SINGAPORE CORPORATE DEBT MARKET DEVELOPMENT 2021

SINGAPORE – GLOBAL CITY, WORLD OF OPPORTUNITIES

MAS Monetary Authority of Singapore

Contents

Foreword

Singapore's debt market continued to grow in 2020, with total outstanding debt registering a 4% year-on-year growth to SGD 484 billion as of 31 December 2020. New debt issuances held steady year-on-year, with SGD 224 billion of debt issued in 2020.

Globally, the bond market had a volatile year in 2020. Asia ex-Japan G-3 bond issuances reached a record of USD 53 billion in January 2020 as favorable market conditions in the latter half of 2019 continued into the new year. However, as the COVID-19 pandemic extended its reach across the globe, bond markets were disrupted and issuances waned as Asia ex-Japan G-3 bond issuances fell to USD 8 billion in the month of March 2020, the lowest level in the past decade[1].

Faced with the economic disruption and uncertainty brought by the COVID-19 pandemic, governments and central banks globally acted swiftly to provide liquidity, support market functioning and maintain the flow of credit to households and businesses. In particular, major central banks carried out aggressive monetary policy easing, cutting interest rates to historically low levels and carried out unprecedented levels of bond purchases.

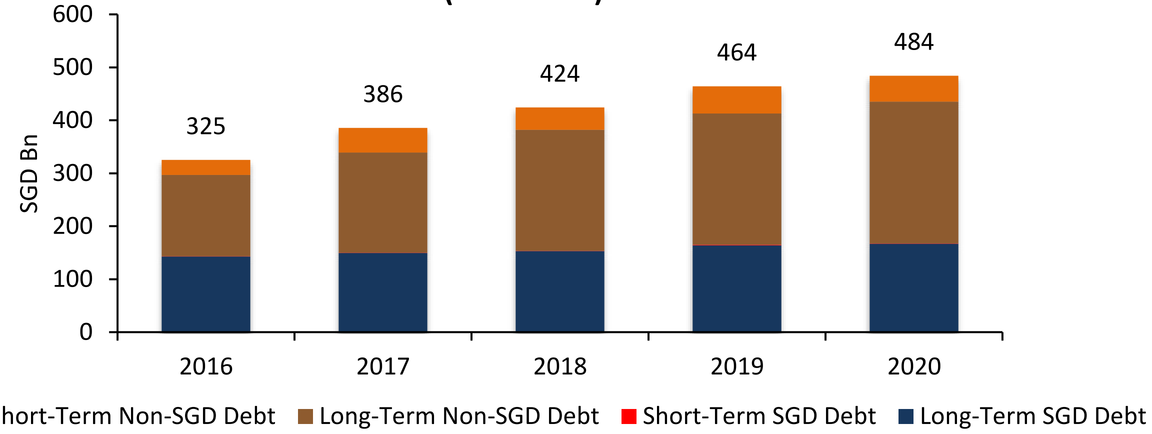
On the back of central bank actions, full year global corporate bond issuance volume grew by 25%[2] to USD 9.03 trillion in 2020. Growth in Asia ex-Japan bond issuances was more moderated, at 5.7%[3] to USD 1.64 trillion, with increased G-3 financing needs coming mainly from supranational issuers for their COVID-19 relief efforts.

Bond issuances in the region are projected to rebound as governments, corporates and businesses look to recover from the COVID-19 pandemic. In addition, bond markets will also be driven by key structural trends including the adoption of distributed ledger technology and financing needs for Asia's transition to a low carbon future. Singapore's vibrant ecosystem of banks, investors, and professional service firms, as well as our efforts to encourage digitalisation and sustainability bond issuances, will enable us to support fund raising efforts in the region and help channel international capital to support Asia's growth.

[1] On a year-on-year basis
[2] Dealogic Debt Capital Markets Database.
[3] Dealogic Debt Capital Markets Database.

At a Glance

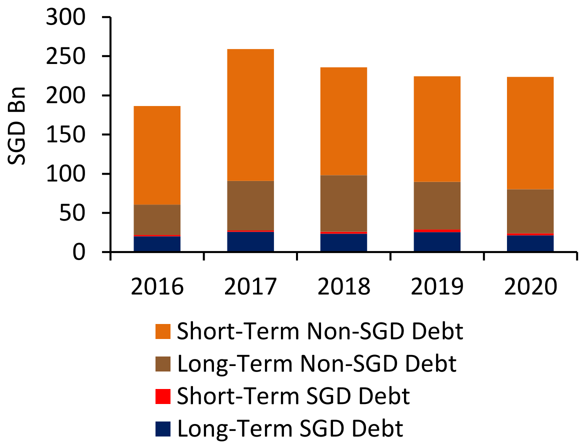
Overview of Singapore Corporate Debt Market by Amount Outstanding[4] (2016-2020)



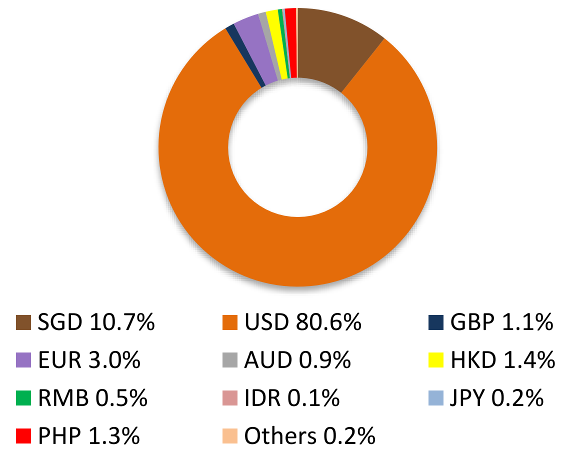
SGD 224 billion of debt issued in 2020

Total outstanding debt grew 4% year-on-year to reach SGD 484 billion

Overview of Singapore Corporate Debt Market by Issuance Volume (2016-2020)



Currency Breakdown of All Isssuances (2020)



Others include BRL, CAD, CHF, EGP, INR, KRW, LKR, NZD, THB, ZAR

[4] Please note that there is a restatement of the total amount outstanding for 2019 to SGD 464 billion (2019: SGD 472 billion).

About the Report

The Monetary Authority of Singapore (MAS) releases an annual update of the Singapore corporate debt market[5], which covers debt securities arranged by financial institutions in Singapore for the calendar year ending 31 December.

This annual update for year 2020 provides key data on Singapore's corporate debt market for the calendar year ending 31 December 2020 and highlights notable issuances and market trends, including the initiatives launched by MAS to support companies in their efforts to raise international capital.

[5] In this report, debt market refers to both short-term and long-term debt securities but does not include loans. 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.

Report Findings

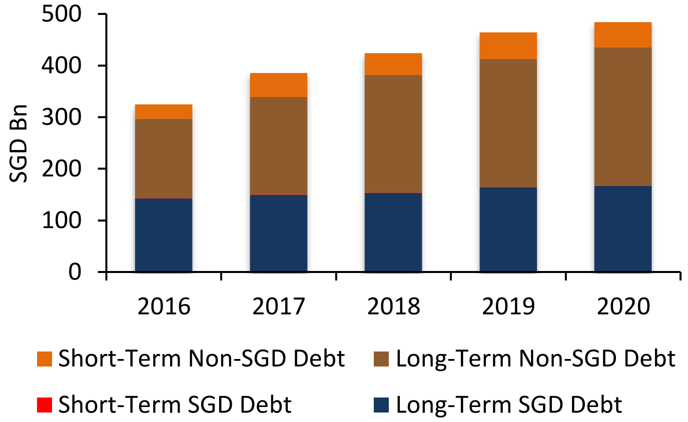
Issuance and Outstanding Volume

Against the challenging market conditions posed by COVID-19 situation that affected bond markets across Asia in 2020, Singapore's corporate debt market held up well, with total outstanding debt growing 4% year-on-year to reach SGD 484 billion. This represents a CAGR of 10.5% since 2016 (Chart 1). SGD debt outstanding reached SGD 168 billion while non-SGD debt outstanding reached SGD 316 billion.

New debt issuances held steady, with SGD 224 billion of debt issued in 2020. Non-SGD debt issuances amounted to SGD 200 billion (Chart 2), reflecting the attractiveness of Singapore's corporate debt market for foreign currency issuances.

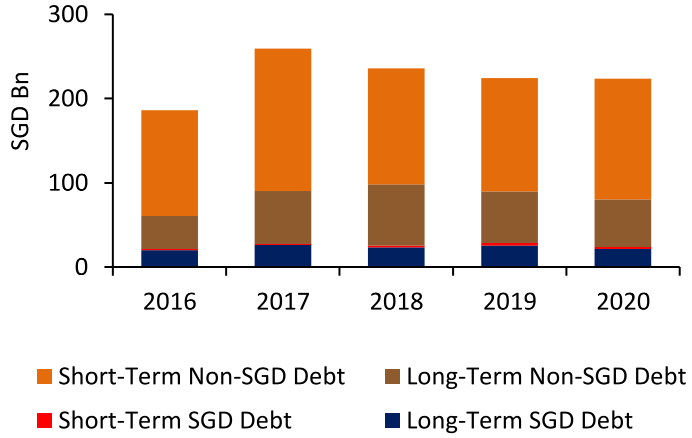
SGD 484 billion
Total Outstanding Debt

[Chart 1]
Total Outstanding Debt (2016-2020)



SGD 224 billion
Total Debt Issued

[Chart 2]
Issuance Volume (2016-2020)



Issuers and Issuance Currencies

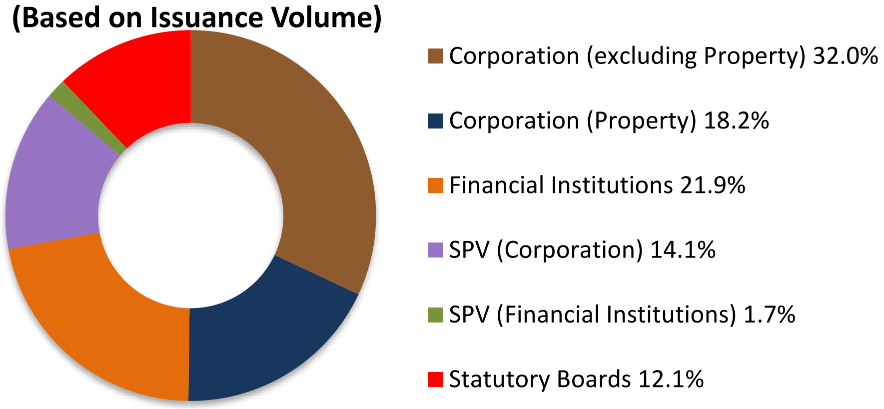
DIVERSITY OF ISSUERS

As with previous years, the SGD corporate debt market continued to attract issuers across sectors. Corporate issuers accounted for the majority of issuance volume, at 64.3% (Chart 3). This included Singapore Airlines, which issued a SGD 850 million 5-year bond and a SGD 4 billion 10-year bond during the year. Financial institutions made up approximately another quarter of new issuances. Statutory boards accounted for the remaining 12.1%. The Housing and Development Board of Singapore remained active, raising a total of SGD 2.9 billion across four issuances with tenures ranging between 5 and 15 years. The market also saw the return of SGD issuers such as Allgreen Treasury Pte. Ltd. and SingPost Group Treasury Pte. Ltd.

[Chart 3]

SGD Denominated Debt Issuer Profile (2020)

(Based on Issuance Volume)

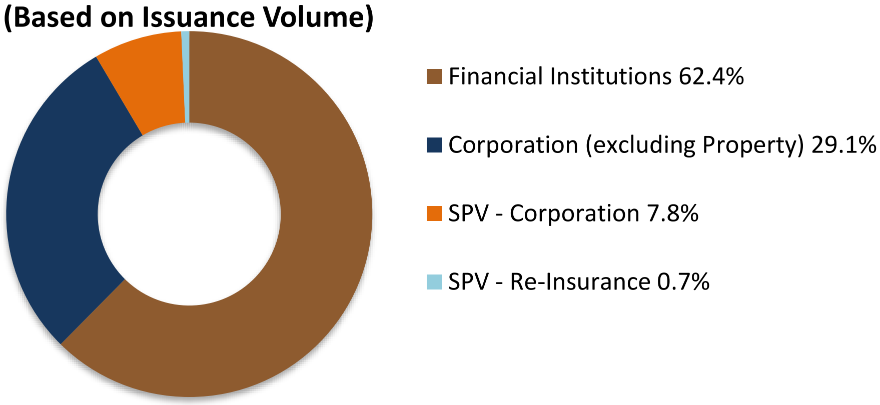


In the non-SGD corporate debt market, financial institutions continued to account for the majority of issuances, at 62.4% (Chart 4). Amongst non-financial institutions, corporations (excluding property) formed the largest segment. These corporations include Bright Food Singapore Holdings Pte. Ltd., which issued a EUR 800 million 5-year bond, and ST Engineering RHQ Ltd., which issued a USD 750 million 5-year bond.

[Chart 4]

Non-SGD Denominated Debt Issuer Profile (2020)

(Based on Issuance Volume)



Issuers and Issuance Currencies

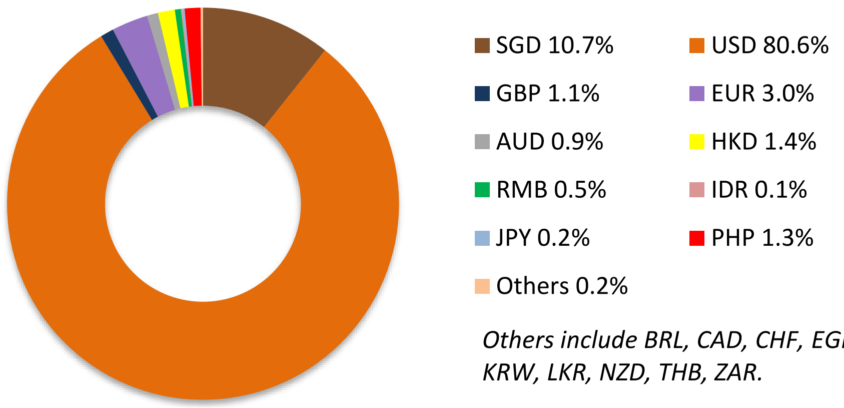
SINGAPORE AS A MULTI-CURRENCY FIXED INCOME CENTRE

Singapore's debt market allows issuers to raise funds in various currencies including G-3 and local currencies to meet their needs or to minimise currency mismatches. Non-SGD debt issuances accounted for a majority of total debt issuances in 2020 (Chart 5) at 89.3% (SGD 200 billion).

USD remained the primary currency of issuance, accounting for 80.6% of total issuance volume in 2020, (Chart 5). SGD retained its position as the second-largest currency of issuance with a share of 10.7%. EUR issuances took up 3.0%, while GBP followed at 1.1%. Notable issues include PTT Treasury Center Company Limited, which issued a USD 700 million 50-year bond, Star Energy Geothermal, which issued a USD 1.11 billion green bond over two tranches of 8.5 and 18-year, as well as United Overseas Bank Limited, which issued a EUR 1 billion 7-year bond. DBS Bank also issued bonds in varying tenures and in multiple currencies such as USD, AUD and EUR in 2020.

[Chart 5]

Currency Breakdown of Issuances (2020)



Others include BRL, CAD, CHF, EGP, INR, KRW, LKR, NZD, THB, ZAR.

Digitalisation of Primary Bond Markets in Asia

Historically, primary bond market processes have been largely manual. For instance, information dissemination and issuer engagement, as well as book building are done via phones, email and other communication channels. These manual practices increases the possibility of human errors, and results in inefficiencies.

A number of key industry players have introduced new technology-enabled, platforms[6] to support the digitalisation of bond market processes in recent years. Issuers have also experimented with new technology to facilitate their issuances. For example, in October 2021, Sembcorp, through UOB Bank[7], issued a digital bond on ADDX digital securities platform, eliminating the manual processes in custody and post-trade administration through the use of smart contracts on a blockchain.

At present, there is a growing number of service providers seeking to accelerate the digitalisation of Asian primary bond markets. The digital solutions can be broadly grouped into:

(i) FinTech-led solutions that target problem statements in a particular segment of the primary bond market life cycle, such as Covalent Capital's OMAS bond issuance and book-building platform[8];

(ii) Exchange-led end-to-end solutions for primary bond market lifecycle including bond issuance, listing and post-issuances processing, such as SGX and Temasek's joint venture, Marketnode[9]; and

(iii) Bank-led technology solutions that streamline their processes, for example, DBS' Fixed Income Execution ("FIX") Marketplace[10] platform that digitalise documentation and automates primary trade confirmation generations for their clients.

The greater use of technology and innovation can bring advantages to both issuers and investors such as issuances of bond in smaller denomination, reduction in settlement time for primary issuances and automation of coupon and redemption payments. The adoption of digitalisation solutions in Singapore's bond market will strengthen our position as an efficient and preferred venue to support Asian corporates' fund raising needs.

[6] These included European and US platforms by FinTech players such as Origin Markets, Nivaura and DirectBooks.
[7] United Overseas Bank Limited, *UOB and ADDX collaborate on Sustainability-Linked Digital Bond,* https://www.uobgroup.com/uobgroup/newsroom/2021/uob-addx.page?path=data/uobgroup/2021/188&cr=segment
[8] Covalent's OMAS is a third-party digital platform that allows issuers, banks and investors to execute and allocate their orders on a real-time basis during a new bond issuance process.
[9] Marketnode is a digital infrastructure firm that will utilise blockchain technology to enable financial market infrastructure for an end-to end, issuance, depository and asset servicing platform for Asian bonds.
[10] DBS FIX Marketplace platform is a bank-led digital fixed income execution platform where issuers can directly connect with investors to execute and allocate their bond transactions. It fully digitalises and automates documentation and primary trade confirmation generation.

Catalysing Sustainable Financing and Investing in Singapore

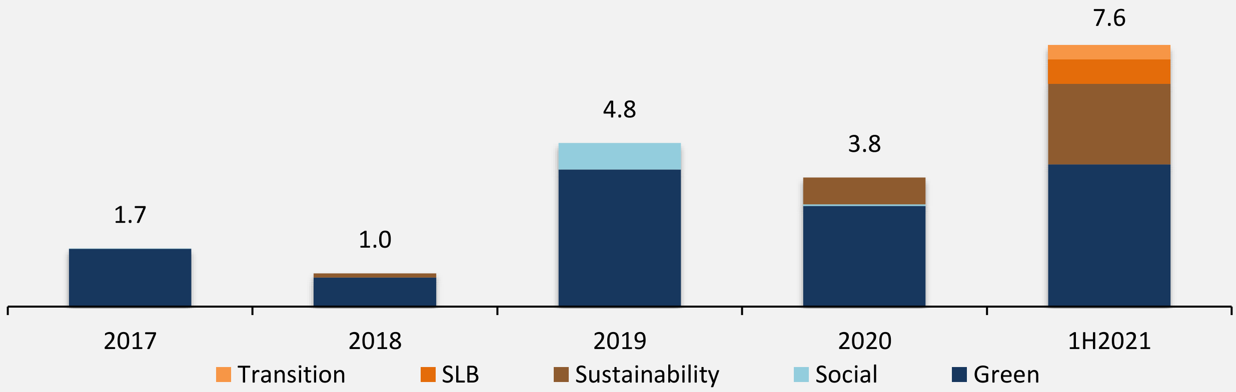
Finance will be an important enabler to support Asia's transition to a low carbon future. Singapore, as an international financial centre, can help to catalyse the flow of capital towards sustainable development in Asia. The Singapore Government and MAS are taking active steps to support projects and corporates seeking financing for green and sustainability initiatives. These include the issuance of Singapore Government green bonds to finance major sustainability projects, and grant schemes to defray the costs of issuing green or sustainability-linked bonds.

Catalysing Sustainable Financing in Corporates

MAS' Sustainable Bond Grant Scheme ("SBGS") was first launched as the Green Bond Grant Scheme ("GBGS")[11] in 2017. The grant sought to support issuers in accessing financing through the issuance of green bonds in Singapore, by defraying the additional costs of verifying green bonds as compared to conventional bonds and promote the adoption of internationally accepted standards. The GBGS was enhanced in 2019 and 2020 to encourage more forms of sustainable financing such as social, sustainability and sustainability-linked bonds ("SLB"), to expand the range and accessibility of financing that corporates have in Singapore.

The SBGS and GBGS have supported the issuance of more than SGD18 billion of green, social, sustainability and sustainability-linked ("GSSSL") bonds in Singapore to-date, with issuances reaching a new high of SGD7.6 billion in 1H2021. The grant schemes drew interest from both local and foreign participants, including local issuers such as National University of Singapore and Sembcorp Industries Ltd, and foreign firms like Indonesia's PT Japfa Comfeed and China's Yanlord Land. The expanded SBGS has also enhanced the sustainable financing options in Singapore's bond market, with over 45% of funds raised arising from transition, sustainability and sustainability-linked bonds in 1H2021[12].

Growing diversity of GSSSL Bond Issuances in Singapore (2017-1H2021)



[11] In June 2017, MAS launched the world's first grant scheme that supports the issuance of green bonds. Named the Green Bond Grant Scheme ("GBGS"), the scheme allowed an offset of the additional expenses attributable to obtaining an external review for green bonds. Since then, two rounds of enhancements were made to reflect evolving market developments and best practices. In January 2019, the scope of GBGS was expanded to include social and sustainability bonds and renamed as the Sustainable Bond Grant Scheme ("SBGS"). In November 2020, the scope of SBGS was expanded to include sustainability-linked bonds and cover the post-issuance costs of engaging independent sustainability assessment and advisory service providers to obtain external reviews or reports.

[12] Singapore welcomed its first SLB issuance from Surbana Jurong, its first securitised sustainability bond issuance from Bayfront Infrastructure Capital, and a transition bond issuance from China Construction Bank (Singapore Branch).

Catalysing Sustainable Financing and Investing in Singapore (Continued)

Catalysing Sustainable Financing and Investing via Issuance of Green Bonds on Public Infrastructure

The Singapore Government and Statutory Boards will issue green bonds to finance select public infrastructure projects. Public sector green bond issuance is expected to help deepen market liquidity for green bonds in Singapore, as well as to attract green issuers, capital, and investors to Singapore. As a start, up to SGD19 billion of eligible public sector green projects have been identified[13]. The Government will establish a green bond framework for sovereign green bond issuances and is also working with Statutory Boards to support their green bond issuances[14].

In September 2021, the National Environment Agency ("NEA") became the first government agency to issue green bonds, raising SGD1.65 billion in a dual-tranche issuance of 10-year and 30-year[15] bonds. The issuance was made under NEA's SGD 3 billion Multicurrency Medium Term Note ("MTN") Programme[16] and the proceeds would be used to finance sustainable infrastructure development projects including Tuas Nexus Integrated Waste Management Facility.

With growing demand in sustainable financing and investing, Singapore will actively support the growth of both green and sustainable financing instruments in Singapore. MAS will also continue to work with the financial sector to build a vibrant green finance ecosystem to support more GSSSL bond issuances to meet Asia's sustainable financing needs.

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[13] Ministry of Finance, Singapore, *Budget 2021 – Emerging Stronger Together, https://www.mof.gov.sg/docs/librariesprovider3/budget2021/download/pdf/fy2021_budget_statement.pdf*

[14] Ministry of Finance, Singapore, *Speech by Mr Lawrence Wong, Minister for Finance, at The Temasek's Singapore Sustainable Investing & Financing Conference 2021 on 30 September 2021,* https://www.mof.gov.sg/news-publications/speeches/speech-by-mr-lawrence-wong-minister-for-finance-at-the-temasek-s-singapore-sustainable-investing-financing-conference-2021-on-30-september-2021

[15] The Business Times, *NEA raised S$1.65b from maiden green bond issuance under S$3b MTN programme, https://www.businesstimes.com.sg/government-economy/nea-raises-s165b-from-maiden-green-bond-issuance-under-s3b-mtn-programme*

[16] National Environment Agency, Singapore, *NEA to establish S$3 billion Multicurrency Medium Term Note Programme and Green Bond Framework, https://www.nea.gov.sg/media/news/news/index/nea-to-establish-3-billion-multicurrency-medium-term-note-programme-and-green-bond-framework*

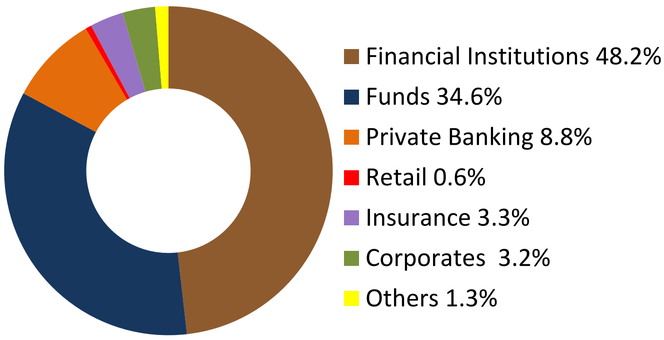
Investors

Singapore's debt market continues to remain attractive to a diverse set of investors (Chart 6):

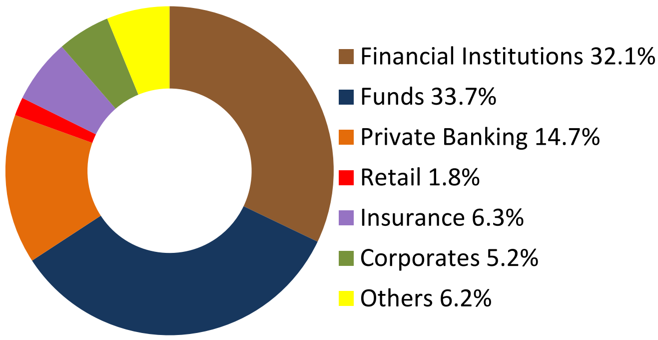
- Financial institutions continued to be significant participants in money markets here, taking up almost half of all short-term debt issuances.
- Interest in long-term bond issues continue to be driven by fund managers (including insurers), financial institutions and private banks, who collectively account for over 80% of the investment demand.
- Financial institutions and private banks were the two largest investor segments in SGD issues, accounting for almost 60% of the investment demand.
- Financial institutions and fund managers (including insurers) remain the dominant investors in non-SGD debt, mainly in USD, GBP and EUR.

[Chart 6]

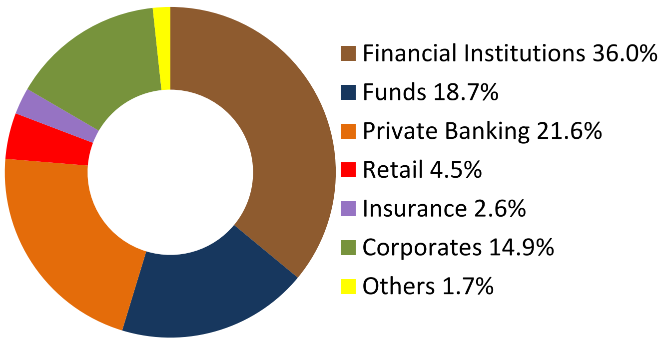
Investors in Short-term Issues (2020)



Investors in Long-term Issues (2020)



Investors in SGD Issues (2020)



Investors in Non-SGD Issues (2020)