

ASEAN Member Countries



ASEAN Bonds Market

Cbonds Emerging Markets conference
London, April 19, 2018

Outline

❖ **ASEAN: Bond markets**

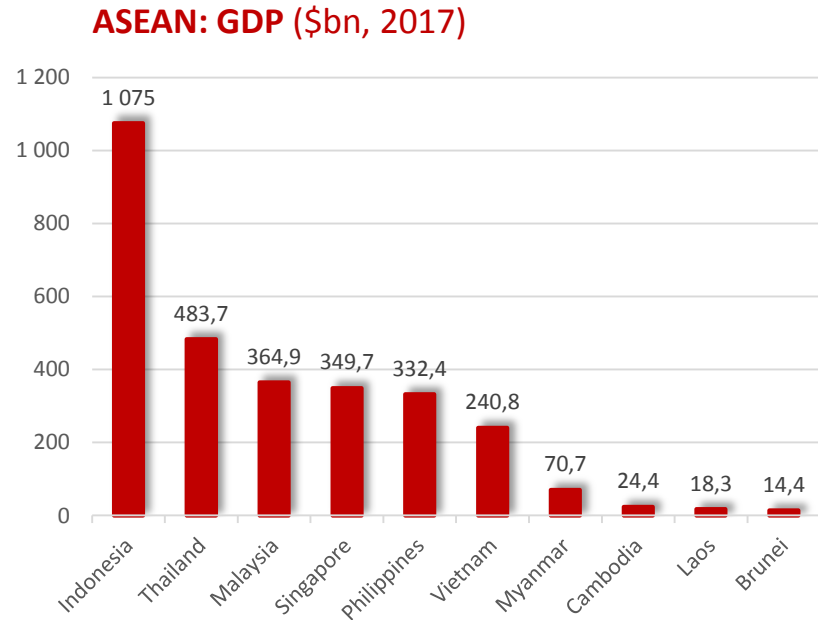
- Singapore
- Indonesia
- Malaysia
- Philippines
- Vietnam

❖ **ASEAN Infrastructure Financing Needs**

- China's Belt & Road initiative & AIIB
- Major infra projects in ASEAN

ASEAN: Bonds markets

- ❖ **10-member \$3 trillion GDP economy**
- ❖ **650mn population region**
- ❖ **Proximity to global powerhouses:** China, India and Japan
- ❖ **\$1.3 trillion LCY bonds**
 - \$874bn government, \$403bn corporate
- ❖ **\$266bn FCY bonds**
 - \$110bn government, \$156bn corporate
- ❖ **\$50bn infra investments annually**
- ❖ **5% GDP average growth rate a year**

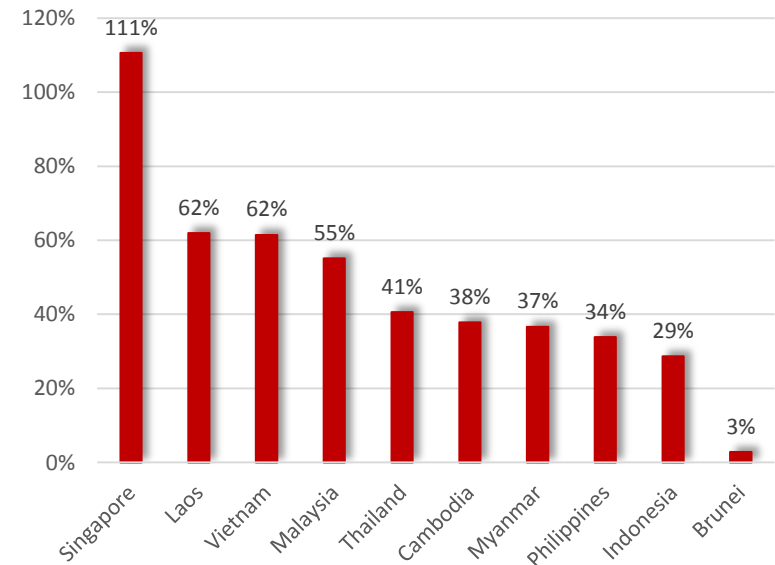


Source: IMF

ASEAN: Bonds markets outlook

- ❖ Despite growth in recent past, there are still **concerns**
- ❖ **Lower growth rates** in the future – global economy uncertainty and regional powerhouses slowdown
- ❖ Currency **volatilities**
- ❖ **Aging** population & middle income trap
- ❖ **Excessive debt issue**
 - **\$164 trillion** debt globally, 2x global GDP

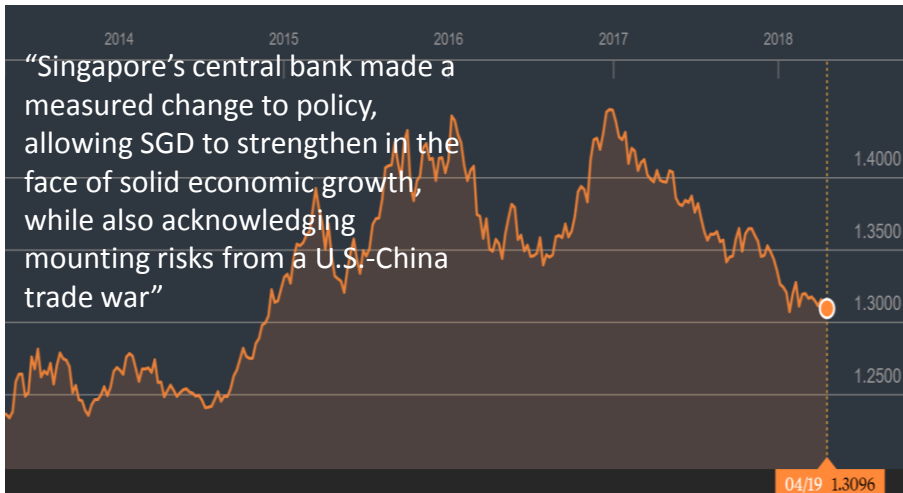
ASEAN: External debt (% of GDP, 2017)



Source: IMF

ASEAN: Currencies

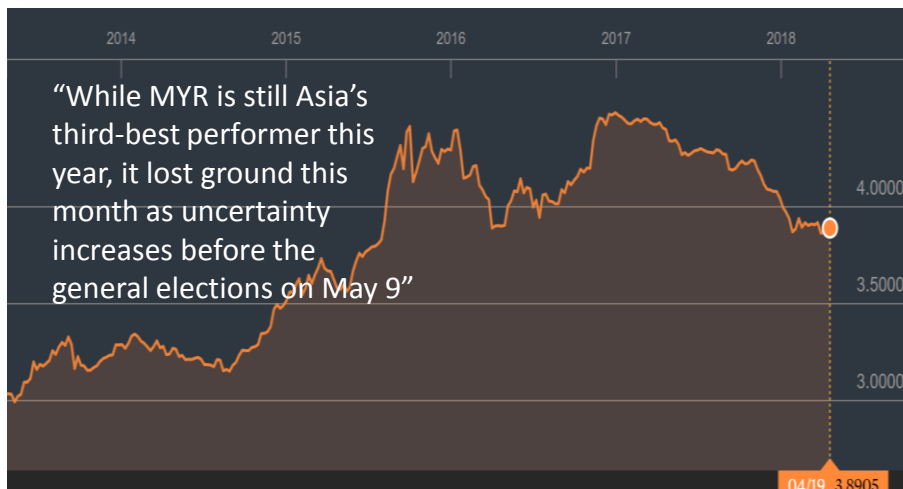
USD-SGD



USD-PHP



USD-MYR



USD-THB



Singapore Bonds Market

❖ **S\$ 363bn** LCY (US\$271bn) market (Dec.2017)

- S\$ 222bn (US\$166bn) government
- S\$ 141bn (US\$106bn) corporate

❖ **Sovereign rating:** AAA, stable by S&P

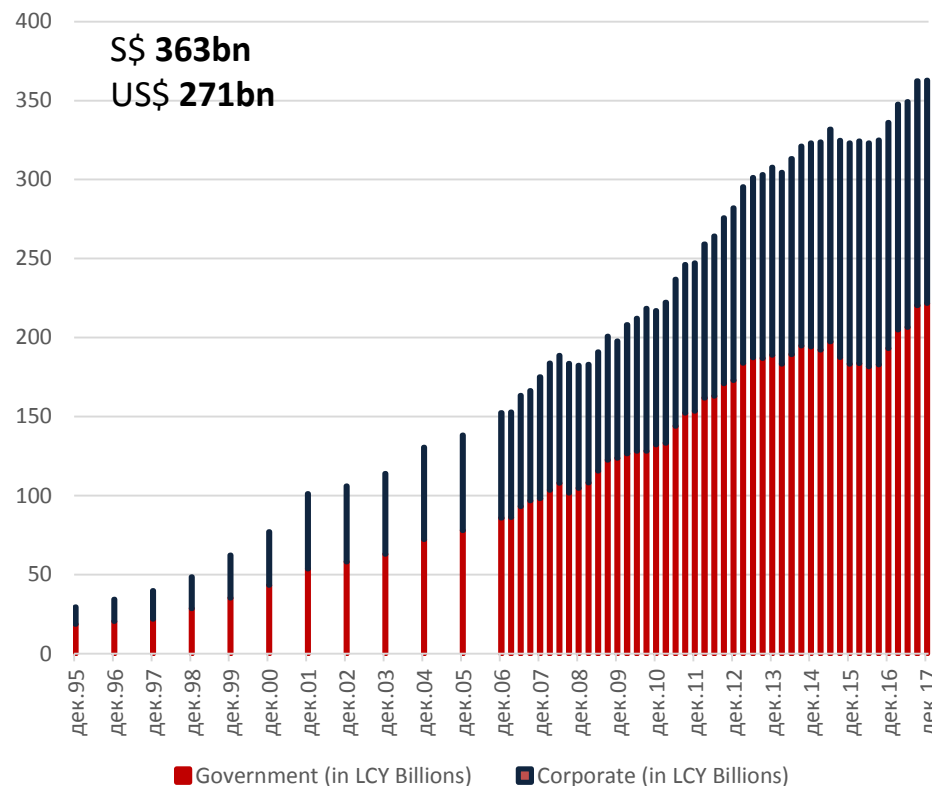
❖ **Yield:** 2.049%, 5-year, government

❖ **New issue:** US\$24bn sovereign infrastructure bond issue is expected

❖ US\$20bn infrastructure spending in 2018, incl US\$5bn to new Railway Infrastructure Fund

❖ US\$4bn to Changi T5

Singapore: LCY Bonds, S\$bn, 1995-2017



Indonesia

❖ **IDR 2,497 trillion (\$184bn) LCY bond market**
(Dec.2017)

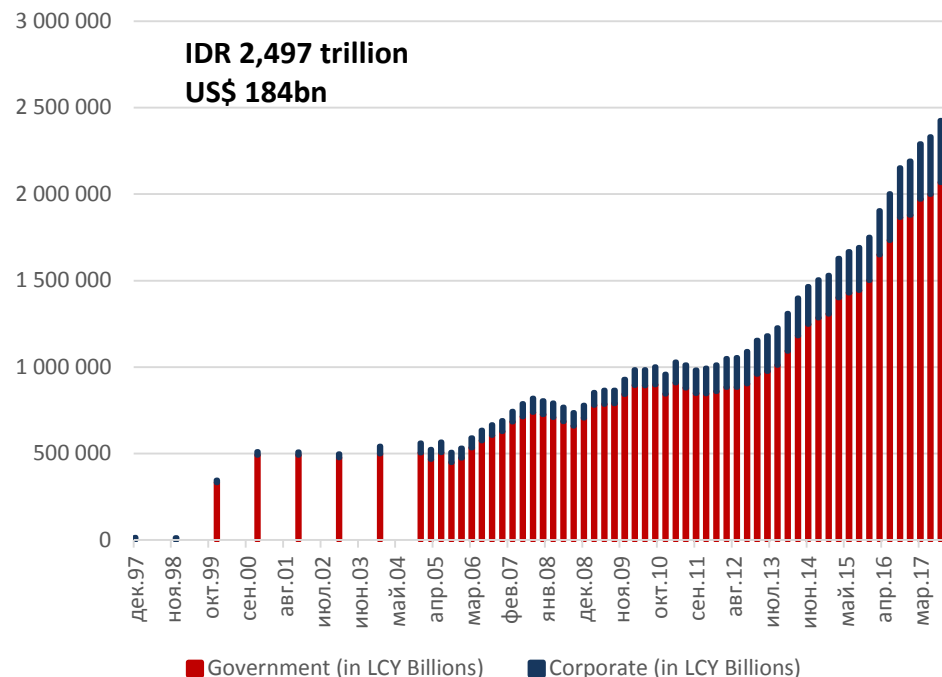
- IDR 2,110 trillion (\$156bn) government
- IDR 387bn (\$29bn) corporate

❖ **Sovereign rating:** BBB-, stable by S&P

❖ **Yield:** 6.066%, 5-year, government

❖ Indonesia has become the first country in the world to sell a sovereign **green sukuk bond** - \$1.25bn 5-year 3.75%

Indonesia: LCY Bonds, IDRbn, 1997-2017



Malaysia

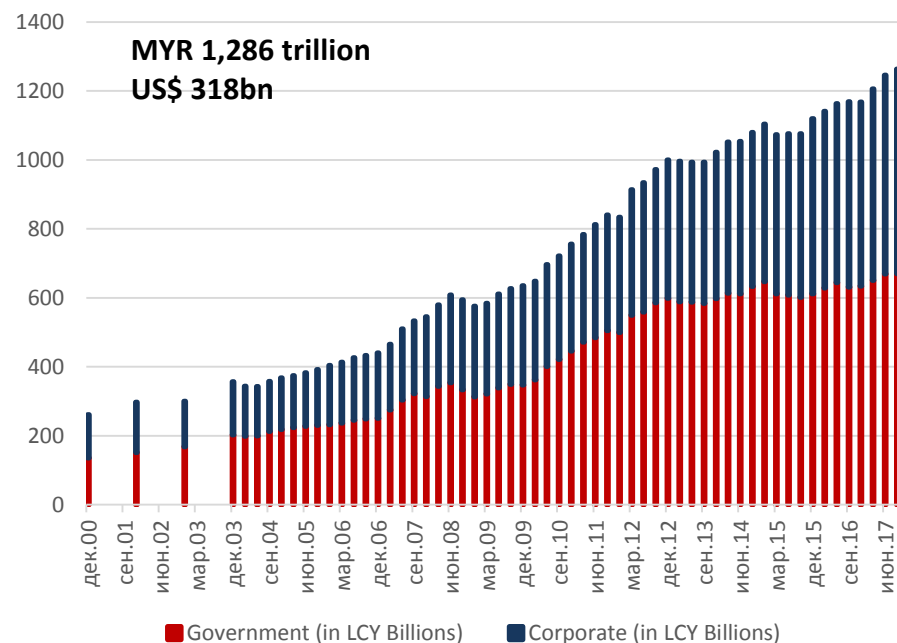
❖ **MYR 1,286 trillion (\$318bn) LCY bond market (Dec.2017)**

- **MYR 673bn (\$166bn) government**
- MYR 114bn (\$28.3bn) issue in 2017
- **MYR 613bn (\$152) corporate**
- MYR125bn (\$31bn) total issue in 2017

❖ **Sovereign rating:** A-, stable by S&P

❖ **Yield:** 3.608%, 5-year, government

Malaysia: LCY Bonds, MYRbn, 2000-2017



Philippines

❖ PHP 5.5 trillion (\$110bn) LCY bond market (Dec.2017)

- **PHP 4.5 trillion (\$89.4bn) government**
- **PHP 1 trillion (\$20.5bn) corporate**

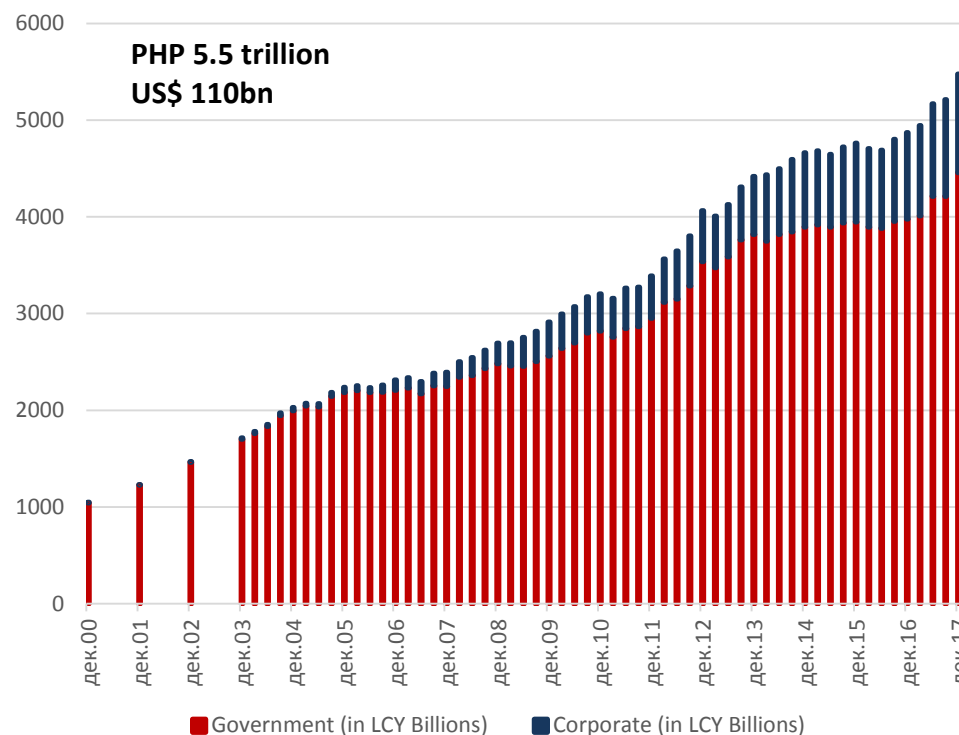
❖ **Sovereign rating:** BBB, stable by S&P

❖ **Yield:** 5.318%, 5-year, government

❖ Government started marketing 10-year \$2bn worth global bond at appr. 3.30% yield

❖ \$500mn raised from a new 25-year US\$-bond in January 2017

Philippines: LCY Bonds, PHPbn, 2000-2017



Vietnam

❖ VND 1,80 trillion (\$47.6bn) LCY bond market (Dec.2017)

- VND 1,018 trillion (\$44.8bn) government
- VND 62.4 trillion (\$2.75bn) corporate

❖ Sovereign rating: BB-, stable by S&P

❖ Yield: 3.190%, 5-year, government

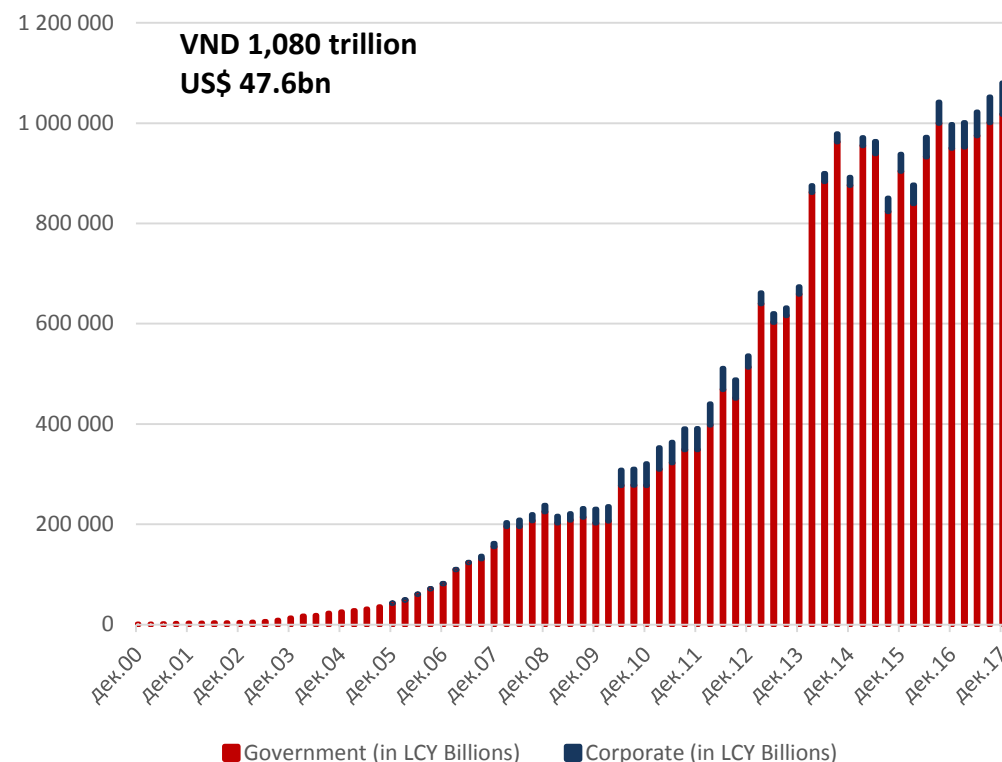
❖ Government plans to issue VND200 trillion (\$8.8bn) in 2018

❖ VND160 trillion (\$7bn) raised in 2017

❖ VND19.36 trillion (\$849mn) raised in January 2018, 4.30% yield 5-year term, incl VND8.9trillion (\$392mn) bought by foreign investors

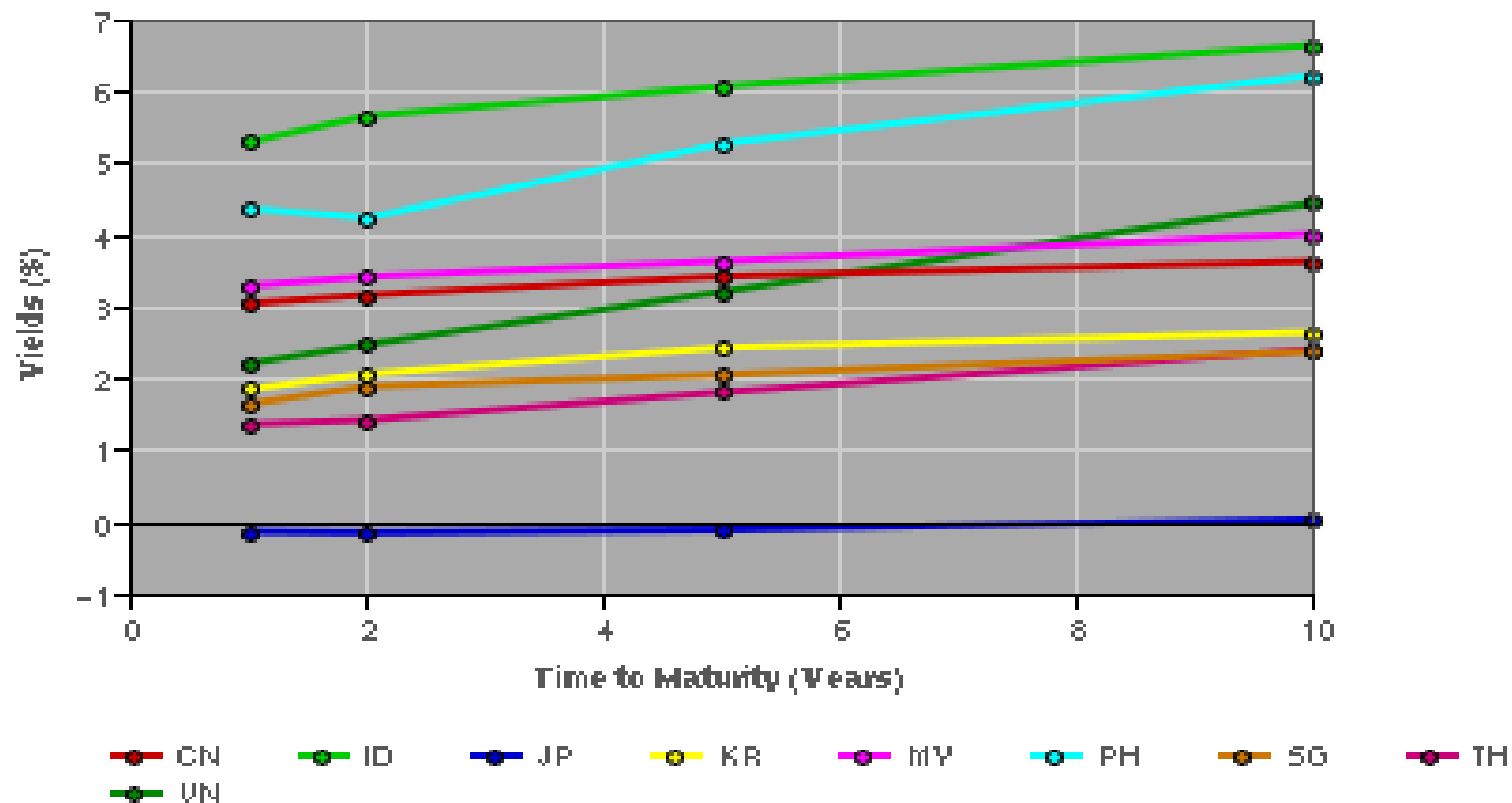
❖ Government targeting bond market to reach 45% of GDP in 2020, 65% in 2030

Vietnam: LCY Bonds, VNDbn, 2000-2017



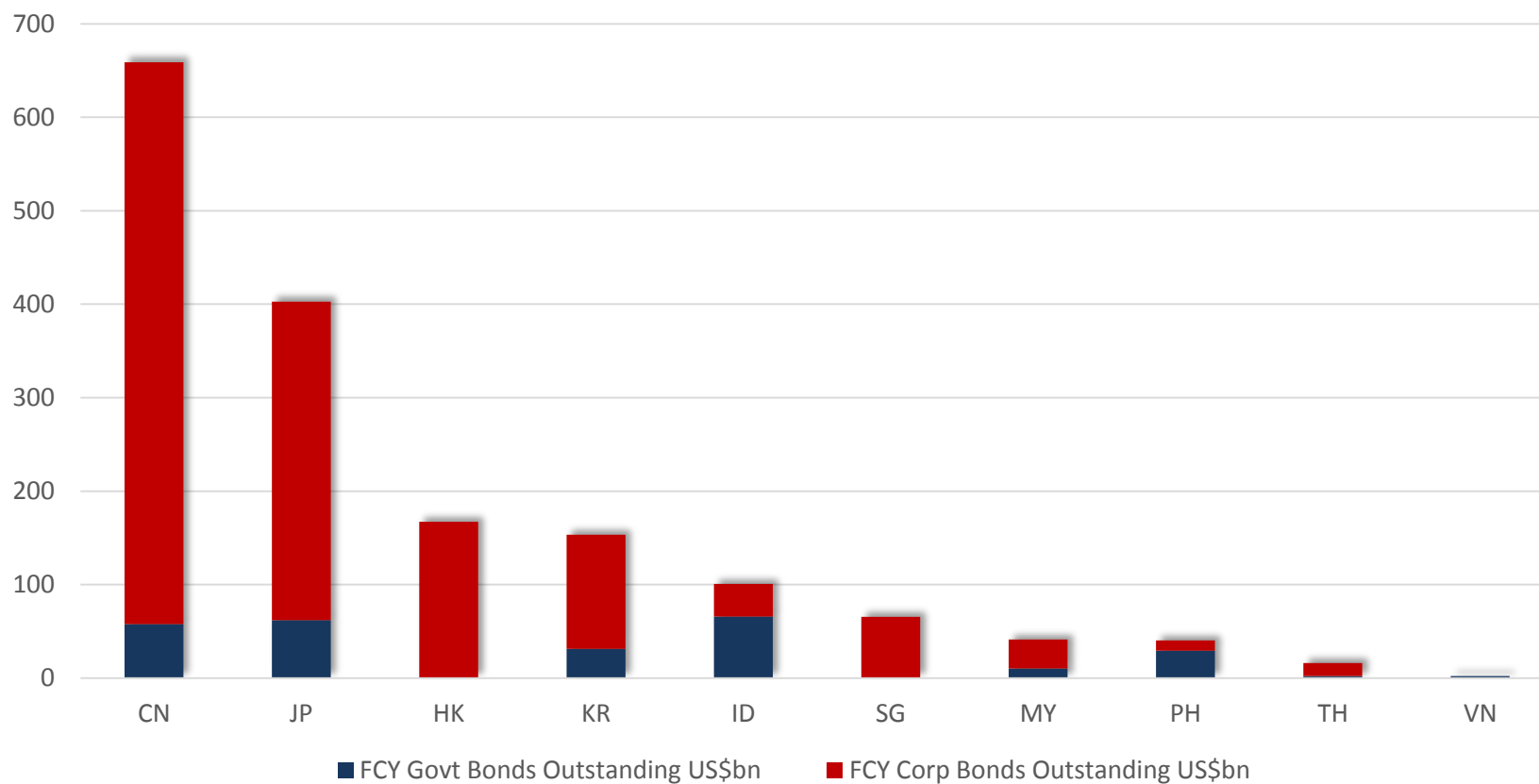
Yields: regional

❖ LCY Government bond yield movements



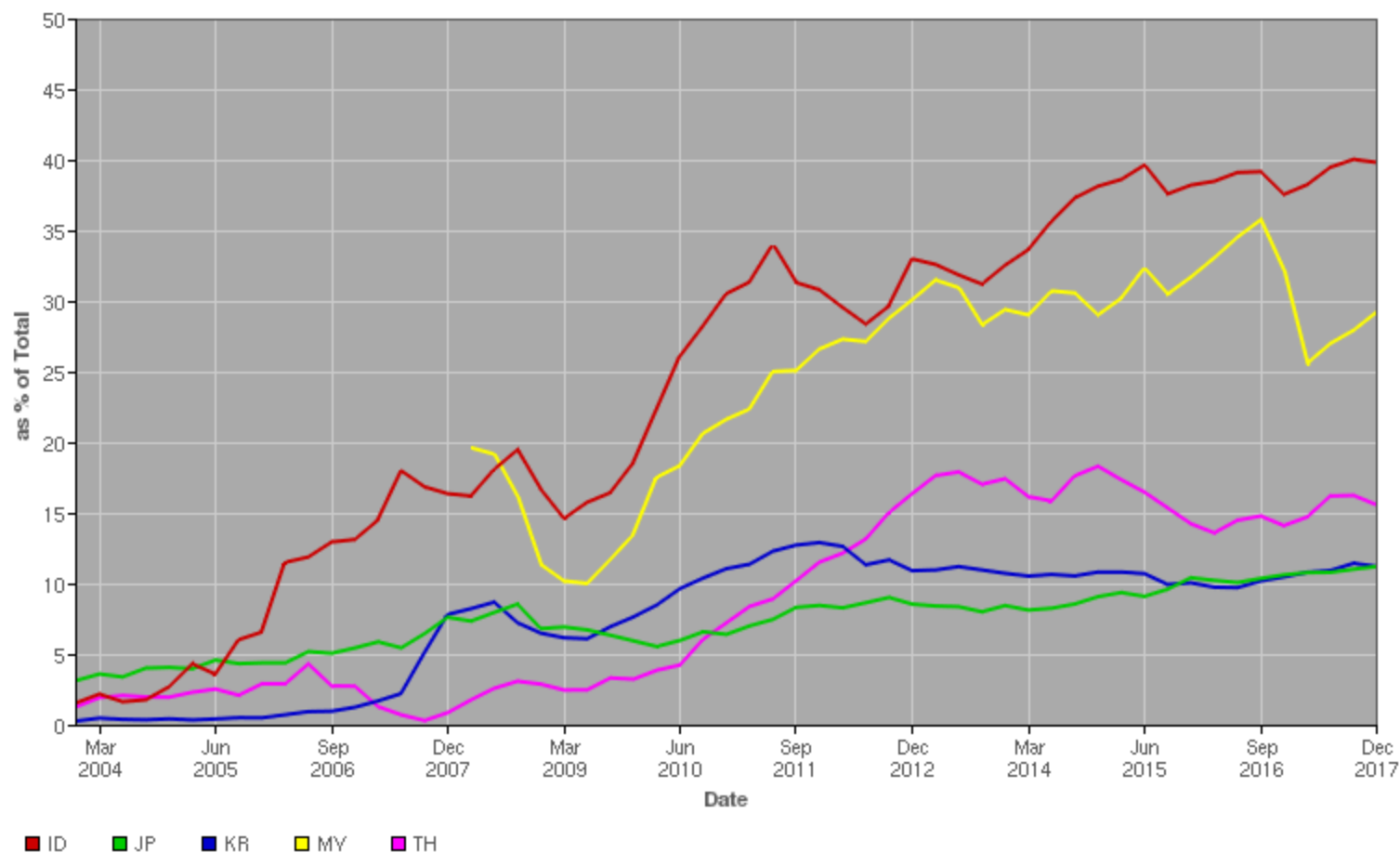
FCY Bonds: regional

❖ **\$1.65 trillion FCY bonds: \$261bn government bonds, \$1.4 trillion corporate**



Foreign Holdings

❖ **Foreign holdings** of LCY government bonds, % of total: Thailand 16%, Malaysia 29%, Indonesia 40%



ASEAN & One Belt One Road

- ❖ Developing Asia and the Pacific **infrastructure needs \$26 trillion**, \$1.7 trillion a year, by 2030, ADB says
 - **\$14.7 trillion** for power, **\$8.4 trillion** transport, **\$2.3 trillion** telecom, **\$800bn** water & sanitation
- ❖ **ASEAN need to invest \$2,17 trillion**, \$145bn a year (vs current \$50bn), by 2030, ADB says
- ❖ China will lend **\$8 trillion for infrastructure** in 68 countries, Beijing says
- ❖ Asian Infrastructure Investment Bank with \$100bn capital expected to lend \$10-15bn a year

Major transport related infrastructure projects in ASEAN under the OBOR initiative

Batch 1	Location	Length (km)	Status	Estimated Cost (US\$m)
Railway				
Rail link from Phnom Penh to Ho Chi Minh City	Vietnam/Cambodia	384	Proposed	600
Boten-Vientiane Railway	Laos	421	Under construction	7,000
Savannakhet-Lao Bao Railway	Laos	220	Under construction	4,000
Bangkok-Nong Khai Railway	Thailand	873	Expected to start construction in 2017	11,360
Bangkok-Chiang Mai Railway	Thailand	715	Proposed	14,000
Kuala Lumpur-Singapore High Speed Rail	Malaysia to Singapore	350	Under finalization	15,000
Jakarta-Bandung railway	Indonesia	150	Expected to start construction in 2017	5,135
East Coast Rail Line	Malaysia	620	Expected to start construction in 2017	13,000
Gemas-Johor Bahru track	Malaysia	197	Expected to start construction in 2017	2,000
Port				
Colombo Port City	Sri Lanka		Delayed	1,400
Gwadar	Pakistan		Under construction	1,000
Kuantan Port	Malaysia		Under expansion	700
Dawei Port	Myanmar		Initial phase	1,700
Batch 2	Location		Industries	Estimated Cost (US\$m)
Estimated investment (5-year period)	ASEAN		Roads & expressways, railways, metro systems etc.	230,125
Batch 3				
Estimated investment (5-year period)	ASEAN		Roads & expressways, railways, metro systems etc.	254,968

Source: DBS Vickers, News, Master Plan on ASEAN Connectivity 2025

Uzbekistan: credit rating & bond issue

- ❖ **Sovereign credit rating** by end-2018 (CitiGroup)
- ❖ Authorities working with **McKinsey, BCG** on development strategy, investment climate
- ❖ Uzbekistan announced it is planning up to ***\$300mn sovereign bond issue*** in 2018
- ❖ Uzbekistan is currently the only one of two remaining medium-sized frontier economies that does not have credit rating or international bond issue (Myanmar is the other country)
- ❖ **\$1BN** could be raised from investors given the recent successful issues by peers:
 - Tajikistan: \$500mn (Sep.2017)
 - Argentina: \$9bn (Jan.2018)
 - Kenya: \$2bn (Feb.2018)
 - Nigeria: \$3bn (Nov.2017)
 - Egypt: \$5bn (Feb.2018)

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