



This is not an ADB material. The views expressed in this document are the views of the author/s and/or their organizations and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy and/or completeness of the material's contents, and accepts no responsibility for any direct or indirect consequence of their use or reliance, whether wholly or partially. Please feel free to contact the authors directly should you have queries.

Sustainable Bond Market in ASEAN+3:

Recent development, challenges and opportunities

Kosintr Puongsophol, Shu Tian, Satoru Yamadera
Asian Development Bank

15 September
2022



The AsianBondsOnline is an ASEAN+3 Initiative supported by the ADB and funded by the Ministry of Finance Japan, through the Investment Climate Facilitation Fund.



may be shared outside ADB with appropriate permission.

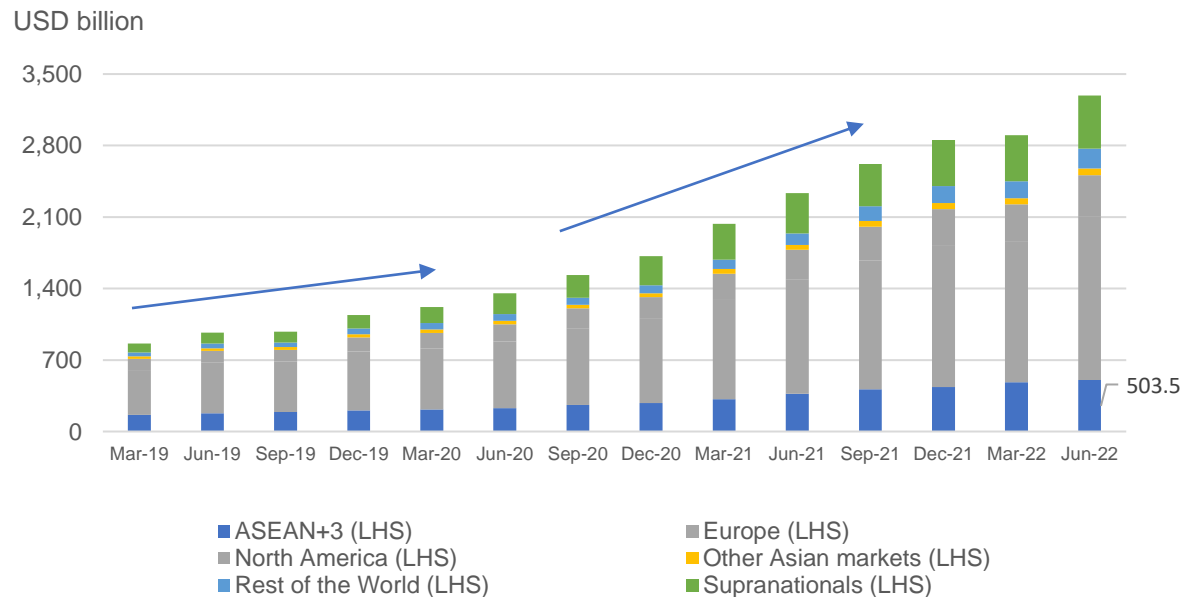


Expansion of global sustainable bond market accelerated, amid lower interest rate and higher awareness.

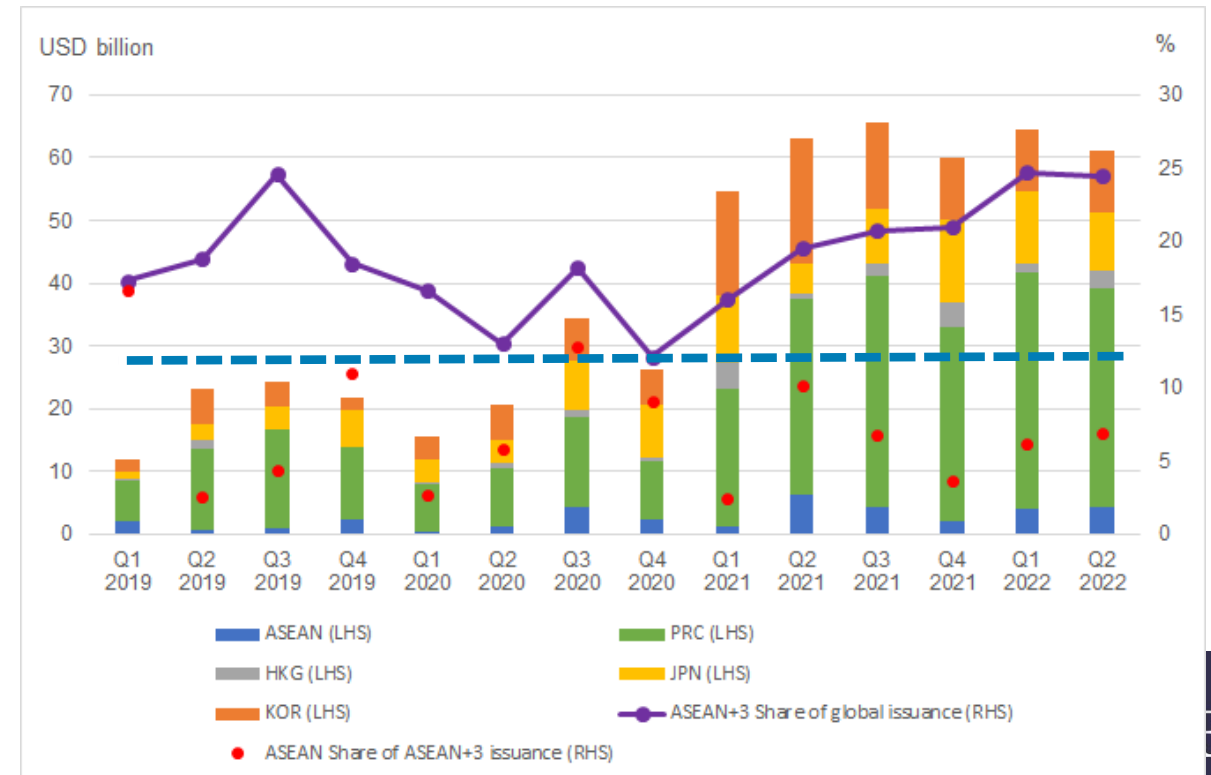
Global sustainable bond market reached a size of USD3.3 trillion at the end of June, tripled the size of USD 1.1 trillion from December 2019. After Europe, ASEAN+3 accounts for 15.3% of global total.

ASEAN sustainable bond market relatively under presented. Accounts for 6.9% of issuance and 7.5% of outstanding in ASEAN+3 total in Q2 2022, lower than their corresponding shares of 12% and 11% for general bond markets.

Sustainable Bonds Outstanding in Global Markets



Sustainable Bond Issuance in ASEAN+3



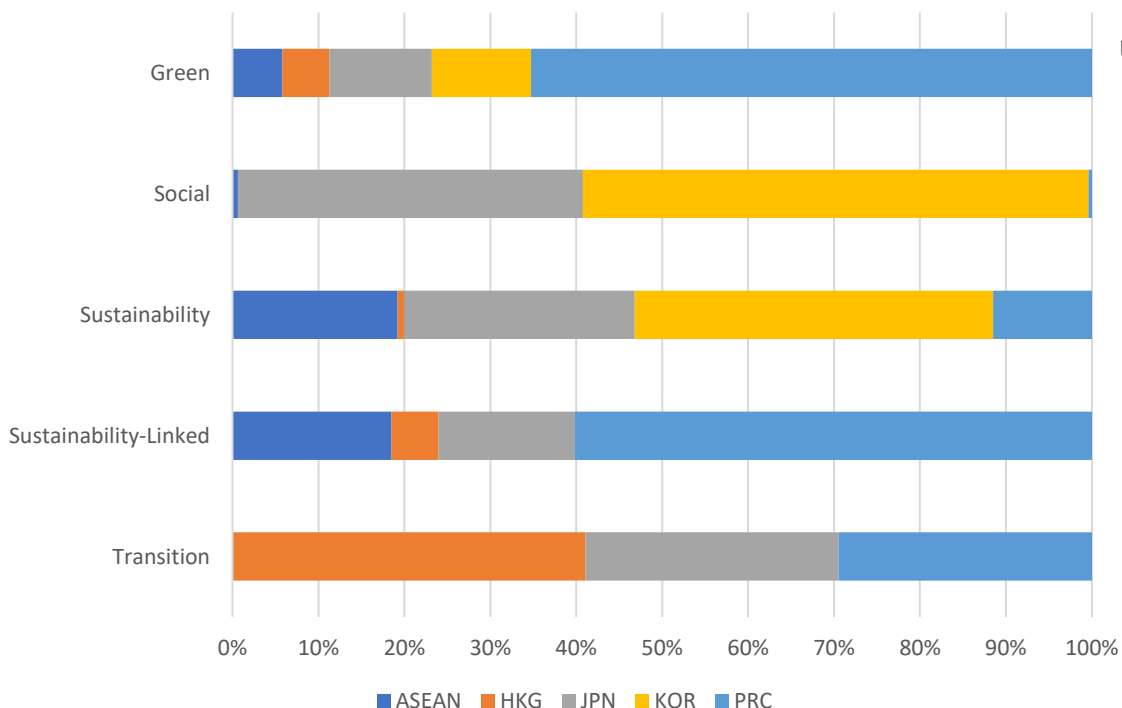


Diversification has improved in ASEAN+3 sustainable bond markets

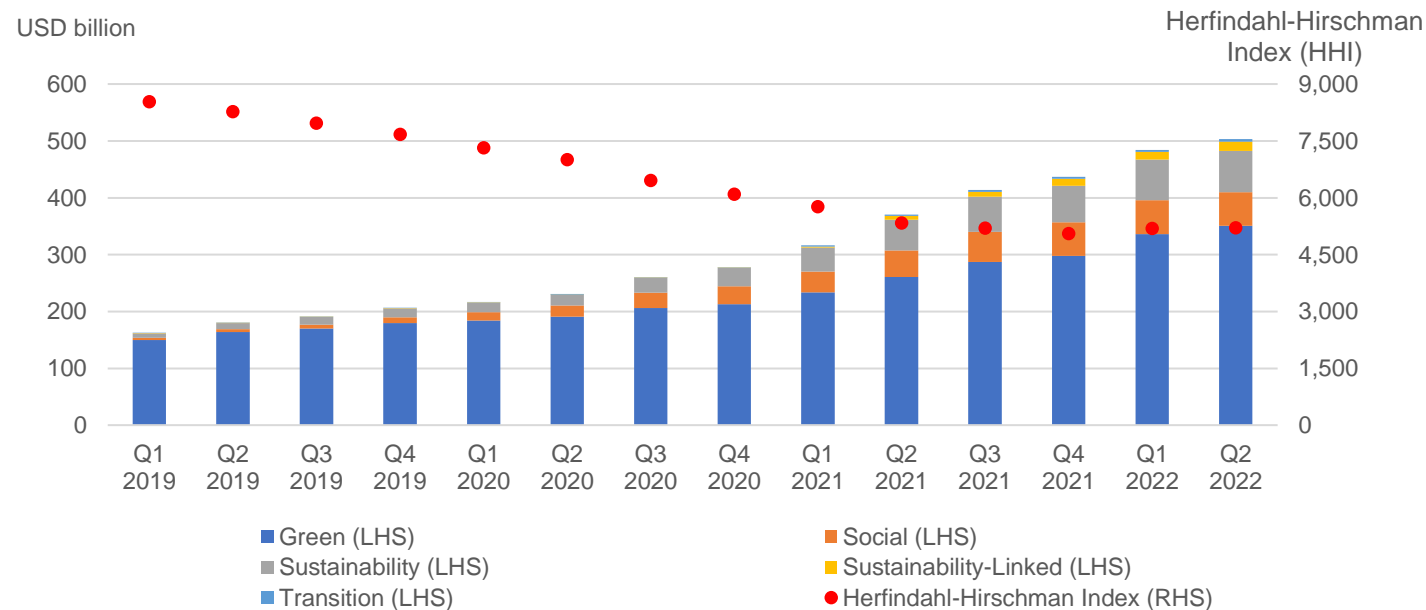
ASEAN markets have a significant presence in the sustainability bond market (19.2% /16.7% of regional outstanding/issuance) and the sustainability-linked bond market (18.5% /23.2% of regional outstanding/issuance) by June 2022.

Overall regional sustainable bond market has seen improved diversification in terms of different bond types. This is evidenced by declining trend in HHI.

Sustainable Bonds Outstanding in ASEAN+3 by Economy Share



ASEAN+3 Sustainable Bonds Outstanding by Bond Type



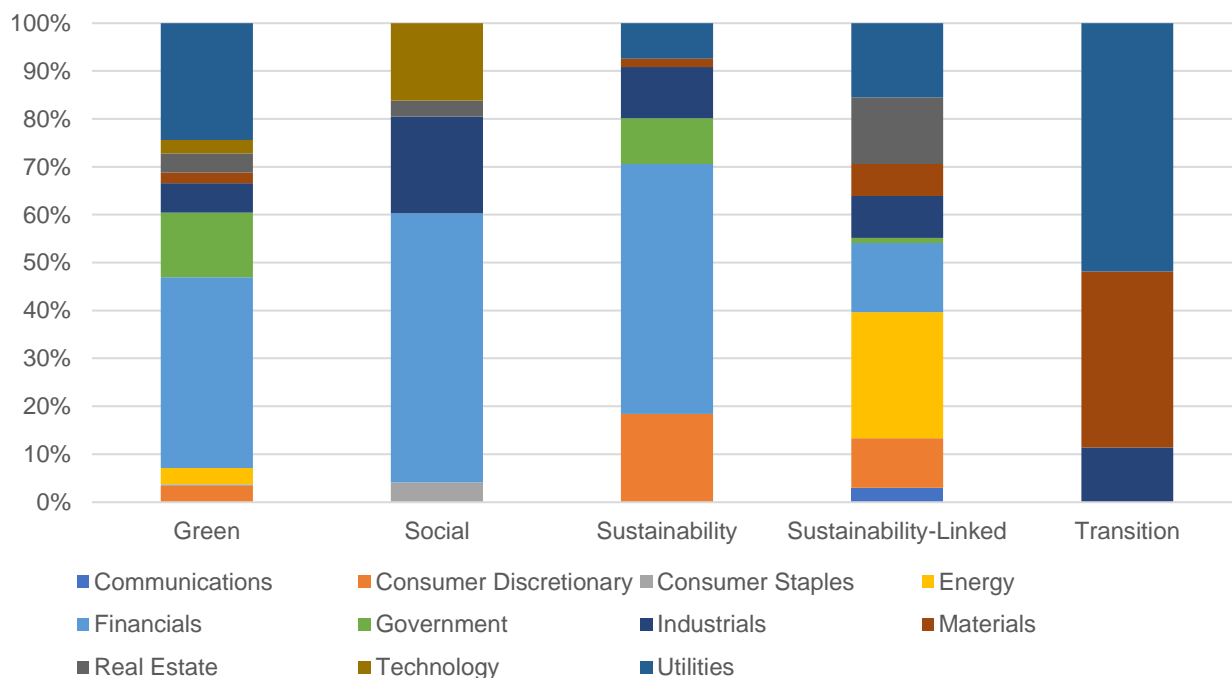


ASEAN+3 sustainable bond market has potential for longer tenor, non-financial sector, and LCY issuance

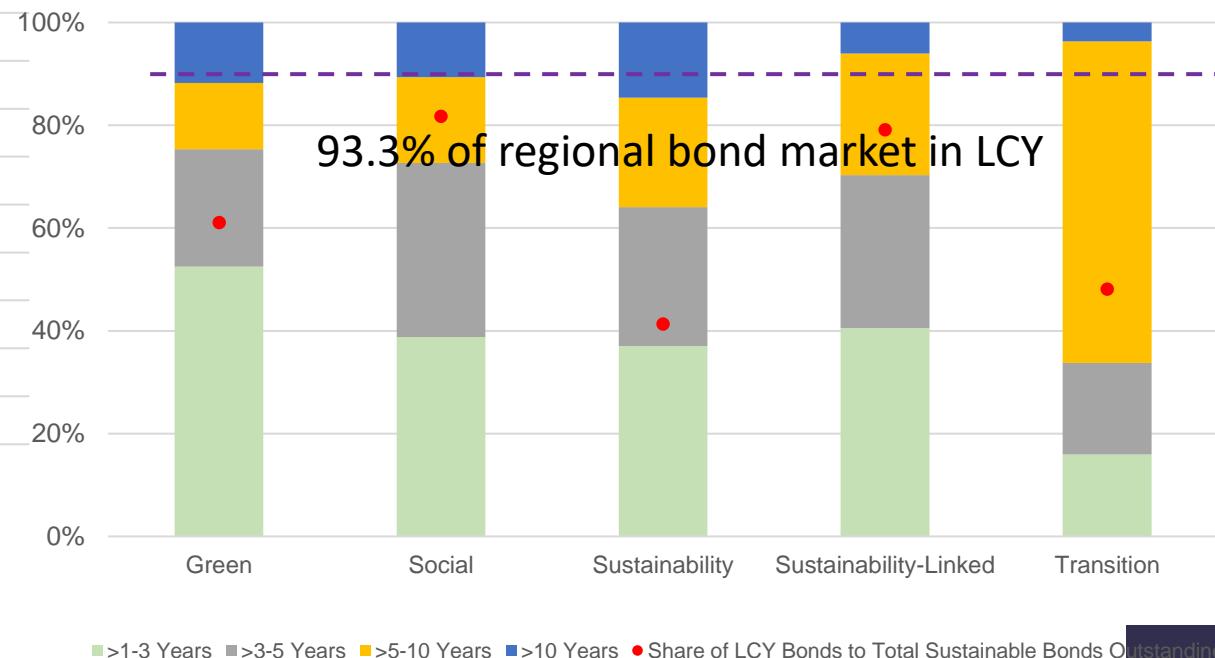
The private sector accounted for 89.0% of total regional sustainable bond issuance in Q2 2022, with financial institutions accounting for the single-largest share of private sector issuance at 45.1%.

Outstanding sustainable bonds in the region are largely concentrated in shorter tenors...the average size-weighted tenor of outstanding sustainable bonds at the end of June was 4.3 years. 61.1% of outstanding sustainable bonds in ASEAN+3 were denominated in local currencies

Sustainable Bonds Issuance in ASEAN+3 with Sector Breakdown in Q2 2022 (share of total)



Maturity and Currency Profiles of ASEAN+3 Sustainable Bonds Outstanding as of end June 2022

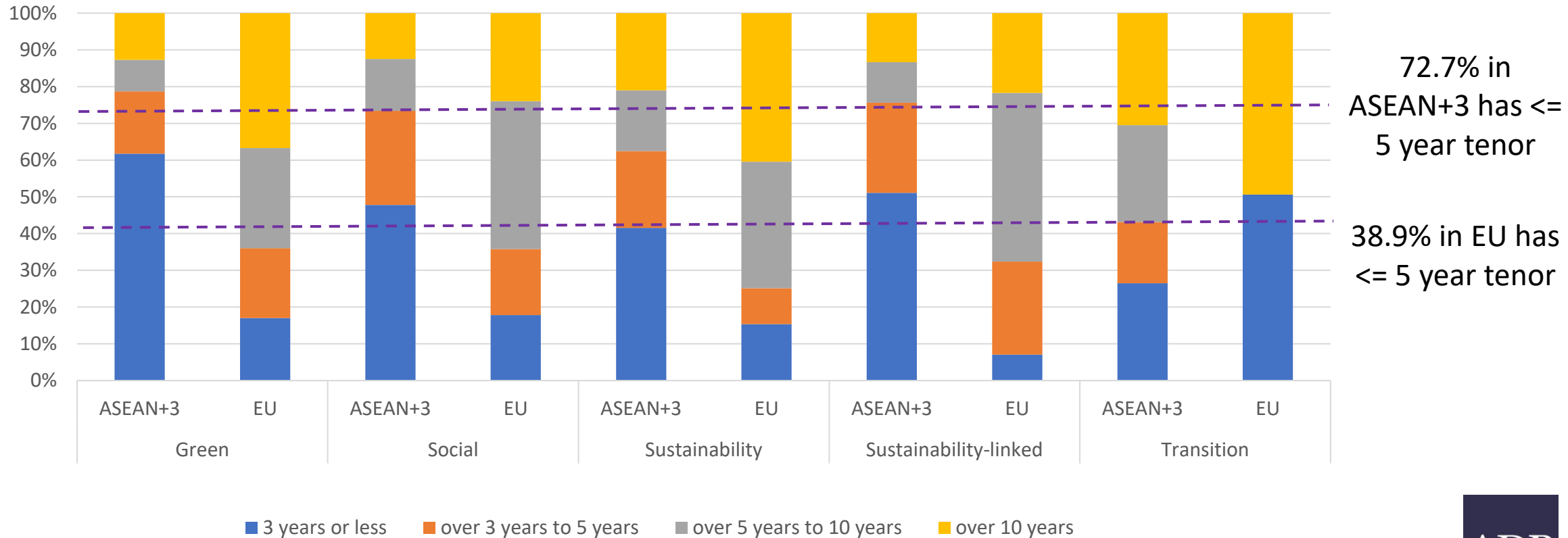




Efforts needed to boost demand for long-tenor sustainable bonds in ASEAN+3

ASEAN+3 sustainable bond markets have a high concentration of short-tenor financing, with 72.7% of sustainable bonds outstanding having tenors of 5 years or less by Q2 2022, while the corresponding share is only 38.9% in EU markets.

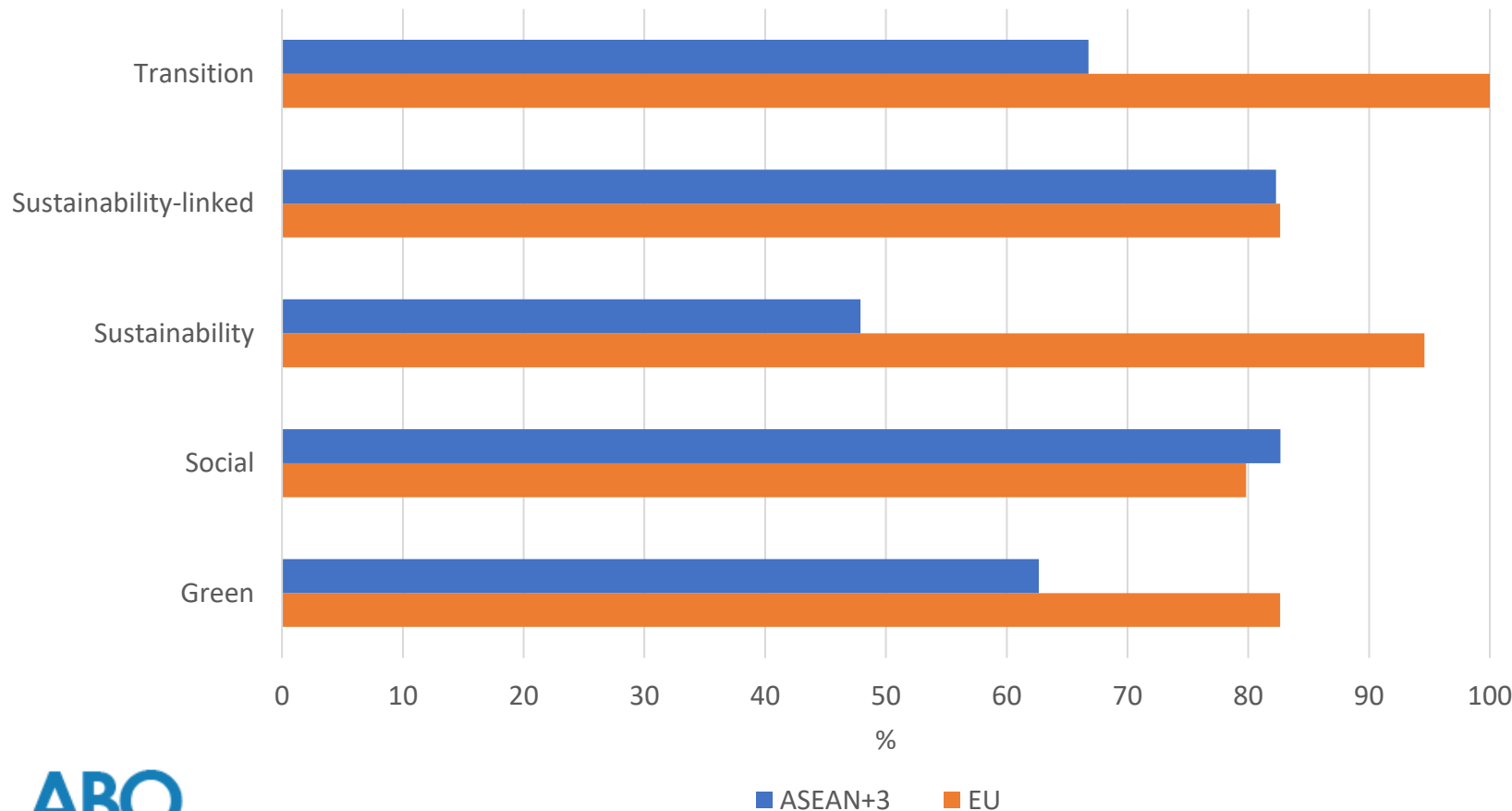
Share to total





Efforts needed to boost demand for LCY sustainable bonds in ASEAN+3

Share of outstanding local currency sustainable bonds in ASEAN+3 and EU markets (as of June 2022)



Despite of a higher share (93.3%) of LCY bond in total bond market in ASEAN+3 than in EU (82.7%), ASEAN+3 has a lower share (67.9%) of LCY issuance in sustainable bond market compared to EU (85.6%).

This reflects that domestic LCY investors lacks **capacity** to invest in sustainable bonds.

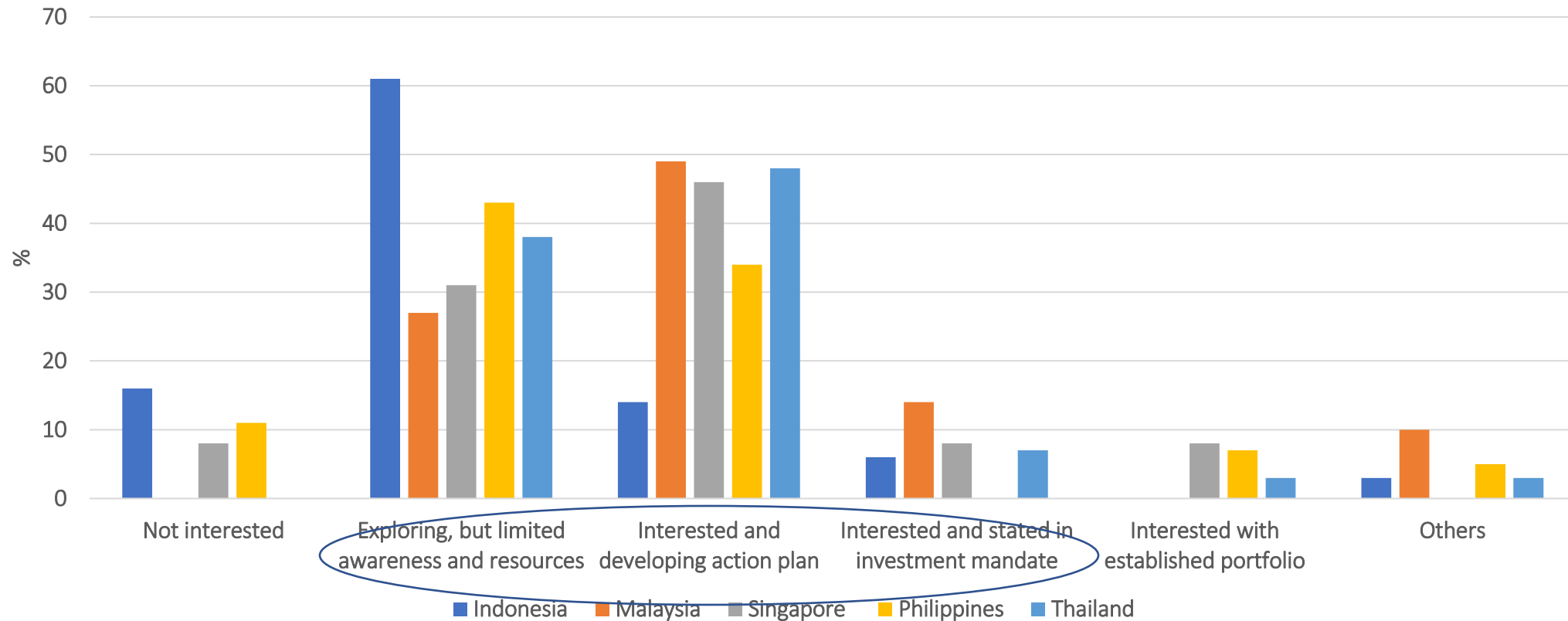
High awareness: Bifinance (2021)'s survey--- around 95% surveyed asset managers in Asia and Pacific, rated ESG considerations as high or moderate importance in their investment decisions.

Low action: Willis Towers Watson (2021), only 31% of surveyed Asian investors have an ESG policy statement in place and Asian asset owners only allocated an average of 10% of their portfolio in ESG-related strategies



ASEAN domestic investors need to build investment capacity

Figure 9: Interest in investing in green bonds





Efforts needed to boost more supply in ASEAN+3

- Limited supply is listed as a key barrier for green investments too
- More room for sovereign issuance:
 - By Q2 2022, government bonds comprising for 68% of emerging East Asia's outstanding bonds, however, the share of public sector is only 11% for sustainable bond markets.
 - Most (14 out of 17) regional sovereign issuances are in FCY
- More pipeline, incentive, and capacity are needed for more issuance.

Figure 15: Main obstacles to investing in green bonds

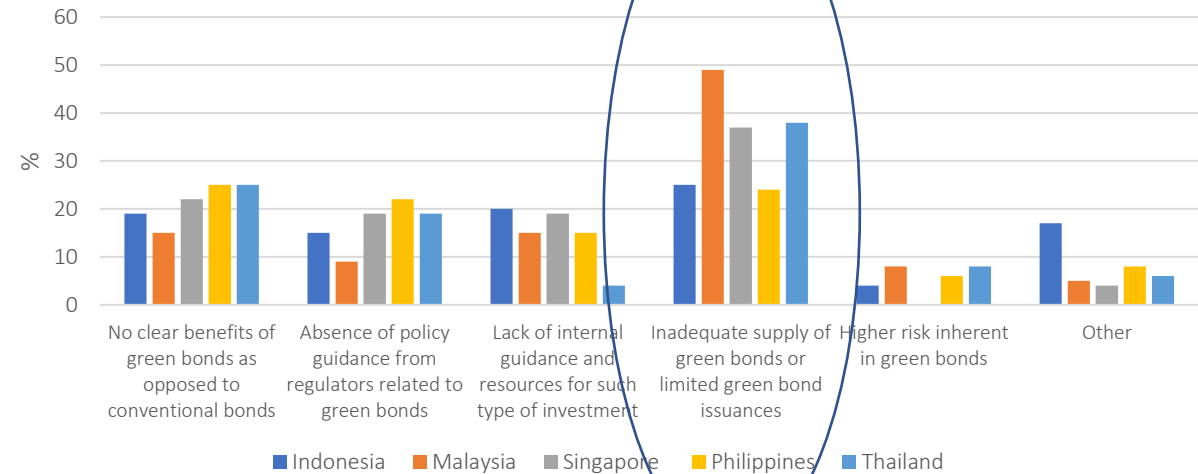
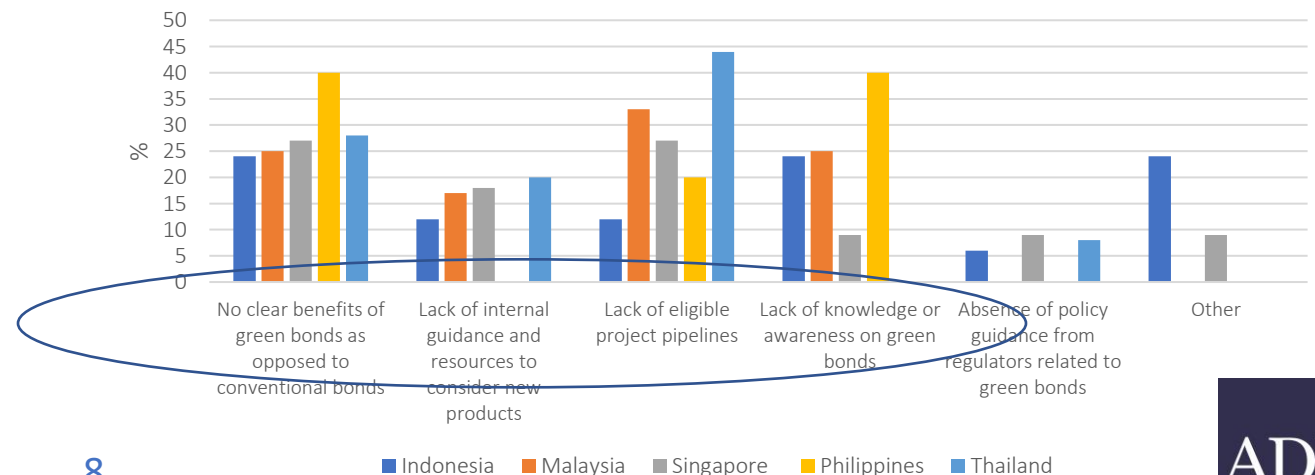


Figure 16: Main obstacles to issuing green bonds



- Expand issuer base and increase local demand for sustainable bonds
 - Capacity building of issuers, and local investors (ABMI)
 - Increase information dissemination and boost awareness
- Increase bankability of projects
 - Derisk: e.g. ASEAN Catalytic Green Finance Facility (ACGF)
 - Development partners can act as anchor investors in sustainable bond transactions
- Create enabling ecosystem for sustainable finance
 - Enhance creditability and transparency



AsianBondsOnline
An ASEAN+3 Initiative

[About](#)
[Contact](#)

ENHANCED BY Google

Search

ADB

Welcome! AsianBondsOnline is a one-stop source of information on bond markets in emerging East Asia.

[Home](#)
[Data Portal](#)
[Economies](#)
[Market Watch](#)
[Publications](#)
[Events](#)
[What's New](#)
[Green Bonds](#)
[ABMF](#)
[Macroeconomic Tracker](#)

[Home](#) / [Data Portal](#)

DATA PORTAL

[Bond Market](#)
[Liquidity Survey](#)
[Sustainable Bonds](#)

[Download](#)
[Bar Chart](#)
[Line Chart](#)

BCPG	TH	THB	2000	2021-09-15	3.0	1.64	A- (TRIS)	Renewable Energy	Green
BCPG	TH	THB	1000	2021-09-15	7.0	2.51	A- (TRIS)	Renewable Energy	Green
BCPG	TH	THB	1000	2021-09-15	5.0	2.14	A- (TRIS)	Renewable Energy	Green
ACEN Finance Limited	PH	USD	400	2021-09-08	Perpetual	4.00		Power Generation	Green
Kasikornbank	TH	EUR	155	2021-08-26	0.5	-0.26	F1+ tha (Fitch Thailand)	Banks	Sustainability
Cagamas	MY	MYR	200	2021-08-25	1.0	0.00	AAA (RAM Berhad)	Consumer Finance	Sustainability
Oversea-Chinese Banking Corporation Limited (Acting Through Its Sydney Branch)	SG	AUD	500	2021-08-12	3.0	0.27	AA- (S&P), AA- (Fitch)	Banks	Green
Cagamas	MY	MYR	85	2021-08-09	1.0	2.15	AAA (RAM Berhad)	Consumer Finance	Sustainability
Cagamas	MY	MYR	25	2021-08-09			AAA (MARC)	Consumer Finance	Sustainability
Agrote Business (M)	MY	MYR	200	2021-08-05					
Cagamas	MY	MYR	200	2021-08-05					

Step 1 Sustainable Bonds

- ☐ Green Bonds Issuance
- ☐ Green Bonds Outstanding
- ☐ Social Bonds Issuance
- ☐ Social Bonds Outstanding
- ☐ Sustainability Bonds Issuance
- ☐ Sustainability Bonds Outstanding
- ☐ Sustainability-linked Bonds Issuance
- ☐ Sustainability-linked Bonds Outstanding
- ☐ Transition Bonds Issuance
- ☐ Transition Bonds Outstanding

ASEAN+3 Sustainable Bonds Highlights

August 2022

The ASEAN+3 Sustainable Bonds Highlights provide a brief overview of sustainable bond markets in ASEAN+3. These highlights present information on the outstanding and issuance amounts of green, social, sustainability, sustainability-linked, and transition bonds across the region, including breakdowns by bond type, market, issuer profile, maturity, and currency.

[ASEAN+3 Sustainable Bonds Highlights Releases](#)

ASEAN+3 Sustainable Bonds Highlights

The outstanding amount of sustainable bonds in ASEAN+3 reached USD563.8 billion at the end of June. The market posted a strong growth of 4.0% quarter-on-quarter (QoQ) and 25.5% year-on-year (YoY) in Q2 2022, from USD539.6 billion in Q1 2022 and 17.0% growth in Q2 2021. This was due to increased investor interest in green bonds, sustainability-linked bonds, and transition bonds. The market share of green bonds increased from 70.1% to 75.1% in Q2 2022, while the market share of sustainability-linked and transition bonds continued to expand.

Sustainable Bonds Outstanding in ASEAN+3

Sustainable Bonds Issuance in ASEAN+3 Markets and the Region's Share of the Global Total

Treasury of sustainable bonds in ASEAN+3

ASIA BOND MONITOR

JUNE 2022

ASIAN DEVELOPMENT BANK