

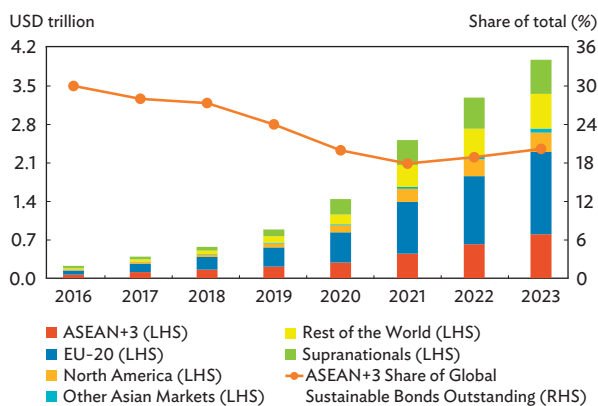
Recent Developments in ASEAN+3 Sustainable Bond Markets

The sustainable bond market in ASEAN+3 reached a size of USD798.7 billion at the end of 2023, expanding more than sevenfold from USD109.7 billion in 2017.⁵ The expansion reflected average annual growth of 43.0% over the past 7 years, which is lower than the global sustainable bond market’s average annual growth rate of 52.2% over the same period (Figure 16). In 2023, however, the ASEAN+3 sustainable bond market grew 29.3% year-on-year (y-o-y), posting a faster annual rate of expansion than the global sustainable bond market (21.0%) and the European Union (EU-20) market (21.0%). Rapid expansion in 2023 pushed up ASEAN+3’s share of total global sustainable bonds outstanding (USD4.0 trillion) to 20.1% from 18.8% in 2022, although this still trailed the EU-20’s share of 37.7%. Despite the rapid expansion, sustainable bonds outstanding in ASEAN+3 only accounted for 2.1% of the region’s general bond market at the end of 2023, which

was much lower than the corresponding share of 6.9% in the EU-20.

Green bonds, corporate bonds, and local currency (LCY) bonds are the most prevalent instruments in ASEAN+3 sustainable bond markets. Figure 17 presents the profile of outstanding sustainable bonds in ASEAN+3. Green bonds are the most common bond type, accounting for 63.8% of the ASEAN+3 total, followed by social bonds (17.2%). The People’s Republic of China (PRC) has the largest sustainable bond market in ASEAN+3, accounting for 43.4% of the region’s total sustainable bonds outstanding at the end of 2023. However, this was lower than the PRC’s share of 54.3% in the ASEAN+3 general bond market. ASEAN markets accounted for 9.1% of the regional total, higher than ASEAN’s share of 6.1% in the region’s general bond market. Around 74% of outstanding sustainable bonds in

Figure 16: Global Sustainable Bonds Outstanding



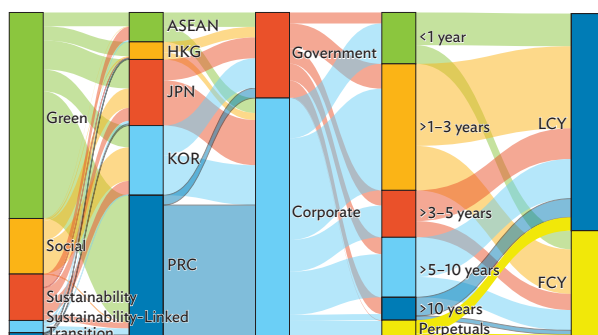
ASEAN+3 = Association of Southeast Asian Nations plus the People’s Republic of China; Hong Kong, China; Japan; and the Republic of Korea; EU = European Union; LHS = left-hand side; RHS = right-hand side; USD = United States dollar.

Notes:

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

Source: AsianBondsOnline calculations based on Bloomberg LP data.

Figure 17: Market Profile of Outstanding ASEAN+3 Sustainable Bonds at the End of December 2023



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

Notes:

- 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.
- ASEAN comprises the markets of Cambodia, Indonesia, the Lao People’s Democratic Republic, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

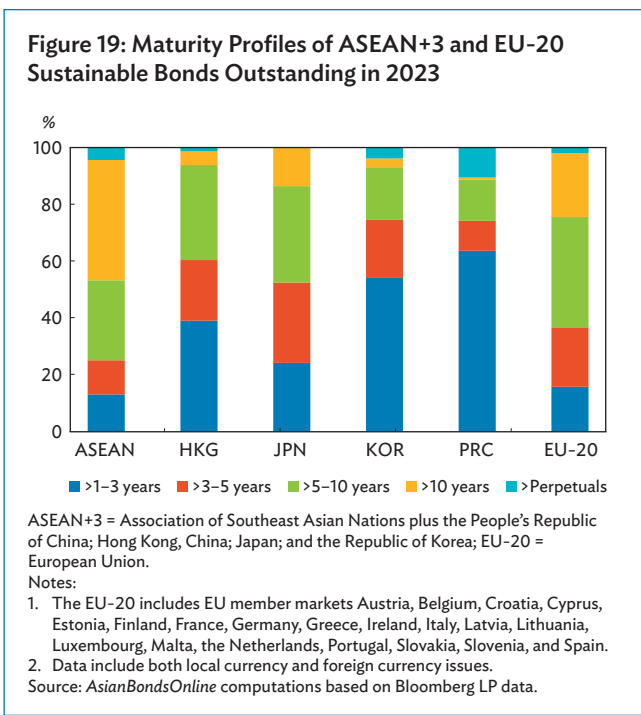
Source: AsianBondsOnline calculations based on Bloomberg LP data.

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

ASEAN+3 at the end of 2023 were issued by the private sector, this contrasts with the private sector’s much smaller share of 25.8% in the ASEAN+3 general bond market. While ASEAN+3 sustainable bonds outstanding at the end of 2023 were mostly issued in domestic currencies (67.2%), this was well below the LCY bond share of 94.8% in the ASEAN+3 general bond market. In the EU-20, the share of LCY bonds among total outstanding sustainable bonds (89.9%) was similar to the corresponding LCY share in the EU-20 general bond market (90.6%).

ASEAN markets have a relatively high share of long-term sustainable bonds due to public sector issuance.

As shown in **Figure 18**, 69.6% of outstanding ASEAN+3 sustainable bonds at the end of 2023 carried a tenor of 5 years or less. The size-weighted average tenor of outstanding ASEAN+3 sustainable bonds was 4.5 years. This contrasts with the corresponding average tenor of 8.7 years in the EU-20, where only 38.8% of outstanding sustainable bonds carried a tenor of 5 years or less at the end of 2023. However, in ASEAN markets, 68.6% of outstanding sustainable bonds had a tenor longer than 5 years at the end of December (**Figure 19**), which was higher than the corresponding shares in the PRC (20.9%), Japan (43.1%), and the Republic of Korea (20.3%), as well as the EU-20 (61.2%). Longer average

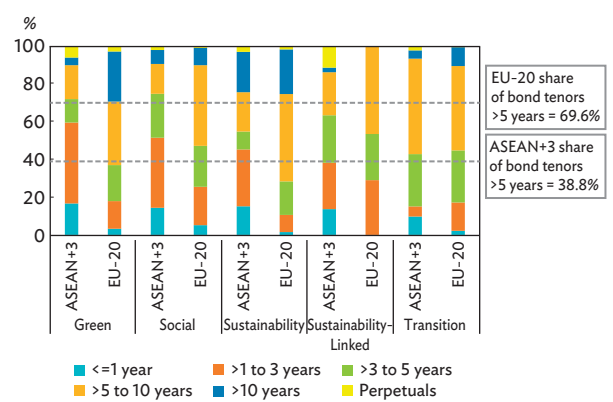


tenors in ASEAN markets are being driven by public sector issuances, which accounted for 49.1% of ASEAN sustainable bonds outstanding at the end of 2023, compared with 26.5% in the ASEAN+3 sustainable bond market. In ASEAN markets, the size-weighted average tenor of sustainable bonds issued in the public sector is 15.9 years, which is much higher than the corresponding average of 6.0 years for sustainable bonds issued in the private sector. This is also the case in the ASEAN+3 sustainable bond market, where the size-weighted average tenor of public sector sustainable bonds outstanding is 6.9 years, while the corresponding figure for the private sector is only 3.6 years.

Sustainable bond issuance in ASEAN+3 totaled USD242.2 billion in 2023, just behind the EU-20’s USD288.3 billion.

Due to higher interest rates, global sustainable bond issuance declined from USD896.1 billion in 2022 to USD846.2 billion in 2023. While issuance in ASEAN+3 declined by 1.4% y-o-y, it still outperformed issuance growth in the EU-20, where a 7.5% y-o-y contraction was recorded. As a result, ASEAN+3’s share of global sustainable bond issuance inched up to 28.6% in 2023 from 27.4% a year earlier (**Figure 20**). Issuance of all sustainable bond types in ASEAN+3 posted declines in 2023 except for social bonds, which rose 27.5% y-o-y. The robust issuance of social bonds in the region was largely supported by Japan and the Republic of Korea. In 2023, some large social bond issuances from Japan

Figure 18: Maturity Profiles of ASEAN+3 and EU-20 Sustainable Bonds Outstanding by Type of Bond at the End of December 2023



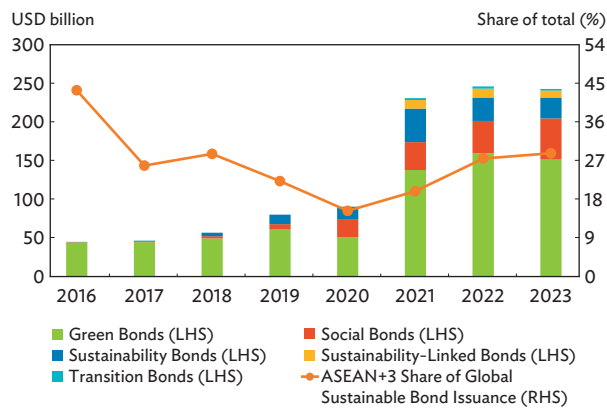
ASEAN+3 = Association of Southeast Asian Nations plus the People’s Republic of China; Hong Kong, China; Japan; and the Republic of Korea; EU = European Union.

Notes:

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

Figure 20: ASEAN+3 Sustainable Bond Issuance and Share of the Global Total

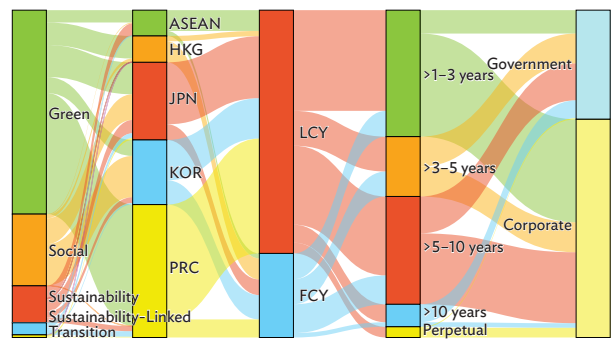


ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea; LHS = left-hand side; RHS = right-hand side; USD = United States dollar.

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

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

Figure 21: Market Profile of ASEAN+3 Sustainable Bond Issuance in 2023



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

Notes:

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

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

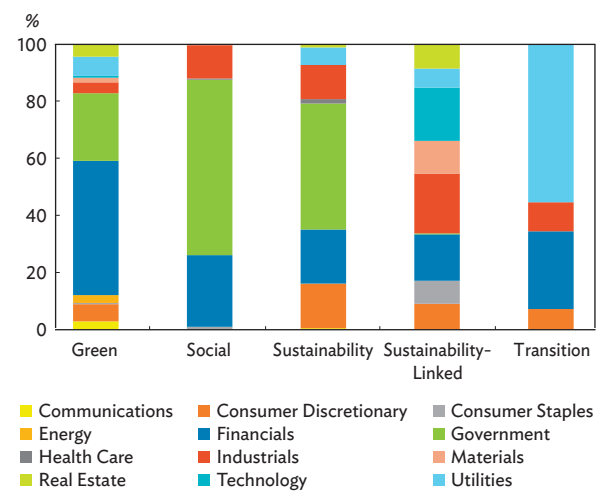
and the Republic of Korea included Japan Expressway Holding and Debt Repayment Agency (USD9.4 billion), West-Nippon Expressway Company (USD3.3 billion), Korea Housing Finance Corporation (USD8.0 billion), and Korea SMEs and Startups Agency (USD3.4 billion).

The majority of sustainable bond issuance in ASEAN+3 in 2023 was LCY-denominated, carried a short tenor, and came from the private sector.

In 2023, 56.9% of sustainable bonds issued in the region carried maturities of 5 years or less, including 38.6% with maturities of 3 years or less (Figure 21). Sustainable bond issuances in ASEAN+3 in 2023 had a size-weighted average tenor of 6.2 years, which was below the EU-20's corresponding 8.8 years and the ASEAN+3 general bond market's 8.4 years. Similarly, in ASEAN markets, 84.9% of sustainable bonds issued in 2023 carried a longer tenor of more than 5 years. While 74.3% of ASEAN+3 sustainable bond issuance was LCY-denominated in 2023, this was less than the corresponding LCY issuance shares of 88.9% in the EU-20 sustainable bond market and 96.4% in the ASEAN+3 general bond market. In 2023, regional sustainable bond markets with the highest LCY issuance shares were the PRC (86.4%) and ASEAN markets (80.6%). In ASEAN, the relatively high share of LCY sustainable bond issuance was mostly driven by the public sector. In ASEAN markets, 61.2% of LCY-denominated sustainable bond issuance was from the public sector, while the corresponding share was only 38.8% for the private sector. In ASEAN+3, the private sector accounted

for 66.7% of overall sustainable bond issuance in 2023, in contrast to the private sector's much smaller share of 29.6% in the general bond market. Public sector issuances were most prevalent in the social bond segment in 2023, accounting for 61.6% of regional social bond issuance (Figure 22).

Figure 22: ASEAN+3 Sustainable Bond Issuance by Industry Sector in 2023



ASEAN = Association of Southeast Asian Nations.

Notes:

1. ASEAN+3 is defined to include member states of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
2. Data include both local currency and foreign currency issues.

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