Highlights of the BIS international statistics

The BIS, in cooperation with central banks and monetary authorities worldwide, compiles and disseminates several data sets on activity in international financial markets. This chapter summarises the latest data for the international banking markets, available up to the third quarter of 2012. The box analyses the structure of the market for bonds issued by corporates from emerging market economies.

During the third quarter of 2012, the cross-border claims of BIS reporting banks registered the smallest quarterly increase in 13 years. An expansion of cross-border credit to non-banks, especially those located in the United States, was largely offset by a decline in claims on banks in the euro area. Across reporting areas, cross-border claims on mature economies increased, while those on emerging market economies and offshore financial centres fell. For the first time, Korean banks reported consolidated banking statistics on an immediate borrower basis.

New reporting country in the consolidated statistics: Korea

The BIS is for the first time releasing consolidated banking statistics for Korean banks. Korean data starting from the fourth quarter of 2011 are now available on an immediate borrower basis. The addition of Korea brings to 31 the number of countries contributing to the consolidated banking statistics on an immediate borrower basis. Korean banks have been providing locational banking statistics since 2005.

---

1 This article was prepared by Adrian van Rixtel (adrian.vanrixtel@bis.org) for banking statistics. Statistical support was provided by Pablo Garcia-Luna, Koon Goh and Serguei Grouchko.

2 The consolidated banking statistics are structured according to the nationality of reporting banks and are reported on a worldwide consolidated basis, ie excluding inter-office positions. In the consolidated banking statistics on an immediate borrower basis, claims are allocated to the country of the immediate counterparty. In the consolidated statistics on an ultimate risk basis, claims are allocated to the country of the ultimate obligor, after taking into account risk transfers, such as credit default swap protection bought and parent or third-party guarantees.
The foreign claims\(^3\) of banks headquartered in Korea stood at $121 billion at end-September 2012, comparable in size to the foreign claims of Brazilian banks ($98 billion) and Portuguese banks ($123 billion). Roughly half of Korean banks’ foreign claims were on counterparties in the Asia-Pacific region, led by borrowers in China, Hong Kong SAR and Japan. Among BIS reporting banks at end-September 2012, Korean banks were the largest creditors to Cambodia and Uzbekistan, and the second largest to Vietnam.

The bulk of Korean banks’ foreign claims are cross-border claims booked from their headquarters or major financial centres rather than as local claims extended in local currencies by their foreign affiliates. Local claims in local currencies accounted for only 8% of Korean banks’ total foreign claims at end-September 2012. By contrast, across all BIS reporting banks, local claims in local currencies accounted for 37% of total foreign claims.

The international banking market in the third quarter of 2012

The cross-border claims of BIS reporting banks rose by only $33 billion (0.1%) between end-June 2012 and end-September 2012 (Graph 1, top left-hand panel).\(^4\) The increase was driven by a $153 billion (1.4%) expansion in cross-border claims on non-banks. In contrast, lending to banks fell by $120 billion (0.7%).

The modest increase in cross-border claims was concentrated in those denominated in US dollars, sterling and non-major currencies, which increased by $47 billion (0.5%), $34 billion (4.5%) and $70 billion (3.8%), respectively (Graph 1, top right-hand panel). Claims denominated in euros fell the most, by $127 billion (3.6%).

Credit to advanced economies

The BIS locational banking statistics indicate that cross-border claims on advanced economies expanded slightly in the third quarter of 2012, by $106 billion (0.5%). It was the first expansion after three consecutive declines and compared with a decrease of $321 billion in the previous quarter. Claims on non-bank borrowers increased for the third consecutive quarter, by $101 billion (1.3%). In contrast, interbank claims remained largely unchanged, registering a minor increase of $5.5 billion (0.04%).

The relative stability of aggregate claims on banks in mature economies hides significant shifts out of the euro area to other jurisdictions, particularly the United Kingdom. Cross-border claims on banks in the United Kingdom increased by

---

\(^3\) Foreign claims comprise cross-border claims and local claims in both local and foreign currencies. Local claims refer to credit extended by banks’ foreign offices to residents of the host country.

\(^4\) The analysis in this section is based on the BIS locational banking statistics by residence, in which creditors and debtors are classified according to their residence (as in the balance of payments statistics), not according to their nationality. All reported flows in cross-border claims have been adjusted for exchange rate fluctuations and breaks in series.
$122 billion (3.4%), while those on banks in the euro area contracted by $155 billion (2.8%) (Graph 1, bottom left-hand panel). Within the euro area, claims on banks in almost every country fell. The locational statistics by nationality, which have a more refined counterparty sector breakdown, show that reduced cross-border inter-office activity accounted for much of the contraction.

The increase in cross-border claims on non-bank borrowers was driven by those on the United States. The locational banking statistics show a $95 billion (3.8%) rise in these positions in Q3 2012 (Graph 1, bottom right-hand panel). This was the second largest increase in two years. The expansion of credit to the non-bank sector in the US was provided mostly through loans and debt securities. The consolidated banking statistics, which contain a more refined breakdown of non-bank borrowers, indicate that this additional credit was mainly granted to the non-bank private sector as opposed to the public sector.

---

1 BIS reporting banks’ cross-border claims include inter-office claims.

Source: BIS locational banking statistics by residence.
International debt securities of the corporate sector in emerging market economies

Agustín Villar

Private portfolio capital inflows to emerging markets are rising rapidly. According to the Institute of International Finance, private non-bank inflows into emerging market economies (EMEs) increased from $155 billion to $365 billion between 2009 and 2012 and have since remained close to the historical peak they reached in 2011. While private inflows intermediated through debt capital markets jumped, bank inflows fell slightly from $154 billion to $147 billion in the same period. In particular, strong demand from foreign investors led to a surge of activity in EME corporate bond markets during 2012 and early 2013. This box discusses some changes observed in the light of heightened activity in markets for international debt securities issued by financial and non-financial corporates of EMEs and reviews some structural aspects.

Investor surveys revealed that assets under management benchmarked to the emerging corporate bond index rose by 60.5% in 2012, posting a greater increase than any other asset class followed by these surveys. By comparison, assets managed against the emerging market broad index benchmarks – comprising sovereign and corporate international bonds and sovereign local-currency bonds – grew by just under 30% to $560 billion in 2012. The demand for emerging market corporate bonds has been dominated by high net worth retail investors. Although institutional demand for EME international corporate bonds has remained comparatively small – less than 10% of the market compared to about 50% of the international sovereign bond market – this share may well continue to increase. Greater activity by global money managers is likely to help the deepening of this market.

International debt securities statistics compiled by the BIS show that the stock of corporate debt securities issued by financial and non-financial corporations headquartered in EMEs totalled more than $1.6 trillion at end-2012 (Graph A, left-hand panel). Foreign and international bonds and notes account for some 95% of the total stock. Money market instruments make up the difference.

### Corporate debt securities in EMEs

<table>
<thead>
<tr>
<th>Amounts outstanding</th>
<th>Graph A</th>
</tr>
</thead>
<tbody>
<tr>
<td>By region and type of instrument</td>
<td>By region and sector of issuer, end-2012</td>
</tr>
<tr>
<td>Lhs:</td>
<td>% of GDP</td>
</tr>
<tr>
<td>Africa and Middle East</td>
<td>Europe</td>
</tr>
<tr>
<td>Bonds and notes</td>
<td>8.5</td>
</tr>
<tr>
<td>USD bn</td>
<td>1,500</td>
</tr>
<tr>
<td>90 95 00 05 06 07 08 09 10 11 12</td>
<td>0 2 4 6 8 10 12 14 16 18 20 22 24 26 28 30 32 34 36 38 40 42 44 46 48 50</td>
</tr>
<tr>
<td>Lhs:</td>
<td>Rhs:</td>
</tr>
<tr>
<td>Africa and Middle East</td>
<td>Banks</td>
</tr>
<tr>
<td>Europe</td>
<td>Other fin corporations</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>Non-fin corporations</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td></td>
</tr>
</tbody>
</table>

1 Issuers are financial or non-financial corporations whose owners are resident in selected EMEs. The selected EMEs are grouped by region: Africa and the Middle East (Bahrain, Egypt, Israel, Kuwait, Nigeria, Oman, Qatar, Saudi Arabia, South Africa and the United Arab Emirates); Europe (Croatia, the Czech Republic, Hungary, Poland, Russia, Turkey and Ukraine); Latin America and the Caribbean (Argentina, Barbados, Brazil, Chile, Colombia, the Dominican Republic, El Salvador, Jamaica, Mexico, Peru and Venezuela); and Asia-Pacific (China, Chinese Taipei, Hong Kong SAR, India, Indonesia, Kazakhstan, Korea, Macao SAR, Malaysia, Mongolia, the Philippines, Singapore and Thailand).

Sources: Dealogic; Euroclear; Thomson Reuters; Xtrakter Ltd; BIS calculations.
Debt securities issued by banks and other financial institutions make up the bulk of the stock of international corporate debt securities (Graph A, right-hand panel). As of end-2012, financial institutions had more than $1.1 trillion worth of debt securities outstanding, about two thirds of the total. This is smaller than the sector’s share in developed economies (84%), where the universe of securities is 10 times larger.

Asian entities are the largest issuers in the international market for EME corporate debt securities, followed by Latin American firms. The stock of debt securities issued by emerging European and Middle East and African entities is smaller, but has grown rapidly in recent years. However, the relative sizes change considerably if debt issuance is viewed in relation to regional output. From this perspective, Middle East and Africa has the largest share, and Asia the smallest one (Graph A, right-hand panel).

The regional pattern shows that this market is concentrated within a handful of economies. At a country level, national entities from Brazil, China, Hong Kong SAR, Korea, Mexico, Russia and the United Arab Emirates hold the largest market shares in the outstanding stock. A group of about 30 other EMEs account for the remaining debt securities (Graph B, left-hand panel).

The investable share of the stock of international corporate debt securities available to international investors is rather smaller due to size, liquidity and risk characteristics. The broadest benchmark index for emerging corporate bond markets (CEMBI) covers debt securities in the form of bonds that are worth about $620 billion. Financials account for 36% of this amount, much less than their share in the total stock. The investable index allows global investors to gain exposure to EME sectors such as oil and gas (13.5%); telephone, media and technology (11.1%); and commodities (10.5%). Fewer opportunities exist in real estate (5%) and consumer goods (6%), sectors that are usually linked to fast-growing domestic demand in EMEs.

The perceived credit quality of EME corporate bonds still depends heavily on that of the sovereign. Within the limits set by this sovereign credit “ceiling”, higher macroeconomic volatility in EMEs is reflected in changes in perceived risk and volatility. An improvement in perceived credit risk has translated into the reduced yields and compressed spreads seen at present (Graph B, right-hand panel). Default rates have remained low (about 2.7% by one estimate) in the aftermath of the financial crisis. But the historical fluctuations in these rates have been considerable. At times of macroeconomic and financial stress, default rates have seen significant increases: in 2002, for example, they jumped to 15.4% and in 2009 they topped 10.7%. Under the less challenging macroeconomic conditions of recent years, they have fluctuated between 0 and 2.7%.

1 Amounts outstanding. 2 Default rates from JPMorgan, Emerging Markets Corporate Outlook & Strategy, December 2012. Yield to maturity based on the CEMBI BROAD Yield to Maturity.

Sources: Dealogic; Euroclear; JPMorgan Chase; Thomson Reuters; Xtrakter Ltd; BIS calculations.

---

**Graph B**

**Corporate debt securities in EMEs**

**Distribution by country, end-2012**

<table>
<thead>
<tr>
<th>Per cent</th>
<th>BR</th>
<th>RU</th>
<th>KR</th>
<th>CN</th>
<th>HK</th>
<th>AE</th>
<th>MX</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>8</td>
<td>8</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

**Default rates, yields and net issues**

<table>
<thead>
<tr>
<th>Basis points</th>
<th>USD bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>300</td>
</tr>
<tr>
<td>8</td>
<td>200</td>
</tr>
<tr>
<td>4</td>
<td>100</td>
</tr>
</tbody>
</table>

0 2009 2010 2011 2012

- Default rate (lhs)
- Yield (lhs)
- Net issues (rhs)

AE = United Arab Emirates; BR = Brazil; CN = China; HK = Hong Kong SAR; KR = Korea; MX = Mexico; RU = Russia; Other = other EMEs.
Total foreign exposures to the US non-bank private sector, including local claims booked by foreign banks’ offices in the United States, changed little on an ultimate risk basis, notwithstanding the increase in cross-border claims on US non-bank borrowers (Graph 2, left-hand panel, shaded area).5

The stability of overall foreign exposures to the United States masked a continued shift in the distribution of lending banks’ nationality. Euro area banks’ share of total foreign claims on the US non-bank private sector on an ultimate risk basis fell to 26% at end-September 2012, compared with a peak of 43% at end-June 2007. This primarily reflected the lower claims of Dutch and German banks. Over the same period, the share of Japanese banks increased to 22% and that of Canadian banks to 14%, up a respective 12 and 8 percentage points.

At the global level too, the consolidated statistics on an ultimate risk basis indicate a growing bifurcation between foreign claims on the non-bank private sector booked by euro area banks and those booked by other banks. Overall foreign claims on this sector have been relatively flat since 2008. However, differences between developments inside and outside the euro area are evident. As shown by the solid lines in the right-hand panel of Graph 2, the foreign claims of euro area banks on the non-bank private sector worldwide have trended downwards since 2008, particularly vis-à-vis borrowers outside the euro area (blue solid line). By contrast, the claims of non-euro area banks have continued to expand (dashed lines), particularly vis-à-vis borrowers outside the euro area (blue dashed line).

5 The BIS consolidated international banking statistics on an ultimate risk basis break down exposures according to where the ultimate debtor is headquartered. These exposures are classified according to the nationality of banks (ie according to the location of banks’ headquarters), not according to the location of the office in which they are booked. In addition, the classification of counterparties takes into account risk transfers between countries and sectors.
Credit to emerging market economies

Cross-border claims on borrowers in emerging economies contracted slightly, by $30 billion (0.9%), in the third quarter of 2012. Claims on banks fell by $55 billion (3.3%), especially in Asia-Pacific and Latin America. Cross-border claims on non-bank borrowers expanded modestly (by $26 billion or 1.7%).

In Asia-Pacific, cross-border claims on banks fell by $47 billion (5.5%) in the third quarter of 2012, recording only the third quarterly decline since 2009 (Graph 3, left-hand panel). The decline was driven by claims on banks in China and Korea, which fell by $48 billion (13%) and $9 billion (6%), respectively. In the case of China, the contraction was the largest since the start of the BIS locational banking statistics. Foreign claims on Asia-Pacific banks, which include claims extended by local affiliates of BIS reporting banks, also fell on an ultimate risk basis, by $36 billion (unadjusted for exchange rate movements) to $466 billion (Graph 3, right-hand panel). This was the lowest amount outstanding of foreign credit to banks in the region since the fourth quarter of 2010. Banks from all major reporting countries, including those in the region, retreated from interbank lending to Asia-Pacific.

In Latin America, cross-border claims on banks, including inter-office positions, fell by $11 billion (4.3%) between end-June and end-September 2012 (Graph 4, left-hand panel). This was the largest quarterly contraction since 2009. Even so, the consolidated statistics on an ultimate risk basis indicate that BIS reporting banks’ total exposures to banks in the region increased. Foreign claims on banks were up by $16 billion (unadjusted for exchange rate movements), to $156 billion at end-September 2012 (Graph 4, right-hand panel). This reflected an increase in interbank credit booked by BIS reporting banks’ affiliates in Latin America. Interbank

---

### BIS reporting banks’ positions on Asia-Pacific

**In billions of US dollars**

<table>
<thead>
<tr>
<th>Cross-border positions, by counterparty sector¹</th>
<th>Claims on banks, by bank nationality²</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image-url" alt="Graph 3" /></td>
<td><img src="image-url" alt="Graph 4" /></td>
</tr>
</tbody>
</table>

¹ BIS reporting banks’ cross-border claims include inter-office claims.  
² Consolidated foreign claims comprise cross-border claims and claims extended by local affiliates in the borrowing country.  
³ Norway, Sweden, Switzerland, Turkey and the United Kingdom.

Sources: BIS locational banking statistics by residence; BIS consolidated banking statistics (ultimate risk basis).
exposures on the region increased particularly for euro area (mainly Spanish) banks and US banks.