

GCC Fixed Income Market : 2025 - The Year That Was...

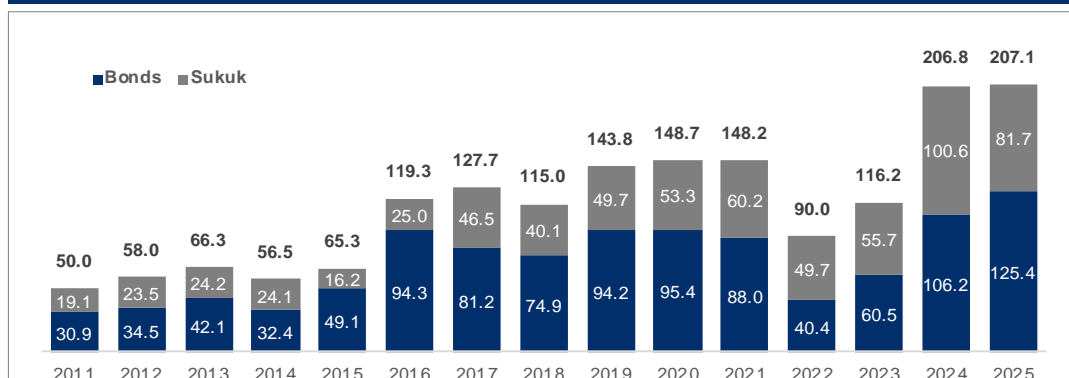
Modest growth in GCC FI issuances, reaching a new record...

The year 2025 once again witnessed record bond issuances globally as well as in the GCC region. The year started with record debt market activity during Q1-2025 that gradually tapered towards the end of the year, in line with the trend seen over the last few years, as issuers tap the market to lock in lower rates as rate cut expectations remained high at the start of the year. Total debt capital market activity reached USD 12.1 Trillion globally during the year, a record high level after a yearly increase of 13%, as per data from LSEG. The volume of offerings also increased during the year to a new record high of 36,000 issuances after registering a y-o-y increase of 6%. Investment grade debt offerings increased by 13% during the year to reach USD 5.8 Trillion while issuances of high yield debt increased by 24% to reach USD 496.4 Bn during the year.

In terms of sectors, the yearly trend reflected the impact of higher spending in AI infrastructure with issuances from the Technology sector doubled during the year while Consumer Staples and Telecom sectors also showed strong double-digit y-o-y growth in issuances during 2025. At the regional level, debt issuances from corporate issuers in emerging markets increased by 22% during the year to reach USD 466.0 Bn with issuers from India, Saudi Arabia, Brazil and the UAE accounting for 49% of the total activity from the emerging markets. Meanwhile, international bond offerings increased by 13.0% during the year to reach USD 5.7 Trillion in 2025, as per LSEG.

Fixed income issuances in the GCC (bonds and sukuk) also remained upbeat during the year and once again reached a new record high, although the y-o-y increase was marginal in 2025. Total fixed income issuances in the region reached USD 207.1 Bn in 2025 as compared to USD 206.8 Bn during 2024. The increase was mainly led by higher bond issuances from the region while sukuk issuances declined. In terms of type of issuers, government offerings declined by more than a fifth during the year that was more than offset by an increase in offerings from GCC corporates.

Fixed Income Issuances in GCC (USD Bn) - Bonds vs. Sukuk Issuances



Fixed Income Issuances in GCC (USD Bn) - Government vs. Corporate Issuances



Source: Bloomberg, Kamco Invest Research

Note: Bond and sukuk issuances in the report includes instruments with original maturity >1 year and Country of Domicile/Country of Risk is for the specified region.

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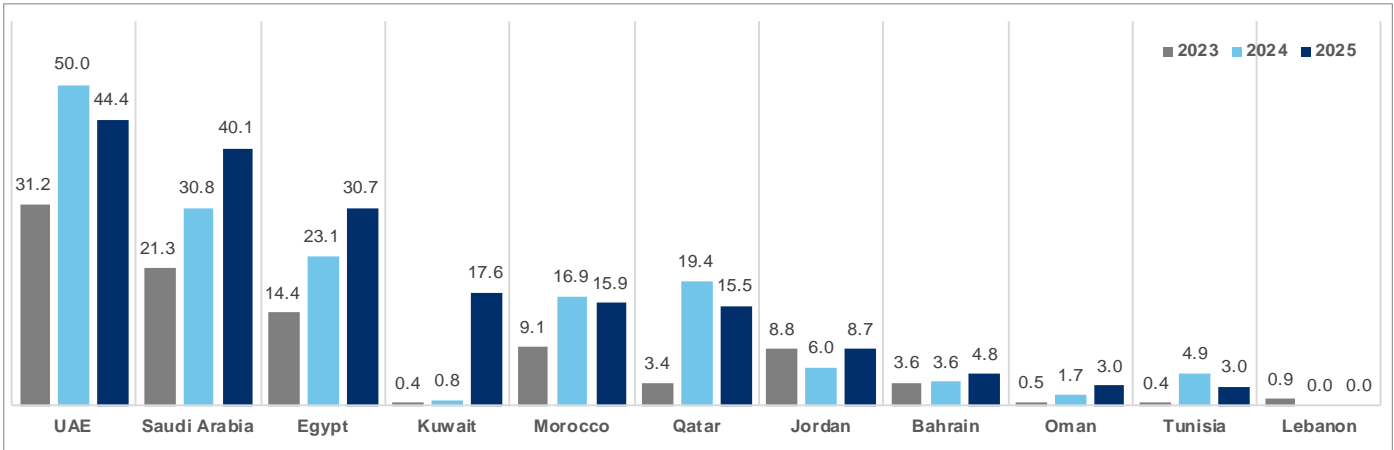
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MENA Bond Issuances

Bond Issuances (USD Bn)



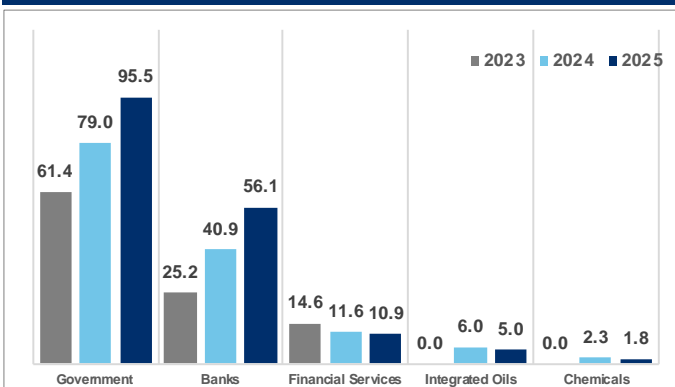
Source: Bloomberg, LSEG Workspace, Kamco Invest Research

Bond issuances in the MENA region reached a four-year high level during 2025 mainly led by a steep increase in government issuances during the year. Aggregate bond issuances in the MENA region reached USD 167.9 Bn during the year vs. USD 151.2 Bn during 2024, an increase of 11.0% or USD 16.7 Bn. Governments in the region raised USD 95.5 Bn from bonds during the year as compared to USD 79.0 Bn during 2024. On the other hand, corporate issuances in the MENA region remained almost flat as compared to the previous year with total issuances of USD 72.4 Bn in 2025 as compared to USD 72.2 Bn in 2024.

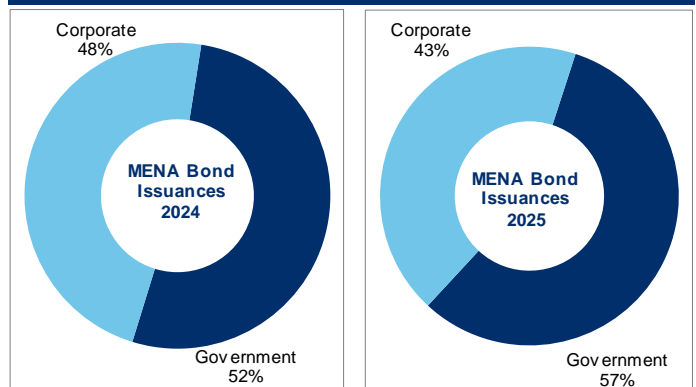
In terms of sector at the MENA level, Banks once again showed the biggest growth in issuances during the year while issuances from Financial Services sector witnessed a marginal y-o-y decline. Issuances from Integrated Oil and Chemicals also featured heavily as top issuers during the year. Aggregate issuances by MENA banks reached USD 56.1 Bn during the year as compared to USD 40.9 Bn in 2024, resulting in an increase of 37.3% during the year. Issuances from the next three sectors by total amount showed y-o-y declines with issuances from the Financial Services sector declining by 5.4% and Integrated Oils and Chemicals registering declines of 16.7% and 23.9%, respectively. The Real Estate sector, which was next, registered a strong growth of over 10x as issuances increased from USD 0.1 Bn in 2024 to USD 1.5 Bn in 2025 that included a USD 1.0 Bn bond issued by Aldar Properties with a 30-year tenor and a USD 0.5 Bn perpetual bond issued by Majid Al Futtaim Holding.

Within the MENA region, GCC countries were the key drivers of higher bond issuances during the year accounting for more than 74.7% of the total issuances. Total bond issuances by GCC countries reached a record high level during the year and stood at USD 125.4 Bn during 2025 as compared to USD 106.2 Bn during 2024, registering an increase of 18.1% or USD 19.2 Bn. On the other hand, bond issuances by non-GCC MENA countries (Egypt, Morocco, Jordan, Tunisia and Lebanon) declined by 5.6% during the year to reach USD 42.4 Bn in 2025 as compared to USD 45.0 Bn in 2024. The biggest decline was seen in issuances by the UAE that reached USD 44.4 Bn in 2025 as compared to USD 50.0 Bn in 2024, a decline of USD 5.6 Bn during the year. On the other hand, Kuwait witnessed the biggest growth in issuances during the year with bond issuances reaching USD 17.6 Bn during 2025 as compared to USD 0.8 Bn in 2024 followed by Saudi Arabia and Egypt with bond issuances increasing by USD 9.3 Bn and USD 7.6 Bn to reach USD 40.1 Bn and USD 30.7 Bn, respectively.

Top Five Sectors by Bond Issuance (USD Bn) - MENA



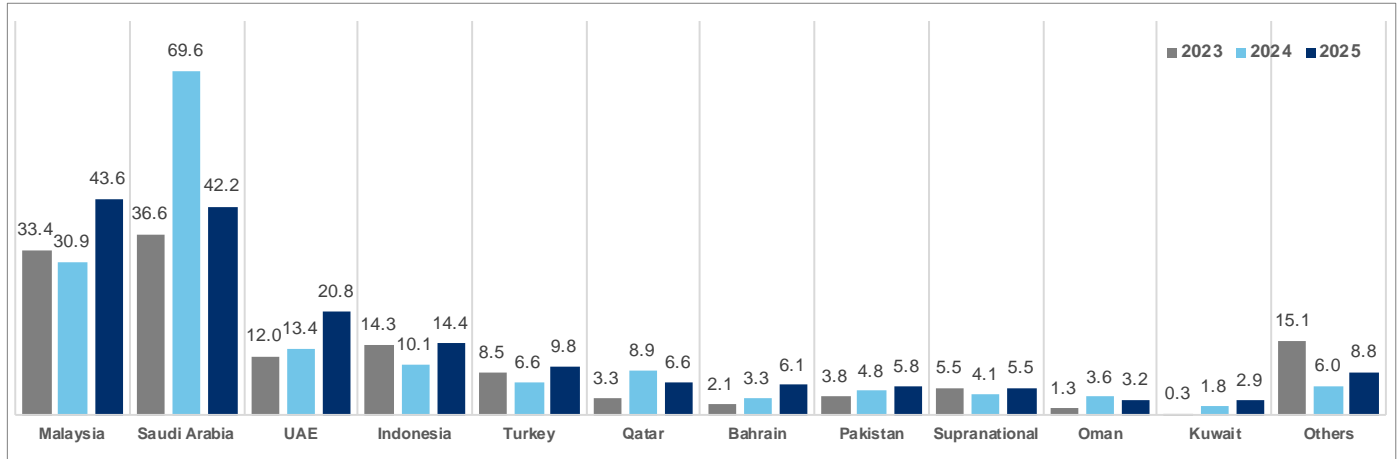
Bonds Issued - Breakdown by Issuer - MENA



Source: Bloomberg, LSEG Workspace, Kamco Invest Research

Global Sukuk Issuances

Sukuk Issuances (USD Bn)



Source: Bloomberg, Kamco Invest Research. Note-all issuances have a maturity greater than 1 year at the time of issuance.

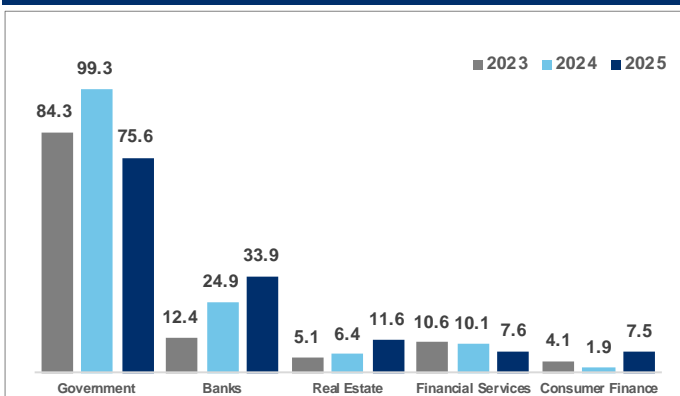
Global sukuk issuances (with maturities greater than 1 year) reached a new record high level during 2025 although the y-o-y increase was relatively smaller than the increase seen in 2024. Aggregate issuances reached USD 166.7 Bn as compared to USD 161.4 Bn in issuances during 2024, recording a growth of USD 5.4 Bn or 3.3% during the year. The increase was mainly led by a sharp increase in issuances from Malaysia during 2025 that more than offset a decline in sukuk issuances from the GCC.

Malaysia overtook Saudi Arabia as the top sukuk issuer during 2025 after being the second biggest issuer over the previous five years. Total sukuk issuances from Malaysia stood at USD 43.6 Bn in 2025 as compared to USD 30.9 Bn in 2024, registering a growth of USD 12.7 Bn or 40.9%. Issuances in Malaysia was the lowest in ten years during 2024 after seeing a steep drop in government sukuk issuances. Corporate issuances once again remained strong in Malaysia during 2025, increasing by USD 10.0 Bn during the year to reach USD 28.5 Bn from USD 18.5 Bn in 2024. On the other hand, government issuances in Malaysia recovered from the lowest level in 10-years in 2024 at USD 12.4 Bn to USD 15.1 Bn in 2025.

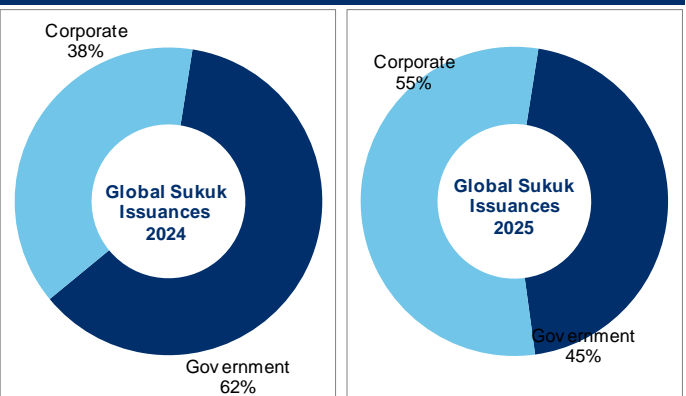
Saudi Arabia was a close second with total sukuk issuances of USD 42.2 Bn in 2025 as compared to USD 69.6 Bn in 2024, registering a decline of USD 27.4 Bn or 39.4% during the year. The decline came after government sukuk issuances plunged from USD 48.6 Bn in 2024 to USD 10.5 Bn in 2025 in Saudi Arabia. On the other hand, corporate issuances in the Kingdom witnessed an increase from USD 21.0 Bn in 2024 to reach USD 31.7 Bn in 2025, partially offsetting the decline in issuances from the government. UAE once again ranked third globally with total sukuk issuances reaching USD 20.8 Bn during 2025 as compared to USD 13.4 Bn in issuances in 2024.

In terms of type of issuers, corporate sukuk issuances overtook sovereign issuances for the first time in eleven years in 2025. Total global corporate sukuk issuances stood at USD 91.1 Bn in 2025 as compared to USD 62.0 Bn in 2024, registering a growth of 46.8% or USD 29.1 Bn during the year. On the other hand, sovereign sukuk issuances declined by 23.9% during the year to reach USD 75.6 Bn in 2025 vs. USD 99.3 Bn in 2024. The decline was mainly due to a fall in sovereign issuances from Saudi Arabia, Qatar and UAE that was partially offset by higher issuances from the governments in Malaysia, Indonesia, Turkey and Bahrain.

Top Five Sectors by Global Sukuk Issuance (USD Bn)



Breakdown by Global Sukuk Issuers

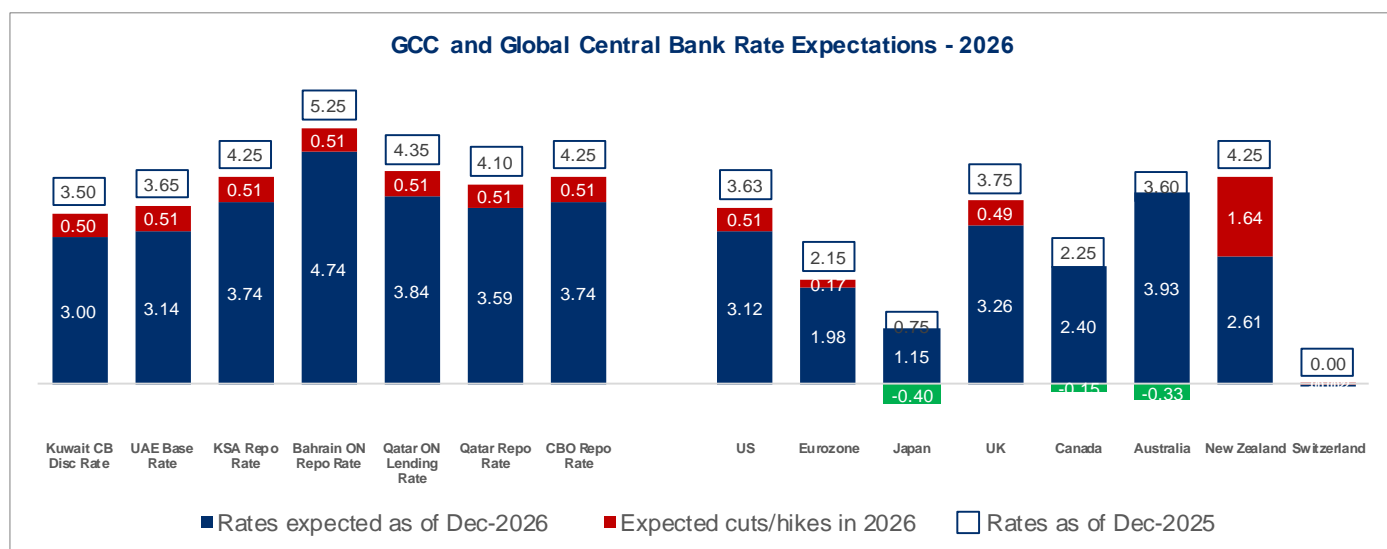


Source: Bloomberg, Kamco Invest Research

Expectations

Fixed income issuance outlook for 2026 remains robust globally as seen from the USD 61 Bn in USD bond issuances on 5-Jan-2026 as Asian borrowers tapped the market, including issuers from Japan, China and Saudi Arabia. The start of the year is typically busy for bond issuances as companies secure early funding with investment grade credit spreads still tight, as per data from Bloomberg. The demand from investors also remain upbeat as buyers snap up highly rated debt amid resilient economic growth and broadly solid corporate fundamentals. A Bloomberg index showed high-grade USD corporate bonds globally yielded around 4.8%, a level that remains attractive by historical standards.

The 2026 outlook for fixed income issuances in the GCC region remains upbeat and we expect elevated levels of issuances during the year. However, the trend is expected to vary at the country level. We expect higher issuances from the governments facing deficits, especially from Saudi Arabia and Kuwait. The Saudi government has already raised USD 11.5 Bn during the first week of the year through a USD bond sale as it taps the global markets to fund its projects pipeline. The bonds attracted more than USD 29 Bn in bids that resulted in lower than expected spreads over US treasuries. However, the latest plan from the Kingdom's National Debt Management Center showed intention to sell about USD 14.0 Bn to USD 20.0 Bn in international bonds, which is in line with last year's levels at the higher end and signals stable to lower international bond sales in 2026. The overall financing needs is expected to drop to USD 58 Bn this year from USD 107 Bn in 2025, as per Bloomberg, with fiscal deficit expected to come in at 3.3% of GDP this year. The decline in issuances also indicate continued funding from private markets for funding deficits, in line with last year where more than half of the total financing activities were done via private markets.



Source: Bloomberg, Kamco Invest Research

The rest of the region, especially UAE and Qatar are expected to see elevated levels of corporate issuances during the year. The decline in interest rate further boost our forecast for issuances from the region in 2026 especially at the start of the year when issuers focus on locking in lower rates. Maturity refinancing is expected result in approximately USD 85.4 Bn in issuances during the year while government deficit financing led by lower average oil prices would also contribute to the overall trend during the rest of the year. Based on IMF forecasts, deficit financing would result in issuances of close to USD 60 Bn during 2026.

For the sukuk market, the outlook for 2026 suggests a period of sustained expansion and structural maturation for the global Islamic finance landscape. The year is characterized by a heavy pipeline of refinancing needs, as several high-profile instruments issued during the low-rate environments of previous years reach maturity, prompting issuers to return to the market. Beyond simple refinancing, 2026 is seeing a strategic push for funding diversification across the Middle East and Southeast Asia, where Shariah-compliant debt is increasingly integrated into national fiscal strategies rather than being treated as a niche alternative.

In terms of interest rates, consensus estimates currently show two rate cuts by the US Fed in 2026. However, we believe that the outlook for rates would changed during the course of the year as the impact of tariffs implemented in 2025 are reflected in the inflation figures. In the US, the latest payroll data shows lower than expected employments and the expectations for inflation are also higher for the remainder of the year. We expect rate cuts by GCC central banks to be broadly in line with the US fed due to the pegged currencies.

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