New money issuance drops in 2023

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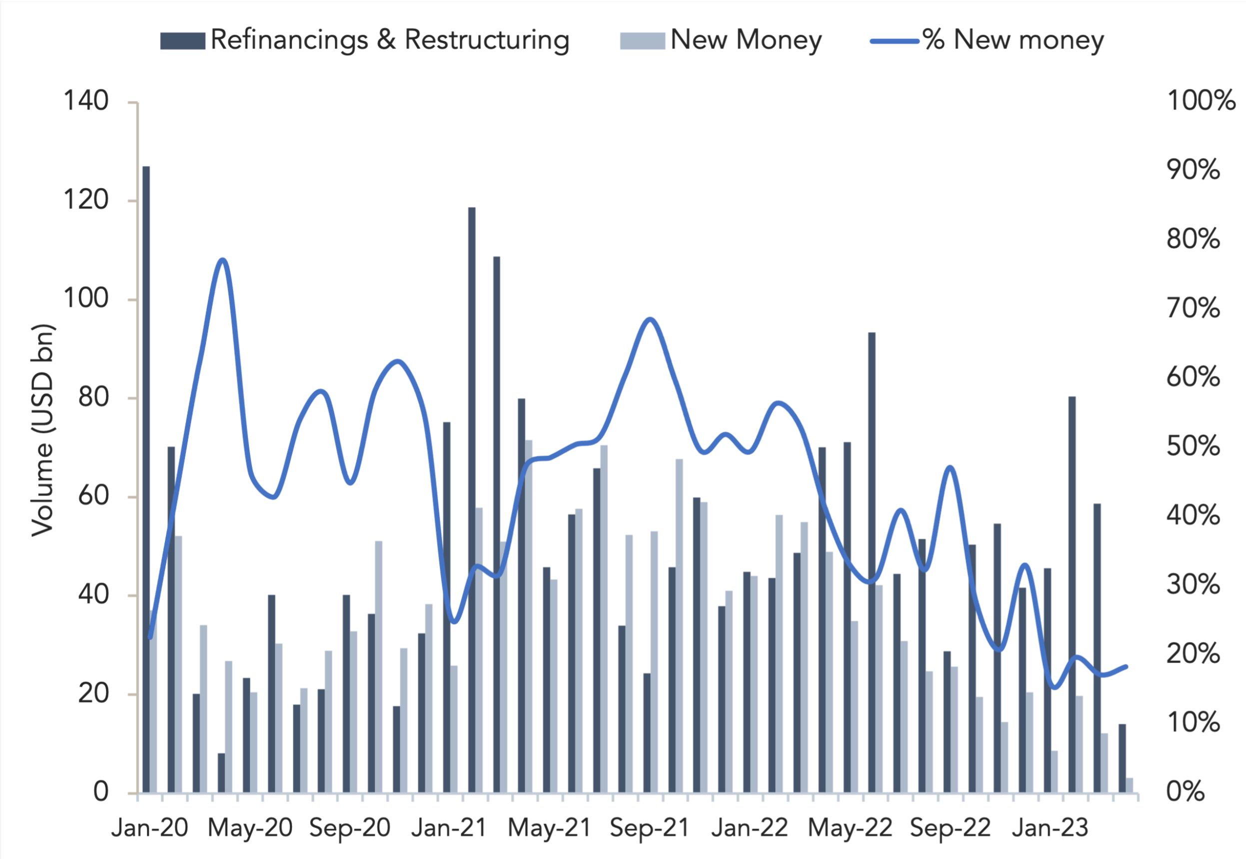

Source: Debtwire Par

While overall leveraged loan issuance was down 23% year on year to USD 225bn at the end of the first quarter, refinancing activity gained 35% year-on-year for all loans and 30% for institutional facilities. This reflects the significant lack of M&A activity driving issuance contrasting the elevated necessity of pushing out existing debt maturities.

As such, M&A and LBO activity are down 80% and 92% respectively from last year, and not a single loan backing an LBO was issued in March.

New money issuance has declined steadily to 14% of activity from highs of 70% in September 2021. New money facilities, made up this year of acquisitions, dividend recaps, LBOs and SBOs as well as loans for general corporate purposes, have fallen to their lowest levels both as a proportion of overall issuance and in absolute level, recording just USD 10bn last month.

Institutional volumes are similarly down versus pro rata tranches, however these have recovered from the lows seen last summer. So far just USD 3.2bn worth of institutional loans have been raised this month, following

USD 19bn in March and a relatively strong showing in February of USD 41bn. A staggering 70% of the institutional volume was raised solely to refinance existing loans, showing a market in a holding pattern, kicking the proverbial can down the road in hopes of an improving situation further down the line.

While the figures over the last two months leave much to be desired, there is some hope for future activity. Total issuance increased in the first quarter, pricing continues to tighten and default rates have not spiked – and all this despite the second largest bank run on record having occurred just last month, with another currently looking to be hot on its heels.

(Past performance is no guarantee of future results.)