

Asia Bond Monitor – November 2021
26 November 2021
Market Summaries

People’s Republic of China

The local currency bond stock of the People’s Republic of China (PRC) grew 3.8% from the previous quarter, and 12.6% from a year earlier, to \$17.2 trillion at the end of September 2021. Government bonds outstanding increased 4.0% from the previous quarter to \$11 trillion, backed by the acceleration in treasury and other government bonds and bank bonds.

The PRC’s corporate bond stock increased 3.3% from the previous quarter to \$6.1 trillion, driven by financial bonds. Regulators have encouraged financial institutions to bolster their capital bases in the wake of a potential economic slowdown and rising corporate bond defaults. Meanwhile, issuance in the segment rose significantly in the third quarter of 2021 as companies issued bonds to refinance maturing obligations. In October, the PRC extended tax exemptions on bond investments for foreign investors until the end of 2025.

Hong Kong, China

The local currency bond market of Hong Kong, China recovered from last quarter’s slight dip, rising 0.1% to \$311.9 billion. A decline in corporate bonds accounted for the overall tepid growth. Corporate bond stock contracted 2.9% to \$151.1 billion, due to maturities and a decline in issuance.

The 3.0% quarterly expansion of government bonds stemmed from stock gains of Exchange Fund Bills (EFBs) and Hong Kong Special Administrative Region bonds. At the end of September 2021, government bond stock totaled \$160.8 billion. The Hong Kong Monetary Authority (HKMA) boosted issuance of 91-day EFBs in September to absorb excess liquidity in the financial system. During the same period, the People’s Bank of China and HKMA announced the launch of the Bond Connect platform, which allows financial institutions in the PRC to invest in Hong Kong, China’s bond market.

Indonesia

Indonesia’s local currency bond market grew 3.6% on a quarterly basis to \$355.6 billion at the end of September 2021. Government bonds, particularly treasury bills and bonds, led the expansion. The segment rose 4.0% from the prior quarter to \$326.1 billion, as the government issued more bonds to support economic and relief measures amid renewed pandemic restrictions. Corporate bonds contracted 0.2% from the previous quarter to \$29.5 billion, due to a high volume of maturities that exceeded new issuance.

On an annual basis, Indonesia continued to have the fastest-growing local currency bond market in emerging East Asia. Its government bond segment has the largest share of total bonds outstanding compared with regional peers. The economy also has the region’s smallest share of corporate bonds.

Republic of Korea

The expansion of the Republic of Korea’s local currency bond market slowed to 1.6% from the previous quarter, reflecting easing growth in both the government and corporate bond segments.

The total bond stock was \$2.4 trillion at the end of September 2021. Government bonds increased 1.9% to \$996.3 billion. Corporate bonds, which make up 57.9% of the domestic bond market, grew 1.4% from the previous quarter to \$1.4 trillion.

Both segments saw a decline of at least 19% in issuance. The drop in government bond issuance was due to base effects, following the government's frontloading policy in the first half of the year. For corporate bonds, firms borrowed less, particularly in August, due to a spike in yields in the lead-up to the Bank of Korea's rate hike.

Malaysia

Gains in both government and corporate bond stock backed Malaysia's local currency bond market expansion to \$410.6 billion. Growth on a quarterly and annual basis slowed to 1.5% and 8.5%, respectively. Total outstanding *sukuk* (Islamic bonds) increased 3.0% from the previous quarter to \$262 billion, supported by government and corporate bonds.

Government bonds outstanding increased 1.5% from the previous quarter to \$224.2 billion. Corporate bonds rose 1.4% to \$186.4 billion. Government and corporate bonds accounted for 54.6% and 45.4% of the overall stock, respectively.

Philippines

The local currency bond market in the Philippines grew 4.4% from the previous quarter to \$191.4 billion at the end of September 2021. On an annual basis, the market increased 20.0%. The faster quarterly growth was driven by government bonds, which increased 6.2% from the previous quarter to \$163.1 billion.

Treasury bonds grew 8.3% from the previous quarter amid higher bond offer volumes and sales. Bangko Sentral ng Pilipinas outstanding securities also increased 10.0%. Meanwhile, corporate bonds saw a more rapid decline of 5.1% from the previous quarter to \$28.2 billion, due to maturation of bonds and low issuance.

Singapore

Singapore's local currency bond market grew 6.3% from the previous quarter to \$434.6 billion. On an annual basis, the market grew faster at 21.9%. Government bond stock increased 8.0% from the preceding quarter to \$291.2 billion. Corporate bonds rose 3.0% to \$143.4 billion.

The growth of government bonds accelerated from the prior quarter. Outstanding Singapore Government Securities bills and bonds, as well as Monetary Authority of Singapore bills, jumped 4.3% and 12.9%, respectively. In the corporate bond segment, investors took advantage of the low-interest environment.

Thailand

Weaker growth in corporate bonds slowed the expansion of Thailand's local currency bond market. The market expanded 1.9% from the previous quarter to \$429.6 billion at the end of September. Debt outstanding in the corporate segment rose 1.2% from the previous quarter to \$116.5 billion. Investor confidence waned amid the spread of the coronavirus disease's (COVID-19) Delta variant.

The expansion in government bonds accelerated from the previous quarter to 2.2%. The segment increased to \$313.1 billion, driven by stronger growth in government bonds and treasury bills. In September, the Government of Thailand raised the debt ceiling from 60% to 70% of its gross domestic product to raise funds for economic recovery efforts.

Viet Nam

Growth in Viet Nam's local currency bond market accelerated to 8.1% from the previous quarter, increasing the market size to \$83.6 billion. Annual growth slowed to 23.5%. The overall bond stock expansion was attributed to the recovery of government bonds from a contraction last quarter and corporate bonds sustaining strong growth.

Government bonds increased 4.2% from the previous quarter to \$62.1 billion at the end of September. Vibrant issuance in the corporate sector propelled the 21.5% quarterly growth of the segment, although this was slower than in the second quarter. Total corporate bonds outstanding grew to \$21.4 billion.