



2016 GLOBAL SUKUK MARKET: A RECORD YEAR FOR CORPORATE ISSUANCE

Global sukuk market resumed positive strides in 2016 after three years of consecutive decline following its peak in 2012. Along with its rebound, the sukuk market also witnessed an important shift where corporate issuers dominated the market in 2016 with USD47.3 billion volume of issuance, representing a share of 63.2%. This is in contrast to historical trends where issuance was driven largely by sovereigns.

MALAYSIA

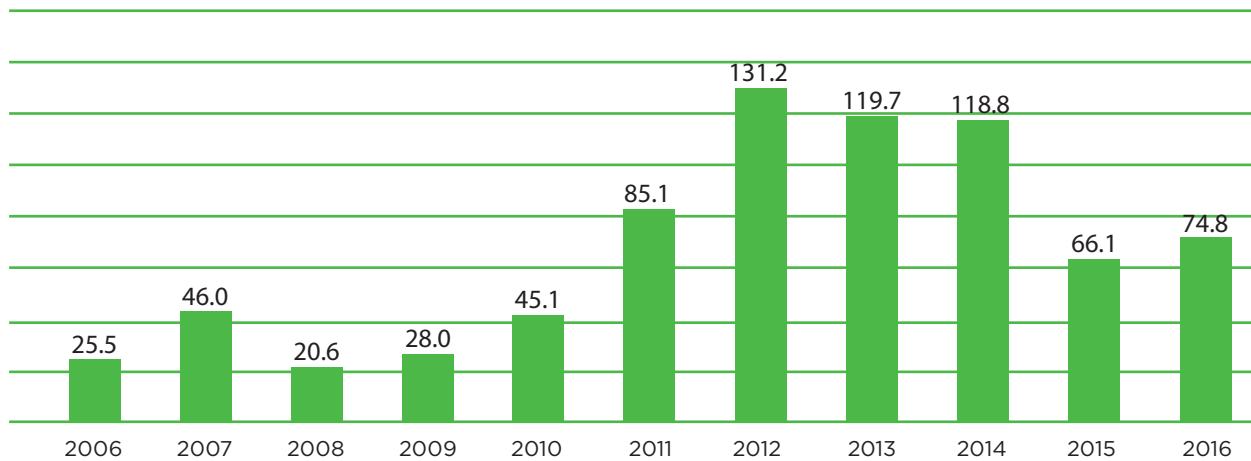
WORLD'S ISLAMIC FINANCE
MARKETPLACE

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In 2016, global sukuk market witnessed a rebound after three consecutive years of decline following its peak in 2012. Global sukuk issuance posted a solid growth of 13.2% from previous year to reach USD74.8 billion. Overall, sukuk issuer profile remained broadly similar to historical trends, with Malaysia continued to be the main driver for sukuk issuance for the year, commanding a market share of 46.4% of total issuances, followed by Indonesia and the United Arab Emirates (UAE), accounting for 9.9% and 9.0% share, respectively. Total issuances of GCC countries stood at USD19.6 billion,

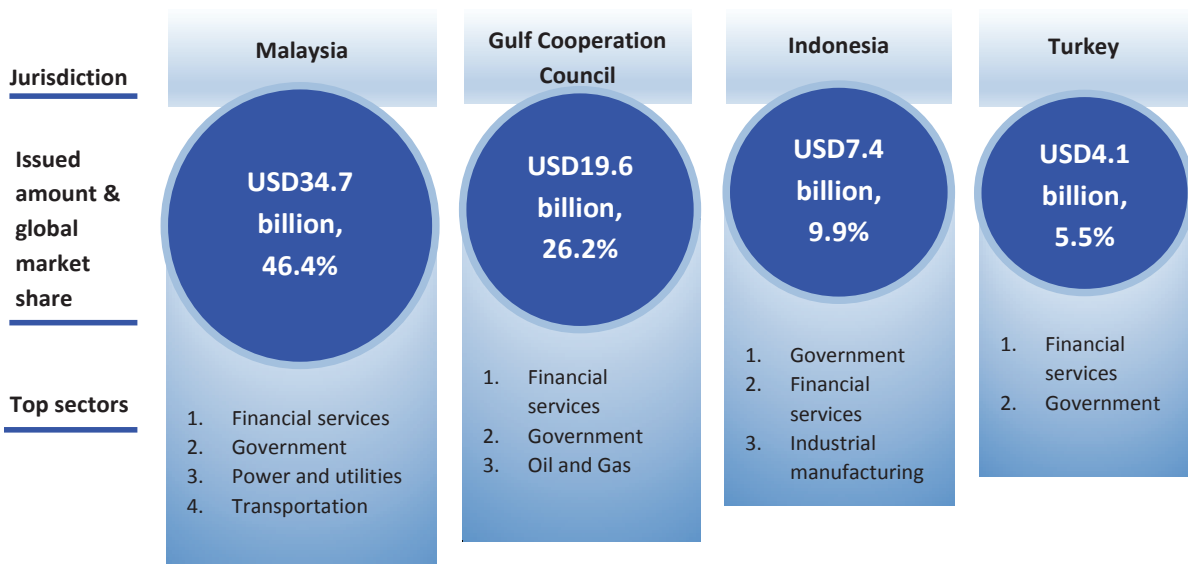
compared to USD18 billion in the previous year, driven by higher issuances from sovereigns. Higher issuances from this region suggested sukuk remain an important source of funding in financing their budget deficits amidst low oil prices and export earnings. Elsewhere, Turkey recorded a notable rise in sukuk issuance at USD4.1 billion for the year, supported by a number sovereign issuances with maturity ranging from one to five years. The year 2016 also witnessed issuances from Senegal, Jordan, Ivory Coast and Kuwait.

**Global Sukuk Issuance
USDbln**



Source: Thomson Reuters, MIFC estimates

Top Sukuk Markets in 2016



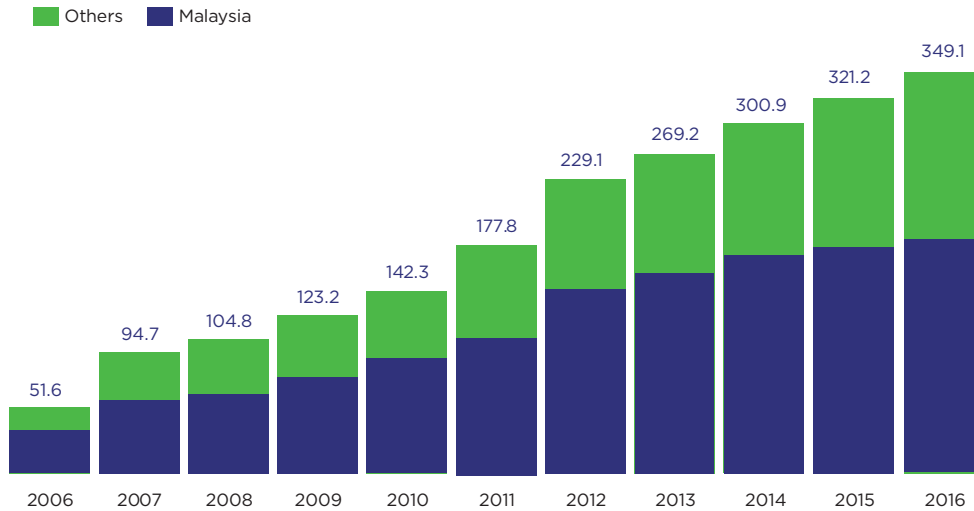
Source: Thomson Reuters, MIFC estimates

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Global sukuk outstanding increased to a record of USD349.1 billion as of December 2016, an 8.7% increase from USD321.2 billion as at end-2015. By domicile, Malaysia's secondary sukuk market stood at USD183.8 billion, representing a share of 52.6% of

total sukuk outstanding. This was followed by Saudi Arabia and the UAE with market share of 16.3% and 8.9%, respectively.

**Global Sukuk Outstanding
USDbln**

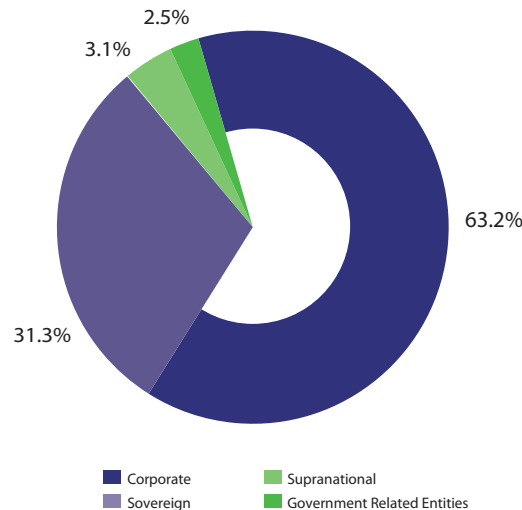


Source: Thomson Reuters, MIFC estimates

There was a notable shift in composition of sukuk issuers in 2016. In contrast to historical trends where issuance was driven by sovereigns, corporate issuers dominated the market in 2016, producing a volume of USD47.3 billion, representing a share of 63.2%. These

issuances were mainly from the financial services sector, accounting for 80.7% of total issuance by corporates globally. In Malaysia, among the issuers were Danalnfra Nasional Berhad, MEX II Sendirian Berhad and TNB Global.

**Global Sukuk Issuance by Type of Issuers
USDbln**



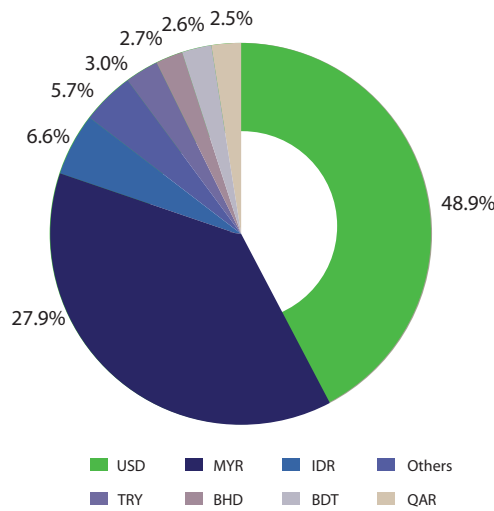
Source: Thomson Reuters, MIFC estimates

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In terms of currency, US dollar accounted for 48.9% of total issuance, in line with broad expectation of strong dollar environment following the US Fed interest rate hikes. This was followed by the MYR-denominated sukuk representing a share of 27.9% and Indonesia rupiah denominated sukuk with a share of 6.6%. As for sukuk tenure, in comparison to 2012, issuers' preference shifted towards medium to long-term sukuk with issuance of securities maturing five years

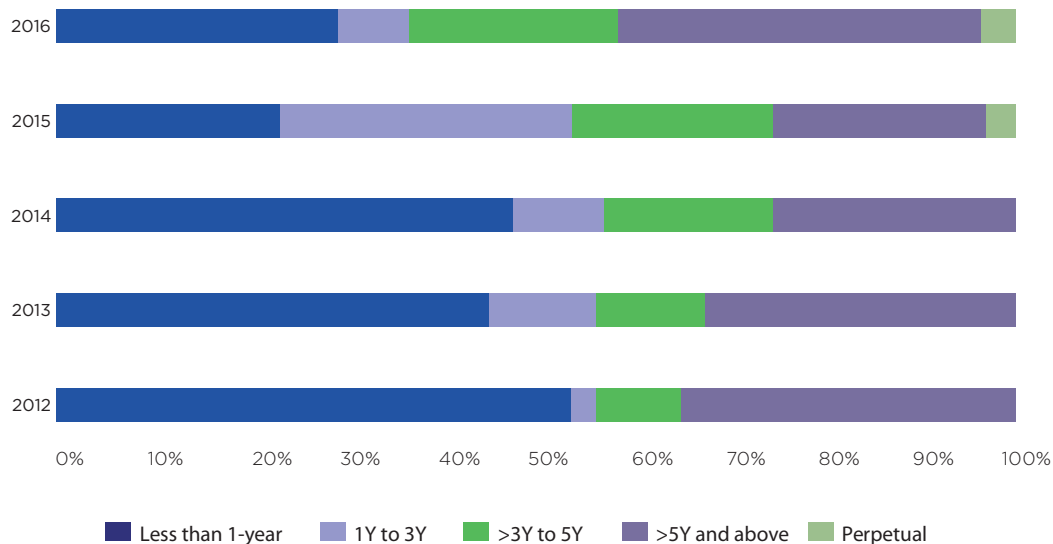
and above accounting for almost 40% of total issued securities. Across sectors, financial services sector continued to dominate the issuance trend as financial institutions tapped the sukuk market to raise capital in compliance with Basel III requirement. Structure wise, there has been considerable diversity in types of sukuk structure in 2016, with Murabahah, Ijarah and Wakalah Bil Ishtimar structures topped the chart.

Global Sukuk Issuance by Currency % of total



Source: Thomson Reuters, MIFC estimates

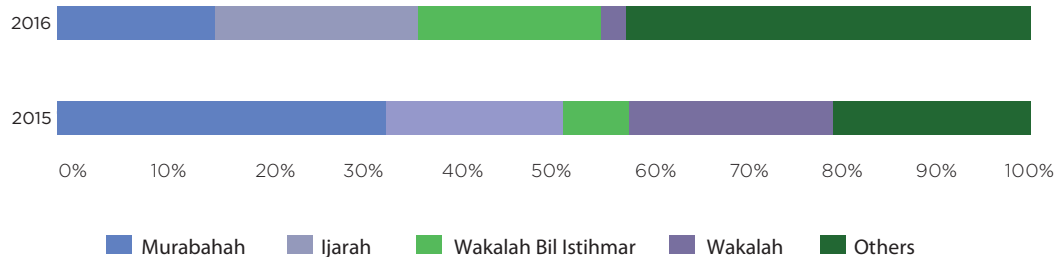
Global Sukuk Issuance by Tenure



Source: Thomson Reuters, MIFC estimates

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Global Sukuk Issuance by Structure



Source: Thomson Reuters, MIFC estimates

Prospect for 2017

As at February 2017, sukuk issuances stood at USD11 billion. Of significance, Dubai Islamic Bank issued a 5-year tenure senior sukuk issuance amounting to USD1 billion, maturing in February 2022. The issuance is part of its USD5 billion Sukuk Programme. Other significant issuances include State of Qatar (USD2.1 billion), Investment Corporation of Dubai (USD1 billion) and Government of Malaysia (USD1.8 billion).

The primary sukuk market is expected to gain momentum in 2017, with issuances coming predominantly from corporate issuances in Malaysia as well as GCC and MENA sovereigns. Market expectations of recovery in oil prices and austerity measures adopted by the GCC countries will provide opportunities for this region to tap sukuk market in

financing budget deficits. In the corporate sector, financial services is expected to take the lead with Islamic financial institutions increasingly issuing capital in boosting tier 1 and tier 2 sukuk to meet their capital requirements, particularly to comply with Basel III. Prospects for 2017 issuances also appears positive based on issuance scheduled in the pipeline, Morocco, Sri Lanka and Maldives, among others.

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