

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

# GCC Bonds and Sukuk Market Survey

*H1-2021*

المركز  
MARKAZ

Asset Management | Investment Banking

July 2021



# Key notes

## GCC Bonds and Sukuk Market Survey – H1-2021

- **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 83.7 billion during the first half of 2021 alone – marking a growth of 18% year-on-year and setting another new milestone for Bonds & Sukuk issuances in the region. 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. H1-2021 has seen another 40-year bond issuance, constituting the second longest term out of the outstanding bonds in the region.
- **Outperforming Peers:** Although the GCC Bloomberg Barclays Aggregate Index has remained flat for the first half of 2021, the index outperformed other fixed income indices during the year, evidence of the attractiveness of the GCC Bonds and Sukuk markets. During H1-2021, the GCC Aggregate Index was flat, whereas the Bloomberg Barclays Emerging Markets Index and US Aggregate Index returned -0.6% and -1.6%, respectively, 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 H1-2021, 47% of the value of all primary debt issuances were of Investment Grade quality and 66% of the value of all issuances were USD-denominated.

### Authors:

#### Rasha A. Othman

EVP - Capital Markets & Fixed Income

+965 2224 8000 Ext.: 1113

[rothman@markaz.com](mailto:rothman@markaz.com)

#### Ali Ramadan

Assistant Manager - Capital Markets & Fixed Income

+965 2224 8000 Ext.: 1108

[aramadan@markaz.com](mailto:aramadan@markaz.com)

#### Mansour Al-Rukaibi

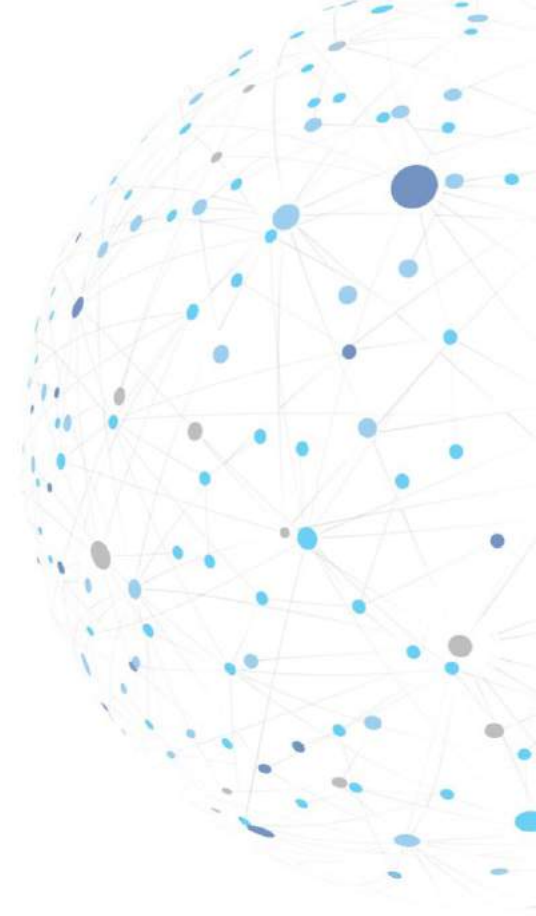
Assistant Analyst - Capital Markets & Fixed Income

+965 2224 8000 Ext.: 1186

[mrukaibi@markaz.com](mailto:mrukaibi@markaz.com)

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

# GCC Primary Bonds & Sukuk Issuances



# GCC Primary Bonds & Sukuk Issuances

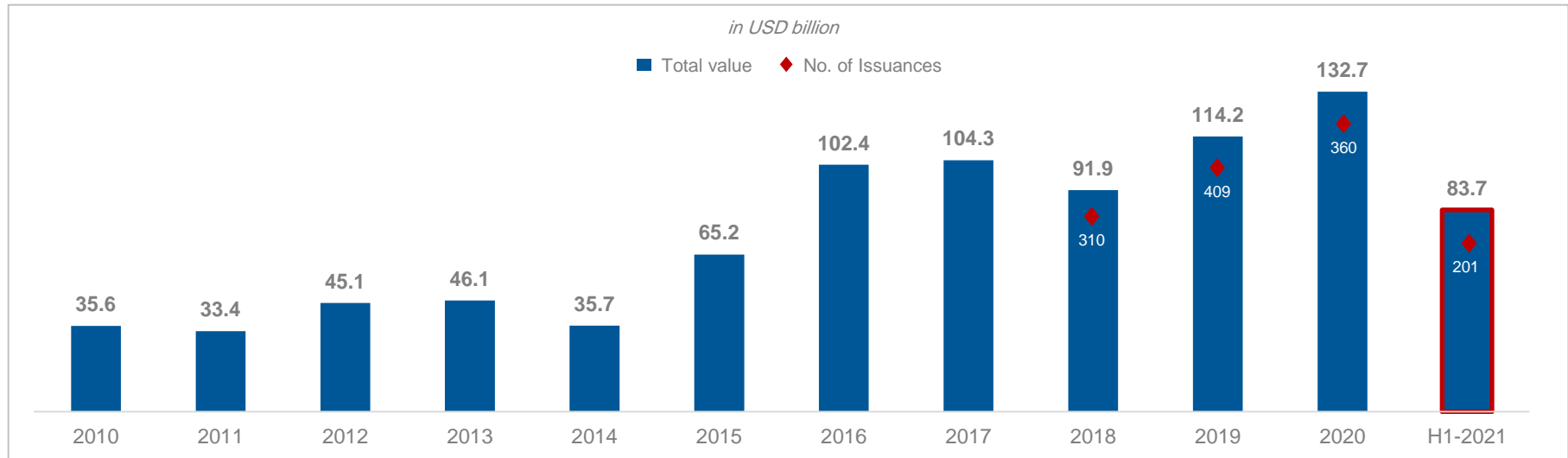
Primary issuances of debt grew 18% YoY, amounted to USD 83.7 billion in H1-2021

GCC Primary Bonds & Sukuk Issuances

GCC Fixed Income Market Performance

Outstanding GCC Bonds & Sukuk

## GCC Primary Bonds & Sukuk Trend in the GCC



- Primary debt issuances in the GCC continue to see notable activity during the first half of 2021, on the backdrop of historically low interest rates as well as the continuing implications behind Covid-19 that have resulted in stricter operating environments for GCC governments and corporates.
- In the first six months of 2021, primary issuances of bonds and sukuk in the GCC amounted to USD 83.7 billion compared to USD 70.8 billion raised during the same period in 2020. This represents a growth of 18% in GCC primary debt issuances year-on-year.
- In terms of the number of issuances, there were 201 primary debt issuances across the six countries in the GCC during the first half of 2021 compared to 175 issuances for the same period in 2020.

# GCC Primary Bonds & Sukuk Issuances

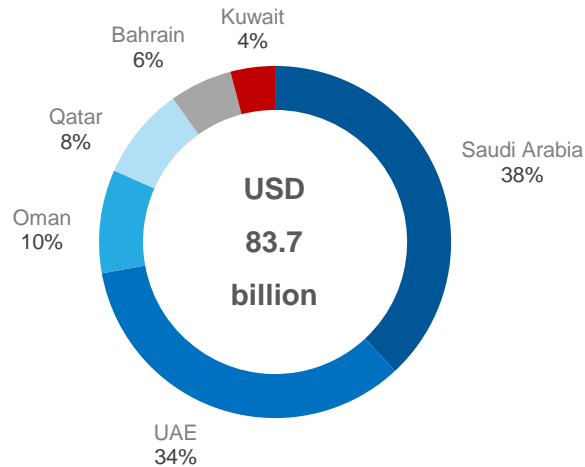
*Saudi Arabia leads the GCC in primary debt issuances*

GCC Primary Bonds & Sukuk Issuances

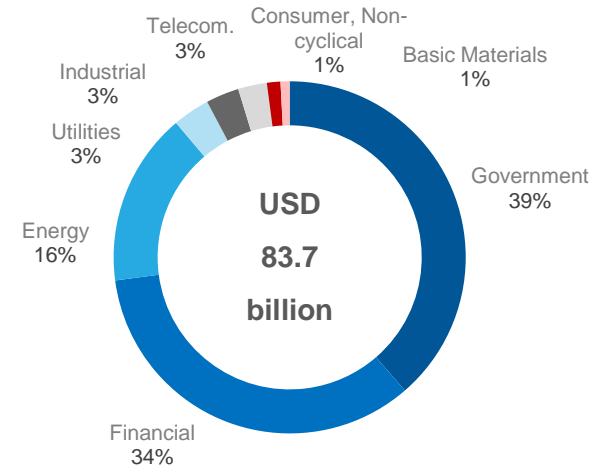
GCC Fixed Income Market Performance

Outstanding GCC Bonds & Sukuk

**GCC Bonds & Sukuk Primary Issuance: Geographical Allocation (H1-2021)**



**GCC Bonds & Sukuk Primary Issuance: Sector Allocation (H1-2021)**



- Saudi Arabian entities were the largest issuers by value during H1-2021, raising a total of USD 31.9 billion (H1-2020: USD 19.7 billion), representing 38% of total primary debt issuances in the GCC, followed by the UAE with 34% of total primary issuances or equivalent to USD 28.5 billion (H1-2020: USD 24.6 billion).
- Kuwaiti issuers raised the least in primary debt among GCC peers with USD 3.4 billion (H1-2020: USD 2.6 billion), representing 4% of all issuances during the first half of 2021. The growth in primary debt issuances in Kuwait amounted to an increase of 16% year-on-year.
- Primary issuances by GCC governments constituted 39% of the total value of issuances, equivalent to USD 32.4 billion (H1-2020: USD 42.3 billion).
- Primary issuances by financial institutions constituted 34% of the total value of primary issuances, equivalent to USD 28.7 billion (H1-2020: USD 26.9 billion).
- GCC issuers from the energy sector constituted 16% of the total value of issuances, equivalent to USD 13.3 billion (H1-2020: USD 0.1 billion).

# GCC Primary Bonds & Sukuk Issuances

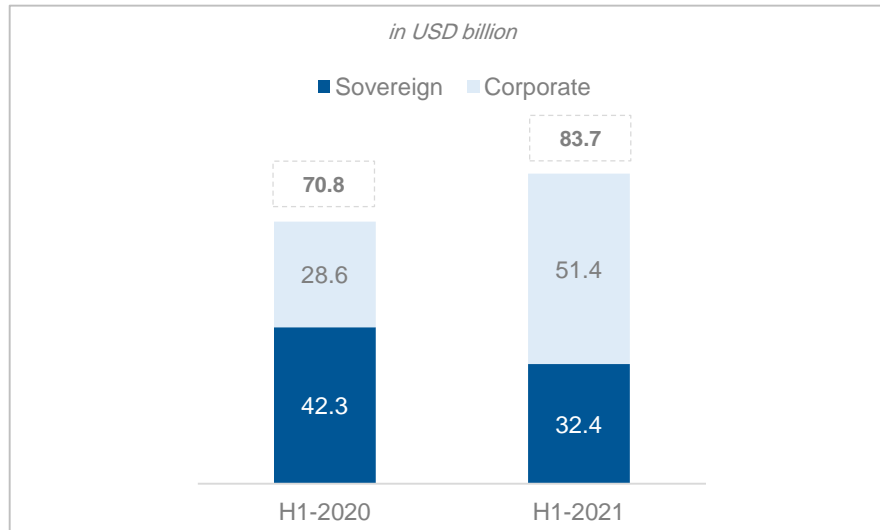
Corporate issuances increased 80% YoY, whereas Sovereign issuances declined by 23% YoY

GCC Primary Bonds & Sukuk Issuances

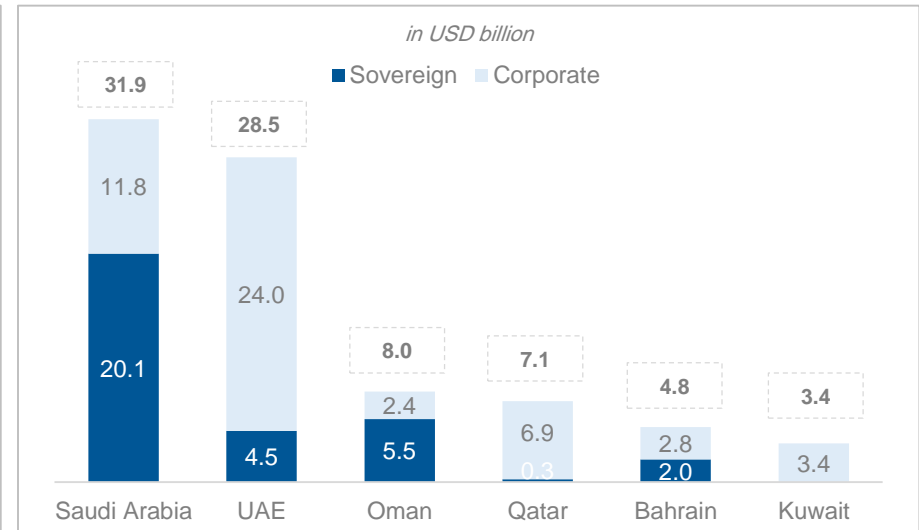
GCC Fixed Income Market Performance

Outstanding GCC Bonds & Sukuk

GCC Bonds & Sukuk Primary Issuance: Sovereign/Corporate (H1-2021)



GCC Bonds & Sukuk Primary Issuance: Sovereign/Corporate by Country (H1-2021)



- Issuances by GCC sovereigns amounted to USD 32.4 billion during the first six months of 2021, making up 39% of the total value of primary issuances. This represents a decline of 23% year-on-year from the USD 42.3 billion raised during H1-2020.
- Issuances by GCC corporates amounted to USD 51.4 billion during H1-2021, constituting 61% of the total value of primary issuances. This represents a growth of 80% year-on-year from USD 28.6 billion raised during the same period in 2020.
- Saudi Arabia was the largest sovereign issuer in the GCC during H1-2021 with a total of USD 20.1 billion (H1-2020: USD 17.3 billion), followed by Oman with USD 5.5 billion (H1-2020: USD 0.9 billion) and the UAE with USD 4.5 billion (H1-2020: USD 11.5 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 the first half of 2021 amounting to USD 24.0 billion (H1-2020: USD 13.2 billion).

# GCC Primary Bonds & Sukuk Issuances

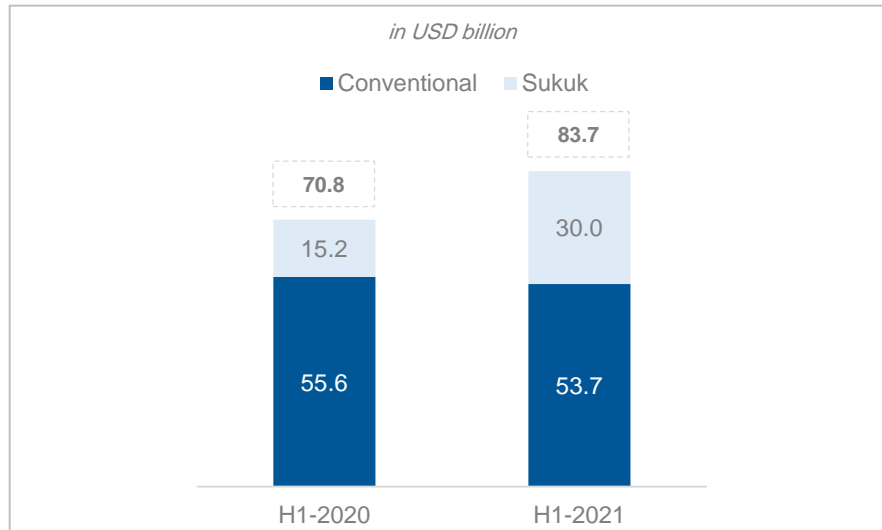
*Sukuk issuances amounted to USD 30.0 billion in H1-2021, a growth of 97% YoY*

GCC Primary Bonds & Sukuk Issuances

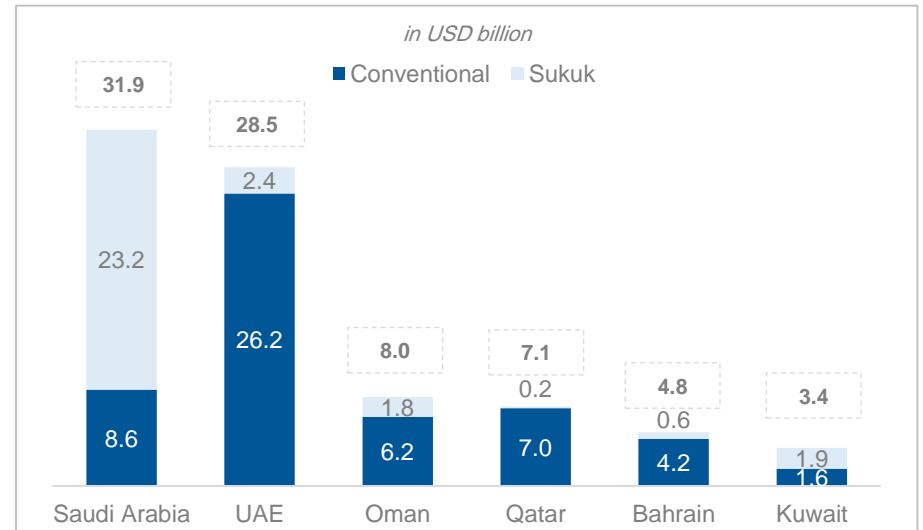
GCC Fixed Income Market Performance

Outstanding GCC Bonds & Sukuk

**GCC Bonds & Sukuk Primary Issuance: Conventional/Sukuk (H1-2021)**



**GCC Bonds & Sukuk Primary Issuance: Conventional/Sukuk by Country (H1-2021)**



- Conventional issuances declined 3% year-on-year to reach USD 53.7 billion in H1-2021 and constituted 64% of total issuances, whereas sukuk issuances grew 97% during the same period to reach USD 30.0 billion and constituting 36% of total primary debt issuances for the first half of 2021.
- The largest conventional issuances by value came from the UAE with a total of USD 26.2 billion raised in H1-2021 (H1-2020: USD 21.2 billion), whereas Saudi Arabia saw the largest issuances of sukuk by value with a total of USD 23.2 billion raised during the first half of 2021 (H1-2020: USD 7.2 billion).
- The Saudi Arabian government was the largest issuer of both conventional bonds and sukuk during the first half of 2021; the largest sukuk issuance in the region raised approximately USD 4.4 billion in 7-year sukuk denominated in Saudi Riyal, whereas the largest issue of conventional bonds raised USD 2.8 billion in 12-year bonds denominated in US Dollar for the Saudi government.

# GCC Primary Bonds & Sukuk Issuances

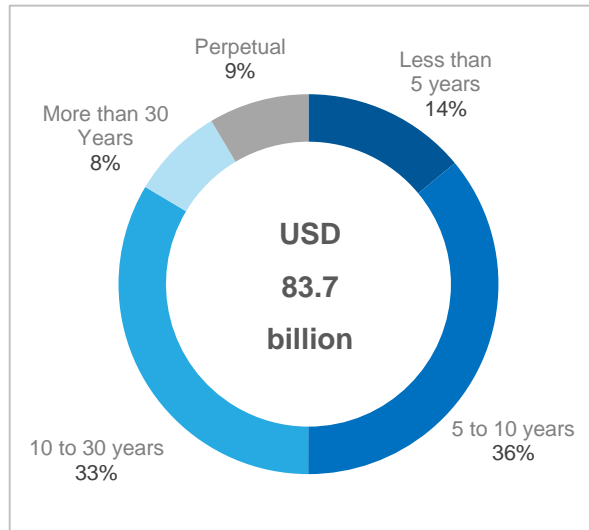
*USD-denominated issuances constituted 66% of the total value of primary issuances*

GCC Primary Bonds & Sukuk Issuances

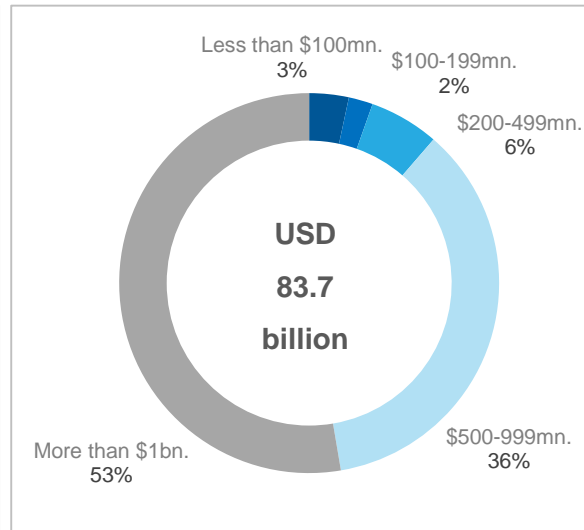
GCC Fixed Income Market Performance

Outstanding GCC Bonds & Sukuk

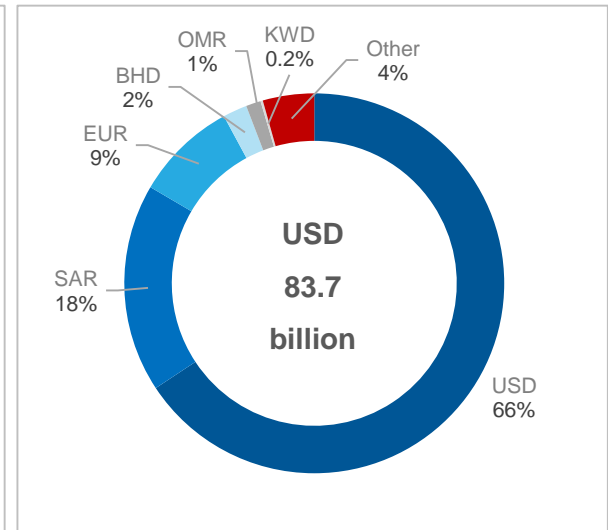
GCC Bonds & Sukuk Primary Issuance: Maturity Profile (H1-2021)



GCC Bonds & Sukuk Primary Issuance: Issue Size Profile (H1-2021)



GCC Bonds & Sukuk Primary Issuance: Currency Profile (H1-2021)



- Primary debt issuances with maturities between 5 and 10 years constituted 36% or USD 30.2 billion of the total value of issuances during the first six months of 2021 (H1-2020: USD 24.0 billion), followed by maturities of 10 to 30 years with 33% or USD 28.1 billion (H1-2020: USD 15.6 billion). Issuances of Bonds or sukuk with maturities greater than 30 years constituted 8% or USD 6.6 billion (H1-2020: USD 23.4 billion).
- 53% or USD 44.1 billion of total issuances were of issue size of USD 1 billion or more during H1-2021, followed by 36% or USD 30.1 billion of total issuances were in the range of USD 500 and 999 million.
- A significant majority of total primary debt issuances in the GCC were USD-denominated during the first half of 2021, comprising of 66% of the total value of issuances or equivalent to USD 55.0 billion. Saudi Arabian Riyal-denominated issuances came in second with 18% and equivalent to USD 14.8 billion.



# GCC Primary Bonds & Sukuk Issuances

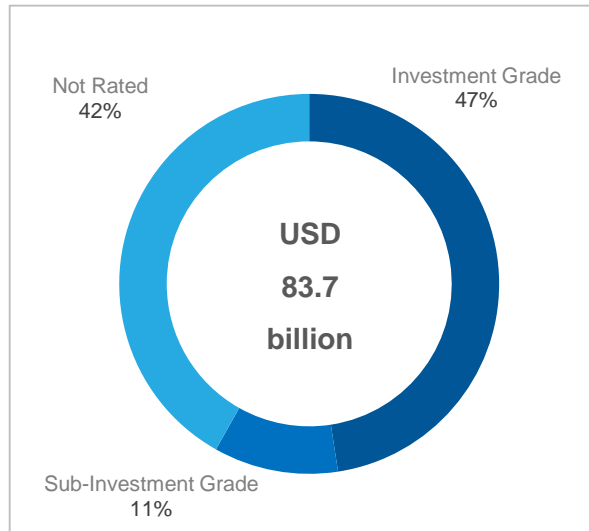
59% of primary debt issuances in the GCC were rated in H1-2021; London saw the most listings of bonds and sukuk

GCC Primary Bonds & Sukuk Issuances

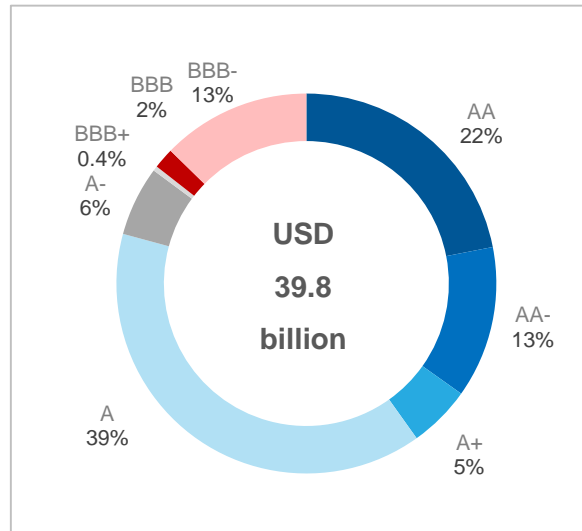
GCC Fixed Income Market Performance

Outstanding GCC Bonds & Sukuk

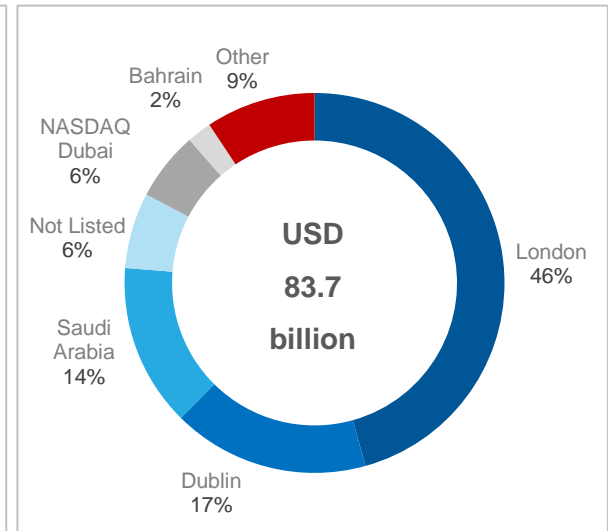
GCC Bonds & Sukuk Primary Issuance: Credit Rating<sup>1</sup> (H1-2021)



GCC Bonds & Sukuk Primary Issuance: IG Breakdown (H1-2021)



GCC Bonds & Sukuk Primary Issuance: Listing Exchange (H1-2021)



- During H1-2021, 58% 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, 66 out of 201 issuances were rated by any of the aforementioned credit rating agencies.
- Investment Grade-rated issuances accounted for 47% of total primary issuances - equivalent to USD 39.8 billion, whereas sub-Investment Grade-rated issuances accounted for 11% or USD 8.9 billion of total primary debt issuances. Non-rated issuances accounted for 42% or USD 35.0 billion.
- Of bonds and sukuk with Investment Grade rating, 22% were rated AA, 13% rated AA-, 5% rated A+, 39% rated A, and 6% rated A-, whereas issuances of ratings of BBB+ to BBB- constituted 15% of the total value of primary debt issued during H1-2021.
- London is the exchange with most listings for bonds and sukuk with 46% of the total value of issuances, followed by Dublin with 17% and Saudi Arabia with 14%.

# GCC Bonds & Sukuk Market Performance



# GCC Bonds & Sukuk Market Performance

*GCC Aggregate Index flat for the year but outperforms EM index*

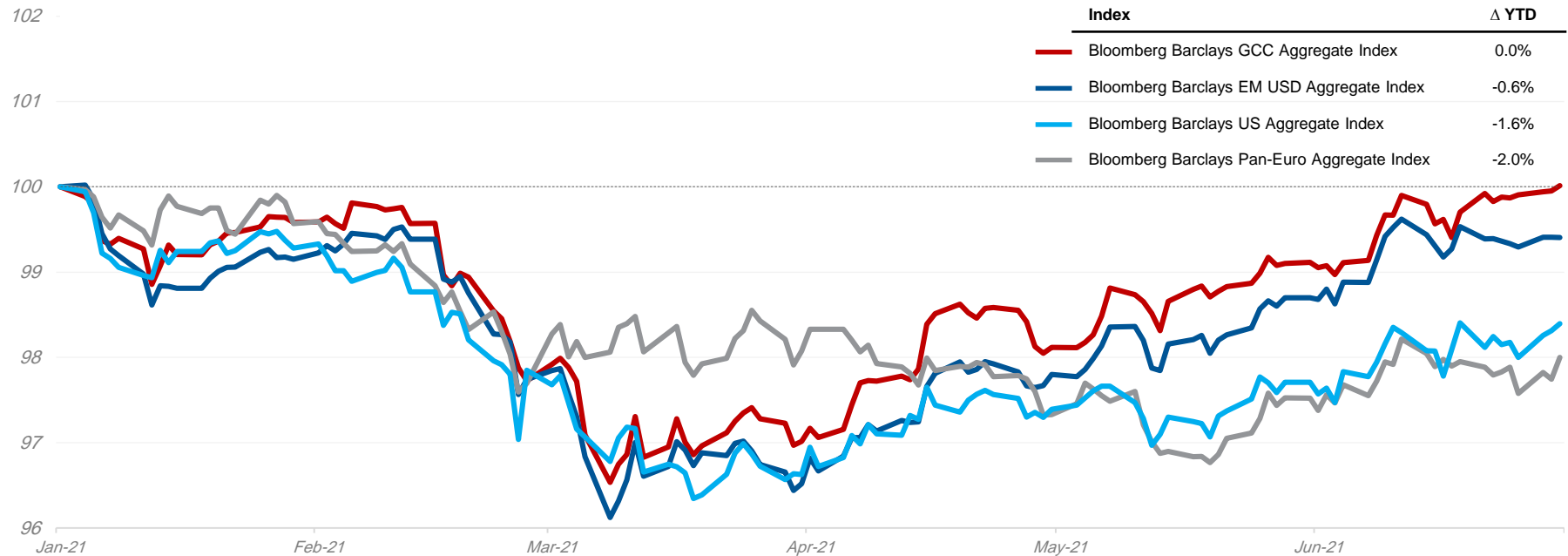
GCC Primary Bonds & Sukuk Issuances

GCC Bonds & Sukuk Market Performance

Outstanding GCC Bonds & Sukuk

## GCC vs. Regional Fixed Income Indices (H1-2021)

(Rebased scale, starting point = 100)



- In light of the pandemic, the Bloomberg Barclays GCC Aggregate Index has remained flat for the first six months of the year and has outperformed the Bloomberg Barclays Emerging Markets Aggregate Index, which has achieved a return of -0.6% for the same period.
- The Bloomberg Barclays US Aggregate Index has underperformed for the first half of 2021 with a return of -1.6%, whereas the Pan-Euro Aggregate Index achieved a return of -2.0% during the same period.

# GCC Bonds & Sukuk Market Performance

GCC 5Y CDS spreads saw mixed performances during the first half of 2021

GCC Primary Bonds & Sukuk Issuances

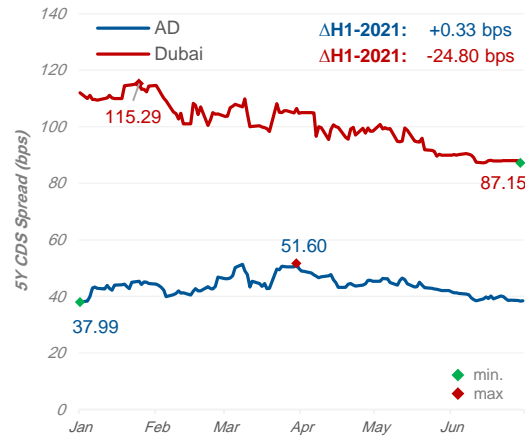
GCC Fixed Income Market Performance

Outstanding GCC Bonds & Sukuk

### Kuwait 5Y CDS



### UAE 5Y CDS



### Qatar 5Y CDS



### Saudi Arabia 5Y CDS



### Bahrain 5Y CDS



### Oman 5Y CDS



# GCC Bonds & Sukuk Market Performance

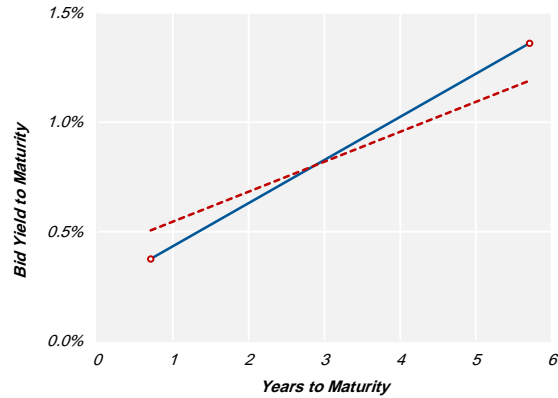
GCC (USD) sovereign yield curves widened on long-end of the curve, with the exception of Oman

GCC Primary Bonds & Sukuk Issuances

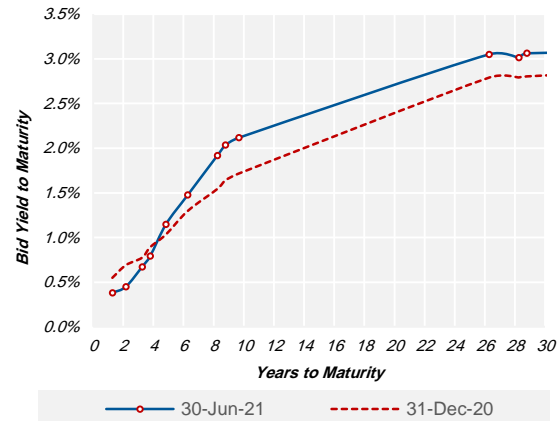
GCC Fixed Income Market Performance

Outstanding GCC Bonds & Sukuk

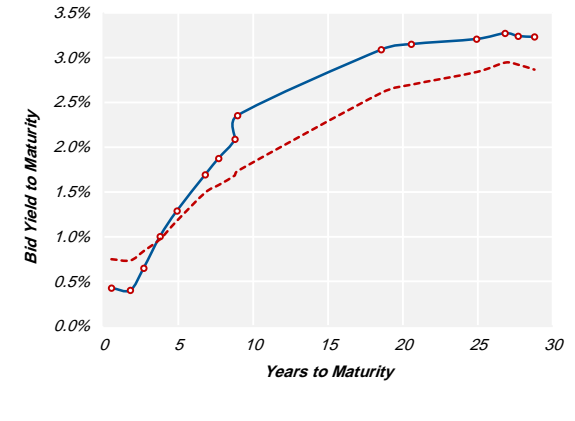
**Kuwait<sup>1</sup>**



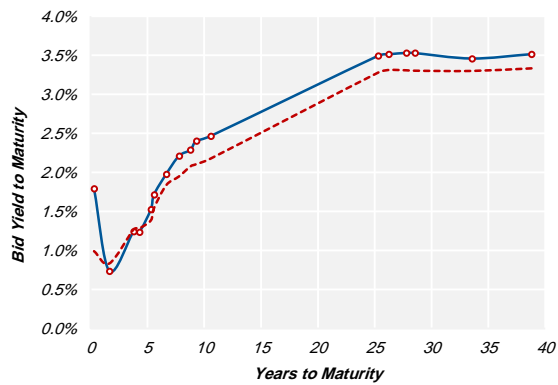
**Abu Dhabi**



**Qatar**



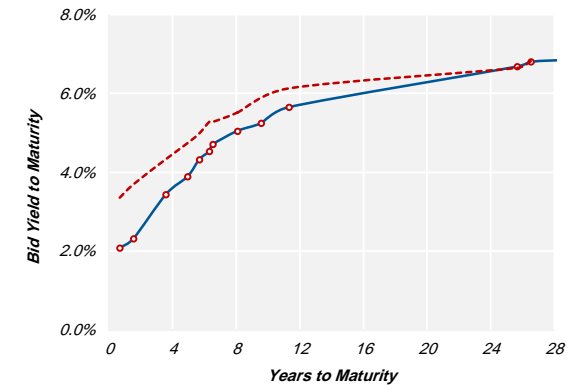
**Saudi Arabia**



**Bahrain**



**Oman**



# GCC Bonds & Sukuk Market Performance







*Kuwait outlook changed to negative by Fitch, Bahrain outlook changed to negative by Moody's and S&P during H1*

GCC Primary Bonds & Sukuk Issuances

GCC Fixed Income Market Performance

Outstanding GCC Bonds & Sukuk

## GCC Sovereign Credit Ratings

	Moody's	S&P	Fitch
	<b>A1</b> Stable Outlook	<b>AA-</b> Negative Outlook	<b>AA</b> Stable Outlook → <b>AA</b> Negative Outlook
	<b>A1</b> Negative Outlook	<b>A-</b> Stable Outlook	<b>A</b> Negative Outlook
	<b>Aa2</b> Stable Outlook	<b>AA</b> Stable Outlook	<b>AA</b> Stable Outlook
	<b>Aa3</b> Stable Outlook	<b>AA-</b> Stable Outlook	<b>AA-</b> Stable Outlook
	<b>B2</b> Stable Outlook → <b>B2</b> Negative Outlook	<b>B+</b> Stable Outlook → <b>B+</b> Negative Outlook	<b>B+</b> Stable Outlook
	<b>Ba3</b> Negative Outlook	<b>B+</b> Stable Outlook	<b>BB-</b> Negative Outlook

- Kuwait saw its outlook changed from stable to negative by Fitch Ratings, whereas Bahrain saw its outlook changed from stable to negative by both Moody's and S&P Ratings during the first half of 2021.
- No credit rating upgrades or downgrades were initiated by any of the credit rating agencies during H1-2021.

# Outstanding GCC Bonds & Sukuk



# Outstanding GCC Bonds & Sukuk

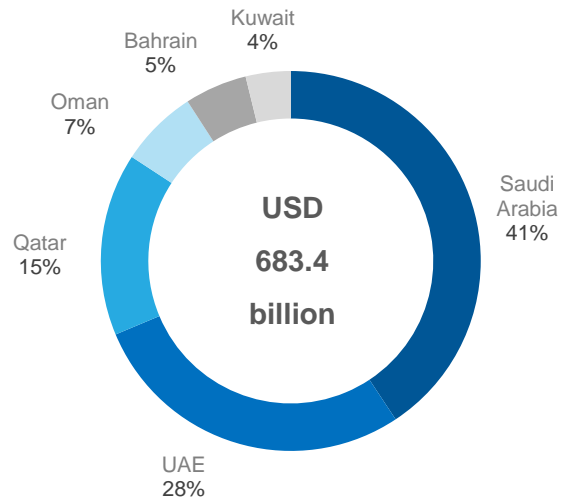
Total amount of USD 683.4 outstanding in GCC markets

GCC Primary Bonds & Sukuk Issuances

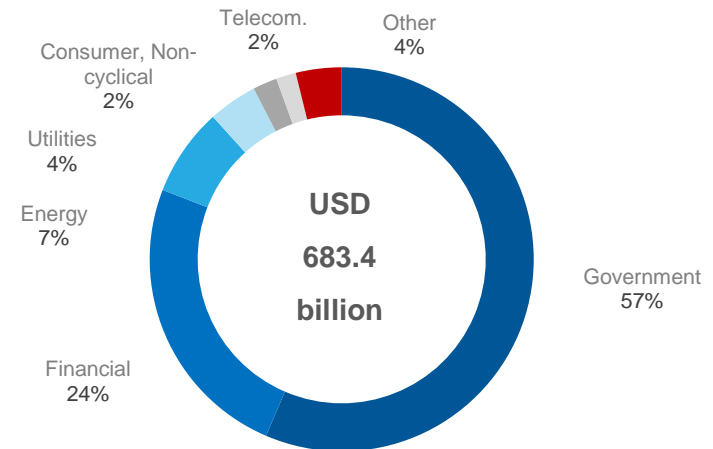
GCC Fixed Income Market Performance

Outstanding GCC Bonds & Sukuk

GCC Bonds & Sukuk Outstanding: Geographic Allocation (H1-2021)



GCC Bonds & Sukuk Outstanding: Sector Allocation (H1-2021)



- As at 30<sup>th</sup> June 2021, the total value of outstanding GCC bonds and sukuk amounted to USD 683.4 billion. Saudi Arabia continues to account for the largest share of outstanding bonds and sukuk in the GCC with a growing share of 41% or USD 278.1 billion of the total, followed by the UAE with a share of 28% or USD 191.3 billion.
- In terms of sector allocation, sovereign issuances by GCC governments represented the largest share of the value of outstanding GCC bonds and sukuk amounting to USD 385.8 billion and that represent 57% of the total value of outstanding debt. Financial institutions maintain the second largest share with 24% or equivalent to USD 167.0 billion out of the total value of outstanding bonds and sukuk.
- Kuwait has the lowest share of outstanding debt in the region with only 4% of the total, equivalent to USD 26.2 billion.



# Outstanding GCC Bonds & Sukuk

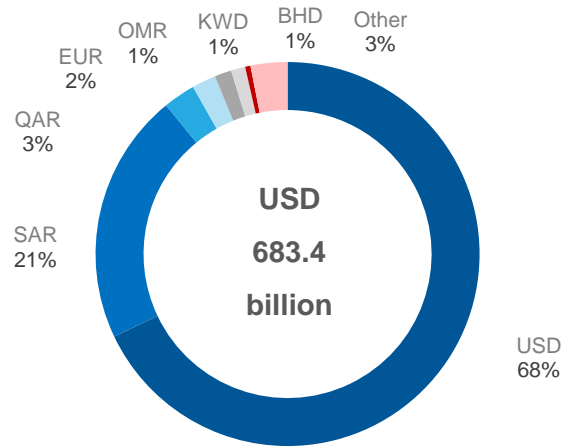
68% of outstanding issuances are USD-denominated, followed by SAR with 21%

GCC Primary Bonds & Sukuk Issuances

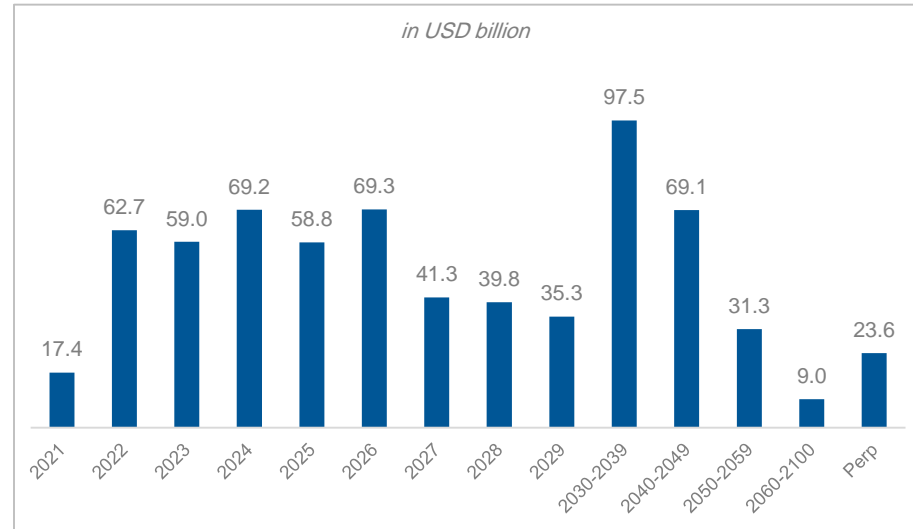
GCC Fixed Income Market Performance

Outstanding GCC Bonds & Sukuk

GCC Bonds & Sukuk Outstanding: Currency Profile (H1-2021)



GCC Bonds & Sukuk Outstanding: Maturity Profile (H1-2021)



- USD-denominated issuances comprised 68% of total amount outstanding with USD 464.2 billion, followed by Saudi Riyal-denominated issuances which represented 21% or USD 144.6 billion.
- Bonds and sukuk amounting to USD 17.4 billion are expected to mature in 2021 and USD 62.7 billion are expected to mature during 2022. Moreover, 66% of all outstanding debt are due or USD 452.8 billion are expected to mature by the end of the 2029, indicating a probable requirement for continued refinancing by Sovereign and Corporate entities within the region.
- H1-2021 marked the second issuance of 40-year bonds by the Saudi government, raising a total of USD 2.25 billion. Moreover, perps saw significant issuing activity by financial institutions in the GCC during the first half of 2021, raising a total of USD 7.2 billion for the period alone.

**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](mailto:capitalmarkets@markaz.com)  
[www.markaz.com](http://www.markaz.com)

