

Muni Issuance Trends & Forecast for 2022



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Executive Summary

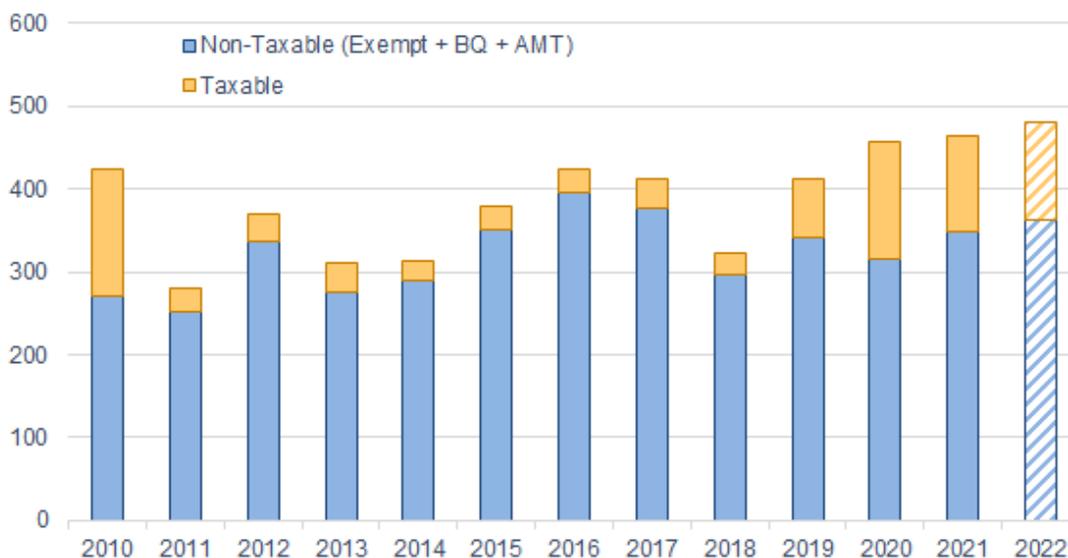
- **Muni new issue volume totaled \$464 bn in 2021, eclipsing the previous record of \$457 bn, set in 2020.**
- **Green, forward settlement and insured bond volumes were all up versus 2020.**
- **We estimate this year's volume will be around \$480 bn, with increases in both tax-exempt and taxable borrowing.**

NEW ISSUE VOLUME ESTIMATE

We estimate that 2022 volume will total around \$480 bn. That would set another record and be an increase of 4% over 2021.

Our estimate includes \$362 bn of non-taxable bonds (including traditional tax-exempt plus Bank Qualified and AMT bonds) and \$118 bn of taxable bonds. Compared to 2021, that would be a 4% increase in non-taxable issuance and a 2% increase in taxable volume.

Annual Long Term Municipal Bond New Issue Volume - Actual & Estimate (\$bn)



Based on actual volume through December 31, 2021. Sources: CreditSights, Bloomberg. Revised 1/1/22.

| Estimated 2022 New Issue Volume | | | |
|---|---------------|---------------|---------------|
| Financing Type | Estimate (bn) | | |
| | Total | Non-Taxable | Taxable |
| New Money Only Borrowing: about 10% higher than the 2021 total of \$223 bn. | \$ 245 | \$ 208 | \$ 37 |
| Current Refundings: ~66% of the \$182 bn bonds with 3% or higher coupons due in '23 or later and callable in 2022: | \$ 120 | \$ 108 | \$ 12 |
| Advance Refundings: 25% of the \$82 bn of bonds with 3-handle copuons due in '24 or later and callable in 2023-2025 | \$ 20 | \$ 8 | \$ 12 |
| Advance Refundings: 25% of the \$381 bn of bonds with 4% or higher copuons due in '24 or later and callable in 2023-2025 | \$ 95 | \$ 38 | \$ 57 |
| Total: | \$ 480 | \$ 362 | \$ 118 |

Sources: CreditSights, Bloomberg. Updated 12/21/21.

NEW MONEY: The \$223 bn of new money bonds issued in 2021 was up 12% compared to 2020 and was the largest amount since 2010. 15% of last year's new money bonds came as taxable bonds, down from 17% in 2020 but higher than the 10% average for the prior five years (2016-2020).

While our assumption for next year includes a 10% increase in new money borrowing, there is recent precedent for even faster growth in borrowing. New money borrowing in 2017 was 16% higher than the year before, and 2018's total was 15% above 2017's total.

REFUNDINGS: Based on our review of recent current and advance refunding issuance trends and the characteristics of bonds that will be callable over the next several years, we estimate a total of \$235 bn of refunding bonds, including \$81 bn of taxable and \$154 bn of non-taxable bonds.

HOW'D WE DO WITH OUR 2021 FORECAST?

2021's total issuance of \$464 bn was 6% below our forecast of \$494 bn (see **Muni Issuance Trends and 2021 Outlook**). Actual new money borrowing of \$223 bn was 2% above our estimate of \$218 bn.

Total taxable volume of \$115 bn was much lower than our forecast of \$264 bn, primarily because of issuers' preference for current refunding bonds, which totaled \$138 bn in 2021 (\$16 bn taxable). We had estimated current refunding volume at \$39 bn, with \$5 bn of that taxable. Advance refunding volume last year was \$78 bn (\$67 bn taxable); our estimate was for \$238 bn, with all of it taxable.

Based on 2021's issuance, we have assigned a higher probability to bonds with near-term calls getting current refunded in 2022.

CONCLUSION

Estimating new issue supply requires assumptions about the conditions of the municipal, treasury and corporate bond markets, as well as the nature of demand, economic conditions and the legal and political environments.

Because of the sensitivities to market conditions, actual refunding issuance could be much higher or lower than we estimate. For example, if spreads for taxable IG bonds tighten, demand for taxable municipals could increase and encourage more issuance. If issuers current refund a larger proportion of bonds than forecast, that could add to non-taxable issuance and subtract from taxable borrowing. An increase in forward-delivery bonds could reduce the volume of advance refunding bonds. The ability to refinance older bonds is sensitive to market conditions, so the pace of refunding bond issuance could fluctuate as rates move.

We expect that issuance of new money bonds will be less sensitive to changes in market conditions.

Due to the depth of demand from investment grade taxable bond buyers, we would not be concerned if taxable municipal supply exceeds our expectations.

Increased supply of tax-exempt bonds could affect credit spreads and prices. We will discuss the potential implications in greater detail in our forthcoming 2022 municipal outlook report.

2021 PRIMARY MARKET OVERVIEW

Muni new issue volume totaled \$464 bn in 2021, eclipsing the previous record of \$457 bn, set in 2020. December's volume was 6% lower than November but 16% heavier than December 2020.

Net supply (new issue volume minus redemptions) was negative in December for the first time since August (see the chart of Net Supply, below).

Taxable municipal volume declined by 18%, but at \$115 bn, was still more than double the average annual volume of the previous 10-years (\$45 bn). \$24 bn of "corporate CUSIP" bonds were issued in 2021, a drop of 41% from the \$40 bn issued in 2020.

Green Bond issuance continued to grow in 2021. \$25 bn of new issue bonds were designated Green last year, a 25% increase from 2020 when Green bond volume totaled \$20 bn. Issuers sold \$12 bn of Green bonds in 2019.

19% of the 2021 Green bond volume was taxable.

Insured bonds made up 8% of last year's long-term issuance—the largest share of the new issue market since 2009 when 9% of new issue bonds were insured. In 2020, 7% of new issues were insured.

Assured Guaranty wrapped 59% of the 2021 insured volume (up from 57% in 2020) while Build America Mutual had 41% of the market (down from 43% in 2020).

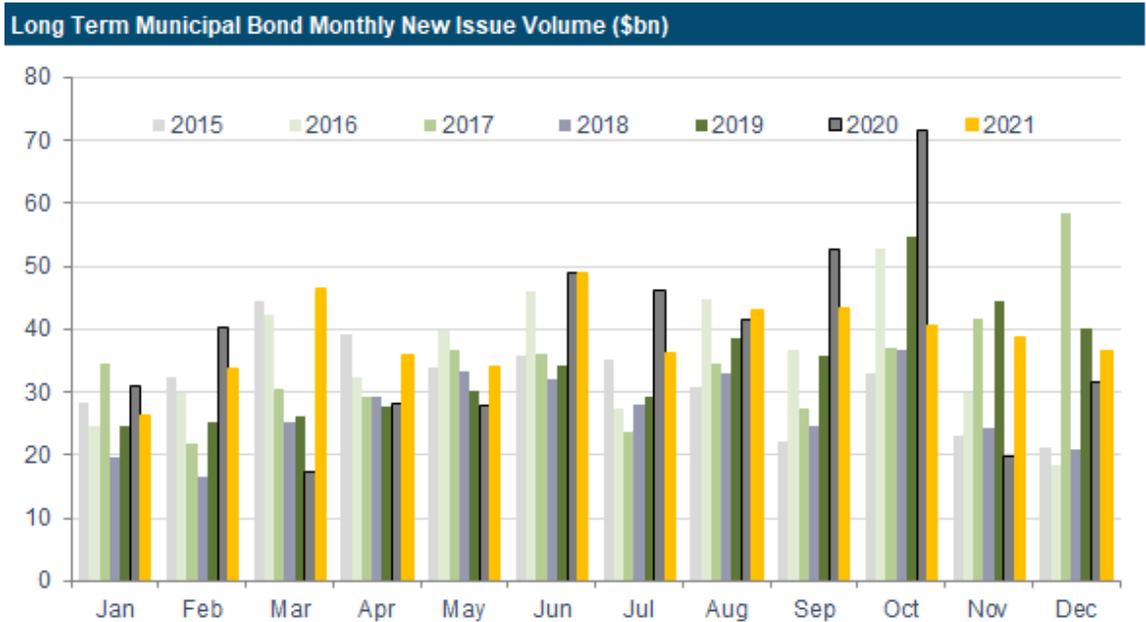
67% of the insured 2021 volume was for bonds in six sectors: School Districts (23%), General Obligations (13%), Water & Sewer (11%), Appropriated (7%), Municipal Utility Districts (7%) and Higher Education (6%). 43% of insured volume was for new money bonds and 32% was taxable.

For reference, insured bonds make up 4.8% of the market capitalization of the ICE BofAML Municipal Bond Index (U0A0).

Forward-settlement bond issuance totaled \$16 bn in 2021, more than double the amount issued in 2020 (\$6.7 bn). Unsurprisingly, 90% of the 2021 issuance was for refunding bonds, with an additional 5% of volume for refunding and new money combined issues. Only \$896 mn of forward bond issuance was for taxable bonds.

| Long Term Municipal Bond New Issue Volume (\$ billions) | | | | | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | YoY Δ |
| Jan | 13.3 | 18.2 | 26.8 | 18.4 | 28.3 | 24.7 | 34.4 | 19.8 | 24.6 | 31.1 | 26.3 | -15% |
| Feb | 16.2 | 29.6 | 24.0 | 14.6 | 32.2 | 30.0 | 22.0 | 16.5 | 25.3 | 40.3 | 33.8 | -16% |
| Mar | 17.5 | 31.7 | 29.8 | 27.2 | 44.5 | 42.3 | 30.7 | 25.2 | 26.2 | 17.2 | 46.4 | 170% |
| Apr | 16.7 | 33.3 | 36.6 | 25.5 | 39.4 | 32.4 | 29.2 | 29.2 | 27.7 | 28.2 | 35.8 | 27% |
| May | 19.1 | 37.0 | 28.4 | 23.4 | 34.0 | 39.7 | 36.6 | 33.3 | 30.1 | 27.8 | 34.0 | 22% |
| Jun | 29.5 | 41.0 | 26.1 | 33.8 | 35.9 | 46.1 | 36.1 | 32.2 | 34.3 | 48.9 | 48.9 | 0% |
| July | 22.6 | 26.7 | 28.5 | 25.4 | 35.2 | 27.5 | 23.8 | 27.9 | 29.2 | 46.3 | 36.3 | -21% |
| Aug | 21.5 | 33.0 | 20.6 | 23.6 | 30.8 | 44.8 | 34.6 | 33.1 | 38.5 | 41.4 | 43.0 | 4% |
| Sep | 27.1 | 24.9 | 18.2 | 23.4 | 22.2 | 36.8 | 27.3 | 24.7 | 35.7 | 52.7 | 43.3 | -18% |
| Oct | 35.7 | 35.1 | 25.4 | 35.1 | 32.9 | 52.8 | 37.1 | 36.7 | 54.8 | 71.5 | 40.6 | -43% |
| Nov | 36.1 | 32.4 | 22.5 | 28.7 | 23.2 | 29.9 | 41.7 | 24.2 | 44.5 | 19.8 | 38.8 | 97% |
| Dec | 25.8 | 27.1 | 24.2 | 35.2 | 21.1 | 18.4 | 58.5 | 20.9 | 40.0 | 31.6 | 36.6 | 16% |
| YTD | 281.0 | 370.2 | 311.1 | 314.3 | 379.7 | 425.2 | 411.9 | 323.6 | 411.1 | 456.8 | 463.9 | 2% |
| Full Year | 281.0 | 370.2 | 311.1 | 314.3 | 379.7 | 425.2 | 411.9 | 323.6 | 411.1 | 456.8 | | |

Based on actual volume through December, 2021. Sources: CreditSights, Bloomberg. Revised 1/1/22



Based on actual volume through December 2021. Sources: CreditSights, Bloomberg. Revised 1/1/22

| Long Term New Issuance by Financing Type | | | | | | | | |
|--|----------|------------------|-----|------------------|-----|-----------------|-----|--------|
| Year | Total | Solely New Money | | Solely Refunding | | Ref & New Money | | N.A. |
| 2011 | \$ 281.0 | \$ 128.0 | 46% | \$ 103.4 | 37% | \$ 48.4 | 17% | \$ 1.2 |
| 2012 | \$ 370.2 | \$ 126.5 | 34% | \$ 172.5 | 47% | \$ 68.3 | 18% | \$ 2.9 |
| 2013 | \$ 311.1 | \$ 140.4 | 45% | \$ 113.2 | 36% | \$ 56.1 | 18% | \$ 1.5 |
| 2014 | \$ 314.3 | \$ 123.2 | 39% | \$ 131.0 | 42% | \$ 59.7 | 19% | \$ 0.5 |
| 2015 | \$ 379.7 | \$ 135.5 | 36% | \$ 166.6 | 44% | \$ 74.8 | 20% | \$ 2.8 |
| 2016 | \$ 425.2 | \$ 148.5 | 35% | \$ 196.9 | 46% | \$ 78.3 | 18% | \$ 1.5 |
| 2017 | \$ 411.9 | \$ 172.1 | 42% | \$ 157.9 | 38% | \$ 80.0 | 19% | \$ 1.8 |
| 2018 | \$ 323.6 | \$ 198.0 | 61% | \$ 67.6 | 21% | \$ 57.0 | 18% | \$ 1.0 |
| 2019 | \$ 411.1 | \$ 204.5 | 50% | \$ 116.8 | 28% | \$ 88.4 | 22% | \$ 1.4 |
| 2020 | \$ 456.8 | \$ 199.8 | 44% | \$ 166.1 | 36% | \$ 90.3 | 20% | \$ 0.5 |
| 2021 | \$ 463.9 | \$ 223.5 | 48% | \$ 134.4 | 29% | \$ 104.3 | 22% | \$ 1.7 |

Dollar amounts in billions. As of 12/31/21. Sources: CreditSights, Bloomberg

| Long Term New Issuance by Federal Tax Treatment | | | | | | | | | | |
|---|----------|------------|-----|----------|-----|---------|----|---------|-----------|---------|
| Year | Total | Tax Exempt | | Taxable | | BQ | | AMT | PAB Corps | |
| 2010 | \$ 424.6 | \$ 226.3 | 53% | \$ 154.0 | 36% | \$ 37.8 | 9% | \$ 6.6 | 2% | \$ 1.2 |
| 2011 | \$ 281.0 | \$ 224.4 | 80% | \$ 29.3 | 10% | \$ 18.7 | 7% | \$ 8.6 | 3% | \$ 3.2 |
| 2012 | \$ 370.2 | \$ 299.3 | 81% | \$ 32.9 | 9% | \$ 25.0 | 7% | \$ 12.9 | 3% | \$ 8.1 |
| 2013 | \$ 311.1 | \$ 244.9 | 79% | \$ 36.2 | 12% | \$ 19.9 | 6% | \$ 10.1 | 3% | \$ 8.3 |
| 2014 | \$ 314.3 | \$ 260.8 | 83% | \$ 24.3 | 8% | \$ 19.7 | 6% | \$ 9.5 | 3% | \$ 5.5 |
| 2015 | \$ 379.7 | \$ 317.0 | 83% | \$ 28.8 | 8% | \$ 22.4 | 6% | \$ 11.6 | 3% | \$ 10.3 |
| 2016 | \$ 425.2 | \$ 360.9 | 85% | \$ 29.8 | 7% | \$ 22.4 | 5% | \$ 12.1 | 3% | \$ 11.0 |
| 2017 | \$ 411.9 | \$ 344.0 | 84% | \$ 34.2 | 8% | \$ 17.4 | 4% | \$ 15.8 | 4% | \$ 11.7 |
| 2018 | \$ 323.6 | \$ 268.4 | 83% | \$ 25.9 | 8% | \$ 11.9 | 4% | \$ 17.4 | 5% | \$ 14.0 |
| 2019 | \$ 411.1 | \$ 304.7 | 74% | \$ 68.9 | 17% | \$ 15.2 | 4% | \$ 22.3 | 5% | \$ 16.1 |
| 2020 | \$ 456.8 | \$ 288.8 | 63% | \$ 140.8 | 31% | \$ 17.1 | 4% | \$ 10.0 | 2% | \$ 40.4 |
| 2021 | \$ 463.9 | \$ 317.4 | 68% | \$ 115.2 | 25% | \$ 15.8 | 3% | \$ 15.4 | 3% | \$ 23.8 |

Dollar amounts in billions. PAB Corps shows the amount of corporate bonds issued by not-for-profit organizations. As of 12/31/21. Sources: CreditSights, Bloomberg

For the 10-years from 2011 through 2020, taxable bond issuance has averaged 12% of total volume.

Issuance of "corporate CUSIP" bonds by not-for-profit issuers dropped to \$24 bn in 2021, after peaking at \$40 bn in 2020 and averaging \$13 bn over the previous 10-years. Only 30% of "corporate CUSIP" bonds were issued to refinance older debt, a sharp change from 2020 when 53% of volume was for refinancing. Issuance of new money "corporate CUSIP" bonds totaled \$17 bn in 2021, a 12% drop from 2020 (\$19 bn).

| Monthly Long Term New Municipal Bond Issuance by Federal Tax Treatment | | | | | | | |
|--|----------------|----------------|----------------|----------------|---------------|----------------------|--|
| Month | Total | Tax-Exempt | Taxable | Bank Qualified | AMT | Taxable as Corporate | |
| 2016 Avg | \$ 35.4 | \$ 30.1 | \$ 2.5 | \$ 1.9 | \$ 1.0 | \$ 0.9 | |
| 2017 Avg | \$ 34.3 | \$ 28.7 | \$ 2.9 | \$ 1.5 | \$ 1.3 | \$ 1.0 | |
| 2018 Avg | \$ 27.0 | \$ 22.4 | \$ 2.2 | \$ 1.0 | \$ 1.5 | \$ 1.2 | |
| 2019 Avg | \$ 34.3 | \$ 25.4 | \$ 5.7 | \$ 1.3 | \$ 1.9 | \$ 1.3 | |
| 2020 Avg | \$ 38.1 | \$ 24.1 | \$ 11.7 | \$ 1.4 | \$ 0.8 | \$ 3.4 | |
| YTD Avg | \$ 38.7 | \$ 26.5 | \$ 9.6 | \$ 1.3 | \$ 1.3 | \$ 2.0 | |
| Dec 2020 | \$ 31.6 | \$ 21.7 | \$ 8.6 | \$ 1.1 | \$ 0.2 | \$ 0.4 | |
| Jan 2021 | \$ 26.3 | \$ 16.9 | \$ 7.1 | \$ 1.1 | \$ 1.2 | \$ 2.8 | |
| Feb 2021 | \$ 33.8 | \$ 20.9 | \$ 11.6 | \$ 1.0 | \$ 0.6 | \$ 0.8 | |
| Mar 2021 | \$ 46.4 | \$ 35.3 | \$ 8.5 | \$ 1.2 | \$ 2.2 | \$ 1.4 | |
| Apr 2021 | \$ 35.8 | \$ 25.8 | \$ 8.0 | \$ 1.7 | \$ 2.1 | \$ 3.3 | |
| May 2021 | \$ 34.0 | \$ 24.4 | \$ 7.0 | \$ 1.4 | \$ 2.5 | \$ 0.4 | |
| Jun 2021 | \$ 48.9 | \$ 32.8 | \$ 11.5 | \$ 1.1 | \$ 2.3 | \$ 3.3 | |
| Jul 2021 | \$ 36.3 | \$ 24.2 | \$ 9.6 | \$ 1.3 | \$ 2.8 | \$ 1.6 | |
| Aug 2021 | \$ 43.0 | \$ 31.1 | \$ 8.4 | \$ 1.2 | \$ 2.3 | \$ 1.0 | |
| Sep 2021 | \$ 43.3 | \$ 29.7 | \$ 11.3 | \$ 1.9 | \$ 1.4 | \$ 2.2 | |
| Oct 2021 | \$ 40.6 | \$ 26.5 | \$ 12.1 | \$ 1.5 | \$ 1.9 | \$ 2.8 | |
| Nov 2021 | \$ 38.8 | \$ 27.4 | \$ 8.7 | \$ 1.1 | \$ 1.7 | \$ 1.6 | |
| Dec 2021 | \$ 36.6 | \$ 22.6 | \$ 11.4 | \$ 1.2 | \$ 0.5 | \$ 2.4 | |

Amounts borrowed in the corporate bond market are excluded from the municipal market totals. Dollar amounts in billions. As of 12/31/21. Sources: CreditSights, Bloomberg

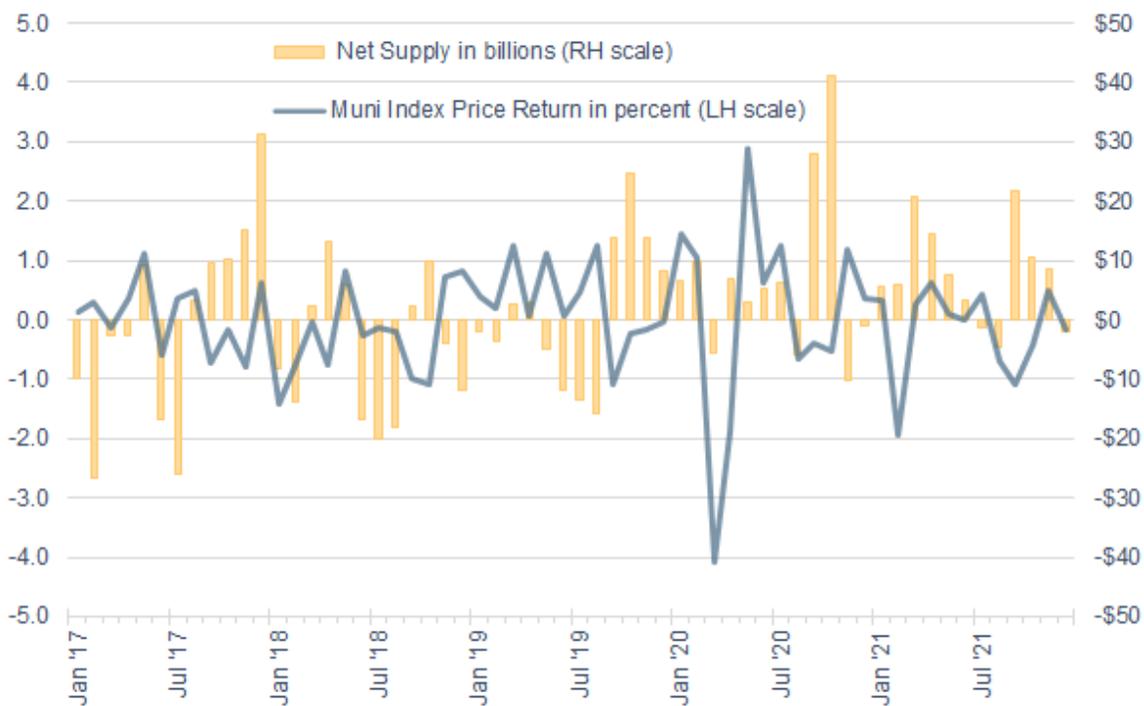
KEY SECTORS

Airport bond issuance totaled \$14 bn, up 37% from the \$10 bn issued in 2020. Issuance of tax-exempt airport revenue bonds dropped by 40% (to \$2.9 bn in 2021 from \$4.8 bn in 2020), while AMT bond volume rose from \$1.8 bn in 2020 to \$8.3 bn in 2021. Taxable bond volume dropped by 24% to \$2.6 bn, from \$3.5 bn in 2020.

Higher Education bond volume dropped by 13%, from \$41.1 bn in 2020 to \$35.9 bn in 2021, but tax-exempt bond issuance actually increased by 9%, from \$17.2 bn in 2020 to \$18.7 bn in 2021. Taxable bond volume dropped from \$23.1 bn in 2020 to \$16.4 bn in 2021.

Hospital bond volume dropped by 18% (from \$24.7 bn to \$20.3 bn).

Monthly Net Supply & Price Returns



Actual net supply through December 2021. Updated January 1, 2022. Source: CreditSights, ICE BofA Indices, Bloomberg. Net supply is the long-term supply minus the total principal amount of bonds redeemed in the month.

Net supply (new issue volume minus redemptions) in December was -\$1.9 bn. For the year, net supply totaled \$90.6 bn.

ADDITIONAL READING

[Preview of January 2022 Muni Redemptions](#)

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