

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

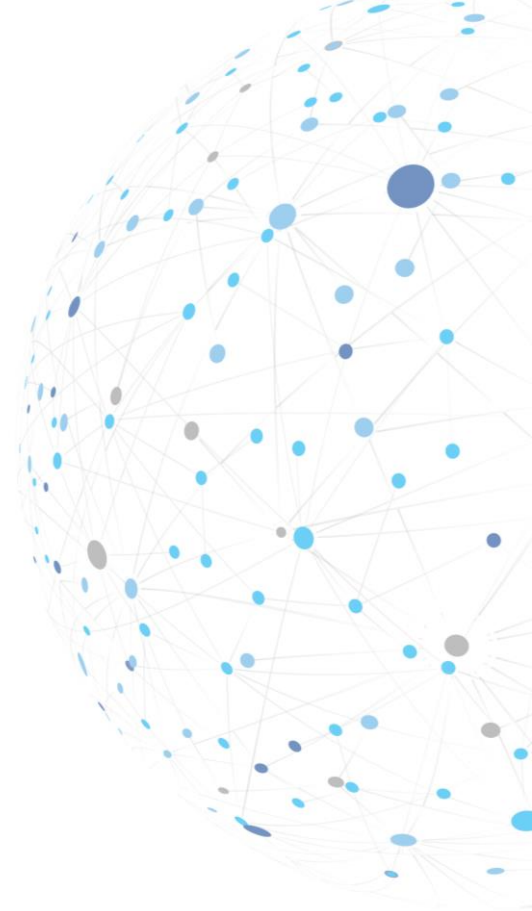
GCC Bonds and Sukuk Market Survey

2020



Asset Management | Investment Banking

January 2021



Key notes

GCC Bonds and Sukuk Market Survey – 2020

- **Continued growth:** GCC Fixed Income markets set a new record for primary debt issuances in 2020, with a total of USD 132.7 billion raised, marking a growth of 16% year-on-year and setting a new milestone for Bonds & Sukuk issuances in the region. Fixed Income markets became an even more vital source of funding for GCC governments as well as corporate entities during a year that saw the outbreak of Covid-19 and the subsequent decline in oil prices put further strain on budgets and liquidity.
- **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. This year saw the issuing of 50-year bonds, constituting the longest term for a bond issued in the region.
- **Positive performance:** The GCC Bloomberg Barclays Aggregate Index outperformed other fixed income indices during the year, evidence of the attractiveness of the GCC Bonds and Sukuk markets. During 2020, the GCC Aggregate Index returned 8.7% for the year, whereas the Bloomberg Barclays Emerging Markets Index returned 6.5% for the same period.
- **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. During 2020, 70% of the value of all primary debt issuances were of Investment Grade quality and 77% of the value of all issuances were USD-denominated.

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GCC Primary Bonds & Sukuk Issuances

A new record

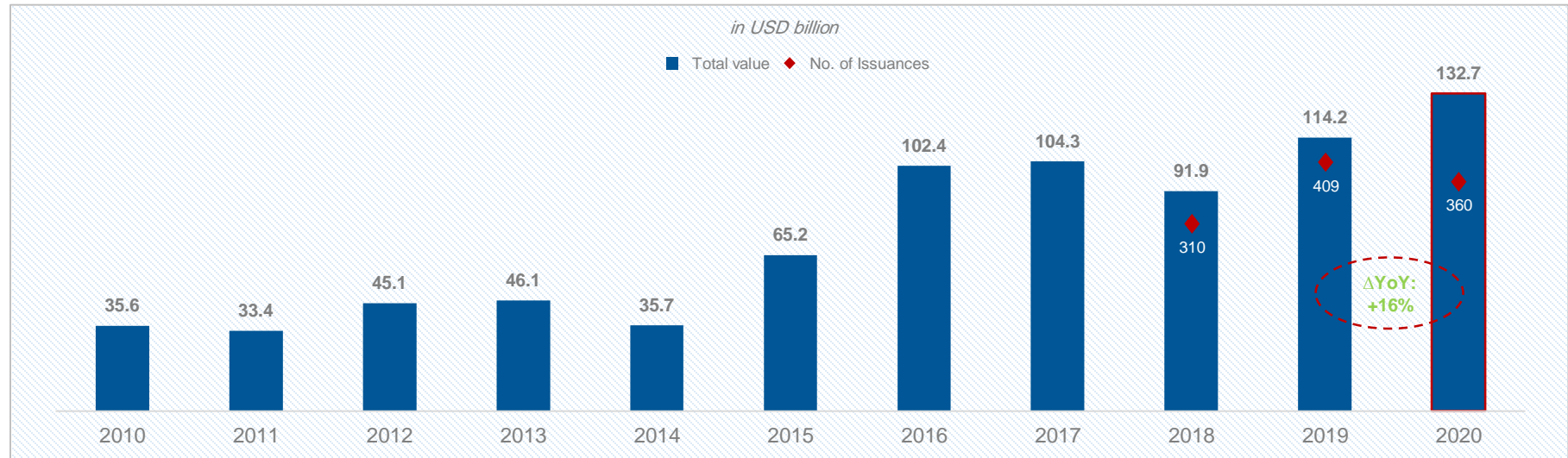
GCC Primary Bonds & Sukuk Issuances

GCC Bonds & Sukuk Market Performance

GCC Bonds & Sukuk Outstanding

GCC Central Banks Local Issuances

GCC Primary Bonds & Sukuk Trend in the GCC (2010-2020)



- The outbreak of Covid-19 and the subsequent decline in oil prices has resulted in added strain on GCC economies in terms of growing budget deficits and the need to gap them. Provided the unprecedented low interest environment, Bonds and Sukuk issuances were seen yet again as a vital source of funding within the region to cover deficits and weather worsening global economic conditions.
- 2020 has seen a strong primary debt issuance market for GCC Bonds and Sukuk, where a total value of USD 132.7 billion was issued, recording a growth of 16% year-on-year from USD 114.2 billion issued last year.
- Moreover, 2020 saw a total of 360 issuances compared to 409 issuances in 2019, indicating an increase in the average issue size in 2020 relative to last year.

GCC Primary Bonds & Sukuk Issuances

UAE Leads primary issuances

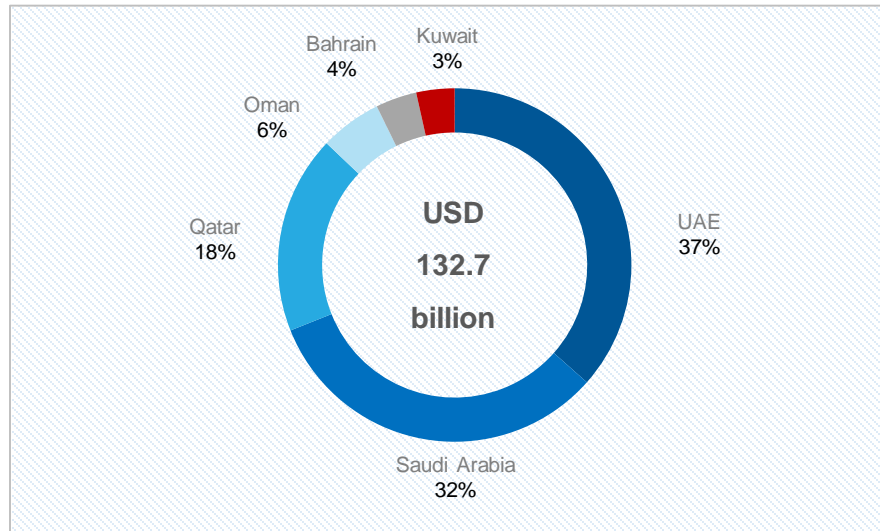
GCC Primary Bonds & Sukuk Issuances

GCC Bonds & Sukuk Market Performance

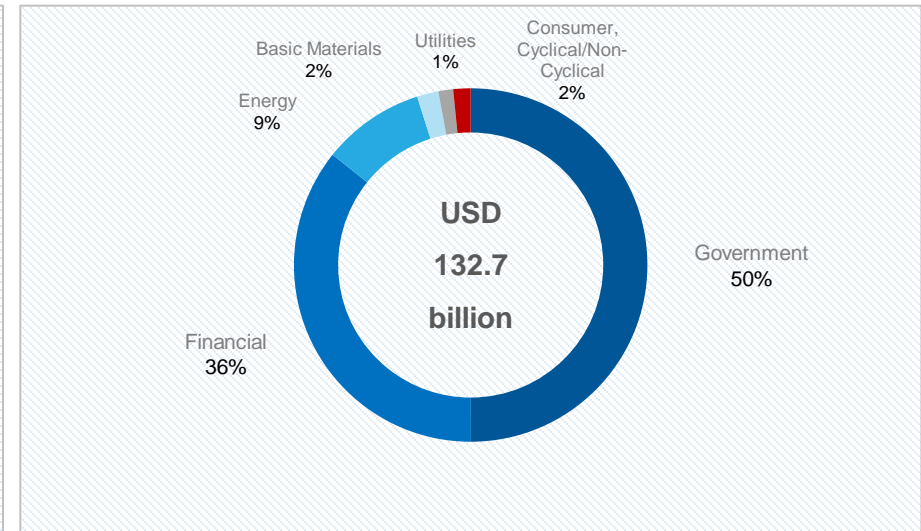
GCC Bonds & Sukuk Outstanding

GCC Central Banks Local Issuances

GCC Bonds & Sukuk Primary Issuance: Geographical Allocation (2020)



GCC Bonds & Sukuk Primary Issuance: Sector Allocation (2020)



- UAE entities continue to lead by the value of primary issuances, raising a total of USD 48.5 billion (2019: USD 44.8 billion), representing 37% of total GCC Primary issuances, followed by Saudi Arabia with 32% of total primary issuances, equivalent to USD 43.0 billion.
- Kuwaiti entities raised the least in primary debt among GCC peers with USD 4.6 billion (2019: USD 2.6 billion), representing 3% of all issuances in 2020.
- Primary issuance by GCC Governments constituted 50% of the total value of issuances during 2020, equivalent to USD 66.3 billion (2019: USD 52.9 billion).
- Primary issuance by Financial Institutions constituted 36% of the total value of primary issuances, equivalent to USD 47.4 billion (2019: USD 52.9 billion).
- Primary issuance by Energy Companies constituted 9% of the total value of issuances, equivalent to USD 12.4 billion (2019: USD 12.3 billion).

GCC Primary Bonds & Sukuk Issuances

Sovereign issuances grew by 25% YoY

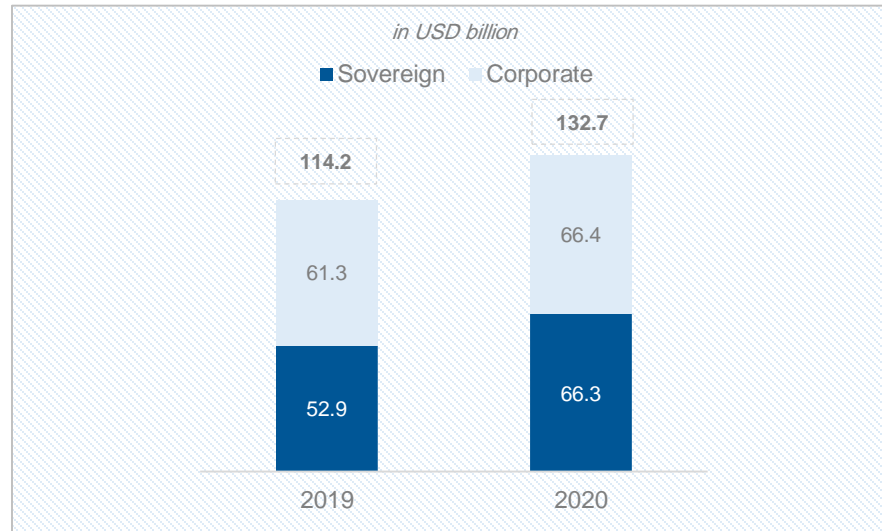
GCC Primary Bonds & Sukuk Issuances

GCC Bonds & Sukuk Market Performance

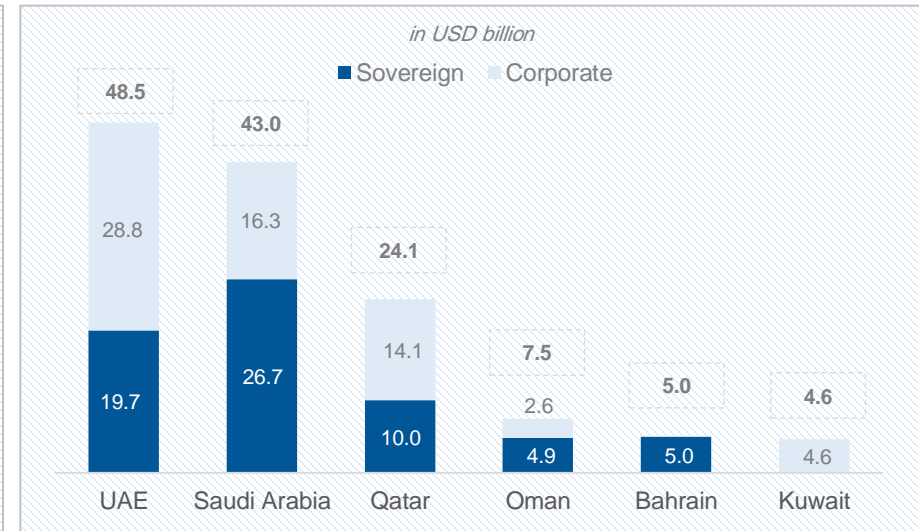
GCC Bonds & Sukuk Outstanding

GCC Central Banks Local Issuances

GCC Bonds & Sukuk Primary Issuance: Sovereign / Corporate (2019-2020)



GCC Bonds & Sukuk Primary Issuance: Sovereign / Corporate by Country (2020)



- GCC Sovereigns issued USD 66.3 billion and represented a share of 50% of total issuances in 2020 and grew at rate of 25% year-on-year – evidence of the implications of Covid-19 on government budgets.
- Issuances by GCC Corporates amounted to USD 66.4 billion and represented 50% of total issuances and recording a growth of 8% year on year.
- Saudi Arabia was the largest GCC Sovereign issuer in 2020 with a total of USD 26.7 billion (2019: USD 24.0 billion); followed by the UAE with a total of USD 19.7 billion (2019: USD 12.0 billion). Kuwait has not seen Sovereign issuances since 2017 due to an ongoing debt law gridlock.
- UAE was the largest GCC Corporate issuer with a total of USD 28.8 billion (2019: USD 32.9 billion), followed by Saudi Arabia with USD 16.3 billion (2019: USD 16.3 billion).
- The largest single Sovereign issuance was by the State of Qatar raising USD 5.0 billion in 30-year bonds, while the largest single issue by a Corporate entity was Saudi Aramco raising USD 2.3 billion in 50-year bonds and USD 2.3 billion in 30-year bonds.

GCC Primary Bonds & Sukuk Issuances

Conventional issuances constituted 70%

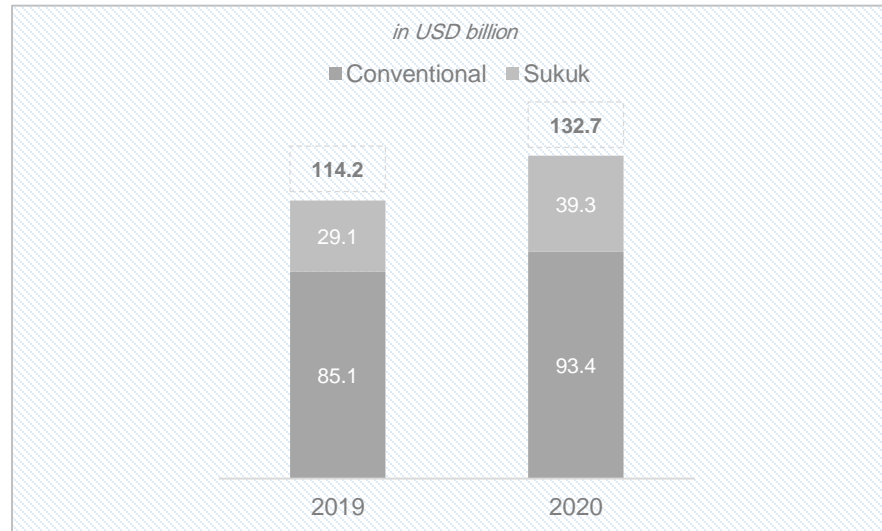
GCC Primary Bonds & Sukuk Issuances

GCC Bonds & Sukuk Market Performance

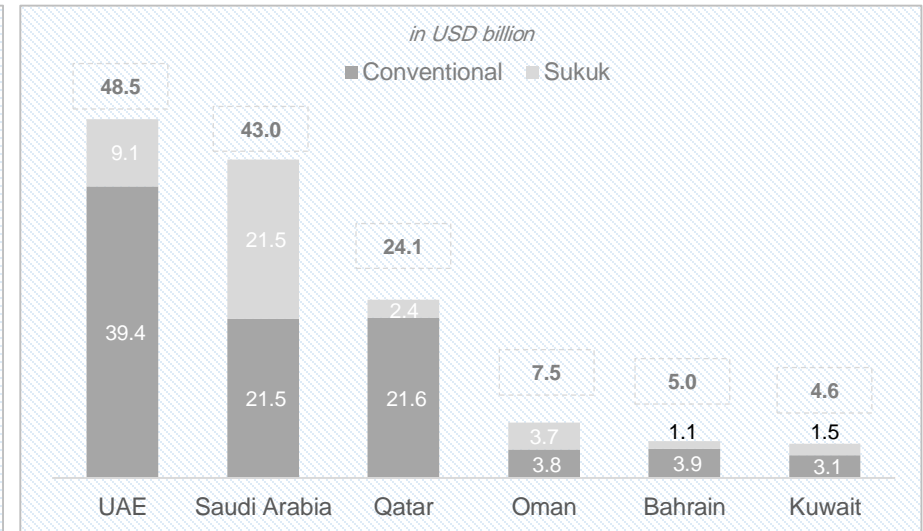
GCC Bonds & Sukuk Outstanding

GCC Central Banks Local Issuances

GCC Bonds & Sukuk Primary Issuance: Conventional / Sukuk (2019-2020)



GCC Bonds & Sukuk Primary Issuance: Conventional / Sukuk by Country (2020)



- Conventional issuances grew 10% year-on-year to reach USD 93.4 billion in 2020 and constituted 70% of total issuances, whereas Sukuk issuances grew 35% during the same period to reach USD 39.3 billion and constituting 30% of total primary debt issuances in 2020.
- In terms of value, the largest conventional issuances came from the UAE with USD 39.4 billion during 2020, followed by Qatar with USD 21.6 billion and Saudi Arabia with USD 21.5 billion. Moreover, Saudi Arabia issued the most in Sukuk with USD 21.5 billion, followed by the UAE with USD 9.1 billion and Oman with USD 3.7 billion.
- The largest single Conventional issue was by the State of Qatar raising USD 5.0 billion, whereas the largest single Sukuk issue was by the Saudi government, raising a total of approximately USD 4.0 billion in Saudi Riyal.

GCC Primary Bonds & Sukuk Issuances

USD-denominated issuances constituted 77%

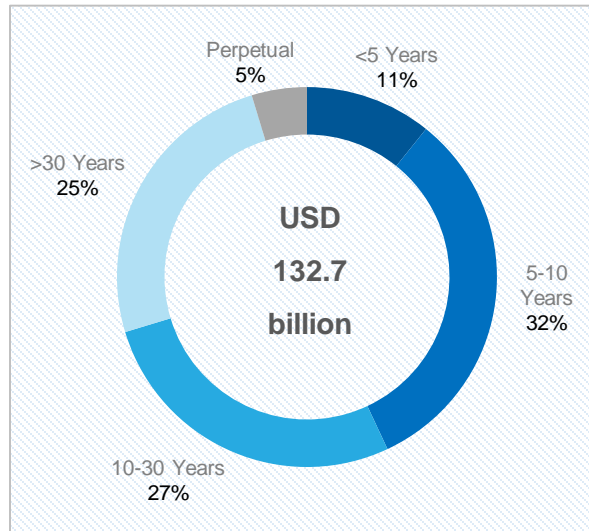
GCC Primary Bonds & Sukuk Issuances

GCC Bonds & Sukuk Market Performance

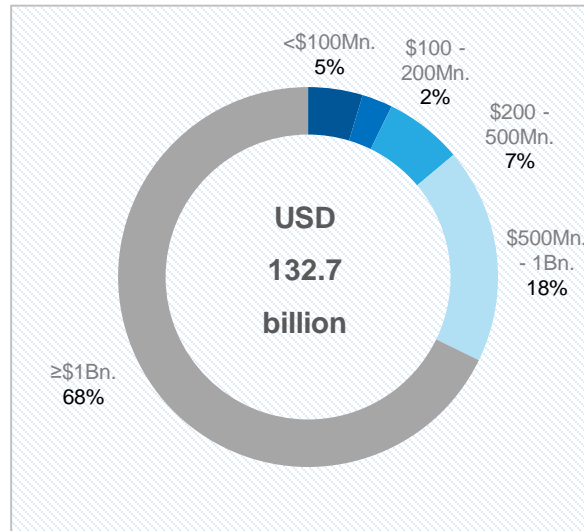
GCC Bonds & Sukuk Outstanding

GCC Central Banks Local Issuances

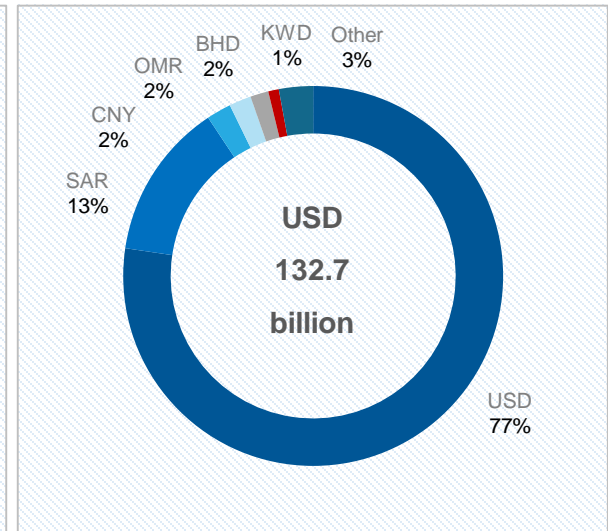
GCC Bonds & Sukuk Primary Issuance: Maturity Profile (2020)



GCC Bonds & Sukuk Primary Issuance: Issue Size Profile (2020)



GCC Bonds & Sukuk Primary Issuance: Currency Profile (2020)



- 5-10 years maturity issuances constituted 32% or USD 42.8 billion of the total value of issuances, followed by 10-30 years maturity issuances with 27% or USD 36.2 billion of total issuances, and +30 years maturity with 25% or USD 33.1 billion.
- Notable issuances of +30 years maturity were the Emirate of Abu Dhabi and Saudi Aramco with 50-year bonds, which were priced at 2.70% and 3.50%, respectively.
- 68% or USD 89.9 billion of the value of total issuances were of issue size of USD 1 billion or more, followed by 18% or USD 24.3 billion of total issuances were in the range of USD 500 million and USD 1 billion.
- A significant majority of total primary debt issuances in the GCC were USD-denominated, comprising of 77% of the total value of issuances and equivalent to USD 102.6 billion. Saudi Arabian Riyal-denominated issuances came in second with 13% and equivalent to USD 17.7 billion.

GCC Primary Bonds & Sukuk Issuances

Majority of issuances were rated; London was the exchange with most listings

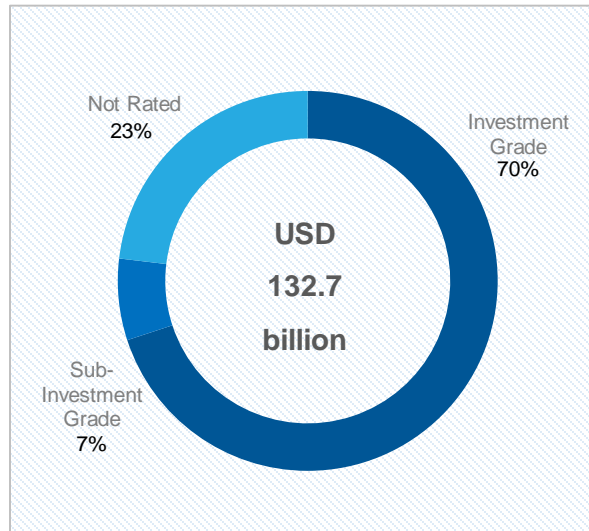
GCC Primary Bonds & Sukuk Issuances

GCC Bonds & Sukuk Market Performance

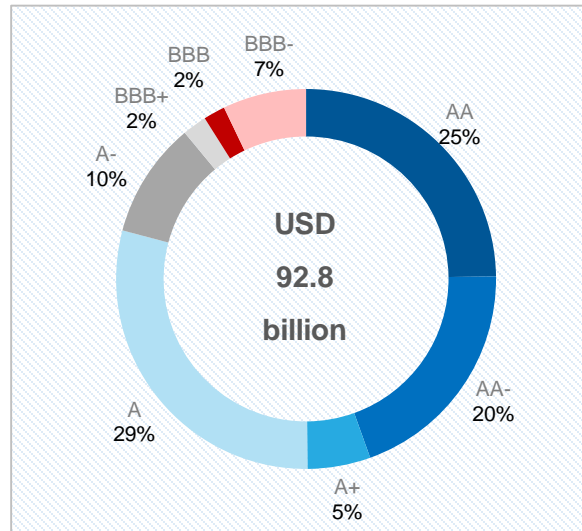
GCC Bonds & Sukuk Outstanding

GCC Central Banks Local Issuances

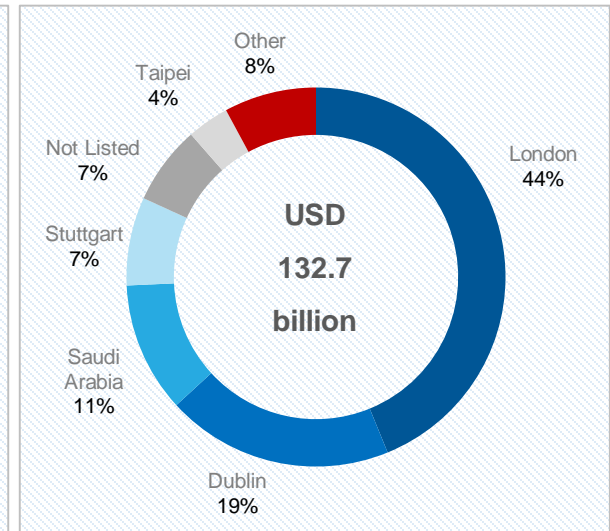
GCC Bonds & Sukuk Primary Issuance: Credit Rating¹ (2020)



GCC Bonds & Sukuk Primary Issuance: IG Breakdown (2020)

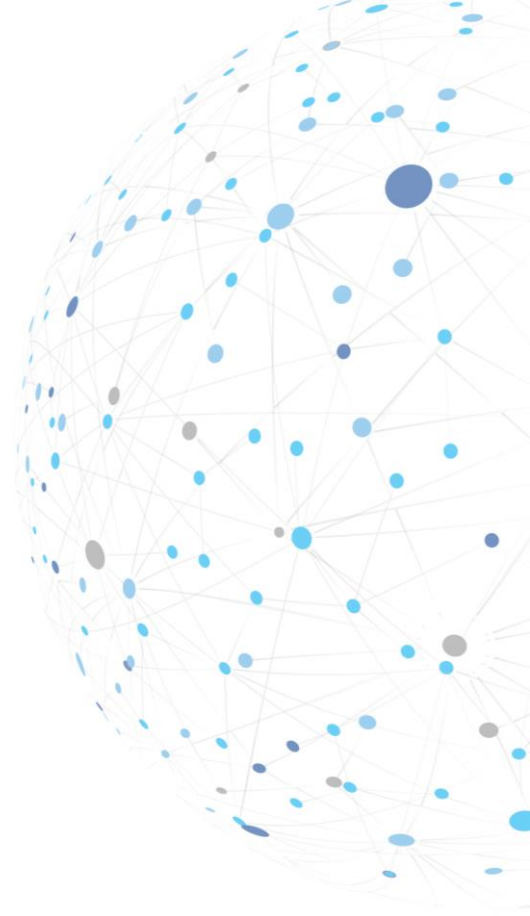


GCC Bonds & Sukuk Primary Issuance: Listing Exchange (2020)



- During 2020, 77% of the total value of GCC primary Bonds and Sukuk issuances were rated by any of the following credit rating agencies: S&P, Moody's, Fitch Ratings or Capital Intelligence. In terms of the number of issuances, 186 out of 360 issuances were rated by any of the aforementioned credit rating agencies.
- Investment Grade rated issuances represented 70% of the total value raised during the year, equivalent to USD 92.8 billion, whereas sub-Investment Grade rated issuances represented 7% of the total value of issuances.
- Of Bonds and Sukuk with Investment Grade rating, 25% were rated AA, 20% rated AA-, 5% rated A+, 29% rated A, and 10% rated A-. Issuances of ratings of BBB+ to BBB- constituted 11% of the total value of primary debt issued in 2020.
- London was the exchange with most listings with 44% of the total value of issuances in 2020, followed by Dubai with 19% and Saudi with 11%.

GCC Bonds and Sukuk Market Performance



GCC Bonds and Sukuk Market Performance

GCC BB index outperformed other indices

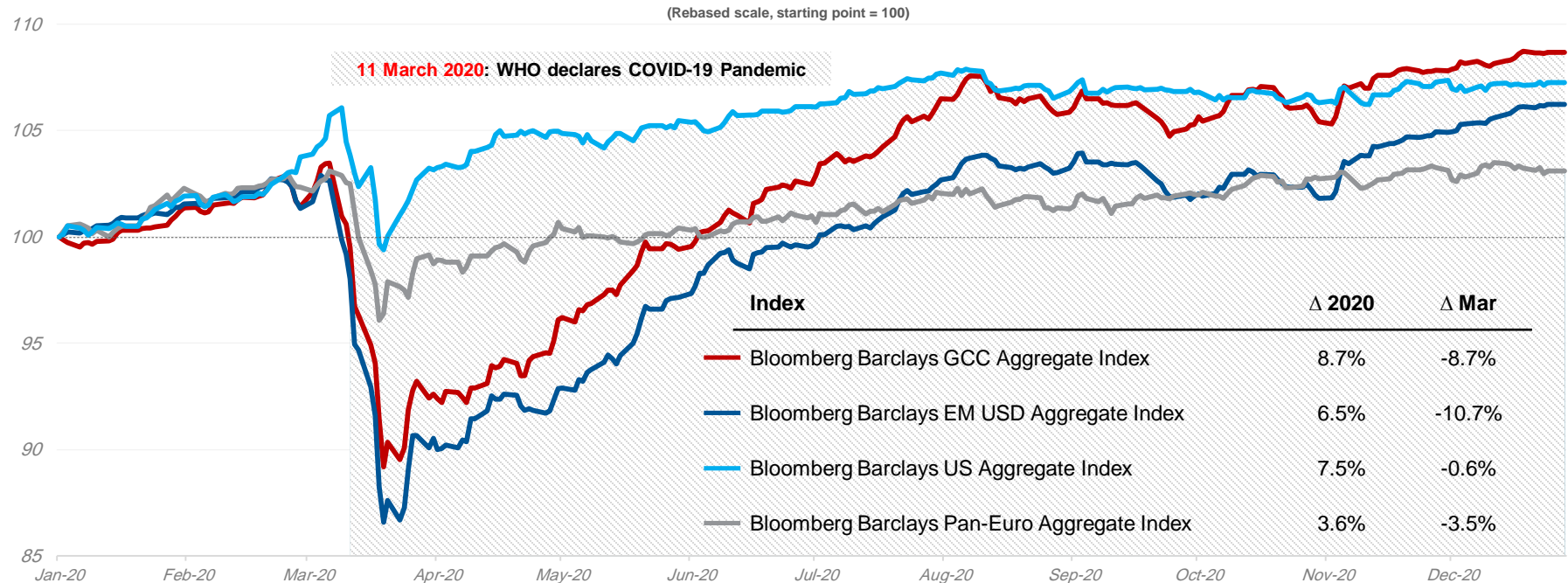
GCC Primary Bonds & Sukuk Issuances

GCC Bonds & Sukuk Market Performance

GCC Bonds & Sukuk Outstanding

GCC Central Banks Local Issuances

GCC vs. Regional Fixed Income Indices (2020)



- In light of the pandemic, the Bloomberg Barclays GCC Aggregate Index has performed considerably well during 2020 with a return of 8.7% for the year, outperforming the Bloomberg Barclays Emerging Markets Aggregate Index which achieved a return of 6.5% for the same period.
- The Bloomberg Barclays US Aggregate Index has also performed well for the year with a return of 7.5% and far outperforming the Pan-Euro Aggregate Index which achieved a return of 3.6% during the same period.

GCC Bonds and Sukuk Market Performance

GCC 5Y CDS Spreads recovered during 2020

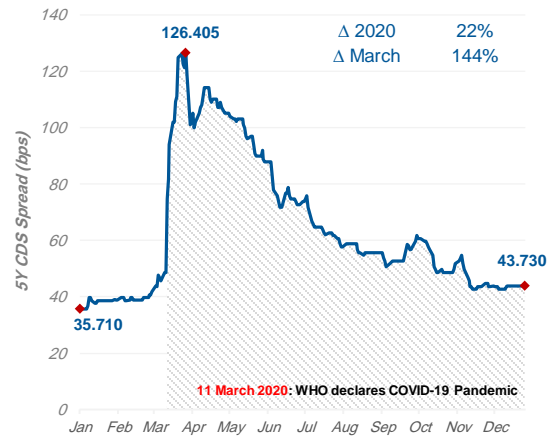
GCC Primary Bonds & Sukuk Issuances

GCC Bonds & Sukuk Market Performance

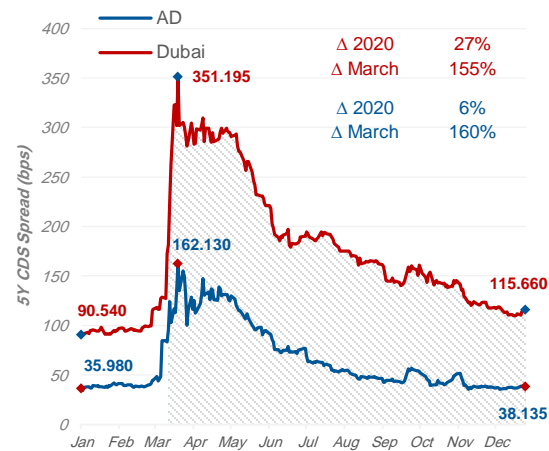
GCC Bonds & Sukuk Outstanding

GCC Central Banks Local Issuances

Kuwait



UAE



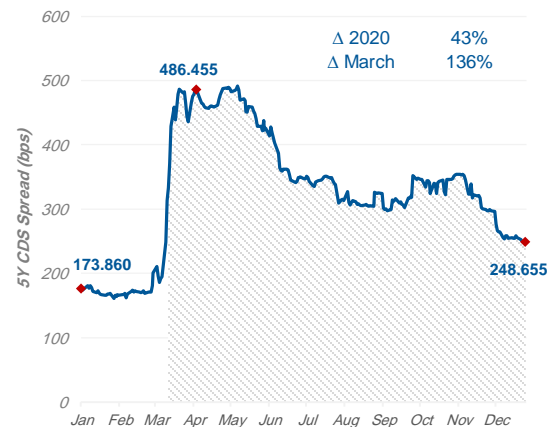
Qatar



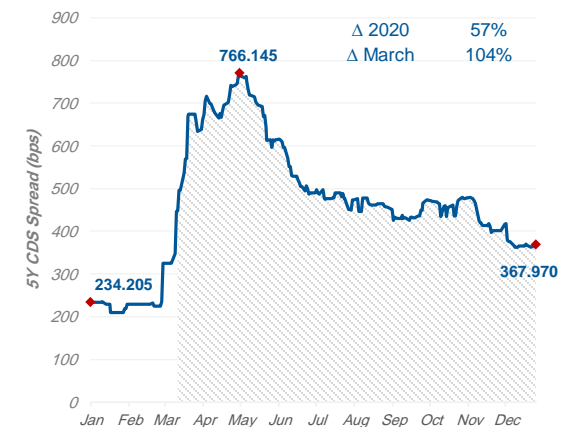
Saudi Arabia



Bahrain



Oman



GCC Bonds and Sukuk Market Performance

GCC Sovereign Yield Curves tightened during the year

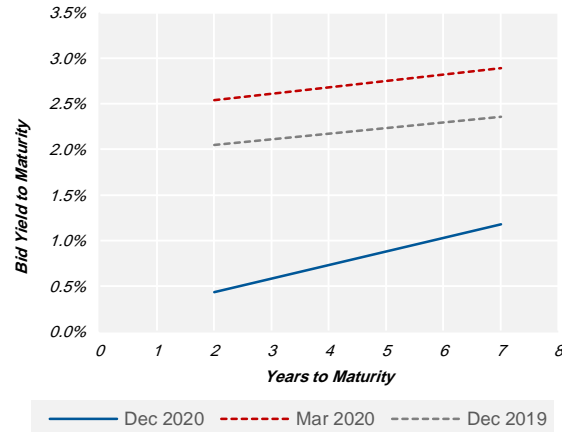
GCC Primary Bonds & Sukuk Issuances

GCC Bonds & Sukuk Market Performance

GCC Bonds & Sukuk Outstanding

GCC Central Banks Local Issuances

Kuwait¹



UAE²



Qatar



Saudi Arabia³



Bahrain



Oman



¹ A comprehensive yield curve cannot be established for Kuwait due to the lack of government issuances; outstanding bonds: KUWIB 2 ¼ 03/20/22, KUWIB 3 ½ 03/20/27.

² Abu Dhabi issued a 50-year bond in September, the longest term for bonds issued by GCC sovereign entities; yield @ 2.946% as at 31/Dec/2020.

³ Saudi Arabia have issued 35 and 40-year bonds for the first time in April 2020.

GCC Bonds and Sukuk Market Performance

Kuwait, Oman and Bahrain were downgraded







GCC Primary Bonds & Sukuk Issuances

GCC Bonds & Sukuk Market Performance

GCC Bonds & Sukuk Outstanding

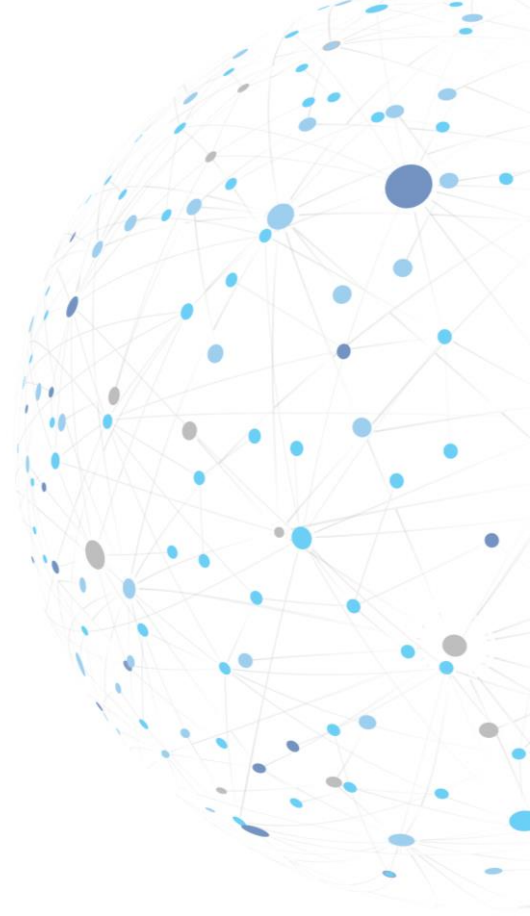
GCC Central Banks Local Issuances

GCC Sovereign Credit Ratings

	Moody's	S&P	Fitch
	Aa2 Stable Outlook → A1 Stable Outlook	AA Stable Outlook → AA- Negative Outlook	AA Stable Outlook
	A1 Negative Outlook	A- Stable Outlook	A Negative Outlook
	Aa2 Stable Outlook	No Rating	AA- Stable Outlook
	Aa3 Stable Outlook	AA- Stable Outlook	AA- Stable Outlook
	B2 Stable Outlook	B+ Stable Outlook	BB- Stable Outlook → B+ Stable Outlook
	Ba1 Negative Outlook → Ba3 Negative Outlook	BB Stable Outlook → B+ Stable Outlook	BB+ Stable Outlook → BB- Negative Outlook

- Kuwait saw its credit ratings downgraded two levels by Moody's from Aa2 to A1 with stable outlook, and by S&P from AA to AA- with negative outlook.
- Bahrain also saw its sovereign credit ratings downgraded by Fitch from BB- to B+ with stable outlook, while Oman saw its sovereign credit ratings downgraded twice by all three credit rating agencies: Moody's, S&P and Fitch.

GCC Bonds & Sukuk Outstanding



GCC Bonds & Sukuk Outstanding

Total amount of USD 648.5 outstanding

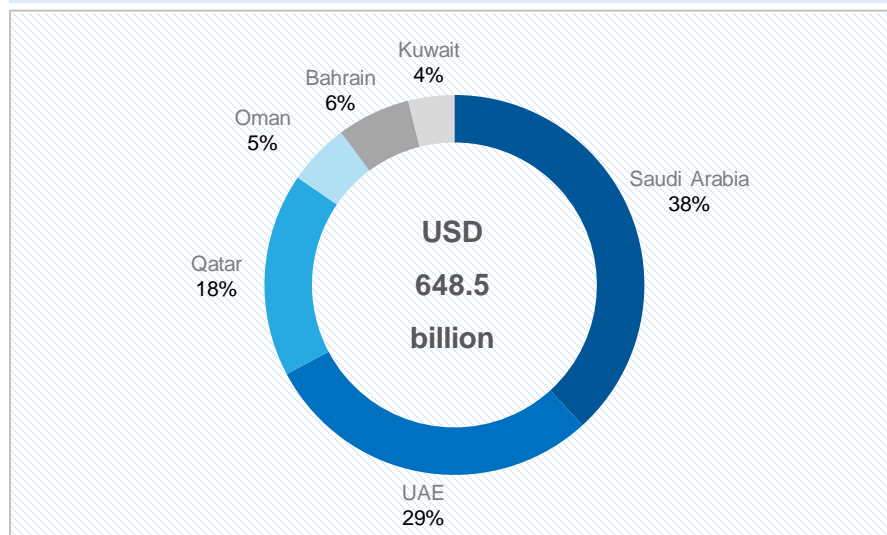
GCC Primary Bonds & Sukuk Issuances

GCC Bonds & Sukuk Market Performance

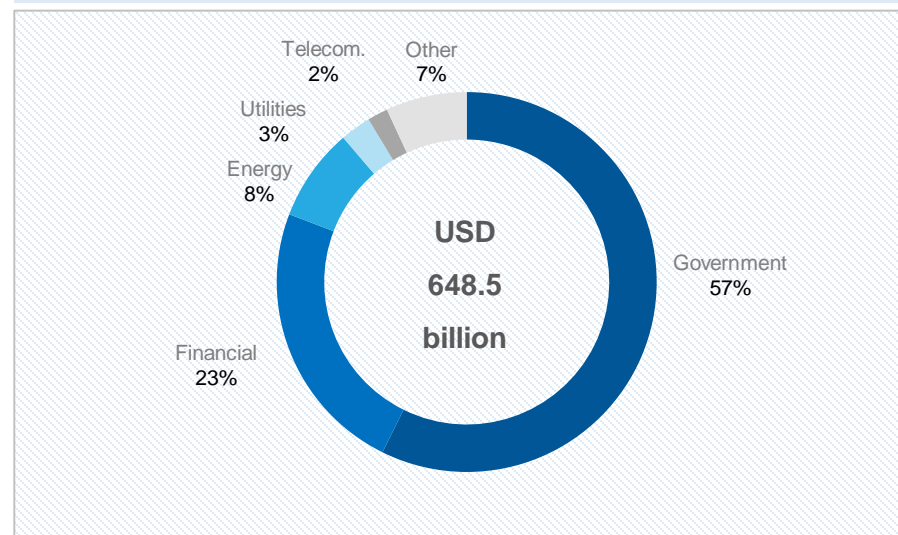
GCC Bonds & Sukuk Outstanding

GCC Central Banks Local Issuances

GCC Bonds & Sukuk Outstanding: Geographic Allocation (2020)



GCC Bonds & Sukuk Outstanding: Sector Allocation (2020)



- As of 31st December 2020, the total value of outstanding GCC Bonds and Sukuk amounted to USD 648.5 billion. Saudi Arabia continues to account for the largest share of outstanding Bonds and Sukuk in the GCC with a share of 38% or USD 248.1 billion of the total, followed by the UAE with a share of 29% or USD 188.1 billion out of the total.
- Kuwait has the lowest share of outstanding debt in the region with only 4% of the total, equivalent to USD 25.4 billion.
- In terms of sector allocation, Government issuances represented the largest share of the value of outstanding GCC Bonds and Sukuk amounting to USD 371.8 billion and representing 57% of the total value of outstanding debt. Financial institutions maintain the second largest share with 23% and USD 152.4 billion out of the total value of outstanding debt.

GCC Bonds & Sukuk Outstanding

69% USD-denominated, followed by SAR with 20%

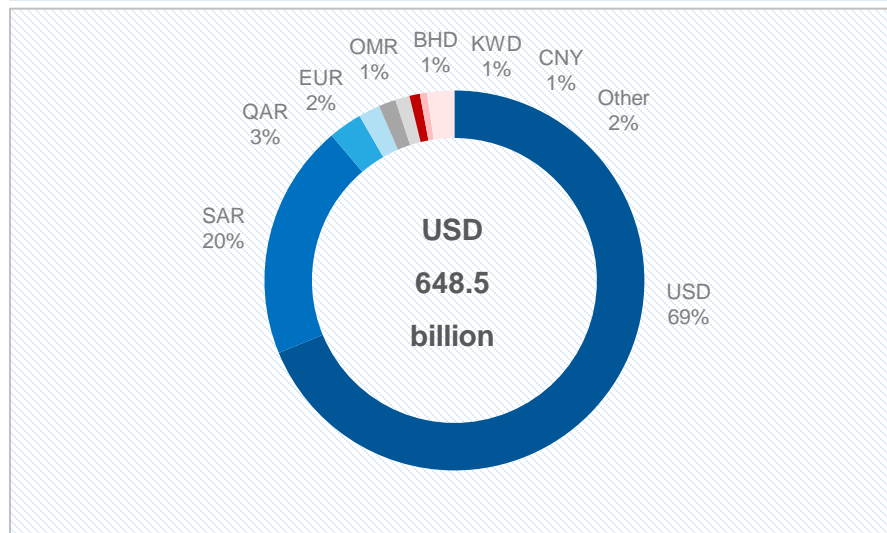
GCC Primary Bonds & Sukuk Issuances

GCC Bonds & Sukuk Market Performance

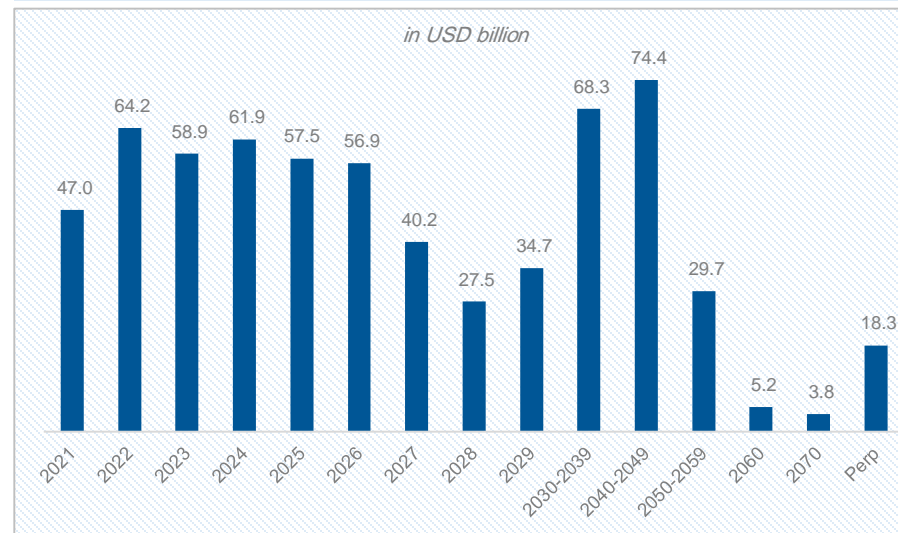
GCC Bonds & Sukuk Outstanding

GCC Central Banks Local Issuances

GCC Bonds & Sukuk Outstanding: Currency Profile (2020)

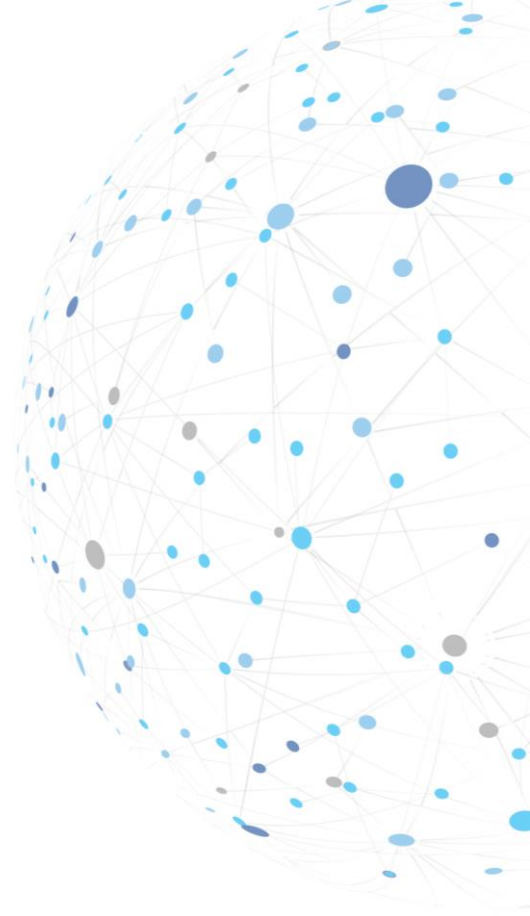


GCC Bonds & Sukuk Outstanding: Maturity Profile (2020)



- USD-denominated issuances comprised 69% of total amount outstanding with USD 446.2 billion, followed by Saudi Riyal-denominated issuances which represented 20% or USD 130.1 billion.
- Bonds and Sukuk amounting to USD 47.0 billion are expected to mature in 2021 and USD 64.2 billion are expected to mature during 2022, indicating a probable requirement for continued refinancing by Sovereign and Corporate entities within the region. Moreover, 69% of all outstanding debt are due or USD 449.1 billion are expected to mature by the end of the 2029.
- 2020 saw the issuances of 40- and 50-year bonds – the longest terms on record within this region. The Emirate of Abu Dhabi and Saudi Aramco have both issued 50-year bonds, whereas Saudi Arabia issued 40-year bonds.

GCC Central Bank Local Issuances



GCC Central Bank Local Issuances

*Issuances by Kuwait, Qatar, Bahrain and Oman Central Banks**

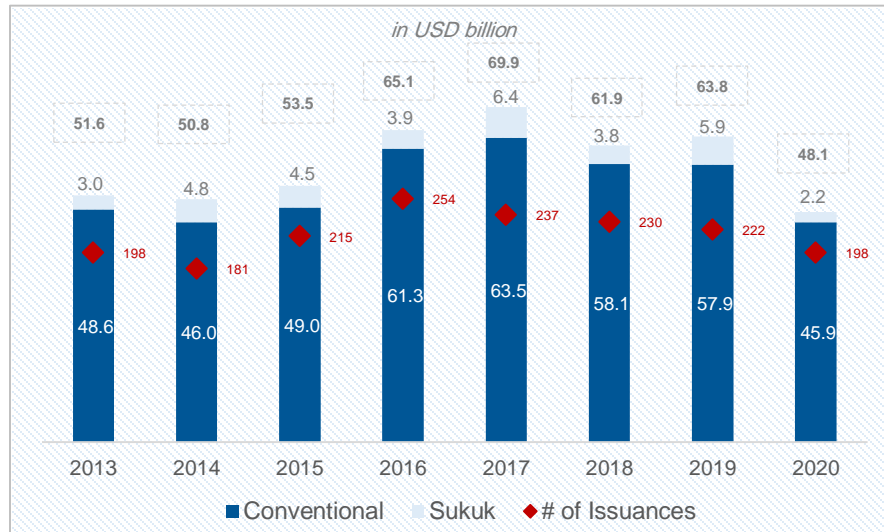
GCC Primary Bonds & Sukuk Issuances

GCC Bonds & Sukuk Market Performance

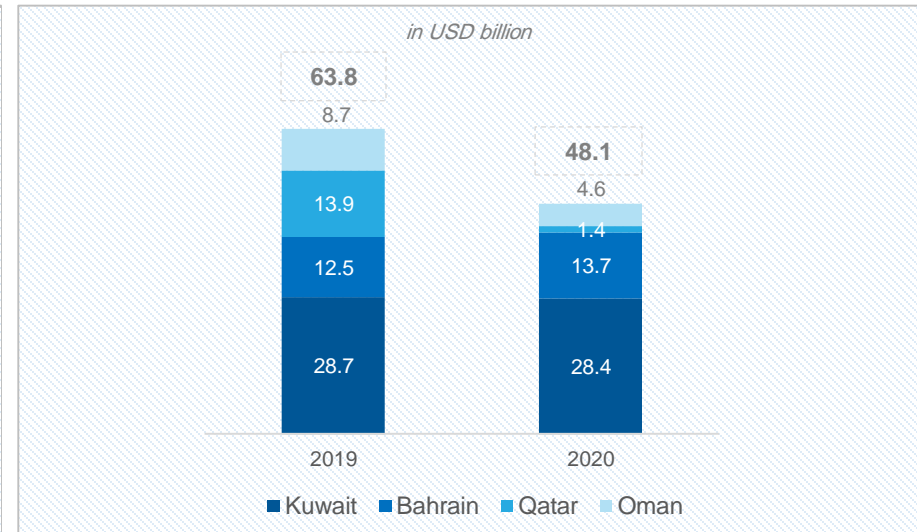
GCC Bonds & Sukuk Outstanding

GCC Central Banks Local Issuances

GCC Central Bank Issuance Trend (2013-2020)



GCC Central Bank Issuance by Country (2019-2020)



- A combined total of USD 48.1 billion was raised by the Central Banks of Kuwait, Qatar, Bahrain and Oman during 2020, a decrease of 25% from USD 63.8 billion raised during the same period last year. Conventional issuances totaled to USD 45.9 billion making up 95% of total issuances during the year, whereas Sukuk totaled USD 2.2 billion.
- During 2020, the Central Bank of Kuwait was the leading issuer among GCC Central Banks raising USD 28.4 billion (KWD 8.7 billion), lower by 1% as compared to the previous year. Central Bank of Qatar saw its issuances decrease during 2020 to reach USD 1.4 billion, primarily due to a reduction in local government bond issuances and relying on international debt markets instead. Central Bank of Bahrain saw their issuances increase by 10% to reach USD 13.7 billion, whereas the Central Bank of Oman saw their issuances decrease by 47% to reach USD 4.6 billion during 2020.

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