أبوظبـي الأول للأوراق المالية
FAB SECURITIES

MENA CREDIT RESEARCH

March 2025

Commodities emerge as a bellwether against unpredictable equity returns

Sector Weighting:
MARKET WEIGHT

GCC Fixed Income Outlook

The global Sukuk market is expected to experience a slowdown in 2025. According to Moody's, global sukuk issuance surged 21% YOY to USD 242 Bn in 2024, driven primarily by strong issuances from financial institutions in Saudi Arabia and the UAE. However, the global Sukuk issuance is projected to decline to c.USD 210-220 Bn in 2025. This downturn is mainly attributed to reduced refinancing requirements among key sovereign issuers in the GCC region, particularly Saudi Arabia. However, increased sukuk issuance from sovereign entities in Indonesia and Turkey is anticipated to partially offset the decline.

The GCC bond and Sukuk issuances recorded strong growth in March 2025 compared to the previous month. The GCC bond and Sukuk issuance totalled USD 10.4 Bn, driven by corporates, banks, and sovereign entities. The Government of Qatar issued two bonds totalling USD 3 Bn during the month. The issuance included a 10-year bond carrying a coupon rate of 4.87% and a 3-year bond with a coupon rate of 4.5%. Further supporting the market, the Government of Ras Al Khaimah issued a USD 1 Bn bond with a 10-year maturity. Additionally, the Saudi Real Estate Refinance Company (SRC), a subsidiary of the Public Investment Fund (PIF), successfully priced its inaugural government-guaranteed international sukuk issuance of USD 2 Bn. The offering, structured into two tranches with maturities of three and ten years, was oversubscribed six times, attracting strong demand from over 300 institutional investors. Banks from Qatar, Kuwait, and the UAE collectively issued USD 3.2 Bn during the month, with strong investor demand. In the corporate sector, the National Central Cooling Company and Aldar Investment Properties also contributed to the issuance activity, raising USD 700 Mn and USD 500 Mn, respectively, with coupon rates of 5.28% and 5.25% during the month.

The US Fed, during its second monetary policy meeting held in March 2025, left the interest rate unchanged at 4.25-4.50%. The Federal Reserve further anticipates implementing two interest rate cuts later in 2025, though the decision will depend on prevailing economic conditions. As a result, the 10-year bond yields declined across all GCC countries except Abu Dhabi and Kuwait. Additionally, the 5-year CDS grew across all GCC countries in March 2025. The UAE Purchasing Managers' Index (PMI) remained strong, with PMI at 54.4 in February 2025 compared to 55.0 in January 2025, mainly attributable to strong output and demand. However, the pace of new order growth softened for the second consecutive month, reaching its lowest level since October 2024, as the new orders index declined to 57.3 in February from 59.0 in January. According to the UAE's Ministry of Economy (MoE), the country's GDP expanded 3.8% YOY to AED 1.32 Tn during 9M24. This growth was primarily driven by a 4.5% YOY expansion in the non-oil sector, which accounted for 74.6% of total GDP, while oil-related activities contributed 25.4%. Furthermore, the MoE projects that the UAE's national economy will grow by 5.0% to 6.0% in 2025, supported by strong performance in key sectors, including renewable energy, infrastructure, trade, technology, and financial services. Saudi Arabia's non-oil sector PMI fell from 60.5 in January 2025 to 58.5 in February 2025. However, the index remained above 50 indicating expansion. The decline was primarily attributed to a slowdown in new business growth following a strong surge at the beginning of the year. The new orders subindex also eased to 65.4 in February 2025, down from 71.1 in January 2025. However, the non-oil private sector maintained its strong expansion, supported by solid customer demand and increased business activity. According to the General Authority for Statistics (GASTAT), Saudi Arabia's GDP expanded 4.4% YOY in the 4Q24, driven by robust growth in both the oil and non-oil sectors. However, despite this strong performance, the IMF has revised the country's growth forecast downward to 3.3% for 2025, citing the impact of extended oil production cuts. Qatar's economy grew 6.1% YOY, with a GDP of QAR 181.0 Bn in 4Q24 compared to QAR 170.1 Bn in 4Q23. Fitch Ratings recently reaffirmed Qatar's credit rating at "AA" with a stable outlook, highlighting expectations of improved public finances supported by the expansion of liquefied natural gas (LNG) production capacity. Bahrain's GDP increased 2.1% YOY at constant prices in 3Q24, primarily due to a 3.9% YOY growth in the non-oil sector. According to the

National Centre for Statistics and Information (NCSI), Oman recorded a trade surplus of OMR 7.51 Bn by December 2024. Additionally, Oman's real GDP grew 1.7% in 2024 driven by strong non-oil growth partially offset by a decline in the oil sector. The country's non-oil sector expanded 3.9%, while oil sector activities contracted 3.0% in 2024. Oman's Ministry of Finance projects the country's GDP to reach OMR 39.43 Bn in 2025. Recently, Fitch Ratings reaffirmed Kuwait's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'AA-' with a stable outlook. The rating reflects Kuwait's strong financial and external balance sheets, despite ongoing challenges such as heavy dependence on oil revenues and a large public sector, which could pose long-term fiscal pressures.

Gold Outlook

Gold prices rose 9.3% MOM for the third consecutive month, settling at USD 3,123.57 per ounce on March 31, 2025. Gold prices rose in the first week of March 2025 due to concerns over escalating trade tensions, inflation uncertainty, and a weaker US dollar. The upward momentum continued in the following week, reaching record-high levels, mainly driven by the depreciation of the US dollar, increasing uncertainty over US tariffs, and growing expectations of policy easing by the Federal Reserve, which led to strong demand for the safe haven. Furthermore, prices continued to increase after mid-month, driven by concerns arising out of the US president's tariff policies, along with the Federal Reserve indicating two probable interest rate cuts in 2025, which further supports gold's appeal in low-interest-rate conditions. Gold prices reached their highest levels in the last week of March 2025, driven by fears of escalating trade tensions following the U.S. president's new reciprocal tariff plans.

Oil Outlook

Brent crude oil prices grew 2.1% MOM to USD 74.74 per barrel on 31 March 2025. Oil prices declined in the first week of March 2025 after the US paused military aid to Ukraine, OPEC+ plans to raise oil output, and US's start of tariffs on China, Canada, and Mexico. In the following week, oil prices remained flat due to a weaker dollar, fears of a slowdown in the US economy, and concerns over US tariffs. After mid-month, oil prices increased as the US vowed to keep striking Houtis until they stopped attacks on shipping and China's stimulus to revive consumption. However, prices inched lower after Russia agreed US's proposal for a ceasefire. Additionally, OPEC+ launched new output cuts to compensate for overproduction. Oil prices increased during the end of the month owing to supply fears caused due to US sanctions on buying oil from Venezuela and Iran.

FAB SECURITIES أبوظبي الأول للأوراق المالية

Our Top Bond/Sukuk Picks:

Top Bond Picks in the GCC

S No.	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	6.36	2,000,000,000	BB+	Ba1	BBB-	6.5	3/8/2047	USD
2	Finance Department Government of Sharjah	SHJGOV	US38381CAF95	5.99	1,000,000,000	N/A	Ba1	BBB-	6.125	3/6/2036	USD
3	Saudi Government International Bond	KSA	US80413TBE82	5.99	3,250,000,000	A+	Aa3	N/A	5	1/18/2053	USD
4	DP World Ltd/United Arab Emirates	DPWDU	US23330JAA97	5.57	1,750,000,000	BBB+	Baa2	NR	6.85	7/2/2037	USD
5	Abu Dhabi Government International Bond	ADGB	US29135LAU44	5.40	1,750,000,000	AA	N/A	AA	5.5	4/30/2054	USD
6	MDGH GMTN RSC Ltd	MUBAUH	US44985GAE17	5.36	750,000,000	AA	Aa2	AA	6.875	11/1/2041	USD
7	Emirates NBD Bank PJSC	EBIUH	XS2976518972	5.33	750,000,000	A+	A2	N/A	5.461304	1/22/2030	USD
8	Abu Dhabi Commercial Bank PJSC	ADCBUH	XS3003311902	5.24	600,000,000	A+	N/A	A+	5.426137	2/26/2030	USD
9	Oman Government International Bond	OMAN	US682051AE72	5.11	1,626,861,000	BB+	Ba1	BBB-	5.375	3/8/2027	USD
10	Abu Dhabi National Energy Co PJSC	TAQAUH	XS0272949016	5.10	912,487,000	AA	Aa3	NR	6.5	10/27/2036	USD
11	Saudi Government International Bond	KSA	US80413TBL26	5.09	4,000,000,000	A+	Aa3	N/A	5.625	1/13/2035	USD
12	Abu Dhabi National Energy Co PJSC	TAQAUH	US00386SAB88	5.07	912,487,000	AA	Aa3	NR	6.5	10/27/2036	USD
13	Suci Second Investment Co	PIFKSA	XS2706163305	5.02	1,250,000,000	A+	Aa3	N/A	6.25	10/25/2033	USD
14	National Bank of Ras Al-Khaimah PSC/The	RAKBNK	XS2765600262	4.85	600,000,000	BBB+	Baa1	N/A	5.375	7/25/2029	USD
15	RAK Capital	RAKS	XS3016636683	4.81	1,000,000,000	A+	N/A	A	5	3/12/2035	USD

Data Source: Bloomberg

Top Sukuk Picks in the GCC

S No.	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rating	S&P Rating	Coupon	Maturity	Currency
1	Sharjah Sukuk Program Ltd	SHARSK	XS2680379695	5.56	900,000,000	N/A	Ba1	BBB-	6.092	3/19/2034	USD
2	EDO Sukuk Ltd	ENEDEV	XS2689095086	5.56	1,000,000,000	BB+	N/A	BBB-	5.875	9/21/2033	USD
3	Saudi Electricity Global Sukuk Co 2	SECO	US804133AB28	5.46	1,000,000,000	A+	Aa3	A+	5.06	4/8/2043	USD
4	Esic Sukuk Ltd	ESICSU	XS2747181613	5.24	700,000,000	N/A	Baa3	N/A	5.831	2/14/2029	USD
5	SRC Sukuk Ltd	SRCSUK	XS3010536145	5.13	1,000,000,000	A+	Aa3	N/A	5.375	2/27/2035	USD
6	Almarai Co JSC	ALMARA	XS2641777235	5.10	750,000,000	N/A	Baa3	BBB-	5.233	7/25/2033	USD
7	Suci Second Investment Co	PIFKSA	XS2706163305	5.02	1,250,000,000	A+	Aa3	N/A	6.25	10/25/2033	USD
8	KSA Sukuk Ltd	KSA	US48266XAK19	4.82	2,250,000,000	A+	Aa3	N/A	5.25	6/4/2034	USD
9	RAK Capital	RAKS	XS3016636683	4.81	1,000,000,000	A+	N/A	A	5	3/12/2035	USD
10	BSF Sukuk Co Ltd	BSFR	XS2978771942	4.80	750,000,000	A-	N/A	A-	5.375	1/21/2030	USD
11	Emirates Islamic Bank PJSC	EIBUH	XS3030374030	4.79	750,000,000	A+	N/A	N/A	5.059	3/25/2030	USD
12	KFH Sukuk Co	KFHKK	XS2974156627	4.69	1,000,000,000	A	N/A	N/A	5.376	1/14/2030	USD
13	Al Rajhi Sukuk Ltd	RJHIAB	XS2761205900	4.69	1,200,000,000	A-	Aa3	N/A	5.047	3/12/2029	USD
14	SNB Sukuk Ltd	SNBAB	XS2747631914	4.68	850,000,000	A-	N/A	A	5.129	2/27/2029	USD
15	DIB Sukuk Ltd	DIBUH	XS2749764382	4.65	1,000,000,000	A	A3	N/A	5.243	3/4/2029	USD

Data Source: Bloomberg

Content:

MENA credit outlook

Saudi National Bank Prices USD Denominated 5-Year Formosa FPG at SOFR+120bp

Saudi National Bank is marketing a USD-denominated five-year Formosa bond, under Regulation S with a final price fixed at SOFR plus 120 basis points. The Regulation S notes will be issued by SNB Funding and fully guaranteed by the Saudi National Bank. S&P and Fitch would assign a rating of A–/A–, consistent with the issuer's overall ratings of Aa3/A–/A–. Furthermore, Credit Agricole CIB Taipei branch, HSBC Bank (Taiwan), and KGI Securities are the joint managers for the issuance.

Tabreed Issues USD 700 Mn Green Sukuk with 5-Year Tenure

UAE district cooling firm Tabreed has priced its USD 700 Mn five-year senior unsecured Ijara/Murabaha Green Sukuk under Regulation S at Treasuries plus 115 basis points, offering a fixed profit rate of 5.29% with semi-annual payments. The order books exceeded USD 2.5 Bn, excluding joint lead manager interest, driven by strong investor demand. The bond will be listed on the London Stock Exchange while the issuance falls under Tabreed's USD 1.5 Bn Trust Certificate Issuance Programme. The Joint Global Coordinators, including Citi and Standard Chartered Bank, will participate in the issuance, while Emirates NBD Capital, Citi, HSBC, Standard Chartered Bank, and First Abu Dhabi Bank, will serve as Joint Lead Managers and Joint Bookrunners.

Ras Al Khaimah Appoints Banks for 10-Year USD Benchmark Sukuk

The Government of Ras Al Khaimah, with the Investment and Development Office (IDO), plans to issue a 10-year USD-denominated Regulation S benchmark sukuk. The sukuk will be listed on Nasdaq Dubai. Citi, Emirates NBD Capital, Abu Dhabi Commercial Bank, RAKBANK, First Abu Dhabi Bank, and Standard Chartered Bank have been appointed as Joint Global Coordinators. Additionally, Emirates NBD Capital and Citi and are serving as Sukuk Structuring Agents.

Qatar Bonds Witness Tight Pricing with Limited Value Upside

Qatar's USD 3 Bn bond issuance saw tight spreads, driven by strong investor interest with limited value pickup. Furthermore, the combined order books decreased from USD 17.5 Bn to USD 12 Bn, as pricing tightened. Despite the tight spreads, demand for Qatar's high-grade debt remained strong. The proceeds from the issuance may be used to repay USD 2 Bn in debt maturing in April 2025. Standard Chartered, JP Morgan, and QNB Capital, acted as global coordinators and joint lead managers, alongside Citigroup, Credit Agricole, Banco Santander, Barclays, Deutsche Bank, SMBC Nikko and Goldman Sachs.

Ras Al Khaimah launched USD 1 Bn 10-year sukuk

The Government of Ras Al Khaimah launched a USD 1 Bn 10-year Regulation S benchmark sukuk, priced at 80 basis points over US Treasuries, after strong demand pushed the order book beyond USD 4.1 Bn, excluding joint lead manager interest. The Sukuk will be listed on Nasdaq Dubai and RAK Capital is appointed as the sukuk trustee The proceeds from the issuance will be utilized for general government and budgetary purposes. Banks including Emirates NBD Capital, Abu Dhabi Commercial Bank, Citi, RAKBANK, First Abu Dhabi Bank, and Standard Chartered Bank appointed as Joint Global Coordinators, while Emirates NBD Capital and Citi acted as Sukuk Structuring Agents.

Saudi National Bank's USD 750 Mn Bond Draws USD 1.1 Bn in Orders

Saudi National Bank's USD 750 Mn five-year USD Regulation S Formosa bond secured a final order book of USD 1.1 Bn, including USD 121 Mn from joint lead managers. The Bond is priced at SOFR plus 120 basis points and is set to launch on the Taipei Exchange. Banks including KGI Securities Co. Ltd and Crédit Agricole CIB are serving as joint managers, with HSBC acting as the lead manager.

Aldar Investment's USD 500 Mn Green Sukuk Draws USD 2 Bn in Orders

Aldar Investment Properties is marketing a USD 500 Mn, 10-year senior green sukuk, with order books exceeding USD 2 Bn, excluding joint lead manager (JLM) interest. The Bond is expected to be priced at 140 basis points over the US Treasuries. The proceeds will fund eligible projects under the company's green finance framework. Aldar Investment Properties Sukuk will serve as the trustee, while Aldar Investment Properties act as the obligor. Standard Chartered and JP Morgan are joint global coordinators, alongside joint lead managers and book-runners, including Abu Dhabi Commercial Bank, HSBC, KFH Capital, Mashreq, Sharjah Islamic Bank, Abu Dhabi Islamic Bank, Ajman Bank, Bank ABC, Emirates NBD Capital, First Abu Dhabi Bank, and Dubai Islamic Bank.

Bahrain Bourse Invites Investors for USD 526 Mn Bond Offering

Central Bank of Bahrain introduced a USD 526.4 Mn (BHD 200 Mn) government development bond, on behalf of the government. The Bond carries a face value of BHD 1, with a fixed annual return of 5.625% and will mature in March 2027. The bond will be listed on the Bahrain Bourse (BHB), allowing both Bahrani and foreign investors to subscribe in the offering through the Bahrain Bourse (BHB) primary market, with a minimum investment of 500 bonds per subscriber.

Qatar's Ahli Bank Plans USD 500 Mn 5-Year Debt Issuance

Qatar's Ahli Bank is issuing a 5-year, USD 500 Mn fixed-rate senior unsecured bond under Regulation-S, through ABQ Finance Limited. The bond will be issued as part of the bank's USD 2 Bn Euro Medium Term Note (EMTN) program and will be listed on Euronext Dublin. The proceeds from this bond sale will be used for general corporate purposes. The joint global coordinators for the issuance are Barclays and QNB Capital, with J.P. Morgan, Mizuho, Deutsche Bank, and Standard Chartered Bank acting as joint bookrunners.

Emirates Islamic Bank Plans 5-Year Reg S Sukuk Issuance

Emirates Islamic Bank (EIB) appointed banks to arrange a five-year, fixed-rate, USD-denominated sukuk under Regulation S. The sukuk will be issued as part of the bank's USD 4 Bn Certificate Issuance Programme. Additionally, the sukuk will be listed on Nasdaq Dubai and Euronext. Furthermore, sukuk will be managed by Emirates NBD Capital, HSBC, Mashreq, Dubai Islamic Bank, Sharjah Islamic Bank, and Standard Chartered Bank, who will act as Joint Lead Managers and Joint Bookrunners.

Global Asset Performance

The table below summarizes the performance of key equity and debt indices along with commodity price performance. Asset classes delivered mixed results throughout the month. Commodities, particularly gold and copper, posted strong gains, while all major fixed-income instruments recorded positive performance, supported by declining U.S. Treasury yields. However, equity markets struggled, with the MSCI Developed Market Index declining by 4.2% MOM in March 2025. This downturn was primarily driven by U.S. tariff policies, which heightened market volatility and the underperformance of UK and Japanese stocks. In contrast, emerging markets showed resilience, with the MSCI Emerging Markets Index rising by 1.3% MOM in March 2025, supported by gains in Chinese, Indian, and Brazilian markets. Meanwhile, Cooper recorded the strongest performance during the month. Gold prices also continued to rise further, mainly due to trade tensions, inflation concerns, and expectations of Federal Reserve rate cuts. Oil prices grew 2.1% MOM in March 2025. Oil prices declined initially as the US paused military aid to Ukraine and OPEC+ decided to raise oil output but ended the month on a positive note, driven by US sanctions and China's stimulus to revive consumption. Amidst this mixed performance of asset classes, fixed income emerged as a bright spot for multi-asset investors. Almost all bond indices recorded positive performance on a MOM basis such as EM CCY of 0.24%, Dow Jones Sukuk of 0.37%, and JP Morgan Emerging Market 1.53%. Meanwhile, EM USD AGG and Global HY Corporate bond recorded a decline of 0.11% and 0.15% during March 2025.

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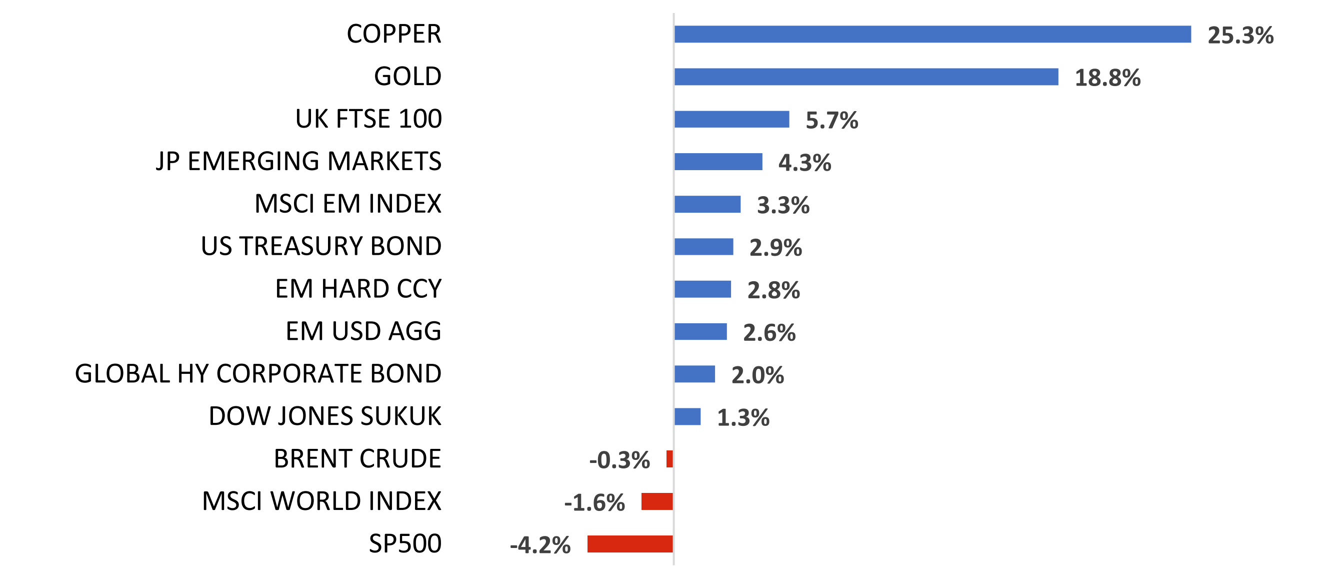
Figure 1: Global Asset Performance (YTD in FY2025)

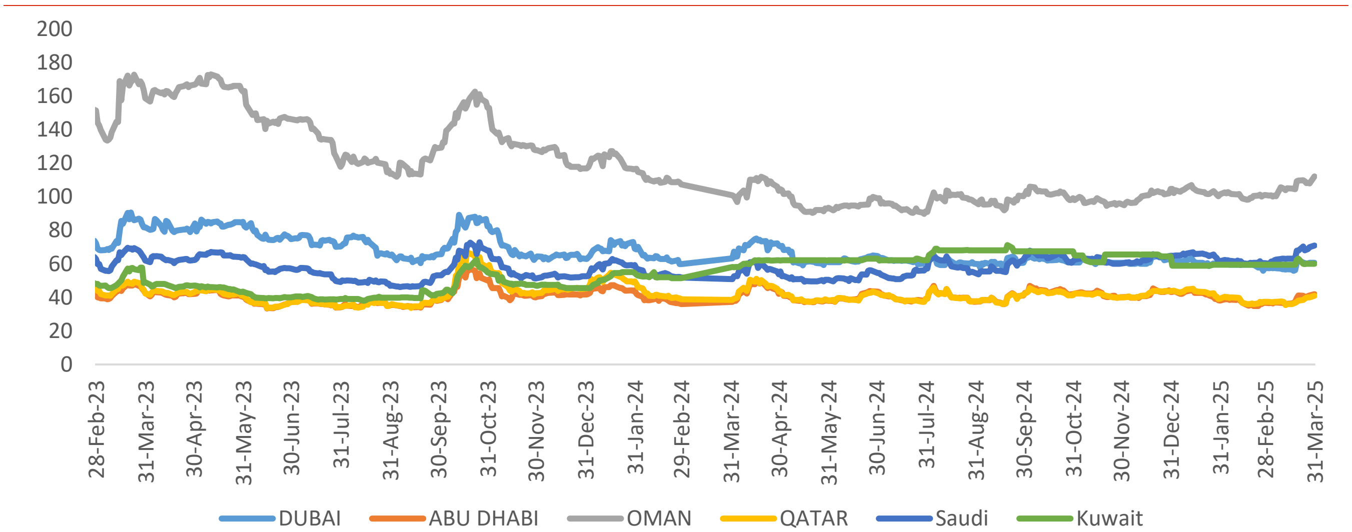


Source: Bloomberg

5-Year CDS

The 5-year CDS spread grew across all sovereign nations in March 2025. Saudi Arabia recorded the highest growth on a MOM basis in March 2025, followed by Abu Dhabi, Oman, Qatar, Dubai, and Kuwait. Kuwait's CDS spread grew marginally 0.90% MOM in March 2025.

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

Sovereigns	DUBAI	ABU DHABI	Oman	Kuwait	Qatar	Saudi
MTD (%)	5.68%	14.24%	11.42%	0.90%	9.87%	18.21%

Banking Sector

Saudi SRC secures USD 907 Mn agreement with Saudi National Bank to acquire mortgage portfolio

The Saudi Real Estate Refinance Company (SRC) has signed a SAR 3.4 Bn (c. USD 907 Mn) deal with the Saudi National Bank (SNB) to acquire a mortgage portfolio. This move allows SNB to free up capital while SRC works to inject liquidity into the housing finance system. The SRC, owned by the Public Investment Fund (PIF), aims to boost affordable housing options for Saudis. The deal aligns with Saudi Arabia's Vision 2030 goal of increasing homeownership and expanding the mortgage sector.

Damac partners to make homeownership more accessible for UAE residents

A leading UAE developer, Damac Properties, has partnered with Abu Dhabi Islamic Bank (ADIB) to offer a home financing solution that enables UAE residents, allowing them to secure financing for off-plan properties once construction reaches 35% completion. The project will make Damac the first developer in the UAE to provide such an option, increasing accessibility to homeownership. The initiative aligns with the goals of both companies to offer customer-centric, Sharia-compliant financing solutions. The financing plan is designed to adapt to changing market conditions, providing greater flexibility for investors.

ADCB's credit rating was raised to 'A+' by S&P

Abu Dhabi Commercial Bank (ADCB) has been upgraded to an ‘A+’ long-term issuer credit rating by S&P Global Ratings with a stable outlook, reflecting its strong financial position and high asset quality. The upgrade has positioned ADCB among the top three highest-rated banks in the MENA region by S&P. The bank aims to double its net profit to AED 20 Bn within five years, supported by solid earnings generation and high capital retention. ADCB's asset quality was also strengthened by enhanced risk management and a strategic shift toward government-related entities, with significant balance sheet growth and robust deposit inflows.

Corporate Sector

AIQ secures USD 340 Mn contract to deploy agentic AI across ADNOC's operations at scale

AIQ, a Presight company, has secured a USD 340 Mn contract with ADNOC to implement its ENERGYai and AI solutions across ADNOC’s upstream operations. The three-year agreement will enhance efficiency and optimize workflows through AI technology, including large language models and agentic AI, trained for specific upstream tasks like seismic analysis and real-time process monitoring. Energyai aims to reduce operational time, cost, and emissions while boosting productivity and sustainability. Developed in collaboration with G42 and Microsoft, the technology will be rolled out across ADNOC’s 28 producing fields, with full deployment expected by mid-2025. The partnership will position ADNOC as a leader in AI-enabled energy solutions.

Abu Dhabi's ADQ acquires 58% stake in Dubai-based Aramex

Abu Dhabi's sovereign wealth fund, ADQ, has acquired a 58% stake in Dubai-based courier company Aramex and became the majority stakeholder. ADQ previously held 22.69% of the shares through its subsidiary, AD Ports Group, and subsequently made a voluntary tender offer for the remaining shares, which was accepted by 35.31% of the shareholders. Aramex will now be part of ADQ's transport and logistics cluster alongside significant entities such as Abu Dhabi Airports and Etihad Airways.

Gulf Nav shareholders approve USD 871 Mn acquisition of Brooge Energy

Shareholders of Gulf Navigation Holding have approved the company's AED 3.2 Bn (USD 871 Mn) acquisition of Brooge Energy Limited (BEL) despite concerns about potential dilution. The deal will raise Gulf Nav’s share capital by 320%, issuing 359 Mn new shares and AED 2.3 Bn in mandatory convertible bonds. Gulf Navigation will acquire BEL's oil storage assets and associated companies, including Brooge Petroleum. Although minority shareholders raised concerns about the conversion price, they have agreed with the company's valuation. The acquisition will expand Gulf Nav’s storage and logistics capabilities in midstream oil and gas services.

Saudi Almarai fails to acquire Hammoudeh Food

Almarai, Saudi Arabia's dairy and food group, announced that its plan to fully acquire Hammoudeh Food Industries for SAR 263 Mn (USD 70 Mn) fell through due to the seller's failure to meet the necessary conditions for the transaction. Almarai was planning to acquire Jordan's Hammoudeh Food, a dairy and cheese business.

Tabreed teams up with Dubai Holding for USD 408 Mn district cooling project at Palm Jebel Ali

National Central Cooling Company (Tabreed) has entered into a concession agreement with Dubai Holding Investments to supply district cooling services for the Palm Jebel Ali development in Dubai. A joint venture, with 51% owned by Tabreed and 49% by Dubai Holding Investments, will develop the USD 408 Mn district cooling project for Palm Jebel Ali. Construction is scheduled to commence in 2Q25, with cooling services anticipated to begin in 2027, pending regulatory approvals. The project will meet a cooling capacity need of 250,000 RTs.

Tecnicas Reunidas and Orascom win USD 2.6 Bn contract in Saudi Arabia

Spain based Tecnicas Reunidas and Egypt based Orascom have secured a USD 2.6 Bn contract to enhance a 3-gigawatt combined cycle gas-fired power plant in Saudi Arabia. The 50-50 joint venture will include carbon capture infrastructure and a 380 kV electrical substation. The project is part of Tecnicas Reunidas' broader expansion in the Middle East, aiming to triple its net profit by 2026.

Tabreed is considering a bid for Multiply's district cooling business

Tabreed, backed by Engie, is considering a bid for Multiply Group's district cooling business, PAL Cooling Holding (PCH), valued at over USD 1 Bn. The company is collaborating with Citi on a potential acquisition that includes district cooling plants in Abu Dhabi, which have long-term contracts. Tabreed's interest follows its recent win to provide cooling for Dubai's Palm Jebel Ali, a significant redevelopment project.

Lesha Bank Secures an Indirect Ownership Stake in Edinburgh Airport

Lesha Bank acquired an indirect stake in Edinburgh Airport through an investment in an infrastructure fund. The move aligns with the bank's strategy of focusing on resilient assets and marks Lesha Bank's entry into the global infrastructure market. The investment was structured using Sharia-compliant financing.

ADQ Acquires a 63.3% Stake in Aramex

Abu Dhabi sovereign investor ADQ acquired a 63.26% stake in Aramex through a voluntary conditional cash offer made via its subsidiary, Q Logistics Holding. ADQ acquired 40.57% of Aramex shares, in addition to its existing 22.69% stake held through the Abu Dhabi Ports Group. The acquisition is valued at AED 4.39 Bn. The move is expected to support ADQ in its strategy to grow its transport and logistics sector.

Agthia Acquired Desalination Company Riviere

Agthia Group acquired a 100% stake in UAE-based mineral water desalination company Riviere. The move is expected to grow its household customer base by three times and boost revenue by 6.5%. The acquisition will also enable Agthia to tap into the mainstream market by leveraging Riviere's customer base to supply water to offices and homes across the UAE while maintaining the brand.

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 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 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 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 affirmed **Bahrain**'s credit rating outlook at stable due to the expectation of government measures to reduce the budget deficit and the possibility of receiving extra support from other Gulf Cooperation Council (GCC) member countries if needed. The stable outlook is attributed to the rating agency's expectation of larger fiscal deficits from 3% to 4% of the GDP between 2023 and 2026, as compared to its earlier projection of 2% to 3% mainly due to increased spending on social subsidies, capital expenditure and debt servicing. S&P Global Ratings affirmed Bahrain's short-term foreign and local currency sovereign credit ratings at 'B+/B' with a stable outlook. 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'.

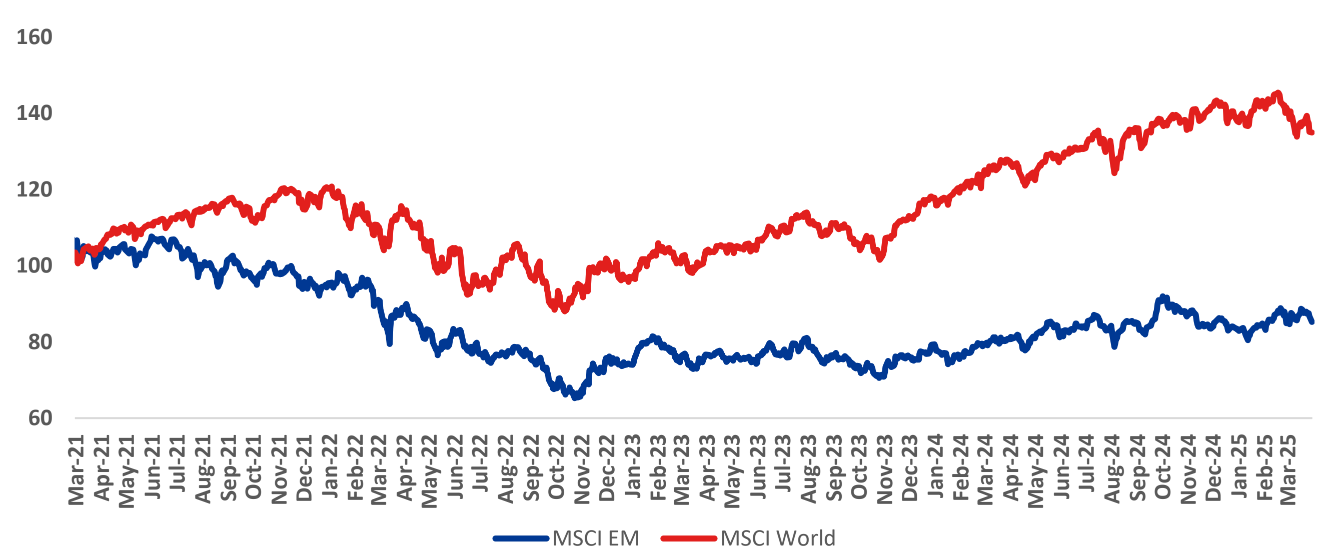
- In January 2024, Moody's maintained **Qatar**'s Long-Term Foreign-Currency Issuer Default Rating (IDR) at Aa2. The rating is attributed to significant improvements in Qatar's fiscal metrics during 2021-2023. Moody's anticipates that the improvement in Qatar's debt burden and debt-service metrics from 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+	STABLE	B+	NEG

Global Markets

The performance of the developed market continued to decline in March 2025, following its negative trend in February 2025. The MSCI Developed Markets (DM) Index declined 4.6% MOM in March 2025 compared to a 0.8% decline in February 2025. However, the MSCI Emerging Markets (EM) Index increased 0.4% MOM in March 2025, despite a high level of dispersion in the returns of emerging economies. The MSCI EM Index continued to outperform the MSCI DM Index by a wider margin. As of 1Q25, the MSCI EM index recorded a positive return of 2.4%, whereas the MSCI DM experienced a decline of 2.1%. The MSCI DM Index posted a negative return in 1Q25, primarily driven by the weak performance of U.S. and Japanese stocks, partially offset by growth in the UK FTSE market. The US S&P 500 recorded a negative return of 4.3% in 1Q25. The negative return was primarily driven by tariff policies, which created volatility in market sentiment, as investors remained cautious about the impact of trade uncertainty on U.S. economic activity. This heightened uncertainty weighed on U.S. equity markets, leading to weaker growth expectations. Meanwhile, the MSCI Europe excluding-UK rose 6.4% in 1Q25 following the announcement of fiscal stimulus to boost European defence capabilities. UK FTSE All-Share delivered a positive return of 4.5% in 1Q25, despite the government's policy shift following the deterioration of the country's fiscal outlook. The MSCI European excluding UK also recorded a gain of 6.4% during 1Q25. However, among the developed markets, the Japanese equities are facing challenges due to a stronger yen resulting from narrower interest rate differentials, leading to a 3.4% decline for the Japan TOPIX. The performance of EM was primarily driven by the robust performance of the Chinese and Korean markets. The Chinese equities market delivered a strong return of 15% in 1Q25, driven by a combination of factors, such as improved sentiment towards Chinese technology companies following DeepSeek's AI breakthrough in January 2025 and less effective US tariffs than anticipated. The Korean index, KOSPI, also registered a growth of 3.42%; meanwhile, Indian stocks were down 2.9% in 1Q25. Consequently, the MSCI Asia ex-Japan index increased by 1.9% in 1Q25.

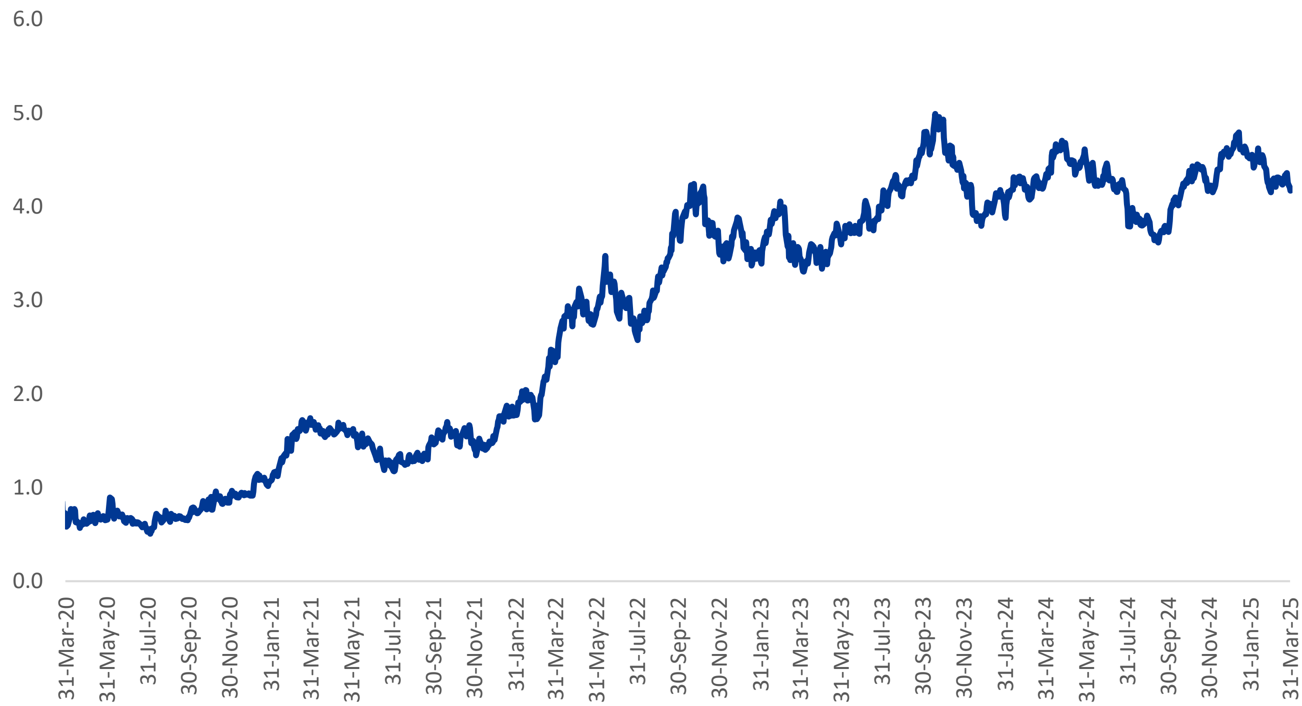
Figure 3: MSCI World and Emerging Market Index Historical trend



Source: Bloomberg

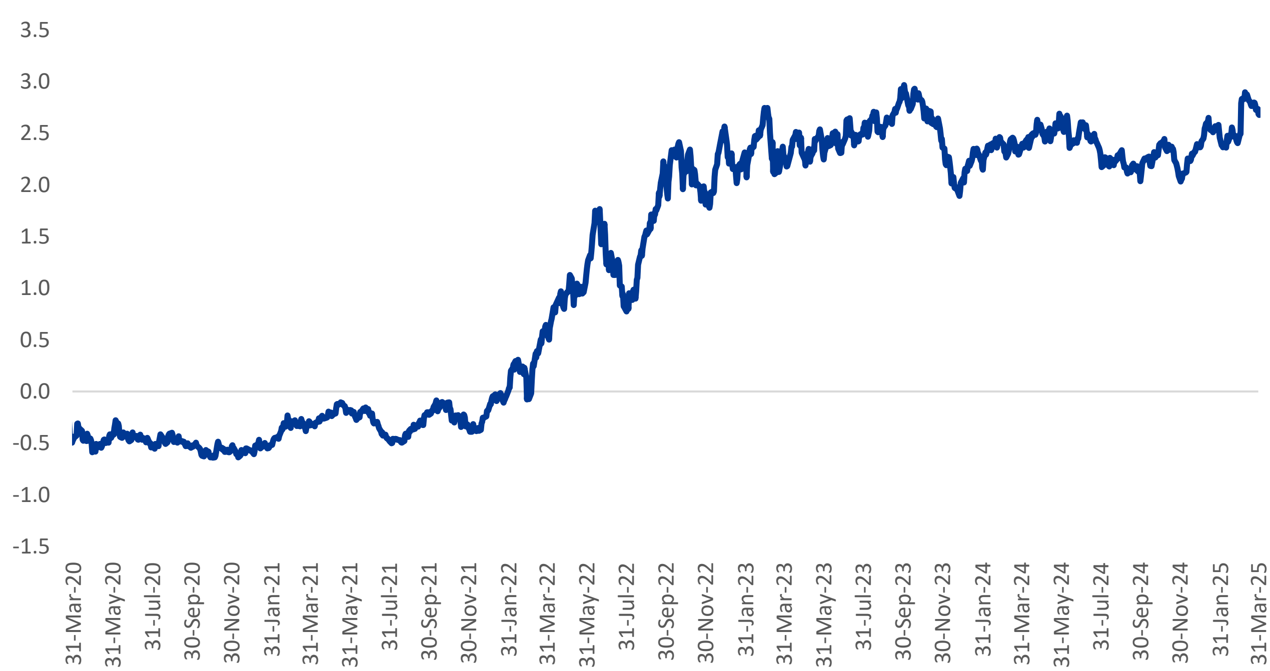
Yield on 10-year government

Figure 4: US 10-year government yield



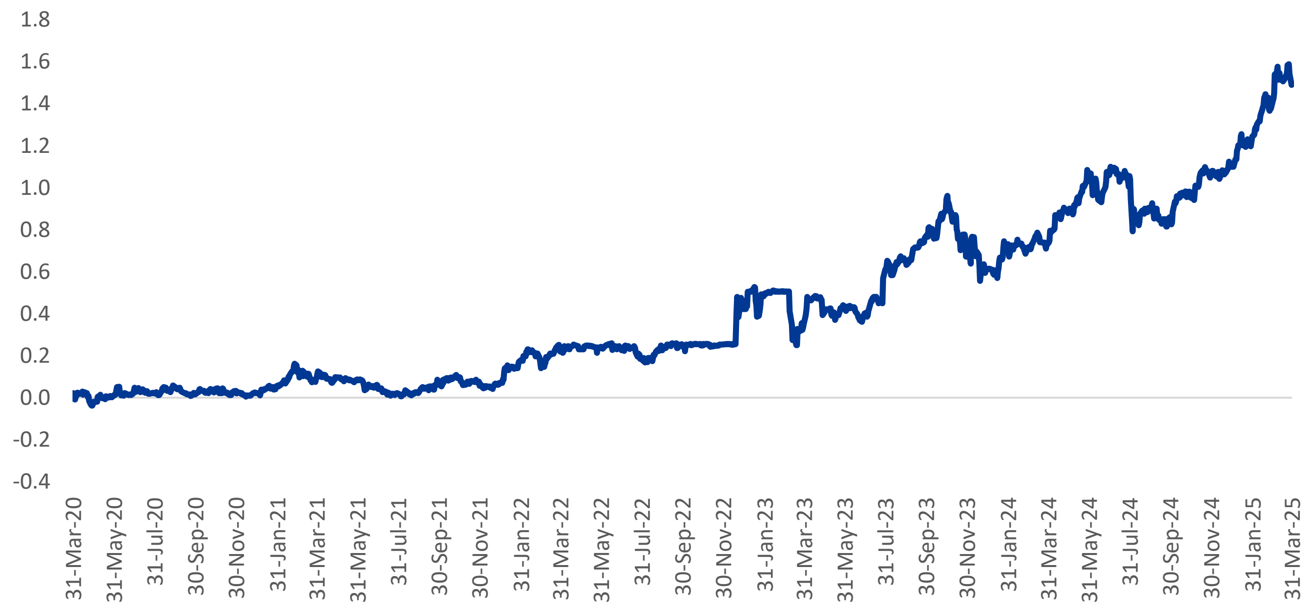
Source: Bloomberg

Figure 5: Germany 10-year government yield



Source: Bloomberg

Figure 6: Japan 10-year government yield



Source: Bloomberg

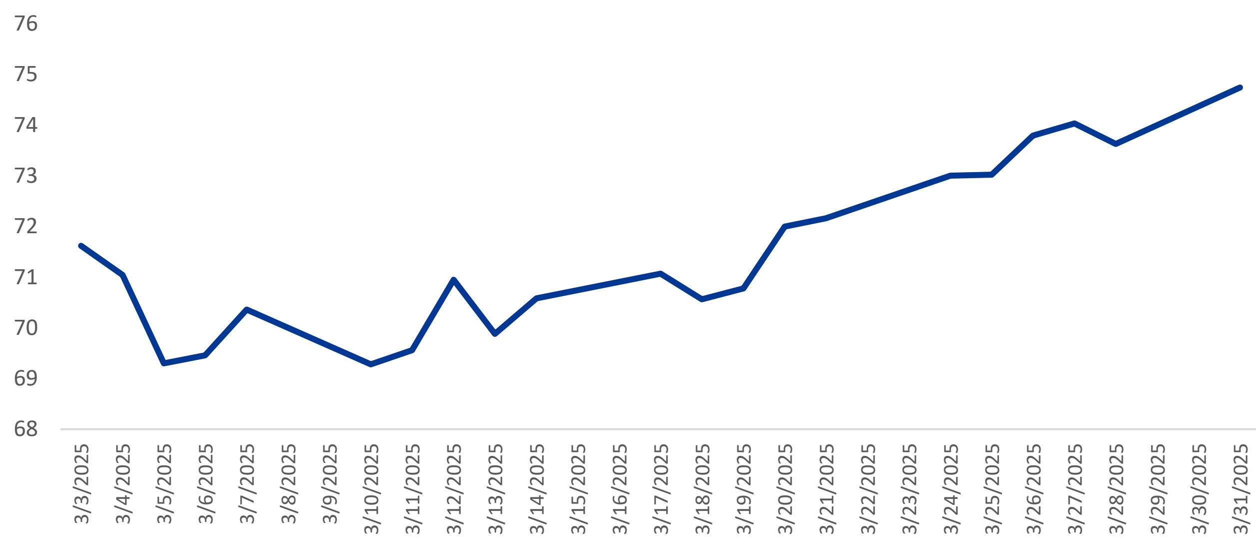
Figure 7: UK 10-year government yield

Source: Bloomberg

Oil Outlook

Brent crude oil prices grew 2.1% MOM to USD 74.74 per barrel on 31 March 2025. Oil prices declined in the first week of March 2025 as the US paused military aid to Ukraine. This indicated a potential easing of the conflict that will lead to relief in sanctions on Russia while increasing the supply in the market. Additionally, OPEC+ plans to raise the oil output in April 2025, and the US's start of tariffs on China, Canada, and Mexico weighed on oil prices. The following week saw little change, as oil prices rose on a weaker dollar, but gains were partially offset by fears of a slowdown in the US economy and investor concerns over US tariffs. After mid-month, oil prices increased as the US pledged to keep striking the Houthis until they ceased attacks on shipping and China's stimulus plans to revive consumption. However, oil prices inched lower as Russia agreed to the US's proposal, which stated a 30-day ceasefire on energy infrastructure in Moscow and Kyiv. Moreover, OPEC+ launched new output cuts to compensate for overproduction. These cuts will last until June 2026. Fresh sanctions on Iran and OPEC+'s new output cuts further lead to a growth in oil prices. Oil prices rose during the end of the month owing to supply fears caused due to the US sanctions on buying Venezuelan and Iranian oil.

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

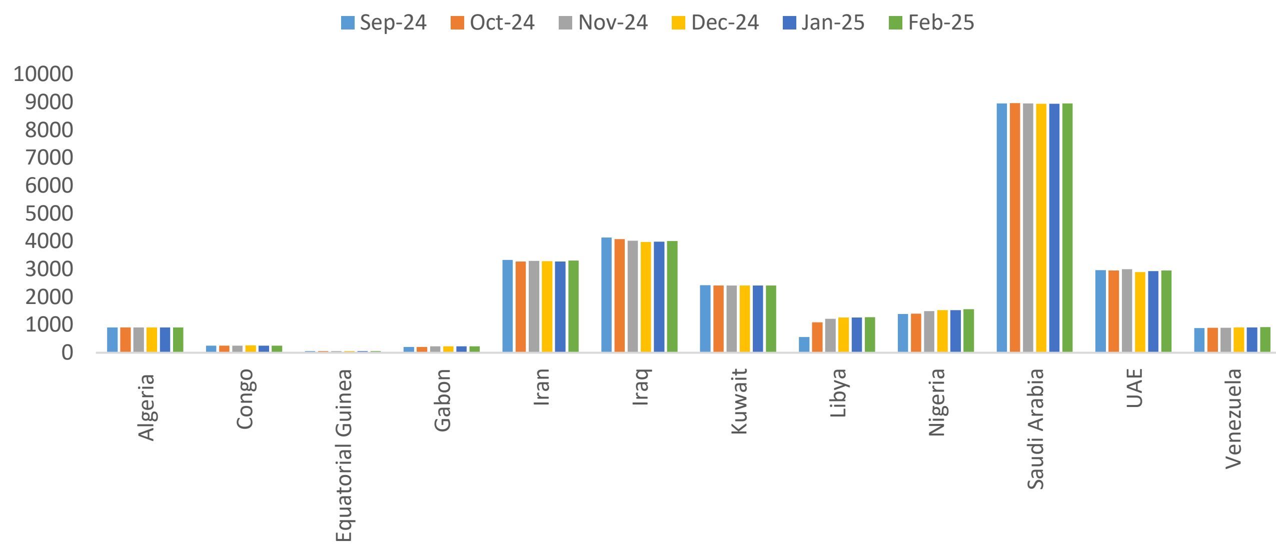


Source: Bloomberg

OPEC Production

Total Brent crude oil production from the OPEC-12 countries increased 155 thousand barrels per day (bpd) MOM, reaching 26.9 Mn bpd in February 2025. 10 out of the 12 OPEC members reported production rise during the month. Iran witnessed the largest increase in production, growing 35 thousand bpd MOM, followed by Nigeria, which saw a rise of 34 thousand bpd MOM in February 2025. UAE's oil output grew 24 thousand bpd MOM in February 2025, while Iraq and Saudi Arabia's oil output increased 18 thousand bpd MOM each. Similarly, Algeria and Libya's oil output grew 9 thousand bpd MOM each in February 2025, while Kuwait and Venezuela recorded an 8 thousand bpd and 6 thousand bpd MOM growth in oil output, respectively. Equatorial Guinea's oil output rose 1 thousand bpd MOM in February 2025. On the other hand, Gabon witnessed a 6 thousand bpd MOM decline in production, while Congo's output fell 1 thousand bpd MOM in February 2025.

Figure 9: OPEC Crude Oil Production

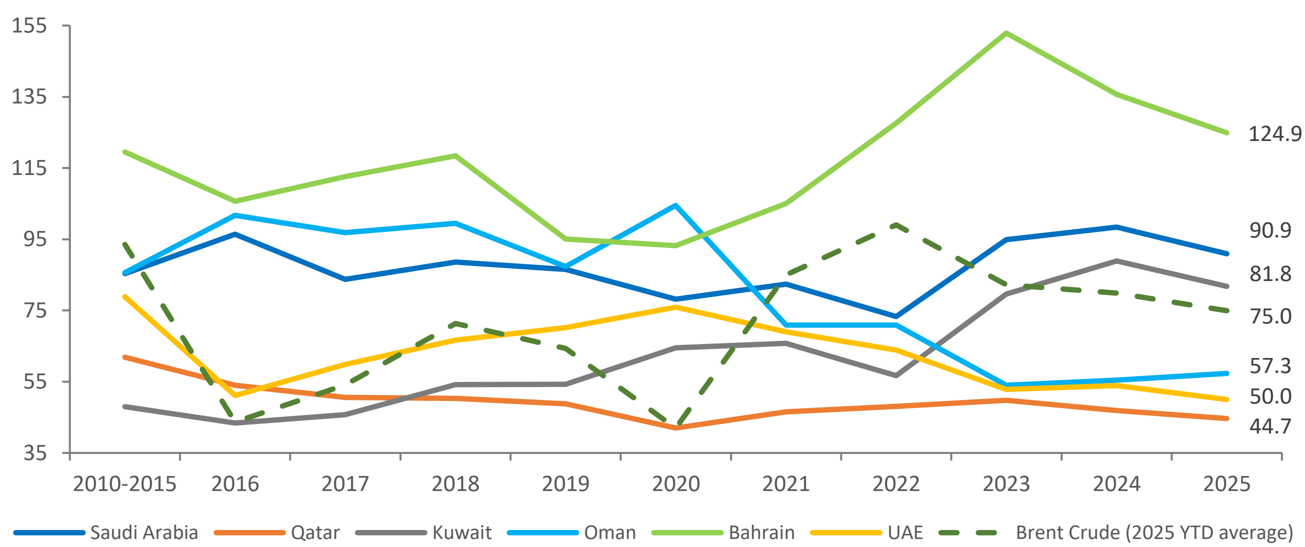


Source: OPEC

Fiscal Breakeven Oil Price

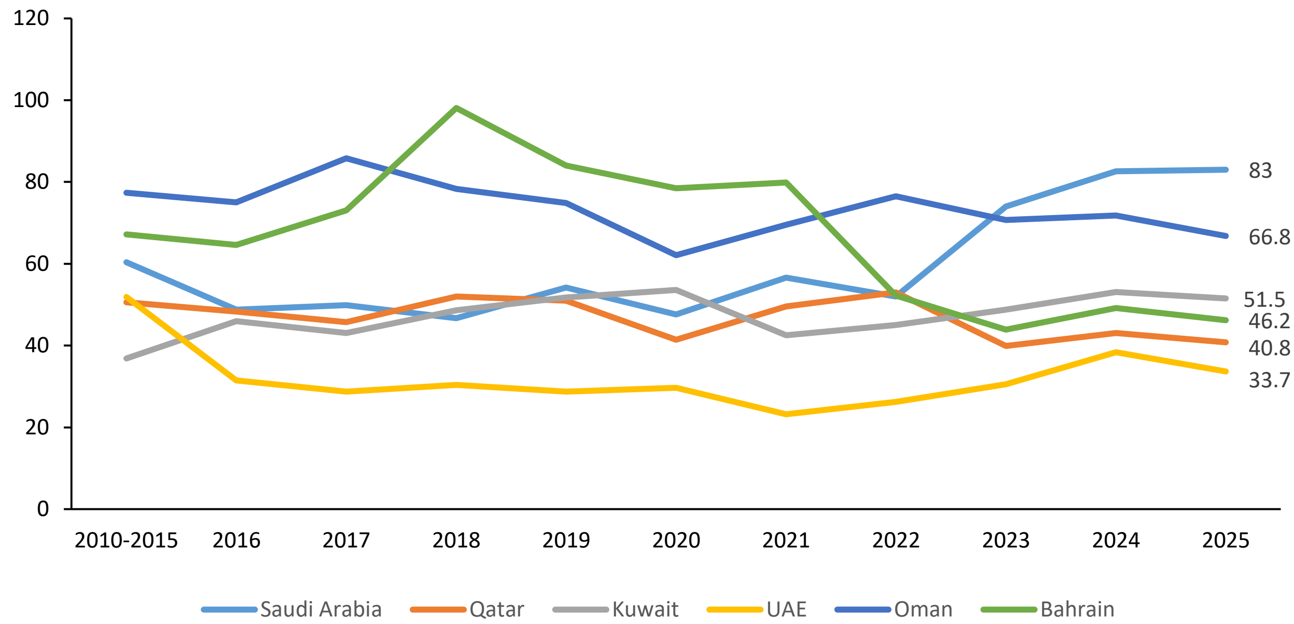
The overall fiscal breakeven oil prices is expected to decline for all GCC Countries in FY2025, except Oman. Oman's fiscal breakeven will grow from USD 55.4 per barrel in FY2024 to USD 57.3 in FY2025. Saudi Arabia, Qatar, Kuwait, UAE, and Bahrain will record a decline in break-even oil prices in FY2025. Bahrain recorded 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 fell from USD 98.4 per barrel in FY2024 to USD 90.9 per barrel in FY2025, followed by Kuwait, which witnessed 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)



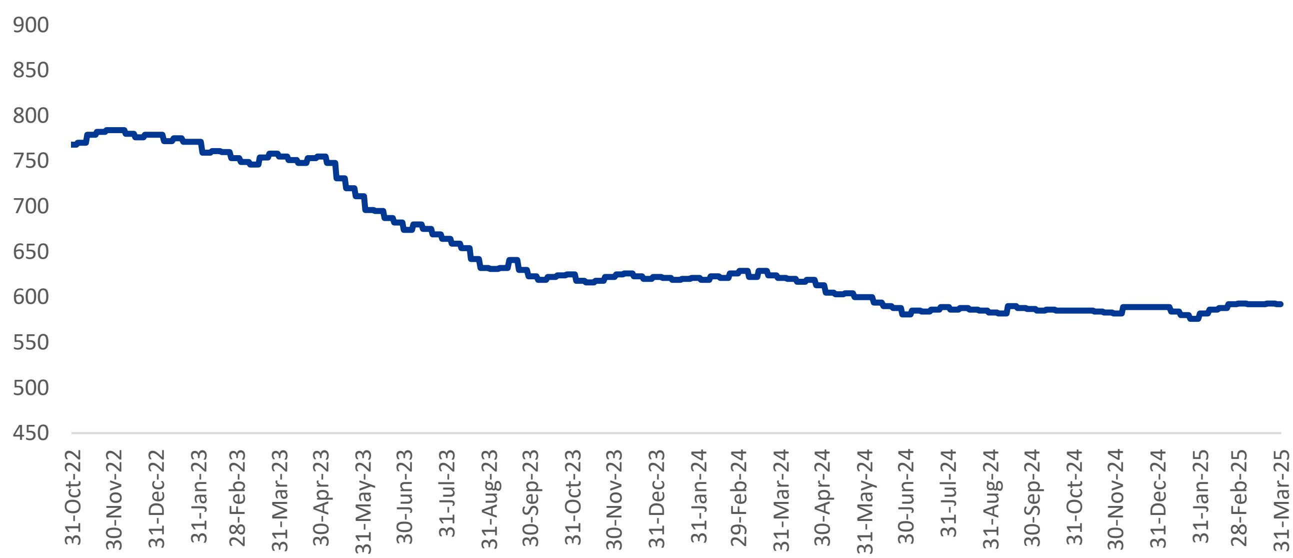
Source: Bloomberg

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



Source: Bloomberg

Figure 12: Oil Rig Count



Source: Bloomberg

FAB SECURITIES أبوظبي الأول للأوراق المالية

Credit Strategy

Current View on Credit Initiation:

Name	Sector	Price	Mid YTM	Moody's/S&P/Fitch
ALDAR 3.875% 2029	Real Estate	95.98	4.93	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	94.26	8.12	WR/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	95.80	4.68	Aa3/NA/A+
BGBKKK 2.75% 2031	Bank	94.92	6.11	NA/NA/BBB+
SIB 5% PERP	Bank	100.15	7.19	NA/NA/NA
GENHLD 4.76% 2025	Investment Co.	99.88	4.99	A1/NA/A
INTLWT 5.95% 2039	Power Generation and Water Utility	99.91	6.00	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	Ask Price	Yield	1M Return	3M Return	YTD Return	12M Return
INTLWT 5.95% 2039	MW	99.91	5.96	0.61	1.43	1.02	1.95
GENHLD 4.76% 2025	OW	99.88	4.94	0.03	0.22	0.23	0.78
SIB 5% PERP	MW	100.15	4.34	0.02	0.83	0.93	2.20
BGBKKK 2.75% 2031	MW	94.92	6.48	0.95	2.94	2.95	9.93
ARAMCO 3.5% 2029	OW	95.80	4.65	0.69	1.55	1.78	2.82
KWIPKK 4.5% 2027	MW	94.26	7.82	3.96	2.47	2.08	6.08
ALDAR 3.875% 2029	OW	95.98	4.87	0.70	1.53	1.57	2.93

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 95.98 with a yield of 4.93% 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 94.26 with a yield of 8.12% when held until maturity (redemption at par) and has a modified duration of 1.75. 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 downgraded KIPCO's rating from Ba3 to B1 with a negative outlook citing high market value leverage, a weak forecasted interest coverage ratio. 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 95.80 and offers a yield of 4.68% with a modified duration of 3.64. 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 is the majority shareholder of the Company, with a direct ownership of 90.19%. 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 94.92. The bond offers a yield of 6.11% and a duration of 1.37. 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 7.19% and currently trades at USD 100.15 with a modified duration of 0.24 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-', backed by the bank's strong relationship with the Government of Sharjah and expected stable business and financial profile over the next two years. The agency also expects the bank's asset quality to remain resilient with adequate capitalization.
- 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 99.88 and offers a yield of 4.99% 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 99.91 with a yield of 6.00% if held till maturity (redemption at par). The bond has a modified duration of 6.97. 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

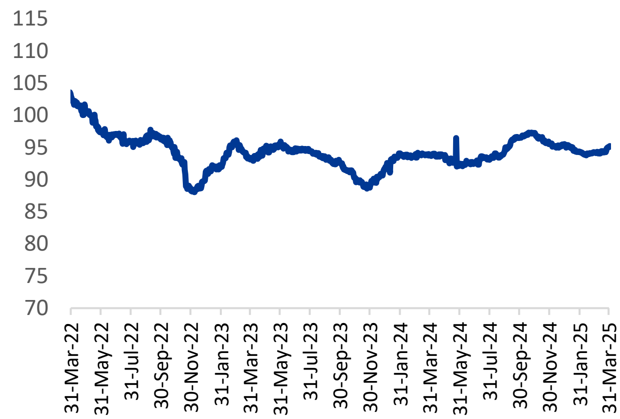


Figure 14: KWIPKK 4.5% 2027

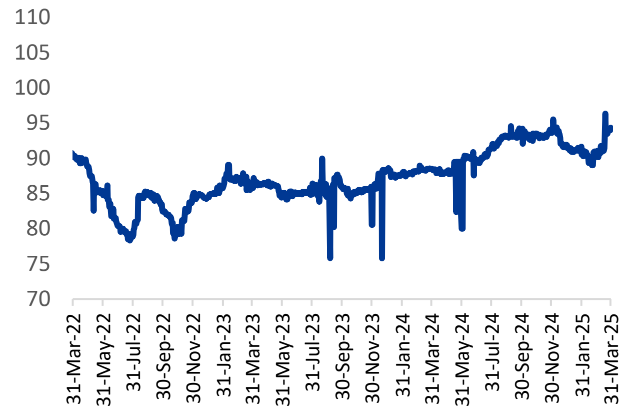


Figure 15: ARAMCO 3.5% 2029

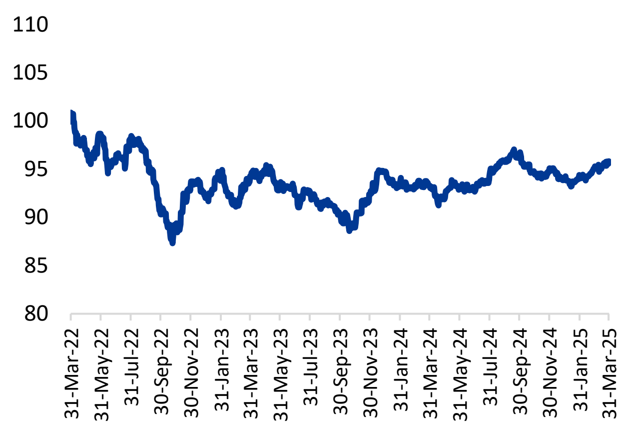


Figure 16: SIB 5% PERP

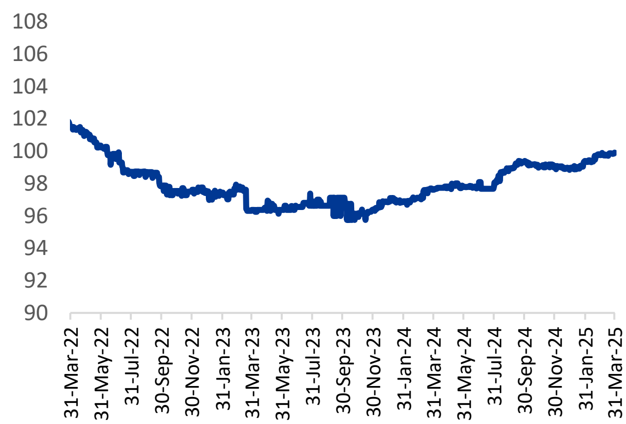


Figure 17: GENHLD 4.76% 2025

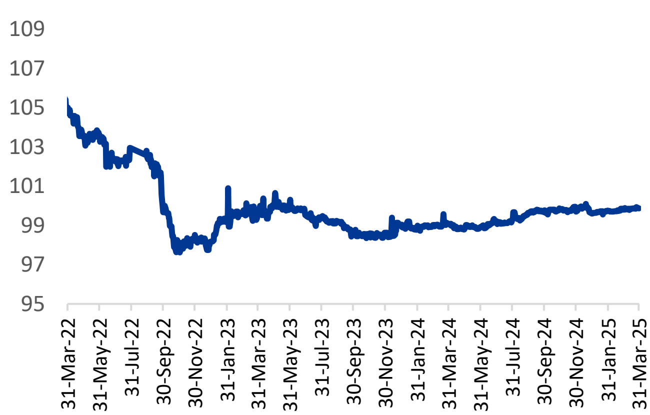
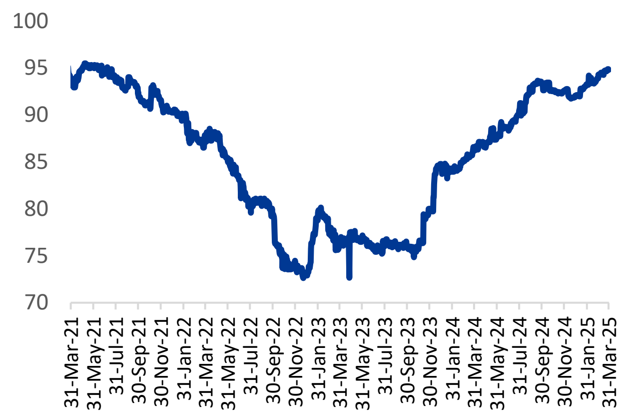


Figure 18: INTLWT 5.95% 2039

Figure 19: BGBKKK 2.75% 2031



Source: Bloomberg

Key Market Indicators

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	74.38	-0.35	1.64
US dollar index	104.26	-3.89	-3.11
10Y Treasury yield[1]	4.18	-0.39	-0.03
2Y Treasury yield[1]	3.89	-0.36	-0.10
10Y German bond yield[1]	2.68	0.31	0.27
10Y Japan bond yield[1]	1.45	0.35	0.07
Bloomberg UAE Composite USD Liquid index	142.71	2.92	0.77

Source: Bloomberg, [1] in Basis point

Sovereign Highlights

UAE

UAE's ADNOC and Austria's OMV to form a USD 60 Bn chemicals powerhouse through joint venture

ADNOC and OMV announced the merger of their stakes in Borouge plc and Borealis AG to form the Borouge Group International, which will acquire NOVA Chemicals for AED 49.2 Bn. The new entity, valued at over AED 220 Bn, will become the world's fourth-largest polyolefin producer. ADNOC and OMV will jointly own the company, with headquarters in Vienna and Abu Dhabi. OMV will inject EUR 1.6 Bn to balance the shareholding. The merger is expected to deliver annual synergies of AED 1.8 Bn and will be listed on the Abu Dhabi Securities Exchange. The move will strengthen ADNOC's global chemicals strategy, leveraging strengths in feedstocks, technologies, and sustainable products. The Borouge 4 expansion is expected to boost capacity to 13.6 Mn tonnes per annum by 2026.

UAE's non-oil sector growth remains stable in February

The UAE's non-oil private sector growth remained stable in February 2025, driven by increased new business leading to higher output. The S&P Global UAE Purchasing Managers' Index (PMI) held steady at 55.0, slightly above the long-run average of 54.4. About 29% of firms reported higher activity, while only 5% experienced a decline. However, firms faced challenges from intense competition, limiting price increases and job creation. Cost pressures rose for the first time in seven months. In Dubai, the PMI dropped to 54.3, indicating slower growth. However, firms reported strong new orders and output. Expectations for the future remained subdued, with most firms keeping staffing levels unchanged.

UAE's real GDP rises by 3.8% YOY during 9M24

The UAE's real GDP grew by 3.8% YOY during 9M24, reaching AED 1.3 Tn (USD 359 Bn). The growth was primarily driven by a 4.5% YOY expansion in non-oil sectors, which contributed AED 987 Bn, or 74.6% of GDP. Oil-related activities accounted for 25.4%. The growth is supported by the success of the UAE's economic diversification strategies, which aim to enhance business activities and expand into new sectors for sustainable development.

Abu Dhabi's Mubadala in talks to form consortium for new Rio de Janeiro stock exchange

Abu Dhabi-based sovereign wealth fund, Mubadala Investment Company, is in discussions with market makers and global banks to form a consortium for a new stock exchange in Rio de Janeiro, known as Base Exchange. The consortium would consist of up to ten partners, providing liquidity in exchange for equity, slightly reducing Mubadala's 73% stake in planned bourse while maintaining control. The planned exchange, which aims to compete with São Paulo's B3, is expected to receive regulatory approval by the end of 2024 and launch in early 2026. Rio's mayor has supported the project by signing a law to reduce the service tax on stock exchange activities to 2% from 5%.

UAE Renewables Company Masdar Considers Potential IPO

Masdaris exploring the possibility of an initial public offering (IPO). The renewables firm aims to boost its renewable energy capacity to 100 gigawatts by 2030, up from the current capacity of 51 gigawatts. The company is currently in informal discussions with banks and plans to conduct a dual listing in Abu Dhabi and New York.

Abu Dhabi's GDP Increased 3.8% in 2024

Abu Dhabi's economy demonstrated strong growth in 2024, with real GDP increasing 3.8% to reach AED 1.2 Tn. The development is primarily driven by a 6.2% expansion in the non-oil sectors, including manufacturing, construction, finance, and retail. Non-oil activities now account for 54.7% of the total GDP. The growth reflects the success of Abu Dhabi's economic diversification strategies and its commitment to industrial development and enhancing human capital.

Saudi Arabia

Aramco-led Chinese JV reaches 60% completion on HAPCO's USD 12 Bn petrochemical project

The Huajin Aramco Petrochemical Company (HAPCO) is progressing with the USD 11.5 Bn fine chemicals and raw materials project, with around 60% of the work completed. This project is a joint venture between Aramco (30%), the NORINCO Group (51%), and the Panjin Xincheng Industrial Group (19%). Situated in northeast China, the facility spans c. 9.0 square kilometers and will feature a refinery with a capacity of 300,000 barrels per day, along with a petrochemical plant producing 1.65 Mn metric tonnes of ethylene and 2 Mn metric tonnes of paraxylene annually. The facility is slated to be fully operational by 2026.

Saudi Arabia approves feedstock allocation for new petrochemical projects in Jubail

The Ministry of Energy of Saudi Arabia has approved the allocation of feedstock for industrial complexes by Sahara International Petrochemical Company (Sipchem) and the National Industrialization Company (Tasnee) in Jubail Industrial City. Tasnee's project will include a thermal cracking unit with a capacity of 3.3 Mn tons of petrochemical products, set to begin in 4Q30. Sipchem, in partnership with LyondellBasell, will develop a joint complex with a capacity of 1.5 Mn tons of ethylene and 1.8 Mn tons of derivative products. Sipchem will own 60% of the venture.

Saudi Arabia's non-oil private sector maintained strong growth in February

The non-oil private sector in Saudi Arabia continued its strong expansion in February 2025, with a PMI of 58.4, supported by increased activity levels and robust customer sales. However, PMI declined from a decade high recording of 60.5 in January, reflecting a cooling in new business. Despite this, increased tourism and marketing efforts boosted sales, and employment rose at the fastest pace in 16 months. Input costs continued to increase, fueled by higher material prices and wages, although the rate of inflation slowed slightly. Companies reported only a modest increase in selling prices, as competitive pressures limited their ability to raise prices significantly.

Warburg Pincus teams up with Hassana to explore investment opportunities in Saudi Arabia

Warburg Pincus LLC, a New York-based private equity firm with over USD 86 Bn in assets under management, has partnered with Saudi Arabia's USD 300 Bn pension fund, Hassana Investment, to explore investment opportunities in the kingdom. The collaboration will help build on a decade-long relationship between the two, with Hassana, the investment arm of the General Organization for Social Insurance (GOSI), the world's largest pension fund, aiming to expand the partnership in Saudi Arabia.

Saudi Arabia's GDP rises by 1.3% in 2024, fueled by growth in the non-oil sector

Saudi Arabia's real GDP grew by 1.3% in 2024, supported by a 4.3% rise in non-oil activities and a 2.6% increase in government activities, while oil activities fell by 4.5%. The GDP for 4Q24 surged by 4.5% YOY, driven by growth across all sectors, with non-oil activities increasing by 4.7%, government activities by 2.2%, and oil activities by 3.4%. Despite the increase, the government recorded a budget deficit of SAR 57.7 Bn in 4Q24 compared to SAR 30.2 Bn in 3Q24. Non-oil exports increased by 18.1%, and the non-oil private sector experienced its highest growth in a decade, driven by a strong Purchasing Managers' Index (PMI) of 60.5 in January and 58.4 in February. Consumer spending surged, with e-commerce growing by 44.6%. Saudi oil production slightly declined to 8.94 Mn barrels per day, while credit growth remained strong at 14.7%.

Saudi Arabia's inflation rate remains unchanged at 2% in February

Saudi Arabia's annual inflation rate remained stable at 2% in February 2025 compared to January 2025, one of the lowest among G20 nations. The stable inflation was primarily attributable to a 7.1% increase in prices for housing, water, electricity, gas, and fuel, with housing rents rising by 8.5%. Other price increases included food and beverages (up 1%) and personal goods and services (up 3.9%). Transportation prices decreased by 1.5%, while housing-related costs rose by 0.4%. The inflation rose 0.2% MOM in February 2025, driven by higher housing rents.

S&P upgrades Saudi Arabia’s rating to A+ due to economic transformation

S&P has upgraded Saudi Arabia’s sovereign credit rating from “A” to “A+” due to progress under Vision 2030, including improved governance and stronger capital markets. S&P maintained a stable outlook; however, it projected a fiscal deficit of 4.8% of the GDP in 2025, affected by fluctuating oil prices. Despite the decline, strong non-oil growth and rising oil production are expected to support an average GDP growth of 4% between 2025 and 2028. Saudi oil production is forecasted to exceed 10 Mn barrels per day by 2028. Inflation is expected to remain low at around 1.9% over the next four years.

Saudi Arabia grants licenses for its inaugural mineralised belts

Saudi Arabia's Ministry of Industry and Mineral Resources awarded mining exploration licenses for the first mineralised belts in Jabal Sayid and Al-Hajjar, focusing on copper, zinc, silver, and gold. Winners include Noring Ajlan & Brothers Mining for Southern Al-Hijjar and a consortium of ARTAR, Gold and Minerals Ltd, and Jacaranda for Northern Al-Hajjar. Indian company Vedanta secured the first license for Jabal Sayid, while the second license was awarded to Ajlan & Brothers and Zijin Mining. The exploration covers 4,788 square kilometers with an expected investment of SAR 366 Mn from the miners. The move aligns with Saudi Arabia's Vision 2030, which aims to diversify its economy and explore an estimated USD 2.5 Tn in untapped mineral resources.

Saudi Arabia's Capital Markets Authority Validates Flynas' IPO

Saudi Arabian budget airline flynas received approval from the Saudi Capital Market Authority for floating an IPO. Flynas is proceeding with plans to sell a 30% stake. The airline aims to expand its fleet to 160 aircraft by 2030 from its current fleet of 60.

Qatar

Fitch maintains Qatar’s AA rating with a stable outlook

Fitch Ratings has maintained Qatar's "AA" credit rating with a stable outlook, citing expectations of strengthened public finances due to increased liquefied natural gas (LNG) production. Qatar's high GDP per capita and flexible public finance structure also support the rating. The country's budget surplus is projected to reach 3.9% of its GDP in 2025 and 3.3% of its GDP in 2026, despite expected declines in oil and gas revenue with lower Brent oil prices. Qatar's debt-to-GDP ratio is set to decrease to 43% by 2027, down from 49% in 2024. State-owned Qatar Energy plans to increase its LNG production capacity to 142 Mn tons per year by 2030 from the current capacity of 77 Mn tones.

Qatar's economy expands by 2.4% YOY in 2024

Qatar's economy grew by 2.4% in 2024, reaching QAR 713 Bn in fixed price terms, with a 6.1% YOY increase in real GDP in 4Q24, driven by both the hydrocarbon and non-hydrocarbon sectors. Non-hydrocarbon activities, which now account for c. 64% of the country's GDP, grew by 3.4% YOY, indicating progress in economic diversification. Key sectors, including accommodation, financial services, and construction, saw notable growth, reflecting Qatar's resilience and efforts toward sustainable development. The trends align with Qatar's Vision 2030, which focuses on diversification and investment in non-oil and gas industries.

L&T bags QatarEnergys Ultra Mega Offshore Contract

QatarEnergy LNG awarded an "ultra mega" offshore contract for the North Field Production Sustainability Offshore Compression Project (NFPS COMP 4) to Larsen & Toubro Limited (L&T) Hydrocarbon Business. The agreement marks L&T's most significant single contract, valued at over USD 1.75 Bn, and is expected to strengthen L&T's global energy portfolio while supporting Qatar’s energy security goals.

Kuwait

The non-oil sector in Kuwait showed signs of stagnation in February 2025

Kuwait's non-oil private sector saw a slowdown in growth in February 2025, with the Purchasing Managers' Index (PMI) dropping to 51.6 from 53.4 in January, recording the weakest performance since September 2024. Despite the decline, the PMI still indicates a positive trend. Output and new orders continued to increase, though at a slower pace, and employment declined for the first time in the last six months. Businesses also reduced selling prices despite a sharp rise in input costs. Overall, while business conditions remained positive, the pace of expansion slowed for the third consecutive month.

Fitch upholds Kuwait's 'AA-' rating with a stable outlook

Fitch Ratings has maintained Kuwait's 'AA-' Long-Term Foreign-Currency Issuer Default Rating (IDR) with a stable outlook, highlighting its strong financial position despite challenges such as its dependency on oil and a large public sector. Kuwait's external assets are the highest among Fitch-rated nations, with sovereign net foreign assets expected to reach 601% of the GDP by 2025. The government is implementing fiscal reforms, including a 15% tax on multinational companies, and plans to pass a debt law for new borrowing. While lower oil revenues may affect the budget, Kuwait's low debt-to-GDP ratio and substantial assets provide stability, supporting the positive outlook.

Fitch: Kuwait's debt law passage will aid in reducing the deficit

Fitch Ratings noted that Kuwait's new debt law, under review by the Council of Ministers, will enable the country to raise debt to cover nearly 30% of its deficit. Expected to take effect by March 2026, the law will allow Kuwait to resume issuing its sovereign dollar, which has been on hold since 2017. Despite this, Kuwaiti issuers became the third-largest GCC issuers of US dollar debt in 2024, with dollar issuance surging to USD 13.6 Bn. The share of sukuk in Kuwait's debt market rose to 27% by January 2025. Fitch predicts that the government debt-to-GDP ratio will increase if the liquidity law is passed, but it remains low at 2.9% in FY2024. Despite fiscal pressures, Fitch believes that Kuwait can meet its short-term financing needs.

Kuwait introduces new law to facilitate return to international debt markets

Kuwait passed a new law regulating public borrowing, setting a debt ceiling of KD 30 Bn (USD 97.4 Bn) and allowing financial instruments with maturities up to 50 years. The country is facing a projected budget deficit of USD 18.3 Bn for the 2024-2025 fiscal year, and the new law aims to reduce dependence on oil revenues and alleviate pressure on the General Reserve Fund. The law is viewed as a step forward in economic reforms, with a focus on diversifying funding sources and supporting investment programs.

EGYPT

Egypt's trade deficit reached USD 4.15 Bn in December 2024

Egypt's trade deficit widened by 13% YOY in December 2024, reaching USD 4.15 Bn compared to USD 3.67 Bn in December 2023, according to CAPMAS data. Imports rose by 11.3% to USD 8.11 Bn in December 2024, with a significant increase in natural gas imports, which surged by 105.2%. Exports grew by 9.6%, totalling USD 3.96 Bn, driven by a 128.5% rise in petroleum product exports.

Egypt's Prime Minister: PMI above 50 signals economic growth

Economic reforms in Egypt are yielding positive results, with the Purchasing Managers' Index (PMI) surpassing 50 points for the second consecutive month, indicating a positive growth outlook. The Prime Minister highlighted a USD 8.7 Bn increase in net foreign assets (NFA) in January 2025, a significant turnaround from a USD 29 Bn deficit a year earlier. Additionally, foreign exchange reserves rose to USD 47.4 Bn, signalling economic stability. The government is focusing on balancing revenues, ensuring sufficient foreign currency availability, supporting the private sector, and avoiding measures that restrict growth. Despite some fluctuations, Suez Canal revenues are expected to stabilise by April, further strengthening the economy.

Egypt's headline inflation drops to 12.8% in February

Egypt's annual urban consumer price inflation dropped to 12.8% in February from 24.0% in January, exceeding analysts' expectations. The decline was partly due to a base-year effect, as previous high price increases were no longer reflected. Inflation decreased steadily from a peak of 40.3% in September 2023, driven by economic measures such as currency devaluation, interest rate hikes, and an IMF support package. February's inflation rate was 12.1%, the lowest since March 2022. Prices for vegetables and oil declined, while those for fruits, transportation, and energy experienced the highest inflation.

Egypt plans to lease a German floating regasification unit to boost gas supply

Egypt plans to lease a German floating regasification unit to address rising domestic gas demand, as production from its Zohr gas field has declined to 1.9 Bn cubic feet per day in early 2024, well below 2019 levels. The authorities explored Germany's potential to purchase Cypriot gas for re-export via Egypt's liquefaction facilities. Egypt and Cyprus have recently signed agreements to export Cypriot gas through Egypt, thereby enhancing the Eastern Mediterranean's role as an energy hub. A delegation will visit Berlin to finalise the details.

Capricorn Energy is in advanced negotiations with Egypt for gas concession agreements

Capricorn Energy is in advanced talks with Egypt's state-owned Egyptian General Petroleum Corp (EGPC) to finalize terms for the Western Desert gas concession agreements, which could result in increased investment and production. Capricorn, alongside its partner Cheiron Energy, holds a 50% stake in the Western Desert concessions. The company has been revamping its strategy to focus on its Egyptian assets and reported positive progress in negotiating amendments to production-sharing contracts.

Egypt approves a USD 91 Bn budget for the 2025/26 fiscal year

Egypt's cabinet approved a USD 91 Bn draft state budget for the 2025/26 fiscal year. Expenditures are set to rise by 18%, while revenue is expected to increase by 19%, resulting in a deficit of USD 30 Bn, driven partly by inflation, which remains high at 12.8% in February. Financial reforms under an IMF program have reduced inflation from a peak of 38% in 2023. The budget targets a primary surplus of 4% of GDP, accompanied by a reduction in public debt to 82.9% of GDP, and includes increased spending on subsidies and social benefits, with a focus on food, energy, and petroleum products.

Egypt's GDP growth reached 4.3% in the second quarter, up from 2.3% a year earlier

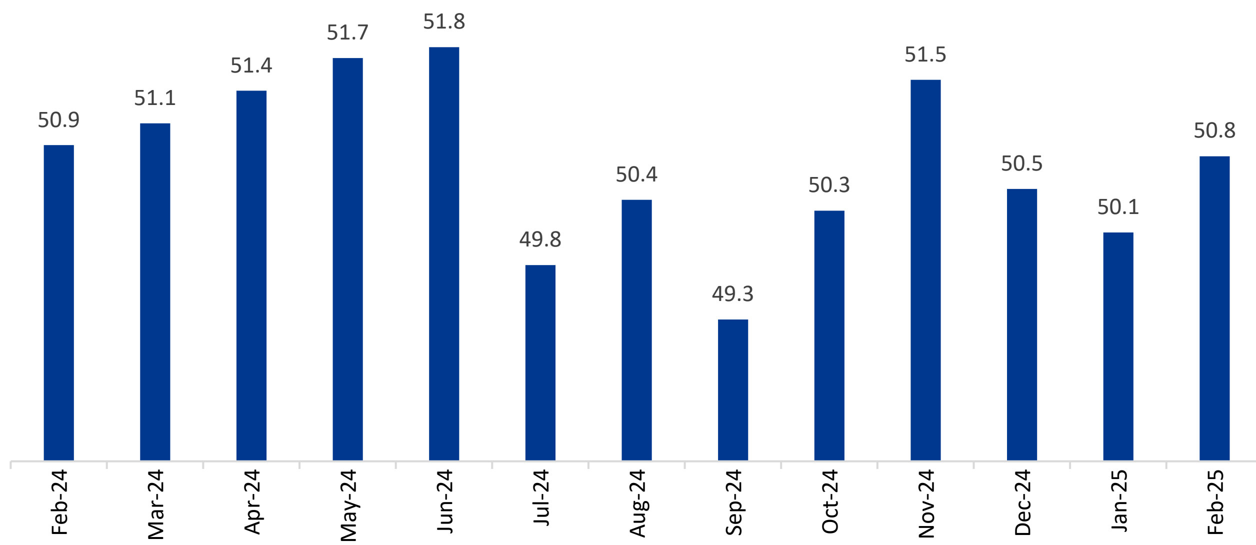
Egypt's GDP grew by 4.3% in the second quarter of the 2024/25 fiscal year, up from 2.3% in the same quarter of the previous fiscal year. Growth was driven by sectors such as non-oil manufacturing (up 17.7%) and tourism (up 18%), although public investments remained below 40% of total assets. However, some sectors, including the Suez Canal and extraction activities, saw declines, with oil and gas extraction falling by 7.6% and 19.6%, respectively.

Global Economy

Chinese manufacturing activity growth strengthens

China's manufacturing activity grew faster in February 2025, driven by increased output and new orders. The Caixin Manufacturing Purchasing Managers Index rose from 50.1 in January 2025 to 50.8 in February 2025, above the threshold of 50.0, which separates expansion from contraction. Output and new orders rose the most since November 2024. Furthermore, the rise in new orders indicated an improvement in economic conditions with the introduction of new products. The new export business grew for the first time since November 2024. Additionally, increased production boosted purchasing activity, though input inventories declined for the first time since July 2024. Meanwhile, the input price inflation edged up marginally, allowing manufacturers to offer discounts to clients.

Figure 20: China Caixin Manufacturing PMI

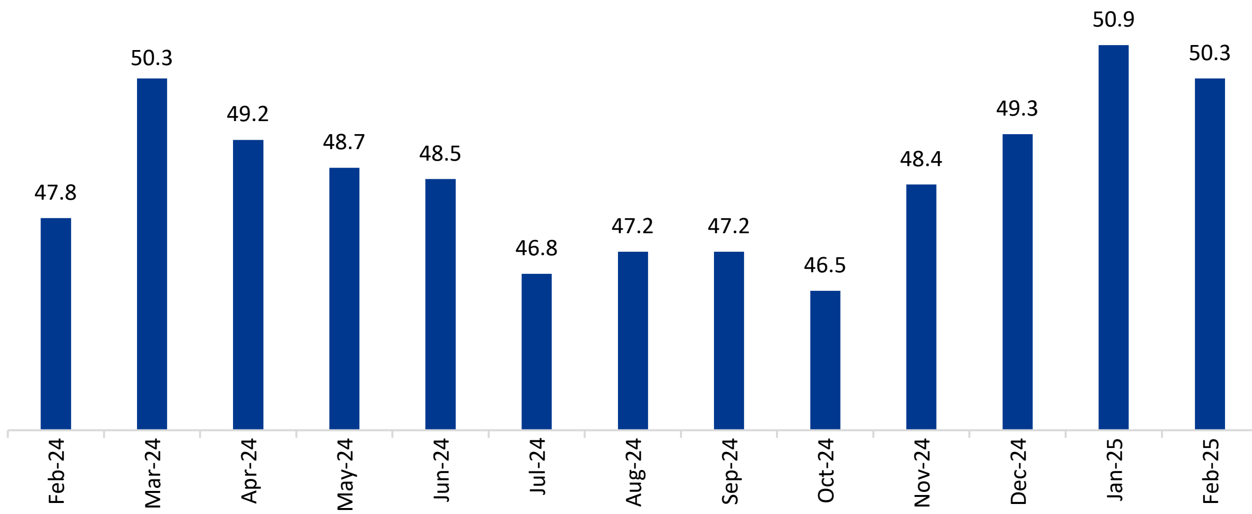


Source: CAPIQ

US manufacturing growth slows but remains positive in February

US manufacturing activity softened in February 2025, with the PMI declining from 50.9 in January 2025 to 50.3 in February 2025, but remained above the threshold of 50.0, which separates expansion from contraction. The decline was primarily driven by a sharp drop in new orders as the new order index fell from 55.1 in January 2025 to 48.6 in February 2025. This is accompanied by weakness in production and employment. The production index decreased from 52.5 in January 2025 to 50.7 in February 2025, while the employment index declined from 50.3 in January 2025 to 47.6 in February 2025. The price index rose from 54.9 in January 2025 to 62.4 in February 2025, showcasing the largest month-over-month growth since January 2024.

Figure 21: US ISM Manufacturing PMI

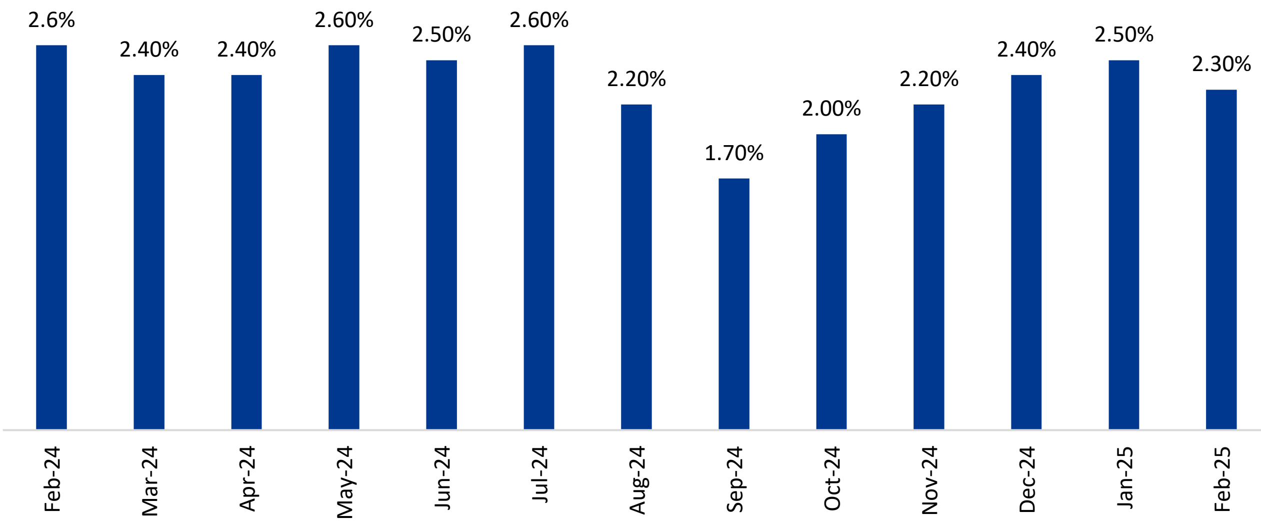


Source: CAPIQ

Eurozone inflation eases to 2.3% in February 2025

Eurozone inflation eased more than initially estimated to a three-month low in February 2025 due to the sluggish economic activity which hindered inflation pressure. The harmonised index of consumer prices (HICP) recorded an annual inflation of 2.3% YOY in February 2025, down from 2.5% in January 2025. Core inflation, excluding the prices of energy, food, alcohol and tobacco, eased from 2.7% in January 2025 to 2.6% in February 2025. The HICP rose 0.4% MOM in February 2025. Furthermore, the service costs recorded the highest annual increase of 3.7%, slower than the 3.9% growth in January 2025. The prices of food, alcohol, and tobacco increased from 2.3% in January 2025 to 2.7% in February 2025. In contrast, non-energy industrial goods prices increased from 0.5% in January 2025 to 0.6% in February 2025. Meanwhile, energy prices rose by only 0.2% in February 2025, a slower growth than the 1.9% rise recorded in January 2025.

Figure 22: Eurozone Consumer Price Index (CPI) YoY

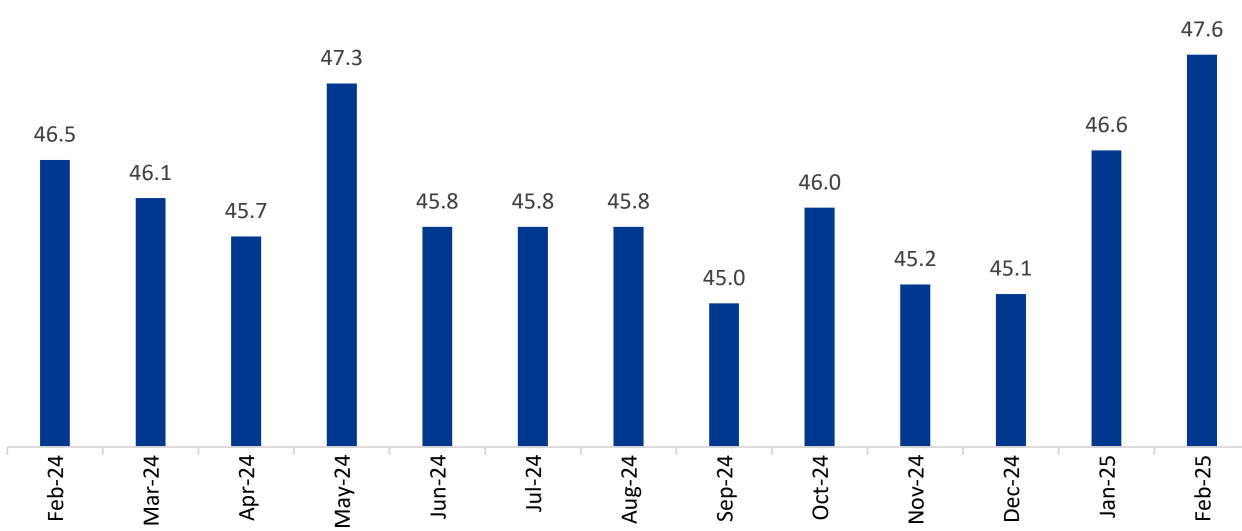


Source: CAPIQ

Eurozone manufacturing slowdown moderates

The Eurozone manufacturing sector remained in contraction during February, though the downturn was the mildest since early 2023. The HCOB manufacturing Purchasing Managers' Index (PMI) climbed from 46.6 in January 2025 to 47.6 in February 2025. Output declined at the softest pace in nine months, driven by a reduced decline in demand, while new orders dropped at the slowest rate in nearly three years. The manufacturers adopted a less aggressive approach to purchasing reductions; in addition, the backlog clearance continued at a slower pace. However, factories continued to reduce the workforce as a result, the rate of job cuts reached its highest level in 4.5 years. Similarly, cost pressures intensified as input price inflation reached a six-month high, while output charges declined only marginally from January 2025.

Figure 23: Eurozone's Manufacturing PMI

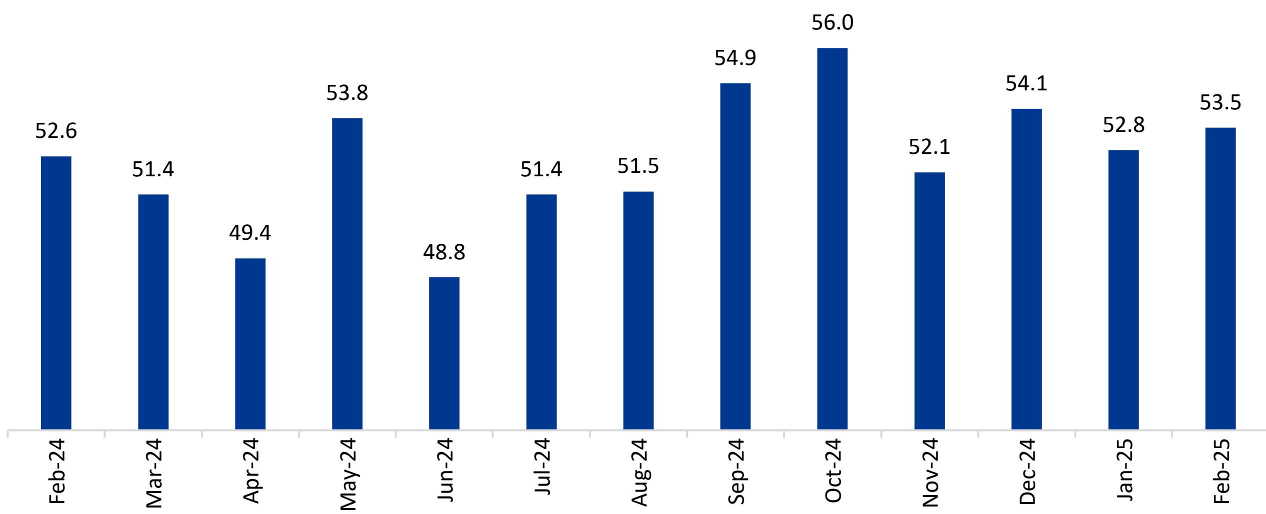


Source: CAPIQ

US services index surprisingly inches higher in February 2025

The US services sector witnessed an unexpected uptick in growth in February 2025. The index rose from 52.8 in January 2025 to 53.5 in February 2025, driven by faster growth in new orders, which climbed from 51.3 in January 2025 to 52.2 in February 2025, along with an increase in the employment index from 52.3 in January 2025 to 53.9 in February 2025, indicating faster job growth in the services sector. Supplier deliveries also improved from 53.0 in January 2025 to 53.4 in February 2025. Meanwhile, the business activity index edged down marginally from 54.5 in January 2025 to 54.4 in February 2025 but remained in expansion territory. The month of February was the third consecutive month in a row when all four subindexes, which account for services PMI such as business activity, new orders, employment, and supplier deliveries, remained in the expansion territory, the first time since May 2022. Additionally, the price index rose from 60.4 in January 2025 to 62.6 in February 2025.

Figure 24: US ISM Services PMI

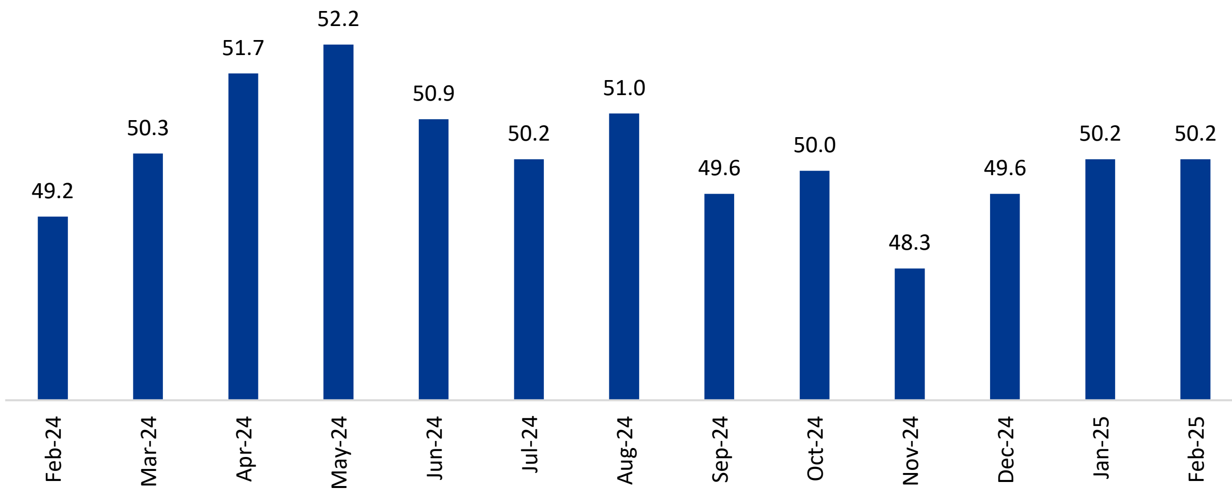


Source: CAPIQ

Eurozone private sector records marginal growth

The euro area's private sector experienced modest growth in February, driven by expansion in Germany, Spain, and Italy, while the growth in France hit the lowest level in more than a year. The HCOB final composite output index remained steady at 50.2, indicating growth in the private sector, as it remained above the neutral 50.0 threshold. However, the services PMI fell from 51.3 in January 2025 to 50.6 in February 2025, indicating a slowdown in momentum. The Eurozone economy experienced minimal growth for the second consecutive month, with a mild expansion in the services sector nearly offset by a manufacturing recession. Among all Eurozone countries, Spain registered the highest growth, with a strong growth in business activity. Germany remained a laggard and recorded marginal expansion despite a second consecutive month of improvement. In contrast, France remained a significant drag, with business activity contracting for the sixth straight month at its steepest rate in over a year.

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

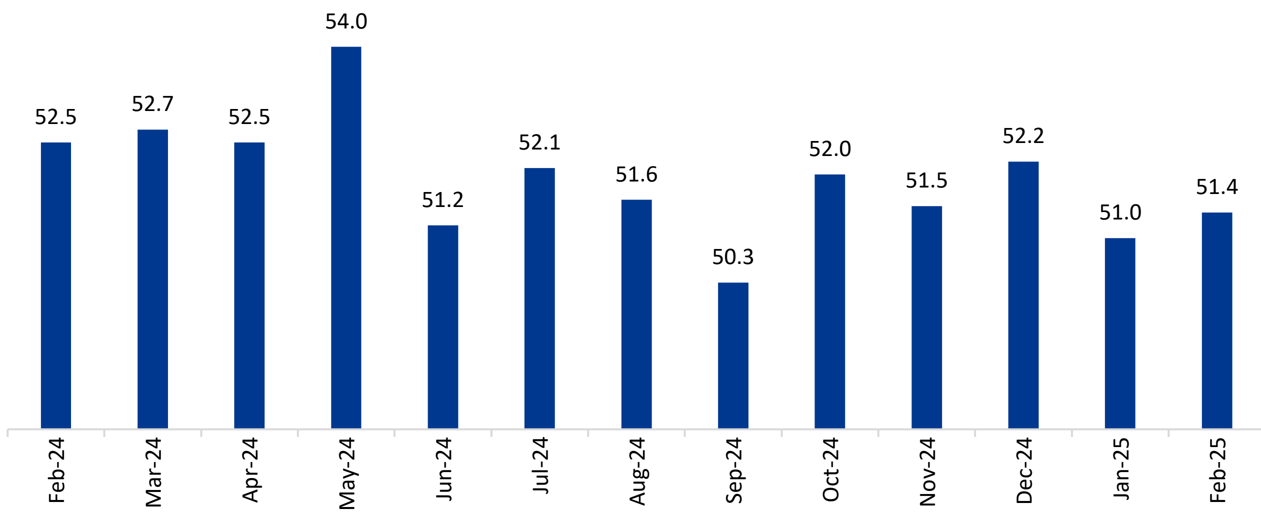


Source: CAPIQ

China's services sector expands at a faster pace in February 2025

China's service sector expanded at a faster pace in February 2025, driven by a moderate growth in new business. The services Purchasing Managers' Index rose from 51.0 in January 2025 to 51.4 in February 2025. Higher sales, new project launches, and promotional efforts fuelled the expansion. The new export business also grew at the fastest pace in three months. Employment saw marginal growth after two consecutive months of decline. The optimism among the service providers scaled to the highest level since last November as they remain hopeful of strong market demand and better economic conditions. On the other hand, input costs decreased marginally due to weaker market demand and lower raw material prices, resulting in a slight decline in output charges. The private sector composite output index rose from 51.1 in January 2025 to 51.5 in February 2025, driven by moderate growth in both manufacturing and services.

Figure 25: China's Service Sector PMI



Source: CAPIQ

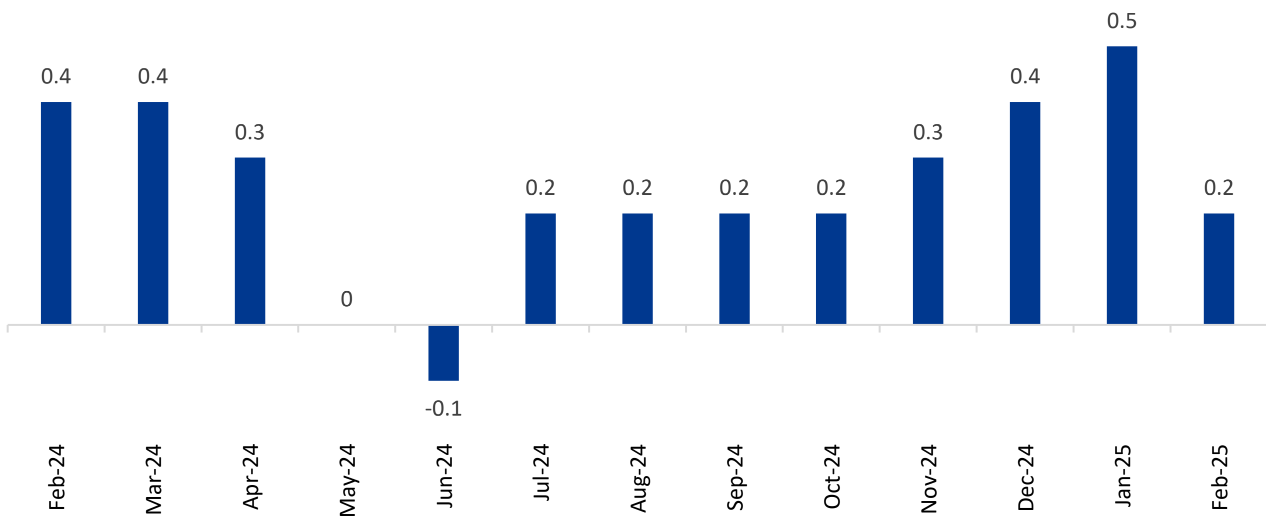
China maintains a 5% economic growth target amid tariff concerns

China maintained its 2025 growth target of 5% but adopted a more cautious approach toward nominal growth and inflation due to rising uncertainty over the US trade tariff threats. The budget deficit is estimated to grow from 3% in 2024 to 4% of GDP in 2025. Additionally, the Chinese government plans to increase defense spending by 7.2% in 2025. Meanwhile, the inflation target was lowered from 3% in 2024 to 2% in 2025.

US inflation eases as consumer prices rise below expectations in February

The US consumer prices rose slightly less than expected in February 2025, with the consumer price index increasing 0.2% MOM following a 0.5% MOM rise in January 2025. The core consumer price index, excluding food and energy, rose 0.2% MOM in February 2025, following a 0.4% MOM increase in January 2025. On an annual basis, consumer price growth slowed from 3.0% in January 2025 to 2.8% in February 2025, while core inflation eased to 3.1% in February 2025 compared to 3.3% in January 2025. The growth in consumer price inflation is driven by a modest growth in shelter costs, which rose 0.3% MOM in February 2025 compared to a 0.4% MOM growth in January 2025. Furthermore, the energy costs inched up 0.2% MOM in February 2025 due to rising electricity and natural gas prices. Food prices also rose 0.2% MOM in February 2025, with food prices away from home increasing by 0.4%.

Figure 26: US CPI (MOM)



Source: CAPIQ

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