate	7,169	38.4	8,017	37.9	8,168	37.6	2.8	17.9	2.8	10.0	7.0	23.6	1.9	13.9
<b>Japan</b>														
<b>Total</b>	11,492	100.0	11,520	100.0	11,428	100.0	1.3	2.3	(0.6)	4.9	3.7	4.8	(0.8)	(0.6)
Government	10,664	92.8	10,691	92.8	10,601	92.8	1.3	2.2	(0.7)	4.9	3.7	4.7	(0.8)	(0.6)
Corporate	828	7.2	829	7.2	828	7.2	1.9	4.1	(0.02)	5.5	4.3	6.6	(0.2)	(0.02)

(-) = negative, LCY = local currency, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, USD = United States dollar, y-o-y = year-on-year.

Notes:

1. For Singapore, corporate bonds outstanding are based on *AsianBondsOnline* estimates.

2. Corporate bonds include issues by financial institutions.

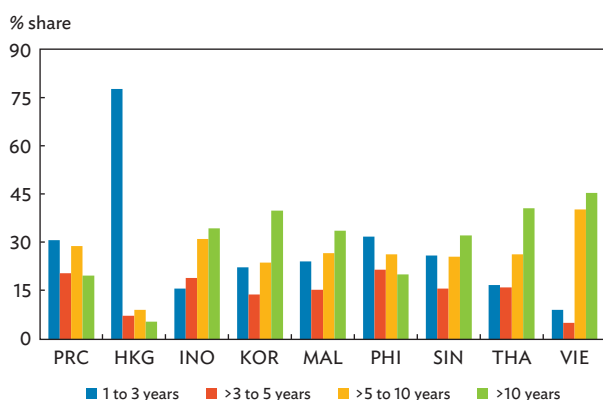
3. Bloomberg LP end-of-period LCY-USD rates are used.

4. For LCY base, emerging East Asia growth figures based on 30 September 2021 currency exchange rates and do not include currency effects.

5. Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

Sources: People's Republic of China (CEIC Data Company); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange); Republic of Korea (KG Zeroin Corporation and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); Viet Nam (Bloomberg LP and Vietnam Bond Market Association); and Japan (Japan Securities Dealers Association).

**Figure 2: Maturity Profiles of Local Currency Government Bonds in Emerging East Asia**



PRC = China, People's Rep. of; HKG = Hong Kong, China; INO = Indonesia; KOR = Korea, Rep. of; MAL = Malaysia; PHI = Philippines; SIN = Singapore; THA = Thailand; VIE = Viet Nam.

Notes:

1. Government bonds include Treasury bills and bonds.
2. Data as of 30 September 2021.

Source: *AsianBondsOnline*.

The PRC, Indonesia, the Republic of Korea, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam saw increases in their bond market's share of GDP from Q2 2021 to Q3 2021. Hong Kong, China posted a decline.

In Q3 2021, three out of the nine markets in the region had their respective bond market's share of GDP exceed 100%, led by the Republic of Korea (148.1%). This was followed by Malaysia (125.2%) and Singapore (116.2%). Viet Nam's bond market, the smallest in the region, had a GDP share of 23.5%.

The government bond share of GDP in Singapore remained the largest in the region during the quarter at 77.8%, while that of Viet Nam was the smallest at 17.4%. The Republic of Korea had the largest corporate bond share of GDP at 85.7%, while Indonesia had the smallest at 2.6%.

**Table 2: Size and Composition of Local Currency Bond Markets (% of GDP)**

	Q3 2020	Q2 2021	Q3 2021
<b>China, People's Rep. of</b>			
<b>Total</b>	98.5	97.5	98.8
Government	63.0	62.5	63.5
Corporate	35.6	34.9	35.2
<b>Hong Kong, China</b>			
<b>Total</b>	84.2	87.2	85.9
Government	42.6	43.7	44.3
Corporate	41.6	43.5	41.6
<b>Indonesia</b>			
<b>Total</b>	26.5	30.8	31.0
Government	23.6	28.1	28.5
Corporate	2.8	2.6	2.6
<b>Korea, Rep. of</b>			
<b>Total</b>	141.2	147.2	148.1
Government	58.0	61.9	62.4
Corporate	83.2	85.4	85.7
<b>Malaysia</b>			
<b>Total</b>	116.7	121.9	125.2
Government	62.5	66.5	68.3
Corporate	54.2	55.4	56.8
<b>Philippines</b>			
<b>Total</b>	44.5	50.6	51.7
Government	35.6	42.4	44.1
Corporate	8.9	8.2	7.6
<b>Singapore</b>			
<b>Total</b>	101.5	112.4	116.2
Government	65.6	74.1	77.8
Corporate	35.9	38.3	38.3
<b>Thailand</b>			
<b>Total</b>	88.2	88.8	90.2
Government	64.5	64.6	65.7
Corporate	23.6	24.3	24.5
<b>Viet Nam</b>			
<b>Total</b>	24.9	22.8	23.5
Government	20.9	17.6	17.4
Corporate	4.1	5.2	6.0
<b>Emerging East Asia</b>			
<b>Total</b>	95.9	96.2	97.1
Government	59.1	59.7	60.7
Corporate	36.8	36.5	36.5
<b>Japan</b>			
<b>Total</b>	224.5	235.0	233.3
Government	208.4	218.1	216.4
Corporate	16.2	16.9	16.9

GDP = gross domestic product, Q2 = second quarter, Q3 = third quarter.

Notes:

1. Data for GDP is from CEIC Data Company.
2. For Singapore, corporate bonds outstanding are based on *AsianBondsOnline* estimates.

Sources: People's Republic of China (CEIC Data Company); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange); Republic of Korea (KG Zeroin Corporation and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); Viet Nam (Bloomberg LP and Vietnam Bond Market Association); and Japan (Japan Securities Dealers Association).

## Foreign Holdings

### The foreign investor holdings share of LCY government bonds was down in all emerging East Asian markets except the PRC in Q3 2021.

The foreign holdings share decreased in the LCY government bonds markets of Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam from Q2 2021 to Q3 2021, while it increased in the PRC (**Figure 3**). Although most markets in emerging East Asia experienced sustained net foreign fund flows into their government bond markets in Q3 2021, these were not substantial enough to raise the foreign holdings share. The anticipation of policy rate normalization in the United States (US) and other developed economies may have influenced the repositioning of offshore funds. The prospects of weaker regional currencies arising from an imminent tapering of monetary stimulus by the US Federal Reserve may also have affected foreign holdings. Moreover, the COVID-19 situation, while improving, continues to subject recovery prospects to uncertainty on risk of new waves of infection.

As mentioned, the PRC was the only market in emerging East Asia that had an increase in its foreign holdings share in Q3 2021. Foreign investors remained keen on PRC government bonds, lifting their holdings share to 10.6% from 10.3% at the end of June. The inclusion of PRC

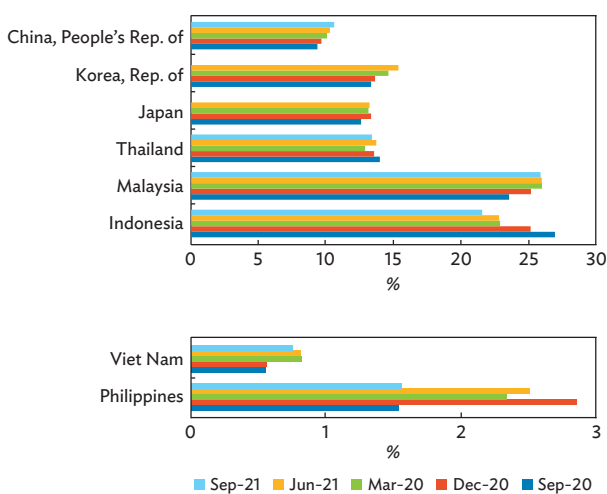
government bonds in FTSE Russell's World Government Bond Index starting in October and foreign investment tax incentives may have attracted foreign investors to build their position in the market. Despite worries over China Evergrande's possible contagion effect, confidence in the PRC's overall LCY bond market seemed intact.

Indonesia and the Philippines had the largest decreases among the markets that experienced declines in their share of foreign investor holdings of government bonds. The downward movement was underpinned by foreign fund outflows from both markets in Q3 2021. The share in Indonesia fell by 1.3 percentage points to 21.6% at the end of September, the largest drop in the region. In the Philippines, foreign investors tapered their exposure to government bonds, with their holdings share decreasing by 0.9 percentage points to 1.6% at the end of September, reversing the gain in Q2 2021 when the share increased 0.2 percentage points to 2.5%. The Philippines has the second-smallest foreign holdings share in the region.

Relatively small declines in the foreign holdings share were seen in Malaysia, Viet Nam, and Thailand. The shares in Malaysia and Viet Nam fell by 0.1 percentage points each during Q3 2021. Malaysia's share was down to 25.9% at the end of September on the back of positive fund flows into the market, albeit of a lesser magnitude than in the previous quarter. Malaysia had the highest foreign holdings share in emerging East Asia at the end of September. However, political uncertainty may have caused foreign investors to slow their purchases of Malaysian government bonds. In Viet Nam, the foreign holdings share inched down to 0.7%, the smallest in the region, as opportunities for foreign investors are limited due to its small bond market. In Thailand, the foreign holdings share of government bonds slipped to 13.4% at the end of September after increasing to 13.7% at the end of June, ending the quarterly downward trend that had been in place since March 2019.

The Republic of Korea's foreign holdings share climbed to 15.4% at the end of June from 14.6% at the end of March (the latest quarter for which data are available for the Republic of Korea). The increase was underpinned by the largest inflows of foreign funds among emerging East Asian markets during Q2 2021. Amid cautiousness in most markets in the region and with Korean government bonds' attractiveness to foreign investors, they can be expected to continue increasing their exposure in the market.

**Figure 3: Foreign Holdings of Local Currency Government Bonds in Select Asian Markets (% of total)**



Note: Data for Japan and the Republic of Korea are as of 30 June 2021.  
Source: AsianBondsOnline.

## Foreign Fund Flows

**Foreign buying of government bonds continued in most emerging East Asian markets in Q3 2021, albeit at a reduced pace compared with the previous quarter.**

Emerging East Asia received total net inflows of USD35.0 billion in Q3 2021, down from USD36.3 billion in Q2 2021 and the lowest quarterly net inflows to date in 2021 (**Figure 4**). All markets in the region except for Indonesia and the Philippines recorded net foreign buying of government bonds during the quarter. In Q2 2021, on the other hand, all regional markets experienced net foreign buying. During Q3 2021, the largest inflows in the region were in July amounting to USD13.9 billion. Net inflows fell to their lowest level in August at USD7.4 billion before rebounding to USD13.8 billion in September.

Foreign fund flows into the region's bond market remained resilient despite the Federal Reserve's pronouncement that it would taper its monetary stimulus later this year, while also signaling that interest rate increases may follow more quickly than expected. The foreign fund inflows

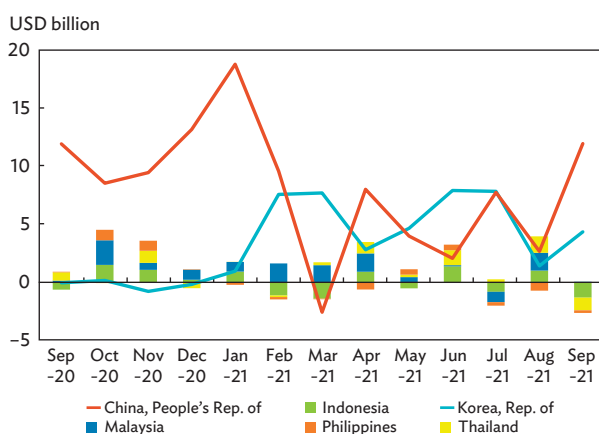
during Q3 2021 were likely supported by the improving COVID-19 situation in the region, as new cases declined and vaccination drives gained ground, which should translate to better recovery prospects absent new waves of infection. The relatively benign inflation environment and yield premiums in favor of emerging East Asian markets also buttressed the regional bond market's overall attractiveness to foreign investors.

The PRC's foreign fund inflows amounted to USD22.4 billion in Q3 2021, increasing from USD14.1 billion in the previous quarter. Foreign investors bought USD7.8 billion of government bonds in July and USD2.7 billion in August. In September, net inflows sharply increased to USD12.0 billion, the fastest pace of foreign buying since January (USD18.8 billion). Foreign funds entering the PRC's government bond market rose despite concerns over the fate of heavily indebted property developer China Evergrande. The upside, which is the inclusion of PRC government bonds in FTSE Russell's World Government Bond Index starting in October and tax incentives, likely outweighed default worries and resulted in foreign investors maintaining or building positions in the LCY bond market. The PRC had the largest net foreign fund inflows among emerging East Asian markets in Q3 2021 and was the major driver of the regional increase in foreign funds during the quarter.

The Republic of Korea had the second-largest net foreign fund inflows in emerging East Asia in Q3 2021, drawing in USD13.6 billion. This was, however, lower compared to USD15.4 billion in Q2 2021 when the Republic of Korea surpassed the PRC as the region's largest recipient of foreign funds. Foreign investors purchased USD7.8 billion of LCY bonds in July, USD1.4 billion in August, and USD4.4 billion in September. The attractive yield spread of Korean government bonds over rates in developed markets, amid expectations of tighter monetary policy following a policy rate hike in August, should continue to drive foreign interest in the market. Moreover, the Republic of Korea's sound external account position will make it less likely that foreign investments in the LCY bond market would abruptly lose value.

Malaysia and Thailand continued to register net inflows in Q3 2021, although both markets experienced significantly lower foreign buying compared to the previous quarter. In Malaysia, net inflows dropped to USD0.7 billion in Q3 2021 from USD2.2 billion in Q2 2021, posting the lowest quarterly net foreign buying since foreign

**Figure 4: Foreign Capital Flows in Local Currency Bond Markets in Emerging East Asia**



USD = United States dollar.

Notes:

1. The Republic of Korea and Thailand provided data on bond flows. For the People's Republic of China, Indonesia, Malaysia, and the Philippines, month-on-month changes in foreign holdings of local currency government bonds were used as a proxy for bond flows.
2. Data are as of 30 September 2021.
3. Figures were computed based on 30 September 2021 exchange rates to avoid currency effects.

Sources: People's Republic of China (*Wind Information*); Indonesia (Directorate General of Budget Financing and Risk Management, Ministry of Finance); Republic of Korea (Financial Supervisory Service); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury); and Thailand (Thai Bond Market Association).



funds returned to the Malaysian government bond market in Q2 2020. Political infighting and persistently high COVID-19 cases resulted in net foreign fund withdrawals of USD0.9 billion in July, which dragged down the quarterly inflows. Despite the downside risks, foreign buying resumed in August with USD1.5 billion of net inflows. However, this dwindled to USD0.1 billion in September. In Thailand, net inflows amounted to USD0.6 billion in Q3 2021, down from USD2.5 billion in Q2 2021. The Thai government bond market saw net foreign buying in July (USD0.3 billion) and August (USD1.4 billion), while it incurred net foreign selling of USD1.1 billion in September.

Indonesia and the Philippines were the two markets in emerging East Asia that experienced net foreign fund withdrawals in Q3 2021 after registering net inflows in the previous quarter. Indonesia's net outflows amounted to USD1.1 billion as a result of net foreign selling in July (USD0.8 billion) and September (USD1.3 billion), which offset net foreign buying in August (USD1.0 billion). While returns on Indonesian sovereign bonds are high relative to other markets in the region, this has not done much to lift foreign investor sentiment in the LCY bond market. Uncertainty over recovery prospects amid the COVID-19 situation continued to weigh down foreign investor appetite.

In the Philippines, foreign investors sold a net USD1.2 billion worth of government bonds in Q3 2021 after accumulating a net USD0.3 billion in Q2 2021. The Philippines is the only market in the region that incurred a net foreign sell-off in all 3 months of the quarter: July (USD0.3 billion), August (USD0.7 billion), and September (USD0.2 billion). Concerns over inflation, which registered a 32-month high of 4.9% y-o-y in August, may have discouraged fund inflows as inflation reduces returns. COVID-19 cases also peaked during the quarter, leading to the reimposition of the strictest quarantine measures and exacerbating uncertainty in the economy.

## LCY Bond Issuance

### Issuance of LCY bonds in emerging East Asia reached USD2.4 trillion in Q3 2021.

LCY bond issuance in emerging East Asia sustained its strong momentum in Q3 2021, with total issuance climbing to USD2.4 trillion from USD2.2 trillion in Q2 2021 (Table 3). Bond sales during the quarter were

buoyed by increased issuance from corporates and continued strong issuance from governments seeking to support relief and economic recovery measures amid new waves of COVID-19 cases in the region.

Since the start of the pandemic, issuance of LCY bonds has been robust, surpassing pre-pandemic levels and indicating the importance of LCY financing in sustaining economic resilience in the region. For the period from January to September, LCY bond issuance totaled USD6.6 trillion, equivalent to nearly 80% of the region's aggregate LCY bond issuance in 2020 (Figure 5).

During the quarter, five out of nine emerging East Asian markets recorded positive q-o-q issuance growth: the PRC, Indonesia, the Philippines, Singapore, and Thailand. While posting positive q-o-q growth in Q3 2021, issuance rates in the PRC, Singapore, and Thailand moderated from their respective q-o-q growth rates in Q2 2021. The four markets that recorded q-o-q contractions in issuance in Q3 2021 were Hong Kong, China; the Republic of Korea; Malaysia; and Viet Nam.

Both the corporate and government bond segments posted positive q-o-q hikes during the quarter, yet overall growth in LCY bond issuance moderated to 6.8% q-o-q from a 14.7% q-o-q hike in Q2 2021. This was largely due to a deceleration in issuance growth of Treasury and other government bonds, and central bank instruments during the quarter. In contrast, the issuance of corporate bonds surged in Q3 2021 compared with Q2 2021.

On a y-o-y basis, growth inched up to 2.5% in Q3 2021 from 2.2% in Q2 2021, buoyed by increased issuance in the PRC. Five markets, the PRC, Indonesia, the Philippines, Singapore, and Viet Nam, posted positive y-o-y growth. Contractions in y-o-y growth were noted in Hong Kong, China; the Republic of Korea; Malaysia; and Thailand.

In Q3 2021, total issuance in the region mostly comprised government bonds, which represented a 58.7% share of the total. This was down slightly from 59.7% logged in the prior quarter. Government bond issuance tallied USD1.4 trillion in Q3 2021, with growth easing to 5.0% q-o-q from 23.1% q-o-q as issuance growth of Treasuries and other government bonds decelerated from Q2 2021. Only the markets of Indonesia, the Philippines, and Thailand posted improved q-o-q growth in issuance of Treasury instruments and other government bonds in Q3 2021 compared with

Table 3: Local-Currency-Denominated Bond Issuance (gross)

	Q3 2020		Q2 2021		Q3 2021		Growth Rate (LCY-base %)		Growth Rate (USD-base %)	
	Amount (USD billion)	% share	Amount (USD billion)	% share	Amount (USD billion)	% share	Q3 2021		Q3 2021	
							q-o-q	y-o-y	q-o-q	y-o-y
<b>China, People's Rep. of</b>										
<b>Total</b>	1,574	100.0	1,492	100.0	1,668	100.0	11.6	0.6	11.8	6.0
Government	866	55.1	793	53.1	848	50.8	6.7	(7.1)	6.9	(2.1)
Central Bank	0	0.0	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	866	55.1	793	53.1	848	50.8	6.7	(7.1)	6.9	(2.1)
Corporate	707	44.9	699	46.9	820	49.2	17.1	10.1	17.4	16.0
<b>Hong Kong, China</b>										
<b>Total</b>	145	100.0	140	100.0	139	100.0	(0.8)	(3.7)	(1.1)	(4.2)
Government	117	80.8	110	78.5	113	81.8	3.2	(2.6)	3.0	(3.0)
Central Bank	117	80.7	106	75.9	109	78.9	3.0	(5.9)	2.7	(6.3)
Treasury and Other Govt.	0.1	0.1	4	2.6	4	2.9	9.9	3,000.0	9.6	2,985.5
Corporate	28	19.2	30	21.5	25	18.2	(15.8)	(8.6)	(16.0)	(9.0)
<b>Indonesia</b>										
<b>Total</b>	41	100.0	39	100.0	48	100.0	22.5	11.3	24.1	15.7
Government	39	93.9	37	96.6	46	95.2	20.7	12.8	22.3	17.3
Central Bank	9	21.6	21	55.3	27	57.0	26.2	193.4	27.9	205.0
Treasury and Other Govt.	30	72.3	16	41.3	18	38.2	13.3	(41.2)	14.8	(38.8)
Corporate	3	6.1	1	3.4	2	4.8	73.3	(12.7)	75.6	(9.3)
<b>Korea, Rep. of</b>										
<b>Total</b>	189	100.0	235	100.0	180	100.0	(19.5)	(3.7)	(23.4)	(4.8)
Government	85	44.8	101	43.2	78	43.4	(19.0)	(6.6)	(23.0)	(7.7)
Central Bank	31	16.2	31	13.3	27	15.0	(9.1)	(10.9)	(13.6)	(11.9)
Treasury and Other Govt.	54	28.6	70	29.9	51	28.4	(23.4)	(4.2)	(27.2)	(5.4)
Corporate	104	55.2	134	56.8	102	56.6	(19.9)	(1.3)	(23.8)	(2.5)
<b>Malaysia</b>										
<b>Total</b>	22	100.0	24	100.0	21	100.0	(14.2)	(3.5)	(15.0)	(4.2)
Government	12	57.4	13	55.3	12	55.9	(13.4)	(6.0)	(14.2)	(6.7)
Central Bank	0	0.0	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	12	57.4	13	55.3	12	55.9	(13.4)	(6.0)	(14.2)	(6.7)
Corporate	9	42.6	11	44.7	9	44.1	(15.3)	(0.2)	(16.1)	(0.9)
<b>Philippines</b>										
<b>Total</b>	25	100.0	42	100.0	42	100.0	4.5	74.4	0.002	65.8
Government	23	89.8	41	97.7	41	97.7	4.5	89.9	0.02	80.5
Central Bank	1	4.1	26	60.8	26	62.3	7.2	2,580.0	2.6	2,447.4
Treasury and Other Govt.	22	85.7	16	36.9	15	35.4	0.1	(28.0)	(4.3)	(31.6)
Corporate	3	10.2	1	2.3	1	2.3	5.1	(60.9)	0.6	(62.8)
<b>Singapore</b>										
<b>Total</b>	149	100.0	194	100.0	205	100.0	6.7	37.4	5.7	38.2
Government	145	97.5	185	95.4	200	97.4	8.9	37.3	8.0	38.1
Central Bank	119	80.2	155	80.0	174	84.8	13.2	45.4	12.1	46.2
Treasury and Other Govt.	26	17.3	30	15.4	26	12.6	(12.9)	(0.3)	(13.7)	0.3
Corporate	4	2.5	9	4.6	5	2.6	(39.8)	42.7	(40.3)	43.5
<b>Thailand</b>										
<b>Total</b>	93	100.0	69	100.0	69	100.0	5.8	(20.8)	0.6	(25.7)
Government	83	89.0	54	78.4	55	79.9	7.8	(28.9)	2.5	(33.4)
Central Bank	65	69.1	35	51.0	37	53.4	10.8	(38.9)	5.3	(42.7)
Treasury and Other Govt.	19	19.9	19	27.4	18	26.5	2.3	5.6	(2.8)	(1.0)
Corporate	10	11.0	15	21.6	14	20.1	(1.4)	45.0	(6.3)	36.0

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Table 3 continued

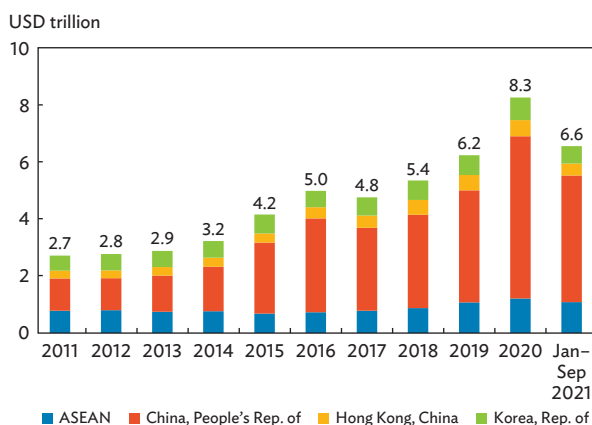
	Q3 2020		Q2 2021		Q3 2021		Growth Rate (LCY-base %)		Growth Rate (USD-base %)	
	Amount (USD billion)	% share	Amount (USD billion)	% share	Amount (USD billion)	% share	Q3 2021		Q3 2021	
							q-o-q	y-o-y	q-o-q	y-o-y
<b>Viet Nam</b>										
<b>Total</b>	8	100.0	9	100.0	9	100.0	(6.0)	9.9	(5.0)	11.9
Government	5	63.7	4	47.7	5	53.2	4.8	(8.2)	6.0	(6.5)
Central Bank	0	0.0	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	5	63.7	4	47.7	5	53.2	4.8	(8.2)	6.0	(6.5)
Corporate	3	36.3	5	52.3	4	46.8	(15.9)	41.7	(15.0)	44.3
<b>Emerging East Asia</b>										
<b>Total</b>	2,246	100.0	2,245	100.0	2,381	100.0	6.8	2.5	6.1	6.0
Government	1,375	61.2	1,340	59.7	1,398	58.7	5.0	(1.3)	4.3	1.7
Central Bank	341	15.2	375	16.7	401	16.8	8.6	19.0	6.9	17.6
Treasury and Other Govt.	1,034	46.0	965	43.0	997	41.9	3.7	(7.6)	3.3	(3.6)
Corporate	871	38.8	905	40.3	983	41.3	9.4	8.5	8.7	12.9
<b>Japan</b>										
<b>Total</b>	533	100.0	505	100.0	502	100.0	(0.3)	(0.6)	(0.5)	(5.8)
Government	484	90.8	462	91.5	464	92.5	0.7	1.2	0.6	(4.1)
Central Bank	0	0.0	10	1.9	10	2.0	7.5	-	-	-
Treasury and Other Govt.	484	90.8	452	89.6	454	90.5	0.6	(1.0)	0.4	(6.2)
Corporate	49	9.2	43	8.5	38	7.5	(11.8)	(18.5)	(12.0)	(22.8)

(-) = negative, - = not applicable, LCY = local currency, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, USD = United States dollar, y-o-y = year-on-year.

Notes:

1. Corporate bonds include issues by financial institutions.
  2. Bloomberg LP end-of-period LCY-USD rates are used.
  3. For LCY base, emerging East Asia growth figures are based on 30 September 2021 currency exchange rates and do not include currency effects.
- Sources: People's Republic of China (CEIC Data Company); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange); Republic of Korea (KG Zeroin Corporation and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Singapore Government Securities and Bloomberg LP); Thailand (Bank of Thailand and ThaiBMA); Viet Nam (Bloomberg LP, Hanoi Stock Exchange, and Vietnam Bond Market Association); and Japan (Japan Securities Dealers Association).

**Figure 5: Local Currency Bond Issuance in Emerging East Asia**



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

the previous quarter. Issuance growth of Treasuries and other government bonds moderated or contracted from the previous quarter in all other emerging East Asian economies in Q3 2021. Treasuries and other government bonds accounted for 71.3% of the regional government issuance total during the quarter. Compared with the same period a year ago, issuance of Treasuries and other government bonds contracted 7.6% y-o-y in Q3 2021 after rising a marginal 0.2% y-o-y in Q2 2021.

Central bank issuance also contributed to the region's government bond issuance growth, accounting for 28.7% of government bond issuance during Q3 2021. Issuance of central bank instruments in the region totaled USD401.2 billion, with growth moderating to 8.6% q-o-q in Q3 2021 from 9.3% q-o-q in Q2 2021. Fueling growth was increased issuance from the Hong Kong Monetary Authority, Bank Indonesia, the Bangko Sentral ng Pilipinas, MAS, and the Bank of Thailand. In contrast, the Bank of Korea reduced its issuance in Q3 2021, while there was an absence of issuance from the

People's Bank of China, Bank Negara Malaysia, and the State Bank of Vietnam. On a y-o-y basis, growth in central bank issuance inched up to 19.0% in Q3 2021 from 18.9% in Q2 2021.

Corporate bond sales in emerging East Asia were active in Q3 2021 as growth swelled to 9.4% q-o-q from 4.1% q-o-q in Q2 2021 to reach USD983.3 billion. Growth was buoyed by robust issuance of corporate bonds in the PRC. The only other markets that posted positive q-o-q growth rates in Q3 2021 were Indonesia and the Philippines, both of which recorded contractions in issuance in the preceding quarter. On an annual basis, corporate bond issuance in the region rebounded from a 1.5% y-o-y decline in Q2 2021 to a growth of 8.5% y-o-y in Q3 2021.

The PRC accounted for about 70% of the aggregate LCY bond issuance of emerging East Asian markets in Q3 2021. Total PRC bond sales summed to USD1,668.1 billion during the quarter, up 11.6% q-o-q. Growth, however, moderated from an expansion of 17.1% q-o-q recorded in Q2 2021. Much of the growth in issuance came from corporate bonds, with growth accelerating to 17.1% q-o-q in Q3 2021 from only 1.3% q-o-q in Q2 2021.

The lower growth rate for Q3 2021 was largely due to the upsurge in local government bond issuance that occurred in Q2 2021 as local governments sought to meet their quotas for bond issuance. Local government bond issuance remained strong but fell 7.0% q-o-q after a 173.5% q-o-q rise in Q2 2021. Policy bank bond issuance was also stable, with issuance in Q3 2021 roughly similar to that of Q2 2021. There was an uptick in the growth of Treasury bonds, with issuance rising 37.6% q-o-q. This was the main driver in the 6.7% q-o-q increase in total government bond issuance. Overall, issuance of Treasury bonds for the first 3 quarters in 2021 was about the same as last year.

Corporate bond issuance accelerated in Q3 2021 largely due to an increase in the issuance of commercial paper, which grew 17.1% q-o-q. Most of the corporate bond issuance for Q3 2021 was due to the refinancing of maturities, as corporate bonds outstanding only grew 3.3% q-o-q.

The Republic of Korea was one of the two markets in emerging East Asia that posted declines in issuance for all bond segments. Total bond sales reached

USD180.0 billion in Q3 2021, reflecting a 19.5% q-o-q contraction after rising 14.2% q-o-q in Q2 2021.

Corporate bond issuance during the quarter plunged 19.9% q-o-q from a 16.6% q-o-q hike in Q2 2021.

Government bond issuance fell 19.0% q-o-q after 11.1% q-o-q growth in Q1 2021. The government eased its issuance of Treasury instruments during the quarter following large-volume issuance in the first half of the year to fund its annual budget, which included two supplemental budgets approved this year. Central bank issuance also declined 9.1% q-o-q in Q3 2021. On a y-o-y basis, bond issuance growth contracted 3.7% in Q3 2021 from a growth of 5.8% in Q2 2021.

In Hong Kong, China, LCY bond issuance continued to contract for the third straight quarter, falling 0.8% q-o-q in Q3 2021 after a 2.2% q-o-q decline in Q2 2021. Overall growth was dragged down by the decline in the issuance of corporate bonds, which slumped 15.8% q-o-q in Q3 2021. Growth in government bond issuance moderated to 3.2% q-o-q from a rise of 4.5% q-o-q in Q2 2021. Issuance growth of Treasury instruments sharply decelerated to 9.9% q-o-q from a 944.4% q-o-q hike in Q2 2021 due to a high base effect with the issuance of inflation-linked retail bonds, or iBonds in the previous quarter. On an annual basis, issuance in Hong Kong, China's LCY bonds declined 3.7% y-o-y in Q3 2021 following 2.1% y-o-y growth in Q2 2021.

Bond issuance among ASEAN member economies totaled USD394.4 billion, accounting for a 16.6% share of emerging East Asia's issuance in Q3 2021. LCY bond issuance growth in ASEAN markets decelerated to 6.3% q-o-q in Q3 2021 from 12.7% q-o-q in Q2 2021. During the same period, growth on a y-o-y basis eased to 18.2% from 30.9%. All ASEAN member economies increased their issuance volumes in Q3 2021 versus Q2 2021, except for Malaysia and Viet Nam. Singapore remained the largest source of new LCY bonds in Q3 2021, with its share of ASEAN total issuance at 52.1%. The next largest shares of ASEAN bond issuance were those of Thailand and Indonesia, with respective shares of 17.6% and 12.1%.

In Singapore, LCY bond sales climbed to USD205.4 billion in Q3 2021 on growth of 6.7% q-o-q, a moderation from the 15.3% q-o-q hike in the preceding quarter. Government bond issuance grew 8.9% q-o-q, driven solely by a faster increase in issuance of MAS bills. In contrast, issuance of Singapore Government Securities



declined 12.9% q-o-q in Q3 2021 after rising 25.2% q-o-q in the prior quarter. Corporate bond issuance declined 39.8% q-o-q, dragged down by weak sentiment due to a delay in the reopening of Singapore's economy amid rising COVID-19 cases during the quarter. On an annual basis, growth in issuance of LCY bonds in Singapore slipped to 37.4% y-o-y in Q3 2021 from 38.4% y-o-y in Q2 2021.

Issuance in Thailand rose 5.8% q-o-q to USD69.3 billion in Q3 2021. Growth was driven solely by government bond issuance, which rose 7.8% q-o-q to USD55.4 billion. While Treasury and other government bond issuance rose 2.3% q-o-q, central bank bond issuance grew 10.8% q-o-q to USD37.0 billion. Growth in Thailand's bond issuance was dragged down by corporate bond issuance, which declined 1.4% q-o-q to USD14.0 billion. On a y-o-y basis, LCY bond issuance in Thailand continued to contract, declining 20.8% in Q3 2021 from 9.5% in Q2 2021.

LCY bond issuance in Indonesia totaled USD47.9 billion in Q3 2021, with growth accelerating to 22.5% q-o-q from 12.0% q-o-q in the prior quarter. Growth was largely driven by government bonds, which rose at a faster pace of 20.7% q-o-q in Q3 2021 versus 12.9% q-o-q in Q2 2021. The q-o-q expansion in government bond issuance was largely driven by increased issuance of Sukuk Bank Indonesia. The government also issued an increased volume of Treasury bills and bonds during the quarter to support a wider budget deficit brought about by pandemic-related stimulus. Corporate bonds surged 73.3% q-o-q in Q3 2021, a turnaround from an 8.5% q-o-q contraction in Q2 2021, as more corporates tapped the debt market to secure funding amid low borrowing costs and to refinance debt maturities. On a y-o-y basis, growth in issuance of LCY bonds moderated to 11.3% in Q3 2021 from 30.9% in Q2 2021.

LCY bond issuance in the Philippines rebounded in Q3 2021, posting growth of 4.5% q-o-q after contracting 4.0% q-o-q in Q2 2021. Total issuance tallied USD42.1 billion, with both government and corporate bonds recovering from contractions in Q2 2021. Government bond issuance rose 4.5% q-o-q, fueled by increased issuance of Bangko Sentral ng Pilipinas bills during the quarter, while issuance of Treasury bills and bonds were broadly unchanged from their levels in the previous quarter. Corporate bond issuance rose 5.1% q-o-q following a 20.2% q-o-q decline in Q2 2021.

On an annual basis, LCY bond issuance growth in the Philippines moderated to 74.4% y-o-y in Q3 2021 after rising 195.4% y-o-y in Q2 2021.

In Malaysia, LCY bond issuance totaled USD20.7 billion in Q3 2021, declining 14.2% q-o-q following a 1.0% q-o-q hike in Q2 2021. All bond segments posted q-o-q and y-o-y declines during the quarter. Government bond issuance fell 13.4% q-o-q in Q3 2021 after declining 1.8% q-o-q in the preceding quarter. Issuance solely comprised Malaysian Government Securities and Government Investment Issues, as Bank Negara Malaysia has yet to resume its issuance of central bank bills. Corporate bonds also fell 15.3% q-o-q after a 4.7% q-o-q gain in Q2 2021. On an annual basis, LCY bond issuance in Malaysia declined 3.5% y-o-y in Q3 2021, after rising 7.4% y-o-y in Q2 2021.

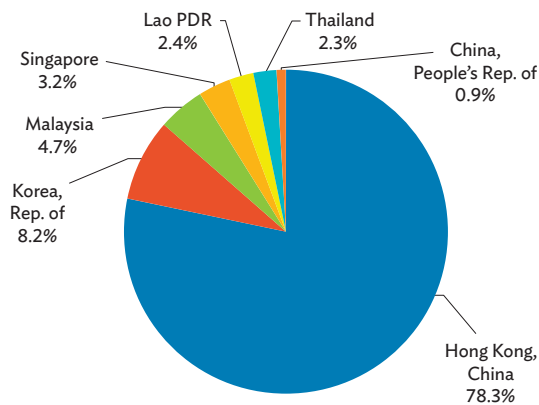
LCY bond issuance in Viet Nam fell to USD8.9 billion in Q3 2021 on a 6.0% q-o-q decline following a robust 271.1% q-o-q gain in Q2 2021. The contraction in issuance was due to the corporate bond segment, whose issuance fell 15.9% q-o-q. Growth in government bond issuance also moderated to 4.8% q-o-q in Q3 2021 from 160.9% q-o-q expansion in Q2 2021. The State Bank of Vietnam has yet to resume issuance of bills, which were last issued in the first quarter of 2020. On a y-o-y basis, LCY bond issuance in Viet Nam rose at a pace of 9.9% in Q3 2021, down from 57.1% in Q2 2021.

## Cross-Border Bond Issuance

### Cross-border bond issuance in emerging East Asia reached USD6.9 billion in Q3 2021.

Intraregional bond issuance in emerging East Asia reached USD6.9 billion in Q3 2021, an 8.6% q-o-q decline from the USD7.5 billion raised in the previous quarter, but a jump from the USD2.8 billion issuance volume registered in the same period in 2020. Institutions from Hong Kong, China continued to lead the issuance of cross-border bonds, with an aggregate share of 78.3% of the regional total in Q3 2021 (**Figure 6**). Other economies that registered cross-border bond issuances were the PRC, the Republic of Korea, the Lao People's Democratic Republic (Lao PDR), Malaysia, Singapore, and Thailand. Monthly issuance volume amounted to USD2.2 billion and USD2.9 billion in July and August, respectively. The month of September registered the lowest issuance volume for the quarter at USD1.8 billion, which can be

**Figure 6: Origin Economies of Intra-Emerging East Asian Bond Issuance in the Third Quarter of 2021**



Lao PDR = Lao People's Democratic Republic.  
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

attributed to the rise in global yields making it more costly for institutions to issue bonds.

Hong Kong, China continued to dominate the region with an aggregate issuance of USD5.4 billion in Q3 2021, slightly lower than the USD5.6 billion raised in the previous quarter. Sixteen institutions from Hong Kong, China issued cross-border bonds, mostly denominated in Chinese yuan. Companies from the finance and consumer goods sectors led all others in cross-border issuance with shares of 38.0% and 35.4%, respectively. China Mengniu Dairy, a manufacturer and distributor of dairy products, was the single-largest issuer in both Hong Kong, China and the region with total cross-border bond issuance of USD1.4 billion, comprising CNY-denominated short-term bonds. The Hong Kong Mortgage Corporation followed with a total of USD1.2 billion with multiple issuances of CNY-denominated bonds. China National Travel Service (HK) Group was also one of the major issuers during the quarter with a total of USD465.5 million worth of 5-year CNY-denominated bonds. Another notable issuance was the USD368.3 million 5-year bond from Eastern Air Overseas (Hong Kong) Corporation Limited, which was denominated in Singapore dollars.

The Republic of Korea registered the second-largest issuance volume of cross-border bonds in Q3 2021, reaching USD560.4 million. However, this was a 30.9% q-o-q decline from USD811.5 million in the previous quarter. The Export-Import Bank of Korea was

the largest issuer in Q3 2021 with aggregate volume of USD324.6 million—of which USD206.1 million was denominated in Hong Kong dollars, USD79.3 million in Chinese yuan, and USD39.2 million in Philippine pesos. The bonds were issued in various tenors of between 1 year and 5 years. Another government-related institution that issued cross border bonds was the Korea Development Bank, raising USD25.7 million via 4-year HKD-denominated bonds. The remaining issuer of cross-border bonds in the Republic of Korea was Hyundai Capital Services with a total of USD210.1 million worth of 3-year bonds issued in both Chinese yuan and Hong Kong dollars.

In Malaysia, two banks issued cross-border bonds in Q3 2021 with a total volume of USD319 million. Malayan Banking raised USD220.3 million via issuance of 1-year and 3-year bonds, denominated in Hong Kong dollars and Chinese yuan, while CIMB Bank issued USD98.6 million worth of 5-year HKD-denominated bonds.

Only three institutions issued cross-border bonds in Singapore in Q3 2021 for a total of USD219.9 million. DBS Group raised USD179.8 million via issuance of a 5-year HKD-denominated bond, while DBS Bank issued USD1.3 million of HKD-denominated short-term bonds. Korea Development Bank Singapore issued a USD38.8 million 1-year CNY-denominated bond.

In the Lao PDR, state-owned EDL Generation Public Company, which owns and operates electric generation and transmission assets, issued USD167.0 million worth of 3-year and 4-year bonds denominated in Thai baht. In Thailand, CIMB Thai Bank was the sole issuer of cross-border bonds, raising USD157.7 million worth of 10-year bonds denominated in Malaysian ringgit. In the PRC, manufacturing company Xtep International Holdings issued USD64.2 million worth of 6-year HKD-denominated bonds.

The top 10 issuers of cross-border bonds in the region had an aggregate issuance volume of USD5.1 billion and accounted for 74.9% of the regional total. Nine firms on the list were from Hong Kong, China. They issued a total of USD4.8 billion, led by Mengniu Dairy, the Hong Kong Mortgage Corporation, and China Travel Service HK Group. The remaining firm on the list that was not from Hong Kong, China was the Export-Import Bank of Korea.

The Chinese yuan remained the predominant currency of cross-border bonds in emerging East Asia in Q3 2021, with an aggregate issuance volume of USD5.1 billion and a share of 74.6% of the regional total (**Figure 7**). Firms that issued in this currency were from Hong Kong, China; the Republic of Korea; Malaysia; and Singapore. The second most widely used currency during the quarter was the Hong Kong dollar with an aggregate issuance volume of USD788.9 billion and an 11.5% share of the regional total. Other currencies were the Singapore dollar (USD589.2 million, 8.6%); Thai baht (USD167 million, 2.4%); Malaysian ringgit (USD157.7 million, 2.3%); and the Philippine peso (USD39.2 million, 0.6%).

In Q3 2021, financial companies continued to dominate the intraregional bond market in emerging East Asia, reaching an aggregate volume of USD3.1 billion and comprising almost half of the regional total (**Figure 8**). The largest issuers from this category include the Hong Kong Mortgage Corporation and the Export-Import Bank of Korea. Companies involved in consumer products had the second-largest share at 28.6%, reaching a total volume of USD2.0 billion, and also registered the largest gain in sectoral share, driven by the increased issuance of cross-border bonds by China Mengniu Dairy. Utilities' share inched up to 11.5% on a total issuance volume of USD787.6 million, led by issuances from electric generation companies China Power International Development and the

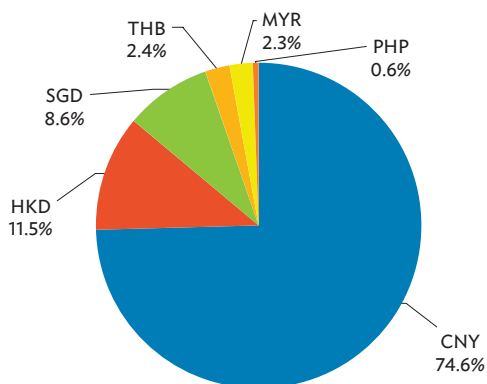
Lao PDR's EDL Generation Public Company, and water company Beijing Enterprises Water Group. The issuance volume of real estate companies fell almost in half to USD654.5 million in Q3 2021, and its share fell to 9.6% from 16.9% in the previous quarter. In July, China Everbright Greentech, a PRC government-related institution based in Hong Kong, China, issued USD155.2 million worth of CNY-denominated 5-year green bonds referred to as "carbon neutrality and rural vitalization medium-term notes." China Everbright Greentech was also the sole issuer of cross-border bonds in Q3 2021 in the energy sector.

## G3 Currency Issuance

### G3 currency bonds issued in emerging East Asia during January–September amounted to USD302.5 billion.

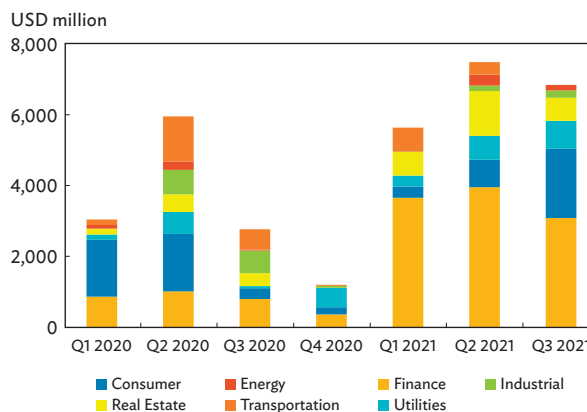
G3 currency bonds issued in emerging East Asia amounted to USD302.5 billion during the January–September period, growing 4.7% y-o-y from the USD289.0 billion raised during the same period in 2020 (**Table 4**).<sup>4</sup> Higher volumes of G3 issuance in some of the region's economies compared to the previous year contributed to this expansion. This was in spite of the growing systemic risk stemming from the struggles of

**Figure 7: Currency Shares of Intra-Emerging East Asian Bond Issuance in the Third Quarter of 2021**



CNY = Chinese renminbi, HKD = Hong Kong dollar, MYR = Malaysian ringgit, PHP = Philippine peso, SGD = Singapore dollar, THB = Thai baht.  
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

**Figure 8: Intra-Emerging East Asian Bond Issuance in the Third Quarter of 2021, by Industry**



Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, USD = US dollar.

Note: Figures were computed based on 30 September 2021 exchange rates to avoid currency effects.

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

<sup>4</sup> G3 currency bonds are denominated in either euros, Japanese yen, or US dollars. For the discussion on G3 currency issuance, emerging East Asia comprises Cambodia; the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

Table 4: G3 Currency Bond Issuance

2020			January–September 2021		
Issuer	Amount (USD billion)	Issue Date	Issuer	Amount (USD billion)	Issue Date
<b>Cambodia</b>	<b>0.4</b>		<b>Cambodia</b>	<b>0.0</b>	
<b>China, People's Rep. of</b>	<b>232.3</b>		<b>China, People's Rep. of</b>	<b>169.8</b>	
Industrial and Commercial Bank of China 3.58% Perpetual	2.9	23-Sep-20	Industrial and Commercial Bank of China 3.200% Perpetual	6.2	24-Sep-21
Bank of China 3.60% Perpetual	2.8	4-Mar-20	China Development Bank 0.380% 2022	2.0	10-Jun-21
Bank of Communications 3.80% Perpetual	2.8	18-Nov-20	Prosus 3.061% 2031	1.9	13-Jul-21
Others	223.8		Others	159.8	
<b>Hong Kong, China</b>	<b>34.8</b>		<b>Hong Kong, China</b>	<b>34.4</b>	
AIA Group 3.200% 2040	1.8	16-Sep-20	NWD Finance 4.125% Perpetual	1.2	10-Jun-21
MTR Corporation 1.625% 2030	1.2	19-Aug-20	Hong Kong, China (Sovereign) 1.375% 2031	1.0	2-Feb-21
AIA Group 3.375% 2030	1.0	7-Apr-20	Bank of Communications 2.304% 2031	1.0	8-Jul-21
Others	30.9		Others	31.2	
<b>Indonesia</b>	<b>27.9</b>		<b>Indonesia</b>	<b>23.3</b>	
Indonesia (Sovereign) 3.85% 2030	1.7	15-Apr-20	Indonesia (Sovereign) 3.05% 2051	2.0	12-Jan-21
Indonesia (Sovereign) 4.20% 2050	1.7	15-Apr-20	Perusahaan Penerbit SBSN Indonesia III 1.50% 2026	1.3	9-Jun-21
Indonesia (Sovereign) 0.90% 2027	1.2	14-Jan-20	Indonesia (Sovereign) 1.85% 2031	1.3	12-Jan-21
Others	23.4		Others	18.8	
<b>Korea, Rep. of</b>	<b>30.0</b>		<b>Korea, Rep. of</b>	<b>34.7</b>	
Korea Housing Finance Corporation 0.010% 2025	1.2	5-Feb-20	Posco 0.00% 2026	1.2	1-Sep-21
Korea Development Bank 1.250% 2025	1.0	3-Jun-20	Korea Housing Finance Corporation 0.01% 2026	1.2	29-Jun-21
Export–Import Bank of Korea 0.829% 2025	0.9	27-Apr-20	SK Hynix 1.50% 2026	1.0	19-Jan-21
Others	26.9		Others	31.3	
<b>Malaysia</b>	<b>17.2</b>		<b>Malaysia</b>	<b>12.9</b>	
Petronas Capital 4.55% 2050	2.8	21-Apr-20	Petronas Capital 3.404% 2061	1.8	28-Apr-21
Petronas Capital 3.50% 2030	2.3	21-Apr-20	Petronas Capital 2.480% 2032	1.3	28-Apr-21
Others	12.2		Others	9.9	
<b>Philippines</b>	<b>15.5</b>		<b>Philippines</b>	<b>8.3</b>	
Philippines (Sovereign) 2.65% 2045	1.5	10-Dec-20	Philippines (Sovereign) 3.20% 2046	2.3	6-Jul-21
Philippines (Sovereign) 2.95% 2045	1.4	5-May-20	Philippines (Sovereign) 1.75% 2041	0.9	28-Apr-21
Others	12.6		Others	5.1	
<b>Singapore</b>	<b>14.7</b>		<b>Singapore</b>	<b>14.0</b>	
United Overseas Bank 0.010% 2027	1.2	1-Dec-20	Temasek Financial I 2.75% 2061	1.0	2-Aug-21
Oversea-Chinese Banking Corporation 1.832% 2030	1.0	10-Sep-20	BOC Aviation 1.625% 2024	1.0	29-Apr-21
Others	12.5		Others	12.0	
<b>Thailand</b>	<b>5.3</b>		<b>Thailand</b>	<b>3.7</b>	
Bangkok Bank in Hong Kong, China 5.0% Perpetual	0.8	23-Sep-20	Bangkok Bank 3.466% 2036	1.0	23-Sep-21
PTT Treasury 3.7% 2070	0.7	16-Jul-20	GC Treasury Center 2.980% 2031	0.7	18-Mar-21
Others	3.8		Others	2.0	
<b>Viet Nam</b>	<b>0.1</b>		<b>Viet Nam</b>	<b>1.4</b>	
<b>Emerging East Asia Total</b>	<b>378.1</b>		<b>Emerging East Asia Total</b>	<b>302.5</b>	
<b>Memo Items:</b>			<b>Memo Items:</b>		
<b>India</b>	<b>14.3</b>		<b>India</b>	<b>21.7</b>	
Vedanta Holdings Mauritius II 13.00% 2023	1.4	21-Aug-20	Vedanta Resources 8.95% 2025	1.2	11-Mar-21
Others	12.9		Others	20.5	
<b>Sri Lanka</b>	<b>0.4</b>		<b>Sri Lanka</b>	<b>0.8</b>	
Sri Lanka (Sovereign) 6.57% 2021	0.1	30-Jul-20	Sri Lanka (Sovereign) 7.95% 2024	0.2	3-May-21
Others	0.3		Others	0.6	

USD = United States dollar.

Notes:

1. Data exclude certificates of deposit.
2. G3 currency bonds are bonds denominated in either euros, Japanese yen, or US dollars.
3. Bloomberg LP end-of-period rates are used.
4. Emerging East Asia comprises Cambodia; the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.
5. Figures after the issuer name reflect the coupon rate and year of maturity of the bond.

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



China Evergrande, the PRC's second-largest real estate company, to meet its debt obligations. Taking their cue from the US Federal Reserve's shifting stance, issuers took advantage of the low-interest-rate environment, wary that the Federal Reserve may ease its bond purchase program earlier than expected.

Of the total G3 currency bond issuance in the first 3 quarters of 2021, 93.5% was issued in US dollars, 5.9% in euros, and 0.6% in Japanese yen. During the review period, USD282.8 billion worth of USD-denominated bonds was raised in emerging East Asia, increasing 5.2% y-o-y, driven by issuance from Hong Kong, China; the Republic of Korea; and Singapore. Issuers also rushed their debt offerings to take advantage of low borrowing costs ahead of the US Federal Reserve shifting its monetary stance with the tapering of asset purchases to commence in November. Issuances in euros amounted to USD17.9 billion in January–September, declining 1.8% y-o-y as EUR-denominated fundraising efforts by the PRC and the Republic of Korea slowed. Bonds issued in Japanese yen totaled USD1.9 billion, a contraction of 9.1% y-o-y as Hong Kong, China's JPY-denominated issuance fell and Malaysia's stopped during the review period.

The PRC issued more than half of the region's G3 currency bonds during the review period, issuing USD169.8 billion worth in January–September. The Republic of Korea followed with USD34.7 billion, and then Hong Kong, China with USD34.4 billion. The US dollar was the G3 currency of choice for all economies in the region.

In the first 9 months of 2021, y-o-y growth in G3 currency bond issuance was posted in Singapore (46.9%); the Republic of Korea (43.2%); and Hong Kong, China (26.0%). A decline in the issuance of G3 currency bonds was recorded in the Philippines (-28.7%), Thailand (-16.8%), Malaysia (-14.8%), Indonesia (-4.1%), and the PRC (-1.3%). Cambodia did not issue any G3 currency bonds during the review period after issuing during the same period in 2020. Viet Nam, on the other hand, issued bonds denominated in G3 currencies after not issuing in January–September 2020.

Of the total issuance volume of G3 currency bonds in emerging East Asia during the review period, 56.1% came from the PRC. Furthermore, USD162.1 billion was issued

in US dollars and USD7.7 billion equivalent in euros. In September, the Industrial and Commercial Bank of China raised USD6.2 billion from its USD-denominated issuance of perpetual bonds. With an annual distribution rate of 3.2%, proceeds from the issuance will be regarded as additional tier 1 capital of the bank to meet regulatory requirements. In the same month, China Development Bank's branch in Hong Kong, China issued 3-year USD-denominated green bonds worth USD500.0 million and with a coupon rate of 0.625%. Funds raised from the issuance will be used to finance eligible green projects.

The Republic of Korea accounted for 11.5% of all issuances of G3 currency bonds during the review period. This was made up of USD31.6 billion in US dollars, the equivalent of USD3.1 billion in EUR-denominated bonds, and USD0.04 billion worth of bonds denominated in Japanese yen. Steelmaker Posco issued a 5-year EUR-denominated convertible zero-coupon bond worth USD1.2 billion in September. The issue was a green bond and funds raised from it will be used for green projects such as financing renewable energy and electric vehicle batteries. The issuance was also the largest equity-linked deal in the Republic of Korea. Commercial bank Kookmin Bank raised USD100.0 million in the same month from two 1-year USD-denominated bonds with coupon rates of 0.34% and 0.35%.

An 11.4% share of the region's G3-denominated bonds issued during the review period was from Hong Kong, China. In terms of currency, USD-denominated bonds amounted to USD33.3 billion, while EUR-denominated issuances totaled USD0.9 billion, and bonds denominated in Japanese yen reached USD0.2 billion. Financial company AIA Group sold about USD900.0 million worth of 12-year callable bonds denominated in euros. With a regular distribution rate of 0.88%, the amount raised from the issuance will be considered as tier 2 capital of the bank and will be used for general corporate purposes. In each of August and September, financial services company Guotai Junan International issued a 1-year USD-denominated bond worth USD100.0 million and with a coupon rate of 0.7%.

Issuance of G3 currency bonds by ASEAN member economies in January–September 2021 dropped 2.7% y-o-y.<sup>5</sup> The region's G3 currency bond issuance amounted to USD63.7 billion, down from the

<sup>5</sup> For the discussion on G3 currency issuance, data for ASEAN include Cambodia, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

USD65.4 billion issued in January–September 2020, as most economies in the ASEAN region had a low level of fundraising activities. As a percentage of total G3 currency bond issuance in emerging East Asia in the first 3 quarters of 2021, ASEAN accounted for 21.0%, which was less than the 22.6% share posted in the previous year. Indonesia had the largest G3 currency bond issuance among all ASEAN members, despite the decline in its issuance during the review period, followed by Singapore, Malaysia, the Philippines, Thailand, and Viet Nam.

Issuances of G3 currency bonds in Indonesia in January–September 2021 accounted for 7.7% of emerging East Asia's total with USD20.1 billion in US dollars, the equivalent of USD2.3 billion in euros, and JPY-denominated bonds worth USD0.9 billion. The Government of Indonesia issued a dual-currency callable bond totaling USD1.2 billion in September. The issuance had a 13-year EUR-denominated and 40-year USD-denominated tranche with coupon rates of 1.3% and 3.2%, respectively. Proceeds from the issuance will be used for budgetary purposes, mainly to fund relief measures to fight the COVID-19 pandemic. Government-owned Bank Negara Indonesia sold USD600.0 million worth of USD-denominated perpetual bonds to top up its additional tier 1 capital and to manage the duration of its funding structure.

With a 4.6% share of total issuances of G3 currency bonds in emerging East Asia during the January–September period, entities in Singapore issued USD12.3 billion of bonds in US dollars, USD1.5 billion of bonds denominated in euros, and USD0.2 billion worth of JPY-denominated bonds. In August, Temasek Financial issued a triple-tranche callable bond denominated in US dollars amounting to USD2.5 billion. The issuance, which was drawn from the company's guaranteed global medium-term note program, had tenors of 10 years, 20 years, and 40 years. Proceeds from the issuance will be used in the ordinary course of business. In September, multinational banking and financial services company DBS Group Holdings raised USD800.0 million from its issuance of a 5.5-year USD-denominated bond. With a coupon rate of 1.194%, the issuance was drawn from the company's global medium-term note program.

Malaysia's issuance of G3 currency bonds was 4.3% of the total for emerging East Asia during the first 3 quarters of 2021, with issuance solely in US dollars amounting to USD12.9 billion. Financial institutions Malayan Banking and CIMB Bank added to Malaysia's

stock of USD-denominated bonds through their issuance of 5-year bonds. Malayan Banking's bond was worth USD35.0 million with a coupon rate of 1.27%, while CIMB Bank raised USD20.0 million from their bond with a 1.35% periodic distribution rate. Both banks issued their bonds from their respective medium-term note programs.

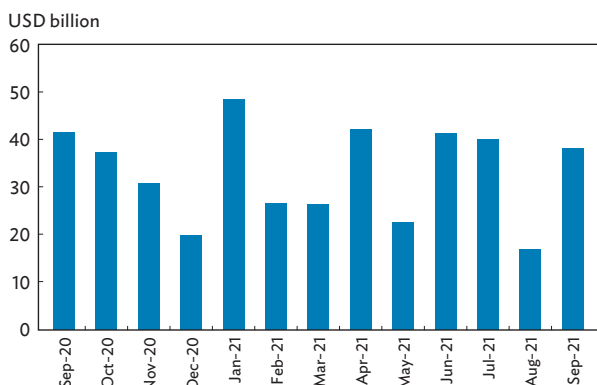
The Philippines had a 2.8% share of total G3 currency bond issuance in emerging East Asia in January–September 2021. Bonds issued denominated in US dollars totaled USD5.4 billion, bonds denominated in euros were worth USD2.4 billion, and JPY-denominated bonds amounted to USD0.5 billion. In September, AYC Finance and ACEN Finance each issued USD400.0 million worth of perpetual callable bonds denominated in US dollars. AYC Finance's bond had a coupon rate of 3.9% and the proceeds will refinance some of its USD-denominated commitments. ACEN Finance's issuance was a green bond with a coupon rate of 4.0%, the proceeds of which will be used to finance the company's green projects.

Thailand's share of all G3 currency bonds issued in the region was 1.2% during the review period, issuing solely in US dollars totaling USD3.7 billion. In September, Bangkok Bank raised USD1.0 billion from its 15-year USD-denominated callable bond with a coupon rate of 3.466%. Funds raised from the issuance will be considered as additional tier 2 capital of the bank. In August, Kasikornbank sold USD350.0 million of its callable perpetual bond with a periodic distribution rate of 4.0%. Proceeds from the issuance will be used for general corporate purposes.

In January–September 2021, 0.5% of all G3 currency issuance in emerging East Asia came from entities in Viet Nam issuing USD-denominated bonds worth USD1.4 billion. In September, hospitality company Vinpearl Joint Stock Company issued a USD425.0 million 5-year sustainable bond with a coupon rate of 3.25%. Funds raised from the issuance will be used by the company for various sustainable projects and for refinancing its parent company Vingroup's existing facilities.

**Figure 9** presents the monthly issuance of G3 currency bonds in emerging East Asia from September 2020 to September 2021. After a high issuance volume in June and July 2021, offerings dipped temporarily in August as issuance activities fell across all economies in the region as the Delta variant spread around the world. The

**Figure 9: G3 Currency Bond Issuance in Emerging East Asia**



USD = United States dollar.

Notes:

1. Emerging East Asia comprises Cambodia; the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; the Lao People's Democratic Republic; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.
2. G3 currency bonds are bonds denominated in either euros, Japanese yen, or US dollars.
3. Figures were computed based on 30 September 2021 currency exchange rates and do not include currency effects.

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

threat of this deadlier COVID-19 variant forced many governments to reimpose mobility restrictions, slowing down already sluggish economic activities globally. G3 currency bond issuance recovered immediately in September, spurred by increased issuances from most economies in the region.

## Bond Yield Movements

### Local currency government bond yields in emerging East Asia mostly rose on global inflationary fears as well as the shifting monetary stances of advanced economy central banks.

Among advanced economies, the central bank whose monetary policies are shifting the most is currently the Federal Reserve. During its 21–22 September meeting, while its monetary policy rate was left unchanged, the Federal Reserve indicated that if the US economy continued to improve, a reduction in its asset purchases would be likely. In addition, updated economic forecasts for September from June showed that the Federal Reserve now expects a rate hike in 2022 at the earliest, instead of 2023 as forecast previously. During its 2–3 November meeting, the Federal Reserve said that it would begin tapering its asset purchases starting November.

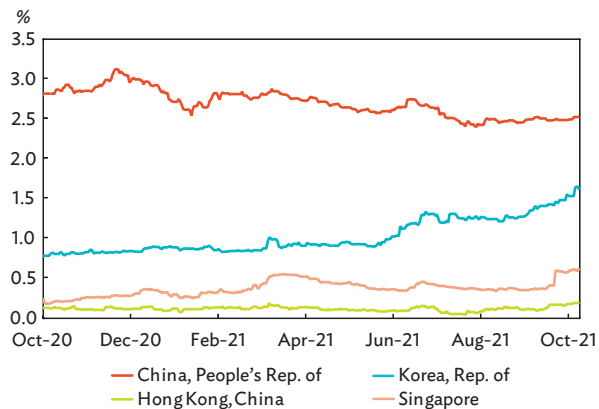
The European Central Bank is also shifting its policy stance. While it left its monetary policy rate and asset purchase program unchanged during its 20 October monetary meeting, it said that it would slow the pace of purchases under the pandemic emergency purchase program in the fourth quarter of 2021 compared to prior quarters. The Bank of Japan's monetary stance has remained unchanged since its 21 September meeting, but the central bank noted that Japan's economy continued to progress.

In addition to tightening monetary stances in advanced economies, there has been a rise in global inflationary fears, exacerbated by a rise in energy prices. These factors have led yields in emerging East Asia to rise as well.

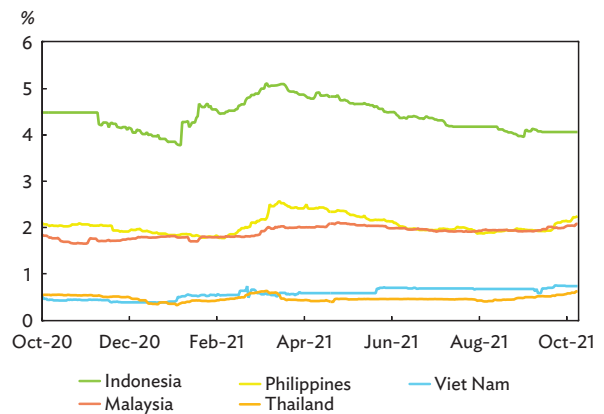
The 2-year bond yield trended upward in emerging East Asia between 31 August and 15 October. The steepest rise was in the Republic of Korea as the Bank of Korea raised policy rates in August (**Figure 10a**). Singapore also had a sharp rise in its 2-year yield, following monetary tightening by MAS. The rise in 2-year yields was not as noticeable in Indonesia, where yields had trended downward before showing a slight rise and then leveling toward the middle of October (**Figure 10b**). In Indonesia, investor sentiment was buoyed by stronger exports of palm oil, following rising energy prices. In addition, interest rates are higher in Indonesia compared to its peers and inflation remains below forecast, reducing pressure for Bank Indonesia to raise the policy rate.

For the 10-year yield, steep increases were noted in Hong Kong, China; the Republic of Korea; and Singapore (**Figure 11a**). Both the Republic of Korea and Singapore had tightening monetary stances while Hong Kong, China's yields strongly tracked US yield movements. The Philippines had the steepest rise in its 10-year yield, largely due to inflationary concerns as its inflation rate was the highest in the region during the review period (**Figure 11b**).

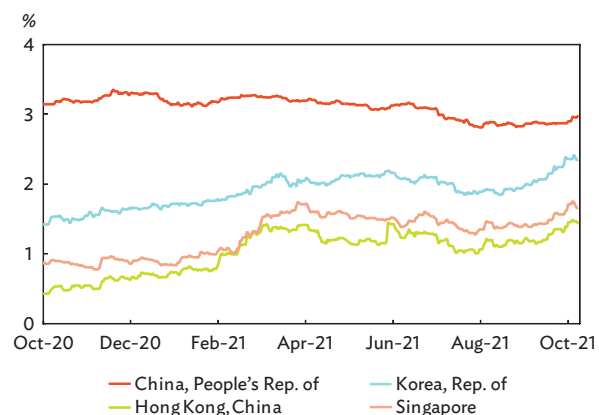
The yield curves of emerging East Asia shifted upward for all markets from 31 August to 15 October, tracking trends in the 2-year and 10-year yield movements (**Figure 12**). The steepest average yield increases were noted in Thailand and the Philippines, with their yield curves rising by an average of 34 basis points (bps) each, respectively. For the Philippines, the rise in its yield curve was tempered by yield movements for tenors of longer than 10 years. If these were not included then the overall

**Figure 10a: 2-Year Local Currency Government Bond Yields**


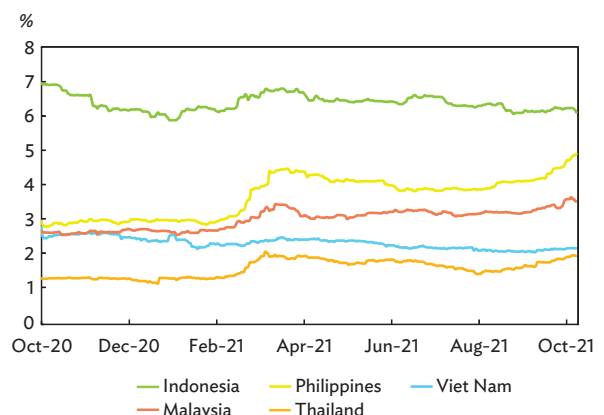
Note: Data coverage is from 1 October 2020 to 15 October 2021.  
Source: Based on data from Bloomberg LP.

**Figure 10b: 2-Year Local Currency Government Bond Yields**


Note: Data coverage is from 1 October 2020 to 15 October 2021.  
Source: Based on data from Bloomberg LP.

**Figure 11a: 10-Year Local Currency Government Bond Yields**


Note: Data coverage is from 1 October 2020 to 15 October 2021.  
Source: Based on data from Bloomberg LP.

**Figure 11b: 10-Year Local Currency Government Bond Yields**


Note: Data coverage is from 1 October 2020 to 15 October 2021.  
Source: Based on data from Bloomberg LP.

rise in the Philippine yield curve would have been more dramatic, with its 10-year yield rising 84 bps during the period. In addition to the shift in monetary stance in the US, yields in the Philippines were driven by persistently high inflation. In Thailand, yields were influenced by US monetary policy as well, but its economic performance has also led to market concerns that government debt supply would increase.

In the PRC, the upward shift in its yield curve was not as pronounced as in other markets, owing to concerns that the PRC's economy is showing signs of weakness. The Manufacturing Purchasing Managers Index fell to

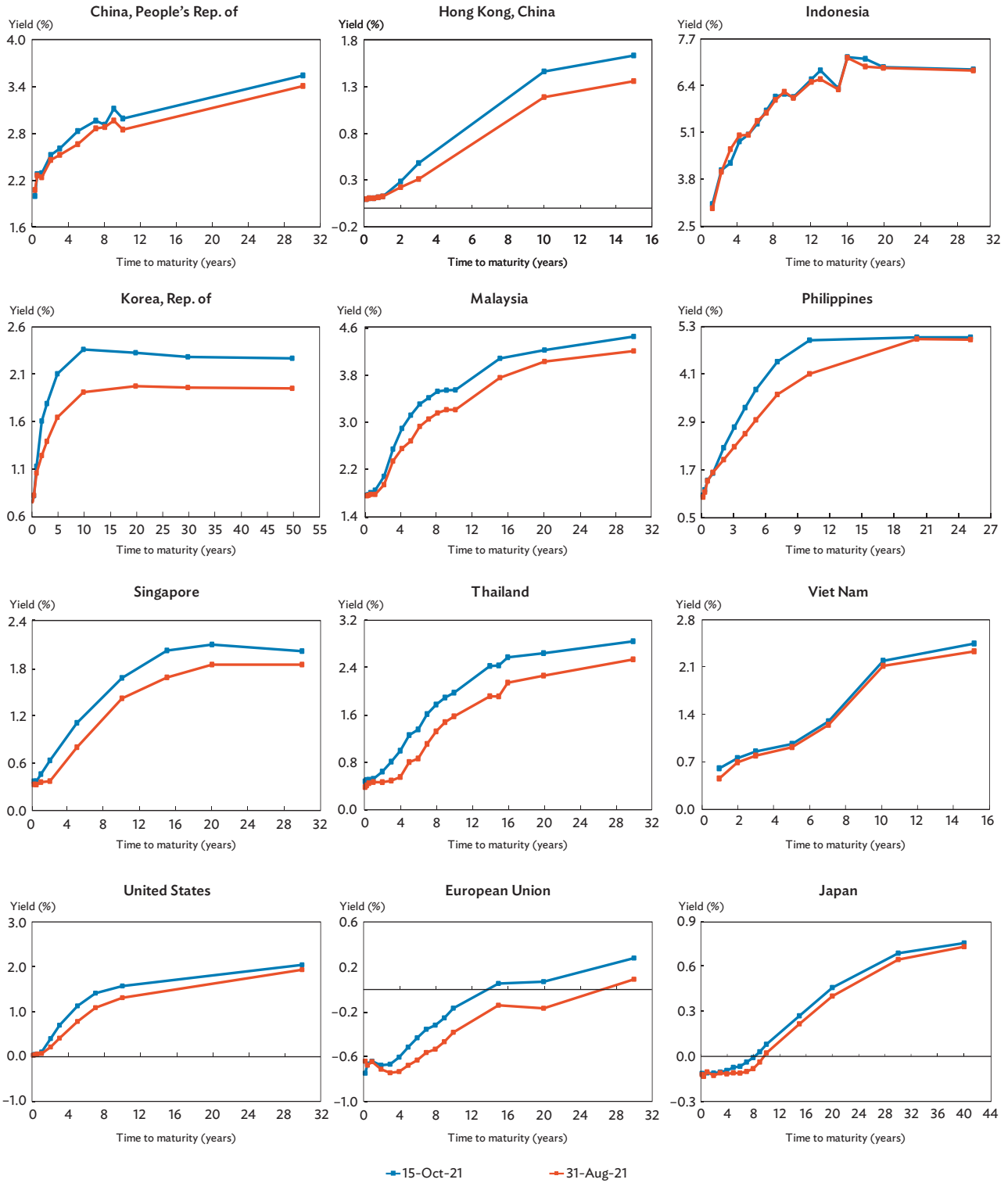
49.2 in October from from 49.6 in September, both below the 50-point threshold demarcating expansion and contraction.

The yield curves of Indonesia and Viet Nam barely shifted during the review period. In Indonesia, investor sentiment has rebounded with an improving current account balance and inflation remaining at manageable levels.

The 2-year versus 10-year yield spread for emerging East Asia rose in all markets, except in Indonesia and Singapore, as the region's yield curves steepened on the back of changing US monetary policy (**Figure 13**).



Figure 12: Benchmark Yield Curves—Local Currency Government Bonds

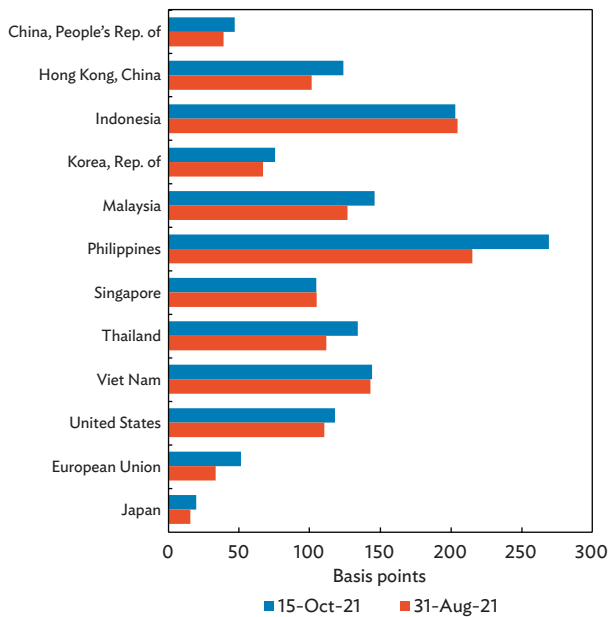


Sources: Based on data from Bloomberg LP and Thai Bond Market Association.

Recent GDP releases show a moderation in growth compared to the previously strong Q2 2021 performance with some markets posting contractions for Q3 2021. In the PRC, GDP growth slowed to 4.9% y-o-y in Q3 2021 from 7.9% y-o-y in the previous quarter, raising concerns that the PRC's economy is slowing. Hong Kong, China's

GDP growth slowed to 5.4% y-o-y in Q3 2021 from 7.6% y-o-y in the previous quarter due to base effects. The Republic of Korea's GDP growth fell to 4.0% y-o-y in Q3 2021 from 6.0% y-o-y in Q2 2021 amid a decline in consumption due to reimposed social distancing measures. In the Philippines, GDP growth declined to 7.1% y-o-y in Q3 2021 from 12.0% y-o-y in the previous quarter. In Singapore, GDP growth slowed to 7.1% y-o-y from 15.2% y-o-y during the same review period due to a low base effect. GDP contracted in Malaysia (-4.5% y-o-y), Thailand (-0.3% y-o-y), and Viet Nam (-6.2% y-o-y) in Q3 2021 due to mobility restrictions during the quarter that curtailed economic activities.

**Figure 13: Yield Spreads between 2-Year and 10-Year Government Bonds**

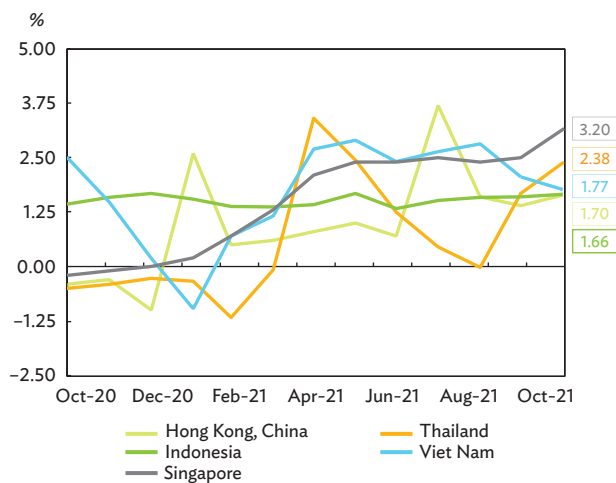


Source: AsianBondsOnline computations based on Bloomberg LP data.

While inflation expectations are rising, inflation trends have been largely mixed, with inflation in some markets either leveling off or declining after previous months of increases. Indonesia's inflation has been stable and is below Bank Indonesia's forecast (Figure 14a). Other markets have stable inflation but at elevated levels. While Singapore's inflation has been fairly stable, inflation levels are high compared to the first quarter of 2021. The Philippines' inflation rate has been stable but is currently the highest in the region (Figure 14b). The Republic of Korea also experienced higher inflation during the review period than earlier in the year.

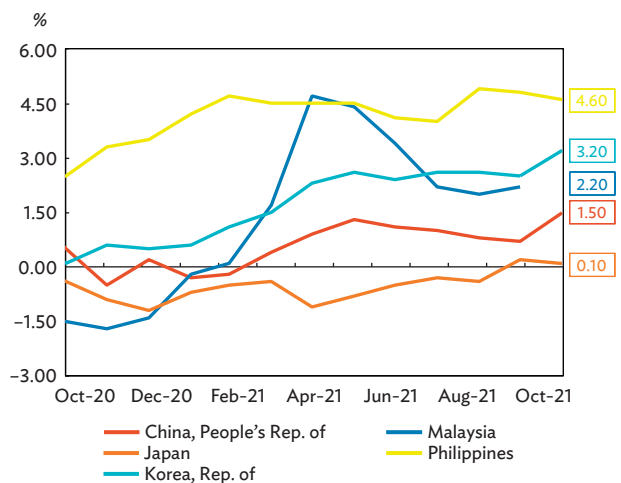
As a result, after a period of maintaining existing monetary policies, some emerging East Asian central banks are indicating a tightening shift. Other than inflation, the

**Figure 14a: Headline Inflation Rates**



Note: Data coverage is from October 2020 to October 2021. Source: Based on data from Bloomberg LP.

**Figure 14b: Headline Inflation Rates**



Note: Data coverage is from October 2020 to October 2021 except for Malaysia (September 2021). Source: Based on data from Bloomberg LP.

Table 5: Policy Rate Changes

Economy	Policy Rate	Rate Change (%)												Policy Rate	Change in Policy Rates (basis points)
	30-Sep-2020 (%)	Oct-2020	Nov-2020	Dec-2020	Jan-2021	Feb-2021	Mar-2021	Apr-2021	May-2021	Jun-2021	Jul-2021	Aug-2021	Sep-2021	31-Oct-2021 (%)	
United States	0.25													0.25	0
Euro Area	(0.50)													(0.50)	0
Japan	(0.10)													(0.10)	0
China, People's Rep. of	2.95													2.95	0
Indonesia	4.00		↓0.25			↓0.25								3.50	↓ 50
Korea, Rep. of	0.50											↑0.25	0.75	↑ 25	
Malaysia	1.75													1.75	0
Philippines	2.25		↓0.25											2.00	↓ 25
Thailand	0.50													0.50	0
Viet Nam	4.50	↓0.50												4.00	↓ 50

(-) = negative.

Notes:

1. Data coverage is from 30 September 2020 to 31 October 2021.

2. For the People's Republic of China, data used in the chart are for the 1-year medium-term lending facility rate. While the 1-year benchmark lending rate is the official policy rate of the People's Bank of China, market players use the 1-year medium-term lending facility rate as a guide for the monetary policy direction of the People's Bank of China.

Sources: Various central bank websites.

changing stance in advanced economies could pressure central banks in the region to raise policy rates to maintain parity on interest rates. The Republic of Korea was the first to do so, with the Bank of Korea raising its policy rate by 25 bps during its meeting on 26 August (**Table 5**). As widely expected, the Bank of Korea raised rates again in November. In addition, while Singapore has no interest rate policy, during its 14 October meeting it adjusted the slope of the Singapore dollar nominal effective exchange rate policy band to allow a slight appreciation.

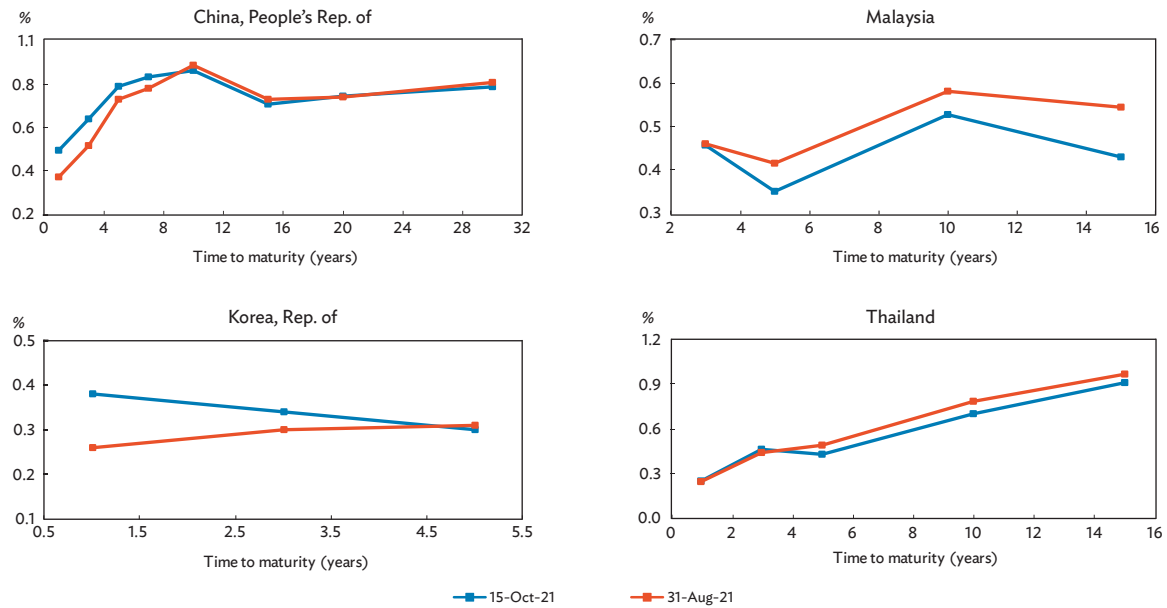
Other markets that are showing economic weakness are being pressured to ease further. In the PRC, slowing growth and problems in the property market led to some market participants expecting the central bank to ease; however, the People's Bank of China has not yet done so. In Thailand, there were expectations in August of a possible rate cut, and while the Bank of Thailand left policy rates unchanged on 4 August, 29 September, and 10 November, minutes of the 4 August meeting showed two policy members in favor of a rate reduction.

### Corporate spreads rose in the PRC, were mixed in the Republic of Korea, and fell in Malaysia and Thailand.

The spread between AAA-rated yields and government yields rose in the PRC, following heightened credit concerns largely due to potential defaults in the property sector. The spread also rose in the Republic of Korea but fell in Malaysia and Thailand (**Figure 15a**).

For lower-rated bonds, the spread again rose in the PRC due to the abovementioned investor concerns. The spread was roughly unchanged in the Republic of Korea, while it fell in Malaysia and Thailand (**Figure 15b**).

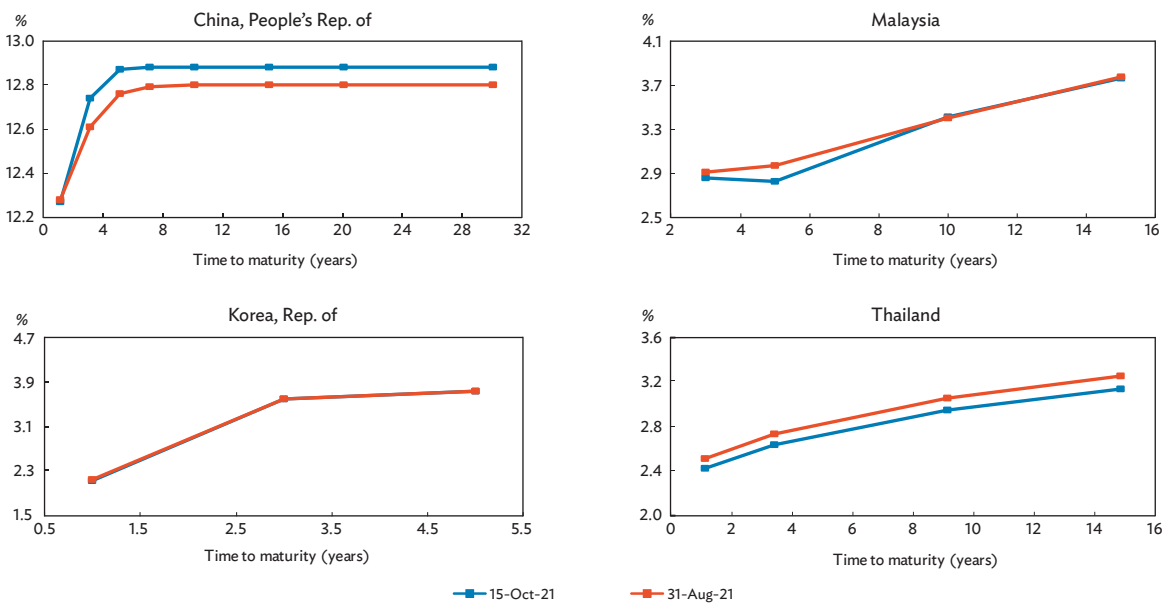
**Figure 15a: Credit Spreads—Local Currency Corporates Rated AAA versus Government Bonds**



**Notes:**

1. Credit spreads are obtained by subtracting government yields from corporate indicative yields.
  2. For Malaysia, data on corporate bonds yields are as of 30 August 2021 and 14 October 2021.
- Sources: People's Republic of China (Bloomberg LP); Republic of Korea (KG Zeroin Corporation); Malaysia (Fully Automated System for Issuing/Tendering Bank Negara Malaysia); and Thailand (Bloomberg LP).

**Figure 15b: Credit Spreads—Lower-Rated Local Currency Corporates versus AAA**



**Notes:**

1. Credit spreads are obtained by subtracting government yields from corporate indicative yields.
  2. For Malaysia, data on corporate bonds yields are as of 30 August 2021 and 14 October 2021.
- Sources: People's Republic of China (Bloomberg LP); Republic of Korea (KG Zeroin Corporation); Malaysia (Fully Automated System for Issuing/Tendering Bank Negara Malaysia); and Thailand (Bloomberg LP).