

Recent Developments in ASEAN+3 Sustainable Bond Markets

Sustainable Bonds Outstanding

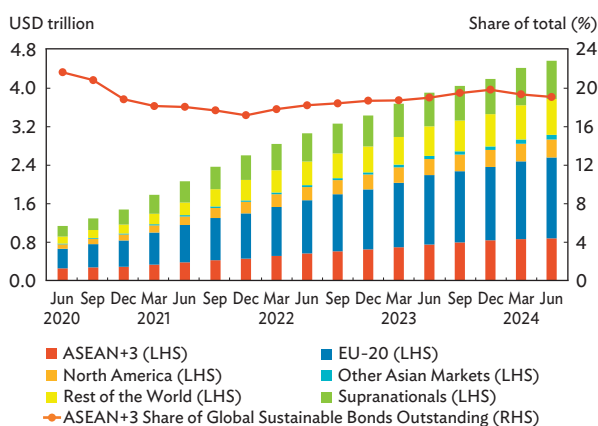
ASEAN+3’s sustainable bonds outstanding reached USD868.1 billion at the end of June on a robust annual expansion of 17.4%.⁶ ASEAN+3 market’s expansion exceeded that of the European Union 20 (EU-20) (16.5%) and the global (17.0%) sustainable bond markets during the second quarter (Q2) of 2024. On a quarter-on-quarter (q-o-q) basis, however, the ASEAN+3 sustainable bond market’s expansion moderated to 1.9% in Q2 2024 from 2.9% in the previous quarter due to a high volume of bond maturities. Association of Southeast Asian Nations (ASEAN) markets led the region in terms of quarterly growth at 6.4% q-o-q, supported by strong issuance. Meanwhile, ASEAN+3 accounted for 19.0% of total global sustainable bonds

outstanding at the end of June and remained the second-largest regional market after the EU-20 (36.9%) (Figure 15). Nevertheless, the ASEAN+3 sustainable bond market’s relative size as a share of its general bond market is only 2.3%, which is much lower than the EU-20’s corresponding share of 7.8%.

The ASEAN+3 sustainable bond market was dominated by green bonds, local currency (LCY) financing, and private sector participation at the end of June (Figure 16). In contrast to the EU-20, the ASEAN+3 sustainable bond market’s issuer and currency profiles differ from those of the region’s general bond market.

- By instrument, green bonds accounted for 61.6% of total sustainable bonds outstanding in ASEAN+3, followed by social bonds (18.2%), sustainability bonds (13.9%), and transition-related bonds (6.3%).

Figure 15: Global Sustainable Bonds Outstanding



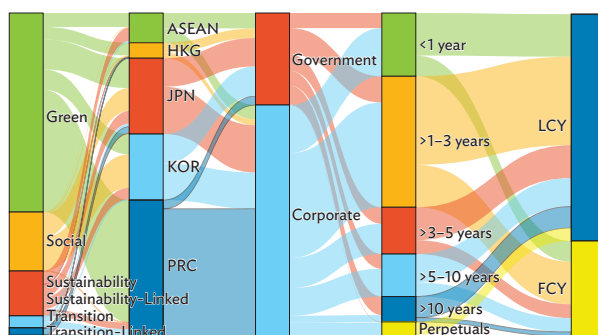
ASEAN+3 = Association of Southeast Asian Nations plus the People’s Republic of China; Hong Kong, China; Japan; and the Republic of Korea;
EU-20 = European Union 20; LHS = left-hand side; RHS = right-hand side;
USD = United States dollar.

Notes:

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

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

Figure 16: Market Profile of Outstanding ASEAN+3 Sustainable Bonds at the End of June 2024



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

Notes:

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

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

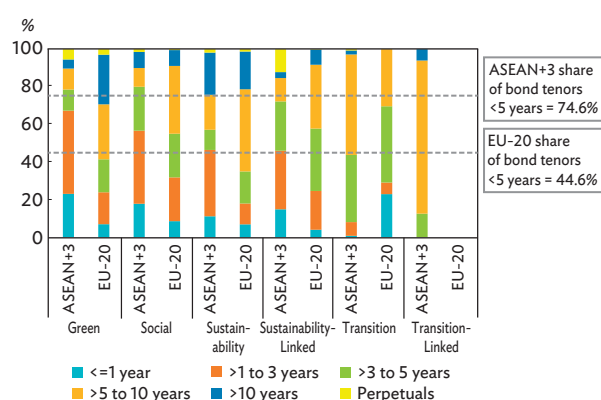
⁶ ASEAN+3 is defined to include member states of the Association of Southeast Asian Nations (ASEAN) plus the People’s Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

- By market, the People's Republic of China (PRC) accounted for 42.1% of ASEAN+3 sustainable bonds outstanding at the end of June, which was lower than PRC's share of 55.2% in the ASEAN+3 general bond market. ASEAN markets accounted for 9.2% of sustainable bonds outstanding in ASEAN+3, higher than their share of 6.0% in the ASEAN+3 general bond market.
- By issuer type, the private sector accounted for 71.5% of sustainable bonds outstanding at the end of Q2 2024, a stark contrast with its share of only 25.6% in the general bond market. In the EU-20, the private sector's presence does not differ as much between the sustainable and general bond markets as it does in ASEAN+3: At the end of Q2 2024, the private sector comprised 50.8% and 38.8% of the EU-20's sustainable bond market and general bond market, respectively. Within ASEAN+3, the public sector's presence in the sustainable bond market was highest in Hong Kong, China (62.3%) and ASEAN (51.7%).
- By currency, LCY-denominated bonds accounted for 70.2% of the ASEAN+3 sustainable bond market, well below the corresponding share of 96.7% in the general bond market. The LCY-denominated shares in the sustainable versus general bond markets are

much closer in the EU-20 than in ASEAN+3. In the EU-20, the LCY-denominated share in the sustainable bond market is 90.0%, similar to the 90.6% share in its general bond market.

The ASEAN+3 sustainable bond market largely comprises short- to medium-term financing. At the end of Q2 2024, about 74.6% of ASEAN+3 sustainable bonds outstanding carried tenors of 5 years or less, which was much more than the EU-20's share of 44.6% (Figure 17). These shorter-term tenors are most prevalent among social (80.0%), green (78.5%), and sustainability-linked (72.2%) bonds. Sustainable bonds outstanding in ASEAN markets have relatively longer tenors, with bonds bearing maturities of over 5 years accounting for 65.5% of total sustainable bonds outstanding at the end of June (Figure 18). The larger share of longer-term financing in ASEAN sustainable bond markets is mainly driven by the active participation of the public sector, which accounts for 51.7% of total bonds outstanding. Specifically, the governments of Indonesia, Singapore, and Thailand remain active issuers of sustainable bonds. Overall, ASEAN+3's sustainable bond market had a size-weighted average tenor of 4.3 years at the end of Q2 2024 (versus 8.1 years in the EU-20 and 7.6 years in the ASEAN+3

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



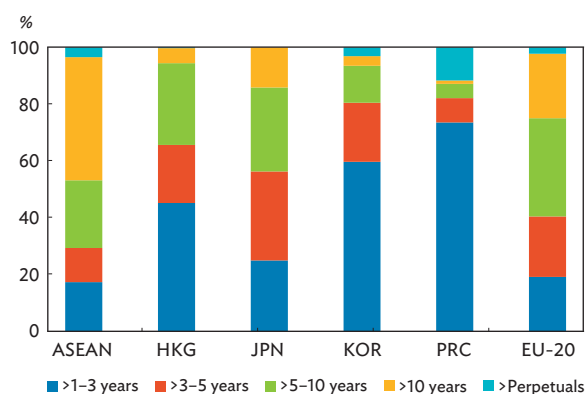
ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea; EU-20 = European Union 20.

Notes:

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

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

Figure 18: Maturity Profiles of ASEAN+3 and European Union 20 Sustainable Bonds Outstanding at the End of June 2024



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

Notes:

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

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

general bond market). Meanwhile, the size-weighted average tenor in ASEAN was almost three times higher at 11.1 years. Within ASEAN, Singapore (16.7 years) and the Philippines (12.7 years) had the longest size-weighted average tenor.

Sustainable Bond Issuance

ASEAN+3 sustainable bond issuance rebounded to USD51.0 billion in Q2 2024, rising 1.6% q-o-q after contracting 10.7% q-o-q in the prior quarter.

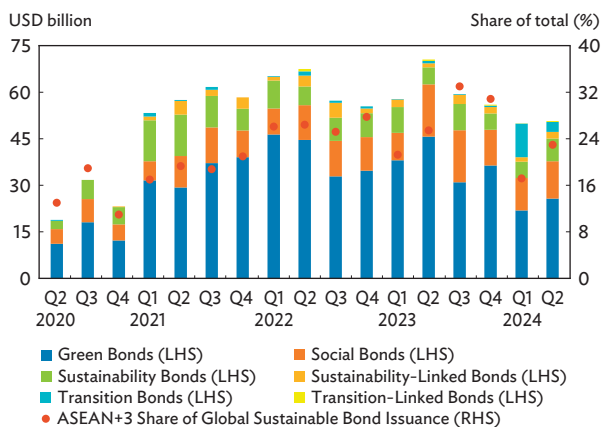
ASEAN+3's sustainable bond issuance accounted for 23.1% of the global total, up from 17.3% in the first quarter of 2024 (Figure 19). All sustainable bond types in ASEAN+3 posted q-o-q gains except for transition bonds. The most recent innovative bond instrument, transition-linked bonds, were issued by Japanese corporates to finance a total of USD0.4 billion in Q2 2024.⁷ The PRC was the largest green and sustainability bond issuer in ASEAN+3 during the quarter, accounting for 69.2% and 39.9% of ASEAN+3's green and sustainability bond issuance, respectively. ASEAN markets were the second-largest issuer of both green bonds and sustainability bonds, with corresponding shares of 13.6% and 23.1%, respectively. Japan and the PRC dominated ASEAN+3

sustainability-linked bond issuance during the quarter, with comparable shares of 47.6% and 44.4%, respectively. Almost all transition bond (97.8%) and all transition-linked bond (100.0%) issuance during Q2 2024 came from Japan.

LCY-denominated, private sector, and shorter-term financing formed the bulk of sustainable bond issuance in ASEAN+3 during Q2 2024 (Figure 20).

- By currency, LCY bond issuance comprised 79.3% of the ASEAN+3 issuance total in Q2 2024, which was less than the LCY share of 94.7% in the general bond market during the same quarter. Again, the currency profile for sustainable bond issuance in the EU-20 was similar to that of the general bond market in Q2 2024. In the EU-20, the shares of LCY bond issuance in the sustainable (87.2%) and general (85.3%) bond markets were comparable.
- By maturity, 69.6% of ASEAN+3 sustainable bond issuance in Q2 2024 carried tenors of 5 years or less. These shorter-tenor issuances (5 years or less) were more prevalent in non-ASEAN economies (74.4%), while longer-tenor issuances (over 5 years) were more prevalent in ASEAN markets (70.6%).⁸

Figure 19: ASEAN+3 Sustainable Bond Issuance and Share of Global Total

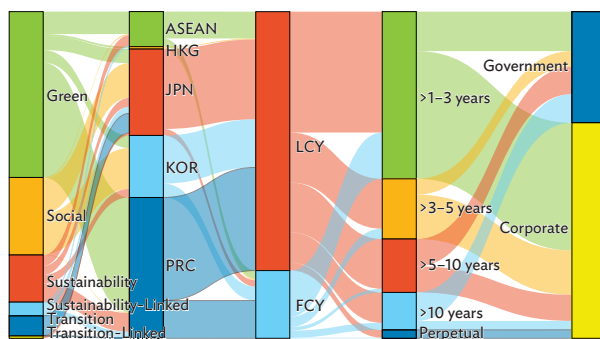


ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea; LHS = left-hand side; Q1 = first quarter; Q2 = second quarter; Q3 = third quarter; Q4 = fourth quarter; RHS = right-hand side; USD = United States dollar.

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

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

Figure 20: Market Profile of ASEAN+3 Sustainable Bond Issuance in the Second Quarter of 2024



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

Notes:

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

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

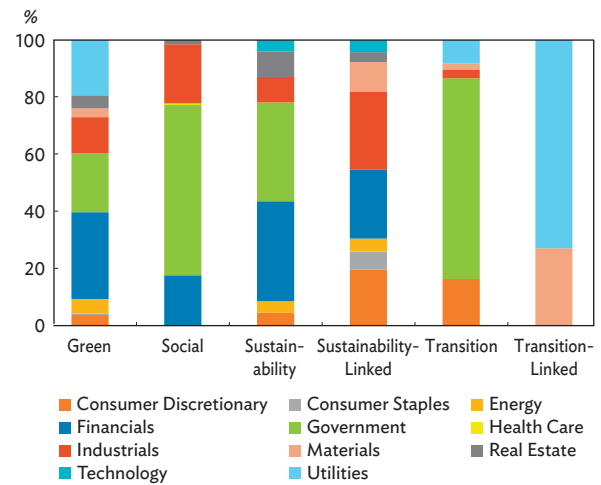
⁷ Transition-linked bonds are sustainability-linked bonds in which one or more of the key performance indicators include monitoring greenhouse gas emission reductions.

⁸ In the EU-20, bonds with maturities over 5 years comprised 79.0% of total sustainable bond issuance during the quarter, and those with shorter-term tenors had a 21.0% share.

The higher share of longer-term issuance in ASEAN markets is driven by the public sector, as nearly 80% of public sector issuance in ASEAN during Q2 2024 carried maturities of more than 5 years. ASEAN+3 sustainable bond issuance during the quarter had a size-weighted average tenor of 6.9 years, which was less than in the EU-20 sustainable bond market (9.6 years) and the ASEAN+3 general bond market (8.7 years). Meanwhile, the size-weighted average tenor of sustainable bond issuance in ASEAN markets in Q2 2024 was 18.0 years, due to active public sector issuance.

- Private sector issuance comprised 66.0% of total ASEAN+3 sustainable bond issuance in Q2 2024. While the public sector's issuance share during the quarter was relatively smaller, it comprised more longer-term bonds, accounting for 62.1% of sustainable bonds with tenors of more than 10 years. The private sector in ASEAN+3 was most active in green bond financing, accounting for 79.4% of ASEAN+3's green bond issuance (**Figure 21**). The public sector was a major issuer of ASEAN+3's social bond (59.8%) and transition bond (70.4%) issuance in Q2 2024. Financial institutions were the dominant private sector issuer during the quarter, accounting for 38.9% of total private sector sustainable bond issuance.

Figure 21: ASEAN+3 Sustainable Bond Issuance by Sector in the Second Quarter of 2024



Notes:

- ASEAN+3 is defined to include member states of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
 - Data include both local currency and foreign currency issues.
- Source: *AsianBondsOnline* computations based on Bloomberg LP data.