

Recent Developments in ASEAN+3 Sustainable Bond Markets

Sustainable Bonds Outstanding

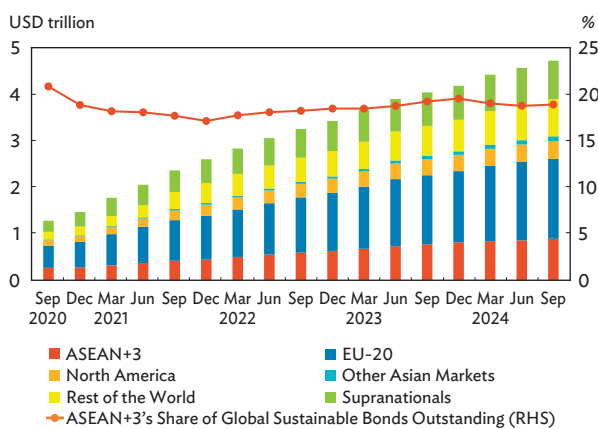
Sustainable bonds outstanding in the ASEAN+3 bond market expanded at an accelerated pace in the third quarter (Q3) of 2024 to hit USD893.1 billion at the end of September, supported by increased issuance.⁸

In Q3 2024, ASEAN+3 sustainable bonds outstanding posted quarter-on-quarter (q-o-q) growth of 4.1%, compared with the previous quarter's 2.0%. The rate of expansion also outpaced that in the European Union 20 (EU-20) (1.9%) and the United States (1.2%) during the same period. The accelerated growth was largely supported by increased issuance in Q3 2024 amid improved financial conditions driven by monetary easing in both advanced economies and many regional markets. With the faster expansion, ASEAN+3's share of global

sustainable bonds outstanding slightly rose to 18.9% at the end of Q3 2024 from 18.7% at the end of the previous quarter. Within the region, Hong Kong, China and the Association of Southeast Asian Nations (ASEAN) recorded the fastest q-o-q expansions of 11.6% and 9.2%, respectively. ASEAN+3 remained the second-largest regional sustainable bond market globally after the EU-20, which accounted for 36.4% of the global total (Figure 14). Nevertheless, ASEAN+3's sustainable bond market only comprised 2.3% of its general bond market at the end of September, lagging the EU-20's corresponding share of 7.9%.

ASEAN+3's sustainable bond market at the end of Q3 2024 largely comprised green instruments, private sector financing, and local currency (LCY) funding (Figure 15). This contrasts with ASEAN+3's general bond market, where the public sector and LCY financing

Figure 14: Global Sustainable Bonds Outstanding



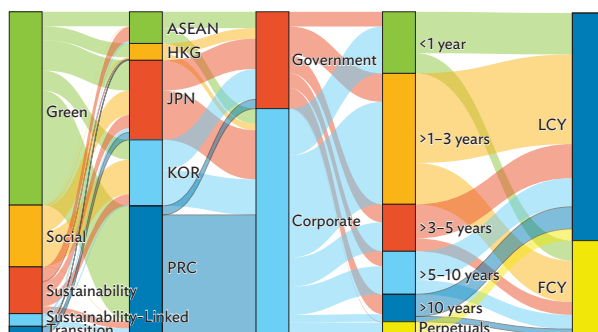
ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea;
EU-20 = European Union 20; RHS = right-hand side; USD = United States dollar.

Notes:

- EU-20 includes European Union member markets Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.
- 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 2024



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

Notes:

- 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.
- ASEAN comprises the markets of Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
- Sustainability-linked bonds include transition-linked bonds.

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

⁸ ASEAN+3 is defined to include member states of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

dominate. At the end of Q3 2024, the private sector accounted for 70.0% of sustainable bonds outstanding in ASEAN+3, compared with its share of 25.4% in the ASEAN+3 general bond market. Such contrast, however, is not as apparent in the EU-20 market (Table 3). In the EU-20, the share of the private sector in the sustainable bond market stood at 50.8% at the end of Q3 2024, compared with its share of 39.6% in the EU-20 general bond market. Within ASEAN+3, Hong Kong, China and ASEAN markets have relatively higher shares of public sector participation, with the public sector accounting for 62.4% and 51.8% of total outstanding sustainable bonds, respectively, at the end of Q3 2024. Currency-wise, the share of LCY financing was lower in the ASEAN+3 sustainable bond market (70.5%) compared with its general bond market (95.1%), while in the EU-20 the LCY financing shares in both markets were similar at around 90%. Moreover, ASEAN markets have an active presence in the ASEAN+3 sustainable bond market, accounting for 9.8% of ASEAN+3 sustainable bonds outstanding at

the end of Q3 2024, which outpaced their corresponding share of 6.0% in the ASEAN+3 general bond market.

The ASEAN+3 sustainable bond market is dominated by short- to medium-term financing. Around 74% of ASEAN+3's sustainable bonds carry tenors of 5 years or less, which is much higher than the corresponding share of about 44% in the EU-20 sustainable bond market (Figure 16). As a result, the size-weighted average tenor of sustainable bonds in ASEAN+3 at the end of Q3 2024 (4.5 years) was just around half of that in the EU-20 (8.2 years). Maturities of 5 years or less were most prevalent among ASEAN+3's green and social bonds, with shares of 77.8% and 79.5%, respectively, at the end of September (Figure 17). In contrast, transition bonds and sustainability bonds had a greater share of longer tenors of more than 5 years (46.5% and 42.2%, respectively). Nearly two-thirds (64.3%) of sustainable bonds outstanding in ASEAN markets at the end of Q3 2024 had maturities of over 5 years, which was largely due to the strong participation of the public sector, particularly in Indonesia, the Philippines, Singapore, and Thailand. As a result, ASEAN sustainable bonds outstanding had a much longer

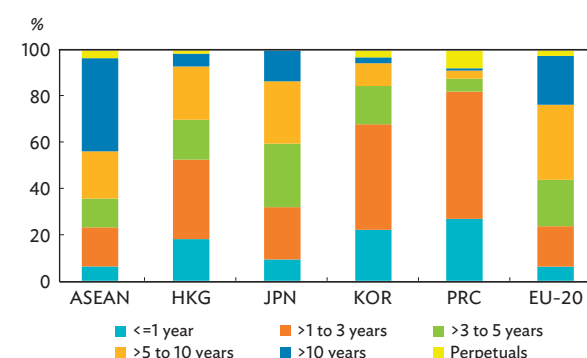
Table 3: Instrument, Issuer, and Currency Profiles in the ASEAN+3 and European Union 20 Sustainable Bond Markets at the End of the Third Quarter of 2024

	ASEAN+3	EU-20
Instrument profile (as a share of regional sustainable bonds outstanding)		
Green bonds	59.9%	65.0%
Social bonds	19.1%	17.6%
Sustainability bonds	14.5%	9.3%
SLBs (including transition-linked bonds)	3.9%	7.9%
Transition bonds	2.6%	0.3%
Issuer and currency profile		
Private sector (as a share of regional general bonds outstanding)	25.4%	39.6%
Private sector (as a share of regional sustainable bonds outstanding)	70.0%	50.8%
LCY financing (as a share of regional general bonds outstanding)	95.1%	89.4%
LCY financing (as a share of regional sustainable bonds outstanding)	70.5%	90.1%

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea; EU-20 = European Union 20; LCY = local currency; SLB = sustainability-linked bond.

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

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



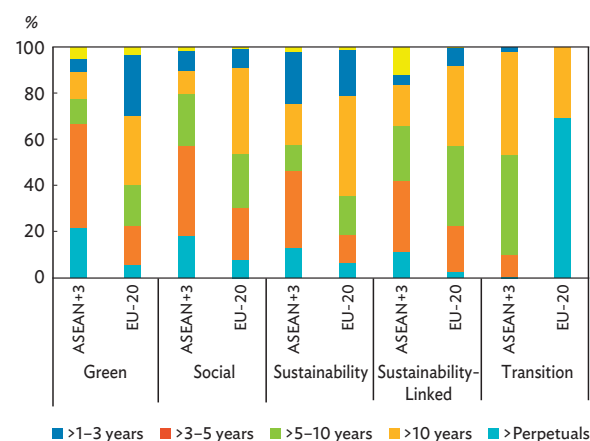
ASEAN = Association of Southeast Asian Nations; EU-20 = European Union 20; HKG = Hong Kong, China; JPN = Japan; KOR = Republic of Korea; PRC = People's Republic of China.

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

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

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



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

Notes:

- The EU-20 includes European Union member markets Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.
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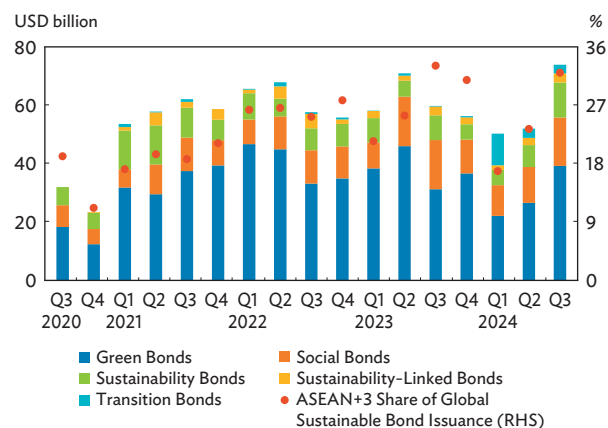
Source: *AsianBondsOnline* computations based on Bloomberg LP data.

size-weighted average tenor of 11.5 years versus 4.5 years in ASEAN+3 markets. Singapore had the longest size-weighted average tenor for sustainable bonds across all ASEAN+3 markets (17.6 years), followed by the Philippines (12.9 years).

Sustainable Bond Issuance

ASEAN+3 sustainable bond issuance rose to an all-time high of USD73.7 billion in Q3 2024, with growth accelerating to 42.0% q-o-q from 3.5% q-o-q in the prior quarter. Supported by improved financial conditions amid monetary easing, growth in ASEAN+3 sustainable bond issuance in Q3 2024 outperformed that of the global sustainable bond market (3.3% q-o-q). As a result, ASEAN+3's share of global sustainable issuance rose to 31.9% in Q3 2024 from 23.2% in the previous quarter (**Figure 18**). All sustainable bond types in ASEAN+3 posted q-o-q gains in Q3 2024 except for transition bonds. The People's Republic of China was the region's largest issuer of green bonds in Q3 2024 with a 56.9% share, while the Republic of Korea was the largest issuer of social bonds with a 51.9% share. ASEAN markets were collectively the region's largest issuer of sustainability

Figure 18: 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; Q1 = first quarter; Q2 = second quarter; Q3 = third quarter; Q4 = fourth quarter; RHS = right-hand side; USD = United States dollar.

Notes:

- Data include both local currency and foreign currency issues.
- Sustainability-linked bonds include transition-linked bonds.

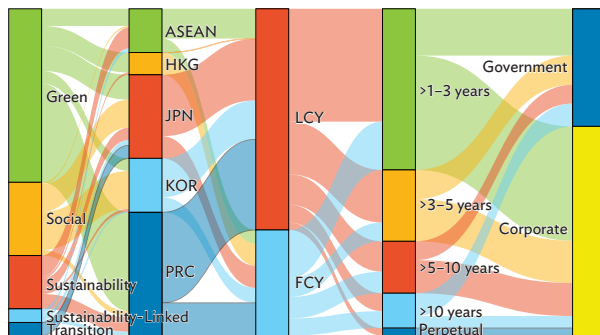
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

bonds with a 39.1% share, while Japan was the biggest issuer of sustainability-linked bonds (39.4% share) and the only issuer of transition bonds during the quarter.

In Q3 2024, ASEAN+3's sustainable bond issuance mostly comprised LCY financing, private sector financing, and short- to medium-term financing (Figure 19).

- Around 67.7% of ASEAN+3 sustainable bond issuance in Q3 2024 was denominated in their respective local currency. This was well below the LCY issuance share of 94.6% in the ASEAN+3 general bond market during the quarter. Similar to outstanding bonds, LCY financing accounted for 87.8% of EU-20 sustainable bond issuance in Q3 2024. ASEAN markets had similar shares of LCY financing in sustainable bond issuance (68.1%) and general bond issuance (70.8%).
- Sustainable bond issuances with tenors of more than 5 years comprised 28.8% of ASEAN+3 total issuance in Q3 2024. The corresponding share was much higher in ASEAN markets, where tenors of 5 years or more represented 58.9% of total sustainable bond issuance during the quarter. The strong participation of the public sector partly contributed to the longer maturities of sustainable bond issuances in ASEAN economies. In Q3 2024, 64.3% of ASEAN public sector

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



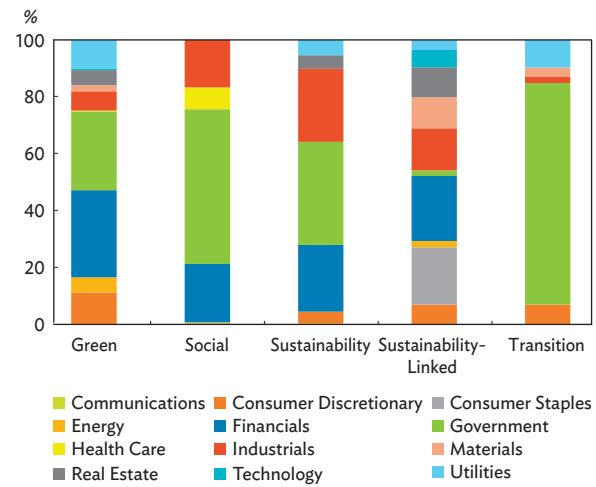
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2. ASEAN comprises the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

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

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



Notes:

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issuance carried maturities of more than 10 years. The size-weighted average maturity of ASEAN sustainable bond issuance during the quarter stood at 14.1 years, which was almost double the size-weighted average of 7.6 years in the EU-20 and more than double the size-weighted average of 6.7 years in ASEAN+3.

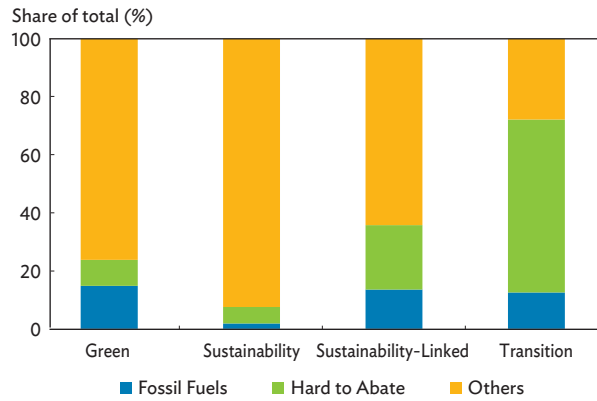
- Only about 36% of ASEAN+3's sustainable bond issuance in Q3 2024 emanated from the public sector. Nevertheless, public sector issuance accounted for more than half (54%) of sustainable bonds issued during the quarter with maturities of over 10 years. Private sector sustainable bond issuance had a substantial presence among sustainability-linked bonds (SLBs) (98.0% of regional SLB issuance), green bonds (72.3% of regional green bond issuance), and sustainability bonds (63.7% of regional sustainability bond issuance) (**Figure 20**). Private sector sustainable bond issuance in Q3 2024 was led by firms from the financial (40.1%), industrial (19.1%), and consumer discretionary (11.1%) sectors. Meanwhile, the public sector led the issuance of social bonds (54.5%) and transition bonds (78.0%) during the quarter.

Sustainable bonds are useful tools to support

transition-related activities in ASEAN+3. Following the approach of the International Capital Market Association, *AsianBondsOnline* tracks transition-related sustainable bonds, which comprise green bonds, sustainability bonds, and sustainability-linked bonds issued by the fossil fuels and hard-to-abate sectors (e.g., coal operations, power generation, airlines, chemicals, and metals and mining, among others), as well as transition bonds.⁹ From the beginning of 2019 through the end of Q3 2024, cumulative issuance of transition-related sustainable bonds reached USD20.7 billion, accounting for 1.9% of the total issuance of ASEAN+3 sustainable bonds during the same period. Around 13.5% of total SLBs issued in the ASEAN+3 market originated from the fossil fuels sector and the hard-to-abate sector (22.2%). For cumulative green bond issuance in ASEAN+3 from January 2019 to September 2024, 14.8% came from the fossil fuels sector and 9.0% from the hard-to-abate sector (**Figure 21**). For sustainability bond issuance, 1.9% and 5.6% came from the fossil fuels and hard-to-abate sectors, respectively.

⁹ International Capital Markets Association (ICMA). 2024. Transition Finance in the Debt Capital Market. *ICMA Staff Paper*.

Figure 21: ASEAN+3 Cumulative Issuance of Sustainable Bonds, January 2019–September 2024



Notes:

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