STUDY NOTES · BASIC CONCEPT

What are Indonesia's Panda Bond?

Indian Economy

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What?

A Panda Bond is a Renminbi-denominated bond issued by a non-Chinese entity (foreign government, corporation, or financial institution) and sold directly within China’s onshore interbank market.

Key Details of Indonesia’s Panda Bond

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1. Debut Issuance: Indonesia officially entered China's onshore debt market with its inaugural sovereign Panda Bond issuance targeting 7 billion yuan (~$1.03 billion).
2. Structure & Terms: The issuance was split into two tranches: 3-year notes (1.9% yield) and 5-year notes (2.19% yield). It earned a top-tier AAA rating with a stable outlook from Chinese rating agency Lianhe Rating.
3. Lead Underwriters: Bank of China served as the lead underwriter and bookrunner alongside major financial institutions including ICBC, CITIC, CICC, and DBS Bank China.

Why Indonesia Issued Panda Bonds?

1. Funding & Currency Diversification: Allows Indonesia to tap into deep liquidity in China’s domestic capital market while reducing reliance on the U.S. dollar and Euro for external debt.
2. Local Currency Settlement (LCT): Integrates with existing Local Currency Transaction frameworks between Bank Indonesia and the People's Bank of China, facilitating direct yuan-rupiah trade settlement without dollar conversion friction.
3. Competitive Financing Costs: Offers lower borrowing yields compared to Western capital markets due to China's prevailing interest rate environment.