The new cross-border finance in Asia

Eli Remolona

ISI-RSC 2017 Bali Conference
Nusa Dua, 22 March 2017

The views expressed are our own and do not necessarily reflect those of the BIS
The new cross-border finance in Asia

- When Asian non-banks now raise funds abroad, they tend to borrow in US dollars
- In borrowing from banks, there is good news and there is bad news
- In the shift to bond finance, what how do global investors differentiate between sovereign risks?
Asian non-bank borrowers adore US dollar credit

US dollar credit to non-bank borrowers in five Asian countries

In billions of US dollars

Five Asian countries¹

China

¹ China, Indonesia, Korea, Malaysia and the Philippines.

Outside China, Asian firms go for bonds rather than bank loans

*US dollar credit to non-bank borrowers in four Asian countries*

*In billions of US dollars*

**Indonesia**

**Korea**

**Malaysia**

**Philippines**

The good news: borrowing from banks is down

International bank claims on selected Asian economies

Six economies, claims as a percentage of their combined GDP

Source: BIS consolidated banking statistics.
US money fund reforms have made dollar loans less available.

Assets under management of MMMFs

Source: FRBNY Survey of Money Market Mutual Funds
The bad news: concentration of funding is up
How much can global risk factors explain?
Global risk factors drive what happens over time
Bond benchmarks rule what happens across countries

Bloomberg-Barclays global bond benchmarks

In per cent

Global aggregate
- USD 44%
- EUR 24%
- JPY 18%
- GBP

EM local currency
- KRW 29%
- ZAR
- PLN
- THB
- IDR
- BRL 13%
- MYR
- MXN

Source: Bloomberg
The new cross-border finance in Asia

- Asian non-bank borrowers have found US dollar credit hard to resist
- In cross-border bank loans, borrowing is down but concentration of funding is up
- In the shift to bond finance, global benchmarks are destiny
References