China Offshore Bond Market 2025 Review and 2026 Outlook: Steady Growth Supported by Continued Refinancing Needs and Lower Interest Rates

Summary

The China offshore USD bond new issuance grew steadily to USD112.7 billion in 2025, representing a year-on-year ("y-o-y") growth of 15.6%. The new issuance was mainly attributed to strong refinancing needs and lower interest rates. Meanwhile, the new issuance amount of China offshore RMB bonds reached USD104.8 billion in 2025, up by 10.2% y-o-y.

The new issuance amount of China local investment and development company ("LIDC") offshore bonds decreased by 19.8% y-o-y to USD40.7 billion in 2025, after a surge of 70.0% y-o-y to USD50.7 billion in 2024. This is mainly attributed to tight regulations on new offshore debt raised by LIDCs, especially on 364-day offshore bonds.

As the Chinese government rolled out a series of policy stimulus to restore market confidence and stabilize the real estate market, the new issuance of real estate offshore bonds surged to USD14.6 billion in 2025, more than tripled compared with USD4.6 billion recorded in 2024. The majority of the new issuance was derived from debt restructuring in the course of defaults, while some large-scale property developers returned to offshore bond market after several years.

The new offshore bond issuance by industrial corporates reached USD32.2 billion in 2025, an increase of 30.4% compared with USD24.7 billion in 2024. This is mainly attributed to policies encouraging entities with strong credit profiles to issue long-term offshore bonds, as well as the bond issuances from Chinese technology companies driven by AI spending spree.

Looking forward, since the refinancing demand of LIDCs remains strong and the Free Trade Zone bonds ("FTZ bonds") are relaunched, together with expected lower interest rates and more supportive policies, we expect the China offshore bond new issuance will continue the steady growth trend in 2026.

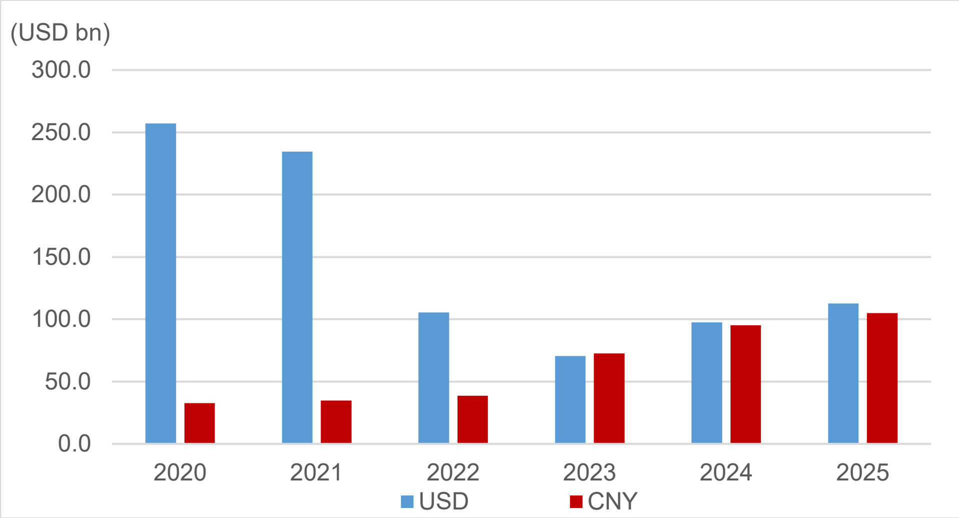
A) Overview of China Offshore Bond Market

Both USD and RMB Bond Issuances Increased Steadily in 2025

The China offshore USD bond new issuance grew steadily to USD112.7 billion in 2025, an increase of 15.6% compared with USD97.5 billion in 2024 (EXHIBIT 1). Although the US inflation remained above 2% largely because of President Donald Trump's tariff policies, the Federal Reserve ("the Fed") cut interest rates three times by a cumulative 75 basis points in 2025 as its focus had shifted to unemployment risk from price stability risk. Lower interest rates, together with continued refinancing needs from Chinese issuers, contributed to the growth of USD offshore bond issuance in 2025.

The China offshore RMB bond new issuance also increased by 10.2% y-o-y to USD104.8 billion in 2025. As the Chinese government and regulatory authorities continued to pose strict restrictions on LIDCs' financing activities, LIDCs' offshore RMB bond issuances slumped by 51.5% y-o-y to USD12.2 billion in 2025. On the other hand, offshore RMB bonds issued by financial institutions increased by 27.5% y-o-y to USD59.6 billion in 2025, hitting a record high.

Exhibit 1: Total Amount of China Offshore Bond New Issuance



Longer Tenor Became More Attractive, Upcoming Maturity Peak in 2026

As most of the new offshore bonds were issued for refinancing needs, the short tenor issuance (1-5 years) still dominated, with its contribution to the total new issuance reaching 71.7% in 2025 (EXHIBIT 2). However, the offshore bonds with longer tenor became more attractive, as the proportion of bonds with a maturity of more than 10 years (including perpetual bonds) increased to 10.7% in 2025, compared with 8.3% in 2024.

At end-2025, about USD495.4 billion of offshore USD bonds and USD166.8 billion of offshore RMB bonds will mature between 2026 and 2031, respectively. Specifically, about USD130.0 billion of offshore USD bonds will mature in 2026, which was more than the new issuance amount in 2025. Afterwards, the maturing amount will decrease to USD117.3 billion and USD100.5 billion in 2027 and 2028, respectively.

Exhibit 2: Tenor Distribution of China Offshore Bond New Issuance in 2024 and 2025

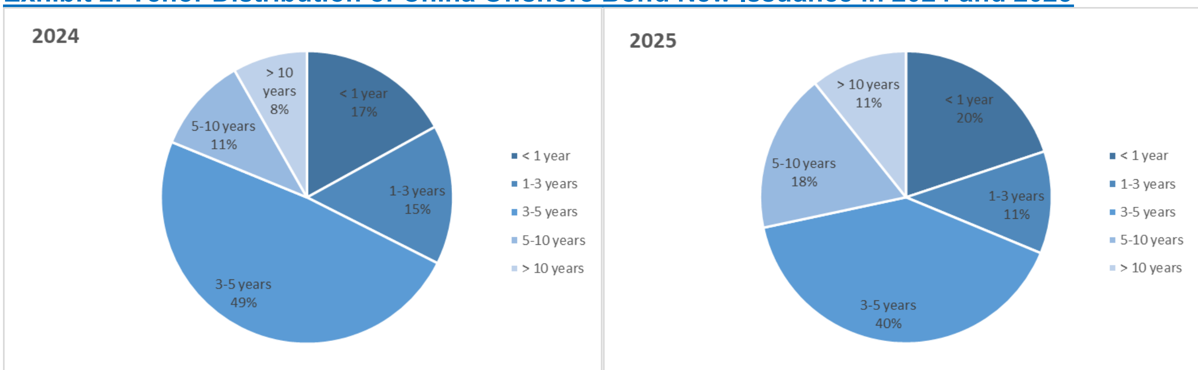
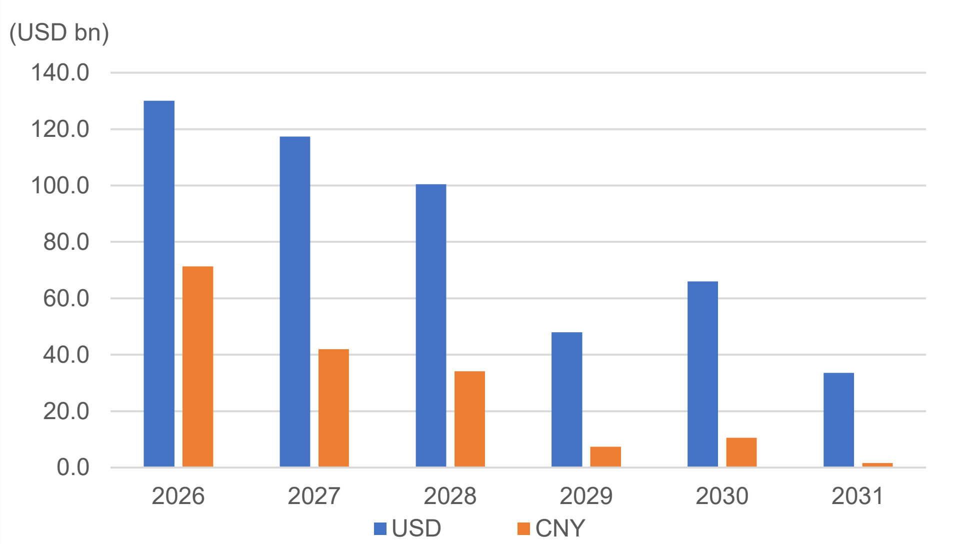


Exhibit 3: Maturity Profile of China Offshore Bond at end-2025

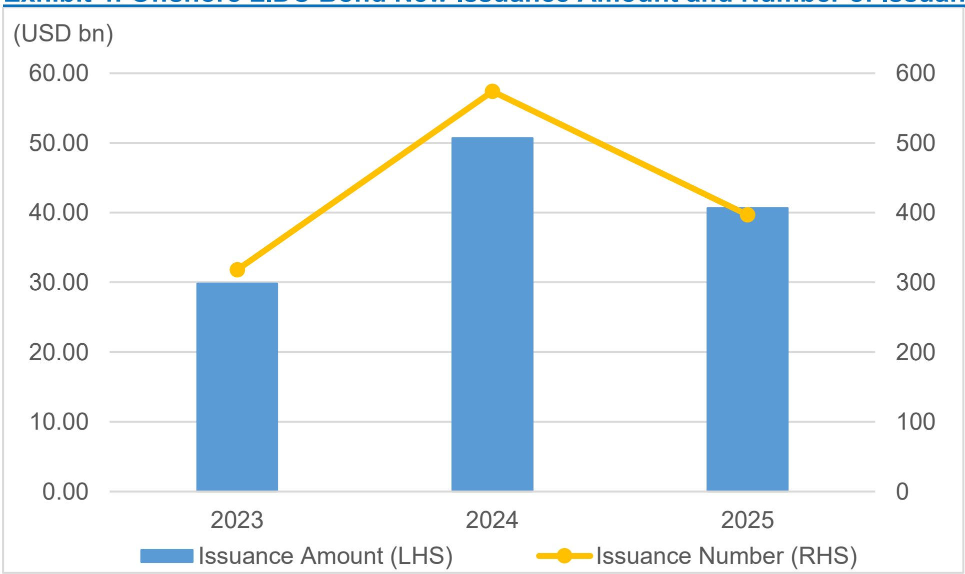


B) LIDCs

New Offshore Bond Issuance by LIDCs Slowed Down amid Restrictive Regulations

The new issuance of China LIDC offshore bonds (in all currencies) decreased by 19.8% y-o-y to USD40.7 billion in 2025 (EXHIBIT 4), after a surge of 70.0% y-o-y to USD50.7 billion in 2024. This is mainly attributed to tight regulations on new offshore debt raised by LIDCs, especially on 364-day offshore bonds. On the other hand, as regulatory authorities prohibited investments in LIDCs' offshore RMB bonds through the cross-border total return swap (TRS) channel, some LIDCs sped up their refinancing activities through the offshore USD bond issuance as more debts were due in 2025. Therefore, new issuance of LIDC offshore bonds were mainly dominated by USD bonds, which increased by 10.6% y-o-y to USD26.6 billion in 2025.

Exhibit 4: Offshore LIDC Bond New Issuance Amount and Number of Issuances



C) Real Estate

Return of Bond Issuance Activities by Large-Scale Property Developers Despite Continued Credit Events

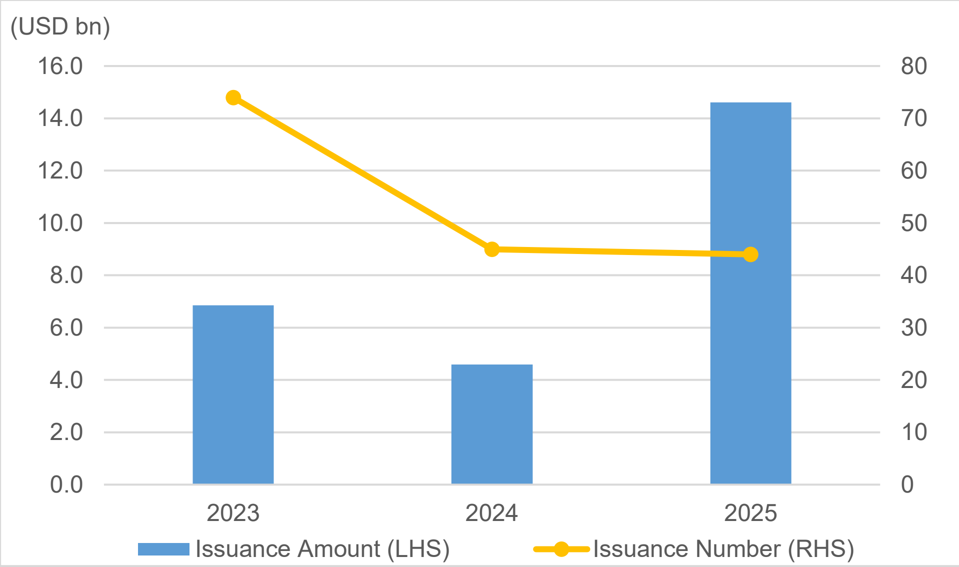
The new issuance of real estate offshore bonds surged to USD14.6 billion in 2025 (EXHIBIT 5), more than tripled compared with USD4.6 billion recorded in 2024. The majority of the new issuance was derived from debt restructuring in the course of defaults, while some large-scale property developers, including China Resources Land Limited (1109.HK), returned to offshore bond market after several years.

The Chinese government rolled out a series of policy stimulus to restore market confidence and stabilize the real estate market in 2025. Key initiatives included the acquisition of idle land and unsold properties, reduction of the Loan Prime Rate, promotion of housing upgrades and renovations, etc. Local governments complemented these efforts by optimizing provident fund policies, providing direct subsidies and incentives, expanding affordable housing programs, etc. Also, China's 2025 government work report has for the first time emphasized the need to stabilize the real estate markets within its overall policy framework.

Against this background, there are some promising signs in offshore bond market evidenced by new USD bond issuances by Greentown China Holdings Limited (3900.HK) and Seazen Group Limited (1030.HK). These bond issuances may indicate a return of investors' interest on property developers, and thus an improved access to funding channels by Chinese property developers.

Having said that, there were still some credit defaults by Chinese property developers in the offshore bond market. Property developers with weaker credit profiles and insufficient cash flows were still vulnerable to liquidity crunch.

Exhibit 5: Offshore Real Estate Bond New Issuance Amount and Number of Issuances

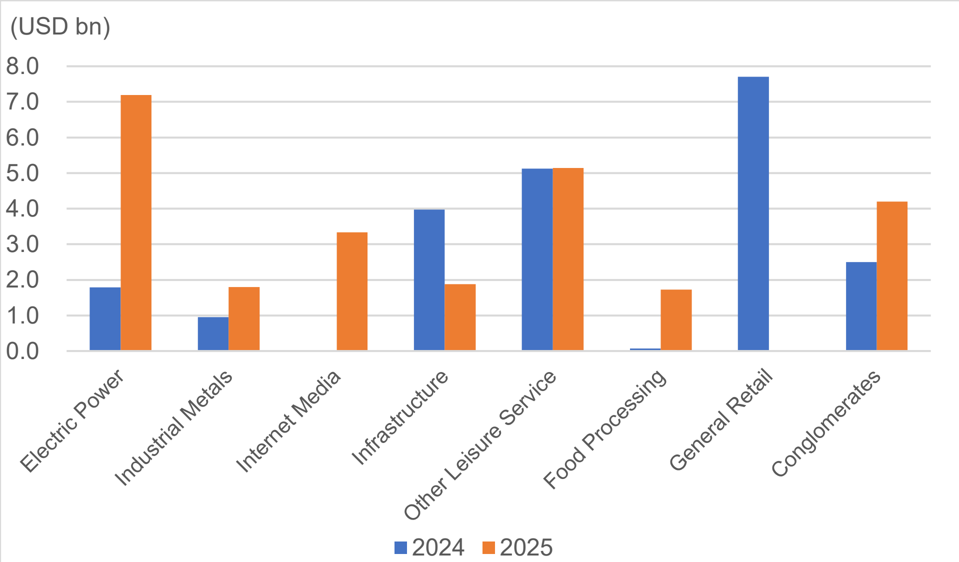


D) Industrial Corporates

Increasing Offshore Bond Issuances by Industrial Corporates

The new offshore bond issuance by industrials reached USD32.2 billion in 2025, an increase of 30.4% compared with USD24.7 billion in 2024. In mid-2024, the regulatory authorities announced policies encouraging entities with strong credit profiles to issue long-term offshore bonds to support business operations and development. On the other hand, the AI spending spree across the globe also drives bond issuances from Chinese technology companies. Specifically, new issuance from electric power sub-sector (mainly by State Grid Corporation of China, China Three Gorges Corporation, etc.) surged to USD7.2 billion in 2025, approximately quadrupled compared with USD1.8 billion in 2024. Issuers from internet media sub-sector (such as Tencent and Baidu) returned to offshore bond market after several years, with new issuance amount reaching USD3.3 billion in 2025. Issuers from other leisure service sub-sector (mainly Meituan) maintained their presence in offshore bond market, with new issuance amount keeping roughly unchanged at USD5.1 billion in 2025 compared with 2024.

Exhibit 6: Offshore Bond New Issuance by Industrial Sub-sectors



E) Outlook in 2026

Refinancing Need Continues to Support LIDCs' Issuance

Despite the tightening policy environment, we anticipate that the refinancing need will continue to support the LIDCs' offshore bond issuance in 2026. The amount of LIDC offshore bonds maturing in 2026 reaches USD35.2 billion, while that of maturing in 2027 is even at a higher amount of USD45.8 billion. The forthcoming debt repayment peak requires a large amount of funds for LIDCs to fulfil their obligations of repayment.

On the other hand, as traditional LIDCs with a high proportion of income and assets linked to public projects are restricted from accessing new offshore debt, most LIDCs are accelerating the transformation of their business models to present themselves as market-driven platforms.

Those LIDCs with successful transformation of business models may have better access to offshore financing channels than traditional LIDCs in the future.

Relaunch of FTZ Bonds

In June 2025, Mr. Pan Gongsheng, the governor of People's Bank of China ("PBOC"), announced 8 key policies on financial opening-up, including "promoting the development of FTZ bonds by adhering to the principle of 'both issuers and invested funds are from overseas'", which sent a positive stance on FTZ bond issuance. After that, Bank of Communications Co., Ltd. Hong Kong Branch and Guotai Haitong Financial Holding Co., Ltd. issued FTZ bonds worth RMB200 million and RMB500 million, respectively.

In December 2025, Shanghai issued rules for FTZ bond business in Pudong New Area (scheduled to take effect on March 1, 2026), which will promote the sound and orderly development of FTZ bond market in the future. We anticipate the relaunch of FTZ bonds will contribute to the steady growth of offshore bond issuance in 2026 and beyond.

More Favorable Macro Environment and Policies Backdrop in 2026

Although the Fed kept interest rates unchanged in January 2026, it is likely to continue interest rate cuts in 2026, as the unemployment rate was on an upward trend in recent months. This will lower the financing cost for offshore bond financing and may attract some new potential issuers to tap the offshore bond market, especially those with strong credit profiles.

In July 2025, China expanded the scope of investors to include more mainland-based financial institutions (i.e. securities firms, fund managers, insurers and wealth management companies) under the Bond Connect scheme and allowed them to invest in offshore bonds through the southbound channel, taking a significant step to ease capital-flow restrictions and further strengthen Hong Kong's status as an international financial center.

In addition, Hong Kong's Stablecoins Bill that taking effect in August 2025 is expected to improve the efficiency of cross-border digital finance, support the internationalization of the RMB and encourage more innovations in digital bonds, tokenized bonds, etc., which may bring new opportunities for offshore bond market. As a whole, we anticipate that the offshore bond issuance will continue its steady growth trend in 2026.

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