SINGAPORE CORPORATE DEBT MARKET DEVELOPMENT 2019

SINGAPORE – GLOBAL CITY, WORLD OF OPPORTUNITIES

Monetary Authority of Singapore

Contents

Foreword

Global bond markets faced a more challenging year in 2018 amidst a faster pace of US monetary policy normalisation and heightened trade tensions. Corporate bond issuance volume declined by 6.7%[1] to USD 6.68 trillion in 2018, compared to USD 7.15 trillion in 2017. Global corporate bond issuances in G-3 currencies (USD, EUR and JPY) led the decline, with issuance volume falling by 10%[2] to USD 4.84 trillion in 2018.

In contrast, corporate bond issuance volume in Asia registered a 3%[3] growth to USD 1.35 trillion. This was driven by a 12.3% increase in Asian local currency bond issuances to USD 1.07 trillion, which more than offset the 21.4% decline in Asian G-3 bond issuances to USD 284 billion.

Singapore's long-term corporate debt[4] issuance volume rose 7.8% to a record-high of SGD 96 billion. Growth was driven by non-SGD debt issuances as Asian issuers sought to raise international capital to finance regional and global growth. Overall corporate debt issuance volume (including short-term and long-term debt issuance) declined by 9% in 2018 to SGD 236 billion, compared with SGD 259 billion in 2017. This was driven primarily by a SGD 31 billion decline in non-SGD short-term (i.e. money market) debt issuances, particularly commercial paper. On the whole, total outstanding debt grew 10% to SGD 424 billion in 2018.

Asia's medium-term growth prospects remain bright, supported by resilient domestic demand and stable macroeconomic fundamentals. Asia is expected to remain the fastest-growing region in the world, outstripping expected outturns in advanced economies[5] as well as other developing regions. The IMF places Emerging Asia at the top of the global

[1] Dealogic Debt Capital Markets Database.
[2] Dealogic Debt Capital Markets Database.
[3] Dealogic Debt Capital Markets Database.
[4] Short-term debt refers to debt securities with a tenure of 1 year or less. Long-term debt refers to debt securities with a tenure of more than 1 year.
[5] International Monetary Fund World Economic Outlook, April 2019. Advanced economies are expected to grow at an average annual growth rate of 1.6% from 2019 to 2024.

growth league table, with average annual growth rates of 6.1% from now to 2024[6].

Singapore's vibrant debt market is supported by a comprehensive ecosystem of buy-side and sell-side institutions alongside professional service providers like rating agencies and legal firms.

- The presence of a strong institutional investor base has anchored the growth of Singapore's debt market and benefited issuers looking to diversify their funding sources and achieve efficient cost of funding. As a pan-Asian asset management centre, Singapore's asset management industry grew to SGD 3.4 trillion of assets under management in 2018.

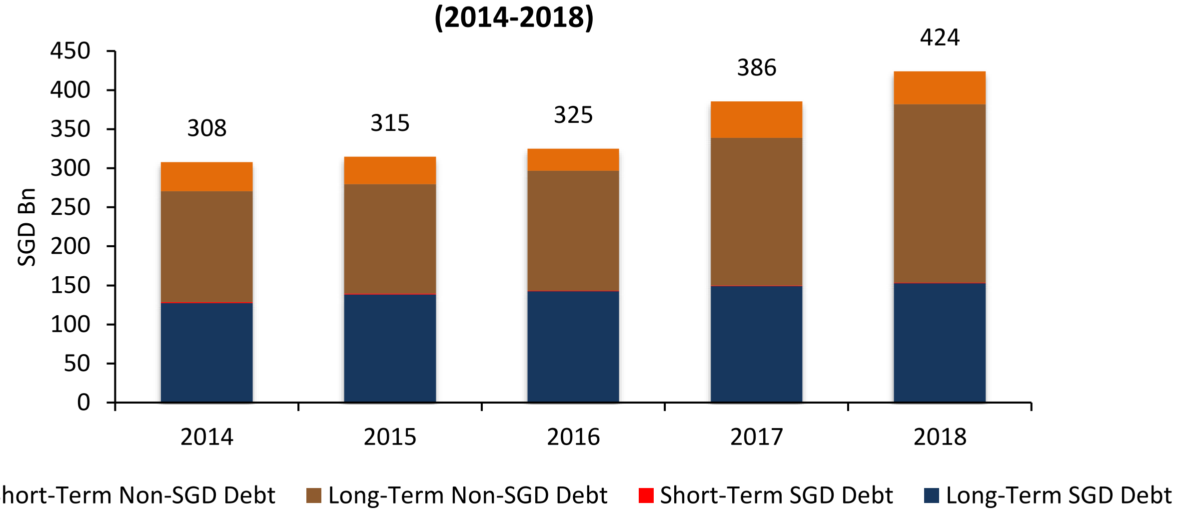
- Singapore's debt market is also supported by a deep and liquid FX market. Singapore is the 3rd largest FX centre globally. Issuers can also avail themselves of a suite of FX futures and options for their risk management and hedging needs in both G10 currencies as well as emerging market Asian currencies.

To fulfil Asia's growth potential, the Asian Development Bank (ADB) estimates that the region will require infrastructure investments of USD 1.7 trillion annually up to 2030. Against this backdrop, Singapore's debt market is well-positioned as a gateway to channel international capital to support Asia's significant infrastructure financing needs.

[6] International Monetary Fund World Economic Outlook, April 2019. Estimates for Emerging and Developing Asia.

Key Highlights

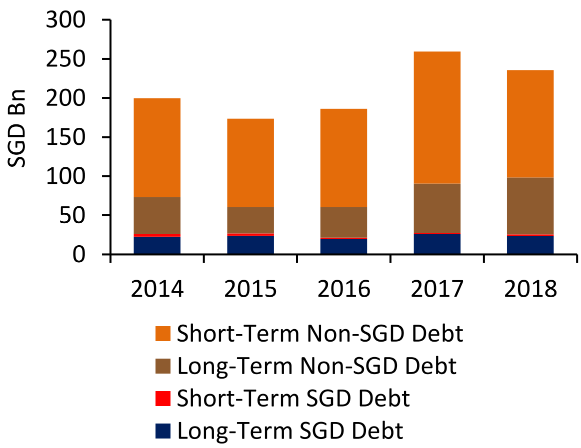
Overview of Singapore Corporate Debt Market by Amount Outstanding (2014-2018)



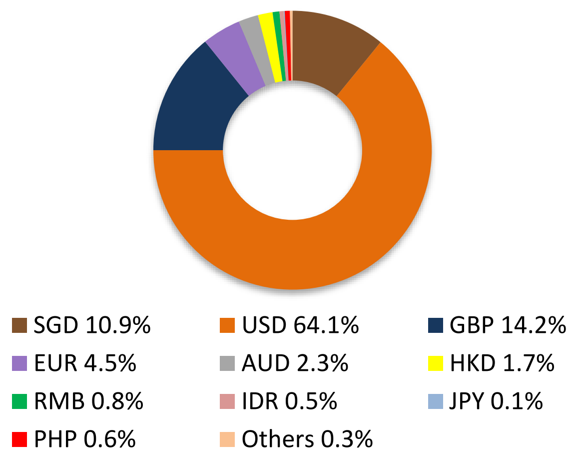
SGD 236 billion debt issued in 2018

Total outstanding debt grew 10% year-on-year to reach SGD 424 billion

Overview of Singapore Corporate Debt Market by Issuance Volume (2014-2018)



Currency Breakdown of All Isssuances (2018)



Others include CAD, CHF, INR, KRW, NZD, THB, TRY, SEK

About the Report

The Monetary Authority of Singapore (MAS) releases an annual report of the Singapore corporate debt market, which covers debt issuances arranged by financial institutions in Singapore for the calendar year ending 31 December each year.

The 2018 annual report provides the statistics on Singapore's corporate debt market for the calendar year ending 31 December 2018 and highlights notable issuances and market trends, including the initiatives launched by MAS to support companies in their efforts to raise international capital for growth.

Findings

Issuance and Outstanding Volume

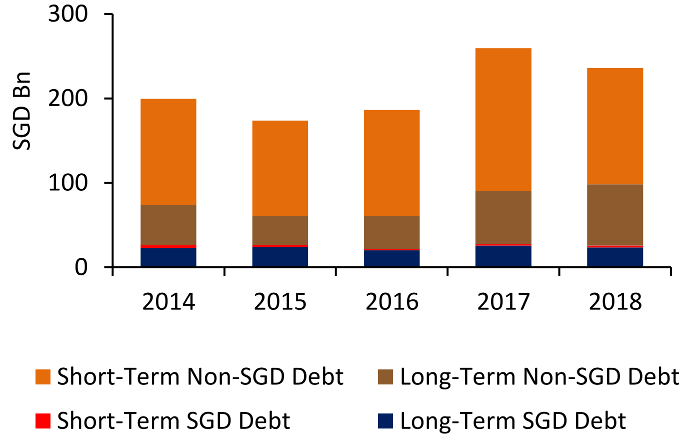
In 2018, long-term debt issued rose 7.8% to a record-high of SGD 96 billion. Growth was driven by non-SGD long-term debt issuances as Asian issuers sought to raise international capital to finance regional and global growth. For example, Petron Corporation, Philippines' largest integrated oil refining and marketing company, raised USD 500 million via a perpetual.

Overall debt issued (short-term and long-term) fell 9% year-on-year to SGD 236 billion in 2018, driven primarily by a SGD 31 billion decline in non-SGD short-term (i.e. money market) debt issuances, particularly commercial paper. Non-SGD debt issuances continued to dominate, at SGD 210 billion compared to SGD debt issuances of SGD 26 billion (Chart 1), underscoring the strong international characteristics of Singapore's corporate debt market.

Total debt outstanding grew 10% year-on-year to reach SGD 424 billion, representing a CAGR of 8.3% since 2014 (Chart 2). SGD debt outstanding reached SGD 154 billion while non-SGD debt outstanding reached SGD 271 billion.

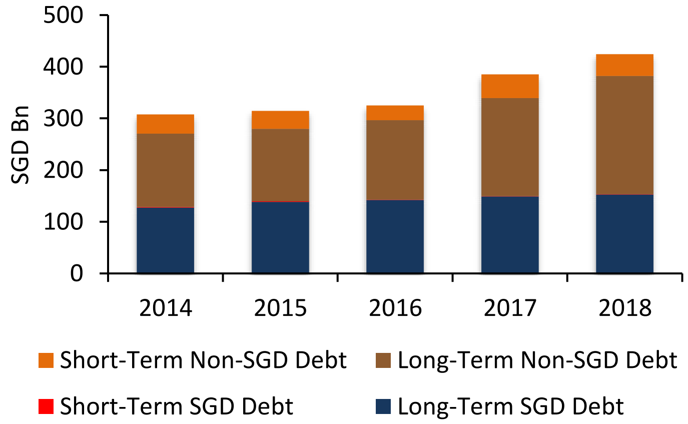
SGD 236 billion
Total Debt Issued

[Chart 1]
Issuance Volume (2014-2018)



SGD 424 billion
Total Outstanding Debt

[Chart 2]
Total Outstanding Debt (2014-2018)



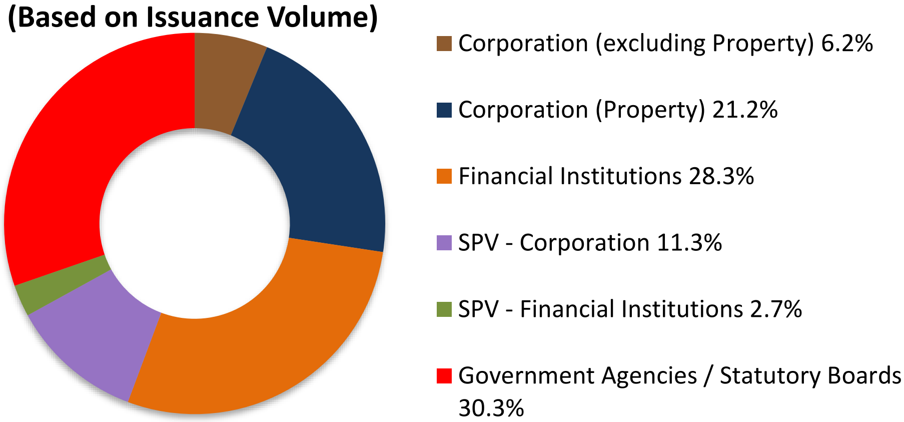
Issuers and Issuance Currencies

DIVERSITY OF ISSUERS

The SGD corporate debt market continued to serve the needs of a well-diversified range of issuers in 2018. Consistent with prior years, corporate issuers accounted for the majority of issuance volume, at 38.7% for both non-property and property corporations (including SPVs) (Chart 3). Financial institutions (including SPVs) with a share of 31% came in next, an increase from their share of 23.1% in 2017. Government agencies and statutory boards took up the rest of the share at 30.3%, more than double the 12.1% figure in 2017. This includes Land Transport Authority, which issued a total of SGD 4 billion worth of bonds, as well as the Public Utilities Board, which returned to the market with a SGD 300 million 15-year bond after a hiatus following its last issuance in 2010. Other notable issuers include Shangri-la Hotel Limited which issued a SGD 825 million 7-year bond.

[Chart 3]

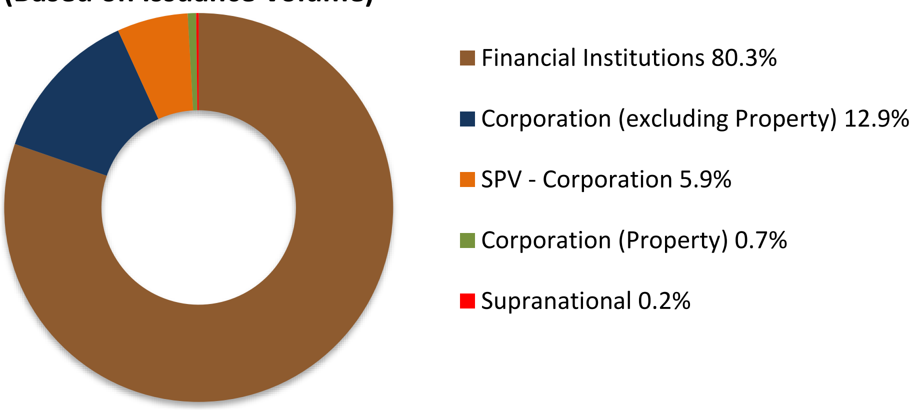
SGD Denominated Debt Issuer Profile (2018) (Based on Issuance Volume)



In the non-SGD corporate debt market, financial institutions continued to account for the majority of issuances, at 80.3% (Chart 4). Amongst non-financial institutions, corporations (excluding property) formed the largest segment. For example, Ausgrid Group, the largest distributor of electricity on Australia's east coast, issued a EUR 650 million 7-year bond through Ausgrid Finance Pty Limited.

[Chart 4]

Non-SGD Denominated Debt Issuer Profile (2018) (Based on Issuance Volume)



Issuers and Issuance Currencies

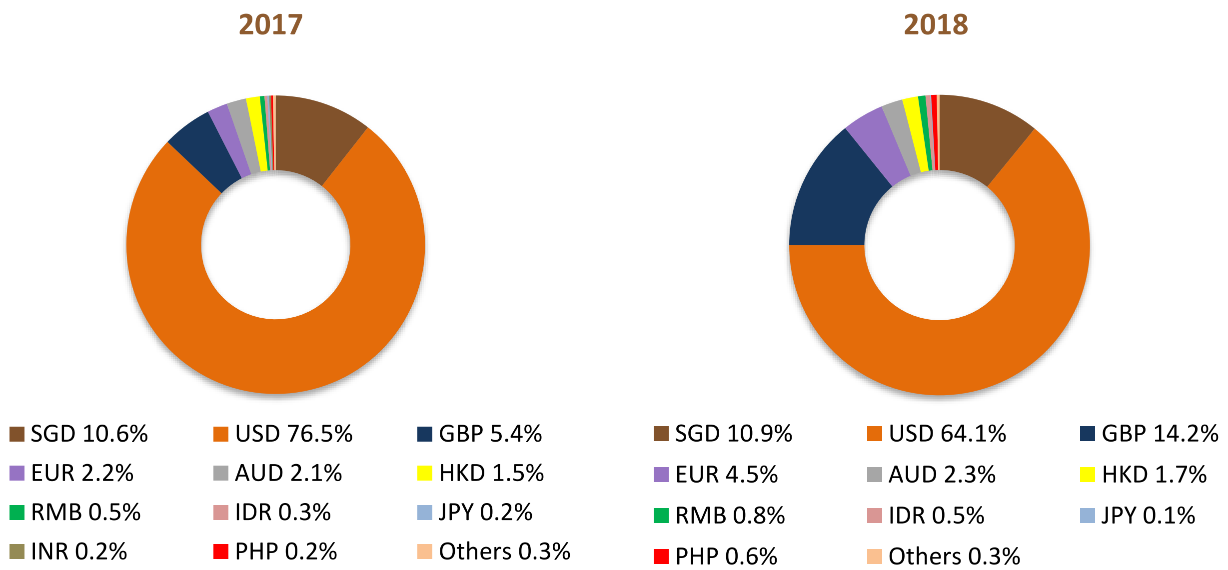
SINGAPORE AS A MULTI-CURRENCY FIXED INCOME CENTRE

Singapore's debt market continued to support issuers' funding needs in foreign currencies. Non-SGD debt issuances accounted for 88.9% (SGD 210 billion) of total debt issuances in 2018 (Chart 5), in line with 2017.

USD remained the primary currency of issuance, accounting for 64.1% of total issuance volume in 2018, (Chart 5). GBP came in with a share of 14.2%, overtaking SGD as the second-largest currency. SGD came in close with a share of 10.9%. Many issuers also issued multiple currencies, for example, Nomura International Funding issued over SGD 5.2 billion in 19 different foreign currencies, including AUD, EUR and KRW.

Covered bond issuances continued to contribute to the diversity in currency raised. There were SGD 6 billion of covered bonds from 7 new issuances in 2018, denominated in EUR, GBP and USD. Notably, UOB issued Asia's first GBP-denominated covered bond (GBP 350 million) in February. OCBC came to market shortly after, in March, with its own GBP 250 million covered bond. In November, DBS issued Asia's largest covered bond to-date, raising USD 1.25 billion in a single issuance.

[Chart 5]
Currency Breakdown of Issuances



Others include CAD, CHF, KRW, LKR, NZD, THB, UAH

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Supporting Green, Social and Sustainability Bonds

As an Asian centre for capital raising and enterprise financing, Singapore can serve the growing need for the financing of investments to support Asia's transition towards a low-carbon and climate resilient model. There is growing recognition, within the region, of the potential of capital market solutions, such as green, social and sustainability bonds, as financing instruments to channel capital towards sustainable investments.

To support the issuance of green bonds in Singapore, MAS first launched the Green Bond Grant Scheme on 1 June 2017. Under the scheme, issuers of green bonds that obtain an external review are able to offset 100% of their external review expenses, subject to a funding cap of S$100,000 per issuance.

In February 2019, MAS expanded the Green Bond Grant Scheme to include social and sustainability bonds and renamed it the Sustainable Bond Grant Scheme. Social and sustainability bonds have a distinct yet complementary role to green bonds, delivering social benefits and a combination of social and environmental benefits respectively.

The Sustainable Bond Grant Scheme, which will be in place until May 2023, also features a lower minimum issuance size requirement than that in the Green Bond Grant Scheme. This recognises that social and sustainability projects in Asia could be smaller in size and have lower capital needs at the onset.

Expand to social and sustainability bonds

Extend till end of May 2023

Lower minimum issuance size requirement

Singapore's green bond market stands at more than SGD 6 billion today, with a good mix of both local and foreign issuers. These have been issued by local companies including City Development Limited and DBS, and foreign issuers including Canadian Insurer Manulife Financial Corporation and Indian Renewable Energy Development Agency etc.

In the months ahead, we will continue to contribute to global initiatives to mainstream sustainable finance and look forward to supporting more companies in their efforts to raise capital for sustainable growth.

Investors

A wide range of investors, with different investment profiles, participated in Singapore's debt market (Chart 6):

- Financial institutions continued to be significant participants in money markets here, taking up more than two-thirds of all short-term debt issuances;
- Fund managers and insurance companies took up 45% of long-term debt issuances, supporting the strong and diverse investor base in this segment;
- Fund managers and financial institutions accounted for over 60% of the investment demand in SGD debt, with demand from fund managers overtaking financial institutions in 2018;
- Financial institutions and fund managers remain the dominant investors in non-SGD debt, holding preferences in USD, GBP and EUR.

[Chart 6]