

Chinese Local Government Bond Market Report

(November, 2019)

**Government Debt Research and Assessment Office, Ministry of Finance of the People's
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Issued by China Government Debt Center in December 2019

1Market Overview

1.1 Bond Issuance

In November, 2019, 8 provinces, autonomous regions and municipalities in China issued 16 local government bonds, worth a total of RMB45.79 billion.

By bond type, the issuance of general bonds were RMB23.07 billion and that of special bonds were RMB22.72 billion.

By bond nature, the issuance of refinancing bonds were RMB45.79 billion.

By issuing place, bonds issued in the inter-bank market were RMB7.80 billion. Bonds issued on the Shanghai Stock Exchange were RMB26.44 billion and RMB11.55 billion were on the Shenzhen Stock Exchange.

Table 1 Overview of Chinese Local Government Bond Issuance in November 2019

Unit: 100 million RMB

	Current Month	Current Year to Date
Total Issuance of Local Government Bond	457.89	43244.40
General Bond	230.65	17702.15
Special Bond	227.24	25542.25
1. The Issuance of New Bond		30354.09
General Bond		9056.79
Special Bond		21297.30
2. The Issuance of Refinancing Bond	457.89	11461.08
General Bond	230.65	8021.87
Special Bond	227.24	3439.21
3. The Issuance of Swap Bond		1429.23
General Bond		623.49
Special Bond		805.74
Total Issuance in Different Markets	457.89	43244.40
Inter-bank Market	78.01	15118.22
(Including Commercial Bank Counters)		115.00
Shanghai Stock Exchange	264.43	19370.32
Shenzhen Stock Exchange	115.45	8755.86

Note: Total Issuance of Local Government Bond = The Issuance of New Bond + The Issuance of Refinancing Bond + The Issuance of Swap Bond

In terms of issuer, 8 provinces, autonomous regions, municipalities and separately listed cities¹ in China issued local government bonds in November 2019, as is shown in Table 2. The provinces with large bond issuance amount are Tianjin (RMB17.60 billion), Yunnan (RMB8.85 billion), Dalian (RMB8.06 billion), etc., as is shown in Figure 1.

¹Dalian is not included in Liaoning. Ningbo is not included in Zhejiang. Xiamen is not included in Fujian. Qingdao is not included in Shandong. Shenzhen is not included in Guangdong. The Xinjiang Production and Construction Corps (XPCC) is not included in Xinjiang Uygur Autonomous Region. The followings are the same.

Table 2 Overview of Local Government Bond Issuance by Region in November 2019

Unit: 100 million RMB

Regions	The Amount of Issued Bonds in November							The Cumulative Amount of Issued Bonds in 2019						
	Total	General Bond			Special Bond			Total	General Bond			Special Bond		
		New Bond	Refinancing Bond	Swap Bond	New Bond	Refinancing Bond	Swap Bond		New Bond	Refinancing Bond	Swap Bond	New Bond	Refinancing Bond	Swap Bond
Total	457.89		230.65				227.24	43244.40	9056.79	8021.87	623.49	21297.30	3439.21	805.74
Beijing	26.60		21.90				4.70	1401.45	132.00	138.20		975.00	156.25	
Tianjin	176.04		54.01				122.03	1171.70	86.00	145.67		818.00	122.03	
Hebei								2220.44	541.64	401.80		1171.00	106.00	
Shanxi								756.97	258.44	97.47		379.00	22.06	
Inner Mongolia Autonomous Region								1216.01	388.13	287.10	99.07	279.00	34.69	128.02
Liaoning	80.58		55.84				24.74	1234.90	138.13	559.19	73.02	104.00	266.20	94.37
Among which: Liaoning Except Dalian								1100.15	114.13	496.68	73.02	87.00	234.95	94.37
Dalian	80.58		55.84				24.74	134.75	24.00	62.50		17.00	31.25	
Jilin								756.62	268.42	108.20		380.00		
Heilongjiang								905.26	421.60	206.66		251.00	26.00	
Shanghai								1267.50	242.00	219.70		675.00	130.80	
Jiangsu								2702.30	322.00	362.90		1678.00	339.40	
Zhejiang								2243.87	402.00	354.99		1136.00	350.88	
Among which: Zhejiang except Ningbo								2018.25	390.00	285.90		1025.00	317.35	
Ningbo								225.62	12.00	69.09		111.00	33.53	
Anhui								1627.99	147.98	294.01		1186.00		
Fujian	27.00		27.00					1155.80	203.87	139.94		812.00		
Among which: Fujian except Xiamen								963.80	174.87	112.94		676.00		
Xiamen	27.00		27.00					192.00	16.00	40.00		136.00		
Jiangxi								1171.63	299.43	120.90		669.00	82.30	

Continued:

Unit: 100 million RMB

Regions	The Amount of Issued Bonds in November							The Cumulative Amount of Issued Bonds in 2019						
	Total	General Bond			Special Bond			Total	General Bond			Special Bond		
		New Bond	Refinancing Bond	Swap Bond	New Bond	Refinancing Bond	Swap Bond		New Bond	Refinancing Bond	Swap Bond	New Bond	Refinancing Bond	Swap Bond
Shandong								2673.89	227.51	497.11		1635.00	314.27	
Among which: Shandong except Qingdao								2328.39	147.51	462.61		1404.00	314.27	
Qingdao								345.50	80.00	34.50		231.00		
Henan								1817.07	424.35	323.05		1024.00	45.67	
Hubei								1987.12	426.68	585.43		975.00		
Hunan								2560.16	445.98	603.70	159.49	677.00	467.87	206.12
Guangdong								2370.07	346.20	208.88		1815.00		
Among which: Guangdong except Shenzhen								2056.07	335.20	208.88		1512.00		
Shenzhen								314.00	11.00			303.00		
Guangxi Zhuang Autonomous Region	38.81		12.81			26.00		1033.39	335.08	146.31		526.00	26.00	
Hainan								433.41	136.00	71.55		210.00	15.86	
Chongqing								1253.30	166.00	164.96		780.00	142.34	
Sichuan								2213.20	464.91	513.16		980.00	255.14	
Guizhou								1346.32	437.78	362.76	167.18	7.00	155.55	216.05
Yunnan	88.45		44.76			43.69		1488.46	366.90	268.63	98.68	539.00	87.73	127.52
Tibet Autonomous Region								128.00	121.00			7.00		
Shaanxi								1403.50	349.60	368.80		453.00	232.10	
Gansu								776.24	249.53	99.00	26.05	368.00		33.66
Qinghai								466.97	219.98	106.01		125.00	15.98	
Ningxia Hui Autonomous Region	7.81		2.63			5.18		374.86	113.98	87.80		154.00	19.08	
Xinjiang Uygur Autonomous Region (Except XPCC)	12.60		11.70			0.90		1019.60	347.60	165.00		482.00	25.00	
Xinjiang Production and Construction Corps (XPCC)								66.38	39.08			27.30		

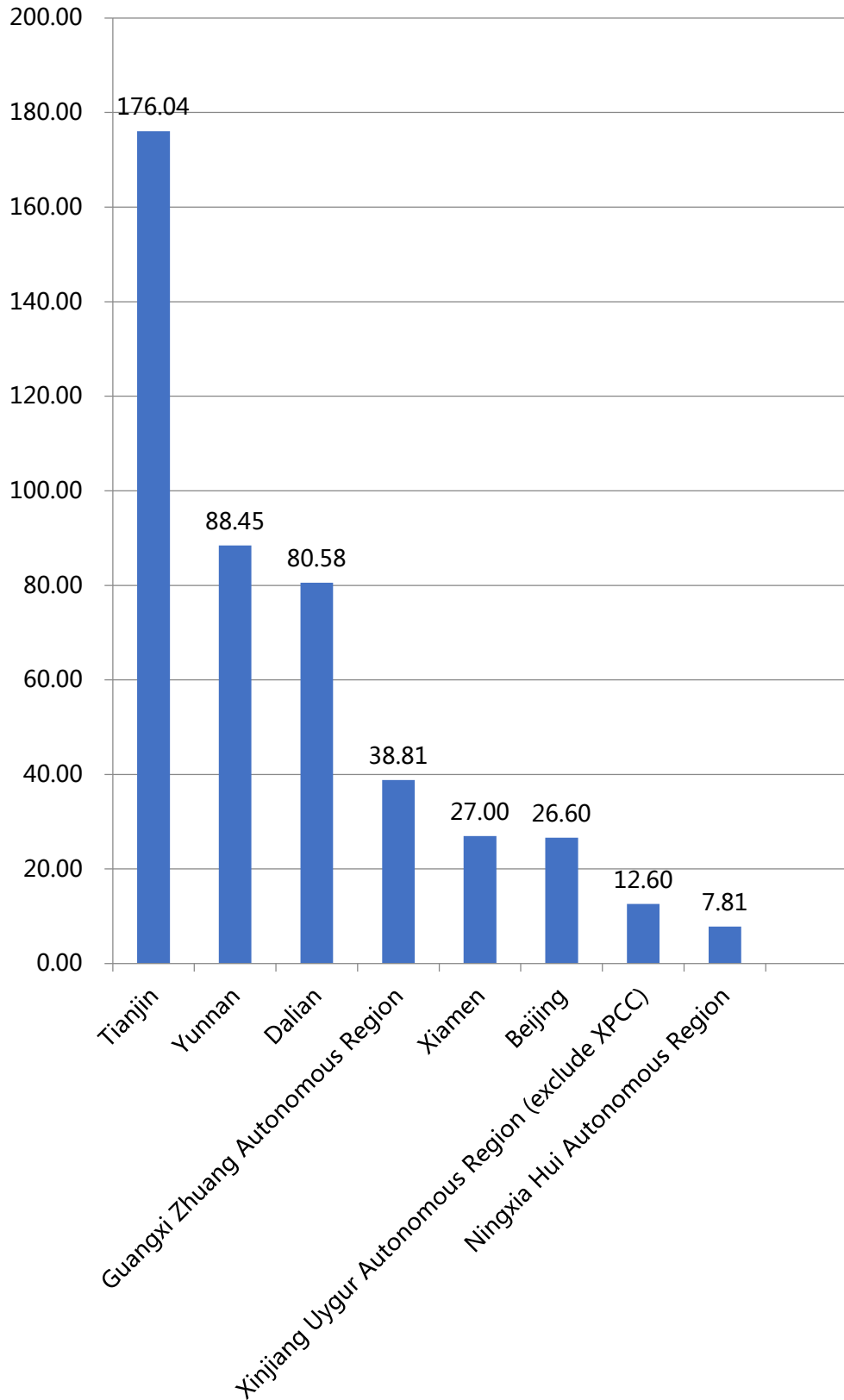


Figure 1 The Issuance of Local Government Bonds by Issuer
in November 2019 (Unit: 100 million RMB)

In terms of issuance speed, local governments in China totally issued 1,086 bonds from January to November in 2019, worth a total of RMB4.32 trillion. Among them, general bonds were RMB1.77 trillion and special bonds were RMB2.55 trillion. By bond nature, new bonds were RMB3.04 trillion (exclude loans transferred from foreign debt, the same as follows), refinancing bonds were RMB1.15trillion and swap bonds were RMB142.92 billion.

1.2 Tender and Interest Rate Spread of Bond

In terms of subscription multiple, the average subscription multiple² was 16.97 times of local government bonds issued in November, with general bonds and special bonds of 18.10 times and 15.82 times respectively. Average subscription multiples of local government bonds by maturity are shown in Table 3.

Table 3 Average Subscription Multiples of Local Government Bonds
by Maturity in November 2019

Maturity (Years)	3	5	7	10	20	30
Average Subscription Multiples	21.70	13.47	15.76	5.10	6.79	18.35

In terms of interest rate spread³, the bond issuance interest rate spread was from 22 basis points (bps) to 40 bps in November 2019, with the average⁴ of 27 bps. The interval of interest rate spread widened month-on-month, with the lower limit increased by 3 bps and the upper limit increased by 16 bps, leading to a rise in the average by 5 bps.

² Average Subscription Multiple = $\sum (\text{Subscription Multiple} \times \text{The Amount of Issued Bonds}) / \sum \text{The Amount of Issued Bonds}$

³ Interest Rate Spread = Interest Rate of Issued Bond - Treasury Yield with the Same Issue Date and Maturity

⁴ Average Interest Rate Spread = $\sum (\text{Interest Rate of Issued Bond} - \text{Treasury Yield with the Same Issue Date and Maturity}) / \text{The Number of Bonds}$

Table 4 Average Interest Rate Spread of Local Government Bonds
by Maturity in November 2019

Maturity (Years)	3	5	7	10	20	30
Average Interest Rate Spread (bps)	26	25	26	32	30	28

1.3 Maturity Structure of Bond

In November 2019, average maturity of issued local government bonds, general bonds and special bonds were 16.07 years, 21.79 years and 10.26 years respectively. The amount of local government bonds by maturity in November 2019 is shown in Table 5. The proportion of local government bonds by maturity in November 2019 is shown in Figure 2.

Table 5 The Amount of Local Government Bonds by Maturity in November 2019

Maturity (Years)	3	5	7	10	20	30
Amount (100 million RMB)	97.69	129.36	5.18	13.56	11.70	200.40
General Bond (100 million RMB)	54.00	2.63		12.66	11.70	149.66
Special Bond (100 million RMB)	43.69	126.73	5.18	0.90		50.74

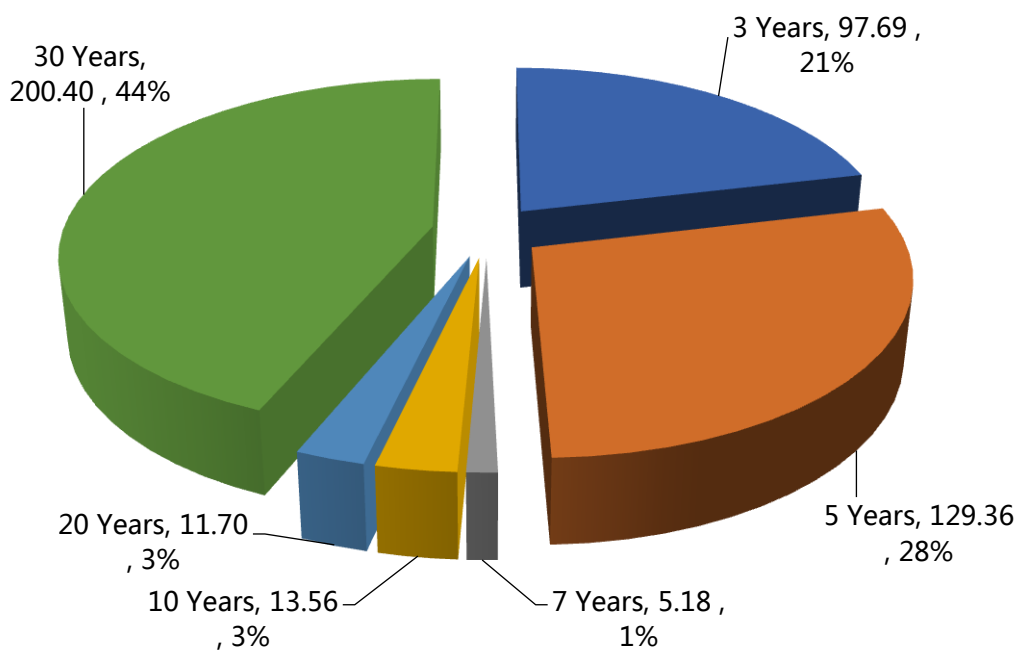


Figure 2 The Proportion of Local Government Bonds by Maturity in November 2019
(Unit: 100 million RMB)

From January to November in 2019, average maturity of issued local government bonds was 10.19 years, with general bonds 12.08 years and special bonds 8.88 years. Average maturity of new bonds was 8.92 years, refinancing bonds 12.28 years and swap bonds 20.42 years. The amount of local government bonds by maturity from January to November in 2019 is shown in Table 6.

Table 6 The Amount of Local Government Bonds by Maturity
from January to November in 2019

Maturity (Years)	2	3	5	7	10	15	20	30
Amount (100 million RMB)	169.30	2058.94	13787.86	7145.69	12157.10	1686.86	1898.22	4340.43
General Bond (100 million RMB)	51.80	1101.94	2909.53	3431.27	5973.19	363.00	952.10	2919.32
Special Bond (100 million RMB)	117.50	957.00	10878.33	3714.42	6183.91	1323.86	946.12	1421.11

1.4 Interest Rate of Bond

In November 2019, average interest rate of issued local government bonds was 3.66%, with general bonds 3.84% and special bonds 3.47%. Average interest rates of local government bonds issued in November by maturity are shown in Figure 3, with the number indicating the average interest rates of local government bonds. Average interest rates of general bonds and special bonds by maturity are shown in Table 7. The trend of monthly average interest rates of local government bonds issued in the past 12 months is shown in Figure 4, with the number indicating the average interest rates of local government bonds.

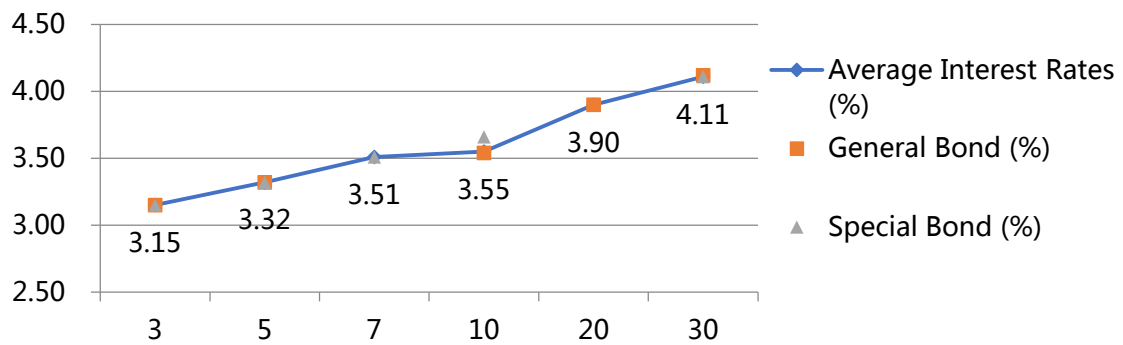


Figure 3 Average Interest Rates of Local Government Bonds
by Maturity in November 2019

Table 7 Average Interest Rates of General Bonds and Special Bonds
by Maturity in November 2019

Maturity (Years)	3	5	7	10	20	30
General Bond (%)	3.15	3.32	3.54	3.54	3.90	4.12
Special Bond (%)	3.15	3.32	3.51	3.66	3.66	4.11

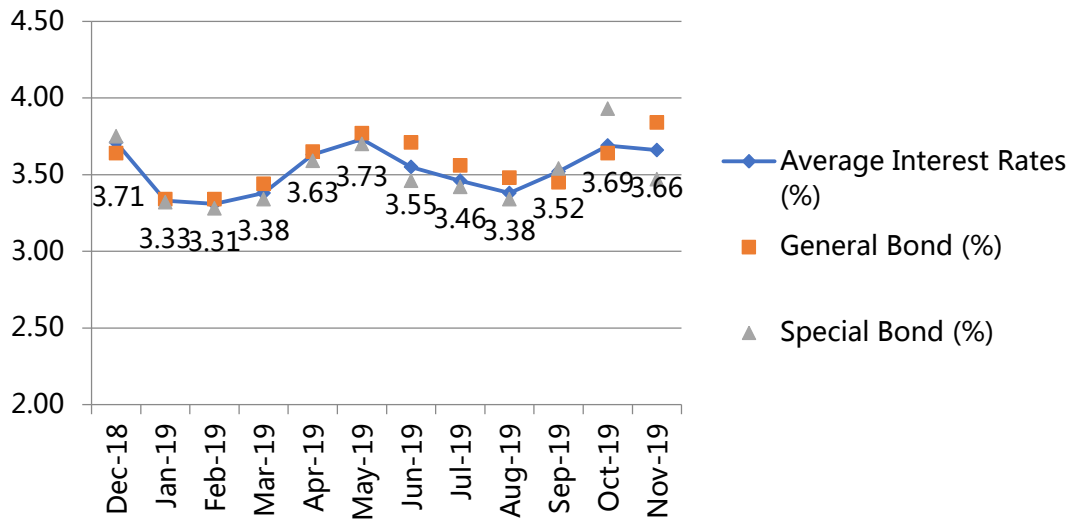


Figure 4 The Trend of Monthly Average Interest Rates of Local Government Bonds Issued in the Past 12 Months

From January to November in 2019, average interest rate of issued local government bonds was 3.47%, with general bonds 3.53% and special bonds 3.42%. Average interest rates of issued local government bonds by maturity are shown in Figure 5, with the number indicating the average interest rates of local government bonds.

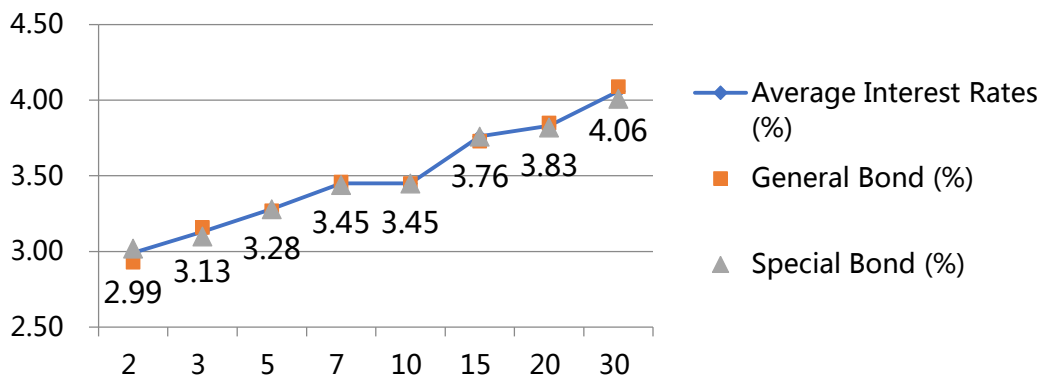


Figure 5 Average Interest Rates of Issued Local Government Bonds by Maturity from January to November in 2019

1.5 Trade of Bond in the Secondary Market

In November 2019, the trading volume of local government bonds in the secondary

market was RMB103.27 trillion, including spot transaction of RMB765.12 billion, repurchase transaction of RMB91.38 trillion and inter-bank borrowing of RMB11.12 trillion. The daily average turnover rate of local government bonds in November was 1.72‰, which was 1.77‰ in October.

Table 8 Trade of Local Government Bonds in the Secondary Market in November 2019

Market	Spot Transaction		Repurchase Transaction		Inter-bank Borrowing		Total	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
	(100 million RMB)	(%)	(100 million RMB)	(%)	(100 million RMB)	(%)	(100 million RMB)	(%)
Inter-bank Market	7,407.06	96.81	717,877.27	78.56	111,211.61	100.00	836,495.94	81.01
Shanghai Stock Exchange	203.40	2.66	175,596.99	19.22			175,800.39	17.02
Shenzhen Stock Exchange	40.76	0.53	20,316.66	2.22			20,357.42	1.97
Total	7,651.22	100.00	913,790.92	100.00	111,211.61	100.00	1,032,653.74	100.00

Source: Wind(<https://www.wind.com.cn/>), SSEBOND (<http://bond.sse.com.cn/>) and the Shenzhen Stock Exchange (<http://www.szse.cn/>)

Accumulated from January to November in 2019, the trading volume of local government bonds in the secondary market was RMB1,110.14 trillion, including spot transaction of RMB9.32 trillion, repurchase transaction of RMB960.53 trillion and inter-bank borrowing of RMB140.29 trillion.

Table 9 Trade of Local Government Bonds in the Secondary Market from January to November in 2019

Market	Spot Transaction		Repurchase Transaction		Inter-bank Borrowing		Total	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
	(100 million RMB)	(%)	(100 million RMB)	(%)	(100 million RMB)	(%)	(100 million RMB)	(%)
Inter-bank Market	91,739.24	98.44	7,445,519.41	77.52	1,402,927.47	100.00	8,940,186.12	80.53
Shanghai Stock Exchange	1,377.43	1.48	1,944,467.97	20.24			1,945,845.40	17.53
Shenzhen Stock Exchange	72.79	0.08	215,299.09	2.24			215,371.88	1.94
Total	93,189.46	100.00	9,605,286.47	100.00	1,402,927.47	100.00	11,101,403.40	100.00

Source: Wind(<https://www.wind.com.cn/>), SSEBOND (<http://bond.sse.com.cn/>) and the Shenzhen Stock Exchange (<http://www.szse.cn/>)

2 Balance of Local Government Bond

By the end of November 2019, the balance of Chinese local government bonds was RMB21.11 trillion. In addition, the stock of local government debt (not in terms of bond) was RMB219.04 billion. Therefore, the total balance of China's local government debt was RMB21.33 trillion, which is under the debt ceiling of RMB24.08 trillion approved by the National People's Congress (NPC).

By bond type, the balance of general bonds was RMB11.71 trillion and that of special bonds was RMB9.41 trillion by the end of November 2019.

By maturity of bond, the average maturity of issued local government bonds was 5.02 years, with general bonds 4.95 years and special bonds 5.11 years by the end of November 2019.

In terms of interest rate, the average interest rate of local government bonds was 3.54%, with general bonds 3.54% and special bonds 3.53% by the end of November 2019.

Appendix

The List of Chinese Local Government Bonds Issued in November 2019

No.	Bond Name	Date of Issue	Due Date	Issuance	Maturity (Years)	Coupon Rate (%)
				Amount (100 million RMB)		
1	General Bond Issued by Beijing Municipal Government in 2019 (10 th Tranche)	2019-11-04	2022-11-05	9.24	3	3.13
2	Special Bond Issued by Beijing Municipal Government in 2019 (26 th Tranche)	2019-11-04	2024-11-05	4.70	5	3.33
3	General Bond Issued by Beijing Municipal Government in 2019 (11 th Tranche)	2019-11-04	2029-11-05	12.66	10	3.54
4	General Bond Issued by Dalian Municipal Government in 2019 (4 th Tranche)	2019-11-05	2049-11-06	55.84	30	4.15
5	Special Bond Issued by Dalian Municipal Government in 2019 (4 th Tranche)	2019-11-05	2049-11-06	24.74	30	4.15
6	General Bond Issued by Yunnan Provincial Government in 2019 (10 th Tranche)	2019-11-06	2022-11-07	44.76	3	3.15
7	Special Bond Issued by Yunnan Provincial Government in 2019 (18 th Tranche)	2019-11-06	2022-11-07	43.69	3	3.15
8	General Bond Issued by Ningxia Hui Autonomous Region Government in 2019 (9 th Tranche)	2019-11-07	2024-11-08	2.63	5	3.32
9	Special Bond Issued by Ningxia Hui Autonomous Region Government in 2019 (24 th Tranche)	2019-11-07	2026-11-08	5.18	7	3.51
10	Special Bond Issued by Tianjin Municipal Government in 2019 (45 th Tranche)	2019-11-07	2024-11-08	122.03	5	3.32
11	General Bond Issued by Tianjin Municipal Government in 2019 (9 th Tranche)	2019-11-07	2049-11-08	54.01	30	4.13
12	General Bond Issued by Xinjiang Uygur Autonomous Region Government in 2019 (11 th Tranche)	2019-11-14	2039-11-15	11.70	20	3.90
13	Special Bond Issued by Xinjiang Uygur Autonomous Region Government in 2019 (14 th Tranche)	2019-11-14	2029-11-15	0.90	10	3.66
14	Special Bond Issued by Guangxi Zhuang Autonomous Region Government in 2019 (16 th Tranche)	2019-11-20	2049-11-21	26.00	30	4.08
15	General Bond Issued by Guangxi Zhuang Autonomous Region Government in 2019 (5 th Tranche)	2019-11-20	2049-11-21	12.81	30	4.08

	Tranche)					
16	General Bond Issued by Xiamen Municipal Government in 2019 (4 th Tranche)	2019-11-27	2049-11-28	27.00	30	4.03

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