

# Bond Market Developments in the Second Quarter of 2022

## Size and Composition

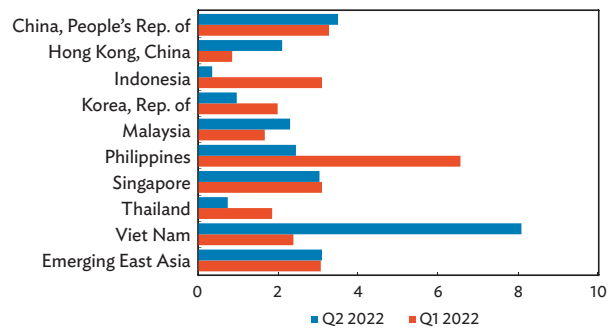
Emerging East Asia's local currency bond market posted steady growth in the second quarter of 2022, reaching a size of USD22.9 trillion at the end of June.

The local currency (LCY) bond market in emerging East Asia expanded 3.1% quarter-on-quarter (q-o-q) in the second quarter (Q2) of 2022, the same pace of growth recorded in the preceding quarter, to reach a size of USD22.9 trillion at the end of June.<sup>2</sup> Growth in the government bond segment accelerated, as governments continued to issue sovereign debt to support economic recovery efforts amid heightened risks from global inflation, slowing global growth, and a more aggressive monetary policy stance by the United States (US) Federal Reserve. Expansion in the region's corporate bond market moderated due to maturities and reduced issuance caused by uncertainties and elevated borrowing costs, as several regional central banks tightened monetary policies to arrest rising inflation.

All nine LCY bond markets in emerging East Asia posted positive q-o-q growth in Q2 2022, although five of the nine markets expanded more slowly in Q2 2022 than in the first quarter (Q1) of 2022 (**Figure 1a**). Viet Nam experienced the fastest q-o-q growth, while the markets of Thailand and Indonesia showed the slowest q-o-q expansions in Q2 2022.

On a year-on-year basis (y-o-y), emerging East Asia's LCY bond market grew 14.0% in Q2 2022, up from 13.8% in the prior quarter. All nine markets recorded positive y-o-y growth rates during the review period, led by Viet Nam, Singapore, and the People's Republic of China (PRC) (**Figure 1b**). Six of the nine markets experienced weaker annual growth in Q2 2022 than in the previous quarter. The remaining markets of the PRC; Hong Kong, China; and Viet Nam experienced faster y-o-y expansions in Q2 2022 than in the prior quarter.

**Figure 1a: Growth of Local Currency Bond Markets in the First and Second Quarters of 2022 (q-o-q, %)**



q-o-q = quarter-on-quarter, Q1 = first quarter, Q2 = second quarter.

Notes:

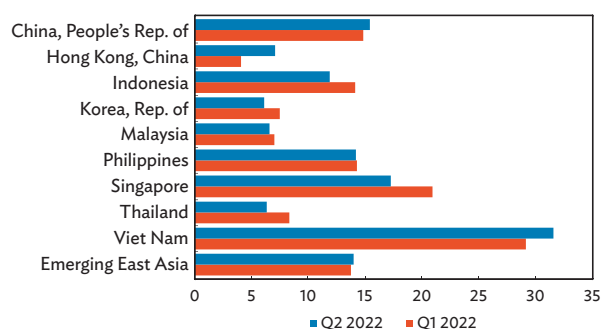
1. For Singapore, corporate bonds outstanding are based on *AsianBondsOnline* estimates.
2. Growth rates are calculated from local currency base and do not include currency effects.
3. Emerging East Asia growth figures are based on 30 June 2022 currency exchange rates and do not include currency effects.

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).

The PRC's LCY bond market continued to lead the region in size with an outstanding bond stock of USD18.4 trillion at the end of June. Its share of the region's total bond stock rose slightly to 80.2% at the end of Q2 2022 from 79.8% at the end of Q1 2022. Overall growth in the PRC's bond stock inched up to 3.5% q-o-q in Q2 2022 from 3.3% q-o-q in the prior quarter, supported by strong growth in the government bond segment. Growth in LCY government bonds outstanding rose to 4.3% q-o-q in Q2 2022 from 2.7% q-o-q in the previous quarter, driven primarily by a 7.5% q-o-q gain in local government bonds. The PRC's economic recovery stalled during the review period as authorities reinstated movement restrictions in key cities to quell the spread of fresh coronavirus disease (COVID-19) outbreaks. To revitalize the economy, local governments accelerated issuance of debt intended for infrastructure projects. Treasury bonds and policy bank bonds also supported the growth in government

<sup>2</sup> Emerging East Asia is defined to include 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.

**Figure 1b: Growth of Local Currency Bond Markets in the First and Second Quarters of 2022 (y-o-y, %)**



Q1 = first quarter, Q2 = second quarter, y-o-y = year-on-year.

Notes:

1. For Singapore, corporate bonds outstanding are based on *AsianBondsOnline* estimates.
2. Growth rates are calculated from local currency base and do not include currency effects.
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bonds, rising 3.1% q-o-q and 0.5% q-o-q, respectively. Meanwhile, growth in the corporate bond segment eased to 2.0% q-o-q in Q2 2022 from 4.2% q-o-q in Q1 2022 amid “zero-COVID” restrictions and rising risks in the property sector. On a y-o-y basis, the PRC’s LCY bond market expanded 15.4% in Q2 2022, up from 14.9% in the prior quarter.

The Republic of Korea remained the region’s second-largest LCY bond market, with an outstanding bond stock of USD2.3 trillion at the end of June. The Republic of Korea’s bond market accounted for 9.8% of the region’s total LCY bonds outstanding at the end of June, down slightly from 10.0% at the end of March. Growth in the Republic of Korea’s LCY bond market slowed to 1.0% q-o-q in Q2 2022 from 2.0% q-o-q in the previous quarter, as the expansion of both the government and corporate bond segments weakened. Government bonds outstanding rose 1.6% q-o-q in Q2 2022, down from 3.4% q-o-q in the previous quarter. Central government bonds continued to expand, rising 3.4% q-o-q in Q2 2022 after posting a 4.8% q-o-q gain in the previous quarter, as the government issued more debt to support economic recovery efforts. Other government

bonds rebounded in Q2 2022, rising 1.9% q-o-q after a contraction in the prior quarter. Meanwhile, central bank bonds declined 10.2% q-o-q in Q2 2022 following a 0.1% q-o-q drop in the previous quarter. Growth in corporate bonds outstanding eased to 0.5% q-o-q in Q2 2022 from 1.0% q-o-q in Q1 2022, as a relatively large volume of maturities outpaced a recovery in corporate debt issuance. On a y-o-y basis, growth in the Republic of Korea’s LCY bond market moderated to 6.1% in Q2 2022 from 7.5% in the previous quarter.

Hong Kong, China’s LCY bonds outstanding amounted to USD331.3 billion at the end of June. Overall growth rose to 2.1% q-o-q in Q2 2022 from 0.8% q-o-q in the previous quarter, driven primarily by a rebound in the corporate bond segment. The government bond segment posted marginal growth in Q2 2022 as Exchange Fund Bills (EFBs) outstanding recorded tepid growth of 0.2% q-o-q, while the stock of outstanding Exchange Fund Notes (EFNs) and Hong Kong Special Administrative Region bonds dropped 3.4% q-o-q and 0.4% q-o-q, respectively. Meanwhile, the outstanding stock of corporate bonds rose 4.4% q-o-q in Q2 2022, reversing the 1.9% q-o-q contraction in the prior quarter, due to increased issuance. Despite rising borrowing costs, corporate issuance jumped 15.6% q-o-q as business sentiment improved amid the easing of movement restrictions during the review period. On a y-o-y basis, growth in Hong Kong, China’s LCY bond market moderated to 7.1% in Q2 2022 from 4.1% in the previous quarter.

The aggregate LCY bonds stock of the members of the Association of Southeast Asian Nations (ASEAN) rose 2.0% q-o-q and 11.8% y-o-y to reach USD1,962.7 billion at the end of June.<sup>3</sup> Growth eased from 2.8% q-o-q and 13.4% y-o-y in the previous quarter. ASEAN members’ share of emerging Asia’s total LCY bond market was little changed, slipping to 8.6% in Q2 2022 from 8.7% in the preceding quarter. The ASEAN LCY bond market comprised 73.2% government bonds (USD1,436.7 billion) and 26.8% corporate bonds (USD526.0 billion). The LCY bond markets of Singapore, Thailand, and Malaysia remained the largest in ASEAN, while Viet Nam accounted for the region’s smallest market.

Singapore’s LCY bond market reached a size of USD463.1 billion at the end of June. Overall growth slipped to 3.0% q-o-q in Q2 2022 from 3.1% in Q1 2022.

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

The outstanding stock of LCY government bonds rose 3.8% q-o-q during the review period, supported by growth in Monetary Authority of Singapore (MAS) bills (5.7% q-o-q) and Singapore Government Securities (2.0% q-o-q). The corporate bond segment expanded 1.4% q-o-q in Q2 2022 after a marginal contraction in the previous quarter, driven by a recovery in issuance. Corporate debt issuance jumped 113.0% q-o-q on improved business sentiment as almost all domestic and border restrictions were progressively removed during the review period. On an annual basis, Singapore's LCY bond market expanded 17.3% y-o-y in Q2 2022, down from 20.9% y-o-y in the previous quarter.

The outstanding stock of LCY bonds in Thailand amounted to USD427.3 billion at the end of June. Quarterly growth dropped to 0.7% in Q2 2022 from 1.8% in Q1 2022 due largely to a contraction in the government bond segment. Outstanding LCY government bonds declined 0.7% q-o-q in Q2 2022, reversing the 2.1% q-o-q growth in the previous quarter. The decline in government bonds stemmed from a contraction in Bank of Thailand (BOT) bonds (-8.9% q-o-q), which outpaced growth in government bonds and Treasury bills (2.3% q-o-q), and in state-owned enterprise and other bonds (1.0% q-o-q). Meanwhile, growth in the corporate bond segment jumped to 4.6% q-o-q in Q2 2022 from 1.2% q-o-q in the previous quarter on the back of strong issuance. Issuance of corporate bonds rose 36.3% q-o-q in Q2 2022 as corporates continued to issue debt while borrowing costs remained low. The BOT was among the last regional banks to engage in monetary policy tightening and had kept its policy rate at a record low of 0.50% during the review period before raising it by 25 basis points (bps) in August. On an annual basis, Thailand's LCY bond market posted 6.4% y-o-y growth in Q2 2022, down from 8.4% y-o-y in Q1 2022.

Malaysia's outstanding LCY bond stock totaled USD409.5 billion at the end of June. Overall growth rose to 2.3% q-o-q in Q2 2022 from 1.7% q-o-q in the prior quarter, driven primarily by growth in the government bond segment. Government bonds outstanding rose 4.1% q-o-q in Q2 2022, up from 2.8% q-o-q in the previous quarter. Central government bonds drove much of the growth. Although Bank Negara Malaysia (BNM) resumed bond issuance during the review period, the share of central bank bonds to total government bonds remained minimal. Growth in Malaysia's corporate bond market weakened further to 0.1% q-o-q in Q2 2022 from

0.3% q-o-q in the previous quarter due to a relatively high volume of maturities, which outstripped a rebound in issuance. Borrowing costs also rose, as BNM increased its overnight policy rate by 25 bps in May. On a y-o-y basis, Malaysia's LCY bond market expanded 6.6% in Q2 2022, down from 7.0% q-o-q in the previous quarter.

Malaysia remained home to the largest *sukuk* (Islamic bond) market in emerging East Asia. At the end of June, Malaysia's *sukuk* market reached a size of USD258.4 billion on growth of 1.5% q-o-q. Government *sukuk* outstanding amounted to USD110.8 billion, representing 48.1% of Malaysia's total LCY government bond stock. The corporate bond market remained dominated by *sukuk*: outstanding corporate *sukuk* totaled USD147.6 billion, accounting for 82.4% of the total LCY corporate bond stock.

Outstanding LCY bonds in Indonesia rose 0.3% q-o-q and 11.9% y-o-y in Q2 2022 to reach USD369.0 billion at the end of June. Overall growth dropped from 3.1% q-o-q and 14.1% y-o-y in Q1 2022 due to weak growth in the government bond segment and a contraction in the corporate bond segment. Government bonds outstanding posted a 0.6% q-o-q gain in Q2 2022, down from a 3.0% q-o-q rise in the previous quarter. A contraction in central bank bonds (-2.0% q-o-q) outpaced the growth in central government bonds (0.4% q-o-q) and nontradable bonds (8.0% q-o-q) during the review period. The corporate bond market contracted 2.3% q-o-q in Q2 2022 due mainly to a decline in issuance amid uncertainties in the growth outlook.

Indonesia's *sukuk* market expanded 4.4% in Q2 2022, reaching a size of USD67.3 billion at the end of June. *Sukuk* outstanding comprised 18.2% of Indonesia's LCY bond market. Government *sukuk* outstanding totaled USD64.8 billion, accounting for 19.1% of Indonesia's LCY government bond market. Outstanding corporate *sukuk* stood at USD2.5 billion, or 8.5% of Indonesia's LCY corporate bond market.

In the Philippines, the outstanding stock of LCY bonds totaled USD194.3 billion at the end of June. Overall growth moderated to 2.4% q-o-q in Q2 2022 from 6.5% q-o-q in the previous quarter due largely to a contraction in the corporate bond segment. Government bonds outstanding rose 4.1% q-o-q in Q2 2022, supported by robust growth in Bangko Sentral ng Pilipinas securities (38.3% q-o-q) and other government

bonds (28.8% q-o-q). Growth in Treasury bonds also contributed to the expansion. On the other hand, Treasury bills posted a 17.1% q-o-q decline during the review period. Corporate bonds outstanding contracted 7.1% q-o-q in Q2 2022 as rising interest rates curtailed debt issuance. The Bangko Sentral ng Pilipinas raised its benchmark rate by 25 bps each in May and June. On a y-o-y basis, the expansion in the Philippines' LCY bond market inched down to 14.2% in Q2 2022 from 14.3% in the previous quarter.

With USD99.5 billion of outstanding bonds at the end of June, Viet Nam's LCY bond market remained the smallest in emerging East Asia. Starting from a relatively small base, Viet Nam's bond market posted the highest quarterly (8.1% q-o-q) and annual (31.6% y-o-y) growth rates in the region during the review period. Quarterly growth more than doubled from 2.4% q-o-q in the previous quarter as growth in both the government and corporate bond segments accelerated. Growth in government bonds outstanding soared to 7.4% q-o-q in Q2 2022 from 1.5% q-o-q in the previous quarter due primarily to robust growth in central bank bills and a rebound in government-guaranteed and municipal bonds. Growth in the corporate bond segment jumped to 9.5% q-o-q in Q2 2022 from 4.6% q-o-q in the prior quarter, driven by a rebound in issuance as borrowing costs remained relatively low. The State Bank of Vietnam is the sole central bank in the region that has yet to pivot from the dovish policy stance adopted during the pandemic.

Government bonds continued to dominate emerging East Asia's LCY bond market. The region's outstanding government bonds reached USD14.5 trillion at the end of June, comprising 63.1% of the region's total LCY bond market (**Table 1**). Growth in the region's government bonds quickened to 3.9% q-o-q in Q2 2022 from 2.8% q-o-q in Q1 2022. Except for Thailand, all of the region's LCY government bond markets saw positive q-o-q growth in Q2 2022, supported by strong issuance in nearly all markets. Most of the region's governments continued to issue debt to safeguard economic recovery amid heightened uncertainties from global inflation and the Federal Reserve's accelerated pace of policy normalization. The PRC, for instance, stepped up issuance of local government bonds to fund infrastructure projects to revitalize its slowing economy. Annual growth in the region's government bond market increased to 15.5% y-o-y in Q2 2022 from 14.8% y-o-y in the prior quarter.

The PRC's government bond market remained the largest in the region, followed by the Republic of Korea's. Together, the two markets accounted for 88.9% of the region's total LCY government bond stock at the end of June. ASEAN member economies accounted for 9.9% of the region's government bond market. Within ASEAN, the largest government bond markets were those of Indonesia and Singapore, while the smallest was that of Viet Nam.

Emerging East Asia's LCY government bonds remained concentrated in medium- to long-term tenors at the end of June (**Figure 2**). About 55.2% of the region's total government bonds had maturities of longer than 5 years. Apart from Hong Kong, China and the Philippines, all markets in the region had over half of their government bonds concentrated in tenors of 5 years or longer. As in the previous quarter, Hong Kong, China's government bond segment remained dominated by shorter-term bonds due to strong market demand for shorter-dated securities. The Philippines' bond market saw a slight shift in its maturity profile: the share of bonds with maturities of 5 years or longer dropped to 43.1% in Q2 2022 from 50.3% in the prior quarter.

Emerging East Asia's corporate bond market reached a size of USD8.4 trillion at the end of June, representing 36.9% of the region's total LCY bond stock. Growth eased to 1.7% q-o-q and 11.5% y-o-y in Q2 2022 from 3.4% q-o-q and 12.1% y-o-y in the previous quarter. Except for the markets of Indonesia and the Philippines, all of the region's corporate bond markets showed positive q-o-q growth in Q2 2022. Those that posted positive q-o-q growth, however, mostly experienced a slowdown in growth as higher interest rates curtailed corporate borrowing. Borrowing costs in the region generally rose during the review period as several central banks tightened their monetary policies to combat inflation.

The corporate bond markets of the PRC and the Republic of Korea remained the largest in emerging East Asia, accounting for 76.6% and 15.3%, respectively, of the region's total corporate bonds outstanding at the end of June. Meanwhile, the combined shares of ASEAN member economies added up to 6.2% of the region's total corporate bond stock. Within ASEAN, Malaysia remained home to the largest LCY corporate bond market, followed by Singapore and Thailand.

Table 1: Size and Composition of Local Currency Bond Markets

|                                | Q2 2021                    |         | Q1 2022                    |         | Q2 2022                    |         | Growth Rate (LCY-base %) |       |         |       | Growth Rate (USD-base %) |       |         |        |
|--------------------------------|----------------------------|---------|----------------------------|---------|----------------------------|---------|--------------------------|-------|---------|-------|--------------------------|-------|---------|--------|
|                                | Amount<br>(USD<br>billion) | % share | Amount<br>(USD<br>billion) | % share | Amount<br>(USD<br>billion) | % share | Q2 2021                  |       | Q2 2022 |       | Q2 2021                  |       | Q2 2022 |        |
|                                |                            |         |                            |         |                            |         | 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>                   | 16,507                     | 100.0   | 18,755                     | 100.0   | 18,368                     | 100.0   | 3.0                      | 14.4  | 3.5     | 15.4  | 4.5                      | 25.1  | (2.1)   | 11.3   |
| Government                     | 10,591                     | 64.2    | 12,051                     | 64.3    | 11,898                     | 64.8    | 3.3                      | 16.2  | 4.3     | 16.6  | 4.8                      | 27.1  | (1.3)   | 12.3   |
| Corporate                      | 5,917                      | 35.8    | 6,704                      | 35.7    | 6,469                      | 35.2    | 2.3                      | 11.3  | 2.0     | 13.4  | 3.9                      | 21.8  | (3.5)   | 9.3    |
| <b>Hong Kong, China</b>        |                            |         |                            |         |                            |         |                          |       |         |       |                          |       |         |        |
| <b>Total</b>                   | 313                        | 100.0   | 325                        | 100.0   | 331                        | 100.0   | (0.8)                    | 7.0   | 2.1     | 7.1   | (0.7)                    | 6.8   | 1.9     | 6.0    |
| Government                     | 157                        | 50.1    | 174                        | 53.4    | 173                        | 52.4    | 2.4                      | 5.1   | 0.04    | 12.0  | 2.5                      | 4.9   | (0.1)   | 10.8   |
| Corporate                      | 156                        | 49.9    | 151                        | 46.6    | 158                        | 47.6    | (3.7)                    | 8.9   | 4.4     | 2.2   | (3.6)                    | 8.7   | 4.3     | 1.2    |
| <b>Indonesia</b>               |                            |         |                            |         |                            |         |                          |       |         |       |                          |       |         |        |
| <b>Total</b>                   | 339                        | 100.0   | 381                        | 100.0   | 369                        | 100.0   | 2.4                      | 30.6  | 0.3     | 11.9  | 2.5                      | 28.5  | (3.2)   | 8.9    |
| Government                     | 310                        | 91.4    | 350                        | 91.8    | 339                        | 92.0    | 2.8                      | 34.8  | 0.6     | 12.7  | 3.0                      | 32.6  | (3.0)   | 9.6    |
| Corporate                      | 29                         | 8.6     | 31                         | 8.2     | 29                         | 8.0     | (2.4)                    | (1.6) | (2.3)   | 4.0   | (2.2)                    | (3.2) | (5.7)   | 1.2    |
| <b>Korea, Rep. of</b>          |                            |         |                            |         |                            |         |                          |       |         |       |                          |       |         |        |
| <b>Total</b>                   | 2,448                      | 100.0   | 2,391                      | 100.0   | 2,253                      | 100.0   | 2.3                      | 7.9   | 1.0     | 6.1   | 2.8                      | 15.3  | (5.8)   | (8.0)  |
| Government                     | 1,029                      | 42.0    | 1,009                      | 42.2    | 956                        | 42.4    | 3.2                      | 11.6  | 1.6     | 7.2   | 3.7                      | 19.2  | (5.2)   | (7.0)  |
| Corporate                      | 1,419                      | 58.0    | 1,383                      | 57.8    | 1,296                      | 57.6    | 1.6                      | 5.4   | 0.5     | 5.4   | 2.1                      | 12.6  | (6.2)   | (8.6)  |
| <b>Malaysia</b>                |                            |         |                            |         |                            |         |                          |       |         |       |                          |       |         |        |
| <b>Total</b>                   | 408                        | 100.0   | 420                        | 100.0   | 410                        | 100.0   | 2.7                      | 8.9   | 2.3     | 6.6   | 2.6                      | 12.5  | (2.5)   | 0.3    |
| Government                     | 223                        | 54.6    | 232                        | 55.3    | 230                        | 56.3    | 3.9                      | 11.5  | 4.1     | 9.9   | 3.8                      | 15.2  | (0.8)   | 3.4    |
| Corporate                      | 185                        | 45.4    | 188                        | 44.7    | 179                        | 43.7    | 1.3                      | 6.0   | 0.1     | 2.6   | 1.2                      | 9.5   | (4.6)   | (3.4)  |
| <b>Philippines</b>             |                            |         |                            |         |                            |         |                          |       |         |       |                          |       |         |        |
| <b>Total</b>                   | 192                        | 100.0   | 201                        | 100.0   | 194                        | 100.0   | 2.5                      | 25.1  | 2.4     | 14.2  | 1.9                      | 27.6  | (3.6)   | 1.4    |
| Government                     | 160                        | 83.8    | 172                        | 85.5    | 169                        | 86.8    | 3.9                      | 32.7  | 4.1     | 18.4  | 3.3                      | 35.4  | (2.0)   | 5.1    |
| Corporate                      | 31                         | 16.2    | 29                         | 14.5    | 26                         | 13.2    | (3.9)                    | (3.6) | (7.1)   | (7.2) | (4.5)                    | (1.6) | (12.6)  | (17.6) |
| <b>Singapore</b>               |                            |         |                            |         |                            |         |                          |       |         |       |                          |       |         |        |
| <b>Total</b>                   | 408                        | 100.0   | 461                        | 100.0   | 463                        | 100.0   | 6.2                      | 16.3  | 3.0     | 17.3  | 6.2                      | 20.4  | 0.4     | 13.5   |
| Government                     | 272                        | 66.6    | 318                        | 68.8    | 321                        | 69.3    | 4.8                      | 19.7  | 3.8     | 22.0  | 4.7                      | 24.0  | 1.1     | 18.0   |
| Corporate                      | 136                        | 33.4    | 144                        | 31.2    | 142                        | 30.7    | 9.3                      | 10.0  | 1.4     | 7.9   | 9.2                      | 13.9  | (1.3)   | 4.4    |
| <b>Thailand</b>                |                            |         |                            |         |                            |         |                          |       |         |       |                          |       |         |        |
| <b>Total</b>                   | 443                        | 100.0   | 451                        | 100.0   | 427                        | 100.0   | 2.6                      | 5.6   | 0.7     | 6.4   | 44.7                     | 59.5  | (5.2)   | (3.6)  |
| Government                     | 322                        | 72.7    | 329                        | 72.9    | 307                        | 71.9    | 1.7                      | 6.1   | (0.7)   | 5.2   | 42.5                     | 54.8  | (6.6)   | (4.6)  |
| Corporate                      | 121                        | 27.3    | 122                        | 27.1    | 120                        | 28.1    | 5.1                      | 4.4   | 4.6     | 9.5   | 50.9                     | 73.3  | (1.6)   | (0.8)  |
| <b>Viet Nam</b>                |                            |         |                            |         |                            |         |                          |       |         |       |                          |       |         |        |
| <b>Total</b>                   | 76                         | 100.0   | 94                         | 100.0   | 99                         | 100.0   | 6.1                      | 27.6  | 8.1     | 31.6  | 6.3                      | 28.6  | 6.0     | 30.0   |
| Government                     | 59                         | 77.1    | 66                         | 70.6    | 70                         | 70.2    | (0.5)                    | 14.7  | 7.4     | 19.8  | (0.2)                    | 15.6  | 5.4     | 18.4   |
| Corporate                      | 17                         | 22.9    | 28                         | 29.4    | 30                         | 29.8    | 36.4                     | 105.1 | 9.5     | 71.4  | 36.8                     | 106.7 | 7.5     | 69.4   |
| <b>Emerging East Asia</b>      |                            |         |                            |         |                            |         |                          |       |         |       |                          |       |         |        |
| <b>Total</b>                   | 21,134                     | 100.0   | 23,480                     | 100.0   | 22,914                     | 100.0   | 2.9                      | 13.6  | 3.1     | 14.0  | 4.8                      | 23.9  | (2.4)   | 8.4    |
| Government                     | 13,121                     | 62.1    | 14,700                     | 62.6    | 14,465                     | 63.1    | 3.3                      | 16.0  | 3.9     | 15.5  | 5.3                      | 26.5  | (1.6)   | 10.2   |
| Corporate                      | 8,012                      | 37.9    | 8,780                      | 37.4    | 8,450                      | 36.9    | 2.2                      | 10.0  | 1.7     | 11.5  | 3.9                      | 19.8  | (3.8)   | 5.5    |
| <b>Japan</b>                   |                            |         |                            |         |                            |         |                          |       |         |       |                          |       |         |        |
| <b>Total</b>                   | 11,520                     | 100.0   | 10,843                     | 100.0   | 9,659                      | 100.0   | (0.4)                    | 7.0   | (0.7)   | 2.4   | (0.7)                    | 4.0   | (10.9)  | (16.2) |
| Government                     | 10,691                     | 92.8    | 10,067                     | 92.8    | 8,957                      | 92.7    | (0.6)                    | 7.0   | (0.8)   | 2.3   | (0.9)                    | 3.9   | (11.0)  | (16.2) |
| Corporate                      | 829                        | 7.2     | 776                        | 7.2     | 702                        | 7.3     | 2.6                      | 7.5   | 0.9     | 3.4   | 2.3                      | 4.4   | (9.5)   | (15.3) |

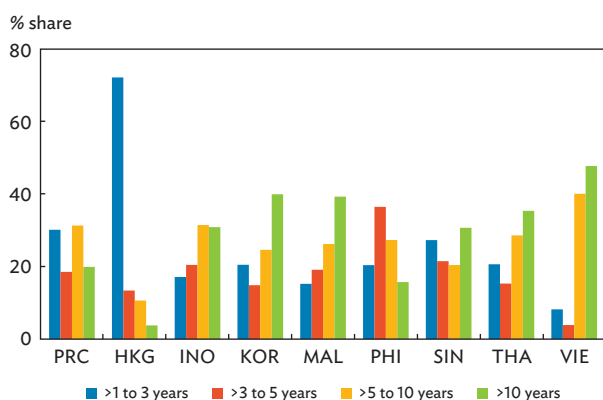
(-) = negative, LCY = local currency, q-o-q = quarter-on-quarter, Q1 = first quarter, Q2 = second quarter, USD = United States dollar, y-o-y = year-on-year.

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 June 2022 currency exchange rates and do not include currency effects.
5. Emerging East Asia is defined to include 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.

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 Structure of Local Currency Government Bonds Outstanding 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 June 2022.

Source: *AsianBondsOnline*.

At the end of Q2 2022, outstanding LCY bonds in emerging East Asia were equivalent to 101.4% of the total gross domestic product (GDP) of the region, up from the 99.7% share recorded in the previous quarter (**Table 2**). The increased share was supported by government bonds, which accounted for the equivalent of 64.0% of regional GDP during the review period, up from 62.4% in the prior quarter. The bonds-to-GDP share of corporate bonds in Q2 2022, on the other hand, was up from 37.3% in Q1 2022 to 37.4% in Q2 2022. Some economies accelerated their fundraising activities due to expectations of higher borrowing costs in the coming months as the Federal Reserve and other regional markets hiked interest rates in an effort to combat high inflation. Corporate bond market growth, however, was curtailed by uncertainties caused by high inflation and risks to the global economy.

Four economies in emerging East Asia had an LCY bonds-to-GDP share above 100% at the end of the review period. The Republic of Korea led the region at 150.6%, followed by Malaysia (125.9%), Singapore (114.8%), and the PRC (104.6%). Viet Nam continued to trail all economies in the region, having a bonds-to-GDP share of only 26.2%.

An increase in the size of the LCY bond market as a percentage of GDP from Q1 2022 to Q2 2022 was observed in the PRC; Hong Kong, China;

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

|                                | Q2 2021 | Q1 2022 | Q2 2022 |
|--------------------------------|---------|---------|---------|
| <b>China, People's Rep. of</b> |         |         |         |
| <b>Total</b>                   | 97.8    | 102.0   | 104.6   |
| Government                     | 62.8    | 65.5    | 67.7    |
| Corporate                      | 35.1    | 36.5    | 36.8    |
| <b>Hong Kong, China</b>        |         |         |         |
| <b>Total</b>                   | 87.4    | 89.4    | 91.3    |
| Government                     | 43.8    | 47.8    | 47.8    |
| Corporate                      | 43.6    | 41.6    | 43.5    |
| <b>Indonesia</b>               |         |         |         |
| <b>Total</b>                   | 30.8    | 31.3    | 30.1    |
| Government                     | 28.1    | 28.7    | 27.7    |
| Corporate                      | 2.6     | 2.6     | 2.4     |
| <b>Korea, Rep. of</b>          |         |         |         |
| <b>Total</b>                   | 146.8   | 150.2   | 150.6   |
| Government                     | 61.7    | 63.4    | 63.9    |
| Corporate                      | 85.1    | 86.9    | 86.6    |
| <b>Malaysia</b>                |         |         |         |
| <b>Total</b>                   | 121.9   | 125.7   | 125.9   |
| Government                     | 66.5    | 69.5    | 70.8    |
| Corporate                      | 55.4    | 56.2    | 55.1    |
| <b>Philippines</b>             |         |         |         |
| <b>Total</b>                   | 50.5    | 52.2    | 51.9    |
| Government                     | 42.3    | 44.6    | 45.0    |
| Corporate                      | 8.2     | 7.6     | 6.8     |
| <b>Singapore</b>               |         |         |         |
| <b>Total</b>                   | 108.8   | 114.3   | 114.8   |
| Government                     | 72.5    | 78.7    | 79.6    |
| Corporate                      | 36.3    | 35.6    | 35.2    |
| <b>Thailand</b>                |         |         |         |
| <b>Total</b>                   | 89.2    | 91.3    | 90.2    |
| Government                     | 64.8    | 66.6    | 64.8    |
| Corporate                      | 24.4    | 24.7    | 25.4    |
| <b>Viet Nam</b>                |         |         |         |
| <b>Total</b>                   | 22.8    | 25.0    | 26.2    |
| Government                     | 17.6    | 17.7    | 18.4    |
| Corporate                      | 5.2     | 7.3     | 7.8     |
| <b>Emerging East Asia</b>      |         |         |         |
| <b>Total</b>                   | 96.4    | 99.7    | 101.4   |
| Government                     | 59.9    | 62.4    | 64.0    |
| Corporate                      | 36.6    | 37.3    | 37.4    |
| <b>Japan</b>                   |         |         |         |
| <b>Total</b>                   | 236.0   | 243.7   | 241.3   |
| Government                     | 219.0   | 226.2   | 223.8   |
| Corporate                      | 17.0    | 17.4    | 17.5    |

GDP = gross domestic product, Q1 = first quarter, Q2 = second 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).

the Republic of Korea; Malaysia; Singapore; and Viet Nam. The following economies showed an increase in their respective government bonds-to-GDP shares: the PRC, the Republic of Korea, Malaysia, the Philippines, Singapore, and Viet Nam; while Hong Kong, China’s government bonds-to-GDP share was barely changed. On the other hand, for corporate bonds, only the PRC; Hong Kong, China; Thailand; and Viet Nam posted an increase from Q1 2022 to Q2 2022.

During the review period, Singapore had the largest government bonds-to-GDP share in emerging East Asia (79.6%), while the smallest was recorded in Viet Nam (18.4%). For LCY corporate bonds, the economy with the highest share of corporate bonds to GDP was the Republic of Korea (86.6%), while Indonesia had the smallest (2.4%).

### Foreign Investor Holdings and Foreign Bond Flows

#### A foreign sell-off in the region led to a decline in foreign holdings of emerging East Asian bonds in Q2 2022.

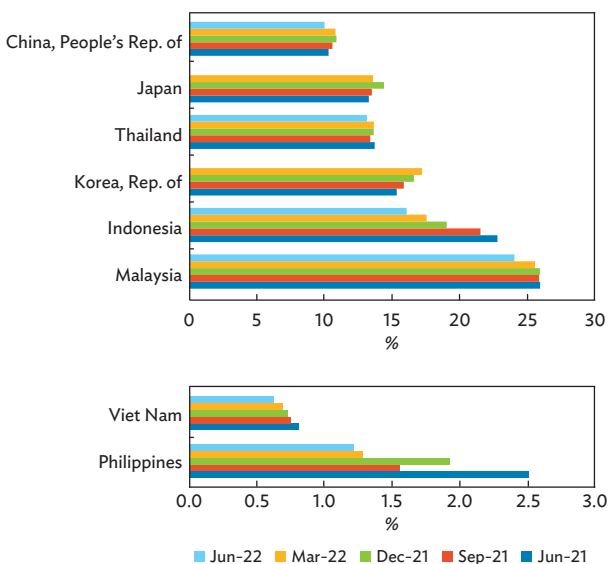
Foreign holdings in emerging East Asian bond markets continued to decline in Q2 2022 (Figure 3). The aggressive monetary policy tightening of the

Federal Reserve to address high inflation led to a surge in US Treasury yields and the strengthening of the US dollar, resulting in a sell-off in the region’s bond markets. Moreover, expectations of further monetary tightening in the US and by other central banks in the region amid persistent high inflation, volatility in global yields, and concerns of a global economic slowdown continued to make emerging East Asia’s bond returns less attractive.

The region registered a record USD21.5 billion of net foreign outflows from the bond market in Q2 2022, the first since USD4.0 billion of net outflows occurred in Q1 2020 at the start of the pandemic and a reversal from the USD2.2 billion of net inflows posted in Q1 2022 (Figure 4). Foreign investors sold a net USD8.1 billion and USD2.3 billion of emerging East Asian LCY bonds in the months of April and May, respectively. June saw the biggest sell-off at USD11.1 billion as nearly all markets, except for the Philippines, recorded net outflows following the 75 bps rate hike by the Federal Reserve on 15 June.

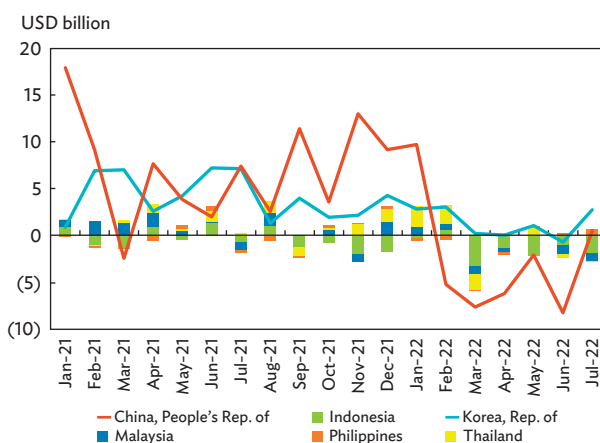
The PRC led the sell-off in the region, posting net outflows of USD6.2 billion, USD2.1 billion, and USD8.3 billion in the months of April, May, and

**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 31 March 2022. Source: AsianBondsOnline calculations based on data from local market sources.

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



(-) = negative, USD = United States dollar.

Notes:

- 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.
- Data are as of 31 July 2022.
- Figures were computed based on 31 July 2022 exchange rates and do not include currency effects.

Sources: People’s Republic of China (Bloomberg LP); 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).

June, respectively. June marked the fifth consecutive month of net outflows from the PRC bond market. Net outflows totaled USD16.6 billion in Q2 2022, up from USD3.2 billion in the previous quarter. Diverging monetary policies between the People's Bank of China (PBOC) and the Federal Reserve led to a further drop in foreign holdings in the PRC's bond market to 10.0% in Q2 2022 from 10.8% in Q1 2022. The PRC's domestic bonds used to offer higher premiums but the recent aggressive hikes by the Federal Reserve, with the PBOC maintaining an accommodative stance, has led to weakening foreign demand. Risks of an economic slowdown, exacerbated by the resumption of community lockdowns, also contributed to capital outflows from the domestic bond market. In July, the PRC's domestic bond market registered net inflows of USD0.5 billion; however, this was very low compared to inflows from last year.

The global sell-off following the Federal Reserve's rate hike in June drove the decline in foreign holdings in the rest of the region's markets. Malaysia continued to have the highest foreign holdings share in the region at 24.1% at the end of June, but it also registered the largest quarterly decline (1.5 percentage points) in the foreign holdings share. This was brought about by USD1.2 billion of net outflows in Q2 2022, reversing the USD0.8 billion of net inflows posted in Q1 2022. Malaysia posted net foreign inflows in May of USD0.1 billion; however, this was offset by the net outflows of USD0.4 billion and USD0.9 billion in April and June, respectively. In July, Malaysia continued to register net outflows of USD0.8 billion.

In Indonesia, the foreign holdings share fell to 16.1% from 17.6% during the same period. The relatively accommodative stance of Bank Indonesia compared to other central banks in the region may have also contributed to the decline in foreign demand for domestic bonds as Indonesia used to offer higher returns. Indonesia registered the second-largest net outflows in the region in Q2 2022 at USD4.6 billion, up from USD2.9 billion in the previous quarter, with net outflows recorded in each month of the quarter. Foreign investors sold domestic bonds worth USD1.4 billion, USD2.2 billion, and USD1.0 billion, respectively, in April, May, and June. In July, net foreign outflows rose to USD2.0 billion.

In Thailand, the foreign holdings share fell to 13.2% in Q2 2022 from 13.7% in Q1 2022. The marginal change was due to the bond market posting net inflows of USD0.6 billion during the quarter, down from the USD2.3 billion posted in Q1 2022. However, Thailand

was not spared during the regional sell-off in June as it registered USD0.4 billion of net outflows. This was offset by the net inflows of USD0.2 billion and USD0.8 billion in April and May, respectively. In July, Thailand posted net foreign outflows of USD0.1 billion.

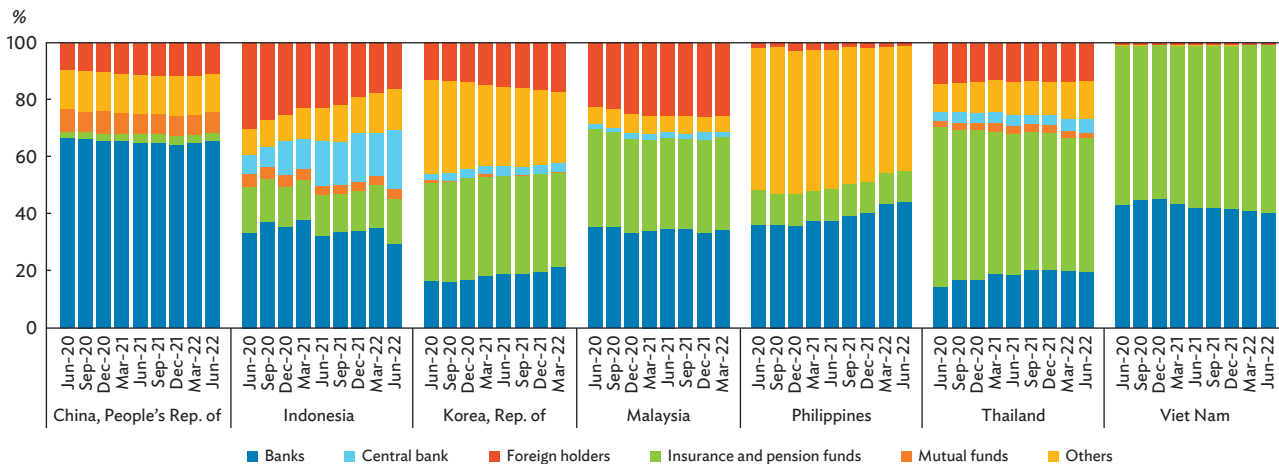
In the Philippines, the foreign holdings share remained negligible at 1.2%, a slight decline from 1.3% in the previous quarter. The Philippines registered net inflows in May and June of USD0.03 billion and USD0.24 billion, respectively. However, these were offset by the USD0.31 billion of outflows in April that resulted in net quarterly outflows of USD0.05 billion in Q2 2022. In July, the Philippines recorded net foreign inflows of USD0.6 billion. In Viet Nam, the foreign holdings share remained negligible at 0.6% in Q2 2022, inching down from 0.7% in Q1 2022.

In the Republic of Korea, the foreign holdings share rose to 17.2% at the end of Q1 2022, the latest quarter for which data are available, from 16.6% at the end of December 2021. The Republic of Korea remained a safe haven for foreign investors during the start of the year, and it maintained a relatively higher interest rate differential with US Treasuries as the Bank of Korea also proceeded with rate hikes in 2022. However, in Q2 2022, foreign demand weakened as US Treasury yields rose at a faster pace, resulting in a decline in the risk premiums offered by domestic bonds. The Republic of Korea's LCY bond market registered small inflows of USD0.03 billion and USD1.05 billion in April and May, respectively. In June, it incurred outflows of USD0.7 billion, the first monthly outflows since December 2020. Increased expectations of an economic slowdown brought about by an acceleration in inflation and weaker export growth also contributed to muted foreign demand for domestic bonds. In July, however, foreign investors returned to the market with net inflows of USD2.7 billion, following the Federal Reserve's dovish comments at its July meeting, leading investors to anticipate a slowdown in its monetary policy tightening.

Domestic investors continued to play an important role in the region's LCY government bond markets. With the decline in foreign holdings, government bond markets in the region saw increased participation from domestic investors, particularly banks and insurance companies and pension funds (**Figure 5**). Central banks also were active investors in the government bond market, providing stability and supporting regional governments' fiscal measures.



**Figure 5: Investor Profiles of Local Currency Government Bonds in Select Emerging East Asian Markets**



Notes:  
 1. Data for the Republic of Korea and Malaysia are up to March 2022.  
 2. "Others" include government institutions, individuals, securities companies, custodians, private corporations, and all other investors not elsewhere classified.  
 Source: AsianBondsOnline.

## Local Currency Bond Issuance

Local currency bond issuance in emerging East Asia totaled USD2.4 trillion in the second quarter of 2022, buoyed by higher sales in nearly all markets.

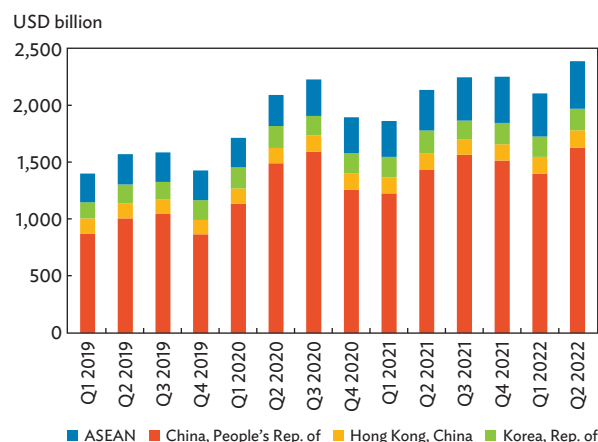
Emerging East Asia’s LCY bond sales rebounded in Q2 2022 with record-high quarterly issuance of USD2.4 trillion (Figure 6). All regional markets except Indonesia posted increased issuance during the quarter.

The PRC was the largest contributor to the surge in regional issuance, with its share of the regional total expanding from 66.5% in Q1 2022 to 68.1% in Q2 2022. On the other hand, the respective shares of the Republic of Korea (from 8.5% in Q1 2022 to 7.9% in Q2 2022) and Hong Kong, China (from 7.0% in Q1 2022 to 6.4% in Q2 2022) contracted by 0.6 percentage points each. The combined share of ASEAN markets shed 0.5 percentage points during the quarter to 17.5% from 18.0% in Q1 2022.

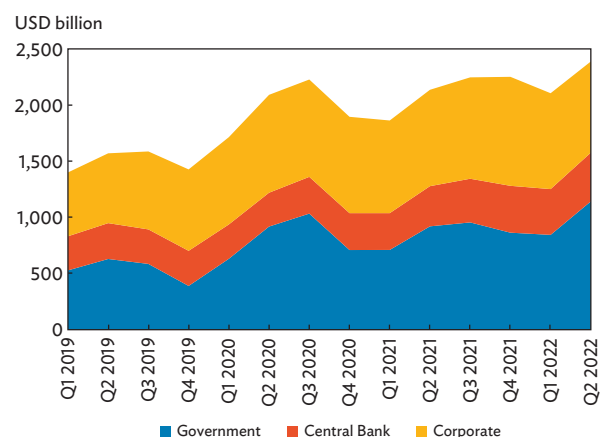
Government bonds accounted for the bulk of the new bonds issued during the quarter as their share of the regional total swelled to 47.8% in Q2 2022 from 40.1% in the previous quarter (Figure 7). Issuance by governments picked up during the quarter as part of frontloading strategies in place in the first half of the year to bolster fragile economic recoveries in most emerging East Asian

markets amid weakening global financial conditions and ahead of rising interest rates in the US and the region. Corporate bonds’ share of total regional issuance continued to decline in Q2 2022, falling to 34.0% from 40.5% in Q1 2022, over uncertainties in the economic outlook. Central bank issuance saw its share of the regional issuance total slipping to 18.2% in Q2 2022.

**Figure 6: Local Currency Bond Issuance in Emerging East Asia**



ASEAN = Association of Southeast Asian Nations, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, USD = United States dollar.  
 Notes:  
 1. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.  
 2. Figures were computed based on 30 June 2022 currency exchange rates and do not include currency effects.  
 Source: AsianBondsOnline.

**Figure 7: Issuance Volume by Type of Bonds**

Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, USD = United States dollar.  
 Note: Figures were computed based on 30 June 2022 currency exchange rates and do not include currency effects.  
 Source: AsianBondsOnline.

On a q-o-q basis, LCY bond issuance in emerging East Asia rebounded on growth of 13.4% in Q2 2022 from a 6.5% contraction in Q1 2022. Almost all emerging East Asian markets saw increased issuance of bonds in Q2 2022 versus Q1 2022, with Indonesia as the sole exception as it reduced issuance across all bond types (**Table 3**).

The government bond segment was the main driver of growth in Q2 2022 as issuance of corporate bonds continued to decline. Overall growth in government bond issuance rebounded to 25.9% q-o-q in Q2 2022 after falling 2.3% q-o-q in the prior quarter.

Treasury and other government bonds comprised the fastest-growing bond segment in terms of issuance, with their growth rising 35.3% q-o-q in Q2 2022 following a contraction of 2.3% q-o-q in Q1 2022. Some governments continued to issue bonds as part of a frontloading strategy to support fiscal spending in the first half of the year. Issuance of Treasury and other government bonds tallied USD1,143.6 billion in Q2 2022 and accounted for 72.5% of the aggregate government bond issuance. All emerging East Asian markets recorded q-o-q increases in the issuance of Treasury and other government bonds except for Indonesia, the Philippines, and Viet Nam.

In Q2 2022, the maturity structure of the region's LCY government bond issuances was broadly balanced between short-term and long-term tenors. New

government bonds issued with maturities of 5 years or less accounted for 50.5% of the regional issuance total during the quarter, while those with maturities of more than 5 years had a share of 49.5% (**Figure 8**). Notably, the share of longer-tenor bonds significantly declined from 56.6% in Q1 2022, indicating investors' risk preference for short-dated instruments amid weakening global financial conditions. In particular, the share of bonds with tenors from more than 1 year to 3 years climbed to 33.4% in Q2 2022 from 25.9% in the earlier quarter.

Amid rising inflation, the region's central banks saw issuance growth of 6.5% q-o-q in Q2 2022, reversing the decline of 2.3% q-o-q in Q1 2022. Total issuance reached USD434.5 billion, representing 27.5% of aggregate government bond issuance in Q2 2022. However, growth in central bank issuance was capped as only five central banks in the region recorded higher issuance volumes during the quarter. The Hong Kong Monetary Authority, Bangko Sentral ng Pilipinas, Monetary Authority of Singapore, and State Bank of Vietnam all increased their issuance of central bank instruments, while BNM resumed issuance of central bank bills.

In Q2 2022, corporate bond issuance contracted 4.9% q-o-q, albeit at a slower pace than the 12.0% q-o-q decline in Q1 2022. Six out of the nine markets in emerging East Asia posted increased issuance of corporate bonds during the quarter. Overall growth of the corporate bond segment, however, was dragged down by a slowdown in issuance in the PRC and, to a lesser extent, in Indonesia and the Philippines.

On a y-o-y basis, growth in LCY bond issuance in emerging East Asia moderated to 11.8% in Q2 2022 from 13.0% in Q1 2022. Similar with the q-o-q trends, the government bond segment led the region's growth amid a tapering of issuance by corporates. The bond markets of Indonesia, the Republic of Korea, and Thailand all recorded y-o-y contractions in issuance volume in Q2 2022.

LCY bond issuance in the PRC rebounded strongly in Q2 2022, posting growth of 16.3% q-o-q after declining 7.6% q-o-q in Q1 2022. Total issuance reached USD1,629.2 billion in Q2 2022, with the government bond segment accounting for all of the growth. Growth in government bond issuance soared by 40.9% q-o-q after falling 4.0% q-o-q in Q1 2022. The surge in government bond issuance was largely driven by higher sales of local

Table 3: Local Currency Bond Issuance (gross)

|                                | Q2 2021                    |         | Q1 2022                    |         | Q2 2022                    |         | Growth Rate<br>(LCY-base %) |        | Growth Rate<br>(USD-base %) |        |
|--------------------------------|----------------------------|---------|----------------------------|---------|----------------------------|---------|-----------------------------|--------|-----------------------------|--------|
|                                | Amount<br>(USD<br>billion) | % share | Amount<br>(USD<br>billion) | % share | Amount<br>(USD<br>billion) | % share | Q2 2022                     |        | Q2 2022                     |        |
|                                |                            |         |                            |         |                            |         | q-o-q                       | y-o-y  | q-o-q                       | y-o-y  |
| <b>China, People's Rep. of</b> |                            |         |                            |         |                            |         |                             |        |                             |        |
| <b>Total</b>                   | 1,492                      | 100.0   | 1,481                      | 100.0   | 1,629                      | 100.0   | 16.3                        | 13.3   | 10.0                        | 9.2    |
| Government                     | 793                        | 53.1    | 747                        | 50.4    | 996                        | 61.1    | 40.9                        | 30.3   | 33.4                        | 25.6   |
| Central Bank                   | 0                          | 0.0     | 0                          | 0.0     | 0                          | 0.0     | -                           | -      | -                           | -      |
| Treasury and Other Govt.       | 793                        | 53.1    | 747                        | 50.4    | 996                        | 61.1    | 40.9                        | 30.3   | 33.4                        | 25.6   |
| Corporate                      | 699                        | 46.9    | 734                        | 49.6    | 633                        | 38.9    | (8.8)                       | (6.0)  | (13.7)                      | (9.4)  |
| <b>Hong Kong, China</b>        |                            |         |                            |         |                            |         |                             |        |                             |        |
| <b>Total</b>                   | 140                        | 100.0   | 148                        | 100.0   | 154                        | 100.0   | 4.3                         | 10.9   | 4.1                         | 9.7    |
| Government                     | 110                        | 78.5    | 120                        | 81.3    | 122                        | 79.3    | 1.7                         | 11.9   | 1.5                         | 10.8   |
| Central Bank                   | 106                        | 75.9    | 120                        | 81.0    | 121                        | 78.6    | 1.1                         | 14.7   | 0.9                         | 13.5   |
| Treasury and Other Govt.       | 4                          | 2.6     | 0.4                        | 0.3     | 1                          | 0.7     | 157.6                       | (69.9) | 157.1                       | (70.2) |
| Corporate                      | 30                         | 21.5    | 28                         | 18.7    | 32                         | 20.7    | 15.6                        | 7.0    | 15.4                        | 5.9    |
| <b>Indonesia</b>               |                            |         |                            |         |                            |         |                             |        |                             |        |
| <b>Total</b>                   | 39                         | 100.0   | 46                         | 100.0   | 34                         | 100.0   | (22.4)                      | (8.8)  | (25.1)                      | (11.2) |
| Government                     | 37                         | 96.6    | 43                         | 94.1    | 32                         | 94.0    | (22.4)                      | (11.2) | (25.2)                      | (13.6) |
| Central Bank                   | 21                         | 55.3    | 26                         | 57.7    | 22                         | 65.0    | (12.5)                      | 7.2    | (15.6)                      | 4.4    |
| Treasury and Other Govt.       | 16                         | 41.3    | 17                         | 36.4    | 10                         | 29.1    | (38.1)                      | (35.9) | (40.3)                      | (37.6) |
| Corporate                      | 1                          | 3.4     | 3                          | 5.9     | 2                          | 6.0     | (21.4)                      | 61.7   | (24.2)                      | 57.3   |
| <b>Korea, Rep. of</b>          |                            |         |                            |         |                            |         |                             |        |                             |        |
| <b>Total</b>                   | 235                        | 100.0   | 193                        | 100.0   | 190                        | 100.0   | 5.4                         | (7.0)  | (1.7)                       | (19.4) |
| Government                     | 101                        | 43.2    | 81                         | 42.0    | 79                         | 41.8    | 4.9                         | (9.9)  | (2.2)                       | (21.9) |
| Central Bank                   | 31                         | 13.3    | 25                         | 12.9    | 18                         | 9.6     | (21.2)                      | (32.6) | (26.5)                      | (41.5) |
| Treasury and Other Govt.       | 70                         | 29.9    | 56                         | 29.1    | 61                         | 32.2    | 16.4                        | 0.1    | 8.6                         | (13.2) |
| Corporate                      | 134                        | 56.8    | 112                        | 58.0    | 110                        | 58.2    | 5.7                         | (4.8)  | (1.3)                       | (17.4) |
| <b>Malaysia</b>                |                            |         |                            |         |                            |         |                             |        |                             |        |
| <b>Total</b>                   | 24                         | 100.0   | 19                         | 100.0   | 25                         | 100.0   | 35.5                        | 9.0    | 29.2                        | 2.6    |
| Government                     | 13                         | 55.3    | 12                         | 61.4    | 15                         | 60.6    | 33.7                        | 19.4   | 27.5                        | 12.3   |
| Central Bank                   | 0                          | 0.0     | 0                          | 0.0     | 0.2                        | 0.8     | -                           | -      | -                           | -      |
| Treasury and Other Govt.       | 13                         | 55.3    | 12                         | 61.4    | 15                         | 59.8    | 32.0                        | 17.9   | 25.9                        | 10.9   |
| Corporate                      | 11                         | 44.7    | 7                          | 38.6    | 10                         | 39.4    | 38.3                        | (3.8)  | 31.9                        | (9.5)  |
| <b>Philippines</b>             |                            |         |                            |         |                            |         |                             |        |                             |        |
| <b>Total</b>                   | 42                         | 100.0   | 46                         | 100.0   | 43                         | 100.0   | 0.3                         | 15.8   | (5.6)                       | 2.8    |
| Government                     | 41                         | 97.7    | 43                         | 93.6    | 42                         | 96.2    | 3.1                         | 14.0   | (3.0)                       | 1.2    |
| Central Bank                   | 26                         | 60.8    | 25                         | 55.6    | 32                         | 73.1    | 31.9                        | 39.3   | 24.2                        | 23.7   |
| Treasury and Other Govt.       | 16                         | 36.9    | 17                         | 38.0    | 10                         | 23.1    | (39.1)                      | (27.7) | (42.7)                      | (35.8) |
| Corporate                      | 1                          | 2.3     | 3                          | 6.4     | 2                          | 3.8     | (40.2)                      | 94.0   | (43.7)                      | 72.2   |
| <b>Singapore</b>               |                            |         |                            |         |                            |         |                             |        |                             |        |
| <b>Total</b>                   | 194                        | 100.0   | 215                        | 100.0   | 243                        | 100.0   | 16.1                        | 29.0   | 13.0                        | 24.9   |
| Government                     | 185                        | 95.4    | 213                        | 99.2    | 239                        | 98.5    | 15.2                        | 33.2   | 12.2                        | 28.8   |
| Central Bank                   | 155                        | 80.0    | 187                        | 87.4    | 209                        | 86.2    | 14.6                        | 39.1   | 11.6                        | 34.6   |
| Treasury and Other Govt.       | 30                         | 15.4    | 25                         | 11.8    | 30                         | 12.2    | 20.1                        | 2.2    | 17.0                        | (1.1)  |
| Corporate                      | 9                          | 4.6     | 2                          | 0.8     | 4                          | 1.5     | 113.0                       | (56.7) | 107.5                       | (58.1) |
| <b>Thailand</b>                |                            |         |                            |         |                            |         |                             |        |                             |        |
| <b>Total</b>                   | 69                         | 100.0   | 63                         | 100.0   | 61                         | 100.0   | 2.9                         | (1.7)  | (3.2)                       | (10.9) |
| Government                     | 54                         | 78.4    | 50                         | 79.2    | 44                         | 72.5    | (5.9)                       | (9.1)  | (11.5)                      | (17.6) |
| Central Bank                   | 35                         | 51.0    | 34                         | 53.3    | 25                         | 40.5    | (21.8)                      | (22.0) | (26.4)                      | (29.2) |
| Treasury and Other Govt.       | 19                         | 27.4    | 16                         | 25.9    | 20                         | 32.0    | 26.8                        | 14.7   | 19.3                        | 4.0    |
| Corporate                      | 15                         | 21.6    | 13                         | 20.8    | 17                         | 27.5    | 36.3                        | 25.1   | 28.3                        | 13.5   |

continued on next page

Table 3 continued

|                           | Q2 2021                    |         | Q1 2022                    |         | Q2 2022                    |         | Growth Rate<br>(LCY-base %) |        | Growth Rate<br>(USD-base %) |        |  |
|---------------------------|----------------------------|---------|----------------------------|---------|----------------------------|---------|-----------------------------|--------|-----------------------------|--------|--|
|                           | Amount<br>(USD<br>billion) | % share | Amount<br>(USD<br>billion) | % share | Amount<br>(USD<br>billion) | % share | Q2 2022                     |        | Q2 2022                     |        |  |
|                           |                            |         |                            |         |                            |         | q-o-q                       | y-o-y  | q-o-q                       | y-o-y  |  |
| <b>Viet Nam</b>           |                            |         |                            |         |                            |         |                             |        |                             |        |  |
| <b>Total</b>              | 9                          | 100.0   | 5                          | 100.0   | 12                         | 100.0   | 158.5                       | 25.7   | 153.5                       | 24.2   |  |
| Government                | 4                          | 47.7    | 3                          | 70.0    | 9                          | 74.4    | 174.8                       | 96.0   | 169.5                       | 93.7   |  |
| Central Bank              | 0                          | 0.0     | 1                          | 30.4    | 7                          | 62.2    | 429.3                       | -      | 419.2                       | -      |  |
| Treasury and Other Govt.  | 4                          | 47.7    | 2                          | 39.6    | 1                          | 12.2    | (20.5)                      | (67.9) | (22.1)                      | (68.3) |  |
| Corporate                 | 5                          | 52.3    | 1                          | 30.0    | 3                          | 25.6    | 120.5                       | (38.4) | 116.3                       | (39.2) |  |
| <b>Emerging East Asia</b> |                            |         |                            |         |                            |         |                             |        |                             |        |  |
| <b>Total</b>              | 2,245                      | 100.0   | 2,215                      | 100.0   | 2,391                      | 100.0   | 13.4                        | 11.8   | 7.9                         | 6.5    |  |
| Government                | 1,340                      | 59.7    | 1,312                      | 59.2    | 1,578                      | 66.0    | 25.9                        | 23.4   | 20.3                        | 17.8   |  |
| Central Bank              | 375                        | 16.7    | 419                        | 18.9    | 435                        | 18.2    | 6.5                         | 21.3   | 3.7                         | 15.8   |  |
| Treasury and Other Govt.  | 965                        | 43.0    | 893                        | 40.3    | 1,144                      | 47.8    | 35.3                        | 24.1   | 28.1                        | 18.5   |  |
| Corporate                 | 905                        | 40.3    | 903                        | 40.8    | 813                        | 34.0    | (4.9)                       | (5.4)  | (10.0)                      | (10.2) |  |
| <b>Japan</b>              |                            |         |                            |         |                            |         |                             |        |                             |        |  |
| <b>Total</b>              | 505                        | 100.0   | 463                        | 100.0   | 412                        | 100.0   | (0.8)                       | (0.3)  | (11.0)                      | (18.4) |  |
| Government                | 462                        | 91.5    | 444                        | 95.9    | 384                        | 93.3    | (3.5)                       | 1.6    | (13.5)                      | (16.8) |  |
| Central Bank              | 10                         | 1.9     | 0                          | 0.0     | 16                         | 3.9     | -                           | 107.6  | -                           | 69.9   |  |
| Treasury and Other Govt.  | 452                        | 89.6    | 444                        | 95.9    | 368                        | 89.3    | (7.6)                       | (0.6)  | (17.1)                      | (18.6) |  |
| Corporate                 | 43                         | 8.5     | 19                         | 4.1     | 28                         | 6.7     | 61.5                        | (20.8) | 44.8                        | (35.2) |  |

(-) = negative, -- = not applicable, LCY = local currency, q-o-q = quarter-on-quarter, Q1 = first quarter, Q2 = second quarter, USD = United States dollar, y-o-y = year-on-year.

Notes:

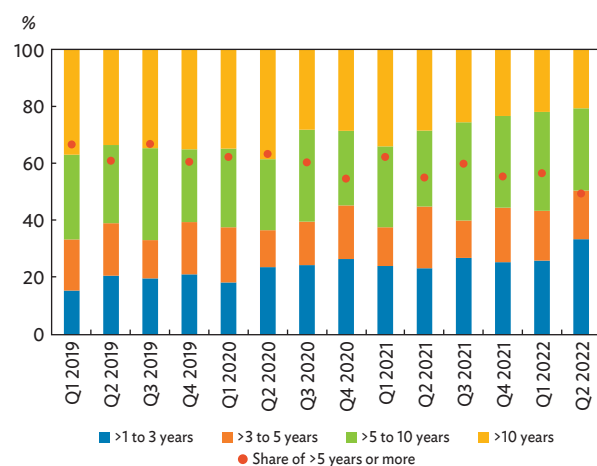
1. Corporate bonds include issues by financial institutions.

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

3. For LCY base, emerging East Asia growth figures are based on 30 June 2022 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); Viet Nam (Bloomberg LP, Hanoi Stock Exchange, and Vietnam Bond Market Association); and Japan (Japan Securities Dealers Association).

**Figure 8: Maturity Structure of Local Currency Government Bond Issuance in Emerging East Asia**



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

Notes:

1. Emerging East Asia is defined to include 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. Figures were computed based on 30 June 2022 currency exchange rates and do not include currency effects.

Source: *AsianBondsOnline* computations based on various local sources.

government bonds during the quarter. The government pushed for the utilization of the entire special bond quota by the end of June to help boost economic and investment activities in response to the impacts of the lockdown restrictions implemented in some major cities in the PRC in March and April. The special bond issuance quota, which was set at CNY3.65 trillion for 2022, was almost fully utilized, as issuance for January to June reached about CNY3.40 trillion. Funds raised from special bond issuances need to either be spent or allocated for projects by August.

Issuance of Treasury bonds climbed 16.3% q-o-q in Q2 2022 on the increased financing needs of the government to support stimulus and recovery measures. Policy bank bond issuance also grew 5.2% q-o-q during the quarter. Amid property default and economic growth concerns that continued to cloud the outlook for the PRC bond market, corporate bond issuance declined 8.8% q-o-q in Q2 2022. On a y-o-y basis, LCY bond issuance growth in the PRC eased to 13.3% in Q2 2022 from 14.2% in Q1 2022.

In the Republic of Korea, LCY bond issuance rose 5.4% q-o-q in Q2 2022, reversing the 4.0% q-o-q decline in the prior quarter. Total issuance reached USD189.6 billion, with growth driven by Treasury and other government bonds and corporate bonds. Growth in the government bond segment was capped by the 21.2% q-o-q contraction in the issuance of central bank instruments as the Bank of Korea opted to further tighten monetary policy by raising its policy rate five times between January and August to rein in surging inflation. Treasury and other government bonds climbed 16.4% q-o-q as the government continued with its frontloading policy of issuance. Corporate bond issuance also rebounded in Q2 2022 on growth of 5.7% q-o-q following a 21.1% q-o-q decline in Q1 2022. Compared with the same period a year earlier, LCY bond issuance in the Republic of Korea contracted 7.0% y-o-y in Q2 2022 after marginal growth of 0.8% y-o-y in Q1 2022.

LCY bond sales in Hong Kong, China climbed to USD153.8 billion in Q2 2022, with growth inching up to 4.3% q-o-q from 3.1% q-o-q in the preceding quarter. Both major bond segments contributed to the increased issuance volume during the quarter, led by corporate bonds. Corporate bond issuance totaled USD31.8 billion, up 15.6% q-o-q, as corporates rushed to issue bonds amid rising interest rates. Issuance of EFBs and EFNs reached USD120.9 billion, with growth moderating to 1.1% q-o-q in Q2 2022 from 3.0% q-o-q in Q1 2022. Issuance of EFBs and EFNs accounted for 78.6% of Hong Kong, China's aggregate issuance during the quarter. Issuance of Hong Kong Special Administrative Region bonds more than doubled during the quarter, which included the first issuance of a 20-year maturity. On a y-o-y basis, LCY bond issuance in Hong Kong, China surged to 10.9% in Q2 2022 from 4.0% in Q1 2022.

Aggregate LCY bond issuance among ASEAN members rose to USD418.1 billion in Q2 2022. Overall growth rebounded, rising 10.3% q-o-q in Q2 2022 after contracting 6.9% q-o-q in the preceding quarter. Over the same period, issuance growth eased to 16.9% y-o-y from 19.6% y-o-y. Five out of six ASEAN member economies increased their issuance of LCY bonds during the quarter. The sole exception was Indonesia, which continued to reduce its borrowings in the LCY bond market. Among ASEAN members, the largest bond issuance totals were in Singapore, Thailand, and the Philippines, representing 58.0%, 14.7%, and 10.4%, respectively, of the ASEAN issuance total during the quarter.

LCY bond issuance in Singapore climbed to USD242.6 billion in Q2 2022, rising 16.1% q-o-q following a decline of 11.7% q-o-q in Q1 2022. Central bank bonds, which accounted for a majority of the issuance total, rose 14.6% q-o-q in Q2 2022, a turnaround from the 10.6% q-o-q drop in the prior quarter. Treasury and other government bond issuance grew 20.1% q-o-q, albeit its contribution to the overall issuance total is much less. Corporate bond issuance also picked up during the quarter, with volumes more than doubling from Q1 2022. Compared with the same period a year earlier, Singapore's LCY bond issuance inched up to 29.0% y-o-y in Q2 2022 from 28.2% y-o-y in Q1 2022.

LCY bond issuance in Thailand totaled USD61.4 billion as growth eased to 2.9% q-o-q in Q2 2022 from 3.2% q-o-q in Q1 2022. Overall growth was dragged down by the 21.8% q-o-q decline in the issuance of central bank instruments, which accounted for 40.5% of Thailand's total issuance during the quarter. The BOT reduced its issuance of debt instruments to help maintain market liquidity as global financial conditions weakened. Meanwhile, issuance of Treasury and other government bonds rose 26.8% q-o-q, buoyed by the issuance of Retail Treasury Bonds in June. The government raised THB52.7 billion from the bond sale comprising 5-year and 10-year maturities offered to individuals and nonprofit entities. Corporate bond issuance climbed 36.3% q-o-q in the same period. On a y-o-y basis, LCY bond issuance in Thailand declined 1.7% in Q2 2022 after 6.4% growth in the preceding quarter.

In the Philippines, issuance of LCY bonds grew a marginal 0.3% q-o-q to reach USD43.3 billion. The sole driver of growth was central bank issuance, which rose 31.9% q-o-q. The Bangko Sentral ng Pilipinas was quite active in the issuance of bills during the quarter amid rising inflationary pressure. Issuance of Treasury and other government bonds declined 39.1% q-o-q in Q2 2022 due to a high-base effect from the previous quarter following the issuance of Retail Treasury Bonds in March. Corporate bond issuance also slowed, falling 40.2% q-o-q. On an annual basis, the Philippines' LCY bond issuance growth accelerated to 15.8% y-o-y in Q2 2022 from 10.9% y-o-y in Q1 2022.

Indonesia was the only market in the region that tapered its issuance volume across all bond segments in Q2 2022. Total issuance slipped to USD34.3 billion in Q2 2022 on a contraction of 22.4% q-o-q, which

followed a 5.3% q-o-q drop in the prior quarter. Treasury and other government bond issuance, which accounted for 29.1% of the total issuance volume during the quarter, fell the most with a decline of 38.1% q-o-q. The slowdown in issuance is in line with the government's plan to reduce bond issuance in full-year 2022. Strong government revenues arising from higher commodity prices and increased exports are projected to result in a smaller budget deficit for the year, allowing the government to reduce bond issuance. The budget deficit is estimated to reach 3.9% of GDP, down from an earlier estimate of 4.5%. The Ministry of Finance is looking at reducing its total bond issuance in 2022 to IDR757.6 trillion from IDR943.7 trillion as earlier planned. Issuance of central bank instruments also declined during the quarter as inflation in Indonesia remained modest relative to regional peers. Corporate bond issuance fell 21.4% q-o-q, a turnaround from a 24.0% q-o-q hike in Q1 2022. On a y-o-y basis, LCY bond issuance in Indonesia fell 8.8% in Q2 2022 versus 31.6% y-o-y growth in Q1 2022.

LCY bond sales in Malaysia tallied USD25.0 billion in Q2 2022 on growth of 35.5% q-o-q. Growth was broadly at par between the government and corporate bond segments. Government bond issuance growth in Malaysia accelerated to 33.7% q-o-q in Q2 2022 from 4.5% q-o-q in Q1 2022 to refinance maturing obligations and to fund increased subsidies to mitigate the impact of rising commodity prices. Central bank issuance also resumed during the quarter since the last issuance by BNM in Q2 2020, albeit only USD0.2 billion worth of bills. Corporate bond issuance also rose 38.3% q-o-q in Q2 2022 after falling 23.7% q-o-q in the prior quarter ahead of an anticipated hike in funding costs. On a y-o-y basis, overall issuance grew 9.0% in Q2 2022.

In Viet Nam, LCY bond issuance more than doubled to reach USD11.6 billion in Q2 2022. Overall growth surged to 158.5% q-o-q in Q2 2022 on increased issuance of central bank bills and corporate bonds. Issuance of Treasury and other government bonds, on the other hand, contracted 20.5% q-o-q. On a y-o-y basis, LCY bond issuance growth moderated to 25.7% in Q2 2022 from 80.4% in Q1 2022.

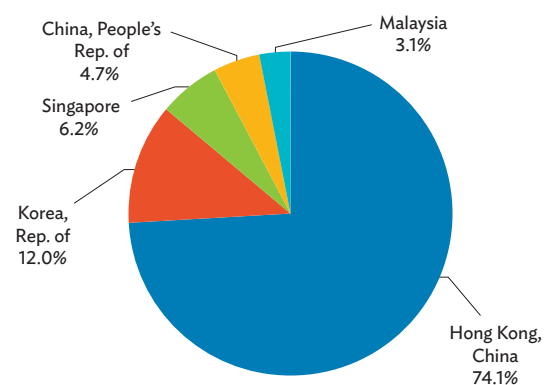
## Cross-Border Bond Issuance

### Emerging East Asia's cross-border bond issuance reached USD7.0 billion in Q2 2022.

Emerging East Asia's cross-border bond issuance totaled USD7.0 billion in Q2 2022, a 20.3% q-o-q decline from the USD8.7 billion raised in the previous quarter. The lower issuance volume for the quarter may be attributed to increased volatility in global yields following a series of Federal Reserve rate hikes since March. Institutions from five economies raised funds via cross-border bond issuance in Q2 2022, a grouping that was once again largely dominated by firms from Hong Kong, China (Figure 9). Other economies that registered cross-border bond issuance during the quarter included the Republic of Korea, Singapore, the PRC, and Malaysia. Monthly issuance volumes amounted to USD3.1 billion, USD1.3 billion, and USD2.6 billion in April, May, and June, respectively. Compared with Q2 2021, cross-border bond issuance posted a marginal decline of 3.8% y-o-y from USD7.3 billion.

Hong Kong, China continued to register the largest issuance volume in the region in Q2 2022 as it is home to the most developed bond market infrastructure, which makes it more accessible and efficient for companies to issue cross-border bonds. Total cross-border bond issuance from firms based in Hong Kong, China amounted to USD5.2 billion in Q2 2022, a 23.5% q-o-q decline from the USD6.8 billion raised in the previous quarter.

**Figure 9: Origin Economies of Intra-Emerging East Asian Bond Issuance in the Second Quarter of 2022**



Source: AsianBondsOnline calculations based on Bloomberg LP data.

Fourteen firms issued cross-border bonds in Q2 2022, all of which were denominated in Chinese yuan. Institutions from the transportation and finance sectors led the issuances in terms of volume, with shares of 41.9% and 24.3%, respectively. China Merchants Group, a PRC state-owned company based in Hong Kong, China and primarily involved in shipping and integrated transportation, was the largest cross-border bond issuer in the region in Q2 2022. China Merchants Group raised a total of USD2.1 billion comprising short-term bonds (CNY10.0 billion) and perpetual bonds (CNY4.0 billion). China Power International, another PRC state-owned company, was the second-largest issuer with an aggregate issuance volume of USD746.3 million. The Hong Kong Mortgage Corporation followed with a total of USD668.4 million via issuance of multitranche bonds. China Everbright Limited and China Tourism were the other notable issuers in Hong Kong, China with issuance volumes of USD447.8 million each.

In the Republic of Korea, three banks issued cross-border bonds in Q2 2022 with an aggregate issuance volume of USD837.8 million. State-owned Korea Development Bank was the largest issuer at USD645.3 million. The state bank issued multiple bonds during the quarter, denominated in both Chinese yuan and Hong Kong dollars, with tenors of 1–10 years. The other two banks that issued cross-border bonds during the quarter were Industrial Bank of Korea (USD162.7 million) and Kookmin Bank (USD29.9 million), all of which were denominated in Chinese yuan.

In Singapore, five institutions issued cross-border bonds in Q2 2022 with an aggregate volume of USD429.3 million. PSA Treasury Pte., a port and harbor operator, led the issuances with USD159.3 million worth of 10-year bonds denominated in Hong Kong dollars. The two other major issuers in Singapore included United Overseas Bank (USD97.0 million) and Singtel Group (USD95.6 million).

Property company CIFI Holdings Group was the sole issuer of cross-border bonds in the PRC, raising USD324.4 million via HKD-denominated 3-year bonds. In Malaysia, Malayan Banking was the sole issuer and raised USD214.9 million via 1-year and 3-year CNY-denominated bonds.

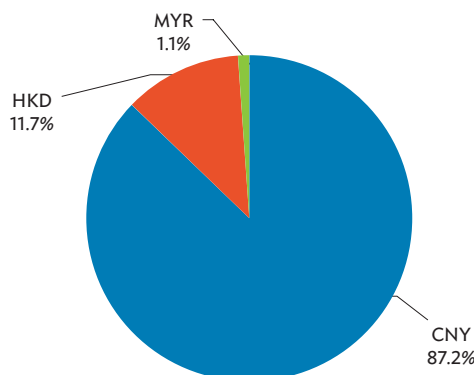
The top 10 issuers of cross-border bonds in Q2 2022 had an aggregate issuance volume of USD6.1 billion and accounted for 87.4% of the regional total.

Seven firms were from Hong Kong, China, led by China Merchants and China Power International. The other three firms were from the Republic of Korea (Korea Development Bank), the PRC (CIFI Holdings), and Malaysia (Malayan Banking).

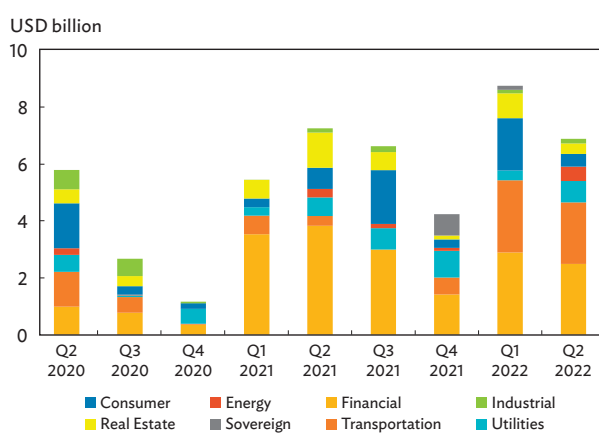
The Chinese yuan continued to be the most widely used currency for cross-border bonds in the region in Q2 2022, with an aggregate issuance volume of USD6.1 billion and a market share of 87.2% (**Figure 10**). Firms from Hong Kong, China; the Republic of Korea; Malaysia; and Singapore issued in this currency. Other currencies used for cross-border bond issuances in Q2 2022 include the Hong Kong dollar (11.7%, USD814.8 million) and Malaysian ringgit (1.1%, USD77.1 million).

In Q2 2022, the financial sector remained the most active issuer of cross-border bonds in emerging East Asia, with an aggregate volume of USD2.5 billion and a 35.6% share of the regional cross-border issuance total (**Figure 11**). The two largest issuers from this sector were the Hong Kong Mortgage Corporation (USD668.4 million) and the Korea Development Bank (USD645.2 million). The transportation sector was the next largest, with aggregate issuance volume of USD2.2 billion comprising 31.0% of the regional total. Two firms from Hong Kong, China accounted for all of the cross-border bond issuance in this sector, China Merchants Group (USD2.1 billion) and Yuexiu Transport (USD74.6 million). The utilities sector registered the largest percentage increase to 10.7% from 3.9% compared with the previous

**Figure 10: Currency Shares of Intra-Emerging East Asian Bond Issuance in the Second Quarter of 2022**



CNY = Chinese yuan, HKD = Hong Kong dollar, MYR = Malaysian ringgit.  
Source: AsianBondsOnline calculations based on Bloomberg LP data.

**Figure 11: Intra-Emerging East Asian Bond Issuance by Sector**

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

Note: Figures were computed based on 30 June 2022 currency exchange rates and do not include currency effects.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

quarter. Other sectors that registered cross-border bond issuance in Q2 2022 were energy, consumer, real estate, industrial, and communications.

## G3 Currency Bond Issuance

### Emerging East Asia's G3 currency bond issuance from January to July amounted to USD165.7 billion.

Emerging East Asian economies issued G3 currency bonds during January–July amounting to USD165.7 billion, a decline of 33.1% y-o-y from January–July 2021's total of USD247.5 billion (Table 4).<sup>4</sup> Among all economies in the region, only Thailand recorded a higher volume of G3 currency issuance during the review period on increased issuance by financial institutions. All other emerging East Asian economies logged large declines as it became more expensive to raise funds in G3 currencies, largely due to Federal Reserve rate hikes and the appreciation of the US dollar versus regional currencies.

In the first 7 months of 2022, 93.2% of the total G3 currency bonds issued by emerging East Asian entities were denominated in US dollars, 5.8% in euros, and 1.0% in Japanese yen. USD-denominated bonds

totalled USD154.5 billion during the January–July period, a decline of 33.3% y-o-y from January–July 2021 on sluggish issuance activity from all economies in emerging East Asia except for Thailand. Issuance of EUR-denominated bonds totalled USD9.6 billion during the review period, a contraction of 32.4% y-o-y, as issuances from the PRC declined and there was an absence of issuance from most other regional markets. Samurai bonds, which are denominated in Japanese yen, totalled USD1.6 billion during the first 7 months of 2022, shrinking 7.6% y-o-y due to a drop in issuance from Indonesia and Hong Kong, China, while Singapore had no G3 currency issuance during the review period.

Entities from the PRC continued to dominate the region in terms of G3 currency bonds issued, raising the equivalent of USD98.7 billion in January–July 2022. The Republic of Korea came next with USD27.9 billion, followed by Hong Kong, China with USD11.6 billion. All issuers in emerging East Asia chose the US dollar as their main currency in their G3 currency fundraising activities during the review period.

An annual drop in G3 currency bond issuance from January to July was posted in nearly all economies in the region: the Philippines (–63.4%); Malaysia (–60.5%); Hong Kong, China (–59.9%); Indonesia (–57.7%); the PRC (–26.9%); Singapore (–9.8%); and the Republic of Korea (–7.4%). Only Thailand posted an expansion with a 4.3% y-o-y growth. Viet Nam did not issue any G3 currency bonds from January to July 2022 after issuing G3 currency bonds during the same period in the preceding year.

From January to July 2022, 59.6% of all emerging East Asian G3 currency bond sales came from the PRC: USD93.1 billion in US dollars, the equivalent of USD5.4 billion in euros, and the equivalent of USD0.2 billion in Japanese yen. In May, NXP BV/NXP Funding issued 12 USD-denominated callable bonds with tenors ranging from 3 to 30 years and totaling USD9.2 billion. The most notable among them was the 11-year bond with a periodic distribution rate of 5.0%. The proceeds from this bond will be used to fund the global semiconductor company's green projects. In July, Easy Tactic issued a triple-tranche USD-denominated callable bond totaling USD5.1 billion—with tenors of 3 years, 5 years, and 6 years—and the same coupon rate of

<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 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

| 2021   |                         |            | January–July 2022                                  |                         |            |
|--|-------------------------|------------|--|-------------------------|------------|
| Issuer   | Amount<br>(USD billion) | Issue Date | Issuer   | Amount<br>(USD billion) | Issue Date |
| <b>China, People's Rep. of</b>                           | <b>217.4</b>            |            | <b>China, People's Rep. of</b>                     | <b>98.7</b>             |            |
| Industrial and Commercial Bank of China 3.200% Perpetual | 6.2                     | 24-Sep-21  | Easy Tactic 7.50% 2027                             | 2.2                     | 11-Jul-22  |
| China Development Bank 0.380% 2022                       | 2.0                     | 10-Jun-21  | China Construction Bank 2.85% 2032                 | 2.0                     | 21-Jan-22  |
| Prosus 3.061% 2031                                       | 1.9                     | 13-Jul-21  | Easy Tactic 7.50% 2028                             | 1.6                     | 11-Jul-22  |
| Others   | 207.4                   |            | Others   | 92.9                    |            |
| <b>Hong Kong, China</b>                                  | <b>39.7</b>             |            | <b>Hong Kong, China</b>                            | <b>11.6</b>             |            |
| Hong Kong, China (Sovereign) 0.000% 2026                 | 1.4                     | 24-Nov-21  | Airport Authority Hong Kong 2.50% 2032             | 1.2                     | 12-Jan-22  |
| NWD Finance 4.125% Perpetual                             | 1.2                     | 10-Jun-21  | Airport Authority Hong Kong 3.25% 2052             | 1.2                     | 12-Jan-22  |
| Hong Kong, China (Sovereign) 0.625% 2026                 | 1.0                     | 2-Feb-21   | Airport Authority Hong Kong 1.75% 2027             | 1.0                     | 12-Jan-22  |
| Others   | 36.1                    |            | Others   | 8.2                     |            |
| <b>Indonesia</b>   | <b>26.4</b>             |            | <b>Indonesia</b>                                   | <b>8.9</b>              |            |
| Indonesia (Sovereign) 3.05% 2051                         | 2.0                     | 12-Jan-21  | Perusahaan Penerbit SBSN Indonesia III 4.400% 2027 | 1.8                     | 6-Jun-22   |
| Perusahaan Penerbit SBSN Indonesia III 1.50% 2026        | 1.3                     | 9-Jun-21   | Perusahaan Penerbit SBSN Indonesia III 4.700% 2032 | 1.5                     | 6-Jun-22   |
| Indonesia (Sovereign) 1.85% 2031                         | 1.3                     | 12-Jan-21  | Freeport Indonesia 5.315% 2032                     | 1.5                     | 14-Apr-22  |
| Others   | 21.9                    |            | Others   | 4.1                     |            |
| <b>Korea, Rep. of</b>                                    | <b>43.9</b>             |            | <b>Korea, Rep. of</b>                              | <b>27.9</b>             |            |
| Posco 0.00% 2026   | 1.2                     | 1-Sep-21   | Export–Import Bank of Korea 1.250% 2025            | 1.0                     | 18-Jan-22  |
| Korea Housing Finance Corporation 0.01% 2026             | 1.1                     | 29-Jun-21  | Korea Development Bank 2.000% 2025                 | 1.0                     | 24-Feb-22  |
| SK Hynix 1.50% 2026                                      | 1.0                     | 19-Jan-21  | Export–Import Bank of Korea 1.625% 2027            | 1.0                     | 18-Jan-22  |
| Others   | 40.6                    |            | Others   | 24.9                    |            |
| <b>Malaysia</b>  | <b>16.0</b>             |            | <b>Malaysia</b>                                    | <b>4.8</b>              |            |
| Petronas Capital 3.404% 2061                             | 1.8                     | 28-Apr-21  | Misc Capital Two (Labuan) 3.75% 2027               | 0.6                     | 6-Apr-22   |
| Petronas Capital 2.480% 2032                             | 1.3                     | 28-Apr-21  | Bank Negara Malaysia 0.00% 2022                    | 0.6                     | 25-Jan-22  |
| Others   | 13.0                    |            | Others   | 3.6                     |            |
| <b>Philippines</b>                                       | <b>10.8</b>             |            | <b>Philippines</b>                                 | <b>2.8</b>              |            |
| Philippines (Sovereign) 3.200% 2046                      | 2.3                     | 6-Jul-21   | Philippines (Sovereign) 4.200% 2047                | 1.0                     | 29-Mar-22  |
| Philippines (Sovereign) 1.375% 2026                      | 1.1                     | 8-Oct-21   | Philippines (Sovereign) 3.556% 2032                | 0.8                     | 29-Mar-22  |
| Others   | 7.5                     |            | Others   | 1.0                     |            |
| <b>Singapore</b>   | <b>16.5</b>             |            | <b>Singapore</b>                                   | <b>8.7</b>              |            |
| BOC Aviation 1.625% 2024                                 | 1.0                     | 29-Apr-21  | United Overseas Bank 0.387% 2025                   | 1.5                     | 17-Mar-22  |
| Temasek Financial I 2.750% 2061                          | 1.0                     | 2-Aug-21   | DBS Bank 2.375% 2027                               | 1.5                     | 17-Mar-22  |
| Others   | 14.5                    |            | Others   | 5.7                     |            |
| <b>Thailand</b>  | <b>4.1</b>              |            | <b>Thailand</b>                                    | <b>2.4</b>              |            |
| Bangkok Bank in Hong Kong, China 3.466% 2036             | 1.0                     | 23-Sep-21  | GC Treasury Center 4.4% 2032                       | 1.0                     | 30-Mar-22  |
| GC Treasury Center 2.980% 2031                           | 0.7                     | 18-Mar-21  | Bangkok Bank in Hong Kong, China 4.3% 2027         | 0.8                     | 15-Jun-22  |
| Others   | 2.4                     |            | Others   | 0.7                     |            |
| <b>Viet Nam</b>  | <b>1.6</b>              |            | <b>Viet Nam</b>                                    | <b>-</b>                |            |
| <b>Emerging East Asia Total</b>                          | <b>376.4</b>            |            | <b>Emerging East Asia Total</b>                    | <b>165.7</b>            |            |
| <b>Memo Items:</b>                                       |                         |            | <b>Memo Items:</b>                                 |                         |            |
| <b>India</b>   | <b>23.7</b>             |            | <b>India</b>                                       | <b>6.8</b>              |            |
| Vedanta Resources 8.95% 2025                             | 1.2                     | 11-Mar-21  | Reliance Industries 3.625% 2052                    | 1.8                     | 12-Jan-22  |
| Others   | 22.5                    |            | Others   | 5.1                     |            |
| <b>Sri Lanka</b>   | <b>0.8</b>              |            | <b>Sri Lanka</b>                                   | <b>0.01</b>             |            |
| Sri Lanka (Sovereign) 7.95% 2024                         | 0.2                     | 3-May-21   | Sri Lanka (Sovereign) 8% 2023                      | 0.01                    | 24-Jan-22  |
| Others   | 0.6                     |            | Others   | 0.0006                  |            |

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 is defined to include 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.
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.

7.5%. The issuance was part of the real estate developer's debt restructuring wherein 10 outstanding bonds were consolidated into the three tranches of the issuance.

Entities from the Republic of Korea accounted for a 16.9% share of all G3 currency bond issuances from the region during the review period: USD25.3 billion was raised in US dollars and the equivalent of USD2.6 billion was raised in euros. From May to July, Kookmin Bank issued nine USD-denominated bonds with tenors of 1–5 years for an aggregate total of USD601.0 million. Toward the end of June, the bank also issued a 4-year EUR-denominated sustainability mortgage-backed bond worth USD511.0 million. Proceeds from the bond will be used to finance new and existing loans. Another prolific issuer during the May–July period was Shinhan Bank, which issued 16 bonds denominated in US dollars with tenors of 1–5 years totaling USD645.0 million.

Hong Kong, China accounted for a regional share of 7.0% of bond issuances denominated in G3 currencies from January to July 2022, comprising USD-denominated bonds totaling USD11.5 billion and JPY-denominated bonds amounting to USD0.1 billion. In June and July, the Hong Kong Mortgage Corporation issued various bonds denominated in US dollars totaling USD680.0 million. The issuances had tenors ranging from 3 months to 5 years and coupon rates of 2.20% to 3.31%. In July, the Bank of East Asia raised USD250.0 million from a 6-year callable USD-denominated bond, the proceeds of which will be used for general corporate purposes.

During the first 7 months of the year, the G3 currency bond issuance of ASEAN member economies fell 48.7% y-o-y.<sup>5</sup> Only USD27.5 billion worth of G3 currency bonds were issued by ASEAN members, well below the USD53.6 billion issuance logged in the first 7 months of 2021, as all member economies except for Thailand slowed their fundraising activities. During the review period, issuance of ASEAN member economies had a regional share of 16.6% of the total issuance of G3 currency bonds, falling from 21.7% in the previous year. In January–July 2022, Indonesia had the most G3 currency bond issuance among ASEAN members, followed by Singapore, Malaysia, the Philippines, and Thailand.

In the January–July review period, Indonesian G3 currency bond issuance comprised 5.4% of the emerging East Asian total. A majority of the issuances were denominated in US dollars totaling USD8.3 billion. A small portion, USD0.6 billion worth, was denominated in Japanese yen. In June, Perusahaan Penerbit SBSN Indonesia III, a special purpose vehicle of the Government of Indonesia, issued a dual-tranche *sukuk* denominated in US dollars. With tenors of 5 years and 10 years, the issuance totaled USD3.3 billion. In the same month, the Government of Indonesia raised the equivalent of USD607.8 million from four tranches of samurai bonds with tenors of 3–10 years. Proceeds from the JPY-denominated debenture will be used to address the government's budget deficit.

Singapore had a 5.2% share of emerging East Asia's G3 currency bond issuance total during the review period, issuing USD7.1 billion in US dollars and the equivalent of USD1.6 billion in euros. In May, Singapore Technologies Engineering Urban Solutions issued a dual-tranche callable bond denominated in US dollars totaling USD1.0 billion. The issuance with tenors of 5 years and 10 years was drawn from the technology company's global medium-term note program. In June, Oversea-Chinese Banking Corporation sold USD750.0 million worth of 10-year USD-denominated callable bonds. Proceeds from the issuance will be used for the bank's general corporate purposes.

The G3 currency bond issuance of Malaysian entities comprised 2.9% of the emerging East Asia total. Issuances of USD-denominated bonds reached USD4.6 billion, while JPY-denominated bonds amounted to USD0.2 billion. From May to July, the BNM issued several zero-coupon Bank Negara Interbank Bills denominated in US dollars totaling USD1.2 billion. Toward the end of July, Malayan Banking raised USD30.0 million from a USD-denominated, 5-year floating-rate bond from the bank's multicurrency medium-term note program.

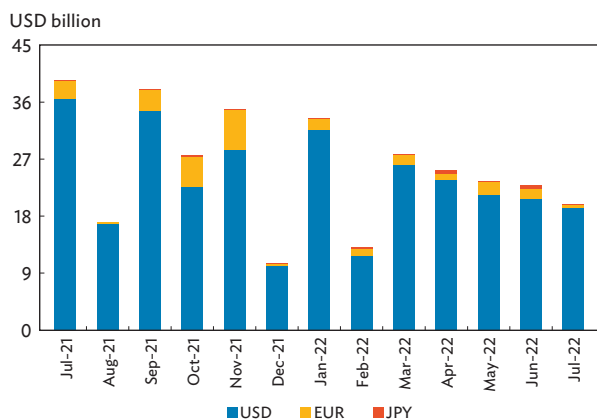
The first 7 months of 2022 saw the Philippines accounting for a 1.7% share of the emerging East Asian G3 currency bond issuance total. By currency, Philippine entities issued USD2.3 billion worth of bonds denominated in US dollars and the equivalent of USD0.5 billion in Japanese yen. All of these issuances occurred on March and April.

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

Thailand had a share of 1.4% of all G3 currency bond issuances from emerging East Asia during the January–July period, with fundraising activities from USD-denominated bonds amounting to USD2.4 billion. In June, Bangkok Bank in Hong Kong, China and the Export–Import Bank of Thailand each issued 5-year USD-denominated bonds worth USD750.0 million and USD350.0 million, respectively. Proceeds from both bonds will be used for general corporate purposes.

**Figure 12** presents monthly G3 currency bond sales of emerging East Asia from July 2021 to July 2022. Issuances trended down after April 2022, following the series of rate hikes by the Federal Reserve. The decline in May was driven by reduced issuance from Hong Kong, China; Malaysia; and Singapore. Entities in Indonesia and the Philippines opted not to issue any G3 currency bonds in May. Even as most economies increased their issuance volumes in June, the regional total was dragged by reduced issuance from the PRC. In July, the increased issuance from the PRC was not enough to lift the region's total as entities from Hong Kong, China and Indonesia limited their issuances, while there was zero G3 currency issuance from Singapore and Thailand during the month.

**Figure 12: G3 Currency Bond Issuance in Emerging East Asia**



EUR = euro, JPY = Japanese yen, USD = United States dollar.

Notes:

1. Emerging East Asia is defined to include 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. Figures were computed based on 31 July 2022 currency exchange rates and do not include currency effects.

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

## Bond Yield Movements

**Yields in most emerging East Asian markets fell on expectations that the Federal Reserve would be less aggressive in its monetary tightening.**

Inflation continues to rise in the global economy, which has led most central banks to tighten monetary policy in response. The Federal Reserve has been particularly aggressive among advanced economy central banks, which has resulted in an overall tightening of global financial conditions.

Markets were concerned when inflation in the US rose to a 40-year high of 9.1% y-o-y in June. This led to some speculation that the Federal Reserve would become even more aggressive and accelerate its monetary policy tightening. Markets collectively breathed a sigh of relief when the Federal Reserve raised policy rates by 75 bps during its 26–27 July meeting.

Market pressure eased further on indications that global inflation might be tapering. Oil prices have been steadily declining since early June. In the US, there were some signs of inflation peaking as growth in the Consumer Price Index fell to 8.5% y-o-y in July. In addition, July producer prices declined 0.5% month-on-month. While economic growth in the US has been weak, with GDP falling an annualized 0.6% in Q2 2022 after a decline of 1.6% in Q1 2022, the Federal Reserve is not yet especially concerned, noting that the labor market remains strong.

While the Federal Reserve had been the most aggressive advanced economy central bank in terms of responding to inflationary pressures in the first half of 2022, the European Central Bank (ECB) has become more aggressive recently, raising its policy rates by 50 bps on 27 July, which was more than the previously indicated 25 bps increase. The ECB judged that a larger interest rate hike was necessary due to inflationary pressure. Unlike in the US, inflation in the euro area did not ease in July and instead rose to 8.9% y-o-y from 8.6% y-o-y in June. In August, inflation further rose to 9.1% y-o-y. GDP growth also slowed to 3.9% y-o-y in Q2 2022 from 5.4% y-o-y in Q1 2022. During its monetary policy meeting, the ECB unveiled its Transmission Protection Instrument, a new facility that allows it to selectively purchase the government bonds of members in the euro area, to help fine-tune its monetary policy.

The Bank of Japan remained the lone advanced economy central bank holdout, choosing to leave its monetary policy mostly unchanged at its 21 July meeting. While inflation has risen in Japan in 2022, it has not approached the levels seen in the US and euro area. Inflation rose to 2.6% y-o-y in July from 2.4% y-o-y in June. In addition, Japan's GDP expanded 3.5% y-o-y in Q2 2022 after growth of only 0.2% y-o-y in Q1 2022.

Most emerging East Asian yields peaked at the start of the second week of July before trending downward. Concerns about the record-setting inflation reading in the US in June eased after indications from the Federal Reserve that it would stick to the expected 75 bps rate hike, which was subsequently borne out during its 26–27 July meeting.

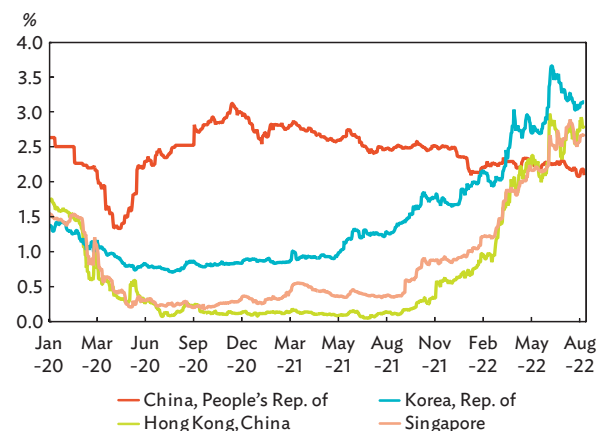
With concerns about the Federal Reserve's actions abating, yields in most emerging East Asian economies began trending downward in July. A notable exception was the PRC, where the 2-year yield has consistently trended downward since November 2020 (Figure 13a), largely due to ongoing weakness in the PRC's economy. The other exceptions were Indonesia, the Philippines, and Viet Nam, whose 2-year yields trended upward between 15 June and 15 August (Figure 13b). Yields for shorter tenors in the Philippines were elevated following an off-cycle rate hike by the Philippine central bank. In the case of Indonesia and Viet Nam, 2-year yields rose as both markets optimized the use of open market operations to keep rates elevated. Emerging East Asia's 10-year yield largely followed its

2-year counterpart. In both Hong Kong, China and Singapore, on the other hand, the decline was much more pronounced for the 10-year yield than for the 2-year yield, which spiked in both markets in July and in August (Figure 14a). Yields in Hong Kong, China and Singapore largely tracked US yields, where the yield curve remained elevated at the shorter-end due to Federal Reserve rate hikes, while longer-term US yields have fallen on easing inflation expectations. In the Philippines, the 10-year yield fell during the review period, in contrast to its 2-year yield, following easing inflation expectations globally (Figure 14b).

Previous monetary tightening in advanced economies and in the region, coupled with easing inflation expectations in the US, led to an overall flattening of yield curves in emerging East Asia from 15 June to 15 August (Figure 15). As markets increasingly expect the Federal Reserve to be less aggressive, yields on longer tenors have declined. Yields on the shorter-end, however, either rose or remained relatively elevated as past monetary actions raised interest rates, particularly shorter-term interest rates, and directly affected the short-end of the government yield curve. This also led to a decline in the 10-year over 2-year yield spread in nearly all emerging East Asian markets except for the PRC (Figure 16).

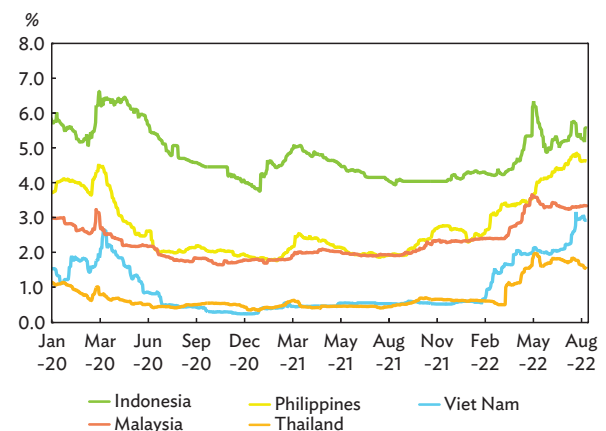
While most markets saw elevated interest rates at the shorter-end of the curve and falling longer-term yields, yields declined across all tenors in the PRC on slowing economic growth, shifting the yield curve downward.

**Figure 13a: 2-Year Local Currency Government Bond Yields**

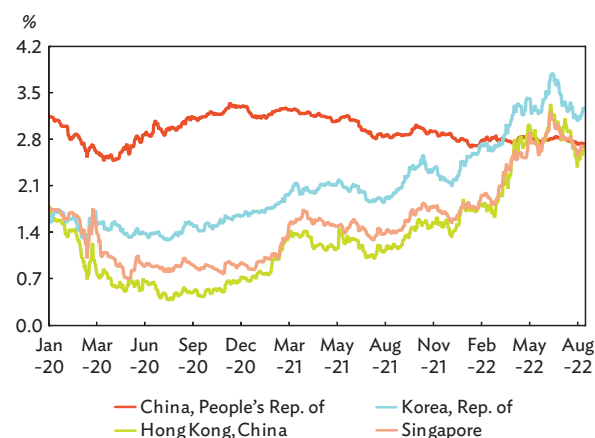


Note: Data coverage is from 1 January 2020 to 15 August 2022.  
Source: Based on data from Bloomberg LP.

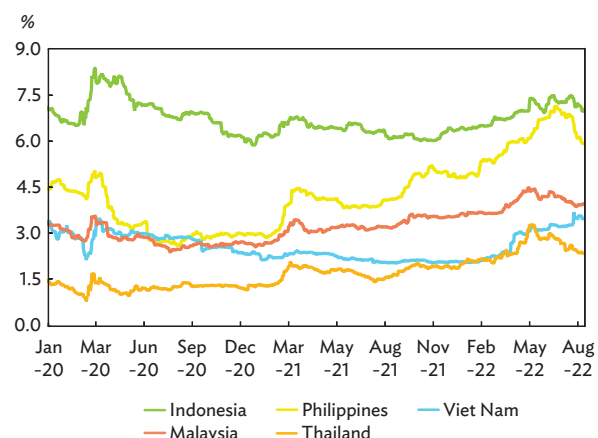
**Figure 13b: 2-Year Local Currency Government Bond Yields**



Note: Data coverage is from 1 January 2020 to 15 August 2022.  
Source: Based on data from Bloomberg LP.

**Figure 14a: 10-Year Local Currency Government Bond Yields**

Note: Data coverage is from 1 January 2020 to 15 August 2022.  
Source: Based on data from Bloomberg LP.

**Figure 14b: 10-Year Local Currency Government Bond Yields**

Note: Data coverage is from 1 January 2020 to 15 August 2022.  
Source: Based on data from Bloomberg LP.

The PRC's GDP barely grew in Q2 2022, rising only 0.4% y-o-y after gaining 4.8% y-o-y in the previous quarter. The slowdown led the government to announce a slew of stimulus measures at the end of May, including tax rebates and reductions for some industries, and a deferral of social security premium payments.

In contrast with other regional markets, Viet Nam's entire yield curve shifted upward. Viet Nam's economy grew rapidly in Q2 2022, expanding 7.7% y-o-y after growth of 5.0% y-o-y in Q1 2022. The outlook for the economy is positive, with Viet Nam's Ministry of Planning and Investment revising its full-year 2022 growth target to 7.0% from 6.0%–6.5% previously. In addition, while Viet Nam's central bank has not yet adjusted its policy rates this year, it indirectly raised interest rates through open market operations. This had a more direct impact on shorter-term interest rates, which led to a much larger uptick compared to longer-term rates.

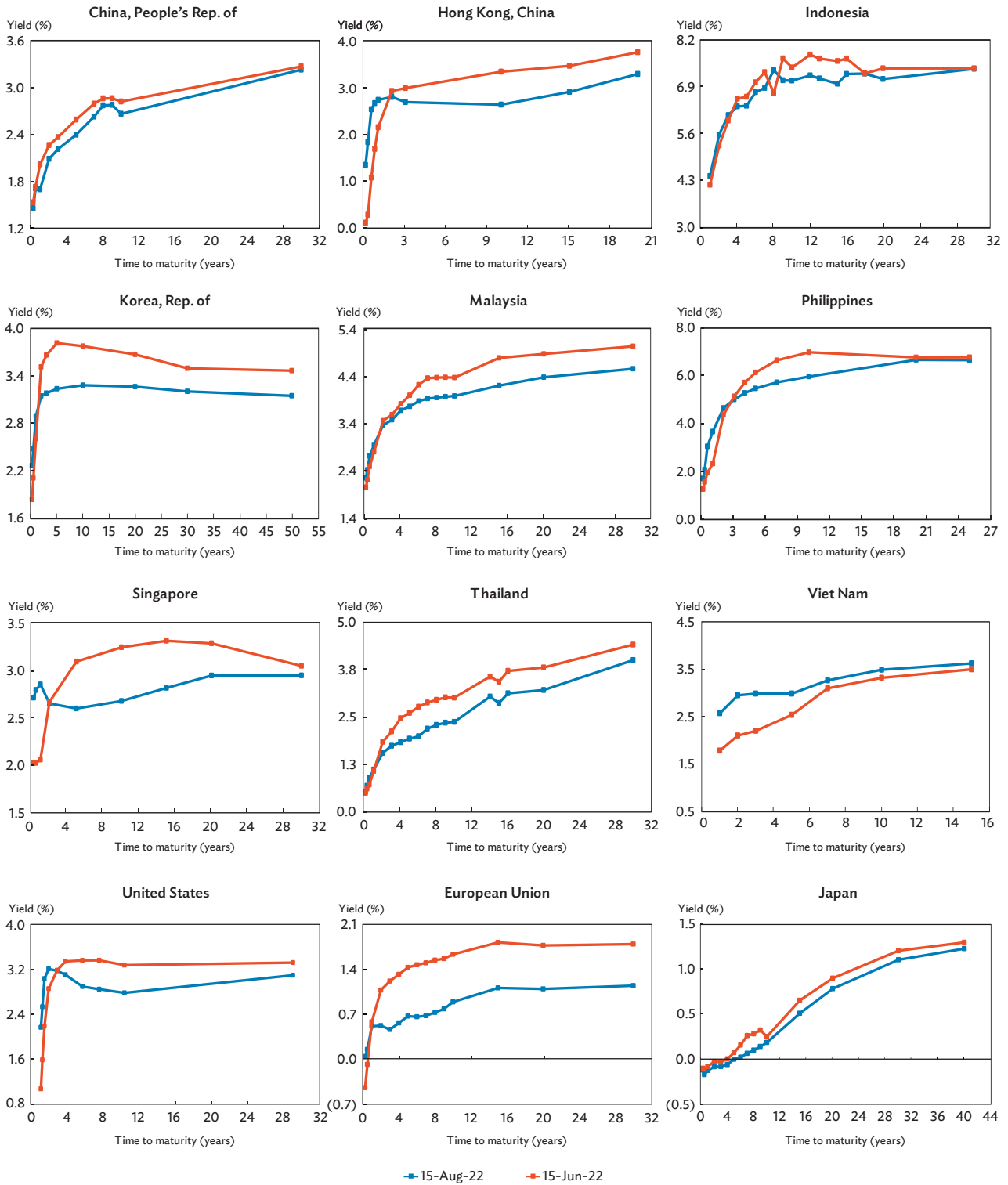
Most emerging East Asian economies showed improved growth in Q2 2022. Indonesia's economy expanded 5.4% y-o-y after gaining 5.0% y-o-y in the prior quarter, while Malaysia posted strong growth of 8.9% y-o-y in Q2 2022, up from 5.0% y-o-y in Q1 2022. Singapore's GDP gained 4.4% y-o-y in Q2 2022 after rising 3.8% y-o-y in Q1 2022. Thailand's growth acceleration was less pronounced, with its GDP expanding 2.5% y-o-y in Q2 2022 versus 2.3% y-o-y in Q1 2022.

The region's remaining markets experienced either a contraction or slowing growth in Q2 2022. Hong Kong, China's GDP continued to contract in Q2 2022, dragged down by supply chain disruptions and the impact of COVID-19 containment measures. The Republic of Korea's GDP growth slowed to 2.9% y-o-y in Q2 2022 from 3.0% y-o-y in Q1 2022, while in the Philippines growth eased to 7.4% y-o-y from 8.2% y-o-y during the same period.

Inflation remained elevated in emerging East Asia, trending upward in most markets. Some markets, such as Thailand and Viet Nam, recently recorded slowing inflation (**Figure 17a**). However, Thailand still had the highest inflation rate in the region in July at 7.6% y-o-y. This was followed by Singapore (7.0% y-o-y), the Philippines (6.4% y-o-y), and the Republic of Korea (6.3% y-o-y), which experienced steadily rising inflation during the review period (**Figure 17b**).

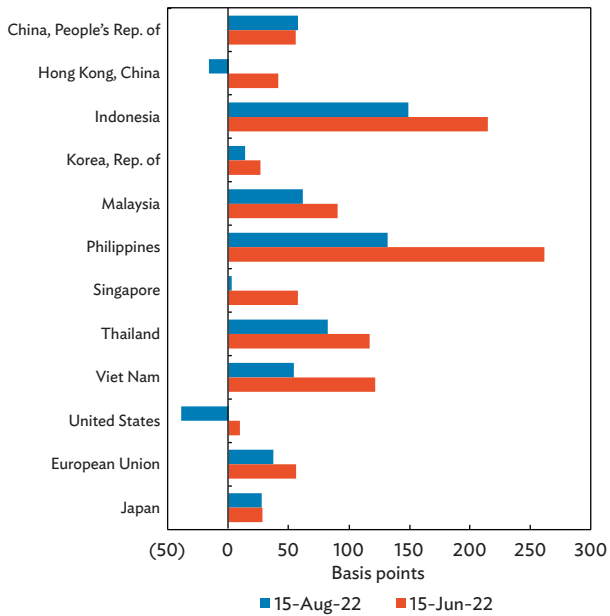
High inflation in Singapore, the Philippines, and the Republic of Korea led to aggressive policy responses by their respective central banks (**Table 5**). The Monetary Authority of Singapore tightened during the review period, leaving the slope and width of the Singapore dollar nominal effective exchange rate unchanged, but recentering the midpoint as part of its second off-cycle adjustment since January. On 14 July, the Philippines raised its policy rate by 75 bps in an

Figure 15: Benchmark Yield Curves—Local Currency Government Bonds



( ) = negative.  
Sources: Based on data from Bloomberg LP and Thai Bond Market Association.

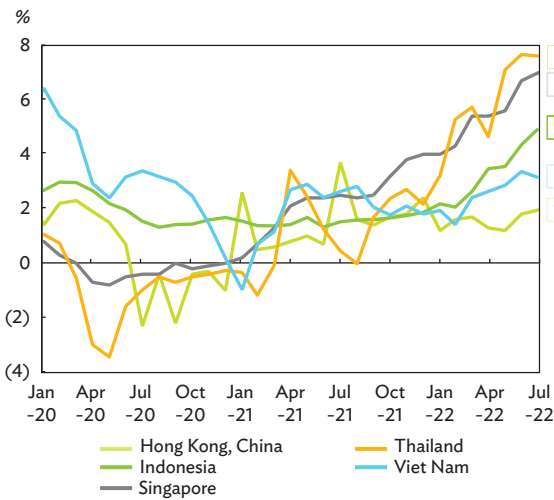
**Figure 16: Yield Spreads between 10-Year and 2-Year Government Bonds**



Source: AsianBondsOnline computations based on Bloomberg LP data.

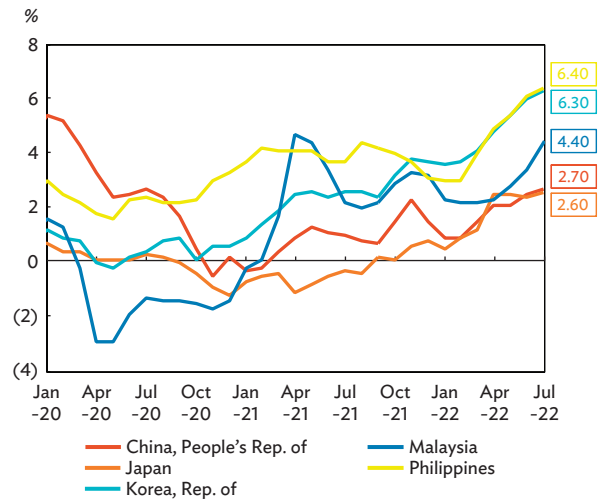
off-cycle meeting. Previous rate hikes had been only 25 bps each in April and May. The Bangko Sentral ng Pilipinas later on raised its policy rate by 50 bps on 18 August. Likewise, the Bank of Korea raised its policy rate by 50 bps on 13 July, which exceeded previous rate hikes of 25 bps each. Subsequently, it announced another 25 bps rate hike on 25 August. Malaysia's (July) and Thailand's (August) central banks also raised their respective policy rates by 25 bps each. More recently, Bank Indonesia raised its policy rate by 25 bps on 23 August, the first time this year it has done so. Previously, Bank Indonesia opted to use other monetary tools to manage liquidity and contain inflation by raising the reserve requirement ratio, lifting 2-week to 1-year money market rates, and beginning to unwind holdings of government bonds accumulated through its burden-sharing agreement with the government. While Viet Nam has yet to adjust its policy rates, the State Bank of Vietnam has utilized open market operations to raise interest rates, using central bank bills and reverse repos to mop up liquidity.

**Figure 17a: Headline Inflation Rates**



Note: Data coverage is from January 2020 to July 2022. Source: Based on data from Bloomberg LP.

**Figure 17b: Headline Inflation Rates**



Note: Data coverage is from January 2020 to July 2022. Source: Based on data from Bloomberg LP.

Table 5: Changes in Monetary Stances in Major Advanced Economies and Emerging East Asia

| Economy                 | Policy Rate<br>15-Aug-2021<br>(%) | Rate Change (%) |              |              |              |              |              |              |              |              |              |              |              | Policy Rate<br>25-Aug-2022<br>(%) | Change in<br>Policy Rates<br>(basis points) |              |
|-------------------------|-----------------------------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------------------------|---|--------------|
|                         |                                   | Aug-<br>2021    | Sep-<br>2021 | Oct-<br>2021 | Nov-<br>2021 | Dec-<br>2021 | Jan-<br>2022 | Feb-<br>2022 | Mar-<br>2022 | Apr-<br>2022 | May-<br>2022 | Jun-<br>2022 | Jul-<br>2022 |                                   |   | Aug-<br>2022 |
| United States           | 0.25                              |                 |              |              |              |              |              | ↑0.25        |              | ↑0.50        | ↑0.75        | ↑0.75        |              | 2.50                              | ↑ 225                                       |              |
| Euro Area               | (0.50)                            |                 |              |              |              |              |              |              |              |              |              | ↑0.50        |              | 0.00                              | ↑ 50  |              |
| United Kingdom          | 0.10                              |                 |              |              |              | ↑0.15        |              | ↑0.25        | ↑0.25        |              | ↑0.25        | ↑0.25        | ↑0.50        | 1.75                              | ↑ 165                                       |              |
| Japan                   | (0.10)                            |                 |              |              |              |              |              |              |              |              |              |              |              | (0.10)                            |   |              |
| China, People's Rep. of | 2.95                              |                 |              |              |              |              | ↓0.10        |              |              |              |              |              | ↓0.10        | 2.75                              | ↓ 20  |              |
| Indonesia               | 3.50                              |                 |              |              |              |              |              |              |              |              |              |              | ↑0.25        | 3.75                              | ↑ 25  |              |
| Korea, Rep. of          | 0.50                              | ↑0.25           |              |              | ↑0.25        |              | ↑0.25        |              |              | ↑0.25        | ↑0.25        |              | ↑0.50        | ↑0.25                             | 2.50  | ↑200         |
| Malaysia                | 1.75                              |                 |              |              |              |              |              |              |              | ↑0.25        |              |              | ↑0.25        | 2.25                              | ↑ 50  |              |
| Philippines             | 2.00                              |                 |              |              |              |              |              |              |              | ↑0.25        | ↑0.25        | ↑0.75        | ↑0.50        | 3.75                              | ↑ 175                                       |              |
| Singapore               | -                                 |                 | ↑            |              |              |              | ↑            |              |              | ↑            |              |              | ↑            | -                                 | -   |              |
| Thailand                | 0.50                              |                 |              |              |              |              |              |              |              |              |              |              | ↑0.25        | 0.75                              | ↑ 25  |              |
| Viet Nam                | 4.00                              |                 |              |              |              |              |              |              |              |              |              |              |              | 4.00                              |   |              |

(-) = negative.

Notes:

1. Data coverage is from 15 August 2021 to 25 August 2022.

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.

3. The up (down) arrow for Singapore signifies monetary policy tightening (loosening) by its central bank. Monetary Authority of Singapore utilizes the exchange rate to guide its monetary policy.

Sources: Various central bank websites.

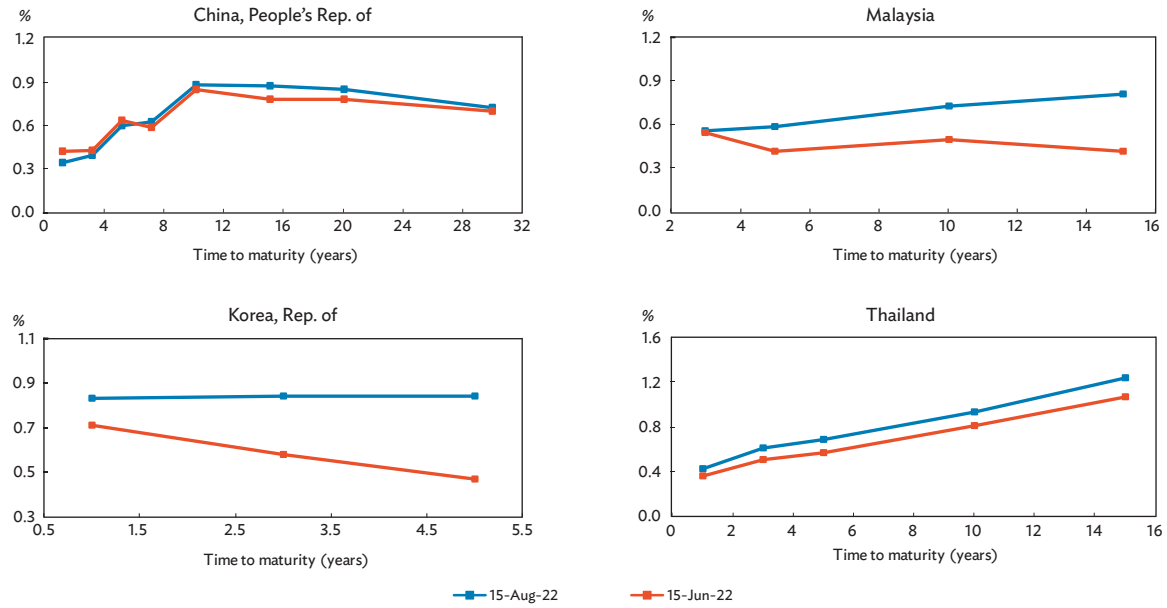
Across the region, only the People's Bank of China engaged in monetary easing in recent months, as the domestic economy continued to weaken. On 15 August, the central bank reduced by 10 bps its 7-day reverse repurchase rate and the 1-year medium-term lending facility rate as part of efforts to revive economic growth. Later, on 22 August, the People's Bank of China reduced the 1-year loan prime rate by 5 bps and the 5-year loan prime rate by 15 bps.

### Corporate spreads between AAA-rated and government yields largely rose.

The spread between AAA-rated yields and government yields rose during the review period in all four markets for which data are available on a softening outlook for the global economy (**Figure 18a**). These developments also led to a jump in lower-rated yields in the PRC and Malaysia (**Figure 18b**). Lower-rated yield spreads, however, were unchanged for the Republic of Korea but fell in Thailand.

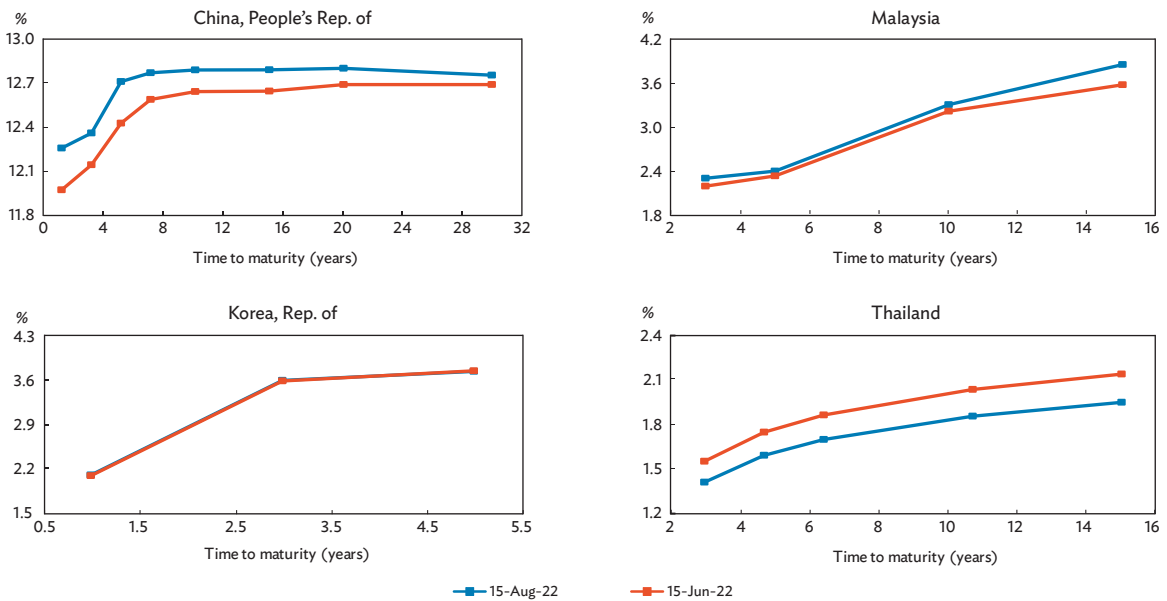


Figure 18a: Credit Spreads—Local Currency Corporates Rated AAA versus Government Bonds



Notes:  
 1. Credit spreads are obtained by subtracting government yields from corporate indicative yields.  
 2. Corporate yields for Malaysia are as of 14 June 2022 and 12 August 2022. For the Republic of Korea, corporate yields are as of 15 June 2022 and 11 August 2022.  
 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 18b: Credit Spreads—Lower-Rated Local Currency Corporates versus AAA



Notes:  
 1. Credit spreads are obtained by subtracting government yields from corporate indicative yields.  
 2. Corporate yields for Malaysia are as of 14 June 2022 and 12 August 2022. For the Republic of Korea, corporate yields are as of 15 June 2022 and 11 August 2022.  
 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).