



Government bond markets in East Asia 10 years after the crisis

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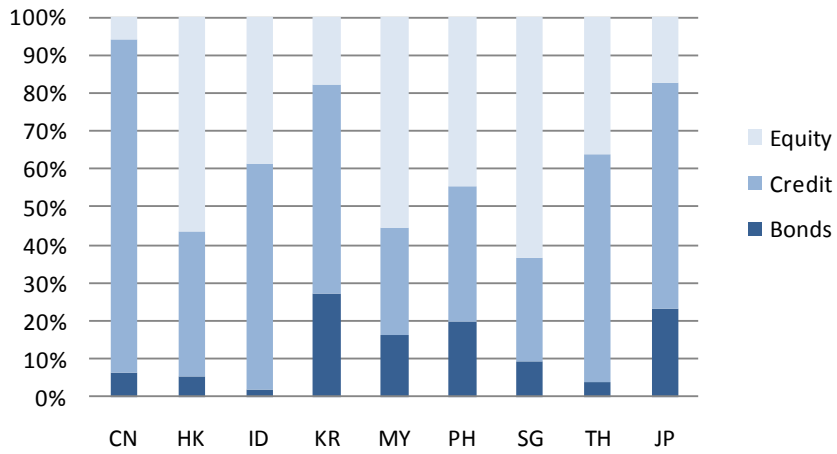
Ninth OECD-ADBI Roundtable on Capital
Market Reform in Asia

ADBI, Tokyo

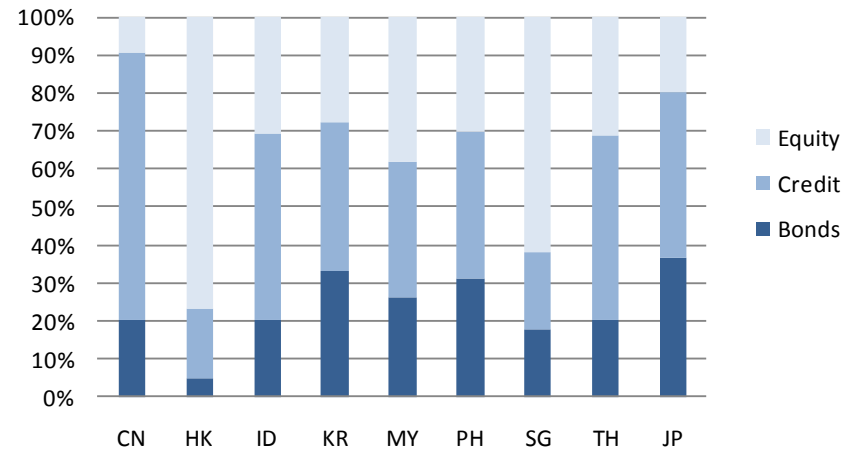
26-27 February 2008

The importance of bonds as a source of domestic financing has increased since before the crisis, but bank credit typically still dominates.

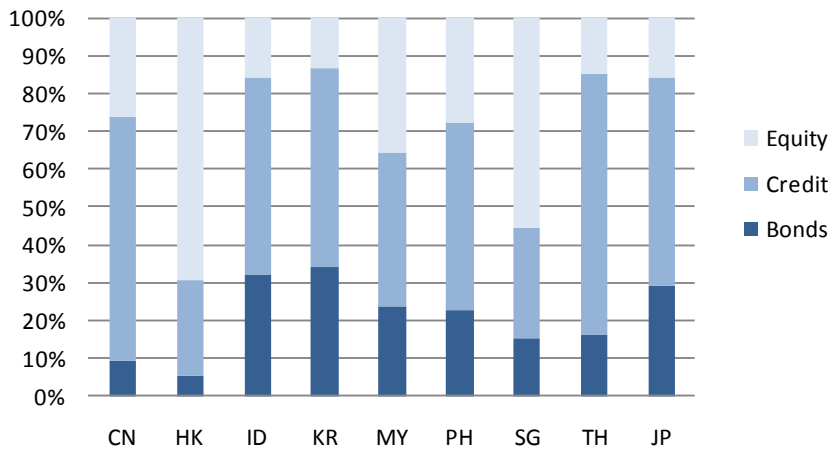
December 1995, % of total



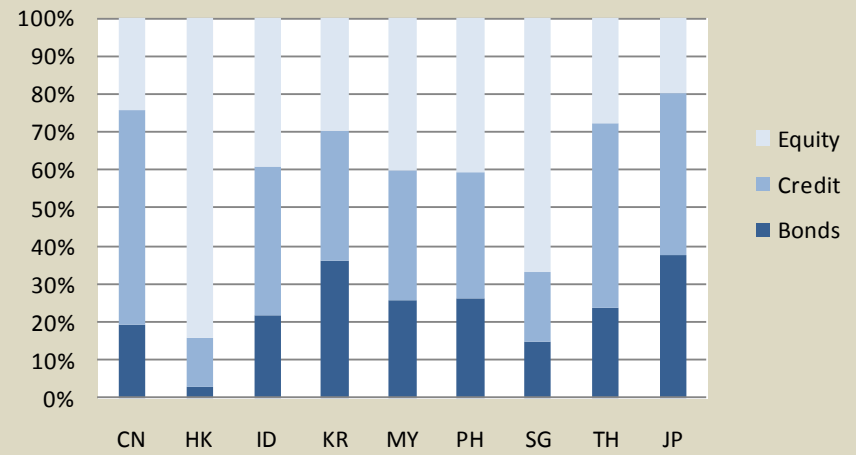
December 2005, % of total



December 2000, % of total

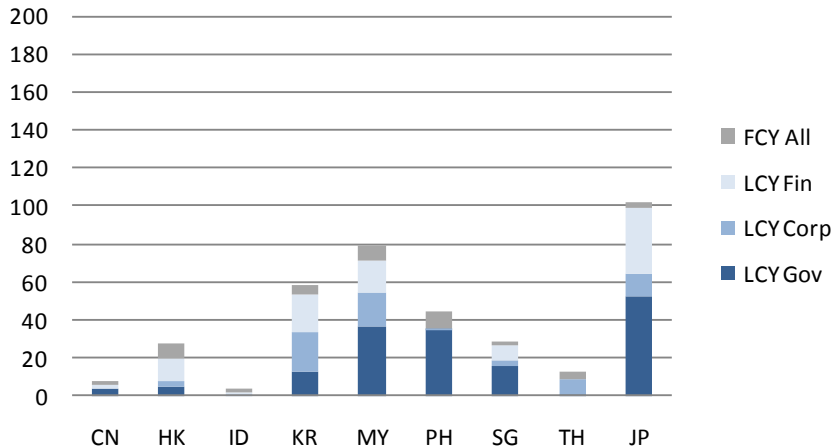


March 2007, % of total

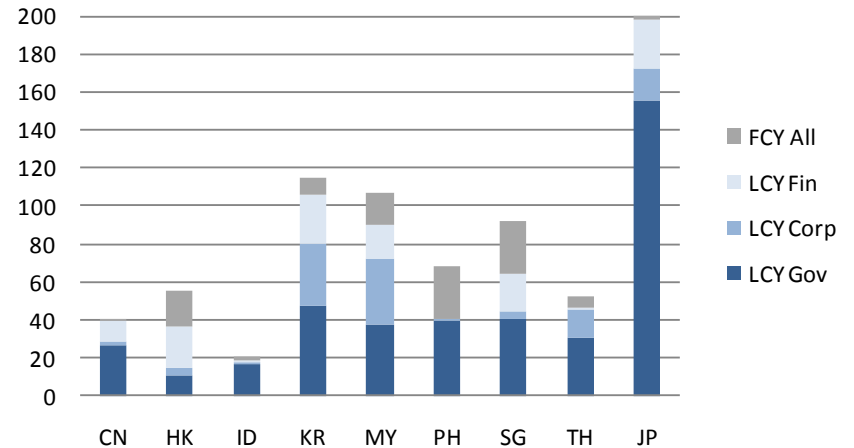


LCY bond markets have grown in importance and size, both as a percentage of GDP...

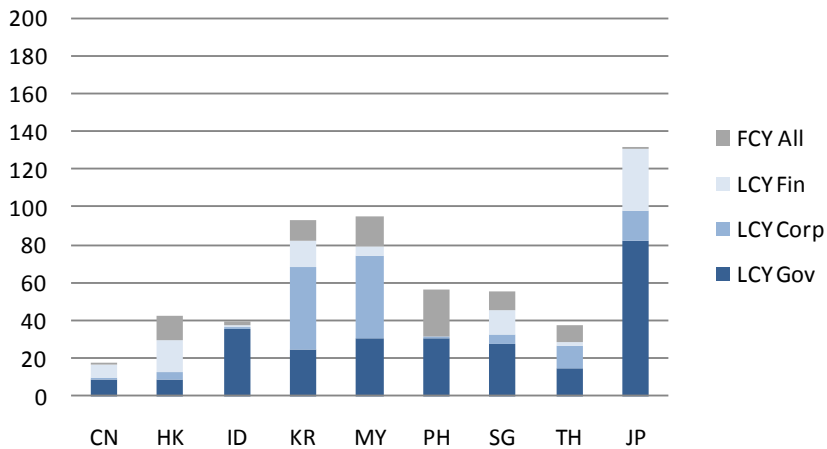
December 1995, % of GDP



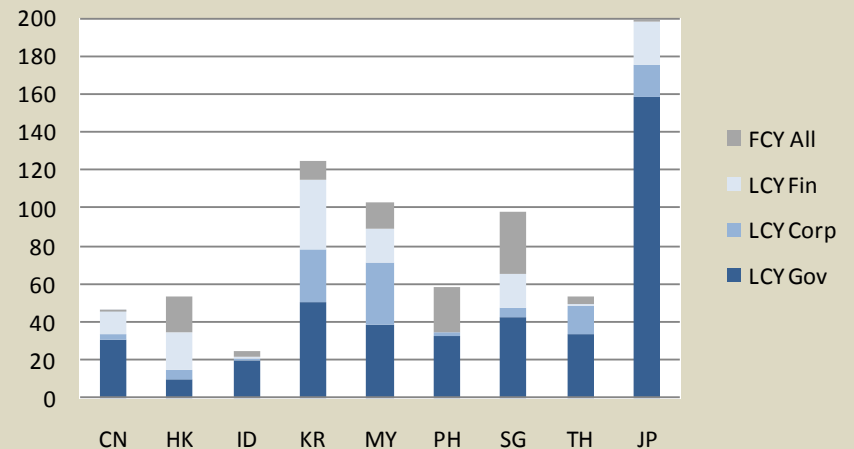
December 2005, % of GDP



December 2000, % of GDP

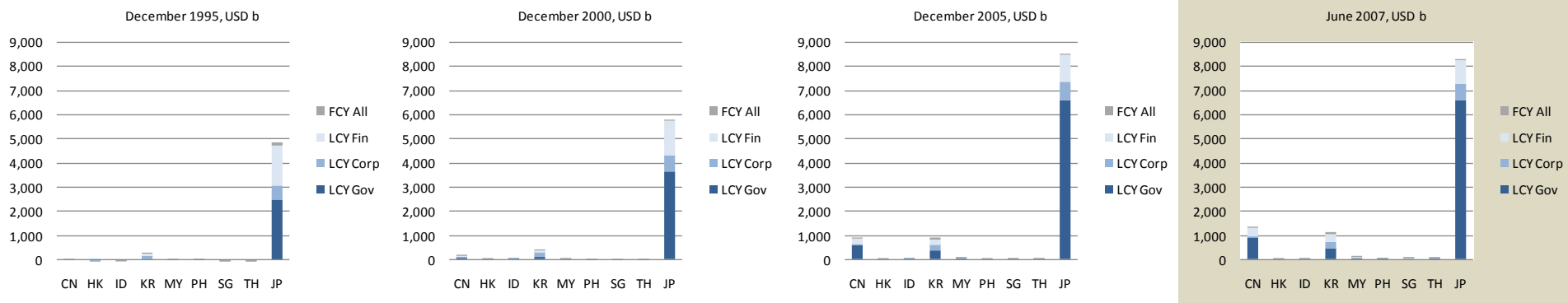


June 2007, % of GDP

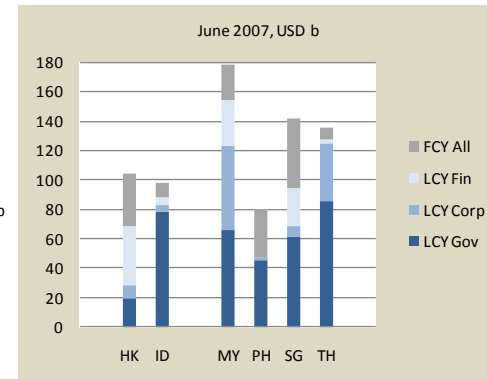
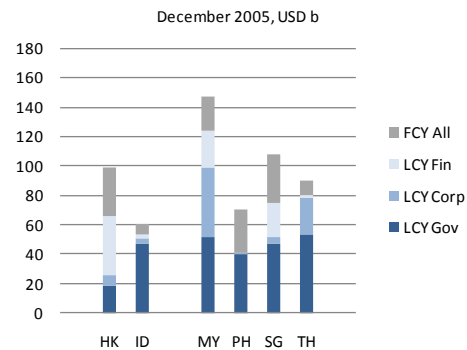
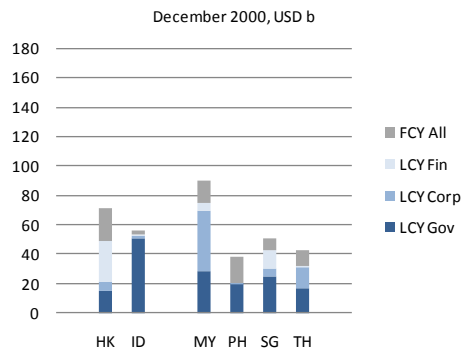
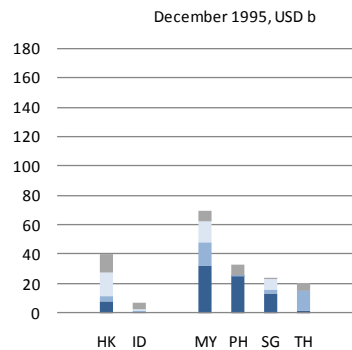
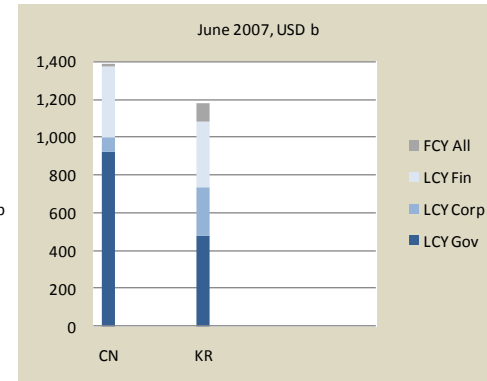
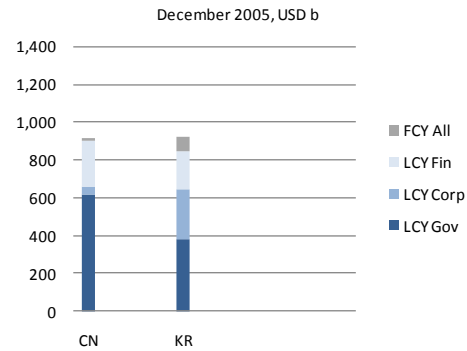
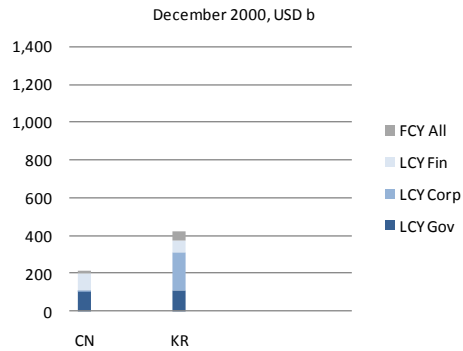
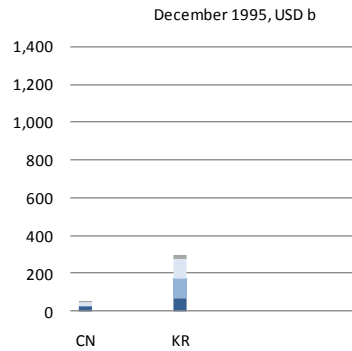


...and in nominal volume.

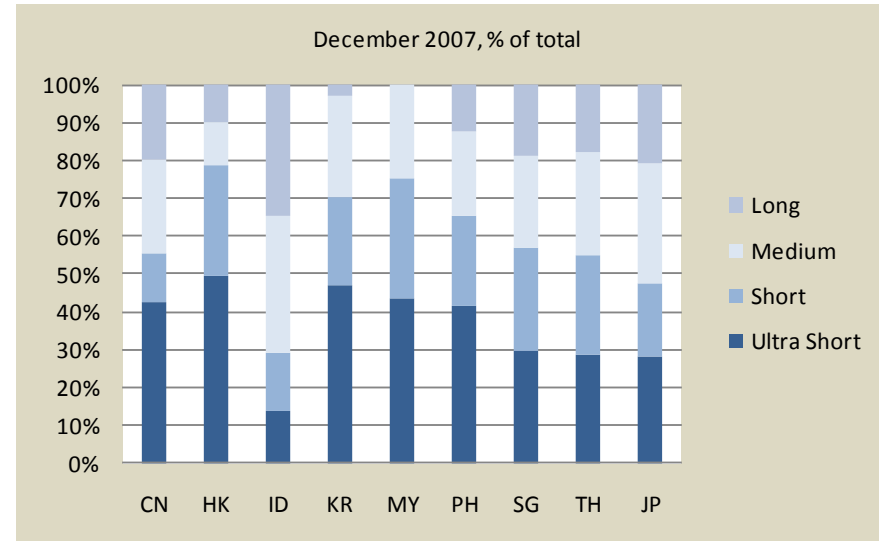
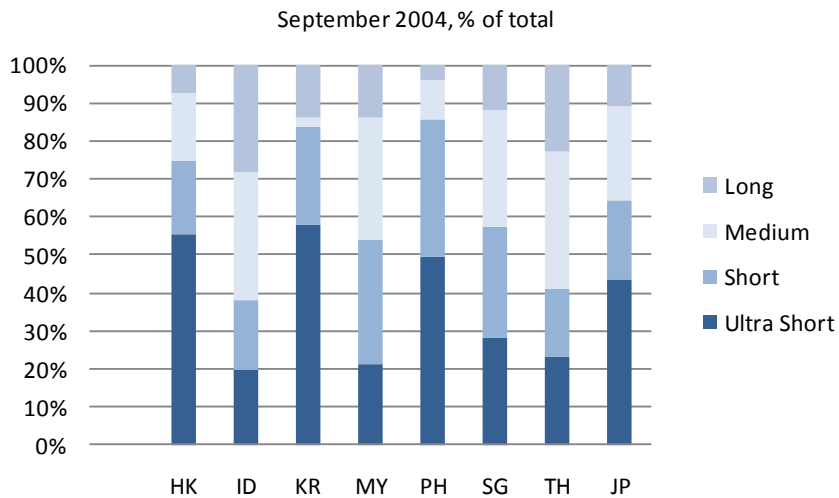
Japan dominates, especially in terms of nominal volume...



...but all countries have seen significant, if not explosive, growth in their LCY bond markets over the past decade.

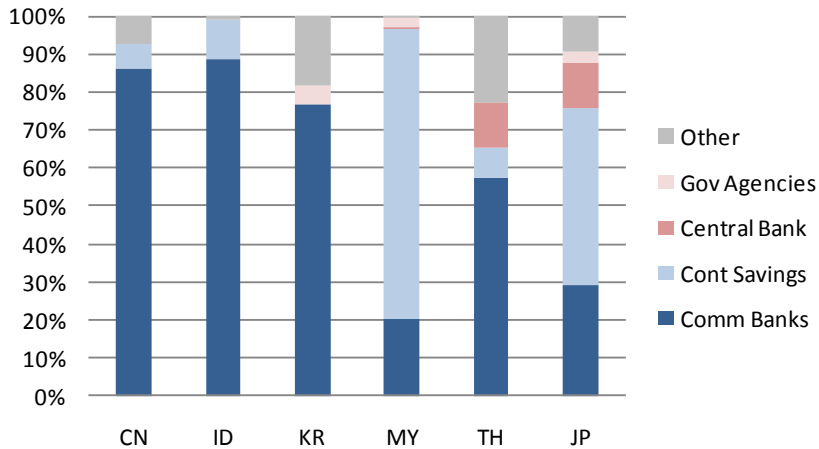


The maturity profiles of existing LCY government bonds are skewed toward the shorter end. This is relatively unchanged over the previous three years.



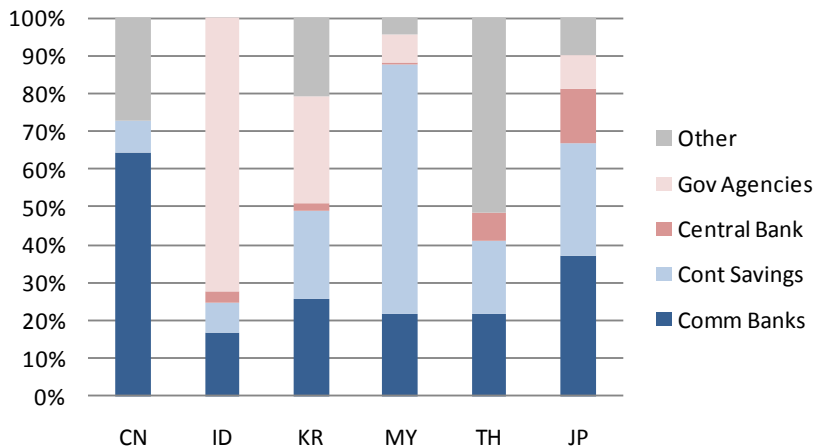
Commercial banks remain the principal investors in LCY government bonds, but their share of total holdings has declined since 2000.

December 2000, % of total

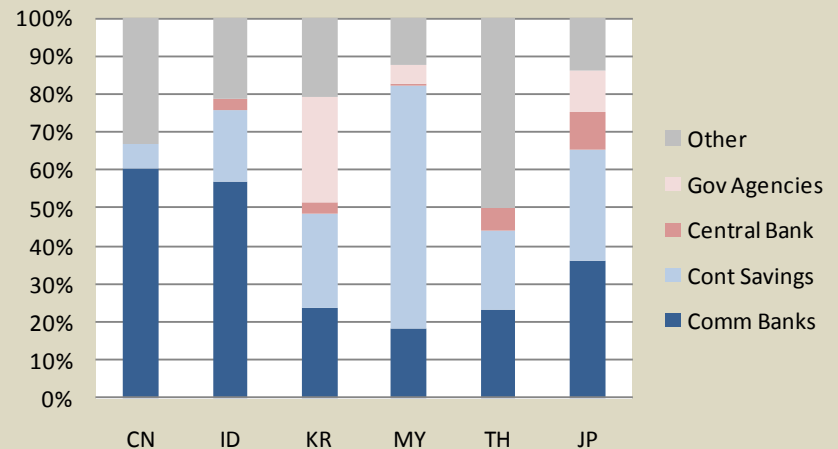


No uniform development accounts for this. Notably, the share of bonds held by contractual savings institutions has not necessarily risen.

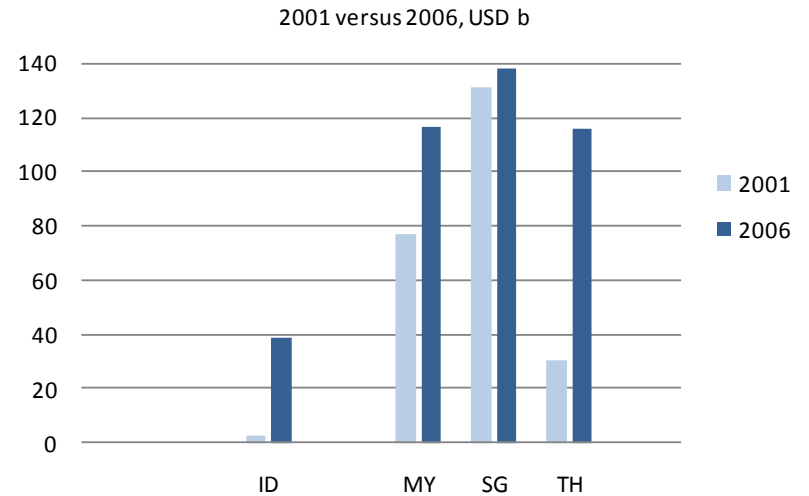
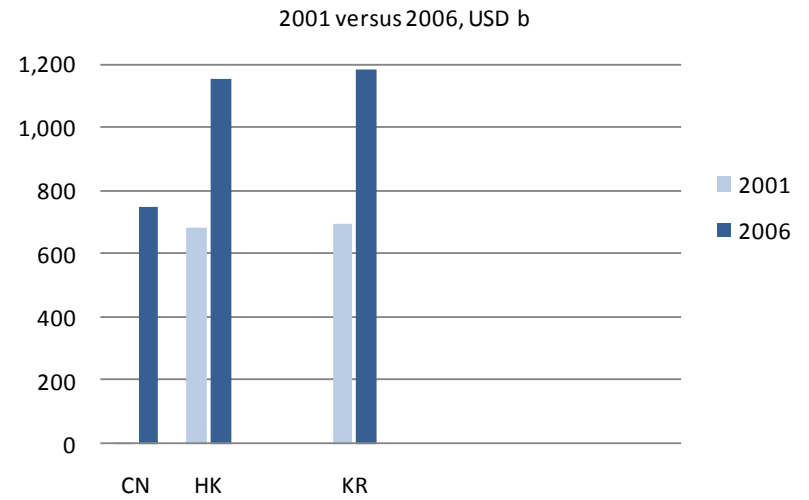
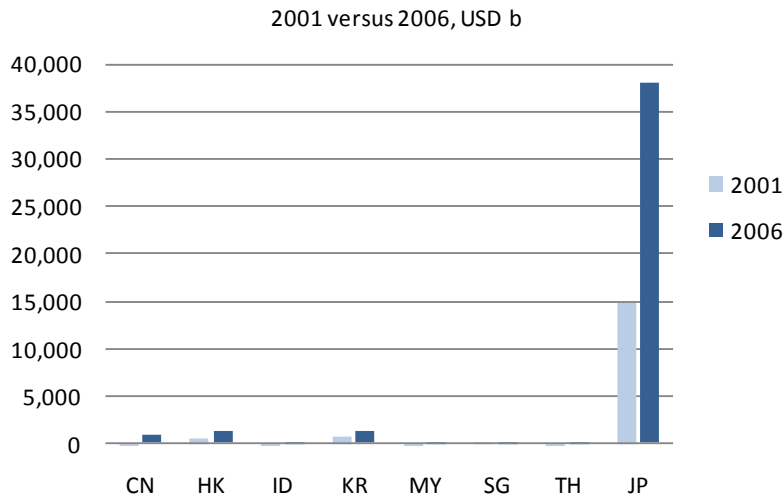
December 2005, % of total



September 2007, % of total

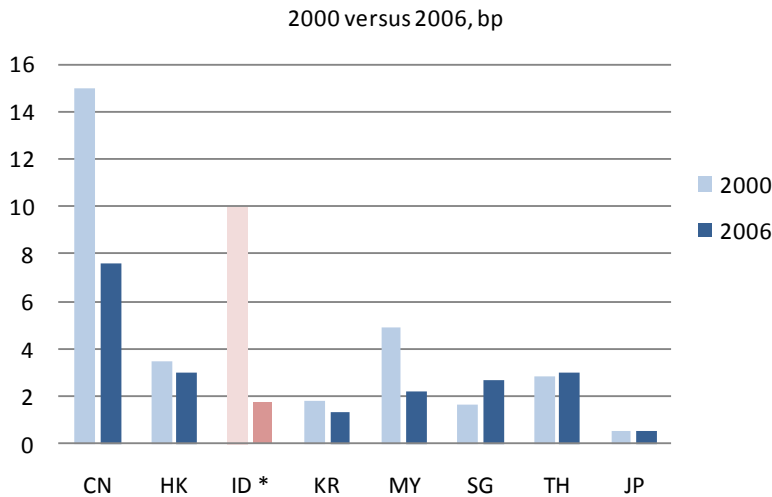
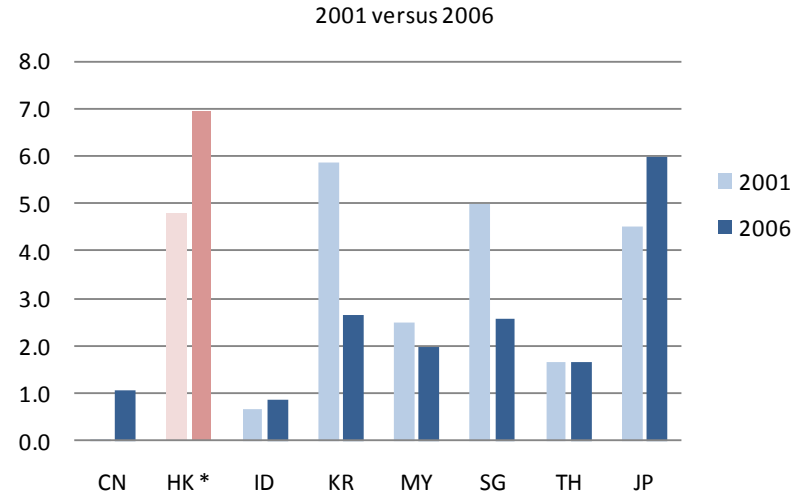


Commensurate with the increase in LCY government bond outstandings, secondary market trading volumes increased dramatically in most countries between 2001 and 2006.



Turnover ratios, however, show a mixed picture.

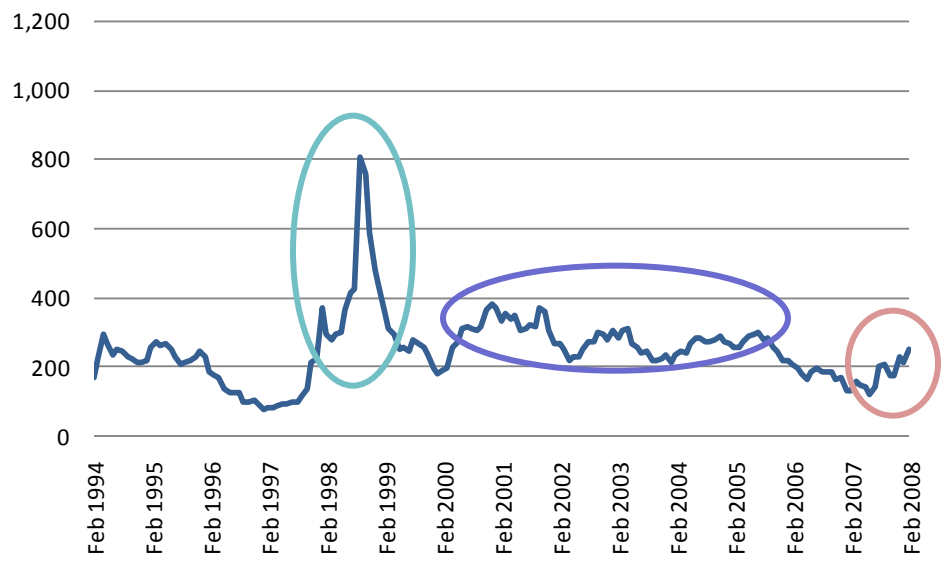
Note: Times10 for HK.



Bid-ask spreads have tightened or remained roughly stable, but they are still wide in some markets.

Note: Times 10 for ID.

1994 to 2008, bp



Yield spreads for Asia have risen slightly during the recent market turmoil...

...but they have not blown out.

Asian yield spreads remain tighter than the levels of a few years ago...

...and a fraction of the levels seen in the late 1990s.

Asian yield spreads are also still tighter than those for other regions, as well as the composite.

