

Municipal Issuance Moves Toward Stability with \$555 Billion Expected in 2026

- 2026 won't likely be a year of extremes—it will be a year of normalization. Issuance should remain solid by historical standards, but the easy tailwinds of the past two years are gone. **Slowing economic growth and fiscal discipline** will define municipal market activity, not acceleration.
- Municipal bond issuance in 2026 is expected to **normalize at \$555 billion**. About \$440 billion will be new money and roughly \$115 billion will be refundings, or around 21% of the total. This is strong by historical standards but not record-breaking.
- Several forces are likely to ease supply slightly. Pandemic-era fiscal boosts have faded, policy uncertainty pulled deals forward into 2025, and credit quality has been normalizing for two years. Budget pressures, slower economic growth, and muted refunding activity add to the restraint. Public entities are going to prioritize finding and maintaining structural balance.
- Higher costs or reduced federal aid do not always lead to more borrowing. Most governments operate under balanced budget rules and avoid debt for operating shortfalls. Instead, they rely on cost controls, project deferrals, and workforce adjustments.

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