ASEAN+3 Sustainable Bonds Highlights

The outstanding amount of sustainable bonds in ASEAN+3 reached USD51.6 billion at the end of September. Growth in the ASEAN+3 sustainable bond market slowed in the third quarter (Q3) of 2022 to 1.7% quarter-on-quarter (q-o-q) and 24.9% year-on-year (y-o-y), from 5.0% q-o-q and 37.3% y-o-y in the second quarter (Q2) of 2022, due to a dimming economic outlook and tightening monetary conditions both worldwide and within the region. Nevertheless, during the past 3 years the ASEAN+3 sustainable bond market has witnessed rapid development, with outstanding bonds nearly tripling from USD19.4 billion in Q1 2019, and improved market and product diversification, as evidenced by the decline in the Herfindahl–Hirschman Index.

ASEAN+3 Sustainable Bond Issuance in ASEAN+3 Markets

Issuance of sustainable bonds in ASEAN+3 contracted 25.3%-q-o-q to USD49.8 billion in Q3 2022 from USD66.7 billion in Q2 2022. Sustainable bond issuance as a share of total bond issuance in the region fell to 15.5% in Q3 2022, the lowest level at any time in the previous 5 quarters, over subdued investment sentiment.

ASEAN+3 Sustainable Bond Issuance by Sector in Q2 2022

In Q2 2022, the average size-weighted tenor of sustainable bond issuances in ASEAN+3 was 6.5 years, with 80.3% of new issuances denominated in local currency. In Q3 2022, 40.0% of sustainable bond issuance in ASEAN+3 was maturing in a tenor of more than 5 years, which was lower than the comparable 66.7% share of maturity issuance in the region’s overall bond market. The ASEAN+3 sustainable bond market is dominated by local currency (LCY) bonds, which accounted for 80.3% of quarterly issuance in Q2 2022 and 61.0% of bonds outstanding at the end of September. However, these shares were lower than LCY bonds’ respective shares of 97.6% and 95.6% in the overall ASEAN+3 bond market.

ASEAN+3 Sustainable Bonds Outstanding in Q2 2022 by Bond Type and Economy

The share of private sector issuances in the ASEAN+3 sustainable bond market declined slightly to 85.5% in Q3 2022 from 89.8% in Q2 2022. By comparison, the public sector accounted for 78.2% in the region’s overall bond market in Q3 2022. Unlike in the overall ASEAN+3 bond market where corporate bonds account for 94.6% of total bonds outstanding, private sector issuers dominate the sustainable bond market in ASEAN+3, accounting for 78.7% of bonds outstanding at the end of Q3 2022. In terms of issuers, the public sector’s share of ASEAN+3 sustainable bond issuance rose slightly from 10.2% in Q2 2022 to 14.3% in Q3 2022. The rise in the region’s public sector issuance share in Q2 2022 was driven by three sovereign issuers: (i) an SGD 4.2 billion sovereign green bond issuance in Singapore, (ii) an ISB 4.4 trillion sovereign green bond issuance in Indonesia, and (iii) a THB 8.5 billion sovereign sustainability bond issuance in Thailand.

Source: AsianBondsOnline.com based on data provided by Bloomberg LP.

Notes:
1. Data for gross, social, sustainability-linked, and transition bonds includes both local currency and foreign currency issuances.
2. ASEAN+3 includes the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
3. The Herfindahl–Hirschman Index is a commonly accepted measure of market concentration and is calculated by summing the squared market share of each bond type participating in a given market. ASEAN+3 market indicators include market depth and liquidity are also detailed.