Executive Summary

Recent Developments in Financial Conditions in Emerging East Asia

Between 1 September and 31 October, financial conditions remained stable in emerging East Asia as better-than-expected economic growth in many regional markets, continued monetary easing in the United States (US), and trade deals between the US and several regional economies offset lingering global uncertainty.[1] Sound economic growth and the easing of trade tensions during the review period boosted regional equity markets, which gained 4.7% (market-weighted average), and reduced credit default swap spreads by 2.5 basis points (GDP-weighted average). Regional markets recorded net bond inflows of USD1.1 billion and net equity inflows of USD7.5 billion (excluding the People's Republic of China [PRC]). Meanwhile, the PRC witnessed outflows of USD13.0 billion from its equity market over weak economic data. Regional currencies marginally weakened by a GDP-weighted-average of 0.1% on uncertainty over future US monetary policy. Local currency (LCY) government bond yields inched up in most regional markets, partly due to the wait-and-see stance adopted by many regional central banks.

Risks to the outlook for regional financial conditions continued to be largely balanced. On the positive side, the easing of trade tensions resulting from trade deals between the US and several regional economies will help reduce near-term economic uncertainty. Expected US monetary easing will allow regional central banks to maintain an accommodative monetary stance. Nevertheless, uncertainty remains over (i) potential setbacks to the implementation of trade agreements with the US, (ii) the future path of US monetary policy amid persistently above-target inflation, (iii) headwinds in the PRC's property market, and (iv) lingering geopolitical risks.

Recent Developments in Local Currency Bond Markets in Emerging East Asia

Emerging East Asian LCY bonds outstanding reached USD29.5 trillion at the end of September. Amid reduced global uncertainty, the market's expansion accelerated to 3.2% quarter-on-quarter (q-o-q) in the third quarter (Q3) of 2025 from 3.0% q-o-q in the previous quarter. Corporate bonds outstanding rose 2.5% q-o-q to USD9.7 trillion, bolstered by increased issuance in most member economies of the Association of Southeast Asian Nations (ASEAN) amid continued monetary policy easing. The expansion of the government bond segment, which reached USD19.2 trillion at the end of September, was unchanged in Q3 2025 from the previous quarter at 3.7% q-o-q. The outstanding bond stock of ASEAN economies tallied USD2.6 trillion at the end of September, representing 8.9% of the emerging East Asian total. The PRC remained the region's main driver of bond market expansion, accounting for 85.9% of the increase in the regional LCY bond market during the quarter.

The size-weighted average tenor of outstanding Treasury bonds in the region lengthened to 9.1 years at the end of Q3 2025 from 8.7 years at the end of the second quarter, driven by the increased issuance of bonds with maturities of 20 years or longer in the PRC, Indonesia, the Philippines, and Viet Nam. Banking institutions, insurance companies, and pension funds remained the primary investors in emerging East Asian Treasury bonds, together holding 65.8% of outstanding Treasury bonds at the end of September.

LCY bond issuance edged up 3.5% q-o-q to USD3.2 trillion in Q3 2025, supported by growth in both government and corporate bond issuance. Government bond issuance (USD1.4 trillion) rose 1.2% q-o-q during the quarter, while corporate bond issuance (USD1.1 trillion) increased 5.1% q-o-q. Issuance growth in both bond segments moderated from the previous quarter, partly

[1] Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.

due to front-loaded issuance in the first half of the year by several governments and weaker demand for borrowing in the PRC. Aggregate issuance from ASEAN economies rebounded in Q3 2025, rising 7.9% q-o-q after a 2.2% q-o-q contraction in the previous quarter, underpinned by robust corporate bond issuance amid continued monetary easing.

Recent Developments in ASEAN+3 Sustainable Bond Markets

Accommodative monetary stances supported expansion in the sustainable bond markets of ASEAN+3 economies in Q3 2025.[2] ASEAN+3's sustainable bonds outstanding increased 3.9% q-o-q in Q3 2025, compared with 3.5% q-o-q in the prior quarter, to reach USD994.4 billion. The expansion outperformed those in the European Union-20 (EU-20) (1.8% q-o-q) and global (2.3% q-o-q) sustainable bond markets. This led to a slight uptick in ASEAN+3's share of the global total to 18.5% at the end of September from 18.2% at the end of June. ASEAN+3's sustainable bond market expansion during the quarter was led by ASEAN markets, whose bonds outstanding rose 8.6% q-o-q on robust issuance. At the end of September, ASEAN accounted for 11.0% of ASEAN+3's sustainable bond market, well exceeding its corresponding share of 5.9% in ASEAN+3's general bond market.

Sustainable bond issuance in ASEAN+3 in Q3 2025 reached USD76.7 billion, accounting for 35.2% of global sustainable bond issuance during the quarter. This exceeded the corresponding shares of the EU-20 (24.3%) and the US (0.4%). Global sustainable bond issuance fell in Q3 2025, led by contractions in the EU-20 (–37.0% q-o-q) and the US (–88.7%); ASEAN+3 posted a smaller decline (–5.7% q-o-q), supported by robust issuance in ASEAN economies. Sustainable bond issuance in ASEAN more than doubled to USD10.7 billion in Q3 2025, accounting for 13.9% of ASEAN+3's quarterly total. By comparison, ASEAN accounted for only 3.8% of issuance in ASEAN+3's general bond market during the quarter. In Q3 2025, 78.2% of ASEAN+3's sustainable bond issuance was LCY-denominated, although this share lagged the LCY financing share in the EU-20 sustainable bond market (93.7%) and the ASEAN+3 general bond market (91.3%). Across ASEAN+3, 82.8% of sustainable bond issuances in Q3 2025 carried maturities of 5 years or less, leading to a size-weighted average maturity of 4.7 years, compared with 8.5 years in the EU-20. In ASEAN economies, the size-weighted average maturity of sustainable bond issuances in Q3 2025 was 5.8 years, largely driven by public sector issuances, which averaged 9.7 years.

[2] ASEAN+3 comprises the 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.