

中銀香港 研究產品系列

- 中銀財經述評
- Economic Vision
- 中銀內部研究
- 中銀策略研究
- 綜合期刊

Economic Review

Offshore RMB Express
香港綠色金融研究
Green Dialogue
東南亞觀察
中銀評論
中銀經濟預測

Author: Jason Li
Email: cxli@bochk.com
Tel: +852 319 83838

Author: Nathan Yeung
Email: nathanyeung@bochk.com
Tel: +852 282 66205

Contact: Anny Chan
Email: ccchan@bochk.com
Tel: +852 282 66208

The continuous growth of RMB bond issuance in Hong Kong has strengthened Hong Kong's position as an offshore RMB hub

Li Cheng Xiang, Head of RMB Business Division
Yeung Wing Fung, Strategic Planner

The process of RMB internationalization has made great achievements in recent years, and its functions as settlement currency, financing currency, reserve currency and transaction currency have all been improved. The 14th Five - Year Plan clearly states that “strengthening Hong Kong as a global offshore RMB business hub” is a key measure and positioning for the central government to support Hong Kong to consolidate and enhance its competitive advantages and better integrate into the overall situation of national development. Thanks to the combination of central policy support and market drivers, Hong Kong has been able to develop into a global hub for offshore RMB business. Hong Kong, with its broad investor base and rich pool of RMB funds, has attracted investors and institutions from around the world to participate in the RMB bond market, which provides issuers with greater financing channels and more sources of funds. According to the “2023 RMB Internationalization Report” released by the People’s Bank of China, the issuance of RMB bonds in Hong Kong in 2022 increased by 29.6% YoY, accounting for 80% of all offshore RMB bond issuance. The sound development of the RMB bond market in Hong Kong has further consolidated and enhanced Hong Kong’s position as a hub for offshore RMB business.

Development status of RMB bond market in Hong Kong

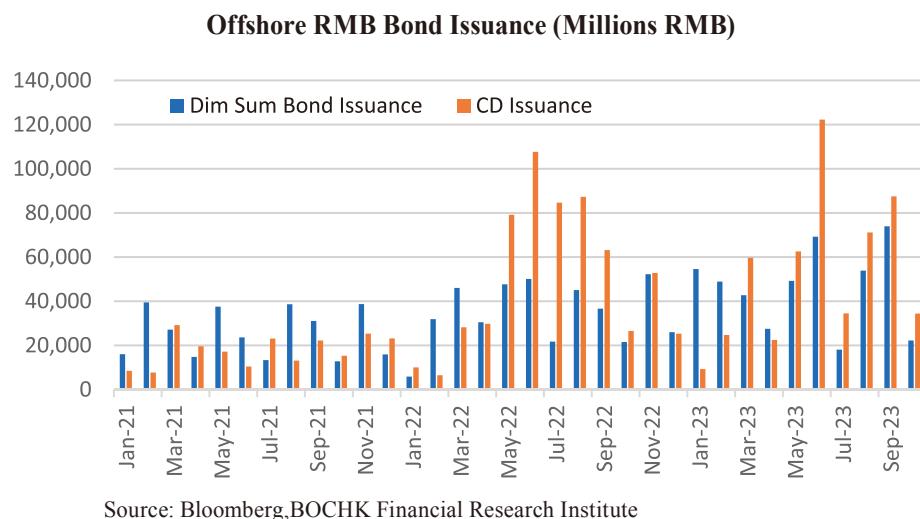
1. The offshore RMB financing function has been steadily improved

With the development of China’s economy and the continuous deepening of reform and opening up, the demand for the use of RMB in investment and financing by domestic and foreign business entities continues to rise, and the financing function of RMB has significantly improved in the past two years. Policies on overseas lending by domestic banks and domestic bond issuance by foreign institutions have been introduced, the RMB investment and financing environment has continued to improve, and the offshore RMB bond market has developed steadily. Since 2022, the issuance of offshore RMB bonds has increased



Please follow BOCHK for the latest economic and financial markets analyses

significantly. According to Bloomberg, Dim Sum Bonds (excluding CD) issuance reached RMB 415.4 billion in 2022, an increase of 34.3%. CD issuance reached RMB 601.3 billion, a significant increase of 179.5% over 2021. From January to October 2023, the issuance of dim sum bonds reached RMB 460.512 billion, up 36.6% YoY; CD issuance reached RMB 528.7 billion, similar level from the same period last year. Since the US Fed began raising interest rates in March last year, the growth rate of offshore RMB bond issuance has accelerated significantly, especially in RMB certificates of deposit. The indicator has grown from less than RMB 100 billion in the same period in 2021 to about 250 to 300 billion yuan in the past two years.



2. Hong Kong's bond issuance mechanism has obvious advantages

Currently, Hong Kong has steadily developed into an international bond hub in Asia. Hong Kong has a complete ecosystem covering all aspects of bond issuance, including arranging investors, legal advisers, accountants and other professional service. It can provide one-stop services for issuers and is the preferred platform for issuing bonds and other related products. According to official data, in terms of Asian institutions to issue bonds internationally, Hong Kong has ranked first in the world for seven consecutive years, with more than USD 100 billion of issuance arranged through Hong Kong last year, accounting for about 30% of the market share.

In terms of RMB bonds, the first RMB bond was issued in Hong Kong as early as 2007. In 2017, the “Northbound Bond Connect” pilot was launched in Hong Kong, and the “Southbound Bond Connect” was implemented in 2021, realizing two-way connectivity and greatly tapping the potential of Hong Kong in issuing and investing in offshore RMB bonds. Currently, international investors invest in the onshore bond market through Hong Kong, accounting for 70%, fully reflecting the important function of Hong Kong to connect mainland and international funds and investors.

Development characteristics and trends of RMB bond market

1. The regular basis of central bank bills and Treasury bonds issuance in Hong Kong supports the development of the RMB bond market in Hong Kong

Since September 2018, when the People’s Bank of China and the Hong Kong Monetary Authority signed a memorandum of understanding on using the CMU bond platform to issue RMB central bank bills in Hong Kong, the People’s Bank of China has issued offshore central bills on a regular basis. In 2022, the People’s Bank of China regularly

issue RMB central bank bills in Hong Kong in a market-oriented manner, with a total of 12 issues issued throughout the year, with an issue scale of RMB 120 billion. On the other hand, the Ministry of Finance has issued RMB government bonds in Hong Kong for 15 consecutive years to support the development of the RMB bond market in Hong Kong. The scale of RMB Treasury bonds issued in Hong Kong has been growing continuously over the years, starting from 6 RMB billion and reaching RMB 28 billion at its peak. In 2023, the Ministry of Finance plans to issue a total of RMB 50 billion in Hong Kong for the whole year, the highest issuance in the past year. The RMB Treasury bonds issued by the Ministry of Finance are the highest grade sovereign bonds and are widely welcomed by the overseas market. Each issue has been oversubscribed, and together with the central bank bills issued by the People's Bank of China, they have jointly led the recovery of the dim sum bond market. It has enriched offshore RMB denominated assets, formed and improved the offshore RMB benchmark interest rate curve, provided benchmark reference for other types of issuers, and provided more high-quality RMB assets for overseas investors. It is expected that the issuance scale of RMB offshore treasury bonds and central bills will continue to be an important part of the Hong Kong offshore RMB bond market.

2. Market drives RMB financing in both supply and demand sides

On the one hand, the cost of RMB financing is more attractive than US dollar financing, and the financing demand promotes the demand for bond issuance. The US Fed has raised interest rates sharply since March last year, making dollar funding more expensive and yuan funding more attractive. On the other hand, the Hong Kong Connectivity mechanism has been further improved, adding more investor base to the RMB bond market in Hong Kong. The southward flight of domestic funds has boosted demand for offshore bond investment. Demand at both ends of the market has increased significantly. Moreover, the HKMA will add more designated market makers in 2023, which will not only provide investors with more diversified choices, but also enhance the liquidity of the secondary market. The supply and demand side of the offshore RMB bond market has improved significantly in the past two years, making the bond market more active.

3. The diversification of offshore RMB market is gradually improving

The Shenzhen Municipal People's Government and the Hainan Provincial People's Government have issued offshore RMB bonds in Hong Kong for three consecutive years. The issued varieties include innovative offshore RMB bond varieties such as biodiversity themed green bond, blue bond and sustainable development bond. The issuance tenor are 2, 3 and 5 years. The Shenzhen Municipal People's Government and the Hainan Provincial People's Government are both high-quality and highly rated issuers with low debt ratios, providing more diversified and long-term asset options for the offshore RMB bond market. In addition, Swire Properties became the first Hong Kong company to issue green dim sum bonds in 2023. From issuers, bond types to maturities, RMB bonds are becoming more diversified, and the issuance and trading of these new types of highly rated bonds will help improve the depth of the offshore RMB market and attract more institutions and investors to participate in it.

To further promote the development of the RMB bond market in Hong Kong

1. Further strengthen a comprehensive market mechanism

We should continue to improve the connectivity mechanism. Explore ways to further optimize the "Bond Connect" mechanism, expand the size of the Hong Kong bond market, promote more diversified dim sum bond issuance and

trading, and develop the offshore RMB fixed income ecosystem; Preferential policies, including taxation, should be granted to further facilitate cross-border RMB investment and two-way flow of funds.

We should continue to improve financial infrastructure and enrich offshore RMB products. Recently, the Hong Kong Monetary Authority is actively upgrading the clearing system for bond instruments and intends to develop it into a major international central securities custody platform in Asia to better support the cross-border clearing, transaction settlement and custody business. Meanwhile, we should promote the development of offshore RMB products, such as the Swap Connect launched this year and the treasury bond futures trading planned to be launched by HKEX early next year, with the aim of meeting the increasing interest rate risk management and trading needs of offshore investors, providing investors with more diversified investment products and risk management tools, and making the offshore RMB capital market more mature.

2. Expand the supply of high-quality bonds and the source of investors

On the supply side, we should improve market promotion, introduce more diversified issuers of high-quality RMB bonds, and increase the supply of high-quality RMB denominated bonds. By achieving these goals, we should encourage more mainland government issuers to use Hong Kong platforms to issue RMB bonds, introduce mainland policy banks and financial institutions to issue bonds, support the issuance of bonds under the Belt and Road Initiative, and attract overseas governments, financial institutions and quality enterprises to issue dim sum bonds in Hong Kong. For example, the Hong Kong Government can guide local MPF funds to invest in RMB bonds, increase global roadshows, and attract global capital to Hong Kong, especially regional family businesses from the Middle East and Southeast Asia.

3. Promote the development of green bonds to help the green and low-carbon transformation of society

Promoting the green and low-carbon development of the society is the key part of the bond issuance, and it is also the core competitiveness under the new requirements. Currently, RMB bonds have an increasingly important influence on green finance, such as the bonds issued by the Shenzhen Municipal government and the Hainan Provincial Government, both included green, blue and social responsibility bonds in their issuance. Both issuance side and the investment side, the green and low-carbon requirements will be higher, which has become an important trend in the development of the bond market. As a green financial development center in Hong Kong, the issuance of RMB bonds can make full use of this market trend and continuously improve the proportion of green element, so as to help the low-carbon transformation of the society.

The recent Central Financial Work Conference clearly pointed out that “steadily and solidly promote the internationalization of the RMB” and further emphasized the consolidation of Hong Kong’s status as an international financial center. For Hong Kong, in line with national strategies, serving the country’s high-quality development and high-level opening up, it is an important measure and direction to identify the role and positioning in the new round of RMB internationalization. At present, the function of offshore RMB financing is rapidly improving, and the issuance of RMB bonds is active. All sectors in Hong Kong should work together to seize market opportunities, actively introduce international investors and high-quality issuers, vigorously promote the issuance of RMB bonds in Hong Kong, constantly improve the ability of financial services to serve the real economy, and make contributions to Hong Kong’s integration into the overall situation of national development.

Disclaimer & Important Notes

This document is published by Bank of China (Hong Kong) Limited (“BOCHK”) for reference only.

The contents contained in this document have not been reviewed by the Securities and Futures Commission of Hong Kong.

This document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution would be contrary to laws or regulations.

This document is for reference only. It does not constitute, nor is it intended to be, nor should it be construed as any investment recommendation or professional advice, or any offer, solicitation, recommendation, comment or any guarantee to the purchase or sale, subscription or transaction of any investment products or services stated herein. You should not make any investment decision based upon the information provided in this document.

The information provided is based on sources which BOCHK believes to be reliable but has not been independently verified, therefore BOCHK does not make any representation, warranty or undertaking as to the accuracy, completeness or correctness of the information or opinions provided in this document. The forecasts and opinions contained in this document is only provided as general market commentary and is not an independent investment research report and is not to provide any investment advice or return guarantee and should not be relied upon as such. All views, forecasts and estimates are the judgments of the analysts made before the publication date, and are subject to change without further notice. No liability or responsibility is accepted by BOCHK and related information providers in relation to the use of or reliance on any such information, projections and/or opinions whatsoever contained in this document. Investors must make their own assessment of the relevance, accuracy and adequacy of the information, projections and/or opinions contained in this document and make such independent investigations as they may consider necessary or appropriate for the purpose of such assessment.

The securities, commodities, foreign exchanges, derivatives or investments referred to in this document may not be suitable for all investors. No consideration has been given to any particular investment objectives or experience, financial situation or other needs of any recipient. Accordingly, no representation or recommendation is made and no liability is accepted with regard to the suitability or appropriateness of any of the securities and/or investments referred to herein for any particular person's circumstances. Investors should understand the nature and risks of the relevant product and make investment decision(s) based on his/her own financial situation, investment objectives and experiences, willingness and ability to bear risks and specific needs and if necessary, should seek independent professional advice before making any investment decision(s). This document is not intended to provide any professional advice and should not be relied upon in that regard.

BOCHK is a subsidiary of Bank of China Limited. Bank of China Limited the subsidiaries and/or their officers, directors and employees may have positions in and may trade for their own account in all or any of the securities, commodities, foreign exchanges, derivatives or investments mentioned in this document. Bank of China Limited the subsidiaries may have provided investment services (whether investment banking or non investment banking related), may have underwritten, or may act as market maker in relation to these securities, commodities, foreign exchanges, derivatives or investments. Commission or other fees may be earned by Bank of China Limited the subsidiaries in respect of the services provided by them relating to these securities, commodities, foreign exchanges, derivatives or other investments.

No part of this document may be edited, reproduced, extracted, or transferred or transmitted to the public or other unapproved person in any form or by any means (including electronic, mechanical, photocopying, recording or otherwise), or stored in a retrieval system, without the prior written permission of the Bank.

“Hong Kong Financial Research Institute of Bank of China”

“Hong Kong Financial Research Institute of Bank of China” (“the Institute”) is the core research and strategic planning centre within the Bank of China (Hong Kong) Group. Rooted in Hong Kong, setting our sights on the Greater Bay Area, Southeast Asia, Asia-Pacific and the world, the Institute focuses on macro-economics and policies, financial markets, RMB internationalization and digital currencies, financial sector reforms and innovation, green and sustainable finance development. The Institute, as the knowledge center of BOC, combines original macro, meso and micro researches with real-world practices to provide unique insights and advices to the community. With the core mission of serving the country and Hong Kong, the Institute advises the government agencies, and has built extensive collaborations and joint research with prestigious universities, think tanks and industry leaders in Hong Kong and Mainland China. The Institute has 60 professional researchers and produces close to 1,000 internal and external research papers annually.

Author:

Chengxiang (Jason) Li: Head of RMB Business Division/ ESPD/ BOCHK, he has been working for Bank of China for more than twenty years. He joined BOC Shenzhen Branch in 2001 after graduation from Shanghai Fudan University, and he has years of overseas working experience such as AVP in BOC New York Branch, Deputy Branch Manager of BOC Chicago Branch etc. Now his work is focusing on the RMB business strategies of BOCHK and the development of RMB offshore market.

If you have any suggestions or
want to publish your research papers
in this journal, please contact us by
espadmin@bochk.com
or directly contact the author(s).



Please follow BOCHK for the latest
economic and financial markets
analyses

主要經濟指標 (Key Economic Indicators)

	2021	2022	2023/Q2	2023/Q3
一. 本地生產總值 GDP				
總量 (億元) GDP(\$100 Million)	28,677	28,180	7,068	7,671
升幅 (%) Change(%)	6.4	-3.5	1.5	4.1
二. 對外貿易 External Trade			2023/10	2023/01-10
外貿總值 (億元) Total trade(\$100 Million)				
總出口 Total exports	52,360	48,138	3,799	34,112
進口 Total imports	52,113	48,586	4,056	37,880
貿易差額 Trade balance	247	-448	-258	-3,768
年增長率 (%) YOY Growth(%)				
總出口 Total exports	18.7	-13.9	1.4	-11.0
進口 Imports	17.2	-13.2	2.6	-8.6
三. 消費物價 Consumer Price				
綜合消費物價升幅 (%) Change in Composite CPI(%)	1.6	1.9	2.7	2.0
四. 樓宇買賣 Sale & Purchase of Building Units				
合約宗數 (宗) No. of agreements	96,133	59,619	2,938	50,739
年升幅 (%) Change(%)	31.1	-38.0	-33.9	-3.1
五. 勞動就業 Employment			2023/07- 2023/09	2023/08- 2023/10
失業人數 (萬人) Unemployed(ten thousands)	20.3	16.3	11.4	11.6
失業率 (%) Unemployment rate(%)	5.2	4.3	3.0	3.0
就業不足率 (%) Underemployment rate(%)	2.6	2.3	1.0	1.0
六. 零售市場 Retail Market			2023/10	2023/01-10
零售額升幅 (%) Change in value of total sales(%)	8.1	-0.9	5.6	17.2
零售量升幅 (%) Change in volume of total sales(%)	6.5	-3.4	2.7	15.0
七. 訪港遊客 Visitors				
總人數 (萬人次) arrivals (ten thousands)	9.1	60.5	345.9	2,678.1
年升幅 (%) Change(%)	-97.4	561.5	4,195.3	8,010.0
八. 金融市場 Financial Market			2023/09	2023/10
港幣匯價 (US\$100=HK\$)	779.8	780.8	783.0	782.5
H.K. Dollar Exchange Rate (US\$100 = HK\$)				
貨幣供應量升幅 (%) change in Money Supply(%)				
M1	8.0	-20.7	-19.1	-15.4
M2	4.3	1.6	2.3	3.3
M3	4.3	1.6	2.3	3.3
存款升幅 (%) Change in deposits(%)				
總存款 Total deposits	4.6	1.7	0.2	0
港元存款 In HK\$	1.4	0.7	-0.3	-0.4
外幣存款 In foreign currency	7.9	2.6	0.7	0.4
放款升幅 (%) in loans & advances(%)				
總放款 Total loans & advances	3.8	-3.0	-0.9	-0.5
當地放款 use in HK	4.7	-0.2	-0.6	-0.3
海外放款 use outside HK	1.7	-10.0	-1.8	-1.2
最優惠貸款利率 (%) Best lending rate (%)	5.0000	5.6250	5.8750	5.8750
恒生指數 Hang Seng index	23,398	19,781	17,810	17,112