

FUND RAISING IN THE INTERNATIONAL  
CAPITAL MARKETS IN 2021

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## Abstract

This paper analyses the main trends in the private sector's issuance activity in international capital markets during 2021, a year in which, despite positive developments that resulted in volumes above pre-2020 levels, the record 2020 figures were not achieved. Thus, the total issuance volume of debt securities declined due to lower issuance in the non-financial corporate sector, which may have been driven by the large amount of funds raised during 2020, lower funding needs for precautionary reasons in view of the improved health situation and higher funding costs. However, bond issuance by the banking sector and other financial institutions increased; this growth was concentrated in the United States, on expectations of monetary policy tightening in that area and regulatory factors. High-yield bond issuance also increased, benefiting from lower risk aversion. By region, the sharpest declines were in the United States, followed by the United Kingdom and the euro area. Conversely, issuance in the equity markets was strong and surpassed the 2020 figures.

**Keywords:** bond issuance, international capital markets, corporate finance, debt securities, equities.

**JEL classification:** G15, G20, G32.

## Resumen

En este documento se analizan las principales tendencias de la actividad emisora de títulos en los mercados internacionales por parte del sector privado durante 2021, un año en el que, pese a observarse una evolución positiva que superó los volúmenes previos a 2020, no se han alcanzado las cifras récord registradas en ese año. Así, el volumen total emitido de títulos de renta fija se redujo debido al descenso en las emisiones del sector de sociedades no financieras, lo que pudo estar condicionado por la gran cantidad de fondos ya captados durante 2020, por las menores necesidades de financiación por motivos precautorios ante la mejora de la situación sanitaria y por el incremento en los costes de financiación. Sin embargo, las emisiones de bonos del sector bancario y las de otras instituciones financieras registraron aumentos, que se concentraron en Estados Unidos, debido a las expectativas de un posible endurecimiento de la política monetaria en esa área y a factores regulatorios. Las emisiones del segmento de bonos de alto rendimiento también se incrementaron, beneficiadas por la menor aversión al riesgo. Por regiones, el descenso más pronunciado se produjo en Estados Unidos, seguidos del Reino Unido y del área del euro. Por el contrario, las emisiones en los mercados de acciones registraron un fuerte dinamismo y superaron los volúmenes emitidos en 2020.

**Palabras clave:** emisiones, mercados de capitales internacionales, financiación corporativa, renta fija, renta variable.

**Códigos JEL:** G15, G20, G32.

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## 1 Introduction

Financial market developments in 2021 were marked by the global economic recovery (on the back of the improved health situation and progress in the COVID-19 vaccination campaigns); the positive course of business profits; and the expectations of a reduction of the monetary stimulus packages by the main central banks, especially in the United States and the United Kingdom. The favourable tempo on the markets was, however, disrupted by some isolated bouts of increased uncertainty associated with the emergence of new COVID-19 variants and by market concern that US monetary policy might tighten more sharply than expected. Although market developments in 2022 are not covered in this paper, it is also worth noting that uncertainty has risen of late as a result of the Russian invasion of Ukraine. Against this backdrop, and following the record level of issuances in 2020 – linked to funds raised for precautionary reasons amid the uncertainty generated by the health crisis –, the total volume issued by the private sector decreased somewhat year-on-year in 2021, affected by the sharp decline in the non-financial corporations (NFCs) sector.

This paper analyses the main trends in private sector issuance activity on international capital markets in 2021,<sup>1</sup> examining the factors that may have most significantly affected each market segment. The second section analyses the main features of issuance activity on the bond market segments for non-financial private fixed income, the banking sector and emerging markets. The third section reviews activity on the markets for equity, and the fourth analyses that on the markets for securitisations.

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<sup>1</sup> The analysis focuses on gross securities issued at a term of over 18 months, using the Dealogic database as the main source. Shorter-dated financing is more significant from the standpoint of liquidity, whereas the issues included in this paper respond to medium and long-term financing needs. Issues are obtained in accordance with the nationality criterion and include, in the case of non-financial corporations, those by non-resident subsidiaries.



## 2 Bond markets

In 2021 gross private bond issues at the international level were down on the record highs posted in 2020. The year-on-year decline was concentrated in the NFCs sector, where issues had seen strong momentum during the most critical moments of the COVID-19

Table 1

### RECENT DEVELOPMENTS ON PRIVATE DEBT MARKETS. ISSUANCE VOLUMES

\$bn, unless otherwise indicated	2020	2021	Annual change 2021 (%)	2021			
				Q1	Q2	Q3	Q4
Total private sector bonds (a)	4,261	4,083	-4.16	1,249	1,120	937	777
Developed economies	3,763	3,552	-5.63	1,088	958	810	696
Emerging economies (b)	497	532	6.91	161	163	127	81
Total private sector bonds, by country							
Developed	3,763	3,552	-5.63	1,088	958	810	696
United States	1,926	1,662	-13.70	537	448	373	304
Euro area	762	733	-3.82	240	180	147	167
Spain	78	73	-6.10	25	20	17	12
Rest of euro area	684	660	-3.56	215	160	130	154
United Kingdom	241	218	-9.68	69	66	41	42
Japan	243	255	4.92	73	62	71	50
Other developed	590	683	15.69	170	202	177	134
Emerging	497	532	6.91	161	163	127	81
Total private sector bonds, by sector							
Non-financial corporations	2,611	2,123	-18.67	694	573	464	392
Developed	2,291	1,779	-22.35	589	461	391	338
United States	1,333	908	-31.92	327	211	209	161
Euro area	388	333	-14.20	115	88	63	68
Spain	30	31	1.48	11	7	7	6
Rest of euro area	358	302	-15.52	104	80	56	62
United Kingdom	138	93	-32.79	29	33	18	13
Japan	160	149	-6.63	48	33	32	36
Other developed	271	296	9.10	70	97	70	60
Emerging	320	344	7.64	105	112	73	54
Banking sector	1,160	1,359	17.14	394	375	336	255
Developed	983	1,172	19.23	339	324	281	228
United States	297	429	44.30	125	138	83	82
Euro area	322	324	0.49	111	79	69	65
Spain	46	41	-10.59	14	11	9	6
Rest of euro area	277	283	2.32	97	67	59	59
United Kingdom	78	79	1.02	21	23	18	18
Japan	60	54	-11.08	13	9	25	7
Other developed	225	287	27.37	68	76	86	56
Emerging (c)	178	187	5.60	56	50	55	27

SOURCE: Dealogic.

a Estimated totals. Data excluding securitisations and short-term debt instruments.

b In emerging economies only issues on international markets are included.

c The emerging economies' banking sector includes other non-bank financial institutions.

Table 1

**RECENT DEVELOPMENTS ON PRIVATE DEBT MARKETS. ISSUANCE VOLUMES (cont'd)**

\$bn, unless otherwise indicated	2020	2021	Annual change 2021 (%)	2021			
				Q1	Q2	Q3	Q4
Other financial institutions	490	601	22.70	160	172	137	131
United States	296	326	10.16	85	99	81	61
Euro area	52	76	47.14	13	14	15	34
Spain	2.4	2.0	-16.08	0.0	1.2	0.1	0.6
Rest of euro area	49	74	50.16	13	13	15	33
United Kingdom	25	46	84.86	19	11	5	11
Japan	23	53	125.61	12	20	14	7
Other developed	94	100	6.69	31	29	21	18
Memorandum item							
Emerging: total bonds	751	735	-2.11	234	213	172	116
Private sector	497	532	6.91	161	163	127	81
Sovereign bonds	254	203	-19.80	73	51	45	35
Collateralised bonds (d)	187	196	5.23	42	49	54	51
Euro area	99	85	-14.22	22	20	24	19
Spain	9	2	-82.88	0.0	0.7	0.8	0.0
Rest of euro area	90	83	-7.42	22	20	23	19
Other	87	111	27.26	20	29	30	32
High-yield bonds	729	768	15.89	165	184	191	164
Developed	590	639	31.38	117	166	163	138
United States	375	394	66.08	133	114	90	56
Euro area	75	69	-8.07	16	19	14	20
Spain	2.6	8.7	-11.44	1.4	1.6	3.3	2.4
Rest of euro area	67	100	-7.95	29	30	14	28
United Kingdom	37	51	55.10	20	14	6	11
Japan	3.4	23.2	-74.67	1.7	13.3	4.8	3.4
Other developed	99	102	-8.78	28	38	24	12
Emerging	139	129	-26.13	47	33	31	18

**SOURCE:** Dealogic.

**d** Includes guaranteed bonds issued by all institutions, whereby the issuance base is wider than the banking sector.

crisis (see Table 1 and Chart 1). Conversely, the volumes issued by the banking sector and by other financial institutions were higher than in 2020.

By region, the most pronounced decline in volumes issued was in the United States, followed by the United Kingdom and the euro area.<sup>2</sup> In terms of segments, high-yield issues

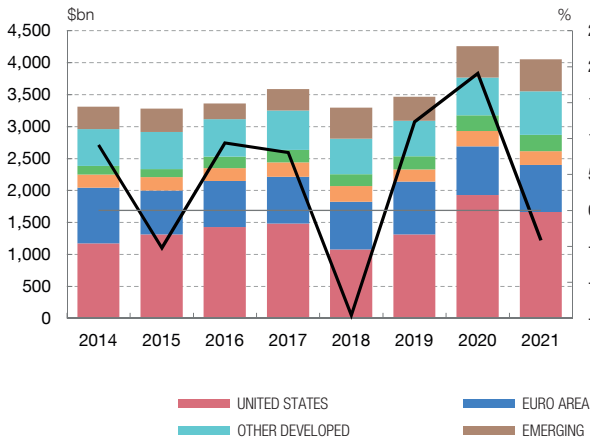
<sup>2</sup> For comparison purposes, all issues are presented in US dollar, which could skew the assessment of their time profile on account of exchange rate fluctuations. However, the annual average exchange rate of the main currencies against the dollar did not fluctuate very significantly between 2020 and 2021, with the euro and sterling appreciating by close to 1% and by 6%, respectively, and the yen depreciating by 5%. Further, in the United Kingdom and Japan, a high percentage of issues are made in dollars (46% and 40%, respectively), which would decrease this potential skew effect. The percentage of dollar issues is lower in the euro area (24%). In the United States, 90% of issues are in dollars. Thus, the exchange rate effect could skew issuance volumes upwards slightly in the United Kingdom and in the euro area and slightly downwards in Japan.

Chart 1

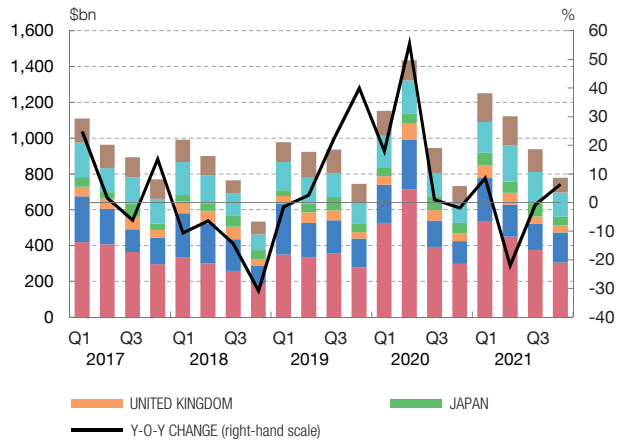
**GROSS PRIVATE SECTOR BOND ISSUES BY SECTOR AND BY COUNTRY (a)**

Gross private bond issues at the international level in 2021 were lower than in 2020, when they reached record highs. The declines were concentrated in the non-financial corporations sector, whereas the volumes issued by the banking sector and by other financial institutions increased. By region, the most pronounced decline in volumes issued was in the United States, followed by the United Kingdom and the euro area.

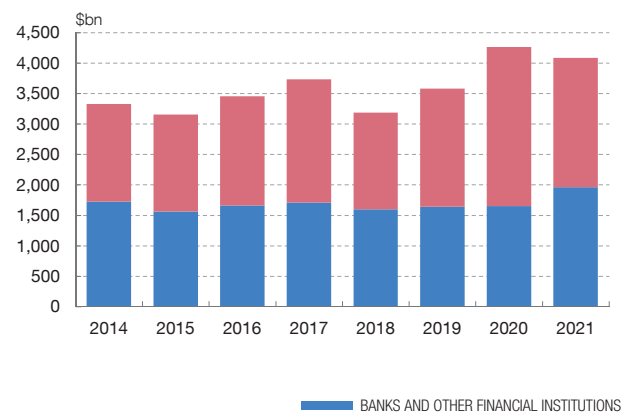
1 GROSS ISSUE BY ISSUING COUNTRY OR REGION  
Annual data



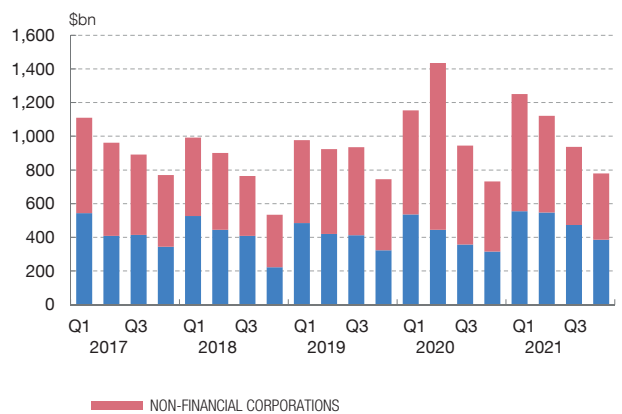
2 GROSS ISSUE BY ISSUING COUNTRY OR REGION  
Quarterly data



3 GROSS ISSUE BY ISSUING SECTOR  
Annual data



4 GROSS ISSUE BY ISSUING SECTOR  
Quarterly data



SOURCE: Dealogic.

a Data excluding securitisations and short-term debt instruments.

recorded a strong increase, possibly influenced by the lower risk aversion on account of the improved health situation.

**2.1 Non-bank private fixed-income markets in developed countries**

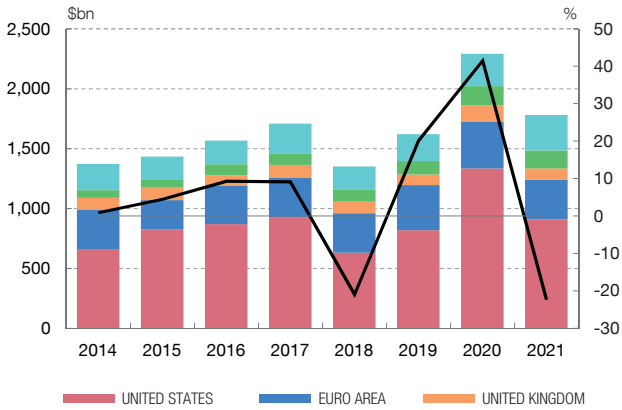
In 2021, fixed-income issues by NFCs on capital markets declined markedly owing to the base effect caused by the record volumes of 2020 (see Charts 2.1 and 2.2). However, the total volume of issues in 2021 was higher than in the years prior to 2020, suggesting that issues in this segment continued to perform favourably.

Chart 2

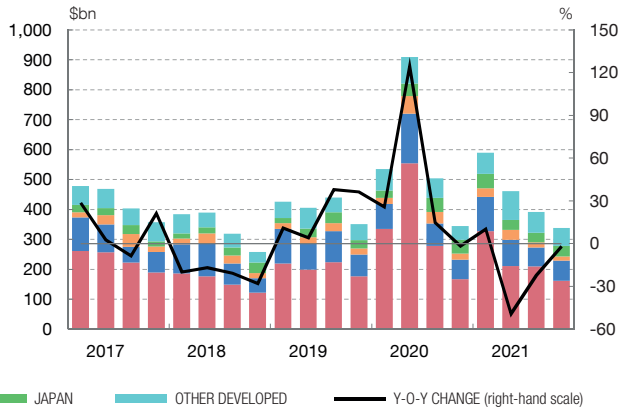
**GROSS ISSUES BY NON-FINANCIAL CORPORATIONS IN THE DEVELOPED ECONOMIES (a)**

Fixed-income issues by non-financial corporations declined markedly owing to the base effect caused by the record volumes of 2020. However, the total volume of issues was higher in 2021 than in the years prior to 2020, suggesting that issues in this sector continued to perform favourably. Although the declines were extensive to all regions, the decreases in the United States and the United Kingdom were noteworthy.

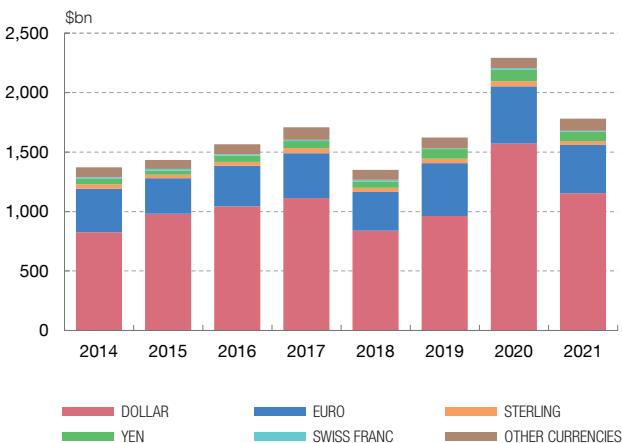
1 GROSS ISSUE BY ISSUING COUNTRY OR REGION  
Annual data



2 GROSS ISSUE BY ISSUING COUNTRY OR REGION  
Quarterly data



3 GROSS ANNUAL ISSUE BY CURRENCY



4 EURO ISSUE IN THE UNITED STATES



SOURCES: Dealogic, Federal Reserve, Federal Reserve Bank of Kansas City, ECB and JP Morgan.

a Data excluding securitisations and short-term debt instruments.

Although the declines were extensive to all regions, the decreases in the United States (32%) and the United Kingdom (33%) – the areas where issues grew the most in 2020 – were noteworthy. The declines were more contained in the euro area (14%), with even a slight increase being recorded in Spain (2%). These lower volumes of issues may have been partly influenced by a lesser need to raise funds for precautionary reasons due to the improved health situation, which would be consistent with the high levels of liquid assets (cash on hand, short-term investments, etc.) built up by firms in 2020.<sup>3</sup> Moreover,

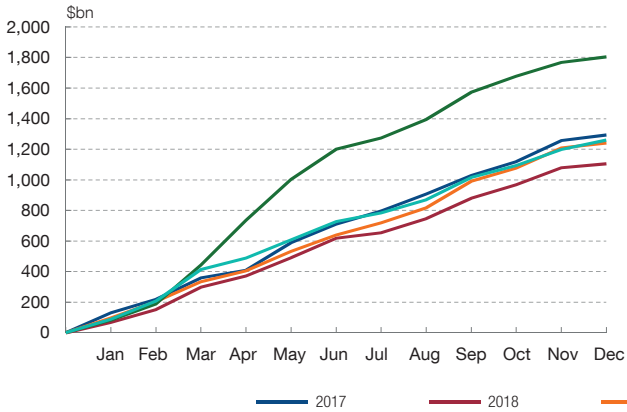
3 See “Credit Trends: Global Financing Conditions: Bond Issuance Looks Set to Contract 2% This Year as Monetary Policy Tightens”, January 2022, S&P Global.

Chart 2

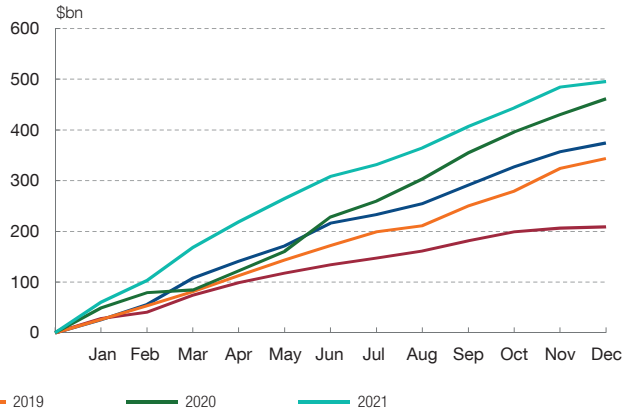
**GROSS ISSUES BY NON-FINANCIAL CORPORATIONS IN THE DEVELOPED ECONOMIES (a) (cont'd)**

There has been a difference in trend between investment-grade issues and high-yield issues. Investment-grade issues saw a significant decline, following the record volumes reached in 2020, in part on account of the main central banks' purchase programmes. High-yield issues reached record figures, which would be consistent with investors' lower risk aversion in 2021. Meanwhile, financing costs in the capital markets increased, especially since year-end.

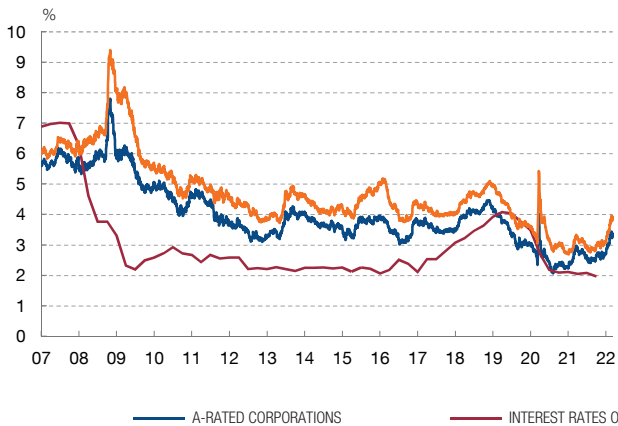
5 ISSUES OF INVESTMENT-GRADE BONDS  
Cumulative data since the start of the year



6 ISSUES OF HIGH-YIELD BONDS  
Cumulative data since the start of the year



7 UNITED STATES: NON-FINANCIAL CORPORATIONS' FINANCING COSTS



8 EURO AREA: NON-FINANCIAL CORPORATIONS' FINANCING COSTS



**SOURCES:** Dealogic, Federal Reserve, Federal Reserve Bank of Kansas City, ECB and JP Morgan.

a Data excluding securitisations and short-term debt instruments.

the expectations of monetary policy normalisation in the main regions appear to have put upward pressure on financing costs in the final stretch of the year, which could have also influenced the fall in issues.

By currency, the dollar<sup>4</sup> continued to be the main currency of issue but, along with sterling, it also saw the sharpest fall and accounted for 65% of total issues, down from 70% in 2020 (see Chart 2.3). This was shaped by the strong drop in issues in the United States and by

<sup>4</sup> Dollar refers to the US dollar throughout this paper.

the lower risk aversion, which would have lessened the preference in other regions for financing in dollars (considered a reserve currency). Against this background, euro issues by US firms became buoyant once again in the final stretch of the year, having been at very low levels in previous quarters (see Chart 2.4). This could have been influenced by the easing global uncertainty and the widening of the differential in financing costs in euro compared to the dollar, in response to the expectation of a sharper monetary policy tightening in the United States than in the euro area.

By segment, there was a noteworthy difference in trend between investment-grade issues and high-yield issues. Investment-grade issues saw a significant decline, following the record volumes reached in 2020, which were in part a result of the main central banks' purchase programmes<sup>5</sup> (see Chart 2.5). In the high-yield segment, the issues in 2020 were not very high due to the increased uncertainty and the fact that most central banks, among them the European Central Bank (ECB), did not include such debt in their asset purchase programmes. In 2021, however, they reached record figures, consistent with the background of lower risk aversion (see Chart 2.6).

Another segment that remained buoyant in 2021 was that of bonds fulfilling sustainability criteria,<sup>6</sup> with a 97% increase in the volume of issues (outstripping the 43% increase in 2020). However, this type of issue still accounts for only around 7% of the total, with the highest share being observed in the euro area (14%).

By quarter, the volume of issues declined steadily throughout the year, reaching in Q4 their lowest level since end-2018 (see Chart 2.2). This time profile would also be consistent with the improved course of the health crisis and with the rises in financing costs, which intensified in late 2021 (see Charts 2.7 and 2.8). These higher financing costs appear to have been partly shaped by the gradual normalisation of monetary policy in the main regions, including the United States and the euro area, whose monetary authorities announced in November<sup>7</sup> and December,<sup>8</sup> respectively, that they would start reducing the pace of net purchases under their asset purchase programmes.

## 2.2 Bank funding markets in developed countries

In 2021 as a whole, the volume of issues by the banking sector in the developed countries rose to \$1,172 billion, 19.2% up on 2020 (see Chart 3.1). The sharpest increase was in the United States (44.3%), while issues in the euro area and in the United Kingdom held virtually unchanged from their 2020 values. Meanwhile, there was a contraction of around 11% in Japan.

5 See D. Khametshin (2021), "High-yield bond markets during the COVID-19 crisis: the role of monetary policy", *Occasional Paper* No 2110, Banco de España.

6 This category includes bonds fulfilling environmental and social criteria.

7 The Federal Reserve announced that it would reduce its monthly net purchases by \$10 billion for Treasury securities and by \$5 billion for agency mortgage-backed securities. See <https://www.federalreserve.gov/newsevents/pressreleases/monetary20211103a.htm>.

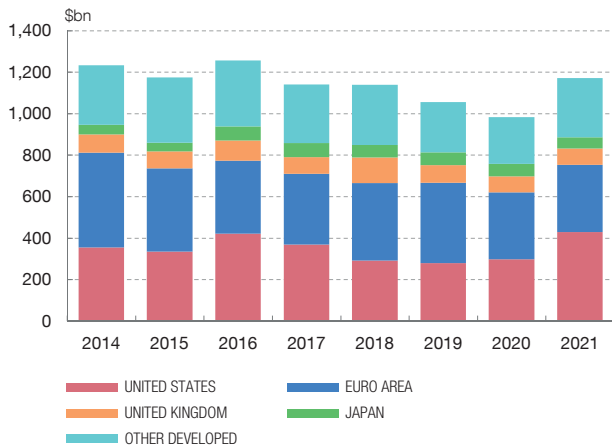
8 The ECB announced an end to purchases under the pandemic emergency purchase programme by end-March 2022 and the timetable for the step-by-step reduction in net purchases under the asset purchase programme. See <https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.mp211216~1b6d3a1fd8.en.html>.

Chart 3

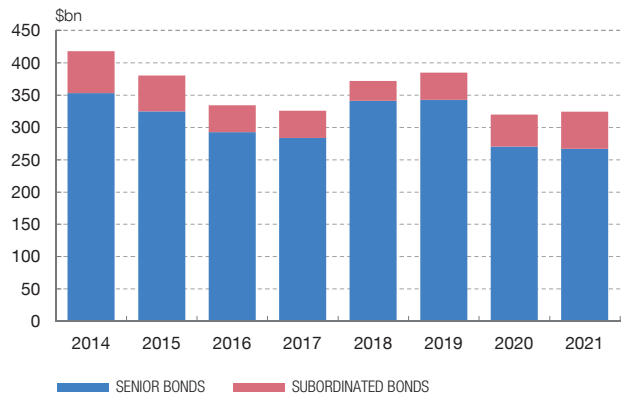
**GROSS BOND ISSUES BY BANKS IN THE DEVELOPED ECONOMIES (a)**

The volume of gross issues by the banking sector rose year-on-year in 2021, especially in the United States. In the euro area, they remained at a similar level to 2020 volumes, influenced by a decline in covered bonds, in a setting of extensive ECB financing on advantageous terms, and by an increase in issues of subordinated bonds. Meanwhile, the issuance of debt incorporating environmental and/or sustainability criteria continued to set records.

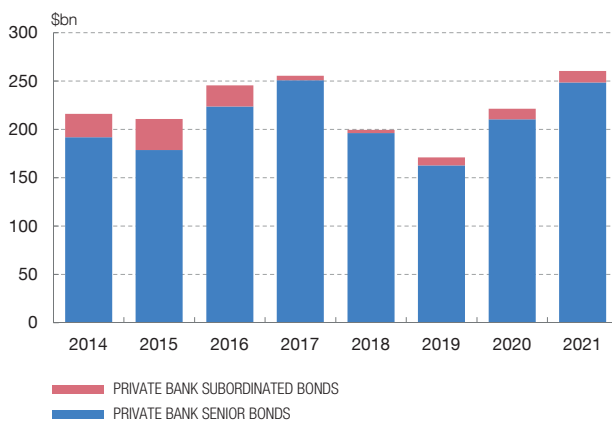
1 GROSS ISSUES BY ISSUING COUNTRY OR REGION



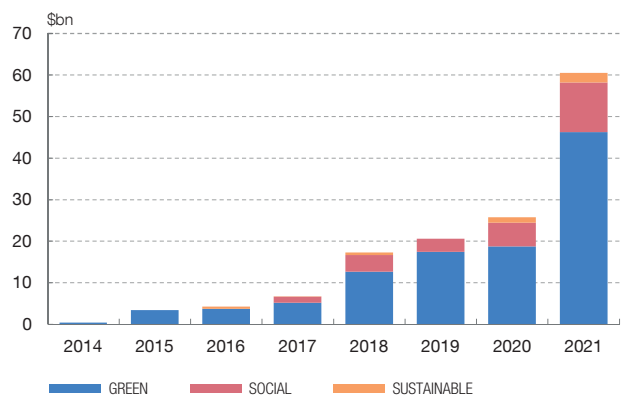
2 EURO AREA: GROSS ISSUES BY TYPE OF ISSUE



3 UNITED STATES: GROSS ISSUES BY TYPE OF ISSUE



4 GREEN AND SOCIAL BOND ISSUES IN THE EURO AREA (b)



SOURCE: Dealogic.

a Data excluding securitisations and short-term debt instruments.

b The "sustainable" category includes bonds fulfilling "green" (financing projects with environmental benefits) and "social" criteria (financing projects with social benefits).

One of the most notable features of this segment in 2021 was the weakness of covered bond issues. These continued to be influenced by banks' ample and broadened access to central bank funding on very advantageous terms — such as the targeted longer-term refinancing operations (TLTRO III) in the euro area and the Term Funding Scheme (TFSME) in the United Kingdom — and by the growth in bank deposits underpinned by the saving built up during the pandemic. In particular, in 2021 issues of these instruments declined year-on-year in the euro area (by 13%) and the United Kingdom (by 37%), from already low levels in 2020.<sup>9</sup> Analysts

<sup>9</sup> The "senior bonds" segment in Chart 3.2 includes covered bond issues in the euro area.

suggest that this trend may reverse in 2022, as the central banks progressively withdraw their support programmes and consumption patterns normalise.<sup>10</sup>

In 2021, euro area banks broadly benefited from favourable funding conditions in regulatory debt issues with loss-absorbing capacity. Specifically, these banks increased the issuance of Tier 2 instruments, although the volumes of non-preferred senior debt and contingent convertible bonds (Additional Tier 1) were down on 2020.<sup>11</sup> Thus, the placement of subordinated debt in the euro area rose 16.9% year-on-year (see Chart 3.2). Euro area banks' issuance plans point to an increase in their volumes of debt issuance over the coming years, in particular of debt instruments eligible for the minimum requirement for own funds and eligible liabilities (MREL).<sup>12</sup> Meanwhile, in 2021 US private banks increased their volumes of non-preferred senior debt significantly, while slightly raising those of subordinated debt (see Chart 3.3). Some analysts suggest that this increase was driven by regulatory changes, such as the expiry of the temporary change introduced to the supplementary leverage ratio (SLR) during the pandemic, in a context of favourable funding conditions that encouraged banks to complete operations ahead of a potential monetary policy tightening by the Federal Reserve.<sup>13</sup>

The issuance of debt incorporating environmental and/or sustainability (ESG) criteria continued to set records in 2021, accounting for 18.7% of total bonds issued by euro area banks (see Chart 3.4). One factor behind this increase, in addition to strong investor appetite for ESG issues, has been banks' efforts to incorporate sustainability and social responsibility factors into their risk management. In particular, a European Banking Authority report shows that a large majority of banks consider ESG factors as drivers of credit and reputational risk.<sup>14</sup> However, this trend is not confined to the euro area, as issuances of green bank debt and bonds incorporating social criteria in the other developed countries rose by 65.1% on 2020 values. Nevertheless, they account for a lower percentage of total issuances than in the euro area.

### 2.3 Emerging markets

In 2021, emerging markets issued \$735 billion in fixed-income securities on international markets (both public and private sector issues), very close to the all-time high reached in 2020 (see Chart 4.1). However, issues were down sharply in the last quarter of the year, which may have been attributable either to idiosyncratic<sup>15</sup> and global factors – due to the

<sup>10</sup> At its December 2021 meeting, the ECB Governing Council announced that it expected the special conditions applicable under TLTRO III to end in June 2022. Likewise, the Bank of England closed its TFSME to new applications on 31 October 2021.

<sup>11</sup> The "Subordinated bonds" segment in Chart 3.2 includes both contingent convertible bonds and Tier 2 instruments.

<sup>12</sup> See European Banking Authority (2021), *Funding Plans Report*. As well as subordinated debt, MREL eligible instruments can include some types of senior debt. For more information, see the [Resolution section of the Banco de España's website](#).

<sup>13</sup> This measure excluded US Treasury securities and central bank reserves from the calculation of the ratio, and its expiry may have increased banks' capital needs for maintaining their ratio above the minimum requirements. For more details, see <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20210319a.htm>.

<sup>14</sup> For more details, see Box 1 of European Banking Authority (2021), *Risk Assessment of the European Banking System, December 2021*, Luxembourg: Publications Office of the European Union.

<sup>15</sup> For instance, the Turkish lira crisis and the financial difficulties and borrowing limits faced by some Chinese real estate firms, given that these two countries account for more than 50% of the total drop in placements in the quarter, while Mexico accounts for a further 20%.

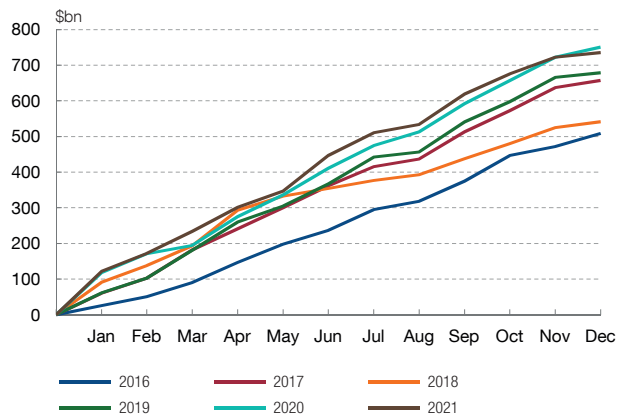


Chart 4

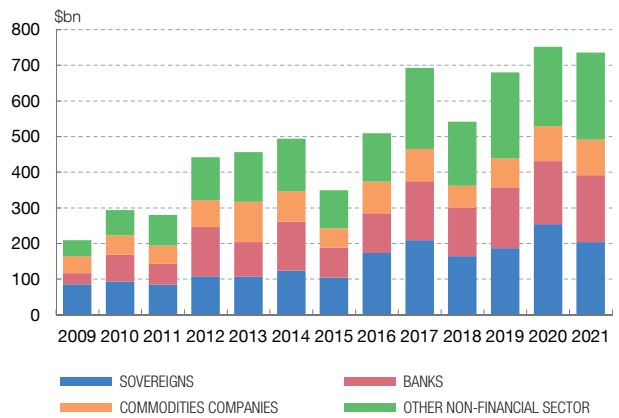
**GROSS PUBLIC AND PRIVATE SECTOR ISSUES: EMERGING ECONOMIES**

In 2021, the emerging economies' fixed-income issues on international markets stood very close to the record high reached in 2020, despite a sharp decline in the last quarter of the year. By region, the drop in issues was concentrated in eastern Europe and the Middle East.

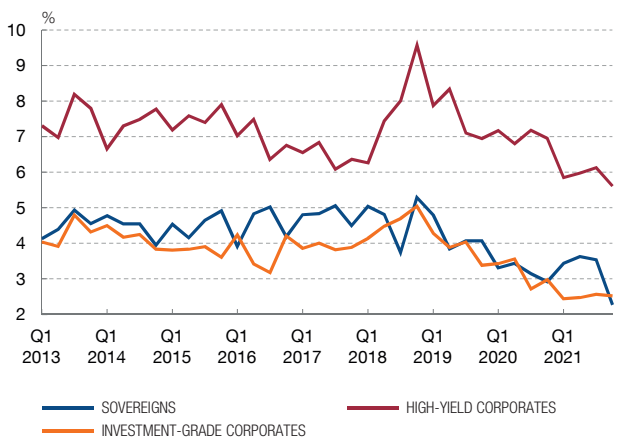
1 CUMULATIVE DATA SINCE START OF THE YEAR



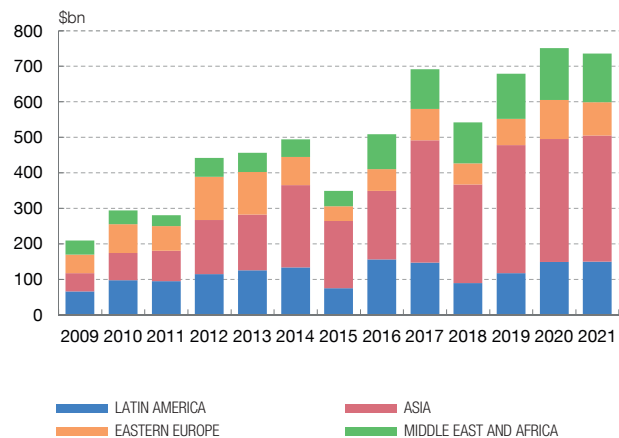
2 BY TYPE OF ISSUER



3 INTEREST RATES AT ISSUANCE



4 BY REGION



SOURCE: Dealogic.

withdrawal of monetary stimulus packages both in the emerging economies themselves and in the advanced economies – or to the spread of new variants of the COVID-19 virus, which clouded the outlook for global growth. Nonetheless, net issues held in positive figures, albeit declining to 2018 levels owing to the higher maturities in 2021 as compared with 2020.

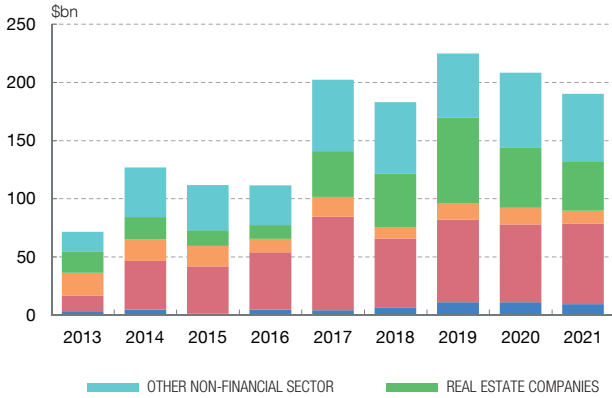
By sector, sovereign issues were down by \$19.8 billion, while both NFCs and banks issued higher aggregate amounts (see Chart 4.2). The fall in sovereign issues – from the extraordinary levels reached in 2020 to accommodate the pandemic measures – was not the result of a tightening of issue conditions. Indeed, those conditions, in terms of both interest rate and placement maturity, remained relatively loose throughout the year. Likewise, low-rated sovereign borrowers (particularly African issuers) either accessed the market for

Chart 4

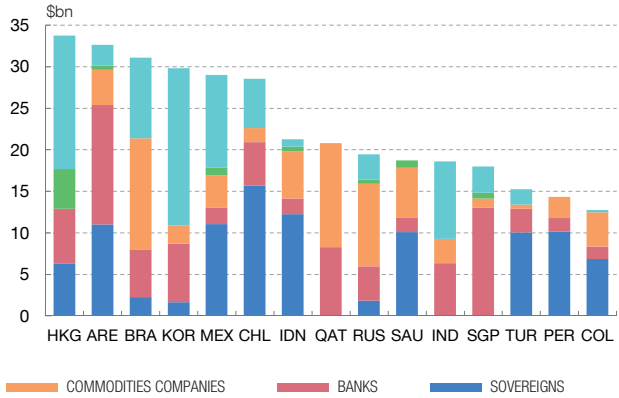
**GROSS PUBLIC AND PRIVATE SECTOR ISSUES: EMERGING ECONOMIES (cont'd)**

By country, the declines were concentrated in China, Mexico and Israel. In China, most of the reduction was observed in the real estate sector, which has been subject to a debt restriction policy, among other measures, since August 2020. By currency, there was a significant pick-up in euro-denominated placements to near-record levels.

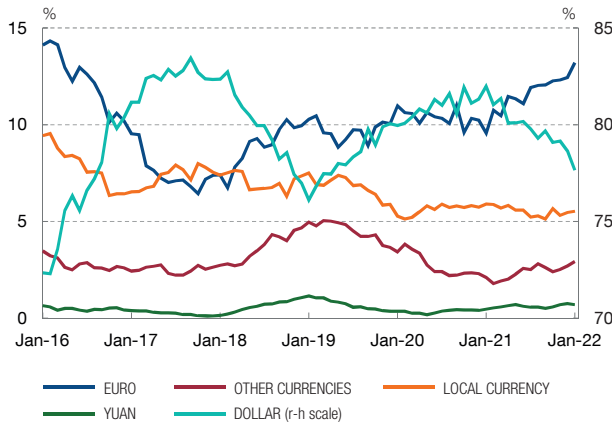
5 BY COUNTRY: CHINA



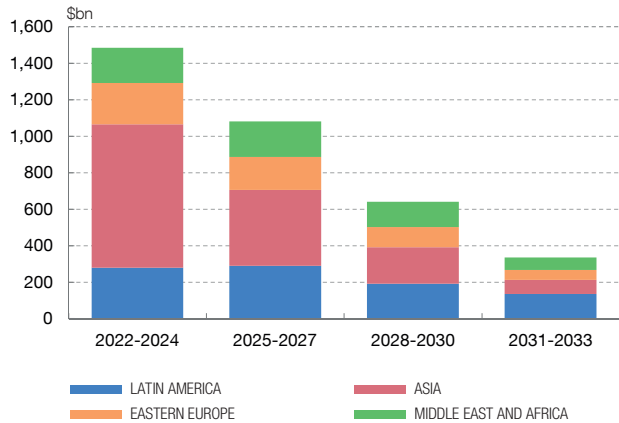
6 BY COUNTRY: BIGGEST ISSUERS IN 2021



7 CURRENCY OF ISSUE (% OF TOTAL)



8 ESTIMATED MATURITIES BY REGION



SOURCE: Dealogic.

the first time or made a return to it, while some countries experiencing acute social and political unrest (Colombia and Chile) made numerous placements, with their budget deficit growth likely behind these larger issues. In addition, market access for low-rated corporates recovered somewhat, with their placements rising by 17% in 2021 (having dropped 25% in 2020) and looser conditions, in terms of maturities and interest rates, than in previous years (see Chart 4.3).

By region, the issuance declines were concentrated in eastern Europe and the Middle East (see Chart 4.4), owing, as indicated above, to sovereign issuances and, to a far lesser extent, to banks. By country, China, Mexico and Israel accounted for the largest falls. In China, the bulk of the reduction came in the real estate sector (see Chart 4.5), which has been subject, among other measures, to debt restrictions since August

2020.<sup>16</sup> Some of these issues appear to have been diverted to Hong Kong, which in 2021 was the leading issuer in the group of emerging economies excluding China (see Chart 4.6) thanks to sovereign placements and issues by offshore investment vehicles owned by real estate or infrastructure-related firms. In Mexico, the drop was sharpest in sovereign issues and in issues by commodities companies, although bank placements were also down. By currency, there was a significant pick-up in euro-denominated placements to near-record levels (see Chart 4.7), in step with the shrinking proportion of issues in dollars. This increase may owe to the reduction in the relative cost of euro issuance compared with that of dollar issuance. The share of issues in local currency declined slightly, and that of the Chinese yuan remains very marginal (less than 1% of the total), with the slight increase last year stemming from Hong Kong sovereign issues. Lastly, regarding the maturity profile (see Chart 4.8), of the redemptions envisaged for the next 12 years, slightly over 40% will take place between 2022 and 2024, although the case of Asia is somewhat more unfavourable (53%), especially in the real estate sector (66%) and banks (61%). In this respect, the situation of Chinese real estate firms remains a concern, given that this year they face redemptions amounting to \$50 billion while in 2021 their issues amounted to less than \$42 billion.

All told, the outstanding debt balances of the emerging economies held at historically high levels in the final stretch of 2021, both in sovereign exposures and in the other debt segments. As for the debt holders, in 2021 the percentage of debt in local currency held by non-residents declined again, albeit showing considerable differences across regions, with the share of holders in Asia growing and that of holders in the remaining regions (especially eastern Europe) shrinking.

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<sup>16</sup> In August 2020 the Chinese government introduced its Three Red Lines policy for property developers, requiring a dozen such firms to submit regular reports to the main regulators detailing their financial situation. It also limits the debt capacity of property developers based on three ratios: i) the liability-to-asset ratio must not exceed 70%, ii) net debt must be lower than 100% of equity, and iii) the cash-to-short-term debt ratio must be at least 1. These restrictions were in addition to longer and more rigorous procedures for lending to buyers and price controls (ceilings and floors), as part of the “common prosperity” strategy designed to make housing purchases more affordable for the general population.

### 3 Equity markets

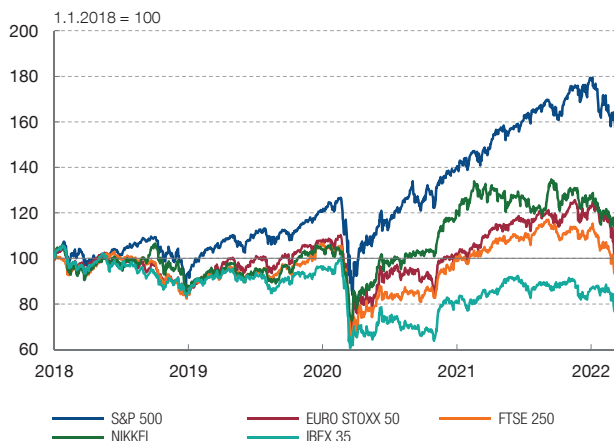
Equity issues benefited from lower issuance costs following the gains on the main stock markets in 2021, some of which even reached record highs (see Chart 5.1). Against this background, equity issues on international markets grew very robustly year-on-year (by 23.9%), with a particularly large volume issued in 2021 Q1 (see Charts 5.2 and 5.3). This increase was extensive to all sectors, although the other financial institutions sector recorded the strongest growth. Further, initial public offerings (IPOs), which are particularly sensitive to the macroeconomic environment, were driven by the favourable economic conditions and by muted share price volatility and rose by 84.1% year-on-year.

Chart 5

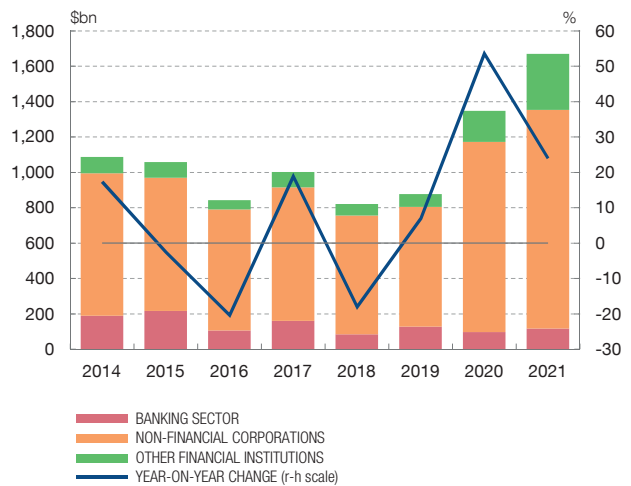
#### EQUITY ISSUES BY SECTOR AND BY COUNTRY

Equity issues were up in 2021, driven by lower issuance costs following the gains on the main stock market indices in 2021. The growth in IPOs was particularly marked, influenced positively by the macroeconomic environment and muted share price volatility. By region, the United Kingdom and the emerging countries recorded the sharpest increase in placements.

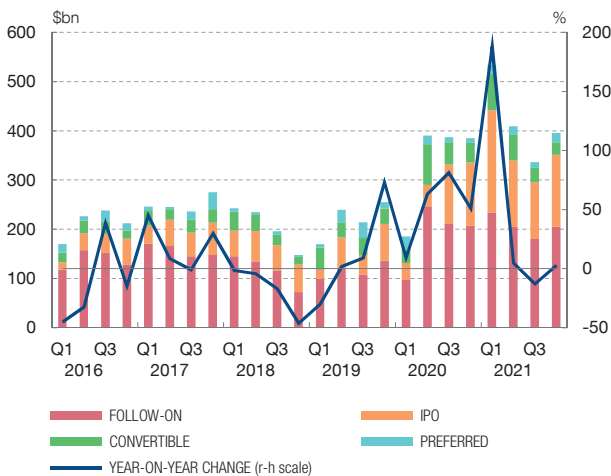
1 STOCK MARKETS



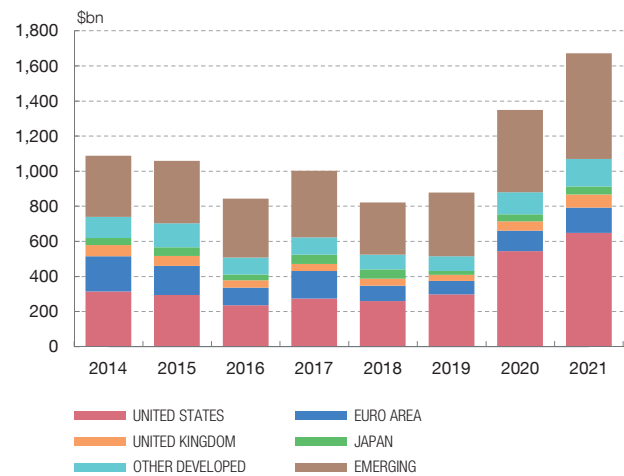
2 ISSUE BY ISSUING SECTOR. ANNUAL DATA



3 ISSUE BY ISSUE TYPE. QUARTERLY DATA



4 ISSUE BY ISSUING COUNTRY OR REGION



SOURCE: Dealogic and Refinitiv Datastream.

By region, there was a marked increase in placements in the United Kingdom (up by 41.4%) (see Chart 5.4). This owed to IPOs, while follow-on transactions, i.e. the issuance of new shares by companies already listed on the stock market, held at similar levels to those recorded in 2020. The second largest increase in share issuance was observed in the emerging countries (28.1%). China, which remains the leading issuer, again set a new record with an issuance of \$365 billion in 2021, while issues in India and Brazil were down slightly.

The growth in equity issues in the euro area (24.5%) and the United States (19.2%) was also driven by IPOs. In the United States, more than half of such issues were instrumented through Special Purpose Acquisition Companies (SPACs), which raise funds for the purchase of other companies. In Europe, where the technology and financial sectors accounted for the bulk of IPOs, such vehicles manage a far smaller share of the total. Nonetheless, in 2021 the total volume of SPACs in European markets also increased. In this respect, it is worth noting that the United Kingdom recently revised its regulatory framework to remove some of the barriers for these vehicles.<sup>17</sup>

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<sup>17</sup> In August 2021, the United Kingdom's Financial Conduct Authority made changes to the listing rules for SPACs. For more details, see <https://www.fca.org.uk/publication/policy/ps21-10.pdf>.

## 4 Securitisation and structured product markets

Issuance of securitisations, which recorded low volumes in 2020, rose sharply to \$1,160 billion in 2021 for the developed countries as a whole, the highest level since the global financial crisis (see Chart 6.1). This year-on-year increase was widespread across regions and was most pronounced in the United Kingdom (214%), the group of other developed countries (140%) and the United States (121%).

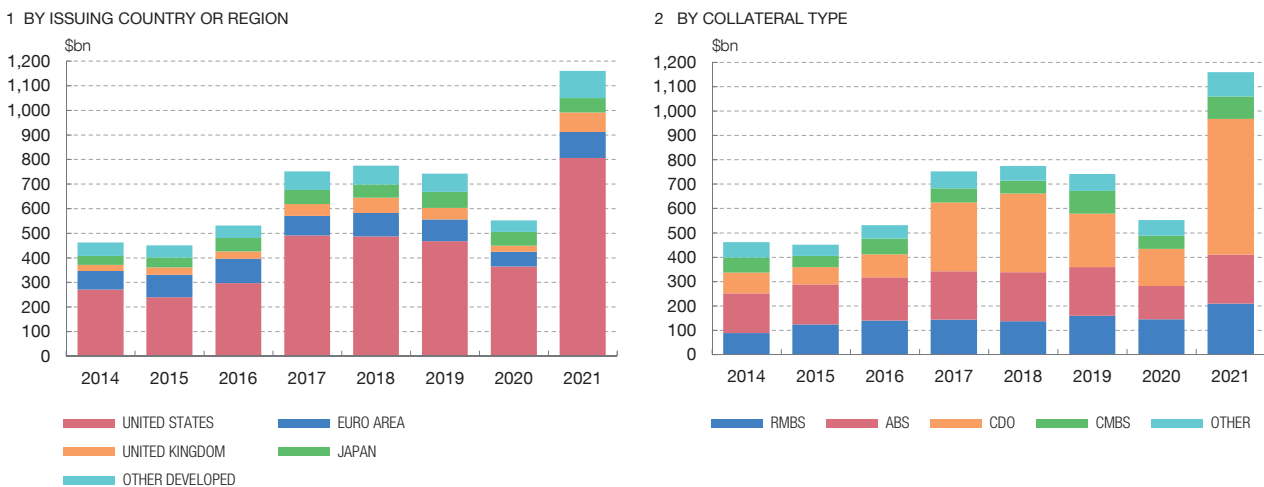
By type of collateral, the biggest rise came in collateralised debt obligations (CDOs), which set new issuance records with year-on-year growth of 263% compared with 2020 (see Chart 6.2). According to analysts, the search for returns amid low interest rates, the resilience of these instruments in 2020 and their floating rates – which can result in higher yields if reference interest rates rise – made these products more attractive. Commercial mortgage-backed securities (CMBSs) and residential mortgage-backed securities (RMBSs) also grew considerably, underpinned by the recovery of dynamism in the real estate markets in most countries last year. Asset-backed securities (ABSs) issues were up 48% on 2020.

Despite significant growth this year, green and/or sustainable securitisations still represent a limited share of the securitisations market in the developed countries (around 1.5% of total securitisations), although they have grown significantly this year. According to analysts, the factors behind the still scant development of sustainable structured finance include the absence of a standard definition of what constitutes “green” or “social” collateral and the limited origination volumes of ESG-compliant assets.

Chart 6

### SECURITISATIONS ISSUED IN THE DEVELOPED ECONOMIES, BY COUNTRY AND TYPE OF COLLATERAL (a)

Issuance of securitisations rose significantly in 2021, recording the highest level since the global financial crisis. By collateral type, the biggest increase came in collateralised debt obligations, underpinned by the search for returns amid low interest rates and by the resilience of these instruments following the outbreak of the pandemic. The increase was widespread across regions, being most pronounced in the United Kingdom, the group of other developed countries and the United States.



SOURCE: Dealogic.

a Excluding short-term securitisations.

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