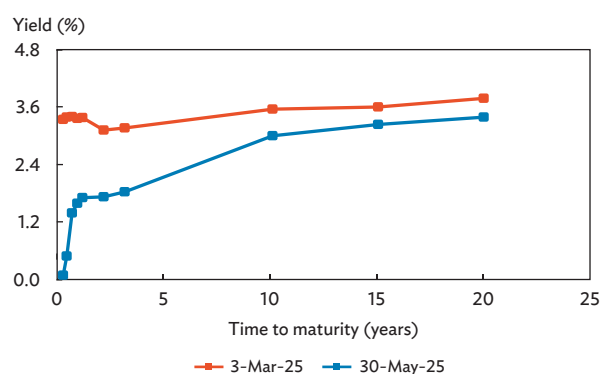


## Hong Kong, China

### Yield Movements

Between 3 March and 30 May, local currency (LCY) government bond yields in Hong Kong, China fell across all maturities. Bond yields declined an average of 156 basis points amid heightened uncertainty linked to ongoing global trade tensions that pose downside risks to the domestic economy's near-term growth outlook (Figure 1). Hong Kong, China's economy expanded 3.1% year-on-year in the first quarter (Q1) of 2025, up from 2.5% year-on-year in the previous quarter. Nonetheless, economic activity has shown signs of weakening. The Purchasing Managers Index contracted for 4 consecutive months, inching up to 49.0 in May after edging down to 48.3 in March and April from 49.0 in February. The fall in Hong Kong, China's bond yields was more pronounced compared with its regional peers after the Hong Kong Monetary Authority in early May increased the supply of Hong Kong dollars in the financial system, exerting additional downward pressure on interest rates.

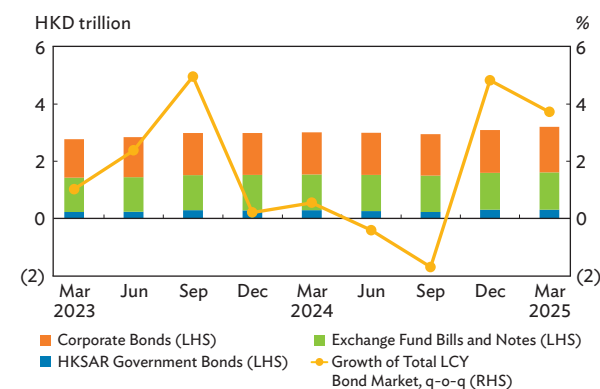
**Figure 1: Hong Kong, China's Benchmark Yield Curve—Local Currency Government Bonds**



### Local Currency Bond Market Size and Issuance

Growth in Hong Kong, China's LCY bond market eased in Q1 2025 due to the weaker expansion of Hong Kong Special Administrative Region (HKSAR) government bonds. Outstanding LCY bonds totaled HKD3,246.2 billion at the end of March, rising 3.8% quarter-on-quarter (q-o-q) in Q1 2025 versus 4.9% q-o-q in the fourth quarter (Q4) of 2024 (Figure 2). The slower growth in Q1 2025 than in Q4 2024 was largely driven by weaker growth of HKSAR government bonds (1.8% q-o-q versus 36.6% q-o-q) due to reduced issuance. Meanwhile, the pace of expansion in the corporate bond stock picked up, rising to 6.6% q-o-q in Q1 2025 from 3.5% q-o-q in Q4 2024. Growth in Exchange Fund Bills and Notes was steady at 0.9% q-o-q in both quarters.

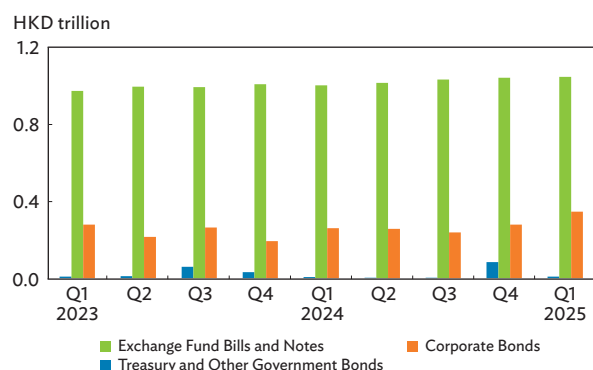
**Figure 2: Composition of Local Currency Bonds Outstanding in Hong Kong, China**



### Total LCY bond sales contracted 0.3% q-o-q in Q1 2025, driven largely by a drop in HKSAR

**government bond issuance.** New issuance of LCY bonds inched down to HKD1,401.7 billion in Q1 2025 from HKD1,406.1 billion in the previous quarter (**Figure 3**). Q1 2025 saw reduced issuance of HKSAR government bonds (HKD7.5 billion) compared to the previous quarter (HKD83.3 billion), when large initial bond sales were launched under the new Infrastructure Bond Programme. Growth in Exchange Fund Bills and Notes issuance also eased to 0.4% q-o-q in Q1 2025 from 0.9% q-o-q in the prior quarter. Meanwhile, growth in corporate debt sales rose to 24.1% q-o-q in Q1 2025 from 17.3% q-o-q in Q4 2024, supported by the fundraising of government-owned corporations such as Airport Authority Hong Kong and Hong Kong Mortgage Corporation. The largest nonbank corporate bank issuer in Q1 2025 was the Airport Authority Hong Kong, which issued HKD18.5 billion of LCY debt (62.7% of total nonbank issuances) as part of a multicurrency bond package intended to fund improvements to its runway system.

**Figure 3: Composition of Local Currency Bond Issuance in Hong Kong, China**



HKD = Hong Kong dollar, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

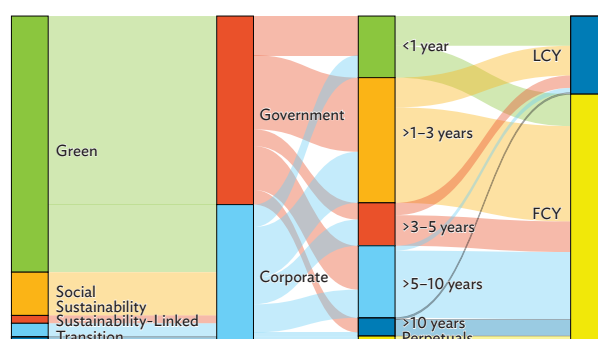
Source: Hong Kong Monetary Authority.

## Sustainable Bond Market

### Hong Kong, China's stock of sustainable bonds outstanding declined in Q1 2025 due to a contraction in issuance.

Sustainable bonds outstanding totaled USD46.6 billion at the end of March, down 3.1% q-o-q as the issuance of new securities contracted amid heightened global uncertainty. Green bonds continued to be the dominant sustainable bond type, comprising 79.0% of the sustainable bond market (**Figure 4**). Government bonds, all of which were green bonds, accounted for 58.2% of the outstanding sustainable bond stock at the end of Q1 2025. Bonds issued by the private sector (41.8% of the total) were primarily green and social bonds. In Q1 2025, new issues of sustainable instruments (USD105.9 million) were green bonds from the private sector. Bonds with tenors of up to 5 years comprised 70.9% of total sustainable bonds outstanding, resulting in a size-weighted average tenor of 4.3 years at the end of March. More than three-quarters of outstanding sustainable bonds in Hong Kong, China were denominated in foreign currencies, among the highest share in emerging East Asia.<sup>10</sup> The United States dollar was the most common denomination of sustainable bonds (43.2% of the total), followed by the Hong Kong dollar (24.1%) and Chinese yuan (20.9%).

**Figure 4: Market Profile of Outstanding Sustainable Bonds in Hong Kong, China at the End of March 2025**



FCY = foreign currency, LCY = local currency.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

<sup>10</sup> Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.