Private Debt Intelligence – 9/10/2018

THE LEAD | September 11, 2018

Asia Private Debt Deal Activity Falters

Chart

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While the private debt industry has seen rapid growth in North America and Europe, the industry in Asia has faltered, and private debt deal activity in the region has been mercurial. In 2013, there were 21 deals made in the region, but just 14 the year after. 2015 saw the highest number of private debt deals announced in the region of any year, with a total of 27 deals. It doesn’t look like 2018 will match previous levels, as there have been just eight private debt deals made into Asia as of the end of August.

The largest industry in Asia is industrials, which has accounted for close to a quarter of deals completed in the past decade. Deals made into consumer discretionary has represented 16% of investments in Asia – the second largest proportion of any industry. This falls in line with global trends over the past decade, in which industrials and consumer discretionary have represented the largest number of deals completed.

Unsurprisingly, the largest hub of private debt deal activity in Asia is in China, with the country representing close to a quarter (23%) of deals completed in the past decade. India and Japan also account for notable proportions of investment activity in Asia, with each country accounting for 18% of deals respectively. Investments in South Korea meanwhile account for 12% of deals in Asia.

However, although the highest number of deals completed in Asia are in China, the largest proportion of Asia-based investors are based in Japan. In fact, Japan accounts for a quarter of active Asia-based investors, while South Korea accounts for the second-largest proportion of investors, representing 18% of Asia-based investors. South Korea is also home to seven of the 10 investors with the highest allocations to private debt. National Pension Service, a public pension fund based in South Korea, has the highest allocation to the asset class among Asia-based investors at $2.9bn. China-based investors account for 13% of investors in Asia, the same proportion as India-based investors.

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