Macro Roundup Article

Headline: The Changing Landscape of Corporate Credit

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Summary: Firms that can borrow through both bank loans and corporate bonds are increasingly borrowing a greater fraction of debt through corporate bonds and that the maturity of those bonds has shortened dramatically since 2002, both in an absolute sense and relative to the maturity of loans the same firms have outstanding. Thus, firms are relying increasingly more on the corporate bond market as a source of funding and are accessing the corporate bond market more frequently, as existing corporate bonds mature more frequently. Firms that have access to both intermediated credit and debt markets seem to be increasingly relying on public debt markets. The trend is driven by firms in the bottom 75th percentile of the size distribution. While the share of intermediated credit for the top 25th percentile of firms has stayed relatively constant (at around 30%), the share of loans has decreased considerably for the rest of the firms (from around 60% to 50%). That is, smaller firms that have access to both bond and loan markets are increasingly relying more on bond financing.

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