BANK FOR INTERNATIONAL SETTLEMENTS

The new cross-border finance in Asia

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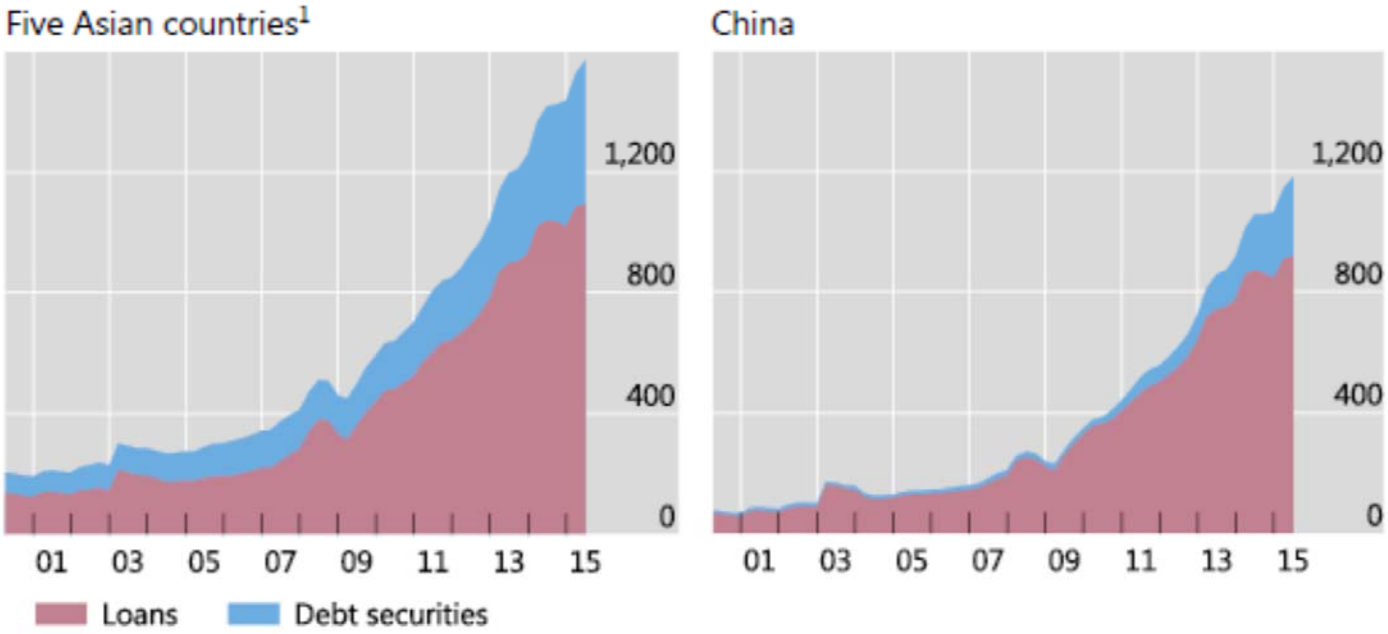
The new cross-border finance in Asia

- 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



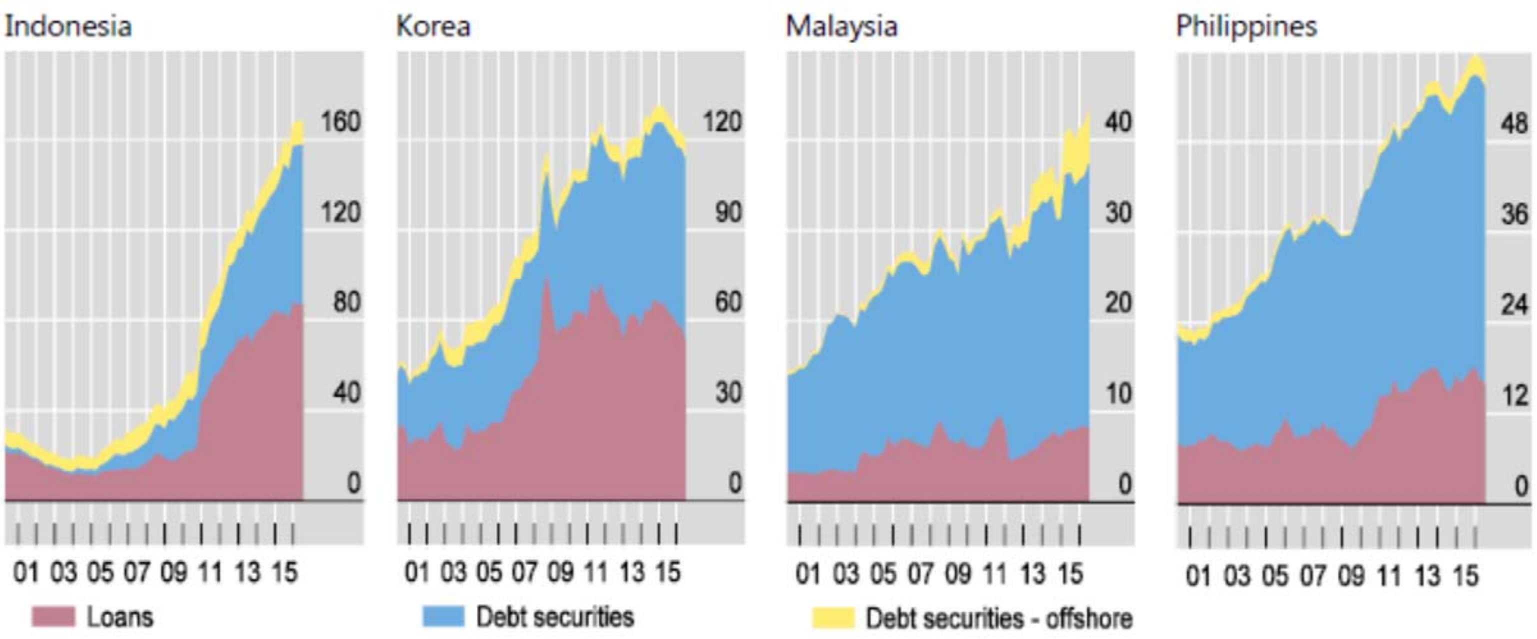
[1] China, Indonesia, Korea, Malaysia and the Philippines.

Source: McCauley, McGuire and Sushko (2015).

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

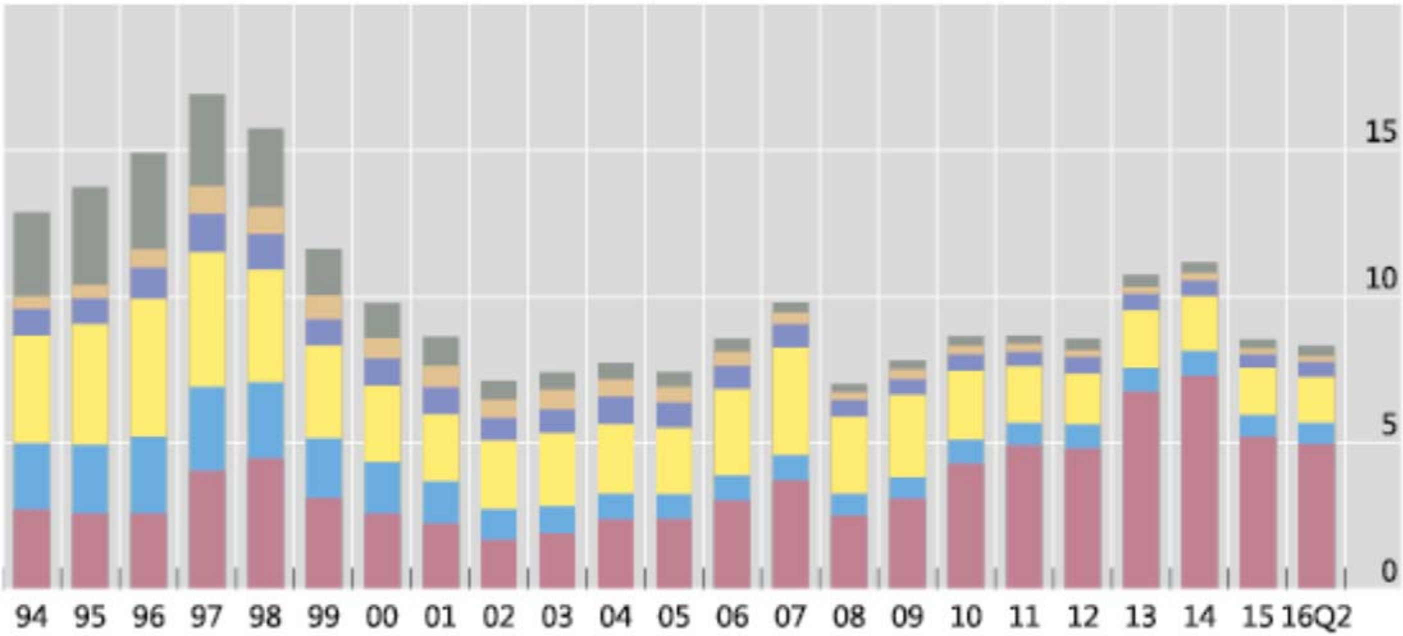


Source: McCauley, McGuire and Sushko (2015)

The good news: borrowing from banks is down

International bank claims on selected Asian economies

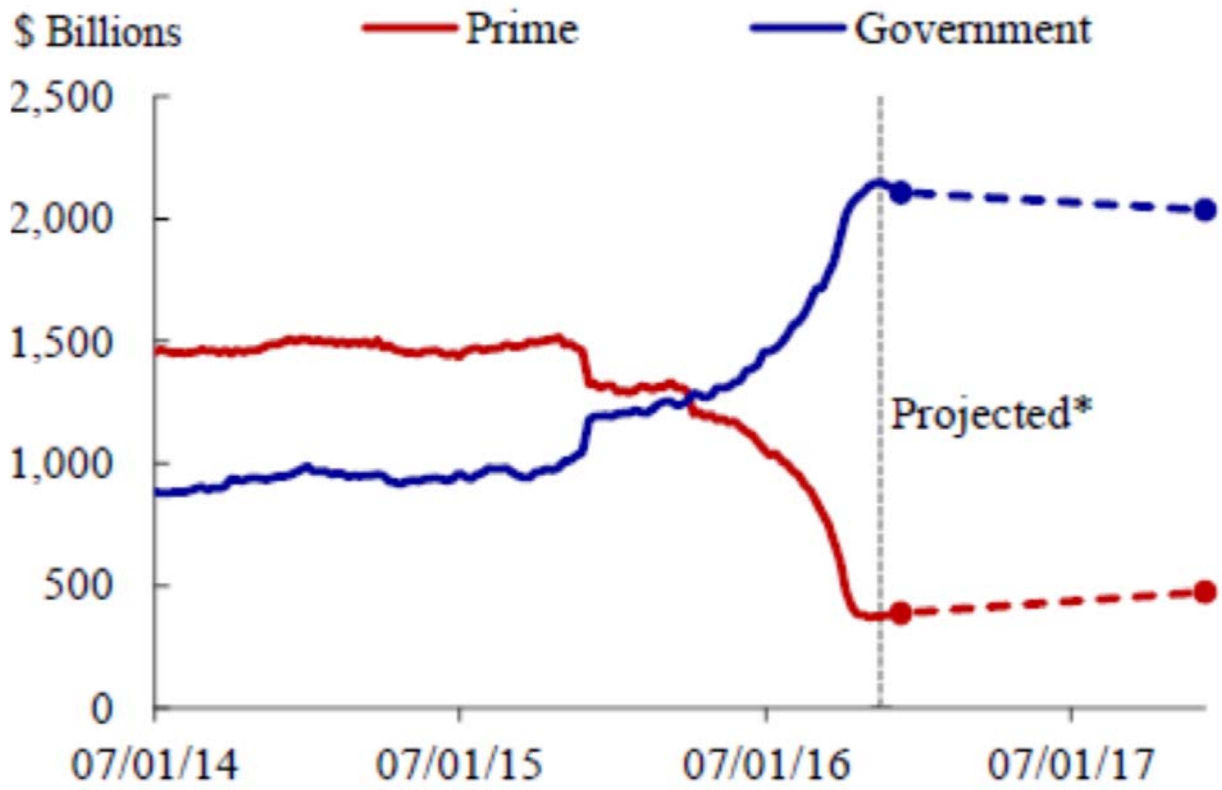
Six economies, claims as a percentage of their combined GDP



Source: BIS consolidated banking statistics.

US money fund reforms have made dollar loans less available

Assets under management of MMMFs

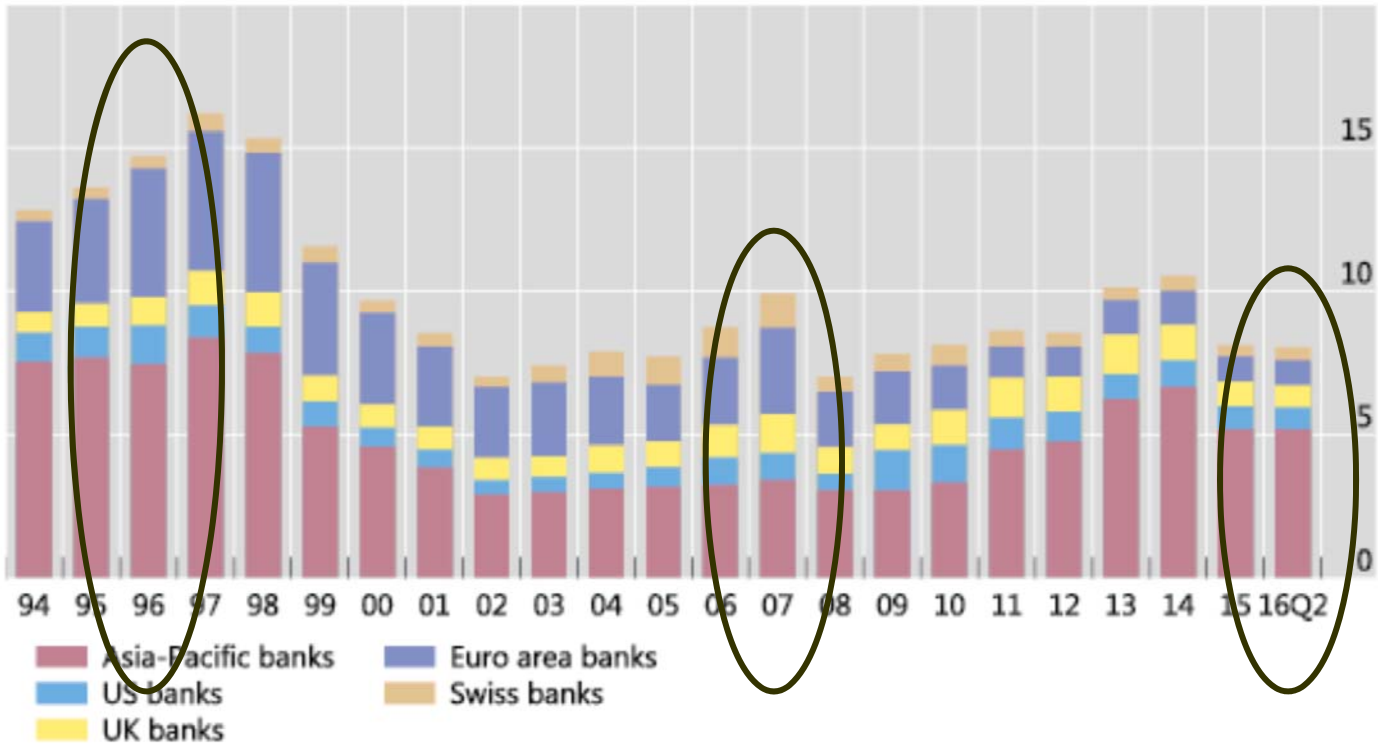


Source: FRBNY Survey of Money Market Mutual Funds

The bad news: concentration of funding is up

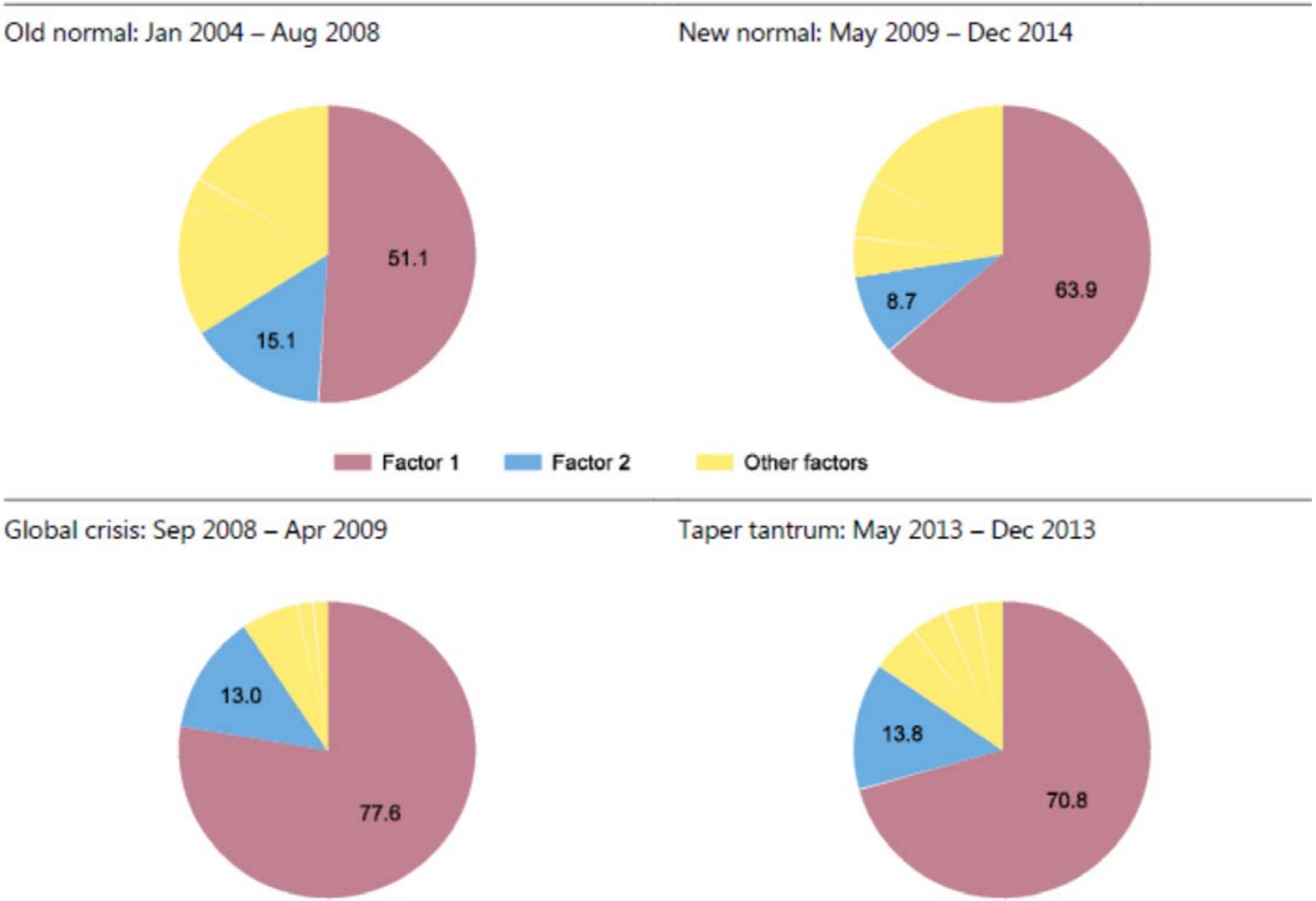
International bank claims on selected Asian economies

By home region of creditor bank, as a percentage of combined GDP of the six economies



Source: BIS consolidated banking statistics.

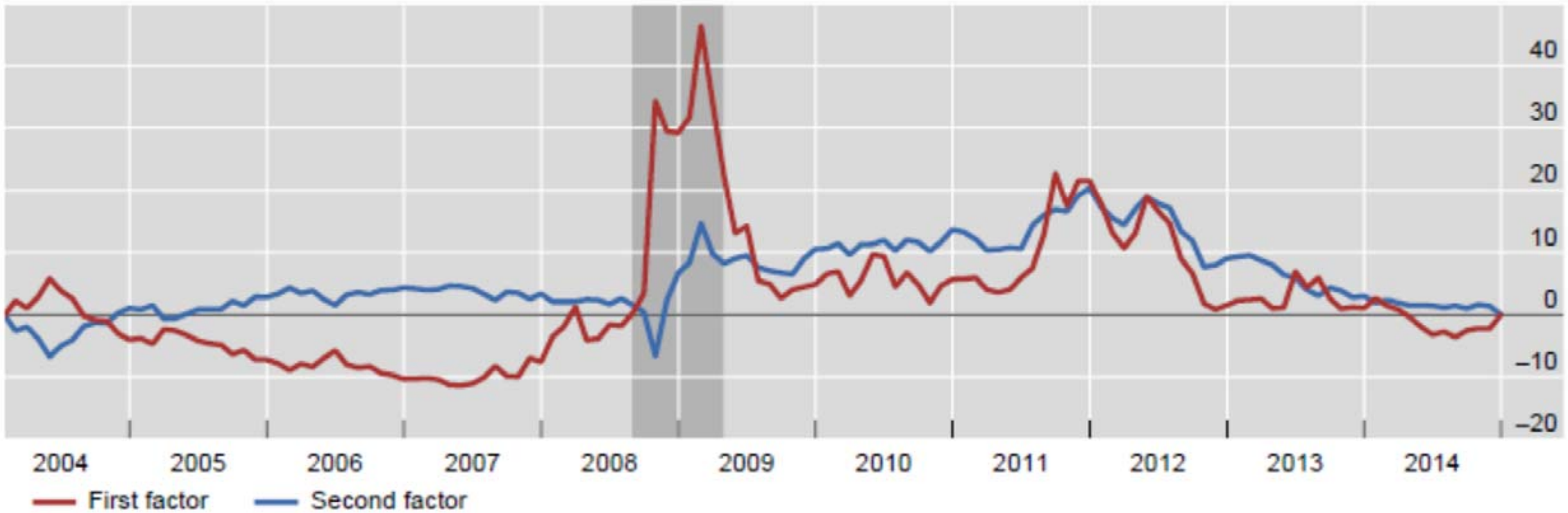
How much can global risk factors explain?



Global risk factors drive what happens over time

First and second risk factors over time

(Cumulative over time) Figure 2



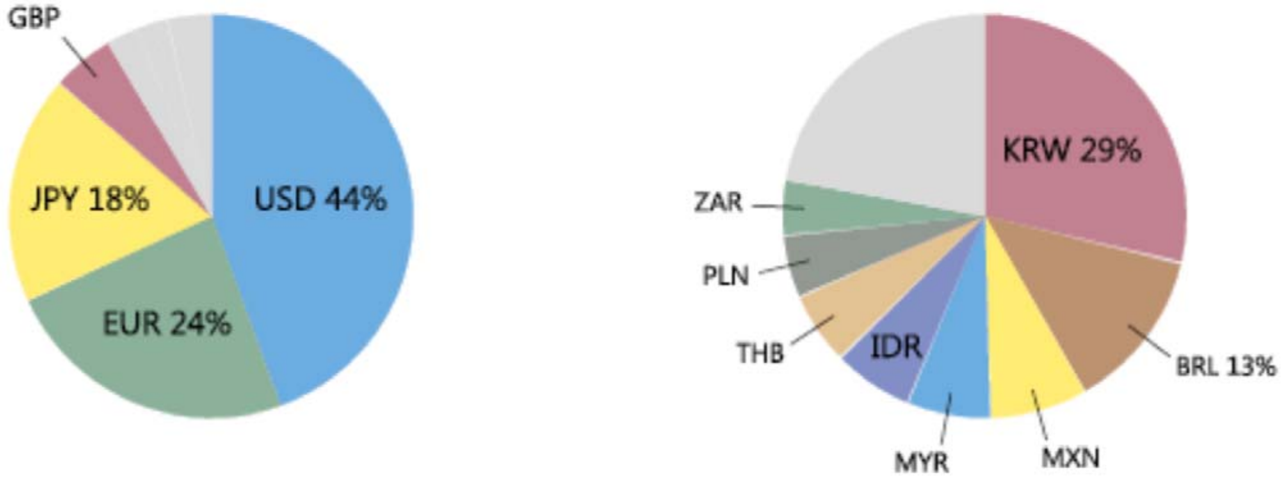
Bond benchmarks rule what happens across countries

Bloomberg-Barclays global bond benchmarks

In per cent

Global aggregate

EM local currency



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

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