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GCC Fixed Income Research

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GCC Bonds and Sukuk Primary Market Analysis 2023 Highlights

Terminology and notes to consider before reading this report:

- **GCC:** Gulf Cooperation Council
- **GCC Bonds and Sukuk market includes:**
 - **GCC Sovereign Issuances:** Bonds and Sukuk issued by GCC governments in local or foreign currencies for financing purposes.
 - **GCC Corporate Bonds:** Bonds and Sukuk issued by GCC corporate entities including Financial Institutions (FIs) and Government-Related Entities (GREs).
- This report is based on the dataset sourced from Bloomberg with the following search parameters:
 - maturities greater than 1 year
 - excluding 144A securities
- Several resources were utilized in the drafting of this report; notable sources are Bloomberg, Zawya, rating agencies’ reports and Offering Memorandums.
- Every effort has been made to include and quote the majority of data that is accessible to Markaz.
- All currencies were converted into US Dollars for easy comparison.
- Fixed and floating rate tranches for the same issue are considered as different issuances.

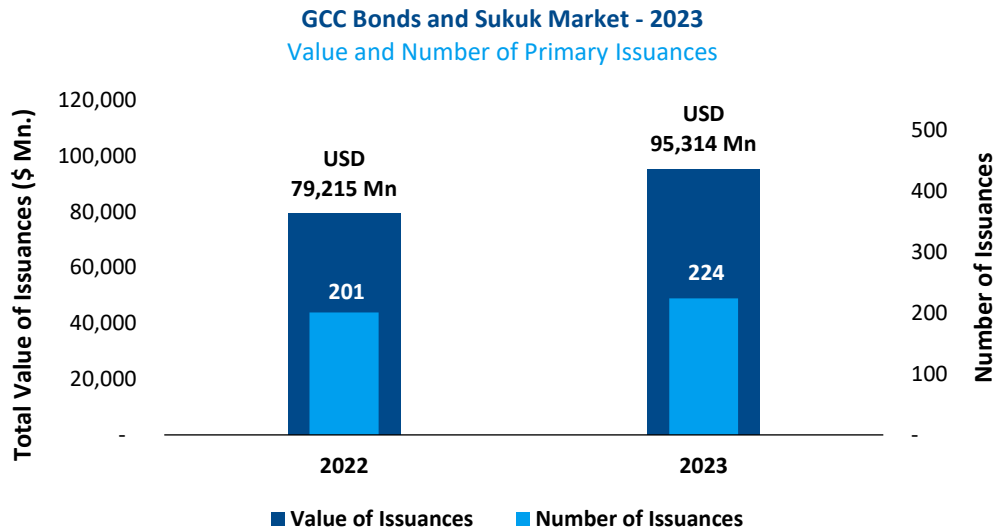
Executive Summary:

The GCC Bonds and Sukuk market witnessed increased primary issuances in 2023, with a total of USD 95.314 billion raised through Sovereign and Corporate issuances and representing 20% increase from 2022. Sukuks was most preferred during 2023 with USD 51.347 billion worth of issuances in 2023 – a 54% increase from the previous year, whilst conventional issuances also demonstrated healthy year-on-year growth of 30% with USD 43.968 billion worth of issuances.

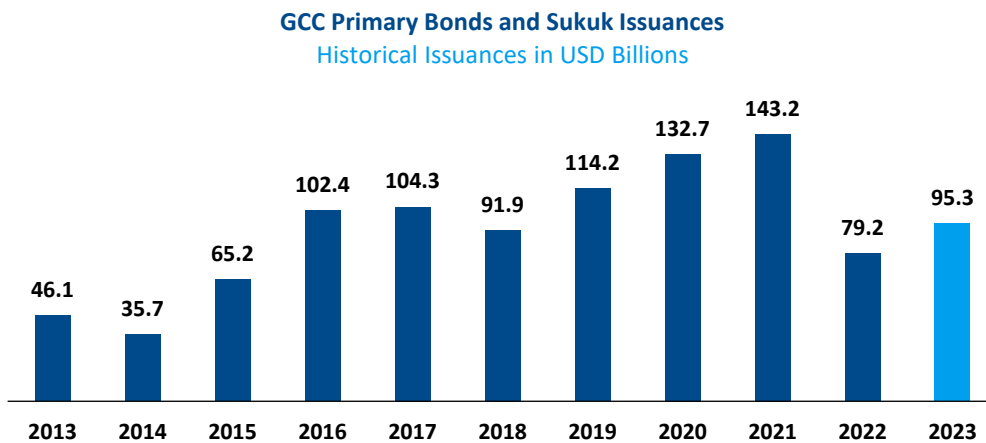
As of 31 December 2023, Saudi Arabia accounted for 55% of outstanding GCC issuances. In terms of market performance, the S&P MENA Bond and Sukuk Index posted a total return of 5.18%. Moreover, 5-Year Sovereign CDS spreads narrowed across all GCC countries during 2023 with Sultanate of Oman recording significant decline in spreads of 37%.

GCC Bonds and Sukuk Primary Market

GCC Bonds and Sukuk primary issuances amounted to USD 95.314 billion during 2023, which represents an increase of 20.3% from USD 79.215 billion raised during 2022. The total number of primary issuances during 2023 was 224 issuances compared to 201 during 2022.



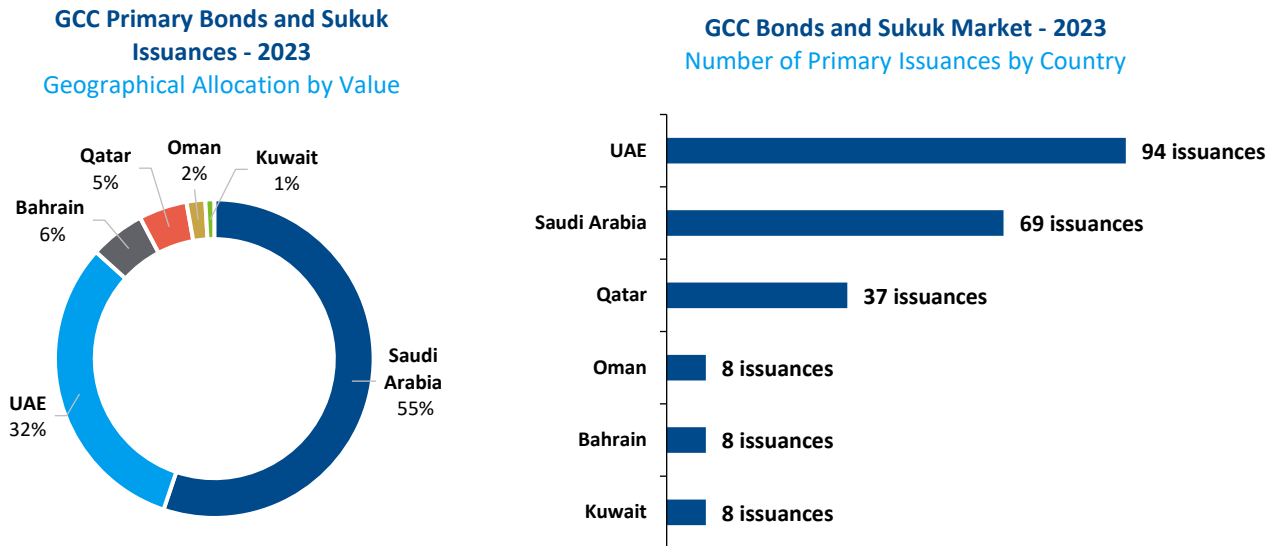
Source: Bloomberg, Markaz Analysis



Source: Bloomberg, Markaz Analysis

1.1.1 Geographical Allocation

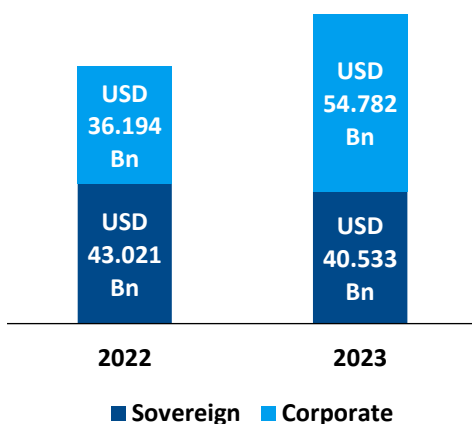
Saudi Arabian entities were the leading issuers in the GCC during FY2023, raising a total of USD 52.547 billion (FY2022: USD 46.409 billion), representing 55% of the total value of primary GCC Bonds and Sukuk issuances. On the other hand, the UAE while second in terms of value led the region in terms of number of primary issuances with 94 issuances, constituting 32% of the number of GCC primary issuances in FY2023.



Source: Bloomberg, Markaz Analysis

Bahrain entities were the third largest issuers in terms of value within the GCC in FY2023 with USD 5.341 billion (FY2022: USD 3.109 billion). Qatar entities raised a total of 4.693 billion with 37 issuances representing 5% of the total value of issuances. Kuwaiti entities raised a total of USD 0.840 billion (FY2022: USD 1.251 billion) through 8 Corporate issuances, representing only 1% of the total value of primary GCC Bonds and Sukuk issuances in 2023.

1.1.2 Sovereign vs. Corporate



Source: Bloomberg, Markaz Analysis

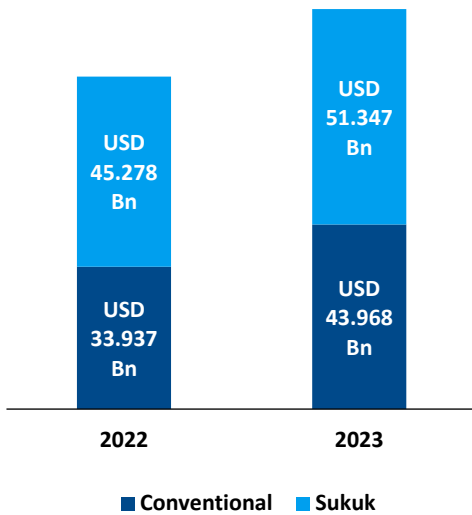
2023 was a noteworthy year for GCC Corporate issuances, where Corporate primary issuances exceeded Sovereign issuances in terms of value.

Total GCC Corporate primary issuances increased by 51% during 2023 to reach USD 54.782 billion (FY2022: USD 36.194 billion) where government related entities constituted 33% of issuances or 18.030 billion.

The GCC country with the greatest value of Corporate issuances was Saudi Arabia with USD 24.639 bn, whereas the greatest single Corporate issuance was by Greensaif Pipelines with a value of USD 1.500 billion.

Total GCC Sovereign issuances decreased by 6% during 2023 to reach USD 40.533 billion (FY2022: USD 43.021 billion). The largest sovereign issuance in the GCC was by the Saudi Government with a USD 4.018 billion Sukuk. Kuwait did not issue any sovereign bonds during the year 2023.

1.1.3 Conventional vs. Sukuk



Sukuks was in great demand during the year in the GCC with the value of issuances exceeding USD 51 bn, an increase of 13.4% and constituting 54% of the market.

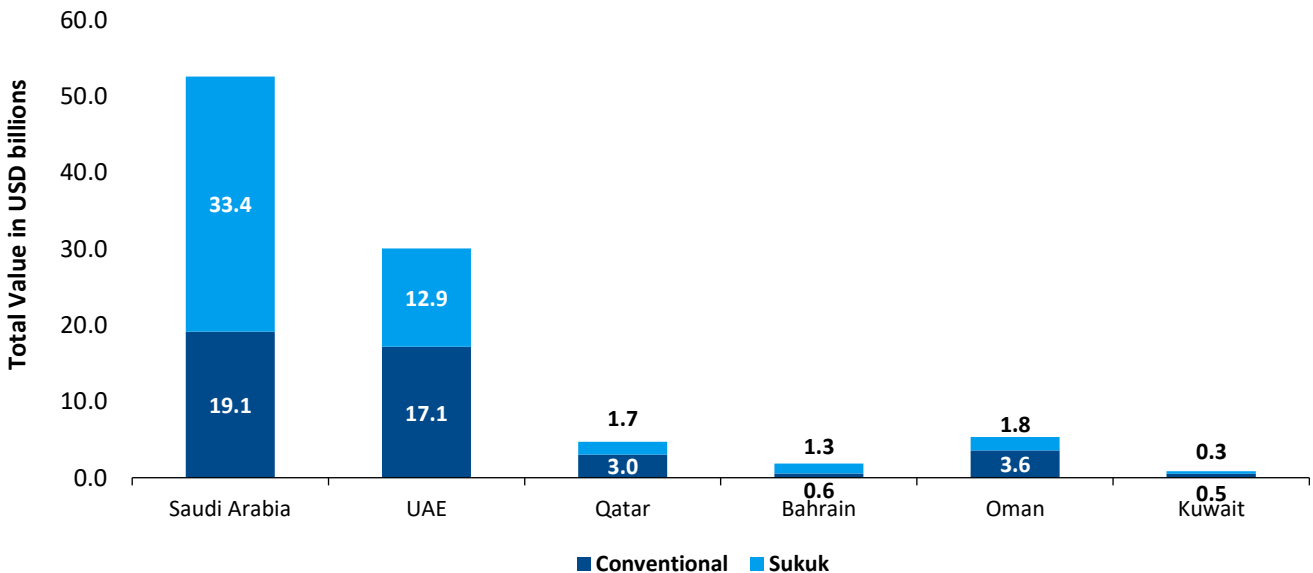
The largest single issue of Sukuk during 2023 was by the Government of Saudi Arabia - USD 4.018 billion.

GCC Conventional issuances in FY2023 amounted to USD 43.968 billion, an increase of 30% from the previous year's value of USD 33.937 billion in FY2023.

The largest single issue of a conventional bond during 2023 was also by the Government of Saudi Arabia - USD 3.500 billion.

Source: Bloomberg, Markaz Analysis

GCC Bonds and Sukuk Market - 2023 Primary Issuances: Conventional vs. Sukuk by Country



Source: Bloomberg, Markaz Analysis

1.1.4 Sector Allocation

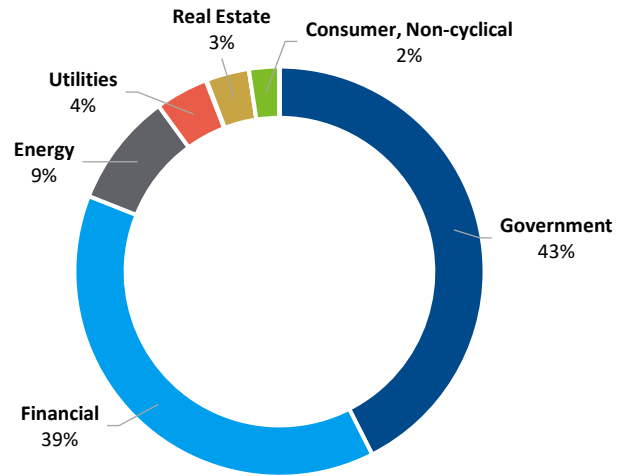
A total of USD 40.533 billion was raised by government entities in FY2023, constituting 43% of the total value of GCC primary issuances through 28 issuances.

This was closely followed by the financial sector with issuances worth a total value of USD 36.678 billion, constituting 39% of total issuances.

The Energy sector was the third largest contributing sector, with a total value of USD 8.542 billion through 12 issuances in FY2023.

The Financial sector led the market in terms of the number of issuances during 2023 with 167 primary issuances, followed by the Government sector with 28 issuances.

GCC Bonds and Sukuk Market - 2023
Primary Issuances: Sector Breakdown by Value



Source: Bloomberg, Markaz Analysis

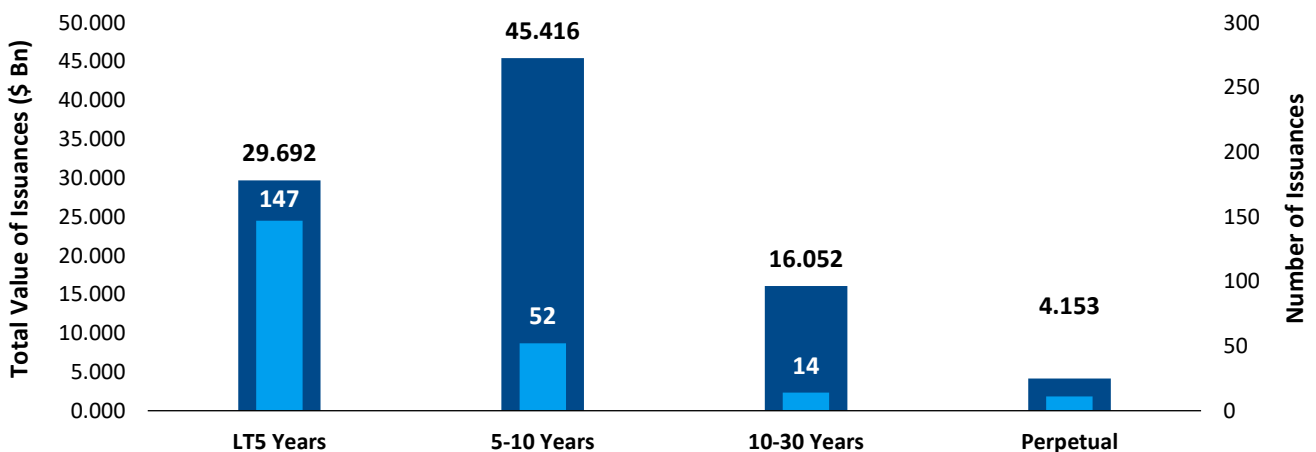
1.1.5 Maturity Profile

In 2023, Primary issuances with 5–10-year tenors dominated the GCC debt capital markets by total value that amounted to USD 45.416 billion through 52 issuances.

Issuances with less than (“LT”) 5-year tenors came in second, raising total value of USD 29.692 billion through 147 issuances in FY2023. Additionally, primary issuances with 10-30 year tenors raised a total value of USD 16.052 billion through 14 issuances.

Perpetual issuances issued by GCC banks represented 4% of the total value of issuances in FY2023.

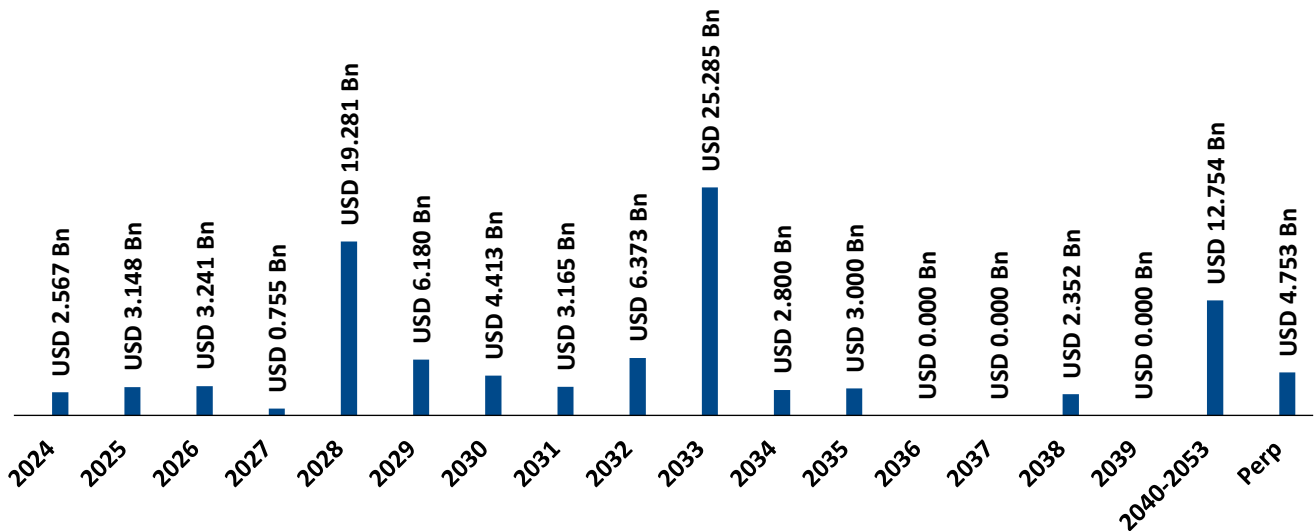
GCC Bonds and Sukuk Market - 2023
Primary Issuances: Maturity Profile



Source: Bloomberg, Markaz Analysis

The GCC market is expected to witness elevated levels of redemptions and potential refinancing during the period from 2028 to 2033 compared to the years prior as issuances amounting to nearly USD 64.697 bn are expected to mature during the said period.

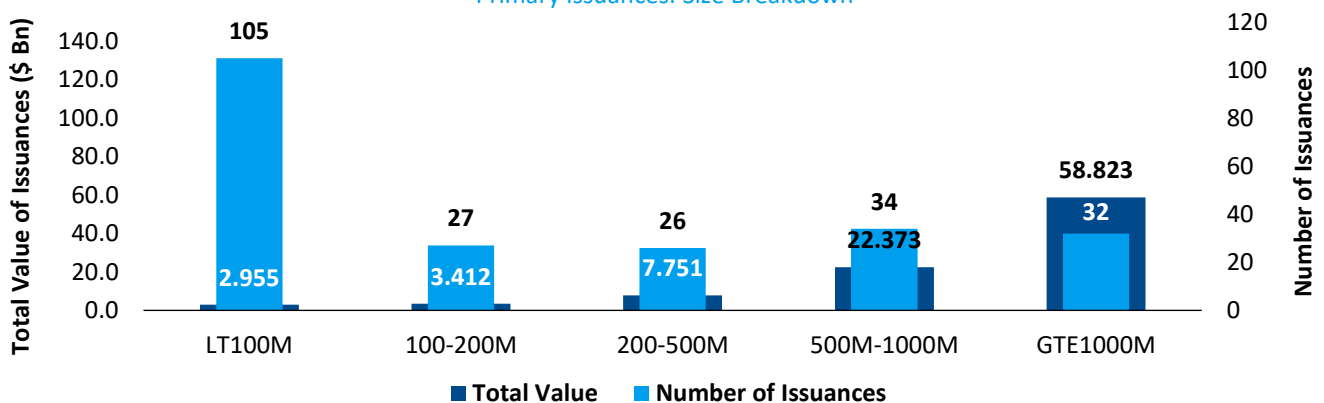
GCC Bonds and Sukuk Market - 2023
Outstanding Amount: Maturity



Source: Bloomberg, Markaz Analysis

1.1.6 Issue Size Profile

GCC Bonds and Sukuk Market - 2023
Primary Issuances: Size Breakdown

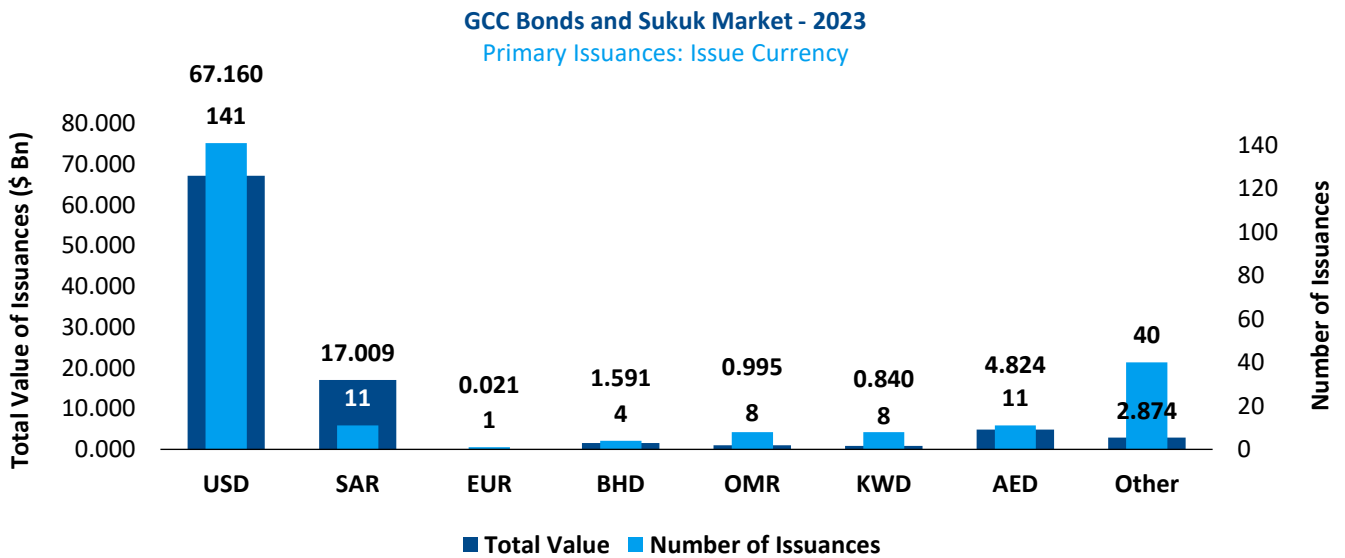


Source: Bloomberg, Markaz Analysis

During FY2023, primary issuances ranged in issue size from USD 1 million to USD 4 billion. Issuances with issue size of USD 1 billion or greater raised the largest amount, totaling USD 58.823 billion through 32 issuances in FY2023 and representing 62% of the total amount issued in the GCC.

The most preferred issue size was under USD 100 million, where there were 105 issuances that raised a total amount of USD 2.955 billion during FY2023.

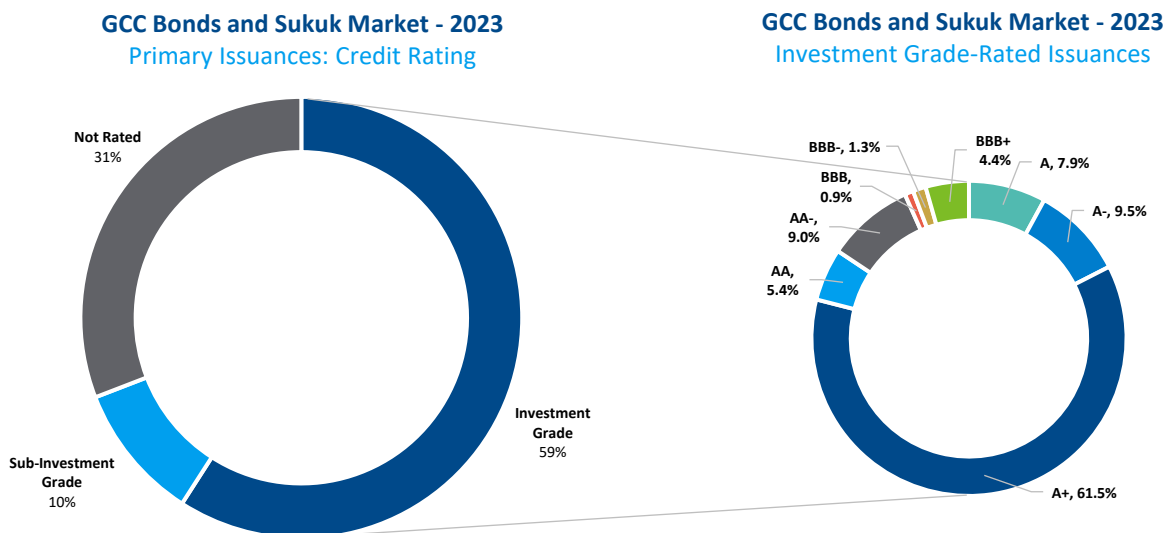
1.1.7 Currency Profile



Source: Bloomberg, Markaz Analysis

US Dollar-denominated issuances led the GCC Bonds and Sukuk market in 2023, raising a total of USD 67.160 billion through 141 issuances, representing a substantial 71% of the total value raised in primary issuances in the GCC. The second largest issue currency was the Saudi Riyal (SAR), where SAR denominated issuances raised a total of USD 17.009 billion through 11 issuances, led by issuances of the Saudi Government.

1.1.8 Credit Rating



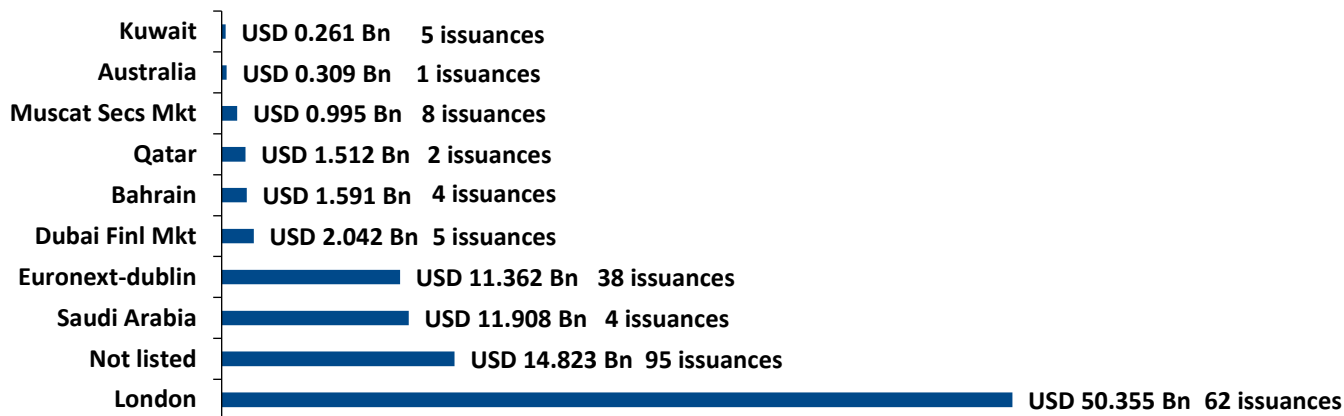
Source: Bloomberg, Markaz Analysis

In terms of value, a total of 69% of GCC Conventional and Sukuk bonds were rated in FY2023 by either one of the following rating agencies: Standard & Poor's, Moody's, Fitch and/or Capital Intelligence, as compared to 72% in FY2022. Issuances rated within the Investment Grade accounted for 59% of the total issuances in 2023.

1.1.9 Listing Exchange

GCC Bonds and Sukuk Market - 2023

Primary Issuances: Listing Exchange



Source: Bloomberg, Markaz Analysis

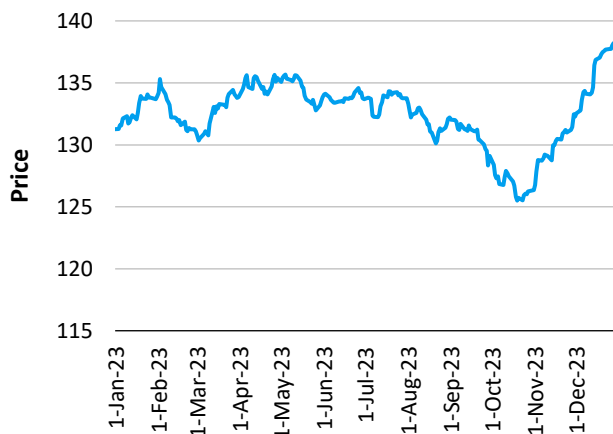
London was the most preferred listing exchange during 2023 with listed value of GCC primary issuances, totaling USD 50.355 billion through 62 issuances. Saudi Arabia was the second most popular exchange market for GCC primary issuances, with total value of USD 11.908 billion listed in 2023.

1.1.10 GCC Bonds and Sukuk Market – Market performance 2023

The S&P MENA Bond and Sukuk Index posted a total return of 5.18% during 2023 (FY2022: -12.6%, FY2021: 0.10%, FY2020: 9.90%), where the index price increased from 131.30 as of 31st December 2022 to 138.10 on 31st December 2023. The index recorded its lowest value on the 23rd October 2023 where it reached 125.50, whereas the highest value recorded during 2023 was on the 28th December 2023 at 138.20.

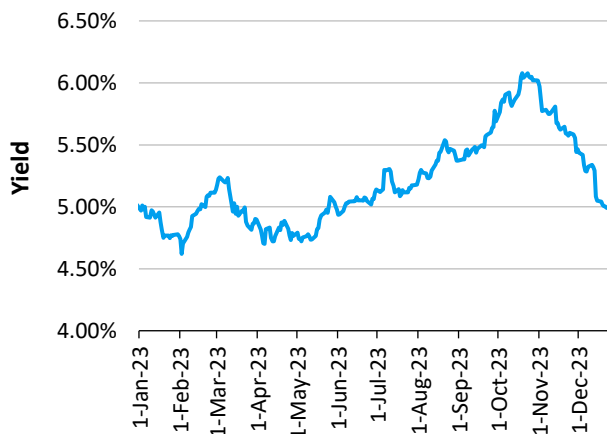
S&P MENA Bond and Sukuk Index

2023 Change in Index Price



S&P MENA Bond and Sukuk Index

2023 Change in Index Yield



Source: S&P MENA Bond and Sukuk Index, Bloomberg, Markaz Analysis

The index yield at the start of the year and the end of the year was 4.97%. The maximum yield recorded on the S&P MENA Bond and Sukuk Index during 2023 was 6.08% on 23rd October 2023, while the minimum yield recorded was 4.62% on 2nd February 2023.

1.1.11 Credit Default Swaps (CDS)

During 2023, the 5-Year sovereign CDS spreads for all GCC countries narrowed, where the most significant YoY changes witnessed were in Oman, Dubai and Bahrain with -37%, -25% and -18%, respectively. At the end of 2023, the GCC country with the lowest 5-Year CDS spread was Qatar, whereas the highest was Bahrain.

The Emirate of Abu Dhabi continues to maintain the highest sovereign credit ratings among peers in the GCC region.

GCC 5Y Sovereign CDS Spread and Credit Rating - 2023

Country	31/12/2022	31/12/2023	YoY% Change	Sovereign Credit Ratings		
	CDS (Bps)	CDS (Bps)		S&P	Moody's	Fitch
Abu Dhabi	45.76	41.62	-9%	AA	Aa2	AA
Qatar	48.23	45.05	-7%	AA	Aa3	AA-
Kuwait	50.03	45.53	-9%	A+	A1	AA-
Saudi Arabia	61.73	52.66	-15%	Au	A1	A+
Oman	185.18	116.94	-37%	BB+	Ba1	BB+
Bahrain	249.24	205.24	-18%	B+	B2	B+
Dubai	84.02	63.23	-25%	-	-	-

Source: Bloomberg, Markaz Analysis

Appendix 1: Key GCC Sovereign and Corporate Bonds and Sukuk Issuances in 2023

Type	Issuer	Security Description	Country	Issue Date	Maturity Date	Issue Size (US\$ mn)	Coupon Rate	Sector	Rating
Sukuk	SAUDI GOVT SUKUK	KSASUK 4.6 08/17/33	Saudi Arabia	17/08/2023	17/08/2033	4,018	4.600%	Government	-/-/-
Sukuk	SAUDI GOVT SUKUK	KSASUK 4.57 08/17/32	Saudi Arabia	17/08/2023	17/08/2032	3,873	4.570%	Government	-/-/-
Conventional	SAUDI INTERNATIONAL BOND	KSA 4 7/8 07/18/33	Saudi Arabia	18/01/2023	18/07/2033	3,500	4.875%	Government	-/A1/A+
Conventional	SAUDI INTERNATIONAL BOND	KSA 5 01/18/53	Saudi Arabia	18/01/2023	18/01/2053	3,250	5.000%	Government	-/A1/A+
Conventional	SAUDI INTERNATIONAL BOND	KSA 4 3/4 01/18/28	Saudi Arabia	18/01/2023	18/01/2028	3,250	4.750%	Government	-/A1/A+
Sukuk	SAUDI GOVT SUKUK	KSASUK 4 1/2 08/17/31	Saudi Arabia	17/08/2023	17/08/2031	3,165	4.500%	Government	-/-/-
Sukuk	KSA SUKUK LTD	KSA 4.511 05/22/33	Saudi Arabia	22/05/2023	22/05/2033	3,000	4.511%	Government	-/A1/A+
Sukuk	KSA SUKUK LTD	KSA 4.274 05/22/29	Saudi Arabia	22/05/2023	22/05/2029	3,000	4.274%	Government	-/A1/A+
Sukuk	SHARJAH SUKUK PROGRAM	SHARSK 5 3/4 05/16/24	UAE	16/05/2023	16/05/2024	1,906	5.750%	Government	A-3/-/-
Conventional	UAE INT'L GOVT BOND	UAE 4.917 09/25/33	UAE	25/09/2023	25/09/2033	1,500	4.917%	Government	-/Aa2/AA-
Conventional	KINGDOM OF BAHRAIN	BHRAIN 7 3/4 04/18/35	Bahrain	18/04/2023	18/04/2035	1,000	7.750%	Government	B+/-/B+
Conventional	FIRST ABU DHABI BANK PJS	FABUH 6.32 04/04/34	UAE	04/10/2023	04/04/2034	1,000	6.320%	Financial	-/-/A
Conventional	ABU DHABI NATIONAL ENERG	TAQAUH 4.696 04/24/33	UAE	24/04/2023	24/04/2033	1,000	4.696%	Utilities	-/Aa3/AA-
Conventional	MDGH GMTN RSC LTD	MUBAUH 4 3/8 11/22/33	UAE	22/05/2023	22/11/2033	1,000	4.375%	Financial	-/Aa2/AA
Conventional	KINGDOM OF BAHRAIN	BHRAIN 5 1/2 08/01/33	Bahrain	01/08/2023	01/08/2033	1,000	5.500%	Government	-/-/-
Conventional	FIN DEPT GOVT SHARJAH	SHJGOV 6 1/2 11/23/32	UAE	23/02/2023	23/11/2032	1,000	6.500%	Government	BBB-/Ba1/-
Sukuk	CBB INTL SUKUK PROG WLL	BHRAIN 6 1/4 10/18/30	Bahrain	18/04/2023	18/10/2030	1,000	6.250%	Government	B+/-/B+
Sukuk	DIB SUKUK LTD	DIBUH 4.8 08/16/28	UAE	16/02/2023	16/08/2028	1,000	4.800%	Financial	-/A3/A

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