Pakistan issues first sovereign panda bonds

Move signals RMB's international role in financing, investment expanding

By ZHOU LANXU
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The first sovereign panda bond issuance by Pakistan — priced at a historically low coupon rate — highlights the growing potential of China's capital market to provide diversified and lower-cost financing channels for developing economies, experts said.

The issuance not only opened an avenue for Pakistan to secure continued access to renminbi financing, but also may set a precedent for more Belt and Road economies to lower financing costs through China's bond market at a time when energy-related inflation pressures are driving up global borrowing costs, they said.

Pakistan issued its first sovereign panda bond — RMB-denominated debt instruments issued by overseas governments or institutions in China's onshore capital market — on Thursday, marking the first panda bond issuance by a South Asian economy.

The issuance totaled 1.75 billion yuan ($257 million), with a three-year tenor and a coupon rate of 2.5 percent. China Economic Net reported the 2.5 percent coupon was "the lowest Pakistan had achieved on a sovereign bond", a point confirmed to China Daily by China International Capital Corp (CICC), the lead underwriter and book runner for the deal.

The 1.75 billion yuan issuance — whose proceeds will finance sustainable development projects in Pakistan — was oversubscribed more than fivefold and marked the first tranche under Pakistan's newly established 7.2 billion yuan panda bond program.

Pakistan's Minister for Finance and Revenue Muhammad Aurangzeb said he is confident that the 7.2 billion yuan panda bond program would provide Pakistan with a strong platform for future issuances, further deepening financial connectivity and sustainable economic cooperation between China and Pakistan.

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> **Liu Chunsheng,** associate professor of international economics at Central University of Finance and Economics

Liu Chunsheng, an associate professor of international economics at Central University of Finance and Economics, said the issuance highlighted the unique role China's bond market can play in providing lower-cost financing and diversified funding channels for international issuers amid rising global inflation and elevated borrowing costs.

"With China's interest rates remaining relatively low and RMB assets increasingly showing safe-haven attributes, the panda bond's 2.5 percent coupon was far below the cost of Pakistan's US dollar bonds, which could reach roughly 7 to 8 percent under some circumstances, helping significantly reduce interest costs," Liu said.

Despite Pakistan's long-term sovereign credit rating being in the speculative-grade category at B- by S&P Global Ratings, the bond received an AAA issue rating, supported by an innovative partial guarantee structure under which the Asian Infrastructure Investment Bank and the Asian Development Bank provided guarantees covering 95 percent of the bond's principal and interest payments.

Analysts said the enhanced credit profile helped significantly lower the bond's coupon rate and improve investor acceptance.

Paul Rui, director at the Investment Banking Department of CICC, said that the partial guarantee arrangement — the first of its kind in China's onshore bond market — helped lower entry barriers and could offer a replicable model for other developing economies.

"Many emerging market economies have strong financing demand in infrastructure, green transition and livelihood development, but often face challenges such as ratings, investor recognition and issuance structures when entering a new market for the first time.

"This transaction combines a sovereign issuer, multilateral development institution-backed credit enhancement, sustainable development-oriented funding purposes and access to China's renminbi bond market, providing a reference model for more Belt and Road economies seeking to enter China's bond market," Rui said.

The issuance also signals the RMB's expanding international role in financing and investment. The People's Bank of China, the country's central bank, said panda bond issuances reached 84.24 billion yuan in the first quarter, a strong momentum after issuances totaled 183.06 billion yuan in full-year 2025.

PBOC Deputy-Governor Xuan Changneng said last month that tensions in the Middle East had increased global financing costs and debt pressures for developing economies, calling for improved global sovereign debt governance and support for developing countries in addressing debt challenges through development.

Ji Haisheng and Xu Wei contributed to this story.

Employees work on the production line of a private smart robot manufacturer in Hefei, Anhui province. CHEN SANHU / FOR CHINA DAILY

Fresh steps set to boost private sector

By CHENG YU
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China's market regulator has rolled out a new set of measures aimed at boosting the private sector, pledging stronger legal protections, fairer competition and lighter-touch regulation as Beijing seeks to revive business confidence amid slowing economic growth.

The State Administration for Market Regulation said on Sunday it had issued a 2026 action plan containing 34 key tasks designed to "promote the development and growth of the private economy".

The plan came as Chinese policymakers intensify efforts to shore up the private sector, which accounts for the bulk of employment and a large share of economic activity.

According to the regulator, the measures will focus on balancing "standardized supervision and development promotion", while improving the business environment and strengthening support for private companies.

The plan pledged to improve China's fair competition legal framework and tighten oversight of business-related fees, while expanding credit incentives and policy support for small businesses and self-employed firms.

Authorities also vowed to deepen efforts to build a unified national market by dismantling regional barriers and curbing what officials described as cutthroat competition — a term widely used in China to describe destructive price wars and excessive competition that squeeze corporate profits.

The regulator also said it would promote more flexible enforcement methods, including remote inspections, contactless supervision and digital QR-code-based compliance checks for companies, in a bid to reduce administrative burdens and improve the fairness of law enforcement.

Teamwork urged for growth

By ZHONG NAN
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With global trade and investment flows facing mounting geopolitical and economic uncertainties, government officials and business leaders on Monday called for closer international cooperation to cultivate new drivers of global economic growth and build a more resilient development landscape.

Addressing the opening ceremony of the Global Trade and Investment Promotion Summit 2026 held in Beijing, Chinese Vice-President Han Zheng said China remains firmly committed to opening-up and stands ready to work with all parties to uphold multilateralism and open cooperation.

The summit was hosted by the China Council for the Promotion of International Trade.

Yolanda Diaz Perez, Spain's second vice-president and minister of labour and social economy, said the global economy needs more multilateral cooperation, cross-border investment, open trade, arguing that closer engagement between the European Union and China will support shared growth and economic stability.

Stephen Jackson, the United Nations resident coordinator in China, said as the world is facing growing turbulence, including geopolitical tensions, climate shocks and growing pressures on global supply chains, international cooperation should focus on how trade, investment, technology, finance and productive capacity can support sustainable development at scale. The UN is ready to work with China and other countries to help connect policy discussions with practical cooperation and to promote more sustainable global development.

Executives from foreign firms said China's vast market, rapid commercialization and integrated supplier networks continue to attract overseas businesses, while enabling companies to localize innovation and bring products proven successful in China to offshore markets.

That shift is becoming more evident in capital flows. Foreign direct investment utilized in China's high-tech industries rose 30.7 percent year-on-year to 102.73 billion yuan ($15.08 billion) in the first quarter, accounting for 41.2 percent of the country's total FDI, said the Ministry of Commerce.

Shen Kelei, executive vice-president of Marelli Holdings Co, a Japanese automotive parts manufacturer operating eight research and development centers and 17 factories in China, said the company will deepen its strategic presence in China in areas such as smart lighting, electronics, thermal management and intelligent cockpit technologies to better serve Chinese automakers.

Marelli will accelerate its "China for China, China for Global" strategy during the 15th Five-Year Plan (2026-30) period, as the country evolves from a manufacturing base into a key global center for automotive innovation, research and supply-chain collaboration, said Shen. "China is already far more than an important market for Marelli," he said, adding that the country is increasingly becoming a hub for innovation, manufacturing and global collaboration within the group's worldwide operations.

Willie Tan, CEO of Skechers China, South Korea and Southeast Asia, said the United States-based athleisure company will continue to strengthen its localized operations across R&D, manufacturing, supply chains and retail channels, while increasing investment in China. "In product development, we combine our global comfort technologies with local consumer insights to create products tailored to Chinese consumers. And in manufacturing, we are expanding local production capacity and strengthening supply-chain efficiency to respond faster to shifting market demand," Tan said.

Briefly

China reports current account surplus in Q1

China's current account surplus was $184.1 billion in the first quarter of the year, preliminary data of the balance of payments showed. Of the total, the surplus under trade in goods came in at $247.4 billion, and the deficit under trade in services stood at $59.6 billion, according to the data released by the State Administration of Foreign Exchange.

Major cities report housing price rise

Home prices in China's first-tier cities, namely Beijing, Shanghai, Guangzhou and Shenzhen, increased last month compared with March, while second- and third-tier cities reported narrowed price declines or unchanged price levels, official data showed on Monday.

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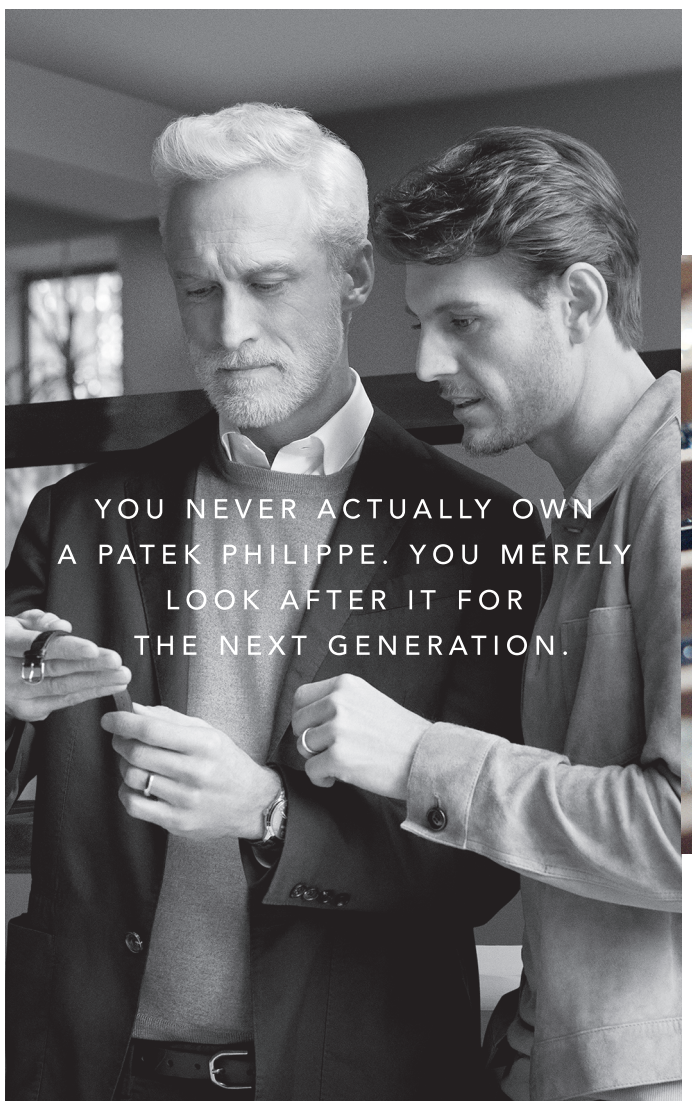

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