

Recent Developments in ASEAN+3 Sustainable Bond Markets

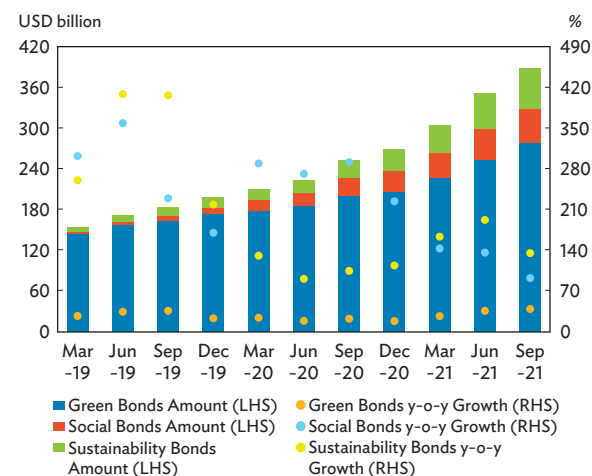
ASEAN+3 sustainable bond markets—which comprise green bonds, social bonds, and sustainability bonds—continued to post robust growth in the third quarter (Q3) of 2021.⁶ The outstanding amount of sustainable bonds in the region climbed to USD388.7 billion at the end of September, with growth moderating to 10.6% quarter-on-quarter (q-o-q) in Q3 2021 from 15.6% q-o-q in the second quarter (Q2) of 2021 (Figure 16). On a year-on-year (y-o-y) basis, sustainable bond market growth in the region remained strong at 54.2% while easing slightly from 57.2% in Q2 2021.

By region, ASEAN+3 continued to have the second-largest sustainable bond market in the world,

accounting for 19.2% of the global total at the end of September (Figure 17). At the end of September, the global sustainable bond market reached a size of USD2.0 trillion. The largest sustainable bond market in the world by region, Europe, accounted for 49.3% of the global total.

Green bonds outstanding in ASEAN+3 markets reached USD278.5 billion at the end of September, accounting for a 71.6% share of the regional sustainable bond total. The region's green bond market posted growth of 9.9% q-o-q in Q3 2021, moderating from 11.6% q-o-q in Q2 2021, while the annual growth rate in Q3 2021 quickened to 39.0% y-o-y from 36.0% y-o-y in Q2 2021. The People's Republic of China accounted for 69.0% of the region's green bond total, while ASEAN markets collectively accounted for 5.9% (Figure 18).

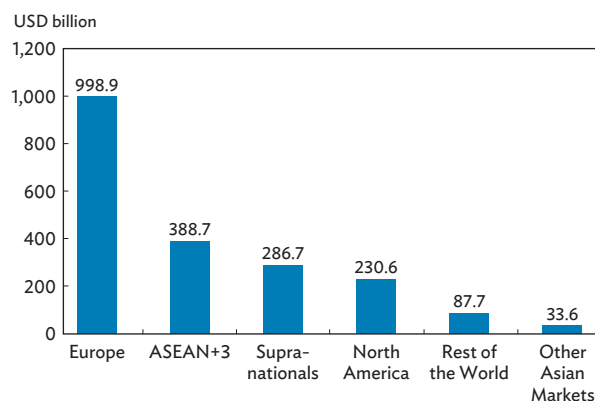
Figure 16: Outstanding Amount of Green, Social, and Sustainability Bonds in ASEAN+3 Markets



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

- Notes:
1. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
 2. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
 3. Data include both local currency and foreign currency issues.
- Source: AsianBondsOnline computations based on Bloomberg LP data.

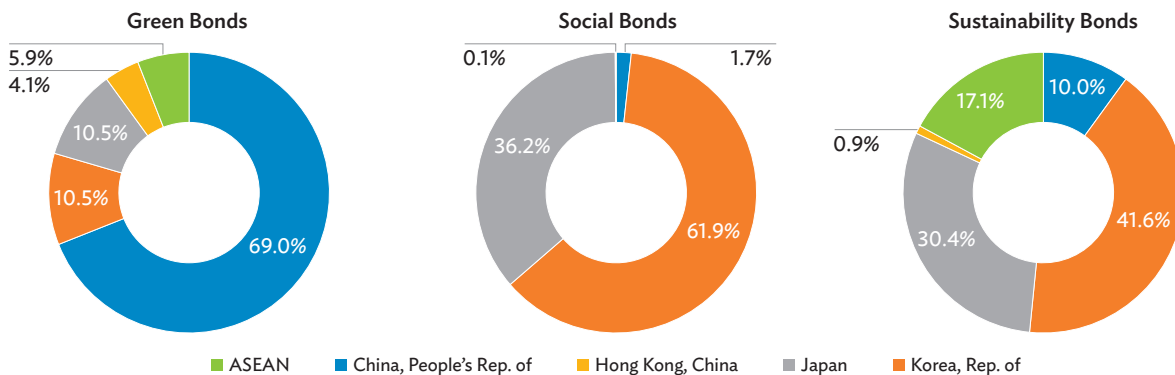
Figure 17: Outstanding Amount of Global Sustainable Bond Markets at the End of September 2021



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

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1. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
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- Source: AsianBondsOnline computations based on Bloomberg LP data.

⁶ For the discussion on sustainable bonds, ASEAN+3 includes Association of Southeast Asian Nations (ASEAN) members Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

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

ASEAN = Association of Southeast Asian Nations.

Notes:

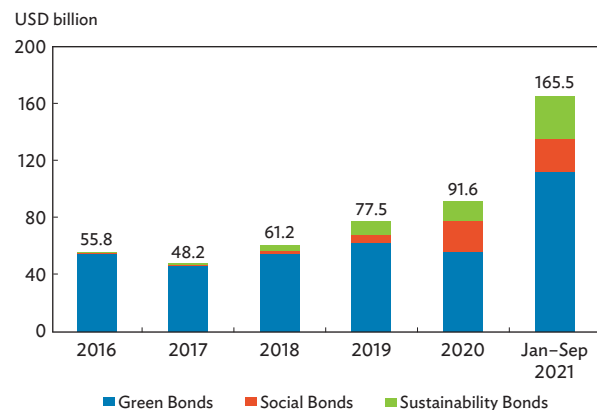
1. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
2. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
3. Data for green, social, and sustainability bonds as of the end of September 2021 and include both local currency and foreign currency issues.

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

The share of social and sustainability bonds in the region's overall sustainable bond market continued to expand in Q3 2021. The collective share of social and sustainable bonds climbed to 28.4% at the end of September from 27.9% at the end of June, and 20.5% in September 2020, reflecting rising investor interest in such bonds. In nominal terms, the stocks of social and sustainability bonds in the region rose to USD50.6 billion and USD59.6 billion at the end of September, respectively, accounting for 13.0% and 15.3% of ASEAN+3's sustainable bond total. The social bond market grew by 10.9% q-o-q and 92.1% y-o-y in Q3 2021, while the sustainability bond market expanded 13.7% q-o-q and 135.0% y-o-y during the same period. The Republic of Korea and Japan led all social and sustainable bond markets in ASEAN+3 in terms of the size of their respective bond stocks, while ASEAN markets accounted for 0.1% and 17.1% of regional social and sustainability bonds outstanding at the end of September.

Sustainable bond issuance maintained its strong momentum in 2021, with issuance in the first 3 quarters of 2021 reaching USD165.5 billion, which was equivalent to around 180% of the 2020 full-year issuance volume (Figure 19). For all three sustainable bond categories, issuance in the first 9 months of the year already exceeded the total 2020 issuance volume.

Corporates remained the largest player in the ASEAN+3 sustainable bond market, accounting for 80.5% of the sustainable bond market at the end of September

Figure 19: Issuance Volume of Green, Social, and Sustainability Bonds in ASEAN+3

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

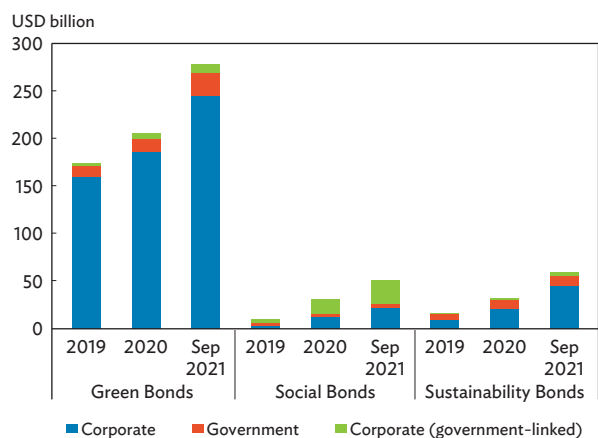
Notes:

1. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
2. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
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Source: *AsianBondsOnline* computations based on Bloomberg LP data.

(Figure 20). By type of bond, corporates dominated, representing 88.1% of the green bond market and 76.2% of the sustainability bond market. However, corporate issuances are less dominant in the social bond market, as reflected in a share of 43.8% at the end of September, though this was a slight increase from 39.1% at the end of 2020.

Figure 20: Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 by Type of Bond

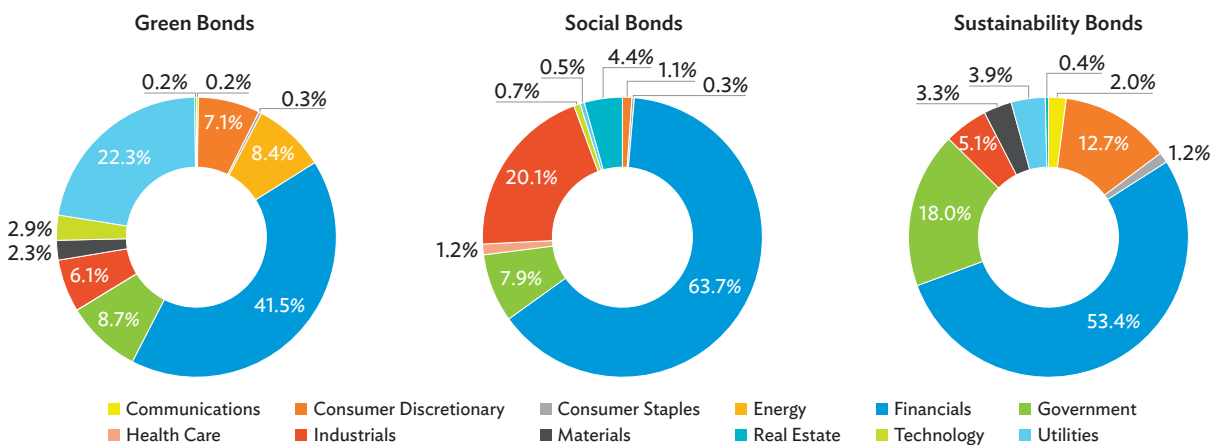


ASEAN = Association of Southeast Asian Nations, USD = United States dollar.
 Notes:
 1. Corporate denotes bonds issued by private sector corporations. Government bonds include bonds issued by sovereigns, regional governments, and local governments. Corporate (government-linked) denotes corporations with government affiliations.
 2. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
 3. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
 4. Data include both local currency and foreign currency issues.
 Source: *AsianBondsOnline* computation based on Bloomberg LP data.

The financial sector continued to lead the region in terms of sustainable bonds outstanding in Q3 2021 (Figure 21). However, the sector's dominance in the green bond market slipped to a share of 41.5% at the end of September from 48.3% at the end of December 2020, as the green bond market matured with greater sector diversification. At the same time, the financial sector maintained its majority share of the social (63.7%) and the sustainability (53.4%) bond markets. In terms of currency denomination, a majority of green bonds and social bonds were denominated in local currency at the end of September, with domestic currencies accounting for shares of 65.5% and 79.5%, respectively (Figure 22). Regional sustainability bonds were denominated mostly in foreign currency (58.1%) at the end of September.

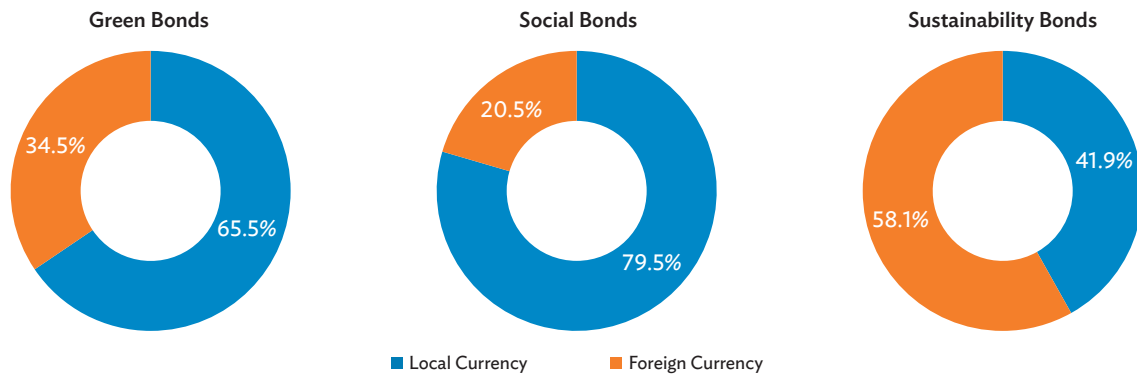
Most sustainable bonds in ASEAN+3 were not rated, as a majority of the issuances were denominated in local currency (Figure 23). Among those that were rated, most were investment grade.

Figure 21: Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 by Sector of Issuer (share of total)



ASEAN = Association of Southeast Asian Nations.
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 3. Data for green, social, and sustainability bonds as of the end of September 2021 and include both local currency and foreign currency issues.
 Source: *AsianBondsOnline* computations based on Bloomberg LP data.

Figure 22: Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 by Type of Currency (share of total)

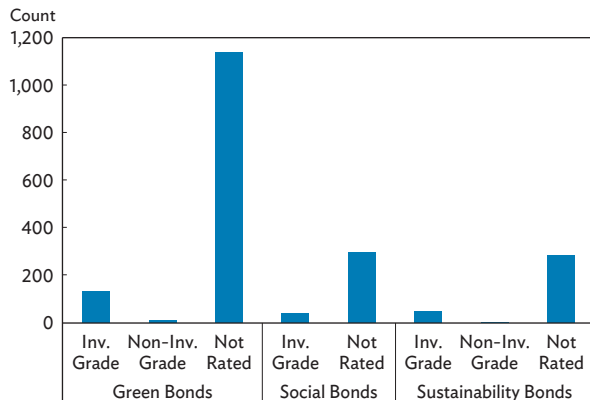


ASEAN = Association of Southeast Asian Nations.

Notes:

1. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
 2. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
 3. Data for green, social, and sustainability bonds as of the end of September 2021 and include both local currency and foreign currency issues.
- Source: *AsianBondsOnline* computations based on Bloomberg LP data.

Figure 23: Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 by Credit Ratings



ASEAN = Association of Southeast Asian Nations, Inv. = Investment.

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 3. Data for green, social, and sustainability bonds as of the end of September 2021 and include both local currency and foreign currency issues.
 4. Data is based on ratings provided by S&P Global.
- Source: *AsianBondsOnline* computations based on Bloomberg LP data.