SDI OMFIF Sovereign Debt Institute

PUBLIC SECTOR DEBT OUTLOOK 2023

THE SEARCH FOR DEMAND AND LIQUIDITY

J.P.Morgan

Moody's INVESTORS SERVICE

SOCIETE GENERALE

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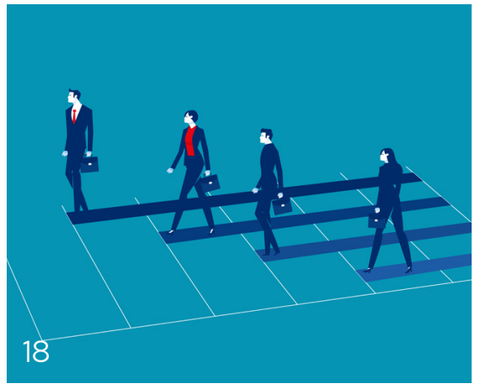

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EXECUTIVE SUMMARY

THE SEARCH FOR DEMAND AND LIQUIDITY

The relationship between sovereigns and their primary dealers is in the spotlight as borrowers grapple with a challenging market environment. By Clive Horwood

60%
of borrowers say reduced demand from investors is one of their top concerns

38%
believe the average coverage of their syndications in 2023 will be less than two times

64%
of SSA borrowers plan to increase their investor relations efforts

45%
of sovereigns are exploring ways to give more incentives to their primary dealers

60%
of issuers think new issue premiums will be higher in 2023

19%
of public sector borrowers will do more than 20% of their annual funding programme in GSS format

PUBLIC sector borrowers face a raft of challenges in funding their programmes through difficult and volatile markets in 2023, a survey from OMFIF's Sovereign Debt Institute reveals. Concerns include the level of demand from investors, the size of new issuance premiums, the lack of liquidity and the ability of sovereign issuers to incentivise their primary dealer groups.

Aside from the usual rush to issuance at the very start of the year, and a typically busy January in the sovereign, supranational and agency primary markets, the survey results paint a clear picture of borrowers nervous about their ability to access the market. Typically, public sector issuers look to frontload their funding in the first half of the year, with as much as 70% of their borrowing completed by the end of the second quarter. This allows the issuers to strategically pick optimal funding windows in the latter part of the year.

But the SDI survey results show that two-thirds of borrowers expect to have funded up to 50% or less of their annual requirement in the first six months of 2023. A substantial part of this group comes from emerging markets or issuers with smaller annual funding requirements. But it hints that some expect market conditions will be extremely tough early in the year, due to a lack of clarity from central banks, with the hope that, as interest rate increases level off as inflation subsides in the second half of the year, issuance windows will become more frequent and benign. But this might leave issuers hostage to the fortunes of the market if conditions fail to improve. More than half of respondents said the lack of clear issuance windows was one of their top three concerns for the year ahead.

Around 60% of borrowers cite reduced demand from investors as one of their top two concerns for 2023, despite rising rates boosting returns for buyers. Coverage ratios for syndications are likely to fall, as the distortion of quantitative easing in some markets is withdrawn. Some 38% of borrowers expect syndications to only be one or two times covered, and 50% expect coverage of two or three times, suggesting that the era of inflated orderbooks may be well and truly over.

> **THE OPENING UP OF GLOBAL TRAVEL POST-COVID-19 IS LIKELY TO SEE MORE BORROWERS GET ON THE ROAD FOR INVESTOR MEETINGS, BOTH DEAL AND NON-DEAL**

It is therefore no surprise that two-thirds of respondents say they will increase their investor relation efforts in 2023. The opening up of global travel post-Covid-19 is likely to see more borrowers get on the road for investor meetings, both deal and non-deal. Close to 40% of borrowers are planning to access new investors, and three-quarters want to deepen their relationships with existing investors. Just under half of respondents said that the return of traditional investors as rates rise has been the most significant change in the investor community over the past 12 months, while more than a quarter have seen a reduction in hedge fund participation in primary markets.

Tougher primary market conditions are also reflected in borrowers' expectations of the cost of issuance. Around 60% of public sector borrowers say new issue premiums will be higher – most of them marginally so, but some substantially. Only 6% think premiums will be lower.

Liquidity – or the lack of it – is a major discussion topic between borrowers and their investors. Two-fifths of respondents to the survey rate liquidity as one of their top two concerns. In the sovereign debt space, a lot of this discussion is coalescing around the role of primary dealers and their willingness and ability to provide liquidity via auctions and in the secondary market. One-third of borrowers say they have had discussions in which primary dealers have expressed concerns about their obligations.

In response, around 45% of issuers say they are looking at ways to provide primary dealers with new incentives, while 18% said they are considering how to ease obligations among their core bank intermediaries. Some 15% of sovereign issuers say they expect to increase their number of primary dealers in 2023, raising the importance of ensuring that banks have the right economic incentives to be active participants.

Public sector issuers are expected to continue to take the lead in the development of sustainable bond markets. Around one-fifth of respondents said they would issue more than 20% of this year's borrowing programme in a sustainable format. The largest sector will remain green bonds – expected from close to 50% of borrowers – but other forms of sustainable bonds (27%) and social bonds (21%) will also be prevalent. The sovereign sustainability-linked bond market is also expected to further develop, with 10% of borrowers looking to issue in this format in 2023, all from the emerging markets. A number of respondents commented that building new relationships with environmental, social and governance investors will be a core part of their investor relation programme over the next year.

The survey was completed by 33 sovereign, supranational and agency borrowers (two-thirds from developed markets, with the remainder from emerging markets) in December 2022 and January 2023.

These survey results form the backbone of this report on the outlook for public sector debt issuance in 2023. On the following pages, we assess the liquidity challenges for SSA borrowers and what they are doing in response, with comment from borrowers and banks. We analyse the current state of primary dealerships and what the future of this model will look like. We review the SSA ESG market in 2022 and how this can be recharged in 2023, with the introduction of new products such as SLBs and more debut ESG issuers, as well as a look at how ESG frameworks can better evolve, with comment from borrowers, banks and investors. ■

SPONSOR'S COMMENT

Moody's INVESTORS SERVICE

ENERGY CRISIS AND GEOPOLITICS UNDERPIN NEGATIVE CREDIT OUTLOOK FOR EURO AREA SOVEREIGNS IN 2023

Green transition presents some upsides for economic growth. By Heiko Peters, vice president and senior analyst, Moody's Investors Service.

THE outlook for sovereigns in the euro area in 2023 is negative, reflecting our expectations for credit fundamentals over the next 12 months. Sector outlooks are distinct from rating outlooks, which, in addition to sector dynamics, also reflect issuers' specific characteristics and actions. A sector outlook does not represent a sum of upgrades, downgrades or ratings under review, or an average of rating outlooks. While the green transition presents some upsides for economic growth, other factors – mainly negative – are likely to shape the credit conditions of the region's sovereigns in the near term.

We expect the region's sovereigns will avoid energy rationing over the winter, thanks to efforts to fill storage, source natural gas supplies from countries other than Russia and manage demand, as well as mild temperatures. However, supply conditions will remain strained because existing infrastructure is geared around sourcing gas from Russia. Resulting high energy prices and ongoing uncertainty will, despite government support, weaken consumer spending and business investment materially and thereby domestic demand.

At the same time, weak demand from major trading partners and high energy prices will weigh on exports despite an easing in global supply chain disruption. Similarly, the recovery in tourism has probably peaked, with higher travel costs and a fall in purchasing power in key source countries containing further upsides in what was a very strong rebound in tourist arrivals in 2022. There is also a significant risk of stagflation taking hold because of the challenges the European Central Bank faces in controlling inflation. Higher-for-longer energy prices mean any subsequent recovery in 2024 will be shallow.

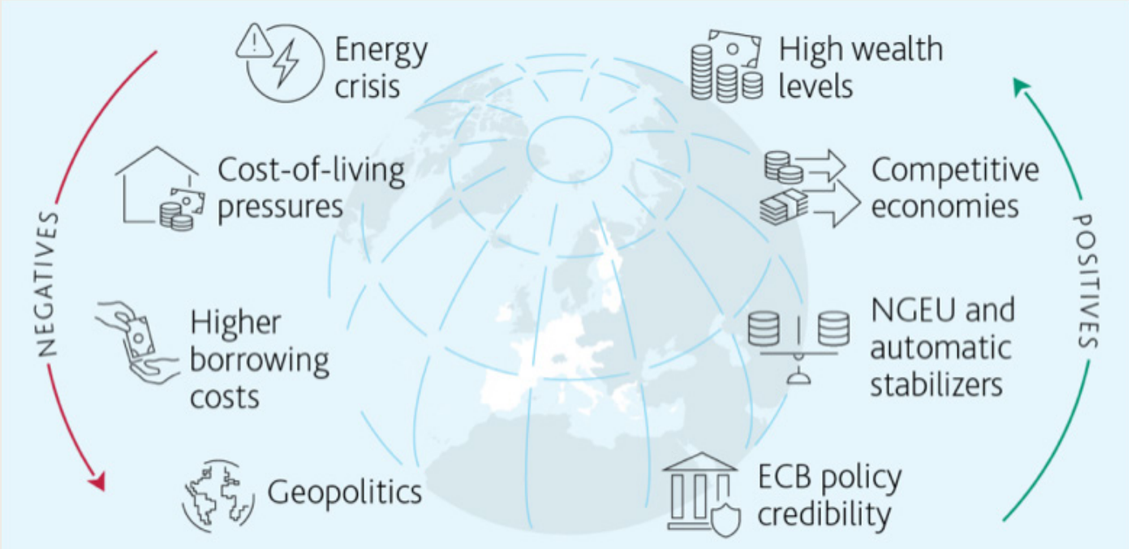
Discretionary public support programmes and the kicking-in of automatic stabilisers will contain the social effects of the energy crisis. At the same time, they will – together with a gradual rise in interest spending – widen the average euro area fiscal deficit to 4.1% of gross domestic product from 3.9% in 2022. A negative interest rate-growth differential will contribute to a moderate decline in the region's average debt burden to 93% of GDP in 2023, but this remains well above the pre-pandemic level in 2019 of 84%. In fact, only Greece (Ba3 stable), Ireland (A1 positive), Cyprus (Ba1 positive), Portugal (Baa2 stable) and Croatia (Baa2 stable) will have lower debt burdens than they did in 2019. Debt levels will continue to vary widely within the euro area, from 22.6% of GDP in Estonia (A1 stable) to 162.9% in Greece.

Alongside this, rising interest rates will continue to weaken debt-affordability metrics such as the interest payments-to-revenue ratio to 3.9% in 2023 and 4.2% in 2024, which will be its highest reading since 2017 and well above lows recorded at 3.1% in 2021. Yields on benchmark 10-year German government bonds have risen to 2.5% at end of 2022 from -0.2% at end of 2021, against the backdrop of ECB monetary tightening. Although ECB action will limit the risk of a sudden widening of spreads within the euro area, Italy's (Baa3 negative) and Spain's (Baa1 stable) debt-affordability metrics appear materially vulnerable to rising rates given large increases in their already high public debt since the pandemic and relatively high levels of floating-rate debt. In addition, both countries feature relatively high shares of debt maturing over the coming year: short-term debt and long-term debt with outstanding maturity of less than a year amounts to 20.8% of GDP in Italy and 17% in Spain as of November 2022. That said, the relatively long average maturity of government debt securities (7.1 years in Italy and 7.7 years in Spain) will still limit the pass through to debt-affordability metrics over the coming years.

The euro area also faces a number of long-term challenges. Higher-for-longer energy prices threaten the competitiveness of sovereigns with large, economically important but energy-hungry chemical, automotive and other manufacturing sectors, particularly Slovakia (A2 negative) and Italy. A combination of political instability, energy insecurity, a marked loss of trade competitiveness and the crystallisation of contingent liabilities could also lead to an abrupt rise in the euro area's risk premia. At the same time, unfavourable demographic trends will weigh on potential growth and fiscal sustainability without effective policy action. The fall in the euro area's working age population (aged 20-65) is forecast to accelerate to 0.5% per year in 2030, which, things being equal, will weaken the region's potential growth by roughly 0.5 percentage points. It will also increase pressures on a variety of spending categories like pensions, healthcare and long-term care. Looking at the five largest euro area countries, Germany (Aaa stable), Italy and Spain face materially larger demographic pressures than France (Aa2 stable) and the Netherlands (Aaa stable).

That said, the green transition as well as investments and reforms linked to the European Union recovery funds present upside opportunities for future growth performance. Almost all of the largest beneficiaries of EU recovery funds are broadly on track regarding their targets contained within their national recovery and resilience plans. Investment on climate measures including sustainable mobility, energy efficiency, renewable energy, climate change adaptation, the circular economy and biodiversity are also likely to lower environmental risks and could ease long-term energy security concerns triggered by the Russia-Ukraine conflict. However, long-standing bottlenecks, like labour shortages and material and lengthy bureaucratic procedures, present major implementation risks. Moreover, meeting future reform milestones will become increasingly difficult for some from 2023 onward, especially amid difficult socioeconomic conditions. There are also concerns over whether money will be spent efficiently and cost overruns given most projects were generally planned and costed by governments a few years ago.

> WEAK DEMAND FROM MAJOR TRADING PARTNERS AND HIGH ENERGY PRICES WILL WEIGH ON EXPORTS DESPITE AN EASING IN GLOBAL SUPPLY CHAIN DISRUPTION



1: INTERPLAY OF SEVERAL DRIVERS UNDERPINS MOODY'S NEGATIVE OUTLOOK FOR EURO AREA SOVEREIGNS

Factors driving the euro area sovereign outlook

Source: Moody's Investors Service

0.5%

Fall in the euro area working age population per year by 2030

CHAPTER 1: LIQUIDITY

DMOs EYE MORE INCENTIVES FOR PRIMARY DEALERS TO BOOST LIQUIDITY

Tough markets are forcing public sector issuers to look at all parts of their funding strategy. Investor relations are to the fore, but the bank/borrower relationship is also being reapparaised. By Burhan Khadbai

LAST year marked an extremely volatile period for government bond markets, with the consequences of the Covid-19 pandemic still playing out but new issues arising, such as the war in Ukraine, high inflation and huge interest rate rises from central banks.

European sovereign borrowers were at the heart of this, with Christian Kopf, head of fixed income at Union Investment, calling 2022 'the most difficult year in the European government bond market since the second world war'.

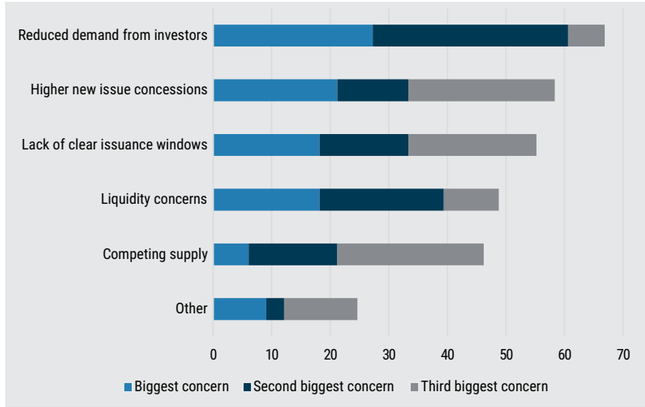
'We are facing a multitude of problems… each of these crises is a challenge in itself, and their simultaneity and interdependence have led to very large losses in the bond markets,' said Kopf. 'The capital markets are not a casino, but a reflection of the economic situation, and it would have been surprising if prices had risen in the face of this polycrisis.'

These tough conditions are unlikely to ease in 2023, according to the results of a survey of more than 30 leading public sector borrowers.

> **THESE TOUGH CONDITIONS ARE UNLIKELY TO EASE IN 2023, ACCORDING TO THE RESULTS OF A SURVEY OF MORE THAN 30 LEADING PUBLIC SECTOR BORROWERS CARRIED OUT BY OMFIF**

1.1. Issuers worried about demand, pricing and liquidity

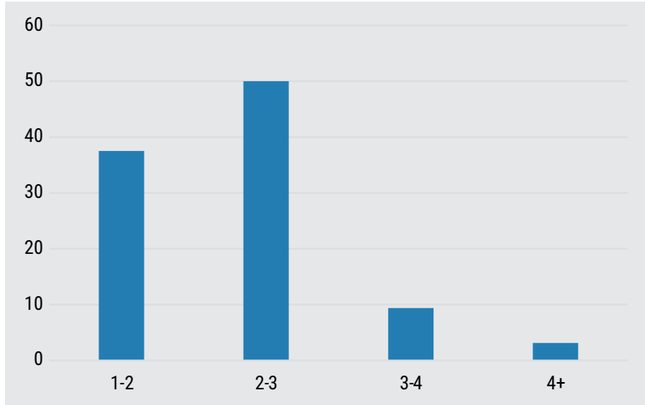
What are your biggest concerns in 2023? Share of respondents, %



Source: OMFIF SDI issuer survey

1.2. Order books likely to shrink

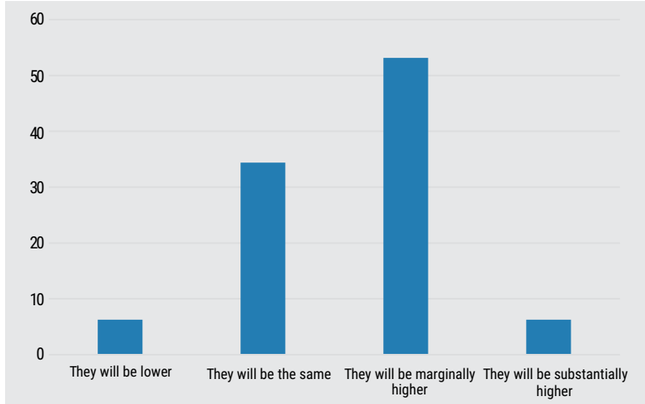
What do you expect average subscription ratios for syndications to be in 2023? Share of respondents, %



Source: OMFIF SDI issuer survey

1.3. Issuers will pay more in the primary markets

How will new issue premiums change in 2023 relative to 2022? Share of respondents, %



Source: OMFIF SDI issuer survey

Reduced demand from investors is the number one concern of public sector borrowers in 2023, according to the survey (Figure 1.1). The size of order books is likely to shrink, with 50% of borrowers expecting the average subscription ratio to stand at two to three times, while 38% expect it to be even lower at one to two times (Figure 1.2). On top of lower demand, issuers are likely to pay more to issue new debt, with almost 60% of borrowers expecting new issue premiums to be higher in 2023 than in the previous year (Figure 1.3).

Volatility in the European government bond market has resulted in wider bid-offer spreads or the difference between the prices quoted and what bonds sell for. Trade volumes of government bonds for certain sovereigns have also been affected while order book sizes have fallen, showing the extent to which overall liquidity has soured.

Speaking at the Team Europe borrowers seminar hosted by OMFIF's Sovereign Debt Institute on 25 October, Tammo Diemer, member of the management board at Deutsche Finanzagentur, the German debt management office, said wider bid-offer spreads and lower trade volumes of German government bonds were 'a reflection of the higher volatility' and a 'natural reaction of market participants to this situation'.

While there is still 'very good demand' for Bunds, Diemer added that ticket sizes were smaller. 'We run much more tickets per day than in the past in order to sort of distribute the same amount of funding.'

These views were shared by other European sovereign DMO heads during the seminar. 'This is a very serious issue that we are facing too and I have to say it's something we look at very carefully because the liquidity on the secondary market for us has always been a crucial driver for a sound funding activity in the primary market,' said Davide Iacovoni, director general of public debt, Ministry of Economy and Finance, Italy.

Iacovoni said volumes of Italian government bonds (BTPs) traded in the third quarter of 2022 were in line with volumes traded in the third quarter of 2020, during the peak of the pandemic.

BTP bid-offer spreads were also in line with levels during the second and third quarter of 2020, said Iacovoni. 'However, the situation is not homogeneous across the curve,' he noted. 'For example, the points of the curve that are covered by future contracts tend to behave better in terms of the bid-ask spread, basically because dealers have these hedging tools that they can use and so these tend to help in this case.'

'There have been discussions on liquidity in European government bonds for a number of years but it feels like last year it became very prominent and I think the reason is clearly with the lack of QE [quantitative easing] there is now greater reliance on the primary dealer community,' said a global head of sovereign, supranational and agency debt capital markets at a top-tier European investment →

bank. 'There have been a number of failed deals by sovereigns which is pretty much unheard of since the credit crisis.'

EASING OBLIGATIONS

While primary dealers are proving their critical importance to sovereign borrowers, the wide bid-offer spreads show that they are struggling to maintain their trading obligations.

'In recent years, primary dealers have complained about the cost of infrastructure and the balance sheet strains and now, with the volatility, there is more focus on this as issuers have woken up to it,' said the global head of SSA DCM. 'In recent years, issuers would say you still over-bid on auctions and are still buying bonds, so what's the problem?'

In response, European sovereign debt management offices are acting.

'What we've done is given some flexibility to primary dealers in their quoting obligations and been a little bit lenient on the thresholds for this. And that seems to have worked well,' said Maric Post, director, treasury and capital markets at Belgium's debt agency, adding that the DMO also applied these changes during the outbreak of the Covid-19 pandemic.

Other European DMOs have also made similar adjustments.

'Some of our primary dealers are facing difficulties in maintaining our quoting obligations but we have been regularly updating our obligations,' said Karen van der Wiel, head of policy and risk management at the Dutch State Treasury Agency. 'We have seen that the market is difficult so we have tried to work with them.'

Primary dealers have strict obligations including providing regular quotes on bonds via electronic interdealer platforms which blend into a combined monthly score, with dealers having to meet a minimum score. What the Belgian and other DMOs have done is adapt that minimum score to ease the pressure on their banks.

The majority of issuers think they have the right number of primary dealers, although around 20% think they have too few. No survey respondents thought they had too many primary dealers. The bigger question is: after many years of banks withdrawing from primary dealerships due to the poor economics involved, can sovereigns maintain their dealer groups? Only a fraction expects their primary dealer list to shrink, but is this a sign of complacency?

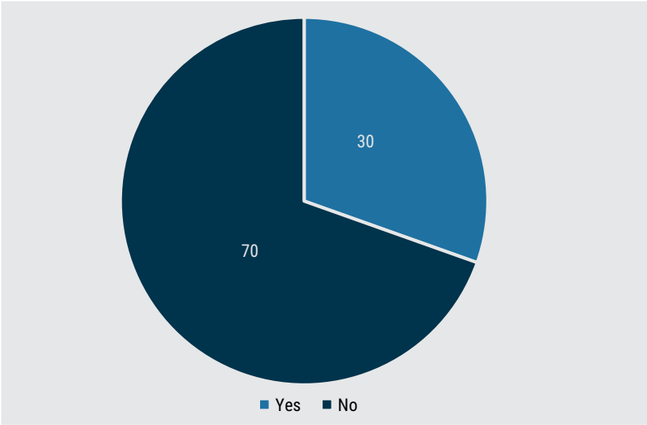
In the survey of public sector borrowers, 30% of sovereign DMOs said they had experienced some of their primary dealers expressing concerns about their obligations (Figure 1.4). One borrower said the concerns were around liquidity provisions becoming 'more difficult and this is costly for primary dealers'.

Another borrower said 'primary dealers owned by international banks don't have much flexibility to increase their portfolio due to the limitations imposed by the parent banks'.

'Clearly last year was special at times and, when markets are volatile, it becomes difficult to fulfil the obligations to issuers and on quoting bid-offer spreads,' said Mark Andryeyev, global head of syndicate and trading at Commerzbank. 'For a long time, sovereigns in Europe didn't care about primary dealerships but the last few years have showed that they need banks and that banks play a critical role in financial markets.'

1.4. Market-makers voice misgivings about issuance economics

Have you experienced primary dealers expressing concerns about their obligations? Share of respondents, %



Source: OMFIF SDI issuer survey

€7bn

To further boost the liquidity of KfW's bonds, the German agency is looking at increasing the outstanding volumes of new euro benchmark bonds to €6bn and increasing the overall size by taps to €7bn

INCREASING INCENTIVES

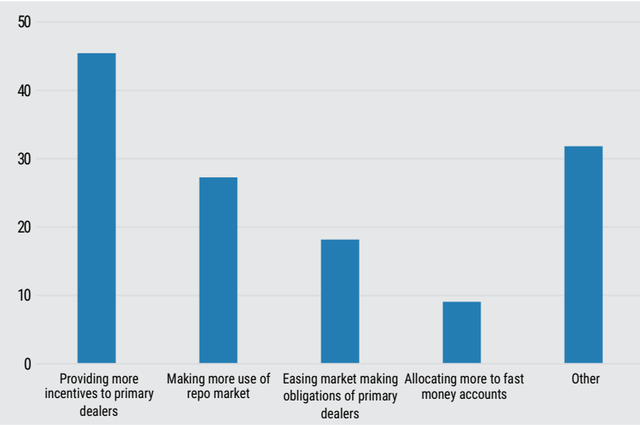
European sovereign borrowers are not just stopping at easing quoting obligations. They are actively looking at other ways to provide more incentives to their primary dealers.

According to a senior SSA DCM banker, European sovereign issuers are 'discussing ways of trying to incentivise primary dealers more than they have for a long time'. This is supported by the survey, where 45% of sovereign DMOs said they were looking to provide more incentives to primary dealers to boost liquidity (Figure 1.5). Meanwhile, 23% of sovereign borrowers were looking to introduce incentives to primary dealers for the first time, with one borrower planning to set up a pilot market-maker programme in 2023 (Figure 1.6).

The Italian DMO has the most distinct incentive scheme of all European sovereign borrowers, with its primary dealers receiving fees proportional to their allotment and bond duration during its bond auctions.

1.5. Primary dealers crucial to building trading volumes

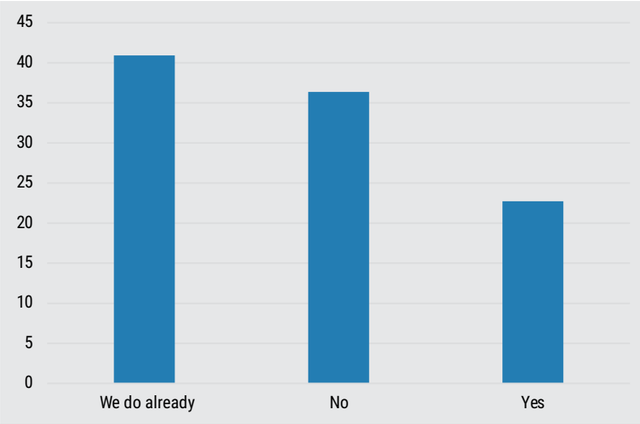
How are you looking to boost liquidity? Share of respondents, %



Source: OMFIF SDI issuer survey

1.6. Issuers eye incentives for primary dealers

Are you considering offering incentives to primary dealers for participation in auctions? Share of respondents, %



Source: OMFIF SDI issuer survey

'We have had fees for auctions for many, many years,' said Iacovoni of the Italian DMO. 'The fees level has changed sometimes. In 2020 we have changed both the level and the way we pay these fees, with fees being paid quarterly instead of at each individual auction as we considered it would have helped in keeping the auction pricing process more transparent and efficient than it used to be before.'

'For 2023 onwards, we have slightly changed our criteria that we follow to pay fees to primary dealers for their participation at auction,' said Iacovoni. 'For those dealers that are particularly non-performing in the secondary market, they will see a reduction of the total yearly fees they receive based on their participation at auction. It is a slight change but we have decided to introduce it to stress the relevance of quoting and trading on the secondary market.'

According to Andryeyev, Italy paying its primary dealers for participating in auctions is a unique situation given the large funding programme they have and the fact that they are prone to more bond volatility than other European sovereigns.

'Other issuers will not want to do this unless there is a huge necessity,' said Andryeyev. 'Are we against it? No. But will we lobby hard for this? No, because different DMOs think differently. The best way is to have a healthy split between auctions and syndications.'

Nevertheless, increasing incentives to primary dealers is something European DMOs are actively looking at. 'It's something we are working on,' said Post. 'We're always trying to create a good mix of incentives for our primary dealers.'

Speaking at the Association for Financial Markets in Europe's annual European government bond conference in Brussels on 16 November, Anthony Linehan, deputy director, funding and debt management at Ireland's National Treasury Management Agency, echoed this view.

'We all look at incentivising our primary dealers,' said Linehan at the Afme event. However, he added: 'I'm not sure, personally, just keeping bid-offer spreads low or posting very, very tight spreads all the time is the right answer. But I think it's very important to incentivise the primary dealers and I think all DMOs are. I also don't think we can ask of them very tight bid-offer spreads where that will cost an awful lot of money.' Linehan is also chair of the Economic and Financial Committee's Sub-Committee on EU Sovereign Debt Markets.

The NTMA, unlike other European DMOs, did not change its quoting obligations in 2022, according to Aisling Synnott, deputy director of funding and debt management at the NTMA.

'Our primary dealers are required to quote bid and offer prices for Irish government bonds on any recognised electronic trading platform, as agreed with the NTMA,' said Synnott. 'They are obliged to quote in a minimum size of €5m nominal per bond. A primary dealer is deemed to be compliant in →

respect of its quoting obligations if it maintains a bid-offer spread acceptable to the NTMA for each Irish government bond for at least five hours per trading day.'

MORE SYNDICATIONS?

Aside from paying fees for auctions like Italy, another way that sovereigns can increase their incentives to primary dealers is by doing more syndications, in which all issuers pay fees to banks to sell their debt. However, more syndications in 2023 are unlikely, according to the survey, with 75% of borrowers saying the volatile market conditions will not encourage them to issue more debt via syndication this year.

Syndications are a helpful tool for sovereigns who have bigger funding programmes and in times of volatility. Germany, for example, brought back the use of syndications during the outbreak of the coronavirus pandemic, while the European Union has relied heavily on syndications after it became a large and frequent borrower.

'The European Union has a pretty simple primary dealer platform where they're not interested in quoting obligations with no unnecessary burdens,' said Andryeyev. 'All they care about is how we trade with investors and the majority of their funding done by syndications. If the system stays like this, it's the perfect one.'

There are some sovereigns that rarely do syndications and, in some cases, sovereigns that do not sell debt this way at all, such as the DSTA.

'We should always consider what we are doing and seeing how we can improve things,' said van der Wiel. 'But concerning syndications, we don't see any reason to change our policy.'

However, the DSTA's Dutch Direct Auctions are somewhat like syndications in that they are a rule-based auction mechanism where they do not make a distinction between dealers and investors in the allocation other than between real and 'other money'. Over the last couple of years, the DSTA has also offered a fee to dealers for participation in DDAs. The DSTA also has a non-competitive option related to its tap auctions, where if dealers take out more than 3% of the total allocation in auction and meet the quotation obligations, they are entitled to an additional 15% of their allocation at the original price.

BIGGER SIZED BOND ISSUANCES

In addition to providing more incentives to primary dealers and easing market-making obligations, there are other ways that issuers can boost the liquidity of their bonds, such as by making more use of the repurchase market (see Figure 1.5), which the Finanzagentur has done, and allocating more to fast money accounts. But another way is by simply increasing the size of bond issuances – and this is not just relevant for sovereign borrowers.

'From the perspective of investors, I hear a lot that liquidity is key and it is more important than it used to be during QE and it will be very key next year,' said Sven Wabbels, head of the public funding team at KfW. 'When I speak to investors, they say that liquidity is correlated with the outstanding volumes of bonds. The bigger the volume, the higher the liquidity. So, investors like KfW's bonds as when we issue a new euro benchmark it has a volume of €3bn-€5bn, which we have in the past tapped to reach a volume of up to €6bn.'

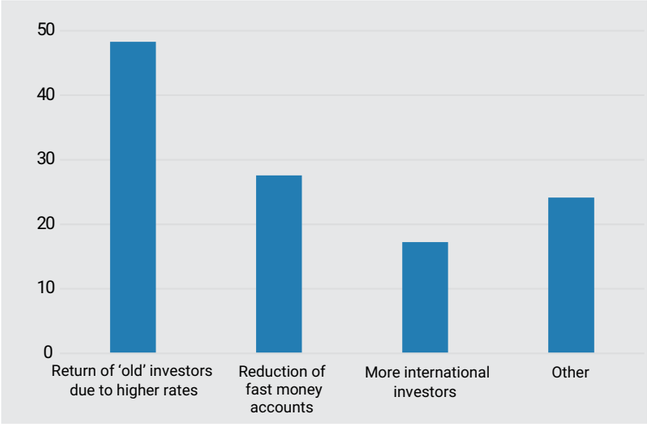
To further boost the liquidity of KfW's bonds, the German agency is looking at increasing the outstanding volumes of new euro benchmark bonds to €6bn and increasing the overall size by taps to €7bn.

'We issue typically large outstanding bonds, €12bn minimum, and that's very important for us,' said van der Wiel. For example, the DSTA chose to reopen its green bond last year to improve the liquidity in that bond by increasing the outstanding volume.

While the discussions between public sector borrowers and their bank counterparts is important, the essential relationship remains between issuers and investors. Most of the OMFIF survey respondents express a renewed commitment to investor relations, with more than 60% saying they will increase their outreach to bond buyers in light of volatile markets and the withdrawal of central bank purchases. While the majority of issuers say their efforts will focus on deepening relationships with existing investors, close to 40% are prioritising finding new investors. And while rising rates have disrupted the market, they have a considerable upside: 48% of public sector borrowers said they are seeing the return of 'old' investors in their transaction due to higher yields in what has been the most prominent change to the investor community over the last year (Figure 1.7). ■

1.7. Traditional investors are back in the bond markets

How has the investor community changed over the past year? Share of respondents, %



Source: OMFIF SDI issuer survey

40%

Nearly half of issuers are prioritising finding new investors rather than deepening existing relationships

75%

Three-quarters of borrowers say volatile market conditions will not encourage them to issue more debt via syndication this year

SPONSOR'S COMMENT

SOCIETE GENERALE

INNOVATION WILL BE KEY FOR AFRICAN SOVEREIGNS IN THE INTERNATIONAL BOND MARKETS IN 2023

Start of the year sees storm clouds clear. By Karim Elzein, head of Middle East, Türkiye and Africa Debt Capital Markets at Societe Generale.

INTERNATIONAL debt capital markets have experienced significant growth and development over the past few years for African borrowers. Until 2022, an increasing number of African sovereigns accessed the international bond markets, raising funding for, among others, infrastructure and economic development.

In 2022, the combination of tightening monetary policy, supply chain issues and geopolitical strains made for the most difficult conditions on record for debt capital markets globally. Issuance volumes dropped across all market sectors, decreasing around 30% year-on-year globally, over 50% in Central and Eastern European, the Middle Eastern and African region and around 80% in Africa as a whole.

The volatility of 2022 drove African sovereigns to consider four main avenues for international funding:

1. **Approaching the international bond markets** (Nigeria, Angola and South Africa)
2. **Accessing alternative sources of capital** as they anticipate bond market improvement
3. **Raising (concessionary) funding from the official sector and multilateral development banks**
4. **Private debt restructuring and/or International Monetary Fund bail-out** (Ghana)

The start of 2023 saw the storm clouds start to clear, driving optimism for the rest of the year. Underlying interest rates and credit spreads dropped considerably from mid-October 2022, suggesting more attractive funding costs for issuers. Outflows from emerging market bond funds also started to reverse and the last weeks of the year saw around $2bn of inflows. This positive tone should continue and make for a more active primary bond market for African sovereign borrowers.

Key themes for African sovereigns in the bond market in 2023 include:

1. **Renewed bond issuance activity**. EM investors are sitting on elevated cash balances and attractive headline interest rates will incentivise investors to deploy said cash balances. EM primary bond issuance in early 2023 has been very successful as demonstrated by Mongolia's $450m five-year bond (priced at 8.95%) which attracted a $3bn orderbook.
2. **Official sector funding**. Given the price-efficiency, sovereigns are expected to increase their tolerance thresholds to non-financial requirements associated with official sector funding to saturate funding via this channel.
3. **Delaying investments or discretionary projects to reduce foreign funding requirements.**
4. **Precautionary credit facilities from the International Monetary Fund, such as for** Egypt, Georgia, Serbia and Armenia.
5. **Private debt restructurings and IMF bailouts** for the very few sovereigns in particularly acute fiscal situations with no access to capital markets or concessionary financing.

We also expect the market to be conducive to innovation in different areas of the capital markets:

1. **Partially/fully guaranteed bonds.** Several multilateral development banks have such schemes available to sovereigns to reduce all-in funding costs. Low funding costs available to African sovereigns over recent years provided little justification to undertake an arduous execution process, although current funding costs may justify this.
2. **Sukuk issuance for sovereigns with an 'Islamic nexus'.** As demonstrated by Türkiye in 2022 (which raised $5.5bn through Sukuk issuance), cash-rich Islamic investors remain hungry for investment opportunities and yield.
3. **Liability management exercises**. While 2023 does not present a significant African sovereign bond maturity cliff, there is a much larger amount due in 2024. LM offers investors the option to roll rather than increase exposures – allowing borrowers to de-risk trades through sizeable lead orders. LM also offers sovereigns the ability to extend maturities at limited incremental cost.
4. **ESG in the capital markets**. Africa is generally well-regarded by the international investor community on ESG. Societe Generale is therefore confident that we will see African sovereigns access the incremental liquidity offered by ESG-linked bonds and the more novel, debt-for-nature swaps.

Societe Generale is one of the most active banks arranging bonds in the debt capital markets. The combination of our global credentials, strong African commitment (with an on-the-ground presence in 17 countries in Africa and 'Grow with Africa' strategy) and track record of innovation has made us a key debt capital market partner for African sovereigns in the past, which will continue in 2023 and beyond.

CHAPTER 2: ESG

SSAs MUST BECOME MORE INNOVATIVE WITH GSS ISSUANCE

Falling public sector issuance volumes in 2022 should be countered with rising ambition to meet investor demands in 2023. By Burhan Khadbai

PUBLIC SECTOR BORROWERS have been at the forefront of the environmental, social and governance bond market, both in terms of innovation and the volume of issuance, which has consistently hit record annual levels over the past several years. For a growing number of issuers, sustainability-themed bonds are becoming a core part of their annual funding programme. In an OMFIF survey of more than 30 leading public sector issuers, one in five said that ESG-related issuance would account for at least 20% of their supply in 2023.

However, this coincided with a significant decline in the global issuance of green, social and sustainable bonds from sovereigns, supranationals and agencies, with only $279bn of supply. This was down 32% from $410bn in the previous year, according to data from Refinitiv.

Myriam Zapata, SSA ESG specialist at BNP Paribas, said there were a couple of reasons for the lower volumes of SSA GSS bonds in 2022.

'Firstly, volumes ballooned in 2020 due to Covid,' said Zapata. 'Any year after Covid is therefore a normal year so volumes would be lower. Secondly, during Covid, the SSA sector – particularly supranationals and agencies – were very focused on Covid-related projects and regular projects were put on hold, including green projects. However, this has not been the case for sovereigns, who don't have this issue as they need to spend on their budget whether there is Covid or not.'

Global ESG SSA issuance rose sharply to $319bn in 2020 from $102bn in 2019 according to Refinitiv data. This was due to Covid-related financing, which included the breakthrough of social bonds into the mainstream and the arrival of the European Union as a super-sized issuer via its Support to Mitigate Unemployment Risks in an Emergency and later the Next Generation EU recovery fund. But the NGEU's arrival has led to lower volumes of green and social bond issuance from European sovereigns.

'The EU is taking a lot of financing away from green and social projects by European sovereigns via the recovery fund so it is a lot harder for some sovereigns – particularly smaller ones – to find additional expenditures that they can finance with ESG bonds,' said Zapata.

Speaking at the global GSS sovereign issuance forum hosted by OMFIF's Sovereign Debt Institute in December, Dimitris Tsakonas, director general of Greece's Public Debt Management Agency, said the arrival of NGEU funds has further reduced Greece's green expenditures. This means the potential to find projects not funded by NGEU and other EU structural funds 'is a little bit limited' as it prepares to enter the green bond market.

As a result, Greece will not be a large or frequent issuer of green bonds, aiming to issue a new green bond every two or three years with a maximum size of €1bn.

However, Felipe Gordillo, ESG senior analyst at Mirova Asset Management, said sovereigns not finding enough eligible green expenditures points to a lack of ambition. 'Governments are lacking ambition when it comes to identifying those assets and those projects that they could eventually support through their own balance sheet, and that's very worrying,' said Gordillo.

European sovereigns also need to show more ambition with the use of proceeds of their ESG bond frameworks. 'You can argue that the majority of the euro sovereigns has printed GSS bonds which is very good news,' said Gordillo. 'However, when you look at the use of proceeds of those transactions, the majority of those use of proceeds is actually allocated into railways.'

'We are not against railways but when you look at the source of greenhouse gases in advanced economies you can argue that the majority of the greenhouse gases is not actually coming from the transport sector,' observed Gordillo. 'You have more challenging sectors in advanced economies like industry, real estate and agriculture. As an investor what you'd like to see is more transactions with more use of proceeds allocated into those areas where it's really challenging to decarbonise.'

Some smaller sovereigns, like Cyprus, are navigating around the issue of reduced green expenditures by opting for broader ESG bond frameworks. 'We've decided to go with a sustainable bond framework to have more flexibility due to the small size of the issuance that we have,' said Stelios Leonidou, senior economist and head of front office at Cyprus's Public Debt Management Office.

That flexibility will allow Cyprus to issue not just green bonds but other forms of ESG-labelled debt for different projects, including those with a social purpose, with a decent size and good liquidity. 'For a small issuer like ourselves the liquidity of the bond is significant, especially in these kinds of conditions,' said Leonidou.

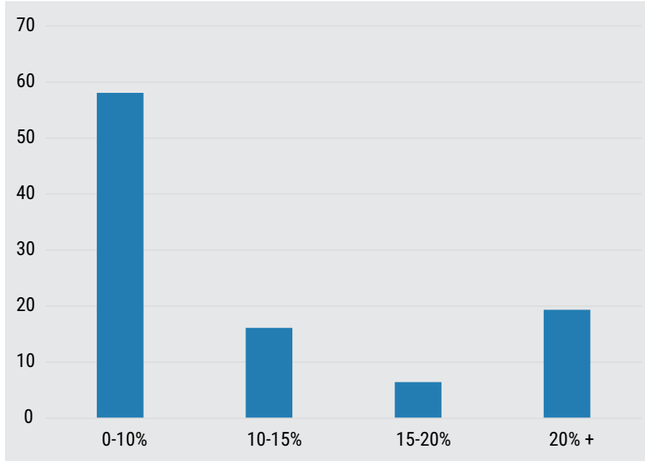
The liquidity of green and other sustainable bonds is something every borrower worries about but 2022 has proved that ESG-labelled bonds are very liquid, particularly in extremely volatile markets.

'Traditionally, green and social bonds have been buy-and-hold products, with largely bids rather than offers for these bonds in the secondary market,' said Zapata. 'But, due to the volatility this year, for the first time, we saw more selling of these bonds, with margin calls and investors reducing inventories, so there has been more liquidity than in the past for green and social bonds.' She also noted that there were both sellers and buyers 'so it was very well balanced.'

With more trading of SSA ESG bonds, the 'greenium', or cost saving for issuing a green over a conventional bond, has been eroded. But for many sovereigns, greeniums are secondary to the objective of issuing green bonds.

2.1. GSS bonds becoming a core part of SSA issuance programmes

How much of your annual funding in 2023 will be sustainability-related? Share of respondents, %



Source: OMFIF SDI issuer survey

SOVEREIGNS EXPERIMENT WITH SLBs

Sustainability-linked bonds are another way sovereigns can navigate through the challenges of not having enough eligible expenditures to issue labelled bonds.

'The SLB is a very good instrument and one of the ways European sovereigns can issue ESG bonds without the need to find additional expenditures, with the EU taking away a lot of this financing, as these are performance-based and not use-of-proceeds-based instruments,' said Zapata.

The SLB is still in its infancy in the public sector bond market, with only two emerging market sovereigns having issued an SLB so far. Both Uruguay and Chile sold these instruments in 2022, with Chile coming first in March and Uruguay following in October.

'I thought both issuances have been very successful and I believe also that this format is very well suited for an emerging market sovereign country where they are able to link their objectives – in the case of Uruguay, their nationally determined contribution objectives – to their funding costs. That would be beneficial for many countries, especially for the ones that are perhaps smaller and can't really get enough projects for a benchmark-sized, use-of-proceeds bond,' said Jana Harvey, senior portfolio manager in the emerging markets team at RBC BlueBay Asset Management.

Uruguay introduced a two-way pricing feature with its SLB in October 2022 – a step-up in the coupon if it fails to meet its key performance indicators but also a step-down if it exceeds its KPIs. While the deal went well, there is still uncertainty of whether a two-way pricing feature for SLBs will catch on, with three-quarters of survey respondents unsure on this being a good idea (Figure 2.2).

Investors seem to be bought on the idea, however. Viktor Szabo, investment director at Abrdn, said he initially had 'some concerns' on the step-down coupon, but those concerns were soon eradicated following Uruguay's transaction.

'With the step-down there was a fear that immediately all investors would have to price to worse, so basically take the lowest possible coupon outcome,' said Szabo. 'But the market received the bond quite well and understood that, yes, if there is alignment of interest then there should be sticks and carrots on both sides and, given the uniqueness of this issuance, there was no problem placing that bond.'

PENALTIES NOT SUFFICIENT TO DRIVE CHANGE

There is debate over whether the penalties on SLBs are sufficient to drive issuers to achieve their ESG-related goals. 'We have seen transactions in the sovereign space with a 25bp coupon step-up for which we have had a $2bn transaction, which means $5m,' said Gordillo. 'This does not constitute a penalty for an issuer for which their annual budget is higher than $60bn a year'.

For Szazbo, the step-up coupons for issuers are more about reputational damage than financial penalty. No sovereign wants to be seen to have not met their climate-related goals.

Just under 10% of borrowers who responded to the survey said they are considering issuing in this format next year, which suggests that SLBs will not take off and become a mainstream ESG product for sovereigns in 2023. No European or developed market sovereign said they were considering an SLB in 2023, implying emerging market sovereigns are the focus for this product – at least for now.

However, some European sovereigns such as the Netherlands have expressed interest in SLBs. 'We have investigated it and continue to investigate it,' said Karen van der Wiel, head of policy and risk management at the Dutch State Treasury Agency. 'It's an interesting product that makes sense from a strategic point of view and we keep an open mind to improving the sustainable finance market. However, so far we have decided against it because of the budgetary risks involved.'

SLBs will also be of interest to supranational and agency borrowers, but for now there are no signs of any of these borrowers entering the market.

KfW, one of the biggest non-sovereign green bond issuers, has no plans to issue SLBs. 'We consider SLBs, which link the interest of a bond to certain ESG performance indicators, as structured products and there are some valuation issues going with it,' said Sven Wabbels, head of the public funding team at KfW. 'We prefer to issue liquid green bonds under our existing framework.'

The other issue for developed market sovereigns in issuing SLBs is that the step-ups used so far with Chile and Uruguay may not be sufficient to entice investors given the tighter spreads on higher rated borrowers.

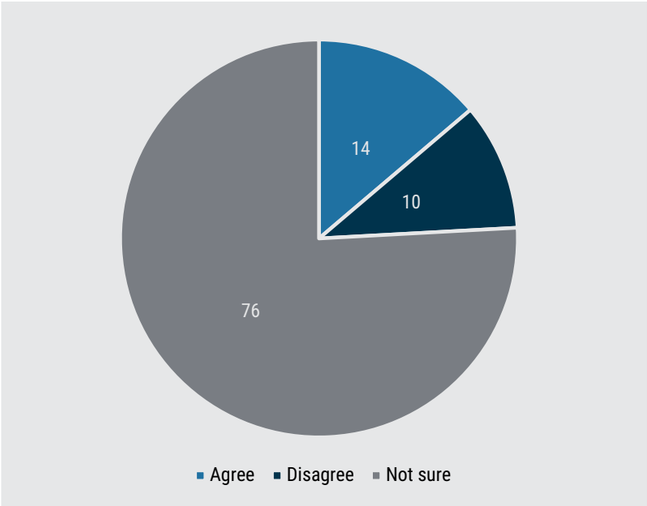
'In the LatAm region, it has proved that a step-up or down coupon structure with SLBs is attractive, but with highly rated European sovereigns the spreads are much smaller so they need to make the step-ups more attractive to investors,' said Zapata. 'This is difficult for high-quality sovereign credits, which are already expensive, and also because sovereigns generally have to look at the impact on taxpayers' money.'

Against this backdrop, there is a clear difference between developed and emerging market public sector issuers as to the type of ESG bonds they will issue in 2023. Around two-thirds of developed market borrowers expect to issue traditional green bonds, compared to a quarter of developing market issuers. Emerging market entities are far more likely to issue sustainable or sustainability-linked bonds (Figure 2.3).

> **IN THE LATAM REGION, IT HAS PROVED THAT A STEP-UP OR DOWN COUPON STRUCTURE WITH SLBS IS ATTRACTIVE, BUT WITH HIGHLY RATED EUROPEAN SOVEREIGNS THE SPREADS ARE MUCH SMALLER SO THEY NEED TO MAKE THE STEP-UPS MORE ATTRACTIVE TO INVESTORS**

2.2. Jury out on sustainability-linked bonds

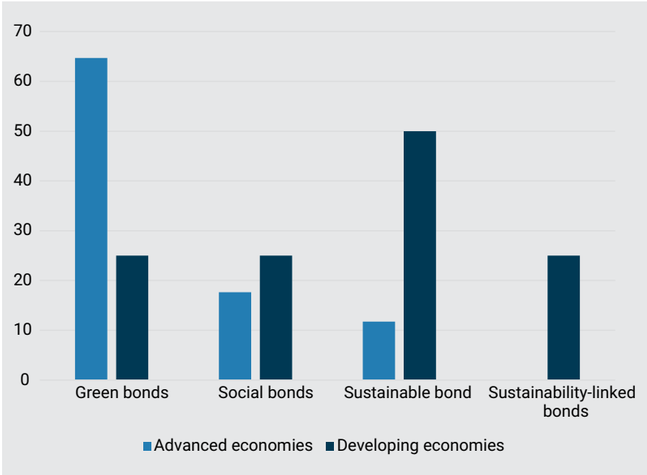
Is two-way pricing of SLBs a good idea? Share of respondents, %



Source: OMFIF SDI issuer survey

2.3. Big differences in issuance plans from developed and emerging markets

What type of ESG products do you expect to issue in 2023? Share of respondents, %



Source: OMFIF SDI issuer survey

DEBT-FOR-NATURE SWAPS GAIN TRACTION

There are other ways sovereigns – particularly those in the emerging markets – can show ambition and innovation with ESG, such as through debt-for-nature swaps. This form of debt restructuring involves sovereigns being lent money to buy back bonds and in turn using some of the proceeds to spend on nature conservation. Belize signed the biggest debt-for-nature swap to date with the sovereign buying back its entire stock of external commercial debt.

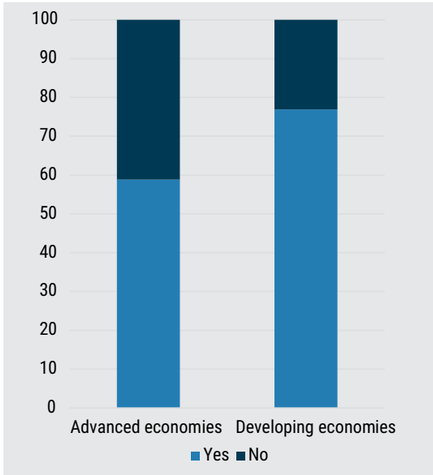
'We believe that many of these innovative arrangements are very important for emerging markets,' said Harvey. 'Many emerging markets have unsustainably high debt levels but they also have a huge amount of potential in environmental endowment that they can and should be protecting and it's only right they get support from other countries and the global community.'

'Debt for nature swaps have been a very innovative way to do so and we think that the Belize transaction has showed that this can be done in a meaningful enough size to actually make a difference,' Harvey continued. The debt to GDP in Belize as a result of the transaction reduced by 12% which is definitely meaningful.'

Other countries such as Cape Verde and Ecuador are in negotiations for similar agreements. 'We do think that the market needs to be creative and there needs to be new innovative solutions introduced for emerging markets to allow them to reduce debt levels and at the same time redirect resources into areas that desperately need investment,' said Harvey.

2.4. Issuers respond to investors on third-party opinions

ESG ratings becoming more embedded in investor relations. Share of respondents, %



Source: OMFIF SDI issuer survey

Emerging markets are expected to be a strong focus for ESG bond issuance in 2023, with a number of new entrants anticipated. In Latin America, debut issuers from the likes of Brazil, Costa Rica and the Dominican Republic are expected. Brazil is likely to launch a sustainability bond framework rather than a classic green framework with the sovereign focusing more on social over green issues. Meanwhile, Guatemala and Colombia are looking to add green and gender bonds to their ESG issuance. Latin America, unlike Europe, is not gravitating towards a single taxonomy, but experts say this will not hinder the growth and development of the region's ESG bond market.

Elsewhere, Romania, Turkey and Israel are working on ESG bond frameworks and more issuance is expected from Africa with Gabon looking to launch its first international green bond. But according to Harvey, this is 'still not enough to fund the size of the projects that are needed to get emerging markets and especially the less developed emerging markets closer to their sustainable development goals'.

The majority of borrowers surveyed expect ESG bonds to make up less than 10% of their total issuance in 2023 (Figure 2.1), but 19% of respondents said such labelled issuance will make up 20% or more of their total funding programmes in 2023, showing that there is growing interest with this type of issuance.

Meanwhile, two-thirds of borrowers said ESG ratings are becoming more embedded in their investor relations. This is particularly the case for emerging market public sector borrowers where the figure is almost 80% (Figure 2.4). ■

CHAPTER 3: DATABANK

GLOBAL SSA RANKINGS 2022

Last year proved to be one of the most challenging years for the public sector bond market, with volumes of issuance falling rapidly year-on-year but banks continuing to show their support for this market with strong competition for mandates. All volume and league table data has been provided by Refinitiv.

Highlights

In 2022, JP Morgan once again showed its dominance in the sovereign, supranational and agency bond market. The US bank ranked first in a number of categories, including global SSA ESG debt, overtaking Crédit Agricole which was ranked top the year before. JP Morgan came behind Credit Agricole in European SSA ESG debt but climbed four places to take second spot.

HSBC made some strong gains, up to third in the global SSA ESG rankings from sixth spot the previous year and up two places to second in the global sovereign debt league table. But HSBC lost some ground in the European rankings, down eight places to 14th for European sovereign debt and down four places to 10th for European SSA debt.

One of the biggest risers in the European rankings was IMI – Intesa Sanpaolo, with the Italian bank climbing eight places to eighth for European sovereign debt. Elsewhere in European sovereign debt, UniCredit rose by five places to sixth while Barclays rose five places to fourth in the global supranational and agency rankings.

Due to extremely volatile market conditions in 2022, volumes of SSA issuance dropped across most categories with the biggest fall seen in European SSA ESG debt, which was down by 37%. This was closely followed by global SSA ESG issuance and European sovereign debt, both of which were down by 32%. Meanwhile, global sovereign debt actually rose slightly, by 8% year-on-year, although the number of issues dropped by 15%.

Key numbers

1 **The position of JP Morgan in global sovereign debt, European sovereign debt, European SSA debt, global supranational and agency debt, European supranational and agency debt and global SSA ESG debt in 2022**

3

The number of places risen by Goldman Sachs in European SSA debt in 2022, up from 11th to eighth spot

5

The number of places risen by Barclays in the global supranational and agency rankings in 2022, up from ninth to fourth spot

25%

Year-on-year decrease in European supranational and agency debt in 2022

8

The number of places risen by IMI – Intesa Sanpaolo in European sovereign debt in 2022, up from 16th to eighth

32%

Year-on-year decrease in global SSA ESG debt in 2022

19%

Year-on-year decrease of global supranational and agency debt in 2022

9 %

Year-on-year decrease of global SSA debt in 2022

SSA bookrunner league tables 2022

Source: Refinitiv
Data correct as of 13/01/2023

Global agency, sovereign and supranational ESG debt

2022					2021			
Book runner	Proceeds ($m)	Rank	Market share	Number of issues	Proceeds ($m)	Rank	Market share	Number of issues
JP Morgan	21,555.52	1	7.71	64	28,510.06	3	6.95	80
Credit Agricole CIB	20,337.09	2	7.28	52	31,025.31	1	7.57	73
HSBC Holdings PLC	18,236.79	3	6.53	49	25,297.14	6	6.17	60
BofA Securities Inc	17,205.71	4	6.16	46	26,580.37	4	6.48	51
Citi	16,455.30	5	5.89	43	21,331.61	7	5.20	48
BNP Paribas SA	15,085.82	6	5.40	38	30,478.97	2	7.43	57
Barclays	14,650.82	7	5.24	33	15,516.79	9	3.78	32
Deutsche Bank	14,525.88	8	5.20	44	25,564.74	5	6.24	47
Societe Generale	11,442.23	9	4.09	20	14,338.26	11	3.50	27
TD Securities Inc	9,873.60	10	3.53	31	14,100.57	13	3.44	39
Industry total	**279,465.49**		**100.00**	**377**	**409,962.11**		**100.00**	**394**

European agency, sovereign and supranational ESG debt

2022					2021			
Bookrunner	Proceeds ($m)	Rank	Market share	Number of issues	Proceeds ($m)	Rank	Market share	Number of issues
Crédit Agricole CIB	18,992.40	1	10.36	40	25,498.64	1	8.73	52
JP Morgan	14,656.17	2	7.99	33	18,009.92	6	6.16	35
BNP Paribas SA	14,003.65	3	7.64	30	24,161.50	2	8.27	39
BofA Securities Inc	13,800.10	4	7.53	28	18,034.16	5	6.17	27
HSBC Holdings PLC	11,516.63	5	6.28	29	19,413.20	4	6.64	40
Barclays	11,261.28	6	6.14	23	13,189.19	9	4.51	21
Societe Generale	10,633.41	7	5.80	18	13,202.11	8	4.52	24
Citi	10,093.57	8	5.50	21	12,476.20	10	4.27	22
Deutsche Bank	9,792.48	9	5.34	25	20,455.14	3	7.00	31
NatWest Markets	7,558.08	10	4.12	19	15,569.18	7	5.33	17
Industry total	**183,360.99**		**100.00**	**143**	**292,239.44**		**100.00**	**190**

European sovereign debt

2022					2021			
Bookrunner	Proceeds ($m)	Rank	Market share	Number of issues	Proceeds ($m)	Rank	Market share	Number of issues
JP Morgan	30,217.64	1	11.70	49	38,112.86	1	10.09	50
BNP Paribas SA	21,109.12	2	8.17	33	31,333.74	2	8.30	47
Deutsche Bank	19,100.98	3	7.39	27	25,749.02	4	6.82	29
Citi	18,589.54	4	7.20	32	29,084.91	3	7.70	29
Barclays	17,080.40	5	6.61	27	25,189.28	5	6.67	34
UniCredit	16,369.22	6	6.34	8	17,828.55	11	4.72	18
BofA Securities Inc	14,259.14	7	5.52	20	19,423.30	8	5.14	17
IMI - Intesa Sanpaolo	14,135.54	8	5.47	4	7,960.12	16	2.11	4
Crédit Agricole CIB	13,047.22	9	5.05	16	19,284.98	9	5.11	26
Goldman Sachs & Co	12,453.43	10	4.82	19	14,823.14	12	3.93	17
Industry total	**258,311.89**		**100.00**	**91**	**377,647.49**		**100.00**	**111**

SSA bookrunner league tables 2022 cont.

Source: Refinitiv
Data correct as of 13/01/2023

European agency, sovereign and supranational debt

2022

Bookrunner	Proceeds ($m)	Rank	Market share	Number of issues
JP Morgan	73,060.93	1	9.90	202
BNP Paribas SA	48,458.49	2	6.57	94
Barclays	47,896.72	3	6.49	113
Deutsche Bank	47,816.08	4	6.48	110
Citi	46,412.67	5	6.29	87
BofA Securities Inc	40,840.08	6	5.54	84
Crédit Agricole CIB	38,414.60	7	5.21	86
Goldman Sachs & Co	36,224.58	8	4.91	59
UniCredit	32,442.90	9	4.40	42
HSBC Holdings PLC	30,613.91	10	4.15	92
Industry total	**737,643.90**		**100.00**	**982**

2021

Proceeds ($m)	Rank	Market share	Number of issues
83,630.37	1	8.03	232
70,166.06	3	6.74	124
61,407.55	4	5.89	129
73,258.32	2	7.03	179
60,800.82	5	5.84	103
51,344.02	8	4.93	81
51,656.35	7	4.96	122
43,663.54	11	4.19	73
44,361.29	10	4.26	78
59,589.96	6	5.72	145
1,041,781.64		**100.00**	**1,354**

Global supranational and agency debt

2022

Bookrunner	Proceeds ($m)	Rank	Market share	Number of issues
JP Morgan	51,337.24	1	5.77	208
Citi	38,888.18	2	4.37	91
BofA Securities Inc	37,619.73	3	4.23	107
Barclays	36,178.73	4	4.07	112
Deutsche Bank	33,615.92	5	3.78	94
TD Securities Inc	31,128.38	6	3.50	121
BNP Paribas SA	29,864.82	7	3.36	76
Crédit Agricole CIB	29,593.06	8	3.33	102
Goldman Sachs & Co	29,592.19	9	3.33	73
Morgan Stanley	27,659.38	10	3.11	97
Industry total	**889,202.44**		**100.00**	**2,024**

2021

Proceeds ($m)	Rank	Market share	Number of issues
55,558.61	1	5.08	232
48,619.67	4	4.45	122
50,468.02	2	4.62	133
41,990.61	9	3.84	117
50,068.59	3	4.58	131
44,182.20	5	4.04	171
43,830.08	6	4.01	99
36,492.66	10	3.34	120
43,736.48	7	4.00	86
35,236.69	11	3.22	84
1,092,705.38		**100.00**	**2,367**

European supranational and agency debt

2022

Bookrunner	Proceeds ($m)	Rank	Market share	Number of issues
JP Morgan	37,703.45	1	8.95	133
Barclays	28,563.06	2	6.78	75
Citi	27,239.79	3	6.46	51
BNP Paribas SA	26,222.39	4	6.22	57
BofA Securities Inc	25,990.98	5	6.17	61
Deutsche Bank	25,055.88	6	5.95	62
Crédit Agricole CIB	24,052.06	7	5.71	58
Goldman Sachs & Co	22,743.23	8	5.40	35
Morgan Stanley	19,874.46	9	4.72	46
HSBC Holdings PLC	18,731.23	10	4.45	58
Industry total	**421,374.56**		**100.00**	**690**

2021

Proceeds ($m)	Rank	Market share	Number of issues
38,402.61	2	6.82	148
32,940.82	4	5.85	76
30,682.42	7	5.45	68
36,598.16	3	6.50	67
31,078.34	6	5.52	62
39,145.02	1	6.96	95
30,138.48	8	5.36	83
27,331.01	9	4.86	46
25,698.56	11	4.57	35
31,255.39	5	5.55	82
562,703.17		**100.00**	**914**

SSA issuance volumes 2022

Source: Refinitiv
Data correct as of 13/01/2023

Global agency, sovereign and supranational ESG debt

Issue date	Proceeds ($m)	Number of issues
2017	60,869.45	120
2018	77,387.34	156
2019	97,676.14	189
2020	318,571.42	337
2021	409,962.11	394
2022	279,465.49	377
yoy % change	-32%	-4%

European agency, sovereign and supranational ESG debt

Issue date	Proceeds ($m)	Number of issues
2017	35,554.99	55
2018	41,171.87	67
2019	49,169.14	83
2020	188,795.15	151
2021	292,239.44	190
2022	183,360.99	143
yoy % change	-37%	-25%

European sovereign debt

Issue date	Proceeds ($m)	Number of issues
2017	222,373.62	74
2018	196,121.32	61
2019	214,318.69	72
2020	446,643.12	182
2021	377,647.49	111
2022	258,311.89	91
yoy % change	-32%	-18%

European agency, sovereign and supranational debt

Issue date	Proceeds ($m)	Number of issues
2017	686,098.20	1,119
2018	628,052.09	1,003
2019	608,860.17	951
2020	1,059,154.33	1,241
2021	1,041,781.64	1,354
2022	737,643.90	982
yoy % change	-29%	-27%

Global supranational and agency debt

Issue date	Proceeds ($m)	Number of issues
2017	674,024.79	1,688
2018	628,388.29	1,551
2019	674,909.69	1,812
2020	1,015,320.36	2,228
2021	1,092,705.38	2,367
2022	889,202.44	2,024
yoy % change	-19%	-14%

European supranational and agency debt

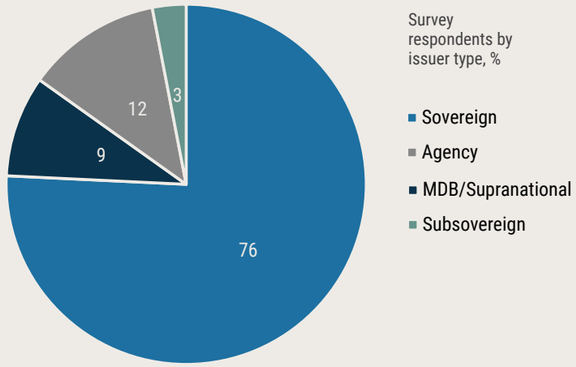
Issue date	Proceeds ($m)	Number of issues
2017	395,043.38	790
2018	369,950.05	741
2019	317,078.19	661
2020	462,739.87	703
2021	562,703.17	914
2022	421,374.56	690
yoy % change	-25%	-25%

METHODOLOGY

Survey data collection was conducted between 6 December 2022 and 6 January 2023, with invitations shared with public sector borrowers globally.

Survey results include findings from 33 respondents, including 25 sovereign, four agency, three multilateral/supranational and one subnational public debt issuing authority. Classifications of issuer type are determined by OMFIF research.

Country classifications for advanced and developing economies are based on classifications from the International Monetary Fund's World Economic Outlook. Based on development stage, 20 respondents raise debt in advanced economies and 13 in developing economies.



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ABOUT OMFIF

With a presence in London, Washington and New York, OMFIF is an independent forum for central banking, economic policy and public investment – a neutral platform for best practice in worldwide public-private sector exchanges.

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PUBLIC SECTOR DEBT OUTLOOK 2023

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