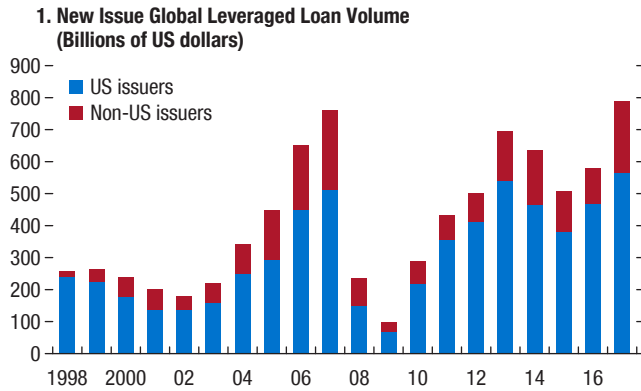
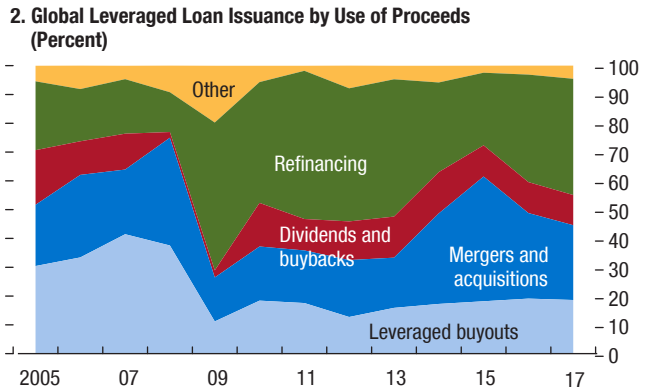


Figure 1.9. Leveraged Loan Issuance, Quality, and Developments after Regulatory Guidance

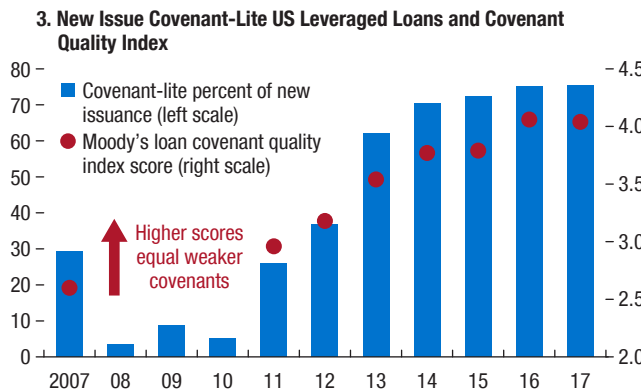
Loan issuance reached record highs in 2017 ...



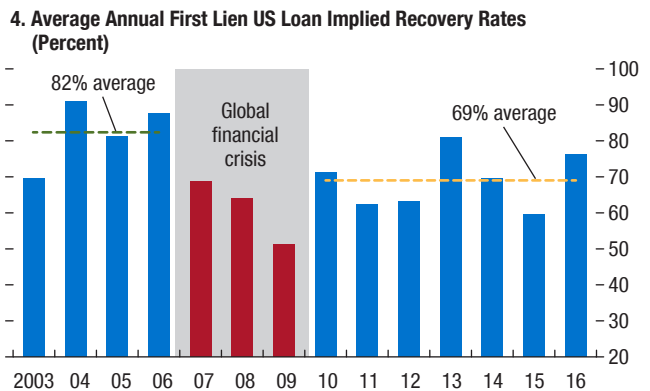
... with the share of proceeds used to fund acquisitions and shareholder enhancements still large.



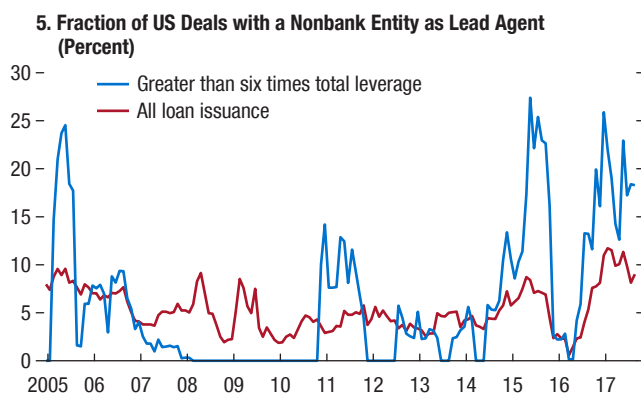
Covenant protections have weakened over time ...



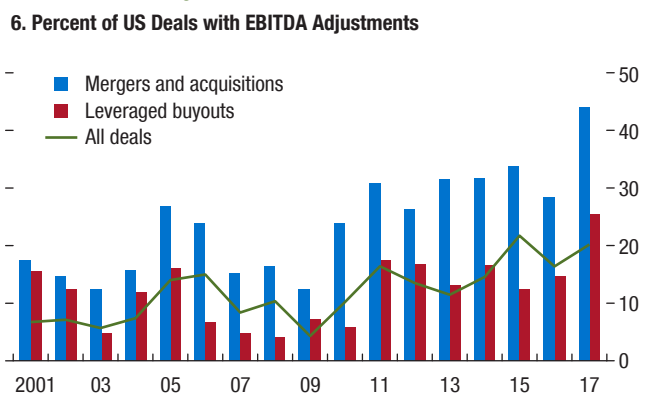
... leading to potentially lower recovery rates in the next default cycle.



Highly leveraged loan deals have increasingly been arranged by nonbank lenders ...



... while adjustments to earnings expectations have led to less conservative leverage calculations.



Sources: Barclay's; Moody's Default and Recovery database; Standard & Poor's Leveraged Commentary and Data; and IMF staff calculations.

Note: In panel 3, the Moody's Loan Covenant Quality Index score is a yearly average; data are unavailable from 2008 to 2010 due to lack of rated leveraged loan issuance. A higher Covenant Quality Index score represents weaker covenant protections. In panel 4, implied recovery rates are based on loan prices one month after default. EBITDA = earnings before interest, taxes, depreciation, and amortization.