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Muni Market Opens 2022 With Calls for Third Year of Record Sales.

- **2021 long-term issuance rose 1.2% to historic \$460.6 billion**
Some analysts see even bigger 2022 amid delayed projects

U.S. municipal bond issuance surged to an all-time high last year as issuers tackled financing needs amid the pandemic, and some Wall Street analysts predict an even bigger slate of sales in 2022.

Long-term municipal issuance rose about 1.2% from 2020, which was also a record, to a total of \$460.6 billion in 2021, according to data compiled by Bloomberg. Borrowers have been taking advantage of long-term interest rates that remain low by historical standards and robust demand for tax-exempt debt as lawmakers debate higher income levies on the wealthy.

Although the Federal Reserve is expected to start lifting its benchmark rate in 2022, that may not be enough to deter states and local governments seeking to borrow for deferred infrastructure plans. For one thing, those projects are only getting more costly given the backdrop of elevated inflation, and municipalities also have added flexibility given the billions of dollars of federal pandemic aid they've received.

"Potholes aren't waiting for the end of the pandemic," said Pat Luby, senior municipal strategist at CreditSights. "Road repairs, airport expansions — they continue to need to be done, and deferring those costs only makes it more expensive."

The 2021 record, achieved in December, marked a surprising shift from earlier in the year, as demand for munis dimmed for a stretch amid the lack of clarity over new federal spending measures that could include tax increases on wealthy Americans. But the pace of issuance picked up into year-end as the debate in Washington dragged on.

Luby forecasts 2022 volume of about \$480 billion, with increases in both taxable and tax-exempt borrowing.

"If you look at the size of the market, the pace of borrowing has not kept up with inflation, so there is tremendous unmet need," he said.

Citigroup Inc. analysts led by Vikram Rai said last month that they expect an all-time high of \$520 billion of debt sales this year, driven by inflation and a positive economic outlook that will spur governments to take on delayed projects.

Bloomberg Markets

By Nic Querolo

January 3, 2022, 10:08 AM PST

