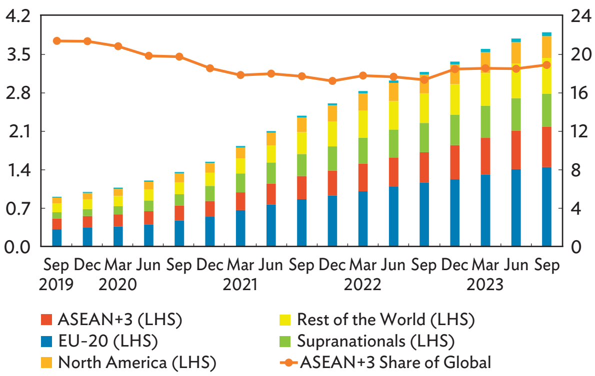
Recent Developments in ASEAN+3 Sustainable Bond Markets

Sustainable bonds outstanding in ASEAN+3 markets climbed to USD734.1 billion at the end of September, buoyed by robust issuance in the third quarter (Q3).[5] The regional sustainable bond market expanded 33.6% year-on-year and 5.2% quarter-on-quarter (q-o-q) in Q3 2023, up from the 31.3% year-on-year and 5.0% q-o-q hikes posted in the second quarter (Q2) of 2023. The 5.2% q-o-q growth in Q3 2023 was the fastest q-o-q expansion among major regional sustainable bond markets around the world and surpassed the European Union's (EU-20) 2.6% q-o-q growth. This was largely fueled by ASEAN+3's sustainable bond issuance of USD57.3 billion in Q3 2023, which topped all other regions during the quarter. However, the EU-20 continues to be the world's largest sustainable bond market, accounting for 37.1% of the global sustainable bonds outstanding at the end of September, followed by ASEAN+3 at 18.9% (**Figure 14**). Despite its continued expansion, ASEAN+3's sustainable bond market only comprised 2.0% of the region's general bond market, lagging the EU-20's corresponding share of 6.7%.

Sustainable bond markets in ASEAN+3 and the EU-20 are dominated by green bonds and local currency (LCY) financing. ASEAN+3's sustainable bond market largely comprises green bonds (63.6%) and LCY financing (65.6%) (**Figure 15**). In the EU-20, green bonds account for a similar share (63.2%), while LCY financing is even more prevalent (89.9%). In terms of average maturity, however, ASEAN+3's sustainable bond market is dominated by short-term financing, with bonds carrying

Figure 14: Global Sustainable Bonds Outstanding



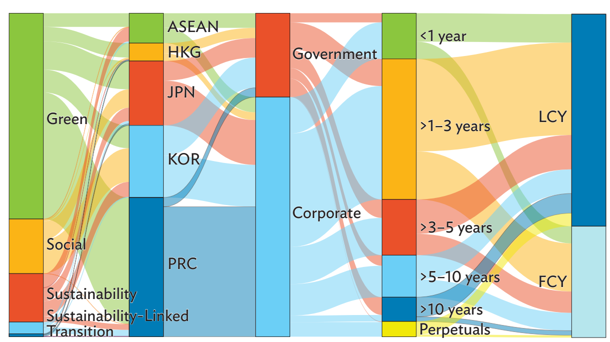
ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea; EU = European Union; LHS = left-hand side; RHS = right-hand side; USD = United States dollar.

Notes:

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

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

Figure 15: Market Profile of Outstanding ASEAN+3 Sustainable Bonds at the End of September 2023



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

Notes:

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

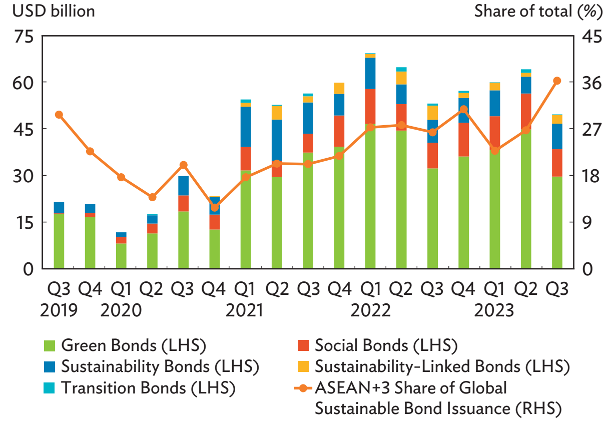
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

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

maturities of 5 years or less accounting for 74.8% of total outstanding sustainable bonds at the end of September, while the average maturity of the EU-20's sustainable bond stock is much longer, with bonds with maturities of more than 5 years accounting for 60.2% of the total (**Figure 16**). At the end of September, the weighted average tenor in the ASEAN+3 sustainable bond market stood at 4.5 years compared with 8.6 years for the EU-20 market. This highlights the need for further policy actions and initiatives to expand ASEAN+3's sustainable bond market by increasing LCY financing and long-term financing.

ASEAN+3 sustainable bond issuance remained strong despite headwinds in global financial markets. Total sustainable bond issuance reached USD57.3 billion during Q3 2023, the most issuance among all regional sustainable bond markets during the quarter and accounting for 36.3% of the global total, though this was less than USD69.2 billion of issuance in Q2 2023 (**Figure 17**). Q3 2023 issuance of sustainability and sustainability-linked bonds rose 53.2% and 124.1%, repsectively, from the prior quarter, led by issuances from Japan, the People's Republic of China, and the Republic of Korea. In Q3 2023, Japan was the largest issuer of sustainable bonds in the region, accounting for 36.5% of the ASEAN+3 total, and up from its share of 20.2% in Q2 2023. ASEAN's contribution to the regional issuance total climbed to 7.4% in Q3 2023 from 4.6% in Q2 2023 and was much larger than its 2.3% share in ASEAN+3's general bond market during the quarter. ASEAN sustainable bond issuance climbed 32.7% q-o-q in Q3 2023, buoyed by government issuances from Singapore and Thailand. In August, the Government of Singapore raised SGD2.8 billion from the sale of 50-year green bonds. The Governments of Thailand and, to a lesser extent, Indonesia both included auctions for sustainable bonds in their scheduled Treasury auctions.

Figure 17: ASEAN+3 Sustainable Bond Issuance and Share of the Global Total



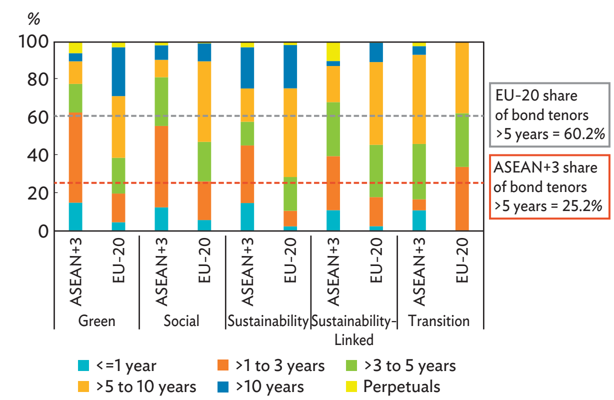
ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea; LHS = left-hand side; Q1 = first quarter; Q2 = second quarter; Q3 = third quarter; Q4 = fourth quarter; RHS = right-hand side; USD = United States dollar.

Note: Data include both local currency and foreign currency issues.

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

Sustainable bond issuance in ASEAN+3 is dominated by LCY-denominated issuance, representing 69.5% of the total issuance during Q3 2023 (Figure 18). The share of LCY financing in the ASEAN+3 sustainable bond market still lags that in ASEAN+3's general bond market (95.8%) and the EU-20's sustainable bond market (85.8%). This suggests that ASEAN+3's sustainable bond market needs further development to facilitate more LCY financing. During the quarter, however, all sustainable bond issuances in ASEAN markets were denominated in domestic currencies. In contrast, Hong Kong, China had 60.6% of its sustainable bond issuance denominated in foreign currency during the quarter.

Figure 16: Maturity Profiles of ASEAN+3 and EU-20 Sustainable Bonds Outstanding at the End of September 2023



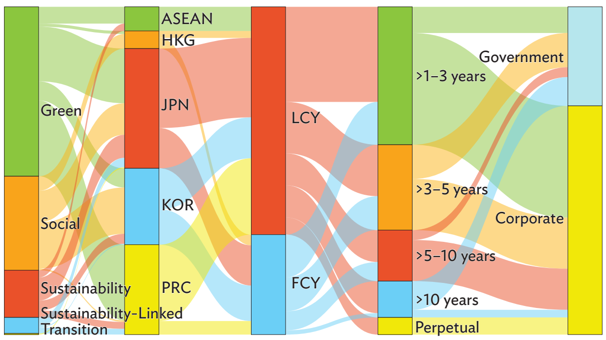
ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea; EU = European Union.

Notes:

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

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

Figure 18: Market Profile of ASEAN+3 Sustainable Bond Issuance in the Third Quarter of 2023



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

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

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

Short-term and private sector issuances were more prevalent in the ASEAN+3 sustainable bond market in Q3 2023. 68.1% of all sustainable bond issuance in Q3 2023 had tenors of 5 years or less, with 42.1% carrying maturities of 3 years or less. In contrast, 65.1% of EU-20 sustainable bond issuance during the quarter had tenors of over 5 years. With Singapore's issuance of a SGD2.8 billion bond with a 50-year tenor, the weighted-average tenor of ASEAN+3 sustainable bond issuance in Q3 2023 was 7.2 years, which was broadly comparable with 7.6 years for the EU-20 market. Meanwhile, private sector issuance accounted for 69.8% of ASEAN+3 sustainable bond issuance during the quarter, much higher than the corresponding share of 33.1% in ASEAN+3's general bond market. ASEAN markets demonstrated a different pattern, with 81.5% and 88.5% of sustainable bond issuance in Q3 2023 coming from the public sector and comprising tenors of over 5 years, respectively.