

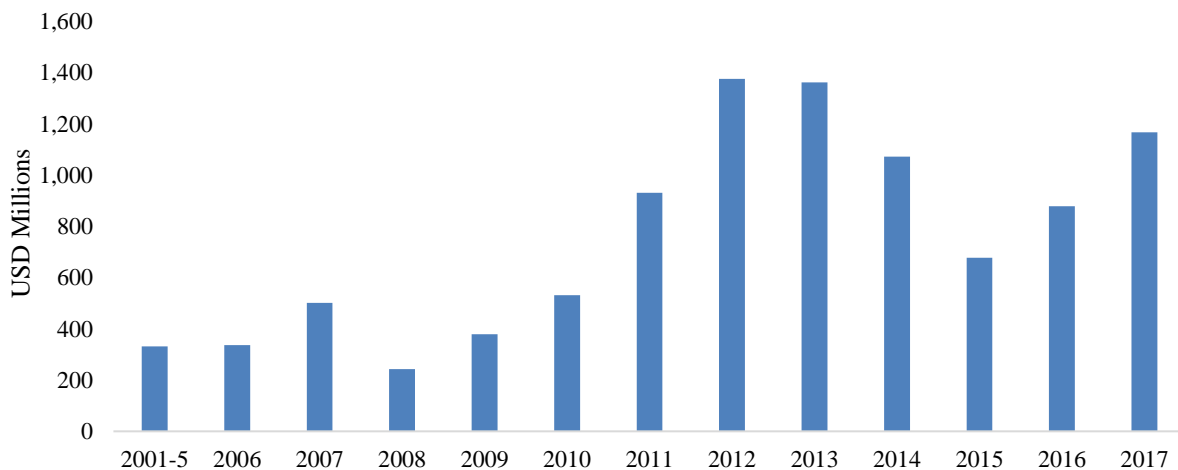


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## Saudi Arabia's Sukuk Market Update September 2018

Global sukuk (Sharia compliant bonds) issuances rebounded in 2017 as new injections from both, sovereign and domestic sukuk played important roles. The total value of global sukuk issuances from 2001 to 2017 reached an impressive \$979 billion (SAR3.7 trillion) and has seen steady growth after a dip in 2015. Total global issuances amounted to \$116.6 billion (SAR437 billion) in 2017 and the surge in new issuances in 2018 is expected to keep the growth trajectory intact.

### Total Global Sukuk Issuances 2001-2017



Source: International Islamic Financial Market (IIFM)

Saudi Arabia currently ranks as the second highest sukuk issuer by value after Malaysia between 2001 to 2017. Saudi Arabia accounts for \$95.2 billion (SAR357 billion) or 9.72 percent of all sukuk issuance by value whereas Malaysia accounts for a significant share of \$612 billion (SAR2.3 trillion) or 62.5 percent (see appendix)<sup>1</sup>. However, Saudi Arabia has been a major player over the last two years as running budget deficits and Vision 2030's objectives fueled the need for excess liquidity to fund its ambitious plans. Consequently, Saudi Arabia issued international sukuk worth \$34.5 billion and has issued approximately \$25.6 billion in local sukuk thus far in 2017 and 2018<sup>2</sup>. These liquidity injections were largely born from spillover effects of lower oil revenues coupled

<sup>1</sup> IIFM Annual Report 2018

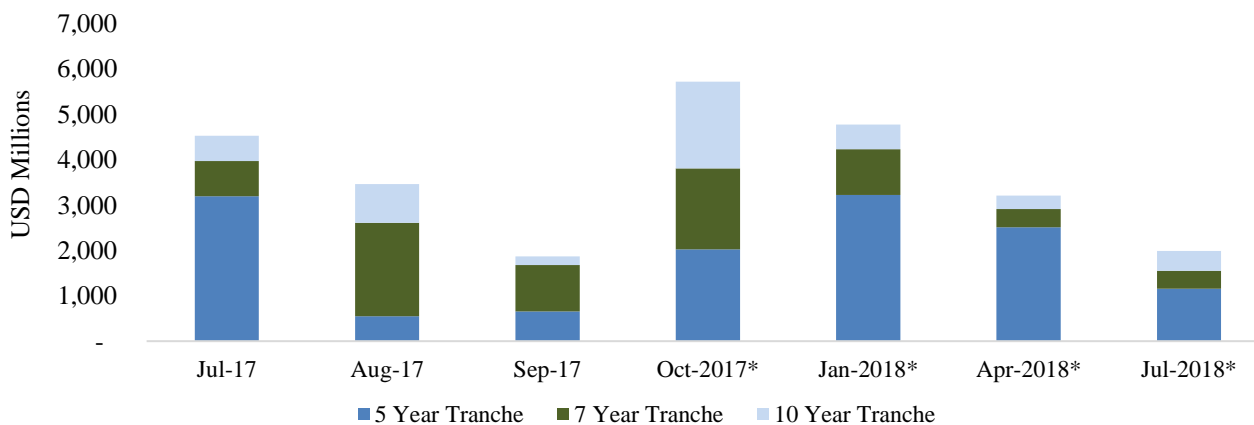
<sup>2</sup> Ministry of Finance-Debt Management Office Press Releases



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with lagging non-oil revenues. Local sukuk have been met with increasing appetite as indicated by issuances being oversubscribed by 227 percent.

### 2017-2018 MoF Local Sukuk Issuances



\*Includes Reissuances

Source: Ministry of Finance- Debt Management Office

Local Saudi Arabian banks whom have significant excess liquidity and are in search of shariah-compliant investments are likely to benefit from the proliferation of the sukuk market. Banks are able to invest in higher yielding sukuk instead of placing their cash reserves in lower yielding accounts with the Saudi Arabian Monetary Agency (SAMA).

Saudi Arabia's recent reliance on debt financing as an alternative to dependence on oil revenues will play a significant role in reshaping the economy. Historically, Saudi Arabia has solely relied on oil revenues to fund its development plans as the ratio of public debt to nominal GDP was only 2.1 percent in 2013. In a rather quick turnaround, Saudi Arabia's public debt to nominal GDP surged to 17.3 percent by 2017. By partially insulating itself from cyclical shocks to oil prices the Kingdom will be able to continue its plans to further develop itself as a top tier economy.



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**Appendix:**

**Asia and Far East**

Country	Number of Issues	Value (USD Millions)	% of Total Value
Bangladesh	4	37	0.004%
Brunei Darussalam	149	9,583	0.98%
China	1	97	0.01%
Hong Kong	5	3,196	0.33%
Indonesia	244	62,816	6.41%
Iran	1	144	0.01%
Japan	3	190	0.02%
Malaysia	5,711	612,305	62.53%
Maldives	1	3	0.0003%
Pakistan	83	15,930	1.63%
Singapore	16	1,498	0.15%
Sri Lanka	2	3	0.0003%
<b>Total</b>	<b>6,219</b>	<b>705,802</b>	<b>72.10%</b>

**GCC & Middle East**

Country	Number of Issues	Value (USD Millions)	% of Total Value
Bahrain	392	27,720	2.83%
Jordan	3	272	0.03%
Kuwait	18	3,658	0.37%
Oman	7	3,523	0.36%
Qatar	30	25,851	2.64%
Saudi Arabia	122	95,215	9.72%
United Arab Emirates	110	71,895	7.34%
Yemen	2	253	0.03%
<b>Total</b>	<b>684</b>	<b>228,387</b>	<b>23.30%</b>



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### Africa

Country	Number of Issues	Value (USD Millions)	% of Total Value
Gambia	210	136	0.01%
Ivory Coast	2	460	0.05%
Nigeria	4	594	0.06%
Senegal	2	445	0.05%
South Africa	1	500	0.05%
Sudan	30	19,559	2.00%
Togo	1	245	0.02%
<b>Total</b>	<b>250</b>	<b>21,938</b>	<b>2.20%</b>

### Remaining Countries

Country	Number of Issues	Value (USD Millions)	% of Total Value
France	1	1	0.0001%
Germany	3	206	0.0211%
Luxembourg	3	280	0.0286%
Turkey	183	19,783	2.02%
United Kingdom	9	1,368	0.14%
United States	5	1,367	0.14%
Kazakhstan	1	77	0.01%
<b>Total</b>	<b>205</b>	<b>23,082</b>	<b>2.40%</b>

### Grand Total

Countries	Number of Issues	Value (USD Millions)	% of Total Value
34	7,358	979,209	100%