

Kuwait Financial Centre K.P.S.C. "Markaz"

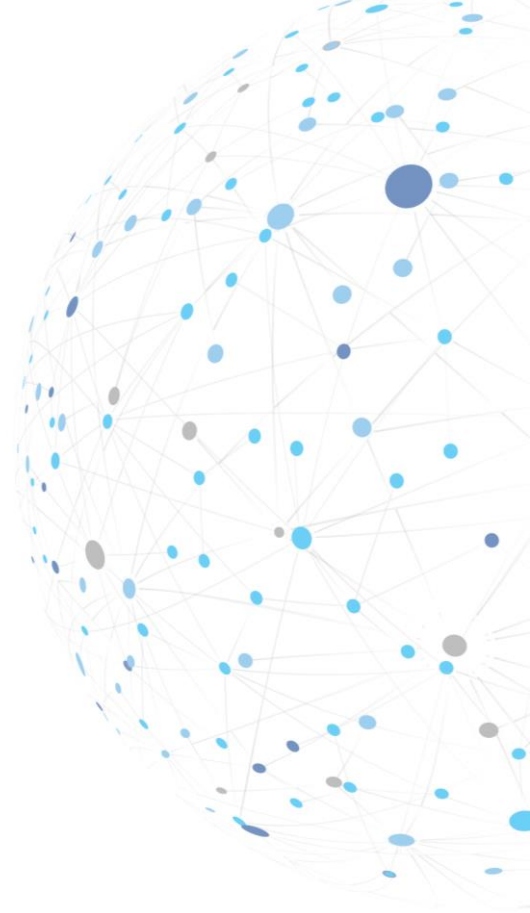
GCC Bonds and Sukuk Market Survey

FY-2021



Asset Management | Investment Banking

January 2022



Key notes

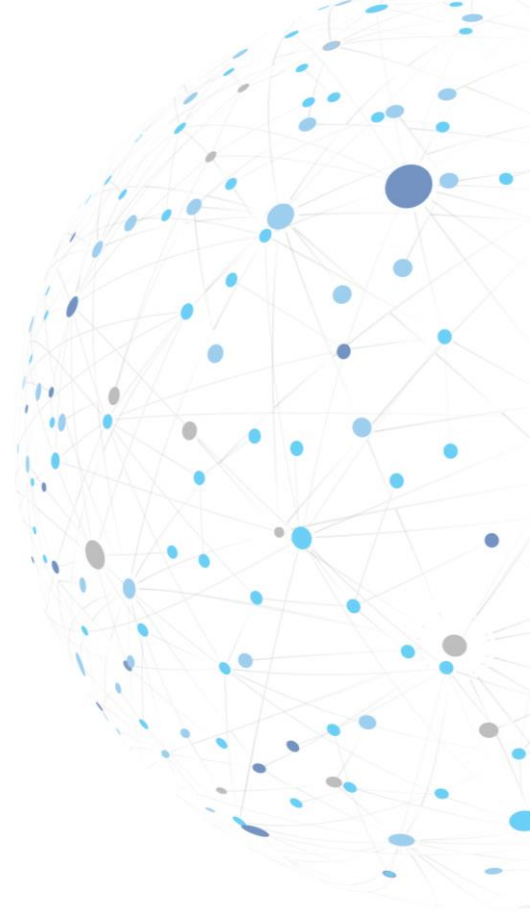
GCC Bonds and Sukuk Market Survey – FY-2021

- **Sustained Growth:** GCC Fixed Income markets continue to see significant issuing activity on the back of a global pandemic, where GCC states raised a total of USD 143.2 billion during the year of 2021 – marking a growth of 8% year-on-year, surpassing 2020's record year. Fixed Income markets have become a vital source of funding for GCC governments as well as corporates as the implications behind Covid-19 continue to result in stricter operating environments.
- **Diversified Market:** GCC Bonds and Sukuk issuances cover a fair spectrum of sectors, growing number of corporate and sovereign issuers and maturities, providing an opportunity to construct well-diversified portfolios to mitigate risks.
- **Outperforming Peers:** Although the GCC Bloomberg Barclays Aggregate Index has recorded a marginal return for 2021, the index outperformed other fixed income indices during the year, evidence of the attractiveness of the GCC Bonds and Sukuk markets.
- **Attractive Yields and Ratings:** The GCC continues to maintain positive-yielding debt that is supported by high credit ratings and the majority of which are issued in USD.

▪ Authors:	Rasha A. Othman	Ali Ramadan	Abdulaziz Al-Roumi	Mansour Al-Rukaibi
	EVP	Assistant Manager	Senior Analyst	Assistant Analyst
	Capital Markets & Fixed Income	Capital Markets & Fixed Income	Capital Markets & Fixed Income	Capital Markets & Fixed Income
	+965 2224 8000 Ext.: 1113	+965 2224 8000 Ext.: 1108	+965 2224 8000 Ext.: 1164	+965 2224 8000 Ext.: 1186
	rothman@markaz.com	aramadan@markaz.com	aroumi@markaz.com	mrukaibi@markaz.com

Markaz Research is available on Bloomberg: Type "RESP MRKZ" <Go>

GCC Primary Bonds & Sukuk Issuances



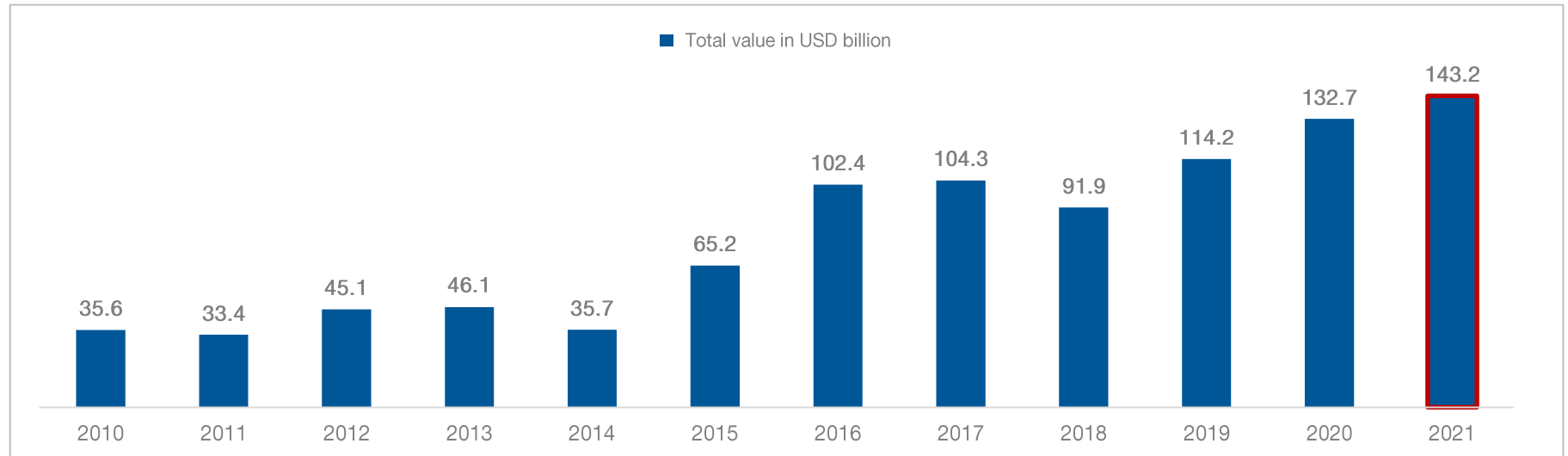
GCC Primary Bonds & Sukuk Issuances

Primary issuances of debt grew 8% YoY, amounting to USD 143.2 billion as of FY-2021

GCC Primary Bonds & Sukuk Issuances

GCC Fixed Income Market Performance

GCC Primary Bonds & Sukuk Trend in the GCC



- Primary debt issuances in the GCC continue to see notable activity during 2021, on the backdrop of historically low interest rates as well as lasting implications behind Covid-19 that have resulted in stricter operating environments for GCC governments and corporates.
- During 2021, primary issuances of bonds and sukuk in the GCC amounted to USD 143.2 billion compared to USD 132.7 billion raised during the same period in 2020, a growth of 8% year-on-year.
- In terms of the number of issuances, there were 280 primary debt issuances across the six countries in the GCC during 2021 compared to 360 issuances for the same period in 2020.

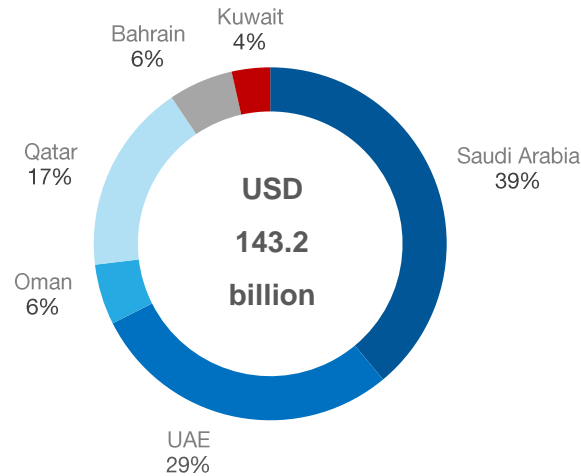
GCC Primary Bonds & Sukuk Issuances

Saudi Arabia leads the GCC in primary debt issuances in 2021, followed by the UAE

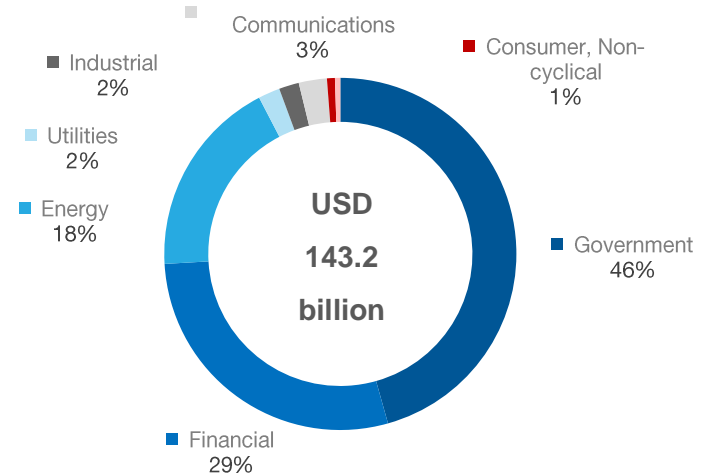
GCC Primary Bonds & Sukuk Issuances

GCC Fixed Income Market Performance

GCC Bonds & Sukuk Primary Issuance: Geographical Allocation (FY-2021)



GCC Bonds & Sukuk Primary Issuance: Sector Allocation (FY-2021)



- Saudi Arabian entities were the largest issuers by value during 2021 having raised a total of USD 55.8 billion, representing 39% of total primary debt issuances in the GCC, followed by the UAE with 29% of total primary issuances or equivalent to USD 41.0 billion.
- Kuwaiti issuers raised the least in primary debt among GCC peers with USD 5.0 billion, representing 4% of all issuances during 2021. The growth in primary debt issuances in Kuwait amounted to an increase of 8% year-on-year (FY-2020: USD 4.6 billion).
- Primary issuances by GCC governments constituted 46% of the total value of issuances, equivalent to USD 65.2 billion (FY-2020: USD 66.3 billion).
- Primary issuances by financial institutions constituted 29% of the total value of primary issuances, equivalent to USD 41.0 billion (FY-2020: USD 47.4 billion).
- GCC issuers from the energy sector constituted 18% of the total value of issuances, equivalent to USD 26.1 billion (FY-2020: USD 12.4 billion).

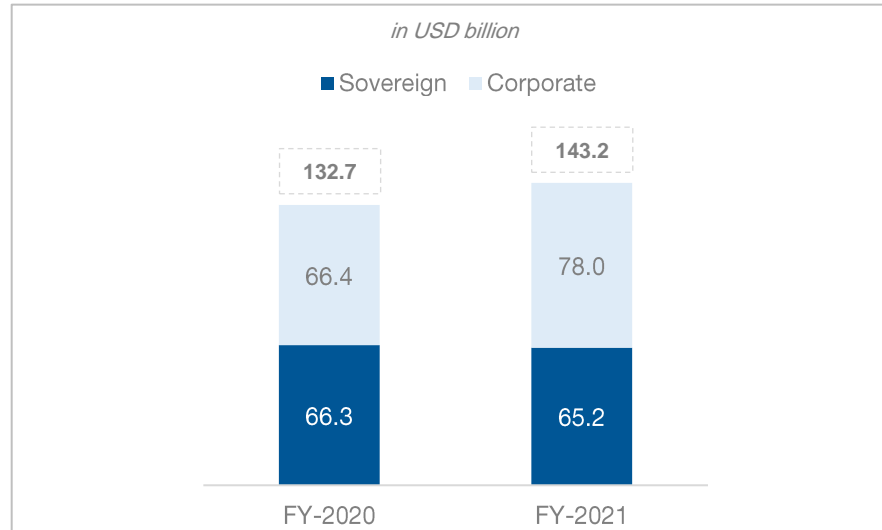
GCC Primary Bonds & Sukuk Issuances

Corporate issuances increased 18% YoY, whereas Sovereign issuances declined by 2% YoY

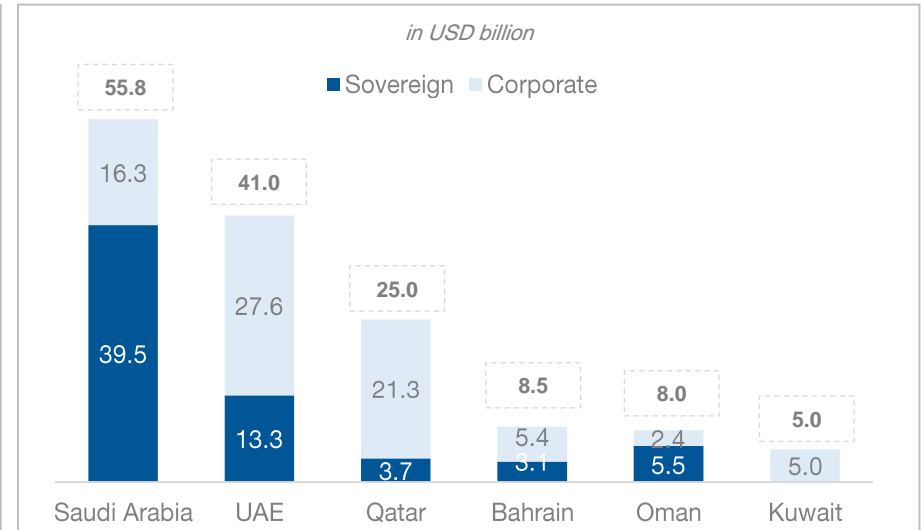
GCC Primary Bonds & Sukuk Issuances

GCC Fixed Income Market Performance

GCC Bonds & Sukuk Primary Issuance: Sovereign/Corporate (FY-2021)



GCC Bonds & Sukuk Primary Issuance: Sovereign/Corporate by Country (FY-2021)



- Issuances by GCC sovereigns amounted to USD 65.2 billion during 2021, making up 46% of the total value of primary issuances. This represents a decline of 2% year-on-year from the USD 66.3 billion raised during FY-2020.
- Issuances by GCC corporates amounted to USD 78.0 billion during the year, constituting 54% of the total value of primary issuances. This represents a growth of 18% year-on-year from USD 66.4 billion raised during the same period in 2020.
- Saudi Arabia was the largest sovereign issuer in the GCC in 2021 with a total of USD 39.5 billion, followed by the UAE with USD 13.3 billion and Oman with USD 5.5 billion. There has not been any sovereign issuances by Kuwait since 2017 due to an ongoing debt law gridlock.
- The UAE saw the largest amount of corporate issuances during 2021 amounting to USD 27.6 billion.

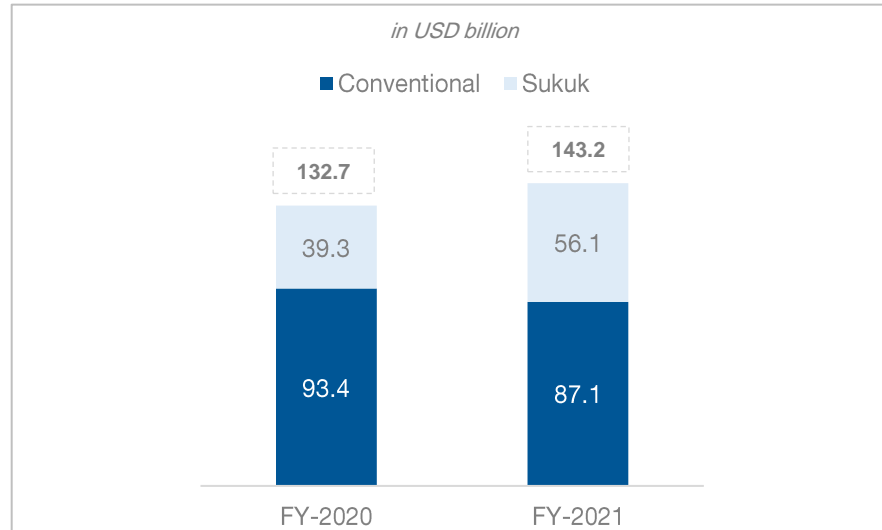
GCC Primary Bonds & Sukuk Issuances

Total sukuk issuances amounted to USD 56.1 billion as at FY-2021, a growth of 43% YoY

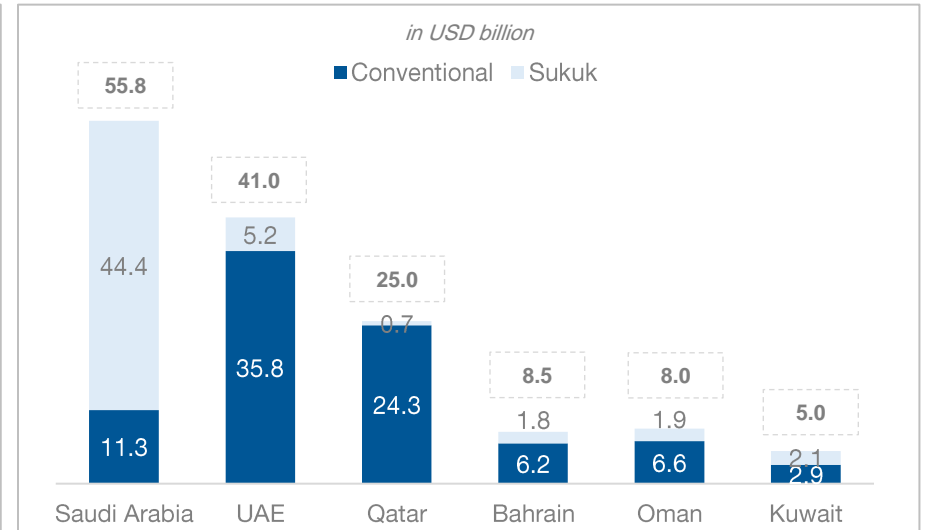
GCC Primary Bonds & Sukuk Issuances

GCC Fixed Income Market Performance

GCC Bonds & Sukuk Primary Issuance: Conventional/Sukuk (FY-2021)

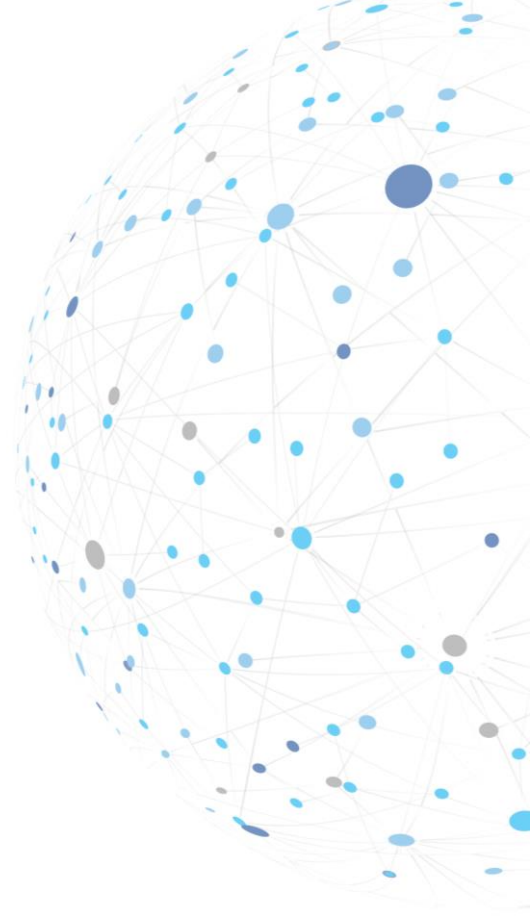


GCC Bonds & Sukuk Primary Issuance: Conventional/Sukuk by Country (FY-2021)



- Conventional issuances decreased 7% year-on-year to reach USD 87.1 billion by FY-2021 and constituted 61% of total issuances, whereas sukuk issuances grew 43% during the same period to reach USD 56.1 billion and constituting 39% of total primary debt issuances for 2021.
- The largest conventional issuances by value came from the UAE with a total of USD 35.8 billion raised as at FY-2021, whereas Saudi Arabia saw the largest issuances of sukuk by value with a total of USD 44.4 billion raised during 2021.

GCC Bonds & Sukuk Market Performance



GCC Bonds & Sukuk Market Performance

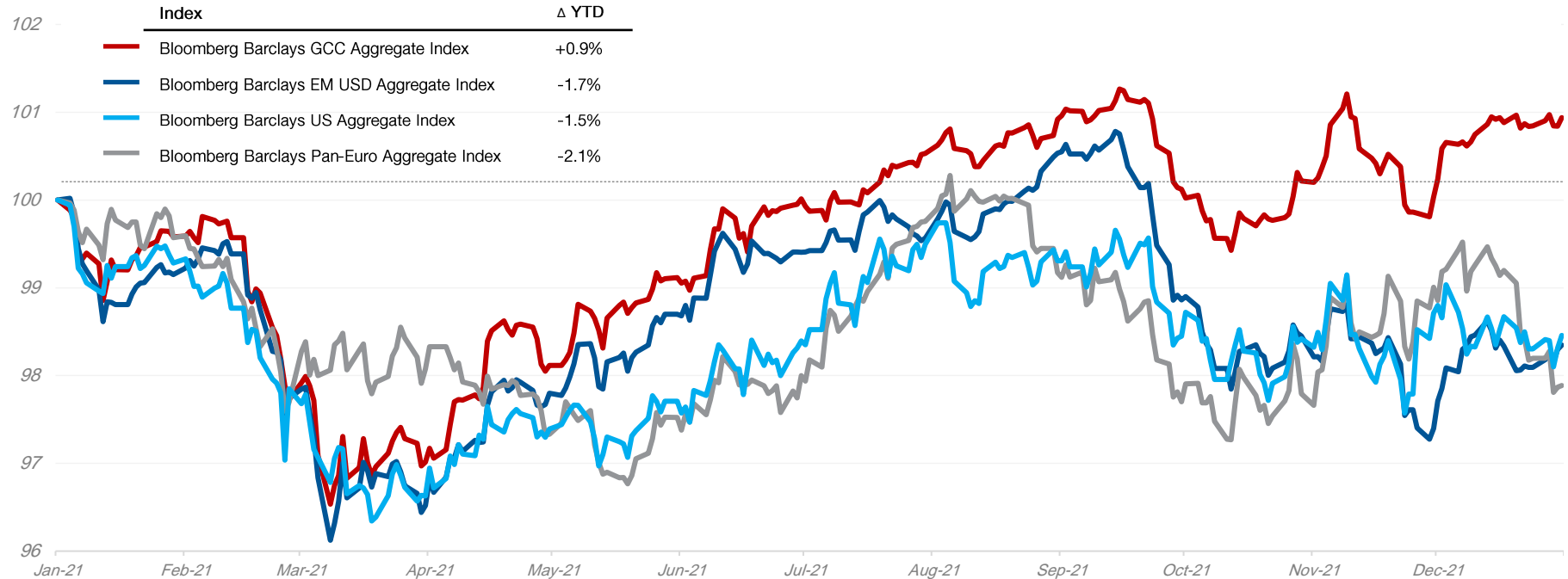
GCC Aggregate Index outperforms EM index

GCC Primary Bonds & Sukuk Issuances

GCC Fixed Income Market Performance

GCC vs. Regional Fixed Income Indices (FY-2021)

(Rebased scale, starting point = 100)



- In light of the pandemic, the Bloomberg Barclays GCC Aggregate Index recorded a marginal increase during the year with a return of +0.9% and has outperformed the Bloomberg Barclays Emerging Markets Aggregate Index, which has achieved a return of -1.7% for the same period.
- The Bloomberg Barclays US Aggregate Index has underperformed for the year of 2021 with a return of -1.5%, whereas the Pan-Euro Aggregate Index achieved a return of -2.1% during the same period.

GCC Bonds & Sukuk Market Performance

GCC 5Y CDS spreads saw mixed performances during the year 2021

GCC Primary Bonds & Sukuk Issuances

GCC Fixed Income Market Performance

Kuwait 5Y CDS



UAE 5Y CDS



Qatar 5Y CDS



Saudi Arabia 5Y CDS



Bahrain 5Y CDS



Oman 5Y CDS



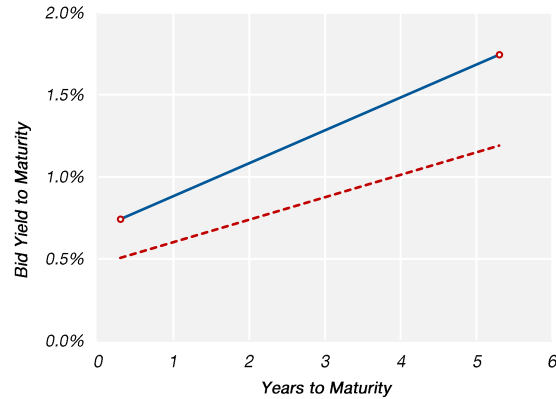
GCC Bonds & Sukuk Market Performance

GCC USD sovereign yield curves continue to widen in 2021, with the exception of Oman

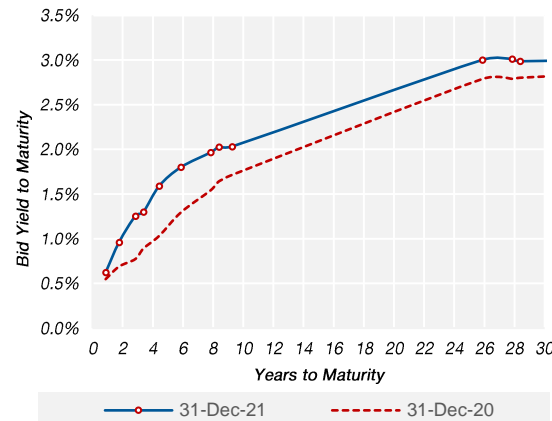
GCC Primary Bonds & Sukuk Issuances

GCC Fixed Income Market Performance

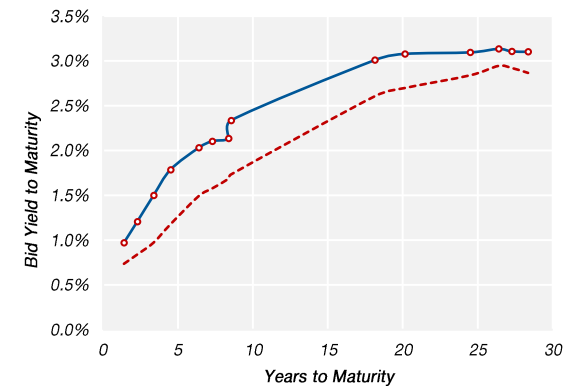
Kuwait¹



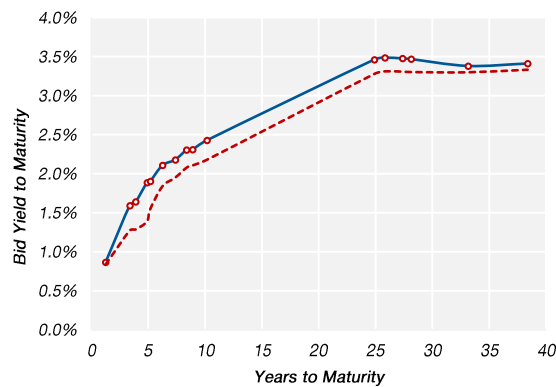
Abu Dhabi



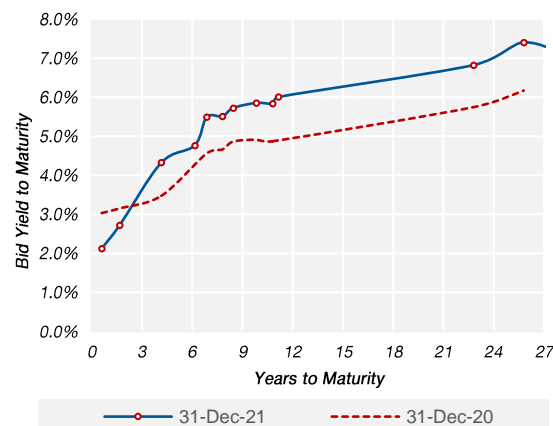
Qatar



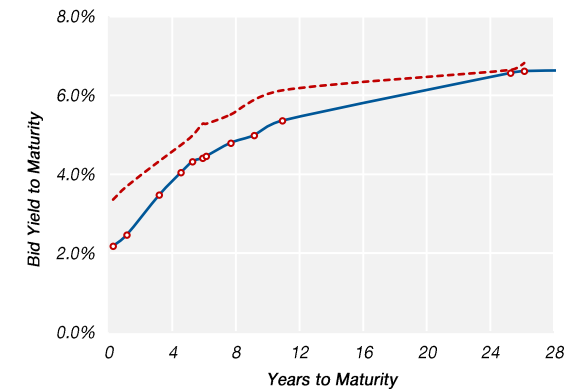
Saudi Arabia



Bahrain



Oman



Kuwait Financial Centre K.P.S.C. "Markaz"

P.O. Box 23444, Safat 13095
State of Kuwait

Tel: +965 2224 8000
Fax: +965 2242 5828
Email: capitalmarkets@markaz.com
www.markaz.com

