

## Credit Supply Outlook 2025: Our forecasts

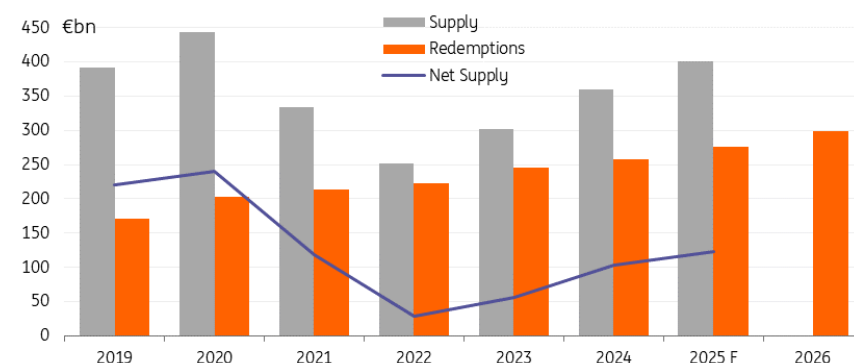
Our 2025 supply forecasts are certainly a mixed bag, but it is clear there is mostly a trend towards a higher supply for corporates in both EUR and USD and in most segments. Financials, on the other hand, will likely see a decline in supply next year



### ➔ We forecast €400bn in EUR corporate supply in 2025

We forecast an increase in EUR corporate supply in 2025 up to €400bn, as increased CAPEX and M&A activity add to the increasing redemptions. This will be up on the €360bn expected by year-end and up significantly on the €300bn seen in 2023. This makes it the heaviest year on record apart from the Covid-19-induced supply rush of 2020. Net supply is therefore also rising to €124bn.

## EUR net supply rising in 2025



Source: ING, Dealogic

### 12 reasons why supply will increase in 2025

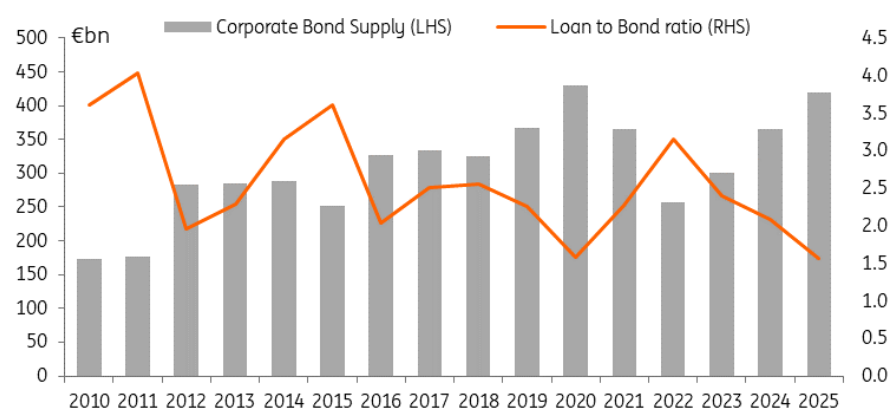
#### 1. Rise in redemptions

Redemptions will rise over the next couple of years. In 2025, redemptions will increase to €276bn, and to €299bn in 2026. Over the past few years, supply has been, on average, 1.4 times the redemptions level. This puts the supply at €400bn. Net supply is therefore set at €124bn, an increase on the €100bn in 2024.

#### 2. Disintermediation

We expect a small increase in supply due to the continuing disintermediation trend. As shown in the chart below, there has been a trend of more disintermediation over the past 15 years, and particularly the past three years. Loan supply will be lower in 2025 as bank lending reduces. In addition, real estate will see a notable increase in supply versus loans as regulation will limit the amount of loans held by banks.

## Disintermediation continues



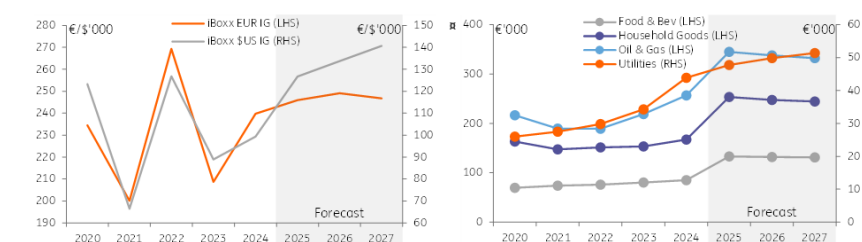
Source: ING, Dealogic

#### 3. Increased CAPEX expected

Capital expenditure is very much on the rise, as illustrated below. We have already seen a strong

increase in 2024, and we expect to see a further surge in 2025 and to remain at elevated levels. This is particularly the case in certain sectors such as Utilities, Oil & Gas, Food & Beverage, Personal & Household goods, Travel & Leisure and Autos. This will drive supply higher in 2025.

## CAPEX is on the rise in EUR and USD IG. Driven significantly by certain sectors



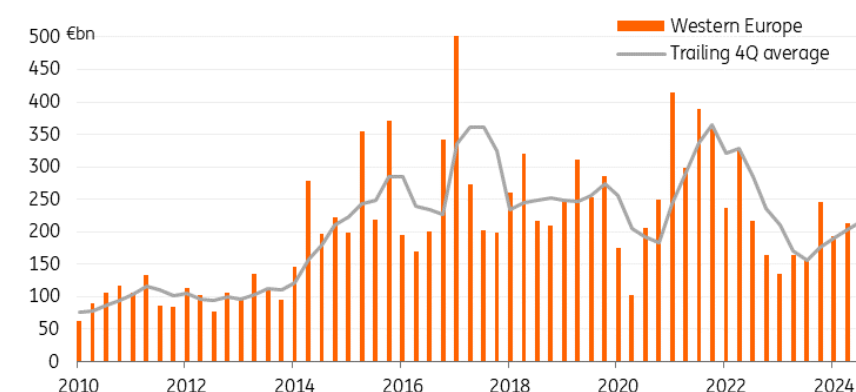
Source: ING, Refinitiv

### 4. Increased M&A activity expected

M&A activity is expected to increase in 2025 following relatively low levels in 2023 and 2024. Recently, we've seen an upward trend in Europe, although levels remain low. With falling rates and improved access to financing, the M&A market is poised for revival. While economic concerns persist, they are currently less impactful than inflationary pressures, leading to increased risk appetite.

Additionally, valuations have become more attractive, and there is a significant amount of 'dry powder' ready to be put to work.

## M&A levels are on the rise in Europe



Source: ING

### 5. Higher Corporate Hybrid supply

We forecast a rise in corporate hybrid supply up to €38bn in 2025. Refinancing levels next year will rise notably up to €31bn, which will drive supply. In addition, many alternative options have been

exhausted, but in any case, market conditions are much more favourable for hybrids now. See below for more.

## 6. More Asset & Liability management exercises

We expect a rise in ALM exercises in 2025 driven by falling rates and easier financing. As we expect steeper credit curves, that can also present some opportunities. We expect particular activity in the hybrid space with the phrase "tender is the new call" coming to the forefront. We expect to see increased activity from the real estate space in the form of subpar tenders to reduce leverage, tender and new issues to push out maturity and hybrid exchanges.

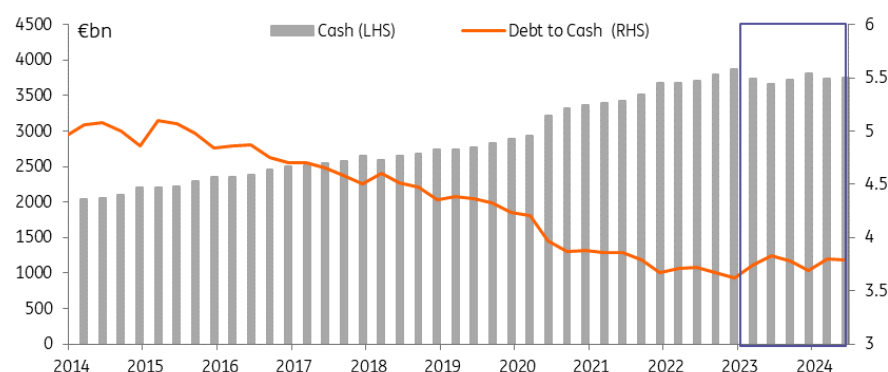
## 7. Higher Reverse Yankee supply

We expect an increase in Reverse Yankee supply up to €65bn in 2025. Reverse Yankee supply is generally a factor of EUR corporate supply and US corporate supply in USD and EUR. Redemptions are also set to rise for Reverse Yankee bonds in 2025. Furthermore, cost-saving advantages will be available as the USD underperforms. More details on Reverse Yankee supply are below.

## 8. Decreased cash buffer

The significant cash levels on the books of many corporates (due to large funding completed in 2019-21) have been depleted, and thus the buffer is lower and more financing may be necessary. As illustrated in the chart below, cash levels on the balance sheets have fallen this year.

## Cash levels and debt-to-cash faltering in recent quarters

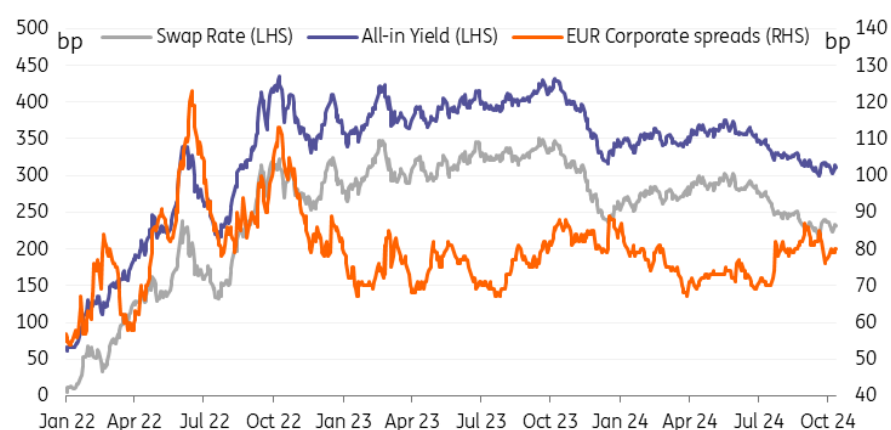


Source: ING, Macrobond

## 9. The cost of debt has fallen

As rates have fallen in recent months and credit spreads are looking somewhat tight within this range, the cost of debt for issuers has fallen from close to 4.5% to 3% currently, using the 5yr swap rate and the ICE EUR IG non-financial index as a proxy.

## All-in cost of debt is falling



Source: ING, ICE, Refinitiv

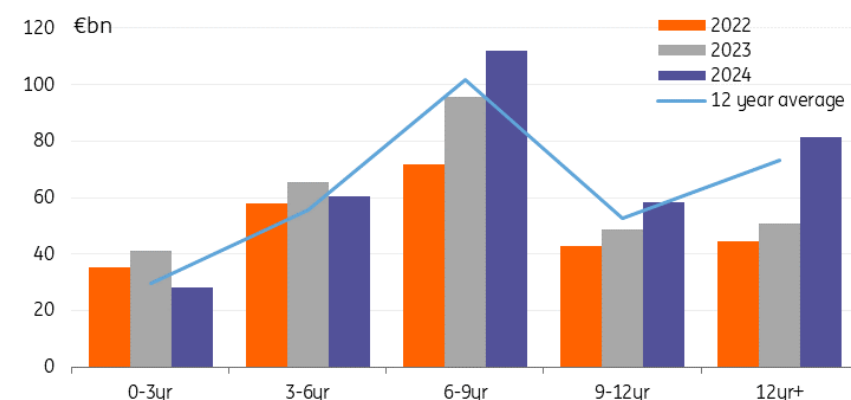
### 10. Higher ESG supply expected

As explained below, we expect an increase in ESG corporate supply up to €130bn. In 2025, this will also account for a higher percentage of corporate supply, up to 33% from 31% in 2024 and 28% in 2023. The rise in ESG supply will be driven by the utilities and real estate sectors.

### 11. Possibility to go long on the curve

Issuers have already been going longer on the curve to print. As illustrated in the chart below, supply has been much higher in the 6yr and buckets than in previous years, and often above the 12yr averages for those buckets. The demand for longer-dated credit has also picked up, as seen in the primary market books and the fund flows into the longer-duration funds.

## 2024 supply skewed towards the long end



Source: ING, Dealogic

### 12. Some sectors are set to see a large rise

The real estate sector has been revived in recent months with issuers completing deals. We forecast at least €30bn in real estate supply for 2025, driven by increasing redemptions, improving transaction volumes, better bond market conditions for issuers, a sector recovery, and a projected

rise in green bond supply. See more on this further down.

Similarly, utilities will see a large pick-up in supply as CAPEX becomes the main theme for the sector, alongside a bulky redemption schedule. We forecast €75bn supply for the sector in 2025.

## Many sectors will see a notable rise in supply in 2025

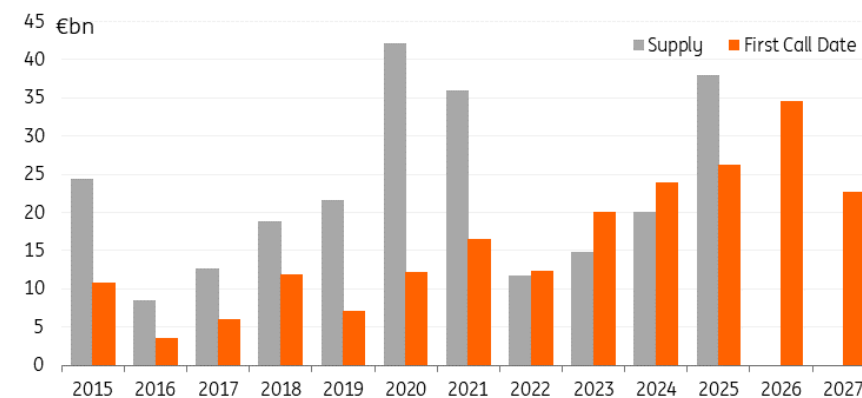
|                        | 2024       |      |            | 2025 Forecast |      |            |
|------------------------|------------|------|------------|---------------|------|------------|
|                        | Supply YTD | Reds | Net Supply | Supply        | Reds | Net Supply |
| Auto                   | 50         | 38   | 13         | 55            | 38   | 17         |
| Consumer               | 43         | 39   | 4          | 60            | 38   | 22         |
| Healthcare             | 32         | 20   | 12         | 33            | 21   | 12         |
| Industrial & Chemicals | 60         | 41   | 19         | 70            | 49   | 21         |
| Real Estate            | 19         | 20   | -1         | 30            | 24   | 6          |
| TMT                    | 49         | 39   | 9          | 50            | 40   | 10         |
| Utility                | 62         | 29   | 33         | 75            | 37   | 38         |
| Oil & Gas              | 5          | 16   | -10        | 7             | 15   | -8         |
| Others                 | 20         | 15   | 5          | 20            | 15   | 5          |
| Totals                 | 340        | 257  | 83         | 400           | 276  | 124        |

Source: ING, Dealogic

## ➔ We forecast €38bn in corporate hybrid supply in 2025

A notable rise in corporate hybrid supply is expected in 2025, up to €38bn. This marks a rather significant level, relative to the low amount over the past few years. But it will not be over the rating defence-induced 2020 and 2021 levels.

## Supply set to rise for hybrids



Source: ING, Dealogic

## 5 reasons we expect a rise in hybrid supply

### 1. Rise in redemptions

Hybrids due to be called in 2025 and 2026 have increased. As per the chart above, redemptions will rise to €26bn in 2025 and a substantial €35bn in 2026. About half of 2025's redemptions have already been re-financed, as is the norm, leaving c.€13bn left. Additionally, half of the 2026 redemptions will likely be refinanced in 2025 which amounts to €18bn. Therefore, the true refinancing level for 2025 is €31bn.

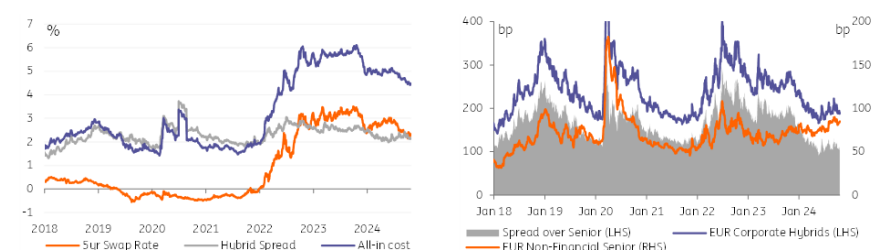
## 2. The market is becoming more favourable

The all-in cost/yield of hybrids has fallen from a peak of just over 6%, down to the current 4.5%, as highlighted in the chart below. In addition, hybrid spreads have seen rather significant tightening. Taking the peak of 2023, when hybrid spreads were 250bp over senior spreads, the tightening has been substantially down towards the current 110bp spread over senior. Historically, spreads tend not to go much tighter than 100bp over the senior spreads.

## 3. Alternatives are exhausted

The past two years have seen issuers take advantage of all options available to them in an attempt to deal with the higher rates environment. Issuers have called without replacing, produced tender offers, opted not to call, and many have used the 10% allowance to tender hybrids without losing equity. Some of these options are now exhausted and thus will have to refinance.

## The cost of hybrid issuance is falling, and the spread over senior is at very tight levels



Source: ING, ICE, Refinitiv

## 4. Low-weighted average cost of capital by undertaking hybrid issuance

As shown in 2020 and 2021, low yield and spread periods induce this form of capital funding. As credit spreads and underlying rates both fall, the attraction of issuing hybrid capital increases. The so-called weighted average cost of capital calculation tips in favour of hybrid debt, making it an attractive option for issuers looking to boost capital levels.

## 5. Rating defence

We also expect additional hybrid supply to be driven in part by rating defensive, as plenty of sectors show that their rating migration stats are already weak, and capex is similarly on the rise, all at a time of weak consumer demand. To stay within rating perimeters, the temptation to issue more or new hybrids will stimulate supply.

## ➔ We forecast €400bn in EUR bank bond supply in 2025

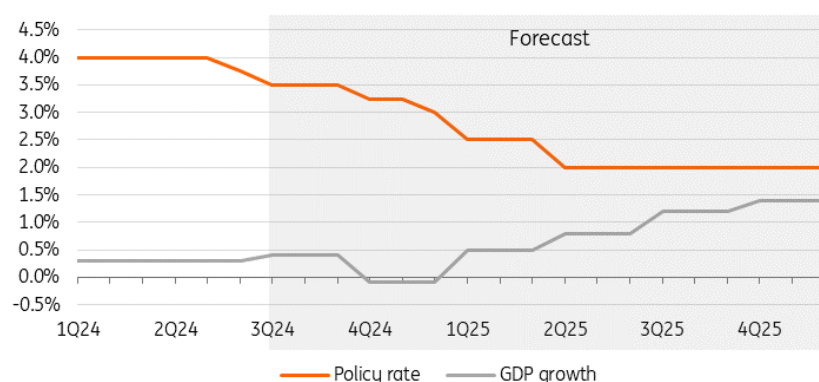
EUR bank bond supply remained high in 2024, reaching €420bn. We thus foresee about another €40bn to be issued over the remaining two months of this year. In our view, the overall supply levels will remain below last year's total for two reasons: firstly, banks have historically been less active in the primary market over the fourth quarter of the US presidential election years. Secondly, the market volatility and subsequent spread widening recorded after the European elections in June negatively affected issuance levels.

Next year's EUR bank bond supply is expected to remain high albeit less heavy than in 2024. In our view, three variables will be driving banks' issuance over 2025.

First, the last repayment leg of the TLTRO III is set for December 2024. Banks' heavy activity in bond primary markets over the last two years partly reflects banks' switch from ECB funding to other funding types. Data has also shown that some European banks reduced their Liquidity Coverage Ratio (LCR) instead of fully replacing the repaid TLTRO drawings and increased their MRO and LTRO drawings. Consequently, we believe that the end of the TLTRO's repayment era will reduce bank bond supply in 2025.

Second, our economists predict that EU GDP growth will remain sluggish next year (below 2%) despite pencilling in some additional rate cuts. In that environment, we expect lending growth to remain rather slow in 2025. In our view, lending growth will not become a firm driver for bank bond supply next year.

## Eurozone policy rates and GDP growth forecast



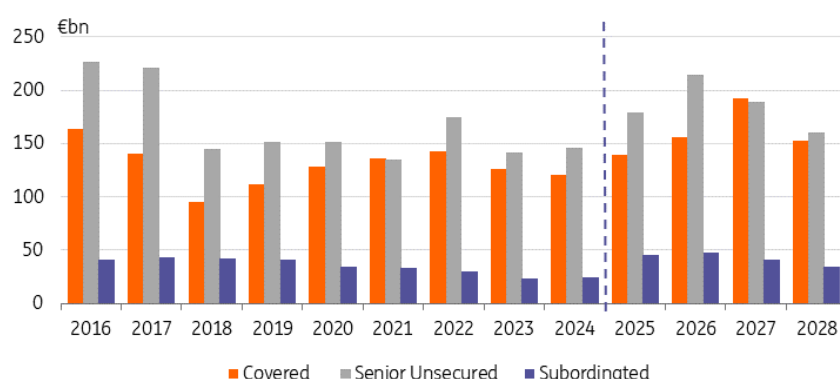
Source: ING, ECB

Finally, bank bond redemptions will surpass the levels seen since 2017 across the whole liability structure. Covered bond redemptions will reach €139bn in 2025 and €156bn in 2026 versus €121bn this year. The increase is also seen in the senior unsecured segment with an aggregated increase in redemptions of €33bn.

Bank capital redemptions will also surge in 2025 to reach €43bn (with €32bn in Tier 2 bonds and €13bn in the AT1 segment). Therefore, we expect banks to remain active in the EUR bond market to refinance the large number of maturing instruments.



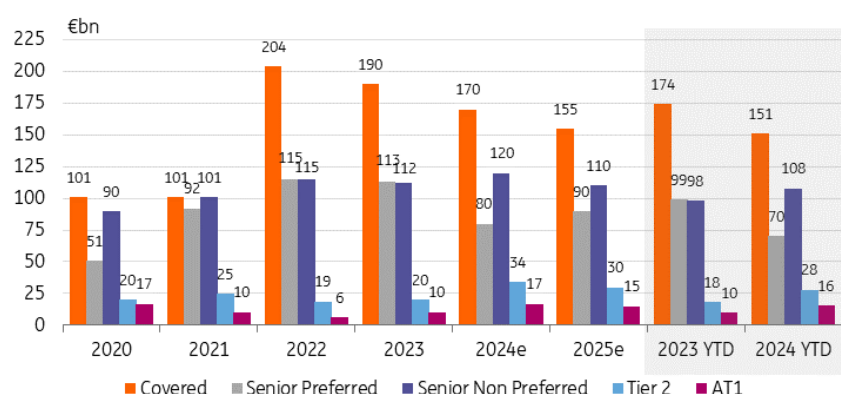
## Bank bond redemptions over the years



Source: ING, Dealogic

All in all, we expect next year's bank bond supply to remain high thanks to elevated redemptions (both in 2025 and 2026), albeit below the levels seen since 2022 on the back of the end of TLTRO III repayments and still sluggish lending growth. We estimate gross bank bond supply to reach €400bn in 2025 (a net supply of €37bn). This is split into €155bn issued in covered bonds, €200bn in senior instruments and €45bn in bank capital.

## Forecasted EUR bank bond supply for 2025



Source: ING, Dealogic

Covered bond supply is expected to decrease by €15bn (at €155bn including both Floating Rate Notes and sub-benchmark size issuances) compared to our expected 2024 levels, mostly due to the end of TLTRO refinancings. Senior unsecured supply is expected to stabilise to compensate for the bulk of redemptions in 2025 and 2026.

We forecast a solid senior preferred supply reaching €90bn and senior bail-in issuances to lie at €110bn. Finally, banks' capital supply is foreseen to increase slightly with €30bn in Tier 2 instruments and €15bn in AT1 bonds.



## We forecast €45bn in bank regulatory capital issuance in 2025

Primary issuance in euro-denominated regulatory bank capital debt has been very strong in 2024 and we expect another considerable supply year to be ahead of us.

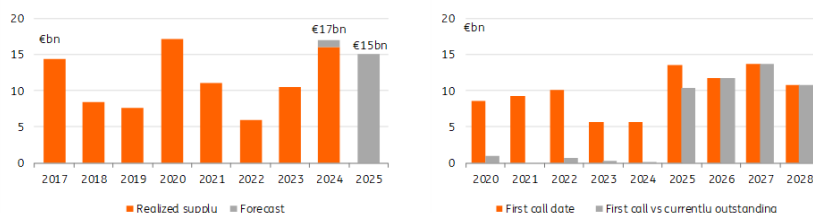
On a year-to-date basis, banks have raised €16bn in AT1 capital this year, substantially outpacing the full-year 2023 figure of €10.5bn. We expect banks to be broadly done with AT1 issuance for the year.

The strong supply this year has been supported by AT1 redemptions which are heading higher in 2025 to c.€13bn for first calls and to c.€12bn in 2026 from the relatively low level of c.€6bn in 2024. So far of the calls in 2025, some €3bn have been already tendered. Assuming that these deals were already fully refinanced at the time of the tender, the remaining 2025 calls would amount to closer to €9bn (ie excluding deals even partly tendered).

Our baseline is that most banks seek to refinance upcoming calls instead of extending their outstanding deals. Furthermore, we expect banks to continue to take a cautious approach to refinancing approaching calls next year too. In the end, the decision to call is certainly driven by the market backdrop heading closer to the call date and in particular by issuer (and in some cases bond) specifics.

The combined 2025-26 in euro-denominated AT1 redemptions (excluding all even partly tendered deals and based on the next call date) of c. €21bn keep the markets busy going into next year. We forecast euro-denominated AT1 supply to remain elevated in 2025 at €15bn.

## €-denominated AT1 supply forecast and redemptions step higher in the years ahead



Source: ING

We have also seen Tier 2 debt issuance reach new highs this year.

Banks have raised €32bn in euro-denominated Tier 2 debt so far this year (minimum €250m), substantially outpacing the full-year print of €19bn in 2023. We have adjusted our full-year forecast to €34bn for 2024, which would leave another €1.75bn to be issued during the remainder of the year.

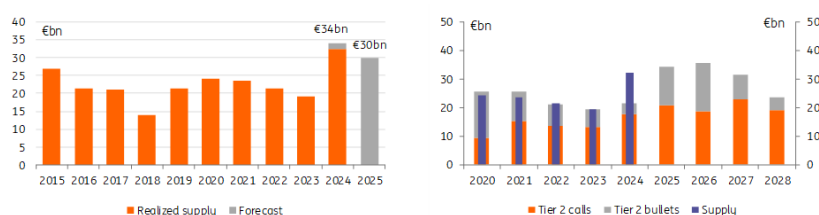
We have pencilled in €30bn in Tier 2 supply for next year, which would be another close record year in Tier 2 supply when compared to the past 10 years, remaining slightly below the levels seen this year.

Looking at 2025 altogether, €32bn in Tier 2 debt is set to mature, of which the bulk (€18bn) is in a

callable format. In 2026 another €36bn is set to mature with €19bn in callable debt. The Tier 2 supply will likely come mainly in a callable format in our view.

The relatively elevated redemptions ahead prompt us to expect another strong Tier 2 supply year in 2025. That being said, we would not expect all the redeeming bullets to be refinanced in a similar format as they have already lost their regulatory capital eligibility. Instead, part of this debt is likely to get refinanced in senior format to account for MREL eligibility.

## €-denominated T2 supply as redemptions head massively higher in 2025-26



Source: ING

## ➔ We forecast €145bn in EUR benchmark-covered bond supply in 2025

EUR benchmark-covered bond supply saw a further decline in 2024 against the backdrop of lower volumes of TLTRO-III repayments made by eurozone banks and the modestly lower EUR benchmark redemption payments. A stagnating mortgage lending growth vis-à-vis growing deposit balances also reduced the refinancing need for banks. Apart from that, the snap elections in France have dampened the issuance activity by French banks since June. EUR issuance in FRN format shaved a further €6bn of the amount that would otherwise probably have been issued in fixed coupon format. We expect EUR benchmark-covered bond supply to end 2024 close to €160bn.

With the ECB's TLTROs now fully repaid, we believe that EUR benchmark-covered bond supply is set to decline next year to €145bn in fixed coupon format (or €155bn including floaters and sub-benchmark size supply). It is still uncertain when and in what format the ECB will, at some point, introduce its new structural longer-term refinancing operations, but we do not expect this to become a relevant factor for supply in 2025.

EUR benchmark-covered bond redemption payments will rise to €134bn in 2025 from €116bn in 2024, but the true impact of the substantial shorter maturity issuance in 2022 and 2023 will not be seen until 2026 when redemptions rise to €155bn. This may lead to some pre-funding in the second half of 2025, once the ECB has completed its rate cuts. However, we don't expect this to lift covered bond supply to similar levels as in 2024.

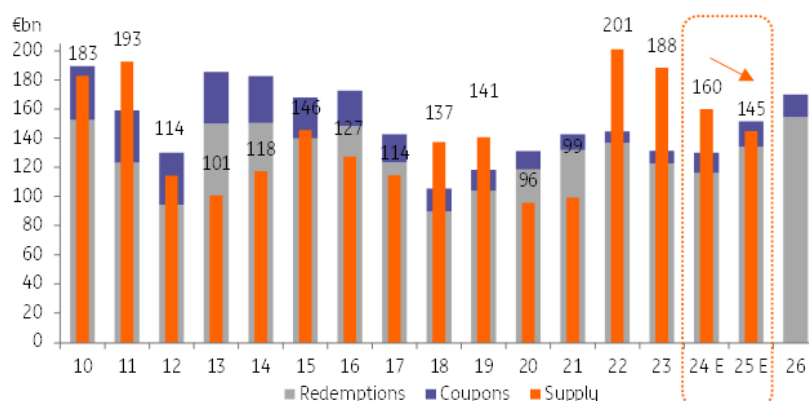
Meanwhile, the relatively compressed spread levels across the liability structure will keep banks well-focused on the issuance of senior unsecured and subordinated instruments. To safeguard liquidity management flexibility, some banks will also prefer to keep a sufficient portfolio of mortgage assets unencumbered, or otherwise encumbered in retained covered bond format, over

the issuance of covered bonds in the public domain.

Mortgage lending growth is expected to pick up a bit against the backdrop of central bank rate cuts and recovering house price developments, while the growth in deposit balances will likely not continue to outpace household lending growth to the same extent as this year. This will ensure still reasonable covered bond supply in 2025.

## EUR benchmark covered bond supply expected to fall in 2025

These numbers include fixed coupon EUR benchmark size issues only

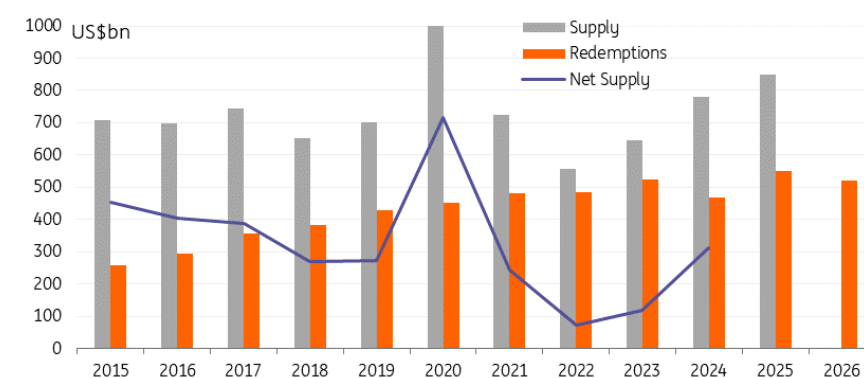


Source: ING

## ➔ We forecast US\$850bn in USD corporate supply in 2025

We expect USD corporate supply will increase to US\$850bn in 2025, a bumper year but not record-breaking like 2020. Increased M&A activity and higher CAPEX add to the higher redemptions scheduled as the cost of debt falls. This means net supply rises to US\$300bn.

### USD net supply rising



Source: ING, Dealogic

### 5 reasons supply increases

#### 1. Redemptions rise

For 2025, USD corporate redemptions are pencilled in at US\$550bn, a notable increase on the US\$468bn of 2024. Over the past seven years, supply is on average 1.6 times the redemption level. As such, US\$850bn supply sits at 1.6 times the US\$550bn redemptions.

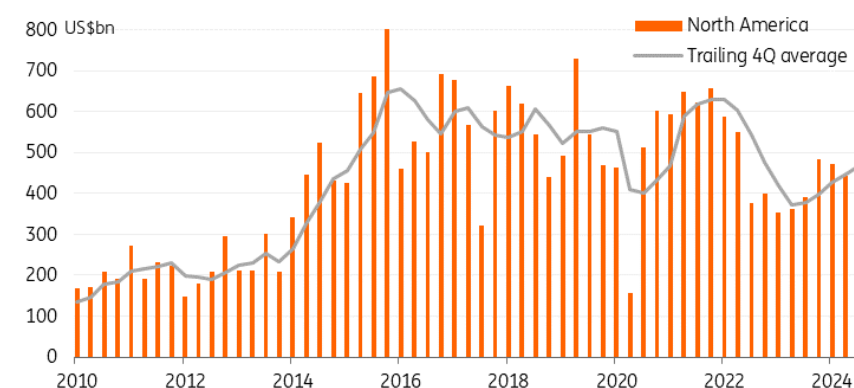
## 2. Net Supply returns to normal levels

The net supply level of US\$300bn is back within the average range of net supply in the years prior to 2020 before the Covid-induced bombardment and high rates environment. This is illustrated in the chart above.

## 3. Increased M&A activity

M&A levels are set to rise in 2025 after rather low levels in 2022, 2023 and 2024. We have recently observed levels in the US trending upwards but still sitting at low levels. With rates falling and more financing access, M&A markets can continue to be revived. Economic concerns while still present are not as impactful for the time being as inflationary-induced pressures, thus risk appetite will increase. Additionally, valuations have become more attractive and there are large amounts of 'dry powder' to be put to work.

## M&A levels on the rise

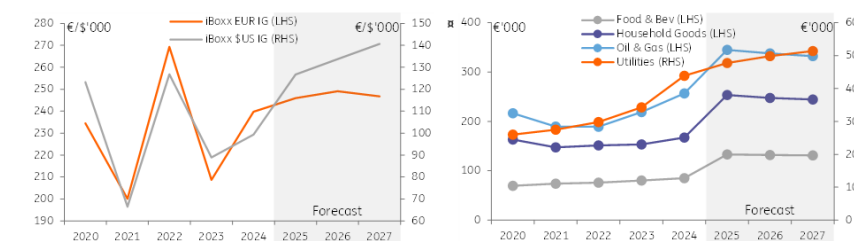


Source: ING

## 4. Increased CAPEX

Capital expenditure is very much on the rise in the coming years, as illustrated below. We have already seen a strong increase in 2024, and we expect to see a further increase in 2025 and to remain at elevated levels. This will drive supply higher in 2025.

## CAPEX is in the rise

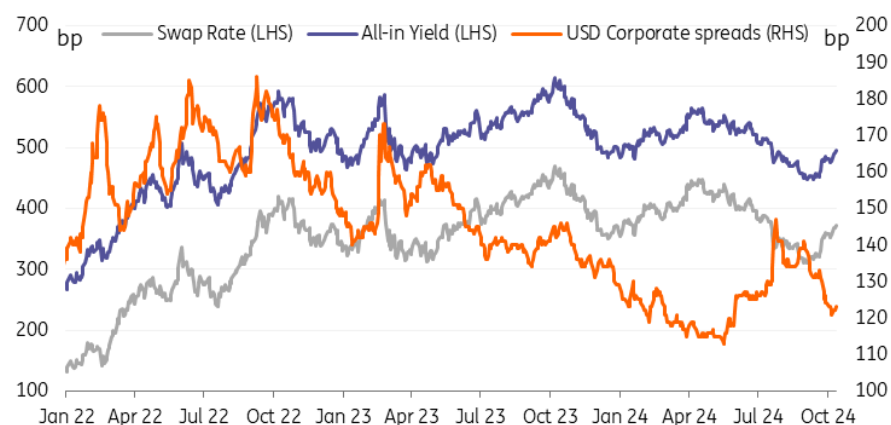


Source: ING, Refinitiv

## 5. Cost of debt has fallen

As rates have fallen in recent months and credit spreads are looking somewhat tight within this range, the cost of debt for issuers has fallen from more than 6% to about 4.5% currently, using the 5yr swap rate and the ICE USD IG non-financial index as a proxy.

### Falling total cost of debt



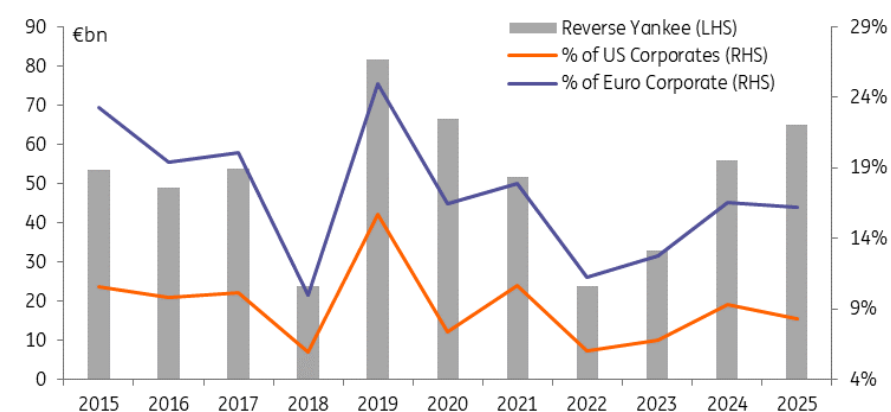
Source: ING, ICE, Refinitiv

## ➔ We forecast €65bn in Reverse Yankee supply in 2025

We expect a rise in Reverse Yankee supply up to €65bn in 2025, up from c.€58bn in 2024. Normally Reverse Yankee supply is a factor of both EUR corporate supply and US corporate supply in both EUR and USD. We expect a return to the average levels in 2025 after somewhat low levels seen over the past few years.

We expect Reverse Yankee supply will be just shy of the average 19% of EUR corporate supply at 18%, and just short of the 9% average of US corporate supply in USD and EUR, at 8%. In addition, redemptions for Reverse Yankee bonds will rise in 2025 up to €47bn, an increase from €39bn maturing in 2024.

### Higher Reverse Yankee supply expected, following higher euro and USD supply

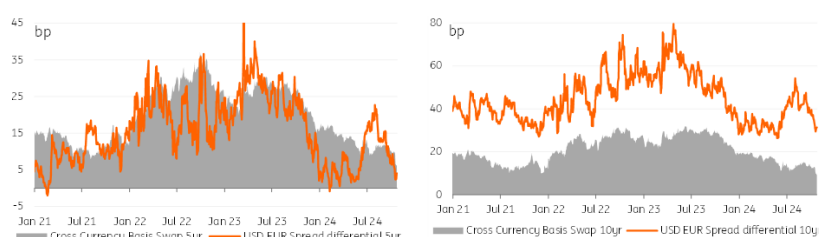


Source: ING, Dealogic

The cross-currency basis swap equation will continue to offer a net investment hedge for US issuers to come to the EUR market and swap back in the longer end of the curve. Both EUR and USD credit are expected to remain range-bound in 2025, as seen in 2024. As such, opportunities for cost-saving advantages across the curve may also open up during times of USD underperformance over EUR.

Additionally, in the case of a Kamala Harris victory in the election (particularly with a blue congress), we expect USD credit will be under more widening pressure on the back of higher taxes and as such underperform versus EUR. This will create more opportunities to avail of the net investment hedge and thus more Reverse Yankee supply.

## The cross-currency basis swap equation



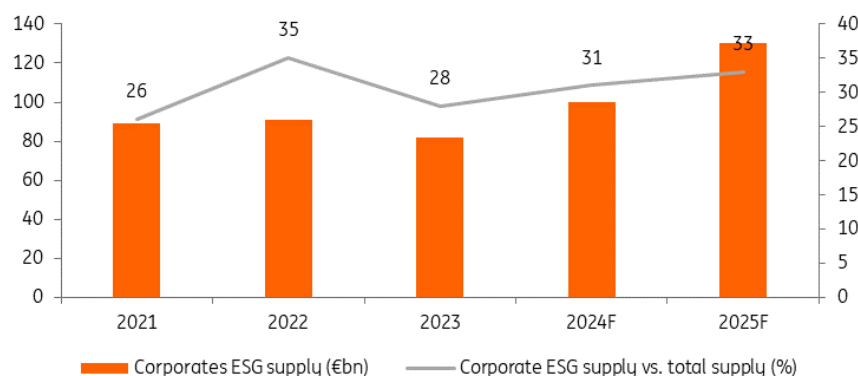
Source: ING, ICE, Refinitiv

## ➔ We forecast €130bn in corporate ESG supply in 2025

As of today, corporates have issued c.€90bn of ESG bonds in 2024. We expect global € credit supply to slow down in the coming two months, but corporate ESG supply in the EUR currency should reach the €100bn mark at the end of the year. 2025 and 2026 will see heavier corporate credit supply, driven by both higher bond redemptions and higher capital expenditure.

We forecast a corporate € ESG supply of €130bn in 2025. With corporates issuing a total of c.€400bn next year, ESG bonds will represent 33% of total supply, up from 31% in 2024F.

## Corporate € ESG bond supply will account for 33% of total corporate supply in 2025



Source: ING, BNEF

## The utilities sector to drive issuance in 2025

Over the last two years, utilities have issued c.75% of their € bond supply in sustainable bonds. The sector is at the forefront of a business model shift from conventional power generation to renewable energies. Networks transporting and distributing electricity must be upgraded and extended to accommodate the growing amount of wind, hydro and solar power plants.

Globally, gas transport and distribution network companies face fewer investment challenges. Nevertheless, some of these utilities are also investing heavily in the adaption of their pipelines to transport hydrogen and other green gases. The building of storage facilities also drives capital expenditure up. After a capex growth of 23% in 2023 and 9% in 2024, the sector's investments will increase by another 8% in 2025. With an expected global € issuance of €75bn in 2025, we believe that utilities will come with €55bn of ESG bond issuance in 2025, representing c.42% of the €130bn we forecast for corporates.

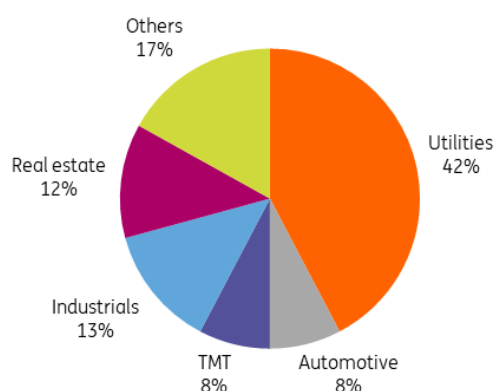
## Real estate resurrects but auto issuance could weaken

The real estate sector has experienced adversity in the last two years, but lower rates bring stabilisation and accrued confidence from investors toward the sector. Real estate companies will come to the bond market with about €30bn in 2025, up from €20bn in 2024F and €6.7bn in 2023. Out of the €30bn, we expect REITS to use about €16bn in ESG bonds to “green” their estate portfolios as the deadlines are approaching.

The automotive sector has been very active in the sustainability bond markets. Western automotive players issue in the EUR currency but also the US dollar, Canadian dollar, British pound and Swedish krona. Year-to-date, they have issued €12bn of ESG bonds among which 80% are green bonds. German automakers represent 60% of the €12bn. The deceleration of car sales and electric car subsidy cancellation in some European countries could weigh on the automotive sectors and 2025 ESG issuance. Our cautious approach towards the sector leads to a forecast of €10bn of ESG bonds (including the €4bn maturing in 2025 which we think could be replaced by new issuance).

Industrials (goods & services, paper, metals & mining, construction, aerospace and chemicals) will print a minimum of €15bn in 2025, representing 12% of total expected issuance.

## Utilities to drive corporate € ESG issuance in 2025



Source: ING, BNEF



## Green bonds will again remain the preferred format

Corporates have not been very involved in social bonds or sustainability bonds. We expect both formats to reach €10bn in total in 2025. As far as SDG-linked bonds are concerned, we believe the asset class will reach €12bn for the full year 2024 and €20bn in 2025.

Just like the past few years, the green bond format should retain a c.75% share of corporate € ESG volume in our view. Many corporates have already got a green bond framework in place. Investors also favour this format for its clarity and focus, limiting the most greenwashing opportunities.

By the end of December, the EU Green Bond Framework will come into effect. This is not an obligatory tool for issuers, but the adoption of the framework for future bond issuance should bring more comfort to investors. The aim of the EU guidelines and standards is to ensure transparency and supervision from the local regulators.

## ➔ We forecast €70bn in bank ESG supply in 2025

### Lower issuance volumes by banks will see their 2025 ESG print decline to €70bn

For the first time in the past decade, EUR sustainable bank bond supply will not trump the issuance volumes of the previous year. Due to stagnating lending growth and the overall slower supply activity by banks, our call from last year's outlook for €75bn in ESG supply by banks in 2024 will probably be close to spot on by the end of this year.

Banks across the globe have issued €66bn in EUR-denominated ESG bonds YTD, down from €71bn over the first 10 months of last year. Covered bonds and preferred senior unsecured bonds represent 27% each of the YTD ESG print while bail-in senior issuance is responsible for 39% of the green and social use of proceeds supply. Subordinated bonds and RMBS only have a modest share of 4% and 2% in the 2024 ESG print of banks.

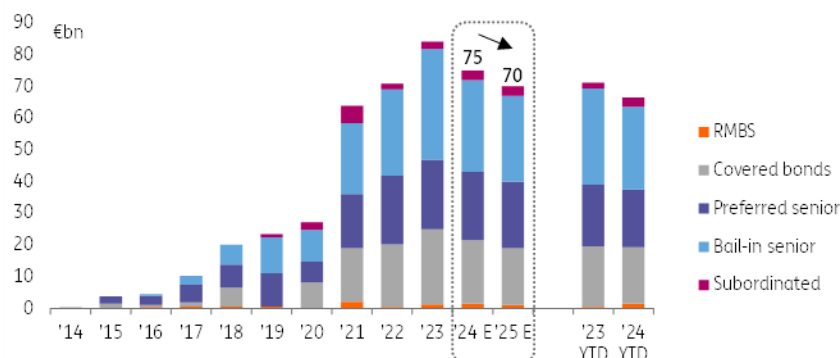
We look again for somewhat less ESG supply by banks in 2025 compared to the year before, with 2025 ESG issuance expected at €70bn. Of this amount, 80% is to be issued in green format. Banks are projected to print €20bn less in total (vanilla plus ESG) and lending growth is set to pick up only gradually next year. Hence, sustainable loan portfolios will grow modestly.

Banks may find opportunities to further grow their sustainable assets through the criteria set in the EU Taxonomy's environmental delegated act (eg to support the circular economy), but climate change mitigation will stay the key driver to green supply. ESG redemption payments will rise from €15bn to €34bn. This will also free up sustainable assets for new ESG supply, but probably not for the full amount due to the changes made to some of the green bond eligibility criteria since the bonds were issued.

The ESG supply by insurance companies and other financial services companies (excluding real estate) will only add €5bn to the ESG total, this year and next.

## Lower issuance volumes by banks will coincide with less ESG supply

Only EUR bonds included with a minimum size of €250m



Source: ING

As of next year, companies can also opt to issue their green bonds under the EU green bond standard. Considering the low first green asset ratio (GAR) disclosures by banks this year, we doubt we will see a lot of bank bond supply under this standard. Judging, for instance, the low reported EU Taxonomy alignment of the mortgage lending books of banks, not many banks will be able to marshal a sufficiently large portfolio of taxonomy-aligned assets to substantiate green issuance under the EU GBS format. That is unless they are comfortable enough with the growth prospects of their taxonomy-aligned assets.

### ➔ We forecast €30bn in EUR real estate supply in 2025

Real estate bond supply has exceeded our expectations so far this year, with total €-denominated real estate issuance at €19bn as of October 2024. We had initially forecast a supply of €15bn for the year, which was already a large increase compared to 2023 (€8bn). However, supply has been even stronger than expected, with many companies taking advantage of improving capital markets and substantial demand in 2024.

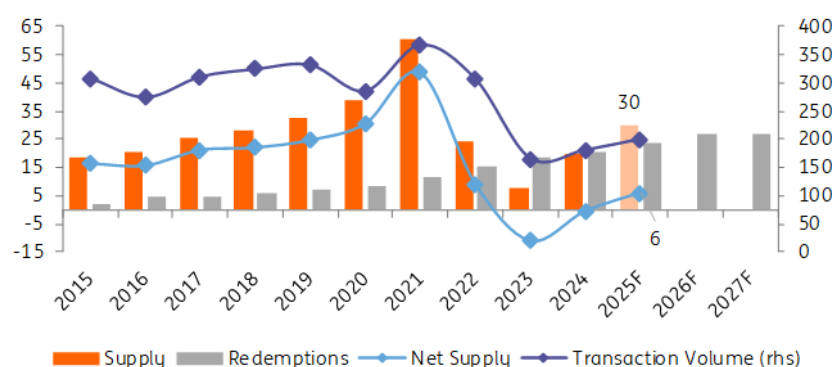
We expect supply to pick up meaningfully again in 2025, pencilling in €30bn for real estate. While €30bn is significantly higher than in recent years, it is still a lot lower than 2020 and 2021, and more in line with 2018 and 2019. We see five reasons for the increase:

1. Redemptions start to pick up.
2. Transaction volumes are likely to improve.
3. Bond market conditions improve for more issuers.
4. Real estate turns the corner.
5. Green bond supply remains strong.

For 2024, redemptions and supply are set to be broadly similar, with the potential for net supply to be marginally positive. This follows the €-11bn of net negative supply in 2023, a real outlier as the chart below shows. For 2025, we think the net positive supply is c€6bn, which is still low in a historical context.

Read a more detailed reasoning in our report [Real Estate € Supply Outlook 2025](#)

## Real estate € supply expected to reach €30bn next year



Source: ING, Dealogic, CBRE

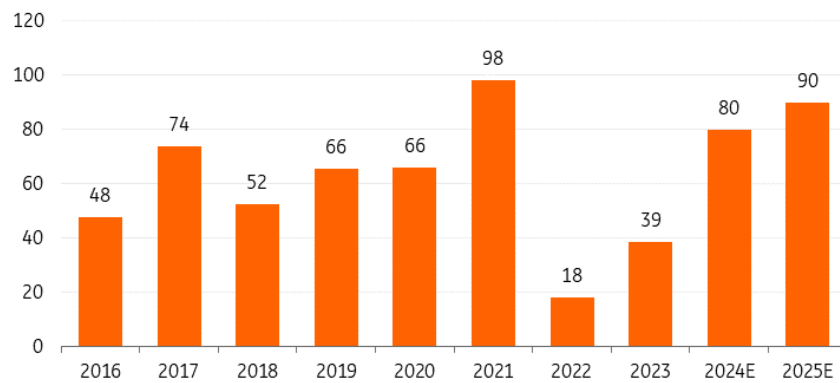
### ➔ We forecast €90bn in European high-yield supply in 2025

We note that 2024 has been quite prolific in terms of the European high yield (EHY) gross primary issuance and we now expect the FY24 supply to be approximately €80bn. For FY25, we anticipate that the European high-yield gross primary corporate euro-denominated supply will increase further and will reach approximately €90bn. We add that should it come to pass, this would be the second-highest EHY issuance year after €97bn in FY21.

Furthermore, we feel that in our upside scenario, the FY25 issuance may even reach €100bn, setting a new record. However, we prefer to set the bar somewhat lower at this stage given inevitable uncertainties and refinancing and funding alternatives. Our current FY25 gross issuance target comprises the refinancing and pre-funding component of approximately €70bn for maturities falling roughly into the next two and a half years plus the additional issuance component of €20bn.

We believe that our gross issuance target for 2025 is relatively ambitious given that we estimate the last 10-year average at €57bn per annum and given the economic, policy and geopolitical uncertainties that lie ahead. Therefore, our issuance expectations for FY25 assume a relatively orderly and receptive market environment, akin to what we have seen in 2024 to date.

## European High Yield Supply (Corporates, EUR-denominated, €bn)



Source: ING, Dealogic

## Author

### Timothy Rahill

Credit Strategist

[timothy.rahill@ing.com](mailto:timothy.rahill@ing.com)

### Jeroen van den Broek

Global Head of Sector Research

[jeroen.van.den.broek@ing.com](mailto:jeroen.van.den.broek@ing.com)

### Maureen Schuller

Head of Financials Sector Strategy

[Maureen.Schuller@ing.com](mailto:Maureen.Schuller@ing.com)

### Suvi Platerink Kosonen

Senior Sector Strategist, Financials

[suvi.platerink-kosonen@ing.com](mailto:suvi.platerink-kosonen@ing.com)

### Marine Leleux

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

### Nadège Tillier

Head of Corporates Sector Strategy

[nadege.tillier@ing.com](mailto:nadege.tillier@ing.com)

### Jesse Norcross

Senior Sector Strategist, Real Estate

[jesse.norcross@ing.com](mailto:jesse.norcross@ing.com)

### Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

[oleksiy.soroka@ing.com](mailto:oleksiy.soroka@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom

this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).