FAB SECURITIES أبوظبي الأول للأوراق المالية

MENA CREDIT RESEARCH

April 2025

Safe-Haven Assets Rally as US Tariffs Rattle Equities and Commodities

Sector Weighting:
MARKET WEIGHT

GCC Fixed Income Outlook

The GCC bonds and Sukuk issuance recorded a decline during 1Q25. According to Markaz, the total value of primary debt issuances declined 7.1% YOY to USD 51.5 Bn in 1Q25, compared to USD 55.5 Bn in 1Q24. Despite the overall contraction, the GCC corporate primary issuances demonstrated robust growth, rising 45.3% YOY to reach USD 32.1 Bn, constituting 62.4% of total debt issuances in 1Q25. Government-related corporate entities contributed USD 6.8 Bn, representing 21.2% of total corporate issuances during the same period. Meanwhile, sovereign issuances experienced a sharp decline of 41.8% to USD 19.4 Bn, accounting for 37.6% of the region's total debt issuances in 1Q25. The global sukuk issuance is projected to range between USD 190-200 Bn in 2025. The decline is primarily expected due to lower refinancing needs among major sovereign issuers in the GCC, especially Saudi Arabia.

GCC bond and sukuk issuances moderated in April 2025, with total issuance reaching USD 1.2 Bn, down sharply from USD 11.8 Bn in March 2025. Despite the decline, select financial institutions continued to tap the market, reflecting steady funding needs. Mashreq Bank successfully raised USD 500 Mn through a 5-year senior unsecured sukuk maturing in April 2030, priced at a coupon of 5.03%. The offering attracted strong demand, with the order book exceeding USD 2.75 Bn. Furthermore, the issuance was supported by SNB, which issued a USD 300 Mn bond maturing in October 2026, offering a coupon of 5.0%. Additionally, AUB from Bahrain priced a USD 400 Mn perpetual sukuk, carrying a coupon of 6.7%. While total issuances were lower compared to March, regional banks continued to access the market to meet their funding needs.

The US Federal Reserve maintained its benchmark interest rate at 4.25 – 4.50% during the latest policy meeting held in March 2025. The US Fed reiterated a cautious approach, indicating that any potential rate cuts would depend on more definitive economic indicators, possibly emerging in 2H25. In response, the 10-year bond yields across GCC countries witnessed mixed movements during the month. In early April 2025, Treasury yields declined due to a surge in demand for safe-haven assets amidst growing economic uncertainty. Concerns over the potential global economic slowdown triggered by the aggressive tariff policies implemented by the Trump administration led investors to seek the security of U.S. Treasuries. However, during the month, yields began to rise. This shift was primarily fueled by discussions around potential adjustments to tariff policies and signs of economic resilience, which altered investor sentiment and led to reduced demand for Treasuries, causing yields to increase. In April, government bond yields in major economies like Germany and Japan also fluctuated. The decline in yields for both Japan and Germany was driven by investor sentiment seeking safe-haven assets. Germany's 10-year Bund yield fell due to expectations of further interest rate cuts by the European Central Bank, driven by a weakening economic outlook and uncertain U.S. tariff policies. Similarly, Japan's 10-year bond yield dropped because of disappointing economic data and lowered expectations for immediate interest rate hikes by the Bank of Japan, compounded by concerns over U.S. tariffs. Meanwhile, the 5-year CDS spreads across most GCC countries widened except Qatar and Abu Dhabi. The UAE Purchasing Managers' Index (PMI) showed a slight softening in March 2025, dropping to 54.0 from 55.0 in February, signalling a slower, but still solid improvement in the non-oil private sector. The decline was driven by moderate demand growth, with sales volumes rising at their slowest pace since October 2024, as indicated by a weaker growth in new orders. However, despite this slowdown, businesses continued to expand their operations, reflected by increased purchasing activity at the sharpest rate since mid-2019. The UAE's non-oil economy remains resilient, supported by strong diversification initiatives, particularly in manufacturing, digital technology, and renewable energy sectors. According to the World Bank, the country's GDP is projected to grow by 4.6% in 2025 and 4.9% in 2026. Saudi Arabia's non-oil sector PMI fell from 58.4 in February 2025 to 58.1 in March 2025. However, the index remained above 50, indicating expansion. The decline in PMI was primarily attributed to a slight moderation in output and new business growth following strong activity earlier in the year. The new orders subindex also eased to 63.2 in March 2025, down from 65.4 in February 2025. However, the non-oil private sector maintained its strong expansion, supported by resilient customer demand, favorable pricing, and increased inventory buildup. However, despite positive non-oil sector trends, the IMF revised the country's growth forecast downward to 3.0% for 2025, citing a slower-than-expected recovery in oil production. Additionally, according to the General Authority for Statistics (GASTAT), Saudi Arabia's annual inflation rate rose to 2.3% in March 2025, mainly due to a surge in apartment rents. Kuwait plans to invest approximately USD 6.0 Bn in infrastructure and public service projects under its 2025–2026 budget, with capital expenditure set at KWD 1.7 Bn across more than 90 projects. The investments will focus on key sectors such as transportation, utilities, and port development, notably the Mubarak Al Khabeer Port. In 2024, Oman achieved a fiscal surplus of OMR 520 Mn alongside moderate real GDP growth of 1.6% YOY, bringing the total to OMR 37.7 Bn. This growth was primarily driven by a 3.7% YOY increase in non-oil activities, partially offset by a 3.6% YOY decline in oil-related sectors. Despite the decline in oil-related activities, the country's government revenue rose 4% YOY to reach OMR 10.2 Bn in 2024.

Gold Outlook

Gold prices rose 5.3% MOM to USD 3,228.71 per ounce on 30 April 2025, increasing for the fourth consecutive month as investors look for a safe haven on the anticipated impact of the US reciprocal tariffs. Gold prices declined in the first wee k of April 2025 due to profit booking after reaching an all-time high. Gold prices rebounded in the following week amid rising concerns on trade wars as the US president increased tariffs on China, while the EU announced plans to charge retaliatory tariffs. Additionally, an increase in gold price was further supported by the weakening of the US dollar on introduction of new tariffs, while the yellow metal crossed the USD 3,200 levels for the first time. During the mid-month, gold prices eased initially by more than 1.0% after the US announced the exemption of reciprocal tariffs on smartphones and computers, but rebounded as the US president launched an investigation that could lead to potential new tariffs on mineral imports. Later, the bullion rallied past USD 3,400 mark in the following week due to the US president's criticism of the Fed Chair, weakening of the US dollar, and global economic growth concerns over the US-China trade war. However, prices ended flat for the week on easing US-China tensions and the US president's retraction of the threat to dismiss Fed Chair Jerome Powell. Gold prices declined at the end of the month, attributable to the appreciation of the US dollar and fading trade tensions.

Oil Outlook

Brent Crude oil prices fell 15.5% MOM to USD 63.12 per barrel on 30 April 2025. Oil prices declined in the first week of April 2025 attributable to the announcement of tariffs by the US president, which weighed on global fuel demand. The announcement of a rise in crude oil production by OPEC+ countries contributed to the decline. Oil prices declined in the following week after multiple tariffs imposed between the US and China. However, prices rebounded in the mid-month after tariff exemptions announced by the US president and increased crude imports in China. Additionally, anticipation of a tighter oil supply after sanctions on Iranian oil and output cuts announced by a few OPEC producers resulted in a weekly gain in oil prices. However, prices declined in the following week as investors weighed a potential rise in global supply after an expected increase in OPEC+ oil production and the chances of a ceasefire agreement between Russia and Ukraine. Oil prices further fell at the end of the month as trade war concerns dampened the outlook for global fuel demand.

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Our Top Bond/Sukuk Picks:

Top SUKUK Picks:

	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rating	S&P Rating	Coupon	Maturity	Currency
1	**EDO Sukuk Ltd**	ENEDEV	XS2689095086	**5.64**	1,000,000,000	BB+	N/A	BBB-	**5.875**	9/21/2033	USD
2	**Saudi Electricity Global Sukuk Co 2**	SECO	US804133AB28	**5.64**	1,000,000,000	A+	Aa3	A+	**5.060**	4/8/2043	USD
3	**Sharjah Sukuk Program Ltd**	SHARSK	XS2680379695	**5.52**	900,000,000	N/A	Ba1	BBB-	**6.092**	3/19/2034	USD
4	**Esic Sukuk Ltd**	ESICSU	XS2747181613	**5.41**	700,000,000	N/A	Baa3	N/A	**5.831**	2/14/2029	USD
5	**SRC Sukuk Ltd**	SRCSUK	XS3010536145	**5.22**	1,000,000,000	A+	Aa3	N/A	**5.375**	2/27/2035	USD
6	**Suci Second Investment Co**	PIFKSA	XS2706163305	**5.18**	1,250,000,000	A+	Aa3	N/A	**6.250**	10/25/2033	USD
7	**Almarai Co JSC**	ALMARA	XS2641777235	**5.14**	750,000,000	N/A	Baa3	BBB-	**5.233**	7/25/2033	USD
8	**KSA Sukuk Ltd**	KSA	US48266XAK19	**4.97**	2,250,000,000	A+	Aa3	N/A	**5.250**	6/4/2034	USD
9	**BSF Sukuk Co Ltd**	BSFR	XS2978771942	**4.90**	750,000,000	A-	N/A	A-	**5.375**	1/21/2030	USD
10	**DIB Sukuk Ltd**	DIBUH	XS2749764382	**4.86**	1,000,000,000	A	A3	N/A	**5.243**	3/4/2029	USD
11	**Emirates Islamic Bank PJSC**	EIBUH	XS3030374030	**4.86**	750,000,000	A+	N/A	N/A	**5.059**	3/25/2030	USD
12	**KFH Sukuk Co**	KFHKK	XS2974156627	**4.82**	1,000,000,000	A	N/A	N/A	**5.376**	1/14/2030	USD
13	**RAK Capital**	RAKS	XS3016636683	**4.78**	1,000,000,000	A+	N/A	A	**5.000**	3/12/2035	USD
14	**SNB Sukuk Ltd**	SNBAB	XS2747631914	**4.72**	850,000,000	A-	N/A	A	**5.129**	2/27/2029	USD
15	**Al Rajhi Sukuk Ltd**	RJHIAB	XS2761205900	**4.70**	1,200,000,000	A-	Aa3	N/A	**5.047**	3/12/2029	USD

Top Bonds Picks:

	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rating	S&P Rating	Coupon	Maturity	Currency
1	**Oman Government International Bond**	OMAN	US682051AF48	**6.59**	2,000,000,000	BB+	Ba1	BBB-	**6.500**	3/8/2047	USD
2	**Saudi Government International Bond**	KSA	US80413TBE82	**6.28**	3,250,000,000	A+	Aa3	N/A	**5.000**	1/18/2053	USD
3	**Finance Dept Gov of Sharjah**	SHJGOV	US38381CAF95	**6.12**	1,000,000,000	N/A	Ba1	BBB-	**6.125**	3/6/2036	USD
4	**DP World Ltd/ United Arab Emirat**	DPWDU	US23330JAA97	**5.81**	1,750,000,000	BBB+	Baa2	NR	**6.850**	7/2/2037	USD
5	**Abu Dhabi Gov International Bond**	ADGB	US29135LAU44	**5.62**	1,750,000,000	AA	N/A	AA	**5.500**	4/30/2054	USD
6	**MDGH GMTN RSC Ltd**	MUBAUH	US44985GAE17	**5.55**	750,000,000	AA	Aa2	AA	**6.875**	11/1/2041	USD
7	**Emirates NBD Bank PJSC**	EBIUH	XS2976518972	**5.39**	750,000,000	A+	A2	N/A	**5.503**	1/22/2030	USD
8	**Saudi Government International Bond**	KSA	US80413TBL26	**5.26**	4,000,000,000	A+	Aa3	N/A	**5.625**	1/13/2035	USD
9	**Abu Dhabi National Energy Co PJSC**	TAQAUH	XS0272949016	**5.25**	912,487,000	AA	Aa3	NR	**6.500**	10/27/2036	USD
10	**Abu Dhabi Commercial Bank**	ADCBUH	XS3003311902	**5.25**	600,000,000	A+	N/A	A+	**5.421**	2/26/2030	USD
11	**Abu Dhabi National Energy Co PJSC**	TAQAUH	US00386SAB88	**5.25**	912,487,000	AA	Aa3	NR	**6.500**	10/27/2036	USD
12	**Suci Second Investment Co**	PIFKSA	XS2706163305	**5.18**	1,250,000,000	A+	Aa3	N/A	**6.250**	10/25/2033	USD
13	**Oman Government International Bond**	OMAN	US682051AE72	**5.04**	1,626,861,000	BB+	Ba1	BBB-	**5.375**	3/8/2027	USD
14	**National Bank of Ras Al-Khaimah**	RAKBNK	XS2765600262	**4.92**	600,000,000	BBB+	Baa1	N/A	**5.375**	7/25/2029	USD
15	**RAK Capital**	RAKS	XS3016636683	**4.78**	1,000,000,000	A+	N/A	A	**5.000**	3/12/2035	USD

Source: FAB Securities from Bloomberg Data.

Content:

MENA credit outlook

Mashreqbank raised USD 500 Mn from a five-year Sukuk

Mashreqbank, based in the UAE, issued USD 500 Mn Reg S-only five-year senior unsecured Sukuk under its USD 2.5 Bn trust certificate issuance programme. It is considered the biggest Sukuk deal from the CEEMEA region. Even with the tightening of spreads, the investor demand remained strong, closing at USD 2.6 Bn.

Saudi Arabia raised Sukuk worth USD 987.6 Mn

Saudi Arabia issued Sukuk valued at USD 987.6 Mn, increasing 40% from the previous Sukuk issuance. The first tranche, worth SAR 1.3 Bn, will mature in 2029. The Second tranche, worth SAR 80 Mn, will mature in 2032. The third and fourth tranches, amounting to SAR 765 Mn and SAR 1.6 Bn, will mature in 2036 and 2039, respectively.

Ajman Bank raises USD 500 Mn from 5-Year Sukuk amid Strong Demand

Ajman Bank, rated BBB+ by Fitch, launched its debut Reg S USD 500 Mn five-year senior unsecured sukuk a day after mandating banks. The sukuk will pay a profit rate of 5.125%, 130bps over 5-year US Treasury yield. The issuance received a strong response, attracting bids over USD 2.7 Bn. It will list on the London Stock Exchange and Nasdaq Dubai. Both regional and international banks acted as joint lead managers and joint bookrunners.

Oman launched USD 259 Mn 5-year development bond

Oman launched a five-year development bond of USD 259 Mn with an interest rate of 4.6% per year maturing in May 2030. The bond will be issued on 1 May 2025, open to all investors, residents and non-residents, irrespective of their nationality. Oman will pay semi-annual interest on May 1 and November 1 of every year until maturity. The bond will be traded on Muscat Stock Exchange.

Omniyat mandates banks to launch dollar green sukuk

Omniyat Holdings, a Dubai-based luxury real estate developer, mandated banks for a debut US dollar green senior unsecured sukuk with a tenure of three years. The benchmark sukuk will Reg S with a fixed profit rate. The developer mandated ADCB, Citi, ENBD Capital, JP Morgan, Mashreq and Standard Chartered as joint global coordinators and joint lead managers. The bookrunners will be Ajman Bank, CBD, DIB, FAB, Kamco Invest, RAKBANK and Warba Bank.

Banque Saudi Fransi mandates banks to proceed with the issuance of AT1 instruments

Banque Saudi Fransi authorized banks for USD-denominated and Regulation S perpetual additional Tier 1 capital issuance of USD 3.0 Bn, under the new BSF's additional Tier Capital Note Programme. The issuance will be non-callable for six years. Joint Lead Managers will be Abu Dhabi Commercial Bank, BofA Securities, BSF Capital, Citi, Crédit Agricole CIB, Emirates NBD Capital, HSBC, Mashreq, Mizuho and MUFG.

ADNOC priced a 10-year sukuk of USD 1.5 Bn with a profit rate of 4.75%

Abu Dhabi's ADNOC Murban priced its 10-year sukuk of USD 1.5 Bn at a profit rate of 4.75% and will have a fixed profit. The senior unsecured sukuk will pay a fixed profit rate payable semi-annually. The issuance received a strong response with an order book of over USD 3.9 Bn, excluding joint lead manager interest. ADNOC Murban RSC Ltd. holds a credit rating of Aa2 (stable) from Moody's, AA (stable) from S&P, and AA (stable) from Fitch. It will be listed on London Stock Exchange.

Bahrain authorised banks to issue an 8-year sukuk and a 12-year bond denominated in USD

Bahrain's Ministry of Finance will conduct virtual investor meeting starting from 29 April 2025, for a new USD-denominated dual-tranche debt issue. The government plans to issue an 8-year sukuk under Bahrain's Trust issuance program and a 12-

year unsecured bond, subject to market conditions. The proceeds from the issuance will be used to fund general budget requirements. Both instruments will be traded on the London Stock Exchange and forecasted to be rated B+ by Fitch and S&P. S&P recently revised Bahrain's outlook to negative because of increased financing risks and market volatility.

DP World plans to conduct an investor call for a 10-year US dollar sukuk

DP World scheduled the investor call on 29 April 2025 regarding the issuance of the 10-year 144a Reg S US dollar benchmark sukuk. The issuer will be DP World Crescent Limited, which will issue USD 5.5 Bn sukuk with maturity starting in 2028. DP World holds a credit rating of Baa2 (stable) from Moody's and BBB+ (stable) from Fitch. The latest issue from DP World will be listed on the London Stock Exchange and Nasdaq Dubai, using a manafae structure. The proceeds will be used for general corporate purposes.

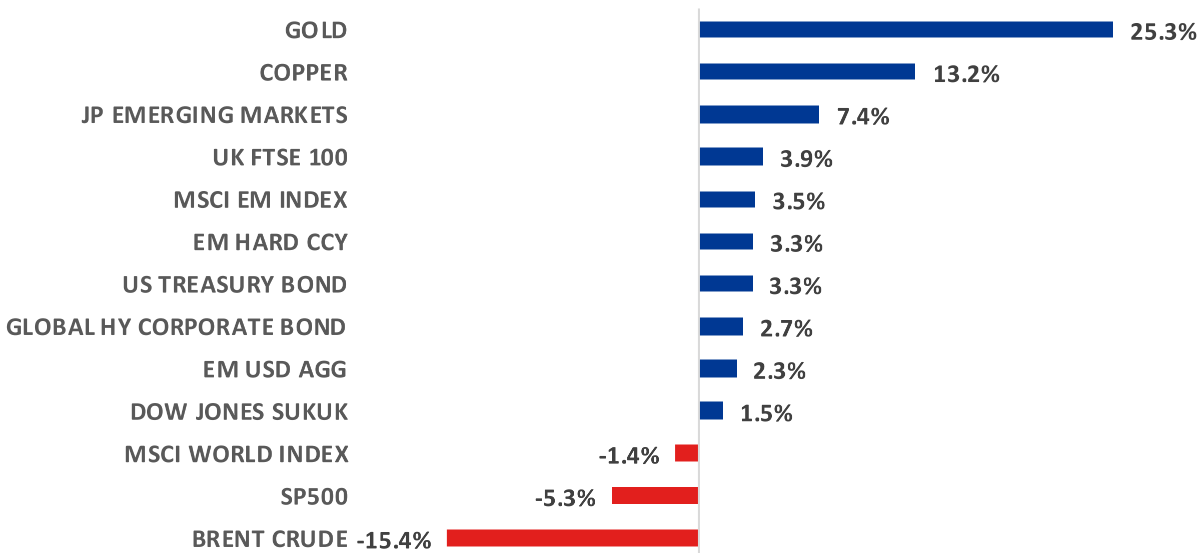
ADQ to launch dual-tranche USD bonds with five and 10-year maturities

Abu Dhabi Development Holding Company (ADQ) plans to issue US Dollar dual-tranche senior unsecured bonds of 5-year and 10-year. The five and 10-year bonds are initially priced at 115 bps and 125, respectively, over the treasury yield. UST +115 and 10 years with a price of UST 125. ADQ, which owns key Abu Dhabi assets like ADX, Etihad Airways, and Etihad Rail, offers bonds to international investors. The funds raised will go towards general corporate purposes. The bond will be listed on the London Stock Exchange under ADQ's global medium-term note programme.

Global Asset Performance

The table below summarizes the performance of key equity and debt indices along with commodity price performance. Asset classes continued to deliver mixed results throughout the month. Commodities, particularly gold, continued the upward trajectory, with prices rising 6.5% MOM, driven by escalating trade war concerns that heightened demand for safe-haven assets. In contrast, copper prices declined sharply by 12.1% MOM, reversing the gains seen in the previous month. Fixed-income instruments were a notable bright spot, with most bond indices recording positive performance, supported by a decline in U.S. Treasury yields. Almost all bond indices recorded positive performance on a MOM basis, such as EM CCY of 0.53%, Dow Jones Sukuk of 0.17%, and JP Morgan Emerging Market of 3.08%. Meanwhile, bond indices such as Global HY Corporate bond recorded a growth of 0.69% MOM, while EM USD AGG recorded a decline of 0.31% MOM during the month. The performance of the equity market showed signs of softness during the month. The U.S. S&P 500 Index fell 1.09% MOM, largely due to underperformance in the energy and healthcare sectors, as well as softer economic data. The UK FTSE Index declined 1.7% MOM, weighed down by global trade uncertainty and higher domestic taxation, which dampened investor sentiment. However, the MSCI Emerging Markets Index outperformed the MSCI Developed Markets Index, with both posting positive monthly returns. Additionally, Brent crude oil prices fell significantly 15.09% MOM in April 2025, attributable to the imposition of tariffs by the US, which increased prospects of a decline in global oil demand, due to an expected slowdown in global economic growth.

Figure 1: Global Asset Performance (YTD in FY2025)

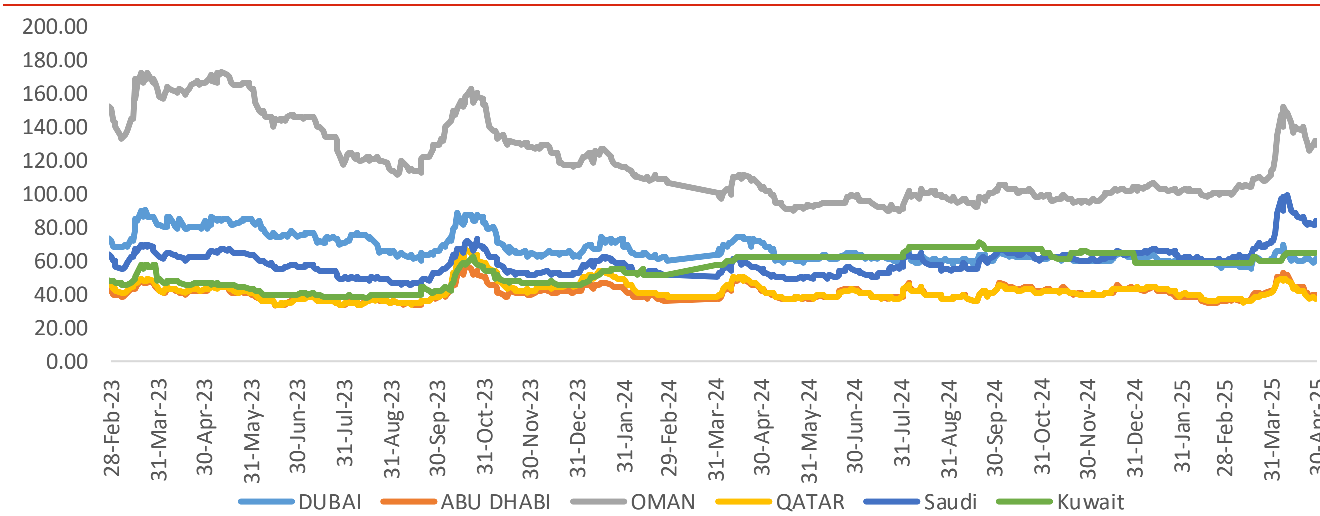


Source: Bloomberg

5-Year CDS

The 5-year CDS spread grew across the majority of GCC Countries in April 2025. Saudi Arabia recorded the highest growth on a MOM basis in April 2025, followed by Oman and Dubai. While Abu Dhabi and Qatar recorded a contraction in CDS spread in April 2025. KSA's CDS spread expanded the most by 18.0% MOM in April 2025.

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

Sovereigns	DUBAI	ABU DHABI	Oman	Kuwait	Qatar	Saudi
MTD (%)	2.06%	-6.09%	15.79%	7.40%	-8.57%	18.02%

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Banking Sector

IHC Controlled Maseera acquired Egypt's ADVA to enhance AI-powered financial inclusion

IHC-owned Maseera Holding has acquired Egypt's ADVA, a consumer finance platform, to enhance AI-driven financial inclusion and support Egypt's digital transformation agenda. Post-acquisition, ADVA will serve as Maseera's technology and data analytics hub for North Africa, focusing on developing personalized, accessible lending solutions for underserved populations. Maseera plans to integrate its AI technologies to improve digital finance experiences. Backed by 2PointZero's USD 1 Bn capital commitment, the deal supports Maseera's broader mission of building a global platform for financial inclusion, starting with key underserved markets, including Egypt's consumer finance sector.

Ajman Bank reduces stake in Gulf Navigation

Ajman Bank has exited its major shareholder position in Dubai-listed Gulf Navigation after selling shares worth AED 173.4 Mn (USD 47.2 Mn) through a series of direct deals since March 5, 2025. The Bank previously held 6.4% but reduced its stake to below 5.6% by January 2025. This comes after Gulf Nav's USD 871 Mn acquisition of Brooge Energy was approved. Poseidon Fund CEIC Limited remains the largest shareholder with a 23.8% stake.

Corporate Sector

EU Regulators are to decide on the Covestro acquisition by ADNOC by May 12

EU antitrust regulators will determine by May 12 on the approval of ADNOC's USD 17.2 Bn, acquisition of German chemicals giant Covestro. After the preliminary evaluation, the Commission oversees competition in the 27-country European Union, has the choice to approve the agreement with or without conditions or launch a four-month investigation. The EU watches the deal closely when a foreign company want to buy EU companies to make sure that they will not do any malpractice with the government of the EU.

UAE telecom e& purchase unit of Serbia's SBB worth USD 891 Mn

The Emirates Telecommunications Group (e&) subsidiary, E& PPF Telecom, acquired 100% stake in Serbia Broadband, a cable television and broadband provider company to diversify revenue source and increase e& presence in Eastern Europe. The acquisition, worth USD 891 Mn, was financed through debt. In order to acquire SBB, E& PPF Telecom Group signed binding agreement with Balkan telecoms and media company United Group, in February 2024.

Damac's Edgnex acquired Finnish Data Centre company to expand in Nordic region

Dubai based Damac's EDGNEX Data Centers has acquired Finland-founded Hyperco, data centre company, to expand its European footprint, particularly in the Nordics. While financial terms remain undisclosed, Hyperco's Finland and Sweden operations benefit from sustainable energy and strong digital infrastructure. Its founders and team will continue leading the company. EDGNEX plans major growth, targeting 300 MW of operational capacity in Middle East by 2026 and over 3,000 MW globally. Current efforts include a EUR 150 Mn JV in Greece and a EUR 400 Mn data centre in Madrid, alongside 55 MW under development in the Middle East to be delivered in 2025.

Saudi Aramco and Sinopec Ink Deal to Boost Petrochemical Output in Yasref JV

Saudi Aramco and China's Sinopec have agreed to expand their Yasref joint venture petrochemicals complex on Saudi Arabia's west coast, aiming to build a 1.8 mtpa steam cracker and a 1.5 mtpa aromatics complex. The move supports Aramco's long-term strategy to convert up to 4 million barrels per day of crude into petrochemicals by 2030. The partnership aligns with Saudi efforts to expand refining capacity and reduce reliance on crude exports amid falling oil prices and U.S.-China trade tensions impacting global markets.

Al Ansari acquired BFC Group Holdings

Al Ansari Financial Services (AAFS), an integrated financial services group in the UAE and parent company of Al Ansari Exchange, completed the acquisition of BFC Group Holdings for USD 200 Mn. Following the acquisition, the Group's customer base increased by 29% and its branch network by 60%. AAFS aims to extend its digital-first model across BFC Group entities to reinforce its dominance in the NBFI sector. Additionally, the acquisition helped AAFS to secure the top market position in Bahrain and third in Kuwait, broaden its reach in India, and strengthen its market-leading status in the UAE.

Menzies Aviation acquired G2 for USD 305 Mn

Menzies Aviation, an airport ground services firm and a subsidiary of Agility Global, entered into an agreement to acquire US-based G2 for USD 305 Mn to strengthen its presence in the American market and expand its international reach. The acquisition supports Menzies' longer-term value creation goals and will expand its operations to over 340 airports across 65 countries, supported by a global workforce of 65,000. The expansion is projected to boost the Group's annual revenue by 20%, exceeding USD 3.1 Bn.

ADNOC Drilling secured an offshore Integrated Drilling Services contract for USD 1.63 Bn

ADNOC Drilling won a contract worth USD 1.63 Bn from ADNOC Offshore to deliver Integrated Drilling Services (IDS) over the next five years. The contract scope includes directional drilling, drilling fluids, cementing, wireline logging, and tubular running, along with engineering and technical support for the execution of extended reach and maximum reservoir contact wells offshore. The contract is expected to enhance operational efficiency and deliver substantial value to shareholders and the UAE economy.

TAQA acquired transmission investment

Abu Dhabi National Energy Company (TAQA) acquired Transmission Investment (TI), a UK-based energy and utility investment platform, a key player in the offshore transmission (OFTO) market. TI manages assets worth AED 15 Bn (USD 4.08 Bn), with a portfolio that includes 11 OFTO assets. The acquisition is likely to strengthen TAQA's offshore transmission services and infrastructure development capabilities, supporting its strategic expansion into European and international markets. TI will integrate into TAQA Transmission for the development and management of TAQA's high-voltage power and bulk water transmission infrastructure.

Diriyah Company granted USD 1.4 Bn for the development of the Royal Opera House

Diriyah Company, backed by the Public Investment Fund (PIF) of Saudi Arabia, secured a USD 1.40 Bn (SAR 5.10 Bn) contract to develop the Royal Diriyah Opera House, which will feature a 450-seat studio theatre, a shaded rooftop amphitheatre with an additional 450 seats, and multipurpose halls accommodating up to 3,100 people. The project is set to establish Diriyah as the Kingdom's cultural epicentre and a globally recognised destination for the performing arts. The project is expected to accommodate nearly 100,000 residents, generate 178,000 jobs, attract around 50 Mn annual visitors, and contribute USD 18.6 Bn (SAR 70 Bn) directly to Saudi Arabia's GDP.

Rating Outlook

- **Abu Dhabi**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) has been confirmed by Fitch Ratings at 'AA' with a Stable Outlook. The 'AA' grade reflects Abu Dhabi's excellent fiscal and external metrics, as well as a high GDP per capita, which are offset by the country's substantial reliance on hydrocarbons, a weak but developing economic policy framework, and low governance indices when compared to peers. The government debt of Abu Dhabi is the lowest among Fitch-rated sovereigns, while sovereign net foreign assets are among the greatest. Lastly, Moody's assigned Aa2 rating to the UAE government with a stable outlook. This is a testament that depicts the nation's financial and economic vision and policies' success and the strength and stability of its economic, financial and credit sectors.
- Fitch affirmed **Oman**'s credit rating at BB+ and revised its outlook from stable to positive. Fitch cited improved public and external finances, including a reduction in government debt-to-GDP, lower net external debt, improved balance sheet, fiscal prudence, and stronger sovereign foreign assets as the factors driving the revision in outlook. The upgrade is driven by a decline in the debt-to-GDP ratio, improved government spending, and rise in oil prices. The upgrade is based on the premise that Oman is using oil revenues to pay down debt, extend its maturity, use fiscal restraint to mitigate external risks, and forecast higher oil prices by Fitch. Oman's gross debt declined to 40% of GDP in 2022 from 60% in 2021, and Fitch expects gross debt to further decline to 36% of GDP in 2023 and will remain stable at 35% in 2024 and 2025. Oman also reported a budget surplus of OMR 1.144 Bn (USD 2.97 Bn) and repaid OMR 1.1 Bn loans in 1Q23. On 02 September 2024, Moody's Investors Service upgraded Oman's credit outlook from stable to positive, while affirming the long-term issuer and senior secured ratings at Ba1. The upgrade is mainly attributed to continued improvement in the country's debt metrics, coupled with higher energy prices and prudent fiscal management. Over the past two years, the country has successfully reduced its debt without having to sell its financial assets, enhancing the prospects of maintaining fiscal strength at a level that could support a higher credit rating. S&P Global Ratings affirmed Oman's long-term foreign and local currency sovereign credit ratings at 'BBB-' with a stable outlook. It affirmed the short-term ratings on Oman at 'B' to 'A-3' while it revised the transfer and convertibility assessment from 'BBB-' to 'BBB'. The rating upgrade is attributable to the deleveraging balance sheet of the Omani government and several state-owned enterprises (SOEs) coupled with the commitment of the authorities to advance its longer-term structural reform agenda to solidify its economy.
- S&P Global Ratings revised its credit rating outlook on **Bahrain from stable to negative**. The rating agency affirmed Bahrain's short-term foreign and local currency sovereign credit ratings at 'B+/B' with a negative outlook. The downgrade of the rating is driven by the growing risks to the fiscal position and the government's ability to service and refinance debt. The agency also cited that market volatility and weak financial conditions will lead higher interest burden on the government. It also expects the fiscal deficit to remain elevated due to lower oil prices, ongoing maintenance activity at the key Abu Sa'fah oil field and higher social spending. S&P expects the fiscal deficit to widen to 7.0% of GDP in 2025 compared to 5.2% in 2024. Fitch has recently revised the outlook on Bahrain's long-term foreign currency issuer default rating to **Negative** from Stable with a rating of B+. The revision in the credit rating is mainly due to mounting fiscal pressures, growing debt levels, coupled with high interest burden and delayed fiscal reforms.
- Fitch Ratings has affirmed **Kuwait**'s long-term foreign-currency issuer default ratings, or IDR, to 'AA-' with a stable outlook. This is due to the Gulf state's fundamental issues being worsened by continued political limitations on decision-making. Since 2017, the Gulf state has been debating debt legislation, demonstrating the slowness with which decisions are made. Kuwait's debt is expected to climb to about 50% of GDP after the debt law is approved, according to the credit rating agency, up from the current 10%. The Kuwaiti administration has been attempting to adopt new public debt legislation to alleviate the country's liquidity constraints, but the bill has been continually blocked by parliament.
- **Saudi Arabia**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) remained unchanged at 'A+' by Fitch Ratings, with a 'Stable' outlook. The key reasons for the rating are improvements in the sovereign balance due to increased oil revenue and the fiscal structure. According to Fitch's proprietary SRM, Saudi Arabia has an 'A+' rating on the Long-Term

Foreign-Currency (LT FC) IDR scale. Moody's Investors Service affirmed Saudi Arabia's credit rating outlook at stable, noting the kingdom's continuous progress in economic diversification coupled with the strong growth of its non-oil sector. According to a statement, Moody's maintained the sovereign's rating at Aa3, the fifth-highest rating citing the country's efforts to diversify the economy away from oil. S&P Global Ratings revised Saudi Arabia's outlook from positive to stable. It upgraded KSA's long-term foreign and local currency unsolicited sovereign credit rating from 'A' to 'A+' and affirmed short-term ratings at 'A-1'.

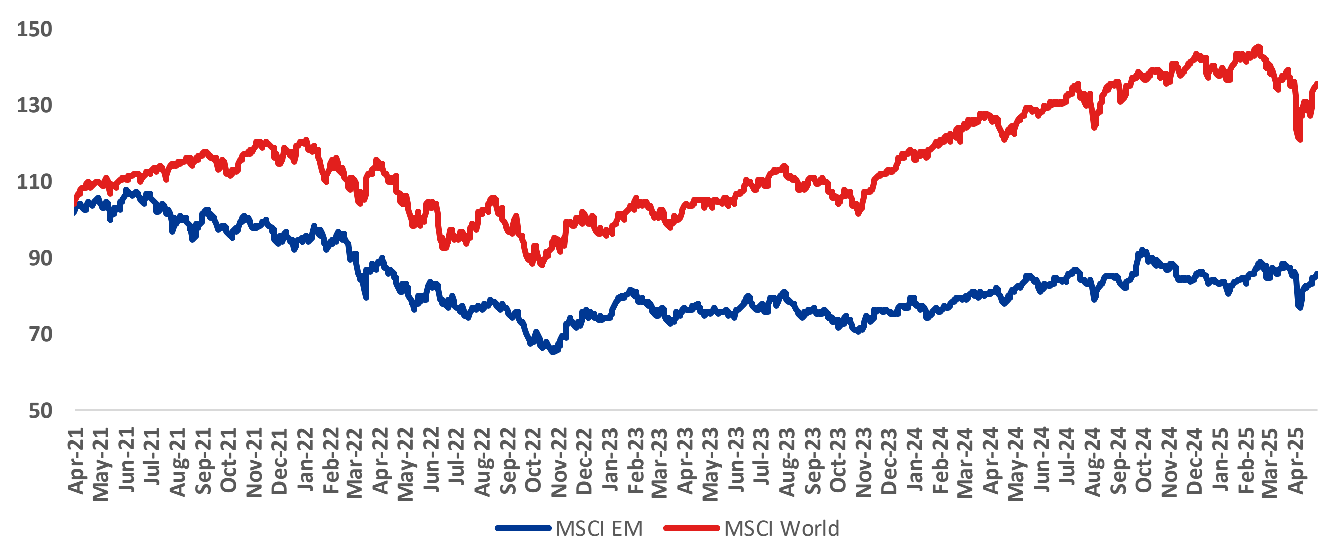
- In January 2024, Moody's maintained **Qatar**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) at Aa2. The rating is attributed to significant improvements in Qatar's fiscal metrics during 2021-2023. Moody's anticipates that the improvement in Qatar's debt burden and debt-service metrics from 2021 to 2023 will continue into the medium term. Fitch Ratings has affirmed Qatar's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'AA' with a Stable outlook. The rating is supported by the Country's large sovereign net foreign assets (SNFA) and a flexible public finance structure. Further, Qatar is expected to maintain a fiscal surplus, averaging around 4.5% of GDP over the medium term. The country's government debt is also projected to fall below 30% of GDP by 2028.

Particulars	Moody's		S&P		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
UAE (Abu Dhabi)	Aa2	STABLE	AA	STABLE	AA	STABLE
Kuwait	A1	STABLE	A+	STABLE	AA-	STABLE
Qatar	Aa2	STABLE	AA	STABLE	AA	STABLE
Saudi Arabia	Aa3	STABLE	A+	STABLE	A+	STABLE
Oman	Ba1	POS	BBB-	STABLE	BB+	POS
Bahrain	B2	STABLE	B+	NEG	B+	NEG

Global Markets

Developed market equities rebounded in April 2025, after declining from the previous two months. The MSCI Developed Markets (DM) Index rose 0.5% MOM, following the 4.6% and 0.8% decline in the preceding two months. In contrast, the MSCI Emerging Markets (EM) Index maintained its positive momentum, continuing its steady performance since the beginning of the year. The MSCI EM index grew 0.4% MOM in April 2025, owing to the strong performance of the Brazil and Mexico markets. The MSCI EM Index outperformed the MSCI DM Index on a YTD basis. As of April 2025, the MSCI EM index recorded a positive return of 2.8%, whereas the MSCI DM experienced a decline of 1.6%. The MSCI DM Index delivered a subdued performance in April 2025, weighed down by weakness in the US, UK, and MSCI Europe ex-UK markets, partially offset by positive contributions from the Japanese market. The US S&P 500 recorded a negative return of 0.7% MOM in April 2025, mainly due to the underperformance of the energy and healthcare sectors. Macroeconomic data released during the month indicated signs of economic moderation, with the flash composite Purchasing Managers' Index (PMI) eased to 51.2, mainly driven by a slowdown in the services sector. Furthermore, consumer sentiment indices fell to levels not seen since the pandemic, heightening concerns over a potential recession. Meanwhile, the MSCI Europe excluding the UK declined 0.4% MOM in April 2025, driven by softening economic data such as a dip in the eurozone composite PMI to 50.1 and a drop in consumer confidence, amid escalating trade tensions and ongoing geopolitical uncertainty related to Ukraine. Despite supportive factors such as lower energy prices and potential fiscal stimulus, these headwinds weighed on market sentiment. The UK equity market also registered a 0.2% MOM decline in April 2025, mainly due to global trade uncertainty and higher domestic taxes, dampening investor confidence. Japanese stocks rebounded among all the other global peers and recorded a positive performance of 0.3% MOM in April 2025. The performance of EM was primarily driven by the robust performance of the Brazilian and Mexican markets. Chinese equities initially declined in early April, weighed down by the impact of US tariffs that had risen to as high as 145%. However, markets rebounded later in the month, supported by signs of easing tensions following the US administration's willingness to engage in negotiations, along with the country's stronger-than-expected GDP growth of 5.4% YOY in 1Q25. The performance of other EM countries like India, South Korea and Brazil, remained positive during the month.

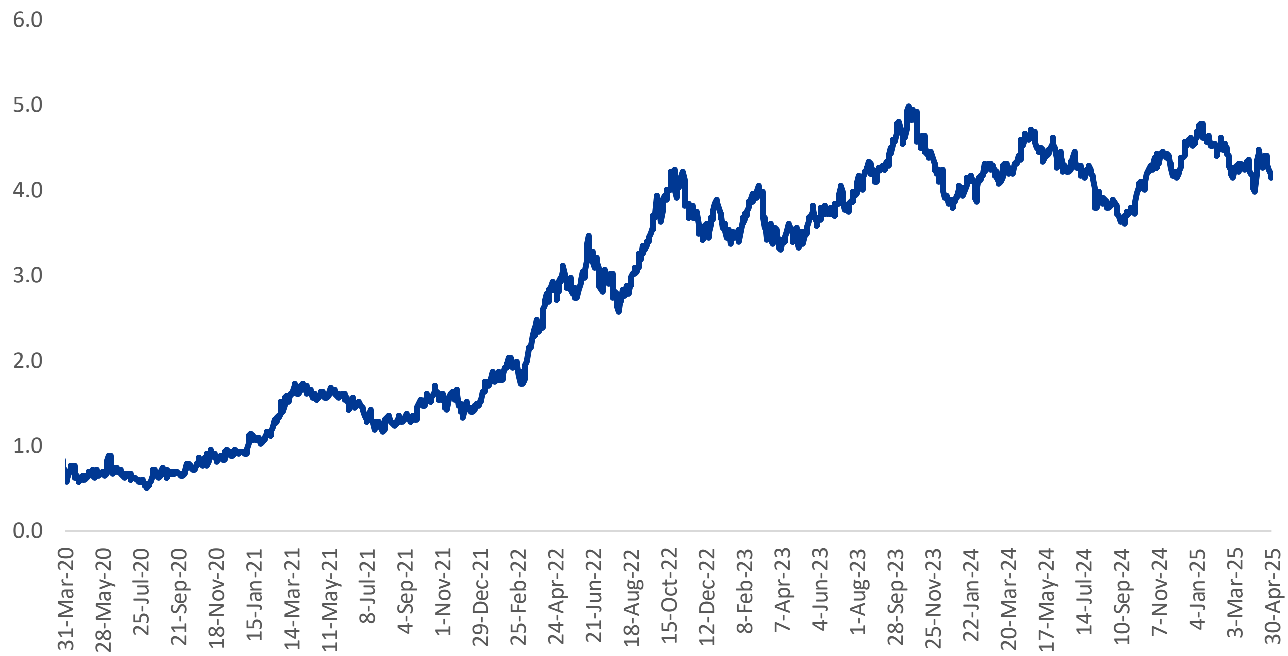
Figure 3: MSCI World and Emerging Market Index Historical trend



Source: Bloomberg

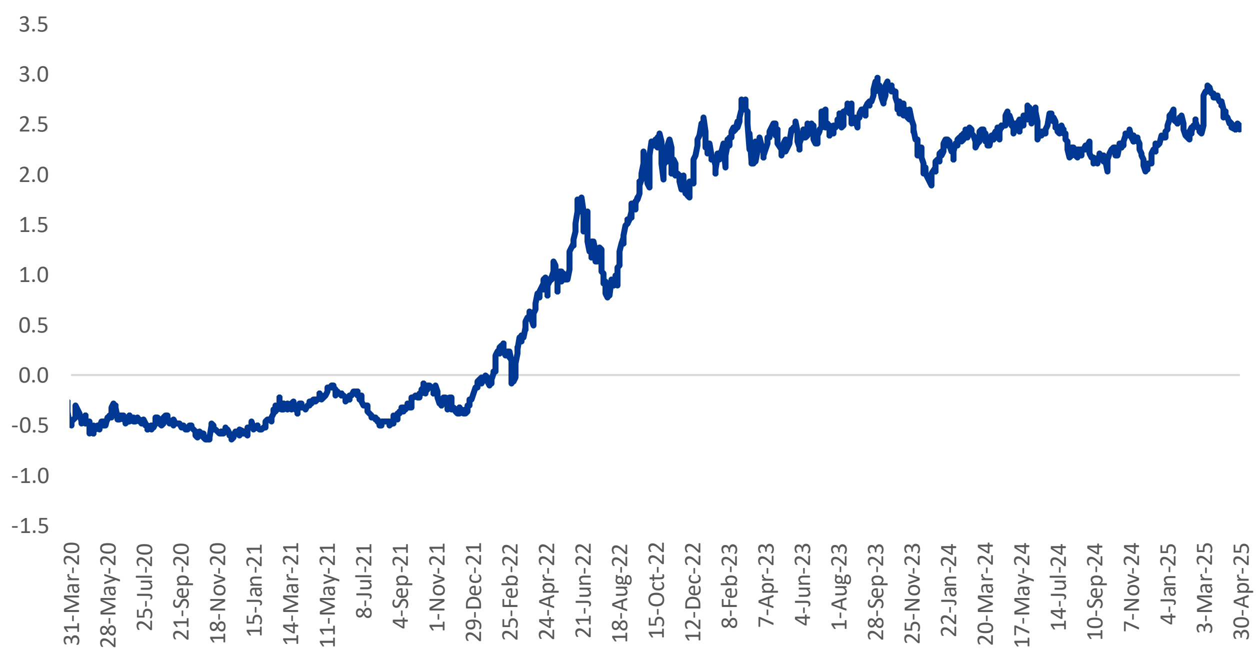
Yield on 10-year government

Figure 4: US 10-year government yield



Source: Bloomberg

Figure 5: Germany 10-year government yield



Source: Bloomberg

Figure 6: Japan 10-year government yield

Source: Bloomberg

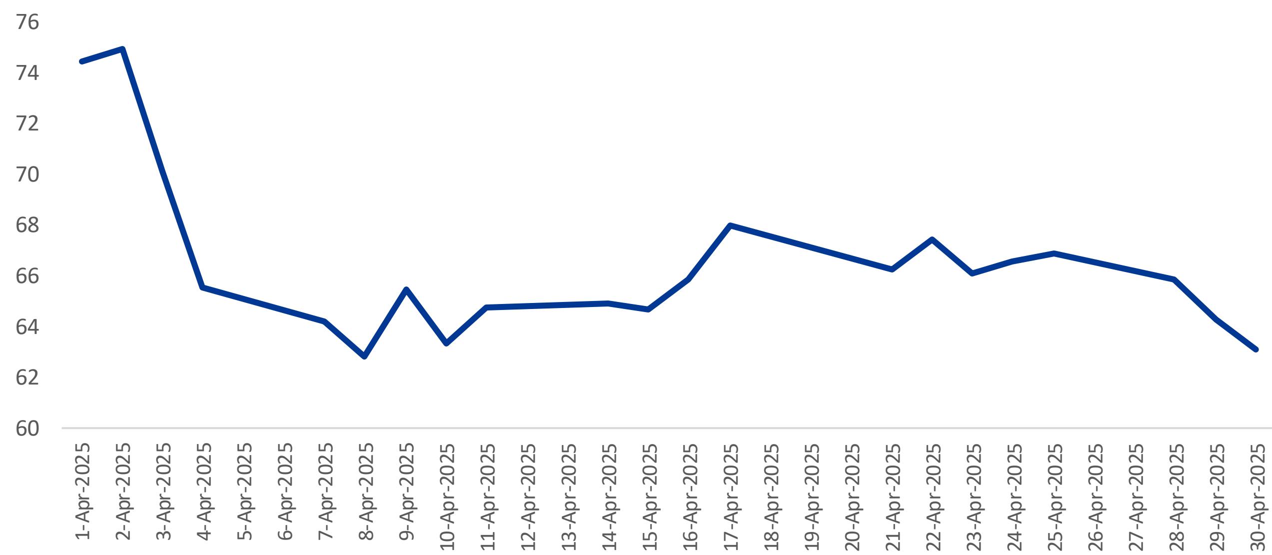
Figure 7: UK 10-year government yield

Source: Bloomberg

Oil Outlook

Brent Crude oil prices declined 15.5% MOM to USD 63.12 per barrel on 30 April 2025. Oil prices fell more than 12% in the first week of April 2025, as tariffs announced by the US president increased prospects of trade wars that could affect global economic growth and fuel demand. The announcement of an increase in crude oil production by OPEC+ countries also supported the decline in oil prices. Oil prices continued to fall in the following week amid multiple tariffs imposed between the US and China, which increased bets of a trade war. Later, oil prices rebounded in the mid-month after the US president announced tariff exemption and a rise in crude oil imports in China. Moreover, Oil prices ended the week positively due to the anticipation of a tighter oil supply after the US's sanctions on Iranian oil and output cuts announced by a few OPEC producers to compensate for pumping oil at higher-than-agreed levels. In the following week, oil prices increased initially on short-covering and new sanctions on Iran, but ended the week lower as investors weighed a potential rise in global supply after the anticipation of an increase in OPEC+ oil production and chances of a ceasefire agreement between Russia and Ukraine. Oil prices further fell at the end of the month as trade war concerns dampened the outlook for global fuel demand.

Figure 8: Brent Crude Oil Prices (USD per barrel)

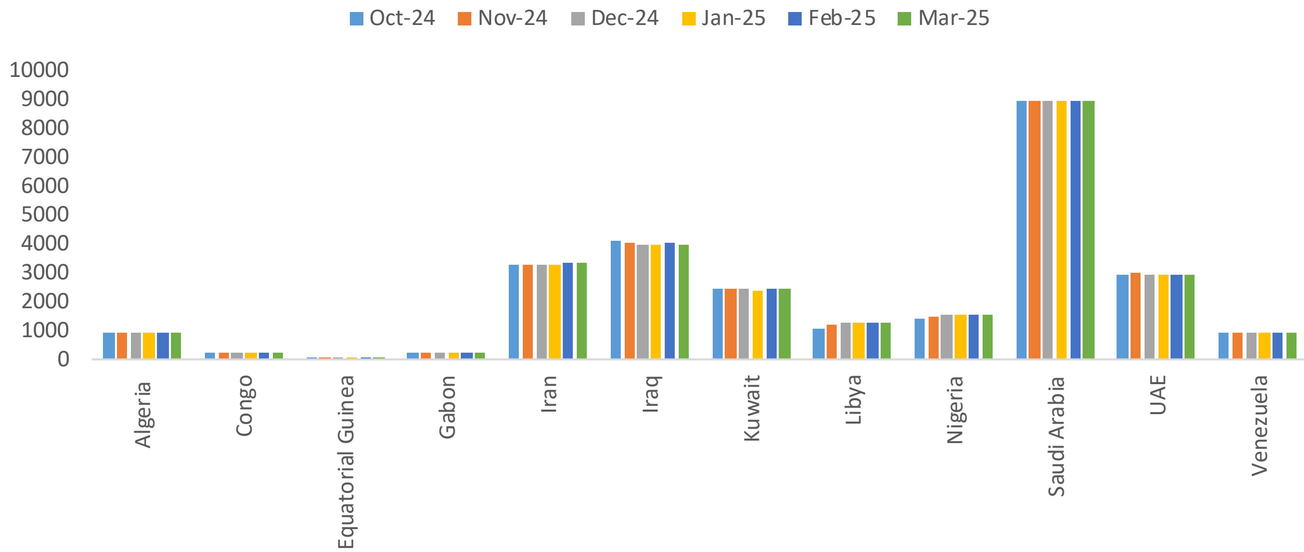


Source: Bloomberg

OPEC Production

Total Brent crude oil production from the OPEC-12 countries fell 76 thousand barrels per day (bpd) MOM, reaching 26.8 Mn bpd in March 2025. Seven out of the 12 OPEC members reported a decline in production during the month. Iraq witnessed the largest drop in production, falling 33 thousand bpd MOM in March 2025, followed by Nigeria, which saw a 25 thousand bpd MOM decline. Libya's oil output reduced 22 thousand bpd MOM in March 2025 while UAE's oil output decreased 20 thousand bpd MOM. Similarly, Algeria, Gabon, and Venezuela's oil output declined one thousand bpd MOM each in March 2025. On the other hand, Iran witnessed a 12 thousand bpd MOM decline in production while Kuwait's output fell 9 thousand bpd MOM in March 2025. Saudi Arabi's oil production increased 4 thousand bpd MOM in March 2025, while Congo and Equatorial Guinea witnessed a 1 thousand bpd MOM decline each.

Figure 9: OPEC Crude Oil Production

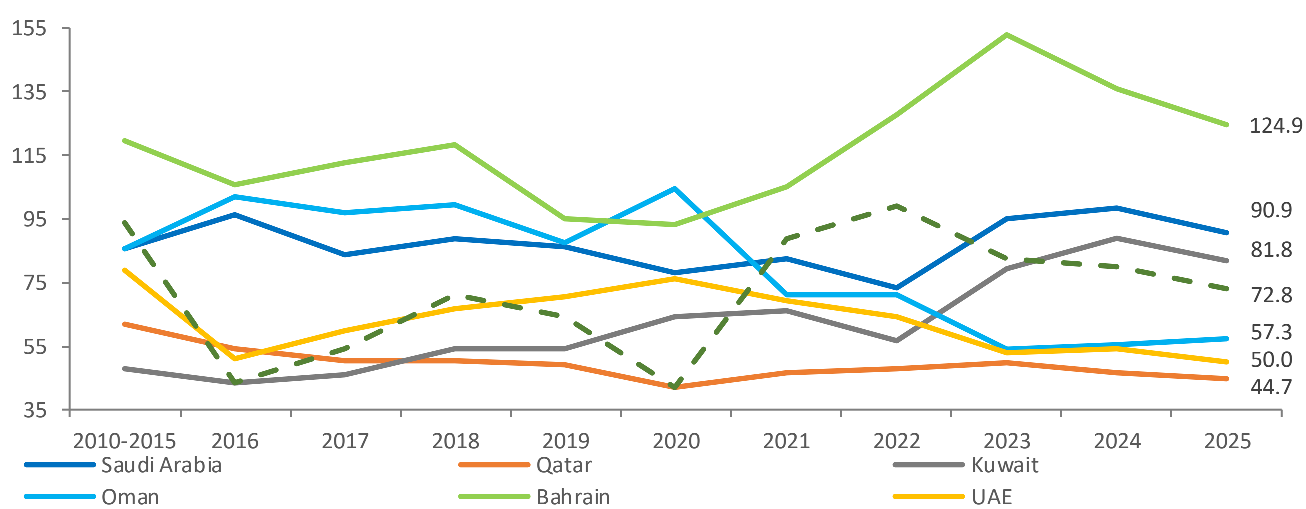


Source: OPEC

Fiscal Breakeven Oil Price

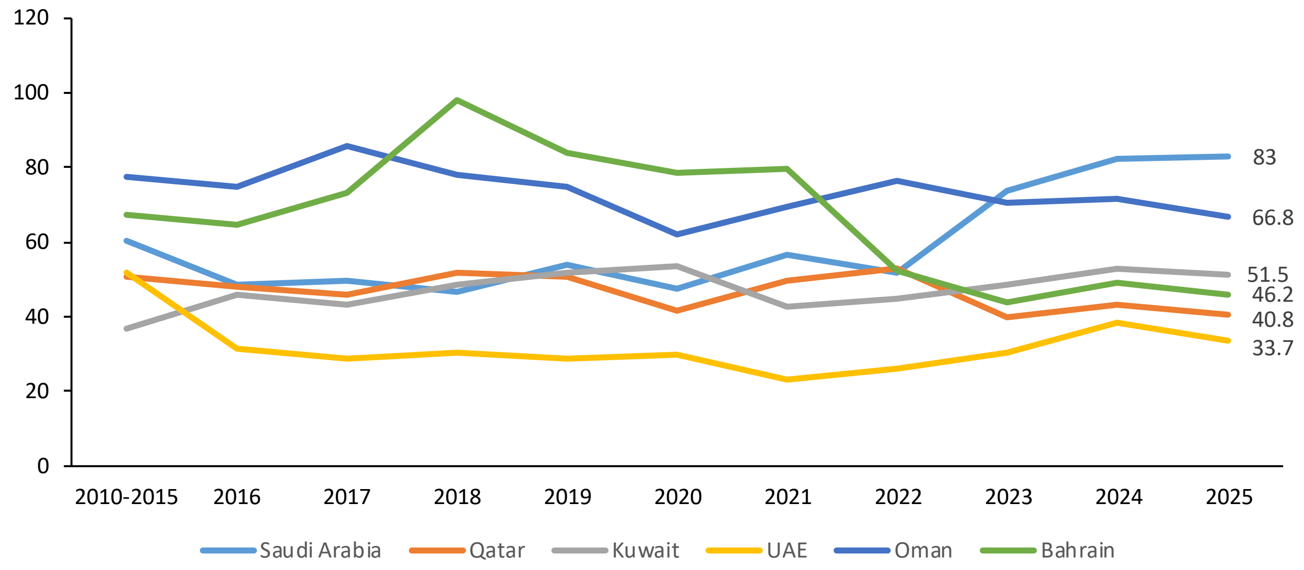
The overall fiscal breakeven oil price is expected to decline for all GCC Countries in FY2025, except Oman. Oman's fiscal breakeven will grow from USD 55.4 per barrel in FY2024 to USD 57.3 in FY2025. Saudi Arabia, Qatar, Kuwait, UAE, and Bahrain will record a decline in break-even oil prices in FY2025. Bahrain will record the highest drop in break-even oil price from USD 135.7 per barrel in FY2024 to USD 124.9 per barrel in FY2025. Saudi Arabia's break-even oil price will fall from USD 98.4 per barrel in FY2024 to USD 90.9 per barrel in FY2025, followed by Kuwait, which is likely to witness a fall from USD 88.9 per barrel in FY2024 to USD 81.8 per barrel in FY2025. UAE's break-even oil prices will fall from USD 53.9 per barrel in FY2024 to USD 50.0 per barrel in FY2025, while Qatar will witness a decline from USD 46.9 in FY2024 to USD 44.7 in FY2025.

Figure 10: Fiscal Breakeven Oil Price (USD/bbl)



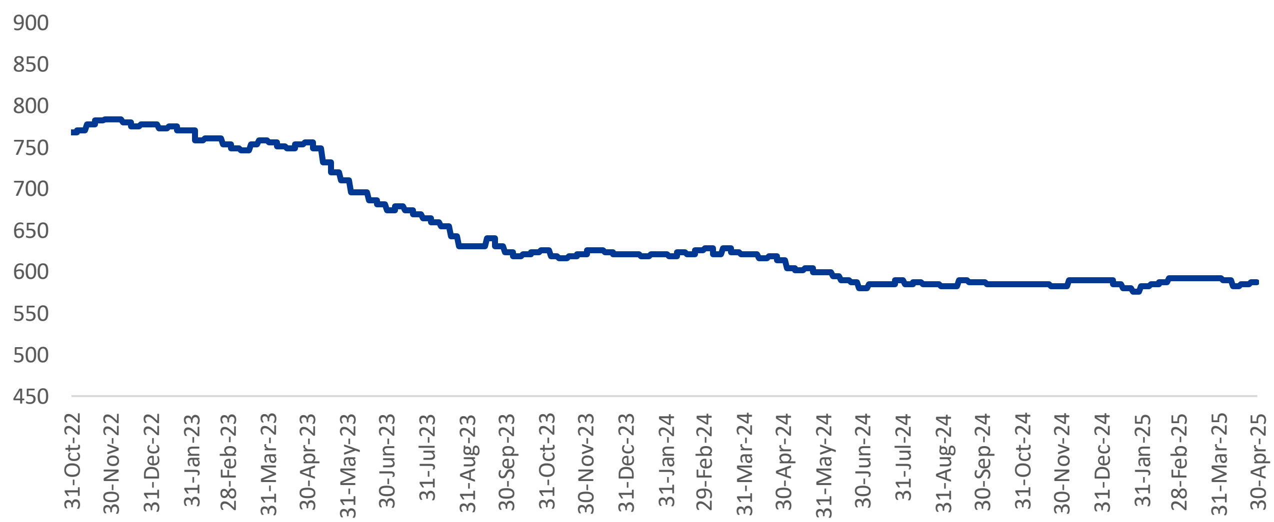
Source: Bloomberg

Figure 11: External Breakeven Oil Price (USD/bbl)



Source: Bloomberg

Figure 12: Oil Rig Count



Source: Bloomberg

Credit Strategy

Current View on Credit Initiation:

Name	Sector	Price	Mid YTM	Moody's/S&P/Fitch
ALDAR 3.875% 2029	Real Estate	96.52	4.81	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	93.80	8.56	WR/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	96.12	4.61	Aa3/NA/A+
BGBKKK 2.75% 2031	Bank	94.81	6.05	NA/NA/BBB+
SIB 5% PERP	Bank	100.24	7.06	NA/NA/NA
GENHLD 4.76% 2025	Investment Co.	99.86	5.06	A1/NA/A
INTLWT 5.95% 2039	Power Generation and Water Utility	100.13	5.98	Baa3/NR/BBB-

*Source: Bloomberg *- Ratings for the instruments are based on Bloomberg data, while the issuing company rating is considered in the absence of instrument rating in bond description.*

We remain OVERWEIGHT on GENHLD, ARAMCO, and ALDAR while assigning MARKET WEIGHT ratings on INTLWT, SIB, KWIPKK, and BURGAN BANK.

Implications of Securities Recommendations

Bond Particulars	Call	Price	Yield	1M Return	3M Return	YTD Return	12M Return
INTLWT 5.95% 2039	MW	100.13	5.98	0.21	1.64	1.23	3.61
GENHLD 4.76% 2025	OW	99.86	5.06	-0.02	0.09	0.21	0.96
SIB 5% PERP	MW	100.24	7.06	0.07	0.51	0.99	2.11
BGBKKK 2.75% 2031	MW	94.81	6.05	-0.17	1.46	2.78	9.20
ARAMCO 3.5% 2029	OW	96.12	4.61	0.34	2.07	2.12	4.35
KWIPKK 4.5% 2027	MW	93.80	8.56	-0.45	3.13	1.62	6.08
ALDAR 3.875% 2029	OW	96.52	4.81	0.56	2.20	2.14	4.40

Source: Bloomberg

ALDAR 3.875% 2029: Maintain OVERWEIGHT rating

We assign an OVERWEIGHT rating on Aldar Properties PJSC's (Aldar Properties) 3.875% senior unsecured Sukuk maturing in October 2029. The Sukuk is trading at USD 96.52 with a yield of 4.81% when held until maturity (redemption at par) with a modified duration of 4.03. The Sukuk also enjoys Moody's investment-grade rating of 'Baa1' with a stable outlook.

- In Abu Dhabi, Aldar Properties is a leading real estate developer with a market cap of AED 55.9 Bn. Apart from being a reliable government contractor, the Company developed many innovative projects, such as Yas Island's F1 circuit and the Gate Towers in Shams Abu Dhabi. Demand for Abu Dhabi's real estate is robust, and the government supports it in terms of home purchasers. The current market has a good supply, and investors are confident in investing in quality projects in prime locations. Aldar diversified its operation and acquired SODIC in Egypt in FY2021. SODIC is a leading Egyptian real estate company with a strong track record of 25 years, having a land bank of 17 Mn sqm across three geographies in Egypt.

- Mubadala Investment Company, a Sovereign wealth fund of the Abu Dhabi government, owns a 25.1% stake in Aldar. Alpha Dhabi Holding owns a 28.4% stake through its related companies Sublime Commercial Corporation, Sogno Two, and Sogno Three Sole Proprietorship LLC. Aldar Properties is an important strategic partner to the government, having completed several large-scale infrastructure projects and developments in the UAE.

- Aldar Properties (Aldar) released its financial results for 2024 with a total revenue of AED 23.0 Bn, up 62.4% YOY owing to record highest development sales, solid contribution from recurring income portfolio as well as recent acquisitions. It recorded a gross profit of AED 8.0 Bn, up 44.3% YOY in 2024, and a net profit of AED 5.6 Bn, up 42.7% YOY, demonstrating the resilience of Aldar's diversified business model. Aldar EPS rose to AED 0.699 in 2024 from AED 0.486 in 2023, demonstrating consistent long-term shareholder value growth.

- Aldar's strong financial results are primarily driven by the robust performance of Aldar Development and Aldar Investment's recurring income portfolio coupled with significant contributions from acquisitions. The strong growth in the investment business is driven by a rapid recovery in the investment property, hospitality, and leisure business segments. The backlog of the development business increased from AED 36.8 Bn in 2023 to AED 54.6 Bn in 2024 as a result of record sales and project launches, in addition to strong contributions from SODIC, offering healthy revenue visibility over the next two to three years. Additionally, Aldar launched 12 new developmental projects in 2024, out of which four projects including Mamsha Palm, Faya Al Saadiyat, Mandarin Oriental Residences, and Mamsha Gardens were launched in 4Q24. The Project Management business revenue backlog increased to AED 91 Bn in 2024, compared to AED 82 Bn in 2023, with projects worth AED 50 Bn currently under construction. A considerable revenue backlog, along with a robust project pipeline and diverse revenue sources, supports the Company's long-term revenue visibility. Aldar Investment's AUM reached AED 42 Bn in 2024 as a result of strategic acquisitions and robust performance across the core real estate portfolio. Occupancy levels across the investment properties stood at 95% across the Commercial, Retail, Logistics, and Residential properties.
- Aldar Development initiated its international expansion strategy by acquiring the UK developer London Square, investing in European real estate private credit, and making direct investments in European logistics and self-storage assets. Aldar's landbank is strategically distributed across significant investment zones in Abu Dhabi, Dubai, and Ras Al Khaimah, with a total owned and controlled land area of 62.1 Mn sqm.
- Aldar Investment deployed capital amounting to c. AED 2.3 Bn and Aldar Development deployed c. AED 1.9 Bn in FY2024. In Abu Dhabi, the land area spans 60.7 Mn sqm, with a gross floor area (GFA) of 8.7 Mn sqm. Meanwhile, in Dubai, the land area encompasses 1.4 Mn Sqm. Aldar Education is a leading private education provider in Abu Dhabi with 31 owned and managed schools as of 2024 primarily across UAE, with one green filed project in Abu Dhabi.
- Liquidity position remains healthy with AED 10.5 Bn worth of free & unrestricted cash and AED 8.1 Bn of undrawn bank facilities in 2024. The Company's net debt stood at AED 1.3 Bn in 2024.

KWIPKK 4.5% 2027: Maintain MARKETWEIGHT rating

We assign a MARKETWEIGHT rating on Kuwait Projects Company (KIPCO)'s 4.5% senior unsecured bond maturing in February 2027. The bond is trading at USD 93.80 with a yield of 8.56% when held until maturity (redemption at par) and has a modified duration of 1.66. The bond is issued at the holding company level, so the debt service obligations would be met through the cash balance available with KIPCO and the dividends it receives from subsidiaries. The Company assets and dividend inflow are concentrated in the three largest entities, contributing c. 60% of total asset value.

KIPCO is one of the largest holding companies in MENA, with its consolidated assets growth from KWD 12.3 Bn in FY23 to KWD 13.0 Bn in FY24, and sustained through multiple economic cycles, making consistent dividend payments for the last 17 years until FY2021. Members of the Kuwaiti ruling family remain KIPCO's leading shareholders, through Al Futtooh Holding Company K.S.C. (AFH), and currently own a 31.91% direct holding. AFH supported KIPCO in all business activities, including capital raising, and reduction in dividend in case required.

- KIPCO's total revenue from operations increased 16.4% YOY to KWD 1,496 Mn in FY24 mainly due to healthy performance from commercial banking, asset management & investment banking, and industrial & logistics, partially offset by a decline in media & digital satellite network services income, hospitality & energy segment income, and other income.
- The company's operating profit from continuing operations rose to KWD 177 Mn in FY24, up from KWD 157 Mn in FY23. Provisions for credit losses and investments declined from KWD 107 Mn in FY23 to KWD 48 Mn in FY24. Profit before tax increased from KWD 18 Mn in FY23 to KWD 105 Mn in FY24.

- The Company recorded a decrease in net profit attributable to shareholders from KWD 30 Mn in FY23 to KWD 16 Mn in FY24. KIPCO recorded a profit from discontinued operation of KWD 85 Mn in FY23 compared to nil in FY24.
- KIPCO cash and bank balance at the parent company level stood at KWD 87 Mn on 31 December 2024 compared to KWD 153 Mn on 30 September 2024.
- Total outstanding debt declined from KWD 1.8 Bn in FY23 to KWD 1.6 Bn in FY24.
- KIPCO has received a dividend income of KWD 14.8 Mn in FY24 compared to KWD 8.9 Mn in FY23.
- Moody's downgraded KIPCO's rating from Ba3 to B1 with a negative outlook citing high market value leverage, a weak forecasted interest coverage ratio. Moody's withdrew the rating on KIPCO following a review of the issuer's request to withdraw its rating(s). Fitch rating also downgraded KIPCO's long-term issuer rating to 'BB'- from 'BB' and revised the outlook from stable to negative, citing a further increase in leverage.

ARAMCO 3.5% 2029: Maintain OVERWEIGHT rating

We are OVERWEIGHT on Saudi Aramco's 3.5% bond maturing in April 2029. The bond is trading for USD 96.12 and offers a yield of 4.61% with a modified duration of 3.63. The credit rating of the issuer is constrained by the rating of its largest shareholder, the government of Saudi Arabia, given the close link between Aramco and the sovereign. Aramco is assigned a standalone credit rating of 'aa+' by Fitch supported by robust profitability, market leadership, significant cash flow visibility and net cash position.

- Saudi Arabian Oil Company is an integrated energy and chemicals company. Aramco's operations are divided into two main segments: Upstream and Downstream. Upstream activities are predominantly centred in Saudi Arabia, while the Downstream sector operates on a global scale. The Upstream segment of the Company is responsible for the exploration, development, production, and sale of natural gas, condensate, crude oil, and natural gas liquids (NGLs). The activities of the downstream section include supply and trading, power generation, retail operations, base oils and lubricants, petrochemicals and refining, and distribution. The reserves of Aramco amounted to 250.0 Bn barrels of oil equivalent in FY2024, consisting of 189.8 Bn barrels of crude oil and condensate, 26.1 Bn barrels of NGL, and 209.8 trillion standard cubic feet of natural gas. The Company manages 548 reservoirs within 148 fields spread across the Kingdom and its territorial waters.
- Fitch upgraded a long-term foreign and local currency IDR to 'A+' with a stable outlook in April 2023, reflecting the Company's strong business profile backed by strong control and support from the government. The government directly owns 81.48% stake in the Company in addition to the PIF ownership of 16%. Aramco's significant investments in capex and capacity expansion, position the Company for future growth. Additionally, the Company maintains low production costs and substantial reserves, offsetting potential energy transition risks. Aramco boasts an SCP rating of 'aa+', which is three notches above that of the Sovereign's foreign currency rating of 'A+'. The worsening of Saudi Aramco's relative position to local peers would likely lead to a downgrade of rating.
- Revenue declined 1.0% to SAR 1.64 Tn in FY24, mainly due to a decline in crude oil prices largely offset by a higher volume of crude oil sold. Revenue from Downstream operation rose 5.8% YOY to SAR 917.0 Bn in FY24, while revenue from Upstream operation fell 8.3% YOY to SAR 719.2 Bn in FY24. Other income related to sales declined 19.1% YOY to SAR 164.4 Bn in FY24 owing to a decline in revenue from Downstream operation in FY24. Thus, revenue and other income related to sales fell from SAR 1.86 Tn in FY23 to SAR 1.80 Tn in FY24.
- Royalties and other taxes declined from SAR 231.8 Bn in FY23 to SAR 200.5 Bn in FY24. Total operating costs rose 3.9% to SAR 1.03 Tn in FY24 owing to an increase in expenses across all categories partially offset by a decline in royalties and other taxes. The Company's finance income fell to SAR 22.9 Bn in FY24 compared to SAR 32.0 Bn in FY23.
- Income before taxes and zakat fell from SAR 888.1 Bn in FY23 to SAR 782.0 Bn in FY24 primarily attributed to decline in crude oil prices partially offset by higher volumes sold.
- Furthermore, Aramco's net profit declined from SAR 452.8 Bn in FY23 to SAR 393.9 Bn in FY24.

- Free cash flow fell from SAR 379.5 Bn in FY23 to SAR 320.0 Bn in FY24, primarily attributable to lower earnings partially offset by favourable movements in working capital.
- Aramco paid a total dividend of SAR 465.9 Bn in FY24 compared to SAR 366.7 Bn in FY23.
- The Company's progress on its Upstream oil and gas projects such as the Dammam project expected to launch in 2H24, Marjan & Berri expected to launch by FY2025, and Zuluf anticipated to launch by FY2026 will enhance its operational flexibility to capture value from strong global demand. However, Aramco's strategy to boost oil production capacity to 13.0 Mn barrels per day by FY2027 is affected due to the OPEC+ cuts.
- Aramco's gearing ratio stood at 4.5% in FY24 compared to a negative 6.3% in FY23. The increase in gearing was primarily a result of net debt turning positive owing to decline in short-term investments. Aramco's capex amounted to SAR 188.9 Bn in FY24 compared to SAR 158.3 Bn in FY23 due to an increase in capex towards upstream activities partially offset by a decline in capex on downstream activities. Furthermore, lower infill drilling due to directives from the govt. authorities in Saudi will result in a decline in total investment by USD 40 Bn from 2024-2028. The Company's debt rose from SAR 290.1 Bn in FY23 to SAR 319.3 Bn in FY24.

BGBKKK 2.75% 2031: Maintain MARKET WEIGHT rating

We are MARKETWEIGHT on Burgan Bank's 2.75% Tier 2 subordinated bond, currently trading at USD 94.81. The bond offers a yield of 6.05% and a duration of 1.28. Its loan book is diversified with exposure to Kuwait and international operations in multiple sectors.

- Burgan Bank is one of the leading conventional banks in Kuwait in terms of total assets and is listed on Boursa Kuwait. The Bank has a network of 123 branches and 280 ATMs as of 2024. The Bank is majorly owned by KIPCO Company with a stake of 33.5%.
- Burgan Bank revenues increased 3.3 % YOY to KWD 229 Mn in FY2024, driven by a 16.7% YOY growth in the net interest income amounting to KWD 157 Mn, partially offset by a 17.5% YOY decline in the non-interest income amounting to KWD 72 Mn.
- The net interest margins rose to 2.3% YOY in FY2024 compared to 2.1% in FY2023. Net fees and commissions income fell from KWD 38 Mn in 2023 to KWD 34 Mn in FY2024.
- Operating expenses increased 12.3% YOY to KWD 130 Mn in FY2024. The cost-to-income ratio stood at 57.0% in FY2024 compared to 52.4% in FY2023.
- Provision expenses net of recoveries rose stood at KWD 5.9 Mn in FY2024 compared to KWD 5.7 Mn in FY2023.
- The Bank reported a net profit attributable to shareholders of KWD 46 Mn in FY2024 compared to KWD 44 Mn in FY2023 due to a higher revenue.
- Loan and advances to customers rose 5.5% YOY to KWD 4.5 Bn in FY2024 driven by 21.7% loan to personal, 15.5% to sovereign, 13.0% to other services and the remaining to other sectors. Deposit rose 9.9% YOY to KWD 4.9 Bn in FY2024 with a CASA deposit of 31%.
- The Bank's non-performing loans fell marginally from 2.0% in FY2023 to 1.8% in FY2024. Capital adequacy ratio stood at 18.6% in FY2024, above the regulatory requirement. The Bank maintains high liquidity levels, with a liquid coverage ratio (LCR) and net stable funding ratio (NSFR) of 153% and 116%, respectively, as of FY2024, substantially above the minimum regulatory requirement of 100%.
- The bank redeemed its USD 500 Mn AT1 bonds in July 2024 as part of its funding strategy under which it issued new USD-denominated AT1 Bonds worth KWD 150 Mn in May 2024.
- Furthermore, Burgan Bank received approval from the Central Bank to acquire United Gulf Bank from United Gulf Holdings.
- Fitch Ratings affirmed Burgan Bank's long-term IDR at "A" with a stable outlook. Moody's assigned a credit rating of "Baa1" with a Stable Outlook and S&P Global also assigned a rating of "BBB+" with a Stable outlook.

SIB 5% PERP: Maintain MARKET WEIGHT rating

We are MARKET WEIGHT on Sharjah Islamic Bank's (SIB) 5.0% Jr. subordinated perpetual (AT1) bond. The bond offers a yield of 7.06% and currently trades at USD 100.24 with a modified duration of 0.16 years.

- Moody's Investor Service affirmed a long-term issuer rating at Baa2 with a stable outlook and a baseline credit assessment (BCA) at ba2. The rating agency three notch uplift from BCA is owing to the Sharjah Government's high direct and indirect ownership, coupled with the UAE government's strong track record of extending support to the banking sector in case of need. S&P Global Ratings affirmed SIB's long-term issuer credit rating at 'A-', and revised outlook from stable to negative. The revision in credit outlook is due to a decline in capital ratios in recent years. The risk-adjusted capital ratios fell from 10.4% in 2023 to 8.9% at the end of FY2024, owing to balance sheet growth coupled with the acquisition of treasury shares in 4Q24. The rating agency expects a recovery in capitalization, however, the path towards this increase is uncertain and subject to management action on capital increase. Furthermore, the Bank is facing potential risk due to its significant exposure to the Sharjah government. The Government of Sharjah faces rising fiscal pressure from high capital spending and debt servicing costs. SIB's 38% of the total financing is tied to the government entities, with 70% of that linked to the Sharjah Government. Any deterioration in the Sharjah Government's financial health will impact SIB's credit quality.
- Sharjah Islamic Bank's (SIB) net profit grew significantly 24.5% YOY to AED 1,048 Mn in FY24, mainly due to an increase in profit earnings from Islamic finance, sukuk investments, and deposits, along with higher profit rates. Rising transactional activity led to enhanced fees and commission earnings, along with improved rental yields and real estate revenue, contributing to increased other income. Earnings from Islamic financing and sukuks grew 20.6% YOY to AED 3,725 Mn in FY24, driven by a rise in both profit rates and interest earning assets. Total operating income rose 10.4% YOY to AED 2,181 Mn in FY24. Non-performing loans declined from 5.6% in FY23 to 4.9% in FY24, while provision coverage rose from 93.8% in FY23 to 99.5%. The bank maintained its capital position with a capital adequacy ratio of 17.1% and a CET 1 ratio of 12.4% in FY24.
- SIB's total assets grew significantly from AED 65.9 Bn in FY23 to AED 79.2 Bn in FY24, mainly due to the growth in investment securities, murabaha and wakalah with financial institutions and net loans. The Bank's customer deposits grew 14.5% YOY to AED 51.8 Bn in FY24 due to the retail deposit offerings and the enhancement of customer service experience. SIB's liquid assets constituted 21.6% of total assets equivalent to AED 17.1 Bn in FY24, sufficient to meet short-term obligations. The Bank's loan-to-deposits ratio marginally reduced at 72.8% in FY24 compared to 73.1% in FY2023.

GENHLD 4.76% 2025: OVERWEIGHT rating

We assign an OVERWEIGHT rating on Senaat's 4.76% Sukuk maturing in December 2025. The Sukuk is trading for USD 99.86 and offers a yield of 5.06% when held till maturity (redemption at par). Arkan Building Materials Company PJSC completed the acquisition of Emirates Steel Industries PJSC ("Emirates Steel") and issued share capital from its majority shareholder, General Holding Corporation PJSC ("SENAAT"), on October 6th, 2021, in exchange for the issuance of 5.1 Bn new ordinary shares in the Company. Emirates Steel became a direct 100% subsidiary of the Company, and SENAAT's ownership in Arkan increased from 51% to 87.5% of its issued share capital as a result of this transaction.

- Overall Group revenues in FY2023 reached AED 13,466 Mn, down from AED 13,525 Mn in FY2022, the decline in revenue is attributed to lower revenues from the building materials and Steel industries partially offset by growth in the Food, beverages, and tannery segment.
- Revenue from the Food and Beverages segment increased to AED 4,567 Mn in FY2023 compared to AED 4,072 Mn in FY2022. Revenue from the Steel industry declined from AED 8,565 Mn in FY2022 to AED 8,029 Mn in FY2023. The revenue from Building materials declined to AED 871 Mn in FY2023 from AED 887 Mn in FY2022.

- The EBITDA of the Group reached AED 2,159 Mn in FY2023, up from AED 2,117 Mn in FY 2022. The EBITDA margin increased to 16.04% in FY2023 from 15.65% in FY2022. However, the net profit of the Group declined to AED 1,058 Mn in FY2023 from AED 1,097 Mn in FY2022. The net profit margin also declined to 7.86% in FY2023 from 8.11% in FY2022. The Group earned 8.2% return on equity in FY2023 as compared to 8.8% in FY2022.
- As of December 31, 2023, the Group's total assets stood at AED 20.6 Bn, down from AED 21.0 Bn in December 2022, and the value of shareholders equity was AED 13.3 Bn, up from AED 12.4 Bn in December 2022. The external debt of the Group declined to AED 3.1 Bn in FY2023 from AED 4.9 Bn in FY2022, improving the EBITDA leverage from 3.1x in FY2022 to 1.7x in FY2023. Out of the total debt, AED 489 Mn will mature in FY2024. The consolidated cash and bank balance declined to AED 1,077 Mn in FY2023 from AED 1,436 Mn in FY2022 attributed to the investment in working capital.
- The Long-Term Issuer Default Rating (IDR) of General Holding Corporation PJSC (Senaat) has been affirmed by Fitch Ratings at 'A' with a Stable Outlook. Senaat’s Sukuk Limited's senior unsecured notes were similarly affirmed at 'A' by Fitch.

INTLWT 5.95% 2039: Maintain MARKET WEIGHT rating

We assign MARKETWEIGHT on APMI One’s 5.95% bond maturing in May 2039. The bond is trading at USD 100.13 with a yield of 5.98% if held till maturity (redemption at par). The bond has a modified duration of 6.90. The Bond has a credit rating of BBB- from Fitch and Baa3 from Moody’s both with a stable outlook.

ACWA Power Management and Investments One Ltd (APMI One) is wholly owned subsidiary of ACWA Power Company. ACWA Power Co. develops, operates, and invest in power generating and desalinated water production plants in Saudi Arabia. The company was established in FY2004 in KSA and expanded throughout the years to operate in 12 countries. The first expansion plan took place in FY2008-FY2010 in Oman and Jordan, then from FY2012 to FY2014, the company expanded in Morocco, South Africa, and Turkey. The final expansion was in UAE, Egypt, Bahrain, Vietnam, Ethiopia, and Uzbekistan from FY2015 to FY2020.

- Eleven large-scale new renewable projects which aggregate of c.7.1 GW have been added to the portfolio in 2023, which now accounts for 44.5% of the power portfolio. The Company also targets achieving an equal 50/50 portfolio balance between renewables and flexible generation by FY2030. The Company has 81 assets (in operation, under construction, or in advanced development) with a total investment cost of SAR 317.7 Bn, generating 55.1 GW of electricity producing 7.6 Mn cubic meters of desalinated water per day.
- The Company agreed to sell its 32% effective investment in SQWEC, an oil-fired facility with 850 MW of power and 212,000 cubic meters’ water desalination capacity in the Kingdom of Saudi Arabia, on September 7, 2021. The sale reduced the diversification of APMI One cash flow. In order to offset the impact of lost cashflows from SQWEC, ACWA Power increased the stake in RAWEC that forms part of APMI One bondholder security and cashflows from 37% to 80%, while this offsets the cashflow impact of the sale of SQWEC, it results in greater concentration at RAWEC, for which we view the offtaker as of lower credit quality than for others in the portfolio. The issuer APMI One is a Special Purpose Company, incorporated under the laws of DIFC, which is 100% owned by ACWA Power Projects. However, APMI One is not the only entity ACWA Power Projects has its hands on. Below is the effective percentage share of ACWA Power in the listed entities as of 30th June FY2020:
- 30% in Shuaibah Water & Electricity Co. (SWEC), Contract Initiated in 1Q10 for 20-yr PWPA.
- 32% in Shuqaiq Water & Electricity Co. (SqWEC), Contract Initiated in 2Q11 for 20-yr PWPA.
- 30% in Shuaibah Expansion Project Co. (SEPCO), Contract Initiated in 4Q09 for 20-yr WPA.
- 74% in Rabigh Arabian Water & Electricity Co. (RAWEC), Contract Initiated in 2Q08 & 2Q16 for 25-yr WECA. However, in 2018 RAWEC pledged 37% of its stake leaving ACWA Power Projects with a current stake of 99% in RAWEC.
- 40% in Rabigh Electricity Co. (RABEC), Contract Initiated in 2Q13 for 20-yr PPA.

- 20% in Jubail Water & Power Co. (JWAP), Contract Initiated in 3Q10 for 20-yr PWPA.
- 100% in International Barges Co. for Water Desal. (BOWAREGE), No active Contract was leaving ACWA Power Projects with 100% ownership. All the assets were disposed of as scrap or fully impaired in 2019 Books.
- 22.5% in Hajr for Electricity Production Co. (HEPCO), Contract Initiated in 2Q16 for 20-yr PPA.
- In FY2020 APP increased its stake by 4.99% by acquiring Samsung C&T's share in Hajr Electricity Production Company, increasing its shares from 17.5% to 22.5%. The acquisition will strengthen the position of APP as the second-ranked shareholder after the Offtaker Saudi Electricity Company (SEC).
- 100% in First National Holding Co., which own 99% ownership in First National O&M Co. (NOMAC), NOMAC went through a restructuring that led to all the assets and liability, (Not including Rabigh Power Company (O&M)), under APP to be transferred to First National Holding Co.
- APP filed its zakat and tax returns for all the years till FY2022. APPs closed its position with the ZATCA until FY2018, however, the assessment is pending for FY2019-22. The Company's subsidiaries and associates received a higher tax assessment from ZATCA, which led to an additional tax liability of SAR 222 Mn (with ACWA Power share of SAR 126 Mn). The Company has recognised provisions of SAR 196 Mn (ACWA Power share of SAR 100 Mn) against this assessment as of 31st December 2023.

The financial details as of FY2024 for ACWA Power are listed below:

- ACWA Power's operating income before impairment loss and other expenses marginally grew 0.1% YOY to SAR 2,983 Mn in FY2024. The rise in operating income was primarily due to capital recycling activities of SAR 402 Mn and gain from debt restructuring of ACWA Guc, partially offset by lower contribution from operations and management fees, as well as increase in development costs and G&A expenses.
- Net profit attributed to the equity holders grew 5.7% YOY to SAR 1,757 Mn in FY2024. The growth in net profit is primarily from the reversal of impairment at the Barka plant in Oman, better cash management, and a rise in operating income partially offset impairment loss at Noor 3 CSP in Morocco, along with a higher non-controlling interest resulting from the sale of ownership in RAWEC and decline in other income.
- Adjusted net profit amounted to SAR 1,373 Mn in FY2024 after adjusting impairment loss, Termination of project in Africa, debt restructuring gain on ACWA, and income related to termination of hedging instruments.
- Distributions declined 14.2% YOY to SAR 1.3 Bn in FY2024 due to a decline in dividend payouts from projects. Capital recycling significantly stood at SAR 861 Mn in FY2024 following the sale of stake in RAWEC.
- Overall cash outflow increased 22.1% YOY to SAR 1,203 Mn in FY2024 as expenses related to the diversity bond and staff costs rose.
- ACWA Power reported a cash & short-term investments of SAR 4.1 Bn in FY2024, compared to SAR 6 Bn in FY2023. The Company's debt stood at SAR 24.2 Bn in FY2024, up from SAR 23.5 Bn in FY2023.
- The Company's corporate borrowing fell from SAR 1.5Bn in FY2023 to SAR 1.4 Bn in FY2024.

Bond Yield charts (%)

Figure 13: ALDAR 3.875% 2029

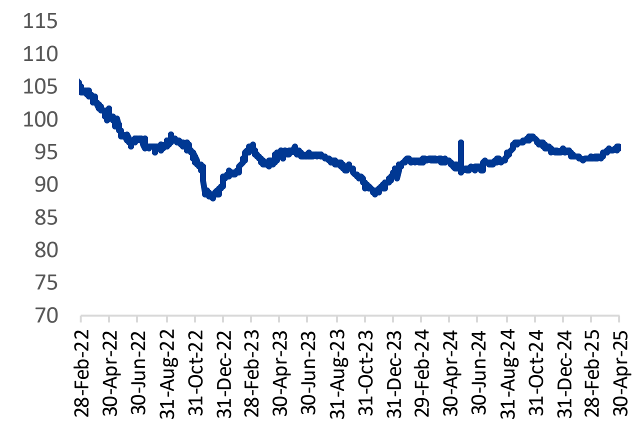


Figure 14: KWIPKK 4.5% 2027

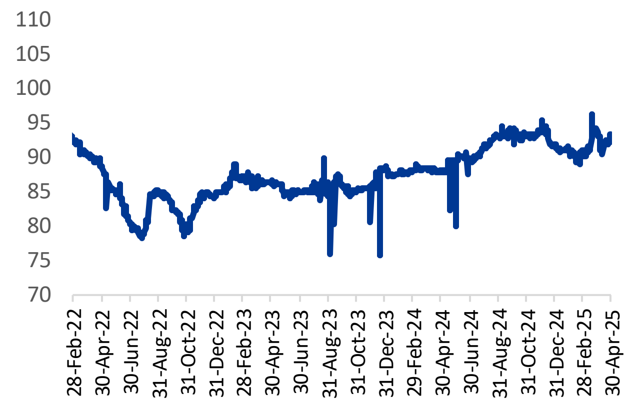


Figure 15: ARAMCO 3.5% 2029

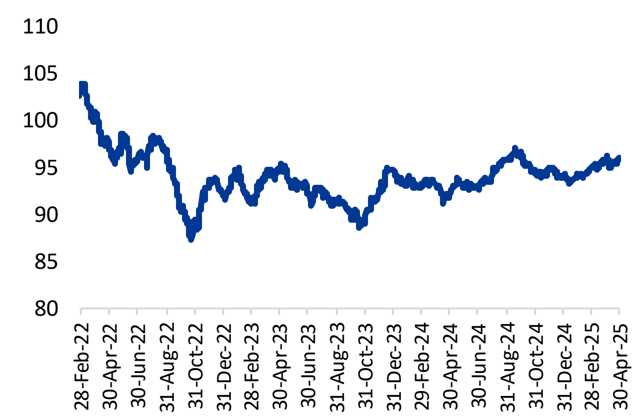


Figure 16: SIB 5% PERP

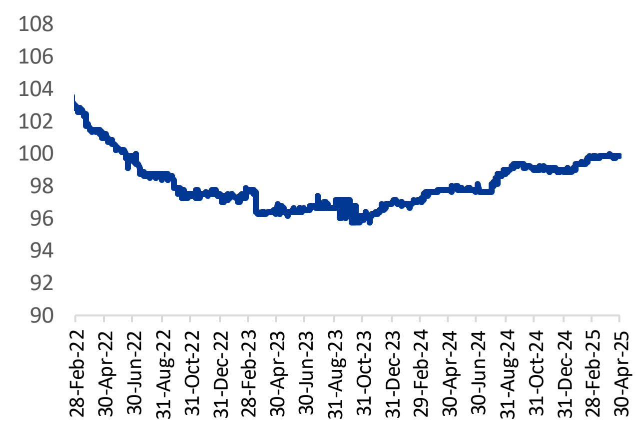


Figure 17: GENHLD 4.76% 2025

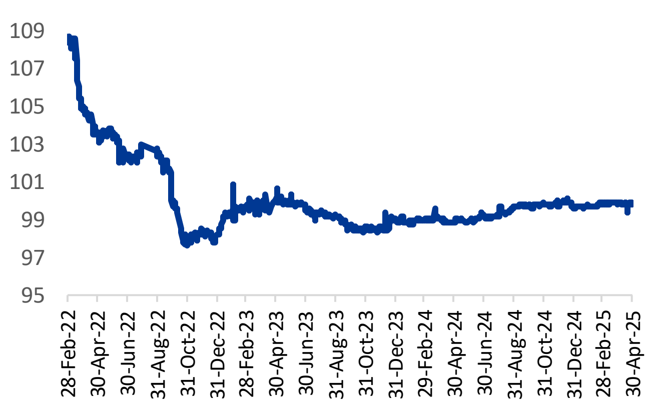


Figure 18: INTLWT 5.95% 2039

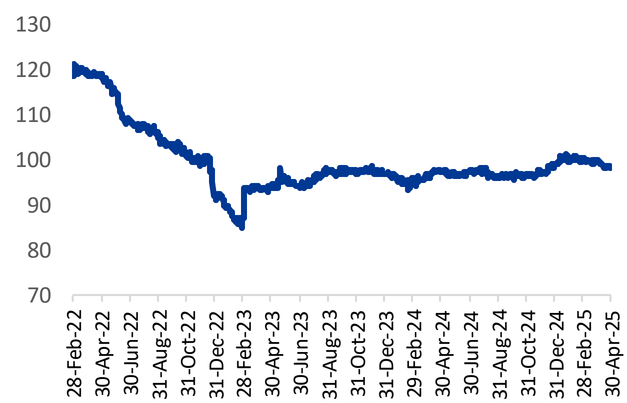


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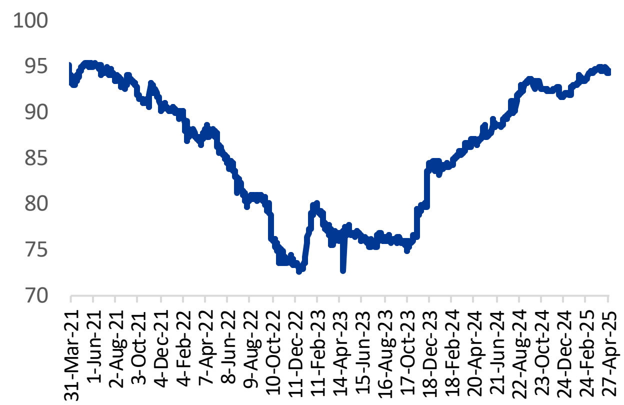
Figure 19: BGBKKK 2.75% 2031



Source: Bloomberg

Key Market Indicators

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	61.04	-18.22	-18.06
US dollar index	99.85	-7.96	-4.23
10Y Treasury yield[1]	4.18	-0.39	-0.03
2Y Treasury yield[1]	3.61	-0.64	-0.28
10Y German bond yield[1]	2.44	0.08	-0.29
10Y Japan bond yield[1]	1.27	0.17	-0.22
Bloomberg UAE Composite USD Liquid index	142.81	2.99	0.25

Source: Bloomberg, [1] in Basis point

أبوظبي الأول للأوراق المالية
FAB SECURITIES

Sovereign Highlights

UAE

UAE's non-oil business maintains expansion amid slight slowdown

The UAE's non-oil sector saw a mild slowdown in March, with the S&P Global PMI easing to 54 from 55 in February, indicating continued but weaker growth. While input purchases surged at the fastest pace since mid-2019, overall business activity showed the slowest upturn since September 2023. Firms raised selling prices at the second-fastest rate in over seven years to protect profit margins, despite easing input costs. Slower demand growth and strong competition limited new export orders, while backlogs of work continued to rise sharply amid ongoing capacity pressures.

TAQA and EWEC Sign Power Purchase Agreement for USD 9.8 Bn Project

Abu Dhabi National Energy Company (TAQA) and Emirates Water and Electricity Company (EWEC) are advancing the UAE's AI and Net Zero 2050 strategies through major energy projects. TAQA signed a 24-year PPA with EWEC to build and operate the 1GW Al Dhafra OCGT plant, fully managing its operations. TAQA Transmission will also develop advanced grid infrastructure to support low-carbon power delivery. The collaboration aligns with EWEC and Masdar's 24/7 renewable energy initiative and will drive AED 36 Bn in investments, with 75% allocated to generation and 25% to grid infrastructure.

ADNOC's largest LNG contract with ENN Natural Gas and Zhenhua Oil for 15 years

ADNOC signed a long-term LNG contract with China's privately owned ENN Natural Gas and state-run Zhenhua Oil. The deal signed with ENN Natural Gas covers to annually supply one million metric tonnes of LNG for 15 years. Additionally, Zhenhua Oil signed an agreement with ADNOC for 5 years starting from 2026 for the supply of up to 12 cargoes a year. The pricing of Zhenhua's contract is partially benchmarked to the Japan Korea Marker and the remaining to Brent.

Saudi Arabia

Saudi Non-Oil Private Sector Maintains Strong Growth in March Despite Slight Slowdown

Saudi Arabia's non-oil private sector grew strongly in March, though momentum slowed from January's near 14-year high. The Riyad Bank PMI dipped slightly to 58.1in March from 58.4 in February, still well above the growth threshold of 50. New orders rose due to lower prices and better economic conditions, prompting stockpiling and the strongest job creation in over 12 years. Input cost inflation hit a four-year low, allowing firms to cut prices amid fierce competition. However, business confidence weakened, and backlogs surged at the fastest pace since August 2018 due to rising orders and limited capacity.

Lucid Raises USD 1.08 Bn in Convertible Note Offering Backed by Saudi PIF

Electric vehicle maker Lucid Group, backed by Saudi Arabia's Public Investment Fund, has completed a USD 1.082 Bn offering of convertible senior notes due 2030. About USD 935.6 Mn will be used to repurchase USD 1.05 Bn in outstanding 1.25% convertible notes due 2026. An additional USD 118.3 Mn was allocated to capped call transactions, effectively doubling the conversion price to USD 4.80 per share. The remaining proceeds will support general corporate purposes. The offering was structured with the backing of the PIF.

Inflation in Saudi Arabia hit 2.3% in March 2025 amid soaring apartment rents

Saudi Arabia's annual inflation rate rose 0.3% YOY and QOQ to 2.3% in March 2025. This increase was primarily attributed to a 6.9% rise in housing, water, electricity, gas, and fuel prices, which were influenced mainly by an 8.2% increase in housing rents due to a sharp rise of 11.9% in apartment rents. Additionally, food and beverage prices grew 2%, which was supported by a 3.8% increase in meat and poultry prices. The price of miscellaneous personal goods and services also rose 3.9%, mainly due to a 26.2% increase in jewellery, watches, and valuable antiques. Conversely, prices in the home furnishings and equipment category declined 2.6%, clothing and footwear prices fell 0.8%, influenced by a 1.9% decrease in ready-made garments.

Bahrain

Bahrain-based insurer Solidarity secured USD 153 Mn to acquire BNI

Bahrain's insurer Solidarity Group Holding (SGH) secured USD 153 Mn funds to acquire Bahrain National Insurance (BNI) under a Murabaha financing agreement with Kuwait Bank and the Bank of Bahrain. Initially, this year, SGH's unit Solidarity Bahrain signed definitive sale and purchase agreements with BNI to acquire 100% of the issued share capital of BNI and Bahrain National Life Assurance for BHD 75 Mn.

S&P downgrades Bahrain's outlook to Negative due to weak financial conditions

S&P Global, a global rating agency, downgraded Bahrain's outlook from stable to negative due to current market volatility and weak financial conditions, which may increase the government's interest burden. While fiscal reforms and VAT increases may partially offset pressures from lower oil prices, maintenance at the Abu Sa'fah oil field, higher funding costs, and increased social spending, Bahrain's fiscal deficit is expected to remain high. The foreign currency reserve position of Bahrain remains weak, according to the S&P. Thus, Bahrain's fiscal reform initiatives may not be enough to lower the debt-to-GDP ratio.

Bahrain plans to launch a bond sale of USD 1.5 Bn

Bahrain is planning to tap international markets through a bond sale. The country is finding ways to refinance debt due to strained finances from lower oil prices. The country informed banks to provide proposals for a bond sale to raise USD 1.5 Bn. The country needs to refinance debt, which will be due over the next few months.

Egypt

Egypt's non-oil private sector experienced a decline amid weak demand

According to S&P Global, Egypt's non-oil private sector shrank in March 2025 for the first time this year. The PMI dropped from 50.1 in February to 49.2 in March 2025, which shows a move from growth to contraction. Lower demand prompted businesses to reduce their activity and buying, which led to a reduction in headcounts. The construction sector recorded strong growth while the wholesale and retail sectors remained weak. Despite this decline, the PMI remained above the long-term average, suggesting resilience. The business confidence dropped sharply, with the output expectations falling to record lows.

Egypt plans to issue sukuk worth USD 2 Bn in 2025

Egypt is planning to issue USD 2.0 Bn in Islamic bonds in 2025 through multiple offerings and has appointed banks for the process. Also, the country is ready for debt-for-investment swaps, comparable to the Ras El Hekma partnership arrangement with the United Arab Emirates.

Egypt's trade deficit reached USD 3.42 Bn in January 2025

According to the Central Agency for Public Mobilisation and Statistics, Egypt's trade deficit declined marginally 0.58% YOY from USD 3.44 Bn to USD 3.42 Bn in January 2025. The value of exports grew 20.1% YOY from USD 3.63 Bn in January 2024 to USD 4.36 Bn in January 2025. This growth is supported by a 15.0% rise in exports of ready-made garments, an increase in iron products by 24.7%, and a 15.6% increase in dried pulses. Further, the value of imports rose 10.1% YOY to EGP 7.78 Bn during the same period. The growth is driven by increase in imports of natural gas, wheat and chemicals.

Egypt's overall inflation rises to 13.6% in March

According to the CAPMS data, Egypt's annual urban inflation rose to 13.6% in March 2025 from 12.8% in February 2025, exceeding analyst expectations of 12.6%. Monthly inflation grew 1.6% MOM, with food and beverage prices jumping 3.5% in March. On an annual basis, food and beverage prices expanded 6.6%, compared to 3.7% in February 2025. The sharp drop in February 2025 inflation from 24.0% in January 2025 was mainly due to a base effect after two years of rapid price increases. Meanwhile, Egypt's core inflation also softened from 10% in February 2025 to 9.4% in March 2025. The monthly core inflation rate for March stood at 0.9%, a decline from 1.6% in the previous month.

Egypt reduces interest rates by 225 basis points, indicating further cuts

Egypt's central bank (ECB) reduced overnight interest rates by 225 basis points, the first cut in five years, owing to a decline in inflation. The central bank also stated that lower inflation will open room for further rate cuts. The current lending rate is lowered to 26.0%, with a deposit rate of 25.0%. This is higher than the estimate of a 200 bps reduction already estimated by analysts. The annual headline inflation fell from an all-time high of 38% in September 2023 to 13.6% in March 2025, from 12.8% in February 2025. The central bank expects inflation to continue to decelerate in 2025 and 2026.

Egypt is set to implement a VAT on sugar in FY 2025-26

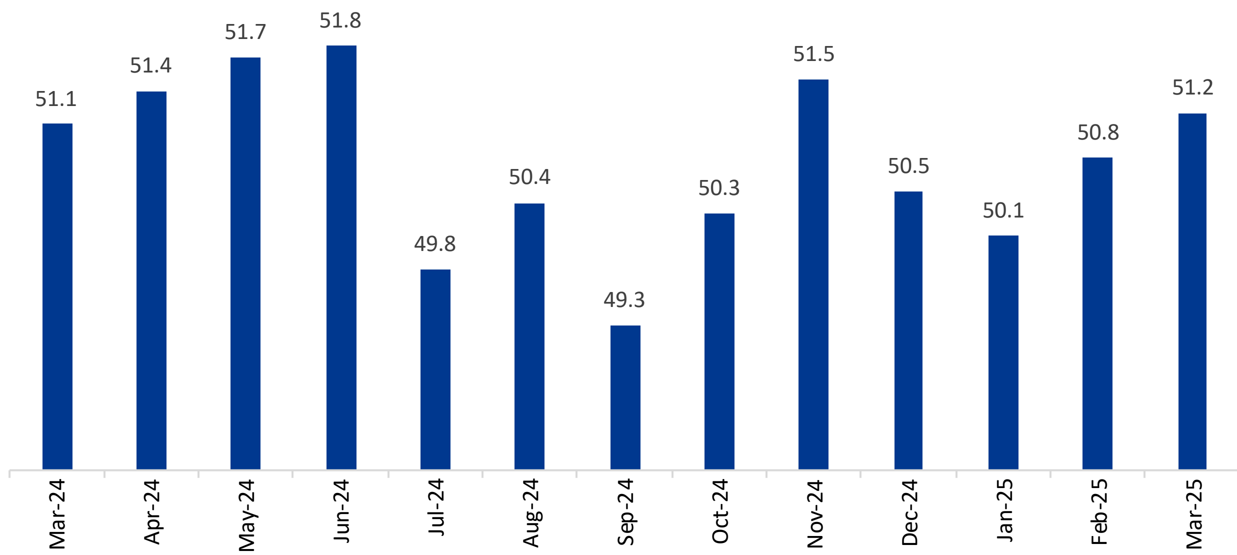
The Egyptian government plans to introduce a value-added tax (VAT) on sugar starting from FY 2025-26. The government expects to generate about EGP 443 Mn in revenue from this new tax, marking a shift from previous years when sugar brought in no VAT. Currently, sugar has been exempted from VAT under Law No. 67 of 2016, which covers around 57 essential goods and services, including tea, coffee, baby milk, eggs, and bread.

Global Economy

Chinese manufacturing activity hits four-month high

China's manufacturing sector grew fastest in four months in March 2025, as output and new orders strengthened. The Caixin Manufacturing PMI rose to 51.2 in March 2025 from 50.8 in February 2025, marking six consecutive months of expansion. Production growth expanded for the consecutive month due to higher new orders, healthy demand conditions and new product launches. Backlogs increased, prompting firms to hire more staff for the first time since August 2023. Purchasing activity rose as the firm built pre-production inventories despite longer input lead times. Input prices declined for the first time in six months, leading to lower factory gate prices. Business confidence among manufacturers remains high, owing to expectations of higher sales from new products and marketing efforts over the next 12 months.

Figure 20: China Caixin Manufacturing PMI

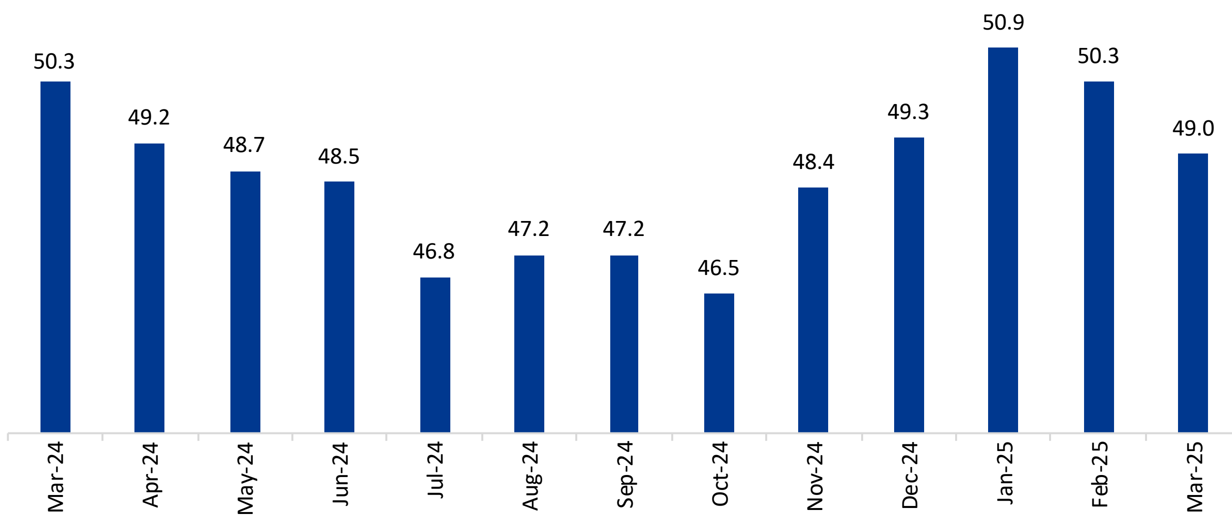


Source: CAPIQ

US manufacturing activity contracts in March after two consecutive months of expansion

US manufacturing activity contracted in March after two months of expansion, with the ISM Manufacturing PMI falling to 49.0 in March 2025 from 50.3 in February 2025, below the 50-threshold signalling contraction. The decline was driven by a sharp drop in new orders, which fell to 45.2, as buyers and sellers remain locked in negotiations over tariff-related costs. Production also slowed, with its index dropping to 48.3, while employment weakened further as the index fell to 44.7. Meanwhile, inflationary pressure intensified, with the price index surging to 69.4 from 62.4.

Figure 21: US ISM Manufacturing PMI

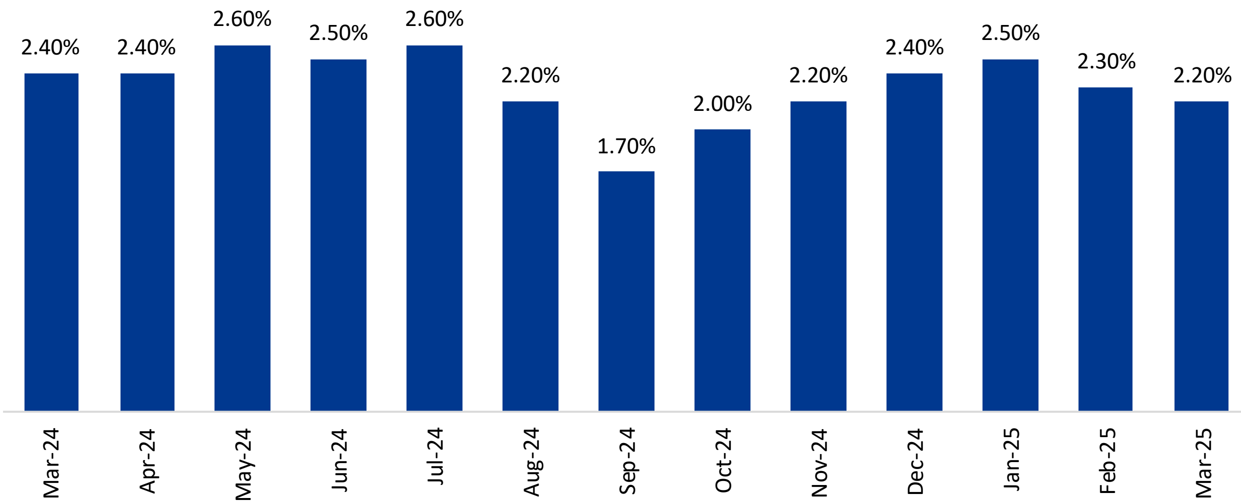


Source: CAPIQ

Eurozone inflation slows to 2.2% in March 2025

Eurozone inflation eased marginally in March 2025 due to a decline in the service costs, reinforcing the expectation of monetary policy easing from the European Central Bank. The harmonised index of consumer prices (HICP) rose 2.2% YOY in March 2025, lower than the previous month's level of 2.3%. The reported inflation is in line with market expectations. Core inflation, which excludes energy, food, alcohol, and tobacco, eased to 2.4% in March 2025 from 2.6% in February 2025. The HICP increased 0.6% MOM in March 2025. Among the components, service costs registered the highest annual increase of 3.4%, moderating from 3.7% in February 2025. The prices of food, alcohol, and tobacco rose from 2.7% in February 2025 to 2.9% in March 2025, while non-energy industrial goods inflation remained stable at 0.6%. In contrast, energy prices declined by 0.7% in March 2025, reversing the 0.2% gain in the previous month. The latest figures bolster the view that the ECB might opt for another 25bps rate cut later this month, following the March 2025 policy meeting, where the deposit rate was lowered to 2.5%—the lowest since February 2023.

Figure 22: Eurozone Consumer Price Index (CPI) YoY

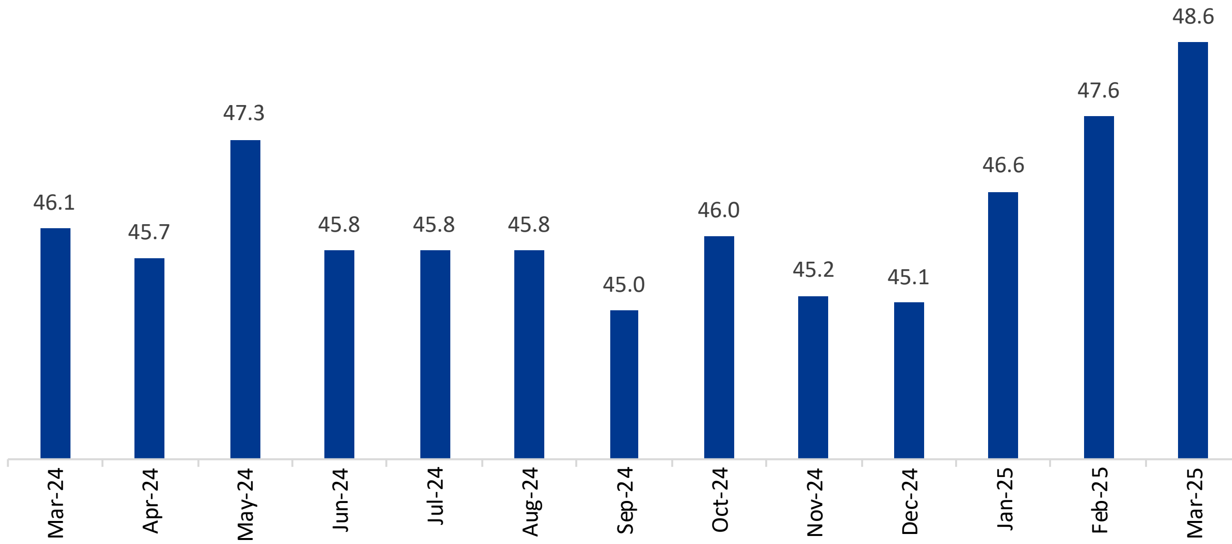


Source: CAPIQ

Eurozone manufacturing downturn eases

The Eurozone manufacturing sector showed signs of recovery in March 2025 as output rose for the first time in two years. The HCOB Manufacturing Purchasing Managers' Index (PMI) increased to 48.6 in March 2025 from 47.6 in February 2025, marking the softest contraction since January 2023. The PMI index expanded for the third consecutive month, and the output index is now in an expansionary territory. Despite continued weakness in new orders and exports, output expansion helped ease the overall downturn. The backlog and inventories fell while, at the slowest pace, suggesting stability. Job shedding persisted but at a slower pace, and purchasing activity declined modestly. Input costs rose fastest in seven months, pushing output prices. Optimism remained above average, though it dipped to a three-month low. The PMI in Germany and France recorded multi-year highs, while the manufacturing declined further in Italy and Spain.

Figure 23: Eurozone's Manufacturing PMI

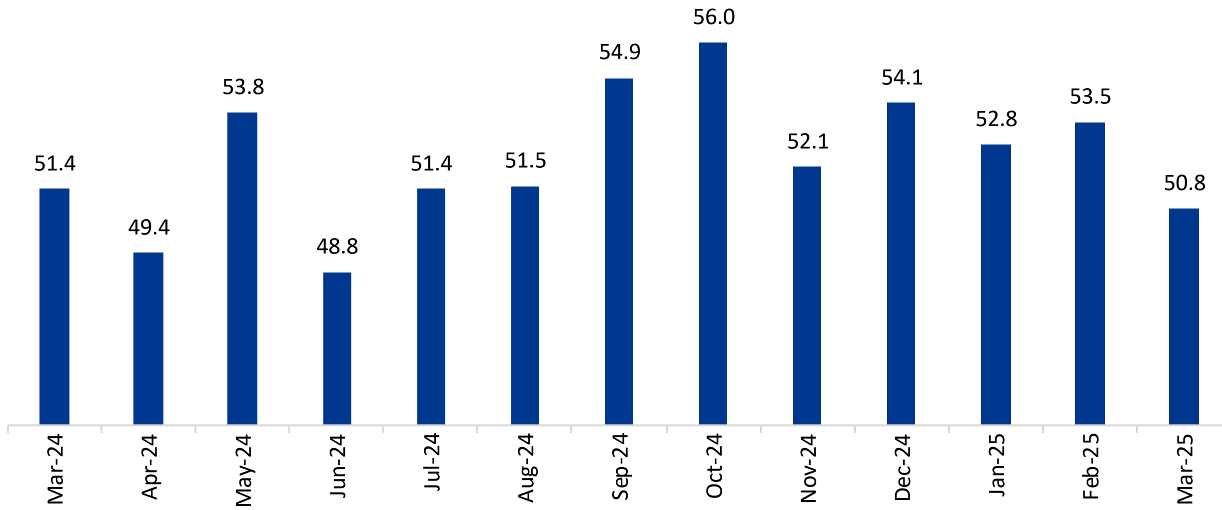


Source: CAPIQ

US service sector growth slows to nine-month low in March 2025

US service sector growth decelerated more than anticipated in March 2025, with the ISM Services PMI fell to 50.8 in March 2025 from 53.5 in February 2025, marking the lowest level since June 2024. Although a reading above 50 still indicates expansion, the larger-than-expected decline is mainly attributed to a significant downturn in employment, as the employment index dropped to 46.2, the first contraction since September 2024. The new orders index also weakened and fell to 50.4 in March 2025 from 52.2 in February 2025, signalling soft demand. However, business activity showed slight improvement, rising to 55.9 from 54.4. On the inflation front, the price index eased to 60.9 from 62.6, suggesting a slower pace of price growth. This slowdown follows a contraction in the US manufacturing sector, with the ISM Manufacturing PMI dropping to 49.0 in March, raising concerns of a broader economic downturn.

Figure 24: US ISM Services PMI

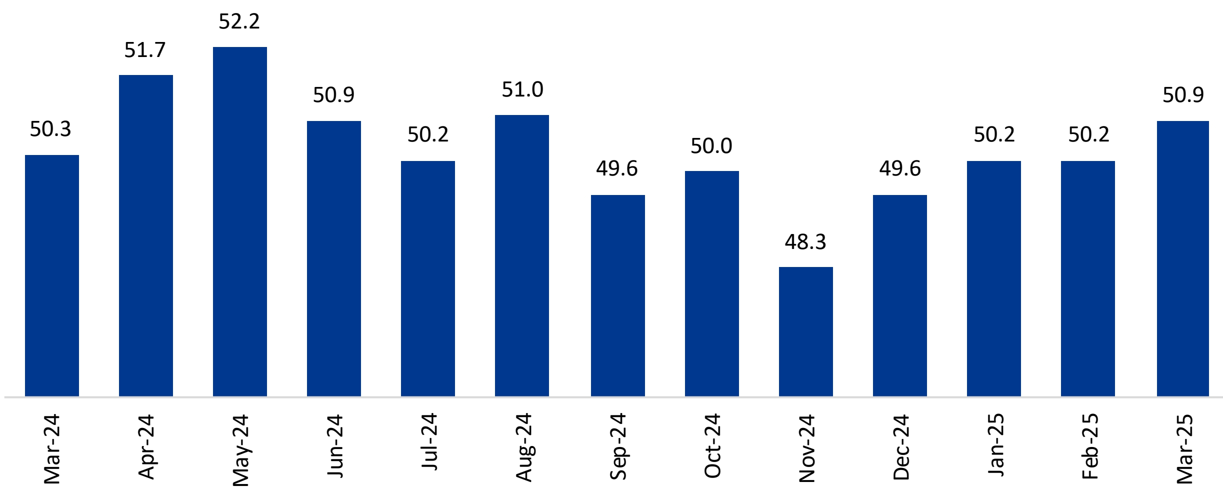


Source: CAPIQ

Eurozone private sector growth hits seven-month high in March

Eurozone private sector growth accelerated to a seven-month high in March, supported by fiscal measures in Germany that could mitigate the impact of potential US tariffs. The HCOB composite output index rose to 50.9 in March 2025 from 50.2 in February 2025, signalling the fastest expansion since August 2024. The index is in an expansion territory for the third consecutive month in a row. The manufacturing and services sectors saw accelerated growth, with manufacturing output expanding for the first time in two years. The services PMI improved to 51.0 in March 2025 compared to 50.6 in February 2025. Growth was robust in Germany, where the composite index hit a ten-month high of 51.3, driven by a boost in manufacturing production. However, France continued to contract, although the severity eased. Italy's private sector showed more moderate growth, with services helping offset a decline in manufacturing. Spain saw sustained growth, but at a slower pace compared to February.

Figure 25: HCOB Eurozone Composite Purchasing Managers Index (PMI)

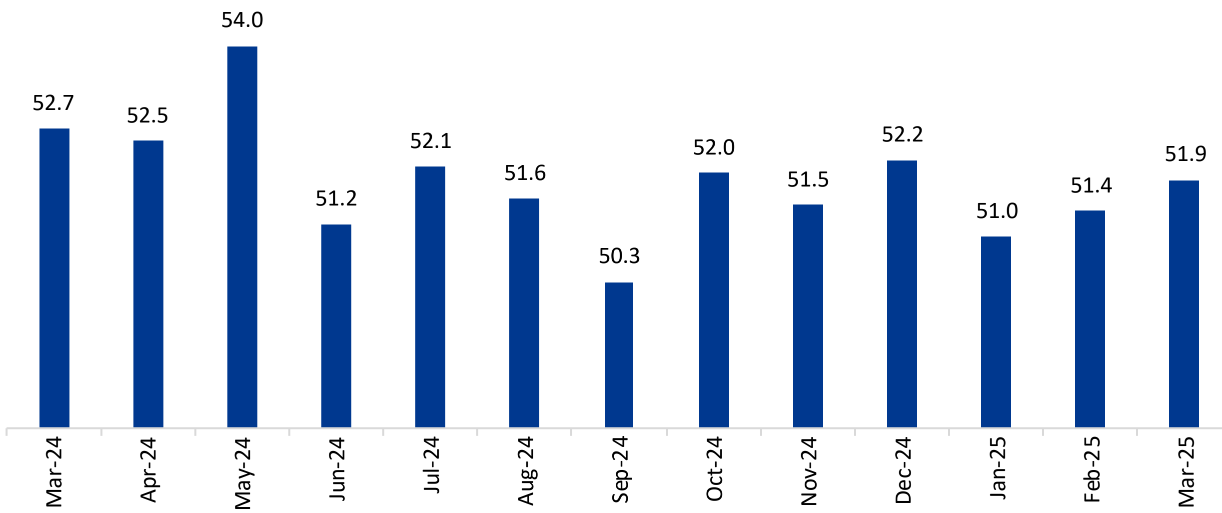


Source: CAPIQ

China's service sector growth accelerates in March

China's service sector saw a faster expansion in March 2025, driven by strong growth in business activity and new order. The services Purchasing Managers' Index rose to 51.9 in March 2025 from 51.4 in February 2025, reflecting the highest growth in three months. New orders rose to the highest level in three months, attributed to supportive policies, marketing efforts and an improvement in demand conditions. While the backlog dropped, which contributed to a renewed drop in employment in March 2025. Input costs rose slightly due to higher staff expenses and supplier charges, though firms continued to reduce their output charges for the second consecutive month. Business sentiment among service providers improved, reaching its highest level since December, as they remain optimistic about strong market demand and supportive domestic policies. The private sector composite output index also rose to 51.8 in March 2025, up from 51.5 in February 2025, reflecting moderate growth in manufacturing and services.

Figure 26: China's Service Sector PMI

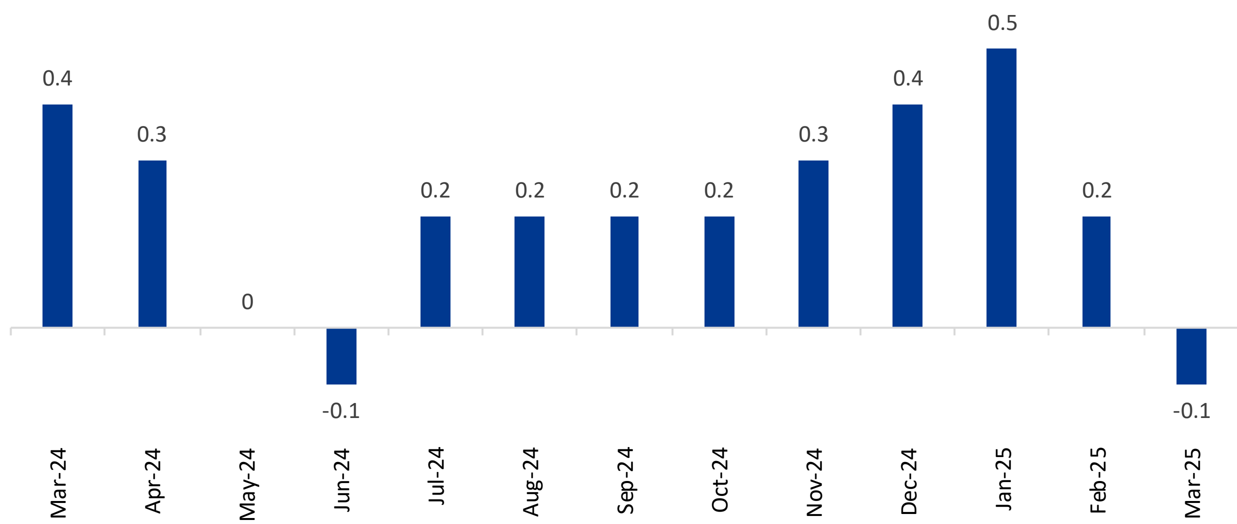


Source: CAPIQ

US consumer prices surprisingly inched down in March 2025 due to lower energy prices

The US consumer price index surprisingly dropped MOM in March 2025, edging down 0.1 % after rising 0.2% in February, better than the estimates of 0.1%. This surprise drop in monthly inflation was driven by a significant decline in energy pric es, which fell by 2.4% MOM in March following a 0.2% MOM rise in February. A 6.3% MOM drop in gasoline prices more than offset the price growth in electricity and natural gas. The annual growth in consumer prices slowed to 2.4% YOY in March 2025, down from 2.8% YOY in February, defying expectations of a 2.6% growth rate. While the monthly price dip was seen as beneficial amid escalating tariffs, analysts caution that several price categories will likely face upward price pressure in the months ahead. Excluding food and energy, the core CPI inched up 0.1% MOM in March 2025, below the expected growth of 0.3%. The annual core inflation rate dropped to 2.8% from 3.1% in February. The rise in core prices was attributed to increas es in personal care, medical care, education, apparel, and new vehicles. In contrast, lower prices in areas like airline fares and used cars helped limit overall inflation.

Figure 27: US CPI (MOM)

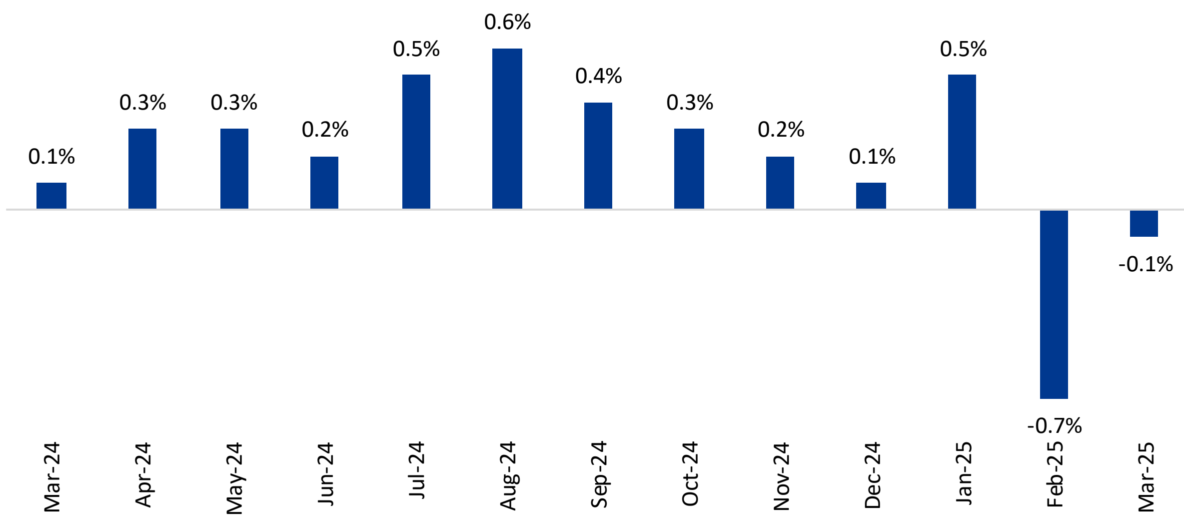


Source: CAPIQ

China's consumer prices fell in March 2025 amid rising tariff pressures

China's consumer prices declined for the second consecutive month in March 2025, underscoring persistent deflationary pressures amid escalating trade tariffs and weakening external demand. The consumer price index fell 0.1% YoY, following a sharp 0.7% YOY drop in February. In contrast to the expectation of flat prices. Core inflation, excluding food and energy prices, rose 0.5% in March, reversing a 0.1% decline in February. The decline was primarily driven by 1.4% YOY fall in food prices due to ample supply, although non-food prices increased 0.2% YOY in March 2025. Consumer prices fell 0.4% MoM, twice the expected. In the first quarter, prices edged down 0.1% from the same period last year. Analysts noted that domestic consumption support is unlikely to fully offset declining exports, which is expected to worsen overcapacity and pressurize prices. In addition, producer prices dropped 2.5% YoY in March—steeper than February's decline of 2.2% —amid falling commodity prices and expected export-related challenges, signalling further deflationary risks ahead.

Figure 28: China CPI (MOM)



Source: CAPIQ

Powell will use a wait-and-see approach amid tariff uncertainty

Federal Reserve Chair Jerome Powell said the central bank would hold off on any rate moves until greater clarity on the economic impact of President Trump's new tariffs. At a business journalism conference, Powell noted that the tariffs will likely result in higher inflation and slower growth, but the extent and duration remain uncertain. He stressed the importance of keeping inflation expectations anchored and said current policy is well-positioned to manage risks. With the next Fed meeting set on 6–7 May 2025, markets see a higher chance of rates staying unchanged, though a rate cut later this year remains on the table.

Fed Minutes Highlight Cautious Stance Amid Policy Uncertainty

The minutes from the Federal Reserve's March 18–19 meeting revealed that officials agreed it remains appropriate to adopt a cautious approach to future interest rate decisions, citing high uncertainty surrounding the economic impact of various government policies. The Fed reiterated Chair Jerome Powell's recent remarks that the central bank is "well positioned" to wait for more clarity. While a restrictive stance could be maintained if inflation stays elevated, easing is possible if the labour market or growth weakens. Officials acknowledged potential inflationary effects from new tariffs and noted that risks to inflation are tilted upward while employment risks are skewed downward. The following policy meeting is set for May 6–7, with markets pricing in an 84.1% chance of no rate change.

IMF reduces economic growth forecast of most countries amid high US tariffs

IMF reduced the economic growth forecast of the US, China and most countries, attributed to the impact of the US tariffs, which is now at a 100-year high and warned that the escalation of trade tension would further slow the growth. It slashed the global economic growth forecast by 0.5% to 2.8% in 2025 and by 0.3% to 3.0% in 2026. Earlier, it was expected global economy to grow by 3.3% in both years. IMF also expects inflation to decline slowly than earlier estimated and expects inflation to reach 4.3% in 2025 and 3.6% in 2026, with a notable revision in the forecast of the US and other advanced economies. It also stated that an escalation in trade tensions and a high level of uncertainty in future policy would result in a significant impact on global economic activity.

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