Anticipating Municipal Issuance Will Remain Challenged Again in 2023: Our Forecast

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- We expect only $350 billion of total municipal bond market issuance in 2023.
- Economic growth will be lower next year whether the economy goes into a recession or not, and this will drag new money issuance down. Higher interest rates will reduce refunding activity. We outline our specific U.S. GDP and interest rate base case inside.
- Total issuance for 2022 is going to be about $383 billion (or lower). This is even worse than our June 2022 revised forecast of $410 billion. Issuance came in less than expected because the Federal Reserve raised rates at a higher pace than we anticipated.
- The Golden Age of Public Finance will continue into 2023 mostly because the significant amount of Rescue Plan Act stimulus will prop up balance sheets and credit quality. The Golden Age cannot manufacture an increase in bond issuance, however. The federal funds cover too short a time-horizon to meaningfully increase bond issuance.
- We did not expect, we have not seen, and still do not anticipate other fiscal policy such as the Infrastructure Investment and Jobs Act of 2021 or the Inflation Reduction Act of 2022 to MEANINGFULLY add to municipal issuance in 2023 or in the near-term.

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