

## Hong Kong, China

Hong Kong, China's local currency (LCY) bond market reached a size of HKD2,770.5 billion (USD355.1 billion) at the end of the fourth quarter (Q4) of 2022. Overall growth slowed to 0.8% quarter-on-quarter (q-o-q) in Q4 2022 from 4.9% q-o-q in the third quarter as expansion in both the government and corporate bond segments moderated. On a year-on-year basis, growth eased to 9.7% in Q4 2022 from 13.2% in the previous quarter.

Table 1: Size and Composition of the Local Currency Bond Market in Hong Kong, China

	Outstanding Amount (billion)						Growth Rate (%)			
	Q4 2021		Q3 2022		Q4 2022		Q4 2021		Q4 2022	
	HKD	USD	HKD	USD	HKD	USD	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	<b>2,525</b>	<b>324</b>	<b>2,748</b>	<b>350</b>	<b>2,770</b>	<b>355</b>	<b>4.0</b>	<b>5.0</b>	<b>0.8</b>	<b>9.7</b>
Government	1,317	169	1,433	183	1,446	185	5.2	11.2	0.9	9.8
Exchange Fund Bills	1,125	144	1,174	150	1,186	152	5.7	7.9	1.0	5.4
Exchange Fund Notes	23	3	22	3	21	3	(3.3)	(6.4)	(3.6)	(9.4)
HKSAR Bonds	168	22	236	30	239	31	2.7	44.4	0.9	41.9
Corporate	1,208	155	1,315	168	1,324	170	2.7	(1.0)	0.7	9.6

(-) = negative, HKD = Hong Kong dollar, HKSAR = Hong Kong Special Administrative Region, q-o-q = quarter-on-quarter, Q3 = third quarter, Q4 = fourth quarter, USD = United States dollar, y-o-y = year-on-year.

Notes:

- Bloomberg LP end-of-period local currency-USD rates are used.
- Growth rates are calculated from a local currency base and do not include currency effects.

Source: Hong Kong Monetary Authority.

Issuance of LCY corporate bonds amounted to HKD194.1 billion in Q4 2022, down 19.7% q-o-q from HKD241.6 billion in the preceding quarter amid tighter liquidity conditions. Sustained monetary policy tightening by the United States Federal Reserve continued to affect Hong Kong, China's financial market due to the Hong Kong dollar's peg to the United States dollar. Among the notable issuances in Q4 2022 was Hong Kong Mortgage Corporation's inaugural social bond, a dual-currency issuance that included an HKD8.0 billion 2-year bond.<sup>11</sup>

Table 2: Notable Local Currency Corporate Bond Issuances in the Fourth Quarter of 2022

Corporate Issuers	Coupon Rate (%)	Issued Amount (HKD billion)	Corporate Issuers	Coupon Rate (%)	Issued Amount (HKD billion)
Hong Kong Mortgage Corporation			MTR		
0.5-year bond	4.83	1.0	1-year bond	5.08	1.0
1-year bond	5.25	0.6	2-year bond	4.85	0.7
2-year social bond	5.00	8.0	3-year bond	5.10	0.5
3-year bond	5.06	0.3	AIA Group		
Link Holdings			3-year bond	5.04	1.2
5-year bond	4.50	3.3	The Hong Kong and China Gas Company		
			2-year bond	4.05	0.3
			3-year bond	4.82	0.4

HKD = Hong Kong dollar.

Source: Bloomberg LP.

<sup>11</sup> The issuance also included a CNY3.0 billion 3-year bond tranche.

The outstanding bonds of the top 30 nonbank corporate issuers in Hong Kong, China totaled HKD323.5 billion at the end of December, representing a 24.4% share of the LCY corporate bond market. With an outstanding bond stock of HKD92.6 billion, state-owned Hong Kong Mortgage Corporation remained the top issuer. Finance, real estate, and transportation companies dominated the top 30 list.

Table 3: Top 30 Nonbank Issuers of Local Currency Corporate Bonds in Hong Kong, China

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (HKD billion)	LCY Bonds (USD billion)			
1.	Hong Kong Mortgage Corporation	92.6	11.9	Yes	No	Finance
2.	Sun Hung Kai & Co.	19.8	2.5	No	Yes	Finance
3.	The Hong Kong and China Gas Company	19.3	2.5	No	Yes	Utilities
4.	MTR	16.4	2.1	Yes	Yes	Transportation
5.	New World Development	15.3	2.0	No	Yes	Diversified
6.	Airport Authority	15.2	2.0	Yes	No	Transportation
7.	Henderson Land Development	14.2	1.8	No	Yes	Real Estate
8.	Hang Lung Properties	12.5	1.6	No	Yes	Real Estate
9.	Link Holdings	11.9	1.5	No	Yes	Finance
10.	Hongkong Land	11.5	1.5	No	No	Real Estate
11.	Wharf Real Estate Investment Company	11.2	1.4	No	Yes	Finance
12.	AIA Group	8.8	1.1	No	Yes	Insurance
13.	CK Asset Holdings	8.5	1.1	No	Yes	Real Estate
14.	Hongkong Electric	8.5	1.1	No	No	Utilities
15.	Swire Pacific	8.2	1.1	No	Yes	Diversified
16.	Cathay Pacific	7.6	1.0	No	Yes	Transportation
17.	Swire Properties	7.3	0.9	No	Yes	Diversified
18.	CLP Power Hong Kong Financing	6.6	0.8	No	No	Finance
19.	Hysan Development Corporation	5.7	0.7	No	Yes	Real Estate
20.	Lerthai Group	3.0	0.4	No	Yes	Real Estate
21.	Haitong International	2.8	0.4	No	Yes	Finance
22.	Wheelock and Company	2.8	0.4	No	Yes	Real Estate
23.	Ev Dynamics Holdings	2.4	0.3	No	Yes	Diversified
24.	South Shore Holdings	2.2	0.3	No	Yes	Industrial
25.	Future Days	2.2	0.3	No	No	Transportation
26.	IFC Development	2.0	0.3	No	No	Finance
27.	Champion REIT	1.7	0.2	No	Yes	Real Estate
28.	Asia Standard Hotel Group	1.2	0.2	No	Yes	Finance
29.	Yuexiu REIT	1.1	0.1	No	Yes	Real Estate
30.	Urban Renewal Authority	1.1	0.1	Yes	No	Industrial Services
<b>Total Top 30 Nonbank LCY Corporate Issuers</b>		<b>323.5</b>	<b>41.5</b>			
<b>Total LCY Corporate Bonds</b>		<b>1,324.4</b>	<b>169.8</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>		<b>24.4%</b>	<b>24.4%</b>			

HKD = Hong Kong dollar, LCY = local currency, REIT = real estate investment trust, USD = United States dollar.

Notes:

1. Data as of 31 December 2022.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

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