

## ESG Matters - Global

## 2023: \$32bn in ESG bond fund inflows

Thematic Investing

**2023: \$32bn into ESG bond funds (up 53% vs 2022)**

ESG bond funds recorded inflows of \$32bn in 2023, up from \$21bn of inflows in 2022. 8% of 2023 total bond inflows went to ESG bond funds as non-ESG bond funds have recovered strongly with \$345bn in inflow after \$499bn outflows in 2022. All regions saw positive inflows in 2023 except for EM bond funds (ESG and non-ESG). Cumulative inflows to ESG bond funds reached a record \$264bn, up by 14% YTD. AUM in global ESG bond funds reached \$641bn, up by over 30% in 2023 alone. 12.6% of bond funds are now ESG funds, and 6.2% of bond fund AUM is in ESG bond funds.

**Europe: \$16bn of ESG inflows = half of global ESG inflows**

Western European ESG bond funds saw an inflow of \$15.6bn in 2023, which accounts for almost half of the global bond ESG inflows. AUM reached \$350bn, up by 37% YoY. 25% of European bond fund inflows YTD went to ESG funds. 21% of bond funds are now ESG funds and 24.4% of total bond fund AUM is now ESG funds, both being the highest percentages across all regions.

**US: ESG inflows stagnated in 2023, at only \$2.3bn**

US ESG flows were only \$2.3bn, comparing to \$296bn of inflows to non-ESG funds. Cumulative inflows to ESG bond funds in the US fluctuated around \$50bn through the year. AUM in US rose to around \$98bn YoY. ESG inflows accounted for less than 1% of total inflows in 2023, the lowest among all regions.

**EM: \$521mn ESG outflows vs \$26.2bn non-ESG outflows**

EM ESG bond funds saw an outflow of \$521mn in 2023 but dwarfed by a significant outflow of \$34.2bn for non-ESG funds. Cumulative inflows are now at \$19bn whereas AUM rose by \$7bn to \$36.3bn. ESG funds are now 6.6% of all bond funds by count and 5.7% of all bond funds by AUM, the highest level since record began.

**Cross-region: One third of inflows into ESG in 2023**

Cross-regional ESG bond funds saw inflows of almost \$13bn in 2023, which accounted for almost one-third of total bond fund inflows for 2023. Cumulative inflows reached \$72bn as of Oct 2023. Number of ESG funds increased to 452, up by 114 YTD. Over 19% of funds is ESG-related as of Dec 2023.

**\$828bn in labeled issuance in 2023, up by 7% YoY**

Labeled bond issuance (green, social, sustainability, and sustainability-linked bonds) was \$828bn in 2023, trailing only 2021 in volume terms. Sovereigns saw higher volumes compared to last year, and green bonds were 59% of the total. We forecast \$850bn in 2024 issuance, with higher proportional issuance Europe and parts of Asia offsetting lower interest from US issuers. For more, see [ESG Matters - Global: 2023 labeled bond issuance: in charts 16 January 2024](#).

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[ESG Matters - Global: 2023 labeled bond issuance: in charts](#)

ESG in Fixed Income Quarterly: \$828bn in labeled bonds in 2023

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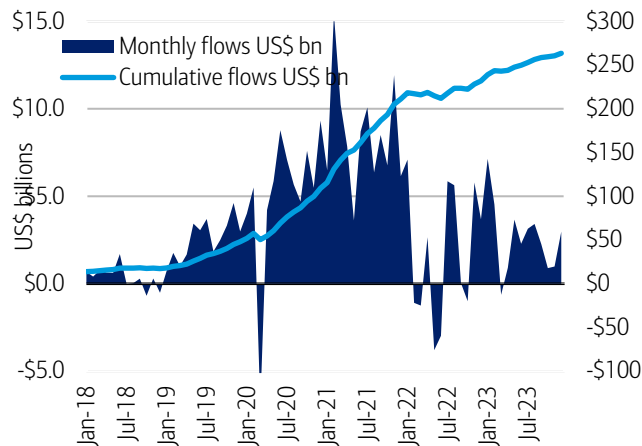
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# Global ESG bond fund flows

2023 saw \$32bn inflows into ESG bond funds globally, bounced up by 53% from 2022. 8% of 2023 total bond inflows went to ESG bond funds, as non-ESG bond flows recovered strongly from 2022 outflows. Cumulative inflows to ESG bond funds reached \$264bn, up by 14% YTD. AUM in global ESG bond funds is \$641bn as of Dec 2023, up by \$151bn for the year. ESG bond funds are now 12.6% of all bond funds by the end of Oct, up from 10.6% by the end of 2022, with 276 new ESG funds in 2023. By AUM, 6.2% of total bond fund AUM is now in ESG bond funds.

## Exhibit 1: Global ESG bond funds recorded \$32bn in inflows YTD

Cumulative inflows to Global ESG bond funds reached \$264bn

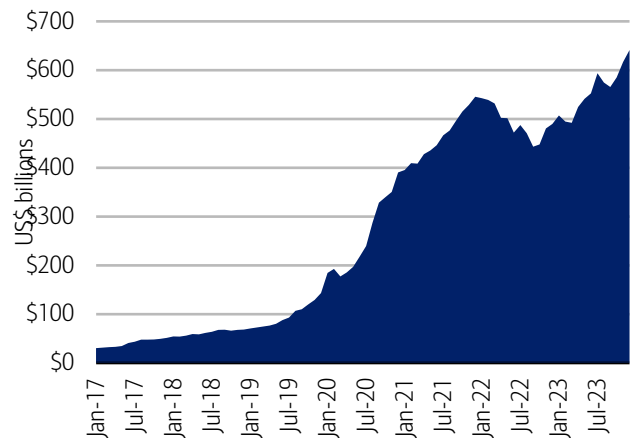


Source: EPFR Informa Financial Intelligence, BofA Global Research

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## Exhibit 2: AUM in ESG bonds funds \$641bn as of Dec 2023

AUM bounced back on the back of a rally in bonds late 2023

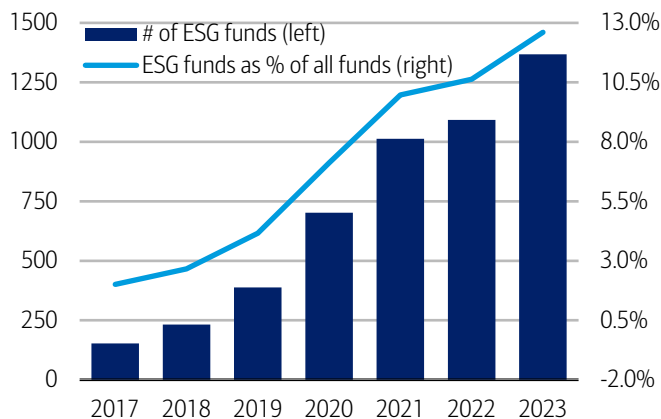


Source: EPFR Informa Financial Intelligence, BofA Global Research

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## Exhibit 3: 12.6% of global bond funds is an ESG fund in Dec 2023

The total number of ESG bond funds was 1,368 as of Dec 2023

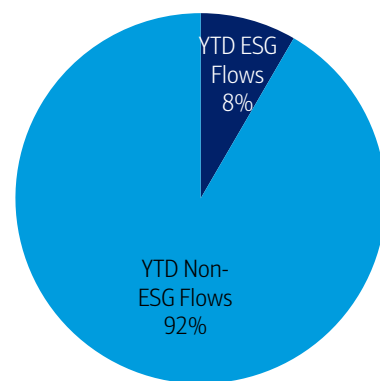


Source: EPFR Informa Financial Intelligence, BofA Global Research

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## Exhibit 4: 8% of YTD global bond inflows went to ESG funds

Non-ESG bond fund flows bounced back strongly from 2022 outflows



Source: EPFR Informa Financial Intelligence, BofA Global Research

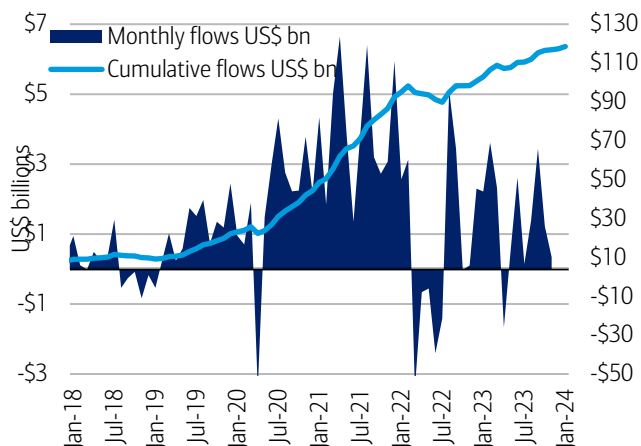
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## W. European ESG bond fund flows

Western European ESG bond funds saw an inflow of \$15.6bn for 2023. This compares to \$46.5bn in non-ESG inflows (after 2022 *outflows* of \$52.9bn). European ESG inflows accounted for 25% of total bond fund inflows in 2023. Cumulative inflows to ESG bond funds in Western Europe reached \$119bn, up by \$16bn YTD. AUM in Western European ESG bond is \$350bn by the end of 2023, surpassing previous peak of \$292bn reached in Dec 2021. ESG funds are 21% of all bond funds and the number of funds has risen by 111 in 2023. By AUM, 24.4% of total bond fund AUM is now in ESG bond funds, the highest percentage across regions.

**Exhibit 5: Europe ESG bond funds saw \$15.6bn in inflows in 2023**

Cumulative flows into European ESG funds have reached \$119bn

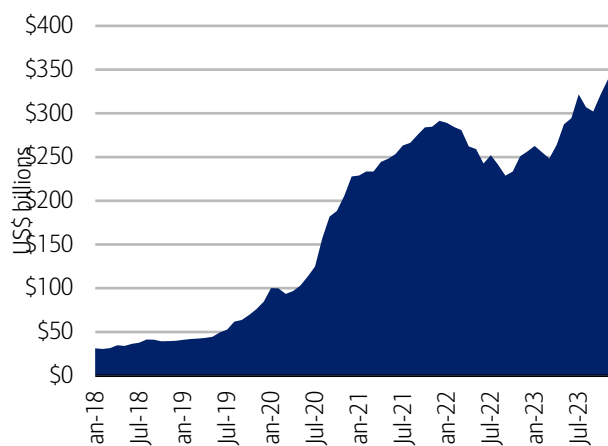


Source: EPFR Informa Financial Intelligence, BofA Global Research

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**Exhibit 6: AUM in W. Europe ESG bond funds is \$350bn in Dec 2023**

AUM has been on a rising trend this year, up by \$94bn in 2023

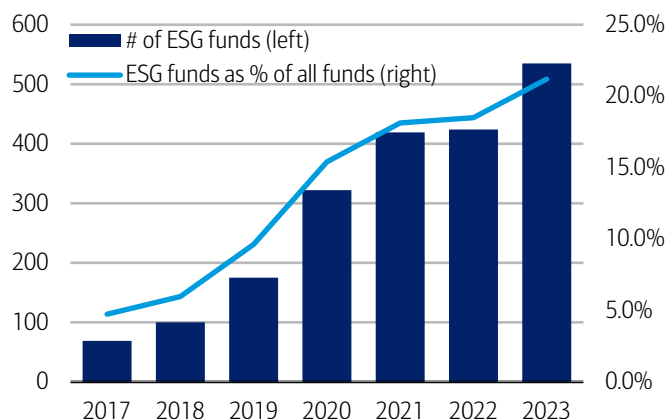


Source: EPFR Informa Financial Intelligence, BofA Global Research

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**Exhibit 7: Over 21% of European bond funds are ESG funds in 2023**

The total number of ESG funds rose by 111 in 2023

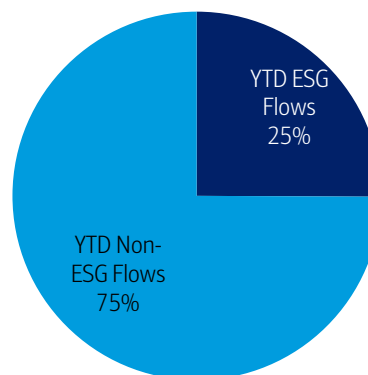


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**Exhibit 8: 25% of 2023 flows went to ESG funds**

This is the highest proportion among regions



Source: EPFR Informa Financial Intelligence, BofA Global Research

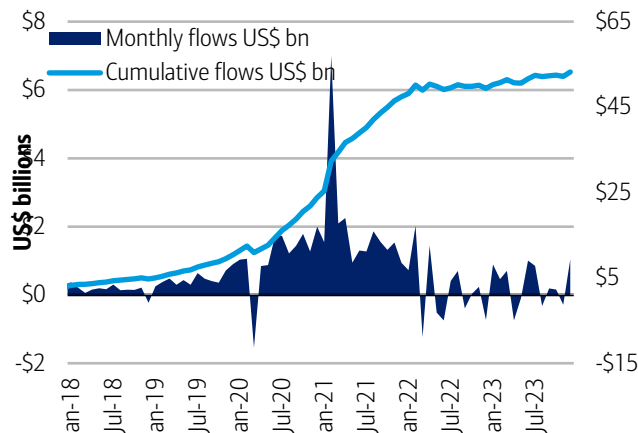
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## US ESG bond fund flows

US ESG bond fund flows stagnated in 2023, with only \$2.3bn in inflows, whereas non-ESG bond funds enjoyed an inflow of \$296bn (vs *outflows* of \$250bn in all of 2022). Cumulative inflows to ESG bond funds in the US fluctuated around \$50bn in 2023. AUM in US ESG bond funds rose by \$8bn to \$98bn in 2023. The number of ESG funds increased to 213 in 2023, up by 27 YTD. ESG inflows accounted for less than 1% of total bond fund inflows, the lowest percentage recorded across all regions. By AUM, 1.5% of total bond fund AUM is now in ESG bond funds.

### Exhibit 9: \$2.3bn in inflows to US ESG funds in 2023

US ESG bond funds flows have been mixed in 2023, but net positive

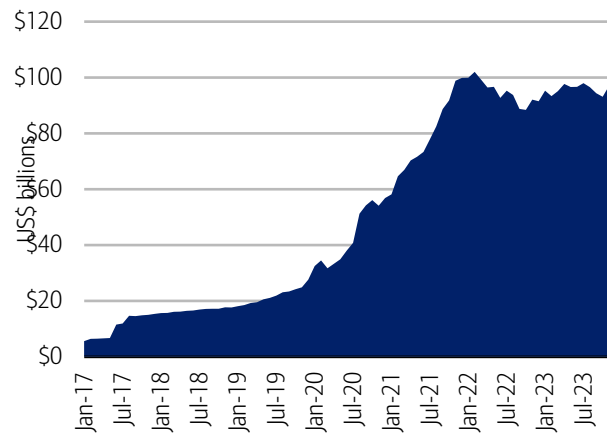


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### Exhibit 10: AUM in US ESG bond funds is \$98bn as of Dec 2023

AUM peaked in Oct 2021 at \$100bn

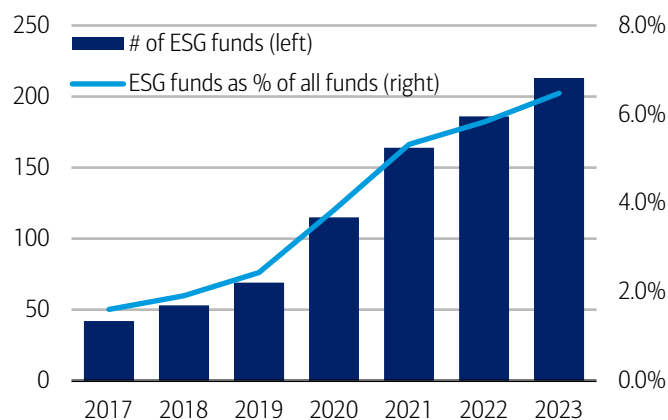


Source: EPFR Informa Financial Intelligence, BofA Global Research

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### Exhibit 11: 6.5% of US bond funds is an ESG fund as of Dec 2023

The number of US ESG funds grew by 27 YTD

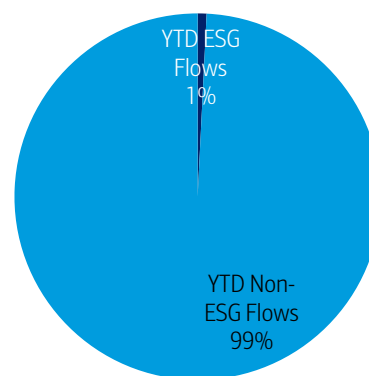


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### Exhibit 12: Only 1% of YTD flows went to ESG funds

Non-ESG bond funds saw inflows in 2023 much larger than ESG bond funds



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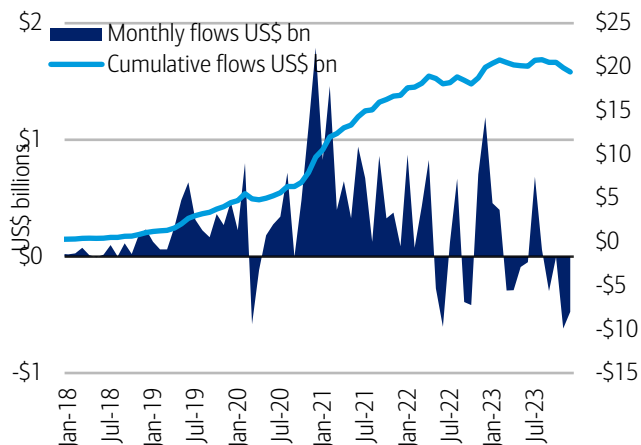
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## Emerging Markets ESG bond fund flows

EM ESG bond funds saw an outflow of \$521mn in 2023, while non-ESG bond funds suffered a significant outflow of \$34.2bn YTD. Cumulative inflows to ESG bond funds were \$19bn as of Dec 2023. AUM in EM ESG bond funds has increased by \$7bn to \$36.3bn in 2023. ESG funds are 6.6% of all bond funds as of Dec 2023, up from 5.7% at 2022 year-end. ESG funds are now 5.7% of all bond funds in terms of AUM.

**Exhibit 13: EM ESG bonds funds recorded \$521mn in outflows in 2023**

EM non-ESG funds saw significant outflows of \$34bn in 2023

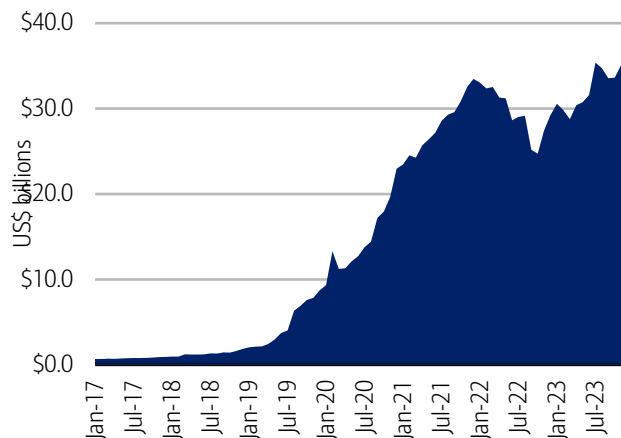


Source: EPFR Informa Financial Intelligence, BofA Global Research

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**Exhibit 14: AUM in EM ESG bond funds is \$36.3bn, up \$7bn in 2023**

AUM in EM ESG bond funds surpassed previous high

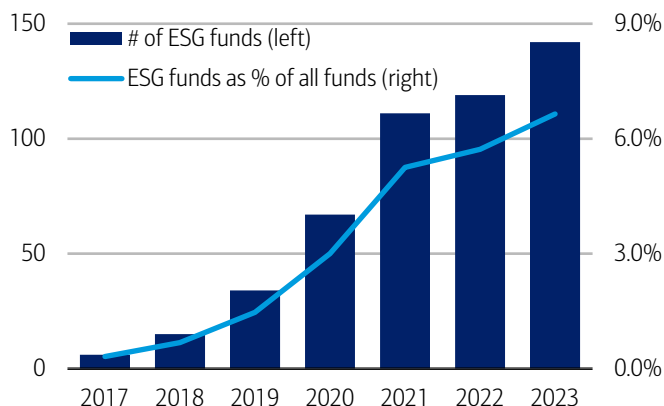


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**Exhibit 15: 6.6% of EM bond funds is an ESG fund as of Dec 2023**

EM ESG bond funds rose by 23 to 142 YTD

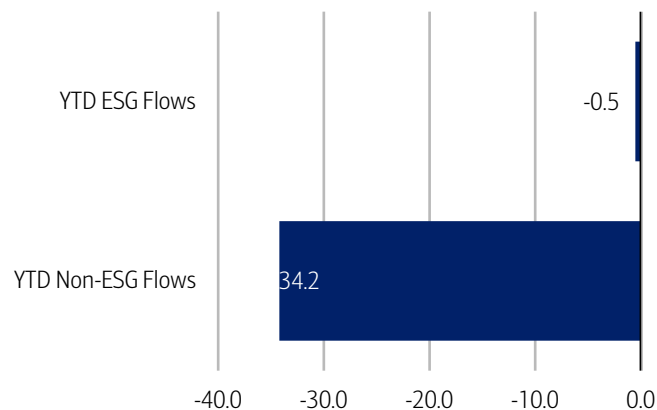


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**Exhibit 16: EM ESG funds saw \$521mn in outflows in 2023**

EM non-ESG bond funds saw \$34bn in outflows in 2023



Source: EPFR Informa Financial Intelligence, BofA Global Research

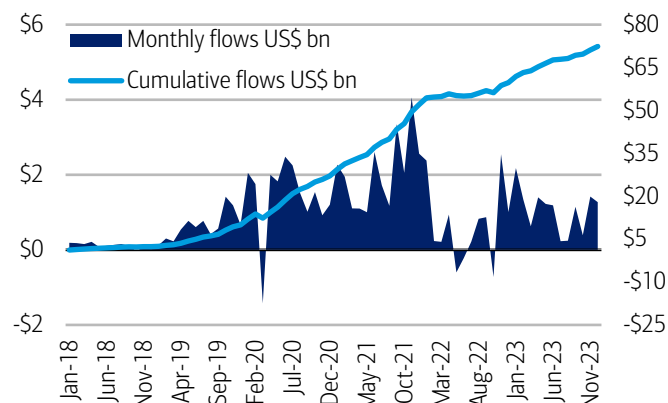
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## Cross-region ESG bond fund flows

Cross-region ESG bond funds saw an inflow of \$13bn YTD, which is almost half of the \$27.5bn inflows to non-ESG funds. Cumulative inflows to ESG bond funds were \$72bn as of Dec 2023. ESG funds increased by 114 YTD, making ESG funds almost 19% of all cross-region bond funds, up from 15.5% at 2022 year-end. ESG funds are now 10.3% of all bond funds in terms of AUM. Cross-region ESG inflows accounted for 32% of total bond fund inflows YTD, the highest percentage recorded across all regions.

### Exhibit 17: Cross-region ESG bond funds saw \$13bn in inflows in 2023

Cumulative flows into cross-region ESG funds have reached \$72bn

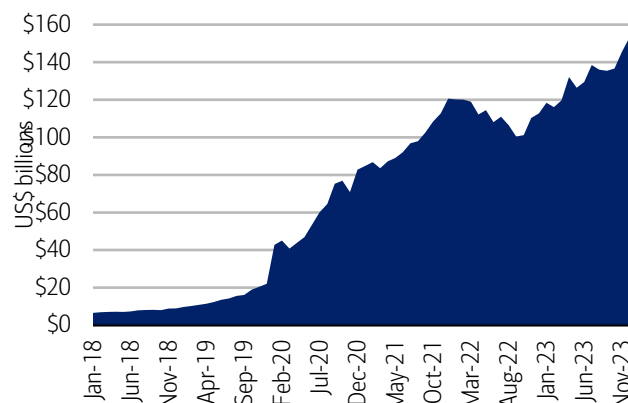


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### Exhibit 18: AUM in EM ESG bond funds is \$153bn, up \$40bn in 2023

AUM in cross-region ESG bond funds surpassed previous high of \$120bn

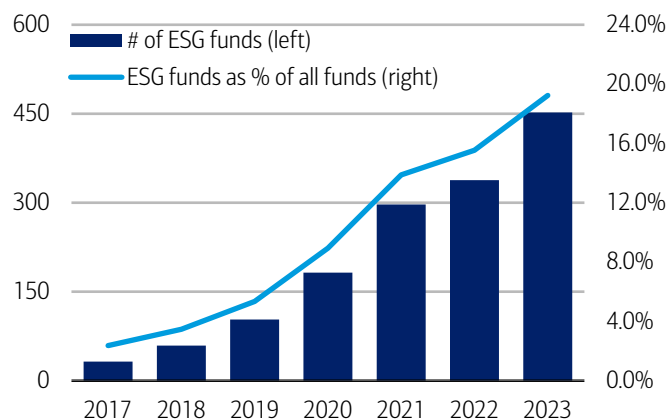


Source: EPFR Informa Financial Intelligence, BofA Global Research

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### Exhibit 19: 19% of cross-region bond funds is an ESG fund

Cross-region ESG bond funds rose sharply by 114 to 452 in 2023

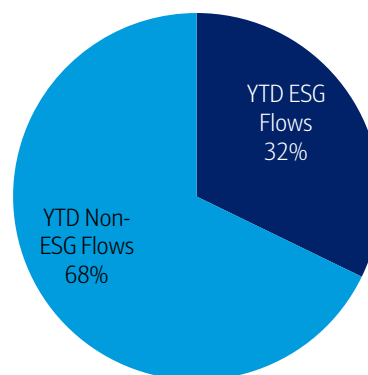


Source: EPFR Informa Financial Intelligence, BofA Global Research

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### Exhibit 20: 32% of YTD flows went to ESG funds

ESG bond funds inflows are almost half of non-ESG inflows in 2023



Source: EPFR Informa Financial Intelligence, BofA Global Research

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